

Porto (PSSA3) | CEO Highlights Competitive Advantages, Operational Efficiency, Cross-Selling and Regional Expansion

May 20, 2025



We hosted a meeting with the CEO of Porto's Insurance unit, **Rivaldo Leite**, joined by the Investor Relations team — Aleksandro Borges and Eduardo Froes — and a group of institutional investors. The discussion provided key updates on the company's commercial strategy, operational discipline, and progress across business lines and products. The meeting reinforced our view that Porto remains well-positioned to sustain a **structurally high ROE above 20%**, supported by multiple growth drivers and clear competitive differentiation.

Rivaldo emphasized that the company is experiencing a favorable period, with **solid profitability** and **consistent growth across all business segments**. Among the main topics discussed we highlight:

- **Broker Channel:** Strong focus on productivity and specialization, with extensive use of data and technology to tailor product portfolios to the profile of each broker.
- **Cross-Sell:** A key strategic pillar with high untapped potential, supported by CRM and cross-selling initiatives across Auto, Life, and other verticals.
- **Auto Insurance:** A conservative commercial strategy, with the integration of Azul Seguros driving meaningful operational gains. Regional expansion is being pursued through local brokers and partnerships with automakers.
- **Auto | Bill on APVs (Vehicle Protection Associations):** New regulation is likely to reshape the sector; Porto is already responding with affordable solutions such as Azul Subscription and motorcycle-focused products.
- **Competitive Advantages:** In addition to its leadership in the broker channel, Porto benefits from structural strengths including operational excellence, high customer satisfaction (NPS), and value-added client services.

Following the strong 1Q25 result, we are raising our **target price by R\$3.00 per share to R\$57.00**, implying an **upside of +15.5%**.

Porto Seguro (PSSA3 BZ Equity)

Recommendation: BUY

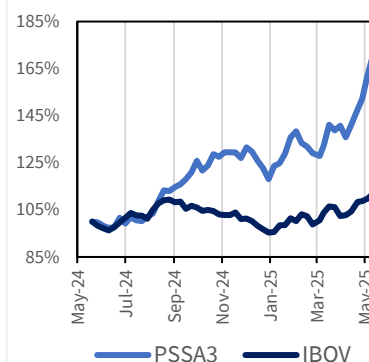
Equity Value (R\$ mn):
36.856

Outstanding Shares (mn):
647

**Target Price 12M:
R\$ 57,00**

Current Price (R\$):
49,30

**Upside:
15,5%**



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We maintain strong conviction in Porto's strategy, which should continue to support a **ROE above 20% over the medium and long term**. Given the more favorable outlook, we **reiterate our BUY recommendation**, with Porto remaining our **top pick in the Insurance sector**. Following the strong 1Q25 result, we are raising our **target price by R\$3.00 per share to R\$57.00**, implying an **upside of +15.5%**. Despite recent strong performance, we believe the shares (PSSA3) continue to trade at **attractive multiples: 10.2x P/E 2025e, 8.9x P/E 2026e, 2.3x P/BV 2024**, and an estimated **2025 dividend yield of 5.0%**.

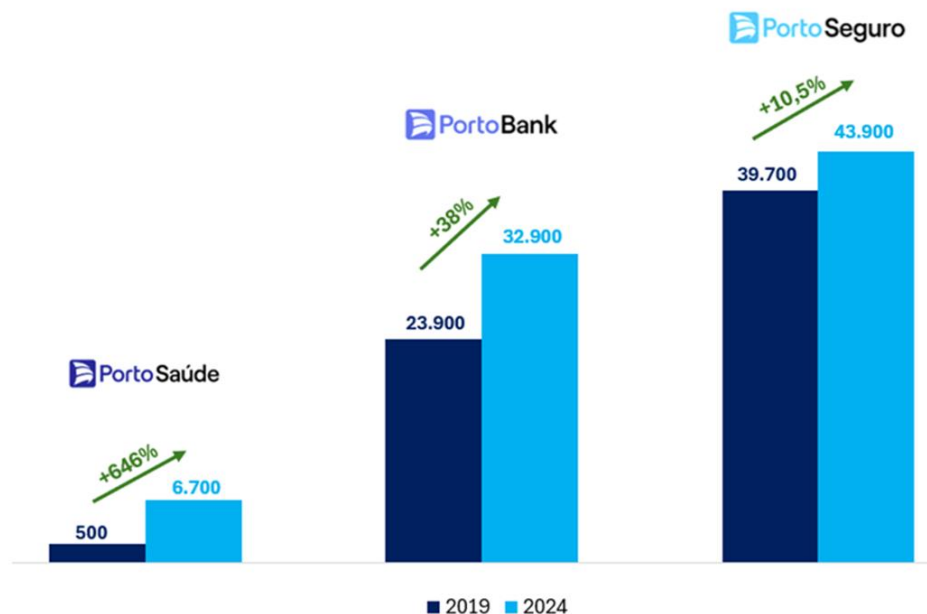
Broker Channel: Focus on Specialization and Productivity

Porto continues to drive a **strong transformation in the management and operation of its broker channel**, which remains the company's main distribution engine. The strategy goes beyond simply expanding the broker base — the focus is on **boosting productivity and product offering among existing brokers**, supported by data, technology, and training.

The executive emphasized that there is **no internal competition among business lines for the broker channel**, given its scale and reach. The key is to understand each partner's strengths and support their specialization accordingly. In this regard, the company avoids pushing brokers toward a generalist approach, as this could compromise both sales quality and the client relationship.

Brokers who previously focused solely on Auto products have gradually expanded into other, **higher-margin lines** such as **Life, Health, and Home insurance**. This expansion is being guided by data-driven insights, tailored to the broker's profile, enabling a more strategic and segmented approach. As a result, large partners have begun to replicate Porto's own verticalized model by building specialized commercial teams for each product line.

Figure 1: Growing Broker Base: Porto Invests in Training to Expand Product Offering



Source: Porto and Genial

The More, the Better. The most distinctive aspect of Porto's broker training strategy is its **direct impact on premium production and commissions**. Brokers who operate across **two or more business lines** (e.g., Auto and Health) deliver results that are **5.6 times higher** than those focused on a single segment. This effect reinforces Porto's strategy of expanding each broker's product portfolio, thereby **maximizing product penetration** and **driving top-line growth**.

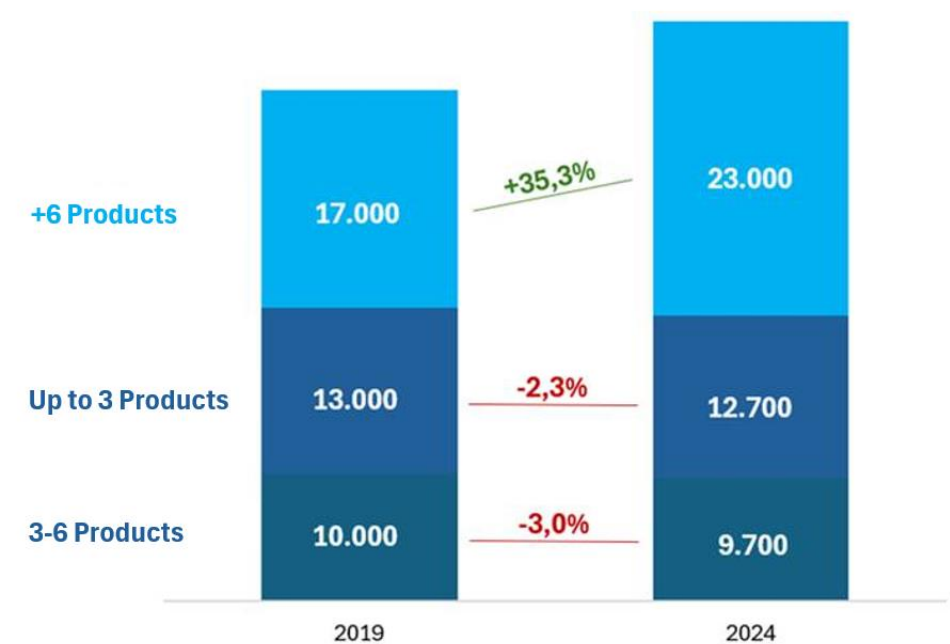
Cross-Sell: A Core Growth Engine with Ample Room to Expand

Cross-selling remains one of the **core pillars of Porto's strategy**, with significant room still to be tapped. The company has launched several initiatives to **increase product penetration per client**, leveraging both the broker network and proprietary channels. These efforts rely heavily on CRM tools, data analytics, and intelligent systems to create relevant offers and avoid generic or excessive outreach.

Porto sees cross-sell as a **key lever to enhance return on capital** and **increase client lifetime value**, with particular focus on cross-selling between **Auto, Life, Home, Credit Card, Health co-pay plans, Consortiums, and Digital Account** products.

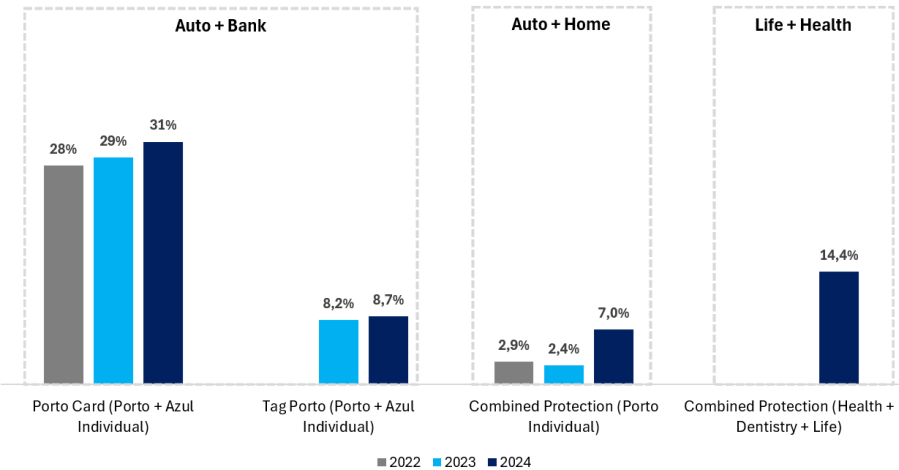
Broker Distribution by Number of Products Sold: Cross-Selling Gains Momentum

Figure 2: Broker Distribution by Number of Products Sold: Cross-Selling Gains Momentum



Source: Porto and Genial

Figure 3: Penetration Index



Source: Porto and Genial

Auto: Commercial Discipline, Operational Gains, and Regional Expansion

Synergies Through Systems Integration

Porto is advancing with the integration of Azul Seguros, a brand that previously operated independently, with full consolidation expected by August 2024. The complete migration to a single system and legal entity (CNPJ) is expected to deliver meaningful operational gains, including: **(i) faster pricing adjustments and tariff implementation, (ii) reduced burden on brokers** by eliminating the need to manage multiple systems/platforms, **(iii) staff rationalization** through lower headcount, and **(iv) strategic advantage** by limiting brand-segmented data accessible to competitors.

The integration is set to **boost operational efficiency** and directly contribute to **lower administrative expense ratios**, with further potential to **improve customer satisfaction (NPS)**. The company expects that **streamlining processes and eliminating redundancies** will strengthen its cost structure and **enhance operating margins** in the coming quarters.

During Porto Day, management highlighted that the system and platform integration is already showing tangible results, including a **17% reduction in insurance contact rate in 2024** and a **33pp increase in broker satisfaction** with the usability of Porto's Auto Insurance Quotation Tool.

Administrative Expenses: Porto Targets Single-Digit Ratio

With the ongoing **unification of systems and platforms**, management believes the insurance unit is on track to end the year with an **administrative expense ratio (G&A) around 10%–11%**, with a target of converging to **single digits in the coming years**. This trend has been supported by **process automation, use of AI**, and **structural streamlining**, particularly following the systems integration.

Competition and Pricing Discipline in the Auto Segment

The widespread use of **multi-quote tools** has reshaped the competitive landscape. Brokers, clients, and competitors now have **real-time access to pricing**, resulting in an environment of heightened competition. As a market leader, **Porto has remained disciplined** in its strategy, **avoiding price wars** that would quickly be matched by competitors, eroding margins without driving volume.

The Auto unit is expected to deliver **modest growth**, particularly given the competitive pressures and Porto's already strong market share. The strategy is to **maintain pricing discipline even in slower growth contexts**, protecting margins and leveraging **brand perception** as a key differentiator when prices are comparable.

Vehicle Fleet and Profile

Brazil's vehicle fleet continues to **age**, but Porto still sees **solid profitability in older vehicles**, as improvements in vehicle quality have reduced the operational risks historically associated with them.

Meanwhile, **electric vehicle (EV) adoption is growing**, particularly among new (0km) cars. Profitability in this segment has also been positive. EVs contain approximately **70% fewer parts**, but experience **steep depreciation (~35% in the first year)** — a factor already **reflected in Porto's pricing models**.

Dedicated OEM Team

Porto recently created a **commercial team focused exclusively on automakers** — a structure it previously avoided over concerns of bypassing brokers. The current model allows the **automaker to pay for the insurance**, while still **retaining the client's broker** in the process — a **solution that protects the distribution channel** and ensures high conversion rates. The

company is already working with **BYD and Volkswagen** on recent launches.

Regional Expansion

Regionalization is another element explored in Porto's strategy. The company has made notable progress in areas such as **Rio de Janeiro (especially inland), the North, Northeast, and South regions**. The expansion model relies on **activating local brokers**, while also ensuring **support infrastructure** (repair shops, towing services, spare parts availability, and brand positioning) is in place to enable sustainable growth.

APV Regulation Bill: New Rules to Reshape the Market

The new regulatory framework for **Vehicle Protection Associations (APVs)** grants these entities a one-year period (already underway) to comply with new requirements, including **reserve formation, tax payments, and enhanced oversight**.

The expectation is for **significant consolidation** within the sector, with some APVs exiting the market and others merging into more robust structures. While the new regulation does not impose the same standards as those required of insurers, it is seen as an **important step toward formalizing and supervising** this market. In its initial form, the regulatory model positions APVs closer to **service administrators** than to insurance companies. Though there is no official data, CNSeg estimates suggest that **around 7 million vehicles** are currently covered by APVs — a **sizeable portion** when compared to the insured market.

To remain competitive, Porto has expanded its portfolio with **more affordable and flexible products**, such as **Azul Subscription** and **motorcycle-specific offerings**, and continues to explore additional solutions. Azul Subscription is now integrated into **95% of multi-quote platforms**, a recent milestone enabled by the systems integration. These products have **lower average premiums and commissions**, but serve a

different broker and consumer profile, helping to **broaden Porto's reach**.

Life Insurance: Consistent Growth, Still Underpenetrated

The **Life Insurance vertical** has delivered **steady double-digit growth in recent years**, yet according to management, remains far from reaching its full potential. Porto currently offers **four to five active products** and is evaluating adjustments to **optimize performance**.

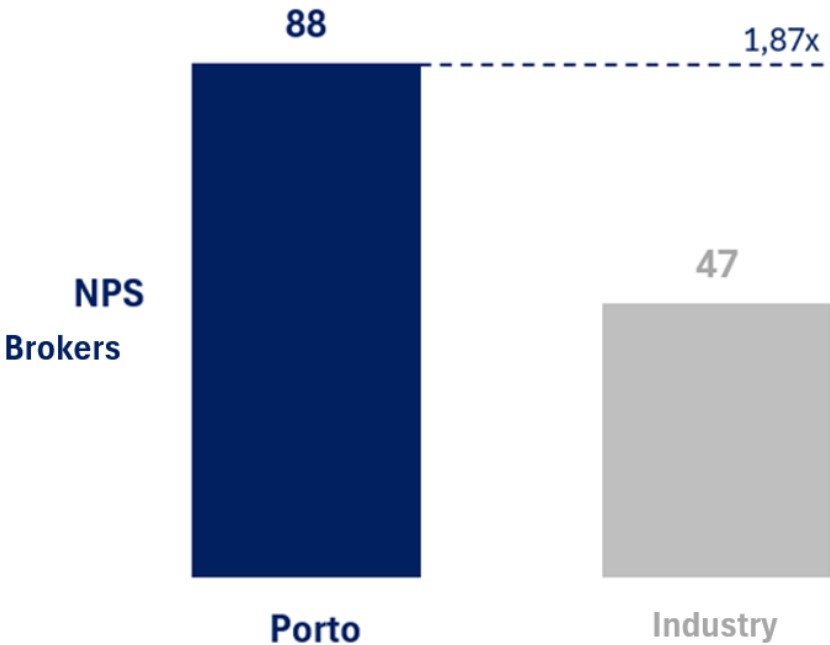
One of the main commercial challenges is the **low rate of spontaneous offering** by brokers, who often prioritize **higher-commission or simpler-to-explain products**.

Competitive Advantages: Beyond the Broker Channel, Operational Excellence and Added Value

In addition to the strength of its **independent broker distribution**, Porto highlights several key **competitive differentiators**:

- **High Net Promoter Score (NPS)** across its core verticals, among both brokers and clients;
- **Extensive broker network and strong relationship management**;
- **Value-added services** for clients, such as anti-theft installations and parking benefits, which also **help mitigate risk and reduce claims frequency**;
- **Procurement efficiency** in Auto parts, contributing to lower claims costs;
- **Rising use of technology**, including **AI-driven tools** in **pre-inspection** and **claims auditing**.

Figure 4: Broker Satisfaction (NPS): Porto Ranked #1 Among Brokers; Porto's Score is 1.87x Above Market Average



Source: Porto and Genial

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Neutral	Expected return between +10% and -10% relative to the Company's industry average	41%
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under Review	Under review	5%

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