Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time I would like to welcome everyone to DASA's 1Q10 earnings results conference call. Today we have a simultaneous webcast that can be accessed through the Company's 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 for one 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. Marcelo Barboza, CEO; Mr. Carlos Alberto Moura, CFO; and Mr. Felipe Rodrigues, Investor Relations Officer. Now I will turn the conference over to Mr. Marcelo Barboza, CEO. Mr. Barboza, you may begin your conference.

Marcelo Barboza:

Good morning and welcome, everyone, to our 1Q earnings call. We will start in the highlights slide. Our revenue in the 1Q reached R$390 million, a double-digit growth, even in a quarter with tough comps and affected by record rainfalls in São Paulo in January and February. March was back on track with growth at 14.5%.

Our gross margin reached 41.9%, up 390 b.p. due to the operational efficiencies, initiatives such as management of portfolio of PSCs and products, price and purchasing. Our EBITDA reached R$93.6 million, up 22.4%. And finally, we maintained our commitment to be free cash flow positive at R$37.8 million.

I will now ask Felipe Rodrigues, our Investor Relations Officer, to address our operational results.

Felipe Rodrigues:

Thanks, Marcelo. Good morning, all. Moving to slide four, we can observe that our revenue diversification strategy really paid off this quarter. The B2B and B2G compensated for the lower volume observing the Outpatient segment. Together B2B and B2G already represent 23% of our total business and we will probably continue to see them gaining share in the near future.

Moving to the next slide and having a closer look at the Outpatient business, we see an interesting growth in the average value per requisition, helped by a richer mix, but mainly impacted by our pricing strategy. We would like to highlight again in the volume that we saw a one-off January due to the heavy rains, but we already saw March and April growing double-digits in this segment, so we are pretty confident that we will see better volume figures moving ahead.

Moving to the next slide, to B2B and B2G. The Lab-to-Lab business once again surprising positively on the upside, with 32% growth year over year. We have added 150 new clients this quarter only, totaling practically 3,800 active labs. Once again it is important to highlight that this segment is a very interesting way for us to consolidate cities, which we do not play with our B2C business, with an excellent ROIC due to the low investments requirement.

The average revenue per lab increased 12.4% due to pricing and also mix. In the public sector, we are seeing a strong demand of the existing contracts and we are also gaining price due to the increase in the imaging services. We have added some new contracts, mainly in Vila Velha, in the state of Espírito Santo, and some municipalities in the countryside of Rio de Janeiro. We are also seeing some interesting new opportunities arising in imaging for bidding contracts still in the 1H.

Now I would like to call our CFO, Carlos Alberto Moura.

Carlos Alberto Moura:

Thanks, Felipe, and good morning, all. Next slide, cash costs in a new trend reaching 58.3% compared to 62.2% in the 1Q and 4Q09, is evidence to the beginning of our report related to PSC benchmarking, reducing our middle ops structure, and continued our improvements in production process. We will continue to put in place more actions to improve our cost situation.

Next, please, SG&A. I would like to explore with more details this slide. We reached in this quarter R$56.3 million compared to R$46.4 million in 2009. Note at the last box below that our payroll expenses, that we call as structural, increased 7%. If you consider the effects related to the collective bargaining agreement that we use to call in Brazil "dissídio", the Científica's growth from new contracts, our call center growth, and the insourcing of our maintenance team, net of the layoffs that we have made in 2009, bottom line we are presenting a good evolution in this line. Our Company has 11,700 employees compared to 12,000 in the 1Q09, and 11,900 in the last quarter of 2009.

The non-structural expenses reflect the employees' profit-sharing program in accordance with the local unions, allowances for measure lawsuit, training and layoff costs. In this quarter, we had a complementary provision to face our 2009 employees' profit-sharing program, in amount of R$4.3 million and the 2010 provision with R$4.1 million more. The administrative expenses decreased 7%, even with the increase in IT consulting, legal expenses, and maintenance via fees related to the weather conditions, as Marcelo said before. Our bad debt provision had a positive behavior as a result of our efforts to improve our receivables mentioned.

Next please. To maintain our discipline and control regarding these costs and expenses, we implemented our Matrix expenses control that we have a global target divided in 10 account groups. We have more than 200 actions related, and the chart shows our goals at each quarter. In this we focused on the target configuration efforts and the actual planned organization. This management tool is a part of our routine with the support and monthly review from the Executive Committee. We will present to you its evolution in the next quarters.

Next, please. This slide shows that besides our economic tax rate has been 34% we could compensate an important part of this with the deduction of the goodwill and tax retention on the billing, that takes us to 30.3% of equitive weight(7:39) if we consider the tax retention. At the bottom charts we start from the 34% standard rates and with the compensation is 78% of the goodwill effect and more, 30.3% of the current tax we have a zero same tax in this quarter.

Next, please. Receivables. Presenting our past-due balances over 120 days with the bad debt provision, actually we have a coverage ratio over 75% that we consider adequate to face our credit risks.

The slight reduction of the coverage ratio is related to our efforts to resubmit and eventually recognize the deductions that we have been provisioning in the past. The receivables balance reached around R$309 million, decreased 2% when compared to 2009. We continue implementing our improvement program to receivables department with all the projects(8:51) on track.

Next, EBITDA. We grew 22.4% compared to 2009, with an EBITDA margin of 26.1% that represents our best indicator in our recent track record.

Next, please. In this slide I would like to compare our net profit. I said about it in the last slide, and the depreciation and amortization had the effect from write off of the improvements at the closed PSCs. It is around R$3.6 million in the 1Q10.

In the financial results, the 1Q09 had an impact of the gain in swap of R$21.7 million. The net effects result came from R$1.4 million gain to R$3.1 million in losses in 2010. I would like to alert that we eliminated our USD exposure since April 2010. The interest net expense decreased 22% as a part of benefits from the financial optimization. So, we can see a 30% growth in our profits before taxes, and if we discount the cash effect over the tax profits we reach R$40.3 million compared to R$34 million in 2009. At last, after the effect of the tax compensation, we have R$33.3 million of net income.

Next, please. Return of overinvested capital. Our comparison considers the standard tax rate over the profits, and we reached 60.8% that represents an important change in our return level.

Next, please. About the balance sheet management, we have seen a good cash generation, and the free cash flow was in this quarter almost 60% of all 2009 free cash flow. Our CAPEX was R$23 million related to PSC distributor, the new warehouse in Alphaville, at Piracema Avenue, IT projects and imaging equipment. We are still reducing our more expensive debts, and to reduce our FX volatility we have signed swaps contracts to eliminate our exposition. All operations were signed with HSBC and Bradesco, with exhaustive review and supervision from our corporate governance structure.

I would like to call in Marcelo Barboza, who will continue with the presentation.

Marcelo Barboza:

OK. In the next slide we provide an update on our priorities for the year. In quality we continue to push net promoters core as a metric to monitor the quality of our services, now with more granularity and visibility at patient service-center level. We also initiated the first training program for ultrasound radiologists in partnership with the University of São Paulo.

On the organizational structure and culture front, we will be launching in May our new bonus plan and a culture communication campaign. We will continue to push the management of the portfolio of PSCs and products, with strong visibility and internal benchmarking of contribution margins.

Also important is the focus on cost of goods sold and SG&A reduction, using tools such as Matrix budget, as mentioned by Carlos, and cash and purchasing committees, these ones happening weekly with attendance of DASA's key executives.

Billing and IT, we will be rolling out the new deductions in charge back automated systems and have the new front end systems already under development.

In the next slide we address our excellent growth opportunities. In Premium there is the São Paulo market, which accounts for only 3% of our revenues in the region. In Standard and Executive there are still a few M&A opportunities, and there is also the São Paulo state, outside São Paulo City, where we are planning to open 8 Standard patient service centers this year.

In the private hospital market we currently have only 29 clients and we estimate that there are around 500 targets. In lab-to-lab we are pushing into Minas Gerais state with a revamped sales structure. In the public sector we have an operation concentrated with São Paulo and Rio de Janeiro, and have great opportunities as government of other states realize the benefit of outsourcing. We are also bullish with the radiology market after a very successful operation in Rio de Janeiro.

Finally, in the last slide we reinforce the factors that make DASA uniquely positioned for shareholder value creation, starting with the best cost-benefit ratio in the industry; a diversified revenue stream that makes us very well positioned in growth markets; a performance-oriented culture with return on invested capital focus; a strong distribution with top regional brands and best geographical coverage; and finally, quality with international accreditation.

Now we would like to move on to the Q&A session.

Esteban Schreck, Morgan Stanley:

Gentlemen, good morning. Congratulations on the quarter. Two questions; the first one on pricing strategy. How much of the re-pricing has been done? And what should we expect going forward? Is this something that we should keep seeing quarter after quarter? Or is there a finish line for this? That is one thing.

The other thing, slide 17 you just talked about growth opportunities in M&A. Can you expand a little bit more about that, if there is anything specific that we should be looking for in terms of geographic expansion, moving on to different types of market? Of course I do not want names, but like just some characterization of how you think about M&A these days. Thank you.

Marcelo Barboza:

OK. Good morning, Esteban. Yes, let us talk about price. The price today for us is business as usual. We have initiated this effort last year, and now what we have indicated is we plan to use price as a lever to offset inflation. So this is, as I mentioned, business as usual, and you can expect to see continued results with price, so our growth will come from volume and price.

Then moving to M&A we like to look at M&A, we are being more selective in the last 12 months. We are looking at larger companies, and also companies that can give us things that we cannot have access to organically. Let me give an example: if you want to move to a new market, a market that we do not have a brand, a market that we do not have relationship with insurance companies, so the idea is going after companies that are well managed and have something that we could not have as a greenfield. It is very tough to indicate guidance in terms of acquisitions, but we are optimistic that we could do at least one acquisition in the next 12 months.

Esteban Schreck:

OK. Thank you.

Luis Adaime, BRZ:

Good morning, everyone. I remember a couple of years ago for the last World Cup that it actually impacted results for the 2Q and a little bit in the 3Q. I was wondering if you expect any sort of impact on your growth in terms of clients for the months of June and July, during the World Cup this year?

Marcelo Barboza:

Yes, Luis, you are right. We have seen in the past that the World Cup is a factor, is a negative factor. It is already accounted in our budget process, so yeah, we were expecting this. But we are not going to be passive on this. What we had been doing in the last two quarters, for instance, with holidays, that we used to be closed now we are opening several patient service center during holidays. And we will be working very hard in our call center to try to schedule as many patients as we can, even in the days of the Brazilian games. So yes, we are expecting an effect, but we will be working very hard to counterbalance that.

Luis Adaime:

Can I ask another question on the tax rate? The effective cash payments for taxes for this year, what do you expect in terms of, if you are considering only the cash impact from taxes?

Carlos Rodrigues:

Luis, we expect the same thing for this year, around 34% for the economic tax rate and around 13% for the current rate for tax.

Luis Adaime:

One final question, if I may. How is competition with Pardini? Have we been gaining market share on their field, on their region? And how do you see competition with the smaller players?

Marcelo Barboza:

Yes. Pardini is an important competitor, but as you have seen in our figures we are gaining new customers. And when we talk about customers, these are active customers, customers that are doing business with us in the last two months. So, we are gaining new customers, we are increasing the base of active customers, and we are also gaining share quality.

So yes, we see Pardini in the marketplace, but we are very confident with our commercial activities, with how efficient we are, how we can gather ability to compete as having a cost advantage. So, being efficient in this market in terms of logistics and production is very important and we are very confident that we are the leader in this market and will continue to gain share in the next few quarters.

Luis Adaime:

Excellent. Thank you very much.

Operator:

This concludes the question and answer session. At this time I will now turn the floor back to Mr. Marcelo Barboza, CEO, for closing remarks.

Marcelo Barboza:

Well, thank you all for the participation. We hope to have you here with us in the 2Q earnings call in August. Thank you very much.

Operator:

Thank you. This concludes today's DASA 1Q10 earnings results conference call. You may disconnect your lines at this time.