



# OdontoPrev

## October Corporate Presentation

New growth cycle and value innovation



Planet 50-50 by 2030  
Step It Up for Gender Equality



FTSE4Good



# Index

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**1 About OdontoPrev**

**2 Dental benefits: an incipient sector in Brazil**

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# 1

## About OdontoPrev

# About OdontoPrev

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OdontoPrev, listed in São Paulo since 2006, is the leading dental benefits provider in Latin America, and the largest company in the Brazilian healthcare sector in terms of clients, with more than 7 million members. The company is a member of the Novo Mercado at B3, with every share representing one vote, and a constituent of the FTSE4Good Index, with shareholders from more than 30 different countries.

We run an asset-light business model, based on world-class dental IT platform. Pre-paid corporate revenues and post-paid cost of services represent negative working capital needs, low capex requirements and high predictability of cash flow generation.

OdontoPrev has zero debt, and makes quarterly cash dividend payments to investors.

# Net revenues, adjusted EBITDA and net income evolution since IPO

2006 - JUN19 CAGR

Net revenues

**20%** p.y.

Adjusted EBITDA

**20%** p.y.

Net income

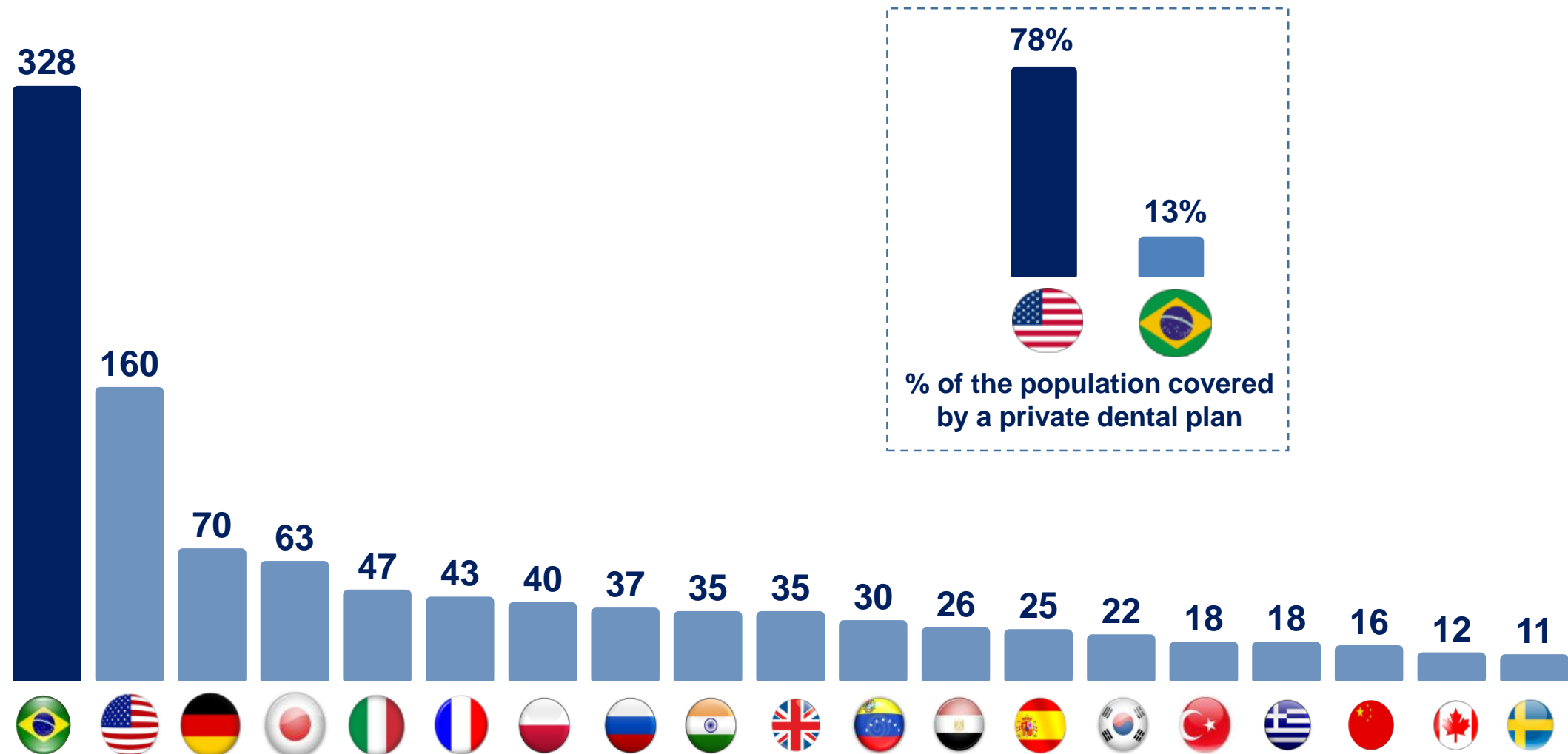
**26%** p.y.

**Dental benefits:  
an incipient sector  
in Brazil**

**2**

# Brazil leads the global ranking of dentists

Number of dentists per country (thousand)

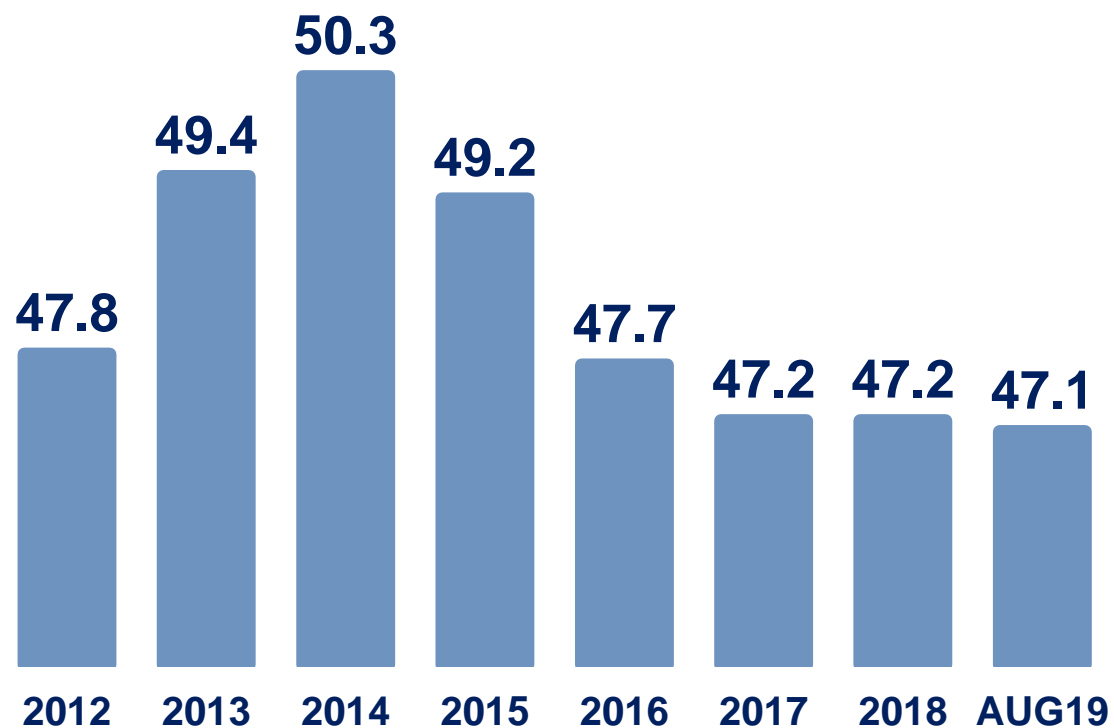


Source: FDI World Dental Federation – The Oral Health Atlas 2009, Federal Council of Dentistry– Brazil (September 2019) and Eurostat 2015-2016

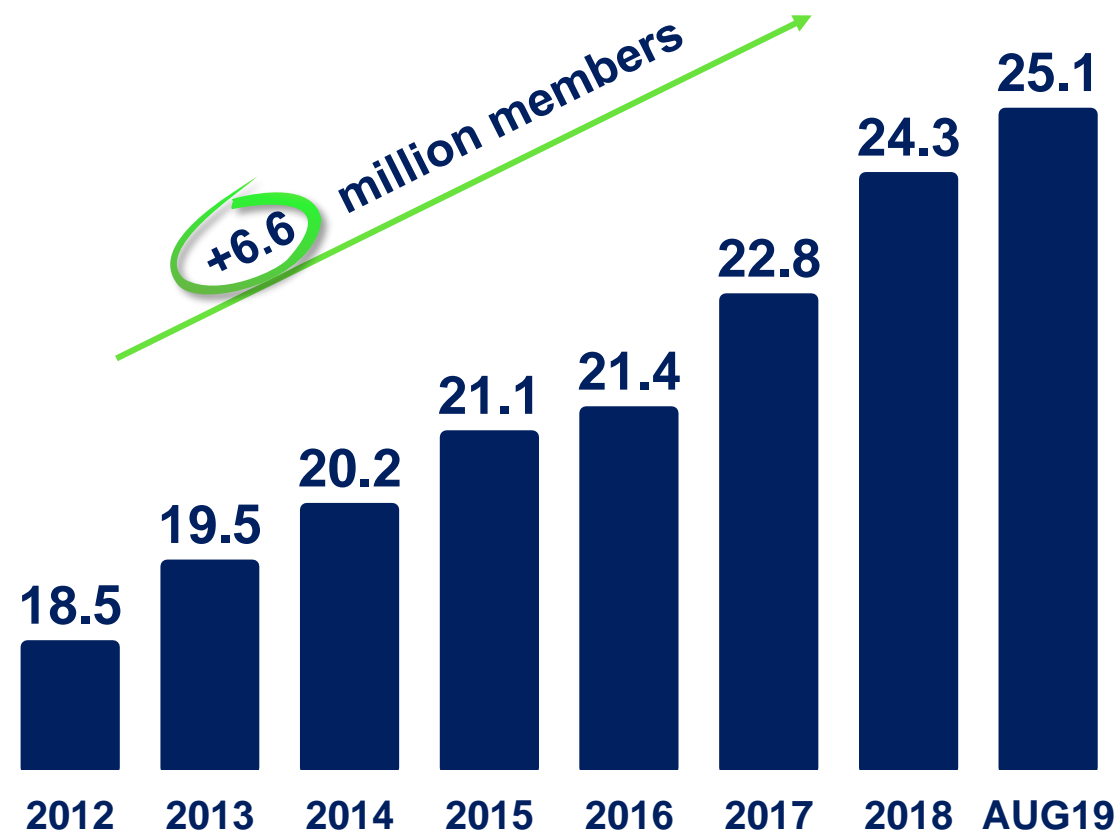
# Medical and dental plans membership growth

Million members

Medical plans



Dental plans

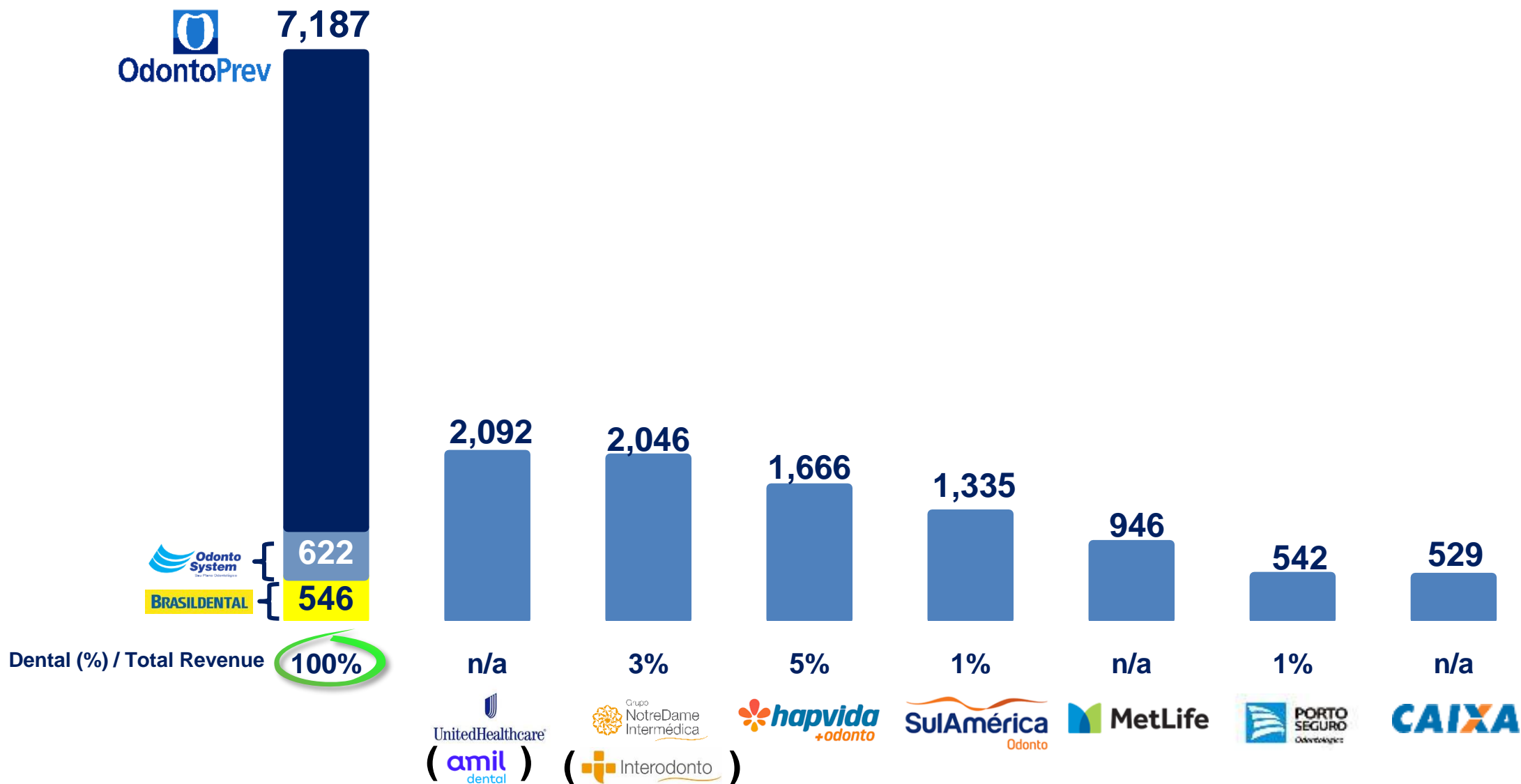


Source: ANS AUG/19



# OdontoPrev: market leader since 1998

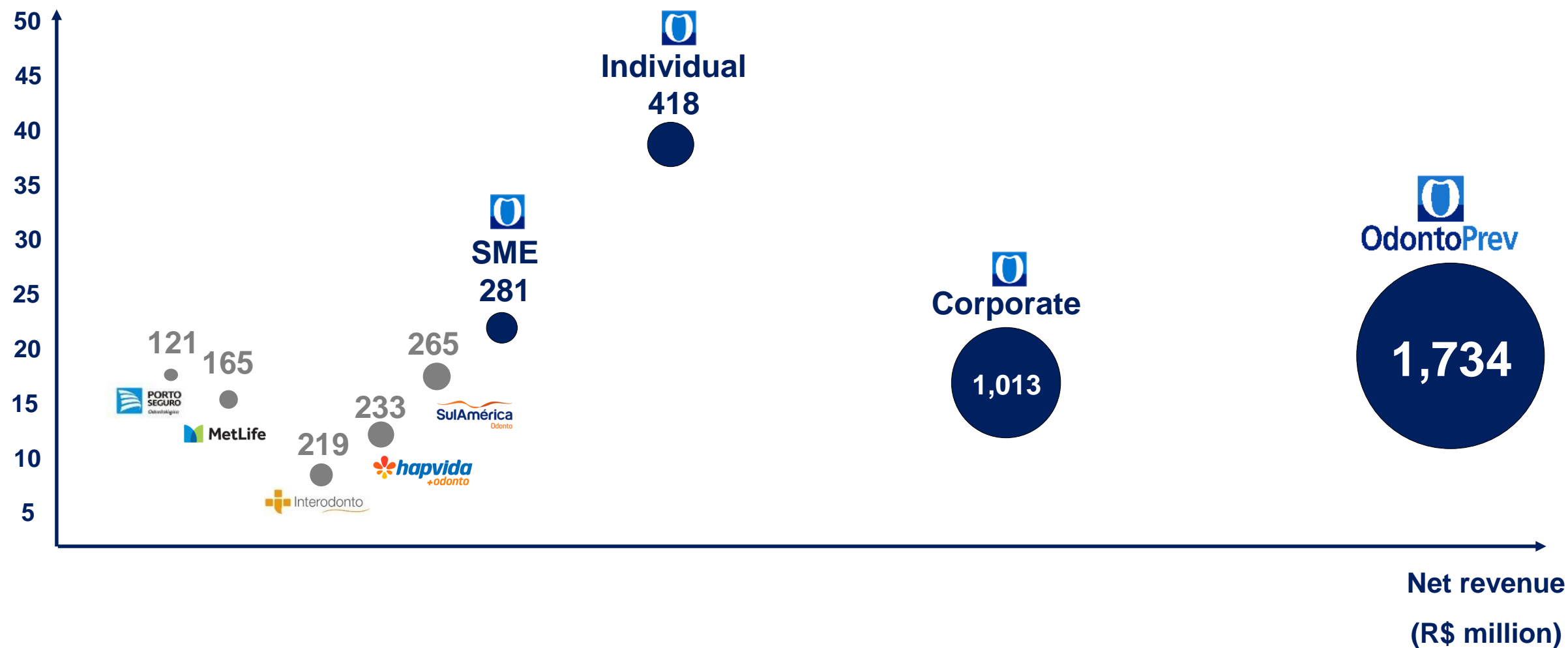
Key players, brazilian dental benefits 2Q19 (thousand members)



# JUL18-JUN19 Net revenue and average ticket

R\$ million

Average Ticket (R\$ / member / month)



Source: OdontoPrev

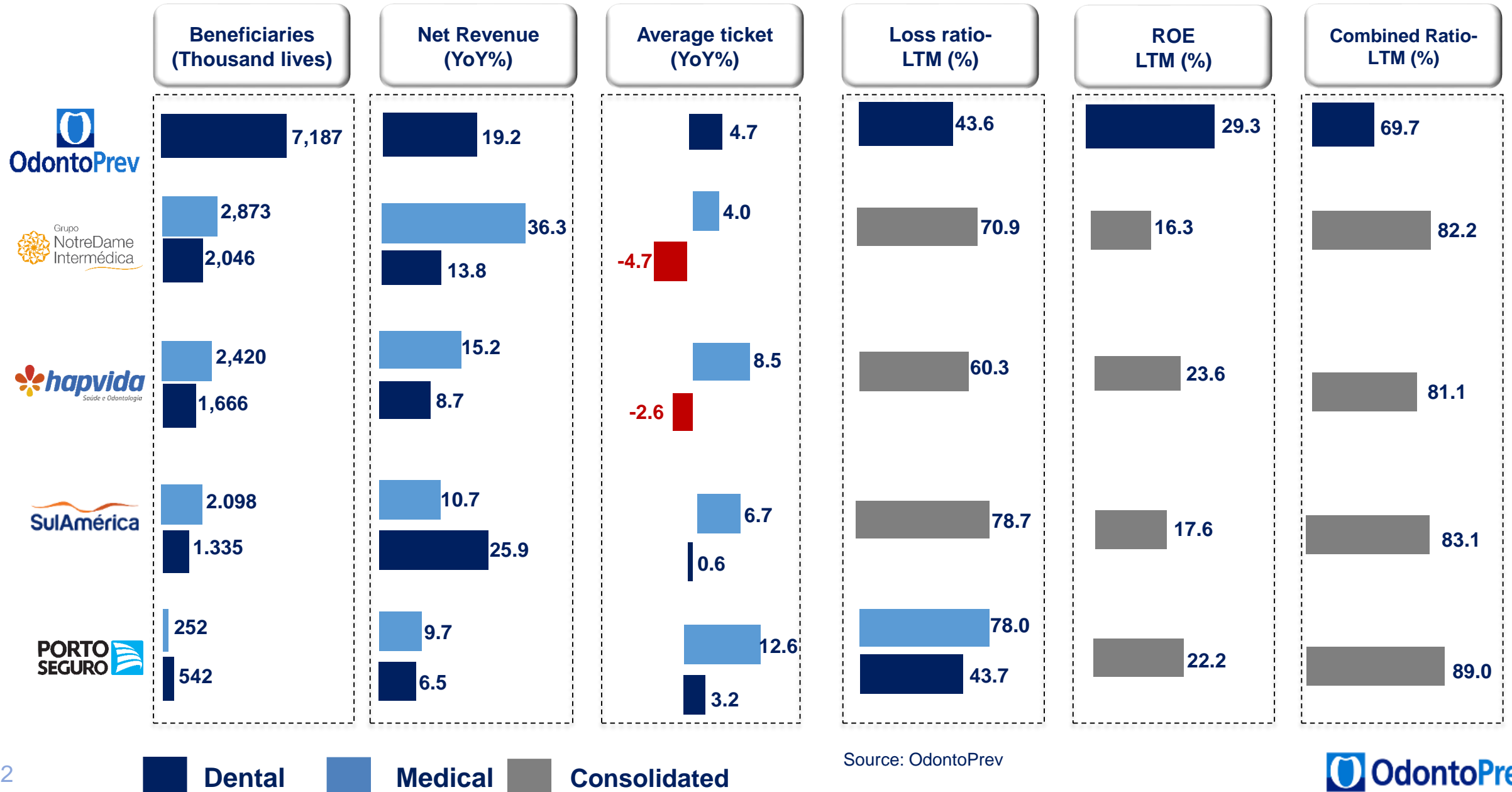
# Ranking of operators by region

Key players per region, brazilian dental benefits (thousand members)




|              |  |            |  |            |  |            |  |            |  |            |
|--------------|---|------------|--|------------|---|------------|---|------------|---|------------|
|              | Members   | Ranking    | Members  | Ranking    | Members   | Ranking    | Members   | Ranking    | Members   | Ranking    |
| Southeast    | 3,964   | 1st        | 1,558  | 3rd        | 1,919   | 2nd        | 99  | 19th       | 900   | 4th        |
| South        | 748   | 1st        | 118  | 4th        | 50  | 11th       | 34  | 12th       | 171   | 3rd        |
| Middle-West  | 558   | 1st        | 195  | 2nd        | 32  | 13th       | 7   | 21th       | 77  | 5th        |
| Northeast    | 1,675   | 1st        | 195  | 3rd        | 51  | 15th       | 1,252   | 2nd        | 169   | 4th        |
| North        | 298   | 1st        | 35   | 7th        | 6   | 13th       | 266   | 2nd        | 82  | 5th        |
| <b>Total</b> | <b>7,243</b>  | <b>1st</b> | <b>2,101</b>   | <b>2nd</b> | <b>2,058</b>  | <b>3rd</b> | <b>1,658</b>  | <b>4th</b> | <b>1,399</b>  | <b>5th</b> |

Source: ANS JUN19

# Key metrics of peer companies, 2Q19



# OdontoPrev competitive advantages X Peers

|   |  OdontoPrev   | Peers             |
|---|--|-------------------|
| Dental focus                              | Yes  | No                |
| Strategy                                  |  Value driven | Volume/Cross-sell |
| Membership market-share                   | 29%  | 71%               |
| Revenue market-share <sup>1</sup>         | 47%  | 53%               |
| Dental as % of revenues                   |  100%         | <2% <sup>2</sup>  |
| 2Q19 Average Ticket<br>(R\$/member/month) | 21   | 15 <sup>2</sup>   |

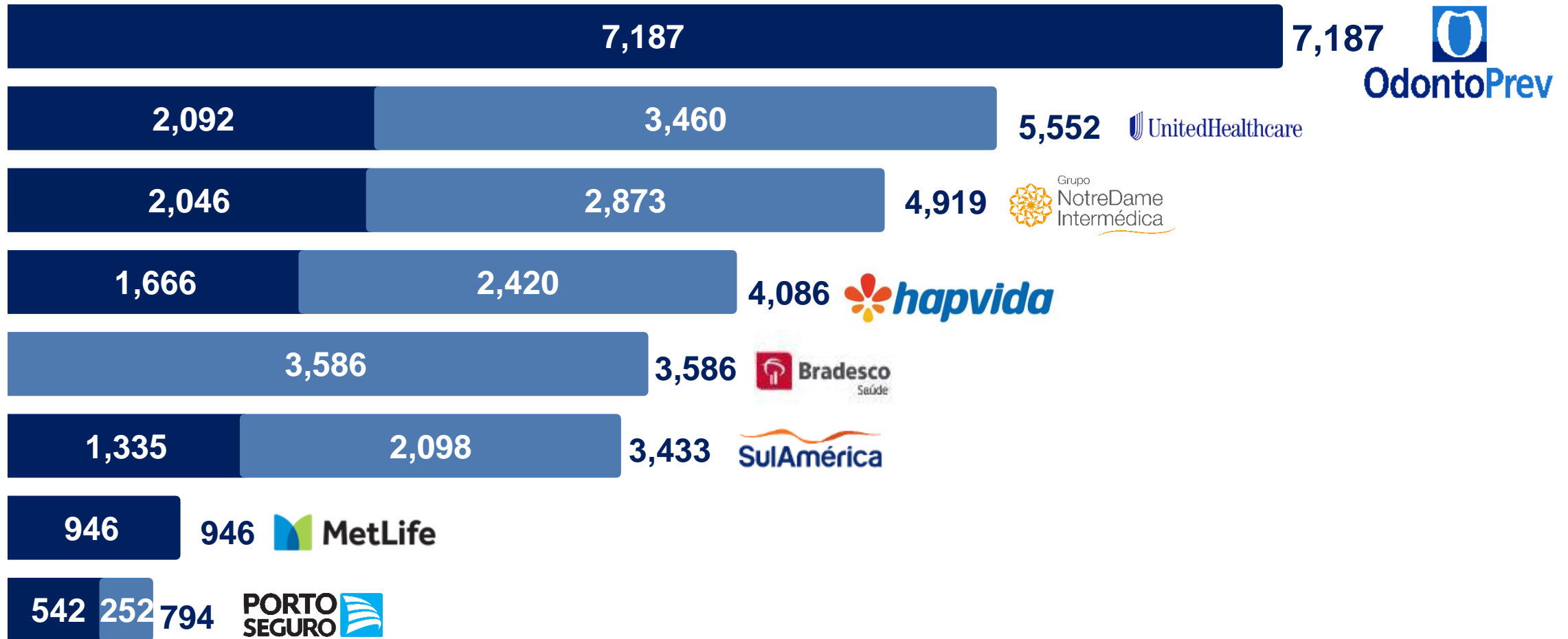
<sup>1</sup> Excludes Amil (United Healthcare), Hapvida and GNDI

<sup>2</sup> Hapvida, GNDI, Porto Seguro and SulAmérica

# Key healthcare players: OdontoPrev has the largest membership base

Thousand members

2Q19







Source: OdontoPrev

Dental

Medical

**3 accelerated growth cycles,  
over the last decade, by  
specific strategic movements**

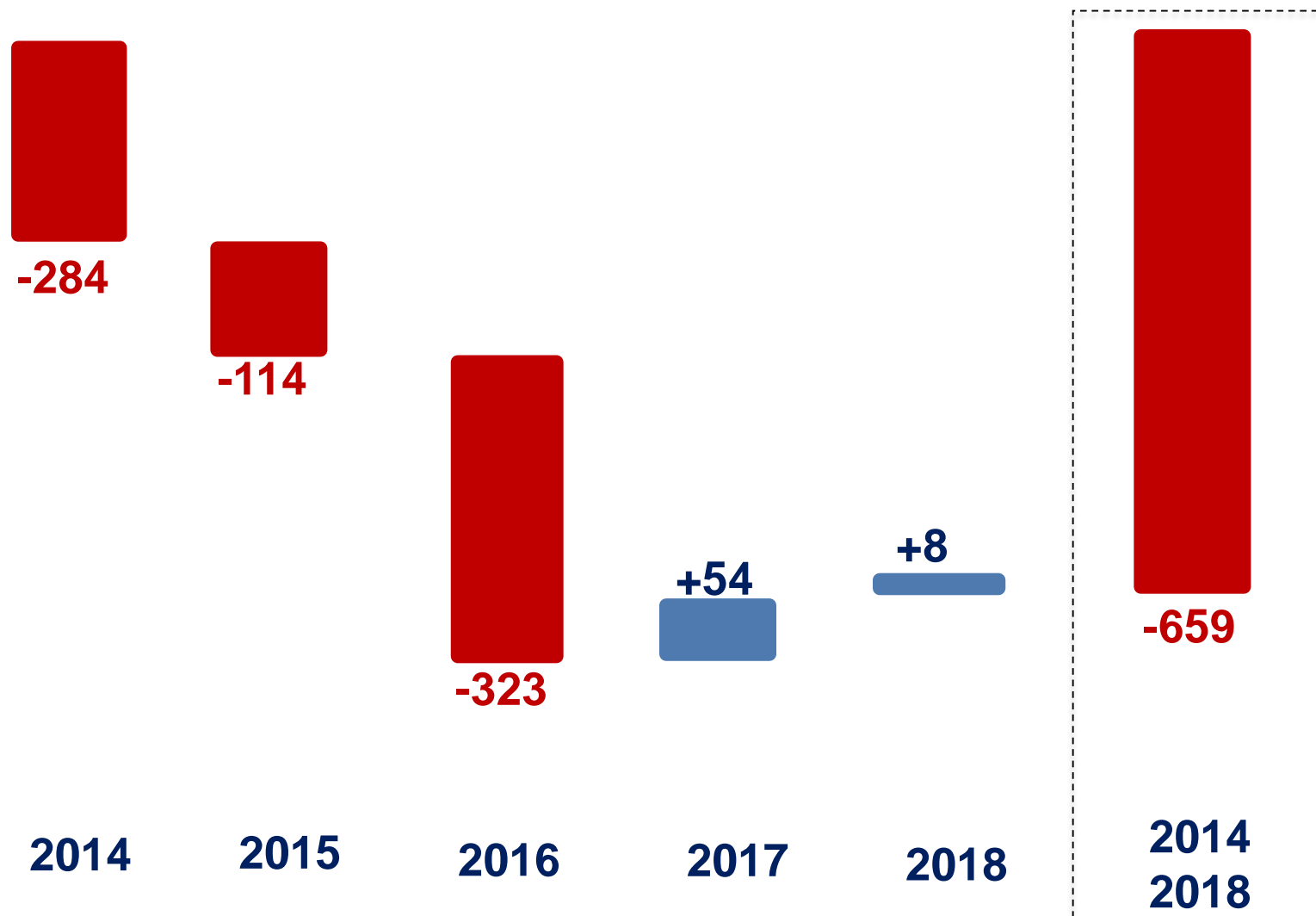
# Accelerated sector growth cycles since 2006

|          | Period      | Players   | Membership growth    | Strategic movement              |
|----------|-------------|---|----------------------|---------------------------------|
| Cycle 01 | 2006 - 2009 |  <b>Bradesco</b><br>Dental   | ~1 million members   | Merger with OdontoPrev          |
| Cycle 02 | 2010 - 2013 |    | ~1 million members   | Acquisition by UnitedHealthcare |
| Cycle 03 | From 2014   | + <br>Grupo<br> NotreDame<br>Intermédica | ~1.5 million members | IPOs                            |



# Negative result in Brazil since the acquisition in 2014

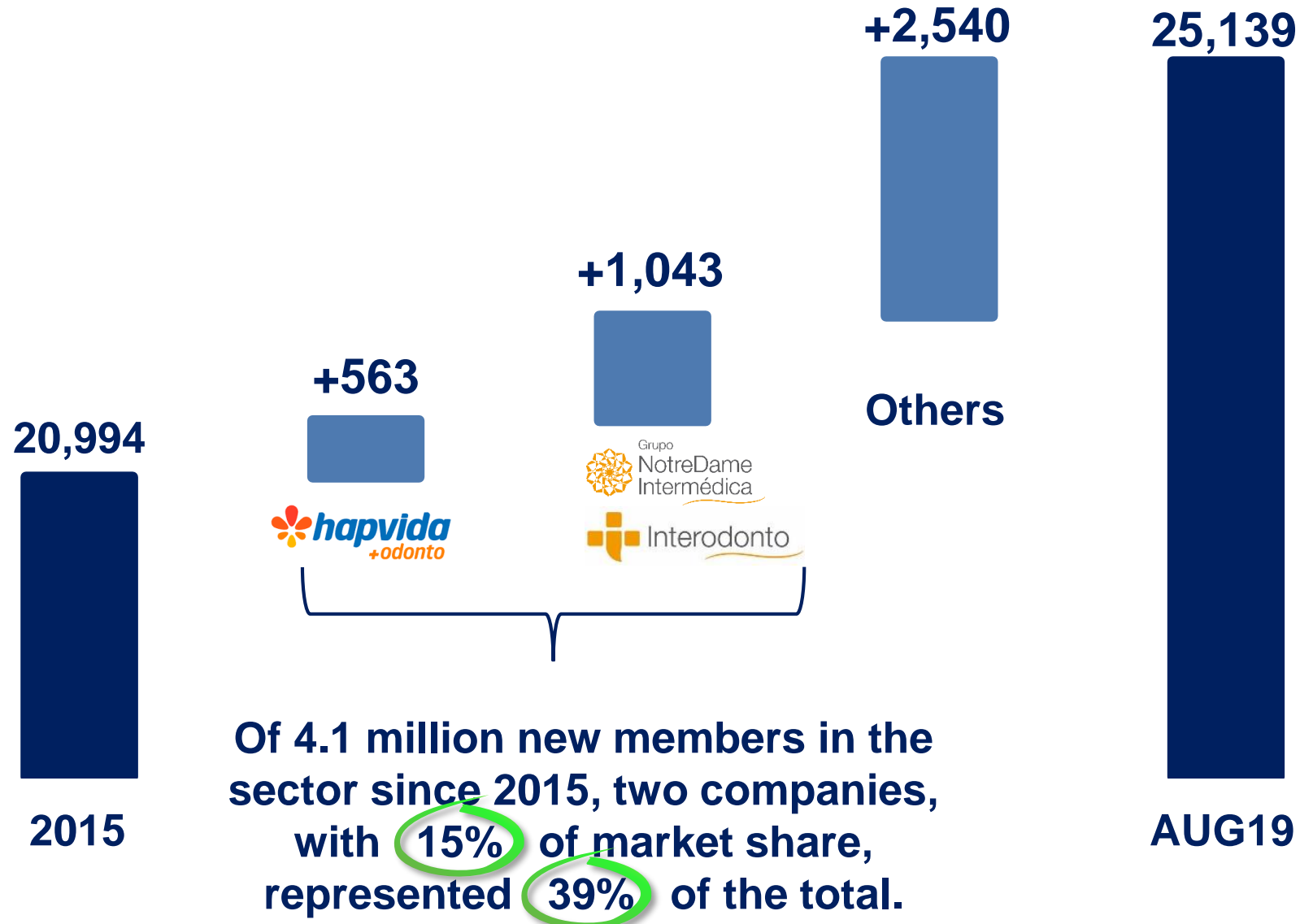
Net income/loss (R\$ million)



Source: Amil (Valor Econômico)

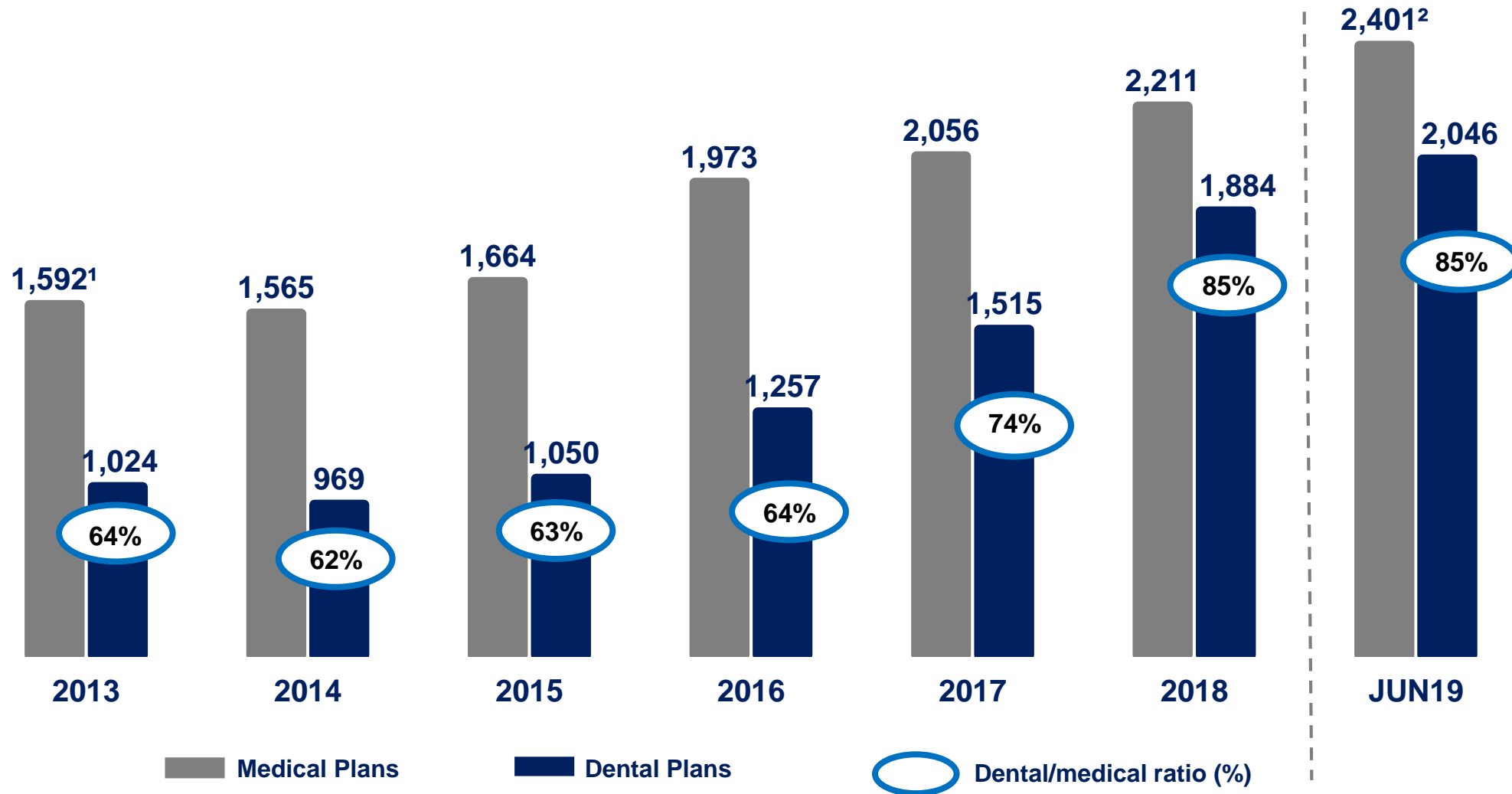
# Dental plan segment growth since 2015

Thousand members



## Dental/medical rate grew from 64% to 85% since 2013

Thousand members

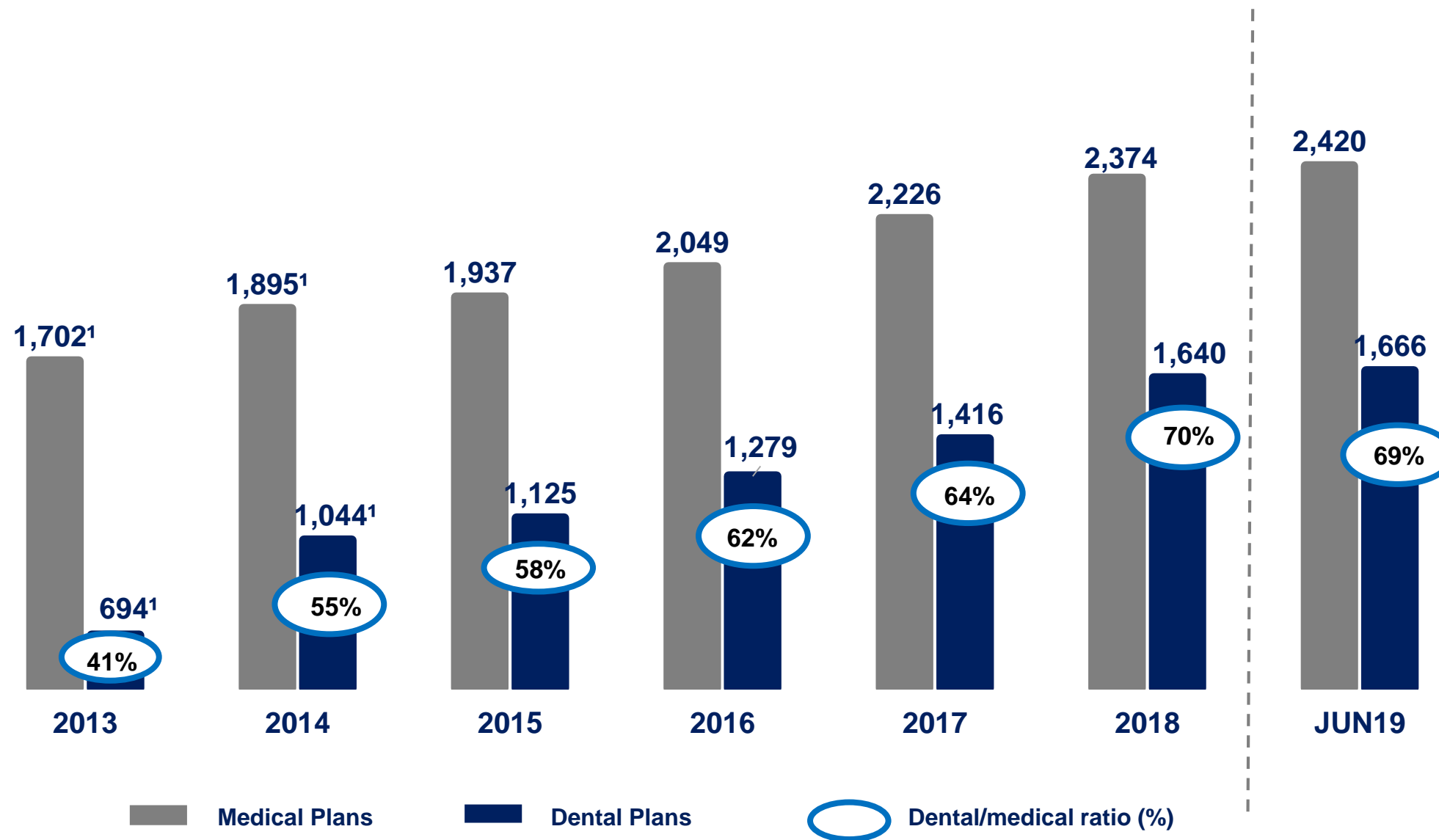


Source: OdontoPrev

<sup>1</sup> ANS Tabnet

## Dental/medical rate grew from 41% to 69% since 2013

Thousand members

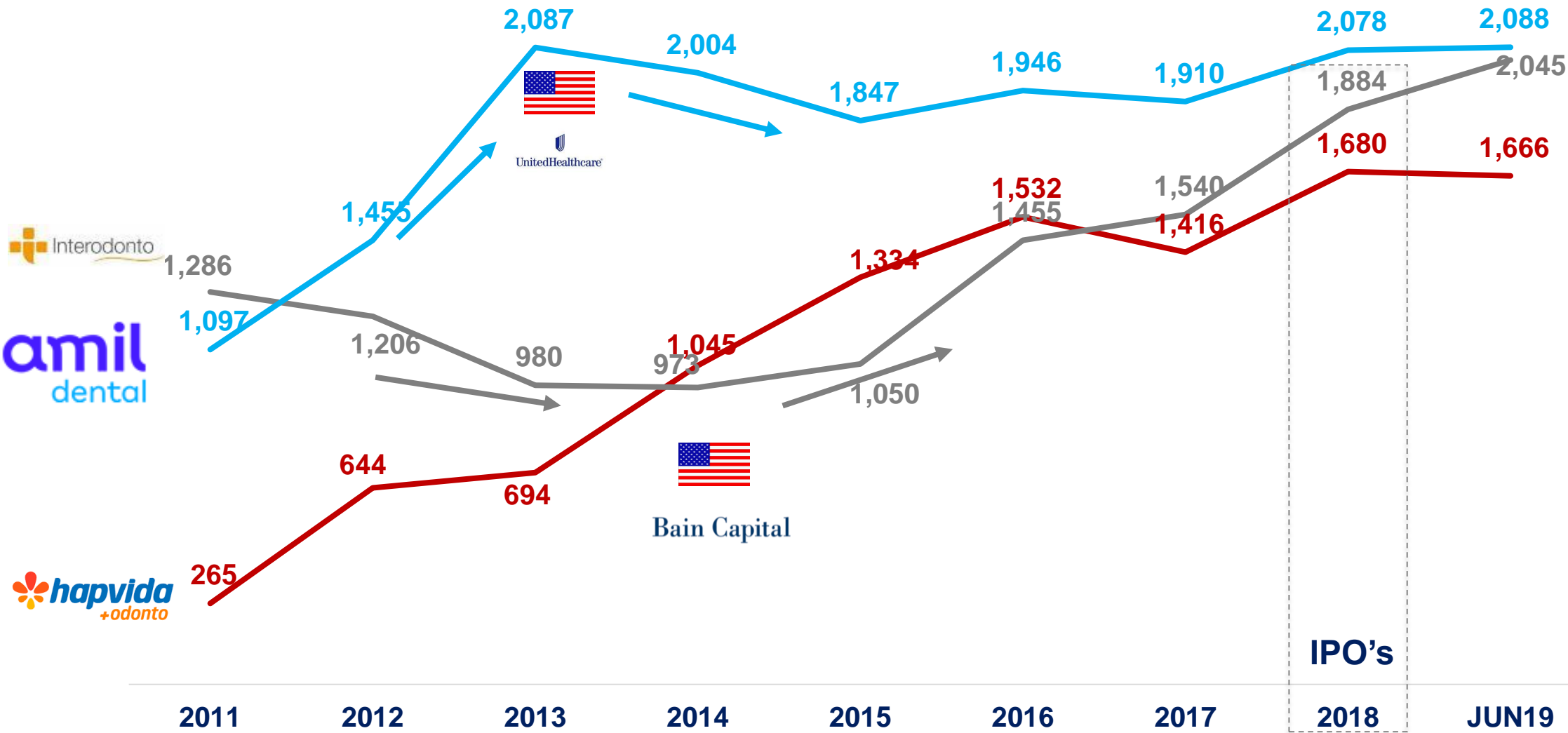


Source: OdontoPrev

<sup>1</sup> ANS Tabnet

# Recent liquidity events of peer companies

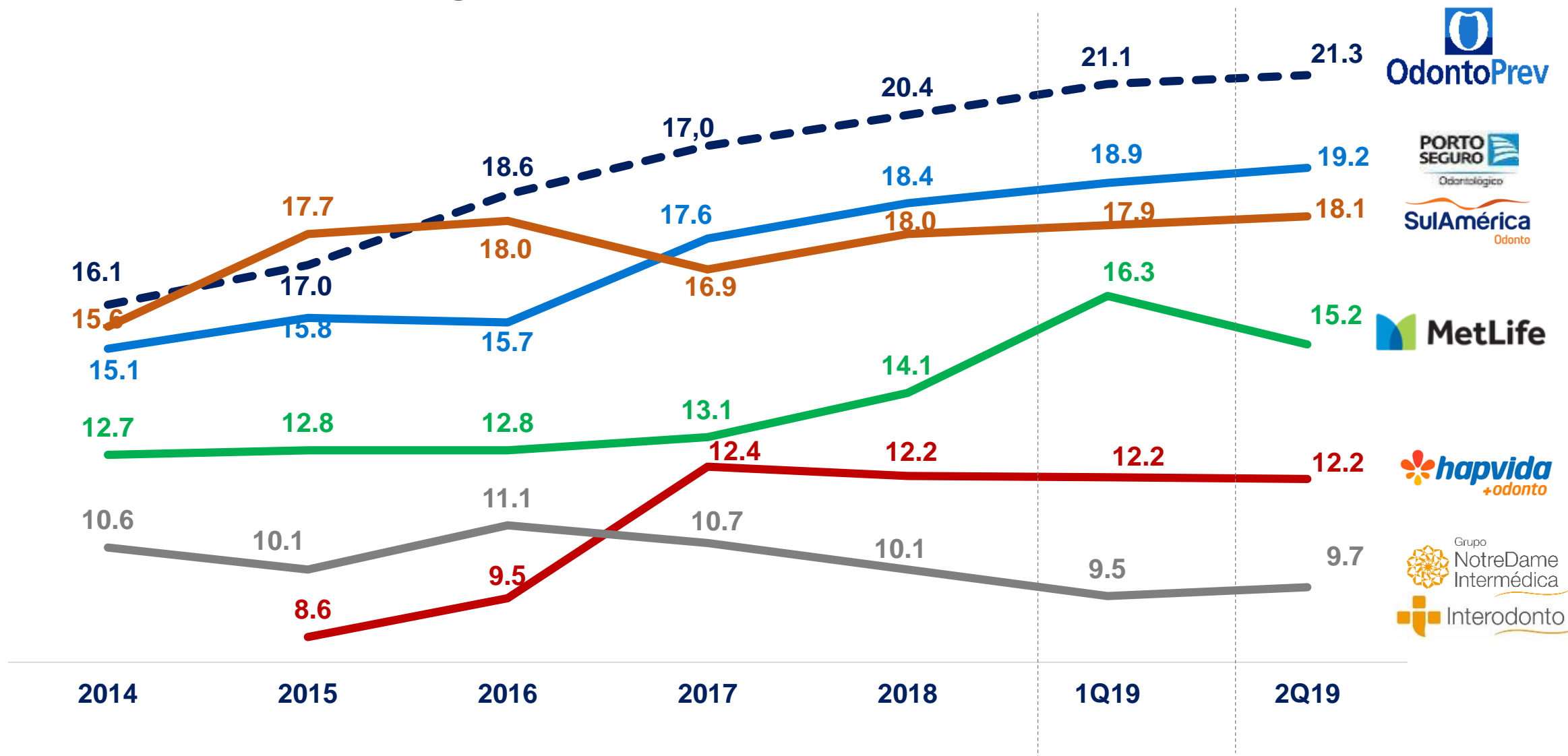
Thousand members



# Rational pricing + value innovation = premium ticket

R\$/member/month

Average ticket evolution 2014 – 2Q19



  
OdontoPrev

  
PORTO SEGURO  
Odontológico

  
SulAmérica  
Odonto

 MetLife

  
hapvida  
+odonto

  
Grupo NotreDame  
Intermédica

  
Interodonto

 OdontoPrev

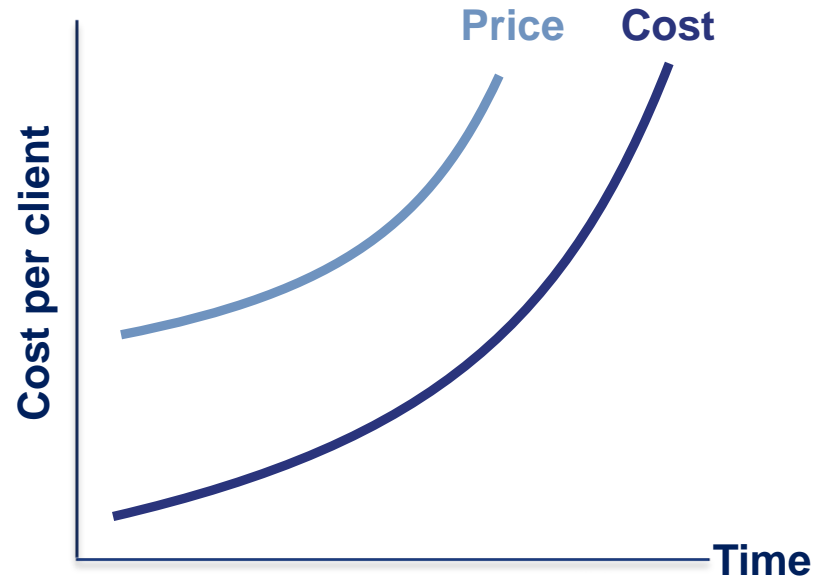
3

**Strategic  
competitive  
advantages**

# Attractive cost dynamics

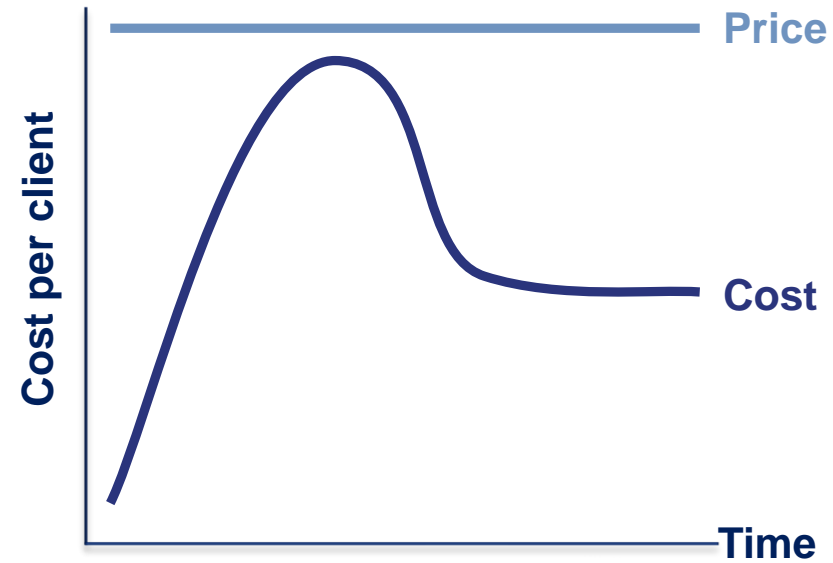
Over time, OdontoPrev dental plans present a price and cost profile...

## Medical plans



- ✓ Cost increases by medical inflation and better technology
- ✓ Short-term contract: 1 year tenor

## OdontoPrev plans

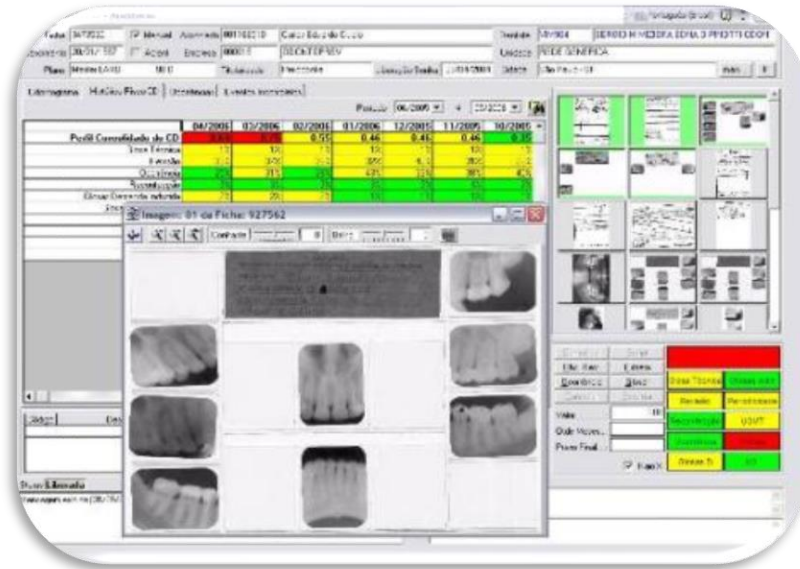


- ✓ Predictable cost evolution due to prevention
- ✓ Long-term contract: 2 year + duration

... predictable and more attractive than medical plans.



# Proprietary dental IT Platform allows high quality standards



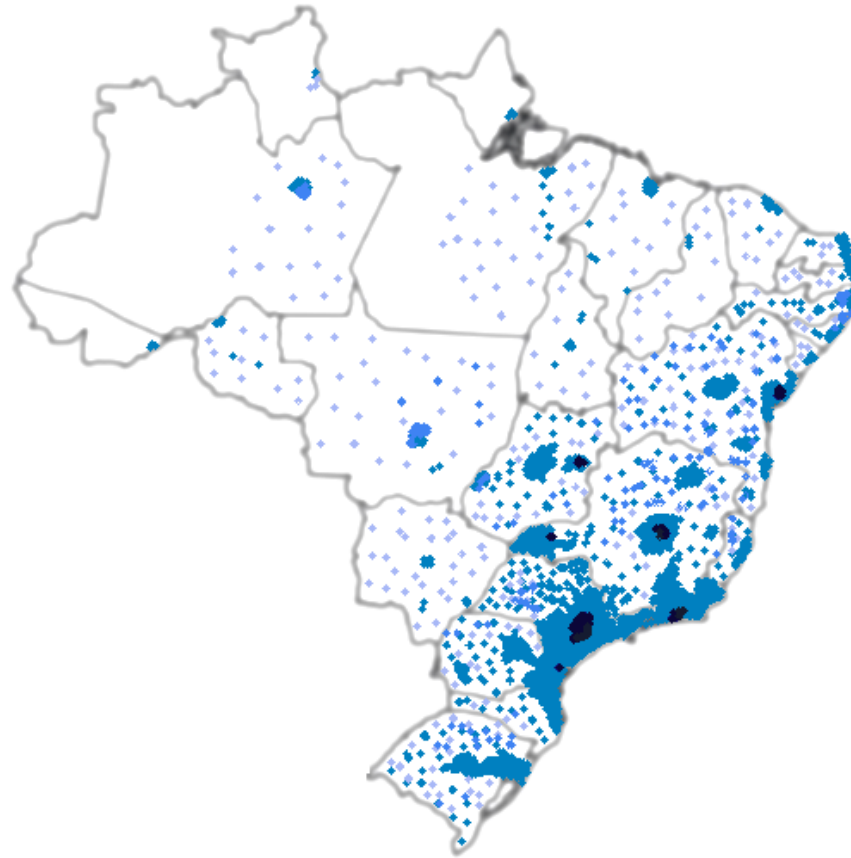
- ✓ Complete electronic record of all beneficiaries
- ✓ 3 decades of actuarial data
- ✓ Risk management and fraud prevention

# Largest and best dentist network





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**29,000 dentists at 2,600 cities**

- ✓ **National distribution**
- ✓ **Differentiated academic background**
- ✓ **Continuous education**



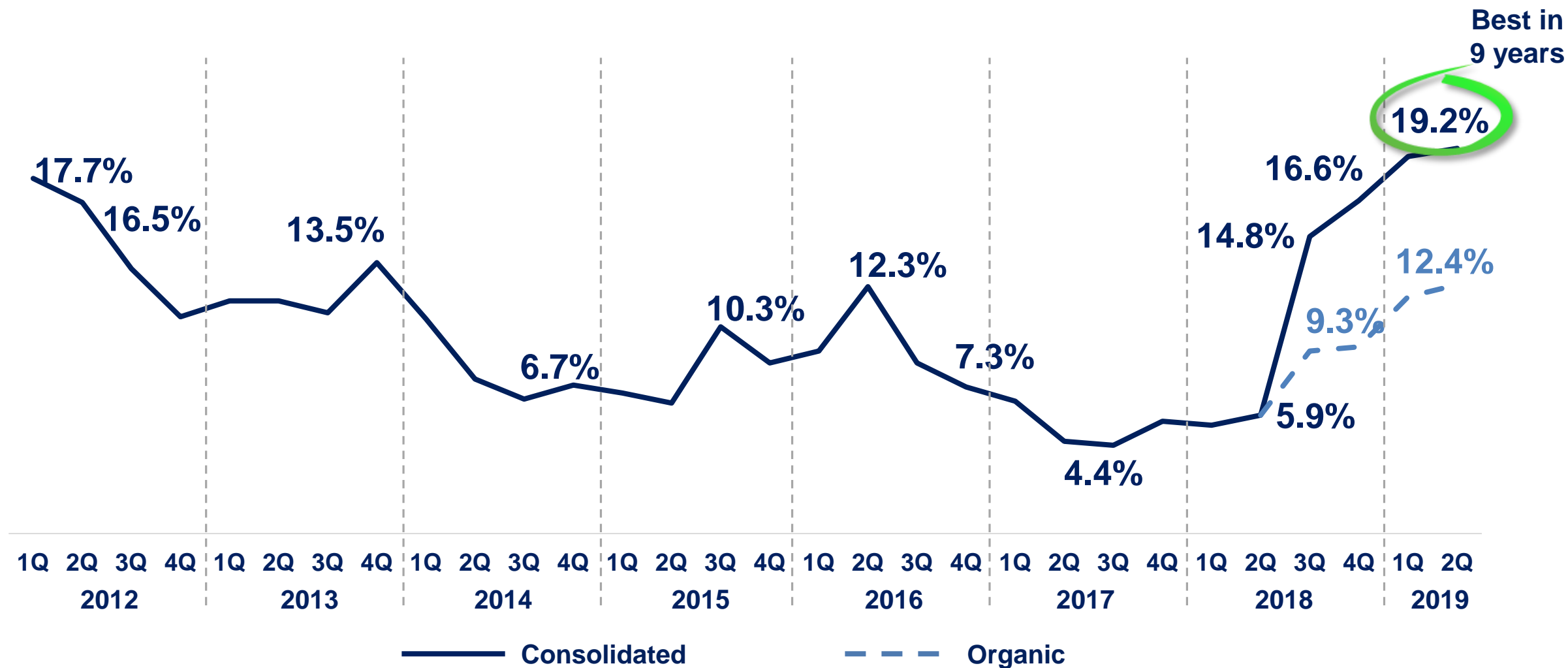
# OdontoPrev Innovation Cycles

|                        |  | ODONTOPREV INITIATIVES  | RESULTS  |
|------------------------|--|---|--|
| TECHNOLOGY             |    | <ul style="list-style-type: none"><li>NEW App's for dentists network, brokers and users</li></ul> | <ul style="list-style-type: none"><li>Better value proposition</li><li>Cost reduction</li><li>Efficiency gains</li></ul> |
| DISTRIBUTION           |    | <ul style="list-style-type: none"><li>Largest bancassurance platforms</li></ul>                   | <ul style="list-style-type: none"><li>Bundling opportunities</li><li>Lower bad debt</li><li>Reduced churn</li></ul>      |
| PRODUCTS/ SEGMENTATION |   | <ul style="list-style-type: none"><li>Client segmentation</li></ul>                               | <ul style="list-style-type: none"><li>First mover to connect to the middle class</li><li>Higher returns</li></ul>        |
| ACQUISITIONS           |  | <ul style="list-style-type: none"><li>Acquisition of companies</li></ul>                          | <ul style="list-style-type: none"><li>Focus on dental value chain</li></ul>  |

**4**

**Financial  
and  
Operational  
Performance**

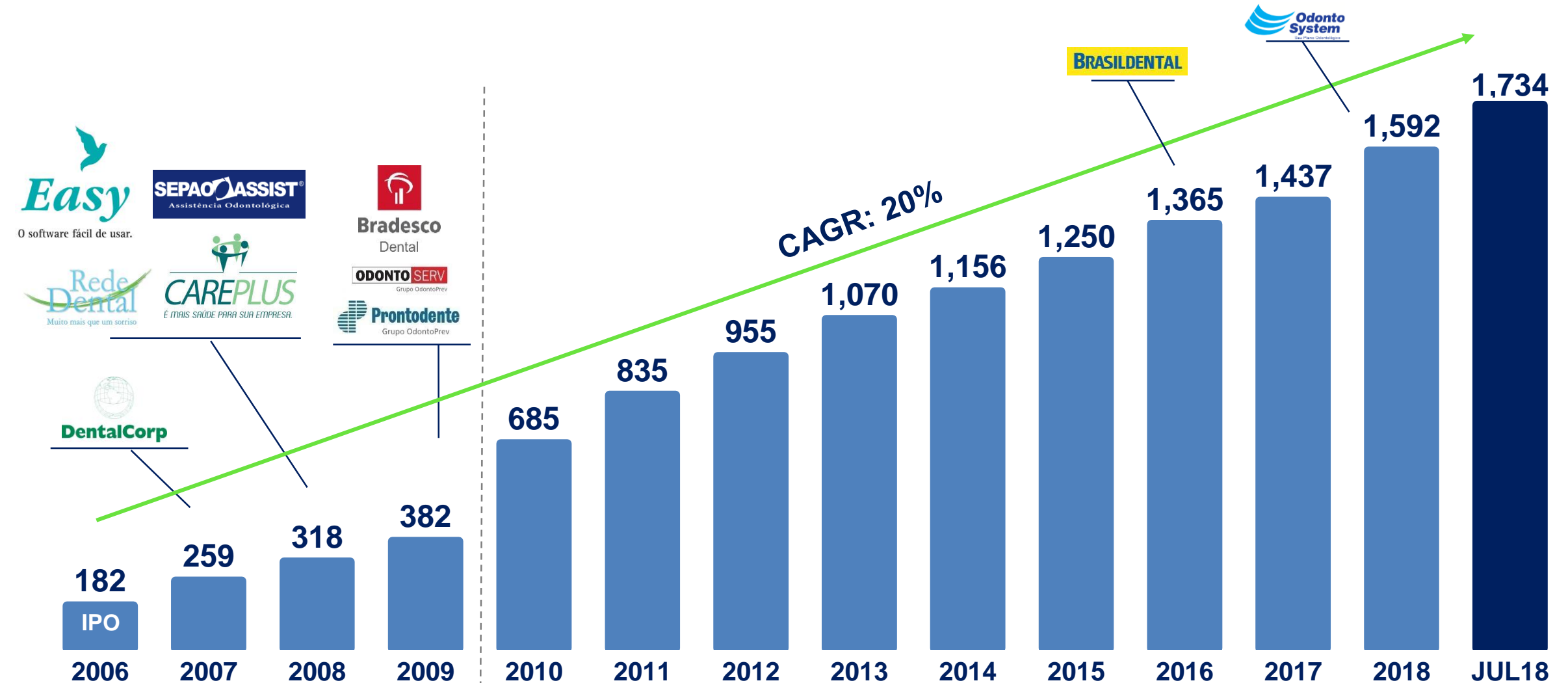
# Net revenue annual growth



# OdontoPrev: 12 years of sustainable value creation since IPO

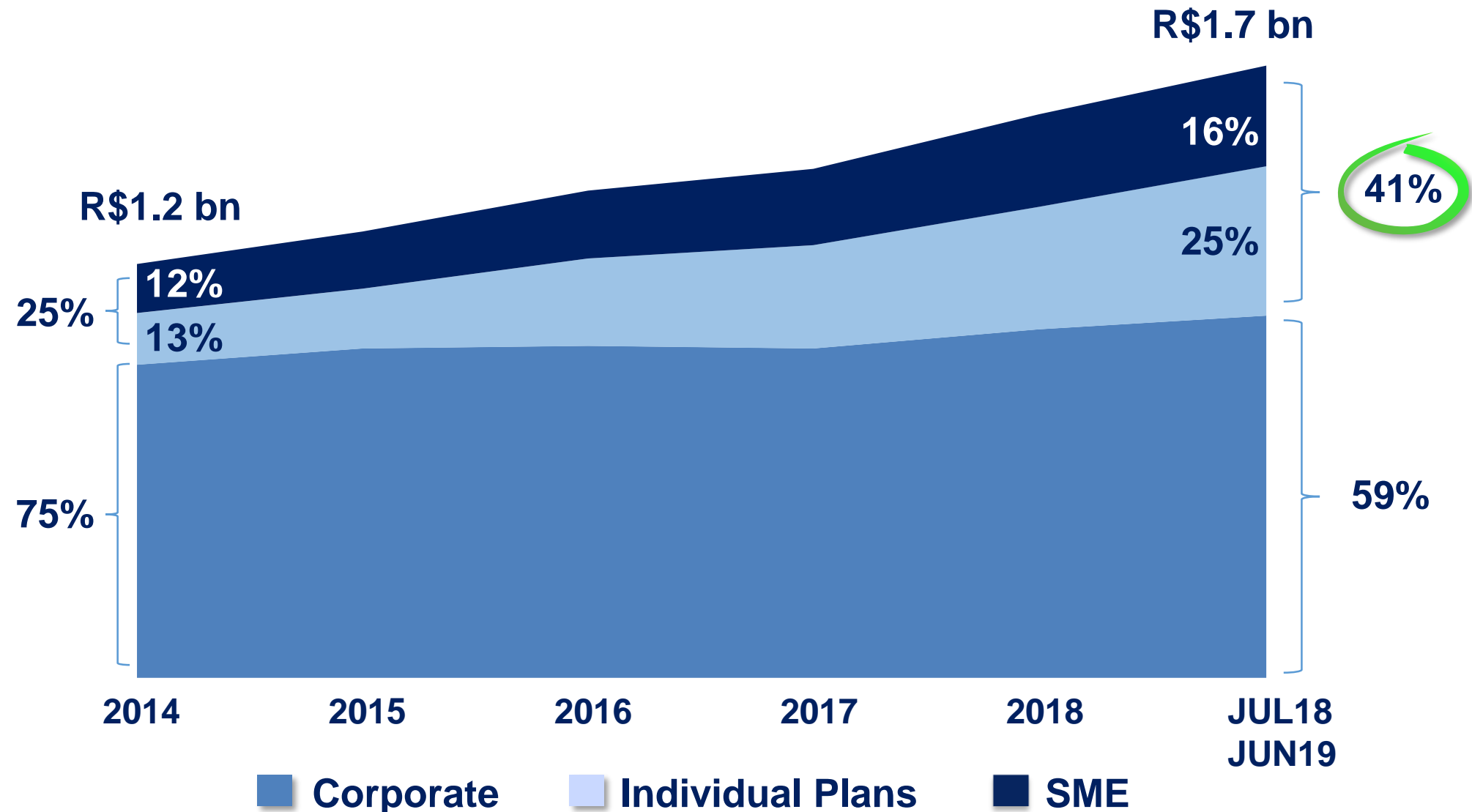
R\$ million

Net revenue



# Net Revenues per segment

R\$ billion and % of Sales



# Revenues and average ticket evolution per segment since 2014

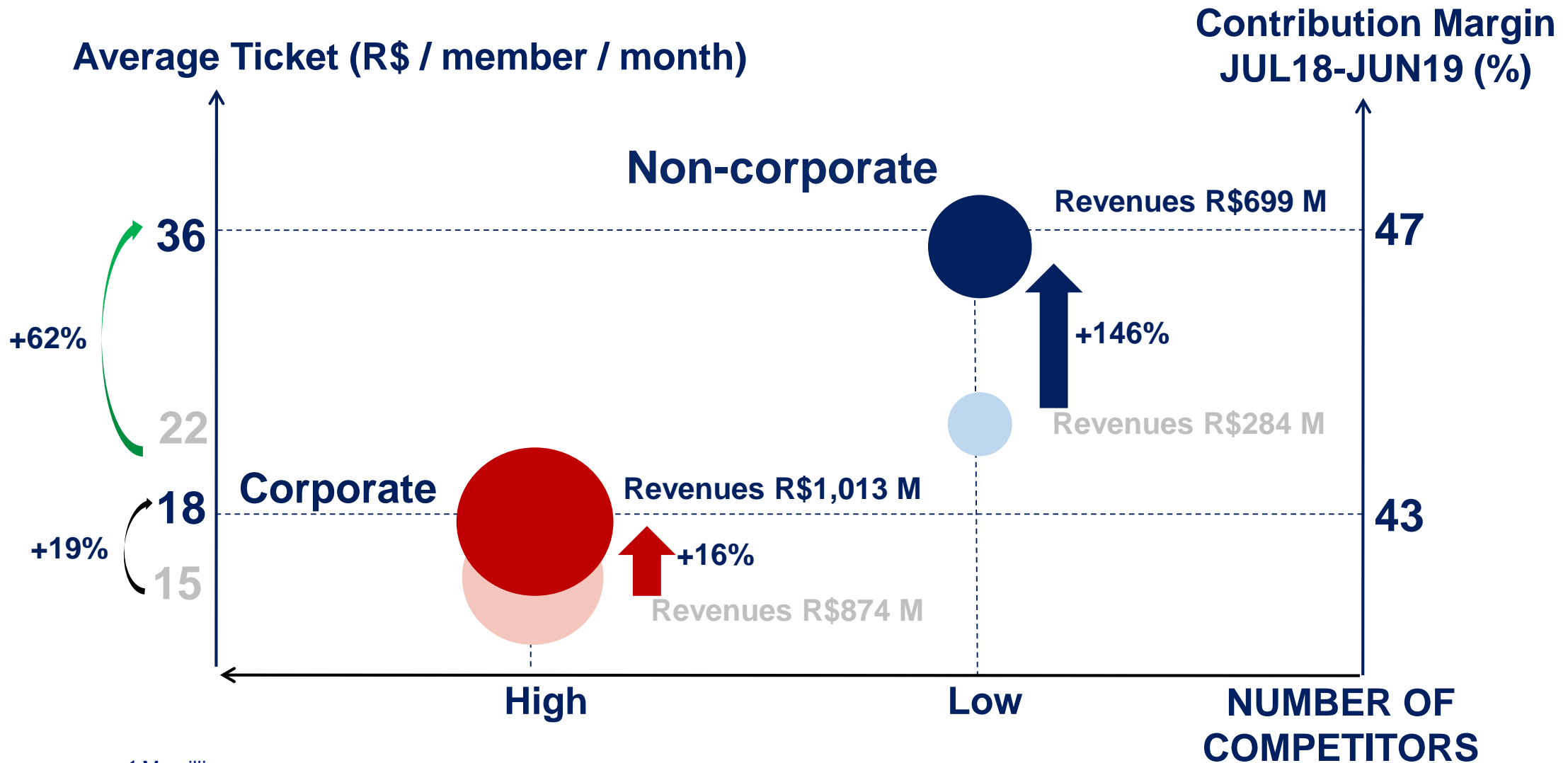
R\$ million





# Revenues, average ticket and contribution margin per segment

JUL18-JUN19 x 2014



<sup>1</sup> M: million

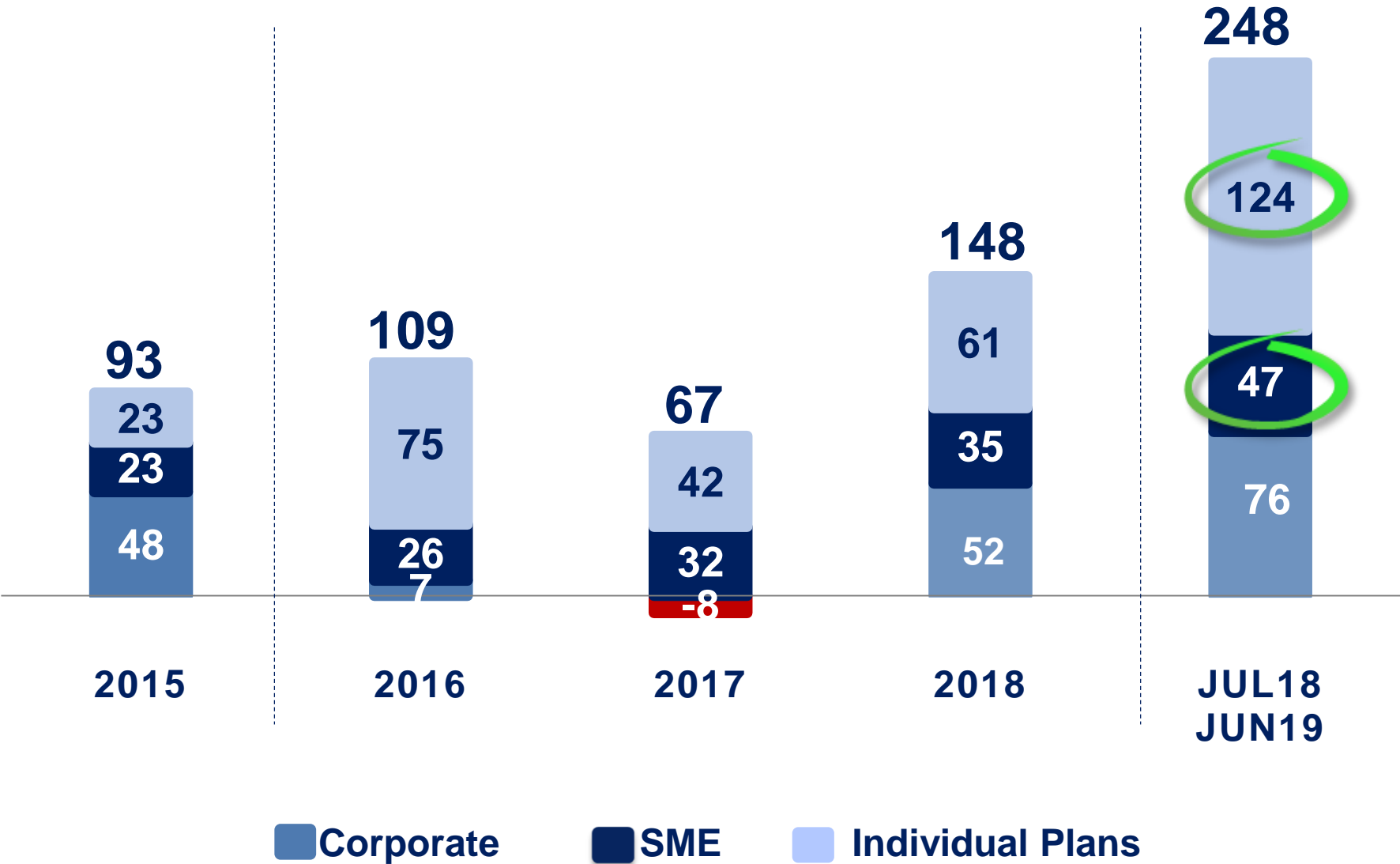
Contribution Margin: Net Revenue (-) Cost of Services (-) Selling Expenses

# Two business segments

|   | Corporate          | Non-corporate   |
|---|--------------------|-----------------|
| GDP impact                                | High               | Low             |
| Penetration                               | +70%               | <5%             |
| Growth Potential                          | Medium             | High            |
| Distribution                              | Internal + brokers | Retailers/Banks |
| 2Q19 Average ticket<br>(R\$/member/month) | R\$18              | R\$33           |
| Barriers to entry                         | Low                | High            |

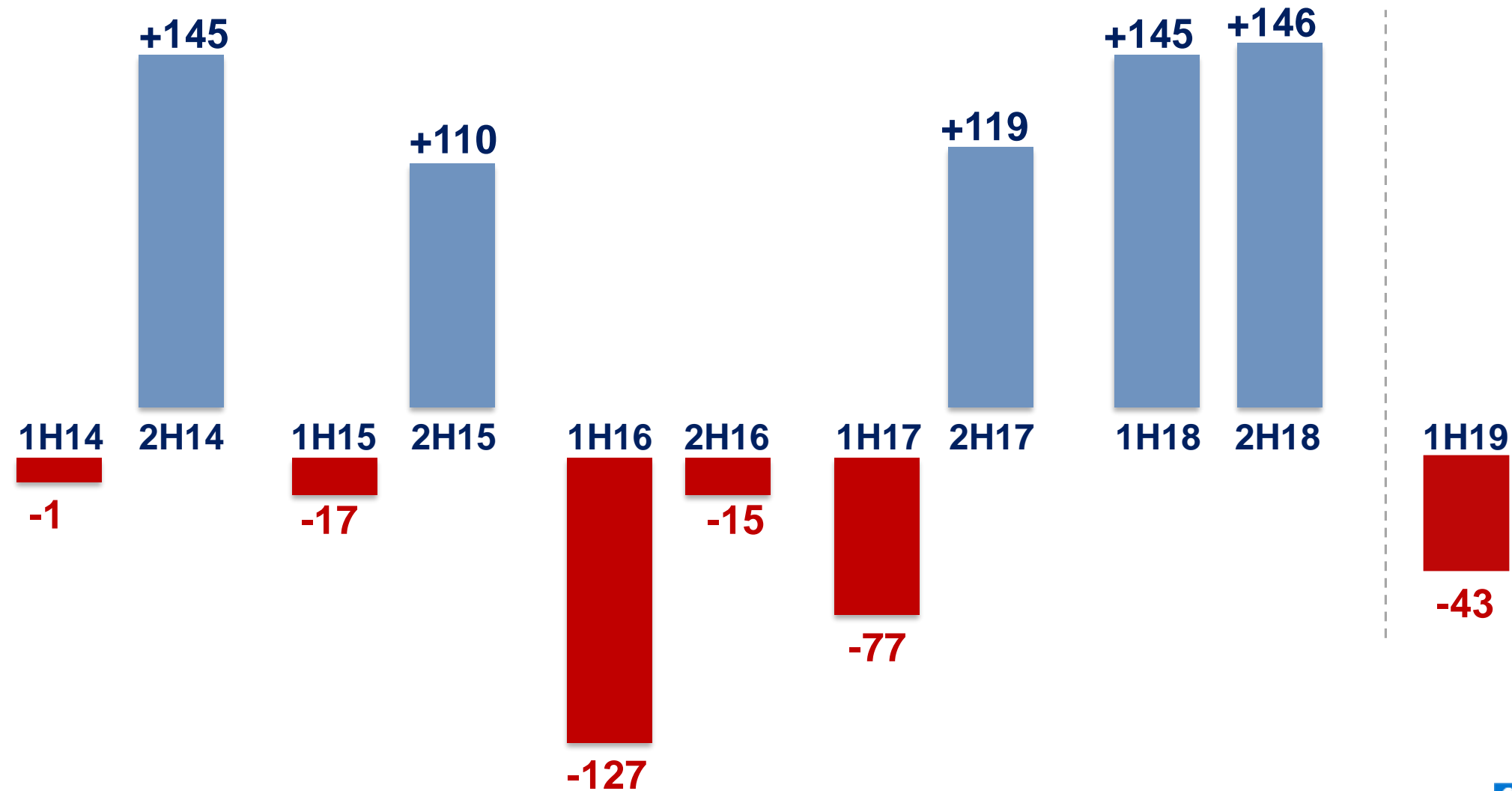
# Since 2015, SMEs and Individuals are driving incremental revenues

YoY Incremental revenues (R\$ million)



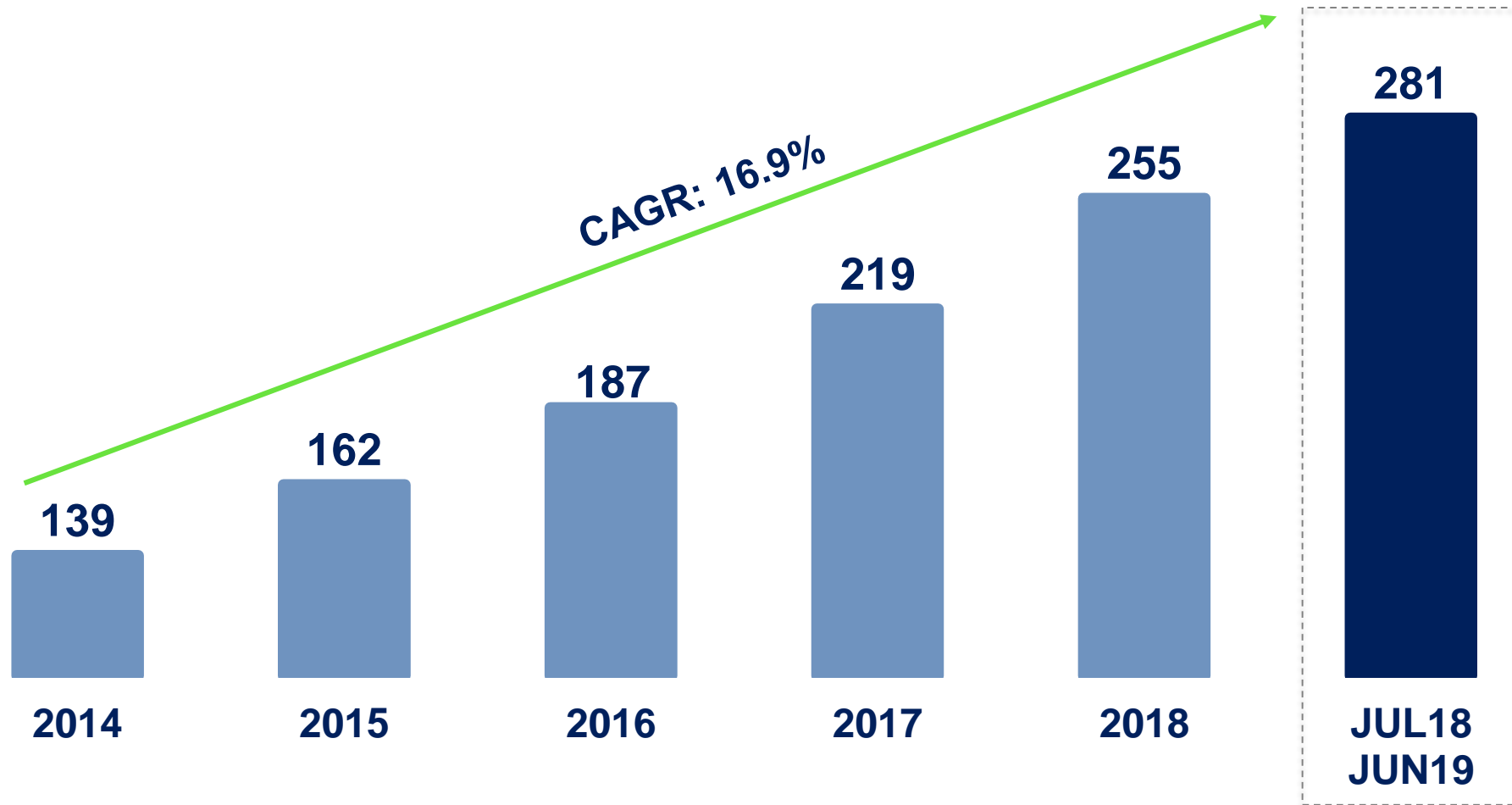
# Net additions seasonality: 2H surpasses 1H historically

Thousand lives

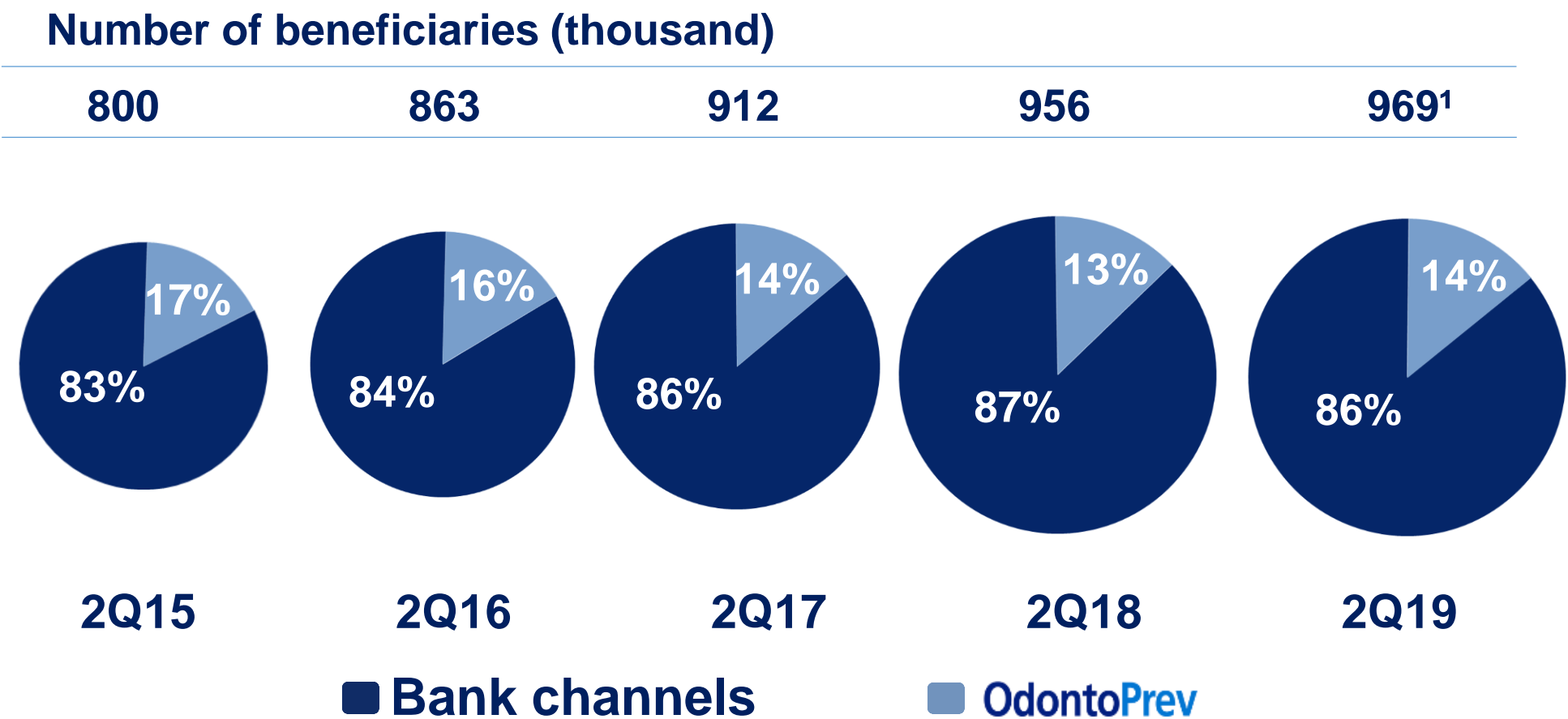


# SME revenues

R\$ million



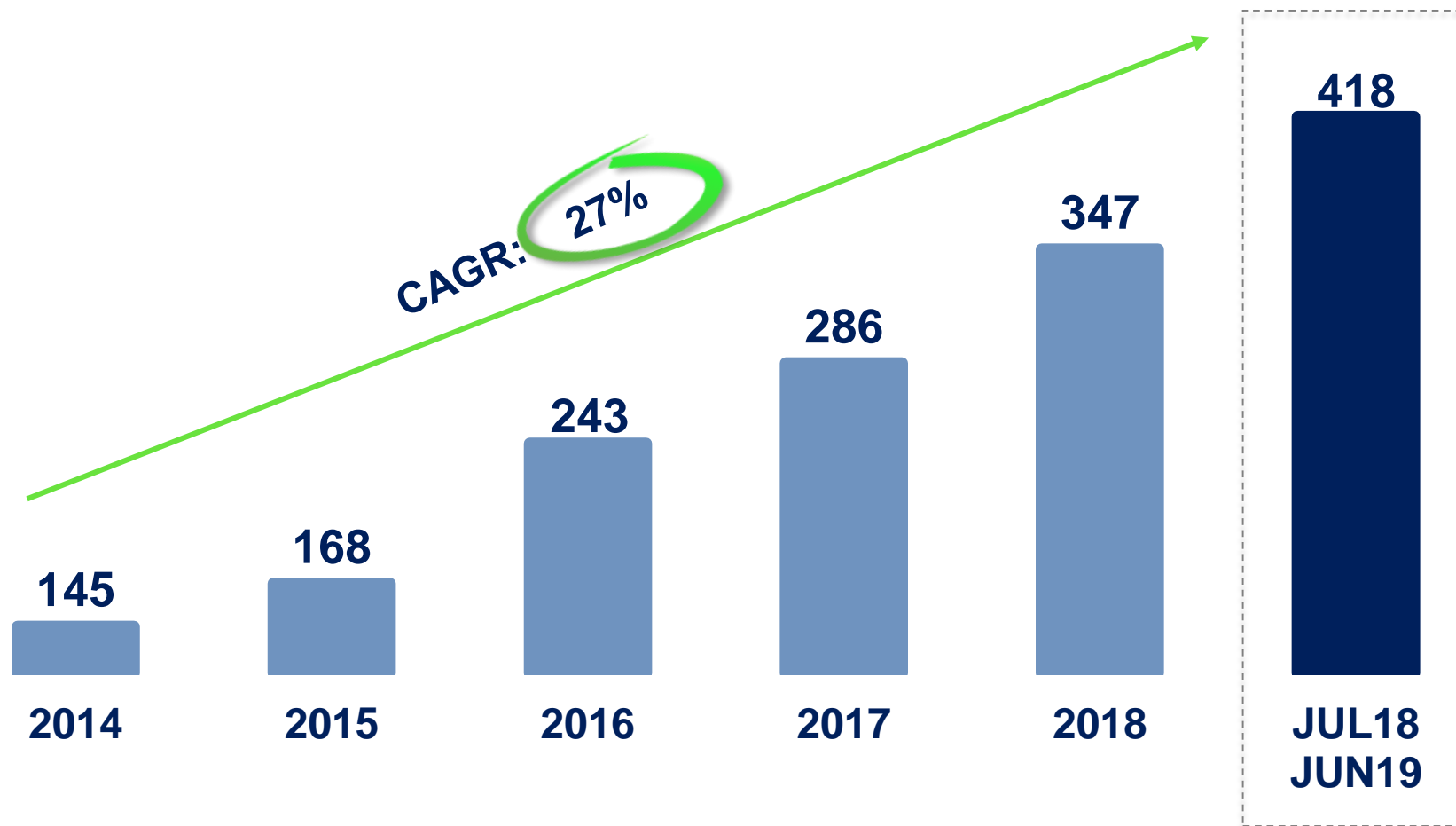
# Breakdown of SME lives



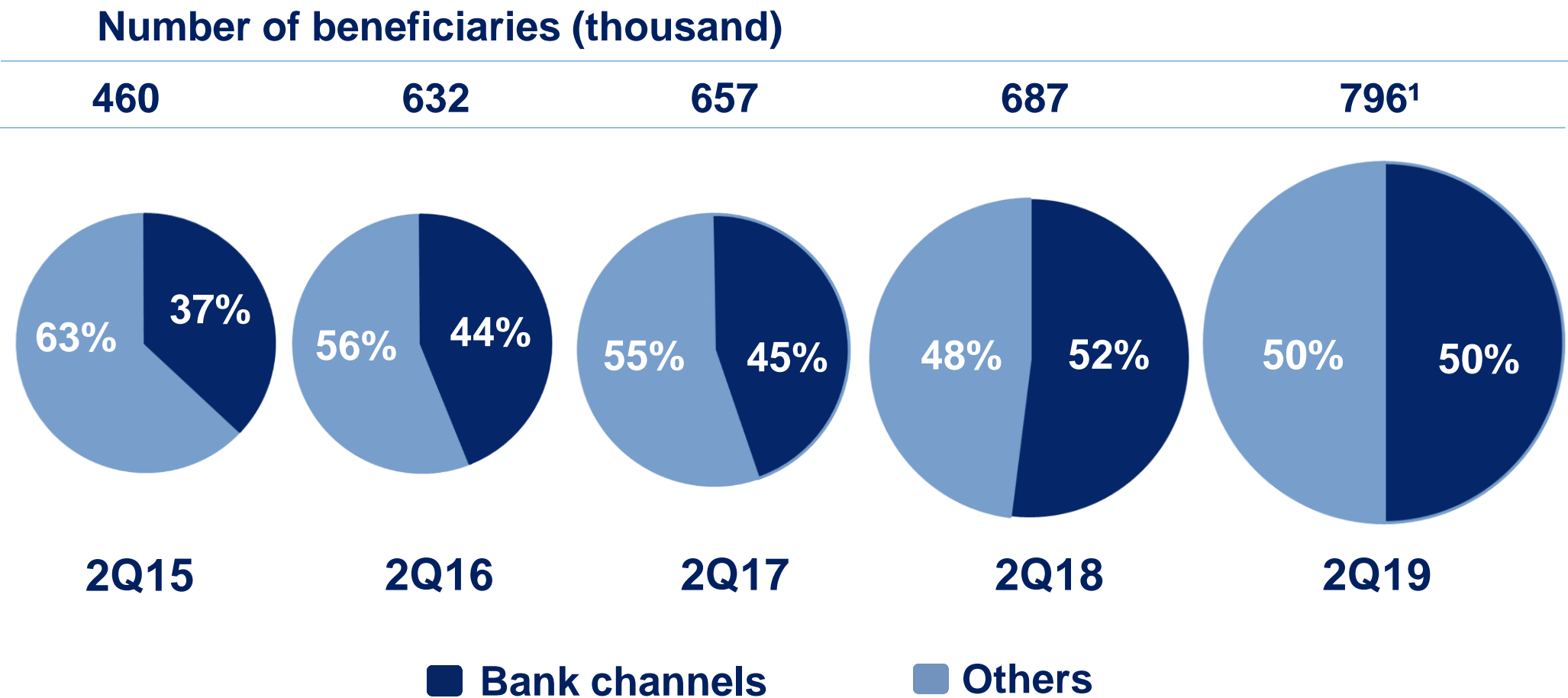
<sup>1</sup>Excludes Odonto System

# Individual Plans revenues

R\$ million



# Individual bank customers becoming more important





# Bank channels are improving the Individual portfolio

|                         |                    |   |
|-------------------------|--------------------|---|
|                         | Retailers          |  &  |
| 2Q19 average list price | R\$37.5 to R\$42.5 | R\$45.6 to R\$55.2  |
| Acquisition cost        | 25% to 45%         | 10% to 15%  |
| Profitability           | Lower              | Higher  |

# The largest bancassurance platforms in Brazil



**Clients**

**+ 71 million**

**+ 40 million**

**National footprint**



**Exclusivity**

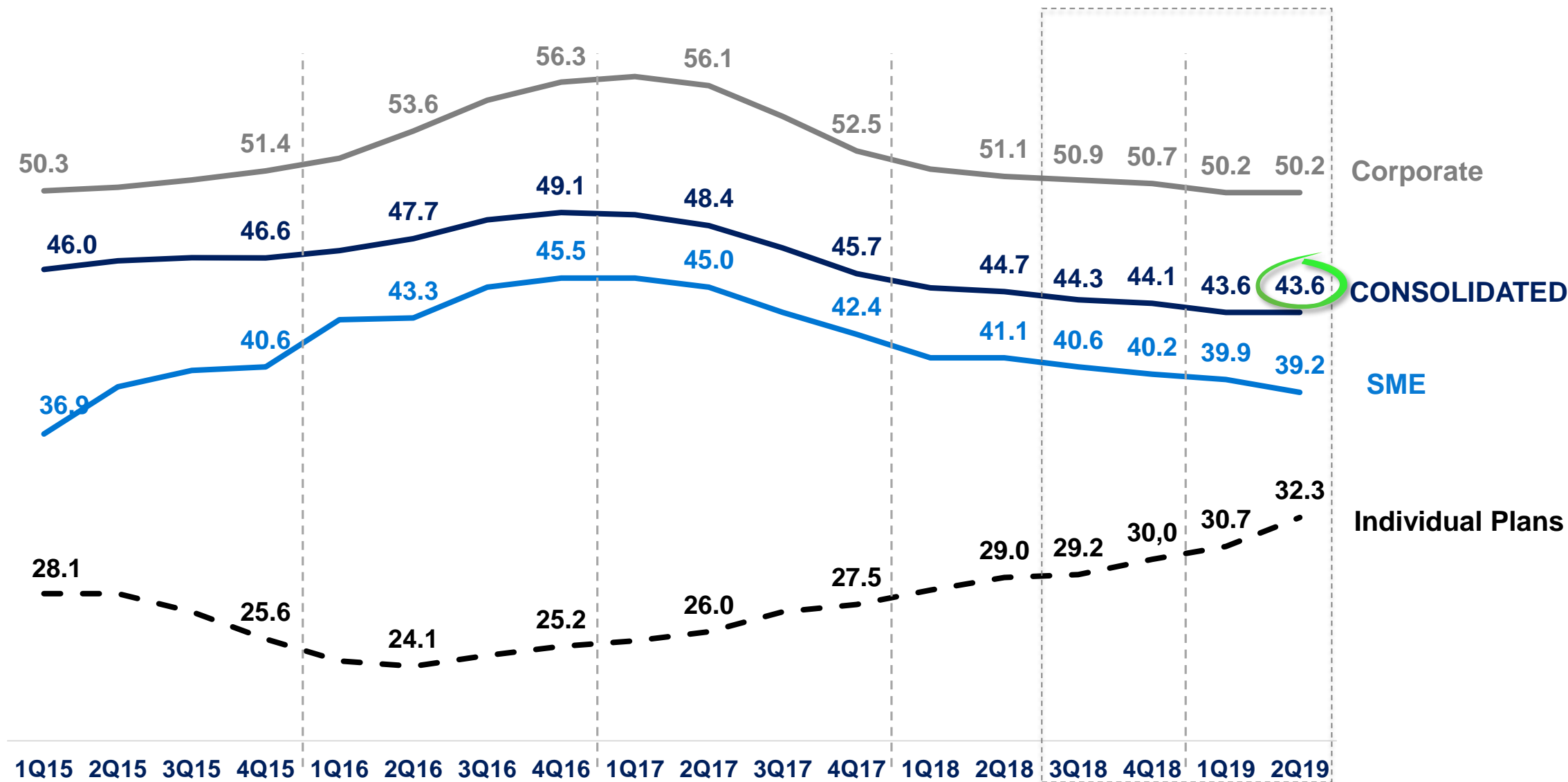


**20 years**

**48% of branches & 52% of brazilian bank accounts**

# Dental care ratio – consolidated and per segment

% Sales / Last twelve months



Includes 

# Selling expenses per segment

% of Sales LTM JUN/19



## Corporate

Average  
selling expenses

7%

|           |           |
|-----------|-----------|
| Own sales | 0%        |
| Brokers   | 10% - 15% |
| Banks     | 10% - 15% |



## SME

13%

|         |           |
|---------|-----------|
| Banks   | 10% - 15% |
| Brokers | 10% - 15% |
| Online  | 5% - 7.5% |



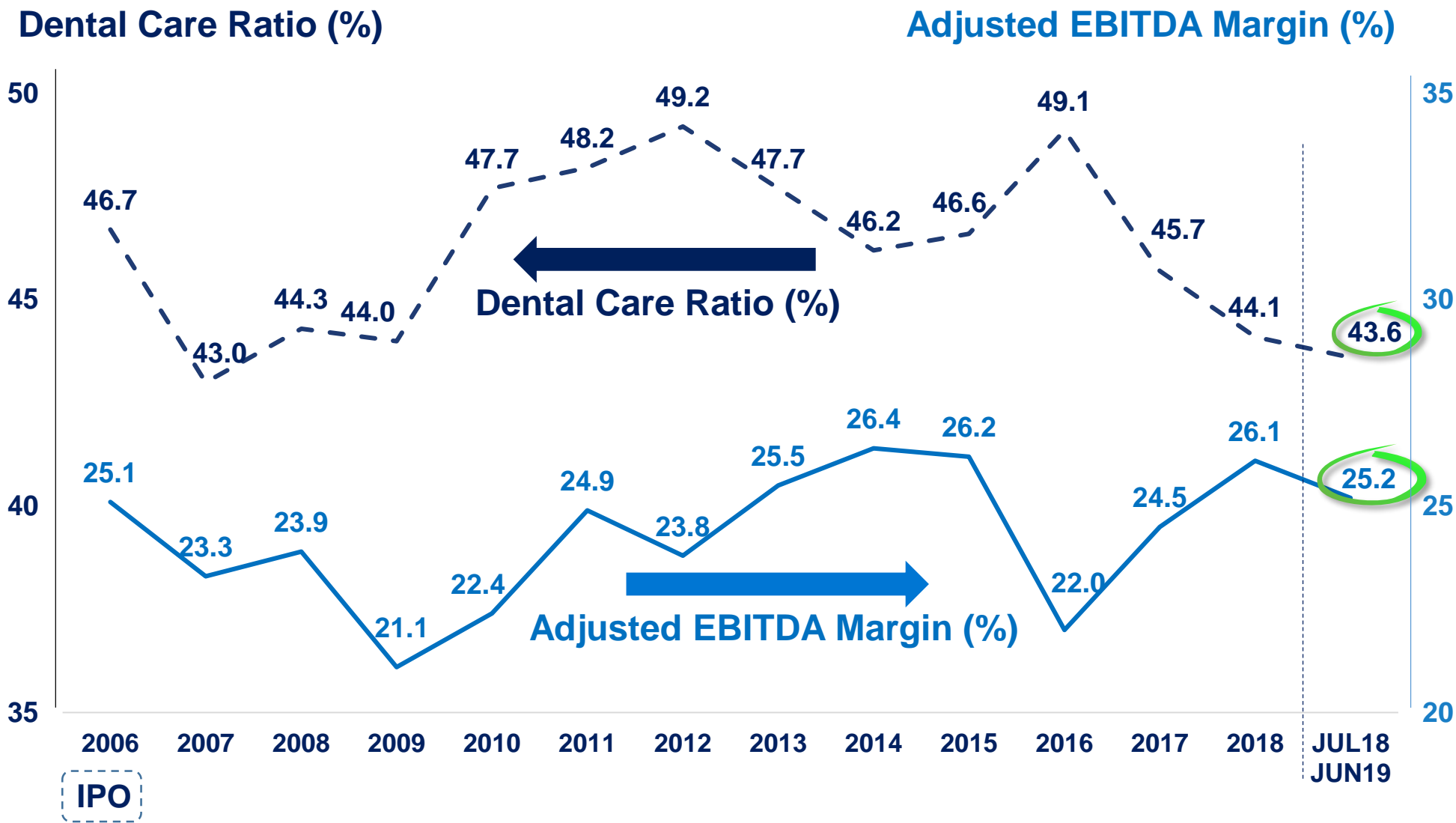
## Individual Plans

22%

|           |           |
|-----------|-----------|
| Banks     | 10% - 15% |
| Retailers | 25% - 45% |
| Online    | 5% - 7.5% |

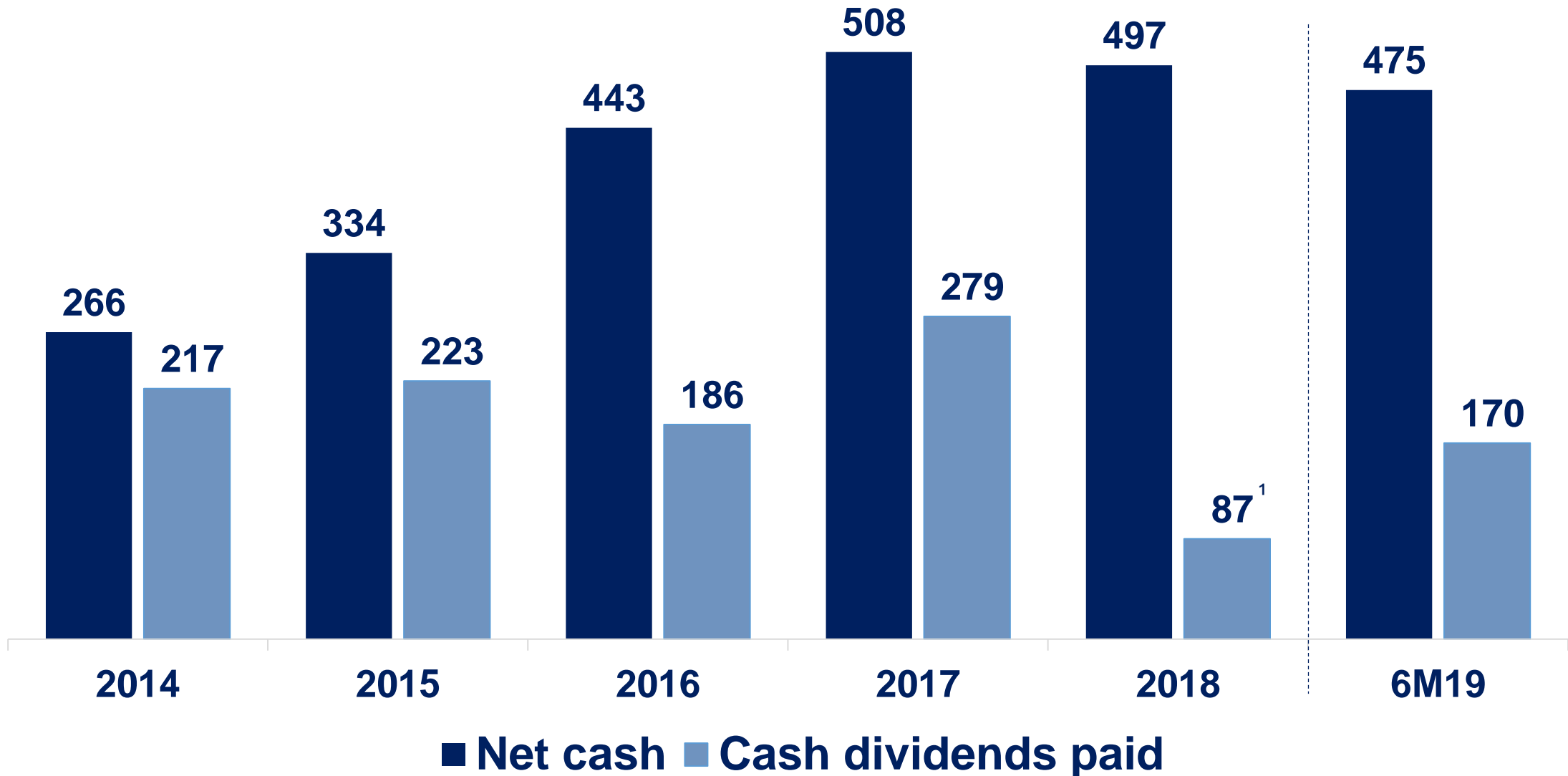
# Dental care ratio and Adjusted EBITDA margin since the IPO

% of Sales



# Net cash (zero debt) and cash dividends paid

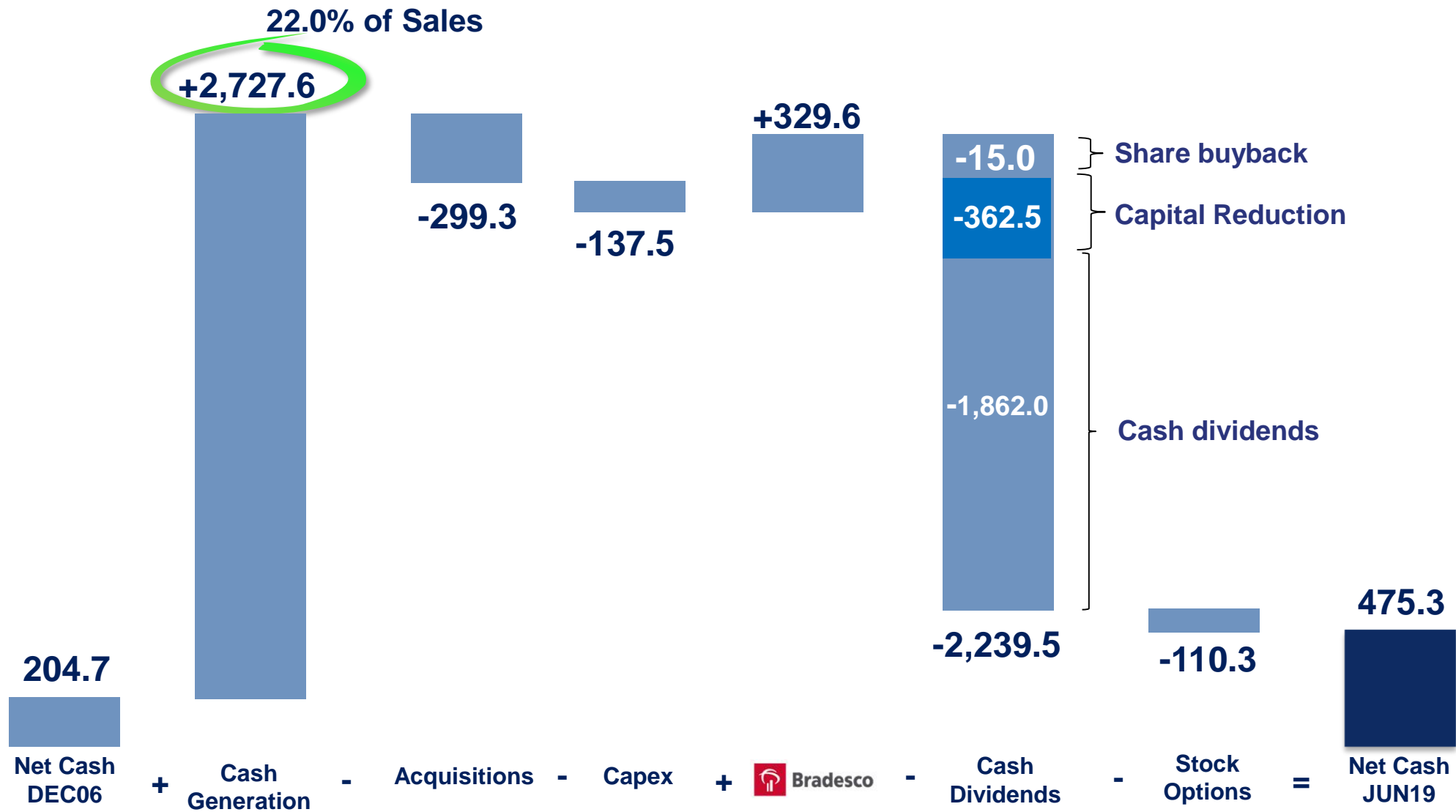
R\$ million



<sup>1</sup>Acquisition of Odonto System

# Cash flow since IPO: dividends our #1 priority

R\$ million



# Macroeconomics: Key issues and Upside risks

## KEY ISSUES

- Negative GDP cycle
  - Unemployment lowering membership
  - Corporate loss ratio (higher frequency due to moral hazard)

## UPSIDE RISKS

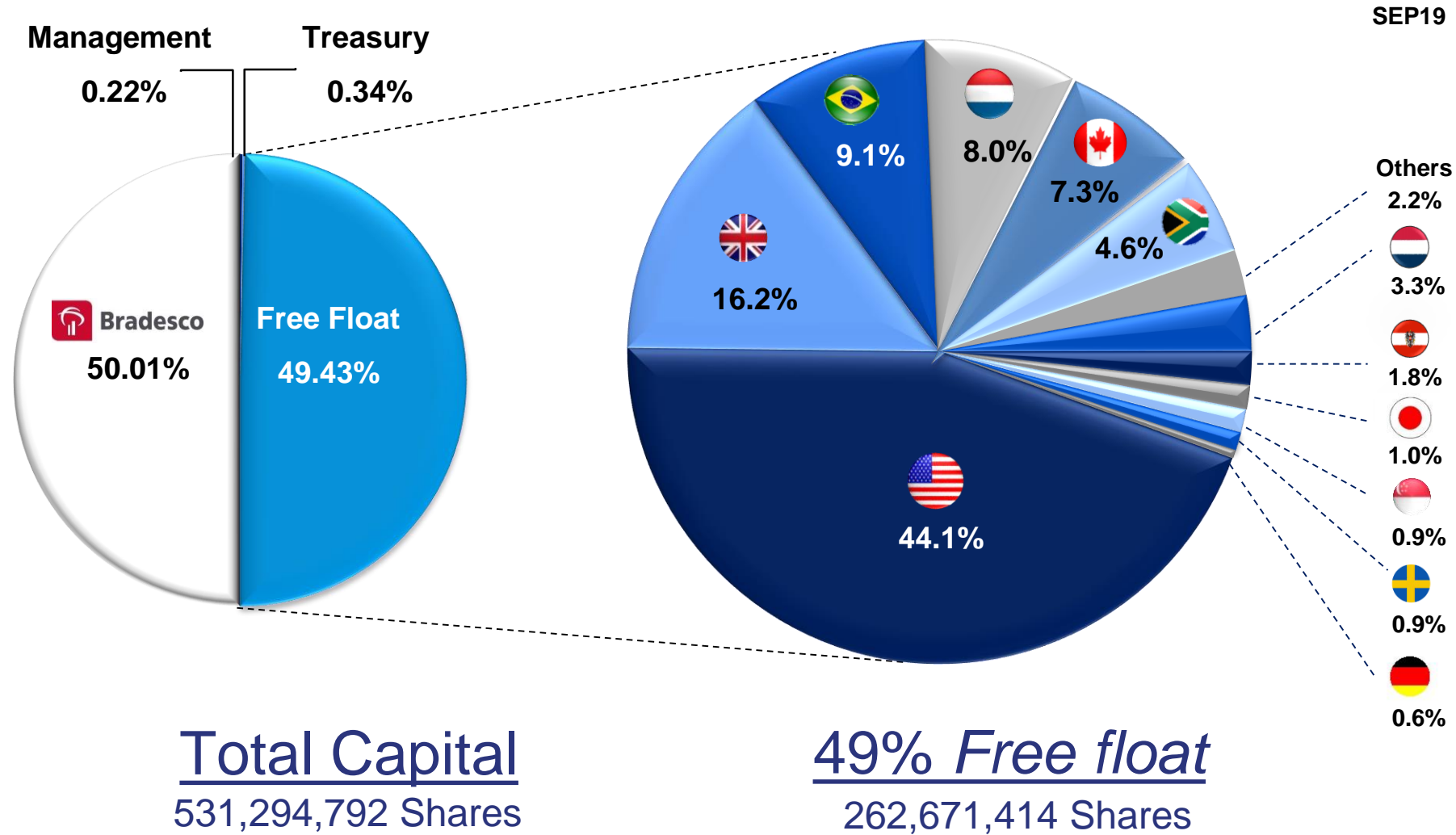
- Positive GDP cycle
  - New jobs = Net additions
  - Lower corporate loss ratio



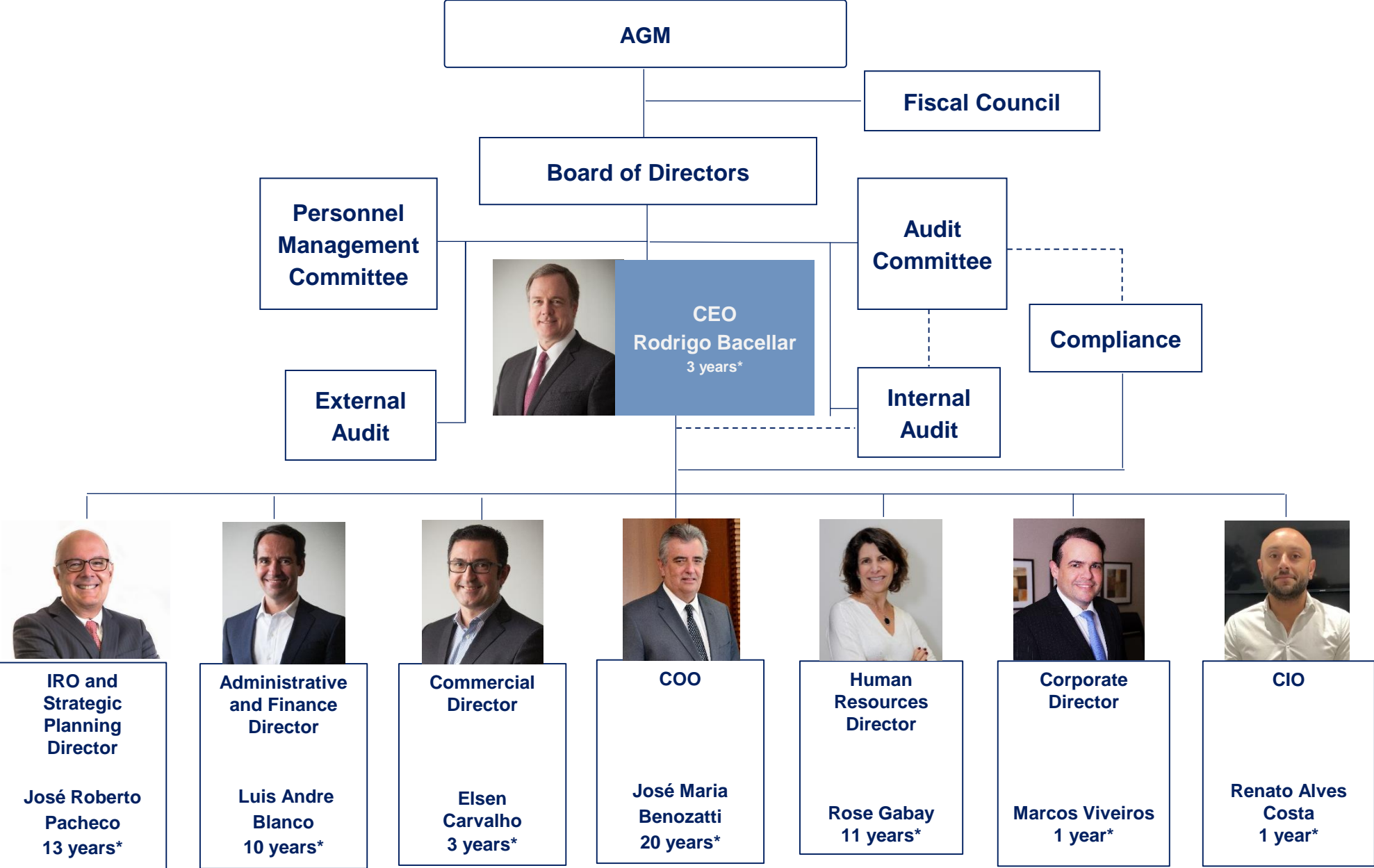
**5**

# **Capital Markets**

# Global shareholder structure: investors from more than 30 countries



# Professional management team since foundation in the 80's




# Superior Corporate Governance Standards

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- ✓ **Professional management, no family members, since foundation;**
- ✓ **Chairman # CEO since 1998, 1 share = 1 vote, 100% tag along rights;**
- ✓ **Board of Directors without executive functions;**
- ✓ **Disclosure of minimum, average and maximum executive compensation, every board member with same remuneration;**
- ✓ **3 CEOs since the foundation in 1987, and 1 IRO since the IPO in 2006.**

# OdontoPrev Board of Directors

| OdontoPrev Board of Directors (NEW) |                    |  |
|-------------------------------------|--------------------|--|
| Name                                | Position           | Position at  Bradesco |
| Luiz Trabuco                        | Chairman           | Chairman   |
| Manoel Peres                        | Vice-Chairman      | CEO of Bradesco Healthcare   |
| Octávio de Lazari                   | Member             | CEO  |
| Vinícius Albernaz                   | Member             | CEO of Bradesco Insurance  |
| Ivan Gontijo                        | Member             | Managing Director Bradesco Insurance   |
| Samuel Monteiro                     | Member             | Board Member Bradesco Healthcare   |
| Cesar Suaki                         | Independent member | -  |
| Murilo Passos                       | Independent member | -  |

# Key metrics for management's compensation

## Quantitative goals

- ✓ Revenue growth
- ✓ Incremental EBITDA (R\$)
- ✓ Member expansion

## Perception Studies

- ✓ Beneficiaries
- ✓ Dentists
- ✓ HR managers
- ✓ Quality of our services

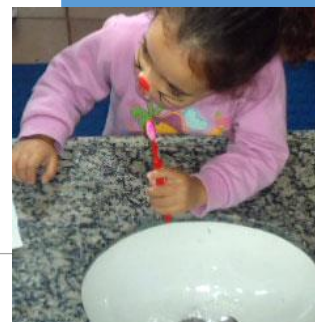
# ESG Initiatives

**20 supported institutions**, including NGOs, of which **15** have been supported for more than 20 years;

**6,854** children assisted in 2018;

**6,700** dental treatments concluded for free in 2018;

**7 social events**, that impacted **1,050** children.



**Brushing station**



**Free dental care to underprivileged children**



**Training of oral care best practices**

1,149 multiplying agents



**Dental lecture events**

# OdontoPrev as a member of FTSE4Good

In 2019, OdontoPrev was confirmed as a FTSE4Good Index Series constituent, for the third consecutive year.





# Feedback from the Street

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**“OdontoPrev provides a solid combination of: (1) execution track-record; (2) stellar returns; (3) strong cash generation and dividends payments; (4) seasoned management team; (5) market leadership and (6) long-term growth potential”**



**“High ROIC on secular trend”  
“The only Company in LatAm with an IT competitive advantage”**

Morgan Stanley

**“One of the world’s best emerging markets business models”**



**“Strong fundamentals stand out on current environment. We believe that high multiples are supported by: 1) strong FCF generation; 2) balance sheet with no debt; 3) dividend yield and 4) high earnings visibility.”**

# Upcoming IR events

| Date            | Country   | City      | Broker  | Event  |
|-----------------|---|-----------|---|--|
| Oct 30, 2019    |   |           |   | 3Q19 Earnings Release                          |
| Oct 31, 2019    |   |           |   | 3Q19 Webcast                                   |
| Nov 1, 2019     |    | São Paulo |    | Investor Presentation                          |
| Nov 7, 2019     |    | São Paulo |    | Investor Presentation                          |
| Nov 19-20, 2019 |    | New York  |    | Bradesco BBI's 9th CEO Forum                   |
| Nov 25-26, 2019 |    | London    |    | Itaú BBA's 12th Annual Latam Conference        |
| Nov 27, 2019    |    | Paris     |    | NDR Itaú BBA                                   |
| Nov 28, 2019    |    | Edinburgh |    | NDR Itaú BBA                                   |
| Jan 13-14, 2020 |    | Miami     |    | 12th Annual Latin America Executive Conference |
| Jan 28-29, 2020 |    | São Paulo |    | Latin America Investment Conference            |
| Feb 18, 2020    |   | São Paulo |   | 21st CEO Conference                            |
| Mar 05, 2020    |   |           |   | 4Q19 Earnings Release                          |
| Mar 06, 2020    |   |           |   | 4Q19 Webcast                                   |
| Mar 06, 2020    |  | São Paulo |  | Investor Presentation - Merrill Lynch          |

# Contact Investor Relations



**Jose Roberto Pacheco**  
IRO and Strategic  
Planning Director



**Stella Hong**  
IR Supervisor



**Darcio Nunciatelli**  
IR Analyst



**Heriane Silva**  
IR Assistant

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**Bradesco**

**Custodian & Market Maker**



**pwc**

**Independent Auditors**



**B3 Ticker**