

Transcription earnings webcast 4Q24

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José Roberto Pacheco

Good morning, everyone. It's a pleasure to be here with you to talk about the results of the fourth quarter and the year 2024.

[Slide 03] These are the results from ANS for 2024, the year that completes the five -year period after the pandemic, which for us, at Odontoprev, marks a very important strategic cycle. I think you all remember that we now have, in the year 2024, some very important milestones. First of all, Bradesco Dental brand has more than half of the lives of the company, and this makes the average ticket higher for the company. So, the company now presented for the fifth year in a row, as we will see throughout the presentation, a different pattern. And finally, this better structure of our portfolio and better structure of costs, led us to an average growth rate per year of recurring net income of 10 % in the past five years including 2024. We're going to explore the data here that shows important growth in dental care, 10 million Brazilians joined the dental plans. It is fivefold the number when we went public in 2006, and we see medical plans achieving 52 million lives, which is similar to what they had in 2014. So, the penetration of dental plans is still small, only 7 % of the Brazilian population with the potential to grow. That is very impressive, not only because of the low penetration, but also because of the price of the ticket.

[Slide 04] Now our next slide. These are some of the main players in the dental plans in Brazil. The company revenue is 2 .3 million BRLs with two major components. The leadership of the company in the Brazilian market with two billion BRLs and now for the non -corporate segments for SMEs and individuals. These are the two portfolios for dental plans in Brazil. You can see that the competitors have not achieved the first million BRL in revenue and some with tickets that are the highest in the market.

[Slide 05] Our next slide shows what drew the most attention. It's an important milestone which marks a new cycle in the company in which the revenue line grows not only with new customers, but also with the average ticket. Average ticket achieved 4,5 % variation and reflects the beauty of the mix. Plans for the SMEs and individuals have a premium of 50 % over the corporate plans and the individual plans have another premium of 50 % above the SME plans. No other company in the market has such a diversified and robust portfolio and benefits from Bank Assurance, which is exclusive for the company.

[Slide 06] Now, our next slide. We show the evolution of the average ticket price of 4.5 % as we've seen before. And you can see a variation in cost using the same methodology of only 3.8%. This discipline of pricing that follows closely the cost structure of the company is what should be remembered. The company has been making important promises to monitor its cost structure with high-end technology and differentiated segmentation throughout all the country.

[Slide 07] Now, our next slide. We can see the beauty of the segmentation of our portfolio. We are showing the three large business segments, corporate, SMEs, and individual plans, which all show a very similar cost structure and modest annual variation. In turn, the company has had the opportunity to obtain adjustments both in the corporate and SME markets and at a lower level in the individual plans. This leads to continuously achieving tickets above the competition because of the robustness of its portfolio and the diversification of the customers.

[Slide 08] Our next slide shows specifically Bradesco Dental brand, a very positive performance that we can see not only in the third quarter, but also in the fourth quarter. This is the half-year information since last year, Bradesco Dental had a very important in the second half of last year of 164 thousand new customers, both corporate and SME. SME plans from Bradesco Dental added 82 thousand new customers and the corporate 164 thousand new lives. This performance of 246 thousand new customers is making us very happy with this commercial result, which historically is the time in which the company grows the most. There are seasons for growth and in the past decade we had revenue and customer growth mostly in the second half of the year than in the first half of the year.

[Slide 09] Now going to our next slide we can see the cost structure of the company that we're very happy with. As I mentioned before, this is the fifth year in a row since the pandemic that the company, due to its product portfolio, technology platform, and continuous segmentation of our accredited network, has been showing dental loss ratios 40, 45% lower than the company had from 2006 to 2019. This level is here to stay. It's a specific characteristic of our unique business model. Therefore, in 2024 we had most efficient cost of services at the company since it was founded in 2007. In the fourth quarter specifically, we should always compare the dental loss ratio quarter over quarter, which is lower than the fourth quarter of 2023.

[Slide 10] Now you can see the results of our strategy. You see the contribution margin of products for SMEs and individual plans being higher than the contribution margin of the corporate segment. This is also natural trend for the business with a yearly growth of 15 % in the past decade in the contribution margin of what we call the non -corporate segment overcoming the more traditional growth of the corporate

segment. This differential expands the contribution margin of the non -corporate segment to 59 percent, much higher than the 44 percent contribution margin of the corporate segment.

[Slide 11] Our next slide is the track record. We go back to when the company was listed in 2006. As we mentioned at the time, the company's dental loss ratio was 44, 45 % as we've been highlighting. Since 2020, it's the fifth year in a row that the company has 40 % or less of dental loss ratio, which is the lowest. The consequence is an EBITDA margin equal or above 30%. Again, this is the fifth year in a row that the company delivers return much higher than the competition and the market. And this comes not only from the differentiated portfolio of our customers and products, but exclusive access to extremely efficient channels in distribution, such as bank assurance.

[Slide 12] Now our next slide is the financial income of the company. It needs no comments. The company doesn't have any debt. The financial income was one of the drivers of the results for the past year, specifically we're very well positioned for the year 2025. Not with the same cash inventory, we just paid a large amount of dividends in December, 300 million BRLs, which lead us to a cash level slightly lower than we recorded last year. However, the consensus is that we will have higher interest rates in 2025, which will lead us to similar financial income in the next quarters, as we could see recently.

[Slide 13] Net income and recurring net income, as we mentioned at the beginning, had a 10 % growth per year in the past 10 years. Specifically, now in the fourth quarter, this rate was even higher, 27%.

[Slide 14] Our next slide, we're showing the investments in technology. Basically, it's the bulk of our investments in technology. The company tripled its investments in the past three years and this curve tends to be similar to a normal curve. And the investments were made in greater intensity between 2020 and 2023 and start dropping slightly now in 2024. Our expectation is to have lower figures throughout the next years in terms of higher investments as seen in 2023.

[Slide 15] Now, capital allocation. We're proposing for the AGM in April for the third quarter in a row, 100 % of payout of the results, as you can see, which would give us, on average, a distribution of 97 % payout to the shareholders of the company, be it through dividends, IOC, and also the share buyback. The company ended last year with a regulatory solvency reserve of 114 million BRLs.

[Slide 16] Our next AGM on April 1st, we will also cancel all treasury shares like we did on 31 of January, 6.7 million shares that will be canceled at the AGM as proposed by the Board of Directors.

[Slide 17] Our free float is global. Here we are showing the new structure of the social capital of the company, of the equity of the company. We are going from 542 million shares to 545 million shares. In the most part, we have global investors.

[Slide 18] Now our last slide of the presentation. We have to mention our international acknowledgement in November in Time Magazine, that ranked us among the world's best companies in sustainable growth from a global survey. We're very proud of this acknowledgement and we had to bring it and share it with you. Those were our comments. Thank you for being here. Now we would like to go to the Q & A session. Thank you.

Q&A Session:

Eduardo Resende, UBS Bank

Good morning, everyone. First of all, congratulations on the results and thank you for the opportunity to ask my question. I would like to know more about the dental loss ratio. It's going back to levels close to historical levels in the quarter, despite an improvement year over year, but still below what we saw in the previous quarter. I would like your opinion about what to expect for 2025 and what are the main drivers to control DLR that the company is aiming for this year.

José Roberto Pacheco

Thank you, Eduardo. It was a great question. The dental loss rate will not go back to historical levels. It's a very different dynamic than health care. What do I mean by that? It's better than the historical track record, as we showed. Five years with a new cycle of products and technology and control management, the anti-fraud processes are more sophisticated and robust, the company has a continuous segmentation of the accredited network, so the company won't go back to the levels we had before. We showed it was 44, 45 percent. We're going for the fifth year in a row of less than 40 % of DLR and 2024 was the most efficient DLR level of the company. This is a clear differential. As we mentioned, there are several components to it, but the main support is about the mix effect, products such as the non -corporate segmentation for SME and individual plans, both with a dental loss ratio lower than 30 % and the corporate has a higher DLR of 50%. This continuous improvement in the company's portfolio, bringing higher-ticket products and maintaining the same cost structure and service has been making the company to mathematically present a cost of service in the past five years much more effective than past history. This is a clear differential, and it comes from this innovation cycle, new product cycle, and we think that it's not that every year we will have gains in cost of service, that's not how it works. We are being more

conservative but clearly in these 40 percent or less, we have a new cycle which started in 2020, and it was delivered year over year so there's no reason to believe it will be different in the next years.

Eduardo Resende, UBS Bank

Thank you, Pacheco. Thank you very much. It was very clear.

Felipe Amancio, Itaú BBA.

Good morning, everyone. I have two questions. The first is about dental loss ratio. We noticed that in the last quarter and the third quarter, the dental loss ratio was very good. But although it is better in the fourth quarter, the cost for the beneficiary increased in the quarter. I would like to understand if you know what could have led to this performance different from what we're used to in cost and frequency in the two quarters. And my other question is about corporate. We noticed in corporate, good performance of beneficiaries and ticket. So, if you could update what you feel of the competitive environment in the segment and what will be your driver for the segment for the next quarters, if it's more volume or if you could also increase the average ticket.

Elsen Carvalho

Good morning, Felipe. I'm going to start by the end of your question, talking about the segments. You mentioned the corporate segment and the outlook. Corporate segment has a very strong competitive dynamic. When we talk about growth strategy in the company, we also talk about the different dynamics for each segment. Corporate is more mature, more penetrated. SME is a huge opportunity to grow, which we've been benefiting from with our bank assurance. Individual plans still depend on customer behavior. It has a more modest portfolio growth. For the corporate segment, despite being mature and our growth is more based on the non -corporate specifically in the SME, especially with bank assurance, we still are bringing growth every year. The potential for readjustments and increasing average ticket, most of the revenue that comes from the segment is related to the inventory of lives that we have, which is the highest of the company per segment, almost 6 .5 million lives. And also, although we do have a dental loss ratio higher than the others, it's still balanced. It's close to 50%. What we can readjust for the customer is the correction of inflation. The dynamic that we have of increasing the ticket for that segment is following inflation, maintaining the value, sales for new lives are much lower than the inventory that we have. We have very high competition, but we've been noticing more rational pricing of our competitors. So, the dynamic is repeating the dynamic we have. It's tough competition, but it's a game we know how to play, and we will continue to grow year over year. Talking about a quarter is a little bit more dangerous because since you have large contracts, sometimes the gain in one contract or losing a contract can have specific

impact on the quarter you're referring to. Even if we look at a broader window, it will follow the tendency that we have, growing in lives with a stable ticket, being able to pass forward at least inflation.

José Roberto Pacheco

I would like to add, Felipe, you talked about the dental loss ratio. An important point, dental loss ratio, ideally, should always be compared year over year, and the quarter compared to the same quarter of the previous year, because there is a very important seasonality. In the first quarter, the one we are now, a lower frequency, people are on vacation, dental loss ratio reduces. That has happened for 20 years, since the company was listed. So, we never compare dental loss ratio with the previous quarter. The dental loss ratio will drop in the next half year, obviously, because it's summer. What happened in 2024, we had most efficient dental loss ratio of the company. We had a lower DLR in fourth quarter of 2024 than in 4Q2023. What happened in the third quarter, if we remember our previous call? It was an outlier. We didn't encourage anyone to do projections with the data for the third quarter because they were an outlier. The third quarter usually has a very similar dental loss ratio of the second quarter. Both are usually higher than in the first and fourth quarters. So that seasonality is very important when we analyze our business. We read several comparisons of dental loss ratio in the third quarter, but what really matters is the comparison year over year and here at the company, that's what we pay attention to.

Felipe Amancio, Itaú BBA.

Thank you. Perfect, thank you for your answers.

Leandro Bastos, Citi Bank.

Good morning, Elsen and Pacheco. I have two questions. Commenting on what you just mentioned about the sales in corporate, how can we think about pricing for the non-corporate channels, if we see increase in ticket price, but the cost per life is still very much controlled. If we think about the inertia of 2025 will follow the gap of the ticket pricing increasing. That's my first question. The second, if you could talk about the increased SG&A, do you think this will carry forward?

Elsen Carvalho

Good morning, Leandro. I'm going to start talking about the commercial side. We have a commercial strategy at the company that the corporate segment is our largest inventory of lives. It's the bias of the origin of the company, it's a legacy that we have, but it's a better developed, more mature, more penetrated segment with more intense competition for tickets. Even if we can repass readjustments at a balanced portfolio and have more rational competition with our contracts, we shouldn't put high expectations on that sector because of ticket. It has more to do with our capacity to defend our portfolio

and increase volume of businesses in the segment. We grow lives every year despite the competition, but it has a very important component, which is how much we can pass forward in readjustments. It has a balanced dental loss ratios, unlike health care with a much higher loss ratio. In ours, we adjust mainly to inflation. For SMEs, this is the blue ocean we have ahead of us. It's a sub-penetrated market. It has benefits, a positive aspect, similar to the positive aspect as corporate, which is the company is a natural buyer of the benefit. The difference is that the market isn't mature yet. There's a lot of space to grow. And we have the possibility to advance in the segment that our competitors don't have, because we have the capillarity to reach these SMEs spread throughout the country. Our competition works more with brokers, and they don't have the necessary capillarity to go to the small companies, and the bank does, because they already have a relationship with SME. They have their checking accounts, they offer other financial services, and that's how we can reach them. The best way to seize this opportunity has nothing to do with increasing the ticket aggressively but conquer customers that don't have a dental plan yet and you can reach them in a way that others can't. So, our strategy, despite we can increase the ticket for the non - corporate segment, specifically SMEs, we expect to increase volume, increased revenue by volume and not by increasing ticket. And the standard ticket is already higher than the corporate ticket, like Pacheco said, the cost of rendering service is similar, and this brings the mix effect which allows us to grow maintaining our profitability with a controlled DLR and ticket price.

José Robeto Pacheco

I'm going to comment about another metric that you drew attention to, which is SG &A, which is a great point you brought up. SG &A now, for the fourth quarter, was 30 % of our revenue, almost the same as in the fourth quarter 2023. However, in 2024, we had an increase of SG &A. 26 % of our revenue to 27%. A very important point is to start with sales expenses, selling expenses that we had in the fourth quarter, which was an outlier. Some recognitions, incentives, and specific awards that took place in the fourth quarter that are not a pattern, not to be replicated throughout 2025. So, we imagine to have an SG &A more effective in 2025. Selling expenses will be closer than in past history. And when we go to G &A, the main expense is with technology, we already mentioned this in previous calls, we are growing the number of robots in the company, we have more digital processes, and they're present in our business flows. So, we have a vision of upside risk of having more efficiency in the company's expenses, both G &A and also selling expenses. So that's something to keep on your radar. In the fourth quarter and in the year, we had a dynamic that tends to be more efficient from now on.

Leandro Bastos, Citi Bank.

Okay, thank you. Just a follow-up about the non -corporate segments. What is the level of dental loss ratio? Why are they so low?

José Roberto Pacheco

I think that the dental loss ratio in particular for the non -corporate segments has necessarily have to be lower than the corporate plans because they're higher risk products of cancelling of contracts or even default. So, by definition, the pricing is meant to have a superior return than the corporate segment. The level of usage, Odontoprev is rendering a benefit, and it has to be delivered and used. So now we have dental loss ratios below what we would ideally like. And this comes from an education process. Pricing consequently is conservative aiming return, but it's natural to have an accumulation in the next years, going from 20, lower 20% to higher 20%, but still remaining below 30%. And this has happened for many years in the company. Non -corporate products are priced to generate higher return. And that's the beauty of diversifying our portfolio.

Leandro Bastos, Citi Bank.

Thank you, Pacheco. Excellent. Thank you very much. Have a great day.

Joseph Giordano, J .P. Morgan.

Good morning, Pacheco and Elson. Thank you for taking my question. I have two points. The first is a very strong growth, both in corporate and SME. Let's explore corporate, that in the past it was a plan by adhesion, in which the employee chooses to opt into the plan instead of the company offering it. So, if we look at the top -line growth, we see both bank assurance and retail going sideways. How do you see the churn? If it's still very high, or new sales offset the losses, and what is the average churn of the portfolio in the corporate and SME? Thank you.

Elsen Carvalho

Good morning. Okay, the corporate segment doesn't have churn in terms of I would say that in more than seven years as a commercial director, I've seen a company canceling a plan twice. What you have is a commercial dispute. They might switch plans if they get an offer from another operator. So, our capacity of retention is very high. Historically, it has been high. Our losses are very low. That's why we are growing our portfolio, because we start by not losing customers, a very low loss. We can irrigate our portfolio with new lives that come from existing customers, making campaigns at these clients using the free adhesion model. There's always a new employee that when you made the initial campaign wasn't there yet, they were hired afterwards, and when you have a new campaign they can also adhere and you have new sales, new contracts that we win over our competitors so this makes our portfolio continue to grow with very low losses, and the sales of new contracts.

In terms of inventory, we have a balance between contracts that the company pays for the employee, which we call compulsory, and contracts in which the employee decides if they want to adhere or not. In when, we have free adhesion more, but historically it's balanced. In the SME segment, when you go from corporate to the non -corporate segments, you start having a little bit more churn. Our SME strategy goes through two things. We talk about bank assurance, that's true. It's a key aspect of our strategy. The capillarity we achieve having access to the bank channel compared to our competitors, but there's important information, which is product. Pacheco mentioned that from 2020 to now we changed our SME product strategy to look for more clients for that segment, because we used to sell to very few SMEs, three, five lives. Now we sell 50, 100, 150, 200 lives. And when you sell to "large" SMEs, you are selling to SMEs that are in fact companies. And as companies, when they offer a benefit, they take on commitment with their employee. So, we tend to have a higher adhesion to contract. The economic risk of this company is higher. That's why the churn and contract canceling is higher than corporate. And that has to do with what Pacheco said, which is higher pricing. Churn is higher that corporate because it's a company with a higher economic risk because it's smaller, but it still behaves more similarly to the corporate segment than the individuals. And this is a much higher risk customer. Because there's a risk of churn, because they use and after they use it, they cancel. So, it's a segment that we can sell a lot, but with a very high churn and accumulating portfolio in that segment is more difficult. That's why you see the corporate segment, although large, is always growing, SME growing quickly, and individual going more sideways in terms of number of lives. But we have a mix that allows us to grow. Contra intuitively, we grow with the mix and increase our profitability.

José Roberto Pacheco

I would like to add one piece of information, which is the mix effect in the individual plans. In this portfolio we have about one million beneficiaries in individual plans, in the past it was basically distributed by retail. They go mainly to department stores. What has been happening for the past seven, eight years? More and more, the bank channel is part of that. This change is very important for the models and for the expectations of return in individual plans for the following years. Why? Because of the pricing on the banking channels. The pricing power is much clearer than the other channels that are still in the company's individual plans. Second, the selling expenses are closer to those of the other segments than the Retail Channels Commission. So, this mix effect in the individual plan, so the bank distribution of the individual plans increases the ticket, reduces the selling expenses risk, and brings a net present value and a duration of relationship much higher than historical levels of individual plans that we had before. So, it's true that there is a high churn, that the number of beneficiaries in individual plans has remained stable, but the return and the margin that the company has been seeing is much higher recently than it was in the past. So, we're very optimistic about the dynamics of the individual plans for the next years because it's very

natural to have a continuous opening of new distribution channels, specifically inside the banking system that the company has exclusive access to. So, this is important to share with you.

Joseph Giordano, J.P. Morgan.

Thank you.

Arthur Alves, Morgan Stanley.

Good morning, Pacheco and Elsen, and thank you for taking my question. I have two questions, but first looking back, the cost per beneficiary of the corporate there was a growth of 70 % year over year. I would like to understand what led to that. Was it higher usage or mix of different procedures and how this should perpetuate? And the second question, there was a comment from Pacheco about the usage that is below what you would like for SMEs and individuals. Maybe the customer needs to be better educated. I would like to know how you will make them see value in the product without getting out of control and how this will affect cost per member, if you could bring this to adjust tickets, maintaining the same level of dental loss ratio and in your SME and individual's portfolio.

José Roberto Pacheco

Hi, Artur. Thank you for your question. I'm going to start commenting about higher usage, specifically in corporate. You saw that happen, right? There's a cost for beneficiary per month increased a lot year over year, which is a good indicator. This is a benefit that needs to be delivered and needs to be used. The corporate customer knows what they want. They've known the product for many decades already. So, it's a customer that knocks on the door and is consistently using the benefit. It's interesting that when we compare it to the non -corporate market, it's a completely different situation. It's an educational process. SMEs never had dental benefits. They are starting to have that now. So, they're learning about the product. They have different frequency profile. So that's what we've seen, the figures that we brought per business segment, quarter after quarter. You mentioned the individual plans. The usage of individual plans as an education process in time tends to go up, which is great for the business. We are not there yet. The ANS data shows that individual plans in dental care have been losing size. Some companies are losing the number of lives, including us. So, it's an education process that we will inform, encouraging usage, because that's where we have retention and a higher duration for this relationship. The tools are several, from digital to face -to -face, but it's a new market. It's an addressable market that is much higher in size than the corporate segment, but it is a lot of work to expand the frontiers of dental plans, and Odontoprev is a pioneer in this education and expansion process. So, it's not easy, it's continuous work, but as you reminded us, it's a very important education process.

Elsen Carvalho

I agree with what you said, the corporate customer is already used to it, but the non-corporate segment. Our sales of SME are for new customers. We fight less with competitors because they do have the brokers, but a lot of customers are coming from the bank channels. So, there is a learning curve, learning about the product, that is, as Pacheco said, a service. So, we believe, and we work on this in our point of sale to inform and encourage them to use it. And we have very high satisfaction rates. So, it's more an education process, as Pacheco said, and the effects of this will come in time.

Gustavo Tiseo, Merrill Lynch.

Good morning, Pacheco. Good morning, Elson and Stella. I have two questions. The first thing I would like to explore, it's actually a follow-up about the ticket. You mentioned that the mix is probably the highest driver for tickets in 2025 and a mix in SME. In this quarter, we saw a growth in corporate ticket and SME, specifically, separate. Is this also two ways of growth of ticket, not only in the mix, but increase? And the second question is strategic. With the change in management, I know that he is a person who has been with the company. We know there is a strategy to grow 300 thousand lives per year, the mix with the readjustments we've just seen, What can we expect from now on? Is there anything that we're missing? It's something that can be explored in addition to the plans we're seeing or maybe something in dental aesthetics or something like that.

José Roberto Pacheco

Hi Gustavo, I'm going to start with the ticket dynamic. It's not just the mix effect. You've seen that we mentioned that the average ticket was up in all business segments at different levels. So this higher frequency sponsored an acknowledgement by the customers that granted us a positive readjustment in the corporate segment. In the SME contracts, the adjustment is by pool, so we have more predictable ways of increasing the ticket. And for individual plans, I would like to draw your attention. Since the portfolio is changing its profile, some portfolios of lower tickets are being replaced by higher ticket portfolios, which also gives us a good forecast for the next years. We have a vision of positive tickets following the cost line in the three business segments, always aiming at conservative pricing so we can generate unique returns. So, it's not just the mix, Gustavo, but each business segment has an interesting capacity of bringing tickets so we can maintain interesting returns for the entire group. I would like to pass now the floor to Elsen so he can answer the other parts of your question.

Elsen Carvalho

In addition to what Pacheco mentioned, we in fact talked about this in the previous call. We have an expectation of speeding up. We have changed the growth level of the SME portfolio, so we started feeling

the mixed effect. Our expectation is to work towards speeding the SME portfolio even more. The corporate portfolio is something we already know well and know how to do, but a large contract can have an effect that distorts a bit the result. If we gain a large contract, we have a positive effect. If we lose, we have a negative impact. We have some contracts that are very big, and it changes the result of not only the quarter, but the whole year. So, we do defensive work, bringing new lives and also attack. And this is what you've been seeing. For SME it's different. We have a strategy that started being implemented in 2020, which combines mix of products for larger SMEs and bank assurance. We changed the speed of growing the portfolio, growing 150 thousand lives a year and we're working to go beyond that. If we can execute what we want, the mix effect will be more present and the effect of growing profitability will become even stronger in the company's result. That's our challenge for the year and that's our strategy.

Gustavo Tiseo, Merrill Lynch.

Perfect, Pacheco and Elsen, thank you for your answers.

Rafael Elage, XP.

Good morning, everyone. Thank you for taking our question. I also have two. The first is about bad debt. We saw a flat profile and no worsening year over year. I would like to understand, first of all, what happens with bad debt and how we should see this line in 2025. That's the first question, considering the mix. And the second is specific about the operating cash flow. If you compare year over year something closer to the working capital, I don't know if that was the effect. If you could detail more what happened, I think it would be interesting. Thank you.

José Roberto Pacheco

Hi, Rafael. Two points, outliers in the fourth quarter. About bad debt. The company has been improving our 4 % bad debt rates and now we have around 2 to 2 .5%. And how should we model this and what should we expect for the company's bad debt? The word there is bank distribution. With a better bank distribution in the portfolio, the level of understanding of credit risk has been growing. So the growing bank distribution at the company brings lower bad debt. It's a predictable call to have continuous gains in bad debt due to a higher presence of customers from the bank assurance, especially from the non-corporate segments. We did have an outlier, but I think that this level of 2 .5 % came to stay. Another point that you bring is the cash flow. The explanation is similar. Once again, cash flow, a predictable cash flow is one of the differentials of Odontoprev's business model. We don't have any demand for working capital. On the contrary, we receive in advance and most of the payments are made after this receiving cycle, what we call negative working capital. We also drew attention to the investments in technology that reached their peak in 2023. The year of 2024 we invested less, and we believe that the need to invest in technology will be

marginally lower in the next years so that the availability of resources for dividends will be higher in the next years. So, there's nothing to draw attention to in the fourth quarter, but again, that's our vision for the following years.

Rafael Elage, XP.

Very clear, thank you.

Yan Cesquim, BTG Pactual.

Good morning, Elsen and Pacheco. I have two questions. The first is about SMEs. About growth forecast for the SME market for the year despite the macro landscape. If you have space to continue this growth agenda with the banking channels in a more restrictive scenario. The second question is an update about the competitive environment due to the high growth of the company in the past half year.

Elsen Carvalho

Good morning. Your question is very pertinent because when we talk about our vision for a challenging economy in the next year, SMEs are more fragile and have higher risk. In fact, when we say that we're going to grow in that segment, that makes your question pertinent. What I have to say is that this segment is very sub-penetrated. Our penetration is very low in Bradesco's SME client base and we have a lot of space to grow. One thing that plays in our favor is that the dental plan as a benefit has a low ticket and it delivers a lot of service compared to the ticket price. It's easy to have a value proposition for a small company employee or an individual and you write on a piece of paper, showing that it's much cheaper to pay per month, then pay each time you go. You show the price of a dental appointment and compare to the monthly ticket, which is very low. And when you have someone running a small company in a challenging environment, with a more fragile financial situation, it's much better to offer them a dental plan than a medical plan for their employees. So, it costs about around 20, 20 something BRLs. Imagine the owner of the company or a director telling their employees, well, I'm going to give you an increase of 20 BRLs. It's frustrating, no one wants that. But imagine them saying, well, I'm going to give you a dental plan that you can go to the dentist and do everything you need to do. With less than 20 BRLs, they have a much higher impact with their employees. So again, I agree that the economic scenario is more challenging, but the penetration is so low with such high opportunities and the product has a low ticket with a high value delivered, so we think that there is opportunity to grow despite the challenging scenario. And the competitive landscape in general, speaking of the corporate segment, the ticket is low. The bigger the company, the lower the ticket. It's not a relative expense for the companies and works well as a benefit. The usage rates are constant and growing, and the beneficiaries have a very good satisfaction rate. It works well, and since it's a well-penetrated segment. We're not looking for new customers that much, but we're

defending our customers and taking good care of our portfolio. And we think we're going to have a performance similar to the past years. So, we've been through other challenging economic scenarios, and we were able to grow our portfolio. And I think SME this year will help us to grow more.

Yan Cesquim, BTG Pactual.

Thank you.

Caio Moscardini, Santander.

Good morning. The first question is costs, when we look at the break of odontology equipment, in the fourth quarter it almost doubled year over year, I don't know if you've been noticing a higher inflation on odontology equipment. And in terms of CAPEX, what are you projecting for 2025, if we compare you over a year, there was a reduction in 2024 compared to 2023, if this will happen in 2025 as well.

José Roberto Pacheco

Hi, Caio, good morning. Two points about what you're saying. For dental materials and the cost of services, OdontoPrev has a differential with its relationship with the accredited network. It's not part of our business to have active management on that aspect. It's more relationship with the network. That was something very specific, we don't think that's going to happen in future moments. These were strategic end of the year issues with our relationship with the networks. The other point you brought up is important. We brought this up in previous calls. The level of Capex in the company, investments are basically in technology. It had its peak in 2023, and in 2024, it was slightly lower. I think that's the trend for the following years. Having this level of investment in BRL than we had in 2023 and 2024. Therefore, we have more resources for allocation to dividends, which is our main goal.