



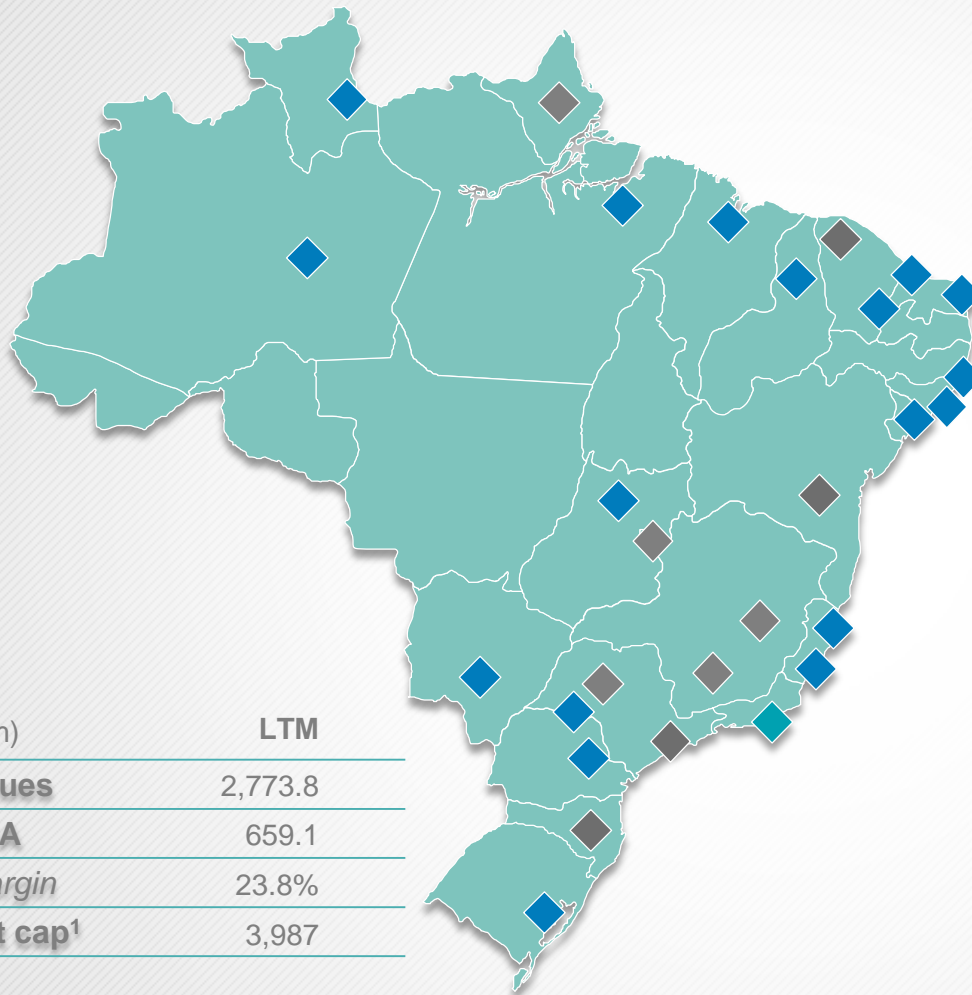
Estácio
45 anos

Estácio Participações

Corporate Presentation

September 2015

Estácio: National Coverage & One Single Brand



(R\$ mm)	LTM
Revenues	2,773.8
EBITDA	659.1
<i>% margin</i>	23.8%
Market cap¹	3,987

◆ University ◆ College ◆ University Center

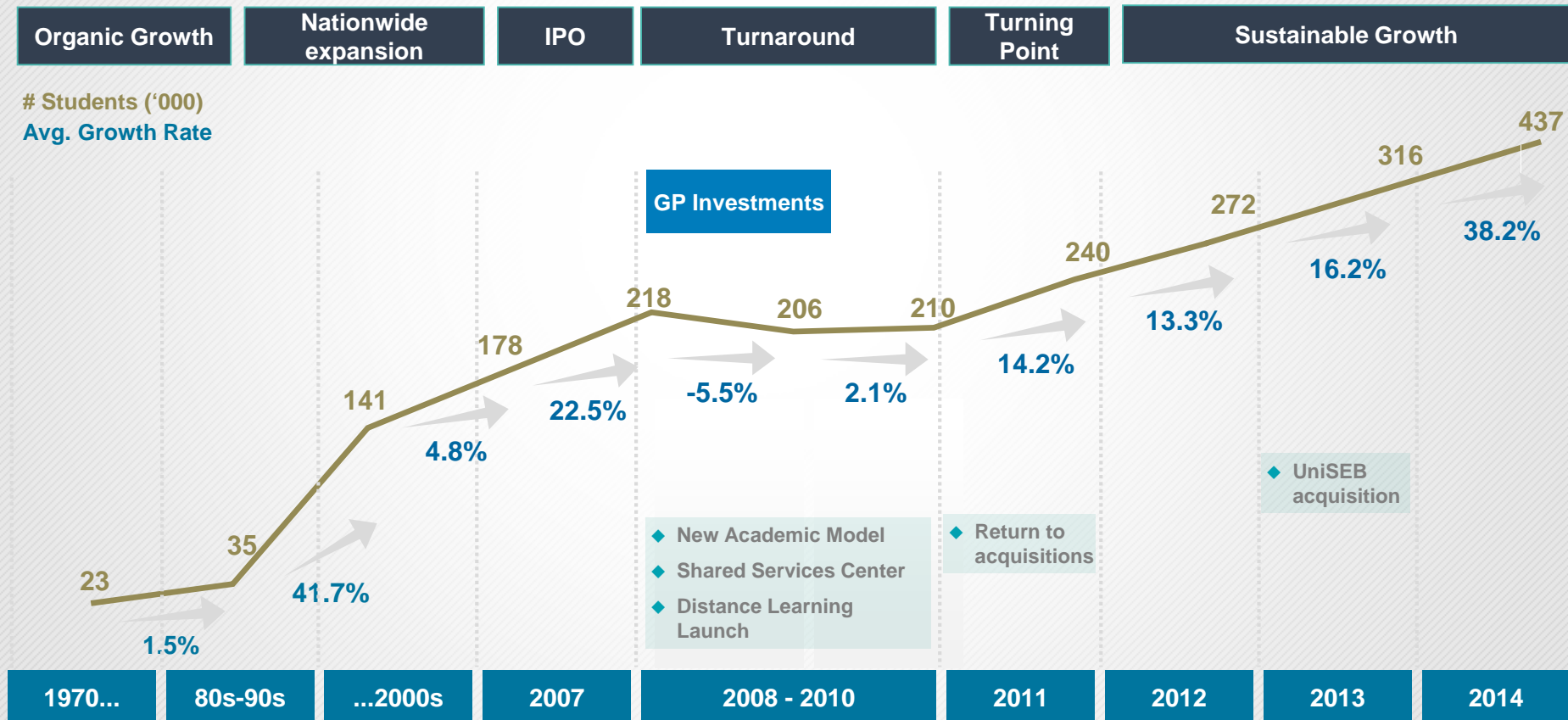
- 6 regionals
- 9,000+ professors and 5,000+ staff members
- Nationwide presence: on-campus and DL² centers
- 90 campuses in 45 major cities
- 170 active DL² centers
- 78 career programs
- Over 501,500 students
- 134,000 DL² students
- 62,000 graduate students

Since 1970 in the Higher Education Business



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45 anos

After an intense expansion that culminated in its IPO in 2007, Estácio took the time to “fix the house” between 2008-10...



The Turnaround: Creating a Brand New Company



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Turnaround



Culture & Management System



**COMPETITIVE
ADVANTAGES**

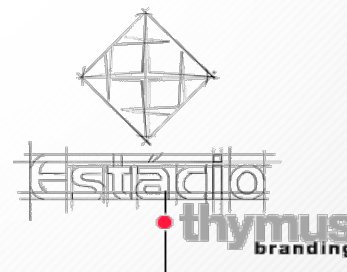
Innovation



Academic Model



Brand



Corporate University



Shared Services Center

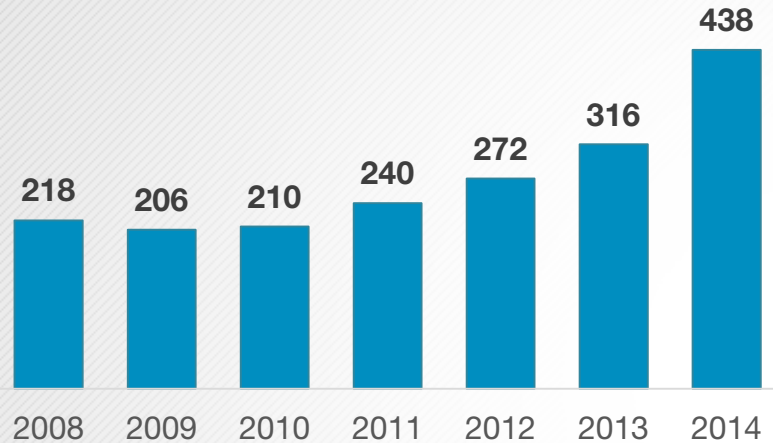


After the Turnaround: a Solid Track Record

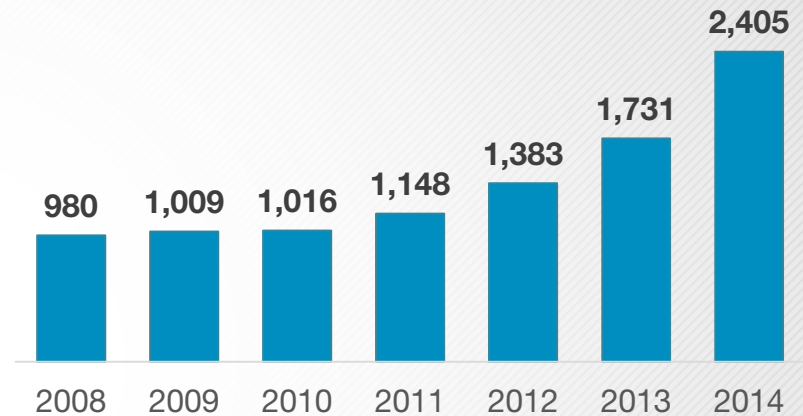


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45 anos

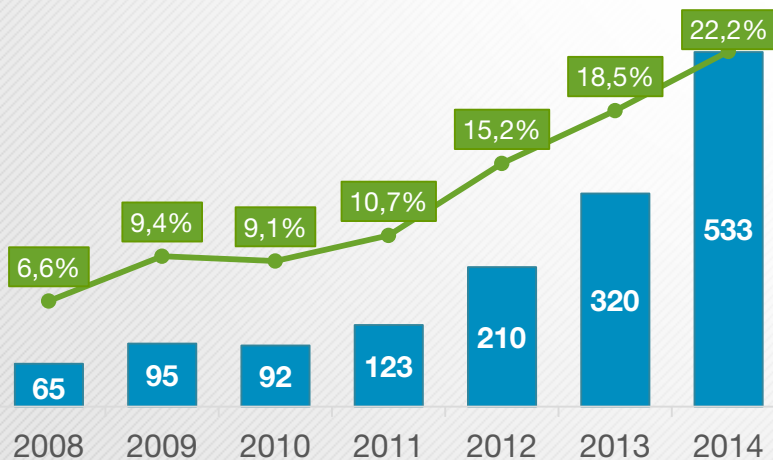
Higher Education Student Base ('000)



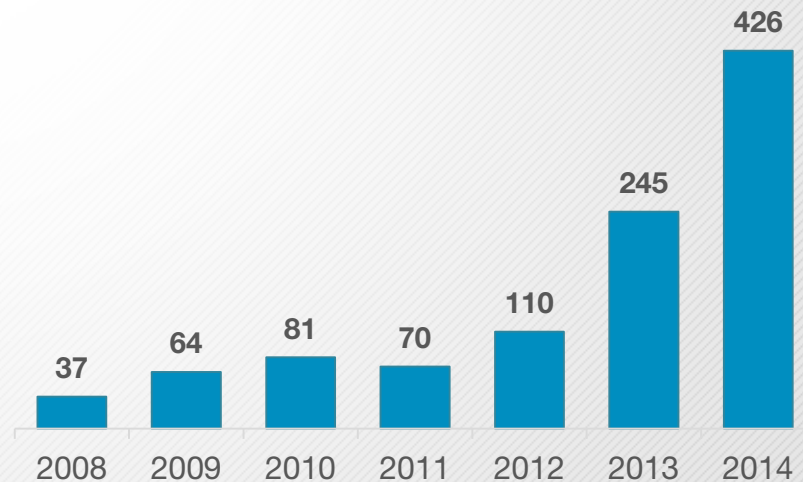
Net Revenue (R\$ mn)



EBITDA (R\$ mn)



Net Income (R\$ mn)

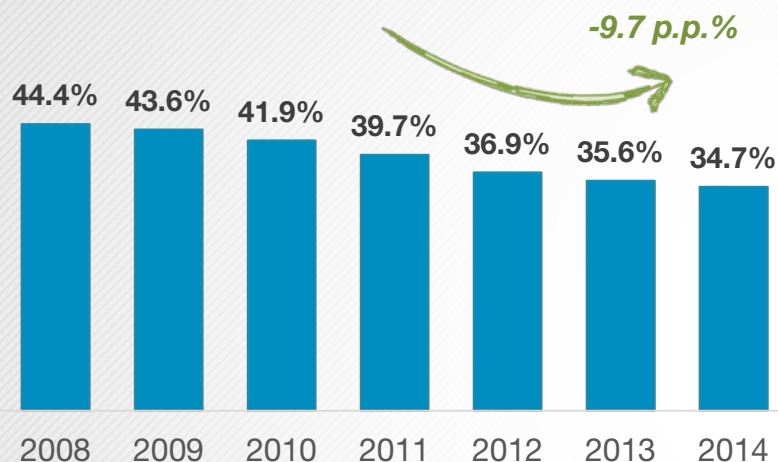


Delivering Top Line Growth and Efficiency Gains...

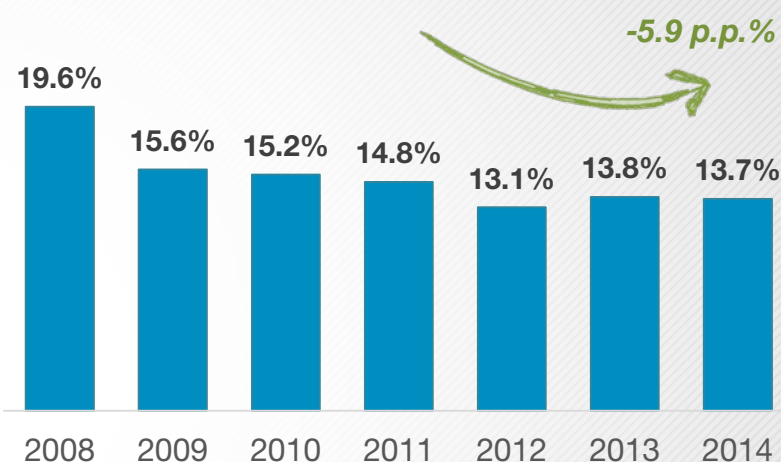


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45 anos

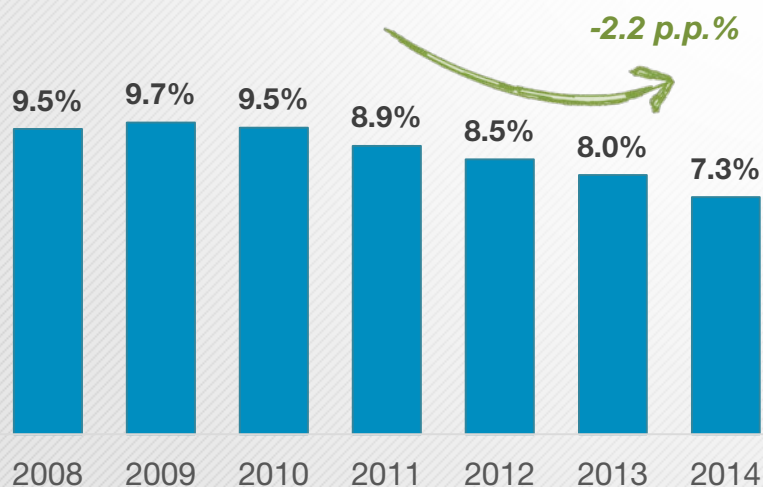
Personnel Costs/Net Revenue (%)



G&A/Net Revenue (%)



Rental Costs/Net Revenue (%)



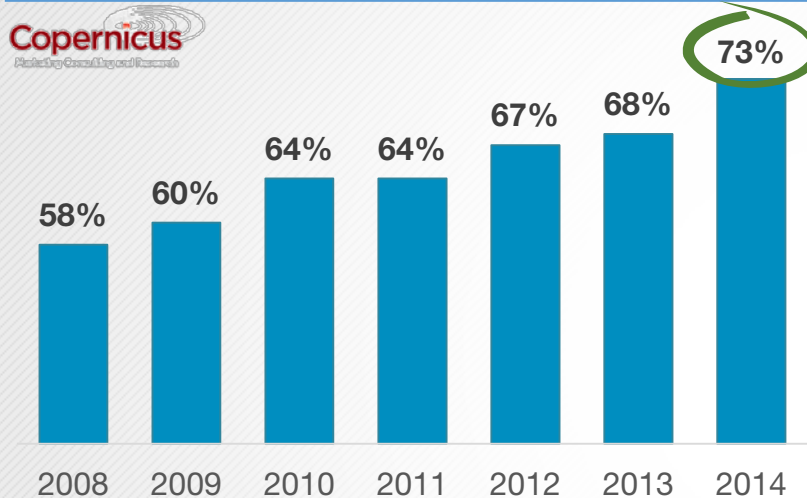
- ✓ Scale gains – better campus occupation
- ✓ Academic planning
- ✓ Matrix budgeting & internal benchmarking
- ✓ Zero-based budgeting
- ✓ Strategic sourcing

... but Taking Care of the Satisfaction...



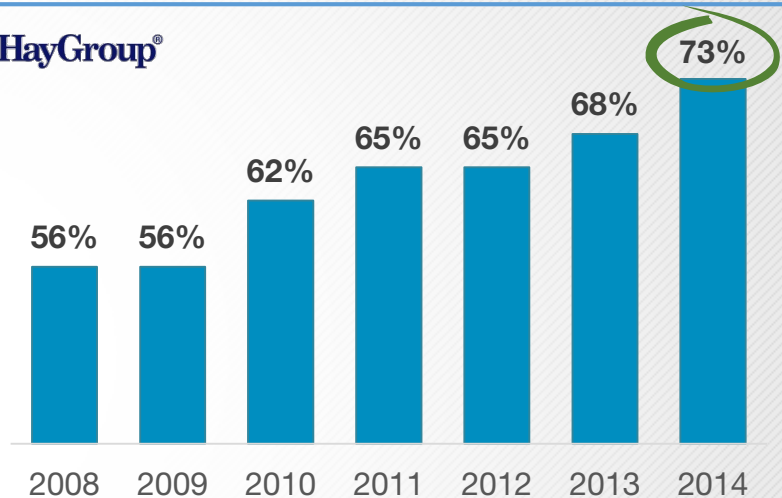
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PESA – Student Satisfaction Survey (On-Campus)

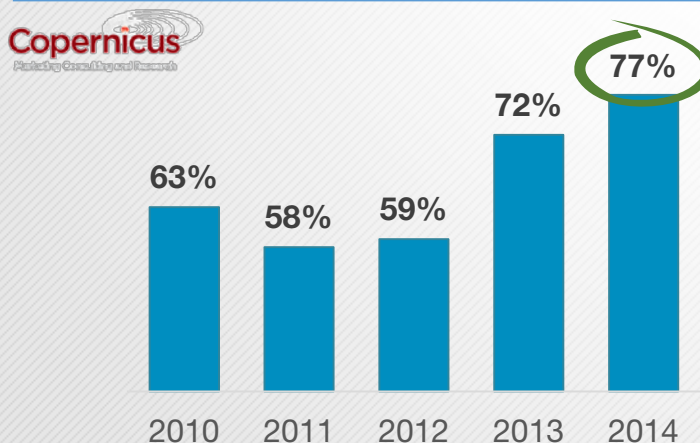


Employee Satisfaction

HayGroup®



PESA – Student Satisfaction Survey (DL)



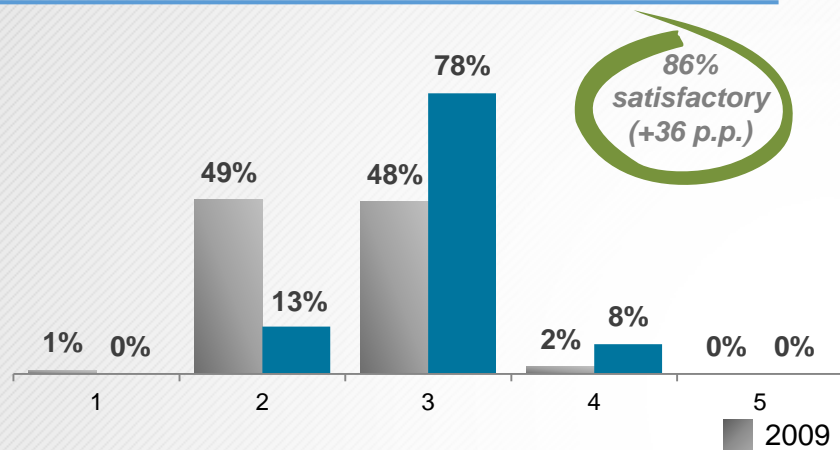
- ✓ Significant improvement in the satisfaction of our students, with the highlight going to the DL segment
- ✓ Substantial improvement in our organizational climate in 2014, + 5 p.p. – 10.8k survey participants

... While Improving Quality

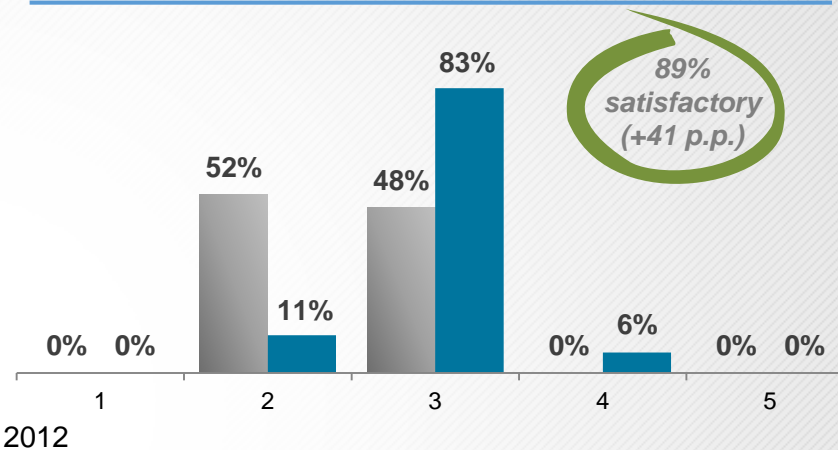


Estácio
45 anos

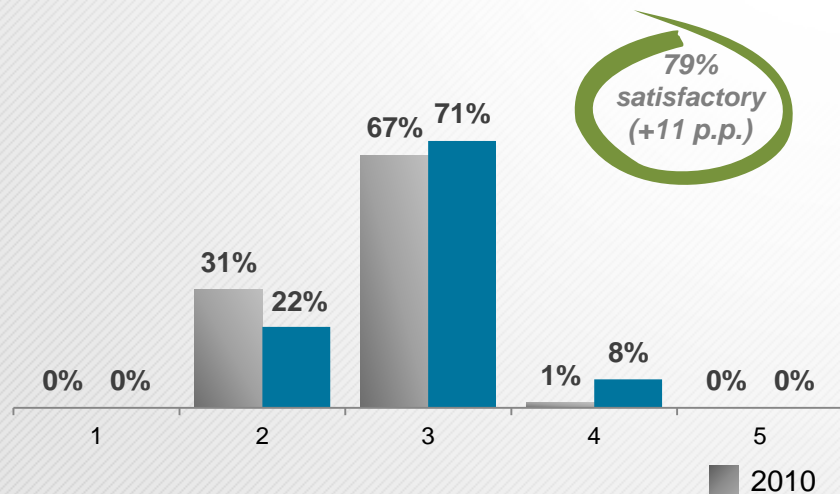
CPC – Preliminary Course Concept (2012 vs 2009)



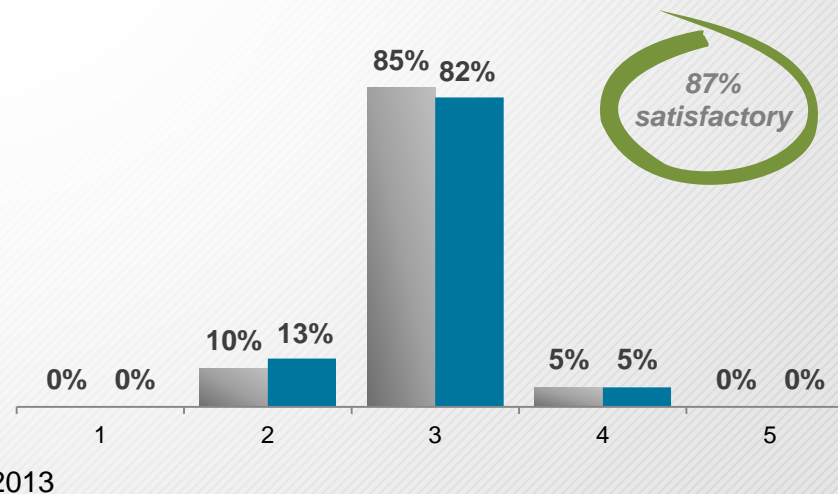
IGC – General Course Index (2012 vs 2009)



CPC – Preliminary Course Concept (2013 vs 2010)



IGC – General Course Index (2013 vs 2010)



Today Estácio is in a Very Different Stage...



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	2010	2014
# Campuses	69	85
# DL Centers	52	163
# Cities	35	115+
% of Rio de Janeiro Exposure	54%	39%
% of DL Share in the Student Base	12%	27%
Market Cap (R\$ mn)	2,215	7,457

... In a Sector with Strong Fundamentals

The positive fundamentals of the sector remain in place and Estácio is a well-run company ready to benefit from them.

Snapshot of the Brazilian Education Plan (2014 Law)

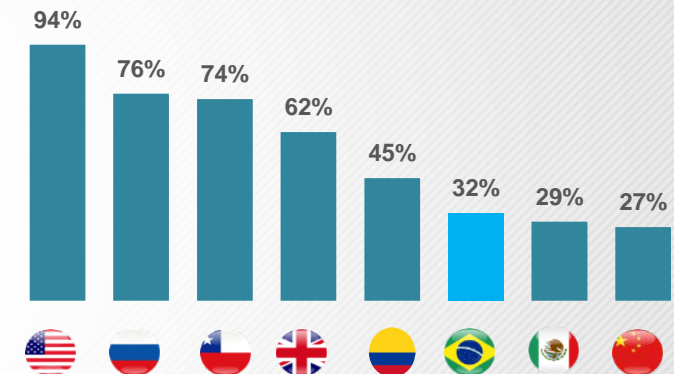
(18-24 years)	2013 Census	PNE Target
Net enrollment rate ¹	16.5%	33.0%
Gross enrollment rate ²	32.3%	50.0%
Total students enrolled in higher education	7.3 million	10.0 million

- ◆ It is not possible for the Government to reach its targets for Higher Education without the private sector
- ◆ It is not possible to reach the targets without FIES or other financing alternative

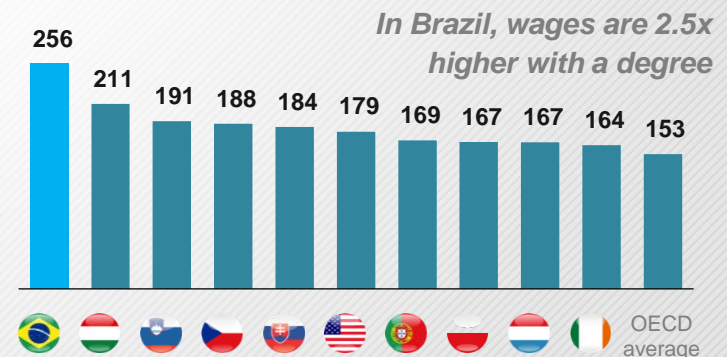
Fundamentals remain the same

- Demographic Bonus
- “C class” population increased and now believe they can have a higher education degree
- High returns after graduation

Higher Education Penetration²



Average Wage Increase with Undergrad. Degree



Notes:

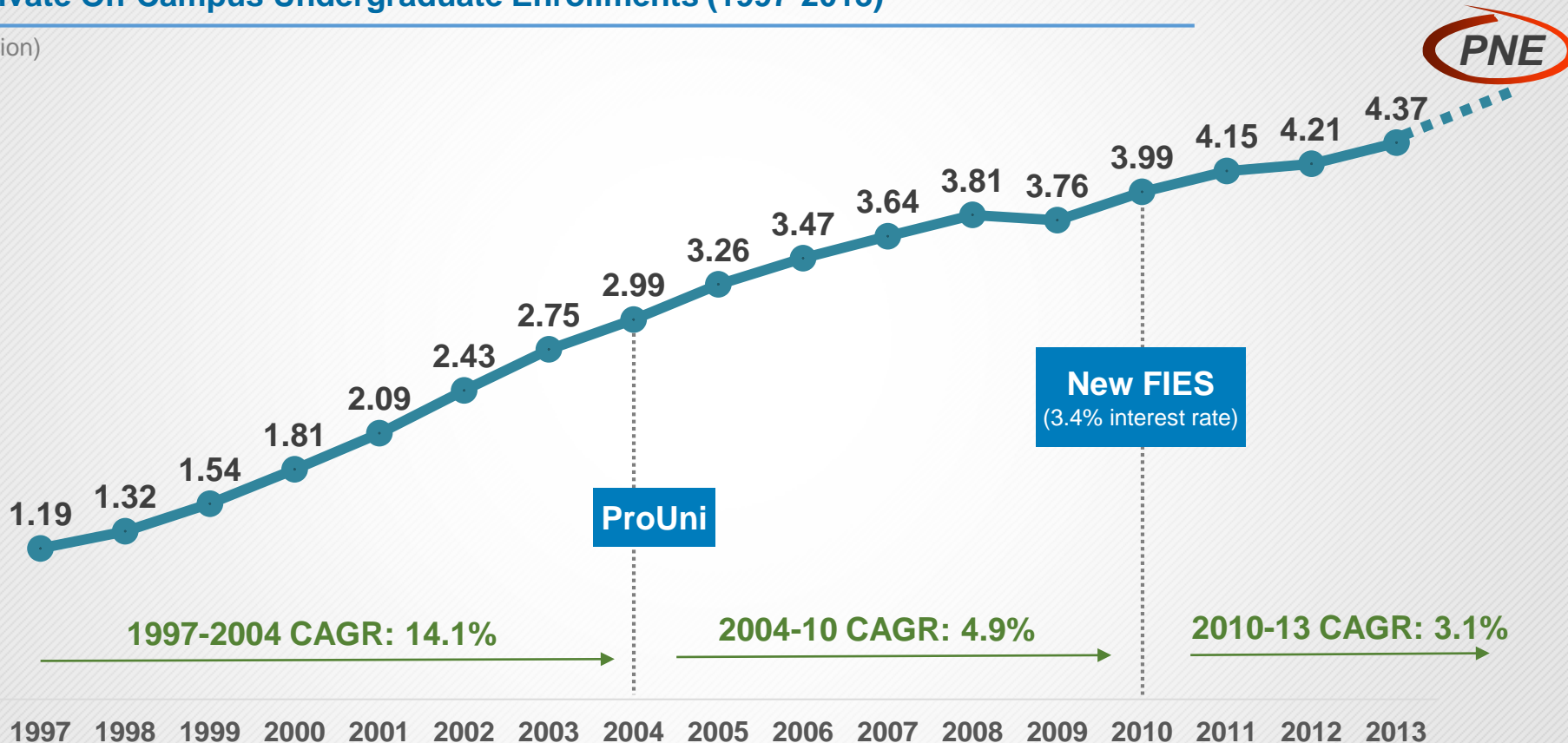
(1) Students from 18 to 24 years old in higher education / Total 18 to 24 years old population

(2) Students in postsecondary education / Total 18 to 24 years old population.

Private Sector is Key to Achieve Education Goals

Private On-Campus Undergraduate Enrollments (1997-2013)

(million)



Public policies are important, but they **did not change the sectors' average growth rate...**



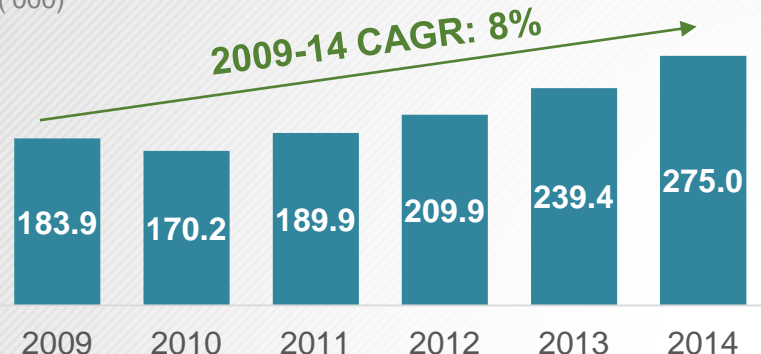
Estácio

45 anos

... And Well-Run Companies Grew Above Market

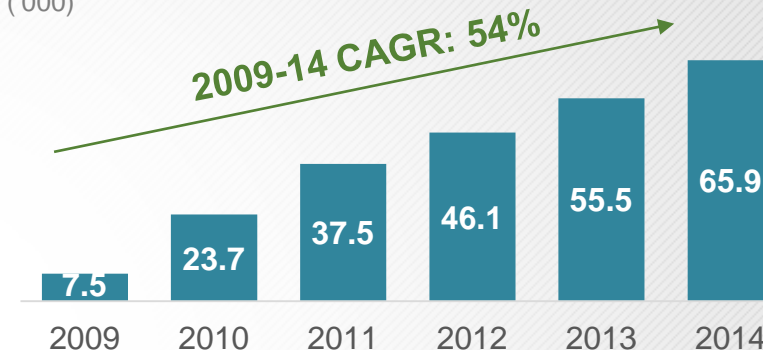
Estácio On-Campus Undergraduate¹ (2009-2014)

('000)



Estácio DL Undergraduate² (2009-2014)

('000)



Estácio On-Campus Undergraduate (2011-2014)

('000)



2011-13 INDUSTRY CAGR: 3%

Estácio, organized and well-run, with fundamentals in place, was able to grow above market average, gaining market share, with and without FIES

Note:

(1) Does not consider acquisitions in 2014.

(2) Does not consider UniSEB..

2015: Changes in the Scenario?



FIES



Political instability



Higher unemployment



Macroeconomic deterioration



Lower consumer confidence

“FIES 1.5”: Adjusting for Sustainability

	Before 2010	From 2010 to 1H15	2H15
Interest Rate	6.5% p.a.	3.4% p.a.	6.5% p.a.
Grace Period	6 months	18 months	18 months
Duration	2x course length	3x course length + 12 months	3x course length
Income Criteria	-	Up to 20 minimum wages per family	Up to 2.5 minimum wages per capita
Priority Regions	-	-	N/NE/MW (ex-DF)
Minimum Quality Metrics	CC >= 3	CC >= 3	CC >=3, but with priority for grades 4 and 5
Priority Courses	-	-	Health/Engineering/Teaching
Minimum Student Eligibility	-	ENEM	450 points in ENEM/ > 0 in ENEM essay
Average Ticket Discount	-	-	5%

Fiscal adjustment demanded a **lower volume of new contracts – 314k in 2015**

Conditions changing to make **FIES more sustainable in the future**

Cash flow constraint: PN#23 should be valid **only in 2015 (postponement of 4 monthly tuitions)**

FIES budget for 2016 at R\$18.8 billion: should allow for a level of new contracts similar to 2015 and the normalization of FIES tuition payments

Reinforcing Estácio's Positioning

*We never based our growth strategy on public policies.
Our **PRODUCT** was always our main attraction driver.*

2011 - 2014

- ◆ Not depending on FIES → especially when it comes to attract new students
- ◆ Focusing on **students with financial problems**
- ◆ Minimizing adverse selection
- ◆ Remaining **below the national average** of FIES penetration



2015 - Future

- ◆ Development of **financing alternatives**, together with financial institutions
- ◆ Gradually reducing the exposure to the program
- ◆ **Focusing** even more on our attributes and **differentials**
- ◆ Diversification (new businesses)
- ◆ Work with **industry players** to develop **FIES 2.0**

How is Estácio Dealing with this New Scenario?



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What are the challenges?



PAYMENT CAPACITY



COMPETITION



DEMAND

What are our tools?

MANAGEMENT



PRICING



**FINANCING
ALTERNATIVES**



Intake: Management Making the Difference



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Enrollment Central

- ◆ Solution: Talisma CampusNexus CRM by Campus Management
- ◆ **Vocational intake central** with **specialized consultants** reaching prospects
- ◆ Contact done within minutes after the prospect accesses our website
- ◆ Voucher strategy to **enroll in priority courses/campuses**, according to:
 - (1) History of class formation
 - (2) Tuition cost
 - (3) Current class profitability (students per class)
 - (4) Number of applicants
 - (5) Demand seasonality
- ◆ **Successful pilot project in the grad segment** allowed us to begin the **implementation for the undergrad segment in 2H15**



“Estácio’s Commitment”

- ◆ **New campaign** adopted in this **scenario of turmoil: fewer FIES seats** being offered & **higher unemployment**
- ◆ Change in strategy done in the middle of the 2H15 intake process – only **possible due to our single national brand**
- ◆ Focus is to **be close to our students/prospects**, offering **alternatives** so they can keep their **dream of studying**





Predicting “**Dropout Profile**”
(Academic, Financial, Qualitative)

Preventive: Coordinators must schedule meetings with the students mapped as potential dropouts

Preventive: Tutoring for the modules with higher reapproval rates

Preventive: detailed scripts for retention cells in our units

Corrective: Retention Manual (Enrollment Suspension Interview)

◆ **KPIs for each management level**

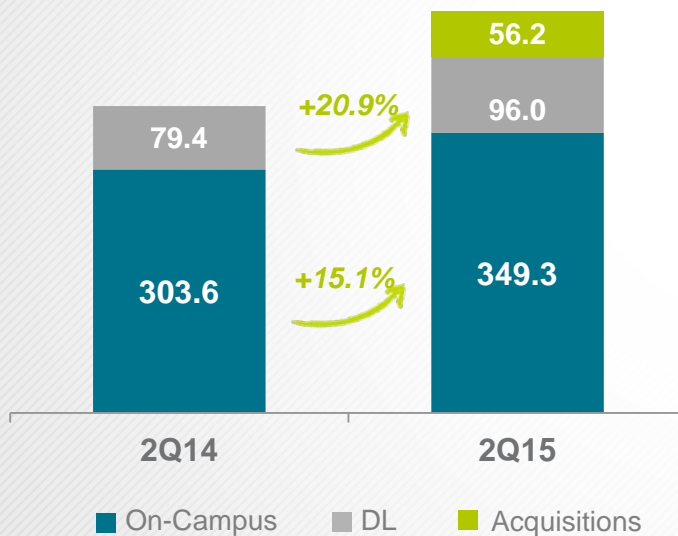
- Preventive: tracking the number of meetings schedules
- Corrective: reversal percentage in the interviews

◆ **‘Retention Cup’: competition among all campuses**



1H15 STUDENT BASE

(‘000)



2Q15 dropout rates under control

2H15 INTAKE & RENEWAL

Expectation
3Q15 vs. 3Q14

On-Campus
Undergraduate

+3 to +6%

Distance Learning
Undergraduate

+8 to +12%

3Q15 renewal rates at the same levels
recorded in 3Q14, both in on-campus
and distance learning segments

Pricing Strategy Defined by Location

Price and discount decisions are defined by course and location .

Price-elasticity studies conducted per location → maintaining margins and market share

- ◆ Public and demand analysis per location/neighborhood
- ◆ No price wars
- ◆ Offering of less expensive options (“EAD” and “EAD Mais”)
- ◆ Strategic discounts
- ◆ Payment alternatives



◆ PraValer

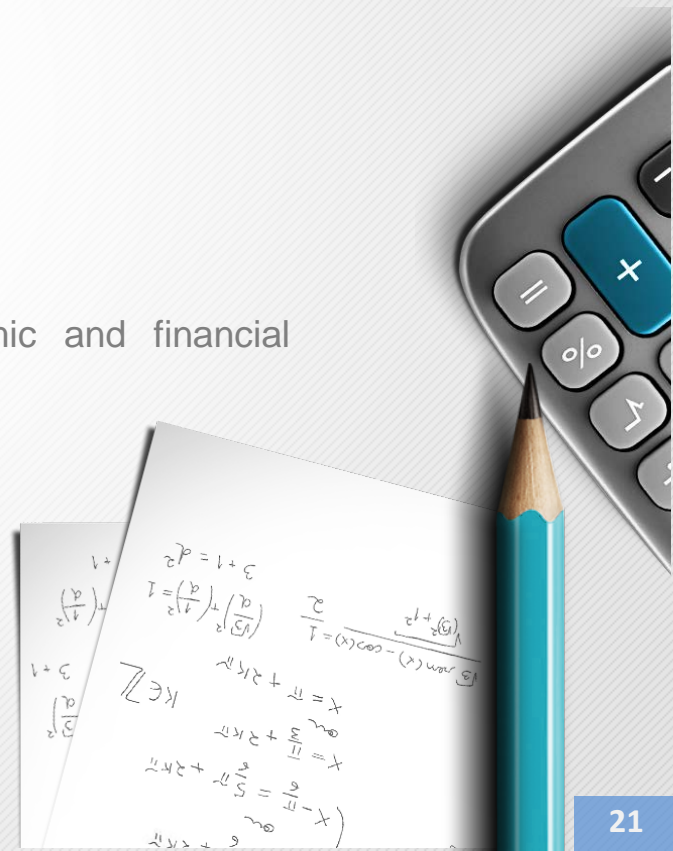
- ✓ Full payment to be done in twice the course duration
- ✓ Installments: 50% of the monthly tuition + IPCA, without interests for the student
- ✓ Estácio subsidizes the interest rate: 1.82% p.m.
- ✓ We receive the whole semester tuitions upfront
- ✓ PraValer assumes the default of contracted students
- ✓ Around 5,000 contracts signed (June)

◆ Payment in Installments

- ✓ Focus on credit cards (8x without interest, 12x with interest)
- ✓ Specific conditions for each type of student – academic and financial conditions analysis
- ✓ Special conditions for students who lost FIES

◆ Educational Insurance

◆ Other financing alternatives for 2016



- ◆ Average Ticket
- ◆ Delinquency

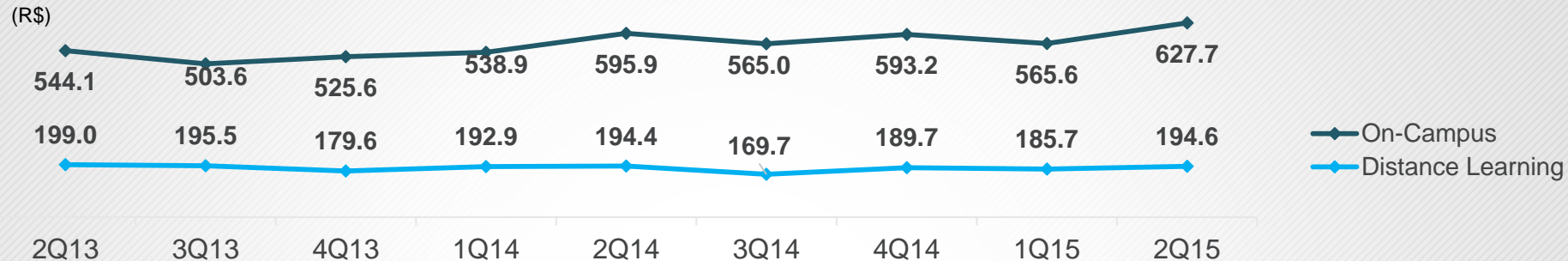


Average Ticket Should Grow...

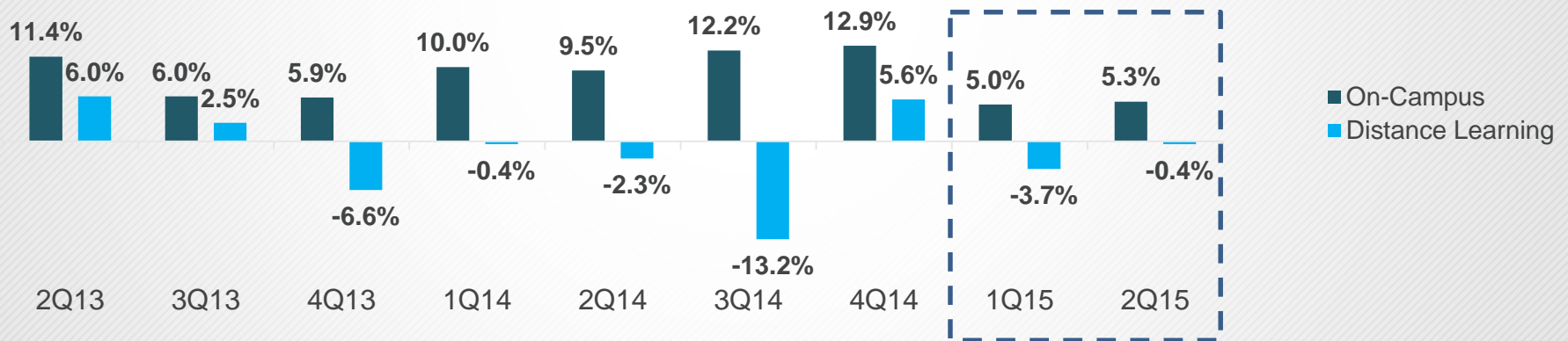


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NET AVERAGE TICKET



NET AVERAGE TICKET CHANGE (YoY)



...but probably at a softer pace

- ◆ New Scenario in 2015
 - Course mix effect
 - Higher price sensitivity

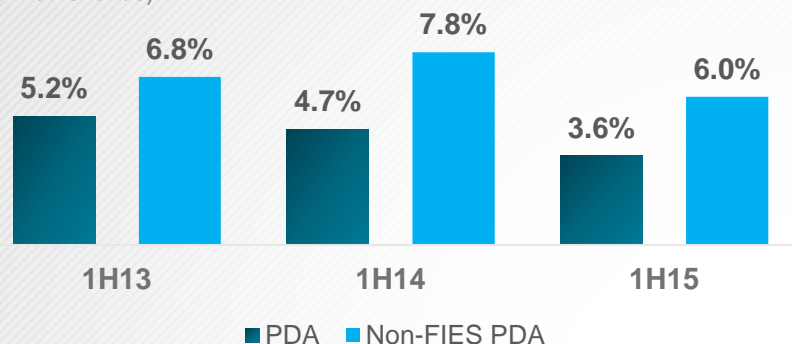
So Far, Delinquency is Under Control



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PROVISION FOR DOUBTFUL ACCOUNTS (PDA)

(% of net revenue)

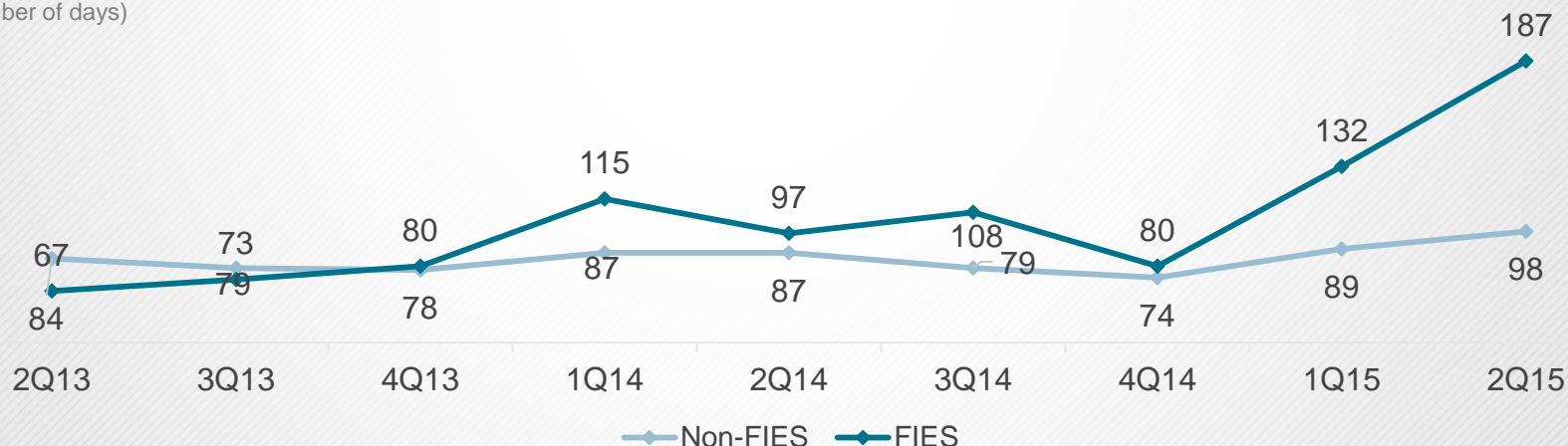


PDA under control even in a more challenging scenario in 1H15

- ◆ Non-FIES PDA: improvement in collection practices
- ◆ No receivable portfolio sale since 2014 → internal collection cells showing better results in collecting old receivables

AVERAGE DAYS RECEIVABLES

(Number of days)




- ◆ FIES days receivables increasing sharply, as expected after PN#23
- ◆ IN 2Q15, a 6-day increase was related to students who lost FIES in the end of 2014

New Scenario Generates Opportunities...

Consolidation opportunities as smaller players suffer with crisis...

- ◆ Cash flow constraints will affect the small players
 - ◆ Smaller companies have a weaker balance sheet and/or may over-rely on FIES
 - ◆ Multiple de-rating could create very interesting consolidation opportunities
 - ◆ Pipeline of targets remains active
 - ◆ Big/transformational acquisitions are not ruled out, especially in this scenario
-
- Strategy of acquiring small and mid-sized acquisitions remains in place
 - Paying more attention to more sizeable opportunities



In July, we announced the acquisition of FNC, located in Carapicuíba/SP, with 8,700 students and more than 16,000 seats, for R\$90 million



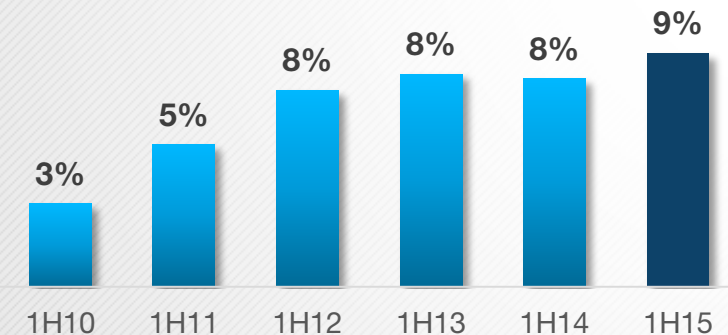
Distance Learning Gains Importance

More Distance Learning in our mix contributes to margin gains

Distance Learning Student Base Evolution ('000)



DL Share in Revenues (% of Total Net Revenue)



- Until 1H15, this increase was all organic
- Now with the integration of UniSEB, the distance learning share in our mix should increase faster

- ◆ DL is a **less expensive alternative** that can fit the **students' pockets** – more FIES favors demand for on-campus courses
- ◆ **Ramp-up of UniSEB'S operation** (increase in the number of students per center)
- ◆ **Capillarity increase** to distribute Estácio's scalable 100% online model
- ◆ Another **225 requests for new centers** being analyzed by the Ministry of Education (MEC)

Average center size

Estácio: around 1,600 students/center
UniSEB: around 300 students/centers

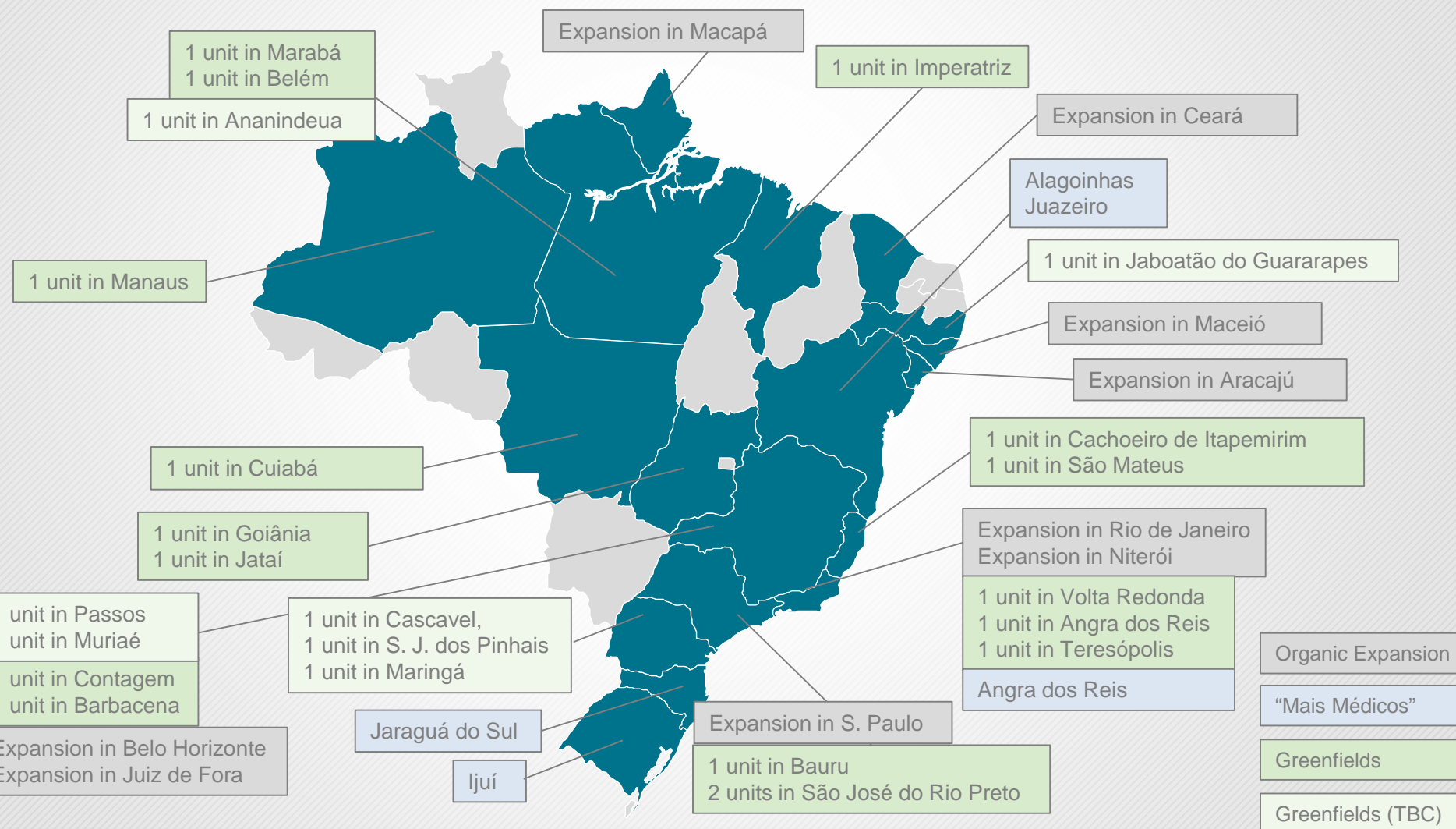
Scale gains opportunity

Organic Expansion Continues



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24 authorization requests for new greenfields, besides the launch of 5 new units where we have autonomy



Also, we should open 5 Medicine courses in new cities in 2016 ("Mais Médicos" program)

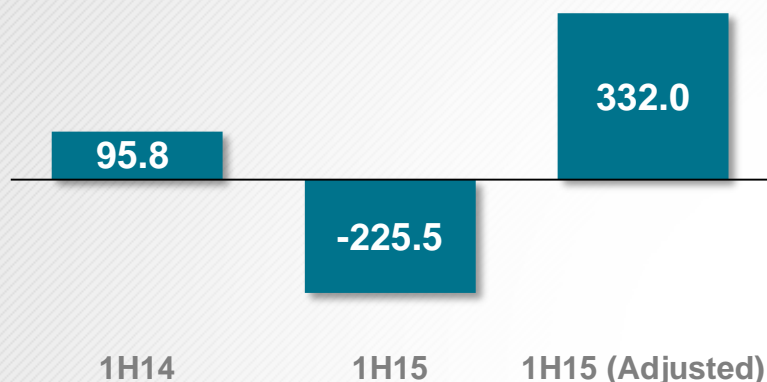
Cash Flow Suffered the Most in 2015



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Operational Cash Flow

(R\$ million)



- ◆ Cash flow in the period affected by the **new FIES payment schedule (PN#23)**

R\$ million	1H15
FIES Revenue	688.0
Certificates transfer (Jan/Feb/Mar)	130.5
Difference	557.5

- ◆ Cash generation improving in 2H15 with the transfer of certificates from April to June

New Debt

- ◆ **New funding** to keep the **Company capitalized** during this year of cash flow constraint

- ✓ **Oct. 2014:** R\$300 million bond issuance (CDI rate + 1.18% p.a.)
- ✓ **Mar. 2015:** R\$200 loan with Itaú (CDI rate + 0.12% p.a.)
- ✓ **Sep. 2015:** R\$187 million bond issuance (112% of the CDI rate)

Total: R\$687 million

...but PN#23 should be valid only for 2015, so cash generation in 2016 shall normalize

Estácio is Ready to Benefit from the Opportunities



Sector long-term fundamentals: Brazil's Higher Education market is highly underpenetrated



Target audience sees Education as an achievement and as a way to preserve their recent social/income gains



Internal surveys indicate that Education is a top priority for Brazilian average families during the crisis



Estácio is ready to continue growing even in a more challenging scenario after preparing itself for the last 7 years



Consolidation and new businesses lines are very present in our radar screen



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Investor Relations

www.estacioparticipacoes.com
ri@estacioparticipacoes.com
+55 21 3311 9789



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