

4Q18 - RESULTS

ALLIAR



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AGENDA

1) Management Comments on 2018

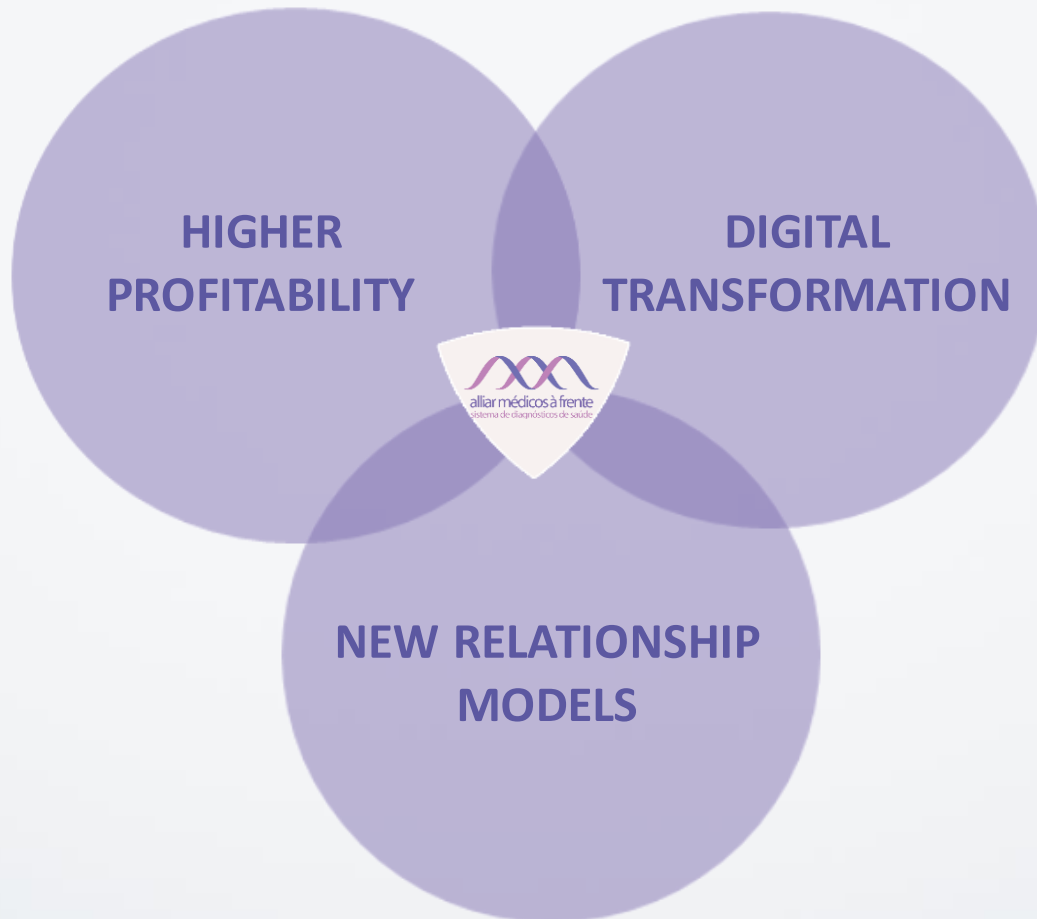
2) 4Q18 / 2018 Results

3) Q&A

4) Closing Remarks

NEW CYCLE ALLIAR

2018 ~2020 - Growth and Productivity through IT and Innovation



Inteligência Diagnóstica Remota

OPERATIONS

Technology and Innovation serving Patient Satisfaction, Operational Efficiency and Medical Quality

PATIENT SATISFACTION

- Remote monitoring of receptions
- Dedicated front-desks (lower waiting time for who adopts the web check-in tool)
- Pre-exam procedures in videos



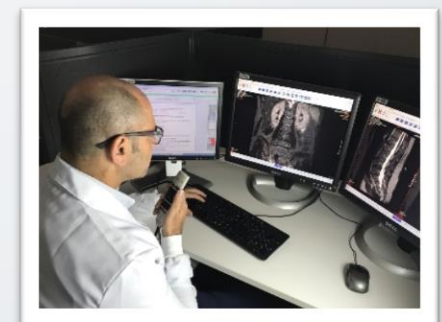
OPERATIONAL EFFICIENCY

- Centralization of call centers in 1 contact center
- SOFIA (Artificial Intelligence)
- Web check-in



MEDICAL QUALITY

- Evolution on the Command Center
- Standardization of protocols
- *Concierge Medico* program



COMMERCIAL

Opportunities through New Partnership Models

- **Exclusivity Agreements**
- **Outsourcing of Alliar's Own Services**
- **Price-Volume Negotiations**
- **PPP**
- **Other**



Medical Quality and Value Creation to the Requesting Physicians

- **Evolution on the Command Center** to the remote operations of **CT scans**, in addition to a higher number of **standardized protocols in MRI**, significantly increasing our capacity potential
- **Concierge Medico** extended to all the regions in which we operate; value creation in the healthcare chain
- Development of **new-formats** to the report delivery (**multimedia reports**), which brings more information and **adds value to the Requesting Physicians**

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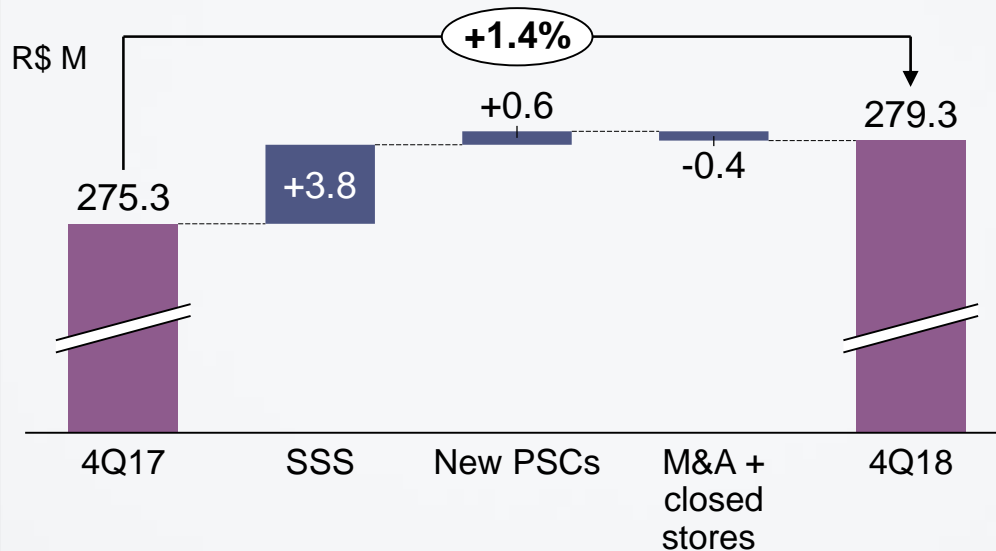
4Q18/ 2018 RESULTS

- **Net revenue¹ growth of 1.7%** when compared to 4Q17, with same-store-sales (SSS) of **1.4%**. In the year, revenues reached R\$ **1,075.5** million, a **3.3% growth**, with SSS of **2.1%**
- **Expansion of +484 bps** in adjusted EBITDA margin, reaching **25.1%** in the quarter, with **adjusted EBITDA of R\$ 64.9 million**, a growth of **26.0%**. In the year, adjusted EBITDA totaled **R\$ 250.8 million (+12.6%)**, with **margin of 23.3% (+194 bps)**
- **Net income (Shareholders) increased by R\$ 29.7 million in the quarter**, reaching R\$ **16.4** million (compared to a net loss of R\$ 13.3 million in 4Q17). In the year, net income **increased by 502.7%**, reaching **R\$ 40.1 million**
- Operating cash flow of R\$ **73.2** million in 4Q18 and R\$ **181.3** million in the year (+13.8%). Positive **free cash flow** of R\$ **104.4 million** in 2018 demonstrates the Company's new momentum
- ROIC without goodwill of **12.7%**, up by **183 bps**, due to the maturation of investments
- Net promoter score (NPS) of **67.0%** at the end of 4Q18 and **65.3%** in the year reflects the ongoing improvements in real-time management of the patients' flow in our units

GROSS REVENUE¹

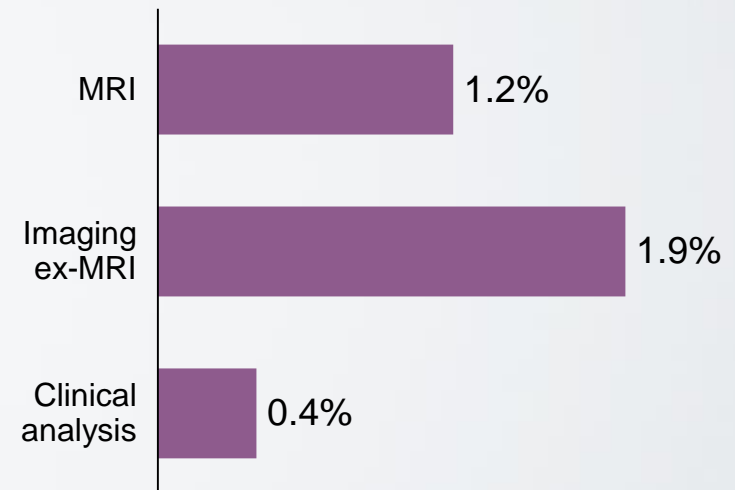
Contribution:

1.4% + 0.2% - 0.2%



Growth:

(4Q vs. 4Q)



- Revenue growth of 1.4%, mainly brought by the +1.4% higher SSS
- Volume growth in all exam types, despite lower avg. tickets
- 24.6 exams/MRI/day on average
- Best performing brand is CDB (mega-units are ramping-up)

FINANCIAL PERFORMANCE

Income Statement Overview	4Q18	4Q17	YoY	2018	2017	YoY
Gross Revenue (ex-construction)	279.3	275.3	1.4%	1,162.4	1,124.3	3.4%
Deductions	(20.7)	(21.0)	-1.7%	(86.9)	(82.7)	5.0%
Net Revenue (ex-construction)	258.6	254.3	1.7%	1,075.5	1,041.5	3.3%
Cost of services	(190.6)	(193.7)	-1.6%	(786.1)	(768.1)	2.3%
Gross Profit	68.0	60.6	12.3%	289.4	273.4	5.8%
<i>Gross Profit Margin</i>	26.3%	23.8%	248 bps	26.9%	26.2%	66 bps
General and administrative expenses	(42.4)	(41.7)	1.8%	(175.7)	(168.2)	4.4%
Other income (expenses), net	10.9	(45.7)	n/a	8.7	(48.7)	n/a
Share of profit (loss) on investments	4.1	3.1	33.6%	14.9	13.8	7.6%
(+) Depreciation and Amortization	16.6	18.8	-11.7%	82.6	79.0	4.6%
EBITDA	57.1	(5.0)	n/a	219.9	149.3	47.2%
<i>(+/- adjustments)</i>	7.8	56.5	-86.3%	30.9	73.4	-57.9%
Adjusted EBITDA	64.9	51.5	26.0%	250.8	222.8	12.6%
<i>Adjusted EBITDA Margin</i>	25.1%	20.2%	484 bps	23.3%	21.4%	194 bps
(-) Depreciation and Amortization	(16.6)	(18.8)	-11.7%	(82.6)	(79.0)	4.6%
Finance income (expenses)	(15.0)	(27.9)	-46.2%	(67.2)	(78.3)	-14.1%
EBT	25.5	(51.7)	n/a	70.0	(7.9)	n/a
Taxes	(5.0)	39.7	n/a	(18.5)	22.6	n/a
<i>Effective tax rate</i>	-19.6%	-76.9%	5732 bps	-26.4%	-284.8%	25843 bps
Attributable to non-controlling shareholders	(4.1)	(1.4)	203.4%	(11.5)	(8.0)	43.7%
Net Income (Shareholders)	16.4	-13.3	n/a	40.1	6.7	502.7%
<i>Net margin (Shareholders)</i>	6.3%	-5.2%	n/a	3.7%	0.6%	309 bps



OPERATING
LEVERAGE

GROSS PROFIT & Adj. EBITDA

Gross Profit and Adj. EBITDA (R\$ Million)	4Q18	4Q17	YoY	2018	2017	YoY
Net Revenue	258.6	254.3	1.7%	1,075.5	1,041.5	3.3%
Gross Profit	68.0	60.6	12.3%	289.4	273.4	5.8%
Gross Margin	26.3%	23.8%	248 bps	26.9%	26.2%	66 bps
EBITDA	57.1	-5.0	n/a	219.9	149.3	47.2%
EBITDA Margin	22.1%	-2.0%	n/a	20.4%	14.3%	611 bps
(+/-) adjustments	7.8	56.5	-86.3%	30.9	73.4	-57.9%
Adj. EBITDA	64.9	51.5	26.0%	250.8	222.8	12.6%
Adj. EBITDA Margin	25.1%	20.2%	484 bps	23.3%	21.4%	194 bps
Costs (ex) and G&A Expenses	-233.0	-235.4	-1.0%	-961.8	-936.4	2.7%
Medical Services	-50.4	-48.0	5.0%	-206.8	-187.0	10.6%
Employees	-79.3	-73.3	8.2%	-301.1	-292.6	2.9%
Supplies and Support Lab	-32.3	-33.2	-2.7%	-131.1	-136.7	-4.1%
Maintenance (costs)	-6.2	-4.1	51.1%	-27.4	-28.8	-4.7%
Occupancy, 3rd-party and others	-47.6	-56.2	-15.3%	-208.9	-203.4	2.7%
Long-term incentive program	-0.6	-1.9	-67.2%	-3.8	-8.9	-57.3%
Depreciation and Amortization	-16.6	-18.8	-11.7%	-82.6	-79.0	4.6%
Other expenses, net	10.9	-45.7	-123.8%	8.7	-48.7	-117.9%
Earnings of subsidiaries	4.1	3.1	33.6%	14.9	13.8	7.6%

- Adj. EBITDA growth of **26.0%** in the quarter and **12.6%** in 2018, with a **margin of 23.3% (+194 bps)**
- Margins expansion** reflects the **strategic sourcing** initiatives and the cost discipline, in addition to the operating leverage achieved in the period and to a gain in 'other expenses, net' (e.g. maintenance contracts and recovery of cancellations)

FINANCIAL RESULT / DEBT

Financial Result (R\$ Million)	4Q18	3Q18	4Q17	YoY	2018	2017	YoY
Financial income	0.2	0.4	0.8	-74.5%	1.3	4.7	-73.3%
Financial expenses	-15.9	-17.0	-27.3	-41.5%	-67.2	-82.8	-18.8%
FX effect on USD debt	0.7	-0.2	-1.4	n/a	-1.3	-0.2	520.4%
Total Financial Result	-15.0	-16.8	-27.9	-46.2%	-67.2	-78.3	-14.1%

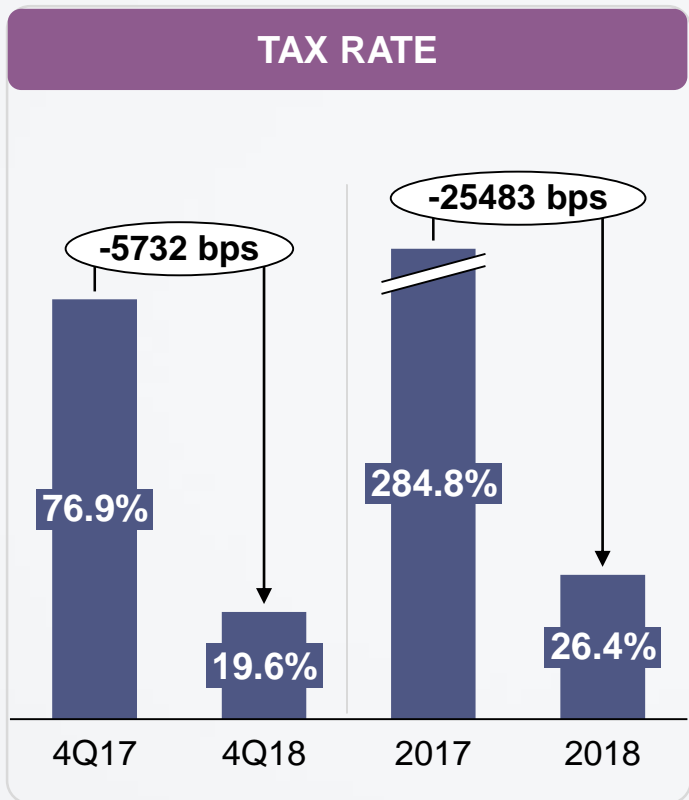
- Lower financial expenses in 4Q18 (lower cost of debt)
- 14.1% better financial result** in 2018, despite a negative FX effect

Debt (R\$ Million)	4Q18	3Q18	4Q17	YoY
Loans and debentures	605.5	618.6	599.3	1.0%
Supplier 'drawee risk'	0.0	0.0	11.7	-100.0%
Derivative fin. instruments	-2.3	-2.8	1.3	-283.6%
Gross Bank Debt	603.2	615.8	612.2	-1.5%
Gross Bank Debt R\$	595.9	606.4	598.6	-0.5%
Gross Bank Debt US\$	7.3	9.4	13.5	-45.7%
Tax installment payments	10.7	8.6	9.2	16.6%
Acquisitions of companies	46.8	50.8	85.3	-45.1%
Total Gross Debt	660.7	675.2	706.6	-6.5%
Cash and equivalents	75.9	50.4	95.3	-20.4%
Total Net Debt	584.8	624.8	611.3	-4.3%
Adjusted EBITDA LTM	250.8	237.4	224.9	11.5%
Total Net Debt / Adj. EBITDA	2.33 x	2.63 x	2.72 x	-14.2%

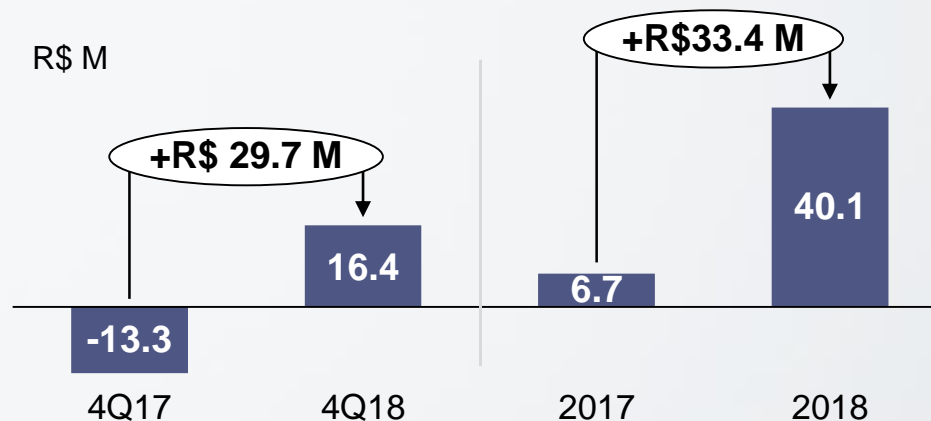
- Deleveraging process** continues:
 - 4.3% lower net debt than 4Q17
 - 2.33x** net debt to adj. EBITDA

TAX RATE & NET INCOME

TAX RATE



Net Income (R\$ Million)	4Q18	4Q17	YoY	2018	2017	YoY
Net Income	20.6	-11.9	n/a	51.6	14.6	252.2%
(-) Attributable to noncontrolling interests	4.1	1.4	203.4%	11.5	8.0	43.7%
Net Income (Shareholders)	16.5	-13.3	n/a	40.1	6.7	502.7%
Net Income per share (in R\$)	0.14	-0.11	n/a	0.34	0.06	496.9%
Net Margin	8.0%	-4.7%	n/a	4.8%	1.4%	339 bps
Net Margin (Shareholders)	6.4%	-5.2%	n/a	3.7%	0.6%	309 bps

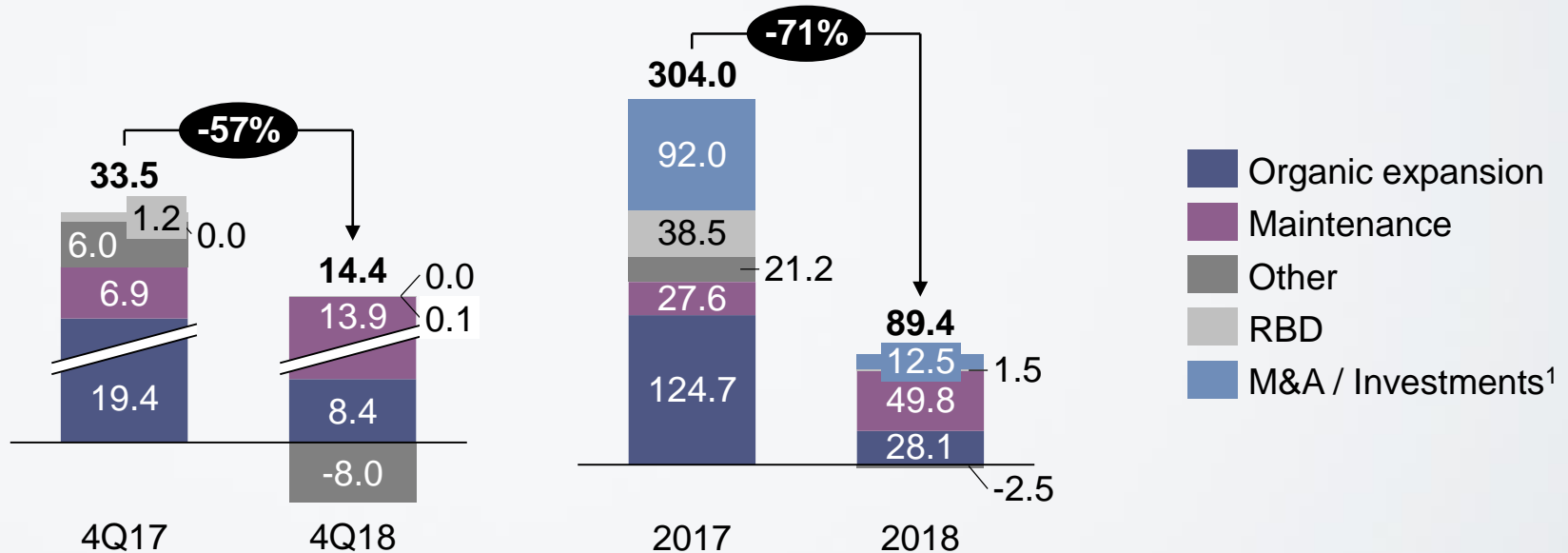


- Tax rates of 19.6% in 4Q and 26.4% in 2018 reflects Alliar's actions to reduce inefficiencies associated with its corporate structure
- Net income growth higher than EBITDA demonstrates lower levels of financial result and of tax rates
- Net Income (Shareholders) growth of 502.7% in 2018, to reach R\$ 40.1 million

INVESTMENTS

TOTAL INVESTMENTS (CAPEX + M&A)

R\$ M



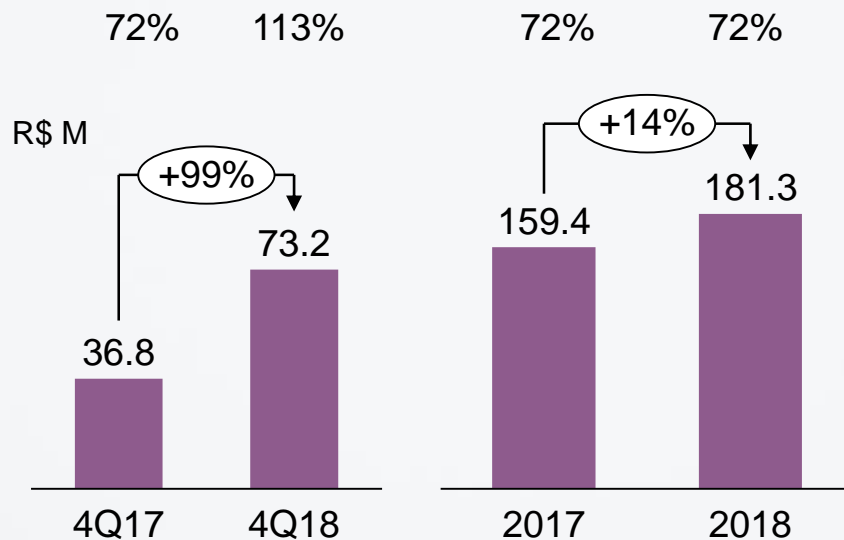
- **57% reduction in total investments in 4Q** reflects mainly the lower level of investments in organic expansion
- Total investments reached R\$ **89.4** million in **2018**, of which R\$ 75.4 million in CAPEX (**strong reduction** reflects the conclusion of the large investment cycle in 2017)
- Investments reduction is an important driver of **free cash generation**

(1) M&A/Investments are in the accrual method (different from the cash flow statements)

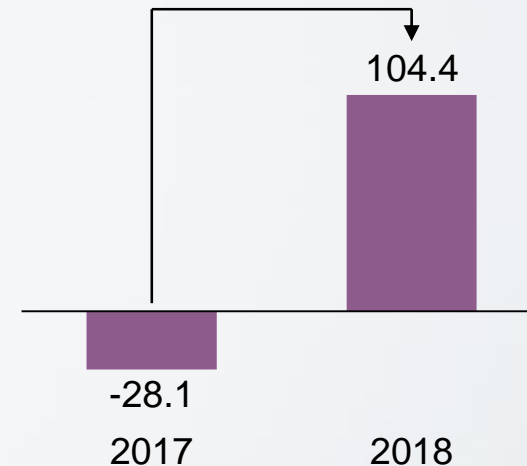
CASH FLOW

OPERATING CASH AND CASH CONVERSION

Conversion:



FREE CASH FLOW



- **Operating Cash Flow** reached R\$ **73.2** million in 4Q and R\$ **181.3** million in 2018, with a **72%** cash conversion
- **Positive free cash flow** of R\$ **104.4** million (significantly above the previous year)
- These results demonstrate the **strong free cash generation capacity** of Alliar in the current cycle

AGENDA

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4) Closing Remarks

Q & A



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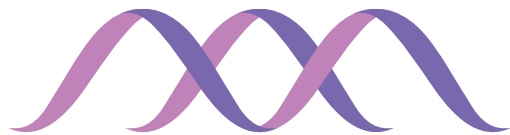
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CLOSING REMARKS

2018 ~2020 - Growth and Productivity through IT and Innovation

- Our **Focus on Profitability** begins to be reflected on Alliar's results:
 - **Returns** on investments already made
 - Higher **Productivity** in our Operations (e.g. **+4.9% exams/MRI/day** on average)
 - **Margins expansion** and **higher** Net Income and ROIC
 - **Positive free cash flow** of R\$ 104.4 million

- For 2019 and 2020, the **Focus on Profitability** continues



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IR Contacts

Frederico Oldani | CFO/IRO

Francisco de Paula | IR Manager

Phone: (55 11) 4369-1387

<http://ir.alliar.com>

ri@alliar.com