

**Operator:**

Good afternoon, ladies and gentlemen and thank you for waiting. Welcome to Qualicorp's conference call to discuss the results of the First quarter of 2021. We have with us today, Mr. Bruno Blatt, the company's CEO, Mr. Frederico Oldani, the CFO and IRO, Mr. Elton Carluci, Sales, Innovation and New Business Vice President and Mr. Pablo Meneses, Vice President of Operations and Relationship.

Some statements in this conference call may be projections or statements about future expectations. Such statements are subject to known and unknown risks and uncertainties that may cause such expectations to not materialize or are substantially different from what was expected.

We would like to inform you that this event is also being broadcast live via webcast and may be accessed through Qualicorp website at <http://www.qualicorp.com.br/ir>, where the respective presentation is also available.

This event will be recorded and participants will be in listen-only mode during the company's presentation, after which we will begin the question and answer session, when further instructions will be given. If you need assistance during the conference call, please press \*0 to reach an operator.

I now turn the floor over to Mr. Bruno Blatt, who will start the conference call. Mr. Bruno Blatt, you may proceed.

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**Bruno Blatt:**

Good afternoon to all of you. We are here to make a difference in the universe, otherwise why bother? This very simple phrase has been repeated at other times with different words but it does represent a truth that is inspiring. We are here to make a difference and I truly believe that in this universe that lacks correct actions and victory over commodity and the courage to use.

After a year full of pause and doubts and fears, we began the year 2021 with renewed energy to make the difference. The first year of Quali, a new year for resumption of growth to work closer with our clients, to work better with operators, create new business horizons

and to continue our enhancements in the governance and operations of our company.

We are aware that we are evolving doing everything right. In this 1Q21, we had a challenge due to the enforcement of readjustment in the HMOs because the readjustment had been suspended in the year 2020.

We were faced with a normal seasonality in our business, and we had a high number of clients that canceled, we had an atypical churn for the 1Q21. Of course, this was expected and was aligned with the behavior that we normally have in the third quarter with the annual readjustments.

The good news is that we had a record of sales in the company, more than a 100 thousand lives entered our base organically thanks to the investments we have made in operators, geographic expansion, a better performance of our channels, besides expanding incentives and loyalty to our brokerage channel. This organic growth added 52 thousand lives more brought in by Muito Mais Saúde, giving us a positive balance.

But we are not going to stop here! In our view, the level of sales presented in this quarter, although being good, still does not reflect the full potential we foresee for Quali. We will gradually accelerate our sales during the coming quarters to have an organic sales level of 45 to 50 thousand lives per month, working ever more efficiently controlling churn to resume our organic growth until the end of the year.

When we look at slide number 4, although the coronavirus impact was critical, we have the hope and the certainty that all of this will go away and things will go back to normal. While this does not happen, Qualicorp continues to invest in social actions with our new way of being.

We have invested more than R\$16 million in the fight against the pandemic and, of course, we will not shy away from our social mission of helping. In May, we contributed with a R\$100 thousand donation for a campaign to aid Manaus in creating materials for the hospitals in the Amazon and since April, we are participating in a consortium to open 50 covid beds in the federal Hospital of Lagoa in Rio de Janeiro, with an investment of R\$2 million a month to maintain and pay for

2000 health professionals. The medication will be offered by the Health Ministry.

In the business part of our search for growth, we had several novelties throughout the quarter. For example, the launch of a plan with discount and unemployment insurance besides benefits to obtain medication, the broadening of our partnership to work with PBM and our partnership with Samp, which is a partnership in the state of Espírito Santo, expanding our product offering in the region. We are seeking for new partnerships to become more consolidated throughout Brazil. Now we are going to continue to sell HMOs throughout the country.

Speaking about the results, we had sound performance, a growth of 4% in net revenues and a stable adjusted EBITDA with a margin of more than 46%. Our net revenues grew 70% with free cash generation of R\$165 million and a ROIC of 40%.

This semester we also will pay out R\$560 million dividends and at this moment, we are accelerating growth and acquisitions. We have a great deal of enthusiasm because of the business expansion that is before Quali. The strategy designed for this year based on our three pillars: growth, focus on customers, people and culture, has proven to be assertive.

Now, without losing our focus on execution, we are going to accelerate sales and deliver ever more positive results in the coming quarters, generating more value for the company in the long term.

We have a difficult task, and we need to understand the present, but we also have movements that will lead us to the future. With this conviction, yesterday we announced our strategic partnership with Escale Health.

On slide 6 we will explain why: to respect our focus to delve even more in the digital world, to work with engineering and data scientists, webe, UX and digital marketing.

We have to work on the online and offline world, and we have to deal with each broker as part of our universe, a digital universe that will expand sales and create new growth avenues, all of this to conquer and make our customers loyal.

Now, Escale is not only a digital marketing agency, but it will also generate demand and have conversion into sales. Through the use of data, we will be able to sell the right product to the right customer at the right time.

However, we find in Escale two entrepreneurs that truly value the business and at the same time, love people. They are focused on growth and very concerned in doing things the right way with the right values. They are an incredible team with a very strong culture, as the one we are building here at Quali.

During the negotiation process, we had contact with other investors at Escale and we opened up a strategic discussion to fully discuss this partnership. We are very proud to see how we are unanimously joined together in synergy and the potential generated by Quali and Escale.

Now, this union of cultures, with an alignment of interests, gives me great enthusiasm and makes this partnership highly promising. I would like to go back to the beginning of our commitment of transforming Quali in a company that will lead to the pride of stockholders, customers and everybody we care for.

I am proud to say that everything we have done so far will continue on, we have passionate debates, passionate actions, we look upon the market and see the impact we are able to create in the market and in the lives of every Brazilian who dreams of having a health plan. We are going to continue in this direction being very determined in our goals and respecting the principles of governance and human values.

We want a company that will be ever better in a world that will be ever better. If it were not for that, why would we be here? Thank you all and I would now like to give the floor to our VP Elton Carlucci.

**Elton Carlucci:**

A good day to all of you and thank you Bruno. It is a pleasure to be with you in another results conference call for Quali. As Bruno has mentioned, we have an important presentation that we would like to make and talk about these strategic M&A carried out with Escale.

I will be very brief in the presentation and at the end, I will be back to speak further about Escale. Before speaking about figures, I would like to specially thank Bruno, who invited me for this mission to occupy such an important position at Quali. Thank you, Bruno, we are going to support you in the execution of this strategy, which is beginning to present sound results in this 1Q21.

I am convinced that we will attain that sales record in the coming semesters and throughout this year. I would also like to thank the commercial team, especially the sales director who has been doing an incredible work in this front and the results are there to be seen.

Not to be unfair, besides this support from Bruno, these results would not have been possible without the commitment of Fabio, who is always seeking perfection in all areas, and Fred as well, who continues to be highly focused, concerned about the finances of Quali so that we can focus more resources for a resumption of growth.

Moving to slide number 8, with the addition of 100 thousand lives and the 1Q21, we have attained a historical mark that represents 30% of our growth in affinity when we compare this with the 4Q20 and represents 15% growth vis a vis the same period last year and 30% growth when we compare this to the 4Q20.

In the release, you will also be able to see a consistent performance. We had a 5% growth vis a vis the 4Q20 and year-on-year, the portfolio had a growth of 20% during the same period, reinforcing our position that it is possible to grow the SMEs without cannibalizing the growth in affinity. This will become ever clearer in the coming quarters.

The corporate portfolio had a growth of 7.4% vis a vis the 4Q20. To talk about gross adds, the company will continue to accelerate in the affinity sector, which continues to be our main sector.

We can now go on to slide number 9, where you will be able to observe how we have been gradually accelerating the sales levels of the company and will continue to do this throughout the year.

We listed several initiatives that were put in place in the last quarter, commercial partnerships, ramp-ups, the launch of new products and significant changes in portfolio, a change of efficiency when it comes to our present-day channels, and of course, the contribution of the organic sale of companies that have been acquired in the last months.

Still in this slide, we have mapped an incremental potential of 50 thousand lives per month. When we look at this vis a vis the average of the previous year, it was 27 thousand lives on the average, we are referring to increasing the number of lives from 27 thousand. And of course, if we are able to achieve this potential, we will get to 45 thousand lives per month, something we should be able to put in place during 2021.

We have already captured one third of this opportunity in the 1Q21 and without a doubt, we will capture an additional third the second semester.

Moving to slide number 10 to talk about churn, as expected, we had an increase, something typical for the period where we enforce the adjustments. Something positive is that it was somewhat below the historical behavior and the modeling that we did when we include the adjustment percentage.

This reinforces once again that this should have happened in the 3Q20, but we are observing it now because of the suspension of the readjustment. In the graph, when we add readjustments in recomposition we get to 23% readjustments in the quarter and due to the recomposition, this percentage was above the average that was supposed to have been applied the previous year.

We are considering here and not only the 15%, but the recomposition of the 15 months that were not collected. We will also have age bracket readjustments to be collected in 12 instalments throughout the year.

In the chart, you can see in blue the churn of the quarter, the orange line for the average readjustments and the dark blue shows the excess churn that was caused by the readjustment. The dark orange dot is the correlation between the excess churn and readjustments, a correlation between these two indicators.

This tells us that the excess churn of the 1Q21 was 5.2, as you can see in the chart. When we calculate the ratio of the excess churn over the average readjustment with recomposition, we get the indicator of 0.22 times. This indicator makes it clear that we are aligned just slightly below the levels of 2020, just a few base points below what

the statistical model is would predict, so we consider this to be aligned with the readjustments that have been applied.

Now, I would like to turn the floor over to Fred and I will be back in the end of this conference call to talk a little bit about Escale.

**Frederico Oldani:**

Thank you, Elton. I will start my presentation about the results of the 1Q21 giving you the quarter highlights. First, I would like to talk about the growth of our affinity portfolio. I think Bruno and Elton have already mentioned the readjustments and the acquisition of MMS's portfolio. We acquire that last year, but it was actually added to our base this quarter.

We had record sales and high return because of the readjustment and the addition coming from MMS, so that is why we had the medical hospital affinity portfolio achieving these numbers in the quarter.

About the net revenue, we had a 4.1% increase compared to last year, EBITDA R\$241.6 million, 42.6% of adjusted EBITDA margin which is quite aligned with the average of the last year. It is hard to compare to last year numbers because of many non-recurring effects we saw throughout the year but be sure we expect to have numbers that are easier to be analyzed.

Our net profit was R\$114.5 million, 68% growth year-over-year, boosted by non-recurring effects for this comparison. This number reflects our current income and EBITDA levels in the company.

Free cash flow of R\$165 million, we still show our capacity to generate results with effect on cash flow that is quite characteristic of our business and this will continue in the future. We expect strong cash generation numbers throughout the semester. With that, we closed the year with a debt level that is 64 times the EBIDA.

Moving on to the next slide, I will talk about the first quarter DRE results. The first point I would like to highlight was that this was a clear quarter, a quarter without any significant non-recurring effects or any noise that requires us to explain number variation.

This quarter reflects well our results, considering the current revenue levels at our company. We expect that from now on. We will focus

more on what we are doing in the market, growth and strategies, rather than having to justify non-recurring effects, numbers and right offs, so on and so forth. We think this is very important, the numbers will be much clearer and easier to be analyzed and understood.

Now, with regards to results, I think it is worth mentioning some lines below EBITDA, because above EBITDA I believe the numbers are very clear. Below the EBITDA line, I think it is worth mentioning our financial results. We have had a reduction compared to last year because of the CDI decrease and depreciation and amortisation were also impacted, compared to last year. But I see this is the new expected level of depreciation and amortisation for the coming quarters. We should also mention the reduction in the effective income tax rate, which was about 33% in the quarter.

Moving on to the next slide, I would like to talk about cash flow generation. An important point to mention here is that, although our cash generation was quite stable throughout recent quarters, I think it is worth mentioning our working capital. Why is that? You probably remember that the readjustment was postponed but that was actually recognized in the results of the company in the second semester of 2020.

That generated an increase in accounts receivable from customers and accounts payable of invoices to HMOs and this is starting to normalize throughout this year with a collection of these values. We expect to maintain gains in working capital throughout the year of 2021.

I think this covers the main points about our results. The results are already indicating what type of results we are expecting in the coming months. But of course, we believe that our opportunity to keep on growing our business will be the main leverage to improve our results from now onwards.

We will continue investing in our growth fronts and the actions implemented to improve efficiency in operations and to reduce costs will continue firm, but we intend to use the additional proceeds to keep on investing in our growth fronts as well as in the improvement of our customer service and improving customer relationship.

This closes the presentation about our 1Q21 results, and I will turn the floor over to Elton once again.

## **Elton Carlucci:**

Thank you Fred. As we announced last evening, we have performed and concluded a strategic M&A and before we continue, we have a message from Matt, one of Escale's co-founders. Let us hear from him and then I will continue with the presentation.

## **Matt Kligerman:**

Good morning! It is a great honor to be here sharing with you, even if I am speaking with my foreign accent, about this spectacular partnership. I'm Matthew Kligerman and me and my partner Ken Diamond are the co-founders of Escale. It is a reason for great pride to be here with you. Ken and I are American entrepreneurs and we have come to Brazil looking for adventure.

We love Brazil but we have noticed how hard it is to acquire essential services such as internet plans, cell phone plans, healthcare plans and others. There are complex contracting processes in force and we see how much big brands lose in terms of customers because of the inefficiencies and how much this impacts acquisition cost.

That is why we found Escale, to solve this lack of efficiency. In essence, Escale is a machine of customer acquisition in the digital world. We deliver incremental customers to the largest brands in Brazil, and we focus on higher added value products with complex purchasing funnels, such as internet plans, insurance, healthcare plans, financial products and others.

In 2020, we delivered R\$49 million in lifetime value revenue for our partner brands. We more than doubled last year and we are going to double again this year. How do we deliver all these sales? We interact with billions of potential customers every month with our own digital assets portfolio with plans operator, content websites and apps related to different purchasing time points generated qualified leads.

We also manage the websites and digital campaigns of our partner brands, dramatically elevating their performance. It is not only about lead-generation, but we also convert the lead we generate into purchases through our carts and chat bots that are integrated with our partners, back-end systems, as well as our own inbound sales center.

Our own technological platform integrates data from end-to-end, from the interaction with the lead online to the offline conversion and we use data science to optimize each stage of the sales funnel.

Compared to our partner brands, we convert leads into sales with twice conversion efficiency, dramatically increasing the volume of sales. This is all based on performance, our remuneration is based on performance, we are paid for customers that have been activated.

Quali and Escale complement each other, we have an essence in common. Both companies are machines of customer acquisition and our expertise is in attracting digital customers whereas Quali has been focusing on offline channels.

Now, we are going to join forces so that HMOs can better distribute health care plans in Brazil, both online and offline. Also, we are going to help Quali to escalate sales in their digital channels and increase the efficiency of their own funnel for affinity and SME.

Personally, I have never seen Quali as a healthcare company only, I have seen it as something that is much more: a company of generating demand in distributing products. I believe our synergies go way beyond the health care industry. Ken and I founded Escale with a purpose of making people and organizations reach their full potential and the new Quali way of being is completely align with our vision.

We have assessed many different pathways in order to achieve our bold mission, and of all the pathways, the one that excited as the most was the one with Quali.

To close, I would like to thank Bruno, Elton, Fred, Pablo, Eduardo, Fernando, Ricardo and the whole board of Quali for the effort in building this new reality together with us, we are in this together now. When we look back a few years ahead, we will be so proud of everything we have done together. With partnerships, we can achieve the highest and most rewarding summits.

### **Elton Carlucci:**

Okay, great. After Matt's message, it is much easier for me to present to you. I will start here on slide 16, where you can see our agenda with 5 different points. I will give you some details about the deal, I

will talk about Escale, about Escale Health, I will tell you what we want in terms of the Quali plus Escale partnership then we will open for questions and answers.

On slide 17, I will start by telling you about the details of the transaction. We have acquired a 5% interest of Escale holding that controls several verticals, and among them, Escale Health. We acquired 35% interest of Escale Health with a call option of another 5% in the next 12 months.

It is important to mention that this is a 100% primary investment, all the proceeds will be used to expand our business and we do believe that this is a very disruptive model. This investment will certainly help us to accelerate and grow. The values were R\$48.4 million in the holding and R\$84.2 million in the Escale Health vertical.

So now I am moving on to next slide, slide 18. What does Escale mean to us? I'm sorry, it's actually slide number 19. So, what does Escale mean to us? For us, Escale is a player that connects millions of consumers with big brands, a data player, a tech player, a player that will convert customers with optimized acquisition costs. That is what Escale means to us and this is going to become even clearer as we advance with this partnership.

Moving on to slide 20, this is self-explanatory slide that talks about the quality of our partners. Over R\$100 million investments. There is no need for introducing these investors: Kaszek, QED, Invus, Redpoint e. Ventures.

The founders are Matt and Ken, investors who saw an opportunity to do something disruptive here in Brazil. I would like to thank Ken and Matt who enabled Quali to be a part of this new journey, taking this pathway together that will definitely accelerate our digital sales in the healthcare industry in Brazil.

Now moving on to the next slide. Slide 21 tells us about the disruptive model of demand generation, sales conversion and high loyalty. I'll give you the details about this for Escale Health, but this is actually a model that is used in all of Escale's verticals.

Everything is based on data, millions of data points related to conversion and demand that is generated second in second out that is directed to a team that will be able to perform the sales conversion

in the most seamless way for customers. There is another slide later on that will give you further details about how everything works in this acquisition funnel.

Now on slide 22. What is it that we see here? Well, this is how everything works. On the one hand, we have consumers. When someone starts an online search for products, brands and networks, this is a fragmented process that generates frustration and early cancellation because consumers end up buying the wrong product.

Escale is here to reach consumers and brands to create the best possible journey by generating demand, data assignment to operate the end-to-end funnel with the whole conversion technology that is fed by this data science and artificial intelligence model.

So, I think the point that I would like to highlight on this slide is that we see Escale as a company that can connect consumers and brands in a unique way. They transform the acquisition difficulties into a memorable experience that will adapt depending on the consumer profile.

On slide 23, you can see the verticals. We purchased a 5% stake of the holding that covers all these verticals: home services, health, personal finance and education, as well as others that might be created for the holding, and the investment in the health vertical that already distributes Amil, Bradesco, Sul America, GNDI products, who are also partners of ours here at Qualicorp, so we can see this amazing synergy in the health vertical.

On slide 24, we can see what Escale does in each one of the segments, optimizing the purchasing journey from end-to-end and the acquisition funnel.

What did we realize once we started having conversations with them and we saw this working in the field? We saw that this is an incremental sales model, the idea is to stack sales and not to cannibalize sales. We saw the whole engineering process that was underlined, the conversion process that creates a potential of up to 3.4 more conversions, more sales with the same investments.

This is a lifetime value-based loyalty. We look at early cancellation and we see whether it makes sense for that purchase to be sold or not and it performs data integration of the funnel.

We were quite impressed to see how the data was used in each stage of the process, not only to acquire the leads in a more efficient way, but also to enrich this funnel so that, if need be, the sales rep in the field will understand what the best lead is to be converted according to their profile or their expertise.

Artificial intelligence will let them know what the best lead is for Jo to convert, for example, because Jo is the person who converts the most customers with that profile, at that age bracket, in that region who search for health care products, for example. That is a very interesting model that happens in tenths of seconds.

It is really impressive how all of this will be done in a more integrated fashion with the end-to-end data, and this is how we envision putting Qualicorp into a completely new conversion level based on this data analytics model.

Here on the one side, what we do is to deliver value to the customer and on the other side, all the data collection, the proprietary data mode. Therefore, this funnel will be fully enriched with a variety of attributions and other factors so that we can work with the lead in the best way possible.

At the end of the day, this will enable us to have a more efficient acquisition cost, more courage, we will prioritize our leads and do this at an incredible pace, something that we had never observed before we sat down with Escale to carry out an endless number of tests on the platform.

All this data will be fed back into the system. If you imagine the number of leads that we have presently at Quali and you combine this with the intelligence, it will enable us to take a leap in our conversion rates and also an enormous leap in terms of incremental sales based on the origination of leads.

We will now go on to slide number 26 and I am going to go quickly through this so that we can speak about the health vertical.

Here we have part of what inspired Matt and Ken, what is it that they base themselves on to bring Escale Health to Brazil. They took inspiration in companies such as Select Quote, these are all listed

companies, Assurance and Refox , companies that operate mostly in the European market.

This was the opportunity they foresaw in the health vertical in Brazil, and they took inspiration from these three benchmark companies. For those who wish to know more about Escale's model, of course these are excellent benchmarks and I recommend that you survey somewhat more about these three companies.

Going on to slide number 28, what we see to the left is our current distribution model, with several deficiencies all the way from the investment that has been made in the digital part and that ends up being captured by other agents, a disconnection between leads and product conversion, generating a high number of churns break up leading to customer frustration, who wants one product and ends up with another. It is the non intensive use of data.

To the right what is addressed through Escale Hhealth model, resolving all these issues and using the technology that I refer to very briefly in the prior slides. Therefore, they address all those issues of the inefficiency of the funnel with technology, with data with artificial intelligence, optimizing the lead and identifying multiple opportunities for up-selling and cross-selling and doing all of this through a digital process.

Once again, one of the most innovative and interesting processes that we have seen operateing. When we held our initial conversations and carried out the due diligence, we received a class over the site, they had already mapped all the fields for enhancement and we were truly impressed with the mapping of the efficiency for QualiCorp, enabling us to have this joint model.

Moving to slide number 29, where we have an example of the digital assets. Besides what we see in Google, Facebook, Instagram and others, we have proprietary assets and through these, they generate demand. This is na example of a proprietary asset that generates demand without necessarily competing in terms of lead words and in terms of other customers.

Once again, a highly interesting app that has offered us a great deal of synergy, especially when we begin using digital assets, not only for sale, but also for cancellations.

As partners, we will be able to have access to this data and speak to one of our customers who perhaps is searching for a lower-cost HMO, something that formerly would have been out of our radar.

Now the entire data model uses other external data sources, sites and customer complaints. This is a highly complex engineering, based on a X number of situations, enabling us to work with a more assertive conversion and also to enrichen our cognitive model used and they churn or cancellation.

We go to slide number 31 to summarize in a single slide what this strategic partnership, this M&A will represent for Qualicorp and what are our priorities. Of course, they extend beyond simply increasing sales and reducing churn.

How are we going to do this? By optimizing Qualicorp's conversion funnel. As soon as we are able to close this partnership, we are going to begin to optimize our funnel and our conversion rate will be improved by optimizing acquisition leads in the affinities and the SME market.

We truly believe in a high conversion with the generation of online demand and when we talk about demand generation, we are always referring to SME markets and the affinity market. We are making great strides in the digital strategy, a strategy for the retention and reduction of churn.

We should be able to make a leap in this cognitive recognition using everything that Escale has at present in terms of data. This should be truly impressive.

And of course, through this investment, we are seeking that competitive edge when it comes to exclusive proprietary assets and demand, the conversion technology, up-selling and cross-selling. And of course, using this platform based on several tests models that we can test to be able to market other products from Qualicorp.

As you can see, all of this is linked to what we have already been doing and what we have been conversing with the market since our investor day. Now we are going to reposition Qualicorp as a company with multiple products and we are heading towards that mission of becoming more than a marketplace, we want to become a platform

with the integration of e-commerce, not only through our customers, but also our brokers.

All of this is part of our strategy and will enable us a significant time to market, something that we have been planning for the company. When we look at technology and we look at Escale, of course some of these assets are still confidential.

As we conclude our partnership, we will disclose this to the shareholders, but if Qualicorp is able to reach that platform, we will be able to have a clear vision of what we want and how to fulfill this strategic partnership with Escale and fully integrate our businesses.

This is the presentation per se and at this point we can open the floor for the Q&A session.

**Vinicius Ribeiro, UBS:**

Good morning or good afternoon to all of you, thank you for taking my question. I have two very quick issues. Referring to the gross adds, although this is a more qualitative information, if you could talk about new products and your channels, how representative and relevant they are in these new gross adds.

And secondly, something that was not made very clear to me if, you could be more objective. Your investment means Escale can become your digital distribution channel for the company, or your intention is to create another company and you will share part of the economics? What exactly you are going to use all this information that you have invested in this company? Thank you.

**Elton Carlucci:**

Good afternoon Vinicius. I would like to address both questions and the entire team can complement latter. Initially, we have been able to capture benefits and all our plans are somewhat more accelerated than others.

Now, in terms of products change and portfolio, we have done this in all the portfolios where it was necessary. This has already been done, some underwent it in the 1Q21, we had one month of sales. Of course, there will be an impact in the 2Q21 in terms of channels.

What we have been observing is an increase in some of the channels where we had very few operations. For example, e-commerce. After our reformulation, things seem to begin to happen. Of course, this is an expectation, and we know that it is a change of habit that will take years to change completely, but we have observed that there is a mixture of everything. We have some synergies in all the line items.

Now, to speak about Escalate per se, Escalate is one more channel, we are not going to replace our channels. What we are going to do is use the synergy that appears in the funnel. Escalate will operate the channels as part of the agreement, which we are very comfortable with.

They will guarantee the flow of leads into our channels and if we have a surplus demand, they will work on the conversion. This represents an additional channel, and the proceeds will be used to accelerate, to escalate the process by expanding the technology and moving forward in the acquisition of leads.

Now should we have a digital asset that makes sense, a website or something similar, we can also work on an acquisition and add this to our platform. This is what we will be doing with our proceeds. Thank you very much.

**Joseph Giordano, JP Morgan:**

Good afternoon to all of you, thank you for taking my question. I would like to comment further on the gross adds. What were the changes in the commercial incentives to have better sales results? You have a record level of sales. What have you altered culturally, has there been a monetary restatement to leverage the sales?

And going back to Escalate, which you have just discussed, when will we begin to see material gains from the use of this intelligence and the capture conversion and retention of customers? Thank you very much.

**Elton Carlucci:**

Thank you for the question, Joseph. What we have been doing to accelerate our sales is to follow the strategy we refer on the Quali Day event: coming closer to the brokerage channel. The brokerage channel has been performing much better than the historical average

and this is happening in practically all of the markets and some of them in a more accelerated way.

When we speak about present-day channels, there are different strategies being applied. Some are close to reaching 100% and others are just beginning. I mentioned this previously, we also have a great deal of regionalization and different teams.

There is no place now that will not make sense for us not to have a Qualicorp team. We have carried out a mapping and it makes sense to have somebody local, speaking to a local operator, carrying out sales based on the model that we use with brokerages at one end.

So, we are using a mix of everything. Plural, which we acquired, has been contributing since December and MMS will begin contributing in the beginning of the 2Q21. We have had the closing in the first quarter and MMS will be an important part of this ramp-up above acquired companies that will make their contribution.

That is why when we speak about the 2Q21, I think this was included in the guidance and we see how full this opportunity bars are. And perhaps, you can work with an estimate of which would be the performance of what we have been doing because of the closing that just happened and the continuance of this closing in the 2Q.

We have a deep knowledge of what is happening with the model because of the time that we have invested in it and you will understand what we are attempting to do, considering the relevance and the contribution it will have for us. And of course, we will be able to do this very gradually.

We do have other plans for the funnel, we will begin carrying out tests and working on the integration and we hope to capture 100% of this throughout the year 2021. There is a curve that has been drawn up here and if we see that the customers are very enthusiastic, we will go to 100% very soon at our end.

Nevertheless, we would like to do this very calmly and with the full diligence that a process like this requires because of the importance of lead generation. Now, this is our plan, and we will be focusing on this in the coming months. We are convinced that we will allow the sales to reach a completely different level when we reached a fully integrated scale.

**Leandro Bastos, Citi:**

Hello everyone, good afternoon. I have one single question about commissioning. Looking at the cash flow, we see a significant increase, almost a two-fold increase year over year and the sales have been evolving. You are talkin about 40 to 45 thousand lives added per month.

So, my question is what is the order of magnitude that we can consider in terms of investments in commissions for the company to achieve the growth that you aim to achieve in the medium and short term? Thank you.

**Frederico Oldani:**

Hi Leandro, this is Fred speaking. So, for the growth and commissioning, the comparison is not that clear because we cannot see the average ticket of new sales. The new sales usually have a higher average ticket.

In the 1Q we saw a new portfolio for family plans and Sul America with discounts for dependents, it worked really well. In the 1Q21, the average ticket was higher. Our investments were expanded throughout 2020 and I think the 1Q21 is it good proxy of what we can expect for the coming months.

I think this reflects the current level of how much we are spending to acquire lives right now, but we are talking about lives with a higher average ticket that create a higher-margin of contribution in lifetime value.

This strategy is aligned with our strategy, which is to be very aggressive in this channel, this is completely align to our strategy and we think this is going to be capped at those levels for the coming quarters.

**Operator:**

This concludes the Q&A session. Now, I would like to turn the floor over to Mr. Bruno for his final words.

**Bruno Blat:**

I'd like to say goodbye by thanking our brokers, 43,000 healthcare plans sales representatives connected with Qualicorp, helping us to expand access to private healthcare in Brazil.

I would also like to thank our partner HMOs who trust us to distribute their products and I'd like to thank 2590 Qualiers who are very resilient working with us, passionate about the transformation we're making in the field, who are driving our company everyday.

I would also like to thank Escale's team, Matt and Ken for the trust they have put in us and for believing that together our dreams will be better and greater. Our mission is to take care of lives and to do that increasingly better. I'm really happy to see that we're advancing in spite of all the challenges, so thank you everyone.