

# Estácio

Corporate Presentation 2008



## Who we are

- ◆ Largest player in the undergraduate sector in Brazil
- ◆ 207k undergraduate students
- ◆ National Footprint: 78 campuses in 16 states
- ◆ 2 Universities, 2 University Centers and 27 Colleges
- ◆ Asset Light Model: ROE of 17.0% (2008)
- ◆ Revenues of R\$980 million and EBITDA of R\$98 million (2008)
- ◆ Labor Market Oriented Programs
- ◆ High Governance Standards: the only Educational Company in the Novo Mercado (voting shares only)

**Campus Rebouças**



**Campus Tom Jobim**

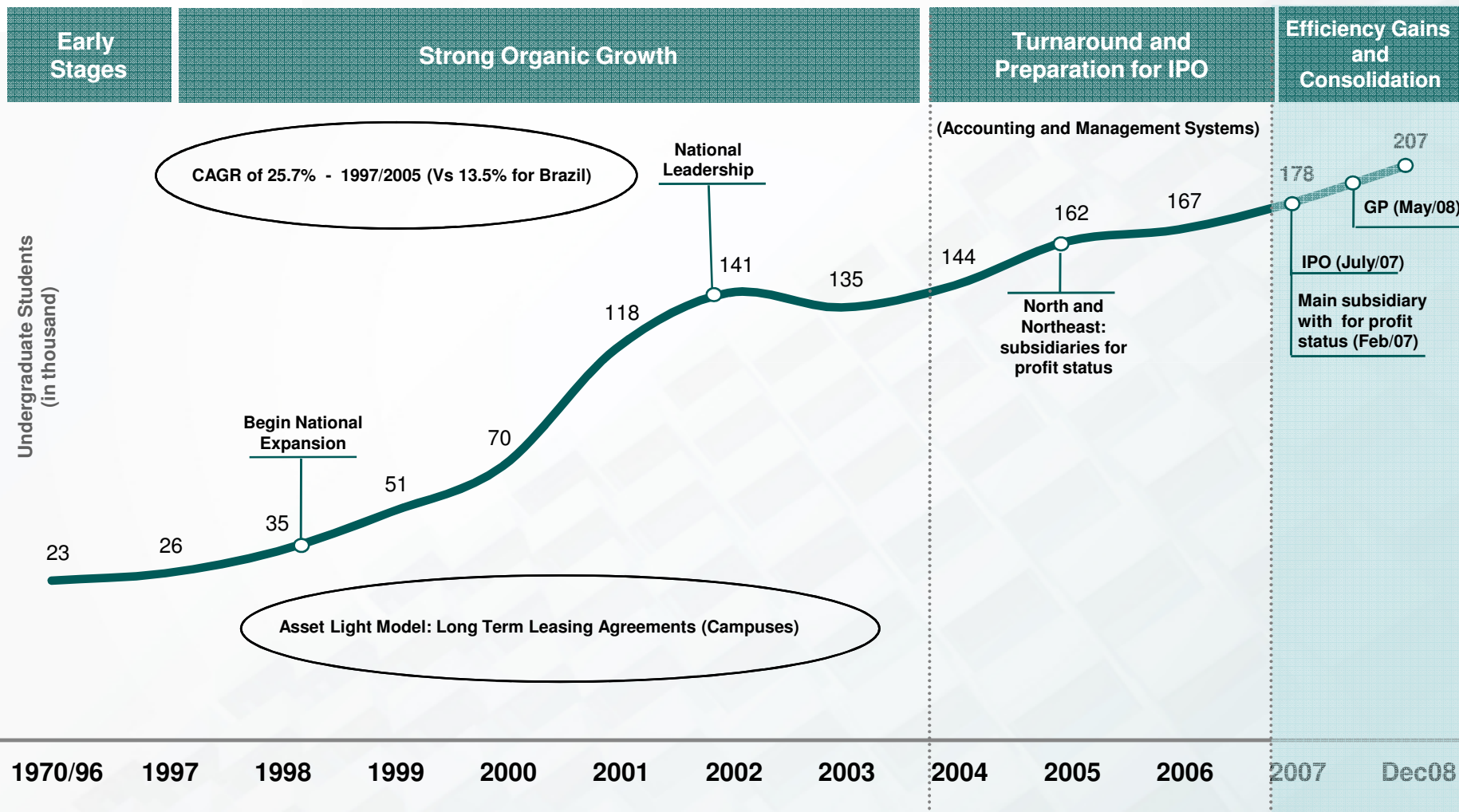


**Campus R9**



# History and Current Status

2008

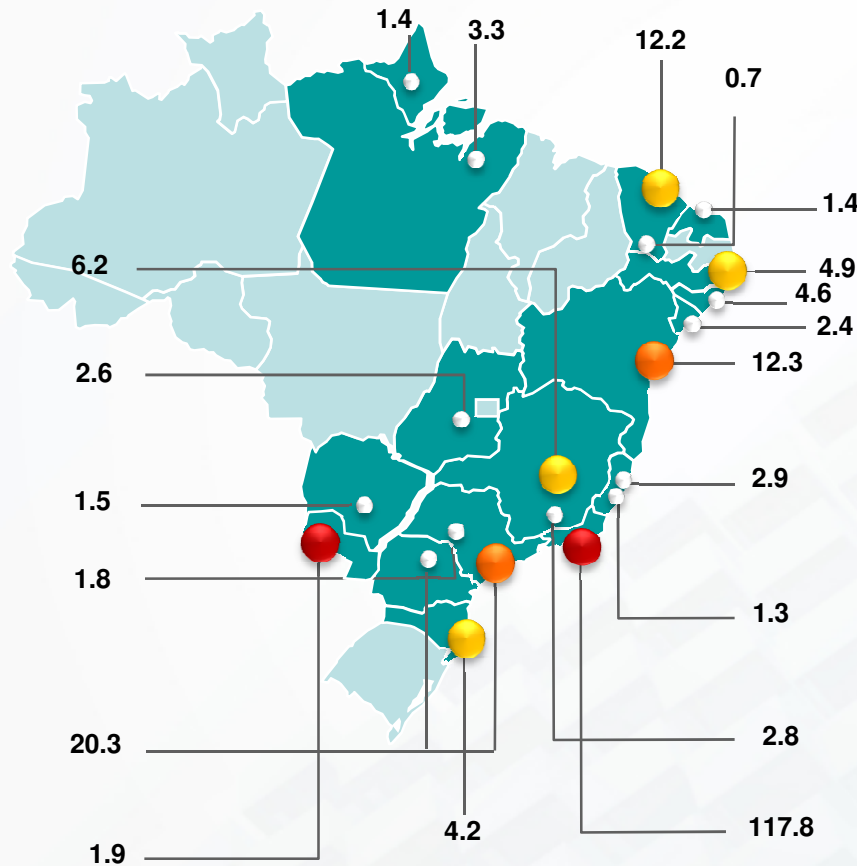




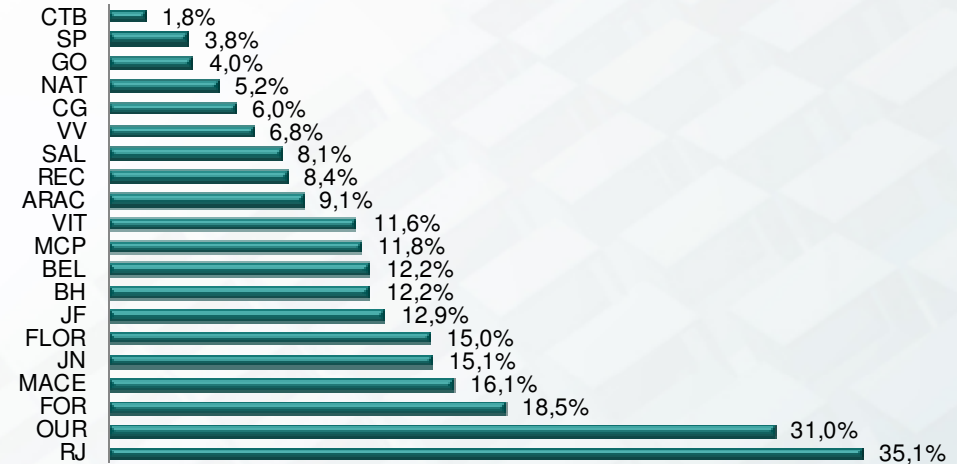
**Estácio**

# Largest Student Base: 207 k undergraduate students – Dec/08

**Estácio Students per State (th.)**



**Market-Share per Municipal<sup>2</sup>**



2 – Undergraduate students enrolled (excludes public universities)  
Source: SINAES/2006

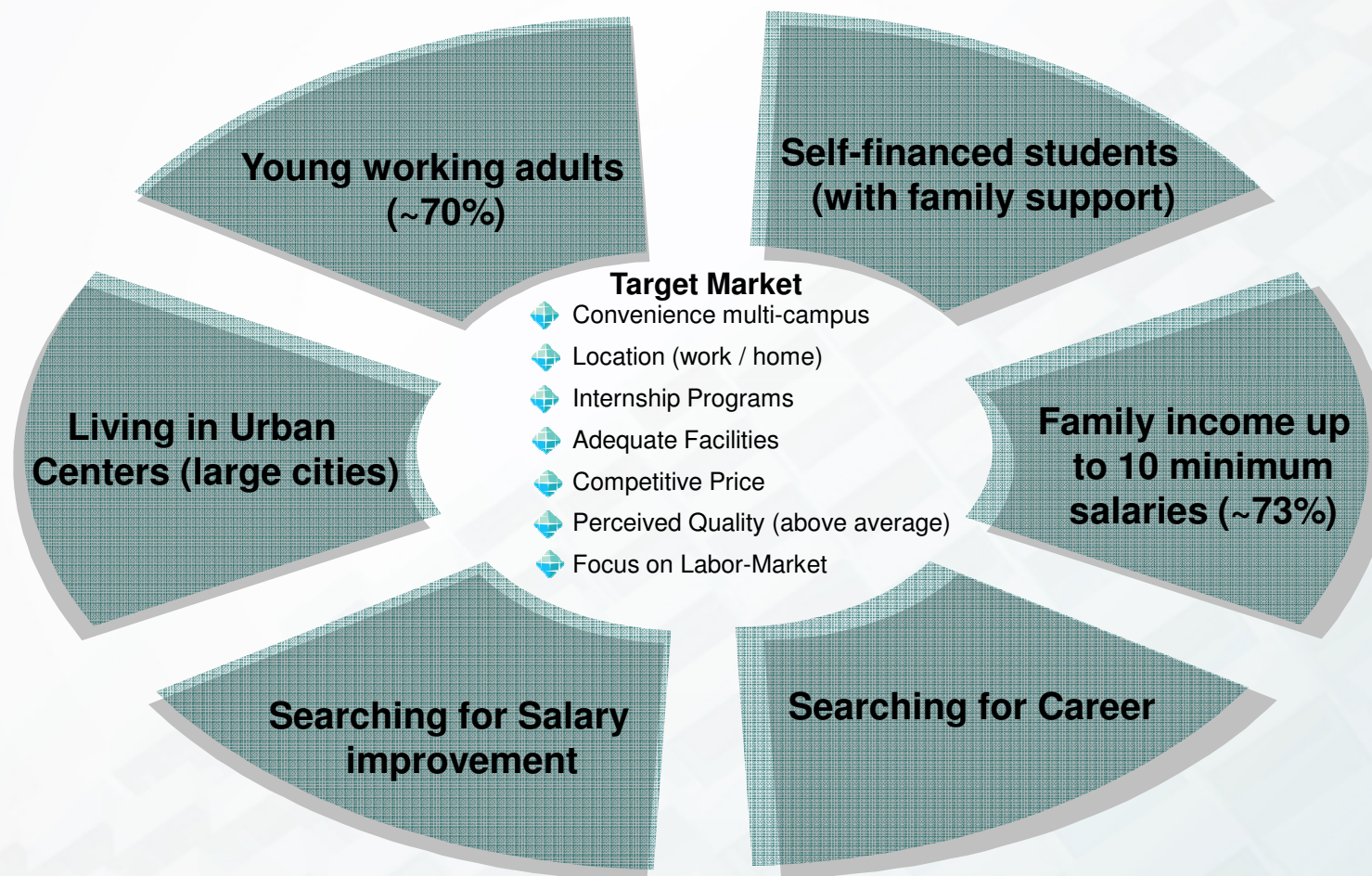
✓ Average Monthly Tuition: R\$451 (08; +4.1% yoy)

- University
- University Center
- College
- Upgrade to University Center  
(in process of approval with the MEC<sup>3</sup>)



# Labor Market Oriented Programs

Our Student Profile



## ESTC3: Competitive Advantages

- ◆ **Highly Qualified Professional Management Aligned with Shareholders (Variable Compensation and Stock Option)**
- ◆ **Widest Scope for Margin Improvement in the Industry (Streamlining, Centralization of Back-Office Operations and Scalability)**
- ◆ **Significant Growth Opportunities (M&A / Organic)**
- ◆ **Huge Undergraduate Student Base (Scale) & Geographic Coverage (presence in different markets/regions)**
- ◆ **Sound Balance Sheet: No Leverage and Strong Cash Position**

**Headquarter in RJ**



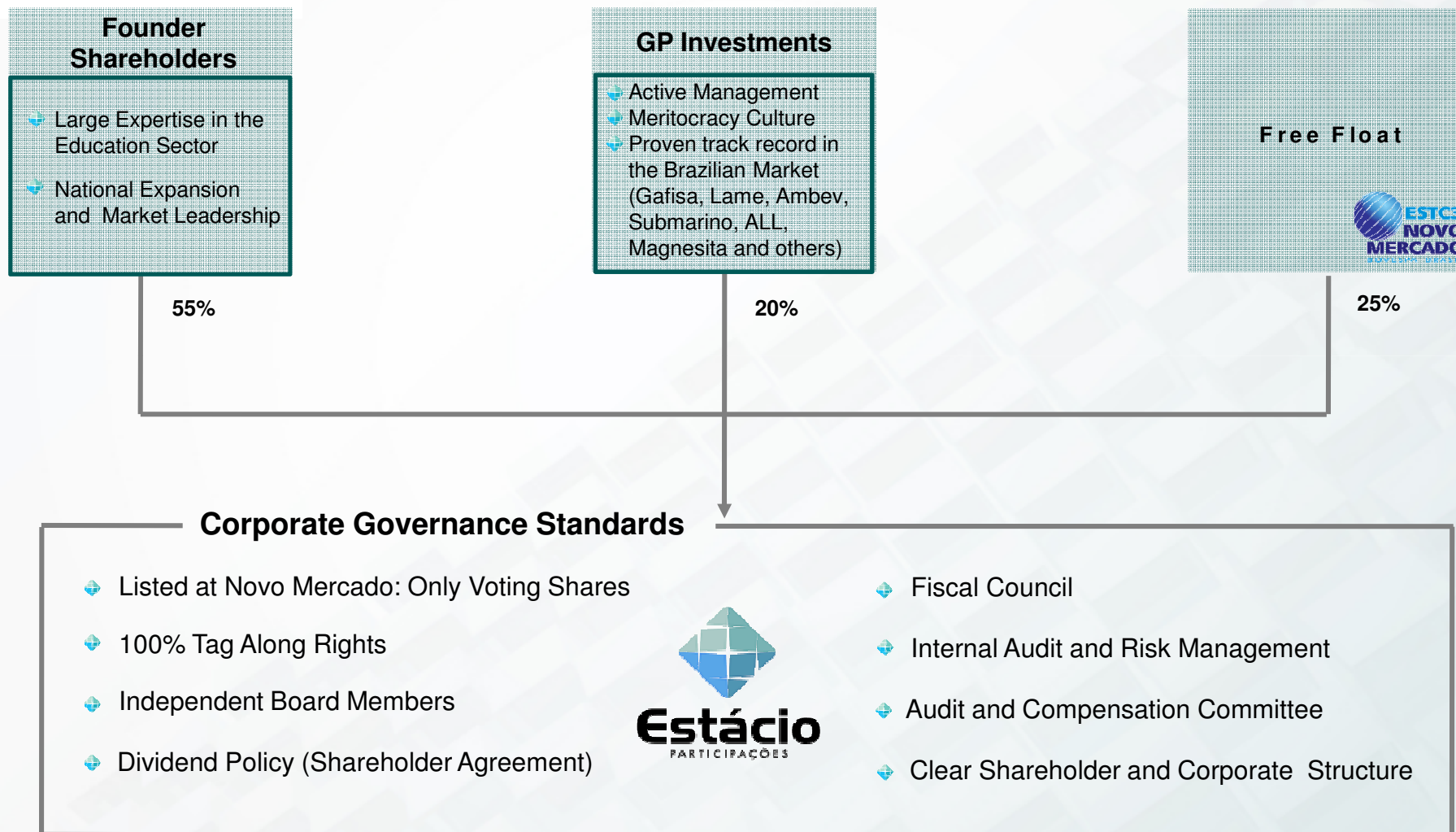
**Campus Tom Jobim**



**Gastronomy Class**



# Shareholder Structure and Corporate Governance



# Shareholder Agreement with GP

## GP Investments

- ◆ **Leading Private Equity Firm in LATAM / First Listed Stock**
- ◆ **Mission: Generate Exceptional Long-Term Returns to its Investors and Shareholders**
- ◆ **Outstanding performance of invested companies, with integrity, clear targets, entrepreneurship, meritocracy and professionalism. Some examples:**



**IRR: 1,339%**  
(3 year investment)



**IRR: 148%**  
(3 year investment)



**IRR: 17%**  
(12 year investment)



**IRR: 24%**  
(10 year investment)

## Highlights of Shareholder Agreement

- ◆ **Co-Management → 5 years (renewable for 2+ years)**
- ◆ **Board Members → 4 each party (being 2 independent)**
- ◆ **Lockup period of 3 years**
- ◆ **M&A Agreement**
- ◆ **Non-Competition Agreement**
- ◆ **Minimum Dividend Payout (50% of Net Income)**



# Highly Qualified Professional Management Team

## Management Experience

### **Eduardo Alcalay – CEO**

GP Partner; Former board member at Estácio, Cemar and Equatorial; Partner at Singular Partners and Vice President at UOL

### **Lorival Luz – CFO**

Treasury Director at Citibank - Banco Credicard; Corporate Bank Chief of Staff

### **Rogério Melzi – Economic and Operational Planning**

Head of Financial Planning in Suzano; Planning Officer in Inbev/Labat and Ambev

### **Miguel de Paula – People and Management**

Head of Human Resources in Farmasa and Votorantim; HR Manager at Gerdau

### **Rubens Vasconcelos – Academic Officer**

Member of the Board of Directors at Cultura Inglesa; COO at Máxima Consultoria; CFO at Cougar

### **Jessé Hollanda – Operations**

Principal of Estácio's College in Ceará; Academic Director of CSN Foundation and Executive Board member of CBS

### **Antonio Higino Viegas – Market Officer**

Head of Marketing and Sales in Anhanguera Educacional / AT, Regional Manager Brahma (Ambev). Marketing Manager (Infoglobo)

## Variable compensation (Bonus + Stock Option)

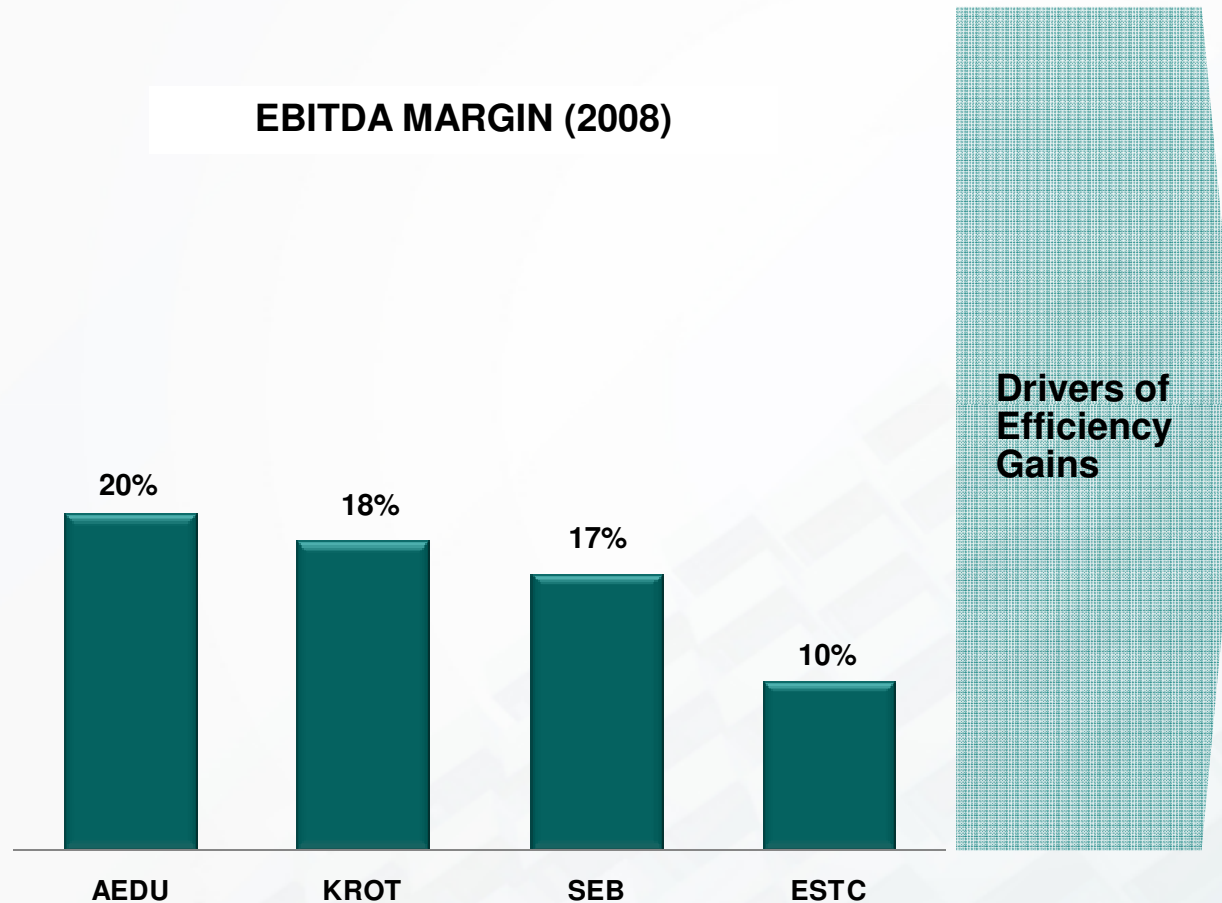
- Align interests of shareholders and management
- Implement targets on global and individual basis (cost cutting, quality goals)
- Reconcile quality and long-term targets
- Retain key managers and professionals
- Maximum dilution of 4.15%

## People Development

- Faculty Training Program
- Trainee Program for Estácio's students
- Executive Development Plan
- Qualification for Course Coordinators
- Variable Compensation for Course Coordinators & Teachers

## Widest Scope for Margin Improvement in the Industry

**EBITDA MARGIN (2008)**



### General and Administrative Expenses (G&A)

- ◆ Streamline of Organizational Structure
- ◆ Shared Services Center
- ◆ System Integration & Process Review
- ◆ Zero Based /Matrix Budgeting

### Cost of Services

- ◆ Common Subjects
- ◆ Course Standardization
- ◆ Improved "Production Planning" (Students per Teacher)
- ◆ On-Line Programs
- ◆ Distance Learning
- ◆ Extra-Class Activities



**Estácio**

## Margin Improvement: Opportunities on G&A Expenses

### Streamlined Processes

- **Streamline of organizational structure**
- **Process Standardization** (Shared Services / Academic Content / Student Assistance / Corporate Centers)
- **BackOffice Centralization:** Procurement / Accounting / HR / Legal / Accounts Payable / Treasury / IT / Real Estate Management

### Integrated Systems

- **Management (SAP) and Academic (SIA) Systems** – Already running in all our units

### Zero Based Budgeting and Monitoring

- Zero Based / Matrix Budget
- Internal / External Benchmarks (“Projeto Modelo”)
- Sharing of Best Practices
- Monitoring and acting upon it



## Margin Improvement: Opportunities on COGS - Faculty Costs

**Labor Agreement - Rio**



**Increase wages below inflation**

**Academic Reform**



**Increase the number of students  
per class**

**COMMON COURSES: Same Course for Different Programs (Languages, Maths, etc)**

**STANDARDIZED PROGRAMS in all our campuses**

**DISTANCE LEARNING: Increasing usage of on-line activities (up to 20% of Schedule)**



## Growth Opportunities

### Organic

- Undergraduate market highly untapped
- Maximizing growth opportunities in São Paulo and NE Markets
- Upgrading Colleges to University Centers
- Opening of new campuses, programs and seats

### Acquisitions

- Market share relevance – expansion and consolidation
- Strategic fit – compatible market positioning
- Priority for university centers
- Take advantage of potential synergies

### Distance Learning

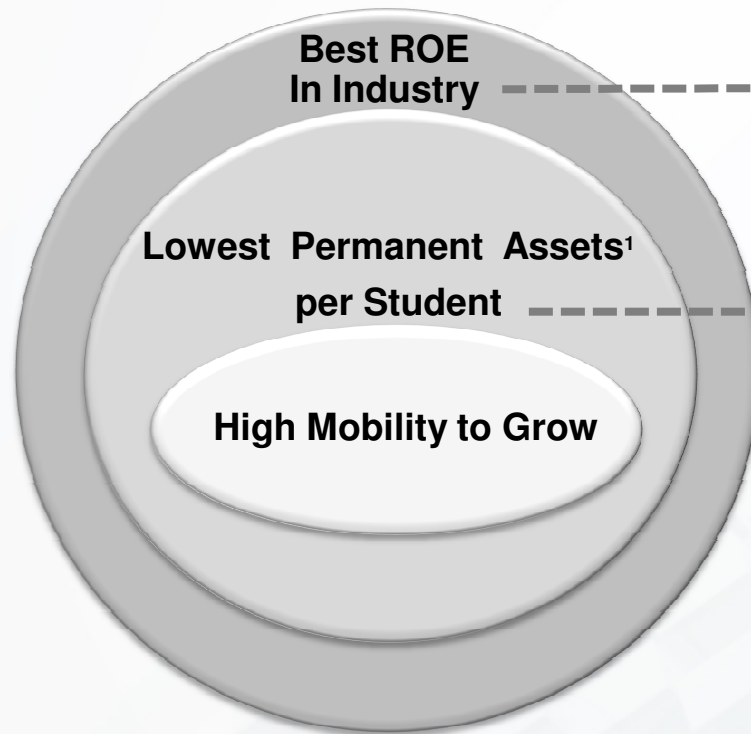
- Opening a new market; reaching new segments
- Produce and distribute Estácio's own learning content
- Marginal CAPEX - sunk costs



# Asset Light Model: Low Investment in Real Estate

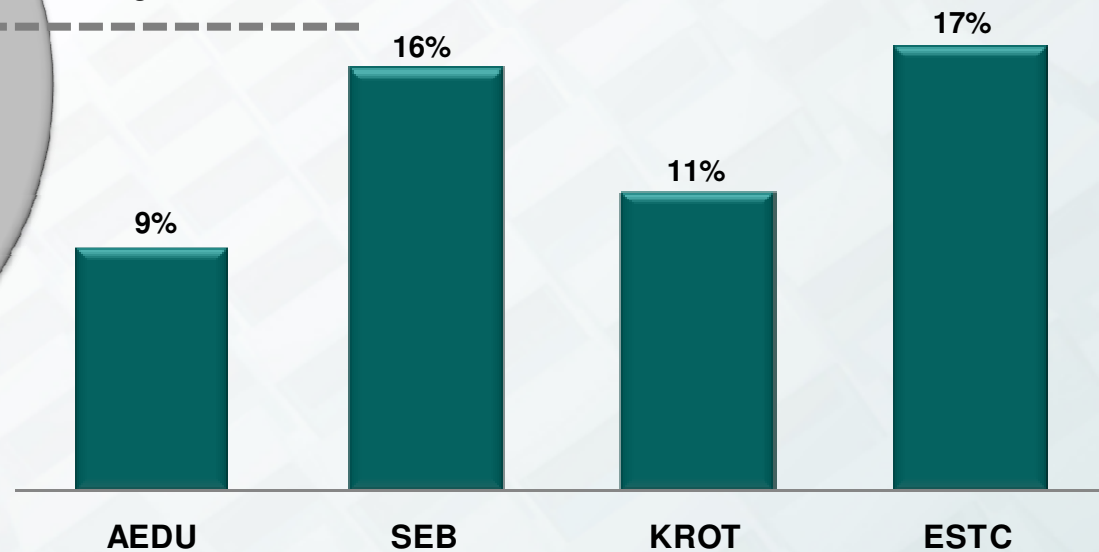
**Estácio**

Best ROE in the Industry in Brazil



Return on Equity (December/ 08)<sup>1</sup>

ESTC R\$982 x Industry Average of ~R\$2,700



<sup>1</sup> – Excluding investment / Goodwill / Deferred charges

<sup>1</sup> – LTM Net Income / Shareholders Equity  
Source: Company Data

Efficient Business Model



<i>(R\$ million)</i>	2005	2006	2007	2008
<b>Net Revenue<sup>1</sup></b>	762	829	851	980
<b>Adjusted EBITDA<sup>1</sup></b>	56	96	95	98
<b>Adjusted EBITDA Margin</b>	7%	12%	11%	10%
<b>EBITDA ex-rental<sup>1</sup></b>	124	164	166	182
<b>EBITDA Margin ex-rental</b>	16%	20%	20%	19%
<b>Adjusted Net Income<sup>2</sup></b>	23	60	73	72
<b>Net Cash</b>	(48)	(4)	229	191

(1) Adjusted in 2007, to the payment of taxes in January 07 (SESES became for profit in February 2007) and one-off expenses in 2008

(2) Excluding goodwill amortization from acquisitions and one-off expenses



## Annex



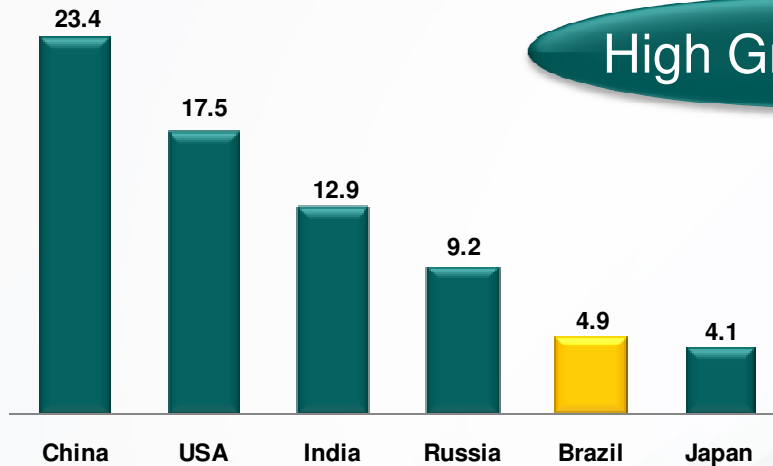


# Sector Overview – Significantly Untapped Demand

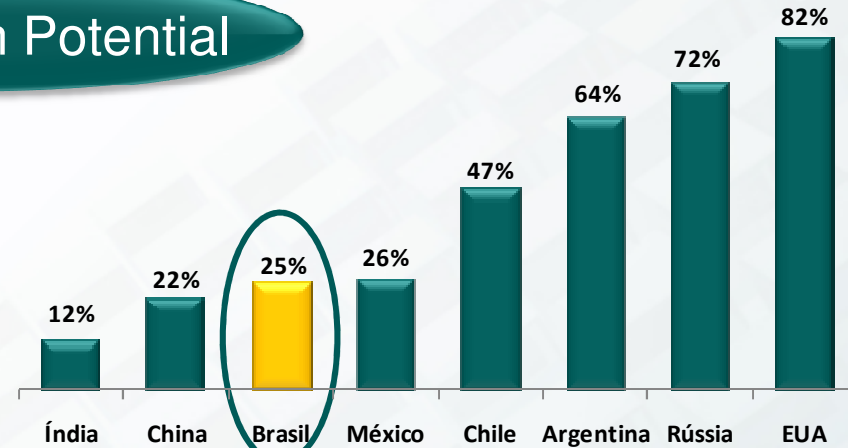
**Estácio**

Largest market in Latin America, with low penetration rates and increasing demand for qualified labour

Post-secondary Enrollments – (Unesco – 2007, million)

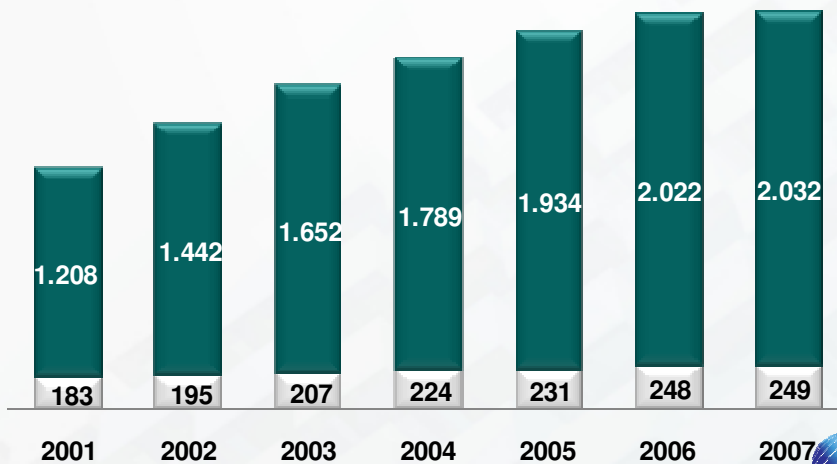


Gross Enrollment Rate (Unesco - 2007)

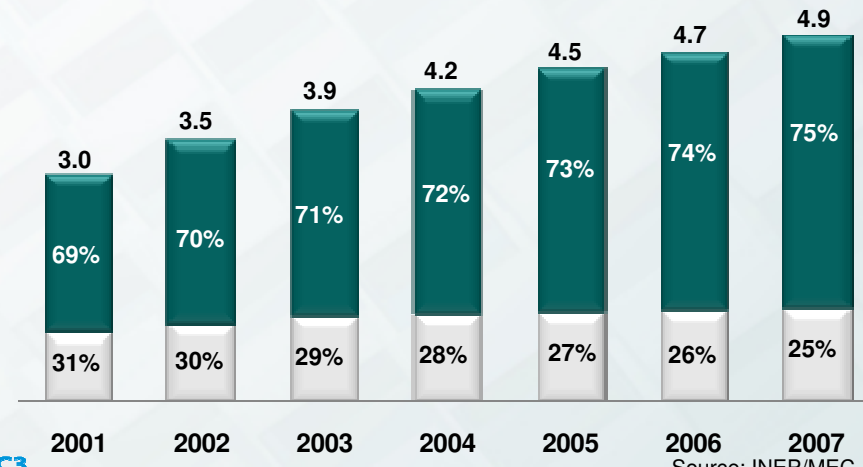


High Growth Potential

Post-secondary Institutions in Brazil (units)



Total Enrollments (million)



Source: INEP/MEC

Positive Sector Dynamics

■ Private ■ Public



■ Private ■ Public



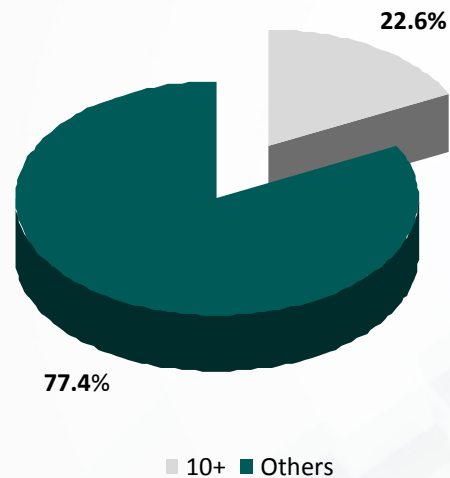
## Sector Overview: Highly Fragmented Market

**Estácio**

Top10 largest post-secondary institutions account for less than 25% of total enrollments<sup>1</sup>

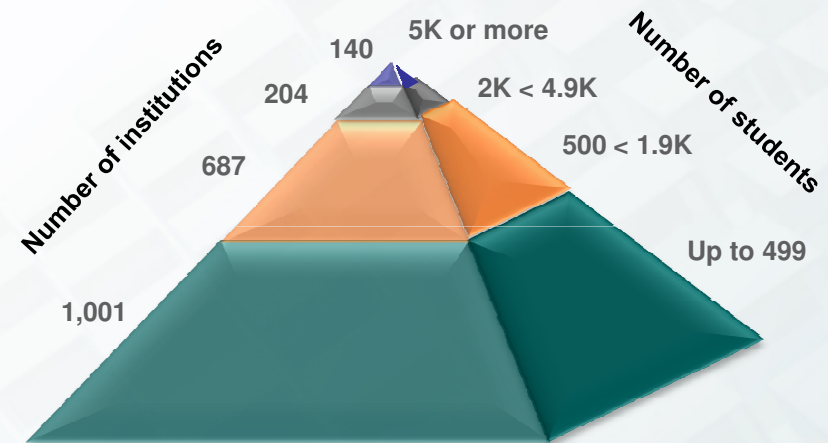
### Top 10 Non-Government Institutions Market Share

Based on Number of Enrolled Students



3.5 million enrollments

### Non-Government Institutions (number & Size)



2,032 Institutions

High Potential for Consolidation

(1) Source: Hoper Educational , MEC, INEP



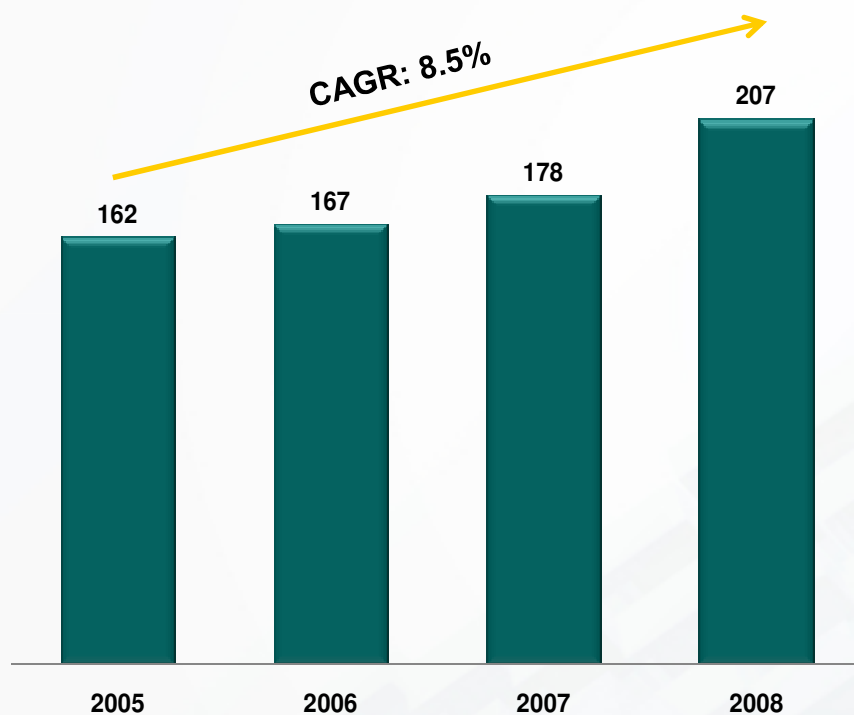
**Estácio**

## Sector Overview - Regulatory Framework

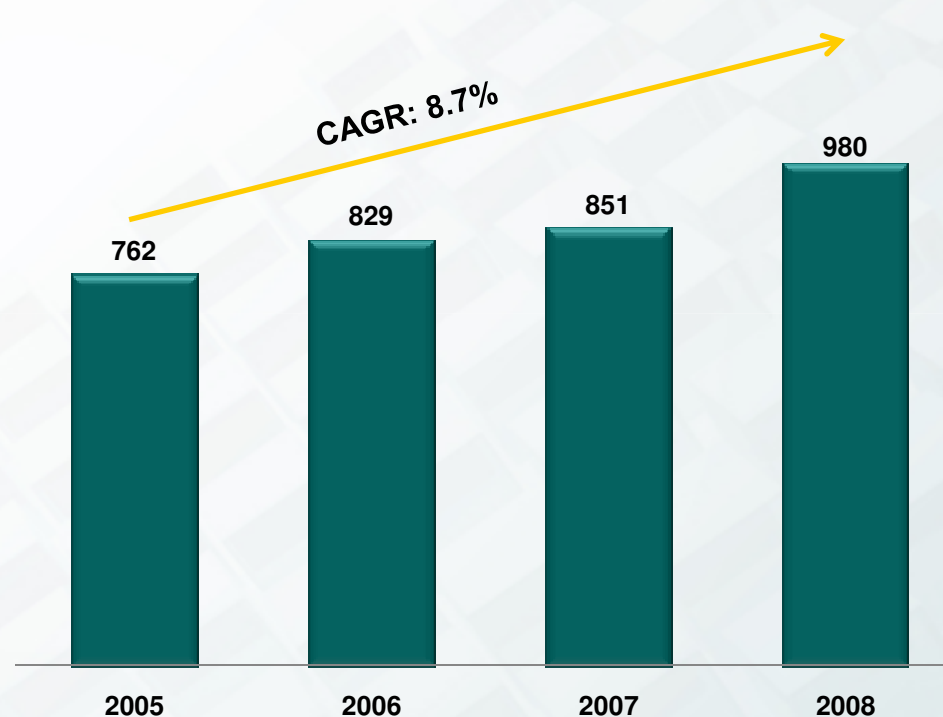
Institution	Benefits	Costs
University	<ul style="list-style-type: none"><li>■ Autonomy, <b><u>guaranteed by the constitution</u></b>, to create programs within the city (except for Medicine, Law, Psychology and Odontology)</li><li>■ Allowed to create campuses outside the city, subject to authorization by the Ministry of Education (MEC)</li><li>■ Ability to register diploma without the MEC authorization</li></ul>	<ul style="list-style-type: none"><li>■ 1/3 of faculty must hold a master or PhD degree</li><li>■ 1/3 of faculty must be in full time regime or must offer 3 master programs with CAPES (ministry's graduate coordinator) recommendation</li><li>■ Need to conduct research</li></ul>
University Centers	<ul style="list-style-type: none"><li>■ Autonomy, <b><u>guaranteed by federal gov't decree</u></b>, to create programs inside the city, except for Medicine, Law, Psychology and Odontology</li><li>■ Ability to register diploma without MEC authorization</li><li>■ No need to conduct research</li></ul>	<ul style="list-style-type: none"><li>■ 1/3 of faculty must hold a master or PhD degree</li><li>■ 1/5 of faculty must be in full time regime</li><li>■ Not allowed to create other campuses outside the city</li></ul>
Colleges	<ul style="list-style-type: none"><li>■ No minimum requirements on faculty qualification or hours of work ( full time regime)</li></ul>	<ul style="list-style-type: none"><li>■ No autonomy to create new programs, vacancies or to register diplomas without the MEC authorization</li></ul>

## Undergraduate Student base and Revenue Growth

Students (thousand)



Net Revenue (R\$ million)



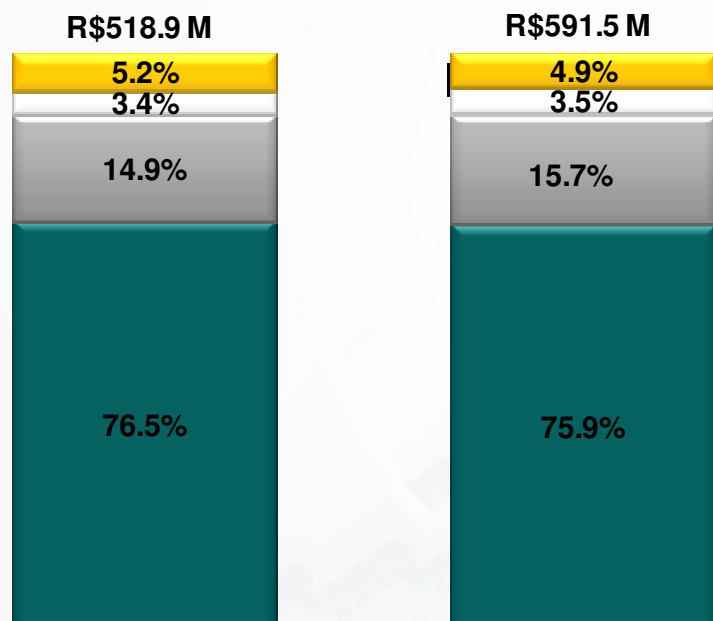


## Cost of Services and SG&A (R\$ million)

### Cost of Services

Gross Margin: 39.0%

Gross Margin: 39.6%



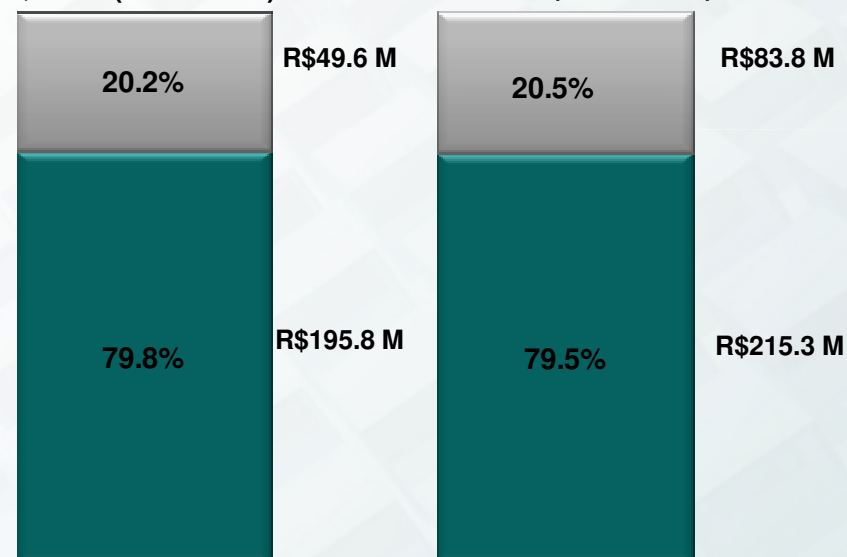
2007 2008

 Others
  Third-Party Services
  Rentals
  Faculty

### SG&A

R\$245.3 (28.8% NR\*)

R\$299.1 M (30.5% NR\*)

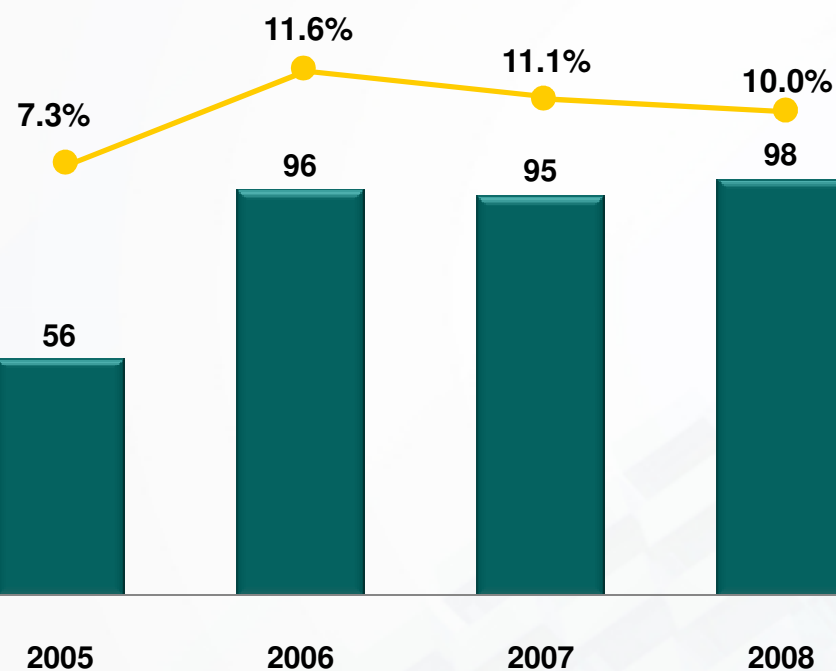


\*NR = Net Revenue

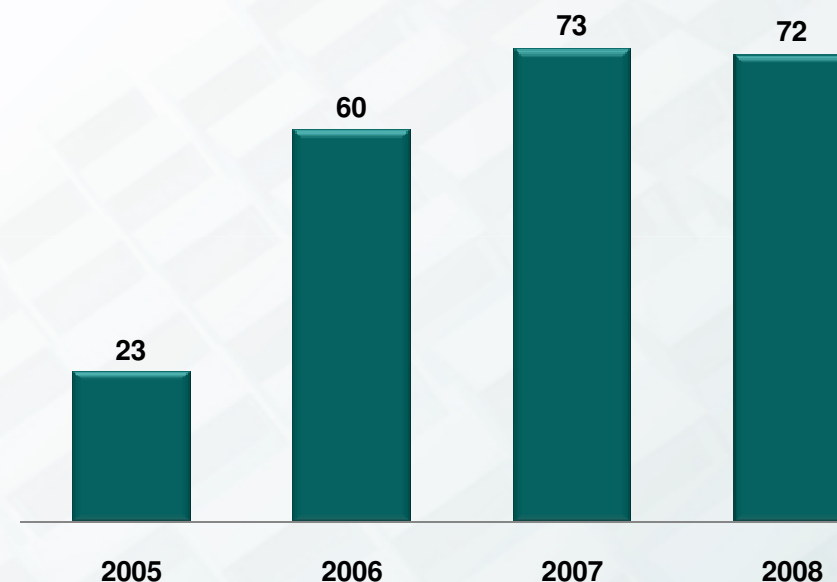
 General and Administrative
  Selling

## Adjusted EBITDA and Net Income (R\$ million)

Adjusted EBITDA<sup>1</sup>



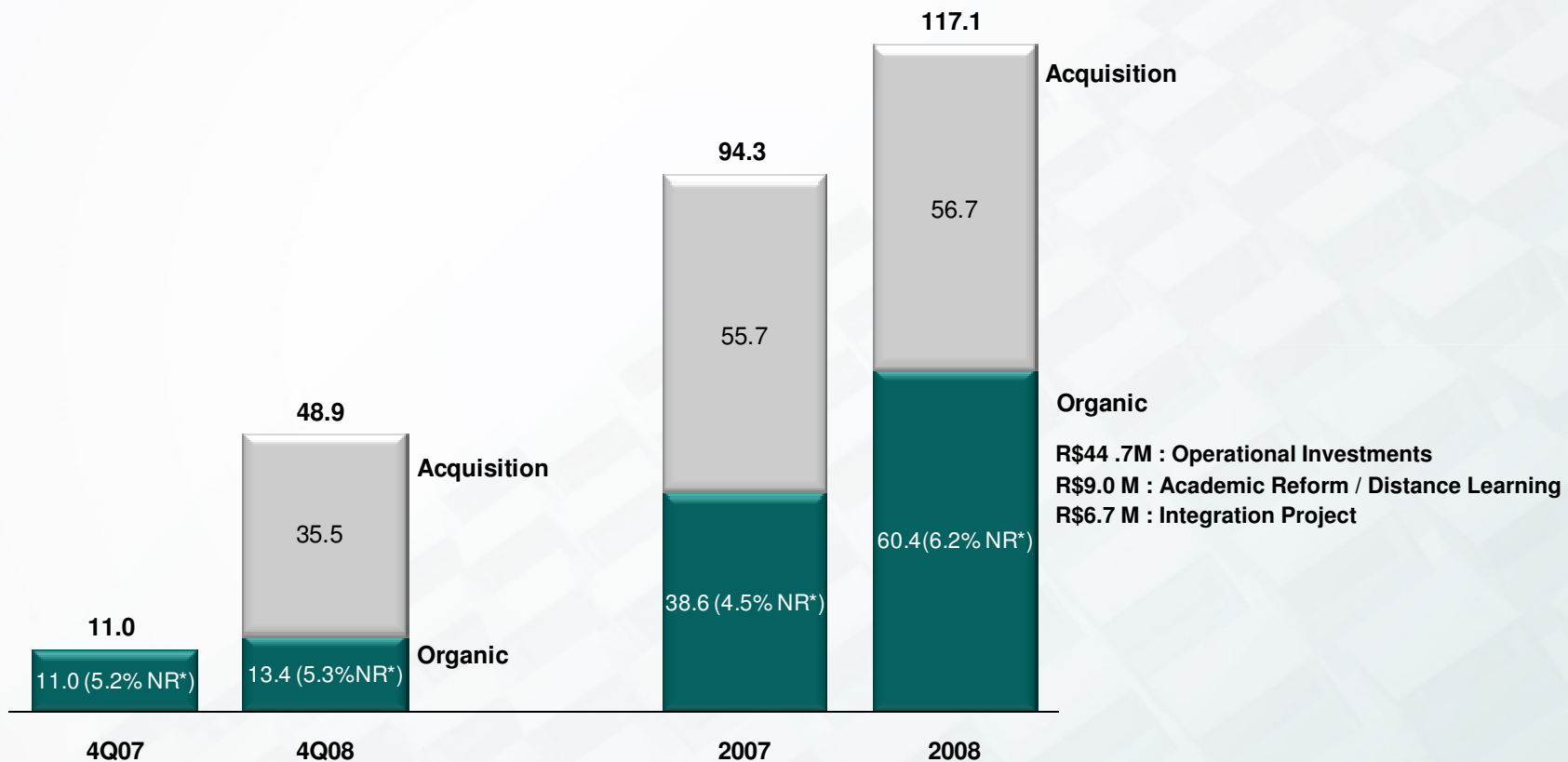
Adjusted Net Income<sup>2</sup>



1 - Adjusted in 2007 to the payment of taxes in January 2007 (SESES became for-profit in February 2007) and to the one-off expenses in 2008

2 - Excluding goodwill amortization from acquisitions and one-off expenses

## Capex (R\$ million)



(\*) – Net Revenue

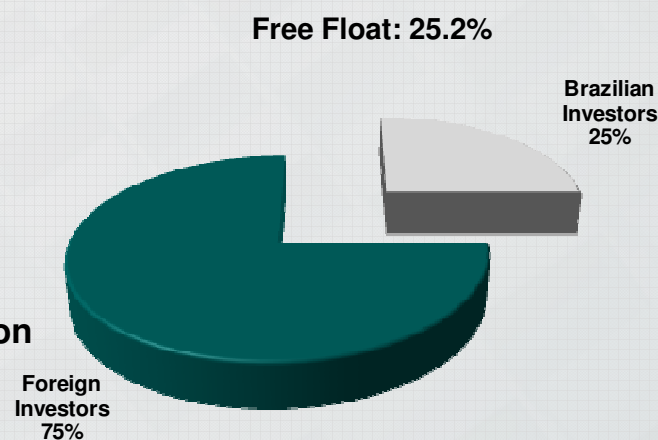
## Capitalization and Market Data

R\$ Million	12/31/08
Shareholders Equity	421.1
Debt	(11.6)
Net Cash	190.6

Sound balance sheet and strong cash flow support our strategic positioning as one of the main players in sector consolidation in Brazil

### Market Data

- ◆ Stock Price (Mar - 18, 2009): R\$12.50 / share
- ◆ Number of Shares: 78.6 million
- ◆ Market Cap: R\$982.3 million
- ◆ Enterprise Value: R\$791.7 million
- ◆ Daily Volume (3-month average): R\$1.9 million







# IR Contacts & Disclaimer

## Investor Relations Team:

Lorival Luz – CFO

Daniella Guanabara – [daniella.guanabara@estacio.br](mailto:daniella.guanabara@estacio.br)

Fernando Santino – [fernando.santino@estacio.br](mailto:fernando.santino@estacio.br)

e-mail: [ri@estacioparticipacoes.com](mailto:ri@estacioparticipacoes.com)

Phone: (55) 21 2433 9789 / 9790 / 9791

Fax: (55) 21 2433 9700

Av. das Américas, 3434 - Bloco 7 - 2º andar  
Cep 22640-102 Barra da Tijuca - Rio de Janeiro

Visit our website: [www.estacioparticipacoes.com](http://www.estacioparticipacoes.com)

## **Disclaimer:**

*This presentation may contain forward-looking statements concerning the industry's prospects and Estácio Participações' estimated financial and operating results; these are mere projections and, as such, are based solely on the Company management's expectations regarding the future of the business and its continuous access to capital to finance Estácio Participações' business plan. These considerations depend substantially on changes in market conditions, government rules, competitive pressures and the performance of the sector and the Brazilian economy as well as other factors and are, therefore, subject to changes without previous notice. We are a holding company, and our only assets are our interests in SESES, STB, SESPA, SESCE, SESPE and IREP, and we currently hold 99.9% of the capital stock of each of these subsidiaries. Considering that the Company was incorporated on March 31 2007, the information presented herein is for comparison purposes only, on a proforma unaudited basis, relative to the first three months of 2007, as if the Company had been organized on January 1 2007. Additionally, information was presented on an adjusted basis, in order to reflect the payment of taxes on SESES, our largest subsidiary, which from February 2007, after becoming a for-profit company, is subject to the applicable taxation rules applied to the remaining subsidiaries, except for the exemptions arising out of the PROUNI – University for All Program ("PROUNI"). Information presented for comparison purposes should not be considered as a basis for calculation of dividends, taxes or for any other corporate purposes.*