
Qualicorp

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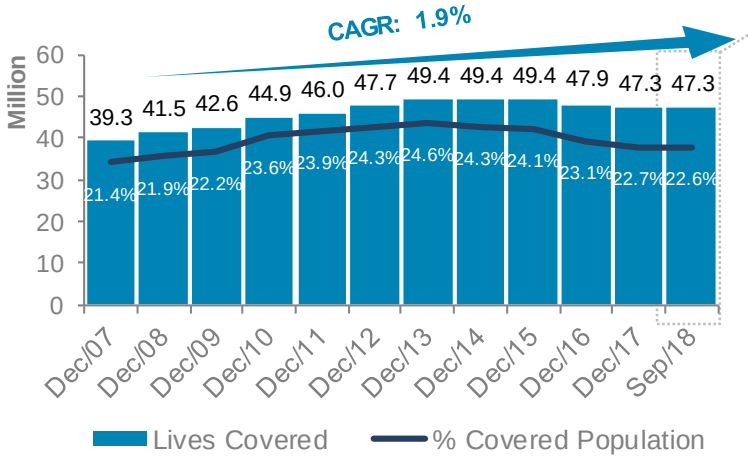
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Industry Overview

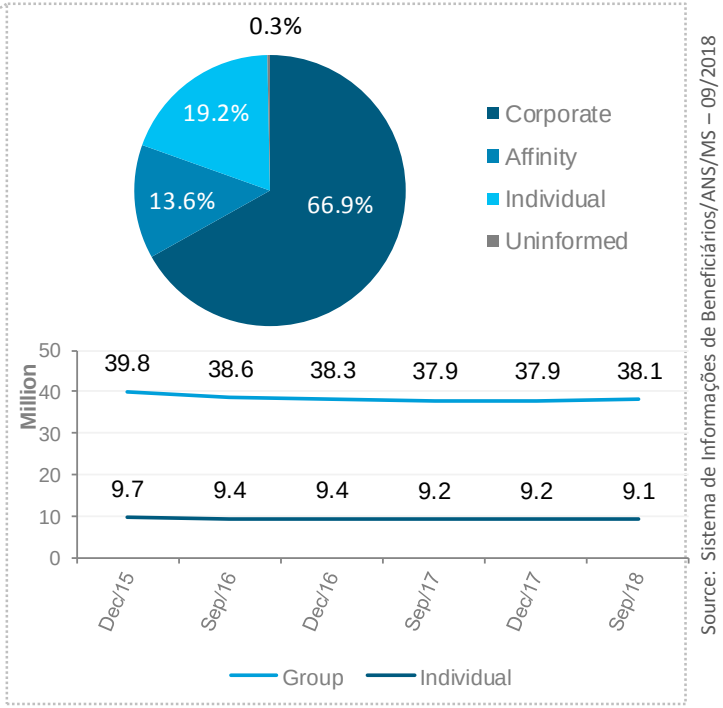
The Brazilian Private Healthcare Sector has approximately 47.3 million members, which represents 22.6% of the total population. The majority of the covered members are concentrated in Group plans: (i) 66.9% in Corporate plans; and (ii) 13.6% in Affinity group plans, which is the largest business for Qualicorp.

Private Healthcare Sector Membership Growth



Source: Sistema de Informações de Beneficiários/ANS/MS - 09/2018

Private Healthcare Sector Members Breakdown

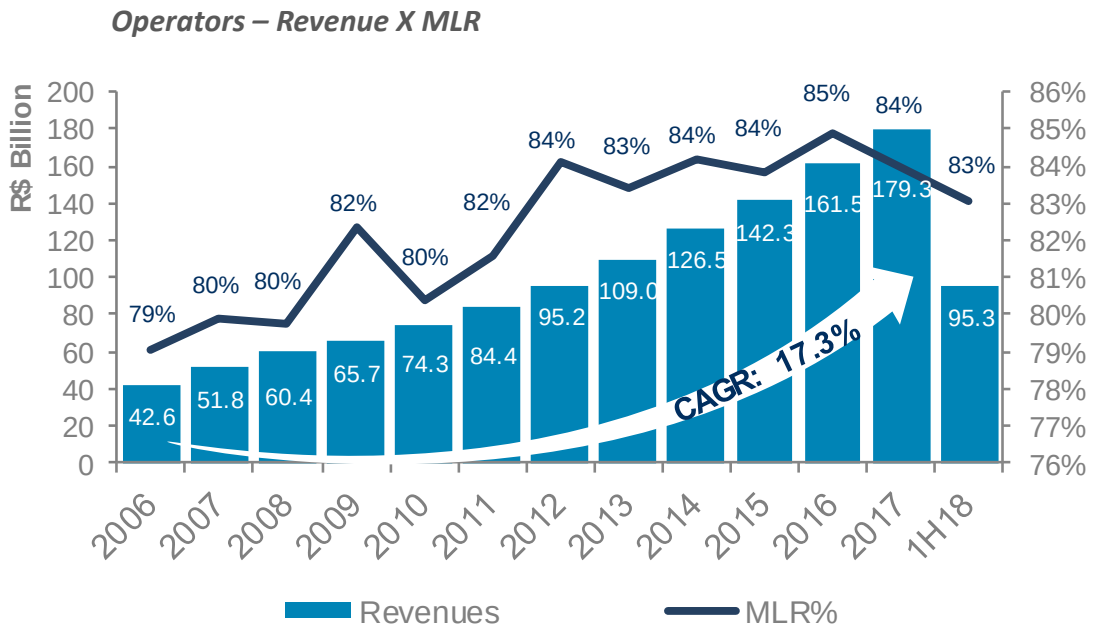


Source: Sistema de Informações de Beneficiários/ANS/MS – 09/2018

Over the last two years group and affinity plans membership decreased mainly due to the challenging macroeconomic conditions.

Industry Overview

Private Healthcare Sector Revenues (R$)



Source: Sistema de Informações de Beneficiários/ANS/MS – 09/2018

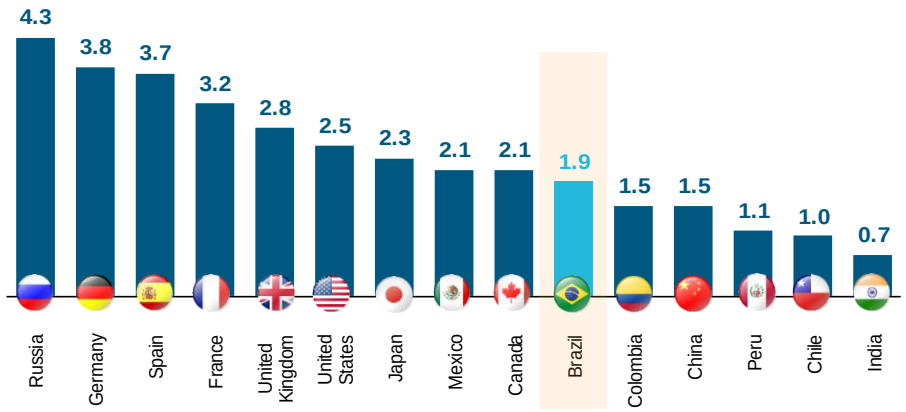
The Exhibit shows the evolution of the Healthcare sector revenues and MLR, indicating a strong expansion since 2006 but still high level of costs. We highlight that Qualicorp is not exposed to underwriting risks, which places the company in an unique position among the healthcare sector. At the same time, to guarantee the sustainability of our business we engage strong efforts to keep the MLR of our portfolio under control, enabling competitive prices and strong growth.

Industry Overview

Historical lack of physicians and beds

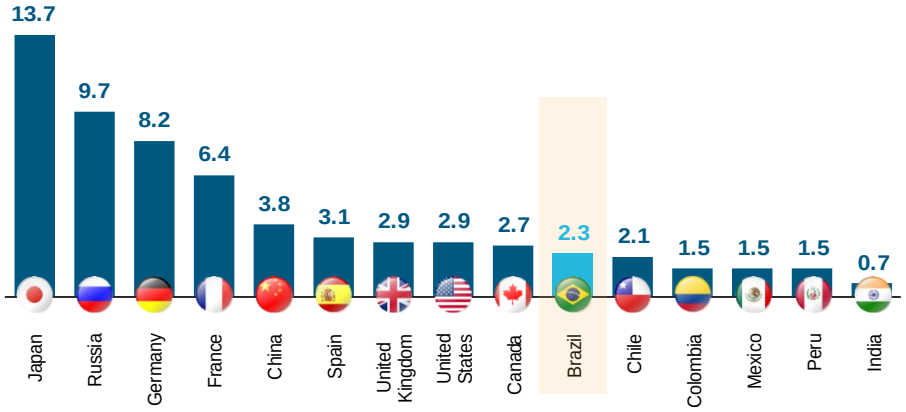
Physicians per capita rate is much lower than in developed countries ...

(Physicians per 1,000 people)



... so as the number of beds per capita

(beds per 1,000 people)



Hospital beds distribution

(beds per 1,000 people)



The number of physicians per 1,000 inhabitants is far behind that of developed countries standards

It is important to notice that in Brazil there is:

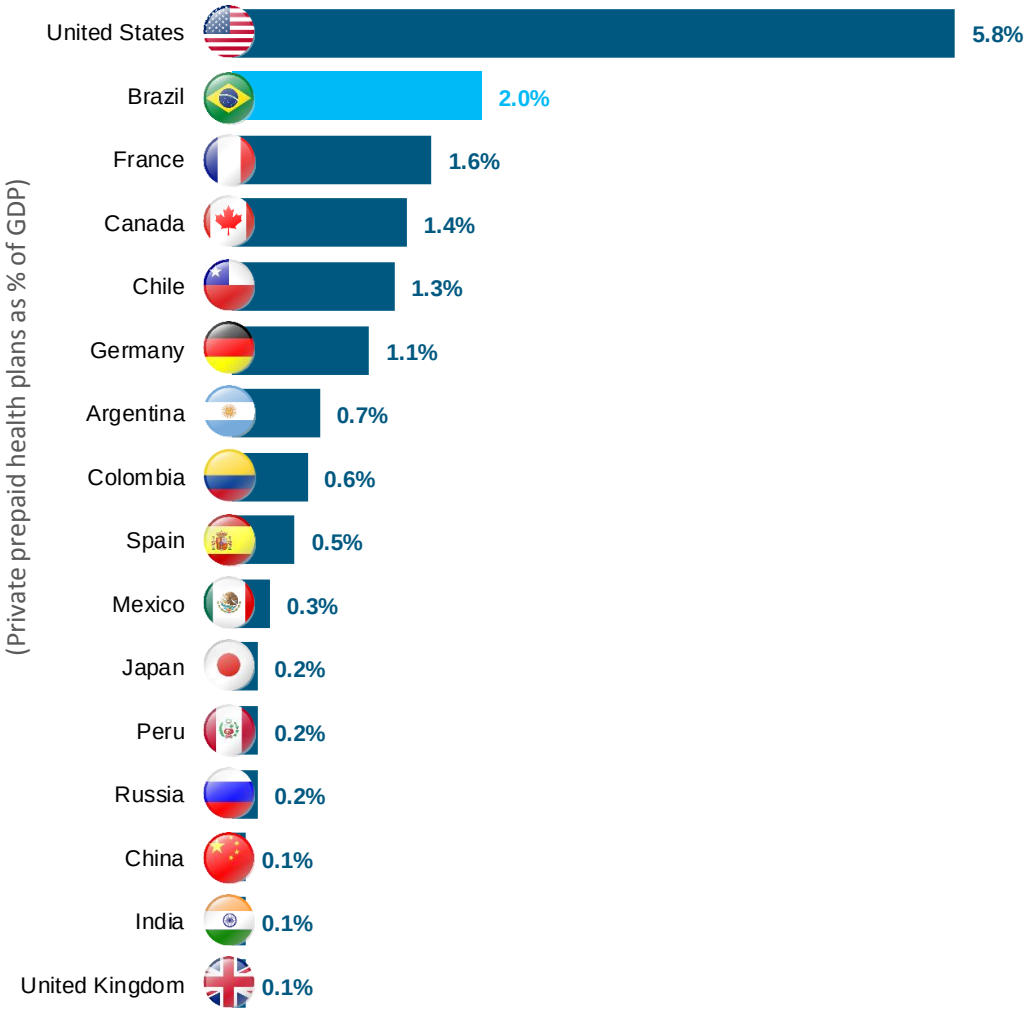
- Huge penetration disparity across regions and also between capital, cities and countryside regions
- Poor infrastructure quality
- Major inefficiencies, such as lack of basic support and monitoring

Healthcare assistance in Brazil is far behind of developed countries

Source: World Health Organization, Datasus and Wall Street Research.

Industry Overview

Brazilians have high expenditures on private health plans



Source: World Health Organization and Wall Street Research.
(1) Among the selected group of countries.

Brazilians spend more than almost any other country on private health plans(1)

Deep underinvestment in the public healthcare system forces the population to look for private alternatives

The overlapping of private and public health services also generates over spending

Regulation obligating a minimum coverage and procedures to be provided by some health plans increases spending

Industry Overview

Health Plans in Brazil

- Upward social mobility, consumption dream, most valued benefit by users.
- Change of the social and demographic profile -> change of the epidemiological profile.
- The private health sector by definition is complementary to the public system, but it is used as a replacement.

Key challenges to be addressed

- Historically the system is based on revenue increase (in times of high inflation) and pass through of costs, and not on health management and cost savings with the irrational use of resources => high annual increases.
- Lack of alignment between the purpose of the system (producing healthy individuals) and the payment criteria (based on diseases)
- Payment model based on "fee for service" and lack of alignment of financial incentives with a high level of waste.

Promote comparative evaluation - indicators	**Encourage and reward best practices aligned with clinical outcome and cost**	**Face the problem of OPME (Orthotics, Prosthetics and Special Materials)**	**Use of clinical protocols**

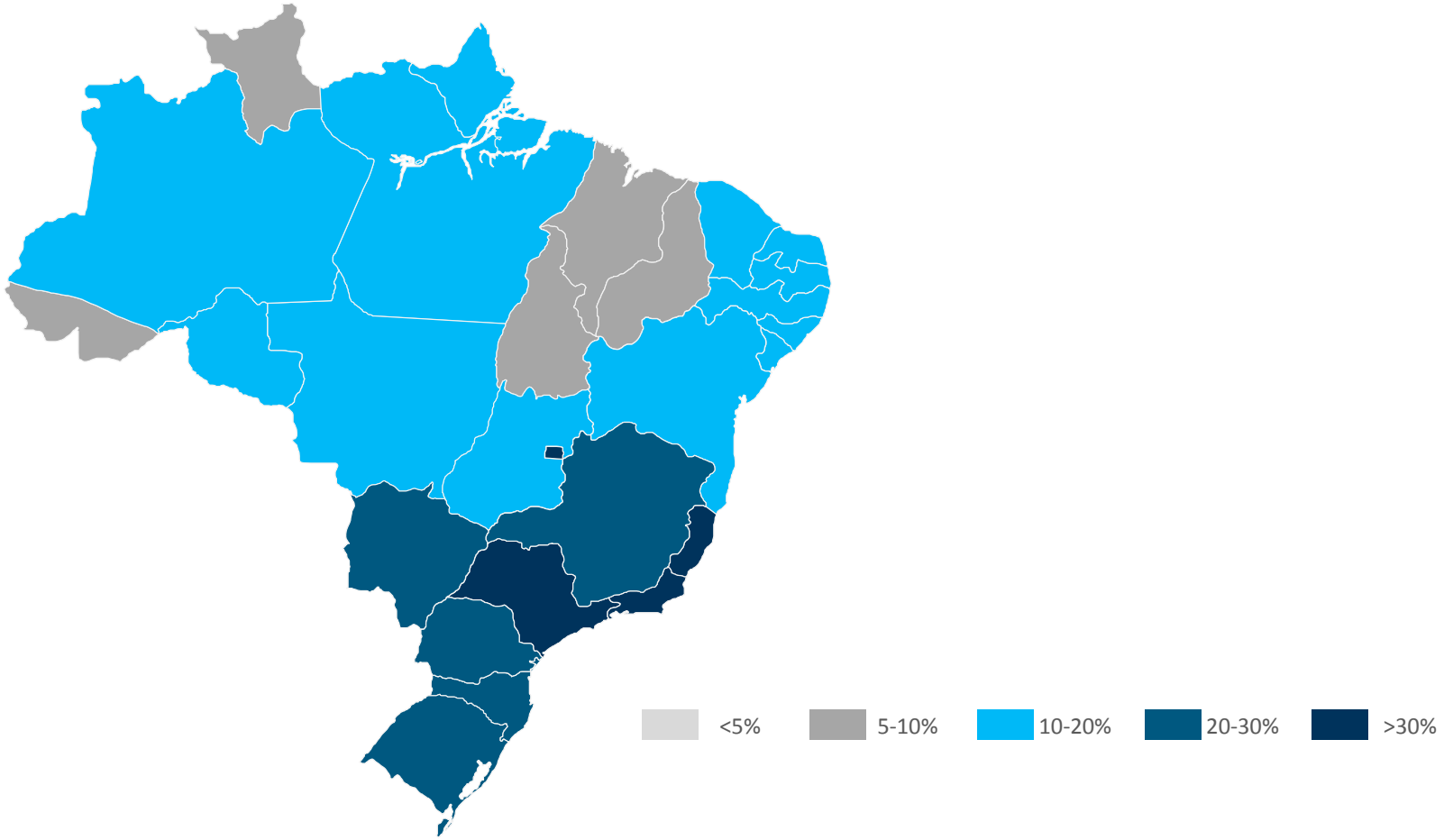
- Organize health information - EHR (reducing repetitions, cost and increasing safety).
- Use of continued information technology with users - habits, disease prevention, health promotion and quality of life => integrality of the individualized health care line throughout life.
- Consumers' co- responsibility when using the plan.
- Invest in engagement, education and change of habits and behavior

Motto » EFFICIENCY

Industry Overview

Health plans coverage is mostly concentrated in the southeast region

Private health plans coverage
(as of sep-14)

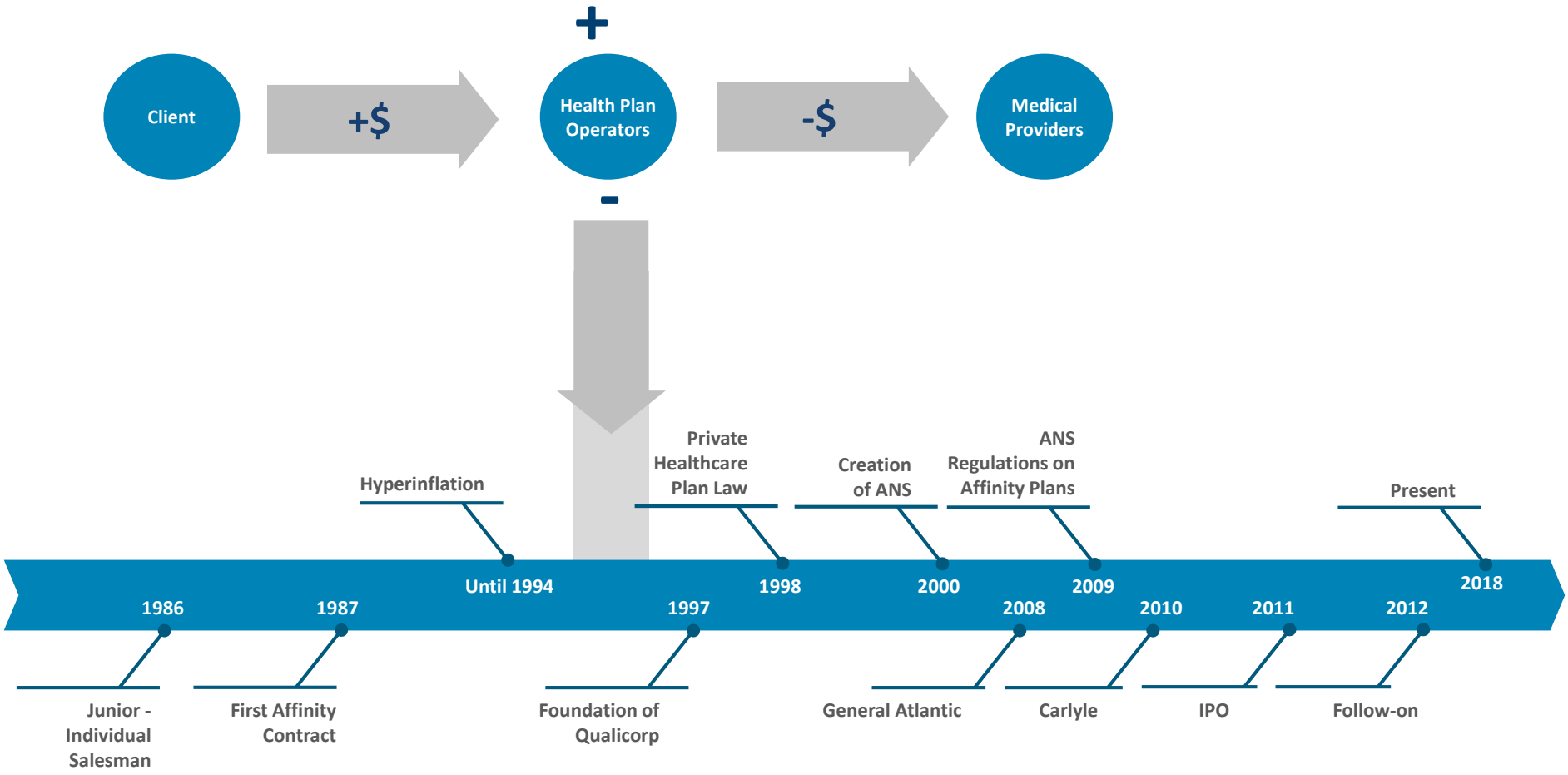


Source: ANS.

Industry Overview

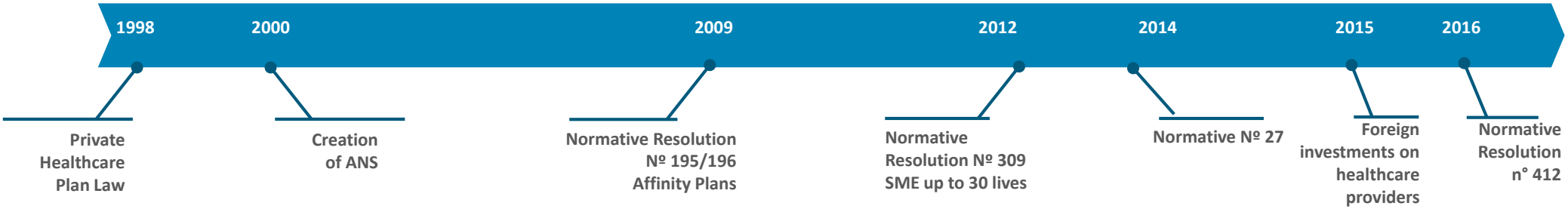
Relationship with Clients/Beneficiaries

Relationship with Providers (MLR Management)



Regulatory Framework

The evolution of the Private Healthcare Regulatory System



- 1998 - First regulation for the healthcare sector - law 9.656/98 was created to regulate the private sector. Levels of Services, reimbursements, price adjustments, networks and other matters.

- 2000 – ANS was created as a regulatory agency for the Private Healthcare sector in order to set performance standards, complying with law 9.656/98.

- 2009 - RN 195: Regulate : grace periods, price adjustments criteria, healthcare segmentation and geographic coverage.
- RN 196: Regulates the activities of the Benefits Administrators. Was created to mitigate conflict of interest between clients and providers, risk selection, and the false collectivization.
- Benefit Administrators: (i) price adjustments negotiation; (ii) guarantee operators are respecting regulation and contracts; (iii) Absorb delinquency risk; (iv) registration handling.
- Prohibition of benefit administrators to develop any typical activity of health plan operator.

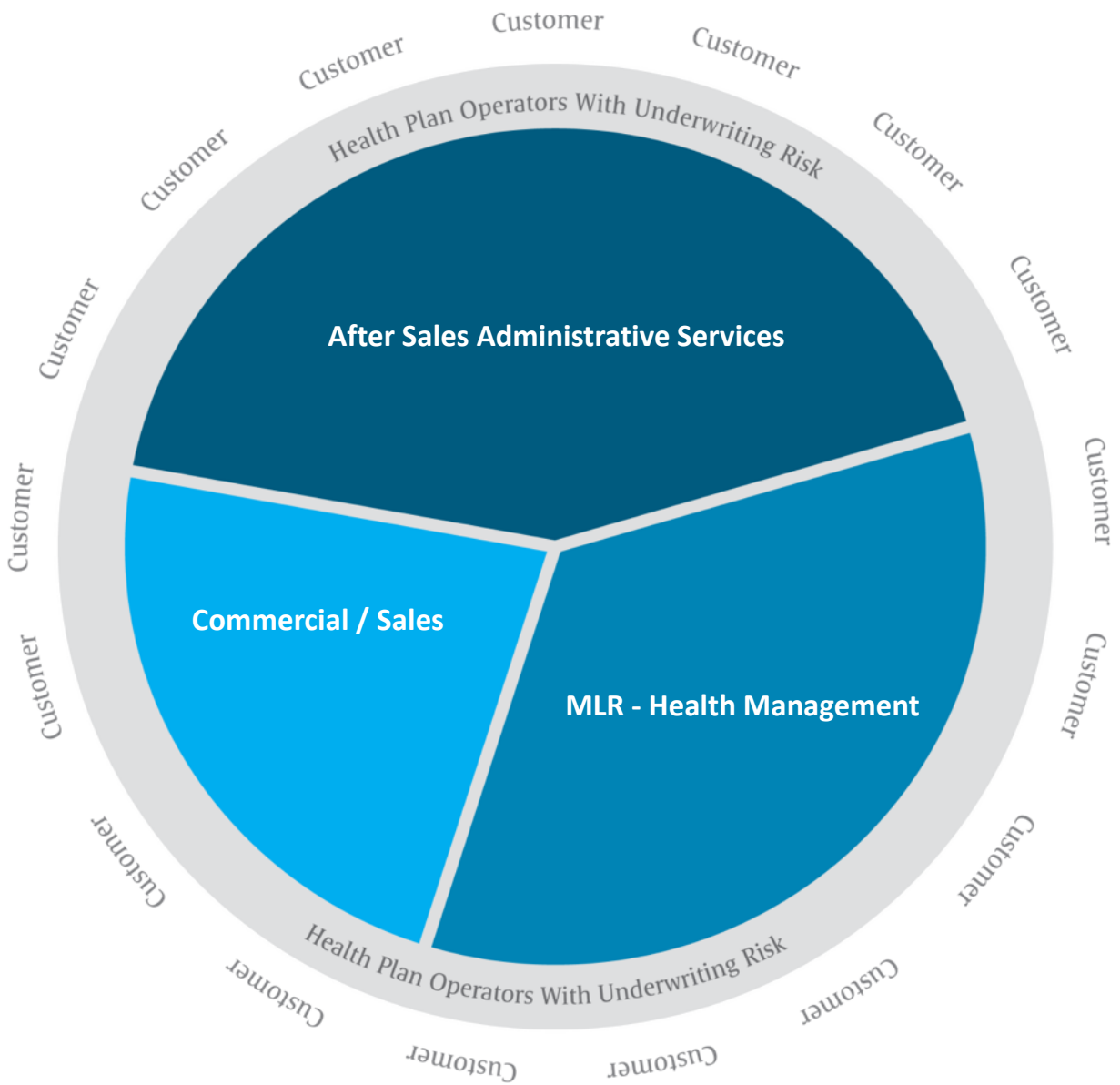
- 2012 - New price adjustment rules for contracts of corporative plans under 30 beneficiaries. The measure states that the health plan operators must group these contracts and calculate a single readjustment for the entire pool, to dilute risk.

- 2014 - Normative came up to reinforce that the practice of risk selection by health plan operators is prohibited.

- 2015 - In January the Brazilian government passed a law that allowed foreign entities to invest in healthcare providers (hospital and clinics).

- 2016 – Normative regulates cancellation, allowing immediate effect for cancellation request since knowledge of the operator.

Traditional Business Model



Qualicorp's Business Model

Qualicorp is uniquely positioned as a complete service provider along the entire healthcare value chain



* Not part of Qualicorp

Qualicorp: Unique Business Model

Brokerage (Sales)

Sales

- Marketing of products
  Direct marketing
  Database marketing
- Provide distribution channels
  - Direct: Telemarketing; franchisees
  - Indirect: Internet
- Identify the best option for the customer
- Contact companies and associations
- Originate qualified beneficiaries
- Prepare proposal for clients
- Discuss commercial terms with beneficiaries

Benefits Administration

We "Own" the Client ("Umbrella Contracts")

Services

Customer register	Implement customer register changes	Manage costs and utilization rates
Send ID card and manuals for the clients	Manage conflicts between operator and beneficiaries	Call center
Prepare invoice	Charge the client	Pass through the payment
Enable healthcare services	Clarify doubts regarding plans	Monitor pregnancy and chronic diseases
Help reimbursing clients	Manage hospitalization pre approvals	Negotiate premium adjustments
Healthcare and Preventive Medicine promotion	Report changes in the terms negotiated	Identify opportunities with operators and health insurance companies

BENEFICIARIES | COMPANIES | PROFESSIONAL ASSOCIATION

Leading, Full-Service Benefits Administrator in Brazil



Affinity (Professional Associations)

- Partners with leading Brazilian professional associations and health plan operators to offer health plans to association members at reduced prices
- Offers value-added services to over 589 professional associations
- Direct relationship with beneficiaries



Corporate and Other (Companies / HR)

- Benefits consultant and health plan broker
- Third-party administrator (TPA)
- Connectivity (Medlink/Connectmed-CRC)
- Mass insurance product sales (PraxiSolutions)

Qualicorp has a unique business model which provides access to high quality healthcare services to millions of Brazilians

Qualicorp Overview

Relationship with Clients

Affinity/ Corporate Clients

Benefit Administration

92.5%

- Individual Customers Collection and Services (Ownership)
  - Billing
  - Collection
  - Call center
- Medical Management
- Infrastructure
- Proprietary IT
- Knowledge/Intelligence
- Client Pool/Customer Base

2.5%

- Brokerage (Sales)
  - Scale
  - Sales Force
- Mass Insurance Products

Relationship with Providers (MLR Management)

Health Plan Operators

Medical Providers

Health Management / Administration

5.0%

- TPA (Third-Party Administration) ✓
- HCIT (Healthcare Information Technology) ✓
- PBM (Pharmacy Benefit Management) ✓
- PPO (Preferred Provider Organization) ✓

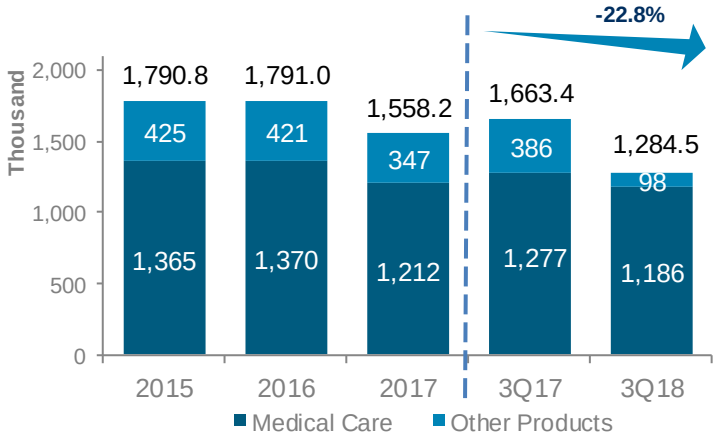
✓ Services already offered by Qualicorp (under expansion)

✓ Being evaluated according to opportunity

Note: The percentages mentioned above are related to 3Q18 result

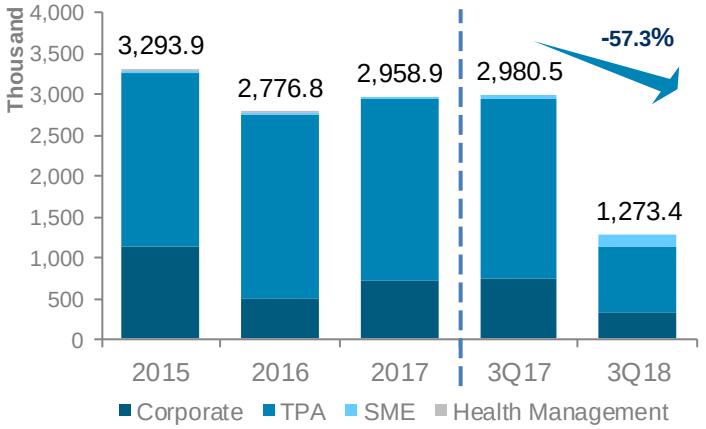
Qualicorp - Segments

Affinity Members



Source: Company Data.

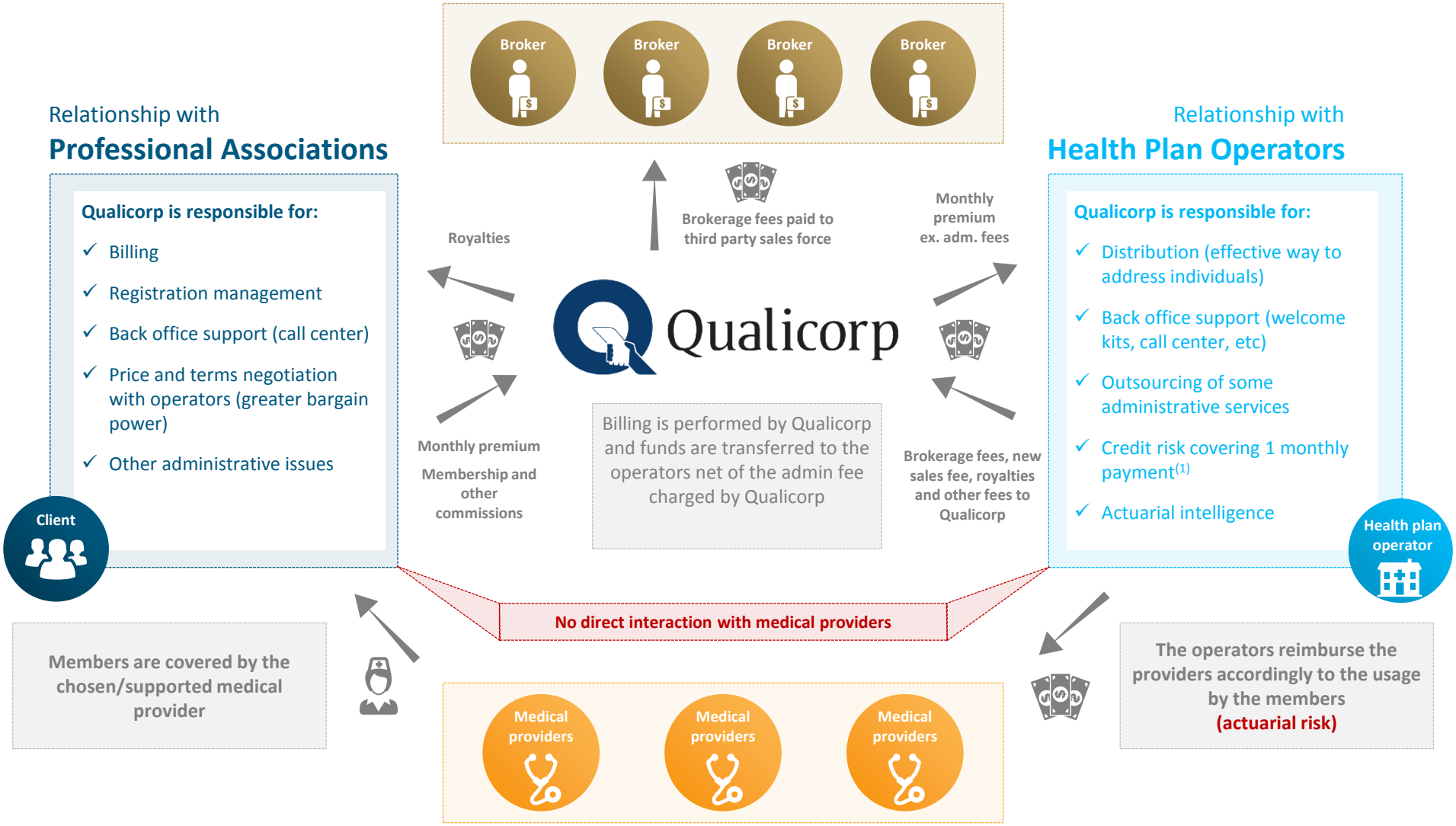
Corporate and Others' Members



Source: Company Data.

We currently have around 2.6 million lives among Affinity and Corporate clients, and our most recent results (3Q18) showed that the Affinity Medical Care membership base decreased 22.8% y/y, maily due to price readjustments. The corporate and others segment is 57.3% y/y lower in 3Q18 mainly due to TPA corporate contract termination in 1Q18.

Understanding Qualicorp's Affinity segment value chain

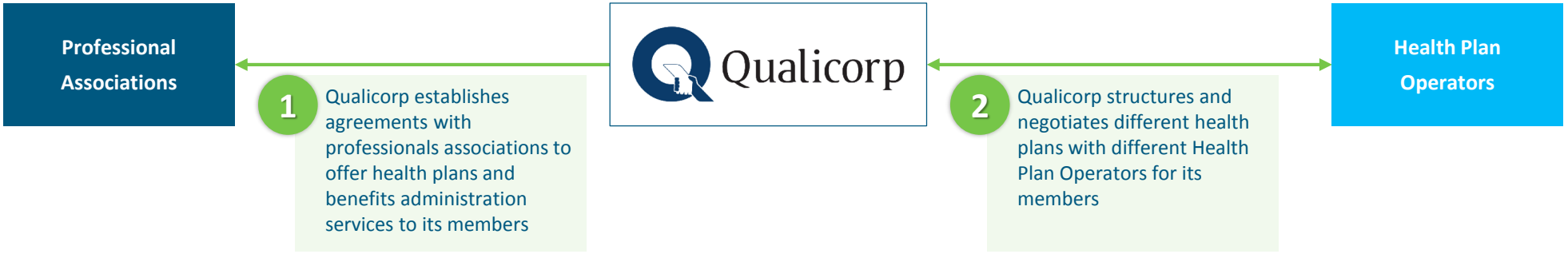


Qualicorp's Affinity is a fee based business surfing the private Brazilian healthcare growth with no actuarial risk

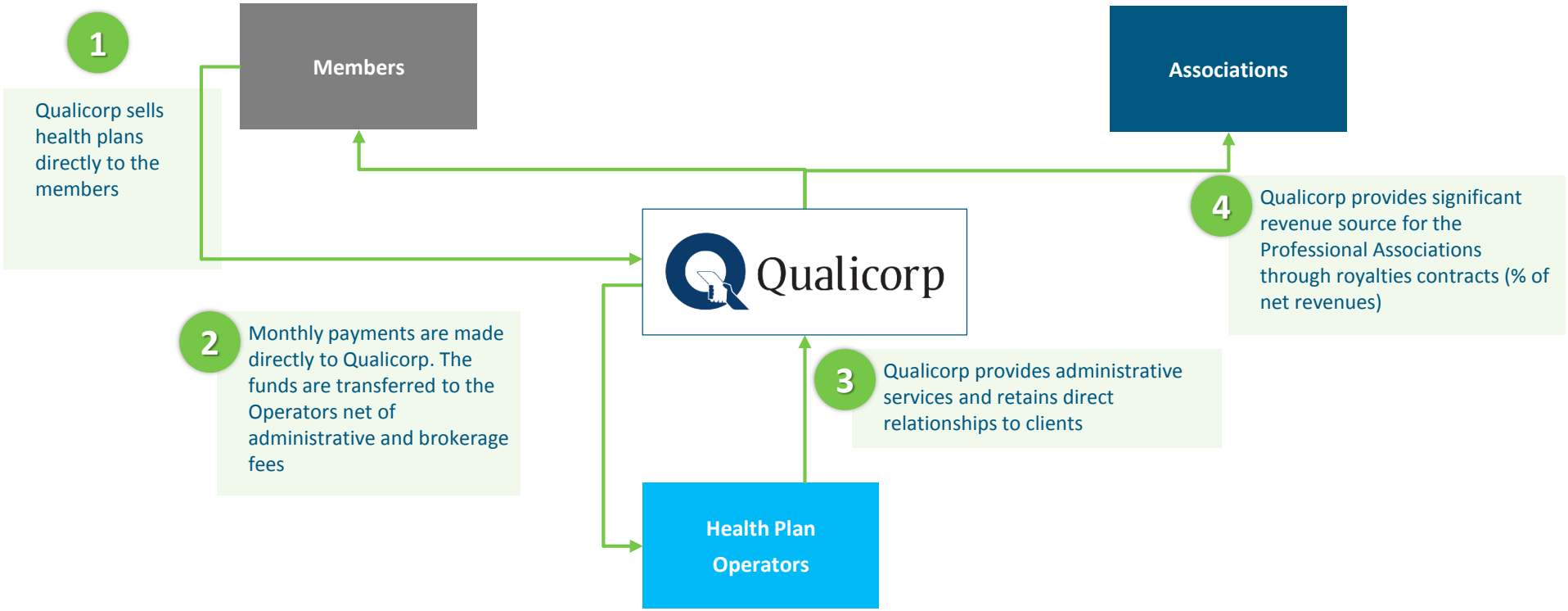
Note: (1) Defaulting members are mostly cancelled after 30 days, leaving just 1 monthly premium as liability for Qualicorp.

Affinity segment – Products and services workflow

Design and plans selection



Distribution and post-sale



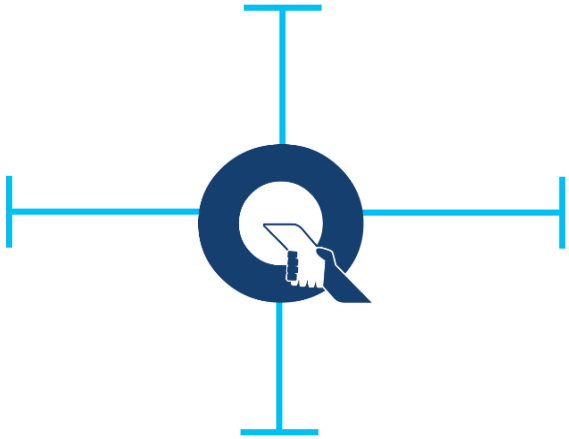
Qualicorp Adds Value to All Constituents in the Affinity Segment

Individual Beneficiaries

- Improves access to private healthcare
- Discounts up to 50% compared to individual plans
- Additional value-added services
- Access to unique line of products and brands

Health Plan Operators

- Most effective way to address individuals
- Improves access to individual policyholders with attractive demographics and income profile
- Lower MLRs and zero delinquency
- Back office services at no additional cost



Professional Associations

- Improves negotiating power
- Revenue-sharing agreements with Qualicorp provide source of income – help attract new members
- Augments association database through tracking and data Management

Brazilian Government

- Improves accessibility of private healthcare system
- Alleviates burden on public healthcare system

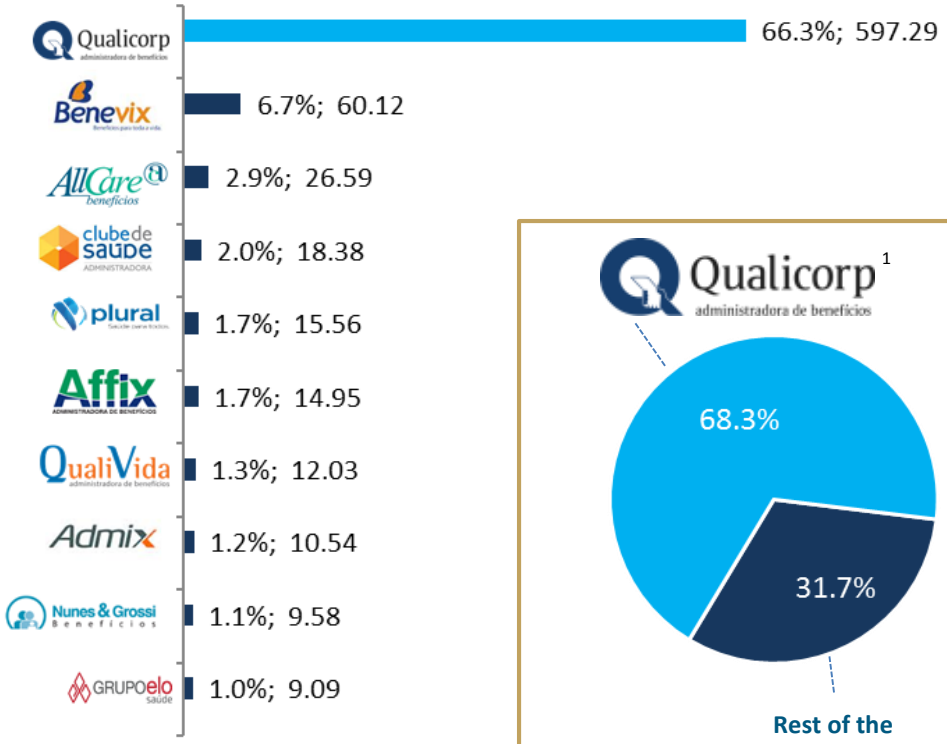
The Affinity segment has plenty of barriers for the newcomers

Scale	■ Scale gives Qualicorp unique bargaining power with Health Plan Operators; by leveraging over its affinity, Corporate and TPA lives to negotiate better premiums to its clients
Long-standing Relationships	■ Qualicorp 'owns' the relationship with the associations and members ■ The company has built partnerships with 589 associations across Brazil without ever losing a single association
High switching costs for associations as Qualicorp becomes the effective human resources department	■ Members develop direct independent relationships with Qualicorp ■ Qualicorp also generates significant revenue streams for the Professional Associations through royalties payments
Solid Health Plan Operator partnerships	■ Qualicorp has established excellent relationships while working with 55 different Health Plan Operators
Value proposition	■ Working with Qualicorp is in the economic best interests of all constituents involved
Distribution	■ Qualicorp's brand, marketing, own salesforce and 3rd-party brokers network create an un-matched distribution platform
IT Platform	■ Qualicorp has developed a unique, state-of-the-art IT platform that would require significant investment and several years to be replicated (impossible to buy 'off-the-shelf')

Qualicorp's scale and leadership position ensure significant entry barriers and competitive advantages …

Qualicorp's dominant position leads to …

2Q18 ANS admin fees – does not include brokerage (R$ mn)



(1) Comprises: Qualicorp and Clube de Saúde.

… significant barriers for newcomers

Largest healthcare broker and affinity health plan administrator in Brazil, with consolidated position in the main healthcare markets in Brazil (SP and RJ)

Increased bargaining power allowing the Company to negotiate better terms for its client with the Health Plan Operators

In-depth knowledge of Brazilian healthcare market dynamics and of its regulatory framework

Strong relationship with the main Health Plan Operators in Brazil

Affinity Revenue Streams

Payer	*Revenue to Qualicorp*	*Recurrence*
Individual Beneficiary	**Membership Fee** Initial fee paid upon joining a Qualicorp health plan. The company only receives this fee if the sale is made by an employee, not a third-party broker.	**Initial**
	Benefits Admin Fee Monthly fee representing the difference between premium that Qualicorp charges the members and what Qualicorp gives back to the Health Plan Operator.	**Monthly**
Health Plan Operator	**New Sales Fee** Initial fee paid when Qualicorp enroll a new life (member) to a Health Plan Operator.	**Initial**
	Brokerage Monthly fee paid by Health Plan Operator to Qualicorp for continued access to the members.	**Monthly**

Receivables – One month liability

Usual flow



Default flow

1st month of default



2nd month of cancellation



Recovery flow

Client Cancelled



Qualicorp's receivables policies are deem to be very conservative, writing off receivables after only 60 days of default

Significant Growth Opportunities

Growth Strategy Going Forward (Affinity Segment)

- Expanded geographically to new markets in Brazil adding New Partnerships with Operators and Professional Associations
- Deepen Penetration Within Existing Associations
- More Options: Clube de Saúde and Copayment products
- Improve the distribution channels: Franchises, Phone and Internet Sales

Unparalleled Partnerships with the Largest Brazilian Health Plan Operators

Top Health Plan Operators in Brazil

SulAmérica associada ao ING
OdontoPrev Especialistas em Odontologia
Amil
Bradesco Saúde
Unimed Fesp
Central Nacional Unimed
Unimed Belo Horizonte
Golden Cross
Unimed Rio

Expansion Plan

Growth Strategy

Multiple Avenues to Continue to Drive Long Term Sustainable Growth



Currently, Qualicorp is pursuing all of these growth avenues

How We Have Delivered

- Partnerships with operators nationwide, including unique opportunities with the largest Brazilian healthcare plan operators **Bradesco Saúde**, **SulAmérica**, **Golden Cross** and **Amil**.
  - Entered the emerging middle class market.
- Expanded geographically to new markets in Brazil through new branches or franchises.
- Started to sell Class C and D products through the new brand - **Clube de Saúde**.
- Internet and Telephone Sales
- Client Segmentation – NPV project

Strong organic growth in number of beneficiaries

Track record of implementing multipronged growth strategies and tremendous room for future expansion

Organic Growth

Clube de Saúde

Started on 2014 as a way to mitigate the negative macroeconomic scenario and the consequent loss of purchase power by the population, sales of Classes C and D products are being successful.

- Lower operational costs to keep the same level of margin
- More than 20 regional operators
- Almost 80 professional associations
- Penetration in 15 States
- Average Ticket of R$190.00

São Cristóvão saúde

COOPUS Planos de Saúde

Santa Helena Saúde
TRABALHANDO PELA VIDA

SAÚDE SÃO LUCAS Desde 1983

GreenLine SISTEMA DE SAÚDE DESDE 1992

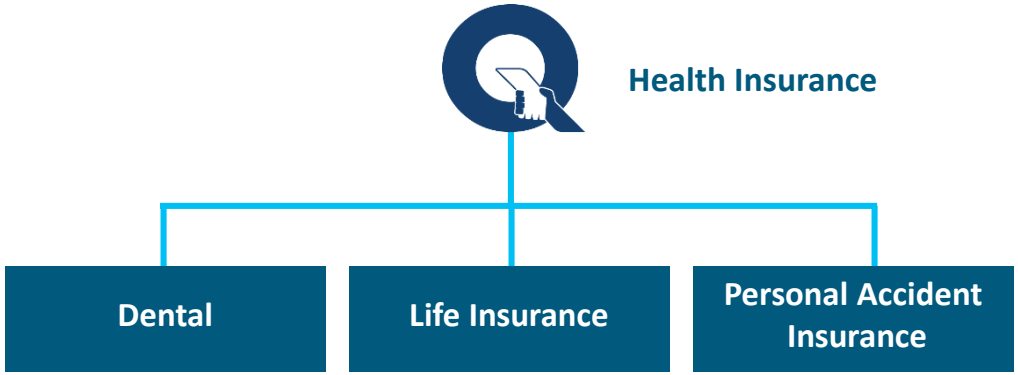
Intermédica

AMEPLAN ASSISTÊNCIA MÉDICA PLANEJADA

Hapvida Saúde

Ana Costa Saúde
Sempre evoluindo para acompanhar você

Cross-Sell New Products and Services to Existing Customers



- Continue to leverage brand, exclusive association and provider relationships and existing customer base
- Capitalize on substantial cross-selling potential through PraxiSolutions acquisition to drive growth
- Identify additional products / geographies for cross-selling with support of specialized consulting firms
- Invest in marketing and advertising to increase awareness of Qualicorp's product offerings

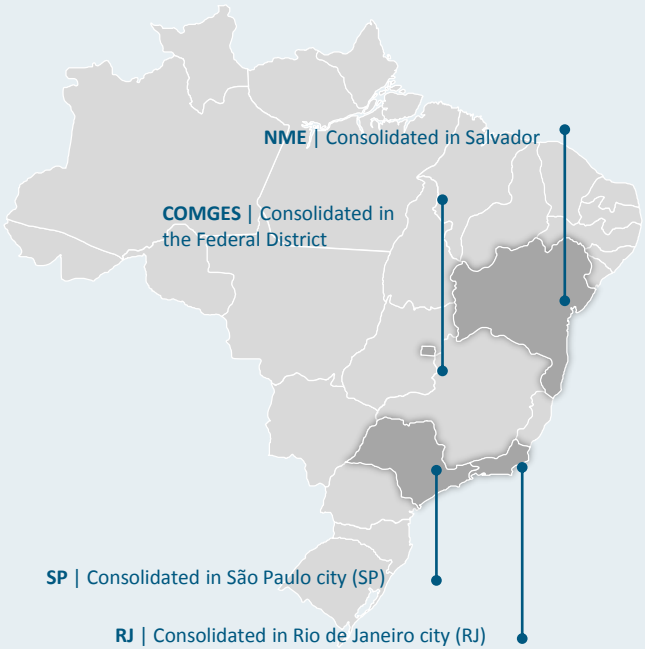
Cross-Selling Initiatives Deepen Relationship with Professional Associations and Improve Customer Stickiness

Geographic expansion is a growth avenue that Qualicorp will be able to enjoy for years to come

- The company has been:
  - Evaluating the most relevant operators and which type of plan has the highest market share in each location to correctly address its expansion strategy
  - Targeting high growth markets outside São Paulo and Rio de Janeiro
  - Identifying and prioritizing attractive new regions with the support of specialized consulting companies
  - Utilizing partners strong capabilities and brand names to support geographic expansion
  - Operating with Franchises to leverage sales in alternative markets

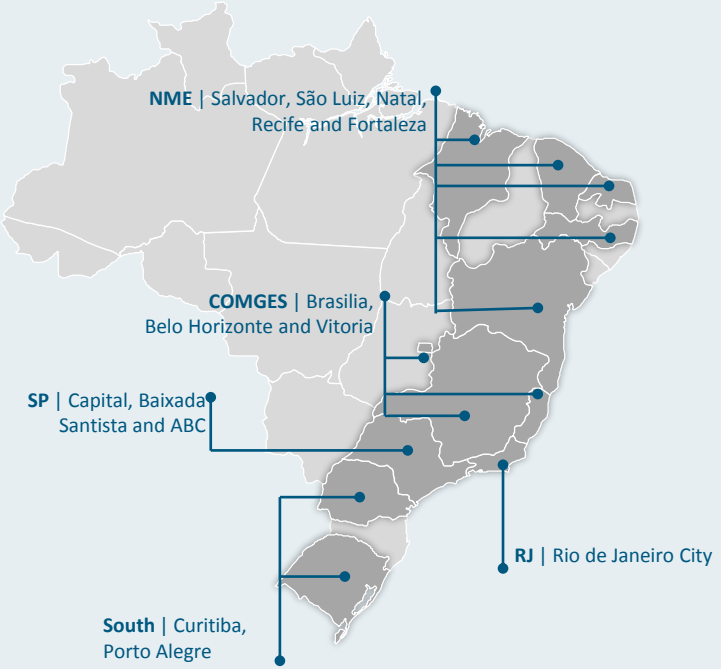
Expansion already underway

In 2012



SP + RJ: 73.6% of total portfolio (1)

In 2018



SP + RJ: 59.9% of total portfolio (1)

Source: Company. Note: (1) Affinity segment only – December 2012 and September 2018.

Over the last few years Qualicorp managed to acquired and integrate companies in different segments

Selected acquisitions

TPA

April 2011

Provides connectivity services to complement Qualicorp's businesses already implemented in the TPA segment

Affinity - Portfolio only

April 2011

Provides approximately 60,000 additional lives to the affinity portfolio

Mass insurance

July 2011

Adds mass insurance products to existing platform and allows for cross-selling through distribution channels across Brazil (2,000 distribution points)

Corporate - Portfolio only

October 2011

Provides individual and group health insurance through a brokerage service

Affinity - Portfolio only

December 2011

Adds 30,00 lives and expands geographic presence and adds new associations and providers

Corporate - Portfolio only

March 2012

Adds new opportunities in the Corporate segment and expands Qualicorp's geographic footprint

Affinity

July 2012

Adds 84,000 lives to the affinity portfolio, mainly in Rio de Janeiro and São Paulo but also in Paraná, Ceará, and the Federal District

Affinity

August 2012

Reinforces position in public-sector segment and increases penetration in health plans by adding 140,000 lives to affinity/Corporate portfolio

TPA

May 2014

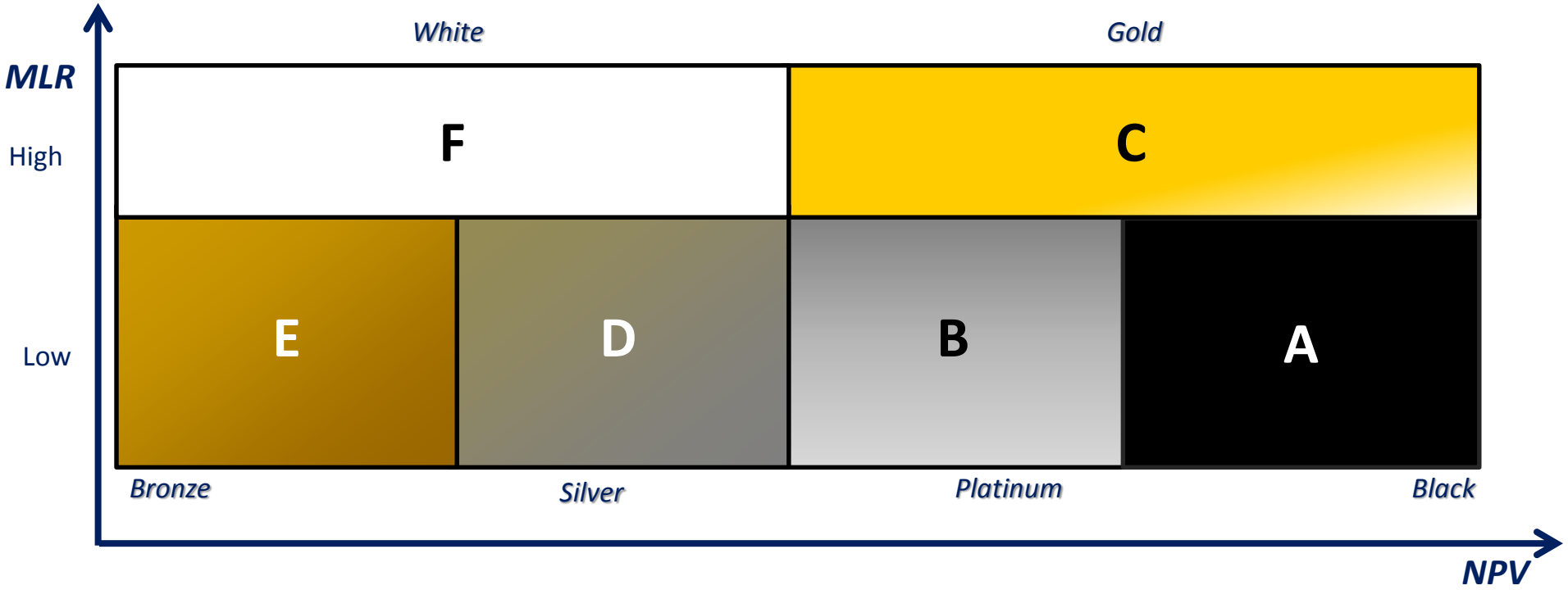
Increases Qualicorp's exposure to TPA and health management, which is a strategic move to anticipate and gradually tackle medical inflation

- Selected and disciplined acquisitions of affinity brokerage portfolios supporting growth
- Operational leverage: incremental contribution margin of more than 60% for every new affinity member
- Add new capabilities: (i) Continue to broaden product offering; (ii) Leverage track record of increasing cross-selling through PraxiSolutions acquisition

Qualicorp has been leveraging its unique market position to bring other interesting companies onboard, adding products and services to its portfolio

New Channels and Operational Improvement

Client Segmentation – NPV Project



The NPV Project was launched in 2015 to create a segmentation among our clients. The level of MLR and ticket are the main keys to separate them. With this strategy we are creating different approaches for each one of our customers delivering extra care for those who are more profitable for the Company.

New Channels and Operational Improvement

Sales Improvement

New strategies <u>being Implemented</u>

System Sales Support

Facilitate the sale of products



- Installation via App for Internal and External brokers
- Physical to Digital
- Less papers, easier sales, better production
- Integrated with Cadastration and Acceptance
- Increase efficiency on the operational area
- Reduce costs



Brokers Relationship Program

Segment brokers and provide different benefits for the best-ranked.

- Provide different benefits for different level of deliveries
- Segmentation based not only on volume but also on ticket and quality

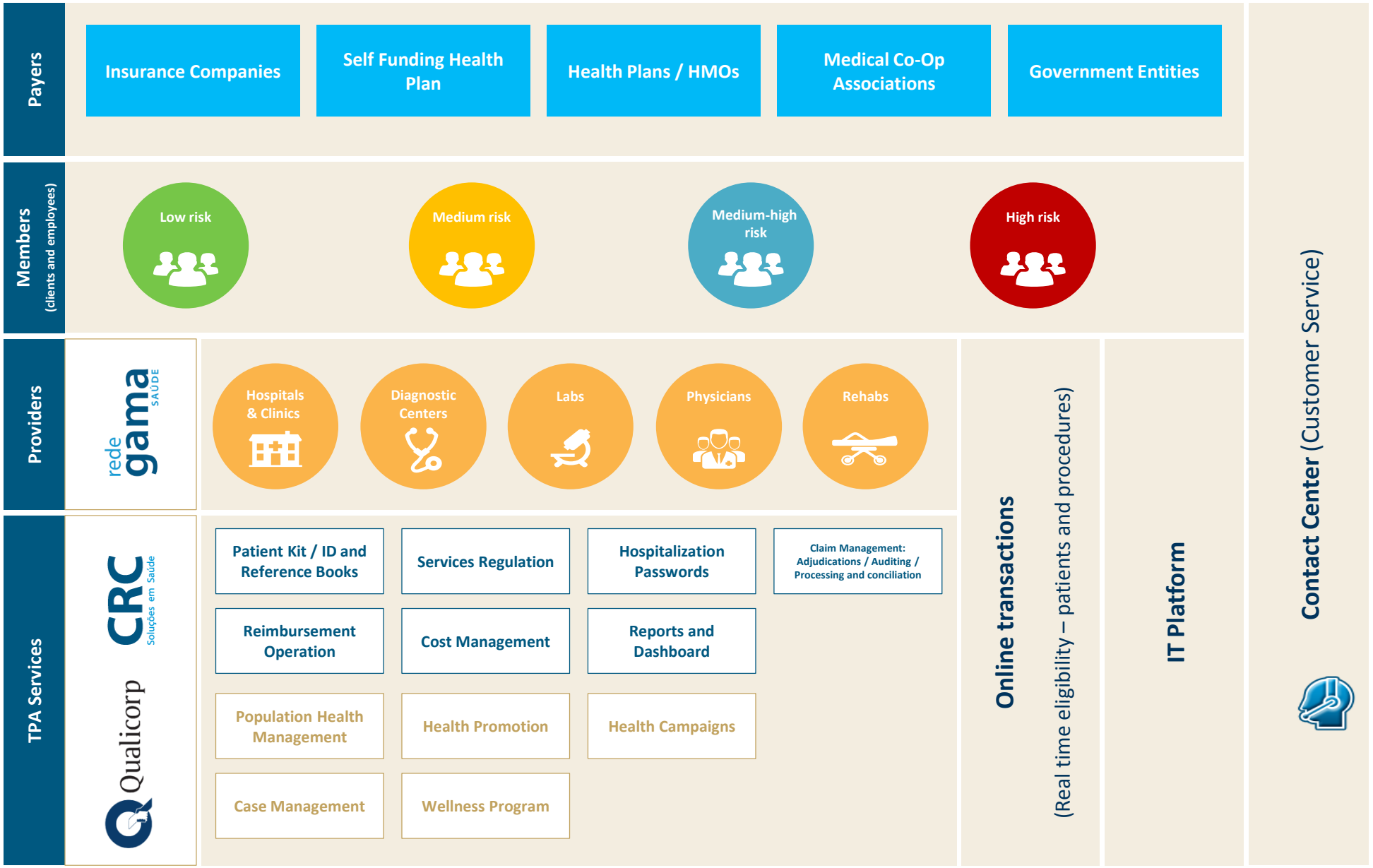
New Channels and Operational Improvement

Other innovation initiatives

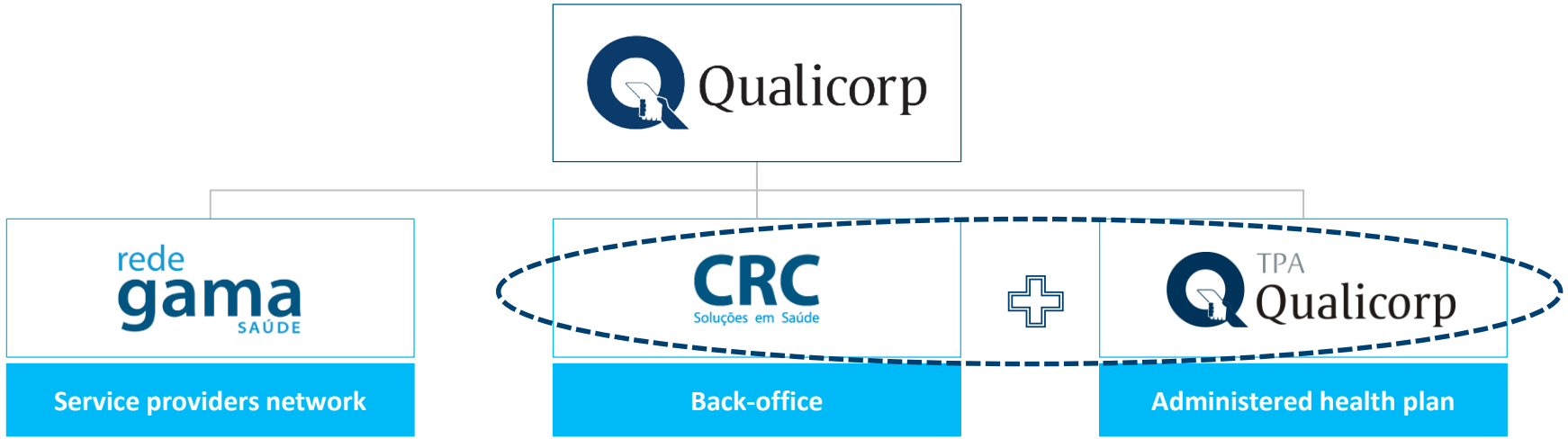
Broker CRM Tool	Broker daily management tool
Lead as Incentive	Best leads as incentive to Best Brokers
RV Sales new platform	RedVentures Platform to accelerate sales
DeepDive	Anticipate Customers' Churn Movements through analyzing previous experiences
Private Advisors to TOP NPV	Copycat from Private Banking Model
Cross Benefits	Boost clients loyalty through cross benefits
Akinator	Right/better health plan selection
E-Commerce	Make the whole selling process through internet

Keep a track on disruptive innovation in Healthcare.

Overview of Qualicorp's TPA segment



TPA segment by product and segments



1 IT platform

Description
- Web-based healthcare platform
- Allows operations team to tailor the rules according to specific needs
- Composed of several modules, such as: authorization and regulation, service providers management , claim analysis and others

Highlights
- Quick installation and easy-to-use system
- 100% Web
- Platform customization according to payers' rules
- Compliance with regulatory requirements (ANS)
- Information security system with systemic redundancies and hosting

2 Audit tool

Description
- Innovative tool to audit drugs and medical supplies electronically
- Simplifies the medical claim analysis process and respects the rules regarding drugs and supplies agreed upon by the payer and the provider

Highlights
- Customization based on the payers needs/rules
- 10x more efficient than manual auditing
- Better control and rationale of medical and hospital claims
- More accuracy in processing medical claims
- Lead time for claim analysis reduced by 35%

3 Electronic transactions

Description
- Patients' eligibility, electronic claim submission and billing
- Speeds up the process and reduces regulation and audit turn-around time
- Allows the service provider to request preauthorization quickly

Highlights
- Checks for eligibility online
- Electronic claim submission
- Online preauthorization for procedures and hospitalization with possible client involvement during regulatory process
- Service Providers Statement and Claim Financial Conciliation through the web

4 Medical Regulation

Description
- Complete solutions to help clients achieve compliance issues
- Management of high-valued medical supplies, chemo and radiotherapy

Highlights
- Full range of services:
  - Medical
  - Materials:
    - Orthosis, prosthesis and other devices
    - Oncology
    - Case management

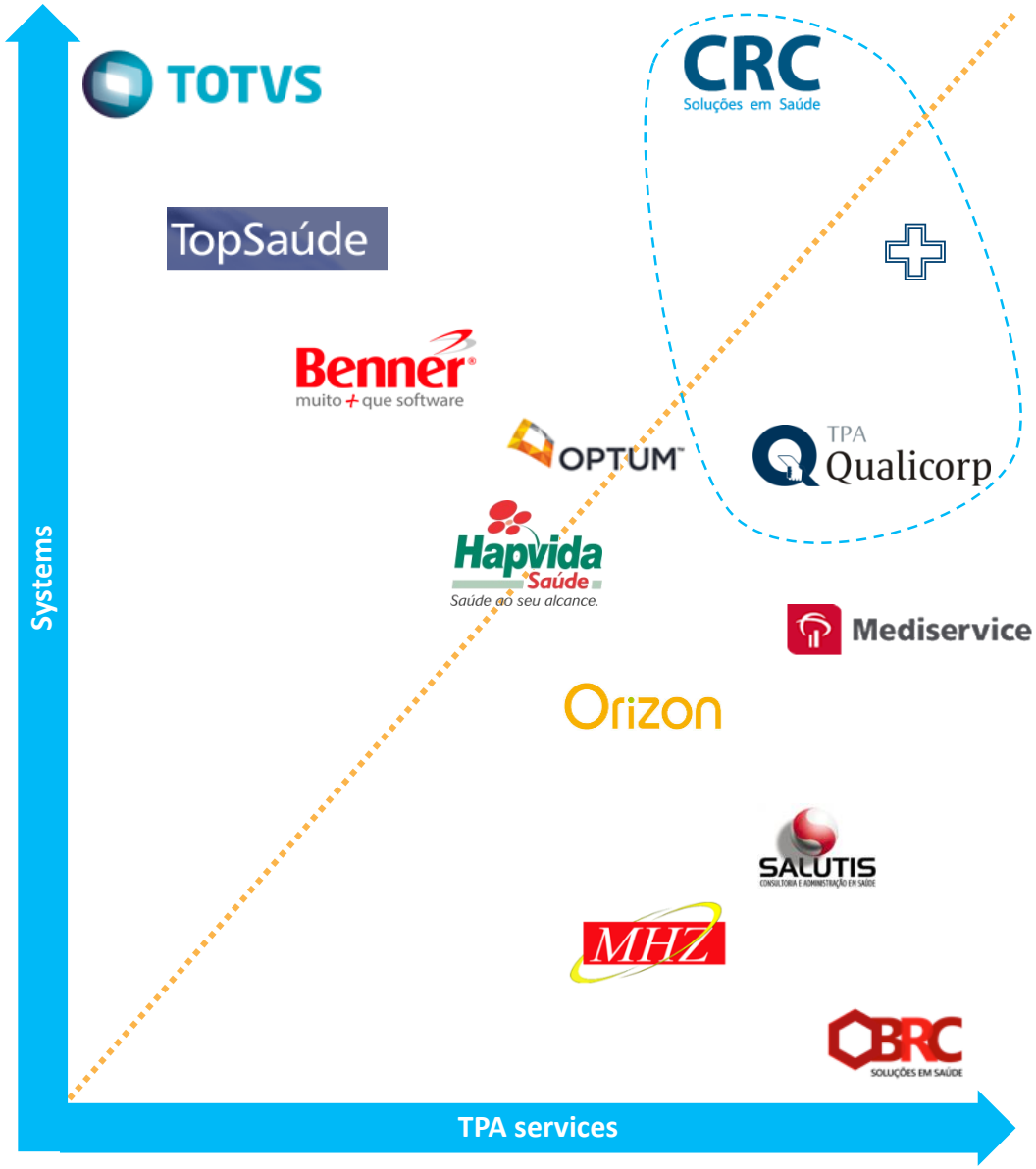
5 Contact Center

Description
- Provides Call Center services with full service portfolio

Highlights
- Full range of services: Admission
  - Admission codes and members
  - Customer service center
  - Support center
  - Service Provider Center

TPA Competitive landscape

Competitive landscape



Positioning

Strengths

- Flexible IT platform
- Management team with health sector expertise
- Actuarial services and claim administration
- Prospects portfolio and high potential for cross-selling

Challenges

- Integrate teams, systems and processes from Qualicorp and CRC/Gama
- Develop innovative service models for TPA differentiation
- Reconcile the competing view of partner Operators, reducing conflicts

Source: Company.


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