

Conference Call Transcript
3Q25 Results
Quali (QUAL3 BZ)
November 14, 2025



Operator:

Good morning, ladies and gentlemen, and thank you for holding. Welcome to Qualicorp's 3Q25 earnings webcast. Joining us today are Mr. Mauricio Lopes, CEO; Mr. Eder Grande, CFO and IRO; and Mr. Eduardo Garcia, Head of Investor Relations.

Certain statements in this webcast may be projections or statements about future expectations. Forward-looking statements are subject to known and unknown risks and uncertainties that may cause these expectations not to materialize or to be substantially different from what was anticipated.

Please note that this event is being broadcast simultaneously over the Internet and can be accessed at ri.qualicorp.com.br, where the corresponding presentation is available.

We also inform you that this event will be recorded. Participants will listen to the webcast during the Company's presentation, after which we will begin the Q&A session. Further instructions will be provided.

Now I would like to turn the call over to Mr. Mauricio Lopes, who will begin the presentation. Mr. Mauricio, please go ahead.

Mauricio Lopes:

Good morning, everyone. It's a great pleasure to be with you this Friday in our 3Q25 earnings webcast. I would like to thank our investors, partners, employees and all the market partners with whom we have a great relationship.

The best way to summarize our 3Q results is consistency. The Company has been consistently working with the same business model, just like we did in the last two years. So this quarter is quite consistent with the turnaround journey that we started two years ago. Our focus is on cash generation. We have been generating R\$2 million in free cash flow. We are also adjusting our product portfolio and our distribution model, either with partner operators in the distribution channel or other channels.

So we had the lowest net portfolio loss since 2021. This is a common quarter with high churn where we apply the adjustments of June, July and August. So we usually have a higher churn in 3Q, but we did not. And since we have a more comprehensive product portfolio with more options to customers, and if we have the capacity with our retention team to offer these products in an accurate and diligent way for customers that want to change their plan, we can reduce churn. And this is what we have been seeing quarter after quarter, a reduction of our churn rate compared to the previous quarters.

As a consequence of this, we have a similar sales movement to last quarters and increased retention. So our net revenue grew by 4.3% quarter-on-quarter, adding up to R\$372 million, a revenue growth that we had not seen in a while. As a consequence, we have not only free cash generation, but also increased sales. This led to an adjusted net income of R\$19.7 million, up 8.8% quarter-on-quarter.

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We have been talking about this strategy in recent quarters. We have been very transparent with everyone. And we have also completed the eighth debenture issue worth R\$400 million aimed to improve our capital structure. We are at a very comfortable position right now, considering all of our commitments and obligations until the beginning of 2027. So we feel very comfortable right now.

Additionally, we continue obsessed with going back to our core business. We firmly believe that we need to reduce complexity at this Company, and this is possible. And we still have a lot of room to do this.

So, as subsequent events, we have the transfer of the corporate portfolio with ANS. So retail and corporate channels were transferred, and we also divested Gama. And these are aimed at reducing our operational capacity so that we can focus on our core business where we have good cash generation and revenue growth potential as well as EBITDA generation potential.

Now I would like to turn the floor over to Eder for him to detail our financial performance. But just to summarize, we are talking about consistency, focusing on reducing complexity and improving our operational efficiency, focusing on our core business. This is what we see. Another important highlight that I would like to mention is that we do not measure our Company by the number of lives or the number of products.

But this year, we were able to launch 340 new products in our portfolio. This is an all-time record. Not all products are products that found a good market position, but these are products that have been meeting the demands of some types of customers.

And it's important to have a comprehensive portfolio so that in micro or macro regions, we have sales or retention options for customers. So, of those 138 last year, so a threefold growth that shows our technical capacity to launch new and more sustainable products for sales and retention of customers.

Now I turn the floor over to Eder to give you details about our financial performance. Thank you all.

Eder Grande:

Thank you, Mauricio. Thank you, everyone. Our operational performance. We had a mild loss of lives in this quarter. Net adds, 44,000 lives, a bit above 2Q. But the 3Q is usually more complicated because of the readjustments.

Churn was a positive highlight at 10.3%, the best in for 3Q in the last five years. As Mauricio said in his opening remarks, the churn rate is quite relevant to us, and this is in line with our strategy.

We now have more moderate readjustments and good negotiations with operators for the launch of products. And with more competitive products, we have better sales, of course, and we can also have a better retention process. This retention process is translated into these churn rates that have been improving quarter after quarter.

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When it comes to revenue, we grew 4.3% quarter-on-quarter, the first growth in the last two years, so we should be celebrating. Fixed expenses are above last quarter because we have been spending it with consultancies and attorneys, but it was actually R\$7 million lower than last year 3Q. And we have judicial claims throughout the industry, as you all know, and that's what led to these higher fixed expenses.

Still talking about judicial lawsuits, although the number of lawsuits is still high, the volume of new lawsuits is reducing quarter after quarter. So if this trend continues, we can expect that at a certain point in 2026, we can see reduced expenses. We still expect high expenses related to judicial claims, but at a certain point in time, we expect this curve to slow down.

When it comes to CAC, our cash CAC is at 10% of the revenue. above last quarters, but still at a very controlled level. So this is an acceptable level. It's under control, and we want to highlight that the CAC investment is done on a case-by-case basis. We consider the product margin, the region, the availability of products in that region and other factors.

So it's not just random investment here. This is well thought of and measured. So we do take a detailed approach to make these CAC investments, and this is at a very acceptable level. EBITDA minus CAC is at 28.7%, greater pressure compared to previous quarter, but still healthy and enough for our next moves.

When it comes to cash generation, we have another quarter of strong cash generation, R\$102 million. We reduced our net debt by around R\$50 million. And this cash does not contemplate the proceeds coming from the sales of the corporate portfolio, which is worth a bit over R\$50 million that you will be able to see in our cash in 4Q.

With the fundraising that we announced, we have now a very comfortable capital structure for 2026. We are not going to have major challenges related to this, but we are already talking about the schedule for 2027 and 2028.

And that's all. I would like to wrap up now and open for questions. Liara, can you please open for questions?

Renan Prata, Citi:

Good morning. Thank you for taking my questions. I have two questions. The first, I think Mauricio said well that the number of new products that you launched was quite high, but I would like to understand, based on ANS data, we see a general improvement in operators' indexes. So I would like to understand what the conversations are like in the industry. Do you see more appetite from operators to grow? We know that when the insurance business is doing well, operators try to pass through prices so that they can grow. So what is this environment like right now? I just wanted you to give us some more color on this.

Eder talked about CAC, which is well controlled, but we see a significant growth in CAC this quarter. So can you tell us about the future expectations of CAC per life? Thank you.

Mauricio Lopes:

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Renan, thank you for your questions. I will answer the first, and then Eder can answer the second. About products, actually, last year and this year, we went to the market to try and collect a large number of products, exclusive products mainly, and we got many of them.

Exclusivity is quite interesting for operators because that's when we can control sales quality more effectively. You burn less CAC, although we have to buy the exclusivity, you burn less CAC during the distribution and you have greater visibility about where you can grow because you can look at the municipality, the state, the products that sell the most or not and where they have more sustainability, lower readjustments, and so we can redirect the distribution channel to those locations. So we continue focused on having a comprehensive product portfolio, and we keep on talking to the main operators to find the best selling terms.

When we talk about negotiating with operators, and then we can move on to your second question about the environment, we have seen an increment of eligibility and a continuous pricing adjustment for the affinity products.

This is not an isolated movement. We see retail reducing prices very quickly, focused on some regions. So, in certain regions, the market is a bit more competitive, others not so much. In the affinity block, we are confident that our pricing is accurate, and we will have lower readjustments in the coming cycles as a result.

I am quite repetitive when I talk about this, but if you have the right product at the right price with the right subscription process, you can have lower readjustments, lower mitigation costs, cash generation and deleveraging.

So this is where our focus is. The SME market is at lower prices than we expected for certain operations, and so this should lead to some detachment of the flywheel from the affinity to the SME portfolio. But for the affinity portfolio, we are very aware of what we are doing and quite aligned with this long-term sustainable model.

This is a cycle. Operators see greater profitability and they decrease prices. The readjustments are affected and the prices go up. So it's like a seesaw, and this is happening more in SME than in the affinity portfolio.

Eder, would you like to talk about CAC?

Eder Grande:

Sure. Thank you for your question. Internally, we do not measure CAC in relation to revenue. We define the CAC investment based on the opportunities. We assess the potential for return and all of the variables are considered depending on the region, product margin and so on and so forth. So it's hard to estimate if the percentage of CAC over revenue will increase. CAC over measure is not a metric that we track.

Of course, we do define how much we are going to invest. We have our thresholds of what is acceptable or not, but we are always trying to identify opportunities. If that's a good opportunity, if the math makes sense, if the P&P looks good, then we make the investments, and we may invest more or less depending on the quarter. But this is definitely not a metric that we track,

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CAC over revenue. So this can vary from one quarter to another. If it's below or above the previous quarter, this is not something that we worry about.

What we worry about is the profitability of the investment. So we weekly assess this rate, and we have a COMEX meeting with a dedicated team. So we can tell you that this is a very diligent investment that we make. We are very careful with our capital allocation, always aiming to bring returns to the Company.

Ricardo Boiati, Safra:

Good morning. My question is about what you expect for the Affinity portfolio, your core business. With this level of churn that we see that has been consistently improving since the new management took over and you accelerated CAC after careful consideration, so that you can resume stronger sales levels. So looking ahead, can we see signs of this portfolio stabilizing or even showing some signs of short-term growth? Or is there still work to be done to resume growth in the Affinity portfolio? So this is my first question.

My second question is about the acceptance process. This has been a historical problem at Qualicorp, with a very large entry gateway. But this process evolved quite a lot, and you are now a reference in the industry. So my question is, what makes you confident that this process is now on track, so that you can resume investments to go back to a healthy growth level? Mauricio and Eder gave us some insights about the process and how it's running smoothly, which is key for the flywheel to spin correctly. So can you recap what the improvements were because you have reached an acceptance of excellence? And how has this been seen by the operators? Are they going back to selling specific products? Have they resumed sales of specific products? That's my question. Thank you very much.

Mauricio Lopes:

Good morning, Boiati. Thank you for your question. When we are going to have portfolio stabilization or growth, we do not know. That's the million-dollar question. What I can give you are indicators. We are more worried about revenue than lives, as we said earlier, but the portfolio has shown a good convergence to stabilization. So we are moving towards stabilization.

Of course, we can have some hiccups, some ups and downs. If we can convert a portfolio or contract cancellation, we can see some fluctuation of these numbers. But we are very much focused on the organic part of this.

SME has had very competitive prices. SME has dynamic rates. We have daily movements of the prices here. But for the Affinity portfolio, prices are more stable. The prices are valid for a certain window of time. So we are always looking at these price fluctuations, and therefore, we can have some mismatch of time between the prices and the sales timing. But when we have lower prices in SME, then we have to tell that to the market. And when the prices go up, we can negotiate temporary promotions to improve prices here.

But I think that we are doing this much better now. We are communicating better with operators, and we can now make these changes in the system more swiftly. So I would say we are on the right track. And yes, I expect to be able to reach growth in the coming quarters. I am quite confident we are on the right track.

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Internally, I think that we have changed everything we needed to change to focus on the drivers that can bring sustainability. So acceptance is very well calibrated. I would say these are the best products we have seen in the Company across the board. It's not for one operator or another. I think there would be no operator saying that we are not at a good wave, and this improves our stock.

Every month, we help reduce MLR. And we have been making just 1-digit readjustments now, which is something we had not seen in a very long time for large operators. So I think things are going well. They are running smoothly, and I do not see a lot of adjustments to be made in the flywheel. But we can make adjustments to improve productivity with automation tools, AI tools and others, the potential is huge. So we are already evolving in this. We went from almost 3,000 employees to 1,300 employees approximately, but there is a lot of room to improve this without decreasing the service level.

So the focus here is on communicating to operators about better pricing frameworks. And when we are more competitive, we need to communicate that to the market. And if we are not that competitive, we have to think about replacement products and then also work on improving productivity since we already have the foundations in place. We have worked on changing our foundations for two years now and communicating that to our partners, and this is now behind us.

Felipe Amancio, Itaú BBA:

Good morning. I have two questions here on my side. The first is about contingencies. You mentioned in your presentation that you expect the digitalization scenario to be more profitable in 2026. So can you tell us about the KPIs or the trends that you have seen that make you feel confident that this digitalization scenario will be thriving in 2026?

And now my second question is about expenses. We saw a drop in your SG&A level this quarter, and you said that you can still improve productivity. So what is the size of this opportunity to reduce expenses from now on? I want to understand where the Company can get when it comes to this line.

Eder Grande:

Thank you for your question, Felipe. When it comes to lawsuits, it's hard to say when the expenses will start to go down. But the main indicator we have is that the volume of new lawsuits has been decreasing quarter after quarter.

So, as I said earlier, although the stock, or the backlog is high, we are at a historical peak, and the volume of new lawsuits is still relevant. It's been reducing quarter after quarter. It's already much lower than it was in early 2025. So we believe that these expenses with judicial claims will start to stabilize and go down.

And this takes some time because when a lawsuit is filed, we will have to spend proceeds with it in three to six months. But this is a good indicator to show us that these numbers should stabilize and then reduce.

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Mauricio Lopes:

Let me just add something here, Felipe. I think that's a great question. If we think from the corporate perspective and from the systemic perspective, from the systemic perspective, this is the country situation. The volume of lawsuits in health care has never been so high. This is not happening only to Qualicorp or to our products or to São Paulo or Bahia or Rio Grande do Sul. This is just another systems-wide issue that the judiciary has been discussing in depth;

Either with the Superior Court or the lower courts, at the federal and state levels, they have been looking at this in detail, and we are all trying to find a way to get out of this major chaos that has been created. And we are talking about 80 million lawsuits, give or take, in the market as a whole. So the numbers are huge.

But the question that should be asked here is, given we have a systems-wide problem, how have you entrepreneurs been dealing with this? So what we have been doing is to have a customer service department that explains to customers what their right is and how we can make sure that they have the right coverage and to work with the operator they chose in the best possible way. And therefore, we can reduce judicialization. We had a set of operators that in 2024 had a lot of cancellations. This left a legacy of lawsuits. But more than that, it's clear that when you do this kind of procedure in retail portfolios, you do not reduce the financial loss of the Company.

So this is the worst possible decision you can make. You are challenged when it comes to your behavior and the operator does not achieve the right profitability level and operators now understand that. Corporate, SME, Affinity, does not matter. the unilateral decisions are not a good choice. So I think that this is now clear, and we are not going to see that happening again like it happened in 2024.

So we are still dealing with the consequences, but we do not expect this to happen again in the future. But this is systems-wide. This is not happening to us only. And for us, this is related to what happened in 2024. But we believe this is now behind us. We have all understood that, that was the wrong choice, but we have to live with the judicial cycle of Brazilian justice with cycles and times that do not depend on us. But this is all related to this market learning curve.

About SG&A and G&A, in sales, we are growing CAC more and more, as you saw, but this is focused on the long run. We are not going to compensate the commercial channel unlike the other sectors of this industry that pay too much to brokers. We have to focus on long-run CAC. So we compensate the 13th month and the 15th month and so on and so forth. So we do not pay a lot right when the contract is sold.

And when it comes to G&A, we have a lot of room for changes, but we are still testing the waters. Any diligent company in this country should be obsessed in reducing G&A. And this is what we have been doing, and we are going to show you our ability to work on these drivers. When exactly, we do not know. And we could not give guidance even if we knew them.

But we are working hard to automate the Company and not only in RTA, but changing the internal complexity, internal process review and others. This is about RTA and AI. We have agents to provide support to sales and retention consultants, and we are going to launch new SDRs in the coming months. If this does not reduce G&A, at least conversion will go up.

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Gustavo Miele, Goldman Sachs:

Good morning. Thank you for your presentation. I also have two questions here on my side. The first is more strategic. I am sorry if I am being repetitive, but I think that this is one of the main pillars of your thesis. This competition between affinity and SME products in operator shelves. Mauricio has been saying for some time now that SME products are at a more aggressive price level, considering the risk profile they have compared to affinity products. So how have your dialogues with new operators been evolving in the last 12 months, especially when it comes to repricing affinity products with more conservative prices or giving more traction to the affinity products in their shelves? What have operators been telling you about this? What's their feedback? That's an interesting point for us to understand net adds for 2026.

In the regulatory environment, I would like to understand your PDD anchoring without giving any guidance, I just want to understand which forces can help or hinder this line. Standard 593 can probably created some burden over PDD. But I would like to understand how you have been dealing with this regulatory environment. Thank you very much.

Mauricio Lopes:

Starting with PDD, it's an effect of churn. With 593, 617, it does not matter. This is all a consequence of churn. So our focus is on reducing churn. If we can reduce churn, we will automatically reduce PDD.

And this has been our focus. With many products in the portfolio, it's a challenge for the retention team to offer the best product to customers. So, Vinicius, asked about G&A. And like I said, we have been working to use AI to find the best offer to our customer.

And that's key for us with, because with many products in our portfolio, our consultants get a bit lost in the number of products they have to offer. And therefore, the adherence is not that good. And we have region, product and entity. And we have to look at all three things to better allocate customers in the portfolio.

Unlike SME, here, we have to look at these three factors, so not only region and product. But we have been working hard on this. Our collection companies have changed in the last four to five months. And we have been seeing a better return from the collection companies, but we have to work on the root cause, which is related to the flywheel. And this is where we should focus our energy.

About this dualism, I am quite vocal, as you know, but these products with one, two, three, four, five lives should not be in SME. These products should be part of the affinity portfolio. That's the only place they can fit well when it comes to the risk profile. Many HMOs got poor results in the past, but they found an alternative solution to use different alternatives. And now when we have a new wave of products and we focus more on the long term, the HMOs are asking whether they should go back and offer better pricing terms. But this is a daily conversation we have with operators, whether they should focus more on affinity or SME. And the number of new launches shows that the discourse is good, but more than the discourse, the data is good.

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So they are coming, testing the temperature of the water with their toes first and then the whole food, but we have to be patient and resilient and shareholders are very comfortable at us showing this resilience and this patience and sharing data, in fact to operators.

SME from 1 to 29 brings nonhomogeneous risk to the same portfolio, which is unsustainable in the long run. We see SME increasing readjustments year after year. And when we talk to the operators, an SME with MLRs that used to be very low now have MLRs that are similar to more mature portfolios that require readjustments.

The Affinity product can deal with that much better. That's the right place to have this type of customer. And I am very confident that we will be able to convey this message clearly and throughout time. This requires time and patience, but we do have time and patience in our Board and among our shareholders.

Gustavo Tiseo, Bank of America:

I have two questions here on my side. You have talked a bit about one of them, but I would like to talk about growth. You have many new products in your portfolio, but I would like to understand the growth cycle of those products. When you get exclusivity in a new product, how long does it take for you to get traction? And can we explore gross adds? How much of the gross adds come from these new products in recent years? I just want to understand if the traction is going up and if we can expect continuous growth.

My second question is about contingency. Mauricio talked about the structural problem related to lawsuits. But when we look at affinity, yes, we see lawsuits because of the unilateral cancellations that happened last year. But is this still growing because maybe the affinity sector is working with adverse cancellations or something a bit more active, or not, that was just the impact of 2024 that will be carried for some years? Or, if you say, 90% of the impact came from 2024, but this is going to be reduced from now on because the level is much lower? I just want to understand the contingency structure there. Thank you.

Mauricio Lopes:

Thank you, Tiseo. Let me try and answer your question. Starting with the first one, about new products, we launched too many products at the same time and this led to a burden in our communication structure. The volume of posts and investments is huge, but we understood that this had to be regionalized and divided by products.

So now we are discussing whether we should segment our commercial teams by product or not. Our Commercial Director says that we need to have someone who would trade their lives for a product and not for a portfolio. And with smaller products being launched, living with traditional products, it's much easier to sell traditional products than new ones.

So we need to segment our sales team, or our marketing team as well, either with a regional trade or a category trade, a product and category trade like top intermediate and so on. And we have been working hard to reduce the average time of product traction.

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We launched with exclusivity an operator in Rio focused on lower tickets and vertical products. And in a very short period of time, this product had huge sales. And then we doubled the volume of sales it had when it had seven to eight admins working in parallel.

In other locations, we launched products with great pricing terms, but the location did not embrace the products quickly. So we are trying to fix the wheel there. So there is a mix of different reactions there.

But for the traditional products with large operations, they have been gaining a lot of traction in recent months, a lot of traction, especially in certain locations where the operators wanted to expand their footprint. Rio de Janeiro has been showing growth and São Paulo as well. But in others such as Bahia and Pernambuco, we see greater strength in new products because traditional operators fear going into those locations with a very high level of lawsuits and portfolio swap. So there is a mix of reactions here, and we have a homework to do here to accelerate traction after launching a portfolio.

We are launching even more products now in December, and we are learning a lot. But this is all location-dependent, and it all depends also on the competitors' products. Let me give you an example. We launched with exclusivity an operator with a good sales profile in São Paulo and a good sales profile in the South of Brazil. But they have an individual product that is very competitive at the same time. So it's no use making a lot of marketing investments in a short period of time, if we do not find a balance point when it comes to pricing. So we are talking to the operator and saying, well, if you want to continue with your individual product in this location, let's work with the affinity product elsewhere so that one will not cannibalize the other.

When it comes to lawsuits or judicialization, when we look at the demand, we have two major blocks. One is called readjustment and cancellations and the other one is called coverage. The coverage part is not related to the HMO, but to the operator, if the operator has a longer grace period more than it should or not, this is something that only the operator should be managing. So what we are trying to do is to clarify with the judicial branch, what is the responsibility of whom and also helping the customer in this interface with the coverage.

We are saying, "hey, operator, the customer has a right to get this coverage. Can you please help us out?" So we are helping with this interface. Although it's not our responsibility, and we cannot solve the issue ourselves. That was one part. So that accounts for about 20% of the total demand. The other 80% is in the readjustments and cancellation block. Cancellations happened back in 2024. and this is now behind us. We have been dealing with this for 1.5 years now. And now in contingencies, the Company is still feeling the shock waves of the cancellations that happened in 2024. This is the Brazilian judiciary cycle. You filed the lawsuit. You have the notification, the first defense and so on and so forth.

So this is the cycle, and we are still feeling the consequences of what happened in May, June, July and August 2024, so almost 18 months ago. But now it's over. We have virtually no cancellations now, very rarely only. And if it does, it's just an operator saying, "well, I only have 100 lives left. I cannot keep this contract. Please find a solution to take this customer elsewhere because we are going to have to cancel this contract".

And the readjustments, as they go down, new lawsuits also go down. But we do have a backlog because we had high readjustments in 2023 and 2024. So now I think that we have reached a [More choices for you.](#)

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maturity of lawsuits, but no new lawsuits. But this maturity depends on the judiciary base. And we have our provisioning validated with our external consultancy firms and our auditors, EY, that validate our provisioning methodology for lawsuits.

Operator:

This concludes the Q&A session. Now I would like to give the floor to Mr. Mauricio Lopes for his final remarks.

Mauricio Lopes:

Just very briefly, just like I said in previous quarters, I know I am being repetitive, but our Company is still undergoing this turnaround process, and we will continue to do that. We have pressure on human resources, on hiring contractors or other third-party services. We will continue with G&A reduction. This is what needs to be done as we reduce the Company's leverage and while we can find market fit. This has not changed, and it will not change until we feel comfortable to start a new phase.

The focus this year and in coming years is to go deeper into this process and into our sales structure. We are very confident about our flywheel. We will continue focusing on this. We have almost R\$800 million in cash flow here, and we feel very comfortable not to burn this cash in the incorrect places. We are going to burn this cash with the right product, right customer and right location.

This LTV discussion or average customer permanence, it's a daily discussion we have. We have a team working on this every day. This is something separate from the commercial area. But these are discussions that need to be held. And if we are consistent, our flywheel will run smoothly with the right product, right price, right subscription. This will lead to low readjustments, low churn and deleveraging. So we will continue working on that.

And although it might seem frustrating, we do not have portfolio growth, but we are not worried about this. We are worried about generating cash, deleveraging the Company and having a sustainable model. So this is a repetition game with memory. If we keep on playing this game for many quarters in a row, this will be a very long-lasting business.

So, thank you all for joining our call. We will keep on working hard like we did in the past. Thank you all very much. I want to thank all the colleagues and our partners, operators and all the investors for your trust. Thank you again.

Operator:

Thank you all for joining. The 3Q25 earnings call of Qualicorp is now closed. Thank you.

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