



Conference Call Transcript

Hapvida

2Q26 Results

Operator:

Good morning. Welcome to Hapvida's second quarter 2026 earnings call. Today we have with us Mr. Luccas Adib, CEO Lucas Garrido, CFO and Felipe Nobre, Vice President for Strategy and IR.

For those who need simultaneous translation, please click on Interpretation and choose the English channel. This call is being recorded, and the replay will be available on the company's IR website, where the complete presentation will also be available. You can download the presentation by clicking on the chat icon. Please be aware of the disclaimers that guide this presentation. During the first part of the call, all participants will be in a listen only mode.

Then we will open the floor for questions. To ask a question, please click on the Q&A icon on the bottom of your screen and write your name, the name of your company and your language to join the waiting line.

Now I'd like to hand the call over to Mr. Luccas Adib to start his presentation. Mr. Adib, you may proceed.

Luccas Adib (CEO):

Good morning, everyone. Thank you for joining us for another Hapvida earnings call.

Before we get into the numbers which show still pressured results, I would like to tell you what we're planting in the company this year. A work that we expect to bear fruit in the coming months as we head towards a more constructive and predictable 2027.

Not just with promises, but with concrete actions already underway will deliver results. We're working tirelessly on our transformation plan to adjust our course, and this should be anchored on margin recovery, cash generation and deleveraging, and improving our product through the revisiting of our user journey. These are the indicators that are now predominantly guiding the compensation of the new management team. This is not a simple or linear trajectory.

This requires discipline in planning and execution, technical expertise and a sense of urgency without anxiety to steer this transatlantic ship. We see clear vectors of



transformation, and they will be capable of putting us back on track. There are many initiatives organized into priority work streams that target revenue costs and expenses, some with short horizons up to 90 days, and others that will flow through to the P&L more gradually, considering the actuarial dynamics and the complexity of the company. And it's important to mention that this is all without giving up on quality of care or customer satisfaction.

A superficial read of where we are today might suggest that we are cutting costs irresponsibly or degrading our service, but it's quite the opposite. We have never invested this much in the user journey, reducing friction, pain points, and all this is now mapped and we're working through this in clear work streams. The systemic, cultural and operational integration of the companies we acquired has impacted this experience and our business. And this is what we are fixing now.

Now, the materialization of all this is a deep work of redesign of the journey of our members, brokers, physicians, third parties and suppliers. And this is being led by me, with the support of Nico, our new Chief Customer Officer, who's doing some important work on this front. As you heard from Charlie Munger, take obsessive care of your customer and the results will follow. And Galló did the same at Renner.

And this is what we want to build here. There are some obvious and faster points of improvement, and others are more foundational and structural and will take longer to resolve. The first group relates to the building of our network, parity between product and provider, and a smoother conversational channel with our customer for scheduling of appointments and exams. And others will involve a complete revision of our control parameters and the workflows within our hospitals, also the internal flow of codes and data related to how we have managed the network, which it was historically designed for closed network.

But the good news is that we have now a clear diagnosis, a plan that's underway, and we have accountability for its execution. All our executives have deliverables tied to the user journey and also margin recovery. On the revenue front, we want to resume growth with profitability.

The work stream that is the most advanced, as we already said before, is commercial transformation. We rebuilt our sales dynamics by revising our product and channel architecture. Beginning with retail in the greater São Paulo metropolitan area, simplifying the plan, our grade of plans, adjusting our pricing in our network, realigning our relationship with the brokers, reducing, reducing friction and improving the experience. This is what we highlighted on our first quarter call.



Our net additions are still positive for the last five months in Sao Paulo. And now the tide is changing in Rio de Janeiro as well. We're moving toward the maturity that we need to keep scaling to the inner part of the state of Sao Paulo, the south of Brazil and Minas Gerais, and also to advance in our corporate channel. And we plan to do this in all our major markets, including the North and Northeast.

This work started in November last year and we are now seeing better results. This is a reorientation of the company's commercial strategy and our quantitative view. Still on the commercial front, in August we relaunched Notre Dame as our premium health plan brand, focusing initially on Sao Paulo and Rio de Janeiro as part of the strategy of the new PPO business unit. And the strategy was very simple.

If we have no interest in exiting a specific business, we're going to keep doing it as well as possible and competing as well as possible. Accepting base losses is not an option or putting everything PPO and HMO onto one single track. This also wouldn't work. We now have segregated flows for care authorization, call center interfacing, digital interfacing brand at varying degrees of maturity and this supports this vision.

So what is our right to win in this segment? Volume, a reference network with specific schedules, marketing and a broad portfolio being a one-stop shop and this should increase the company's competitiveness especially in our national B2B contracts. Also in parallel as part of this profitability first journey, we ran a rigorous review of our contract base to identify the ones with negative margins and also, we set strict criteria for delinquency. This already begun and we will intensify this and whether by securing renewals or eventual termination of these contracts, the impact will be favorable for margin and cash generation.

This is another important paradigm shift sustainability and not just growth for its own sake and this will be the primary driver of their commercial management. This will be seen in the net additions in the coming periods and that indicator should be read with this strategy in mind. It's important to note that we are not talking about unilateral or unjustified cancellations, not following the rules. We will strictly follow the regulation and the law so we don't see any legal risks here.

On healthcare costs we want to gain efficiency without sacrificing quality. We started a deep unit by unit review guided by internal benchmarks with dedicated teams conducting on site assessments to see what's working and what needs to be fixed. So we definitely have an accurate granular view of the cost market by market. We already have many initiatives underway.



We are reassessing schedules and staff, specialty and service mix occupancy levels and we are performing rationalization of hundreds of idle beds in the past 30 days. Using a scientific approach we also identified opportunities for verticalization in legacy closed network products that used to use third parties for basic specialties and elective exams and we are seeing potential and meaningful gains wherever it makes more sense to credential rather than vertical integrate, especially for higher tickets. We're working on negotiation, bundling and loyalty programs to align our practices and improve cost predictability. And this is new.

We conducted a full review of our third party provider base finding significant price dispersion among providers with similar scope and location. So, this opens the door for renegotiation and resteeering of our volumes towards the best references in price, quality of delivery and strong brands that anchor our products. In the past 60 days, we were able to bundle 40% of the surgical costs in Sao Paulo. And this has the potential to rise further.

And we are now expanding this work to Rio de Janeiro and the inner part of the state of Sao Paulo. Investments in our network we're prioritizing the expenses needed for maintenance, rationalizing our expansion plan. Also reoptimizing our existing network, partially or fully closing facilities with idle capacity or overlap with nearby units. For example, we're planning to reduce more than 30 units by a combination of closures and revisions, all based on utilization and coverage metrics, without affecting the service availability.

We have already executed part of this plan this month, and we expect to complete it within 60 days. We are now prepared to optimize our local network to avoid operating deleverage. Another very important front, one that hurts Hapvida and the entire industry, is fraud and waste. We have restructured the company's risk area with a highly qualified team using artificial intelligence and data and the results are already showing. Over the past 60 days, we've recovered meaningful amounts from fraud and irregularities. We created numerous automated monitoring rules and activated a robust legal pipeline. We've already filed dozens of criminal complaints and lawsuits against the fraudsters.

We will intensify the legal, criminal and administrative actions against the professionals involved in these schemes. And this is just the beginning. We will open more about this when we deliver our annual balance sheet.

Now, turning to expenses and administrative efficiency, we are transforming our procurement function with a complete review of processes and controls and a massive renegotiation of contracts that cover more than R\$4 billion in annual spend.



We are standardizing the payment terms across the company. We are adjusting to the average market practices. This will bring meaningful gains in our working capital in quarter three and a more organized relationship between the company and suppliers. We're also in the process of digitizing and applying artificial intelligence to our shared services center.

And this will drive operating efficiency in 2026. Now, once again, let's talk about litigation, which was the main offender of our results in quarter three. Here we need some self criticism. We had what our diagnosis showed, that our legal management model is not keeping pace with the size of our challenge.

We were taking every dispute all the way to the final instance without prioritization or management, resulting in avoidable injunctions and judicial blocks. Now we change completely our model. Fabiane Reschke, who joined us four months ago, will help us redesign our processes. And this is nearly complete.

And we are now integrating our tools into our systems and we are planning to finish this by the end of August. We also recalibrated our regulatory and authorization thresholds and we are now using loyalty programs as an ally. We already saw the results of this in July with a reduction compared to quarter two, but we are not at full potential and this should be completed still within quarter three.

This also had a one-off impact of the duplicate blocks and by excluding this the coverage would be close to 100%. But we still have a backlog from the past that won't clear overnight and should still affect quarter three. I'm confident that starting quarter four you should start seeing better results and we will continue to accelerate our deleveraging inorganically with divestment of assets in our non-core regions. This evaluation work has already been completed and we are now taking the next steps.

We won't comment on timing, assets or price, but the rationale is clear. In addition to reducing our leverage, it simplifies our operation and accelerates our resumption plan. We don't have liquidity pressure in the short term, but that doesn't change our sense of urgency. It simply gives us room to negotiate the right prices and terms without rushing.

We will communicate you on this in a timely manner. And before I close, I want to thank our teams for their commitment, both those who have been with us for a while and the new group that just joined us. They're full of energy. The path isn't easy, the challenge is big, the work is intense and challenging but it's rewarding to see your commitment and we will come out on top with a smile on our face, facing the challenges head on, applying math and agnostic and scientific approach to everything without being anxious, but having the right sense of urgency that will put Hapvida back on a path of recovering



results and improving the experience of our members, brokers and providers so that we can continue together on this mission of bringing quality health care to nearly 16 million people in Brazil.

Now I will turn it over to Lucas Garrido and he will walk you through the quarter's numbers and I'll be here for the Q&A.

Lucas Garrido (Vice President for Finance):

Thank you, Luccas. Good morning, everyone. It's a pleasure to be with you.

Now in my presentation I'll focus on the key themes that stand out in this quarter's results. On slide 3, we have a summary of our main highlights and here I'd call your attention to the net revenue of nearly R\$8 billion, 3.9% up year over year, reflecting particularly the 6% increase year over year in our average health plan ticket. This reflects the adjustments, the price adjustments that we are applying to group plans, partially offset by the portfolio mix effects across different regions, products and channels, and by the authorized adjustment on individual plans. I'd also highlight the increasing services revenue above recent periods and this is part of the strategy in some of the regions looking for better mixing high complexity.

This was also affected by our membership membership base, which I'll cover on slide 4. As you heard from Luccas, the Company has been taking a critical granular look at profitability by contract, by channel and by region, prioritizing cash generation and margin under this stricter lens. We have a detailed review of our direct costs by contract occupancy levels and the impact of litigation. In June, about 10% of our health plan members fell under these strictures criteria. They represent about half of this percentage since their average ticket is below average and in the renewal process across the next 12 months, some of these members may be discontinued if we can't implement the necessary price increases or collect our outstanding bills.

In one case or the other, this shift should be positive for the Company's EBITDA and cash. As you heard from Luccas, this is a change in our strategic priority that will help our results over time. At the end of quarter 2 26, when we begin applying these new rules, we saw the exit of 9,000 members. In July, with the process already established, we saw the cancellation of approximately 50,000 members and 10,000 renewed under the adequate terms.

This dynamic won't necessarily repeat every month, but we believe that we will be able to retain some of these contracts and whoever stays will do so on the adequate economic terms. Looking at the consolidated members for the quarter, we posted net losses of 16,000 members, 7,000 of which were in the organic portfolio and the 9,000 that reassessed members that I just mentioned.



On slide 5, we see our cash loss ratio. In quarter 2 it was 75.2%, 3 p.p. increase versus 1Q26. This sequential evolution is reflecting usual seasonality which was close to historical levels, a larger impact from judicial claims up R\$37 million and a greater carryover of medical bills in line with the frequency that we saw in March 2026 and that we already had flagged in our quarter one results.

I want to reinforce our commitment to restoring the Company's recurring results. We have dozens of initiatives underway in our own network and credential network aiming at greater operational efficiency and profitability, always preserving the quality of care and the experience of our members.

On slide number 6, I will show the main variations in our cash expenses, civil litigation was a source of pressure disorder expenses tied to civil contingencies, including judicial claims were up R\$73 million totaling R\$324 million and civil judicial deposits increased R\$202 million in the quarter. So, I want to reinforce what Luccas said we considering the current level, our diagnosis is that we needed deep revision. Now in cash, the duplicate blocks are unusually high, but we don't expect this to be recurrent. ANS fines in turn showed a slight improvement sequentially and based on the latest evidence, we expect that this line stays at this level in the next three quarters and then they will improve to the levels that we were talking about.

Now on this slide we have our selling expenses. Here there's a bit more pressure, mainly reflecting the higher level of the recent growth additions and the still hike churn and a channel mix effect. Also we are carrying some legacy campaigns from last periods. And after revisiting their effectiveness, we decided to discontinue them, this is another important pillar of our transformation and we reassess all of our campaigns to focus on the ones with the best ROI.

Now our adjusted EBITDA was R\$504 million in quarter two and this was mainly impacted by the loss ratio and the litigation that I just detailed. And the net income totaled R\$12 million.

Now on our last slide, slide number 8, we have our cash generation and indebtedness. Our net Debt went from R\$5.2 billion in December 2025 to R\$5.4 billion in June 2026. Excluding the M&A effect of about R\$170 million, our net debt was relatively flat. It's important to highlight that the cash flow in quarter two is not the recurrent of the company because usually quarters two and three are seasonally weaker in the number of claims and quarter three and four are more favorable. But we are prioritizing payments to our suppliers as we already mentioned and this should bring important gains in 2026. Everything in line the usual market practices.



So the increased EBITDA in the first quarter, which cancels the seasonality effects of quarter two led to cash generation sufficient to maintain our net debt relatively flat excluding any movements relative to M&A. We're very disciplined with the spending of the company and we maintain our expectation of having a Capex of about R\$700 million for 2026 after the 363 million in the first half of the year. We are also questioning every line of cost and this will help in our budget in 2027.

Now to wrap up the focus for this new phase is very clear, coordinated decisions to improve our profitability, generate cash and accelerate deleveraging. These are being rolled out in waves and maturing over the coming quarters and we should start seeing the results in the next quarters.

We remain committed and confident over the medium and long term. Thank you. And now let's open for questions.

Operator:

We will now open the floor for questions. When you hear your name, you will be prompted to open your microphone. Click to open your microphone and ask your question.

We allow up to two questions per person and please ask all your questions at once.

The first question is from Joseph Giordano, JP Morgan. Joseph, we will open your audio now. You can ask your question.

Joseph Giordano (JP Morgan):

Good morning, Felipe and Luccas. I have two points to explore, particularly about your growth agenda and portfolio adjustment. You mentioned 950,000 members that are now under supervision. What will be the phasing, or will it be according to the contract aspiration? Or how will this impact your top line and how will this affect your receivables?

And my second question is about the improvement in your value proposition and growth agenda. First, how do you see the competitive environment? And my second question is what is your, the real need in terms of price adjustment in order to reestablish your margin and the profitability of your contracts?

Lucas Garrido (CFO):

Good morning, Joseph. This is Lucas Garrido.



Regarding the contracts being reevaluated, the schedule is the next 12 months. The specific anniversaries of the contracts are spread equally in the next quarters.

There is a peak around December, which is a month where we have more renewals. But on average this process should take should be a linear process over the next four quarters. The rationale for pricing is contract by contract, region by region. These are considerable price readjustments.

But many of these contracts are at tickets that are well below the average of that region or the competitors in that region. So in some of these cases we have been able to maintain the contracts even with a significant price increase of about a high double digit increases in some cases. And those that we choose to terminate we expect or we calculate that the EBITDA will be positively impacted by that.

One important point you should keep in mind is that there is a runoff dynamic for our contracts and we have some medical bills that will take one or two months to go through to our P&L. The first potential impacts of some of these terminations could be marginally negative. But of course as this stabilizes, the run rates stabilizes, it will have a positive impact on our margins.

Luccas Adib (CEO):

Joseph, about the competitive scenario. For a long time now you've been hearing from us about how the competition is stronger now, but the company is currently focused on its internal transformation agenda and the enhancing of the tracks, where we still have some homework to do. Competition is still heated, particularly in some markets where the competitors are more well structured.

But the company is quite focused on doing the homework it needs to do. And so, nothing changed in terms of our competitive strategy.

Joseph Giordano (JP Morgan):

Perfect. Thank you.

Operator:

The next question is from Vinicius Figueiredo, Itaú. You can ask your question now.

Vinicius Figueiredo (Itaú):

Good morning. Thank you for taking my question.



I have two questions. First, about litigation or judicialization. In your introduction, you talked about this, but can you try to give more information about the nature of those litigations? Because we know the number is still high. So what are the topics? Is it out of network health care, home care, or the block health period?

And last time you talked about how you accelerated, one and a half year ago the possibility of reaching agreements with these plaintiffs or work groups to try to improve the numbers working since the beginning of the lawsuit. So, do you think this is something that comes, do you think that this could even come before litigation? This work that you're doing could be a previous step before you actually have a lawsuit?

And my second question is, where do you think you could improve your service or improve your network where you have vacuums? So region by region, do you think you will focus more on your credential network and not so much your own network to try to close these healthcare gaps, particularly now that you're thinking of bundling and trying to improve profitability of your credential network? So these are my questions.

Luccas Adib (CEO):

These are great questions. But you asked about three or four questions. I will try to address all of them. These are important topics. So, thank you for your questions.

There's no disproportionate growth. The growth was across all litigation lines when we break them down. So, there was no specific concentration in any topic, specific topic. Quarter over quarter, you see that this is growing, we're growing our alpha compared to the sectorial bet. And this is what we need to look at. So how we are accommodating this increase, we saw a decrease in some we actually took a step back in some of our internal decisions and the way we were managing litigations starting quarter three last year. So this was what put us in this negative spiral. And we're capturing this tail effect now in order to.

So, my takeaway to all of you, I want to reassure you, to somewhat reassure you, because we have been repeating this and this doesn't show in our results, but for the first time, we have everything that we know we need to do very clear. We have a broad strategy to solve or at least mitigate the problem. This is not the levels that we find healthy for the company. And that's why we're striving and working tirelessly to resume the systems that were successful in the beginning of last year, in the quarter one and two, in 2025, we were able to control this trend. Then we saw degradation in third quarter and fourth quarter one was the most severe.



So, we know what we need to do. Of course there's a tail effect here that is very complex. And so, it will take a while before we see the results, but we believe that in the coming quarters we will start to see better results in this sense.

And your last point was about the sizing and verticalization of our network. The logic that we use is a qualitative evaluation of what makes sense in terms of the healthcare that we offer and the credentialed facilities in that market, according to the volume.

So yes, we have been investing in closing some network gaps that we have in some regions. This concept of network gaps is being... from this logic of bundling and alignment with a third-party network, particularly in Sao Paulo, in some regions, in Rio de Janeiro. But we still have this more quantitative approach to this work. So wherever we can vertically integrate and we have the capacity for that, that's what we'll do.

This is the strength of the company. But in some... Well, but the credentialing and loyalty programs, we're working on that so that we can really compose an adequate network for our members.

Please let me know if I answered your question.

Vinícius Figueiredo (Itaú):

Yes, you did. Thank you.

Operator:

Our next question is from Gustavo Miele, Goldman Sachs. Mr. Miele, you can ask your question now.

Gustavo Miele (Goldman Sachs):

Good morning, Luccas. Felipe, thank you for your presentation. I have two questions.

First, I would like to know about your claims. How do you see the level of frequency? We know that this time of the year is more sensitive to the winter season and viral infections. So, what is the volume of claims? Claims in this start of the second half of the year.

And do you think we should see a carry-over to the next quarters? We know that in the first half you have a more particular dynamic from quarter one to quarter two because of a more atypical month of march. But should we expect any carryover between quarters in second half from quarter two to quarter three?



And my second question is about commissioning. We see a reasonable increase year over year and quarter over quarter. And you talked in your earnings release about the mix of channels. So, I want to better understand what is the dynamic here. Is this about an internal discussion of your sales force or third-party sellers? So, what caused this change in the commissioning line?

Thank you.

Luccas Adib (CEO):

So let me answer the first part of your question. Thank you for your questions.

Well, we don't see any atypical seasonality in the start of quarter three. Different from what I told you in our last call. We don't have anything that is out of the typical seasonality of the quarter. So, we expect a typical quarter three.

Lucas Garrido (CFO):

Now, about commission expenses, well, commission expenses, we mentioned that we have a more accelerated dynamic compared to our history. So of course this will increase commission payments. It's just like the change in the channel mix because the channels that we have been focusing on and the channels that we're growing are good profitability channels, small, medium companies and retail.

The cost of acquisition is higher than other channels. But despite this higher cost of acquisition, when you look at the profitability as a whole, it is pretty healthy vis a vis higher volume channels in the company.

It's important to note that commissions, just like everything in our P&L, our P&L has this characteristic. A lot of the things there have, will have some carryover for a while and then things will start to show up gradually in our P&L and commission payments is another line where we conducted an important revision of all our campaigns in the past months.

So, we already see an impact on our cash of the review of these campaigns, optimizing our ROI in the short term. But of course, it takes a while for this to show in our P&L. It's lower for it to show in our P&L. It shows earlier in our cash effect.

Gustavo Miele (Goldman Sachs):

Thank you, Garrido. And thank you, Luccas.



Operator:

Our next question is from Leandro Bastos, Citibank.

Leandro Bastos (Citi):

Good morning.

I have two questions focusing on your portfolio. Is there relevant concentration by region or by channel of the members that you are focusing on here for this revision?

And my second point is about the tradeoffs of the potential impacts on litigation, Garrido talked about a runoff effect in the short term. But as you demobilize, you discontinue your structure. Will this impact other contracts that are profitable today? So what are the tradeoffs that these movements could result in?

Luccas Adib (CEO):

Leandro, thank you for your question.

There's no specific concentration. This is in line with the composition of the company's portfolio. Now, from the legal standpoint, from litigation standpoint, whether there's going to be any repercussion, we are totally anchored on the regulations and the contract terms.

So we don't see any legal execution risks in this front. Now about reordination vis a vis the portfolio, this is natural for the contracts that we are removing for our from our contract base and do not agree with the price readjustments that we conduct.

So, we are reprofiling the fixed assets of the company and trying to identify where it makes sense to have a more intense or less intense presence.

Lucas Garrido (CFO):

I would just like to add a point to Luccas's answer. Many of these contracts are in regions where the occupancy of the network is high. And this was all factored in when we define where we're going to focus the discussions. So, in many locations, from the operations standpoint, we expect that even without closing any units, there will be some relief in our operations and level of service for the contracts that remain in our contract base.



Leandro Bastos (Citi):

Thank you. Have a great day.

Operator:

Our next question is from Samuel Alves, BTG. Samuel.

Samuel Alves (BTG):

Good morning. Luccas Adib, Lucas Garrido and Felipe.

We have two questions. My first question is about judicialization. I heard this from Luccas in one of his previous answers that you took a step back in some of your internal decisions, the company actually has taken different actions, the agreements and proactive action on complaints and revisions of your protocols.

Do you think the solutions that you adopted in recent years were truly helpful? Do you believe that things would be worse without them? Or do you think they cause more friction because that changes the level of conviction about whether you can solve this challenge?

And my second question is about segmentation of the lives or the members that are now under adjustment. You talked about a geographic adjustment. Will this also be applied to corporate and individual? So, I want you to explore this adjustment between corporate and individual considering the regulations that we have in place.

Luccas Adib (CEO):

Now, as for your second question, that is a much higher concentration in B2B and not so much in retail channels. So, it's much more concentrated in corporate, now about judicialization many of these solutions that we adopted were really helpful. And many of the solutions that we applied in the past, we will continue to apply them now because they still make sense.

So what we're seeing is an enhancement of the decisions that we made in the past regarding this topic, enhancement of our work fronts involving staffing rules. And when we take a snapshot today to diagnose what's happening based on the past, to know what we need to do to execute on all this today, we have a lot of clarity and it's much more about execution than keep testing one thing or another thing on one side or another or assessing if a decision is pertinent on one side or the other. So when we talk about past solutions, these are solutions that were positive for the company in the past and we will now intensify them and for those that were not so successful, we will make



adjustments. We have already made adjustments and will continue to make adjustments.

Samuel Alves (BTG):

Very clear, Luccas. Thank you.

Operator:

Our next question is from Mauricio Cepeda, Morgan Stanley. Mr. Cepeda, you can open your microphone now.

Maurício Cepeda (Morgan Stanley):

Good morning, Luccas and Lucas, thank you for taking my question.

We have two questions. Our first question is about your commercial cycles looking forward, this was a question on your last call. I believe that you are increasing your confidence in the visibility of claims and users. So, you're designing new products. So, I think you now have better visibility of the types of claims that you have. So how many more cycles or how much more time do you need to rebalance your ticket, to rebalance your premiums, to go back to healthier levels of claims and balance out all the impact from litigations?

And my second question is about the review of your portfolio. You already talked about this and I believe that you were already recording some high gross volumes of cancellations before you started this cleanup work.

So, you already had been deliberately cleaning and what was the normal churn of your operation and after this cleanup? Because we are not really seeing any benefits in your MLR, your margins or cash generation. So what was the effect of this cleanup?

Lucas Garrido (CFO):

Thank you for your question. I think your two questions are connected. And our main point is that we are quite focused on the management of the company, focusing on our revenue and as for your first question about the timing, the timing, we talked about 12 months and with the termination of the least favorable contracts, these contracts require special treatment in order to achieve healthy margins. And the others will follow their natural flow of readjustments, and they are already at healthier levels for the company as a whole.



So we believe that in the next 12 months we will be able to complete this cycle and gross cancellation volumes, this is in our earnings release, so this discussion about the renewal of these least favorable contracts, this discussion started recently. So, we had more than 9,000 lives being members being discussed in June. And the rest of the churn was not in this, included in this. So this change in turn was a natural effect without including the discussions about those specific members that I mentioned.

Operator:

Our next question is from Antonio Cardoso, Jefferies. You can open your microphone now.

Antonio Cardoso (Jefferies):

Good morning. Can you hear me?

Luccas Adib (CEO):

Yes.

Antonio Cardoso (Jefferies):

Thank you. I want to better understand when you mentioned the 900,000 members with potentially negative margins, what is the math here in terms of G&A selling expenses?

So what is the math of this contribution margin? How did you get to this result that they have potentially negative margins? I want to better understand your rationale.

When you rate the profitability of your members and what is the what would be your portfolio X those lives?

Lucas Garrido (CFO):

Thank you for your question. This is Garrido.

Well, the math actually excludes the impact of the fixed costs on these specific members. So we look at the contribution margin excluding fixed costs.

So even when you dilute the fixed costs in your remaining portfolio, the impact on the EBITDA remains positive because this was already excluded from the calculation. Let me know if I answered your question.



Antonio Cardoso (Jefferies):

Yes, understood. But when you talk about the contribution margin, does this include your MLR and some selling expenses or commission expenses relative to those members?

Lucas Garrido (CFO):

Yes, it is a calculation of variable contract costs because for the more fixed costs, we... the fixed costs were not considered here for these contracts.

Antonio Cardoso (Jefferies):

Okay, very clear. Thank you.

Operator:

Our next question is from Flavio Yoshida, Bank of America. Mr. Yoshida, you can ask your question now.

Flávio Yoshida (Bank of America):

Good morning, Adibe, Garrido, Felipe and the rest of the team.

Let me go back to the topic of deposits. We talked about this a lot in 24, 25. In 25 it slowed down a little bit. We thought this was something of the past, and now it's back.

When we saw this slowdown in this topic in the start of 25, I want to understand whether this was something exogenous or this was a result of initiatives that you implemented and that you repeated this year.

And also about the ANS fines, we also saw a decrease in the fines. So I want to know if the NIP backlog that was to be analyzed by ANS is already finished now or should we expect any acceleration in this line looking forward?

Luccas Adib (CEO):

Thank you, Flavio, for your question.

My short answer is that we didn't have anything exogenous in the start of 25 because the industry was growing and when we look quarter over quarter, from quarter first quarter 24 to 25, in 2Q25, there was some regression in some of these lines with the changes that we made to 25. And now we're capturing the results. And about the ANS fines, the levels should remain the same for two more quarters and then we expect the number or the amount of the fines to decrease, considering the number of complaints,



ANS complaints that we got in the past few months. So we expect to see stabilization in the next months.

And I would like to welcome Arthur, who just joined our team, our Investors Relations director. I hope you have a great time working with us and that you suffer less than the person who came before you, and that we can be successful together in our trajectory. I'd like to thank you all for your participation.

Thank you for attending, and we remain at your service should you have any questions in the future. Thank you, take care, and we'll see you next time.

Operator:

This Q&A session is now closed, and this conference call to announce the Results of second quarter 2026, is now closed.

Our IR team remains available should you have any questions in the future.