Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would welcome everyone to DASA's 3Q14 Earnings Results 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 that for this call on the website for one week.

Before proceeding, let me mention that forward-looking statements are based on 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 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; Dr. Octavio Fernandes, VP of Clinical Analysis; Mr. Marcio Fernandes, VP Administrative and Finance; Mr. Paulo Bokel, Investor Relations and Finance Officer and Dr. Emerson Gasparetto, Director of Radiology Graphic Methods. I will now turn the conference over to Mr. Paulo Bokel, Investor Relations and Finance Officer. You may begin your conference.

Paulo Bokel:

Thank you. Good morning and good afternoon, everyone. Thank you for participating in our 3Q earnings results call. Please go to slide number three.

As usual, we will cover DASA's growth, quality and return for shareholders. Our gross revenue reached R$800.7 million this quarter, up 11.7% compared to 3Q13. The largest increases were Lab-to-Lab with 14.9% and outpatient with 14.5%. We delivered 13 renovated unit and six new units and we have 38 ongoing works.

Additionally, we have installed a technical center at the new Hospital das Américas, in Rio de Janeiro, inaugurated in October, which will be one of the most important hospitals in the city. We also undertook the global launch of Roche's New Conveyor Belt at the Central Lab in Brasília, which expands the lab's capacity and allows decentralization of exam. Delboni International Symposium had 1,000 people enrolled, while 30 DASA doctors gave lectures at the Brazilian Radiology Congress in Rio de Janeiro.

With regard to shareholder returns, our EBITDA reached R$128.6 million in 3Q14, up 6.5% compared to 3Q13, with a margin of 17.7%. The operating cash flow was R$113 million and net income reached R$46.3 million for the quarter.

Now, I will turn to slide number four. The Company's gross revenue reached R$800.7 million, up 11.7% in relation to the 3Q13, with 13% growth in image and 11.1% in clinical analysis. In terms of markets, the Lab-to-Lab market reached 11% of total gross revenue, hospitals 9.1%, public 5.4% and outpatient 74.5%.

In the slide five, the units grew by 14.7% in 3Q14. Same-store sales reached 14.8%.

The growth of imaging totaled 15.4%, higher than the 13.9% growth of clinical analysis. The average requisition price increases by R$15, or 10.8% when compared to the 3Q last year, which may be explained by three factors.

First, we continued with the richer image mix, with the modernization and expansion of our technology part, mainly MRI and CT scan equipment. The second factor was increase in the number of clinical analysis tests per requisition; and the third factor was the renegotiation of agreements.

Moving on to slide six, hospital market revenue reached R$73.1 million, 5.7% higher than last quarter. Year-over-year, there was an increase in the average value per requisition due to the last year's cancellation of less profitable contracts, as well as the entry of more profitable contracts during this year. This affected the clinical analysis and image mix.

Moving on to slide seven. Revenue from the Lab-to-Lab market reached R$87.9 million, up 14.9% for the quarter. The growth of revenue per lab was 15.1% reaching R$17.5 thousand.

Moving on to slide number eight. The public sector market reached a revenue of R$43.2 million, down 14% compared to 3Q13. Two contracts added this quarter, and we will continue to be very selective in choosing new customers.

Moving on to slide number nine, related to costs. In 3Q14, the cost of services totaled R$461 million, up 11.4% compared to 3Q last year, reaching 63.3% of net revenue. Personnel costs increased 10.1% due to the hiring of employees to support the operation and the collective bargaining agreements in Rio.

Let us go back to slide number nine. In 3Q14, the cost of service totaled R$461 million, 11.4% higher than 3Q13, reaching 63.3% of net revenue. Personnel costs increased 10.1% due to the hiring of employees to support operation and the collective bargaining agreement in Rio last November, and in São Paulo this May.

Material costs increased 9.4% in comparison to 3Q13, less in the growth of clinic analysis due to the growth in the Lab-to-Lab market, reduction in the public market, the mix change and increased in the image that we had this quarter.

Services and utilities remained stable at a percentage of net revenue, compared to 3Q last year, despite the inflation in the period which, in fact, is mainly occupancy cost. This line was also impacted by the strong growth on image due to the payment of medical reports and growth of Lab-to-Lab market through the commission of representatives, both of which are variable costs.

As a result, the cash gross margin increases from 36% to 36.7% this quarter, due to the reduction in personnel, in materials of 0.5%, an increase of material expenses of 0.2%.

On slide ten, cash operating expenses were R$138.2 million compared to R$111.7 million this quarter, impacted by the hiring of employees, collective bargaining agreements increased provisions for contingencies and by the fact that in 3Q13, we recorded a gain of R$7 million due to the renegotiation of an equipment purchase agreement that we did.

Moving on to slide 11, our EBITDA reached R$128.6 million, up 6.5% from that R$120.7 million reported last year. We reached a margin of 17.7%. Excluding this non-recurring gain of R$7 million, mentioned before, the 3Q EBITDA margin in percentage term would have been in line with the percentage reported to the same period last year.

Moving on to slide 12, regarding to income tax and social contribution. For the quarter, we achieved a cash rate of 12.5%, following the merger with MD1 and Companies, we were able to make use of the tax benefits to the amortization of goodwill.

Moving on to slide 13, we have maintained our rules in the provisions for doubtful accounts where a 100% of the receivables above 360 days are provision. The average collection period is 86.2 days. The level of provision for doubtful accounts and deductions was 2.6% of gross revenue compared to 4.2% during the 2Q last year.

There is a downward trend in the area of reduction with provisions due to the range of actions that we are implementing.

In slide 14, we show our operational cash flow, which reached R$113 million. We continue to generate strong cash flow, not only to improve receivables, but also to the other working capital accounts. This permits a conservative debt management, as well all of us who invested in the Company's growth, and is still reduces net debt.

In slide 15, we present the Company's debt profile. The Company's debt is almost entirely the issues of debentures and denominated in CDI. In October, we paid interest on the second, third and fourth issues and the stock installment of the third issue, totaling R$129 million.

We remain focused on reducing not only the size of the net debt, which has been decreasing every quarter and ended the 3Q at R$730 million, but also its cost, which resulted in our financial expense of R$21.7 million in this quarter, a R$94.9 million in the last 12 months.

This deleverage reduced the net debt-EBITDA ratio to a comfortable 1.6x. We ended 3Q, this quarter with a cash position of R$592 million, which will be partially used to pay the debentures in April 2015. With regard to foreign exchange exposure, we have a small loan position of R$1 million.

On page 16, we have our return on invested capital. This quarter it reached 10.7%. We have focused on maintaining our invested capital at levels compatible with the right exposure for levels above the capital costs.

In relation to CAPEX on slide 17, we reached R$51 million with the opening of six units and 13 renovations concluded. In terms of CAPEX allocation, out of the R$115.9 million invested this year, 39% went to image equipment, 39% to remodeling in new units and 22% to IT investments. The total amount invested for 2014 should be a lower than the R$200 million approval.

Let us move on to the question-and-answer segment. Thank you.

JC Santos, BTG Pactual:

Hey, good morning. Just wanted to discuss a little bit further on the cash flow profile, we have seen some pretty strong cash flow in the quarter. Just wondering, if a more efficient working capital structure is something that you believe is more sustainable over the next years, the initiatives that you are doing in order to reach a lower level of working capital needs and what we should expect going forward? Thank you.

Paulo Bokel:

Yes. Just recently, what happened to our cash flow this quarter, basically, if you see the most important account that we have, the accounts receivable, and we are doing a good job receiving the money there, so there is no issue there.

That is one of the things that help us a lot in terms of cash flow. I think it that we had, because of also after the incorporation of all the companies that we did last July, helped a lot in terms of still using the taxes that were collected last year to be used this quarter also. So, there are some usage of taxes that was previously collected that helped the cash flow.

JC Santos:

Got it. Thanks, Paul. So just as a follow-up, we have seen an improvement in these allowances as well, I just wondered, if you could discuss a little bit, the recent implementation of the new tables.

I think it is more of a sector wide movements that we have seen from the National Health Agency increasing in the regulatory scrutiny in order to reduce the level of these allowances, if you already felt any sort of impact on that perspective, and if you believe that this is something that eventually over the next year or so should help to reduce these allowances even further.

Well, not only these allowances, but also from a G&A perspective in terms of, I can imagine that you guys have a huge structure of personnel, and etc., just to deal with disallowances, if these initiatives from the regulator could eventually bring a further reduction in the costs related to that specific line? Thank you.

Marcio Fernandes:

So, last quarter, I specifically mentioned that the allowance levels we presented for that quarter were impacted by one specific negotiation with an important and large player. But I also mentioned that we conducted several operational improvements in the receivables department and affected the whole revenues chain internal processes.

I believe we are in our initiatives than ANS ones, at least for now. I have suggested in last earnings calls three months ago that we expected to see figures closer to an average of several quarters, having said that, going forward, this quarter level I believe is more of a better estimate for the allowance less than last quarters, but we will always see some fluctuations in the figures depending on particular negotiation.

JC Santos:

That is excellent. But do you believe Marcio that all of those initiatives of ANS, could they eventually get any sort of positive impact here or do you believe that this is more something related to the processes itself with virtually no significant improvements in these allowances coming from those initiatives?

Marcio Fernandes:

We may, as they are getting some important results from that JC, but then, I think it is too early to estimate how much we could get from there, but it is likely that we get some interesting results from that as well.

JC Santos:

OK, Marcio. Thank you very much for that. Thank you.

Rafael Frade, Bradesco:

Good evening, everybody. Just a question, we have been hearing some rumors about some health operators facing financial troubles, you can see these by the loss ratio of the sector as a whole, even with a huge increase in price, we have seen significant deterioration loss ratios. I would like to know, if from your perspective, this is already being a problem, you were facing this kind of problem from some of your payers, so if you could give us a brief overview about how you are seeing this situation of your main payers?

Paulo Bokel:

We are looking closely, but, as you can see in our provision, we just had 2.6% this quarter. We are having no problems receiving the money, collecting money from the payers yet. Basically, what we are doing just watching closely, but so far, no problem.

Rafael Frade:

OK. Thank you, Paulo.

Operator:

At this time, I am seeing no further questions. I would like to turn the floor back over to Mr. Paulo Bokel, Investor Relations and Finance Officer for any closing remarks.

Paulo Bokel:

I would like to thank you all for participating, invite you all to our 2014 DASA DAY, the day after tomorrow on the 13, here at our headquarters in Alphaville. Please see the agenda on page 18, the event will start at 8:30 AM. We would like to see you there. Thank you very much for attention and hope to see you on our next earnings call.

Operator:

Thank you. This concludes today's DASA's 3Q14 earnings results conference call. You may disconnect your lines at this time.

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