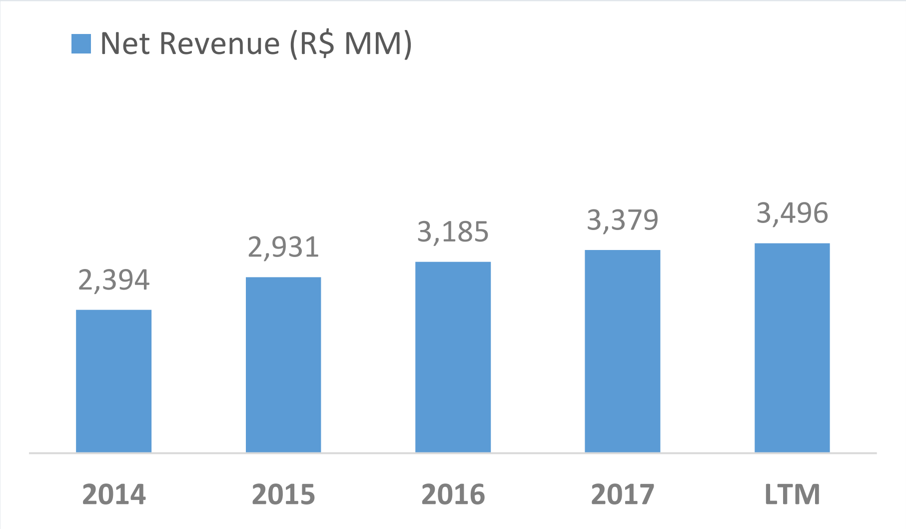
Corporate Presentation

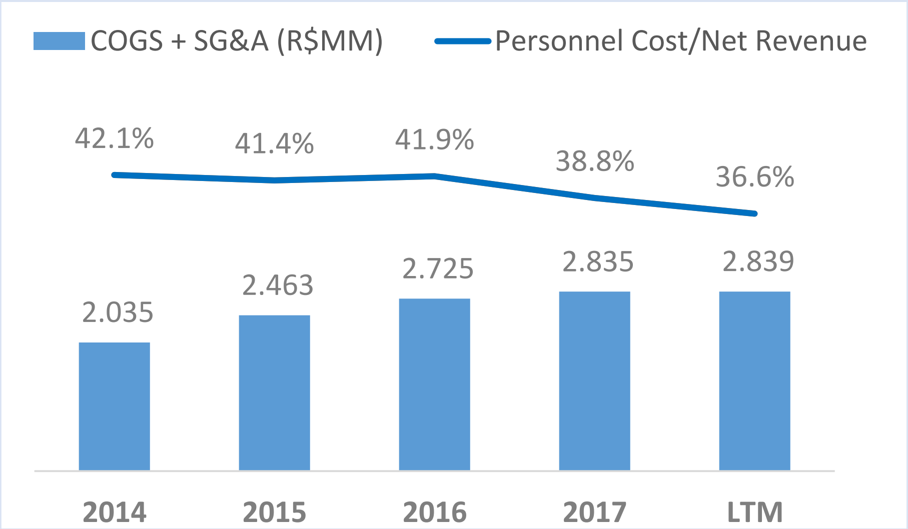
May, 2018

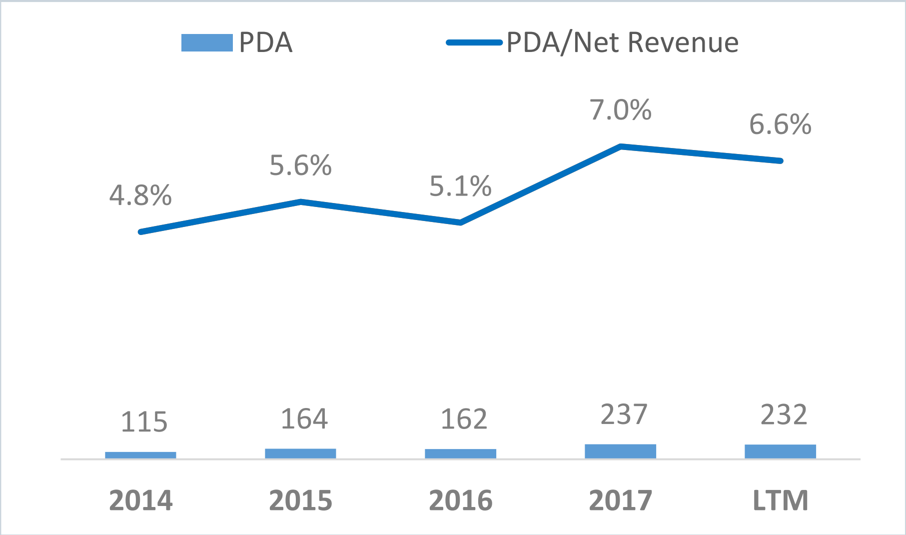
01
Financial highlights

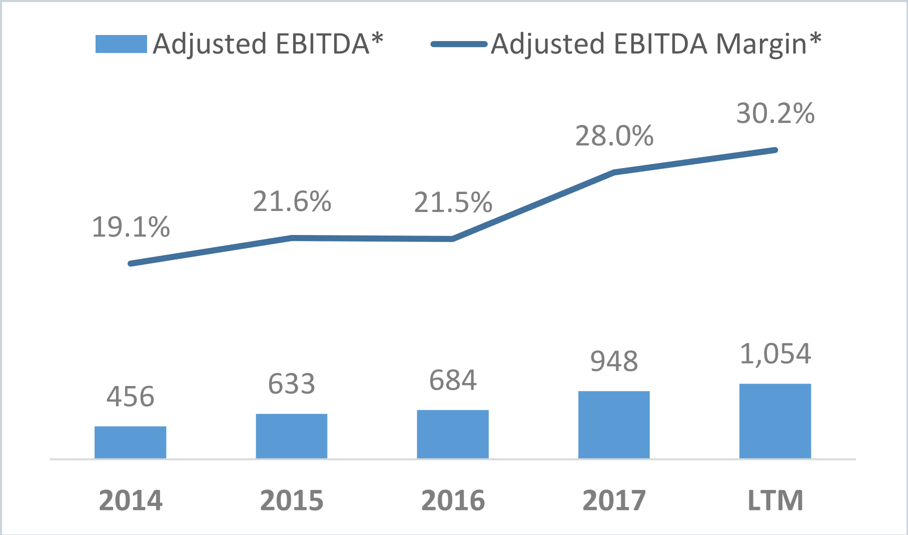
Key Financial Figures

Several efficiency levers identified and an action plan in place since 2017



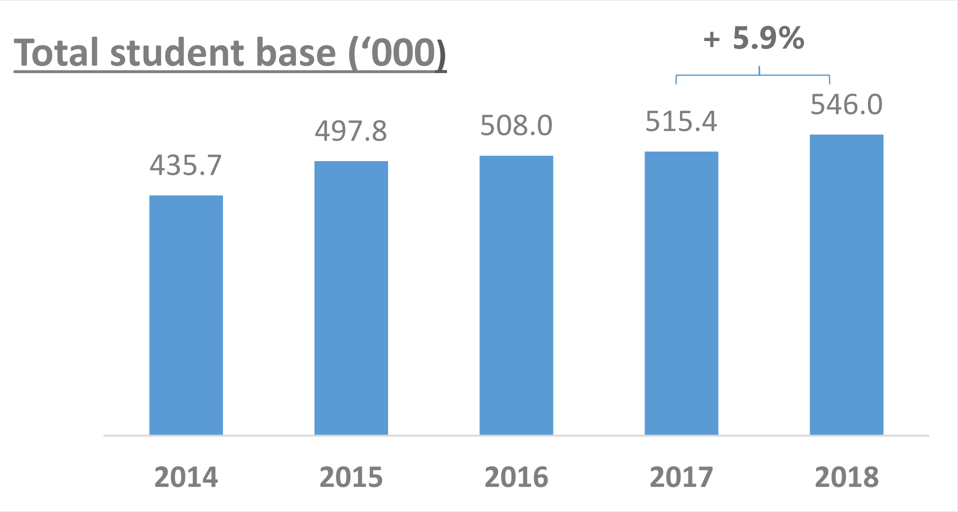


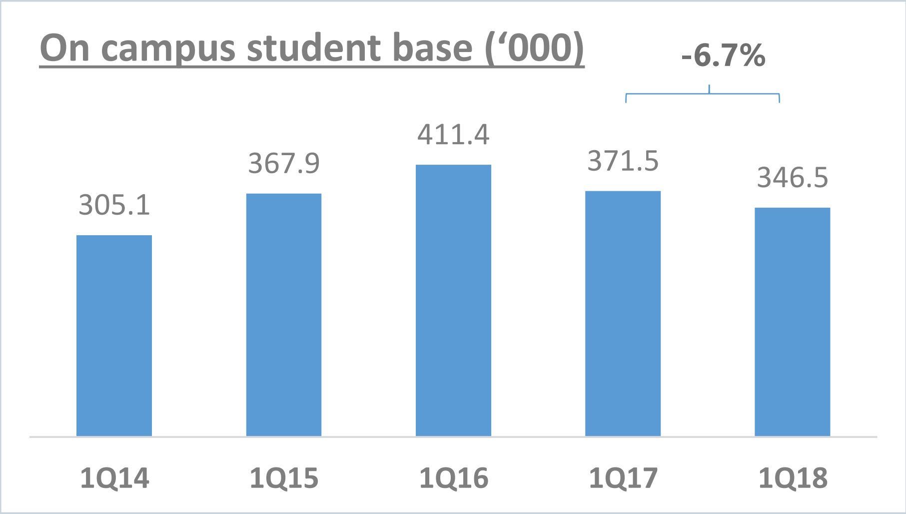


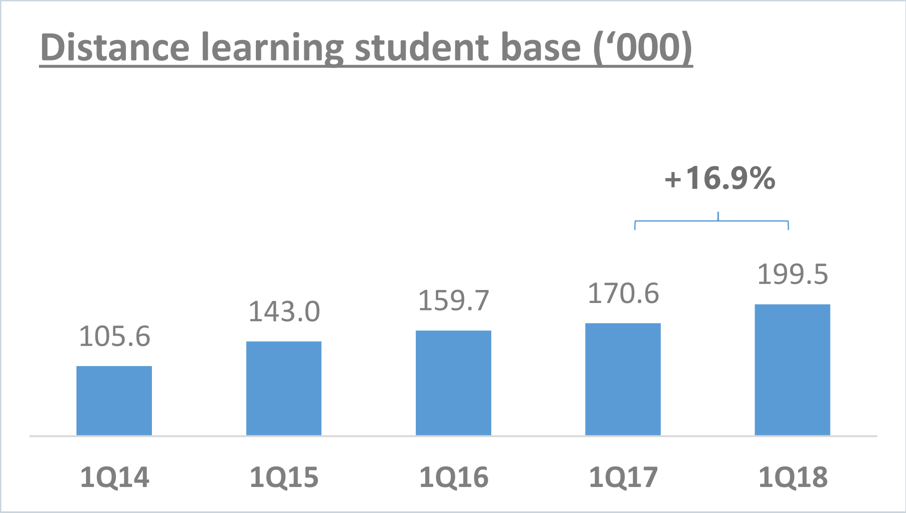


* According to the figures published in the earnings releases.

Key Financial Figures





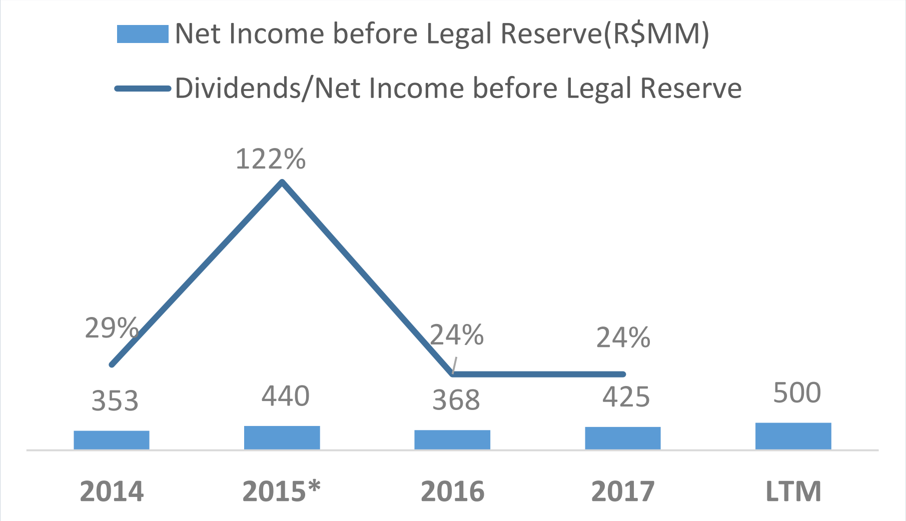


On Campus: *Reduction in the FIES student base (-24.8%)*

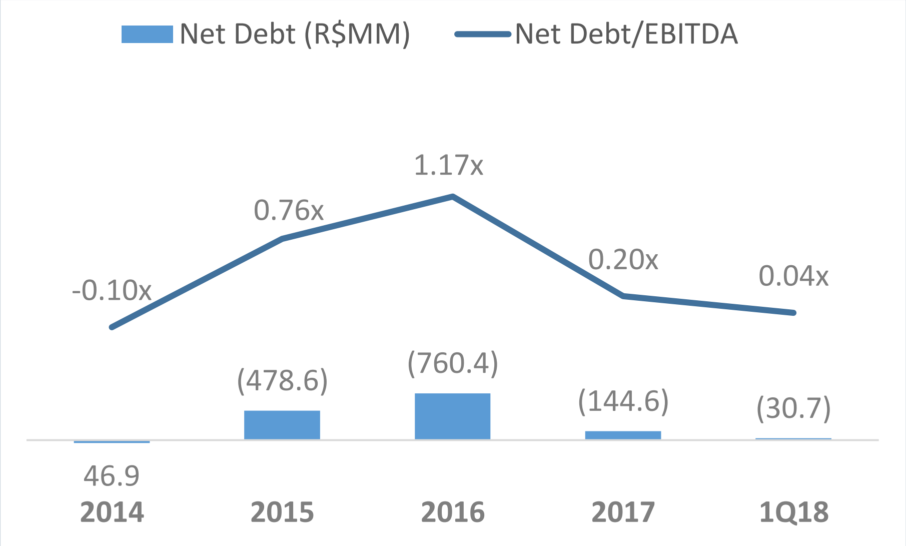
Distance Learning: *Significant increase in Flex student base (+54.1%)*

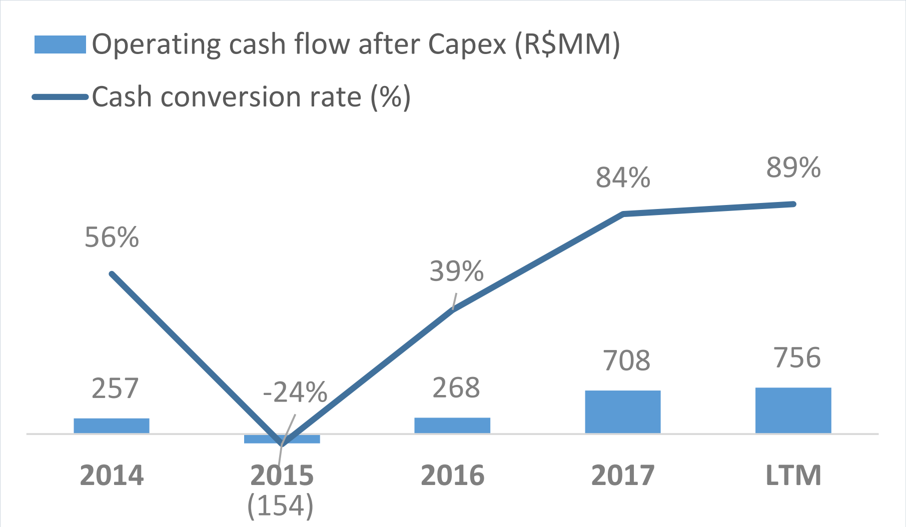
Key Financial Figures

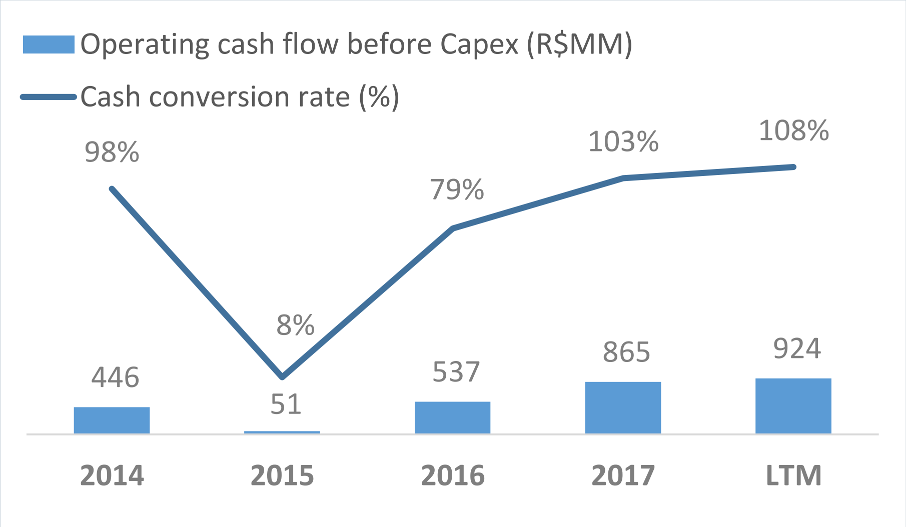
Company posted increased cash conversion



*** 2015:** *Extraordinary dividends (Deal with Kroton)*







02
Strategy

Initiatives to deliver efficiency gains and top line

Several efficiency levers identified and an action plan in place since 2017

+ 9.1 p.p. *Margin EBITDA efficiency gain from 26.2% in the 1Q17 to* **35.3%** *in the 1Q18*

ALREADY CAPTURED

Levers already fully implemented with 100% of gains captured

Efficiency levers:

1. Intake process restructuring
2. PAR launching (gauging process)
3. Increase in the students per class ratio

BEING CAPTURED

Levers in implementation and/or whose impacts have yet to be fully reflected

Efficiency levers:

4. Reduction of faculty staff and discipline sharing in the curricula
5. 13 campuses merged
6. 3 new medicine campuses and 2 new greenfield campuses
7. Distance learning centers and Margin EBITDA expansion
8. DIS launching

TO BE CAPTURED

Levers identified, but still in pilot testing or whose benefits have yet to be captured

Efficiency levers:

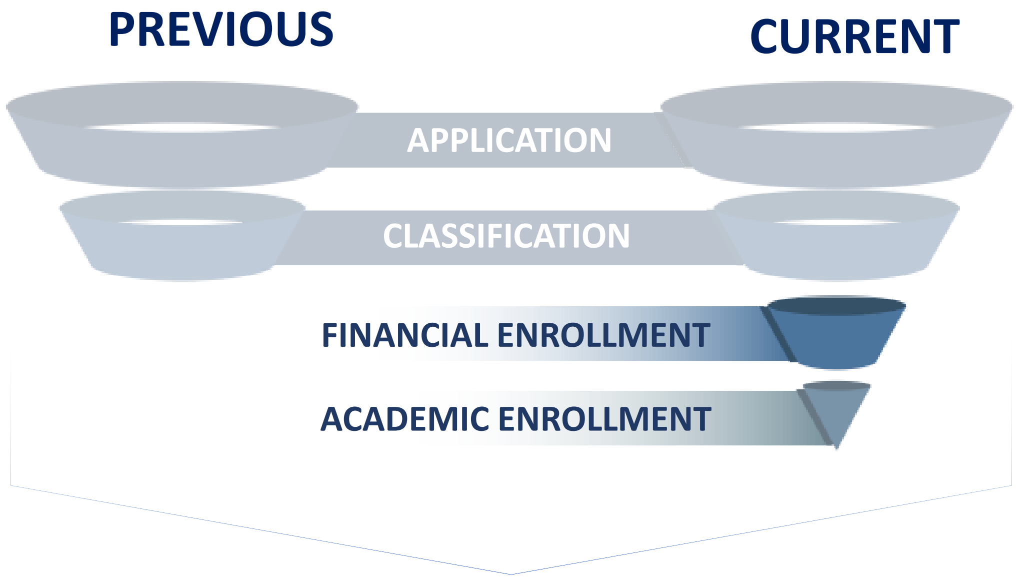
9. Strategic sourcing – Procurement
10. Pricing restructuring
11. Loyalty program
12. Credit and collecting improvement

● *Efficiency Gains*

○ *Top Line*

1 Intake process restructuring

INTAKE FUNNEL



Improved student/class ratio

Efficiency gain in FC/NOR

Healthy student base

Reduced pressure on PDA

Higher cash generation

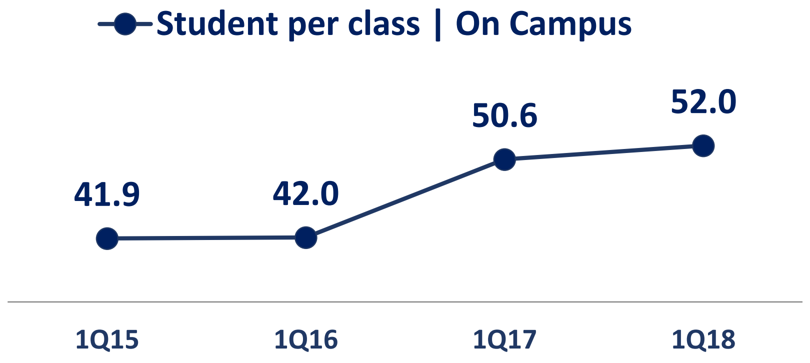
2 PAR

PAR Launching (gauging process)

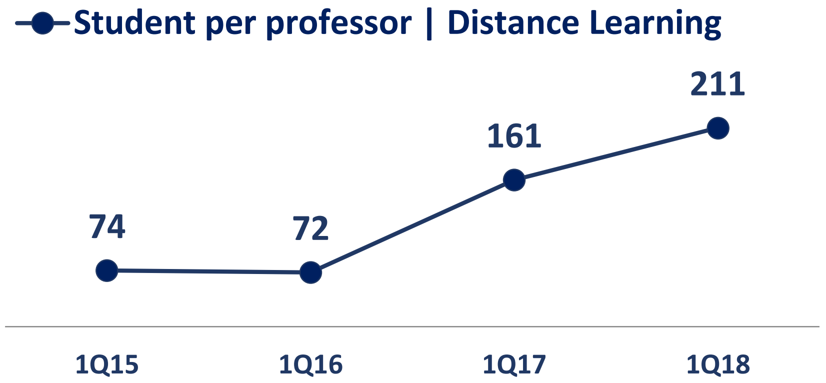
Estácio's installment payment program

- **Payment in installments** occurs gradually and with no interest rates. Students pay 30% of the tuition in the first two semesters; 40% in the third semester, 50% in the fourth semester and 60% as of the fifth semester;
- **The base line price for PAR is the full price, no scholarships are offered;**
- **No third-party involved;**
- **Flexible model:**
  - Possibility to change from PAR to scholarships (30% discount) at the end of each semester;
  - Non-cumulative payments – outstanding balance is charged only after the end of the minimum period required to complete the course;
- Offers aimed to specific regions and courses (**non-cannibalization**).

3 Increase in the students per class ratio



- Continuous improvement in the academic planning process;
- **Next Step:** Implementation of faculty work force management tool to maximize the number of students per class.



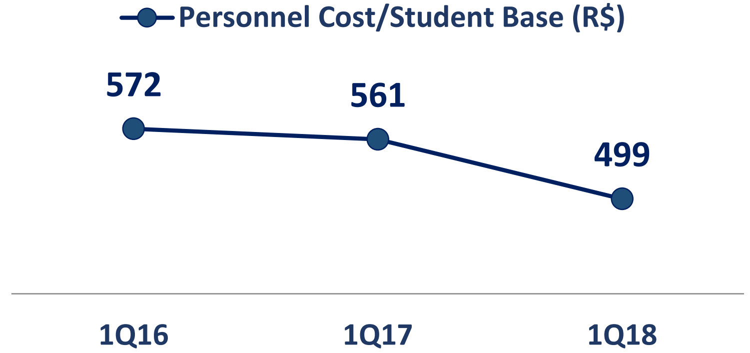
- Change in methodology and interaction tool between tutors and students;
- More students per class without jeopardizing the response time in the forums;

** Distance Learning 100% online students, excluding FLEX students.*

4 Reduction of faculty staff and discipline sharing in the curricula

Estácio

Definition and implementation of a new faculty career plan



Curriculum Matrix:

- Higher sharing of disciplines between the courses;
- Hybrid disciplines (on-campus with online) optimizing faculty allocation.

Course Mix :

- Revision of the course mix;
- Increased offer of equivalent subjects.

5 13 campuses merged

Results already captured with the 5 campuses merged in 2017 and 5 campuses merged in 1Q18:

% Renting, Facilities and Utilities / Net Revenue

2017	1Q18
2016: 20.7% 2017: 17.1% Gain of 3.6 p.p.	1Q17: 17.2% 1Q18: 12.7% Gain of 4.5 p.p.

The contribution margin of optimized units increased by nearly 8.5 p.p. in 2017 and 8.1 p.p. in 1Q18

Next Steps:

- Follow up the outcomes of optimizations;
- Consolidation of the master plan;
- Ensure the conclusion of the optimizations on time (more 3 campuses will be merged in 2018.2).

6 3 new medicine campuses 2 new greenfield campuses

Estácio

JARAGUÁ DO SUL / SC

50 annual seats

JUAZEIRO/ BA

55 annual seats

ALAGOINHAS / BA

65 annual seats

Labs:

- Skills and Simulation
- Simulated Surgical Techniques
- Anatomy
- Imaginology
- Microscopy

- 4 Classrooms (1st year) and 14 classrooms for the 2nd year;
- Auditorium with capacity for 200 people.

S.J RIO PRETO / SP

100 annual seats

Courses:

- Administration
- Architecture and Urbanism
- Accounting Sciences
- Civil Engineering
- Production Engineering

GOIANIA/ GO

200 annual seats

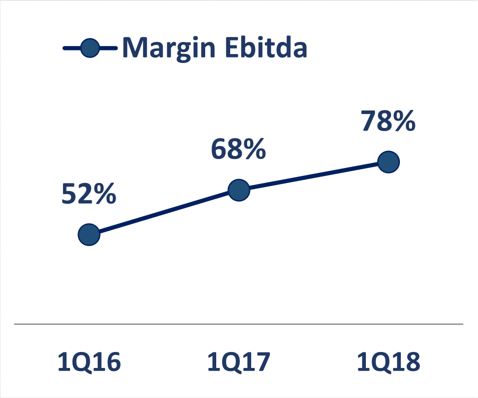
Courses:

- Administration
- Accounting Sciences
- Human Resource Management
- Financial management
- Logistics

Labs for both Greenfields:

- Computer
- Chemistry (S.J. Rio Preto)

7 Distance learning centers and Margin EBITDA expansion

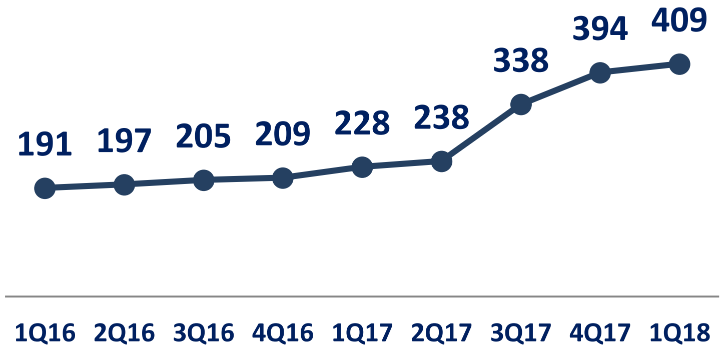


Three post-secondary institutions eligible for distance-learning accreditation

UNESA	150
University Centre SC	150
University Centre RP	50
Full expansion potential per year:	350

Highly scalable structure in place to support the centers

Increase in the number of centers



8 DIS launching

Estácio

It aims to increase ticket (revenue) during the intake, but have a limited in impact on cash in a short term. The diluted portion is spread over 46 months (in average) adjusted by inflation.

- Student pays full tuition (no discounts) for the months of the intake process;
- The installments are fully amortized during the course of the program (Duration 2 years vs. 4 years PAR);
- Majority of the on campus and distance learning courses were eligible for the campaign;
- A single monthly bill for the total amount (regular monthly tuition + deferred installment), the student cannot pay only tuition;
- Adjusted by inflation;
- 15% provisioning of the long term receivables adjusted to present value;
- Short term receivables follow the same rules for out-of-pocket provisioning (8% on due amount);
- No enrollment renewal, if the student is delinquent;
- In case of dropout, the student debt is anticipated and considered due and 100% provisioned, according to the contract;

The additional amount on the out of pocket monthly tuition is limited (5%-10%)

9 Strategic sourcing

Increase efficiency and reduce costs to deliver a sustainable and continuous performance improvement

OBJECTIVES

Supply management methodology that involves all areas of the company and analyzes in-depth the total acquisition costs of each categories:

- Real Estate;
- Marketing;
- IT;
- Telecom;
- Cleaning;
- Security;
- More 14 other categories.

Uses technical and commercial levers and works to capture gains in prices, volumes, product specifications and payment terms.

MAIN OUTPUTS

- Knowledge transfer in Strategic Sourcing;
- Contracts renegotiated;
- Specifications reviewed;
- Demand reduced;
- Productivity improved;
- Cost vs benefits optimized.

10 Pricing restructuring

OBJECTIVES

- Develop a pricing model based on the company's targets and relevant variables at unit / course level.

MAIN OUTPUTS

- Pricing tool: optimization of value creation considering internal and market issues;
- Price readjustment strategy and positioning in each location for margin improvement;
- Policy deployment tracking tool;
- Roadmap for systems improvement and consequent gain in efficiency in the pricing management process.

11 Loyalty program

OBJECTIVES

- Creation of a database of variables – data consolidation and cleaning for the main data sources;
- Creation Predictive Model of propensity the dropouts joining business vision and e modern prediction techniques (using machine learning);
- Improvement in the identification of propensity to dropouts and, therefore, increase of processes of prevention to dropouts;
- Introduction of decision making process – use of the dropouts context.

MAIN OUTPUTS

- Hypotheses and business model of initiative;
- Predictive Model;
- Dropouts diagnostic;
- Roadmap of implementation + "blue book";
- Quick-wins execution and PMO.

12 Credit and collecting improvement

Estácio

OBJECTIVES

- Development a Credit Score model for new students;
- Definition of student segments to apply different rules / collection actions;
- Review of collecting process:
    - Structure;
    - Segmentation;
    - Actions;
    - Implementation of Recovery System to active students;
    - Management of advisory services.

MAIN OUTPUTS

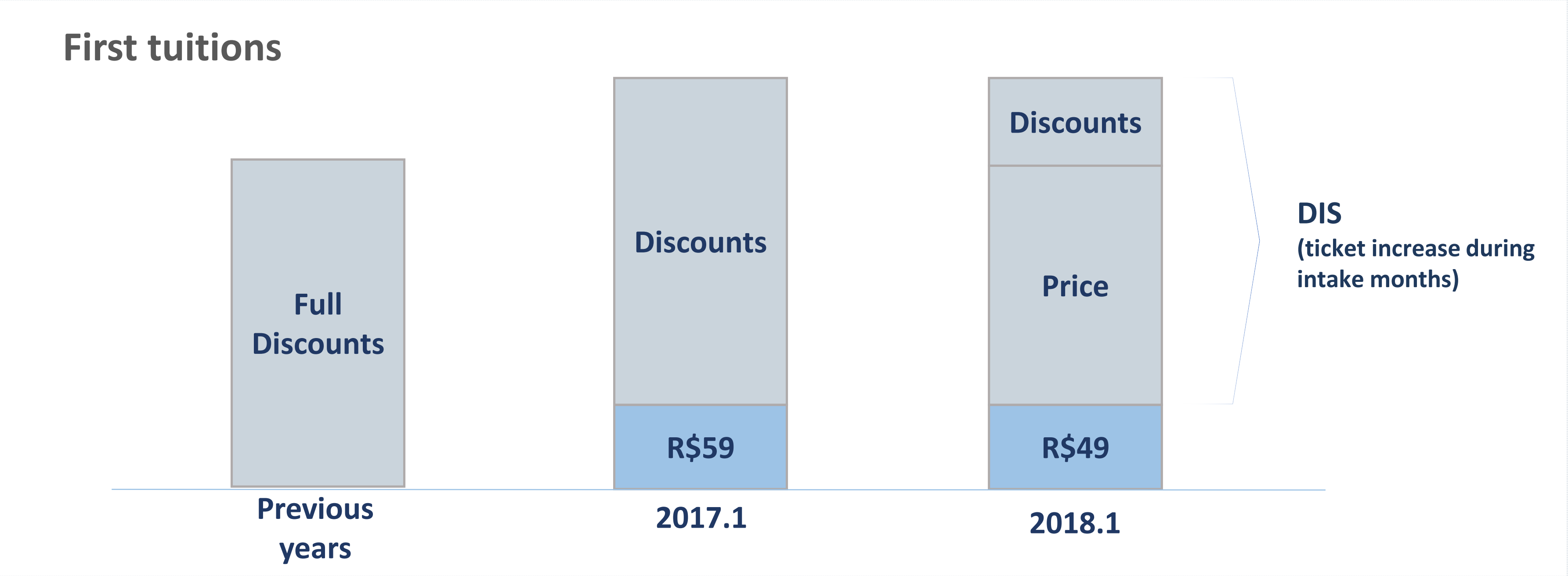
- Mapping of characteristics and profile of the product / public;
- Macro Understanding of Policies and Indicators (MIS);
- Collecting process more efficient;
- Advisors assisting in the collection of active students;
- Reduce dropout: maximize the lifetime value of the student;
- Improve collecting effectiveness;
- Review of Provision Model;
- Reduces PDA.

03

DIS Campaign

Ticket improvement mechanism

DIS improves the ticket price on the first tuitions



2017.1

- **First tuition at R$59**
- 92% of the intake
- Students pay regular price in the next months

2018.1

- **First tuition at R$49 + DIS (full price)**
- 74.5% of the intake
- DIS offered for all the tuitions related to the intake process

- We measured the reaction to the DIS offering through call center and sales force;
- No negative reaction from the students;
- Decision to launch this campaign in 2018.1 was taken during budget process, as a potential lever.

PDA rules

Until 12/31/2017 the general rule for PDA was credits over 180 days due. As of 01/01/2018 the new rule is based on IFRS9

Short Term installment

Out of pocket

- Starts at 8% provision of due receivables;
- 90% after 180 days.

Debt renegotiation

- Active students covered in the out of pocket students matrix;
- Inactive students (a higher level risk) starts at 12% provision of due receivables;
- 90% provision of the receivables due after 91 days and 100% provision of the receivables due after 180 days.

Long Term installment

DIS

- 15% provision of net present value of long term receivables, plus …

PAR

- 50% provision of net present value of long term receivables, plus…

- The short term installments (12M) follows the out of pocket rule
- Two rules can be applied for the long term installments once the student dropouts (w/outstanding debt):
- Renegotiated: 15%(DIS)/50% (PAR) over AVP + 12% over the debt, reaching 100% in 91 days;
- No renegotiated: 15%(DIS)/50% (PAR) over AVP + the remaining to reach 100%.

Write-off rule is applied after 365 days due

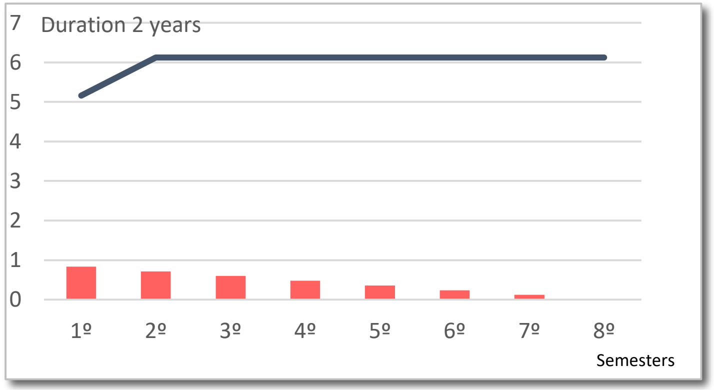
DIS is a lower risk alternative

Short term installment program

Long term installment program

“DIS”

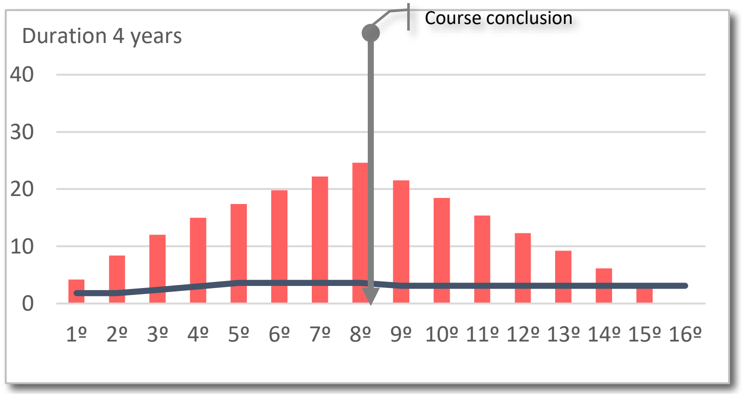
- 15% provisioning over the long term receivables, adjusted to present value (APV);
- Payment of the installments during the course in a single monthly bill.



DIS of the first monthly tuition   Accumulated debt

“PAR” (Estácio)

- 50% provisioning over the long term receivables, adjusted to present value (APV), due to the risk of default after the course completion.



Monthly tuitions in the semester

“PEP”/ “PMT” (Kroton)

- PDA “PEP” and “PMT”: 50% provisioning over the long term receivables (APV) due to the risk of default after the course completion;
- “PEP” - Payment of up to 70% upon completion of the course;
- “PMT” – Deferring up to 4 monthly tuitions, to be paid after graduation, of the monthly tuitions for the period that the new students had not yet enrolled.

Sensitivity analysis

The NPV for a “DIS student” is better than for the “R$59 student”

DIS Campaign

R$	1	2	3	4	5	6	...	43	44	45	46	47	48
Cash	49	49	741	741	741	741		741	741	741	741	741	741
Net Revenue	831	836	670	675	674	674		665	665	665	665	665	665
Net Revenue - PDA	723	727	613	623	622	622		612	612	612	612	612	612

R$59 Campaign

R$	1	2	3	4	5	6	...	43	44	45	46	47	48
Cash	59	59	700	700	700	700		700	700	700	700	700	700
Net Revenue	56	56	665	665	665	665		665	665	665	665	665	665
Net Revenue - PDA	56	56	609	609	609	609		609	609	609	609	609	609

Delta

R$	1	2	3	4	5	6	...	43	44	45	46	47	48
Cash	(10)	(10)	41	41	41	41		41	41	41	41	41	41
Net Revenue	775	780	5	10	9	9		0	0	0	0	0	0
Net Revenue - PDA	667	671	4	14	13	13		3	3	3	3	3	3

DIS Campaign
NPV 12M = R$6,521
NPV 48M = R$22,940

R$59 Campaign
NPV 12M = R$5,745
NPV 48M = R$21,913

12 Months Sensitivity Delta NPV

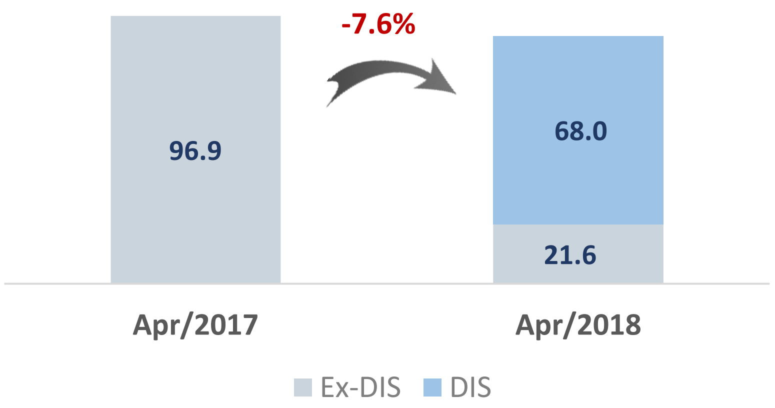
PDA	Discount rate: 10%	12.7%	15%
30%	800	714	643
15%	861	776	705
10%	882	797	725

DIS has a value added of 5% (EBITDA NPV DIS Campaign vs. R$59 Campaign)

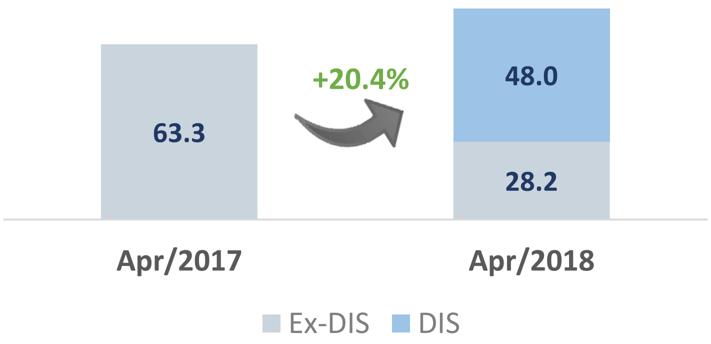
Breakdown of DIS

Our intake growth came from distance learning

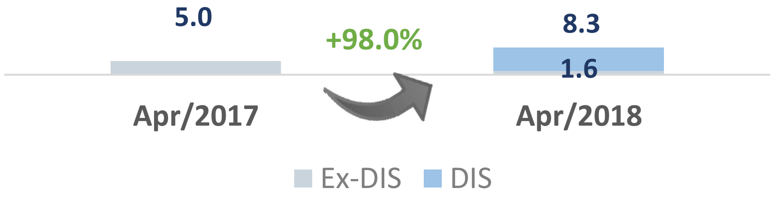
On campus intake



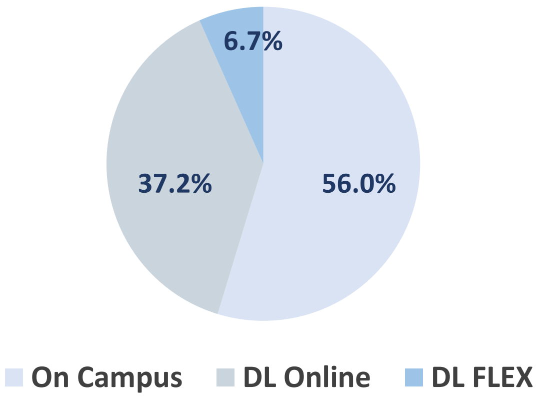
Distance learning intake - Online



Distance learning intake - Flex



DIS



* Information until the 18th of April, 2018.

P&L of DIS 1Q18

DIS impacted EBITDA in R$113 million

DIS effect in the P&L

R$MM	1Q18
Gross revenues [(1)]	**146.6**
Taxes	(7.3)
Adjustment to present value (APV) [(2)]	(11.5)
Net revenues	**127.7**
PDA [(3)]	(14.6)
EBITDA	**113.1**

[(1)] Revenues related to the deferred amount of the tuitions.
[(2)] Adjusted by IPCA rate and adjust to present value at NTNB-2024 rate.
[(3)] Calculated over the long term receivables amount.

PDA Calculation

R$MM	1Q18
Gross revenues	146.6
Long term receivables (>12m) [(1)]	108.8
Long term receivables (NPV)	97.3
PDA [(2)]	**14.6**

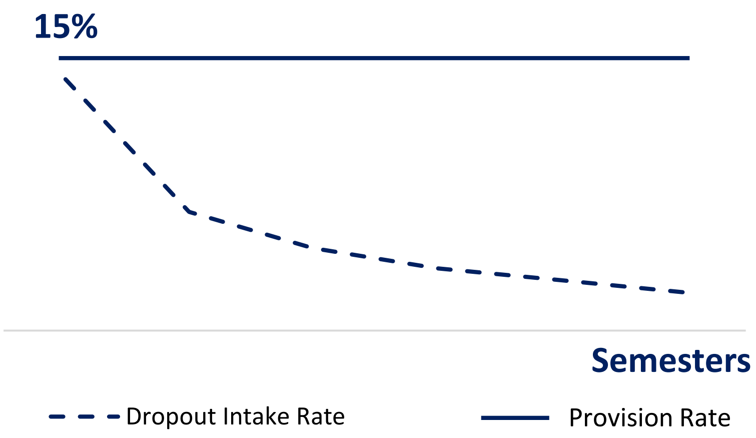
[(1)] Long term receivables = Approximately ¾ of gross revenues.
[(2)] PDA = 15% of long term receivables (NPV).

[*] Information not reviewed by the Auditors.

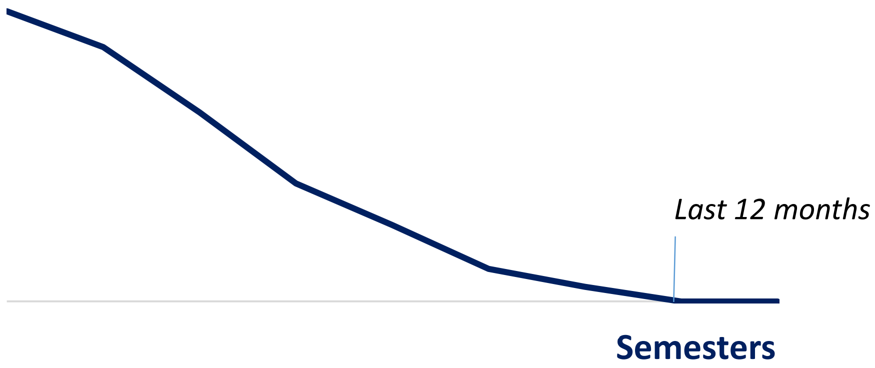
Is it a fair PDA provision?

- Assumption based on historical data: dropout rate for the 1ºS x the probability to default =15%;
- DIS provisions represents double of out of pocket rule (8%);
- In case of dropout, the student debt is anticipated and considered due and 100% provisioned, according to the contract.

Provision Rate x Dropout curve along the student lifetime



Present Value of DIS Receivables



- Risk exposure for DIS is limited to 6 months – No renewal of the enrollment without payment;
- Risks to this PDA premises are related to interest rate and/or dropout rate.

Research Reports

DIS Campaign

Morgan Stanley

Solving DIS doubts. Estacio's CEO/CFO hosted a meeting yesterday and did a good job clarifying doubts, explaining the logic behind the product and the impact on financials. In our view DIS is a great initiative, an imaginative way to surf a complex market, avoiding discounts. We will have to wait to find out where PDA settles down, but what matters is that in any rational drop-out scenario it will be positive for margins and accretive in NPV/student.

Safra

BOTTOM LINE: ESTC held yesterday a meeting with sell-side analysts to clarify DIS and other issues. In all, we left more positive on both DIS (which we view as an accretive, reasonable initiative to reduce discounts while still being a attractive marketing tool, and that did not cannibalize good payers) and potential for margin expansion given other opportunities relative to procurement (which hit margin in ~0.8 pp in 1Q18 with consulting services, while gains are yet to be sized), contingencies (2.7% of revenue in 1Q18, far above peers') and better macro. We thus reinforce our OP on very appealing valuation and positive momentum.

J.P.Morgan

Understanding DIS: a good tool to reduce intake discounts.

With DIS, Estácio offers a loan for a new student's first months of tuition, instead of providing a discount as in the previous practice. Thus, it is not a program to boost intakes, but rather to better monetize the student. We do not expect DIS to deteriorate the quality of the student base, and see it adding value to Estácio. However, we are more conservative than the company on provisioning levels, assuming 25% loss instead of the 15% adopted by the company.

Glossary

- **APV:** Adjusted present value;
- **DIS Campaign:** "Diluição Solidária" Solidarity Dilution – campaign allowing students to pay R$49 in the first months of the intake process and dilute the difference to the full price in installments;
- **EBITDA:** Earnings before taxes depreciation and amortization EBITDA is one indicator of a company's financial performance and is used as a proxy for the earning potential of a business, although doing so can have drawbacks. EBITDA strips out the cost of debt capital and its tax effects by adding back interest and taxes to earnings;
- **Flex:** Distance learning product with more content in the on-campus modality;
- **IPCA:** Consumer price index;
- **NPV:** Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting to analyze the profitability of a projected investment or project;
- **PAR:** Estacio's installment payment program;
- **PDA:** Provision for doubtful accounts. The allowance is established by recognizing a bad debt loss on the financial statements in the same accounting period when the associated sale is reported;
- **P&L:** Profit & loss statement.

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