

Company Presentation

October 2020





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AGENDA

Section 1

ARCO TODAY

Section 2

**HOW WE GOT
HERE**

Section 3

**WHAT IS
COMING AHEAD**

Section 4

**MANAGEMENT
TEAM**

Section 5

APPENDIX

SECTION

1

ARCO TODAY



Our mission is to transform the way students learn by delivering high quality education at scale through technology to K-12 schools.



Arco in numbers

**MARKET
LEADER¹**

R\$ 1 billion

2020 ACV²

+1.3mm

Students³

+5.4k

Partner Schools³

**HIGH
GROWTH**

55%

2016 - 2020 ACV CAGR

**SCRATCHING THE
SURFACE OF A
HUGE MARKET**

4%

ACV Market Share⁴

**HIGH
PROFITABILITY**

36.5%

Adj EBITDA Margin
2019⁵

Notes:

1. Based on the number of students of the Brazilian learning system market.
2. ACV Bookings is the yearly (assuming a school year) revenue contractually expected to be recognized from a partner school assuming no further additions or reductions in the number of enrolled students.
3. For the 2020 school year.
4. Market-share includes core and supplemental solutions. The Total Addressable Market includes supplemental solutions, which has an addressable market of R\$18.7 billion, and the potential market for private K-12 learning systems and textbooks in Brazil, which has an addressable market of R\$6.5 billion. TAM for Total Market. Source: EY-Parthenon.
5. Calculated by dividing 2019 Adjusted EBITDA of R\$ 209.4 million by 2019 Net Revenue of R\$ 572.8 million.



Disrupting the traditional model based on textbooks

Arco has better content, better service and better technology



Traditional Model

- B2B2C: solution sold to the school that resells to parents
- 100% subscription model, creating a strong bond with the school owner
- Integrated and hybrid solution: printed content + digital platform

Business model

- B2B: books sold to retailers
- No/weak relationship with the schools
- Printed books only

All solution components for all disciplines to at least one segment, usually the whole school

Adoption

Fragmented

Proven Results and 50 years of Educational Experience

Brand & Methodology Reputation

No Proven Results

Dynamic, real time interactions and always evolving based on constant feedback from partner schools

Content

Static

Adaptive and integrated with the content, supports teachers and school

Technology & Digital Solutions

Product Oriented Business Model/
Distant Relationship with Clients

Pedagogical and school management support

Services



Cheaper than traditional model for parents

Cost for students

More expensive for parents than Arco's solutions

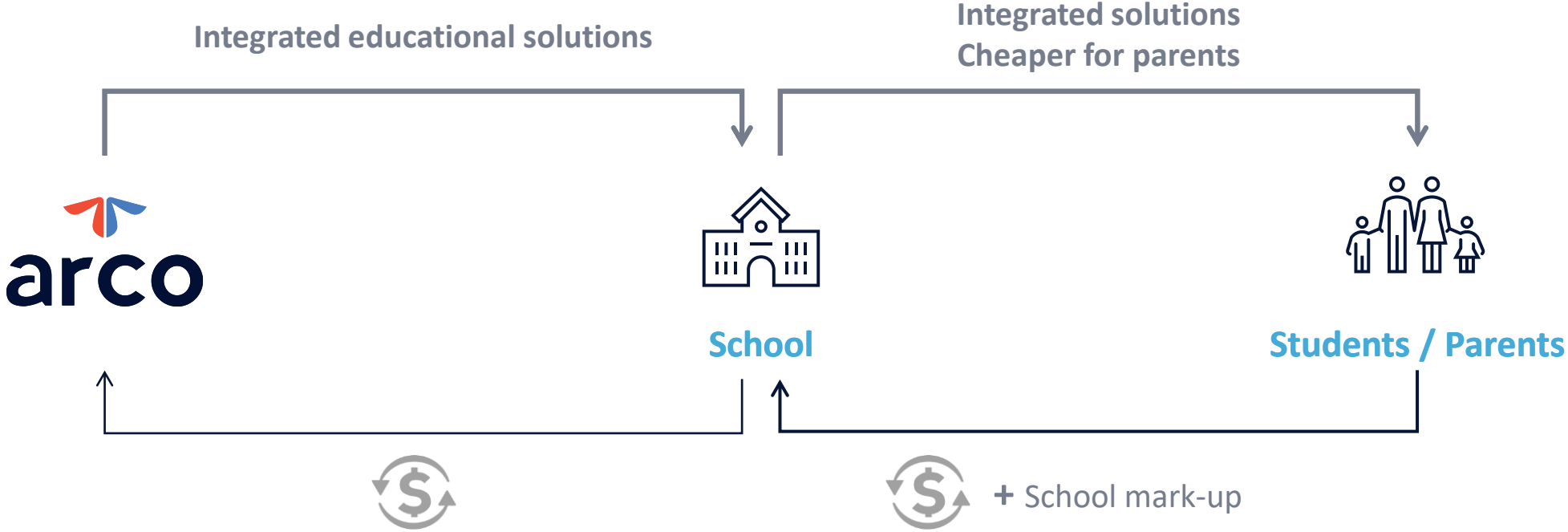
Markup for partner schools

Additional source of revenue for school





Arco operates an attractive B2B2C business model



B2B2C is an attractive business model for Arco

Mandatory for all students of grades that adopt the solution

High LTV/CAC

High revenue predictability



Win-win solution for K-12 private schools

Personalized, engaging,
omni-channel learning experience



Students



Teachers

Tools that facilitate teaching process
and improve outcomes

Our solutions benefit all stakeholders

Greater involvement in children's
academic development, at lower cost



Parents



Schools

Management support, additional
consultancy services and **additional**
source of revenue

SECTION

2

HOW WE GOT HERE





Why we win this game? It's all about quality!

1

Track Record

+50 years of education experience and **industry-leading** impact on students' performance

2

High-Quality Solution

Continuous evolution and innovation of **content**, **technology** and **pedagogical services**

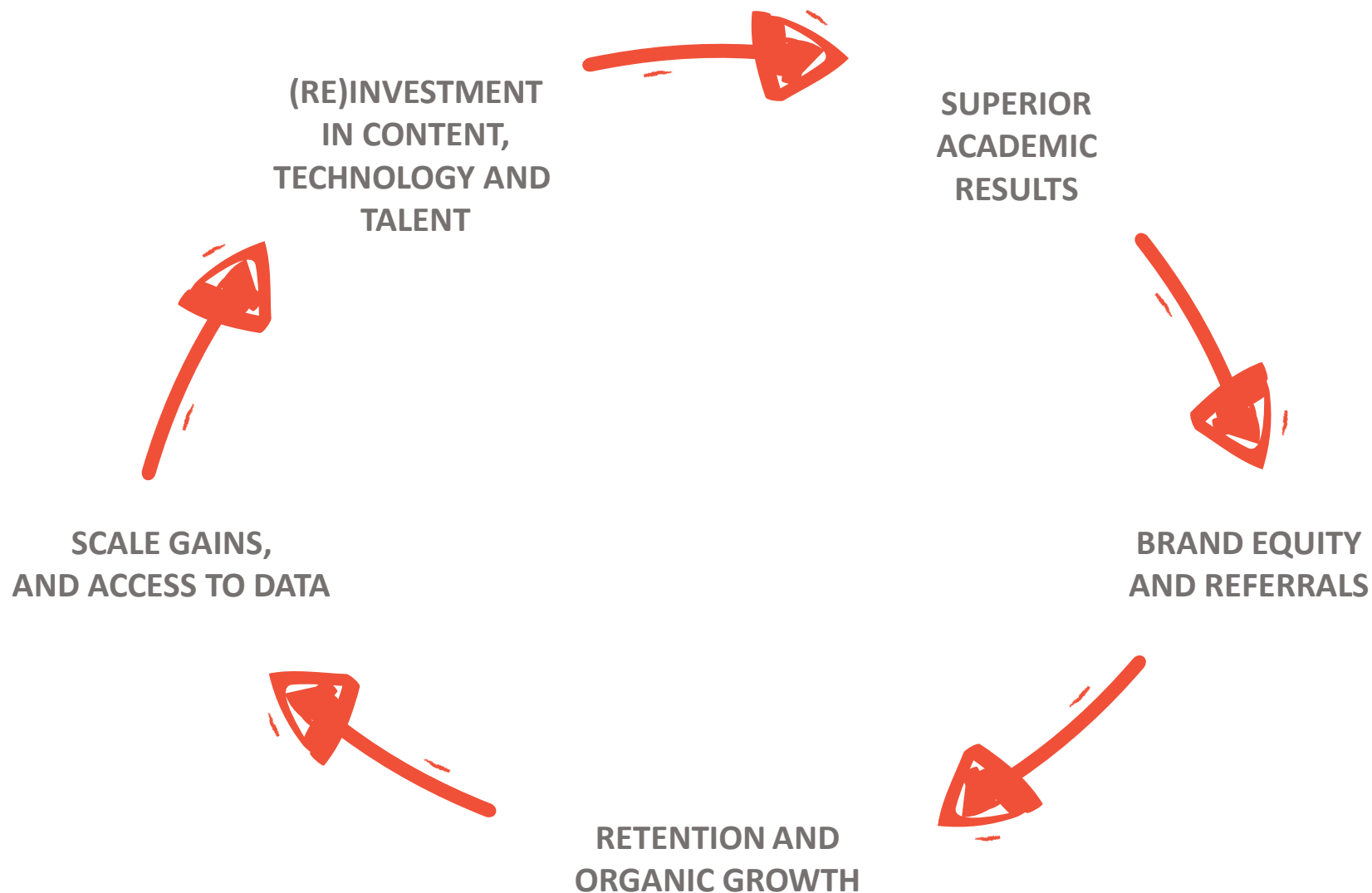
3

Distribution

- **Proprietary approach** to attracting **new schools** **accelerate our growth**
 - **Trustworthy relationships** create a **phenomenal** venue to offer new solutions to our **5,400 partners schools**



Value creation through a virtuous cycle crafted over the years

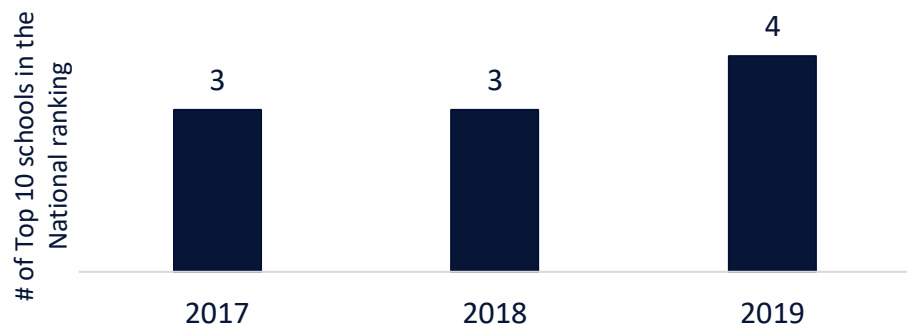




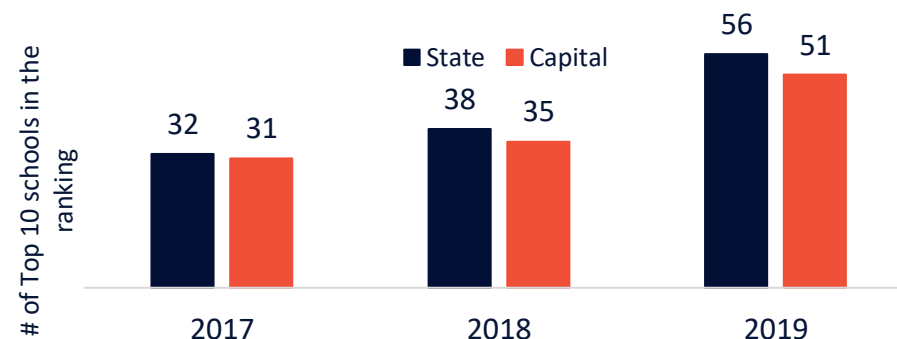
Track record based on outstanding results

Arco's schools are among the Top 10 in 24 out of the 27 Brazilian states

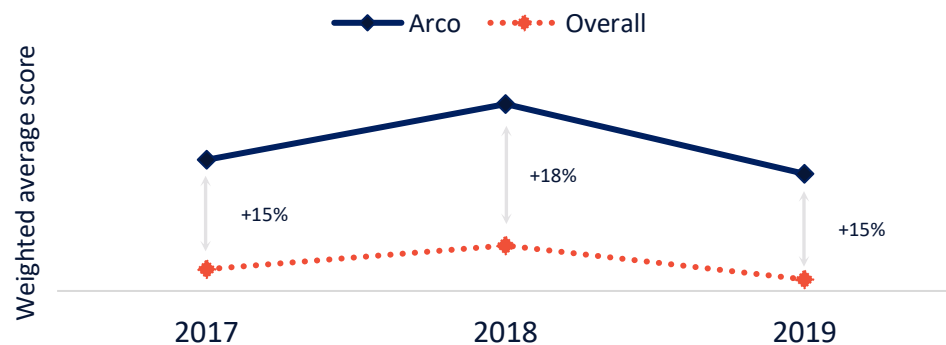
9 years among the top 10 schools in Brazil¹



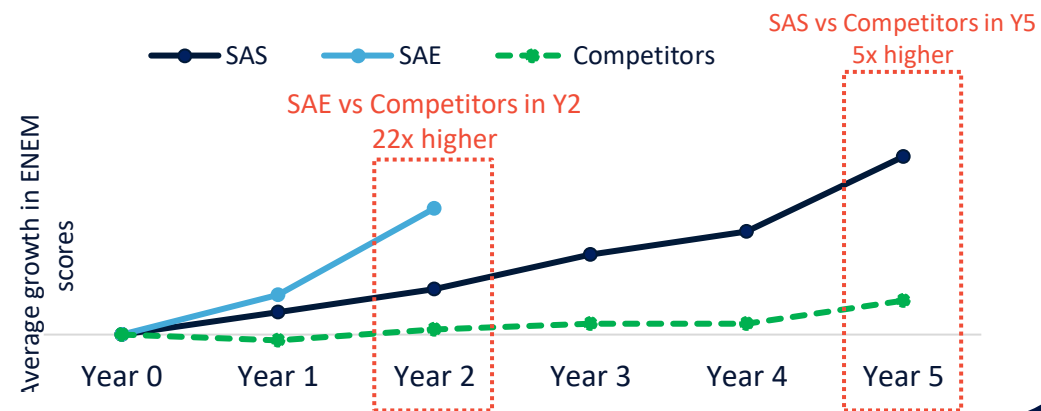
Delivering superior outcomes around the country¹



Arco's schools have higher average scores^{1,2}



Arco's solutions increase ENEM scores overtime³



Notes:

1. Considering ENEM: Brazil's optional national standardized exam. Source: company data, Ministry of Education. 2017 and 2018 numbers do not include Positivo's schools. Results shown are based on the objective questions scores and considers the following assumptions: (1) schools with more than 10 students and INEP ID, (2) students with scores different than zero that attended and graduated from regular high school, (3) students using Arco's solutions in high school or preparatory courses.

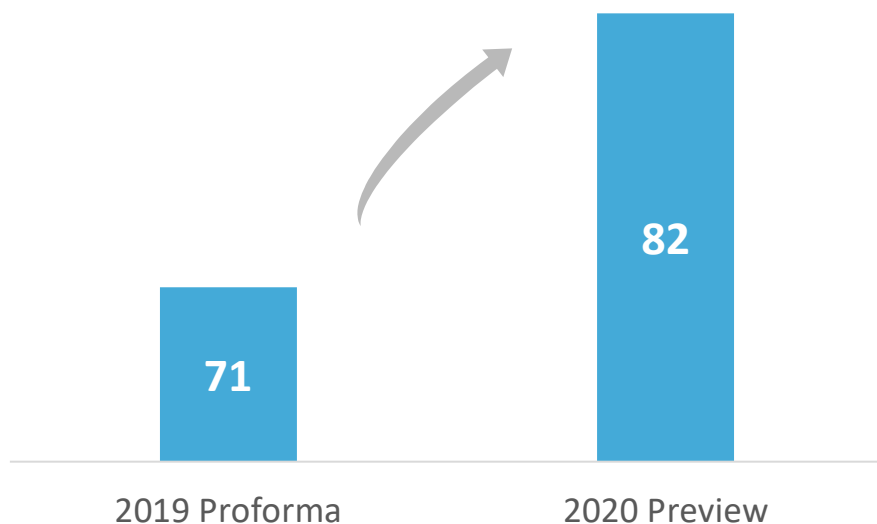
2. ENEM ranking considering the weighted average score per student.

3. Source: EY Parthenon. Based on 2018 ENEM results.



Virtuous cycle reflected on customer satisfaction

NPS for Arco's core solutions¹



"In this scenario, Positivo gave us enormous support, making the Positivo On platform available. It also offered lectures relevant for the moment, information that helped management seek for pedagogical and financial strategies and support on emotional issues." – Positivo partner school since 2018

"In times of Pandemic, Positivo reformulated itself in record time to assist us. We are satisfied" – Positivo partner school since 2013

"It's amazing what you did, you managed to show a new company, a new type of service." – Positivo partner school since 1993

Notes:

1. Net Promoter Score for Arco's core solutions. Calculated as the weighted average of the NPS scores per brand by the ACV. 2019 Proforma numbers include Positivo and Conquista. 2020 numbers are estimates. Images by PresentationGo.

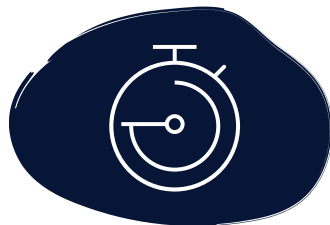


Why we also win on M&A?



FOUNDERS AND OWNERS PREFER TO PARTNER WITH US

- Quality-focused reputation and people-driven culture attract the best partner



WE ARRIVE EARLY AND DECIDE QUICKLY

- Focus from being a 100% pure play learning system
- Founder owned company with simple decision-making governance



WE OFFER OUTSTANDING GROWTH POTENTIAL FOR PARTNERS

- Distribution of solution in large and high-growth partner base
- Easier to attract talents by leveraging on Arco's brand
- Benefits from learning from other brands



Arco has been successful in executing strategic M&A transactions...



Announcement Date

May 2019

August 2020

Thesis:
Accelerate Companies with Similar Business Model

Revamp the operation and solution of a well-known learning system brand in Brazil

Accelerate growth of unique company in an attractive market

Competitive Positioning:
Leading Companies

Leading Core solution brand in Brazil
698k Students¹

Leading SEL brand in Brazil
330k Students

Deal Terms:
Accretive Multiples

12.0x EV/2018 EBITDA
4.0x EV/ACV²

60%: 12.5x EV/2019 EBITDA
40%: 6.0x EV/2023 ACV

Integration Approach:
Low Complexity and Growth Oriented

Go-to-market strategy restructured, investments in technology, almost completed in shared services

Subject to antitrust approval (shared services to be integrated, go-to-market to be restructured, investments in technology)

Notes:
1. Considers the number of students at the time of the acquisition, disclosed in the prospectus supplement dated October 21st, 2019.
2. Calculated by dividing the acquisition price of R\$ 1,650 million by the 2019 ACV of R\$ 397 million, disclosed in the prospectus supplement dated October 21st, 2019.



Covid-19 has reinforced our product differentiation

We have further differentiated our solutions during the pandemic

As a result, the engagement have achieved levels we would only expect to reach further into the future

Creation of a virtual school: offering of daily asynchronous and synchronous classes to all students from our network and prospect clients, free of charge

Expansion of digital content: online assessment, learning objects, digital books

Remote consultancy services: farmers team serving our partners schools and offering support, such as teacher training and managerial support to school owners as well as market and legal support for schools

Available to all grades, we are producing and broadcasting

more than **12,000**

video classes,

generating

34 million views¹

~3x increase

in the number of sessions in our online platforms, reaching more than 18 million session only in June 2020

SECTION

3

WHAT IS COMING AHEAD



We are still scratching the surface of a huge market

Total addressable market segmentation



Notes:
1. Source: EY-Parthenon.
2. Market-share calculated by dividing the 2020 ACV for each segment by the corresponding TAM



Exciting opportunities ahead supported by a consistent strategy

1

Continue to grow organically by disrupting textbooks and gaining share in learning systems

2

Pursue disciplined and accretive M&A to gain scale, expand portfolio of brands and enter new verticals

3

Make **selected bets in new markets** that offer exciting growth potential but demand different capabilities

SECTION

4

OUR MANAGEMENT TEAM



Founder-Led, talented management team

Our Management Team



Ari de Sá Cavalcante Neto
CEO

Education:



Selected
experience



Pedro Guerra
COO

Education:



Selected
experience



Alexandre Nakamaru
CFO

Education:



Selected
experience



João Cunha Silva
SAS CEO

Education:



Selected
experience



Daniel Moreira
Positivo CEO

Education:



Selected
experience



Bernardo Dorigo
Sales & Marketing Director

Education:



Selected
experience



Renata Machado
Chief People Officer

Education:



Selected
experience





Experienced board with diverse background

Our Board of Directors



Oto de Sá Cavalcante Neto
Chairman / Founder of Ari de Sá School

50 years of
experience



Ari de Sá Cavalcante Neto
Board Member/CEO/Founder

20 years of
experience



David Peixoto dos Santos
Independent Board Member

10 years of
experience



Edward Ruiz
Independent board member /
Audit committee chairman

48 years of
experience



Martins Scobari
Independent board member

25 years of
experience



Pablo Doberti
Independent board member /
Audit committee member

25 years of
experience



Stelleo Tolda
Independent board member

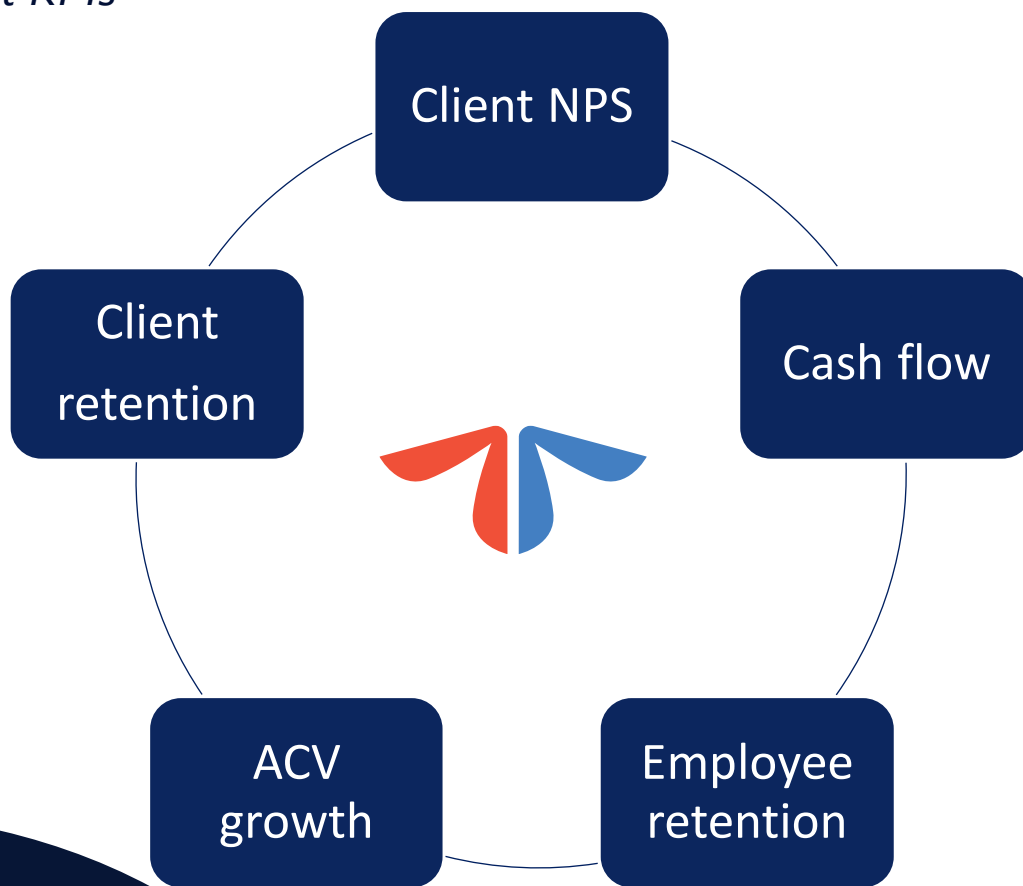
20 years of
experience





Our management team is evaluated and rewarded based on simple metrics related to long term value creation

Management target KPIs



APPENDIX

1

COMPETITIVE ADVANTAGES



Content: always evolving proprietary methodology

2020: um novo ano de desafios

O ano de 2020 começou com grandes desafios para o Brasil. O desemprego diminuiu um pouco (de 12 para 11,2% da população), mas ainda alcançava um número considerável de brasileiros. Ao mesmo tempo, a taxa de trabalhadores informais chegou a 41,1% da força de trabalho.

Nesse contexto, a expectativa era pela realização de medidas para reverter a situação e estimular o crescimento econômico. Porém, o mundo foi surpreendido por uma grande crise de saúde pública decorrente da pandemia do novo coronavírus, causador da Covid-19. A doença, que se alastra rapidamente, causou centenas de milhares de mortes no mundo e contribuiu para crises econômicas em várias nações, provocando a diminuição e até a paralisação de muitas atividades.



Grupo de médicos preparados para tratar



Constant update

Ensures that our students have the most up-to-date and engaging content



Effective operation

Our content is delivered at least one month before classes starts



Our editorial team¹

has over 470 people dedicated to the development and improvement of our content



20 years¹

is the average time our key editorial leaders have been working with us



Personalized content per brand

ensuring the independence of the methodology and agility in responding to customer needs

Note:
1. As of June 30, 2020, considering our Core Solutions only.



Tech-enabled learning methodology



The use of data to personalize the student learning experience & to improve the solutions throughout the time

DATA-BASED PERSONALIZED LEARNING

Customized learning itineraries
based on online and offline
assessment results

HYBRID INTERACTIVE CONTENT

ONLINE SOLUTIONS

Delivering digital content,
working on activities and
receiving customized feedback

OFFLINE SOLUTIONS

Printed books as a gateway to
online solutions through QR
codes, augmented reality
features and answer sheets

TEACHER AND SCHOOL EMPOWERMENT

Tools that ease the teacher
routine (e.g artificial
intelligence-based essay
correction and automatic
assessment generators)

Solutions that improve school
management (e.g ERP, remote
pedagogical support)

PARENT AND STUDENT ENGAGEMENT

Differentiated communication
tools

APPENDIX

2

K-12 MARKET IN BRAZIL





Survey summary

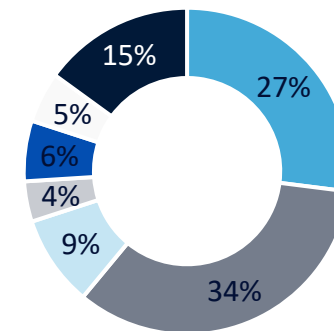
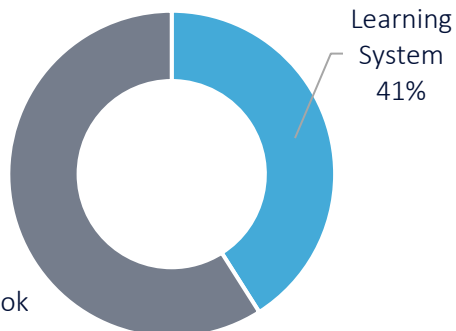
Primary information about learning systems and textbooks

Principal demographics



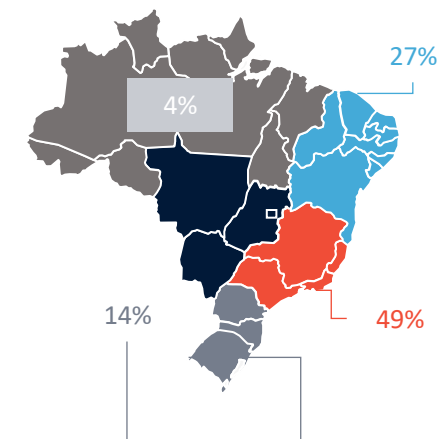
n = 500

Textbook
59%

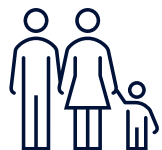


School size

- 0-100
- 101-200
- 201-300
- 301-400
- 401-500
- 501-600
- >600

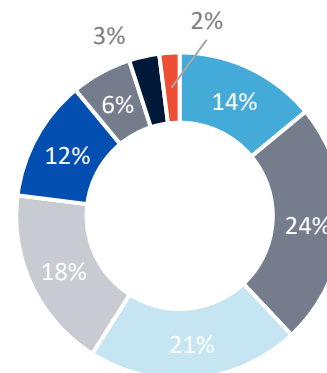
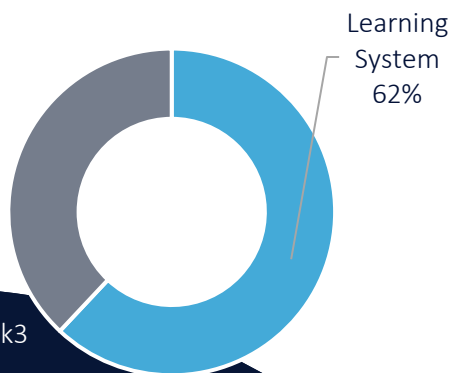


Parents demographics



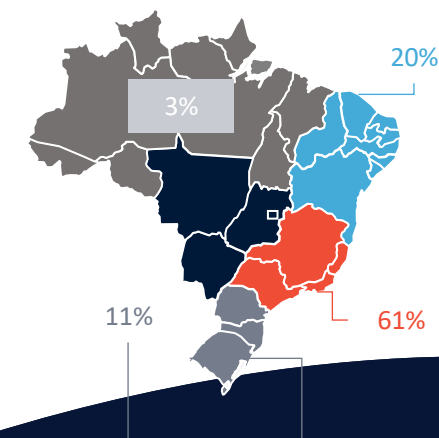
n = 709

Textbook3
8%



School tuition

- <R\$ 0.3k
- R\$ 0.3k-R\$ 0.5K
- R\$ 0.5k-R\$ 0.7K
- R\$ 0.7k-R\$ 1K
- R\$ 1k-R\$ 1.5K
- R\$ 1.5k-R\$ 2K
- R\$ 2k-R\$ 2.5K
- >2.5k





Arco's brand equity and proven academic results

Perception of our core brands and how we score in the National Exam

BRAND EQUITY



Top 3 most well-known brands among principals, with a very good reputation



Most well-known brand among principals and parents across all LS brands, with a very good reputation

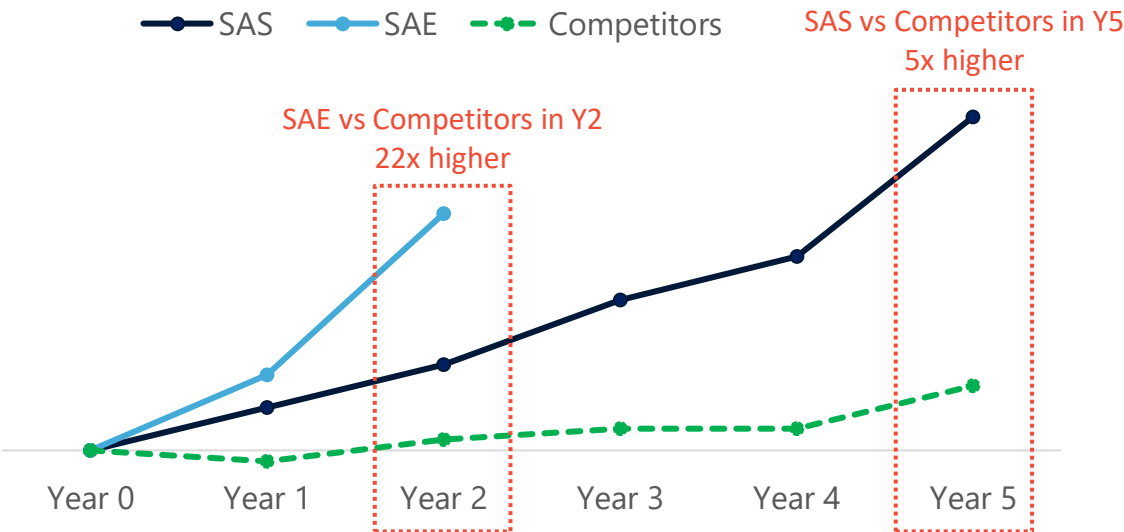


Perception of parent's users (NPS) is strong

IMPACT ON ENEM SCORES

Competitors present lower growth in ENEM scores compared to Arco's brands, considering objective questions

Average growth in ENEM scores



Notes:
1. Source: EY-Parthenon's assessment of the private K-12 learning systems market.



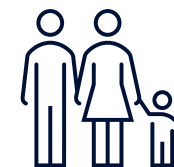
Principal's and parent's characteristics

Their perceptions on Learning Systems



PRINCIPALS

- Preference for **integrated solutions**
- Recognize the relevance of Learning System (LS) to **support** their needs and **teacher needs**
- Misread the level of their schools' difficulties, but understand that the **pain points are competition and retention**
- **Limited visibility** of their schools' performance compared to competitors



PARENTS

- 53% of parents **prefer schools with LS**
- 85% of parents that have experienced both non-LS and LS environments, believe that **LS had a positive impact** on their children's **engagement**
- 40% of non-LS parents, who believe **LS schools perform better academically**, are planning on changing school in the next 3 years
- 61% of parents that experienced both non-LS and LS environments, recognize the **benefit of technological tools** on children's engagement

Notes:

1. Source: EY-Parthenon's assessment of the private K-12 learning systems market.



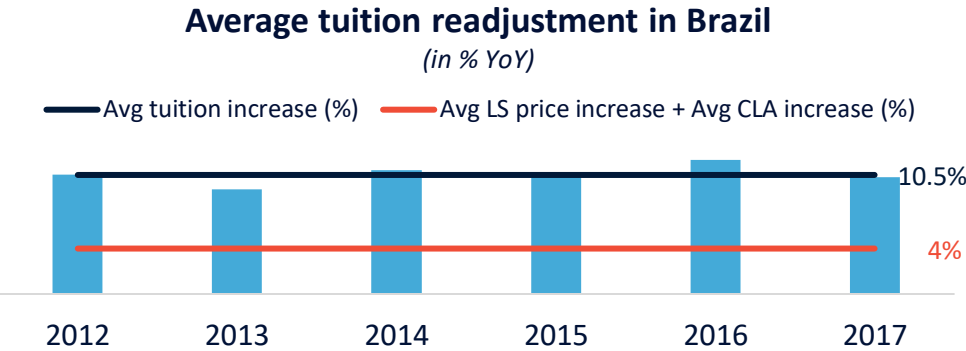
Market dynamics

Main indicators on K-12 sector in Brazil

Price Increase Power

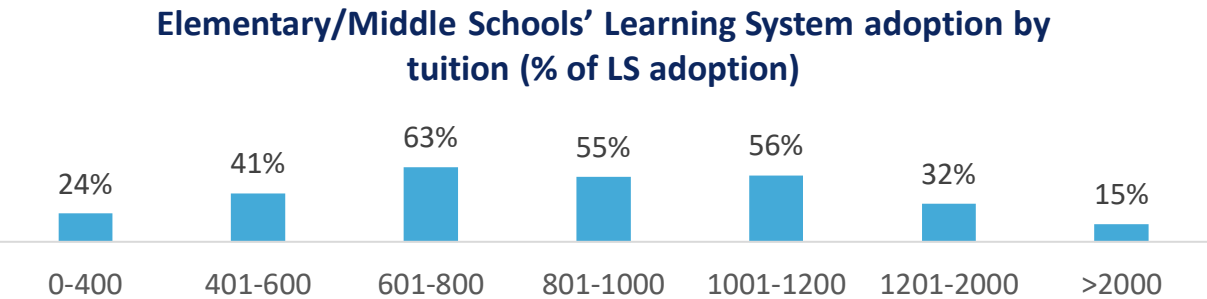
The likelihood for future price increases of LS is strengthened by:

- Principals' current expectations, influenced by **inflation** and **content's quality improvement**
- More than 60%** of LS increased their price between 6% and 10%



Schools have been **increasing tuition at higher rates** than price increase of LS and Collective Labor Agreements (CLA), combined

Learning System



76%
of parents in non-LS schools believe that **LS schools perform better academically**

- 40%** consider changing their children's school in the next 3 years
- 54%** have a household income of at least R\$5.000

Supplemental Activities

R\$18.7bn

Supplemental Solutions TAM

Why in school Supplemental Solution is expected to grow:

48%
of schools offer less than 4 supplemental activities and are **willing to increase** their current offering in the next 3 years

29%
of parents want to **allocate** their children spare time **to in-school supplemental activities**

Parents' misconception:
believe their children are attending more supplemental activities than they really are



Education in brazil

Where to find the main information



Instituto Nacional de Estudos e Pesquisas Anísio Teixeira

Information on the K-12
Market in Brazil

→ <http://portal.inep.gov.br/resultados-e-resumos>

→ <http://inep.gov.br/sinopses-estatisticas-da-educacao-basica>



Todos pela Educação

Research on Brazilian
Education

→ <https://www.todospelaeducacao.org.br/conteudos>

APPENDIX

3

FINANCIALS





Annual contract value (“ACV”) bookings

What is it?

Revenue we would contractually expect to recognize from a partner school in each school year, assuming no further additions or reductions in enrolled students in such school

Equivalent to the number of enrolled students at each partner school times the average ticket per student per year

Why is it Important?

Meaningful indicator of demand for our platform and the market’s response to it

Used by investors and securities analysts in their evaluation of companies

Difference Between ACV Bookings and Revenues

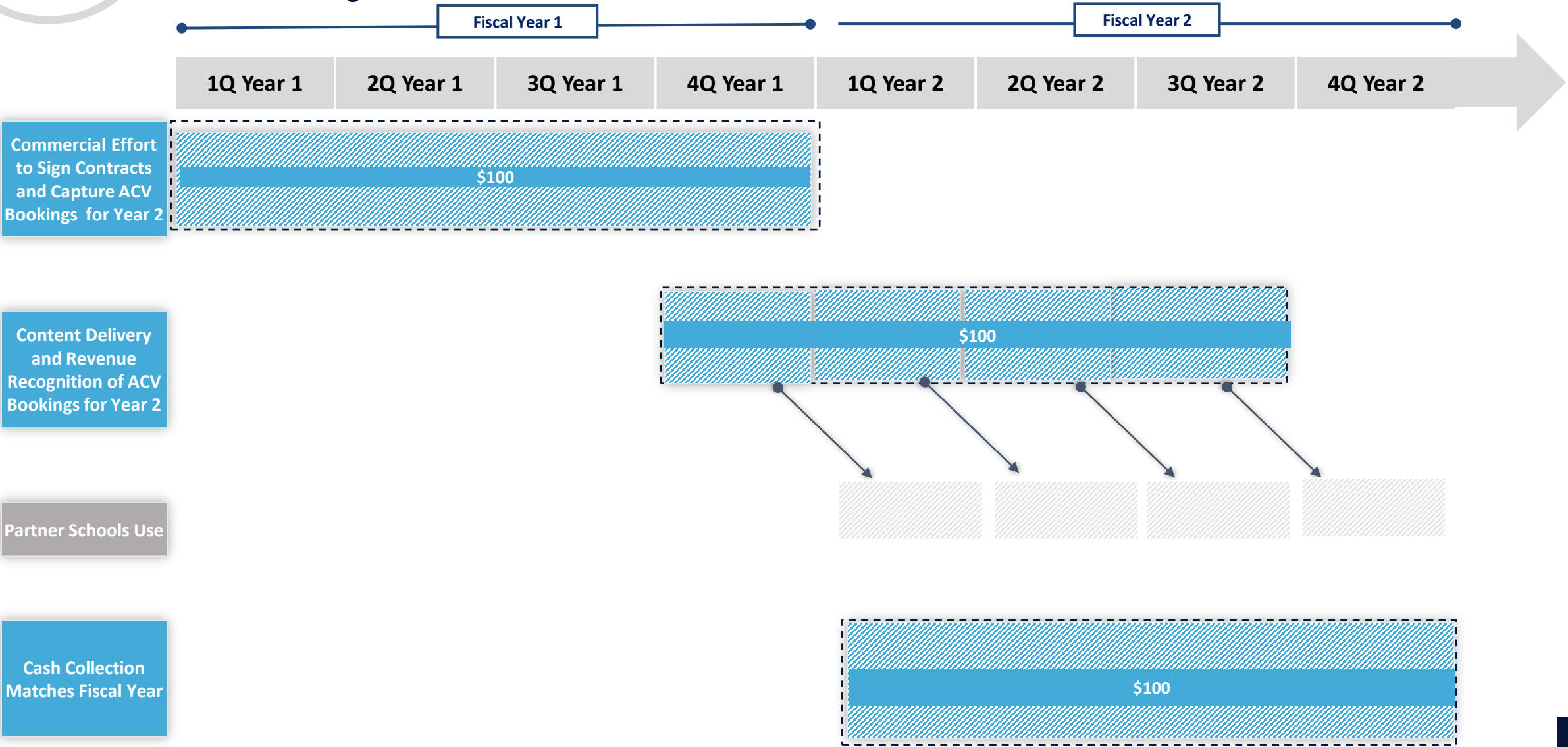
While ACV bookings is recorded upon the signing of contracts for a full school year, revenue is recognized at the moment content is delivered to partner schools

Content is delivered two to four times a year and typically two to three months prior to the start of each school quarter



Annual contract value revenue dynamics

ACV Bookings to Net Revenues

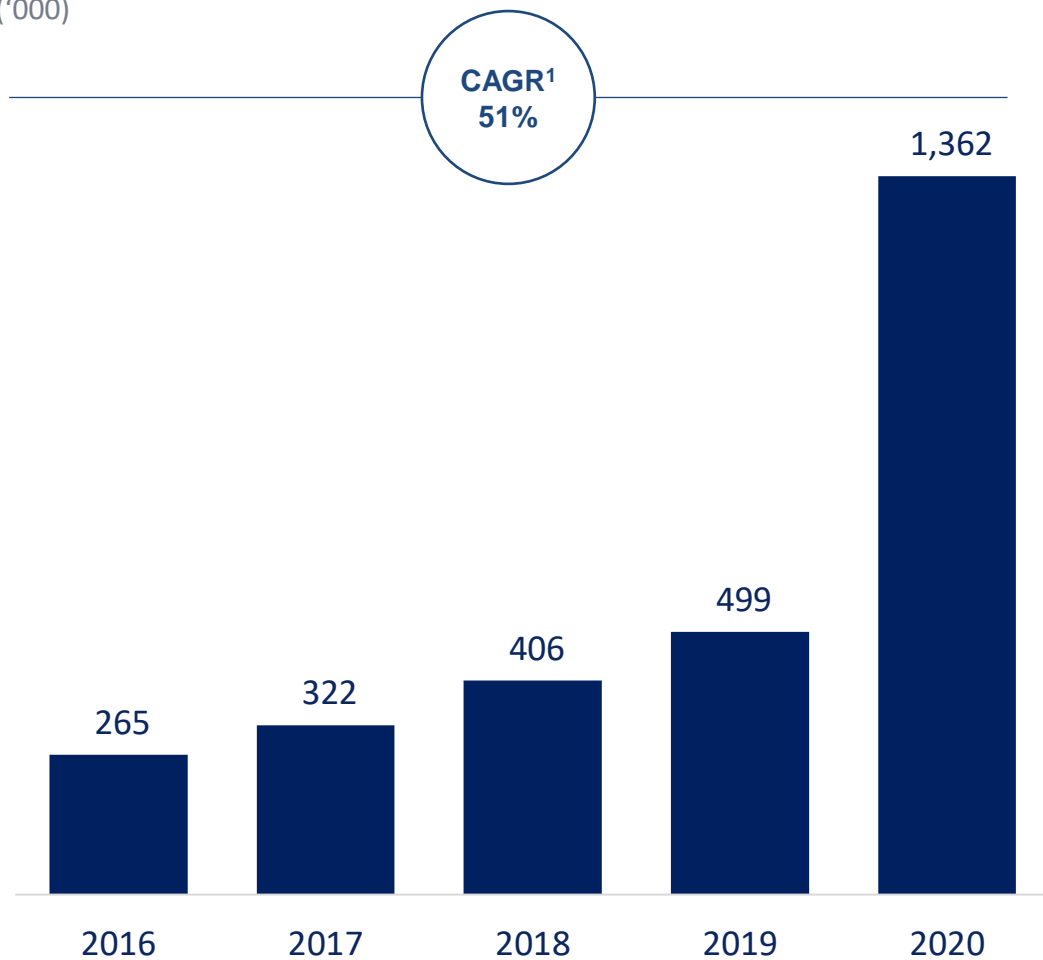




Track record of strong growth

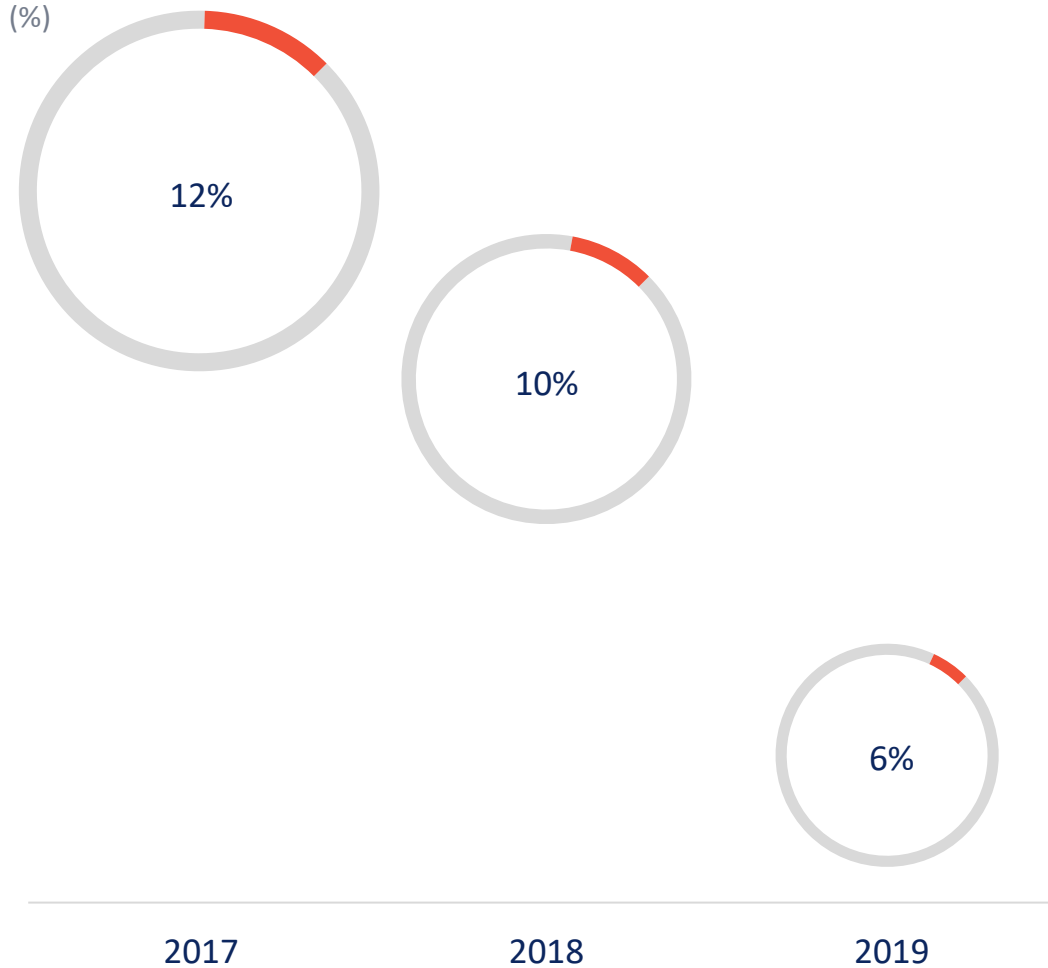
Students

('000)



Top 10 Schools' ACV Concentration

(%)



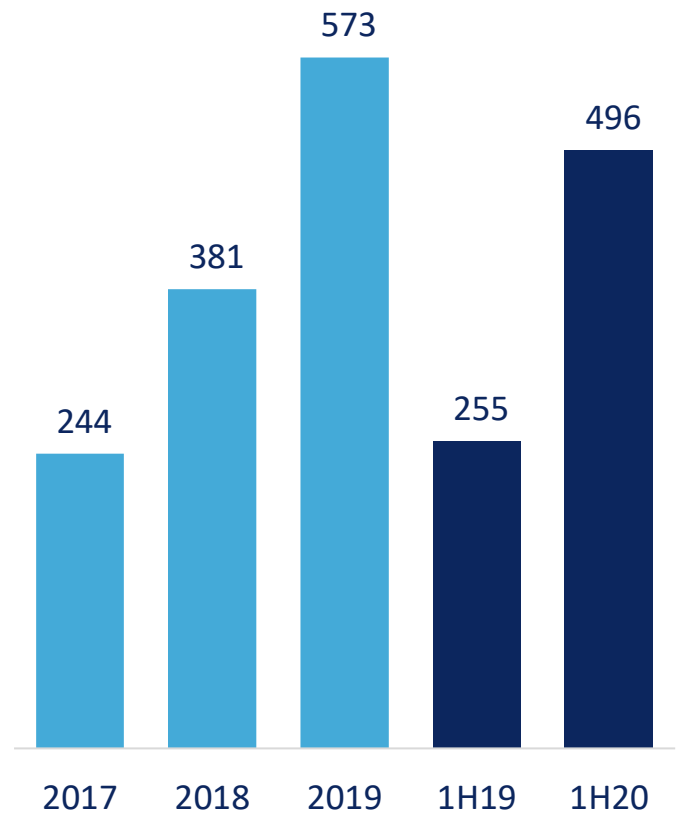
Notes:

1. CAGR = { (final value/ initial value)^(1/ # years) } -1

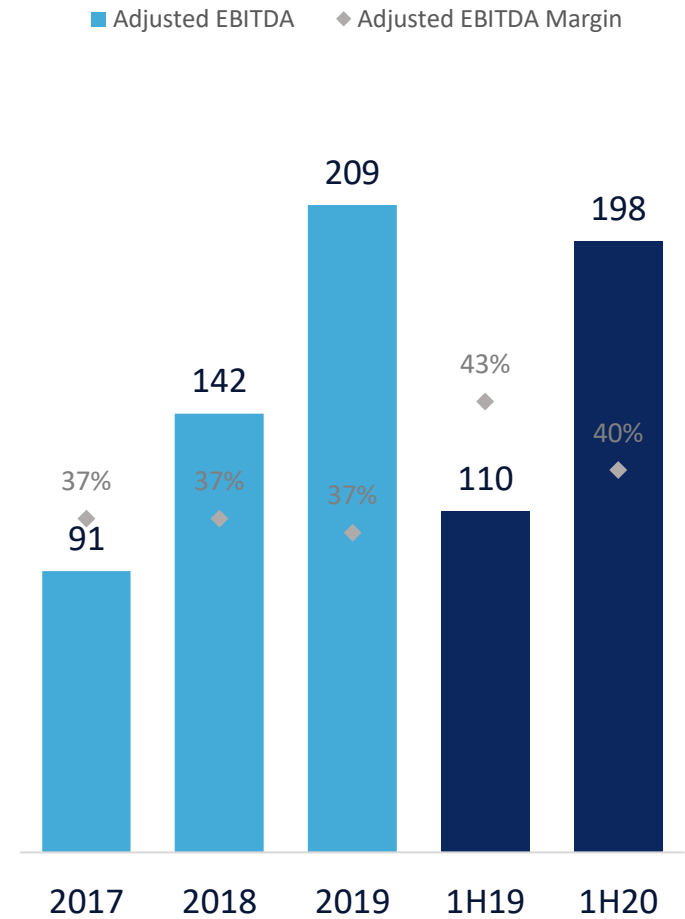


Growing with sustainable profitability

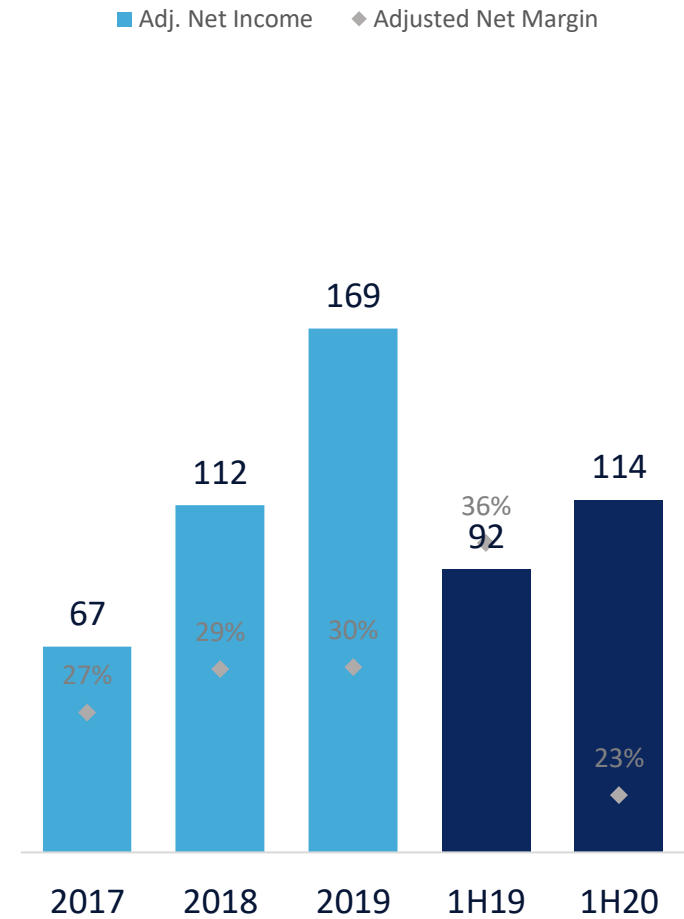
Net Revenue
(R\$ in million)



Adjusted EBITDA¹
(R\$ in million, %)



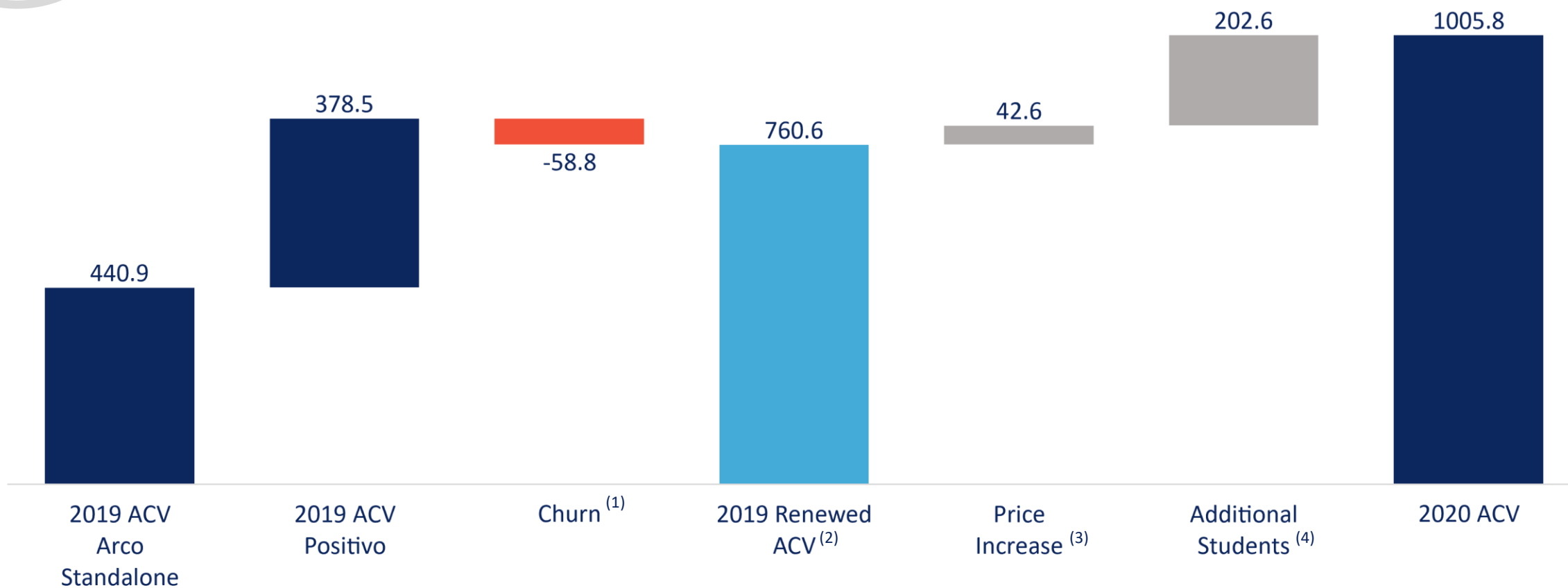
Adjusted Net Income²
(R\$ in million, %)



Notes:
1. Adjusted EBITDA margin for the year (or period) divided by net revenue of the same year (or period)
2. Adjusted Net Margin for the year (or period) divided by net revenue of the same year (or period)



2020 ACV build-up



Note:

1. Calculated as % of 2019 ACV (Arco and Positivo).
2. Value of renewed contracts before accounting any price increases, upselling or organic variations.
3. Calculated as % of 2019 Renewed ACV.
4. Additional students take into account new clients, upsell in existing clients and organic changes in the existing clients.



arco

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