

Earnings Call Presentation

Conference Call | 1Q20

May 07, 2020 | 11:00

Disclaimer

This is a presentation of the highlights from the annual consolidated financial statements of NotreDame Intermédica Participações S.A. (“Company”) for the three-month period ended March 31, 2020 (Financial Statements”), as well as of the review report prepared by Ernst & Young Auditores Independentes S.S.

The information is summarized and does not purport to be complete. The Company's shareholders and potential investors should read this presentation always jointly with the Quarterly Financial Statements.

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Brasil **IBRX**



MSCI



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Financial Highlights

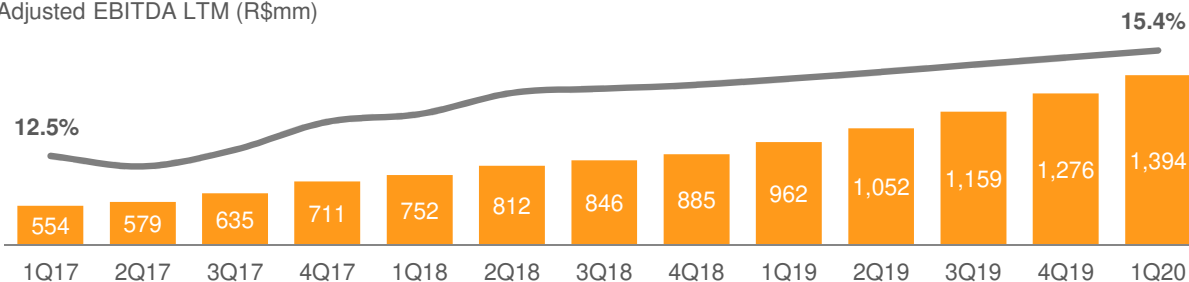
Robust Organic and Inorganic Growth with Margin Expansion

1Q20 vs. 1Q19

• Avg. Health Members:	3,425.6k	+28.3%
• Avg. Dental Members :	2,540.6k	+33.3%
• Net Revenue:	R\$2,559.4mm	+34.7%
• Health Plan	R\$2,298.8mm	+34.4%
• Hospital Services	R\$185.3mm	+37.1%
• Dental Plan	R\$75.3mm	+38.7%
• Cash MLR:	68.2%	2.8p.p. better
• Cash G&A:	8.7%	0.4p.p. better
• Adjusted EBITDA:	R\$408.5mm	+40.4%
• % Margin	16.0%	0.7p.p.better
• Net Income:	R\$160.4mm (6.3%)	+56.0%
• Adjusted Net Income:	R\$208.0mm (8.1%)	+40.9%
• Net Debt:	R\$142.4mm	0.1x EBITDA

Consistent Growth in Operational Results





Adjusted EBITDA LTM (R\$mm)



Operational Highlights

A Consistent Strategic Agenda Focused on Sustainable Value Creation

2020 M&A's

	Beds	Benef. (k)	City/State	Signing	Closing
	80	88	Americana/SP	✓	Jan'20
	133	351	Curitiba/PR	✓	Feb'20
	-	40	São Paulo/SP	✓	Apr'20
	-	-	Americana/SP	✓	Apr'20
Total	213	479			

LabClin – Americana/SP

- ✓ Clinical analysis Lab | São Lucas provider
- ✓ 7 collection points and +100k exams/month
- ✓ Located in Americana/SP (São Lucas region)
- ✓ EV: R\$7,4mm
- ✓ 2019: Revenue of R\$10.9mm and EBITDA of R\$2.7mm



Regional Focus Allow Higher Synergies and Accurate Management



São Paulo + Rio de Janeiro + Paraná + Santa Catarina

- Population: 81.6 million or 40.2% of Brazil
- 53.0% of Brazil's GDP
- GDP per capita (US\$) 2017: U\$42,763 or 31.7% higher than Brazil
- 56.8% of Brazil's private health plan members

Operational Highlights

A Consistent Strategic Agenda Focused on Sustainable Value Creation

Integration & Synergies

Clinipam – Curitiba/PR

During the first three months of Integration:

- ✓ Health plan portfolio of 330,000 beneficiaries in nov'20 **continued to grow organically** in 1Q20, achieving 360,000 lives in mar'20
- ✓ We defined a **local management team exclusively dedicated to Clinipam**
- ✓ We started the implementation of management tools, processes control and performance indicators (KPI) following GNDI's methodology
- ✓ We strengthen the **SME sales** in the region
- ✓ We improved the plans to extract synergies from opportunities in costs, medical protocols, procurement and G&A

Part of this plan also includes:

- ✓ **Unification** of clinical analysis services using a single brand (NotreLabs)
- ✓ **Migration** of 12,000 dental beneficiaries to Interodonto

Moreover, since Clinipam acquisition, our M&A team has been working in opportunities to expand and strengthen GNDI's presence in the South Region. We visited +20 assets and already created a pipeline with 10 targets

São José dos Lários – São Gonçalo/RJ

- ✓ **Integration stage was concluded** with the implementation of standardized processes and protocols
- ✓ Investments in **modern medical equipment** and training local teams will enable quality gains in medical care
- ✓ We started planning for the legal merger of the hospital and the beneficiary portfolio in NotreDame Intermedica Saúde

São Lucas – Americana/SP

- ✓ The main integration phase **was concluded** with the implementation of processes control and management indicators (KPI) in compliance with GNDI's methodology.
- ✓ **LabClin** acquisition will allow GNDI to expand its clinical analysis Owned Network (NotreLabs)

Ghelfond – Grande São Paulo/SP

- ✓ **Spare capacity reduction** with additional GNDI beneficiaries using Ghelfond
- ✓ **Contracted Network Optimization** for imaging exams
- ✓ Pilot project to implement an imaging diagnostic center in the Salvalus Hospital, further increasing the level of verticalization of imaging exams

Operational Highlights

A Consistent Strategic Agenda Focused on Sustainable Value Creation

Refurbish & Expansions

In 1T20, we continued the extensive renovation program for hospitals and clinical centers, highlighting:

- ✓ Reopening of **Hospital Intermédica ABC** (128 beds)
- ✓ Acceleration of the reforms at **Hospital Intermédica Anália Franco** (formerly MonteMagno, 72 beds). Reopening is expected for 2Q20
- ✓ Launched a Second **Preventive** unit in Higienópolis
- ✓ Refurbishment of **Osasco Clinical Center (SP)** and **West zone E.R. (RJ)**
- ✓ Revitalization of **NotreLabs in Mogi das Cruzes**

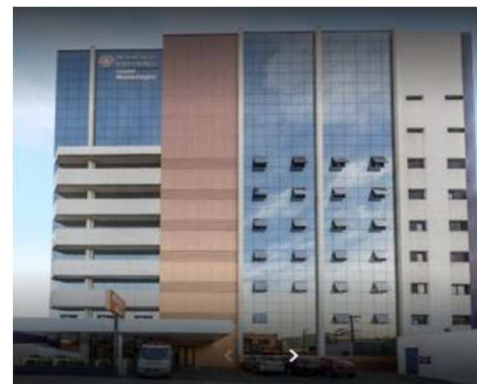
In addition to the regular maintenance and adjustments, we have profoundly transformed several units in order to offer the best experience to our beneficiaries.



Hospital Intermédica ABC



Hospital Intermédica ABC - Reception



Hospital Intermédica Anália Franco



NotreLabs – Mogi das Cruzes



West zone E.R. - RJ



CC Autonomistas – Osasco/SP

Operational Highlights

A Consistent Strategic Agenda Focused on Sustainable Value Creation

Telemedicine

The COVID-19 pandemic allowed GNDI to start offering healthcare assistance via **Telemedicine**, specially for the prevention and diagnosis of diseases

Telemedicine provides easy access by videoconference, in which the patient can talk to a doctor and answer all questions regarding health issues

In the first month of implementation, the Company recorded:

- ✓ **+40,000 consultations**
- ✓ **~20,000 prescriptions**
- ✓ **~7,000 special prescriptions**
- ✓ 82.4% of patients discharged from the consultation itself
- ✓ 10.9% were referred to Clinical Centers
- ✓ 6.7% were referred to the E.R.

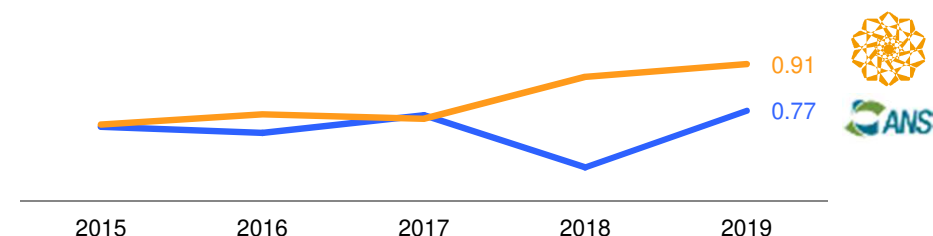
This service is free and can be accessed within the GNDI Portal or the **GNDIEasy** application



Reclame Aqui



IDSS – Supplementary Health Service Quality

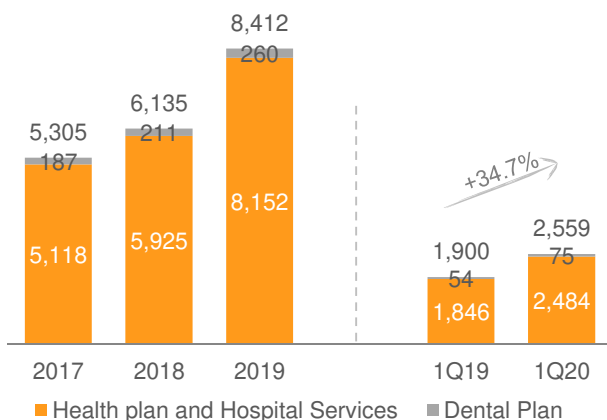


Net Revenue

Strong Growth of Revenue driven by Organic Net Adds and M&As

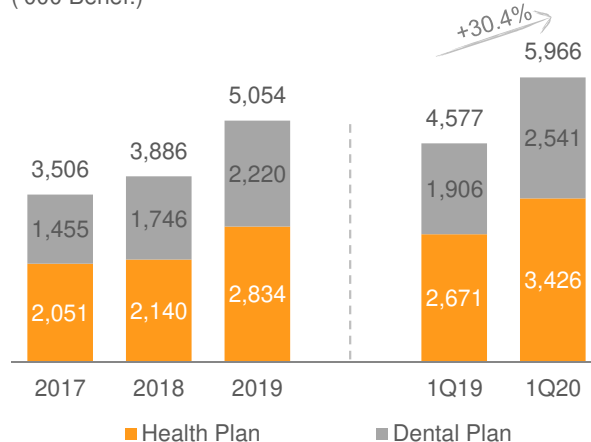
Net Revenue

(R\$mm)



Average Number of Beneficiaries

('000 Benef.)



Net Revenue: +34.7% vs. 1Q19

Avg. Beneficiaries: +30.4% vs. 1Q19

Health Plan (755k)

- +336k Organic
- +234k Clinipam
- +88k São Lucas
- +80k Mediplan
- +17k São José

Dental Plan (635k)

- +277k Organic
- +358k Belo Dente

Average Ticket: +4.8% vs. 1Q19

Health Plan

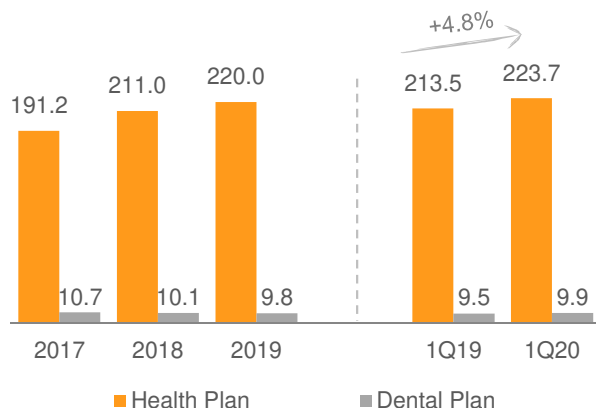
- +6.1% from price increase and sales mix
- -1.3% impacted by lower tickets from Clinipam

Dental Plan

- +4.0% from price readjustments, Belo Dente acquisition and an effective cross sell strategy

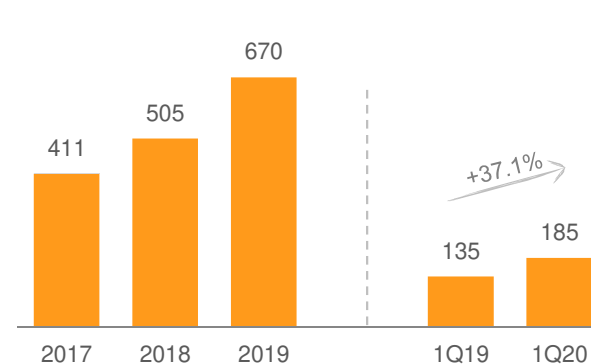
Net Monthly Average Ticket

(R\$/month)



Hospital Services Revenue

(R\$mm)



Hospital Services: +37.1% vs. 1Q19

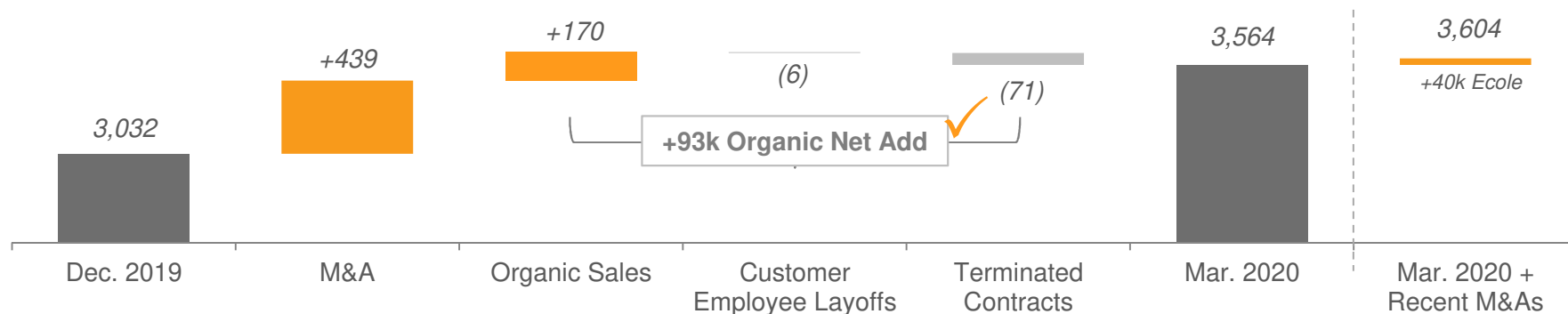
- +R\$56.8mm from hospitals acquired in the last twelve months (H. Amiu, H. Samaritano, H. São José, Ghelfond and H. São Lucas)
- “Same-hospital” revenue decreased 5.0% compared to 1Q19, an expected result while we have intensified the verticalization of hospital admissions

Organic and Inorganic Growth

+530k Beneficiaries added in the 1Q20

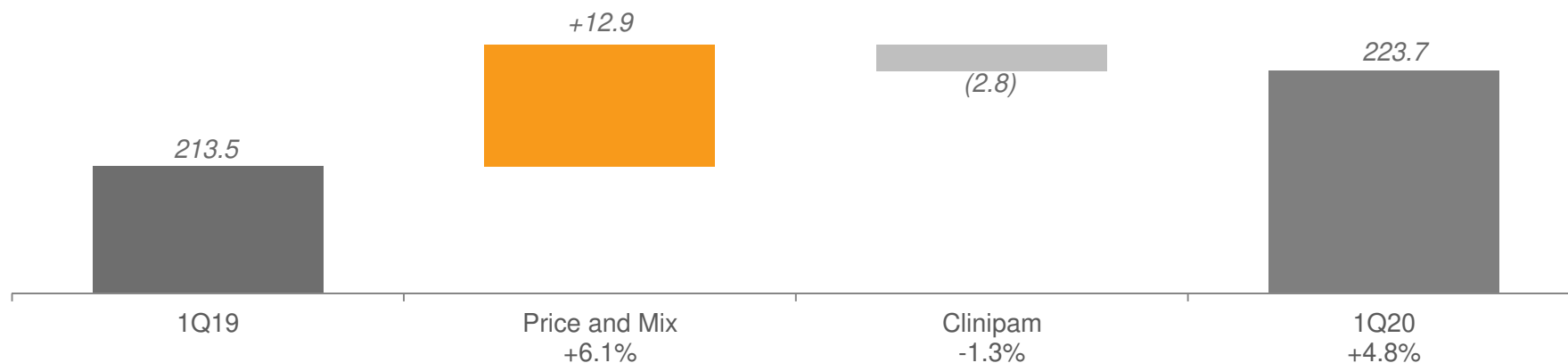
Number of Beneficiaries Evolution – 1Q20 | Health Plan

('000 Beneficiaries – End of Period)



Average Ticket Evolution – 1Q20 | Health Plan

(R\$ per month)

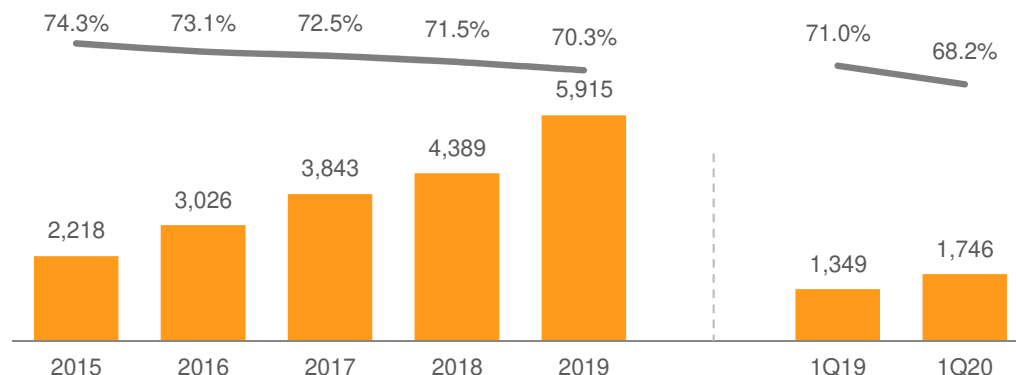


Cash MLR

68.2% Cash MLR, improving 2.8p.p. from 1Q19

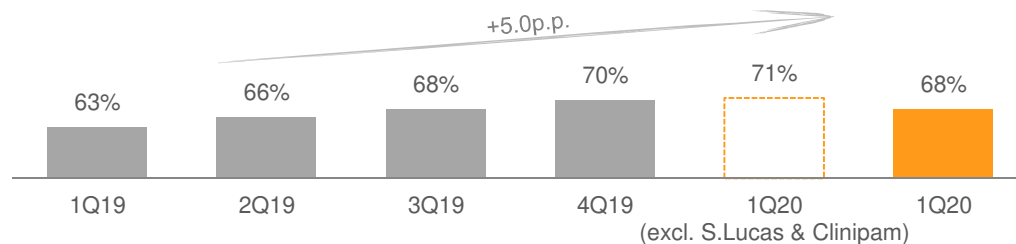
Cash MLR

(R\$m; % of RL)

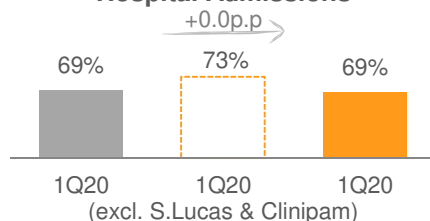


HMO Verticalization

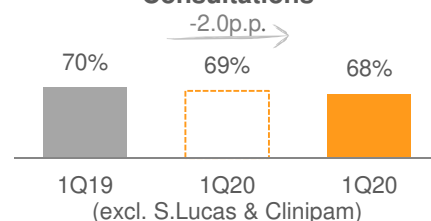
% Owned Network Cost / Total HMO Cost



Hospital Admissions



Consultations



Cash MLR: **2.8p.p. better** than 1Q19

São Lucas and Clinipam, both acquired in 1Q20, have contributed to the consolidated results since the beginning of the integration process, with a combined cash loss ratio of 67.1%

Verticalization: The level of verticalization increased as the percentage of Owned Network expenses moved from 70% in 4Q19 to 71% in 1Q20. When including São Lucas and Clinipam, we have a 68% of verticalization in 1Q20

Copay increased 61.7% versus 1Q19, mainly due to the consolidation of Clinipam. By using copay, the Company maintains its partnership with customers to align the incentive for usage, allowing the reduction of price adjustments (including SME)

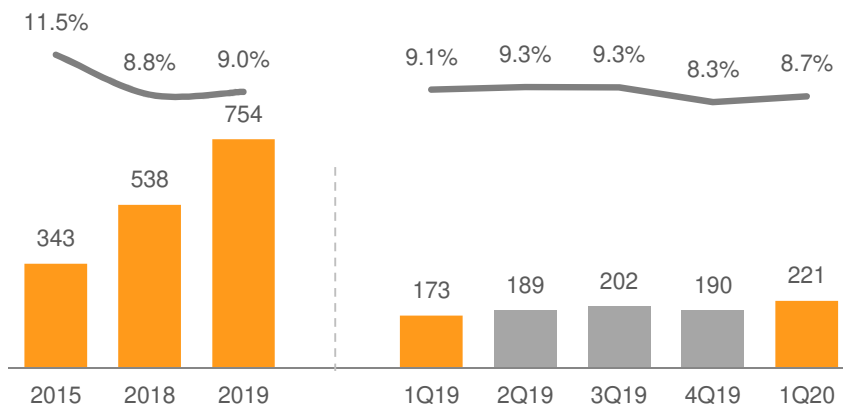
Dental Growth: On February 1st, we merged Belo Dente legal entity, which had a loss ratio of 46.3% in 2019, 15.9 p.p. higher when compared to the loss ratio of 30.4% of Interodonto in the same period. With the integration of operations, we are already seeing a lower loss ratio (27.1% in 1Q20)

Cash SG&A

8.7% Cash G&A, 0.4p.p. better than 1Q19

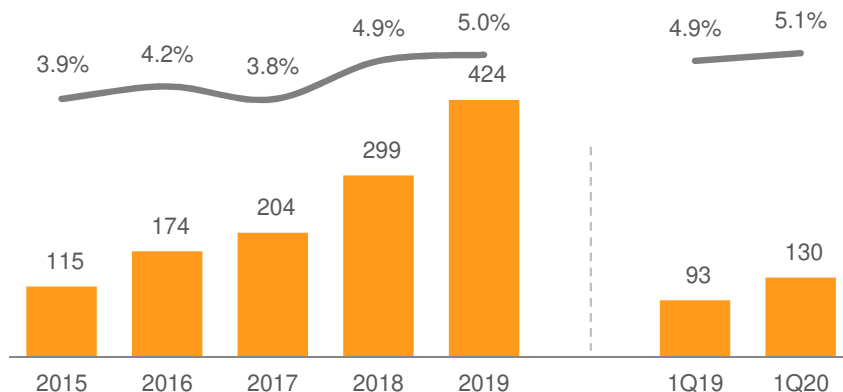
Cash G&A

(R\$mmm; % of NR)



Commercial Expenses

(R\$mmm; % of NR)



Cash G&A / Breakdown

R\$mmm	1Q20	1Q19	%NR20	%NR19
Personnel	105.0	80.7	4.1%	4.2%
Third Party Services	51.0	43.1	2.0%	2.3%
Occupation and Utilities	16.9	16.7	0.7%	0.9%
Allowance for doubtful acc.	22.2	18.5	0.9%	1.0%
Contingencies	7.3	7.5	0.3%	0.4%
Others	19.0	6.5	0.7%	0.3%
Cash G&A	221.4	173.0	8.7%	9.1%

Cash G&A: 0.4p.p. better than 1Q19:

Despite the impact of recent acquisitions, the dilution of the main Cash G&A items, including Personnel and Third-Party Services, reflects the discipline of execution in managing the expense control. The Company will continue to work on capturing M&As synergies and constantly investing in technology, optimizing the resources and infrastructure utilization

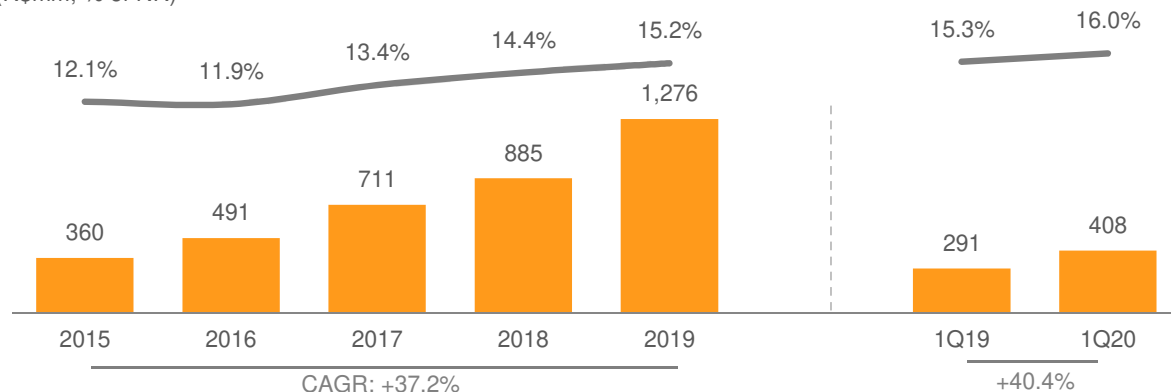
- The only item that increased was "Others", mainly due to write-offs (non-cash) of operating assets (hospitals and clinical centers) that were discontinued

Adjusted EBITDA

Adjusted EBITDA of R\$408.5mm (16.0% Margin), +40.4% vs. 1Q19

Adjusted EBITDA

(R\$mm; % of NR)



Adjusted EBITDA / Breakdown

R\$mm	1Q20	1Q19	Var.	Var. %
Net Income	160.4	102.8	57.6	56.0%
Income tax and social contribution	120.6	81.0	39.6	48.9%
Net Interest	32.8	35.3	(2.6)	-7.2%
Depreciation and Amortization	69.3	52.8	16.6	31.4%
EBITDA	383.1	271.9	111.2	40.9%
(+/-) Stock Options	10.9	7.0	3.9	55.9%
(+/-) M&A/Integration Expenses	6.7	5.4	1.3	24.4%
(+/-) Inter. Revenue (Restricted Cas	7.7	6.5	1.2	18.9%
Adjusted EBITDA	408.5	290.8	117.6	40.4%
% margin	16.0%	15.3%		0.7 pp

Adjusted EBITDA: 40.4% better than 1Q19

1Q20 includes two months of Clinipam and three months of São Lucas

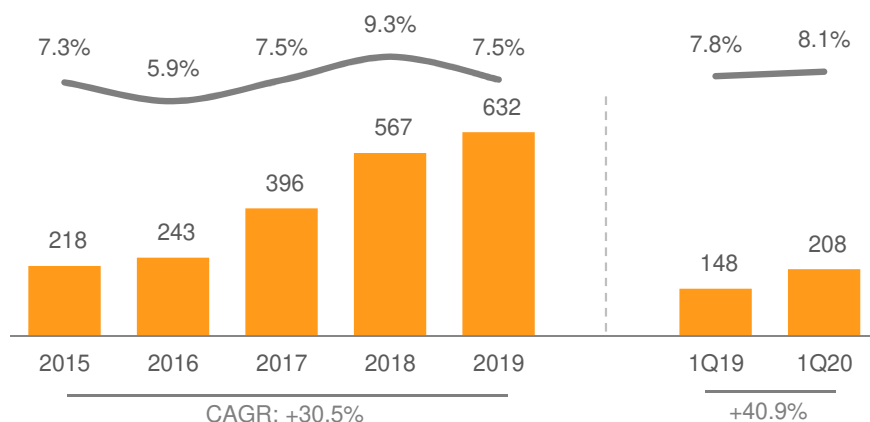
- In 1Q20, SUS Reimbursements charges negatively impacted the results in R\$47.5 mm, reflecting the acceleration of ANS charges started in the second half of 2019
- Excluding Clinipam and São Lucas**, Adjusted EBITDA would have been R\$368.9mm (15.6% of Net Revenue), 26.8% better than 1Q19
- IFRS16**: excluding this accounting impact, 1Q20 Adjusted EBITDA would have been R\$388.3mm (15.2% of Net Revenue), 41.6% better than 1Q19 ex-IFRS16

Adjusted Net Income and CapEx

Consistent Growth of Net Income and Net Margin

Adjusted Net Income

(R\$m; % of NR)

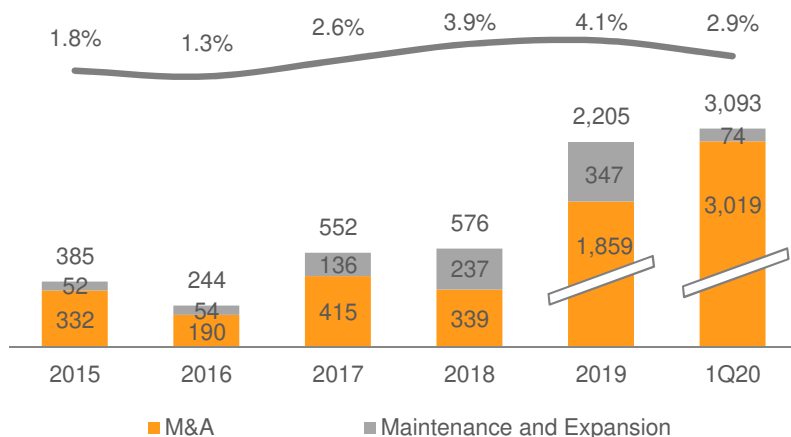


R\$m	1Q20	1Q19	Var.	Var. %
Net Income	160.4	102.8	57.6	56.0%
(+/-) Stock Options	10.9	7.0	3.9	55.9%
(+/-) Intang. asset amort.*	29.4	16.1	13.2	81.8%
(+/-) Deferred taxes	7.3	21.6	(14.3)	-66.3%
Adjusted Net Income	208.0	147.5	60.4	40.9%
% margin	8.1%	7.8%		0.4 pp

* Intangible asset amortization of acquired companies

CapEx

(R\$m; (Maintenance and Expansion) / NR)



CapEx: **R\$3,093mm** in 1Q20

R\$3,019mm: M&As:

- **R\$2,642mm**: Clinipam
- **R\$377mm**: São Lucas

R\$74mm: Invested in Owned Network improvement and maintenance and technology, specially with new systems and equipment

Net Debt

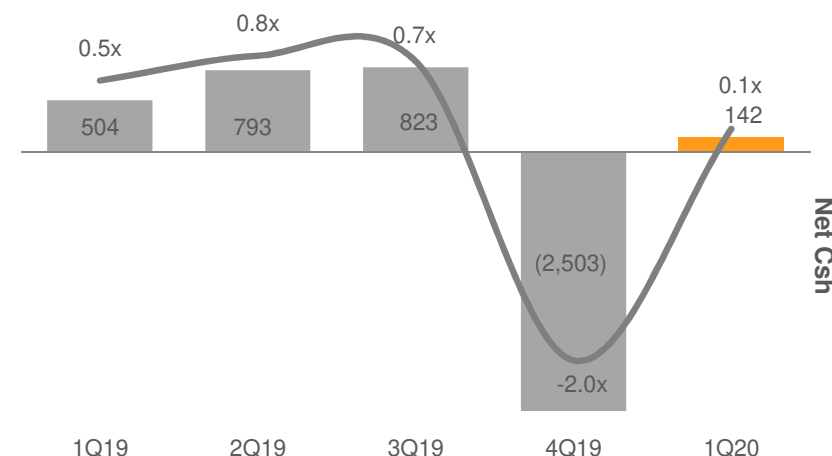
GNDI Maintains a Robust Capital Structure with Low Leverage

GNDI3 / Debt Profile

	December 2019	March 2020
NDIPar	<u>Seller's Note</u> R\$119.0mm (10.0% p.y.) Jun/2020	<u>Seller's Note</u> R\$84.3mm (10.0% p.y.) Jun/2020
BCBF	<u>Debenture (BCBF12)</u> R\$184.2mm (CDI + 2.25% p.y.) Feb'20/Aug'20/Feb'21 <u>Debenture (BCBF13)</u> R\$921.5mm (CDI + 1.75% p.y.) Jan/2023 <div>Paid Jan'20</div>	<u>Debenture (BCBF12)</u> R\$120.3mm (CDI + 2.25% p.y.) Aug'20/Feb'21 <u>Promissory Note</u> R\$362.8mm (CDI + 1.40% p.y.) Aug'20/Feb'21/Aug'21/Feb'22
NDISaúde (OpCo)	<u>4131 (II)</u> R\$202.3mm (85%CDI+1.955%p.y.) Jan'20/Jun'20/Dec'20 <u>Debenture (NDMI13)</u> R\$816.4mm (CDI + 1.60% p.y.) Aug'22/Aug'23/Aug'24 <u>Other Borrowings: R\$52.5mm</u>	<u>4131 (II)</u> R\$132.8mm (85%CDI+1.955%p.y.) Jun'20/Dec'20 <u>Debenture (NDMI13)</u> R\$803.1mm (CDI + 1.60% p.y.) Aug'22/Aug'23/Aug'24 <u>Other Borrowings: R\$47.7mm</u>
Acquired Subsidiaries		

Net Debt

(R\$mm; ND / EBITDA LTM)



In 1Q20, the Company paid for Clinipam acquisition and the early redemption of the debenture issued for the acquisition of Greenline (BCBF13), with the 3rd Follow-on funding

In the same period, the Company paid for São Lucas acquisition and maintained its investments in improving the Owned Network. For the better management of its existing resources, the Company raised R\$360 million, preserving its liquidity and investment levels

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