

# YDUQS



## CORPORATE PRESENTATION

January, 2020



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# DISCLAIMER

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 third quarter of 2018 (3Q18), except stated otherwise and were not reviewed by the audit.

**To preserve the comparability between quarters**, the Company also opted for disclosing the **pro-forma results for 3Q19**, 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.



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# YDUQS

Multi brand holding in education sector  
Focus on higher education  
National presence in Brazil

## ON-CAMPUS

**90+**

units

**300k+**

students

**Largest Law  
school in Brazil**  
(75k students)

## DISTANCE LEARNING

**250k+**

students

**500+**

cities

**800**

DL centers

## MEDICINE

**4k**

students

**1,100**

seats per year

**12**

units<sup>(1)</sup>

Our  
values



ACCESS



QUALITY



INNOVATION



# OUR BUSINESS UNITS

Including pending acquisitions (Adtalem)

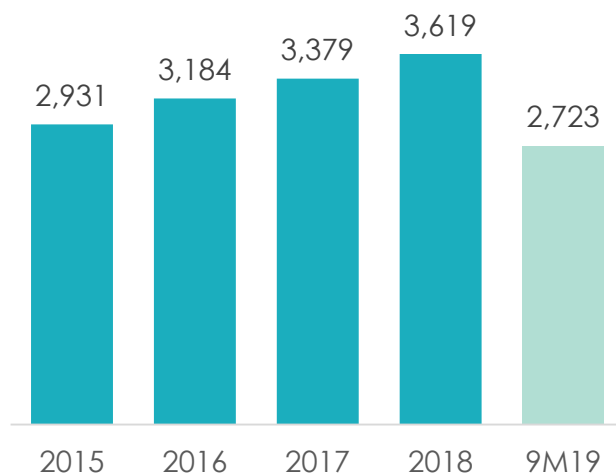


# YDUQS IN NUMBERS

9M19 in IFRS-16

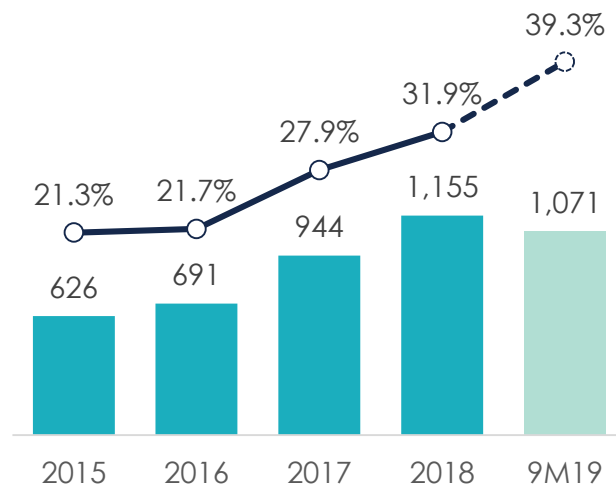
## NET REVENUES

(R\$ Million)



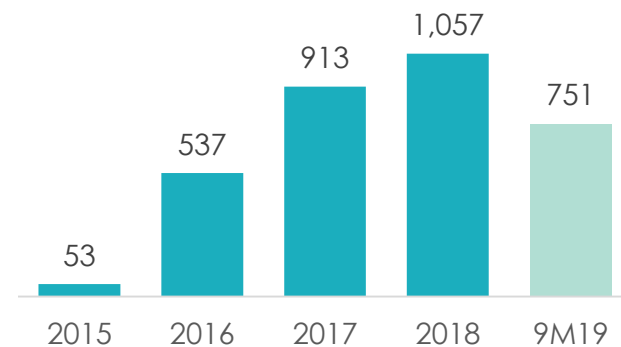
## EBITDA & EBITDA Margin

(R\$ Million; %)



## Operating Cash Flow

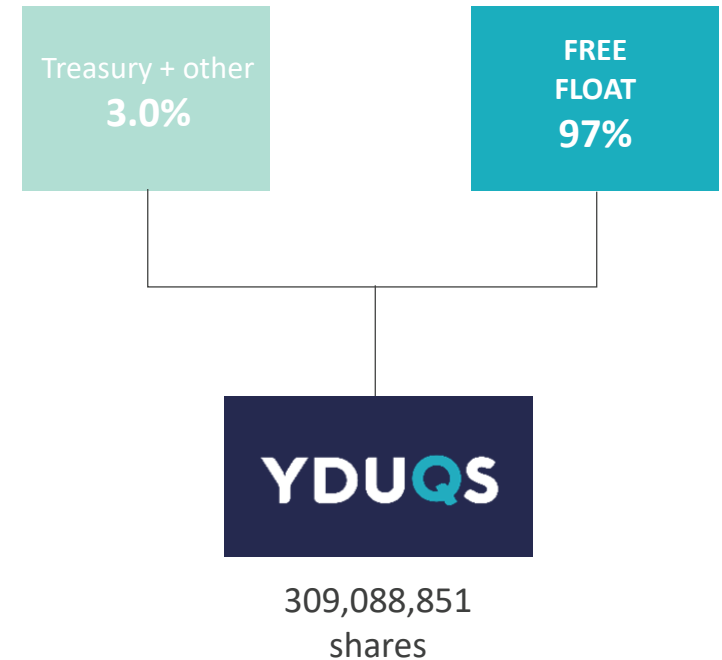
(R\$ Million; before Capex)



# CORPORATE GOVERNANCE

- • • True corporation  
97% Free Float
- • • One share, one vote  
"Novo Mercado" standard
- • • Independent board  
Composed by 9 independent members
- • • Reference Shareholder  
Private equity fund: Advent (>10% shares)

## Corporate structure



Índice Brasil 50 **IBRX 50**

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

Level 1 **ADR**

**YDUQS**



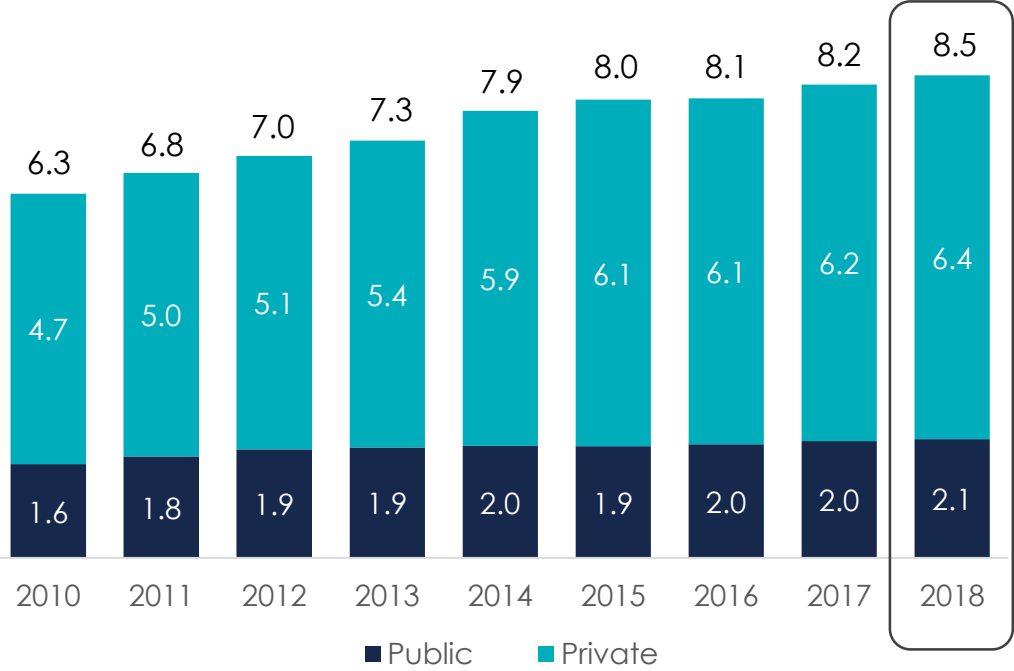
# INDUSTRY DYNAMICS





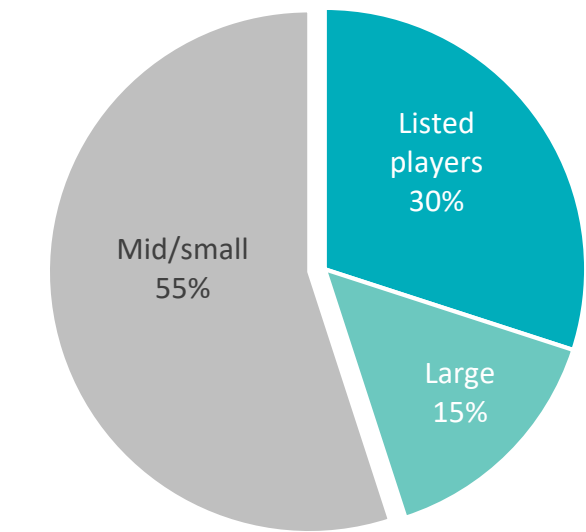
# INDUSTRY OVERVIEW

Higher degree student base  
(Million people)



**75% of students in the private sector**  
Stable offer from public institution

Percentage of enrolled students in  
private institutions per size (%)  
(2018)



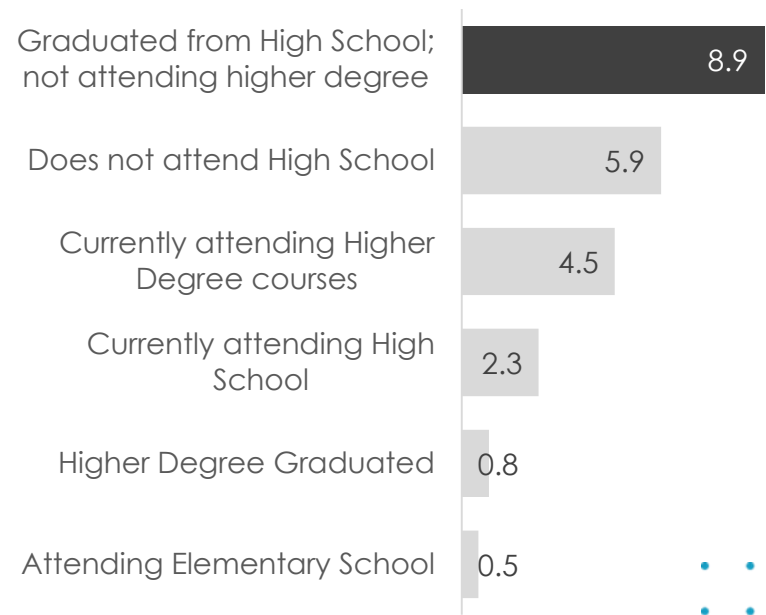
Listed Players: YDUQS, Cogna, Laureate, Ser, Ânima  
Large players: ≥ 1% of enrollments

**More than 2,000 institutions**  
Highly fragmented market



# INDUSTRY OVERVIEW (cont.)

Population by Education Stage in 2018:  
Ages between 18 and 24 years old  
(Million people)



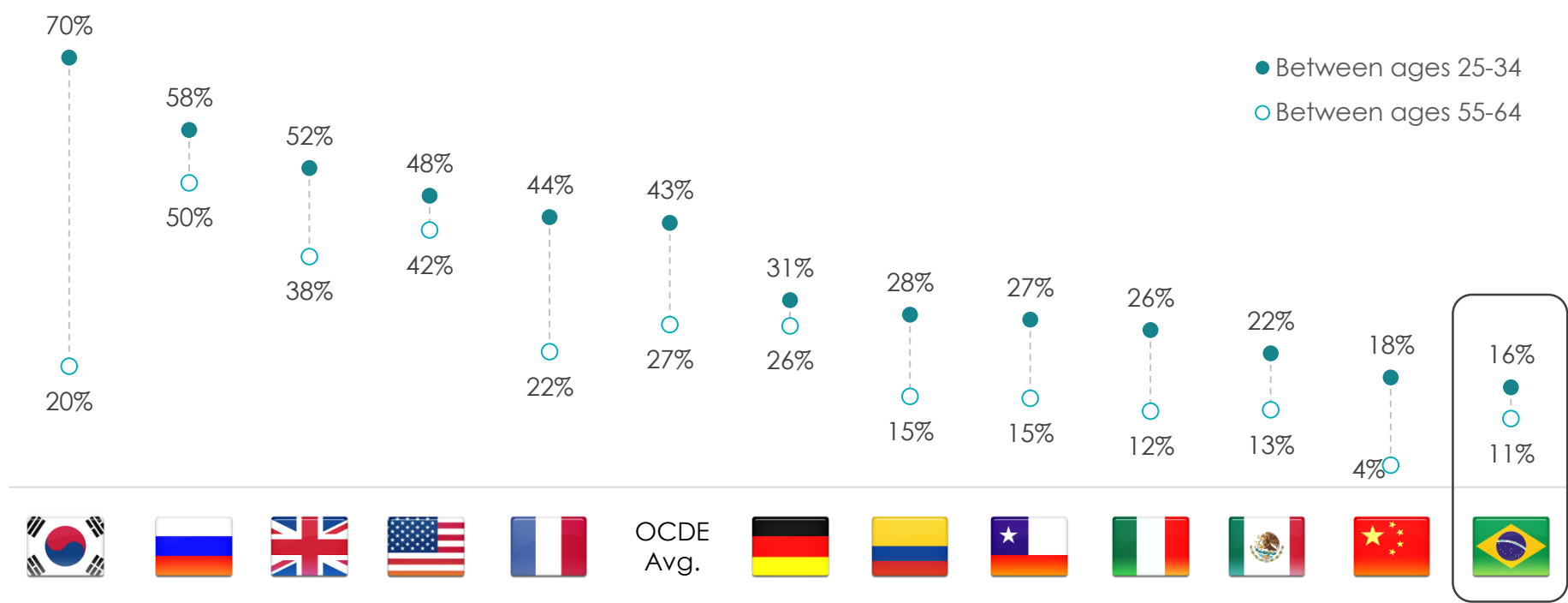
**23%** of the population attending or graduated from higher education (18-24 years old)

**~9 million** people outside high education courses (18-24 years old)



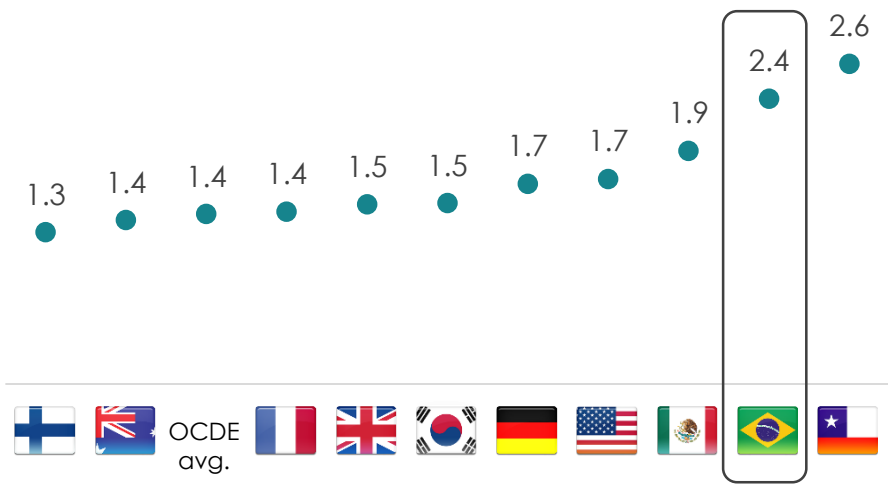
# HIGH EDUCATION IN BRAZIL STILL UNDERPENETRATED VS THE WORLD

Percentage of population with higher degree  
by age group  
(%)

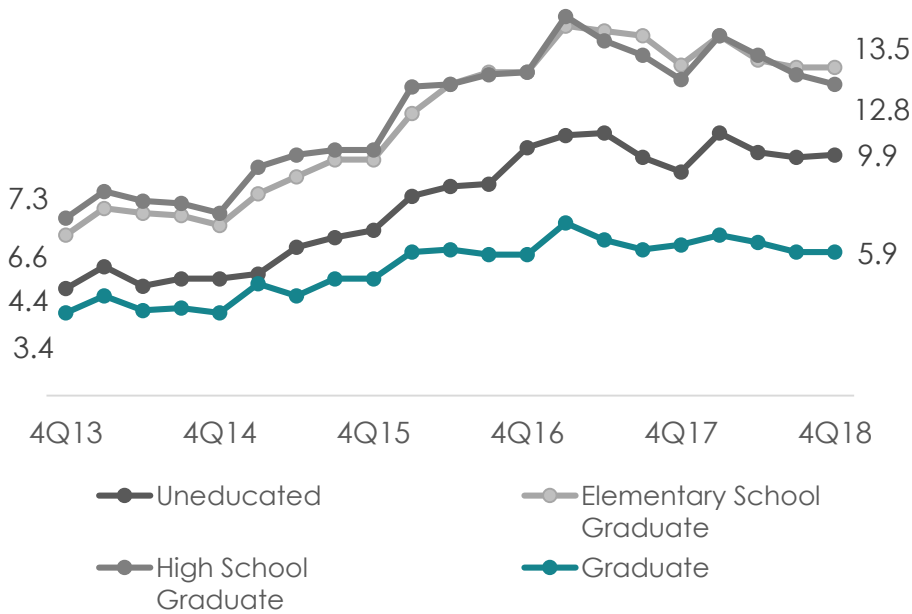


# EDUCATION IS A RELEVANT OPPORTUNITY

Average salary increase for high degree holders vs high school



Unemployment rate by education level in Brazil (%)

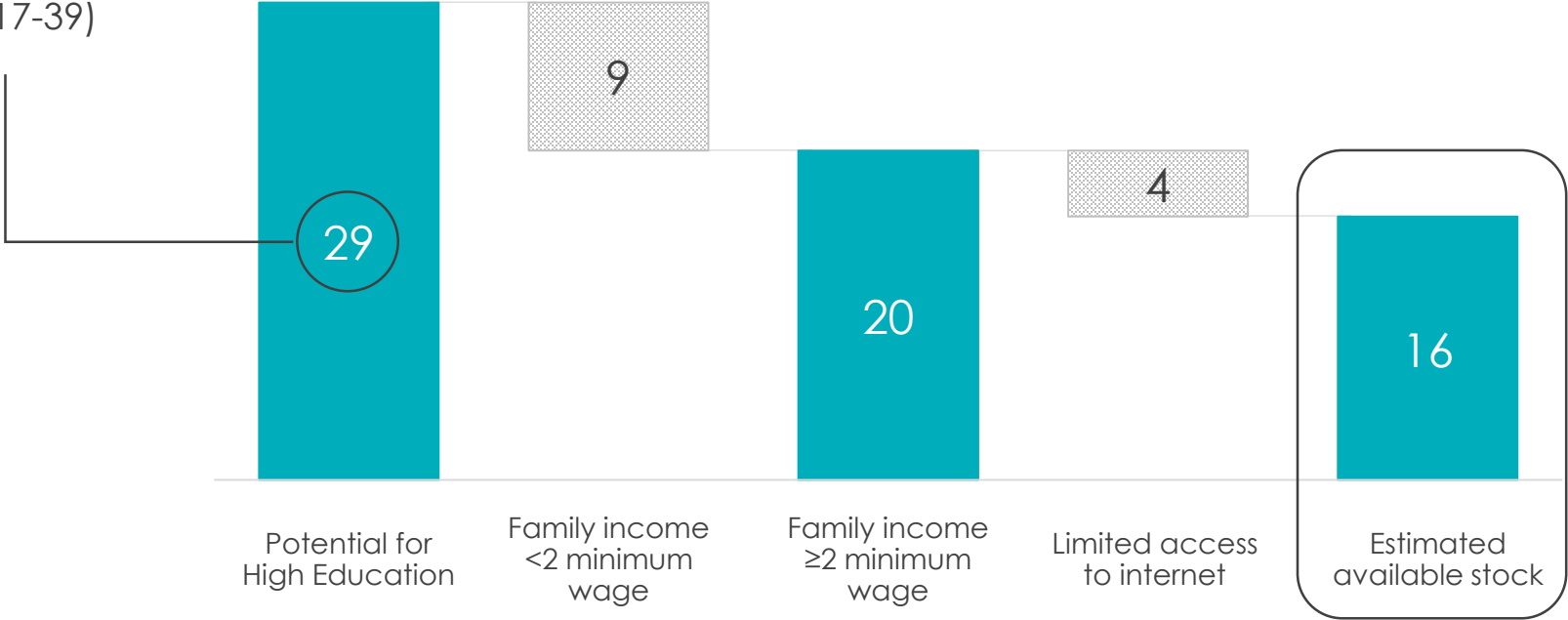


High education diploma improves chances of **salary increase** and **lower unemployment rate**

# ESTIMATED ADDRESSABLE MARKET

Million people

Population with high school diploma<sup>(1)</sup>  
(ages 17-39)

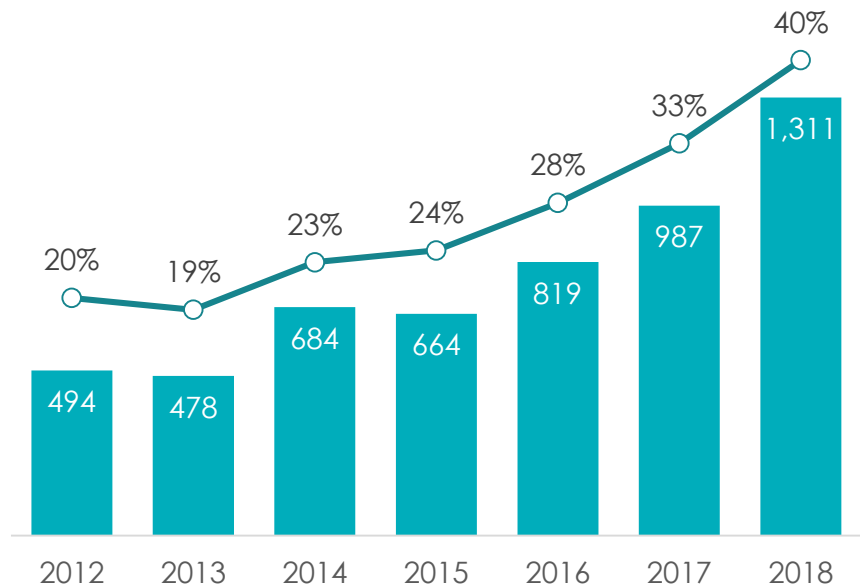


(1) Composed by individuals with no history of high education studies, 75% of the population with uncompleted studies and 10% of the population with one higher education diploma

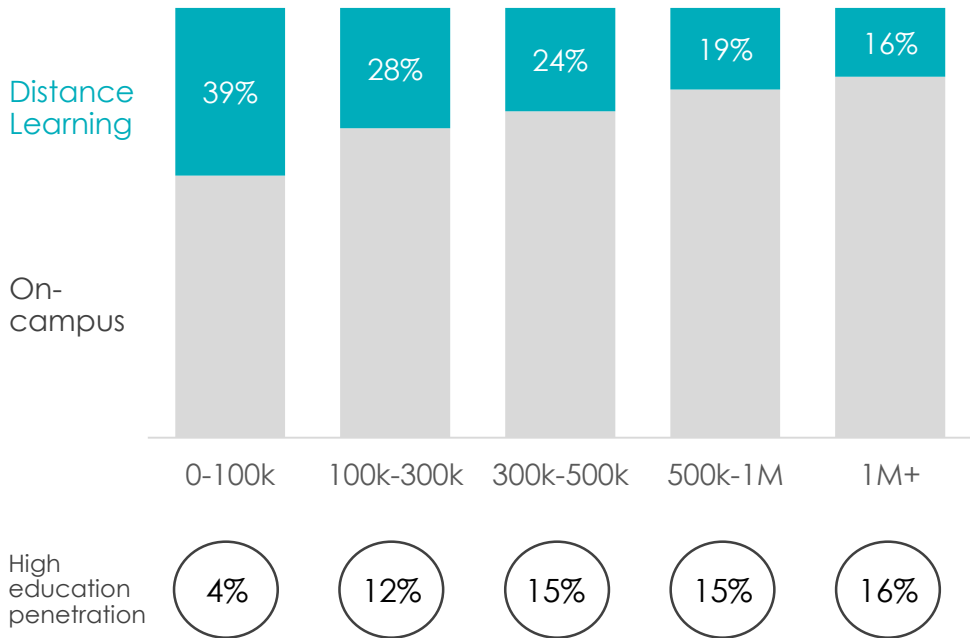


# DISTANCE LEARNING IS RESHAPING INDUSTRY DYNAMICS

Distance Learning segment intake and percentage of total enrollments in private institutions  
(Thousand people; %)



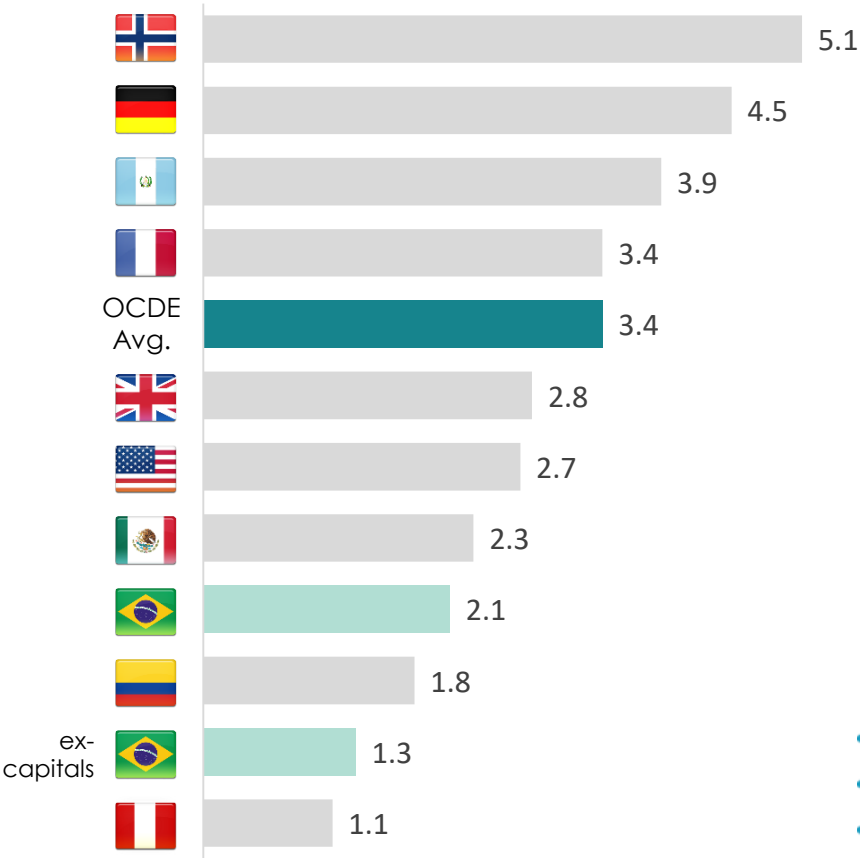
Enrollments per segment and city size (%)



# OPPORTUNITY FOR MEDICAL SCHOOLS

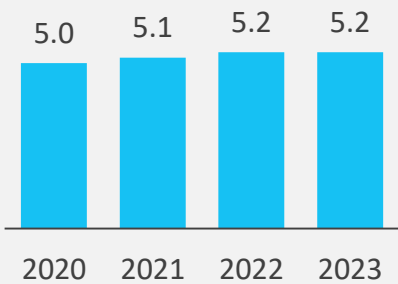
Demand should remain strong while competition for medical residency programs is set to increase

Medical density  
(Physicians per 1,000 inhabitants)

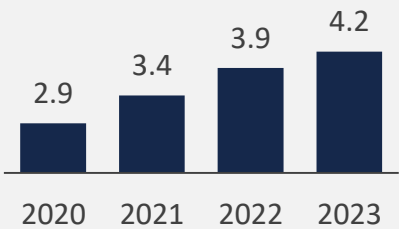


Applicants per seat in the Brazilian market  
(candidates per seat)

Undergraduate



Residency





# COMPANY STRATEGY





# GROWTH AVENUES



DISTANCE  
LEARNING

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ON-CAMPUS

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PREMIUM

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M&A



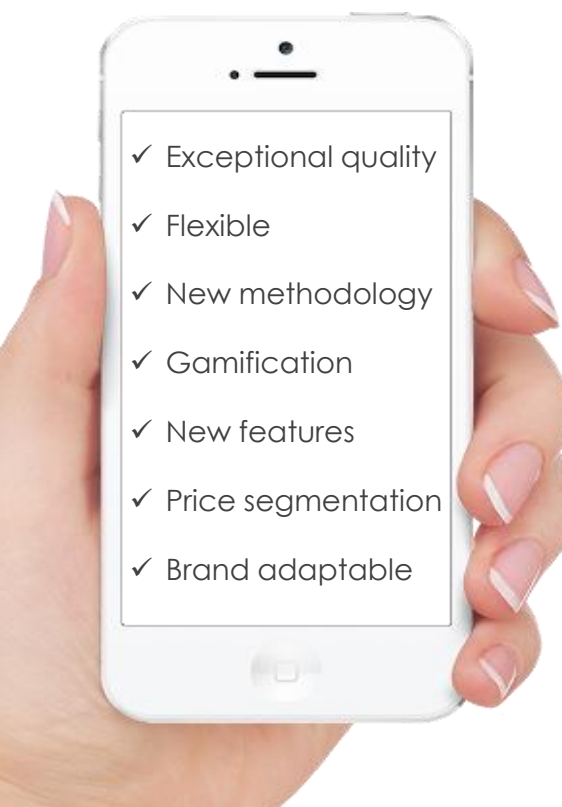
# DISTANCE LEARNING IS SET TO ACCELERATE GROWTH

Enhancing content

Expansion to small cities

Upgrading partnership model

Leveraging on regional brands

- 
- ✓ Exceptional quality
  - ✓ Flexible
  - ✓ New methodology
  - ✓ Gamification
  - ✓ New features
  - ✓ Price segmentation
  - ✓ Brand adaptable

City size

Inhabitants

Cities covered



SMALL

≤ 300k

8%



MEDIUM

300k to 1mln

100%



LARGE

>1mln

100%

Improved partner assessment

Better support

More flexibility

More revenue sharing levels

DL center deployment cell

Review of relationship scope

**UNITOLEDO®**  
A MARCADO DO CONHECIMENTO

CENTRO UNIVERSITÁRIO  
**UNI METROCAMP** (1)





# ON-CAMPUS: FOCUS ON EFFICIENCY

## Operational research

Higher occupancy  
Shared disciplines  
Reduction of hours paid to teachers  
Online content

**R\$200**  
million in potential savings

## New course curriculum

## Student permanence

Focus on quality and client experience to improve retention rate

## Capillarity

Continuously update course portfolio and deployment to all units





# CREATION OF A PREMIUM DIVISION

Enhance value proposition for **medicine**



**New campus**  
in Rio de Janeiro for  
R\$32 million

Focus on cutting  
edge **technologies**

Expand fields of  
**medicine**



**Increase offerings**  
to preparatory  
courses and  
residency

Consolidate  
leadership in  
**graduate courses**



**Leveraging on**  
**IBMEC's** superior  
quality and  
personnel





# CLEAR M&A PIPELINE

## City influence zones roadmap

Desired features:



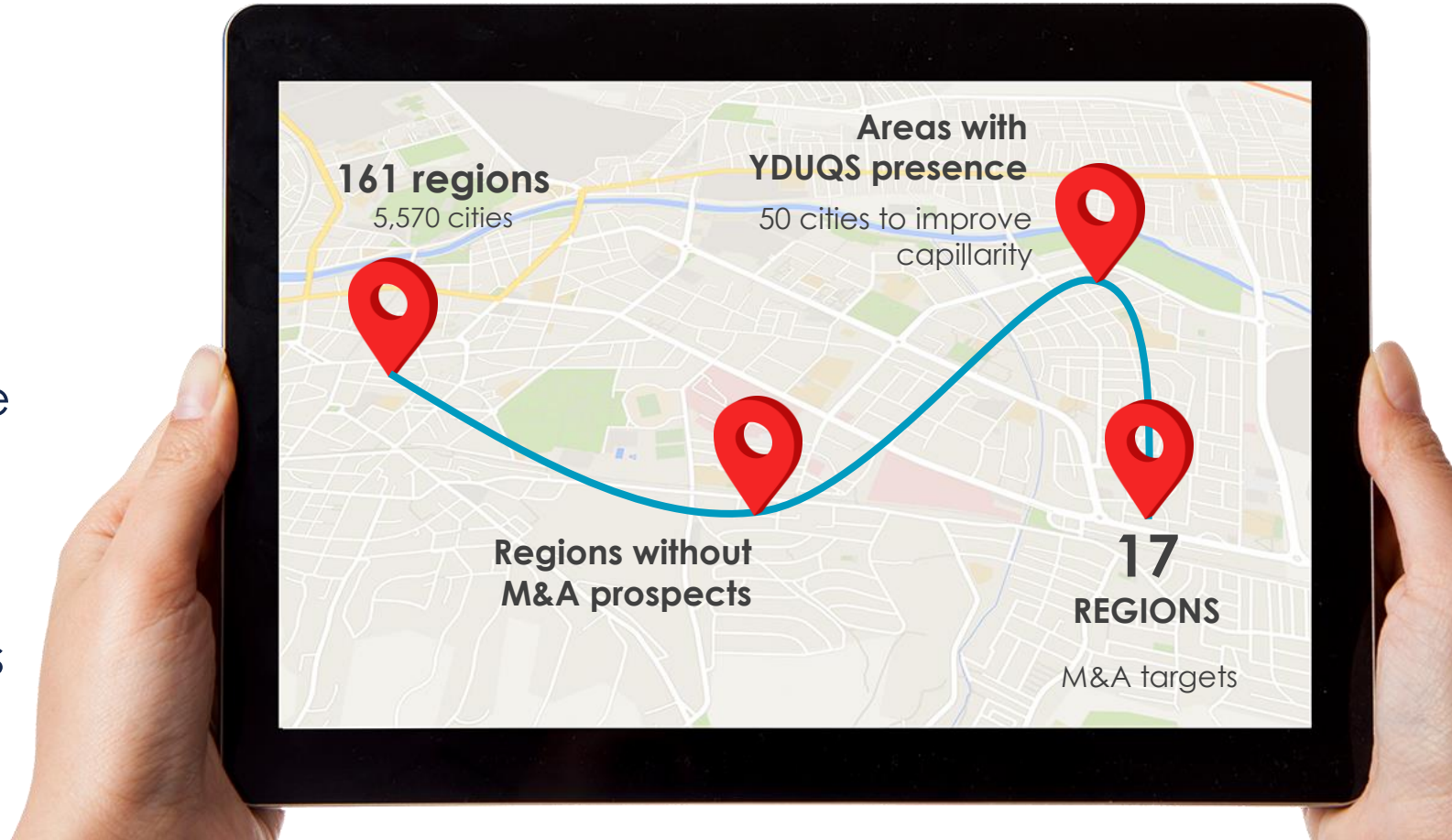
Distance Learning



Medicine



Relevant synergies



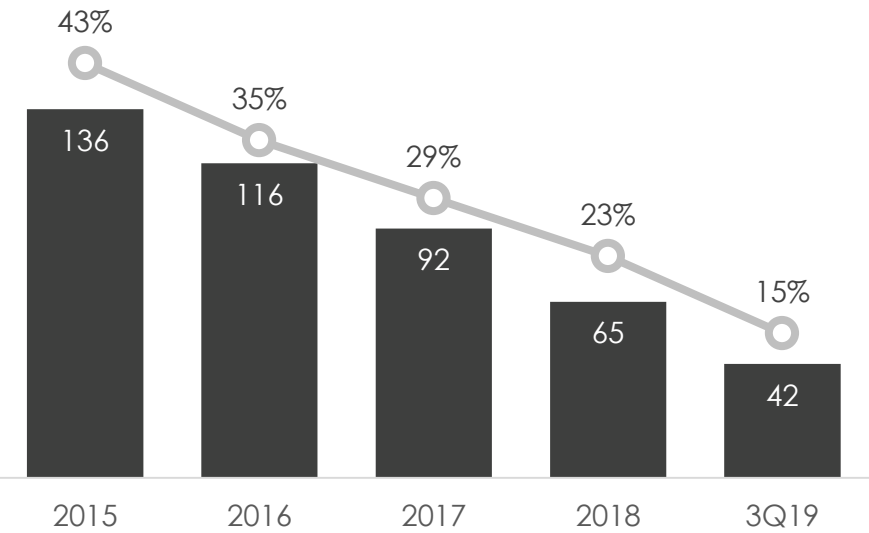


# OPERATIONAL

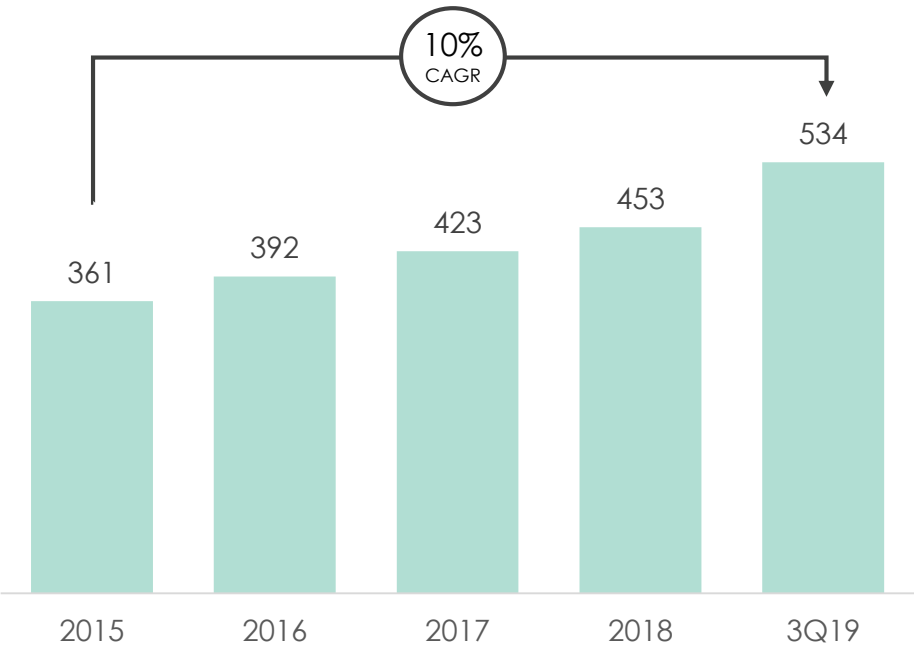


# FIES IMPACT IS GETTING BEHIND US

FIES student base and share over on-campus undergraduate (Thousand students; %)

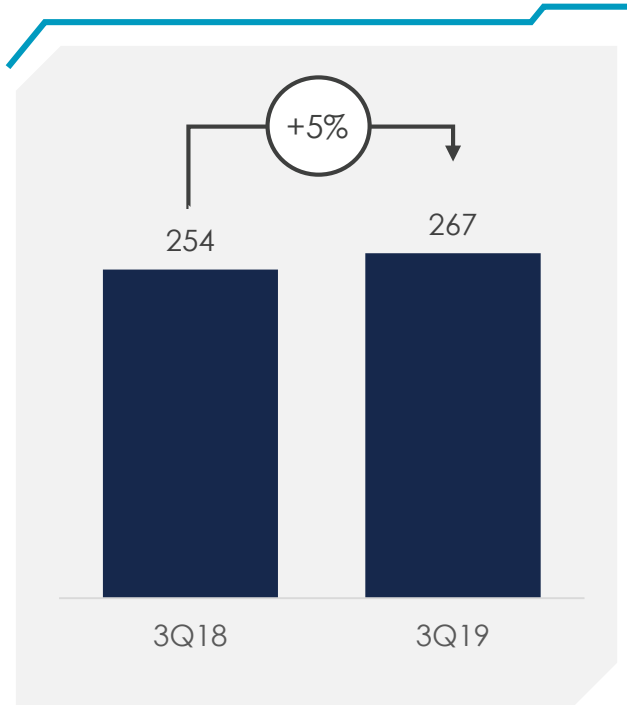


Total student base ex-FIES (Thousand students)

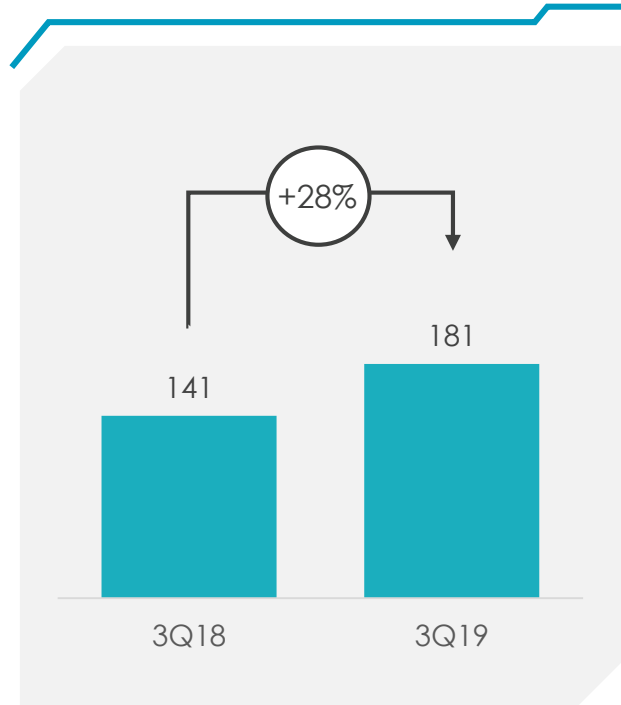


# STUDENT BASE: IMPROVEMENTS ACROSS THE BOARD

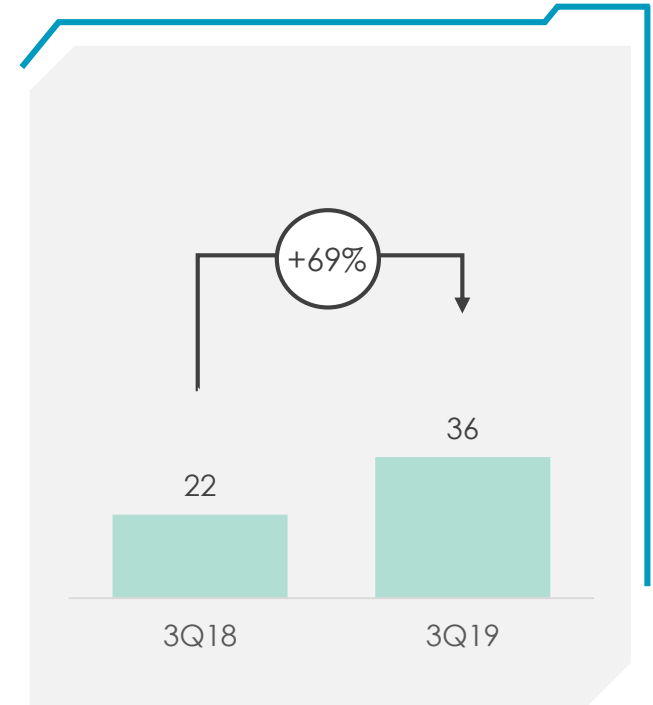
On-campus ex-FIES



DL - 100% online



DL - Flex

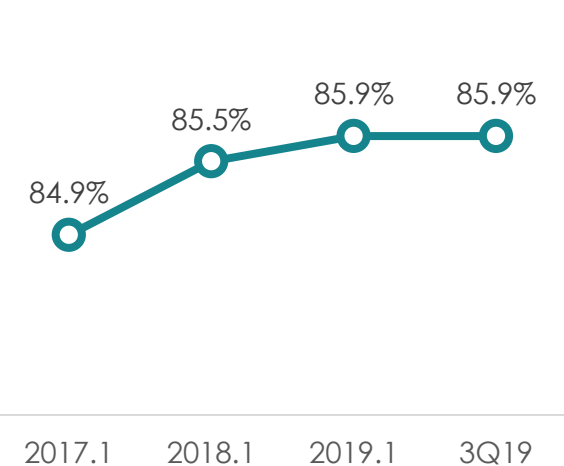




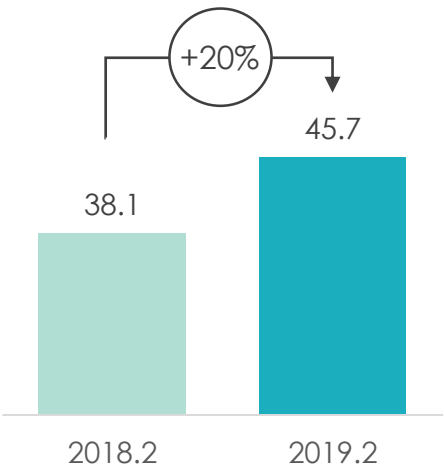
# ON-CAMPUS UNDERGRADUATE

Improving performance and operational efficiency to counter macroeconomic challenges and FIES decline

Retention rate <sup>(1)</sup>  
(%)



Last intake cycle  
(thd students)



93  
units

278k  
students

766  
avg. ticket

As of 3Q19

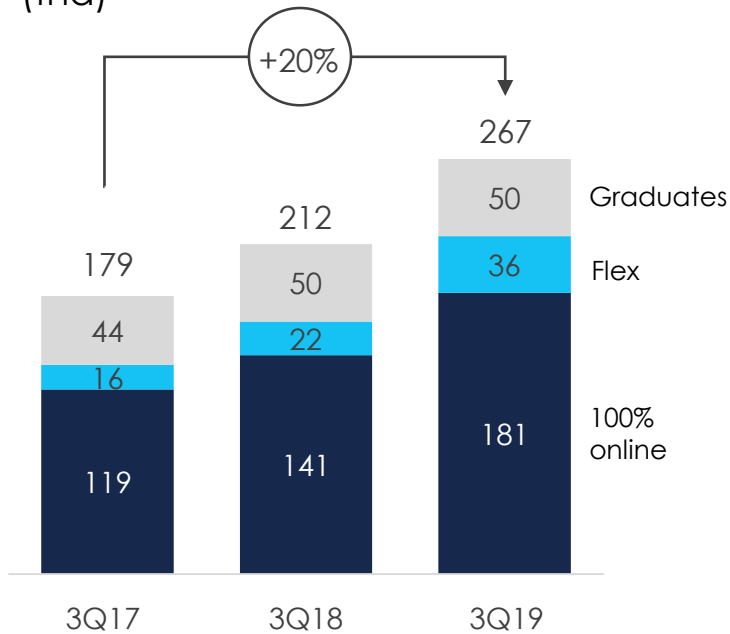


(1) Retention Rate =  $[1 - ((\text{dropouts} + \text{on-renewal}) / (\text{renewable student base: initial student base} - \text{graduating students} + \text{intake}))]$ .

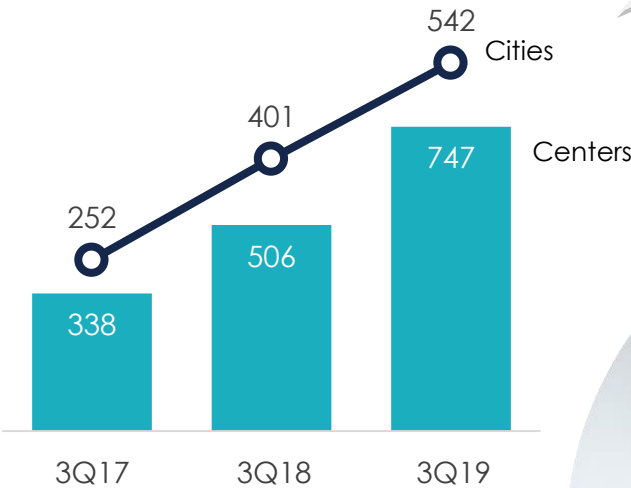
# DISTANCE LEARNING

Accelerating in all fronts

Student base per product (thd)



Number of DL centers and cities covered (centers; cities)



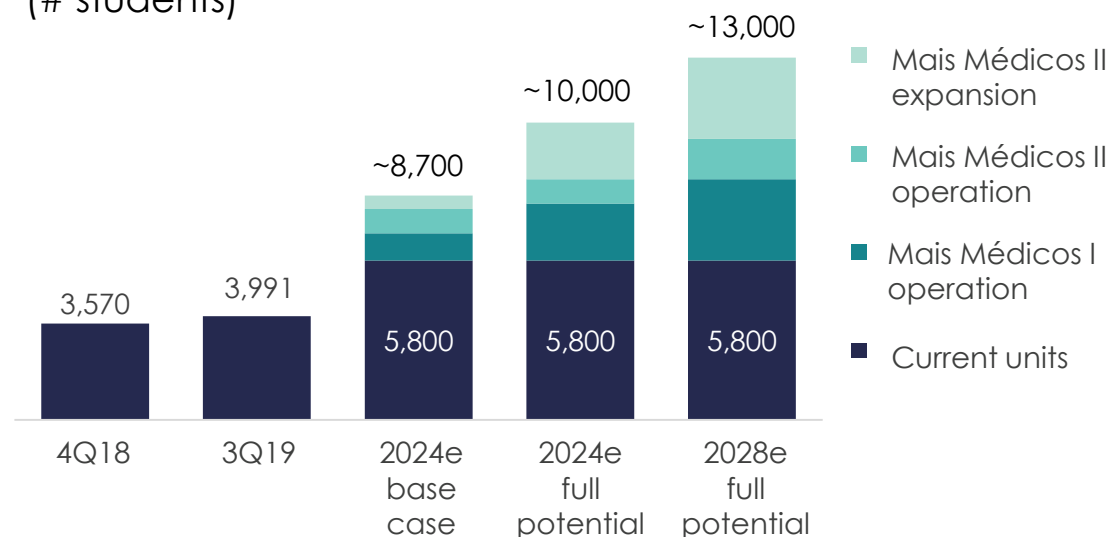
**1,500** cities  
by 2024e





# MEDICINE IN STEEP EXPANSION

Existing units plus expansion of Mais Médicos I and beginning of operations of Mais Médicos II will significantly increase our student base (# students)



**ALL 4 MAIS MÉDICOS II UNITS AUTHORIZED BY MEC** and in implementation phase.

+200 SEATS/YEAR



**+100 SEATS/YEAR**

Expansion to maximum capacity approved in Juazeiro (BA) unit.

155 SEATS/YEAR



**NEW CAMPUS IN RIO**

Transfer from old campus operations to Barra da Tijuca

1,200 students  
(medicine + dentistry)

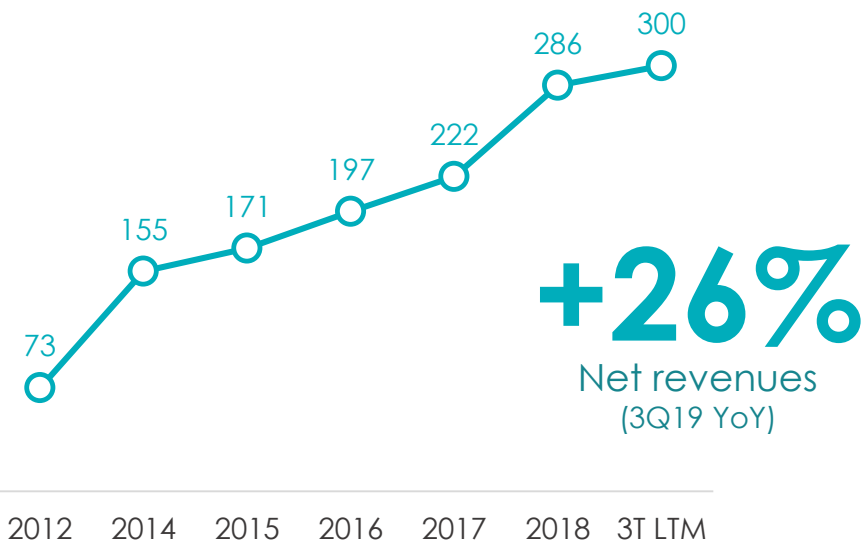


DISCLAIMER: Student base includes full scholarship holders from Mais Médicos units (I and II), plus ProUni and FIES students. Does not include Adtalem units.

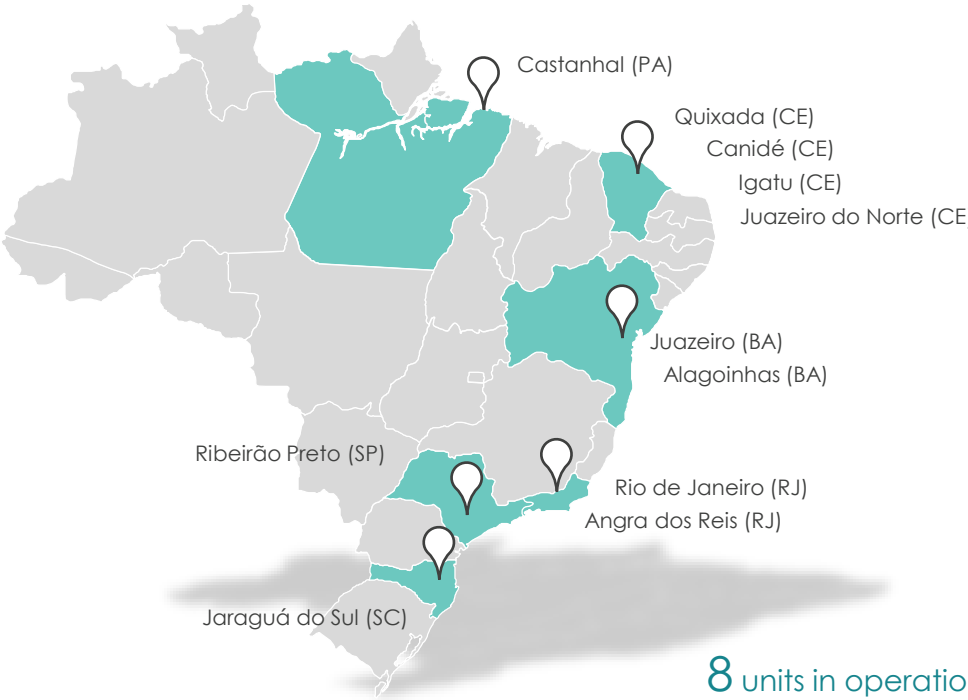
Estimates consider: (i) partial expansion of 50 seats/year in each Mais Médicos unit on base case scenario and maximum expansion to 150 seats/year in each of such units on the full potential scenario.

# MEDICINE IN STEEP EXPANSION (CONT.)

Net revenues evolution  
(R\$ million)



Our units  
(Organic + Mais Médicos I and II)



8 units in operation  
4 units under construction (2020.1e)

**7,500** **+14%**  
avg. ticket  
(month) avg. ticket  
(3Q19 YoY)





# FINANCIALS

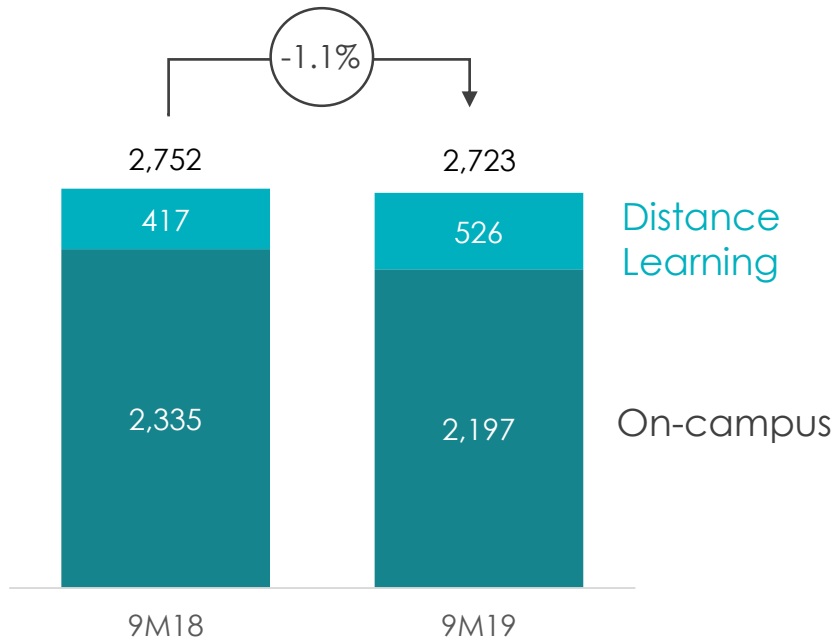




# REVENUES

Stable performance overall despite FIES and macro challenges

Net revenues  
(R\$ million)



Distance learning solid performance

9M19	3Q19
<b>+26%</b> YoY	<b>+29%</b> YoY

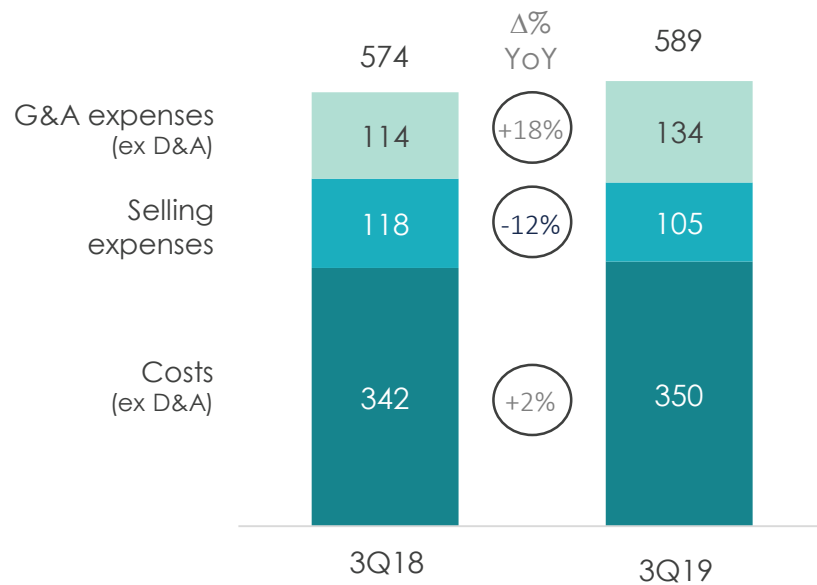
On-campus undergraduate  
FIES impact

	ex-FIES	Total
AVERAGE TICKET	<b>-0.8%</b> YoY in 3Q19	<b>-4.9%</b> YoY in 3Q19
NET REVENUES	<b>+3.8%</b> YoY in 3Q19	<b>-8.3%</b> YoY in 3Q19

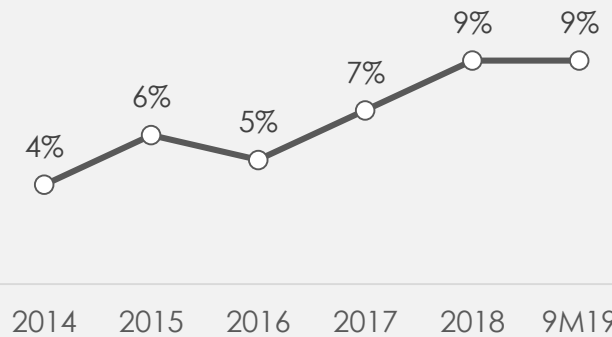
# OPEX

Emphasis on efficiency & business resilience

Cost & expenses (ex D&A)  
(R\$ million)



Bad debt as a percentage of  
net revenues (%)



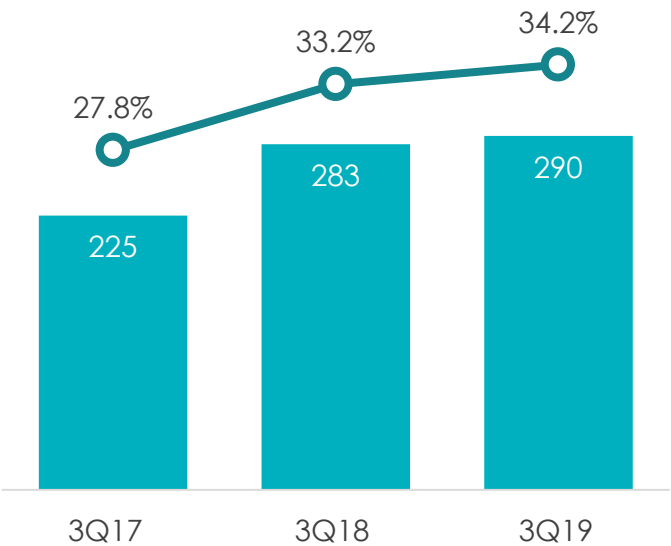
Expectation to stabilize in the range of  
10-11% by 2020-2021 as financial  
products mature (DIS/PAR)



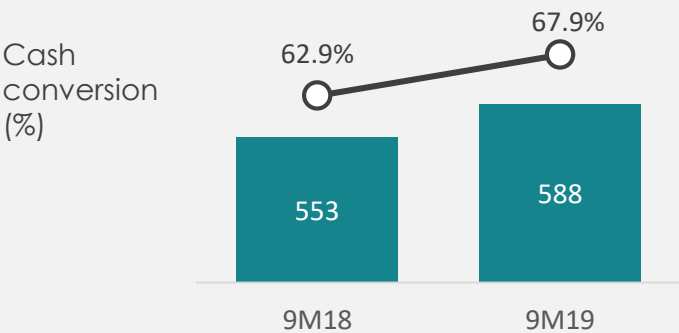
# EBITDA, CAPEX & CASH

Discipline and focus on profitability

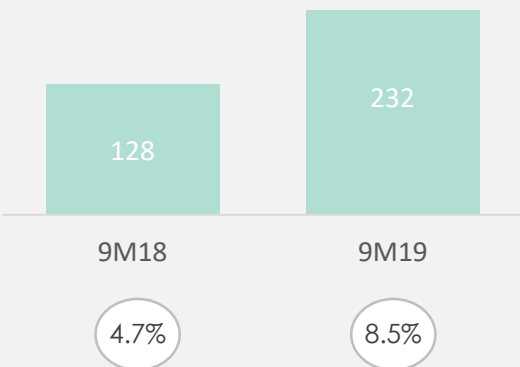
Adjusted EBITDA<sup>(1)</sup> and EBITDA margin  
(R\$ Million; ex-IFRS 16)



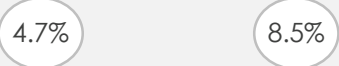
Cash flow<sup>(2)</sup> and cash conversion<sup>(3)</sup>  
(R\$ Million; ex-IFRS 16)



CAPEX  
(R\$ Million)



% of Net Revenues



(1) Adjusted by restructuring (personnel), M&A and rental contract termination costs.

(2) Operating Cash Flow before capex excluding the effect of PN-23.  
(3) Operating cash flow before capex divided by 9M reported EBITDA



# RECENT M&A



# UNITOLEDO



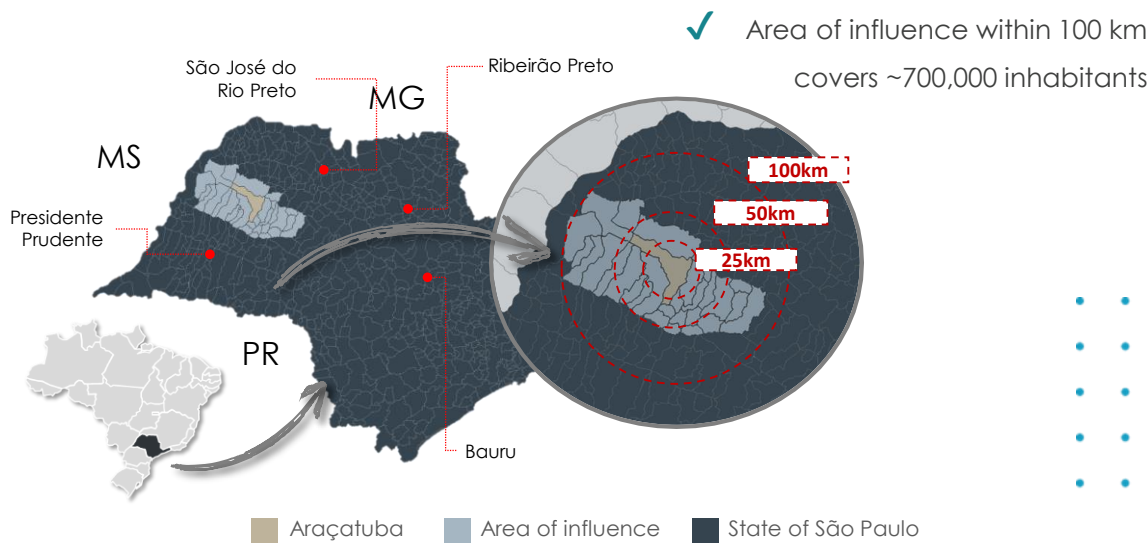
Opportunity to **EXPAND IN THE INTERIOR OF SÃO PAULO'S STATE** both on-campus and by launching our Distance Learning program.



**PREMIUM** positioning institution with high quality and regional recognition. Market share **LEADER** on it's region



**OPERATIONAL SYNERGIES** and growth of current operation



Location	Araçatuba, São Paulo
Student	5,300 (100% on-campus)
Quality	IGC (grade 4) / CI (grade 5)
EV	<b>R\$102.5 million</b> +R\$15 million call option  R\$19k/student Rev. R\$43 million (FY18) EBITDA R\$13 million (FY18) 8x EV/EBITDA 18' 6.5x EV/EBITDA post synergies



# ADTALEM



## Portfolio Diversification

New services and assets exposure to different segments of income class. Expand medicine business proposition to Lifelong education adding prep. Courses and specialization programs.



## Graduation Programs

Expertise and technology to leverage our graduation programs. Opportunity to scale high quality DL content.



## Quality

Premium assets with academic excellence, differentiated quality and recognized brands



## Complementary Geographic Positioning

Strengthen our footprint in the North and Northeast with solid regional brands

Size	10 <sup>th</sup> largest private higher education institution in Brazil
Student	102,500 (on-campus + DL)
Units	20 campi + 180 DL centers
Quality	3 institutions IGC (grade 4) 10 institutions IGC ≥ 3
EV	<b>R\$1.9 billion</b>  R\$19k/student Rev. R\$875 million (LTM 2Q19) EBITDA R\$191 million (LTM 2Q19) 10x EV/EBITDA LTM 2Q19 ~7x EV/EBITDA post synergies



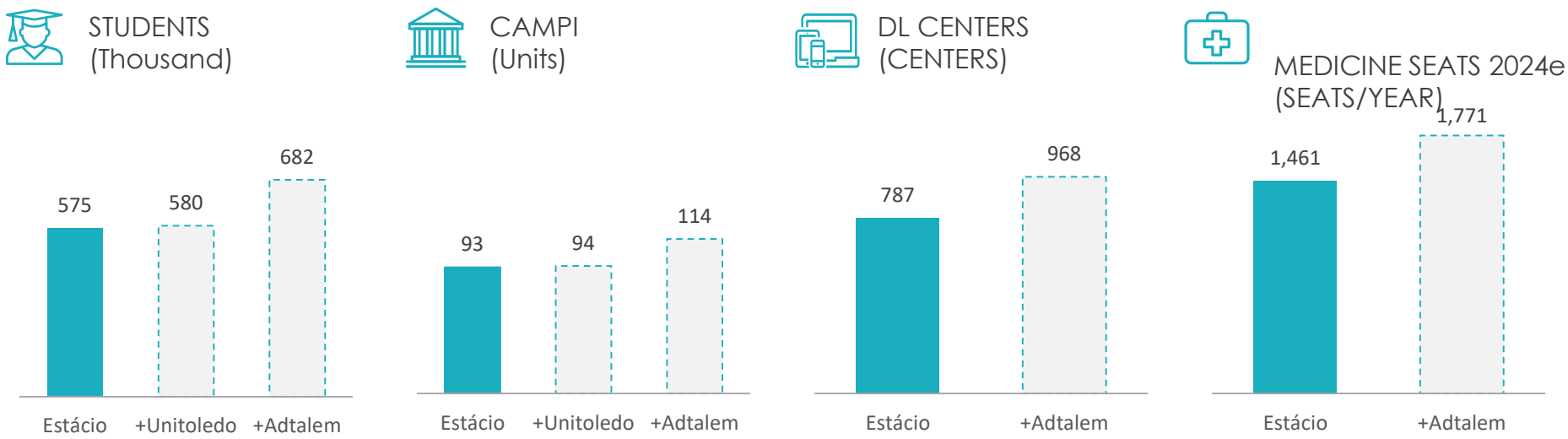
Top-notch Business School and among the most respected education provider in Brazil

Strong locally recognized brands, concentrated in North and Northeast regions

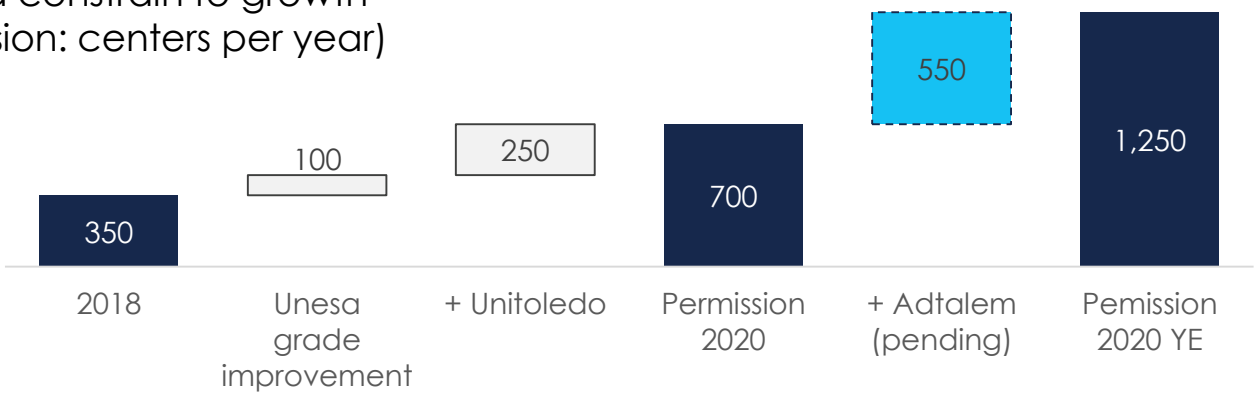
Leading institution for law and diplomatic careers focused on preparation courses



# POWERFUL COMBINATION OF SCALE & QUALITY



Permission to open new DL centers no longer a constrain to growth (permission: centers per year)



# CONCLUSION



# KEY MESSAGES

- • • • **FAST GROWTH IN DISTANCE LEARNING SEGMENT**  
IMPROVING KPIs ACROSS THE BOARD WITH RECOGNIZED QUALITY
- • • • **RELEVANT EFFICIENCY GAINS ON-CAMPUS**  
OPPORTUNITY TO IMPROVE MARGINS THROUGH OPERATIONAL RESEARCH
- • • • **NICHE OPPORTUNITIES**  
MEDICINE AND PREMIUM COURSES
- • • • **SOLID FINANCIAL RESULTS**  
REVENUES & EBITDA EXPANSION DESPITE MACRO CHALLENGES
- • • • **STRONG CASH GENERATION**  
FCO, DIVIDENDS AND NET CASH COMPANY
- • • • **VALUE CREATION THROUGH M&A**  
17 TARGETS MAPED



# APPENDIX



Overall Base ('000)	3Q18	3Q19	Δ %
<b>Student Base</b>	<b>531.0</b>	<b>575.4</b>	<b>8.4%</b>
Total ex-FIES	466.3	533.5	14.4%
<b>Undergraduate</b>	<b>450.2</b>	<b>495.3</b>	<b>10.0%</b>
Total DIS [a + b]	143.5	229.3	59.8%
<b>Graduate</b>	<b>80.8</b>	<b>80.1</b>	<b>-0.8%</b>
Own	36.4	34.1	-6.4%
Partnerships	44.3	46.0	3.8%

On-campus ('000)	3Q18	3Q19	Δ %
<b>Total</b>	<b>318.7</b>	<b>308.4</b>	<b>-3.2%</b>
Undergrad. ex-FIES	223.0	236.1	5.8%
<b>Undergraduate</b>	<b>287.7</b>	<b>277.9</b>	<b>-3.4%</b>
Total On-Campus DIS [a]	70.5	102.0	44.7%
Out-of-pocket	209.3	224.8	7.4%
FIES	64.7	41.8	-35.3%
PAR	13.7	11.3	-17.6%
<b>Graduate</b>	<b>31.0</b>	<b>30.5</b>	<b>-1.7%</b>
Own	17.5	16.1	-8.1%
Partnerships	13.5	14.4	6.5%

Distance Learning ('000)	3Q18	3Q19	Δ %
<b>Total</b>	<b>212.2</b>	<b>267.0</b>	<b>25.8%</b>
<b>Undergraduate DL+ Flex</b>	<b>162.5</b>	<b>217.4</b>	<b>33.8%</b>
Total DL DIS [b]	73.1	127.4	74.3%
DL: 100% online	140.9	181.0	28.4%
DIS	62.3	105.0	68.7%
DL: Flex	21.6	36.4	68.7%
DIS	10.8	22.4	106.7%
<b>Graduate</b>	<b>49.7</b>	<b>49.6</b>	<b>-0.3%</b>
Own	18.9	18.0	-4.9%
Partnerships	30.8	31.6	2.6%

In thousands	3Q18 Intake	Final 3Q18	Initial 3Q19	Dropout/ Non-renewal	Students Graduating	3Q19 Intake	Final 3Q19	Base Y/Y
<b>Undergraduate</b>	<b>91.6</b>	<b>450.2</b>	<b>495.0</b>	<b>(96.7)</b>	<b>(33.3)</b>	<b>130.2</b>	<b>495.3</b>	<b>10.0%</b>
<b>On-Campus</b>	<b>38.1</b>	<b>287.7</b>	<b>298.0</b>	<b>(45.5)</b>	<b>(20.2)</b>	<b>45.6</b>	<b>277.9</b>	<b>-3.4%</b>
FIES	1.0	64.7	49.4	(0.1)	(8.9)	1.4	41.8	-35.3%
PAR	4.3	13.7	14.7	(4.5)	-	1.1	11.3	-17.6%
Out-of-Pocket	32.8	209.3	233.9	(40.9)	(11.4)	43.1	224.8	7.4%
DIS	29.4	70.5	106.6	(32.2)	-	27.6	102.0	44.7%
<b>100% DL + FLEX</b>	<b>53.4</b>	<b>162.5</b>	<b>197.0</b>	<b>(51.2)</b>	<b>(13.0)</b>	<b>84.6</b>	<b>217.4</b>	<b>33.8%</b>
100% DL	45.7	140.9	164.5	(41.0)	(11.2)	68.6	181.0	28.4%
DIS	37.2	62.3	88.9	(40.0)	-	56.1	105.0	68.7%
FLEX DL	7.7	21.6	32.6	(10.2)	(1.9)	15.9	36.4	68.7%
DIS	6.6	10.8	21.4	(11.1)	-	12.0	22.4	106.7%
Total DIS	73.1	143.5	216.9	(83.3)	-	95.7	229.3	59.8%





# MEDICINE UNITS AND SEAT OFFERINGS

2019.2							BASE CASE* 2024e		FULL POTENTIAL* 2024e	
Unit	State	Type	Operation Start	Status	Authorized seats py <sup>(3)</sup>	Student Base	Authorized seats py <sup>(3)</sup>	Student Base	Authorized seats py <sup>(3)</sup>	Student Base
Presidente Vargas	RJ	Organic	1998.2	Matured	240	1,556	240	1,728	240	1,728
João Uchôa	RJ	Organic	2014.1	Matured	170	771	170	1,234	170	1,234
Juazeiro do Norte	CE	Organic	2000.1	Matured	100	675	100	782	100	782
Ribeirão Preto	SP	Organic	2015.1	In maturity	76	471	76	552	76	552
Alagoinhas	BA	MM I	2017.2	In maturity	65	120	115	708	165	948
Angra dos Reis	RJ	MM I	2018.1	In maturity	55	136	105	581	155	821
Jaraguá do Sul	SC	MM I	2018.1	In maturity	50	89	100	588	150	828
Juazeiro	BA	MM I	2018.1	In maturity	155	173	155	1,003	155	1,003
Canindé	CE	MM II	-	Under construction	50	-	100	480	150	660
Castanhal	PA	MM II	-	Under construction	50	-	100	360	150	480
Quixadá	CE	MM II	-	Under construction	50	-	100	360	150	480
Iguatu	CE	MM II	-	Under construction	50	-	100	360	150	480
<b>Total</b>					<b>1,111</b>	<b>3,991</b>	<b>1,461</b>	<b>8,736</b>	<b>1,811</b>	<b>9,996</b>
FACID	PI	Organic	-	In maturity	110	580	<b>Adtalem units</b> Pending from approval by anti-trust agency (CADE)			
Açailândia	MA	MM II	-		50	-				
Ji-Paraná	RO	MM II	-		50	-				
<b>Total with Adtalem</b>					<b>1,321</b>	<b>4,571</b>				



# INCOME STATEMENT PER BUSINESS UNIT

## 2019 in IFRS-16

	On-campus			Distance Learning			Corporate			Consolidated		
R\$ Million	9M18	9M19	Δ%	9M18	9M19	Δ%	9M18	9M19	Δ%	9M18	9M19	Δ%
<b>Gross Revenues</b>	<b>3.709,7</b>	<b>3.752,5</b>	<b>1,2%</b>	<b>674,9</b>	<b>912,6</b>	<b>35,2%</b>	-	-	-	<b>4.384,6</b>	<b>4.665,1</b>	<b>6,4%</b>
Deductions	(1.374,8)	(1.555,8)	13,2%	(257,4)	(386,3)	50,1%	-	-	-	(1.632,2)	(1.942,1)	19,0%
<b>Net Revenues</b>	<b>2.334,9</b>	<b>2.196,7</b>	<b>-5,9%</b>	<b>417,4</b>	<b>526,3</b>	<b>26,1%</b>	-	-	-	<b>2.752,3</b>	<b>2.723,0</b>	<b>-1,1%</b>
<b>Cost of Services</b>	<b>(1.123,1)</b>	<b>(1.062,3)</b>	<b>-5,4%</b>	<b>(53,5)</b>	<b>(65,1)</b>	<b>21,7%</b>	-	-	-	<b>(1.176,6)</b>	<b>(1.127,4)</b>	<b>-4,2%</b>
Personnel	(791,4)	(743,9)	-6,0%	(37,2)	(33,9)	-8,9%	-	-	-	(828,6)	(777,8)	-6,1%
Rent, property tax & other	(181,0)	(31,4)	-82,7%	-	2,2	N.A.	-	-	-	(181,0)	(29,2)	-83,9%
Third party services	(80,5)	(76,3)	-5,2%	(15,8)	(30,6)	93,7%	-	-	-	(96,3)	(106,9)	11,0%
D&A	(70,3)	(210,7)	199,7%	(0,5)	(2,8)	460,0%	-	-	-	(70,8)	(213,5)	201,6%
<b>Gross profit</b>	<b>1.211,8</b>	<b>1.134,4</b>	<b>-6,4%</b>	<b>363,9</b>	<b>461,2</b>	<b>26,7%</b>	-	-	-	<b>1.575,7</b>	<b>1.595,6</b>	<b>1,3%</b>
Gross margin	51,9%	51,6%	(0,3) p.p.	87,2%	87,6%	0,4 p.p.	-	-	-	57,3%	58,6%	1,3 p.p.
<b>Selling and G&amp;A</b>	<b>(329,1)</b>	<b>(322,9)</b>	<b>-1,9%</b>	<b>(58,7)</b>	<b>(65,5)</b>	<b>11,6%</b>	<b>(462,1)</b>	<b>(464,0)</b>	<b>0,4%</b>	<b>(849,9)</b>	<b>(852,4)</b>	<b>0,3%</b>
Personnel	(11,5)	(8,7)	-24,3%	(11,4)	(11,4)	0,0%	(107,2)	(109,0)	1,7%	(130,1)	(129,1)	-0,8%
Advertising	-	-	N.A.	-	-	N.A.	(181,7)	(210,8)	16,0%	(181,7)	(210,8)	16,0%
Bad debt	(182,4)	(182,2)	-0,1%	(39,5)	(43,5)	10,1%	-	-	N.A.	(221,9)	(225,7)	1,7%
Other	(122,7)	(121,9)	-0,7%	(6,9)	(9,1)	31,9%	(112,6)	(83,7)	-25,7%	(242,2)	(214,7)	-11,4%
D&A	(12,4)	(10,1)	-18,5%	(0,9)	(1,5)	66,7%	(60,5)	(60,5)	0,0%	(73,8)	(72,1)	-2,3%
<b>Operating profit</b>	<b>882,8</b>	<b>811,5</b>	<b>-8,1%</b>	<b>305,2</b>	<b>395,8</b>	<b>29,7%</b>	<b>(462,1)</b>	<b>(464,0)</b>	<b>0,4%</b>	<b>725,9</b>	<b>743,3</b>	<b>2,4%</b>
Operating margin(%)	37,8%	36,9%	(0,9) p.p.	73,1%	75,2%	2,1 p.p.	-	-	-	26,4%	27,3%	0,9 p.p.
<b>EBITDA</b>	<b>965,5</b>	<b>1.032,2</b>	<b>6,9%</b>	<b>306,7</b>	<b>400,10</b>	<b>30,5%</b>	<b>(401,6)</b>	<b>(403,5)</b>	<b>0,5%</b>	<b>870,6</b>	<b>1.028,8</b>	<b>18,2%</b>
EBITDA margin (%)	41,3%	47,0%	5,7 p.p.	73,5%	76,0%	2,5 p.p.	-	-	-	31,6%	37,8%	6 p.p.





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