



Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to DASA's 4Q12 earnings results conference call.

Today we have a simultaneous webcast that may be accessed through the website at www.dasa3.com.br. The slide presentation may be downloaded from that website as well. There will be a replay facility for this call on the website for a week.

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

Today with us we have Dr. Romeu Côrtes Domingues, Chairman, Mr. Dickson Tangerino, CEO, Ms. Cynthia May Hobbs, CFO, Dr. Octávio Fernandes, VP of Operations, and Dr. Emerson Gasparetto, Director of Imaging, and Mr. Paulo Bokel, Director of Investor Relations.

Now, I will turn the conference over to Dr. Romeu Côrtes Domingues, Chairman. Dr. Domingues, you may begin your conference.

Romeu Côrtes Domingues:

Thank you very much. Good morning and a good afternoon, ladies and gentlemen, and welcome to our 4Q earnings call. Together here with us we have Cynthia Hobbs, CFO, Dr. Octávio Fernandes, our VP of Operations, Dr. Emerson Gasparetto, our Director of Radiology and Imaging, Paulo Bokel, Investor Relations Officer, and Dickson Tangerino, our CEO.

Let us start with slide number three. We highlight aspects of growth, quality, and shareholder return. Speaking of growth, we will first contextualize the economic environment in which the Company operates. The year ended with an economic growth of only 0.9%, lower than expected. According to data from the Ministry of Labor and Employment, Brazil created 1.3 million jobs with a formal contract. This number represents an increase of 3.4% over the number of jobs in December 2011, with a 41% reduction in the number of jobs created compared to the numbers generated in 2011.

Beneficiaries of private health plans reached 25% of the population. However, the year of 2012 was the year with the lowest growth of beneficiaries in private plans of the last nine years, with only 2.9% growth. Therefore we faced a challenging year in which we have reached R\$2.5 billion in gross revenue, with a growth of 4.2%. We achieved a gross revenue of R\$6.04 million in the 4Q12, an increase of 0.5% compared to the 4Q11.

We have opened 22 new units in 2012, three of those in the 4Q. We have just opened last week the third unit of Alta Diagnostic Excellence brand, a unit with two ranges of exams,



including high-end equipment such as 3D-MRI, 128 CP channels, and PET-CT, which will help position our brand in the premium market, a strategic market for us. A lot was to attract and retain medical professionals throughout the Company.

In 2012 we have completed an important step at DASA, in which we have made an improvement in our PSCs units, including 11 refurbished units, which will increase our capacity at these units. One of those was finished in the last quarter.

Additionally, we have installed 17 new high-end equipment, including seven CT and ten MRI. I would like to remind you that the vast majority of this equipment was installed in the 2H12, therefore they are in a process of ramping-up and have not reached all potential revenues. We have just started the operation of Unimed Hospital in Rio de Janeiro and Brasília hospital, both in the 1H13.

Regarding quality, during 2012 we have promoted 216 medical events in Brazil, of which 30 were workshops for doctors, and two were international symposiums, one from Delboni, with 700 doctors, and another from Alta, with 450 doctors in São Paulo.

In conclusion, we had already concluded the recruitment of top radiologists for São Paulo in the end of last year. In chemical analysis, we have installed in Caxias central lab, in Rio de Janeiro, the largest conveyer belt in the world, 100% automating, making this room the most modern and largest lab in the world.

We have already started the installation of a second conveyer belt in the same lab, which will allow us to further increase our productivity. We also brought new technology for macro biology analysis, specifically mass spectrometry. We are always looking for cutting-edge solutions to implement in our operations. We achieved QAP, Quality of American Pathology, accreditation five times in a row, which is the global leader in laboratory quality certification.

Regarding Inova, we are on schedule presenting on DASA DAY, which was to have 25% of DASA's revenues already implemented by the end of the 1Q13. In terms of return to shareholders, our EBITDA in the 4Q12 was R\$73.5 million with an operating cash flow of R\$96.3 million. For the year, EBITDA was R\$104.6 million, and operating cash flow was R\$244.8 million.

I will now return to our CFO, Cynthia Hobbs, to comment our operational results.

Cynthia May Hobbs:

Thank you, Romeu. Turning now to slide four, gross revenue reached R\$404 million in this quarter, an increase of 25% quarter over quarter. In 2012 the growth was 2.3% in clinical analysis. Growth rate was 0.6% for the quarter and 5% for the year, driven by the growth in public and lab-to-lab businesses. In imaging the growth rate was 0.5% for the quarter and 2.7% for the year.

This quarter our revenue was impacted by a number of events, such as the high number of national holidays and the fact that they occurred in the middle of the week, particularly in the 4Q12, had a great impact on revenues. We were also impacted by bad debt on some



health plans, remodeling of units, and our call centers still not operating satisfactorily. We will talk more about these events later.

Going on to slide five, talking about patient service centers, the revenue grew by 0.1% in the 4Q and 4.8% in the year. In imaging, there was a 3.7% growth in the quarter and 6.3% growth in the year. However, in clinical analysis we had a 1.6% decrease in the quarter versus a 3.8% increase over the year. Having a mix with more imaging events increased the average value per requisition by R\$6, compared to the 4Q last year.

This quarter the weaker market environment affected some payers, creating some sales problems which made us reduce exposure to these clients. We also cut the contracts in January 2012 with a player, which in this quarter alone caused a revenue decrease of R\$6 million. Patient service centers remodeling, six only in São Paulo; out of those, two are still closed and will only resume operations at the end of the quarter.

In addition, we continued incentives by the call center, with unique sales for MRI and CT scans that have enabled us to reduce the impact of the cost over operation issues that we are facing. But other imaging exams are still affected by the quality of our call center operations. These very exams are the ones that add more demand for clinical analysis.

Now, I invite Dr. Emerson to comment on the image exams later development.

Emerson Gasparetto:

Thank you, Cynthia. On slide six we see the availability and the frequency of our MRI and CT scans in São Paulo. In the blue bar, we see the availability of 2011 and 2012, which was increased by about 40% in MRI and 30% in CT. In the red line we see the percentage of busy schedules of our scanner both on a 100% basis scale. As there is a high demand for these exams, the drop on utilization was low, ranging from 10% in MRI, 20% in CT. This fact demonstrates the ramp up of our new equipment is on schedule and it has good availability for growth in the coming quarter, with no need of high investments in these modalities of exams. This positive result of CT and MRI in São Paulo offsets the result of other imaging method since these two types of exams account for about 5% of the gross revenue we have at DASA.

Now, going back to Cynthia.

Cynthia May Hobbs:

Thanks, Emerson. Going to slide seven, the revenue for hospital market reached R\$69 million, a decrease of 6.5% compared to the 4Q11, and 6.8% in the year, reflecting the impact of the loss of contracts with the São Luiz hospital. But impact this quarter was of R\$10 million. We have managed to recover approximately 6% of this revenue by adding new hospitals. We would have had an 8.1% growth for this quarter and 11.3% in the year if the São Luiz hospital contracts were not taken into account.

We are committed to restoring profitability in this market. This year we canceled contracts with nine less profitable hospitals. These hospitals accounted for an additional R\$7 million reduction in revenues for 2012. This profitability process to gain profitability is the final stage. On the other hand, we began operations in AC Camargo and Sepaco hospitals in



April. In the 1Q13 we initiated operations at the Unimed hospital with clinical analysis and imaging services, as well as in the Brasilia hospital.

Turning on to slide eight, revenues from the lab-to-lab market reached R\$68 million, a 1.3% increase from the 4Q11, and 4.5% increase compared to last year. This quarter we saw that the strong impact in December due to having fewer working days than in 2011, as well as the strong market competition. We also were impacted by elections and the change of mayors in cities where our customers depend on the SUS public healthcare. The decreased exposure in these cities, many customers closed their laboratories in mid December. We continue with the goal of increasing revenues in our laboratory, and the number of residents per lab in this quarter revenue growth per laboratory was 1.5%, and in the year it was 4.6%.

Going to slide nine, the public market reached R\$44 million in revenues, a 10.3% quarter over quarter growth. In the year, the revenue was R\$180 million, a growth of 16.8%. These increases were primarily due to the implementation of the contract with the Rio de Janeiro City government, which started in August.

On slide ten, talking about costs, we emphasize that the Company's business model we work with a high fixed cost and expenses structure as a percentage of net revenue. This fixed cost and expenses accounted for 32% of net sales average 2012, and if we consider only the costs of personal and occupancy, it represents 40% of net sales.

During the year the cash cost of services totaled R\$1.71 million, an increase of 11% compared to 2011. Personnel cost was the main item responsible for this increase. We increased our headcount with the intent of improving the quality of customer service at our POD, the operation of new units, and for expanding production at our central lab.

In the 4Q, the cash cost of services totaled R\$386 million, compared to R\$344 million in the 4Q11. The cost in the 4Q12 was impacted by approximately R\$10 million for non-recurring costs as well as costs related to previous quarter. The cost of material increased by 0.9% this quarter, despite an increase in the number of clinical tests of 10.6%, reflecting the productivity gains in our labs.

We must remember that we had strong growth in the volume of clinical services in the public, and lab-to-lab markets, where the percentage of costs of material is higher due to absence of costs associated with servicing units, as is the case in outpatient services.

In comparison, the cost of materials in 2012 was of 17.8% of net revenues compared to 17.9% in 2011. In costs of services and utilities, we had an increase in doctors' fees, increased cost in data link, who provide redundancy and contingency systems, therefore increasing the availability. The expenses with equipment maintenance have increased the occupancy cost, which have risen above inflation rate. In the year 2012 we spent R\$587 million compared to R\$519 million in 2011.

I will now turn to Dr. Octávio, who will comment on costs.

Octávio Fernandes:



Thank you, Cynthia. Going to slide 11. Clinical analysis comparing the years 2012 and the same period of 2009, we had a growth in number of patients in the order of 67%, and a cost per exam 6% lower. This could only be achieved with the implementation of technological innovation and efficiency in the production area, which increased our productivity by 21%. This year we have not been affected by price increase inputs nor by USD variation. We will continue to build transparent relations with suppliers in order not to have impact from variable costs in 2013. The second conveyer to be inaugurated in March 2013 we worked in the maintenance and possible increase in productivity in the area of clinical analysis of the Company.

Now, back to Cynthia.

Cynthia May Hobbs:

Thank you, Octávio. Going now to slide 12, our G&A cash was R\$386 million in 2012, compared to R\$365 million in 2011. In the general and administrative line, we have an expense of R\$403 million in 2012, compared to R\$361 million in 2011. This increase is related to a higher headcount at the call center and accounts receivable areas, as well as the increase spending in advertising and market, related to the increase in the number of medical events in 2012. In 2011 we had a bad debt expense of R\$13.8 million, and in 2012 this provision was considered a reduction of gross sales accounted as a provision for credit losses, for the allowance in delinquency and bounced checks. We also sold two properties for R\$49.1 million this quarter, which impacted our results by R\$20.4 million. This is encompassed in the other operating income and expenses line.

On slide 13 our EBITDA reached R\$73 million in the 4Q12, a margin 13.4% compared to 19.8% last year. During the year we had an EBITDA of R\$407 million or 18%. Like I said earlier, a significant percentage of the Company's cost and expenses are fixed, in a quarter where revenue is bigger, the impact on profitability is higher.

Now on slide 14, with income tax and social contribution running at 34%, goodwill amortization and tax utilization allowed us to work with an effective tax rate of 28%. It is important to highlight, however, that although we are using goodwill benefits, because of the acquisition of MD1, some companies have not yet been incorporated pending CADE approval and continue to pay income tax. This effective rate is primarily the result of the payment of taxes of companies from MD1.

Moving now to slide 15, we maintained our provision role, where 100% of payments were overdue by over one year as provisions. We are maintaining our coverage rate for payments overdue by 130 days as around 90%. The average collection period is lower in the 4Q when compared to last year, which contributed to this improvement in cash generation as we will show on the next slide.

The Company reduced the volume of unbilled services from R\$136 million in 2011 to R\$76 million in 2012, so the quality of our accounts receivable has improved greatly in 2012, increasing significantly the volume of invoices issued. To calculate the aging is not considered unbilled services, but only invoices issued.



On slide 16 our operating cash flow for the year reached R\$248 million. The improvement in operating working capital was the result of a reduction in inventory, increase of supplier account, and the reduction of the average collection period. This semester we have reduced the cost of debt, which has helped keep the net debt stable at R\$850 million. And our covenant at the end of the year was of 2.8x the EBITDA.

Moving on to slide 17, our return on invested capital in the quarter was 9.7%, impacted mainly by the increase in investments made last quarter. These investments have medium term maturity days.

Going to slide 18, the CAPEX in the year was R\$230 million and in the 4Q12 it was R\$56 million. We started the operations of four new units and installed one MRI.

I will now pass the floor to Dr. Romeu, who will make the closing and final comments.

Romeu Côrtes Domingues:

Thank you very much, Cynthia. In the final comments on slide 19 you can see that we are working hard on our four major pillars of the Company: doctors, employees, increase in revenue, and reducing costs and expenses.

I would like to emphasize the fact that DASA is a medical company and is dependent on two key aspects: technology and people. With regard to technology, we have already made a good progress with the new image equipment and conveyer belts on central labs. We will further show more improvement with our front-end system integration. We would also like to emphasize that surveys with doctors and health plans show a perception of improvement.

These four pillars lead us to the main driver and the following priorities of this year listed on slide 20, maximizing returns in existing assets, gross revenues, reduced costs and expenses, improve operational quality and people. Many of the actions taken in 2012 are beginning to reach the point of maturity and will show positive impacts in the Company's performance this year.

We already have a cost structure appropriate to our growth this year. We have started the year motivated, energized and confident that we are on the right track for achieving good results in 2013 and beyond for our customers, physicians, employees, and shareholders.

Thank you very much for your attention, and now we would like to open for questions.

Guilherme Assis, Plural:

Good morning, everyone. Thanks for taking my question. I have a question regarding the revenue mix that we saw during the 4Q, and the impact actually on the margins of the Company. As we saw, there was an increase in the average ticket because of higher or more payers administration, although that was not too retracted in this revenue breakdown.

But my question is: with this increase in the average ticket, and I think going forward the increase in the participation of the imaging services, should we expect to have a gain in the



gross margin of the Company? And with this increase in imaging services, which cost line should be affected by this increase? Should we see more pressure on medical expenses or on utilities? Which line should we expect to be impacting? That is my question. Thank you.

Cynthia May Hobbs:

Thank you for your question. In terms of the average price in the 4Q, you are right. We have intensified a richer mix with more image exams, but as well as the volume of lab to lab was very big, and that lab to lab is essentially clinical analysis.

We will continue to grow on imaging, so we can expect an improvement on price coming from more image in the mix. But the public in the lab to lab is essentially clinical analysis, and the average price is a bit lower. And we expect growth in this markets for 2013.

So, the bottom line is we expect a sustainable average ticket growth in 2013, because the mix raises in the year.

Guilherme Assis:

Thanks, Cynthia. Regarding the costs line, will we see an increase in imaging services, where would we see that in terms of costs affecting the Company?

Cynthia May Hobbs:

In services. So, it will improve cost. You have a line called services and utilities, and this is where you have the doctors' fees.

Guilherme Assis:

OK. Thank you.

Bruno Giardino, Santander:

Good afternoon, everyone. My first question is: how many PSCs do you plan to open this year, in 2013? And second, have you seen any kind of improvement in terms of pricing for lab-to-lab operation? Or do you still see a competitive market in that sense?

Cynthia May Hobbs:

Thank you, Bruno, for your question. We hope that we will have for 2013 50% of this number.

Bruno Giardino:

50% of the units opened in 2012?

Cynthia May Hobbs:



Yes, and ten new PSC in 2013. This is what we expect. That is an expansion, of course; it is an increase, new PSCs.

Bruno Giardino:

OK. In terms of the lab-to-lab market?

Cynthia May Hobbs:

Sorry, can you repeat your question, please?

Bruno Giardino:

Yes. Have you seen an improvement in terms of pricing of competition in this market?

Cynthia May Hobbs:

No. We have pretty much the same environment we had in 2012.

Bruno Giardino:

OK. Thank you very much.

Brad Wilds, Trilogy:

Hi. Thanks for taking the question. I had one backward-looking question, in fact one broad backward-looking question on 2012. And then I had a forward-looking question for 2013. So, in 2012 your gross revenues grew 4%. I was wondering if you could give me a sense of where you thought the Brazilian diagnostics industry revenue as a whole, the industry as a whole grew?

And then your margins came in dramatically, I can see that from the investments that you have made in personnel and equipment, in expansion. So, that growth was quite high this year. Going forward, I mean two forward-looking questions, on slide 20, when you talk about maximizing revenue, do you expect revenue growth to be in excess of what you had this year? And could you give us a sense of what would drive that growth, which segment will drive that growth?

And then in terms of your costs, your costs, as I said, were up quite a bit this year. Will your cost growth be as high as it was this past year? And as we look at EBITDA margins, the number you cited here is 18% for the year, I have seen different numbers from analysts on the street. I am trying to get a sense of where you think the EBITDA margin will be in the coming year.

The guidance that you have given in the past is you expect a better 2H in 2013 than in 2012. I am not trying to be flippant or disrespectful, but it is hard to see that it could be much worse. So, I am trying to get a sense of where we are going with these metrics, and if you could help me understand that, I think that would be helpful. Thank you.



Cynthia May Hobbs:

Thank you, Brad. If you look to the market as a whole in 2012, the GDP in Brazil is no less than 1%. The health industry grew 8% and we grew 4%. What happened at DASA in 2012 was mainly due to events, so we spent many months of 2012 with no CEO, no CFO. We had changes in equipment, so we have been publishing our PSCs. We had a lot of problems in call centers, we still have, so that is why I said that we expect to grow to improve performance in the 2H, because it not only problems in the handling of the new equipment should be more stable. So, that is why we see that in 2013 we can grow much more than we have in 2012 with all these problems that we faced.

Brad Wilds:

So, that to the 4% revenue growth in 2012. What about costs and EBITDA margin? Will you costs be below your growth rate revenue in 2013, do you believe? Or will it be again a year where you are investing heavily and your cost growth will be in excess of revenue growth and we should expect further declines in EBITDA margin?

Cynthia May Hobbs:

Brad, if you look to our structure, our cost structure, basically in terms of net sales 50% is fixed costs. So, this is heavily impacted by inflation. So, there is no way out; there will be impact in 2013. But we do not foresee any structure change that will add health cost as part of inflation.

Brad Wilds:

And inflation is running at what rate?

Cynthia May Hobbs:

Inflation is running at 4%, 5%. I am being very optimistic, more in the range of 5%.

Brad Wilds:

So, do you think you will be able to maintain your EBITDA margin at the current level that you showed here in your slide deck of 18.4%, or should we expect that to be down?

Cynthia May Hobbs:

I do not like providing guidance, I prefer to give you the main drivers of our business.

Brad Wilds:

OK. Thank you.

Victor Natal, Itau BBA:



Thanks for the call. My first question: I would like to know a little bit more about Inova. Do you have any news on that, and do you still expect a 10% productivity boost forecast in DASA Day? And secondly, what do you expect about passing inflation through prices in 2013, and what do you foresee for contracts renewal over the year? Thank you.

Cynthia May Hobbs:

Thanks. In terms of Inova, we said that we provided for DASA Day, so we do not foresee delays at this point. I mentioned at DASA Day that in brands that we have already implemented Inova we have this ability to increase productivity in 10%.

Another thing as well, we do not have a final number of what will be the productivity improvement in our brand with this implementation. So, there is a schedule and the productivity will be... I do not have the right number right now. In terms of looking to 2013, we do not expect any major change compared with 2012.

Victor Natal:

OK. Thank you.

Operator:

This concludes the question and answer session. At this time I would like to turn the floor back to Dr. Romeu Cortez Domingues, Chairman, for any closing remarks.

Romeu Cortez Domingues:

Thank you very much for attending our earnings call. I will be glad to meet you again for the next release. And I would like to say that we are very optimistic with this year, and we will keep in touch during this period. Thank you very much. Bye-bye.

Operator:

Thank you. This concludes today's DASA's 4Q12 earnings results conference call. You may now disconnect your lines.

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