2Q24 Results

Results Webinar
August 9, 2024
10 a.m. (NY) | 11 a.m. (Brasilia)
Conference Call in Portuguese with simultaneous translation into English
Click here

smart fit

2Q24 EARNINGS RELEASE

São Paulo, August 8, 2024 – Smart Fit (SMFT3), the leader in the fitness industry across Latin America in membership[1], announces its 2Q24 results. To facilitate analysis, the results are shown without the effect of IFRS 16/CPC 06 (R02). The effects of IFRS-16/CPC 06 (R02) on the result are detailed from page 26 onwards.

HIGHLIGHTS OF THE PERIOD

- **Record of 270 clubs added in the last 12 months, an acceleration in the pace of expansion. We remain confident about the guidance of opening 240 to 260 clubs in 2024**

  Solid growth of 21% in the club network vs. 2Q23, with the addition of 60 units in 2Q24, totaling 1,529 clubs in 15 countries across Latin America.

- **Member base in clubs of 4.6 million in 2Q24, 17% growth vs. 2Q23 and +2% vs. 1Q24**

  The addition of 484 thousand members in clubs in the first six months of 2024, reflects the expansion of the club network and the successful efforts to attract and retain members.

- **Robust growth of 30% in net revenue vs. 2Q23, reaching R$1.4 billion in 2Q24 (+8% vs. 1Q24)**

  Strong performance reflects the combination of a 19% expansion in the average member base in own clubs and an 11% increase in the average ticket in the period.

- **Solid cash gross margin of 50.0% in 2Q24, combining record club network expansion with high profitability**

  The sixth straight quarter of stable cash gross margin of mature clubs[2] at 52%, and the maturation of units opened in recent years is consistent with historical performance.

- **Record Adjusted EBITDA[3] of R$437 million in 2Q24, +29% vs. 2Q23 and +11% vs. 1Q24, with strong operating cash flow of R$473 million, representing a conversion of 108%**

  Adjusted EBITDA margin of 32.2% in 2Q24, +0.8p.p. vs. 1Q24. Record Adjusted EBITDA[3] in the last 12 months of R$1.5 billion, with high conversion to operating cash flow of 99%.

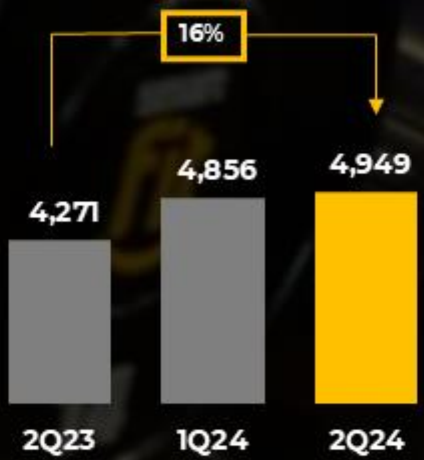
- **Recurring net income[4] of R$143 million in 2Q24, +24% vs. 1Q24**

  Recurring net margin of 10.5% in 2Q24, up 1.4p.p. vs. 1Q24.

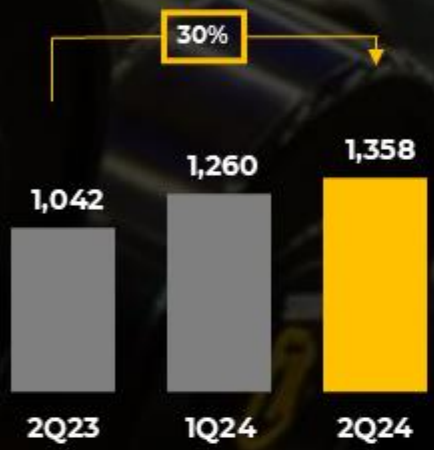
2Q24 Highlights	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Clubs	1,529	1,259	21%	1,469	4%	1,529	1,259	21%
Total Members (000)[a]	4,949	4,271	16%	4,856	2%	4,949	4,271	16%
Net Revenue (R$ million)	1,358	1,042	30%	1,260	8%	2,618	2,024	29%
Adjusted EBITDA[b] (R$ million)	437	339	29%	395	11%	833	643	30%
Adjusted EBITDA Margin	32.2%	32.6%	*(0.3) p.p.*	31.4%	0.8 p.p.	31.8%	31.8%	0.0 p.p.
Recurring Net Income[c] (R$ million)	143	121	19%	115	24%	258	226	14%
Operating Cash Flow[d] (R$ million)	473	380	24%	259	82%	732	748	(2%)

(1) According to the International Health, Racquet & Sportsclub Association data, disclosed in 2023, with base date 2022 ("IHRSA"); (2) Unit is considered mature when it has been operating for at least 24 months at the start of the calendar year; (3) Excludes the gain of R$176.6 million in 2Q23 obtained from the revaluation of the existing 50% stake in Panama, due to the acquisition of this operation control, made in accordance with the accounting standards in force in the period; (4) Excludes the impact related to the revaluation of the stake in the Panama and Costa Rica operations of R$6.5 million in the quarter and non-recurring financial expenses of R$22.1 million after IR/CSLL, related to the prepayment of the 6th issue of debentures; (a) Includes members of clubs, studios and digital channel; (b) Excludes the gain of R$176.6 million in 2Q23 with the revaluation of the existing 50% stake in Panama and excludes the effects of IFRS-16/CPC06 (R2). See "EBITDA Breakdown" section; (c) Excludes the effects of IFRS-16/CPC06 (R2) and non-recurring impacts, as defined in Recurring Net Income ("4"). See "Net Income" section; (d) See "Operating Cash Flow" section.

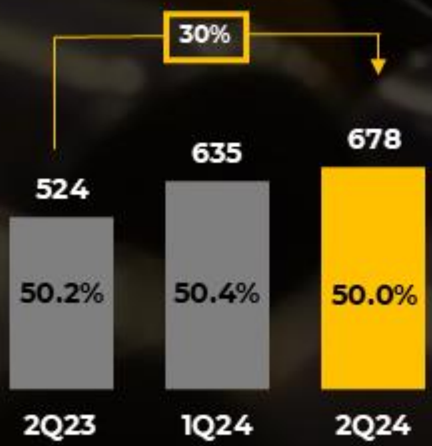
Clients (a) (000)



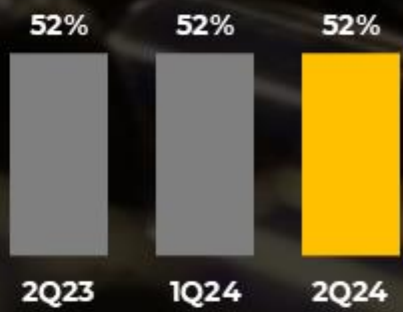
Net Revenue (R$ M)



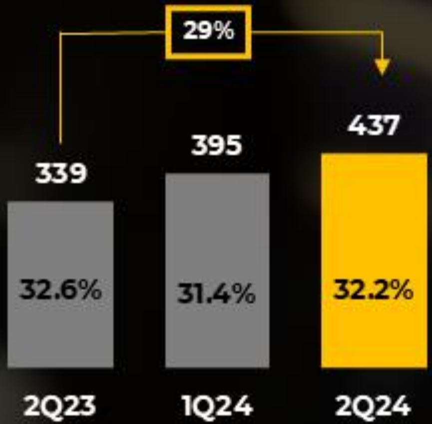
Cash Gross Profit and Margin (b) (R$ M)



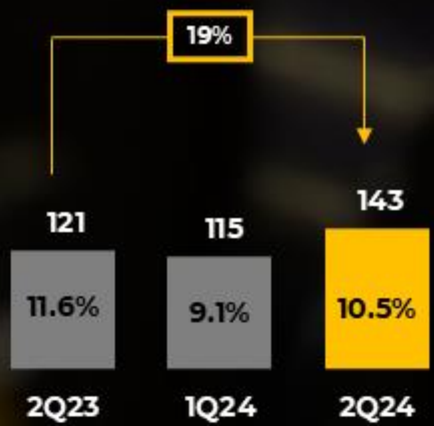
Gross Margin Mature Clubs (d) (%)



Adjusted EBITDA (c) (R$ M) **and adjusted margin** (%)



Recurring Net Profit (c) (R$ M) **and recurring margin** (%)



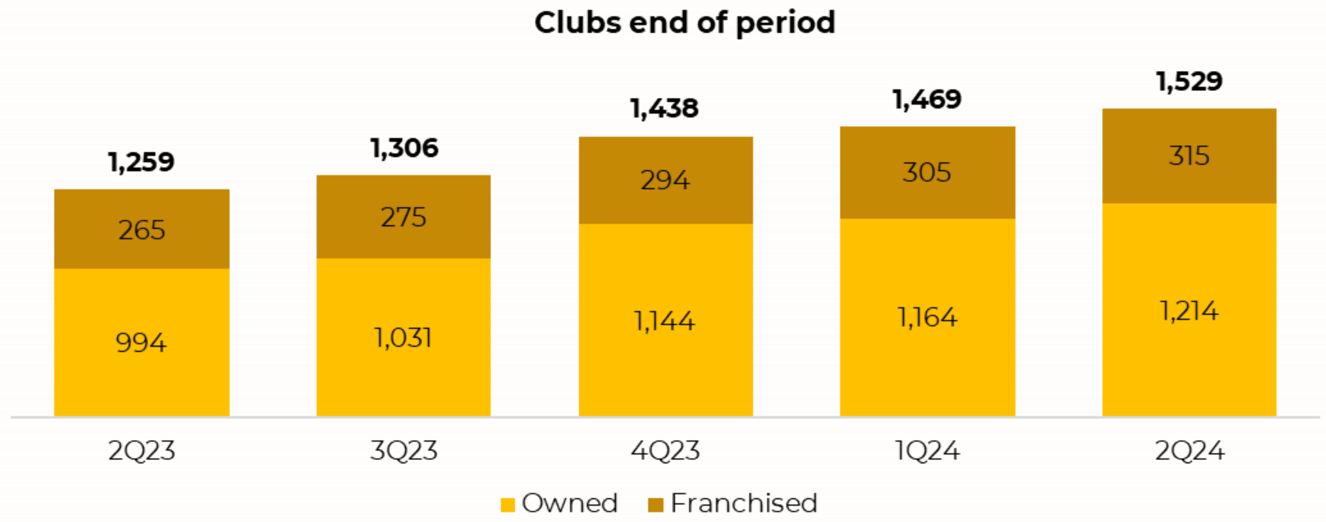
(a) Includes members of clubs, Studios and digital channel; (b) Excludes the effects of IFRS 16/CPC06 (R2), see "Cash Gross Profit"; (c) Excludes the effects of IFRS 16/CPC06 (R2), and non-recurring effects, see "EBITDA Breakdown" and "Net Income" sections; (d) A unit is considered mature when it has been operating for at least 24 months at the start of the calendar year.

OPERATING PERFORMANCE

CLUB NETWORK

The Company ended the second quarter of 2024 with 1,529 clubs in 15 countries, a 21% expansion in network compared to the same period of the previous year, surpassing the impressive milestone of 1,500 clubs in Latin America and reinforcing its leadership position in the fitness industry in the region. At the end of the period, the club network consisted of 1,214 own units (79% of total) and 315 franchises.

In the quarter, 60 clubs were added, 59 under the Smart Fit brand and 1 from the newly launched Nation CT brand, focused on high-performance strength training. Of the additions in the quarter, 50 are own units (83%) and 10 are franchises. By region, 25 clubs were added in Other Latin America, 19 in Mexico, and 16 in Brazil.



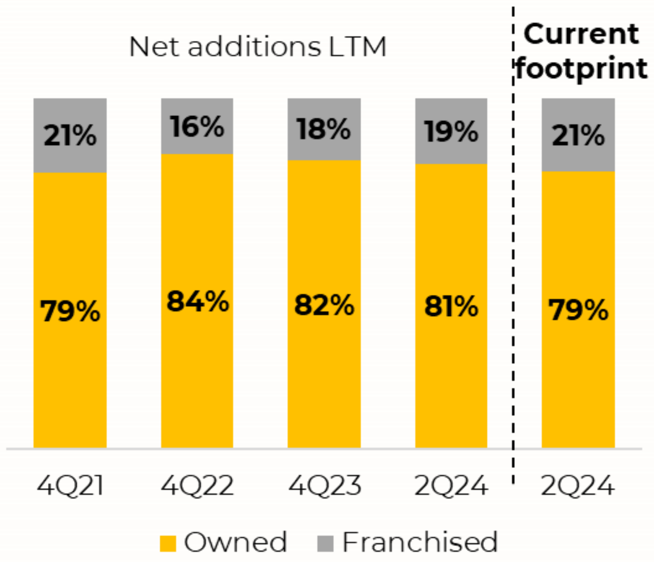
In the last 12 months, the Company added 270 clubs, a record level of expansion, with 81% of the additions being own clubs. By region, 41% of the additions were in Other Latin America, 36% in Brazil, and 23% in Mexico.

The Company ended July with 102 units added, 99 units under construction, and 95 agreements signed – units that will be inaugurated in 2024 and 2025. In this regard, we remain confident in the guidance of opening 240 to 260 clubs in 2024, of which at least 80% will be own clubs, anchored on the consistent returns obtained from clubs opened in the last three years and the favorable scenario of real estate opportunities, reflecting the solid and longstanding relations with key real estate developers in the region, combined with our vast know-how in opening and operating clubs.

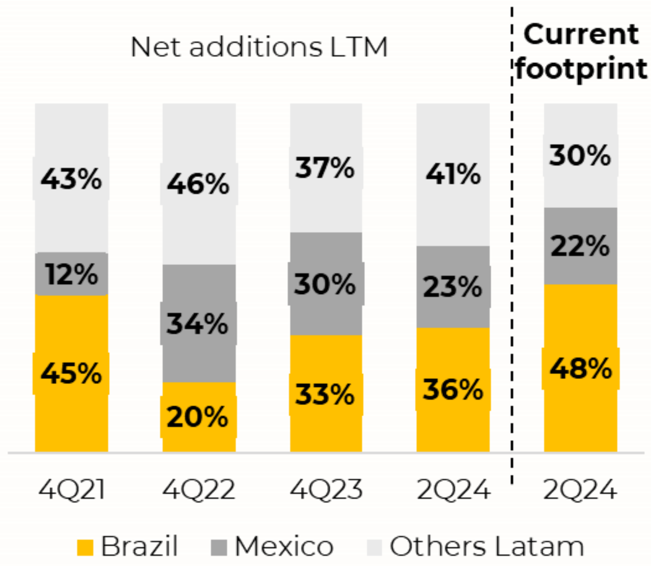
In addition, the Company ended the period with 24 studio units, with 58 operating rooms, and a solid portfolio of training modalities, consisting of (i) Race Bootcamp (high-intensity interval training - HIIT); (ii) Tonus Gym (bodybuilding training); (iii) Vidya (different types of Yoga); (iv) Jab House (combination of boxing and functional training); and (v) One Pilates (pilates studio). In the last 12 months, 9 studios were added, including 7 franchises.

Note that, of the own clubs under the Smart Fit brand, 788 units were mature at the end of 2Q24 (66% of Smart Fit own clubs), compared to 650 in the same period last year, considering the definition that a unit is mature when it had been operating for at least 24 months at the start of the year.

Club distribution[a] by type

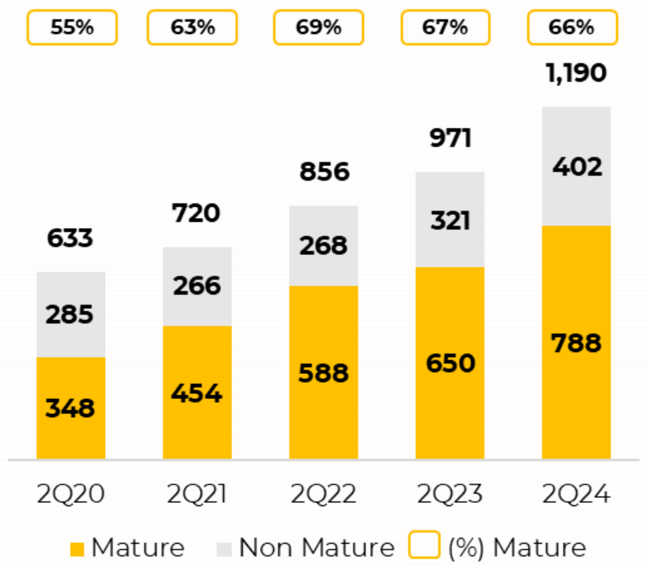


Club distribution[a] by region

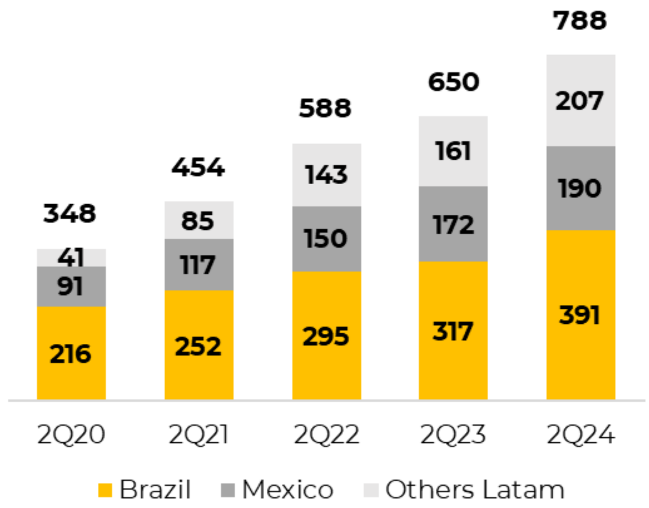


(a) Includes only the clubs (excludes Studios).

Smart Fit Own Units per aging



Smart Fit Own Mature Units[b] per region



(b) A unit is considered mature when it has been operating for at least 24 months at the start of the calendar year.

EVOLUTION OF CLUB NETWORK

Clubs	End of Period					Growth 2Q24 vs.		Variation 2Q24 vs.	
	2Q23	3Q23	4Q23	1Q24	2Q24	1Q24	2Q23	1Q24	2Q23
Total	**1,274**	**1,323**	**1,459**	**1,492**	**1,553**	**61**	**279**	**4%**	**22%**
Clubs	**1,259**	**1,306**	**1,438**	**1,469**	**1,529**	**60**	**270**	**4%**	**21%**
By Type									
Owned	994	1,031	1,144	1,164	1,214	50	220	4%	22%
Franchised	265	275	294	305	315	10	50	3%	19%
By Brand									
Smart Fit	1,231	1,278	1,410	1,441	1,500	59	269	4%	22%
Owned	971	1,008	1,121	1,141	1,190	49	219	4%	23%
Brazil	431	448	486	493	506	13	75	3%	17%
Mexico	264	274	302	304	320	16	56	5%	21%
Other Latin America[a]	276	286	333	344	364	20	88	6%	32%
Franchised	260	270	289	300	310	10	50	3%	19%
Brazil	181	183	193	200	202	2	21	1%	12%
Mexico	12	14	16	16	19	3	7	19%	58%
Other Latin America[a]	67	73	80	84	89	5	22	6%	33%
Bio Ritmo and others[b]	28	28	28	28	29	1	1	4%	4%
Owned	23	23	23	23	24	1	1	4%	4%
Franchised	5	5	5	5	5	0	0	–	–
By Region									
Brazil	639	658	706	720	736	16	97	2%	15%
Mexico	276	288	318	320	339	19	63	6%	23%
Other Latin America[a]	344	360	414	429	454	25	110	6%	32%
Studio[c]	**15**	**17**	**21**	**23**	**24**	**1**	**9**	**4%**	**60%**

(a) The "Other Latin America" region includes own operations in Argentina, Chile, Colombia, Costa Rica, Panama, Paraguay, Peru and Uruguay and the franchises in El Salvador, Ecuador, Guatemala, Dominican Republic, and Honduras; (b) "Bio Ritmo and others" includes 27 Bio Ritmo units, 1 O2 unit, and 1 Nation unit; (c) Studios include 12 own clubs and 12 franchises.

MEMBER BASE

In 2Q24, the total member base surpassed the mark of 4.9 million, a 16% growth compared to 2Q23 and 2% above 1Q24. In clubs, the member base reached 4.6 million, an expansion of 17% compared to 2Q23 and of 2% from 1Q24.

In 2Q24, 89 thousand members were added to clubs, mainly reflecting the robust expansion of the Company in recent quarters and the solid maturation of its club network. Historically, mature units add fewer members in the second quarter than in the first and third quarters, mainly due to the weather and the moment of engagement of the members with their respective personal goals. One exception to this predominant trend in most countries where Smart Fit operates is Mexico, where the second quarter historically has an important cycle of member intake due to the onset of summer in the Northern Hemisphere.

In the first half of 2024, 484 thousand members were added to clubs. In its own mature clubs, the number of members per unit at the end of June grew by 3% compared to December 2023, which is in line with historical seasonality. Highlight to Brazil and Other Latin America performance, registering growths above historical levels during the period.

EVOLUTION OF MEMBER BASE

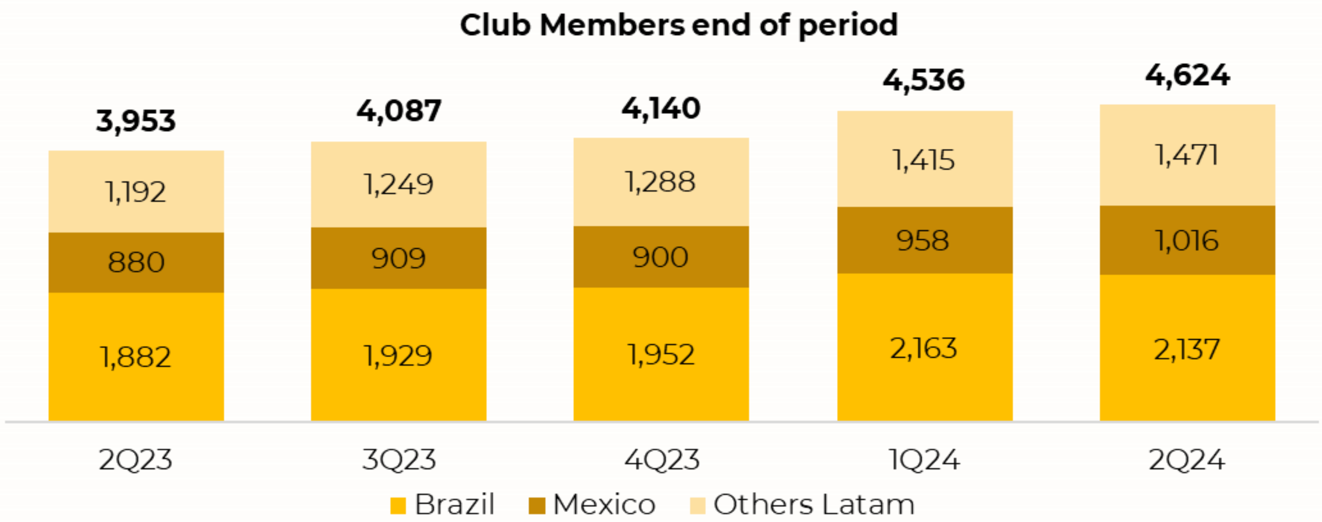
Clients ('000)	End of Period					Growth 2Q24 vs.		Variation 2Q24 vs.	
	2Q23	3Q23	4Q23	1Q24	2Q24	1Q24	2Q23	1Q24	2Q23
Total	**4,271**	**4,404**	**4,456**	**4,856**	**4,949**	**93**	**678**	**2%**	**16%**
Clubs	**3,953**	**4,087**	**4,140**	**4,536**	**4,624**	**89**	**671**	**2%**	**17%**
By Type									
Owned	3,103	3,208	3,267	3,594	3,658	63	555	2%	18%
Franchised	851	880	873	941	967	25	116	3%	14%
By Brand									
Smart Fit	**3,901**	**4,035**	**4,089**	**4,482**	**4,571**	**89**	**670**	**2%**	**17%**
Owned	3,059	3,164	3,224	3,550	3,613	63	554	2%	18%
Brazil	1,277	1,316	1,353	1,525	1,515	(10)	238	(1%)	19%
Mexico	837	860	851	903	953	50	116	5%	14%
Other Latin America[a]	945	988	1,020	1,122	1,146	24	200	2%	21%
Franchised	842	871	865	932	958	25	116	3%	14%
Bio Ritmo and others[b]	**52**	**53**	**51**	**53**	**53**	**(0)**	**1**	**(0%)**	**2%**
By Region									
Brazil	1,882	1,929	1,952	2,163	2,137	(26)	255	(1%)	14%
Mexico	880	909	900	958	1,016	58	137	6%	16%
Other Latin America[a]	1,192	1,249	1,288	1,415	1,471	57	279	4%	23%
Studio	**4**	**5**	**5**	**5**	**5**	**0**	**1**	**2%**	**15%**
Digital[c]	**313**	**312**	**311**	**316**	**320**	**4**	**6**	**1%**	**2%**

(a) The "Other Latin America" region includes own clubs in Argentina, Chile, Colombia, Costa Rica, Panama, Paraguay, Peru and Uruguay. For franchises, it includes El Salvador, Ecuador, Guatemala, Dominican Republic and Honduras; (b) "Bio Ritmo and others" includes the operations of Bio Ritmo, O2, and Nation; (c) Club members who are also subscribers to Smart Nutri and Smart Coach digital plans are considered only as members of clubs or Studios.

The member base in Brazil ended 2Q24 with 2.1 million, a growth of 14% when compared to 2Q23. In the period, 255 thousand members were added to the base mainly due to the solid maturation curve of the 97 units inaugurated in the last 12 months, in addition to the expansion of the member base of mature units. Compared to 1Q24, the member base showed a slight reduction of 1% mainly due to the historical seasonality of the mature units in the region for the quarter, while the clubs opened in the last 18 months continue with solid ramp-up.

Mexico surpassed the milestone of 1 million members in 2Q24, which represents 0.8% of the population enrolled in one of the clubs of the Company in the country, a growth of 16% compared to 2Q23 and 6% versus 1Q24. In the quarter, 58 thousand members were added, reflecting the more favorable seasonality for membership intake in mature units and the solid maturation of the 63 clubs added in the last 12 months. Note that in the first half of 2024, 116 thousand members were added because of the increase in the number of members per mature unit in the region, in addition to the positive impact of the units added in the period.

In the Other Latin America region, the member base reached 1.5 million in 2Q24, up 23% from 2Q23. In the quarter, 57 thousand members were added, a growth of 4% versus 1Q24. This growth was positively impacted by the performance of mature units in Colombia above historical seasonality and the addition of 110 units in the region in the last 12 months.



The Company has been expanding and improving the offer of digital products and services, which are complementary to the in-person training experience at the clubs. At the end of the first quarter of 2024, exclusively digital members totaled 320 thousand, 2% more than in 1Q23 and 1% more than in 1Q24. Currently, the main digital services include: (i) Queima Diária, one of Latin America's largest digital fitness platforms, which offers access to on-demand physical exercise programs and other content on nutrition and healthier lifestyle habits; (ii) Smart Fit Nutri, the app-based nutritional follow-up service, with bioimpedance scales and teleconsultations with nutritionists; and (iii) Smart Fit Coach, the online personal trainer service through customized consulting that guides members in their fitness routines, based on their goals, fitness level and training location.

Queima Diária currently offers access to 171 physical exercise programs and content on nutrition and healthy habits, with over 5.6 thousand classes available on the platform. Over the last 12 months, 14 new programs were launched, focusing mainly on nutrition, Pilates and calisthenics exercises. At the end of 2Q24, the platform had 315 thousand members, 155% more than in December 2019 (before the pandemic) and 1% more than in 1Q24.

Smart Fit Nutri reached 175 thousand active subscribers in Brazil at the end of 2Q24, increasing 30% compared to 2Q23 and 11% compared to 1Q24. Membership expansion is the result of initiatives adopted to provide a better member experience and drive greater engagement, such as the ongoing installation of bioimpedance scales at more clubs. In the first six months of 2024, more than 380 thousand bioimpedance analyses were made, 37% more than in the first half of 2023.

At TotalPass, a corporate benefits platform that operates as an aggregator of the B2B fitness market in Brazil and Mexico, growth continued at a fast pace in the first half of 2024. We ended the period with approximately 18 thousand partner units registered in Brazil, a growth of 90% compared to the same period of the previous year, and operations in more than 1,200 cities, with the addition of partners in more than 400 cities in the period. In Mexico, we ended the quarter with approximately 5 thousand units registered, up 40% from the 2Q23.

TotalPass' value proposition to HR departments of companies and potential partners is increasingly unique and attractive, reflecting, among other factors, the strength of the group's brands and the complementary range of the modalities offered, as well as the reach and quality of the partner base. In early 2024, TotalPass released a new version of its app with a modern design and enhancements to various features, all aimed at improving the user experience.

FINANCIAL PERFORMANCE

Main financial indicators[a] (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Gross Revenue	1,445.8	1,114.0	30%	1,343.6	8%	2,789.3	2,164.8	29%
Net Revenue	**1,357.7**	**1,042.4**	**30%**	**1,259.9**	**8%**	**2,617.6**	**2,024.4**	**29%**
Cash costs of services[b]	(679.3)	(518.7)	31%	(624.5)	9%	(1,303.8)	(1,007.1)	29%
Cash gross profit[b]	**678.3**	**523.8**	**30%**	**635.4**	**7%**	**1,313.8**	**1,017.3**	**29%**
Cash gross margin	*50.0%*	*50.2%*	*(0.3) p.p.*	*50.4%*	*(0.5) p.p.*	*50.2%*	*50.3%*	*(0.1) p.p.*
Pre-operating Costs	(11.1)	(6.8)	62%	(7.8)	42%	(18.9)	(9.4)	101%
Cash gross profit before pre-operating costs[b]	689.4	530.6	30%	643.3	7%	1,332.7	1,026.7	30%
Gross margin before pre-operating costs	*50.8%*	*50.9%*	*(0.1) p.p.*	*51.1%*	*(0.3) p.p.*	*50.9%*	*50.7%*	*0.2 p.p.*
SG&A	(240.4)	(185.8)	29%	(239.1)	1%	(479.5)	(377.4)	27%
% Net Revenue	*17.7%*	*17.8%*	*(0.1) p.p.*	*19.0%*	*(1.3) p.p.*	*18.3%*	*18.6%*	*(0.3) p.p.*
Selling Expenses[c]	(100.9)	(74.2)	36%	(95.1)	6%	(196.0)	(151.1)	30%
% Net Revenue	*7.4%*	*7.1%*	*0.3 p.p.*	*7.5%*	*(0.1) p.p.*	*7.5%*	*7.5%*	*0.0 p.p.*
General and administrative expenses[d]	(130.6)	(104.0)	26%	(126.7)	3%	(257.2)	(198.8)	29%
% Net Revenue	*9.6%*	*10.0%*	*(0.4) p.p.*	*10.1%*	*(0.4) p.p.*	*9.8%*	*9.8%*	*0.0 p.p.*
Pre-operating expenses	(6.6)	(4.9)	36%	(7.2)	(8%)	(13.8)	(9.2)	49%
Other (expenses) revenues	(2.3)	(2.7)	(17%)	(10.2)	(78%)	(12.4)	(18.4)	(32%)
Panama Revaluation[e]	-	176.6	–	-	–	-	176.6	–
Equity Income	(0.5)	1.4	–	(1.1)	(49%)	(1.6)	3.2	–
EBITDA[f]	**437.4**	**515.9**	**(15%)**	**395.3**	**11%**	**832.7**	**819.6**	**2%**
EBITDA Margin	*32.2%*	*49.5%*	*(17.3) p.p.*	*31.4%*	*0.8 p.p.*	*31.8%*	*40.5%*	*(8.7) p.p.*
Adjusted EBITDA[g]	**437.4**	**339.3**	**29%**	**395.3**	**11%**	**832.7**	**643.0**	**30%**
Adjusted EBITDA Margin	*32.2%*	*32.6%*	*(0.3) p.p.*	*31.4%*	*0.8 p.p.*	*31.8%*	*31.8%*	*0.0 p.p.*
Adjusted EBITDA before pre-operating expenses[h]	**455.1**	**351.1**	**30%**	**410.3**	**11%**	**865.4**	**661.6**	**31%**
Adjusted EBITDA Margin before pre-operating expenses	*33.5%*	*33.7%*	*(0.2) p.p.*	*32.6%*	*1.0 p.p.*	*33.1%*	*32.7%*	*0.4 p.p.*
Depreciation and amortization	(198.6)	(160.7)	24%	(182.4)	9%	(381.0)	(306.5)	24%
Financial Result	(98.2)	(38.6)	154%	(70.0)	40%	(168.2)	(70.1)	140%
Income tax and Social Contribution	(26.4)	(32.7)	(19%)	(32.5)	(19%)	(58.9)	(53.8)	10%
Profit (loss) for the period	**114.2**	**283.9**	**(60%)**	**110.4**	**3%**	**224.6**	**389.2**	**(42%)**
Net Margin	*8.4%*	*27.2%*	*(18.8) p.p.*	*8.8%*	*(0.4) p.p.*	*8.6%*	*19.2%*	*(10.6) p.p.*

(a) All indicators exclude the effects of IFRS-16 in relation to the commercial leases of clubs and offices; (b) For a better analysis of our operational performance, we have shown "Cash Cost of Services", which excludes the effects of IFRS 16, depreciation and amortization. "Cash gross profit before pre-operating expenses" also excludes pre-operating costs with opening of new units. See "Gross Profit" section for the calculation of these measurements; (c) "Selling expenses" exclude expenses with opening of new units; (d) "General and administrative expenses" excludes depreciation and effects of IFRS-16 (e) Gain of R$176.6 million in 2Q23 from the revaluation of the existing 50% stake in Panama, due to the acquisition of control of this operation, made in accordance with the accounting standards in force in the period; (f) See the "EBITDA Breakdown" section for the calculation of this measurement; (g) "Adjusted EBITDA" excludes the gain of R$176.6 million in 2Q23 from the revaluation of the existing 50% stake in Panama; (h) "Adjusted EBITDA before pre-operating costs and expenses" excludes costs and expenses with openings of new units. See the "EBITDA Breakdown" section for the calculation of this measurement.

NET REVENUE

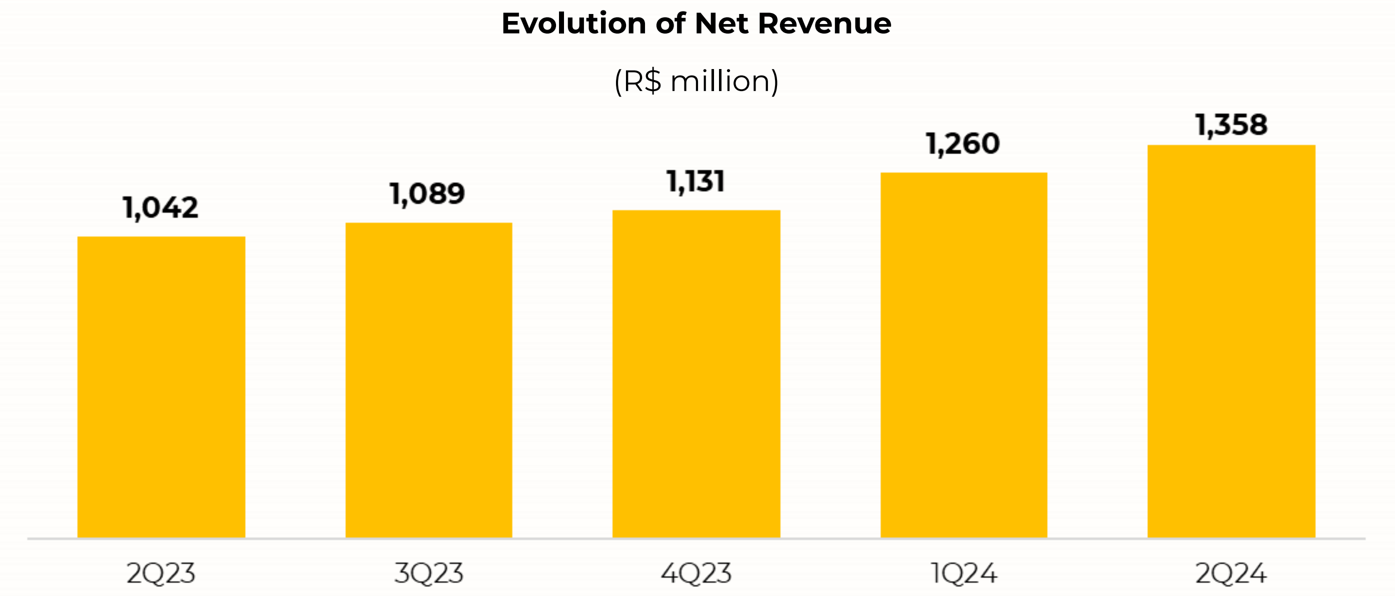
Net revenue in 2Q24 totaled R$1,357.7 million, up 30% from 2Q23, mainly due to the 19% increase in the average number of members in Smart Fit own clubs, reflecting a solid 21% expansion of the average network of own clubs and the maturation of these units, in addition to an 11% increase in the average ticket compared to the same period of the previous year, with growth in all regions of operation. In the last 12 months, net revenue totaled R$4,837.9 million.

The strong growth in net revenue in the quarter is a reflection of the successful sales and operational efforts to attract and retain members, based on the brand's strength and unique value proposition of our business model. Note that this increase in the average ticket of Smart Fit members is mainly due to the transfers of prices in recent years in different regions and diverse initiatives rolled out in the period to optimize revenues per club in a sustainable manner. Some of the sales and operating initiatives, such as the expansion of club network, have contributed to the percentage increase in members enrolled in the Black card membership, which accounted for 66% of the member base of own clubs at the end of 2Q24, in line with the previous quarter and increasing 4p.p. from 2Q23, driven by the Other Latin America and Mexico regions, which registered expansions of 6p.p. and 5p.p., respectively.

Net Revenue by Brand and Region

Net Revenue (R$ million)	**2Q24**	**2Q23**	**2Q24 vs. 2Q23**	**1Q24**	**2Q24 vs. 1Q24**	**6M24**	**6M23**	**6M24 vs. 6M23**
Smart Fit	1,243.0	948.4	31%	1,158.5	7%	2,401.5	1,843.9	30%
Brazil	482.0	405.7	19%	464.8	4%	946.8	789.2	20%
Mexico	346.1	240.1	44%	326.1	6%	672.2	467.0	44%
Other Latin America [a]	414.9	302.6	37%	367.6	13%	782.5	587.7	33%
Bio Ritmo and others[b]	41.0	34.1	20%	37.6	9%	78.6	66.5	18%
Others [c]	73.7	59.9	23%	63.8	16%	137.5	113.9	21%
Total	**1,357.7**	**1,042.4**	**30%**	**1,259.9**	**8%**	**2,617.6**	**2,024.4**	**29%**
International Revenue (% total)	56%	52%	*4.0 p.p.*	55%	*1.0 p.p.*	56%	52%	*3.4 p.p.*

(a) "Other Latin America" region considers only own operations controlled in the region (Argentina, Chile, Colombia, Costa Rica, Panama, Paraguay, and Peru). As of 4Q23, the region also included the own operation controlled in Uruguay; (b) "Bio Ritmo and others" includes the operations of Bio Ritmo, O2, and Nation; (c) "Other" includes royalties received from franchises in Brazil and abroad, except for Colombia and Mexico, and other brands operated by the Company in Brazil.



In 2Q24, net revenue at Smart Fit clubs totaled R$1,243.0 million, up 31% from 2Q23 and 7% from 1Q24, both due to the increase in average number of members in own clubs and the increase in average ticket.

In Brazil, net revenue at Smart Fit clubs totaled R$482.0 million in 2Q24, increasing 19% from 2Q23, thanks to the solid 18% growth in average member base in own clubs and the 1% increase in average ticket. Compared to 1Q24, net revenue increased 4%, due to the expansion of the average member base in own clubs, partially offset by a lower average ticket, reflecting the accelerated opening of own clubs in this quarter when compared to 1Q24.

In Mexico, net revenue in the quarter was R$346.1 million, a strong 44% increase compared to 2Q23, which mainly reflects the 23% growth in average ticket and the 17% expansion in the average own club member base. The increase in average ticket per member, in local currency, in the region is mainly due to the Revenue Management agenda, combined with (i) the price increase in the "Smart" plan, concentrated in the second half of 2023 and considering the unique characteristics of each club, (ii) the first price increase of "Black" card membership in the region at the end of last year; (iii) the increase in members enrolled in the "Black" card membership, reaching 47% in 2Q24; and (iv) the ramp-up of new units, which increases its average ticket constantly until maturation. Compared to 1Q24, revenue grew 6%, mainly due to the 6% expansion in the average member base, in addition to maintaining the average ticket, which remained at the same level as the previous quarter.

Net revenue at Smart Fit clubs in the Other Latin America region exceeded R$400 million this quarter, ending 2Q24 at R$414.9 million, a solid growth of 37% versus 2Q23 due to a 21% expansion in the average member base in own clubs in the region and a 14% increase in average ticket. When compared to 1Q24, revenue grew 13%, explained by the 7% increase in the average ticket and a 6% expansion in the average member base in own clubs in the region.

CASH COST OF SERVICES PROVIDED

Cash cost of services provided totaled R$679.3 million in 2Q24, 31% higher than in 2Q23, mainly due to the 21% increase in the average number of own clubs, which sustained the strong addition of 555 thousand members in own clubs, the increase in costs at units in the ramp-up process, and the increase in costs related to the opening of new clubs.

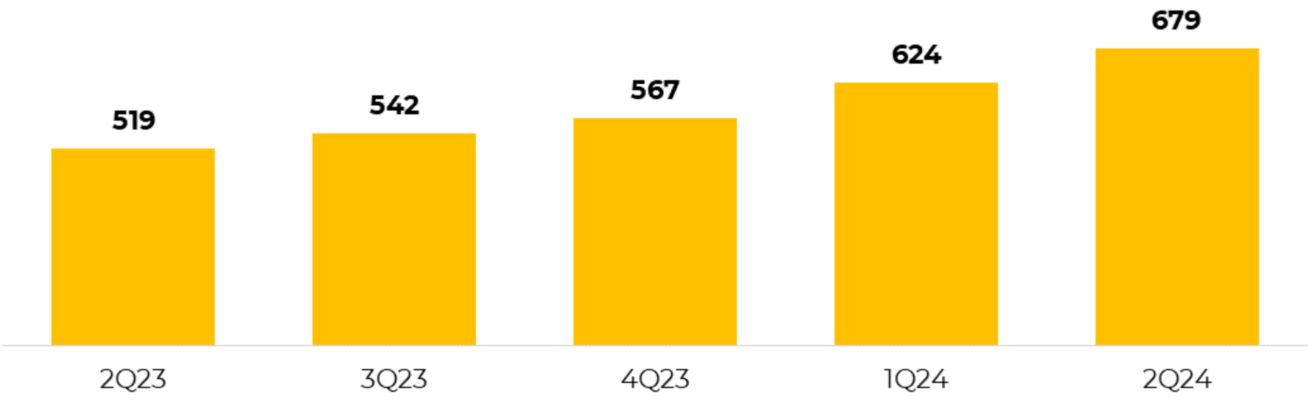
Cash Cost of Services Provided by Type

Cash Cost of Services Provided[a] (R$ million)	**2Q24**	**2Q23**	**2Q24 vs. 2Q23**	**1Q24**	**2Q24 vs. 1Q24**	**6M24**	**6M23**	**6M24 vs. 6M23**
Occupation	257.9	205.3	26%	241.9	7%	499.8	407.6	23%
Personnel	174.0	136.2	28%	166.3	5%	340.3	263.8	29%
Consumption	121.7	93.8	30%	109.2	11%	230.9	178.8	29%
Other	125.7	83.3	51%	107.1	17%	232.8	156.9	48%
Cash Cost of Services Provided	**679.3**	**518.7**	**31%**	**624.5**	**9%**	**1,303.8**	**1,007.1**	**29%**

(a) For a better analysis of our operational performance, we have shown "Cash Cost of Services Provided," which excludes the effects of IFRS-16, depreciation and amortization. The rent of properties is considered in this caption.

Evolution of Cash Cost of Services Provided

(R$ million)



Compared to 1Q24, cash cost in 2Q24 increased 9%, slightly above the net revenue growth, due to (i) higher consumption expenses, with increased energy tariffs and the impact of high temperatures mainly in Mexico; (ii) the 6% increase in average member base in own clubs and the 3% increase in the average base of own clubs with the ramp-up of new clubs; and (iii) the increase in expenses related to the opening of new units, reflecting the accelerated pace of inaugurations during the period.

Considering only mature clubs, costs increased 5% from 1Q24, in line with the revenue growth of these units. The increase in costs of these units was driven primarily by the growth in consumption and maintenance expenses. Note that the Company remains focused on improving operational efficiency in order to mitigate the impact of the inflationary scenario on the business, including constant renegotiation of rents, projects to improve energy efficiency, increase in staff productivity and other services.

CASH GROSS PROFIT

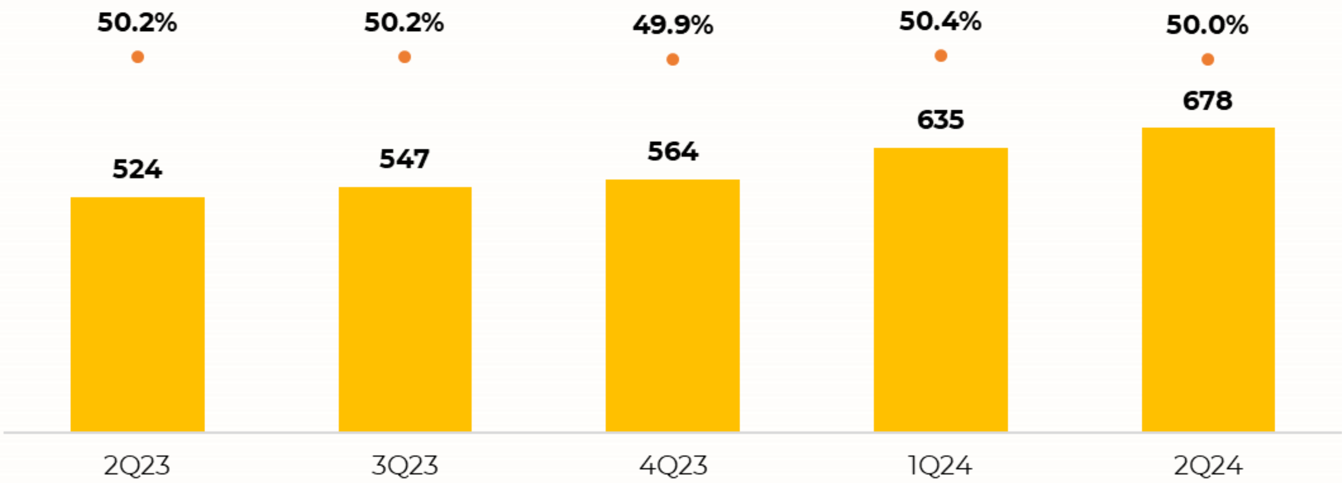
Cash gross profit in 2Q24 totaled R$678.3 million, increasing 30% from 2Q23, mainly reflecting the consistent maturation of units inaugurated in the last three years. Cash gross margin came to 50.0% in 2Q24, decreasing 0.3 p.p. versus 2Q23, due to the increase in costs of units in the ramp-up process and the higher expenses related to the opening of new clubs. In the last 12 months, cash gross profit totaled R$2,425.1 million, resulting in cash gross margin of 50.1%. Cash gross margin before pre-operating costs, that is, those related to the openings, was 50.8% in 2Q24, remaining stable when compared to the same period of the previous year. In the last 12 months, cash gross profit before pre-operating costs totaled R$2,466.5 million, resulting in a cash gross margin before pre-operating costs of 51.0%.

Cash Gross Profit[a] (R$ million)	**2Q24**	**2Q23**	**2Q24 vs. 2Q23**	**1Q24**	**2Q24 vs. 1Q24**	**6M24**	**6M23**	**6M24 vs. 6M23**
Net Revenue	**1,357.7**	**1,042.4**	**30%**	**1,259.9**	**8%**	**2,617.6**	**2,024.4**	**29%**
(-) Cash Costs of Services Provided	679.3	518.7	31%	624.5	9%	1,303.8	1,007.1	29%
Cash Gross Profit[b]	**678.3**	**523.8**	**30%**	**635.4**	**7%**	**1,313.8**	**1,017.3**	**29%**
Cash Gross Margin	*50.0%*	*50.2%*	*(0.3 p.p.)*	*50.4%*	*(0.5 p.p.)*	*50.2%*	*50.3%*	*(0.1 p.p.)*
(+) Pre-Operating Costs	11.1	6.8	62%	7.8	42%	18.9	9.4	101%
Cash Gross Profit before Pre-Operating Costs[c]	**689.4**	**530.6**	**30%**	**643.3**	**7%**	**1,332.7**	**1,026.7**	**30%**
Cash Gross Margin before Pre-Operating Costs	*50.8%*	*50.9%*	*(0.1 p.p.)*	*51.1%*	*(0.3 p.p.)*	*50.9%*	*50.7%*	*0.2 p.p.*

(a) For a better analysis of the performance of our operations, all indicators exclude the effects of IFRS-16, depreciation, and amortization; (b) "Cash gross profit" excludes depreciation and amortization; (c) "Cash gross profit before pre-operating costs" excludes depreciation, amortization, and the cost of opening new units.

Evolution of Cash Gross Profit and Cash Gross Margin

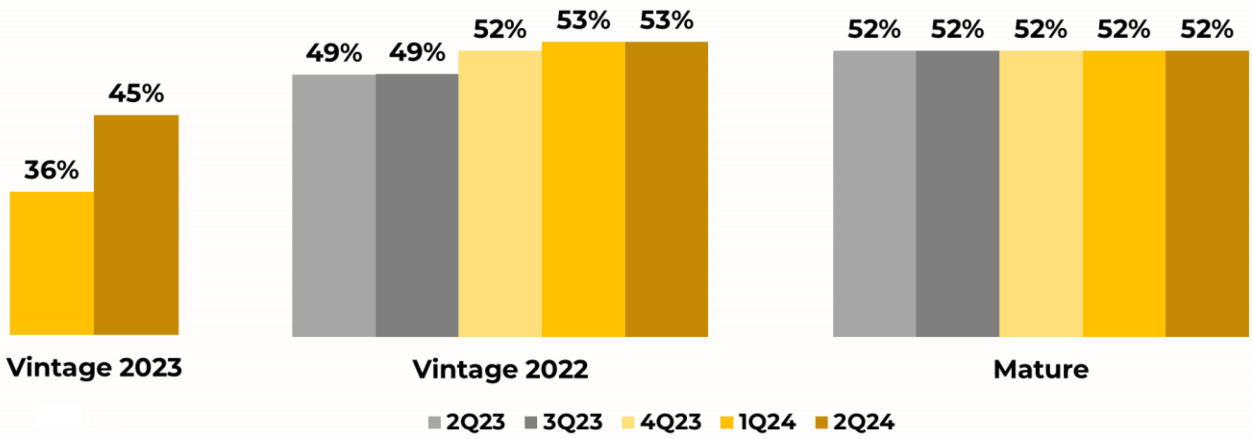
(R$ million and % of net revenue)



Compared to 1Q24, cash gross profit increased R$42.9 million in 2Q24, up 7%, and cash gross margin decreased 0.5p.p. The cash gross margin before pre-operating costs, that is, those related to openings, was 50.8% in 2Q24, 0.3p.p. lower when compared to the previous quarter.

Gross Margin per Vintage

(Own Smart Fit units)



In 2Q24, cash gross margin of mature Smart Fit clubs remained stable at 52% for the sixth straight quarter, due to initiatives to optimize revenue per club in a sustainable manner, combined with intensive and successful efforts to improve operational efficiency. Annualized gross profit per unit for these mature units was R$2.4 million, higher than in 1Q24. Units inaugurated in 2022 ("Vintage 2022") registered cash gross margin of 53%, in line with 1Q24 with a 4% increase in gross profit per unit, reaching R$2.3 million per unit. The strong performance of Vintage 2022, which are still in the maturation process, is a result of a combination of strong revenue growth, due to the expansion know-how and Smart Fit brand's strength, with occupancy costs structurally lower than mature units, contributing to a profitability level higher than that of mature units.

Note that the units opened in 2023 ("Vintage 2023") maintain their maturation pace at the same historical levels. The Vintage 2023 reached 2.7 thousand members per unit in June 2024, with a solid expansion of 9 p.p. in cash gross margin compared to the previous quarter, reaching 45% in 2Q24, in line with previous vintages, considering the average age of the vintage in the period. Note that of the 176 own clubs added in 2023, 113 were inaugurated in 4Q23, i.e., are still at early stage of maturation process.

GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses[a,b] (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Selling expenses	100.9	74.2	36%	95.1	6%	196.0	151.1	30%
General and administrative expenses	130.6	104.0	26%	126.7	3%	257.2	198.8	29%
Pre-operating expenses	6.6	4.9	36%	7.2	(8%)	13.8	9.2	49%
Total	**238.1**	**183.1**	**30%**	**228.9**	**4%**	**467.0**	**359.1**	**30%**

(a) For a better analysis of our operational performance, all indicators exclude the effects of IFRS 16 regarding commercial leases related to the rents of clubs and offices; (b) Excludes "Other (expenses) / revenues".

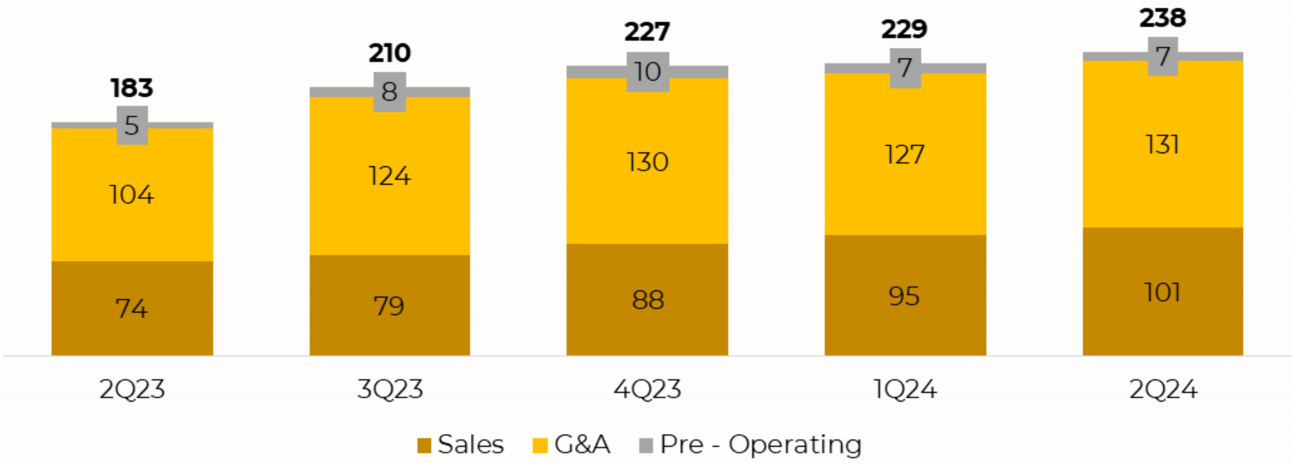
Selling, general and administrative expenses totaled R$238.1 million in the quarter, 30% higher than in 2Q23, representing 17.5% of net revenue compared to 17.6% in the second quarter of 2023. This increase in expenses is mainly driven by higher selling expenses, which totaled R$100.9 million in 2Q24, up 36% from 2Q23, representing 7.4% as a percentage of net revenue (an increase of 0.3p.p. vs. 2Q23). This increase is a reflection of the strong expansion of the club network, with a greater number of units inaugurated in 2Q24 vs. 2Q23, and of investments in marketing to strengthen the brand.

General and administrative expenses totaled R$130.6 million in 2Q24, a 26% increase compared to 2Q23, and represented 9.6% of the net revenue for the period, a 0.4p.p. dilution compared to the same period of the previous year. Also note that the additional grant of stock options related to the long-term incentive plan (LTIP) in 3Q23 added R$4 million to general and administrative expenses in 2Q24. Excluding this effect, general and administrative expenses would have increased 22% from 2Q23, corresponding to 9.3% of net revenue in the quarter, a 0.7p.p. dilution compared to 2Q23. This increase reflects the operating leverage of the business, which more than offset the increased investments in the Company's structure in all countries of operation, in addition to the structuring of new businesses.

Lastly, pre-operating expenses totaled R$6.6 million in 2Q24, vs. R$4.9 million in the same period of the previous year, due to the higher number of openings of own clubs.

Evolution of Selling, General and Administrative Expenses and Pre-Operating Expenses

(R$ million)



Compared to 1Q24, selling, general and administrative expenses increased 4%, with a reduction of 0.6p.p. as a percentage of net revenue. Selling expenses increased 6% compared to the immediately preceding quarter, mainly due to the expansion of the club network, with a dilution of 0.1p.p. General and administrative expenses increased 3% versus 1Q24, a dilution of 0.4p.p. as a percentage of net revenue, due to the same effects mentioned above.

EBITDA

EBITDA Breakdown[a] (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Net Income	**114.2**	**283.9**	**(60%)**	**110.4**	**3%**	**224.6**	**389.2**	**(42%)**
(+) Income Taxes (IR & CSLL)	26.4	32.7	(19%)	32.5	(19%)	58.9	53.8	10%
(+) Financial Result	98.2	38.6	154%	70.0	40%	168.2	70.1	140%
(+) Depreciation	198.6	160.7	24%	182.4	9%	381.0	306.5	24%
EBITDA	**437.4**	**515.9**	**(15%)**	**395.3**	**11%**	**832.7**	**819.6**	**2%**
Panama Revaluation Impact[b]	–	(176.6)	–	–	–	–	(176.6)	-
Adjusted EBITDA[c]	**437.4**	**339.3**	**29%**	**395.3**	**11%**	**832.7**	**643.0**	**30%**
Adjusted EBITDA Margin	*32.2%*	*32.6%*	*(0.3) p.p.*	*31.4%*	*0.8 p.p.*	*31.8%*	*31.8%*	*0.0 p.p.*
(+) Pre-operating costs and expenses	17.7	11.7	51%	15.0	18%	32.7	18.6	75%
Adjusted EBITDA before pre-operating expenses	**455.1**	**351.1**	**30%**	**410.3**	**11%**	**865.4**	**661.6**	**31%**
Adjusted EBITDA margin before pre-operating expenses	*33.5%*	*33.7%*	*(0.2) p.p.*	*32.6%*	*1.0 p.p.*	*33.1%*	*32.7%*	*0.4 p.p.*

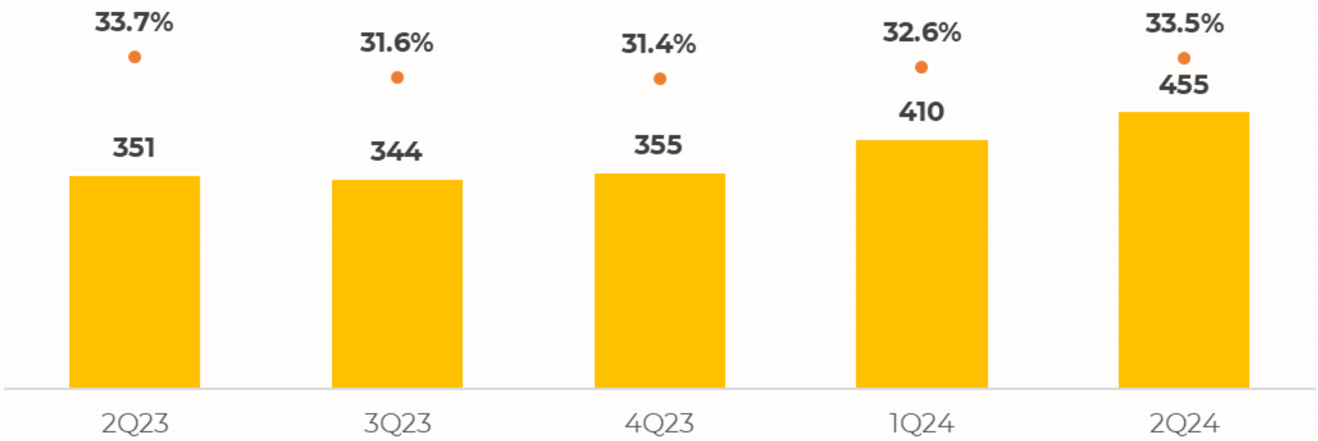
(a) For a better analysis of our operational performance, all indicators exclude the effects of IFRS 16 regarding commercial leases related to the rents of clubs and offices; (b) Gain in 2Q23 from the revaluation of the existing 50% stake in Panama, due to the acquisition of control of this operation, made in accordance with the accounting standards in force in the period; (c) "Adjusted EBITDA" excludes the gain of R$176.6 million in 2Q23 from the revaluation of the existing 50% stake in Panama.

Adjusted EBITDA totaled R$437.4 million in 2Q24, the highest level ever for a quarter, registering strong growth of 29% compared to the same period of the previous year, with a margin of 32.2%, down 0.3p.p. from 2Q23. In the last 12 months, adjusted EBITDA totaled R$1,492.0 million, resulting in a margin of 30.8%.

Adjusted EBITDA before pre-operating expenses, also at a record level, totaled R$455.1 million in 2Q24, a 30% increase compared to 2Q23. Adjusted EBITDA margin before pre-operating expenses was 33.5% in the period, a decrease of 0.2p.p. compared to 2Q23, due to higher pre-operating expenses in 2Q24. In the last 12 months, adjusted EBITDA before pre-operating expenses totaled R$1,564.6 million, resulting in an adjusted EBITDA margin before pre-operating expenses of 32.3%.

Evolution of adjusted EBITDA and adjusted EBITDA Margin before pre-operating expenses[(a)]

(R$ million and % of net revenue)



(a) 2Q23 excludes the gain of R$176.6 million from the revaluation of the 50% stake in Panama.

Compared to 1Q24, adjusted EBITDA before pre-operating expenses in 2Q24 increased 11%, resulting in an expansion of 1.0p.p. in adjusted EBITDA margin before pre-operating expenses.

EBITDA by Region

To enable a better analysis of the performance and contribution of each region to the company's consolidated EBITDA, the company now calculates the EBITDA of each region by subtracting the respective selling expenses from cash gross profit. General and administrative expenses (G&A) and other operating expenses are analyzed on a consolidated basis as they sustain the operations of the entire company.

EBITDA[a,b] (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Brazil	232.1	202.3	15%	223.2	4%	455.3	379.6	20%
Mexico	135.1	82.4	64%	137.2	(2%)	272.3	169.8	60%
Other Latin America	203.6	159.9	27%	172.8	18%	376.4	307.6	22%
G&A expenses and other operating expenses	(132.8)	(106.7)	24%	(136.8)	(3%)	(269.7)	(217.2)	24%
Equity Income	(0.5)	1.4	–	(1.1)	(49%)	(1.6)	3.2	–
Adjusted EBITDA[c]	**437.4**	**339.3**	**29%**	**395.3**	**11%**	**832.7**	**643.0**	**30%**
Panama Revaluation Impact[d]	–	176.6	–	–	–	–	176.6	–
EBITDA	**437.4**	**515.9**	**(15%)**	**395.3**	**11%**	**832.7**	**819.6**	**2%**

(a) For a better analysis of our operational performance, all indicators exclude the effects of IFRS 16 regarding commercial leases related to the rents of clubs and offices; (b) EBITDA of Regions considers cash gross profit subtracting the selling expenses. General and administrative expenses (G&A) and other operating expenses will be analyzed on a consolidated basis as they sustain the operations of the entire company; (c) Adjusted EBITDA excludes the gain of R$176.6 million in 2Q23 with the revaluation of the 50% stake in Panama; (d) Gain of R$176.6 million in 2Q23 with revaluation of the existing 50% stake in Panama, due to the acquisition of control of this operation, made in accordance with the accounting standards in force in the period.

In Brazil, EBITDA in 2Q24 was R$232.1 million, up 15% from 2Q23, due to the strong growth in average revenue per club. EBITDA margin in the region was 39.0% in the quarter, down 1.6p.p. from the same period of the previous year, due to higher investments in sales and marketing and the maturation of openings in the region in recent quarters. Compared to 1Q24, EBITDA in Brazil grew by R$8.9 million, with a margin reduction of 0.5p.p. Note that in the high-end segment, the Bio Ritmo brand registered the ninth straight quarter of growth in average revenue per club, with cash gross margin of 46.2% in the quarter - its highest ever, and 1.6p.p. higher than in 1Q24. In the last 12 months, EBITDA in Brazil totaled R$864.3 million, with margin of 39.4%, and accounting for 43% of total EBITDA from the 3 regions reported (vs. 44% in the same period of the previous year).

In Mexico, EBITDA in 2Q24 was R$135.1 million, up 64% from 2Q23, due to the strong growth in average revenue per club with a 3.2p.p. expansion of cash gross margin and dilution of marketing expenses. Compared to 1Q24, EBITDA in the region decreased 2%, due to higher energy consumption in the country explained by high temperatures in early summer, as well as higher investments reflected in selling expenses given the positive seasonality for attracting members. EBITDA margin in the quarter was 39.0% in the region, up 4.7p.p. year on year and 3.0p.p. versus 1Q24. In the last 12 months, EBITDA in Mexico totaled R$467.1 million, with margin of 38.7%, and accounting for 23% of total EBITDA by region.

In the Other Latin America region, EBITDA in 2Q24 was R$203.6 million, up 27% from the same period last year, positively impacted by strong growth in average revenue per club. Compared to 1Q24, EBITDA in the region grew R$30.7 million in the quarter, with an EBITDA margin of 48.9%, which is 2p.p. higher than the preceding quarter, mainly due to the dilution of selling expenses by 0.7p.p. as a percentage of net revenue and operating leverage in costs. In the last 12 months, EBITDA in the region totaled R$699.3 million, with margin of 48.7%, and accounting for 34% of total EBITDA by region.

NET INCOME

Recurring Net Profit[a] (R$ million)	**2Q24**	**2Q23**	**2Q24 vs. 2Q23**	**1Q24**	**2Q24 vs. 1Q24**	**6M24**	**6M23**	**6M24 vs. 6M23**
Net profit (loss)	**114.2**	**283.9**	**(60%)**	**110.4**	**3%**	**224.6**	**389.2**	**(42%)**
Net margin	*8.4%*	*27.2%*	*(18.8) p.p.*	*8.8%*	*(0.4) p.p.*	*8.6%*	*19.2%*	*(10.6) p.p.*
(+) Panama Revaluation	6.5	(163.4)	–	4.4	49%	10.9	(163.4)	–
(+) Recognition of Deferred Tax	–	–	–	–	–	–	–	
(+) Early Remption of 6th Issue	22.1	–	–	–	–	22.1	–	–
Recurring net profit (loss)[b]	**142.8**	**120.5**	**19%**	**114.8**	**24%**	**257.6**	**225.8**	**14%**
Recurring net margin	*10.5%*	*11.6%*	*(1.0) p.p.*	*9.1%*	*1.4 p.p.*	*9.8%*	*11.2%*	*(1.3) p.p.*

(a) For a better analysis of our operational performance, all indicators exclude the effects of IFRS 16 regarding commercial leases related to the rents of clubs and offices; (b) "Recurring Net Profit (Loss)" excludes the impact related to the revaluation of the stake in the Panama and Costa Rica, and non-recurring financial expenses in 2Q24 of R$22.1 million after IR/CSLL related to the prepayment of the 6th issue of debentures.

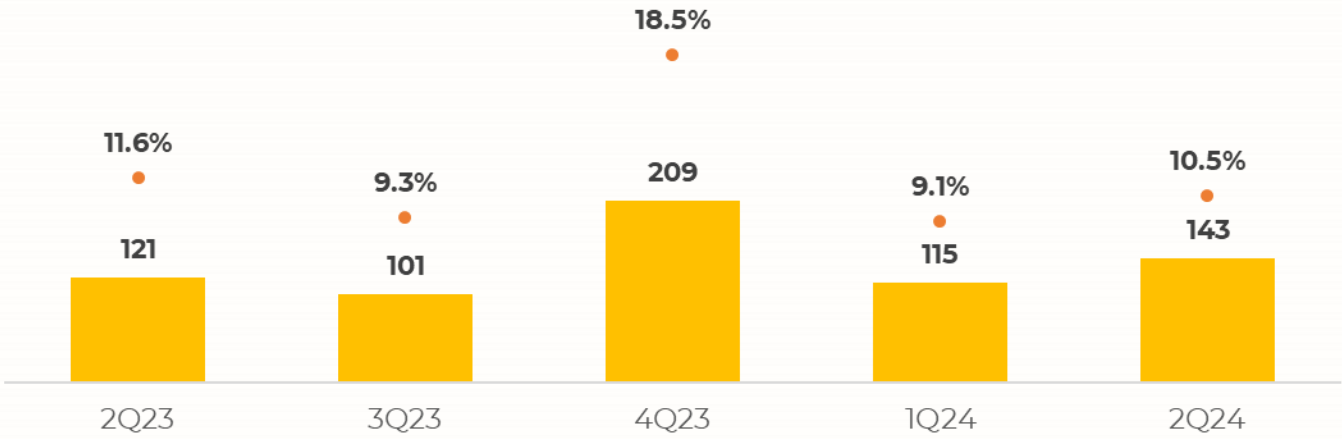
In 2Q24, recurring net income came to R$142.8 million, an increase of 19% compared to 2Q23, with a net margin of 10.5%. This performance mainly reflects the operating leverage of the business with the stable profitability of mature units and solid ramp-up of units opened in recent years, partially offset by an increase in depreciation, amortization, and financial expenses in the period, a temporary effect of the acceleration of investments made by the Company. In the last 12 months, recurring net income totaled R$568.2 million, resulting in a net margin of 11.7% in the period.

Compared to 1Q24, recurring net income for the quarter grew by 24%, mainly due to the increase in adjusted EBITDA and the lower income tax and social contribution rate in the period, positively impacted by the interest on equity reported in the quarter.

As a reference, recurring net income for the last 12 months excludes (i) the recognition of deferred taxes in the amount of R$483 million in 4Q23; (ii) the impact from the revaluation of the stake in the Panama and Costa Rica operations of R$23.5 million in the last 12 months; and (iii) non-recurring financial expenses of R$22.1 million after IR/CSLL, related to the prepayment of the 6th issue in 2Q24.

Evolution of Recurring Net Profit and Net Recurring Margin

(R$ million and % of net revenue)



OPERATING CASH FLOW

Operating Cash Flow (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Adjusted EBITDA[a]	**437.4**	**339.3**	**29%**	**395.3**	**11%**	**832.7**	**643.0**	**30%**
Itens of result with no impact on cash[b]	13.5	10.2	32%	30.4	(56%)	43.9	34.2	28%
IR/CSLL Paid	(38.7)	(14.7)	163%	(16.2)	139%	(54.9)	(17.5)	214%
Working capital variation	**60.4**	**45.5**	**33%**	**(150.5)**	**-**	**(90.1)**	**88.5**	**–**
Receivables	(10.2)	(8.2)	24%	(99.6)	(90%)	(109.8)	(38.2)	187%
Suppliers	38.7	34.5	12%	(58.1)	-	(19.4)	61.5	–
Wages, provisions and social contributions	16.3	7.9	105%	12.4	31%	28.6	26.1	10%
Taxes[c]	15.5	11.2	38%	(5.1)	-	10.4	39.1	(73%)
Operating Cash Flow	**472.6**	**380.3**	**24%**	**259.0**	**82%**	**731.5**	**748.2**	**(2%)**

(a) Adjusted EBITDA excludes the gain of R$176.6 million in 2Q23 with the revaluation of the existing 50% stake in Panama, due to the acquisition of control of this operation, made in accordance with the accounting standards in force in the period; (b) Includes mainly equity income, asset write-offs, deferred revenue, and provisions; (c) Includes taxes on sales and services.

In 2Q24, the operating cash flow was positive at R$472.6 million compared to R$380.3 million in 2Q23, due to the record adjusted EBITDA in the quarter, with a 29% growth compared to 2Q23, and the positive working capital variation of R$60.4 million. In 2Q24, the adjusted EBITDA conversion into operating cash was 108%.

That working capital variation in 2Q24 was positively impacted by (i) the increase in the balance of Suppliers due to the acceleration of the pace of expansion in the quarter, especially in June; and (ii) favorable seasonally dynamics of wages, provisions and social contributions in the first 3 quarters of the year. In addition, the receivables, which is usually impacted in quarters of strong membership intake and by the higher level of promotional activity, showed a decrease of 2 days.

In the last 12 months, adjusted EBITDA was R$1,492.0 million, with operating cash flow of R$1,471.6 million, representing a high conversion of 99%.

CAPEX

Capex[a] (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Capex	**365.3**	**242.4**	**51%**	**303.3**	**20%**	**668.6**	**470.8**	**42%**
Expansion	295.7	190.7	55%	245.7	20%	541.4	368.3	47%
Maintenance	57.5	36.5	58%	45.6	26%	103.1	71.5	44%
Corporate and Innovation	12.1	15.2	(21%)	12.1	(0%)	24.2	31.0	(22%)

(a) Excludes investments in the grant of right of use related to the acquisition of commercial points.

In 2Q24, capex totaled R$365.3 million, 51% higher than in 2Q23, mainly due to the increase in investments to expand the club network. The higher expansion capex reflects the accelerated pace openings of own clubs in the period (50 in 2Q24 vs. 20 in 2Q23), and the higher investments in the construction of units that will be inaugurated in the coming quarters. When compared to 1Q24, expansion capex increased R$50.1 million, due to the lower number of units opened in the period. In the last 12 months, expansion capex totaled R$1,266.4 million.

Maintenance capex totaled R$57.5 million in the quarter, a 58% increase from 2Q23, due to (i) the higher utilization of clubs, in line with the behavior trends observed in recent years; (ii) the increase in the number of mature clubs; (iii) the ongoing investments in a program to enhance the availability of strength training exercises in some units, aimed at better accommodating the changing habits of members; and (iv) the project to improve energy efficiency, which includes air conditioning automation and other initiatives. Note that these last two initiatives totaled investments of R$14.6 million and R$3.8 million in 2Q24, respectively.

Compared to 1Q24, maintenance capex grew 26% due to higher investments in the current program to expand the offer of strength training exercises and higher one-off investments in the physical structure of the units, mainly for improvements in the air conditioning system. In the last 12 meses, maintenance capex of Smart Fit clubs came to R$200.3 million, representing 6.0% of gross revenue of mature units, which is in line with the strategy of offering a high standard experience. Note that investments in the program to increase the offer of strength training exercises totaled R$43.4 million in the last 12 months.

Capex on corporate and innovation projects totaled R$12.1 million in the quarter, down 21% year on year.

CASH AND DEBT

Cash and Debt[a,b] (R$ million)	2Q24	1Q24	4Q23	3Q23	2Q23
Cash and Cash Equivalents	2,815	2,337	2,613	2,767	2,677
Gross Debt	4,870	4,163	3,917	3,576	3,398
By nature:					
Loans and debentures	4,794	4,075	3,820	3,465	3,274
Lease liability - equipment	76	89	97	111	124
By maturity					
Short-term	682	764	643	843	691
Long-term	4,188	3,399	3,274	2,733	2,708
Net Debt (Net Cash)	2,056	1,826	1,304	809	721
Other Liabilities and Assets[c]	89	43	197	199	187
Adjusted Net Debt	2,145	1,869	1,501	1,008	908
Adjusted Net Debt / EBITDA LTM[d]	0.93x	0.80x	0.68x	0.49x	0.48x

(a) "Gross debt" considers short- and long-term loans, financing and operating leases (excluding property leases) with financial institutions; (b) "Net debt" refers to "Gross debt" less "Cash and guarantees"; (c) "Other Liabilities and Assets" use the definition of the company's debentures related to other items to be considered while calculating net debt, including, but not limited to, contingent considerations and derivative financial instruments, such as installments payable for acquisitions, stock options of non-controlling shareholders and/or interest rate swaps; (d) "Adjusted Net Debt/EBITDA LTM" is the "Adjusted Net Debt" divided by "EBITDA LTM" using the definition of net debt and EBITDA of the company's debentures. For more information, see the indenture (Portuguese only).

At the end of 2Q24, the Company had a solid cash balance of R$2,815 million and gross debt of R$4,870 million, 82% of it maturing in the long term. Adjusted net debt was R$2,145 million, resulting in an adjusted net debt/EBITDA LTM ratio, following the company's debenture definition, of 0.93x, higher than in 1Q24, mainly due to higher investments in the Company's club network and the exclusion of the positive impact on the EBITDA LTM of the period of R$176.6 million, which occurred in 2Q23, due to the revaluation of the existing 50% stake in Panama, due to the acquisition of control of this operation. Note that the adjusted net debt/EBITDA LTM ratio excluding the effects of IFRS-16 related to property leases at the end of 2Q24 is 1.44x vs. 1.19x in 1Q24, which indicates a healthy level, especially considering the high predictability of the company's results and with a very long debt maturity profile.

The company's financial liquidity position remains solid due to the proceeds of R$2.6 billion obtained from the primary offering of shares and from borrowings, whose terms have improved gradually in the last 12 months, which enabled the company to lengthen its debt maturities at a lower financial cost. Note that in the quarter the company carried out the 9th issue of debentures, in the amount of R$1.32 billion, with R$720 million at a rate of CDI+1.32% and maturing in 5 years (April 2029) and R$600 million at a rate of CDI+1.52% and maturing in 7 years (April 2031). Of the net proceeds from the issue, R$1.1 billion were used in the total optional redemption of the debentures of the company's 6th issue, with an issue rate of CDI+2.40%. This operation combined the improvement in the company's debt cost debt and its extension, contributing to increased cash generation in the future, with a negative impact on the financial result in 2Q24 of R$33 million, before taxes, of which R$21 million is related to the cash cost of the prepayment of the 6th issue.

The company maintains the maturities of loans and financing in alignment with its capacity to generate operating cash flow and accesses local financing lines to drive its expansion in the countries where it operates. At the end of 2Q24, the gross debt maturity schedule was as follows:

Gross Debt Maturites[a]	**2024**[b]	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**Total**
% of total	9%	11%	12%	14%	17%	18%	12%	6%	**100%**
Total	429	523	598	682	841	898	599	300	**4,870**
Brazil	67	25	55	187	602	855	599	300	**2,690**
Mexico	115	214	229	211	89	0	0	0	**858**
Other Latin America[c]	247	284	314	285	149	43	0	0	**1,322**

(a) "Gross debt" considers short- and long-term loans, financing, and operating leases (excluding property leases) with financial institutions; (b) Includes maturities in remaining quarters until the end of the year; (c) "Other Latin America" includes financial debt in Chile, Colombia, Peru, Panama, Argentina and Paraguay.

EVENTS AFTER THE REPORTING PERIOD

VELOCITY GROUP ACQUISITION

As informed in Notice to the Market disclosed on July 16, 2024, Smart Fit's wholly owned operating subsidiaries, Racebootcamp and Bioswim, entered into an agreement for the acquisition of 100% of the capital stock of Velocity Academia de Ginástica Ltda. ("Velocity"). The Group will pay Velocity's shareholders an estimated amount of R$183 million. Of this amount, R$163 million will be paid at the time of closing the Transaction, R$10 million will be released from the 3rd anniversary of the Closing Date until the 6th anniversary, and R$10 million is subject to the fulfillment of certain conditions and targets set forth in the Agreement, with the assurance that such payment will not occur before 12 months from the Closing Date. The closing of the Transaction will be subject to the fulfillment of the usual conditions' precedent for this type of operation in the market.

10TH ISSUE OF DEBENTURES

On July 18, 2024, the Company conducted the 10th issue of non-convertible, unsecured debentures in a single series, for public distribution, with automatic registration, in the amount of R$450 million, with a rate of CDI +1.10% and maturing in 5 years (July 2029). The proceeds were received on August 1, 2024, and the net proceeds from the issue were used to pay the price of total optional early redemption of non-convertible, unsecured debentures, in a single series, of the Company's 6th issue. The balance proceeds will be used for general corporate purposes and to strengthen working capital.

SUSTAINABILITY HIGHLIGHTS

During the last half-year, we achieved significant advances in various areas of the Company, aligned with our ESG pillars. In the environmental pillar, a highlight is the expansion of the club base contracting renewable energy, which includes Free Market and/or Distributed Generation, totaling 192 units in 2Q24 (an addition of 44 units compared to 4Q23, or +30%). Note that this level represents 38% of the own clubs in Brazil (vs. 30% in 4Q23). In addition, we continued to advance in the air conditioning automation project, ending 2Q24 with 273 units (+49 units vs. 4Q23, or +22%), of which 195 are located in Brazil, 66 in Mexico and 12 in Colombia. In water management, we have implemented a telemetry system for online monitoring of water consumption in 217 units in Brazil. Our initial goal is to identify the usage patterns of this resource in clubs, allowing us to quickly and accurately monitor potential leaks, incorrect charges, and units with high consumption. The goal is to implement this system in 500 own clubs in Brazil by the end of 2024.

To continue promoting the sustainability agenda and raising awareness among employees within the organization, we held the 2nd "Sustainability Month" in June. During this event, we have addressed important topics such as climate change, eco-efficiency projects, and greenhouse gas management through live broadcasts and workshops. These advances reflect our commitment to adopting eco-efficient practices in the Group.

In the social pillar, we maintain our partnership with UNICEF, transforming our units into "Solidarity Space for Childhood," where UNICEF representatives collect donations to ensure the rights of children and adolescents. Additionally, we supported the victims of the floods in Rio Grande do Sul, mobilizing about 50 collection points in clubs nationwide and our administrative office. We collected more than 13 thousand items, including drinking water, non-perishable food, clothes, blankets, and personal hygiene products. Moreover, through our TotalPass platform, we have offered psychological support in Rio Grande do Sul to employees through "Total Mind".

In the Other Latin America region, we have organized several impactful social initiatives to promote well-being and social inclusion. In Chile, we support the “Programa de Inclusión Best Buddies”, conducted by a foundation to develop social and work skills in people with disabilities through labor, social, and leadership inclusion programs. Furthermore, we supported a local vehicle in collecting and delivering donations to assist the fire victims in the Valparaíso Region, which occurred in February 2024. In Mexico, we carried out "SmartTruck" events to encourage physical activity in the country.

In people management, we emphasize the Power Skills Program, a development program for all leaders and employees. This program is based on the microlearning methodology, which emphasizes agile and short-term development, and focuses on socio-emotional skills, people management, and innovation. In the first half of 2024, our Corporate University registered a threefold increase in accesses compared to the same period last year. In addition, the Group offers an MBA and Postgraduate course internally to professional physical education employees, including gymnastics coordinators, unit leaders and bodybuilding instructors, to support professional development and career within our operation. In the 1S24, we opened new MBA and Postgraduate groups, with the participation of 137 professionals.

We have also conducted another round of the Smart Fit Group Climate Survey[1], which saw high employee participation. The survey aimed to assess employee engagement and satisfaction with the work environment.

As part of the next steps in the Smart Fit Group's Sustainability agenda, we will publish our 2023 Sustainability report throughout the second half of 2024, and continue to advance in the climate journey, mapping greenhouse gas emissions in the units in Brazil.

(1) Excludes TotalPass and Queima Diária, which use another methodology.

Financial numbers shown from this point reflect the adoption of IFRS-16

IMPACT OF THE ADOPTION OF IFRS 16

On January 1, 2019, the company adopted the IFRS 16/CPC 06 (R2) – Leases standard. The application of the standard substantially affected the booking of lease agreements for spaces where the company's clubs operate. Future commitments from lease agreements are recognized as lease liabilities and the right to use the spaces is recognized as an asset of the same value. For the purpose of effects in the result, the fixed lease payments are replaced by depreciation of the lease right and a financial expense on the lease liability. Variable lease payments continue to be recognized as costs of services provided.

The company chose to adopt IFRS 16/CPC 06(R2) by the modified retrospective method applied only from January 1, 2019. The impacts of IFRS 16/CPC 06(R2) on the company's results are detailed below.

Statement of Profit and Loss (R$ million)	**2Q24 Reported**	**Impacts of IFRS 16**	**2Q24 excluding IFRS 16**	**2Q23 Reported**	**Impacts of IFRS 16**	**2Q23 excluding IFRS 16**	**6M24 Reported**	**Impacts of IFRS 16**	**6M24 excluding IFRS 16**	**6M23 Reported**	**Impacts of IFRS 16**	**6M23 excluding IFRS 16**
Net Revenue	1,357.7	–	1,357.7	1,042.4	–	1,042.4	2,617.6	–	2,617.6	2,024.4	–	2,024.4
Cost of services	(802.2)	69.7	(871.9)	(625.7)	48.5	(674.3)	(1,538.7)	134.0	(1,672.8)	(1,205.4)	98.3	(1,303.7)
Rents and other occupation costs	(44.7)	218.3	(263.1)	(35.7)	173.8	(209.5)	(85.0)	424.1	(509.1)	(67.6)	345.6	(413.2)
Depreciation and amortization (cost)	(341.1)	(148.6)	(192.5)	(280.9)	(125.3)	(155.6)	(659.0)	(290.1)	(369.0)	(543.9)	(247.3)	(296.6)
Gross profit	555.5	69.7	485.8	416.7	48.5	368.2	1,078.8	134.0	944.8	818.9	98.3	720.7
SG&A	(245.8)	0.6	(246.4)	(13.5)	0.8	(14.4)	(490.3)	1.2	(491.5)	(209.1)	1.6	(210.7)
Selling expenses	(100.9)	–	(100.9)	(74.2)	–	(74.2)	(196.0)	–	(196.0)	(151.1)	–	(151.1)
General and administrative	(128.0)	2.5	(130.6)	(101.9)	2.1	(104.0)	(252.2)	5.0	(257.2)	(194.8)	3.9	(198.8)
Rents and other occupation costs	(1.8)	2.5	(4.4)	(1.2)	2.1	(3.3)	(3.4)	5.0	(8.4)	(2.6)	3.9	(6.5)
Pre-operating expenses	(6.6)	–	(6.6)	(4.9)	–	(4.9)	(13.8)	–	(13.8)	(9.2)	–	(9.2)
Depreciation and amortization (costs)	(8.0)	(1.9)	(6.1)	(6.4)	(1.2)	(5.1)	(15.9)	(3.9)	(12.0)	(12.2)	(2.3)	(9.9)
Others (expenses) revenue	(2.3)	–	(2.3)	(2.7)	0.0	(2.7)	(12.4)	–	(12.4)	(18.4)	0.0	(18.4)
Panama Revaluation[a]	–	–	–	176.6	0.0	176.6	(0.0)	–	(0.0)	176.6	0.0	176.6
Equity Income	(0.5)	–	(0.5)	1.4	–	1.4	(1.6)	–	(1.6)	3.2	–	3.2
Operating profit (loss) before financial result	309.1	70.3	238.8	404.6	49.4	355.2	586.9	135.2	451.7	613.0	99.9	513.1
Financial Result	(197.7)	(99.5)	(98.2)	(109.8)	(71.2)	(38.6)	(359.0)	(190.8)	(168.2)	(213.2)	(143.1)	(70.1)
Income tax and Social Contribution[b]	(17.0)	9.4	(26.4)	(32.7)	–	(32.7)	(39.1)	19.8	(58.9)	(53.8)	–	(53.8)
Net profit	94.4	(19.8)	114.2	262.1	(21.8)	283.9	188.9	(35.7)	224.6	346.0	(43.2)	389.2
Impacts of IFRS-16 in the breakdown of Gross Profit excluding depreciation, amortization, and EBITDA												
Gross profit	555.5	69.7	485.8	416.7	48.5	368.2	1,078.8	134.0	944.8	818.9	98.3	720.7
Depreciation and amortization (costs)	341.1	148.6	192.5	280.9	125.3	155.6	659.0	290.1	369.0	543.9	247.3	296.6
Gross profit excluding depreciation	896.7	218.3	678.3	697.6	173.8	523.8	1,737.9	424.1	1,313.8	1,362.8	345.6	1,017.3
Gross Margin excluding depreciation	*66.0%*		*50.0%*	*66.9%*		*50.2%*	*66.4%*		*50.2%*	*67.3%*		*50.3%*
Net profit	94.4	(19.8)	114.2	262.1	(21.8)	283.9	188.9	(35.7)	224.6	346.0	(43.2)	389.2
(-) IR & CSLL	17.0	(9.4)	26.4	32.7	–	32.7	39.1	(19.8)	58.9	53.8	–	53.8
(-) Financial Result	197.7	99.5	98.2	109.8	71.2	38.6	359.0	190.8	168.2	213.2	143.1	70.1
(-) Depreciation and amortization	349.1	150.5	198.6	287.3	126.5	160.7	674.9	293.9	381.0	556.1	249.7	306.5
EBITDA	658.3	220.9	437.4	691.8	175.9	515.9	1,261.8	429.1	832.7	1,169.1	349.5	819.6
EBITDA Margin	*48.5%*		*32.2%*	*66.4%*		*49.5%*	*48.2%*		*31.8%*	*57.8%*		*40.5%*

(a) Gain of R$176.6 million from the revaluation of existing 50% stake in Panama due to the acquisition of control of this operation, in accordance with accounting standards in effect in the period;

(b) Effect of deferred income tax on the temporary differences of IFRS16 in 2Q24 and 6M24

*Costs and Selling, General and Administrative Expenses include pre-operating expenses

PRESENTATION OF RESULTS

The company has its own operations in Brazil, Mexico, Colombia, Chile, Peru, Panama, Costa Rica, Argentina, and Paraguay and franchised operations in Brazil, Mexico, Colombia, Dominican Republic, El Salvador, Ecuador, Guatemala, and Honduras. The consolidation in the Income Statement for each period is detailed below:

Operation	Recognition in Income Statement for the period		Recognition in Balance sheet for the period	
	2024	2023	2024	2023
Brazil, Mexico, Colombia, Chile, Peru, Argentina, Paraguay, Panama, Costa Rica, Uruguay, and Queima Diária	Consolidated	Consolidated	Consolidated	Consolidated
Dominican Republic, El Salvador, Ecuador, Guatemala, and Honduras	Royalties for use of brand	Royalties for use of brand	n/a	n/a

INCOME STATEMENT

INCOME STATEMENT (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
Net Revenue	**1,357.7**	**1,042.4**	**30%**	**1,259.9**	**8%**	**2,617.6**	**2,024.4**	**29%**
Costs of Services Rendered	(802.2)	(625.7)	28%	(736.6)	9%	(1,538.7)	(1,205.4)	28%
Gross Profit	**555.5**	**416.7**	**33%**	**523.3**	**6%**	**1,078.8**	**818.9**	**32%**
Operating revenues (expenses)								
Sales	(107.5)	(79.1)	36%	(102.2)	5%	(209.8)	(160.3)	31%
General and administrative	(136.0)	(108.3)	26%	(132.0)	3%	(268.1)	(207.1)	29%
Equity accounting	(0.5)	1.4	–	(1.1)	(49%)	(1.6)	3.2	–
Other (expenses) revenues	(2.3)	(2.7)	(17%)	(10.2)	(78%)	(12.4)	(18.4)	(32%)
Panama Revaluation[a]	–	176.6	–	–	–	–	176.6	–
Profit before financial result	309.1	404.6	(24%)	277.8	11%	586.9	613.0	(4%)
Financial result	(197.7)	(109.8)	80%	(161.2)	23%	(359.0)	(213.2)	68%
Profit before IR/CS	111.4	294.8	(62%)	116.6	(4%)	228.0	399.8	(43%)
Income tax and Social Contribution	(17.0)	(32.7)	(48%)	(22.1)	(23%)	(39.1)	(53.8)	(27%)
Net profit (loss)	**94.4**	**262.1**	**(64%)**	**94.5**	**(0%)**	**188.9**	**346.0**	**(45%)**

(a) Gain of R$176.6 million from the revaluation of existing 50% stake in Panama due to the acquisition of control of this operation, in accordance with accounting standards in effect in the period;

BALANCE SHEET

ASSETS (R$ million)	2Q24	2Q23
CURRENT	**3,707**	**3,347**
Cash and cash equivalents	2,815	2,677
Customers	459	310
Derivative financial instruments	5	9
Other receivables	428	350
NON-CURRENT	**12,300**	**9,310**
Permanent assets	4,603	3,504
Right-of-use assets	4,289	3,398
Intangible assets	2,075	1,835
Investment	48	41
Other assets	1,284	531
TOTAL ASSETS	**16,006**	**12,657**

LIABILITY (R$ million)	2Q24	2Q23
CURRENT	**2,265**	**2,166**
Borrowings	638	636
Lease liabilities	597	548
Suppliers	380	325
Deferred revenue	223	229
Current tax payable	3	0
Accounts Payable	0	59
Other liabilities	427	369
NON-CURRENT	**8,387**	**5,899**
Borrowings	4,156	2,638
Lease liabilities	4,078	3,154
Other liabilities	153	107
SHAREHOLDERS' EQUITY	**5,355**	**4,592**
Share capital	2,970	2,970
Capital reserves	837	2,303
Legal reserves	771	0
Accumulated losses	136	(1,033)
Other comprehensive income	625	328
Noncontrolling interest	15	24
TOTAL LIABILITY AND SHAREHOLDERS' EQUITY	**16,006**	**12,657**

CASH FLOW

Cash Flow Statement (R$ million)	2Q24	2Q23	2Q24 vs. 2Q23	1Q24	2Q24 vs. 1Q24	6M24	6M23	6M24 vs. 6M23
CASH FLOW FROM OPERATING ACTIVITIES								
Result for the Period	94.4	262.1	(64%)	94.5	(0%)	188.9	346.0	(45%)
Depreciation and amortization	349.1	287.3	22%	325.8	7%	674.9	556.1	21%
Write-off of intangible assets and fixes assets	9.1	9.0	1%	5.9	55%	15.0	26.0	(42%)
Accrued interest on debt and exchange variation	163.2	119.0	37%	125.4	30%	288.7	238.5	21%
Accrued interest on leases	101.5	82.3	23%	96.3	5%	197.8	162.2	22%
Others	(109.1)	(239.1)	(54%)	(51.0)	114%	(160.1)	(305.4)	(48%)
Working capital variation	82.7	2.5	3237%	(187.7)	-	(105.0)	23.6	-
Cash generated by (used in) operating activities	**690.9**	**523.0**	**32%**	**409.1**	**69%**	**1,100.0**	**1,047.0**	**5%**
Interest paid on loans and debentures	(194.5)	(164.9)	18%	(49.1)	296%	(243.6)	(219.5)	11%
Interest paid on leases	(100.7)	(81.4)	24%	(95.6)	5%	(196.2)	(160.4)	22%
Income tax and social contribution paid	(38.7)	(14.7)	-	(16.2)	139%	(54.9)	(17.5)	214%
Net cash generated by (used in) operating activities	**357.1**	**262.0**	**36%**	**248.3**	**44%**	**605.3**	**649.5**	**(7%)**
CASH FLOW FROM INVESTMENT ACTIVITIES								
Additions to fixed asset	(361.6)	(240.2)	51%	(299.8)	21%	(661.5)	(465.1)	42%
Additions to intangible assets	(2.1)	(2.1)	1%	(10.0)	(79%)	(12.1)	(5.5)	119%
Initial direct costs of right-of-use assets	(5.5)	(7.5)	-	(45.7)	(88%)	(51.2)	(15.7)	227%
Payments for the acquisition of group of assets, subsidiary and joint venture	(88.7)	-	-	(181.8)	-	(270.5)	(8591%)	215%
Capital increase in subsidiary and joint venture	(56%)	-	-	(35%)	61%	(91%)	0.0	-
Financial Investments	48.6	39.5	23%	166.9	(71%)	215.5	339.2	(36%)
Related parties and loans with third parties	(2.0)	(2.3)	-	(26.2)	(92%)	(28.2)	(4.6)	512%
Payment of contingent consideration	-	-	-	-	-	0.0	(0.5)	-
Net cash used in investment activities	**(412.0)**	**(192.9)**	**114%**	**(396.9)**	**4%**	**(808.9)**	**(218.4)**	**270%**
CASH FLOW FROM FINANCING ACTIVITIES								
Payment of loans and costs	(1,258.7)	(112.2)	1022%	(249.1)	405%	(1,507.9)	(306.5)	392%
Proceeds from loans	1,888.8	37.8	-	387.1	388%	2,275.8	74.2	2968%
Payment of lease	(144.8)	(123.6)	17%	(136.2)	6%	(281.0)	(242.1)	16%
Others	0.6	(6.8)	-	(66%)	-	(0.0)	(11.7)	(100%)
Net cash generated by (used in) financing activities	**485.9**	**(204.8)**	**-**	**1.1**	**44354%**	**487.0**	**(486.2)**	**-**
INCREASE (REDUCTION) OF BALANCE OF CASH AND EQUIVALENT	**431.0**	**(135.7)**	**-**	**(147.5)**	**-**	**283.4**	**(55.1)**	**-**
Opening balance	961.8	1,337.1	(28%)	1,103.4	(13%)	1,103.4	1,251.4	(12%)
Closing balance	1,434.8	1,204.6	19%	961.8	49%	1,434.8	1,204.6	19%
Exchange variation on cash and cash equivalents	42.0	3.3	1192%	5.9	608%	47.9	8.3	480%

Investor Relations

André Pezeta | CFO
José Luís Rizzardo | IRO and M&A/Treasury Director
Matheus Nascimento | IR Manager
Juliana Pallot | IR Coordinator
Larissa Cristovão | IR Analyst

ri@smartfit.com