Y 2018 Earnings Call

Company Participants

- Carlos Alberto Iwata Marinelli, Chief Executive Officer
- Fernando Leao, Chief Financial, Investor Relations and Legal Officer
- Rodrigo Manso, Investor Relations Senior Manager
- Unidentified Speaker

Other Participants

- Fred Mendes, Analyst
- Guilherme Palhares, Analyst
- Joseph Giordano, Analyst
- Marco Calvi, Analyst
- Mariana Hernandes, Analyst

Presentation

Operator

Good morning, and thank you for holding. Welcome to the Grupo Fleury Conference Call referring to the results of the fourth quarter 2018. We have with us today, Mr. Carlos Marinelli, the company's CEO, Mr. Fernando Leao, CFO, Legal and IR Officer, and Mr. Rodrigo Penido Paes Manso, Senior IR manager.

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 the address, www.fleury.com.br/ri, where the presentation is also available. You can watch the slides at your own convenience. The replay of this event will be available soon after closing. We would like to remind you that the webcast participants, through the website, can post questions for 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 projections, operating and financial goals are based on beliefs and premises of the company management, as well as on information currently available to the Group.

These forward-looking statements are no guarantees of performance as they involve risks, uncertainties and premises. They refer to future events and depend on circumstances that may or may not occur. Investors and analysts should understand that general conditions of the sector and other operating factors could impact the future results of the Fleury Group, and lead to results that differ materially from those expressed in the forward-looking statements.

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

Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Good morning. And I would really like to thank all of you for your presence at our conference call for the fourth quarter 2018. The year 2018 was important to consolidate our brands and for our diagnostic medicine platform. We had strong growth in the regional brands in the most competitive markets like Sao Paulo and Rio de Janeiro. Our value proposition, of course, is servicing physicians and health operators.

At the same time, we moved forward with the Fleury brand in the health market, increasing our participation in the value chain and creating a platform for health. And we're occupying a space where we can generate greater efficiencies based on the brand excellence to contribute with a more sustainable model for health.

Our diagnostic medicine platform is in full expansion based on regional brands in the market of Sao Paulo with the a+ brand and in Rio de Janeiro with Felippe Mattoso and the Plus brands. We have new patient service centers to strategically increase our offer of strategic services, setting ourselves aside because of our excellence.

In slide number three of the presentation, we would like to show you the main financial highlights for this quarter. Net revenues had a growth of 12.5%, totaling BRL654 million. During the year, we had a growth of 11.8%, attaining BRL2.7 billion.

Cancellations represented 1.4%, and remained stable. In 2018, we maintained this 1.4% with 27 basis points improvement. EBITDA reached a margin of 22.2%. During the year, the growth was 11.8%, with a margin of 26%. Our net income reached BRL58 million with a drop of 10%. The variation during the quarter was impacted by a one-off effects in depreciation and financial expenses.

Disregarding these one-off effects, we would have had a stable result compared to the fourth quarter 2017. In 2018, we reached BRL332 million, an increase of 3.4%. We had robust results in operating cash flow that reached BRL212 million with an increase of 89.8%.

In 2018, we reached BRL701 million, with an expansion of 32.5%. Return on invested capital was high, reaching 41.2%. During this period, we made significant investments for the development of our business, creating new units, enhancing the existing units, renewing our equipment park and strategic projects.

Finally, yesterday, we announced the payout of dividends, referring to the results of 2018 in the amount of BRL217 million. Along with the other amounts paid out, we reached a payout of 95% and a dividend yield of 4.8%.

On slides four, five and six, we present the new units inaugurated as part of the expansion plan. Between October and December, we inaugurated nine units, four of the a+ brands in Rio de Janeiro and three of the a+ brand in Sao Paolo. And Rio de Janeiro, the Labs a+. The units were medium sized and have MRI.

With this, we have increased our portfolio with units in Flamengo and other regions. In Rio de Janeiro, we also increased the offer of our premium brand with large units. The large unit is in Barra da Tijuca, a strategic size for the brand and we have an ever-growing audience for our services.

This unit has full services, including two MRI equipment. We have another unit in Botafogo, concluding our offer in the south of the city in Sao Paulo. With the a+ brand, we opened three units. This region was an important flow of potential clients in Chacara Flora and other regions. We ended the year with 36 a+ units in Sao Paulo, increasing our capillarity after two years of beginning our expansion plan. We reached a total of 53 new inaugurated units, totaling 19,000 square meters of service area. This has enabled us to capture market share and also offer more services to our customers.

We now go on to slide number seven, where we show you the operating highlights. We have just announced the signing of the contract for the acquisition of the LAFE brand in Rio de Janeiro. We're awaiting approval of the Administrative Council for Economic Defense.

This will increase our platform in the region with 32 patient service centers and exclusive offer of clinical analysis, a segment in which we have constant growth. We also announced the acquisition of Santecorp, a company that operates in health management services. This is an important channel to offer solution for corporate health and care coordination.

We continue working in personalized and precision medicine segment through our R&D department. We have completed our diagnostics portfolio in oncology. We're now testing drug resistance to fight lung cancer, targeting the most accurate drug treatment for each case.

We also have inaugurated the Fleury lab that will enable us to be more expeditious, and more efficient in our transformation. We're beginning with innovation and transformation of new projects. We participated in the Tech Emerge projects in Brazil through the World Bank International Finance Corporation. We're working with three international start-ups and among these projects, we are developing new technologies in health with the use of artificial intelligence to detect early dementia and abnormalities in CT scans and non-invasive tests for the detection of ulcer-causing bacteria. We have more than the 130 start-ups in diagnosis in Brazil.

We also 15 projects and new technologies. In B2B, we began our hospital operations and we have two new hospitals we're working within the first quarter of 2019. In January, we began operations in Casa de Saude Sao Jose in Rio de Janeiro. And in January or February, we began operations in the recently inaugurated Sirio Libanes Hospital in Brasilia. Therefore, we will continue presenting the operating highlights for this quarter.

The NPS reached 76.8%, which shows the high level of differentiation that we have in our services. I would also like to register the awards received by the company in the fourth quarter. Because of our excellent service, we were considered the best brand in the country in diagnostic medicine by the Ibero-Brazilian Customer Relationship Institute.

And because of our customer service, we got the first place in a survey carried out by Revista Epoca and the Reclame Aqui Portal, involving 8 million clients in the portal. For the second consecutive year, we were part of the Most Valuable Brands of Brazil. We are the only company in the health area to achieve this in terms of sustainability for the eighth time in the healthcare category. We were part of the Sustainability Index, and we were chosen to become part of the Business Sustainability Index of B3.

I would like to highlight that in 2018, we increased our market share, strengthening our presence in diagnostic medicine through our brand portfolio, which has made us highly competitive in a very challenging year. We're open to the needs and opportunities of the sector, and we have a range of services in the Fleury brand, where we are beginning to offer services in diagnostic medicine.

Now once again, we're including the therapeutic chain as part of our services. And we are going to begin orthopedic and low-complexity services. Another strategic pillar shows that we're fully confident that the foundation for these different initiatives is based on the excellence and the good services offered. With this, the results obtained in the present, will enable us to have longevity in a sustainable way for all shareholders.

I would now like to give the floor to our CFO to continue on presenting our results. And I am available for questions and answers.

Fernando Leao {BIO 20171823 <GO>}

Thank you, Carlos. A good day to all of you. We continue with the presentation on slide number nine, where we speak about gross revenue by business segments. In the quarter, we had a growth of 12.2%, amounting to BRL700 (ph) million.

The growth shows the strong development of regional brands in Rio de Janeiro. Now if we don't consider the units that come from IRN and Serdil, in the first and second quarters of 2018, the gross revenue had an organic growth of 7.4%. As part of this context, our patient service centers had a growth of 2.8% or 6.4%, if we consider only organic growth.

Now in regional growth, excluding Rio de Janeiro, the growth was 45 and some percent. During the quarter, we concluded the integration of IRN and Serdil brands, equaling our accounting operations. And this in terms of revenues and expenses for the term, organic growth represented 11% of the regional brands and Rio de Janeiro had a growth of 14.8%.

The Fleury brand had an retraction of 0.8%. And finally, our operations in hospitals had a growth of 12.2%. The graph to the right carries out the same analysis for 2018. Total gross revenue grew 11.3%, adding up to BRL2.9 billion, this without considering the units of IRN and Serdil. Gross revenue had an organic growth of 8.6%, with highlights for regional brands excluding Rio de Janeiro and a growth of 11.7%. Once again, we emphasized the growth of the brands in Rio de Janeiro with BRL9 million and for the Fleury brand, we have there a retraction of 2.6%.

Now if we speak about regional brands, excluding Rio de Janeiro, we had a growth of 45.6% in gross revenue and 15.4%. Now in Sao Paulo, we had strong organic growth of 29.6%, representing 50% of our operations. As mentioned by Carlos, we inaugurated three units of the a+ brand and they didn't have very much impact in the growth that we have this semester.

In the operations of the Northeast, we also had a growth and this growth was consolidated as of the second semester of 2018. The regional brands had an increase of 14.3% in gross revenue. And these are the consistent results that we have seen in Rio de Janeiro.

We have also had a growth in the Felippe Mattoso brands. We inaugurated six patient service centers in Rio de Janeiro. Now the Fleury brand had a retraction -- and gross revenue of 9.9%. All of this is due to the reduction in beneficiaries in the last few years and the changes in health plans. The results from premium market show that it is beginning to become more stable in the last few months. Despite the very challenging scenario, we have been able to grow in this market because this reflects a perception of quality that people have of our health services.

Now, we are in the search for new customers for the Fleury brand. In slide number 11, we show you our expansion plan. We had an expansion of 53 units in 2018. This represents a new area of 19.4 thousand square meters. And most of these areas have less than 24 months of operation. Therefore, they are still going through the curve maturity. The graph to the left shows you the increase of efficiency. We reached 100% during the quarter. In 2018. this indicator reached 98%.

In the next slide, we'll speak about cancellations and revenue totaling BRL64 million. In 2018, we reached BRL2.7 billion.

In the next slide number 13, in the graph to the left, we speak about our cost structure. During the quarter, we had an increase of 12.5%. We had only a growth of 10.8%. In terms of our cost/net revenue ratio, we're working with co-operative care and the coordination of care and the cost of health plan.

As a counterpart, we also had a significant increase of 42% in operating expenses. I would like to highlight the effect that we had due to the integration of Serdil and IRN brands, representing BRL5 million as costs during the semester.

In terms of operating expenses, we had an increase of 17.8% and 29% in terms of expenses. Once again, in the expenses/net revenue ratio, in the same period of 2017, there was a one-time effect due to some fiscal debts. In 2018, the growth was up 17.8%, reaching BRL305 million in the ratio with net revenue. We also worked with the different mix of brands with a highlight to our regional brands.

We go on to the next slide to speak about EBITDA. With an increase of 22.2%, reaching BRL145.4 million, we had operational gains and margin gains. Once again, the EBITDA was a BRL145.4% (sic) (million), an increase of 11.2%, vis-a-vis, the previous year. In 2018, the EBITDA margin was at 11.8%, with a stable increase of 26%.

In the next slide, number 15, we'll speak about the net income that reached BRL58.2 million for the quarter with a reduction of 10%. The margins had decreased to 12.4%, vis-a-vis, the fourth quarter in 2017. This is due to one-time effects of financial expenses. Once again, we have that amount of BRL5 million for the consolidation of Serdil and IRN brands.

We reached BRL331.6 million, and this does not include our non-current assets. Otherwise, our net income would have been very similar to that of the previous year. Once again, net income totaled BRL331.6 million, a growth of 3.4%.

In the graph to the left, you see our operating cash flow. That had a strong expansion of 89.8%, reaching BRL212.1 million. Now the EBITDA conversion reached 32.5%. Now, this is due to a better cash situation because of our receivables, a reduction in the term of receivables. And we attained -- we reached an increase of 32.5%, vis-a-vis, the previous year.

To the right, we show you our CapEx that reached BRL141.4 million, an increase of 39.8% in the fourth quarter of 2018. We once again invested in start-up projects and in our digital projects. The CapEx reached BRL323 million for the full year, an increase of 9.5%, vis-a-vis, the CapEx for the previous year. The ROIC remained at high levels, reaching 42% almost for the semester and showing a reduction in our investment plan.

In our NPS score, we reached 76.8%, with a reduction of the level that we normally have.

In the next slide number 18, you can see our average daily trading volumes that reached BRL40.9 million. On slide number 19, we would like to show you the payout of dividends. BRL217.3 million, referring to the full year 2018, added to what was distributed. The total amount represents BRL315 million, a 95% payout rate with a dividend yield of 4.8%.

On slide number 20, we show you our IR Events Calendar.

Having concluded the presentation, we will go on to the question-and-answer session. Thank you for your participation.

Questions And Answers

Operator

Thank you. We will now go on to the question-and-answer session. (Operator Instructions) Our first question is from Mr. Joseph Giordano from J.P. Morgan.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hey. Good day to all of you, Carlos and Fernando. Thank you for taking my question. I would like to explore the trends in the Fleury brand. I would like to gain a better understanding of the pressure that you feel from the operators. You always say that this is very difficult. But I would like to better understand what is happening in terms of your change in the collection model. We see that some players in the industry are working with flat rates for the health operation.

A second question, I would like to explore, how should we look upon this new initiatives in terms of health management that will leverage the brand and have an impact on revenues, which is your collection model and the business model that you basing yourselves on for this segment?

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

Joseph, this is Carlos Marinelli. Thank you for the question. When it comes to the payment model, we have several initiatives everywhere and we have broadly discussed this and have worked on proposals that include this topic. We have to be very careful with the risk, as you mentioned. We are not a risk company. We are not a company that have specific mechanism or competencies for risks.

We have to work on the different models that will include risk, but always from a viewpoint, where we have limits for the risk with an understanding that we are covered in certain situations. This is not saying that we're not going to do this, but we have done this with a necessary care to deliver true value to the system. We shouldn't bring the whole systemic risks to the company. What we have done is to speak about this openly with several operators. We're holding on discussion on how these models would be, and which would be the range of our action. It is our understanding, nevertheless, that this has to be accompanied by other types of negotiations.

To give you an idea, we have discussed this broadly in a context where we include primary attention with other model. We can take on a certain level of risk as part of a specific model, where we have a clinical protocol that will guarantee that we can work with certain cases with expected practices. We firmly believe that the operators, the insurance companies and health plans consider risk as their main competency. Of course, we will always cooperate to reduce these risks.

We'll also cooperate to guarantee the sustainability of the system. But always as part of our value proposition, our techniques by knowing our shortcomings to act in this field of risks, which is not our main focus or our main competency. We are moving in that direction.

We're considering several models to be able to share risk in well organized scenario. And we will have some novelties in the near future.

When it comes to the new services that you mentioned, this is a reason of price for the speeds with which we implement new services. Last year, we included Santecorp in the company. This has generated new business for our business in the company. We are guaranteeing a better use of assets in the company and mainly helping payers to also attain better results because of a better management and care of our portfolio. This grants sustainability to the system.

Another important novelty that we inaugurated last week was the merger of some units. Last week, we inaugurated the first phase, devoted fully to this at our Morumbi units. This is a winning project that has the characteristics, excellence and differentiated care of the Fleury brand in a very sheltering environment, different from what you normally observe in the market.

We do not only work with service, but throughout the entire chain carrying out partnerships to be able to offer a full solution, bringing better results to operators not only in the field of medication, but also organization of treatments and of course, the, best service to the customer with high satisfaction level.

We strongly believe that this initiative can and should leverage our present day business with a lesser need for investment in assets and of course, maintaining a return on invested capital. This is a trust for the Fleury brand. It is a trust for other brands, and we have to continue to believe in this combination of business, our usual business and the diagnostics business.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you very much, Carlos.

Operator

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

Q - Guilherme Palhares {BIO 20879946 <GO>}

Hey. Good morning to all of you. Thank you for taking my question. To continue on with the question, Carlos, previously considering that your regional brands are very important in the percentage of your revenue and as you have made new acquisitions and opened new patient service centers, what are you going to do to maintain your margins going forward, considering this new business mix for the company? And how is the company going to try to protect its profitability due to the growth coming ahead?

During the presentation, you spoke about the premium market that seems to be stabilizing. In previous calls, we mentioned that this market had a single-digit decrease. Now, what is your outlook of this market and what is the outlook going forward? And you also spoke about your increased sales market share in the premium market and what underlies your increase in market share? Thank you very much. Those are my two questions.

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

This is Carlos Marinelli addressing your questions. First of all, to speak about margins, I think we have a quarter to celebrate this because we have had an expressive growth in regional brands, maintaining our margins. This within a scenario with an important amount of PSCs under ramp up.

Jointly, we are opening new PSCs. We have pre-operational expenses that are important, the ramp-up of these PSCs, and at the same time, we have been able to offset headwinds by maintaining our margin. There has been an expressive increase in our margin because of the rapid ramp-up. This enables us to maintain our margins and unfortunately, something that could offset our performance in the market.

The performance is not the one we would wish to have, is the one that we are able to have in the premium market, due to the market conditions in the last few years. And even in years with a steep recession, we continue to grow in this market. So, this specific moment of flat growth for the Fleury brand. If you look at the entire year, we do have some growth. And we have become -- we have gotten very well prepared for this brand. We are going to expand when convenient and capture market share, with a strong expansion in regional brands with a business that has proven to be highly feasible and guarantees these flat margins that historically are the highest margins in the sector. And often times above those of other sectors.

Once again, based on a partnership with the entire value chain, where prices do constitute a difficulty. We're in a scenario where we have to cooperate in terms of price. If profitability arising from the efficiency of our operations, price reduction and a grown in actions, that leads to a sustainability of margins.

When you think about the outlook of the premium market, perhaps the most important thing to say is that it has become more stable. We do not see a scenario of growth for the premium market, but we no longer see a drop, when we observed that drop of 6.7% in the last quarter. This was a sign, we saw that there was a slowdown down in the Fleury brand in the last few years. But we were still higher than the market in general and we continue to see this. We see that we have higher margins than the market in general.

And why do we have this conviction? Because we have partners, who also work in the premium market. We have secondary sources of information to read the market. And this shows us that even due to the slowdown in the premium market, we continue to grow as we did in 2018 at rates that are lower, of course. This means that in a shrinking market, we continue to grow and gain market share. When it comes to the outlook, as I mentioned, everything that we have seen at the beginning of the year point towards greater stability in this market and perhaps a reaction, although it might be a minor reaction and stability.

As I mentioned in the last question, we are also capturing this market, not only in diagnostic medicine, our proposal is to expand our value chain with services that will represent solutions for operators, for physicians and patients, by absorbing those items that have an impact on the value chain and adding value to everybody, guaranteeing the issue of sustainability with greater efficiency. This is our outlook for the premium market.

And I highlight the higher and intermediate segments that are a reason of price for because of the growth that we have had and the return on invested capital. The maturity of the units, as was highlighted for this, once again makes us be ever more engaged to continue on in this path.

Q - Guilherme Palhares {BIO 20879946 <GO>}

Thank you very much, Carlos.

Operator

Mr. Freddie Mendes from Bradesco Bank would like to pose a question.

Q - Fred Mendes {BIO 17221617 <GO>}

Hey. Good morning to all of you. I have two questions. The first refers to a drop of revenues of 1%. If you could give us more color on what happened here, prices and volumes. And if you could think about the margin expansion, a relevant margin expansion for some of the regional brands. Thank you.

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

Thank you for your question. Could you please repeat the first question? We were not able to understand it.

Q - Fred Mendes {BIO 17221617 <GO>}

Regarding the first question, if you could speak more about your drop of revenue of almost 1% in the Fleury brands, and I would like to gain a better understanding of what represents price and volume? I apologize for the sound of my telephone.

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

When it comes to this drop, there's nothing that we can clearly point to, that refers to either price or volume. Because of a market dynamic, we have a concentration of some portfolio and often time in negotiations, we tend to work more with one portfolio with operators.

So, this has not been made very clear for us. I think its due to a general drop in the market. We see a market that shows a drop of 0.8%. Everybody speaks about this, observe this and perhaps it's an issue of downgrade and price restriction in companies. It's a very small variation and it is very spread out. The trends continue to be the same.

When it comes to the margin mix of regional brands, this is a fundamental issue for the future. Diluting fixed costs has become very important in our new PSCs. We no longer have the pre-operational costs that is to say without revenues in the regional brands and guaranteeing a higher volume to have operating efficiency for the brands.

What we see going forward is something that stimulates us to continue on this path of strong growth of regional brands, a gain in efficiency and all of this translates into a healthier margin environment.

Q - Fred Mendes {BIO 17221617 <GO>}

Thank you, Carlos, for your very clear answers.

Operator

Our next question comes from Mr. Marco Calvi from Itau BBA.

Q - Marco Calvi {BIO 19854632 <GO>}

Good morning to all of you. My first question is a follow on the ramp-up of regional brands. When we look at the evolution of gross margin, there was a growth for the semester. My question is a following, if we face a scenario where the growth of revenue in the brand is similar to what we have seen now and if we have stability in the Fleury brand, is there a possibility that the company will have an expansion of gross margin, cash flow in 2019, based on the ramp-up of the regional brands? My question is where are we, when it comes to the potential for growth of the regional brands?

And the second question, year-after-year, we see an increase in net revenues. And let's imagine a scenario where revenues have an evolution similar to what we saw in 2018. Can we imagine a dilution of SG&A during the year, therefore?

A - Unidentified Speaker

Marco, thank you for the question. This is (inaudible) speaking. Well, this is a objective, of course, in regional brands, where it is very important for the group as a whole. If we look two or three years ago, we see that they have become ever more relevant with a great deal of growth. This is a strategy that was set up in the past.

We knew that because of the economic recession and growth limitations of the past, the great trust for growth would end up being the regional brands, although we are fond of the Fleury brands, although we consider the brand as being a highlight in the company, perhaps a flagship. And we do everything to maintain it healthy and growing. Economic conditions would lead us to greater growth within the regional brands.

We carried out the expansion at the right time. We have obtained a significant ramp up. This reduction of costs can be seen clearly. And because of price and positioning issues, we do have a growth in regional brands that is higher to us than the growth of the Fleury brand. Now as part of our platform, for growth as we presented in the third quarter and in a highly challenging scenario in 2018, we're very confident that we're on the right path.

And for 2019, of course, we want to gain even more efficiency, dilute costs further, such as SG&A. We work with (inaudible) day-after-day to ensure better opportunities for efficiency and dilution, and of course, this allows us to have margin gains. This does not necessarily mean a margin expansion for the company. We do have new projects. We have a personalized and precision medicine. The -- on expansion, we have decreased the speed of expansion since 2018.

But we do have a very important PSC that is the deals (ph). So the future plan, when we look towards the long term, its stability in the chain and making the necessary investments to become a relevant player and (inaudible) player in the health sector.

Q - Marco Calvi {BIO 19854632 <GO>}

Thank you, Carlos, for your response.

Operator

Mariana Hernandes from Credit Suisse would like to pose a question.

Q - Mariana Hernandes {BIO 20281325 <GO>}

Good morning to all of you. Thank you for taking my question. The first question refers to your ticket dynamic. We see that it has had a growth during the year. And the dynamic of your brands and how does this relate to the changes in laboratory exams and analysis? And another very important factor is the reduction in costs. What is that we can expect throughout 2019? Will these costs stay more stable? Thank you very much.

A - Fernando Leao {BIO 20171823 <GO>}

Mariana, good morning. This is Fernando. To speak about the ticket, this reflects the group as a whole, a group has become more efficient. And we have had several revenues here. We have a mix, the mix of Fleury, Fleury brands, the impact of the price increase that took place at the beginning of the year, approximately 15% of the broader consumer price index. So, there are some drivers that were decreased while others increased. Now the impacts that we have from the price increase has been given. It was the amount that I mentioned. If we look at the broader consumer price index last year, we also work with a brand mix to try to neutralize this impact.

Regarding the second point, the variation, of personnel costs as part of the percentage of revenues, we should remember that the variation of mix is important in this context. We have had significant gains in our cost management for personnel. We had a reduction of costs with benefits, and we believe that this issue is very important when we debated in the market.

Now, the change of our revenue mix also has had an impact on this ratio, on this proportion. We're not estimating a continuous improvement in this line item. We are moving towards an enhancement, quarter-on-quarter, with the greater maturity of our patient service centers. At present, our pace is somewhat different compared to the pace that we had in the last two years.

Therefore, this coming interplay of the new patients for the centers show that this is a positive benefit. And through this cost reduction, we are attaining a certain level of maturity after two years of arduously working on cost reduction.

Q - Mariana Hernandes {BIO 20281325 <GO>}

Thank you. And if I could have another very quick follow-up. The number of exam seems to be dropping. At first, there was a more accentuated drop. And where does this trend come from per region? Thank you very much.

A - Rodrigo Manso {BIO 16959423 <GO>}

Mariana, this is Rodrigo. The drop in the number of exams per card was a drop of 5% during the quarter. It shows you the following. Per operation, we have had a growth, a growth of approximately 2%, which is quite historical. But while we speak about a mix in operations in Rio de Janeiro, we see a drop of number of exams per patient card.

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

Once again, this is the mix effect that leads to the higher drop. If you allow me to complement your question, this is Carlos. It all depends on the mix. If we grow in terms of images and we have a great deal of growth in terms of Serdil and IRN, we have images. Now, images represent a single exam, one CAT scan, one ultrasound, one MRI.

Now the other exams normally include a larger number of exam. A physician will tend to request a series of exams of blood tests, cholesterol for CH. Now, it's natural that when you're comparing MRI with the blood exam, we are speaking about a single image, a single exam request compared to other exam.

Q - Mariana Hernandes {BIO 20281325 <GO>}

Thank you very much for your response.

Operator

(Operator Instructions) With this, we would like to end the question-and-answer session by returning the floor to Mr. Carlos Marinelli for his closing remarks.

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

Thank you for your participation in another of our conference calls. 2018 was a highly challenging year but with these figures, we end one more cycle by showing how vigorous the company is not only in terms of revenue, but also net income, EBITDA, and the strong cash generation.

We think that 2019 will not be less challenging. Although we do have a very positive outlook, we need to see the positive impact of all of this in our business and in the economy as a whole. We're highly confident that the strategy for the continuous consolidation of the sector and expansion of activity will bring sustainability to the system.

And we have precision medicine, offering new solutions not only to physicians but also to patients. And this has been a winning strategy in 2019.

I would like to thank all of you for your presence and we hope to see you in the next conference call or in our interactions in the market. Have a good day and thank you very much.

Operator

The Fleury Group conference call ends here. Thank you very much for your participation. Have a good afternoon.