

Conference Call of the 3Q20 Results

Operator:

Good afternoon ladies and gentleman. Welcome to the conference call of Alliar – Centro de Imagem Diagnósticos S.A., for the discussion of the 3Q20 results. We have here with us Mr. Sami Foguel, CEO and Chief Investor Relations Officer; Glauber Carmo, CFO; Miguel Alcântara, CTO; and Karina Lozano, Investor Relations Manager.

This live webcast is available at the website of Investor Relations of Alliar, ri.alliar.com, and the presentation is also available for download. You may ask the speakers questions through telephone and the platform.

The participants are only listening the conference call during the Company presentation. Afterwards, the questions and answers session will begin and further information shall be provided. In case you need any assistance during the conference call, you may ask one of the operators for help by typing *0.

Before we go on, we would like to clarify that any declaration that may be given during this conference call regarding the business perspectives of the Company, operational and financial goals and projections, are to be taken as beliefs and premises of the Alliar Board, as well as information currently available to the Company. Future considerations are not guarantees of performance. They involve risks, uncertainties and premises because they are related to future events and, thus, are dependent on circumstances that may or may not happen. Investors should understand that general economic conditions, Industry conditions and other operational factors may affect the future results of the Company and lead to results that are materially different from those expressed in such future considerations.

Now I would like to present Mr. Sami Foguel. Please Mr. Sami, you may go ahead.

Sami Foguel:

Good afternoon to everyone. Thank you very much for participating of the conference call of the 3Q20 results.

We'll begin this conference by celebrating the return of growth and profitability by Alliar that started on September. After seven months of a recession caused by the pandemic, the revenue of September was 2% greater than the one from the previous year. Besides that, this month we also had a positive performance in the EBITDA and the net profit, that amounted to R\$3.3 million.

Until yesterday, our unaudited financial numbers of October and November confirm the tendency for the return of growth in the revenue. Imaging exams are more and more closer of going back to normal. The demand is returning at a steady rate. Some medical specialties already have a demand way higher than the ones from the previous year.

Besides the return of imaging exams, the good results are also made possible due to the new avenues of growth that were developed and that have been proving to be positive in a consistent way.

It's important to point out some of the many highlights of this quarter. First, the iDr, our B2B health tech. In the first quarter, the iDr had the higher revenue ever recorded. A 50% growth compared to the same period last year, and a 30% growth in relation to the 2Q20.

The growth of iDr is the result of the efforts made by the commercial and operational teams, working with experienced professionals of the area of diagnostics medicine and technology. But it is also the result of the growing demand from clinics and hospitals, and our solutions that offer higher quality and efficiency and lower the costs. iDr holds the place of one the largest health techs in Brazil, both in revenue and growth rate.

We are present in more than 20 cities of 10 states, providing technological solutions for affiliated clinics and hospitals. And despite this very strong growth, I understand that this is only the beginning of a much bigger project.

iDr is already responsible for 1% of the consolidated revenue in this quarter. However, the contracts signed in 2020 more than double the iDr for 2021.

Second, I want to point out the private customers. For more than one quarter in a row, private customers represented a record in revenue, growing 58% in relation to the 3Q19, and also more than two digits in relation to the 2Q20. Private customers now account for 12% of the consolidated revenue of Alliar, a significant growth that is higher than the historical average of 8%.

Besides the covid tests, the growth of private customers partially reflects the new products that we are developing. I would like to remember to everyone here that since the 2Q we have been testing initiatives to draw more private customers and to make them loyal clients. We continue to be confident that the initiatives in development will sequentially reinforce our presence in this market.

At last, it's worth reinforcing that our participation in this segment is an important progress of our strategy to diversify our income sources.

In relation to clinical analysis, this segment has also reported a revenue record in the amount of R\$56.7 million. A growth of 44.2% compared to the previous year. For another quarter in a row, we point out the importance of this business, which had a 20% participation in the revenue, higher than the historical average of 13%.

The growth of clinical analysis is the result of portfolio expansion combined to the growth of private customers and of new associates that entered our network over the last quarters. These associates came from various unities, from all states and brands.

This level would not have been reached without the Alliar *na Sua Casa* (At Your Home) and the drive thru. We created and put into practice these remote service channels in a very fast and efficient way, which reinforces our ability for execution.

Now, about the omnichannel. We already talked about the investments we are making on the multichannel initiatives, both in appointment scheduling and customer service, over the last quarters. The main highlight is the number of appointments scheduled online, which grew 5 times, compared to the previous year. This is the result of the investments made on self-appointment scheduling.

With the goal of improving even more the appointment scheduling options, by the end of the 1S21, we will have a new telecommunication infrastructure and a new IVR installed. This will bring more quality and efficiency to our multichannel platform. Besides that, we continue to improve our online appointment scheduling capabilities.

About the remote service channels, in special the Alliar *na Sua Casa*, they already are responsible for 7.5% of the consolidated revenue. More than 340,000 exams were made through these channels. A significant growth of 40% in relation to the 2Q20.

Again, for another quarter, the new service channels have exceeded the revenue of the largest unity of in person service in the network, and make up for 37% of the clinical analysis revenue. This is an important indicator that points to the tendency for change in the habits of our clients. They look for comfort and convenience in their exams.

At the moment, we observe an increase in the demand for home services in many large cities. We think the remote services are an important tendency. They allow us a fast growth and for an asset light.

Regarding the balance and cash flow, we took an important step in the direction of reinforcing our financial strength even more. According to what was disclosed to the market on October 26, we have broadened our debt maturity profile, and as such, our short-term bonds – loans, financing and holders – have decreased from 61% in June to 32% from October.

It's important to point out that net cash flow generation was of R\$69.9 million, in the year-to-date. We closed the quarter with a strong cash flow in the value of R\$212.8 million.

In this quarter, we have reached an inflection point in our results. Through the development of iDr, clinical analysis, initiatives aimed at the private sector, the new service channels, and the return of imaging exams, we went from a negative to a positive balance.

We continue to innovate, creating projects that meet the demand of our customers, of the medical community, and of the new clinics and hospitals. We further the access to health and diagnostics medicine of quality.

Transforming the patient journey into digital data, with multichannel offers, allied to operational excellence and our commercial focus on new initiatives are what is going to maintain Alliar through its growth recovery and market gains, in a sustainable way.

Now I'll talk about the numbers of this quarter, starting with the revenue. We reported a gross revenue in this quarter of R\$288.8 million. A growth of 85% in relation to the 2Q20 and just a little under the 3Q19. It's important to note that on September we started to grow back the profits in relation to the previous year. The unaudited financial numbers of October and November reinforce this revenue tendency.

Now about the EBITDA. The adjusted EBITDA registered R\$56.4 million on the 3Q20, a substantially better number than the total of R\$-26.5 million reported on the 2Q20. The quarterly recovery of the EBITDA is directly associated to the revenue normalization, associated to the strong costs controls during this entire period.

I want to highlight the work of costs and expenses control. We have always been a frugal company and we were able to keep the total costs and expenses bellow the inflation accrued over the last year through important savings.

I want to point out a few of them. First, the costs of medical and personnel wages were reduced in 11% compared to the previous year. Second, the costs of third party services represented savings of 16%. This is the result of successful negotiations with our suppliers.

Third, the costs of real state occupancy represented savings of 19%. This is also the result of favorable renegotiations.

I take this opportunity to say that we keep advancing with an agenda of additional gains in efficiency by taking internal processes, and processes with clients and operators to digital platforms, which should generate gains further ahead.

Now regarding our net profit. The net result of shareholders registered a loss of R\$3.8 million, which is substantially better than the value reported on the 2Q, less than R\$84.6 million. This proves our ability for generating results. It's important to point out that in September the company already reported a net profit of R\$3.3 million.

To finish this first session of our results conference call, I'd like to say that on the 3Q20, starting on September, we saw the return of growth and profitability. I want to point out our consistency in providing growth in the areas of revenue in which we were committed to grow. Our iDr. Was well accepted and we registered records in clinical analysis, in the private segment, in the remote service channels and a strong normalization in imaging exams. This would not have been possible without our collaborators and all the medical community who are committed to keep working with our commitment for health.

Emerson Vieira, Itaú:

I have two questions. The first one: I'd like to understand more about the business of remote services, which, as we saw, was very relevant in this quarter. How to conceptualize the PSC, the service unity, when you have an asset light business unity with very positive tendencies for growth? What do you expect in terms of reformulating the PSC experience and also in terms of organic growth? What is the impact that the growth of this business line has on the core business of the Company? This is the first question.

The second question: I want to understand more about the out of pocket segment. Could you talk about the contribution of covid exams to the growth of this revenue? And I would also like to understand what is the roll out of new products and portfolios that you'll release further ahead, to keep stimulating growth of this customer base These are my questions. Thank you.

Sami Foguel:

Good afternoon, Emerson. Thank you for the questions and for participating of our results disclosure. About the remote service, we are very optimistic about it. It complements us in person unities very well.

It's worth to ponder a little about how important it is to Alliar in special. Traditionally, our unities are big, mega unities, and are very focused. This stems from the tradition of imaging diagnostics that requires a structure of this size.

This was one of the pre-pandemic challenges, to expand our clinical analysis, not only by deploying our collection centers of clinical analysis, which includes all processes of certification and accreditation, but also expanding our physical infrastructure by opening smaller centers and unities of collection, which is a model very similar to our competitor's.

What will happen from now on? Going forward, we don't have the need to expand our clinical analysis only with CAPEX and OPEX necessities and physical unities.

So to answer your question, I would say that the Alliar *na Sua Casa* complements all this movement that we are adding to our current footprint. This gives us a competitive advantage of asset light expansion in clinical analysis.

Regarding the impact on the Company, I think this is positive and gradual in EBITDA conversion and net profits. As we are able to expand and to keep showing this positive tendency, we will have a revenue line and EBITDA without the CAPEX investments, without depreciation, leases, and everything that comes below the EBITDA, which is extremely positive. So this has an impact on the profit conversion and the ROE That's the way.

To answer your third question and changing the topic a bit, I think your question was related to the out of pocket. Alliar started on March and we have been discussing it over the last two disclosures of results, testing value suggestions for the out pocket in many states and cities in which we operate.

And what is our goal? Our goal is to attract clients that would like to have health care plans but at the moment are not able to have one. So we need to understand the client's need and to provide them access. Access to medicine of quality and at fair prices. That's what we have been working on.

We will talk a lot more about this and other topics at the Alliar Day. I'll take this opportunity to invite you to the Alliar Day, which will be on December 15. There we will have the opportunity to talk in depth about our projects.

Emerson Vieira:

OK, Sami. Very clear. Thank you.

João Paulo, SWR Investimentos (through webcast):

Could you talk more about the investments in technology and multichannel? What is being done exactly?

Miguel Alcântara:

Good Afternoon. Thank you for the question, João Paulo. Alliar has made very interesting investments in technology on the recent past. They were focused on medical technology and they reached very good results.

Today, besides the iDr, the Company has a series of proprietary technologies being used every day on the medical part. We were also able to standardize all the tech environment, and I think this is a big advantage over the competition.

What are our next steps? Now we will focus our efforts in digital client experience. Coming from what was done in the past, which gave us a good basis to grow upon, we are able to focus in the digital experience.

The client relation focused on omnichannels, where the customer chooses how to interact with the labs, but mainly by using all the mobile technology available on the market, if the client chooses to.

As Sami has said, initially our efforts of self-appointment scheduling grew 5 times, and they have a very high potential to be achieved. When we add our experience to our journey we feel extremely capable to start this digital process and to give this as a benefit to our clients. And at the same time we are able to reinforce many internal points through digitization.

Therefore, our investments are focused on the digital client experience. Today we have a few squads ready to work on this and we have been changing a little the format characteristic of implementing this technology. It is much closer to our clients and of our business partners, operators, etc.

I hope to have answered your question. Thank you.

Flavio, Clube de Investimento Valor Futuro:

Good Afternoon. I would like to know how much the USD, at the level it is, impacts your CAPEX. I appreciate if you could talk about it.

Glauber Carmo:

Good afternoon, Flavio and thank you for the question. Considering our CAPEX as a whole, at this level the USD has a very low impact. It does not impact our CAPEX much.

Operator:

The questions and answers session is now closed. I'd like to give the floor to mister Sami Foguel, so he may give his final considerations. Please Mr. Foguel, go ahead.

Sami Foguel:

Before giving my final considerations, I'd like to invite you to the Alliar Day, that, as I mentioned, will happen on December 15, and will be completely virtual. This is going to be a very important event. We will celebrate the important achievements of the year, and discuss the important initiatives that will pave the way to the future.

This quarter was an inflection point of the post-pandemic period and indicates a promising future. Many analysts projected that Alliar would be smaller in 2021 than it was in 2019. It is our satisfaction to report that, starting from September, Alliar has grown in relation to 2019 and is already profiting. The unaudited financial data of the October and November revenue, in the year-to-date, more than confirm this positive tendency.

I want to congratulate our collaborator team, our strategic partners and our suppliers for the excellent work done, for executing our plans in a fast and assertive way, and for the tireless work of recovering our Company's growth. The consistency and efficiency in executing the projects for growth has showed their initial impacts on this 3Q.

I want to finish by giving two very special acknowledgments. First, I want to thank the shareholders. They continue to trust in Alliar. Second, I want to thank our entire clinical personnel and the medical community. They are the fundamental pillars of Alliar and allow the company to fulfill its mission of providing access to diagnostics medicine of quality.

Thank you very much and good afternoon.

Operator:

The conference call is now over. We thank you all for participating. Good afternoon.

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