# Earnings Release 2Q12

August 14th, 2012

Qualicorp
soluções em saúde

QUAL3
NOVO MERCADO
BM&FBOVESPA

## Conference Call

### Portuguese

Date: 08/14/2012
10:00 a.m. Brasília | (09:00 a.m. ET)
Tel: (11) 2188-0155
Password: Qualicorp
Webcast: www.qualicorp.com.br/ri

### English

Date: 08/14/2012
12:00 p.m. Brasília | (11:00 a.m. ET)
Tel: +1 (412) 317-6776
Password: Qualicorp
Webcast: www.qualicorp.com.br/ir

# 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.

# Operational and Finantial Highlights

- ✓ Our total portfolio of beneficiaries, including Affinity, Corporate and Other Segments grew 18.9% y/y in 2Q12:
  - ✓ Our portfolio of beneficiaries in the Affinity segment grew 19.4% y/y in 2Q12, with health growing 24.5% y/y, (17K in 2Q12 from Grupo Afindade) as a result of the continued maturation of our existing portfolios, the addition of 71 new professional associations in 2Q12 (60 from Grupo Afinidades) and various strategic acquisitions.
  - ✓ Our portfolio of beneficiaries in the Corporate and other Segments grew 18.7% y/y in 2Q12 to 2.5 million lives mainly due to several new contracts signed during the quarter.
- ✓ Our total consolidated net revenues grew 31.0% y/yin 2Q12.
- ✓ Our consolidated adjusted EBITDA grew 19.3% y/y in 2Q12.
- ✓ Our Cash Earnings grew 16.3% y/y in 2Q12. Our Cash Earnings include adjustments from one-time extraordinary expenses, amortization of intangible assets, business combination transactions and amortization of deferred assets related to the acquisition of portfolios.

# Main Indicators

| Income Statement (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Net Revenues | 211,382 | 161,339 | 31.0% | 198,464 | 6.5% |
| Operating Expenses | (128,793) | (155,945) | -17.4% | (126,364) | 1.9% |
| Adjustments[1] | 3,664 | 65,921 | -94.4% | 4,844 | -24.4% |
| Adjusted Operating Expenses | (125,129) | (90,024) | 39.0% | (121,520) | 3.0% |
| Adjusted EBITDA | 74,831 | 62,724 | 19.3% | 67,066 | 11.6% |
| Adjusted EBITDA Margin | 35.4% | 38.9% | -348bps | 33.8% | 161bps |
| Cash Earnings | 62,802 | 54,002 | 16.3% | 57,447 | 9.3% |

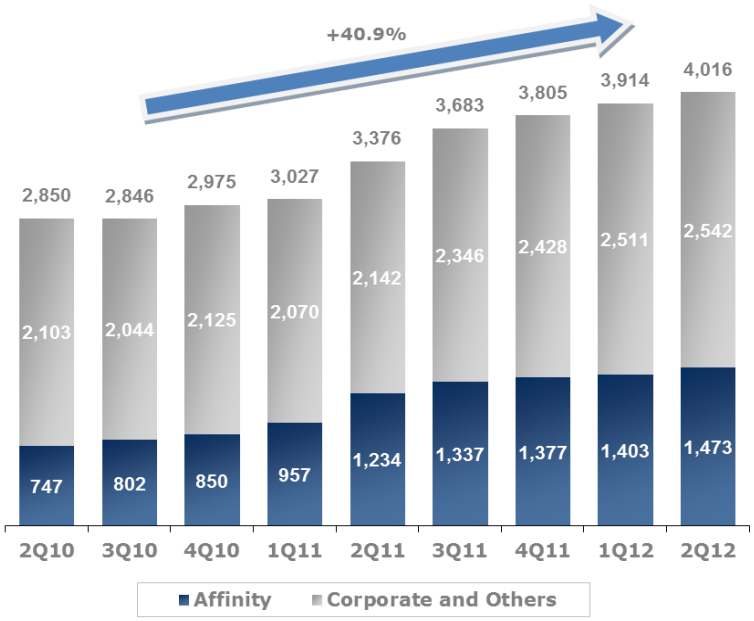
| Balance Sheet | 2Q12 | 2011 | % change 2Q12/2011 |
|---|---|---|---|
| Equity | 1,982,601 | 1,938,120 | 2.3% |
| Net Debt[2] | 45,412 | 1,528 | NA |

| Other | 2Q12 | 2011 | % change 2Q12/2011 |
|---|---|---|---|
| Net Debt / Equity | 0.02x | 0.00x | NA |
| Net Debt / Adjusted EBITDA LTM | 0.17x | 0.01x | NA |

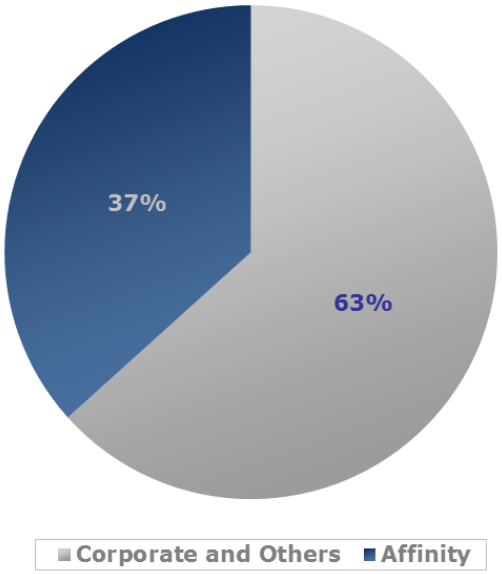
(1) Adjustments include stock option plan expenses with no cash effect and one time performance bonus.
(2) Does not include the investment made as a guarantee asset in Qualicorp Administradora de Benefícios S.A., according to the 33rd normative instruction by the ANS, from October 5, 2009.

# Portfolio Evolution

## BENEFICIARIES (´000s)




## NEW BENEFICIARIES PORTFOLIO BREAKDOWN

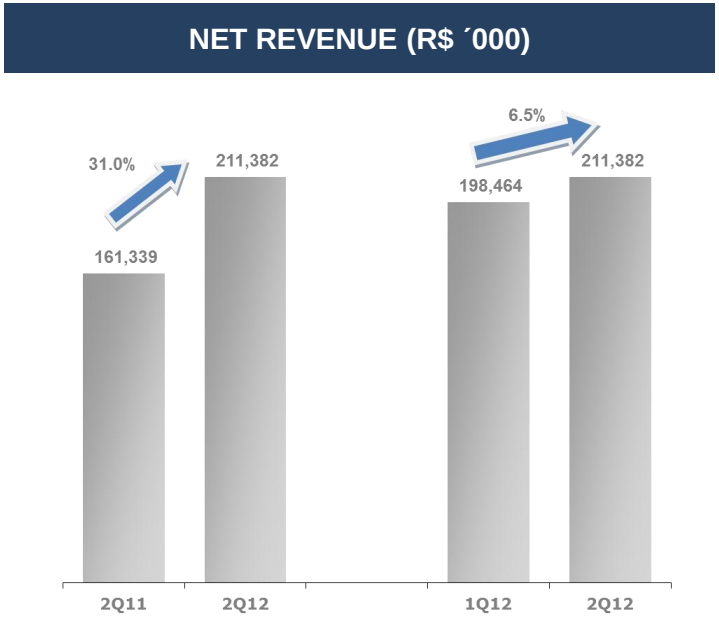


# Portfolio Evolution (cont.)

| Portfolio | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| **Affinity Health Lives** | | | | | |
| Total Portfolio (BOP) | 990,290 | 764,659 | 29.5% | 954,240 | 3.8% |
| New Lives Added (net) | 49,603 | 70,484 | -29.6% | 36,050 | 37.6% |
| Total Portfolio (EOP) | 1,039,893 | 835,143 | 24.5% | 990,290 | 5.0% |
| **Affinity New Products Lives** | | | | | |
| Total Portfolio (BOP) | 412,467 | 192,730 | 114.0% | 422,442 | -2.4% |
| New Lives Added (net) | 20,915 | 206,138 | -89.9% | (9,975) | -309.7% |
| Total Portfolio (EOP) | 433,382 | 398,868 | 8.7% | 412,467 | 5.1% |
| **Affinity Portfolio** | **1,473,275** | **1,234,011** | **19.4%** | **1,402,757** | **5.0%** |
| **Corporate** | **1,090,531** | **677,433** | **61.0%** | **1,057,811** | **3.1%** |
| **TPA** | **1,364,767** | **1,390,165** | **-1.8%** | **1,378,591** | **-1.0%** |
| **Small/Medium Enterprises** | **53,657** | **47,445** | **13.1%** | **47,689** | **12.5%** |
| **Health Management** | **33,417** | **27,345** | **22.2%** | **26,989** | **23.8%** |
| **Corporate and Others Portfolio** | **2,542,372** | **2,142,388** | **18.7%** | **2,511,080** | **1.2%** |
| **Total Portfolio** | **4,015,647** | **3,376,399** | **18.9%** | **3,913,837** | **2.6%** |

# Net Revenues

| Net Revenues (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Affinity | 187,887 | 146,428 | 28.3% | 178,344 | 5.4% |
| % on Total Net Revenues | 88.9% | 90.8% | -187bps | 89.9% | -98bps |
| Corporate and Other | 23,495 | 14,911 | 57.6% | 20,120 | 16.8% |
| % on Total Net Revenues | 11.1% | 9.2% | 187bps | 10.1% | 98bps |
| **TOTAL** | **211,382** | **161,339** | **31.0%** | **198,464** | **6.5%** |



# Cost of Services

| COGS (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Personnel expenses | (15,524) | (11,111) | 39.7% | (14,021) | 10.7% |
| Third Party Services | (9,463) | (6,610) | 43.2% | (7,996) | 18.3% |
| Occupancy expenses | (2,687) | (1,823) | 47.4% | (2,434) | 10.4% |
| Royalties (a) | (23,607) | (17,786) | 32.7% | (22,587) | 4.5% |
| Others (b) | (6,677) | (6,002) | 11.3% | (6,104) | 9.4% |
| **TOTAL** | **(57,958)** | **(43,332)** | **33.8%** | **(53,142)** | **9.1%** |

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.

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.

Our cost of services increased by 33.8% in 2Q12 (up by 9.1% q/q). This increase continues to reflect the company´s expansion, which requires a higher number of employees to attend our operational demands such as call center, billing, collection, invoicing and others.

# Administrative Expenses

| Administrative expenses (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Personnel expenses | (14,005) | (63,222) | -77.8% | (17,836) | -21.5% |
| Third Party services | (7,647) | (12,630) | -39.5% | (7,479) | 2.2% |
| Occupancy expenses | (1,157) | (1,032) | 12.1% | (1,155) | 0.2% |
| Depreciation and amortization | (40,209) | (30,264) | 32.9% | (37,055) | 8.5% |
| Others | (5,448) | (3,446) | 58.1% | (6,738) | -19.1% |
| **TOTAL** | **(68,466)** | **(110,594)** | **-38.1%** | **(70,264)** | **-2.6%** |
| (+) One-time Administrative Expenses (a) | 3,664 | 64,612 | -94.3% | 4,844 | -24.4% |
| **Total Recurring Adm. Expenses** | **(64,802)** | **(45,982)** | **40.9%** | **(65,420)** | **-0.9%** |

a) 2Q12 and 1Q12 only relates to the stock option plan. The other periods also include a one time performance bonus

| Other Operating Income/Expenses (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Expenses related to contingencies | 1,386 | (1,309) | NA | 4,041 | -65.7% |
| Other income | (116) | (244) | -52.5% | (218) | -46.8% |
| **TOTAL** | **1,270** | **(1,553)** | **-181.8%** | **3,823** | **-66.8%** |
| (+) One-time Expenses | - | 1,309 | NA | - | NA |
| **Other recurring expenses** | **1,270** | **(244)** | **NA** | **3,823** | **NA** |

# Selling Expenses

| Selling Expenses (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Personnel expenses | (14,028) | (10,964) | 27.9% | (13,467) | 4.2% |
| Third Party services | (2,574) | (1,868) | 37.8% | (2,160) | 19.2% |
| Occupancy expenses | (1,438) | (923) | 55.8% | (1,322) | 8.8% |
| Other selling expenses | (2,335) | (4,000) | -41.6% | (4,697) | -50.3% |
| Sales campaign | (5,211) | (1,694) | 207.6% | (2,943) | 77.1% |
| Sponsorships | (2,223) | (1,847) | 20.4% | (3,922) | -43.3% |
| Third-party commission | (8,946) | (6,453) | 38.6% | (8,108) | 10.3% |
| Publicity and advertising | (11,103) | (6,809) | 63.1% | (9,642) | 15.2% |
| Others (a) | (2,351) | (1,581) | 48.7% | (1,756) | 33.9% |
| **TOTAL** | **(50,209)** | **(36,139)** | **38.9%** | **(48,017)** | **4.6%** |

a) Includes office supplies, mailing expenses and discounts granted.

| Bad Debt (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Bad Debt (Uncollectible Receivables) | (11,388) | (7,659) | 48.7% | (11,906) | -4.4% |
| **TOTAL** | **(11,388)** | **(7,659)** | **48.7%** | **(11,906)** | **-4.4%** |

# Adjusted EBITDA

| EBITDA and Adjusted EBITDA (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Net Income | 13,681 | (48,986) | -128% | 10,294 | 32.9% |
| (+) Taxes | 13,990 | 6,027 | 132% | 9,967 | 40.4% |
| (+) Depreciation and Amortization | 40,209 | 30,264 | 33% | 37,055 | 8.5% |
| (+) Financial Expense | 13,336 | 15,125 | -12% | 15,196 | -12.2% |
| (-) Financial Income | (16,376) | 10,104 | -262% | (16,499) | -0.7% |
| **EBITDA** | **64,841** | **(7,674)** | **-945%** | **56,013** | **15.8%** |
| **EBITDA Margin** | **30.7%** | **-4.8%** | | **28.2%** | |
| One-time extraordinary bonus | - | 46,212 | -100.0% | - | NA |
| Expenses incurred in preparation for IPO | - | 7,394 | -100.0% | - | NA |
| Non-cash Stock Option Plan Expense | 3,664 | 6,439 | -43.1% | 4,844 | -24.4% |
| Interest and fine on late payment of health plans | 6,326 | 4,664 | 35.6% | 6,210 | 1.9% |
| Other | - | 5,876 | -100.0% | - | NA |
| Other Reclassifications | - | (187) | NA | - | NA |
| **Adjusted EBITDA** | **74,831** | **62,724** | **19.3%** | **67,066** | **11.6%** |
| **Adjusted EBITDA Margin** | **35.4%** | **38.9%** | | **33.8%** | |

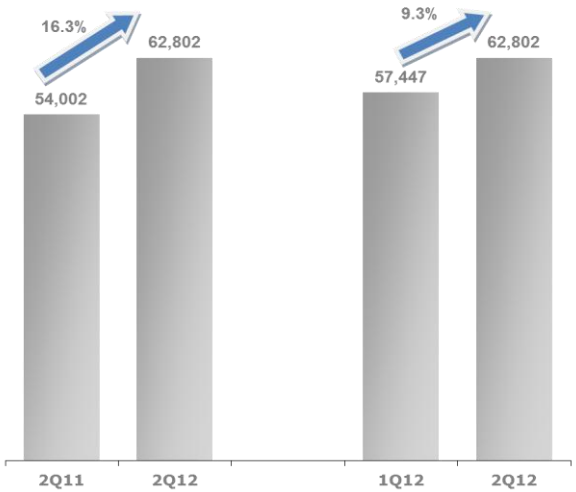
Our consolidated adjusted EBITDA grew 19.3% y/y in 2Q12 to R$74.8mn (from R$62.7mn in 2Q11) due to our strong top line performance. Our EBITDA margin of 35.4% reflected mainly the increase in marketing expenses, the higher number of headcount to support our operations and higher provisions for doubtful accounts (PDA). Comparing with 1Q12 we were able to increase our margin by 160bps, reflection of our strong growth and leverage of fixed expenses.

# Cash Earnings

| Cash Earnings (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Net Income | 13,681 | (48,986) | -127.9% | 10,294 | 32.9% |
| Total one-time expense (a) | 3,664 | 65,921 | -94.4% | 4,844 | -24.4% |
| Amortization Clients Relationship | 14,407 | 14,189 | 1.5% | 14,318 | 0.6% |
| Tax Effect Goodwill Amortization | 16,053 | 16,587 | NA | 16,053 | 0.0% |
| Portfolio Acquisition Amortization | 14,996 | 6,291 | 138.4% | 11,939 | 25.6% |
| **TOTAL** | **62,802** | **54,002** | **16.3%** | **57,447** | **9.3%** |

a) 1Q12 and 2Q12 refers to “Non-cash Stock Option Plan Expense”. For 2Q11 it refers to “Non-cash Stock Option Plan Expense”, “Expenses incurred in preparation for IPO” and “ one time performance bonus

**CASH EARNINGS (R$ ´000)**



# Capital Expenditure[1]

| Capex (R$ ´000) | 2Q12 | 2Q11 | % change 2Q12/2Q11 | 1Q12 | % change 2Q12/1Q12 |
|---|---|---|---|---|---|
| Capex in IT | 2,933 | 2,485 | 18.0% | 4,098 | -28.4% |
| Other Capex | 1,209 | 806 | 50.0% | 1,997 | -39.5% |
| **TOTAL** | **4,142** | **3,291** | **25.9%** | **6,095** | **-32.0%** |

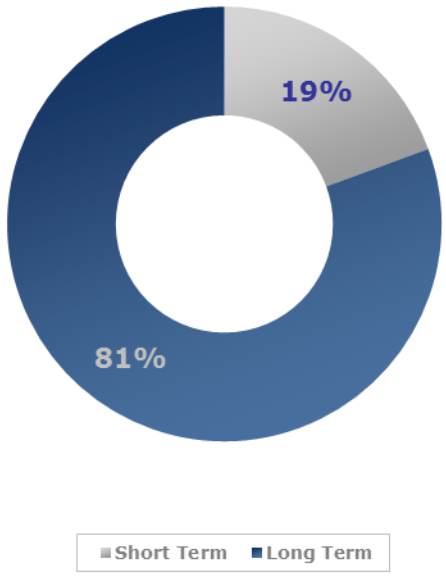
Our total Capex increased 25% y/y in 2Q12 as we built up investments in our IT platform to support future growth.

(1) Excludes expenses related to portfolio acquisitions and exclusivity contracts

# Debt

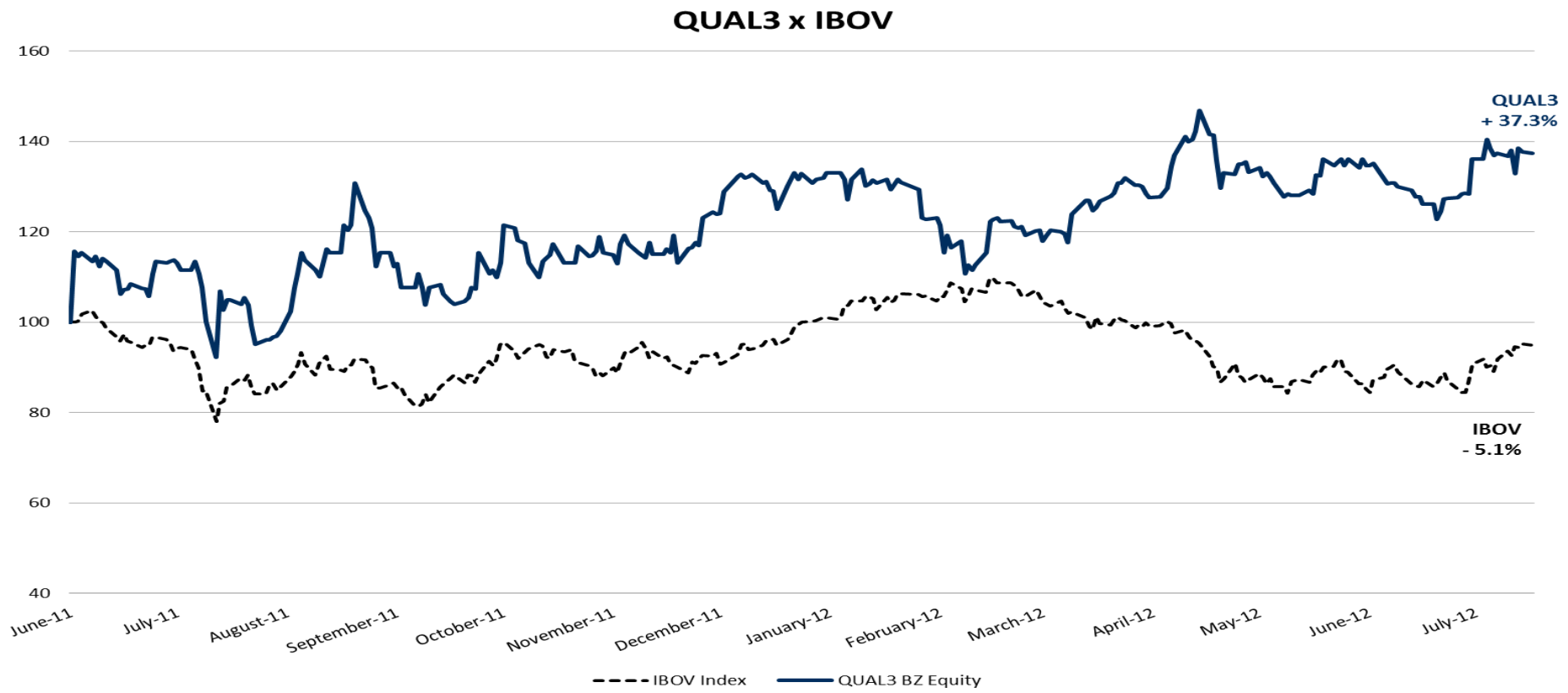
| Capital Structure (R$ ´000) | 2Q12 | 4Q11 | % change 2Q12/4Q11 |
|---|---|---|---|
| Current Debt | 71,212 | 75,622 | -5.8% |
| Long Term Debt | 296,034 | 295,574 | 0.2% |
| **TOTAL** | **367,246** | **371,196** | **-1.1%** |
| Cash and cash equivalents(2) | 321,834 | 369,668 | -12.9% |
| **TOTAL NET DEBT** | **45,412** | **1,528** | **NA** |

**DEBT PROFILE**




(2) Does not include the investment made as a guarantee asset on Qualicorp Administradora de Benefícios S.A., according to the 33rd normative instruction by the ANS, from October 5, 2009.

# Shares Value Evolution




| Company | % YTD | % 5D | % 1M | % 1D | % 1Y | % 6M |
|---|---|---|---|---|---|---|
| IBOV Index | 4,2 | 1,3 | 8,8 | -0,3 | 10,6 | -9,1 |
| QUAL3 Equity | 6,6 | 0,5 | 8,8 | -0,3 | 30,8 | 6,1 |

# Thank You!

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