# 3Q14 Results – FLRY3

October 2014

## Disclaimer

This presentation may contain forward-looking statements. Such statements are not statements of historical facts and reflect the beliefs and expectations of the Company's management. The words "anticipates", "believes", "estimates", "expects", "forecasts", "plans", "predicts", "project", "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Known risks and uncertainties include but are not limited to the impact of competitive services and pricing market acceptance of services, service transactions by the Company and its competitors, regulatory approval, currency fluctuations, changes in service mix offered, and other risks described in the Company's registration statement. Forward-looking statements speak only as of the date they are made and Grupo Fleury does not undertake any obligation to update them in light of new information or future developments.

**All figures are compared to 3Q13 except when stated otherwise.**

# Financial Highlights 3Q14

- **Gross Revenue** achieves **R$ 505 MM** (+3.1%), main highlights are **Fleury brand PSC's growth** (14.5%), ***Same Hospital Sales*** (8.8%), and **regional brands** excl. RJ (5.4%).

- **EBITDA** amounts **to R$ 98 MM**, 21.6% margin on net revenue (vs. 17.2% in 3Q13).

- **Net Income** of **R$ 31 MM, 6.9**% margin. **Net Income Cash** of **R$ 52 MM**, **11.5% margin** on net revenue.

**Action plans undertaken since 2H13 impact positively the margin progress: improved controls of costs and expenses, portfolio selection of services and health plans, together with the capturing of the growing demand for excellence diagnostic services, mainly through Fleury brand.**

- **Operational Cash Flow amounts R$ 78 MM**, 82% over 3Q13.

- **Average revenue per exam grows 10% in PSCs (8% consolidated)** due to price adjustments and mix effects – mix of services and tests, brand mix, mix of payers.

- **R$ 100 MM dividend distribution, corresponding to R$ 0.64 per share** – to be paid on November 21st, based on November 6th shareholding structure.

# General Highlights 3Q14

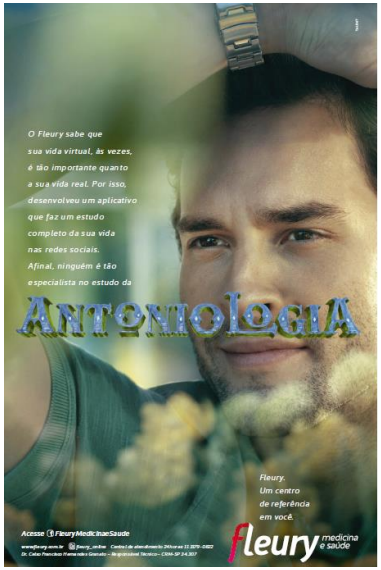
- **The fusion of brands in Rio de Janeiro created Labs a+.** At the same time, the premium brand Felippe Mattoso, reinforces its presence and services offering.

- CADE approved the acquisition, by the Company, of LabsCardiolab (brands Labs D'Or, Menezes da Costa and Felippe Mattoso). Restriction: selling of R$ 28 MM in Revenues.

- Signature with FINEP (Study and Projects Financing Institution) of a contract for R$ 155 MM credit – R$ 102 MM released in early October. 4% yearly interest rate and 97 month term (24 grace period + 73 for amortization). The funding is related expansion projects, technologies for productivity, development of attending processes, and personnel development.

- Fleury brand launches a smartphone **app to read physicians requests and schedule exams** in a simple and fast approach to clients.

- Fleury stood out as exhibitor in the 48th Brazilian Congress for Clinical Pathology and in the XIX Brazilian Congress of Gynecology and Obstetrics – during which a group Fleury's Fetal Medicine physicians were awarded.



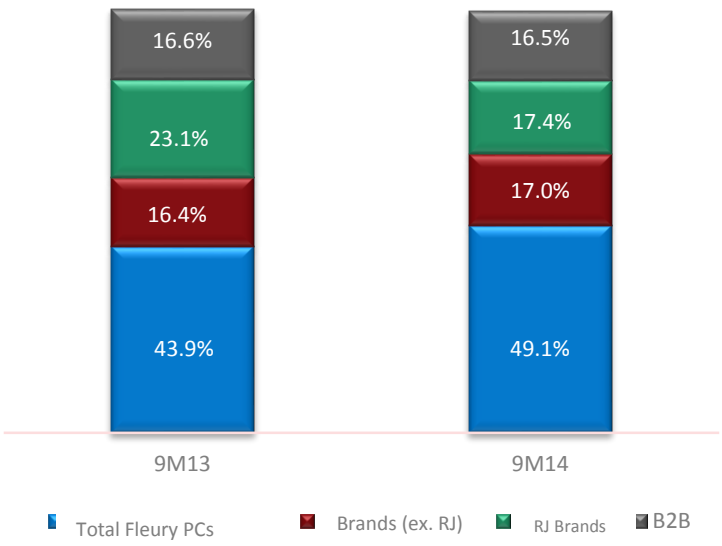




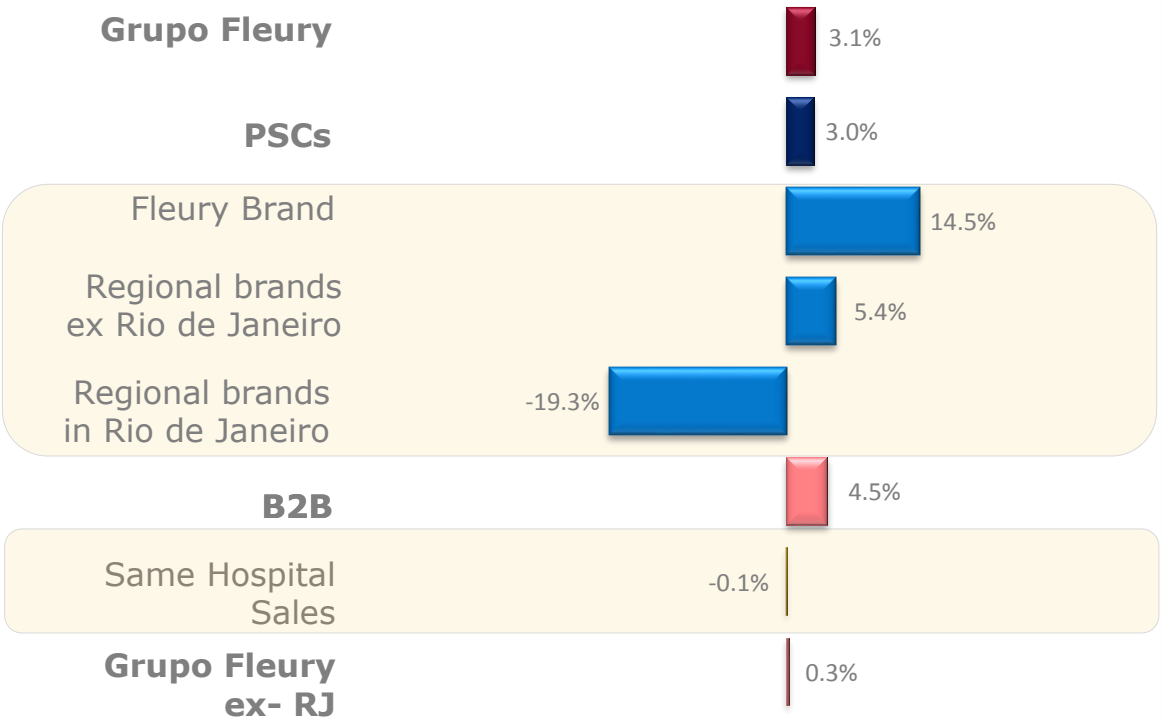
**Fleury brand:** strengthening of the advertising campaign "**Vocêlogia**" between July and November, 2014 (Magazines Veja and Fleury, Radios CBN and BandNews FM).

# Gross Revenue – Breakdown 3Q14

## Gross Revenue: R$ 505 MM



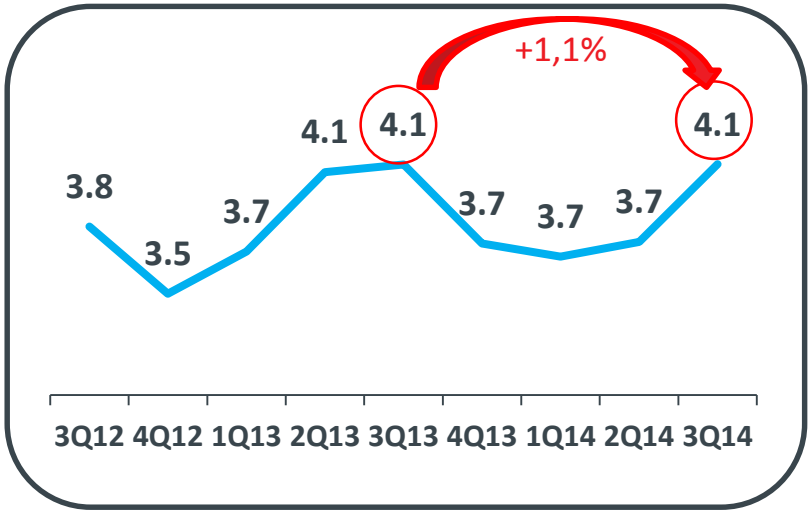

## Business Lines Growth | 3Q14 *vs* 3Q13



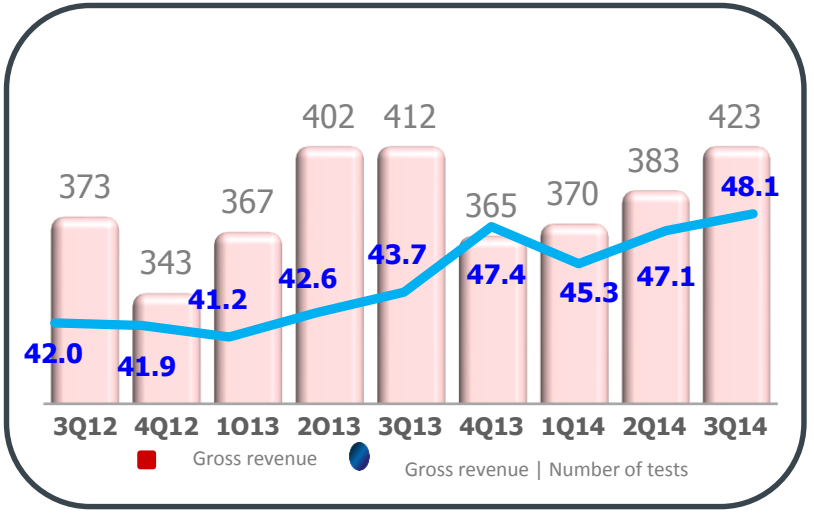
# Patient Service Centers
# Business Line performance

GrupoFleury

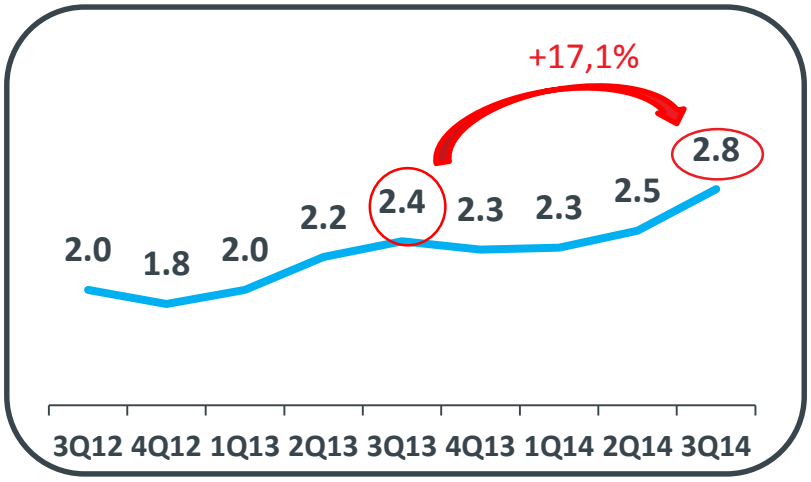
## PCSs Gross Revenue per m² (R$ thousands)



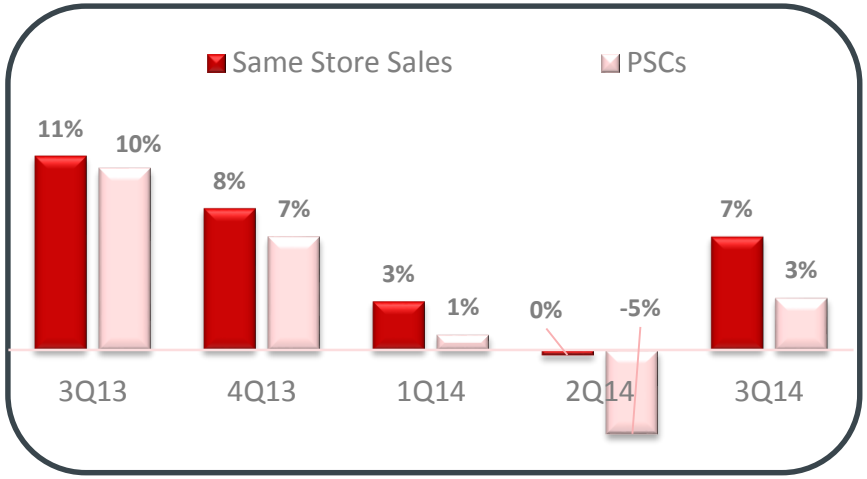

## Gross Revenue (R$ MM) and Average Price




## Gross Revenue per PSC (R$ MM)




## Gross Revenue growth: total PSCs and SSS*



## Patient Service Centers

- **Fleury brand:** growth level emphasizing the brand's historical potential.

  New PSCs, addition of m² (+4.7 thousand m² in 1H14) and addition of services propel volume and strengthen the average revenue per exam (price adjustment + mix).

- **Regional brands excl. RJ:** recouping of growth rate, even with selection of the offering and plans portfolio. Double digit growth in *premium* market.

- **Rio de Janeiro brands:** comparison basis still affected by health plans selection in 4Q13. Selective reduction of offering (25 PSCs since early 2013, being 3 in 3Q14) improving asset utilization.

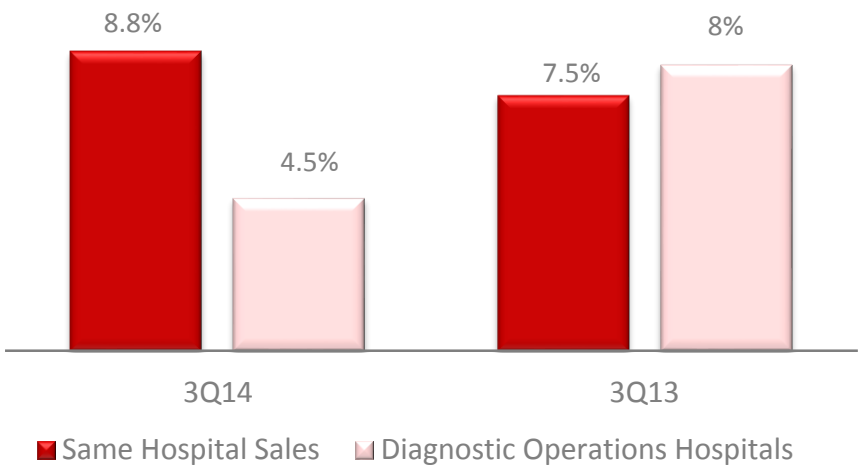
| | 3Q14 vs 3Q13 | | | |
|---|---|---|---|---|
| | Fleury Brand | Regional Brands excl. RJ | Brands RJ | Total (PSCs) |
| Indicators PSCs | | | | |
| - Gross Revenue | 14.5% | 5.4% | -19.3% | 3.0% |
| - SSS | 10.5% | 13.1% | -6.9% | 6.5% |
| - Gross Revenue / Number of Tests | 7.1% | 2.7% | 16.0% | 10.0% |
| - Gross Revenue / Sq. Meter | 1.3% | 1.7% | -8.8% | 1.1% |
| - Gross Revenue / PSC | 9.8% | 6.8% | 12.6% | 17.1% |

# B2B
# Business line performance

## Diagnostic Operations in Hospitals

- Gross Revenue increases 4.5%, amounting R$ 66.9 million.
- Highlight for the **8.8% *Same Hospital Sales*.**
- **Operation in Santa Luzia Hospital partially compensates the discontinuity of 11 small operations in 4Q13.**

**Gross Revenue growth: total vs. SHS***




*SHS – Same Hospital Sales*

## Reference Lab (Lab-to-lab)

- Gross Revenue of R$ 7.1 million – stable compared to 3Q13.

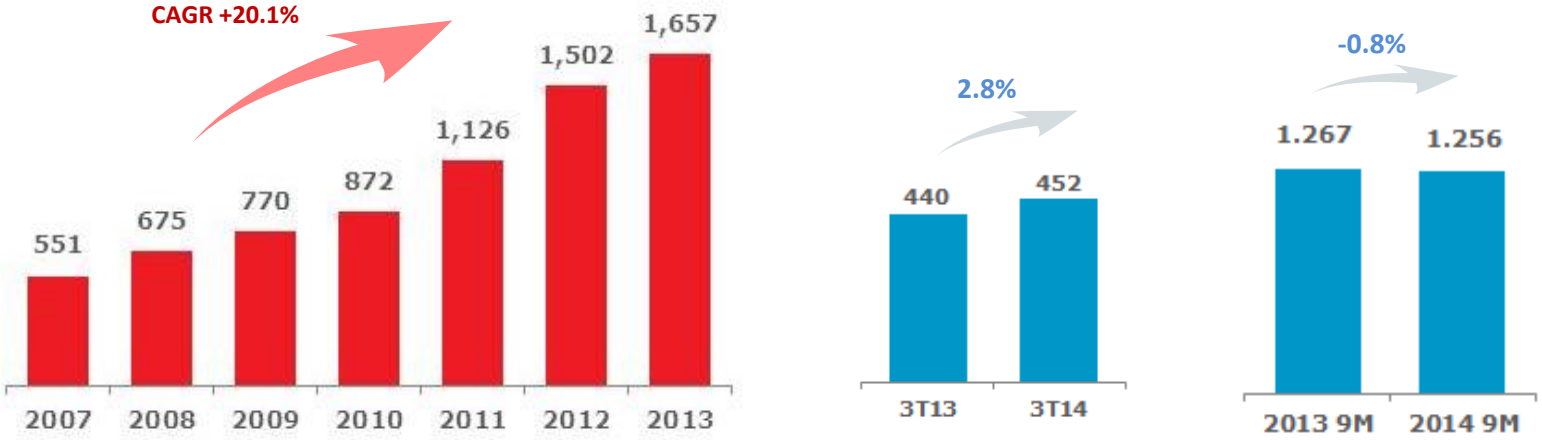
## Preventive Medicine

- **Health Assessment: 5.9% gross revenue growth**, amounting R$ 5.4 million.
- Chronic Disease Management was discontinued during 2H13 (R$ 0.6 million in 3Q13).

# Revenue's Tax, Deductions, Allowances and Net Revenue

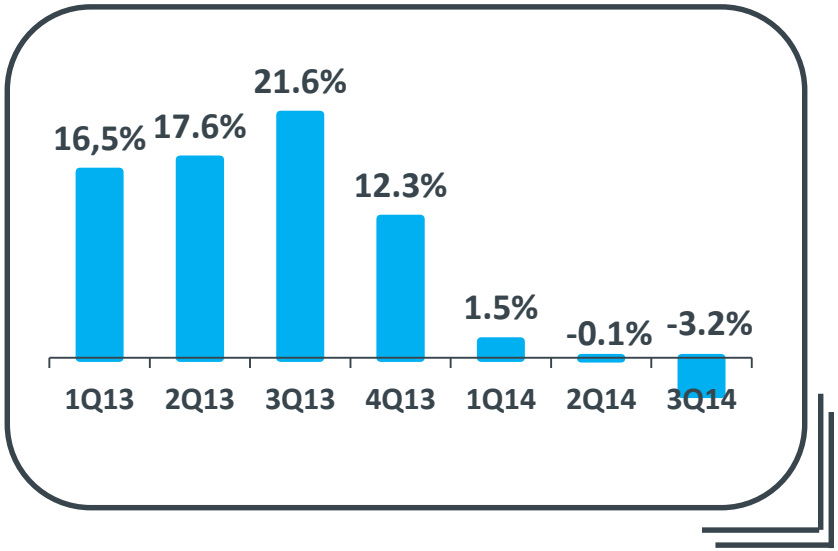
- **Deductions (*glosas* and PDD) + Allowances** amount to R$ 20 MM in 3Q14 (4% of gross revenue).
  - Deductions (*glosas* + PDD) accounted for 3.4% of gross revenue in 3Q14 vs. 3.3% in 3Q13.
  - Provisions related to discontinued contracts totals 0.2% of gross revenues.
- Revenue's taxes are stable at 6.4%.

## Net Revenue (R$ MM)

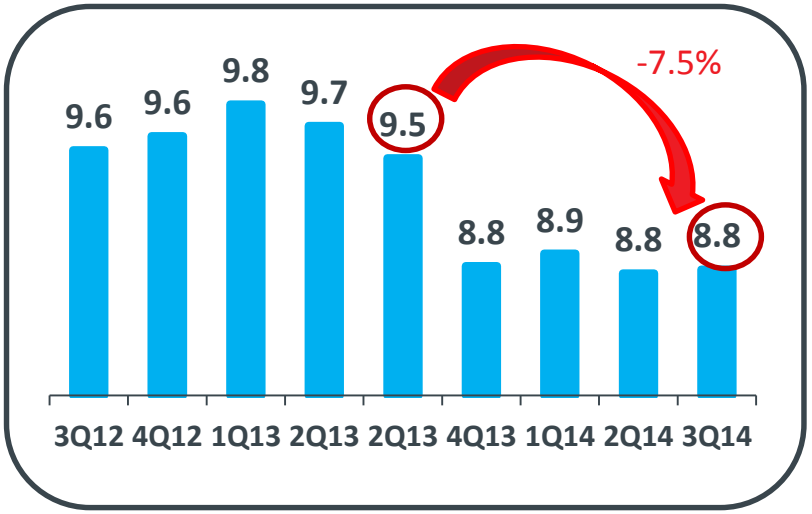


# Cost of Services Indicators (1/2)

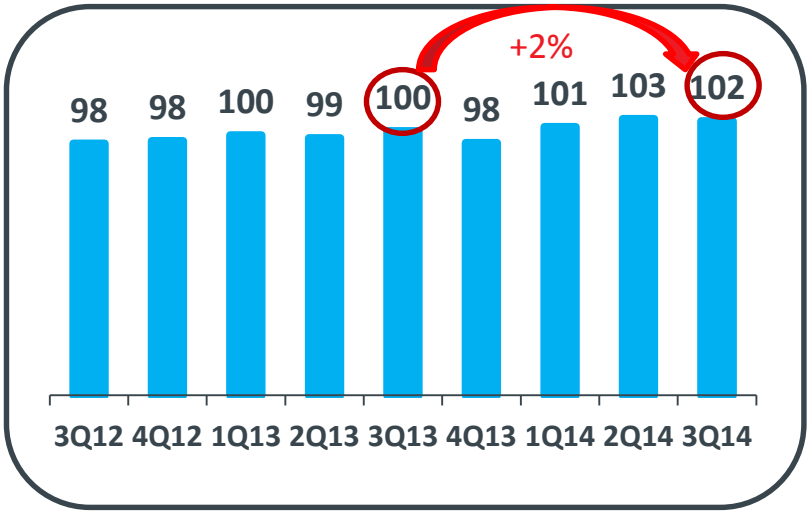
## Costs Growth (YoY)



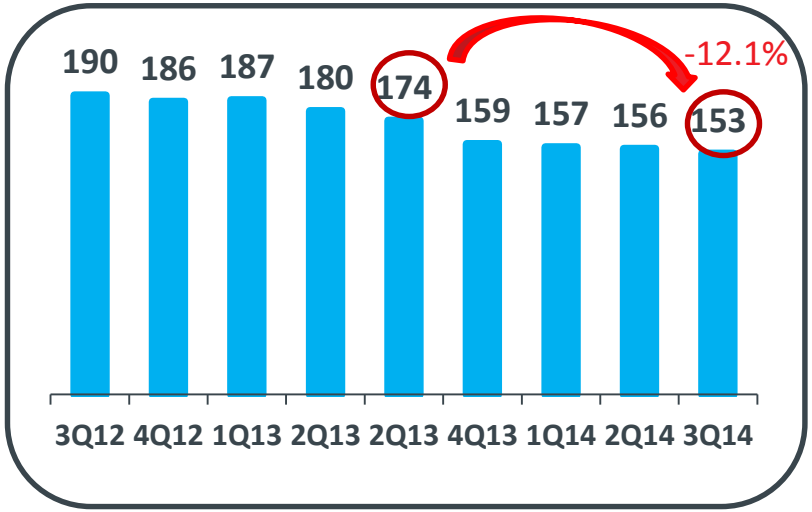

## Number of Employees (Thousand)




## Thousand m2 – PSCs



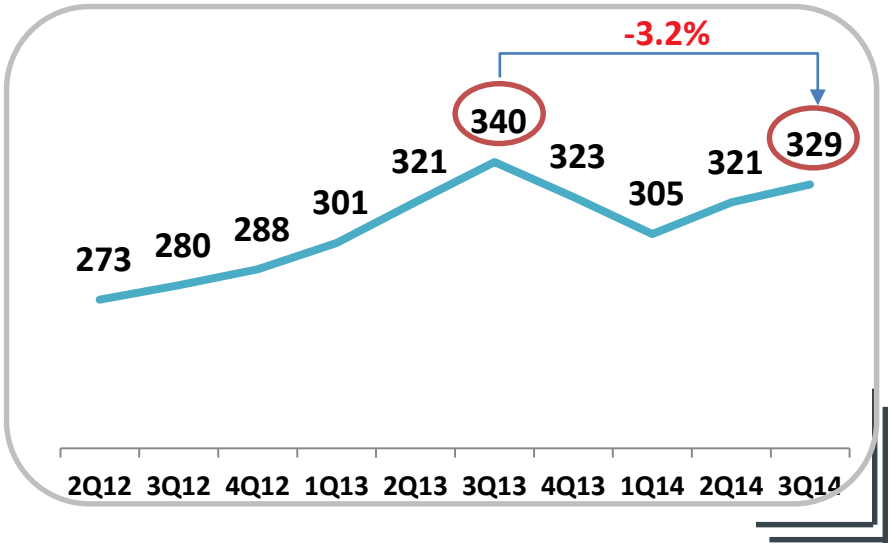

## Fixed Assets: Number of PSCs



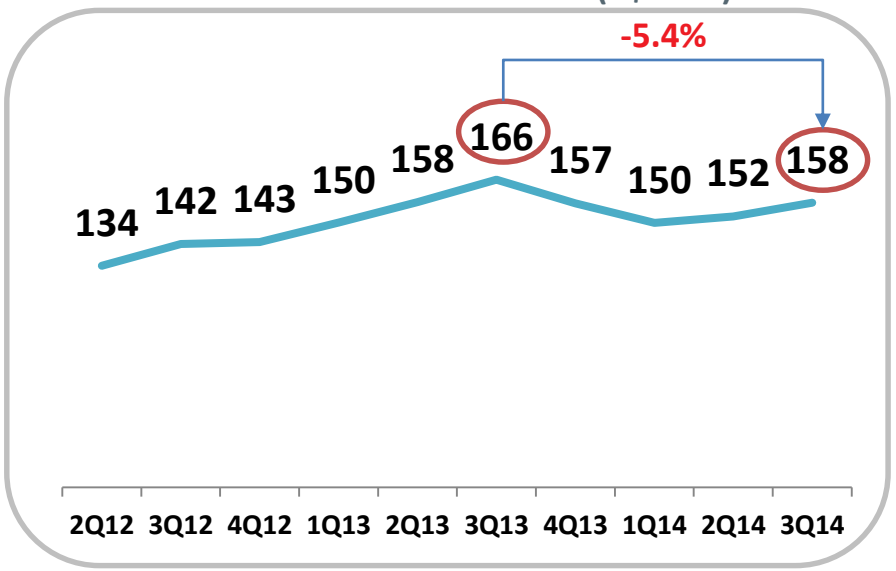
# Cost of Services Indicators (2/2)

GrupoFleury

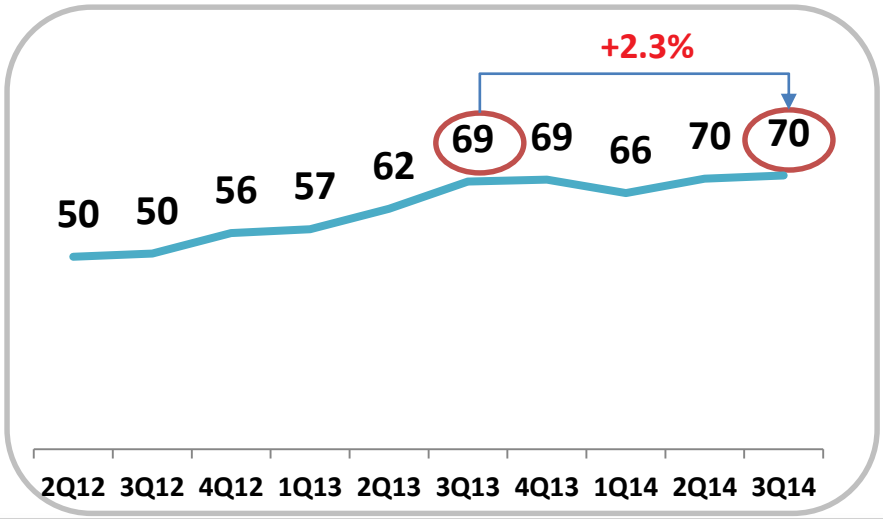
## Evolution of Costs (R$ MM)



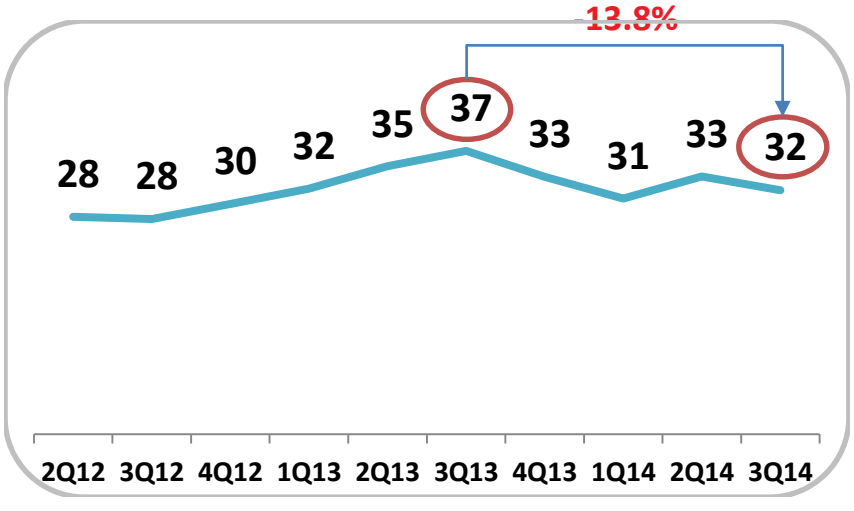

## Personnel and Medical Services (R$ MM)




## General Services. Rentals and Utilities (R$ MM)




## General Expenses (R$ MM)



# Cost of Services (as % of Net Revenue)

| | 3Q14 | | 3Q13 | | 2014 9M | 2013 9M |
|---|---|---|---|---|---|---|
| | R$ MM | % Net revenue | R$ MM | % Net revenue | % Net revenue | |
| Personnel and medical services | 157.6 | 34.8% | 166.3 | 37.8% | 36.6% | 37.4% |
| Materials and outsourcing | 47.3 | 10.5% | 47.8 | 10.9% | 10.1% | 10.6% |
| General services, rent and utilities | 70.4 | 15.6% | 68.9 | 15.7% | 16.4% | 14.8% |
| General expenses | 31.6 | 7.0% | 36.7 | 8.3% | 7.6% | 8.1% |
| Depreciation and Amortization | 22.4 | 5.0% | 20.6 | 4.7% | 5.3% | 4.9% |
| Cost of Services | 329.4 | 72.8% | 340.3 | 77.4% | 76.0% | 75.9% |

- Reduction on fixed cost lines, driven by improved cost management: waste reduction, selection of services, etc, offsetting inflation effects..
- 297bps reduction on Personnel and Medical Services, simultaneous to the maintenance of services' quality: focus on operations and productivity improvement (gross revenue per employee + physician grows 25% vs. 3Q13).

# Operating Expenses (as % of Net Revenue)

| | 3Q14 | | 3Q13 | | 2014 9M | 2013 9M |
|---|---|---|---|---|---|---|
| | R$ MM | % Net revenue | R$ MM | % Net revenue | % Net revenue | |
| General and Administrative (Excl. Depreciation) | 43.4 | 9.6% | 52.8 | 12.0% | 10.4% | 11.0% |
| Depreciation and Amortization | 6.5 | 1.4% | 6.1 | 1.4% | 1.5% | 1.6% |
| Other Operating Income (Expenses), net | 2.1 | 0.5% | 1.1 | 0.2% | -0.5% | 0.2% |
| Provision for Contingency | 2.3 | 0.5% | -9.3 | -2.1% | 0.4% | -0.5% |
| Subsidiaries' share of profits | -0.1 | 0.0% | -0.4 | -0.1% | 0.0% | 0.0% |
| Operating Expenses | 54.2 | 12.0% | 50.4 | 11.5% | 11.7% | 12.2% |

- SG&A dilution due to structure optimization and expenses control.
- Marketing expenses are R$ 3.4 MM above 2Q14 (and R$ 5.1 MM below 3Q13) mainly due to the advertising campaign for Fleury brand.
- Provision for Contingency of R$ 2.3 MM, compared to a R$ 9.3 MM reversion in 3Q13.

# Debt and Financial Result

| R$ million | 3Q13 | 2Q14 | 3Q14 | next 12 months |
|---|---|---|---|---|
| **Gross Financial Debt** | **1,016.5** | **1,006.9** | **1,003.5** | **79.7** |
| - Loans and Financing | 990.3 | 984.7 | 984.9 | 76.3 |
| - Acquisition | 26.2 | 22.2 | 18.6 | 3.4 |
| Cash & Cash Equivalents | (583.2) | (481.8) | (518.8) | |
| **Net Debt** | **433.4** | **525.1** | **484.8** | |
| **Net Financial Debt / EBITDA LTM** | **1.4** | **2.0** | **1.7** | |
| **EBITDA / Net Financial Expenses** | **5.8** | **5.3** | **5.4** | |

**1st Company's Debenture Issuance in Dec/2011**

1st Series: R$ 150MM (CDI+0.94%)
Amortization in installments: 2014, 2015, 2016

2nd Series: R$ 300MM (CDI+1.2%)
Amortization in installments: 2016, 2017, 2018

**2nd Company's Debenture Issuance in Feb/2013**

R$ 500MM (CDI + 0.85%)
Amortization in installments: 2018, 2019, 2020

| R$ million | 3T14 | 3T13 | 2014 9M | 2013 9M |
|---|---|---|---|---|
| **Financial income (expenses), net** | **(16.5)** | **(14.0)** | **(36.1)** | **(42.2)** |
| Interest and inflation adjustment | (29.5) | (25.3) | (86.9) | (67.2) |
| Exchange rate change and hedge | (0.0) | (0.2) | (0.1) | (1.2) |
| Interest received | 14.0 | 13.0 | 40.1 | 32.0 |
| Bank fees and other expenses | (1.0) | (1.5) | 10.8 | (5.9) |
| Financial income | 16.5 | 15.4 | 46.2 | 41.7 |
| Financial expenses | (33.0) | (29.5) | (82.3) | (83.9) |

# Tax Calculation

| (R$ MM) | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 9M14 |
|---|---|---|---|---|---|---|---|---|
| Earnings Before Taxes (EBT) | 30.5 | 43.0 | 35.1 | 2.6 | 40.5 | 25.8 | 52.3 | 118.6 |
| | | | | | | | | |
| Standard (34%) | 10.4 | 14.6 | 11.9 | 0.9 | 13.8 | 8.7 | 17.8 | 40.2 |
| Non-Deductable Expenses | 2.0 | 1.7 | 2.7 | 5.2 | 0.9 | 0.6 | 1.5 | 3.0 |
| Recurring Taxes | 12.4 | 16.3 | 14.6 | 6.1 | 14.7 | 9.4 | 19.3 | 43.3 |
| % EBT | 40.6% | 38.0% | 41.7% | 233.3% | 36.2% | 36.3% | 36.9% | 36.5% |
| Hedge Income | - | 3.8 | - | 0.1 | - | - | - | - |
| Adjustment between quartres | (2.7) | - | 2.7 | - | - | - | - | - |
| Others | (0.8) | 0.8 | (0.5) | (2.7) | (0.3) | - | 2.0 | 1.6 |
| Accounting Taxes | 8.9 | 20.9 | 16.8 | 3.4 | 14.4 | 9.3 | 21.2 | 44.9 |
| % EBT | 29.2% | 48.6% | 47.9% | 130.2% | 35.5% | 36.5% | 40.6% | 37.9% |
| | | | | | | | | |
| Deferred Taxes | 8.9 | 20.9 | 16.8 | 3.4 | 14.4 | 9.3 | 21.2 | 44.9 |

# Reconciliation EBITDA and EBIT

| | 3Q14 | | 3Q13 | | Chg. |
|---|---|---|---|---|---|
| | R$ MM | % Net Rev. | R$ MM | % Net Rev. | |
| **Net Income** | **31.0** | **6.9%** | **18.3** | **4.2%** | **69.6%** |
| Deferred Income Tax and Social Contribution | 21.2 | 4.7% | 16.8 | 3.8% | 26.1% |
| **Cash Net Income** | **52.2** | **11.5%** | **35.1** | **8.0%** | **48.7%** |
| Current Income Tax and Social Contribution | - | - | - | - | - |
| Financial Expenses (Income) | 16.5 | 3.7% | 14.0 | 3.2% | 17.9% |
| Subsidiaries' share of profits | -0.1 | 0.0% | -0.4 | -0.1% | |
| **EBIT** | **68.6** | **15.2%** | **48.8** | **11.1%** | **40.6%** |
| Depreciation and Amortization | 28.9 | 6.4% | 26.8 | 6.1% | 8.1% |
| **EBITDA** | **97.5** | **21.6%** | **75.5** | **17.2%** | **29.1%** |

**Cash has not been impacted by taxes mainly due to goodwill amortization for fiscal purposes.**

**Expected Amortization of Goodwill**

| Period | R$ million |
|---|---|
| 2014 | 206 |
| 2015 | 176 |
| 2016 | 168 |
| 2017 | 161 |

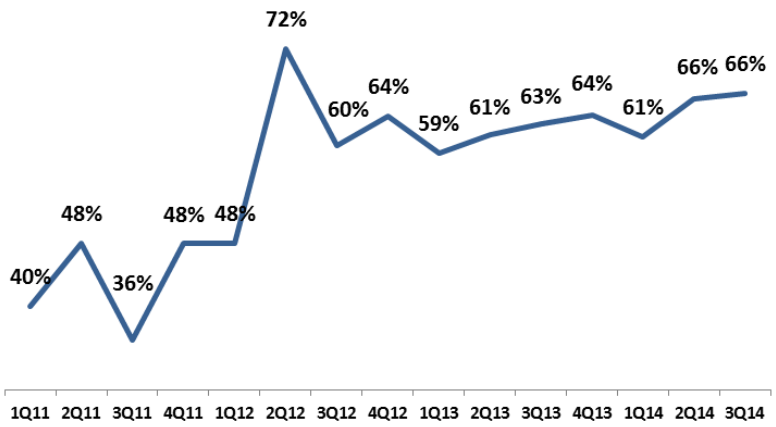
# Receivables Profile

| Account Receivable (R$ MM) | 3Q13 | 2Q14 | 3Q14 |
|---|---|---|---|
| Trade receivables | 530 | 497 | 495 |
| Sales Deductions Provisions | (78) | (104) | (73) |
| Total | **452** | **393** | **422** |

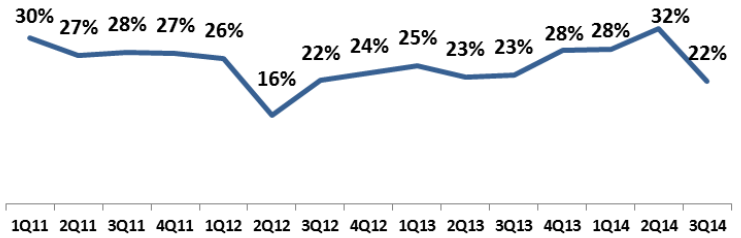
| Aging Acc. Receivable (R$ MM) | 3Q13 | 2Q14 | 3Q14 |
|---|---|---|---|
| Current | 323 | 259 | 281 |
| Up to 120 days past due | 82 | 80 | 103 |
| Over 120 days past due | 124 | 158 | 110 |
| *121 to 360 days past due* | *72* | *68* | *59* |
| *Over 360 days past due* | *52* | *90* | *51* |

Account Receivables profile positively affected by negotiations with some health plan operators during the quarter

## Provision Coverage Index (receivables due for more than 120 days)




## Receivables due over 120 days / Total Receivables

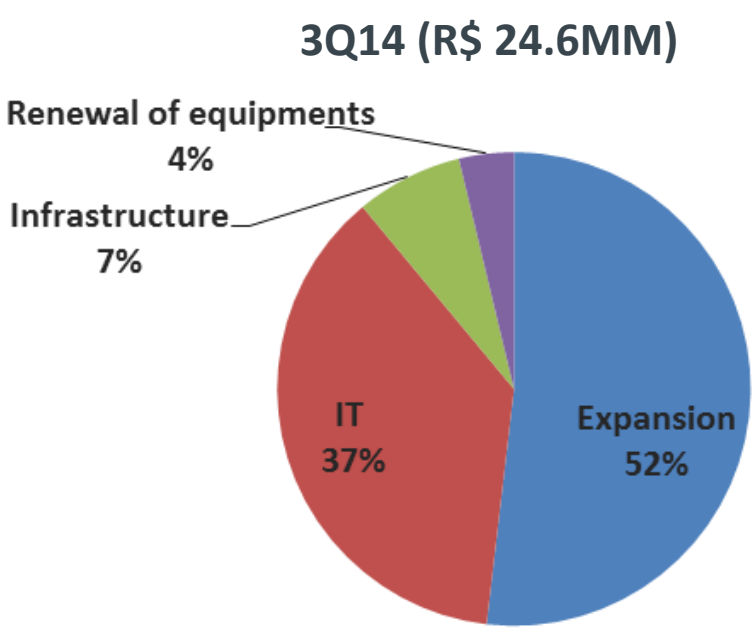


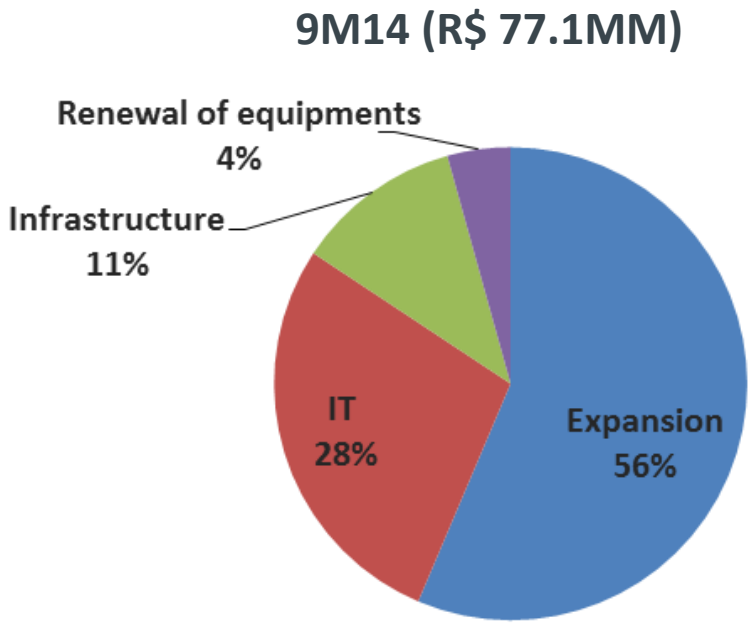
# Cash Flow

| R$ MM | 3Q14 | 3Q13 | 2014 9M | 2013 9M |
|---|---|---|---|---|
| **Net Income** | **31.0** | **18.3** | **73.4** | **61.9** |
| Deferred Income Tax | 21.2 | 16.8 | 44.9 | 46.6 |
| **Cash Net Income** | **52.2** | **35.1** | **118.3** | **108.6** |
| Depreciation and amortization | 28.9 | 26.8 | 84.9 | 82.4 |
| Δ Provisions | 15.6 | 21.7 | 47.2 | 87.7 |
| Δ Working Capital | -34.6 | -52.9 | -84.8 | -181.5 |
| Others | 15.4 | 11.9 | 33.3 | 36.0 |
| **Operational Cash Flow** | **77.5** | **42.5** | **198.9** | **133.1** |
| Changes in PP&E and IT System | -24.5 | -26.3 | -76.0 | -82.8 |
| Acquisitions | -1.5 | -2.3 | -3.7 | -17.7 |
| Financing Activities | -14.6 | -66.2 | -140.4 | 0.0 |
| **Cash Flow** | **36.9** | **-52.3** | **-20.2** | **32.6** |
| **Conversion (Operational Cash Flow / EBITDA)** | **79%** | **56%** | **83%** | **57%** |
| **Δ Working Capital / Gross revenue** | **-6.8%** | **-10.8%** | **-6.0%** | **-12.8%** |

# Capex: 3Q14

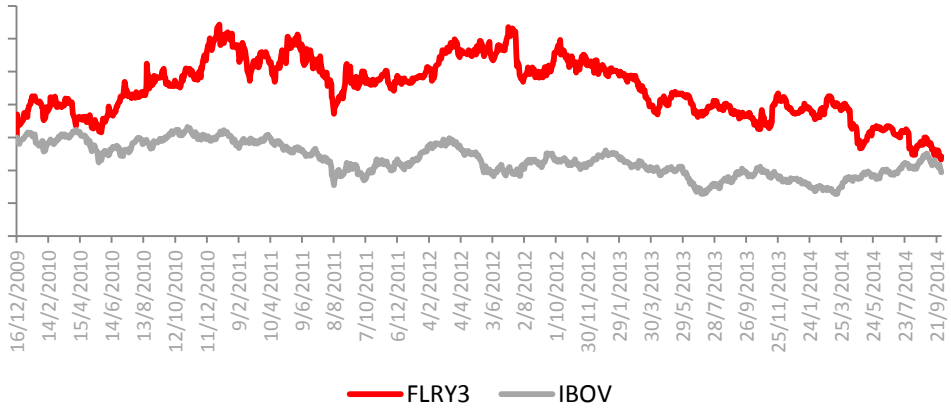
- R$ 24.6 million in 3Q14, mainly concentrated on the expansion of services and area in PSCs (52%) and IT platform (37%).



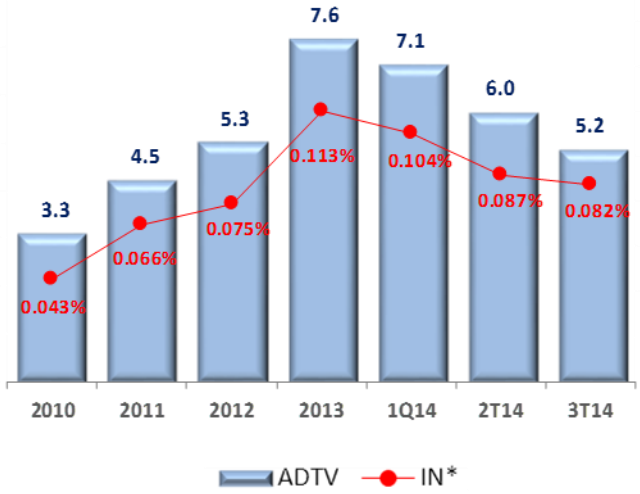



# Stock Market Performance (09/30/2014)

| Shares and Market Cap | |
|---|---|
| Number of Shares | 156,293,356 |
| Free Float | 40% |
| Market Cap | R$ 2.2 billion |
| Closing Price | R$ 14.15 |




**Average Daily Trade Volume (ADTV) – R$ MM**

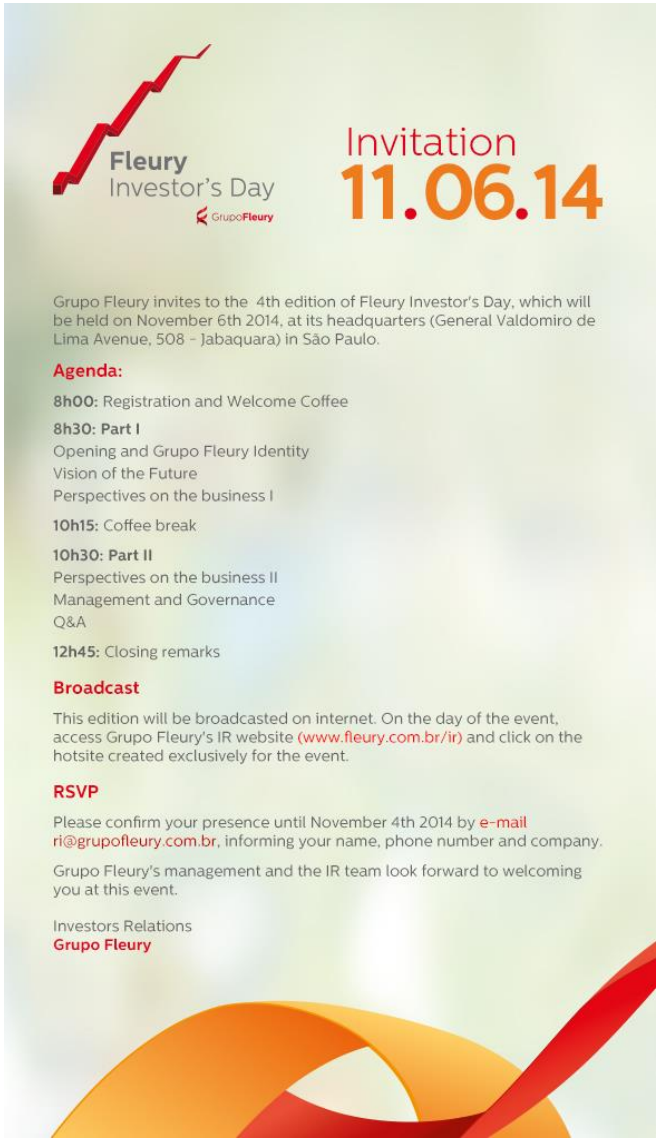



| Stock Performance | |
|---|---|
| 3T14 | -14.2% |
| 2013 | -20.2% |
| Since IPO | -11.6% |

| Total Shareholder Return (TSR) | |
|---|---|
| Since IPO | +0.1% |

* Negotiability Index

# Próximos eventos




| Date | Event | Location |
|---|---|---|
| Nov. 10 – 14, 2014 | NDR | Europe |
| Nov. 12, 2014 | HSBC Healthcare Day | Frankfurt \| Germany |
| Nov. 17 – 18, 2014 | Bradesco's CEO Forum | NY \| US |
| Nov. 19 – 21, 2014 | NDR | US |
| Dec. 03, 2014 | NDR | Rio de Janeiro \| Brazil |
| Dec. 08, 2014 | NDR | São Paulo \| Brazil |
| Jan. 13 – 15, 2015 | 32nd Annual J.P. Morgan Healthcare Conference | San Francisco\| US |
| Feb. 04, 2015 | Bradesco Healthcare Day | São Paulo \| Brazil |

# 3Q14 Results – FLRY3

October 2014