

3Q19 - RESULTS

ALLIAR



alliar médicos à frente
sistema de diagnósticos de saúde

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HIGHLIGHTS

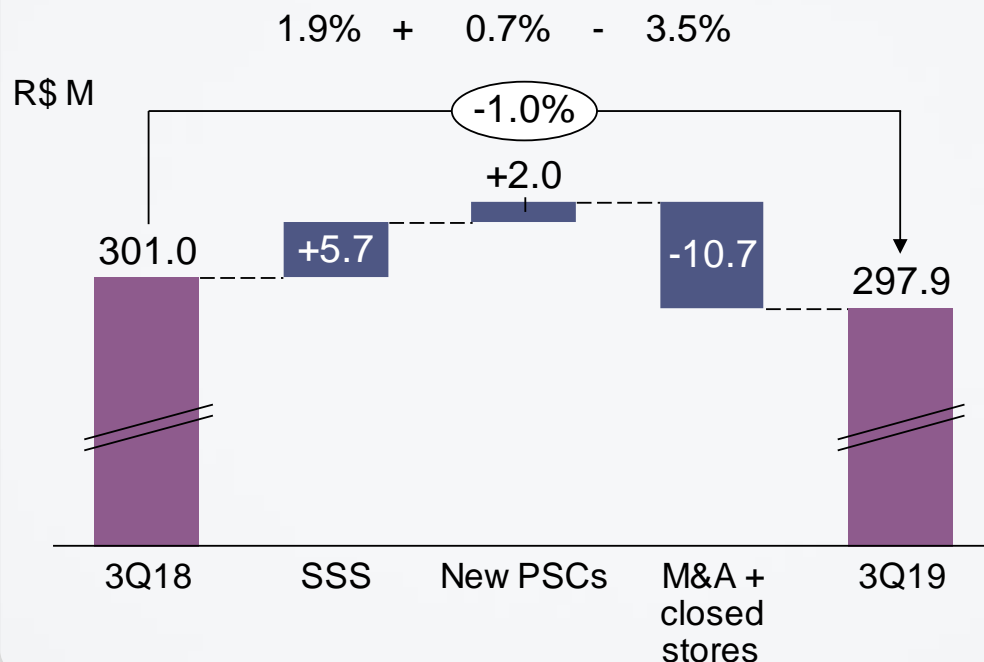
As of 2019, the adoption of IFRS 16 brought changes in the accounting of the fixed portion of rents (lease), requiring the recognition of future commitments as compensation for the usage rights. Rental costs and expenses, previously recorded under “Occupation”, are recognized in depreciation and financial expenses. For a better understanding, ‘Pro-forma’ columns were included throughout this report, disregarding these effects in the main accounts affected.

- **Net Income** (Shareholders) totaled R\$**14.4** million in 3Q19, **up by 28.1%** (+44.3% proforma). Year to date, net income reached R\$**33.9** million, up by **43.5%** (+65.6% proforma)
- Adjusted EBITDA **margin expanded by +446 bps**, reaching **28.5%** in 3Q19 (+4 bps proforma), with an adjusted EBITDA of R\$**78.5** million (**+17.0%** vs. 3Q18). YTD adjusted EBITDA totaled R\$**224.0** million (**+20.5%**), with a **27.7% margin** (proforma margin of 23.2%; **+44 bps**)
- Net revenue¹ totaled R\$**275.7** million in the quarter (-1.3%), with **same-store sales** (SSS) growth of **+2.0%** and impacted by units closed (mainly the sale of Hospital São Rafael’s operations). YTD, **net revenue¹** reached R\$**809.7** million (-0.9%)
- **YTD free cash flow increased by 157.6%**, to R\$**104.6** million, once again demonstrating Alliar’s **strong cash-generating capacity** (proforma free cash flow of R\$**68.4** million, up by +68.5%)
- **Completion of the second debenture issue**, totaling **R\$350 million**, intended to lengthen the debt profile (mostly exchanging the first issue) and reinforce working capital
- **ROIC** (without goodwill) reached **14.3%**, **up by 243 bps** vs. 3Q18, as the Company continued its investment maturation strategy
- Alliar’s net promoter score (**NPS**) was **66.3%** in 9M19, increasing by **100 bps**. This satisfaction score reflected the pursuit of continuous improvement in **real-time management of patient flow** at Alliar’s units

(1) Excludes construction-revenue

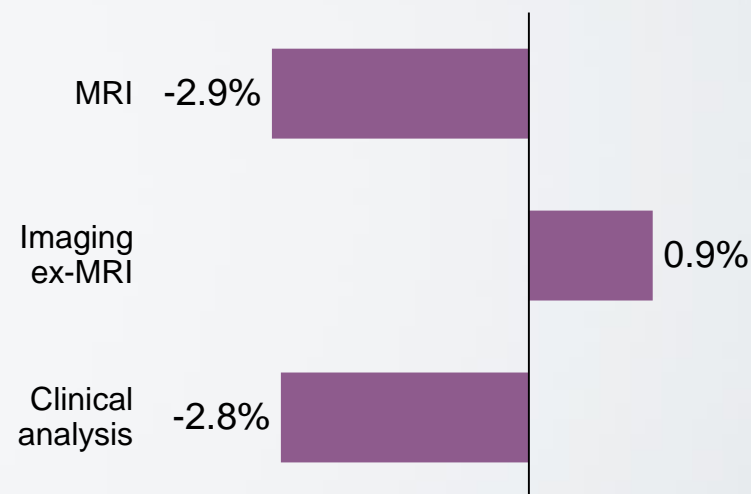
GROSS REVENUE¹

Contribution:



Growth:

(3Q vs. 3Q)



- **SSS of 2.0% in the quarter**, offset by the sale of Hospital São Rafael's operations (**Delfin brand, Bahia**) and by stores closed
- **Imaging volume growth** offset by lower tickets (trade down of healthcare plans)
- Ex-São Rafael, **imaging segment grew by 2.3% YTD**. The highlights are our **São Paulo operations** with a **4.8% YTD growth** and **Axial brand** (Minas Gerais state)

FINANCIAL PERFORMANCE

Quarterly Income Statement OVERVIEW	3Q19	3Q18	YoY	(IFRS 16)	3Q19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction)	297.9	301.0	-1.0%	-	297.9	-1.0%
Deductions (ex)	(22.2)	(21.6)	2.6%	-	(22.2)	2.6%
Net Revenue (ex-construction)	275.7	279.3	-1.3%	-	275.7	-1.3%
Cost of services	(201.5)	(203.4)	-0.9%	(2.4)	(203.9)	0.2%
Gross Profit	74.2	75.9	-2.2%	-2.4	71.8	-5.4%
<i>Gross Profit Margin</i>	26.9%	27.2%	-25 bps	-	26.0%	-113 bps
General and administrative expenses	(39.6)	(44.1)	-10.1%	(0.4)	(40.0)	-9.2%
Other income (expenses), net	1.3	0.2	556.5%	-	1.3	556.5%
Share of profit (loss) on investments	4.5	3.8	18.6%	-	4.5	18.6%
(+) Depreciation and Amortization	30.3	23.5	29.0%	(9.4)	20.9	-11.0%
EBITDA	70.6	59.3	19.2%	(12.2)	58.5	-1.4%
<i>(+/- adjustments)</i>	7.8	7.8	0.8%	-	7.8	0.8%
Adjusted EBITDA	78.5	67.0	17.0%	-12.2	66.3	-1.1%
<i>Adjusted EBITDA Margin</i>	28.5%	24.0%	446 bps	-	24.0%	4 bps
(-) Depreciation and Amortization	(30.3)	(23.5)	29.0%	9.4	(20.9)	-11.0%
Finance income (expenses)	(19.1)	(16.8)	13.7%	5.0	(14.1)	-16.2%
EBT	21.2	19.0	11.8%	2.2	23.5	23.5%
Taxes	(4.5)	(5.4)	-16.1%	(0.5)	(5.0)	-7.8%
<i>Effective tax rate</i>	-21.3%	-28.4%	709 bps	-	-21.2%	719 bps
Attributable to non-controlling shareholders	(2.3)	(2.4)	-1.6%	0.0	(2.3)	-3.4%
Net Income (Shareholders)	14.4	11.2	28.1%	1.8	16.2	44.3%
<i>Net margin (Shareholders)</i>	5.2%	4.0%	120 bps	-	5.9%	186 bps



OPERATING
LEVERAGE

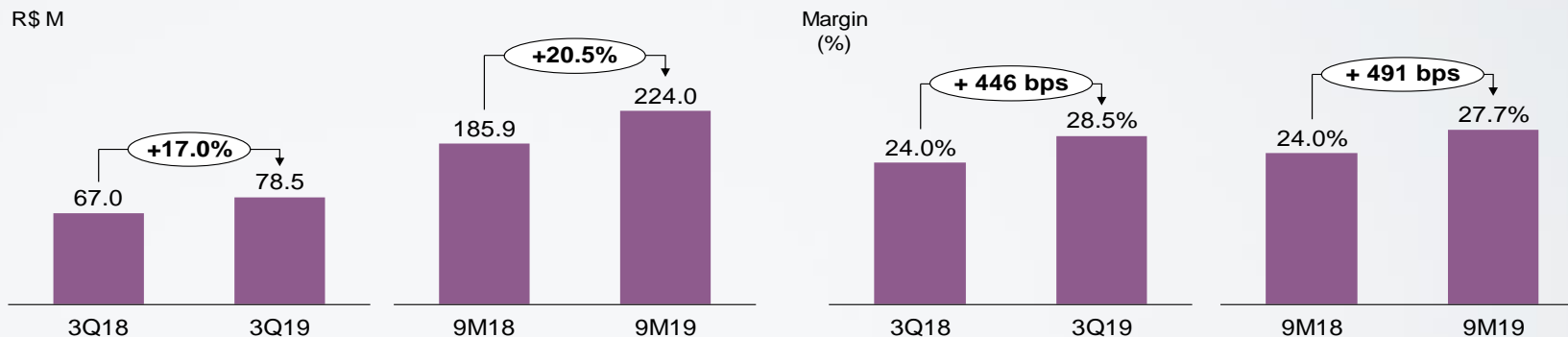
FINANCIAL PERFORMANCE

YTD Income Statement OVERVIEW	9M19	9M18	YoY	(IFRS 16)	9M19 (Pro-forma)	YoY (Pro-forma)
Gross Revenue (ex-construction)	874.9	883.1	-0.9%	-	874.9	-0.9%
Deductions (ex)	(65.2)	(66.2)	-1.6%	-	(65.2)	-1.6%
Net Revenue (ex-construction)	809.7	816.8	-0.9%	-	809.7	-0.9%
Cost of services	(592.6)	(595.6)	-0.5%	(2.2)	(594.8)	-0.1%
Gross Profit	217.1	221.3	-1.9%	-2.2	214.9	-2.9%
<i>Gross Profit Margin</i>	26.8%	27.1%	-28 bps	-	26.5%	-55 bps
General and administrative expenses	(116.2)	(133.3)	-12.8%	(6.5)	(122.7)	-7.9%
Other income (expenses), net	(1.6)	(2.1)	-24.0%	-	(1.6)	-24.0%
Share of profit (loss) on investments	12.9	10.8	19.5%	-	12.9	19.5%
(+) Depreciation and Amortization	88.5	66.1	33.9%	(27.5)	61.0	-7.7%
EBITDA	200.6	162.7	23.3%	(36.2)	164.4	1.1%
<i>(+/- adjustments)</i>	23.4	23.2	1.0%	-	23.4	1.0%
Adjusted EBITDA	224.0	185.9	20.5%	-36.2	187.8	1.0%
<i>Adjusted EBITDA Margin</i>	27.7%	22.8%	491 bps	-	23.2%	44 bps
(-) Depreciation and Amortization	(88.5)	(66.1)	33.9%	27.5	(61.0)	-7.7%
Finance income (expenses)	(60.5)	(52.2)	15.8%	15.5	(45.0)	-13.9%
EBT	51.7	44.5	16.3%	6.8	58.5	31.6%
Taxes	(11.7)	(13.5)	-13.4%	(1.8)	(13.4)	-0.3%
<i>Effective tax rate</i>	-22.6%	-30.3%	775 bps	-	-23.0%	735 bps
Attributable to non-controlling shareholders	(6.2)	(7.4)	-16.5%	0.2	(6.0)	-19.1%
Net Income (Shareholders)	33.9	23.6	43.5%	5.2	39.1	65.6%
<i>Net margin (Shareholders)</i>	4.2%	2.9%	129 bps	-	4.8%	194 bps



OPERATING
LEVERAGE

Adj. EBITDA & MARGIN



Quarterly EBITDA (R\$ Million)	3Q19	3Q18	YoY	% NRev (3Q19)	% NRev (3Q18)	YoY	(IFRS 16)	3Q19 (Pro-forma)	YoY (Pro-forma)
Net Revenue (ex)	275.7	279.3	-1.3%	-	-	-	-	275.7	-1.3%
Gross Profit	74.2	75.9	-2.2%	26.9%	27.2%	-25 bps	-2.4	71.8	-5.4%
General and adm. expenses	-39.6	-44.1	-10.1%	-14.4%	-15.8%	141 bps	-0.4	-40.0	-9.2%
Employees	-18.6	-23.4	-20.3%	-6.8%	-8.4%	161 bps	-	-18.6	-20.3%
Occupancy, 3 rd party, other	-17.2	-17.3	-0.3%	-6.3%	-6.2%	-7 bps	-0.7	-17.9	3.7%
Depreciation (expense)	-2.5	-2.4	4.9%	-0.9%	-0.8%	-5 bps	0.3	-2.2	-8.5%
Long-term incentive	-1.3	-1.1	20.7%	-0.5%	-0.4%	-8 bps	-	-1.3	20.7%
Other expenses, net	1.3	0.2	556.5%	0.5%	0.1%	39 bps	-	1.3	556.5%
Earnings of subsidiaries	4.5	3.8	18.6%	1.6%	1.4%	27 bps	-	4.5	18.6%
EBIT	40.3	35.8	12.7%	14.6%	12.8%	182 bps	-2.8	37.5	4.9%
(+) Depreciation and amort.	30.3	23.5	29.0%	11.0%	8.4%	258 bps	-9.4	20.9	-11.0%
EBITDA	70.6	59.3	19.2%	25.6%	21.2%	440 bps	-12.2	58.5	-1.4%
(+) Write-down of financial asset	7.8	7.8	0.8%	2.8%	2.6%	6 bps	-	7.8	0.8%
Adjusted EBITDA	78.5	67.0	17.0%	28.5%	24.0%	446 bps	-12.2	66.3	-1.1%

- Adj. EBITDA growth of 17.0% in 3Q (28.5% margin, +446 bps vs 3Q18), benefiting from the IFRS 16 adoption. In the pro-forma view, 24.0% margin (expansion of 4 bps)
- YTD adj. EBITDA of R\$224.0 million, a 27.7% margin (23.2% pro-forma, expansion of 44 bps)
- Continuous focus on increasing profitability and delivering operating leverage

FINANCIAL RESULT / DEBT

Quarterly Financial Result (R\$ Million)	3Q19	2Q19	3Q18	YoY	(IFRS 16)	3Q19 (Pro-forma)	YoY (Pro-forma)
Financial income	0.7	0.4	0.4	105.6%	-	0.7	105.6%
Financial expenses	-14.8	-16.0	-17.0	-12.7%	-	-14.8	-12.7%
Lease interest	-5.0	-5.1	0.0	n/a	5.0	0.0	n/a
FX effect on USD debt	0.0	0.0	-0.2	n/a	-	0.0	n/a
Total Financial Result	-19.1	-20.7	-16.8	13.7%	5.0	-14.1	-16.2%

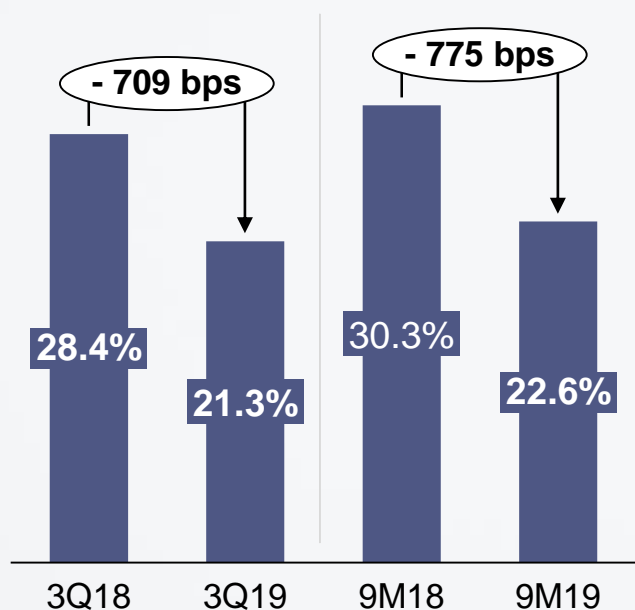
- Higher financial result due to the lease interest according to IFRS 16
- Pro-forma result 16.2% better**, as a result of the lower net debt and lower financial expenses

Debt (R\$ Million)	3Q19	2Q19 (pro-forma)	4Q18	3Q18	YoY	(IFRS 16)	3Q19 (Pro-forma)	YoY (Pro-forma)
Loans and debentures	642.3	599.5	605.5	618.6	3.8%	-	642.3	3.8%
Supplier 'drawee risk'	0.0	0.0	0.0	0.0	n/a	-	0.0	n/a
Derivative fin. instruments	-16.5	-0.1	-2.3	-2.8	483.1%	-	-16.5	483.1%
Gross Bank Debt	625.8	599.4	603.2	615.8	1.6%	-	625.8	1.6%
Gross Bank Debt R\$ ¹	621.4	594.3	595.9	606.4	2.5%	-	621.4	2.5%
Gross Bank Debt US\$	4.4	5.1	7.3	9.4	-53.2%	-	4.4	-53.2%
Tax installment payments	9.4	9.9	10.7	8.6	9.0%	-	9.4	9.0%
Acquisition of companies	41.9	41.7	46.8	50.8	-17.5%	-	41.9	-17.5%
Total Gross Debt	677.1	651.0	660.7	675.2	0.3%	-	677.1	0.3%
Cash and equivalents	100.2	63.9	75.9	50.4	99.0%	-	100.2	99.0%
Total Net Debt	576.9	587.1	584.8	624.8	-7.7%	-	576.9	-7.7%
Adjusted EBITDA LTM	289.0	253.5	250.8	237.4	21.7%	-36.2	252.8	6.5%
Total Net Debt / Adj.	2.00 x	2.32 x	2.33 x	2.63 x	-24.1%	-	2.28 x	-13.3%

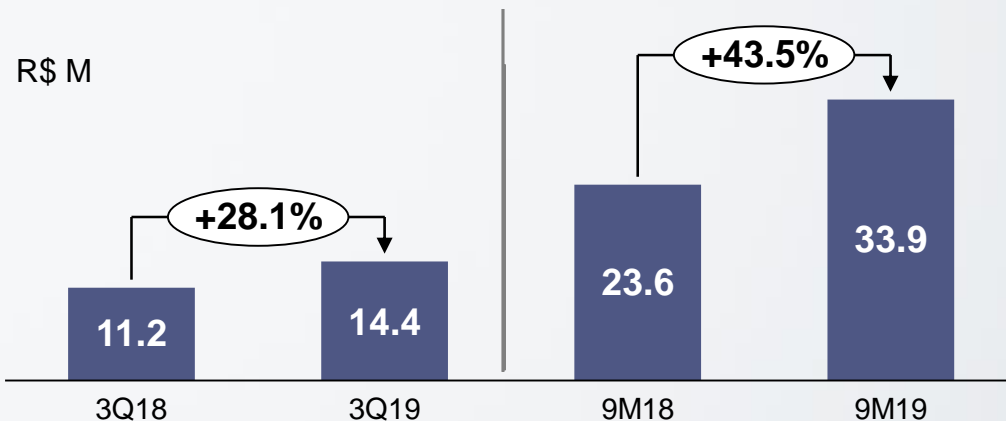
- Deleveraging process continues:**
 - Net debt is **7.7% lower than in 3Q18**
 - 2.00x** net debt to adj. EBITDA (2.28x pro-forma)

TAX RATE & NET INCOME

Income Tax



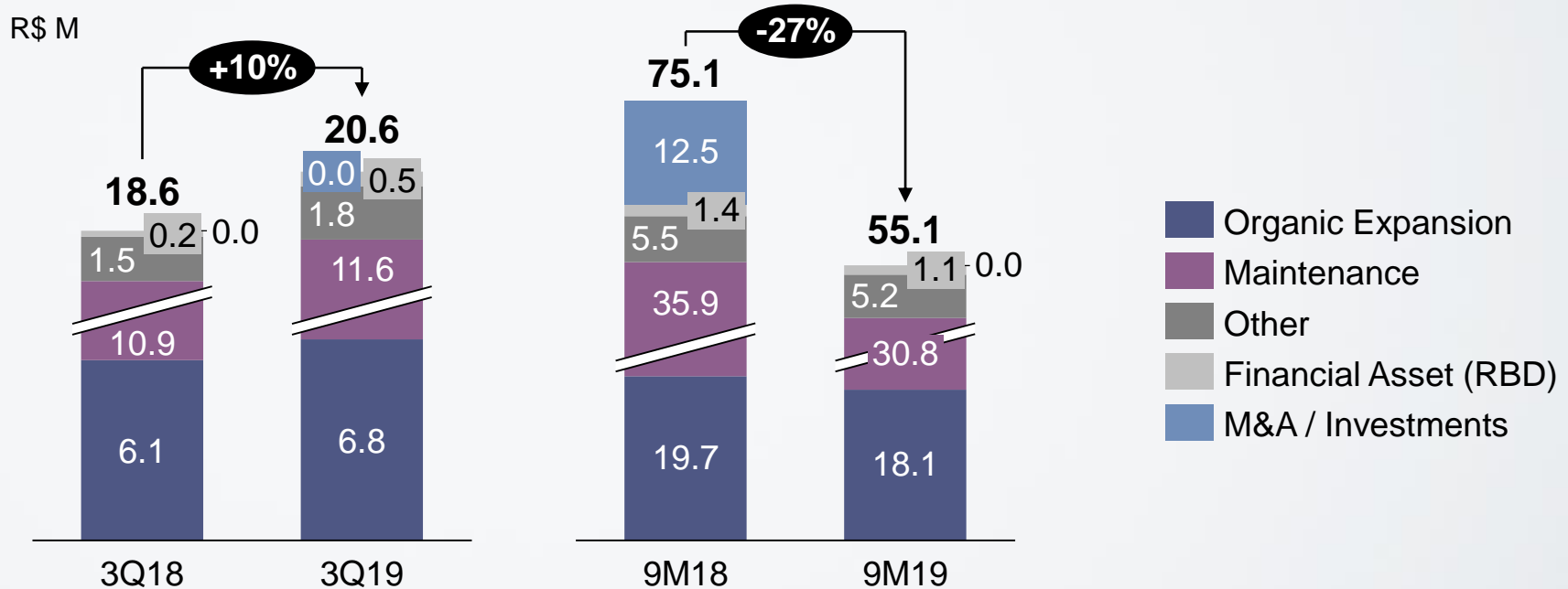
Quarterly Net Income (R\$ Million)	3Q19	3Q18	YoY	(IFRS 16)	3Q19 (Pro-forma)	YoY (Pro-forma)
	Net Income	16.7	13.6	22.9%	1.8	18.5
(-) Attributable to noncontrolling interests	2.3	2.4	-1.6%	0.0	2.4	0.3%
Net Income (Shareholders)	14.4	11.2	28.1%	1.8	16.2	44.3%
Net Income per share (in R\$)	0.12	0.09	28.1%	0.02	0.14	44.3%
Net Margin	6.1%	4.9%	119 bps	-	6.7%	185 bps
Net Margin (Shareholders)	5.2%	4.0%	120 bps	-	5.9%	186 bps



- Tax rates of **21.3% in 3Q** and of **22.6% YTD** (an improvement of **775 bps**) reflect Alliar's efforts to reduce inefficiencies associated with its corporate structure
- **Higher margins and net income** demonstrates the operating leverage and the gains obtained between EBITDA and net income (e.g. **better levels of financial results**, pro-forma)
- Net Income (Shareholders) growth of **65.6%** in 3Q, to reach **R\$ 39.1 million YTD**

INVESTMENTS

TOTAL INVESTMENTS (CAPEX + M&A)

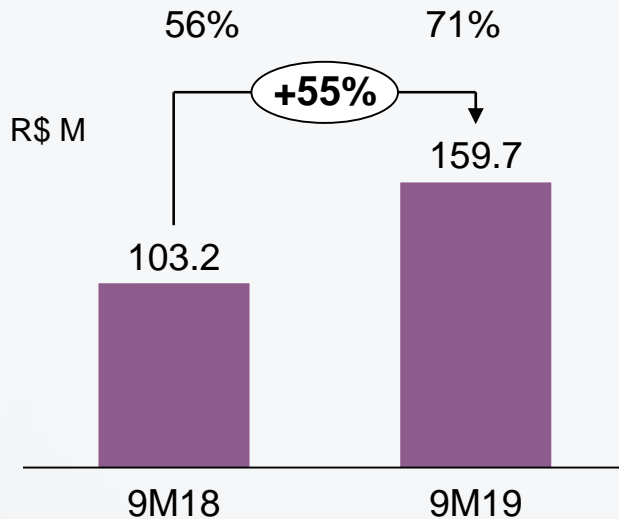


- **Total investments** increase in the quarter reflects mainly the higher level of investments in maintenance
- **YTD total investments** reached R\$ **55.1** million, a **27% reduction**, in line with **Alliar's strategy to mature its current asset base**
- Driver of **free cash generation**

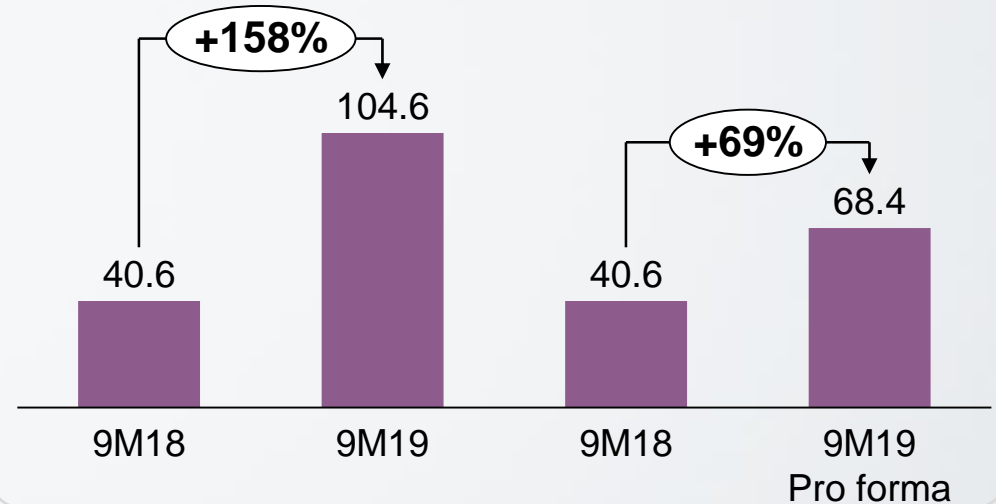
CASH FLOW

OPERATING CASH AND CASH CONVERSION

Conversion:



FREE CASH FLOW



- **Operating Cash Flow** reached R\$ **159.7** million YTD (+55%), benefiting from the adoption of IFRS 16. **Cash conversion of 71.3%**
- Operating cash drives an **important free cash flow** generation
- **YTD free cash flow** of +R\$ **104.6** million (with IFRS 16) or R\$ **68.4** million proforma (**+69%**)

SHAREHOLDERS' AGREEMENT

➤ **First amendment to the Company's shareholders' agreement**

(Pátria + CDB founders)

- Term of the agreement was extended
- Almost all other terms and conditions remain the same

➤ **Alliar's Governance remains the same**

- Majority shareholders are aligned in the Company's Strategic Plan

CLOSING REMARKS

- Focus on **Profitability**
 - **Mega-stores** are ramping-up
 - **Higher Productivity** in Operations: **26.1** exams / MRI / day
(+6.8% vs. 9M18)
 - EBITDA margins **expansion**, **higher** Net Income and **Free Cash Generation** both in the quarter and YTD

- **Technology and innovation** as drivers of **operational efficiency, medical quality and patient experience** shall contribute to higher profitability

- Clear signs of **increased demand from 4Q19** (inclusive) **onwards**

- **Alliar Day - November 25th - Hotel Pullman Vila Olímpia** (São Paulo/SP)



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Q&A