**Conference Call Transcript**

**Hapvida**

**3Q25 Results**

**Operator:**

Hello everyone. Thank you for joining. Welcome to Hapvida third quarter 2025 Earnings Call.

Joining us today is Mr. Jorge Pinheiro, CEO, and Mr. Luccas Adib, VP of Finance and Technology.

For those requiring simultaneous translation, please click on the Interpretation button and select the English option.

This event is being recorded and will be made available on the company's IR website alongside the full earnings materials. You may download the presentation by clicking on the chat icon. Please note the disclaimers governing this release at the end of the presentation.

During the first part of the event, all participants will be muted. After the company's remarks, we will begin the Q&A session. To ask a question, please click on the Q&A icon at the bottom of your screen and type your name, company and language to join the queue. I will now turn the call over to CEO Jorge Pinhero to begin the presentation. Jorge, please go ahead.

**Jorge Pinheiro - CEO:**

Good morning, everyone and thank you for joining our third quarter 2025 earnings call. Joining me today are Luccas, Guilherme, our IR team, Bello, Ana and Jefferson.

First, I would like to discuss our investments in expanding our own network. This quarter we continued to execute our plan for capacity expansion, increased verticalization and a consequent reduction on our and reliance on our accredited Network. Since early 25, we have opened seven new hospitals and 25 outpatient clinics in strategic locations. In total, nearly 1,000 new beds were opened, of which approximately 500 are already operational.

In certain regions, the network additions were made to support membership growth in areas where we were already operating at full capacity and where we continue to grow. This is the case of Fortaleza, Manaus and Belém, among others.

In other regions, the openings were aimed at increasing our verticalization level, such as here in São Paulo. For instance, our new Advanced Diagnostic unit on Brigadeiro Avenue is already attracting the PPO clientele for which it was built.

Following this intense opening cycle in 2025, the next hospitals to be opened, located in Rio de Janeiro, São Paulo and Mato Grosso do Sul, are scheduled for 2027.

All this additional capacity in medical schedules, bed outpatient units in general, facilitates access, increases customer satisfaction levels and supports future sales in the Southeast region. This is going to allow us to have verticalization levels that are closer to what we see in more mature regions, which will give us greater sustainability and predictability.

In summary, the own network expansion is deliberate and strategically targeted. In fact, all of our customer satisfaction metrics showed improvement. The ANS ranking, IGR total volume of NIPs and the Reclame aqui score.

Now moving on to the quarter's performance it was a challenging quarter. The quarter's Cash MLR at 74.2% excluding judicial claims was 0.4 percentage points above 3Q24 remaining under pressure and above the seasonal pattern impacted by higher frequencies in doctor appointments, tests, therapies and admissions.

When we look at the year-to-date figure on the same comparable basis, the MLR was 72.6% against 72.9% year in 2024, a slight improvement of 0.3 percentage points.

In addition to the increase in per capita usage, the new units I just mentioned brought an incremental fixed cost of approximately R$ 82 million with a projected total of around R$ 100 million for 4Q.

As expected, this capacity ramp up created temporary duplications with the accredited net network, that is pre-operational and operational costs of the new units are added to those of the accredited network in the first few months after opening facilities with low occupancy rates putting pressure on the short term we know that the effect of these pressures on the MLR is transient and tends to be diluted as occupancy increases and the membership base resumes growth.

Additionally, we faced unfavorable seasonality with the virus season in the north and northeast regions starting later this year and extending into the third quarter. Finally, we experienced a prolonged period of lower temperatures and dry weather in the south and southeast regions.

Among the drivers of this increase in utilization frequency that I mentioned, a portion is here to stay and is directly linked to a substantial improvement in our customers' perception of the company's quality. For example, in almost 80% of the time we have served our patients in our emergency care units in region two in under 15 minutes. In the past this percentage was 40%. We have also virtually eliminated the surgery backlog and have been delivering elective appointments and tests on schedule.

A portion of the higher frequency is related to seasonal factors, but these vary from year to year in terms of start time, duration and intensity. In fact, the seasonality curve where frequency typically begins to decline in early October was delayed this year but is already starting to occur now in early November, reaching levels that are similar to those of last year.

To reduce the portion of utilization frequency we have identified as avoidable, we have a number of measures underway. For example, we are standardizing best practices in our urgency and emergency care units, calibrating processes that have already shown better clinical outcomes. As part of a review of practices and governance to enhance efficiency and quality, we have several renegotiation efforts underway with the accredited network and oncology diagnostics and therapies on a national level, which should yield benefits in the short term.

We have increased negotiations with the accredited network involving risk sharing. We will soon open a national pathology center, the most modern state-of-the-art technology center in the country, which will bring about quality, quality improvements and cost reductions. And it's the first of its kind in this segment. In short, numerous work streams and opportunities.

Now I would like to provide more color on growth and on our commercial agenda.

We reported positive membership growth in 3Q of 12,000 members. This was below our expectations and below our potential. The performance was heterogeneous with robust growth in the corporate portfolio in the North, Northeast, Center West and Southeast regions in the corporate portfolio, but in the SME and affinity group portfolios.

The competitive environment turned out to be tougher than we expected, with increased aggressiveness for some competitors, mainly in São Paulo. That's why growth was slower than expected.

In order to recover our performance, we are implementing an integrated package, reinforcing management teams, incentives, product adjustments, technologies for sales such as online price lists, prices and so on and so forth.

We're focusing on different channels and providing specialized consultancy, but we continue with a careful approach in the short term to make sure we have good commercial performance in 2026.

When it comes to technology and innovation, we have now 61 projects with 115 artificial intelligence solutions. Of them, 30 are already under production, focused on diagnostics, radiology, preventive medicine and hospital operations in our own network. Among those that are in production, I have a few interesting examples.

With IA AutoCid, we created a model that classifies patients histories into CDI subchapters assisting the professional diagnosis. We have already used this AI in over 22 million consultations with 96% accuracy and 88% concordance.

In the IAD NoShow, we developed a model that predicts patient no shows for elective appointments with 85% recall and 96% adherence. The IA reduced patient no show rate by 17% and increased medical productivity by 9%. These are concrete examples of AIs that are already delivering robust results. This aims to bring in more safety and diagnostic accuracy and as a consequence, generate more efficiency and cost reduction.

In clinical research we currently have over 900 patients taking part in studies in areas such as oncology, nephrology, neurology and obesity. We're using artificial intelligence to qualify participant selection and accelerate evidence generation.

Our research center has already published 16 scientific papers in recent months in international journals. In medical education, our connected training program already brings together approximately 7,000 physicians in online tracks and 1,500 in practical training, establishing itself as one of the largest medical training programs in the country.

In summary, we have maintained our commitment to expanding and upgrading our own network and the verticalization process that will provide sustainable quality growth in the long term. We acknowledge the challenges of the quarter with utilization frequency above seasonal levels, creating presidency pressures in emergencies and tests and duplication effects during the network transition.

We have already begun implementing the necessary adjustments with expected captures in the coming quarters, with governance over all of our initiatives in the short term, our priority is to create an environment for sustainable organic growth and improve our operational metrics throughout 2026 with the network ramp up and pricing adjustments, we expect to progressively capture the benefits of our own network, accelerate value generation.

This is our business model, and this is what Hapvida is all about.

We would like to thank our customers once again for the trust they place in our company and to reinforce our commitment to serving you and to taking care of Brazilian South.

I would also like to thank our employees, partners, physicians, dentists, brokers, suppliers and investors. Now let's move on to the financial highlights. Luccas, please go ahead. Thank you.

**Luccas Adib - CFO**:

Thank you, Jorge and hello everyone and thank you for joining.

Let's get started on slide number 4. In 3Q25 our MLR was 75.2%. Now I will present a proforma to compare 3Q24, bringing the medical care portion of judicial claim payments into the MLR. We need to create this proforma for 24 because we only started to reclassify these expenses to costs in 2025 as we mentioned earlier.

And when we do this, the proforma MLR for 3Q24 would have been 75.9%. We are therefore 70 base points below the year over year comparison. But when we look at quarter over quarter we should have been up only about 50 base points, yet we are up 1.3 percentage points.

Jorge has already mentioned the factors that influence the MLR and I will try to provide more color on the main detractors. Regarding the increase in per capita utilization frequency, we have created this chart at the bottom of the slide.

It shows utilization growth across all service categories. Looking at the chart on the left, we show you the frequency variation between 2Q and 3Q25. We also did this for years 22, 23 and 24 and we calculated the average that is the numbers on the left side of the chart show the expected increases or decreases based on the historical seasonality between 2Q and 3Q and on the right side is actually what happened in terms of variation in 2025.

Notice that when an increase was expected, the actual increase was much larger and when a decrease was expected, the decrease was smaller. This increase above seasonal norm brought an incremental impact of 2.6% on the per capita cost.

Regarding the opening of new units which Jorge mentioned, we have opened seven new hospitals and 25 other care units since the beginning of the year of the hospitals too were to support pure membership growth in the greater São Paulo area and the others were made to support the necessary network sufficiency in regions where we continue to grow and where occupancy was already quite high and we should dilute this impact both repricing adjustments and the addition of new members.

This installed cost burden will not be resolved immediately as the journey of adding new members. The running effect and pricing adjustments will take a few quarters.

The new units contributed in 3Q25 with 0.3 percentage points incrementally compared to 2Q25 for the year, the cumulative incremental impact was 1.1 percentage points in MLR.

Just to give you a sense of the size of the installed fixed costs related to the new units in total values, we're talking about R$ 80 million in the third quarter alone and from R$100 to R$110 million next quarter, the two factors I mentioned, which are the majority of the quarter's impact, represented an additional 2.3 percentage points in the reported MLR for 3Q25 the correction of one portion, which is the establishment of higher frequency in the new units, will come from dilution purely through price and membership.

As I said, resolving over the next few quarters another portion which we can control, more should come from the standardization of best practices and improved operational care metrics in the order of approximately 1 percentage point, also manageable in the coming quarters.

In any case, it's important to emphasize that verticalization has been the company's greatest strength and adding new units to our portfolio is important not only for the necessary decommissioning of a third-party network, but also for qualifying our own network aiming for better customer satisfaction.

This short-term impact on margins is part of the company's strategy to increase its portfolio of units and we believe that this negative effect will be recouped over the next few quarters.

Now providing a bit more color on the evolution of the volume of NIP's which are customer complaints filed with the regulatory agency, please see the chart in the lower left part of the slide which shows a relevant improvement of about 40% since the beginning of 2024 and a 20% improvement quarter over quarter. All the capacity the company has been adding is indeed translating into a relevant increase in customer satisfaction levels and all of that comes at a cost, as I've been telling you over the past few quarters.

On the lower right side of the slide, you can see the IGR, which is the General Complaints Index at ANS the regulator. It is the total number of complaints divided by 100,000 members. Not only are we better than the sector average, but we have also been showing sequential improvements quarter over quarter.

Moving to the next slide we see cash admin expenses. I will split this into two parts.

The first part is the discretionary G&A, i.e. personnel, location, third party services and etc. This group has been performing in line with below inflation quarter over quarter as we have been guiding you since the beginning of the year. To compare the total expense, we need to adjust for someone off events both in 2Q25 and 3Q25 and as a reminder, we also started reallocating judicial claims to the cost line since the beginning of the year. Both effects added up to R$ 208 million in 3Q25. All the main changes are explained in detail in the earnings release materials, but I'd like to mention a few points.

The volume of ANS fines, which had already increased in 2Q25, remained under pressure this quarter. We continue to see a higher speed in the issuance of infraction notices by the agency and due to the advance payments, we have been making to obtain discounts, we expect elevated charges until the backlog normalizes, which should take about another year at least as we saw on the previous slide. Since the volume of NIPs has been falling substantially since early 24, we expect a decline of the same magnitude in infraction notices in the future, so we do not expect this level of NIPs to continue in the future. We also had relevant tax processes in the second quarter that were not repeated, with a higher provision reversal in Q2 relative to its respective settlement.

The quarter over quarter variation therefore is more based on an atypical favorable behavior in 2Q than on growth in 3Q, but this line is still behaving in a volatile manner. Finally, we had a slightly higher volume of payments out, mainly due to the higher volume of business days quarter over quarter.

In civil provisions, we received an updated unfavorable forecast. This resulted from sharper movement of lawsuits by the judiciary during this period in line with the seasonality's we have been discussing with you. The number of payments out per business day and court ordered blocks per business day when compared to 2Q shows stabilization, albeit nominally higher this quarter due to more business days.

As I mentioned earlier, the increase in provisions and payments out during the quarter caused the indicator measuring total contingencies over revenue to reach 3.2%, a slight increase compared to the previous quarter with the provision coverage for deposits stable at 104%.

Finally, it's important to mention that we are already seeing favorable rulings following the Supreme Court's judgment on ADI 7265 with the application of new objective and cumulative criteria for coverage outside the ANS list, which leads us to expect a structural reduction in this line item, but without a significant impact right now.

On the next slide you can see that our adjusted EBITDA reached R$ 746 million in 3Q25, pressured by higher MLR and increased contingencies. This number considers the positive effects of the quarter's one-offs. Excluding the one offs; EBITDA would have been R$ 613 million.

At the bottom of the slide, adjusted net income was R$ 338 million impacted by the same factors. At the top, you can see our free cash flow. A more pressured EBITDA like this quarter's involving a relatively stable level of rental payments by itself makes the conversion of EBITDA to operating cash flow proportionally more compressed.

In addition, we had incremental effects that made the conversion more compressed this quarter. Payments made now related to provisions from previous quarters such as medical accounts and suppliers in order of R$ 150 million due to the system's integration that I discussed with you in previous quarters and 2 an additional consumption of R$ 74 million for SUS reimbursement.

This was net in the P&L due to the RESUS provision we made in 2Q25, but it pressures the cash flow this quarter. We also have intrinsic volatility such as costs being heavily weighted in the first months of the year of the quarter, which reduces the average accounts payable turnover, causing the quarterly conversion to be below the historical average.

Because of this, we need to consider the average conversion for the year to date, which is running at 65%. This means that the third quarter was more impacted by events than 1Q and 2Q, but the average of the first nine months of the year is still healthy. In total, the company consumed R$ 52 million in 3Q25.

Leverage remains controlled. At one time EBITDA with a lower cost and longer duration. Following the 10th, the venture issuance, which took place in October, was our largest, longest and cheapest issuance. As a result, the average cost of Debt decreased from CDI plus 1.31% to CDI plus 1.13% and the duration increased from 3.5 to almost 4 years.

This concludes my presentation. I believe we must be humble and realistic to admit that this is not a good result and we're not happy with what we delivered. Our expectations are higher, and we know that we can deliver. But of course we hit some bumps along the way, but this is good to make us stronger, and we continue on the right track and we are confident that this is the way to go.

We keep on giving 100% of our energy to build a company with one of the most solid purposes, which is to take care of the health of the largest number of people in this country. And moments and steps like this are inevitable and are part of this journey of qualifying our service, expanding our network and solidifying our foundation so that we can return to vigorous growth as we have done very well in the past.

Thank you once again for your patience and your attention. I will now open the floor for questions. Thank you very much.

**Operator:**

We will now start the Q&A session. When your name is called, a pop up to activate your microphone will show on your screen. Please, unmute and ask your question. When that happens, please ask all your questions at once and only two questions per participant.

First question by Samuel Alves with BTG Pactual. Samuel, please go ahead and ask your question.

**Samuel Alves - BTG:**

Good morning, Jorge Luccas and everyone. I have two questions on my side.

The first question is about contingency expenses. When we look at this expense line, we see an increase this quarter after the stabilization we had seen in the past. And you talked about this in your presentation. Do you believe that additional initiatives and also the maturation of initiatives that the company has been implementing since last year can lead to improvements throughout time?

Was there a one-off factor here in 3Q that could have affected this contingency expense line?

Now my second question is a follow up to a comment that Luccas made about the SUS backlog that should take a bit more than a year. I had understood previously that a great portion of this backlog had been settled. Can you tell us a bit more about this backlog and how this can impact you in the next 12 months? Thank you.

**Luccas Adib - CFO:**

Hi Samuel, thank you for your questions about contingencies.

Well, if you look at the composition of blocks quarter over quarter adjusted by business days this is actually stable. This nominal with new blocks will impact the contingency expense line. So, we naturally have some reinforcements for this movement that happened this quarter and we've been working to decrease this quarter over quarter.

We have many initiatives ongoing. This is a very dynamic and challenging scenario. So we keep on working to have a stable or decreased number in this line in the future. So we want it to continue stable or to decrease in the coming quarters due to the initiatives that are in place here at the company. And this was mainly due to the blocks, judicial blocks, that exert pressure over this line.

About the backlog. Yes, this quarter the backlog has been settled. This actually hurts our cash composition with an incremental cost of R$ 74 million, which impacted our conversion. But the resource part is now completely normalized.

**Vinícius Figueiredo - Itaú BBA:**

Okay, thank you, Luccas. Have a good day.

**Operator:**

Our next question is from Vinicius Figueiredo from Itaú BBA. Vinicius, please unmute and ask your question.

**Vinícius Figueiredo - Itaú BBA:**

Hi everyone. Thank you for taking my questions.

The first topic I'd like to address is the top line. Something that drew my attention this quarter was that gross revenue slowed down quite substantially. Net revenue grew a bit more because of a deduction of gross revenue. That helped the numbers quarter over quarter. But gross revenue drew my attention.

And the points that you mentioned about frequency and new units. This is something that you were probably already seen in recent Carpenter quarters with increased per capita utilization rate. In your release you talked about the admission days and appointments and how this was increasing and how part of this has come to stay.

So, I'd like to understand when did you notice this heavier frequency environment and heavier level of judicial claims? And when did this impact your price adjustments? Or this hasn't yet impacted on your price adjustments? We just want to understand if the ticket will change to incorporate this cost to members.

Now, the second topic is among the 100 bps that Luccas mentioned trying to address part of the frequency which is not structural. How do these measures. Take place without incorporating these two points that impacted your results? The number of judicial claims and the ANS fines? How can you take a step back to implement a stricter protocol without judicial claims going up or the ANS fines going up? These are my questions. Thank you very much.

**Jorge Pinheiro - CEO:**

Hi Vinicius. Thank you for your questions. You addressed several topics.

I'll try and answer them, but if I leave something out, please remind me of them. So, our view is the following about frequencies. This has been boosted by two factors. First, as I said earlier, we have implemented many improvements in our own Network and care improvements so that we could keep the same quality standards throughout the country.

You know that we have always worked with a metric of having at least 75% of the customers seen within 15 minutes in urgent care units. And in regional two, that rate was 40%. So, we had to change that. And we added new physicians and improved our structure in order to reach over 75% in regional two. And this improvement has come to stay. And this is key in our business model. The rest of this increase is purely seasonal. Purely seasonal. Once again, if we look at the first nine months of the year compared to 2024, we actually had an improved MLR. We just had a temporary movement from one quarter to another.

In previous years, the season happened earlier, affecting 2Q mostly and also 1Q. This year things were different. It impacted 3Q more than in the other quarters. In November, the ER visits are now at the same level as in November 24th. So, this season was delayed a bit. But in November, the number of customers in ERS is already the same as those of 24. So, part of the seasonality is respecting the curve, and it tends to normalize now because the profile of customers doesn't change from one year to another. So, we can expect this stronger frequency to go down in October and November. Now, about the expansion of our own network.

It's important to highlight that this movement is key on two fronts. In Regional one, after merging with NDI, since the company reached a higher leverage level of almost three times, we spent two years or a bit over that stepping on the brake to reduce CAPEX.

We had a clear goal of reaching a healthier leverage level, reaching one time EBITDA, one of the best in industry. And last year we shared with you a plan of expanding and qualifying our own network in Regional 1, we had to do that because we keep on growing substantially and our units had already reached 85% occupancy. So, this is a movement to expand our own network with transient costs. But considering the natural growth that we already see in Regional 1, these costs will be diluted, and the dilution will also be helped by the price adjustments. And we'll continue to do more of the same.

Things are different in regional 2. The vertical stabilization level in regional 2 gives us a lower efficiency level and we have to bridge the gap that we see between these two regions. So, investments are being made to bring the service from accredited network to our own network. In the short term, this exerts pressure because we have operating expenses in new units, we have low utilization Rates and we're still being charged by the accredited network.

But then after we can mature this movement and bring the service home, the results will be better than they used to be. And our own network will also open up new markets to us, like in Rio de Janeiro, with a huge growth opportunity. We're growing there, but our own network was insufficient. So, our strategy aims to bring us a solid competitive level in the future. This is our goal.

About protocols and judicial claims, I do not believe this is actually happening. First, Luccas has just mentioned that the number of blocks per business day is stable. The number of notices is around 200 a week. And it's been stable for quite some time now.

The good news is that the court's decision has made the first weeks, you know, almost 30% of the notices that we have defended, 30% of them that we would lose in the past were won, but it's still not enough. We need to make the courts understand what the Supreme Court has decided but this takes some time. But we are working hard to make this happen so that we can increase this level from 30% to much more. And this can lead to lower lawsuits in the future.

Now you also asked about protocols, protocols that can lead to more lawsuits. No, we don't think that's going to happen. And for a simple reason. What we're doing is to identify practices that bring better clinical outcomes and higher efficiency. So, when we identify this and standardize our practices nationally, we see better outcomes.

And yes, we have identified several opportunities. And at a national level, of course, we have efficient islands that are not seen elsewhere. But once we identify them and re standardize and expand throughout the national territory, we see higher levels of care being provided and we're able to reduce costs at the same time.

So, overall, this quarter had higher volume due to seasonality, but this will naturally slow down and is already slowing down in November.

Our own network is critical, necessary and aligned with our consistent long-term plan. We want to have our own network and a cost structure that enables us to continue growing sustainably.

I'm sorry for the long answer, but I wanted to give you some background information. And now Luccas is going to talk about revenue growth.

**Luccas Adib - CFO:**

Thank you for your question about revenue growth.

The straightforward question is that yes, we saw a slowdown in revenue growth quarter over quarter and year over year because of a cycle of readjustments that were 1.5 base points below the previous periods and we showed you this market demand of having, you know, a more detailed view on the performance by region.

So, we showed you this in our earnings release materials, net adds and corporate channels have a lower price, which detracts our mixed composition and top line readjustments at the expense here of a more unfavorable environment in the south and southeast and mass channels with a higher ticket. So, we also saw lower readjustments than in the past and this leads to a deceleration of the net revenue growth.

**Vinícius Figueiredo - Itaú BBA:**

Okay, that's very clear. Thank you all. Have a good day.

**Operator:**

Our next question is by Leandro Bastos from Citi. Leandro, please unmute and ask your question. Go ahead.

**Leandro Bastos – Citi:**

Hi everyone. Good morning. I have two questions on my side.

The first is about ticket. Can you tell us the company's view considering the increased fixed costs with new units? Are you going to try and accelerate price adjustments to dilute this or is this harsh competitive environment is preventing you from having higher adjustments. Can you give us more information about what we could expect regarding pricing?

Now, the second question is related to expenses. We saw G&A, personnel and commissions, they were all impacted. Now, do you see an opportunity here to dilute G&A and other expenses from now on? Thank you very much.

**Jorge Pinheiro - CEO:**

Hi Leandro. Thank you for your question about ticket. Our expectation is to reach average readjustments of around 10% by the end of the year. In early 25 this was higher in almost 2 percentage points.

Now, looking ahead, we haven't yet defined this, but we should not expect major variations with these policies of adjusting at around 10%, maybe a bit more or a bit less, but around 10%.

We don't see any need to increment average tickets in sales or portfolio adjustments and when we do our claims or actuarial assessments, we consider the period of course, I cannot do this based on the quarter, our actuarial assessments should be based on the period of the year, considering the seasonal curves and since we understand that the seasonality has a high and a low date, we have to look at the year as a whole.

And according to our actuarial department, there is no need for additional recompositing of average ticket. The measures that are in place right now are enough together with the other measures that have been taken. You know, increased verticalization and growth in regions are already performing well and of course, working hard to make all the necessary adjustments to resume growth in retail and Regional 2. These measures are going to be more than enough for us to continue on this margin expansion trajectory as expected.

Now turn the floor over to Luccas to answer your second question.

**Luccas Adib - CFO:**

Hi, Leandro. Thank you for your question.

So, you mentioned two lines. The personnel Line is actually performing better than it had been historically from the beginning of the year till today. We actually saw a decrease here mainly due to the review of our functional org chart with many initiatives that are ongoing here at the organization to improve capital allocation in terms of personnel and organizational structure in our Backoffice and also due to one off events with the bonus reversion. So, the personnel line has been impacted by these two events mostly when we look at the commissions line, we also have two factors here.

The one-off adjustment of 18 million reais related to 3Q with a need of a warmup in the broker channel. This shows a substantial decrease from one quarter to another. But it's not as significant in our results. But these are the two factors that impact those two lines that you mentioned.

**Leandro Bastos – Citi:**

Ok, that’s clear. Thank you.

**Operator:**

Our next question is by Caio Moscardini with Santander. Caio, please unmute your question. Please unmute your mic and ask your question. Hi everyone.

**Caio Moscardini - Santander:**

Thank you for taking my questions. I have two questions.

The first is about this quarter's churn which was a bit higher than in previous quarters. Can you comment on this? Was there like a large contract that was terminated or is there anything else impacting the churn there? Especially when we consider NIP's improvement and higher frequency. I just wanted to understand what impacted churn.

And the second question is about EBITDA margins. Can you tell us about the trajectory of the margins? What do you expect to see in terms of EBITDA margins in the medium term? Thank you very much.

**Jorge Pinheiro - CEO:**

Hey Caio, thank you for your questions about churn. We saw a mild change compared to our historical levels. If you look at a longer history, churn is actually going down quarter over quarter, and we expect this to continue improving considering all the care quality improvements that we have made.

The largest churn is in PME in Regional 2. Because of a tougher competitive landscape. We have pricing incentives, reimbursement reviews and many other measures in place alongside sales technology aimed at improving sales in Regional 2 and to keep on the track that we saw in recent quarters with churn reduction.

Yes, there might be some bumps along the way, but the overall trend as of a good and well-behaved churn.

Now I'll turn the floor over to Luccas to talk about margin expectations.

**Luccas Adib - CFO:**

Thank you Caio.

Well, our view is the following. When we reprofiled our units, added new units, expanded our capacity naturally, for all the reasons I mentioned in my presentation, we will see a speed bump ahead of us lasting a few quarters and we have two major needs here at the organization. First, we need an integrated view of our operational care indicators to go back to the levels we had in the past. From 2Q to 3Q we lost sight of them and we have to work hard to bring them back to historical levels. And this is key for us to resume our constructive journey quarter on quarter that we have been delivering. We have also been working on the use of our matrix back office. We're also working on certain lines, especially provisions and judicial claims and we expect them to stabilize.

So, this is also important for us to resume EBITDA margins from now on. Now another point is related to price adjustments. We continue on our price adjustment cycle, which is quite constructive.

The competitive environment is exerting certain pressure in a few circumstances but we keep on making price adjustments and price adjustments and membership growth is key for us to dilute our cost structure and resume margin expansion.

So, these two sectors, which are math vectors, you know, with addition of new lives and healthy readjustments, with control of our cost and expenses, will enable us to dilute the impact that you saw this quarter.

And we keep on working based on an EBITDA margin, but it will take some time for us to go back to that level.

It's the second time, I'm telling you it will take some time because events happened in the last two years which made our prospective margin expectations adjusted. However, it's important to understand that the company is improving all of its care KPIs and this comes at a cost. Of course, we've been telling you quarter over quarter. Look at the NIPS level, it's been improving. Now we have members at the center of our business. This is quite disruptive, and this should unlock growth for the organization.

So, we've been telling you about this quarter after quarter and this requires huge effort from the organization. You know, operational areas, pricing, technology. Our company is going to be transformed with technology.

Technology is no longer just back office and delivery of demands. It's now in the heart of our business. We're going to transform our company with technology, and this is going to impact on our back office and our business per se. We have wonderful things happening from the technological perspective and it makes me really excited because I know we're going to get where we want.

This is just a small speed bump that can last a few quarters. But it all depends on these factors that I mentioned and we are dramatically improving our care indicators. User perception has improved, and this impacts the NIPs. If you look at the IGR levels, we're doing better than all of our competitors, except one or another with local specificities.

So, this reassures us. We know that we are on the right track. And yes, of course, there are adjustments to be made, improvements to be made at the organization. There's no question about that but we're working hard to implement improvements and to overcome the challenges.

But we have to consider that this quarter is part of the company's journey to expand margins, improve accessibility, and improve care so that we can resume vigorous growth. We will grow, and we're working hard for that. So, I just wanted to reassure you. This is a topic that is very close to my heart. So, you see, I'm very passionate about this, and I'm really excited about the number of opportunities that we have here at the company. Thank you.

**Operator:**

Our next question is from Mauricio Cepeda with Morgan Stanley. Mauricio, please unmute and ask your question. Mauricio with Morgan Stanley.

**Maurício Cepeda - Morgan Stanley:**

Good morning, Jorge and Luccas. I have two questions here on my side.

The first is about the commercial part. If we look at the commercial expenses and we combine commission and PDD we have a feeling that the cost for high quality sales is going up.

It seems to be harder to sell. Now, is that something transient? Is that because some of the players are being very aggressive, or is this something that we expect happening in the industry? Now, about the MLR per member, of course, verticalization efforts will bear fruits, and we also have the seasonal effect. But on your release materials, you say that part of the increased service level was to address judicial claims, and you actually used the word settlements. Is this something preventive that you're doing to prevent the judicial claims from scaling up?

And if yes, is this something transient as you improve your verticalization levels, or can this be more structural, a permanent measure to prevent the problems from escalating like they did last year? Thank you.

**Jorge Pinheiro - CEO:**

Hi, Mauricio, how are you? Okay, let me get started talking about the commercial department. Yes, we see greater pressure on some channels with incentives for some of them. So, this is something that leads to higher cost of customer acquisition once the company has a more vigorous growth, this can be changed.

On the other hand, we have implemented many measures that can reduce customer acquisition costs, especially when it comes to sales digitalization and we're going to share good news with you in the future.

But we've been able to increase the number of sales for individual plans, almost 20% of the sales and individual plans are now digital and we see an opportunity to grow this, which will mitigate other incentives that we've been given to other channels. So, in the long run, I do not expect major pressures here.

About the second part, I will start and then Luccas can add to my answer. Yes, we had a backlog of lawsuits. In addition to the current lawsuits, we also accelerated the settlements in our backlog. And we did that to reduce the possibility of future sentences with fines and other effects and also, because it's much more efficient if we think that we have a high likelihood of losing, it's more efficient to settle this right away.

And to serve our customers in our own network or also in accredited network units. So, we have accelerated the settlements to try and reduce the backlog.

And this is something that we started doing in the last two to three quarters. We have been accelerating the settlements and, in the future, once the backlog is resolved, we shouldn't see as many settlements.

Would you like to add anything, Luccas?

**Luccas Adib - CFO:**

No. Okay, we can move on to the next.

**Maurício Cepeda - Morgan Stanley:**

Thank you, Jorge.

**Operator:**

Our next question is by Joseph Giordano with JP Morgan. Joseph, please unmute and ask your question.

**Joseph Giordano – JPMorgan:**

Hi. Good morning, everyone. Hello, Dr. Jorge and Luccas. I was trying to look at a margin recovery curve. We have been losing the medium-term visibility because of recent changes. You talked about a 10% adjustment, Jorge.

When we look at copayments, they've been helping us less with costs than in recent quarters. So, has there been any change in the sale or renegotiation profile with more or less copayments?

And now talking about cost, you talked about seasonal effects here but when we look at the numbers, it seems that most of the assets added are placed in markets with a higher occupancy rate, which was hard to serve, and it would generate more complaints. So that's very positive in the long run and it also improves service levels. So, can you tell us about expense dilation?

What is the trajectory that we can expect considering copayments? And looking at the last six to 12 months, what were the top challenges that you faced? Not only when it comes to the commercial part, but also the care and pricing part of the business as well. Thank you very much.

**Jorge Pinheiro - CEO:**

Thank you, Joseph, for your questions. Okay, let's get started about margin recovery.

Well, let's say that we have just announced seven new hospitals that are already working and there are some other units to open in 4Q and this of course makes a lot of pressure in the short term.

The journey of readjustments and growth in mature regions where we just opened hospitals like Manaus, Belém, Fortaleza, Recife and Salvador. In all of those cities, our capacity was committed but since these are locations where we keep on growing, the next quarters will bring this cost recompositing and more than that.

When we open a new unit, we have pressure on costs in the short term, but we become more competitive because we have an idle capacity in house and we can have more aggressive price lists to use that capacity and that's exactly what we're doing now.

And when we open new units, we revisit our prices, and this enables us to sell more in the short, medium and long term because of the idle capacity we have. But in 26, we will have a lower pace of openings. Most of the openings will happen in late 26, early 27.

We have two hospitals in Sao Paulo, another one in Rio, Campo Grande, but these are scheduled for late 26th, early 27. So, the year of 2026 will not see many openings. And this will give us more than enough time to make up our readjustments. Added to the growth that we already see in mature locations, added to the growth in other locations that we're working on.

And all of the ongoing measures in house, like Luccas showed that had we not implemented internal measures, the MLR variation would have been 2.3, but it was half that number because of the measures were taken in house. Prevention, technology, standardization, renegotiation with the accredited network, risk sharing. We have hundreds of initiatives that are helping us. And in 2026 we are going to recompose our margins.

We are very confident about that, and we are sure that this was a step that we had to take after some time without any new units being opened. But now we're looking to the future, always bringing the best quality to care cost ratio. This is our commitment and I'm sure that we are on the right track and I'm sure that you understand our strategy. Thank you, Joseph.

**Operator:**

Thank you. This concludes Q&A session. Thank you very much for joining Hapvida's third quarter 2025 earnings conference call. The IR team remains at your disposal should you have any further questions. Thank you for joining!