Operator:

Good morning, ladies and gentlemen. Welcome to Alliar - Centro de Imagem Diagnósticos S.A., 3Q16 earnings conference call. Present here are Mr. Fernando Terni, Chief Executive Officer, Mr. Fernando Pereira, Chief Financial Officer and Mr. Carlos Araujo, Investor Relations Officer.

The live webcast of this call is available at Alliar´s investor relations website at ir.alliar.com, where the presentation is also available for download.

As a reminder, questions will be taken by telephone and by the platform.

Also, this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that f-looking statements are based on the beliefs and assumptions of Alliar management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of ALLIAR and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Fernando Terni. Mr. Terni, you may proceed.

Fernando Terni:

Good morning, everyone. Thank you for joining Alliar's first earnings conference call. For the benefit of those who have not been visited during our road show, I will start this call with a brief overview of our Company.

I will start on slide number three of our presentation. Alliar is today the third largest diagnostic company in Brazil, and we are the second largest in diagnostic imaging. Our revenues have been growing at an accelerated pace: 59% CAGR in the last three years. At the same time, we have been able to deliver attractive EBITDA margins at around 22%.

Such level of continuous growth and sustainable EBITDA margins are only possible thanks to our unique business model, where we always have an Alliar partner running our local operations, combined with a robust and fully integrated IT platform.

As you can see on slide four, our business model has four main drivers. First, we are focused on the diagnostic imaging. Today it represents 88% of our revenues. Nevertheless, we understand the important of clinical analysis, not only for the convenience of our patients, but also for the potential it represents for additional growth. Today, clinical analysis is representing 12% of our total revenues.

Second aspect I want to bring to your attention is that we expanded our operations in new regions by merging with the existing local leading brands. As soon as we integrate them into our operational platform, which typically takes six months, we expand organically in the surrounding regions.

The total aspect of this is the fact that we have local medical doctors as partners of Alliar. Our value proposition is very attractive and can be summarized in the support we give them to cultivate outstanding levels of quality in everything they do. We strive to support the local medical community to deliver high standard diagnostics.

Finally, we operate Alliar in a fully integrated IT platform. This allows us to continue the benchmark operations, and to quickly react to any threat or opportunities.

So, by consistently following this business model, you will see that the numbers we will present today for the 3Q16 reflect outstanding growth and sustainable margins.

So, let us move on to page five, where I will highlight some of those achievements.

In the 3Q16 our net revenue reached R$254 million, a year over year growth of 37%. Our adjusted EBITDA reached almost R$60 million, a year over year growth of 46%. With this result, our LTM EBITDA has already reached R$200 million. Our EBITDA margin has increased by 188 b.p., reaching 23.4%.

Our net income grew to R$5 million, and our cash flow from operations has also grown, reaching R$45 million. Such combination of growth and profitability led our LTM ROIC to reach 20.1%

Regarding organic growth, we have installed two new MRIs and set up new clinical analysis rooms. We have today seven new stores under construction, three of them mega size, and also I can advance to you that one of those new stores we have inaugurated in October has already started operating, and it is ramping up much faster than we expected, due to some breakthrough we have achieved with some of the key contractors in Sao Paulo.

During this quarter we have successfully concluded the integration of Clínica Delfin in Bahia, and today, within less than 6 months, they are operating within our IT platform. They are fully incorporated into Alliar.

It is also important to mention that we have right now four companies under due diligence, with a new acquisition likely to be closed before the yearend.

Following our strategy to prepare new leaderships in the Company, we have added 13 new medical directors to our shareholders group.

With that I will hand over to Carlos Araujo, our IR officer, who will detail some of the points I have just presented.

Carlos Araujo:

Thank you. Starting on slide six, I will address our key revenue drivers. Compared to the 3Q15 we have opened eight new stores, adding 17 new MRI machines and setting up 55 new clinical analysis rooms.

As a result, as you can see on page seven, our gross revenue has grown 36% on the 3Q, and 33% on the 9M ending in September.

If we consider the Delfin acquisition to have happened in January 1st 2015, our revenue growth would be around 16% thanks to the ramp-up of recently installed MRI machines and other imaging equipment.

Moving on to page eight, we show the imaging related gross revenue, which has grown 35% year over year, or 12% on a pro forma basis. Besides the strong top line growth, I would like to highlight the increase in revenue per MRI, the exam that corresponds to 41% of our imaging gross revenue.

On page nine we show the clinical analysis gross revenue, which has increased 15% when compared to the 3Q15. This growth rate is double the average we have observed during the 9M16, thanks to the ramp-up of new contracts in São Paulo, and to the expansion of clinical analysis services to a larger number of our facilities.

Moving on to page ten, we can see that our costs exclusively of services have increased by only 13.8%, resulting in the maintenance of our gross margin. The key lines here are medical services, medicine, materials and support lab and personnel.

Medical services have increased 11.4% below revenue growth. Medicine, materials and support lab have increased 12.1% in the quarterly comparison. However, year to date this line has grown 19%, and that is due to an increase in the costs of clinical analysis procedures.

Finally, personnel has grown 10.3% during the 3Q, and only 5.6% during the 9M. The acceleration in this last quarter is due to an increase in headcount to face the demand from new contracts.

Overall, the 9M increase below personnel inflation and the result of our operational efficiency projects such as the zero-based budgeting and the command center.

There's an additional line which I would like to comment on. The construction costs. This is related to our PPP and to specific accounting rules.

On revenues there is a line called construction revenues, and these values net against each other. So, we prefer to separate them from the other operational cost lines to have a better analysis of the Company's operating line.

Moving on to page 11, I would like to discuss a couple of expense adjustment, which we believe are important for you to better understand our Company's ongoing operations.

The first adjustment is the write down of parts. This is an accelerated depreciation of broken machine parts which are covered by our all-inclusive maintenance contracts. It is just like depreciation, so it is recurring, but it is non-cash, as the parts portion of the maintenance contract is already accounted for in our CAPEX.

The second adjustment is related to M&A expenses. During the 1H16 we had relevant expenses related to the Delfin acquisition. The largest portion of it was related to the Patria M&A advisor fee. That specific contract that was discontinued, and we now have an internal M&A team.

Moving on, there are three adjustments which are one-time only, and you will not see them again in the future. The first one negatively impacted our 2015 results, as we are subtracting in non-operational revenues. Such revenue is related to an earn-out provision that was reversed when an acquired Company did not meet its annual targets. We no longer use earn-outs on our acquisitions.

The second one is related to M&A contingencies and integration costs. During the 1S we did a one-time adjustment to Delfin's provisions, and incurred in post-integration layoff costs. While these numbers were adjusted on the financial statements included in our offering memorandum, we have decided that from this quarter on, we no longer considered this type of expense as adjustment, so starting in the 3Q they are already zero.

Finally, as mentioned in our offering documents, we have discontinued our pre-existing stock option plan, and for this reason we had to pay a one-time indemnification. Going forward, our long-term incentives will be aligned to the new restricted share plan.

So, having said all that about adjustments, let us move on to page 12. Here on page 12 we can see our operating expenses and after all of the adjustments, our adjusted operating expenses. Altogether, the adjusted expenses have increased 6.7% on the 3Q, and 11.3% during the year.

Moving on to page 13, we show our adjusted EBITDA growth, with the adjustments here being the same ones I just described. On an accounting basis, our EBITDA has grown 46% on the 3Q and 39% on the 9M ended in September. On a pro forma basis, those numbers will be 27% and 19% respectively. This result can be attributed to an increase in revenues to the improvement in personnel efficiency and dilution of fixed costs.

Now, on to page 14, where we can see our financial results. On the 3Q we had a R$-20 million result, which is a significant improvement when compared to the 3Q15, which delivered a loss of R$48 million.

The key impact here is the foreign exchange rate, which impacts our USD denominated debt. It is also important to know that the primary proceeds of the IPO will be positively impacting our financial results starting on the 4Q, as our leverage in cost of capital starts to be reduced.

On page 15, we show our net income for the future. Due to the improved EBITDA and financial results, we were able to reverse a R$31 million loss in the 3Q15, and reached a R$14 million recurring net income this quarter. The same is true for the 9M period, in which we went from a R$44 million loss to a R$31 million profit.

All these adjustments are very similar to the ones we have done on the EBITDA, excluding the parts impairment. On various slides of the presentation you will be able to find a backup with the table showing those numbers.

Moving on to page 16, we can see that during the 9M the Company has generated R$85 million in recurring operational cash flow. As a result, the recurring cash flow from the operations, after parts' maintenance CAPEX reached R$61 million, and the cash conversion from adjusted EBITDA to recurring operational cash flow reached 56%, a small decrease from 2015. We do however expect this indicator to grow substantially in the 4Q.

On page 17, we see that on September 2016 our accounts receivables net of provisions reached R$233 million. Compared to December 2015, that is a 49% growth, mainly due to the acquisition of Delfin Imagem in March 2016. We also see an increase in accounts receivable days, going from 76 to 78 days.

Next, on page 18, we show our debt position. Net debt has increased 7% year on year, reaching net debt to adjusted EBITDA multiple of 3x. Only one third of our debt is due in the short term and only 13% of the total amounts is exposed to USD.

It is also important to know the Company has a BNDES approved credit line of R$150 million to be using organic expansion and that this line has not been used by the end of the 3Q.

Finally, on page 19, our CAPEX number totals R$66 million in the 9M of the year. Out of those, R$24 million are related to the PPP, another R$24 million are related to parts and the final R$18 million were spent in multiple projects, with the bulk of it being directed to expansion, including the seven stores which we currently have under construction.

Now, I will hand back to our CEO for his closing remarks.

Fernando Terni:

Thank you. Before moving on to the Q&A, I would like to reinforce two takeaways from our presentation: growth and margin. Alliar is a high-growth company. This quarter we grew our revenue in 37% and our EBITDA 46%. This quarter we have reached 23.4% EBITDA margin. We are quite confident that we are on the right track.

I would also like to invite those of you that will be in Brazil on December 9 to join us for the first Alliar's Investors Day which will take place here in our headquarters in São Paulo. All of you are welcome to our premises.

Thank you very much for your attention and having said that, we are open for questions.

Gustavo Holzhein, Bank of America:

Hi everyone, thanks for taking my question. I would like to know if you could share any data regarding the size and timing of the four target companies in due diligence process you mentioned in the release. Thank you.

Fernando Terni:

Hello. I am sorry, but we cannot open those questions. As you know, those M&A's are not 100% under our control so we will not open this for obvious reasons. I am sorry.

Gustavo Holzhein:

OK. Thank you.

Bruno Giardino, Santander:

Good morning everyone. First question, could you please share with us the expectation for the opening of the new units? When do you expect the new units to be inaugurated? Second, if you expect any additional CAPEX in the PPP to be reimbursed in the 4Q. Those are my questions.

Carlos Araújo:

Just to confirm, can you repeat your first question? If I understood, you are asking for new units, is that correct?

Bruno Giardino:

Exactly.

Carlos Araujo:

Regarding the new stores, we currently have seven of them under construction, one of which has already started operating in October, that is the unit called Ana Rosa, and it has been very successful. It has been reaching about 22 MRIs per day and that is something we only expect to happen after many months, to get to that level in the first month is something we are very happy with.

We do have other stores under construction, we will probably have the collection stores prepared, two of them by the end of the year, and then by the early next year we should have one of the new megastores and the second one on the following quarter.

Fernando Pereira:

Regarding the new CAPEX and the PPP, we are going to invest roughly R$50 million during the next month.

Bruno Giardino:

Thank you.

Dumas Marc, Philips Investment:

Hi. Thanks for taking my question. Can you give me more color on your revenue growth, revenue drivers please?

Carlos Araujo:

Hello thank you for your question. We do consider that our key revenue drivers are first, the number of the patient service centers, we build, as we have mentioned, we have increased his number from 96 to 104 throughout the last year, so in each and every one of our patient centers it depends on their configuration.

We do have the standard stores, the megastores and the collection points for clinical analysis, so we have three different types of stores. We have seen those stores, and looking at the different dimension, the types of exams we offer, the first key driver is related to MRIs, so number of MRIs and revenue per MRIs; the second one would be other imaging exams, and that has a very close relation, it tends to be around 1.3x the revenue of the MRIs and then we also have the clinical analysis, and for the clinical analysis the key growth drivers are the number of clinical analysis rooms.

So, that is how we can easily understand the Company growth. What we are going to do in the future is to grow revenue, continue expanding following this model organically and inorganically.

Dumas Marc:

Thank you. One more, if I may, could you give us more color about your EBITDA growth?

Carlos Araujo:

Sure. The EBITDA growth has a couple of components, obviously the revenue growth from the operational leverage is very important, so the dilution of fixed cost is very significant, but I would also like to highlight the relevance of our operational improvement project, such as the zero-based budgeting and the command centers. These have been key for us to keep our personnel costs below inflation and that is very helpful for us to not only sustain, but also to improve our EBITDA margin.

Dumas Marc:

Thank you, that was very helpful.

Operator:

This concludes the question-and-answer session. At this time, I would like to turn the floor back to Mr. Fernando Terni for any closing remarks.

Fernando Terni:

Thank you everyone for giving us your time listening to our presentation. As we said, we are very happy with the results regarding this quarter and looking forward to meeting you all in the call next year as a matter of fact.

Having said that, keep in mind that our investors day will happen on December 9 here in São Paulo, we are be very happy to see you participating. With that, I thank you everyone and see you soon.

Operator:

Thank you. This concludes today’s presentation. You may disconnect your line of this time and have a nice day.