

1Q19 Earnings Release

Qualicorp Consultoria e Corretora de Seguros S.A.

B3: QUAL3

Shares Outstanding
(3/31/2019)
283,176,825 shares

Free Float
(3/31/2019)
224,292,215 shares (79.2%)

Cash and Cash Equivalents
(3/31/2019)
R\$682.2 million

Investor Relations

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Conference Calls

May 10th 2019 (Friday)

Portuguese

Time: 11:00 am (EST Brasilia) /
10:00 am (NY)
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English

Time: 11:00 am Brasilia
10:00 EST Simultaneous Translation
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Code: QUALICORP S.A.

São Paulo, May 9th 2019. QUALICORP CONSULTORIA E CORRETORA DE SEGUROS S.A (B3: QUAL3), one of the leading full-service healthcare benefits trader, administrator and health management services provider in Brazil, announces its consolidated 1Q19 results. The operating and financial data are presented on a consolidated basis in Reais ("BRL" or "R\$"), in accordance with Corporate Law and regulations of "Comissão de Valores Mobiliários" – CVM (the Brazilian SEC). **From January 1st, 2019 on, the IFRS 16 instruction became effective, reflecting financial statements regarding rental expenses.**

FINANCIAL AND OPERATING HIGHLIGHTS

- ✓ The 1Q19 the Net Revenue reached R\$466.6 million, -2.6% q/q and -2.6% y/y. The decrease is mainly due to lives reduction in the portfolio reflecting lower revenue on the period observed;
- ✓ The Adjusted EBITDA reached R\$238.6 million in 1Q19, flat y/y and q/q, even with lower operational revenue. In the annual comparison, the margin growth is due to cost of services and bad debts improvement;
- ✓ The Company's net income reached R\$96.9 million in 1Q19, flat y/y and lower q/q reflected by amortization increase;
- ✓ We closed 1Q19 with R\$280.5 million operating cash flow. After CAPEX, the cash flow generation reached R\$240.6 million, generating strong cash flow due to the working capital performance. It is important to highlight that the Company will pay dividends related to 2018 on May 10th, 2019.

MAIN INDICATORS (R\$MM)

Consolidated Income Statement - (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Net Revenues	466.6	479.2	-2.6%	479.0	-2.6%
Total Expenses (Ex-Depreciation and amortization)	(206.5)	(225.6)	-8.5%	(221.8)	-6.9%
Adjustments to EBITDA	(21.6)	(15.9)	35.8%	(17.9)	20.6%
Adjusted EBITDA	238.6	237.7	0.4%	239.4	-0.3%
Adjusted EBITDA Margin	51.1%	49.6%	152bps	50.0%	116bps
Net Income (Loss)	96.9	102.1	-5.1%	95.6	1.4%

Balance Sheet	1Q19	2018	Change 1Q19/2018
Equity	2,451.6	2,356.7	4.0%
Net Debt ¹	(20.9)	189.2	-111.1%

Other	1Q19	2018	Change 1Q19/2018
Net Debt / Equity	-0.01x	0.08x	-110.6%
Net Debt / Adjusted EBITDA LTM	-0.02x	0.20x	-111.1%

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

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IFRS 16

IFRS 16 instruction were issued by the IASB and became effective on January 1st, 2019, reflecting the financial statements in the current year with opening balance on January 1st, 2019.

The instruction establishes criteria to demonstrate in the balance sheet the commitments assumed in lease contracts in exchange for a right asset corresponding to the leased asset.

The Company evaluated the lease agreements in the amount of R\$ 68 million, which were recognized on January 1st, 2019 using retrospective method with cumulative effect suggested by the standard on the date of initial application, using the balance of remaining payments.

On March 31st, 2019, lease payments reached R\$63.1 million (R\$20.3 million in current and R\$42.8 million in noncurrent) and in the asset allocated to fixed assets, as a right of use, totals the net amount R\$63.7 million.

It is important to highlight that, for comparison purposes, the Company is applying the effects mentioned above in 2018 financial year here presented, differing from the Press Releases previously reported.

Income Statement (R\$ MN)	1Q18	IFRS 16	1Q18 with IFRS	2Q18	IFRS 16	2Q18 with IFRS
Operational Expenses	(112.8)	1.1	(111.7)	(130.7)	1.1	(129.6)
Financial Results	(6.2)	(2.0)	(8.2)	(7.2)	(1.9)	(9.1)
Tax and Contribution	(61.2)	0.3	(60.9)	(50.8)	0.3	(50.6)
Net Income	102.7	(0.6)	102.1	88.6	(0.5)	88.1

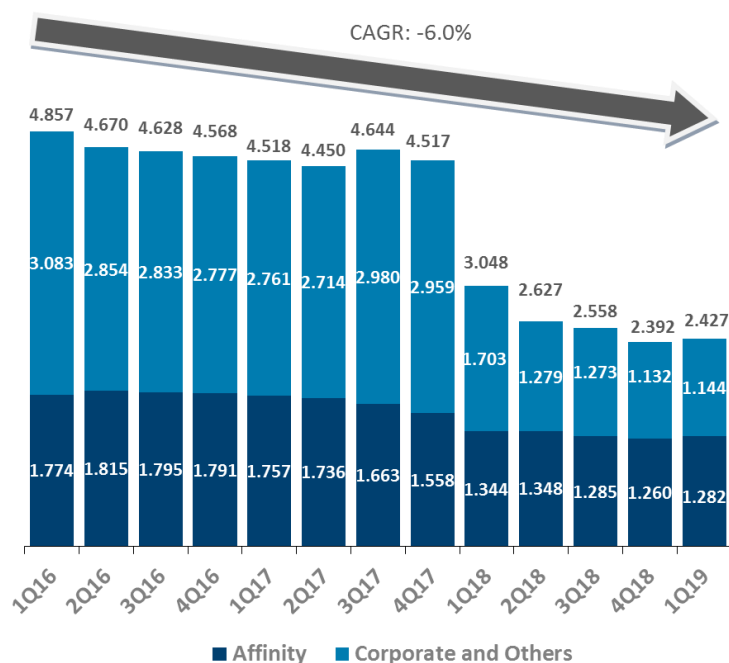
Income Statement (R\$ MN)	3Q18	IFRS 16	3Q18 with IFRS	4Q18	IFRS 16	4Q18 with IFRS
Operational Expenses	(121.7)	1.1	(120.6)	(133.4)	1.1	(132.3)
Financial Results	(6.4)	(1.8)	(8.2)	(8.2)	(1.7)	(10.0)
Tax and Contribution	(58.7)	0.2	(58.5)	(60.3)	0.2	(60.1)
Net Income	109.7	(0.5)	109.3	96.0	(0.4)	95.6

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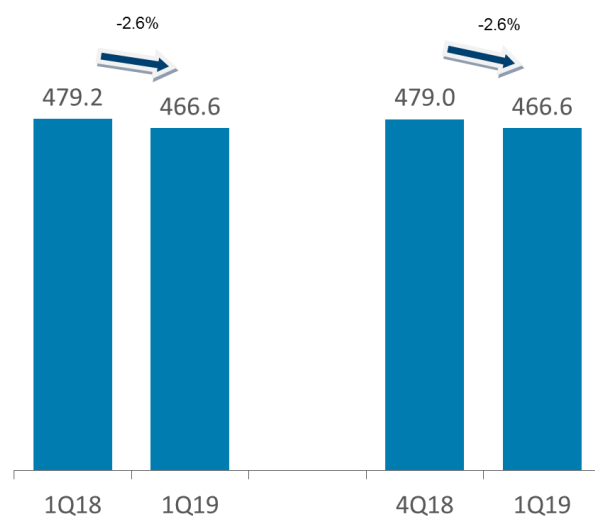


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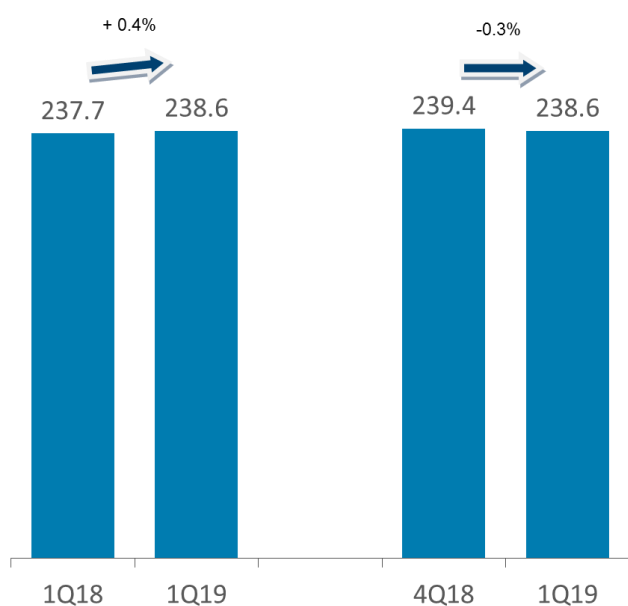
BENEFICIARIES (MM)



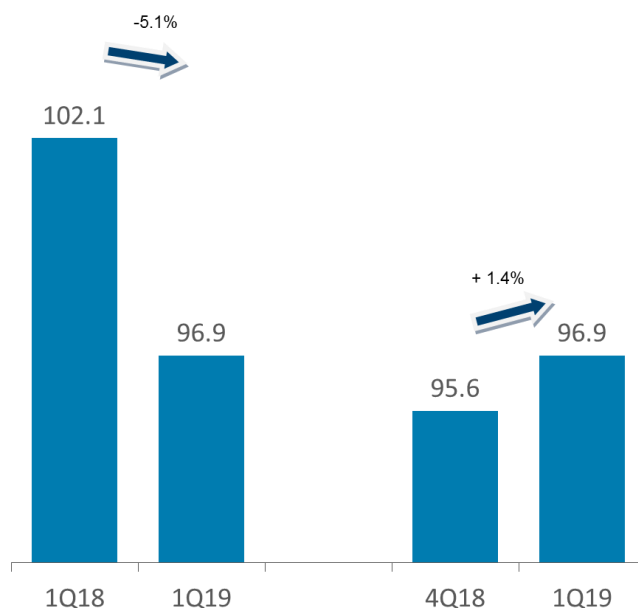
NET REVENUES (R\$ MM)



ADJUSTED EBITDA (R\$ MM)



NET INCOME (R\$ MM)

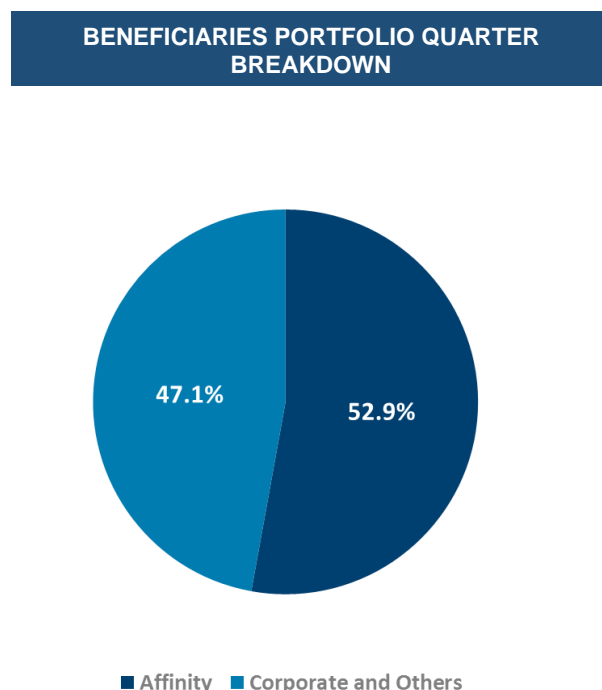
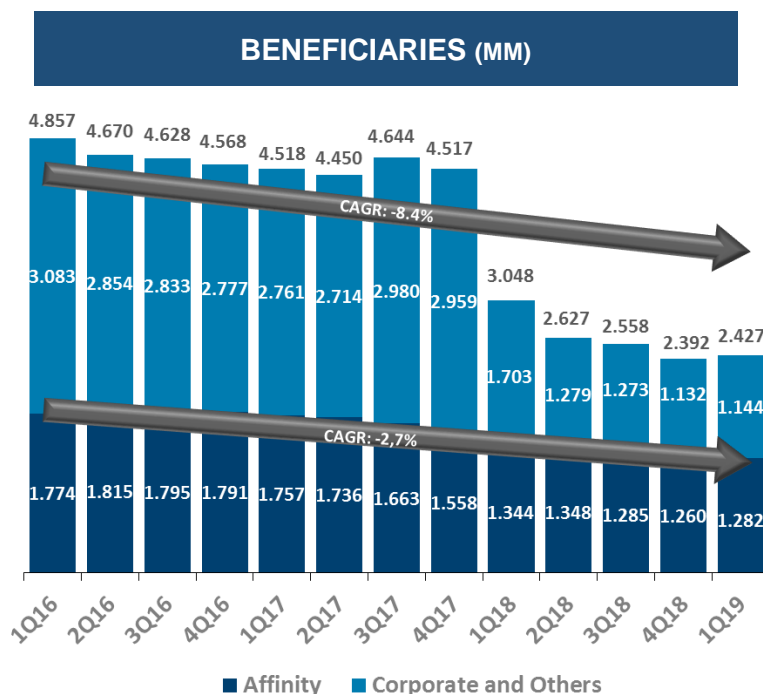


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1 | Beneficiaries



Total Portfolio

The total number of beneficiaries reached 2.4 million lives in the end of the quarter. The reduction regarding y/y is mainly related to lower volume of lives in Corporate and TPA, but with slight impact in financial results. Out of the total beneficiaries, 1.3 million are in the Affinity segment and 1.1 million in the Corporate and Others segment.

Affinity Portfolio

☐ Medical Care

Our Affinity Medical Care portfolio ended with 1.2 million lives in 1Q19 leading to a variation of -2.9% y/y and 2.1% q/q. In the annual comparison, the reduction is due to 2Q18 churn, reflected by annual price readjustments. The q/q increase is due to not only churn but also regarding new portfolio, which will be detailed ahead.

☐ Other products

The Other products portfolio, in the Affinity segment, closed 1Q19 with 95.0 thousand lives, lower y/y and q/q, reflected by the actual economic scenario and products price.

Corporate and Others Total Portfolio

Our total portfolio of beneficiaries in the Corporate and Others segment presented a -32.8% y/y variation in 1Q19, mainly due to lower life members on corporate and TPA contracts. In the sequential comparison, this portfolio increased +1.1%, due corporate contracts.

❑ Corporate

The Corporate segment decreased 59.7% y/y in 1Q19 (5.2% q/q), reaching 307.2 thousand lives. The annual variation, due to the exit of a Company representing 430 thousand lives, was explained in 2Q18. The increase q/q reflects new contracts that are now managed by the Company, increasing lives on the corporate segment.

❑ SME

The SME segment shows an increase of 6% when compared to 1Q18 (5% q/q). It is important to mention that the lives increase had a minor impact on revenues in the quarter.

❑ TPA

The Self-management portfolio, which consolidates Qualicorp TPA and CRC/Gama lives, has reached 0.7 million lives by the end of 1Q19, lower y/y and lower q/q due to contracts termination, with low profitability for the Company.

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1.1 Portfolio of lives evolution

Portfolio	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Affinity Health Lives					
Total Portfolio (BOP)	1,163,291	1,211,591	-4.0%	1,186,331	-1.9%
(+) Gross Adds	115,523	97,805	18.1%	88,628	30.3%
(-) Churn	(91,364)	(97,602)	-6.4%	(111,668)	-18.2%
(+) Portfolio Acquisition	-	10,912	N.A.	-	N.A.
New Lives Added (net)	24,159	11,115	117.4%	(23,040)	-204.9%
Total Portfolio (EOP)	1,187,450	1,222,706	-2.9%	1,163,291	2.1%
Affinity Other Products Lives					
Total Portfolio (BOP)	96,944	346,635	-72.0%	98,179	-1.3%
New Lives Added (net)	(1,939)	(225,028)	-99.1%	(1,235)	57.0%
Total Portfolio (EOP)	95,005	121,607	-21.9%	96,944	-2.0%
Affinity Portfolio	1,282,455	1,344,313	-4.6%	1,260,235	1.8%
Corporate	307,242	762,634	-59.7%	292,070	5.2%
TPA	681,202	793,695	-14.2%	691,661	-1.5%
Small/Medium Enterprises	155,682	146,889	6.0%	148,248	5.0%
Corporate and Others Portfolio	1,144,126	1,703,218	-32.8%	1,131,979	1.1%
Total Portfolio	2,426,581	3,047,531	-20.4%	2,392,214	1.4%

In the Affinity segment, which represents 92.2% of our net revenues in 1Q19 (92.4% in 4Q18 and 91.9% in 1Q18), we reached 115.5k lives in gross additions. The considerable increase compared to previous quarters is due to the entry of two new portfolios, adding approximately 31k lives. The Company continues to work to increase recurring sales performance, with new products and incentives to the commercial channel as of 2Q19.

Concerning the additions made in 1Q19, 16% are related to Clube de Saúde, vs 20% y/y and 22% in q/q. The sequential decrease in Clube de Saúde's participation reflects new portfolios added, in which the ticket is higher than the previous lives.

In terms of churn level, we had 91 thousand cancellations in 1Q19, volume 6.4% lower y/y and 18.2% lower q/q. Is important to notice that most of the portfolio is impacted by the price readjustments held on the second semester of every year. In 2019, the Company will keep focused in client's retention, adding new products to the portfolio and providing more affordable alternatives according to need. In 1Q19, our retention channel carried out downgrades around 4.9k lives (5k lives in 1Q18), with ticket reduction of around 28%.

Taking into account the performance improvement in sales and churn, the Company held +24.1k of net adds, over twice presented in 1Q18. The Company understands that given the current scenario, still challenging, it is essential develop the lives portfolio before the price readjustments period. Therefore, we are providing more affordable products along 2S19 and enhancing sales campaigns to pursue the results.

The portfolio in Medical Care Affinity segment had 1.2 million lives in the end of 1Q19, -2.9% y/y and +2.1% q/q. Out of this amount, over 143 thousand lives belongs to the Clube de Saúde segment.

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2 | Operating Net Revenues

Net Revenues (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Affinity	430.2	440.4	-2.3%	442.7	-2.8%
% on Total Net Revenues	92.2%	91.9%	28bps	92.4%	-22bps
Corporate and Other	36.4	38.8	-6.0%	36.4	0.2%
% on Total Net Revenues	7.8%	8.1%	-28bps	7.6%	22bps
Total Consolidated	466.6	479.2	-2.6%	479.0	-2.6%

Our total Net Revenues decreased -2.6% y/y in 1Q19, reaching R\$466.6 million. Regarding 4Q18, there was a -2.6% decrease, reflecting the average portfolio reduction in the quarter.

The Affinity segment contributed with R\$430.2 million in 1Q19 (-2.3% y/y and -2.8% q/q). The annual decrease, even with the price readjustments over 17.6%, is due to [i] lives' portfolio reduction, reflected by 2.9% less clients in Affinity Medical Care in the annual comparison; [ii] portfolio mix, considering the new lives added regarding their ticket profile change and downgrades along last twelve months; and [iii] brokerage revenue decrease, due to sales mix and migration to new plans, since new agreements were held aiming products diversity increase.

The Net Revenue from the Corporate and Others Segment reached R\$36.4 million in 1Q19, -6.0% y/y (0.2% q/q). The annual decrease is due to the lives reduction in corporate contracts regarding TPA segment and the sequential variation reflects new corporate contracts, offsetting TPA's revenues losses.

The Group gross revenue tax rate (ISS, PIS and COFINS) reached 8.1% in 1Q19 (versus 8.0% in 1Q18 and 7.8% in 4Q18).

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3 | Operating Expenses

Cost summary (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Cost of Services	(86.3)	(89.8)	-3.8%	(86.8)	-0.5%
Total Costs of Services	(86.3)	(89.8)	-3.8%	(86.8)	-0.5%
Total Adm. Expenses	(131.1)	(115.1)	13.9%	(135.8)	-3.4%
Total Selling Expenses	(64.2)	(63.9)	0.4%	(69.3)	-7.5%
Bad Debt (Uncollectible Receivables)	(22.2)	(34.9)	-36.4%	(23.7)	-6.3%
Other Operating Income (Expenses)	3.7	(4.3)	-185.5%	2.2	64.9%
Total Operating Expenses	(213.8)	(218.2)	-2.0%	(226.6)	-5.6%
Total Consolidated	(300.1)	(308.0)	-2.6%	(313.4)	-4.2%
(+) One Time Expenses (a)	0.1	0.3	-77.5%	0.3	-76.5%
Total Consolidated Recurring	(300.0)	(307.7)	-2.5%	(313.1)	-4.2%

a) Refers to Stock option expenses.

Our consolidated recurring Operating Expenses decreased -2.5%/y/y in 1Q19 (-4.2% q/q). The decrease between quarters is mainly due to [i] lower third party expenses and [ii] bad debts recovery.

Due to IFRS 16, occupancy expenses do not include rental expenses. These expenses are amortized and only carry over administrative expenses.

Regarding selling expenses, the decrease in the sequential comparison is mainly due to lower recurring sales volume. It is important to note that the entry of the new portfolios did not involve payment of commission per sale. In addition, the Company has been making efforts to reduce operational expenses regarding new sales, mainly from the implementation of digital sales.

Concerning bad debts losses, as a percentage of the net revenue, we observed a decrease y/y and in the q/q comparison, remained stable. The improvement reflects the Company's efforts regarding [i] client's retention reflecting lower churn volume related to delinquency; [ii] better performance in bad debts in Aliança's segment, which was considered the main offender on 1S18; and [iii] credits recover related to customers with injunctions with the operators.

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3.1 | Cost of Services

Cost of Services (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Personnel expenses	(33.5)	(30.3)	10.6%	(28.7)	16.6%
Third Party Services	(23.3)	(24.8)	-5.9%	(26.2)	-11.0%
Occupancy expenses	(2.1)	(1.8)	18.9%	(1.9)	15.5%
Royalties (a)	(18.3)	(24.2)	-24.1%	(20.6)	-11.1%
Others (b)	(9.0)	(8.7)	3.6%	(9.3)	-3.6%
Total Consolidated	(86.3)	(89.8)	-3.8%	(86.8)	-0.5%
Gross Margin	81.5%	81.3%	24bps	81.9%	-38bps

- a) Refers to expenses related to financial 'pass through' incurred in agreements signed with professional associations for the contracting and selling of affinity plans (called royalties).
- b) Refers mainly to lawsuits, 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, paid by the Company for associations, unions and councils to which the beneficiaries are affiliated.

The consolidated Cost of Services reached R\$ 86.3 million in 1Q19 (- 3.8% y/y and - 0.5% q/q). Thus, we achieved 81.5% of gross margin, slightly higher when compared to 1Q18.

Regarding personnel expenses, the increase y/y and q/q, reflects medical care expenses, regarding staff members, as well as one-time resignations.

Regarding Third Party services, the cost decreased 5.9% y/y (11.0% q/q). The Company has been going through a process of digital transformation, which encompasses not only the sales process, but also the service. The client's gradual migration to the online platforms (app, portal, chatbot) will allow not only greater savings with the services provided, but also direct service to what effectively generates customer value.

Rental expenses are no longer appropriated as occupancy expenses to be capitalized. This amortization is segregated into administrative expenses. Other expenses with occupancy such as IPTU (property taxes), telephony and other accounts are allocated in expenses as usual.

The Royalties of Affinity contracts are net of the contract stipulation revenue and were reduced by 24.1% y/y, reaching R\$18.3 million in 1Q19, reflected by the average member's base decrease in the period.

Finally, concerning other's line, which includes legal actions, there was no material variation.

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3.2 | Administrative Expenses

Administrative expenses (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Personnel expenses	(26.4)	(22.7)	16.5%	(26.0)	1.4%
Third Party services	(10.5)	(11.7)	-10.6%	(16.9)	-38.2%
Occupancy expenses	(0.7)	(0.7)	-10.5%	(0.6)	3.3%
Amortization of Tenance expenses	(5.8)	(4.2)	39.6%	(4.2)	39.6%
Depreciation and amortization	(65.8)	(60.1)	9.4%	(67.2)	-2.0%
Others	(21.9)	(15.7)	39.9%	(20.8)	5.4%
Total Consolidated	(131.1)	(115.1)	13.9%	(135.8)	-3.4%
(+) Stock Options Expenses	0.1	0.3	-77.5%	0.3	-76.5%
Total Recurring Adm. Expenses	(131.0)	(114.8)	14.2%	(135.5)	-3.3%
Recurring Adm. Expenses/ Net Revenue %	28.1%	24.0%	413bps	28.3%	-20bps

Our recurring Administrative expenses increased 14.2% y/y (-3.3% q/q), reaching R\$131.0 million in 1Q19. Regarding net revenue, 1Q19 closed at 28.1%, around 413bps higher than 1Q18 and 20bps lower than 4Q18.

In the Personnel line, this quarter, if we were to exclude the Stock Option expenses amortization effect, there was a 17.9% y/y increase (2.4% q/q). The annual increase reflects [i] one-time severance expenses which will generate savings on the following quarters and [ii] the management compensation increase as approved by the AGM held on April 29th, 2019.

In Third Party expenses, as mentioned before, the annual decrease is due to the operational expenses reduction, held by the Company, result of process improved by technology aid. The sequential decrease is mainly due to higher legal and consulting expenses in 4Q18.

With regard to rent expenses, the increase in the amortized amount is due to the return of the Adjustment to Present Value (AVP), according to the contract timing.

The increase in amortizations is due to the amortization of the non-compete agreement, signed with the Company's founder, with effect as of October 2018.

Lastly, the sequential growth in Other Administrative Expenses line is due to legal actions and infraction notices increase in 1Q19.

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3.3 | Selling Expenses

Selling Expenses (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Personnel expenses	(9.9)	(13.7)	-27.6%	(11.6)	-14.5%
Third Party services	(2.2)	(3.9)	-43.6%	(4.4)	-49.8%
Occupancy expenses	(0.6)	(0.7)	-17.5%	(0.5)	10.5%
Sales campaign	(5.2)	(4.8)	8.8%	(5.7)	-8.7%
Sponsorships	(0.7)	(1.4)	-49.2%	(2.8)	-74.4%
New sales comission amortization	(22.0)	(18.1)	21.4%	(20.2)	8.8%
Third-party commission	(16.8)	(14.5)	15.7%	(17.4)	-3.8%
Publicity and advertising	(3.7)	(4.7)	-21.1%	(4.5)	-17.2%
Others (a)	(3.1)	(2.0)	48.9%	(2.1)	42.2%
Total Consolidated	(64.2)	(63.9)	0.4%	(69.3)	-7.5%
Selling/Net Revenue %	13.8%	13.3%	41bps	14.5%	-72bps

Our consolidated Selling Expenses increased 0.4% y/y in 1Q19 (-7.5% q/q) reaching R\$ 64.2 million.

Regarding personnel expenses, we had a decrease of 27.6% y/y and 14.5% q/q, reflected by staff adjustments on commercial department of the Company.

In the third-party services line, the reduction reflects fewer consulting hiring and also the implementation of digital sales, reducing expenses related to sales. About 35% of the sales made in the quarter were originated from the digital tool, making the process safest and optimized.

Concerning sales campaigns (reported as expenses), there was no material variation. The awards that became effective in 1Q19 represent R\$10.7 million. This capitalized volume, may grow over the year along with the Company's urge for incentives increase.

The recurring third-party commissions, linked to the external channels performance, grew 15.7% y/y in line with the external channel strategy compensation, which assists clients' retention at Qualicorp.

The third-party commissions regarding new sales, for internal and external channel, are capitalized in the Company's intangible assets. The amortization, with minor variations between quarters, reflects the sales performance in the 24 months prior to the end of each period, this assumption also works for amortization. The increase reflects new sales awards, according to the Company concern to compensate the channels in line with their performance.

If we were to spend these commissions (internal and external channel) by competency, these would represent R\$16.0 million in 1Q19 (R\$14.9 million in 1Q18 and R\$18.3 million in 4Q18).

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3.4 | Bad Debt (Uncollectible Receivables)

Bad Debt (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Bad Debt/Uncollectible Receivables	(22.2)	(34.9)	-36.4%	(23.7)	-6.3%
% Net Revenue	4.8%	7.3%	-253bps	4.9%	-19bps

Our Bad Debt expenses, reached R\$ 22.2 million in 1Q19, representing 4.8% of our total net revenue, 7.3% in 1Q18 and 4.9% in 4Q18. It is important to highlight the work done in credit recovery of customers, as well as the recovery of credit from customers with injunctions with the operators. We highlight the internal work done with Aliança segment, regarding last year. The performance reflects process adjustments in terms of bad debts recovery.

Breakdown	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Bad Debt	(28.0)	(40.2)	-30.3%	(30.9)	-9.3%
Recovering	5.8	5.3	10.0%	7.2	-19.1%

The past due credit recovery contributed positively with R\$ 5.8 million during 1Q19, higher than R\$ 5.3 million in 1Q18 and R\$ 7.2 million lower in 4Q18, reflected by the efforts to recover clients credits after high volume losses in 1H18.

3.5 | Other Operating Income / (Expense)

Other Operating Income/Expenses (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Expenses related to contingencies	1.2	(5.9)	-121.2%	6.3	-80.1%
Impairment	-	0.7	-100.0%	(2.1)	-100.0%
Operational Losses	(2.6)	5.8	-145.4%	(6.2)	-57.5%
Other income (expenses)	5.1	(5.0)	-202.5%	4.3	18.5%
Total Consolidated	3.7	(4.3)	-185.5%	2.2	64.9%

Other Operating Income/Expenses presented a positive effect of R\$-3.7 million vs. R\$4.3 million negative impact in 1Q18 and R\$-2.2 million impact in 4Q18. Those variations reflects higher contingencies expenses volume, since the Company was able to reverse part of provisions held in prior quarters. Expenses/Revenues related to operating gains/losses, are due to reconciliation of invoices which had a negative effect of R\$2.6 million in 1Q19, vs R\$6.2 million in 4Q18 and positive effect of R\$5.8 million in 1Q18. It is important to highlight the nature of control related to checking account with the operators.

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4 | Financial Income (expenses)

Financial Income (Expenses) (R\$MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Financial income					
Income from short-term investments	9.7	9.2	5.6%	8.1	19.5%
Interest and fine on late payment of health plans	6.2	6.1	1.6%	6.2	-0.2%
Other income	1.0	0.8	24.6%	0.2	349.6%
Total	16.9	16.0	5.0%	14.5	16.2%
Financial expenses					
Debentures Interest	(11.3)	(11.8)	-4.1%	(11.5)	-1.2%
Monetary adjustment from acquisition payables	(1.2)	(2.0)	-37.6%	(1.7)	-28.1%
Other financial expenses	(11.8)	(10.6)	11.9%	(11.2)	5.8%
Total	(24.4)	(24.3)	0.1%	(24.3)	0.1%
Total Consolidated	(7.5)	(8.3)	-9.4%	(9.8)	-23.6%

The Company's Financial Income results comes from two main sources: interest on financial investments, interest, and penalties on late premiums payments from beneficiaries.

The performance of yield on financial investments, is due to higher resources volume (R\$682.2 million in March/19 vs R\$527.5 million in March/18 and R\$435.3 million in December/18).

In compliance with IFRS 16, financial expenses consider the present value adjustment of the Company's rental agreements.

It is worth to mention our debentures costs, whose interests are paid in 2Q and 4Q of each year. The debentures were renewed in 4Q16 considering more attractive taxes for the Company and which updated value decreases due to basic interest rate.

Other financial expenses, which includes financial operations IOF tax, bank expenses, discounts, among others, had immaterial impact y/y and q/q.

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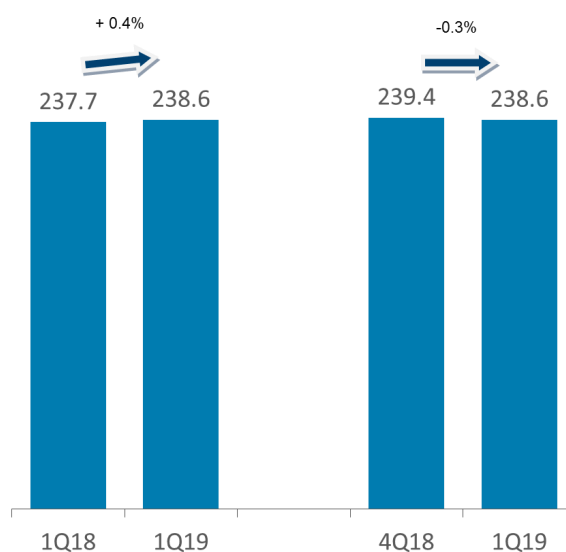


5 | Generation of Operating Cash (EBITDA and Adjusted EBITDA) ^{1,2}

EBITDA and Adjusted EBITDA (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Net Income	96.9	102.1	-5.1%	95.6	1.4%
(+) Taxes	62.1	60.9	1.9%	60.1	3.3%
(+) Depreciation and Amortization	93.6	82.4	13.6%	91.6	2.2%
(+) Financial Expense	24.4	22.6	8.0%	22.4	8.7%
(-) Financial Income	(16.9)	(14.4)	17.1%	(12.4)	35.4%
EBITDA	260.1	253.6	2.6%	257.2	1.1%
EBITDA Margin	55.7%	52.9%	283bps	53.7%	205bps
Non-cash Stock Option Plan Expense	0.1	0.3	-77.5%	0.3	-76.5%
Interest and fine on late payment of health plans	6.2	6.1	1.6%	6.2	-0.2%
Amortization of Tenance Expenses	(5.8)	(4.2)	39.6%	(4.2)	39.6%
New sales comission amortization	(22.0)	(18.1)	21.4%	(20.2)	8.8%
Adjusted EBITDA	238.6	237.7	0.4%	239.4	-0.3%
Adjusted EBITDA Margin	51.1%	49.6%	152bps	50.0%	116bps

Our consolidated Adjusted EBITDA reached R\$238.6 million in 1Q19 (- 0.3% q/q and 0.4% y/y). The consolidated Adjusted EBITDA margin reached 51.1% in 1Q19. The 1,5bps margin increase is related to improvement in bad debts and lower third party expenses. It is important to highlight that the Company was able to keep its operating expenses under control and has perfect condition to resume, in the next quarters, the growth of beneficiaries and revenues with operational leverage.

EBITDA AJUSTADO (R\$ MM) ^{1,2}



- (1) EBITDA and Adjusted EBITDA are presented because management believes that they are significant indicators of financial performance. According to the IFRS, EBITDA and Adjusted EBITDA are not indicators of financial performance and shall not be considered as an alternative to net profit, operational performance, operating cash flow, or as a liquidity indicator.
- (2) EBITDA and Adjusted EBITDA consist of net income before income tax and social contribution, financial income, financial expense, and depreciation and amortization. "Other adjustments" include items such as spending on acquisitions and associations; costs of corporate restructuring and operational provisions for stock option plan; interest and penalties on late fees; and other non-cash adjustments.

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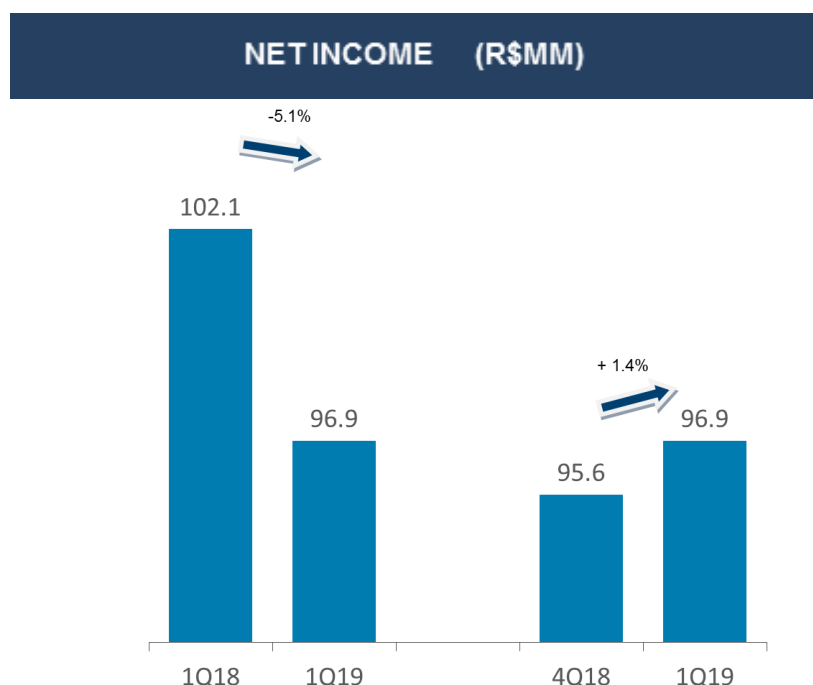


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6 | Net Income (Loss)

Net Income (Loss) (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Net Income	96.9	102.1	-5.1%	95.6	1.4%

Our consolidated net income reached R\$96.9 million in 1Q19, lower y/y, due to higher volume of amortizations and worse tax rate. The effective tax rate was 39.0% in 1Q19, against 38.6% in 4Q18 and 37.4% in 1Q18.



7 | Amortization

Amortization	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Amortization Clients Relationship	23.8	23.9	-0.5%	23.8	0.0%
Goodwill Amortization	39.0	92.6	-57.9%	39.0	0.0%
Portfolio Amortization	23.0	18.7	23.0%	24.2	-4.8%

Amortization Summary	Income Statement	Fiscal benefit	Amount 1Q19	Tax	Adjustments to net income
Amortization Clients Relationship	Yes	No	23.8	8.1	15.7
Goodwill amortization	No	Yes	39.0	13.3	13.3
Portfolio Amortization	Yes	Yes	23.0	7.8	15.2

Amortization Schedule	2019	2020	2021	2022	2023	2024
Clients Relationship	90.6	53.1	0.8	0.8	0.8	0.5
Goodwill	154.0	150.8	150.3	3.4	-	-
Portfolio Acquisition	86.0	80.5	55.8	42.6	36.9	25.9

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8 | Capital Expenditures

Capex (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Capex in IT	7.1	12.5	-43.1%	17.5	-59.2%
Other Capex	0.1	0.3	-81.3%	0.7	-91.9%
Right Assignment Agreement / Exclusivity	-	13.6	-100.0%	-	0.0%
TOTAL	7.2	26.4	-72.8%	18.1	-60.4%

Our total IT Capex reached R\$7.1 million in 1Q19, mainly due to operational systems improvements aiming operational efficiency. It is important to note that the Company is working on constant development of its operating systems, which will optimize processes and provide better customer service, as well as greater efficiency in operating expenses.

9 | Capital Structure

Capital Structure (R\$ MM)	1Q19	4Q18	Var. 3Q18/4Q17
Current Debt	654.9	617.5	6.1%
Long Term Debt ⁽¹⁾	6.4	6.9	-8.1%
TOTAL	661.2	624.4	5.9%
Cash and cash equivalents ⁽²⁾	682.2	435.3	56.7%
TOTAL NET DEBT	(20.9)	189.2	-111.1%

(1) Includes acquisition payables

(2) 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

Our Net Debt increased 20.9% in 1Q19, generating strong cash on the period. It is important to note that as approved by the AGM held on April 29th, 2019, the Company will pay R\$184,962,000.00 (one hundred and eighty-four million, nine hundred and sixty-two thousand BRL) of dividends on May 10th, 2019, related to 2018 and additional to paid in June of the same year.

The short-term debt refers primarily to debentures, which mature in November 2019.

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10 | Return on Investments

We closed 1Q19 with 41.3% ROIC, decelerating regarding previous year, not only, due to lower operating income in the last 12 months, compared to the 12 months before the end of 1Q18, but also regarding higher capital invested in the Company on the period.

Return on Investment	1Q19	4Q18	3Q18	2Q18	1Q18
Invested Capital					
Fixed Asset	2,468,913	2,521,908	2,569,985	2,398,824	2,436,988
Working Capital	(34,552)	40,841	(221,982)	17,476	(36,912)
TOTAL	2,434,361	2,562,749	2,348,003	2,416,300	2,400,076
(-) Intangible - Goodwill (LBO)	924,767	924,767	924,767	924,767	924,767
(-) Intangible - Client Relationship (LBO)	111,210	130,834	150,460	170,084	189,711
Adjusted Invested Capital	1,398,384	1,507,148	1,272,776	1,321,449	1,285,598
NOPAT					
Adjusted EBITDA	238,593	239,361	243,043	215,534	237,717
EBIT	144,977	147,805	159,968	132,387	155,312
(+) Ammortization	(74,637)	(72,361)	(63,981)	(64,930)	(64,909)
EBIT adjusted	219,614	220,166	223,949	197,318	220,222
(-) taxes (34%)	(74,669)	(74,857)	(76,143)	(67,088)	(74,875)
NOPAT	144,945	145,310	147,806	130,230	145,346
ROIC (12m)	41.3%	42.2%	41.8%	43.8%	46.1%

The operating cash flow reached R\$280.5 million in 1Q19. After Capex, the Company generated R\$240.6 million. This effect was driven by not only strong operational profit, but also by improvement in working capital accounts, with a reduction in the volume of advances to operators.

Cash Flow	1Q19	4Q18	3Q18	2Q18	1Q18
Income adjusted by non-cash effects	264,581	259,797	261,773	241,437	265,388
Working Capital	61,493	(49,739)	27,430	(49,100)	67,827
Interest paid	-	(23,496)	-	(23,740)	-
Dividends received/paid	-	-	-	-	-
Income tax and social contribution paid	(45,544)	(59,447)	(46,629)	(33,111)	(33,744)
Cash Flow from Operating Activities	280,530	127,115	242,574	135,486	299,471
Capex (TI)	(7,399)	(14,446)	(18,229)	(14,837)	(10,644)
PP&E	(329)	(668)	(163)	(196)	(429)
New Sales Comissions	(26,690)	(29,339)	(31,149)	(16,674)	(14,247)
Rental Expenses	(5,278)	(5,279)	(5,279)	(5,279)	(5,278)
Intangible (M&A + Portfolio + Deals)	(188)	(206,993)	(6,993)	(15,706)	(25,340)
Cash Flow from Investment Activities	(39,884)	(256,725)	(61,813)	(52,692)	(55,938)
Cash Flow from Operating Activities (-) Capex	240,646	(129,610)	180,761	82,794	243,533
Cash Flow from Financing Activities	-	(30,596)	-	(192,091)	(233,031)
Other Investments	(115,532)	53,922	(45,523)	39,120	21,434
Total Cash Flow	125,114	(106,284)	135,238	(70,177)	31,936
Cash Flow on the begining of the period	137,446	243,730	108,492	178,669	146,733
Cash Flow on the end of the period	262,560	137,446	243,730	108,492	178,669

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Forward-looking statements

This release may contain forward-looking statements concerning the business outlook. 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

1Q19 Earnings Release



Appendix I – Income Statement

INCOME STATEMENT (R\$ MM)	1Q19	1Q18	% Change 1Q19/1Q18	4Q18	% Change 1Q19/4Q18
Net Operating Revenue	466.6	479.2	-2.6%	479.0	-2.6%
Cost of Services	(86.3)	(89.8)	-3.8%	(86.8)	-0.5%
Gross Profit	380.3	389.4	-2.3%	392.3	-3.0%
Operating Income (expenses)	(213.8)	(218.2)	-2.0%	(226.6)	-5.6%
Administrative expenses	(131.1)	(115.1)	13.9%	(135.8)	-3.4%
Selling expenses	(64.2)	(63.9)	0.4%	(69.3)	-7.5%
Losses on uncollectible receivables	(22.2)	(34.9)	-36.4%	(23.7)	-6.3%
Other operating income (expenses), net	3.7	(4.3)	-185.5%	2.2	64.9%
Income From Operations Before Financial Income (Expenses)	166.5	171.2	-2.7%	165.7	0.5%
Financial income	16.9	14.4	17.1%	12.4	35.4%
Financial expenses	(24.4)	(22.6)	8.0%	(22.4)	8.7%
Income Before Income Tax Social Contribution	159.0	163.0	-2.5%	155.7	2.1%
INCOME TAX AND SOCIAL CONTRIBUTION	(62.1)	(60.9)	1.9%	(60.1)	3.3%
Current	(55.2)	(53.5)	8.9%	(58.3)	-5.2%
Deferred	(6.9)	(7.4)	-75.1%	(1.8)	272.3%
NET (LOSS) INCOME FOR PERIOD	96.9	102.1	-5.1%	95.6	1.4%

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Appendix II – Balance Sheet

ASSETS (R\$ MM)	1Q19	4Q18	% Change. 1Q19/4Q18
CURRENT ASSETS			
Cash and cash equivalents	262.6	137.4	91.0%
Short-term investments	467.6	352.1	32.8%
Trade receivables	177.1	192.4	-7.9%
Other assets	288.3	299.2	-3.6%
Other financial assets	276.2	292.0	-5.4%
Other non-financial assets	12.1	7.2	67.2%
Total current assets	1,195.6	981.1	21.9%
NONCURRENT ASSETS			
Long-term assets			
Income tax and social contribution	72.1	86.1	-16.2%
Other assets	22.2	21.4	3.5%
Other financial assets	13.4	9.5	40.4%
Other non financial assets	8.8	11.9	-26.1%
Total long-term assets	94.3	107.5	-12.3%
Investments	0.3	0.3	0.0%
Property, plant and equipment	114.8	116.3	-1.3%
Intangible assets			
Goodwill	1,624.2	1,624.2	0.0%
Others intangible assets	729.6	781.1	-6.6%
Total noncurrent assets	2,563.3	2,629.4	-2.5%
TOTAL ASSETS	3,758.8	3,610.6	4.1%
LIABILITIES & SHAREHOLDERS EQUITY (R\$ MM)	1Q19	4Q18	% Change. 1Q19/4Q18
CURRENT LIABILITIES			
Debentures	627.7	615.7	1.9%
Taxes payable	41.2	30.7	34.3%
Technical Reserves	15.7	13.2	18.5%
Premiums to be transferred	245.6	202.9	21.1%
Financial transfers payable	15.1	20.0	-24.6%
Payroll and related taxes	47.3	43.8	8.0%
Transferable prepayments	41.3	46.4	-11.0%
Related parties	0.0	0.0	N.A.
Other payables	73.5	73.8	-0.4%
Leases	20.3	20.0	N.A.
Total current liabilities	1,127.6	1,066.5	5.7%
NONCURRENT LIABILITIES			
Income tax and social contribution	4.9	5.1	-4.4%
Deferred income tax and social contribution	65.6	71.0	-7.5%
Provision for risks	53.8	55.0	-2.3%
Other payables	12.6	16.2	-4.1%
Leases	42.8	40.0	N.A.
Total noncurrent liabilities	179.7	187.4	-4.1%
EQUITY			
Capital	1,809.1	1,809.1	0.0%
Capital reserves	1.2	1.1	6.3%
Earnings reserves	399.3	401.5	-0.5%
Asset valuation adjustment	96.9	0.0	N.A.
Asset valuation adjustment	145.0	145.0	0.0%
Total equity	2,451.6	2,356.7	4.0%
TOTAL LIABILITIES AND EQUITY	3,758.8	3,610.6	4.1%

Appendix III – Cash Flow Statement

STATEMENTS OF CASH FLOWS (R\$ MM)	1Q19	1Q18	Var. 1Q19 / 1Q18
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (losses) before income tax and social contribution	159.0	163.0	-2.5%
Adjustments	105.6	102.4	3.1%
Depreciation and Amortization	93.6	82.4	13.6%
Impairment	(0.0)	(0.7)	-93.6%
Result from fixed Assets and Intangibles	-	0.3	N.A.
Stock Option Program	0.1	0.3	-77.7%
Financial Expenses	13.2	14.6	-9.8%
Provision for Risks	(1.2)	5.5	-122.7%
Adjusted profit (loss)	264.6	265.4	-0.3%
Origin Cash provided by operating activities	67.8	67.1	1.0%
Cash provided by operating activities	332.4	332.5	0.0%
Income tax and social contribution paid	(45.5)	(33.7)	35.0%
Net cash provided by operating activities	286.8	298.7	-4.0%
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in intangible assets	(34.3)	(50.2)	-31.8%
Purchase of property, plant and equipment	(0.3)	(0.4)	-23.3%
Financial Investments	(121.8)	22.2	-649.3%
Net cash used in investing activities	(156.4)	(28.5)	449.2%
CASH FLOW FROM FINANCING ACTIVITIES			
Buyback - Treasury	-	(94.1)	-100.0%
Dividends paid to Qualicorp S.A. shareholders	-	(150.0)	-96.5%
Rental Expenses	(5.3)	(5.3)	0.0%
Capital Increase	-	11.1	N.A.
Cash provided by (used in) financing activities	(5.3)	(238.3)	-97.8%
INCREASE IN CASH AND CASH EQUIVALENTS, NET	125.1	31.9	291.8%
Cash and cash equivalents at beginning of period	137.4	146.7	-6.3%
Cash and cash equivalents at end of period	262.6	178.7	47.0%