Operator:

Good morning, and thank you for standing by. Welcome to the conference call of Grupo Fleury to release the results of the 2Q19. Today, with us, we have Mr. Carlos Marinelli, CEO; and Mr. Fernando Leão, CFO and IRO, and also Legal Officer.

We inform that this conference call is being recorded and all participants will be connect in listen-only mode during the presentation of Grupo Fleury. Then we are going to start the Q&A session, when further instructions will be provided. Should any of you need any assistance during this conference call, please, request the help of an operator by pressing *0.

This conference call is also being simultaneously translated on the Internet and may be accessed at the address www.fleury.com.br/ir, where its respective presentation will be also available. Slide selection will be controlled by you. A replay of this conference call will be available right after it ends.

As a reminder, webcast participants may ask questions to Grupo Fleury through the website.

Before continuing, we would like to say that forward-looking statements made during this conference call relative to Grupo Fleury's business prospects, operational and financial projections and goals are beliefs and assumptions of the Company's management, and they are based on information currently available to Grupo Fleury. Forward-looking statements are not guarantee of performance because they involve risks, uncertainties and assumptions as they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors and analysts should understand that general economic conditions, industry conditions and other operational factors may affect the future performance of Grupo Fleury and may lead to results that will be materially different from those expressed in such forward-looking statements.

Now I would like to give the floor to Mr. Carlos Marinelli, who is going to start the presentation. Please, Mr. Marinelli, you may start.

Carlos Marinelli:

Good morning. Thank you very much for attending our conference call to release the results of the 2Q19.

Initially, I would like to highlight that even though we have a challenging market and an economy that does not yet show any clear indication of recovery, we have been keeping a consistent pace of growth based on a portfolio of brands that continues to attract new customers and keep a high level of satisfaction with our medical customers, patients and health carriers.

Focusing on our long-term strategy and sustainability of returns to our shareholders, we have advanced in the evolution of Fleury brand with a business platform with initiatives going beyond diagnostic medicine and then are connected to who we are, a company of medical knowledge.

Innovation has always been part of Grupo Fleury, has been gaining shape, not just in the evolution of personalized and precision medicine platform, but it is also present in the improvement of our service processes, in better management of our assets and focusing to improve the experience of our customers.

Moving to the presentation on slide three, we highlight the main financial indicators of the 2Q. I would like to highlight that, for comparison purposes, the numbers that will be presented below are being reported without IFRS 16 effect.

Gross revenue had a growth of 8.2%, totaling R$788 million. We highlight that this growth, among other highlights, was impacted by the recovery of Fleury brand, which grew 6.2% in this quarter. Cancellations represented 1.3% in the period and have remained stable in relation to the same period in the year before.

The recurring EBITDA reached R$191 million with a growth of 6.6%. A recurring EBITDA margin reached 26.2%, and net income reached R$90 million, presenting a growth of 4.2%. ROIC, without goodwill, reached 35.8% with impacts of nonrecurring effects and the acquisition of LAFE Serviços Médicos.

In the 2Q19, we had nonrecurring effects amounting to R$18.1 million related to provision for accounts receivable write-off, expenses with M&A and the redesign of the organizational structure. More detail about this will be provided by Mr. Fernando Leão.

We also take the opportunity to say that yesterday, we announced the payout of dividends through interest on its own capital amounting to R$63 million or R$0.20 per share.

Now we are moving to slide number four, where we show the operational highlights of the quarter. At the end of the 2Q19, NPS of our brands reached 76.4%, keeping the high level of differentiation of our services and remaining stable in relation to the same period in 2018.

In May, we completed the acquisition of the operation of Lafe Serviços Médicos, which has 21 units focusing on clinical analysis in Rio de Janeiro, thereby strengthening our presence in the second largest market for diagnostic medicine in Brazil.

This acquisition complements even further our operations with the brands LAFE, a+ and Felippe Mattoso regions where we are not present before or in regions where we have room to continue expanding our operations.

The integration started in June. And in the first phase, we expect to internalize all process of clinical analysis, bringing it into our technical area of the region to double the current portfolio of tests from 800 to 1,600, to expand the credentialing of units with health carriers and to strengthen the relationship with the local medical community. In addition to these initiatives, we are already integrating the system to benefit the operation with all technical processes, service processes and management processes, for which we are renowned.

In personalized and precision medicine, we have had a significant advance in our test portfolio. We have launched two new genomic tests in partnership with startups, mir-THYpe and the Pharmacogenomic Panel. mir-THYpe assesses the need of surgery in cases of thyroid nodules and they avoid up to 84% unnecessary procedures. The Pharmacogenomic Panel helps to choose the best treatment for different clinical conditions, supporting physicians in choosing the best medication for each patient.

We are at the forefront of personalized and precision medicine, continuously developing our portfolio of products, with a significant growth in our volumes in tune with this pursuit of sustainability in our industry, working effectively for the best utilization of resources and higher treatment resolution rates for the medical conditions of the patients that come to us.

On the strategic front of health care businesses, we have opened this quarter Fleury Day Clinic in Orthopedics. Connected to our diagnostic excellence in orthopedics, we started offering surgical procedures that may be performed in an outpatient environment, which today accounts for 70% of our orthopedic procedures conducted in the Brazilian population.

The value proposition of this new business line provides significant efficiency gains for physicians, carriers and patients. Counting on the structure that has been sized for this level of complexity, it makes possible for patients to be discharged on the same day of the procedure with a premium experience with a cost that is below the market.

The structure has two operating rooms with pre and post-operating areas. The initial offer already counts with 21 different procedures, and we are already considering expanding our portfolio.

I would also like to mention the awards we received in the 2Q. Weinmann received Top of Mind award in terms of Clinical Analyzes Laboratory in Porto Alegre, once again, emphasizing the high reputation of our brands in Southern Brazil.

The Fleury brand was recognized for the 18th time in a row for its excellence in customer services as the best in diagnostic medicine. We have also been recognized in a new edition of the ranking BrandZ Brasil, which listed Fleury as the 44th most valuable brand in Brazil.

Now I would like to give the floor to Fernando to continue presenting the results for you, and I will be available for Q&A.

Fernando Leão:

Thank you, Carlos. Good morning, everyone. We continue with our presentation on slide number five, where you can see the details of gross revenue per business line. We have had an organic growth of gross revenue in a quarter of 8.2%, totaling R$787.6 million, the highlight for the Fleury brand in hospitals, which presented an acceleration in relation to the growth of the last quarter.

Service units presented an increase of 7.8%; 6.2% for Fleury brand; 12.5% for regional brands, excluding Rio de Janeiro; and 6.3% in the Rio de Janeiro brands. Operations in hospitals B2B grew 8.8%.

On the right, you can see the same analysis for the first six months of the year. As you can see, the organic growth of gross revenue was 6.6%, of which 6.3% was increase in service units and 7.3% in hospital operations.

On slide number six, you can see the details of our portfolio. You can see that most of the incremental revenue volume is a result of the evolution of Fleury brand, which accounted for R$20.7 million. Regional brands, excluding Rio de Janeiro, had an evolution of R$19.5 million.

Fleury brand presented for the second quarter in a row an improvement in its growth, an increase of 6.2%. A significant part of this growth is a result of same-store sales with an increase of 5.4%.

We understand that the growth we present in this quarter is a consequence of the stabilization of number of members in the premium market after a period of drop because of the economic crisis, and also because of the comparison basis with 2Q'18 that suffered an impact of the demand reduction caused by the truck drivers' strike and the soccer World Cup.

The regional brands, excluding Rio de Janeiro, represented an organic growth of 12.5%, following the trend of the last quarter. a+ São Paulo brand keeps a strong pace of growth, reaching 23.1% this quarter.

Because of the fewer units that we opened in the past 12 months, most of the growth presented in regional brands, excluding Rio de Janeiro, is a result of same-store sales, which grew 7.9%. In Rio de Janeiro, we presented a growth of 6.3% in the quarter with same-store sales evolving 1.5%.

We continue seeing a strong demand for our services in the region. However, this quarter suffered a negative and one-off impact because two carriers canceled services in the region. We have already observed the mitigation of this effect in 3Q, with an increase of share of other carriers in the region with new health plans covering our services.

On slide number seven, you can see the execution of our expansion plan with the opening of 53 units, representing a new area of 19,400 m². The opening corresponds to 73% of the minimal interval of expansion guidance, which estimated the opening of 73 to 90 units by 2021.

You can see the aging of the areas that we have opened so far, in which 82% are less than 24 months old and 47% had been operating for less than 12 months.

On slide eight, you can see cancellations and net revenue. On the left, you can see that the cancellations presented a high level of efficiency, reaching 1.3% in the quarter, stable as compared to the same quarter in the year before. In the semester, it also remained stable, reaching 1.4%. At the right, you can see a growth of 8.2% in the net revenue in the quarter, totaling R$728.7 million. Year-to-date, net revenue totaled R$1.4 billion, a growth of 7.7%.

On the next slide, we are going to see the main financial indicators, and I would like to highlight once again that on January 1, 2019, we started adopting IFRS 16 leasing. With the objective of making numbers more comparable, we are going to present the indicators without the effect of IFRS 16. All details about the impact of IFRS 16 can be found in our financial statements and in our earnings release.

On slide number nine, I would like to comment about the nonrecurring effects that impacted our operational expenses this quarter. There have been three different effects, totaling R$18.1 million, which due to their significance, we are going to highlight in our performance.

Number one was a provision for the write-off of other accounts receivable amounting to R$8.2 million, regarding the sale of five units in Rio de Janeiro due to a decision of CADE in 2015 after the Company acquired the Labs Cardiolab, today Labs a+.

The second effect is related to higher concentration of expenses with advisory services and consulting for the acquisition of new companies, totaling R$5.1 million. I highlight the completion of the acquisition of LAFE Serviços is one of the main impacts.

Lastly, the third effect is a result of the redesign of our organizational structure amounting to R$4.8 million. As in 2016, this project aims to simplify and make the current organizational structure of the Company faster. The effect in this quarter refers to provisions for expenses for the payment of damages. Along the 2H19 and during 2020, we hope to present better efficiency in our expenses as a result of these initiatives.

Now going to slide number ten, on the left, you can see our cost structure. In the quarter, we had an increase of 12.3%, which represented an increase of 261 bps as compared to net revenue. In the semester, we have had an increase of 11.2%, a growth of 221 bps as compared to the net revenues.

In this quarter, we highlight an increase in the line of direct materials, personnel and medical services. In terms of personnel, we had an increase of 10.5%, impacted by an increase in headcount, an expansion of our operations, such as provisions for the annual collective bargaining, which started in May.

In direct materials, the growth was 20.9% with a highlight for the increase in the volume of specialized tests, as well as genomic tests. The effect of the mix of test combined to the mix of brands has led to an increase in the share as compared to the net revenue.

On the right of the slide, you can see our recurring operational expenses. This quarter, we had a reduction of 7.1%, with a highlight for the line of general and administrative expenses, where we had significant efficiency gains in medical care for employees and technical services. The evolution of recurring operational expenses in the semester also went down by 3.1%.

On slide number 11, on the left, you can see that the recurring EBITDA reached R$190.6 million in the quarter, a growth of 6.6%. The recurring EBITDA margin reached 26.2%, a retraction of 39 basis points as compared to the 2Q18. And we also remind you that we had impacts that put pressure on margins, especially related to the maturing of our new units and the change in our mix of brands in the results. On the right, you can see our six-month EBITDA, which reached R$387.3 million with a margin of 27.1%.

On slide 12, you can see the recurring net income, which reached -- we had a growth of 4.2% as compared to the same period in 2018. Net margin was 12.4% as compared to 12.9% in the 2Q18. On the right, you can see the recurring net income in this semester, which was R$187.2 million with a net margin of 13.1%.

On slide number 13, on the left, you can see our operational cash flow with R$127 million in the quarter, a reduction of 40%. The conversion of operational cash and EBITDA reached 73.6% versus 118.5% in the 2Q18.

In the semester, our operational cash flow totaled R$196.9 million, with the conversion of operational cash and EBITDA of 53.3%. In this quarter, we had a high absorption of cash and accounts receivable resulting from longer average collection times, which reached 70 days, as compared to 67 days in 2018. This longer collection time is nonrecurring and is related to adverse events with change in the billing process of one of our main payers. We do not expect this impact in average collection time in 3Q19.

We also highlight the cash effect of income tax, which is explained by the comparison basis of the year before, where we had a higher utilization of goodwill generated by former acquisitions, which reduced the cash effects of tax. On the right, you can see the CAPEX in the quarter, which totaled R$41.7 million, a reduction of 21.3, in the 2Q18.

In terms of expansion and improvement of units and technical facilities, investments totaled R$9.6 million and were specially directed to the implementation of Fleury Day Clinic and the expansion of the MRI services in two units of our brand a+ São Paulo.

In others, our investments totaled R$32.1 million. The focus was on technology and digital projects. The CAPEX of the semester was R$89.7 million, a 4.9% increase as compared to the same period in the year before.

On slide number 14, on the left, ROIC without goodwill reached 39.8%. The consequences of the acquisition of the brand LAFE will only be consolidated in our financials as of the next quarter, and we are going to present an ROIC without goodwill of about 41%. On the right, NPS has its high level, reaching 76.4%.

On slide number 15, you can see the average daily volume of trading of our shares is reaching R$43.1 million in the quarter.

On slide 16, the Board of Directors approved on July 25 the distribution of interest on its own capital amounting to R$63.3 million, corresponding to R$0.20 per share. This is going to be paid based on the shareholding structure on July 30, and shareholders will be receiving this amount on October 4.

On slide number 17, you can see the events that have already been confirmed in the future few months.

Now we are open for questions and answers. Thank you all very much.

Olivia Petronilho, JPMorgan:

Thank you for taking my question. I have two questions. We have seen a shift in trends, especially for the Fleury brand. What do you see in July for Fleury and other brands? How has this trend been evolving?

And the second question regards new units. Could you give us an update on that, how many of them have already been credentialed by health carriers? What do you think is still missing in this process?

Carlos Marinelli:

Olivia, thank you for your question. The growth of Fleury brand, as we said, has been a significant growth in the 2Q. This does not impact the growth of our regional brands. We still have a significant growth in regional brands. In São Paulo, specifically with a+, we are very confident on its performance because we have a significant growth, more than 20%, both in the quarter and in the first six months of 2019.

As to the other question, we are still seeing quite an interesting growth in July, and we have been talking with the market sources. In terms of what carriers are especially saying in the 1Q19, they felt there was a slowdown, and this is still going on, like it was carried over to the 2Q, but we think of the sustainability of the industry in terms of frequency prices and everything else.

We started the 2H19 with a quite good outlook. In the macroeconomic scenario, there is still a lot to improve. The numbers recently disclosed in terms of job generation were good, and we need to wait what will happen now in the 2H19 and next year. I hope there is a turnover in terms of trends. I think that the country will start to grow again and the economies to warm up and pick up.

As to new units, we are still talking with all carriers in terms of credentialing. The process is not simple, not easy, and it is also very cumbersome in terms of paper work. It takes time, but they are still working strongly into trying to have 100% credentialing.

The important thing is that credentialing has been increasing as time goes by, and we see the percentage of credentialing range around 60% and 70% on average for new units. Fleury, 100% already in credentials.

So, we are very optimistic. And also, if I may, when I talk about Fleury, there is Fleury platform, all the new services that we have been working on, the Day Clinic and infusion units and other services we have been working on that are very strong commercially in the market, and this has helped us to strengthen our base in terms of growth in the future.

Olívia Petronilho:

Thank you very much, Carlos.

Marco Calvi, Itaú BBA:

Good morning. I have two questions. Number one, if you could explain the evolution of the gross margin, if we exclude noncash lines, so that there is a pressure on gross margin year-on-year, if you look at cost line. Could you talk a little bit more about that, especially with the brand Fleury, that grew at levels that were very similar to other brands and other businesses of the Company? Where do you see the pressure? And is the pressure going to continue, especially in the line of materials? This is question number one.

Second, if you could talk a little bit more about the redesign of your organizational structure. What types of benefits are we going to see in the next quarter in terms of expenses and the G&A? Thank you.

Carlos Marinelli:

Marco, as to gross margin, as you said, you can see an evolution of costs, especially in medical services and personnel, direct material, it is kind of more or less evenly spread in terms of growth.

What we need to understand on this line that makes us here, in management, confidence about these numbers is that we break it down very well, we know very well what is going on, and we know that this is a specific event in time. There is a pressure, especially coming from innovation.

If you take tests that we send overseas, genomics and genetics, you explain most of the cost evolution of our tests. And why have costs evolved? Because we increased considerably the volume of these three items in contrast with automated tests that we have here.

So if we are in a premium positioning as we are bringing new technologies, bringing volume to these new technologies as we go to the market and expand the technologies, and also as customers and physicians comply and volumes increase gradually, they help us in the long term to reduce the costs momentarily in the beginning, once you start offering the dilution of fixed cost of machinery of kits is limited.

And even with the test that we send abroad, we have a strategy. Once we get a test that we need to send abroad, we want to rapidly in-source the technology through technology absorption or developing the technology in-house, if it is very successful.

For example, unit cost of test, 35% of the variation of unit cost is only related to genetics, genomics and tests sent abroad. So, even though there is the issue of materials, we need to slice that and to understand very well all the variations.

Other thing in that, in terms of automated lines, we organize these automated tests in a way that, at a certain time, some customers, especially hospitals, will start doing this inside the hospital. So there is a reduction of automated tests here in Jabaquara, but the same test can be done inside the hospitals with a higher resolution rate, with better cost structure, and it creates this effect once we break down all the costs.

What I mean here in terms of this is that this is part of our strategy that, at a given time, we affect the gross margin because we are incorporating new technologies, this is our strategic positioning, this is positive in the long run in terms of gross margin, and this assures the execution of our strategic positioning of differentiation, both for the brand Fleury and a+.

Obviously, this starts with Fleury, but as it extends, we bring this venture to a+ with the expectation of higher volumes, and having higher volumes of patients too.

As to the organizational redesign, as we said, you can see the effect that is nonrecurring. This is a significant effect mainly in practice. This is an initiative, something that we need to do all the time.

And then we reorganized, and we want to redo our organizational design, so there is a gain of new expertise, the construction of Fleury platform.

Practically speaking, there is a reduction in terms of the executive officers. There are certain executive officers that no longer exist. We have eliminated some positions of executive officers. So we want to have an organizational structure that responds to market needs and will help us to leverage growth, and that is ready for the future design of high competitiveness.

So I hope I have answered your questions. If there is anything that is not absolutely clear, please, I am available to answer it.

Marco Calvi:

You have answered all my questions. Very clear. Thank you very much.

Fred Mendes, Bradesco:

Good morning. Thank you for the call. There has been a significant growth in the Fleury brand. Of course, if we look test by test, there has been a drop. Could we understand more of those dynamics, the increase in this line, and also how more complex the test with a higher ticket, how do they impact this line?

And secondly, if you could tell us more about Rio de Janeiro, of course, the macro scenario has an impact there too, but could you tell us more about that too? Thank you.

Carlos Marinelli:

Thank you for your question. I am going to start with Rio de Janeiro. Of course, Rio de Janeiro is a market with its own dynamics. It has ups and downs, but in the 2Q we had a time that was more difficult, especially if we compare to last year.

But there are some specific times in terms of payment base, volumes that were not exactly as we imagined, but this is an intense work in terms of positioning, especially when we have interest in commercial work in terms of payer sources for us to organize our payers.

We had a problem with two specific payers in the 1H19, but we are rebuilding this base with other payers so that the growth may go back to the levels we used to have in Rio de Janeiro.

As to Fleury, this is the usual situation, this growth in revenue is also part of what we call the Fleury platform with other services. But this is a matter of a specific fluctuation, which we need to look at when we look at the revenue per test. And there are many other factors, especially for specific commercial negotiations that produce this effect.

The most important is that we keep our growth strategy for the Fleury brand, and we have a portfolio for the brands. The portfolio we have would not allow us to migrate to a portfolio that would be a lot different and is not related to differentiated services. So this is very momentarily, and it is okay, it is normal as we evolve.

I hope I have answered your question.

Fred Mendes:

Very clear. Thank you very much.

Samuel Alves, BTG Pactual:

Good morning. I have two questions to ask. The first one is on expansion plans. I have noticed that you have slightly slowed down in the past few quarters in terms of opening of new units. How do you see your expansion plan, your strategy? Will the opening of new units be concentrated for next year, even 2021?

And the second point, and I understand it might be slightly a bit too strategic, but whatever you could say, even if a little about the rollout strategy, economic revenue in terms of infusion of medications in Fleury and a+ and your other brands. Thank you.

Carlos Marinelli:

Samuel, thank you for your questions. Let us start with Fleury platform, as you said. What I can say about this segment, of course, we have an ambitious plan for that. It is not limited to the pilot, it is a plan for us to grow, but more than anything, it is a plan for us to build a service platform.

In the market, we have the issue of its growth in terms of beneficiaries, user longevity, everything that we have in the market and meet demands increasing healthier people. And those people are healthier, there are more health promotion, and they are more away from hospitals. They do not go to hospitals if they are not really sick, they only go to hospitals if they have something very acute to treat.

The whole platform that we are building in Fleury is a platform to retain these customers, to keep them healthier, to meet their needs, so that we have a continuum of care that is not limited only to diagnosis. We want to connect to other needs to understand, other needs that patients have that they do not have a preferred place to go and so that they have a high resolution rate and high differentiation if they come to us.

As to the Day Clinic, for example, we do not want to be a general hospital. We want to have a specific unit, and even improved occupancy rates of general hospitals, directing more complex surgeries for them, because they are better prepared to do that.

As to the economic aspects, as I said, we have an ambitious plan. It starts with diagnostic medicine, and it is a plan that has capacity of closing the model of the provision of different services that are required by carriers without us needing to invest in assets.

It is a plan that is related to our competence and their operations, very much related to patients and physicians. And obviously, it is a plan that aims to improve the profitability of the Company as a whole, and also our shareholders, because we use certain assets in a different way, providing more revenue with the same asset so there is a reduction in fixed costs.

As to our expansion plan, you are right, comparatively to other years there has been a slight slowdown in our expansion. It is not because it is impossible, but it is because of the overall economic scenario.

We need to mature other investments. We need to focus on investments on efficiency, which is what we have been doing considering the current assets that we have. But we are totally prepared to resume the organic expansion growth once there is a clear indication and a very strong sign of the recovery of economic growth.

And although we do not have expansion plan in an organic way, there are 31 new units in Rio de Janeiro, and so a significant organic growth, and there is also the credentialing of our units.

This is the vision that we have for our expansion plan. I hope I have answered your questions.

Samuel Alves:

Yes, you have answered my question. Thank you.

Mariana Hernandes, Credit Suisse:

Thank you for taking my question. I would like to ask about SG&A. What is going down? And what is recurring? So what is driving the reduction in SG&A? Is it health plans for your staff or anything else?

And the second point is related to negotiations with health carriers. Do you sell tickets with the carriers? Is the stabilization of the market, is it slightly simpler? Or is there a reduction of costs?

Fernando Leão:

Good morning. About G&A, actually, we are still seeing efficiency gains. So we continue to work to improve internal efficiencies, to improve productivity. We have also had significant changes, as we have highlighted, in health benefits to our employees. These are the two main drivers helping us with that.

As to nonrecurring, we highlight the charge for the period because of the significance, and also the coincidence that we have had all these effects in this quarter. For example, we highlight in terms of acquisition, we had four acquisitions, and in previous quarters we did not have any expenses because of their material effect. So we decided to highlight it this quarter, also to show how we have been able to capture the efficiency in the line of expenses.

Carlos Marinelli:

I will answer about the carriers. Of course, 2019, it is a year that has been more difficult, it started more difficult because of the overall economic scenario. We had the expectation that the macroeconomic scenario would be better, and we did not see this happening in the beginning of this year.

It is not any more difficult or less difficult. It has always been hard. And the new economic scenario, whenever there is even good news, even the news that we heard from CAGED, it takes a while for things to be reflected in our real life numbers.

We are still very close to carriers. We have a good partnership with them, and the market will only grow as providers and carriers together have a vision focusing on customers and the solutions that physicians that are on the other end want to provide good health care for their patients. We continue with that focus, and we have found very good solutions.

So, once again, the highlight of Fleury platform, the many new businesses already credentialed by the carriers, they want the credential, we have been talking to them. We want to know their needs, and this is connected to our current assets. This has been, and will remain the keystone with the health carrier.

Mariana Hernandes:

Thank you very much.

Tobias Stingelin, Citigroup:

Good morning. You have been talking a lot about the platform. SantéCorp, have they produced anything more tangible? Anything that may grow in terms of the health plan, specifically? Of the technology, what you have learned, what you have studied, what you can buy and sell, it might be something small. Could you tell us more about how this fits into the overall scenario and how this is evolving?

Carlos Marinelli:

Good morning. Thank you for your questions. The theme of SantéCorp is very relevant, especially within the Fleury platform. SantéCorp offers many services, as a second opinion, follow-up, and then medical cost in companies, this is important. So there are many different types of things that we have under the management of SantéCorp.

We have been working SantéCorp in a way that is independent from Fleury to have a profile as a startup developing competencies. They are maturing products, developing new things, and Fleury has the infrastructure, the assets, connection with customers, reputation and many other elements.

We have been working a lot in connecting these two worlds, so that together they may be an effective response for health carriers and payers. This is still very marginal in the results of Fleury, but it is very clear to us in terms of the strategies that we have chosen.

This is a lever for the future in terms of creating a service platform where we are plugging certain solutions. And in this manner, we can leverage all the services that we have within the Company's DNA, the differentiation and a close contact with patients and customers and physicians.

So creating this environment of high efficiency, high resolution rates, and in understanding that their journey in the use of services does not end once they come and have a test done with us. This is a diagnosis. It appears in many different ways as part of utilization, and the diagnosis is a critical element as part of service utilization.

For example, we talk about predictive models, working with a certain patient on a given case, when there is a higher cost, or a higher likelihood of gains if they are appropriately managed.

It is important to highlight that in any health predictive model we take utilization, patient history, all the information of their office visits. If you add the element of the diagnostic result, of the test, there is a significant and exponential improvement in the predictive capacity to see what will happen to them.

So we are capturing the conditions of the patient in a very early time so that the total health cost will be lower than they would have if we did not have those pieces of information.

We want to embrace patients to manage costs and to provide a solution for employers in terms of the use of health resources, which have been the second highest cost of a company, and it has been so for a while.

Tobias Stingelin:

Your long-term plan, your new products in your platform, how relevant are they going to be in five or ten years? Do you have a long-term plan? Could you disclose those numbers for us? How do you see these businesses as relevant in the future?

Carlos Marinelli:

Yes, we do see them as relevant, but we also need to consider that we have a basis of diagnostic medicine that is very broad. We are talking about a company whose revenues are close to R$3 billion just in diagnostic medicine. So anything that relates to that has a long way to go.

However, we are choosing very well which are the services that we are going to add to the platform, so it is not just our wish, but a response to market demand. The Day Clinic is there, the infusion center was there, and we are meeting very good reception.

We do not think the future is going to be similar to the past. We understand that services will be increasingly more connected. There will be a care continuum and customers will prefer to choose a single service provider that has this connection, like a one-stop shop, with very good reputation that their physicians trust in and that they might comply with this platform or system and might consume everything they need in terms of health care within that platform in a very effective way, much more economically feasible than today, when it is still fragmented, everything is disconnected.

This will make it possible for us to generate efficiencies, to improve the use of our assets, and also to respond to market needs at the same time.

Tobias Stingelin:

Thank you very much.

Operator:

We will now end our questions-and-answers session. I would like to give the floor back to Mr. Carlos Marinelli, who is going to make his closing remarks.

Carlos Marinelli:

I would like to finalize our conference call, reaffirming our positioning of consolidation in a diagnostic industry, growth of our brands and continue to capture market share. At the same time, we continue transforming Fleury brand into a health business platform and continue evolving consistently in personalized and precision medicine, which has presented a huge potential and contributes to a health care model with better treatment and prevention.

All of that is very motivating and is part of our mission to provide increasingly more complete and integrated solutions for health care management and the well-being of people with excellence, humanity and sustainability.

Thank you very much, and have a good day.

Operator:

Grupo Fleury's conference call has now ended. We thank you all for your participation, and have a good day.