

Estácio Sergipe: new University Center



YDUQS

**EARNINGS RESULTS
2Q19**

DISCLAIMER

YDUQ3 | YDUQY B3 ADR

The Company's financial information is presented based on the consolidated numbers, in Brazilian Reais, in accordance with Brazilian Corporation Law and the accounting practices adopted in Brazil (BRGAAP), already in accordance with International Financial Reporting Standards (IFRS). The comparisons refer to the second quarter of 2018 (2Q18), except stated otherwise and were not reviewed by the audit.

To preserve the comparability between quarters, the Company also opted for disclosing the **proforma results for 2Q19**, excluding the **impacts of the adoption of IFRS 16 accounting rules**.

This document may have forward-looking statements that are subject to risks and uncertainties that may lead such expectations to not materialize or substantially differ from expectations. These forecasts express the opinion only for the date they were made, and the Company does not undertake to update them in the light of new information.

NEW BRAND

Over the last 5 years we have innovated!
We grew, expended across the country and created
A NATION-WIDE RECOGNIZED BRAND.



and to keep growing **IT'S TIME TO EVOLVE.**



93
CAMPUSES



110
DL COURSES



710⁽¹⁾
DL CENTERS



~500
CITIES



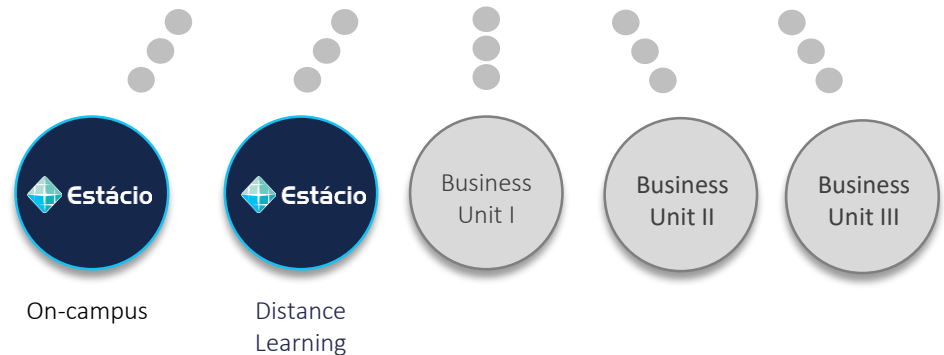
8
MEDICINE
SCHOOLS



97%
OF COURSES W/
SATISFACTORY
GRADE⁽²⁾

STUDENT BASE: **576K**

YDUQS



- Allocate resources on existing business
- Create different positioning through new brands
- Develop new business

(1) As of July/19. (2) Courses with grade equal or above 3 at "Conceito Preliminar de Cursos" (CPC) index measured by Ministry of Education (MEC). Results from 2015-17 evaluation cycle.



DESTAQUES 2Q19

STUDENT BASE

+3% YoY

- +3% YoY on student base (despite FIES & macro scenario)
- +1.0 p.p. increase in retention rate at both DL and on-campus vs 2Q18
- Historical record intake at 2019.1

AVERAGE TICKET

+3% on-campus

- +3% avg. ticket increase on-campus (DL stable)
- +7% YoY medical student base
- 36 new courses in 2Q19 (vs 2Q18)

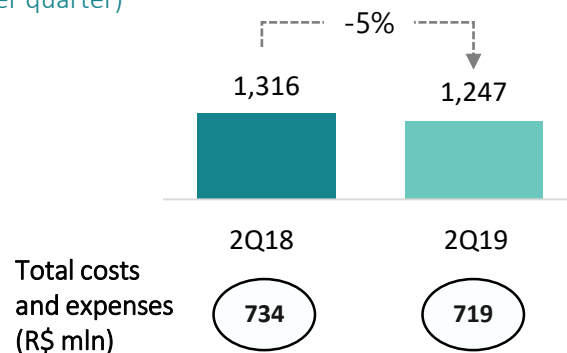
COST REDUCTION

-5% YoY

ex-IFRS 16

COSTS AND EXPENSES PER STUDENT

(R\$ per quarter)



GROSS MARGINS AT 58.4%

ex-IFRS 16: 57.7% (+2.0 p.p. YoY)

EBITDA OF R\$342 MLN

ex-IFRS 16: R\$288 MM (+1.6% YoY)

EBITDA MARGIN AT 35.7%

ex-IFRS 16: 30.1% (vs. 29.4% in 2Q18)

66.5% CASH CONVERSION⁽¹⁾

ex-IFRS16: 60.2% (vs. 45.6% in 2Q18)

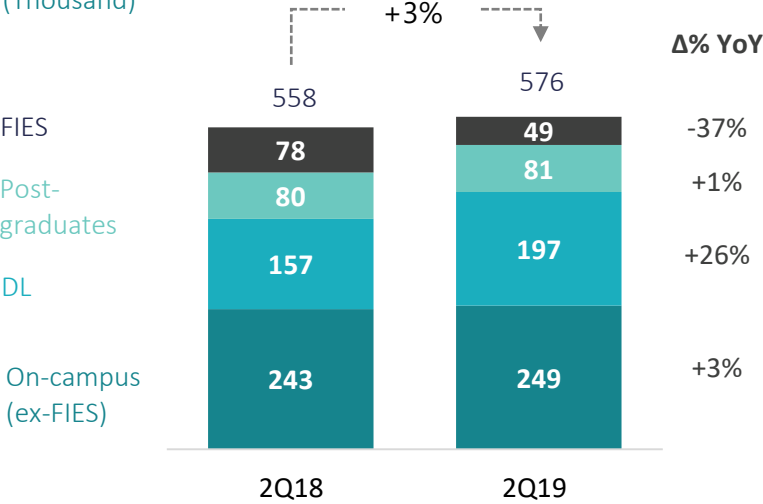
(1) Considers IFRS-16
Operational cash flow before capex divided by reported EBITDA



STUDENT BASE IN DETAIL

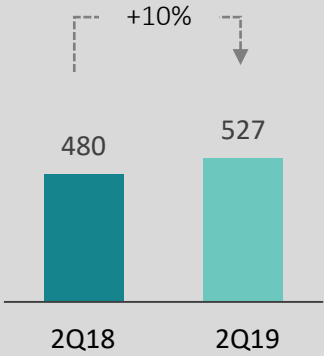
STUDENT BASE

(Thousand)



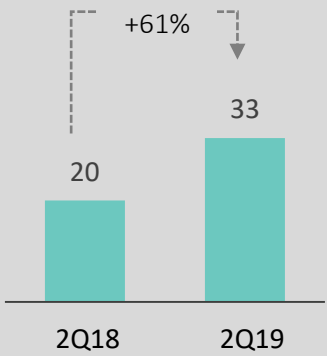
EX-FIES STUDENT BASE

(Thousand)



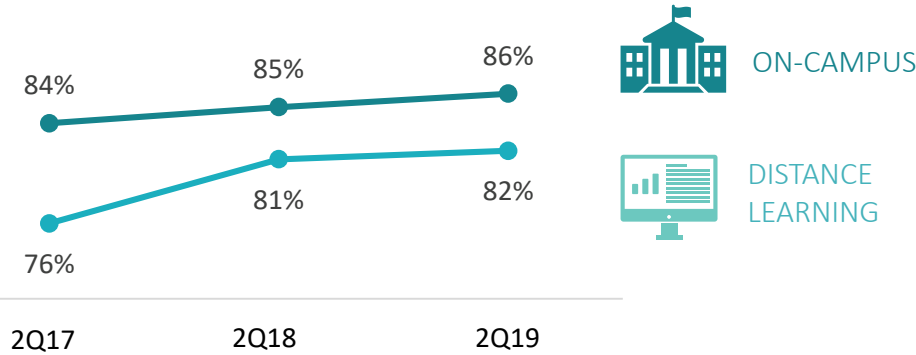
DL FLEX

(Thousand)



FOCUS ON IMPROVING THE

RETENTION RATE⁽¹⁾



PROJECT

LOYALTY

- Dedicated team
- Student base mapping
- Special attention to late comers
- Proactive care for potential dropouts
- NPS monitoring per unit

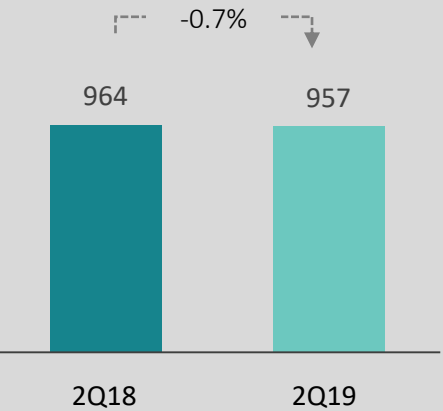
(1) Retention Rate = [1 - ((dropouts + non-renewal) / (renewable student base: initial student base – graduating students + intake))].



REVENUES AND GROSS MARGIN CONSISTENCY

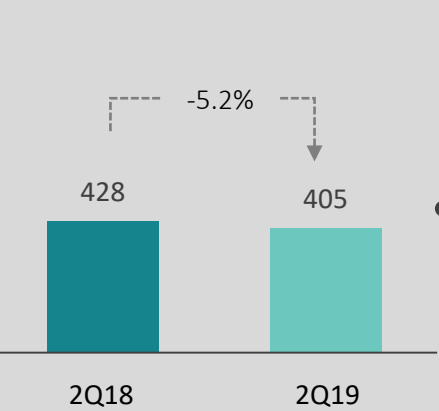
NET REVENUES

(R\$ million)



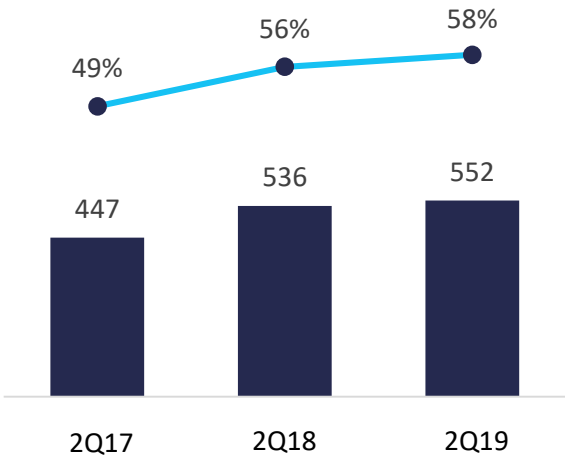
COST OF SERVICES

(R\$ million; ex-IFRS16)



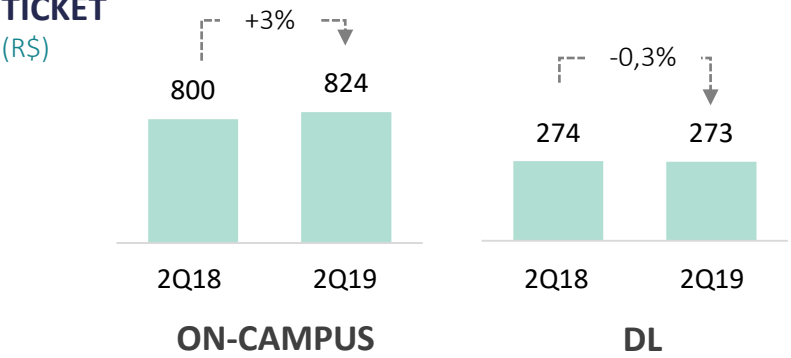
GROSS PROFIT AND GROSS MARGIN

(R\$ million; %; ex-IFRS16)



AVERAGE TICKET

(R\$)



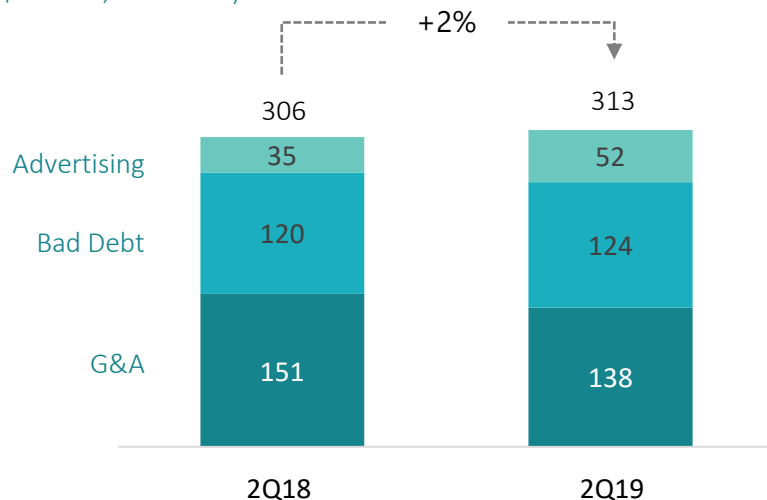
COST OF SERVICES R\$ million	2Q18	2Q19	Δ%
Personnel	302.9	279.4	-7.8%
Rent	63.3	62.5	-1.3%
Depreciation & amortization	23.6	24.6	3.9%
Revenue share from DL and other	9.2	14.4	55.3%
Third-party Services	15.5	13.5	-12.8%
Electricity, water, gas and telephone	13.1	11.1	-15.2%



STABILITY AND EFFICIENCY ON EXPENSES

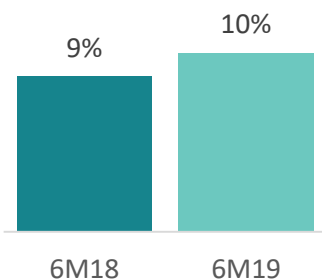
COMERCIAL AND ADMINISTRATIVE EXPENSES

(R\$ million; ex-IFRS16)



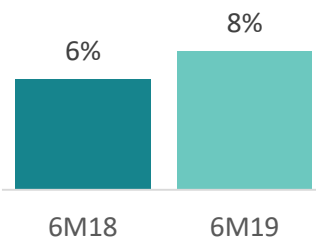
BAD DEBT OVER NET REVENUES

(R\$ million)



ADVERTISING OVER NET REVENUES

(R\$ million)



COMERCIAL EXPENSES R\$ million	2Q18	2Q19	Δ%
Bad Debt	120	124	3.4%
Advertising	35	52	46.8%
Other	0.3	0.1	-56.5%
Total	155	176	13.1%

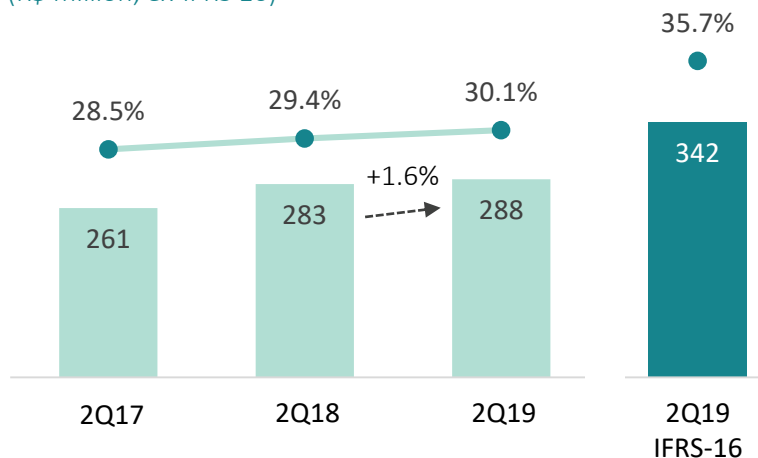
G&A EXPENSES R\$ million	2Q18	2Q19	Δ%
Personnel	41	39	-3.8%
Third-party services	31	14	-53.8%
Provision for contingencies	24	19	-19.1%
Maintenance & repair	10	12	19.2%
Other expenses	20	30	46.6%
Depreciation	24	22	-8.3%
Total	151	138	-9.0%



EXPANDING EBITDA & SOLID CASH FLOW GENERATION

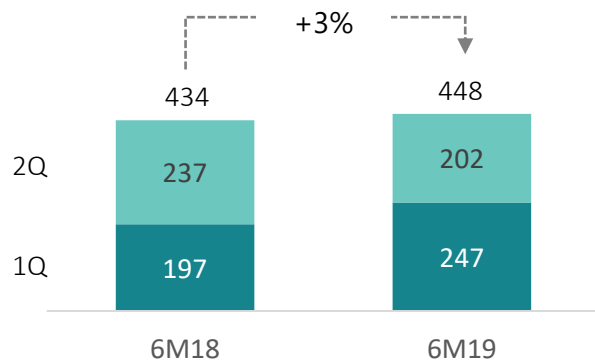
EBITDA⁽¹⁾ and EBITDA MARGIN

(R\$ million; ex-IFRS 16)



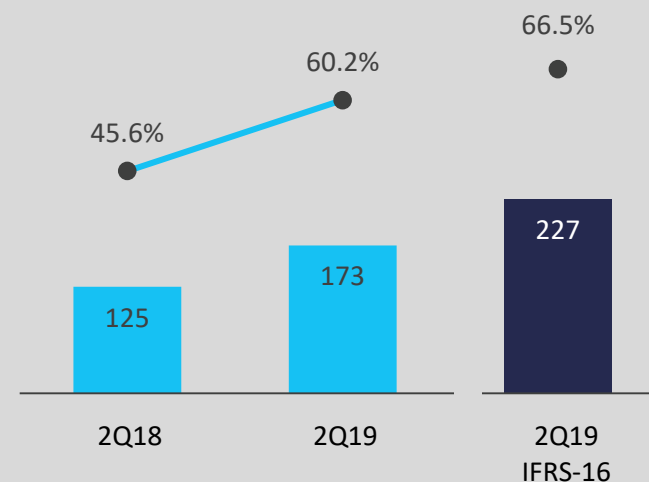
NET INCOME

(R\$ million; ex-IFRS 16)



OPERATIONAL CASH FLOW AND CASH CONVERSION⁽²⁾

(R\$ million; ex-IFRS 16; OCF/EBITDA %)

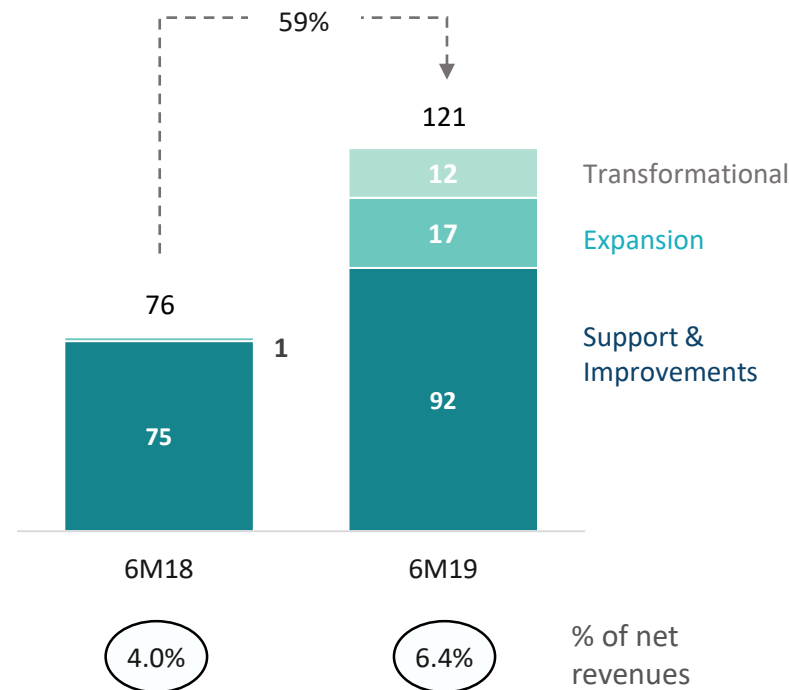


(1) 2Q18 EBITDA adjusted by R\$9.4 million from consultancy and organization restructuring costs

(2) Operating cash flow before capex divided by reported EBITDA



INVESTMENT PROGRAM



SUPPORT & IMPROVEMENTS

Recurring investments that contribute to support and improve our business, including updating our unit's infrastructure

EXPANSION

Investments concentrated on the development of new offers and the construction of dentistry laboratories

TRANSFORMATIONAL

Projects with non-recurring features such as document scanning systems, regulatory framework adaptation and air conditioning upgrade, as well as the development of systems within the scope of our customer Loyalty Program.

2019 FY CAPEX GUIDANCE

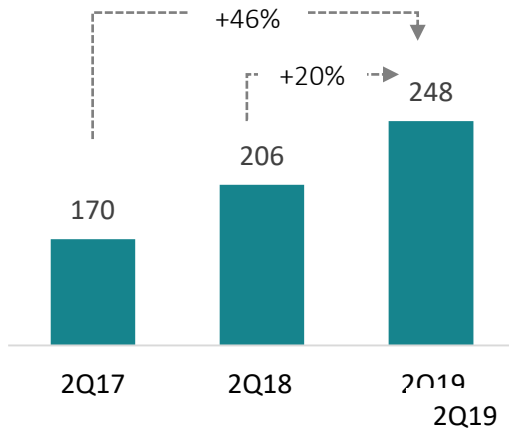
~R\$330 million⁽¹⁾

(1) Does not include costs associated with potential M&A

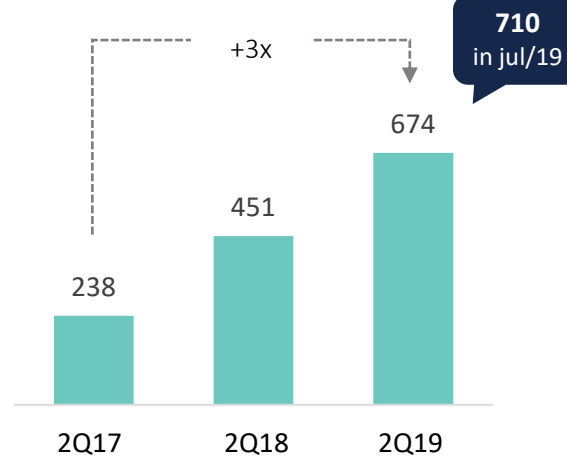


DL EXPANSION PATH

TOTAL STUDENT BASE EVOLUTION
(Thousand)



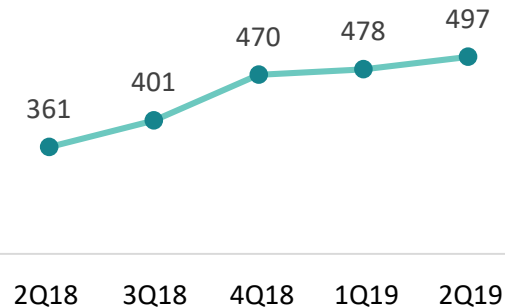
DISTANCE LEARNING CENTERS
(# of centers)



(thd students)	2Q18	2Q19	Δ%
100% DL	137	164	20%
Flex	20	33	61%
Post-graduates	49	51	4%
Total	206	248	20%

17% OF UNDERGRAD BASE
vs 13% in 2Q18

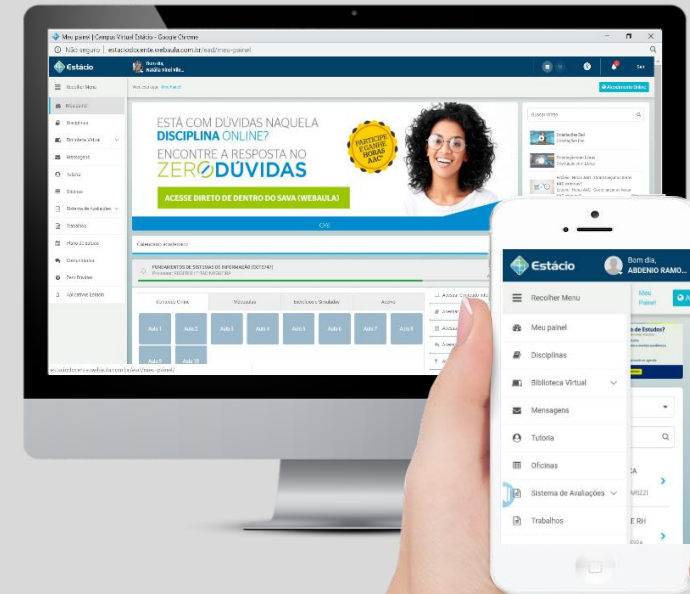
CITIES COVERED
(# of cities)



OUR MODEL & STRATEGY

EXPANSION OPPORTUNITIES
IN SMALL AND MEDIUM CITIES

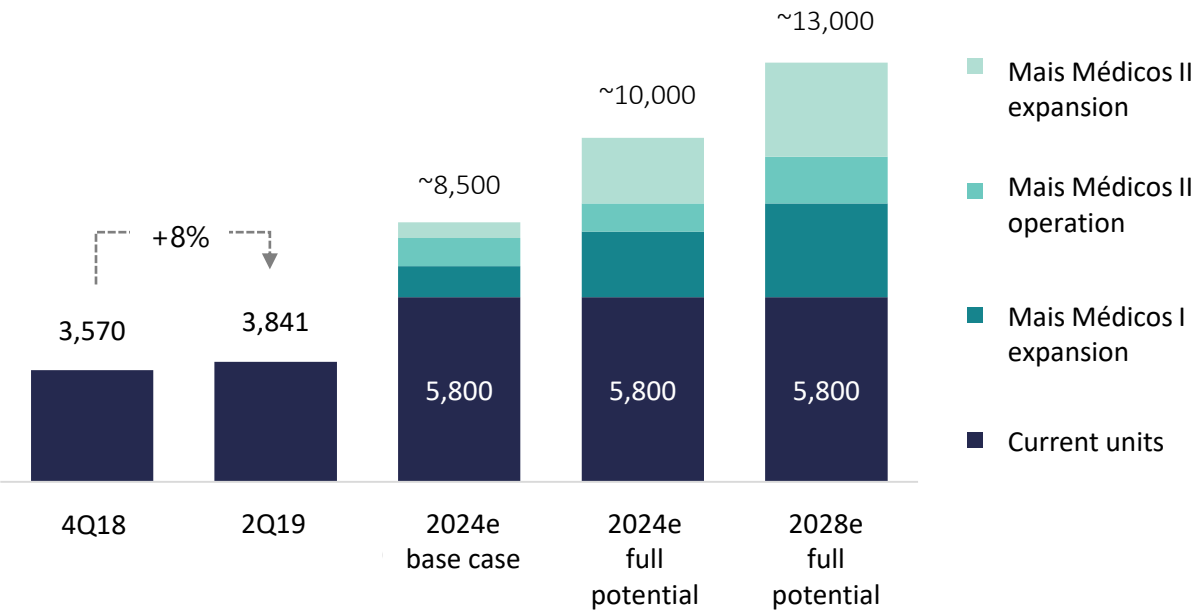
40% OF DL PARTNER CENTERS
STILL IN THE FIRST INTAKE CYCLE



MEDICINE: UNLOCKING VALUE & POTENTIALITIES

EXISTING MEDICINE STUDENT BASE EVOLUTION

(# of students)



NET REVENUES

R\$174 million
in 6M19

+19% YoY
(vs 6M18)

9.2%
of total net revenues

AVG. TICKET

>R\$8,000
OUT OF POCKET⁽¹⁾
BASE IN 2Q19

(1) Excluding ProUni and scholarship holders

DISCLAIMER: Student base includes full scholarship holders from Mais Médicos units (I and II), plus ProUni and FIES students. Estimates consider: (a) approval by the Ministry of Education (MEC) of four Mais Médicos II campuses; (b) favorable decision from MEC to expand the number of seats in each Mais Médicos unit by 50 seats/year; (c) in full potential scenario every Mais Médicos unit will be allowed by MEC to expand its seats to the maximum permitted by regulation (+100 seats/year).



MAIN 2Q19 TAKEAWAYS



Student Base: +3% YoY
(+10% ex-FIES)



Intake record in 2019.1
(+13% YoY)



Retention Rate
(+1p.p On-campus & DL)



Costs & expenses efficiency (-5% YoY)



Gross margin gains (58%
vs 56% in 2Q18)



Solid cash conversion
(66.5% in IFRS 16)

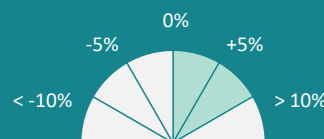
EXPECTATIONS FOR 2019.2 INTAKE SEASON

(vs 2018.2)

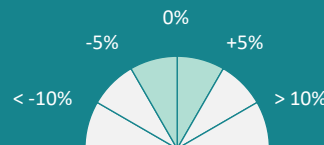


ON-CAMPUS

VOLUME
intake

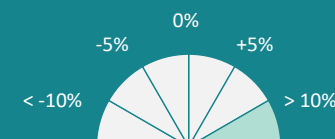


TICKET
Intake + renewal

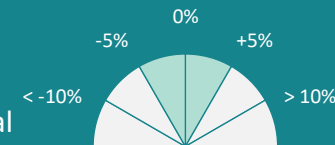


DL

VOLUME
intake



TICKET
Intake + renewal



YDUQS

WE ARE PREPARED FOR GROWTH



Positioning and high tech on DL



Medicine schools maturation



Solid position and cash flow generation



Access to the capital markets





YDUQS



Estácio

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