Qualicorp
administradora de benefícios

Earnings Release 1Q17

May 12th, 2017

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Legal Warning

Forward-looking statements

This release may contain forward-looking statements concerning the business outlook, estimates of operating and financial results and growth prospects of Qualicorp S.A. These statements are based exclusively on the expectations of the management of Qualicorp S.A. regarding the prospects of the business and its continued ability to access capital markets to finance its business plan. These forward-looking statements are highly sensitive to changes in the capital markets, government regulations, competitive pressures, the performance of the industry and the Brazilian economy and other factors, as well as to the risk factors highlighted in documents previously filed by Qualicorp S.A., and therefore are subject to change without prior notice.

Main Indicators

Consolidated Income Statement - (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Net Revenues	507.1	454.8	11.5%	515.5	-1.6%
Total Expenses (Ex-Depreciation and amortization)	(292.2)	(283.0)	3.3%	(337.1)	-13.3%
Adjustments to EBITDA	22.4	16.5	35.7%	22.2	1.1%
Adjusted EBITDA	237.3	188.3	26.0%	200.6	18.3%
Adjusted EBITDA Margin	46.8%	41.4%	538bps	38.9%	788bps
Net Income (Loss)	**111.5**	**198.3**	**-43.8%**	**78.4**	**42.2%**

Balance Sheet	1Q17	2016	Var. 1Q17/2016
Equity	2,186.3	2,067.8	5.7%
Net Debt[1]	216.8	439.0	-50.6%

Other	1Q17	2016	Var. 1Q17/2016
Net Debt / Equity	0.10x	0.21x	-53.3%
Net Debt / Adjusted EBITDA LTM	0.26x	0.56x	-53.5%

(1) Includes acquisition payables recognized as "other payables". It does not include the investment retained as a guaranteed asset in the direct subsidiary Qualicorp Administradora de Benefícios S.A., and in the indirect subsidiaries Aliança Administradora de Benefícios de Saúde S.A and Clube de Saúde Administradora de Benefícios Ltda., according to the 33rd normative instruction by the ANS, from October 5, 2009.

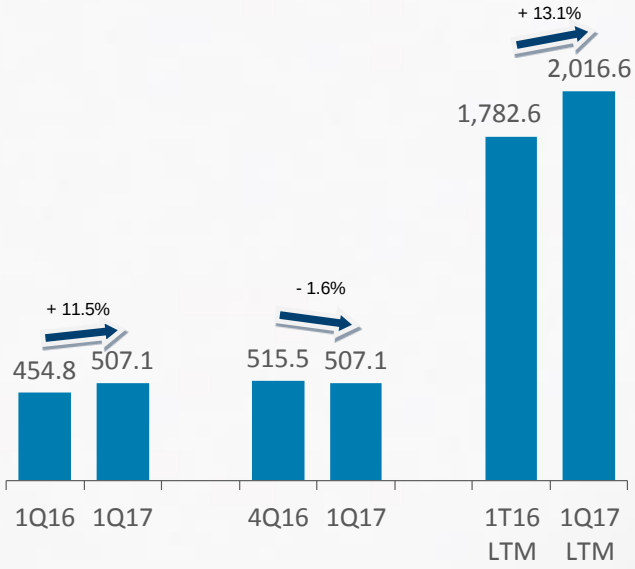
Portfolio Evolution (cont.)

Portfolio	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Affinity Health Lives					
Total Portfolio (BOP)	1,369,676	1,365,460	0.3%	1,371,555	-0.1%
(+) Gross Adds	84,629	98,656	-14.2%	93,536	-9.5%
(-) Churn	(104,675)	(98,479)	6.3%	(122,157)	-14.3%
(+) Portfolio Acquisition	-	-	N.A.	26,742	N.A.
New Lives Added (net)	(20,046)	177	-11425.4%	(1,879)	966.8%
Total Portfolio (EOP)	1,349,630	1,365,637	-1.2%	1,369,676	-1.5%
Affinity Other Products Lives					
Total Portfolio (BOP)	421,321	425,312	-0.9%	423,328	-0.5%
New Lives Added (net)	(14,424)	(16,545)	-12.8%	(2,007)	618.7%
Total Portfolio (EOP)	406,897	408,767	-0.5%	421,321	-3.4%
Affinity Portfolio	1,756,527	1,774,404	-1.0%	1,790,997	-1.9%
Corporate	**494,538**	**921,202**	**-46.3%**	**489,237**	**1.1%**
TPA	**2,235,055**	**2,126,731**	**5.1%**	**2,257,561**	**-1.0%**
Small/Medium Enterprises	**27,261**	**27,880**	**-2.2%**	**25,714**	**6.0%**
Health Management	**4,322**	**6,699**	**-35.5%**	**4,322**	**0.0%**
Corporate and Others Portfolio	2,761,176	3,082,512	-10.4%	2,776,834	-0.6%
Total Portfolio	4,517,703	4,856,916	-7.0%	4,567,831	-1.1%

Net Revenues

Net Revenues (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Affinity	464.2	412.1	12.6%	468.5	-0.9%
% on Total Net Revenues	91.5%	90.6%	92bps	90.9%	65bps
Corporate and Other	42.9	42.7	0.5%	46.9	-8.6%
% on Total Net Revenues	8.5%	9.4%	-92bps	9.1%	-65bps
Total Consolidated	**507.1**	**454.8**	**11.5%**	**515.5**	**-1.6%**

NET REVENUES (R$ MM)



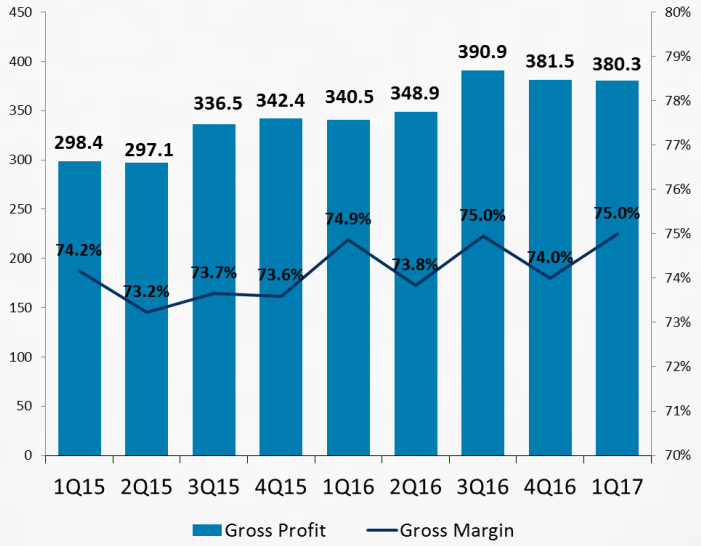
Cost of Services

Cost of Services (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Personnel expenses	(41.7)	(37.0)	12.6%	(44.5)	-6.3%
Third Party Services	(22.7)	(21.9)	3.6%	(25.5)	-11.1%
Occupancy expenses	(2.9)	(3.7)	-19.8%	(2.7)	10.3%
Royalties (a)	(50.5)	(42.3)	19.3%	(52.0)	-3.0%
Others (b)	(9.0)	(9.5)	-4.6%	(9.3)	-3.3%
Total Consolidated	**(126.8)**	**(114.3)**	**10.9%**	**(134.0)**	**-5.4%**
Gross Margin	**75.0%**	**74.9%**	**14bps**	**74.0%**	**99bps**

a) Refers to expenses from financial 'pass through' incurred in connection with the agreements signed with professional associations for the contracting and selling of affinity plans (called royalties).

b) Refers primarily to mailing expenses and annual membership fees paid by the Company to associations, unions and councils on behalf of the beneficiaries / members of the professional associations.

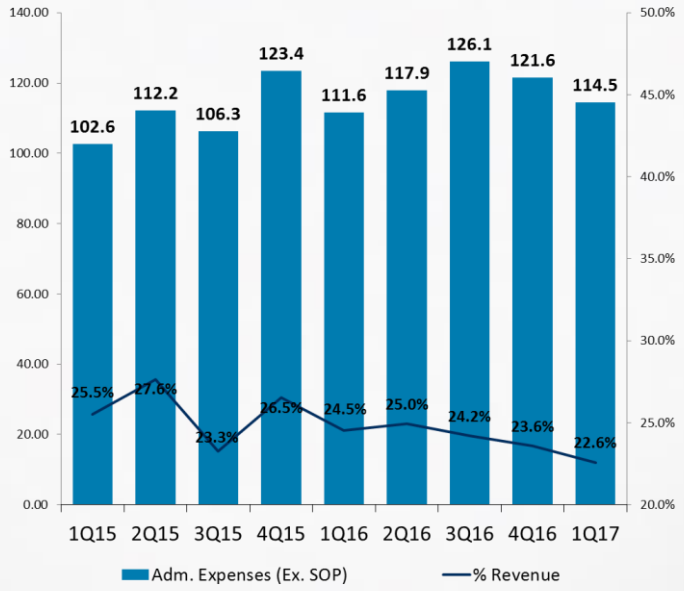
GROSS MARGIN



Administrative Expenses

Administrative expenses (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Personnel expenses	(29.9)	(29.9)	0.3%	(37.6)	-20.4%
Third Party services	(18.9)	(15.0)	26.3%	(22.5)	-16.0%
Occupancy expenses	(4.1)	(4.1)	-0.4%	(4.1)	0.2%
Depreciation and amortization	(58.2)	(56.1)	3.7%	(52.6)	10.7%
Others	(10.5)	(10.3)	1.9%	(12.3)	-14.6%
Total Consolidated	**(121.6)**	**(115.3)**	**5.4%**	**(129.0)**	**-5.8%**
(+) Stock Options Expenses	7.1	3.7	91.7%	7.4	-4.5%
Total Recurring Adm. Expenses	**(114.5)**	**(111.6)**	**2.6%**	**(121.6)**	**-5.8%**
Recurring Adm. Expenses/ Net Revenue %	**22.6%**	**24.5%**	**-196bps**	**23.6%**	**-101bps**

ADMINISTRATIVE EXPENSES (% REVENUES)

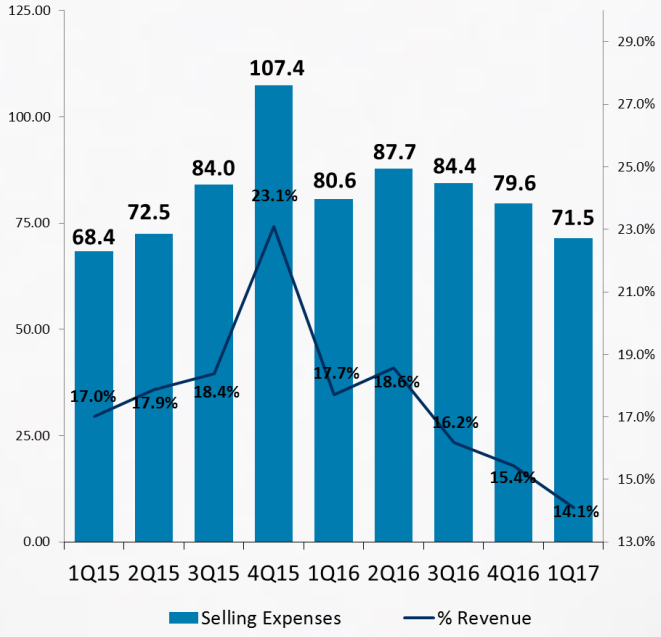


Selling Expenses

Selling Expenses (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Personnel expenses	(14.2)	(17.5)	-19.3%	(12.7)	11.3%
Third Party services	(3.0)	(3.7)	-17.0%	(2.5)	21.4%
Occupancy expenses	(1.7)	(2.0)	-15.4%	(1.9)	-13.9%
Sales campaign	(9.6)	(15.9)	-39.7%	(11.3)	-15.5%
Sponsorships	(1.6)	(1.9)	-16.3%	(2.3)	-31.2%
Third-party commission	(34.7)	(31.1)	11.6%	(35.7)	-2.8%
Publicity and advertising	(4.2)	(5.4)	-23.1%	(8.0)	-48.0%
Others (a)	(2.6)	(3.1)	-16.4%	(5.0)	-49.1%
Total Consolidated	**(71.5)**	**(80.6)**	**-11.3%**	**(79.6)**	**-10.2%**
Selling/Net Revenue %	**14.1%**	**17.7%**	**-362bps**	**15.4%**	**-135bps**

(a) Considers office supplies, mailing and discounts.

SELLING EXPENSES (% REVENUES)



Bad Debt (Uncollectible Receivables) and Other Operating Income (Expense)

Bad Debt (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Bad Debt/Uncollectible Receivables	(27.2)	(30.1)	-9.6%	(45.2)	-39.9%
% Net Revenue	5.4%	6.6%	-125bps	8.8%	-342bps

Breakdown	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
PCI	(31.3)	(33.8)	-7.3%	(49.2)	-36.3%
Recuperação de Perdas	4.2	3.7	11.2%	4.0	4.6%

Other Operating Income/Expenses (R$ M	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Expenses related to contingencies	(3.9)	0.6	-736.1%	3.4	-215.4%
Impairment	0.6	(1.3)	-145.1%	(1.4)	-141.2%
Operational Losses	(0.2)	4.3	-105.5%	(7.6)	-96.9%
Other income (expenses)	0.30	(2.4)	-112.8%	3.9	-92.2%
Total Consolidated	**(3.3)**	**1.3**	**-360.8%**	**(1.7)**	**93.0%**

Financial Income (Expense)

Financial Income (Expenses) (R$MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Financial income					
Income from short-term investments	17.7	15.8	12.2%	20.0	-11.4%
Interest and fine on late payment of health plans	15.3	12.8	19.5%	14.7	3.9%
Other income	6.3	3.3	91.0%	6.6	-4.9%
Total	**39.4**	**31.9**	**23.3%**	**41.4**	**-4.9%**
Financial expenses					
Debentures Interest	(21.0)	(19.6)	7.4%	(21.2)	-0.7%
Monetary adjustment from acquisition payables	(8.5)	(7.5)	14.3%	(8.2)	3.5%
Other financial expenses	(11.1)	(15.3)	-27.3%	(19.1)	-41.9%
Total	**(40.6)**	**(42.3)**	**-3.9%**	**(48.5)**	**-16.2%**
Total Consolidated	(1.2)	(10.3)	-87.9%	(7.1)	-82.4%

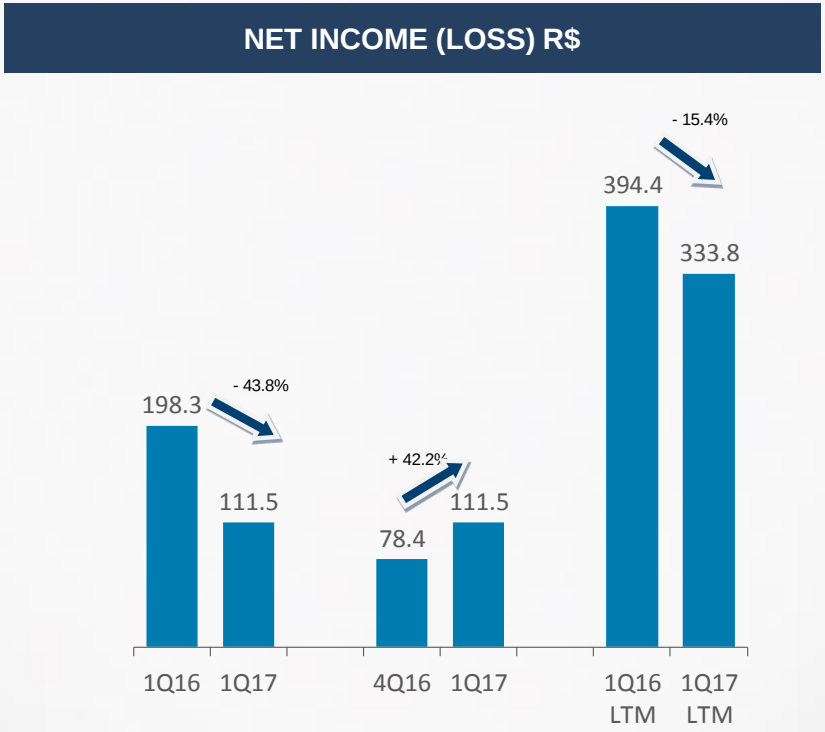
Adjusted EBITDA

EBITDA and Adjusted EBITDA (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Net Income	111.5	198.3	-43.8%	78.4	42.2%
(+) Taxes	44.0	(92.9)	-147.4%	40.4	9.0%
(+) Depreciation and Amortization	58.2	56.1	3.7%	52.6	10.7%
(+) Financial Expense	40.6	42.3	-3.9%	48.5	-16.2%
(-) Financial Income	(39.4)	(31.9)	23.3%	(41.4)	-4.9%
EBITDA	**214.9**	**171.8**	**25.1%**	**178.4**	**20.4%**
EBITDA Margin	**42.4%**	**37.8%**	**460bps**	**34.6%**	**776bps**
Non-cash Stock Option Plan Expense	7.1	3.7	91.7%	7.4	-4.5%
Interest and fine on late payment of health plans	15.3	12.8	19.5%	14.7	3.9%
Adjusted EBITDA	**237.3**	**188.3**	**26.0%**	**200.6**	**18.3%**
Adjusted EBITDA Margin	**46.8%**	**41.4%**	**538bps**	**38.9%**	**788bps**

Net Income (Loss)

Net Income (Loss) (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Net Income	111.5	198.3	-43.8%	78.4	42.2%

** The annual decrease is related to the R$137.7 million fical effects, wildely discussed in 1Q16. Excluding this impact, we would observe a84% y/y growth.*



Investments[1] (CAPEX) and Capital Structure

Capex (R$ MM)	1Q17	1Q16	% Change 1Q17/1Q16	4Q16	% Change 1Q17/4Q16
Capex in IT	8.5	18.4	-53.8%	8.6	-0.7%
Other Capex	0.2	8.9	-98.1%	0.9	-81.4%
Right Assignment Agreeement / Exclusivity	9.4	4.5	109.8%	51.2	-81.6%
TOTAL	18.1	31.9	-43.1%	60.7	-70.1%

Capital Structure (R$ MM)	1Q17	4Q16	Var. 4Q16/2015
Current Debt	291.5	276.1	5.6%
Long Term Debt(1)	613.4	613.7	-0.1%
TOTAL	904.9	889.8	1.7%
Cash and cash equivalents(2)	688.1	450.9	52.6%
TOTAL NET DEBT	216.8	439.0	-50.6%

(1) Includes acquisition payables.
(2) Includes acquisition payables recognized as "other payables". It does not include the investment retained as a guaranteed asset in the direct subsidiary Qualicorp Administradora de Benefícios S.A., and in the indirect subsidiaries Aliança Administradora de Benefícios de Saúde S.A and *Clube de Saúde Administradora de Benefícios Ltda.*, according to the 33rd normative instruction by the ANS, from October 5, 2009.

Cash Flow

Cash Flow	1Q17	2016	4Q16	3Q16	2Q16	1Q16
Income adjusted by non-cash effects	253,466	815,530	206,925	220,183	192,542	195,880
Working Capital	37,192	(39,485)	35,636	(32,057)	(9,835)	(33,229)
Interest paid	-	(96,113)	(11,968)	(40,909)	-	(43,236)
Dividends received/paid	(1,145)	(15,617)	(4,822)	(4,178)	(6,617)	-
Income tax and social contribution paid	(25,288)	(118,644)	(40,201)	(30,027)	(24,577)	(23,839)
Cash Flow from Operating Activities	**264,225**	**545,671**	**185,570**	**113,012**	**151,513**	**95,576**
Capex (TI)	(9,605)	(74,927)	(20,376)	(13,848)	(18,095)	(22,608)
PP&E	(370)	(15,990)	(999)	(1,461)	(4,001)	(9,529)
Intangible (M&A + Portfolio + Deals)	(15,387)	(44,678)	(35,374)	(8,216)	(1,088)	-
Cash Flow from Investment Activities	**(25,362)**	**(135,595)**	**(56,749)**	**(23,525)**	**(23,184)**	**(32,137)**
Cash Flow from Operating Activities (-) C	**238,863**	**410,076**	**128,821**	**89,487**	**128,329**	**63,439**
Cash Flow from Financing Activities	**-**	**(320,616)**	**(165,593)**	**67,723**	**(215,767)**	**(6,979)**
Other Investments	**(138,760)**	**(249,889)**	**520**	**(132,195)**	**(118,973)**	**759**
Total Cash Flow	**100,103**	**(160,429)**	**(36,252)**	**25,015**	**(206,411)**	**57,219**

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Thank you!

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