Earnings Release 4Q12

March, 28 2013

Conference Call

Portuguese

Date: 03/28/2013
10:00 a.m. Brasília | (7:00 a.m. ET)
Tel: (11) 2188-0155
Password: Qualicorp
Webcast: www.qualicorp.com.br/ri

English

Date: 03/28/2013
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 Financial Highlights

- ✓ Our total portfolio of beneficiaries of 4.4 million lives, including Affinity, Corporate and Other Segments grew 14.4% y/y in 2012, as follow:
  - Our portfolio of beneficiaries in the Affinity segment grew 24.9% y/y in 2012, and the health portfolio grew 32.2% y/y;
  - Our portfolio of beneficiaries in the Corporate and Others Segment grew 8.5% y/y in 2012 to approximately 2,6 million lives;
- ✓ Our total consolidated Net Revenues grew 34,9% y/y in 4Q12 and 35.3 y/y in 2012, reaching R$ 920,7 million;
- ✓ Our consolidated Adjusted EBITDA grew 34.0 % y/y in 4Q12 and 26.5% y/y in 2012, to R$ 317,9 million;
- ✓ We closed 2012 with an adjusted net profit of R$ 69.8 million, which represents an 18,2% y/y growth. In 4Q12, adjusted net profit reached R$ 7,9 million which compares with R$ 16.2 million in 4Q11.

Main Indicators

Income Statement (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Net Revenues	259.2	192.1	34.9%	251.6	3.0%	920.7	680.5	35.3%
Total Expenses	(249.3)	(175.9)	41.7%	(225.9)	10.4%	(841.5)	(669.1)	25.8%
Adjustments[1]	25.4	7.4	244.6%	16.7	51.9%	50.7	92.8	-45.4%
Adjusted Operating Expenses	(223.9)	(168.5)	32.9%	(209.2)	7.1%	(790.8)	(576.4)	37.2%
Adjusted EBITDA	84.7	63.2	34.0%	91.3	-7.2%	317.9	251.3	26.5%
Adjusted EBITDA Margin	32.7%	32.9%	-21bps	36.3%	-361bps	34.5%	36.9%	-240bps
Adjusted earnings	7.9	16.2	-51.2%	29.4	-73.1%	69.8	59.1	18.2%

Balance Sheet	2012	2011	% change 2012/2011
Equity	1,992.2	1,938.1	2.8%
Net Debt[2]	447.6	70.6	533.6%

Other	2012	2011	% change 2012/2011
Net Debt / Equity	0.22x	0.04x	N.A.
Net Debt / Adjusted EBITDA LTM	1.41x	0.28x	N.A.

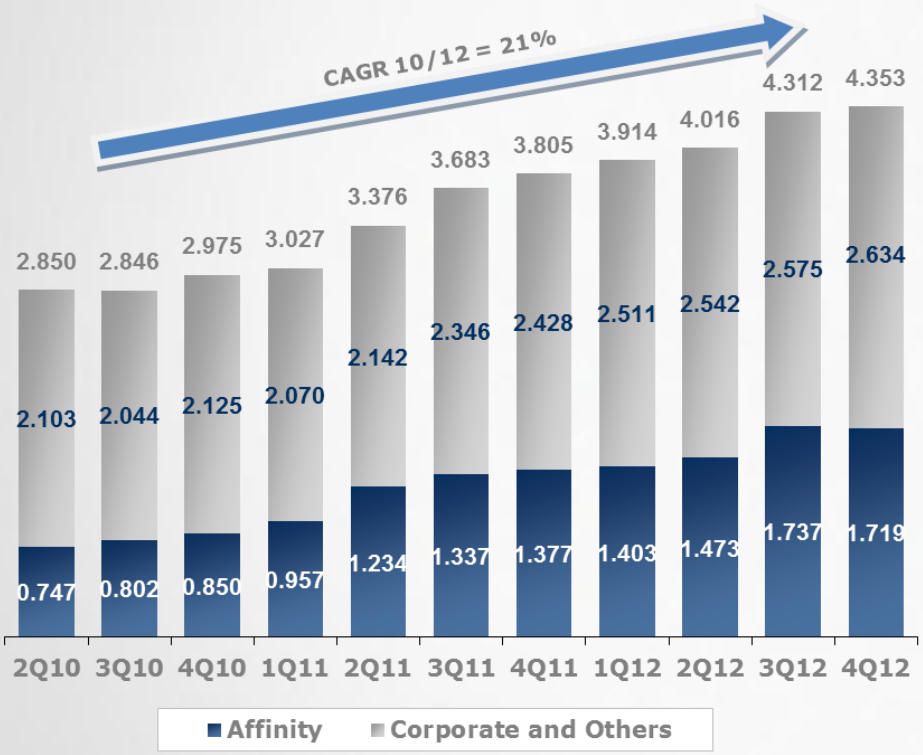
(1) Adjustments include stock option plan expenses with no cash effect, IPO expenses acquisitions expenses and write-off of tax credit and impairment.

(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.

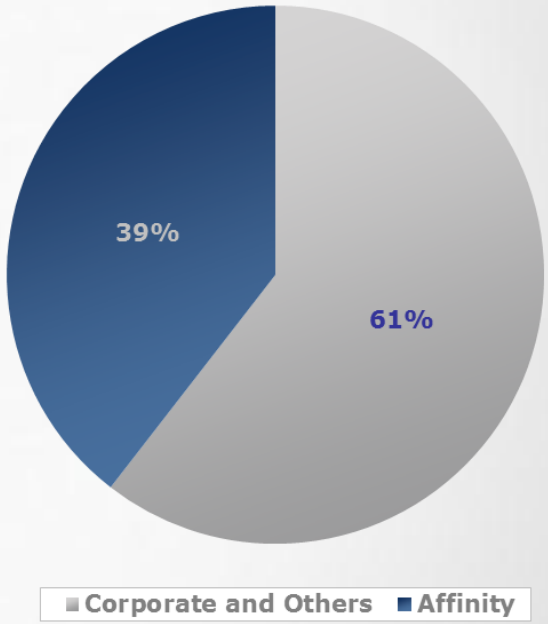
* Our adjusted earnings considers the adjustment of item (1) and non-recurring financial revenue.

Portfolio Evolution

BENEFICIARIES (MM)



NEW BENEFICIARIES PORTFOLIO BREAKDOWN IN 4Q12



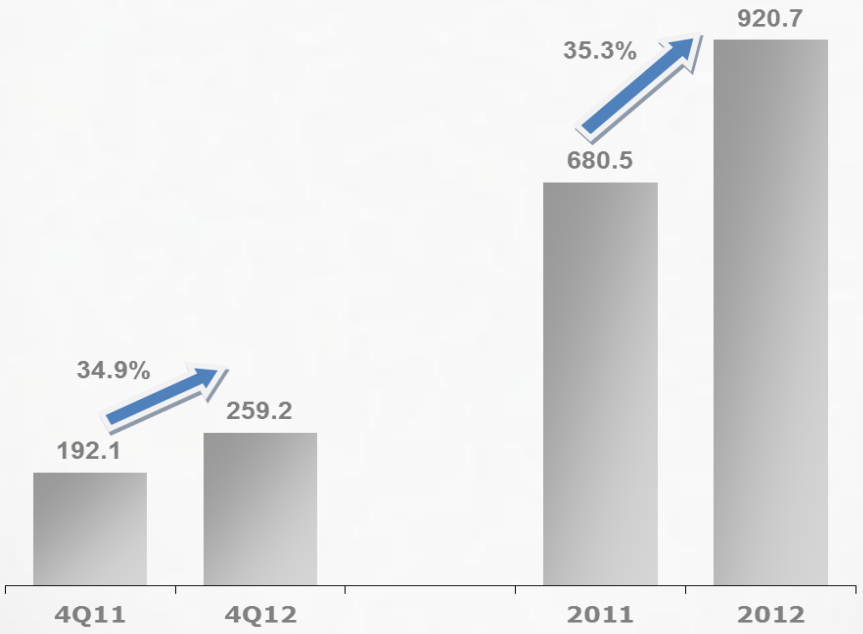
Portfolio Evolution

Portfolio	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Affinity Health Lives								
Total Portfolio (BOP)	1,252,848	928,484	34.9%	1,039,893	20.5%	954,240	668,946	42.6%
New Lives Added (net)	8,870	25,756	-65.6%	212,955	-95.8%	307,478	285,294	7.8%
Total Portfolio (EOP)	1,261,718	954,240	32.2%	1,252,848	0.7%	1,261,718	954,240	32.2%
Affinity New Products Lives								
Total Portfolio (BOP)	483,926	408,036	18.6%	433,382	11.7%	422,442	181,651	132.6%
New Lives Added (net)	(26,580)	14,406	-284.5%	50,544	-152.6%	34,904	240,791	-85.5%
Total Portfolio (EOP)	457,346	422,442	8.3%	483,926	-5.5%	457,346	422,442	8.3%
Affinity Portfolio	**1,719,064**	**1,376,682**	**24.9%**	**1,736,774**	**-1.0%**	**1,719,064**	**1,376,682**	**24.9%**
Corporate	**1,153,432**	**935,480**	**23.3%**	**1,085,657**	**6.2%**	**1,153,432**	**935,480**	**23.3%**
TPA	**1,387,322**	**1,414,399**	**-1.9%**	**1,390,427**	**-0.2%**	**1,387,322**	**1,414,399**	**-1.9%**
Small/Medium Enterprises	**57,837**	**48,327**	**19.7%**	**64,677**	**-10.6%**	**57,837**	**48,327**	**19.7%**
Health Management	**35,415**	**29,951**	**18.2%**	**34,681**	**2.1%**	**35,415**	**29,951**	**18.2%**
Corporate and Others Portfolio	**2,634,006**	**2,428,157**	**8.5%**	**2,575,442**	**2.3%**	**2,634,006**	**2,428,157**	**8.5%**
Total Portfolio	**4,353,070**	**3,804,839**	**14.4%**	**4,312,216**	**0.9%**	**4,353,070**	**3,804,839**	**14.4%**

Net Revenues

Net Revenues (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 3Q12/2Q12	2012	2011	% change 2012/2011
Affinity	237.9	174.8	36.1%	226.8	4.9%	830.9	620.0	34.0%
% on Total Net Revenues	91.8%	91.0%	82bps	90.1%	164bps	90.3%	91.1%	-86bps
Corporate and Other	21.3	17.4	22.7%	24.8	-14.1%	89.7	60.5	48.4%
% on Total Net Revenues	8.2%	9.0%	-82bps	9.9%	-164bps	9.7%	8.9%	86bps
TOTAL	**259.2**	**192.1**	**34.9%**	**251.6**	**3.0%**	**920.7**	**680.5**	**35.3%**

NET REVENUE (R$ MM)



Cost of Services

COGS (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Personnel expenses	(20.4)	(13.0)	57.2%	(17.1)	19.8%	(67.0)	(45.2)	48.1%
Third Party Services	(11.9)	(8.5)	40.3%	(11.8)	0.7%	(41.1)	(29.0)	41.7%
Occupancy expenses	(3.3)	(2.5)	35.9%	(3.0)	10.2%	(11.5)	(7.8)	48.0%
Royalties (a)	(27.4)	(21.7)	26.1%	(27.4)	0.1%	(101.0)	(77.2)	30.7%
Others (b)	(6.3)	(4.7)	35.1%	(6.8)	-7.4%	(25.9)	(21.0)	23.2%
TOTAL	**(69.3)**	**(50.3)**	**37.8%**	**(66.0)**	**5.0%**	**(246.4)**	**(180.2)**	**36.7%**

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 37,8% in 4Q12 (+5,0% q/q) once its composed mainly by variable items, reflecting the growth in revenue and also due to the Company´s expansion, which requires a higher number of employees to support our operational demands. When we compare the sequential evolution, it is worth noticing that (i) Aliança was consolidated throughout the 3 months of 4Q12 compared with 2 months in 3Q12; (ii) collective salary raise were given in August 2012, affecting only 2 months in 3Q and 3 months in 4Q; and (iii) recognition of incremental costs from acquisition incorporations.

Administrative Expenses

Administrative expenses (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Personnel expenses	(24.2)	(15.2)	59.5%	(17.2)	41.1%	(73.3)	(110.9)	-33.9%
Third Party services	(10.3)	(7.9)	30.5%	(11.5)	-10.5%	(37.0)	(28.3)	30.8%
Occupancy expenses	(2.3)	(1.1)	111.8%	(1.5)	53.8%	(6.2)	(3.9)	56.8%
Depreciation and amortization	(42.7)	(35.6)	20.2%	(42.4)	0.8%	(162.4)	(129.8)	25.2%
Others	(6.3)	(6.7)	-5.8%	(6.1)	3.8%	(24.5)	(17.8)	37.6%
TOTAL	**(85.9)**	**(66.4)**	**29.4%**	**(78.7)**	**9.2%**	**(303.4)**	**(290.7)**	**4.4%**
(+) One-time Administrative Expenses (a)	8.6	6.1	40.4%	5.7	49.8%	22.8	86.7	-73.7%
Total Recurring Adm. Expenses	**(77.4)**	**(60.3)**	**28.2%**	**(73.0)**	**6.0%**	**(280.6)**	**(204.0)**	**37.5%**

a) It is related to stock option plan, IPO and acquisitions expenses.

Our Recurring Administrative Expenses increased by 28,2% y/y in 4Q12 (+6,0% q/q), mainly due to the Company's organic growth and consolidation of Padrão and Aliança.

The R$ 8.6 million in one-time expenses relates to the stock option plan expenses and the CEO's resignation expenses.

Selling Expenses

Selling Expenses (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Personnel expenses	(15.6)	(12.2)	27.9%	(15.5)	0.6%	(58.6)	(43.3)	35.3%
Third Party services	(2.8)	(3.4)	-16.9%	(2.8)	-0.8%	(10.4)	(9.7)	6.9%
Occupancy expenses	(1.8)	(1.1)	69.0%	(1.6)	16.0%	(6.1)	(3.9)	58.4%
Other selling expenses	(3.8)	(4.9)	-22.8%	(3.0)	23.8%	(13.9)	(14.1)	-1.6%
Sales campaign	(5.9)	(3.4)	75.3%	(4.4)	35.6%	(18.4)	(8.7)	112.4%
Sponsorships	(2.6)	(4.2)	-39.5%	(2.2)	16.5%	(10.9)	(9.7)	12.5%
Third-party commission	(14.7)	(9.6)	52.8%	(8.8)	67.8%	(40.6)	(29.2)	38.9%
Publicity and advertising	(2.4)	(5.6)	-57.6%	(8.9)	-73.2%	(32.1)	(30.9)	3.9%
Others (a)	(2.4)	(1.4)	69.9%	(2.8)	-14.9%	(9.4)	(6.1)	52.2%
TOTAL	**(52.0)**	**(45.8)**	**13.4%**	**(50.0)**	**3.9%**	**(200.3)**	**(155.5)**	**28.8%**
(+) One-time Comercial Expenses (b)	-	0.0	N.A.	0.7	N.A.	0.7	2.2	-70.9%
Total Recurring Selling Expenses	**(52.0)**	**(45.8)**	**13.5%**	**(49.4)**	**5.3%**	**(199.6)**	**(153.3)**	**30.2%**

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

b) Relates to IPO and acquisitions expenses.

Our Recurring Selling Expenses increased by 13,5% y/y in 4Q12 (+5,3% q/q). The growth in selling expenses on a y/y basis primarily results from expenses incurred in connection with sales marketing campaigns, commissions and an increase in the commercial structure to support our geographic expansion. However, on a quarterly comparison, we notice an important reduction in Publicity and Advertising expenses. As we have always highlighted, some of the selling expenses such as Publicity have discretionary characteristics and are utilized based on the nature of the expense. The management of these expenses is done on a yearly basis, which might create some volatility during the quarters.

Bad Debt (Uncollectible Receivables)

Bad Debt (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 4Q12/4Q11
Bad Debt (Uncollectible Receivables)	(24.2)	(13.3)	82.5%	(18.6)	30.4%	(66.0)	(39.6)	66.8%
TOTAL	**(24.2)**	**(13.3)**	**82.5%**	**(18.6)**	**30.4%**	**(66.0)**	**(39.6)**	**66.8%**

Our Bad Debt Expenses in 4Q12 increased by 82,5% y/y, representing 9.3% of our net revenues, which compares with 7.4% in 3Q12 and 6.9% in 4Q11. Aliança and Padrão contributed for this performance by adding R$ 3.7 million, or 14.0% of their revenues, in Bad Debt expenses in 4Q12. Even excluding the acquisitions, our Bad Debt would have reached 8.8% of revenues, which indicates a high level of churn, partially explained by a worsening of the macroeconomic scenario jointly with a higher indebted population.

Qualicorp has endeavored its best efforts to contain this expenses through initiatives such as: (i) stimulate direct debt (automatic payment); (ii) evaluate sending the bad payers to the black list; (iii) a more aggressive approach in customer retention; (iv) hiring of a specialized collection agency; among others.

Other Operating Income (Expense)

Other Operating Income/Expenses (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Expenses related to contingencies	(1.0)	(1.3)	-16.5%	(1.9)	-44.5%	2.5	(3.9)	N.A.
Allowance for impairment losses	(11.4)	-	N.A.	(10.4)	9.5%	(21.7)	-	N.A.
Write-off of tax credits on subsidiary	(4.7)	-	N.A.	-	N.A.	(4.7)	-	N.A.
Fixed Assets write-off (acquisitions)	(0.8)	-	N.A.	-	N.A.	(0.8)	-	N.A.
Other income	0.0	1.2	N.A.	(0.3)	N.A.	(0.7)	0.8	N.A.
TOTAL	**(17.9)**	**(0.1)**	**N.A.**	**(12.6)**	**42.1%**	**(25.4)**	**(3.1)**	**N.A.**
(+) One-time expenses (a)	16.9	1.3	N.A.	10.4	62.5%	27.2	3.9	N.A.
Other recurring expenses	**(1.0)**	**1.2**	**N.A.**	**(2.2)**	**-53.3%**	**1.8**	**0.8**	**138.1%**

a) Impairment losses, write-off of tax credits on subsidiary and fixed assets write-off of acquisitions.

Our other recurring expenses in 4Q12 were -R$ 1,0 million due to the constitution of provisions for contingencies during the quarter. We accounted in 4Q12 for R$ 16,9 million of non-recurring expenses related to: (i) the impairment of PraxiSolutions portfolio (R$ 11,4 million); (ii) Write-off of tax credit resulting from no accounting earnings in one of our subsidiaries for 3 years in a row (R$ 4,7 million); and (iii) fixed asset write-off of acquisitions (R$ 0,8 million).

Financial Income (Expense)

Financial Income (Expenses) (R$MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 4Q12/4Q11
Financial income								
Income from short-term investments	3.1	10.1	-69.5%	4.1	-24.8%	24.9	31.1	-19.9%
Interest and fine on late payment of health plans	6.6	6.1	8.1%	6.4	3.4%	25.6	20.6	24.3%
Monetary adjustment revertion from call option - Praxis	4.3	-	N.A.	-	N.A.	4.3	-	N.A.
Other income	0.1	0.3	-64.4%	0.2	-44.5%	2.9	1.1	176.6%
Total	**14.1**	**16.6**	**-15.0%**	**10.7**	**31.4%**	**57.7**	**52.7**	**9.3%**
Financial expenses								
Debentures Interest	(6.1)	(12.2)	-50.1%	(8.3)	-26.3%	(34.3)	(54.6)	-37.2%
Monetary adjustment from call option - Aliança	(19.3)	-	N.A.	(0.2)	N.A.	(20.4)	-	N.A.
Other financial expenses	(5.1)	(3.7)	36.4%	(4.6)	10.3%	(17.4)	(10.0)	74.8%
Total	**(30.5)**	**(16.0)**	**91.2%**	**(13.1)**	**133.3%**	**(72.1)**	**(64.6)**	**11.7%**
TOTAL	**(16.4)**	**0.6**	**N.A.**	**(2.4)**	**595.1%**	**(14.5)**	**(11.9)**	**21.9%**

Financial income resulted from two main sources: interest on financial investments and interest and penalties on late payment of premiums from beneficiaries. Financial expenses refer primarily to the debentures held with Bradesco bank and other bank tariffs. Despite the reduction in of interest rates (SELIC), our financial revenues increased 31.4% q/q due to monetary adjustment reversion on the call option to acquire Praxisolution (as result of Fixed Assets write-off, the value of the call option to acquire the remaining 20% stake also decreased, causing a positive non-cash effect in our financial result).

On financial expenses it is important to highlight the recognition of R$ 19,3 million of monetary adjustment on the call option and debt related to Aliança acquisition, referring to 5 months (from Augusto to December). The debt and call option will be adjusted on a monthly basis until the total payment of the acquisition is done and will have a cash effect only on the date of the payment.

Adjusted EBITDA

EBITDA and Adjusted EBITDA (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Net Income	(13.3)	8.8	N.A.	12.7	N.A.	23.4	(33.7)	N.A.
(+) Taxes	6.7	8.0	-16.3%	10.7	-37.3%	41.3	33.1	24.7%
(+) Depreciation and Amortization	42.7	35.6	20.2%	42.4	0.8%	162.4	129.8	25.2%
(+) Financial Expense	30.5	16.0	91.2%	13.1	133.3%	72.1	64.6	11.7%
(-) Financial Income	(14.1)	(16.6)	-15.0%	(10.7)	31.4%	(57.7)	(52.7)	9.3%
EBITDA	**52.6**	**51.8**	**1.7%**	**68.1**	**-22.7%**	**241.6**	**141.1**	**71.2%**
EBITDA Margin	**20.3%**	**26.9%**	**-664bps**	**27.1%**	**-677bps**	**26.2%**	**20.7%**	**551bps**
Expenses incurred in preparation for IPO	-	0.2	N.A.	-	N.A.	-	10.6	N.A.
Non-cash Stock Option Plan Expense	5.7	4.7	20.6%	3.5	65.4%	17.7	22.7	-22.1%
Interest and fine on late payment of health plans	6.6	6.1	8.1%	6.4	3.4%	25.6	20.6	24.3%
Other non recurring (a)	8.4	2.4	248.8%	2.9	186.3%	11.3	13.3	-15.2%
Other Reclassifications	-	(2.1)	N.A.	-	N.A.	-	(3.2)	N.A.
Impairment (b)	11.4	-	N.A.	10.4	9.5%	21.7	-	N.A.
Adjusted EBITDA	**84.7**	**63.2**	**34.0%**	**91.3**	**-7.2%**	**317.9**	**251.3**	**26.5%**
Adjusted EBITDA Margin	**32.7%**	**32.9%**	**-21bps**	**36.3%**	**-361bps**	**34.5%**	**36.9%**	**-240bps**

a) Due diligence expenses on acquisitions, write-off of tax credit and fixed asset and CEO resignation.

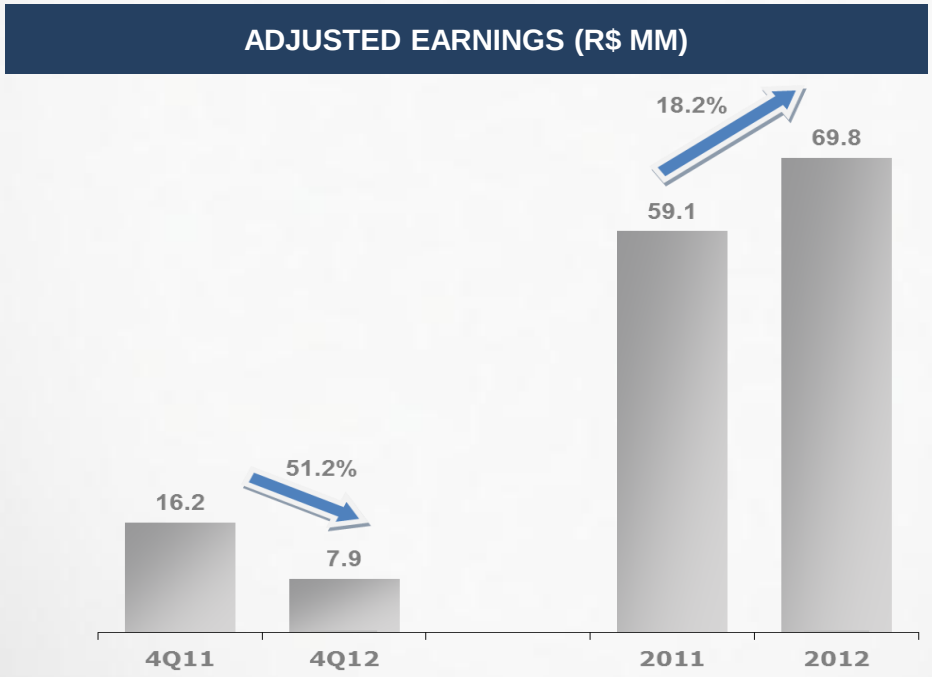
b) Write-off of PraxiSolutions.

Cash Earnings

Adjusted Earnings (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Net Income	(13.3)	8.8	N.A.	12.7	N.A.	23.4	(33.7)	N.A.
Total one-time expense (a)	25.4	7.4	244.5%	16.7	51.9%	50.7	92.8	-45.4%
Total one time revenues (b)	(4.3)	-	N.A.	-	N.A.	(4.3)	-	N.A.
TOTAL	**7.9**	**16.2**	**-51.2%**	**29.4**	**-73.1%**	**69.8**	**59.1**	**18.2%**

a) For 2012 it refers to non-cash stock option plan expenses, acquisition expenses, impairment expenses and write-off of tax credit of fixed assets. For 4Q11 these expenses are related to Stock Option Plans and expenses incurred in preparation for IPO.

b) It refers to the reversion of monetary adjustment on the call option to acquire Praxisolution (due to Fixed Assets write-off, the value of the call option to acquire the remaining 20% stake also decreased, causing a positive effect in our financial result.



Capital Expenditure[1]

Capex (R$ MM)	4Q12	4Q11	% change 4Q12/4Q11	3Q12	% change 4Q12/3Q12	2012	2011	% change 2012/2011
Capex in IT	21.3	6.8	214.8%	15.5	36.9%	43.8	14.6	200.8%
Other Capex	1.5	2.4	-37.9%	1.0	51.3%	5.7	6.3	-10.2%
TOTAL	**22.7**	**9.1**	**149.0%**	**16.5**	**37.7%**	**49.5**	**20.9**	**137.1%**

Our total Capex increased R$ 13.6 million y/y in 4Q12 resulting from higher investments in the new IT platform to support future growth. In 2012 we have invested R$49.5 million in Capex. (excluding acquisitions). We have already started the IT outsourcing process in the new operational platform development as well as in the infrastructure area.

(1) Excludes expenses related to portfolio acquisitions

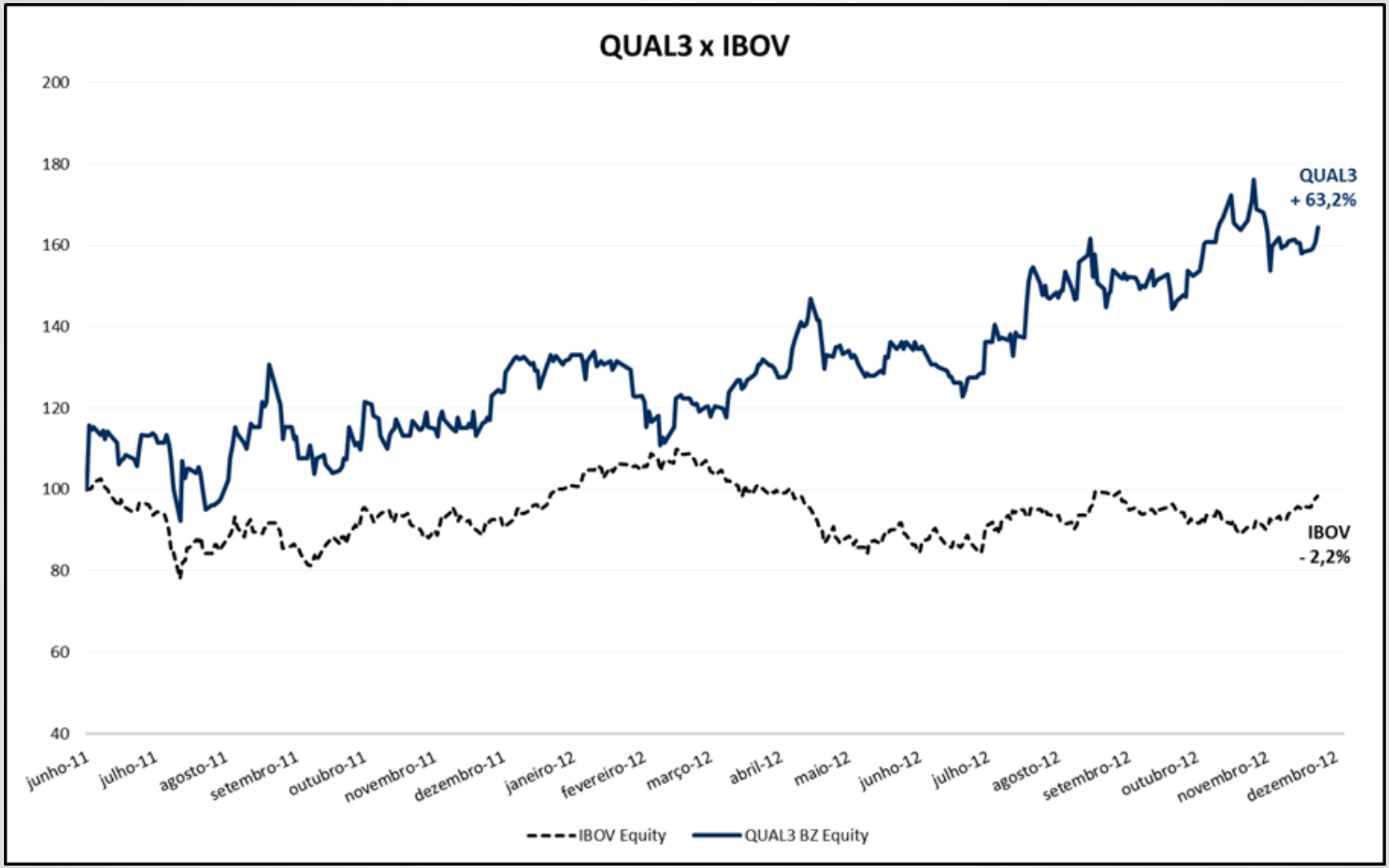
Debt

Capital Structure (R$ MM)	2012	2011	% change 2012/2011
Current Debt	88.2	75.6	16.7%
Long Term Debt(1)	483.4	364.7	32.5%
TOTAL	**571.6**	**440.3**	**29.8%**
Cash and cash equivalents(2)	124.0	369.7	-66.5%
TOTAL NET DEBT	**447.6**	**70.6**	**533.6%**

Our Total Net Debt increased significantly mainly due to the acquisitions of Grupo Padrão and Grupo Aliança

(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



Qualicorp
administradora de benefícios

Thank you!

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