

## Q3 2020 Earnings Call

### Company Participants

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

### Other Participants

- Gustavo Miele, Analyst
- Gustavo Tiseo, Analyst
- Joseph Giordano, Analyst
- Vinicius Ribeiro, Analyst
- William, Analyst
- Yan Cesquim, Analyst

### Presentation

#### Operator

Good morning and thank you for holding. Welcome to the conference call from the Fleury Group to release results for the Third Quarter '20. We have with us today, Mr. Carlos Marinelli, the Company's CEO; and Fernando Leao, the CFO, Legal and IR 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 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 may be accessed at the address [www.fleury.com.br/ir](http://www.fleury.com.br/ir) where you will also find the respective presentation. You may flip through the Slides at your own convenience. The replay of this event will be available soon after closing. We would like to remind participants of the webcast that you can post through the website, questions to 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 the beliefs and promises of the Company management, as well as on information currently available to the Company.

These forward-looking statements are no guarantees of performance, as they involve risks, uncertainties and assumptions, as they refer to future events and therefore depend on circumstances that may or may not occur. Investors and analysts should understand that general conditions, sectoral conditions and other operating factors, could affect 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 welcome to the conference call for the third quarter '20. These 94 years of history shows that Fleury Group has had -- never had such growth as this third quarter. The expansion was 15.4% vis-a-vis the same period in 2019. This performance is a reason for celebration, not only because of the number, but for what that represents, our resiliency, the strength of our brand, our ability to innovate and execute even in challenging times, the quality and strength of our almost 10,000 employees.

This quarter made it clear that our long-term strategy is not a promise for the long-term future, it is something that we are already connected within the present and that we have started to deliver. After the initial impact of the COVID-19 pandemic, which reduced the volume of services of the Group, we were able to make a very good resumption. But also, with our products and services, we helped hundreds of Brazilian companies to return to work in a safe, healthy and sustainable way. We are convinced that this tripod will be increasingly valued by the society as a whole. Our unstoppable work in the hundreds of Patient Service Centers, the cultural and digital transformation that we conducted a few years ago, and the amount of (multiple speakers) that we have built with our stakeholders, are the reasons for a quick and consistent recovery. These elements are a unique and powerful combination, that legitimize us as leaders in the healthcare transformation.

Our recent initiatives for new growth, exploring new products, services and channels have brought increasingly better results for the Company. Telemedicine services, for example, grew 50% in this quarter. We added 70,000 medical appointments since we began operating in April. The drive through totals more than 140,000 services, until the end of the third quarter. We continue to increase revenues generated by the COVID-19 tests. We have more than 1.3 million tests.

And as (inaudible) and other financial aspects, clients now want to receive home services and we have quickly adapted to this request. Client home services grew 113% in the quarter, reaching 8.5% of revenues. This makes us even more proud because people are opening the doors of their homes to let us in, they are extremely satisfied with the quality of the service provided. The NPS for client home was 81.9% in the quarter.

We also had a strong expansion in Integrated Care for companies. A medical consultancy service created to help companies to resume their activities, with solutions that involve employee testing, medical consultancy to define health protocols and care coordination with the use of telemedicine and electronic medical records. We signed almost 500 contracts helping hundreds of Brazilian companies to resume their activities in a healthy, safe and sustainable way and in line with the best ESG practices, that is to say,

Environmental, Social and Government practices. New growth avenues have been in place this year. In our Investor Day, we presented the concept of a healthcare platform. In September, that our plan began to become visible. We launched Saude iD, a Group company based on data science born to reinvent access to healthcare in Brazil, integrating all the actors in the chain. Thanks to this innovative business model that is scalable and open to companies outside the Group, since its launch. Saude iD has been called marketplace, one-stop-shop and ecosystem. Regardless of the name, the ambition of Saude iD is a single one, to place the patient at the center of the strategy and integrate that data to have a more efficient use of resources.

The platform will guarantee the sustainability of the sector, ever more affected by medical inflation and of course, will allow individuals to manage their own health in a totally digital way. All of this strictly following the guidelines of the General Data Protection Law, the LGPD. From the start, the platform emerge with 7 million lives already connected to the offerings of SanteCorp and other brands of the Fleury Group and is available for operators and companies that hire healthcare services for their employees.

Soon. It will also be available for individuals. It is an environment strongly based on primary care, which we believe to be the gateway to the healthcare system. But at the same time, privileges the individual and is efficient. Besides the Group's own companies, we have other companies on the platform, such as Danone Nutricao. The more products and services we incorporate into the platform, the greater the number of transactions carried out and the greater the positive effect of the network.

To put Saude iD on its feet, we invested BRL50 million. That was the easy part. The difficult one was to accumulate almost a century of knowledge and experience, taking care of the health of the individuals, understanding the needs of physicians and relating to hospitals and health care operators. This cannot be replicated overnight. And this trajectory of 9 decades, we're also proud of building the future of the Company within the green commitment.

We now have to have a more conscious capitalism, and all the companies around the world have started to incorporate ESG principles. At Grupo Fleury this concern with impacts goes beyond the financial results since 1990s. Since then, Fleury has been advancing consistently on all fronts, integrating ESG principles into its business strategy in a genuine way. This is a necessary and inexorable evolution. We believe that this new way of doing business, is the only one capable of strengthening the trust relationship we have with customers, employees, physicians, shareholders, and the community. At the beginning of the past decade, we started measuring our greenhouse gas emissions. In 2002, we began to invest in programs to reduce the consumption of water, energy, and paper to achieve better management and waste reduction. The results have evolved year after year from 2016 to 2019, we reduced water consumption by 12.5%. In the same period, we reduced the generation of residues per test by 39% and the consumption of energy by 4.3%, besides a 24% reduction in the consumption of paper in test.

Global emissions of greenhouse gases in 2019 were reduced by 40% vis-a-vis the year 2018. Two years ago, we started to diversify our energy matrix, also using fuels from renewable sources, a movement that will be intensified. The COVID-19 pandemic has

intensified the care we have for our employees, physicians, and dependents. Additionally, to quickly establishing all protocols and care of help to ensure the safety of this population, we were signatories of the NaoDemita movement, aimed at preserving jobs. Now, in line with our resumption, we have already opened 350 new jobs.

Our Company has constituted within in a wide spectrum of diversity of people, race, the ethnicity, gender, gender identity, sexual orientation, physical condition, background, origin and others, and is open to provocations that help us to stay connected to the society, strengthening the relationships we have built with our employees over decades.

The pandemic has also amplified our social impact. For us, an ESG strategy cannot be fully achieved, without the health being made a priority. Since the beginning of the crisis, we have taken on a leading role and participated in various actions, bringing together science and public health. In April, we started the study with the Ibope, Instituto Semeia and scientists from the University of Sao Paulo and Federal University of Sao Paulo to map the new coronavirus in the capital of Sao Paulo.

We also participated in a study of the COVID-19 vaccine developed by Oxford University. We partnered with Butantan Institute, the health state Secretaria of the state of Sao Paulo and others to increase the processing capacity of COVID-19 diagnostic test, due to the front line professionals caring for the population that most needs assistance. In total, there were 24,000 diagnostic tests processed.

Regarding Governance, we have made important strides recently. Our Code of Conduct has been revised and changed into a Code of Trust. This change goes far beyond the name. It is directly connected to a new way of working. it is less imposition and more communication, less command/control and more autonomy. In line with the new capitalism, the Trust Code is valid for employees, including those at home office and flex office schemes, physician, suppliers and partners. And although it is leaner and more direct, about half the size of the previous code, it includes new themes such as the issue of data processing.

It is a materialization of the culture of integrity that we have reinforced lately, seeking an ethical environment that will be ever more constructive and continuous. In truth, this is a very relevant word in our history. It is called the area of integrity and compliance, and we have several other initiatives in the Group and we are a reference when we speak about governance. Now, what is important is the makeup of our Board, we have 30% of independent members and the Company also stimulates diversity. Of the 10 members presently, 2 are women. And we work with the best governance practices and with capital in the Company since 1988, still as a close capital Company.

Our Board already had independent members, we have made great strides in terms of ESG since then, but as a Company based on science, trust and excellence, we believe that it is always possible to do more and to do it better. What happened during the pandemic is a path without returns, we are undergoing digital transformation and we will always be the sectoral leaders in this movement.

I would now like to give the floor to Fernando Leao, to speak about the main highlights for the third quarter. We will then be available for questions.

## **Fernando Augusto Rodrigues Leao** {BIO 20171823 <GO>}

Thank you, Carlos. A good day to all. I will continue on with the presentation, with the financial results for the third quarter. On Slide number 4, we show you the consolidated gross revenue of the group, that reached BRL943.8 million in the quarter, an expressive growth of 15.4% vis-a-vis the third quarter 2019. In the quarter, the client home services had a growth of 13% and B2B of 24.5%. For the entire year, gross revenues totaled BRL2.2 billion with a reduction of 6.6%.

In the next Slide number 5, we show you in the top graph, the evolution month after month of revenues vis-a-vis the third quarter 2019. Continuing that trend of recovery that began at the end of the second quarter, the resumption of demand from our Patient Care Centers extended throughout the third quarter, accelerated even more in the month of September, when it reached 119% of gross revenues vis-a-vis September 2019. The growth in the quarter was up 13.7% when compared with the previous year. Now, this trend was also observed in B2B, that reached 126.7% of gross revenues in September vis-a-vis the same month in 2019, with a growth of 24.5% in the third quarter, accompanying the return of elective procedures and the strong contribution of the COVID-19 test in hospitals and reference laboratories.

I would like to highlight that throughout October, we continued to observe this positive trend in both segments. In the lower graph, we show you the share of COVID-19 tests in different sites. Because of the resumption of demand, there was a greater dilution of revenues of test vis-a-vis the total revenues in the quarter. The RT-PCR and serology tests represented 10.7% of consolidated revenues, compared to 7.3% of the revenues recorded in the second quarter. In the Patient Service Center, the participation was 7.8% and in B2B 25.8% [ph]. And this latter one, there was an acceleration vis-a-vis the second quarter, because of the implementation of safety protocols in hospital, which means a higher number of COVID-19 tests.

We go on to Slide number 7, where we see the performance of our brands, we have a vision of the quarter, where the gross revenue of Patient Service Centers had a growth of 13.7%, 10.4% organic, was the highlight for the Fleury brand and a plus Sao Paulo and expansion of 13.1% and 19.2%, respectively. Regional brands grew 36% with a relevant part coming from acquisitions. In the Rio de Janeiro brands, the growth was 0.7% from the quarter. To the right, we observe the accumulated results for nine months. Patient Service Centers had a retraction of minus 9.1%.

In Slide number 7, we highlight cancellations and revenues. To the left, we see that cancellations reached 1.2% in the quarter, with a reduction of 37 basis points and 1.2% for the year. To the right of the Slide, net revenues presented an expansion of 15.7% in the third quarter, totaling BRL874.6 million, while for the nine months, it totaled BRL2 billion, with a reduction of 6.5%.

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In the next Slide, we will speak about the main financial indicators. Since the first quarter of 2020, all of the figures are based on IFRS, unless otherwise indicated. The figures presented compared to 2019 are on the same comparison basis.

In the next Slide number 8, we show you the evolution of costs and operating expenditures. To the left, you can see that we had an increase of 7.1% in the costs for the quarter. And this is due to intermediation and exams, resources for material and the acquisition of reagents to carry out the COVID-19 test and personal protection equipment for the units. To the right of the Slide, we present operating expenses. This quarter, we had a reduction of 3% with a gain between net revenue of 70 basis points. Now, this reduction took place because we used some credit and we had lower expenses in marketing, partially mitigated with higher costs in strategic consultancies and M&A. For the nine months, the cost had an increase of 1.9% and operating expenses had a drop of 7.4%.

We go on to Slide number 9, where we can see that EBITDA reached BRL323.8 billion, a rise in the first -- third quarter, with a growth of 37.5%, because of this from operating leverage. EBITDA margin was 37%, with an expansion of 544 basis points vis-a-vis the third quarter of 2019. The graph to the right shows you what happened in the 9 months of the year, EBITDA totaled BRL539.4 million with a margin of 26.4% [ph].

In Slide number 10, net income for the period reached BRL132.1 million, with a growth of 45% when compared to the same period in 2019. Net income margin was 15.1% compared to 12.1% the previous year. The graph to the right shows you the 9 months for net income, totaling a BRL117.5 million with a net margin of 5.7%.

In the next Slide, number 11, we show you the operating cash flow that recorded a BRL174.8 million for the quarter, a deduction of 31.3%. The decrease observed can be explained due to a dilution of working capital, because of the resumption of revenues during the period, and an increase in accounts receivable. Operating cash flow for the 9 months was BRL372.8 million, a reduction of 29.3%, impacted by a drop in EBITDA for the year. To the right, CapEx for the third quarter totaled BRL31.5 million, a reduction of 21.8%, because of contingencies set forth at the beginning of the crisis. Investments in digital and IT are continuing to grow and we have resumed several of the projects we have planned at the beginning of the year. The CapEx, the total CapEx added up to BRL112.4 million.

In the next Slide, we have return on invested capital and Net Promoter Score, it reached 29.7% in the third quarter. To the right, the evolution of the NPS that reached 74.6%.

Finally, on Slide number 13, we include the events that have already been confirmed in the coming months.

We would now like to go on to the question-and-answer session. Thanking you for your attention.

## Questions And Answers

## Operator

Thank you. (operator instructions). Mr. Joseph Giordano from JP Morgan, would like to pose a question. You may proceed, sir.

### Q - Joseph Giordano {BIO 17751061 <GO>}

Hi. Good day to all of you. Good morning, Leao. Good morning, Carlos. Thank you for taking my question. My question is the following, which has been the evolution of the mix in the Company? We saw there was an acceleration in September and it was one of the lowest in terms of COVID tests. So, how should we think in terms of the fourth quarter?

My second question refers to the new growth avenues for the Company. I think it will be more within the area of a clinic and primary care, which will be the evolution of the accreditation of the services on the part of operators and which has been the main driver for this? Thank you.

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

Good morning, Joseph. This is Carlos Marinelli. Thank you for your questions. Regarding your first question about the mix, what we observe is that, the first thing that came back was the mix of our day clinics, luckily enough, and in the month of September, we observed the behavior that was somewhat lagging behind. Now, in this third quarter, July, August, September, what we did observe was that, they accelerated strongly, and we have also observed in the month of October that both of these items have returned to the values that were pre-pandemic and this is a return to normalcy, especially in the part of orthopedics. And in orthopedics, of course, we have the headwinds and the tailwinds. And we have spoken with human resources and we see that we are having some issues there, but some of these issues have naturally impacted the orthopedic sector. But we do see that our mix has become more normalized.

Now, when it comes to the COVID-19 test, of course, all of this was added to our portfolio. During the pandemic, we had very high volumes that would be done, in terms of the test. And we do believe that this will tend to have variations through time, presently it represents much less than it presented, especially in the second quarter and we will have an evolution that will appear in the portfolio, but of course, it will be diluted. These are, our supply to the market. This is what we have observed and I do believe, we're going back to a more normal situation, in terms of exams and we're going back to the imaging tests, which of course have a higher ticket and this is what has brought back some of the normalcy to the system.

Now, when you ask about the new avenues of growth, there will be avenues that are greater than those that we state to the market, day clinics, primary care and others. And when we think about health as part of our portfolio and the services offered by Saude iD, we see that there is rising interest on the part of operators and this increase in interest is enabling us to understand the concept so that we can seek solutions for their clients that will take into account all of these issues, to have a reference network, that has been optimized to be extremely careful with care and very soon (technical difficulty) along with everything that happened with Saude iD and the second quarter, we could come up with

solutions that will enable us to connect these diagnostic solutions to our platform, as well as the part referring to institution and all of this ability of working remotely and integrating specific care protocol, always looking towards the sustainability of the system.

**Q - Joseph Giordano** {BIO 17751061 <GO>}

Thank you. Thank you very much, Carlos.

**Operator**

Mr. Yan Cesquim from BTG Pactual, would like to pose a question.

**Q - Yan Cesquim**

Good morning, Carlos. Good morning, (inaudible) and everybody. I have two questions. And the first, we see that your services have increased very quickly during the quarter and represents a significant part of your revenue. I would like to know about the profitability of this line of business, how does it work, which is the cost of this operation, because it is very relevant and which is your outlook going forward in the post-pandemic scenario? Will it increase its share and the consolidated revenues post-COVID? And what is it that you're thinking in terms of this segment? Thank you.

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

Hello Yan. Good morning. Thank you for the question. This mobile attention is very important for us and we always harp on this. It allows us to continue to be relevant to the market in general and for physician, why? Well, we are observing is that even though we have a very important health service to maintain people healthy and that has helped most people to go through these difficult moments, healthy and well prepared, we also have to look upon these attention units. We have had to reduce a certain number of operations and of course to size, restructure, according to the attentions that we have, so as not to have an excessive flow of people and to ask our customers not to come and not to bring people to accompany them.

And of course, this has maintained the experience of our customers in the Patient Service Centers, as well as in the laboratories at this point in time. And because of this, it is very important to have mobile service, mobile attention, it will enhance our ability to service outside of the Patient Customer Centers. Now, this is something that we have already been doing for decades. We began with this and all the attention that we have given to this mobile, attention has allowed us to gain a great deal of experience in the way we manage the services.

And, during a pandemic, we are able to enter the home of our clients, do whatever it is that they want to have done, and of course, this is very critical, very sensitive, and we still have a very good score, which is 82% in terms of NPS for these home services. And these customers will of course use these services again, because of our ability to offer the services and we offer them broadly at the beginning of the year.



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Now, there is the issue of profitability, of course, going to the customer's home does have a cost. We had variable costs in terms of the employees. It's not a very high cost, but there is a dynamic that the person has to displace him or herself and of course, this has a cost and the total time of attention of course grows and all of this becomes a headwind in terms of the makeup of this cost. On the other hand, we don't have to invest in asset. Our experience with this home service is that, as part of the efficiency that we already have, we have made it become very interesting in terms of profitability. Although it doesn't give us the same profitability that we could have from a Patient Service Center, 3% to 4% of our growth is represented this quarter through this home service.

Now, when it comes to the future, there is no return during the pandemic, we're doing everything at home or eating at home. We're buying and having things delivered at home, whether banking, the financial part, we have always done this from home, simply because it is more convenient, we adapted to this, we liked it and I think this is also going to happen with health services. What we're seeking is having greater convenience and efficiency and this is what the platform of Saude iD brings us. The possibility of having health with a single touch and the possibility of connecting not only through an app, but also depends on having full experience with health, that begins with digital health, something that can come all the way to your home with a great deal of safety.

And this is what we do with infusion and with other offers that we will be adding to the market in the coming months. And the experience of telemedicine with some elements to be able to verify the payment being done by the customers, with a direct link with the physicians. Therefore what we are developing is at that presence and several channels being extremely conscious of that tradition of care that we have because we are going to people's homes and we're working with new professionals that are becoming used to go into the customer's home. We know this is a good experience and that customers will repeat it.

### **Q - Yan Cesquim**

Thank you very much.

### **Operator**

Gustavo Tiseo from Bradesco would like to pose a question.

### **Q - Gustavo Tiseo {BIO 21421350 <GO>}**

Hey, good morning, Marinelli and Fernando Leao. Congratulations for your results. I have two questions if you please. The first refers to the margins. I would like to try to understand if you could divide bases because of your market share, you had better revenues? Or is this is due to the procedures that were somewhat repressed?

The second question refers to your Integrated Care that you have been offering to the companies. If you could explain to us what is happening in that field? Whether it was like pre-COVID and which is your scheduling post-COVID? And what is happening with primary care? Or perhaps this would be an interesting opportunity?

Bloomberg Transcript

Thank you for taking my questions.

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

Good morning, Gustavo, and thank you for the questions. So to speak about margin, as you mentioned, it all depends on the operating cash for the period. We have had a significant growth and we all know how this leverage works, especially in times of a low demand has happened in the second quarter. We have any variation close to the revenue line will, of course, exert excessive pressure on our margins, and this is what happened on several services.

Now what we have to highlight is our operating leverage during a period such as this one of the pandemic, we have Patient Service Centers and we have a volume of calls and especially all geared towards COVID-19 exams. So we have to maintain that structure and offer a great deal of operational efficiency when servicing the customer otherwise, you cannot execute this procedure correctly. We speak about operating leverage, but to get to that operating leverage, you need a great deal of work, you require the most efficiency, and you have to rethink the process as part of the services you offer. So you have a significant involvement of physicians so that all of this can happen. Because the worst thing that can happen is to have this demand and not be able to service that demand.

Fortunately, we played a very important role in terms of operations and in terms of this process to be able to truly capture this demand. Now, it would be mistaken not to think that part of this demand is a demand that was displaced from the second quarter. We can also not forget that people will continue to need health. People read television, they read newspapers, social networks, everybody is internally [ph] speaking about health and of course, people are extremely worried, they want to take better care of themselves and do it constantly. Now, based on all of our calculations that we follow-up on, we see that we are gaining in terms of market share, and part of this demand is here to stay.

Now during these nine moments of the pandemic, the Fleury Group had a very significant presence among groups of physicians, in terms of clarifying, what was happening, tests and of course, this had an impact on our reputation. We did carry out a survey very recently with the semi institute [ph] and others. And in Sao Paulo, at least the Grupo Fleury had a great deal of exposure, and especially with the data for COVID-19, not only this but also in terms of other elements that we worked arduously on. And all of this has enabled us to have a greater exposure and we're in the mindset of people.

Now in January, in all of our brands, even those in the Northeast once again we were - we made sure that we had a great deal of presence and that we work very closely with the physicians. It is logical that our initial intention is to make sure that our patients remain healthy and well so that we can continue on. But our connection with them goes beyond. We want to speak about people's health, we want to speak about work fronts, and this is all part of our strategy. Human Resources has created a panel referring to services. And of course, the health of others is very important and our associates those that work with us.

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And we have to be highly connected to regulatory issues to safety and all of this. And even when it comes to the ESG issues, you see that human resources is thinking about the health of the associates in an extremely active fashion -- in a very positive fashion. e're not simply complying with the rules I think that companies are strongly thinking about their legacy and care and integrating care to other issues, especially during the pandemic, and of course, we will see the effects of this going forward.

So all of this goes much beyond that simple act of carrying out tests. We want to understand the health of our associates (inaudible) follow-up on this. And we see that in a moment of pandemic, for example, this so important to have health products with affordable prices, so that all of them -- our associates and their families can be very healthy. And we see how important this issue has become among people in general.

We work with a great deal of operators. And we observe that the -- these solutions have become ever more important for them. Why? Becasuse we have to have solutions that address something like this that atmost important and something that cannot be resolved at outpatients, only all of this, of course, has a cost. So we have to work, not only at outpatient centers, but we have to work at customers' homes, we have to work through digital processes as well. And I think that we have been very successful in our contracts and we believe that this will continue to grow going forward.

## Operator

(Operator Instructions) William [ph] from Credit Suisse would like to pose a question.

**Q - William** {BIO 15106707 <GO>}

Hey, good morning to all of you. And when we think about your new lines inclusion and others, which is the represent activities that you foresee in the future? And if we think about CapEx going forward, once again, are you going to think more and more about the marketplace? Thank you very much.

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

William, if you could repeat the second part of your question, please?

**Q - William** {BIO 15106707 <GO>}

The second part is focused on CapEx going forward. Are you going to invest in new units? Or is your focus going to be in the marketplace? Thank you.

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

I will begin with your first question. What is super interesting about our business lines is that they are top ups, which means they have the great advantage that we can already use already existing assets to offer services, for example, when we visit the customers at home or for infusions. And we don't have the need to create new assets in that aspect, we simply have an extended return on the capital that we have already invested.

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And when you speak about representativity, well, these are new business lines and are important. We know that they're important for the care of people. We know that people do want to have this outpatient experience more and more, and we also have the advantage of being able to sell these services using an infrastructure that already exists. So the speed with which we set up the first half special day, [ph] the speed with which we set up our infusion process was extremely fast. And of course, this is highly important because there is that desire for people to use these environments outside of hospitals and when they have a timely need. So these are lines of care and attention that have enormous potential, and of course, we're very awaited to capture even greater potential going forward.

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

William, good morning. About the CapEx, what I can say is that we have some very timely opportunities and this is how we're going to be thinking about CapEx looking upon new geographic opportunities and opportunities where we can expand our presence. And of course, this will bring about important growth for the company.

And in terms of mergers and acquisitions, what we're looking for is an installed capacity. And of course, this will enable us to continue growing in regions where we already have a footprint or in new regions. So when we look forward, there will be a greater convergence of investments, very much dependent and our digital platform and our performance here. With the opening of new services and with the necessary structure, of course, to be able to develop our service strategy through multi-channels and take this to the mark.

**Q - William** {BIO 15106707 <GO>}

Thank you very much.

**Operator**

Gustavo Miele from Itau BBA would like to pose a question.

**Q - Gustavo Miele** {BIO 21077665 <GO>}

Good morning, Carlos. Good morning, Leon. Thank you for the presentation. Two very quick questions. The first a discussion regarding other states, for example, the performance of Rio de Janeiro was less strong compared to other areas that, but of course, this is due to the fact that the normalization after the pandemic has been slower. Now, is this something recurrent Rio de Janeiro? And you have any ideas for the other (inaudible) user sites where you operate at present? This is my first question.

Secondly, I would like to hear from you -- about your future steps? You spoke about the present they status of Saude iD, but which are your plans beyond what you have announced this quarter and going forward? But are you going to work first with this model and then go after a more robust portfolio, perhaps more in the medium and long-term?

So these are my two questions. Thank you for taking them.

Bloomberg Transcript

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

Gustavo, this is Carlos. Now, when we speak about the locations, the sites where we are, well there was a growth during the third quarter, but at different paces. All of those locations have gone through that initial moment, others perhaps not, there is that variation. The moments are different in each location for example, in Sao Paulo, the moment is different from Rio de Janeiro and our other location.

So each state is dealing with the pandemic and a completely different fashion. And sometimes this depends on hospital structure or other issues. Now, when you think about this in the medium term, all of our locations have a health environment that seems to be under (inaudible) resumption of normalcy. And you see that physicians have gone back to their offices, and of course, physicians do not allow their offices to have huge gatherings of patients, but they do have some (inaudible) they can put in place. And with that home office dynamic and it seems that our customers in the more premium and intermediate segments.

And because their children don't have classes had also modified the way of resulting to health care, which means that we have a strategy to grow and a different strategy for Mattoso, for the South, for Rio de Janeiro.

Now we do have a different type of management in each location. We closely follow-up on the local dynamic to understand how we can best service this dynamic through what we do. So what we do is to follow up every week on the services and different locations. And what is positive about this is that we already had to expand the part of our associates and employees.

We need to fully capture this demand and because of this, we have been able to hire new employees. Now in some cases, this may be something timely a one-off situation in the South and Rio de Janeiro and Sao Paulo. But very quickly we can observe the behavior, the gradual resumption, and as explained previously, we are observing a gain in market share.

What you said about partnerships, yes. We're actively seeking out partnerships. With the understanding that you have to create this power to attract them, we had several services already being offered, and we carry out consultations with operators, we carry consultations in the virtual offices of physicians and the digital platform. And of course, we have exams, we have the prescription of medication and much more, and of course, all of this may generate new clients are willing to participate in our platform to be able to connect with the patients.

And the digital experience that on the platform with the patient is very important. And we have to work with a high number of partners. And these partners will also have to be about to transform these experiences into something that is positive. This will have a general positive effect where we will bring in more people, more partners, and this is what we're doing, constantly seeking new partnership. And in some locations, this is well advanced, in other cases, this is a very (inaudible) process. But without a doubt, we will be communicating that new partners will be added to our services during these communicate.

**Q - Gustavo Miele** {BIO 21077665 <GO>}

Thank you very much, Carlos, for the very clear answer.

**Operator**

Vinicius Ribeiro from UBS would like to pose a question.

**Q - Vinicius Ribeiro** {BIO 19720178 <GO>}

Hey, good day to all of you. Thank you for taking my questions. And I do apologize if somebody has already asked that I was disconnected. In terms of your health platform, you have been announcing several investments since you announced Saude iD. Have you observed any change in terms of valuations, M&As or the cost of professionals in the area?

And the second question related to this one. This package of the platform that is coordinated with diagnosis, do you already have negotiations with operators for new models of payment, something that could perhaps guarantee a larger number of contracts in terms of diagnosis? Thank you.

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

Vinicius, thank you for the question. And it's a question that has not been discussed yet. Today when we think about the cost of investment, there is a significant part of the investments that goes to people to hiring talents and in the digital part services and solutions. And we know that there is a scarcity unfortunately in the market for this, and because of this, we have spewed talents and this is not only in the health sector.

During the pandemic, we observed a great increase with the understanding that this type of platform is something for the future, and that we're going to add this dimension to be able to increase our business. So we have been making very good implementations, especially last year and in previous years and more specifically in the last month. So we do believe that we have an advantage here. We have an entire generation that is connected to this and is very connected to our purpose. And of course, this will attract several of these talents, people who want to make a difference in the life of people in a very significant way. And our Saude iD does this.

We have a very strong organizational culture at Saude, and that allows us to have a very good relationship with everybody. We are able to build a sound relationship. And when you ask about investments, we're looking at new franchise [ph] present. There have been some variations but what we have invested in rare cases and some new opportunities that what you have to do is look towards the future and truly understand how all of these opportunities will work on your behalf. And we have been extremely active and we'll become ever more active in this field.

We already do this in Israel and another countries where we had a strong connection. And we're following our normal process and connects us to other possibilities of diversification going forward, not only the digital part and that of data, but also the part of experience

that we have in B2B and then all of the other areas. When it comes to that package and a different model of payment, we have had the service for some time already is Saude iD and primary care, and all of these we negotiate the payment terms in a different way.

In terms of diagnosis, for example, we have acquired ever more practice and ever more experience in this new model, and we're constantly negotiating with the operators. And it seems that we are able to broaden the scope of these contracts ever more as well as with others that we have. So we do have such a difficult experience when it comes to new means of payment. And this is something that growth day-after-day -- gets better day-after-day and we'll also leverage our growth and especially the knowledge of the Company, and that will bring us positive results in the future.

**Q - Vinicius Ribeiro** {BIO 19720178 <GO>}

Thank you. Thank you very much.

**Operator**

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

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

Thank you all for your presence at our results conference call for the third quarter. As you were able to observe, it is a quarter with significant growth for the Company and it shows a resumption. We would like to thank all of you for your confidence, the confidence of investors and also thank all of our employees that have shown significant resilience during all of this time. And they have worked to favor the customers, the physicians and everybody working with us.

Once again, our strategy has not changed at all. We have been very well aligned for some time and this has been very positive for our team. It has helped us in terms of our short-term results. We are highly connected. And we're going to continue with this fast footprint relating to people, and to ensure that we will have an ever more digital health, but also making sure that we can become more and more connected with all of our stakeholders.

Today is October 30th. But we have had a very important month in October, the struggle against trends, and do reinforce the importance of doing test of early diagnosis, the importance of taking care of yourself during these periods.

And I was -- already like to invite you for Investor Day, which will be on December 9. Unfortunately, as we traditionally do, we will not be able to meet at our headquarters. But we are working to ensure that this will be a highly productive experience for all, our gratitude to all of you and do follow the measures that have been recommended, use sanitizers, wash your hands often, follow all of these safety procedures.

Once again, we have not reached the end of the pandemic. Things are getting better, but we will be able to go through this and we hope to see you again when we release the results

for the fourth quarter '20.

Thank you very much to all have a very good day and excellent week. And we will meet again on December 9th. Thank you very much.

## Operator

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

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