Financial strategy: Profitable Growth and Cash Generation

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

Hi, everyone. Thank you for sticking around for the last presentation before we move to the Q&A. Basically, I am tasked with summing up everything we have seen today. What does it actually mean as far as our financial strategy and our financial metrics and performance?

To get started, there we go. To start off, six financial priorities anchor our path to disciplined and profitable growth.

Our financial mandate, obviously, is centered around these six priorities. First of all, we start off with revenue growth. We're delivering robust top-line performance and have already achieved 9% revenue growth, year to date, on an FX-neutral basis. This is year-to-date to the second quarter and is driven by organic growth, correct, across Peru, Colombia, and Mexico.

Second, our annual target is to achieve 20% adjusted EBITDA growth through a combination of organic and inorganic expansion, and this target is a long-term target. This is our target, and even though we have encountered setbacks in 2026, we continue to remain committed to this target in the long term, as I mentioned, through a combination of organic and inorganic growth. Further in the presentation, we're going to talk a little bit about the structural value levers that are going to take us to that long-term target.

Third, I think that our investor community is very much aware that we're laser-focused on cash generation. I think it's very powerful to note that we have had a 95% adjusted EBITDA-to-operating cash flow conversion rate, over the last 12 months. We're very proud of this, and it is the product of strict discipline in our day-to-day operations.

We've heard a lot about the value drivers behind that today, the predictability of collections in value-based care, everything that we're doing in the revenue cycle management, both through the digital initiatives, as well as process excellence. And finally, all of this coupled with the entire working cycle and through a whole host of supply chain management initiatives, as well.

Fourth, and we've talked about it in several of our interactions with you and the investor community, we continue to be committed to deleveraging. We closed the second quarter with 3.6 times net debt-to-EBITDA, and our path is set to reach the below three times target that we have in the medium term, very much off the back of the strong cash

conversion that we're achieving and the EBITDA recovery that we'll talk about further in the coming slides.

Fifth, we maintain very strict capital expenditure discipline. As we mentioned in our guidance, we're targeting 4% of revenues for CapEx in 2026. And this CapEx discipline is very much reflected in our return-on-invested capital target. Our investments are guided by this 20% ROIC target, ensuring that we only fund highly accretive projects. And I want to be clear that we use this target in all the capital allocation decisions that we make and monitor it over time.

To make this a little bit more tangible, I'd like to give you a few examples. Several of our organic investments in Peru that are currently at maturity have already reached or even surpassed these levels on a recurring basis. In the case of Mexico, for example, Suso mentioned earlier, as well as Lorenzo, the acquisition of the Opción Oncología medical practice that we executed in Monterrey.

This project is obviously the first stage of a larger project as far as oncology in Monterrey, the Center of Excellence, and everything that we're going to continue to do there. The first stage of that project through the acquisition of the medical practice is already approaching this 20% return- on-invested capital target and we'll reach it in the near term. And we expect this to be duplicative through everything else that we're doing with the Center of Excellence and also the acquisition of the linear accelerator that Alejandro mentioned earlier.

Moving on, we heard from each one of the three geographies where we operate today, and each country's strategy is very clearly translating into a more resilient earnings base. We look at our geographies - they all operate at different levels of maturity of the value-based care and vertically integrated model that we're building in Auna.

In the case of Peru, our most mature platform, we basically capture demand and broaden access through a highly integrated model that's supported by 1.4 million plan memberships. This provides a highly recurring revenue base with a healthy 21% adjusted EBITDA margin.

In Colombia, we have deliberately prioritized cash flow over volume growth, the last few years. And as we stabilize our new prospective global payment, PGP, contracts, we have 20% of revenue now under these value-based care models in the case of Colombia, and 21% of revenue from the private market, as Pablo was mentioning earlier. I think it's important to note that this transition has obviously had a concrete effect on cash conversion in Colombia. This is a question that we receive from investors a lot, and I think it's powerful to note that we have accomplished an 88% EBITDA-to-operating cash flow rate, this year.

Moving on to Mexico, we are obviously focused on capacity utilization through accretive high-complexity volumes. It's not just increasing utilization for the sake of it, but making sure that it's a quality revenue base that takes us there. At the current occupancy levels, you can see that we are at 26% EBITDA margins. The recovery that we've had over the last 12 months has also shown how accretive volumes have been directly correlated to improvement in the EBITDA margin. That is why we continue to be confident that as we continue to scale, we will continue approaching the 30% structural adjusted EBITDA margin that we target in the case of Mexico.

Moving on to the next slide, Suso talked about scale, right? He mentioned operating leverage. A little bit about how we're seeing the results of this in Auna is that basically, capacity utilization over the past few years has provided a strong mitigation against the inflationary pressures that we've seen in the region and across the healthcare sector.
I think since each country is in a different level of maturity, it's interesting to look at this on a geography-by-geography basis. In the case of Peru, we've reflected a decreasing trend in fixed costs as a percentage of revenue, as capacity utilization has continued to scale over the past few years, and the results are clear.

In Colombia, as I mentioned, we have purposefully contained volume growth in order to prioritize cash flow. However, in that context, we have continued to maintain strict cost discipline, which has permitted us to maintain stable ratios of fixed cost over revenues, again, within the context of inflationary pressure, so this is obviously the product of discipline.

In the case of Mexico, this was also mentioned earlier by Suso, our fixed cost base is already built. We've made, also, investments in that fixed cost base over the past few years, and that's why we think that we are very well positioned now as we continue to scale and increase volumes, as has been the case over the last 12 months, that we will continue to see that operating leverage that will take us to the increased margins that I mentioned before.

We talked earlier about our medium-term earnings ambition and the long-term targets that we set in terms of EBITDA growth, earnings growth, etc. I think it's important to note that a lot of the levers that are going to drive that growth in earnings are under our control.

So, to achieve our medium-term earnings ambition, our strategy is divided in two phases, as you can see. The first being to recover some of the setbacks that we've had this year, and then going forward, how we expand, given the structure and everything we have talked about today and the underlying strength of the business.

First, we're recovering from identified one-off transitional items in 2026. This includes, as we've talked about before, the normalization of billing write-offs in Peru related to reconciliations from previous years.

Also, we would add to that, and what Suso was mentioning earlier in the introduction, the stabilization costs of our new PGP contracts and payer mix in Colombia. Specifically this year, we have encountered a specific setback related to a payer contract that we have there. This is a one-off situation that we expect to stabilize.

Once normalized, we move on to the expand phase. I think we've already seen a lot of these levers in our actual results, and we think they will continue to expand as we continue to scale. We will drive margin expansion through accelerated growth in Mexico and our operating KPIs already show that very positive trend.

The regional procurement savings that have been mentioned in Rayet's presentation and what Suso mentioned in scale are evident and are also reflected in the fixed cost numbers that we've seen, and that will continue to scale as well, as well as diluting SG&A efficiencies. All of these impact, directly, EBITDA growth.

Furthermore, deleveraging will impact directly on the reduction of finance cost, as well as the improvement of our effective tax rate, which will further impact the quality of our earnings. Ultimately, maximizing returns on our existing base and generating cash flow is also going to help fund that deleveraging, which I was mentioning.

We've talked a little bit about cash conversion, and I did want to highlight some of the underlying metrics that we're seeing and how we're measuring this and how it has had a very strong impact on the sustainability of the business.

All of our underlying cash metrics demonstrate the structural integrity of the plan. We successfully fund our operations through a negative cash conversion cycle, continuously, over time, so we are able to fund our operations through our working capital management. CapEx discipline, I already mentioned, and we've maintained it between 3%-4%, over the past few years.

Because of these efficiencies, our free cash flow, after interest payment, has improved materially over the past few years, going from the cash burn that we had in 2023 to the accretive cash generation levels that we're currently seeing. This cash flow generation is what has led us to deleveraging over the past few years, and what's also putting us in a very good position to reach that 3.0 times net debt-to-EBITDA target that we have in the medium term.

We recently published our operating KPIs, as we do in the following two weeks after we've closed the quarter. Solid operating growth continues to be reflected in those operating KPIs. Before addressing our financial outlook and addressing the press release, which was released earlier this morning, I did want to highlight the operational strength of our platform, through some of these operating KPIs.

You can see emergency treatments in the third quarter growing 8%, surgeries growing 12%, days hospitalized growing 6%, capacity utilization continues to increase on a consolidated level, chemotherapy and radiotherapy sessions growing 7%, and our plan memberships, which are already at a very, very high scale, continuing to grow.

This is the engine and the driver behind what is going on with the revenue growth, this year. Consistent with those favorable operating trends which I just mentioned, we do expect full-year revenue growth to remain aligned to our previously communicated guidance range. Furthermore, we expect capital expenditure to remain within the guidance range, and our cash flow and leverage are evolving favorably this year with strong working capital management being an important driver behind that and the cash conversion numbers that we saw earlier.

However, we are updating our outlook on EBITDA, as Suso mentioned in the introduction. While we previously expected full-year EBITDA, excluding one-time effects primarily related to the billing payer penalties associated with reconciliations from prior years in Peru, to land at the lower end of our guidance range. We are currently experiencing subsequent downward margin pressure from, as I mentioned, a specific contract in Colombia, and this is leading to a weaker full-year performance.

Therefore, we now anticipate EBITDA growth in 2026 to be broadly stable, year-over-year. Obviously, we have not published our third quarter numbers yet. We are completing our review of these full-year implications and will provide more precise quantified details during our upcoming earnings call when we publish the third quarter numbers.

I think it's important that we wrap up the financial strategy, leaving it very clear that we are addressing these 2026 headwinds head on and that addressing those headwinds will position Auna for growth in 2027. We have a clear path to recovery from this year's one-off impacts, which have already been mentioned, and with expanding margins through all the value drivers that I mentioned, through rising utilization and structural efficiency levers both in EBITDA, as well as in cash conversion.

We continue to focus on our country-specific capabilities to support that consolidated earnings growth. Also, I think it's very important that the investor community be very clear that we execute very disciplined capital allocation focused on growth, cash flow generation and accretive returns, which will translate into shareholder value.

And we continue committed to our increasing EBITDA targets coupled with high conversion, which will take us below those 3.0x net debt-to-EBITDA target that we're aiming for in the medium term.

That concludes my presentation.