

3Q18 - RESULTS

ALLIAR



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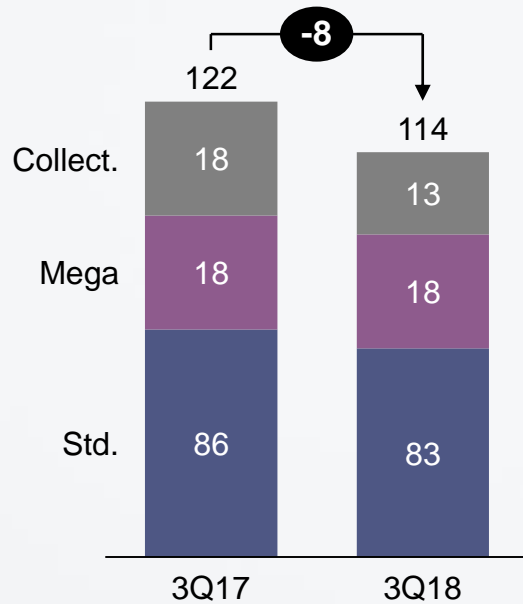
# HIGHLIGHTS

- **Stable net revenue**<sup>1</sup> when compared to 3Q17 (**-0.3%**), with same-store-sales (SSS) of **0.1%**. In 9M18, revenue reached R\$ **816.8** million, a **3.8%** increase, with SSS of **2.4%**
- **Expansion of +169 bps** in adjusted EBITDA margin, reaching **24.0%** in the quarter, with adjusted EBITDA of R\$ **67.0** million (**+7.3%**). YTD adjusted EBITDA of R\$ **185.9** million (**+8.5%**), with margin of **22.8%** (**+99 bps**)
- **Net Income** (Shareholders) of R\$ **11.2** million in the quarter (**+10.1%**) and R\$ **23.6** million in 9M18 (**+18.4%**)
- Operating cash flow of R\$ **11.7** million in 3Q18 and R\$ **96.0** million YTD. **Positive free cash flow** of R\$ **20.9** million YTD demonstrates the Company's new cycle
- Net promoter score (**NPS**) of **68.6%** at the end of 3Q18, an important evolution of **320 bps** when compared to 2Q18, reflecting the ongoing improvements in **real-time management** of the patients' flow in our units

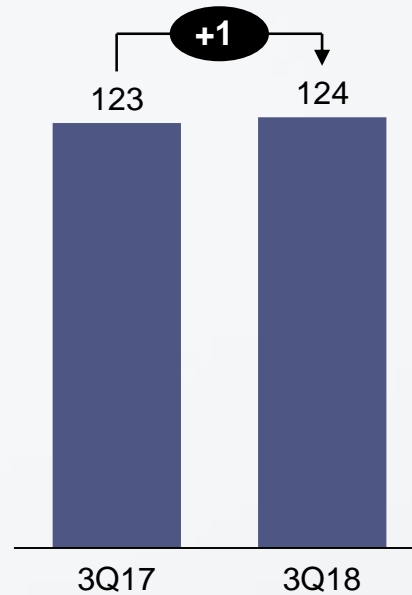
# KEY ASSETS

## Evolution

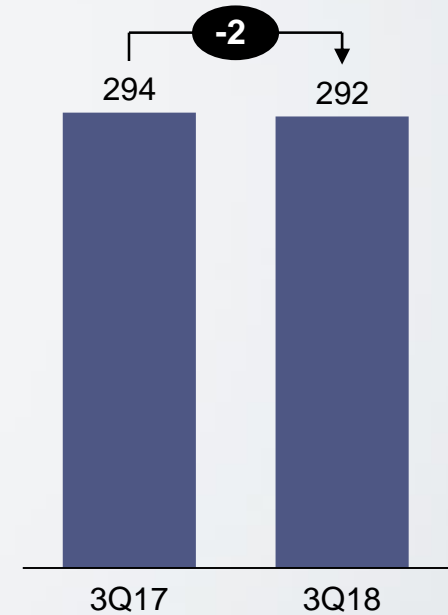
### STORES



### MRIs

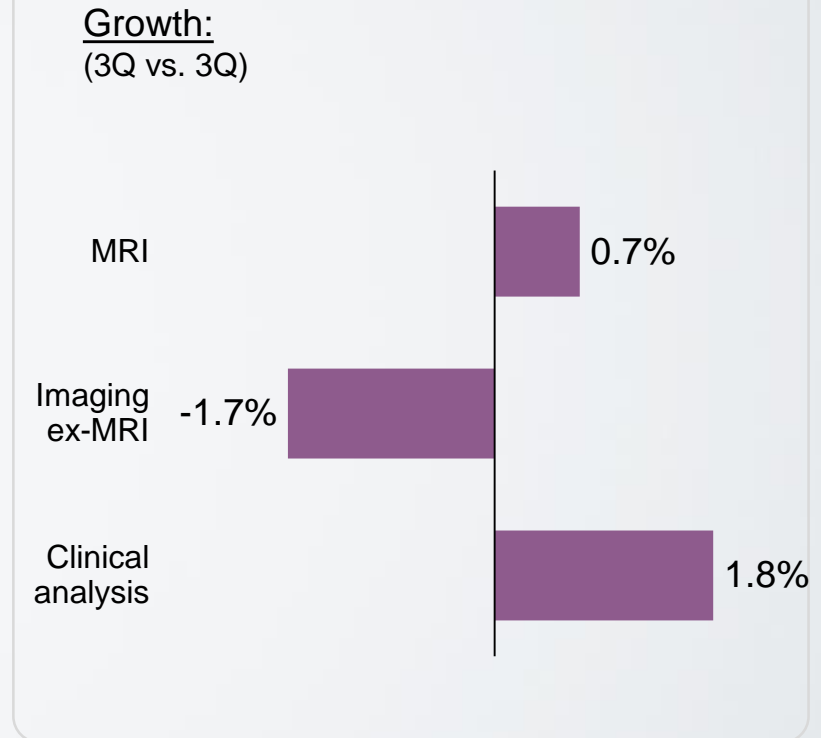
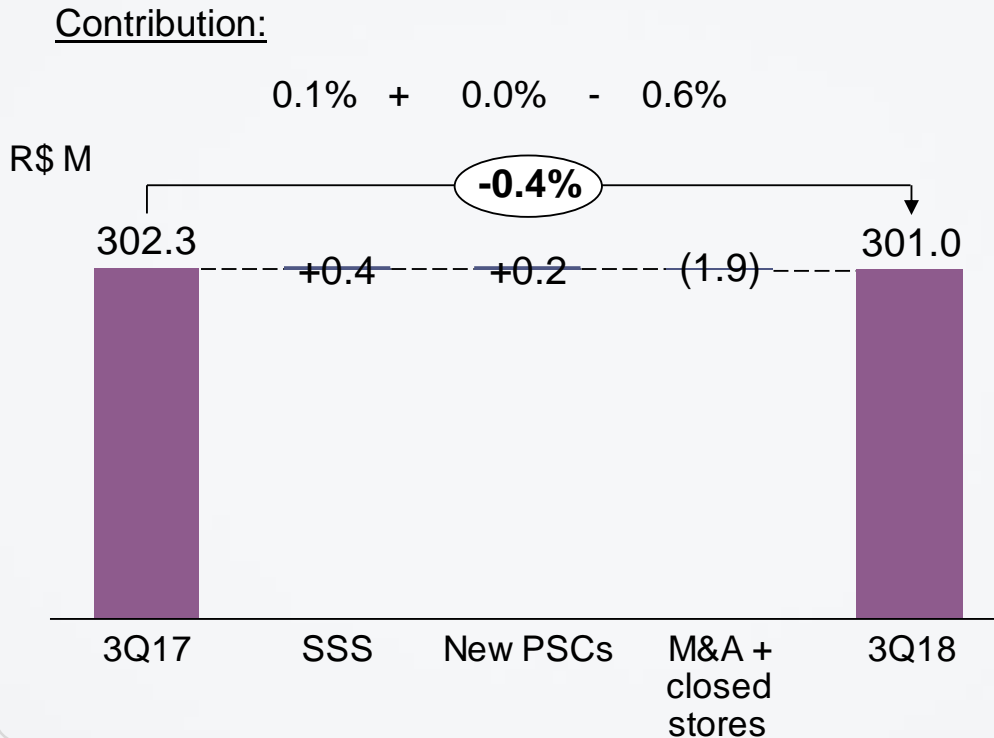


### C. ANALYSIS ROOMS



- 6 small stores **closed LTM**; total of **18 mega stores** operating, part of these ramping-up) and **+1 MRI**
- **-2 CA rooms**; CA offering available in **52 stores** (~46% of total)

# GROSS REVENUE<sup>1</sup>

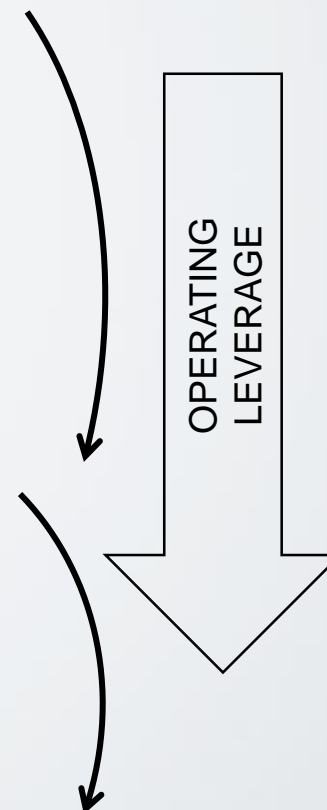


- **Quarterly revenue affected** by the stores closed when compared to 3Q17
- **Modest volume growth** due to stabilization of the number of beneficiaries, offset by lower tickets (trade down of health plans). Lower business days and the world cup (July) also affected
- **Best performing brand is CDB** (mega-units are **ramping-up**) and most challenging is **Delfin** (Bahia)

(1) Excludes construction-revenue

# FINANCIAL PERFORMANCE

Income Statement Overview	3Q18	3Q17	YoY	9M18	9M17	YoY
Gross Revenue (ex-construction)	301.0	302.3	-0.4%	883.1	848.9	4.0%
Deductions	(21.6)	(22.2)	-2.5%	(66.2)	(61.7)	7.3%
<b>Net Revenue (ex-construction)</b>	<b>279.3</b>	<b>280.1</b>	<b>-0.3%</b>	<b>816.8</b>	<b>787.2</b>	<b>3.8%</b>
Cost of services	(203.4)	(203.0)	0.2%	(595.6)	(574.4)	3.7%
Gross Profit	75.9	77.1	-1.5%	221.3	212.8	4.0%
<i>Gross Profit Margin</i>	27.2%	27.5%	-36 bps	27.1%	27.0%	4 bps
General and administrative expenses	(44.1)	(43.3)	1.8%	(133.3)	(126.6)	5.3%
Other income (expenses), net	0.2	(0.3)	n/a	(2.1)	(2.9)	-27.3%
Share of profit (loss) on investments	3.8	3.9	-2.2%	10.8	10.8	0.2%
(+) Depreciation and Amortization	23.5	18.3	28.1%	66.1	60.3	9.6%
EBITDA	59.3	55.6	6.6%	162.7	154.4	5.4%
<i>(+/- adjustments)</i>	7.8	6.8	13.6%	23.2	16.9	36.9%
<b>Adjusted EBITDA</b>	<b>67.0</b>	<b>62.5</b>	<b>7.3%</b>	<b>185.9</b>	<b>171.3</b>	<b>8.5%</b>
<i>Adjusted EBITDA Margin</i>	24.0%	22.3%	169 bps	22.8%	21.8%	99 bps
(-) Depreciation and Amortization	(23.5)	(18.3)	28.1%	(66.1)	(60.3)	9.6%
Finance income (expenses)	(16.8)	(18.6)	-9.6%	(52.2)	(50.3)	3.7%
<b>EBT</b>	<b>19.0</b>	<b>18.7</b>	<b>1.4%</b>	<b>44.5</b>	<b>43.8</b>	<b>1.6%</b>
Taxes	(5.4)	(5.7)	-4.8%	(13.5)	(17.2)	-21.6%
<i>Effective tax rate</i>	-28.4%	-30.2%	187 bps	-30.3%	-39.3%	896 bps
Attributable to non-controlling shareholders	(2.4)	(2.9)	-17.1%	(7.4)	(6.6)	11.1%
<b>Net Income (Shareholders)</b>	<b>11.2</b>	<b>10.2</b>	<b>10.1%</b>	<b>23.6</b>	<b>19.9</b>	<b>18.4%</b>
<i>Net margin (Shareholders)</i>	4.0%	3.6%	38 bps	2.9%	2.5%	36 bps



# GROSS PROFIT & MARGIN

Gross Profit (R\$ Million)	3Q18	3Q17	YoY	% NRev (3Q18)	% NRev (3Q17)	YoY	9M18	9M17	YoY	% NRev (9M18)	% NRev (9M17)	YoY
<b>Net Revenue (ex)</b>	<b>279.3</b>	<b>280.1</b>	<b>-0.3%</b>	-	-	-	<b>816.8</b>	<b>787.2</b>	<b>3.8%</b>	-	-	-
<b>Costs (ex)</b>	<b>-203.5</b>	<b>-203.0</b>	<b>0.2%</b>	<b>-72.8%</b>	<b>-72.5%</b>	<b>-36 bps</b>	<b>-595.6</b>	<b>-574.4</b>	<b>3.7%</b>	<b>-72.9%</b>	<b>-73.0%</b>	<b>4 bps</b>
Medical Services	-53.0	-50.1	5.8%	-19.0%	-17.9%	-109 bps	-156.4	-138.9	12.5%	-19.1%	-17.6%	-150 bps
Employees	-51.6	-52.1	-1.0%	-18.5%	-18.6%	12 bps	-153.4	-150.0	2.3%	-18.8%	-19.1%	26 bps
Supplies and Support Labs	-34.2	-35.7	-4.3%	-12.3%	-12.8%	50 bps	-98.8	-103.5	-4.5%	-12.1%	-13.2%	104 bps
Maintenance	-6.3	-9.3	-31.6%	-2.3%	-3.3%	103 bps	-21.2	-24.7	-14.1%	-2.6%	-3.1%	53 bps
Occupancy	-23.6	-23.2	1.7%	-8.4%	-8.3%	-17 bps	-68.6	-62.6	9.6%	-8.4%	-8.0%	-46 bps
Third-party serv. and others	-13.7	-16.2	-15.6%	-4.9%	-5.8%	88 bps	-37.7	-40.5	-6.8%	-4.6%	-5.1%	51 bps
Deprec. and amortization	-21.2	-16.5	28.1%	-7.6%	-5.9%	-169 bps	-59.5	-54.2	9.6%	-7.3%	-6.9%	-40 bps
<b>Gross Profit</b>	<b>75.9</b>	<b>77.1</b>	<b>-1.5%</b>	<b>27.2%</b>	<b>27.5%</b>	<b>-36 bps</b>	<b>221.3</b>	<b>212.8</b>	<b>4.0%</b>	<b>27.1%</b>	<b>27.0%</b>	<b>4 bps</b>
Construction cost	-0.1	-12.6	-98.8%	-	-	-	-1.3	-35.2	-96.2%	-	-	-

- Small margin reduction reflects higher depreciation (replacement of equipment parts). Ex-depreciation, **gross margin expansion of +132 bps**
- Highlight to the **strategic sourcing** initiative (mainly in the savings registered in supplies and support labs). Additional benefits are expected in 2019 (from negotiations already carried out)

# Adj. EBITDA & MARGIN

EBITDA (R\$ Million)	3Q18	3Q17	YoY	% NRev (3Q18)	% NRev (3Q17)	YoY	9M18	9M17	YoY	% NRev (9M18)	% NRev (9M17)	YoY
<b>Net Revenue (ex)</b>	<b>279.3</b>	<b>280.1</b>	<b>-0.3%</b>	-	-	-	<b>816.8</b>	<b>787.2</b>	<b>3.8%</b>	-	-	-
<b>Gross Profit</b>	<b>75.9</b>	<b>77.1</b>	<b>-1.5%</b>	<b>27.2%</b>	<b>27.5%</b>	<b>-36 bps</b>	<b>221.3</b>	<b>212.8</b>	<b>4.0%</b>	<b>27.1%</b>	<b>27.0%</b>	<b>4 bps</b>
General and adm. expenses	-44.1	-43.3	1.8%	-15.8%	-15.5%	-33 bps	-133.3	-126.6	5.3%	-16.3%	-16.1%	-25 bps
Employees	-23.4	-24.1	-3.1%	-8.4%	-8.6%	23 bps	-68.4	-69.4	-1.3%	-8.4%	-8.8%	42 bps
Occupancy, 3 <sup>rd</sup> party, other	-17.3	-15.0	15.1%	-6.2%	-5.4%	-84 bps	-55.1	-44.2	24.6%	-6.7%	-5.6%	-114 bps
Long-term incentive	-1.1	-2.3	-54.5%	-0.4%	-0.8%	44 bps	-3.2	-7.0	-54.5%	-0.4%	-0.9%	49 bps
Depreciation and amort.	-2.4	-1.8	28.2%	-0.8%	-0.7%	-20 bps	-6.6	-6.0	9.6%	-0.8%	-0.8%	-5 bps
Other expenses, net	0.2	-0.3	n/a	0.1%	-0.1%	n/a	-2.1	-2.9	-27.3%	-0.3%	-0.4%	10 bps
Earnings of subsidiaries	3.8	3.9	-2.2%	1.4%	1.4%	-4 bps	10.8	10.8	0.2%	1.3%	1.4%	-6 bps
<b>EBIT</b>	<b>35.8</b>	<b>37.3</b>	<b>-4.1%</b>	<b>12.8%</b>	<b>13.3%</b>	<b>-52 bps</b>	<b>96.7</b>	<b>94.1</b>	<b>2.7%</b>	<b>11.8%</b>	<b>12.0%</b>	<b>-13 bps</b>
(+) Depreciation and amort.	23.5	18.3	28.1%	8.4%	6.5%	186 bps	66.1	60.3	9.6%	8.1%	7.7%	42 bps
<b>EBITDA</b>	<b>59.3</b>	<b>55.6</b>	<b>6.5%</b>	<b>21.2%</b>	<b>19.9%</b>	<b>135 bps</b>	<b>162.7</b>	<b>154.4</b>	<b>5.4%</b>	<b>19.9%</b>	<b>19.6%</b>	<b>30 bps</b>
Write-down of financial asset	7.8	6.8	13.6%	2.8%	2.4%	33 bps	23.2	16.9	36.9%	2.8%	2.2%	68 bps
<b>Adjusted EBITDA</b>	<b>67.0</b>	<b>62.5</b>	<b>7.3%</b>	<b>24.0%</b>	<b>22.3%</b>	<b>169 bps</b>	<b>185.9</b>	<b>171.3</b>	<b>8.5%</b>	<b>22.8%</b>	<b>21.8%</b>	<b>99 bps</b>

- Adj. EBITDA **growth of 7.3%** in 3Q and **8.5% YTD** led to a margin of **24.0% (+169 bps)** in 3Q
- In addition to the strategic sourcing, **tight expenses control**
- **Expansion of margins** despite the shy revenue performance



# FINANCIAL RESULT / DEBT

Financial Result (R\$ Million)	3Q18	2Q18	3Q17	YoY	9M18	9M17	YoY
Financial income	0.4	0.3	0.3	34.8%	1.1	3.9	-73.0%
Financial expenses	-17.0	-17.2	-20.8	-18.2%	-51.3	-55.5	-7.6%
FX effect on USD debt	-0.2	-1.8	1.9	n/a	-2.0	1.2	n/a
<b>Total Financial Result</b>	<b>-16.8</b>	<b>-18.7</b>	<b>-18.6</b>	<b>-9.6%</b>	<b>-52.2</b>	<b>-50.3</b>	<b>3.7%</b>

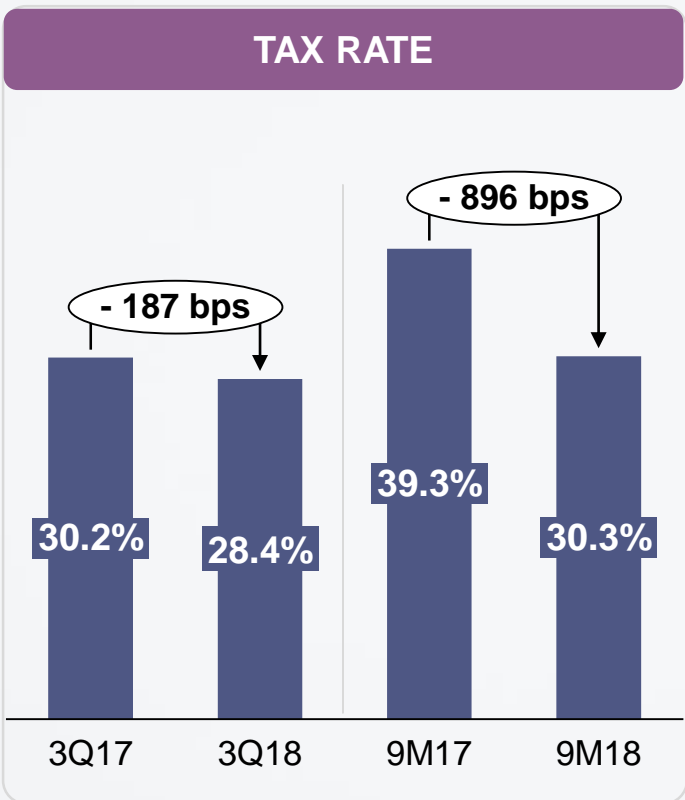
- Lower financial expenses in 3Q18
- Better financial result despite positive FX effect in 3Q17

Debt (R\$ Million)	3Q18	2Q18	4Q17	3Q17	YoY
Loans and debentures	618.6	609.2	599.3	514.0	20.4%
Supplier 'drawee risk'	0.0	0.0	11.7	0.0	n/a
Derivative fin. instruments	-2.8	0.0	1.3	25.1	-111.3%
<b>Gross Bank Debt</b>	<b>615.8</b>	<b>609.2</b>	<b>612.2</b>	<b>539.0</b>	<b>14.2%</b>
Gross Bank Debt R\$	606.4	598.2	598.6	496.1	22.2%
Gross Bank Debt US\$	9.4	11.0	13.5	42.9	-78.1%
Tax installment payments	8.6	8.9	9.2	9.6	-9.8%
Acquisitions of companies	50.8	56.3	85.3	90.6	-44.0%
<b>Total Gross Debt</b>	<b>675.2</b>	<b>674.4</b>	<b>706.6</b>	<b>639.1</b>	<b>5.6%</b>
<b>Cash and equivalents</b>	<b>50.4</b>	<b>66.8</b>	<b>95.3</b>	<b>56.3</b>	<b>-10.5%</b>
<b>Total Net Debt</b>	<b>624.8</b>	<b>607.6</b>	<b>611.3</b>	<b>582.9</b>	<b>7.2%</b>
Adjusted EBITDA LTM	237.4	232.8	224.9	229.0	3.7%
<b>Total Net Debt / Adj. EBITDA</b>	<b>2.63 x</b>	<b>2.61 x</b>	<b>2.72 x</b>	<b>2.54 x</b>	<b>3.4%</b>

- Deleveraging perspective continues:
  - Gross debt stable vs. 2Q18 and 4.4% lower than 4Q17
  - **2.63x** net debt to adj. EBITDA

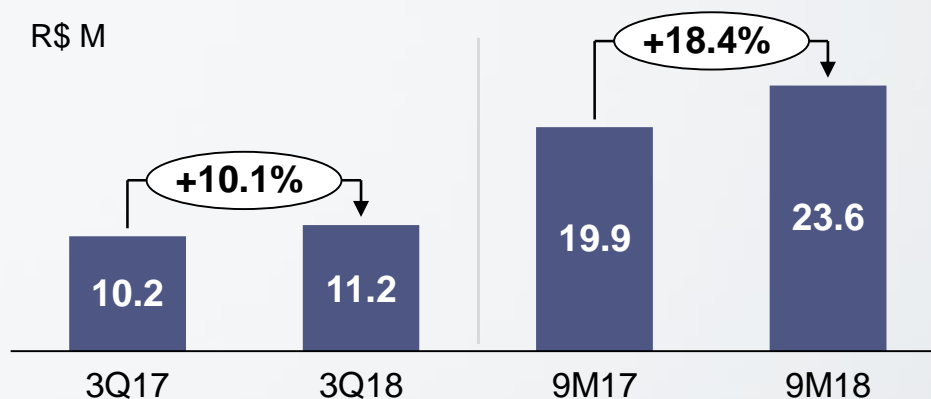
# TAX RATE & NET INCOME

## TAX RATE



Net Income (R\$ Million)	3Q18	3Q17	YoY	9M18	9M17	YoY
Net Income	13.6	13.1	4.1%	31.0	26.6	16.6%
Attributable to noncontrolling interests	2.4	2.9	-17.1%	-7.4	-6.6	11.1%
<b>Net Income (Shareholders)</b>	<b>11.2</b>	<b>10.2</b>	<b>10.1%</b>	<b>23.6</b>	<b>19.9</b>	<b>18.4%</b>
Net Income per share (in R\$)	0.09	0.09	10.1%	0.20	0.17	16.9%
Net Margin	4.9%	4.7%	21 bps	3.8%	3.4%	42 bps
<b>Net Margin (Shareholders)</b>	<b>4.0%</b>	<b>3.6%</b>	<b>38 bps</b>	<b>2.9%</b>	<b>2.5%</b>	<b>36 bps</b>

R\$ M

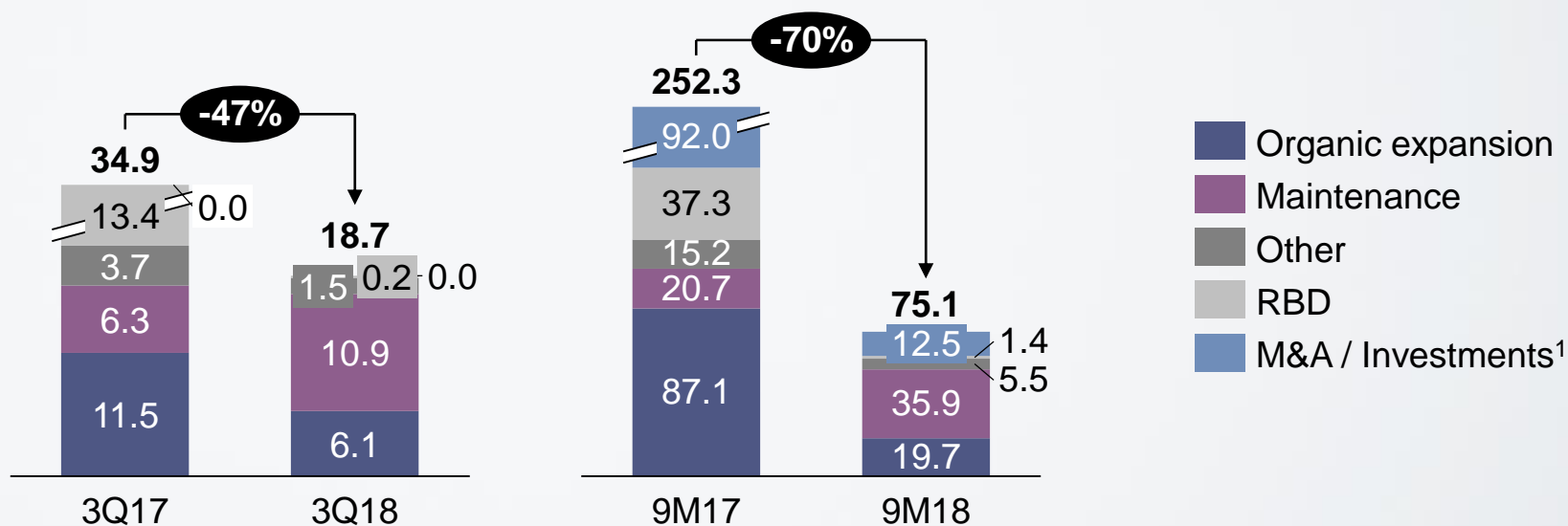


- Tax rates of 28.4% in 3Q and 30.3% YTD (vs 39.3% in 9M17) due to Alliar's efforts to reduce inefficiencies of its corporate structure
- Net income growth higher than EBITDA demonstrates the **operating leverage** of Alliar's current cycle (better levels of **financial results** and **income taxes**)
- Net Income (Shareholders) growth of 10.1% in 3Q and 18.4% YTD, to reach R\$ 23.6 million

# INVESTMENTS

## TOTAL INVESTMENTS (CAPEX + M&A)

R\$ M



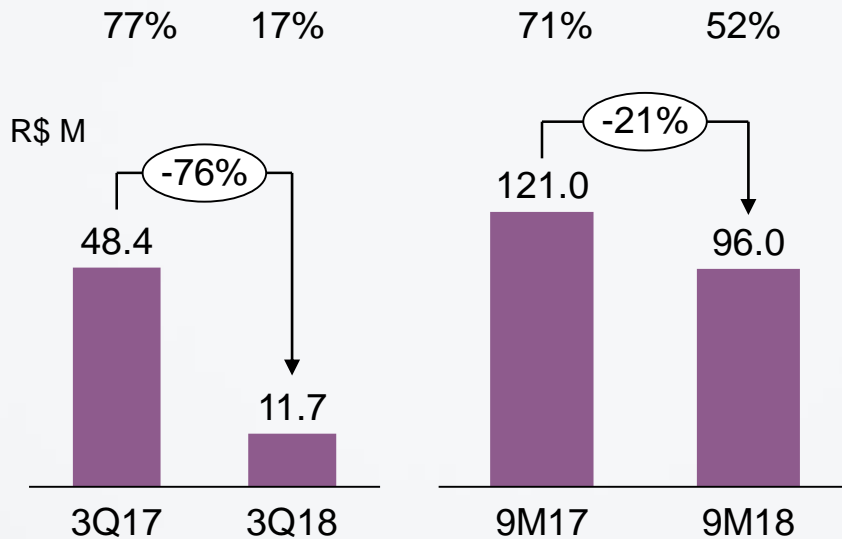
- 47% reduction in total investments reflects the anticipation of investments in expansion and the conclusion of the investment cycle in RBD (PPP Bahia) in 2017
- Total investments reached R\$ **18.7** million in **3Q18**
- Investments reduction is an important driver of **free cash generation**

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

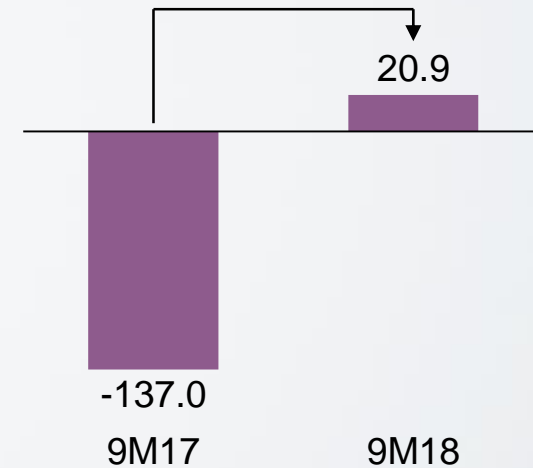
# CASH FLOW

## OPERATING CASH AND CASH CONVERSION

### Conversion:



## FREE CASH FLOW



- **Operating Cash Flow** reached R\$ **11.7** million and R\$ **96.0** million, with **17%** and **52%** of cash conversion in the quarter and YTD, respectively
- **YTD positive free cash flow** of R\$ **20.9** million
- These results demonstrate Alliar's **strong free cash generation capacity**

# CLOSING REMARKS

- Focus on **Profitability** reflects on Alliar's results
  - **Mega-stores** are ramping-up
  - **Higher Productivity** in Operations: **25.2** exams / MRI / day in the 3Q average (+1.5% vs. 3Q17 after the addition of 1 machine)
  - Despite shy revenue performance, trend of **Margins expansion** and **higher Net Income** and Cash Generation continues
  
- For 2019, the use of **technology and innovation** as drivers of **operational efficiency, medical quality and patient experience** shall contribute to higher profitability
  
- **ALLIAR-DAY 2018**: Hotell Pullman Vila Olímpia, São Paulo (November 22nd)



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**Q&A**