

## Q1 2021 Earnings Call

### Company Participants

- Fernando Augusto Rodrigues Leao Filho, Chief Financial and Investor Relations Officer
- Jeane Tsutsui, Chief Executive Officer

### Other Participants

- Gustavo Miele
- Gustavo Tiseo
- Joseph Giordano
- Mauricio Cepeda
- Samuel Alves
- Vinicius Ribeiro

### Presentation

#### Operator

Good morning, and thank you for holding. At this point, we would like to welcome you to the conference call for the Grupo Fleury for the first quarter '21.

We have with us today, Ms. Jeane Tsutsui, the CEO; and Fernando Leao, the CFO, the IRO. 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. And doing 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 over Internet via webcast and can be accessed at the address [www.fleury.com.br/ri](http://www.fleury.com.br/ri), where the respective presentation can be found. 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 the webcast participants that they can post through the website questions for Fleury Group.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call referring to the Grupo Fleury business outlook, projections, operational goals and financial goals are based on the beliefs and premises of the company management as well as on information currently available to the Fleury Group. These future-looking statements are no guarantee of performance as they involve risks, uncertainties and premises as they refer to future events, and therefore depends on circumstances that may or may not occur.

Investors and analysts should understand that general conditions, sectoral conditions and other operational factors could affect the future results of the Fleury Group and lead to results that differ materially from those expressed in these forward-looking statements.

We would now like to turn the floor over to Ms. Jeane Tsutsui, who will begin the presentation. You may proceed, ma'am.

## **Jeane Tsutsui** {BIO 19695005 <GO>}

Good day to all of you and welcome to the earnings release for Fleury, for the first quarter 2021. Here, at the Fleury Group, we are obsessed with the acceleration of growth. We believe that the most important metrics for a company based on the healthcare platform are the increase in revenue, the number of live service, and the ability to integrate new products and services. We are satisfied with the growth presented in the first quarter of this year. 25.1% compared to the same period in 2020, reaching a revenue of BRL964.3 million, but we want more. It is worth noting that this growth in revenue in addition to representing strength in our core business operations was accompanied by a significant increase in the lives service by the group through Saude iD, our healthcare platform launched in September of last year of the approximately 1.1 million lives service by the group in the first quarter '21. 9.8% came from Saude iD the percentage is double we recorded in the fourth quarter '20, in just over six months of operations; the platform has already managed to generate a substantial volume of live service.

Now, what lies ahead? The answer is more growth. It is important to say that in addition to the strong growth recorded in the quarter, we maintain robust results; EBITDA increased 45% vis-a-vis the same period 2020 reaching BRL285.5 million. And net income reached BRL118.6 million, 102% higher than the result of the first quarter 2020. The potential of the marketplace becomes ever more evident when we analyze that this crop of lives was generated only by the B2B business.

The B2C version of Saude iD launched in February is still in a pilot phase. When it is open to individuals throughout Brazil, there will be a health service subscription with monthly, half-yearly or annual plans, entitling individuals to telemedicine consultations, routine tests and other offers. In our view, the B2C version represents an option for access to quality healthcare for all Brazilians. Additionally, it is another step of the group and its mission to democratize access to health in Brazil, generate a positive social impact and contribute to the sustainability of the entire health sector.

Now front of the group's operations has expanded more than the telemedicine service. Since it was created up to present, there have been more than 300,000 teleconsultations. However, more impressive the absolute number is the growth curve. In June 2020, the company carried out 300 consultations per month; this is done in a single day now, because of this in the first quarter '21, there were 177.7 teleconsultations, a volume greater than the entire volume of 2020 combined and increase of 104% vis-a-vis the fourth quarter '20. Out of the total number of patients seen in the first quarter '21, almost 82% of them were using the service for the first time. In order to offer a high quality telemedicine service, with a resolution rate of 89%, Saude iD has more than 670

hired physicians. The advancement of telemedicine proves two of our most important premises for the future growth of the company.

The first one is that health consumption will be increasingly hybrid, with patients accessing products and services in person as well as digitally. And interesting fact in this regard is that almost 40% of the teleconsultations performed by the group originated in places where the company does not have a physical presence, including abroad, in countries such as the United States, England and Portugal. The second premise is that the technology and the development of the platform will increasingly offer integrated solutions and the recurrence services given to the same client. If, in the past day, patient would come to a brick-and-mortar unit of Fleury to carry out tests, they would go once or twice a year, now the contact is much more frequent and takes place in multiple channels and the service in each channel has the potential to leave the patient to new interactions with the group. An example of how this happens in practice. In the first quarter of this year, Saude iD boosted the revenue of BRL6.1 million in services for all brands and patient service centers double the amount recorded in the fourth quarter '20. Although the value is still modest, the growth curve shows the size of the opportunity that lies ahead.

Another front that has been expanding strongly, in addition to telemedicine, is the client home service, corresponding to 7.7% of the gross revenue of the quarter, an increase of 86% vis-a-vis the same period of 2020. Today the revenue generated by home service is greater than any patient service center under any banner of the group. By being able to identify the new needs of the consumer, who seeks convenience of home service, the company was able to capture value and create a strong avenue of growth.

Maintaining the pace of acquisitions, in early April we announced the acquisition of 66.7% of the Sao Paulo chain Vita, a reference in consultations and orthopedic surgeries, as well as rehabilitation sessions. A relevant part of the investment will be destined to organic and inorganic expansion of orthopedics patients in the country, it will also position the company with one more robust offer in this specialty, we already has the advanced center for osteomuscular imaging

The Vita acquisition is added to almost a dozen of other movements performed in the last 12 months, which contributed to make the company ever more a protagonist in the healthcare sector. As a reminder, in this period we launched the largest healthcare platform in the country Saude iD, we created one of the largest corporate venture capital funds in Brazil Kortex, we started a continuing education service for physicians, health professionals, students and residents Pupilla, we acquired the Moacir Cunha ophthalmologic clinic and the infusion center in Pacaembu. We launched the genetic testing platform Sommos DNA. We developed a consultancy service. We intergraded care for companies, we now have 621 contracts. We inaugurated the Fleury Reproductive Medicine Center. All of this, in the midst of the Covid-19 pandemic.

All of these initiatives are connected with our mission of providing increasingly complete and integrated solutions for the management of people's health and well-being. As we have said before, it is precisely because we are a medical origin company that we have the legitimacy to integrate what today is available only in a fragmented way.

At Grupo Fleury, we believe that the role of companies is to contribute to a better society. That is why, for decades, we have adopted the best social, environmental and governance practices. We are also accelerating in this field. To leverage the development of the work that is already performed by the company, we have announced the establishment of the Group's first ESG committee, formed by four members. The new committee will reinforce Grupo Fleury's permanent attention to ESG principles and the business strategy, and will increase discussions on the topic in the company, always thinking about its impact in the long-term.

In this quarter we also created, in partnership with Grupo Sabin, the Women's Heart Movement, a national initiative to raise awareness among the female population about the importance of preventing and adopting healthy habits to reduce the chance of developing heart diseases. Today, cardiovascular diseases are the main cause of mortality of women in Brazil.

With regard to governance, I would like to register here my thanks to Carlos Marinelli, who since 2014 has held the position of CEO in this Group. He has led the fundamental legacy, laying the ground for several cycles of growth. Beginning now, the company will have as its main factor, seeing significant expansion of the speed of its growth that will take place in expansion in the number of live service acquisitions and the digital transformation. We then offer ever more integrated services as part of our healthcare platform.

Additionally, we will continue to move forward to become a benchmark company in all the ESG dimension in the direction of a country, and a sector that needs a necessary premises of sustainability. In this context, we are certain that what will be important is our market differential, which is trust. And it is a powerful and mandatory success asset in the healthcare sector, present in the relationship we maintained with our stakeholders. And which makes us the preferred service provider through the leading brands that we have in most of the markets where we operate.

Finally, I would like to thank the dedication of our 12,000 employees and 3,000 physicians in times of an exacerbation of the COVID-19 pandemic, the commitment and the diligence of this incredible team are ever more necessary to ensure that the group will carry out its mission of offering quality health to the entire country. At the same time, that they allow us to be protagonist in the transformations that we lead in the sector.

I would now like to give the floor to Fernando Leao, our CFO and IRO. Fernando, you can continue please.

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

Thank you, Jeane. Good day. I will now continue with the presentation, offering the financial results for the first quarter.

On Slide 6, we see the performance of consolidated growth revenues for the group. Growth revenue attained its second highest historical level in the quarter totaling

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BRL964.3 million, a growth of 25.1%, the patient service centers presented a growth of 22.9% and B2B 36.8%.

In the next slide, number seven, we show you in the top graph the evolution month after month of revenues in the first quarter '21 vis-a-vis the first quarter '20. We continue to observe the strong growth of revenue in the last month, I would like to highlight the important expansion in the months of January and February of 2021 from 11% to 15.4% respectively, considering that the basis of comparison for the same period, the previous year that is to say, January and February of 2020 had not been impacted by the pandemic and recorded at that time a two digit growth.

In the month of March 2020, as you know, we were strongly impacted by the restrictive measures adopted at the beginning of the pandemic and now we present an expressive growth of approximately 56% in the month of March of 2021.

Now the same growth movement can be observed in the B2B that presented an expressive expansion of 36.8% in the quarter. Thanks to the higher volume of elective procedures and the contribution of COVID-19 tests in hospitals and reference laboratories.

In the graph below, we the share of the COVID-19 exams and the results. There were approximately 600,000 exams in the quarter, percentually compared to the total revenues, the RT-PCR and Serology tests recorded a small reduction when compared to the previous quarter representing 9.7% of total gross revenues compared to 11.1% in the fourth quarter '20. They also represented 7% of the revenues of the PSCs and 22.4% of the B2B revenues. The share of COVID-19 exams compared to the gross revenues of the company had the lowest representative this quarter since the beginning of the pandemic.

We now go on to Slide number 8, and we see in greater detail, the performance of our brand portfolio. Growth revenue of our patient service centers, had a growth of 22.9% in the quarter reaching BRL795.5 million, all of the company brands had a relevant growth in the period as you can observe in the graph.

On the next Slide number 9, we highlight the evolution of cost and operating expenses. In the graph to the left, you can observe that we had an increase of 15.2% in the cost for the quarter; the variation is mainly due to cost with direct material and the intermediation in exams due to the cost of acquisition of reagents to carry out the COVID-19 exams and PPE equipment for service in the unit. The cost of personnel and medical services had an increase of 8.9% representing 31.7% of net revenue, a reduction of 474 base points vis-a-vis the previous year, once again recording a relevant gain in productivity, accompanying the higher level of demand that we had in our service units.

To the right of the slide we present the operating expenses. This quarter, we had an increase of 12.6%. The increase is mainly due to expenses relating to provisions for participation and profit and a long-term incentive plan for the company.

If we go on to slide number 10, we observe EBITDA reached BRL285.5 million in the quarter, a growth of 45.7% with 31.9% margin, an expansion of 450 basis points vis-a-vis the first quarter '20.

In Slide 11, net income for the period reached BRL118.6 million, a growth of 102% when compared to the same period 2020. Net margin was 13.3% compared to 8.2% in the first quarter '20.

In the next slide, number 12, to the left of the graph, you see the operating cash flow that recorded BRL199.2 million for the quarter, an increase of 52.2%, impacted mainly by the strong EBITDA growth during the period. In working capital, the variation of accounts receivable had a more relevant impact due to the growth of revenues in the quarter and an increase in receivables when compared to the fourth quarter '20 and also in the balance of the suppliers account due to the higher level of investment carried out during the quarter. To the right, the CapEx for the first quarter totaled BRL51.3 million with a growth of 26%.

We go on to Slide 13, where the ROIC without goodwill reached 47.2% in the first quarter '21. To the right we show you the follow-up of the NPS score that reached, 73.1% with an improvement when compared to the fourth quarter '20.

Finally, in Slide 14, we include the events that have already been confirmed in the market for the coming months.

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

## Questions And Answers

### Operator

(Question And Answer)

Thank you. We will now go on to the question-and-answer session. (Operator Instructions) Mr.Joseph Giordano would like to pose a question.

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

A good day to all of you. Good morning, Jeane. Good morning, Fernando. Thank you for taking the question. My first question refers to the footprint that your Service Centers have, which is the company's strategy and which is your medium-term guidance that seems to be coming to an end. Are you thinking in more openings? Or are you thinking of rationalizing the footprint?

Another thing we have been questioned about is the growth. The -- we understand that in this first quarter, there was quite a bit of noise, especially at the end of the quarter. I

would like to know if you can share with us which would be a more normalized underlying growth?

And finally, if we could further explore all of the new initiatives. You spoke a great deal about Saude iD and which will be the size of these businesses in the coming three to five years, for example, in terms of representativity revenues and EBITDA. Thank you.

## **A - Jeane Tsutsui {BIO 19695005 <GO>}**

Good morning. This is Jeane. We hope that you're all well. Now, when it comes to those questions, Giordano, first about the footprint of our Patient Service Centers. We would like to remind you that, in the last years, we opened up 54 units through an organic growth and added 64 units through acquisitions. Yes, we do focus very carefully on all possible opportunities. We just inaugurated a new Fleury Patient Service Center and Reproductive Medicine. And we, of course, consider new opportunities and new acquisitions in areas where we do not have diagnostic medicine. We're very cautious in this, and we pay a great deal of attention to all opportunities. And we should remind you of the growth we have had in mobile services where we don't need a Patient Service Center. We grew 80% this quarter and we're seeking more opportunities.

Now when we look at our present-day centers, perhaps we can add other services, especially in the afternoon period where we seem to have a lower flow of patients. I would like to remind you that, since the beginning of the COVID-19 pandemic, we have all of the safety protocols in the Service Centers and we have to make adjustments to service our clients even though we do maintain distancing. We're very attentive to this type of look, and as I mentioned, we're also looking at whatever will make sense to allow us to grow organically and to carry out acquisitions.

In terms of the growth of COVID, you observe that this quarter we have a COVID revenue of 19.7%, that is lower than what we had in previous quarter. In the fourth quarter, it was 11.1% of revenues from COVID. This is a reality. There is uncertainty in terms of the behavior of the pandemic this year. Unfortunately, we have reached 400,000 deaths. The vaccination program moves forward. Everybody is thinking of having vaccination for priority groups until September. But we will continue to have revenues from COVID. This year, although it will decrease through time.

We had a robust a robust growth, Giordano, even without COVID, which shows the strength of our brands, the strength of diagnostic medicine. And I would like to remind you that we have a large group of people that have stopped carrying out exams to care for their health. In the cardiovascular part, oncology, we have data that the population had exacerbation in the follow-up of chronic diseases, and this leads us to think that we will have a growth in the diagnostic business.

Now, to refer to the new revenues as part of other strategies, I would like to underscore the figures that we just presented, giving you more visibility of the exponential growth that we have had in number of lives. The telemedicine consultations only in the first quarter were 177,000 more than the entire year of 2020. This is a trend and Saude iD is growing significantly. Another relevant data when we speak about the platform concept is

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the number of lives connected to the platform. This figure of 9.8% of lives serviced in the first quarter come from Saude iD. This is doubled the previous quarter and shows you how much we can grow when it comes to new businesses.

Our vision is that we will have hybrid services. And although we grow the digital solutions, we also see opportunities of opening up new avenues that we tend to call other services. We referred to ophthalmology, orthopedics, the infusion of medication, and our vision is to have a large avenue for growth. I think that we still have space to grow through M&As and diagnostic medicine to also grow with the new services that are beginning now, but we have the great opportunity to continue to grow with these services, because they're in accordance to the needs of individuals based on the platform concept, enabling us to have an integrated healthcare during the entire churning.

A healthy individual can have the help of the digital part helping to improve his health. Now, when we have situations of disease, you also require physical care. And this is how we will complement our service portfolio with different specialties to be able to accompany the individual in the full healthcare journey. And without a doubt, this digital transformation will focus on the lives that are connected to the platform and through time we'll enhance our interaction with them.

If somebody comes from diagnostic medicine, we can offer telemedicine consultations or offer mobile services, or they can come to our patient units. Should they have any ophthalmological problem, they can go to our ophthalmology center, which means that throughout the patients' or clients' lives, we will be able to offer all of the necessary services. We do have an outlook for robust growth in these new strategies as well besides the digital strengthening. Thank you, Giordano. I don't know if I responded to all of your questions.

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

Please allow me a follow-up to quantify, especially the part of medication infusion, which seems to be more scalable. Do you have an estimate of the market size for that? And secondly, you spoke about accelerating the mergers and acquisitions. There has been a very rapid consolidation in the healthcare chain. And what are you thinking about in terms of larger movements in M&A in the outpatient and diagnostic part. Thank you.

#### **A - Jeane Tsutsui** {BIO 19695005 <GO>}

In terms of infusion, we began this business using the physical space in our Patient Service Units. We included infusion in the units where we already have an appropriate infrastructure, and we saw that this could be scaled up with the acquisition of CIP in the periods of closing of the business we're still working, but we have BRL100 million of revenues per year to the group with the use of immunobiological medication. And this group has six Patient Service Units.

With this, we also have a higher power of negotiation with our suppliers, because we become the more relevant player in Sao Paulo when it comes to the infusion of immunobiological medication, and we can spread out to the rest of Brazil. When it comes

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to growth, of course, we look upon all opportunities of growth. We're beginning this cycle, not only with an eye on diagnostic medicine for new links and all of the growth that we could have with startups. Do remember that we inaugurated Kortex center, which is a CVC for healthtech. So we're looking at all opportunities. Now, when you speak about larger M&A, they're also on the table, but of course, they will depend on other motivations, but all of this is within our radar.

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

Thank you. Thank you very much, Jeane.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

Thank you, Joseph.

## Operator

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

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

Good morning, Jeane. Good morning, Leao. Thank you for the presentation. I have two very quick points at our end. I would like to know about the price with the operators. This will probably be a year that will be below average. And I would like to know if you're thinking about a relevant change in dynamic vis-a-vis what we have observed in previous years? My second point is very much aligned with the questions posed by Joseph, it refers to the revenues and new businesses. Will there be a backlog because of the elective procedures? And what this represent in the coming quarters? Will this represent a bottleneck because of this repress demand that there seems to be? If you could, therefore, refer to this backlog of exams that will have to be carried out in the coming quarters. These are my two points. Thank you very much.

## Operator

Ladies and gentlemen, please remain connected. The Fleury conference call will be back in a few instance. Once again, the call from Grupo Fleury is back. You may proceed.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

We do apologize. Gustavo, can you hear me?

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

Yes, we can hear you well. And I would like to know if you were able to hear my questions.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

Yes, we did hear your questions. I will once again begin the response because we had a drop in line. In terms of the adjustment for operators, we have worked very closely with them, and I think everybody follows up on the reduction of claims of operators in the past.

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And of course, there's a balance between the treatment of COVID and a reduction of other chronic health issues, but we don't see a great deal of difficulty in terms of a readjustment. What we would like to underscore is that we have always been very aligned in terms of how to better integrate the system, how to reduce the potential for waste and this is something that will aid us when it comes to working with a more sustainable system.

I will give you an example, Gustavo. When we say that we have carried out more consultations this quarter, vis-a-vis, the last year, we also have a very high-resolution rate. In 89% of the cases, we were able to resolve the patients' problems through telemedicine. And ensuing this, we propose physical care when it's necessary, and of course, it is difficult, because hospitals are now treating patients with COVID. So we have a greater efficiency in the healthcare system. Very generally, we're adopting these integrated solutions to gain efficiency to improve quality, and of course, to remain sustainable. This is our vision.

Now, when it comes to a demand for exams that hasn't been fulfilled during the COVID pandemic, yes, we believe that we do have a situation in which many patients, especially patients with chronic diseases, have stopped having a very close follow-up. Many have stopped carrying out diagnostic exams, unfortunately, because we do have a serious health condition in the country that requires attention. Some diseases, of course, do require follow-up if they're chronic or an early diagnosis, this will avoid a higher cost of the disease.

And we have of the Society of Cardiology. The Society of Oncology showing that several patients have stopped carrying out their follow-up. And of course, we will have to begin to focus on this follow-up and we do have some proposals. As Grupo Fleury, we are ready to offer the service. We have teams that have been trained. They attain high satisfaction levels among the clients. This is something we have done very well in the pandemic. Our personnel is ready, so we are here to offer support to all of the population that requires this type of service.

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

Thank you, Jeane, for the answers.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

Thank you, Gustavo.

**Operator**

Mauricio from Credit Suisse would like to pose a question.

**Q - Mauricio Cepeda** {BIO 21783651 <GO>}

Good morning, Jeane and Leao. Thank you for taking my question. We do have some questions thinking strategically about the basic business. If you still have room to continue to consolidate the sector and M&A strategy as there is quite a bit of fragmentation in the country. Those who cannot follow what you're doing, what do you think about this? And

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the main brand, Grupo Fleury, is a premium brand. And if you do have companies that co-participate, giving coverage to Fleury, if you could use the platform and enhance the flow of other brands, besides that of the Grupo Fleury. And I would like to speak about diversification. If, in fact, telemedicine will be the driver of this diversification, if this is the main vector for the platform, how are you going to get organized in terms of business units going forward, because you have very different businesses in hand? Thank you.

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

This is Fernando Leao. Thank you for the question. I will refer to the M&A question and then Jeane will continue to respond to your questions. When it comes to the M&A, we're continuing on with that. We do have significant appetite for that. And we're looking not necessarily only in the diagnostic market, of course, we're also looking at additional markets where we have had this growth in other specialties. Yes, there is quite a bit of space. Going back to your question, there are very relevant markets in the country where we still do not have a foothold. And of course, this is one of our priorities to look upon M&As, and there are other timely opportunities in other markets as well with the possibility of once again beginning our presence there.

The pipeline is quite robust. The team has considerably increased its capacity to analyze and conduct M&A processes from the financial viewpoint. The company is extremely well prepared for this journey of growth through mergers and acquisitions. We have very robust results, a very healthy cash generation and the leverage and indebtedness that are both very comfortable, which gives us boom to look at several different alternatives, not only in the diagnostic market, but in the other fronts of new services that we are launching.

Jeane, would you like to complement this?

## **A - Jeane Tsutsui** {BIO 19695005 <GO>}

Yes, Fernando. Thank you for the questions. And you bring up very important themes. The first topic that I would like to highlight is that, last year during the very typical year that we went through, we saw that health became more valued by everybody. We have data that says that even though we have an increase of unemployment in the country, unfortunately, we have also had an increase in the number of beneficiaries in health plans. And we see this deployment that shows that people are valuing their health evermore. And we have had an increase in number of beneficiaries that access to our brands.

Doubtlessly, sustainability is a very important factor, and if we offer solutions that will truly fulfill the needs of the clients, the patients, the physicians, and if we have a greater efficiency in this sector, we will continue to grow with our present-day business. The businesses that presently are positioned in the premium and middle and upper levels.

What you asked about the platform is very interesting. What is important for us is to have an individual connected to a system that can fulfill all of their needs constantly. All of the health exam results can be put in the platform, all of the health needs can be put there and then these individuals will be part of an ecosystem. The platform ends up helping us

in caring for health in this way. There are people who truly trust our brand to do this, and this, of course, is highly relevant. We have that intimacy to care for the health of all. And without a doubt, this is the vision that we have that we're going to grow through new businesses, we are discussing the view of having business units, because, yes, they are somewhat different businesses.

Now, we began with the laboratories and we went on to diagnostic centers. We now have treatment integrated offers and the platforms. And without putting aside the fact that we have other businesses, such as the genome business that had a growth this quarter of 31%. And if we look at the future of precision medicine, it is highly promising. So very generally, we're quite optimistic with this strategy, and more than a strategy, the execution of the strategy. We have a team ready to execute this strategy.

**Q - Mauricio Cepeda** {BIO 21783651 <GO>}

Thank you. Thank you very much.

## 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 the questions. And my question is very objective. It's a question that I'm going to pose in parts. Which has been the behavior of the margins, if we compare this with the year 2019 and 2020? My second question, looking forward, and you have spoken about growth and several strategies, which is the impact of SG&A that we signed 2020, 2021, (inaudible) the savings are going to be reinvested? Or if it makes sense to imagine that the same scenario will be upheld going forward.

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

Hello, Vinicius. Thank you for the question. Let me begin answering it, and then Jeane will add to the response. As you mentioned, we have several moving parts when we look at the company results. And this is the dynamic, especially revenues, because of the effects of the pandemic will have a considerable impact, and all of the references that we had way back until the year 2019. And there is a growth curve with periods of instability, and of course, impacting the revenues as well. What I would like to say in terms of margin is that the company is working very diligently on cost and expenses presently. We understand that it is absolutely necessary to have a core business operation that will deliver relevant results as we continue to grow and gain market.

This will enable us to enter a cycle of new investments whether it is in the digital part in Saude iD with new services, with new platforms so that we can work based on a financial discipline that we have already embarked on. So we do observe efficiency and productivity gains, and I tend to say that whenever the company gains a few additional points in growth and revenue, we have that very good role of bringing those additional gains, transforming this in operational leverage, and this is how we have been working.

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Now, the second part of your question regarding new fronts for margins that we may have or how the margin that will come from these new initiatives. Each new initiative has a specific level of margin for that business front, for that business unit, and very generally, some will have a higher level of profitability than our business at present, others will have lower margin levels, of course. But the important message here is that, in acquisitions, we try to have sustainability and we have an installed base of units that is quite large. And what we're attempting to do is to connect all of this, that integrated offer of services that we have through a platform. We'll also leverage the growth of these new specialties, these new services. And doubtlessly, this will also contribute to enabling us new possibilities. When we enter a new business, we will not only leverage the business but also its profitability.

Now, the combined margins of the group will depend on the speed of each of these movements, vis-a-vis, what we have going forward. We carried out a relevant acquisition that has brought more than BRL100 million of revenues for the unit, which means that this happened at a very fast pace and it will have a relevant contribution in terms of the margin, this additionally to what we are offering to the company portfolio.

Jeane, if you would like to add to this.

#### **A - Jeane Tsutsui** {BIO 19695005 <GO>}

I think that the message that we have for the future is that we're going to pursue this growth as we mentioned, and insofar, as possible with a great deal of synergy. But yes, we do need to grow and to build this journey of integrated healthcare. And in some situations, we are able to grow with lower investments. If you have many lives connected to a platform, you have a network effect with even other businesses, not only offering our own services but also offering the services of other parties through our platform.

So we can do this without necessarily having new investments, we become more asset light. But at this point in time, we're still in a phase where we will have to invest, we have to grow, and the efficiency balance, which is what we always look, will come when we are able to attain synergy. The focus now is growth transformation, digital transformation, and to strengthen the platform strategy evermore.

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

Thank you for the answers. Thank you very much.

#### **Operator**

(Operator Instructions) Gustavo from Bradesco would like to ask a question.

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

Hey, good morning, Jeane. Good morning, Leao. Thank you for taking my question. We have two. The first refers to the 10% of lives connected to Saude iD. If you could give us more color if these people have greater engagement. I know that it's very early on. But is there a greater recurrence of primary healthcare? Are there any signs of this? And the

second question refers to your expansion plan. If there will be an expansion plan more connected to the outpatient plan? Or if you will have a long-term expansion in the next three or five years to include this in our valuation? Thank you very much.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

Thank you, Gustavo. When it comes to Saude iD, we brought you the data of 10% of lives, and through time, we observed not only the growth in the lives services across vis-a-vis the last quarter but also greater engagement. Our goal is to have the individual remain with us for permanent healthcare. And if they have the need for other services that we will be able to offer them, the answer is yes. We not only have had a number -- an increase in the number of lives serviced, but also greater engagement, greater recurrence. We have 1.8 services per client at present.

And another interesting piece of data, although it is (inaudible) is the revenue that comes from diagnostic medicine that allows us to treat the individual at several moments of their healthcare journey. When it comes to the expansion plan, as I mentioned, we're thinking of expansions via M&A in the core business or through new businesses. And we do have organic business units that we're going to seek out in those regions where there is room for us to grow more specifically. Thank you, Gustavo, for the question.

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

Thank you.

**Operator**

Rafael [ph] Alves from BTG Pactual would like to pose a question.

**Q - Samuel Alves** {BIO 18720076 <GO>}

Good morning, Jeane and Leao. I have two questions at my end, both referring to Saude iD. First of all, about the economics on the platform. If you could comment on the revenues for the first quarter, and a large part of this came from teleconsultations. We carried out some calculations and we would simply note that these calculations make sense to see which are the revenues coming from the platform. And what you're going to do so, people adopt Saude iD as your referenced platform.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

Thank you, Samuel. Simply to clarify this, we brought the figure of BRL610 million [ph], but this is the revenue of diagnostic medicine that arise from telemedicine consultations. And it is not BRL601 million, now -- BRL6.1 million, I'm sorry. Now, why did we mention BRL6.1 million, because in some cases, the revenue will come only from the telemedicine consultation. At other times when the individual is already in the platform and requires other services, they will also have that service in the other links. This is what we want to underscore as we grow the number of lives on the platform. This individual will increase the number of interactions with us, and will receive other services that are not necessarily through telemedicine.

To give you an idea, presently, along with our new businesses, Saude iD represents 2% of the total revenues of the Fleury Group. What is more important is our ability to give trust to just not only through an increase in the number of lives, but with revenues that will come from these clients that will remain with us through their life types [ph], fulfilling their healthcare needs. So if we have more lives through time, we will be able to increase our revenue.

**Q - Samuel Alves** {BIO 18720076 <GO>}

Thank you. That was very clear. Regarding the second question about your conversation with the operators?

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

Yes, we have celebrated these conversations (inaudible) and I think there was a very good acceptance. When we bring about that vision of efficiency of appropriately using resources on site, I always say that health has several different levels of complexity. Now, if you carry out the proper attention at the appropriate level, you improve the cost, you improve the outcome, and of course, this is good for operators in general. And this is what we are speaking about. We have worked much more closely with operators to offer integrated solutions and this has been very positive. Thank you. Thank you very much.

Thank you, Samuel.

## Operator

At this point, we will end the question-and-answer session. We will return the floor to Mrs.Tsutsui for the closing remarks.

**A - Jeane Tsutsui** {BIO 19695005 <GO>}

I would like to thank all of you for your participation in our earnings results call for the first quarter 2021 and your interaction. We're beginning a new cycle that will have as its main vector, an increase the speed of growth, and the leverage will be expanding the number of lives that we service, intensifying acquisitions and speeding up our digital transformation even more with integrated services as part of our health platform strategy.

You can be sure that we will be evermore a relevant company that is present in the day-to-day of well-being and health of people, as well as focusing on the sustainability of healthcare in our country. We have a differential in the market, which is the trust of all of the healthcare operators. We are the preferred group for clients and physicians. Myself, Fernando Leao and the IR team at your entire disposal. You can always count upon us. Have a very good day and thank you very much again for your participation.

## Operator

The Grupo Fleury conference call ends here. We thank all of you for your participation. Have a good day.

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