



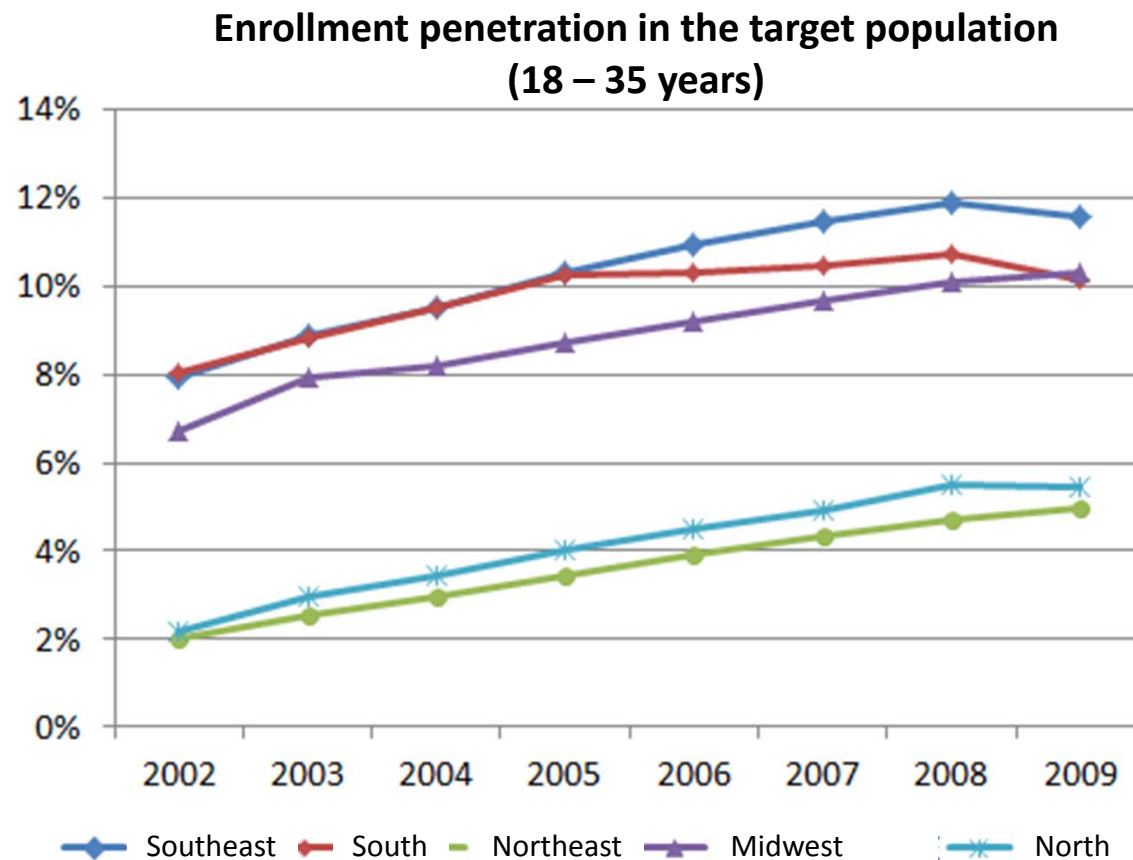
# Estácio

## FAL / FATERN - RN

**Mergers and Acquisitions**

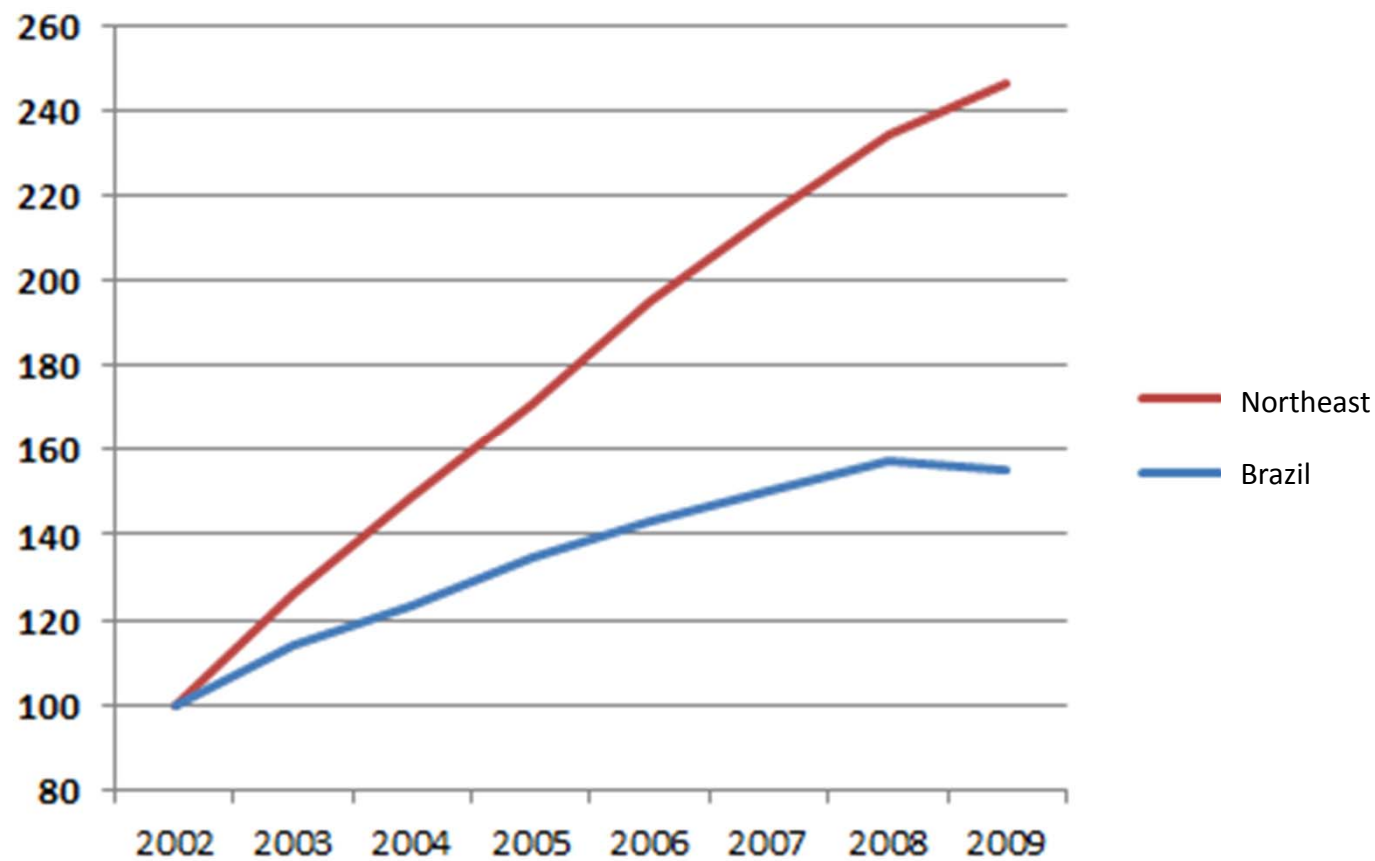
June 2011

- Low enrollment penetration in the Northeast indicates high growth potential



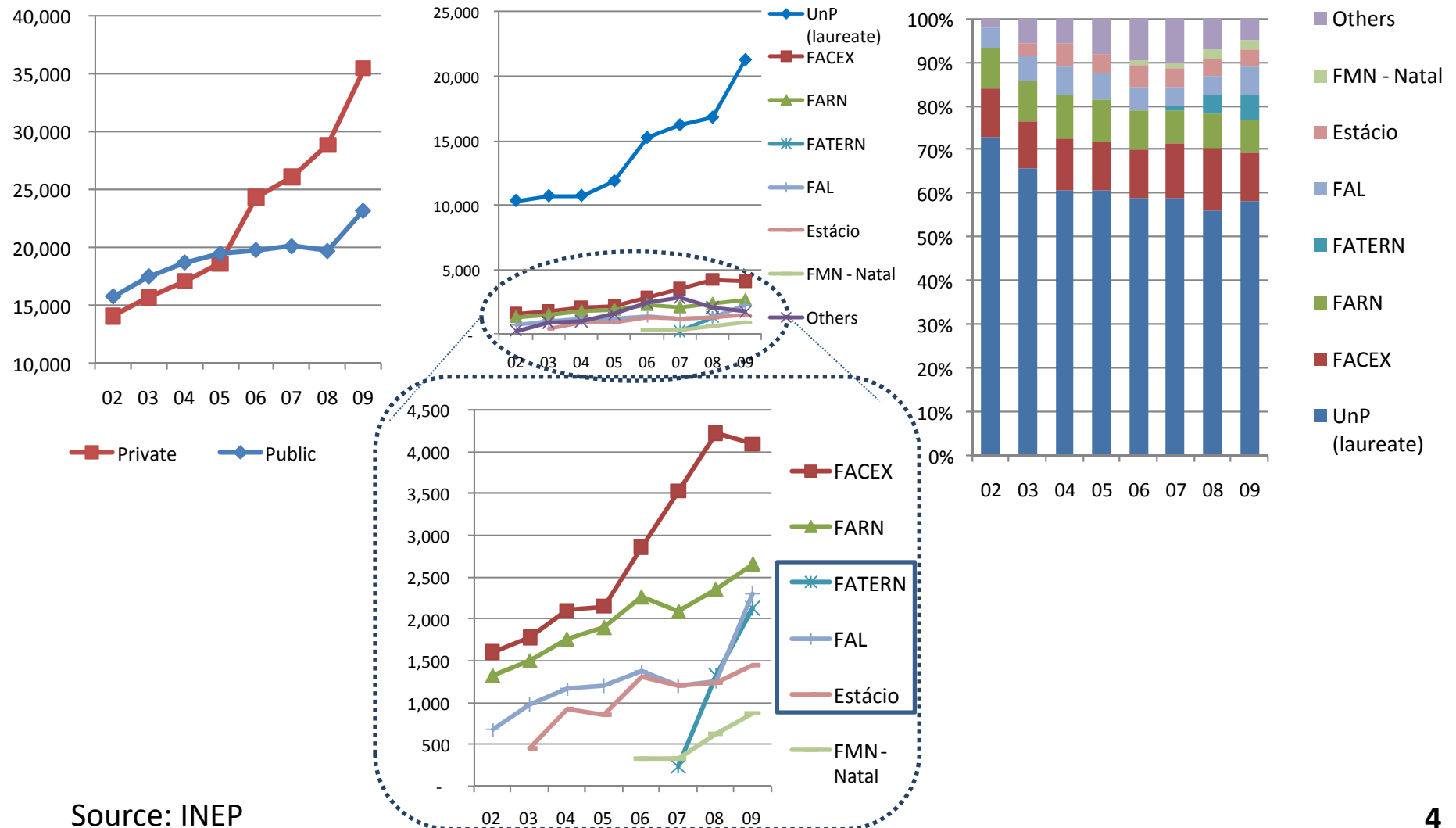
Source: INEP/IPC Target/Estácio

**Growth of student base  
Private post-secondary on-campus education  
(Base 100)**



Source: INEP

## Students Trends in Natal

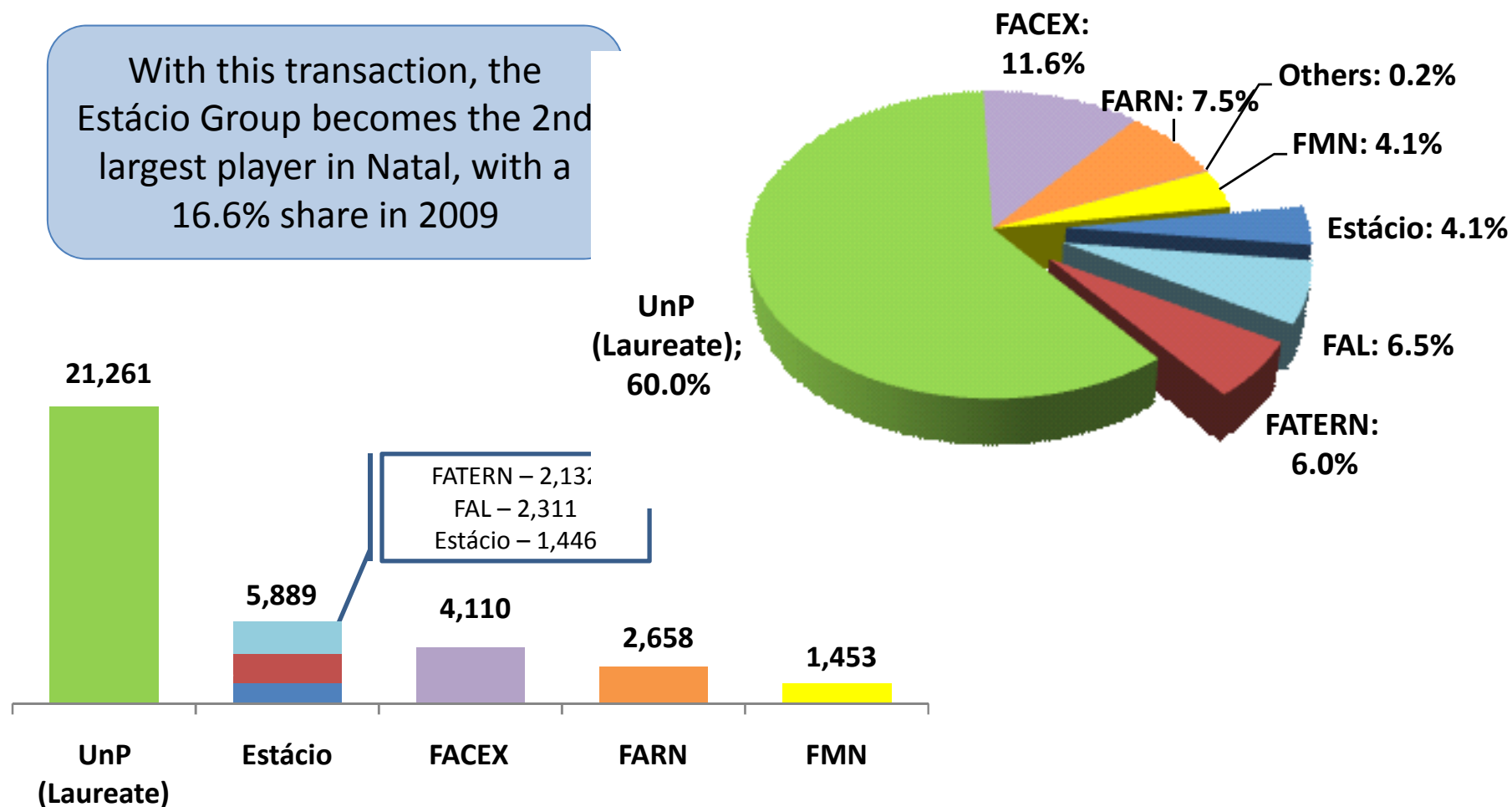


Source: INEP



## Share of enrollments (Natal)

With this transaction, the Estácio Group becomes the 2nd largest player in Natal, with a 16.6% share in 2009



Source: INEP 2009



## Overview

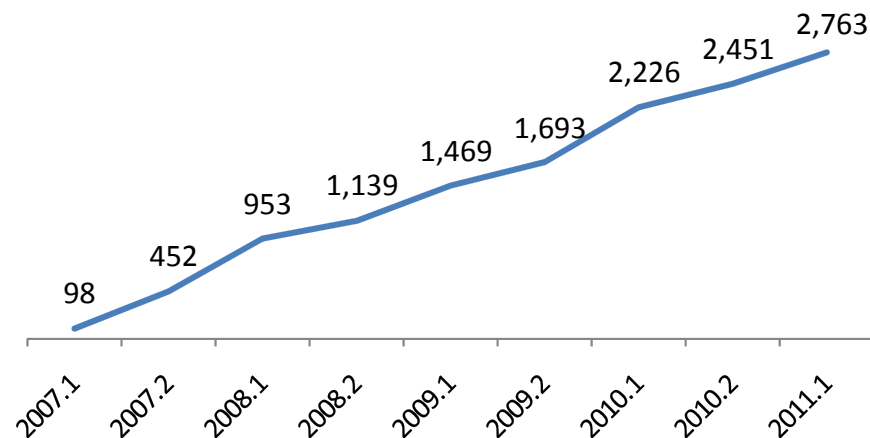


Estácio

### FATERN

- 3,350 students in 2011.1 (2,763 undergrad + 587 grad)
- For-profit organization, ProUni and FIES
- Began operations in 2007 and has recorded strong growth ever since (07-10 CAGR of 104%)
- Above-average MEC evaluations. Note 4 in reaccreditation (MEC visit in Nov/10). Does not have IGC (MEC cycle incomplete)
- Estimated adjusted EBITDA in 2011 – 2.6MM

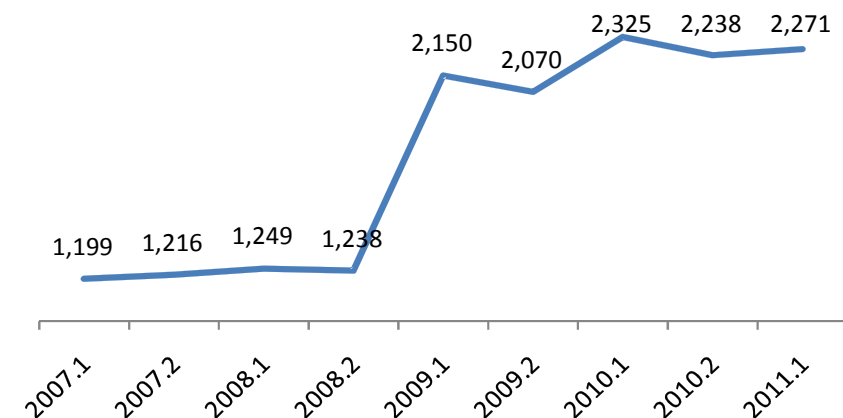
### Evolution of undergraduate student base



### FAL

- 2,471 students in 2011.1 (2,271 undergrad + 200 grad)
- For-profit organization, ProUni and FIES
- Strong growth in the number of students in 2009 - change of management - focus on business school (administration and law)
- IGC 2009 - 3 (217 continuous). MEC visit - note 3.
- 3 campuses in Natal, RN - high penetration
- Estimated adjusted EBITDA in 2011 – 0.7MM

### Evolution of undergraduate student base





## Strategic Rationale



**Estácio**

### Market

Marketing – healthy brands,  
strengthened by the Estácio group

### Location

Increased penetration  
Good local presence

*(see map)*



**Estácio**



High potential for synergies  
between operations

### Courses

Diversified Portfolio

*(courses attached)*





### Financial

- **Nominal flow**
- **Average inflation – 4.5%**
- **WACC - 15% nominal**
- **Perpetuity Growth (g) – 3.0% nominal**
- **Base date - Dec 31, 2010**

### Operational

- **Student Base** – CAGR of 5.0% (undergrad + grad)
- **Ticket** – Only projected inflation passed on
- **Cost of Services Rendered** – 7.5 p.p. gain in faculty costs by 2015 due to the implementation of the Estácio teaching model and a 1.4 p.p. gain in other costs
- **SG&A** – synergy gains from the reduction in the back-office: 9.2 p.p. in administrative payroll by 2015; 7.3% of net revenue in PDA in 2010, falling to 4.8% in 2015; 11.8 p.p. in other expenses by 2015

EBITDA Margin	2010	2011	2012	2013	2014	2015
	-6.6%	8.0%	16.3%	20.0%	23.0%	25.9%





# Valuation Assumptions



Estácio

R\$ million	2010A	2011E	2012E	2013E	2014E	2015E	
Student Base	2,404	2,599	2,757	2,871	2,931	2,990	<b>CAGR</b>
Base Growth	7.9%	8.1%	6.1%	4.1%	2.1%	2.0%	<b>5.0%</b>
Net revenue	7.7	8.7	9.6	10.5	11.2	11.9	
Cost of services rendered	(4.7)	(5.1)	(5.4)	(5.7)	(6.0)	(6.3)	
<b>Gross profit</b>	<b>3.0</b>	<b>3.6</b>	<b>4.2</b>	<b>4.7</b>	<b>5.2</b>	<b>5.6</b>	
SG&A	(3.5)	(2.9)	(2.7)	(2.7)	(2.6)	(2.6)	
<b>EBITDA</b>	<b>(0.5)</b>	<b>0.7</b>	<b>1.6</b>	<b>2.1</b>	<b>2.6</b>	<b>3.1</b>	
(-) IR + CSLL	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	
(+) VWC	-	-	-	-	-	-	
(-) CAPEX	(0.3)	(0.7)	(0.5)	(0.4)	(0.4)	(0.5)	Perp.
<b>Free Cash Flow</b>	<b>-</b>	<b>(0.1)</b>	<b>1.0</b>	<b>1.7</b>	<b>2.1</b>	<b>2.6</b>	<b>22.0</b>
Discount rate	1.00	0.93	0.81	0.71	0.61	0.53	0.53
<b>PV of Free Cash Flow</b>	<b>-</b>	<b>(0.1)</b>	<b>0.8</b>	<b>1.2</b>	<b>1.3</b>	<b>1.4</b>	<b>11.7</b>
	2010A	2011E	2012E	2013E	2014E	2015E	
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of services rendered	-61.5%	-58.5%	-56.0%	-54.7%	-53.6%	-52.6%	
<b>Gross profit</b>	<b>38.5%</b>	<b>41.5%</b>	<b>44.0%</b>	<b>45.3%</b>	<b>46.4%</b>	<b>47.4%</b>	
SG&A	-45.0%	-33.5%	-27.7%	-25.3%	-23.3%	-21.5%	
<b>EBITDA Margin</b>	<b>-6.6%</b>	<b>8.0%</b>	<b>16.3%</b>	<b>20.0%</b>	<b>23.0%</b>	<b>25.9%</b>	
CAPEX	-4.0%	-8.0%	-5.3%	-4.0%	-4.0%	-4.0%	

## Results

- Base date:  
Dec 31, 2010
- 5-year flow:  
R\$ 4.6MM
- Perpetuity:  
R\$ 11.7MM
- **Total EV:**  
**R\$16.3MM**
- **Acquisition Price:**  
**R\$ 12.5MM**
- **IRR: 20.3%**

## Financial

- **Nominal flow**
- **Average inflation – 4.5%**
- **WACC - 15% nominal**
- **Perpetual Growth (g) – 3.0% nominal**
- **Base date - Mar 31, 2011**

## Operational

- **Student Base** – CAGR of 11.8% (undergrad + grad) – strong growth in 2011 due to the maturation of existing courses and launch of new graduate courses
- **Ticket** – Only projected inflation passed on
- **Cost of Services Rendered** – 2.3 p.p. gain in faculty costs by 2015 due to the implementation of the Estácio teaching model and +0.8 p.p. gain in other costs
- **SG&A** – synergy gains from the reduction in the back-office: 1.1 p.p. in administrative payroll by 2015; 7.7% of net revenue in PDA in 2010, falling to 5.7% in 2015; 4.6 p.p. in other expenses by 2015

EBITDA Margin	2010	2011	2012	2013	2014	2015
	16.6%	16.7%	20.7%	23.3%	25.4%	27.4%

R\$ million	2010A	2011E	2012E	2013E	2014E	2015E	
Student Base	2,633	3,519	3,743	3,908	4,001	4,081	<b>CAGR</b>
Base Growth	25.7%	33.6%	6.4%	4.4%	2.4%	2.0%	<b>11.8%</b>
Net revenue	11.3	15.3	17.0	18.5	19.7	21.0	
Cost of services rendered	(6.4)	(8.6)	(9.3)	(10.0)	(10.6)	(11.2)	
<b>Gross profit</b>	<b>4.9</b>	<b>6.7</b>	<b>7.6</b>	<b>8.4</b>	<b>9.1</b>	<b>9.8</b>	
SG&A	(3.1)	(4.2)	(4.1)	(4.1)	(4.1)	(4.1)	
<b>EBITDA</b>	<b>1.9</b>	<b>2.6</b>	<b>3.5</b>	<b>4.3</b>	<b>5.0</b>	<b>5.7</b>	
(-) IR + CSLL	0.0	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	
(+) VWC	-	-	-	-	-	-	
(-) CAPEX	(0.6)	(1.5)	(1.3)	(0.9)	(1.0)	(1.1)	Perp.
<b>Free Cash Flow</b>	<b>-</b>	<b>0.7</b>	<b>2.1</b>	<b>3.2</b>	<b>3.8</b>	<b>4.5</b>	<b>38.5</b>
Discount rate	1.00	0.95	0.84	0.73	0.63	0.55	0.55
<b>PV of Free Cash Flow</b>	<b>-</b>	<b>0.7</b>	<b>1.8</b>	<b>2.3</b>	<b>2.4</b>	<b>2.5</b>	<b>21.2</b>
	2010A	2011E	2012E	2013E	2014E	2015E	
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Cost of services rendered	-56.3%	-56.1%	-55.1%	-54.4%	-53.8%	-53.2%	
<b>Gross profit</b>	<b>43.7%</b>	<b>43.9%</b>	<b>44.9%</b>	<b>45.6%</b>	<b>46.2%</b>	<b>46.8%</b>	
SG&A	-27.1%	-27.2%	-24.2%	-22.3%	-20.8%	-19.4%	
<b>EBITDA Margin</b>	<b>16.6%</b>	<b>16.7%</b>	<b>20.7%</b>	<b>23.3%</b>	<b>25.4%</b>	<b>27.4%</b>	
CAPEX	-5.0%	-10.0%	-7.5%	-5.0%	-5.0%	-5.0%	

## Results

- Base date:  
March 31,  
2011
- 5-year flow:  
R\$ 9.8MM
- Perpetuity:  
R\$ 21.2MM
- **Total EV:**  
**R\$ 31.0 MM**
- **Acquisition Price:**  
**R\$ 22.0 MM**
- **IRR: 23.5%**

# Attachments



## Attachment - Courses



Estácio

### Estácio Side by Side – number of students per course

COURSES	2010			
	FAL	Estácio Natal	FATERN	Consolidated
Administration	576	308	249	1,133
Accounting	371	91		462
Law	616	630		1,246
Tourism		99		99
Social Comm. (Marketing and Advert.)			236	236
Nursing			785	785
Production Engineering		58		58
Physiotherapy			346	346
Pedagogy	163			163
Social Services			597	597
Network Administration Technician		122	182	304
Systems Analysis and Development Tech.		105		105
Database Tech.	84			84
Commercial Management Tech.	76			76
Safety Management Tech.	157			157
Personnel Management/HR Tech.	219	1		220
Oil and Gas Tech.		88		88
Financial Management Tech.			6	6
Real Estate Tech.	63			63
Internet Use Tecm.			50	50
<b>Overall Total</b>	<b>2,325</b>	<b>1,502</b>	<b>2,451</b>	<b>6,278</b>

Estácio has none

We have the equivalent



## Estácio

The map displays the coastal area of Natal, Rio Grande do Norte. Key features include:

- Roads:** RN-107, BR-406, BR-160, RN-160, BR-226, BR-304, and BR-101.
- Locations:** Ns. da Apresentação, Pajuçara, Redinha, São Gonçalo do Amarante, Guarapés, Macaíba, Planalto, Pitimbu, Neópolis, Parque do Pitimbu, Ponta Negra, and Praia do Meio.
- Institutions:** FAL (Faculdade de Administração), FARN (Faculdade de Arquitetura e Urbanismo), UP (Universidade Potiguar), and FATERN (Faculdade de Teologia e Ciências Religiosas).
- Landmarks:** Lagoa dos Carangueiros and Av. Belém.





## Attachment – Map of Natal



Estácio

Location of IES and main competitors (approximate)

