HIGHLIGHT

# 1Q18 EARNINGS RELEASE

| +14.2% | +53.7% | +9.1 p.p. | +78.1% |
|---|---|---|---|
| Net **Revenue** | **EBITDA** | **EBITDA** Margin | **OCF** after Capex |
| R$**935.7** mn | R$**330.1** mn | **35.3**% | R$**111.0** mn |

## CASH AND CASH EQUIVALENTS

**+627.1 mn**

## AVERAGE TICKET

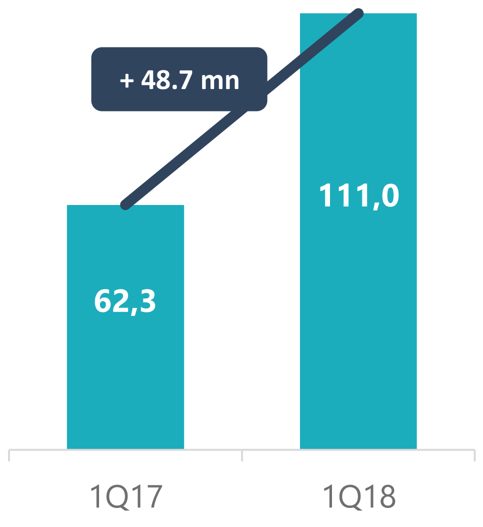
On-Campus:

**+ 17.6%**

Distance Learning:

**+ 28.5%**

## OPERATING CASH GENERATION AFTER CAPEX (R$ million)





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*Rio de Janeiro, April 25, 2018* – **Estácio Participações S.A.** – "**Estácio**" or "**Company**" (BM&FBovespa: ESTC3; Bloomberg: ESTC3.BZ; Reuters: ESTC3.SA; OTCQX: ECPCY) – announces its results for the first quarter of 2018 (1Q18), in comparison with the same period in 2017 (1Q17). The Company's financial information is presented based on the consolidated figures, in Brazilian Reais, pursuant to Brazilian Corporate Law, the accounting practices adopted in Brazil (BRGAAP) and International Financial Reporting Standards (IFRS), unless otherwise stated.

## Message from Management

In the first three months of 2018, Estácio continued to implement drivers of efficiency gains, first launched at the end of 2017, in a disciplined manner. It is worth noting the main ongoing initiatives:

- **Corporate restructuring and review of the educational model:** These drivers jointly contributed to the year-on-year improvement in the personnel cost/net operating revenue ratio, due to the: (i) implementation of the faculty career plan (FCP); (ii) efficient academic planning; (iii) sharing of disciplines between the new curriculum matrices; and (iv) compatibility with former curriculum matrices.
- **Footprint review:** In 1Q18, the activities of five campuses were transferred to other units in Manaus (AM), Ibiúna (SP), Juiz de Fora (MG), Salvador (BA) and Natal (RN). The enrollment process of these campuses was transferred to the units that absorbed the activities, without interrupting operations. Savings from the phase out of these campuses were already noticed in 1Q18 results.
- **Opening of New *Mais Médicos* Campuses**: In 1Q18, three new Estácio greenfield units and their respective Medicine courses were accredited within the scope of the *Mais Médicos* Program, in Juazeiro (BA), Alagoinhas (BA) and Jaraguá do Sul (SC). Each campus has an average of 55 authorized annual places. All in all, Estácio currently offers Medicine courses in eight campuses throughout Brazil, consolidating its position as the Education Institution that offers the largest number of seats in Medicine programs in the country(1).

  It is also worth noting that Request for Proposal 01/2018, designed to authorize Medicine courses in new municipalities, was published on March 29, 2018. Estácio intends to submit proposals to participate in this process, with a view to strengthen its course portfolio in the Health area.

Source: 2016 Inep and *Mais Médicos* Notice No. 01/2018

Aiming to continue expanding its sustainable student base, Estácio launched the Solidarity Dilution (DIS) campaign, which provides students with the opportunity to pay R$49 in the enrollment months, diluting the difference in relation to the full monthly tuition over the duration of the course (i.e. offering no discounts, scholarships or exemptions). Most of the new on-campus and distance-learning undergraduate students (online and flex programs) were eligible for the campaign. The installments may comprise from one to three installments to be paid throughout the duration of the course. The DIS campaign for these new freshman students in this enrollment cycle had a positive impact of around R$128 million* in the net operating revenue of the quarter and, obviously, a better margin of the Company. It is worth noting that Estácio adjusts revenue from these installments to present value (APV) and accrues 15% of the adjusted amount under the provision for doubtful accounts. The charged amount is embedded in a single monthly fee, so that students will pay an amount corresponding to their regular monthly tuition plus the diluted portion of the DIS.

The total student base growth in 1Q18 was essentially due to a 19.5% year-over-year increase in the distance-learning undergraduate base, strongly influenced by the expansion of new centers (an additional 181 new centers enrolled students this cycle, compared with the same period in 2017). The on-campus undergraduate student base, however, grew by 2.3%, excluding FIES and ProUni students. Considering these students, the on-campus undergraduate student base fell by 6.6%.

**Table 1 - Total Student Base**

| '000 | 1Q17 | 1Q18 | Chg. |
|---|---|---|---|
| **On- Campus** | **371.5** | **346.5** | **-6.7%** |
| Undergraduate | 339.1 | 316.7 | -6.6% |
| *Regular students* | *199.5* | *204.1* | *2.3%* |
| *FIES students* | *103.2* | *77.7* | *-24.8%* |
| *ProUni students* | *36.4* | *34.9* | *-4.0%* |
| Graduate | 32.4 | 29.8 | -8.1% |
| **Distance Learning** | **170.6** | **199.5** | **16.9%** |
| Undergraduate | 127.5 | 152.4 | 19.5% |
| Graduate | 43.1 | 47.1 | 9.3% |
| **Total Student Base** | **542.1** | **546.0** | **0.7%** |
| **# Campuses** | **95** | **93** | **-2.1%** |
| On-Campus Students per Campus | 3.911 | 3.726 | -4.7% |
| **# Distance Learning Centers** | **228** | **409** | **79.4%** |
| Distance Learning Students per Center | 748 | 488 | -34.8% |

** Figures not reviewed by the auditors.*

By the end of 1Q18, Estácio enrolled approximately 143,500 on-campus and distance-learning new students (versus 148,300 in 1Q17). However, similarly to 2017, the enrollment period extended until mid-April. At the end of the 2018.1 intake process, Estácio enrolled 165,800 on-campus and distance-learning undergraduate students (versus 160,200 in 2017.1). Note that the total number of students enrolled in the 2018.1 intake cycle grew by 3.5% year over year. Excluding ProUni and FIES students, the year-over-year increase in the enrolled student base totaled 12,500 students (+8.4%).

**Table 2 - Enrollment table considering that the 2017.1 and 2018.1 intake periods extended to April**

| Enrollments (in thousands) | 1Q17 Jan-Mar | Apr/17 | 2017.1 | 1Q18 Jan-Mar | Apr/18 | 2018.1 | Chg. 2018.1 vs. 2017.1 |
|---|---|---|---|---|---|---|---|
| **On-Campus Undergraduate program** | **92.3** | **4.6** | **96.9** | **79.6** | **10.0** | **89.6** | **-7.6%** |
| Regular students | 83.5 | 2.2 | 85.7 | 77.8 | 7.5 | 85.3 | -0.5% |
| FIES students | 5.5 | 2.4 | 7.9 | 1.2 | 0.7 | 1.9 | -75.9% |
| ProUni students | 3.3 | - | 3.3 | 0.6 | 1.8 | 2.4 | -27.3% |
| **Distance-learning Undergraduate program** | **56.1** | **7.2** | **63.3** | **63.9** | **12.3** | **76.2** | **20.4%** |
| **Total undergraduate enrollments** | **148.4** | **11.8** | **160.2** | **143.5** | **22.2** | **165.8** | **3.5%** |

** Figures not reviewed by the auditors..*

In this context, net operating revenue totaled R$935.7 million in 1Q18, 14.2% up on 1Q17. The DIS campaign positively impacted 1Q18 net revenue by around R$128 million[(1)], given that its assumption is the average monthly tuition not granting discounts, scholarships and exemptions during the enrollment months. Prices were only affected by the adjustment to present value, of R$11.5 million, with accrual of 15% of the total receivable. It is worth noting that, as of 2018.1, with the DIS campaign for students in the enrollment, the seasonality in Estácio's revenue tends to significantly reverse between even and odd quarters.

In 1Q18, the Company recorded a non-recurring negative effect of ProUni, which reduced EBITDA and mainly the net income. In accordance with MEC rules, in order to enroll students by means of the program in the following semester, controlling institutions are required to present a Tax Debt Clearance Certificate (CND) valid until the last day of the previous fiscal year. Due to bureaucratic issues with the Internal Revenue Service, the Company was unable to renew, by one day, the tax debt clearance certificate of one of its 22 controlling institutions. Given that this was a non-recurring situation experienced by the Company in March, Management believes that the effective rate should return to historical levels by the end of the year. It is worth noting that this was an accounting impact that did not affect the Company's cash and liquidity.

[(1)] *Figures not reviewed by the auditors.*

EBITDA came to R$330.1 million, a 53.8% increase over 2017, with an EBITDA margin of 35.3% (+9.1 p.p. over 1Q17). The main contributors for the growth and for the margin of the period were: (i) the impact of the DIS campaign on revenue; and (ii) operational efficiency gains, mainly in the faculty costs line, thanks to the implementation of the corporate restructuring plans and the review of the educational model, which were designed throughout the second semester of 2017, after the Brazilian antitrust agency did not approve the merger with Kroton.

**Table 3 – Financial Indicators**

| Financial Indicators *(R$ MM)* | 1Q17 | 1Q18 | Chg. |
|---|---|---|---|
| **Net Operating Revenue** | **819.0** | **935.7** | **14.2%** |
| **EBITDA** | **214.8** | **330.1** | **53.7%** |
| *EBITDA Margin* | *26.2%* | *35.3%* | *9.1 p.p.* |
| **Net Income** | **121.8** | **197.4** | **62.0%** |
| *Net Margin (%)* | ***14.8%*** | ***21.1%*** | ***6.3 p.p*** |

Net income came to R$197.4 million, 62.0% up on the previous year. The R$115.3 million increase in EBITDA and the R$11.5 million decrease in the financial result offset the increases in income tax and social contribution in 1Q18.

With the results presented in 1Q18, Estácio begins the year with a healthy student base, more structured processes and a team fully focused on EXECUTION. The industry dynamics has changed, but our goal remains the same: gain operational efficiency. Management believes that efficient operations and a solid balance sheet are essential for the organic and inorganic growth plans that are being designed.

2018 will continue being a year of hard work and excellent results at Estácio!

## Operating Performance

Estácio closed 1Q18 with a total of 546,000 students, 0.7% more than at the close of 1Q17, essentially do the 16.9% increase in the distance-learning student base and the 0.9% increase in the on-campus student base, excluding the FIES and ProUni programs.

**Table 4 – Total Student Base**

| '000 | 1Q17 | 1Q18 | Chg. |
|---|---|---|---|
| **On-Campus** | **371.5** | **346.5** | **-6.7%** |
| Undergraduate | 339.1 | 316.7 | -6.6% |
| *Regular students* | *199.5* | *204.1* | *2.3%* |
| *FIES students* | *103.2* | *77.7* | *-24.8%* |
| *ProUni students* | *36.4* | *34.9* | *-4.0%* |
| Graduate | 32.4 | 29.8 | -8.1% |
| **Distance Learning** | **170.6** | **199.5** | **16.9%** |
| Undergraduate | 127.5 | 152.4 | 19.5% |
| Graduate | 43.1 | 47.1 | 9.3% |
| **Total Student Base** | **542.1** | **546.0** | **0.7%** |
| **# Campuses** | **95** | **93** | **-2.1%** |
| On-Campus Students per Campus | 3.911 | 3.726 | -4.7% |
| **# Distance Learning Centers** | **228** | **409** | **79.4%** |
| Distance Learning Students per Center | 748 | 488 | -34.8% |

** Figures not reviewed by the auditors.*

In 1Q18, in addition to the three new Medicine campuses, the Company also launched two greenfield unities in São José do Rio Preto (SP) and Goiânia (GO). However, the total number of units (93 campuses) remained in 1Q18, versus 4Q17, due to the merger of five units in the beginning of the year, in line with the footprint initiatives that began to be implemented in 2017.

It is worth noting the addition of 181 new distance-learning centers enrolling students in 1Q18 compared with 1Q17. The ramp up of the new centers affected the number of distance-learning students per center, which fell by 34.8% from 2017.

### On-Campus Undergraduate Segment

Estácio's on-campus undergraduate student base totaled 316,700 students at the close of 1Q18, 6.6% less than in 1Q17, essentially due to the 24.8% and 4.0% declines in the FIES student base and in the ProUni student base, respectively. Excluding the FIES and ProUni student base, the on-campus undergraduate student base increased by 2.3%.

The enrollment of on-campus undergraduate students fell by 13.7% in 1Q18, due to the decline in the number of new FIES students (-3,600 students versus 1Q17) and ProUni students (-2,700 versus 1Q17). Excluding the effects of the reduced number of FIES and ProUni enrollments in the period, the decline in the number of students enrolled in on-campus undergraduate programs would be approximately 6.2%.

Additionally, it is also worth noting the trend of improvement in the dropout rate (-26.1% versus 1Q17), as a result of a healthier student base, after the implementation of a stricter intake process.

**Table 5 – Evolution of on-campus undergraduate base**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Students - Starting balance** | **329.4** | **314.1** | **-4.7%** |
| Graduates | (24.7) | (26.1) | 5.6% |
| **Renewable Base** | **304.8** | **288.0** | **-5.5%** |
| Enrollments | 92.3 | 79.6 | -13.7% |
| Non-renewed | (45.8) | (42.0) | -8.4% |
| Dropouts | (12.1) | (8.9) | -26.1% |
| **Students - Ending Balance** | **339.1** | **316.7** | **-6.6%** |

** Figures not reviewed by the auditors.*

## FIES

**Table 6 – FIES Student Base**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| On-campus undergraduate base | 339.1 | 316.7 | -6.6% |
| **FIES Students** | **103.2** | **77.7** | **-24.8%** |
| *% FIES Students* | 30.4% | 24.5% | *-5.9 p.p.* |

** Figures not reviewed by the auditors.*

We closed 1Q18 with a FIES student base of 77,700 students, representing 24.5% of our on-campus student base, 5.9 p.p. less than in 1Q17.

The decrease in the FIES student base was due to the higher number of FIES students graduating and the increase in the number of students who were unable to join the program by the end of March 2018. The period to register in the FIES program was postponed to late February (February 19 to March 2) this semester and the classification list was published at the end of the first half of March. Moreover, the list of students classified for the P-FIES, representing approximately 2/3 of the program's annual places, was released by the Government on March 26, further delaying the enrollment process this quarter.

It is worth noting that in the first quarter of 2018, only 1.5% of the new on-campus undergraduate students entered via FIES, versus 5.2% in 1Q17. Most of these 1,200 students were transferred from other Education Institutions and, therefore, do not consist of new enrollments.

**Table 7 – New FIES Contracts**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| Total Intake | 92.3 | 79.6 | -13.7% |
| Freshmen with FIES (until the end of the intake period) | 4.8 | 1.2 | -75.2% |
| **% via FIES** | **5.2%** | **1.5%** | **-3.7 p.p.** |
| Senior students with FIES (new contracts) | 0.7 | - | N.A. |
| **New FIES contracts in the semester** | **5.5** | **1.2** | **-78.2%** |

** Figures not reviewed by the auditors.*

## PAR

In 1Q18, 15,900 students used **Estácio's Installment Payment Program (PAR)**, accounting for 5.0% of Estácio's on-campus undergraduate student base, a 3.0 p.p. increase over 2017. PAR accounted for 10.4% of the enrollments of on-campus undergraduate students, in line with the Company's expectations. It is worth noting that Estácio adjusts PAR's revenue to present value (APV) and accrues 50% of the adjusted amount in a provision for doubtful accounts.

**Table 8 – PAR Student Base***

| '000 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| **PAR Starting Balance** | **-** | **6.8** | **7.0** | **12.1** | **10.3** |
| Enrollments | 6.8 | 0.2 | 5.1 | - | 8.2 |
| No-renewed and dropouts | - | - | - | (1.5) | (2.6) |
| **PAR Ending Balance** | **6.8** | **7.0** | **12.1** | **10.3** | **15.9** |
| % students PAR | 2.0% | 2.1% | 3.8% | 3.3% | 5.0% |
| % PAR Enrollments of the students | *7.4%* | *4.3%* | *10.1%* | - | *10.4%* |

** Figures not reviewed by the auditors.*

**Table 9 – PAR effect in EBITDA ***

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| Gross revenue paid in cash | 5.4 | 7.9 | 13.8 | 13.3 | 26.3 |
| Gross revenue paid in installments | 15.1 | 16.7 | 22.4 | 18.6 | 27.2 |
| Taxes - Revenue Deductions | (0.9) | (1.0) | (1.5) | (1.3) | (2.2) |
| Adjustment to Present Value (APV) - Revenue Deductions | (7.0) | (9.0) | (1.6) | 6.4 | (12.3) |
| PDA (50% provisioning) | (4.0) | (3.9) | (10.4) | (12.5) | (7.4) |
| **EBITDA** | **8.6** | **10.7** | **22.7** | **24.5** | **31.5** |

** Figures not reviewed by the auditors.*

**Table 10 – PAR effect in Accounts Receivable**

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| Gross revenue paid in installments | 15.1 | 16.7 | 22.4 | 18.6 | 27.2 |
| Adjustment to Present Value (APV) - Revenue Deductions | (7.0) | (9.0) | (1.6) | 6.4 | (12.3) |
| **Gross revenue paid in installments Ex-APV** | **8.1** | **7.7** | **20.8** | **25.0** | **14.9** |
| PDA (50% provisioning) | (4.0) | (3.9) | (10.4) | (12.5) | (7.4) |
| **PAR Accounts Receivable Balance** | **4.0** | **3.9** | **10.4** | **12.5** | **7.4** |

** Figures not reviewed by the auditors.*

## Distance-Learning Undergraduate Segment

The first-quarter distance-learning undergraduate base increased by 19.5% over 1Q17, to 152,400 students. In addition to the increase in the number of students enrolled (14.0% versus 1Q17), mainly in the Flex modality (96.4% versus 1Q17), the segment's dropout rate significantly fell (41.2% versus 1Q17). At the close of 1Q18, the Flex student base totaled 20,200 students (54.1% versus 1Q17).

**Table 11 – Evolution of Distance-Learning Undergraduate Base***

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Students - Starting Balance** | **106.9** | **127.6** | **19.4%** |
| Graduates | (4.9) | (9.1) | 86.3% |
| **Renewable Base** | **102.0** | **118.5** | **16.1%** |
| Enrollments | 56.1 | 63.9 | 14.0% |
| Non-renewed | (22.4) | (25.3) | 12.6% |
| Dropouts | (8.2) | (4.8) | -41.2% |
| **Students - Ending Balance** | **127.5** | **152.4** | **19.5%** |

** Figures not reviewed by the auditors.*

## Graduate Segment

Estácio closed 1Q18 with 76,900 students enrolled in graduate programs, 1.8% up on 1Q17. Following the same trend of the on-campus undergraduate base, the increase in the distance-learning student base (9.3% versus 1Q17) offset the decrease in the on-campus student base (8.1% versus 1Q17).

**Table 12 – Graduate Student Base**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Graduate student base** | **75.5** | **76.9** | 1.8% |
| **On-Campus** | **32.4** | **29.8** | **-8.1%** |
| Own students | 21.5 | 18.8 | -12.7% |
| Franchise students | 11.0 | 11.0 | 0.8% |
| **Distance learning** | **43.1** | **47.1** | **9.3%** |
| Own students | 15.6 | 17.2 | *9.8%* |
| Franchise students | 27.5 | 29.9 | 9.0% |

** Figures not reviewed by the auditors.*

## On-Campus Average Ticket

On-campus average ticket increased by 17.6% in 1Q18 over 1Q17, to R$789.8. The new DIS campaign, implemented during first-quarter enrollment period, positively impacted average ticket, given that discounts and scholarships were not granted on the price charged from students during the enrollment months. Prices were only affected by the adjustment to present value (APV), in the amount of R$11.5 million. Moreover, March has historically recorded the highest number of students enrolled in a first semester. Accordingly, it is worth noting that in 2Q18, the average ticket should correspond to the amount of the monthly tuition only, net of the usual discounts and scholarships.

**Table 13 – Calculation of the Average Monthly Ticket – On-Campus**

| '000 | 1Q17 | 1Q18 | Variação |
|---|---|---|---|
| **On-Campus Student Base** | **371.5** | **346.5** | **-6.7%** |
| On-Campus Graduate Franchise Student Base ** | **(11.0)** | **(11.0)** | **0.8%** |
| **On-Campus Student Base Ex-Franchise Students ** ** | **360.6** | **335.5** | **-7.0%** |
| **On-Campus Gross Revenue (R$ million)** | **1.194.7** | **1.233.7** | **3.3%** |
| On-Campus Deductions (R$ million) | (468.4) | (438.9) | -6.3% |
| **On-Campus Net Revenue (R$ million)** | **726.3** | **794.8** | **9.4%** |
| **On-Campus Average Ticket (R$)** | **671.5** | **789.8** | **17.6%** |
| *% Deductions / Gross Operating Revenue* | *39.2%* | *35.6%* | *-3.6 p.p.* |

** Figures not reviewed by the auditors.*
***Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.*

The on-campus undergraduate segment's average ticket totaled R$818.7 in 1Q18, 17.4% up on 1Q17. Even with the impact from the new DIS program, the higher revenue and lower deductions indicate the Company's ongoing pursuit of a sustainable student base.

**Table 14 – Calculation of the Average Monthly Ticket – On-Campus Undergraduate Program**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **On-Campus Undergraduate Student Base** | **339.1** | **316.7** | **-6.6%** |
| **On-Campus Undergraduate Gross Revenue (R$ million)** | **1.165.9** | **1.205.3** | **3.4%** |
| On-Campus Undergraduate Deductions (R$ million) | (456.6) | (427.4) | -6.4% |
| **On-Campus Undergraduate Net Revenue (R$ million)** | **709.3** | **777.9** | **9.7%** |
| **On-Campus Undergraduate Average Ticket (R$)** | **697.2** | **818.7** | **17.4%** |
| *% Deductions / Gross Operating Revenue* | *39.2%* | *35.5%* | *-3.7 p.p.* |

** Figures not reviewed by the auditors.*

The on-campus graduate average ticked increased by 13.5% in 1Q18 over 1Q17.

**Table 15 – Calculation of the Average Monthly Ticket – On-Campus Graduate Program**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **On-Campus Graduate Own Student Base **** | **21.5** | **18.8** | **-12.7%** |
| **On-Campus Graduate Gross Revenue (R$ million)** | **28.8** | **28.4** | **-1.4%** |
| On-Campus Graduate Deductions (R$ million) | (11.8) | (11.5) | -2.1% |
| **On-Campus Graduate Net Revenue (R$ million)** | **17.0** | **16.9** | **-0.9%** |
| **On-Campus Graduate Average Ticket (R$)** | **264.3** | **299.8** | **13.5%** |
| *% Deductions / Gross Operating Revenue* | *40.9%* | *40.6%* | *-0.3 p.p.* |

** Figures not reviewed by the auditors.*
***Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.*

## Distance-Learning Average Ticket

In 1Q18, the distance-learning average ticket increased by 28.5% over 1Q17, to R$267.4. It is possible to observe, once again, the effect of the DIS campaign, as well as the increase in the Flex student base, whose average ticket is higher than the online distance-learning average ticket.

**Table 16 – Calculation of the Average Monthly Ticket – Distance-Learning**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Distance Learning Student Base** | **170.6** | **199.5** | **16.9%** |
| (-)Distance Learning Graduate Franchise Student Base ** | **(27.5)** | **(29.9)** | **9.0%** |
| **(=)Distance Learning Student Base Ex-Franchise Students **** | **143.1** | **169.5** | **18.5%** |
| **Distance Learning Gross Revenue (R$ million)** | **165.8** | **210.2** | **26.7%** |
| Distance Learning Deductions (R$ million) | (76.5) | (74.2) | -3.0% |
| **Distance Learning Net Revenue (R$ million)** | **89.4** | **136.0** | **52.2%** |
| **Distance Learning Average Ticket (R$)** | **208.2** | **267.4** | **28.5%** |
| *% Deductions / Gross Operating Revenue* | *46.1%* | *35.3%* | *-10.8 p.p.* |

** Figures not reviewed by the auditors.*
***Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.*

The calculation of the average ticket of distance-learning undergraduate and graduate segments, which totaled R$276.2 and R$188.7 respectively, is presented below.

Regarding the distance-learning undergraduate segment, the DIS significantly influenced the deductions on revenue, given that discounts and scholarships were not granted on the price charged from new students.

**Tabela 17 – Calculation of the Average Monthly Ticket – Distance-Learning Undergraduate Program**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Distance Learning Undergraduate Student Base** | **127.5** | **152.4** | **19.5%** |
| **Distance Learning Undergraduate Gross Revenue (R$ million)** | **153.7** | **193.0** | **25.6%** |
| Distance Learning Undergraduate Deductions (R$ million) | (72.5) | (66.7) | -8.0% |
| **Distance Learning Undergraduate Net Revenue (R$ million)** | **81.2** | **126.3** | **55.5%** |
| **Distance Learning Undergraduate Average Ticket (R$)** | **212.3** | **276.2** | **30.1%** |
| *% Deductions / Gross Operating Revenue* | *47.2%* | *34.6%* | *-12.6 p.p.* |

** Figures not reviewed by the auditors.*

**Tabela 18 – Calculation of the Average Monthly Ticket – Distance-Learning Graduate Programs**

| '000 | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Distance Learning Graduate Own Student Base **** | **15.6** | **17.2** | **9.8%** |
| **Distance Learning Graduate Gross Revenue (R$ million)** | **12.1** | **17.2** | **41.6%** |
| Distance Learning Graduate Deductions (R$ million) | (4.0) | (7.5) | 88.4% |
| **Distance Learning Graduate Net Revenue (R$ million)** | **8.2** | **9.7** | **18.9%** |
| **Distance Learning Graduate Average Ticket (R$)** | **174.3** | **188.7** | **8.2%** |
| *Deduções sobre ROB* | *32.6%* | *43.4%* | *10.8 p.p.* |

** Figures not reviewed by the auditors.*
***Excluding the graduate segment's students and revenue from partner institutions in order not to distort the analysis.*

## Financial Performance

### Table 19 – Income Statement

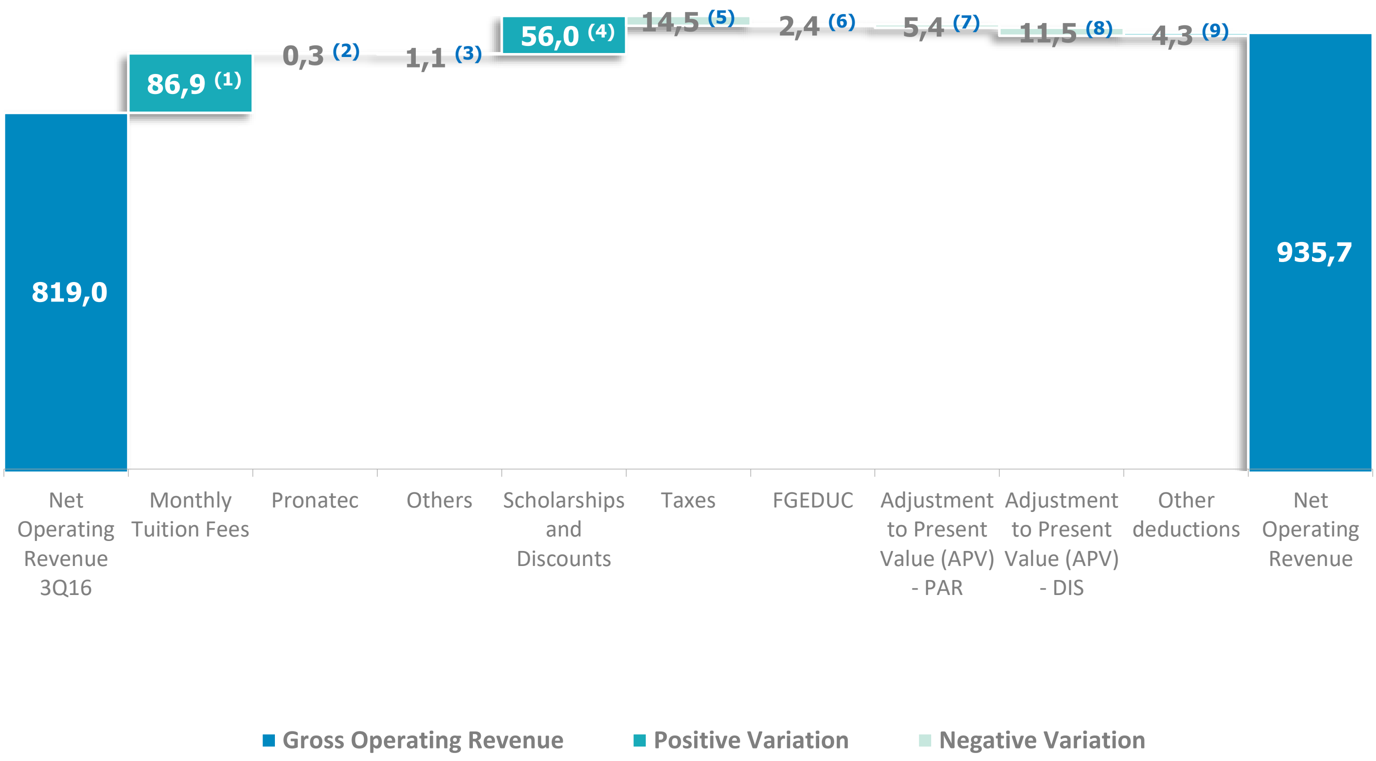
| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Gross Operating Revenue** | **1.364.7** | **1.450.3** | **6.3%** |
| Monthly Tuition Fees | 1.353.1 | 1.440.0 | 6.4% |
| Pronatec | 0.3 | - | -100.0% |
| Others | 11.3 | 10.2 | -9.7% |
| **Gross Revenue Deductions** | **(545.7)** | **(514.5)** | **-5.7%** |
| **Net Operating Revenue** | **819.0** | **935.7** | **14.2%** |
| **Cost of Services** | **(418.9)** | **(383.4)** | **-8.5%** |
| Personnel and social charges | (304.4) | (272.2) | -10.6% |
| Electricity. Water. gas and telephone | (9.3) | (7.8) | -15.8% |
| Rentals / Real Estate Taxes Expenses | (63.2) | (58.4) | -7.6% |
| Post and Pouch | (0.6) | (0.4) | -25.5% |
| Textbooks Materials | (2.9) | (1.9) | -33.7% |
| Third-Party Services - security and cleaning | (15.5) | (14.7) | -5.1% |
| Others | - | (4.5) | N.A. |
| Depreciation and Amortization | (23.1) | (23.5) | 1.7% |
| **Gross Profit** | **400.1** | **552.3** | **38.0%** |
| ***Gross Margin*** | ***48.9%*** | ***59.0%*** | ***10.1 p.p.*** |
| **Selling. General and Administrative Expenses** | **(238.6)** | **(273.0)** | **14.4%** |
| **Selling Expenses** | **(111.6)** | **(124.2)** | **11.3%** |
| Provisions for Doubtful Accounts | (47.5) | (43.3) | -8.8% |
| FIES Provisions for Doubtful Accounts | (0.6) | (0.3) | -50.0% |
| Marketing | (63.6) | (80.6) | 26.7% |
| **General and Administrative Expenses** | **(126.9)** | **(148.8)** | **17.3%** |
| Personnel | (39.5) | (42.5) | 7.6% |
| Others | (64.2) | (81.3) | 26.6% |
| Depreciation | (23.2) | (25.1) | 8.2% |
| **Other operating revenues/expenses** | **6.9** | **2.2** | **-68.1%** |
| **EBIT** | **168.5** | **281.6** | **67.1%** |
| ***EBIT Margin (%)*** | ***20.6%*** | ***30.1%*** | ***9.5 p.p.*** |
| (+)Depreciation and amortization | 46.4 | 48.6 | 4.7% |
| **EBITDA** | **214.8** | **330.1** | **53.7%** |
| ***EBITDA Margin (%)*** | ***26.2%*** | ***35.3%*** | **9.1 p.p.** |
| Financial Result | (37.6) | (26.1) | -30.6% |
| Depreciation and Amortization | (46.4) | (48.6) | 4.7% |
| Social Contribution | (2.5) | (15.6) | 524.0% |
| Income Tax | (6.5) | (42.5) | 553.8% |
| **Net Income** | **121.8** | **197.4** | **62.0%** |
| ***Net Income Margin (%)*** | ***14.8%*** | ***21.1%*** | ***6.3 p.p.*** |

## Consolidated Operating Revenue

**Table 20 – Breakdown of Operating Revenue**

| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Gross Operating Revenue** | **1.364.7** | **1.450.3** | **6.3%** |
| Monthly Tuition Fees | 1.353.1 | 1.440.0 | 6.4% |
| Pronatec | 0.3 | - | -100.0% |
| Others | 11.3 | 10.2 | -9.7% |
| **Gross Revenue Deductions** | **(545.7)** | **(514.5)** | **-5.7%** |
| Scholarships and Discounts | (473.7) | (417.7) | -11.8% |
| Taxes | (36.7) | (51.2) | 39.5% |
| FIES (FGEDUC + Administrate taxe) | (24.1) | (21.7) | -10.0% |
| Adjustment to Present Value (APV) PAR | (7.0) | (12.4) | 77.1% |
| Adjustment to Present Value (APV) DIS | - | (11.5) | N.A. |
| Other deductions | (4.3) | - | N.A. |
| *% Scholarships and Discounts/ Gross Operating Revenue* | *35.0%* | *29.0%* | *-6.0 p.p.* |
| **Net Operating Revenue** | **819.0** | **935.7** | **14.2%** |

**Chart 1 – Net Operating Revenue Bridge**



**Net operating revenue** came to R$935.7 million in 1Q18, 14.2% up on 1Q17, mainly explained by:

(1) The R$86.9 million upturn in revenue from monthly tuitions, an increase of 6.4% over 1Q17;
(2) The R$0.3 million reduction in Pronatec, due to the graduation of the last students in this segment;
(3) The R$1.1 million reduction in other revenue, essentially due to the decline in entrance exam fees. As of 2017, Estácio stopped charging this fee from most students, maintaining it only for students enrolled in premium courses;
(4) The R$56.0 million reduction in discounts and scholarships, essentially due to the effect of the new DIS campaign during the intake cycle. This result indicates the strategy adopted by Estácio, as of 1Q17, to reduce the number of discounts and scholarships granted, seeking a sustainable student base, with a higher net present value per student;
(5) The R$14.5 million upturn in taxes, mainly PIS and COFINS, in the amount of R$8.8 million;
(6) The R$2.4 million reduction in FGEDUC, due to the smaller FIES student base;
(7) The R$5.4 million increase in the Adjustment to Present Value (APV) of receivables from the Estácio Installment Payment program (PAR), due to the increase of 9,100 students. The Program began in 2017 with 6,800 students and reached 15,900 students at the close of 1Q18. It is also worth noting that Estácio changed the calculation of APV in 1Q18 and started using a long-term discount rate.
(8) The R$11.5 million increase in the Adjustment to Present Value (APV) of receivables from the DIS campaign, which was effective during the 2018.1 intake cycle;
(9) The "Other deductions" line, composed of the transfer to distance-learning partner centers, was reclassified, in 1Q18, to Others under Cost of Services. Consequently, the R$4.3 million variation corresponds to the 1Q17 transfer from partner centers, totaling R$4.0 million in 1Q18.

## Cash Cost of Services

The **cash cost of services** accounted for 38.4% of net operating revenue in 1Q18, a 9.9 p.p. margin gain compared with the 48.3% recorded in 1Q17, essentially due to the 8.1 p.p. gain in the personnel line.

This result reflects the corporate restructuring and the review of the educational model, which began to be implemented at the end of 2017. Estácio implemented a new faculty career plan (FCP) and began improving the efficiency of the academic planning, and increased the sharing of disciplines between the new curriculum matrices and compatibility with former curriculum matrices.

### Table 21 – Breakdown of Cost of Services

| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Cash Cost of Services** | **(395.8)** | **(359.9)** | **-9.1%** |
| Personnel | (304.3) | (272.2) | -10.6% |
| Salaries and Payroll Charges | (250.6) | (231.5) | -7.6% |
| Brazilian Social Security Institute (INSS) | (53.7) | (40.7) | -24.2% |
| Electricity. Water. gas and telephone | (9.3) | (7.8) | -16.1% |
| Rentals / Real Estate Taxes Expenses | (63.2) | (58.4) | -7.6% |
| Post and Pouch | (0.6) | (0.4) | -33.3% |
| Textbooks Materials | (2.9) | (1.9) | -34.5% |
| Third-Party Services - security and cleaning | (15.5) | (14.7) | -5.2% |
| Others | - | (4.5) | N.A. |

### Table 22 – Vertical Analysis of Cost of Services

| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Custos Caixa dos Serviços Prestados** | **-48.3%** | **-38.4%** | ***9.9 p.p.*** |
| Personnel | -37.2% | -29.1% | *8.1 p.p.* |
| Salaries and Payroll Charges | -30.6% | -24.7% | *5.9 p.p.* |
| Brazilian Social Security Institute (INSS) | -6.6% | -4.3% | *2.2 p.p.* |
| Electricity. Water. gas and telephone | -1.1% | -0.8% | *0.3 p.p.* |
| Rentals / Real Estate Taxes Expenses | -7.7% | -6.2% | *1.5 p.p.* |
| Post and Pouch | -0.1% | 0.0% | *0.0 p.p.* |
| Textbooks Materials | -0.4% | -0.2% | *0.2 p.p.* |
| Third-Party Services - security and cleaning | -1.9% | -1.6% | *0.3 p.p.* |
| Others | 0.0% | -0.5% | *-0.5 p.p.* |

### Table 23 – Statement of Gross Income Income

| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| Net Operating Revenue | 819.0 | 935.7 | 14.2% |
| Cost of Services | (418.9) | (383.4) | -8.5% |
| **Gross Profit** | **400.1** | **552.3** | **38.0%** |
| *Gross Margin* | *48.8%* | *59.0%* | *10.2 p.p.* |
| Depreciation and amortization | 23.1 | 23.5 | 1.7% |
| **Cash Gross Profit** | **423.2** | **575.8** | **36.1%** |
| *Cash Gross Margin* | *51.6%* | *61.5%* | *9.9 p.p.* |

## Selling, General and Administrative Expenses

**Selling expenses** accounted for 13.3% of net operating revenue in 1Q18, a 0.4 p.p. gain over 1Q17, essentially due to the 1.5 p.p. margin gain in the Allowance for Doubtful Accounts - Non-PAR line. In this context, it is worth noting the following:

- **Change in the methodology:** In 1Q18, Estácio adjusted PDA based on the new standard of the International Accounting Standards Board (IASB) on financial instruments - IFRS 9 – CPC 48, using the concept of expected loss and aging of accounts receivable for regular students and debt renegotiation agreements. The Company accrued 15% of the balance for the DIS and 50% for the PAR. It is worth noting that 1Q17 PDA maintained the concept used until December 31, 2017, i.e., it corresponds to the balance of 100% of monthly tuitions overdue by more than 180 days.

- **Review of the collection policy:** In 1Q17, the recorded PDA corresponded to 3Q16 default, i.e. period in which there were no advisors assisting in the collection of active students. Since then, Estácio implemented a stricter collection process, partnering up with specialized collection firms. The charging process became more rigorous and the minimum debt amount required for students to be able to renew their enrollments significantly reduced.

As result of the margin gain, selling expenses were also affected by the following lines:

- **Advertising:** Online media investments were intensified in the beginning of the year to strengthen the enrollment campaigns. As a result, advertising expenses accounted for 8.6% of first-quarter net revenue, 0.8 p.p. down on 1Q17.

- **Provision for Doubtful Accounts - DIS:** Provision of 15% on revenue, net of APV, from the diluted tuition amount of students who joined the new Solidarity Dilution campaign, impacting the allowance for doubtful accounts by R$14.6 million in this quarter.

- **Provision for Doubtful Accounts - PAR:** The provisioning of PAR, program implemented in 1Q17, reduced the 1Q18 margin by 0.3 p.p., chiefly due to the increase in the number of students who joined the program. In addition, it is worth noting that in 1Q18, Estácio changed the calculation of APV and started using a long-term discount rate, reducing the volatility of changes in value when using the CDI.

The first-quarter **general and administrative expenses** accounted for 13.2% of net operating revenue, a 0.6 p.p. margin loss compared with 1Q17, essentially due to third-party service expenses, which decreased by 0.7 p.p. with the increase in consulting expenses. It is also worth noting that the loss was partially offset by the 0.3 p.p. margin gain in the personnel expenses line.

### Table 24 – Breakdown of Selling. General and Administrative Expenses

| Em R$ milhões | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Net Operating Revenue** | **819.0** | **935.7** | **14.2%** |
| **Selling. General and Administrative Cash Expenses** | **(215.3)** | **(247.9)** | **15.1%** |
| **Selling Expenses** | **(111.6)** | **(124.2)** | **11.3%** |
| PDA | (47.5) | (43.3) | -8.8% |
| *PDA - Others* | *(43.5)* | *(20.9)* | *-52.0%* |
| *PDA - DIS* | - | *(14.6)* | *N.A.* |
| *PDA - PAR* | *(4.0)* | *(7.8)* | *95.0%* |
| PDA FIES | (0.6) | (0.3) | -50.0% |
| Marketing | (63.6) | (80.6) | 26.7% |
| **Selling. General and Administrative Cash Expenses** | **(103.7)** | **(123.7)** | **19.3%** |
| **Personnel** | (39.5) | (42.5) | 7.6% |
| *Salaries and Payroll Charges* | *(34.5)* | *(36.7)* | *6.4%* |
| *Brazilian Social Security Institute (INSS)* | *(5.0)* | *(5.8)* | *16.0%* |
| Third-Party Services | (20.4) | (29.6) | 45.1% |
| Consumable Material | (0.6) | (0.5) | -16.7% |
| Maintenance and Repair | (9.6) | (9.4) | -2.1% |
| Provision for Contingencies | (19.3) | (25.5) | N.A. |
| *Provision for Contingencies* | (1.1) | (15.2) | N.A. |
| *Settled Sentences* | (18.2) | (10.3) | -43.4% |
| Educational Agreements | (2.3) | (4.5) | 95.7% |
| Travel and Lodging | (1.6) | (1.4) | -12.5% |
| Institutional Events | (0.2) | (0.3) | 50.0% |
| Graphic Services | (1.0) | (0.9) | -10.0% |
| Insurance | (1.8) | (2.0) | 11.1% |
| Cleaning Supplies | (0.6) | (0.6) | 0.0% |
| Transportation | (1.2) | (1.2) | 0.0% |
| Car Rental | (0.6) | (0.8) | 33.3% |
| Others | (4.9) | (4.5) | -8.2% |
| **Depreciation and amortization** | **(23.2)** | **(25.1)** | **8.2%** |
| **Other operating revenues** | **6.9** | **2.2** | **-68.1%** |

**Table 25 – Vertical Analysis of Selling. General and Administrative Expenses**

| (%) | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Selling. General and Administrative Cash Expenses** | **-26.3%** | **-26.5%** | ***-0.2 p.p.*** |
| **Selling Expenses** | **-13.6%** | **-13.3%** | ***0.4 p.p.*** |
| PDA | -5.8% | -4.6% | *1.2 p.p.* |
| *PDA – Others* | -5.3% | -2.2% | *3.1 p.p.* |
| *PDA - DIS* | - | -1.6% | *N.A.* |
| *PDA - PAR* | -0.5% | -0.8% | *-0.3 p.p.* |
| PDA FIES | -0.1% | 0.0% | *0.0 p.p.* |
| Marketing | -7.8% | -8.6% | *-0.8 p.p.* |
| **Selling. General and Administrative Cash Expenses** | **-12.7%** | **-13.2%** | ***-0.6 p.p.*** |
| Personnel | -4.8% | -4.5% | *0.3 p.p.* |
| *Salaries and Payroll Charges* | *-4.2%* | *-3.9%* | *0.3 p.p.* |
| *Brazilian Social Security Institute (INSS)* | *-0.6%* | *-0.6%* | *0.0 p.p.* |
| Third-Party Services | -2.5% | -3.2% | *-0.7 p.p.* |
| Consumable Material | -0.1% | -0.1% | *0.0 p.p.* |
| Maintenance and Repair | -1.2% | -1.0% | *0.2 p.p.* |
| Provision for Contingencies | -2.4% | -2.7% | *-0.4 p.p.* |
| *Provision for Contingencies* | -0.1% | -1.6% | *-1.5 p.p.* |
| *Settled Sentences* | -2.2% | -1.1% | *1.1 p.p.* |
| Educational Agreements | -0.3% | -0.5% | *-0.2 p.p.* |
| Travel and Lodging | -0.2% | -0.1% | *0.0 p.p.* |
| Institutional Events | 0.0% | 0.0% | *0.0 p.p.* |
| Graphic Services | -0.1% | -0.1% | *0.0 p.p.* |
| Insurance | -0.2% | -0.2% | *0.0 p.p.* |
| Cleaning Supplies | -0.1% | -0.1% | *0.0 p.p.* |
| Transportation | -0.1% | -0.1% | *0.0 p.p.* |
| Car Rental | -0.1% | -0.1% | *0.0 p.p.* |
| Others | -0.6% | -0.5% | *0.1 p.p.* |
| **Depreciation and amortization** | **-2.8%** | **-2.7%** | ***0.2 p.p.*** |
| **Other operating revenues** | **0.8%** | **0.2%** | ***-0.6 p.p.*** |

## EBITDA

**EBITDA** totaled R$330.1 million in 1Q18, while the margin came to 35.3%, a growth of R$115.3 million and 9.1 p.p. gain over 1Q17.

**Table 26 – Financial Indicators**

| Financial Highlights (R$ MM) | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Net Operating Revenue** | **819.0** | **935.7** | **14.2%** |
| Cost Cash of services | (395.8) | (359.9) | -9.1% |
| Selling. G&A expenses – Cash | (215.3) | (247.9) | 15.1% |
| Other operationg revenue | 6.9 | 2.2 | -68.1% |
| **EBITDA** | **214.8** | **330.1** | **53.7%** |
| *EBITDA Margin (%)* | *26.2%* | *35.3%* | *9.1 p.p.* |

## Financial Result

The first-quarter **financial result** totaled R$26.1 million, R$11.5 million down on 1Q17, essentially due to the R$26.6 million reduction in the interest and financial charges line, as a result of the settlements of the third debenture issue and the first tranche of the Promissory Note, carried out in the second semester of 2017, and the decline in the interest rate, thus reducing the debt service. This decrease was offset by higher financial discounts, due to campaigns to recover past-due debts being implemented by Estácio, aiming to increase cash generation.

**Table 27 – Breakdown of the Financial Result**

| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Financial Revenue** | **31.4** | **27.6** | **-12.2%** |
| Fines and interest charged | 10.0 | 9.7 | -3.0% |
| Inflation adjustment to FIES receivables | 4.6 | 2.8 | -38.2% |
| Investments income | 11.8 | 8.8 | -25.3% |
| Active monetary variation | 2.4 | 0.9 | -61.4% |
| Adjustment to present value (APV) - FIES | 2.6 | - | N.A |
| Sale of client portfolio | - | 5.2 | N.A |
| Other | 0.1 | 0.1 | 55.0% |
| **Financial Expenses** | **(69.0)** | **(53.7)** | **-22.1%** |
| Bank charges | (4.1) | (5.3) | 30.0% |
| Interest and financial charges | (43.3) | (16.7) | -61.5% |
| Contingencies | - | (4.1) | N.A |
| Financial Discounts | (5.4) | (22.3) | 311.1% |
| Passive exchange variation | (5.3) | (0.0) | -99.2% |
| Outras | (10,8) | (5,3) | -41,7% |
| **Resultado Financeiro** | **(37,6)** | **(26,1)** | **-30,4%** |

## Net Income

Estácio's **Net Income** came to R$197.4 million in 1Q18, with a **Net Margin** of 21.1%, a 6.3 p.p. gain year over year. The R$115.3 million increase in EBITDA and the R$11.5 million decrease in financial result offset the 15.8 p.p. increase in the income tax and social contribution effective rate. The increase of the actual rate of the income tax and of the social contribution was mainly due to the impact of PROUNI in one of the Corporate Taxpayer's IDs of the Company, as detailed in the Message from Management. It is worth noting that: (i) this did not impact the cash; (ii) it was non-recurring event in March; and that (iii) Estácio is carrying out all the due measures to reestablish the actual rates to their regular levels as of April 2018.

**Table 28 – Reconciliation of EBITDA and Net Income**

| Financial Indicators (R$ MM) | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **EBITDA** | **214.8** | **330.1** | **53.7%** |
| *EBITDA Margin (%)* | *26.2%* | *35.3%* | *9.1 p.p.* |
| Financial Result | (37.6) | (26.1) | -30.6% |
| Depreciation and amortization | (46.4) | (48.6) | 4.7% |
| Social Contribution | (2.5) | (15.6) | 524.0% |
| Income Tax | (6.5) | (42.5) | 553.8% |
| **Net Income** | **121.8** | **197.4** | **62.0%** |
| *Net Income Margin (%)* | ***14.8%*** | ***21.1%*** | ***6.3 p.p*** |

## Accounts Receivable and Average Receivables Days

Net accounts receivable totaled R$1,183.5 million in 1Q18, R$113.6 million down on 1Q17, essentially due to the 22% decline of the FIES accounts receivable, as a result of the lower student base related to the program and the R$167.4 million received from PN23 in 2017.

In 1Q18, the balance of long-term receivables is mainly related to the PAR installment payment and the DIS campaign.

**Table 29 – Accounts Receivable**

| R$ MM | 1Q17 | 1Q18 |
|---|---|---|
| Tuition monthly fees | 401.0 | 620.4 |
| Exchange Deals | 15.8 | 20.7 |
| FIES | 923.5 | 720.6 |
| Credit Cards receivables | 76.4 | 89.1 |
| Renegotiation receivables | 101.5 | 89.1 |
| **Gross Accounts Receivable** | **1.518.3** | **1.539.9** |
| Provision for bad debts | (198.3) | (320.9) |
| Credits to identify | (5.4) | (0.3) |
| Adjustment to Present Value (APV) FIES | (10.6) | - |
| Adjustment to Present Value (APV) PAR | (7.0) | (23.5) |
| Adjustment to Present Value (APV) EDUCAR | - | (0.3) |
| Adjustment to Present Value (APV) DIS | - | (11.5) |
| **Net Accounts Receivable** | **1.297.1** | **1.183.5** |

** A significant portion of the balances receivables from credit cards arises from negotiations of overdue monthly installments.*

Estácio's average receivables days came to 122 in 1Q18, 23 days lower than the in 1Q17. The FIES average receivables days was 36 days lower than 1Q17, totaling 230 days.

It is worth noting that, as of 1Q18, Estácio has recorded FIES revenue based on the amendment of the agreements entered with FNDE, pursuant to IFRS 15 rules.

**Table 30 – Average Receivables Days**

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| **Net Account Receivable** | **1.297.1** | **1.341.4** | **1.144.6** | **1.024.1** | **1.183.5** |
| Net Revenue (last twelve months) | 3.214.3 | 3.292.4 | 3.337.4 | 3.379.0 | 3.495.7 |
| **Average Receivables Days** | **145** | **147** | **123** | **109** | **122** |

** Figures not reviewed by the auditors*

**Table 31 - Average non-FIES Receivables Days**

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| Net Account Receivable Ex-APV | 1.307.7 | 1.349.3 | 1.150.7 | 1.024.1 | 1.183.5 |
| **Net Account Receivable Ex-FIES and APV** | **384.1** | **421.7** | **404.3** | **423.4** | **462.8** |
| Net Revenue Ex-FIES | 1.964.2 | 2.016.3 | 2.121.4 | 2.219.9 | 2.365.5 |
| **Average non-FIES Receivables Days** | **70** | **75** | **69** | **69** | **70** |

** Figures not reviewed by the auditors*

**Table 32 – Average FIES Receivables Days**

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| **Net Account Receivable FIES** | **923.5** | **927.5** | **746.4** | **600.7** | **720.6** |
| Revenue FIES (last twelve months) | 1.397.3 | 1.434.2 | 1.369.9 | 1.308.4 | 1.278.6 |
| FGEDUC Deductions (last twelve months)* | (92.1) | (100.1) | (97.7) | (94.8) | (92.4) |
| Taxes (last twelve months)* | (55.1) | (58.1) | (56.3) | (54.4) | (56.0) |
| **Net Revenue FIES (last twelve months)*** | **1.250.1** | **1.276.1** | **1.216.0** | **1.159.1** | **1.130.2** |
| **Receivables Days FIES** | **266** | **262** | **221** | **187** | **230** |

** Figures not reviewed by the auditors*

**Table 33 - Evolution of FIES Accounts Receivable**

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| **Opening Balance** | **823.6** | **920.3** | **589.2** | **745.1** | **600.0** |
| FIES Revenue | 313.5 | 375.3 | 310.7 | 308.9 | 283.7 |
| Transfer | (193.9) | (685.8) | (133.2) | (434.6) | (145.7) |
| FIES Deduction/Provision | (27.4) | (22.3) | (22.9) | (22.7) | (21.7) |
| Inflation Adjustment of FIES Accounts Receivable | 4.6 | 1.6 | 1.3 | 3.3 | 2.8 |
| **Ending Balance** | **920.3** | **589.2** | **745.1** | **600.0** | **719.1** |

**Table 34 - Evolution of FIES Carry-Forward Credits**

| R$ MM | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 |
|---|---|---|---|---|---|
| **Opening Balance** | **5.0** | **3.2** | **338.3** | **1.3** | **0.7** |
| Transfer | 193.9 | 685.8 | 133.2 | 434.6 | 145.7 |
| Tax payment | (60.4) | (94.6) | (47.6) | (63.1) | (52.2) |
| Repurchase auctions | (135.4) | (256.0) | (422.7) | (372.1) | (92.7) |
| **Ending Balance** | **3.2** | **338.3** | **1.3** | **0.7** | **1.5** |

** Management figures changed due to the review in the allocation criterion by revenue source (FIES and non-FIES). There were no changes to reported total accounts receivable and revenue.*

Table 35 – *Aging of Total Gross Accounts Receivable*

| R$ MM | 1Q17 | % | 1Q18 | % |
|---|---|---|---|---|
| FIES | 923.5 | 61% | 720.6 | 47% |
| PRONATEC | 7.7 | 1% | 2.6 | 0% |
| Distance Learning Franchise Sites | 2.3 | 0% | 1.7 | 0% |
| Not yet due | 158.3 | 10% | 394.4 | 26% |
| Overdue up to 30 days | 116.5 | 8% | 92.4 | 6% |
| Overdue from 31 to 60 days | 20.7 | 1% | 34.3 | 2% |
| Overdue from 61 to 90 days | 24.5 | 2% | 6.5 | 0% |
| Overdue from 91 to 179 days | 87.0 | 6% | 102.3 | 7% |
| Overdue more than 180 days | 177.8 | 12% | 185.0 | 12% |
| **Total Gross Accounts Receivable** | **1.518.3** | 100% | **1.539.9** | 100% |

Table 36 – *Aging of Agreements Receivable **

| R$ MM | 1Q17 | % | 1Q18 | % |
|---|---|---|---|---|
| Not yet due | 51.9 | 51% | 37.0 | 41% |
| Overdue up to 30 days | 4.6 | 5% | 7.1 | 8% |
| Overdue from 31 to 60 days | 2.8 | 3% | 4.2 | 5% |
| Overdue from 61 to 90 days | 2.9 | 3% | 3.7 | 4% |
| Overdue from 91 to 179 days | 10.9 | 11% | 14.3 | 16% |
| Overdue more than 180 days | 28.4 | 28% | 22.8 | 26% |
| **Aging of Agreements Receivable** | **101.5** | 100% | **89.1** | 100% |
| *% over Accounts Receivable* | **17%** | - | **11%** | - |

** Note: Excludes credit card agreements*

## Investments (CAPEX and Acquisitions)

The first-quarter **CAPEX** totaled R$37.4 million, up by 39.9%, approximately R$10.7 million more than in 1Q17, essentially due to higher maintenance investments.

**Table 37 – CAPEX Breakdown**

| R$ MM | 1Q17 | 1Q18 | Change |
|---|---|---|---|
| **Total CAPEX** | **26.7** | **37.4** | **39.9%** |
| Buildings and Improvements | 8.3 | 10.8 | 29.7% |
| Mobile, Machines. Equipment and Utensils | 6.7 | 10.5 | 56.1% |
| Software | 7.4 | 10.4 | 39.6% |
| Projects | 3.6 | 4.5 | 26.0% |
| Others | 0.7 | 1.3 | 78.0% |

** Figures not reviewed by the auditors*

## Capitalization and Cash

**Table 38 – Capitalization and Cash**

| R$ MM | 03/31/2017 | 03/31/2018 |
|---|---|---|
| **Shareholders' Equity** | **2.559.5** | **2.926.2** |
| **Cash & Cash Equivalents** | **458.1** | **627.1** |
| **Total Gross Debt** | **(1.171.6)** | **(657.8)** |
| Loans and Financing | **(1.041.0)** | **(572.1)** |
| Short Term | (487.2) | (358.9) |
| Long Term | (553.8) | (213.3) |
| Commitments Payable (Acquisitions) | **(115.3)** | **(71.8)** |
| Taxes Paid in Installments | **(15.2)** | **(13.9)** |
| **Net Debt** | **(713.5)** | **(30.7)** |
| **Net Debt/ EBTDA** | **1.06 x** | **0.04 x** |

**Cash and cash equivalents** totaled R$627.1 million on March 31, 2018, conservatively invested in fixed-income instruments pegged to the CDI interbank rate, government bonds and certificates of deposit with top-tier Brazilian banks.

The bank **loan** of R$572.1 million corresponds mainly to:

- The Company's debenture issues (2nd series of R$300 million and 4th series of R$100 million);
- The loans from the IFC (the first totaling R$48.5 million and the second in the amount of approximately R$20 million);

- The issue of promissory notes totaling R$300.0 million;
- R$13.5 million in financings granted by regional branches and development banks; and;
- The capitalization of equipment leasing expenses in compliance with Law 11,638.

On March 31, 2018, the bank loan fell by R$468.9 million year over year, chiefly due to the settlements of the Third Debenture Issue, of R$197 million, in the second half of 2017 and the payment of the first tranche of the Promissory Note, in the amount of R$187 million, in November 2017.

Including bank loans, commitments for future payments related to acquisitions, which totaled R$71.8 million, as well as taxes payable in installments of R$13.9 million, Estácio's gross debt came to R$657.8 million at the close of 1Q18, resulting in net debt of R$30.7 million.

The debt and operating cash generation levels allow the Company to carry out its operating activities, meet its financial commitments and implement new expansion and growth strategies using its own funds, as well as contract loans and financing.

## Cash Flow Statement

The **operating cash generation after Capex** was positive by R$111.0 million in 1Q18, an upturn of 78.1% and R$48.7 million over the same period last year. In addition to the increase in operating result, the R$106.5 million upturn in collection (non-FIES), mainly due to a more sustainable student base, also contributed to improve this indicator.

The increase in the changes in assets and liabilities line mainly refers to the upturn in accounts receivable in 1Q18, which was impacted by the Solidarity Dilution campaign implemented by Estácio during the intake cycle.

The first-quarter EBITDA to cash conversion rate came to 33.6%, a 4.6 p.p. margin gain over 1Q17.

**Table 39 – Cash Flow Statement**

| R$ MM | 1Q17 | 1Q18 |
|---|---|---|
| Profit before taxes and after results from discontinued operations | 130.9 | 255.4 |
| Adjustments to reconcile the result to the cash generated | 142.2 | 130.4 |
| Results after reconciliation to net cash generated | 273.1 | 385.8 |
| Change in assets and liabilities | (184.1) | (237.5) |
| **Operating cash generation before Capex** | **89.1** | **148.4** |
| Acquisition of property and equipment items | (15.8) | (22.6) |
| Acquisition of intangible assets | (11.0) | (14.8) |
| **Operating cash generation after Capex** | **62.3** | **111.0** |
| Cash flow from financing activities | (8.2) | (8.3) |
| Free cash flow | **54.1** | **102.7** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **404.0** | **524.4** |
| Increase (decrease) in cash | 54.1 | 102.7 |
| **Cash and cash equivalents at the end of the period** | **458.1** | **627.1** |
| | | |
| **EBITDA** | **214.8** | **330.1** |
| **Operating cash generation before Capex / EBITDA** | **41.5%** | **44.9%** |
| **Operating cash generation after Capex / EBITDA** | **29.0%** | **33.6%** |

## Income Statement by Business Unit

| In R$ million | On-Campus 1Q17 | On-Campus 1Q18 | On-Campus Change | Distance Learning 1Q17 | Distance Learning 1Q18 | Distance Learning Change | Corporate 1Q17 | Corporate 1Q18 | Corporate Change |
|---|---|---|---|---|---|---|---|---|---|
| **Gross Operating Income** | **1,198.2** | **1,239.7** | **3.5%** | **166.5** | **210.6** | **26.5%** | - | - | |
| **Deductions from Gross Income** | (469.1) | (440.3) | -6.1% | (76.6) | (74.3) | -3.0% | - | - | |
| **Net Operating Income** | **729.1** | **799.4** | **9.6%** | **89.9** | **136.3** | **51.6%** | - | - | |
| **Cost of Services** | **(401.9)** | **(367.9)** | **-8.5%** | **(17.0)** | **(15.5)** | **-8.8%** | - | - | |
| Personnel | (287.8) | (260.9) | -9.3% | (16.6) | (11.3) | -31.5% | - | - | |
| Rents, condominium and IPTU (property tax) | (63.2) | (58.4) | -7.6% | (0.1) | (0.0) | -61.5% | - | - | |
| Teaching Material | (3.2) | (2.3) | -29.1% | (0.2) | (0.0) | -77.8% | - | - | |
| Third-Party Services and Others | (24.7) | (23.0) | -7.0% | (0.0) | (3.9) | N.A. | - | - | |
| Depreciation | (23.0) | (23.3) | 1.7% | (0.2) | (0.2) | 4.4% | - | - | |
| **Gross Profit** | **327.3** | **431.6** | **31.9%** | **72.9** | **120.8** | **65.7%** | - | - | |
| **Selling and G&A Expenses** | **(90.7)** | **(87.5)** | **-3.5%** | **(12.1)** | **(14.4)** | **19.0%** | **(128.9)** | **(168.9)** | **31.0%** |
| Personnel | (7.2) | (7.3) | 0.1% | (2.4) | (2.9) | 21.5% | (29.9) | (32.3) | 8.1% |
| Advertising | - | - | N.A. | - | - | N.A. | (63.6) | (80.6) | 26.8% |
| Profit Sharing (PCLD) | (39.9) | (33.8) | -15.3% | (7.6) | (9.5) | 24.5% | - | - | N.A. |
| Other Expenses | (36.7) | (40.5) | 10.4% | (1.6) | (1.7) | 3.9% | (19.5) | (37.2) | 90.3% |
| Depreciation | (6.8) | (5.9) | -13.7% | (0.5) | (0.3) | -29.4% | (16.0) | (18.8) | 18.1% |
| **Operating Profit** | **236.6** | **344.1** | **45.4%** | **60.8** | **106.4** | **75.0%** | **(128.9)** | **(168.9)** | **31.0%** |
| *Operating Margin (%)* | *32.4%* | *43.0%* | *10.6 p.p.* | *67.6%* | *78.1%* | *10.4 p.p.* | - | - | N.A. |
| Financial Income | (3.6) | (14.2) | 289.3% | 0.1 | (1.9) | N.A. | (34.0) | (10.0) | -70.6% |
| **Profit before Taxes** | **232.9** | **329.9** | **41.6%** | **60.9** | **104.4** | **71.4%** | **(163.0)** | **(178.9)** | **9.8%** |
| Income Tax/ Social Contribution | (4.5) | (8.3) | 85.9% | - | - | N.A. | (4.6) | (49.8) | 974.0% |
| **Net Profit** | **228.5** | **321.6** | **40.8%** | **60.9** | **104.4** | **71.4%** | **(167.6)** | **(228.7)** | **36.5%** |
| *Net Margin (%)* | *31.3%* | *40.2%* | *8.9 p.p.* | *67.8%* | *76.6%* | *8.9 p.p.* | - | - | N.A. |
| **EBITDA** | **266.4** | **373.3** | **40.2%** | **61.4** | **106.9** | **74.0%** | **(113.0)** | **(150.1)** | **32.9%** |
| *EBITDA Margin (%)* | 36.5% | 46.7% | *10.2 p.p.* | 68.3% | 78.4% | *10.1 p.p.* | - | - | N.A. |

## Balance Sheet

| Em R$ milhões | 03/31/2017 | 03/31/2018 |
|---|---|---|
| **Short-Term Assets** | **1,623.4** | **1,810.0** |
| Cash & cash equivalents | 67.9 | 9.4 |
| Short-term investments | 390.1 | 617.7 |
| Accounts receivable | 971.1 | 1.060.7 |
| Advance to employees / third-parties | 8.6 | 6.1 |
| Prepaid expenses | 35.7 | 13.6 |
| Taxes and contributions | 102.7 | 55.3 |
| Others | 47.2 | 47.1 |
| **Long-Term Assets** | **2,690.8** | **2,480.5** |
| **Non-Current Assets** | **620.8** | **469.1** |
| Accounts receivable | 326.0 | 122.8 |
| Prepaid expenses | 5.6 | 5.0 |
| Judicial deposits | 122.0 | 102.4 |
| Taxes and contributions | 38.9 | 86.4 |
| Deferred taxes and others | 128.3 | 152.6 |
| **Permanent Assets** | **2,070.0** | **2,011.4** |
| Investments | 0.2 | 0.2 |
| Fixed assets | 612.0 | 600.4 |
| Intangible | 1,457.8 | 1,410.8 |
| **Total Assets** | **4,314.2** | **4,290.6** |

| | | |
|---|---|---|
| **Short-Term Liabilities** | **1,001.2** | **965.4** |
| Loans and Financing | 487.2 | 358.9 |
| Fornecedores | 66.2 | 105.2 |
| Salaries and payroll charges | 200.8 | 199.2 |
| Taxes payable | 67.0 | 123.7 |
| Prepaid monthly tuition fees | 22.4 | 7.7 |
| Advances under partnership agreement | 2.6 | - |
| Taxes Paid in Installments | 3.0 | 4.2 |
| Related Parties | 0.6 | - |
| Dividends Payable | 87.4 | 100.8 |
| Acquisition price to be paid | 55.4 | 54.6 |
| Others | 8.6 | 11.2 |
| **Long-Term Liabilities** | **753.5** | **398.9** |
| Loans and financing | 553.8 | 213.3 |
| Contingencies | 65.9 | 104.5 |
| Taxes Paid in Installments | 12.2 | 9.7 |
| Provision for asset retirement obligations | 22.2 | 22.4 |
| Deferred Taxes | 20.6 | 11.7 |
| Acquisition price to be paid | 59.9 | 17.2 |
| Others | 18.9 | 20.2 |
| **Shareholders' Equity** | **2,559.5** | **2,926.2** |
| Share capital | 1,130.8 | 1,130.8 |
| Share issuance costs | (26.9) | (26.9) |
| Capital reserves | 664.1 | 666.9 |
| Earnings reserves | 816.0 | 1.088.5 |
| Period result | 121.8 | 197.4 |
| Treasury stocks | (146.4) | (130.4) |
| **Total Liabilities and Shareholders' Equity** | **4,314.2** | **4,290.6** |

## Quarterly Cash Flow Statement

| R$ MM | 1Q17 | 1Q18 |
|---|---|---|
| **Profit before income taxes and social contribution** | **130.9** | **255.4** |
| **Adjustments to reconcile profit to net cash generated:** | **142.2** | **130.4** |
| Depreciation and amortization | 46.4 | 48.6 |
| Amortization of funding costs | 6.5 | 0.4 |
| Provision for impairment of trade receivables | 47.5 | 43.3 |
| Granted options - stock options | 2.9 | 2.9 |
| Provision for long term incentive | 0.1 | 0.0 |
| Provision for contingencies | 8.9 | 29.6 |
| Inflation adjustment to FIES receivables | -4.6 | -2.8 |
| Adjustment to present value - FIES receivables | -2.6 | 0.0 |
| Tax credits | 34.6 | -0.9 |
| Interest on borrowings | 0.0 | 13.3 |
| (Gain) loss on the write-off of property and equipment and intangible assets | 0.1 | 0.3 |
| Provision with asset decommissioning | 0.4 | 0.2 |
| Commitments payable | 4.4 | 0.9 |
| Adjustment to present value (APV) - Sale of client portfolio | -2.2 | -5.2 |
| Others | -0.3 | 0.1 |
| **Result after reconciliation to net cash generated** | **273.1** | **385.8** |
| **Changes in assets and liabilities:** | **-184.1** | **-237.5** |
| (Increase) in accounts receivable | -172.5 | -265.3 |
| Decrease (increase) in other assets | -6.0 | -4.2 |
| Increase) decrease in advances to employees / third parties | 5.7 | 0.0 |
| (Increase) decrease in prepaid expenses | 0.7 | -7.1 |
| (Increase) decrease in taxes and contributions | 7.4 | 31.6 |
| Increase (decrease) in suppliers | 0.0 | 34.3 |
| Increase (decrease) in taxes payable | -13.0 | -22.5 |
| Increase (decrease) in payroll and related charges | 45.5 | 40.5 |
| (Decrease) in prepaid monthly tuition fees | -5.0 | -11.7 |
| Civil/Labor claims | -7.9 | -11.4 |
| (Decrease) in acquisition price to be paid | -15.0 | -16.2 |
| Provision for asset decommissioning obligations | -0.5 | 0.0 |
| Increase (decrease) in other liabilities | 0.2 | -1.2 |
| Decrease (increase) in taxes paid in installments | 0.0 | 0.0 |
| Decrease (Increase) in installments of taxes | -1.1 | -0.8 |
| (Decrease) in non-current assets | 1.2 | 5.1 |
| Increase in judicial deposits | -2.5 | 0.4 |
| Interest paid on borrowings | -14.5 | -0.5 |
| IRPJ and CSLL paid | -6.8 | -8.4 |
| **Net cash provided by (used in) operating activities** | **89.1** | **148.4** |
| **Net cash provided by (used in) operating activities** | **-26.7** | **-37.4** |
| Acquisition of property and equipment items | -15.8 | -22.6 |

| | | |
|---|---|---|
| Intangible Assets | -11.0 | -14.8 |
| **Net cash provided by (used in) investing activities** | **62.3** | **111.0** |
| **Cash flows from financing activities** | **-8.2** | **-8.3** |
| Cost of the enrollments borrowings | - | 0.2 |
| Net increase in borrowings | -8.2 | -8.6 |
| **Net cash provided by (used in) financing activities** | **54.1** | **102.7** |
| **Cash and cash equivalents at the beginning of the period** | **404.0** | **524.4** |
| Increase (decrease) in cash and cash equivalents | 54.1 | 102.7 |
| **Cash and cash equivalents at the end of the period** | **458.1** | **627.1** |