

1Q19 - RESULTS

ALLIAR



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HIGHLIGHTS

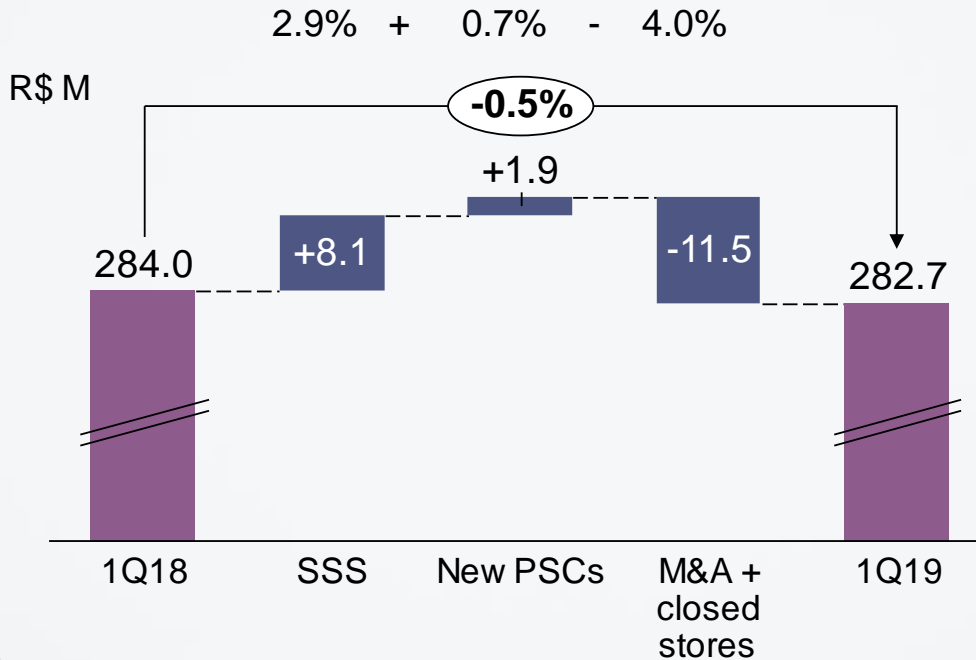
As of 2019, the adoption of IFRS 16 brought changes in the accounting of the fixed portion of rents (lease), requiring the recognition of future commitments as compensation for the usage rights. Rental costs and expenses, previously recorded under "Occupation", are recognized in depreciation and financial expenses. To better understand, a '1Q19 Pro-forma' column was included throughout this report, disregarding these effects in the main accounts affected.

- **Net income** (Shareholders) grew by **39.2%** in the quarter, reaching **R\$9.9 million**. Net income (Proforma) of **R\$11.9 million, up by 67.6%**
- EBITDA margin **expanded +504 bps**, to reach **27.7%** in the quarter, with adjusted EBITDA of **R\$72.4 million**, up by **21.9%**. Adjusted 1Q19 EBITDA (Proforma) of **R\$60.8 million**, up by **+2.3%** vs. 1Q18
- **Same-store-sales (SSS) of +3.0%**, offset mainly by the sale of Hospital São Rafael's operations, led to a **stable net revenue¹ (-0.3%) of R\$261.6 million** in the quarter
- **Operating cash generation of R\$40.8 million (+24.4%)** and cash conversion of **56.4%**.
- **Positive free cash flow of R\$24.5 million (+91.0%)** demonstrates Alliar's new momentum
- ROIC without goodwill reached **12.8%**, up by **69 bps** due to the investment maturation strategy
- Net promoter score (**NPS**) reached **63.0%** at the end of 1Q19, increasing by **247 bps** vs. 1Q18, reflecting the ongoing improvement processes and the real-time management of patient flow in our units

(1) Excludes construction-revenue

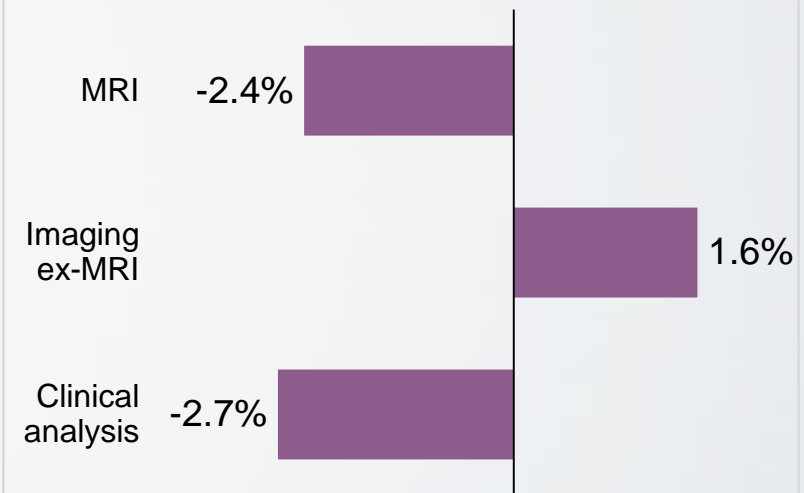
GROSS REVENUE¹

Contribution:



Growth:

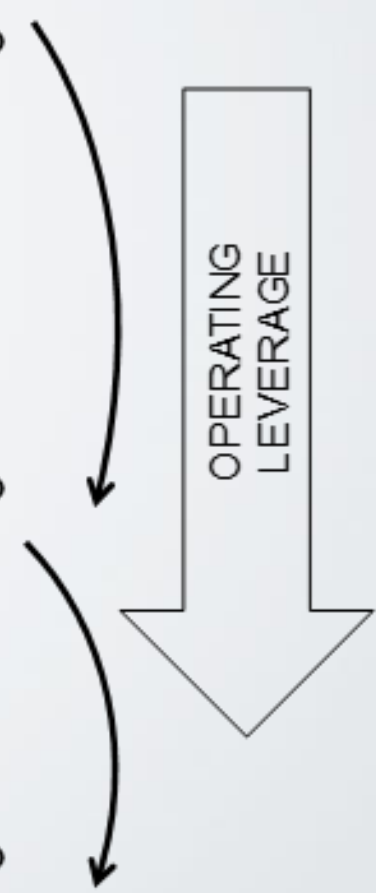
(1Q vs. 1Q)



- **SSS of 3.0% in the quarter**, offset by the sale of Hospital São Rafael's operations (Delfin brand, Bahia) and by some stores closed during the quarter for renovations
- Volume growth offset by lower tickets (trade down of healthcare plans and slow macro recovery).
- Ex-São Rafael, **imaging segment grew by 3.1%** Best performing brand is **CDB** (mega-units maturing)

FINANCIAL PERFORMANCE

Income Statement Overview	1Q19	1Q18	YoY	(IFRS 16)	1Q19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction)	282.7	284.0	-0.5%	-	282.7	-0.5%
Deductions	(21.0)	(21.8)	-3.3%	-	(21.0)	-3.3%
Net Revenue (ex-construction)	261.6	262.3	-0.3%	-	261.6	-0.3%
Cost of services	(191.5)	(189.5)	1.1%	0.3	(191.2)	0.9%
Gross Profit	70.1	72.7	-3.7%	0.3	70.4	-3.2%
<i>Gross Profit Margin</i>	26.8%	27.7%	-95 bps	-	26.9%	-83 bps
General and administrative expenses	(36.7)	(41.7)	-11.8%	(3.0)	(39.7)	-4.7%
Other income (expenses), net	(1.5)	(2.4)	-38.3%	-	(1.5)	-38.3%
Share of profit (loss) on investments	4.2	3.3	26.6%	-	4.2	26.6%
(+) Depreciation and Amortization	28.5	19.7	44.9%	-	28.5	44.9%
EBITDA	64.6	51.7	25.0%	(11.6)	53.0	2.5%
<i>(+/- adjustments)</i>	7.8	7.7	1.4%	-	7.8	1.4%
Adjusted EBITDA	72.4	59.4	21.9%	-11.6	60.8	2.3%
<i>Adjusted EBITDA Margin</i>	27.7%	22.6%	504 bps	-	23.2%	58 bps
(-) Depreciation and Amortization	(28.5)	(19.7)	44.9%	9.0	(19.6)	-0.7%
Finance income (expenses)	(20.7)	(16.7)	23.7%	5.4	(15.3)	-8.8%
EBT	15.4	15.3	0.6%	2.8	18.2	18.9%
Taxes	(3.9)	(5.7)	-31.3%	(0.8)	(4.7)	-17.4%
<i>Effective tax rate</i>	-25.3%	-37.1%	1176 bps	-	-25.7%	1131 bps
Attributable to non-controlling shareholders	(1.6)	(2.5)	-36.2%	0.0	(1.6)	-36.9%
Net Income (Shareholders)	9.9	7.1	39.2%	2.0	11.9	67.6%
<i>Net margin (Shareholders)</i>	3.8%	2.7%	107 bps	-	4.6%	184 bps



GROSS PROFIT & MARGIN

Gross Profit (R\$ Million)	1Q19	1Q18	YoY	% NRev (1Q19)	% NRev (1Q18)	YoY	(IFRS 16)	1Q19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	261.6	262.3	-0.3%	-	-	-	-	261.6	-0.3%
Costs (ex)	-191.5	-189.5	1.1%	-73.2%	-72.3%	-95 bps	0.3	-191.2	0.9%
Medical Services	-50.5	-50.2	0.5%	-19.3%	-19.1%	-15 bps	-	-50.5	0.5%
Employees	-50.6	-49.7	1.7%	-19.3%	-18.9%	-38 bps	-	-50.6	1.7%
Supplies and Support Labs	-32.7	-30.7	6.6%	-12.5%	-11.7%	-81 bps	-	-32.7	6.6%
Maintenance	-6.0	-7.4	-18.4%	-2.3%	-2.8%	51 bps	-	-6.0	-18.4%
Occupancy	-11.9	-21.2	-43.8%	-4.6%	-8.1%	354 bps	-8.4	-20.3	-4.3%
Third-party serv. and others	-13.5	-12.6	7.2%	-5.2%	-4.8%	-36 bps	-	-13.5	7.2%
Deprec. and amortization	-26.3	-17.7	48.4%	-10.0%	-6.8%	-329 bps	8.7	-17.6	-0.7%
Gross Profit	70.1	72.7	-3.7%	26.8%	27.7%	-95 bps	0.3	70.4	-3.2%
Construction cost	-0.2	-0.9	-72.2%	-0.1%	-0.3%	24 bps	-	-0.2	-72.2%

- Pro-forma Gross Profit of R\$ **70.4 million in the quarter**. The small contraction in pro-forma margin is linked to the comparison base of 2018 (the highest quarterly gross margin in 2018), in addition to the **higher share of ultrasound exams in the mix**.
- Strategic sourcing** initiatives continue to generate benefits in 2019, albeit to a lesser extent.

Adj. EBITDA & MARGIN

EBITDA (R\$ Million)	1Q19	1Q18	YoY	% NRev (1Q19)	% NRev (1Q18)	YoY	(IFRS 16)	1Q19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	261.6	262.3	-0.3%	-	-	-	-	261.6	-0.3%
Gross Profit	70.1	72.7	-3.7%	26.8%	27.7%	-95 bps	0.3	70.4	-3.2%
General and adm. expenses	-36.7	-41.7	-11.8%	-14.0%	-15.9%	184 bps	-3.0	-39.7	-4.7%
Employees	-22.4	-22.2	0.7%	-8.5%	-8.5%	-8 bps	-	-22.4	0.7%
Occupancy, 3 rd party, other	-11.6	-16.4	-29.4%	-4.4%	-6.3%	183 bps	-3.3	-14.9	-9.6%
Depreciation (expense)	-2.2	-2.0	14.2%	-0.9%	-0.8%	-11 bps	0.3	-2.0	-0.7%
Long-term incentive	-0.5	-1.1	-50.7%	-0.2%	-0.4%	20 bps	-	-0.5	-50.7%
Other expenses, net	-1.5	-2.4	-38.3%	-0.6%	-0.9%	35 bps	-	-1.5	-38.3%
Earnings of subsidiaries	4.2	3.3	26.6%	1.6%	1.3%	34 bps	-	4.2	26.6%
EBIT	36.1	32.0	12.7%	13.8%	12.2%	159 bps	-2.7	33.4	4.4%
(+) Depreciation and amort.	28.5	19.7	44.9%	10.9%	7.5%	340 bps	-9.0	19.6	-0.7%
EBITDA	64.6	51.7	25.0%	24.7%	19.7%	499 bps	-11.6	53.0	2.5%
(+) Write-down of financial asset	7.8	7.7	1.4%	3.0%	2.9%	5 bps	-	7.8	1.4%
Adjusted EBITDA	72.4	59.4	21.9%	27.7%	22.6%	504 bps	-11.6	60.8	2.3%

- Adj. EBITDA **growth of 21.9%** in 1Q (27.7 margin, + 504 bps vs 1Q18), benefiting from the IFRS 16 adoption. In the pro-forma view, 2.3% growth and a **23.2% margin (expansion of 58 bps)**
- Strong control in costs and expenses as a consequence of Alliar's projects aimed at increasing **productivity through the use of technology and innovation.**
- Expansion of margins** despite the shy revenue performance

FINANCIAL RESULT / DEBT

Financial Result (R\$ Million)	1Q19	4Q18	1Q18	YoY	(IFRS 16)	1Q19 (Pro-forma)	YoY (Pro-forma)
Financial income	0.5	0.2	0.4	10.0%	-	0.5	10.0%
Financial expenses	-15.7	-15.9	-17.1	-8.4%	-	-15.7	-8.4%
Lease interest	-5.4	0.0	0.0	n/a	5.4	0.0	n/a
FX effect on USD debt	0.0	0.7	0.0	-0.4%	-	0.0	-0.4%
Total Financial Result	-20.7	-15.0	-16.7	23.7%	5.4	-15.3	-8.8%

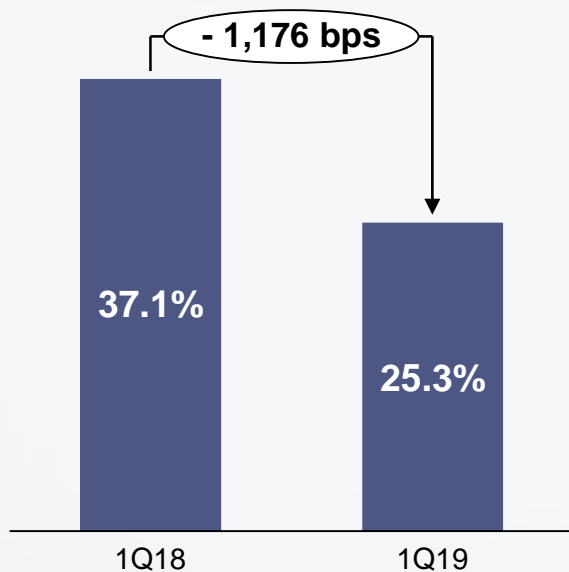
- Higher financial result due to the lease interest according to IFRS 16
- Pro-forma result 8.8% better, as a result of the lower net debt and lower financial expenses

Debt (R\$ Million)	1Q19	4Q18	1Q18	YoY	(IFRS 16)	1Q19 (Pro-forma)	YoY (Pro-forma)
Loans and debentures	608.3	605.5	631.3	-3.7%	-	608.3	-3.7%
Supplier 'drawee risk'	0.0	0.0	4.3	-100.0%	-	0.0	-100.0%
Derivative fin. instruments	-2.9	-2.3	1.0	n/a	-	-2.9	n/a
Gross Bank Debt	605.4	603.2	636.6	-4.9%	-	605.4	-4.9%
Gross Bank Debt R\$ ¹	599.2	595.9	625.0	-4.1%	-	599.2	-4.1%
Gross Bank Debt US\$	6.2	7.3	11.7	-47.0%	-	6.2	-47.0%
Tax installment payments	10.3	10.7	9.3	11.0%	-	10.3	11.0%
Acquisitions of companies	42.4	46.8	62.2	-31.9%	-	42.4	-31.9%
Total Gross Debt	658.1	660.7	708.2	-7.1%	-	658.1	-7.1%
Cash and equivalents	67.0	75.9	71.8	-6.7%	-	67.0	-6.7%
Total Net Debt	591.1	584.8	636.3	-7.1%	-	591.1	-7.1%
Adjusted EBITDA LTM	263.9	250.8	232.5	13.5%	-11.6	252.2	8.5%
Total Net Debt / Adj. EBITDA	2.24 x	2.33 x	2.74 x	-18.1%	-	2.34 x	-14.4%

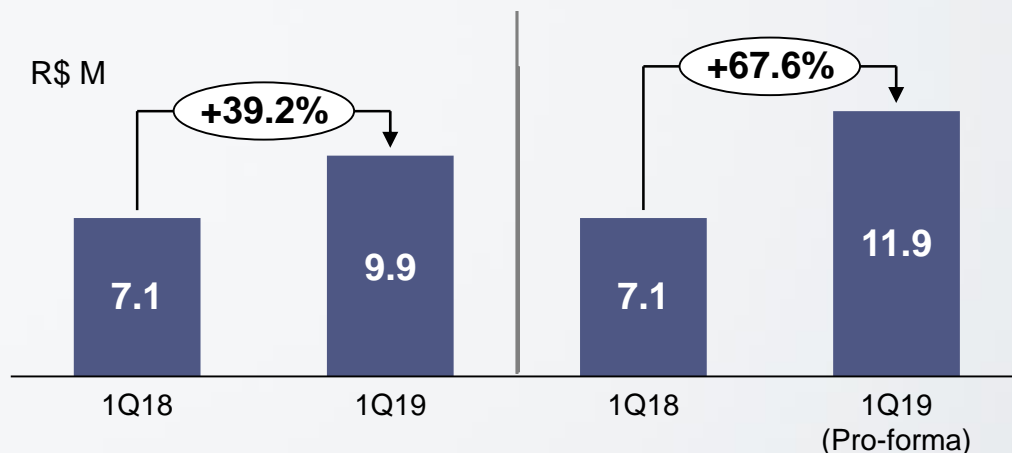
- Deleveraging perspective continues:
 - Both gross debt and net debt are **7.1% lower than in 1Q18**
 - 2.24x** net debt to adj. EBITDA

TAX RATE & NET INCOME

TAX RATE



Net Income (R\$ Million)	1Q19	1Q18	YoY	(IFRS 16)	1Q19 (Pro-forma)	YoY (Pro-forma)
Net Income	11.5	9.6	19.4%	2.0	13.5	40.4%
(-) Attributable to noncontrolling interests	1.6	2.5	-36.2%	0.0	1.6	35.6%
Net Income (Shareholders)	9.9	7.1	39.2%	2.0	11.9	67.6%
Net Income per share (in R\$)	0.08	0.06	39.2%	0.02	0.10	67.6%
Net Margin	4.4%	3.7%	72 bps	-	5.2%	150 bps
Net Margin (Shareholders)	3.8%	2.7%	107 bps	-	4.6%	184 bps

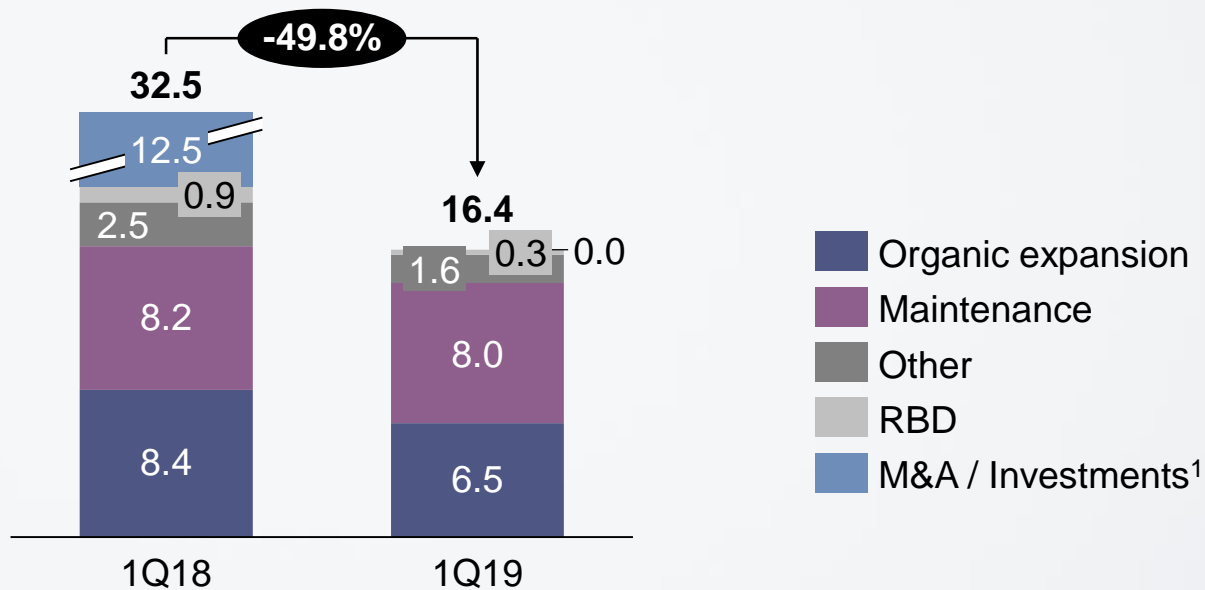


- **Tax rate of 25.3%** due to Alliar's efforts to reduce inefficiencies of its corporate structure
- Net income growth higher than EBITDA demonstrates the **operating leverage** of Alliar's current cycle (better levels of **pro-forma financial results** and **income taxes**)
- Net Income (Shareholders) growth of **67.6%** in 1Q, to reach R\$ **11.9** million

INVESTMENTS

TOTAL INVESTMENTS (CAPEX + M&A)

R\$ M



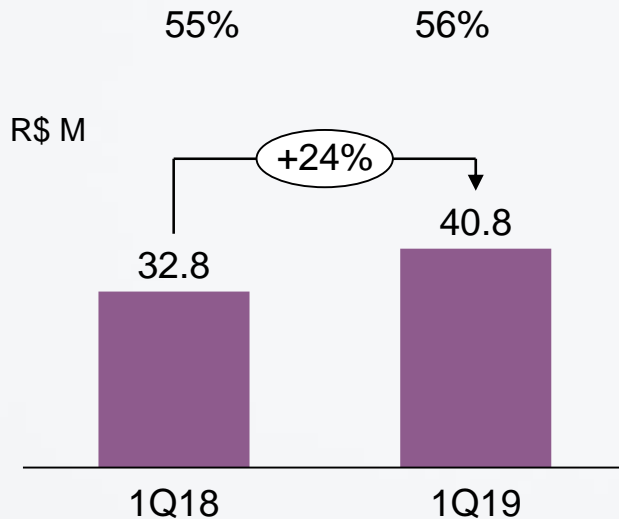
- **~50% reduction in total investments** reflects the smaller investments in organic expansion and no M&A deals in 2019
- Investments' reduction is in line with Alliar's strategy to mature its current asset base and translates into an important driver of **free cash generation**
- Total investments reached R\$ **16.3** million in the quarter

(1) M&A/Investments are in the accrual method

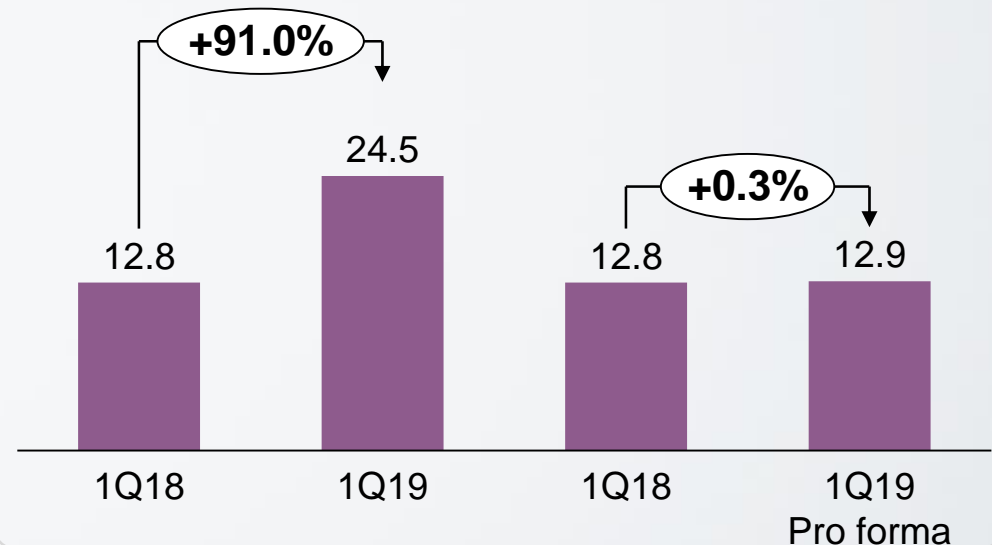
CASH FLOW

OPERATING CASH AND CASH CONVERSION

Conversion:



FREE CASH FLOW



- **Operating Cash Flow** reached R\$ 40.8 million, with **56%** of cash conversion in the quarter, benefiting from the adoption of IFRS 16
- In Alliar's current growth cycle, operating cash drives the **important free cash flow**
- **YTD positive free cash flow** of R\$ **24.5** million (with IFRS 16) and R\$12.9 million proforma



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Q&A

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CLOSING REMARKS

- Focus on **Profitability** continues to be reflected on Alliar's results
 - **Mega-stores** are ramping-up
 - **Higher Productivity** in Operations: **24.2** exams / MRI / day
(+1.9% vs. 1Q18)
 - Despite shy revenue performance, trend of **Margins expansion** and **higher Net Income** and Cash Generation continues

- For 2019-2020, the use of **technology and innovation** as drivers of **operational efficiency, medical quality and patient experience** shall contribute to higher profitability