



Earnings Release 4Q18

March 19th, 2018



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)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Net Revenues	479.0	483.3	-0.9%	491.1	-2.5%	1,932.1	1,972.9	-2.1%
Total Expenses (Ex-Depreciation and amortizatic	(227.1)	(270.7)	-16.1%	(237.4)	-4.3%	(952.5)	(1,066.2)	-10.7%
Adjustments to EBITDA	(13.7)	(11.4)	20.7%	(11.8)	16.0%	(48.4)	31.5	-253.8%
Adjusted EBITDA	238.3	201.3	18.4%	241.9	-1.5%	931.3	938.1	-0.7%
Adjusted EBITDA Margin	49.7%	41.6%	810bps	49.3%	48bps	48.2%	47.6%	65bps
Net Income (Loss)	96.0	90.6	6.0%	109.7	-12.5%	397.0	383.5	3.5%
Balance Sheet	4Q18	2017	Change 1Q17/2017					
Equity	2,354.5	2,415.4	-2.5%					
Net Debt ¹	189.2	134.8	40.4%					
Other	4Q18	2017	Change 1Q17/2017					
Net Debt / Equity	0.08x	0.06x	44.0%					
Net Debt / Adjusted EBITDA LTM	0.20x	0.14x	41.4%					

⁽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 Clube de Saúde Administradora de Benefícios Ltda., according to the 33rd normative instruction by the ANS, from October 5, 2009.

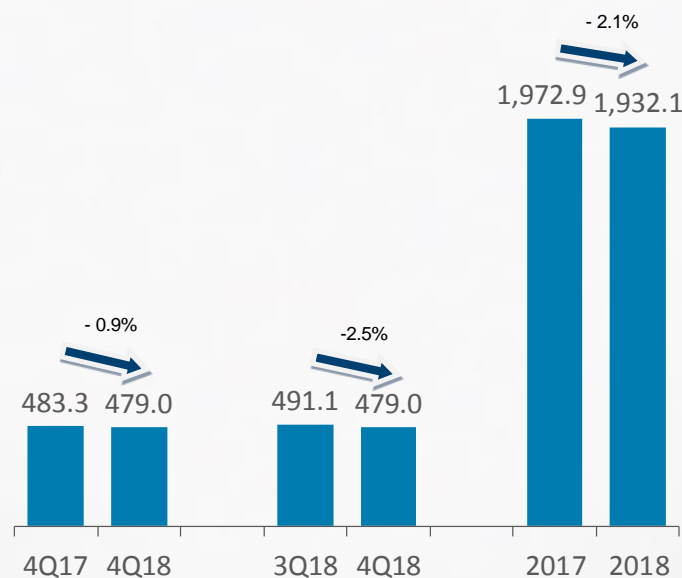
Portfolio Evolution (cont.)

Portfolio	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Affinity Health Lives								
Total Portfolio (BOP)	1,186,331	1,276,883	-7.1%	1,227,760	-3.4%	1,211,591	1,369,676	-11.5%
(+) Gross Adds	88,628	82,636	7.3%	95,240	-6.9%	380,654	385,132	-1.2%
(-) Churn	(111,668)	(147,928)	-24.5%	(136,669)	-18.3%	(439,866)	(543,217)	-19.0%
(+) Portfolio Acquisition	-	-	N.A.	-	N.A.	10,912	-	N.A.
New Lives Added (net)	(23,040)	(65,292)	-64.7%	(41,429)	-44.4%	(48,300)	(158,085)	-69.4%
Total Portfolio (EOP)	1,163,291	1,211,591	-4.0%	1,186,331	-1.9%	1,163,291	1,211,591	-2.1%
Affinity Other Products Lives								
Total Portfolio (BOP)	98,179	386,469	-74.6%	120,222	-18.3%	346,635	421,321	-17.7%
New Lives Added (net)	(1,235)	(39,834)	-96.9%	(22,043)	-94.4%	(249,691)	(74,686)	234.3%
Total Portfolio (EOP)	96,944	346,635	-72.0%	98,179	-1.3%	96,944	346,635	-72.0%
Affinity Portfolio	1,260,235	1,558,226	-19.1%	1,284,510	-1.9%	1,260,235	1,558,226	-19.1%
Corporate	292,070	717,929	-59.3%	327,578	-10.8%	292,070	717,929	-59.3%
TPA	691,661	2,212,008	-68.7%	799,208	-13.5%	691,661	2,212,008	-68.7%
Small/Medium Enterprises	148,248	28,916	412.7%	146,575	1.1%	148,248	28,916	412.7%
Corporate and Others Portfolio	1,131,979	2,958,853	-61.7%	1,273,361	-11.1%	1,131,979	2,958,853	-61.7%
Total Portfolio	2,392,214	4,517,079	-47.0%	2,557,871	-6.5%	2,392,214	4,517,079	-47.0%

Net Revenues

Net Revenues (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Affinity	442.7	441.4	0.3%	454.2	-2.5%	1,781.5	1,807.3	-1.4%
% on Total Net Revenues	92.4%	91.3%	108bps	92.5%	-8bps	92.2%	91.6%	60bps
Corporate and Other	36.4	41.9	-13.2%	36.9	-1.5%	150.6	165.6	-9.0%
% on Total Net Revenues	7.6%	8.7%	-108bps	7.5%	8bps	7.8%	8.4%	-60bps
Total Consolidated	479.0	483.3	-0.9%	491.1	-2.5%	1,932.1	1,972.9	-2.1%

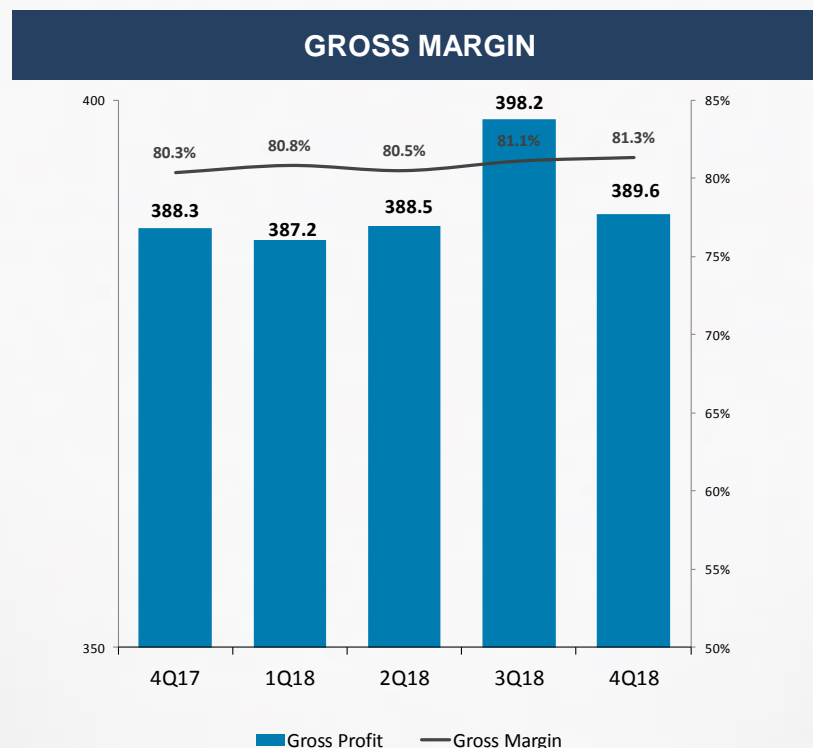
NET REVENUES (R\$ MM)



Cost of Services

Cost of Services (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Personnel expenses	(28.7)	(36.5)	-21.2%	(31.6)	-8.9%	(124.0)	(154.8)	-19.9%
Third Party Services	(26.2)	(22.2)	18.1%	(26.0)	0.8%	(103.1)	(92.4)	11.7%
Occupancy expenses	(4.5)	(3.0)	52.0%	(5.1)	-10.5%	(17.4)	(12.0)	44.8%
Royalties (a)	(20.6)	(26.6)	-22.4%	(20.1)	2.5%	(87.0)	(102.7)	-15.2%
Others (b)	(9.3)	(6.8)	37.5%	(10.1)	-7.3%	(37.0)	(33.0)	12.1%
Total Consolidated	(89.5)	(95.0)	-5.9%	(92.9)	-3.6%	(368.6)	(394.9)	-6.7%
Gross Margin	81.3%	80.3%	99bps	81.1%	23bps	80.9%	80.0%	94bps

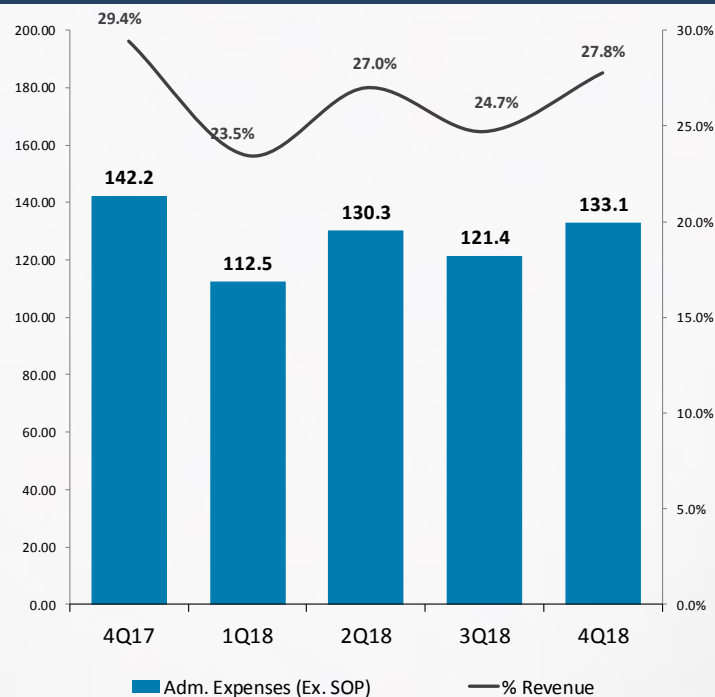
- a) Refers to expenses from financial 'pass through' incurred in connection with the agreements signed with professional associations for the contracting and selling of affinity plans (called royalties).
- b) Refers primarily to mailing expenses and annual membership fees paid by the Company to associations, unions and councils on behalf of the beneficiaries / members of the professional associations.



Administrative Expenses

Administrative expenses (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Personnel expenses	(26.0)	(24.0)	8.6%	(28.7)	-9.2%	(113.1)	(112.5)	0.5%
Third Party services	(16.9)	(26.0)	-34.7%	(12.5)	35.8%	(54.9)	(88.2)	-37.7%
Occupancy expenses	(2.4)	(3.9)	-37.1%	(2.4)	-0.6%	(10.2)	(15.7)	-34.7%
Depreciation and amortization	(67.2)	(55.4)	21.3%	(60.4)	11.2%	(248.9)	(228.4)	9.0%
Others	(20.8)	(34.5)	-39.7%	(17.7)	17.5%	(71.4)	(63.5)	12.4%
Total Consolidated	(133.4)	(143.6)	-7.1%	(121.7)	9.6%	(498.6)	(508.2)	-1.9%
(+) Stock Options Expenses	0.3	1.4	-78.3%	0.3	-2.8%	1.3	12.1	-89.6%
Total Recurring Adm. Expenses	(133.1)	(142.2)	-6.4%	(121.4)	9.6%	(497.3)	(496.1)	0.2%
Recurring Adm. Expenses/ Net Revenue %	27.8%	29.4%	-165bps	24.7%	306bps	25.7%	25.1%	59bps

ADMINISTRATIVE EXPENSES (% REVENUES)

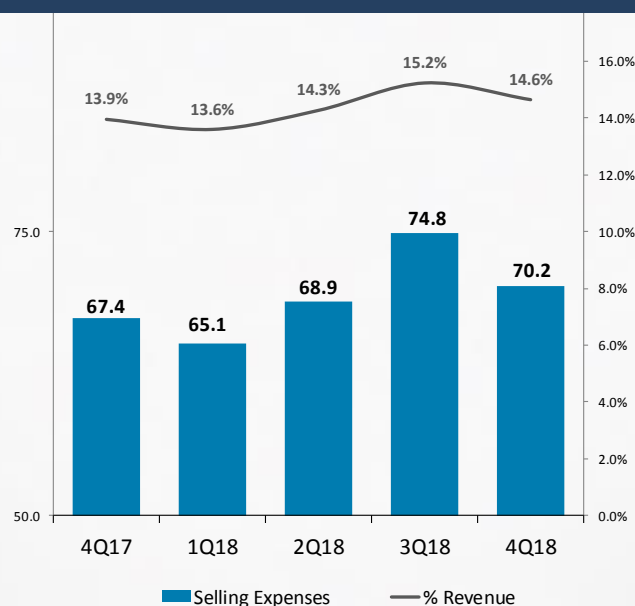


Selling Expenses

Selling Expenses (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Personnel expenses	(11.6)	(11.8)	-1.6%	(15.8)	-26.5%	(55.5)	(47.9)	15.9%
Third Party services	(4.4)	(2.9)	54.5%	(2.6)	69.4%	(14.3)	(12.2)	18.0%
Occupancy expenses	(1.3)	(1.5)	-13.5%	(1.6)	-18.4%	(6.7)	(6.3)	6.1%
Sales campaign	(5.7)	(5.3)	8.7%	(6.4)	-10.3%	(21.8)	(34.7)	-37.0%
Sponsorships	(2.8)	(2.6)	10.4%	(2.7)	5.8%	(8.0)	(8.5)	-6.1%
New sales comission amortization	(20.2)	(18.8)	7.6%	(18.5)	9.4%	(74.6)	(73.5)	1.5%
Third-party commission	(17.4)	(14.5)	20.4%	(18.0)	-3.1%	(65.1)	(72.8)	-10.6%
Publicity and advertising	(4.5)	(6.5)	-30.8%	(5.4)	-17.0%	(19.8)	(20.3)	-2.4%
Others (a)	(2.1)	(3.7)	-41.5%	(3.9)	-45.1%	(13.1)	(12.5)	4.3%
Total Consolidated	(70.2)	(67.4)	4.1%	(74.8)	-6.3%	(279.0)	(288.6)	-3.4%
Selling/Net Revenue %	14.6%	13.9%	70bps	15.2%	-59bps	14.4%	14.6%	-19bps

(a) Considers office supplies, mailing and discounts.

SELLING EXPENSES (% REVENUES)



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

Bad Debt (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Bad Debt/Uncollectible Receivables	(23.7)	(40.1)	-41.0%	(25.5)	-7.1%	(119.4)	(126.8)	-5.8%
% Net Revenue	4.9%	8.3%	-336bps	5.2%	-25bps	6.2%	6.4%	-25bps

Breakdown	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Bad Debt	(30.9)	(43.5)	-28.9%	(33.5)	-7.8%	(146.7)	(142.3)	3.1%
Recovering	7.2	3.3	116.4%	8.0	-9.8%	27.3	15.5	76.5%

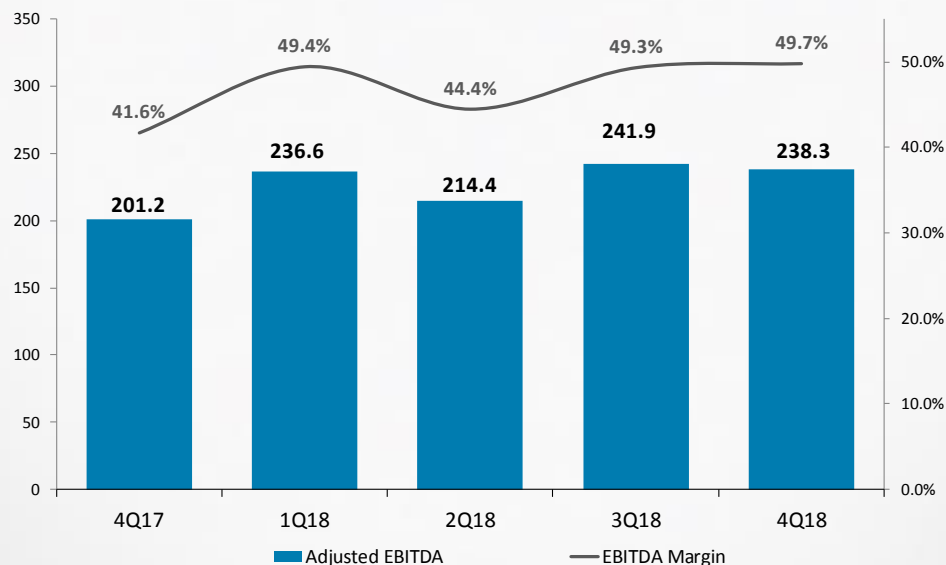
Other Operating Income/Expenses (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Expenses related to contingencies	6.3	(2.3)	-376.9%	3.9	61.7%	(0.9)	(14.6)	-93.8%
Impairment	(2.1)	0.0	-10302.3%	(2.6)	-19.2%	(3.4)	1.8	-292.7%
Operational Losses	(6.2)	6.5	-195.4%	(2.7)	130.3%	(6.4)	7.1	-190.1%
Potencial Sale	-	-	N.A.	-	N.A.	-	(40.6)	N.A.
Other income (expenses)	4.3	(2.9)	-248.7%	0.1	6054.8%	0.3	(3.0)	-110.6%
Total Consolidated	2.2	1.4	59.2%	(1.3)	-266.8%	(10.4)	(49.4)	-78.9%
(-) One-time revenues	-	-	N.A.	-	N.A.	-	-	N.A.
(+) One-time expenses	-	-	N.A.	-	N.A.	-	40.6	N.A.
Total Consolidated	2.2	1.4	59.2%	(1.3)	-266.8%	(10.4)	(8.8)	18.7%

Financial Income (Expense)

Financial Income (Expenses) (R\$MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Financial income								
Income from short-term investments	8.1	11.8	-31.7%	9.1	-11.5%	35.0	66.5	-47.4%
Interest and fine on late payment of health plans	6.2	7.6	-18.2%	6.4	-2.9%	25.0	52.2	-52.1%
Other income	0.2	2.2	-89.7%	1.3	-83.1%	3.1	13.9	-77.9%
Total	14.5	21.6	-32.8%	16.8	-13.9%	63.0	132.6	-52.5%
Financial expenses								
Debentures Interest	(11.5)	(12.9)	-11.1%	(11.9)	-3.4%	(46.8)	(67.8)	-31.1%
Monetary adjustment from acquisition payables	-	(1.3)	N.A.	-	N.A.	-	(41.0)	-100.0%
Other financial expenses	(11.2)	(11.8)	-5.4%	(11.4)	-1.9%	(44.3)	(48.1)	-7.8%
Total	(22.6)	(26.0)	-13.1%	(23.2)	-2.7%	(91.1)	(157.0)	-42.0%
Total Consolidated	(8.1)	(4.4)	82.6%	(6.4)	26.7%	(28.0)	(24.4)	15.2%

Adjusted EBITDA

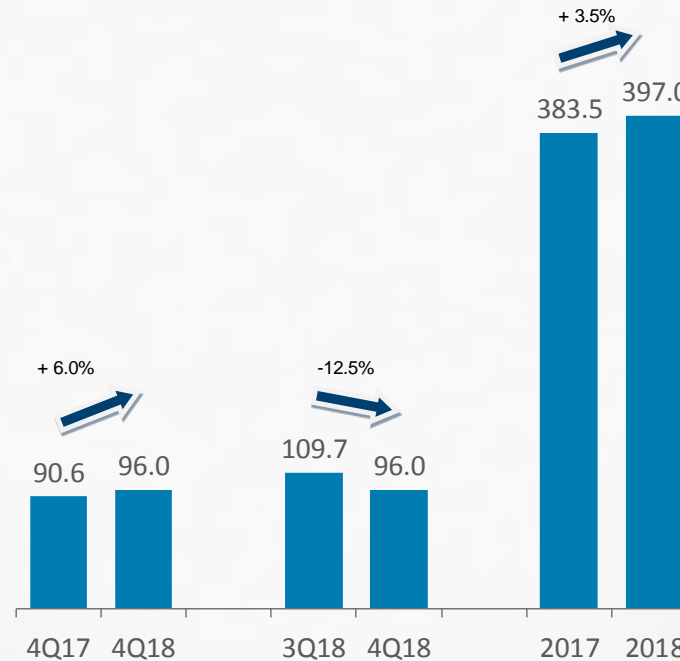
EBITDA and Adjusted EBITDA (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Net Income	96.0	90.6	6.0%	109.7	-12.5%	397.0	383.5	3.5%
(+) Taxes	60.3	43.6	38.3%	58.7	2.7%	231.1	196.1	17.8%
(+) Depreciation and Amortization	87.4	74.1	17.9%	78.9	10.8%	323.5	301.8	7.2%
(+) Financial Expense	22.4	25.9	-13.3%	23.2	-3.6%	91.1	156.8	-41.9%
(-) Financial Income	(14.2)	(21.6)	-34.3%	(16.8)	-15.9%	(63.0)	(131.5)	-52.1%
EBITDA	252.0	212.6	18.5%	253.8	-0.7%	979.6	906.7	8.0%
EBITDA Margin	52.6%	44.0%	861bps	51.7%	93bps	50.7%	46.0%	474bps
Non-cash Stock Option Plan Expense	0.3	1.4	-78.3%	0.3	-2.8%	1.3	12.1	-89.6%
Potencial Sale	-	-	N.A.	-	N.A.	-	40.6	N.A.
Interest and fine on late payment of health plans	6.2	6.0	3.0%	6.3	-2.4%	24.9	52.2	-52.2%
New sales comission amortization	(20.2)	(18.8)	7.6%	(18.5)	9.4%	(74.6)	(73.5)	N.A.
Adjusted EBITDA	238.3	201.3	18.4%	241.9	-1.5%	931.3	938.1	-0.7%
Adjusted EBITDA Margin	49.7%	41.6%	810bps	49.3%	48bps	48.2%	47.6%	65bps



Net Income (Loss)

Net Income (Loss) (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18	2018	2017	% Change 2018/2017
Net Income	96.0	90.6	6.0%	109.7	-12.5%	397.0	383.5	3.5%

NET INCOME (LOSS) R\$



Investments¹ (CAPEX) and Capital Structure

Capex (R\$ MM)	4Q18	4Q17	% Change 4Q18/4Q17	3Q18	% Change 4Q18/3Q18
Capex in IT	17.5	10.3	69.8%	18.7	-6.7%
Other Capex	0.7	7.5	-90.8%	0.0	2869.6%
Right Assignment Agreement / Exclusivity	-	56.0	-100.0%	206.9	-100.0%
TOTAL	18.1	73.7	-75.4%	225.6	-92.0%

Capital Structure (R\$ MM)	4Q18	4Q17	Var. 3Q18/4Q17
Current Debt	617.5	39.2	1475.6%
Long Term Debt ⁽¹⁾	6.9	613.3	-98.9%
TOTAL	624.4	652.5	-4.3%
Cash and cash equivalents ⁽²⁾	435.3	517.7	-15.9%
TOTAL NET DEBT	189.2	134.8	40.4%

(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 subsidiary *Clube de Saúde Administradora de Benefícios Ltda.*, according to the 33rd normative instruction by the ANS, from October 5, 2009.

Cash Flow

Cash Flow	2018	4Q18	3Q18	2Q18	1Q18	2017
Income adjusted by non-cash effects	1,007,280	254,518	256,494	236,158	260,110	1,054,840
Working Capital	(3,582)	(49,739)	27,430	(49,100)	67,827	(204,997)
Interest paid	(47,236)	(23,496)	-	(23,740)	-	(73,960)
Dividends received/paid	-	-	-	-	-	(19,072)
Income tax and social contribution paid	(172,931)	(59,447)	(46,629)	(33,111)	(33,744)	(148,075)
Cash Flow from Operating Activities	783,531	121,836	237,295	130,207	294,193	608,736
Capex (TI)	(43,710)	-	(18,229)	(14,837)	(10,644)	(40,603)
PP&E	(1,456)	(668)	(163)	(196)	(429)	(8,825)
New Sales Comissions	-	-	(31,149)	(16,674)	(14,247)	-
Intangible (M&A + Portfolio + Deals)	(298,817)	(250,778)	(6,993)	(15,706)	(25,340)	(356,024)
Cash Flow from Investment Activities	(343,983)	(251,446)	(56,534)	(47,413)	(50,660)	(405,452)
Cash Flow from Operating Activities (-) Capex	439,548	(129,610)	180,761	82,794	243,533	203,284
Cash Flow from Financing Activities	(455,718)	(30,596)	-	(192,091)	(233,031)	(79,689)
Other Investments	68,953	53,922	(45,523)	39,120	21,434	(50,154)
Total Cash Flow	52,783	(106,284)	135,238	(70,177)	31,936	73,441
Cash Flow on the begining of the period	146,733	243,730	108,492	178,669	146,733	125,361
Cash Flow on the end of the period	137,446	137,446	243,730	108,492	178,669	146,733

Thank you!

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