

# RESULTS PRESENTATION

2Q 2020

# YDUQS



August 26<sup>th</sup>, 2020



Índice Brasil 50 **IBRX 50**

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

Índice de Ações com Tag Along Diferenciado **ITAG**

# DISCLAIMER

Rio de Janeiro, August 26<sup>th</sup>, 2020 – **YDUQS Participações S.A.**, one of the largest organizations in Brazil's higher education private sector, **presents its results for the second quarter of 2020 (2Q20).**

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).

**Consolidated results account for the group Adtalem Brasil Holding Ltda referred to the months of May and June of 2020.** In order to have a better comparison of quarterly results, the Company has decided to disclose operational and financial information on a proforma basis, excluding the effects of the acquisition of Adtalem when indicated.

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.





## Conservatism paying off

Limited private financing and decreasing in size since 2019; 100% write-off on dropouts; preservation of value for our shareholders; low indebtedness; precise acquisitions at fair valuations; limited greenfield expansion -> solid cash generation every quarter, including 2Q20.



## Successful strategy generating results

Efficiency gains still in progress and high return on investment actions showing accelerated growth: Digital Learning (+53% student base YoY), medicine (+32% student base YoY) and M&A (3 acquisitions with EV/EBITDA multiple after synergies at 4-5x).



## Focus on student base and financial strength through the pandemic

Student base continues to grow substantially (+31 vs 2Q19), dropout rate under control (+0.3 pp vs 2019.1) and renewal levels above 2019.2. R\$1.9 billion in cash, net debt/EBITDA at 1.45x and cash generation of R\$336 million in the quarter.



## Recurring results in line with previous years

Adjusted revenues growing 11% YoY despite anticipated contraction of R\$103 million in FIES revenues; moderate decrease of adjusted EBITDA (-5% YoY); while reported EBITDA impacted by R\$215 million from non-recurring effects.



## Post-FIES, post Covid era remains encouraging

Investments in digital learning producing strong results (revenues and cost); M&A remains on the agenda; expansion in the medicine area when value creation opportunity is clear -> financial strength tends to be a big differentiator.



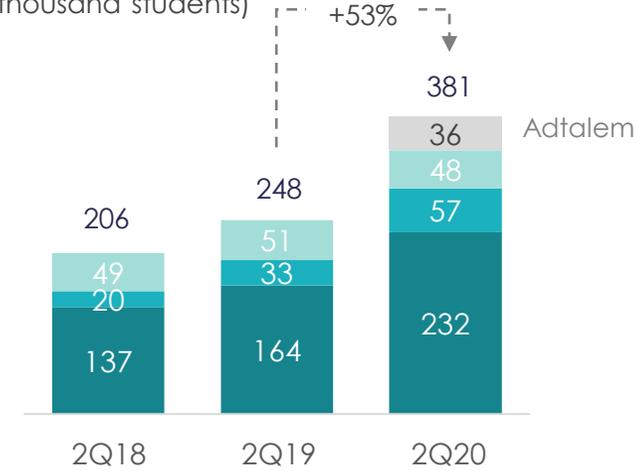


# SOLID STRATEGY GENERATING RESULTS

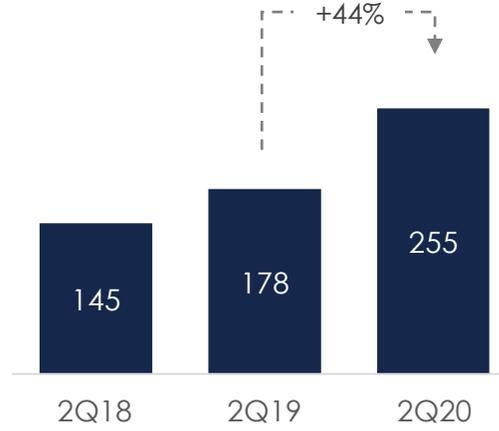


# DIGITAL LEARNING: MAINTAINING STRONG EXPANSION PACE

Student base  
(thousand students)



Net revenues  
(R\$ million)

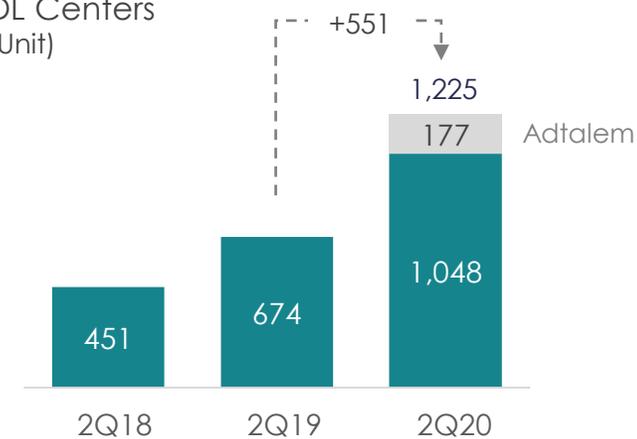


● 100% Online ● Flex ● Graduates

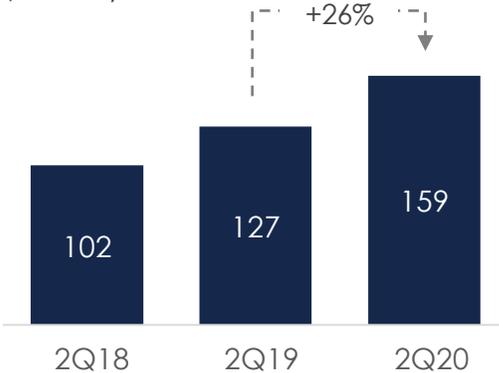
% of total revenue



DL Centers  
(Unit)



EBITDA  
(R\$ million)



## ADTALEM UPDATE



**Launch of the Digital Learning offer** with 100% proprietary content and methodology

- ✓ UniFanor (Fortaleza/CE)
- ✓ 21 courses (10 in the health segment)
- ✓ Average Ticket ~R\$230/month



- ✓ MBA in investment management and private banking in partnership with XP Investimentos
- ✓ Launch of the Certificate in Business Administration (CBA)

**100** DL centers open during the pandemic

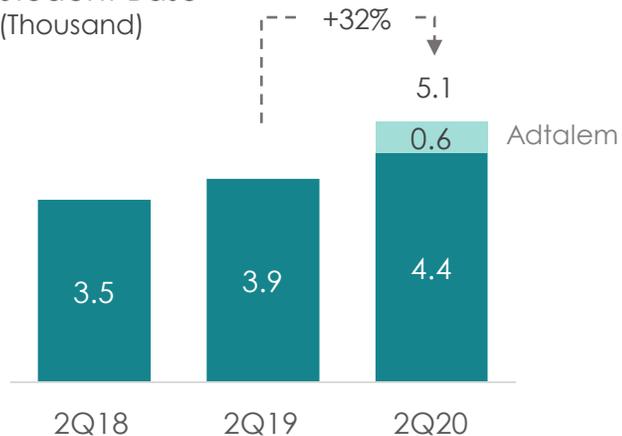


**31** courses



# MEDICINE: CONTRACTED GROWTH AND RESILIENCE

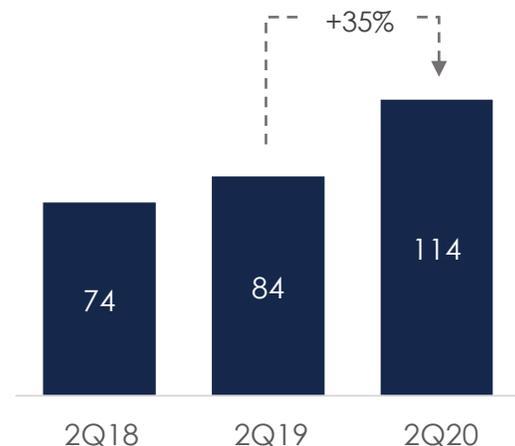
Student Base  
(Thousand)



**+10%**

Paying average ticket<sup>(1)</sup>

Net Revenue  
(R\$ Million)



% of total revenue

8%

9%

11%

Unit	State	Expected Intake	Authorized seats	Student base	Full potential <sup>(2)</sup>	
					Authorized seats	Student base
Pres. Vargas	RJ	-	240	1,561	240	1,728
Città	RJ	-	170	864	100	1,224
Juazeiro do Norte	CE	-	100	700	170	720
Ribeirão Preto	SP	-	76	498	76	547
Teresina	PI	-	110	630	110	792
Juazeiro	BA	-	155	329	155	1,116
Alagoinhas	BA	-	65	163	165	1,188
Angra dos Reis	RJ	-	55	210	155	1,116
Jaraguá do Sul	SC	-	50	114	150	1,080
<b>Canindé</b>	<b>CE</b>	<b>2020.2</b>	<b>50</b>	<b>-</b>	<b>150</b>	<b>1,080</b>
Castanhal	PA	2021.1	50	-	150	1,080
Quixadá	CE	2021.1	50	-	150	1,080
Iguatu	CE	2021.2	50	-	150	1,080
Açailândia	MA	2021.1	50	-	150	1,080
Ji-Paraná	RO	2021.2	50	-	150	1,080
<b>Total</b>			<b>1,321</b>	<b>5,069</b>	<b>2,221</b>	<b>~16,000</b>

UNDER DEVELOPMENT

(1) Excludes ProUni student base and scholarship holders (under the Mais Médicos program).

(2) Assuming expansion to maximum capacity of granted seats (+100 seats/year) in all Mais Médicos units. Student Base includes ProUni and FIES.



# ACQUISITIONS: THREE SUCCESSFUL OPERATIONS IN 9 MONTHS

YDUQS

2Q20



Sep/19

95% integration complete  
(8 months)

EV/EBITDA of the deal:



after synergies

**5k**  
students

ADTALEM

Oct/19

Fast-paced integration  
(4 months)

EV/EBITDA of the deal:



after synergies

**96k**  
students

3 medicine units with  
the potential for  
**410 seats/year**



Jun/20

Ongoing Integration  
(1 month)

EV/EBITDA of the deal:



after synergies

**9k**  
students

3 medicine units<sup>(1)</sup> with  
the potential for  
**300 seats/year**

**R\$600k** per  
medical seat

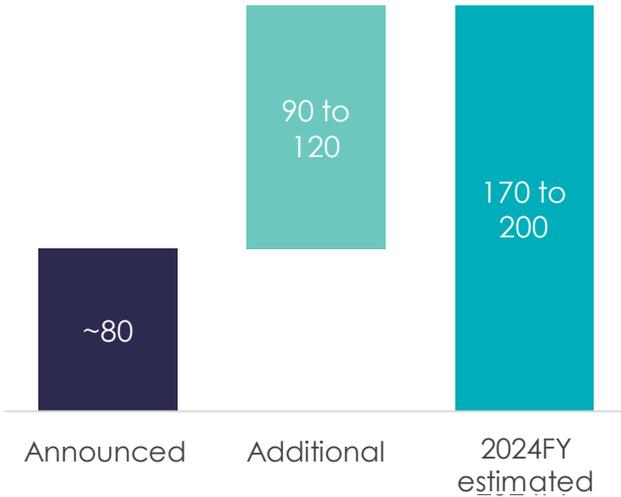


(1) Three units with 100 seats/year each in process of approval from competent agency.

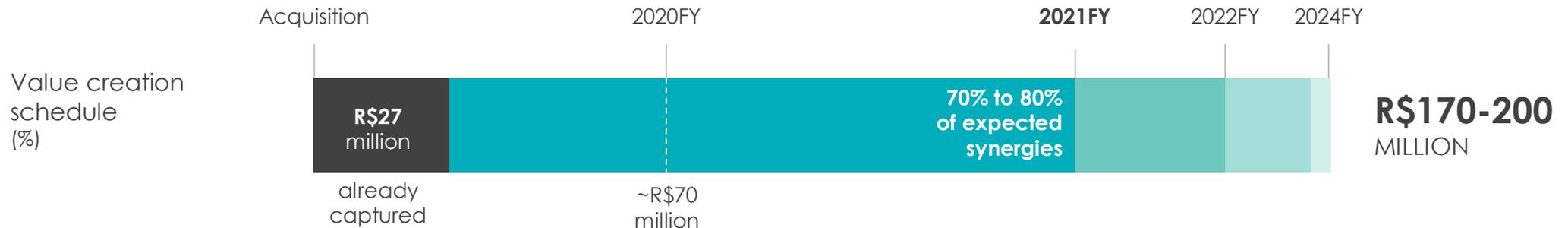
# ADTALEM: NEW EXPECTATIONS OF VALUE GENERATION

## INTEGRATION PACE UNCHANGED BY PANDEMIC

New estimate of synergies (R\$ million)

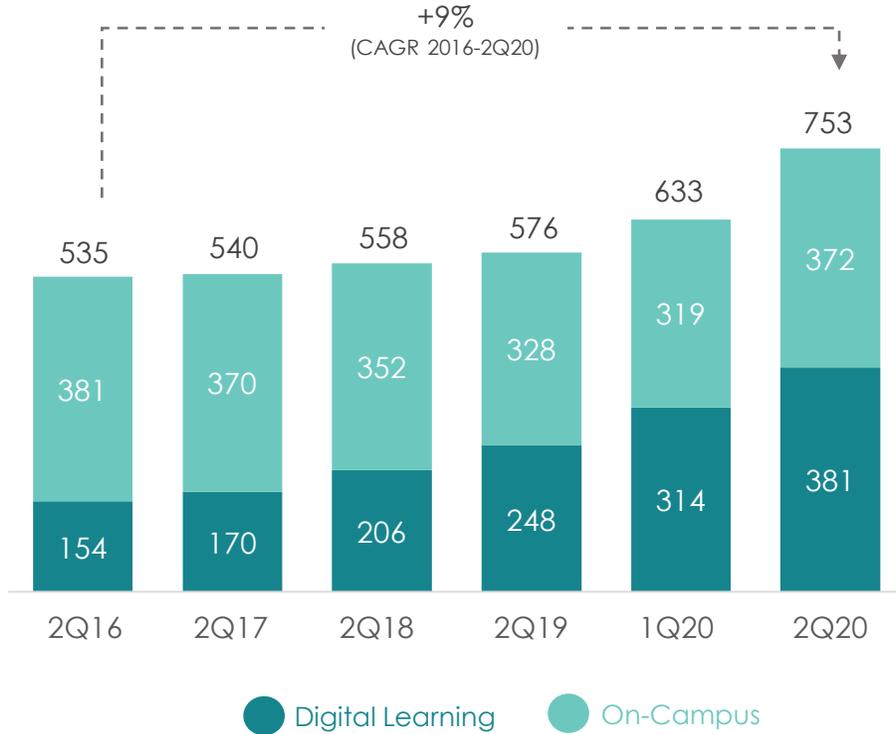


Category	Initiatives mapped and in the implementation phase	% on estimated value generation
Efficiency	Professors cost structure optimization	13-15%
Efficiency	Loyalty initiatives	~10%
Efficiency	Optimization of student per class ratio and curriculum	9-11%
Efficiency	Administrative structure optimization and integration of shared services	18-19%
Commercial	Introduction of the pricing model and billing	13-14%
Revenue	DL expansion and cross-selling	14-18%
Other		16-20%



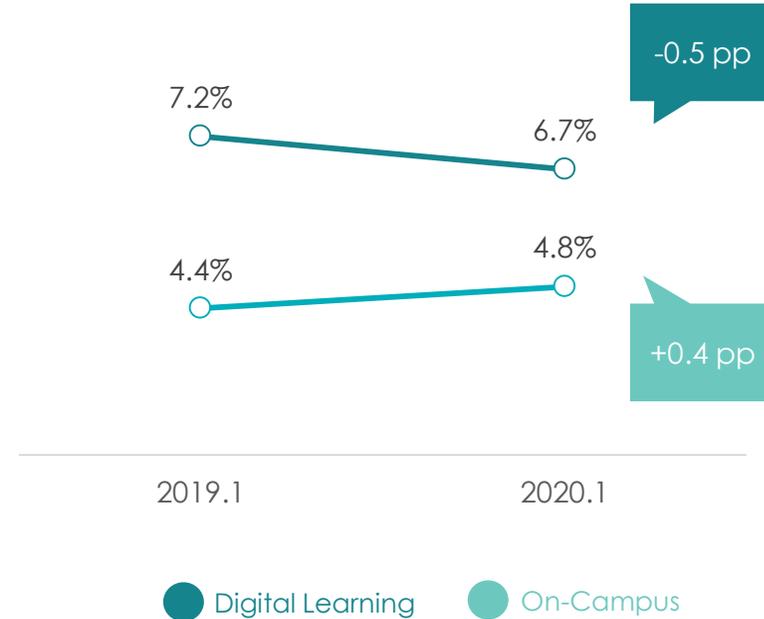
# STUDENT BASE EXPANSION AND DROPOUT STABILITY

Student base evolution  
(thousand students)



**ORGANIC EXPANSION OF**  
+14% YoY  
(ex-Adtalem)

Dropout rate per semester<sup>(1)</sup> - Estacio (%)



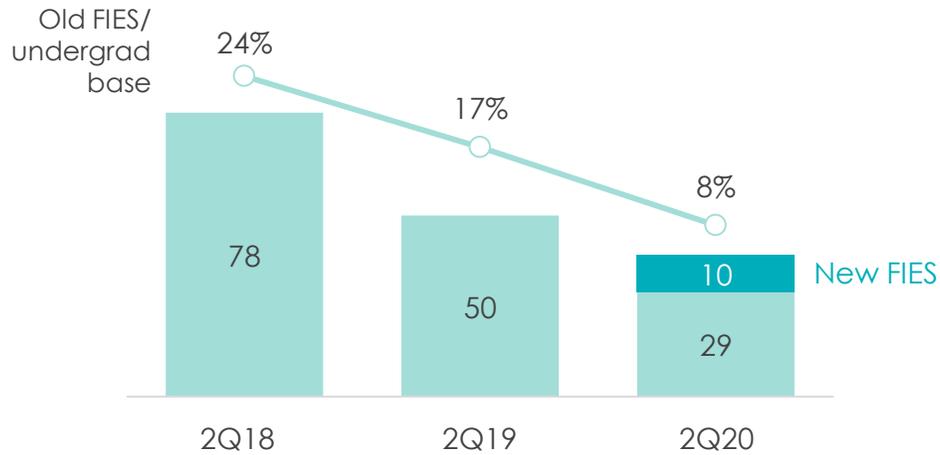
**SATISFACTION INDEX**  
**AT 94%**  
for remote classes



**76% REAL TIME PRESENCE**  
with more than 80% asynchronous presence

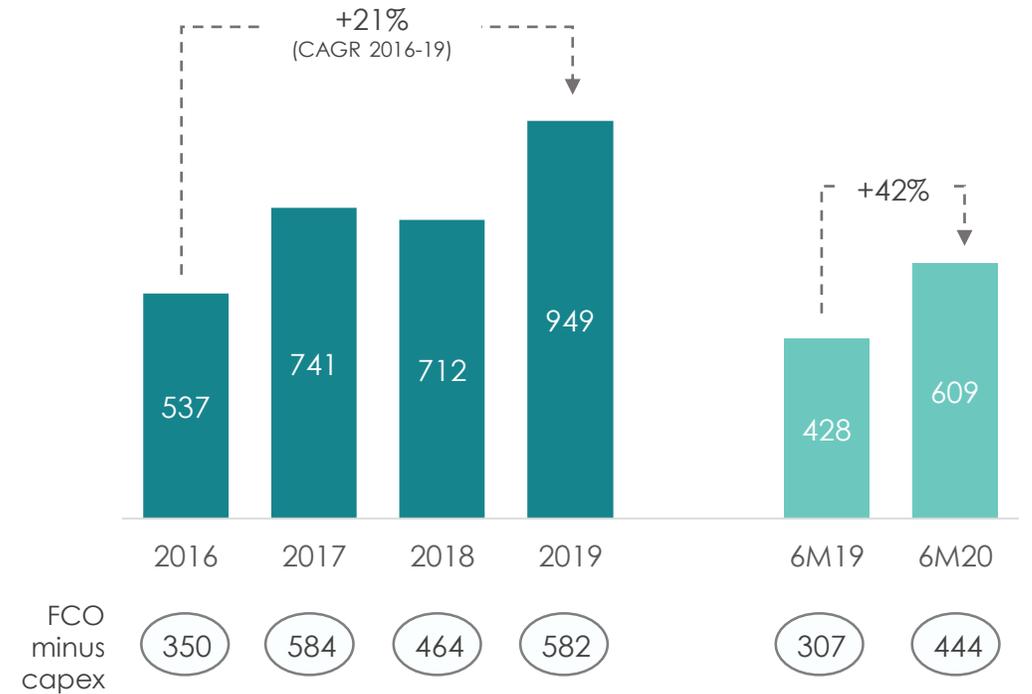
# PRESERVING FINANTIAL STRENGTH

FIES student base evolution and share over on-campus graduation (thousand students; %)



**REDUCING THE  
IMPACT OF FIES ON  
OUR RESULTS**

Operating cash flow before capex (FCO)<sup>(3)</sup> (R\$ million)



**LOW INDEBTEDNESS**  
Net Debt<sup>(2)</sup>/EBITDA at  
1.45x



**R\$1.9 BILLION**  
Cash position



(1) Adjusted by non-recurring discounts from Covid-19.  
(2) Excluding leasing from IFRS-16.

(3) Excluding the effect of PN-23 and delay in FIES payment from 2019.

## EnsiMe

Multibrand proprietary content production system **created 1.5 year ago** using digital tools to bring high-standard content to all classes.

More than **350 disciplines** produced in 2020

**56% of freshman** with 100% EnsiMe content

Fast **optimization of teacher cost** in acquisitions

Fully implemented at:



+ free courses.

## aura

New education system to integrate in an unprecedented way digital learning to on-campus, eliminating the barrier between the two worlds.

In operation for ~80k on-campus students in 19 YDUQS brands

Every discipline with on-campus and digital credits

Better efficiency in allocating online content with substantial improvement for didactics and student experience

Stabilization of the number of credits per period and less variation in the monthly fee



# NON-RECURRING EVENTS IN THE QUARTER



## ESTÁCIO

COM VOCÊ and WYDEN COM VOCÊ

Estácio volunteer program to support students in vulnerable situation.

**31,000**

students benefited across the country

**29,000** fully exempt monthly tuition fees

**94%**

of beneficiaries with household income below R\$3,000/month

## Commitment to the team

**Maintenance of full salaries** for all employees

## Adequacy of units

Investments of approximately **R\$7 million** in the adequacy of the units and revision in the air conditioning systems for class return

## Strategic partnerships

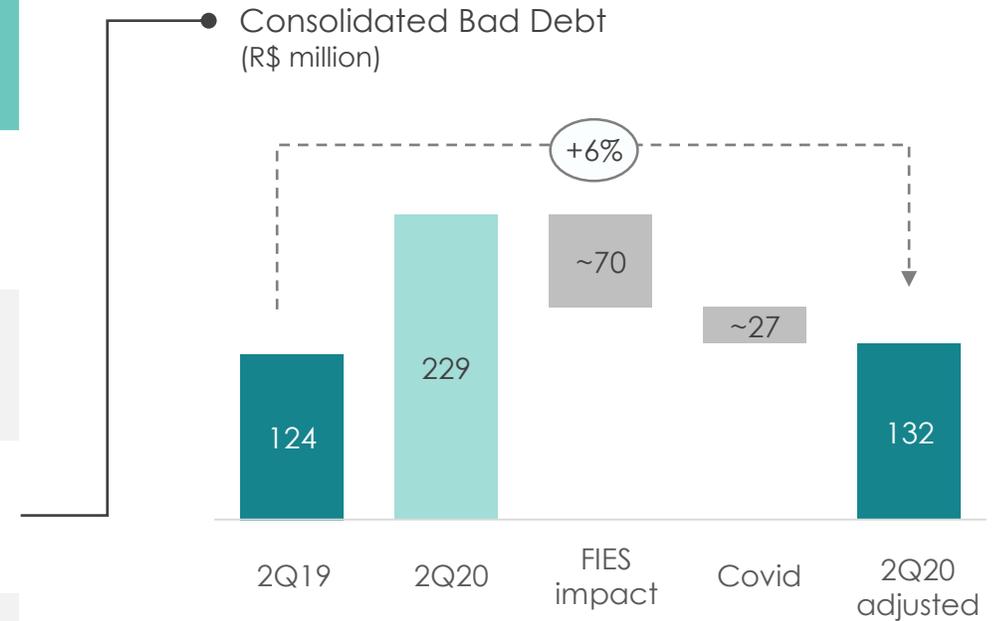
**Student benefits** with telecom companies and retailers to facilitate access to digital content

## High attendance level

**15,000 weekly classes** via Microsoft Teams with real-time attendance reaching 76% (over 80% asynchronous presence)

# RELEVANT TEMPORARY IMPACT

Account	Description	EBITDA effect	Amount R\$ million
Revenue	Scholarships related to Estácio com Você program and discounts granted by laws and court decisions	-	67.5
Costs	Temporary reduction in physical infrastructure costs, MP 936 <sup>(1)</sup> effect and organizational restructuring	+	14.7
Commercial	Provisions from past FIES renewals, additional to face Covid-19 and other	-	99.2
Expenses	Revision of judicial processes base with increase in contingencies	-	54.9
Expenses	M&A consulting, attorney's and legal fees and other	-	8.6



**R\$215.5 MILLION**  
IMPACT ON EBITDA IN 2Q20

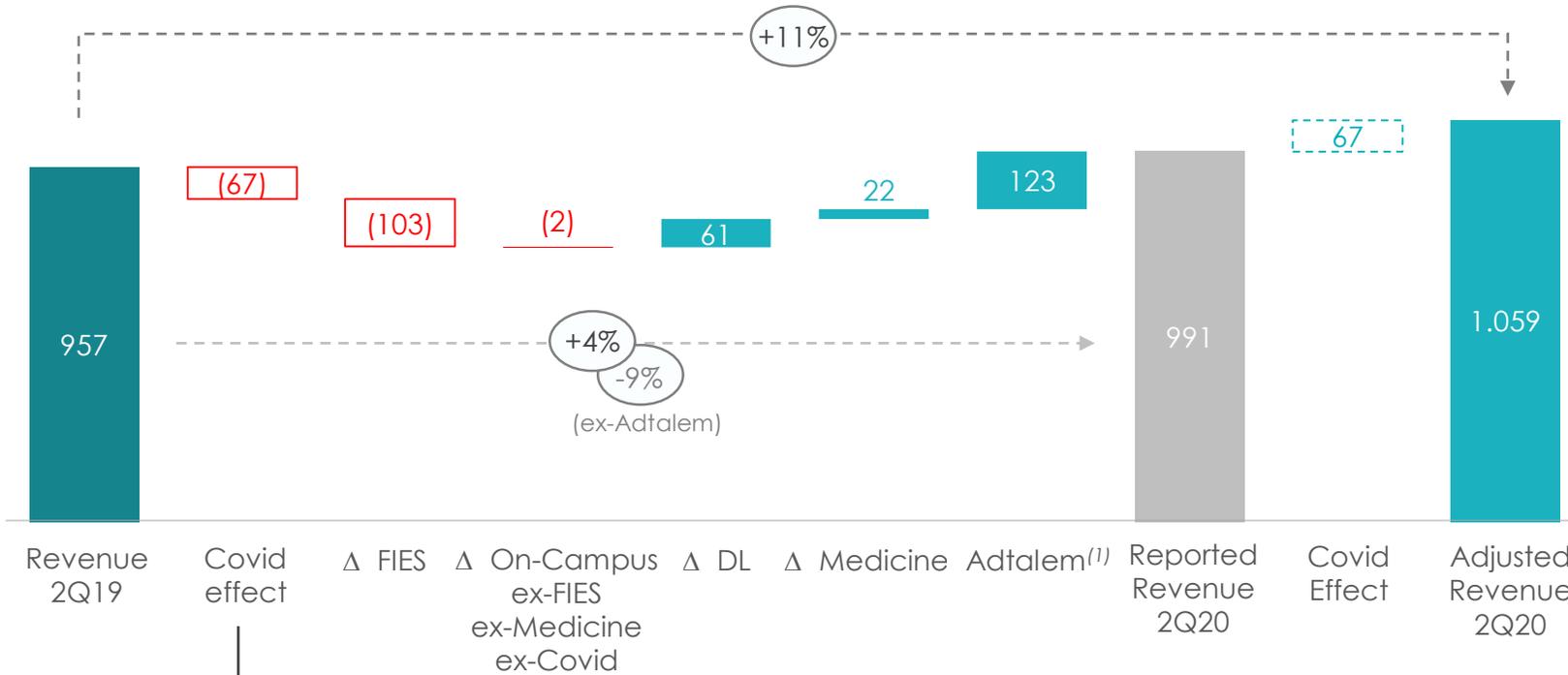


# FINANCIAL DATA



# NET REVENUES DRIVEN BY GROWTH LEVERS

Contribution to net revenues  
(R\$ million; 2Q19 vs 2Q20)



Impact of **R\$ 67.5 million** related to the scholarship program "Estacio com você" and discounts granted due to laws and decisions in court.

Net revenue ex-FIES  
(R\$ million)



➤ **ON-CAMPUS AVG. TICKET STABILITY (EX-FIES)<sup>(1)</sup>**  
-1.4% YoY (undergrad)

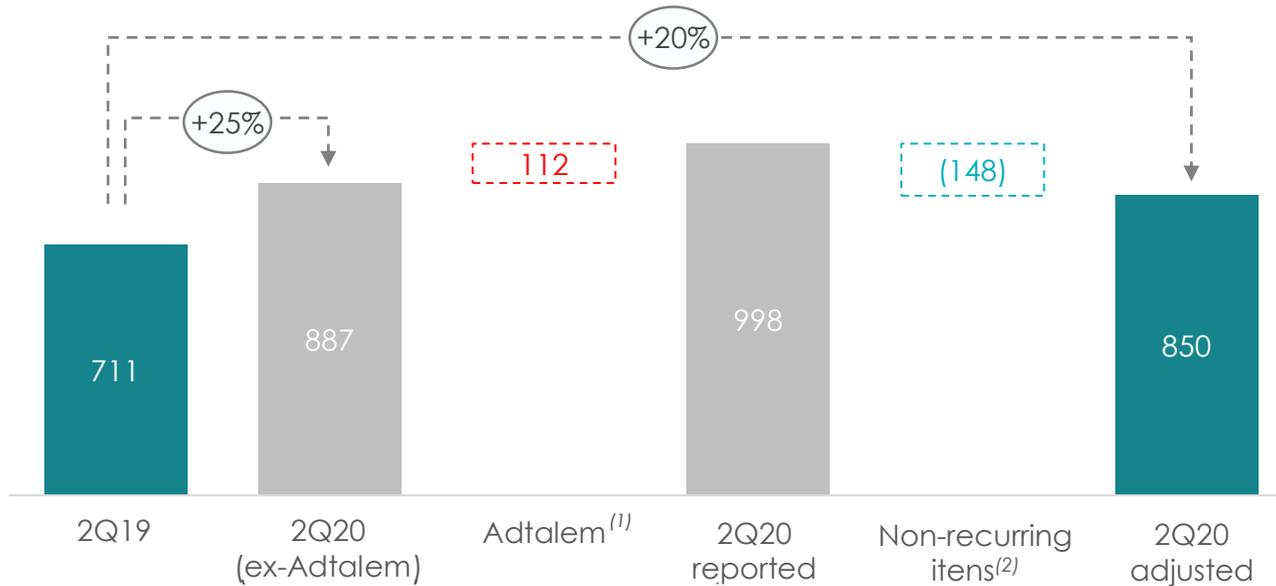
➤ Maintaining growth in Digital Learning **+44%** e and in medicine **+35%**.



(1) Adtalem results for the months of May and June/20.

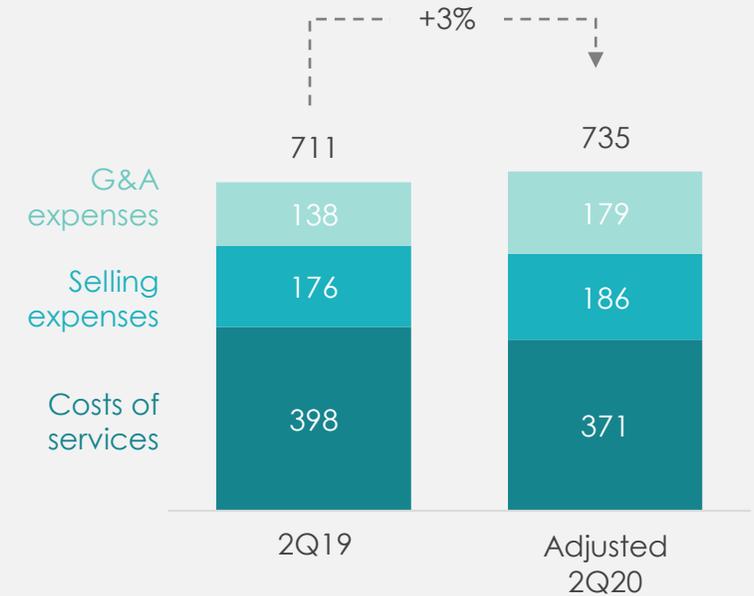
# EVOLUTION OF COSTS AND EXPENSES

Composition of costs and expenses  
(R\$ millions)



Impacted by non-recurring items such as the increase in provisions to face current scenario of uncertainties and the revision of the judicial processes base and increase in contingencies.

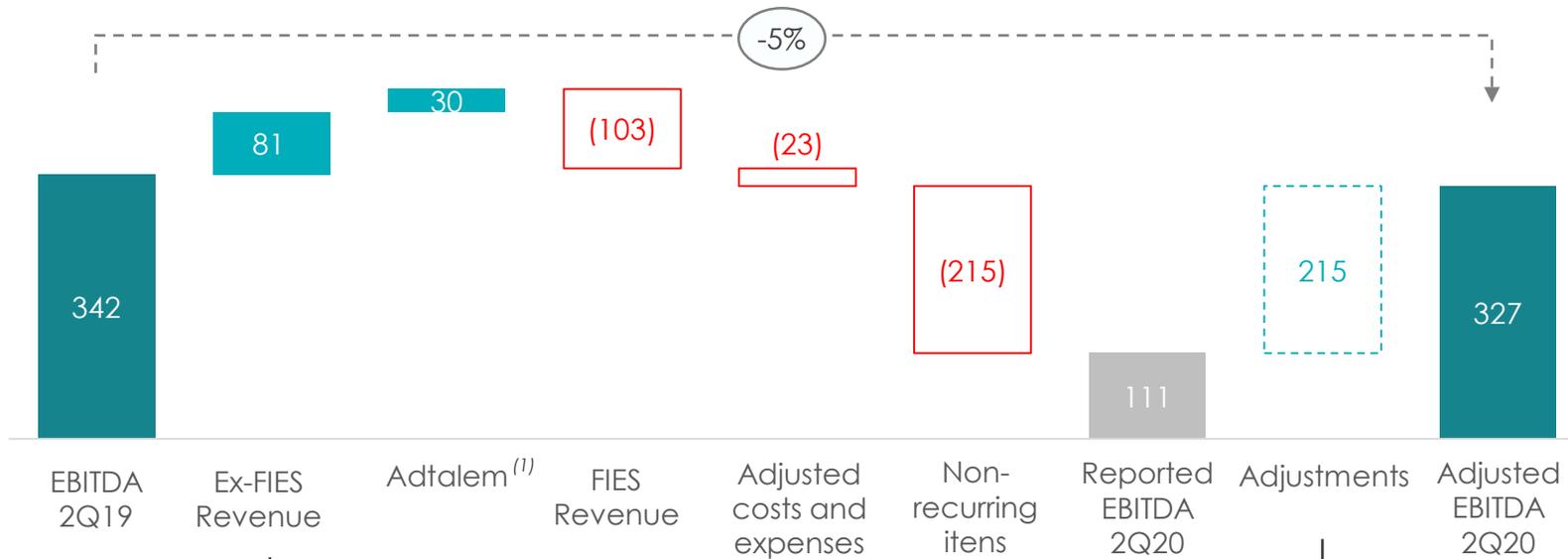
Proforma analysis (excluding non-recurring events)  
(R\$ million; ex-Adtalem)



- **Costs:** benefited from operational research initiatives in personnel line
- **Selling & marketing:** change in the student base mix continues to impact bad debt
- **G&A:** impacted by administrative costs seasonality

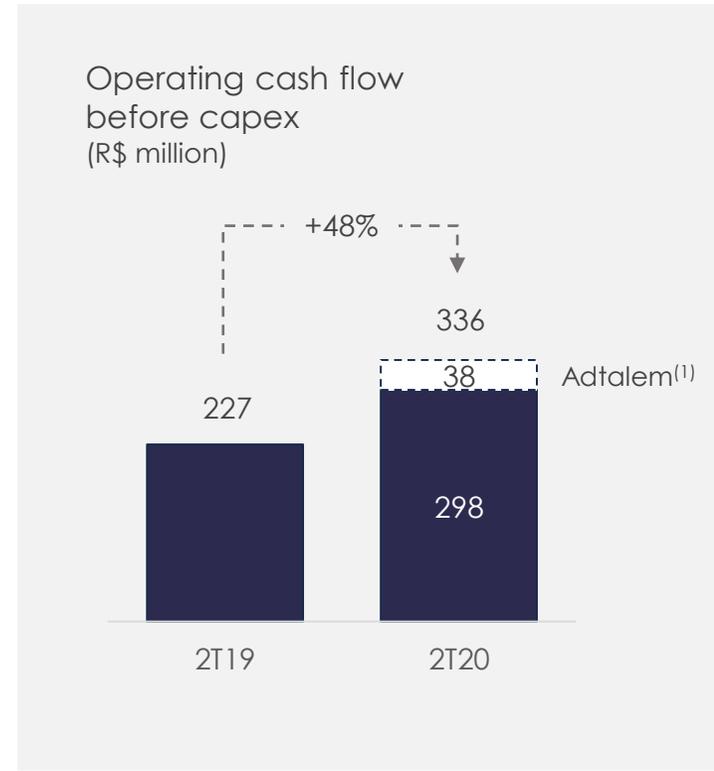
# CASH FLOW PRESERVED DESPITE SHORT-TERM EBITDA IMPACTS

Contribution to consolidated EBITDA  
(R\$ million; 2Q19 vs 2Q20)



Excluding the impact of **R\$67.5 million** in discounts related to Covid.

Considering impacts from Covid in revenues and non-recurring items on costs and expenses.



(1) Adtalem results for the months of May and June/20.

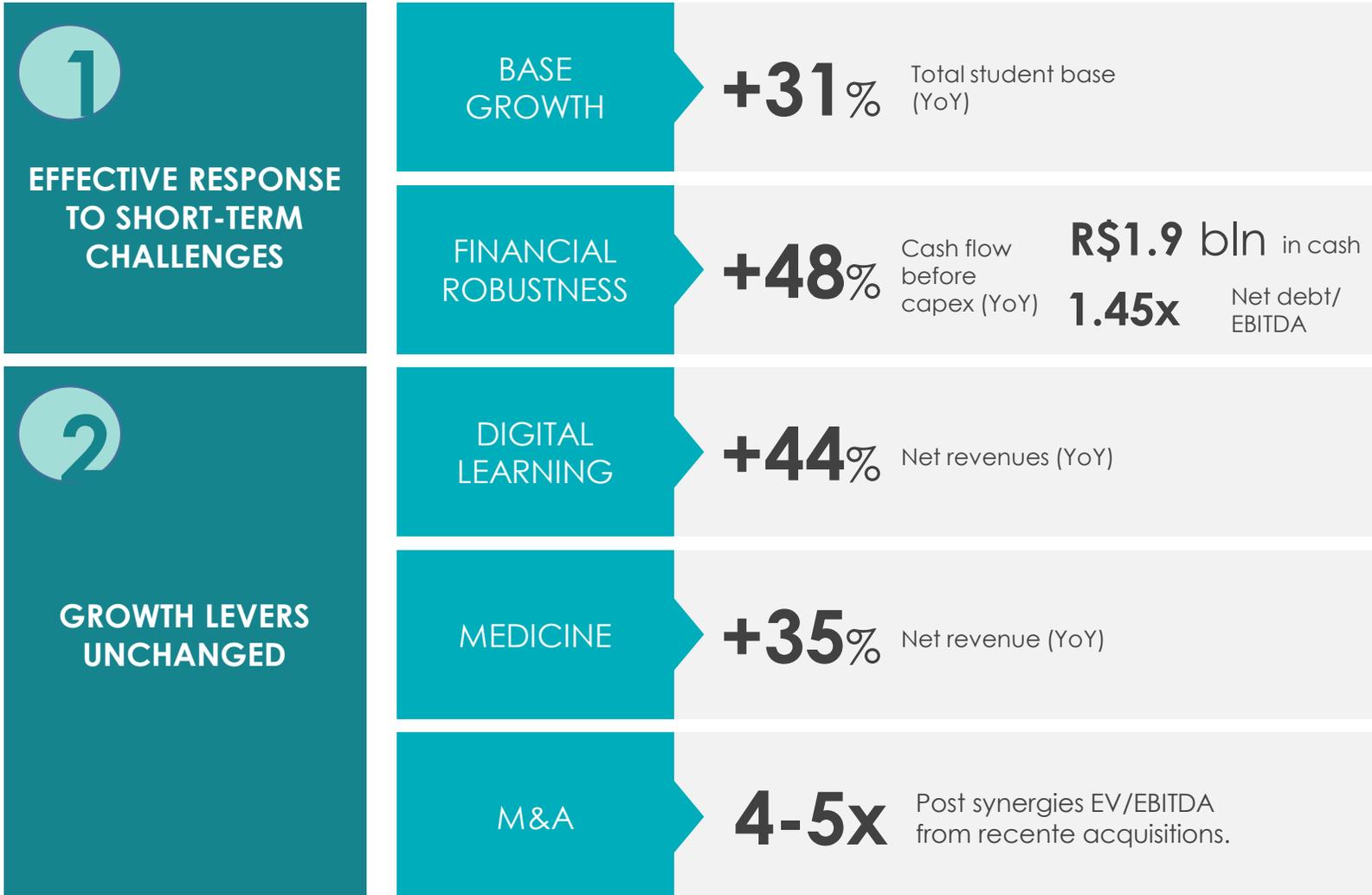


# PERSPECTIVES



# FUNDAMENTALS REMAIN SOLID

PAVING THE WAY FOR RECOVERY



**2**  
GROWTH LEVERS UNCHANGED

## Perspectives

**Operations remain healthy** with real time attendance at 72% on the 1<sup>st</sup> week of classes and 79% on the 2<sup>nd</sup> week.

**Natural maturation** of digital learning and medicine

Comfortable position for **new acquisitions**

## Renewal (~70% concluded)

**ON-CAMPUS**  
**Re-enrolments (ex-FIES)**  
**+9%** vs 2019.2

**DIGITAL LEARNING**  
**Renewals**  
**+50%** vs 2019.2





# YDUQS

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