

Earnings Presentation

4Q19 & 2019

YDUQS



March 12th, 2020

Disclaimer

Rio de Janeiro, March 12th, 2020 - **Estácio Participações S.A.**, one of the largest organizations in Brazil's higher education private sector, **presents its results for the forth quarter (4Q19) and the year of 2019.**

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).

To preserve the comparability between periods, the Company opted for disclosing **pro-forma results for 4Q19 and 2019, excluding the impacts of the adoption of IFRS-16 accounting rules.**

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.

Acquisitions in the period

Financial and operating data regarding 4Q19 and 2019 considers the consolidation of UniToledo as of November 2019, except when indicated.



MAIN ACHIEVEMENTS IN 2019

YDUQS

4Q19



STRATEGIC

YDUQS launch
Long term strategic plan
Acquisition of UniToledo and Adtalem⁽¹⁾



PEOPLE MANAGEMENT

NPS increasing by 6p.p. YoY
Consolidation of management team



MEDICINE

4 new Mais Médicos II authorizations
(+220 seats per year)
Extension of seats in Juazeiro/BA
(+100 seats per year)



DIGITAL REVOLUTION

Faculty and student's mobile apps
Agile cell for billing processes
(-35% in financial complaints)



OPERATIONAL

Expansion of Operational Research initiatives
Price model technology consolidation
Record intake(+32% vs. 2018)
DL platform reformulation



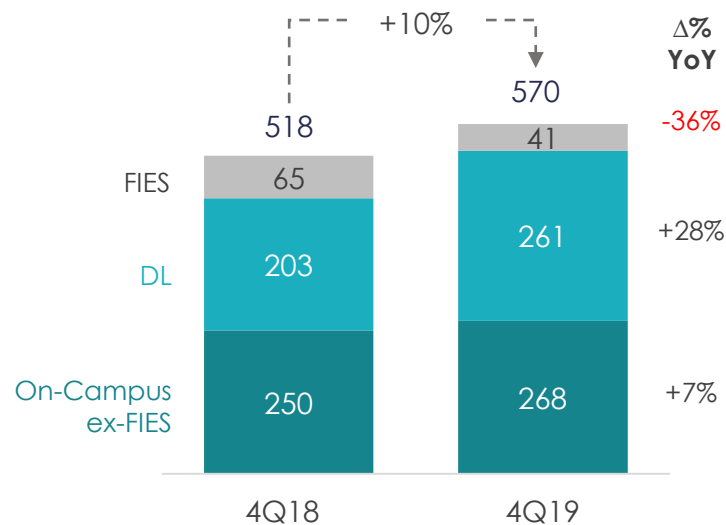
(1) Adtalem's acquisition pending from anti-trust agency.

2019: READY FOR A NEW GROWTH CYCLE

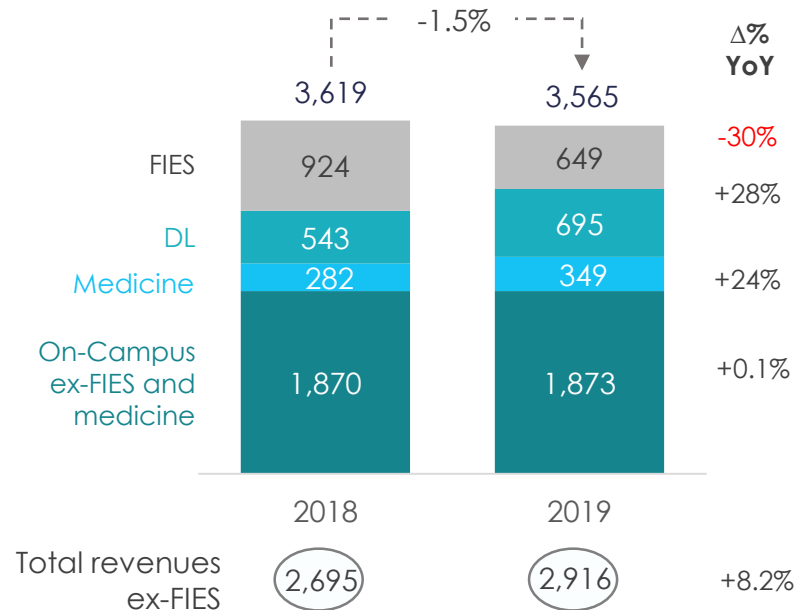
YDUQS

4Q19

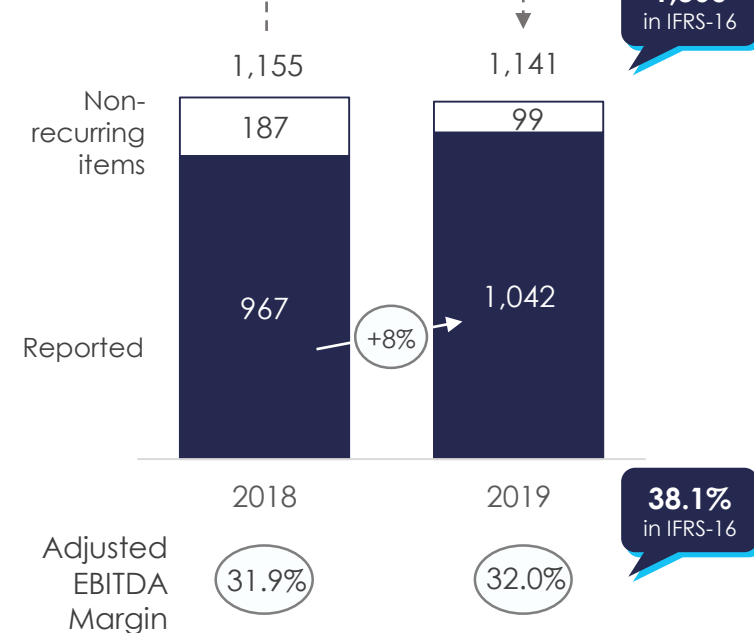
Student Base in expansion
(Thd students)



Revenues per segment
(R\$ million)



Adjusted EBITDA⁽¹⁾
(R\$ million)



261,000 students
(+28% YoY)

933 centers
(+54% YoY)



Medicine

R\$8,600
Average Ticket
(+13% YoY)

>4,000 students
(+13% YoY)



M&A

+107,000
students

ADTALEM
EDUCACIONAL do BRASIL

UNITOLEDO®
AMARCA DO CONHECIMENTO

75%
Cash
Conversion⁽²⁾
(in IFRS-16)

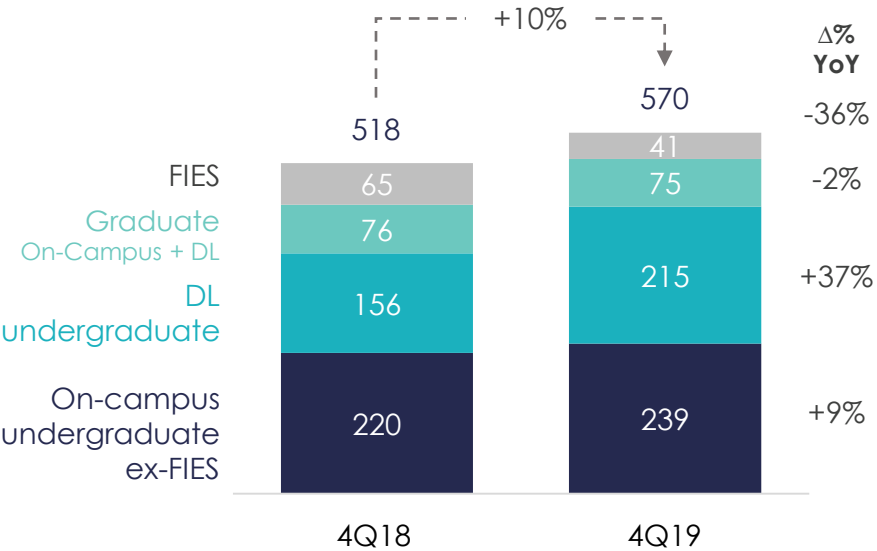
(1) Pro-forma information excluding IFRS 16 effect in 2019. Non-recurring expenses adjustments detailed in EBITDA section.

(2) Cash Conversion = Operating Free Cash Flow before Capex divided by reported EBITDA.

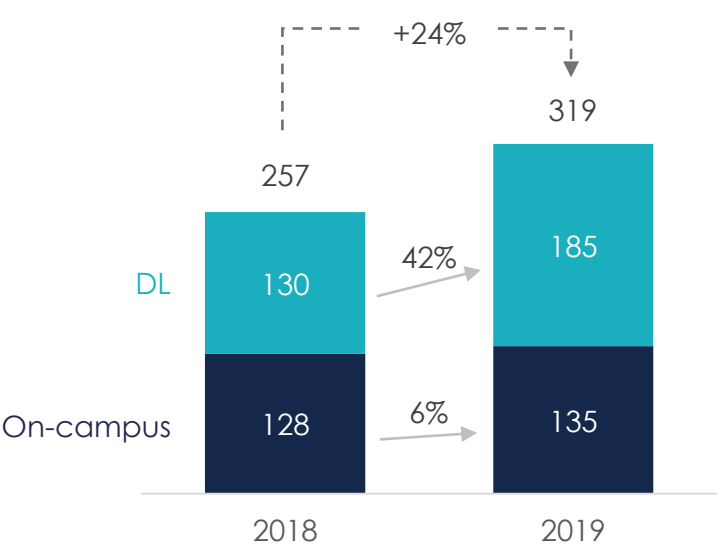


STUDENT BASE: SLIGHT DECLINE ON TICKET COMPENSATED BY SUPERIOR VOLUME

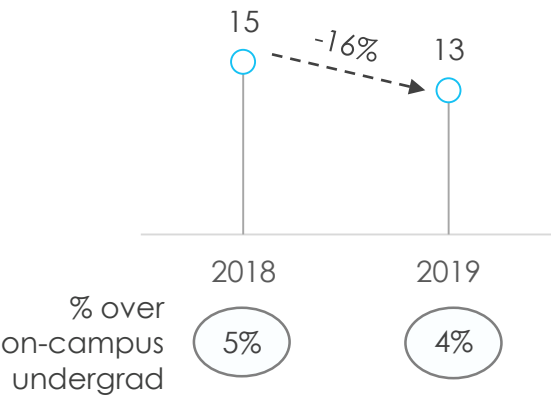
Detailed Student Base
(Thd students)



Undergraduate Intake
(Thd students)



PAR Student Base (Long term
financing program)
(Thd students)



6M **average**
ticket⁽¹⁾ by
segment
(R\$/month)

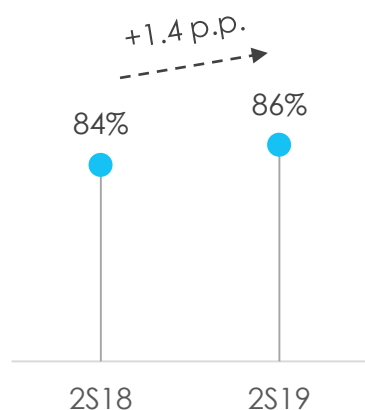
On-campus
ex-FIES
R\$ **682**
/month
-2%
YoY

DL
(Undergraduate)
R\$ **248**
/month
-1%
YoY

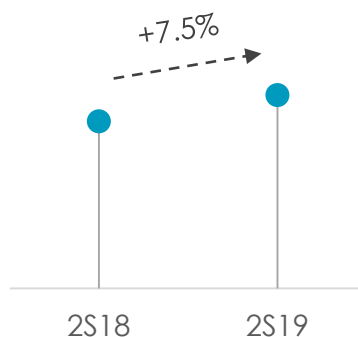
(1) Does not includes UniToledo.

GAINS FROM STRUCTURAL EFFICIENCY

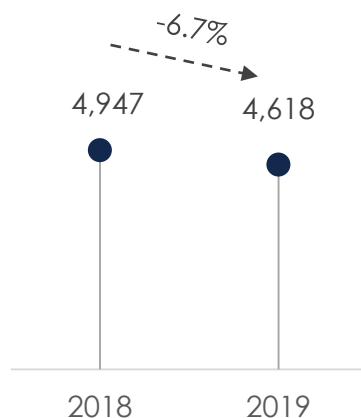
Retention rate per semester^{(1) (2)} (%)



Students per class⁽²⁾ (students/class)

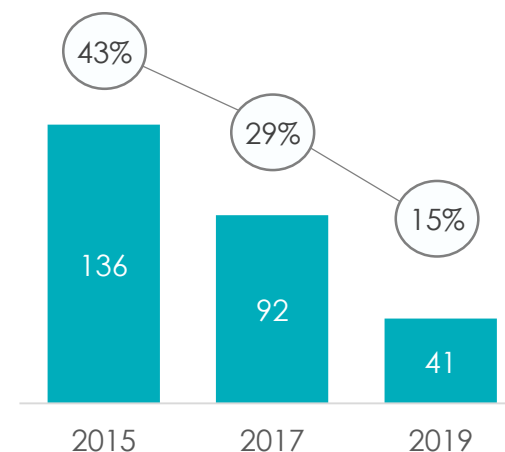


Cost per undergraduate student⁽²⁾ (R\$)

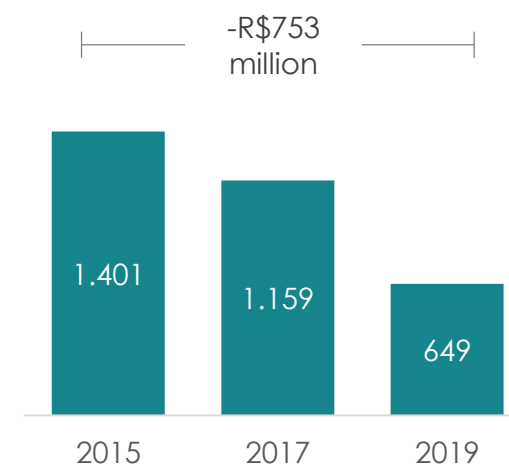


REDUCTION IN FIES EXPOSURE

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



FIES Revenues (R\$ million)



Improvement in retention rate due to loyalty programs

Gains in efficiency from operational research initiatives

Estácio São Luis achieves status of University Center

- + quality
- + autonomy



(1) Retention Rate: $[1 - ((\text{dropouts} + \text{non-renewal}) / (\text{Renewable student base: initial student base} - \text{students graduating} + \text{intake}))]$.

(2) Does not include UniToledo.

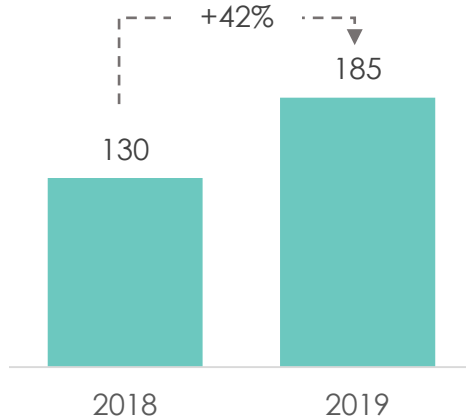


DIGITAL LEARNING: EXPANSION CYCLE

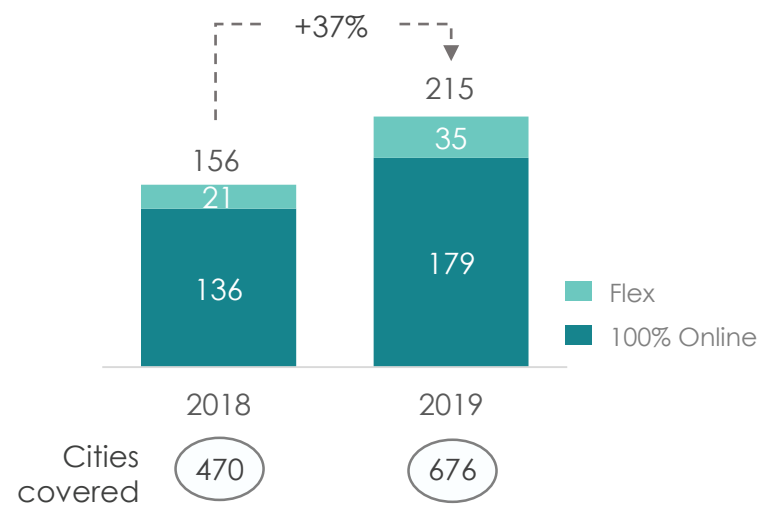
YDUQS

4Q19

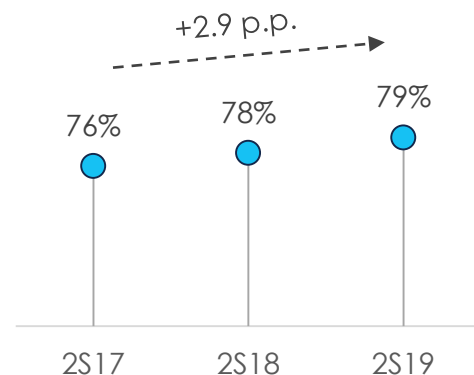
Undergraduate Intake
(Thd students)



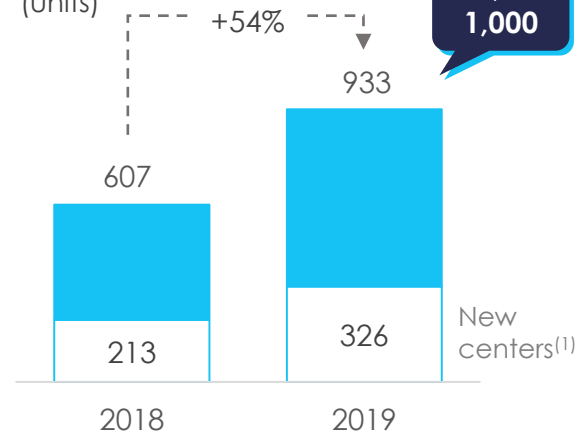
Undergraduate student base
(Thd students)



Retention rate per semester
(%)



DL centers
(units)



DL accreditation approved by
MEC with concept 5
(Institutional Concept)

+250

Annual licenses for
opening new
centers

90

Potential centers
in the region of
influence

Intake
started
(2020.1)

UNITOLEDO®
A MARCA DO CONHECIMENTO

Recent MEC evaluation metrics:

Unesa | Concept 5



St Catarina | Concept 5



Ribeirão P. | Concept 4



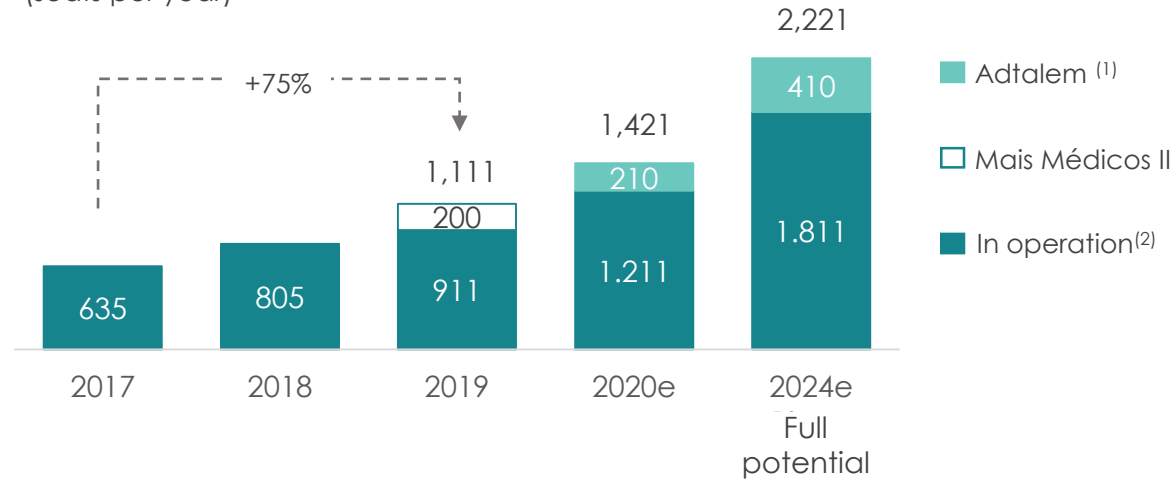
(1) New centers compared to the previous year.

MEDICINE: HIGH PERFORMANCE

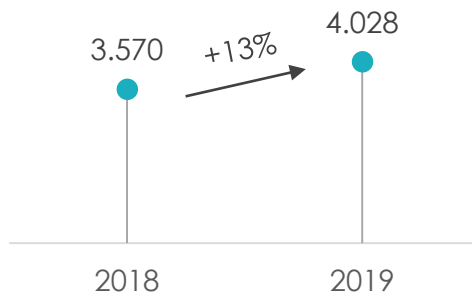
YDUQS

4Q19

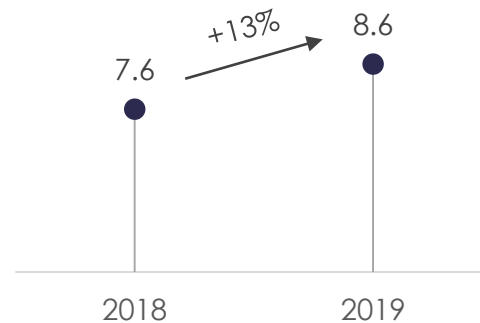
Authorized seats
(seats per year)



Student Base
(Students; ex-Adtalem)



Average Ticket of out-of-pocket students ⁽³⁾
(R\$ Thd/month)



LAUNCHING OFFERS IN LONG LIFE EDUCATION SEGMENT

+40

New offers for
2020

Graduate program
(medicine and dentistry)
Medical specialization

LAUNCHING GRADUATE PROGRAM

Medical Residency
Model

Filling the gap in medical
residency offerings
Duration of 2-3 years
Partnerships with
renowned hospitals and
strategic associations

1st in Brazil

MEDICINE 4.0

First course in the country
to incorporate artificial
intelligence, robotics and
IoT in the medical field.



(1) Adtalem's acquisition pending from approval by anti-trust agency.

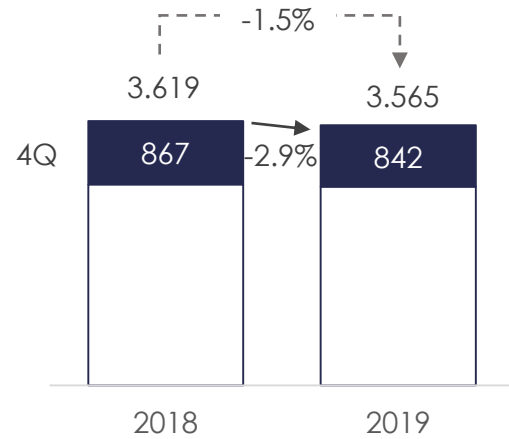
(2) Considers expansion of 100 seats in Angra dos Reis/RJ unit at 2020 and increase in seats to maximum capacity at all Mais Médicos units by 2024

(3) Excludes ProUni and scholarship holders enrolled under the Mais Médicos program

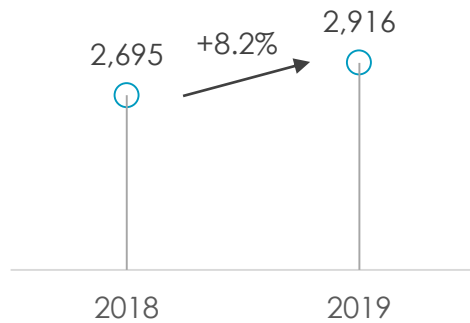


REVENUE: POSITIVE TREND IN THE MAIN BUSINESS FRONTS

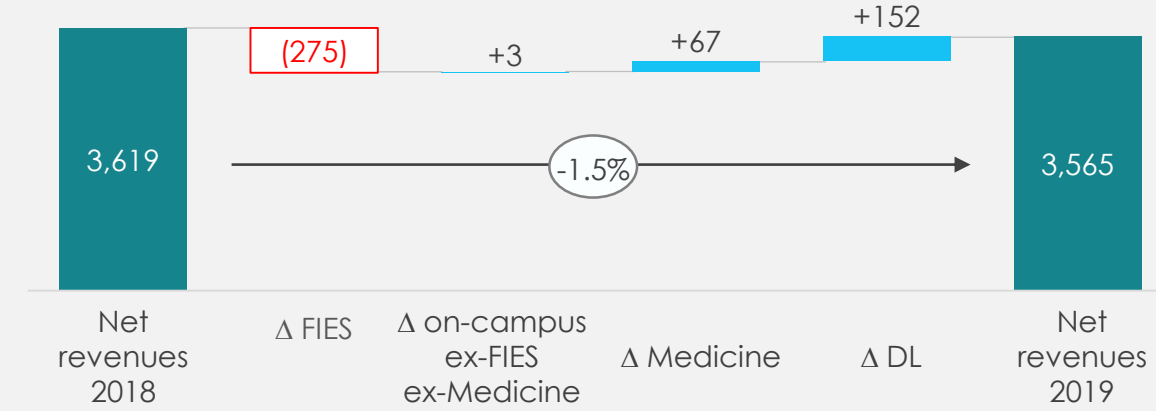
Total Net Revenues
(R\$ million)



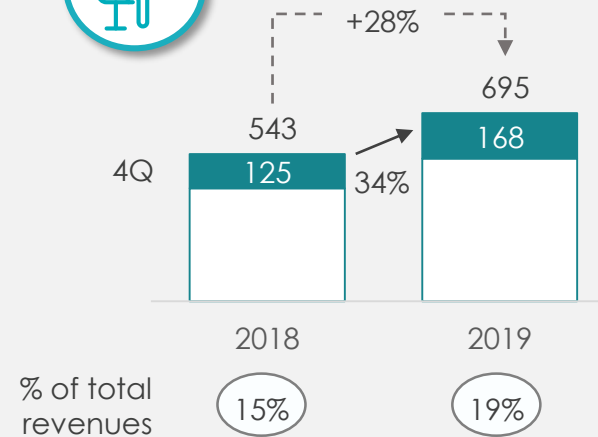
Total net revenues (ex-FIES)
(R\$ million)



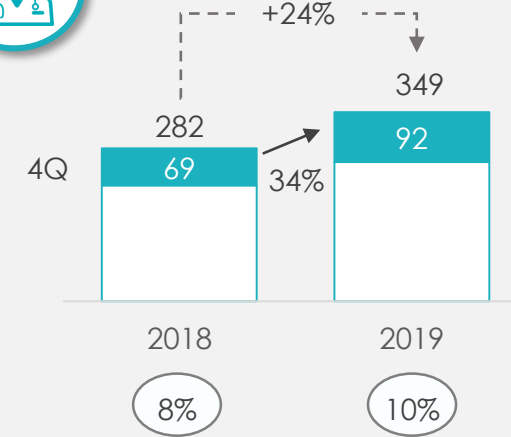
Contribution for total revenues
(R\$ million; 2019 vs 2018)



DL



MEDICINE



DL + medicine represents ~30% of net revenues



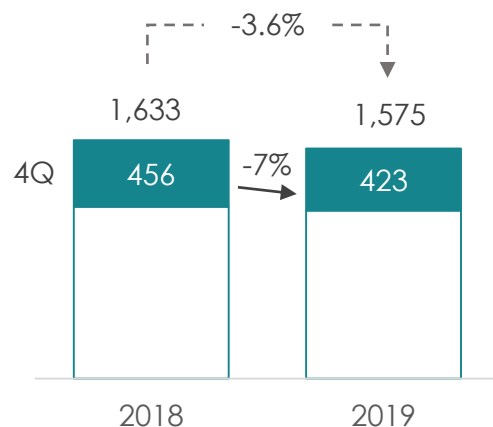
COSTS AND EXPENSES UNDER CONTROL

2019 Pro-forma data, excluding the impacts of the adoption of IFRS 16 accounting rules

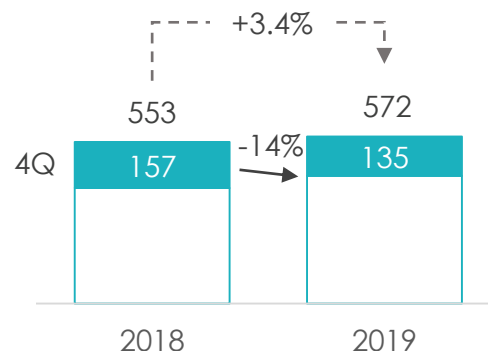
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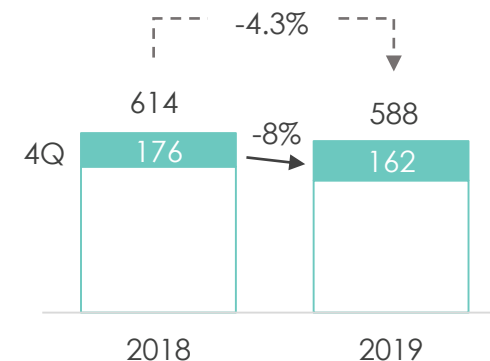
Cost of Services
(R\$ million)



Selling Expenses
(R\$ million)



General and Administrative Expenses
(R\$ million)



Cost of Services	2018	2019	Δ% YoY
Personnel	1,160	1,069	-7.9%
Rent, taxes & other	244	254	4.2%
Transfer of Centers & other	34	53	55.5%
Third-party services	56	55	-2.6%
Utilities ⁽¹⁾	41	42	0.7%
D&A	97	103	5.6%
Total	1,633	1,575	-3.6%

Selling Expenses	2018	2019	Δ% YoY
Bad Debt	334	308	-7.7%
Advertising	218	263	20.5%
Other	1,0	0,4	-64.3%
Total	553	572	3.4%

G&A	2018	2019	Δ% YoY
Personnel	173	177	2.4%
Third-party services	130	104	-19.9%
Provision/contingencies	103	66	-35.7%
Maintenance & repairs	38	49	27.2%
Other	72	97	35.5%
D&A	98	94	-3.9%
Total	614	588	-4.3%

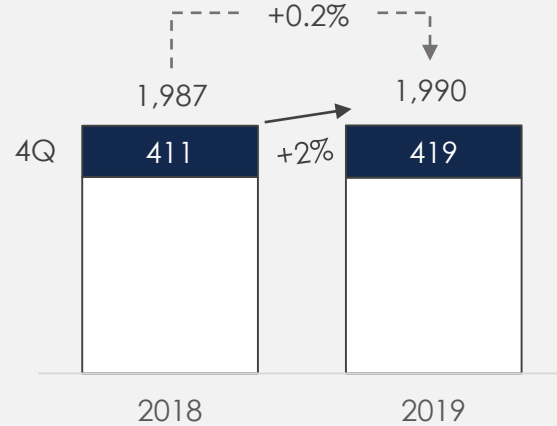


(1) Electricity, water, gas and telephone charges.

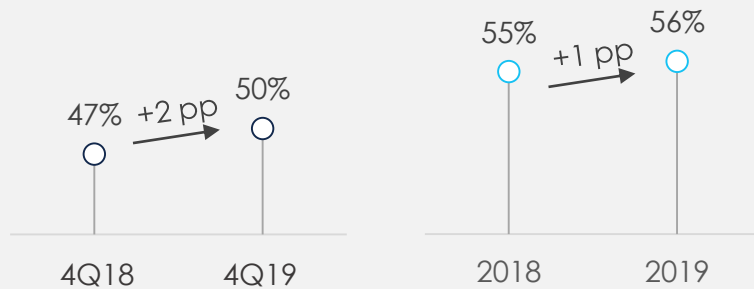
EBITDA & NET INCOME

2019 Pro-forma data, excluding the impacts of the adoption of IFRS 16 accounting rules

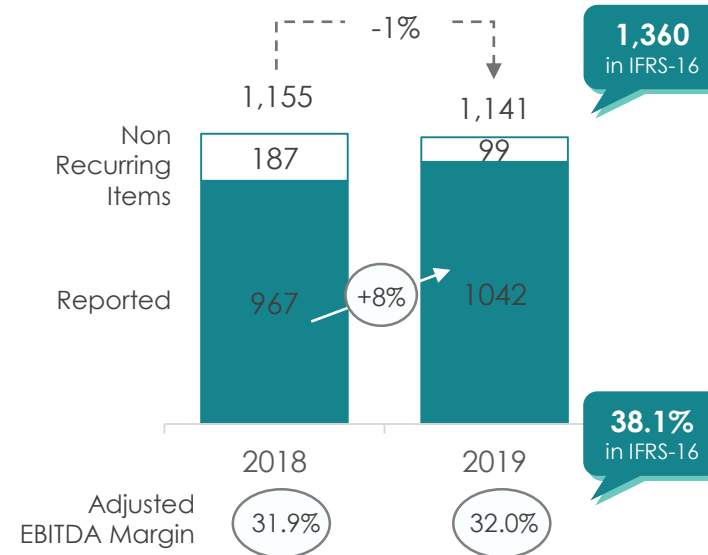
Gross Profit⁽¹⁾
(R\$ million)



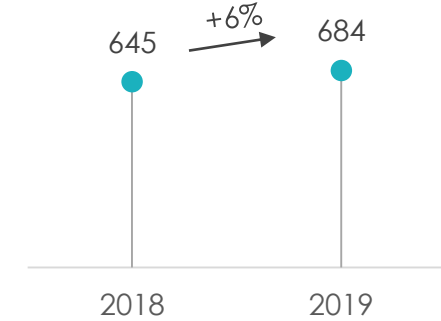
Gross Margin
(R\$ million)



Adjusted EBITDA and margin
(R\$ million)



Reported Net Income
(R\$ million)



Non-recurring items in EBITDA

R\$ million	4Q18	4Q19	2018	2019
Organizational restructuring	100	42	103	62
Consulting	10	10	30	10
M&A	-	-	-	6
Lease termination expenses	-	-	-	16
Other ⁽²⁾	54	5	54	5
Total	165	57	187	99



(1) Gross Profit = Revenues - Cost of Services.

(2) Mainly referred to losses with portfolio sale in 2018.

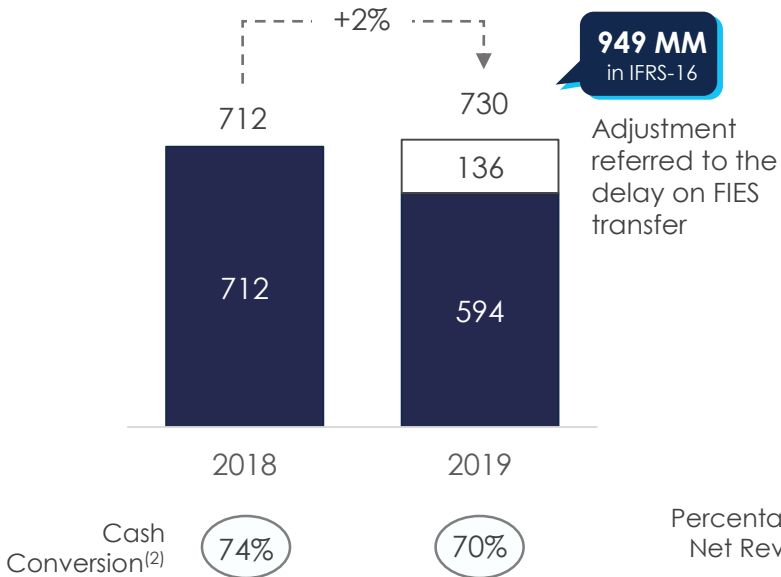
CASH FLOW, CAPEX AND DIVIDENDS

2019 Pro-forma data, excluding the impacts of the adoption of IFRS 16 accounting rules

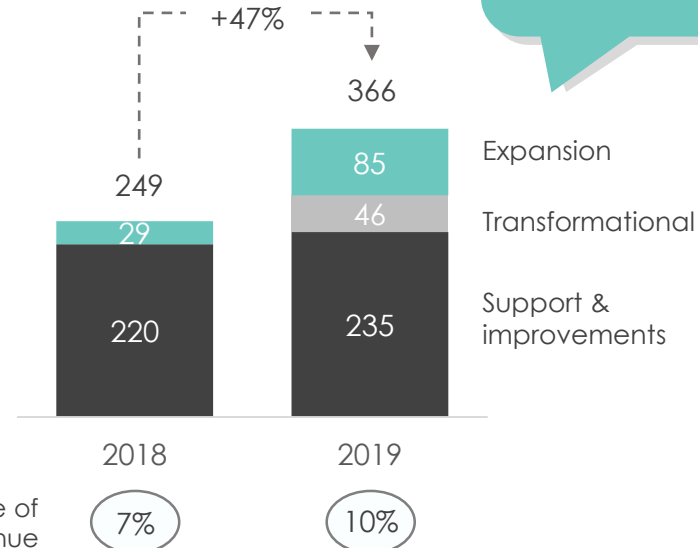
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4Q19

Adjusted operating cash flow⁽¹⁾
(R\$ million, before Capex)

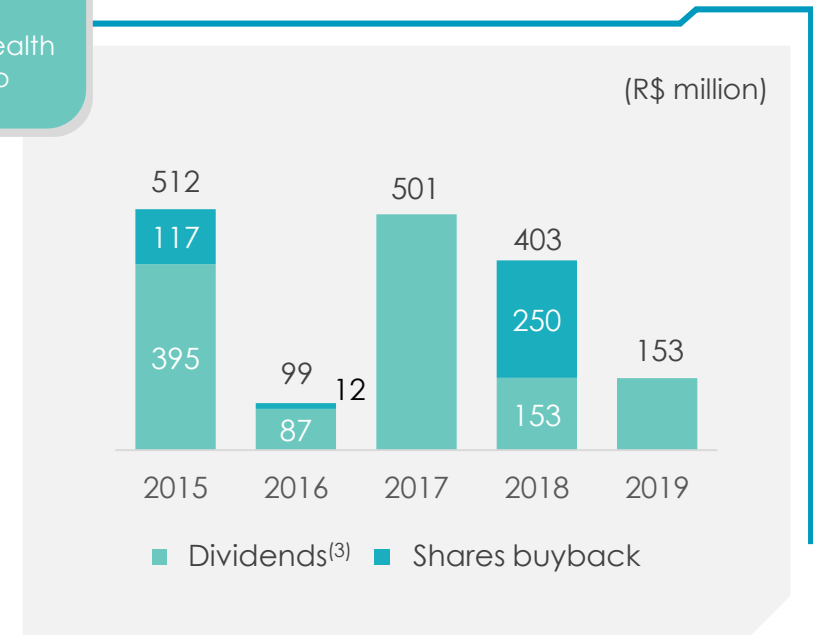


CAPEX
(R\$ million)



Anticipation of Mais Médicos II units
+
Expansion of the health courses portfolio

Shareholder return



Financial Leverage

0.1x

Net Debt / EBITDA
(ex-IFRS-16)

Covenant: 2.5x

~1.0x after Adtalem

(1) Adjusted by -R\$342 million from PN-23 impact in 2018 and +R\$136 million related to the delay of FIES transfer in December, 2019 (received in January, 2020).

(2) Cash Conversion = Operating Free Cash Flow before Capex divided by reported EBITDA.

(3) Dividends registered per fiscal year.



PREPARED FOR A NEW GROWTH CYCLE



On-Campus

Ongoing efficiency gains

Decreasing cost per student (-7% YoY), EBITDA margin improvement to 38.1%



DL

Accelerated pace of the expansion of student base, centers and new cities

Undergraduate student base +37% YoY, +200 new cities in 2019



Medicine

+5 campus in 2020

New graduate and residency programs

Growth in revenue (+24%) and average ticket (+13%)



Financials

Solid Balance sheet and strong cash generation

Cash conversion at 75% ⁽¹⁾ and Net Debt/EBITDA at 0.1x



M&A

We remain searching for growth opportunities

(1) Cash Conversion = Operating Free Cash Flow before Capex divided by reported EBITDA (in IFRS-16).

2020.1 undergraduate expectations

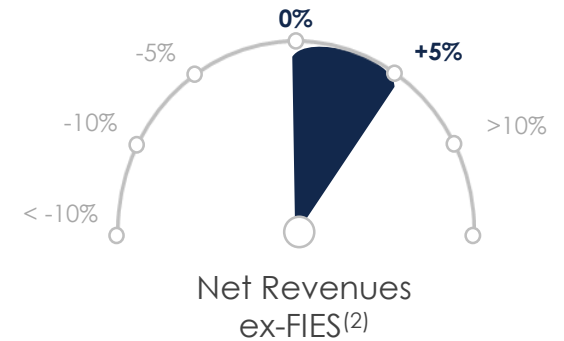
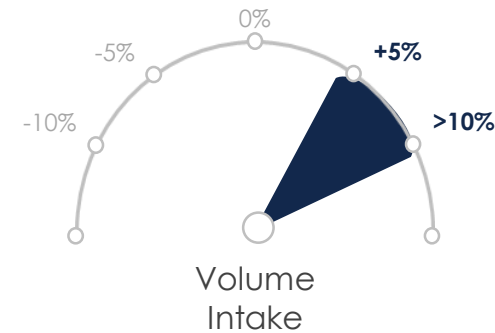
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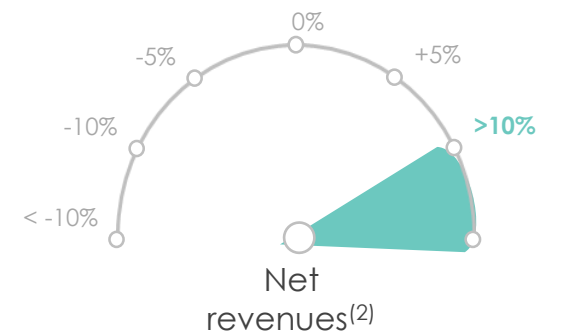
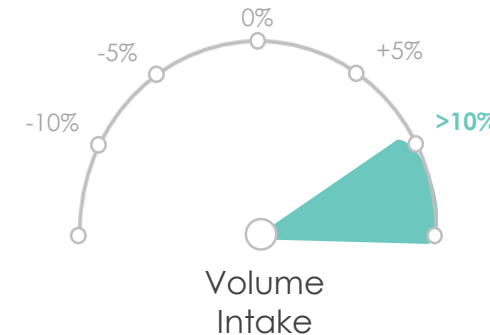
82%

of intake concluded

ON-CAMPUS



DIGITAL LEARNING



(2) Total net revenues estimated in 6M20 vs 6M19. 13



YDUQS

IR Contact

Rogério Tostes | Pedro Yagelovic | Rosimere Nunes | Milena Gonçalves

+55 (21) 3311-9875 | 3311-9290

ri@yduqs.com.br

www.yduqs.com.br