Q3 2018 Earnings Call

Company Participants

- Carlos Marinelli, Chief Executive Officer
- Fernando Leao, Chief Financial, Investor Relations and Legal Officer

Other Participants

- Joseph Giordano, Analyst
- Rodrigo Gastim, Analyst
- Thiago Macruz, Analyst

Presentation

Operator

Good morning, everybody, and thank you for holding. Welcome to the Earnings Conference Call for the Fleury Group referring to the Results of the Third Quarter 2018. We have with us today, Mr. Carlos Marinelli, the company's CEO; and Fernando Leao, Executive Financial Director, Legal and IR Officer.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. Ensuing this, we will go on to the question-and-answer session when further instructions will be provided. (Operator Instructions) This event is also being broadcast simultaneously through Internet via webcast and can be accessed at the address www.fleury.com.br/ri or you can also find the respective presentation. You can control the slides yourself. The replay of this event will be available soon after the closing. We would like to remind participants of the webcast that they can record question for the Fleury Group through the website.

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, operational and financial goals are based on beliefs and premises of the company management, as well as on information currently available for the Fleury Group. These forward-looking statements are no guarantee of performance as they involve risks, uncertainties and premises, and refer to future events and therefore depend on circumstances that may or may not materialize.

Investors and analysts should understand that general conditions, sector conditions and other operating factors could affect the future results of the Fleury Group and could also 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. Mr. Marinelli, you have the floor.

Carlos Marinelli

Good morning, and I would like to thank all of you for your presence at our earnings conference call referring to the third quarter of 2018. This quarter, our brand portfolio and our ever-growing offer of greater complex of the services continue to allow us a significant platform for growth and differentiation parallelly, and in a continuous way, our management discipline has allowed us ever greater efficiency preserving the margins and sustainability of the business. We follow our expansion plan and the consolidation of the Grupo Fleury strategy, developing innovative solutions in precision and personalized medicines, as well as setting up strategic partnerships and new initiatives that will guarantee the future growth of the company and the high power of differentiating ourselves in competition.

On slide number four of the presentation, we would like to highlight the main indicators of the quarter. Net revenues had a growth of 11% totaling BRL683 million. The same-store sales had a growth of 6.8%, with a strong evolution of the brands in Rio de Janeiro and regional brands. Cancellations represented 1.5%, an enhancement compared to the previous year. EBITDA expanded 11.1%, reaching our stable margin of 26.6%.

Net income obtained BRL90.3 million with a growth of 4.4%. Operating cash flow attained a BRL173.5 million, an increase of 1.7%. Return on invested capital remained high, reaching 41.3%. We would like to highlight that during this period, we made important investments for the development with the expansion of new units, innovation of our equipment and other strategic plans. Based on our investment, the growth -- the expectation is to grow in the medium and long-term.

In slides five and six, we present the units that were inaugurated through this expansion plan. Between July and September, we inaugurated three units all in the a+ brand in Sao Paulo, one large unit. Through this, we have extended our offer to Jardins, to Alphaville, Granja Viana, Sao Bernardo do Campo and Tatuape.

In Tatuape in the East of Sao Paulo, we inaugurated a large unit with very complete offers with two MRIs, one CT scan and a mix of services for women. Nowadays, in the Eastern unit, we have the largest unit for the a+ brand, showing the capillarity and the presence of the brand. Since the beginning of the expansion plan, we reached a total of 44 new units inaugurated totaling 15,000 square meters for service. The result is a better attention and the capture of market share besides offering greater comfort and service levels to our customers. We're also working to inaugurate a significant number of new units in the fourth quarter in Rio de Janeiro, as well as in the a+ brand in Sao Paulo.

We now go on to slide number seven, where we will show you the operating highlights for the semester. We continue to evolve in terms of personalized and precision medicine. We have developed 60 new genomic tests in this semester of which three of them represent significant strides for the diagnosis of rare and genetic syndrome associated to diabetes. In genomics, we have 287 test, which puts us at the forefront of this segment.

We carried out an unprecedented research with the Perola Byinton Hospital to advance the breast cancer treatment through genomic test Oncotype in 600 patients. Now these patients have been diagnosed with the disease and they will participate in the first assay in Latin America with real data for the Brazilian population. What is expected is that in more than 70% of the cases, they will no longer require chemotherapy, leading to a strong reduction of about 30% in the cost of treatment and significant benefits for the patient, increasing the chances of the treatment and reducing the cost.

When we speak about personalized and precision medicine, in the third quarter of 2018, we're now trying to accredit a significant part of our genomic portfolio with important operators. This movement is part of a strong strategy for growth in the personalized and precision medicine in coming years and it gains relevance in our revenue and in the future composition of our diagnostic business. In a consistent way, we have also made strides in digital transformation to enhance the journey of the customer while they use our services.

And regarding their health and the systems and professionals that service them throughout the semester in 10 of the units of the Fleury brand and a+ brand in Sao Paulo, we will have the digital check-in. Our expectation is to speed up the implementation to other units in the network. With the results of this evolution, we are satisfied with our clients. The NPS of our brands has showed an expansion reaching 77.9% in the quarter, an evolution of 93 basis points. Additionally, it is important to highlight that the reach of these and other initiatives for digital transformation go beyond the operating efficiency and satisfaction of customers. Consistently, the Fleury Group has been connecting the trends and the use of health services to a digital platform that is multi-channel and that will serve as the present day and future needs of the customers.

We have macro trends such as longevity, precision and personalized medicine, and the growth of prevalence of chronic diseases that pose ever greater challenges to the health system. We understand that we have to have a new relationship between physicians, patients, payers and financers of the system. This is critical. We also have the data lake of Fleury Health that consolidates all of the historic and future information existing in the company with the goal of creating knowledge and insight for the decision making process and allowing us to offer new services and solutions. This is one of the initiatives that will be part of a greater and more ambitious project.

I would also like to mention the awards received by the company throughout the third quarter. As a highlight, the Valor Inovacao Brasil from Valor Economico newspaper with a platform for genomics test using an artificial intelligence. Along with our partners, we have been recognized with the 1st place in technological innovation in oncology with a ninth award of the Octavio Frias de Oliveira Award from the Institute of Cancer of Sao Paulo with the creation of TOT at genomic exam indicated for identifying metastatic tumors of unknown origin.

And from the Center of Communication Studies, we have also received a recognition. We are the only health rendering company to be part of this ranking. We also are in the 5th place of 185 companies with shares negotiated in the B3 stock market. These set of evolution that we present here show our power execution of our strategy that has enabled us to attain differentiated and consistent results for performance in the segment.

We are also attentive to important transformations in the health sector. At present, we can see some opportunities to continue occupying an important role through our portfolio and through the expansion of our services and products in the health area through innovative solutions and with a value proposition geared to medical outcomes fostering the best use of health resources and sustainability in the sector.

I would now like to give the floor to Fernando so that he can continue presenting the results. Fernando, you have the floor.

Fernando Leao {BIO 20171823 <GO>}

Thank you, Carlos, and good day to all of you. We continue with the presentation on slide number eight where we have the gross revenue by business segments. In the quarter, the growth was up 10.6 in gross revenues, representing BRL738 million. This growth reflects the strong performance of the regional brands in Rio de Janeiro and we are not considering some brands that were acquired in the first and second semesters and were consolidated there. The gross revenues for the semester presented organic growth of 7.8%. In this context, our PSCs growth 11.1% in the union or 11% if we consider only organic growth. The makeup was following a highlight for regional brand except for Rio de Janeiro with the growth of 18.6%, if we consider only the organic growth. Regional brands with Rio de Janeiro, an increase of 17.3% of Fleury brand, a growth of 1.1%. Finally, in terms of operations and hospitals, the growth was 7.8%.

As you can see in the graph to the right, the total gross revenue grew 11.1%, representing 2.2 billion. In the same way without considering the units that came from the acquisition of Serdil and IRN, gross revenue had an organic growth of 9% with a highlight once again to regional brands excluding Rio de Janeiro with 18.6% and regional brands in Rio de Janeiro with 14.1%.

On slide number nine, we can see the growth of the portfolio brands in greater detail. In the graph, you can see the great volume in revenue due to the regional brands excluding Rio de Janeiro, representing 40.3 million, followed by 18.7 million for the Rio de Janeiro brand, the Fleury brand contributed with 3.8 million. Below the graph, we have the express based on gross revenue and same store sales. Excluding Rio de Janeiro for regional brands, the growth was 33% of gross revenue and 9.3 for same-store sales. This is due to the a+ brand in Sao Paulo that has strong organic growth of 29.5%. We also have revenues from the new units inaugurated. We also see an increase in gross revenue in the Rio Grande do Sul region because of the IRN brand that was consolidated in first quarter of 2018 and because of the growth in the Northeast with a growth of 15.1% and with the results consolidated in the second quarter of this year. In the Rio de Janeiro brands, we observe a growth of 17.3% in gross revenue, and the high growth in Rio de Janeiro is a result of several initiatives: an increase in the services of clinical exam, an expansion in the use of our offer with expanded network for imaging, new operators that began to work in the fourth quarter of 2017, the mobile attention, medical relations, and an increase in service with the main operator that is a partner of the company.

And in the fourth quarter, we had a significant expansion in the brands of Rio de Janeiro with the creation of new units foreseen in our expansion plan. The Fleury brand had an increase of 1.1 in gross revenue, and because of the economic scenario, the premium segment had a drop in beneficiaries in the last segment, but this shows the performance of the Fleury brand. Despite this, we see that the brand has increased its market participation, especially in regions where we have inaugurated new units besides this relevant fact, we have timely effect because of the World Cup, a weaker calendar. All of this affecting our growth.

In the next slide, number 10, we show you what has happened because of our expansion plan. We have 44 new units until September of 2018. This represents a new area of 15,700 square meters. The graph highlights the areas inaugurated 55% have less than 12 months since their launch and they're just beginning their maturation. We highlight regional brands excluding Rio de Janeiro, 77% of the area's inaugurated have less than 12 months since the launch.

We go on to slide number 11 where we highlight cancellations and revenue. Cancellations reached 1.5 during the quarter, once again showing an improvement vis-a-vis the same period in the previous year, in nine month, the indicator reached 1.4%, an improvement of 33 basis points.

To the right of the slide, we see that the net revenue expanded 11% in the quarter totaling 683 million. In nine months, the growth was up 11.6%, reaching BRL2 billion.

In the next slide, number 12, in the graph, to the left, we highlight our costs. In the quarter, we had an increase of 12.2%, representing an increase of 74 basis points vis-a-vis net revenues, part of this performance relates to the growth of depreciations and amortizations that increased their share in net revenues because of the investments and expansions and improvements in the existing units.

I would like to highlight that the main line item for cost, staff and medical services continues to present efficiency gains, in this quarter, the growth was up 7%. For the entire year, there was a growth of 12.7% in total costs, an increase of 70 basis points. Once again we highlight the growth of depreciations and amortizations that increased their share vis-a-vis the net revenue.

In the graph, to the right, we show an increase of 13.3% in our expenses, representing a growth of 22 basis points compared to net revenues, mainly due to the increase of operating expenses relating to an increase of a series of provisions. For the nine months, our expenses grew 14%, an increase of 23 basis points compared to net revenue. We continue with our strict discipline in terms of cost and expense management with the control of our evolutions and the tireless search for efficiency even with the execution of our expansion plan.

In slide 13, the EBITDA margin reached 26.6%, an expansion of 3 basis points, therefore stable compared to the third quarter of 2017. We have an efficiency gain operationally in our brands and therefore we are balancing the effects of the margin in the company, referring to the growth of regional business and the wrap up of our units in the expansion plan. EBITDA reached 181.5 million in the quarter, an increase of 11.1% vis-a-vis the previous year. In the nine months, EBITDA reached 546.3 million, a growth of 11.9% with a margin of 27.2%.

In the next slide, number 14, we show net revenue that reached 90.3 million in the quarter, an increase of 4.4%. This net margin was of 13.2% vis-a-vis 14.1% in the third quarter of 2017. In nine months, this totaled 273 million, an increase of 6.8% in net income.

In slide 15, we show you in the graph to the left, the operating cash flow was 173.5 million in the quarter, an increase of 1.7% vis-a-vis the previous year. The conversion of operating cash and EBITDA reached 95.6%. In nine months, the operating cash flow reached 489.3 million, an increase of 17.1% vis-a-vis the previous year. The conversion of operating cash into EBITDA was at 89.6%.

To the right, we present the CapEx for the quarter totaling 96.9 million, an increase of 37.9% compared to the third quarter of '17. Of this amount, 61% is concentrated on expansion and the enhancement of the patient service centers. In nine months, the CapEx reached 182.4 million, a reduction of 6.2% vis-a-vis the same period in the previous year.

On slide number 16, in the graph to the left, we have our return on invested capital that maintained its level reaching 41.3% during the quarter. We are in full execution of our investment plans and generating important developments in our business, with the expansion of new units, renewing our equipment park and enhancing the existing units, besides strategic projects. We also told you the evolution of the NPS that reached 77.9%, an improvement of 93 basis points.

In the next slide, number 17, we highlight the average daily trading volume that reached 38.5 million for our shares in B3.

Finally on slide number 18, this is our agenda with events that have already been confirmed. We highlight the Investor Day that will be held on December 4th in the morning in the company headquarters in Sao Paulo.

We would now like to offer you the floor for questions-and-answers. Thank you for your attention.

Questions And Answers

Operator

Thank you. We will now go on to the question-and-answer session. (Operator Instructions) Our first question is from Mr. Rodrigo Gastim from BTG Pactual.

Q - Rodrigo Gastim {BIO 19694950 <GO>}

Hey, good morning to all of you and I have a doubt in terms of the dynamic of a different brand. You have macro investments normally made in health plan. I would like to understand for the Fleury brand, what is happening? If you could give us an idea of the growth of the premium market in Sao Paulo based on your internal studies?

And secondly, which is your outlook for the growth of the Fleury brand going forward? The company believes in growth of a single digit for the coming semesters and I would like to know what has happened to this outlook based on the figures we have seen in this third quarter? Thank you very much.

A - Carlos Marinelli

Thank you very much for your question. This is Carlo speaking to you. First of all, when it comes to the premium market, we still have a more challenging premium market compared to one or two years ago when we began our expansion plan. This of course does not mean that we have any remark to make in terms of our expansion plans. We are carrying out this expansion at the right time, with the right capillarity, with the right mix. And luckily enough, this expansion is allowing us not to have a total growth pace for the brand. The brand as a whole continues to grow.

Our internal estimates show a trough in the last year of the premium market of approximately 7.5% which is considerable and of course has an impact on our business. Of course, we continue to move forward in this market and our vision [ph] as that with great capillarity and service mix, we will continue to capture market share even though the premium market seems to be going in the opposite direction.

What I would like to highlight in terms of the premium market is that we have projects nowadays that better explore the issue of the penetration of this market. Simply to mention one of them, the projects that we have for infusion as part of our Itaim unit we had infusion services which is something we did not do previously. We detected a market opportunity with an interesting added value. This was a service that had been underestimated in the market and something that offers greater comfort to our clients. This is a market where we have obtained good contract, a good partnership with operators, and we once again began with the Itaim unit, and we will have future units offering this service, as well as other services that we're going to inaugurate.

When it comes to growth rate, these growth rates will become ever more challenging for the premium markets considering that we have a full retraction in this market. On the other hand, and if we confirmed the optimism that we observe in the market, the outlook for the flow of capitals and other factors, if we see a resumption of the economy, we will be extremely well prepared to deliver a recovery in this market segment.

Now to complement this strategy not only the growth to capture market share and the preparation for an eventual resumption of the market, what we expect is an expressive growth of regional brands, especially the a+ brand in Sao Paulo and this has made it a target brand and intermediate target brand and we believe that this will be the best option for those who do not have access to the Fleury brand. We have been able to successfully capture clients for the a+ brand in Sao Paulo, of course, the service offer is different, but we have captured the clients that are loyal to the Fleury brand.

Q - Rodrigo Gastim {BIO 19694950 <GO>}

Excellent Carlos. Very clear and thank you very much for your response.

Operator

Mr. Joseph Giordano from JP Morgan would like to pose a question.

Q - Joseph Giordano {BIO 17751061 <GO>}

Hey, good morning to all of you. Good morning, Carlos and Fernando. I have two questions if you allow me. The first refers once again to the growth of the premium markets. I would like to understand what is happening with this environment? Why does it seem to have greater turbulence, and if there will be any balance that we can foresee that will help in the results of the fourth quarter. And when we speak about regional brands especially in Bahia, I would like to understand the closing and if you are reallocating this capacity to the existing units, and which will be the behavior of this through time. Now when we look at the growth margins, there is a mix component and an expansion component and an another component that is margin expansion for regional brands. Now how should we look upon the composition of this flat margins? Did we lose any margin? Have we gained margins? Now, which were your operating expenses and margins in regional brands?

A - Carlos Marinelli

This is Carlos once again. I have written down all of your questions, and I'm going to address the first two and then Fernando will refer to the gross margin that you are questioning. When it comes to the demand that is repressed, it's very difficult to speak about a repressed demand. I believe that what we observe is a different seasonality from what we expected. We have had an atypical year because of the World Cup, and I don't know if we could include this as a factor, but we also have the issue of the election leading to a great [ph] deal of political instability, and there are some movements that we have found quite peculiar in terms of our historical series and seasonality.

What has become very clear this year was a strike of the truck drivers. Although the impact was not on the second semester, this strike did have a very long tail and we had a great truck drivers strike followed by the World Cup, and because of this, the resumption was not what we had imagined and this ends up having an impact on our ability to allocate resources and to continue working.

And of course this differs from the normal historical series we had. Now if we're going to have a resumption, I truly do not know and based on the present day scenario, I wouldn't dare to make great forecast. What I can say is, what I said in the previous answer, in the a+ brand or in the regional brands or in the Fleury brand, we're extremely well prepared, when it comes to offer to capture any positive movement, always with a very determined management based on variable costs.

Regarding your question in Bahia, this is a movement for the market that has very peculiar challenges. It is a market that is highly disputed with an offer that goes beyond what is normal. And I put this in quotation marks, perhaps it is overly promotional. The communication is much denser than we see in other markets and movement of local payers that cause a certain instability when it comes to forecasting our invoicing. Therefore, what we did was to reorganize our assets there, of course, preserving the capture of units that has not been closed down. That is to say units that continues to operate.

And as part of our forecast, this is taking place, and of course is leading to a lower fixed cost basis and more adequate revenues to participate in that market, which means that in the last few months, we have been able to improve our profitability in that market. And for any future plans, if we have growth resumption in that market or units, this will be very important. We're going to begin from a foundation that will be sustainably profitable and improve the market and our profitability of course.

To speak about margins, I will give the floor to Fernando.

A - Fernando Leao {BIO 20171823 <GO>}

Thank you. And once again, thank you for your questions. I think that you stated the three main effects of the impact on our margins. We have Fleury with a minor growth, because of the expansion plans, a growth of margin that is significant for us, and a capture of results that is giving -- leading to an increase in revenues.

And what happened during this quarter is that we had -- well, let us speak about our main role at Fleury. At Fleury, we're extremely careful when it comes to protecting the P&L for the brands. Whenever there is drops, we're always very attentive to what is happening to be able to preserve our margins and this is the work that we're carrying out with extreme caution. What is also important is to capture greater margins for the brand that comes from other brands.

As part of the margin for the quarter, this effect is higher than 100 basis points. In terms of margin, if we look at the group in a consolidated way, we will not consider the effect of the expansion of new units, especially because of the units that were inaugurated during the third quarter.

Q - Joseph Giordano {BIO 17751061 <GO>}

Thank you very much.

Operator

Mr. Thiago Macruz from Itau BBA would like to pose a question.

Q - Thiago Macruz {BIO 16404924 <GO>}

Hi, Carlos. And this is Macruz, if you allow me, I have three questions. The first, if you could remark on the drop of 7.5% in the premium market and if you see any difference between the corporate and the non-corporate market? And here once again, we would see if there is a drop in revenues, because of this (inaudible)?

The second question referring to that growth of 1.1% for Fleury and considering that drop of 7.5%, can we break that growth of revenue? Can we base ourselves on an organic growth or enhance this from new exams. Now based on your initiatives that you have other brands that are not the Fleury brands? For the year 2019, I would like to have more color in terms of the initiatives that you are forecasting for the regional brands and consolidated brands to mitigate a pressure in 2019 and the lower growth of the Fleury brand compared to other brands in the company and compared to B2B? These are my three questions.

A - Carlos Marinelli

Macruz, thank you for your question. Now, when it comes to that drop of 7.5%, when we analyze there has been a greater drop in the private market, the non-corporate market. We see the clients who have non-corporate plans perhaps feel the downgrade more intensely than the corporate market. At least, this is what we have been able to capture through our data. When it comes to price, I don't see very different trends at all. Naturally, we have a growth in the number of exams per patient because of the growth of technology, new exams, new methodologies and historically this represents 2% to 3%. We don't foresee any differences vis-a-vis this year. And when it comes to price, once again, we don't think there will be great differences considering that we're still working with the same prices with operators. In the final account, what we truly see is that we should look upon the premium market and the intermediate market. You can have a contract in the premium market with variation and with price variations as well.

Another point that has been very interesting refers to the precision and personalized medicine. The premium market consumes these services. We do have target markets where we are investing heavily. Therefore, we're playing around with several vectors in this market and luckily enough, some of these vectors has allowed us to work with a winning strategy. Although there has been a drop in the total number for the market, we continue to grow.

Regarding the other brand, when it comes to regional brands, they will continue to mature as fast as possible. As you know, we have different price points for the brands. We have the premium and intermediate brands, and of course, a more accelerated maturation in the intermediate brands where we have a consistent return and the impact on the company's total margins, and this is what is included in the results of the third quarter.

We have shown that despite the great challenges that we face in the Fleury brand, we think that it is still a winner in the premium brands and we are offsetting this, the share has dropped and has dropped significantly as part of the Fleury brand. But despite this, we do have very good margins and this is because of the sound image that we have in the group and within the segment. What we would also like to underscore is that, this does not come from price. Of course, all operators have posed greater challenges to us. We have cooperated with the challenges of the operators. We're giving them help as part of this sector.

But by adjusting our business models per regional brands, we want to deliver the adequate investment and adequate price and an adequate impact and ensure that the brands will grow as part of the group. So we're still very important and an important actor in the segment, and we want to maintain the penetration of the group in all the segments that we are present in.

Q - Thiago Macruz {BIO 16404924 <GO>}

Very good Carlos and thank you very much.

Operator

(Operator Instructions) Mr. Rodrigo Gastim from BTG Pactual would like to pose a question.

Q - Rodrigo Gastim {BIO 19694950 <GO>}

Thank you for taking another question. I would like to refer to the regional brands. It is very difficult to understand how these regional brands can continue to gain market share and continue to grow in 2018. The doubt is how much of this growth can you still capture for regional brands if you should have the same dynamic as you have had in 2018 and what is that that we can expect in terms of CapEx? Will it be increased vis-a-vis 2018 or will it be very similar to the CapEx for this year? Thank you.

A - Carlos Marinelli

I'm going to address the regional brands and then refer to the CapEx for 2019. When it comes to the regional brands, what is important to highlight is that we are working with a longer horizon and we can see that we have a great deal of operational leverage in the entire company. You have seen us doing this, but there will come a point in time where we will have to expand the units if we detect opportunities and of course the investments will make sense.

So what have we done, when we think about the a+ units that we inaugurated in Sao Paulo, we're practically doubling the number of units in Sao Paulo in the last 12 months. As was mentioned in my presentation, we opened a unit in Tatuape. It is the largest a+ unit ever built in Sao Paulo and this reinforces that despite the very challenging market, we do believe in the value proposition and we know that there are greater opportunities to be captured with differentiated services, and that we can still generate value for this market through this model.

When we see this in the a+ brand in Sao Paulo and in Rio de Janeiro, we have also inaugurated units. We're going to inaugurate more into the end of the year. We expanded our service offers in other regions in a timely way. In Parana, the units that were inaugurated are maturing. Therefore, our expectation is that this growth will continue in regional brands. The installed base for regional brands has made it possible for us to maintain this growth and the business model once again has enabled us to maintain our margin.

Once again, despite the fact that in the Fleury brand, we have a trough in the premium market and less participation in the premium market. Regarding B2B, this is a very important market for us. This market has suffered the pressure of operators, hospitals and hospital operations, but we have our own challenges. But we continue to work in a determined way in this segment seeking new opportunities with smaller hospitals and smaller volume, so that we can work with our business model and an interesting return for the company.

Regarding 2019, we are working to ensure that demand is strong so that we can continue to capture market share in these segments and preserve and maintain a coherent growth. I can guarantee one thing. Everything that we do here is geared for the sustainability of the sector and our business. Of course, we're not going to do anything that will not be in the best interest of the medical group or interest of our shareholders.

A - Fernando Leao {BIO 20171823 <GO>}

Hello, this is Fernando. Regarding the question of the CapEx for brands. This quarter, yes, we have seen an acceleration vis-a-vis the third quarter of 2017. We had a significant growth. Now when we look towards the future as part of our brand expansion plan, there will be perhaps a slowdown in terms of investments. Nothing too different from what we had originally planned. We made very strong investments last year. But we are going to continue on with a slightly different pace compared to the past, but nothing that different from what we had planned in terms of capturing new markets and investments.

Q - Rodrigo Gastim {BIO 19694950 <GO>}

Thank you very much. Thank you for answering my question.

Operator

(Operator Instructions) At this point, we would like to end the question-and-answer session. I will now give back the floor to Mr.Carlos Marinelli for his closing remarks. Mr. Marinelli, you may proceed sir.

A - Carlos Marinelli

I would like to end by highlighting that in the last few years, we have had an evolution in our business platform gaining new efficiencies and our management efficiency which allows us to be very confident that we will face new challenges and have a sustainable growth of our business through growth, innovation and digital transformation. We're ready to overcome challenges once again to leverage opportunities.

Once again, I would like to thank all of you for your presence at our conference call and I hope to see you during the events that we will have in the fourth quarter, especially Investor Day on December 4th. Have a good day.

Operator

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