

# EARNINGS PRESENTATION

1Q 2020

May 7<sup>th</sup>, 2020



# DISCLAIMER

Rio de Janeiro, May 7th - **YDUQS Participações S.A.**, one of the largest private education organizations in Brazil, **presents its results for the first quarter 2020 (1Q20).**

The Company's financial information is presented based on the consolidated numbers, in Brazilian Reais, in accordance with Brazilian Corporation Law and the accounting practices adopted in Brazil (BRGAAP), already in accordance with International Financial Reporting Standards (IFRS), including the rule IFRS-16.

This document may have forward-looking statements that are subject to risks and uncertainties that lead such expectations to not materialize or substantially differ from expectations. These forecasts express the opinion only for the date they were made, and the Company does not undertake to update them in the light of new information.



# COVID-19: MEASURES TO FACE THE CHALLENGE

YDUQS

1Q20

## STUDENTS



On-campus

- . 100% of classes broadcasted live in virtual environment
- . Unchanged curriculum
- . 15k classes per week



DL

- . No impact on classes
- . High engagement



Medicine

- . Theoretical classes on virtual environment
- . Use of high-tech tools
- . Engagement >95%

## COMMUNITY



ESG actions

**RESOLVESIM**

+100k accesses

- . Initiative to support public high school students for ENEM and entrance exams

**#ForYou  
ESPERANÇA**

- . Initiative to raise donations in partnership with the state government of Rio de Janeiro

- . Free access to online courses for more than 60k users

## YDUQS



Financials

- . 100% of students covered with educational insurance to cover up to 6 month tuition since 2015

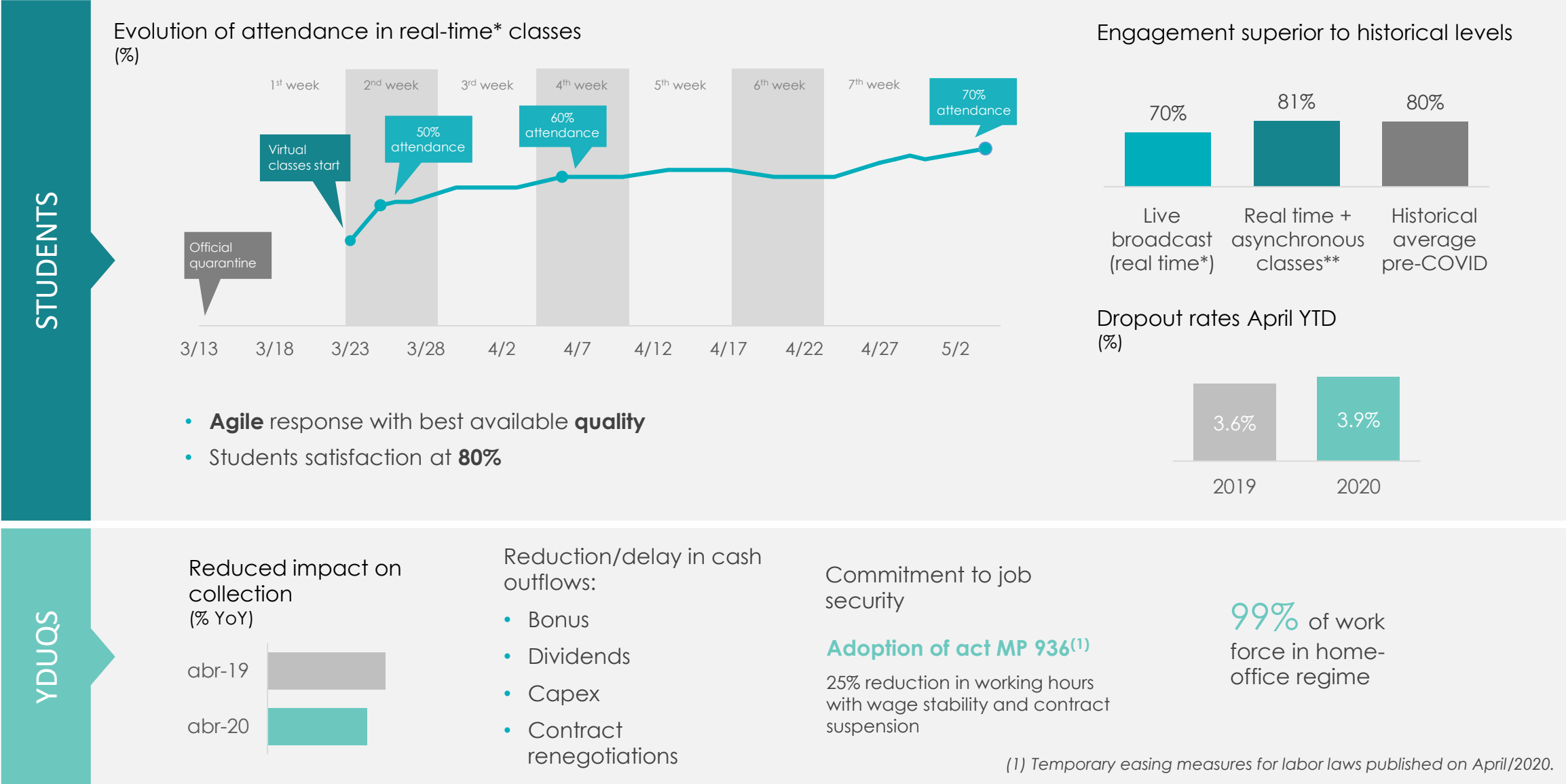
- . Solid cash position (R\$1.5 bln after Adtalem)
- . Low leverage ~1.1x Net debt/EBITDA and extended debt amortization schedule

- . +100 actions to improve working capital and reduce the impact of delinquency



For more information on our campaigns access: [www.resolvesim.com.br](http://www.resolvesim.com.br) and [www.formouesperanca.com.br](http://www.formouesperanca.com.br) (Portuguese only).

# COVID-19: RESPONSES TO IMPLEMENTED ACTIONS



\* Real time classes: broadcasted in real time preserving the pre-quarantine format with same professors, students and schedule.

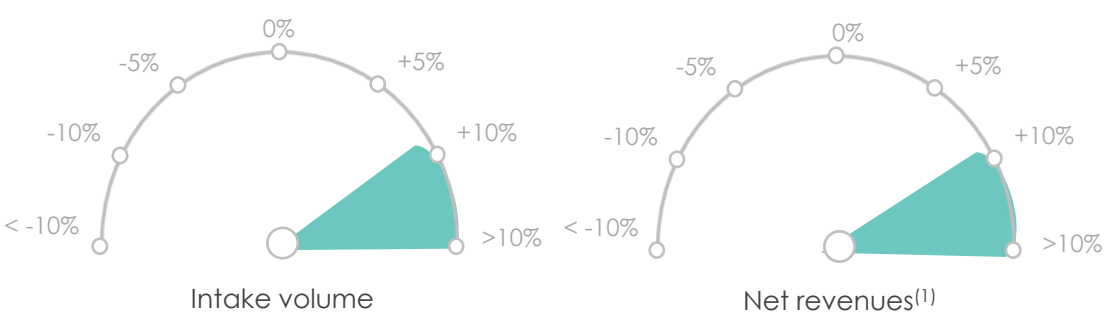
\*\*Asynchronous classes: previously recorded classes accessed by students.

Intake expectations  
(undergraduate)

82%  
completion

ON-CAMPUS

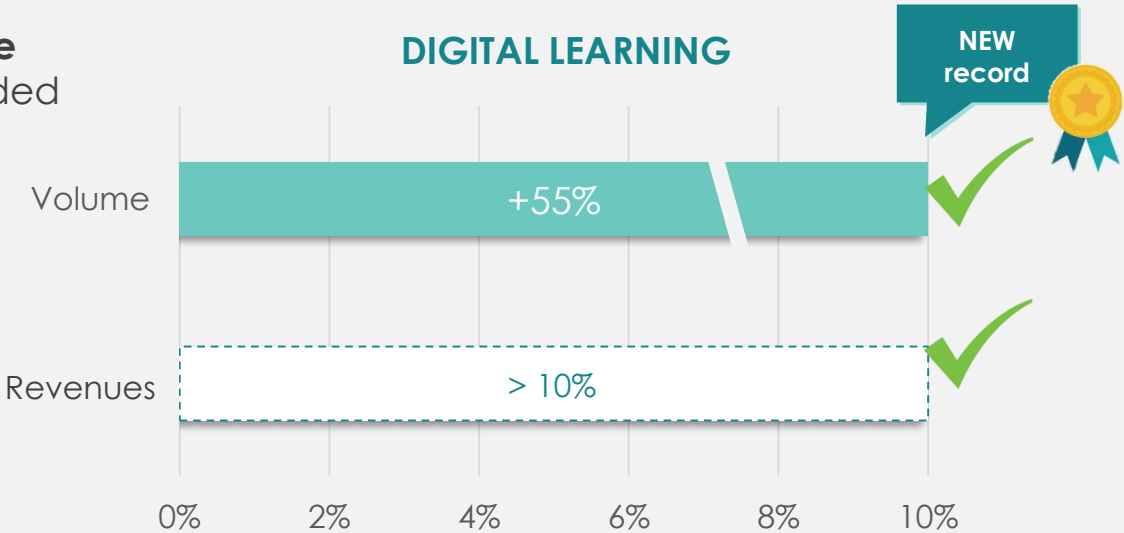
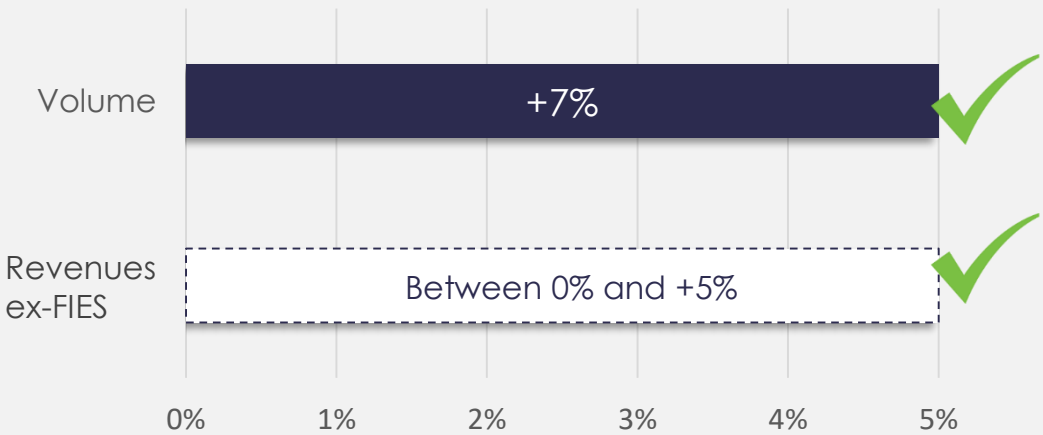
DIGITAL LEARNING



ON-CAMPUS

Intake  
concluded

DIGITAL LEARNING



(1) Estimated net revenues in 6M20 vs 6M19.

# HIGHLIGHTS OF THE QUARTER

**YDUQS**

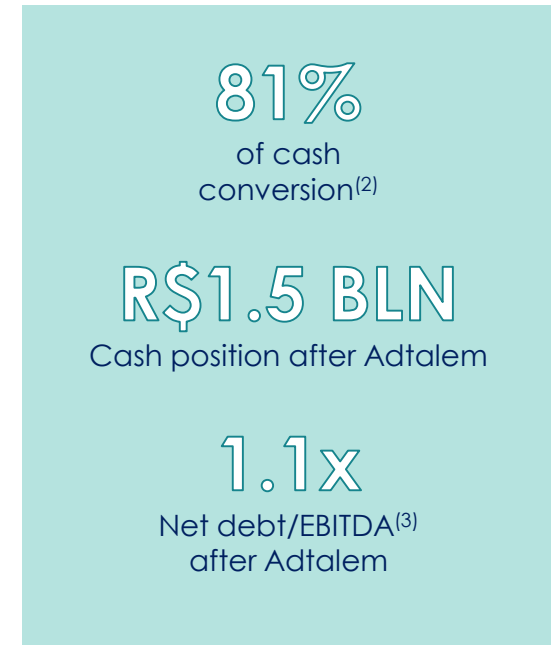
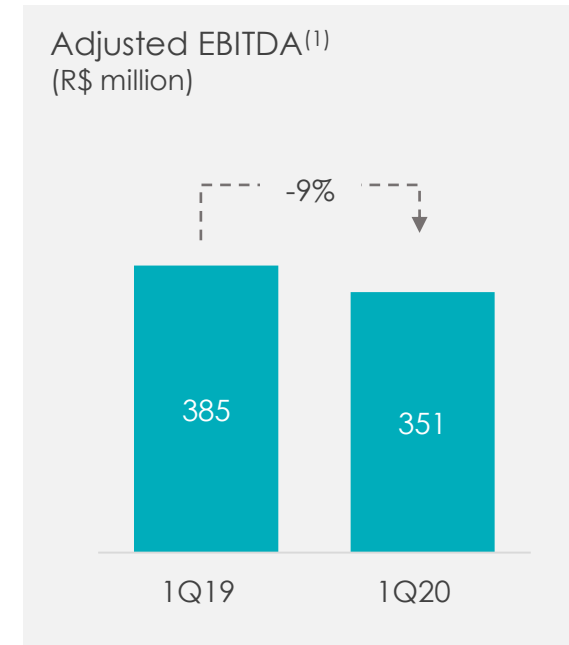
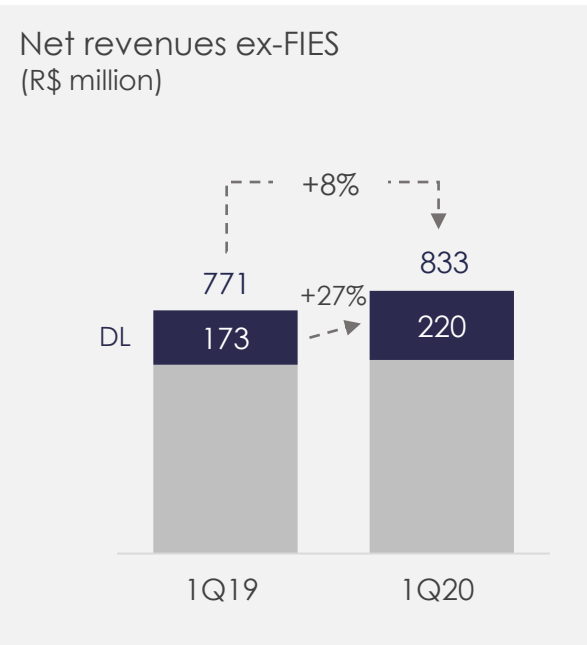
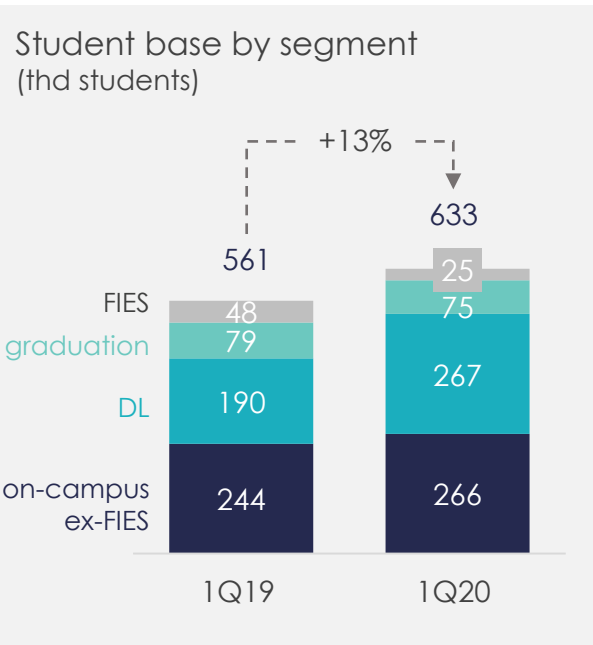
1Q20

**DOUBLE DIGIT BASE GROWTH** with digital learning as highlight

**REVENUES EX-FIES** continues to increase despite total revenues slight decline (-1% YoY)

**COSTS AND EXPENSES** impacted by COVID-19 pressuring EBITDA

**STRONG CASH FLOWS** and solid liquidity



**SUBSEQUENT EVENT:** final approval by anti-trust agency and completion of the acquisition of Adtalem Brasil on April 24th.



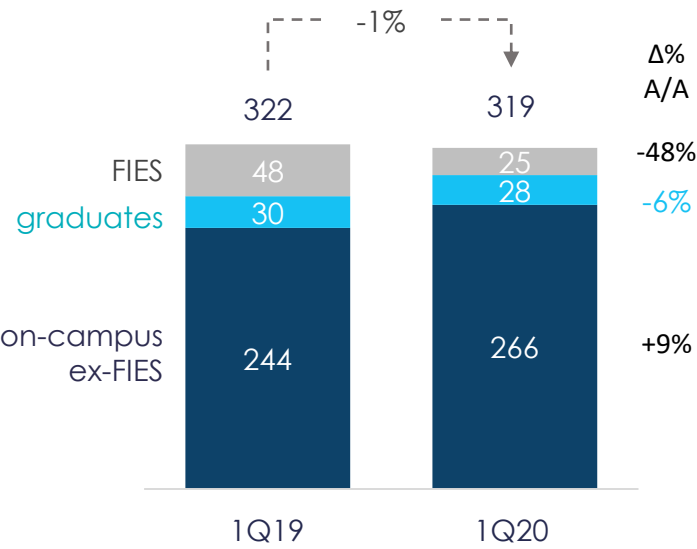
(1) Adjusted in 1Q20 by R\$13.1 million, more information on EBITDA's section

(2) Reported cash conversion at 121%; Cash adjusted by -R\$136 million due to the delay of FIES transfer Dec/19.  
Cash Conversion = Operating Free Cash Flow before Capex divided by reported EBITDA.

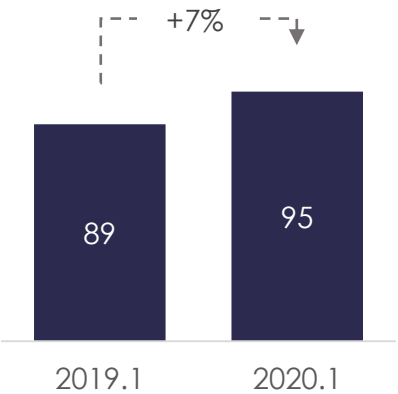
(3) Net debt excludes leasing (IFRS-16).

# ON-CAMPUS: RESILIENCE IN A CHALLENGING SCENARIO

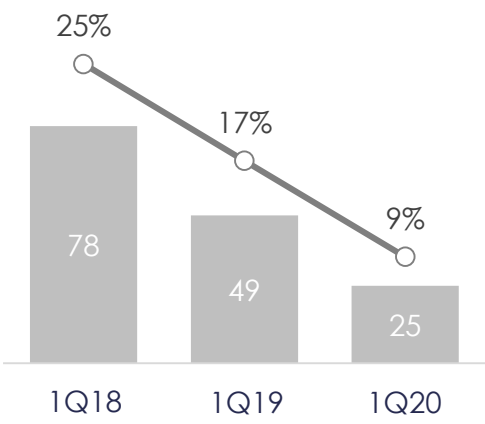
On-campus student base  
(thd students, includes UniToledo)



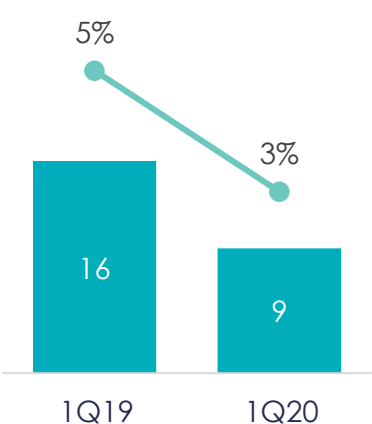
On-campus intake 2020.1  
vs 2019.1  
(thd students)



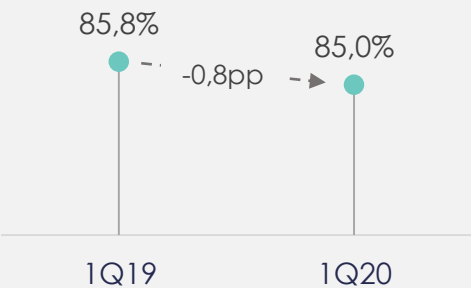
FIES base and share over on-campus undergraduate base  
(thd students; %)



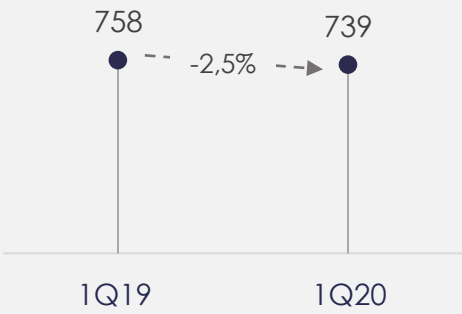
PAR students and share over on-campus undergraduate base  
(thd students; %)



On-campus retention rate<sup>(1)</sup>  
(%)



On-campus undergraduate average ticket<sup>(1)</sup>  
(R\$/month)



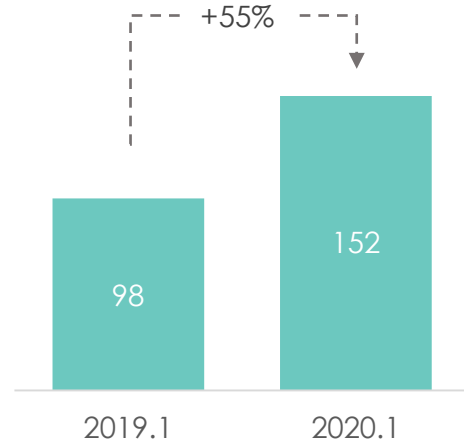
(1) Excluding revenues and student base from UniToledo.

# DIGITAL LEARNING: EXPANSION ACROSS THE BOARD

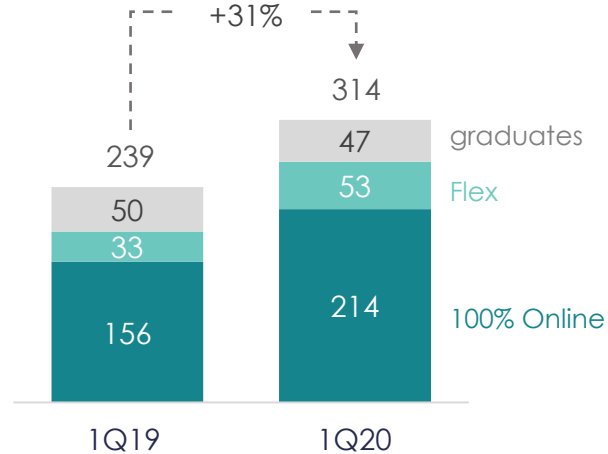
**YDUQS**

1Q20

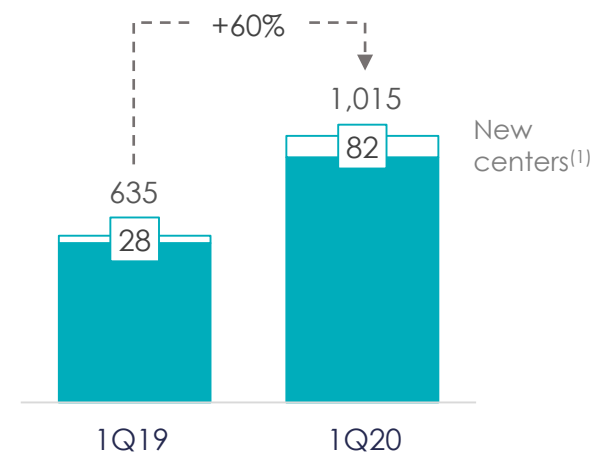
New intake record  
(thd students)



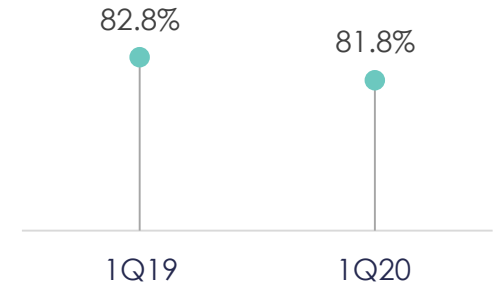
Digital Learning base  
(thd students)



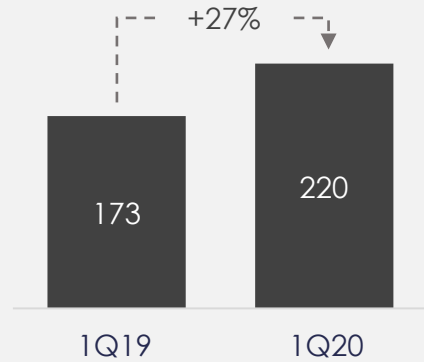
DL centers  
(#)



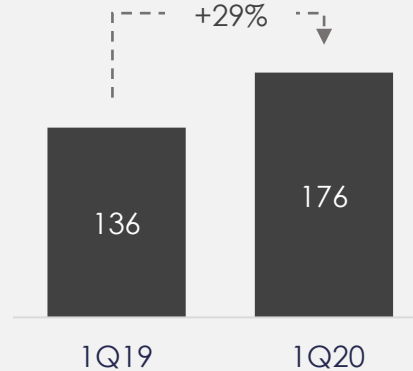
DL retention rate  
(%)



DL net revenues  
(R\$ million)



DL EBITDA  
(R\$ million)



**UNI<sup>i</sup>TOLEDO<sup>®</sup>**  
A MARCA DO CONHECIMENTO

**LAUNCH OF  
DIGITAL LEARNING  
OPERATIONS IN 1Q20**



% of total  
revenues

19% 24%

EBITDA  
margin (%)

79% 80%

(1) New centers added in the quarter.





# MEDICINE: GREAT OPPORTUNITY AHEAD

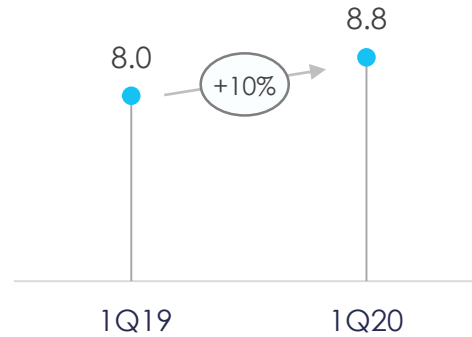
YDUQS

1Q20

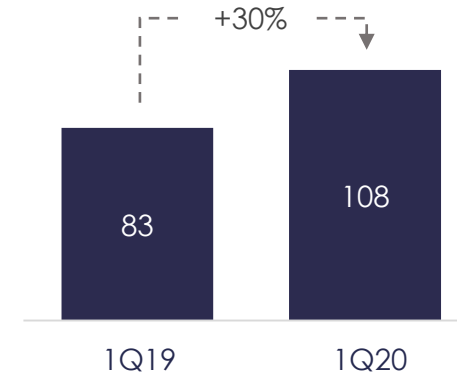
Student base  
(thd)



Average ticket from paying student<sup>(1)</sup>  
(R\$ 000'/month)



Net revenues  
(R\$ million)



- Expansion of paying base seat expansion in Mais Médicos I unity.
- Avg. ticket improvement driven by new premium unity in Rio de Janeiro (Città).



Estimates for the  
segment<sup>(2)</sup>



15

campi in operation  
by 2021



~2,200

potential seats by  
2024



>10,000

potential students  
by 2024

sjt>med  
EDUCAÇÃO MÉDICA

Operations expansion  
through the medicine  
value chain

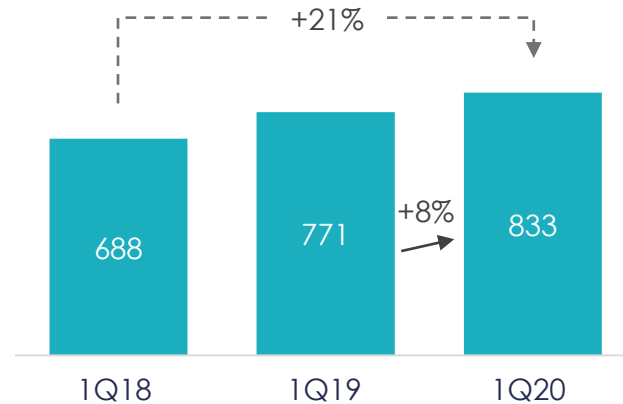
(1) Excludes ProUni students and scholarship holders from Mais Médicos program

(2) Considering Adtalem's acquisition on April, 2020.



# NET REVENUES: POSITIONED FOR GROWTH

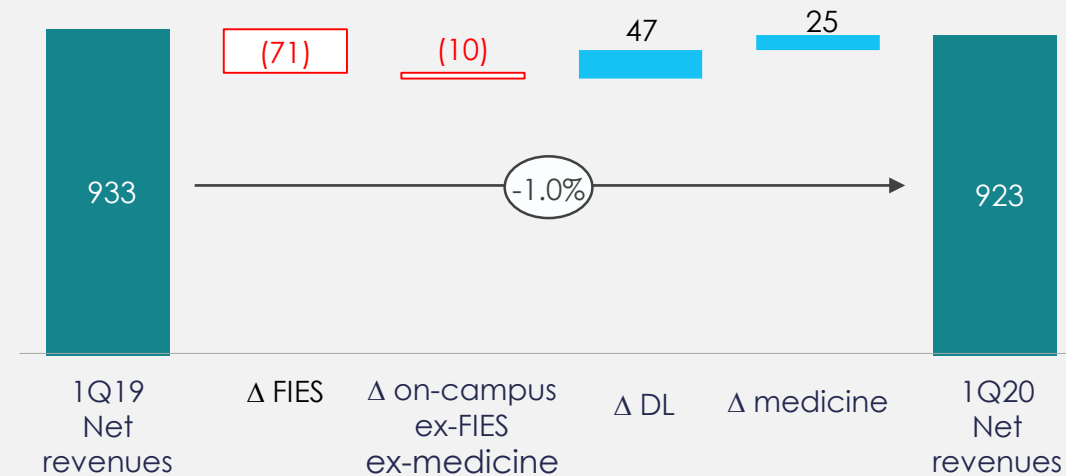
Net revenues ex-FIES  
(R\$ million)



Net revenues by business segment  
(% of total)



Contribution by segment to net revenues  
(R\$ million; 1Q19 vs 1Q20)



Continuous expansion of DL and medicine

DL and medicine representing ~36% of net revenues

Revenues ex-FIES increased by 8% YoY

On-campus revenues impacted by deceleration of intake after COVID-19

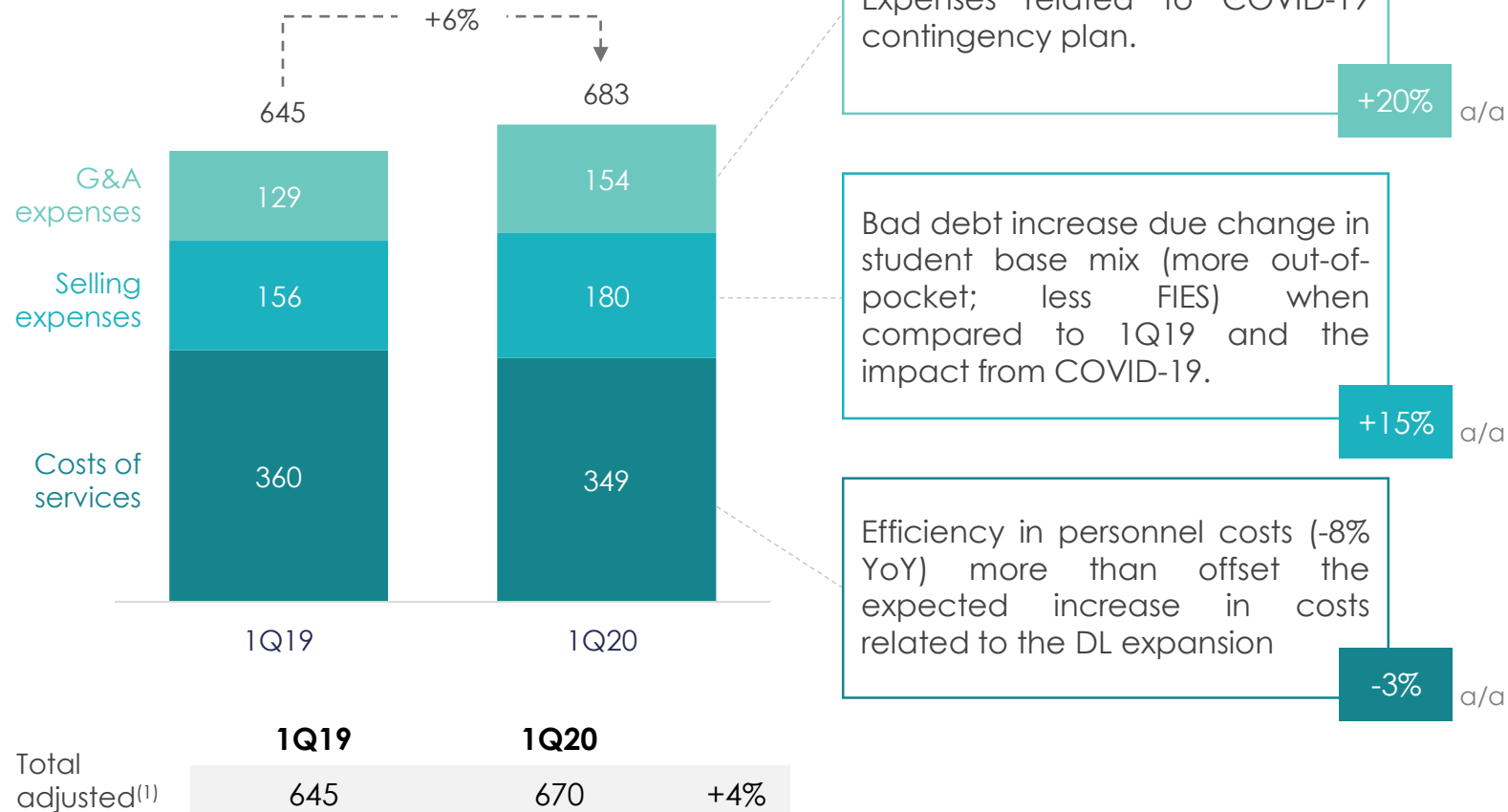


# COSTS & EXPENSES: SHORT TERM PRESSURE

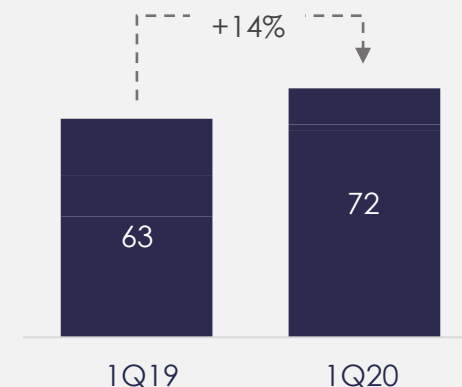
YDUQS

1Q20

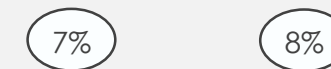
Costs and Expenses  
(R\$ million)



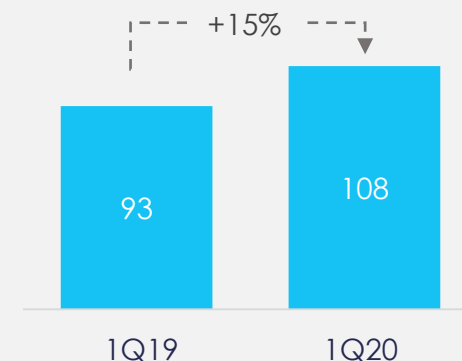
Bad debt  
(R\$ million)



Bad debt over  
revenues (%)



Advertising costs  
(R\$ million)



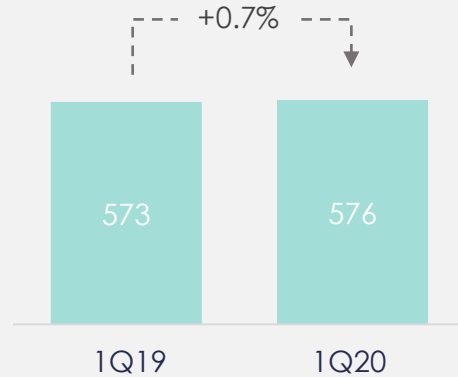
(1) Adjusted by non recurring items in the amount of R\$13.1 million chiefly related to organization restructuring and consultancy for M&A

# EBITDA AND CASH FLOW

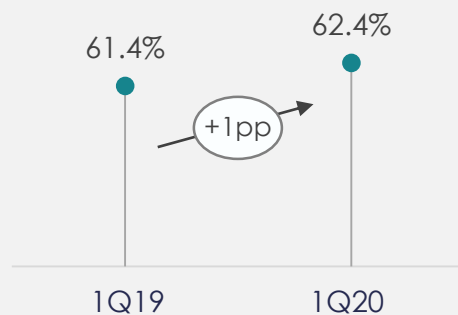
YDUQS

1Q20

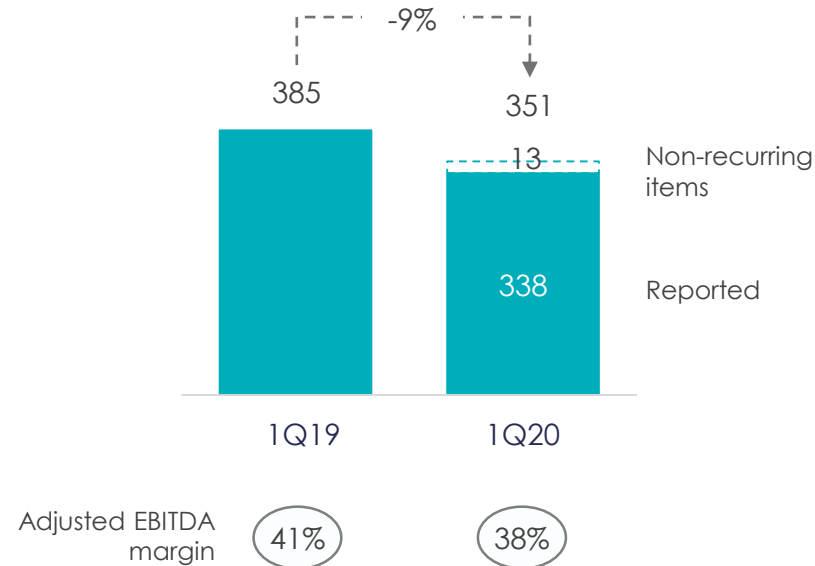
Adjusted gross profit<sup>(1)</sup>  
(R\$ million)



Adjusted gross margin<sup>(1)</sup>  
(%)



Adjusted EBITDA and margin  
(R\$ million)



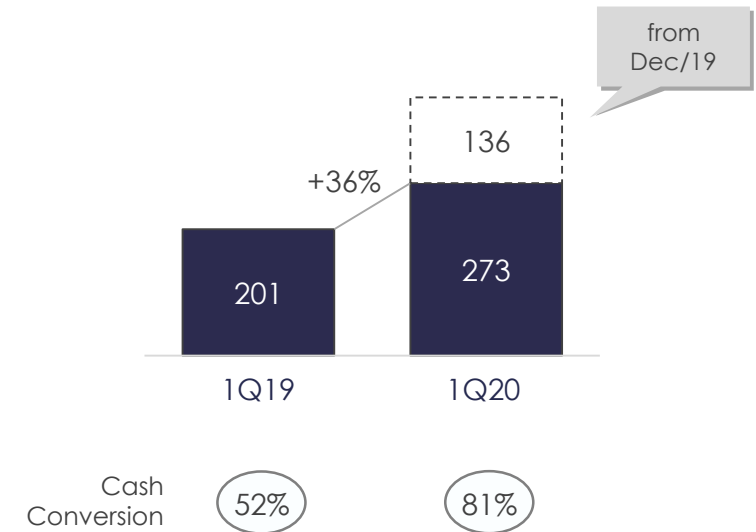
Adjusted EBITDA margin



Non-recurring items impacting EBITDA

R\$ million	1Q19	1Q20
Organization restructuring	-	3.8
Consultancy for M&A	-	8.9
Other	-	0.4
<b>Total</b>	-	<b>13.1</b>

Adjusted operational cash flow<sup>(2)</sup>  
(R\$ million, before Capex)



Cash Conversion



MODERATE DECREASE  
IN COLLECTION VS  
APR/19



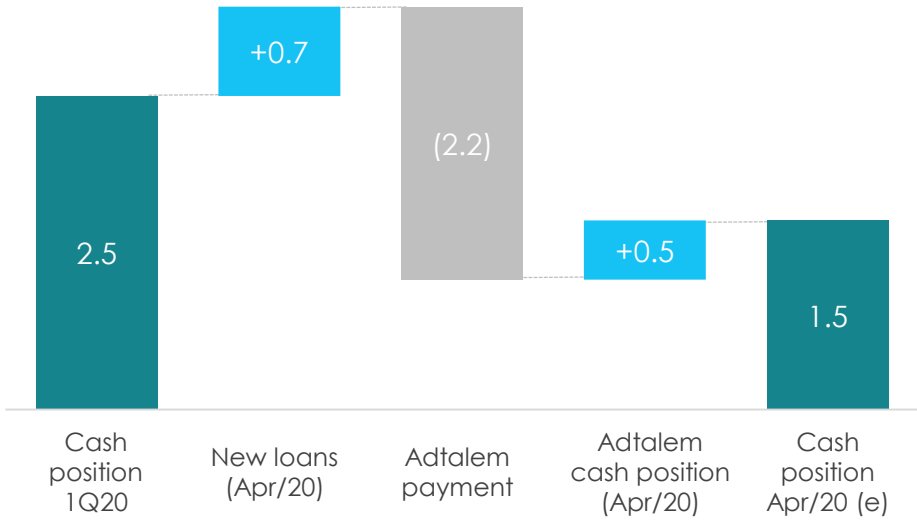
(1) Adjusted by R\$2,1 million on costs related to organization restructuring.

(2) Reported cash conversion at 121%; Cash adjusted by -R\$136 million due to the delay of FIES transfer in Dec/19. Cash Conversion = Operating Free Cash Flow before Capex divided by reported EBITDA.

# SOLID CASH POSITION AFTER ACQUISITIONS

As of March, 2020

Cash position after Adtalem acquisition and new loans  
(R\$ billion)



Debt profile after new loans (Apr/20)

(R\$ million)	R\$
Debt as of Mar/20	2,286
New debt	725
<b>Total</b>	<b>3,011</b>
Cost of debt	CDI + 1.50% p.y.

Net cash/EBITDA<sup>(1)</sup>  
at ~1.1x

- NET DEBT (CASH) OF **-R\$159 million**
- NET DEBT/EBITA AT **-0.1x**
- AVG. COST OF DEBT AT **CDI + 1.06% p.y.**
- AVG. DEBT TERM **2.1 YEARS**

(1) Considering YDUQS reported EBITDA + 2019 Adtalem EBITDA

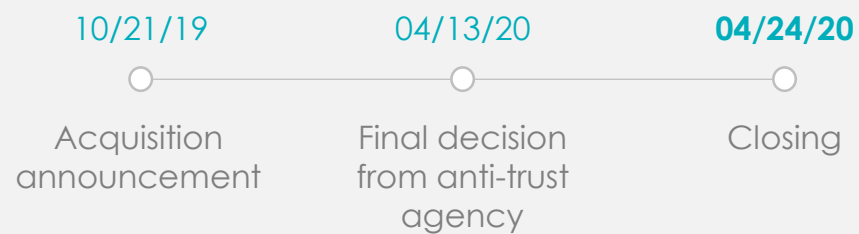


# SUBSEQUENT EVENT: ADTALEM ACQUISITION CONCLUDED

YDUQS

1Q20

## Timetable



## Payment

Payment	(-) R\$ 2,206 million
Net debt (cash)	(+) R\$ 389 million
<b>Enterprise Value</b>	<b>(=) R\$ 1,817 million</b>

## Financial performance (Adtalem management, in IFRS-16)

(R\$ million)	2019
Net revenues	853.1
EBITDA	254.9
EBITDA margin	29.9%
Net income	139.9

## Identified synergies

CATEGORIES	INITIATIVES
Efficiency	Integration of shared services
Efficiency	Optimization of the corporate structure
Efficiency	Scale gains, renegotiation with suppliers
Revenues	Develop premium DL
Revenues	Integrate course portfolio between institutions
Revenues	Cross-selling, mainly, medicine and law
Quality	Strengthen academic content and quality
Operational	Introduce digital content to Wyden on-campus courses
Commercial	Introduction of pricing model and second entrance exam

Preliminary data indicate **synergies above R\$80 million** as disclosed in the acquisition announcement.

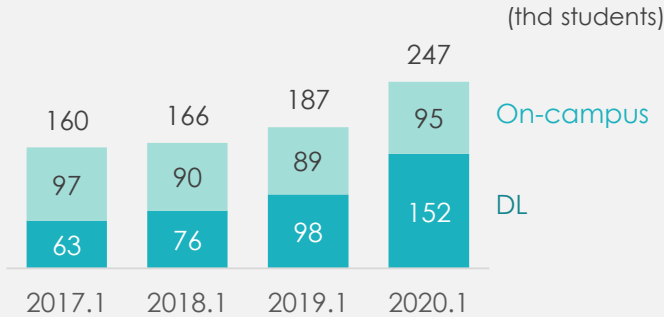


# CONCLUSION & PERSPECTIVES FOR 2020

YDUQS

1Q20

**New record** of Digital Learning intake and **regaining momentum** at the on-campus



Despite slowdown in EBITDA due to COVID-19, operations continues on solid ground and evolving

Healthy **cash flow** and solid balance sheet

**81%**  
of EBITDA to cash conversion

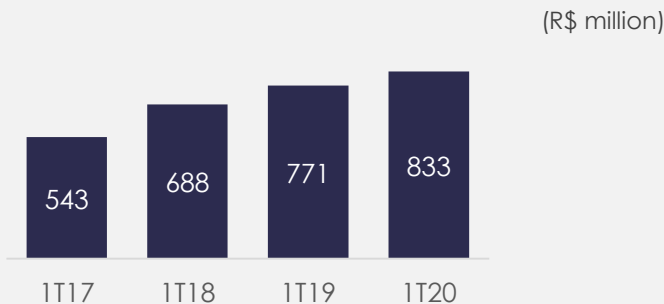
**~1.1x**  
Net debt/EBITDA after Adtalem

**R\$1.5 bln**  
Cash position after Adtalem



Unique positioning from high liquidity, strong cash generation and ability to raise additional funding

**Sustaining** business growth with ex-FIES revenues continuous expansion



Three growth leverages (DL, medicine and M&A) emerges even stronger after the COVID crisis



# YDUQS

## Contatos de RI

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