Operator:

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to DASA's 4Q14 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 depends 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. Pedro Bueno, CEO; Dr. Octavio Fernandes, Vice President of Clinical Analysis; Mr. Carlos de Barros, Vice President Administrative and Finance; and Mr. Paulo Bokel, Investor Relations and Financial Officer.

Now, I will turn the conference over to Mr. Pedro Bueno, CEO. You may begin your conference.

Pedro de Godoy Bueno:

Thank you. Good morning everyone and thank you for coming. This is my first earnings release call at DASA and it is a pleasure to be here with you. First of all, I would like to point out that the numbers we are about to present include Pro-Echo's and Lafe's company, which are discontinued operations. We will be covering the aspect of growth, quality and return for shareholder in slide three.

Gross revenues came to R$744.1 million in 4Q14, 8% growth compared to 4Q13 led by the lab-to-lab segment, which grew 18.5% and outpatient segment, which grew 7.9%. We delivered 20 renovated units and 11 new units besides installing four MRI's and 2 CT's. We also have 25 renovations in progress.

In recognition of our current initiatives to improve quality for our patients, we received two awards granted by patient votes. Sergio Franco brands receive the 2014 Epoca ReclameAQUI Award as a Laboratory and Imaging company providing the best service whereas the LabPasteur brand was voted one of the 35 consumer favorite companies in Ceara State by the 2014 Major Brand Award, granted by the Diario do Nordeste newspaper jointly with Institute of Vox Populli.

The brand stood out in the healthcare segment in the category of clinical analysis laboratory. More over 30 doctors from DASA group attended the RSNA, Radiological Society of North America Annual Meeting in Chicago in December and two papers were awarded.

Concerning shareholder return, our EBITDA totaled R$54.4 million in the 4Q14 and R$410.6 million in 2014. Operating cash generation totaled R$33.4 million in the 4Q14 and R$270.3 million in 2014. The earnings came to R$82.6 million in 2014.

Now I would like to invite Paulo Bokel to comment on the Company's operating results.

Paulo Bokel Catta:

Thank you, Pedro. After the highlights presented by Pedro, I will turn to slide four, where you see the Company's gross revenue. The Company's gross revenue amounted to R$744.1 million in 4Q14, up 8% year-over-year with 9.1% growth in image and 7.5% in clinical analysis. In terms of market, the outpatient market accounted for 73.8% of gross revenue, lab-to-lab 11.7%, hospitals 9.2%, and the public 5.4%. In 2014, gross revenue totaled R$3.021.7 billion, a 10.1% rise, with 10.3% growth in image and 10% in clinical analysis.

On slide five, we see the outpatient market grew by 7.9% in 4Q14 with same-store sales reaching 8.3%. The image segment increased by 10.8%, higher than the 5.9% increase in clinical analysis. In 2014 the growth was at 11.1%, with same-store sales of 10.8%.

Image grew by 11% and clinical analysis by 10.6%. Average requisition price increased by R$9.4 or 6.4% in the 4Q14 when compared with 4Q13 due to our increasing richer image mix with the rating and expansion of our technology park, specially MRI and CT equipment to the higher level of clinical analysis tests per requisition and to the renegotiation of contracts.

Moving on to slide six. Hospital market revenue stood at R$68.2 million, up 3.2% in this quarter. Year over year there was a decrease in the average value per requisition due to the contract cancellations in 2014. In 2014 gross revenue totaled R$280.8 million, a 5.2% rise against 2013.

Moving on to slide seven, revenue from lab-to-lab market amounted R$86.9 million, up 18.5% in the quarter, revenue per lab rose by 18% to R$17.200. In 2014 there was a growth of 16.5% with a revenue of R$335.6 million.

Moving on to slide eight, we recorded revenue of R$40.2 million in the public sector, down 1.4% from 4Q13. We continue to be very selective in choosing new customers. In 2014, the revenue amounted R$174.2 million, a 4.3% decrease against 2013.

Moving on to slide nine, related to costs. In the last quarter of the year, the cost of service cash totaled R$455.9 million, up 9.9% from the same quarter last year, corresponding to 68.8% of net revenue.

Personnel cost rose by 11% due to the new employees hired to support operations and the collective bargaining agreement in Sao Paulo in May 2014, and in Rio Janeiro, in November 2014. Material costs increased by 8.6% in relation to 4Q13 due to the growth in the lab-to-lab market, the mix and price increases of some suppliers.

The cost of service and utilities increased by 9.1% due to the doctor's fees and commissions paid to lab-to-lab market representatives. These variable costs were impacted by the growth in image and the lab-to-lab market respectively.

On slide ten, cash operating expenses stood at R$152.2 million compared to R$100.4 million in the 4Q13, this account was impacted by the recruitment up employees, collective bargaining agreement and non-recurring expenses. There was a R$0.2 million expense related to CADE and a R$23.5 million fixed assets write off, both of which were non-recurring expenses.

Moving on to slide 11, our EBITDA totaled R$54.4 million versus R$113 million reported last year, with a margin of 8.2%. Non-recurring expenses mentioned in the previous slide impacted EBITDA margin this quarter by 3.6 p.p. In 2014, there was an impact of 1.1 p.p., considering expenses on Tender Offer and CADE in the amount of R$6.2 million and a R$23.5 million fixed assets write-off.

Moving to slide 12, related to income tax and social contribution. We achieved a cash rate of 14.3% in 2014. Following the merger of MD1 companies, we were able to make a use of tax benefits to the amortization of goodwill.

Slide 13 shows that we have maintained our provisions for doubtful accounts with 100% provision of the secured over 360 days provision. The average collection period was 91.4 days. The level of provision for doubtful accounts and deductions was 3% of gross revenues compared to 2.3% last quarter.

Slide 14 shows our operating cash flow, which came to R$33.4 million. We once again posted strong operating cash flow. This helped us to manage our debt conservatively and maintain our net debt stable, while investing in the Company's growth.

Slide 15 shows the Company's debt profile. We can see that the Company's debt is almost entirely indexed with CDI. The net debt/EBITDA ratio is 1.9X down from 2X in December of 2013. We ended 4Q14 with a cash position of R$440.2 million, which will be partly used to pay the debentures in April 2015.

Regarding our offer exchange exposures we currently have a small long position of 1 million.
On page 16, we see our return on invested capital at 8.4% in this quarter. Moving on to slide 17, our CAPEX came to R$91.9 million in this quarter with 11 new units opened and 20 refurbished, as well as four MRI's and two CT's installed. In terms of CAPEX allocation, out of R$207 million investment in 2014, 38.1% went to new equipment, 34.2% to refurbishments and new units and 26.5% to IT investment.

Now we go to the Q&A section. Thank you.

Rafael Frade, Bradesco:

Good morning. My question, this year you guys did a large number of refurbishment and also open-up new units. I would like to know if this should be in the new running rate for the company or specifically you were more active on this. So, what could we expect for 2015?

Pedro de Godoy Bueno:

Hi, Rafael. Thank you for your questions. This is Pedro Bueno. As you know DASA's new strategy is to focus on our clients and improve our quality of service and medical quality. Therefore we will continue to refurbish our units, mainly in Sao Paulo in the Delboni brand and Lavoisier as well, we continue our organic growth through the expansion of new patient service centers.

Rafael Frade:

Okay. But just a follow-up on this. So, these 100 units would be more or less the level to work for 2015 or maybe it would be closer to 2013 ,like 50 units?

Pedro de Godoy Bueno:

Rafael it is going to be less than the 100 that we did this year.

Rafael Frade:

Okay. That is perfect. Thank you.

Bruno Giardino, Santander:

Good morning, everyone. My first question is regarding the USD. There has been a huge depreciation on Reais, I just wanted to know how do we expect this to impact the purchase of materials in 2015. That is my first question.

Octavio Fernandes:

Hi Bruno. Here is Pedro speaking. Of course, we could predict that the USD would rise in 2015 and we have budget raised and of course we are struggling with our providers. But so far we have been very successful with our negotiation. We hope that we are going to have an increase in our variable cost that is going to be less than the USD increase in January 2015.

Bruno Giardino:

OK. Do you have a number of how much of your material is linked to the USD.

Pedro de Godoy Bueno:

We think directly and indirectly linked to dollar was about 50% of our costs. What I mean by that, that as an example. As Octavio mentioned, all the clinicals that we purchase in reais in Brazil, but they are imported.

Bruno Giardino:

Understood. And I have a second question on recent news flow. Yesterday there were some news saying that the government would be willing to regulate the price of labs as to control medical inflation. Do you think this could be a threat for further negotiations that the Company had with the payers and clients.

Pedro de Godoy Bueno:

Bruno, of course, there is always a risk but we expect that this legislation will not pass.

Bruno Giardino:

Okay, thank you. Have a good day.

Pedro de Godoy Bueno:

Thank you.

Caio Moreira, Fator Bank:

Hi and hello all. I have two questions, The first one is regarding deductions. I want to understand what affected deductions for us to see a 1.7 p.p. increase during the quarter. My second question would be, in regard to other operating revenues and expenses which came in at a value of R$23.5 million. I just wanted to understand little bit more what are these fixed assets that had to be written off. Thank you.

Pedro de Godoy Bueno:

You are basically talking about deductions, what happened is that deductions change every single quarter due to what we receive or not from our client. Basically this quarter, it was an increase compared to last quarter, because we did some commercial agreements with them, and basically this commercial agreements happen all the time and this time this quarter was a little bit higher than the previous quarter. So basically that is what happened.

Concerning the second question, the other operating expense of R$23.5 million basically, what happened that we did a inventory about all the fixed assets of the Company and basically we decided to make this write-off because of the difference that we found from the investments that we did and what was record in our books.

Caio Moreira:

Alright. Thank you.

Lawrence Rosenberg, Cornerstone Capital Management:

Thank you very much for taking my question. My question is kind of two parts relating to the EBITDA margin. The first is that my sense was given the slowdown in the Brazilian economy that, that would reduce the upward inflationary pressure on rents and personnel costs, but it clearly does not seem like that has really begun to benefit you yet. I was wondering, even though it may not have been in the 4Q14, if you are starting to see signs of that and potentially if you could quantify even broadly, what kind of benefit that might give you in 2015.

And just more broadly, even though you are reinvesting in the business to improve quality and just the breadth of your offering, I was wondering what actions you are taking to try and improve your EBITDA margins independent of maybe any benefits you would get from slowing inflationary pressure. Thank you.

Carlos de Barros Jorge Neto:

I will take the first part of your question and then Pedro will answer the second one. So regarding cost on the, on the 4Q14, you're right. The economy has been slowing down, but a number of these line items that you have mentioned will not see this reflected in this speed. So, for example, rents, we will see a slowdown in growth of rents as the rental agreement start running off, and this is not immediate.

And regarding, personnel expenses I think, we see two factors there. First, personnel expenses here in Brazil generally get readjusted with inflation in the fees. So this you are going to see year after year, and we have been bulking on personnel expenses in order to prepare for growth. And what happened in the 4Q14 was that the growth did not come, we had a weak quarter in terms of revenue and this is part of the reason why you saw EBITDA margins being pressured on the 4Q.

I will let Pedro take the next.

Pedro de Godoy Bueno:

So Lawrence, in terms of EBITDA improvement, first we believe that with a better quality and with the growth that we are having we are going to attract more patients and as more revenue comes in we are going dilute the fixed costs. So, that is one thing. And then the other, we might do some cost reductions if, and only if, it does not impact in quality, so it might not be very significant. But we always think in the long term.

Lawrence Rosenberg:

OK, thank you. And can you, maybe just comment on why it sounds like your expectations of more volume did not materialize?

Pedro de Godoy Bueno:

In December, specifically was very low revenue and then in January and February was also low, but we are seeing that in March, it is coming back and it is a strong month. So we believe that it is something that would happen in the 4Q14, but in 2015, we will be able to achieve our budget in revenues.

Lawrence Rosenberg:

And just if you do not mind, I apologize, lastly, can you just talk about your capacity utilization today and why it is so imperative to expand and invest in growth, because it seems like you still have a lot of unused capacity that you could grow into?

Pedro de Godoy Bueno:

So, although we do not have full capacity in our existing units, when we expand, we choose regions where there are not that many competitors in which we are not present. So we are actually getting patients from other players. So that is why we still expand although we do not have full capacity in the existing units. They do not compete with each other.

Lawrence Rosenberg:

Got it. Thank you very much.

Pedro de Godoy Bueno:

Thank you for your question.

Operator:

Having no further questions, this concludes the question-and-answer session. At this time, I would like to turn the floor back over to Mr. Pedro Bueno for any closing remarks.

Pedro de Godoy Bueno:

Thank you very much for the attention. And I hope to see you on our next earnings call. Thank you, very much.

Operator:

Thank you. This concludes today's DASA fourth quarter 2014 earnings results conference call. You may disconnect your lines at this time.