Quálitas 4Q25 & 2025 Earnings Call Script

JORGE PEREZ

Good morning and thank you for joining Quálitas fourth quarter and full year 2025 earnings call. I'm Jorge Perez, Quálitas IRO.

Joining me today are José Antonio Correa, our Executive President, Bernardo Risoul, our CEO, and Roberto Araujo, our CFO.

Before we begin, 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 José Antonio, our Executive President, for his remarks.

JOSE ANTONIO CORREA

Thank you, Jorge. Good morning, everyone. It's great to be with you once again and let me begin by wishing you all the very best for the year ahead.

2025 proved to be a year of strong performance alongside notable regulatory changes for Quálitas and for the insurance industry as a whole. As we review our results, we would like to highlight several key developments and I would like to begin by formally recognizing the commitment of our agents, policyholders, and employees, whose efforts enabled a strong full-year performance amid a challenging macroeconomic environment.

This strong execution continues to be clearly reflected in our industry's positioning and operating metrics. For example, according to the latest AMIS figures (as of September), Quálitas remains the clear market leader, with 32.7% market share in written premiums and 35.9% in earned premiums. Furthermore, Quálitas accounted for 45.9% of the industry's total operating income, while posting the best combined ratio among the top five companies.

I am glad of the 2025 results, once everything is considered, which includes the VAT regulatory changes and its effects in P/L for the year. In 2025, our top line grew 9.4%, despite pricing pressures and a challenging macroeconomic environment; profit-wise, net income was above $5 billion pesos, and we delivered ROE above 20%, consistent with our long-term target as both; Bernardo and Roberto, will provide further detail in a few minutes. To provide a broader perspective, in the last four years, Quálitas has doubled the size of the business, driven by our differentiated business model. Additionally, in 2025, Quálitas surpassed 6.1 million insured units, adding more than 335 thousand units, representing +5.8% growth versus 2024 achieving a +10% CAGR over the last five years.

Looking ahead, we expect 2026 to be a complex operating environment, but Quálitas remains well positioned to excel, driven by our disciplined execution towards our three-pillar strategy; thus, we are confident Quálitas will continue in delivering another year of solid results and value creation.

Aligned with this long-term perspective and our commitment to sustainability, I would like to briefly revisit the leadership transition we announced last quarter, which reflects a well-structured internal succession plan aimed at strengthening our governance and ensuring strategical and cultural continuity.

As I transition from my role as CEO to Executive President, I do so with unshakeable confidence in Bernardo Risoul, who has assumed the role of Chief Executive Officer on January 1st, 2026. Since joining Quálitas in early 2019 as CFO, and later serving as International CEO and Deputy CEO, Bernardo has consistently demonstrated strong leadership, deep knowledge of our business, and a clear alignment with our values and long-term purpose driven vision.

I am very proud of this transition and confident that Bernardo is the right leader for the next phase of Quálitas. From my new role, I look forward to continuing to support him and the management team as we remain focused on creating sustainable value for all stakeholders.

With this in mind, I would now like to hand it over to our new CEO, Bernardo Risoul.

BERNARDO RISOUL

Thank you, Jose Antonio, and good morning, everyone. It is an honor to be back on these calls under a new role from which I will devote myself to build a strong organization that focuses on creating value to policy holders, agents, investors and our communities. I would like to begin by thanking José Antonio for his leadership, guidance, and continued support as Executive President of Quálitas, as well as the Board of Directors for their confidence in me.

Having had the opportunity to serve the company in different roles over the past several years, I step into this position with a deep understanding of our business, our culture, and the responsibility we have to our stakeholders. I am proud to be part of a great team; I am confident in our ability to continue delivering sustainable growth and long-term value and I am certainly energized to lead the way into an exciting and promising future.

With that, let me turn to some high-level remarks regarding the current market dynamics including the latest regulatory topics regarding sales tax or VAT.

In terms of Mexico car sales, according to the Association of Auto Distributors (AMDA), new vehicle sales in 2025 were broadly flat, deaccelerating versus prior years. At the same time, the competitive environment became more aggressive, with pricing pressure across certain segments as players sought to attract volume, a behavior historically linked to healthier combined indexes.

Against that backdrop, we stayed focused on our underwriting discipline and service execution, prioritizing adequate pricing, portfolio quality, and long-term profitability over short-term market share. Related to service, our core differentiator, I am glad to share that in 2025 NPS across all measured variables and service KPIs improved vs prior year, being the highest since we started measuring them. This approach is at the heart of why Quálitas continues to deliver consistent performance through different market cycles.

Now let me move to another key topic, the VAT legislation that was approved under the 2026 Revenue Law. We continue to refine the implementation of this new process in close coordination with the authorities, reemphasizing that the resolution reached, while representing an important financial impact in 2025 and beyond, has provided certainty and clarity, bringing to closure a relevant matter for the whole insurance industry.

As part of this resolution, we reflected the full 2025 VAT impact in our fourth-quarter and full-year results; despite this, we acknowledge that 2026 will be a transition year in which we will continue to navigate through these changes, digesting effects of policies issued with technical models that had not incorporated this new cost dynamic. Roberto will provide further details on the specifics figures later in this call.

With this topic behind us and supported by the strength of Quálitas and the dedication of our team, we are moving forward from a position of strength into 2026 which, as mentioned will be a year of transition for the company. Quálitas is well positioned to overcome the impact of these new rules through the proven agility, adaptability and resilience of our business model.

Changing gears into another key strategic matter, I want to highlight the progress made in our U.S. subsidiary where the outlook has improved meaningfully as we execute changes in our model. Specifically, in addition to domestic program exit back in 2021, as of January 1st we will no longer underwrite commercial cross border, serving now our bi-national customers through a partnership; as a result of this, our US operation will focus on properly managing the run off of both programs and continue building a bi-national PPA winning proposition. We have resized the organization to operate more efficiently; we are all focused and committed to this new path that better aligns with our strengths and potential to create value.

With that context in mind, let me now share a few highlights on our 2025 full year performance. We delivered record annual written premiums of $75.8 billion, underscoring the strength and consistency of our business. Top-line growth was in line with our expectations, reaching 9.4% for the full year, despite significant pricing pressures. We maintained a sustainable loss ratio, resulting in a combined ratio of 94.1% or 90.6% when excluding VAT impact, outperforming our 92-94% long term target.

On the investment side, our well managed portfolio, in which we had increased duration, led to another year of strong financial income, despite interest rates easing faster than expected. The trifecta of strong top line, solid operating and financial results led to a net income of $5.1 billion and 12-month ROE of 20.2%, all this again, despite the VAT impact.

During 2025, Quálitas' continued to advance on each of the three-pillars of our corporate strategy, aimed at strengthening the business and driving sustainable mid- to long-term growth.

For example, operating with excellence and maintaining service as the core of our model. In 2025, our call center delivered meaningful improvements, handling 3.3 million calls while reducing average response time from 6 to 5 seconds, enabling faster assistance when it matters the most, at the first moment of truth. These operational gains translated into a ~95% customer satisfaction rate, above prior year's level, reinforcing our commitment to continue improvement, efficiency and best-in-class service.

Talking about accelerating our international expansion: we continued to scale our Colombia business, delivering strong results and in less than a year, closing with 1,200 agents, more than 9,500 insured units, and 15 offices across the country, all exceeding our initial projections. We expect this growth trajectory to continue into 2026, positioning Colombia as an increasingly important contributor to Quálitas' long-term growth strategy.

Beyond international markets, we are also deepening our tech capabilities. In 2025, we made progress in leveraging AI to unlock value from our data assets and, together with our technology subsidiary, DCT, strengthened our value proposition by delivering more targeted solutions and value-added services, including enhancing our Risk Prevention Programs.

Delivering the above-mentioned results, seeding future projects and strengthening our organization in a year that had particular and unprecedented challenges across so many vectors is a true testimony of what Quálitas is able to do. A praise to everyone who made it possible, which is also the source of our optimism towards the future.

I recognize 2026 will not be an easy ride, we acknowledge the reality we face but will never surrender to it. We have the capabilities, the tools, and, most importantly, the team and determination to capture the opportunities that are out there. I remain confident that Quálitas is well set to outstand and continue creating value!

And with that, **I will hand it over to Roberto** for a deeper dive into our quarter and full year financial performance.

ROBERTO ARAUJO

Thank you, Bernardo, and good morning, everyone.

Our **fourth-quarter** and **full-year results** reflect the strength of our strategy, by delivering solid top-line growth, disciplined underwriting, a resilient investment portfolio, and a combined ratio at the upper end of our long-term target range. Let me walk you through the details.

Starting with top-line performance:

Written premiums grew **6.4%** in the quarter and **9.4%** for the full year.

In Mexico, the **traditional segment** accounted for **approximately 62.7%** of total written premiums, decreasing **3.7%%** in the quarter and improving **2.8%** for the full year. From this segment, the **individual business** decreased **0.2%** in the quarter, with growth of **7.7%** for the full year, while the **fleet business** decreased **7.2%** and **3.2%**, respectively. This performance reflects our deliberate pricing downwards adjustments prior VAT resolution, while supporting our long-term profitability, which were partially offset by the continued growth in insured units as customers continued to choose Quálitas for our differentiated service offering, even amid pricing pressure.

Moving to the **financial institutions segment**, this represented **approximately 33%** of total written premiums, growing **29.4%** in the quarter and **24.6%** for the full year. This strong performance was achieved despite a slowdown in new vehicle sales across the industry. Growth was supported by a continued shift in consumer preferences toward larger vehicles, such as SUVs and pickups, which carry higher average premiums, as well as a higher mix of multiannual policies and increased market share with key financial institutions.

As reported, our international subsidiaries contributed ~**5%** of total written premiums FY.

Across **Latin America**, subsidiaries posted a strong growth, with **16.6%** in the quarter and **31.2%** FY.

Each quarter, we continue to reach important milestones across our international footprint. In **Peru**, written premiums grew **28.1%** in the quarter and **34.1%** for the full year, reaching a market share of **7.5%** and continuing to outperform the competition. In **Colombia**, our newest subsidiary, as Bernardo already highlighted, we exceeded our first year business target objectives, laying a strong foundation for scalable and sustainable long-term growth.

In the U.S., as expected from our strategy to reshape our business, premiums decreased by **15.2%** in 2025. The new strategic partnership for our cross-border business will help us deliver a healthier financial business into our US operation while providing Quálitas policyholders with the highest standard of service.

Overall, insured units closed the quarter at **6.1 million**, representing a **5.8%** year-over-year volume growth.

Back to our financials, earned premiums increased **8.5%** in the quarter and **13.1%** for the full year, more in line with our expectations, reflecting the effect of reserve movements in accordance with a more stable topline growth pace. During the quarter, we constituted reserves for **$4.2 billion**, basically in line with same period a year ago. Full year, reserve constitution totaled **$6.4 billion**. As a reminder, technical reserves constitution is based on approved regulatory models and speaks to the corresponding premiums growth. Consistent with our expectations, earned premiums are growing at a faster rate than written premiums being able to capitalize accelerated growth from past periods as well as the benefits from lower claims costs.

Moving down to our costs, our loss ratio stood at **77.0%** in the quarter, reflecting the full year one-time VAT impact recognized in the period. Excluding this effect, the loss ratio would have been at 63.6%. Still, on a full-year basis, the loss ratio closed at **65.7%,** improving by **40** bp year-over-year, highlighting the effectiveness of our cost discipline and business model, even amid recent regulatory changes. Excluding the VAT effect, the loss ratio would have been 62.2% for the year.

In **Mexico**, the loss ratio was **77.8%** for the quarter and **64.5%** for the full year, up **14.6 pp** and **10 bp** respectively. Again, the quarterly increase primarily reflects the full recognition of the 2025 VAT impact.

On **thefts**, full year cases decreased **11.0%** for Quálitas despite having more insured units becoming an important building block for our claim cost performance. These results follow the historic annual seasonality where the first year of administration, we see reductions of thefts and are coupled with internal efforts on theft prevention and recovery. On the latter, Quálitas' recovery rate stands at **43.6%, 100 bp** above of the rest of the industry and improving vs last year. We continue enhancing our technological tools and coordination with suppliers and authorities to reduce costs and improve our efficiency.

Frequency on a twelve-month basis stood at **27.4%**, an improvement of **80 bp** compared to the prior year. On a quarterly basis, frequency decreased by **30 bp** versus 4Q24, reflecting the continued improvements in risk prevention and driving behavior.

The **acquisition ratio** stood at **22.0%** in the quarter and **23.1%** FY, about **70 bp** and **120 bp** higher than last year respectively, driven by the stronger growth in the financial institutions segment which carries higher commissions.

The operating ratio was **3.6%** for the quarter and **5.3%** for the full year, including profit sharing **given the positive performance of our company**. As a result, we also had an increase in **fees paid to service offices** and **corporate bonuses** that are linked as well to their successful performance during the period aligning productivity and cost control efficiencies towards the positive results of Quálitas. If we were to exclude employees' profit sharing from this provision (that by law must be incorporated), our operating expenses ratio would have stood at **4.4% full year.**

Altogether, this resulted in a **combined ratio** of **102.6%** in the **quarter** and **94.1%** for the **full year.** Excluding the **one-time VAT impact**, the **normalized** combined ratio would have been **89.3%** for the **quarter** and **90.6%** for the **full year**, fully delivering on our commitments and confirming the discipline of our business strategy.

On the financial side of the business, comprehensive financial income decreased by **21.3%** in the **quarter**, while growing **3.6%** on a **full-year basis**, highlighting how resilient our investment strategy is even amid lower interest rates throughout the year. Our portfolio, totaling **$53.2** billion pesos, remains **86.5%** in fixed income, with an average duration of **2.3 years** and a yield to maturity of **8.4%;** for the **Mexican subsidiary**, the yield stands at **9.0%.**

The rest of our portfolio allocated in equities has remained resilient from the market performance during the full year. For example, the S&P 500 stumbled in the first quarter of the year, still a **+16.4%** return was observed in 2025, setting a positive tone as markets head into

2026. All our investment assets are classified as **"available for sale",** meaning their unrealized gains or losses are reflected in the balance sheet until realized.

Our **investment strategy** has not had any relevant changes in 2025, we have strived to bring our fixed income duration slightly higher than **2 years** as reference rates remained in the **mid** to **high** single digits in Mexico; following the guidelines, advisory and strategy decided by our **Investment Committee** as part of our institutionalized corporate governance.

Total **comprehensive financial income** was **$1.2** billion in the quarter and **$5.1** billion FY, delivering **8.1%** and **8.7%** ROI, respectively. Total **unrealized gains** for are in the magnitude of **~$2.0** billion, including FX considering the ~14% peso revaluation during the year, these unrealized gains reflect both mark-to-market revaluations of our fixed income portfolio as rates began to ease, as well as gains in equities. When considering all mark-to-market positions, ROI would be **7.2%** for the quarter and **10.9%** for the year

This reinforces **the importance of our available-for-sale** accounting treatment, in which valuation effects remain on the balance sheet until realized, but they expand the cushion of our capital base and highlight the embedded value within our portfolio. As interest rates continue their downward trajectory, these gains are likely to remain a relevant driver of our financial results.

Approximately **~22% of our portfolio** is invested in **U.S. dollars** given our international presence. For every peso that appreciates or depreciates the estimated annual impact is around **~$675** million, serving as a natural hedge.

Our **effective tax rate** for the quarter was distorted by the full year VAT impact in the period, while for the full year the effective tax rate was ~**31%** in line with our historical trends.

Net income closed at a loss of **-190** million in the quarter and **5.1** billion net income for the FY, with a net margin of **6.7%** full year. As anticipated by Bernardo, our 12-month ROE, despite VAT impact stands at **20.2%**, in line with our long-term target of 20–25%.

Our regulatory capital stood at **$6.1** billion pesos, with a solvency margin of **$16.1** billion; equivalent to a solvency ratio of **362%.** Our 12-month earned premium to capital ratio is **2.7x**.

We maintain a **strong capital position** that allows us to invest strategically to continue improving customer service and experience, through innovation and technology, while reinforcing our core capabilities. Our approach remains disciplined and selective, always with the goal of delivering long-term, sustainable value to our shareholders.

Dividend distributions will remain a core element of our capital allocation framework. While the final decision rests with the AGM, from a management perspective we expect the upcoming dividend to fall within our policy range of **40%** to **90%.**

In summary, we had a **solid 2025**, and we are very pleased with our underlying business performance. As the industry moves through the claims cycle and competition remains intense, our disciplined execution and resilient operating model continue to set Quálitas apart.

Looking ahead, our priorities for **2026** are clear. We will focus on restoring our **combined ratio** in Mexico to our target ranges through disciplined pricing and cost initiatives, strengthening claims and service capabilities to further differentiate our value proposition, accelerating innovation, digital transformation, and new product development, as well as reinforcing our culture and organizational discipline to sustain productivity and execution. We are taking the needed decisions to deliver short-term results but never at the expense of long term value.

We believe these priorities will allow us to further **strengthen** our competitive position, enhance profitability, and continue creating **long-term value** for our shareholders, customers, and employees. We are **excited** about what lies ahead and remain fully committed to disciplined execution and **sustainable growth.**

Now, before moving to the **Q&A session**, let me provide you with some color of what we could expect for **next year's performance**, reiterating that since a few years back we do not disclose a formal guidance or targets, but rather some overall **expectations**:

- Top line growth momentum is expected to be at a slower pace following the projections of new car sales growth from the Mexican Association of Auto Distributors (AMDA) which is forecasted to be between 0.2% and 2.0%. Written premiums are expected to continue to grow in the high single digits to low double with earned premiums growing a few points ahead.

- Regarding the loss ratio, we expect results to be in the higher end or slightly above our technical range objective of 62% to 65% and to normalize over the course of the year as we continue making progress toward absorbing the VAT impact. We do expect first quarter and even half of the year to be above target given the impact of both 2026 claims at a higher cost and those incurred in 2025 not yet paid, with pricing and cost saving plans to partially mitigate due to its annual nature.

- The acquisition ratio and operating ratio should continue within its historical levels with no major changes.

- The above metrics should lead to a combined ratio at the upper end of our long-term target range of 92% - 94% or slightly higher.

- Finally, we expect our financial performance to be consistent to the results posted in 2025 given our fixed income duration strategy.

Discipline in execution and a culture of service excellence remain the foundation of Quálitas. These strengths enabled us to navigate the 2025 regulatory changes with clarity and effectiveness.

Throughout the year, Quálitas led the industry both operationally and financially while consistently delivering best-in-class service to our policyholders and agents. This disciplined execution reinforces the strength of our operating model and our ability to perform across cycles.

We invite you to be part of our long-term vision, grounded in the resilience of the company has demonstrated across multiple cycles and environments over the past 31 years. I am highly optimistic about what lies ahead for Quálitas and our customers, and confident that our focused strategy will continue to drive meaningful value creation for our shareholders in the years to come.

Now, operator, **please open the line for questions**. Thank you.