Q2 2017 Earnings Call

Company Participants

- Carlos Alberto Iwata Marinelli, CEO & Member of Board of Executive Directors
- Viviane Behar de Castro, IR Officer & Member of Board of Executive Directors

Other Participants

- Leandro Bastos, Analyst
- Luciano T. Campos, Research Analyst
- Marco Calvi, Research Analyst
- Olivia B. Petronilho, Analyst
- Rodrigo Franca L. Gastim, Research Analyst

Presentation

Operator

Good morning. And thank you for waiting. Welcome to the earnings conference for Grupo Fleury concerning the earnings for Q2 2017. We have here with us Mr. Carlos Marinelli, Chairman; Mrs. Viviane Behar de Castro, Director for Investor Relations. And we'd like to inform that this event is being recorded. (Operator Instructions)

This event is also being transmitted simultaneously through webcast. It can be accessed on www.fleury.com.br/ri and on the other platform where we have available the presentation. The slides will be controlled by you. And this event will be -- the replay will be available as soon as it ends. Those through webcast can also send questions to Grupo Fleury.

Before proceeding, we'd like to clarify that any declaration that may be made during this teleconference concerning the business perspectives of Grupo Fleury, projections, operational financial goals are assumptions of the company's management and also information currently available to Grupo Fleury. Future considerations are not guarantees of performance. They involve risks, uncertainties and refer to future events and, therefore, depend on circumstances that may or may not occur. Investors and analysts should understand that general conditions, sector conditions and other operational factors may affect the future results of Grupo Fleury and may lead to results that differ from those expressed here.

Now I would like to pass the floor to Mr. Carlos Marinelli, who will begin the presentation. Mr. Carlos, you may proceed.

Carlos Alberto Iwata Marinelli {BIO 18884059 <GO>}

Good morning, to all. Thank you for attending our earnings conference for Q2 2017. I would like to begin this conference saying that -- highlighting that we continue with our strategy of differentiating ourselves. And this can be seen every day in our units through technical, medical excellence and also customer service to guarantee a sustainable growth in spite of the macroeconomic scenario that is still challenging.

With this backdrop, I would like to present the main financial indicators in Q2 on Slide 3. The gross revenue grew 12% and 10.5% from same-store sales. That revenue had a growth of 13.8%. EBITDA grew 24.1%, reaching a margin of 25.3%, which represents a growth of 209 basis points in relation to Q2 of the previous years. The growth had an impact on the margin by 140 basis points. Net revenue -- net profit reached BRL 87.9 million with a return on investment on capital with premium of 40.3%. I'd like to stress that these results are within our estimates for the period. I would like to highlight that in June, we had a stock split of the company, 2 shares for each one. In this way, the total number of shares doubled in the period. But without an impact on the financial value of our social capital. I'd like to stress that yesterday, the administration council approved the distribution of BRL 58.9 million as interest on capital concerning net profit of the first semester 2017.

Now let's go on to Slide #4, where we see the evolution of our expansion plan with the delivery of 17 units -- inauguration of 17 units. In this period since December 2016, we inaugurated 8 units of the Fleury brand. 6 are fast sites with focus on clinical analysis and ultrasound and 2 large units complete with our offer of diagnostic and clinical analysis and also Gestar and Vila da Saude for pregnancy and pediatric public. 6 new units of a+ Parana, reinforcing our positioning in the region with an increase of (inaudible) due to a strong demand for our services there. 2 units a+ Sao Paulo, 1 fast site, offering clinical analysis and ultrasound and 1 average unit with complete image services, including MRI. Thus, beginning our interest in the (ABC) in Sao Paulo. Also 1 Weinmann unit in Rio Grande do Sul. These delivered -- these inaugurations are according to the schedule of our expansion plan that we established last year. We would like to say that we would deliver -- we should deliver 73 of 90 units until 2021. As you can see, we show on this slide, the large size units here of Analia Franco and Morumbi, they have a great participation in the CapEx invested in expansion until now.

On Slide #5, we show the other units inaugurated during the quarter. Among the fast sites of Fleury brand, a+ Sao Paulo, a+ Parana and Weinmann. Continuing on Slide #6, we see that the growth is based on the recognition of the quality of our services with evidence and this can be seen in the metrics, NPS, which we do a follow-up continuously to see the satisfaction of our clients.

In the quarter, this indicator grew 536 basis points, reaching 74.7%. I'd like to stress that we were elected for the first time as the company of the year in the 18th award for Modern Consumer and Customer Service. And this included the most relevant companies and brands in the country of all segments. Also we continued as a leader in diagnostic medicine for the 16th time. And this is the 8th consecutive award. In Rio Grande do Sul, the positioning of the Weinmann brand was recognized by the award Top of Mind 2017. It is the brand with the best recall for labs, clinical analysis labs. Another recognition was for the Fleury brand by the Millward Brown as the 51st in the ranking of the most valuable brands in the country with a value of $206 million. Equally important, our actions for good relationship with doctors, which allowed us to intensify our positioning, our brands with doctors.

So we participated in 61 events, especially the Congress of the Cardiology Society of the State of Sao Paulo, where we brought together 2,000 attendants in our booth at Fleury. Still we also had a symposium of cardiology for elderly, which raised the maximum capacity of public with 700 cardiologists, the largest also for radiology and the largest for image diagnosed in Latin America. In this way, we're investing comparably in medical knowledge and innovation. We also formalized an RFP with the main vendors of technology and inputs in diagnostic medicine for our project, technical area of the future, which will increase our technological equipment, productive capacity and operational efficiency with a new platform of knowledge for clinical analysis. We are constantly working to highlight our positioning and differentiating our brands with a stress on knowledge, innovation, technical, medical excellence and also excellent customer service. These attributes which differentiate us will have also fostered us to expand our offer of services to capture the demand.

Now I would like to pass the floor to Viviane. She will continue with the results. I will be available at the end for questions. Viviane, you have the floor.

Viviane Behar de Castro {BIO 16620272 <GO>}

Thank you. Good morning. We'd like to continue on Slide #7, where we detail the performance of gross revenue by business line. The gross revenue of the company grew 12% in relation to Q2 '16, BRL 646.5 million. The growth of gross revenue had an impact, especially was impacted due to the performance of the units, which had an expansion of 12.5%. So we had double-digit growth in the brands, 11.2% in the Fleury brand, 16.7% in the regional brands excluding Rio, 11.8% in Rio de Janeiro brands. The hospital operations had an increase of 10.1%. The Fleury brand represented 49.6% of our revenue. We'd like to highlight the increase in the share of the regional brands, excluding Rio de Janeiro in this composition, which went from 17% in Q2 '16 to 17.7% in this quarter. On the graph on the right, we see the comparison between semesters of gross revenue, where we register a growth of 13.5%, highlighting the regional brands, excluding Rio de Janeiro, with an increase of 18.5%.

On the next Slide #8, we see on the graph that the Fleury brand had a relevant participation in the composition of the gross revenue in the units. On the table below the graph, we see that the relationship between same-store sales and gross revenue reflects already the effects of expansion by 2percentage points and in the Fleury brand, 2.3percentage points, in regional brands, excluding Rio, 2.1percentage points. It's important to stress that we had a negative calendar effect, especially in April, where we had more holidays, apart from a general strike in comparison with the previous years. This had an impact on demand.

We continue on Slide #9, where we see the evolution of the indicators of efficiency in the units. We'd like to stress that the indicators of efficiency year-to-date with gross revenue had an impact on the -- had an impact with expansion plan. Year-to-date we had a net increase of 2,900 square meters of space, reaching a total of 103.2 square meters, resulting in the opening of 15 units that are beginning to become mature. On the graph on the upper right -- on the upper left, sorry, we see the expansion of 9.2% of gross revenue per square meter in Q2 '17. And on the table, we have the detail. On the graph below, we have the gross units -- gross revenue per unit and of service with an increase of 3.5% in Q2 '17 and then the growth per brand. In the quarter, we see the expansion and indicators of the Fleury brand due to more square meters. Also, we added -- in Q2, 81% of the growth is in the Fleury brand.

On Slide 10, we see the indicator of write-offs, which reached 1.4%, a reduction of 141 basis points. This result is due to the -- our continuous process in accounts receivable, improving accounts receivable and renegotiation of those who owe us. In the semester, we had 1.8% reduction, 102 basis points. This considering certain effects, certain cases, this indicator would be 1.8% in the quarter, 2.1% in the semester.

Here, we see the evolution. On the right -- on this slide, we see net revenue expansion of 13.8% totaling BRL 597.6 million. In the semester, 14.7%.

We continue on Slide 11. Here, we see the cost of services rendered. In the quarter, the costs totaled BRL 410.9 million, an increase of 9.9% in comparison with the previous year, which represented a dilution of 243 basis points in relation to net revenue. Medical and personal services, which make up most of the cost of the company, had a growth of 14.6% and representing an increase of 25 basis points in relation to net revenue. This increase can be explained by the hiring of new employees for our -- due to our expansion plans and the increase in demand in our operations. And also price increases of the health care plans for employees and wages as a result of union increases, 6%, approximately 6%, 4% concerning the second part of 2016 and 2% this year. Rent, services and utilities represented 7.5% and a dilution of 114 basis points in relation to net revenue. This gain in efficiency is due to renegotiation of contracts with vendors. Direct material and intermediation of tests increased by 12% and were diluted by 16 basis points in relation to net revenue, explained by the mix of exams processed in this period.

Depreciation and amortization dropped by 18.1% due to a review and end of life of some equipment. On the table below, we see the composition of cost in the semester, which had a growth of 9.2%, also with a dilution of 339 basis points in relation to net revenue.

On Slide 12, we have the detail of operational expenses, which represented BRL 68.9 million in this quarter, an increase of 5.6%. But with a dilution of 89 basis points in relation to net revenue. The administrative and general expenses grew 10.6%, a dilution of 27 basis points in relation to net revenue. This gain in efficiency can be explained by reductions in the expenditure with consultancy companies, rents and electricity. Depreciation and amortization grew 32.1% due to the amortization of software developed internally with reimplementation of SAP during 2016. Other operational expenses dropped by 0.9% to 0.2% of net revenue due to write-offs in the results in Q2 '16, apart from the accrual for contingencies, which dropped 0.3% to 0.1% due to less accruals for labor risks.

Finally, other assets remained stable. On the table below, we see the composition of operational expenses in the semester, which reached BRL 131.3 million, same level as the previous year, representing a dilution of 164 basis points in relation to net revenue.

We continue now on Slide #13, where we show the evolution of EBITDA, which reached BRL 151.4 million in the quarter, an increase of 24.1% in relation to Q2 '16. This result is due to the growth of net revenue together with a continuous effort to have efficiency gains and also due to the impact of expansion. This (conflict) EBITDA margin grew 209 basis points, reaching 25.3%. The impacts related to the expansion represented 140 basis points in the margin in the quarter. In this semester, EBITDA grew 33.2% and reached a margin of 27.4%.

Now let's go on to Slide 14, where we detail financial results and company's debt. In the quarter, the financial result represented an improvement of 15.5% and reached an expense of BRL 12.7 million impacted by financial expenses due to amortization, partial amortization of debentures and also a decrease in interest rate. In the semester, the financial result reached an expense of BRL 29.6 million, stable in relation to the previous years. On the lower graph in the slide, we see the net debt totaled BRL 395.9 million in Q2 '17, representing 0.7x EBITDA in the last 12 months.

On the right, we have the composition of debt of the company made up of debentures, which represented 87% of the gross debt and financing from FINEP and FINAME.

On Slide 15, we see taxes on profit. The income tax and social contribution had a drop of 30.6% in the quarter. And the effective rate reached 16.4% in comparison to 35.1% in Q2 '16. The better tax management and foreseeability using the maximum of tax benefits on interest helped the company to adopt the accounting norm, CPC 21, which determines the use of an estimate for the effective annual rate. In this way, the effective rate accumulated in the semester of 25.8% reflects a better estimate in the annual rate. When you look at the semester, the effective rate reached 25.8%, an improvement of 1,100 basis points. I would like to stress that our expectation for 2017 is an effective rate of 25.8%.

Continuing on the next slide, #16, we show the net profit, which reached BRL 87.9 million in the quarter, BRL 169.4 million in the semester. The net margin was 14.7% in the quarter and 14.3% in the semester, in comparison with 8.8% registered in both periods in 2016. These results were impacted by the effects of the accounting standard as explained.

On Slide 17, we detail cash -- operational cash flow, which registered BRL 161.4 million in the quarter, a reduction of 3.9%, due to noncash impact in the previous year. The conversion of operational cash EBITDA reached 106.6%. The investment activities increased by 215.3%, due to the expansion plan of the company and increase in investments in securities. The activities -- the financing activities had a drop of 70.9%, with a decrease in the payment of interest on financing and loans and debentures as a result of a reduction in gross debt and a drop in interest rate. The cash generation in the period was BRL 10.3 million. And if we consider the adjustment of the securities, the generation would be BRL 96.6 million.

Finally, I'd like to stress that our average terms of accounts receivable had a reduction in 66 days in this quarter, a decrease of two days in comparison with Q2 '16 in accounts receivable.

On Slide 18, we see on the graph on the left, the growth of 92.3% in CapEx in the quarter reaching BRL 67.9 million, reflecting investments in the expansion plan. The CapEx for the semester registered BRL 124.2 million, a growth of 105.6%.

On the same slide, on the graph on the right, we see the return on invested capital, excluding the premium of acquisitions continues with a strong evolution, reaching 40.3% in the last 12 months.

On Slide 19, we see the performance of our shares that had appreciated. Price went up 26.7% in the quarter and 50.4% in the semester. Also, we see here the stock split of the company, 2 shares for each one on June 27.

Finally, on Slide 20, we stress that the administration council as inferred by Carlos approved a distribution of BRL 58.9 million as interest on capital representing BRL 0.1872 per share. This will be paid based on the shareholder position on August 1. And will be available on August 15.

Now we will begin the Q&A session. So apart from Carlos and myself, Mr. Fernando Leao, our CFO, will be available for questions. Thank you very much.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Mr. Rodrigo Gastim from BTG Pactual.

Q - Rodrigo Franca L. Gastim {BIO 19694950 <GO>}

First, concerning the growth of top line and here, we see also same-store sales. I'd like to understand this double-digit growth will continue in the next quarters. And if this comes from an improvement in the services -- mix of services? The second, concerning the expansion plan, we had a great concentration of new units. What will be the rhythm for Q2? Will you accelerate? And will these that have been inaugurated reach majority? Of course, if you can give us also an update of the behavior of these units, especially the 2 large units in Analia Franco and Morumbi, that would be very helpful.

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

Thank you for the questions. Carlos Marinelli. Well your question about top line. We see here a top line that continues with double digits. We have a macroeconomic scenario there. Although we expected to have a better situation, it is still challenging. What we expect for Q2, Q3 to have a growth, which will be resilient to robust growth. We're talking about the maturity -- reaching maturity in new units, especially in those that you mentioned that have a participation that is small. But growing. And we have expectations to see these units becoming mature.

As you said, this -- we are working. As they become mature, we increase the mix of services. And we've been -- we have been inaugurating these units to capture more clients and also looking at all the opportunities we have in same-store sales. We have a lot of focus to see the levers we can find to improve the efficiency of the units, too. And we have many variables that we measure every single day. And thus, we see demand and trying to capture all the growth opportunities.

Also the rhythm of inaugurations -- the pace of inaugurations, I'd like to say that we already include the Morumbi unit, which began in July. So it's a large unit. You have the square meters, the floor space. And it will be -- it will be more evidenced in the second semester. Now the issue of updates, these new units, the performance of these new units until now totally within our expectations, as we expected. We have a plan for these new units. They are -- so the performance is within our historical numbers. And I can tell you that it's within what we expected, the performance. To finalize, concerning second semester, we have a rhythm in terms of square meters. We might -- we will have less square meters of inauguration.

Operator

Our next question comes from Ms. Olivia Petronilho from JPMorgan.

Q - Olivia B. Petronilho {BIO 19090195 <GO>}

I'd like to explore the B2B. We see the company signing contracts. But the profitability in B2B is lower. Does the mix -- how is the mix in relation to older contracts? And how does this affect the average ticket? My second question has to do with expansion. I'd like to understand the margin in the new units in comparison to the margin in the older units.

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

Thank you for the question, (Joseph). Concerning your first question, B2B, you are right. The profitability in B2B is lower than what we see in terms of average profitability of the company. We have to consider the return on invested capital there. B2B has a contract with a nature that is different from other units. You have a lot of -- you have a team, you need inventory in the unit. In B2B, normally, it is operating, it's different from a normal unit. You have less time to hire people.

When we sign a contract, we see those who are there, we make adjustments inventory of materials I have to replenish. And I don't have certain expenses. So the integration is basically in the software. We don't have great assets for installation. And you begin on the first day with the work from the hospital. You have a return on invested capital, which is superior to what you have in the units. So we analyze this to have a growth for the investor. And we have different margins.

Concerning expansion, you talked about margin, it's true, for example, a ramp-up in a new unit, the profitability is lower than in other units that are older. We try to do our best to make efforts working in the units, telling the client -- telling clients that they have a unit that is closer to them now. And we have a large database of clients that we use. So those clients that live in the region of the new unit, we try to take them to the new unit.

Now concerning what you said, the mix in the new units, when you look, they are more concentrated on clinical analysis. We have to see this diluted in the whole company and also, the cost of this type of unit are higher initially. So as I said in my previous response, maturity is as expected. And we're making our efforts to have an interesting return on invested capital for the shareholder.

Q - Olivia B. Petronilho {BIO 19090195 <GO>}

Just to follow-up in terms of B2B, we understand that the return on invested capital is lower. In this context, would it make sense to have a strategy of return that would be stronger? So would it make sense at least in Sao Paulo to do this?

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

Thank you. Yes. It does make sense. Our business, we made many adjustments and we focused a lot on a more profitable portfolio with a higher ticket. We have seen growth in comparison to previous periods. Our intention is to continue increasing average ticket. We have a very differentiated offer, a very interesting product. And we will continue with these efforts. Our -- will it be our main focus? No. Our main focus is customer experience. And so in terms of -- as an externality and with the development, we have -- we will be working also on profitability.

Operator

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

Q - Marco Calvi {BIO 19854632 <GO>}

My first question has to do with the following. Although top line was strong, when we look individually, quarter compared to quarter, in terms of sales, it was a little worse in this quarter. Having said this, was there a great difference in profitability in Rio de Janeiro First Quarter, Second Quarter? Then the second, total sales of the company. In April, you had a strong negative effect because of more holidays and strike. If we look at the other two months, can we have a better idea of sales looking only at the two months without April?

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

Thank you for the question. Concerning Rio de Janeiro, we have an interest in growth there. Now what we should consider is that when you have many holidays, you have a difference, depending on the region in Brazil. So we have a large installed base. For example, when a holiday is on a Thursday or Friday, it doesn't hurt that much the Saturday. So in the case of Rio, the effect is very strong. The behavior of the Cariocas is different because of these holidays there. The impact is higher. They are different from citizens in other parts of the country. So when we talk about less workdays due to holidays. So this has an impact. And in Rio also the impact is stronger. We continue with a good cost management, expense management, optimizing also the capture. We work very strongly on this. And we are trusting a lot in Rio de Janeiro. Could you repeat the second part of your question?

Q - Marco Calvi {BIO 19854632 <GO>}

Just to understand the problem in April. If we exclude the sales in April, consider only the 2 other months were sales very different in relation to last year?

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

We would have an effect. April had 18 workdays, February had 19. So we had carnival and also other holidays. And also, the strike -- the general strike. So this always has an impact, including the impact on doctors. People don't go visit doctors on those days. And this has an impact on our demand. So that's the negative effect. We're showing the increase because we have interesting sales in the other months.

Operator

Our next question comes from Mr. Luciano Campos from Bradesco Bank.

Q - Luciano T. Campos {BIO 21177595 <GO>}

Carlos, my first question, the differentiation -- the difference in margin between the Fleury brand, the premium brand and the other brands. With the number of projects, do you have gains and efficiency that are in progress, expenses are decreasing. Could you talk about how is this difference between Fleury brand and the other brands? And your initiatives and the breakdown of the units that were inaugurated or will be inaugurated in the second semester per brand. Also if you could talk about NPS. When will we have the impact -- when will we see the impact of the new units in terms of NPS? And the dispersion today when you look at those that have a lower NPS, what are the characteristics of these units? Is it the opening -- is there anything that calls our attention in these units that have a lower NPS?

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

Thank you, Luciano. Well concerning the margins, we have a different margin in the Fleury brand, yes. We have built services with high differentiation. And we have the greatest differentiation and greatest quality in image, the doctors and that is why in the case of Sao Paulo and with the top health care plans that have a higher ticket, of course, we have differentiated services with different margins.

Now what has been happening, as you mentioned, is that this gain in margin on the part of the company has happened as a result of the regional brands in Sao Paulo, Rio de Janeiro, Felippe Mattoso, Weinmann in the South, a+ Curitiba, a+ Pernambuco and also with a greater participation of these brands within the portfolio of the company, a growing participation. So we designed the situation in the past and we want to take it to the future. When we think of all the space we have to grow in Brazil in terms of diagnostic medicine with excellent service and excellent doctors we have, of course, the largest spaces to be explored all already have the Fleury brand with a good market share.

Now the composition, we're having an increase in the other brand and also gains, as I said, in the regional brands, where we have opportunities. And I will link this with your last question and then talk about the breakdown. The issue of NPS, as you said, you asked the difference between NPS. What has happened? What is the characteristics of those with a lower NPS? Those with a lower NPS are the units where we have a demand that is higher than our capacity. So if we have this, I will have a lower NPS because I have a physical capacity that gives a good service to the client. So although they have an excellent customer service, they had to wait 10 days for the ultrasound. They take this into consideration when they give us the score.

So we have been working with many levers for analysis and methodologies to have better flow even in the units that are full and even those that have a problem in terms of capacity. So we want to identify these regions in Sao Paulo in Greater Sao Paulo, where we have more capacity. And thus -- for example, we have a reach in (ABC) that is very important. Recently we inaugurated a unit with, including MRI. So we have to be where the clients are, give them good customer service and help them to have their tests made in a fast way and have them recommend us to their acquaintances.

Now in terms of the next years what we will see is that the number of units will suffer an expansion. The a+ is growing a lot in the metropolitan region of Sao Paulo, thanks to the quality of our services. And we see that the doctors have referred the a+ brand. And thus, we have seen the growth of a+. We discussed here a unit, which -- it could be within a+, it could become Fleury. But it continues as a+. Although we have a good penetration we're gaining in market shares. a+ has been very good in top line and interesting margin, although we have opportunities to increase. And we will go after this in the next quarters.

Q - Marco Calvi {BIO 19854632 <GO>}

Just a follow-up. We -- 2, three months ago, the question was when you would begin to expand again, if you would find the means to avoid deterioration of the margin during expansion? And where -- so what are you doing? We are seeing that margin is going up. Now in terms of next year 2018, '19, when there's this issue of margin in the new units versus the units that you have, in your plans, do you see space to avoid deterioration of margin with this new challenge to open new units?

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

Thank you for the question. I see the following. So in 2017, we still have six months, there's a lot of work to be done this year. And we are working hard. We're always looking at costs, expenses, opportunities. And you know very well our operation. You can see that we take seriously this issue of daily analysis of data, weekly analysis. And there's still a lot to do, especially in terms of expenses, costs. We are always working on them every single day. And we know that the achievements until now may can be diluted. So we're always working on this.

In terms of the next years, we have many effects, many levers. For example, we have the regional brands growing. And they have a margin similar to that of Fleury. We have hospitals growing. A margin that is inferior to the average of the business. But you will have also Fleury units, which were most of the ones we inaugurated and they are slowly becoming mature. So we have many sectors that logically our objective is to avoid deterioration of the margin. Although, the return on capital invested should be improved. In our planning, we have done our homework. We're capturing the greater demand, better demand. We have now these new units. We have a model with a better margin. And we're working on the future, including B2B hospital, also hospital operations that will help. Our desire is to maintain these margins in the future.

Operator

Our next question comes from Mr. Leandro Bastos from Credit Suisse.

Q - Leandro Bastos {BIO 21416405 <GO>}

Carlos, until the beginning of the year, you didn't have a policy of paying (JCP) Now you confirmed the payment for the first six months. So is this the policy? Will you pay this every year in 2 installments?

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

We don't give guidance on this. So what do we do. We're always optimizing the capital structure of the company. And we use -- we -- also we look at the tax characteristics. Until now, (JCP) was the best alternative. And we've got approval from the council for this. What we're looking for is to try to maximize the payments, every time we have the opportunity to do this, every time we have reasons to do this in the future and when it's possible, feasible and in the best interest of the shareholders, we will do it.

Operator

(Operator Instructions) So we'd like to close the Q&A session. I'd like to pass the floor to Mr. Carlos Alberto Marinelli for his final comment.

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

Although we have a challenging macroeconomic scenario, we continue with focus on growth -- consistent growth and differentiation through customer service and also technical excellence and medical excellence. This together with cost management make us trustworthy that we will continue expanding, developing innovative products for the middle class and with attention to market changes. We want to generate value for all. Thank you, once again. And a good day.

Thank you. We hope to see you during our Investor Day on October 5.

Operator

The earnings call is concluded. We thank you for your participation and wish you a good day.