Quálitas 3Q26 Earnings Call Script

JORGE PEREZ

Good morning and thank you for joining Quálitas' third quarter and nine-month 2026 earnings call. I'm Jorge Perez, Quálitas IRO.

Joining me today are Bernardo Risoul, our CEO, as well as our CFO, Roberto Araujo.

As a reminder, please note that information discussed on today's call may include forward-looking statements; these statements are based on management's current expectations and are subject to many risks and uncertainties that could cause actual events and results to differ materially from those discussed during today's call. Quálitas undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

With that, I'll now turn the call over to Bernardo, our CEO, for his remarks.

BERNARDO RISOUL

Thank you, Jorge, and good morning, everyone. It is great to be with you all again.

Let me start by saying that we are very pleased with our third-quarter performance. As we approach the final stretch of the year, these results reinforce our confidence in the strategy we have been executing throughout 2026, demonstrating the resilience of our business model and our ability to deliver profitable growth, even in a challenging environment. More importantly, they keep us firmly on track to achieve our full-year objectives.

Turning to our performance, written premiums grew 7.7% for the first nine months of the year, in line with our expectations and ahead of the market. More importantly, this growth came with healthy underwriting profitability and a well-controlled loss ratio, reflecting the continued benefits of the initiatives we have been implementing throughout the year.

Equally encouraging, we reached a new all-time high in insured units, surpassing 6.2 million vehicles during the quarter. This milestone is particularly meaningful given the persistently aggressive pricing environment, market volatility, and subdued economic growth in Mexico. It demonstrates our ability to continue expanding our insured vehicle base while remaining committed to disciplined underwriting and sustainable profitability.

In terms of market environment, several competitors continue to prioritize volume gains through price, even as the industry faces higher claims costs. So far, we have seen no meaningful signs of a shift in these competitive dynamics and we expect them to remain for the balance of the year. Taking the right decisions for the long term continues to be our compass, we will continue to focus on overall value proposition and reinforcing the importance of maintaining a disciplined and selective commercial approach. When it comes to pricing, our philosophy remains unchanged: we will be aggressive, but not irresponsible.

It is also important to remember that our industry is cyclical. We have navigated similar competitive environments in the past, and we understand that market dynamics will eventually evolve. While we cannot predict exactly when this will happen, we are taking the necessary steps today to ensure we are well positioned when the cycle turns.

This is precisely why, despite the current pressures, we have remained fully committed to investing in the capabilities that differentiate Quálitas. We continue investing in technology, talent development, training, and operational improvements to further strengthen our value proposition and customer experience.

Our operational initiatives´ are also delivering tangible results. Despite the additional claims costs associated with the VAT regulatory change, we have maintained a well-controlled loss ratio, supported by favorable trends in claims frequency, vehicle theft, recovery rates, and our continued efforts to contain average claims costs; to recognize as well that in this 3rd quarter, which historically sees the highest rainfall, we saw a milder one, an effect that while we do not control we certainly welcome. The sum of all efforts resulted in a healthy underwriting profitability, with a combined ratio of 92.7% for the first nine months of the year, improving our cumulative performance compared to the first half and reinforcing our confidence in achieving our full-year profitability objectives.

On the financial side, our investment portfolio continues to make a strong contribution to earnings. The decisions taken over the past several quarters to selectively extend duration and lock in attractive yields continue to support our financial performance, while our predominantly fixed-income allocation provides stability in a volatile market environment. Together with our solid underwriting performance, this translated into an attractive return on equity of 27.5% for the period, reinforcing the strength of our business model and the consistency of our long-term investment strategy.

Beyond our financial performance, our competitive position remains strong. According to the latest available AMIS figures, Quálitas continues to lead the Mexican auto insurance market, with a market share of 33.3% in written premiums, 36.1% in earned premiums, and 43.8% in the heavy equipment segment. Furthermore, we accounted for 59.1% of the underwriting results generated by the total auto insurance market. These figures are particularly meaningful in the current environment, demonstrating that our leadership is supported not only by scale, but also by strong technical profitability.

Another important recognition of our commitment to service excellence came during the quarter, as Quálitas México was once again recognized as "La Aseguradora Ideal" by insurance agents in Mexico, marking our seventh consecutive year receiving this distinction. Being recognized among the 100 insurance companies that operate in Mexico is extremely meaningful to us, as it comes directly from the agents who interact with our organization and serve our policyholders every day.

Turning to our strategic priorities, winning in Mexico remains our foremost objective. As the foundation of our business, we continue focusing on strengthening our competitive advantages through service excellence, operational efficiency, and disciplined execution.

Along the year we have reinforced our service monitoring capabilities, closely tracking customer satisfaction and key operational indicators along each interaction that our policy holder has with Qualitas. These efforts are delivering tangible results with all key service and NPS indicators improving vs year ago and being at the highest in the past 5 years. Within many things to celebrate I would highlight the valuation and repair process, our weakest link in the past years affected as well by the spare part inventories shortage, during Q3 we reached a 90% PS an improvement of over 20 pp vs 2 years ago, led by a quicker valuation process, a closer relationship with shops and better communication with the insurer.

Furthermore, technology and artificial intelligence are becoming increasingly important components of this strategy. By combining more than 32 years of specialized data and operating experience with AI-driven tools, we are improving decision-making across underwriting, claims valuation, risk prevention, and fraud detection.

Moving to our second pillar, our international operations continue to make encouraging progress, particularly across Latin America, where written premiums grew 45.1% in U.S. dollar terms during the quarter. Beyond growth, our priority remains to strengthen local capabilities and build sustainable, profitable operations.

In Colombia, we now have 21 offices, and by the end of September, the operation continues to deliver over plan performance. These milestones reflect the progress we are making in expanding our presence, strengthening our agent network, and building a solid foundation for long-term growth.

In the U.S., our strategic repositioning continues as planned. We remain focused on managing the runoff of the domestic and cross border commercial business while strengthening our bi-national personal auto proposition, prioritizing a healthier long-term risk and profitability profile.

Our third strategic pillar, focused on new businesses and vertical integration, continues to strengthen our operating capabilities and support greater efficiency across the claims value chain.

Within this third pillar of diversification and long-term growth, I want to highlight Qualitas Salud, a business that is completing its fourth year and where we continue to learn and adjust our model towards one that can create value to that 90% of the Mexican population that doesn't have a private medical coverage. In this fourth quarter we will complement our portfolio by launching **+Salud**, an important milestone by which we will enter the group health insurance arena. The product is designed for small and medium-sized businesses, combining preventive healthcare and major medical expense coverage through a closed network of hospitals, with a differentiated and competitive premium offering. It will start in Mexico City, with plans to expand nationwide by 2028. This launch represents an important step in the development of QSalud and reflects our commitment to creating innovative products that strengthen our value proposition and support Quálitas' long-term growth opportunities.

As we approach the final quarter of the year, we are encouraged by our performance and remain confident in achieving our full-year objectives. One important thing to consider is that we anticipate a slower pace of written premium growth in the fourth quarter, reflecting the higher comparison base created by several large multiannual policies issued in 4Q25, which on its own, represented ~5 pp of growth; since we will continue to earn those premiums, we expect earned premiums to grow several points ahead of written premiums this next quarter. These dynamics are well understood and already incorporated into our expectations of full-year written premium growth in the mid to high single digit, with combined ratio within our 92-94% long term target and ROE above 20%; all this while continue to invest in the projects that continue to seed long term sustainability.

Before closing, I would like to thank our employees, agents, service offices, and business partners for their continued commitment and dedication. Their contribution is essential to our performance and to the trust our policyholders place in Quálitas every day.

With that, I will now turn the call over to Roberto for a deeper dive into our third quarter and nine-month financial results.

Roberto, please.

ROBERTO ARAUJO

Thank you, Bernardo, and good morning, everyone.

Our third-quarter and year-to-date results reflect solid top-line growth in line with expectations, a combined ratio well within our target range and a resilient investment portfolio. Let me walk you through the details.

Going directly to our **top-line performance,** written premiums grew **7.7%** during the quarter as well as year to date, reaching $57.7 billion pesos for the first nine months of 2026.

We are pleased with this performance, particularly considering the persistently aggressive pricing environment across the industry. As Bernardo mentioned, our commercial strategy remains focused on balancing growth and profitability, allowing us to continue expanding our business while maintaining the underwriting discipline that supports value creation.

In our **Mexican operation**, the **traditional** segment accounted for approximately **60%** of total written premiums, growing **4.8%** during the quarter and 5.2% year to date. Within this segment, **individual** business grew **5.1%** in the quarter and 3.8% year to date, while **fleets** increased 4.3% and 7.5%, respectively. This performance reflects a positive evolution across both businesses, as we continue balancing commercial competitiveness with our long-term profitability objectives.

Moving to the **financial institutions** segment, which represented approximately **35%** of total written premiums, growth reached **14.6%** during the quarter and 15.1% year to date. This performance was supported by positive new vehicle sales trends, our established relationships with key financial institutions, and our broad distribution capabilities.

Regarding **new vehicle sales trends** in Mexico, an encouraging development has been the performance of new light vehicle sales, which according to **AMDA**, grew **5.0%** during the first nine months of the year, including a 4.5% increase in the third quarter. While the heavy vehicle segment continues to face a more challenging environment, the positive momentum in light vehicle sales provides a constructive backdrop for our industry and opportunities for new insurance production.

Nevertheless, our **commercial strategy** goes well beyond capturing new vehicle sales. We remain equally focused on strengthening customer retention, deepening our relationships with financial institutions and agents, and continuing to differentiate Quálitas through the quality of our service.

As reported, our **internationa**l subsidiaries contributed approximately **5%** of total written premiums year to date, with the strong performance across Latin America partially offset by the expected decline in our U.S. operation, consistent with its ongoing strategic repositioning.

Across **Latin America,** written premiums grew **36.5%** during the quarter and 27.1% year to date in Mexican peso terms. However, foreign exchange movements continue to influence our reported results. Excluding these effects, growth reached **45.1% in U.S. dollar terms** during the quarter and 41.7% year to date, highlighting the strong underlying momentum of our LATAM operations and the continued progress in scaling these businesses.

In **Colombia**, we continue making encouraging progress. We now have 21 offices and work with more than 1,950 agents, reaching $21.3 million U.S. dollars in written premiums year to date and having issued approximately 50,000 policies since the beginning of our operations. More importantly, we are seeing meaningful improvements in agent productivity. These developments reinforce our confidence in the progress of our commercial network and our ability to gradually build scale in this market.

In the U.S., written premiums declined 76.1% during the quarter and 77.9% year to date, consistent with our strategy to manage the runoff of the commercial businesses we decided to exit and focus our resources on personal auto and the bi-national opportunity. Our exit of the commercial business represents ~1 pp of total Quálitas premium growth but is already yielding benefits on the bottom line as we make sequential progress toward being profitable in 2028.

Earned premiums increased **2.2%** during the quarter and **6.0%** year to date, reflecting the dynamics of reserve movements and the evolving composition of our portfolio.

As you know, earned premium growth is closely linked to the earning pattern of written premiums and the corresponding constitution or release of technical reserves. During the quarter, we **constituted $279** million in reserves, compared to a release of $460 million in the same period last year. On a year-to-date basis, reserve constitution totaled $2.8 billion pesos, 31.4% higher than in the first nine months of 2025.

This behavior was largely driven by the **evolving mix of annual and multiannual policies**, with the latter increasing to **26.0%** of our portfolio, **compared to 22.5% a year ago**. The higher proportion of multiannual policies, together with the reserve movements observed during the quarter, explains why earned premiums grew at a more moderate pace than written premiums, despite the solid production performance. As a reminder, technical reserve constitution is based on approved regulatory models and reflects the corresponding premium growth and portfolio behavior.

Moving down to our costs, the **loss ratio** stood at **63.4%** for the quarter and **63.6%** year to date. Keeping in mind that the third quarter has historically been one of the most demanding periods of the year from a claim's perspective, particularly due to the rainy season and weather-related events. In addition, we continue absorbing the higher claims costs associated with the new VAT treatment, which represented approximately 320 basis points of our year-to-date loss ratio.

Despite these pressures, we have maintained a **well-controlled loss ratio, supported by** the continued benefits of our operating initiatives, as well as favorable developments in claims frequency, vehicle theft, recovery rates, and our efforts to contain average claims costs. These factors have helped us partially offset the incremental costs associated with the VAT change, keeping our quarter and year-to-date loss ratio within our sustainable target range of 62% to 65%.

In Mexico, the loss ratio stood at 61.5% for the quarter and 62.2% for the first nine months of the year. Looking at some of the underlying claims indicators, quarterly **frequency** stood at **6.8%,** representing a decrease of 31 basis points compared to the same period last year.

Meanwhile, **vehicle theft cases declined 17.1%** year to date, despite the continued growth in insured units.

Our **recovery rate** reached **49.9%,** 610 basis points above the rest of the industry. This performance reflects years of sustained investment in technology and the continuous development of specialized tools for theft prevention and vehicle recovery. Together with closer coordination with authorities and specialized partners, these capabilities continue to improve our effectiveness in recovering stolen vehicles and mitigating claims costs.

We are also seeing encouraging progress in controlling **average claims costs**, supported by the contribution of our vertically integrated businesses, particularly in windshields, spare parts, and other vehicle components. These capabilities are helping us improve procurement efficiencies and mitigate inflationary pressures, while preserving our service standards.

Moving to our **acquisition ratio**, it stood at **24.2%** for the quarter and 23.9% for the first nine months of the year, reflecting the composition of our business, particularly the contribution from the financial institutions' segment, which typically carries higher commissions.

Our **operating expense ratio** stood at **5.1%** for the quarter and 5.3% year to date, including employee profit-sharing provisions, fees paid to service offices, and performance-related corporate bonuses. Excluding employee profit sharing, which is required to be recognized under Mexican regulations, our operating expense ratio would have stood at **4.6%** for the quarter and 4.5% for the first nine months of the year.

Altogether, this resulted in a **combined ratio** of **92.7%** for the quarter and **92.7%** year to date, representing an improvement compared to the previous quarter and bringing our cumulative performance to a more favorable level, well within our full-year target range of 92% to 94%. This is particularly encouraging considering the additional claims costs associated with the VAT treatment and the persistently challenging competitive environment, reinforcing our ability to maintain healthy underwriting profitability through disciplined execution and effective cost management.

Now, moving to the **financial side of our business**, comprehensive financial income increased **15.2%** during the quarter and decreased 6.2% year to date, reflecting the evolution of interest rates and investment market conditions relative to the same periods last year.

Our **investment portfolio** continues to benefit from the decisions taken over the past several quarters to selectively extend duration and lock in attractive yields. Although lower benchmark interest rates have gradually moderated reinvestment yields, our proactive portfolio management has allowed us to maintain an attractive spread over reference rates, while taking advantage of opportunities arising from market volatility.

We remain predominantly invested in **fixed income**, which represented approximately **86%** of our total **$54.8 billion portfolio**, with an average consolidated duration **of 2.7 years** and a **yield to maturity of 8.5%**. **In Mexico**, our portfolio's yield to maturity stood at **9.1%,** compared to a reference rate of 6.5%, representing a spread of approximately 260 basis points.

With our current portfolio composition, a 25-basis-point decrease in interest rates would result in an estimated valuation benefit of approximately $330 million pesos, reflecting the positive impact of our duration strategy in a declining rate environment. At the same time, the underlying fixed-income carry continues to provide an important source of recurring financial income.

The rest of our portfolio allocated to equities also remained resilient during the first nine months of the year. For reference, the **S&P 500 posted a year-to-date return of +11.8%,** while continued volatility across global markets reinforced the importance of our diversified positioning and long-term investment perspective.

Our investment portfolio continues to deliver solid results, supported by the attractive yields locked in over previous quarters and the consistent income generated by our predominantly fixed-income allocation.

Additionally, during the quarter, we strategically rebalanced and adjusted a portion of our ETF positions, allowing us to realize ~166 million pesos in accumulated gains. This represented 7.7% of the unrealized gains held in our ETF portfolio as of the end of September. This reflects our disciplined and proactive investment approach, while maintaining our long-term strategy and risk parameters.

Total **comprehensive financial income** reached **$1.3 billion** during the quarter and $3.6 billion year to date, delivering an **ROI of 8.3%** and 7.7%, respectively. Total remaining **unrealized gains** at the

end of September amounted to approximately **$2.1 billion**, including foreign exchange effects, compared with $2.4 billion at the end of the previous quarter.

The reduction in unrealized gains reflects the fluctuations observed during the quarter in interest rates that led to lower valuations in our fixed income assets the realization of selected ETF positions, and the effects from FX. When considering all positions on a **mark-to-market** basis, ROI would have stood at 6.3% for the quarter and 8.0% year to date.

Our **investment strategy** remains fundamentally unchanged. We continue targeting a fixed-income duration of around 2.5 years, as reference rates remain in the mid-to-high single-digit in Mexico, following the guidelines and risk parameters established by our Investment Committee.

Finally, approximately **21%** of our portfolio is invested in **U.S. dollars** reflecting our international presence. For every peso that the exchange rate appreciates or depreciates, the estimated annual impact is approximately **$655 million** pesos, providing a natural hedge against foreign exchange movements.

Looking ahead, we expect our investment portfolio to continue delivering solid performance, with our predominantly fixed-income allocation providing stability amid market volatility. The duration strategy implemented over previous quarters allows us to continue benefiting from attractive yields while maintaining flexibility to respond to changing market conditions. Overall, we believe our portfolio remains well positioned to support our financial results.

Our **effective tax rate** stood at approximately **30%** year to date, in line with historical levels.

Net income reached **$1.8 billion** during the quarter and $4.7 billion for the first nine months of the year, with net margins of 9.5% and 8.2%, respectively.

Our **12-month ROE** stood at **17.2%,** while ROE **for the period** reached **27.5%,** reflecting the solid profitability generated during 2026. As a reminder, our 12-month ROE continues to incorporate the full year one-time VAT impact recognized during Q4 of last year, making even more relevant the ROE for the period when assessing our current earnings performance.

Altogether, these results reinforce our confidence in the earnings-generating capacity of our business and our ability to deliver sustainable returns. We remain committed to achieving a long-term ROE on or above 20%, supported by disciplined underwriting, sound investment management, and efficient capital allocation.

Our **regulatory capital** stood at $6.9 billion pesos, with a solvency margin of $17.7 billion, equivalent to a **solvency ratio of 357%.** In turn, our trailing twelve-month earned premium-to-capital ratio stood at **2.8x** times.

Our **capital position** remains robust, providing us with a solid financial foundation to support our operations, absorb potential market volatility, and continue investing in our strategic priorities. Combined with our healthy underwriting profitability and disciplined capital management, this reinforces our ability to deliver sustainable returns while maintaining the financial strength required to support our long-term growth.

In closing, we are very pleased with the performance delivered during the first nine months of the year. The strength of our technical and financial results, together with the progress made across our strategic initiatives, reinforces our confidence in the business and keeps us well positioned to achieve our full-year objectives.

The progress we have achieved while navigating one of the most significant transitions is not only a reflection of where we are today, but also of the stronger, more competitive, and more innovative company we have become.

Our strategy is clearly defined. We remain focused on disciplined execution and sustainable profitability, while continuing to create long-term value for our shareholders, policyholders, agents, and employees.

We enter the final months of the year energized, focused, and excited about the opportunities ahead, confident that the foundations we are building today will create sustainable value for years to come.

Thank you for your continued support and confidence in Quálitas.

And now, operator, please open the line for questions. Thank you.

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