



EARNINGS RELEASE

PRESS RELEASE

VIDEOCONFERENCE

May 16th 2023, Tuesday

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CSED

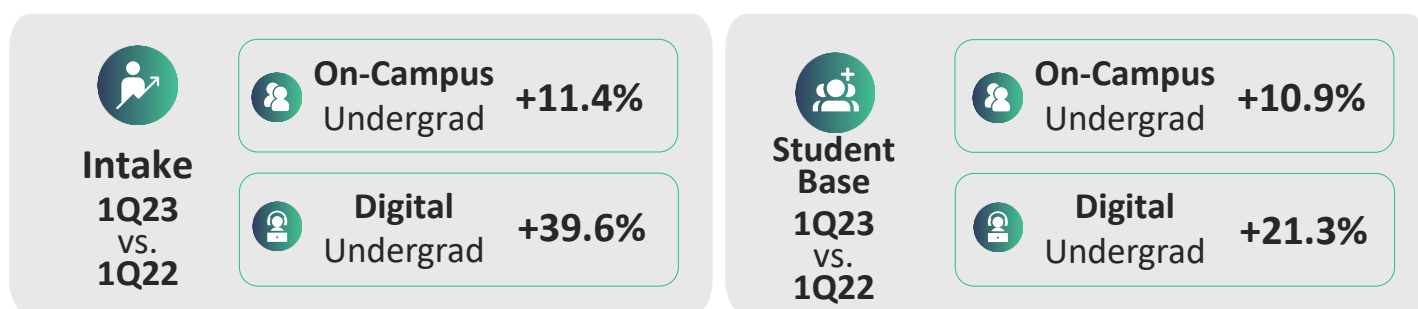
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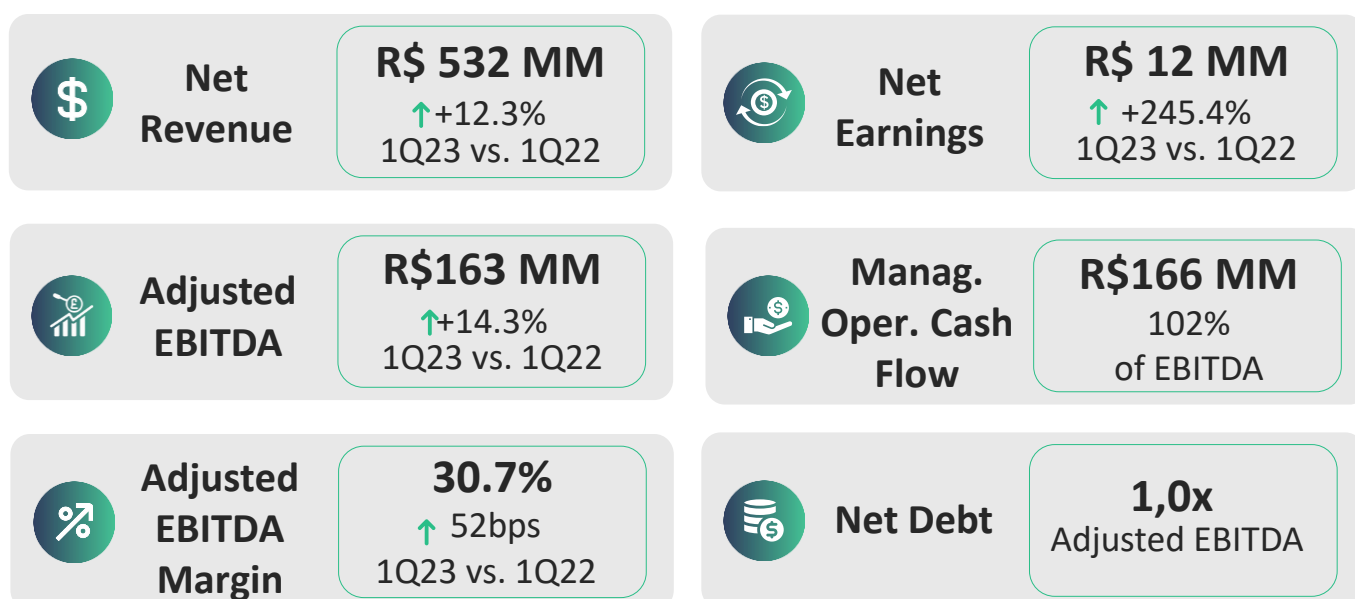
SÃO PAULO, May 15th, 2023

Cruzeiro do Sul Educacional ("Cruzeiro do Sul" or "Company") (CSED3) announces today its results for the first quarter of 2023 (1Q23). The consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and with international accounting standards (IFRS) issued by the International Accounting Standards Board (IASB).

OPERATIONAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS



DISCLAIMER

This presentation may contain forward-looking statements. These forecasts only reflect expectations of the Company's managers regarding future economic conditions, as well as the Company's performance, financial performance and results, among others. The terms "anticipates", "believes", "expects", "predicts", "intends", "plans", "projects", "objective", "should", and similar terms, which, of course, involve risks and uncertainties that may or may not be expected by the Company and therefore are not guarantees of future results of the Company and therefore the future results of the Company's operations may differ from current expectations and the reader should not rely exclusively in the information contained herein. The Company does not undertake to update the presentations and forecasts in the light of new information or its future developments. The values reported for 2023 onwards are estimates or targets. The financial and operational information set out in this presentation is rounded off. The total amount is presented in the tables and graphs could therefore differ from the direct numerical aggregation of the preceding numbers. Non-financial information contained herein, as well as other operational information, were not audited by independent auditors. No investment decision should be based on validity, accuracy or completeness of the information or opinions contained in this presentation.





Contact Investor Relations
dri@cruzeirodosul.edu.br

A Cruzeiro do Sul Educacional

is one of the largest quality-focused education group in Brazil with more than 446k* students in 27¹ campuses and more than ~1,529 hubs

ON-CAMPUS

 **158k***
STUDENTS

 **27¹**
CAMPUSES



 **UDF**
Centro
Universitário

 **Universidade
POSITIVO**

 **FSG**
Centro
Universitário

 **Cesuca**
Centro
Universitário

 **UNIPÊ**
Centro Universitário
de João Pessoa

 **Universidade
Cruzeiro do Sul**

 **UNICID**
Universidade
Cidade de S. Paulo

 **UNIFRAN**
Universidade
de Franca

 **CEUNSP**
Centro Universitário
N. Sra. do Patrocinio

 **Braz Cubas**
Centro Universitário

 **Módulo**
Centro
Universitário

 **FASS**
Faculdade
São Sebastião



 **Universidade
Cruzeiro do Sul**

 **Universidade
POSITIVO**

 **UNIFRAN**
Universidade
de Franca

 **FSG**
Centro
Universitário


 **UNICID**
Universidade
Cidade de S. Paulo


 **UNIPÊ**
Centro Universitário
de João Pessoa

 **Braz Cubas**
Centro Universitário

 **Cruzeiro do Sul Virtual**
Educação a distância

DIGITAL

 **288k**
STUDENTS

 **~1,529**
HUBS

*Includes ~ 4k students on basic education on Mar/2023
¹ The number of ¹ Number of campuses as recorded in the MEC's basis

MENSAGE FROM THE MANAGEMENT

We ended 1Q23 with good news on the operational side. We finished the quarter with a growth of 10.9% in the student base in On-Campus and 21.3% in Digital.

Up to May 8th, the intake from the Digital business increased by 27% (date vs. date) with a practically flat ticket for freshmen. Despite the competitive scenario of 100% digital, hybrid courses continue to show a good response and contribute to the expansion of the segment's ticket, boosting the strategy of growing in regions where we are not present. The growth of 267 hubs (+21% vs 1Q22) also contributed to this expansion.

In On-Campus, we opted to close the intake on April 15th. We grew about 8% vs. last year, and for the third consecutive semester, transferring tickets to freshmen. The recurring transfer of tickets to newcomers is an important component of revenue recomposition in the segment, which suffered from demand during the pandemic period, and helps our strategy to grow in On-Campus, adding quality and profitability. In medicine, our 685 seats were filled, together with the additional 20% for Prouni/FIES students. The location in cosmopolitan cities has been an important ally for ticket maintenance in an increasingly competitive market. Health courses continue to be an important growth vector for the company and we remain focused on executing the strategy of growing beyond undergrad.

Our efforts to change processes and the “Everybody for the re-enrollment” program were important drivers of growth in the student base. In on-campus, we improved the re-enrollment KPI by around 3 p.p. and on Digital about 2 p.p. vs 1Q22.

On the academic side, we highlight the results of the last evaluation cycle (2021) of the General Course Index (IGC). We lead the ranking of listed players in the sector, with a continuous IGC weighted by the number of enrollments at 8% above the average for listed companies. This is an important milestone in line with our DNA of delivering quality education.

Moving on to the financial results for 1Q23, the Net Revenue was R\$532 million, expanding 12.3%, in line with the 14.6% expansion in student base. Gross profit of R\$248 million, expanding 5%, with a gross margin of 46.7%, reflecting the challenges of the collective agreement and the maturation of health courses. Adjusted EBITDA reached R\$163 million, with a margin of 30.7%, an improvement of 52bps vs. 1Q22, as a reflection of better allowance for loan losses (+156 bps). Net Income reached R\$12 million, up from R\$3.5 million in 1Q22. Managerial operating cash generation reached R\$166 million, 32% above 1Q22. We ended 1Q23 with net debt (ex-lease liabilities) of R\$576 million, down 2% vs. the end of 2022.

The management Team

OPERATIONAL PERFORMANCE

ON-CAMPUS

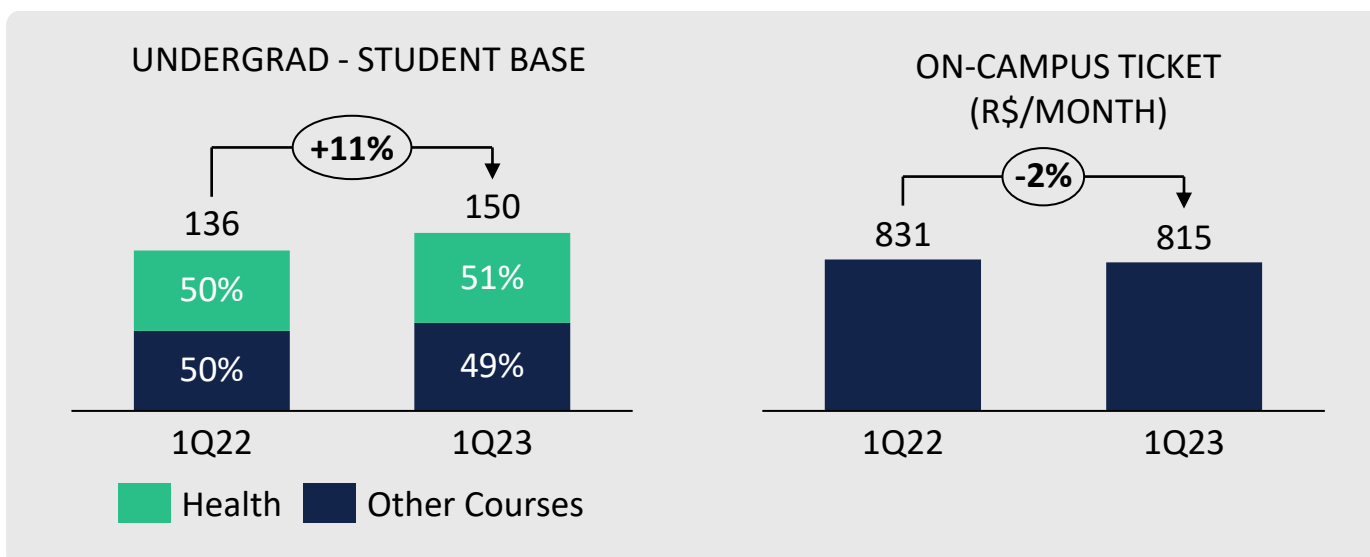
Expansion in the On Campus student base as a reflection of the increase in intake and improvement in re-enrollment

End of 1Q23 with 158k students, an expansion of 10.0% vs. the 1Q22.
Improvement of 3p.p. on re-enrollment KPI vs. last year.

On-Campus	1Q23	1Q22	Y/Y
BoP	135	130	3,9%
Intake	59	53	11,4%
Dropout	(21)	(23)	(6,8%)
Graduation	(15)	(16)	(11,3%)
Gra School and K12	1	1	(8,9%)
EoP	158	144	10,0%

Health courses gaining share in the on-campus student base

On-campus undergrad ticket was 2% lower than 1Q22 as a result of (i) Unit mix effect, with higher expansion in the student base in units with lower tickets than in higher ticket ones, (ii) the graduation of students from different pre-pandemic with higher tickets and (iii) lower participation by PROUNI students in 2022, which impacted tickets until Feb/23.



Managerial numbers, unaudited.

DIGITAL

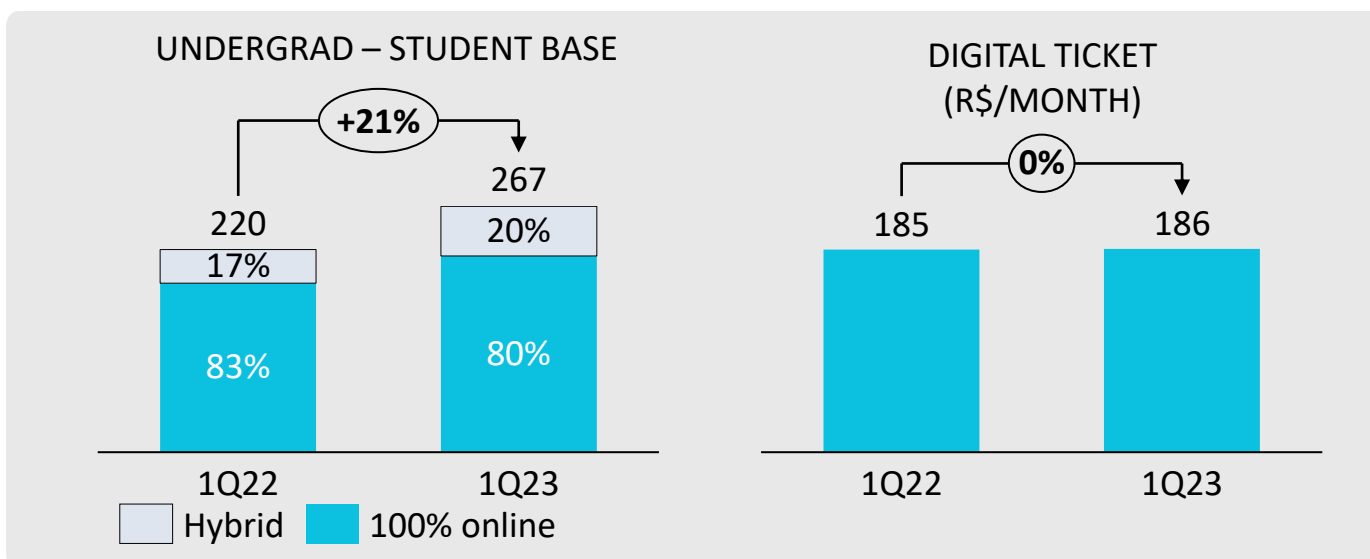
Expansion in the Digital student base as a reflection of the increase in intake and improvement in re-enrollment

End of 1Q23 with 288k students, an expansion of 17.3% vs. 1Q22 due to a 39.6% increase in intake and a 2p.p. on re-enrollment KPI vs. last year.

DIGITAL	1Q23	1Q22	Y/Y
BoP	269	244	10,3%
Intake	119	85	39,6%
Dropout	(70)	(65)	7,8%
Graduation	(19)	(19)	2,4%
Gra School and K12	(10)	1	-
EoP	288	246	17,3%

Hybrid courses contributing to the expansion of students and mitigating the 100% online ticket

The average ticket in digital undergrad was stable vs. the 1Q22, mainly as a reflection of the ~20% higher penetration of students in hybrid courses (+3.6 p.p. vs. 1Q22) which helped to mitigate the impact of the more competitive environment in the 100% digital environment.



Managerial numbers, unaudited.

FINANCIAL PERFORMANCE





NET REVENUE – 1Q23


FINANCIAL DATA

Expansion in all segments reflecting growth in the student base


R\$ million	1Q23	1Q22	%
On Campus	389,5	357,3	9,0%
Health Courses ¹	265,2	239,2	10,9%
Digital	158,6	132,0	20,2%
Revenue net of scholarships, cancellations and discounts	548,1	489,3	12,0%
Other Revenues	2,8	2,2	25,9%
Taxes	(19,1)	(18,2)	5,0%
Net Revenue	531,7	473,3	12,3%

 **CONSOLIDATED NET REVENUE** **+12.3%**
Consolidated net revenue in the quarter reached R\$531.7 million, 12.3% higher than 1Q22, reflecting the increase in the consolidated student base (+14.6%).

 **ON-CAMPUS NET REVENUE** **+9.0%**
Net revenue from scholarships, cancellations and discounts for on-campus increased 9.0%, reaching R\$389.5 million, reflecting the larger student base (+10.0%) despite the drop in the segment's average ticket.

 **HEALTH NET REVENUE** **+10.9%**
In on-campus, courses focused on the health area (with on-campus profile) grew 10.9% in the period and now represent ~68% of on-campus revenue vs. 67% last year.

68%
ON-CAMPUS
NET REVENUE

 **DIGITAL NET REVENUE** **+20.2%**
Net revenue from scholarships, cancellations and discounts for digital increased 20.2%, reaching R\$ 158.6 million, as a result of the larger student base (+17.3%) and the continued expansion of the pole base (+ 267; 21.2%).

+267
HUBS


¹ Health: Medicine, Psychology, Biomedicine, Biological Sciences, Ed. Physics, Nursing, Pharmacy, Physiotherapy, Speech Therapy, Hospital Management, Veterinary Medicine, Nutrition, Dentistry, Optometry, Radiology and Occupational Therapy


GROSS PROFIT – 1Q23


FINANCIAL DATA

Progression of classes in health courses and salary adjustment putting pressure on costs

R\$ million	1Q23	1Q22	%
Labor	(169,5)	(142,9)	18,6%
Right of Use Amortization	(31,6)	(29,7)	6,3%
Partners' Digital Hubs	(37,1)	(29,9)	24,2%
Other Costs	(45,1)	(34,8)	29,7%
Gross Profit	248,4	236,0	5,3%
Gross Margin	46,7%	49,9%	-315bps

 Gross profit in the quarter reached R\$248.4 million, 5.3% above 1Q22, with a margin of 46.7%. The retraction of the gross margin in the period is mainly a reflection of the increase in labor costs, which was impacted by (i) collective bargaining with the teaching staff, salary adjustment of 3.6% in Feb/23 and (ii) increase in the technical staff of preceptors given the progression of courses in the health area.

 In addition, the cost line was impacted by the increase in the transfer of hubs, as a result of the expansion of Digital revenue (+20.2%) and the student base in third-party hubs (+21.2%).


 The “other costs” line was impacted by the resumption of on-campus activities such as: (i) laboratory classes and (ii) increase in the number of cleaning and security service providers.


ADJUSTED EBITDA - 1Q23

FINANCIAL DATA

EBITDA margin expansion reflecting better PDA

R\$ million	1Q23	1Q22	%
Gross Profit	248,4	236,0	5,3%
<i>Gross Margin</i>	46,7%	49,9%	-315bps
SG&A	(105,5)	(111,3)	(5,2%)
PDA	(18,8)	(24,1)	(21,9%)
<i>PDA/Revenue</i>	(3,5%)	(5,1%)	+156bps
D&A	(32,1)	(25,6)	25,4%
Other Revenues	7,7	5,2	47,1%
EBIT	99,6	80,1	24,3%
D&A	63,7	55,3	15,1%
EBITDA	163,4	135,5	20,6%
<i>EBITDA Margin</i>	30,7%	28,6%	+209bps
Non Recurring ¹	-	7,5	-
Adjusted EBITDA	163,4	142,9	14,3%
<i>Adj. EBITDA Margin</i>	30,7%	30,2%	+52bps

 Adjusted EBITDA in the quarter reached R\$163.4 million, 14.3% above 1Q22 with a margin of 30.7%, an improvement of 0.5 p.p.

 Improvement in PDA (3.5% of revenue vs. 5.1% in 1Q22) reflecting the period of re-enrollment and internal actions initiated in 2H22 such as “Everybody for the Re-enrollment” and increase in revenues from the leasing of spaces for events (47 % vs. 1Q22) mitigated the impact of the gross margin retraction in the period.

¹ Non-recurring, details pg. 20

NET EARNINGS - 1Q23

FINANCIAL DATA

Expansion in Net Earnings reflecting operational improvement

R\$ million	1Q23	1Q22	%
EBITDA	163,4	135,5	20,6%
D&A	(63,7)	(55,3)	15,1%
Financial Result	(51,4)	(47,1)	9,0%
Lease liability interest	(31,8)	(30,9)	3,0%
Taxes	(4,4)	1,3	(435,8%)
Net Earnings	12,1	3,5	245,4%
Non Recurring Expenses	-	7,5	-
Adj. Net Earnings*	12,1	11,0	10,2%



Net earnings in the quarter was R\$12.1 million higher than R\$3.5 million in 1Q22, as a reflection of the improvement in EBITDA, despite the increase in the basic interest rate and inflationary indexes by which the debt and lease contracts have financial backing.

*Adjusted Net Income: management information / Non-Recurring, details on page 20

ACCOUNTS RECEIVABLE - 1Q23

FINANCIAL DATA

Accounts Receivable stable compared to last year

R\$ million	1Q23	1Q22	%	4Q22	%
Tuition	366,0	323,7	13,1%	360,8	1,5%
Student Financing	57,8	57,6	0,4%	62,4	(7,3%)
Agreements	71,6	58,7	21,9%	62,9	13,8%
Other Receivables	69,3	53,5	29,7%	55,6	24,6%
Gross Receivables	564,8	493,5	14,4%	541,7	4,3%
AVP	(13,6)	(7,6)	78,7%	(13,4)	1,8%
PDA	(306,9)	(270,8)	13,3%	(290,9)	5,5%
Net Receivables	244,3	215,1	13,5%	237,4	2,9%
Days of Receivables	41	41	-	42	- 1day



The days of receivables in 1Q23 was stable at 41 days vs. last year, and an improvement of 1 day compared to the period ended on 12/31/2022 (period corresponding to the end of the academic semester).

*Quarter DoR: Accounts Receivable/Net Revenue for the quarter*90

CAPEX* - 1Q23

FINANCIAL DATA

Investments in infrastructure and technology aimed at the best student experience

R\$ million	1Q23	1Q22	%
Infrastructure / Technology	(28,0)	(18,6)	50,5%
Expansion	-	(2,2)	-
Capex	(28,0)	(20,8)	34,8%



Investments in 1Q23 were approximately R\$28.0 million, an increase of 34.6% vs. 1Q22 driven by the resumption of investment projects in infrastructure and technology, mainly focused on improving the student experience.

MANAGERIAL OPERATING CASH FLOW - 1Q23

FINANCIAL DATA

Increase in cash generation as a result of operational improvement

R\$ million	1Q23	1Q22	%
EBITDA	163,4	135,5	20,6%
Working Capital ¹	31,3	15,3	104,7%
Taxes	(0,3)	(3,8)	(91,0%)
CAPEX	(28,0)	(20,8)	34,8%
Manag. Oper. Cash Flow²	166,3	126,2	31,8%
MOCF/EBITDA	101,8%	93,2%	+864bps
Non Recurring	-	7,5	-
Adj. Manag. Oper. Cash Flow²	166,3	133,7	24,4%



Managerial operating cash generation reached R\$166.3 million, 31.8% above 1Q22, and reached 101.8% of EBITDA.

*Management Information

¹Working capital: Assets (Accounts receivable, Taxes recoverable and Other receivables) and Liabilities (Suppliers, Obligations with related parties, Labor obligations, Tax obligations, Advances from customers, Deferred income, Other accounts payable)

²Management information including non-recurring expenses

NET DEBT (CASH)

FINANCIAL DATA

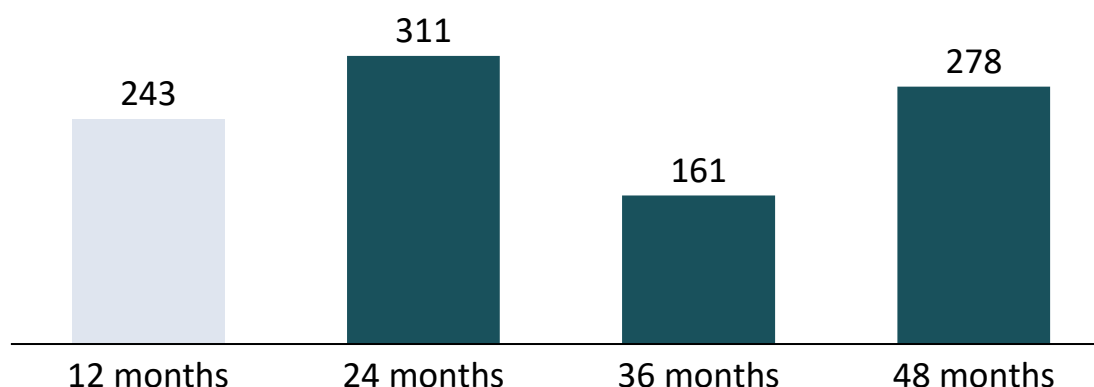
Reduction in net debt of ~R\$11 million even with the repurchase of R\$32 MM

R\$ million	1Q23 (a)	1Q22 (b)	(a)/(b)	4Q22 (c)	(a)/(c)
Cash	(802)	(1.066)	(24,8%)	(853)	(6,0%)
Financial Debt	993	1.124	(11,6%)	1.067	(7,0%)
Acquisition	385	402	(4,3%)	373	3,3%
Net Debt (Cash)	575,8	460,3	25,1%	587	(1,9%)
Net Debt/Adj. EBITDA	1,0x	0,8x	14,9%	1,0x	(2,8%)
Lease	1.335	1.319	1,3%	1.307	2,2%
Net Debt (Cash) after Lease	1.911	1.779	7,4%	1.894	0,9%

The Company ended 1Q23 with net debt (ex-lease liabilities) of R\$575.8 million vs. R\$460.3 million last year, impacted by the payment of dividends in the amount of R\$50 million, by the increase in the basic interest rate with an effect on the financial result and by the execution of the Repurchase Plan in the amount of R\$54 million.

When compared to the end of 2022, there is a reduction of 1.9%, as a reflection of cash generation in the period.

DEBENTURES AMORTIZATION SCHEDULE – R\$ MILLION



APPENDIX

STUDENT BASE

APPENDIX

STUDENTS BASE - Q/Q MOVEMENT

End of Period	Total	On-Campus	Digital
4Q22	404,0	135,0	269,0
Intake	177,7	58,7	119,0
Dropout	(91,8)	(21,5)	(70,4)
Graduation	(33,9)	(14,6)	(19,3)
Grad School and K12	(9,5)	0,8	(10,3)
1Q23	446,5	158,4	288,1

STUDENTS BASE – BY ENROLLMENT TYPE

Students (000)	1Q23	1Q22	YoY
On-Campus Graduation	146,1	131,6	11,0%
Med School	4,3	4,1	5,5%
Gra School and K12	8,0	8,3	(4,5%)
On-Campus	158,4	144,0	10,0%
Digital Graduation	267,1	220,1	21,3%
Hybrid	54,1	37,0	46,2%
Digital Gra School and K12	21,0	25,4	(17,2%)
Digital	288,1	245,5	17,3%
Total	446,5	389,6	14,6%

HUBS E CAMPUSES

APPENDIX

INFRASTRUCTURE



EoP	1Q23	1Q22	Δ	%
Digital Hubs	1.529	1.262	+267	21,2%
Campuses	27	29	(2)	(6,9%)

% of matured Hubs	1Q23	1Q22
Year 1	26,6%	4,8%
Year 2	6,0%	7,3%
Year 3	9,2%	21,4%
Year 4	26,9%	24,9%
Matured	31,3%	41,7%

IFRS16 EBTIDA, PRE-IFRS16 EBTIDA & NON-RECURRING

APPENDIX

ADJUSTED EBITDA

R\$ million	1Q23	1Q22	%
Adjusted EBITDA IFRS-16	163,4	142,9	14,3%
Rents	(52,2)	(47,9)	8,9%
Adjusted EBITDA Pre IFRS-16	111,2	95,1	17,0%
Adjusted EBITDA Pre IFRS-16 Margin	20,9%	17,9%	+303bps

NON-RECURRING

R\$ million	1Q23	1Q22	%
Openings and Expansions	-	1,5	-
M&A/Projects/Terminations	-	6,0	-
Non Recurring	-	7,5	-

P&L

APPENDIX

R\$ million	1Q23	1Q22
On Campus	389,5	357,3
Health	265,2	239,2
Digital	158,6	132,0
Revenue net of scholarships, cancellations and discounts	548,1	489,3
Other Revenues	2,8	2,2
Taxes	(19,1)	(18,2)
Net Revenue	531,7	473,3
Labor	(169,5)	(142,9)
Right of Use Amortization	(31,6)	(29,7)
Partners' Digital Hubs	(37,1)	(29,9)
Other Costs	(45,1)	(34,8)
COGS	(283,3)	(237,2)
Gross Profit	248,4	236,0
Gross Margin	46,7%	49,9%
SG&A	(105,5)	(111,3)
D&A	(32,1)	(25,6)
Provision for Doubtful Accounts	(18,8)	(24,1)
Other Revenues	7,7	5,2
EBIT	99,6	80,1
D&A	63,7	55,3
EBITDA	163,4	135,5
EBITDA Margin	30,7%	28,6%
Expenses - Non Recurring	-	7,5
Adjusted EBITDA	163,4	142,9
Adjusted EBITDA Margin	30,7%	30,2%
Financial Results	(83,1)	(78,0)
EBT	16,5	2,2
Taxes	(4,4)	1,3
Net Earnings	12,1	3,5
Non Recurring Expenses	-	7,5
Adjusted Net Earnings	12,1	11,0

BALANCE SHEET

	Mar.23	Mar.22
Total Assets	4.718.051	4.887.838
Current Assets	1.086.201	1.300.551
Cash and Equivalents	801.913	1.065.759
Accounts Receivables	216.351	190.776
Taxes and Contributions	31.811	16.577
Other Assets	36.126	27.439
Non-current Assets	3.631.850	3.587.287
Long Term Assets	228.411	199.787
Accounts Receivables	27.903	24.351
Judicial Deposits	25.738	19.431
Other Assets	74.041	52.911
Deferred Taxes	100.729	103.094
Investments	143	146
Property and Equipment	526.989	492.839
Right of Use	1.169.956	1.195.141
Intangible	1.706.351	1.699.374
	Mar.23	Mar.22
Total Liabilities	3.332.110	3.430.554
Current Liabilities	780.198	633.856
Financial Debt	-	15.096
Bond (Debentures)	243.076	126.835
Suppliers	78.844	61.517
Related Parties	3.203	2.858
Salaries and Payroll Charges	176.974	147.920
Tax Liabilities	52.160	46.590
Dividends	1.569	19.702
Customer Advance	62.685	59.602
Leasing	102.752	89.707
Acquisitions	47.703	62.493
Deferred Revenues	722	722
Others	10.510	814
Non-Current Liabilities	2.551.912	2.796.698
Bond (Debentures)	749.777	981.832
Salaries and Payroll Charges	8.336	8.432
Tax Liabilities	127.267	134.881
Deferred Taxes	16.289	17.082
Judicial Deposits	66.938	70.566
Leasing	1.232.654	1.228.964
Acquisitions	337.170	339.756
Deferred Revenues	9.327	10.049
Others	4.154	5.136
Shareholder's Equity	1.385.941	1.457.284
Capital	1.203.576	1.203.576
Capital Reserves	130.605	161.978
Earnings Reserves	75.048	91.730
Shares in Treasury	(23.288)	-
Liabilities + Shareholder's Equity	4.718.051	4.887.838

CASH FLOW

APPENDIX

R\$	1Q23	1Q22
Profit (Loss) before income taxes	16.491	2.181
Equity Income	-	-
Depreciation and amortization	32.143	25.642
Right of use amortization	31.575	29.693
Amortization of fund raising costs	168	168
Debt Interests	85	489
Acquisitions Interests	12.117	9.517
Bonds (debentures) Interests	37.594	31.759
Lease Interests	31.763	30.850
PV Assets and Liabilities	235	3.059
Judicial Deposits Provision	(6.481)	2.519
Provision for Doubtful Accounts	18.836	24.129
PPE and Intangibles	3	235
Asset Sale Deferred Revenues	(181)	(181)
Lease discontinuation	(31)	-
Adjustments to Profit (Loss) before taxes to reconcile with the cash flow	174.317	160.060
Changes in assets	-	-
Accounts receivable	(25.937)	(30.226)
Judicial Deposits	(1.798)	(1.056)
Taxes Recoverable	(2.863)	(3.020)
Other Credits	(14.529)	(14.912)
Changes in liabilities		
Suppliers	(9.660)	5.237
Salaries and Payroll Charges	33.404	10.950
Taxes	(4.733)	(2.452)
	255	339
Customer Advance	21.865	20.360
Others	3.071	(4.079)
	173.392	141.201
Taxes	(339)	(3.773)
Net cash from operating activities	173.053	137.428
Cash flow from investments		
Acquisitions	-	(2.670)
PPE acquisitions	(11.641)	(14.617)
Intangible acquisitions	(16.397)	(6.178)
Net cash from investing activities	(28.038)	(23.465)
Cash flow from financing activities		
Debt downpayments	(3.855)	(4.276)
Bonds (Debentures) downpayments	(108.305)	(81.036)
Lease downpayments	(52.157)	(47.877)
	(31.528)	-
Net cash from financing activities	(195.845)	(133.189)
Increase (decrease) of cash and equivalents	(50.830)	(19.226)
Cash and Equivalents		
At the beginning	852.743	1.084.985
At the end	801.913	1.065.759
Increase (decrease) of cash and equivalents	(50.830)	(19.226)



Investor Relations Contact
dri@cruzeirosul.edu.br