

Operator:

Good afternoon, ladies and gentlemen, and welcome to the conference call of Alliar – Centro de Imagem Diagnósticos S.A., To discuss the results for 4Q19. Today, Mr. Sami Foguel, CEO; Mr. Frederico de Aguiar Oldani, CFO and Investor Relations Officer; and Dr. Juan Cevalco, Medical Officer, are here with us.

This event is being broadcast live and can be accessed on Alliar's Investor relations website, ri.alliar.com, where the presentation is also available for download. Questions may be submitted via phone or the platform.

All participants will be in listen-only mode during the Company's presentation. After the Company's remarks, we will begin the question and answer session, when further instructions will be given. Should any participant need assistance during this conference call, please press *0 to reach the operator.

Before proceeding, we would like to clarify that statements about the Company's business prospects, projections and financial and operating goals are based on the beliefs and assumptions of Alliar's management and on information currently available to the Company. Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions, because they relate to future events and, therefore, depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the Company's future results and lead to results that materially differ from those expressed in such forward-looking statements.

Now, I would like to pass the floor over to Mr. Sami Foguel. Please, Mr. Foguel, you may proceed.

Sami Foguel:

Good afternoon to all, and thank you for participating in our conference call to discuss our 4Q19 results.

It is an honor and privilege to be part of Alliar's team. I would like to thank our 6,000 employees, 1,200 physicians and 35,000 requesting physicians that provide excellent diagnostic imaging and clinical analysis services, as well as the millions of patients that trust our team every year.

On my first 100 days, I had the chance to acquire in-depth knowledge of Alliar, from our contact center to IDr, RBD (our PPP venture in Bahia) and the different operations in multiple stages.

I found a Company highly focused on using technology to improve efficiency and develop outstanding solutions to clients. I found a Company highly focused on patient satisfaction and medical quality. I found a team that is willing to go beyond and overcome natural, macroeconomic and industry challenges, as well as Alliar's specific challenges.

I also found a Company that is ready to resume orderly growth. Two weeks ago, I announced a team reorganization, which reflects our growth strategy. Currently, Alliar has four business areas that report directly to me: Commerce, Operators, Public

* Please note this is a free English translation of the Company's conference call. The original Portuguese audio and its respective transcript can be accessed on the Company's website.

Sector, and Retail, focused on creating value for the out-of-pocket segment, in addition to IDR, our B2B imaging operation, which has gained momentum serving clinics and hospitals with unequalled technological solutions.

New talents have joined our team at different areas and levels to accelerate the achievement of results. In the next few years, I see Alliar with a broader range of payers and a different mix of products and services in its revenue breakdown.

I see the Company gradually increasing communication with the market, the press and employees. I see an even more digitalized Company, with great efficiency and patient satisfaction.

The excellent work on unifying operating platforms takes us to another level: unifying cultures and sharing best medical, operating and commercial practices. We are very excited about our future.

Now we will discuss the results for 4Q19 and 2019. To facilitate communication, all numbers are proforma, excluding IFRS 16 effects. All support materials have been disclosed and are available in both versions. We can discuss them after the conference call.

After several year of accelerated growth and heavy investments, in 2019 we went ahead with our plan to increase profitability through mature investments and higher efficiency and productivity through technology and innovation, as well as reducing leverage.

Despite the challenging macroeconomic scenario, with stagnation in the number of health plan beneficiaries and a challenging environment in important markets, we improved our financial performance, even though revenue didn't increase. These consistent results do not yet reflect all our value creation potential since we have investments that are not yet mature and initiatives under implementation to increase productivity and efficiency.

Higher profitability and financial deleveraging produced important results, especially an increase in profit, net margin, ROIC and cash generation. Please note that our same-store-sales performance improved in 4Q, and our overall revenue increased in 2019.

Net revenue stood at R\$1.072 billion in 2019, down 0.4% from 2018. Please note that these numbers reflect the negative impact of the sale of the Hospital São Rafael operation, in Bahia, which impacted the comparison basis.

Excluding this effect, the Company's imaging revenue grew by 2.8% in 2019. In 4Q, we grew by 3.9%, excluding São Rafael.

As for the same-store-sales analysis, after three consecutive quarters growing by around 2%, we grew by over 4%, driven by higher demand and a favorable comparison base in terms of business days.

CDB grew by around 5%, and IDR contributed approximately R\$8 million to our consolidated revenue, in its first year of operation.

Our adjusted EBITDA totaled R\$243 million in 2019, down 3% from 2018, highly impacted by an unfavorable comparison base in 2018, when we had a positive impact of R\$10 million in the net other expenses line.

I highlight the Company's control of costs and expenses, which, in general, increased less than revenue. We have also advanced our efforts to increase productivity. In 2019, we reached an average of 26.1 MRI exams per day, up 11% from 2018.

We continue advancing digitalization, with efficiency gains. We are close to launching a new series of improvements in our digital platforms, which will considerably improve our patients' experience.

In terms of profitability and cash generation, net income increased by 20% in 2019, as a consequence of our operating results and a good performance in the lines below the EBITDA. Our free cash flow reached R\$94 million. For the second consecutive year, we showed strong cash generation capacity.

Last but not least, our NPS rose by 70 bps, to 66.5, at the end of the year.

As I conclude my remarks, I highlight that, in 2019, our focus in increasing profitability and financial deleveraging produced important results, including enhanced equipment productivity, higher net income and net margin and sizable free cash generation.

These results are extremely relevant, since they prepare us for a new cycle. As I mentioned, our team and the previously announced organizational restructuring will support the gradual beginning of this journey.

We will not lose our focus on efficiency, and the use of technology and innovation will continue to be the source of improvements in medical quality and patient experience.

Lastly, I anticipate and answer some questions about the coronavirus impact. I highlight three points: first, we introduced a series of measures to ensure the integrity and safety of employees and patients; second, we established a series of measures to maintain the operational integrity of our units and support areas and are therefore able to serve our patients and society; and third, we took a series of measures to protect and strengthen our cash position. We have a strong cash position to endure a long period of low activity, if necessary. Day in, day out, we have been monitoring the impact on our operations, through a crisis committee (already in place).

Thank you all. We will now open for questions. Juan Cevalco, Medical Officer, and Frederico Oldani, CFO, are here with us.

Samuel Alves, BTG Pactual:

Good afternoon. Actually, I have two questions. The first one is on coronavirus, which you have mentioned earlier. We have been seeing some news saying the processing capacity of labs was a little compromised, and I would like you to update us on the capacity utilization for processing this exam.

The second one is about the recent depreciation of the real. Please comment on how it impacts you, if your debt denominated in U.S. dollars is fully hedged. Even if small, what is your exposure to U.S. dollars in costs and capex?

Juan Cevalco:

Good afternoon. Thanks for your question, Samuel. We have an inventory of kits, but, obviously, demand substantially exceeds the number of kits available in the market, and we are not immune to this. We have been negotiating with suppliers to purchase more kits, but demand exceeds supply in the whole system.

We believe we will receive more kits in the coming days, but demand has also been increasing at a fast pace. So, it is very difficult to estimate how long the kits will last. By now, we are serving the patients and prioritizing those who really need it.

Frederico de Aguiar Oldani:

Samuel, in regard to the impact of the real depreciation, 100% of our debt in U.S. dollars is hedged. So, we do not expect any impact of this FX variation on our financial result.

As for costs and expenses, few of our inputs are related to FX, and, therefore, there should be no relevant impact on this line.

On the other hand, investments may be impacted. Capex may be impacted in terms of the replacement of parts, which are largely impacted by FX to some degree. So, if we see any impact, it should be restricted to CAPEX, especially the purchase of parts.

Paula Bianca Nascimento, Condor:

Good afternoon. Thank you for the questions. Could you please give us some color on the coronavirus impact? What do you expect for the coming months? Has it started impacting the Company? Do you expect it to increase revenue?

And, in terms of financial leveraging, you have been generating cash and reducing debt. To which level should we expect you to lower the net debt to EBITDA ratio? Thank you.

Frederico de Aguiar Oldani:

Good afternoon, Paula. I will start talking about the coronavirus impact on operations. It is early to provide a reliable estimate on the impacts.

We have created a crisis committee and have been monitoring the situations at our units every day, as well as call center demand and different operational aspects, and we are ready to react when we deem it necessary.

Impacts haven't been significant, as mobility restriction initiatives are beginning to be implemented. During this week, many companies started adopting remote work. This is beginning to happen. So, probably, it will take some time for us to effectively measure the impacts mobility restriction may have on our operations and how long this could last. Currently, we believe it is very early to measure it.

We don't think the impacts will be positive, if there are any impacts at all. They will probably be negative, thanks to the mobility restriction that has been implemented in São Paulo, among other places.

So, our vision is that, probably, there will be negative impacts, but it is still difficult to assess or predict anything about it.

In regard to deleveraging, yes, the Company has been deleveraging by reducing investments and generating cash. We continue to see the scenario in the same manner.

Clearly, we will have to assess the short-term impacts of this crisis, that is, if the crisis does not last long, maybe the impact on our investment plans won't be very relevant. On the other hand, if it lasts, we will have to stop and reconsider it.

Note that our operation model makes us ready for that. We have prepared ourselves and are ready to operate in any scenario. If things develop similarly to what happened in Korea, we will know how to react; if the case is more like it was in China, the same thing.

Day in, day out, our crisis committee has been continuously monitoring all operations, and we will react accordingly.

We wish everything is sorted out rapidly, but we also have plans in order to keep our employees and operations working and patients being served safely, as well as the Company operating, even if the crisis last long.

I believe the major point is we are ready to face any scenario.

Operator:

We now end the Q&A session, And, therefore, Alliar's conference call is over. We thank you all for participating. Have a good day.

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