

## **Videoconference transcript**

### **Odontoprev 1Q25 Earnings Results**

#### **José Roberto Pacheco**

Hello, good morning, everyone. You're all welcome to our webcast for the first quarter of 2025. Odontoprev traditionally leads the presentation of results in the healthcare sector. And once again, we're opening the cycle of earnings release for 2025. Today, we're going to see a cycle where traditionally, in the first line, we have a more modest expansion in the sector. Historically, in this first quarter, and I would even say the first half of the year, with a slower increase, but on the other hand, the company has very strong cash generation, sponsored, among other reasons, for a mix of costs, which indicate a lower rate in the summer, and in special, today, in this first quarter of 2025, we will call your attention to the dilution of expenses, which, therefore, led to an increase of our EBITDA margin. Also, we sponsor a very relevant dividend volume in a payout, which is unprecedented in this sector. Once again, it's a pleasure to have you with us today.

**[Slide 3]** On our first slide, we have the data from the National Healthcare Agency, and you can see a direct comparison between 22, where the plans had a growth of 4.5 million new beneficiaries, in other words, 15 million beneficiaries in the last decade, and the penetration in the Brazilian population increased fourfold since 2006. We now have 17% of Brazilians who have dental plans. This is a modest percentage when compared to what we already have compared to medical plans, and you can see the comparison to 2014.

**[Slide 4]** And now, in the next slide, we can see the data for 2014 for the other players. You can also see Odontoprev's data for the last 12 months, concluded in March. We've gone beyond the 2 billion BRLs in net income, divided into two large segments, one important segment on the top, with the highest average ticket in Brazil, with SME and individuals with almost 1 billion BRLs. We also show you a little bit down the slide the classic image for corporate plans, with about 1.3 billion BRLs in revenue for the last 12 months. You can see the other players on the slide. They have not reached the first billion in net revenue, with a difference in the scale of the other participants.

**[Slide 5]** Now, on our next slide, we show you our seasonal performance, which is very specific for the first quarter, and special for the Bradesco Dental brand for SMEs. You can see that in the first quarter,

we have less intensive activity, and the highlight is that we have obtained higher margins, with 34,000 new clients in the first quarter, when compared to SME clients.

**[Slide 6]** On the next slide, we can see the revenue growth, quarter over quarter, from the beginning of 24. At the time, the average ticket even went down, but you can see how it recovered, reaching 5%, with an increase in all three segments, as we will see later during this presentation.

**[Slide 7]** And now, on our next slide, we can see the behavior of the average ticket, segment by segment. It is true for corporate, SME, and individual plans. Also, I would like to show you, in the light blue dotted line, the cost distribution. We have very similar costs for the three segments, but on the other hand, the sales price is not, and therefore, the company has differentiated margins whenever we have an opportunity, an exclusive opportunity, to introduce and to be a pioneer in bringing in SMEs, as well as individual plans.

**[Slide 8]** In our next slide, we show you the different values for half of the year. You can see that last year, we had the best ever level for the company, reaching 38.4%. And this did not oscillate in the 12 months concluded in March, of 38.6%. And looking specifically at the first quarter, we can see that this is at a very attractive level, and better than in the other quarters of the year, at about 36%.

**[Slide 9]** And in the next slide, this narrative that we can see here compares the profile of the contribution margin of the company and what it was like 10 years ago in 2014, and what it's like now in the last 12 months concluded in March 25. You can see a growth of 15% per year in the decade for SME and individual plans, which now represent the largest part of our contribution margin. In the last 12 months, it reached 60%. And in the slide, you can see a comparison with the distribution of the corporate sector, which is 43%. This movement is pioneer, and it has been our strategic priority in the past decade. And now we can see concrete results, they are differentiated and difficult to replicate by the company's main competitors.

**[Slide 10]** And in the next slide, we can see the expansion of the EBITDA margin in the first quarter of 25. A year ago, it was 36.8%, as you can see in the slide. But with the dilution of expenses in a lower bad debt, we had an increase of 150 points, reaching 38.3 % of EBITDA margin in the first quarter of 25.

**[Slide 11]** In our next slide, we can see cash generation with the EBITDA and adjusted EBITDA concept. It was 12% higher than in the first quarter, comparing quarter over quarter. And we can see a margin

increase in the 90 days. And also here in the slide, we can see this level in 12 months of 31.2%, which is very different from the figures seen in the private healthcare system in Brazil.

**[Slide 12]** And then in the next slide, the financial income of the company. The company is a traditional cash generator. Our stock in 25 tends to be lower than the average for 24. But I'd like to remind you that in April, we paid dividends at 227 million BRLs. However, as we all know, the expected interest rate for 25 tends to be superior than what we had a year ago, which leads to a minor oscillation. We basically have the same level of financial income in the last 12 months, concluded in March, when compared to March 24.

**[Slide 13]** And moving on to net income, and I'd like to call your attention to recurring income. We did not have any non-recurring, but a year ago we did. And I would like to highlight 5 million in the first quarter of 24. Having said that, the annual growth rate of the company's income is 12% per year. And basically, it is the same growth percentage observed in 25.

**[Slide 14]** And now, CAPEX, basically investments in technology, represents a peak. It was a little lower in 24, but we expect this to go down to be lower quarter over quarter, so that we will conclude our major investments in technology, digital processes in the company, implementation of large systems, which were the highlights for the recent period, where the company basically invested threefold in technology from 2020, and now reaching a peak in 23, 24.

**[Slide 15]** Moving on to capital allocation, there are very interesting aspects here. The company has made eight results released. We had four in July on our own capital, and other four on dividends. And here, we can see the history from the first quarter of last year, where we now can see the maintenance of the distribution of 90% of the net income. And this is to give a little bit more visibility to all of us, and in our calendar, starting with the interest rates on capital, we can see that the company made statements in July, and in the earnings release every quarter, we inform about the respective dividends. And of course, in the fourth quarter, it's only natural that there is a recommendation for dividends, which is approved in the general meeting. This is an important message. I am talking about our practice of releases of the company, represented by the eight releases we make throughout the year.

**[Slide 16]** And now, moving on to recurring net income per share, which is very important. The level of growth on the light blue line above the slide shows the evolution year over year. Last year, we had

11% growth, when compared to the previous year, in the 12 months concluded, now in March 24. So, this accelerates and goes up to 16%, representing basically one BRL per share.

**[Slide 17]** And here, we can see our global shareholder structure and free float. And I would like to remind you that last month, in our annual general meeting, the company approves the cancellation of 6.7 million shares. The company then goes from a total capital, which is 552 million shares, and it's currently 545 million. The free float remains at 251 billion shares.

**[Slide 18]** I'm very happy to announce that we had confirmation in May. The company belongs to two very important indices in the Brazilian market. The sustainability index, called ISE. We have been a part of this index since May. We're also very proud to announce that we've been included in the dividend index starting May. And the company is very happy to be participating in these new very important indices in our local market.

**[Slide 19]** One last slide before we conclude. We have recently disseminated our sustainability report with our performance for 24, bidding the environmental and social areas, and even governance. And I invite you all to give a look at our report. These were our initial comments, and I would like to start the Q&A session. Thank you all very much.

#### **Q&A Session:**

##### **Gustavo Miele - Goldman Sachs**

Good morning, everyone. Thank you for the presentation. And I have two questions. The first one is, could you comment a little bit about the competitive environment you see in this segment of large corporate accounts? So, we had a little bit of erosion in lives when you look at the Bradesco channel. Should we understand this as a fiercer competitive environment, or whether there is any specific effect that you could perhaps share with us? This is my first question. The second one is we've seen some sequential improvements that have attracted our attention, but I'd like to know if we could separate the mixed effect with greater penetration of the Bradesco channel, or what is considered as better results contract by contract. So, these are the two aspects. Wonderful. Thank you all.

##### **Elsen Carvalho**

I will start by talking about the corporate sector and the second part about bad debt. Pacheco will talk about that. The competitive environment in the corporate sector is very fierce. It has a lot of

May 07th, 2025

penetration, and we estimate that the penetration is about 90% or even a little bit more. And for this reason, it is already a very competitive environment. But when you look at the result for lives in a very short period of life, such as half of the year, you're subject to volatility. So, if you have a large account coming in or leaving, then the data for the quarters show that. So, this is very specific. We had two large accounts leaving without having two accounts coming in in the same quarter, and therefore, I think that it would be more adequate to do it for a 12-month period. Where, in fact, you have two. So, you lose one account here, you win another there. But overall, you continue growing. And so, we have a very specific effect for the first quarter this year. But I don't see any trends. And the fact is that competition is just like it has been in all of the other quarters.

**José Roberto Pacheco**

Gustavo, good morning. I'm going to say a few words about bad debt. It is related to individual plans. Historically, in the past, it was very close to zero because the corporate sector was the prevailing one at the time. But with the growth of SMEs, we started recording bad debt, which was 4% to 5% of our revenue. It's been going down 3%, 3.5%, 3.2 % now, and it is 2.3 % annually. This is what we should keep in mind. We had an excellent quarter. And, in fact, bad debt was lower than the 12-month basis. But we have to be careful and understand that, in fact, the trend for the next years is to have a more efficient bad debt as a consequence of the competitive advantage and the credit risk that the bank channel has, specially Bradesco. And, therefore, this is a clear differential. The quality of the portfolio we're developing for SMEs and also for individual plans has a very attractive level of bad debt, which leads to margin increase, and it has been observed in the past years. The numbers for the first quarter really caused attention. It was excellent, but I would be more conservative. And use the 12-month period as a reference for the upcoming periods.

**Gustavo Miele - Goldman Sachs**

Excellent, Pacheco and Elsen. Thank you very much for your answer.

**Artur Alves - Morgan Stanley**

Good morning, Elsen and Pacheco. Congratulations on the results. I have two questions. The first one is about the per capita cost. I'm sorry. What has generated an increase in the use in your vision? And why does this growth differ so much between corporate and SME and individual? Is it only a result of banking products or are there any other reasons? The second question is if you think that there's an opportunity to balance cost using price. Also, for lives, I wanted to see a price adjustment. Thank you very much.

**José Roberto Pacheco**

Arthur, thank you very much. It was really very interesting. The cost standard is very similar for the three segments, but the sales price is not. Every company model has reimbursed according to the use of the benefit offered. And this is the main rule behind the pricing of corporate contracts. You will have noticed a positive adjustment in the past quarter with our tickets growing. This happened last year and happened again now in the first quarter of 25. And so, we are re-establishing our cost structure. The highest dental loss ratio is higher and suggests a higher ticket in the upcoming quarter. And so, the main corporate clients for large contracts will be reimbursing the company in the subsequent period, which we will see now. Corporate clients are the ones who know benefits the best. It's more predictable. They use it for an expected period of time and are already aware of the dynamics. When we move on to SMEs and individual plans, this reality changes and we have a different profile, different use. But the company over time has made educated readjustments, which are enough to keep differentiated profitability. I think we can expect readjustments aligned to the cost structure. And as a final piece of information, and we've commented on it before, if we look at a 10-year period for the company, our cost structure refers to a percentage of IPCA. And therefore, we have different differentials, technology, risk management, process quality, and a cost structure. For 10 years, it is more efficient, and the variation is lower than IPCA, leading to a differentiated condition, which enables us to have an average ticket, which has gone up because of the mixed effect and specific adjustments, which are enough to cover the cost structure segment by segment. Elsen, could you add, please?

**Elsen Carvalho**

I think Pacheco has covered the main aspects. In general, our sector as a whole, and more specifically, Odontoprev has a very balanced dental loss ratio. And so, we have a technical element where you may have to cover an unbalanced dental loss ratio with other sectors. But the way for you to work with the tickets better in the corporate sector, which is very competitive, we've already been selling contracts for SME. We're not only focusing on large accounts, but when we have large accounts, the results are easier to see in the short term. But if we have a constant average number of companies coming in, it gives us more power. And as Pacheco mentioned, the ticket of the company will increase, not only because of the readjustment, but also because of the mix, which is something we've been discussing with you in our earnings release conferences.

**Artur Alves - Morgan Stanley**

Thank you.

**Estela Estrano - JP Morgan**

Hello, everyone. Thank you for allowing me to ask a question. In the fourth quarter, the results are better. But in the first quarter, it was a little bit lower. And I would like you to explore this trend a little bit more. So, was there any effect of any adjustments, or is it a trend we can expect for the whole year? Thank you very much.

**José Roberto Pacheco**

Hi, Estela. Good morning. Your question was nice, because in the fourth quarter of last year, we just had an SG&A structure, which is higher than what we usually have. You can see important results. But I would say that this is an exception. In the first quarter of 25, and at the end of last year, let's start with the selling costs. There were specific reasons for us to conclude last year above our average. On the other hand, our commercial dynamics are a little bit slower, as it usually happens at the beginning of the year. So, they cannot be compared. And I would say that the trend for the midterm is for it to be higher than it was in the past. And why? Because both in the SME segment and individual plans, acquisition costs are historically higher than in the corporate sector. So, it's only natural that over time, we have higher expenses as the segment grows, where we have higher acquisition costs. But on the other hand, and now moving on to administrative expenses, and based on what we showed you for technology investments, which increased threefold, we have digital processes, robotization for all of the different areas of the company, we have obtained and will continue having very interesting gains over time, year after year in administrative expenses. These are two metrics with different histories, if we were to consider the midterm. In fact, this quarter made us very happy with the results observed. At the end of the day, it enabled us to increase our margin, leading us to one of the best levels we've ever had, if not even record levels.

**Estela Estrano - JP Morgan**

Well, thank you, Pacheco, it was very clear.

**Samuel Alves - BTG**

Good morning, Elsen, Pacheco, and everyone. We have two questions. The first is about growth. The first quarter was a low-season quarter for organic growth, and you commented about the two accounts that you lost. But what about for the year? Do you think that 2025 will be a year where you will grow above the industry? Can you gain share? I would just like to know what your growth expectation is for 2025. And then a second question related to results. It's not related to results, but since Elsen started working in the leadership of the company, you've been talking more about the

market. Could you talk to us about the rural market and the main focus in this area and how you could capture part of this market? This is what I wanted to ask you. Thank you very much.

**Elsen Carvalho**

Good morning, Samuel. Starting with the first question and talking about growth, we grew almost 40,000 lives in SME. So, whenever we talk about the company's growth, we have to talk about our strategy for non-corporate segments. It is an area where we have a lot of opportunities as opposed to the corporate sector. But the topic is not exactly about competition. This is a channel where our competitors are more used to working with a greater channel and they cannot reach all SMEs. And we have a possibility for the time being that our competitors cannot operate there and we use bank channels to distribute our products. So, there's less competition. It is a significant opportunity and we're working hard to accelerate this growth. We've had significant growth year over year in SME. And you can see that if we breakdown lives for the first quarter, corporate SME was stronger than in previous first quarters. It's a challenge, but our expectation is to further accelerate it. We see that we grow every year in the business sector, despite the fiercer competitive environment, as I had already mentioned, but we expect to have significant growth supported on our bank assurance strategy. And so, we will continue having robust growth with profitability because according to the nature of the segment, it makes sense that it will cost more. The mixed effect is beneficial for us. And so, the profitability of clients ends up being higher. So, we do have solid growth expectations. It's difficult and there's an important aspect here because we have almost 9 million lives. When we win large contracts with 30 or 40,000 lives or when we can increase an SME portfolio and we include that in percentage values, we depend on these large numbers and our growth would be smaller. But it's a challenge for us and the way to deal with it is to look for segments where we can grow faster. And SME is what we have been discussing with you. There is a dental market which is larger than the health plans market. In general, the market is higher than 8 billion, of which we have 2.3. So, it's only natural that we look at the dental market as a whole, which is a market of 37 billion and therefore there are 30 billion, we're not working with today. It's only natural that we look at that. We have studies and business models that have been tested but we do not have any results to show you. The only thing we can say is that the company is not only linked to its core business, which is dental even though it is our core business, but we are looking at other business models to work in dental outside health plans.

**Samuel Alves - BTG**

Thank you, Elsen. Good morning, everyone.



**Vinicius Figueiredo - Itaú BBA**

Good morning, everyone. Thank you for accepting my question. This is more of a follow-up but most of my questions have been answered. But regarding the corporate sector and the dental loss ratio and the fact that the cost by beneficiary increased a little bit in the first quarter, I would like to understand whether there was any specific reason for that and whether there was any specific effect for 24 or is it only something normal to adjust the frequency? I also wanted to explore something else. You commented about it before. When we look at the dental loss ratio and comparing it to our expectations, it was a little bit different from what we had but then SG&A had a positive impact. And so, I would like to ask you if you have any expectations for the year of 24, 2025, I'm sorry.

**José Roberto Pacheco**

Good morning, Vinicius. Two important aspects you're sharing to help us develop this topic a little bit. The dental loss ratio for the corporate sector is stable and in a 15-year period, it's very close to 50%, sometimes a little bit higher, a little bit lower. But what we have now is a normalization of frequency. Once again, corporate clients are very familiar with the dental benefits. They already have a very familiar frequency. The type of use is usually for lower risk procedures. And this is the reality of the business where the dental loss ratio has reached an adequate level, close to 50% on a recurring basis at an annual rate. I would also like to talk about the dental loss ratio for the other segments below 30%. I'm talking about SME and individuals. And this should be commented about. We do not have the level we would like it to be. We wanted it to be higher because if they use more, they see more value. This is an educational process that we should see in the Brazilian market, bringing in more individual clients in a market who is predominantly a corporate market. Also, we have the SG&A, the expenses, administrative expenses, and selling expenses. In the first quarter, both of them were exceptionally good and in fact, we expect, and as we commented on before, we will have a dilution of these expenses with efficiency gains in the processes and robots. They are all scattered and are being revisited in all of the company's areas. And this should bring in more efficient results over the next years. But it's the other way around for selling expenses. When we have smaller clients, it's higher than the corporate sector. So, this is the broad design regarding our main metrics that you mentioned in your question. Okay, thank you very much.

**Vinicius Figueiredo - Itaú BBA**

Excellent. Thank you, Pacheco.

**Ricardo Boiati - Banco Safra**

Good morning, Catarina, Pacheco, and Elsen. I have two questions. The first one is regarding cash allocation. But according to the market concept, we may be closer to the end of a cycle. So, does a company evaluate increasing pre-fixed investments in your portfolio or is the company happy with the current allocations of cash and financial allocation? So, this is the first question. And then we have a follow-up. Could you detail a little bit the triggers for the accelerations in SME and what is the potential you see for SME given the characteristics of the banking channel? According to your enthusiasm, it seems to be a very good segment for the company. It is notably the most profitable. And are you happy with the potential growth? So how do you see this portfolio in five years, for example? And what are the triggers to accelerate? Would it make sense to increase commissioning, to consolidate this portfolio faster? When we look at the company's ROE, the level is very high. It seems to make sense because you have a little bit of trade-off in ROE so that you can grow faster, take into account that you can keep satisfactory spread equity. So, I wanted to hear from you what your views are because this segment seems to be more attractive analyzing your results.

**José Roberto Pacheco**

Good comments, Ricardo. I will start with the cash and the financial portfolio. The company has approximately 1 billion in cash. This cash has a very conservative management with two important components. Perhaps we could talk a little bit about today or March 31st, three-fourths of the cash is related to long-term government bonds, and the liquidity of the company is available for day-to-day payments. But you can see that in the long-term portfolio in the IPCA index, which is very interesting for us because most of the company's contracts have a direct or indirect link with IPCA. Contracts that are negotiated, the cost structure of the company and therefore this is our favorite index at our business and that leads to a natural positive spread where companies seize in long-term credit and here in Brazil, we are above the IPCA and this is the favorite aspect for the company. We dedicate a significant part of our long-term resources, 100 % in government bonds, which generates zero volatility quarter over quarter, and this is one of the fundamentals of our strategy aiming at the long-term. And I will turn over to Elsen regarding SMEs. So that he can share the enthusiasm you mentioned in your question, Ricardo. In fact, the market is, the SME segment is higher than corporate, and we are very optimistic about the future.

**Elsen Carvalho**

Good morning, Ricardo. I will give one step back and tell you a quick story. We changed the company's SME strategy in 2020 as the first year from January to December, the first year with a complete

calendar was 2021. What we observed at the time was that the company's SME portfolio, the average size of the companies was very small, and we identified that our sales were concentrated in small SMEs, which gave us an opportunity to sell to larger companies. Those of us who have good fundamentals when we look at employment and GDP, SME is a very important segment in terms of revenue, GDP, employment. So, we looked at a portfolio with a very small, medium size. We saw that there was an opportunity for larger companies. We started dealing with companies in a different way, different company sizes with different approaches and we trained our sales force, gave incentives, and had campaigns to direct sales to larger companies in the SME segment, notably greater than 30 lives. But we have different tiers, one, two, three. So, what were we testing with this strategy? If we lose to larger companies, the larger the company, the more similar this company would behave as a corporate sector company. Also, in terms of churn, it would be more similar to the corporate sector. So, these are the strategies we tested. And before that, the growth in the number of lives, was 30 to 40,000 per year. But after this strategy, we've been growing at a rate of 150,000 lives per year. And so, we already have a strategy that is working with accelerated growth when compared to the past. And the challenges were the usual ones based on levels which are already high, at levels that are even higher. What do we see in terms of opportunities? The segment as a whole, there is a challenge where the banking channel is not only ours, it distributes different products and we can occupy a space in the channel. But we understand that this is an opportunity that will help us have increased sales and if you follow the changes that are happening in banking, they use a run and change expression. We will have a redesign in that structure and a specific statement where the bank does that, but we are redesigning our structure, redesigning our sales structure so that we can fit in this redesign structure of the bank and therefore with a higher potential. So, a segment with a penetration below what it could reach and a redesign where we can further accelerate our sales and growth. These sales have a snowball effect as they accumulate, it's already working, and our challenge now is to further accelerate their growth. We are very optimistic about what I've just told you now.

**Ricardo Boyatti - Banco Safra**

Excellent, thank you Elsen and Pacheco.

**Raphael Elage - XP**

Good morning. Thank you for taking our questions. Most of my questions were asked, but I wanted to ask you two specific aspects regarding the first quarter this year. We saw a higher use in the corporate vertical, and I wanted to understand if this higher use, this higher dental loss ratio could have opposite results keeping in mind that most of these procedures have already been anticipated. The second

question is about CAPEX. Looking ahead, you anticipate that we will have lower investment in technology, but I wanted to understand what levels we should expect and in how much time it should converge. Thank you very much.

**José Roberto Pacheco**

Good morning, Rafael. I will start with CAPEX. In 23, we had a peak with about 95 million BRLs. This level was maintained nominally, and this is what we see in the last 12-month period concluded in March. It will be maintained gradually. It will go down in 25, but definitely in 26. So, we could have 10 million lower than it was in 24 and 25 will be a transition year. The projects have been concluded, the large project lines, but of course the company is always pursuing technological progress and advancement in different lines. But in general, CAPEX and BRL stands to be lower year after year. And this is the first part of your question about CAPEX. For corporate, once again, it is welcome and cannot be predicted. So, this level of 50% is historical. There's nothing new and we should not expect anything very different for 25. Quite the other way around. The cost structure is below IPCA, resulting from gains in technological auditing and technical auditing with over 25,000 procedures per day. And we are being more efficient in understanding the behavioral risk of the beneficiaries. And so, we have a predictability and visibility of dental loss ratio in corporate that is really very good. And we can price our contracts where perhaps no other company in the market can do the same.

**Raphael Elage - XP**

Thank you very much. That was very clear. Have a good day.

**Gustavo Tiseo - Bank of America**

Good morning, everyone. Thank you for taking my question. I would like to explore the SME. And you said it very well. 23 had good results, 24 was a bit lower and it accelerates again in 25. You've already said that it has to do with an alignment between the bank and you. But is there anything that has changed? Like from now on, we're better aligned and this will continue. So, do you think that most beneficiaries come from SME? And the second question, our results had an impact of bad debt and IBNR with a reversion that is higher than historic levels. I wanted to understand if this IBNR reversal was very specific or whether it is structural in what we can expect from now on. These are my two questions. Thank you very much.

**Elsen Carvalho**

Good morning, Gustavo. Was there any specific change in the bank's commitment with us? What has changed and what can be considered as things that will enable us to have growth higher than what we have? It's not a formal change. The engagement with the channel is already there and it's been demonstrated. But there's a series of initiatives that we have to increase the potential of our sales today. So, we have made improvements in sales journeys, simplification of processes to make our non-corporate segments more flexible. And we have campaigns, product adjustment. And what I just mentioned is very important. The bank has clearly informed in its strategic review, a focus on SME and our structure focusing on clients and also our sales structure, which is very closely related to the bank structures. Once the bank is even more focused on this segment and we can get our sales team redesigned and fitted in this structure, we can see an even higher sales potential. Of course, there are challenges involved, but I understand that this enables us to have even better results. And this is why we're so optimistic about this line of growth of the company. And I'm talking about this because this is an underpenetrated segment. This keeps us optimistic about the company's SME growth.

**José Roberto Pacheco**

Yes, in fact, this is a very addressable market. This is a disruptive movement of the company being delivered in the past year and does deserve a closer look. Now, talking about the provisions, we've already commented a little bit about bad debt. The company's bad debt is lower today than it was years ago. And then there's a very interesting link with Elsen's previous comment. We have risk credit that we would never have with the banking channel. It provides an advantage where we understand that small clients and the individuals or the individual plans are extremely important for the success of the strategy. And this is what we've seen in recent years. Gustavo, you also talked about IBNR. IBNR is about service costs in the future. There is potential to improve it since the company has levels that are below what we had in the past. We look at levels of 44%. But in the last six years, we've been stable at approximately 40%. IBNR is a result of that. We had a minor reversal, and it does not exclude the possibility of having better results in the future.

**Gustavo Tiseo - Bank of America**

Thank you, Elsen and Pacheco.

**Caio Moscardini - Santander**

Hello, everyone. Good morning. I wanted to better understand the dynamics of individual clients and the results year over year. I wanted to understand if this has to do with a better mix. And when we

look at the cost, the nominal cost, we see that it went down 18% in the first quarter. And I wanted to understand what are the initiatives you've taken to try to increase the use of this product and show its true value to beneficiaries and how long it takes for it to happen. With these very low levels and how long it would take for it to converge to 5%, 30%.

#### **José Roberto Pacheco**

Caio, good morning. I will start with a comment on individual plans. In fact, consumers as opposed to corporate clients, be it a large one or a small client, consumers' behavior must be understood. There is more risk. They can cancel contracts. There is a risk of default. And so, the price of individual plans is twofold of business plans in average. Odontoprev has 1 million individual clients who are divided into two main blocks. A more traditional block with a distribution using retailers. And then we have banking channels. The sales prices are different. The acquisition costs are different. And consequently, the use is also different because of the pricing. We can say that the profitability we've seen individual plans is higher, almost twofold. And this has been one of the company's characteristics in the past years. This is a very difficult segment in Brazil. And in fact, this portfolio is smaller than it was in previous years. But we've been analyzing how we can reach and educate such an important market, which would be B2C for consumption. A new opportunity for dental plans in the midterm. The company should be looking at higher dental loss ratios, closer to 30%. And this goal, and we've had questions about it. Our concern with the corporate sector is zero. However, we have a concern with those who are not familiar with our plans. And it takes years. It's an educational process, which should bring about more attraction to be translated into dental loss ratio. Not 20%. It doesn't make a lot of sense. It should be closer to 25, 30%. Would you like to comment, Elsen?

#### **Elsen Carvalho**

That is what I wanted to say. Well, these are the aspects I would have commented on. And we always start this presentation with the two graphs that show growth in health and then dental. And for that segment, if you break it down to analyze what is corporate and what is individual, we can see that we grow more for companies. But for the individual client, we still have some challenge ahead of us. Something that should be further developed over time. But even so, we have 1 million lives in this segment. And 1 million lives is more than a lot of our competitors have.

#### **Caio Moscardini - Santander**

Well, excellent. Thank you very much.