Hapvida

**Conference Call Transcript**

**Hapvida**

**2Q25 Results**

**Operator:**

Hello, everyone, thank you for waiting. Welcome to Hapvida's second quarter 2025 Earnings Conference call.

Joining me today are Mr. Jorge Pinheiro, CEO, Luccas Adib, CFO, and Guilherme Nahuz, IRO. For those requiring simultaneous interpretation, the tool is available on the platform. Simply click on the interpretation icon and select English.

This event is being recorded and will be made available on the Company's IR website alongside the full-earning 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 Company's remarks, all participants will remain on mute. After the company's remarks, we'll begin the Q&A session. To ask a question, click on the Q&A icon at the bottom of your screen and enter your name, company and language to join the queue.

I'll now turn the call over to CEO, Jorge Pinheiro, to begin the presentation. Jorge, please proceed.

**Jorge Pinheiro - CEO:**

Good morning, everyone, and thank you for joining Hapvida’s second quarter 2025 earnings call. Joining me today are Luccas, Guilherme and our IR team — Renato, Ana Luísa and Jefferson.

I'd like to highlight key messages from today's presentation. With our integration process now complete, we're steering Hapvida to work long-term strategic objectives that will guide our company going forward. We are placing our customers at the center of all company decisions, with significant investments in our healthcare delivery capabilities.

In addition to that, we are expanding and upgrading our own clinic network — a critical pillar for ensuring long term accessibility. Investments in our own network will enable us to continue organic growth of our covered lives with quality and sustainability.

And finally, we're leading initiatives to advanced technology and artificial intelligence to transform healthcare in Brazil, accelerating our tech and innovation efforts.

Starting with care quality, we are increasingly centering our focus on our members, a principle that has permeated our discussions from our board level down. Customer experience has become a genuine obsession, with our investments focused on serving them better and better. Our quality metrics continue to show sequential improvements.

In the latest ANS published IGR General Performance Index, we've again delivered spectacular numbers. Our NDI Saúde operator, focused on São Paulo, reached its best level in years, consistent with the improvement trajectory that we've signaled in previous calls.

We continue to advance with discipline in our investment agenda, expanding our own network and increasing verticalization in line with what we planned and announced in late 2024. We recently unveiled our master plan for Rio de Janeiro, highlighted by the new high complexity hospital in Cidade Nova, among several other units in the metropolitan region.

Investments in owned infrastructure ensure greater control over quality indicators, care quality indicators, and enable our responsible sustainable growth. It's a virtuous cycle.

Regarding organic growth, we added 58,000 health members in Q2 with controlled cancellations and increased corporate plan sales, while individual and group plans, affinity plans also grew. After unfavorable seasonality and integration impacts in Q2, we've vigorously resumed growth.

We maintain our positive outlook for the second-half of the year, based both on recent commercial performance indicators for new sales entry, which align with our expectations, and on technical decisions with short term impacts, like incentive campaigns, pricing policies, and process simplification.

Looking further ahead, we also expect improvements from initiatives such as launching our new product grid, revising the broker journey and redesigning new contract implementation processes, among others.

Moving to MLR, we've maintained strict cost management discipline, increasing predictability and demonstrating the strength of our vertically integrated business model.

Before discussing the quarterly numbers, a brief note: after completing the integration process, we conducted a comprehensive review of our cost base and identified certain admin expenses directly tied to care delivery.

Starting this quarter and going forward, these expenses will be reclassified as medical costs. Prior periods have been adjusted pro forma for comparison purposes, and Luccas will provide more details about this later.

Under this new approach, Q2 2025 cash MLR was 73.9%, 2.1 percentage points above Q1 25, representing an improvement when considering the implicit seasonality that typically raises this indicator by about 2.5 points from the first to the second quarters.

Note that we've also begun including judicial claims and costs starting this year. Excluding this effect, the quarter would have actually shown a 0.7 percentage point year over year improvement, an excellent result for a period that was further impacted by higher frequency of viral infections and respiratory syndromes, plus new unit openings.

Finally, on judicial claims, we had another quarter of positive signals. New net injunctions, remain stable compared to Q1 this year. However, excluding duplicate injunctions, the amount decreases by approximately 7 million BRL against the first quarter of 25.

Our dedicated cross functional team, which initially focused on preventing new injunctions, has recently expanded its work to address the existing injunction inventory, seeking reversals, recovery settlements, and elimination of duplicates.

We continue accelerating our digital and AI agenda with multiple initiatives like CEREIA. stands for Center of Excellence in AI for Healthcare in Portuguese. Developed in partnership with leading universities, the Center of Excellence has successfully combined data scale, academic rigor, and practical application.

We have proprietary AI models that have already been incorporated into routine care to prevent diseases, support diagnosis, personalized treatments and optimized resources. The results are visible: 72% accuracy in early detection of chronic kidney disease versus only 22% with traditional methods.

Breast cancer risk prediction up to five years in advance, and our virtual assistant MarIA — with a capital EINA standing for AI — which has already handled over 50,000 interactions with nearly 99% approval. Initiatives like these are being prioritized and monitored by our Board of directors, given their strategic importance.

To wrap up, I want to say that I will be traveling to Recife after this call to launch the Federal Program called now with specialists at our newest hospital in the city, Ariano Suassuna. I'll be joining the Presidency and Health Ministry in supporting this program, that expands access to specialist appointments, tests, surgeries and treatments by coordinating public and private sector capabilities to reduce waiting times and ensure timely care. We'll align our offerings with the program's priorities, directing capacity from our own care network to areas of greatest need.

Many thanks to all our employees, doctors, dentists, brokers, suppliers and board members — and a deep felt thanks to our customers for their trust in our company. We continue firm with our purpose of providing affordable, high-quality healthcare to Brazilians.

Now, let's proceed with our financial highlights. Luccas, you have the floor.

**Luccas Adib - CFO:**

Thank you, Jorge. Hi, everyone, thank you for joining us. It's a great pleasure to be with you for another Hapvida earnings call.

Before discussing our results, I want to address 3 important topics for this quarter: the SUS reimbursement, judicial claims, and the cost/expense reclassification. I've been discussing with you for some time now, and we've just finalized starting with SUS reimbursement, or ReSUS, on Slide 3. This material will explain this process.

Let me take a brief step back to give you some background information. Everything begins when one of our members uses the public system, whether for convenience or legal requirements such as emergency care in public hospitals for traumas and traffic accidents, as well as dialysis, childbirth and others.

On average, just over one year after this utilization, ANS sends to each operator the Beneficiary Identification Notice, or ABI. From there, we have a period for analysis and admin discussion to contest these ABIs, covering issues like waiting periods, coverage scope, and so on.

When contested, timelines can extend up to two years after this. Still, at the admin level, if ANS determines the charge is valid, a federal payment guide is issued. GRU, this is the federal payment guide. Upon GRU receivable, we'll make a deposit into a judicial action that disputes only the IVR, which is 50% above the SUS table.

We don't dispute the base SUS table values or ReSUS itself. Everything is deposited, and the federal government can withdraw the uncontested amounts at any time. What we dispute is only the SUS table surcharge via IVR.

It's upon receiving the GRU that the collection history, or HC, is recognized, which is simply the quotient of GRUs divided by their respective ABIs. In the table on the upper right, I show the combined ABI and GRU numbers for all Hapvida’s group operators combined.

Because each operator is treated individually under ANS GAAP methodology, the required provision per operator is the balance of all ABIs multiplied by the HC percentage. As I mentioned earlier, we've been receiving ABIs normally for all group operators. However, ANS stopped sending GRUS for NDI Saúde over the last 2 1/2 years. This caused NDI

Saúde's HC ratio to become outdated, consequently reducing the combined provision to 57% in the weighted calculation between operators with high HC and NDI Saúde.

Does that mean that our provision was incorrect for the last 2 1/2 years? No, because the methodology is automatic under ANS GAAP and conducted by ANS itself, and this discrepancy results from latency on the regular regulators' part.

During Q2 25, we received most of this backlog, causing this GRUs use to impact results due to the HC ratio lag in misuse provisioning. At quarter end, we had an API balance of approximately 440 million and an HC ratio of 71.2%, which is the ratio between total GRUs and total ABIs, is with a time displacement relative to the balances you see in the table, because there will always be a balance of GRU use to be received for ABIs already acknowledged.

To eliminate exposure to this volatility and latency in receiving ABIs and GRUs, starting this quarter, we created our own IFRS methodology for calculating combined ReSUS provisions, to reflect operational reality based on basic statistics. The new approach considers 3 main factors: dispute history, admin request approval history, and actual ABI volumes received.

With this methodology, the combined coverage ratio reached 86%, requiring an extraordinary provision this quarter of 65,000,000 BRL, as highlighted in the table and chart at the bottom of the slide — enough to cover all your use not yet sent by ANS. Let me repeat this, because this is an important take away: we recognize in Q2 25 results all effects both already accounted for and to be accounted for, related to the GRU backlog already sent and yet to be sent by ANS.

In other words, for those concerned about what might still impact company results in coming quarters regarding this matter, the answer is everything has already been recognized this quarter, and will have no more ReSUS related one offs going forward.

The lower chart shows the evolution of total SUS provisions, which is ReSUS plus SUS IBNR. Over recent quarters, we've had between 58 to 72 million BRL.

In Q2, there was an extraordinary impact of 202 million BRL: 137 million from retroactive charges received through June 30, plus 65,000,000 additional provision mentioned earlier. The 96,000,000 BRL includes the second quarter 2025 ABIs with higher HC ratios, plus slightly elevated IBNR due to SUS utilization history.

With this matter resolved, looking backward, let's look forward. I estimate they use in this new methodology, that quarterly run rate for combined ReSUS and IBNR should range between 1.2 to 1.5% of net revenue, assuming historical utilization patterns remain stable. So, first topic addressed and properly anchored.

Let me take this opportunity to add: in December 24, you recall, we communicated to the market our agreement with ANS regarding historical ReSUS values and fines. Last month, we made the GRU payment for Hapvida Assistência Médica related to this agreement, concluding all discussions involving this operator.

The amount paid was 92 million BRL, below the 168,000,000 BRL provision for Hapvida in December 24, which accounted for the greatest amount provision. Additionally, the company received ANS communication with a different interpretation about the accounting timing for the agreement.

In ANS's view, recognition should occur only after actual offsetting of judicial deposits and GRUs payments.

Our management believes this accounting differences stems from a specific conceptual interpretation by ANS. The Company maintained its 2024 financial statement recognition, audited without qualifications by our auditors, including an opinion from Brazil's leading accounting expert, but temporarily reverse this effect and June 30, 2025 regulatory filing submitted to ANS, with no impact on the agreement’s legal validity or market transparency.

As ANS sends the remaining GRUs and payments are made or judicial deposits are offset, subsequent regulatory filings will again recognize the agreement's effects. This means, when September stand-alone operator data under ANS GAAP becomes public via the DIOPS, you'll see reverse PESL for operators.

As mentioned above, this changes nothing in IFRS and this approach is fully compliant with accounting standards, just as in 2024. But ANS thinks differently, and we're temporarily adjusting this to meet our regulator's requirements.

Now, the second topic refers to judicial claims. So, moving on to Slide 4. Here you can see Q2 2025 evolution starting from last quarters disclosed data.

Begin with the upper left of the slide. I highlight judicial deposits movements, stable quarter over quarter. From the 792,000,000 reais opening balance in Q1 25, we had 135 million in new net deposits, similar to Q1's 137 million BRL. With improved controls, we identified 18,000,000 BRL and duplicate injunctions during the quarter, not yet returned by June 30, plus 11,000,000 BRL duplicates in Q1 25. Comparing Q1 and Q225 new net deposits, excluding duplicates, we went from 126 million BRL to 117 million BRL.

We're working hard to further reduce this in coming quarters. Every week we are just variables, and the dynamics remains complex. Our biggest battle now involves care-related claims, and mainly fraud and abuses around autism spectrum disorder and home care.

We had 110 million in disbursements, nearly 20 million above last quarter, reflecting both higher judiciary productivity in April and May —where we have high the high season — and increase efforts by our judicial team, intensifying settlements and redirecting care to our owned or third-party network.

This team has recently began focusing more on order deposits and injunctions, contacting parties to negotiate settlements. This releases provisions for some cases but accelerates disbursements, since these are court mediated settlements involving releases of historical historically blocked amounts.

The lower left, you see our civil positions provisions. From the 838,000,000 BRL opening balance. In Q1 25, we registered 55,000,000 BRL and new provisions, net of reversals, including 16,000,000 legal fees, 77 million in contingency payments, and 33 million in monetary adjustment standardized since Q4 24. As a result, our provision balance at quarter end was 859,000,000 BRL, that is 104% deposit coverage relatively stable against 106% in Q1 25.

In the upper right chart, we see our contingency expense composition: 56,000,000 refer to labor, tax, and ANS fines, up 50 million quarter on quarter; 110 million BRL civil judicial disbursements; and 55,000,000 and new civil provisions, adding up to 165,000,000 BRL impacting results, down 23 million against Q1 25.

The aforementioned contingencies plus disbursements add up to 220 million BRL, 2.9% of net revenue, stable quarter on quarter as you can see in the lower right chart.

Now, the third topic: the completion of our cost/expense reclassification project. During the first half of 25, post system integration and accounting plan consolidation, we conducted a comprehensive cost/expense review. Throughout the process, we identified certain admin expenses directly tied to care delivery, like Jorge mentioned, that are now reclassified as medical costs or claims starting this quarter. These are classified as medical costs, with pro forma adjustments since early 2024 for proper comparison. This change brings positive effects through optimized indirect tax allocation and helps in annual rate negotiations by better capturing actual costs by individual and family plans for ANS-authorized adjustments, all while remaining fully compliant with accounting standards, which was the project's primary driver.

So, our next charts for MLR admin expenses show you the comparisons: additions with the dotted blocks, highlights account group additions and reductions, and gray dashed lines showing pre-adjustment percentages. And, as previously reported, we've strived for clarity, but our IR team stands ready to address any questions that you might have.

Now, moving on to the company's results, starting on Slide 5. Net revenue reached 7.7 billion BRL in Q2 25, up 7.3% year over year, driven by health plan revenue coming from our pricing adjustments. Medical hospital services revenue was pretty much flat quarter on quarter, due to reduced third party bad allocation, prioritizing service to our members amid higher seasonal utilization.

On Slide 6, you can see how excited we are by this organic growth resumption and how we expect the strand to continue. We added 58,000 health members, led by corporate plans, the strongest segment and the first half of the year, with individual and group plans also growing. The SME segment, up to 99 lives, remains a bit more pressured by regional to competition. The lower slide section so shows average ticket growth of 8.2% year over year, boosted by a 7.2% net price increase coming from readjustments mainly, and significant mix effects.

For 2025, we expect more moderate average readjustments than those of 2024, up to two percentage points lower consolidated, varying by portfolio and market, with MLR under control near our annualized targets.

Moving on to Slide 7, considering the cost and expense reclassification, in fact Q2 25 cash MLR was 73.9% (Orange line), up 2.1 percentage points quarter on quarter, better than the typical seasonal increase, as Jorge explained. We think this is a strong result for the following reasons: first, from a historical and industry perspective, Q2 always sees higher utilization versus Q1. This is a just typical seasonality, but in addition to typical seasonality, this quarter utilization was impacted by a later onset and longer duration of the viral season in the north and northeast of the country.

Additionally, early cold weather happened in the South and Southeast, which led to higher incidence of weather-related respiratory and chronic disease cases. Also, over a dozen new units were opened throughout the quarter, including hospitals, which in the early phases of operations add pressure on margins. Last but not least, since January, we've incurred costs from out-of-court settlements that aimed to reduce disbursements. Considering all of these additional pressure factors, we are quite happy with the year-over-year reduction. We can see on the chart.

At the bottom, you can see ANS complaints, which fell 40% since January 24. This comes from investments in technology, management training, and people investments, expanding our service capacity, which you can see on the next slide charts.

Our members are more and more at the center of everything, as Jorge mentioned. And this is in all of our executive discussions driven by Doctor Cândido Pinheiro and Jorge, and we want to see bear the fruits of this in the near future.

In the first chart, you can see our per capita appointments and admissions, which is up 8% versus Q1 24, while maintaining high verticalization levels and improving MLR.

As you can see in the lower chart on Slide 9, you can see our cash admin expenses. The dotted areas show DNA reductions resulting from cost/expense reclassification and judicial claim reallocation into costs. This accounted for 75,000,000 BRL in the first quarter and 85,000,000 BRL in the second quarter of 25. In addition, for comparison purposes, we're showing 2024 data including extraordinary items like the year-end ANS agreement. With those adjustments, Q2 G&A was 426,000,000 BRL, down 20 million BRL against the first quarter, progressing toward our year-over-year nominal stabilization goal, excluding provisions, and we're on the right track.

Now, I'd like to highlight the following positives. This quarter, we had 37 million in other revenues and expenses, mainly due to the revision of 26,000,000 from an early settlement of one of our acquisitions, and gains of 22,000,000 BRL in arbitration recovery post M&A-Team successes. This is a one-off effect that has been recognized almost in a recurring manner in recent quarters.

And the personal line 22 million BRL, mainly due to variable compensation reversals and the streamlining of specific departments after the integration carried out at the end of 24. On the other hand, we also had a few negatives: 23 million BRL and contingencies in taxes, impacted by ANS fines, including a 20 million BRL prepayment with 40% discount for admin defense strategy. Most of these fines were not part of the agreement reached late last year, because we had not yet received those cases.

The contingencies variations I mentioned earlier also impact these 23 million.

Also, we had 18,000,000 BRL of third-party services, mainly legal fees, up 8.1 million BRL because of case wins and injunction recovery, and expenses with consultancy firms for back-office restructuring projects aiming to gain efficiency and review processes for digitalization, automation, and the like.

Moving on to Slide 10, let's look at sales expenses considering the cost/expense reclassification. Let me highlight three points. First, an 18,000,000 BRL reduction in commissions due to the claw back policy recoveries; a reduction of 13 million BRL in PDD, improved overdue collections better than in the first quarter of 25. We usually get questions about PDD coverage, so I want to highlight that the company is fully compliant to IFRS 9, which relates to PDD regulation, and we analyzed the profile of our customer portfolio in each one of the segments.

And this methodology was enhanced at the end of 2024 after studies conducted with our auditors, and it replaced the new model which was not fully compliant to IFRS 9. So, looking at aging coverage, lost sense, finally, we had an addition of 28 million BRL in advertising concentrated on Q2 brand campaigns, which are focusing on to increase company's organic growth.

Now, on slide 11, Adjusted EBITDA excluding the 202 million BRL of ReSUS impact, was 905,000,000 BRL, 703 million reported.

Similarly, adjusted net income was 300 million BRL, excluding ReSUS. We also had another two one-offs impacting our financial results, one of them 46,000,000 coming from tax deposits of two cases involving ISS and FAP in Sao Paulo. The monetary adjustment impacted our financial results, and the ATM to December'24 actually impacted our numbers now. And, the other one-offs were 26,000,000 in fines that came with the retroactive ReSUS charges. Historically, Notre Dame would block 100% of their ABIs, but this practice changed in 24. They now focus only on what should be discussed, so we expect this number to decrease from now on.

Moving on to Slide 12, free cash flow from the 703,000,000 BRL of Adjusted EBITDA, we had 6.9 million BRL in tax payments, significantly lower than that of the period of 44 million BRL payments made in the first quarter.

Covered all the taxes in the second quarter of 25. In the first half of 25, the difference between the current tax and paid taxes adds up to 11,000,000 BRL to be used in coming quarters.

We also have other levers available internally: 47 million BRL are not judicial items; 165,000,000 BRL provisions and disbursements, which has an EBITDA impact but non no cash effect; less 135 million BRL in new deposits and 77 million in payments; 87 million in non-cash ReSUS and IBNR; and 103 million in working capital, mainly receivables, commissions, and medical provisions. Our total operating cash generated was 507 million BRL, so 72% EBITDA conversion into operating cash.

Now, moving on to our last slide, Slide 13. We closed the quarter with our net debt down 150 million BRL quarter on quarter, to one-time Adjusted EBITDA, continuing our gradual organic deleveraging.

So, in spite of the expenses mentioned above — which are part of this journey of transformation — our company's operating indicators show how consistent our business is. Right levels of MLR, complaint improvements, higher quality of care, organic growth and strong cash generation prove that we are on the right track.

Thank you once again for your attention, and now we can open for questions. Thank you very much.

**Operator:**

We'll now begin the Q&A session for investors and analysts. When called upon, a microphone activation request will appear on your screen. Please enable your microphone to ask questions.

Kindly limit yourself to a maximum of two questions per analyst, asked consecutively.

Let's proceed with our first question from Vinicius Figueredo with Itaú BBA. Your mic will open your audio, so you may proceed with your question. Please go ahead.

**Vinicius Figueiredo- Itaú BBA:**

Good morning, Jorge, Luccas and team. Thank you for taking my questions.

I want to talk about Growth. The company has been saying it is resuming growth starting in the second quarter, but with an even stronger second half of the year. When we look at Q2 results, we see that gross sales and churn have improved sequentially.

So, considering churn and gross adds, what would be the main driver of this improvement in Q2? Can you talk about gross sales? Is there anything in your radar, any contracts that you are already expecting for the second half of the year? Or can churn improve even further? We see in the NIPs chart and utilization chart that the level of service quality has been improving quite a lot, so maybe this hasn't yet been fully reflected in your churn rates.

And my second question is about the competitive landscape. Looking at the results of the other healthcare plan listed companies, we see that the ticket has slowed down not only because of lower readjustment rates, but also as a part of a competitiveness effort. How much can this affect your growth dynamics or ticket dynamics in a PPO product? Do you think that this is one of the drivers that is holding growth in this specific segment?

Thank you very much.

**Jorge Pinheiro - CEO:**

Hi, Vinicius, thank you for your great questions. About growth, yes, we're very excited about the growth resumption. It was actually part of our plan. Our teams now can stop focusing on the integration agenda and start focusing on growth and service quality improvement. So, our governance is now focusing on these agendas.

We're excited about gross adds and churn reduction, in both of them we see space for improvement. We have several initiatives to reduce churn, not only care improvement actions but also working closer to customers, finding them options whenever they have financial difficulties or things like that. So, we also have teams focusing on this, and we think this will lead to improvement churn.

When it comes to sales, yes, we do have some relevant contracts — large contracts not only for HMO but also PPO — that have already been signed and that will be deployed in Q3 and Q4.

So, the corporate pipeline is quite robust. We're excited also with the retail growth that has been happening all across the country. In the South, Rio de Janeiro, Sao Paulo, things are also heating up. So, we see improvement with churn, in addition to a robust corporate pipeline and a heated retail segment. This can lead to an interesting growth in the second half of the year.

Now, about the competitive landscape. The company has a national footprint, so in some specific cities, like in Sao Paulo, we see more competition than in other Brazilian regions. Many companies are more aggressive in Sao Paulo, and our main concern is to keep a cost structure and care quality that enable us to be sustainably competitive. We've been reviewing our prices, our network, our products all around the country, but particularly in Sao Paulo, and the sales have been responding well.

So, we're quite excited. And yes, there is more competition in some specific locations, but we have the right cost structure to be very competitive.

**Vinicius Figueiredo - Itaú BBA:**

Excellent, thank you so much for your answer, Doctor.

**Operator:**

Moving on to our next question, by Leandro Bastos with Citi. Leandro, please go ahead and ask your question — we have enabled your microphone.

**Leandro Bastos - CITI:**

Good morning, everyone. Thank you for taking my questions. I also have two questions on my side. First, about the commercial front: in his opening remarks, Jorge talked about a new product grid and a review in the commission policies.

So, can you give us further details about that? Have these drivers already contributed to Q2 results, or are you expecting the results — or the effects — to be seen only in the second half of the year?

Now, about judicial claims: we saw the number of new deposits stable, and if we adjust for the duplicates, there's been a slight drop actually. So, how do you see the flow of new cases, and have you been controlling this line with your new working group? What can we expect in terms of deposits and contingencies for judicial claims?

Thank you very much.

**Jorge Pinheiro - CEO:**

Hi, Leandro, thank you for your questions. I'll talk about with the commercial front, and then Luccas will cover judicial claims.

We've been implementing different measures in the commercial department. The first one, relates to governance: we now have many new management rituals for organic growth, covering deeper brew accreditation of sales, with the use of new technologies, and process streamlining for this to happen easily so that sales our sales team can sell quickly. We are working closely with brokers to understand market dynamics, which require us to act fast.

So, in order to respond that, we've implemented many changes, not only around bonuses for the commercial area, but also process improvements. As a result, we now have rituals that enable us to customize price and products almost on a daily basis, ensuring we can meet the demands of our commercial team all over the country.

We launched many new products, but we still have other new products to be implemented in August and September. This has been a trend. The company has been able to listen to the local demands and then design new products to meet them. But most new products were launched in August, and we still have some new products to be launched in September, which will help us boost sales.

So, these are the main initiatives. Now Luccas to talk about the judicial claims.

**Luccas Adib - CFO:**

Great. Leandro, there are three things related to your question on judicial claims. First, the flow: the flow is stable. When we look at the number of demands week after week throughout the quarter, it has been relatively stable. It's not dropping or going up, so the flow of new demands continues stable. Our perspective view is that we need to adjust a few things in these negotiations. We are adopting different approaches for settlements, especially for TAE and homecare, which represent more than half of our cases. So, we've been investing in improving the quality of our network in certain locations to have these cases seen in our own network. And we also have support network in certain locations to provide support to TAE, home care and also cancer surgery. So, we're talking about settlements, regionalization and other ways to approach these topics that impact the judicial claims.

So, this is actually a living organism. It's very dynamic. There are always new situations arising, and we deal with them in a customized manner. So, this can lead to an expectation — this is not a promise, it's only an expectation — because this is a very dynamic and complex issue with different impacts. But we do have expectations to be able to reduce this in the coming quarters. We've been able to stabilize the numbers quarter on quarter, and we expect to reduce this from now on. We are investing a lot of efforts and talents in order to get the best results on this.

**Leandro Bastos - Citi:**

Great. Thank you very much.

**Operator:**

Our next question comes from Samuel Alves with BTG Pactual. Samuel, we have enabled your audio. Please proceed with your question.

**Samuel Alves – BTG:**

Good morning, Doctor Jorge, Luccas and everyone. We have two questions here on our side.
The first question is about SME. You talked about organic growth for the second half of the year and you also talked about the price and product review. So, can you talk about SME and these expectations changing the relationship with brokers and new product grid? Is that concentrated on the SME segment since this is a more competitive segment according to your earnings release? So, can you give us further color on the SME segment so that we can understand the organic growth that you expect in the second half of the year? Is that concentrated mainly in large accounts or not?

Now another question. I understand the recurring ReSUS level that you shared in your presentation, but can we talk about another topic which is ANS cases? I feel like there is a certain backlog of ANS fines with an impact of over 30 million BRL in the second quarter. Do you have a recurring run rate of this line? Has it actually been much higher because the backlog has been addressed? So, can you talk about ANS violation notices? Thank you.

**Jorge Pinheiro - CEO:**

Hi, Samuel, thank you for your questions. I'll start by talking about the SME segment. In the corporate channel, we've been very competitive and we've been doing really well in the retail segment. If we look at the overall numbers, we're also doing really well. Considering individual affinity and small companies, I'd say we're getting closer and closer to our targets and exceeding historical numbers, which is great.

Now, in the retail channel and specifically SME, this is where we see the fiercest competition in Brazil. And this channel depends on readjustments. Many operators are more aggressive, but then they apply high adjustments the following year. We have the best pricing with the lowest readjustment rate, historically speaking, always considering our whole portfolio. This is like 30 to 40% below the rest of the market.

But even in SME, where we see more aggressiveness in some locations in Brazil, we launched yesterday, actually, a series of improvements with technology and better pricing and many brokers can now do real-time pricing without having to resort to company quotes. And we also reviewed price, products and networks so that we can be competitive while remaining sustainable and providing predictability for customers. That's the most important point: predictability for customers and high service quality.

So, we've been investing in SME, and we'll wait to see what the response will be in the coming days. Now I turn the floor over to Luccas to answer your second question.

**Luccas Adib - CFO:**

Hi, Samuel. I broke this down into three parts. ANS increased productivity and has accelerated the issuance of new violation notices. We do not expect additional volumes in the coming quarters, no more than what we recognized in Q2.

And another point, which is quite important and clarifies our future view on these notices: when you look at the number of NIPs, we had two years ago and the number of NIPs we have now, you'll see that this line will be reduced even further. And that's mainly due to the fact that we are on a strong trend of NIP reduction.

So, we have been obsessed with reducing NIPs, and this can be seen in our numbers. Therefore, the fines should be much lower looking ahead. This is a logical consequence: to see the amount going down because we do not have as many NIPs today as we had in the past.

**Samuel Alves – BTG:**

OK, that's very clear. Thank you all very much.

**Operator:**

Our next question comes from Joseph Giordano, with JP Morgan. Joseph, we have enabled your mic. Please proceed with your question.

**Joseph Giordano – JP Morgan:**

Hi, good morning everyone. Jorge, Luccas and everyone else, I'd like to explore two points. I understand now all the provisions that have been made and I understand ReSUS and ANS.

So, let's talk about your sales pipeline. We understand that you have some PPO contracts in this pipeline. Can you share your view on this product? Did you have news or a new area being created at the company to have a more consistent operation and more aggressive sales of this product?

Now, my second question is about your commercial agenda, which is apparently coming back as a priority. Do you see any need to adjust the channels or to strengthen sales somehow? And will the stronger presence of SME require greater participation of the broker channel? Thank you.

**Jorge Pinheiro - CEO:**

These are great questions, Joseph. Yes, we've been aiming at implementing several actions related to the PPO product, among them the investments in our own network. In August, we will open our first diagnostic unit in outpatient unit with premium service focused on PPO products on Brigadeiro Luiz Antonio Avenue over 6000 square meters with all diagnostics, several specialties focused on this audience.

We're also opening the advanced hospital network. In Recife, we opened Ariano Suassuna hospital with 20% of the beds dedicated to this audience. In Sao Paulo, the two new hospitals that are under construction on Brigadeiro and on 23 de Maio also have the same characteristics.

In Rio, about 10 days ago, we announced our master plan in our main hospital. We'll also have exclusive areas focused on this audience. So, we have a different concept of PPO. They can choose their providers. We have 5 different levels of products on PPO, but we are also going to have steerage with a higher level of hotel services and all of that. We want to be geographically closer to our customers with services that are of the same level or of better level than those offered and with commercial attractiveness. So yes, we've been focusing to resume growth in the PPO channels, but in a sustainable and predictable way so that users can have predictability also in the PPO channel, which is usually quite unstable. The whole country complaints about higher readjustments in the PPO products. We want to correct that to provide them with predictability and high quality of service about adjustments in the different channels.

While we've been working a lot in the retail channels, we've been embedding a lot of technology, a lot of AI. We've been working with major Brazilian companies and databases. We have agreements with five top Brazilian companies that have large databases and we'll be able to offer our services through them. And what we have news in the retail channel that will be shared in the coming days.

So, we're very active. The company's governance is prepared. Our retail team is strong. We have a lot of technology and we're going to be pioneers and a lot related to artificial intelligence to support the commercial processes. So, we do have many robust actions that can lead to sustainable growth.

**Joseph Giordano – JP Morgan:**

Great, thank you so much.

**Operator:**

Our next question comes from André Salles, from UBS. André, we have enabled your MIC. Please proceed with your question.

**André Salles – UBS:**

Good morning, Jorge, Luccas, thank you for taking my question. I would like to talk about new products a bit more. Do you expect any changes to the service protocol in this flagship verticalized network that you've been launching in São Paulo and Rio? And can you talk about pricing of these new products?
And my second question is about the master plan in Rio that you have recently shared with the market. We see a different competitive dynamic in the state of Rio de Janeiro. So, has the company been focusing on organic expansion only, which is something that takes longer? Or does the company believe that this is the right time to accelerate expansion in Rio, also in an inorganic manner? Thank you.

**Jorge Pinheiro - CEO:**

Hi, André. Thank you for your questions. So, when it comes to PPO products, we have the 600, the Advance, the 700, the 800, the 900 and the 1000, and pricing varies depending on the network offer.

The most basic products, like the 600, have more of our own network. On the 700 products, our own network is more limited, and this continues all the way up to the 1000. This leads to 14% utilization, on average, for the whole PPO of our own network, and we

believe that with the new units we will increase our own network share. There won't be any lines, the appointments will be scheduled beforehand, reports of tests will be issued right away, there will be a concierge service. So, we've been implementing actions to attract users to the whole PPO range of products.
We start with the outpatient units, and then the new advanced hospitals will be ready and we'll be able to offer them. And I'm feeling very confident, because now we have 14% utilization of our own network in PPO products, and now with these dedicated units, with concierge service, guidance, steerage, fast track of service, I'm sure that the share of utilization in our own units will increase significantly.
Now we have a new network and a new price list in the market. It started being offered in August, and we don't expect many news in the short term about Rio de Janeiro. We announced the master plan that will prioritize the network with very high complexity hospitals, average complexity and low complexity hospitals, and this will cover the whole of the Rio de Janeiro metropolitan area. We'll always have a Hapvida unit close to our customer's home to provide service with different levels.
And we see the response already happening. Rio de Janeiro has been growing, and it's doing really well.
About M&A or inorganic growth, we're always open to opportunities. Of course, our initial option would be organic growth, but this can be complemented here and there with the acquisition of a hospital or a unit, which can be more efficient than building a new one. So, we always take that into account. Sometimes we might build a new hospital, but we're always very careful, and we have a strong commitment to deleveraging.

**André Salles – UBS:**

That's very clear. Thank you so much, Doctor Jorge.

**Operator:**

This concludes the Q&A session and have with us second quarter 2025 earnings conference call. The IR team remains at your disposal should you have any further questions. Thank you all for joining and have a great day!