

4Q19 - RESULTS

ALLIAR



alliar médicos à frente  
sistema de diagnósticos de saúde

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# HIGHLIGHTS

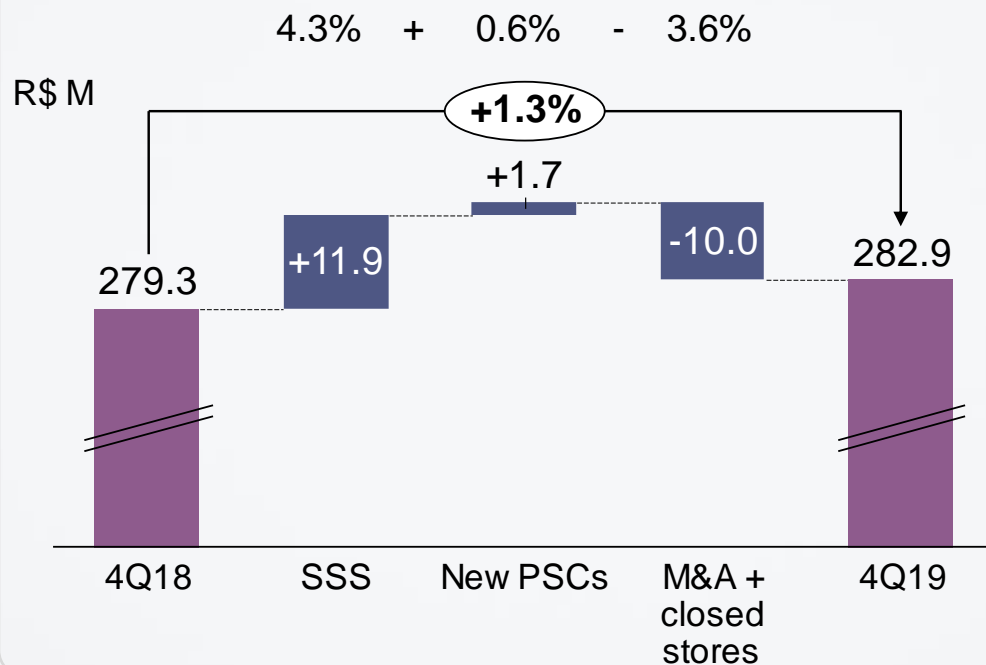
*As of 2019, the adoption of IFRS 16 brought changes in the accounting of the fixed portion of rents (lease), requiring the recognition of future commitments as compensation for the usage rights. Rental costs and expenses, previously recorded under "Occupation", are recognized in depreciation and financial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

- **Net Revenue**<sup>1</sup> of **R\$1,071.5** million (-0.4%) in the year and **R\$261.8** million in the quarter, up by **+1.2%**. In the quarter, **same-store-sales** (SSS) grew **+4.3%**, and total revenue is partially affected by the units closed (mainly the sale of Hospital São Rafael's operations).
- Adjusted EBITDA reached **R\$291.8 million** in 2019 (**+16.3%**), with a **27.2%** margin (**22.7%** Pro-forma margin; -62 bps). In the quarter, up by +77 bps in the Adjusted EBITDA Margin, reaching **25.9%** in 4Q19, with Adjusted EBITDA totaling **R\$67.7 million** (or **R\$55.4 million** Pro-forma).
- **Net Income** (Shareholders) totaled **R\$41.3 million** in the year (or **R\$48.1 million** Pro-forma, up by **19.9%**). In the quarter, Net Income reached R\$7.4 million (or **R\$9.0 million** Pro-forma).
- **Operating Cash Generation** of **R\$219.0** million in 2019 with a **75.1%** cash conversion. **Free Cash Flow** grew by **36.2%**, totaling **R\$142.3 million**, demonstrating Alliar's cash-generating capacity and benefited by the IFRS effect (Pro-forma free cash flow of **R\$93.7 million**).
- **Sami Foguel** takes over as **Alliar's new CEO**, to bring a new growth cycle to the Company. Fernando Terni migrates to the Board
- **ROIC** (without goodwill) reached **13.4%**, up by **66** bps vs. 4Q18, reflecting the continued investment maturation strategy.
- Net Promoter Score (**NPS**) reached **66.5%** in 2019, up by **70** bps over the previous year, reflecting the continued improvement in **real-time management** of patient flow at Alliar's units.

(1) Excludes construction-revenue

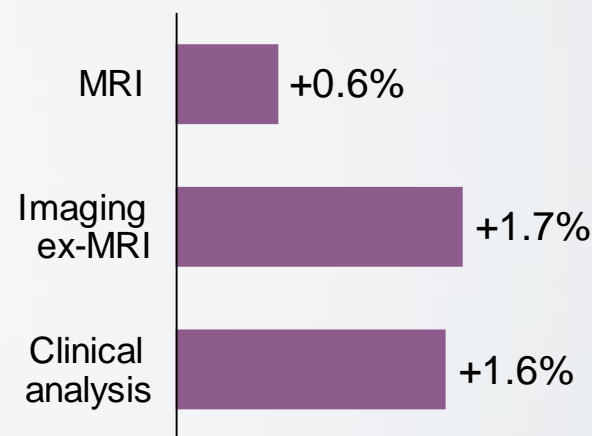
# GROSS REVENUE<sup>1</sup>

## Contribution:



## Growth:

(4Q vs. 4Q)



- **SSS of 4.3% in the quarter**, benefiting from the ramp-up of the mega-units and calendar effect, partially offset by the sale of Hospital São Rafael's operations
- **Imaging volume growth** offset by lower tickets (e.g. trade down of healthcare plans)
- Ex-São Rafael, **imaging segment grew by 2.8% in 2019**. The highlights are our **São Paulo operations** with a **5.0% growth** in 2019

# FINANCIAL PERFORMANCE

| Quarterly Income Statement<br>OVERVIEW       | 4Q19         | 4Q18         | YoY           | (IFRS 16)    | 4Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|--------------|--------------|---------------|--------------|---------------------|--------------------|
| Gross Revenue (ex-construction)              | 282.9        | 279.3        | 1.3%          | -            | 282.9               | 1.3%               |
| Deductions (ex)                              | (21.1)       | (20.7)       | 2.3%          | -            | (21.1)              | 2.3%               |
| <b>Net Revenue (ex-construction)</b>         | <b>261.8</b> | <b>258.6</b> | <b>1.2%</b>   | <b>-</b>     | <b>261.8</b>        | <b>1.2%</b>        |
| Cost of services                             | (194.0)      | (190.5)      | 1.8%          | (0.9)        | (194.9)             | 2.3%               |
| Gross Profit                                 | 67.7         | 68.1         | -0.5%         | <b>-0.9</b>  | 66.8                | -1.9%              |
| <i>Gross Profit Margin</i>                   | 25.9%        | 26.3%        | -46 bps       | -            | 25.5%               | -80 bps            |
| General and administrative expenses          | (42.8)       | (42.4)       | 0.9%          | (2.0)        | (44.9)              | 5.7%               |
| Other income (expenses), net                 | 1.2          | 10.9         | -88.7%        | -            | 1.2                 | -88.7%             |
| Share of profit (loss) on investments        | 4.3          | 4.1          | 6.5%          | -            | 4.3                 | 6.5%               |
| (+) Depreciation and Amortization            | 29.4         | 16.6         | 77.5%         | (9.4)        | 20.0                | 20.7%              |
| EBITDA                                       | 59.9         | 57.2         | 4.7%          | (12.3)       | 47.5                | -16.8%             |
| <i>(+/- adjustments)</i>                     | 7.9          | 7.8          | 1.1%          | -            | 7.9                 | 1.1%               |
| <b>Adjusted EBITDA</b>                       | <b>67.7</b>  | <b>64.9</b>  | <b>4.3%</b>   | <b>-12.3</b> | <b>55.4</b>         | <b>-14.7%</b>      |
| <i>Adjusted EBITDA Margin</i>                | 25.9%        | 25.1%        | 77 bps        | -            | 21.2%               | -395 bps           |
| (-) Depreciation and Amortization            | (29.4)       | (16.6)       | 77.5%         | 9.4          | (20.0)              | 20.7%              |
| Finance income (expenses)                    | (16.5)       | (15.0)       | 9.7%          | 4.9          | (11.6)              | -23.0%             |
| <b>EBT</b>                                   | <b>14.0</b>  | <b>25.6</b>  | <b>-45.2%</b> | 2.0          | 16.0                | -37.5%             |
| Taxes  | (4.0)        | (5.0)        | -20.7%        | (0.5)        | (4.5)               | -10.9%             |
| <i>Effective tax rate</i>                    | -28.3%       | -19.5%       | -875 bps      | -            | -27.9%              | -835 bps           |
| Attributable to non-controlling shareholders | (2.6)        | (4.1)        | -36.3%        | 0.1          | (2.5)               | -38.3%             |
| <b>Net Income (Shareholders)</b>             | <b>7.4</b>   | <b>16.5</b>  | <b>-54.9%</b> | <b>1.6</b>   | <b>9.0</b>          | <b>-45.5%</b>      |
| <i>Net margin (Shareholders)</i>             | 2.8%         | 6.4%         | -353 bps      | -            | 3.4%                | -294 bps           |

# FINANCIAL PERFORMANCE

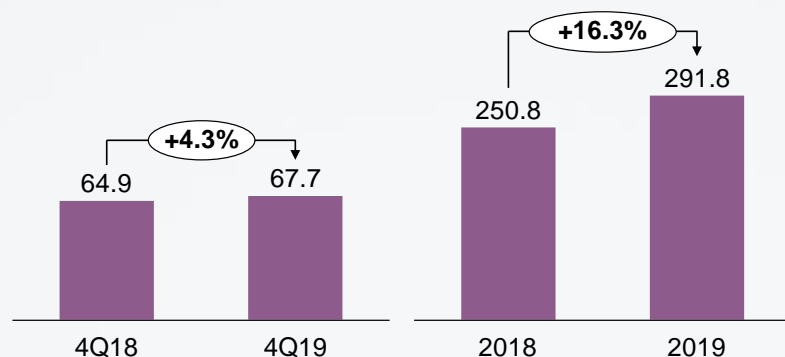
| YTD Income Statement OVERVIEW                | 2019           | 2018           | YoY          | (IFRS 16)    | 2019 (Pro-forma) | YoY (Pro-forma) |
|--|----------------|----------------|--------------|--------------|------------------|-----------------|
| Gross Revenue (ex-construction)              | 1,157.7        | 1,162.4        | -0.4%        | -            | 1,157.7          | -0.4%           |
| Deductions (ex)                              | (86.3)         | (86.9)         | -0.7%        | -            | (86.3)           | -0.7%           |
| <b>Net Revenue (ex-construction)</b>         | <b>1,071.5</b> | <b>1,075.5</b> | <b>-0.4%</b> | -            | <b>1,071.5</b>   | <b>-0.4%</b>    |
| Cost of services                             | (786.7)        | (786.1)        | 0.1%         | (3.1)        | (789.8)          | 0.5%            |
| Gross Profit                                 | 284.8          | 289.4          | -1.6%        | -3.1         | 281.7            | -2.7%           |
| <i>Gross Profit Margin</i>                   | 26.6%          | 26.9%          | -33 bps      | -            | 26.3%            | -62 bps         |
| General and administrative expenses          | (159.0)        | (175.7)        | -9.5%        | (8.5)        | (167.6)          | -4.6%           |
| Other income (expenses), net                 | (0.4)          | 8.7            | n/a          | -            | (0.4)            | n/a             |
| Share of profit (loss) on investments        | 17.3           | 14.9           | 15.9%        | -            | 17.3             | 15.9%           |
| (+) Depreciation and Amortization            | 117.9          | 82.6           | 42.7%        | (36.9)       | 81.0             | -2.0%           |
| EBITDA                                       | 260.5          | 219.9          | 18.5%        | (48.5)       | 212.0            | -3.6%           |
| <i>(+/- adjustments)</i>                     | 31.3           | 30.9           | 1.0%         | -            | 31.3             | 1.0%            |
| <b>Adjusted EBITDA</b>                       | <b>291.8</b>   | <b>250.8</b>   | <b>16.3%</b> | <b>-48.5</b> | <b>243.2</b>     | <b>-3.0%</b>    |
| <i>Adjusted EBITDA Margin</i>                | 27.2%          | 23.3%          | 391 bps      | -            | 22.7%            | -62 bps         |
| (-) Depreciation and Amortization            | (117.9)        | (82.6)         | 42.7%        | 36.9         | (81.0)           | -2.0%           |
| Finance income (expenses)                    | (76.9)         | (67.2)         | 14.4%        | 20.4         | (56.5)           | -15.9%          |
| <b>EBT</b>                                   | <b>65.7</b>    | <b>70.0</b>    | <b>-6.2%</b> | 8.8          | 74.5             | 6.3%            |
| Taxes  | (15.6)         | (18.5)         | -15.4%       | (2.3)        | (17.9)           | -3.2%           |
| <i>Effective tax rate</i>                    | -23.8%         | -26.4%         | 259 bps      | -            | -24.0%           | 236 bps         |
| Attributable to non-controlling shareholders | (8.8)          | (11.5)         | -23.6%       | 0.3          | (8.5)            | -25.9%          |
| <b>Net Income (Shareholders)</b>             | <b>41.3</b>    | <b>40.1</b>    | <b>3.0%</b>  | <b>6.8</b>   | <b>48.1</b>      | <b>19.9%</b>    |
| <i>Net margin (Shareholders)</i>             | 3.9%           | 3.7%           | 13 bps       | -            | 4.5%             | 76 bps          |

OPERATING LEVERAGE

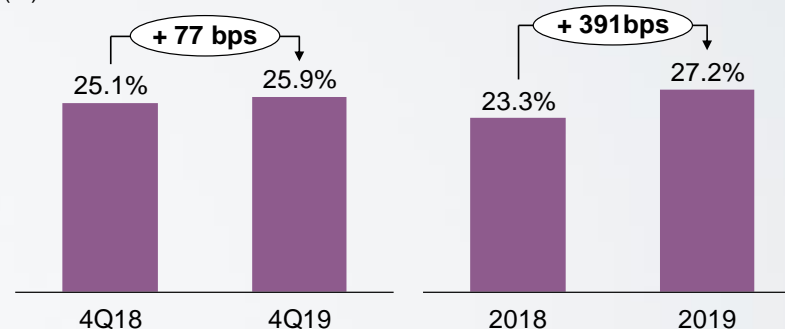


# Adj. EBITDA & MARGIN

R\$ M



Margin (%)



| Quarterly EBITDA<br>(R\$ Million)      | 4Q19  | 4Q18  | YoY    | % NRev<br>(4Q19) | % NRev<br>(4Q18) | YoY      | (IFRS 16) | 4Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|-------|-------|--------|------------------|------------------|----------|-----------|---------------------|--------------------|
| Net Revenue (ex)                       | 261.8 | 258.6 | 1.2%   | -                | -                | -        | -         | 261.8               | 1.2%               |
| Gross Profit                           | 67.7  | 68.1  | -0.5%  | 25.9%            | 26.3%            | -46 bps  | -0.9      | 66.8                | -1.9%              |
| General and adm. expenses              | -42.8 | -42.4 | 0.9%   | -16.4%           | -16.4%           | 5 bps    | -2.0      | -44.9               | 5.7%               |
| Employees                              | -23.5 | -24.6 | -4.7%  | -9.0%            | -9.5%            | 55 bps   | -         | -23.5               | -4.7%              |
| Occupancy, 3 <sup>d</sup> party, other | -15.4 | -15.5 | -1.2%  | -5.9%            | -6.0%            | 15 bps   | -2.4      | -17.7               | 14.0%              |
| Depreciation (expense)                 | -2.3  | -1.7  | 39.7%  | -0.9%            | -0.6%            | -24 bps  | 0.3       | -2.0                | 20.7%              |
| Long-term incentive                    | -1.7  | -0.6  | 167.3% | -0.6%            | -0.2%            | -40 bps  | -         | -1.7                | 167.3%             |
| Other expenses, net                    | 1.2   | 10.9  | -88.7% | 0.5%             | 4.2%             | -373 bps | -         | 1.2                 | -88.7%             |
| Earnings of subsidiaries               | 4.3   | 4.1   | 6.5%   | 1.7%             | 1.6%             | 8 bps    | -         | 4.3                 | 6.5%               |
| EBIT                                   | 30.5  | 40.6  | -24.9% | 11.6%            | 15.7%            | -406 bps | -2.9      | 27.6                | -32.2%             |
| (+) Depreciation and amort.            | 29.4  | 16.6  | 77.5%  | 11.2%            | 6.4%             | 483 bps  | -9.4      | 20.0                | 20.7%              |
| EBITDA                                 | 59.9  | 57.2  | 4.7%   | 22.9%            | 22.1%            | 77 bps   | -12.3     | 47.5                | -16.8%             |
| (+) Write-down of financial asset      | 7.9   | 7.8   | 1.1%   | 3.0%             | 3.0%             | 0 bps    | -         | 7.9                 | 1.1%               |
| Adjusted EBITDA                        | 67.7  | 64.9  | 4.3%   | 25.9%            | 25.1%            | 77 bps   | -12.3     | 55.4                | -14.7%             |

- Adj. EBITDA growth of 4.3% in 4Q (25.9% margin, +77 bps vs 4Q18), benefiting from the IFRS 16 adoption. In the pro-forma view, 21.2% margin
- YTD adj. EBITDA of R\$291.8 million, a 27.2% margin (22.7% pro-forma, -62 bps)
- Margin reduction mainly due to a comparison base with ~R\$10M impact in 2018, partially offset by the continuous focus on increasing profitability and delivering operating leverage

# FINANCIAL RESULT / DEBT

| Quarterly Financial Result<br>(R\$ Million) | 4Q19         | 3Q19         | 4Q18         | YoY         | (IFRS 16)  | 4Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|---|--------------|--------------|--------------|-------------|------------|---------------------|--------------------|
| Financial income                            | 0.5          | 0.4          | 0.2          | 157.4%      | -          | 0.5                 | 157.4%             |
| Financial expenses                          | -12.2        | -16.0        | -15.9        | -23.5%      | -          | -12.2               | -23.5%             |
| Lease interest                              | -4.9         | -5.1         | 0.0          | n/a         | 4.9        | 0.0                 | n/a                |
| FX effect on USD debt                       | 0.1          | 0.0          | 0.7          | -84.9%      | -          | 0.1                 | -84.9%             |
| <b>Total Financial Result</b>               | <b>-16.5</b> | <b>-20.7</b> | <b>-15.0</b> | <b>9.7%</b> | <b>4.9</b> | <b>-11.6</b>        | <b>-23.0%</b>      |

- Higher financial result due to the lease interest according to IFRS 16
- Pro-forma result 23.0% better**, as a result of the lower net debt and lower financial expenses

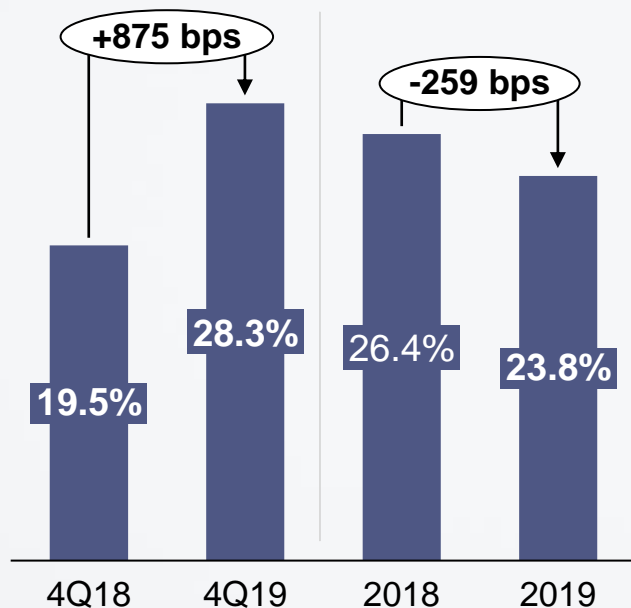
| Debt<br>(R\$ Million)            | 4Q19          | 3Q19<br>(Pro-forma) | 4Q18          | YoY           | (IFRS 16) | 4Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|----------------------------------|---------------|---------------------|---------------|---------------|-----------|---------------------|--------------------|
| Loans and debentures             | 614.8         | 642.3               | 605.5         | 1.5%          | -         | 614.8               | 1.5%               |
| Supplier 'drawee risk'           | 0.0           | 0.0                 | 0.0           | n/a           | -         | 0.0                 | n/a                |
| Derivative fin. instruments      | -7.4          | -16.5               | -2.3          | 218.3%        | -         | -7.4                | 218.3%             |
| <b>Gross Bank Debt</b>           | <b>607.4</b>  | <b>625.8</b>        | <b>603.2</b>  | <b>0.7%</b>   | <b>-</b>  | <b>607.4</b>        | <b>0.7%</b>        |
| Gross Bank Debt R\$ <sup>1</sup> | 604.0         | 621.4               | 595.9         | 1.4%          | -         | 604.0               | 1.4%               |
| Gross Bank Debt US\$             | 3.4           | 4.4                 | 7.3           | -53.5%        | -         | 3.4                 | -53.5%             |
| Tax installment payments         | 10.4          | 9.4                 | 10.7          | -3.2%         | -         | 10.4                | -3.2%              |
| Acquisitions of companies        | 42.0          | 41.9                | 46.8          | -10.3%        | -         | 42.0                | -10.3%             |
| <b>Total Gross Debt</b>          | <b>659.7</b>  | <b>677.1</b>        | <b>660.7</b>  | <b>-0.1%</b>  | <b>-</b>  | <b>659.7</b>        | <b>-0.1%</b>       |
| <b>Cash and equivalents</b>      | <b>91.1</b>   | <b>100.2</b>        | <b>75.9</b>   | <b>20.1%</b>  | <b>-</b>  | <b>91.1</b>         | <b>20.1%</b>       |
| <b>Total Net Debt</b>            | <b>568.6</b>  | <b>576.9</b>        | <b>584.8</b>  | <b>-2.8%</b>  | <b>-</b>  | <b>568.6</b>        | <b>-2.8%</b>       |
| Adjusted EBITDA LTM              | 291.8         | 252.8               | 250.8         | 16.3%         | -48.5     | 243.2               | -3.0%              |
| <b>Total Net Debt / Adj.</b>     | <b>1.95 x</b> | <b>2.28 x</b>       | <b>2.33 x</b> | <b>-16.4%</b> | <b>-</b>  | <b>2.34 x</b>       | <b>0.3%</b>        |

- Deleveraging process continues:**
  - Net debt is **2.8% lower than in 4Q18**
  - 1.95x** net debt to adj. EBITDA (2.34x pro-forma)

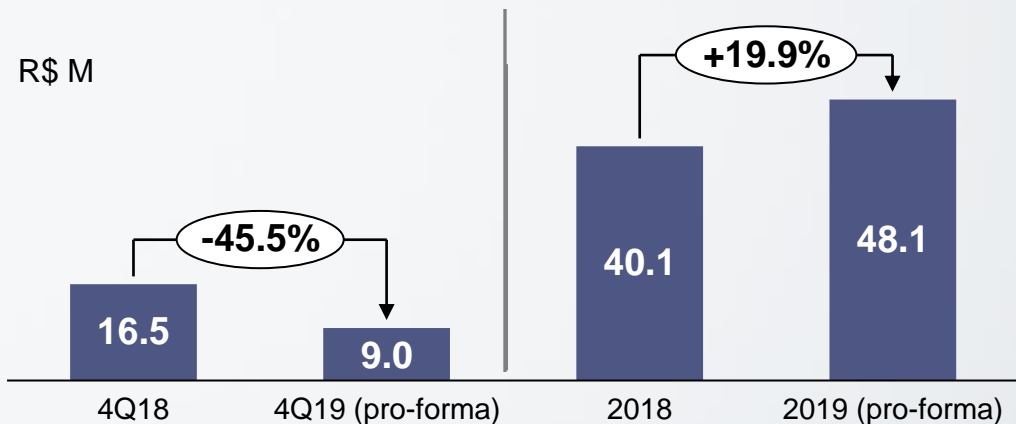


# TAX RATE & NET INCOME

## Income Tax



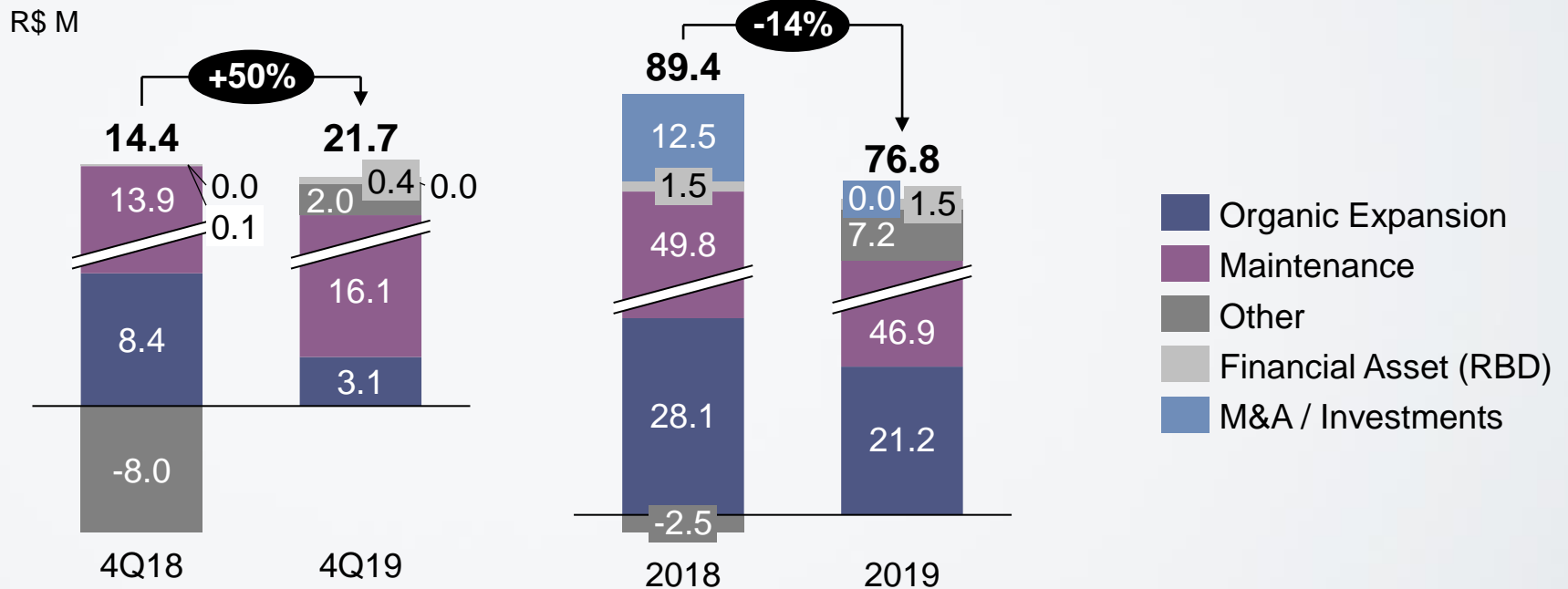
| Quarterly Net Income<br>(R\$ Million)        | 4Q19        | 4Q18        | YoY             | (IFRS 16)  | 4Q19<br>(Pro-forma) | YoY<br>(Pro-forma) |
|--|-------------|-------------|-----------------|------------|---------------------|--------------------|
| Net Income                                   | 10.1        | 20.6        | -51.2%          | 1.6        | 11.6                | -43.6%             |
| (-) Attributable to noncontrolling interests | 2.6         | 4.1         | -36.3%          | 0.1        | 2.7                 | -34.4%             |
| <b>Net Income (Shareholders)</b>             | <b>7.4</b>  | <b>16.5</b> | <b>-54.9%</b>   | <b>1.6</b> | <b>9.0</b>          | <b>-45.5%</b>      |
| Net Income per share (in R\$)                | 0.06        | 0.14        | -54.9%          | 0.01       | 0.08                | -45.5%             |
| Net Margin                                   | 3.8%        | 8.0%        | -412 bps        | -          | 4.4%                | -353 bps           |
| <b>Net Margin (Shareholders)</b>             | <b>2.8%</b> | <b>6.4%</b> | <b>-353 bps</b> | <b>-</b>   | <b>3.4%</b>         | <b>-294 bps</b>    |



- Tax rate of **23.8% in 4Q** (an improvement of **259 bps**) reflect Alliar's efforts to reduce inefficiencies associated with its corporate structure
- **Increased profitability in 2019**, with **margin and net income growth (+19.9 pro-forma)**, demonstrates the operating leverage and the gains obtained between EBITDA and net income (e.g. **better levels of financial results**, pro-forma). In 4Q19, net income reflects the lower EBITDA

# INVESTMENTS

## TOTAL INVESTMENTS (CAPEX + M&A)

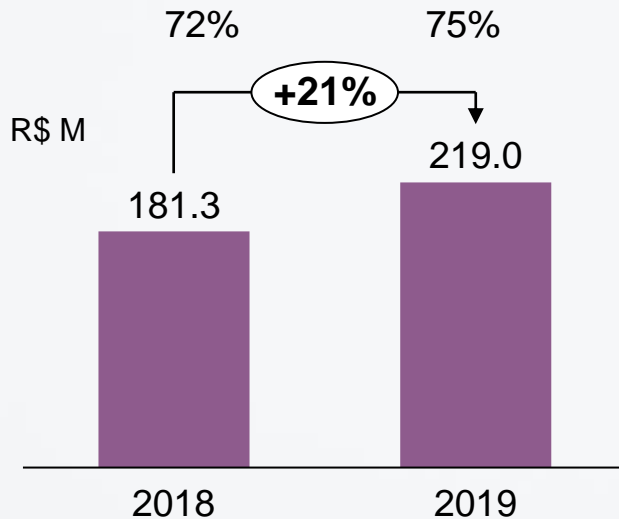


- **Total investments** increase in the **quarter** reflects mainly low comp. base (asset sale in 4Q18)
- In **2019**, a **14% reduction** in total investments, in line with **Alliar's strategy to mature its asset base**
- Reduction of investments benefits the **free cash generation**

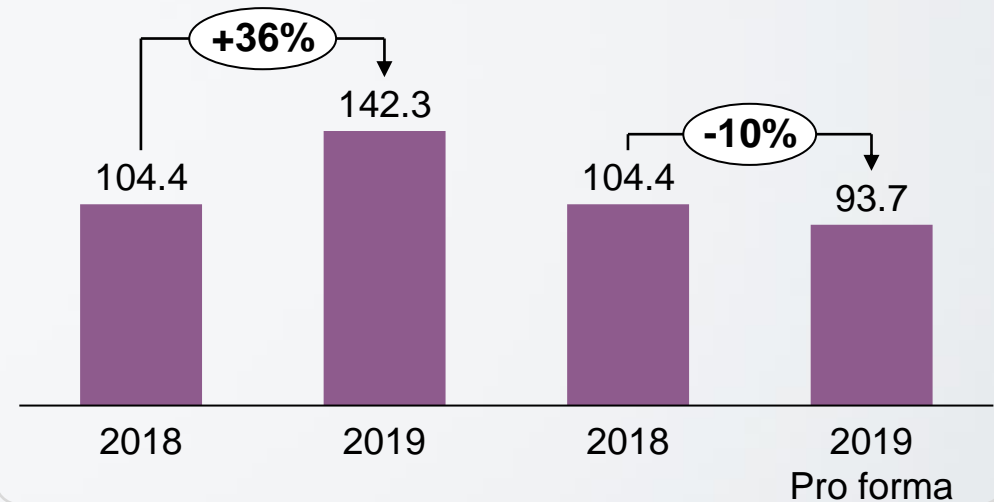
# CASH FLOW

## OPERATING CASH AND CASH CONVERSION

Conversion:



## FREE CASH FLOW



- **Operating Cash Flow** reached R\$ **219.0** million YTD (+21%), benefiting from the adoption of IFRS 16. **Cash conversion of 75.1%**
- Operating cash is also a driver of **free cash flow** generation
- **YTD free cash flow** of +R\$ **142.3** million (+36% with IFRS 16) or R\$ **93.7** million proforma

# CLOSING REMARKS

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## End of the 2018-2019 Cycle of Increased Profitability Beginning of a New Growth Cycle from 2020

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- Focus on **Profitability** and **Financial Deleverage** brought important results
  - **Higher Productivity** in Operations: **26.1** exams / MRI / day  
(+11% vs. 2018)
  - **Higher** Net Income and net margin
  - **Significant Free Cash Generation** (R\$94 million pro-forma)
  
- From 2020, with the strengthened Team and Operating Structure, the new focus is on **Revenue Growth**
  
- Technology and Innovation will continue to be an important efficiency and quality driver across the Company



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## Q&A

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