



Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to DASA's 1Q14 earnings conference call. Today, we have a simultaneous webcast that may be accessed through the website, 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 Mr. Dickson Tangerino, CEO, Mr. Márcio Fernandes, VP of Administrative and Financial, and Mr. Paulo Bokel, IR and Financial Officer. Now, I will turn the conference over to Mr. Paulo Bokel, IR and Financial Officer. You may begin your conference.

Paulo Bokel:

Thank you. Good morning, everyone, and thank you for participating. Welcome to DASA's 1Q14 results conference call. We will begin on slide number three, presenting growth, quality, and shareholder return. Gross revenue came to R\$733 million in the quarter, 14.5% up compared to the 1Q13, led by the lab-to-lab business, which took up 22.8%, and outpatient with 14.5%. In the quarter, we delivered 23 refurbished units and opened three units.

In the medical area, 48 papers were submitted to the AACC 2014, the world's largest clinical analysis event, which will be held in July. Doctors presented more than 30 lectures in national/international conferences. We continued incorporating state-of-the-art technology to our services. We opened a lab in Cascavel, expanding installed capacity for the lab-to-lab market. We are also expanding and modernizing the labs in São Paulo and Brasília.

In Image, we acquired the first 320-channel CT Toshiba Aquilion ONE VISION. The equipment, a pioneer in Latin America, is able to conduct new innovative studies with decrease in the usage of intravenous contrast and with the significant reduction of radiation dose, with reducing up to 80% in the current radiological examination, for example. This reinforces our strategy to be innovative in complex tests in our pioneerism in bringing new technology to our customers.

Regarding shareholders' return, EBITDA came to R\$112.6 million in the 1Q, 13.6% higher than the 1Q13, with a margin of 17%. Operating cash flow totaled R\$37.3 million with cash net income of R\$29 million.

Moving on to slide four. Gross revenue totaled R\$733 million, 14.5% more than in the 1Q13, comprising 13.4% from Image and 15% from Clinical Analysis.



Moving on to slide five. The service units grew by 14.5% in the 1Q14, with same-store sales up 12%. In the quarter, we recorded the biggest increases in Image in the last 24 months, totaling 14%, reflecting investments in 2012 and 2013.

Clinical Analysis growth remained strong, having totaled 14.8%, impacted by contract renegotiations and higher number of tests per requisition. We keep growing the number of MRI and CT tests in the image mix, which, coupled with the contract renegotiations and higher number of tests per requisition, helped us increase our average requisition price by 14.6%, or 10.9% compared to the 1Q13.

Let us move to slide six. The hospital market revenue totaled R\$67.8 million, 11.1% more than the 1Q13. Average ticket grew by 21.8% to R\$68.06. These results were achieved despite the contracts canceled during the year, thanks to our strategy of focusing on profitability. The more complex mix in our hospitals and new contracts in early 2014 pushed growth in this market.

On slide seven, we can see that the lab-to-lab revenue came to R\$79.1 million, a significant increase of 22.8% over the 1Q13. The number of customers increased by 88 laboratories. Revenue per lab grew by 20.7% and requisitions per lab by 18.7%.

We continued with our strategy of increasing our penetration, prospecting new customers and opening new logistics routes, while seeking to improve the product mix for our customers with new services and increased volumes in certain areas.

Moving on to slide eight. In the public market, we posted revenue of R\$46.6 million in the period, 6.7% higher than in the 1Q13, mainly reflecting the expansion in revenue from existing customers, given our selective approach in relation to new customers.

On slide nine, we comment on costs. In the 1Q14, costs from services totaled R\$424 million, 13.1% more than the 1Q13, representing 64% of net revenue, a dilution of 0.4 p.p. Personnel expenses grew by 12.1% compared to the 1Q13, while decreasing 1% in relation to the 4Q13 due to a more efficient management of benefit package and personnel. Costs of materials increased by 15.6% compared to the 1Q13, due to the strong growth of Clinical Analysis segment, especially in the lab-to-lab market, in which the percentage share of the cost of materials in the past is significantly higher compared to the outpatient market, and also due to the higher complexity of these tests.

Costs of services and utilities grew by 11.2% compared to the 1Q13, and just 3.9% in relation to the 4Q13 due to the several cost initiatives. This line includes cost of medical reports impacted by 13.4%.

Moving on to slide ten. Operating expenses came to R\$125.5 million in the 1Q14 compared to R\$108 million in the 1Q13. Excluding non-recurring expenses, tender offer, and the CADE – Brazilian Antitrust Authority – in the amount of R\$4.6 million, this line would stand at 9.1% instead of the 13.7% increase reported. This line also was impacted by an increase in provision for contingencies.

Let us move on to slide 11. EBITDA totaled R\$112.6 million, 13.6% more than R\$99.1 million recorded a year ago, with a margin of 17%.



On slide 12, we will discuss income tax and social contribution. The reduction of the statutory rate from 34% to 31.1% of service in the income statement is basically due to the results of DASA Finance, our subsidiary located abroad. We recorded a cash rate of 30.5% in the quarter.

Slide 13 shows that we have maintained our provision for doubtful accounts with 100% of the receivables overdue more than 360 days provision. Provision for doubtful accounts and allowance in the quarter represented 3.7% of gross revenue versus 3.2% in the 1Q13. As mentioned in our last call, account reduction presented a downward trend, but due to several initiatives we have been implementing, we finished the quarter with an average collection term of 86.5 days.

Slide 14 presents our cash flow. Operating cash flow came to R\$37.3 million, excluding the R\$53.9 million related to the withdrawal of a tax judicial deposit.

Slide 15 shows the Company's debt profile. Our net debt profile shows that virtually 100% of the Company's debt is pegged to the CDI interbank rate. In April, we settled the interest related to the second, third, and fourth debenture issuances and also the first installment of the second issuance of R\$233.3 million of debt, totaling R\$306 million.

Page 16 shows our return on invested capital, which stood at 10.5% in the quarter. We are focused on maintaining our invested capital at levels compatible with our ROIC for levels above our cost of capital.

As presented on slide 17, our CAPEX came to R\$30.2 million, with the opening of three units and 23 refurbishments concluded. We remain focused on opening and expanding units in the remainder of the year.

Please, turn to slide 18. In the 1Q14, we again posted figures with two-digit growth in three out of the four markets the Company operates. This reflects our goal of constantly and gradually improving the Company's performance. We still have big challenges ahead, but we are controlling costs, expenses, and CAPEX while modernizing our facilities and pursuing prices compatible with our services.

The Q&A session is now open.

Operator:

At this time, I am not showing any questions. So, this concludes our question and answer session. At this time, I would like to turn the floor back over to Mr. Paulo Bokel, IR and Financial Officer, for any closing remarks.

Paulo Bokel:

Thank you very much for your attention. We are looking forward to meeting you in the next earnings call next August. Thank you. Have a good day.



Conference Call Transcript
1Q14 Results
DASA (DASA3 BZ)
May 13th, 2014

Operator:

Thank you. This concludes today's DASA 1Q14 earnings results conference call. You may now disconnect your line.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's investor relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."