



August 11, 2010

# 2Q10 Results

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CEO

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CFO and Investor Relations Officer



## 2Q10 Highlights

### SUPERIOR QUALITY HIGHER EDUCATION

**Estácio is well positioned to capture the sector's growth potential**

- ◆ *Success of distance learning:* 20,900 students in 12 months
- ◆ *Higher student retention in on-campus programs:* monitoring of individual performance and academic support
- ◆ *New advertising campaign:* focus on Estácio's quality differentials
- ◆ *Textbooks included in tuition:* offered to new students nationwide
- ◆ *Focus on graduate programs:* 3,200 more students than last year

# Results' Highlights

## GROSS MARGIN GAIN

Revenue growth and cost control leads to gain of 1.2 p.p.

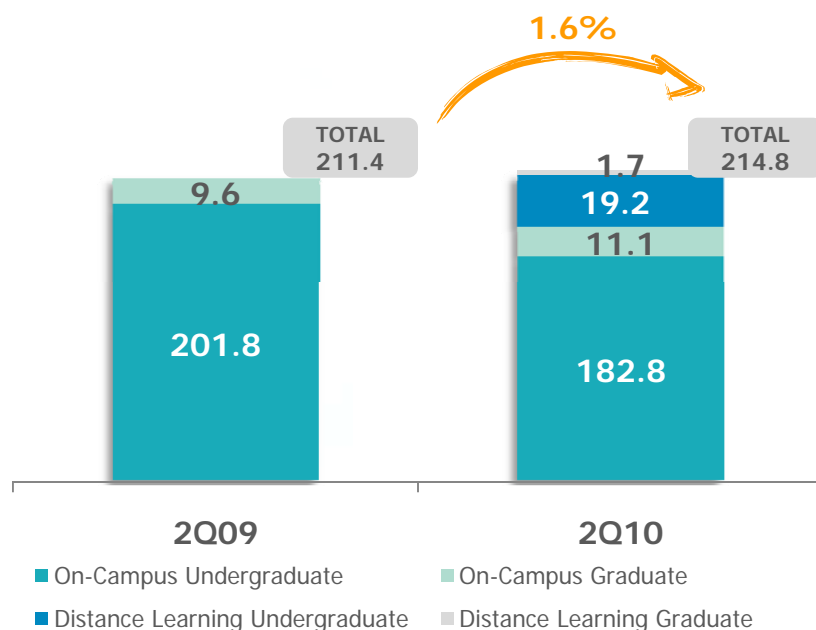
Main Indicators (R\$ MM)	2Q09	2Q10	Change	1H09	1H10	Change
Net Revenue	248.4	258.2	3.9%	513.0	514.2	0.2%
Recurring Gross Profit	65.5	71.2	8.7%	154.9	159.6	3.0%
<b>Recurring Gross Margin</b>	<b>26.4%</b>	<b>27.6%</b>	<b>1.2 p.p.</b>	<b>30.2%</b>	<b>31.0%</b>	<b>0.8 p.p.</b>
Recurring EBITDA	17.9	18.7	4.5%	61.7	58.4	-5.3%
<b>Recurring EBITDA Margin</b>	<b>7.2%</b>	<b>7.2%</b>	<b>0.0 p.p.</b>	<b>12.0%</b>	<b>11.4%</b>	<b>-0.6 p.p.</b>
Recurring Net Income	10.8	7.8	-27.8%	43.5	36.7	-15.6%

# Operating Performance

## DIVERSIFICATION OF STUDENT MIX

Distance learning grows 27.4% in 2Q10, reaching 20,900 students in LTM

### Student Base ('000)



- Excellent enrollment in distance learning
- Student retention and academic support programs reduce dropouts by 15.7%, lowering enrollment gap
- Increase of 33% in number of graduate students

### Evolution of On-Campus Undergraduate Base

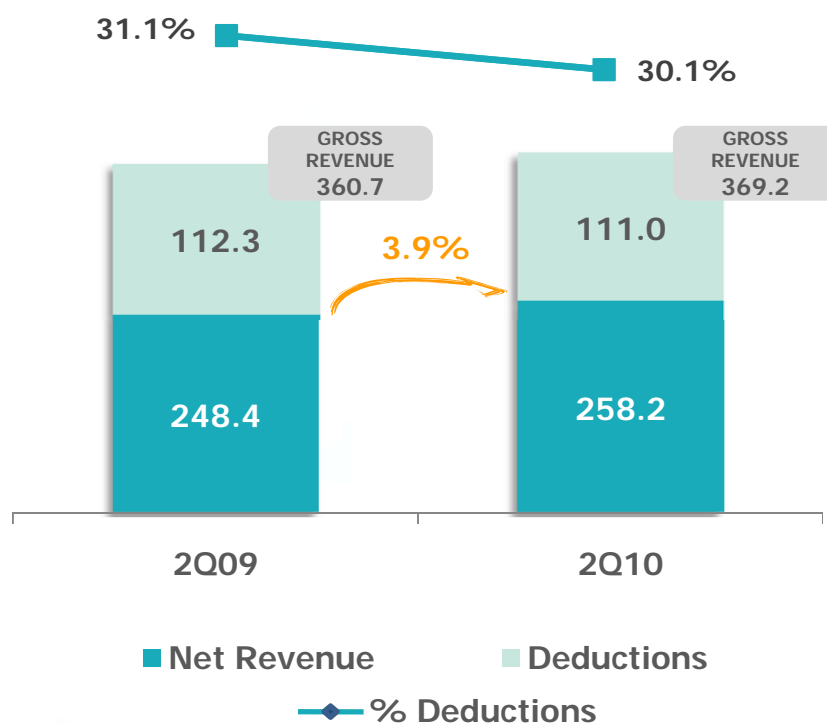
'000	2Q09	2Q10	Change
Students - Starting Balance	210.7	190.3	-9.7%
Dropouts / Not re-enrolling	(8.9)	(7.5)	-15.7%
% Dropouts	4.2%	3.9%	-0.3 p.p.
Students - Ending Balance	201.8	182.8	-9.4%

# Operating Revenue

## NET REVENUE GROWS 3.9% IN 2Q10

Main drivers are distance-learning revenue and reduction in discounts

### Operating Revenue (R\$ MM)



- ◆ Increase of 5% in distance learning average ticket from 1Q10
- ◆ Average ticket boosted by inclusion of textbooks in tuition and reduction in scholarships

### Average Ticket

(R\$)	2Q09	2Q10	Change
Average Ticket	391.8	400.7	2.3%
On-Campus	391.8	424.0	8.2%
Distance Learning	-	175.3	N.A.

# Cost of Services

## LOWER OPERATIONAL COSTS

Lower faculty costs once again offset higher INSS and inflation

Vertical Analysis (% of Net Operating Revenue)	2Q09	2Q10	Change	1H09	1H10	Change
<b>Cost of Services</b>	<b>70.8%</b>	<b>69.8%</b>	<b>-1.0 p.p.</b>	<b>66.7%</b>	<b>66.3%</b>	<b>-0.4 p.p.</b>
Personnel and Payroll Charges (excluding INSS)	47.4%	44.4%	-3.0 p.p.	44.2%	42.2%	-2.0 p.p.
Brazilian Social Security Institute (INSS)	8.3%	8.8%	0.5 p.p.	7.7%	8.4%	0.7 p.p.
Rentals / Real Estate Taxes Expenses	9.5%	9.4%	-0.1 p.p.	9.6%	9.3%	-0.3 p.p.
Textbooks Materials	0.0%	1.7%	1.7 p.p.	0.0%	1.3%	1.3 p.p.
Third Party Services and Others	5.6%	5.5%	0.1 p.p.	5.3%	5.1%	0.2 p.p.

Note: Excluding non-recurring and depreciation.

# Selling, General & Administrative Expenses (SG&A)

## BETTER CONTROL OF G&A EXPENSES

Marketing returns to normalize levels and control of third parties

Vertical Analysis (% of Net Operating Revenue)	2Q09	2Q10	Change	1H09	1H10	Change
<b>Selling, General and Administrative Expenses</b>	<b>23.0%</b>	<b>24.4%</b>	<b>1.4 p.p.</b>	<b>22.3%</b>	<b>23.7%</b>	<b>1.4 p.p.</b>
<b>Selling Expenses</b>	<b>7.1%</b>	<b>8.9%</b>	<b>1.8 p.p.</b>	<b>6.9%</b>	<b>8.6%</b>	<b>1.7 p.p.</b>
Provisions for Doubtful Debts	3.8%	5.8%	2.0 p.p.	3.0%	3.9%	0.9 p.p.
Marketing	3.3%	3.1%	-0.2 p.p.	3.8%	4.7%	0.9 p.p.
<b>General and Administrative Expenses</b>	<b>15.9%</b>	<b>15.5%</b>	<b>-0.4 p.p.</b>	<b>15.4%</b>	<b>15.1%</b>	<b>-0.3 p.p.</b>
Personnel and Payroll Charges	6.8%	6.6%	-0.2 p.p.	6.0%	6.0%	0.0 p.p.
Others	9.1%	8.9%	-0.2 p.p.	9.4%	9.1%	-0.3 p.p.

Note: Excluding non-recurring and depreciation.

# Bad Debts and Receivables

## VARIATION WITH THE PREVIOUS PERIOD AFFECTED BY THE REVERSAL OF NON-RECURRING ITEMS OCURRED IN 2Q09

Bad Debts (excluding reversal in 2Q09*)	2Q09	2Q10	Change	1H09	1H10	Change
Bad Debts (R\$ MM)	12.7	15.1	18.9%	18.9	20.1	6.3%
% of Net Revenue	5.1%	5.8%	0.7 p.p.	3.7%	3.9%	0.2 p.p.

Accounts Receivable	2009	2010	Change
Accounts Receivable, Net (R\$ MM)	123.0	147.7	20.1%
Accounts Receivable (Days)	45	51	N.A.

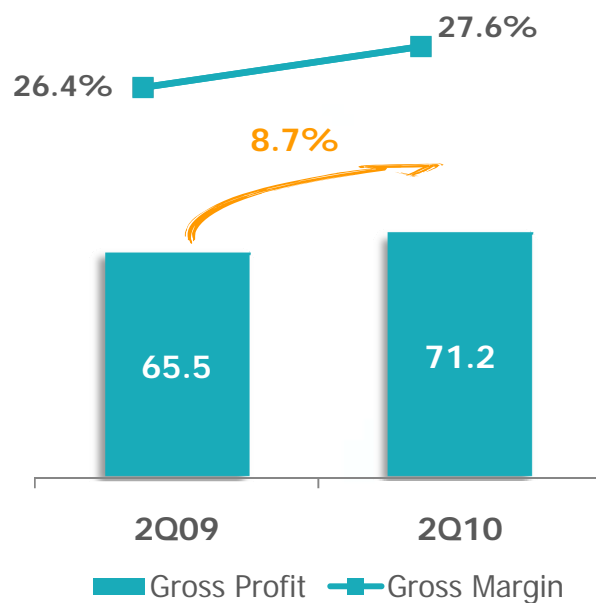
\* Reversal of R\$3.3 million in 2Q09.



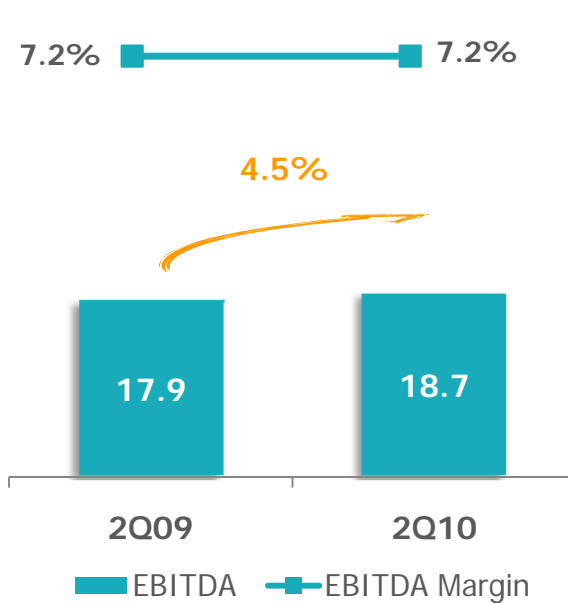
# 2Q10 Financial Performance

**GROSS MARGIN GAIN OF 1.2 P.P. IN QUARTER**  
EBITDA grows 4.5% and EBITDA margin remains flat

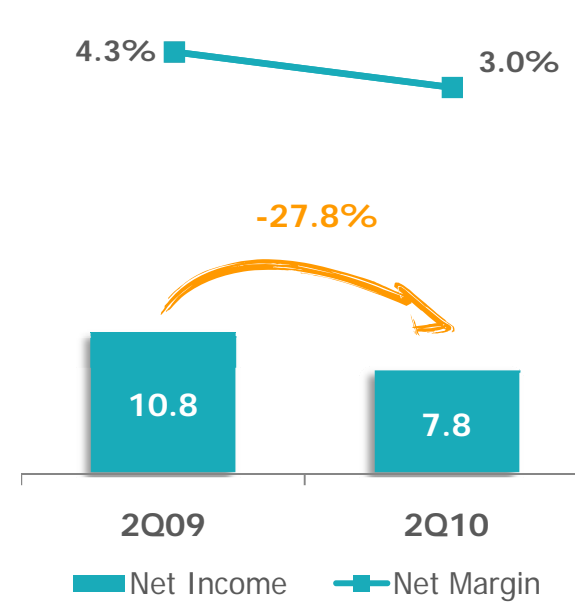
Recurring  
Gross Profit (R\$ MM)



Recurring  
EBITDA (R\$ MM)



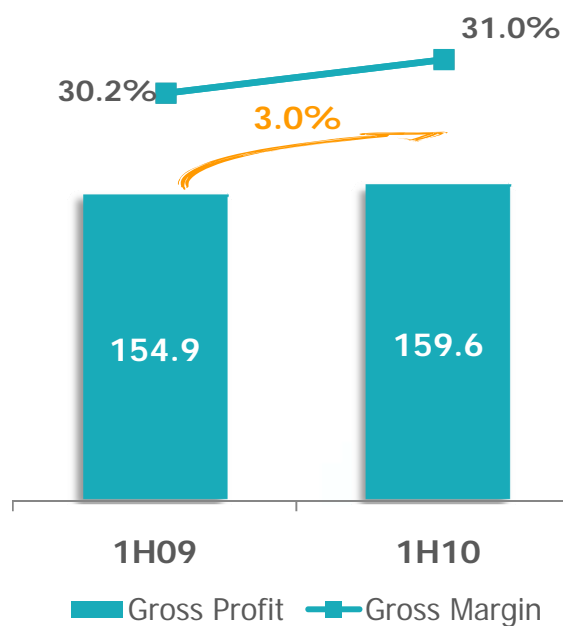
Recurring  
Net Income (R\$ MM)



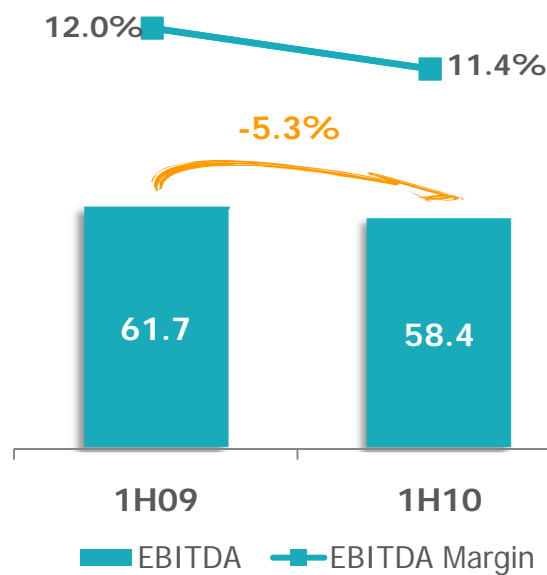
# 1H10 Financial Performance

**GROSS MARGIN GAIN OF 0.8 P.P. IN FIRST HALF**  
EBITDA margin compression offset by recovery in 2Q10

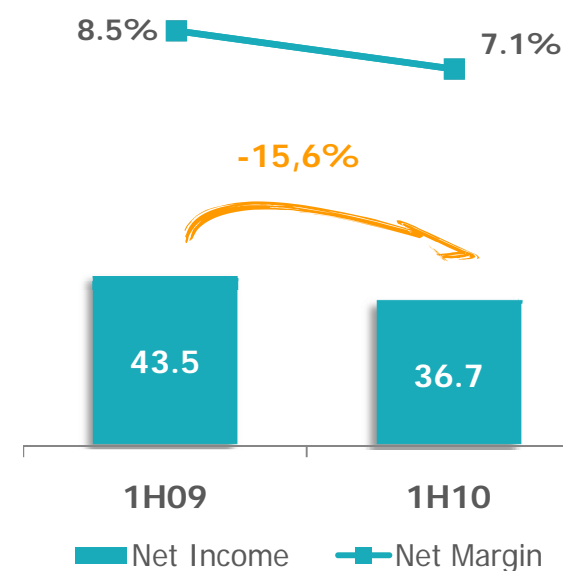
Recurring  
Gross Profit (R\$ MM)



Recurring  
EBITDA (R\$ MM)



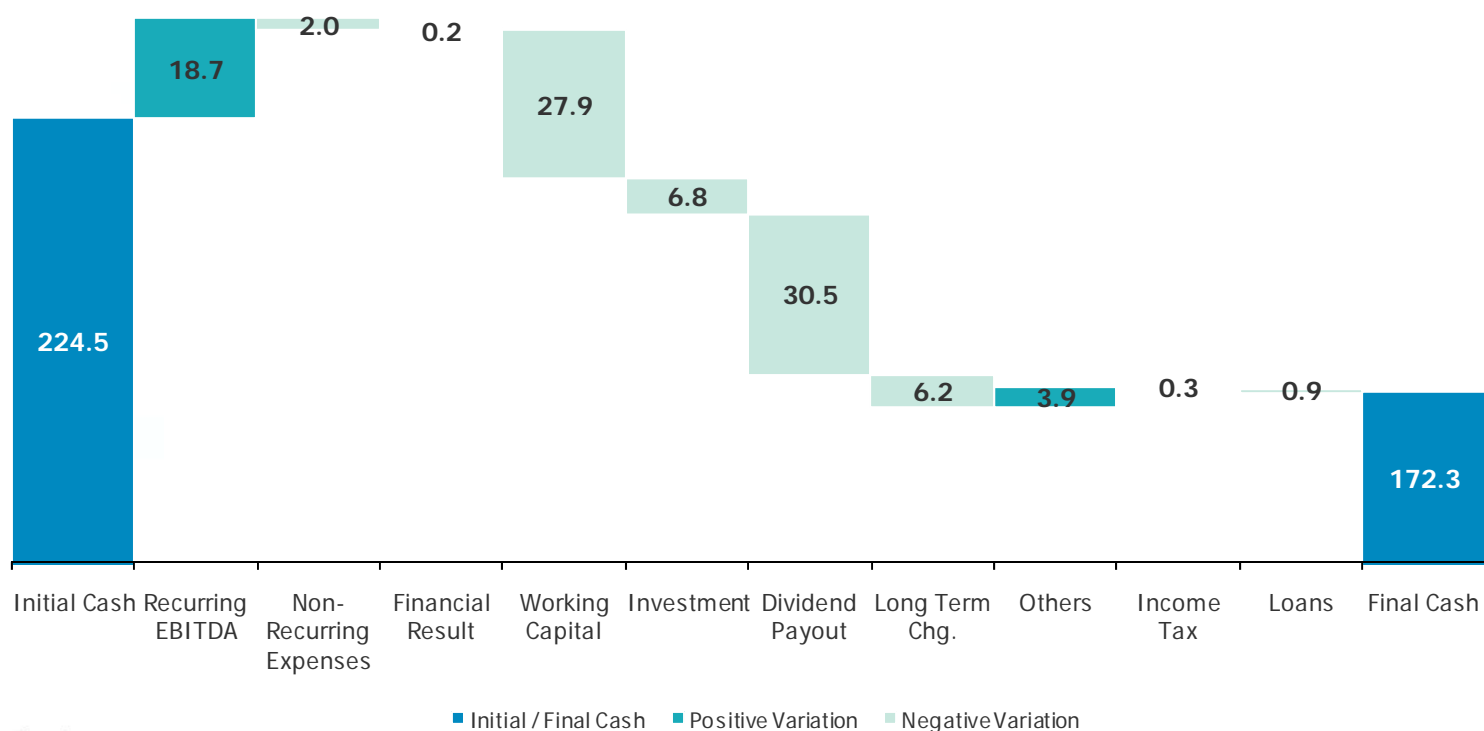
Recurring  
Net Income (R\$ MM)



# Cash Flow

**LOWER NET CASH DOES NOT AFFECT ESTÁCIO'S FINANCIAL SOLIDITY**  
Payment of dividends and prepayment of faculty vacations are main factors

Cash Flow (R\$ MM)



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