Q1 2019 Earnings Call

Company Participants

- Carlos Alberto Iwata Marinelli, Chief Executive Officer
- Fernando Augusto Rodrigues Leao Filho, Chief Financial Officer, Investor Relations and Legal Officer

Other Participants

- Guilherme Palhares, Analyst
- Joseph Giordano, Analyst
- Marco Calvi, Analyst
- Mariana Hernandes, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for holding. We would like to welcome you to the conference call of the Fleury Group to release results for the first quarter 2019. Today, we have with us Mr. Carlos Marinelli, CEO; and Mr. Fernando Leao, CFO and IRO and Legal Officer. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Grupo Fleury presentation. Ensuing this, we will go on to the question-and-answer session when further instructions will be given. (Operator Instructions) This event is also being broadcast simultaneously through Internet via webcast and can be accessed at www.fleury.com.br/ri where the respective presentation is also available. You may follow with the presentation as you wish. The replay of this event will be available soon after closing. We would like to remind you that the webcast participants can record through the website questions for the Fleury Group.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call, referring to the Grupo Fleury business outlook, projections, operational and financial goals are based on beliefs and premises of the Company management as well as on information currently available to the Fleury Group. These future-looking statements are no guarantees of performance as they involve risks, uncertainties, and premises as they refer to future events and therefore depend on circumstances which may or may not occur. Investors and analysts should understand that general conditions, sector conditions, and other operational factors could affect the future results of the Fleury Group and lead to results that differ materially from those expressed in these forward-looking statements.

I would now like to give the floor to Mr. Carlos Marinelli, who will begin the presentation. Mr. Marinelli, you may proceed, sir.

Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Good morning, and I begin by thanking all of you for our 2019 conference call. During this period, we continue devoted to maturing our expansion plan that has contributed significantly to the growth of our operations. Up to present we reached a 73% range and the guidance has an observation and the conclusion of the expansion plan is foreseen for 2021. This percentage corresponds to 53 new units or 19,400 square meters of service area. We'll continue to focus during the year to guarantee that the new units that presently correspond to 30% of the total units of the Company will continue to advance in the maturity curve, capturing market and improving the profitability of our brand portfolio.

I now go on to Slide Number 3, where we have the main financial highlights for the quarter. For comparative purposes, the numbers are presented without the impact of the IFRS 16. Net revenues showed a growth of 7.2%, totaling BRL701 million. Cancellations represented 1.4% in the period, remaining stable vis-a-vis the same period in 2018 EBITDA attained a growth of 5.8% with a margin of 28.1%. Our net income reached BRL97 million, posting a growth of 0.5%. The ROIC without goodwill reached 39.4%. Finally, I would like to underscore that 95% of the areas new -- of the Company's new area was inaugurated in the last 24 months and 43% in the last 12 months.

We now go on to Slide Number 4 to speak about the operational results. Upon the close of the first quarter of 2019, the net promoter score reached 75.6%, showing the high level of differentiation of our services. In personalized and precision medicine, we continue to make great strides to place our test portfolio of Fleury Genomics as the best and most complete of Brazil. In the last quarter, we had a significant increase in the exams offered in all relevant clinical conditions. We have observed a significant growth in the genomic business with the highlight for our dedicated portal responsible for approximately 10% of the revenues arising from that business unit. We also highlight that 80% of the revenues of the portal takes place in regions where we do not have service centers.

In innovation and digital areas, we are developing great projects for the experience of our clients and the medical community. Additionally, we have 20 projects underway with startups in a diversity of areas. In the business platform and health of the Fleury brand, in February, we inaugurated the first structure dedicated for the infusion of drugs at the Morumbi unit. This totally novel space has boxes for treatment, staff and the pharmacy with a complete structure. We also have the infusion offer at the Itaim unit. Other units of the brand already have the structure to offer infusion without the need for significant investment, which should occur with the growth and demand.

Another new initiative of the Fleury brand, the orthopedics day clinic will be inaugurated in the second quarter at the (inaudible) unit. We would like to mention the awards given to the Company in the last quarter. Thanks to our excellent services to our clients, we were acknowledged with brands who decide that awarded the Weinmann brand as the most remembered and preferred in clinical laboratories for the 21st time in Rio Grande do Sul.

The Fleury brand for the seventh consecutive time achieved the ranking of the most hospitable entrepreneurial companies.

Finally, I would like to highlight that in 2019, we will continue to deliver sustainable growth of our brand portfolio with the maturing of our profitability and Fleury brand, we are confident of our premium positioning and of our ability to increase our market share in diagnostic medicine as well as in health business platforms.

With this, I would like to give the floor to Fernando, who will proceed with the presentation of results. I will be available for questions at the end. Fernando, you have the floor.

Fernando Augusto Rodrigues Leao Filho {BIO 20171823 <GO>}

Thank you, Carlos, and a good day to all of you. We continue with the presentation in Slide Number 5, where we show the performance of gross revenue. We had a growth in the quarter of 7.3%, amounting to BRL757.9 million. Following the trend of other quarters, this growth reflects a stronger performance of the regional brands in Rio de Janeiro. In regional brands, the growth was 21.3% while in Rio de Janeiro the growth was 9.3%. The Fleury brands grew 1.6%, reverting the slight drop that we presented in the fourth quarter 2018. Hospital operations had an increase of 5.8%.

In slide number -- see in greater detail, we see the growth of our portfolio. In the graph, we see that we had an increase of revenue, thanks to regional brands excluding Rio de Janeiro that presented BRL29.3 million, followed by BRL10.6 million for the Rio de Janeiro brands. In Fleury brand, we observe a growth of BRL5.5 million. In the table below the graph we have variations expressed by gross revenues and same-store sales for each segment.

Beginning with regional brands excluding Rio de Janeiro, we observe an increase of 21.3% in gross revenue and 6.6% in same-store sales. Once again, a highlight to the a+ brand in Sao Paulo with strong organic growth of 19.9%, representing 60% of these operations, besides the region of Pernambuco with an organic growth of 9.9%. In the Rio de Janeiro brands, we had an increase of 9.3% and gross revenue was 6.4% growth in same-store sales. The Fleury brand had an evolution of 1.6% and same-store sales practically stable at less than 0.1%.

The first quarter of 2019 posed a very challenging calendar due to the holding of Carnival in March, which is a strong growth month in the quarter. Despite this effect, we observe a positive evolution in the Fleury brand and maintain the growth levels in regional brands. We highlight an important part of the older units of the a+ brand in Sao Paulo, Labs a and Felippe Mattoso before the expansion plan that already had a high level of occupancy and therefore growth tends to have origin arising mostly from the expansion plan.

On Slide Number 7, we show you the execution of our expansion plan since the beginning in October 2016 until March 2019 where we inaugurated 53 units, representing an area of 19,400 square meters. These inaugurations represents an attainment of 73% in the range of guidance and we estimate the opening of 73 units to 90 units until 2021. In the graph, we show the aging of the areas inaugurated. 95% have less than 24 months of operation and 43% less than 12 months, and means they are still in a maturity stage.

We go on to Slide Number 8, where we show you cancellations and net revenues. In the graph to the left, we have the indicator of cancellations that maintained a high level of efficiency reaching 1.4% in the quarter. At the right, we show a growth of 7.2% in net revenues, totaling BRL700.6 million.

The next slide presents the main financial indicators. I would like to underscore that, in January 2019, we adopted the IFRS 16 to present the best comparability between periods. In the next slide what we show does not include the impact of IFRS 16. All of the details of the impacts of IFRS 16 can be found in our earnings release and audited financial statements.

In the next slide, we show you our cost structure. We had an increase of 10.1% in the quarter, an increase of 179 basis points vis-a-vis the net revenues. We continue showing important efficiency gains in our main line item cost, staff and medical services with a growth of only 6.5% in the quarter, generating an improvement of 24 basis points vis-a-vis net revenues. This efficiency generated took place because of a cost reduction with participation in profit and the cost of health plans of our associates. As a counterpart, we had an increase of 11.5% in the rental car services and utilities, leading to an increase of 75 basis points vis-a-vis net revenues. Part of these costs were impacted by the change in the hiring of IT services and payments of outsourced services.

We also had a growth in our power account and rental account due to the inauguration of 90 new units during the period. It is important to highlight the growth observed in depreciations and amortizations at 24.6%, an increase of 51 basis points vis-a-vis revenue. This is linked directly to the opening of new units with an expansion of our service offer. In the graph to the right, we show an increase of 1.3% in our operating expenses, an improvement of 60 basis points vis-a-vis net revenue. The main positive impacts took place because of reductions in consultancy and participation in profit.

In Slide Number 10, at the left, we show that EBITDA reached BRL196.7 million, with a growth of 5.8%. EBITDA margin stood at 28.1%, a retraction of 39 basis points vis-a-vis the first quarter 2018. With a stronger growth of regional brands compared to the premium brands, we observe this mix exerting pressure on our margin. On the other hand, regional brands continued to present an EBITDA improvement with a growing volume and an improvement of efficiency.

In the next slide, we've seen net income that reached BRL96.9 million, a growth of 0.5% vis-a-vis 2018. Net margin was 13.8% compared to 14.8% in the first quarter of 2018.

In Slide Number 11, to the left, we show you our operational cash flow graph that posted BRL69.8 million in the quarter, a reduction of 32.8%. The conversion of operational cash and EBITDA reached 35.5% versus 55.9% in the first quarter of 2018. The reduction of operational cash flow is linked to a greater consumption of cash with suppliers as we had a strong concentration of investments in the fourth quarter of 2018. The average terms of reception and payment presented an improvement compared to the first quarter of 2018. The average term of receiving is 67 days compared to 72 days in 2018. The average term of payments had a lengthening of four days in the period, reaching 50 days. We also highlight that in the first quarter of 2019, we had a small drop of 1% compared to the same period the previous year, despite the growth of 7.3% in gross revenues during the same period.

To the right of this slide, we show you the CapEx that totaled BRL48 million, an increase of 47.7% vis-a-vis the first quarter 2018. In expansion and enhancement of units and technical areas, investments totaled BRL17.4 million and were geared to expanding the offer of images in regional brands and expansion of the technical area in Rio Grande do Sul, and carryover of investments and inaugurations in the fourth quarter 2018. In the others line item, the focus was renovation, a substitution of equipment and images, digital projects and IT.

In Slide Number 12, to the left, ROIC without goodwill reached 39.4%. The Company has undergone a strong cycle of investment for the expansion of our activities. The reduction of ROIC observed in the graph reflects this temporary effect. In the graph to the right, we show the evolution of the net promoter score that reached 75.6% in the period. And Slide number 13, in the graph, we show the daily average volume of our shares in DT that reached BRL45.4 million during the quarter.

Finally in Slide Number 14, we include our agenda with the events already confirmed for the market. At this point, we would like to offer the floor for questions and answers. Thank you very much.

At this point, we would like to return the floor to Mr. Carlos Marinelli who will make a statement.

Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Good day to all of you. This is Carlos and simply a correction here. As you know, we tend to record this audio much before and unfortunately the wrong version of this audio was played. The only item that we would like to correct is the ROIC without goodwill. It was 45.2% and not 39.4% as came out in the speech. In my address as well as in Fernando's address, we did not give you the correct version and we do apologize for this mistake. The correct version, therefore, would be 45.2% for ROIC without goodwill, a evolution of 40 basis points.

Thank you very much, and now we can go on to the questions and answers.

Questions And Answers

Operator

Thank you. We will now go on for the question-and-answer session. (Operator Instructions) Our first question comes from Marco Calvi from Itau BBA.

Q - Marco Calvi {BIO 19854632 <GO>}

Good morning. My first question refers to the regional brands. We observed a very good quarter when it comes to regional brands in Rio, as well as outside of Rio, but there is a certain slowdown as we observed in the last four quarters. If you could perhaps remark on this and divide everything between regional brand with Rio and without Rio? And what is associated to this slowdown? This is the first question. Second question, if you could give us a qualitative vision of your audience in the premium brands, which will be the evolution -- which has been the evolution in the first quarter. The second quarter, if perhaps you have already observed a certain recovery in the last months? These are my two questions and thank you for taking them.

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

This is Carlos and perhaps Fernando can compliment what I said. Now, to speak about regional brands, we're selling intensely since last year, and of course naturally this exerts some pressure on our figures, but we are highly confident in our regional brands and absolutely all of our regional brands, especially in Rio de Janeiro, which is the second largest market in the Company. We still have some opportunities that we can capture, extend the opportunities, new opportunities that we can work with and we're allowing important units to undergo certain maturities. So we observe this as a very natural process.

And as I have been saying for two years, we have been working with a very low inflation levels and perhaps this is due to -- this is a cause of the slowdown. However, we're highly confident in our regional operations and excluding the premium brand, we have had significant growth, especially in the a+ brand in Sao Paulo. We have had a very robust growth, which is proof that our value offer for the patients, for doctors are highly differentiated and are able to capture market.

When it comes to the premium brand, without a doubt, at this specific point in time and for three consecutive years with very low growth, this is a brand that has suffered a great deal. Our sector is not immune to what is happening in the country. We had great expectations at the end of 2018. And although we continue to be very confident, we see that these expectations have not materialized. And we hope to have a somewhat different second quarter with a more positive vision and hope for an eventual resumption of the economy, but growth continues strong. We show you real growth year-on-year.

And once again, we're highly confident that diagnostic medicine and the solutions and the platform of services that we have to capture value in other areas besides diagnostic medicine are solutions that can be very efficient for the entire market. Given the sustainability of the solutions that we're offering, for example, the infusion of medication, the orthopedics day clinic that will be inaugurated in a very short while, we are confident as well in diagnostic medicine to bring us very good results and to reinforce what was said by Carlos in this hard count for the Company as a whole, this year.

Well, the first quarter is always somewhat different. We have two relatively weak points and only one month with some demand that is March. Now, in this specific quarter Carnival was celebrated very late and there is an extension of Carnival several weeks before and after this holiday and it's necessary to highlight is and if we look at the Fleury brands, these Fleury brands had a growth of 2018 vis-a-vis through 2017 of 7%, which means that this is a significant phase to offset everything when we look at the growth of 2019 compared 2018. And it's important to present that data ourselves on the base of the previous year for the sake of comparison.

Q - Marco Calvi {BIO 19854632 <GO>}

Thank you. That was very clear. Thank you very much.

Operator

Mr. Guilherme Palhares from BTG Pactual would like to pose a question.

Q - Guilherme Palhares {BIO 20879946 <GO>}

Good morning, Carlos, Fernando, and thank you for the call. Now, you're speaking about your breakdown and you're the first Company to disclose this. Now, in truth I have three questions. The first refers to SanteCorp. I would like to hear your outlook for this and how important this has become for the Fleury brand, more specifically? The second question, this is the first time that you have disclosed what is happening with the genomic area. So surprised to see you have revenues now? How is this being distributed between the brands in the B2B segment and what can we expect from this sector for 2019? And finally, as a follow-up to the question made by Marco, what is happening with the crediting dynamics of units in the last 12 months and what is happening with operators in terms of new accreditation, especially for the a+ brands?

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Guilherme, this is Carlos. I wrote down all of your comments. If something is missing, please mention it. Simply, a point that appears here. Perhaps, I did not understand while you said correctly and do correct me, if this is the case. Genomics represents 10% of the revenues of the portal. It's 10% of our total revenues and of course this is still a relatively small operation and not our main operation, perhaps I understood your question wrong.

Let's speak about SanteCorp. This is an operation that we began last year. We are still in the phase of integrating this, we're working jointly, approaching potential clients jointly to understand how this operation leverages its business. What we can do jointly with Fleury with a+ and with the regional brands and we do have a significant number of opportunities. Of course, these opportunities are based on lengthy negotiations. There are cost opportunities, the issue of proposals of offers that we make, including the use of our units and what has positively surprised us is the receptivity in the market. We have had a very good response. So far, we do not have a contract, but the reception in the market has been very good.

Simply a detail. Although we're still working in the integration, and we're working with SanteCorp, something separate from the Company with a separate management. We're doing this to have a more expeditious decision making process so that we can perhaps work with the mindset of a start-up in this business that could truly leverage all of the

Fleury brands. For the time being, the interaction has been quite positive. I believe that in the coming months all of this will end up having an impact on our operations and if we use the space of the units better, if we offer other types of services, without a doubt, we will be able to have a significant cost reduction, a relevant cost reduction, maintaining the differentiation of diagnostic medicine that is very important.

When it comes to the Fleury brand, we do have a very strong link between the Fleury brand and SanteCorp. And the Fleury brand is appearing more in the markets and this means we need to have a very good management in terms of the diagnostic parts and we do want to show that it is possible to have a differentiation for the Fleury brand, something that is desirable for the Fleury brand and still have enhancements. When it comes to the accreditation of units that you mentioned of service centers, there are no great novelties. We know that we're undergoing a rather challenging moments and this accreditation takes place at a pace that is slower than we would desire, but as these units show how they can offer greater convenience for the clients, this will improve. And the clients, the payers will begin using these service centers more.

Now, if the people can be serviced and at the time they will look for our service centers and of course this will have an impact on operators seeking accreditation. None of our new units are working without the accreditation and when it comes to a+, we continue that very familiar flow. We truly believe that there's a normal period for this accreditation and of course the speed is what was expected vis-a-vis the present day scenario. Now, the accreditation of a+ has been robust compared to the past in terms of genomics. As I mentioned, we're quite confident in this area and the figures point to this very clearly. This is an area that has grown exponentially as part of our portfolio and hospitals are looking for us to work with this information.

I think that some of you may have had access to an article that came out in Jornais de Sao Paulo showing how important the genomics area is. We have an exclusive test where we were able to reduce the indication in 70% of chemotherapy, for example. So this is extremely important for the public sector and why not for health operators at large. The recall of this article was very strong among operators. They are now aware that we can offer this test that has a rather steep costs, but compared to the cost of chemotherapy, especially when it is not necessary is something that is non-debatable. So we truly are confident in the increase in the use of this test. And all we have to speak about the satisfaction of the clients and the positions as well, the possibility of avoiding a process that brings about additional side effects would be very, very positive.

We are highly confident in genomics, in these tests and in other situations that are arising. We have a great number of partnerships with hospitals and a new avenue which refers to health operators and without a doubt, this will enable us to reduce the unnecessary number of chemotherapies. If I haven't answered your questions, please mention it.

Q - Guilherme Palhares {BIO 20879946 <GO>}

No, that was very clear.

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Still as part of health protection, the issue of infusion, this is still a very lateral business. We offer this in our service center where there was space to do this without additional investments. It is the Morumbi service center. We're already offering this at the Itaim service center. Now, the search for this has grown on the part of operators. It is still very fragmented and the operators have observed the Fleury offer from their viewpoint of packages or client satisfaction. Know that this can be something very positive. As I mentioned, this is still a minor operation, but recall that we have had been very positive. As we always highlight, it represents the utilization of a space in one of our service centers that is idle and it's a marginal business with a capacity to generate flow and a very important relationship with the clients.

Q - Guilherme Palhares {BIO 20879946 <GO>}

Thank you very much.

Operator

Mr. Joseph Giordano from JPMorgan would like to pose a question.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hey, good morning to all of you. Thank you for taking my question. I would like to refer to a very important topic, the calendar effect. The impact on revenues in the first quarter due to the month of May, that was weaker than normal and the structural issues of the sector and your conversations with operators, which will be the evolution of payment models, we do observe some one-off impacts among operators and which is your opinion on this, the outlook? Secondly, the discussion of the operators embracing this new line of services and health that slowly is developing. Thank you.

A - Fernando Augusto Rodrigues Leao Filho {BIO 20171823 <GO>}

Giordano, good morning. This is Fernando. Once again the issue of Carnival, the effect was different when we compare this with previous discussion or working days and holidays. And to avoid any expectations, we did not quantify this because this is not a trivial reasoning as we tend to use with working days, but we did observe a lower demand during this period. In terms of quantification, this is something we did not do, precisely because we understood there is a great fluctuation day after day.

And if you allow me, I think there's something that relates specifically to Sao Paulo. Sao Paulo has gained a new dynamic for Carnival, something that is different from the past. Previously, Carnival was two days, on Wednesday, everything went back to normal. Now, Sao Paulo is now holding a pre-Carnival as well as a post-Carnival. The entire city is able to observe this. It is very difficult to get around the city and what is extremely interesting and that we would like to mention is that many schools no longer have classes during the entire period of Carnival. So people schedule themselves to go to the hinterlands to leave Sao Paulo. A decision that did not service anybody, also had problems in moving around or had a decrease in their working agenda. They also stopped seeing patients and there was a stop in everything. So the dynamic in Sao Paulo, that is the most important market, has changed in the last few years because of Carnival and did change this year where we practically had an entire week, an extended week with a lower volume of service in hospitals, in doctors' offices with an impact on our Company, of course. Now, this will become the new normal period, this extended Carnival and the post-Carnival. Once again, this will become the new reality and we have to accommodate ourselves to that. And, of course, we have to see what will happen with the next Carnival and see if all of this is confirmed.

In terms of your question about the reception among operators, this has been positive. We have held constant conversations with them, and these conversations tend to be more conceptual. We are able to sometimes discuss proposals as well. We have taken this step, perhaps this is not obvious for many of you and sometimes the reaction may be somewhat unclear, but this of course is one more step towards sustainability and I've stated because linked to your other question, we have been working on this issue. We have organized ourselves and challenged ourselves in-house, working with new models and designs and very shortly, we're going to begin working based on these new models. But it's not something trivial or simple.

We know that clients come to us with a request and with their health card. And we have to make sure that we can offer them the exams without having different cuts and we have to do this throughout our entire chain, organize new models in this chain where we will have a better utilization of our resources with benefits for clients, for doctors, as well as for operators and also I'm sure that we will be a service renderer with a differentiated quality, which of course will result in greater gains. We don't want to have more money, we do want to have more clients, more customers.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you. Thank you very much.

Operator

(inaudible) from Bradesco BBI would like to pose a question.

Q - Unidentified Participant

Hey, good morning and thank you for taking my question. You're always speaking about your regional brands and new openings and the limits of this. Can you conciliate the improvement of image of the regional brands with what is happening with more mature regional brands? Secondly, if you could give us a notion of the price and volume dynamics for the a+ brand during this quarter? It's very similar to the previous question. We have heard that some operators want to change the volume and we would like to gain an understanding if you are observing these results or not yet. Thank you.

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

(inaudible) thank you for the question. And let me begin by the end of price and volume. What we have been experimenting in terms of variation, basically is due to the mix of operators that we work with and what happens inter-operators. There is nothing relevant when it comes to price variations going downwards or great increases in volume. This is not an impact that we feel we are in discussions and negotiations with operators and what could happen is a regulation of the mix and the participation of each of the operators. Your other question, if you could please repeat your other question?

Q - Unidentified Participant

You have mentioned that the performance of the regional brands, some more mature brands is good. Now, if you could give us an idea of how we should understand this. How we should look upon these more mature regional brands?

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Now, if you had maintained this good performance of the regional brands as you had in the fourth quarter 2018, would your results have been better now. All of this is linked to the volume of opening of new service centers and through the operational gains and the gain of revenues that will represent a gain in margins. And it's a very typical relationship to work with during a period of growth where our growth continues to be very good in the regional brands. We have a significant increase vis-a-vis the first quarter 2018 and we continue to have a very robust growth in our regional brands. The units that have been open are still growing in that maturity curve and in economic terms, we do have an important message. We're looking at growth perspective going forward and we believe that there will be positives based on the fact that we should have an improvement in the macro scenario.

This week there was a report of a (inaudible) that should have an impact. Now, we do hope that as these expectations consolidate, our outlook for the regional brands will improve ever more. Now, in the regional brands, we do have a very positive vision in all of the markets that we penetrated last year or perhaps before the deal and others IR [ph] in the north in the part of imaging. So, this mix, it's natural that it should happen.

Now, we have IBM, for example, helping us in images and because of this we have a different mix composition and not only a growth of clinical exam. In Porto Alegre and Rio Grande do Sul, we have an imaging company that formerly only offers clinical exams. What is more important is that we're still very confident in our medical diagnosis sector, it will continue to demand higher quality and it will get organized around operations that are truly reliable. And as always, we're confident in this and we analyze all the market opportunities that may arise. The regional brands are our future source for further acquisitions, which means that we're actively seeking out these new brands and we hope to have greater potential to increase the synergy in the sector. There are several operators that work with imaging that we're speaking to and once again, we'll continue to look for new opportunities in this field.

Q - Unidentified Participant

Thank you very much, Fernando and Carlos.

Operator

(Operator Instructions) Mariana Hernandes from Credit Suisse would like to pose a question.

Q - Mariana Hernandes {BIO 20281325 <GO>}

Good morning, and thank you for taking my questions. My question refers to the comment that you made about accelerating the openings this year. Now, do you have an outlook for the second semester? And is Fleury going to have any further openings and what is happening with the other brands? Are you concerned with the accreditation? Is this why you're slowing down on the opening of new service centers and how should we look upon the CapEx for this year? How much will be placed in inauguration? How much will be allocated to IT? And a follow-up on the last question. How can we think about the impact that we saw in gross revenues divided among price and mix of services? Once again, how is it that we should look upon this figure? Thank you.

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Thank you for your question, Mariana. As you yourself mentioned, we see very good results. We continue to present growth and an evolution of EBITDA in several of our line items. And we organize ourselves based on the success that we have had in recent years. Without a doubt, we have expressive figures in terms of operations that set us aside in the sector. And when you speak about this slowdown, we're not speaking about a true slow down. We have already compliant with a significant part of our original plan. We were advancing at a very fast pace. We're not slowing down, we're simply making adjustments and we do continue with our intention of concluding this expansion plan until 2021. You have seen the force with which we are working.

Now, we cannot totally disconnect ourselves from the reality of our sector and all of the other sectors of economy and the reality is not what we had imagined. It would be for this quarter. And we cannot maintain the same plans with a completely different macro situation. Once again, we do have a certain promise of growth in the future. But at this point in time, we prefer to put our CapEx in technical improvements, in change of equipments or better solutions within our service ventures, expand the imaging services that we have and improve our relationship with the clients and not necessarily open new services centers.

When you look at the CapEx, the CapEx perhaps has not been invested in new service centers, but has been invested in new services, more productive, more efficient services or we have service centers offering services that formerly they did not offer. So we cannot say that not having new service centers will not mean that we will not have new services. This is a new model for Fleury for all of our brands, even in the service centers that existed previously. This does not mean that we're slowing down or that we have lost our confidence. We continue to be very confident in terms of a reversion in the future. I think everybody is very optimistic, but what we have expected is not necessarily coming true and we do think that there will be a change in mid-year and that we will have a better scenario. Now, regarding your question on CapEx, perhaps, Fernando can give you more color.

A - Fernando Augusto Rodrigues Leao Filho {BIO 20171823 <GO>}

Well, when we receive these questions in previous meetings what we signaled was that we will have a lower amount of CapEx for this year. Carlos has already explained to you partially why we do have a new service offering in our newer service centers, which means that the inauguration of new service centers has been reduced. And in this CapEx, we have a certain mix. We have innovation projects, we have digital projects and in the medium term, it will mean operational efficiency and enhancement. We will have less service centers and the expansion of services. As Carlos mentioned, we will be connected to investments in the already existing service centers, all of this to enhance the Company's operations.

Q - Mariana Hernandes {BIO 20281325 <GO>}

Thank you, and if you could give us more color of which was the impact on the price per exam? This would be very useful. Thank you.

A - Fernando Augusto Rodrigues Leao Filho {BIO 20171823 <GO>}

Mariana, this is Fernando again. It's very important to look at this change of mix. It refers to the change in the mix of revenue that we have in specific regional brands and this is very relevant for us in general. We have grown in Rio de Janeiro significantly. Now, when we look at the northeast, the service center in Natal, the acquisition of IRN did bring an impact with a different mix. Imaging with different tickets and volume. When we look at hospitals, the growth of hospitals has also undergone a growth pattern. So, this change of mix exam from prices is influenced by the businesses under inspection that cause changes. We do have mature markets, but when we look at the Company as a whole, there are important impacts coming from these markets that were opening up and will be becoming ever more relevant.

Q - Mariana Hernandes {BIO 20281325 <GO>}

Thank you. That was very clear, and thank you for your responses.

Operator

(Operator Instructions) At this point, we would like to end the question-and-answer session. And we return the floor to Mr. Carlos Marinelli for his closing remarks.

A - Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

We end the first quarter of 2019. We did have a very challenging quarter and depending on what happens, the second quarter will continue to be challenging. Nevertheless, we're highly confident in the Company's ability to structure itself better, to continue deliver the results that you already know about. We will continue to deliver the value that is expected by our clients, physicians, and operators. We are partners with the operators. We will continue to be partners with them based on new models. And as I mentioned, we hope to have a better outlook, especially in our number of lives, but I do underscore everything that has been done by the Company towards that, through these difficult times, we have a capacity to get very rapid responses and we do have a growth that is quite expressive, perhaps not what it was in the past, but in the Fleury brand, in our regional brands and in our Fleury platform and genomics area, we think that what we are delivering is set aside in the market and that the results that we're delivering have been better than ever before. Once again, we hope to see you at our next results call in June or in other market events.

Thank you very much.

Operator

The conference call for the Fleury Group ends here. We would like to thank all of you for your participation. Have a good afternoon.