

# RESULTS PRESENTATION

3Q 2020

# YDUQS



November 9<sup>th</sup>, 2020



Índice  
Brasil 50 **IBRX 50**

Índice de  
Ações com Governança  
Corporativa Diferenciada **IGC**

Índice de  
Ações com Tag Along  
Diferenciado **ITAG**

# DISCLAIMER

Rio de Janeiro, November 9<sup>th</sup>, 2020 - **YDUQS Participações S.A.**, one of the largest one of the largest organizations in Brazil's higher education private sector, **presents its results for the third quarter of 2020 (3Q20).**

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), including IFRS-16.

**The consolidated results account for the group Athenas Educacional (August and September, 2020) and Adtalem Brasil Holding Ltda..** In order to have a better comparison of the quarterly results, the Company has decided to release operational and financial information under a proforma format, excluding the effects of the acquisitions.

This document may have forward-looking statements that are subject to risks and uncertainties that 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.



# OPENING REMARKS (3Q20)

**YDUQS**

3Q20

1

**Solid operations with robust performance in Digital Learning and Medicine**

**~80%**

of attendance in remote classes  
(Real-time + Asynchronous)

**109k students**

on-campus under the Aura model

**+50% YoY**

Digital Learning + Medicine revenues<sup>(1)</sup>

2

**Important signs of stabilization in the on-campus segment**

**+1% YoY**

Estácio on-campus undergraduate ticket  
(excluding laws and court decisions)

Renewable base growth of +7% YoY  
(excluding FIES)

3

**Relevant impact of discounts related to laws and court decisions**

**R\$79.3 million**

impact on revenues

4

**Consistency on collection and strong cash generation**

**R\$1 billion (+37% YoY)**

Operating cash generation before capex in 9M20

Net accounts receivable (-3% YoY) and average days receivables under control  
(excluding acquisitions)

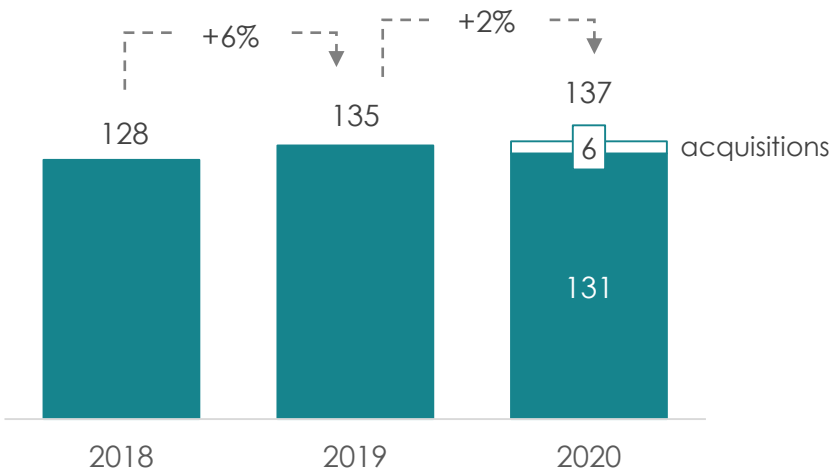


(1) Excluding impact of laws and court decisions.

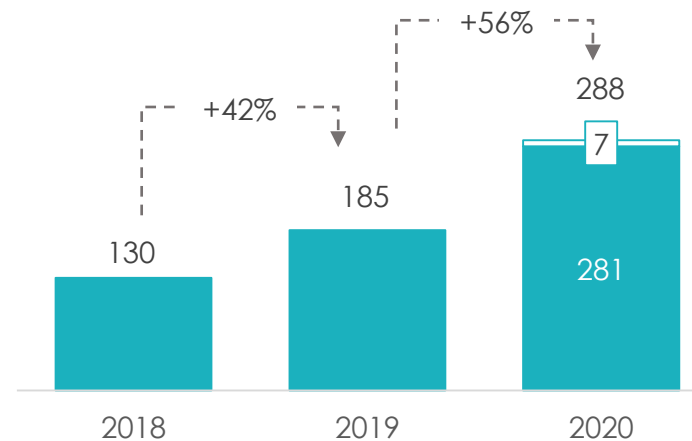
# 2020.2 INTAKE

('000 students)	2019.2	2020.2	Δ% YoY	2020.2 (ex- acquisitions)	Δ% YoY
<b>On-campus</b>	<b>46</b>	<b>43</b>	<b>-5.9%</b>	<b>37</b>	<b>-18.8%</b>
Out-of-pocket	44	42	-6.0%	36	-18.6%
Medicine	0.6	0.7	20.9%	0.7	10.7%
FIES	0.4	0.5	36.4%	0.1	-61.2%
PAR	0.8	0.2	-76.8%	0.2	-76.8%
<b>Digital Learning</b>	<b>85</b>	<b>134</b>	<b>58.0%</b>	<b>127</b>	<b>50.5%</b>
<b>Total</b>	<b>130</b>	<b>177</b>	<b>35.7%</b>	<b>164</b>	<b>26.2%</b>

Annual Intake: On-campus  
(thousand students)



Annual Intake: Digital learning  
(thousand students)



**2020.2 intake reaching +35.7% YoY**

Sustaining strong intake expansion  
pace at Digital Learning (+55% in  
2020.1)

Solid intake performance on  
Medicine

Annual on-campus intake  
close to historical levels  
despite Covid

# DIGITAL LEARNING: ACCELERATING DESPITE THE CRISIS

YDUQS

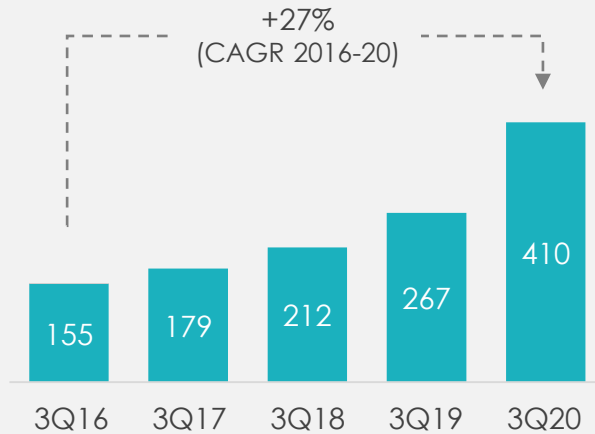
3Q20

Maintaining strong expansion pace...

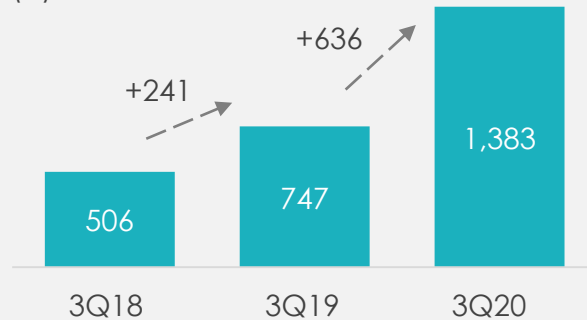
with operational improvement...

and solid results.

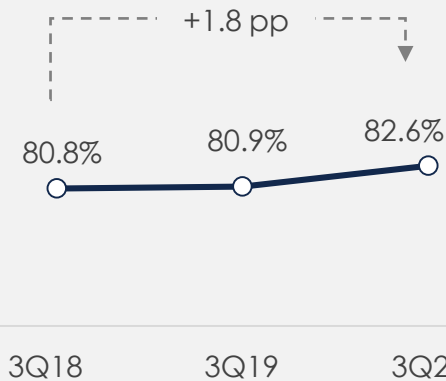
Student Base  
(Thousand)



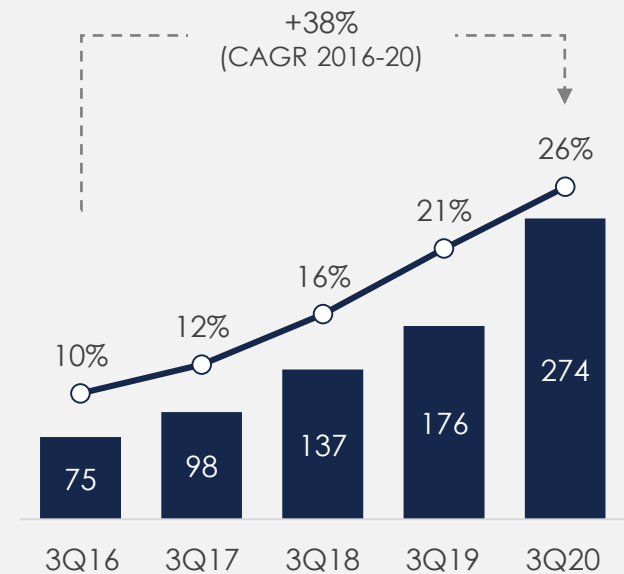
Distance learning centers  
(#)



Retention rate: Estácio undergraduate  
(%)



Digital learning net revenues and  
percentage over total revenues  
(R\$ million)



**56% YoY** revenues growth  
despite in average ticket  
decrease



New centers  
per period :

**+140**  
9M19

**+450**  
9M20

**+273**  
ex-acquisitions

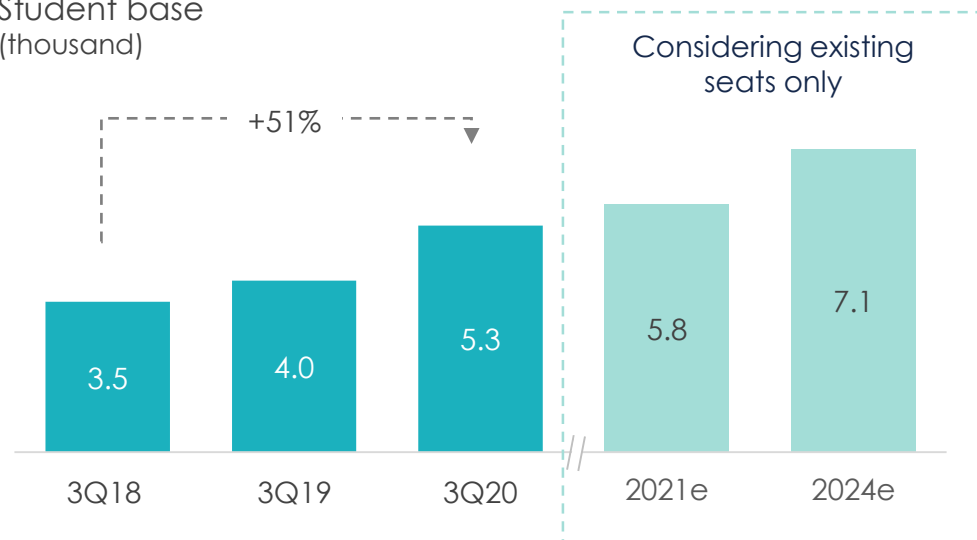


# MEDICINE: LEVERAGING ON ORGANIC GROWTH

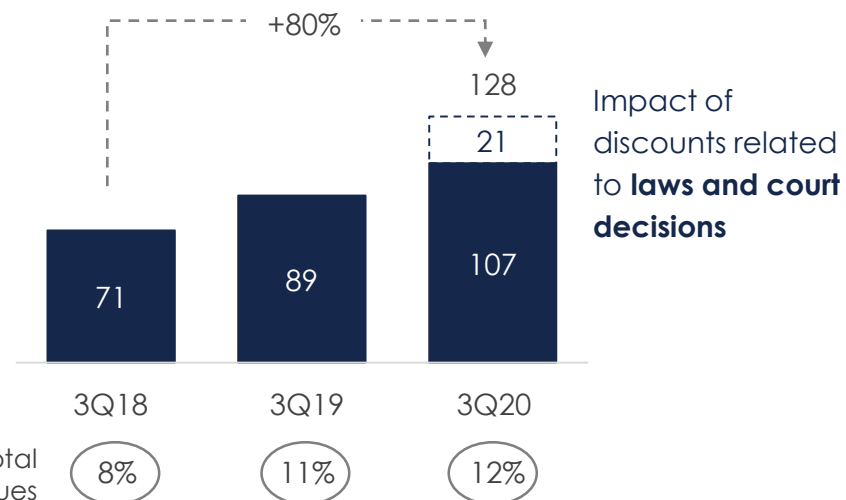
YDUQS

3Q20

Student base  
(thousand)



Net revenues  
(R\$ million)



**+134 seats**  
in 3Q20<sup>(1)</sup>

**+250 seats**  
for 2021

Unit	State	Expected Intake	Authorized seats	Student Base	Full Potential <sup>(2)</sup>	
					Authorized seats	Student Base
Presidente Vargas	RJ	-	240	1,564	240	1,728
Città	RJ	-	170	918	170	1,224
Juazeiro do Norte	CE	-	100	679	100	720
Ribeirão Preto	SP	-	76	483	76	547
Teresina	PI	-	110	643	110	792
Alagoinhas	BA	-	65	199	165	1,188
Jaraguá do Sul	SC	-	50	131	150	1,080
Juazeiro	BA	-	155	372	155	1,116
Angra dos Reis	RJ	-	89	196	155	1,116
Canindé	CE	-	50	50	150	1,080
Cáceres	MT	-	50	50	50	360
Castanhal	PA	2021.1	50	-	150	1,080
Quixadá	CE	2021.1	50	-	150	1,080
Iguatu	CE	2021.2	50	-	150	1,080
Açailândia	MA	2021.1	50	-	150	1,080
Ji-Paraná	RO	2021.2	50	-	150	1,080
<b>Total</b>			<b>1,405</b>	<b>5,285</b>	<b>2,271</b>	<b>16,351</b>

(1) Intake start in units Canindé (Mais Médicos II) and Cáceres (Athenas) and increase of 34 seats/year in Angra dos Reis unit (Mais Médicos I).

(2) Assuming seat expansion to maximum capacity (+100 seats/year) in all Mais Médicos units. Student base includes ProUni and FIES.

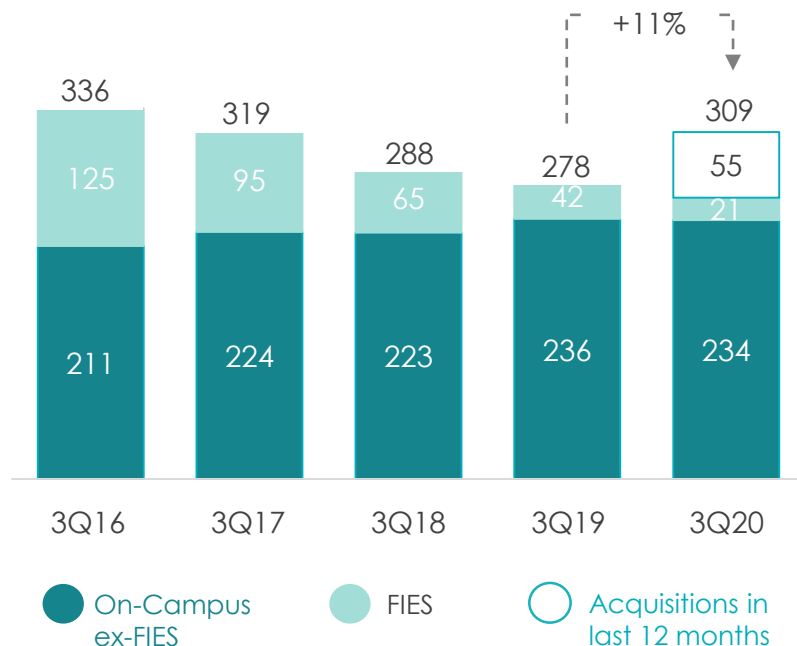


# ON-CAMPUS: BUSINESS RESILIENCE DESPITE COVID

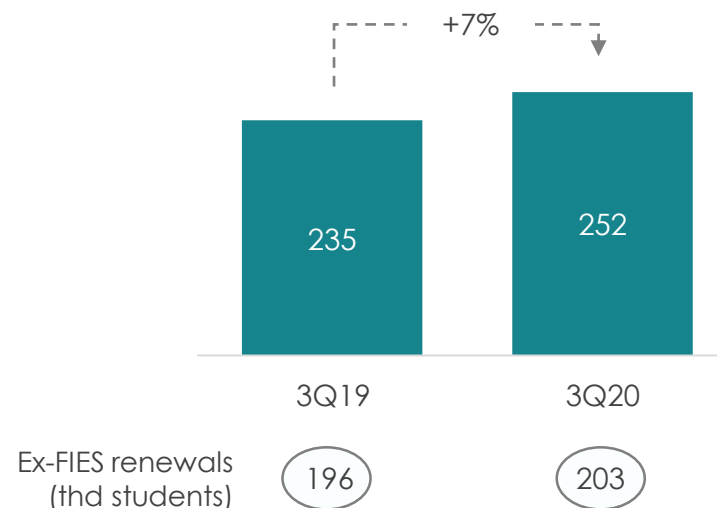
YDUQS

3Q20

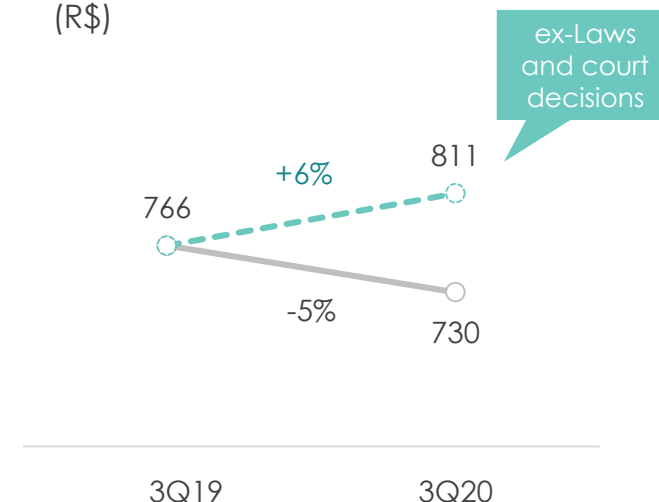
Student Base (undergraduate)  
(Thousand students)



Ex-FIES renewable base – Estácio undergraduate  
(Thousand students, %)



Consolidated undergraduate average ticket  
(R\$)



## STUDENT BASE PRESERVATION

with renewable base ex-FIES growth and average ticket increase excluding effects of laws and court decisions



**Retention rate<sup>(1)</sup> at 83%**  
Estácio undergraduate



(1) Retention Rate = 1 - [drop-outs and non-renewal divided by renewable base (initial base + intake – graduating students)]





# FINANCIAL DATA





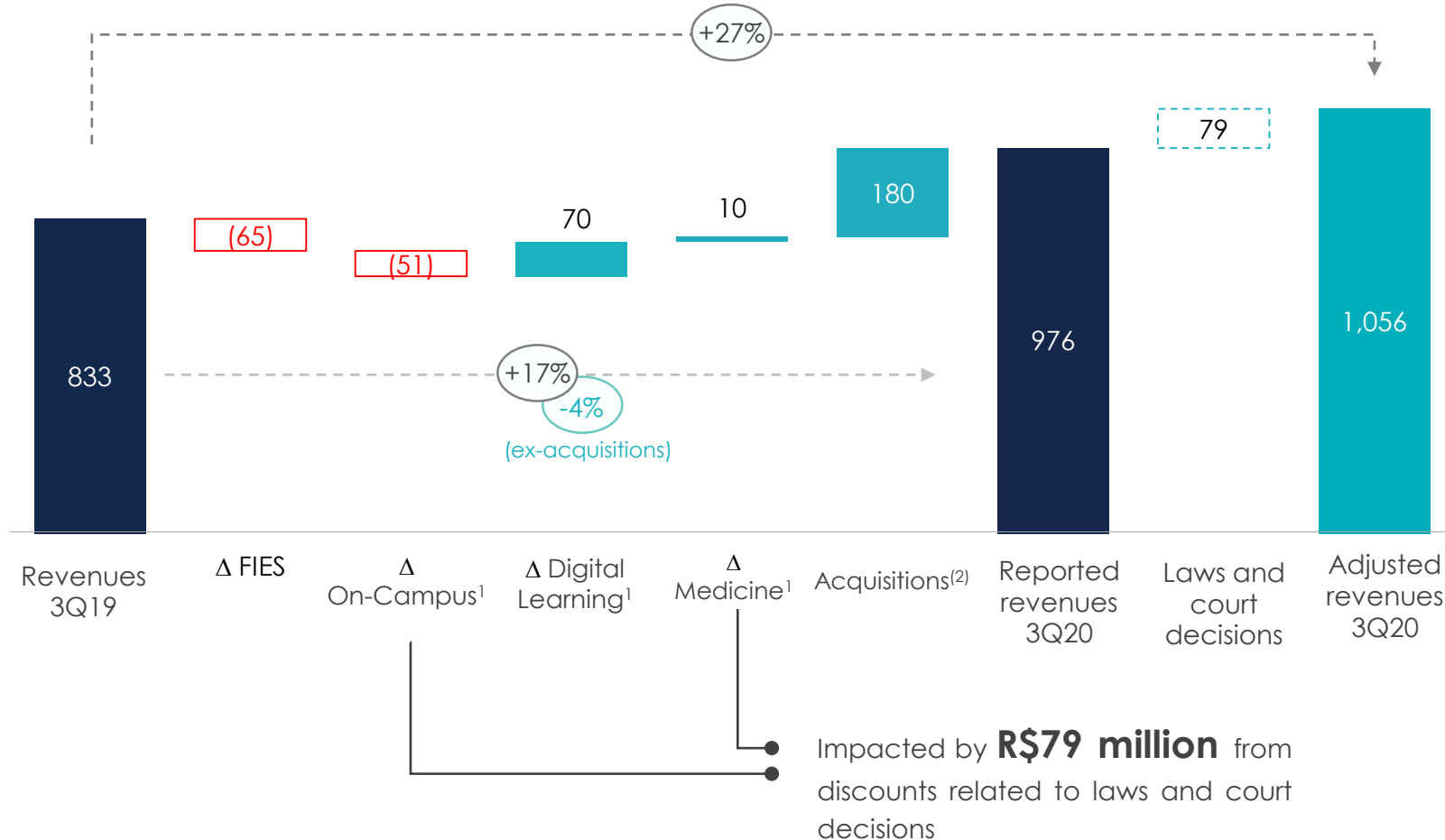
# REVENUES DRIVEN BY GROWTH LEVERS

ex-FIES business in solid expansion

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3Q20

Contribution to net revenue  
(R\$ million; 3Q19 vs 3Q20)



➤ Ex-FIES revenue **growing 25% YoY** or +4% excluding acquisitions

➤ Digital medicine Learning and more than offsetting FIES

➤ On-campus ex-medicine growing 5% YoY

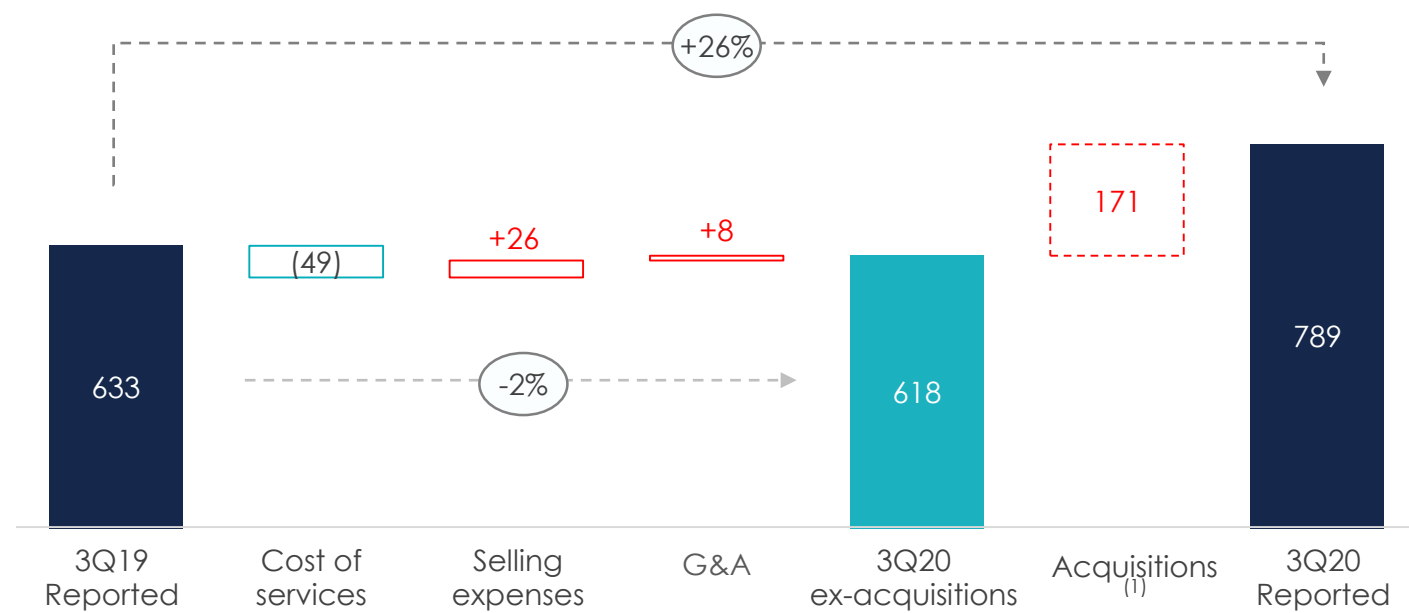


(1) Effect of laws and court decisions related to Covid-19 in the amount of R\$79.37 million, distributed among on-campus and medicine.

(2) Consider results from Adtalem and two months of Athenas (Aug+Sep/20).

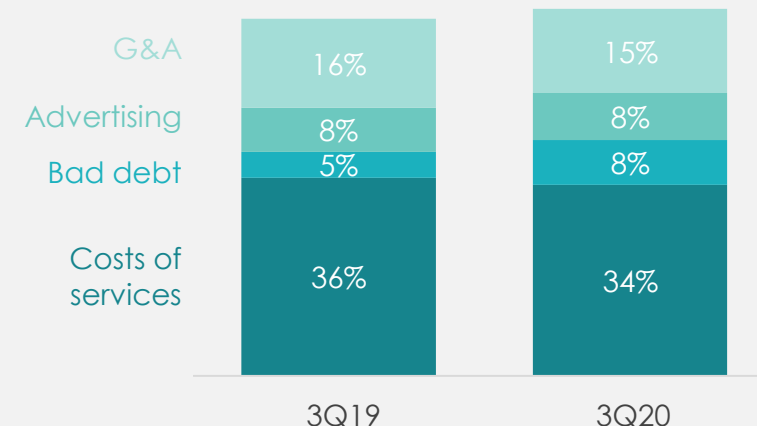
# COSTS AND EXPENSES UNDER CONTROL

Costs and expenses composition  
(R\$ million)



- 2% decrease in costs and expenses ex-acquisitions
- Maintenance of gross margin at 55%
- Bad debt pressured by change in the base mix and acquisitions

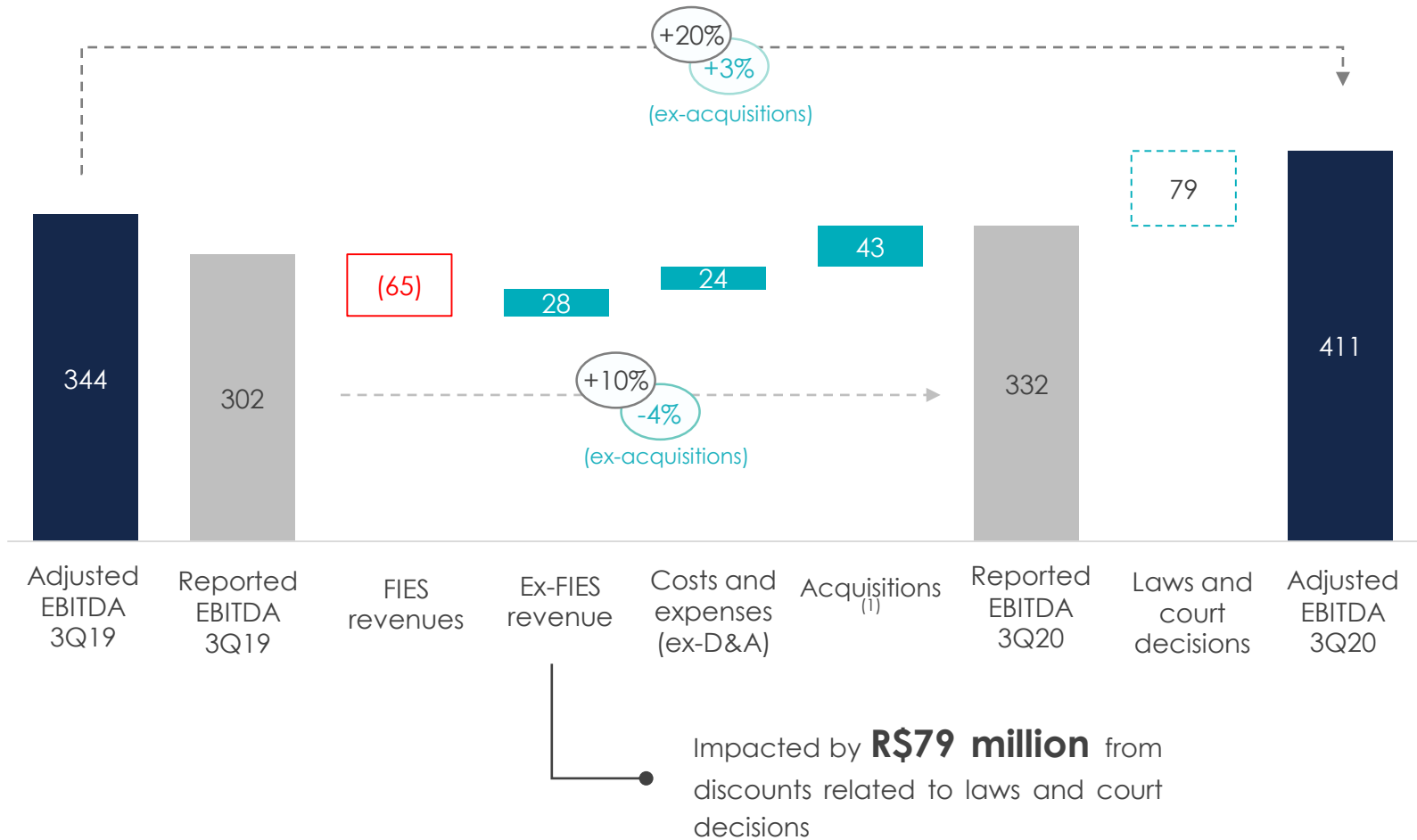
Analysis of costs and expenses as a percentage of revenue  
(%: excluding depreciation and amortization)



- Margins temporarily pressured by recent acquisitions.
- Maintenance of positive trend in costs due to gains with operational research and adoption of digital solutions.
- Increase in bad debt as expected.
- G&A still with room to capture synergies.

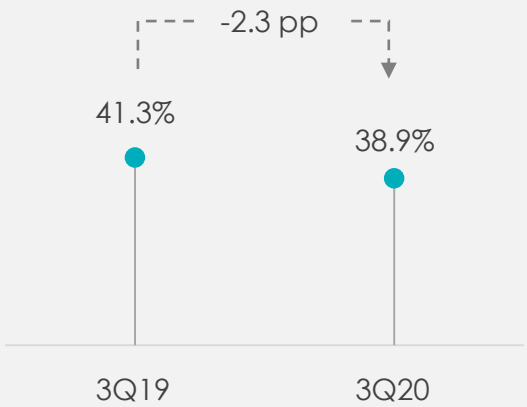
# ADJUSTED EBITDA DRIVEN BY GROWTH LEVERS

Consolidated EBITDA  
(R\$ million; 3Q19 vs 3Q20)



➤ **Adjusted EBITDA (ex-acquisitions)**  
**+3% YoY**, with margin stability (41%)

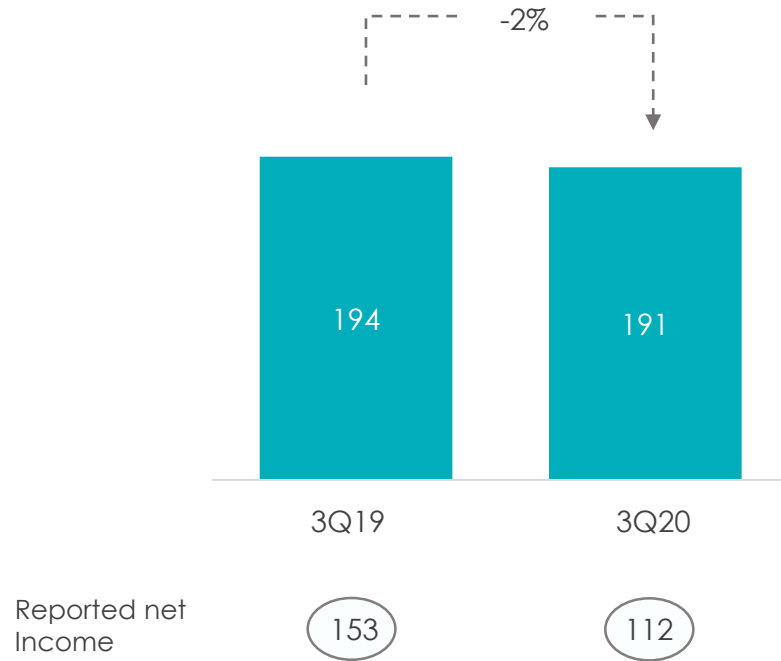
EBITDA margin adjusted by laws and court decisions pressured by recent acquisitions (%)



(1) Consider results from Adtalem and two months of Athenas (Aug+Sep/20).

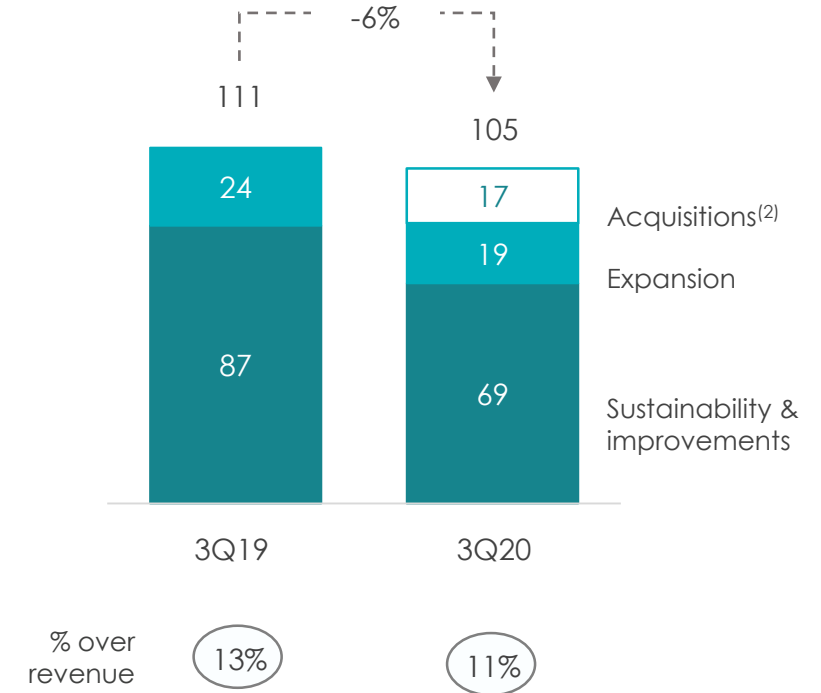
# NET INCOME AND CAPEX

Adjusted net Income<sup>(1)</sup>  
(R\$ million)



➤ Reported net Income impacted by R\$32 million related to IFRS-16 and effects from interest and charges on recent loans

Capex  
(R\$ million)



➤ Investments in Digital Transformation projects is expected to reach **~R\$70 million in 2020**.



(1) Adjusted by the effect of laws and court decisions related to Covid-19 in the amount of R\$79.3 million, distributed among on-campus and medicine.  
(2) Investments made in the companies acquired in the past 12 months.

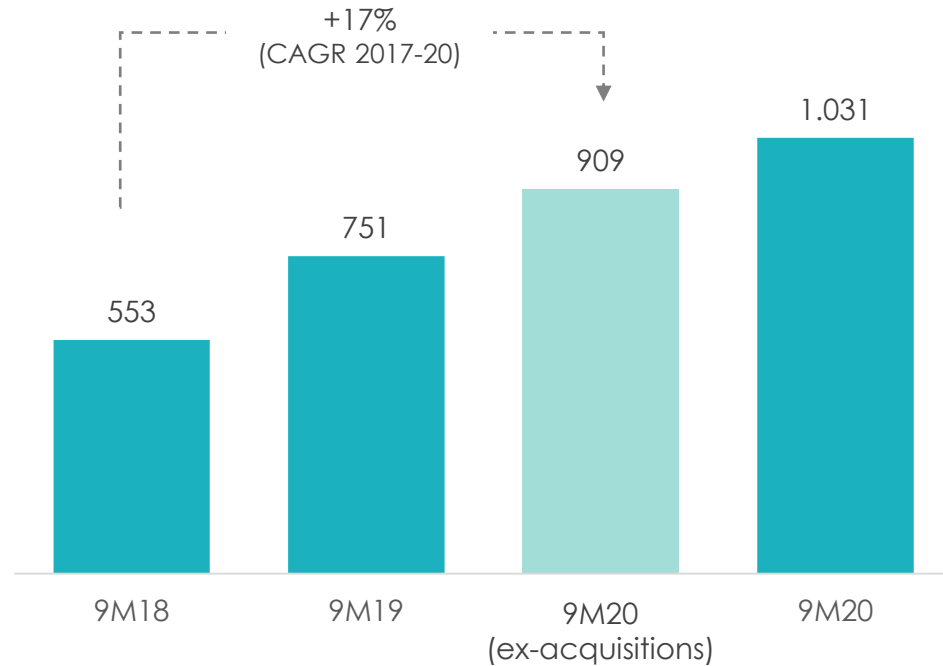
# SOLID COLLECTION AND CASH GENERATION

despite short term impacts and challenges

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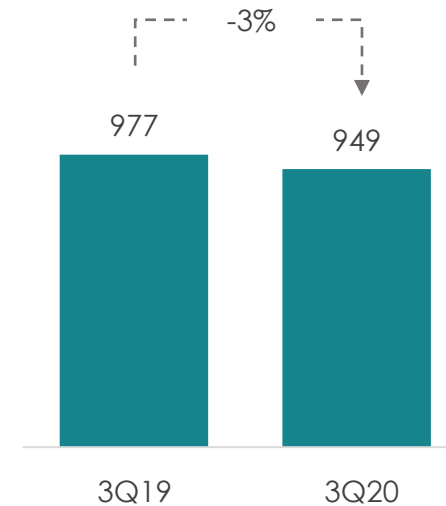
3Q20

Operational cash flow before capex<sup>(1)</sup>  
(R\$ million)

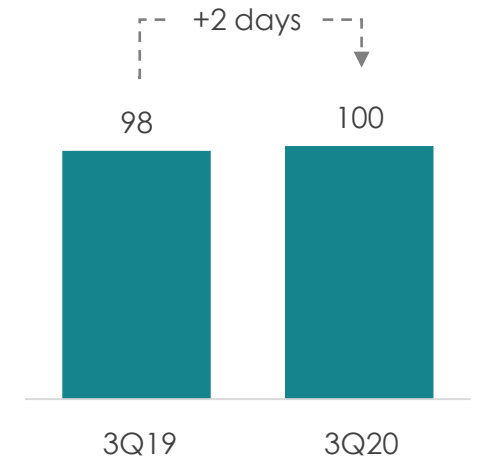


Cash position of **R\$1.9 billion** and net debt/EBITDA<sup>(2)</sup> at **1.41x**

Net account receivables (acquisitions)  
(R\$ million)



Average receivable days (ex-acquisitions)  
(days)



**Solid collection** and adequate provisioning levels



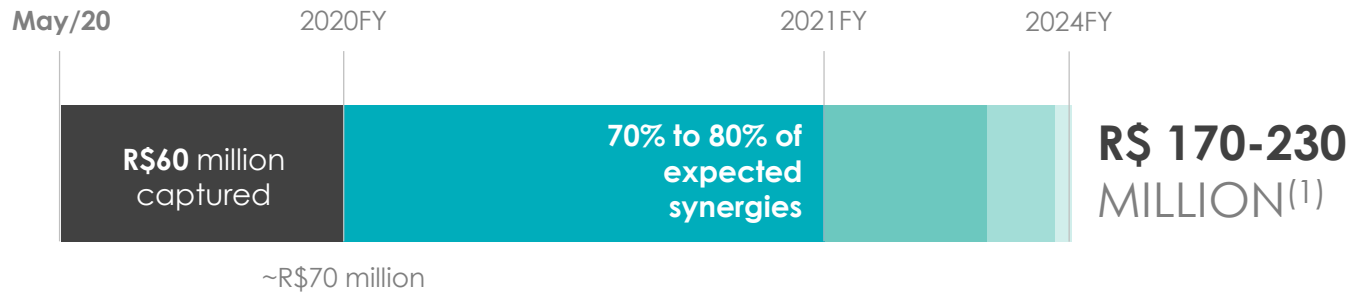
(1) Adjusted by non-recurring effects such as FIES payments delay.

# RECENT ACQUISITIONS

Synergy capture rollout as expected

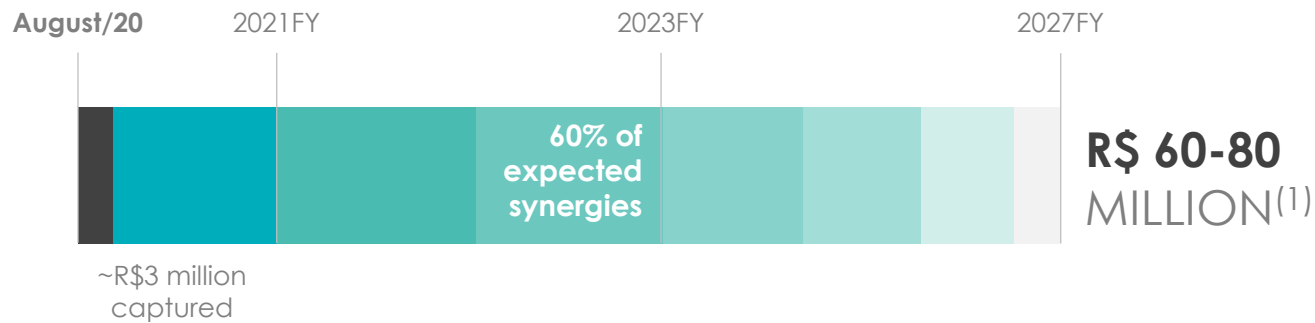
## Adtalem

Robust process with operating model development generating knowledge gains and synergies mapping skills for new acquisitions



## Athenas

Longer schedule due to medicine maturation time



## Evolution of macro processes

	UniToledo	Adtalem	Athenas
Take-over (D1)	✓	✓	✓
Process integration	✓	✓	⋯
Integration of teams	✓	✓	⋯
Value creation initiatives	✓	⋯	⋯
Systems integration	✓	⋯	⋯
Handover to operations	✓	⋯	⋯

Legend: ✓ Concluded, ⋯ Ongoing

Annotations:

- 1<sup>st</sup> phase concluded: freshmen migration (Adtalem)
- 2021.2 Forecast (Athenas)



(1) Values are annualized and in regime.



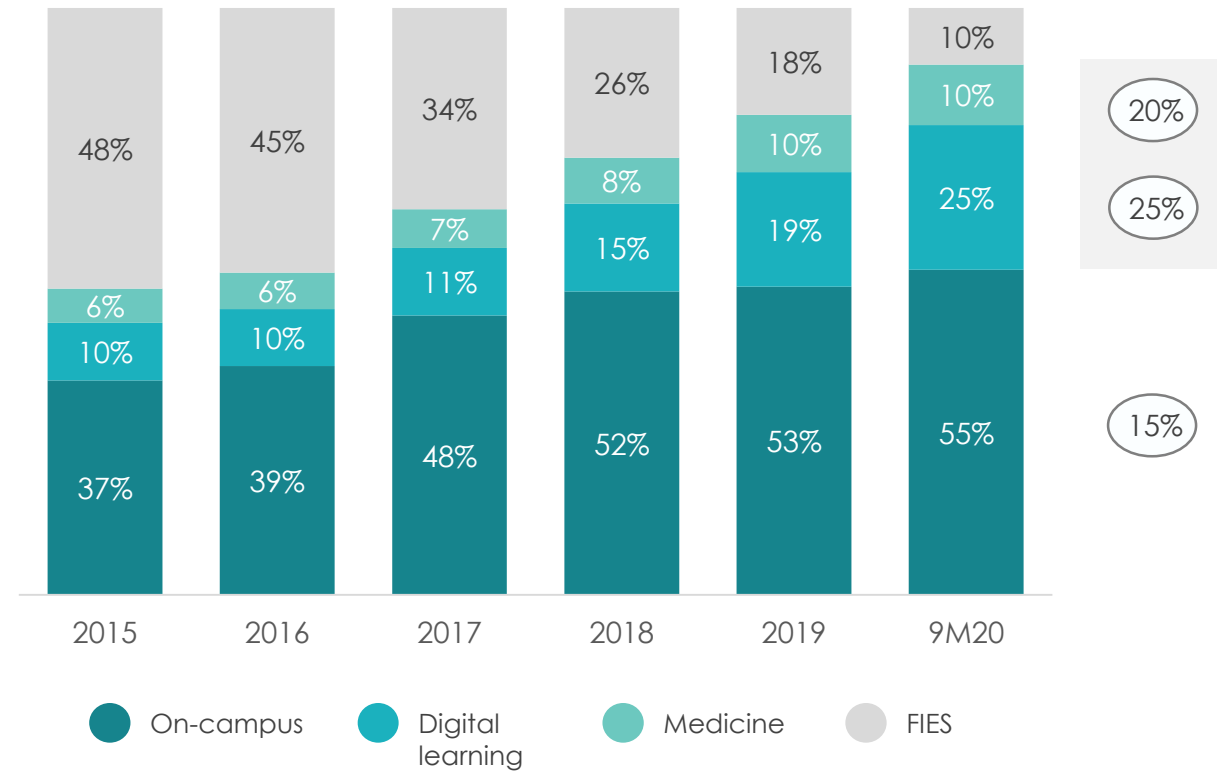


# PERSPECTIVES

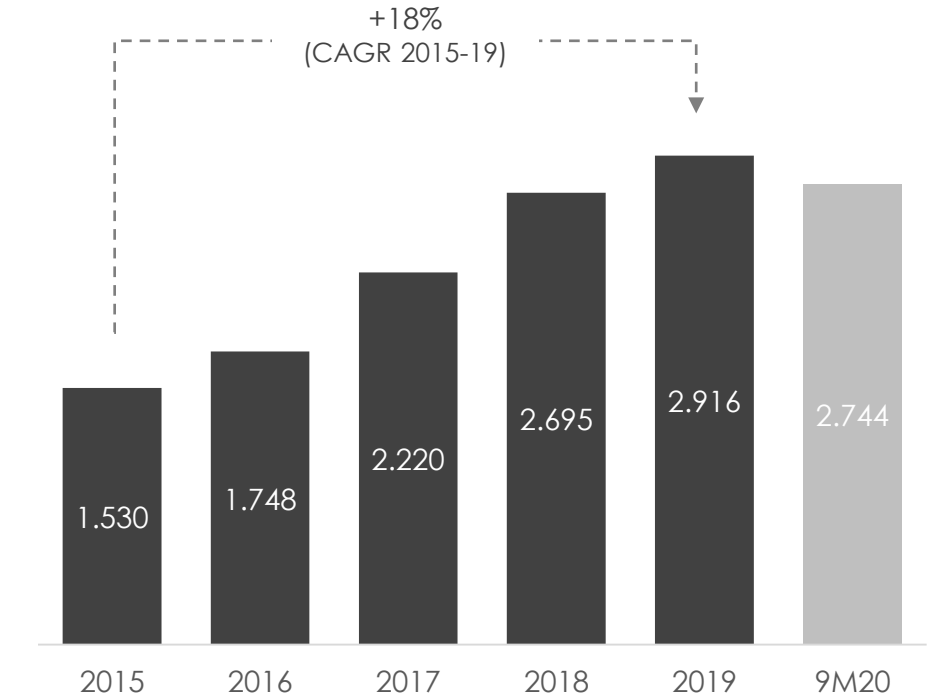


# REVENUES AT A GLANCE

Composition of total revenues by segment  
(R\$ million)



Net revenues ex-FIES  
(R\$ million)



➤ **Digital learning** and **medicine** representing 35% of total revenues and growing above 20% CAGR (15-19)

➤ Business growth will cease to be overshadowed by FIES in 2021.

### Short-term

#### Challenging scenario

- Impact of laws and court decisions in addition to bad debt pressuring results
- Digital learning and Medicine at strong expansion pace; on-campus ex-FIES stable
- Last year of relevant impact from FIES
- Integrations continue to advance as expected

2020

### Medium-term

#### Positive perspective

- Paved way for base and revenues growth
- Expected loss with FIES significantly lower than previous years
- +250 medicine seats for 2021.1 and 2,000 DL centers are expected
- 190k students with Aura and 50% of the base with 100% EnsignMe content

2021

### Long-term

#### Organic growth with M&A opportunity

- Capturing of synergies and value generation from recent acquisitions
- Room for new acquisitions
- Organic growth with maturing DL centers and increase of medicine students

>2021



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