



Conference Call Transcript Auna Q2 2026 Results

Operator

Good morning, and welcome to Auna's Second Quarter 2026 Earnings Conference Call. My name is Rob, and I will be your operator for today's call. [Operator Instructions] Please note that this call is being recorded. [Operator Instructions].

Now I would like to turn the call over to Ana Maria Mora, Head of Investor Relations. Ma'am, you may now go ahead, please.

Ana Maria Mora

Head of Investor Relations

Thank you, operator. Hello, everyone, and welcome to Auna's conference call to review our second quarter results. Please note that there is a webcast presentation to accompany the discussion during this call. If you need a copy of the presentation, please go to our Investor Relations website or contact Auna's Investor Relations team.

Please note that when we discuss variances, we will be doing so on a year-over-year basis and in FX-neutral or local currency terms with regard to Mexico and Colombia, unless we note otherwise.

Let's move to Slide 2. In addition to reporting unaudited financial results in accordance with International Financial Reporting Standards, we will discuss certain non-IFRS financial measures and operating metrics, including foreign exchange neutral calculations.

Investors should carefully read the definitions of these measures, the metrics and reconciliations included in our earnings press release published yesterday after market close to ensure that they understand them. Non-IFRS financial measures and operating metrics should not be considered in isolation as a substitute for or superior to IFRS financial measures and are provided as supplemental information only.

Before we begin our remarks, please also note that certain statements made during the course of today's discussion may constitute forward-looking statements, which are based on management's current expectations and beliefs and which are subject to a number of risks and uncertainties that could cause actual results to materially differ, including factors that may be beyond the company's control.

This includes, but are not limited to, our target leverage ratio, suppliers and information systems in Mexico, the results of the key initiatives we are implementing in Mexico, Colombia and Peru, the expected capacity and market of Torre Trecca once built, the execution of our strategic plan, including the recovery of our growth levels and the rollout of the AunaWay in Mexico, our planned investments, our expected revenue growth and adjusted EBITDA growth, our revenue and adjusted

EBITDA guidance and the creation of further growth and sustainable value for all stakeholders. For a description of risks that may impact our forward-looking statements, please refer to our Form 20-F filing with the U.S. Securities and Exchange Commission and our earnings press release.

Slide 3, please. On today's call, we have Suso Zamora, our Executive Chairman and President; Gisele Remy, our Chief Financial Officer and Executive Vice President; and Lorenzo Massart, our Executive Vice President of Strategy and Equity Capital Markets.

They will discuss Auna's consolidated and segment financial and operating results for the quarter, as well as provide an update on our various strategic growth initiatives. After that, we will open the call for your questions.

Suso, please go ahead.

Suso Zamora

Executive Chairman and President

Thanks Ani. Great, let's turn to slide 4 please.

Our second quarter results demonstrate sustained commercial momentum across Auna's regional healthcare platform and substantial progress in the operational enhancements we implemented last year, particularly in Mexico. Despite encountering margin pressures across each of our markets during the quarter, the underlying performance of the business remains robust, and we continue to see strong demand across the platform.

Consolidated revenue experienced a 9% increase during the quarter, primarily attributed to volume growth and an improved mix of higher-complexity services across all three of our markets.

Consolidated Adjusted EBITDA decreased 9% on an FX-neutral basis. This decline was attributed to temporary margin pressures in Mexico and Colombia, as well as the impacts of accepted penalties related to billing matters primarily in the reconciliation of prior years' receivables in Peru.

In Mexico, the recovery in volumes accelerated during the quarter, with surgeries increasing 7% and Oncology Chemotherapies and Radiotherapies increasing by 20% compared to the first quarter of 2026. This growth was attributed to the continued benefits of the improved tier classifications secured with major insurers and from the expansion of Auna's oncology offerings. Favorable pricing in high-complexity care and the improved economics of our new ISSSTELEON contract also contributed to a 4% increase in revenues.

Peru achieved 8% revenue growth, primarily attributed to a higher average ticket and sustained membership expansion. Aligned with Auna's business model, growth of high-complexity surgeries also supported increases in the quarter, in conjunction with an increasing penetration of the B2B market.

In Colombia, volumes and capacity utilization experienced a second consecutive quarter of growth, contributing to an 18% sequential increase in Adjusted EBITDA.

Our leverage decreased to 3.6 times from the first quarter of 2026, supported by the cash generation of the business.

Additionally, we strengthened our cash position once again this quarter. Cash increased 43% against year-end 2025 and free cash flow increased 181% year-over-year, reflecting the disciplined cash

management we continue to maintain across Auna's regional platform, including improved collections in Colombia.

Let's move to slide 5. Despite our platform's robust revenue growth and positive cash flow, consolidated Adjusted EBITDA experienced a decline, primarily reflecting our investments in Mexico's medical and leadership talent to facilitate growth, as well as the billing reconciliations in Peru.

As illustrated in the lower portion of the slide, capacity utilization across our healthcare services witnessed a 2.3 percentage points year-to-date increase to 66%, and a sequential increase of 2.8 percentage points.

On the insurance side of Auna's platform, memberships continued to expand, experiencing a 6% increase in the quarter. Additionally, MLR remained stable around 50%.

Let's move to slide 7, to take a closer look at Mexico's performance. In Mexico, the sequential increase in patient volumes was once again concentrated in high-complexity areas, particularly surgeries and oncology, resulting in a 7% and 20% increase, respectively. Oncology continued to perform exceptionally well, with revenues increasing by 110% from the first quarter of 2025 and 6% sequentially.

In September, Auna will be inaugurating an Elekta EVO linear accelerator in Monterrey, the most advanced linear accelerators available for radiology on the market, to provide the best-in-class treatment for our patients. Increased physician onboarding and productivity also contributed to growth during the quarter.

Other growth drivers included our ISSSTELEON B2G agreement, surgical and hemodynamics packages, and out-of-pocket revenues, which collectively helped Mexico achieve 4% revenue growth. Revenue also increased 5% sequentially, while Adjusted EBITDA increased 3%. On a year-over-year basis, Adjusted EBITDA declined 16%, primarily due to our continued investments in medical and leadership talent.

The growth during the quarter was impacted by the Easter holidays in April and the impact of the new value-added tax on insurance in Mexico. We observed a noticeable increase in volumes and revenue in May and June, and we expect stronger year-over-year growth in the latter half of the year.

Auna is also committed to enhancing variable cost efficiencies in Mexico. Beyond the margin benefit, this strengthens our value proposition with the country's largest insurers and remains a significant competitive advantage for Auna.

Slide 8, please. In Peru, both Oncosalud and healthcare services contributed to revenue growth during the quarter. Oncosalud's revenue increased 11%, driven by annual price adjustments, an improved service mix and 6% membership growth. Membership growth was also supported by a new B2B plan covering 7,000 SEDAPAL employees, reflecting the progress we made in strengthening our commercial execution in the large corporate segment.

We are also witnessing positive momentum in healthcare services. New commercial initiatives targeting corporate policyholders contributed to a 9% increase in emergency treatments during the quarter and by 14% from the first quarter of 2026. Capacity utilization reached 83%.

Despite Peru's revenue growth and higher capacity utilization, Adjusted EBITDA was flat year-over-year, in part due to the accepted penalties related to billing matters, primarily in the reconciliation

of prior years' receivables. Underlying profitability was also affected by higher B2B onboarding costs at Oncosalud, physician retention incentives, overtime expenses, and pharmacy costs.

Following the quarter's close, we took possession of a new clinical facility that will expand our capacity in the south of Lima. The project will expand surgeries and chemotherapies, and add 30 beds through an asset-light, cost-efficient model and is expected to become operational between the end of 2027 and the beginning of 2028. We also acquired a Versius SP4 robotic system designed to support minimally invasive procedures through independent robotic arms and a laparoscopic approach, strengthening Auna's high-complexity surgical capabilities.

Let's move to slide 9. In Colombia, we continued to make significant progress in diversifying our payor base and expanding risk sharing agreements. These contracts now constitute 24% of revenue, up from 14% a year ago, and cover more than three million lives. They were a crucial contributor to our 13% revenue growth and are also enhancing cash conversion and predictability. Simultaneously, intervened payors declined to 12% of revenue, from 18% last year, with growth from private payors more than offsetting that reduction.

Higher volumes also continued to improve capacity utilization to 79.2% from the same period last year, which has now been above pre-Nueva EPS intervention levels.

Adjusted EBITDA declined 12% year-over-year, reflecting higher costs associated with greater complexity, the minimum wage increase, talent investments and the growing mix of risk sharing agreements. However, we observed a clear sequential improvement, with Adjusted EBITDA increasing 18% and margins expanding 1.7 percentage points. We anticipate that contractual price increases in the second half to largely offset these cost pressures and support stronger EBITDA growth.

Finally, after being deliberately cautious with growth capital in Colombia over the past two years, with the recent elections and the plans of the new administration, we are beginning to invest selectively again. We are identifying attractive opportunities emerging in the market and intend to position ourselves to capture them.

Following the quarter-end, in light of the new government Emergency Stabilization Plan, we expanded operating capacity at our IMAT Oncomédica facilities in Montería, adding 18 adult ICU beds and 24 hospitalization beds. This capacity was largely ready for operation, thus necessitating minimal incremental CapEx, and we anticipate it to be highly accretive throughout the remainder of the year. We identify additional opportunities to continue expanding capacity in a similarly capital-efficient manner.

With that, I will turn the call over to Gisele, who will review our results in greater detail.

Gisele Remy

Chief Financial Officer and Executive Vice President

Thanks, Suso. My review begins with slide 11, which summarizes the main revenue drivers during the second quarter.

In Mexico, growth was primarily driven by high-complexity volumes, with surgery volumes increasing 6% and chemotherapy and radiotherapy volumes expanding 86% year-over-year.

Peru's topline growth was driven by new memberships, including the 7,000 SEDAPAL employees that Suso highlighted earlier. Another significant driver was commercial initiatives that drove higher patient volumes within our healthcare network as well as a greater mix of high-complexity surgeries.

In Colombia, new relationships with private payors as well as risk sharing models, have replaced the revenue from the intervened payors that we have been gradually moving away from. Revenues from private payors grew 17% year-over-year and accounted for 18% of Colombia's revenues in the second quarter. Additionally, revenue from risk sharing contracts now represents 24% of total revenue in Colombia.

Let's now turn to the EBITDA bridge on slide 12. The decrease in Adjusted EBITDA reflects the lower contribution margins related to Mexico's service mix and our growth investments in talent. In Colombia, it reflects the variable costs of stabilizing our new risk-sharing contracts, alongside statutory wage increases. We also experienced higher pharmacy costs associated with the period's service mix in Mexico and the onboarding of new B2B contracts in Peru.

Another factor was the billing impacts in Peru primarily related to prior-year billing matters. We are actively compressing our internal billing cycle to minimize these impacts going forward, and also expect to close all open negotiations related to reconciliations of previous years during 2026.

During the second half of this year, we expect Adjusted EBITDA to continue improving sequentially. This will be driven by increasing volumes and operational progress in Mexico, contractual price adjustments taking full effect to improve profitability in Colombia, and the stabilization of new risk sharing contracts in Colombia as well as new B2B contracts in Oncosalud Peru.

Let's now move on to Adjusted Net Income on slide 13. Adjusted net income was 40 million soles in the second quarter. The variation versus the comparable period of last year was primarily impacted by a decrease of 61 million soles in FX gains, as a result of resetting the levels of our FX hedges related to our debt, at the end of 2025, which will help reduce FX volatility going forward. While operating profit declined, this was more than offset by income taxes falling in a greater proportion.

Let's now move to slide 14, please. Cash flow generation continued to be a key highlight for the quarter. Net cash from operating activities reached 441 million soles for the first six months of the year, representing a 45% increase year-over-year. While, Free Cash Flow grew by 181%.

The strong growth in cash flow primarily stemmed from improved working capital management, higher collections recoveries, various supply chain financing initiatives that we have implemented across Auna's regional platform, and finally the utilization of tax credits. Our cash position also increased substantially, growing 43% since year-end 2025.

While organic maintenance CapEx remained relatively flat year-over-year, cash used in the period for payments of maintenance capex dropped slightly versus YTD 2025 as finance leases in YTD 2026 funded a larger portion of acquisitions

Let's turn to slide 15, please. With the cash that we generated in the quarter, a lower level of net debt improved our leverage ratio sequentially. This trend and the improving Adjusted EBITDA that we are expecting for the second half of the year, mean that we expect leverage to continue improving by the end of the year, getting us closer to our medium-term target of 3 times net-debt-to-EBITDA.

I'd also like to point out that on an FX-neutral basis across all currencies, our gross debt fell by 43 million soles versus the end of 2025. However, due to the slight depreciation of the Peruvian sol, gross debt increased by 74 million soles on a reported basis.

At the end of the quarter, we had \$191 million in credit lines, of which \$125 million is still available for us to draw.

One final word on our debt structure: 56% of Auna's debt is in local currency. The balance of our debt is in US dollars, of which 85% is hedged to the Peruvian sol.

That concludes my review of the quarter. I'll now hand the call back to Suso, who has a few closing remarks before we open the call for questions.

Suso Zamora

Executive Chairman and President

Thanks, Gisele.

Peru, the most mature market in our regional healthcare platform, continues to demonstrate the strength of our vertically integrated model. We remain focused on higher-complexity care, and expect profitability to improve as the initial onboarding costs associated with new B2B accounts, including related pharmacy costs, normalize.

In Colombia, we expect margins to continue improving over the coming quarters as contractual price increases take effect and offset higher operating costs, while our risk sharing agreements continue to scale and provide greater predictability.

In Mexico, we expect the sequential improvement to continue, supported by the onboarding of high-productivity physicians, the improved tier classifications with major insurers, and continued growth in oncology and other high-complexity services.

We are excited about our expansion in Lima Sur and our added capacity in Monteria, as well as our new linear accelerator in Mexico. We believe these will be accretive to our competitive advantage.

Looking ahead, we are reaffirming our full-year 2026 revenue guidance of approximately 12% FX-neutral growth. Based on the underlying performance of the business, we expect Adjusted EBITDA growth toward the low end of our 10% to 14% guidance range, excluding the impact of Peru's accepted billing penalties primarily related to prior years billing matters.

We also expect to continue reducing leverage through the remainder of the year, moving closer to our target of less than 3 times Net Debt to Adjusted EBITDA, while Free Cash Flow continues to exceed our original expectations. Our confidence in the underlying outlook is supported by the strong recovery in Mexico's patient volumes and the operational improvements we expect to continue seeing in Peru and Colombia.

Thank you very much and now let's open the question-and-answer segment of the earnings call.

Operator

[Operator Instructions] Your first question comes from the line of Mauricio Cepeda from Morgan Stanley.

Mauricio Cepeda

Morgan Stanley, Research Division

We have two questions. The first one is about the working capital. So we saw that the first half of the year, cash conversion improved sharply. But we also saw that much of the change came from receivables and payables. So, if we exclude any type of legacy receivables collection, how much of the remaining benefit came from the ordinary payment timing versus, let's say, supplier financing or other working capital financing mechanism?

And what was the supplier financing balance at June? So, what would be the DPO if we exclude those programs? And what would be the underlying first-half cash conversion if we take this kind of adjustments?

And the second question is about the Peru revenue recognition. So, both in Q1 and Q2, we recognized deductions related to prior periods' billing reconciliation. So, have you already changed the methodology and controls that you use to estimate these expected payor deductions, like we've seen in the Brazilian payors, the Brazilian providers, they use the term [undiscernible] when the revenue is initially recognized, and what evidence gives you confidence that the 2026 receivables vintage will not require similar retrospective adjustments?

Suso Zamora

Executive Chairman and President

Thank you, Mauricio. It's always good to have the first question from you. It's becoming a tradition, I appreciate that. Gisele, I think both questions are more in your territory?

Gisele Remy

Chief Financial Officer and Executive Vice President

Yes. Great, Suso, thanks. Good morning, Mauricio. So, to tackle both parts of the question first, from a working capital perspective, yes, you're correct. We've seen strong improvement in the first half of this year versus the comparable period last year. The majority of this on the accounts receivable side is due to the improvement in accounts receivable days, more specifically on the current portion, right, to your question as if it's related to the current portion or the legacy portion.

And this has to do with both reduction of the internal billing cycle in the case of Colombia and in the case of Peru. Also, in the case of the complete billing cycle in Colombia, where we have a much higher proportion now of risk-sharing contracts that are paid much faster than the event model.

Finally, as we've been streamlining the process end to end, we do see that these improvements are sustainable over time and will be conducive to sustaining the current level of accounts receivable rotation that we're seeing. So, we do see that sustainable. And in the case of accounts payable days, I just wanted to clarify that we've had gains over the last few quarters, as we've mentioned, particularly related to supply chain financing initiatives that we've structured with financial

institutions. And those are also sustainable over time, given that we've onboarded several suppliers across the geographies, and that's permitting us to have this improvement in accounts payable days, which, again, we're also seeing sustainable over time, and I don't think it's necessary to make any adjustments to that.

Finally, working capital is also benefited by VAT credits that we've used specifically in the case of Peru, and that has also helped working capital rotation. So, I think those are some of the points worth highlighting. And we do see a good working capital rotation being sustained in the year to go.

As far as the second part of the question around billing penalties, specifically in the case of Peru, yes, we've seen a higher level of billing penalties in Peru versus what we have seen in previous periods. Maybe to kind of go over the factors, we've seen these revenue adjustments, basically as a result of billing penalties, and they are higher than what we have seen historically as we mentioned in last quarter's call. This is obviously affected by a sector-wide situation, where financial pressure across Peruvian payors has led them to tighten the enforcement of billing deadlines and settlement terms.

We've been actively shortening our internal billing cycle for some time now and strengthening financial controls to eliminate future penalty exposure. And specifically, we expect any open and ongoing negotiations related to the settlements of billing matters from prior years to be finalized during this year. That's why we do think it is a short-term impact that will impact 2026. But by next year, going forward, we should have cleaned out reconciliations from prior periods. That's why we are maintaining our guidance of adjusted EBITDA when we exclude that impact in 2026. Current negotiations related to prior periods do remain open, and that's why we are not including it within those numbers.

Suso Zamora

Executive Chairman and President

I just wanted to add, to be clear, I mean this has been like a reset. And we ourselves internally have also put a very high hurdle, no tolerance to service and deliver where we're going to have a discussion on payment. So, the whole cycle of how we deliver services and bill services and collection, we changed dramatically. The sector has changed and we ourselves have changed. And I think this is not going to be a situation that is going past 2026.

Mauricio Cepeda

Morgan Stanley, Research Division

Just a follow-up question on the working capital about the supplier financing. I understand that the supplier financing you said that you onboarded some suppliers there. So, of course, it benefits the cash, but does it come in at the expense of cost, and that's why we're seeing the margin impact there? Is one thing related to the other?

Gisele Remy

Chief Financial Officer and Executive Vice President

No, we don't see the supply chain financing initiatives impacting the cost structure. And obviously, they've been as a product of very close negotiations and onboarding with our suppliers. So no, we don't see it impacting costs.

Operator

[Operator Instructions]

And there are no more questions from the phone line. So, I will now turn the call over to Ana Maria Mora from Auna who will proceed with the questions from the webcast platform.

Ana Maria Mora

Head of Investor Relations

Thank you, operator. At this point, I see no questions on the webcast. So, I will proceed and pass the word on to Suso for his final remarks.

Suso Zamora

Executive Chairman and President

Thank you very much, Ani and Gisele. And thank you, everybody. I just want to finish with a couple of ideas. While this quarter presented headwinds, and headwinds that we have also seen in the past, our underlying business model remains sound. Our track to growth is evident and our strategic path is unchanged. We have taken decisive actions to address the near-term challenges we see today, and we are positioned for sustainable growth. I want to reiterate.

Thank you for joining us today, and thank you for your support and following. Our Investor Relations team is available for any further questions. And again, have a great day.

Operator

This concludes today's conference call. You may now disconnect.