



Estácio

EARNINGS PRESENTATION 4Q18 & 2018

B3: **ESTC3** | ADR: **ECPCY**

Rio de Janeiro, March 14th 2019 - **Estácio Participações S.A.**, one of the largest private organizations in the higher education industry in Brazil presents its results for the fourth quarter and full year of 2018.

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. **Comparisons refer to the fourth quarter of 2017 (4Q17) and the full year of 2017, unless otherwise stated** and were not reviewed by the audit.

This document may contain forward-looking statements that are subject to risks and uncertainties which may cause such expectations to not materialize or substantially differ from expectations. Such forecasts express the opinion of the Company's administration only on the date they were published and the Company exempts itself from updating it in the light of new information.

RESULT'S CONFERENCE CALL:

03/15/2019 at 9:00 AM (BRA Time)

+55 (11) 3137-8056

[Click here for webcast access](#)

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Market of opportunities

- Low penetration
- Highly fragmented
- Relevant social impact



Well positioned Company

- Scale and quality alignment
- Focus on innovation, specially in DL
- Effective management



Right timing

- Optimism on macro economy recovery
- Opportunity in Distance Learning



Strong team

- Wide industry experience
- Highly motivated executive body
- Long term incentive

Action Plan

Sustain Traction

Efficiency: Full impact in 2019
Capital allocation

Strengthen Core Business

Focus on student experience
Internal marketing
Billing process improvement
New digital tools

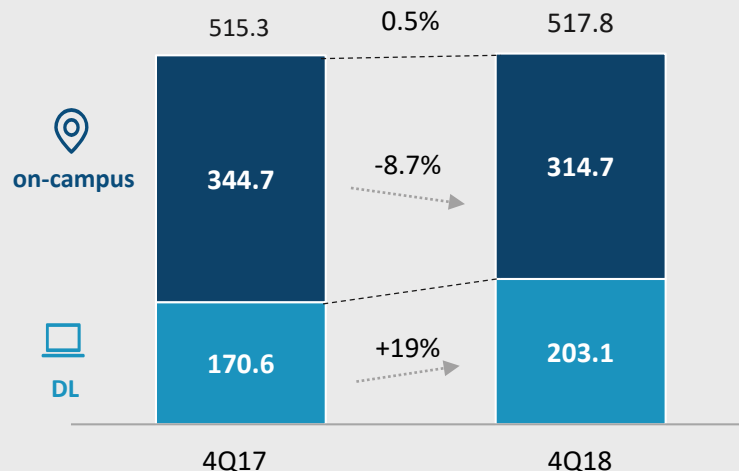
Growth

DL: Flex model, more centers, more
courses and student base growth
New courses in Health field
M&A

HIGHLIGHTS FROM THE QUARTER AND YEAR

Stable Student Base

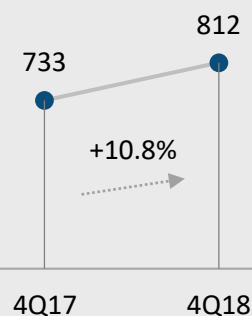
(thousand)



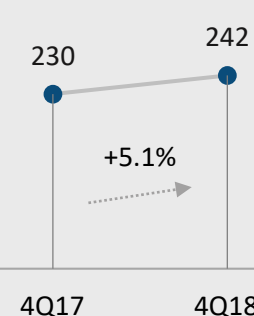
Average Ticket Expansion

(R\$)

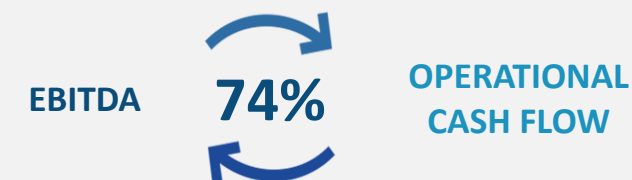
On-campus



Distance Learning

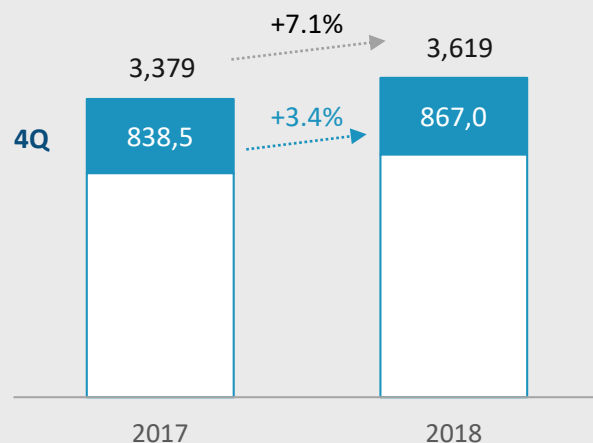


2018 CASH CONVERSION ⁽²⁾



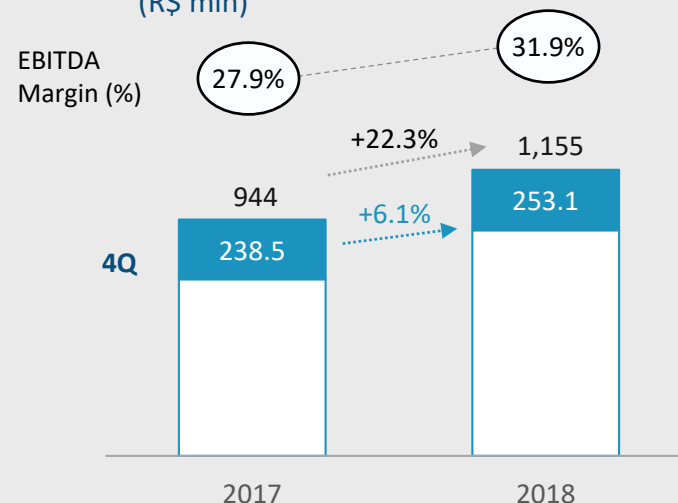
Net Revenues

(R\$ mln)



Adjusted EBITDA ⁽¹⁾

(R\$ mln)

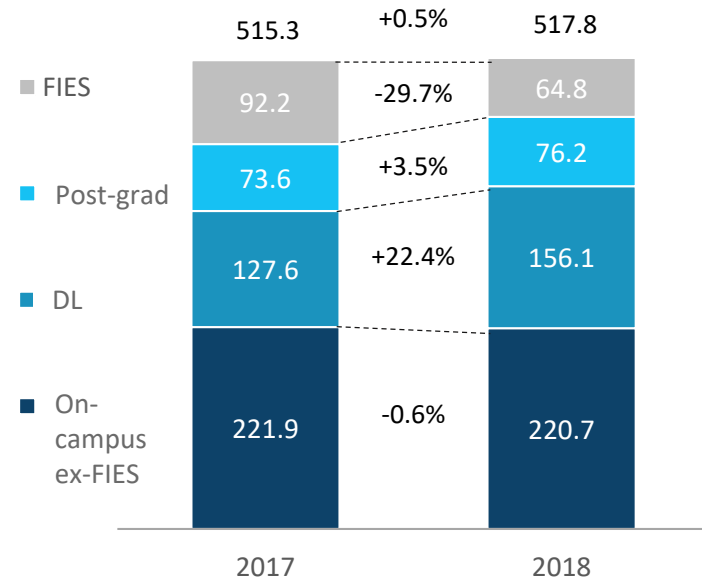


- **Solid results**, despite challenging macro scenario.
- **Student base expansion** and higher average ticket.
- Strong growth in **Distance Learning**.
- **Resilience** of financial results.
- Robust **cash generation**.

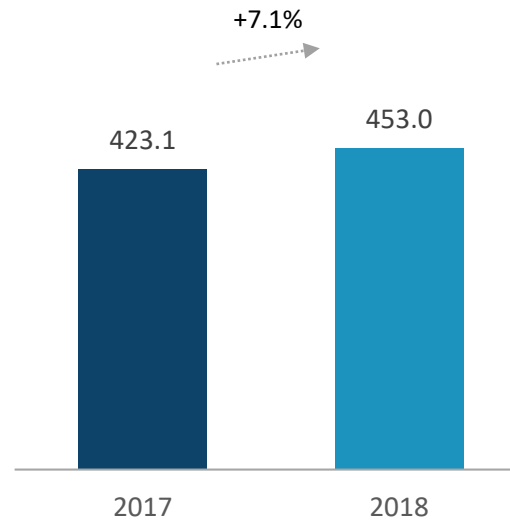
(1) Adjusted by non-recurring items such as organization restructuring, consultancy and loss related to sale of receivables portfolio. Adjusts totaled R\$193.1 million in 4Q17 and R\$164.5 million in 4Q18.

(2) Operational Cash Flow before Capex, excluding the effect of PN23..

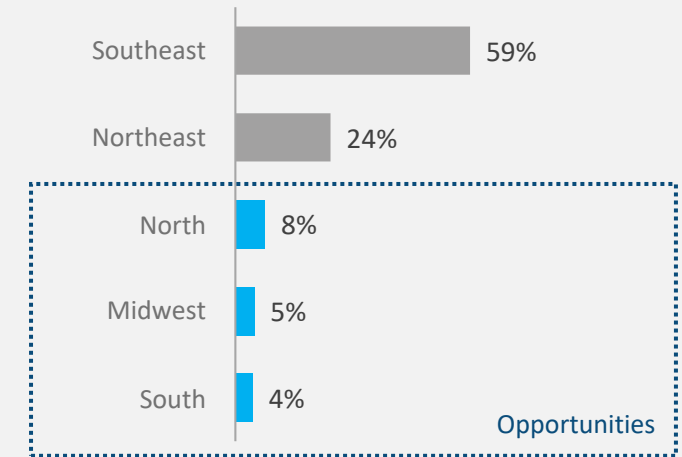
Student Base Mix Evolution
(000')



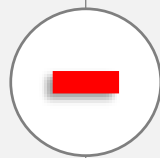
Student Base (ex-FIES)
(000')



Graduation Base per Region
(%)



2018 Main Drivers

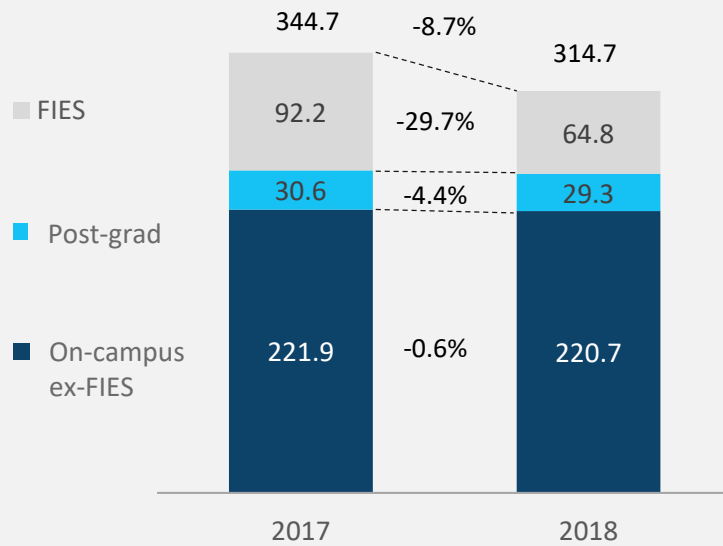


Poor performance in 2018 intake
Slow and less granular approach
Challenging macro economic scenario
Competitive environment
FIES impact



Brand resilience
Scale
Strong expansion of DL
Average ticket increase
Rise of course offers

On-campus Student Base
(000')



Expansion in Health Segment
(# of Medicine Students, base Dec/18)

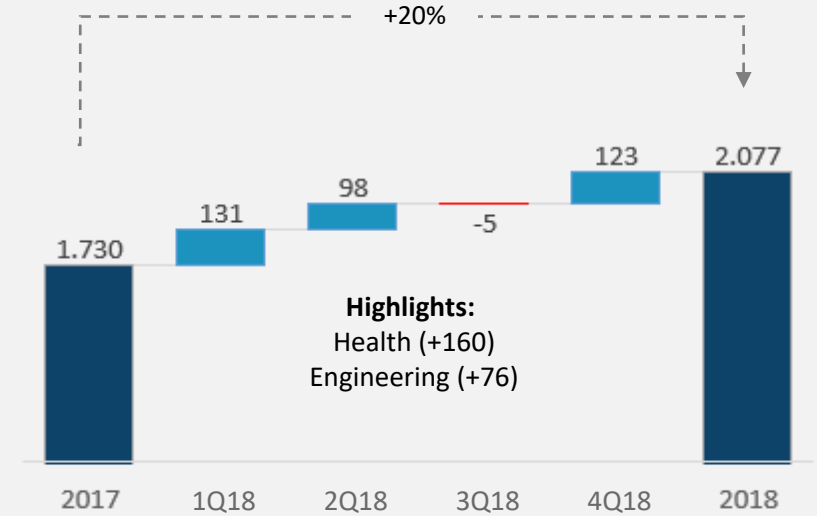


Largest Medicine Course in Brazil
(in # of students)

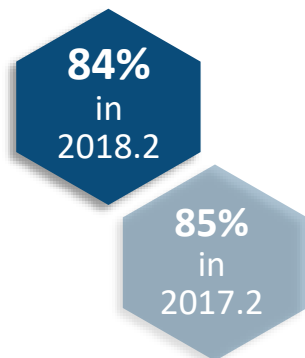


- Ticket: >10x above average
- 8 campi in operation
- +3 Campi from “Mais Médicos II”

New Offers
(Course x shift x campus)



Focus in Retention



Stable retention rate despite graduation of FIES students



New Intake Tools

Pricing Model: Operational for 2019.1

- Higher granularity: campus/course/shift
- Local vs national approach

Campaign anticipation



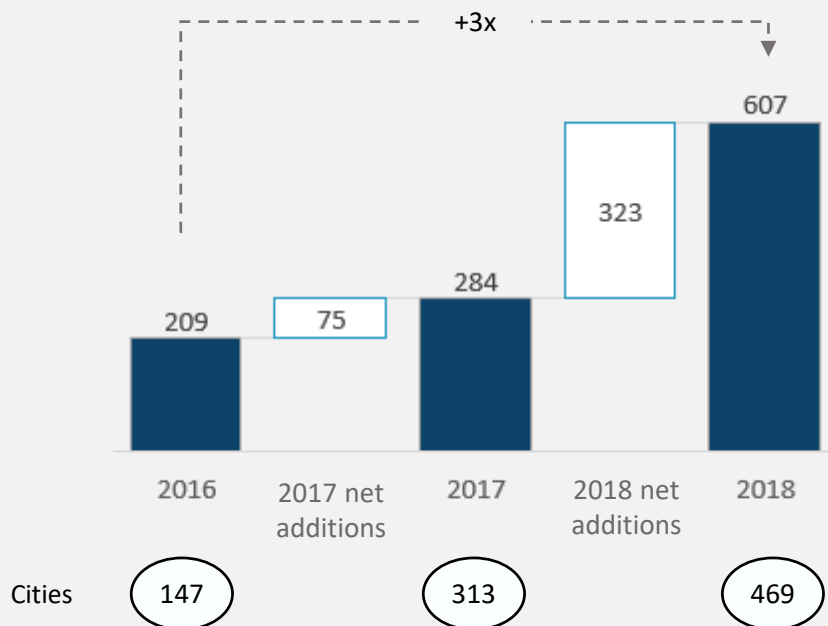
➤ Conversion rate

➤ Faster decisions

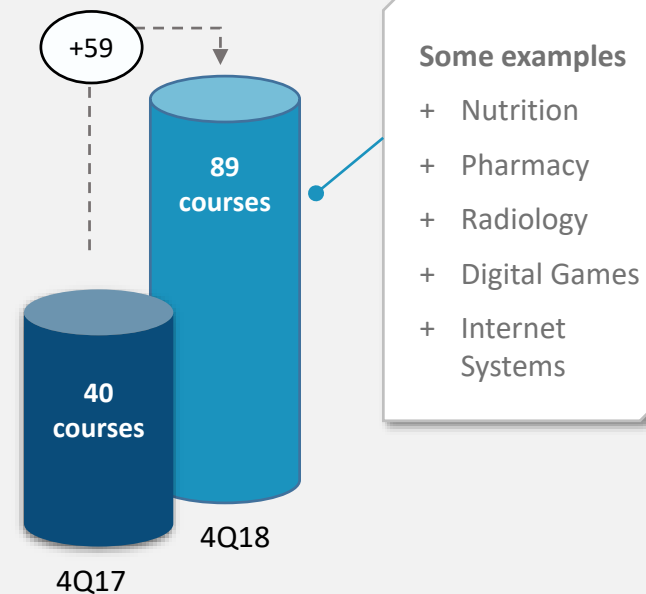
➤ Revenues growth

DISTANCE LEARNING (DL): SOLID EXPANSION

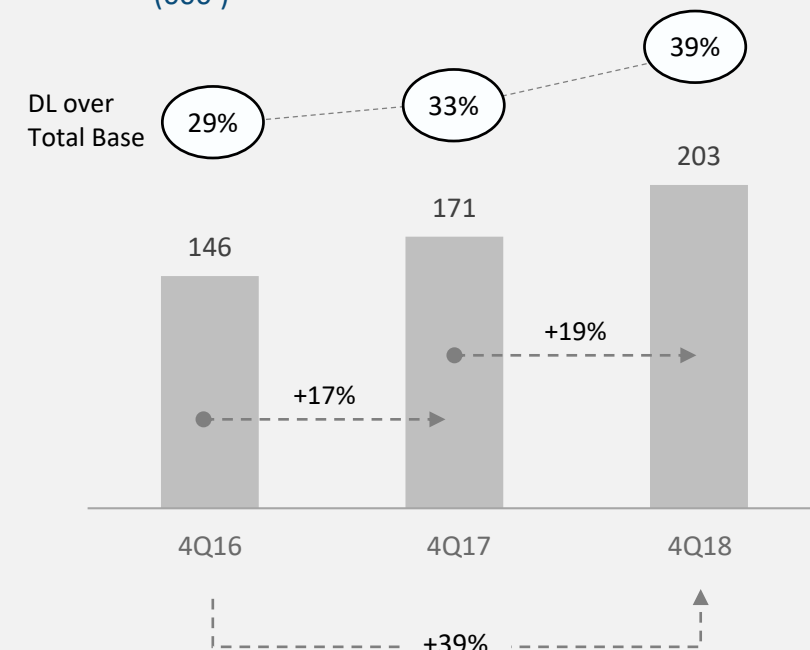
Expansion of DL Centers
(# of centers)



New Courses

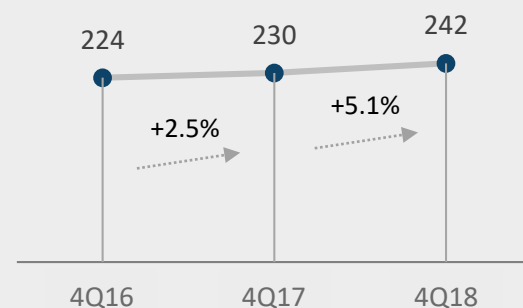


DL Student Base
(000')

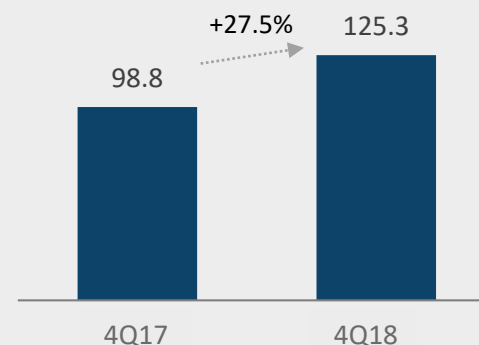


Expansion with Quality & Sustainability

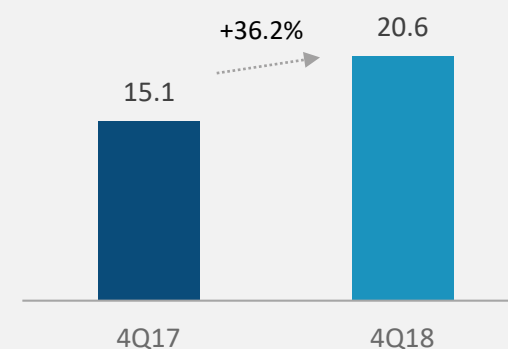
Average Ticket Evolution
(R\$)



Net Revenues
(R\$ mln)



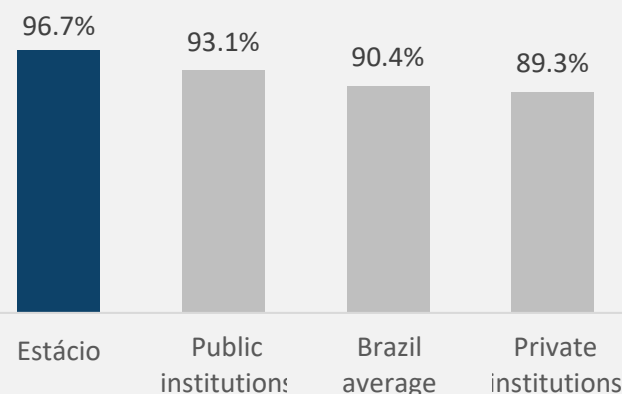
Flex Student Base
(000')



Solid General Performance

CPC 2015-17

% of courses with satisfactory grade



Estácio has the **highest percentage of courses with satisfactory grade (≥ 3)** when compared to different market segment average.

At IGC level, **every Estácio institution (IES)** scored satisfactory grade considering Ministry of Education metrics (≥ 3) in the period of 2015-17.

IGC = General Course Index; weighted average of the institutions CPCs by the number of enrollments in each course.

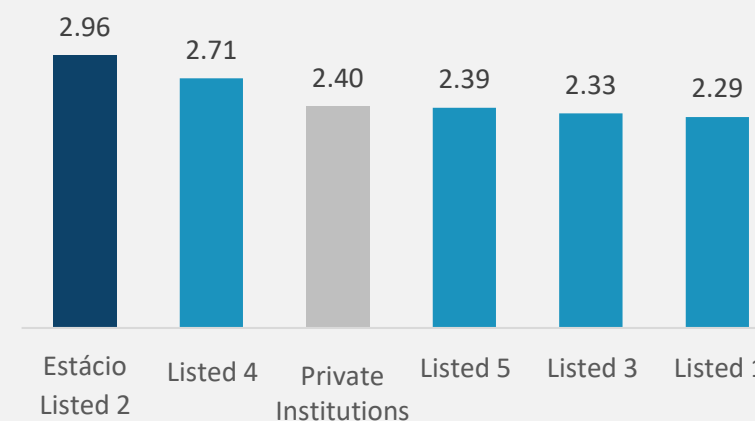
CPC = Preliminary Course Score; calculated according the weighted average of eight metrics, includes ENADE evaluation, IDD, faculty structure and student's opinion.

IDD = Measures student performance evolution based on the difference from ENADE and ENEM scores and socioeconomic factors.

Highlights from Distance Learning

CPC 2015-'17

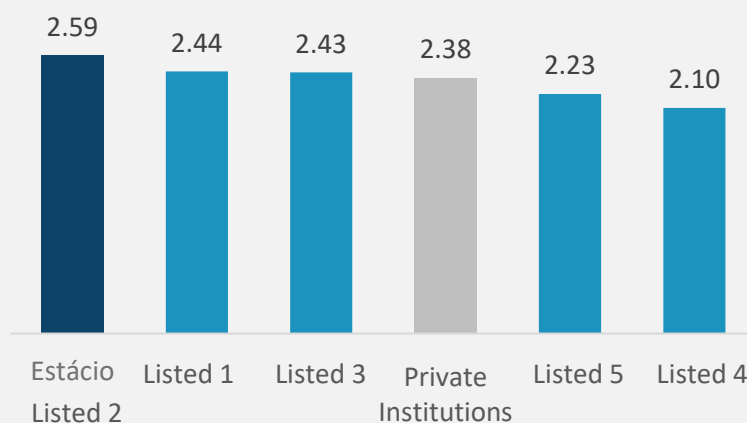
CPC weighted average by student base



Estácio's DL has the **highest CPC average grade** among listed companies.

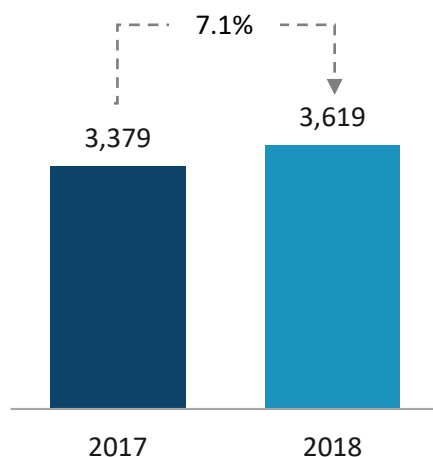
IDD 2015-'17

Weighted average by student base per course



Estácio DL has the **highest IDD in the market.**

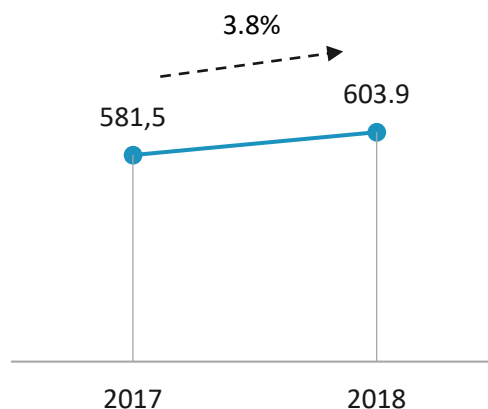
Annual Net Revenues (R\$ mln)



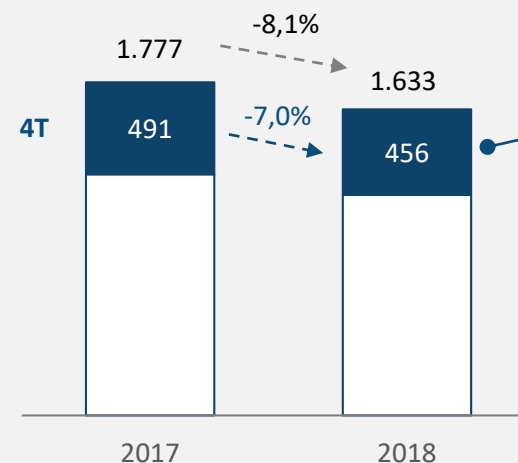
Annual performance driven by:

- Higher Avg. Ticket
- New courses
- Expansion of DL student base

Global Average Ticket (R\$)

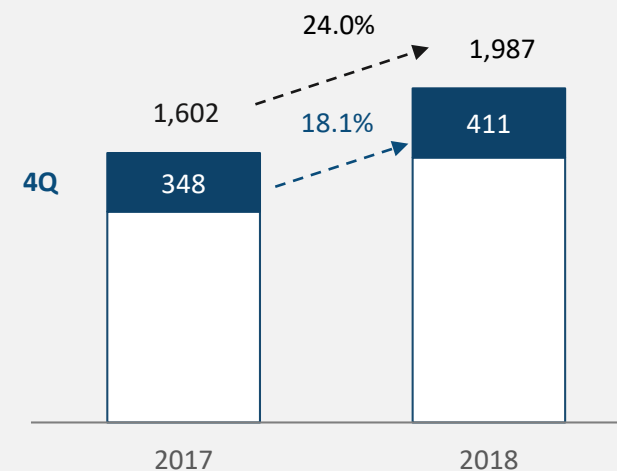


Cost of Services (R\$ mln)



4Q18 Breakdown	R\$ mln	YoY%	% NOR
Personnel	331.8	-12.6%	38.3%
Rents, condominium and municipal property tax	62.6	2.4%	7.2%
Depreciation and amortization	26.4	29.6%	3.0%
Third-party services	12.7	-17.6%	1.5%
Power, water, gas and telephone	11.6	-0.1%	1.3%
Other	11.1	353.9%	1.3%

Gross Profit and Margin (R\$ mln)



Gross Margin (%)

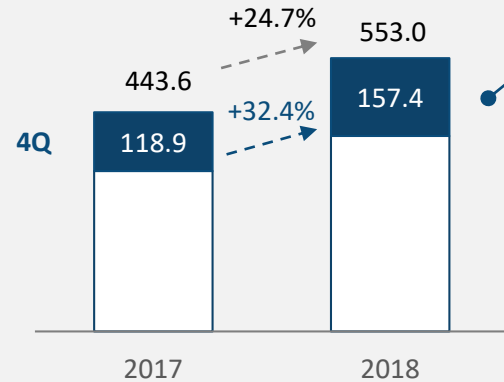
47.4%

54.9%

Performance driven by:

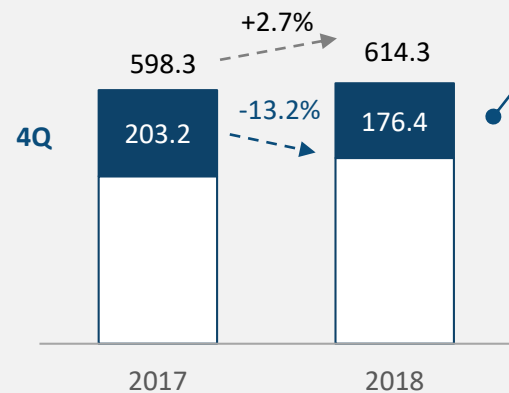
- Revenues growth
- Operational efficiencies
- Larger DL base

Selling Expenses (R\$ mln)



4Q18 Breakdown	R\$ mln	YoY%	%NOR
Bad Debt	114.2	34.6%	13.2%
Advertising	43.0	27.5%	5.0%
Other	0.2	-33.3%	0.0%

General and Administrative Expenses (G&A) (R\$ mln)

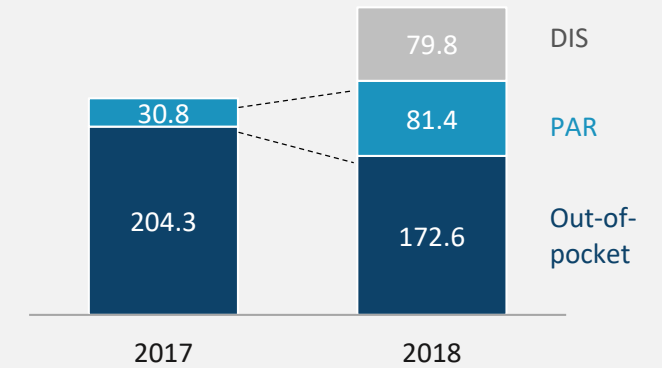


4Q18 Breakdown	R\$ mln	YoY%	%NOR
Personnel	47.5	-29.0%	5.5%
Third-party services	42.1	58.3%	4.9%
Provision for contingencies ⁽¹⁾	33.0	14.4%	3.8%
Depreciation and amortization	25.1	0.1%	2.9%
Other	18.3	-51.6%	2.1%
Maintenance and repairs	10.4	-41.7%	1.2%

Bad Debt in Detail

Annual Bad Debt Breakdown (R\$ mln)

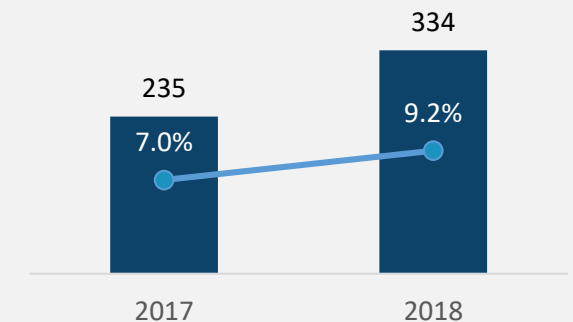
→ Introduction of DIS and expansion of PAR has impacted the nominal amount



→ Reduction of FIES student base negatively impacts bad debt.

Nominal Bad Debt & Percentage over Net Revenues (R\$ mln; %)

→ Bad debt over revenues in line with peers



(1) Amounts related to labor agreements and convictions, which in 2017 were accounted in personnel costs and expenses, are now being accounted as general and administrative expenses in the line of provision for contingencies.

PRICING



Estimated total
gain of
R\$ 50-70 MLN
yearly

- **Conclusion in** Oct/18 – impact for 2019/20
- **Pricing tool** per SKU⁽¹⁾ delivered
- Strategy based on internal and external inputs
- Pricing adjustment methodology based on **evasion probability**



LOYALTY



Estimated total
gain of
R\$ 50-70 MLN
yearly

- **Analytics:** Predictive model of evasion probability
- Implementation of **virtual assistant**, complaints dashboards and new student app.
- New retention coordination structure
- **Base segmentation** for caring actions, among other



STRATEGIC SOURCING



Estimated total
savings of
R\$ 40-60 MLN
yearly

- **Conclusion:** Oct/18 with the end of consulting practice
- Renegotiation of **85 relevant contracts**
- Supply area agency from **42% -> 87% of spending**
- **New Supply Director**
- Key role in 2019 investments



BILLING & COLLECTION

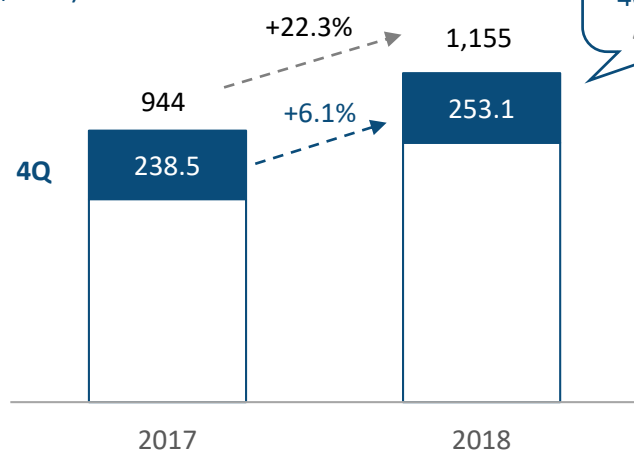


Estimated total
savings of
R\$ 10-20 MLN
yearly

- Increase in credit recovery volume
- Better billing **partner management**
- **Customization of actions** each profile in default
- **Hiring specialized consulting** firm

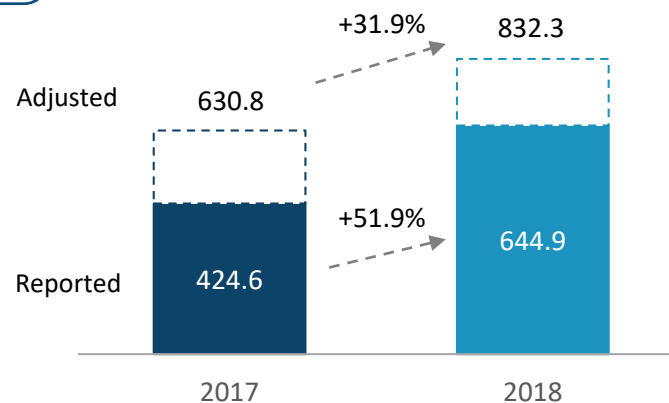


Adjusted EBITDA (R\$ mln)



EBITDA Margin
4Q18: 29.2%
4Q17: 28.4%
Δ = +0.8 pp

Net Income ⁽¹⁾ (R\$ mln)



EBITDA Margin (%)

27.9%

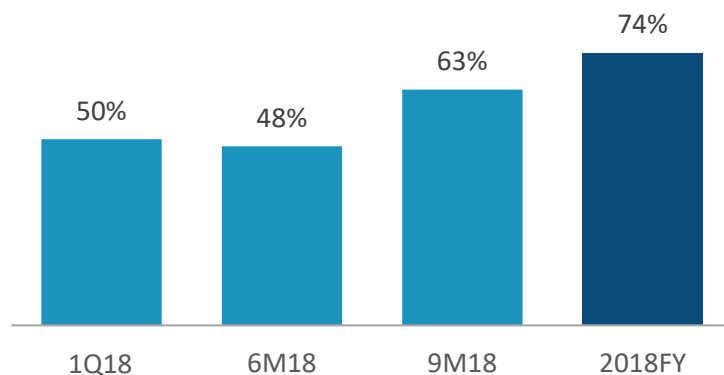
31.9%

Adjusted Net Margin (%)

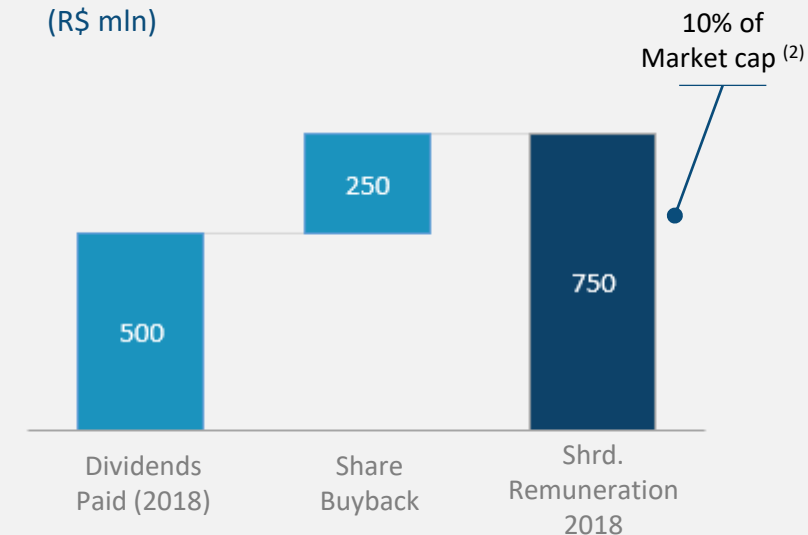
18.7%

23.0%

Cash Conversion Evolution (OCF / EBITDA, ex-PN23; %)



2018 Shareholder Remuneration (R\$ mln)



- Solid EBITDA and Net Income performance
- On going expansion of cash conversion
- Higher shareholder remuneration

(1) Adjusted by non-recurring items such as organization restructuring, consultancy and loss related to sale of receivables portfolio. Adjusts totaled R\$206.2 million in 2017 and R\$187.4 million in 2018.

(2) As of December, 28th 2018.

2018 RESULTS

✓ Solid cash generation

74% EBITDA conversion ¹

✓ Ex-FIES business expansion

Ex-FIES total base growth of +7%; DL at +22%

✓ Average Ticket growth

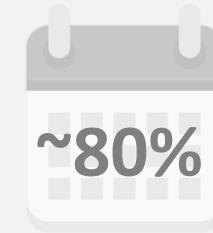
+3.8% YoY increase in global average ticket

✓ Robust financial results

Revenues (+7%) and EBITDA (+22%) growth and strong margin expansion to 32%

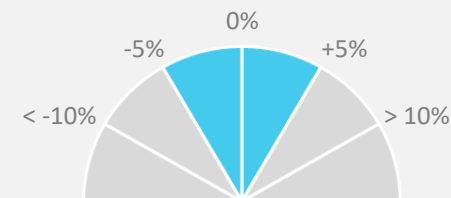
PERSPECTIVES for 2019.1 (compared with 2018.1)

Intake status:



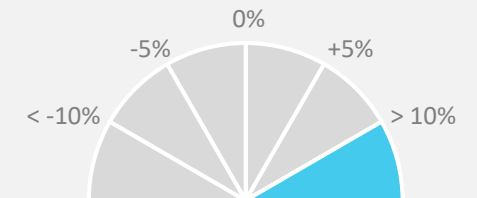
concluded

On-campus

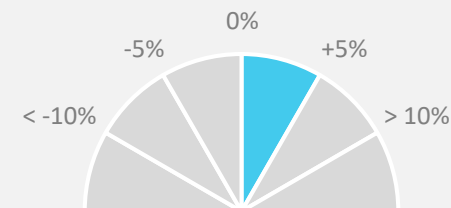


Intake

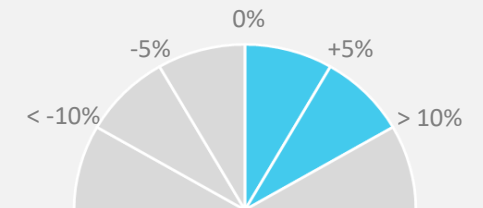
DL



Intake



Average Ticket
(Intake + Renewal)



Average Ticket
(Intake + Renewal)

THANK YOU!

IR CONTACTS:

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