Estácio

3Q16

Results

Rio de Janeiro, November 10, 2016

Disclaimer

The content of this presentation may include expectations regarding future events and results estimated by management. However, such forward-looking statements are no guarantee of future delivery and/or performance, given the risks and uncertainties inherent to the business environment, including the country's economic performance, the global economy, the capital market, regulatory aspects of the industry, and governmental and competitive issues, among other factors, as well as the risks presented in the disclosure documents filed by Estácio, which are subject to change without prior notice.

Agenda

Estácio

1. Quarterly Highlights
2. Operating Performance
3. Financial Performance
4. Final Remarks

1

Quarterly Highlights

New Executive Officers

Chief Executive Officer and Investor Relations Officer
Pedro Thompson

- Chief Financial Officer – **Leonardo Moretzsohn**
- Chief Academic Officer – **Hudson Mello**
- Chief Operating Officer – **Sérgio Leite**
- Chief Marketing Officer – **Higino Viegas**
- People & Management Officer – **Maurício Ignácio**
- Distance Learning Officer – **Aroldo Alves**

❖ Election of Pedro Thompson as CEO and Investor Relations Officer

❖ Hiring of new executives with extensive market experience, Leonardo Moretzsohn and Maurício Ignácio

❖ Meritocracy and recognition of in-house talent

Results Highlights

R$ million	3Q15	3Q16	Chg.
Net Revenue	**709.0**	**763.1**	**7.6%**
Cost of Services	(382.3)	(392.1)	2.6%
Selling Expenses	(89.6)	(76.1)	-15.1%
G&A Expenses	(113.3)	(149.0)	31.5%
Other Operating Expenses	6.6	3.4	-48.5%
(+) Depreciation and Amortization	39.5	45.2	14.4%
EBITDA	**169.7**	**194.5**	**14.6%**
EBITDA Margin	**23.9%**	**25.5%**	**1.5 *p.p.***
New FIES Rate - 2%	-	7.1	N.A.
Non-recurring	-	12.8	N.A.
Internal restructuring	-	3.8	N.A.
Ongoing M&A and non-recurring advisory	-	9.0	N.A.
Comparable EBITDA	**169.7**	**214.4**	**26.3%**
Comparable EBITDA Margin (%)	**23.9%**	**28.1%**	**4.2 *p.p.***

First deliveries in 2H16

2Q16 Earnings Release

Given the challenging scenario, reflected in our results in recent quarters, Management will be prioritizing the following in the second half of 2Q16:

- **Recovery of the Ticket:** Despite the substantial increase in the student base in 2016, net revenue growth lagged somewhat, climbing by 7.2% in 2Q16 over 2Q15, versus the 8.5% upturn in the total student base in the same period. We believe that the main factor behind this gap between student base growth and net revenue growth is the ticket. In order to improve the revenue performance, Management has already begun the following initiatives: (i) reducing the percentage of scholarships and discounts for freshmen through improvements to the sales strategy; (ii) adjusting the pricing of courses in locations with substantial intake potential and an attractive portfolio; (iii) adjusting prices for seniors in order to pass through the entire variation infrastructure and personnel costs; and (iv) removing scholarships from students contractually in arrears. The aim is to fully recover the ticket in the second semester, given the Company's enormous student base.

- **Reduction of Costs and Expenses:** Given that the Company's main cost item is faculty costs, it is worth highlighting certain ongoing initiatives designed to achieve impacts in the short term, such as: (i) cost planning for faculty activities outside the classroom; (ii) defining an annual offering of a group of subjects with a low operating performance; and (iii) expanding the limit of 20% distance learning in legacy curriculum courses to acquired companies. It is also worth mentioning several recent activities to trim operating expenses, such as reducing the number of corporate offices, rationalizing staff, regionalizing communications with an improved distribution of the marketing budget by adjusting the advertising mix, and thoroughly revising most service provision contracts.

- **Cash Generation:** Given the larger student base and the exceptionally challenging economic scenario, one of the Company's main points of attention is its capacity to generate cash. In this context, some of the measures already taken include: (i) the creation of an area focused exclusively on collection; (ii) more austere intake, renewal, discount and arrears negotiation policies; and (iii) the resizing of the investment budget with a reduction in expansion plans (organic and non-organic), as well as the discontinuation of non-priority projects.

3

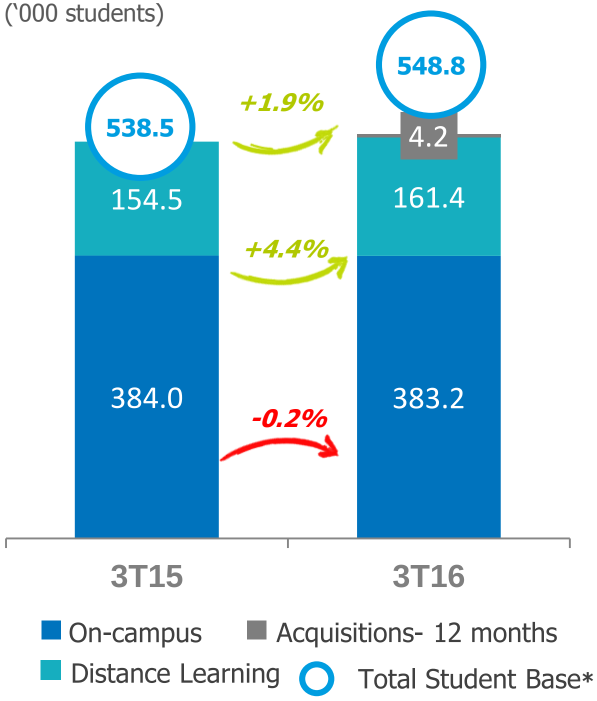
- **Ticket Recovery:** average ticket of on-campus and distance learning segments increased 9.1% and 14.1%
- **Faculty Cost:** faculty costs recorded a 3.5 percentage point margin gain in 3Q16
- **Advertising:** 5.6% of net revenue, compared to 7.4% in 3Q15
- **Operational Expenses:** non-recurring expense of around R$4.5 million, also pointed to a change in the Company's culture
- **Cash Generation:** Operating cash flow (OCF) also recorded a substantial improvement, totaling R$ 195.4 million versus R$ 93.9 million in 3Q15

2

Operating Performance

Student Base

STUDENT BASE



Average On-Campus Ticket (R$)	3Q15	3Q16	Chg.
Undergraduate	596.1	657.6	10.3%
Graduate	253.9	203.3	-19.9%
Total	**572.8**	**625.2**	**9.1%**

Average Distance Learning Ticket (R$)	3Q15	3Q16	Chg.
Undergraduate	175.1	201.5	15.1%
Graduate	107.6	103.0	-4.3%
Total	**166.2**	**189.6**	**14.1%**

Intake based on less discounts and scholarships

Sustainable student base/ Better quality of students

Note: Total Student Base includes undergraduate and graduate students.

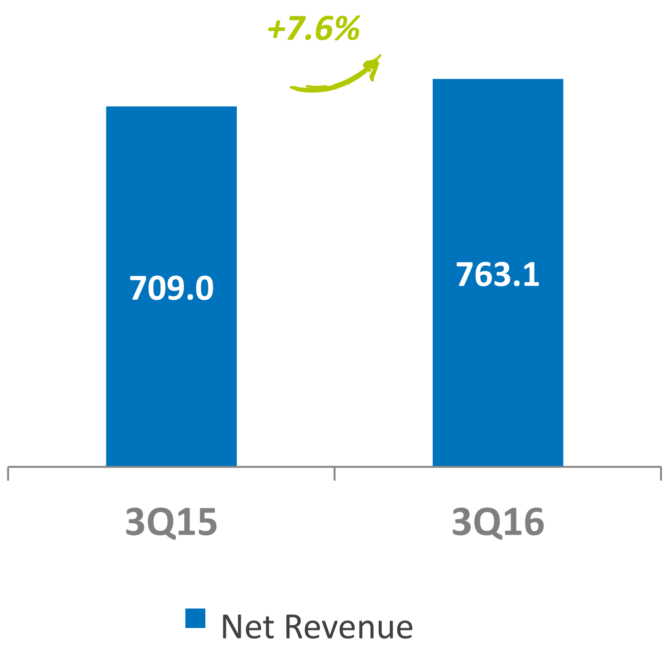
3

Financial Performance

Net Revenue

NET REVENUE

(R$ million)



- Increase of 7.6% in total net revenue, in line with the period upturn in the average ticket, offsetting:
  - The retention of 2% of FIES net revenue (Executive Decree 741) – impact of R$7.1 million
  - Reduction of R$11.6 million in Pronatec revenue

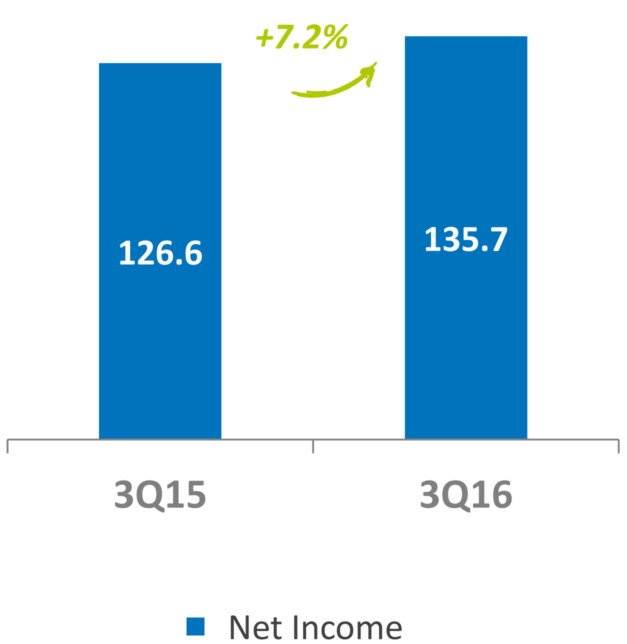
Operating Costs and Expenses

Vertical Analysis (% of net operating revenue)	3Q15	3Q16	Chg.
Cash Cost of Services	**-51.0%**	**-48.7%**	**2.3 p.p.**
Personnel	-39.6%	-36.1%	3.5 p.p.
Rent, condominium fees and municipal property tax	-6.9%	-8.2%	-1.3 p.p.
Textbook Materials	-1.0%	-1.1%	-0.1 p.p.
Third-Party Services and Others	-3.5%	-3.2%	0.3 p.p.
Selling Expenses	**-12.6%**	**-10.0%**	**2.7 p.p.**
PDA	-5.3%	-4.3%	0.9 p.p.
Marketing	-7.4%	-5.6%	1.7 p.p.
G&A Expenses	**-13.4%**	**-16.3%**	**-3.0 p.p.**
Personnel	-4.9%	-6.5%	-1.6 p.p.
Others	-8.4%	-9.9%	-1.4 p.p.
Other Operating Revenue/Expenses	0.9%	0.4%	-0.5 p.p.

Net Income

NET INCOME

(R$ million)



R$ million	3Q15	3Q16	Chg.
EBITDA	**169.7**	**194.5**	**14.6%**
EBITDA Margin	**23.9%**	**25.5%**	**1.6 *p.p.***
Financial Result	(12.2)	(32.6)	167.2%
Depreciation and Amortization	(39.5)	(45.2)	14.4%
Social Contribution	2.3	5.3	130.4%
Income Tax	6.3	13.7	117.5%
Net Income	**126.6**	**135.7**	**7.2%**

Average Receivables Days

Average Receivables Days – non-FIES

R$ million	3Q15	3Q16
Non-FIES Accounts Receivable and APV	351.2	377.7
Non-FIES Net Revenue	1,588.2	1,876.3
Average non-FIES Receivables Days	80	72

Average Receivables Days – FIES

R$ million	3Q15	3Q16
FIES Accounts Receivable	695.9	864.4
FIES Revenue (last 12 months)	1,363.0	1,411.0
FGEDUC Deductions (last 12 months)	(52.6)	(108.5)
Taxes (last 12 months)	(68.3)	(54.5)
FIES Net Revenue (last 12 months)	1,238.1	1,248.0
Average FIES Receivables Days	202	249

Capitalization and Cash

R$ million	3Q15	3Q16
Shareholders' Equity	**2,641.1**	**2,819.8**
Cash and Cash Equivalents	**721.2**	**575.7**
Gross Debt	**(1,153.0)**	**(923.3)**
Loans and Financing	(1,045.4)	(811.2)
Short Term	(301.3)	(240.5)
Long Term	(744.1)	(570.7)
Commitments Payable (acquisitions)	(92.0)	(92.5)
Taxes Paid in Installments	(15.7)	(19.6)
Cash / Net Debt	**(431.8)**	**(347.9)**

CAPEX

R$ million	3Q15	3Q16
Maintenance	19.0	22.9
Discretionary and Expansion	15.3	17.2
Total CAPEX	**34.3**	**40.1**

Cash Flow

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R$ million	3Q15	3Q16
Profit before taxes and after results from discontinued operations	118.0	116.8
Net cash provided by (used in) operating activities	**112.2**	**241.0**
Acquisition of property and equipment	(18.3)	(45.6)
Operating Cash Flow (OCF)	**93.9**	**195.4**
Cash flow from investing activities	(54.6)	(16.4)
Cash flow from financing activities	188.0	8.5
Net cash provided by (used in) financing activities	227.3	187.5
Cash and equivalents at the beginning of the period	**493.9**	**387.9**
Increase (reduction) in cash and cash equivalents	**227.3**	**187.5**
Cash and equivalents at the end of the period	**721.2**	**575.4**
Net Cash provided by (used in) operating activities / EBITDA	**66.1%**	**123.9%**
OCF / EBITDA	**55.3%**	**100.5%**

One-Off Dividends

- The ESM of November 10, 2016 approved the payment of one-off dividends totaling **R$420 million**, as established in the Protocol and Justification of the merger of the Company's shares by Kroton, as follows:

  - **R$280 million:** to be paid in 2 installments (on November 22 and December 15, 2016). Shares will be traded ex-dividends as of November 11, 2016.

  - **R$140 million:** given the possibility of the freeing of FIES payments this year or at the beginning of 2017, and aiming to maintain the solidity of our cash flow, the Board of Directors has been authorized to declare these dividends at a time deemed to be most appropriate for the Company, even before approval by CADE, Brazil's antitrust authority. Shares will only be traded ex-dividends as of the 4th business day following the Board of Directors meeting in which these dividends are declared.

4

Final Remarks

Guidelines for 2017

- **Intake strategy:**
  - Resizing and new incentives for the sales force and channel mix;
  - More restrictive policies for the granting of discounts and scholarships;
  - Definition of intake targets and KPIs based on the average ticket;
  - Alignment of prices with the competition and elasticity studies.

- **Marketing and advertising plan:**
  - Regionalized strategy, with messages that take the cultural and competitive characteristics and the strength and recognition of the Estácio brand in each location, into consideration.

Guidelines for 2017

- **Faculty costs:**
  - Cost planning in relation to faculty activities outside the classroom;
  - Definition of an annual offering of a group of subjects with a low operating performance; and
  - Expansion of the 20% distance learning content ceiling to the legacy courses of the acquired companies.

- **Cash generation:**
  - Explore collection incentives;
  - Greater control over CAPEX; and
  - Increased procurement efficiency, with healthier working capital, terms and synergies.

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