Earnings Release 3Q12

November 14th, 2012

Qualicorp
soluções em saúde

QUAL3
NOVO MERCADO
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Conference Call

Portuguese

Date: 08/14/2012
10:00 a.m. Brasília | (7:00 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 | (09:00 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 of 4.3 million lives, including Affinity, Corporate and Other Segments grew 17.1% y/y in 3Q12:
  - ✓ Our portfolio of beneficiaries in the Affinity segment grew 29.9% y/y in 3Q12, with health growing 34.9% y/y, as a result of the continued maturation of our existing portfolios and the acquisitions of Padrão and Aliança, which added 159 new professional associations in 3Q12 (47 from Grupo Padrão and 112 from Aliança), resulting in 470 professional associations.
  - ✓ Our portfolio of beneficiaries in the Corporate and other Segments grew 9.8% y/y in 3Q12 to ~2,6 million lives.

- ✓ Our total consolidated Net Revenues grew 38.5% y/y in 3Q12.
- ✓ Our consolidated Adjusted EBITDA grew 27.5 % y/y in 3Q12.
- ✓ Our Adjusted Earnings grew 49.9% y/y in 3Q12. Our Adjusted Earnings include adjustments from one-time extraordinary expenses such as stock options expenses, IPO expenses, acquisition expenses and the impairment of Athon/Bruder portfolio.

Main Indicators

Income Statement (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Net Revenues	251.6	181.7	38.5%	211.4	19.0%
Total Expenses	(225.9)	(156.7)	44.2%	(186.8)	21.0%
Adjustments[1]	16.7	7.6	121.2%	3.7	357.0%
Adjusted Operating Expenses	(209.2)	(149.1)	40.3%	(183.1)	14.2%
Adjusted EBITDA	91.3	71.6	27.5%	74.8	22.0%
Adjusted EBITDA Margin	36.3%	39.4%	-311bps	35.4%	88bps
Adjusted earnings	29.4	19.6	49.9%	17.3	69.6%

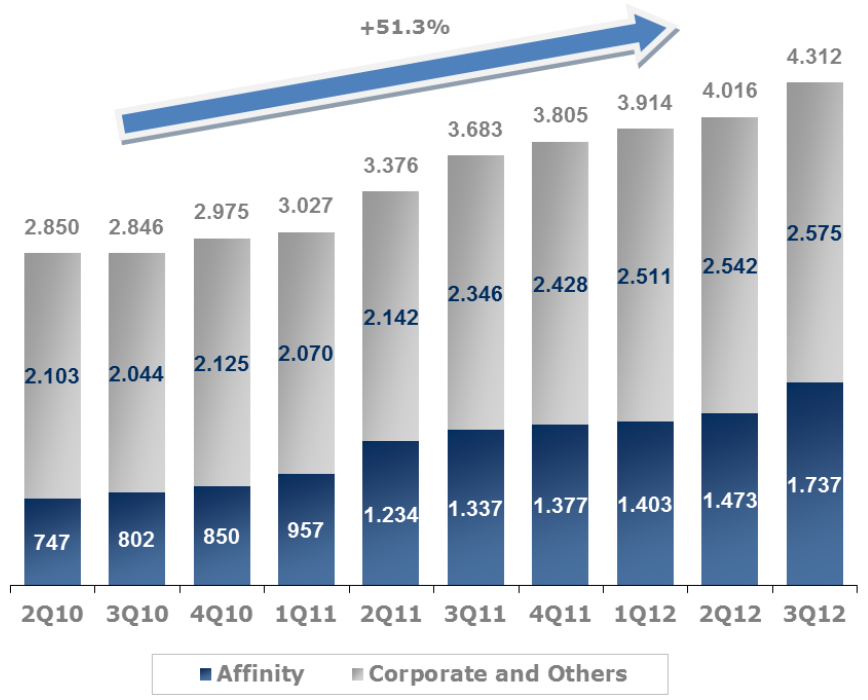
Balance Sheet	3Q12	2011	% change 3Q12/2011
Equity	1,999.3	1,938.1	3.2%
Net Debt[2]	476.7	70.6	574.7%

Other	3Q12	2011	% change 3Q12/2011
Net Debt / Equity	0.24x	0.04x	NA
Net Debt / Adjusted EBITDA LTM	1.65x	0.28x	NA

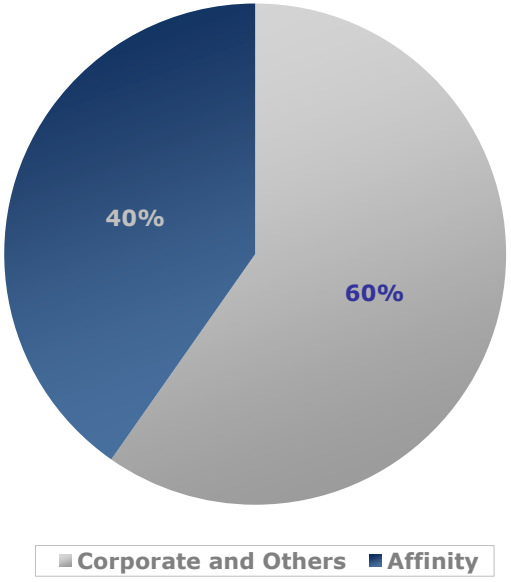
(1) Adjustments include stock option plan expenses with no cash effect, IPO expenses and acquisitions expenses.
(2) Includes acquisition payables recognized as “other payables”. It does not include the investment made as a guarantee asset in the direct subsidiary Qualicorp Administradora de Benefícios S.A., and in the indirect the subsidiaries Padrão Administradora de Benefícios Ltda. and Aliança Administradora de Benefícios de Saúde S.A according to the 33rd normative instruction by the ANS, from October 5, 2009

Portfolio Evolution

BENEFICIARIES (MM)



NEW BENEFICIARIES PORTFOLIO BREAKDOWN IN 3Q12

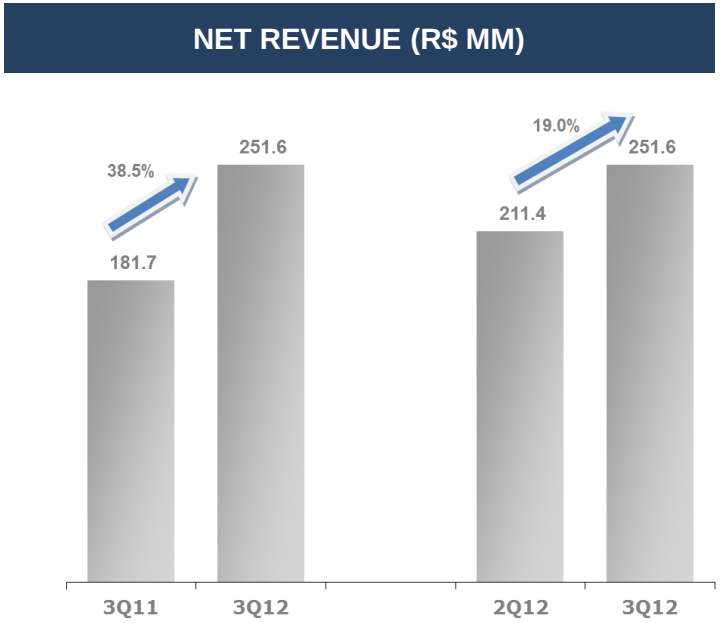


Portfolio Evolution (cont.)

Portfolio	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Affinity Health Lives					
Total Portfolio (BOP)	1,039,893	835,143	24.5%	990,290	5.0%
New Lives Added (net)	212,955	93,341	128.1%	49,603	329.3%
Total Portfolio (EOP)	1,252,848	928,484	34.9%	1,039,893	20.5%
Affinity New Products Lives					
Total Portfolio (BOP)	433,382	398,868	8.7%	412,467	5.1%
New Lives Added (net)	50,544	9,168	451.3%	20,915	141.7%
Total Portfolio (EOP)	483,926	408,036	18.6%	433,382	11.7%
Affinity Portfolio	**1,736,774**	**1,336,520**	**29.9%**	**1,473,275**	**17.9%**
Corporate	**1,085,657**	**887,292**	**22.4%**	**1,090,531**	**-0.4%**
TPA	**1,390,427**	**1,381,003**	**0.7%**	**1,364,767**	**1.9%**
Small/Medium Enterprises	**64,677**	**47,909**	**35.0%**	**53,657**	**20.5%**
Health Management	**34,681**	**30,073**	**15.3%**	**33,417**	**3.8%**
Corporate and Others Portfolio	**2,575,442**	**2,346,277**	**9.8%**	**2,542,372**	**1.3%**
Total Portfolio	**4,312,216**	**3,682,797**	**17.1%**	**4,015,647**	**7.4%**

Net Revenues

Net Revenues (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Affinity	226.8	165.5	37.0%	187.9	20.7%
% on Total Net Revenues	90.1%	91.1%	-94bps	88.9%	125bps
Corporate and Other	24.8	16.2	53.0%	23.5	5.6%
% on Total Net Revenues	9.9%	8.9%	94bps	11.1%	-125bps
TOTAL	**251.6**	**181.7**	**38.5%**	**211.4**	**19.0%**



Cost of Services

COGS (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Personnel expenses	(17.1)	(12.7)	34.3%	(15.5)	9.8%
Third Party Services	(11.8)	(8.4)	39.7%	(9.5)	24.5%
Occupancy expenses	(3.0)	(1.9)	55.4%	(2.7)	12.4%
Royalties (a)	(27.4)	(21.2)	28.9%	(23.6)	16.0%
Others (b)	(6.8)	(5.3)	28.6%	(6.7)	1.6%
TOTAL	**(66.0)**	**(49.6)**	**33.1%**	**(58.0)**	**13.9%**

a) Refers to expenses from financial 'pass throughs' 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 33.1% in 3Q12 (up by 13.9% q/q). This increase continues to reflect the Company´s expansion, which requires a higher number of employees to support our operational demands. However, when we compare with top line growth, Qualicorp was still able to gain efficiency as gross margin improved to 73.8% from 72.7% in 3Q11 and 72.6% in 2Q12. The initial synergies from the acquisition of Padrão and Aliança also contributed to our performance.

Administrative Expenses

Administrative expenses (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Personnel expenses	(17.2)	(16.3)	5.5%	(14.0)	22.7%
Third Party services	(11.5)	(3.7)	212.8%	(7.6)	50.7%
Occupancy expenses	(1.5)	(1.1)	42.8%	(1.2)	32.1%
Depreciation and amortization	(42.4)	(34.9)	21.4%	(40.2)	5.5%
Others	(6.1)	(3.7)	65.1%	(5.4)	11.1%
TOTAL	**(78.7)**	**(59.6)**	**32.0%**	**(68.5)**	**15.0%**
(+) One-time Administrative Expenses (a)	5.7	6.1	-6.0%	3.7	56.3%
Total Recurring Adm. Expenses	**(73.0)**	**(53.5)**	**36.3%**	**(64.8)**	**12.6%**

a) In 2012 it is related to stock option plan and acquisitions expenses. In 2011 it is also related to IPO expenses.

Our recurring administrative expenses increased by 36.3% y/y in 3Q12 (up by 12.6% q/q), mainly due to the Company organic growth. We highlight the important q/q leverage as recurring administrative expenses reached 29,0% of revenues in 3Q12 versus 30.7% in 2Q12.

The R$5.7 million in one-time expenses relates to stock option plan expenses (R$3.5 million) and acquisition expenses (R$2.2 million), mostly related to legal advice for the due diligence of Padrão and Aliança.

Selling Expenses

Selling Expenses (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Personnel expenses	(15.5)	(11.1)	39.9%	(14.0)	10.7%
Third Party services	(2.8)	(2.6)	7.1%	(2.6)	9.6%
Occupancy expenses	(1.6)	(1.1)	44.2%	(1.4)	7.8%
Other selling expenses	(3.0)	(3.1)	-0.2%	(2.3)	30.6%
Sales campaign	(4.4)	(2.0)	113.6%	(5.2)	-16.4%
Sponsorships	(2.2)	(3.2)	-31.5%	(2.2)	-1.4%
Third-party commission	(8.8)	(7.8)	12.2%	(8.9)	-1.8%
Publicity and advertising	(8.9)	(8.3)	8.1%	(11.1)	-19.7%
Others (a)	(2.8)	(1.8)	58.7%	(2.4)	20.6%
TOTAL	**(50.0)**	**(41.0)**	**22.1%**	**(50.2)**	**-0.4%**
(+) One-time Comercial Expenses (b)	0.7	2.1	-68.6%	-	NA
Total Recurring Selling Expenses	**(49.4)**	**(38.9)**	**27.0%**	**(50.2)**	**-1.7%**

a) Includes office supplies, mailing expenses and discounts granted.
b) Relates to consultancies hired during the due diligence of Padrão and Aliança.

Bad Debt (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Bad Debt (Uncollectible Receivables)	(18.6)	(7.1)	161.8%	(11.4)	62.9%
TOTAL	**(18.6)**	**(7.1)**	**161.8%**	**(11.4)**	**62.9%**

Other Operating Income / (Expense)

Other Operating Income/Expenses (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Expenses related to contingencies	(1.9)	0.5	NA	1.4	NA
Impairment	(10.4)	-	NA	-	NA
Other income	(0.3)	0.1	NA	(0.1)	191.4%
TOTAL	**(12.6)**	**0.6**	**NA**	**1.3**	**NA**
(+) One-time expenses (a)	10.4	(0.6)	NA	-	NA
Other recurring expenses	**(2.2)**	**0.0**	**NA**	**1.3**	**NA**

a) Write off of Athon/Bruder Portfolio

Our recurring other expenses in 3Q12 were R$ 2.2mm, due to the constitution of provisions for contingencies during the quarter.

We also accounted the impairment of **Athon/Bruder** portfolio. This was an acquisition done in 2009 focused mainly on Health management and MLR control for third parties. During last year, Qualicorp changed the strategy for the acquired asset; instead of targeting new clients, the Company decided to focus Athon/Bruder efforts and skills on the improvement of Qualicorp own affinity portfolio MLR control. As Athon/Bruder became more of a cost unit, rather than a revenue stream, the portfolio of clients reduced and the impairment was necessary, although this has no cash impact.

Adjusted EBITDA

EBITDA and Adjusted EBITDA (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Net Income	12.7	12.2	3.9%	13.7	-7.4%
(+) Taxes	10.7	9.8	8.5%	14.0	-23.7%
(+) Depreciation and Amortization	42.4	34.9	21.4%	40.2	5.5%
(+) Financial Expense	13.1	19.9	-34.1%	13.3	-1.9%
(-) Financial Income	(10.7)	16.9	NA	(16.4)	-34.6%
EBITDA	**68.1**	**59.9**	**13.7%**	**64.8**	**5.1%**
EBITDA Margin	**27.1%**	**33.0%**	**-589bps**	**30.7%**	**-360bps**
Expenses incurred in preparation for IPO	-	2.4	NA	-	NA
Non-cash Stock Option Plan Expense	3.5	5.1	-31.7%	3.7	-5.6%
Interest and fine on late payment of health plans	6.4	5.4	19.6%	6.3	1.2%
Other non recurring (a)	2.9	-	NA	-	NA
Other Reclassifications	-	(1.1)	NA	-	NA
Impairment (b)	10.4	-	NA	-	NA
Adjusted EBITDA	**91.3**	**71.6**	**27.5%**	**74.8**	**22.0%**
Adjusted EBITDA Margin	**36.3%**	**39.4%**	**-311bps**	**35.4%**	**88bps**

(a) Due diligence expenses on acquisitions (mostly legal advice and audit consulting)

(b) Write off of Athon/Bruder Portfolio

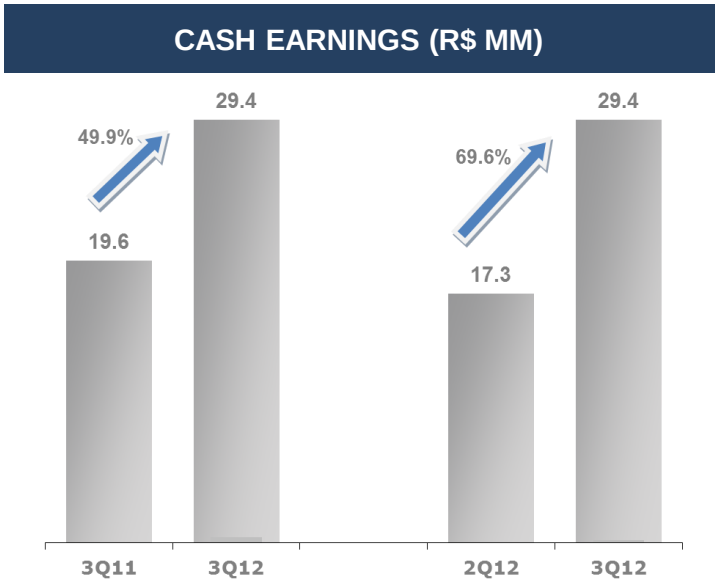
Our consolidated Adjusted EBITDA grew 27.5% y/y in 3Q12 to R$91.3 mm (from R$71.6mm in 3Q11) due to our strong top line performance and the incorporation of Aliança and Padrão acquisitions, which together contributed with R$7.5 million in 3Q12 EBITDA. If we were to exclude both acquisitons, our growth would have reached 17.0% y/y and 12.0% q/q. Our EBITDA margin reached 36.3% in 3Q12, which represents a sequential improvement of 1p.p. even with an increase in PDA (% revenues) of 2p.p., reflecting the leverage of our fixed structure. On a y/y basis, our EBITDA margin dropped 3p.p., mainly as a result of 3.5p.p. increase in PDA expenses

Cash Earnings

Adjusted Earnings (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 2Q12/1Q12
Net Income	12.7	12.2	3.9%	13.7	-7.4%
Total one-time expense (a)	16.7	7.4	125.5%	3.7	357.0%
TOTAL	**29.4**	**19.6**	**49.9%**	**17.3**	**69.6%**

a) For 2012 refers to non-cash stock option plan expenses, acquisition expenses and Impairment expenses. For 3Q11 it refers to non-cash stock option plan expenses and expenses incurred in preparation for IPO.

In 3Q12 includes R$4mm of Padrão and Aliança earnings.



Capital Expenditure[1]

Capex (R$ MM)	3Q12	3Q11	% change 3Q12/3Q11	2Q12	% change 3Q12/2Q12
Capex in IT	15.5	3.2	387.8%	2.9	429.8%
Other Capex	1.0	7.7	-87.3%	1.2	-19.3%
TOTAL	**16.5**	**10.9**	**51.5%**	**4.1**	**298.7%**

(1) Excludes expenses related to portfolio acquisitions

Our total Capex increased 51.5% y/y in 3Q12 as we built up investments in our IT platform to support future growth. Until September 2012 we have invested R$26.8 million in Capex.

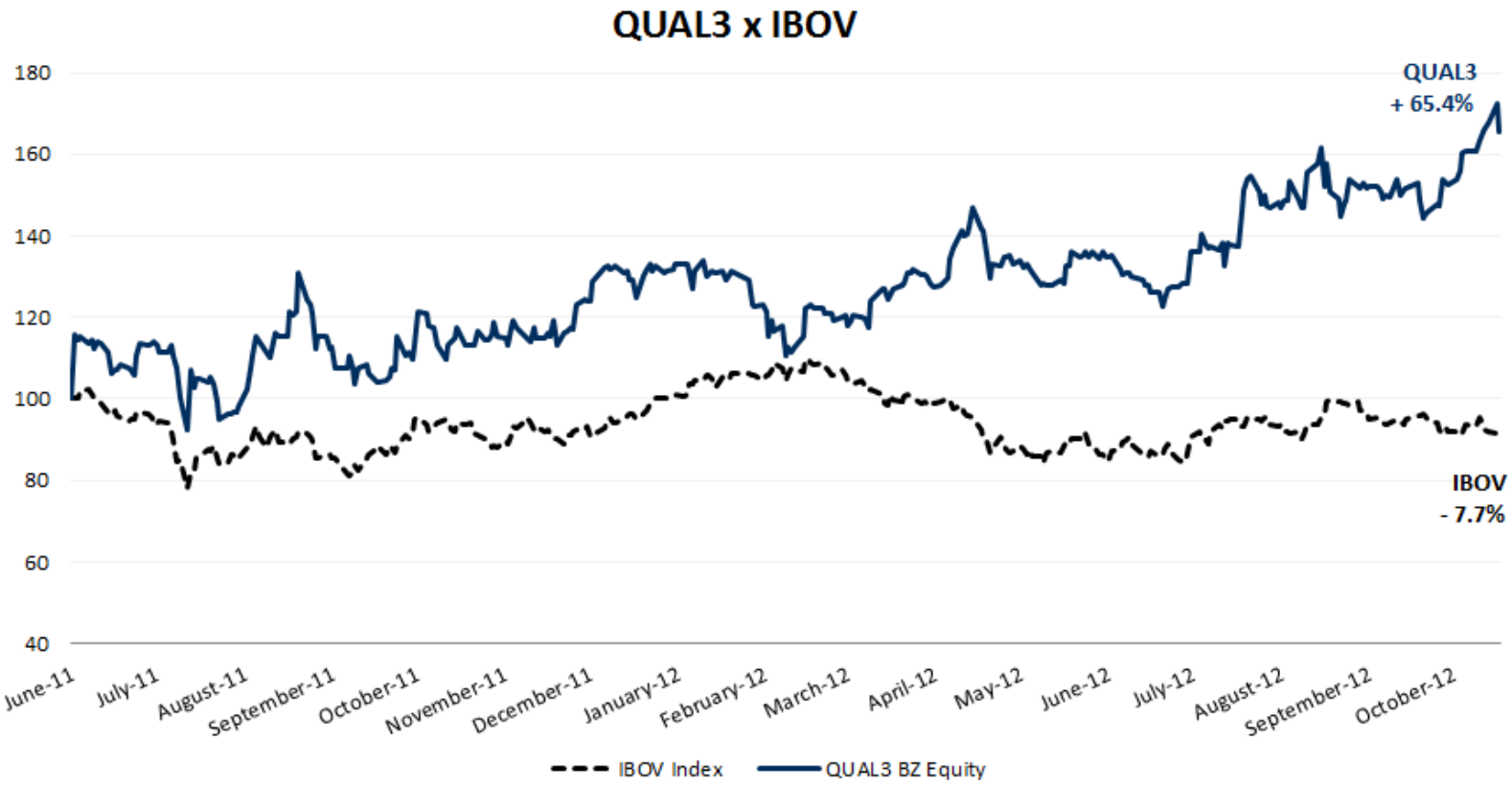
Debt

Capital Structure (R$ MM)	3Q12	4Q11	% change 3Q12/4Q11
Current Debt	82.4	75.6	8.9%
Long Term Debt[(1)]	472.5	364.7	29.6%
TOTAL	**554.8**	**440.3**	**26.0%**
Cash and cash equivalents[(2)]	78.2	369.7	-78.8%
TOTAL NET DEBT	**476.7**	**70.6**	**574.7%**

(1) Includes acquisition payables

(2) It does not include the investment made as a guarantee asset in the direct subsidiary Qualicorp Administradora de Benefícios S.A., and in the indirect the subsidiaries Padrão Administradora de Benefícios Ltda. and Aliança Administradora de Benefícios de Saúde 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	1,3	-3,3	-2,8	0,7	-1,8	-3,3
QUAL3 Equity	28,4	1,2	9,1	-4,0	41,0	12,6

Thank You!

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