

Y 2019 Earnings Call

Company Participants

- Carlos Alberto Iwata Marinelli, Chief Executive Officer & Member of Board of Executive Directors
- Fernando Augusto Rodrigues Leao, Chief Financial, Investor Relations and Legal Officer & Member of Board of Executive Directors

Other Participants

- Analyst
- Caio Moscardini
- Fred Mendes
- Leandro Bastos
- Yasmin Brandao

Presentation

Operator

Good morning, and thank you for holding. Welcome to the conference call for the Fleury Group referring to the results for the Fourth Quarter 2019. We have with us today, Mr.Carlos Marinelli, the CEO; and Mr.Fernando Leao the CFO, the IRO and the Legal Officer.

We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. Continuing this we will go on to the question-and-answer session and further instructions will be given. (Operator Instructions).

This event is also being broadcast simultaneously over Internet via webcast and can be accessed at the address www.fleury.com.br/ir, where the presentation is also available. You can control the slides at your own convenience. The replay of this event will be available soon after the closing. We would like to remind you that the webcast participants can post their questions through the website by the Fleury Group.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call referring to the business outlook of the Fleury Group's projection, operational and financial goals are based on the beliefs and assumptions of the company management as well as on information currently available to the Fleury Group.

These forward-looking statements are no guarantee of performance as they involve risks, uncertainties and assumptions, and they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors and analysts should understand the 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. You may proceed, Mr.Marinelli.

Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Good day, and I would like to begin by thanking all of you for your presence at our fourth quarter '19 conference call and full year call. It is a pleasure to announce one more quarter in which we were able to deliver a two-digit consolidated growth. That shows a sequential improvement of our main brands in diagnostic medicine, and also the growing contribution of our Genomics business and our Health business platform.

Overall 2019 ended with stability in the number of health plan beneficiaries standing at BRL47 million, through our strategy of medical differentiation and service allied to a culture of efficiency and excellence. We have a consolidated growth of 9.1% for 2019, and in the fourth quarter, 10.2%. Doubtlessly, this pace of expansion is a result of the legitimacy that the Fleury Group has built among clients, physicians and health operators in its 94-year history. The growth that we are reporting has consequently translated into market share gains that we have posed in the last few years. And with the confirmation of the resumption of the macroeconomic situation, the diagnostic medicine market may benefit from this expansion with new beneficiaries.

Should this scenario materialize, we will be strengthened with a brand portfolio that is acknowledged for its technical excellence and service. Its high capability network and the continued focus on product innovation and services, generating value for the final -- physicians and in benefit of the patients and economic sustainability of the health system. Following this path, we have had highlights in personalized and precision medicine in genomics with a high-power to resolve each clinical case.

Our business platform in health brings together services and health data. And with the patient at the center of this health coordination, we will see the evolution in a few minutes. I began with the presentation on Slide number 3, highlighting the main financial highlights for the fourth quarter and full year 2019.

For comparative purposes, the numbers that follow will be presented without the IFRS 16 impact. Gross revenue had a growth of 10.2% in the quarter, totaling BRL779 million. During the year, we grew 9.1%, reaching BRL3.1 billion. We highlight an increase of 10% of growth in the Fleury brand, representing a consistent improvement for the fourth consecutive quarter. Cancellations represented 1.3% of gross revenue, an increase of 19 basis points year-on-year in 2019. Cancellations remained stable at 1.4%.

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EBITDA reached BRL154 million for the quarter with a growth of 5.9%. EBITDA margin reached 21.4%. In 2019, recurring EBITDA reached BRL738 million with a recurring margin of 25.4%. Net revenues reached BRL65 million for the quarter with a growth of 12% in 2019, whereas recurring growth revenue reached BRL347 million, an expansion of 4.7% vis-a-vis through '18.

Operating cash generation totaled BRL161 million in fourth quarter and BRL570 million for the year 2019. ROIC without goodwill reached 38.7%. And finally, we would like to announce the distribution of BRL197.8 million through dividends. Added to other payouts carried out in 2019, the total amount that to be paid out to our shareholders is BRL297 million, representing a 95% payout of our net revenues and the dividend yield of 2.9%.

We now go on to Slide number 4 to share with you the operational highlights. At the close of the fourth quarter '19, the Net Promoter Score of our brands reached 77.2% with an expansion of 40 basis points year-on-year, which means that we are maintaining our high level of differentiation for which our services are recognized.

We continue to expand our operations through M&A. In the quarter, we acquired the Center for Clinical Pathologies, strengthening our foothold in Natal, and we can now offer a full portfolio along with diagnostic services and imaging services through the IRN brand acquired in 2018. In the fourth quarter, we also acquired Inlab in the city of Sao Luis, in the state of Maranhao. This is the core step for the entry of the Fleury Group into this state.

As a strategic pillar of personalized and precision medicine, we closed the year with a growth of 59% in Genomics, totaling BRL60 million. And this represents 90 -- 7% of the total revenues, and more than 90% of our revenues come from locations that do not have a brick-and-mortar units. We launched in December at Fleury Investor Day, Campana ate Voce, first the 100% digital laboratory. The potential is huge. We visited patients at home and used these resources to set up an appointment. We are working with (inaudible) senior, where we will continue moving forward in this market.

The Fleury Group continues to evolve its Health business platform through SanteCorp. We inaugurated the second unit for our primary attention for the A brand in Sao Paulo and Moema. Throughout 2019, we had increase in the number of clients, going from 200,000 to 900,000 contracted lives, and we are now going to work with strategic partnerships to add more products to this platform, always with a focus on the patient at the center of care with the legitimacy of those who are already care for the patients for decades.

Finally, I would like to mention the awards received by the company throughout the fourth quarter, that shows the strength that we have in our execution with excellence. We were acknowledged by Exame for compliance through a study carried out by Fundacao Dom Cabral, and we were the front-liners in the health sector. We also received an award from the Federal Comptroller General. We are the only health company to receive this recognition.

In November 2019, we were selected to become part of the corporate sustainability index of B3 for the seventh consecutive year. This portfolio is made up of the 30 companies

with the best performances, based on criteria that as said, sustainability practices, environmental, social, corporate, government, economic, financial criteria, among others. Finally, the brand IRN obtained the top award from the city of Natal, acknowledged as the first in the category of clinical imaging.

I would now like to give the floor to Fernando to continue on with the presentation of results. You now have the floor, Fernando Leao.

Fernando Augusto Rodrigues Leao {BIO 20171823 <GO>}

Thank you, Carlos, and a good day to all of you. We will go on to Slide number 5 to speak about the consolidated gross revenue for the group. We had a growth of gross revenue of 10.2%, totaling BRL778.6 million.

The service units had an increase of 10.3% and represent 84% of the Group's gross revenue. The B2B operations had a growth of 9.2% during the quarter, representing 16% of the consolidated revenue. For the year 2019, the growth was 9.1% with an expansion of 9.4% in our service units, and 7.7% in B2B operations.

In the next, Slide number 6, we can see in greater detail the growth of our brand portfolio. In the graph to the left, you see the total growth of 10.3% in the service unit, 8.3% with an organic growth. So I would like to highlight that in the fourth quarter 2019, we had a positive effect of the calendar with a higher number of working days and less holidays with a positive impact on our demand.

The Fleury brand had an expansion of 10%, representing one more quarter where we had the acceleration of the growth of revenue. And this is the fourth consecutive quarter with improvement. We continue to offer positive results in several fronts with a highlight for the genomic area, mobile services, an increase in single and private clients as well as orthopedics and pediatric. These results are based on several initiatives that were launched in the last month, giving legitimacy to the Fleury brand, patients, medical community and operators.

The Rio de Janeiro is a brand had a growth of 17%. If we do not consider the Lafe brand acquired in June of 2019, the organic increase was 8%. The a+ brand in Sao Paulo had a growth of 22.1% for the fourth quarter '19, showing acceleration vis-a-vis the third quarter in 2019, and reflecting the capture of the market with the growth of units inaugurated in 2017 and 2018.

Finally, the regional brands that includes the operations in the South, North East and Federal district had a reduction of 10.4%, due to accounting effects that took place in the fourth quarter of 2018, referring to the adjustment of a period after the integration of some units. If we do not consider these effects, regional brands would have a growth of 7.7%. In the graph to the right, we showed you the performance of our brand portfolio for the year 2019.

We now go on to Slide number 7, where we highlight the cancellations and net revenue. The graph to the left show you the cancellation indicator reaching 1.3% for the quarter and 1.4% for the full year 2019. We maintained a high level of efficiency. To the right of the slide, where you see a growth of 10% in net revenues for the quarter, totaling BRL720.1 million, and for the full year 2019, a growth of 9%, totaling BRL2.9 billion.

In the next slide we will present the main financial indicators. And I would like to underscore that in January of 2019, we adopted the IFRS 16 for leasing. And with the goal of presenting better comparability among periods, we will show these indicators in the next slide without the IFRS 16. All of the details on the impacts of IFRS 16 are in our audited financial statements and in the earnings release.

In Slide number 8 to the left, we highlight the evolution of costs. During the quarter, we had an increase of 10.5%, representing a loss between costs and net revenues of 32 basis points. In cost with direct material and exam intermediation, we had a growth of 23.3% with worsening of 20 basis points vis-a-vis net revenues.

As in former quarter, this effect continues to reflect the mix of exams carried out during the quarter with a reduction of share in the automated section that has the highest margin. And of course, with a special highlight for the Genomic area, because with depreciation and amortization had a retraction of 7.0% and a gain of 96 basis points vis-a-vis net revenues. The most relevant costs, personnel and medical services increased 10% aligned with the growth of net revenue. Finally, leasing and occupation services had an increase of 10.9%.

To the right of the slide, we present our operating expenses. During the quarter, there was an increase of 4.4% with a gain in the ratio between expenses and net revenues of 63 basis points. General and administrative expenses had a growth of 10.1% in line with the net income. We would like to underscore the effect of extraordinary expenses that took place during this quarter, with consultancy and M&A totaling BRL6.5 million. Now, if we would not consider these revenues, the growth would be of only 0.4% stable vis-a-vis a previous quarter.

We go on to Slide number 9 and the graph to the left, we observe that EBITDA reached to BRL153.9 million in the quarter, with a growth of 5.9%. EBITDA margin was of 21.4%, a retraction of 83 basis points when compared to the fourth quarter 2018. The pressure of EBITDA margin is due to the cost of the services rendered, especially in direct material and exam intermediation line item, and this is mitigated by the efficiency gains in operational expenses.

Additionally, as explained in the previous slide, we had the impact of extraordinary expenses with consultancies and M&A, totaling BRL6.5 million and with an impact on EBITDA margin, negative impact of 90 basis points. In the graph to the right, we open up the comparison of EBITDA for the year 2019. Excluding nonrecurring effects that took place in 2019, we obtained BRL737 million with a growth of 6.7%, and an EBITDA margin of 25.4%, a retraction of 56 basis points year-on-year.

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In Slide number 10, we show you in the graph to the left that the net income for the period has reached BRL65.2 million, with a growth of 12% vis-a-vis the same period in 2018. Net margin was up 9% compared to 8.9% in the fourth quarter 2018. To the right, we show you the comparison of net income for the year 2019. If we exclude nonrecurring effects that took place in the second quarter '19, we reached BRL347.1 million with a growth of 4.7% and a net margin of 11.9%.

In the next Slide number 11, to the left, we show you the operating cash flow that recorded BRL160.7 million during the quarter, a reduction of 24.3%. The operational cash conversion into EBITDA reached to 104.4% compared to 146% in the fourth quarter 2018. The reduction observed in the quarter is due to the lower contribution of working capital when compared to the fourth quarter 2018.[ph] The more important effects are in account receivable, and because of an impact due to the term of account receivables that is now 67 days, and with social security credits that have -- and the positive effect that happened in 2018.

For the year, the operating cash flow reached BRL570.3 million, representing a drop of 18.7%. The main impact to explain this reduction are in account receivable and suppliers. In accounts receivable, once again, we would like to remind you that in 2018, we had a positive effect because of a reduction in the average term collection, and then we were impacted by an update in our invoicing system.

In 2019, the average term of collection had an increase of two days vis-a-vis previous period, which is something natural in the business. In suppliers, we had a one-time of lengthening of our collection period due to the high-volume of investments concentrated in the last quarter of the year.

In Slide number 12, in the graph to the left, the ROIC without goodwill reached 38.7% in the fourth quarter 2019. Adjusted for non-recurring events that took place in the second quarter '19, ROIC without goodwill was totaled 40%. In the graph to the right, we showed you the evolution of the Net Promoter Score reaching a high level of 77.2%, a growth of 70 basis points vis-a-vis the same quarter in 2018.

In Slide number 13, we bring you more of details on the disclosure to shareholders made yesterday, where the Board of the company approved the distribution of dividends to an amount of BRL197.8 million, equivalent to BRL0.62 per share. We would like to highlight that, with this distribution, we totaled BRL296.7 million in total distribution on profit for 2019, representing BRL0.94 per share and a payout of 95%, and a dividend yield of 2.9%. Finally, on Slide 14, we include the events that have already been confirmed in the market for the coming months.

We will now open the floor for a question and answers. Thank you very much for your attention.

Questions And Answers

Operator

(Question And Answer)

Thank you, and we will now go on for the question-and-answer session. (Operator Instructions) -- from JPMorgan would like to pose a question.

Q - Analyst

Good morning, and I do have two questions. And first of all, about the premium segment in the market. We see that there has been a better contribution and a higher number of beneficiaries, of course, this does not encompass the entire market. Therefore, what do you expect from this market in 2020?

And secondly, the inclusion of Genomic tests, this has been highly debated. And once again, which would be your outlook on this? And which will be the evolution of this inclusion? Thank you.

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

(inaudible) this is Carlos Marinelli. Thank you for your questions. And before we go on to the answer, I would like to mention that we had some problems during the broadcast in the first part of the call. I apologize for that, but most the information will, of course, reflect your doubts. So we will now go on directly to the questions-and-answer.

Referring to your first question on the premium market, we do feel that resumption, and it is clearly expressed with the growth of the Fleury brand that we observed in this last quarter. This is obviously now something that took place in isolation, it is a confirmation of a trend. And in the fourth quarter, it is much higher than the growth we had in other quarters in 2019.

We expect this trend to continue. We have seen that the market will reinforce this and we hope that we can correspond to those proxies that you mentioned, especially with health plans that have a higher number of individuals concentrated in this segment. And we hope to have a growing presence with market share in this segment, which is what we have observed in the last quarters.

Regarding the Genomics tests, we do have the intention to include specific tests as part of the list offered by ANVISA, of course, our great interest is the patient's health. Personalized and precision medicine will not only deliver better care for the patient, pointing to the correct therapy in the right amount and at the right time, but it also has a huge potential for the sustainability of the system. We're referring to tests that can avoid treatments that have a very high social cost, a high cost to the patients and high financial costs, and that oftentimes end up being not the best test for the patient.

And from precision and personalized medicine, we have seen that this is a reality. And our vision going forward is that ever more the genomic tests and personalized and precision

medicine will not only help us to improve the quality of life of patients, but will also sell -- save or preserve important resources in the system.

Q - Analyst

Thank you very much, Carlos. That looks very clear.

Operator

Mr. Leandro Bastos from Citibank would like to pose a question.

Q - Leandro Bastos {BIO 21416405 <GO>}

Thank you. Good morning. I have two questions. The first, if you could refer to the impact that you had for the a+ and Fleury brand for the main plan of beneficiaries, this would be my first question.

The second question referring to SanteCorp. In the release you mentioned that you have had a significant growth in 2019. Now when we look at the revenues, they are relatively limited. Therefore, what is happening with the monetization of the clients of SanteCorp and which will be the evolution? And how can we work in terms of SanteCorp and the revenues of the company going forward? Thank you.

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

Leandro, this is Fernando Leao. Good day, and thank you for the questions. Referring to your first point, the calendar effect in the fourth quarter, we did not show you the consolidated effect on the numbers of the company. We carried out specific calculations per brand and of course, these calculations are complex.

In practice, we had two working days less and to bridge holidays that took place in 2018 and now in 2019. And because of the complexity of this accounting, we decided not to refer to this impact, which in fact was important in our numbers. Another relevant message is that, despite this impact, we do have a consistent improvement in terms of the growth we had in the last two quarters.

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

Leandro, this is Carlos Marinelli. And I refer to SanteCorp and the growth in the number of lives, which we have highlighted, and the impact on revenue. As part of the strategy of the platform what we have, and this is part of billing of more than BRL3 million. This is an initiative that begins with some KPIs that are important for us. And the part of the revenue will be expressed in other business lines, for example, diagnostic, medicine, personalized medicine. There is potential in terms of the clinic and other initiatives that we have on the platform.

It is not the time to focus exclusively on the revenues of SanteCorp. As a platform, what we want to do is, understand what will happen with our presence in this universe of services, our own services as that of other service vendors, who is financing the systems

and companies, and which will offer more sustainability to the service, and the number of lives, of course, is important. We understand, who we have accessed to deliver this better coordination of information and the best organization of the system.

We don't speak about the revenues of SanteCorp at present, but once again, in terms of revenues, are limited, and it won't make sense for some time to breakdown the revenues of SanteCorp. The impact that we want to have is in the company as a whole and the services that we're rendering, and, of course, an impact on the full revenues of the company.

Q - Leandro Bastos {BIO 21416405 <GO>}

Thank you very much Carlos for your answer.

Operator

(Operator Instructions) Mr.Fred Mendes from Bradesco would like to pose a question.

Q - Fred Mendes {BIO 17221617 <GO>}

Hey, good day to all, and thank you for the call. I have two questions. The first refers to the gross margin. I know you don't give a guidance, but as we have had a resumption of the economy and growth in the Fleury brand, perhaps we can expect an improvement in that margin. And I see that there has been a margin on gross revenue, even with the growth of the Fleury brand.

And the second question refers to the extension of SanteCorp. There has been a great growth in number of lives, but what will happen with the expansion to more stores in 2020 and perhaps speak further about the client profile to better understand this initiative.

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

Thank you for your questions. First of all, gross margin. As you stated very correctly, we have a very strong growth for the Fleury brand this quarter, and this is the fourth consecutive quarter where we have growth, and of course, we're quite satisfied to have to make adjustments in the operation, adjustment in our offers. We're offering orthopedics and pediatrics, and of course, this has brought us good results.

And this pressure that you highlighted comes from the topic of Genomics, as you mentioned, the cost of direct material is increasing, and we have to remember that we are speaking about a specialty, it's a precision specialty that is quite novel for the group. A marginal growth of our capacity to process volume in that specialty whether it is an in-house processing or processing of some that we still do not have insight. The marginal part is very costly for us to increase our capacity. We sometimes double our level, of course, for some exam because we need new equipment, and we can't buy few equipments. We have to open up a new line and bring in professionals, an entire group of professionals.

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And of course, there is pressure that arises from this, but we have very great clarity that this is the right path. And luckily enough, we can do this with stability of margins within the entire group. We spoke about this at breadth [ph] in the Investor Day, the focus is new avenues for growth, and this is what we're pursuing. And we showed this in the numbers of the company.

And we have to make investments for this, not only in CapEx, but in new production lines, new automation line, lines that will guarantee that we will continue to be pioneers in diagnosis and services, and also become leaders in these lines. This is what we are pursuing. And of course, this has had an impact, considering that the volume still is low and the marginal growth ends up having an impact on our direct cost and exerting pressure on gross margins.

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

When it comes to the expansion of SanteCorp, the first quarter, the expectation is to open up to have 10 SanteCorp services within our patient service centers. These inaugurations will be happening in the first quarter of this year. And we're very enthusiastic with the results that we saw of the first units that were inaugurated, and there has been a great deal of learning from the two units that we had that we paid out for -- was the first of all, it now has a very intense service agenda.

And our partner, in this case, we're working with them in the first unit in Sergipe [ph] and the Eastern area of Sao Paulo is very satisfied with the engagement of the patients and their families for the services that are carried out in Santa Maria and the a+ unit.

This is an innovative type of service. It's something that we're testing or learning from it. The public already has access to a+, they have a great deal of confidence in the a+ brand. They feel good as part of this brand. And by rendering services within that a+ environment and with the confidence that we have and by the integration of information that is possible, we have a family doctor and information from exam, giving us information, and all of this will have a positive impact for the entire system, enabling us to reduce the undesirable costs and claims.

We're going to continue to invest in the inauguration of new units. We have several of them scheduled. But we're also working intensely in the technological part, not only in the bricks-and-mortar, but also in the clicks-and-mortar. And SanteCorp will be the remote health system. We have invested in SanteCorp, so that this platform will be the door of entry for services. As part of the solutions, we're trying up for the market as a whole.

Q - Fred Mendes {BIO 17221617 <GO>}

Thank you very much for your very clear response.

Operator

(Operator Instructions) Thiago Macruz from Itau would like to pose a question.

Q - Analyst

Good morning, this is Emers [ph] from Citi. I have two questions. A figure that draws attention refers to personalized medicine. 90% from Genomics comes from locations where you do not have brick-and-mortar units. Is this an indication of the potential demand that you would have because of the well-known brand? Or will the main indicators still be the demand of the operators that pay for this? This as an indication of your expansion of units.

The second question refers to B2B, and we have seen a stronger expansion due to the entry of new operations. The results are somewhat below the inflation. Therefore, what is the dynamic in the volume of increase of units and the price evolution? Basically, these are my questions. Thank you.

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

Emerson, thank you for your questions. Let's see, for your first question on genomics. Evidently, we're very enthusiastic when we are able to verify the reach that we can have with genomics, and this could perhaps indicate a preference for the Fleury brand in some of these locations there the potential.

But we're quite calm about this, because when we look at genomics, the dynamic of use of this type of test is quite different from conventional, from traditional tests. What allows us to have confidence is the fact that our brand is able to penetrate markets where we have no expectation that it would be so strong. So with the present day technology, with access to information, and with the work of dissemination that we have done in precision and personalized medicine, with the education of the medical costs, we have been able to have this penetration. We will continue on along these lines. And I hope we will have access to more markets.

Regarding B2B, we do have new operations, as you mentioned. And in that business line, we have a great strength through times, but for years, we have had a retraction due to the market, a huge pressure of the payers and hospitals where we also have business. Of course, this system is becoming reorganized and making adjustments. And we also render services through partners and hospitals whenever we have that opportunity of better organizing portfolio. We offer the services with a long-term partner and we will do this.

So it depends on the profile of the hospital, the size of the hospital, the hospital segment that we're entering. We do work on gradual in premium hospitals, we're now entering other types of hospitals with a different line of services and prices. But it continues to be a segment that is of important to us. At this point in time, there have been observations, but we believe that in the medium and long term, there will be greater stability, and this will continue to be an important business for the company.

Q - Analyst

Thank you, Carlos.

Operator

(Operator Instructions) Mr.Caio Moscardini from Morgan Stanley would like pose a question.

Q - Caio Moscardini {BIO 20856018 <GO>}

Good morning, and I have a question on the CapEx for the year 2020. What can we imagine for this year with the opening of new stores? If you could give us more detail as the changes year-on-year, has been great. Thank you very much.

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

Caio, this is Fernando. Thank you for your question. We had a CapEx in 2019 as you saw, that was substantially lower when compared to 2018.

And of course, we're not offering guidance in terms of our numbers. What we can say is that as part of our planning for the year 2020, as part of our project to open new units, we will not do this. Now when it comes to numbers, when you think about the average for the last three years, we should get to similar figures.

As Carlos mentioned, there is -- in the past, we now will invest in new initiatives in the platform for the digital services. So there is a certain conversion in terms of our CapEx. And on the average, we should expect similar CapEx figures as we had in the last three years since 2017.

Q - Caio Moscardini {BIO 20856018 <GO>}

Thank you. Thank you, very much.

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

Simply to add to the response given to you, there is an important issue that we should highlight. We have created an expansion plan that has been deployed as planned. Now if we add this to the organic and inorganic expansion, it went beyond the guidance or the estimates that we gave you in 2016. And we have a very clear vision presently where we have solutions that can bring a great deal of value than beyond the value that we have in our brick-and-mortar structures.

When we speak about not necessarily opening units with the speed that we have in past, perhaps we will do this, we do have technical initiatives that could extract value from the existing units, in terms of the offer that we can make to the clients. We already have the initiative for a health service in Sao Paulo. Many of you have already seen how this service operates. And in the year 2020, we have also begun this with fast service in Rio de Janeiro, and this will be expanded to the rest of the company very soon, of course, respecting the regional characteristics of each locality, but this is a demand of the clients.

And beyond this, it is leverage for value within the company, because it makes our services more expeditious. And the space that is normally devoted to red tape, tends to

shrink and it enables us to add new services in our patient service centers. To give you an idea, we have a unit in Rio de Janeiro, and on the first day, we had more than 25 clients adhering to the fast service, which means that we are very enthusiastic of what could happen with our existing space.

Q - Caio Moscardini {BIO 20856018 <GO>}

Thank you very much.

Operator

(Operator Instructions) Yasmin Brandao would like to ask a question.

Q - Yasmin Brandao {BIO 20355084 <GO>}

Thank you for taking my question, and (inaudible) I have two. I would like to better understand the growth of same-store sales of the a+ brand. If you could give us breakdown and what happens with the mature stores compared to the less mature stores? And if the maturity is happening faster, as expected?

And in terms of the Rio de Janeiro brand, where you're working with an increase in mix, when do you think that the situation will become more normal? Because I would like to understand the dynamics of the system if you expect improvement going forward. Thank you.

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

Yasmin, thank you for the questions. When it comes to the breakdown of the a+ brand, the maturity is within what we expected. We had a growth with a+. If you look at the last year, it still comes at a very strong pace. We have four quarters with a growth of more than 20%.

And the idea is that a+ is a winning brand in this segment. It is attracting a great deal of demand and standing out with its brand in that segment. And it's become a desire in the segment, it stands out from the channel, intermediate segment -- the high intermediate segment, of course, and we're very satisfied with the growth.

Now that maturities are happening as was planned. And given the initiatives that I mentioned about fast service, the optimization of servicing units, we will be able to extract more growth from units that were already mature. We're gaining market share in this segment, perhaps because of the clients. And of course, this is important for us considering the satisfaction that we see in the NPL. The client likes what he receives, comes back and brings in other family members.

We can see this clearly, not only in the fourth quarter '19, but already for some years, where we have been able to deliver all of this successfully. This is a brand that is here to stay, resonates within the medical community as well as within the client, and is delivering ever greater efficiency from the viewpoint of satisfaction of physicians, because of the

quality of exam and the satisfaction of clients, because of the experience that they have within that brand, differentiating that experience with -- from others in the segment.

You spoke about Rio de Janeiro, the increase of mix of Lafe. In 2019, we worked on the integration of Lafe into the Rio de Janeiro market. And as we have always underscored, when we acquired Lafe, most of them are new locations, where we did not have complementary services. So we have been able to bring in some of our practices and portfolio.

But we also learned from Lafe, from regions, from some clients and group of physicians. We learned in terms of what they are demanding, how we can have a good interaction, good relationship. We have learned a great deal from Lafe. So there are opportunities on both sides. There is opportunity for synergy and the opportunity of getting to know new publics of physicians and patients and learning from them.

In terms of stability, my desire as a CEO is not to have stability but to continue growing. So always had growth within Rio de Janeiro, which is what we have observed. The Rio de Janeiro market has important impacts throughout 2019. We mentioned them during the call, there was an accreditation of some units and our new operations have allowed us to have stability in terms of volume. And we do have some stability in terms of revenues.

And I would like to say that our expectations for 2020 are very good. And any expectations in terms of the macro economy is better for 2020 compared to 2019. We hope this trend will continue, especially in Rio de Janeiro, where there was more pressure on the health segment in Rio de Janeiro. I hope that we can begin to grow again with more employment and a higher number of lives in that location.

Q - Yasmin Brandao {BIO 20355084 <GO>}

Thank you. Thank you very much, Carlos.

Operator

(Operator Instructions) With this, we would like to end the question-and-answer session. I will now return the floor to Mr.Carlos Marinelli for the closing remarks.

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

I would like to close today by highlighting a year of 2019. It was very challenging for all of us throughout Brazil. And at the end of 2018, we had a fair vision of how the year would be throughout 2019. Some of this vision was confirmed. In anyway, it was a very challenging year, but we ended the year 2019 with a very good outlook.

We began the year 2020 with a very high level of confidence that the macroeconomic scenario will be better than in 2019, but the year as a whole, will be better in terms of economy and formal employment. We're all very aware of what has been happening recently, the impact of the coronavirus in China, its impact on the world economy and of course, in Brazil as well.

Last Thursday, we launched the exam for coronavirus. This is an exam that we're offering to our partner hospitals at cost price because this is a public health issue and our interest is to offer technology solutions and the best service result who need it.

And at this point in time, what we would like to do is guarantee the sustainability of the system and ensure that patients are being well serviced and that physicians can work with the best information at hand. Luckily, there has been no case confirmed in Brazil nor in Latin America. But of course, we're very attentive to this issue.

I would once again like to reinforce the intention for growth in the company. We're looking towards the future access to health, how individuals relate with health, and how the value chain will be transformed through technology, through mobility, science, data analysis, and integrated information. And how to express that growth in terms of diagnosis, which is our main line, but also through precision and personalized medicine and through our health platform.

This is our great vision of how the Fleury brand and other brands, and SanteCorp can offer large benefits to the population as a whole, doctors, patients, operators, giving greater stability to the system, and eliminating the fragmentation of the system and integrating data.

Once again, I would like to thank you for accompanying us during the year 2019. In the year 2020, once again, we will have a great deal of interaction with the market. Please check our agenda. We're at your entire disposal all the time, and we're quite determined in terms of what we're doing. We're acting in a very transparently to our remarks to reflect the relationship we have with you.

And we wish you a very good beginning of the year 2020, now very close to carnivals. For those, who will be enjoying carnival beginning on Saturday, do this with a great deal of joy and safety. Once again, my greetings to all, and we hope to have all of you present with us in the disclosure of results for the first quarter 2020.

Operator

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

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