

Matheus Nascimento:

Good morning, everyone. Welcome to Smart Fit earnings call to discuss the results of the third quarter of 2025.

I am Matheus Nascimento, IR manager. Before starting, an important message for those who choose to listen to the conference in English.

Good morning, everyone and welcome to Smart Fit conference call. This call will be translated into English. To access the English mode, please click on the Interpretation button in the icon at the bottom of the screen and choose your preferred language. There's also an option to mute the original audio in Portuguese by clicking on Mute original audio.

Today with us we have Mr. Edgard Corona (CEO), André Pezeta (CFO), Diogo Corona (CEO) and José Luís Rizzardo (IRO and Director of M&A FP and a Treasurer).

Attendees will be in listen only mode during the Company's presentation and then we will start a Q&A session when further instructions be provided.

We remind everyone that the results presentation that will guide this presentation is available on investor relations website at CVM and on the webinar platform. Before continuing, I would like to clarify that any statements made during this conference call regarding the Company's business prospects, operational and financial projections and goals and information about the potential of the target market, our beliefs and assumptions of the Company's Executive Board and are based on information currently available to the Company for forward looking statements are not guarantees of performance because they involve risks, uncertainties and assumptions.

Now I would like to give the floor to our founder and CEO, Mr. Edgar Corona, who's going to start the presentation. Edgar, please, the floor is yours.

Edgard Corona:

Thank you, Matheus. Good morning, everyone. It's a pleasure to have you here in our conference call to announce the third quarter of 2025.

I would like to start by highlighting the main points of another solid result, a reflection of tireless work, dedication and consistent delivery of our entire team.

I also take the opportunity to share some relevant strategic messages so, growth about the Club Network and guidance for openings in 2025 when the third quarter of 2025 with a solid annual growth of 17% in our club network totaling 1,867 units in 16 countries in Latin

America. The strong pace of expansion reinforces our leadership position in the region's fitness segment.

It's important to highlight that in this court the first Smart Fit Club opened in Marroccos, a milestone that symbolizes the company's entry into a new continent which presented a performance in the first weeks that is consistent with expectations.

We maintain our confidence in the execution of the guidance of opening 340 - 360 new clubs for 2025 and we'll talk about this during the Presentation.

Net revenue reached BRL 1.8 billion, a strong growth of 28% year on year. This result reflects a 12% increase in the average membership in Smart Fit owned clubs and the continuous advances in our Revenue Management agenda with a consolidation of the pricing strategy as essential pillars for strengthen our competitiveness and our value proposition in each micro region with a presence, promote operational efficiency gains and ensure sustainable results in the various markets in which we operate.

Gross Profit the strong revenue growth was accompanied by gross cash income which also grew 28% versus 3Q24 totaling BRL 906 million in a quarter, a margin that is 49.6% stable compared to the same period the previous year. Excluding pre operating costs which, in our view, reflects the robustness of our business model and shows the recurring performance in the business, gross cash margin reached 50.8% and expansion of 0.3 percentage points vis a vis to 3Q24.

The mature units continue to have an outstanding performance with a 52% margin, a level consistent with the last 10 last quarters. It's also worth mentioning the performance of the clubs opened in 2023 whose results are quite significant, in addition to the promising maturation curve of the units opened in 2024.

Of the 1,471 Smart Fit owned clubs in our base, more than 30% are not yet mature. As this occurs, investments already made in these units tend to be converted into higher levels of profitability and additional generation of operating cash.

We posted a record EBITDA of BRL 586 million in the quarter, strong growth of 33% year-over-year, and a margin of 32%, an expansion of 1 percentage point versus the same period last year.

We continue to see high conversion of EBITDA into operating cash generation, with 103% of the quarter's EBITDA being converted into operating cash generarion, evidencing the strong generation capacity of our business model even in the context of accelerated expansion.

Recurring net income presented a strong growth of 43% compared to the third quarter of 2024 totaling BRL 177 million in the third quarter with a net margin 1 percentage point higher than 3Q24.

This is just the beginning. We remain very enthusiastic and focused on continuing to transform the fitness sector. Once again, I would like to thank our customers, employees,

partners and investors for their trust and partnership. I'm counting on you on Q&A session. Now, I would like to give the floor to Diogo Corona, our COO, who's going to continue the presentation.

Diogo Corona:

Thank you very much, Edgard.

Indeed, we had a very good quarter and now I would like to talk a little bit about our expansion, an important part of the company's future.

For this year, we remain very excited and confident in delivering the guidance released, which foresees the opening of 340 to 360 clubs.

This delivery will represent a growth of approximately 15% versus the growth of 2024 and, once again, a growth in the clubs base of more than 20% when compared to the previous year.

Our current pipeline reinforces this confidence. We ended October with 150 new clubs and 252 units under construction to open mainly in 2025.

Over the past few years, we have constantly accelerated the pace of our expansion and certainly 2025 will be another emblematic year.

The strong pace of expansion is anchored on solid basis, which have been proven themselves daily by the consistent performance of mature units, with high profitability over several consecutive quarters and by the concrete results of our expansion strategy, where new units demonstrate a solid ramp-up in members and margins.

We have extensive know-how in opening clubs with a strict selection process, negotiation with long-term partners and high-quality implementation factors that ensure its long-term delivery potential.

Moreover, we are leaders in a region that continues to have strong growth potential and consolidation. As we have shown on another occasion, in all the markets in which we operate, the whitespaces still wide, which gives us a lot of confidence and visibility to continue growing. We are talking about a potential of more than 1500 Smart Fit clubs in future years.

With this strategic positioning, discipline and market opportunity, we remain very confident in delivering these results with record expansion and solid profitability.

Still on this topic, on the next slide, I would like to talk little more about what we are seeing for the construction of new clubs in Mexico.

In our last Conference Call, we had the opportunity to share a little bit more about Mexico, our trajectory, achievements and most recent developments in the main strategic agendas of our operation.

We highlight the significant progress with our cost management, revenue optimization and especially gross margin growth over the last few years.

Mexico is our second main country, with 416 Smart Fits clubs, with a growth of 62 new clubs added in the last 12 months. Our national presence and expansion pace certainly place us in a leadership position in the region, with 1.1 million people training in our clubs.

One of the main pillars of these adjustments, with benefits that are already being captured in the short term, are related to CAPEX for new clubs.

Over the last few months, we have worked intensely to find alternatives and sustainable solutions that are capable of generating savings of approximately 20% in the construction of new units.

The significant value of 20% reduction came from a strategy based on reinforcing the expansion team, with people who already have solid experience in Smart Fits business model, project revision based on the success of efficiency obtained in projects in Brazil, with improved engineering that maintained quality and safety indispensable pillars for our projects.

And it was in April this year that we opened in Cancún the first unit that went through this new process that has already presented the expected gains. The success of this unit has been replicated for the 2025 pipeline if compared to the openings of 2024.

We monitor very closely the changes that we make in our units and, as a company focused on our customers, we observe the same levels of NPS, a result that makes us very confident to follow the strategy and the results obtained so far.

We are sure that gains like this have been enhanced by scale, our opening volume, presence in numerous regions and highly qualified teams which allow learning and efficiency to cross borders, generating more value and synergy between our operations.

Results like these are part of our DNA, as we are extremely focused and diligent in the quality of our points and profitability of our investments.

Now moving to the next slide. Now let's talk about the evolution of our physical presence, bringing an update on the recent growth of the club network.

In the last 12 months, we added 276 new clubs, a growth of 17%, totaling 1,867 units at the end of the third quarter. In this quarter, were added 49 clubs, which reaffirms the consistent pace of our expansion plan.

It's also worth highlighting the geographic diversity of this growth. Today, Brazil accounts for 47% of our club network, while Mexico and the Other Countries account for 53% combined.

If we look only at Smart Fit's owned clubs, Brazil represents 41% of the network. In addition, another relevant point is the maintenance of our growth base. Currently, 65% of our owned clubs are mature units, which corresponds to 952 clubs.

In other words, we still have more than one third of the units that have not yet reached maturity, and as this occurs, we are going to obtain higher levels of profitability and operating cash generation.

We remain focused on disciplined, diligent and sustainable expansion, with an operation that combines scale and operational intelligence and can be observed in our productivity.

On this slide, you can see the annual growth of our membership and revenue per club. In 3Q24, our client base reached 5.2 million, an increase of 8% over the same period in the previous year.

Out of these members, approximately 2.3 million are in Brazil, 1.1 million in Mexico and 1.9 million in Other Countries in Latin America. It's worth noting that the members of the TotalPass aggregator are not included in these numbers, but their access, check ins, have been gaining share every quarter.

We believe that our robust member base is the direct reflection of our assertive expansion strategy, the maturation of the units and continuous efforts to attract and retain members.

In the same period, the average annualized net revenue per owned clubs club reached 4.5 million, representing a growth of 4% compared to 3Q24, driven mainly by the increase in the average ticket, due to the assertive price transfers over the last few years in the different regions and the many actions carried out in a period to optimize, in a sustainable way, the revenue per club.

These results show the strength and resilience of our business model which are translated into solid financial results that will be presented by our Investor Relations director José Luís Rizzardo.

José Luís Rizzardo:

Thank you, Diogo.

Now continuing the presentation, I would like to go into the financial results starting by the evolution of the net revenue which, in 3Q25, once again showed a strong growth of 28% compared to the third quarter of 2024.

This has been the 17th consecutive quarter of revenue growth. Net revenue reached BRL 1.8 million mainly due to 12% increase in the average number of members in Smart Fit owned units and an increase in the average ticket of 10% with emphasis on performance in Brazil and Other Countries.

Compared to the second quarter of 2025, net revenue increased 2% mainly due to an increase in average ticket. The strong growth in net revenue in the quarter is a reflection of accurate and assertive commercial and operational efforts to attract and retain members combined with increasing average ticket that has occurred due to the combination of the Revenue Management agenda, sustainably optimizing revenue per club.

Additional commercial and operational initiatives, such as the expansion of the offer of add-ons and the consistent progress of the expansion of our network of clubs will increase the value proposition of the Black Card Membership.

It's worth mentioning also the increase in access, check ins, of TotalPass users, increasing the revenue of Smart Fit brands, especially in Brazil.

To conclude this slide, it's worth mentioning the performance of the Others line, which ended the third quarter of 2025 with revenues of BRL 151 million, more than double of the amount recorded in the same period the previous year, accounting for an 8.3% of the total net revenue, and increase of 3.2 percentage points compared to the third quarter of 2024.

This increase is explained by the growth in the results in the other business units and the acquisition of Velocity Group, completed in the fourth quarter of 2024, and the acquisition of control of FitMasters operations, completed in April 2025.

Now moving to slide number nine you can see gross profit cash totaled BRL 906 million increase of 28% compared to 3Q24, in line with the growth of net revenue in the period.

Gross Cash margin reached 49.6% in 3Q25, stable compared to 3Q24, mainly due to efficient cost management which offset the increase in expenses related to the opening of new units, including the units opened in the quarter and the clubs that will be open in subsequent quarters, combined with an increase in the cost of units in the process of ramp-up, with emphasis to those that we opened in the last 24 months.

In the last 12 months, cash gross profit totaled approximately BRL 3.4 billion, resulting in a cash gross margin of 50.3%. It is worth noting that the cash gross margin before operational costs, that is, those related to openings, reached 50.8% in 3Q25, an increase of 0.3 percentage points compared to the same period of the previous year.

Going a little deeper into this analysis, which in our view reflects the robustness of our business model, we move to the next slide.

Here you can see the analysis of cash gross margin before pre-operating costs per business segment. This analysis isolates the effect of these pre-operational costs, allowing a clearer understanding of profitability level.

From this perspective, the consolidated cash gross margin reached 50.8% in the quarter, an expansion of 0.3 percentage points compared to 3Q24, showing the robustness and consistency of our business model.

When we look by segment, we observe stability in the margins of Smart Fit brand, our core business. The margin of Bio Ritmo and Other Clubs was impacted by the opening of new units that are still in ramp-up process and momentarily have lower margins.

This was offset by the solid performance of the Others segment, which maintained a significantly higher margin level, although impacted by the consolidation of Fitmaster compared to the same period of the previous year.

Within this context, it is important to highlight the positive effect of the change in the mix, with the Others segment gaining share in gross profit before pre-op costs going from 7% to 10%.

In summary, the company once again demonstrates its ability to deliver solid results despite the context of strong expansion and maturation of the club network, also driven by the contribution of new business units.

Now moving to the next slide, you can see that for the 10th quarter in a row the mature units are reporting a consistent level of 52%, in addition to a gross profit per owned units annualized in the court of BRL 2.4 million, a result of the revenue optimization initiatives per club combined with intensive and assertive efforts in operational efficiency.

Another important highlight were the units that we opened in 2023, with a gross margin of 53%, a performance above the level of mature units for the third quarter in a row. The cash gross profit annualized per unit reached BRL 2.2 million in 3Q25.

The solid performance of the company's owned units in the 2023 Vintage, which still in the process of maturation, is the result of a combination of strong revenue growth reflecting the expansion intelligence and strength of the Smart Fit brand with a structurally lower occupancy cost, resulting in a profitability level superior of the mature units.

It also worth highlighting the solid maturation trajectory of the 2024 Vintage, which at the end of the quarter reached an average annualized net revenue per unit of BRL 4.1 million and gross margin of 54% in 3Q25, showing a strong margin expansion versus the previous quarter.

We monitor the performance of these units on a daily basis and remain confident that they will provide good results once they reach maturete.

As Diogo said when he explained about the acceleration and the pace of openings for 2025, the good level of the margin of mature units and excellent ramp-up of the new vintages make us confident that we are on the right path to the consolidation of consistent results with good selection of new locations, strong cost management, pricing and sales intelligence, in addition to high quality of the services provided.

Now we are going to present the operating results of the companies in the third quarter with focus on SG&A.

Compared to 2Q25, SG&A were stable with a solid dilution of 1.2 percentage points as a percentage of the net revenue.

In the annual comparison, SG&A grew mainly due to higher investments in structuring new businesses, mainly related to TotalPass, in addition to reinforcements in structure in Other Countries. The increase in sales expenses on the same basis of comparisons is mainly due to the larger number of units opened, in addition to marketing initiatives to strengthen the brands in a dish of the different business units.

Now I'll give the floor to André Pezeta to continue the presentation.

André Pezeta:

Thank you, José.

Moving to the next slide, we present a strong evolution of our EBITDA, which in the third quarter of 2025 was BRL 586 million, the highest level ever recorded in a quarter, representing a significant growth of 33% versus 3Q25.

The EBITDA margin for the quarter was 32.1%, an increase of 1 percentage point compared to 3Q24. It's worth noting that, in the last 12 months, we also reached a record EBITDA level of BRL 2.2 million with a margin of 31.7%, one of the highest historical levels of EBITDA margin.

Finally, considering the adjusted EBITDA before pre-operating expenses, also at a record level, reached the expressive mark of BRL 617 million in 3Q25.

Now I would like to comment on the recurring net income, which showed strong growth of 43% compared to the same period of the previous year totaling BRL 177 million in the third quarter, with a net margin of 9.7%.

This performance is mainly explained by 33% growth of EBITDA, in addition to lower tax rate due to the statement of interest on equity in the third quarter of 2025, which more than compensated the increase of depreciation and amortization and also financial expenses, which are a result of the acceleration of the expansion plan.

In last 12 months, recurring net income exceeded BRL 700 million, totaling BRL 703.6, with a recurring margin of 10.3%.

To talk about these investments and impact on adjusted net debt, we move to the next slide.

In the third quarter of 2025 the company's adjusted net debt increased BRL 104 million, reflecting investments made in the period that were partially offset by the solid operating cash generation.

Operating Cash Generation was positive by BRL 605 million driven by the EBITDA record for the period and high conversion of EBITDA into operating cash, which reached a significant mark of 103% in the quarter.

CAPEX activities totaled BRL 562 million mainly due to CAPEX related to the opening of new units. Additionally, other activities represented an increase of 147 million BRL in adjusted net debt, mainly due to the debt service and the payment of interest on equity.

We continue to move forward with our growth plan, which resulted in an expansion CAPEX of BRL 326 million in Q3, an increase of 10% compared to the 3Q24, mainly due to the construction of units that will open in subsequent quarters.

As Diogo mentioned earlier, at the end of October the company had a significant number of constructions in progress referring to units scheduled to open especially this year in 2025 which should impact this line over the next few quarters.

Additionally, in 3Q maintenance CAPEX was 72 million BRL and innovation CAPEX of 15 million BRL totaling a 513 million BRL CAPEX 13% higher than the same quarter in the previous year.

Finally, it's worth mentioning that in last 12 months the maintenance CAPEX of Smart Fit brand clubs reached 306 million BRL, accounting for 7.1% of the net revenue on maturing units, a level that is compatible with a strategy of offering high standard experience to our members.

Lastly, we continue to intensify our expansion our plan of expansion, investments and payout of dividends keeping discipline well leveraged due to the company's strong operating cash generation. It's worth mentioning that the adjusted no EBITDA ratio over the last 12 months excluding IFRS effects related to real estate lease ended the court at 1.57 times versus 1.63 times in 2Q25. We find this level to be healthy, especially to high predictability of the company's bottom line and a long-time profile of our debt.

In addition to the adjusted net debt to analyze the EBITDA in the third quarter excluding IFRS effects related real estate lease is 1.45 times.

Finally, it's worth emphasizing that the company funds locally its expansion needs and at the end of the period Brazil, Mexico and Other Countries accounted respectively for 33%, 27% and 40% of the company's net debt.

This net debt is distributed in different geographies, gives us flexibility to invest considering the local cost of capital when in some cases there was a reduction in interest rates.

Now, I would like to end the presentation by thanking everyone who contributed to our results and all our investors.

Now, I will give the floor to Matheus who's going to coordinate our questions and answer session.

Matheus Nascimento:

Thank you, André.

Now, we are going to start our questions and answers session. If you have a question, please click on the question icon at the bottom of your screen to submit your question in writing. We're going to collect the questions, and we are going to answer them as we receive. Please wait while we poll for questions.

Our first question comes from Gustavo Fratini from the Bank of America.

Gustavo Fratini- Bank of America:

Hello, Good morning. Thank you for taking our questions.

We have two questions. The first one, how do you see price increases next year per country?

And then second one, regardless of macro problems and seasonality, usually the second quarter is stronger in terms of attracting members. What are you doing to resume the increase in client base in Mexico? And what about the penetration of TotalPass and Welhub?

Diogo Corona:

So, this is Diogo. Good morning. Thank you.

About prices, there's nothing planned. In fact, we were always defining prices based on clubs changing their price tier. When we talk about structural price change, we are talking about the Black Card Membership, to separate a little what a price change would be. We are not expecting anything in terms of a structural and overall change, but we need to remember that this is a live discussion. Last year, last year we didn't even have a definition of raising the Black Card Membership price in Brazil until the beginning of the fourth quarter. We conducted the analysis based on inflation perspective and opportunities that also we would have and we decided in December to change this price, and it was the right decision. The increase even ended up being greater than realized inflation in Brazil. So, objectively, there is nothing planned here, we are always evaluating in the case of this Black Card Membership change.

Now about Mexico, in terms of TotalPass, it has gained less share in Smart Fit than what we have seen in Brazil. It is a market where growth of this business model is not widespread. So, the growth is a little more costly, slower, so it is gaining less share than in Brazil relative to our base.

And in terms of client base recover in Mexico, we have made many adjustments, both in operations, marketing and expansion teams. We mentioned the issue of CAPEX here. It's not reflected directly in members, but it reflects the return on investment, allowing us to continue expanding and remain confident in the expansion.

We have been doing retrofits in the clubs. Several were done to updated the model, just like what we did in Brazil. So, basically, all the work that we did in Brazil over the last few years, we deployed in Mexico. So, we believe that this is going to help a lot for us to continue with the good numbers that we have been having in Mexico.

André Pezeta:

So, Gustavo, just reinforcing in terms of pricing. As Diogo mentioned, we are not foreseen any price increases yet for the Black Card Membership, but we have already contracted, based on what he said about tier increase, new sales, and adjustments to old plans as well, low single digits growth.

José Luís Rizzardo:

Just to conclude the answer, Gustavo, this year we made a price adjustment in the Black Card Membership of 7% in Brazil. We also adjusted in the three main markets when we look at our geographies in Other Countries, such as Colombia, Chile and Peru. Colombia and Peru saw an adjustment of 10%. Colombia at the beginning of the year and Peru in the third quarter, and we made adjustments in Chile in the second quarter.

So, as Pezeta said, you can see part of that in our numbers this year already, but part of it you will see over the next 12 to 18 months we change the client base to new customers and as we adjust older members considering the inflation in the countries where we operate.

Matheus Nascimento:

Our next question comes from Julia Rizzo from Morgan Stanley.

Julia Rizzo- Morgan Stanley:

Hello, good morning. Thank you for taking my question.

I would like to have a follow up on the performance of mature clubs. Could you give a little more color in terms sales, growth, and the differences between the main regions, not just in terms of sales per club, how much it would be in Brazil, for example, compared to the clubs, mainly in Others Latam, on average, but also growth, how the margin has been evolving? What are you seen ahead?

José Luís Rizzardo:

Julia, thank you very much for your question. This is Rizzardo here. The main metric that we've been looking at, and trying to guide you to look a bit more is revenue and profitability per unit, and the gross profit delivered with the invested capital.

As you know, on a quarterly basis, we disclosure the result of the mature clubs in a consolidate base, and on annual basis, we breakdown margins per each region, Recalling 2024, the margin of mature units in Brazil was around 48%, approximately, very close to the margins in Mexico, and the Other Countries region operates at a higher percentage margin in mature clubs than what you see in Brazil and Mexico,

And there are a few issues that we have already addressed in other earning calls, which explain this difference.. The different regions have very similar returns, but there is some difference considering the level of maturity of the operations in the different countries and

particular factors that cause some of the countries, comprising the region that we call Other Countries, to have higher margin levels than Brazil and Mexico.

There are issues related to tax, personnel cost, rent costs that in each of these countries. There's also an issue of revenue because usually the number of members enrolled in the Black Card Membership is above the Company average and above what we have in Brazil and Mexico, due to these being smaller countries where there is higher concentration, a greater density of in some regions.

Now, when we look at these numbers that I've mentioned, for 2025, we are not expecting any major changes in level in terms of profitability of mature units, considering Brazil and Other Countries. The margin level should be similar to what we had last year.

In Brazil, specifically, the price adjustment that we implement helped. We even implemented a price adjustment at the end of last year, considering the inflationary scenario which, so far, has materialized in a way that is lower than the price adjustment we made, mailing benefiting the margins of mature units in Brazil in the first half of the year.

In Mexico, considering what we have seen in the last quarter's earning call and this one, 2025 it a year where the margin of mature units is lower than in 2024 and probably closer to what we saw in 2023, which is still at a good level, especially when we adjust CAPEX of new stores. Even if the margin is still below the mature units', there's still a good level of return.

Júlia Rizzo- Morgan Stanley:

I'm sorry to interrupt you, I'm going to do a follow-up here.

Actually, looking at the data that you provide for the mature units, I've been trying to shift the analysis more towards that side. It seems to me, and this is what I want to confirm with you, that the sales or revenue per mature unit have been growing mid/high single digits and now it's closer to zero.

Is this due to one-off impact? Or related to mix? Is there a region where sales growth is not performing so well? My question is in this direction, rather than on profitability, gross profit or margin. This is my question.

José Luís Rizzardo:

The revenue per mature unit in Mexico today is lower than what we had last year. In fact, the revenue is quite in line, and last year this revenue per mature unit in Mexico grew much more, benefiting the consolidate number due to the price increase of 15% we implemented.

And today, as we commented, you can see the revenue per Mature unit in Mexico at level that is very similar to the previous year, because the average ticket increase was offset by a lower volume. This has cause this aggregate numbers to slow down, due to the Mexico effect, and also keeping in mind that there is also a mix effect of different countries, which do not necessarily have the same level of revenue per unit.

Júlia Rizzo- Morgan Stanley:

I see. So, in Brazil, the revenue per mature store continues to grow.

José Luís Rizzardo:

Year-over-year, the third quarter of 2025 versus the third quarter of 2024, it is higher

Júlia Rizzo- Morgan Stanley:

And now, the last question. Regarding CAPEX, can the potential 20% reduction in CAPEX per unit be replicated across the entire base? Could this bring a benefit in terms of cash generation or lower CAPEX for next year? Or is it something very exclusive to Mexico?

Diogo Corona:

These 20% that's just for Mexico. We've been working in the Others Countries region but this 20% is especially for Mexico.

Júlia Rizzo- Morgan Stanley:

Thank you.

Matheus Nascimento:

Our next question comes from Rodrigo Gastim from Itaú BBA.

Rodrigo Gastim- Itaú BBA:

Hello. Good morning.

I have two questions here from my side. The first one is about the cash gross margin of Smart in Brazil. If we adjust for pre-operational costs, we see an expansion of 80 bps. I have two questions here:

First, we have been seeing a constant expansion over the last few quarters. So, the question is what level of comfort you have in maintaining this expansion over the next few quarters?

And my second question in this topic, we are seeing a deceleration in this gross margin expansion versus the first and second quarters. I wanted to understand a little better what explains this smaller gain in gross margin, ex-pre-operational costs, in Brazil.?

And the second question is about Others Latam. So, Ee see a margin expansion both quarter-over-quarter and year-over-year. And last year, we were seeing pressure, so this part of Other Latam has been improving. If you could list the two or three main factors for this margin expansion in Other Latam, what would they be? Those are the two questions. Thank you, everyone.

José Luíz Rizzardo:

I am going to go first with Others Latam question. There are some factors explaining this margin expansion year on year.

Number one, if you look at 2025 and 2024, there is a much higher concentration of openings in the fourth quarter in all geographies as compared to last year.

So, in 2024, we opened approximately 51 own units up until September, which represented around 15% of club network when comparing to December of the previous year. In 2025, we opened 36 own units, which is basically half as a percentage, being 8% versus 2024.

So, this definitely explains part of the increase in the region gross margin in this annual comparison. You also have the point I mentioned: these price adjustments, as they flow through the company's P&L, and since you haven't yet had the full impact of inflation, they also have a more positive effect on the company's margin expansion. Furthermore, it is a region that ends up being an aggregate of different countries, and as this mix changes, you may have small variations throughout the years in the margin of the region as a whole.

Moving on to your other question, regarding Brazil, you are correct in your calculation that, in fact, the margin expansion of Smart Fit Brazil ex-pre-op in Q3 was lower than what we delivered in the first half, compared to the first half of the previous year.

There is also an issue here where you first had the positive impact of the price adjustment in the company, and then you naturally have the increase in personnel costs and other fixed costs at the company's gyms. And also, looking at the third quarter of '25 versus the second quarter of '25, you see a drop in the performance of mature units at the margin level. So, they operated with a higher gross margin level in the first half than they are expected to operate in the second half of this year.

Rodrigo Gastim- Itaú BBA:

Excellent. Thank you very much.

Matheus Nascimento:

Our next question is from Danny Eiger from XP.

Danniela Eiger- XP:

Good morning, everyone. Thank you for taking my question.

My question leans a bit towards the expansion side. Obviously, I think we're not focusing too much on this year, as you've already given visibility that you will deliver on the Guidance, but looking a little at next year and perhaps beyond. We see this scenario in Mexico perhaps still a bit challenging.

In contrast, we had a positive outcome in Argentina, in the elections, and it's a country where you still have little representation compared to what its potential might be. You also have Morocco, which is just starting. We've also heard that you are evaluating other nearby regions, like Southeast Asia.

So, if you could help us think about your current mindset in terms of opportunities. And obviously, there's so much going on, perhaps where you'll focus a bit more in the short term.

And my second question, on TotalPass, is a follow-up. I believe you might not be able to disclose many numbers, although we are looking forward to the Q4 when you mentioned you'll bring more disclosures, but regarding the evolution of TotalPass's economics.

Because we've seen it gaining a lot of traction and being a margin driver, while at the same time being a headwind for Smart Fit Brazil. So, if you could help us see how it has been evolving, and if it's already close to that similar net cash margin, or when you expect that to happen, I think that would be great. Thank you.

Diogo Corona:

Hi, Danniela, this is Diogo speaking. I'll start by answering the expansion part here.

We anticipate a similar pace of expansion to this year, a number similar to what we did here. We don't have this Guidance closed, this number, yet, but it's an initial expectation regarding the focus. The proportions are very proportional to the size of the country, the Whitespace.

We don't have this finalized either, but we do see opportunities in some countries. In Morocco, we have one store open; we should open the second one this year, and we already have a pipeline for next year as well.

We are watching Argentina closely. We took an extra step there this year, even before the election results, and it is certainly a country that we have been monitoring very closely. Our model is already there; we already have the brand, we have the team, and we have the full potential to repeat the history we made in other countries there as well. So, we are super attentive to what is happening there; our model is being well accepted by the population, so there is potential.

And we don't have a specific country focus; ultimately, it is very proportional to the Whitespace we are looking at, and a good location, regardless of where it is, the location that provides a return on our investment has priority, be it in any country, it could be Peru, Chile, or Argentina. So, this is a bit of our view here, that we have the team and the staff in all these locations capable of carrying out our expansion with quality.

Speaking a bit about TotalPass here as well, we are very excited about the business. We don't open up much about the financials, when it will be cash-positive, it's something we haven't disclosed much. We intend to bring a view at the end of the year, similar to what we put out last year, which is a proportion of revenue per visit, just to give a proportion, to provide guidance to the market, not to leave it without any information.

We think it has very good potential; there is a new addressable market that was created there, which is the gym benefit. We have everything to be, and already are, a very relevant player in this sector and have the potential to become an even more relevant player. Our primary focus is more on the expansion part of this business, improving the product, improving the brand, and becoming a product that is increasingly requested by HR departments. I think this comes before we look at profitability. That can be a consequence of all the work we have been doing. Thank you.

Matheus Nascimento:

And Danny, just complimenting. So, keeping the practice that we've been following over the last few years, the company is likely to report a material fact in the beginning of last year so, that everyone is on the same page in terms of our projection for the opening of new units in 2026.

Daniela Eiger- XP:

Okay, very good. And congratulations on your performance.

Diogo Corona:

Thank you.

Matheus Nascimento:

Our next question comes from Ruben Couto from Santander.

Ruben Couto- Santander:

Good morning, everyone. How are you? Thank you for the opportunity.

A quick question here regarding the other businesses line, specifically on the gross margin that you highlighted. You mentioned that the year-over-year impact was the consolidation of Fitmaster and I believe that in the release, quarter-over-quarter (QoQ), you comment a bit on seasonality.

Can you provide an idea of the gross margin range that we should expect now for Q4 and Q1?

Does Q4 look more like Q3, Q2? Anyway, there's a lot of moving parts in this line from now on. If you could give us some guidance on what we can expect going forward, that would be helpful. Thank you.

André Pezeta:

Hi Rubem, how are you? This is Pezeta here.

We still think it's too early for us to give a bit more color on the margin of Other Businesses, mainly because the TotalPass business itself has grown a lot and we've added several other

businesses in there, but, directionally, the fourth quarter margin is a better margin than the third quarter margin, due to the matching of usage with revenue, especially from TotalPass.

So, TotalPass is the most seasonal business in there, but I think directionally it is higher and we would continue to see this effect next year, similar to this year. In some quarters this margin goes up a lot, and in other quarters it drops due to utilization.

José Luís Rizzardo:

And Rubem, I think it's important, even in your question, to take into consideration that when you look at an annual comparison basis, Q4 versus Q4, remember that in the 2024 quarter, you did not have Fit Master, which we acquired here in Q2, and as we said in the last earnings call, it is an asset-light business unit, but it has a gross margin and EBITDA margin level that is lower than the gross margin and EBITDA margin level of the Company's consolidated and the other business units within 'Other Businesses'. So that's why it has caused this margin to fall year-over-year.

Ruben Couto- Santander:

Thank you, Pezeta. Thank you, José.

Matheus Nascimento:

Our next question comes from Irma Sgarz, analyst of Goldman Sachs.

Irma Sgarz-Goldman Sachs:

Hello, good morning. Thank you for the question.

I wanted to ask about the competitive environment in Brazil. I believe Smart Fit has demonstrated over time that it has a superior value proposition, but we see headlines all the time about new chains entering the market or expanding.

So, I cannot help but ask and understand a little about how you are currently viewing the competitive landscape, and perhaps even after the brand investments you made in the first half of the year.

And the second question is about Revenue Management in Brazil, specifically. Besides the price adjustments, is there any other opportunity you see in addition to all the continuous work you do on Tiering? Thank you, those are the two questions.

Diogo Corona:

Hi, Irma, this is Diogo speaking.

Speaking a bit about the competitive environment, especially in Brazil. What we have seen in recent years is that demand has increased significantly in the sector, a lot in Brazil, and it's a worldwide phenomenon. And we've seen that this has led to more supply, more competitors.

And there's also a bit more recklessness, right? People who do business that we don't think is sustainable.

So, our view here is that, since there's a lot of competition, we also need to look inwards. We need to ensure that our delivery is being done very well, focusing heavily on the customer experience. We believe that there are many competitors out there who are only doing well due to a market anomaly, a demand anomaly. We think the market will adjust, and it will go back to being a bit of what it was, right?

Which was: those who do things right, succeed; those who don't, won't. So, we've been focusing a lot internally. We are also focusing heavily on brand building; that's something we've been paying close attention to. We have been focusing a lot on the experience of our user, our product, to differentiate ourselves and also continue with the solid numbers we have been seeing.

Even with all this expansion in competition, as you saw here, we have maintained the margin for mature units. This is the focus, it's a big challenge we have in the next year.

Speaking a bit about pricing as well, as I had already commented here, we are always analyzing opportunities for tier changes, plans, but we don't see, we don't have anything finalized, no hammer has been dropped on structural changes to the Black plan. Of course, internally we make these tier changes, we do CRM for upsell, to change plans, we have add-ons; this agenda is a live agenda and is always happening here internally.

José Luís Rizzardo:

Just to complement Diogo's topic, just on the matter of add-ons, not only in Brazil but across Latin America, our main initiative is the rollout of Smart Nutri. One of the main products we have within Nutri is the bioimpedance scales, which greatly help in increasing the penetration of Nutri—that is Smart Body—and we expect to close the year with more than 90% of our proprietary gyms in Latin America already equipped with the bioimpedance scales. So, we have been investing in this regard, and this should bring a small, though not large, contribution to the company's average ticket increase, while we also study and develop other verticals within the add-ons we have at Smart.

Matheus Nascimento:

Our next question comes from Isabella Lamas from UBS.

Isabella Lamas - UBS:

Hello, good morning. Thank you very much for taking my question.

Hello, I have two questions. Starting here with the Mexico part, which you detailed extensively—the evolution of the strategy, the CAPEX, which you have already discussed well—but I wanted to focus on a specific point in the expansion: any greater detail you can share on the profile of the cities—whether there will be a focus on larger or smaller cities.

Will the strategy there be, especially in the short term, to enter unpenetrated regions, or can we think more about densification? And a follow-up here: you commented on the prices there, but have you seen any more recent changes in the competitor dynamics, in the plan prices, and so on. That would be the first point.

And the second point is speaking about Brazil, regarding member acquisition here. You also spoke well about the macro dynamics, prices, price adjustments, but we know that there is the issue of TotalPass growth impacting acquisitions at the gyms, but in this quarter we saw a slightly more expressive deceleration.

So we wanted to know if there was anything specific in this quarter, and if you can provide any disclosure on possible factors, what you attribute this deceleration to, that would be great. I think those are the two, thank you everyone.

Diogo Corona:

In terms of expansion in Mexico, we actually don't have a specific focus on cities. We have the cities that have Whitespace for us, where we would have a return on investment, and we keep all of them open; the real estate can come from any region, we bring it in and analyze the return on investment equally, regardless of the region.

In Mexico, one of the things we did, which was in the team adjustment, was what we did here in Brazil, right? We increased the expansion and prospecting team so that we can have more site prospecting across the entire country. Mexico is a big country just like Brazil, so we need to implement a very similar playbook to the one we used in Brazil. This is already happening significantly there.

We are managing to receive many potential locations, many analyses, there is no special focus, but it also follows the proportion of the Whitespace that each location has, which is proportional to the size of the location as well, meaning more in Mexico City than in the rest of the country. So, this has been happening quite a bit in Mexico.

Regarding any news on pricing, market, or competition in Mexico, nothing has changed either. Our competitor there is Planet Fitness, and it continues to be them. They operate with lower prices than ours; the model ends up being a little different there, but we don't see much news regarding the competitive environment, new competitors, or changes in competitors' pricing strategy; it remains the same.

José Luís Rizzardo:

Moving on, Isabella, to your question about the growth of the member base in Brazil, on a sequential basis, you have different factors impacting it here.

The main one continues to be TotalPass, so the aggregator dynamic in Brazil has been significantly distorting the usual metric that you are used to looking at, which is customer base growth, because TotalPass members are not included in this base.

So, if you were to run a benchmark calculation and include the TotalPass members, considering those who frequent Smart Fit, you would have seen sequential base growth in Brazil, Q3 versus Q2 of this year, although it would be lower than what we saw last year.

And this difference between the level this year and the level of the previous year—we had, especially in September, a slightly worse performance from mature units at the margin, both in terms of sales and churn at our gyms in the country. And you also have another factor that is important and was also part of the explanation for the other geographies: when you look at Brazil this year, we opened approximately 53 own gyms this year compared to 54 gyms until September of last year.

So, the engine of the ramp-up of new units this year in Brazil is less representative than it was last year. And this, combined with a slightly colder quarter, with the macro worsening at the margin, means each of these points is part of the explanation for this deceleration in the margin of member acquisition in mature units, although, as I said, looking at the revenue level, you have a revenue per mature gym this year that is higher than last year's level, looking specifically at Brazil.

Isabella Lamas - UBS:

That's great, super clear, thank you.

Matheus Nascimento:

Our next question is from the Citibank analyst, João Soares.

João Soares - Citi:

Good morning, everyone. Good afternoon now.

Two quick questions—the first one is I wanted to talk to you about capital allocation. How is your mindset changing given the specific characteristics of the aggregator, because the main competitive advantage of the aggregator today is that it is integrated, and the biggest player in the sector today does not have any exclusivity with its partners.

So, I wanted to explore a little how you see opportunities for greater verticalization, for entering more premium gyms as well, increasing this exposure, entering—if you already have, I mean, increasing this exposure—Studios and other additional services. I would like to understand a little bit about how your thinking is changing regarding this.

And the second point, looking at the short term here, we have been talking a lot with investors worried about the phasing of expenses in the fourth quarter, given the increase, the opening of stores, the opening of gyms in the fourth quarter.

So, I wanted to hear a little bit about how we should look at this seasonality of expenses, and if there is any opportunity for efficiency here that could mitigate this effect of the pre-op expense. So, I wanted to hear a little about the expense side. Thank you.

Edgard Corona:

Hi João, Edgard speaking here. I think these are two different companies.

Smart has little reserved information about what happens in TotalPass, but we understand that TotalPass is an important thing in the market. Having competition in this market, having, let's say, this sales channel, for companies to have the opportunity to be in both aggregators, all this generates competition and creates a better market.

Looking at this, I think that in a year that has many openings, a lot of supply, many people registered, companies start to have more opportunities to better serve their staff. Both TotalPass and the competitor, both are having, perhaps, a better year due to this large number of openings that the market will have next year.

It can be very good for TotalPass. We look at return on investment, so we see that the high-end, the low-cost is seeing many openings from many chains, and our high-end, both Bio Ritmo and Nation, is giving a good return.

So, we are also starting to look at this vertical and have a robust plan for opening Bio Ritmo in important local markets for us, to have a good return, let's say, in this channel and to complement the offer of our aggregator as well. So, on both ends, this will provide a good return for the company.

And Studios, we have many rooms contracted, many things signed. The Studios are giving a good return to the franchisees, which is important, and this ends up producing more growth. Pilates is doing very well, Yoga is doing very well, all of them are doing very well, which also improves the group's overall offering. So, we are very excited about this for Brazil and with the possibility of someday, let's say, repeating this scenario, which we have already seen happening in Chile, Peru, Panama, and looking at other countries in Latin America. Then, perhaps, replicating the Studios strategy in the future.

Matheus Nascimento:

This is Matheus speaking, João, complementing a bit of Edgard's answer. It's always important to contextualize, right?

These two high-end segments, both thinking about the Bio Ritmo and Nation brands, and also the Studios part, the company sees value on a stand-alone basis, but obviously, we also take into consideration the value proposition that this adds within our commercial proposal for TotalPass, which obviously helps by carrying very well-positioned brands in each of their operating segments and also with significant capillarity.

So, obviously, within the TotalPass strategy, we see this verticalization as a very important competitive advantage against our main competitor. And the idea, both in Bio Ritmo, investing in new gyms with an expansion basically focused on proprietary units, while in the

Studios segment, it is a strategy where, predominantly, this marginal expansion should come via the expansion of the number of franchisees and, consequently, the number of franchised units.

André Pezeta:

Addressing your second question about costs and expenses for the last quarter. In relation to pre-operational costs, we should see a small acceleration in the last quarter, given the large volume of stores that we will open in the last quarter. This is also somewhat in line with the acceleration we had last year, a small acceleration.

So, it shouldn't be as significant as last year, but yes, we should see a small acceleration. In relation to sales expenses and G&A, we should be at a very similar level in the last quarter versus the third quarter. So, we basically already have the structures set up here to absorb the opening of these stores. We would have a little more pre-operational expense, but the SG&A itself should remain quite in line.

João Soares - Citi:

Super clear, everyone. Thank you and congratulations.

Matheus Nascimento:

Thank you, João. We are now concluding the question-and-answer session. We thank everyone for their participation. The IR team remains available to you for any further questions. Have a great Friday everyone!