# 2Q15 Results – FLRY3

July 2015

## Disclosure

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 2Q14 except when stated otherwise.**

# Highlights 2Q15

GrupoFleury

**Gross Revenue**

R$ 532 millions

▲ 15.2% 2Q

▲ 13.7% 6M

**EBITDA**

R$ 98 millions

▲ 41.3% 2Q

▲ 46.7% 6M*

**Net Income**

R$ 33 millions

▲ 101.8% 2Q

▲ 118.6% 6M*

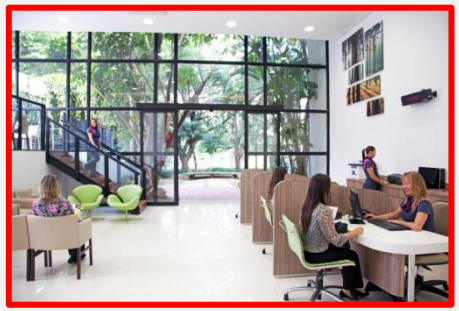
- Fleury brand keeps its solid growth (15.2%). Highlight for Rio de Janeiro brands (+22.3%) and Hospitals (+17.6%)
- Improvement in revenues indicators: Revenue/PSC (+14.9%) and Revenue/m² (+13.3%) show a better utilization of assets. Average price per exam grows 8.2%
- Gross Profit achieves R$ 128,0 MM, representing a 26.7% margin. The improvement in cost management and revenue increase allowed a 45.5% expansion in the margin
- 20.5% EBITDA margin (+347bps) – R$ 29 MM increase in absolute terms. In 1H15, EBITDA reaches R$ 171,1MM, adjusted EBITDA of R$ 195,1MM (21,1% margin)
- Cash Net Income of R$ 46,4MM (R$ 0.30 EPS) and Operational Cash Flow of R$ 114 MM
- CAPEX amounted R$ 22,7 MM, mainly in IT and Fleury expansion plan
- Net Income of R$ 32,9 MM in 2Q15 (+101,8%). In 1H15, R$ 46,3MM.

** EBTIDA and Net Income in the semester adjusted by non-recurring items.*

# Highlights





- In May, **Fleury opened the Advanced Diagnostic Center for Women**, the 10th Integrated Center in São Paulo, in the República do Líbano II Patient Service Center (PSC)

- A research from Data Folha recognized the quality of the Fleury brand in São Paulo. The poll heard over a thousand people in all regions of the city and the brand was recognized as the best clinical analysis laboratory in the premium segment

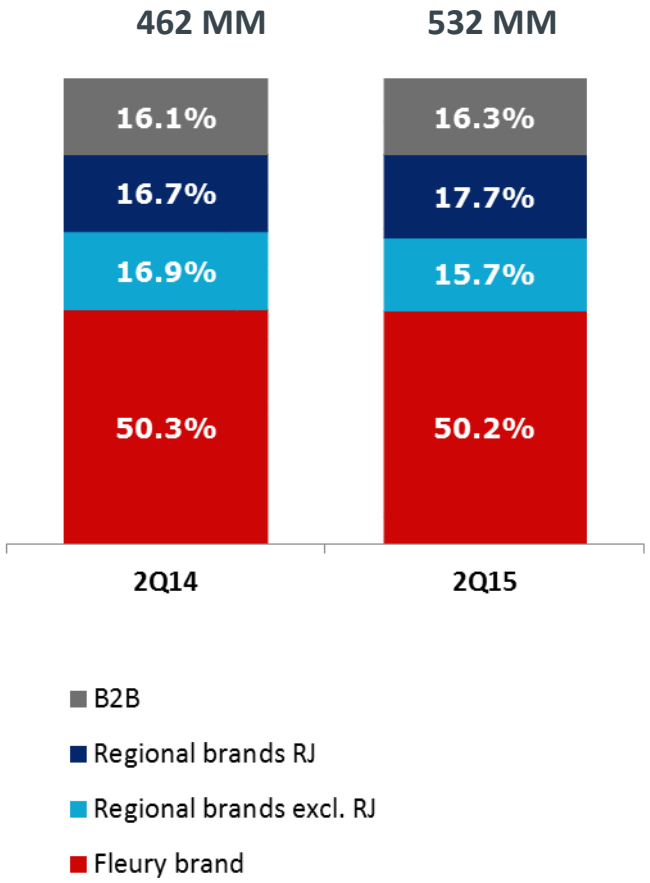
- For the second consecutive year, Fleury brand participated of the Congress of the State of São Paulo Cardiology Society, promoting international symposium on women's heart health, attended by over 700 participants

- Fleury brand won for the 15$^{th}$ time the Consumidor Moderno award for Excellence in Customer Services, one of the top prizes for the consumer segment in Brazil

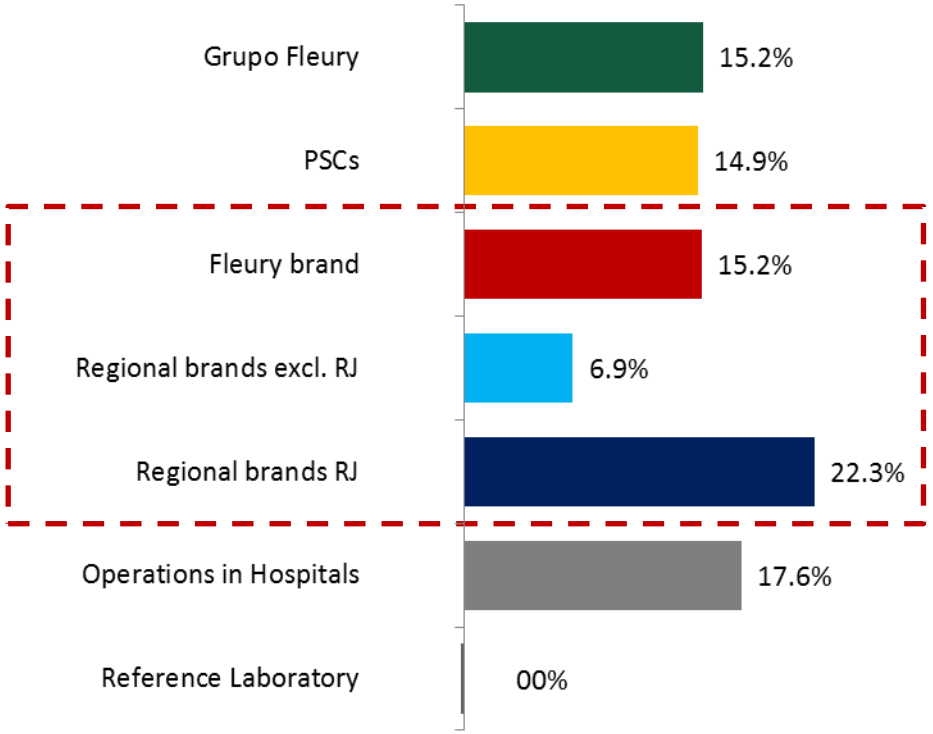
- In June, the Company distributed R$ 6.5 millions in dividends

# Gross Revenue

## Gross Revenue - business lines



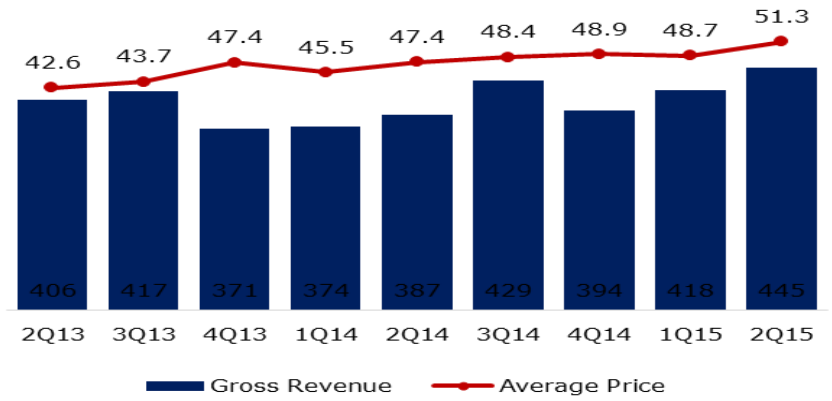

## Business lines growth (2Q15 x 2Q14)



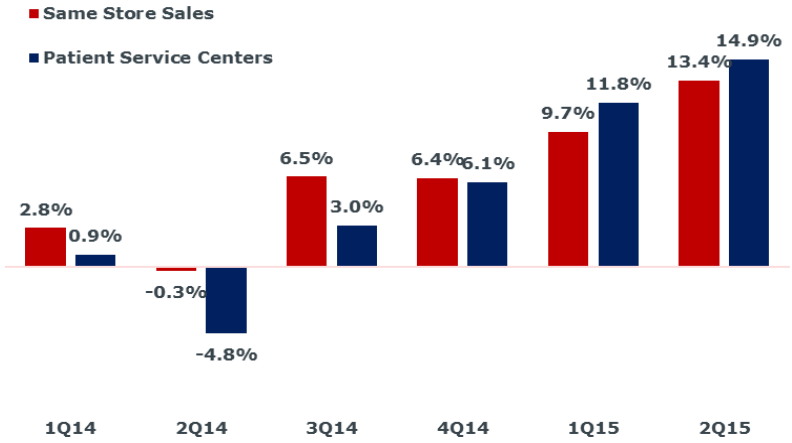

[1] Since 1Q15, health assessment is considered part of Fleury brand's revenues in PSCs

# Patient Service Centers (PSC)
## Revenue indicators

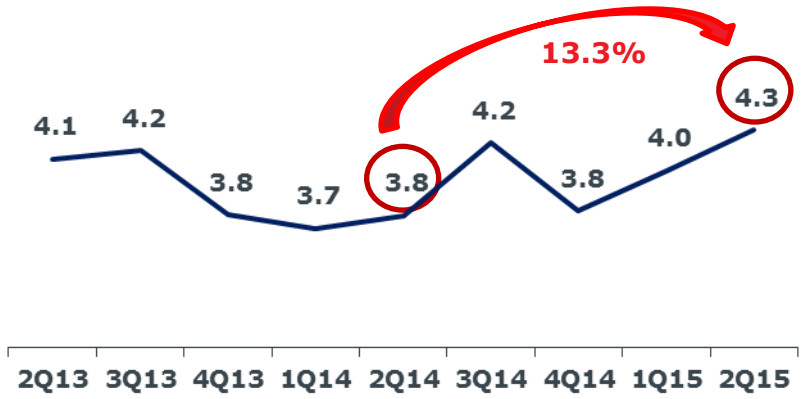
### Gross Revenue (R$ MM) and Average Price



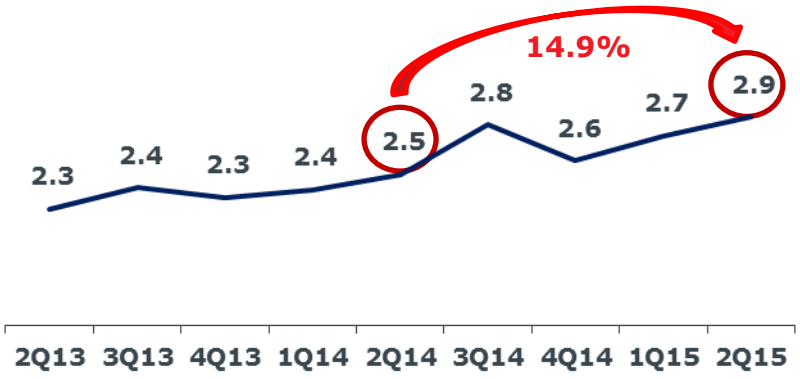

### Gross Revenue growth: total PSCs and SSS




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




### Gross Revenue per PSC (R$ MM)



## Patient Service Centers (PSCs)
Results by business

- **Fleury brand:** solid growth in same store sales, addition of new PSCs and maturation of expansions concluded in 2014
- **Regional brands Rio de Janeiro:** revenue recovery with strong influence of clinical analysis services
- **Regional brands (excl. RJ):** maintenance of moderate growth

| | 2Q15 vs 2Q14 | | | |
|---|---|---|---|---|
| | Fleury Brand | Regional Brands excl. RJ | Brands RJ | Total (PSCs) |
| Indicators PSCs | | | | |
| - Gross Revenue | 15.2% | 6.9% | 22.3% | 14.9% |
| - SSS | 13.3% | 6.2% | 22.5% | 13.4% |
| - Gross Revenue / Number of Tests | 5.9% | 6.1% | 5.6% | 8.2% |
| - Gross Revenue / Sq. Meter | 13.7% | 1.7% | 24.7% | 13.3% |
| - Gross Revenue / PSC | 10.6% | 2.9% | 31.7% | 14.9% |

## Diagnostic Operations in Hospitals

- Gross revenue grows 17.6% and achieves R$79.1MM
- Addition of Hospital Santa Luzia (Brasília) in may 2014 increased the operation
- Same Hospital Sales growth of 9.9%

## Reference Lab (Lab-to-lab) and PM

- Reference Lab achieves gross revenue of R$ 6.6MM – 0.2% decrease YoY. Impact of the price repositioning implemented at the end of 2014
- Preventive Medicine amounts to R$ 1.0MM

**Since 1Q15, health assessment is included in Fleury brand revenues**

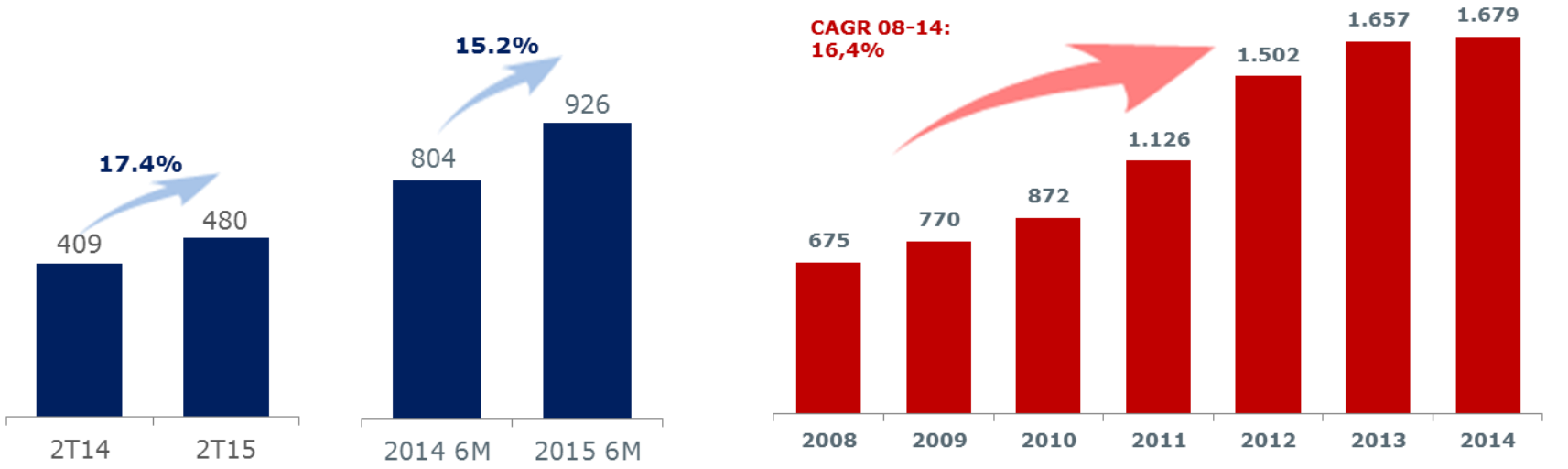
**SHS – Same Hospital Sales*

# Sales taxes, deductions, allowances and net revenue

**Increase in revenue quality:**

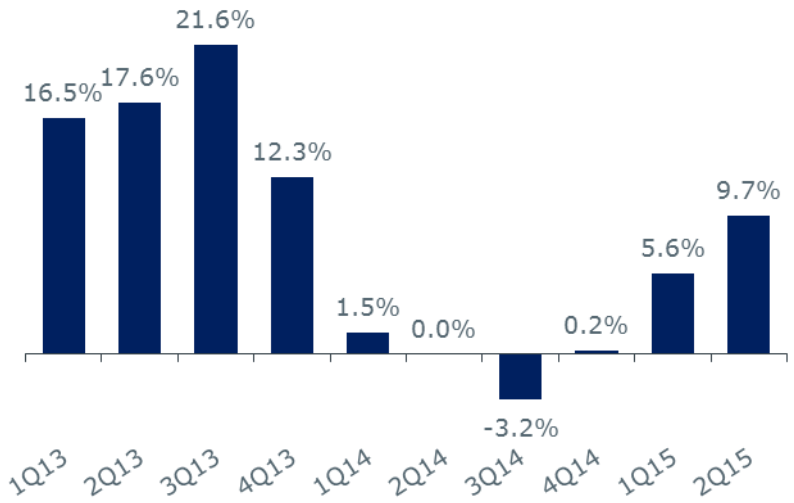
- **Deductions + allowances** amounted R$ 19.2 millions in 2Q15 (3.6% of gross revenue: -150 bps compared to 2Q14)
  - ✓ Deductions represented 3.3% of gross revenues (4.6% in 2Q14)
  - ✓ Allowances represented 0.3% (0.5% in 2Q14)
- Sales taxes represented 6.2% of gross revenues (6.4% in 2Q14)

**Net Revenue (R$ MM)**

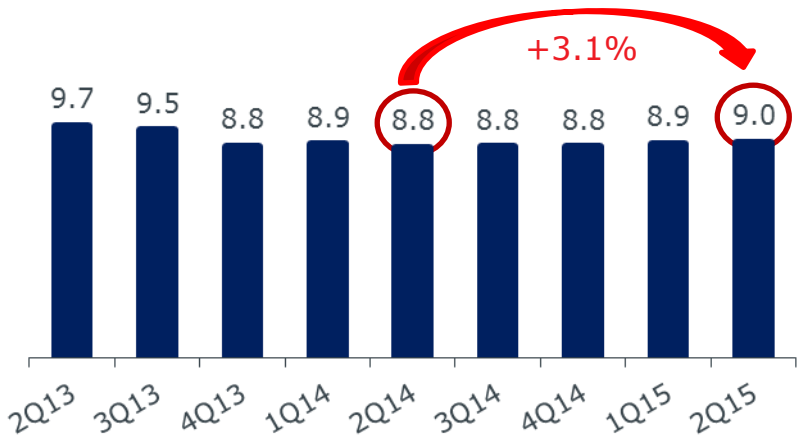


# Cost of Services
## Indicators

### Costs Growth (YoY)



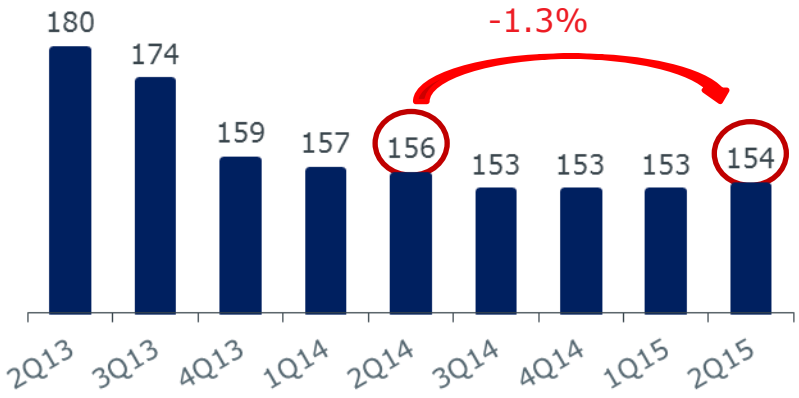

### Number of Employees (Thousand)




### Thousand m2 – PSCs

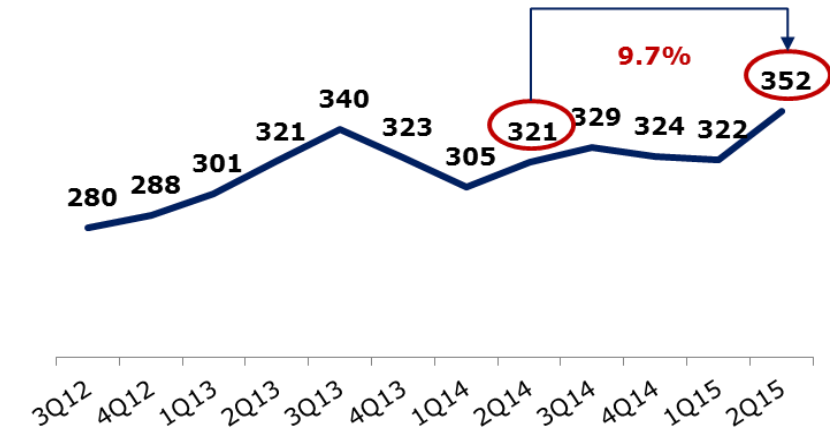



### Number of PSCs

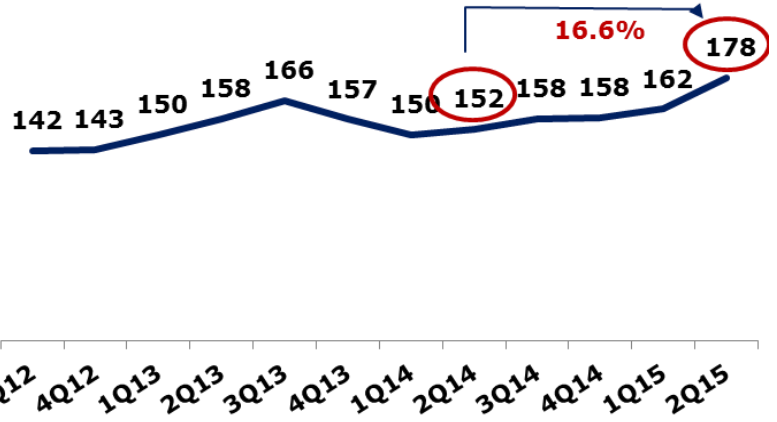


# Cost of Services
## Breakdown

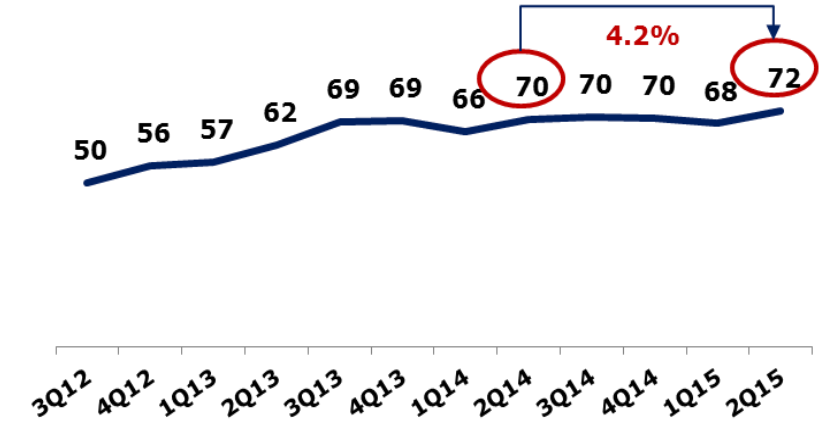
### Evolution of Costs (R$ MM)



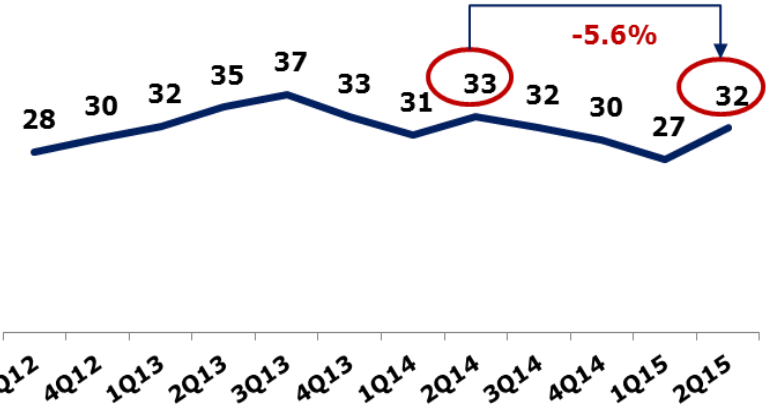

### Personnel and Medical Services (R$ MM)




### Gen. Services, Rentals and Util. (R$ MM)




### General Expenses (R$ MM)



# Cost of Services
## Overview

| | 2Q15 | | 2Q14 | | % Net Revenue | |
|---|---|---|---|---|---|---|
| | R$ MM | % Net Revenue | R$ MM | % Net Revenue | | |
| Personnel and medical services | 177.7 | 37.1% | 152.4 | 37.3% | 36.7% | 37.6% |
| Materials and outsourcing | 46.9 | 9.8% | 43.0 | 10.5% | 9.6% | 9.9% |
| General services, rent and utilities | 72.5 | 15.1% | 69.6 | 17.0% | 15.2% | 16.9% |
| General expenses | 31.5 | 6.6% | 33.4 | 8.2% | 6.3% | 7.9% |
| Depreciation and Amortization | 23.0 | 4.8% | 22.1 | 5.4% | 4.9% | 5.5% |
| Cost of Services | 351.6 | 73.3% | 320.6 | 78.5% | 72.7% | 77.8% |

- Cost of Services amounted R$ 351.6 millions (73.3% of Net Revenue), resulting in a gross margin of 26.7%; absolute gross profit 45.5% higher than 2Q14
- There was a dilution of 516 bps (% Net Revenue), comparing to 2Q14 – result from the continuous cost management and improve in productivity, specially in General Services, Rent and Utilities (190bps) and General Expenses (160bps)
- Personnel and Medical Services had a lower dilution mainly due to the impact of volume growth (medical services and headcount), inflationary impacts (salary negotiations with Unions and the readjustment of the health plan) and salary increases

# Operating Expenses

| | 2Q15 | | 2Q14 | | 2015 6M | 2014 6M |
|---|---|---|---|---|---|---|
| | R$ MM | % Net Revenue | R$ MM | % Net Revenue | % RL | |
| General and Administrative (Excl. Depreciation) | 46.1 | 9.6% | 40.4 | 9.9% | 9.7% | 10.8% |
| Depreciation and Amortization | 7.9 | 1.6% | 6.1 | 1.5% | 1.7% | 1.5% |
| Other Operating Income (Expenses), net | 5.1 | 1.1% | -1.4 | -0.3% | 3.7% | -1.1% |
| Provision for Contingency | 1.5 | 0.3% | 1.4 | 0.3% | 0.3% | 0.3% |
| Subsidiaries' share of profits | 0.0 | 0.0% | 0.0 | 0.0% | 0.0% | 0.0% |
| Operating Expenses | 60.5 | 12.6% | 46.6 | 11.4% | 15.4% | 11.5% |

- General and administrative expenses (excluding depreciation) reached R$ 46.1MM in 2Q15 (R$ 40.4 MM in 2Q14
- Other operating income (expenses), were impacted by the amount of R$4.2MM related to assets write offs due to inventory adjustments

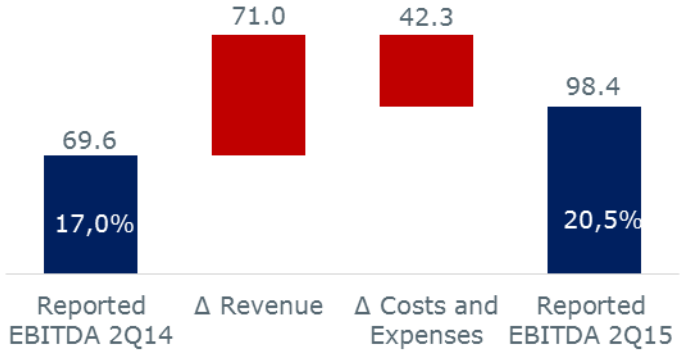
# EBITDA

The costs and expenses control, combined with the strong revenue growth, results in a substantial margin increase

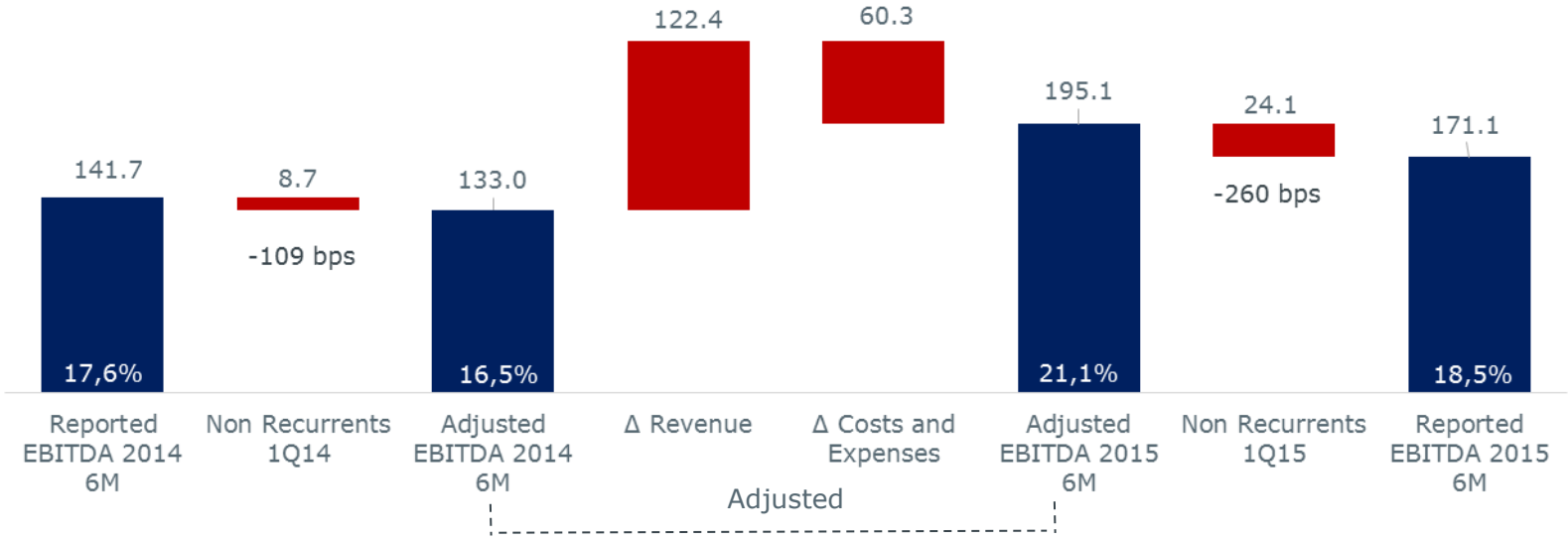
The EBITDA margin achieved 20.5% in 2Q15 – 347bps above 2Q14 (17.0%)

In YTD figures, the EBITDA margin achieves 18.5% - 21.1% excluding the first quarter non-recurring items

**EBITDA 2Q15 vs 2Q14 (R$ MM)**




**EBITDA 2015 YTD vs 2014 YTD (R$ MM)**



# Debt

| R$ million | 2Q14 | 1Q15 | 2Q15 | next 12 months |
|---|---|---|---|---|
| **Gross Financial Debt** | **1.006,9** | **1.049,5** | **1.053,3** | **84,0** |
| - Loans and Financing | 984,7 | 1.035,2 | 1.038,6 | 75,7 |
| - Acquisition | 22,2 | 14,3 | 14,7 | 8,3 |
| Cash & Cash Equivalents | (481,8) | (471,0) | (544,3) | |
| **Net Debt** | **525,1** | **578,6** | **509,0** | |
| **Net Financial Debt / EBITDA LTM** | **2,0** | **1,9** | **1,5** | |
| **EBITDA / Net Financial Expenses** | **5,3** | **4,7** | **5,2** | |

## Debentures:

**1st Company's debenture issuance in Dec/2011**

1st Series: R$ 150MM (CDI+0.94%)

Amortization: 2014 (4T), 2015, 2016

2nd Series: R$ 300MM (CDI+1.2%)

Amortization: 2016, 2017, 2018

**2nd Company's debenture issuance in Feb/2013**

R$ 500MM (CDI + 0.85%)

Amortization: 2018, 2019, 2020

## FINEP:

R$ 153MM contract signed in August 2014. R$ 101,7 MM released in October 2014

Deadline for settlement: 97 months

Annual interest rate 4%

# Financial Result

| | Reported | | | | Excl - Non-recurring Items | |
|---|---|---|---|---|---|---|
| | 2Q15 | 2Q14 | 2015 6M | 2014 6M | 2015 6M | 2014 6M |
| **Financial income (expenses), net** | **(15.0)** | **(15.7)** | **(33.8)** | **(19.6)** | **(30.6)** | **(30.3)** |
| **Financial income** | **19.8** | **15.1** | **36.6** | **29.7** | **36.6** | **29.7** |
| Interest and inflation adjustment | 3.6 | 0.3 | 6.1 | 0.7 | 6.1 | 0.7 |
| Exchange rate change and hedge | 0.1 | 0.0 | 0.2 | 0.1 | 0.2 | 0.1 |
| Interest received | 15.9 | 13.4 | 30.1 | 26.1 | 30.1 | 26.1 |
| Other expenses | 0.2 | 1.4 | 0.2 | 2.9 | 0.2 | 2.9 |
| **Financial expenses** | **(34.8)** | **(30.9)** | **(70.4)** | **(49.3)** | **(67.2)** | **(60.0)** |
| Interest and inflation adjustment | (34.0) | (29.9) | (68.4) | (47.4) | (65.2) | (58.1) |
| Exchange rate change and hedge | (0.1) | (0.0) | (0.3) | (0.1) | (0.3) | (0.1) |
| Other expenses | (0.8) | (0.9) | (1.7) | 0.0 | (1.7) | (1.8) |

- Financial expenses were R$ 15.0MM in 2Q15; R$ 15.7 MM in 2Q14
- In YTD figures, expenses were R$ 33.8 MM (R$ 19.6 MM on 1H14), impacted mainly by the non-recurring effect of the TRSS in the first quarter

## Income tax and social contribution

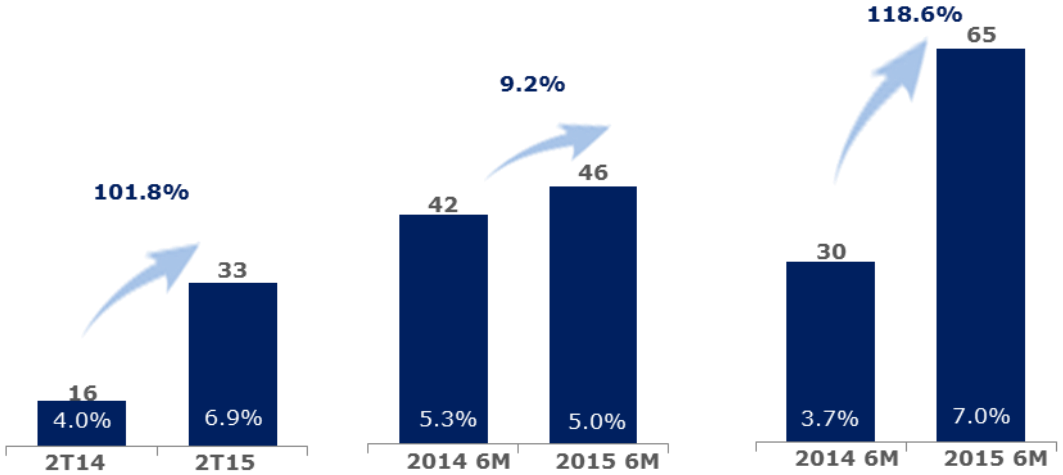
| (R$ million) | 2Q15 | 2Q14 |
|---|---|---|
| **Earnings Before Taxes (EBT)** | **52.5** | **25.6** |
| Combined income tax and social contribution rate | 17.8 | 8.7 |
| Non-deductible Expenses | 1.8 | 0.6 |
| Share of profits (losses) of subisidiaries | 0.1 | 0.0 |
| Other non-deductible expenses | 1.7 | 0.6 |
| **Income tax and social contribution** | **19.7** | **9.3** |
| **% EBT** | *37.5%* | *36.4%* |
| Current | 6.1 | - |
| Deferred | 13.5 | 9.3 |

- The corporate tax rate reached 37.5%, mainly due to non-deductible expenses related to assets write offs
- The deferred taxes were R$ 13.5MM in 2Q15 and current taxes achieved R$ 6.1MM

# Net income and EBITDA reconciliation

| | 2Q15 | | 2Q14 | | Var. | 2015 6M | | 2014 6M | | Var. |
|---|---|---|---|---|---|---|---|---|---|---|
| | R$ MM | % Net Revenue | R$ MM | % Net Revenue | | R$ MM | % Net Revenue | R$ MM | % Net Revenue | |
| **Net Income** | **32.9** | **6.9%** | **16.3** | **4.0%** | **102%** | **46.3** | **5.0%** | **42.4** | **5.3%** | **9%** |
| Deferred Income Tax and Social Contribution | 13.5 | 2.8% | 9.3 | 2.3% | 44% | 22.8 | 2.5% | 23.7 | 2.9% | -4% |
| **Cash Net Income** | **46.4** | **9.7%** | **25.6** | **6.3%** | **81%** | **69.1** | **7.5%** | **66.1** | **8.2%** | **5%** |
| Current Income Tax and Social Contribution | 6.1 | 0.7% | 0.0 | 0.0% | 0% | 7.6 | 0.8% | 0.0 | 0.0% | 0% |
| Financial Expenses (Income) | 15.0 | 3.1% | 15.7 | 3.9% | -5% | 33.8 | 3.6% | 19.6 | 2.4% | 72% |
| Subsidiaries' share of profits | 0.0 | 0.0% | 0.0 | 0.0% | -41% | 0.0 | 0.0% | 0.0 | 0.0% | -16% |
| **EBIT** | **67.5** | **14.1%** | **41.3** | **10.1%** | **63%** | **110.5** | **11.9%** | **85.7** | **10.7%** | **29%** |
| Depreciation and Amortization | 30.9 | 6.4% | 28.3 | 6.9% | 9% | 60.5 | 6.5% | 56.0 | 7.0% | 8% |
| **EBITDA** | **98.4** | **20.5%** | **69.6** | **17.0%** | **41%** | **171.1** | **18.5%** | **141.7** | **17.6%** | **21%** |

## Net Income (R$ MM)




Taxes have had a minor impact in cash mainly due goodwill amortization for fiscal purposes.

| Expected Amortization of Goodwill | |
|---|---|
| Period | R$ MM |
| 2015 | 86 |
| 2016 | 168 |
| 2017 | 161 |

# Receivables

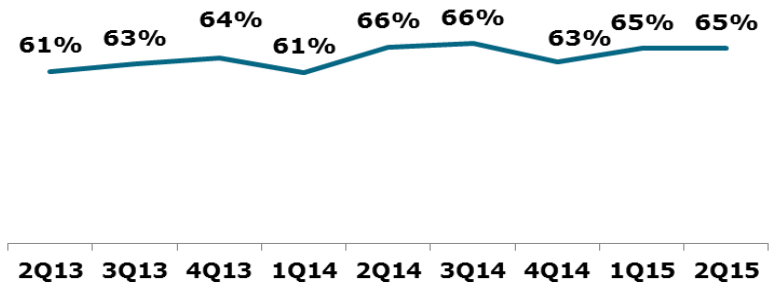
| Account Receivable (R$ MM) | 2Q14 | 1Q15 | 2Q15 |
|---|---|---|---|
| Trade receivables | 497 | 525 | 498 |
| Sales Deductions Provisions | (104) | (61) | (60) |
| Total | **393** | **464** | **438** |

| Aging Acc. Receivable (R$ MM) | 2Q14 | 1Q15 | 2Q15 |
|---|---|---|---|
| Current | 259 | 315 | 334 |
| Up to 120 days past due | 80 | 117 | 77 |
| 121 to 360 days past due | 68 | 55 | 51 |
| Over 360 days past due | 90 | 38 | 36 |

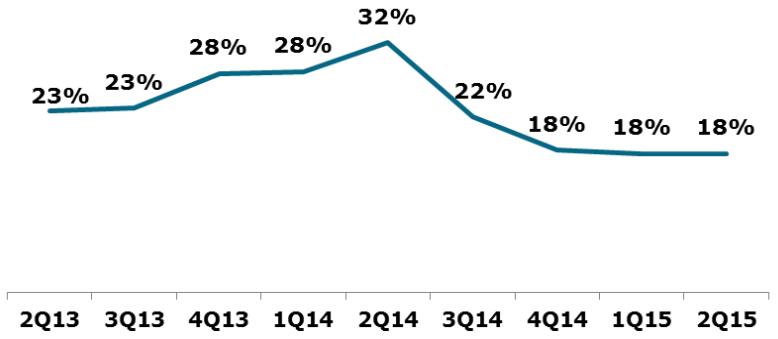
There was an improve in the aging profile, as the current receivables respond for 67.1% of the total (52.2% in 2Q14). The amount of receivables due over 361 days reduced from 18.1% (2Q14) to 7.2% (2Q15)

Average Sales Days decreased from 77 to 74 days in 2Q15

**Provision Coverage Index**
(BDP/receivables due for more than 120 days)




**Receivables due over 120 days / Total Receivables**



## Cash flow

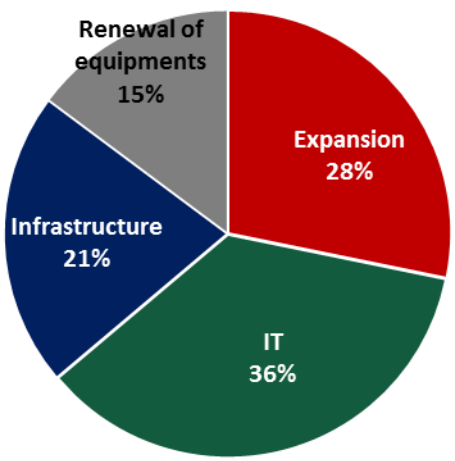
| | 2Q15 | 2Q14 | 2015 6M | 2014 6M |
|---|---|---|---|---|
| **Net Income** | **32.9** | **16.3** | **46.3** | **42.4** |
| Deferred Income Tax | 13.5 | 9.3 | 22.8 | 23.7 |
| **Cash Net Income** | **46.4** | **25.6** | **69.1** | **66.1** |
| Depreciation and amortization | 30.9 | 28.3 | 60.5 | 56.0 |
| Δ Provisions | 44.6 | 17.8 | 99.8 | 31.6 |
| Δ Working Capital | -27.5 | 5.2 | -148.3 | -50.3 |
| Others | 20.1 | 14.8 | 39.6 | 17.9 |
| **Operational Cash Flow** | **114.4** | **91.7** | **120.7** | **121.4** |
| Changes in PP&E and IT System | -22.7 | -19.9 | -39.9 | -51.5 |
| Acquisitions | -0.1 | -0.1 | -5.3 | -2.2 |
| Financing Activities | -11.8 | -12.1 | -29.9 | -25.9 |
| Dividends | -6.5 | -100.0 | -6.5 | -100.0 |
| **Cash Flow** | **73.4** | **-40.4** | **39.1** | **-58.1** |
| | | | | |
| **Conversion (Operational Cash Flow / EBITDA)** | **116%** | **132%** | **71%** | **86%** |

Operating cash flow achieved R$ 114.4 MM – **historical record for the Company** and 25% higher than 2Q14

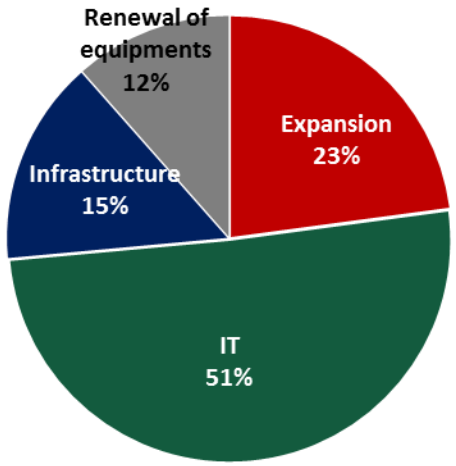
# Capex

- Capex (additions to the permanent and intangible assets) totaled R$ 22.7 MM in 2Q15, mainly concentrated in the Fleury brand expansion plan and strategic projects related to IT, that include SAP reimplementation and front office system integration in Rio de Janeiro
- In YTD figures, Capex spending was R$ 39.9 MM

**2Q15 = R$ 22.7 MM**

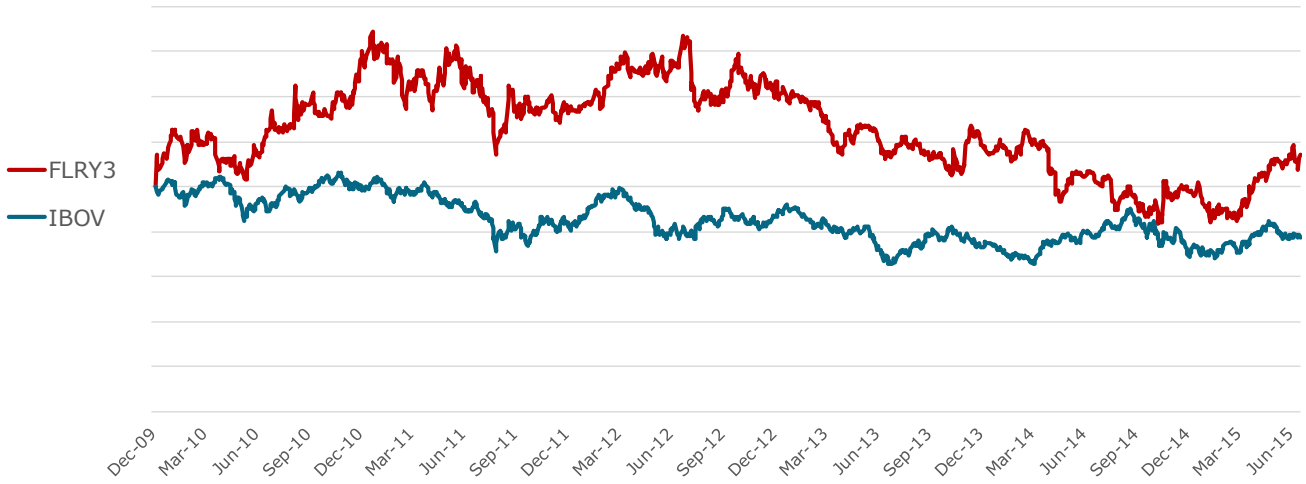



**2015 YTD = R$ 39.9 MM**



# Market Performance (06/30/2015)

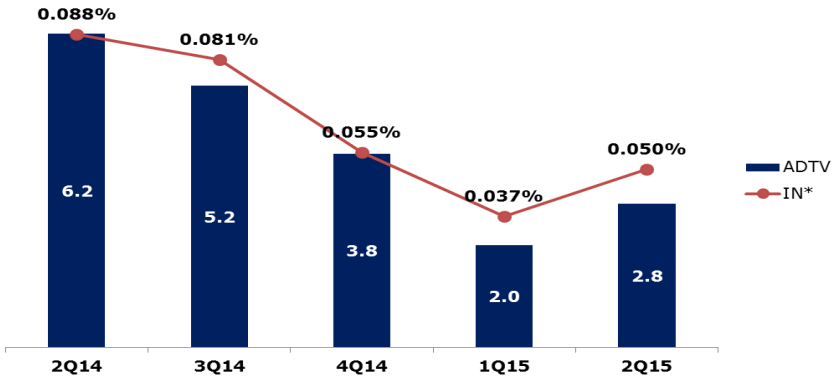
## Shares performance x Ibovespa (IPO = base 100)




▲ 9.0% 2Q15

▲ 14.4% 2015

## Average Daily Trading Volume R$ MM (ADTV) and Negotiability Index* (IN)




| Shares and Market Cap | |
|---|---|
| Total Shares | 156,293,356 |
| *Free Float* | 39.9% |
| *Market Cap* | R$ 2.9 bn |
| Closing price | R$ 18.31 |

| Total Shareholder Return (TSR) | |
|---|---|
| Since IPO | 30.38% |

## Investor's agenda

On the coming months, the Company's management will attend the following events:

| Data | Evento | Local |
|---|---|---|
| August, 5 | NDR – Bradesco | São Paulo \| Brazil |
| August, 13 | NDR – Votorantim | Rio de Janeiro \| Brazil |
| October, 1 | Fleury Day | São Paulo \| Brazil |
| October, 31 | 3Q15 results conference call | São Paulo \| Brazil |

For further information, please access: www.fleury.com.br/ri

# 2Q15 Results – FLRY3

July 2015