



Estácio



EARNINGS RELEASE

1Q19

B3: ESTC3 | ADR: ECPCY

Rio de Janeiro, May 9, 2019 - **A Estácio Participações S.A.**, ., one of the largest private organizations in the Brazilian higher education segment, presents **results for the first quarter of 2019 (1Q19)**.

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 first quarter of 2018 (1Q18), 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 1Q19, 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.

EARNINGS CONFERENCE CALL:

May 10th, 2019 09:00 a.m (BRT) | 08:00 (EST)

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[Click here to access the WebCast](#)

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MESSAGE FROM MANAGEMENT

We started 2019 with the great challenge of neutralizing the impact of FIES graduates in our results, the slower than expected recovery of the economy and the still difficult competitive scenario. These factors required our ability to execute in order to overcome adversity and present solid results in the quarter, showing the resilience of our operation.

Intake

With the **implementation of improvements in the intake process as a whole**, we had a very good result and within our expectation, with a strong growth of Distance Learning by almost 30% year-on-year, in addition to the stability in the on-campus segment. We reached the number of 187.0 thousand students, the highest level ever recorded, up 13% over 2018.

1st Quarter

In addition to the improvement in student Intake, we highlight the stability of the financial results and the improvement of profitability margins, **showing the resilience of our operation.**

On the operating side, the student base closed the quarter at 561.0 thousand students, up 3% year-over-year. The on-campus segment increased 2.1% year-on-year, ex-FIES impact. **There was a strong expansion in undergraduate Distance Learning segment, up by 24% in the annual comparison, our all-time record Intake in this segment.** We expect a decrease of the impact of FIES over the course of the year, reaching low levels by the end of 2019. It should be noted that the retention rates, which are a good thermometer for the operation, remained stable for both on-campus and distance learning segments.

Regarding **the financial results, as expected, the impact of new projects and the mitigation of expenses provided stability in revenues and EBITDA.**

It should be noted the evolution of the gross margin, which reached 60.4% and the highest level ever reported by the company. Net profit reached R\$247 million, up 25% over 2018. In this context, the shareholders' meeting approved the allocation of R\$153 million as dividends, with payment for June 13, 2019.

Quality

Quality indicators continue to evolve. Around 53% of the courses have grades 4 and 5 - an improvement over the 48% in the last measurement. Looking at the 2018/2019 evaluation, 84% of the courses evaluated received grades 4 and 5.

Conclusion & Perspectives

We expect the same challenging first-quarter scenario for the rest of 2019. As priorities, we have two fronts: Operation and Growth.

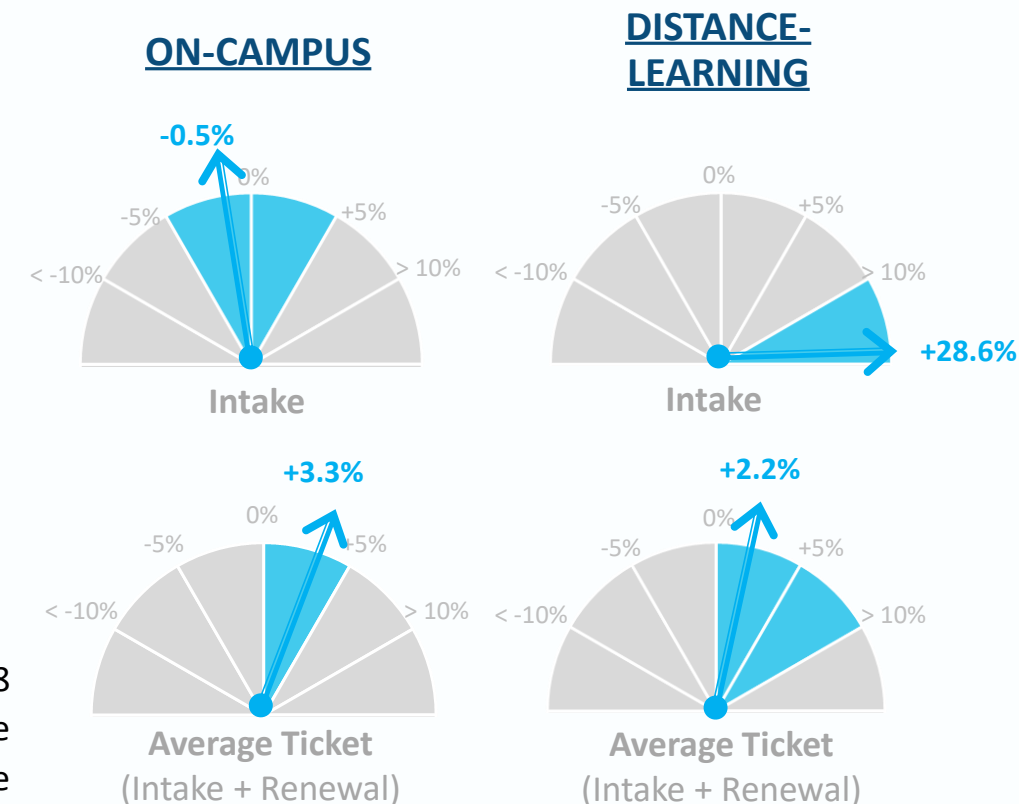
For the first one, **we'll continue with improvements in the Intake process** and in the students' experience, keeping efficiency levers in costs and expenses and, therefore, in the stability of the results.

Regarding growth strategy, we'll **expand through health courses and Distance Learning** and will continuously monitor market opportunities to grow through acquisitions.

Intake ('000 Students)	1Q18	April/18	2018.1	1Q19	April/19	2019.1	2019.1 vs 2018.1
On-Campus Undergraduate	79,6	10.0	89.6	81.2	7.9	89.1	-0.5%
Students Base Non-FIES	78.4	9.3	87.7	79.6	7.4	87.0	0.8%
FIES Students	1.2	0.7	1.9	1.6	0.5	2.1	10.5%
Distance-learning Undergraduate	63.9	12.3	76.2	84.9	13.1	98.0	28.6%
100% DL	54.0	11.3	65.3	64.5	12.0	76.5	17.2%
FLEX DL	9.9	1.2	11.1	20.4	1.1	21.5	93.7%
Total Intake	143.5	22.2	165.8	166.1	21.0	187.1	12.8%

- We closed April with **187.1 thousand students in the 2019.1 intake cycle**, up 12.8% over 1Q18 and within the expectation disclosed by the company at the last results presentation. Despite the still challenging scenario, the company benefited from the strong expansion of the Distance Learning segment and the new pricing intelligence resulting from the implementation of the Pricing project.
- **The Intake of the On-Campus Segment** decreased 0.5% over 1Q18, within the expectations of the company and observing the average ticket maintenance and discipline of discounts concession.
- **Intake in the Distance Learning Segment** grew by 28.6%, driven by the inauguration and maturation of new distance learning segment, as well as the new courses offered at the end of 2018. When we consider the same centers criteria, intake increased by 16.6%. The highlight of this cycle was the FLEX Segment, our hybrid teaching model, which has reached a good acceptance. Flex intake increased by 93.7% in the 2019.1 cycles.

PROSPECTS AND RESULTS OF THE 2019.1 INTAKE

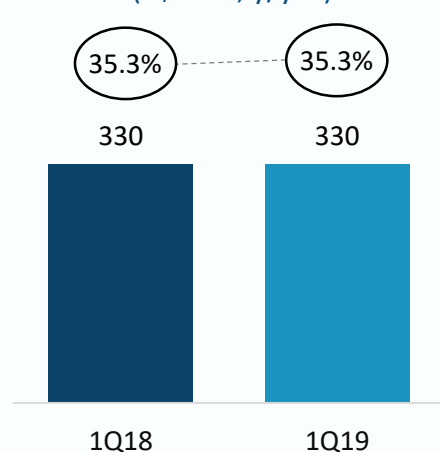


Financial Highlights (R\$MM)	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
Net Revenues	935.7	932.6	932.6	-0.3%
Gross Revenues	552.3	572.5	563.6	2.0%
Gross Margin	59.0%	61.4%	60.4%	1.4 p.p.
EBITDA	330.1	384.6	329.6	-0.2%
EBITDA Marging	35.3%	41.2%	35.3%	0.1 p.p.
Net Income	197.4	240.8	246.7	25.0%
Net Margin (%)	21.1%	25.8%	26.4%	5.4 p.p.

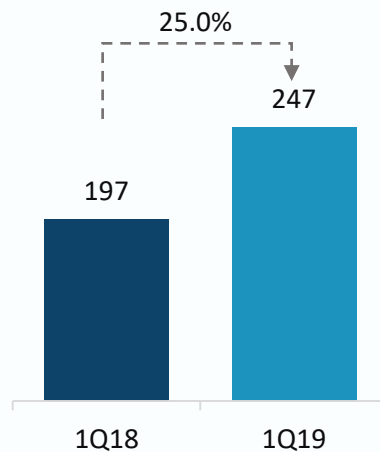
Student Base (thousand)	1Q18	1Q19	Δ%
Total	546.0	561.3	2.8%
Total Non-Fies	468.4	512.8	9.5%
Total On-Campus	346.5	322.1	-7.0%
Non-FIES On-Campus Undegrad	239.1	244.0	2.1%
Total Distance-Learning	199.5	239.2	19.9%

- The **Total Student Base** in 1Q19 was of 561.3 thousand students, **2.8% higher** than in 1Q18. When excluding FIES student base, the growth of the total base was of 9.5%. We highlight **the Distance Learning Base (+20%)** and **the 2.1% increase in the On-Campus Base** when excluding the FIES students.
- The **Average Ticket of the On-Campus Segment** totaled R\$819.9 in 1Q19, up 3.8% over 1Q18. The Average Ticket of the Distance Learning segment increased 4.0% over 1Q18, totaling R\$278.0.
- Net Revenue** totaled **R\$932.6 million** in 1Q19, in line with the revenue presented in 1Q18.
- Gross Profit** reached **R\$563.6 million, up 2.0%** year-over-year, with a **gross margin of 60.4%**, up 1.4 p.p. on the margin presented in the previous year.
- EBITDA** totaled **R\$329.6 million** in 1Q19 with a **Margin of 35.3%**, stable when compared to 1Q18.

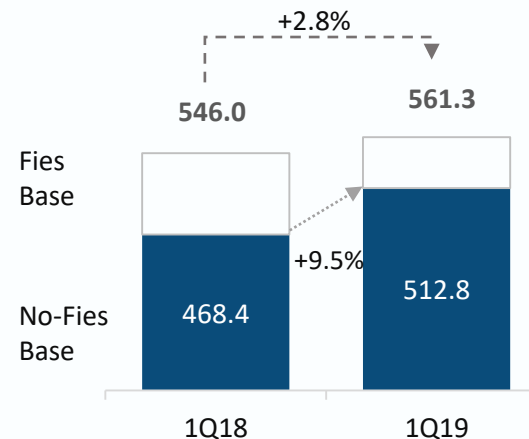
EBITDA⁽¹⁾ and Margem
(R\$ MM; y/y %)



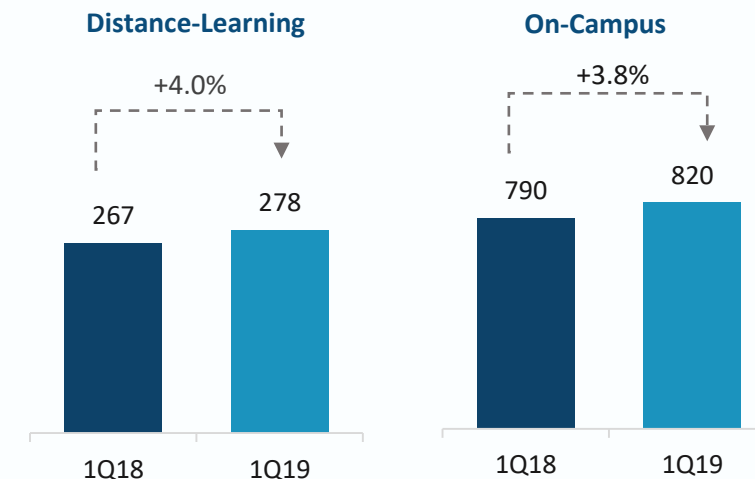
Net Income⁽¹⁾ (R\$MM)



Total Base ('000)



Average Ticket (R\$)

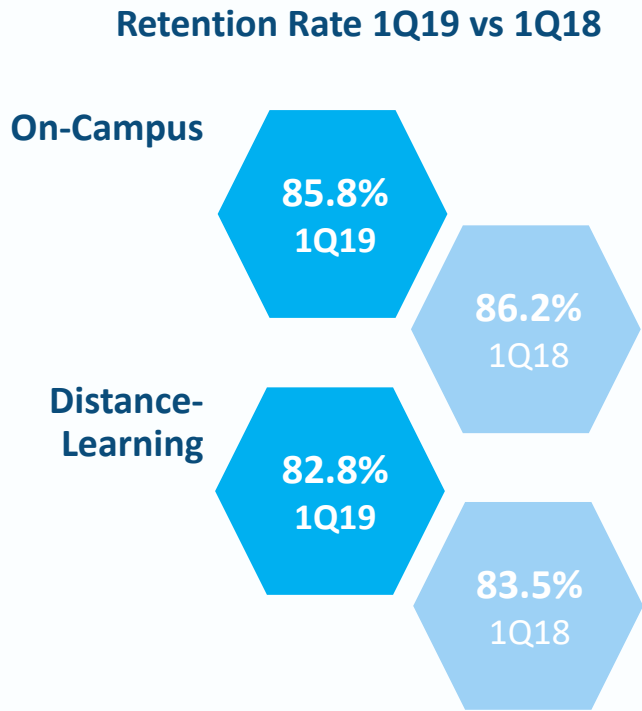
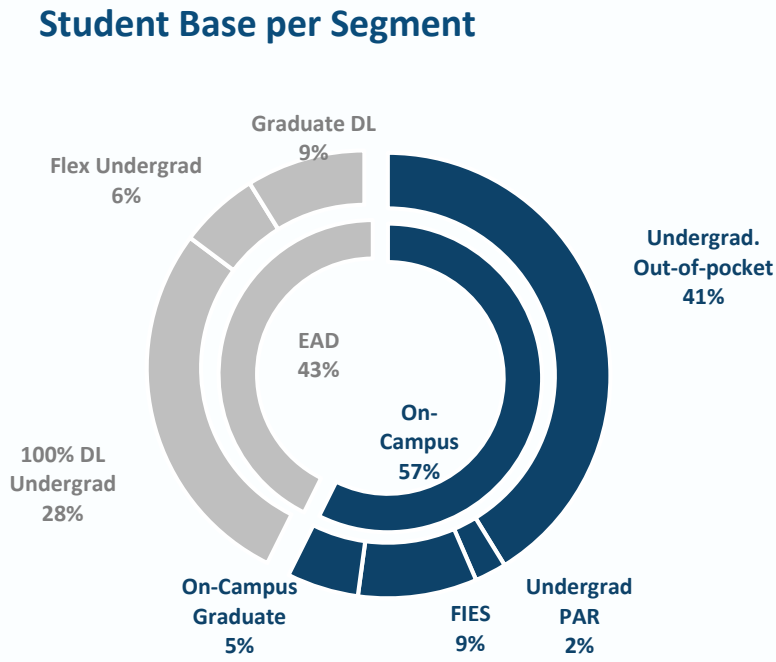
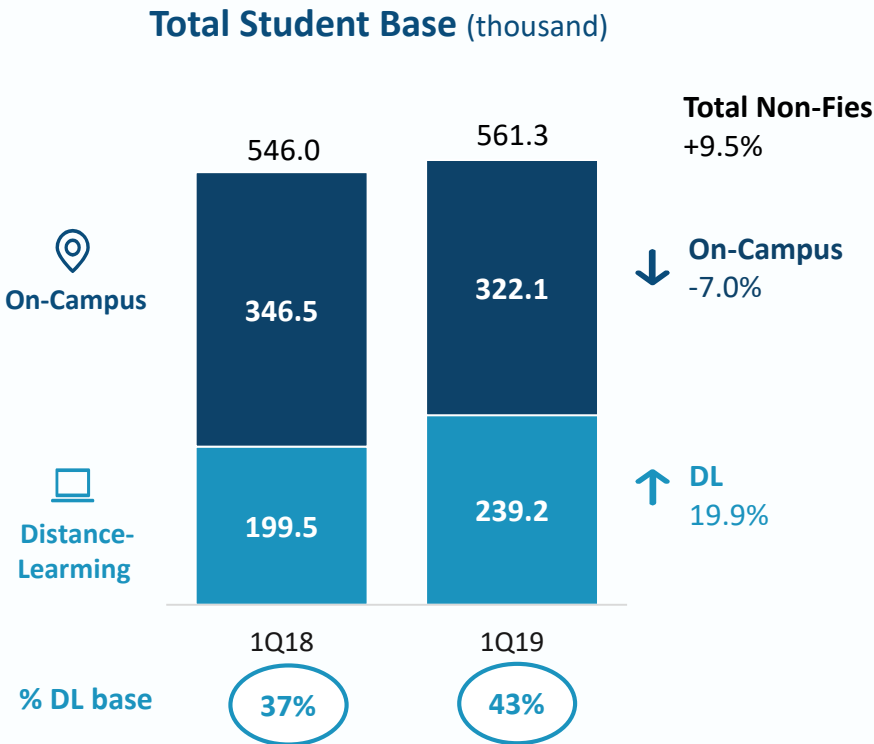


⁽¹⁾ Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18..

Total (thousand)	1Q18	1Q19	Δ %
Total Student Base	546.0	561.3	2.8%
Total Non-FIES	468.4	512.8	9.5%
Undergraduate	469.1	482.1	2.8%
Total DIS [a + b]	106.0	212.6	100.5%
Graduate	76.9	79.2	3.0%
Own	35.9	33.4	-7.1%
Partnerships	41.0	45.9	11.9%

On-campus (thousand)	1Q18	1Q19	Δ %
Total On-Campus	346.5	322.1	-7.0%
Undergraduate non-FIES	239.1	244.0	2.1%
Undergraduate	316.7	292.5	-7.7%
Total On-Campus DIS [a]	58.1	105.6	81.7%
Out-of-pocket	223.2	228.4	2.3%
FIES	77.7	48.5	-37.6%
PAR	15.9	15.6	-1.6%
Graduate	29.8	29.7	-0.4%
Own	18.8	15.9	-15.1%
Partnerships	11.0	13.7	24.5%

Distance-learning (thousand)	1Q18	1Q19	Δ%
Total Distance-Learning	199.5	239.2	19.9%
Undergraduate DL+ Flex	152.4	189.6	24.4%
Total DL DIS [b]	47.9	107.0	123.4%
100% Distance-Learning	132.1	156.2	18.2%
DIS	40.7	84.9	108.6%
Distance-Learning – Flex	20.2	33.4	64.7%
DIS	7.2	22.1	206.5%
Graduate	47.1	49.6	5.2%
Own	17.2	17.5	1.7%
Partnerships	29.9	32.1	7.3%



CHANGES IN THE UNDERGRADUATE BASE (1/2)

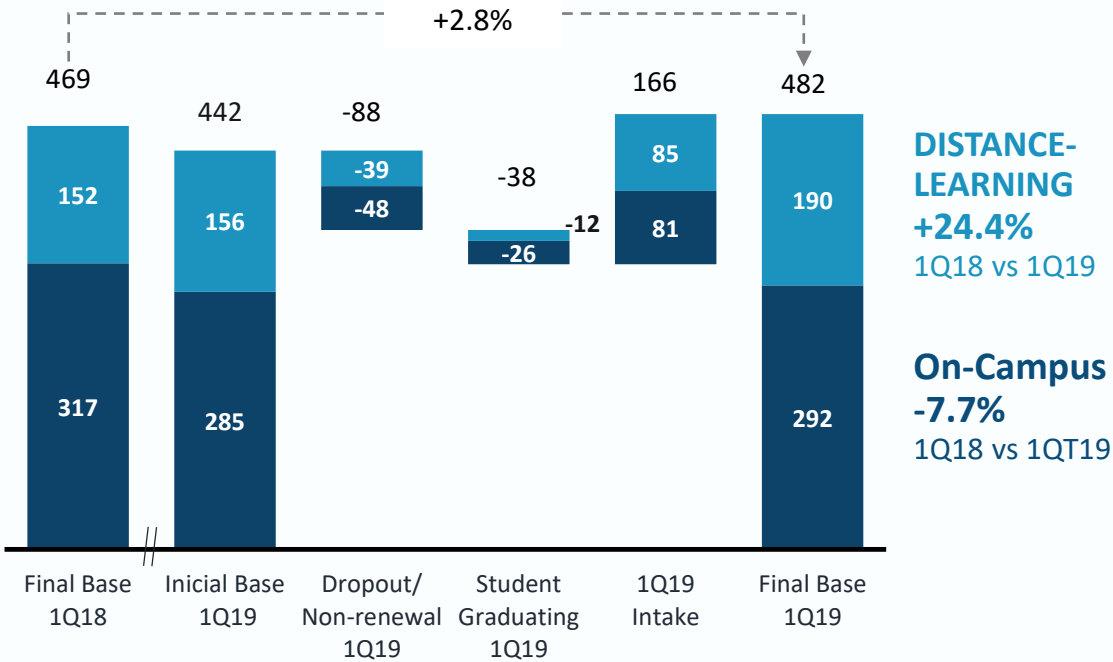
OPERATION

FINANCIALS

APPENDIZ

1Q19

In thousands	1Q18 Intake	Final 1Q18	Inicial 1Q19	Dropout/N on-renewal	Student Graduating	1Q19 Intake	Final 1Q19	Intake Y/Y	Base Y/Y
Undergraduate	143.5	469.1	441.6	(87.7)	(37.9)	166.1	482.0	15.7%	2.8%
On-Campus	79.6	316.7	285.4	(48.4)	(25.7)	81.2	292.5	2.0%	-7.7%
FIES	1.2	77.8	64.9	(7.1)	(10.9)	1.6	48.5	30.4%	-37.6%
PAR	8.2	15.9	15.0	(3.9)		4.6	15.6	-44.5%	-1.7%
Out-of-Pocket	70.2	223.1	205.6	(35.9)	(14.9)	75.1	228.3	7.0%	2.3%
DIS	60.4	58.1	67.6	(21.9)		59.9	105.6	-0.9%	81.7%
100% DL + FLEX	63.9	152.4	156.1	(39.3)	(12.1)	84.9	189.6	32.8%	24.4%
100% DL	54.0	132.1	135.6	(32.2)	(11.6)	64.5	156.3	19.4%	18.3%
DIS	42.2	40.7	58.6	(22.9)		49.2	84.9	16.7%	108.6%
FLEX DL	9.9	20.2	20.6	(7.2)	(0.5)	20.4	33.3	106.2%	64.6%
DIS	7.5	7.2	9.8	(4.5)		16.8	22.1	123.4%	206.5%
Total DIS	110.1	106.0	136.0	(49.3)		125.9	212.6	14.3%	100.5%



Retention Rate ⁽¹⁾	1Q18	1Q19
On-campus Undergraduate	86.2%	85.8%
Distance-learning Undergraduate	83.5%	82.8%

The **retention rate of the on-campus segment in 1Q19 was 85.8%**, down 0.4 p.p. over 1Q18. The company started to implement the action plans established by the Loyalty project, which has the purpose to counter the decrease in FIES student base, which have lower dropout rates.

The **retention rate of the Distance Learning** segment decreased 0.7 p.p., at 82.8% in 1Q19.

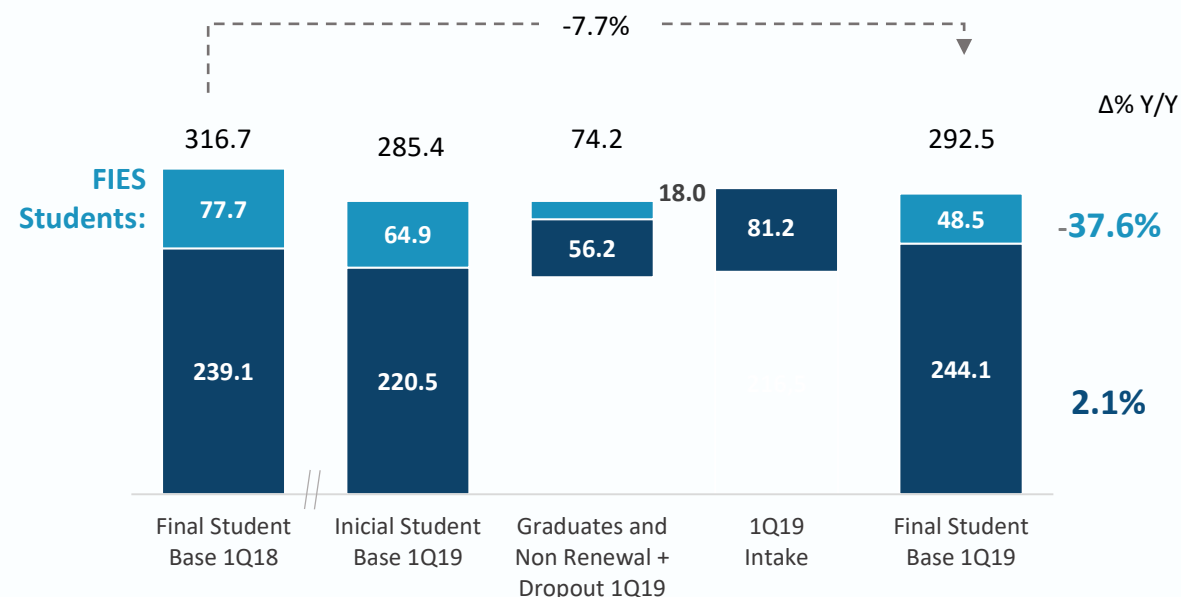
Intake Analysis	1Q18	1Q19
% PAR / On-campus undergrad. Intake	10.4%	5.6%
% FIES / On-campus undergrad. Intake	1.5%	1.9%
% DIS / Total Intake	76.7%	75.8%

When analyzing the funding programs, **PAR** represented 5.6% of the funding of the 1Q19 on-campus market, down over 1Q18, when the product was launched. The decrease can be explained by a lower student interest in funding products.

The intake of students who opted for the **DIS** product represented 75.8% of the total funding.

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

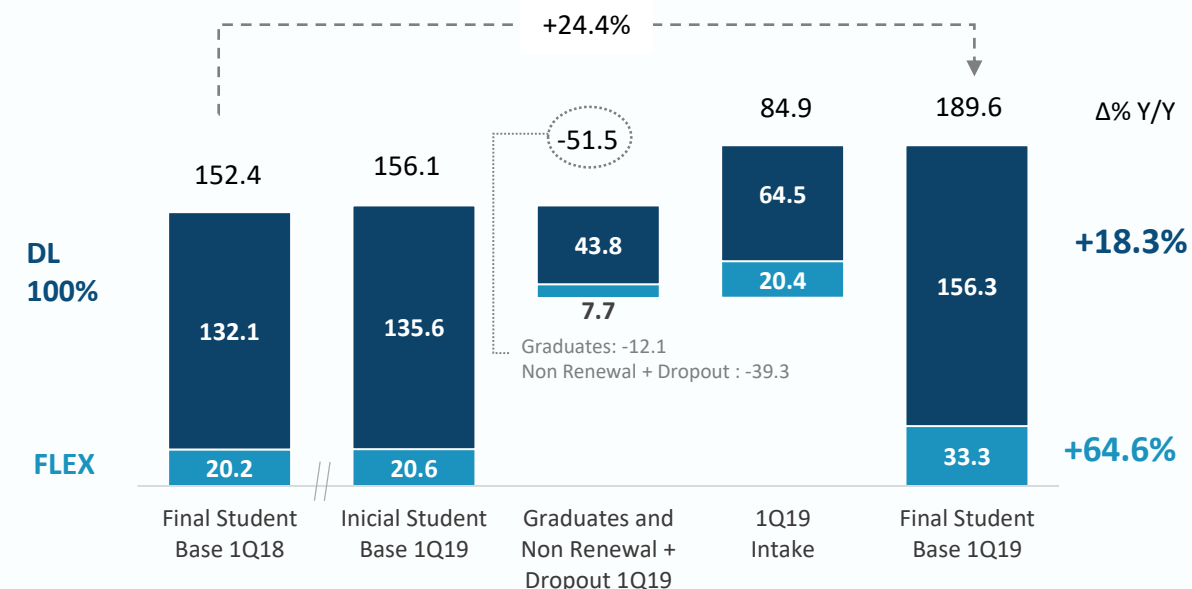
ON-CAMPUS UNDERGRADUATE ('000)



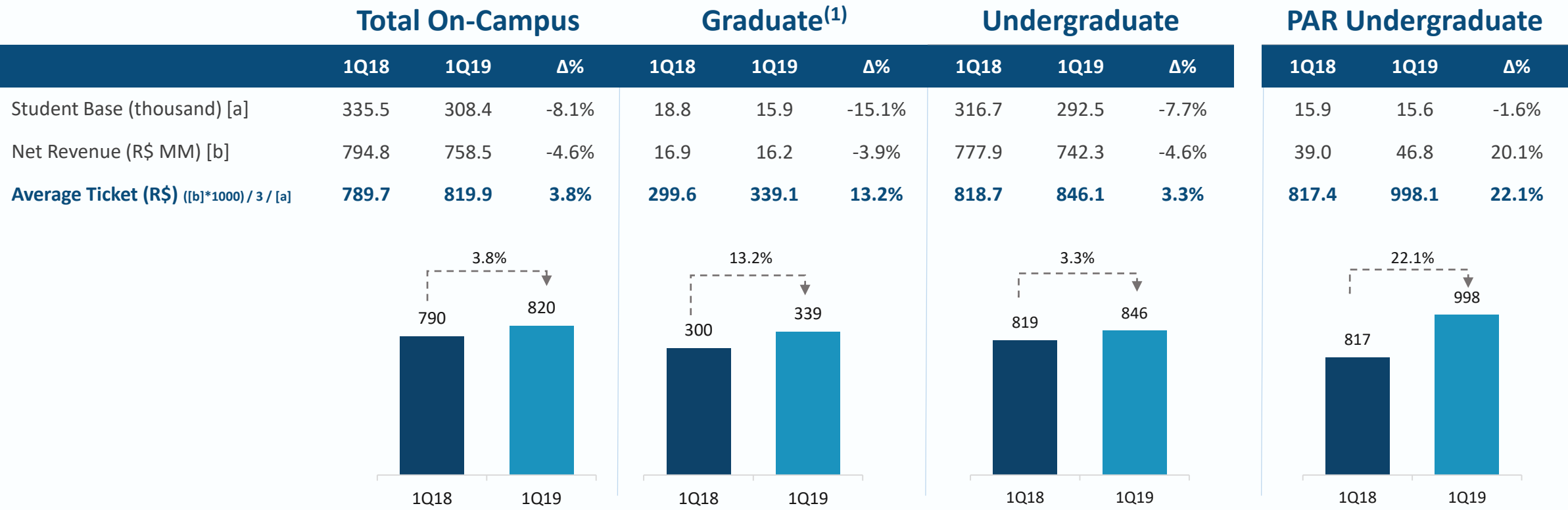
The base of **on-campus undergraduate** students totaled 292.5 thousand at the end of 1Q19, 7.7% less than in 1Q18, mainly due to the 37.6% decrease in the FIES student base.

Excluding the total number of FIES students, the base of on-campus undergraduate students was 2.1% higher than in 1Q18.

DISTANCE-LEARNING UNDERGRADUATE ('000)



The **Distance Learning undergraduate** student base increased by 24.4% over 1Q18, totaling 189.6 thousand students. The highlight of the Distance Learning segment was the **Flex Distance Learning** student base, up 64.6% over 1Q18, totaling 33.3 thousand students. The **100% Distance Learning student base** grew by 18.3% over 1Q18, totaling 156.3 thousand new students. We highlight the strong growth of our student base at partner distance learning centers: 50% above the student base in partner centers in 1Q18.



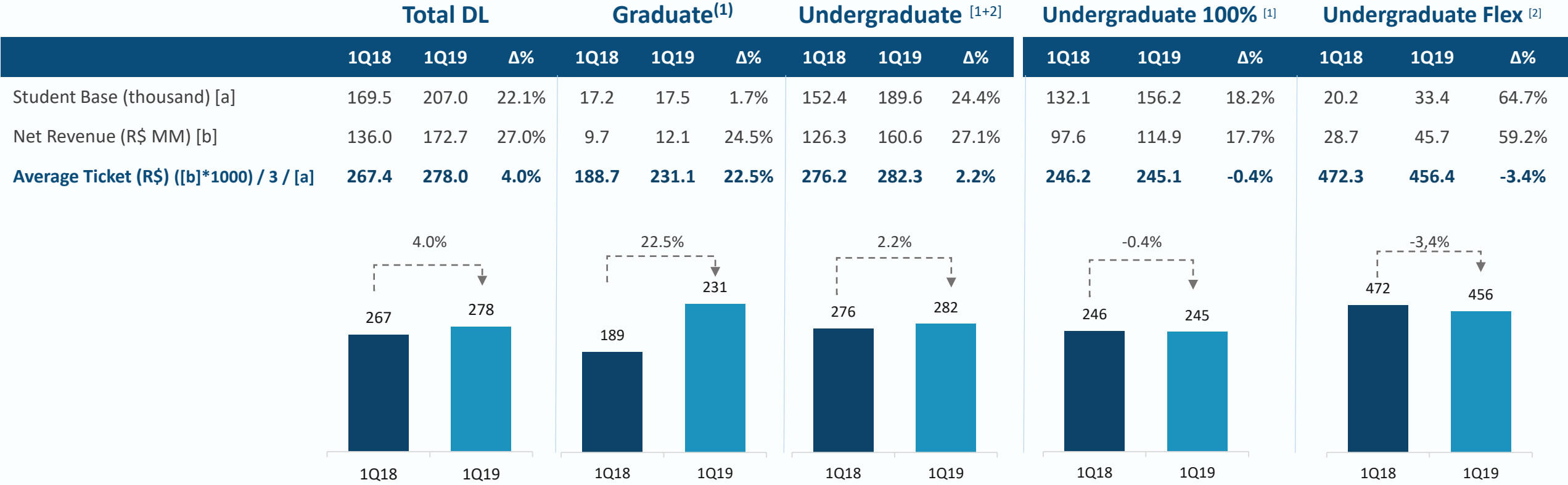
Undergraduate Courses: the average ticket increased by 3.3% over 1Q18, to R\$846.1, mainly due to the mix of courses and the readjustment of veterans’ monthly tuitions, in line with the Company’s cost inflation. The new offers in the on-campus segment launched throughout 2018 focused mainly on health and engineering courses.

Graduate Courses: the segment had an increase of 13.2% over 1Q18, to R\$339.1.

PAR Undergraduate : showed an increase of 22.1% in 1Q19 vs. 1Q18, due also to the readjustment of monthly tuitions and the course mix.

After concluding the Pricing project, the company gained a greater intelligence and agility to launch campaigns, manage scholarships and the pricing strategy, making the best decisions considering the strengths and weaknesses of each course/unit, as well as the movements of the competition.

⁽¹⁾ Students and revenue from undergraduate courses with partners are excluded from the calculation so to not distort the analysis.



Undergraduate Distance Learning: The ticket increased 2.2% in 1Q19 vs. 1Q18, reaching R\$282.3, driven mainly by the growth of the FLEX segment in the Distance Learning student base.

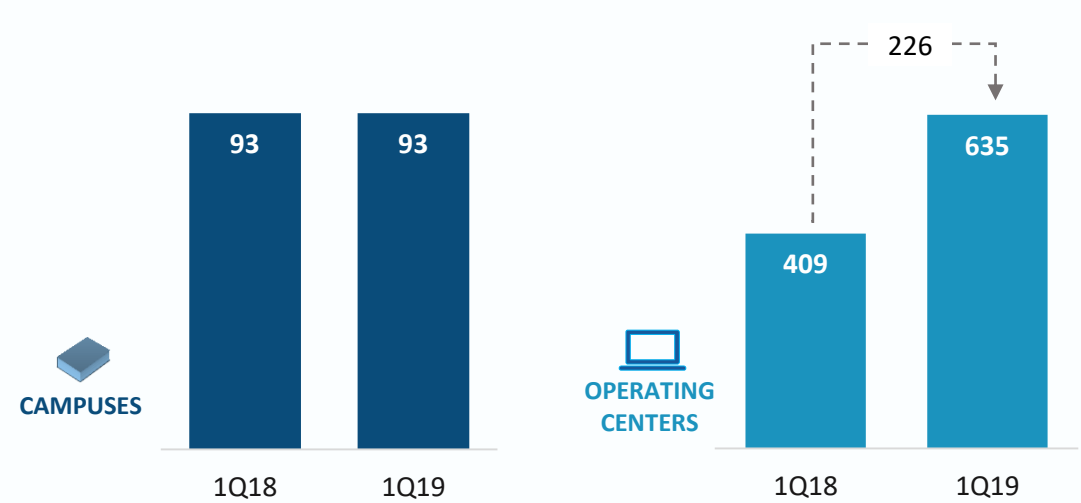
Undergraduate 100% Distance Learning: The average ticket reached R\$245.1. The strategy continues to focus on the expansion of poles and student base, as well as price revision by region, courses and classes and creation of new offers.

Undergraduate Flex: the average ticket decreased by 3.4% over 1Q18, totaling R\$456.4. Flex is a product that brings together in-person classes, use of laboratories and the flexibility of distance learning courses. Flex has been gaining more and more representation in our student base and already benefits from new courses and offers in 2019.

And in the **Graduate Distance Learning**, segment, the increase was of 22.5%, totaling R\$231.1, mainly due to the readjustment of monthly tuitions.

⁽¹⁾ Students and revenue from undergraduate courses with partners are excluded from the calculation so to not distort the analysis..

Total Campuses and Centers

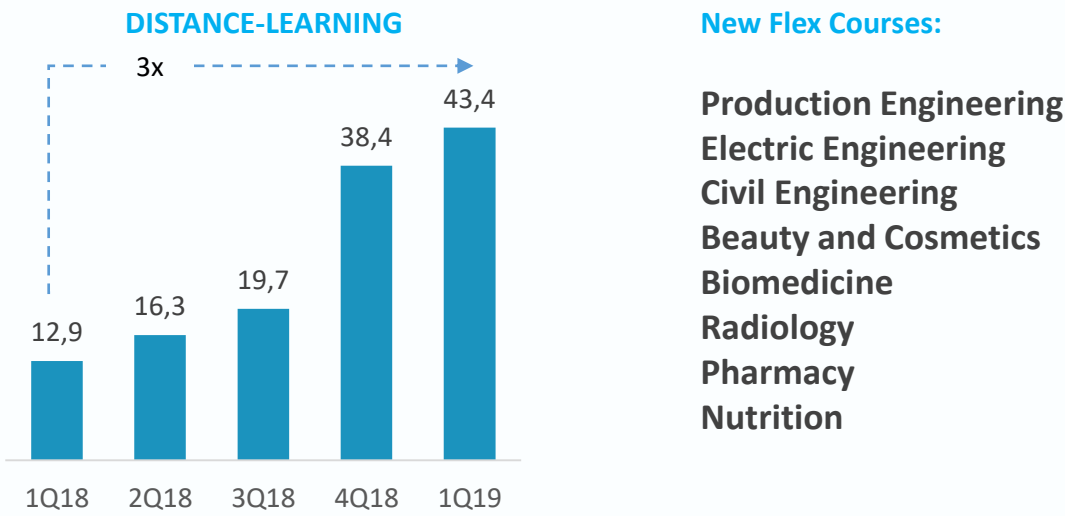


Units: Active Campuses and Centers

We closed the quarter with the same number of units compared to the same period last year.

Referring to the Distance Learning segment, we ended the quarter with 28 poles more over the end of 4Q18. Year-over-year, there was a strong increase of 226 poles, proving the success of the business model and the Company’s solid execution capacity. The company has MEC’s permission to open 350 poles a year. Most of our partner poles are in the process of maturation. The student base at partner poles grew over 50% when compared to 1Q18.

Evolution of Offers by Business Unit ('000)



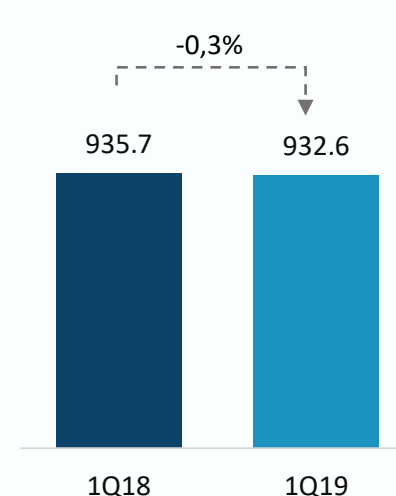
Offers: combination of course/shift/unit

In the on-campus segment, we closed the quarter with a total of 1,684 offers, down 10% over 1Q18 due to the strategic resizing of low-performance offers focused on increasing the operational efficiency of the units.

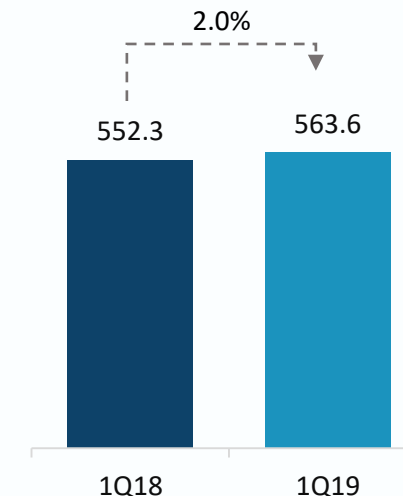
The Distance Learning segment remains with a strong expansion, mainly due to the opening of new courses and the increase of the number of centers. As a result, we closed the quarter with 43.4 thousand offers, more than 3x the number of 1Q18. We highlight the new offers of engineering in the FLEX segment and new courses focused on creative economics, such as: Design of Spaces and Experiences, Creation & Innovation in Design and Digital & Multimedia Content.

R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
Gross Operating Revenue	1,450.3	1,528.8	1,528.8	5.4%
Monthly Tuition Fees	1,440.0	1,517.8	1,517.8	5.4%
Others	10.2	11.1	11.1	8.1%
Gross Revenue Deductions	(514.5)	(596.2)	(596.2)	15.9%
Net Operating Revenue	935.7	932.6	932.6	-0.3%
Cost of Services	(383.4)	(360.1)	(369.0)	-3.8%
Gross Profit	552.3	572.6	563.6	2.0%
<i>Gross Margin</i>	<i>59.0%</i>	<i>61.4%</i>	<i>60.4%</i>	<i>1.4 p.p.</i>
Selling Expenses	(124.2)	(156.3)	(156.3)	25.9%
General and Administrative Expenses	(148.8)	(128.9)	(128.9)	-13.3%
Other operating revenue/expenses	2.2	3.8	3.8	71.0%
EBIT	281.6	291.0	282.1	0.2%
<i>EBIT Margin</i>	<i>30.1%</i>	<i>31.2%</i>	<i>30.2%</i>	<i>0.2 p.p.</i>
(+) Depreciation and amortization	48.6	93.6	47.5	-2.2%
EBITDA	330.1	384.6	329.6	-0.2%
<i>EBITDA Margin</i>	<i>35.3%</i>	<i>41.2%</i>	<i>35.3%</i>	<i>0.1 p.p.</i>
Net Income	197.4	240.8	246.7	25.0%
<i>Net Margin</i>	<i>21.1%</i>	<i>25.8%</i>	<i>26.4%</i>	<i>5.4 p.p.</i>

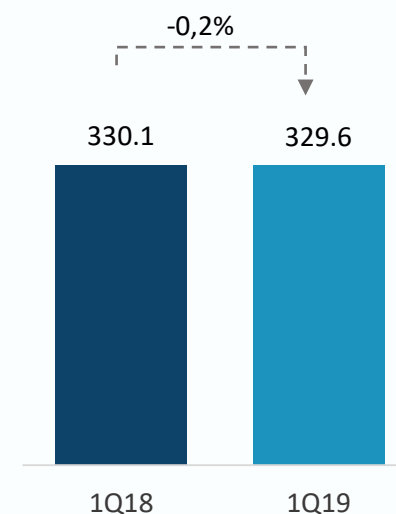
Net Revenue
(R\$MM)



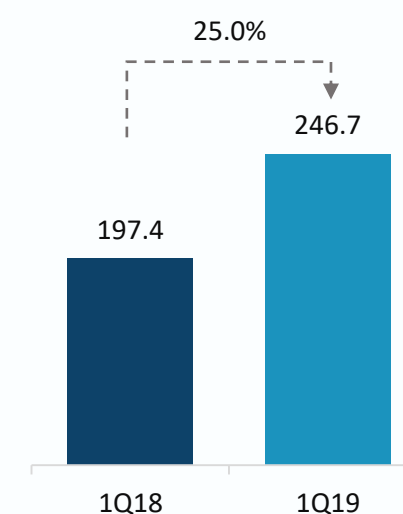
Gross Profit⁽¹⁾
(R\$MM)



EBITDA⁽¹⁾
(R\$MM)

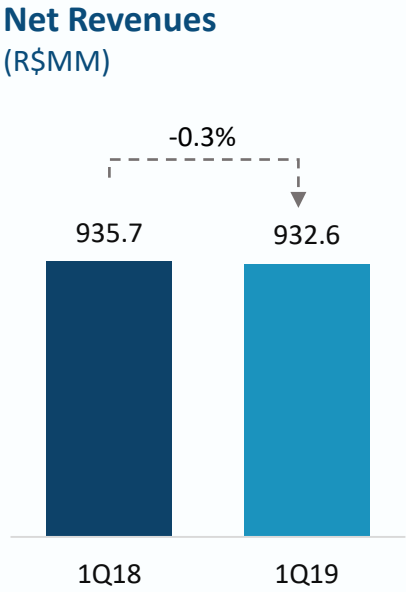


Net Income⁽¹⁾
(R\$MM)



⁽¹⁾ Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18.

R\$ MM	1Q18	1Q19	Δ%
Gross Revenues	1,450.3	1,528.8	5.4%
Monthly Tuition Fees	1,440.0	1,517.8	5.4%
Others	10.2	11.1	8.1%
Gross Revenues Deductions	(514.5)	(596.2)	15.9%
Discounts and Scholarships	(439.5)	(551.0)	25.4%
Taxes	(51.2)	(37.5)	-26.8%
Other deductions	(23.9)	(7.8)	-67.5%
Net Revenues	935.7	932.6	-0.3%



Net Operating Revenue totaled R\$932.6 million in 1Q19, down 0.3% over 1Q18. This change is explained by the following:

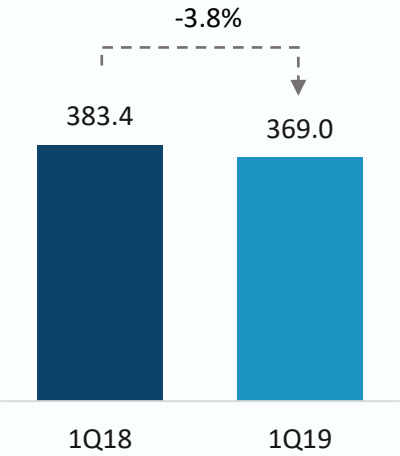
- Change in our student base mix with a higher concentration of students in the Distance Learning segment, due to the strong expansion of this segment in the last 12 months.
- Actions and discounts for new students enrolling to attract new students in this more challenging scenario. It should be noted that the company works with semiannual renewable discounts since.
- Decrease in demand for our PAR financing products, products that benefit the average ticket.

R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
Net Revenues	935.7	932.6	932.6	-0.3%
Cost of Services	(383.4)	(360.1)	(369.0)	-3.8%
Personnel ¹	(272.2)	(249.2)	(249.2)	-8.4%
Rents. condominiums and municipal property tax	(58.4)	(9.2)	(63.3)	8.4%
Third-party services	(14.7)	(13.6)	(13.6)	-7.6%
Electricity, water, gas and telephone	(7.8)	(8.6)	(8.6)	10.2%
Others	(6.8)	(8.8)	(8.8)	30.0%
Depreciation and amortization	(23.5)	(70.7)	(25.5)	8.6%
Gross Profit	552.3	572.5	563.6	2.0%
Gross Margin	59.0%	61.4%	60.4%	1.4 p.p.
Cost of Services (% of Net Revenues)	41,0%	38.6%	39.6%	-1.4 p.p.
Personnel (% of Net Revenues)	29.1%	26.7%	26.7%	-2.4 p.p.

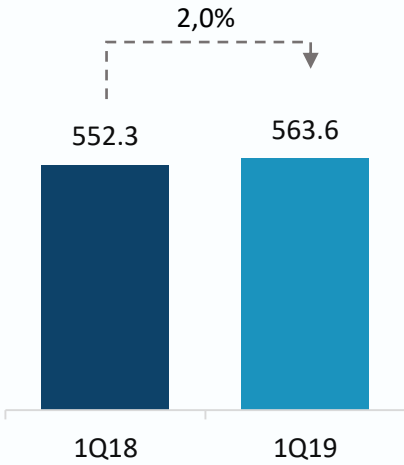
In 1Q19, the **cost of services** represented 39.6% of the net operating revenue, an efficiency improvement of 1.4 p.p. over 1Q18, or R\$14.4 million. The main changes are detailed below:

- Personnel costs decreased by R\$23.0 million in 1Q19, due to the organizational restructuring concluded in 4Q18.
- Third-party services decreased R\$1.1 million in 1Q19 due to the lower cost with consulting services in 2019.
- Gross profit** reached R\$563.6 million in the quarter, growth of 2.0%. We closed the quarter with a **gross margin** of 60.4%, up 1.4 p.p. over 1Q18.

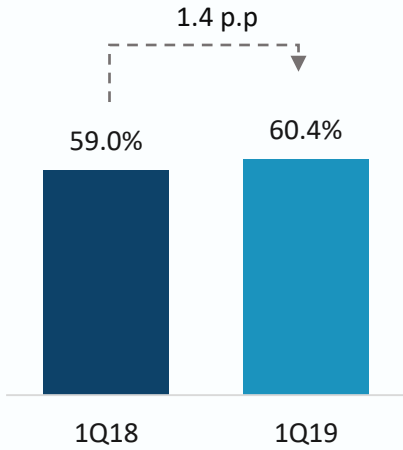
Cost of Services (R\$MM)



Gross Profit (R\$MM)



Gross Margin (%)

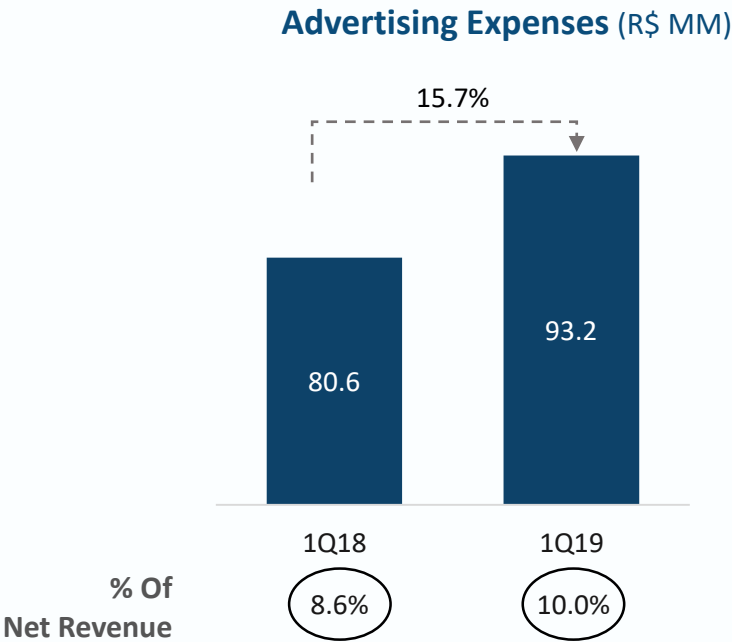
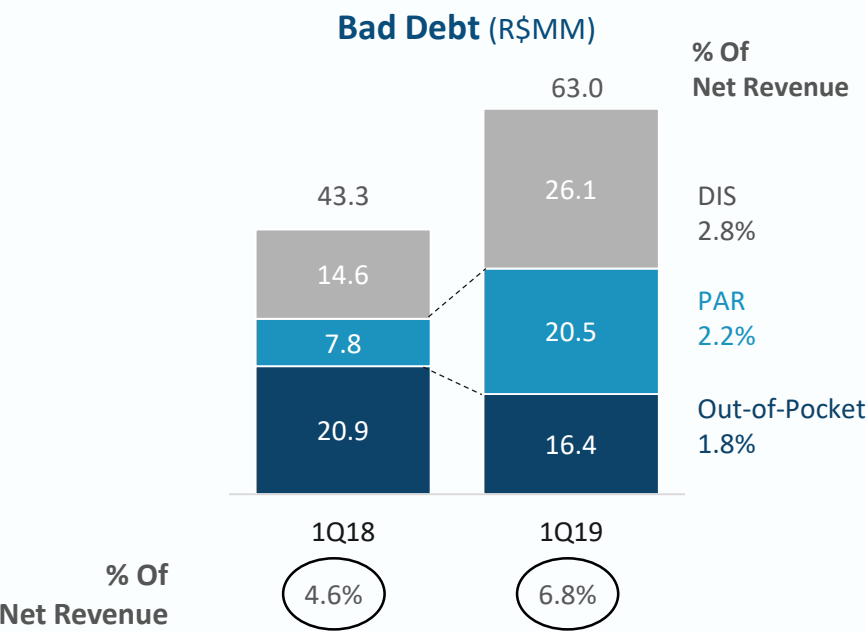


⁽¹⁾ Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18.

R\$ MM	1Q18	1Q19	Δ%
Selling Expenses	(124.2)	(156.3)	25.9%
Bad debt	(43.3)	(63.0)	45.6%
Out-of-pocket	(20.9)	(16.4)	-21.7%
PAR	(7.8)	(11.9)	53.0%
PAR dropout not renegotiated	-	(8.6)	N.A.
DIS	(14.6)	(16.2)	11.2%
DIS dropout not renegotiated	-	(9.9)	N.A.
Advertising	(80.6)	(93.2)	15.7%
Others	(0.3)	(0.1)	-62.1%
Selling Expenses (% Net Rev.)	13.3%	16.8%	3.5 p.p.
Bad debt (% of Net Rev.)	4.6%	6.8%	2.1 p.p.
Advertising (% Net Rev.)	8.6%	10.0%	1.4 p.p.

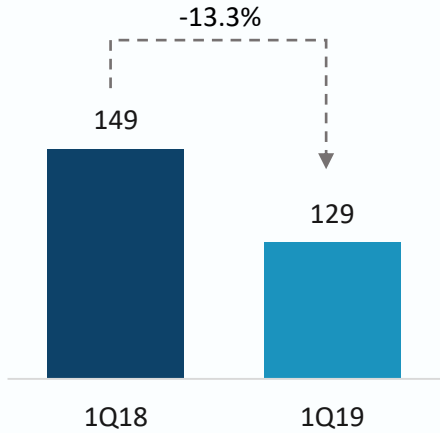
Selling expenses represented 16.8% of net operating revenue in 1Q19, up 3.5 p.p. over 1Q18, mainly due to the 2.1 p.p. increase in the Allowance for Doubtful Debts (PDD), which reached R\$63.0 million. The increase is due to the growth of DIS and PAR products, which have more strict provisioning criteria. It should be noted that the DIS campaign started in 1Q18 and, therefore, we had no impact of PDD DIS (dropout rate) in 1Q18.

Advertising expenses reached 10.0% of the net revenue in the quarter, up R\$12.6 million due to the intensification of campaigns to advertise offers during the intake period. We highlight the intensification in the Open TV campaign, as well as the reinforcement in the Videos and Web Search segments.

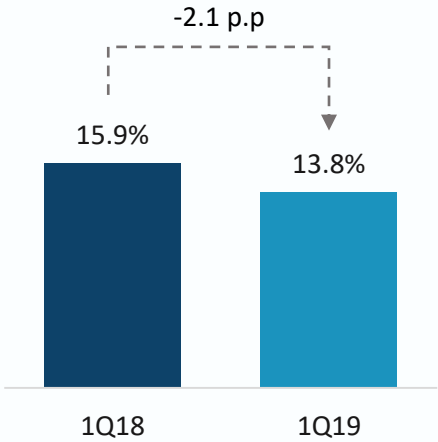


R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
General and Administrative Expenses	(148.8)	(128.9)	(128.9)	-13.3%
Personnel	(42.5)	(41.8)	(41.8)	-1.6%
Third-party services	(29.6)	(19.1)	(19.1)	-35.4%
Provision for contingencies	(25.5)	(21.3)	(21.3)	-16.4%
Maintenance and repair	(9.4)	(8.3)	(8.3)	-12.2%
Other	(16.8)	(15.6)	(16.5)	-1.5%
Depreciation and amortization	(25.1)	(23.0)	(22.0)	-12.3%
Other operating revenue/expenses	2.2	3.8	3.8	71.0%
G&A Expenses (% Net Rev.)	15.9%	13.8%	13.8%	-2.1 p.p.

G&A Expenses
(R\$ MM)



G&A of Net Revenue
(%)



In 1Q19, **general and administrative expenses** accounted for 13.8% of the net revenue, 2.1 p.p. more efficient than 1Q18. The total reached R\$128.9 million, down 13.3% year-over-year. See the main changes below:

- Expenses with third-party service, down 35.4% due to lower expenses with consultants in 2019. Consultancy expenses in 2018 refer to the *Pricing, Loyalty, Strategic Sourcing and Credit & Collection* projects. At the end of 2018 we concluded the projects and, therefore, the contracts with the consultants who assisted us in the process. The projects will be implemented throughout 2019.

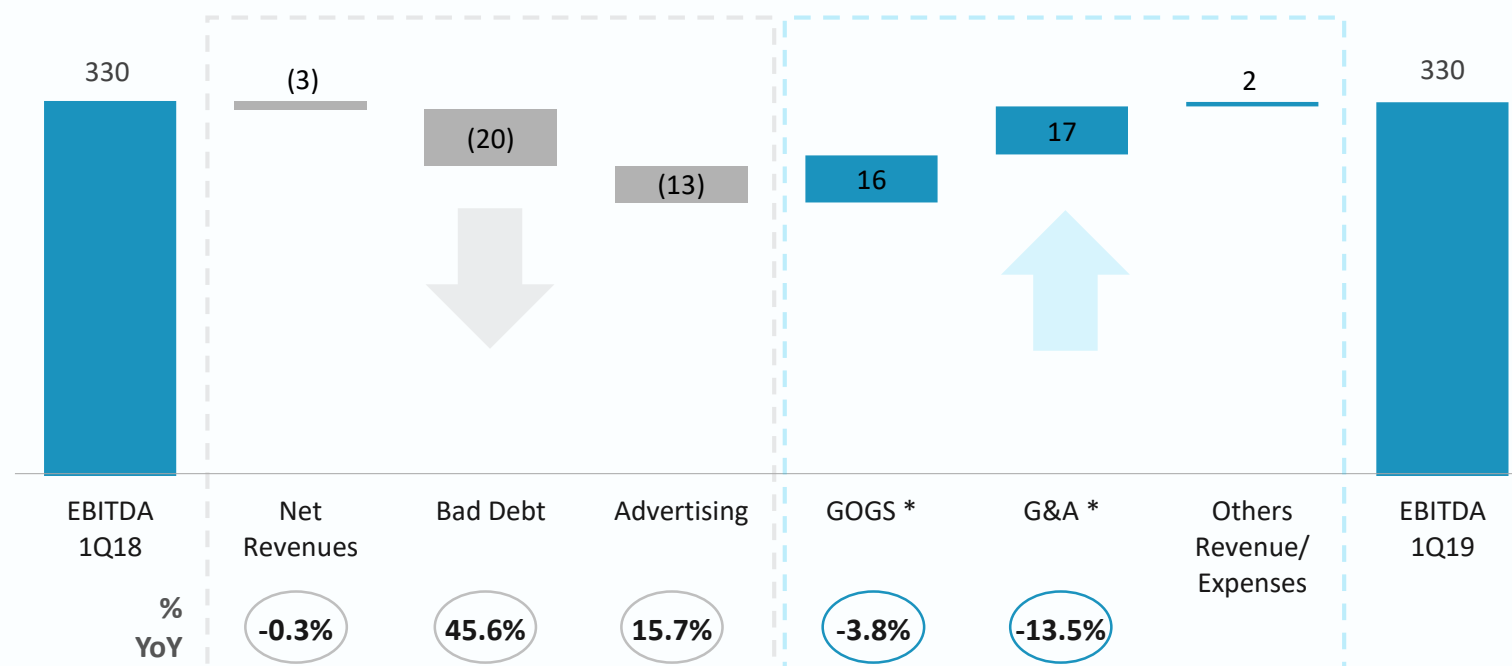
R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
Net Revenues	935.7	932.6	932.6	-0.3%
Costs and Expenses	(654.2)	(641.6)	(650.5)	-0.6%
(+) Depreciation and amortization	48.6	93.6	47.5	-2.2%
EBITDA	330.1	384.6	329.6	-0.2%
<i>EBITDA Margin</i>	<i>35.3%</i>	<i>41.2%</i>	<i>35.3%</i>	<i>0.0 p.p.</i>

In 1Q19, Estácio's **EBITDA** reached R\$329.6 million, down 0.2% year-over-year.

We have counted with the expansion of the Distance Learning segment and efficiency and costs and G&A to maintain the same level of revenue and margin recorded in 1Q18, despite the challenging scenario with the decrease in the FIES student base (-29,200 students) and an increase in provisioning levels.

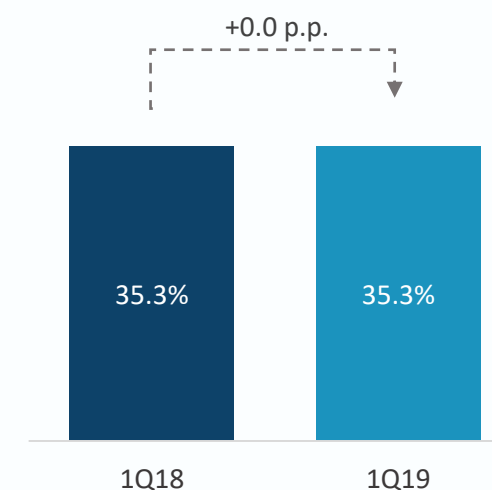
EBITDA Reconciliation

(R\$ MM; % Y/Y)



EBITDA Margin

(%; Δ Y/Y)



(1) Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18.

*Costs and G & A excluding depreciation and amortization

R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
Financial Result	(26.1)	(44.3)	(29.4)	12.6%
Financial Revenue	27.6	28.5	28.5	3.2%
Fines and interest charged	9.7	10.0	10.0	3.3%
Investment revenue	8.8	12.8	12.8	45.7%
Inflation adjustment & Others	9.1	5.6	5.6	-38.2%
Financial Expenses	(53.7)	(72.7)	(57.9)	7.8%
Interest and financial charges	(16.7)	(23.6)	(23.6)	41.5%
Financial discounts	(22.3)	(12.2)	(12.2)	-45.5%
Bank expenses	(5.3)	(10.2)	(10.2)	91.9%
Adjustment of contingencies & Others	(9.4)	(26.8)	(12.0)	27.1%

In 1Q19, the **financial result** totaled R\$29.4 million, up 12.6% in the quarter comparison. The increase in Interest and financial charges was due to the increase in the Company's gross debt after issuing Promissory note at the end of 2018 and the due replacement by Debenture V. This effect was offset by the increase in financial investments due to the higher average cash position of the company when compared to 1Q18.

R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
EBITDA	330.1	384.6	329.6	-0.2%
Financial Result	(26.1)	(44.3)	(29.4)	12.6%
Depreciation and amortization	(48.6)	(93.6)	(47.5)	-2.2%
Profit before income tax and social contribution	255.4	246.7	252.6	-1.1%
Income tax	(42.5)	(4.0)	(4.0)	-90.6%
Social contribution	(15.6)	(2.0)	(2.0)	-87.5%
Net Income	197.4	240.8	246.7	25.0%
<i>Net Margin (%)</i>	<i>21.1%</i>	<i>25.8%</i>	<i>26.4%</i>	<i>5.4 p.p.</i>

In 1Q19, Estácio posted a **net profit** of R\$246.7 million, up 25.0% and with a 5.4 p.p. margin gain year-over-year. The growth is due to a one-off effect in 1Q18 when, for bureaucratic reasons, the company was unable to renew the Negative Certificate of Tax Debits, temporarily impacting the actual tax rate. The distortion was corrected throughout 2018.

⁽¹⁾ Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18.

R\$ MM	1Q18	4Q18	1Q19
Monthly tuition fees received from students	641.1	869.8	1.007.7
Out-of-Pocket	406.2	577.2	616.9
Exchange Deals	20.7	23.3	24.3
PAR	100.6	173.3	198.3
DIS	108.8	91.3	168.2
Educar Amazônia	4.8	4.8	-
FIES	720.6	153.8	227.6
Others	178.2	146.5	188.8
Gross Accounts Receivable	1.539.9	1.170.1	1.424.1
Bad Debt	(320.9)	(402.6)	(439.8)
Out-of-Pocket	-	(317.5)	(331.1)
PAR (Dropout)	-	(33.5)	(42.1)
DIS (Dropout)	-	(56.0)	(65.9)
PAR (50%)	-	(68.3)	(80.2)
DIS (15%)	-	(12.3)	(28.5)
Educar Amazônia – Long Term	-	(4.6)	-
Amounts to be identified	(0.3)	(11.3)	(7.7)
Adjustment to present value (APV)	(35.3)	(45.0)	(52.5)
APV FIES	-		
APV PAR	(23.5)	(36.6)	(37.9)
APV EDUCAR	(0.3)	(0.3)	
APV DIS	(11.5)	(8.1)	(14.6)
Net Accounts Receivable	1.183.5	711.1	924.1

In this quarter, **gross accounts receivable** totaled R\$1,424.1 million, down 7.5% over 1Q19, mainly affected by the intake cycle and the due increase in Accounts Receivable from PAR and DIS.

Net accounts receivable totaled R\$924.1 million, down over 1Q18, mainly due to the increase in PDD given the more conservative rules regarding the new PAR and DIS products.

PAR and DIS Reconciliation

PAR

R\$ MM	1Q18	1Q19
Bad Debt	(7.8)	(11.9)
Bad Debt (Dropout)		(8.6)
PDD (% Rec. Líq.)	0.8%	2.2%

DIS

R\$ MM	1Q18	1Q19
Bad Debt	(14.6)	(16.2)
Bad Debt (Dropout)	-	(9.9)
PDD (% Rec. Líq.)	1.6%	2.8%

Coverage Ratio [a/b]	1Q18	1Q19
PAR and DIS	30.5%	29.7%
Total (Bad Debt/Gross Accounts Receivable ²)	34.4%	31.3%
% Financial Products/Gross Accounts Receivable ²	22.6%	25.7%

⁽¹⁾ Correction of installments based on IPCA and brought to present value based on NTN-2024..

Average Receivables Days

R\$ MM	1Q18	1Q19
Net Accounts Receivable	1,183.5	924.1
Annualized Net Revenue	3,495.7	3,616.3
Average Receivables Days	122	92

Non-FIES Average Receivables Days

R\$ MM	1Q18	1Q19
Net Accounts Receivable Ex-APV	1,183.5	924.1
Accounts Receivable Non-FIES	462.9	696.5
Annualized Net Revenue Non-FIES	2,365.1	2,780.8
Non-FIES Average Receivables Days	70	90

FIES Average Receivables Days

R\$ MM	1Q18	1Q19
FIES Accounts Receivable	720.6	227.6
FIES Revenue (LTM)	1,278.6	949.1
FGEDUC deductions (LTM)	(92.4)	(74.6)
Taxes (LTM)	(55.6)	(39.0)
FIES Net Revenue (LTM)	1,130.6	835.4
FIES Average Receivables Days	229	98

Estácio's PMR totaled 92 days, down 30 days over 1Q18. When excluding the effect of FIES, our PMR reaches 90 days, up 20 days over 2018.

PMR FIES also showed a decrease in 1Q19, of 131 days over 1Q18, reaching 98 days.

Aging of Total Gross Accounts Receivable¹

R\$ MM	1Q18	AV	1Q19	AV
FIES	720.6	47%	227.6	16%
PRONATEC	2.6	0%	-	N.A.
Partner Centers	1.7	0%	-	N.A.
Not yet due	394.4	26%	699.6	49%
Overdue up to 30 days	92.4	6%	98.5	7%
Overdue from 31 to 60 days	34.3	2%	43.9	3%
Overdue from 61 to 90 days	6.5	0%	8.8	1%
Overdue from 91 to 179 days	102.3	7%	171.2	12%
Overdue more than 180 days	185.0	12%	174.5	12%
Gross Accounts Receivable	1,539.9	100%	1,424.1	100%

¹ Note: The amounts overdue more than 360 days are written-off from Accounts Receivable up to the limit of the allowance for doubtful accounts

Aging of Agreements Receivable²

R\$ MM	1Q18	AV	1Q19	AV
Not yet due	37.0	41%	46.1	56%
Overdue up to 30 days	7.1	8%	3.9	5%
Overdue from 31 to 60 days	4.2	5%	4.1	5%
Overdue from 61 to 90 days	3.7	4%	2.9	3%
Overdue from 91 to 179 days	14.3	16%	8.5	10%
Overdue more than 180 days	22.8	26%	17.1	21%
Agreements Receivable	89.1	100%	82.6	100%
<i>% over non-FIES Gross Accounts Receivable</i>	11%		7%	

² Note: Excludes credit card agreements

FIES: Changes of Accounts Receivable

R\$ MM	1Q18	1Q19	Δ%
Opening balance	600.0	153.8	-74.4%
FIES revenue	283.7	182.4	-35.7%
Transfer	(145.7)	(95.6)	-34.4%
Provision for FIES	(21.7)	(14.3)	-34.1%
Adjustment of accounts receivable	2.8	-	N.A.
Closing Balance	719.1	226.3	-68.5%

FIES: Changes of Accounts Offsetable

R\$ MM	1Q18	1Q19	Δ%
Opening balance	0.7	0.0	-95.8%
Transfer	145.7	95.6	-34.4%
Payment of taxes	(52.2)	(42.9)	-17.8%
Buyback in auctions	(92.7)	(51.4)	-44.5%
Closing balance	1.5	1.3	-13.3%

R\$ MM	1Q18	1Q19	1Q19 ⁽¹⁾ Pro-Forma	Δ% Pro-Forma
Cash and cash equivalents [a]	627.1	885.8	885.8	41.2%
Indebtedness [b]	(657.8)	(2.077.7)	851.8	29.5%
Loans	(572.1)	(2,038.9)	810.4	41.6%
Commitments payable (Acquisitions)	(71.8)	(31.9)	31.9	-55.6%
Taxes paid in installments	(13.9)	(9.5)	9.5	-31.2%
Net Debt [b-a]	(30.7)	(1,192.0)	(34.0)	-210.9%
Net Debt/ EBITDA (Annualized)	0.04x	1.2x	-0.04x	-

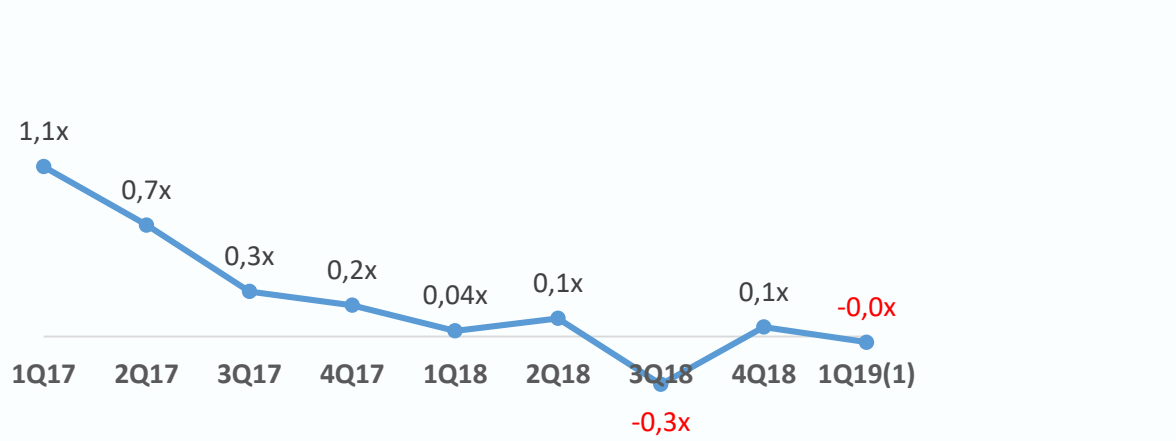
At the end of 1Q19, **cash and cash equivalents totaled R\$885.8 million.**

Gross indebtedness increased by 29.5% when compared to 1Q18. Thus, we have a **net cash of R\$34.0 million.**

In February, the Company concluded the amortization of Promissory Notes in a single series, totaling R\$600.0 million. In the same month, the Company concluded the issue of Debenture V, in the same amount as the promissory note issued in two series with maturity in 3 and 5 years, with a cost of CDI + 0.585% and CDI + 0.785%, respectively.

Type of Debt	Due Date	Cost	Outstanding 1Q19
Debentures II	Oct/19	CDI + 1.2%	124.0
Debentures IV	Jun/19	CDI + 1.5%	51.2
Debentures V (1ª Série)	Feb/22	CDI + 0.6%	251.6
Debentures V (2ª Série)	Feb/24	CDI + 0.8%	352.3
Others			31.3
Total Indebtedness	-	-	810.4

Covenant (Net Debt/ EBITDA LTM < 2,5x)

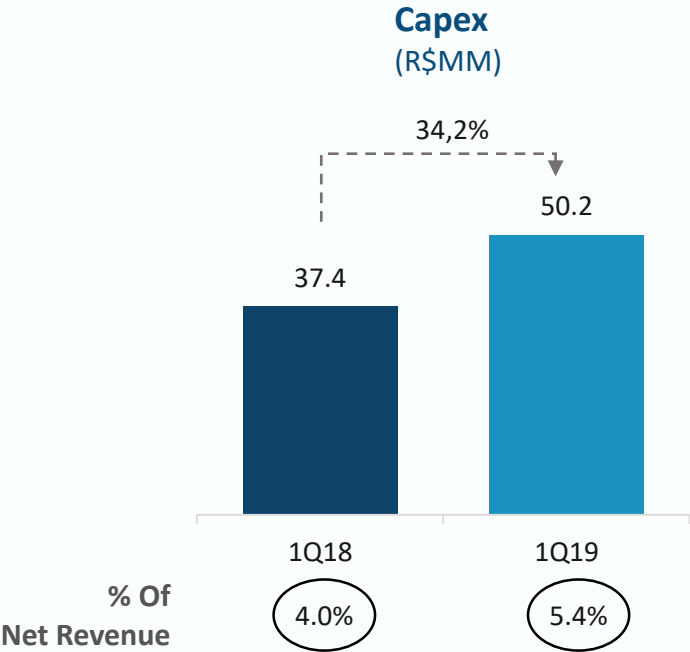


¹⁾ Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18.

R\$ MM	1Q18	1Q19	Δ%
Total CAPEX	37.4	50.2	34.2%
Support & Improvements	36.7	38.6	5.1%
Expansion	0.7	6.3	-
Transformational	-	5.3	N.A.

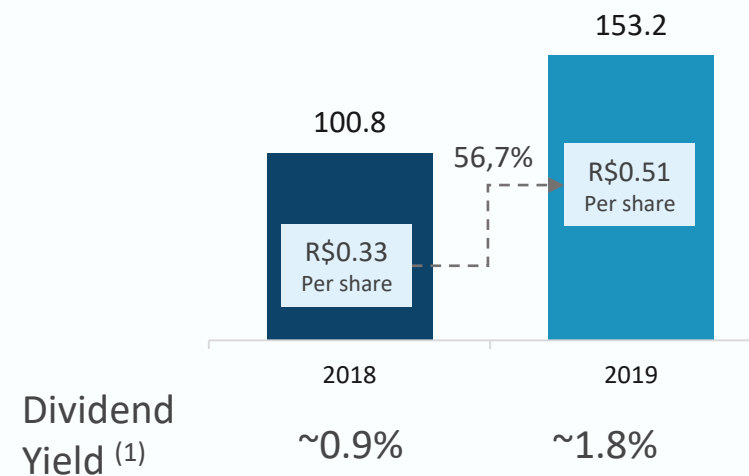
In 1Q19, Estácio’s **CAPEX** totaled R\$50.2 million, up 34.2% over 1Q19. The increase is due to investments in new dentistry laboratories, creation of new courses (mainly on-campus and Flex), as well as construction works and adjustments required to comply with new regulations. This quarter we classified our investments into four groups:

- **Sustainability & Improvements:** recurring investments in order to maitain and improve our business;
- **Expansion:** investments in new units and courses for the expansion of our business;
- **Transformational:** non-recurring projects such as new systems for digitalizing all student documents, cloud servers and new infrastructure (air-conditioning).



The Shareholders' Meeting, held on April 26, 2019, approved the distribution of mandatory dividends, corresponding to 25% of the adjusted net profit, totaling R\$153.2 million, corresponding to R\$0.51 per share. Dividends will be paid in cash on June 13, 2019, without cash correction.

Distribution of Mandatory Dividends (R\$ MM)



⁽¹⁾ Calculated on the share price on the day of the dividend was announced

R\$ MM	1Q18	4Q18	1Q19
Current Assets	1,810.0	1,550.6	1,749.5
Cash and cash equivalents	9.4	13.7	8.7
Marketable securities	617.7	804.4	877.1
Accounts receivable	1,060.7	571.9	713.0
Advances to employees/third-parties	6.1	8.0	6.1
Prepaid expenses	13.6	6.0	14.7
Taxes and contributions	55.3	135.8	119.9
Others	47.1	10.9	10.0
Non-Current Assets	2,480.5	2,551.8	3,903.3
Long-Term Assets	469.1	476.7	604.0
Accounts receivable	122.8	139.2	211.1
Prepaid expenses	5.0	5.5	5.4
Judicial deposits	102.4	81.7	83.1
Taxes and contributions	86.4	102.2	120.1
Deferred taxes and others	152.6	148.0	184.3
Permanent Assets	2,011.4	2,075.2	3,299.2
Investments	0.2	0.2	0.2
Property and equipment	600.4	661.1	1,884.8
Intangible assets	1,410.8	1,413.8	1,414.2
Total Assets	4,290.6	4,102.5	5,652.7

R\$ MM	1Q18	4Q18	1Q19
Current Liabilities	965.4	1,289.1	923.3
Loans and financing	358.9	795.8	358.3
Suppliers	105.2	105.8	124.7
Salaries and payroll charges	199.2	133.7	187.8
Tax liabilities	123.7	35.6	49.2
Prepaid monthly tuition fees	7.7	17.2	20.8
Taxes paid in installments	4.2	3.6	3.3
Acquisition price to be paid	54.6	34.5	16.5
Dividendos payable	100.8	153.2	153.2
Others	11.2	9.9	9.5
Long-Term Liabilities	398.9	222.0	1,893.6
Loans and financing	213.3	21.4	1,680.6
Contingencies	104.5	126.9	139.3
Taxes paid in installments	9.7	6.7	6.2
Provision for asset demobilization	22.4	27.0	27.3
Deferred taxes	11.7	5.2	3.8
Acquisition price to be paid	17.2	13.9	15.3
Others	20.2	20.9	21.1
Shareholders' Equity	2,926.2	2,591.4	2,835.9
Capital	1,130.8	1,139.9	1,139.9
Share issue costs	(26.9)	(26.9)	(26.9)
Capital reserves	666.9	668.4	670.0
Earnings reserves	1,088.5	1,016.6	1,016.6
Period result	197.4	0.0	240.8
Treasury shares	(130.4)	(206.6)	(204.6)
Total Liabilities and Shareholders' Equity	4,290.6	4,102.5	5,652.7

INCOME STATEMENT BY BUSINESS UNIT

OPERATION

FINANCIALS

APPENDIX



1Q19

	On-Campus			Distance-Learning			Corporate			Consolidated		
R\$ MM	1Q18	1Q19	Δ%	1Q18	1Q19	Δ%	1Q18	1Q19	Δ%	1Q18	1Q19	Δ%
Gross Revenues	1,239.7	1,245.9	0.5%	210.6	282.9	34.4%	-	-	-	1,450.3	1,528.8	5.4%
Deductions from Gross Revenue	(440.3)	(486.0)	10.4%	(74.3)	(110.2)	48.4%	-	-	-	(514.5)	(596.2)	15.9%
Net Revenues	799.4	759.9	-4.9%	136.3	172.7	26.7%	-	-	-	935.7	932.6	-0.3%
Cost of Services	(367.9)	(340.5)	-7.4%	(15.5)	(19.6)	26.3%	-	-	-	(383.4)	(360.1)	-6.1%
Personnel	(260.9)	(237.5)	-9.0%	(11.3)	(11.7)	3.2%	-	-	-	(272.2)	(249.2)	-8.4%
Rents, condominiums and municipal property tax	(58.4)	(9.9)	-83.0%	(0.0)	0.7	N.A.	-	-	-	(58.4)	(9.2)	-84.2%
Third-party services and Others	(25.3)	(23.3)	-7.7%	(4.0)	(7.7)	91.6%	-	-	-	(29.3)	(31.0)	5.8%
Depreciation and amortization	(23.3)	(69.7)	198.6%	(0.2)	(1.0)	504.7%	-	-	-	(23.5)	(70.7)	200.6%
Gross Profit	431.6	419.4	-2.8%	120.8	153.1	26.8%	-	-	-	552.3	572.6	3.7%
<i>Gross Margin</i>	<i>54.0%</i>	<i>55.2%</i>	<i>1.2 p.p.</i>	<i>88.6%</i>	<i>88.7%</i>	<i>0.0 p.p.</i>	-	-	-	<i>59.0%</i>	<i>61.4%</i>	<i>2.4 p.p.</i>
Selling and G&A Expenses	(87.4)	(91.4)	4.5%	(14.5)	(18.2)	26.1%	(168.9)	(172.0)	1.8%	(270.8)	(281.6)	4.0%
Personnel	(7.3)	(3.2)	-55.2%	(2.9)	(4.4)	49.7%	(32.3)	(34.1)	5.8%	(42.5)	(41.8)	-1.6%
Advertising	-	-	N.A.	-	-	N.A.	(80.6)	(93.2)	15.7%	(80.6)	(93.2)	15.7%
Bad Debt	(33.8)	(51.9)	53.4%	(9.5)	(11.1)	17.2%	-	-	N.A.	(43.3)	(63.0)	45.5%
Other expenses	(40.5)	(33.6)	-17.0%	(1.7)	(2.2)	31.3%	(37.2)	(24.7)	-33.5%	(79.4)	(60.6)	-23.7%
Depreciation and amortization	(5.9)	(2.6)	-55.0%	(0.3)	(0.5)	45.5%	(18.8)	(19.8)	5.3%	(25.1)	(23.0)	-8.3%
Operating Profit	344.1	328.1	-4.7%	106.3	134.9	26.9%	(168.9)	(172.0)	1.8%	281.5	291.0	3.4%
<i>Operating Margin (%)</i>	<i>43.0%</i>	<i>43.2%</i>	<i>0.1 p.p.</i>	<i>78.0%</i>	<i>78.1%</i>	<i>0.1 p.p.</i>	-	-	-	<i>30.1%</i>	<i>31.2%</i>	<i>1.1 p.p.</i>
EBITDA	373.4	400.4	7.2%	104.4	134.6	29.0%	(228.7)	(189.1)	-17.3%	330.1	384.6	16.5%
<i>EBITDA Margin (%)</i>	<i>46.7%</i>	<i>52.7%</i>	<i>6.0 p.p.</i>	<i>76.6%</i>	<i>78.0%</i>	<i>1.4 p.p.</i>	-	-	-	<i>35.3%</i>	<i>41.2%</i>	<i>6.0 p.p.</i>

R\$ MM	1Q18	1Q19	Adjustment IFRS 16	1Q19 ⁽¹⁾ Pro-Forma
Profit before taxes and after the result of ceased operations	255.4	246.7	5.9	252.6
Adjustments to reconcile profit to net cash generated	106.7	209.0	(61.0)	148.0
Result after reconciliation to net cash generated	362.1	455.7		400.6
Changes in assets and liabilities	(197.5)	(255.0)		(255.0)
Operating Cash Flow before CAPEX	164.6	200.7		145.6
Acquisition of property and equipment	(22.6)	(28.8)		(28.8)
Acquisition of intangible assets	(14.8)	(21.4)		(21.4)
Cash flow from investment activities	(16.2)	(16.5)		(16.5)
Operating Cash Flow after CAPEX	111.0	134.0		78.9
Cash flow from financing activities	(8.3)	(66.3)	55.0	(11.3)
Free Cash Flow	102.7	67.7		67.6
Cash at the beginning of the year	524.4	818.0		818.0
increase (decrease) in cash and cash equivalents	102.7	67.7		67.7
Cash at the end of the year	627.1	885.7		885.7
EBITDA	330.1	384.6		329.6
Operating Cash Flow before CAPEX / EBITDA	49.8%	52.9%		44.2%

In 1Q19, **Operating Cash Flow before CAPEX (FCO)** was positive at R\$145.6 million.

Thus, the FCO/EBITDA ratio was of 44.2% in 1Q19, against 49.8% in 1Q18. The decrease is mainly due to the increase in the representativeness of financing products in the receivables base.

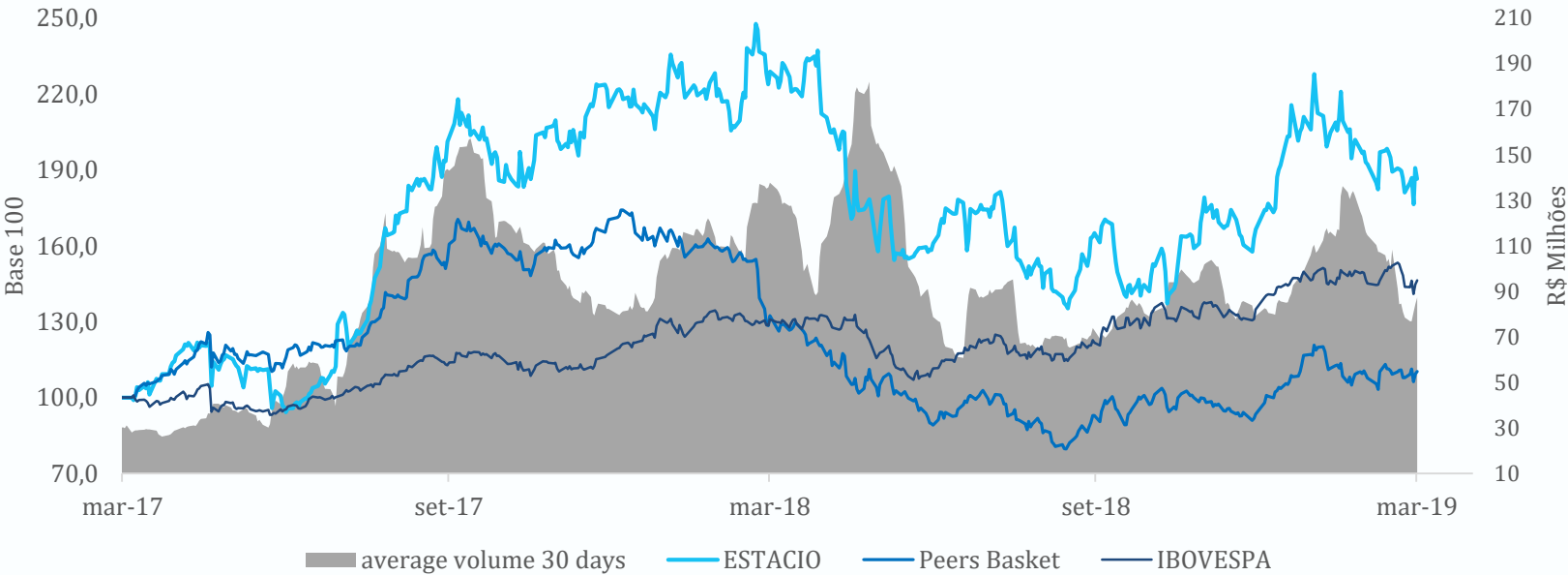
We closed the first quarter of the year with a cash of R\$818.0 million and a net debt/EBITDA ratio of -0.0x.

⁽¹⁾ Proforma information excluding the effect of IFRS 16 in 1Q19, for better comparison with 1Q18

Estácio’s common share is traded on B3’s Novo Mercado under the ticket code **ESTC3**. The company also has a level I ADR program under the code ECPCY. Our share (ESTC3) closed the first quarter of 2019 priced at R\$26.11, a 18.5% devaluation in the last twelve months. In the same period, Ibovespa appreciated 11.8%.

The company has **2.9% of the share capital in treasury**.

	1Q18	1Q19	Δ%
Stock Price	32.05	26.11	-18.5%
Quarter High	34.69	31.91	
Quarter Low	28.80	24.26	
Quarter Average	30.57	27.22	
Market Cap (R\$ ‘000)	11.117	8.222	-26.0%
ADTV (30D)	137.6	87.3	-36.5%
Outstanding Shares	317.9	309.1	-2.8%
Treasury	2.7%	2.9%	
Free Float	97.3%	97.1%	



	1Q19	12M
Estacio	12.0%	-18.5%
Peers Basket*	18.1%	-16.6%
IBOV	8.6%	11.8%

*Peers Basket composed by and average of the performance of Estácio’s first main listed players

- **APV:** discount on future revenue. For Estácio, specifically, mostly revenue from PAR and DIS students, based on a standard discount rate (5-year real interest).
- **DIS:** Solidarity Dilution Campaign (DIS), that gives students the possibility of paying R\$49 in the months when they enroll, diluting the difference in relation to the full monthly tuition fee (i.e. offering no discounts, scholarships or exemptions) to be paid during the course. All undergraduate students can apply to the DIS (including FIES and PAR students).
- **EAD:** “Distance-Learning”.
- **FLEX EAD:** type of distance-learning education with a significant mandatory on-campus hour load. It combines the mobility of distance-learning programs with the experience of being in a campus, as some classes are offered online and others in the units.
- **FGEDUC:** Guarantee Fund for Education Credit (FGEDUC) is another novelty. The fund collateralizes agreements of students with partial scholarships granted by the University to All Program (ProUni) enrolled in teaching degree courses.
- **PAR:** Estácio’s installment payment program launched in January 2017 that allows students to pay 50% of their courses while studying and the other 50% after graduation. Payments are progressive, beginning at 30% of the monthly tuition fees in the first two semesters; 40% in the third semester, 50% in the fourth semester and 60% as of the fifth semester. PAR is offered to all undergraduate students, except for medicine students.
- **PARTNERSHIPS (GRADUATE):** partnerships entered into with other higher education institutions authorized to offer graduate courses at Estácio.
- **PARTNERSHIPS (DISTANCE-LEARNING):** model to expand distance-learning centers where Estácio has partnerships with institutions (with a basic structure to assist students and meet MEC’s requirements) that offer Estácio’s education courses.
- **Rules for the calculation of the Bad Debt:** until December 31, 2017, Estácio accrued 100% of the monthly tuition fees overdue by more than 180 days. As of January 1, 2018, Estácio has been using the new standard on financial instruments (IFRS9 – CPC 48) for students who pay monthly tuition fees, based on the concept of expected loss at the moment of revenue recognition, which increases according to the aging of accounts receivable.
- **DROPOUT RATE:** number of dropout students + non renewals based on the renewable student base (initial student base – graduating students + students enrolled)
- **RETENTION RATE:** $[1 - \text{Dropout Rate}]$