



**Operator:**

Good morning ladies and gentlemen, and thank you for waiting. At this time we would like to welcome everyone to the Cerpe Therapy Laboratory acquisition conference call.

Today we have a simultaneous webcast that may be accessed through the website at [www.dasa3.com.br](http://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 on such forward-looking statements.

Today with us we have Mr. Marcelo Barbosa, CEO; Mr. Carlos Alberto Moura, CFO; and Mr. Tharso Bossolani, Investor Relations Officer.

Now I will turn the conference over to Mr. Marcelo Barbosa, CEO. Mr. Barbosa, you may begin your conference.

**Marcelo Barbosa:**

Hi. How are you? Welcome everyone. Today we are very pleased to announce the acquisition of Cerpe. Cerpe is originally located in Recife. Recife was a very important wide space that we had in our portfolio; Recife is a growing region, very important, low income class coming to the middle class, we are very happy to be there now.

Cerpe was founded in 1969, it is the largest clinical analysis company in the Northeast region of Brazil, with a very good brand recognition, it won the last three editions of the most prestigious top of mind award in Pernambuco. As DASA, it has a strong quality focus in important qualifications, such as ISO 9001 and PALC, and has a robust growth based on the expansions to cities outside Recife, Cerpe is not only located in Recife, but also in the metropolitan area as well.

It has 520 employees, 41 patient service centers and it operates also in seven hospitals. Gross revenues estimated to be R\$43 million in 2010, adjusted EBITDA at around 22%.

Going to slide number four, some key factors in this acquisition. Well aligned with our strategy, it is a market leader, it is present in a high growth region. Another very important factor is that the current management director will stay on charge as a minority shareholder, so we are very comfortable that Dr. Luciano, who is the current management director, will stay at least for two years. He will be the leader in the region, has very important relationships with the medical community, so this is a plus in this acquisition.

Cerpe has several recently open patient service centers that are still ramping up, so a good opportunity for same-store sales, and could also be a platform for other business



opportunities in the region: reference, in the reference lab or lab to lab we could in the future use Cerpe's lab to support the region; also some good opportunities in the public sector in hospitals, since Cerpe has already experience in this area. It has a very high quality team. As I mentioned, the brand is a substantial asset that we are acquiring, it has very good medical reputation.

Moving to slide number five, we see this as a very important accretive acquisition. The multiple we are paying is around 6.4x EV to EBITDA.

I would like now to move to slide number six, and remember what the pillar for DASA's strategy was and how Cerpe supports this. Cerpe was, as DASA, forged to be the best cost benefit ratio, and now we will be including this large number of exams that Cerpe is producing to help and support our negotiations with medical diagnostics companies.

After MD1 integration, and now with Cerpe, DASA has a volume that now could be in line with the volumes of the largest players in the world, so now we can go direct to headquarters, and we will be aiming to negotiate directly with headquarters regarding supplies and the reagents that we use to process for analysis.

This acquisition also supports our revenue diversification. We are going to a new region that does not have concentration on payers, it is a very fragmented region from the payers base. It will support us grow in the markets that support our diversification, such as lab to lab, hospitals and public. It is a company that has a similar culture to DASA. We have been very close to the management director for the last two months, and we are confident that we will have a very alignment of cultures.

Strong distribution, as we have been saying. We like to be the leader in the region, so we are getting into Recife with the leading brand company that has a very important coverage, not only in Recife but also in the metropolitan area. And quality, also something that Cerpe and DASA are pretty well aligned, Cerpe already has the important certifications and we will use certainly our expertise to help them even go further.

Last slide before we move on to Q&A, we have been communicating to the market our transformation process started in the middle of last year where we concentrated the first 12 months in efficiency gains, we changed our management structure, we improved our culture, now we have a more aggressive incentive compensation plan. We have been managing our patient-service centers and also our product portfolio, focusing very much on cost of goods sold and G&A reduction. Pricing is another letter that we have been using and we have also been concentrated on improving our costs regarding billing.

In the middle of this year, or last July, we entered in a new phase, a phase where we are going to be consolidating our efficiency gains. We have advanced in terms of margin gains, but we believe it could go further. Our zero-based budget is in the process right now and we believe and are very confident that we can get additional margin gains for next year. We have also entered a new phase of growth. We have been communicating to the market that one of our major priorities now is growth. We are delivering that with MD1 merge and also now with Cerpe. So, we are very happy that we have been able to deliver what we have promised to the market.

So, let us move to the Q&A and we will be glad to take your questions.

**Rafael Frade, Bradesco:**

Hi, good morning everyone. My first question is regarding market share, if you mentioned that the company is one of the leading in the Northeast region and if you have any idea of how much it could represent in terms of market share.

My second question refers to, I understand that this company basically has operations in Recife, I would like to know if to expand for other states like Rio Grande do Norte or Sergipe you need to do new acquisitions or do you believe that you can do this expansion organically?

And finally, I would like to know if you have any thoughts Amil expanding its operation in the Northeast and with this closer relationship through the previous deal with MD1 if you believe that you can gain any competitive advantage in the relationship with Amil in the Northeast. Thank you.

**Marcelo Barbosa:**

Hi, Rafael. We are stating that they are the leader because when we compare to other labs in the region in terms of sales, they are the largest one in the Northeast. We are not closing market share information but we are quite confident that they are the number one lab in the region.

We plan, as you mentioned, to grow organically. Cerpe has had a successful rollout in other cities. We will be evaluating going to, probably to other states is still too early, but why not go to neighbor states. We believe that it is also an opportunity to rollout imaging. Cerpe has a very small operation in nuclear medicine, but the major opportunities in images in that region probably is still an acquisition so we can leverage Cerpe's structure and then do an acquisition and have some synergies in terms of SG&A.

Regarding your last question of Amil, yes, we will have soon the same shareholder, an important shareholder, we will try to leverage the relationship with Amil, but we also would like to and we will try to leverage our relationship with the other insurance companies. So, yes, we will try to expand our relationship with Amil, but also with other insurance companies.

**Rafael Frade:**

OK. Thank you, Marcelo.

**J.C. Santos, BTG Pactual:**

Thank you very much. Good morning. So, just two quick questions, Marcelo, the first one also a little bit more of a color on the strategic expansion in the region, first if you could tell us a little bit on the percentage of leverage that comes from imaging and the percentage of revenues that comes out of clinical, exams, and if there is any opportunity in terms of changing the portfolio mix for these units.

Then also from a ramp-up perspective, doing like I have really put back again a little of calculations, you could see that these patients service centers from Cerpe are running roughly at 1/4 of the revenues per patient service center that you have on your total portfolio as of now. So, if that is an assumption that the ramp-up process for these



patient service centers are still on its early stages, if you could give a little bit more color on that front.

And the second questions would be to take the opportunity and ask about not only the acquisitions but the organic growth for next year, how comfortable you are at this point with the top line guidance for 2011, 12% to 16% organic only, other acquisition opportunities and so on and so forth. If you could kind of discuss that a little bit. Thank you.

**Marcelo Barbosa:**

Well, imaging revenues are very little, very inexpressive, they are close to 10% rented to the nuclear medicine operation. We do not have any product offering in the CT, MRI, or ultrasound. Those are the leading specialties that we have in imaging. So, strong opportunities to get into these areas, we could try to grow organically, but we would prefer to acquire a local company there. So, we will be looking at these two opportunities.

The reasons for a low amount of revenue for patient service center is because many of the patient service centers are small patient service centers, so we have a plan to distribute the patient services in Mega Units there, adding image services. So, this is one opportunity for us to increase the margin and to have good operating leverage there. But going back to your question, the reason why revenues per patient service center are lower is because of the size of the centers.

In terms of overall growth opportunities for next year, we have good opportunities in hospitals. As we have been mentioning, we see an addressable market of over 400 hospitals in Brazil that we are still mapping the market, but we are very confident that this is an opportunity, a strong opportunity for next year.

In the public sector, we did not see a lot of activity this year, probably because of the elections. We were counting on much more activity this year. But we have some good public businesses aligned, and we believe that 2011 will be a good year for the public sector. It makes a lot of sense, the Government will spend more money on health care and within the health care part they will spend more money in medical diagnostics. And more than that, they will outsource more, so we are confident in putting this through a long-term perspective on that.

In lab-to-lab we are still growing, we are still keeping up the pace of growth, the market is very fragmented. As we increase the number of exams we do every year, we gain more power in terms of negotiating with the suppliers, so we will keep a price difference between DASA and the smaller players, we will keep increasing and this creates an opportunity for more or less margin expansion.

And on the B2C, the traditional B2C, one of the opportunities that we are looking at is the franchise, trying to increase volume with the local partners, which we mentioned is the local medical community. So this is an area that we are looking at.

And in terms of guidance for next year, we are still deciding on what we are going to indicate to the market. It will depend on our integration process with MD1 and the holding company. And we are so far very positive that we will be able bring more synergies than we have initially foreseen. The dialog between the teams has been progressing very well. We are seeing great opportunities to bring their expertise in



terms of imaging, in terms of quality of the services. And also the marketing relationship they have with the medical community, to São Paulo and then enter the premium market in São Paulo at some point next year. So, still evaluating the opportunities in the MD1 integration. No changes in that at this moment.

**Clarissa Berman, Morgan Stanley:**

Hi, Marcelo. Two questions: first, is there anything significant in terms of synergies for this acquisition? And second, could you give us some visibility on the current return on invested capital that you are running at? Thank you.

**Marcelo Barbosa:**

Yes, well, immediate synergies we will be purchasing. We are already identifying some overlapping platforms that we have. So, we are going to be able to in the next quarter already integrate their purchasing process to ours; SG&A reduction is also a possibility.

We are very confident that the management technician process that we developed over the last 12 to 18 months in terms of managing the portfolio of revenues, managing the portfolio of patient service centers, purchasing committee, cash committees, all these initiatives that we have been putting in place, we are going to integrate to their management process.

We are going to be very cautious, one important note here is that we want to make sure we integrate in an orderly way, so we do not lose any value in this integration process, but we are confident that we are going to be able to significantly increase their current 23% EBITDA margin that they have in the next 12 months.

Regarding ROIC, we are not disclosing ROIC.

**Carlos Alberto Moura:**

Clarissa, being our ROIC around 20%, we consider that is a good level, considering our new investments, widening our network, purchases involving IT, and especially regarding the integration process of this new one.

**Clarissa Berman, Morgan Stanley:**

OK. Thank you.

**Luciano Campos, HSBC:**

Good afternoon, guys. A quick question on synergies. Regarding the way you did the acquisition keeping Dr. Luciano as a minority shareholder, is there any limitation that you have to consider here, what you can do in terms of integration, in terms of SG&A, as you mentioned, as a possibility? That is my question. Thank you.

**Marcelo Barbosa:**

Hi, Luciano. That is a very good question. There is no contractual limitation, so we are the ones that are going to be leading this process together with Dr. Luciano. But there are no limitations.



The limitations that I mentioned in the previous question were related to our belief that we have to be very careful not to lose value in this process. So, we are trying to integrate in an orderly way, and make sure we continue to provide good services, continue to provide a high quality operation that we have in the region. So, there is no contractual limitation.

We will provide more capital for them for expansion. We will provide them with processes to evaluate what are the right expansion opportunities. So, we are going to do this in a way that we make sure we do not lose value. But we will for sure move as fast we can, but making sure we do not lose value.

**Luciano Campos:**

OK. Thank you.

**Operator:**

This concludes the question and answer session. At this time, I would like to turn the floor back to Mr. Marcelo Barbosa, CEO, for any closing remarks.

**Marcelo Barbosa:**

Thank you all for participating in this call. Just to reinforce that we are really optimistic and this is a great move for us. Recife was a market that we really wanted to be, because it is a growing market, a market with a fragmented payers base. It is a market that is benefitting substantially for more purchasing power of the low income class.

We have now a strong partner there, a leader that is very well respected in the community, not only with technical expertise, but also as a manager. So, this is a very important move and very accretive move to our shareholders.

So, thank you very much and hope we will see you on the 3Q earnings call.

**Operator:**

Thank you. This concludes today's Cerpe Therapy Laboratory conference call. You may disconnect your lines at this time. Have a great day.

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