Q&A Session with Auna Leadership Team

Suso Zamora, *President and Executive Chairman, Auna*
Gisele Remy, *CFO & EVP of Finance, Auna*
Lorenzo Massart, *EVP of Strategy & ECM, Auna*
Rayet Harb, *EVP of Operations, Auna*
Vicente Checa, *Peru Healthcare Network, Auna*

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Obviously, we're running late, as usually these events go. We have about more than 150 people on the webcast, so there are a lot of questions coming in. I'm going to start with a few questions that came in, and I will open to questions in the room. You can ask them in English or in Spanish. I'll repeat the question so everybody in the podcast can hear the question and the answers. So, I am just going to wait for everybody to be ready, and we can start.

Very good. So, the first question, and again it is not a question that we get. Recently, we have had the question more, but we do not discuss that a lot publicly, but it's related to El Niño, Vicente.

How are we preparing for El Niño? What are we doing? What do we expect?

Vicente Checa, *Peru Healthcare Network, Auna*

Yes. Thank you, Lorenzo. Good question. We have a forecast for a strong to extremely strong El Niño for the end of this year, beginning of next year, and weather can be highly unpredictable. We have activated a plan that is dedicated to driving forward different action plans to make sure that we have operational continuity and we ensure the safety of our patients and our staff.

We are reinforcing infrastructures. We are ensuring critical supply for different medications and other kinds of supplies. We are making sure that we have backup supplies for fuel, water, electricity, our own generators, both backup generators, and making sure that we have pre-organized flows of patients back and forth between where needed, between northern Peru and Lima or between Arequipa and Lima.

We're doing this not only for Piura, Chiclayo, and Trujillo, where probably most impact will happen, but also in Arequipa and Lima, where we will have also some impact. We're doing this as efficiently as possible but again, making sure that we cover and make sure that our patients will be well taken care of and there is safety for our staff, as well.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Thanks, Vicente. The next question, and after I'll turn to people in the room, is related to Mexico and how much the recent operational improvement reflects the sustainable recovery. I'm not sure who wants to answer. I'll start answering the question, and I'll pass it along, but I think it's very important.

The performance of Mexico this year, in my opinion, has been remarkable. This year in Mexico, at the beginning of the year, the government changed the rules on the VAT and the deductibility of the VAT on insurance policies. And for the first time in Mexico, the stock of insurance has declined as a result of that implementation from the government. Obviously, there is a lot of pressure from that perspective.

Second is the economy. Consumer consumption has been very sluggish. And in the north of Mexico, where we operate with uncertainty with free trade with the U.S., obviously, we've seen a little bit less of investment than expected. As you know, this investment is the formal economy. It's insured people. It's good business for us. I just wanted to put that into context because, despite all these headwinds, the operation has done remarkably well and has grown a lot this year. With this, I'll pass it to, I don't know, Suso, if you want to start.

Suso Zamora, *President and Executive Chairman, Auna*

Maybe Lorenzo. I was going to also start the response in the same contextual light. It's been a very difficult year for insurance companies in Mexico with around, this is not an official number, I've heard 1.5 million less policies because of this impact. In addition to that, of course, higher premiums, higher deductibilities, higher co-payments. So, it's been a very difficult last 12 months, I would say, even at the end of last year, preparing for that.

And notwithstanding that, we have grown. We have grown quantitatively, clearly, and qualitatively with the relationship with insurance companies that are stressed. They've seen that we can contain costs. We can be a great partner with them. We can actually do what we've expressed here over and over again, medical resolution, great patient experience, and of course, a great cost efficiency.

So, this has been a difficult year, but we've grown. And I think that once things stabilize in Mexico and the insurance sector continues to grow, I think we'll be growing at an even faster clip, as well.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Thank you. Any other comments or any questions in the room before I continue with some of the ones we have on the webcast? Artur, in Portuguese, please.

Unknown

Hi, everyone. Thanks. Thank you all for the presentation. Just focusing a little bit on the B2G projects and Torre Trecca, it looks really even too good to be true because the CapEx is paid in alignment with the government and the volume is guaranteed to a certain degree. I was wondering what could be preventing you from expanding this model. How does this work? Does the government approach you? Do you try to approach them? How is the competition to get more of these projects going? Lastly, how is margins? Because I imagine the government must be a little bit more tricky in terms of paying and the prices that they settle. Just trying to understand what is the opportunity there.

Suso Zamora, *President and Executive Chairman, Auna*

I would just set up the response and everything in B2G is auctioned off. Very formally, officially. Even our large contract, which we have renewed, I think three times now in Monterrey, it is auctioned every year. Every year we win. We win on service, and we win on price. This year, just on the specifics of Monterrey, we've increased prices dramatically, and we won again. Very important.
In Peru, you will see the same structure. We won Trecca many years ago on an auction. We gave the idea, and then it was auctioned off, and we won it based on our proposal. Very importantly, these are complicated, sophisticated contracts that require a lot of work with the government side, and then have a high hurdle for other players to be able to deliver the service. So it gives us, I think, an advantage as well. I don't know if anybody wants to complement my idea.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Maybe just to complement on what Suso says, because in Peru, you can have the government that basically put to auction a project and everybody can participate. But you can also go to the government and propose your own initiative. That's the way, for example, Trecca happened, and that has a very big advantage. It still gets auctioned. So you go to the government, say, "I have an idea. Why don't we do that?" If they like it, they will open it to the public. But you have a very big advantage because you're the one that, in a way, is designing the process. And also in Peru, there is a distinction between whatever the government puts out there and what you can push. And in our particular case, obviously, there are several ideas that we think we can go and push to the government. Sorry, Gisele.

Gisele Remy, *CFO & EVP of Finance, Auna*

Yeah, and then I would complement Artur's question about the capital allocation, the margins. You mentioned it's almost too good to be true how it's pre-funded. We do receive that question a lot, and I think it's important to clarify that the contractual

framework behind these PPPs in Peru is completely self-funded, and it's completely non-recourse to Auna. So all these funds are separated automatically from the public budgets into a trust. And it's not just our interpretation. It's also our strategic allies in the banking community that have funded this project finance, entirely. And as we know, in the investment stage, you receive the certificates, and really the only thing that the banking partners have to fund is the working capital dislocations between receiving those certificates. And all of those lines of credit to fund those working capital dislocations, again, are non-recourse to Auna. I think that also shows that the entire market is very clear on the certainty of funds behind these types of structures.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

There is a related question that came on the webcast, someone mentioning that, and I apologize if I do not attribute the questions, but we are trying also to group the questions, so prefer to answer questions than to spend too much time on that. But someone is questioning the Peruvian government is the worst payer in terms of timing. How do we basically deal with that? It might be helpful to also explain how the project is funded into an irrevocable trust from the government.

Gisele Remy, *CFO & EVP of Finance, Auna*

Yeah. I think that's kind of what I was mentioning before. Those public funds go automatically into that irrevocable trust, and I think it's very clear throughout the market that these payments are guaranteed.

Suso Zamora, *President and Executive Chairman, Auna*

Yeah, I think there's a difference between a non-structured contract.

Gisele Remy, *CFO & EVP of Finance, Auna*

Exactly.

Suso Zamora, *President and Executive Chairman, Auna*

And this very structured contract that, as Lorenzo was saying at the beginning, has decades now of refinements and improvements, where we're harvesting today something that works very well in Peru, has the Republic of Peru name on it, and hitting very objective milestones. You get paid on construction, and on monthly, you are delivering services, you get paid on a monthly basis. You get paid with a certificate that says Republic of Peru, that you deliver and discount if you wish.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Other questions in the room before I continue, please? I was going to repeat the question, which I did not, so hopefully the mic.

Unknown

Thank you for the presentation. I would like to ask you about this billing adjustment and all these penalties that Peru faced recently. Have these issues been resolved? You mentioned the AI and digital infrastructure. How is this planned to prevent those future bottlenecks and these kinds of problems in the future?

Rayet Harb, *EVP of Operations, Auna*

I can answer this question. As I presented before, we have some initiatives around the revenue cycle management. We have different initiatives using data and AI because we need to address the process at the beginning so we can have less closes, less devolutions, and then we can have less penalties. We are working on reducing the days of our cycle, as Gisele said before. We envision that we are going to lessen our days of cycle, but we are going to have better quality in the process.

Suso Zamora, *President and Executive Chairman, Auna*

I want to also, again, try to put it back to everything we've shared today about value-based care.
Most of the problems one has with billing and collection is related to fee-for-service. Is related to the fact that was this surgery really required? Was this additional diagnostic necessary? The insurer's going to be saying, "Why?" The doctor's saying, "Yes, I need it." Then the back and forth continuously, then I really want to question it. Again, as we move to value-based care, as we move to risk-sharing, to vertical integration, we'll see less and less of that. That's very important to see where we're heading.

Gisele Remy, *CFO & EVP of Finance, Auna*

And specifically there, Suso, to address the point about the billing adjustments in Peru and the numbers, specifically, the situation that we had in Peru is we had historically seen accounts receivable days with third-party payers, specifically insurance companies, increase. A portion of that were accounts from previous years that had not finalized their conciliation process.

So that did generate a larger stock of old accounts, and this is something that we had already identified. That, and also in the context of insurance companies becoming much more strict, as Suso mentioned, with the medical audits and with the consolidation of

accounts, is basically something that we've been talking about with the market for some time. Everything we've been doing in revenue cycle management to make that whole process much more efficient. That's why what we're expecting, this year, is to clean out those old accounts.

And I think what's important to note is that the new services that are originating today are originating in the new process, which is much more automated, which is much better with all the supports of all the services that have been rendered. Therefore, you have a much healthier stock going forward. We're going to see an impact of that in accounts receivable days, as we have already seen and will continue to see.

Suso Zamora, *President and Executive Chairman, Auna*

As the market changes because of what we said before, the population aging, the situation of MLRs getting higher for insurance companies, for payers that are not integrated, we are upping our standard because there's less tolerance for insurance today. They're fighting for every little penny now because their MLR is so high, sometimes even in Mexico because of this crisis with the VAT in Mexico, over 100%. They're paying more than the premiums they are getting. So of course, they're very sensitive to the penny, and that's where we come in, and that's where we can make a difference.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Let me take one of the questions that we received. Obviously, we made the announcement this morning on Colombia, and it's a specific contract. Do we think that there is a risk of other contracts to be in the same situation or not?

Rayet Harb, *EVP of Operations, Auna*

No, the answer is no. We have a special situation with this contract in Colombia. When we have a value-based care like this risk-sharing contract, we need to receive the information related to the population because our technical notes are based on that. In this special case, we need to address some things with the payer. We are in this part, but we don't have risk with the other contracts that we already have.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Other questions in the room? Yes, please.

Unknown

Thank you for the opportunity to get to know you and hear about your operations. There are hiccups in your growth, and I think you are managing them well, but I have an observation. I don't doubt that things are moving forward, and they are going well, and they are going to be going better. Now, moving the conversation about the value of the

stock. Obviously, the market doesn't do justice to what is here, what you have, what you are developing.

I have several observations just by me being here in Lima, Peru. I come from abroad. When I told people in the business I am going to talk to an Investor Day for Auna. "Oh, a Peruvian company?" "Well, yeah, they're from Luxembourg." "Yeah, but you're going to Peru. Why in Peru?" They report in soles. It is complicated. It is complex." In that line, have you considered the narrative to make it a little bit more understandable for the market, I don't know, a narrative in which maybe have you considered reporting in dollars?

Of course, that has its complications. My answer to those people was, they are an international company. There's a number of companies that are based in Luxembourg that transition from Latin America. That's my question.

Suso Zamora, *President and Executive Chairman, Auna*

Maybe let me address and direction anybody else can add. I think you are absolutely right. For myself, because I know the company so well, we were part of the founding group, and it is a complex company, but strives to the AunaWay that is a simpler model. To get there, you need to row out of general healthcare. You need to row out of many things in healthcare that happen that are anecdotal. You need to row into a process-based company.

Rayet and I talk a lot about this. It needs to be recognized as a company that is run by processes,
not by the next anecdote of the patient or the clinician or the nurse group. That's very important. More and more, we look at each other as standardize, standardize, standardize. I myself am an industrial engineer, so for me, it seems natural, but it is challenging. I can see the momentum we are gaining. I can see the progress we are establishing. But no doubt, we still have a long way to go.

In addition to that, I would say that I was really impacted this morning because someone came in, and she already left, and she told me, "My mother had an incredible experience. You guys saved her life," all this. Then she said, "I am so proud it's a Peruvian company."

I was in Colombia two weeks ago, and I walked in Barranquilla in the lobby, and someone approached me, and I could say almost the same story, "I'm so proud it is a Colombian company." In Mexico, the same thing will happen. We are not a Luxembourg company. We are a local company with a lot of local sensitivity about what we do there, there in front of the patient, and that makes a huge difference.

I think for the market, we need to definitely focus on a few concepts: access, vertical integration, and scale. We just need to focus on delivering on those. Of course, EBITDA

margins and EBITDA growth, but those will deliver the big leverage of growth in the company. Given access, because I have tried to explain today, the market out there is huge. It's not a little bit, it's huge. When I see some of these numbers of growth, I am too ambitious sometimes with the team. Always, I am not satisfied.

But you see some of, in oncology, you saw 100% numbers in Mexico. Those are the right numbers because those strategies of take all in high complexity actually can be delivered. The rest of general healthcare grows 10%-20% per year, not more than that. But as we capture high complexity, we need to deliver high complexity, we need to deliver on that scale and high complexity, and that will definitely simplify our operations, our strategy and, of course, the understanding of the company by investors.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

When are we reporting in dollars?

Gisele Remy, *CFO & EVP of Finance, Auna*

When? I think Suso answered it, well.

Suso Zamora, *President and Executive Chairman, Auna*

I've been asking for that, as well.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

It is, and I think it's something we underestimated when we became public, is that the complexity of the story for people, we understand it very well, but it's a different story in each of the countries. That's very difficult for investors to really see the nuances in each of the countries. An event like today that we decided to do this year is precisely to try to be a little bit more transparent, try to provide more information to the market.

We have taken steps to try to improve the liquidity of the stock and so on. It is going to take time, but there are a lot of things that are being done to try to improve that. But as Suso mentioned, I think in terms of making sure that we focus on the right messages, investors can see different milestones and see how we're making progress on those milestones, it's something that we need to improve on. There was some questions in the back.

Unknown

Hello. Thank you for the presentations. I see you showed in the beginning that dividends are going to be distributed in the next two, three years. If this is the case, what will be the analysis to do that, instead of delivering the balance or investing for growth?

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

I can maybe just put in context because I think what I did mention, I am the one that mentioned that, is that dividends, share buybacks, it's a question that we get a lot from investors. We're not ready right now. When you look at how we need to spend capital, at the end, as you say, the deleveraging is our priority.

But we are starting to see the light at the end of the tunnel. We think that 2027, 2028, it's something that, obviously, will need to be approved by the board, but it's always going to be a conversation on where do we spend the cash that we have in the most efficient way.

I think what we said is, when we're getting there, and probably 2027 and 2028, you're going to start some of that money going back to shareholders. I just want to make sure I clarify a little bit that comment. Suso or Gisele, anything else?

Suso Zamora, *President and Executive Chairman, Auna*

Yeah, I think the response is, we've had the discussion at the board, and we will continue to have it. It's in our mind as one additional element that helps us solve the undervaluation of the company. I do not want to give a date on it, I like Lorenzo's response, but I want to make sure that it's on the agenda. As repurchases, dividends and of course, deleveraging growth, the clear agendas that we have in the radar to act on in the next couple of years to deliver full value to shareholders.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Next, any other question? There was another question in the room, please.

Unknown

Hello. Thank you for the conference and the panels. They were great. I think the growth story and the corporate strategy is pretty clear, and so is the opportunity in Auna given the discounted multiples. But I think the market's main focus today is the balance sheet. With that in mind, could you walk us through the free cash flow bridge towards the end of this year, given the flattish EBITDA and the maintained CapEx at 4% of sales? That is one question. Could you also give us the free cash flow bridge to reach the 3x net leverage for the long term, please?

Gisele Remy, *CFO & EVP of Finance, Auna*

Yeah, of course. I think we talked a little bit about on the cash flow side, both of our cash conversion metrics. When we talked about 95% of adjusted EBITDA converting into

operating cash flow this year, and complemented that also with the fact that for the past 12 months and really the last 18 months, we've been able to generate solid free cash flow after interest payments. These are both of the levers that are basically taking us to the path that we need in order for that leverage reduction to continue to occur.

When we talk about EBITDA growth, I think it's important to note what I mentioned as to the points that we have to recover from the impacts that we've had this year, which are the specific one-offs in billing in Peru and the specific risk-sharing contract in Colombia, which will position us for EBITDA growth, next year.

That EBITDA growth will, again, as I mentioned, convert to cash at those over 90% levels. The fact that we're now being able to cover not only 100% of our interest payments with free cash flow, but also leave extra cash in order to continue deleveraging, I think is a clear path to get to that 3x net debt-to-EBITDA in the medium term and in those time frames that Lorenzo shared in his presentation.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

There is another question on Trecca. You mentioned the PEN 120 million revenues by 2030. That represents the minimum flow guaranteed by the government. Could you give some color on what occupancy level this would represent?

The way that the concession agreement has been set up is there is a minimum guarantee by the government, but there is also a ramp-up phase. And that ramp-up phase relates to the appointments are still going to come from EsSalud. They're managing, they get appointments from people, and they send that to us. So, there is a ramp-up phase. That's why the number that we gave you, it's about 2030. Before that, there will be some ramp-up. The minimum guarantee is around between 50% and 60% of the total demand.

Obviously, we cannot provide you guidance on what we gave you is what we know is guaranteed. Whether people come to the Torre Trecca or Centro Ambulatorio Trecca or not, we get paid for that.

But as Vicente and others mentioned during the panel, the lack of infrastructure and the potential to basically fill out Centro Ambulatorio Trecca, our base case is definitely going to be there. It's not a matter of if it's going to be there, it's a matter of how quickly it's going to get there because there are so many appointments that today cannot be fulfilled by EsSalud that we think it's a good opportunity. But we don't want to provide better guidance or different guidance because at this point, there's still a little bit of time to go for that.

Any other questions in the room? I'm being told that we're late, but--

Unknown

Thanks for the presentation. Regarding this one-off in Colombia, is it fair to say that all the impact will be seen this year, or there is any chance that maybe in the first or second quarter there will be some additional impact?

Gisele Remy, *CFO & EVP of Finance, Auna*

As I was noting earlier, we've had this setback, and Rayet elaborated with a specific contract, right, in the case of Colombia, in one of our risk-sharing contracts. We're currently assessing, basically to be able to give more color as far as specific financial impacts and when we will see EBITDA returning to growth, specifically in the case of Colombia, and we will be addressing those quantifications on our third quarter earnings call.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

I'll take another few questions because the lunch is ready, and we don't want you guys to have a cold lunch. We didn't talk today about Auna Seguros in Mexico, and there is a question on how we're doing and how we're thinking about Auna Seguros in Mexico.

Suso Zamora, *President and Executive Chairman, Auna*

Auna Seguros, which has this profitable and dominant market share in dental and vision is our platform for growth in our oncology plans. We're making good progress in B2B plans. It's encouraging that we had a lot of conversations. The momentum is slower than what we would want, I would say. But definitely, there are a lot of requests for us to grow that plan and take some risk off, be it employers or be it insurance companies.

I think it has been a difficult year for Auna Seguros as well on the dental and insurance side because of the value-added tax as well, the whole contraction of the system. But we see ourselves very well-positioned for growth with this product, of vertical integration, value-based care in Mexico. I do not know, Vicente, you want to add something on Auna Seguros in Mexico?

Vicente Checa, *Peru Healthcare Network*

Just that like Suso said, aside from the VAT issue, that has put some pressure on the business and growth of the business, really, the business is going well. Our oncology products are being placed. There is a lot of interest in the market, both from customers and brokers. We are working on making that higher rate of growth. We think it can grow faster, and we are developing plans and taking action to make sure that happens.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. There are a couple of questions that ask the same thing, and it is similar to a question that was just asked with regards to the contract in Colombia. That contract, as Rayet mentioned, has been suspended at this point. And there are negotiations, obviously, with the payer now, and there are several questions on whether the contract is continuing or not, so I just want to make clear that it has been suspended at this point.

Very good. I think we're done with the Q&A because we are already very late. We will leave a few quick minutes for Suso to just give some closing remarks, and we'll talk about the next steps for the people that are here in Lima.