arco

1Q21 Earnings Presentation

May 2021

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We have included in this presentation our Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Free Cash Flow and Adjusted Free Cash Flow, which are non-GAAP financial measures, together with their reconciliations, for the periods indicated. We understand that, although Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Free Cash Flow and Adjusted Free Cash Flow are used by investors and securities analysts in their evaluation of companies, these measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under IFRS. Additionally, our calculations of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Free Cash Flow and Adjusted Free Cash Flow may be different from the calculation used by other companies, including our competitors in the education services industry, and therefore, our measures may not be comparable to those of other companies.

Key messages

HEALTHY OPERATING RESULTS DESPITE THE TURBULENT ENVIRONMENT

- Net revenue was 27% higher in 1Q21 versus 1Q20, representing a strong 28.5% recognition of the 2021 ACV
- Adj. EBITDA margin was 35.7% and we are maintaining the 2021 adjusted EBITDA margin guidance (35.5% - 37.5%)
- FCF should increase along the year due to collection of receivables, decline in CAPEX and reduction in the effective tax rate
- Second wave of COVID-19 potentially leading to a revenue recognition for 2021 slightly lower versus ACV

ARCO IS PAVING THE WAY TO FURTHER ACCELERATE GROWTH

- Commercial cycle for 2022 school year continues to show encouraging results
- Strengthening our Core segment with top-of-mind brands
- Successfully launching cross-sell initiatives
- Leveraging our superior value proposition
- Entering the huge and promising B2C market

WE CONTINUE TO EVOLVE IN OUR ESG AGENDA

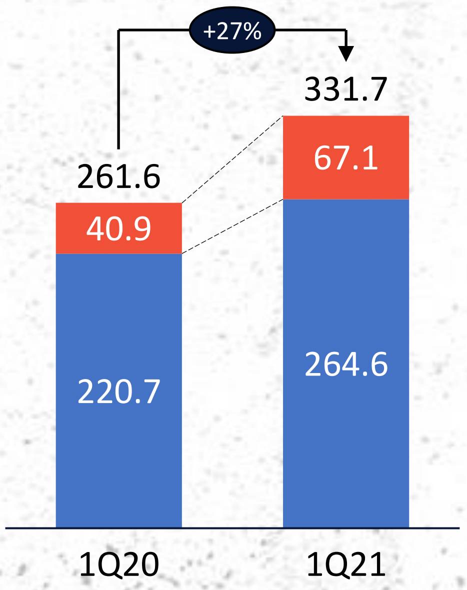
- Materiality assessment points to greater relevance of themes related to impact on education and team as an asset, in line with business strategy

Solid operating results, with healthy revenue recognition in the quarter

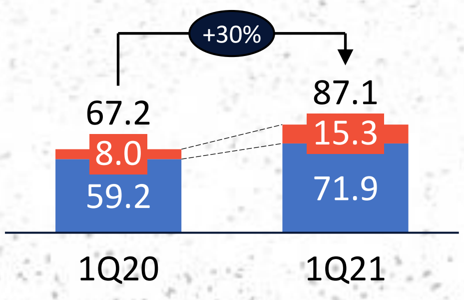
In R$, mm

Net Revenues

28.5% of 2021 ACV recognized in 1Q21 vs 27.2% in 1Q20

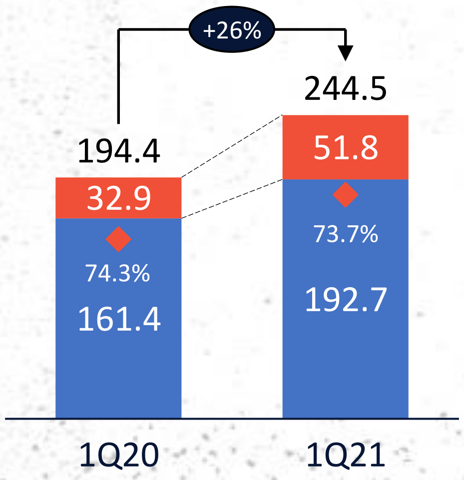


Cost of Sales



Gross Profit

Cash gross margin[1] of 78.7% (+160 bps YoY)



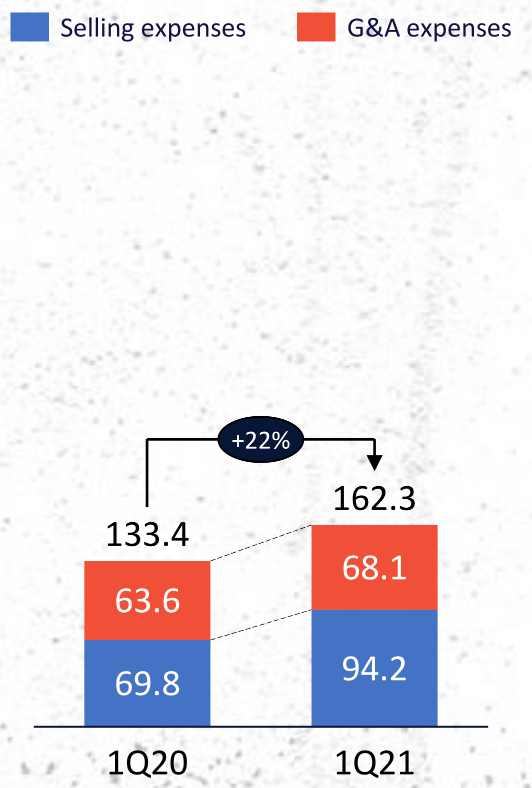
Core solutions | Supplemental solutions | Gross margin

1) Excluding depreciation and amortization.

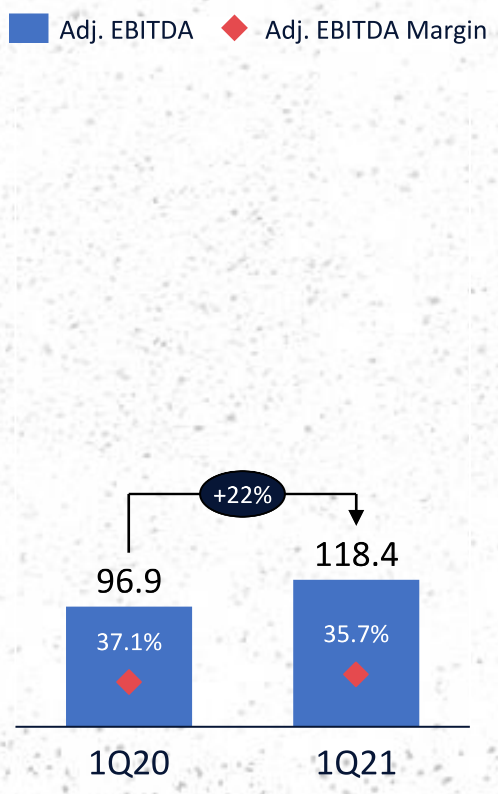
Adjusted EBITDA margin level confirms resilience of the business profitability

In R$, mm

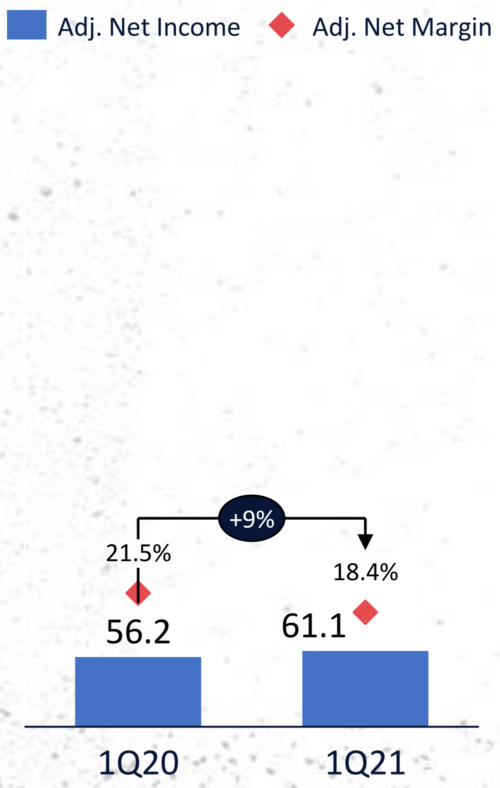
Selling and G&A expenses[1]



Adjusted EBITDA[2]



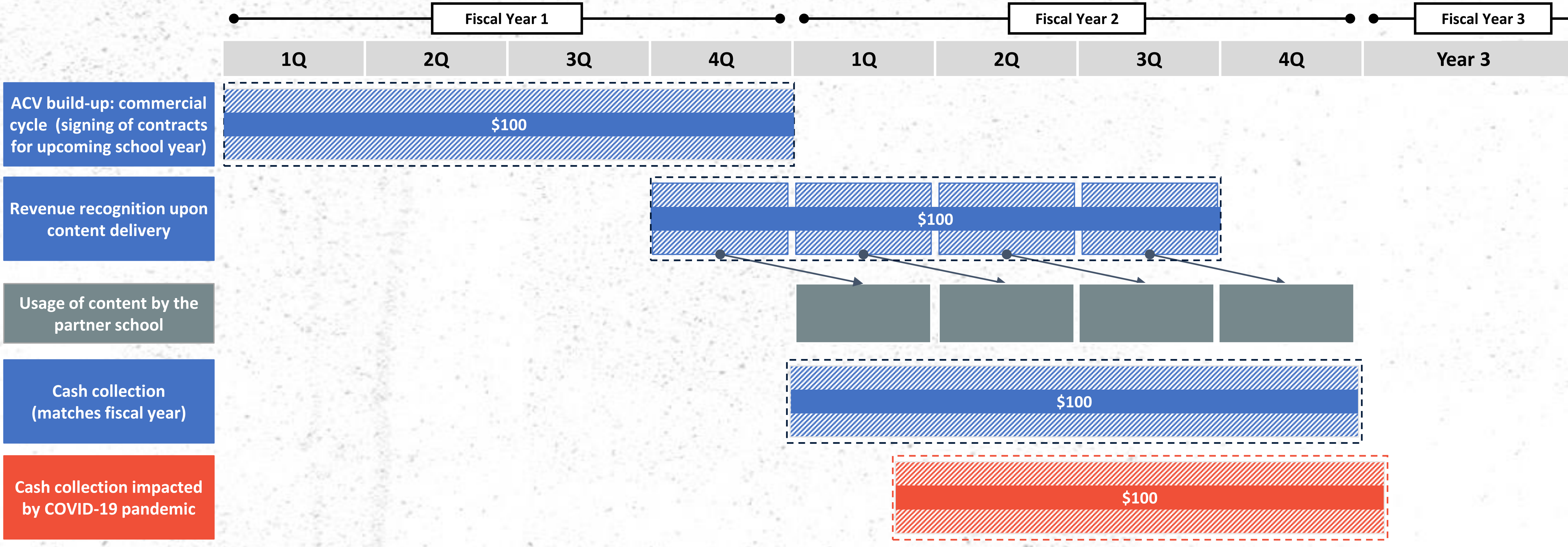
Adjusted Net Income[3]



1) Excluding depreciation and amortization. 2) EBITDA adjusted for share-based compensation plan, M&A expenses, non-recurring expenses and effects related to COVID-19 pandemic. Detailed explanation on our Financial Statements for the period ended March 31st, 2021.
3) Net income adjusted for share-based compensation plan, amortization of intangible assets from business combinations, changes in fair value of derivative instruments, changes in accounts payable to selling shareholders, share of loss of equity-accounted investees, changes in current and deferred tax recognized in statements of income applied to all adjustments to net income, foreign exchange gains/loss on cash and cash equivalents, interest expenses, M&A expenses, non-recurring expenses and effects related to COVID-19 pandemic. Detailed explanation on our Financial Statements for the period ended March 31st, 2021.

Working capital temporarily affected by the COVID-19 pandemic

ACV bookings x revenue recognition x cash collection



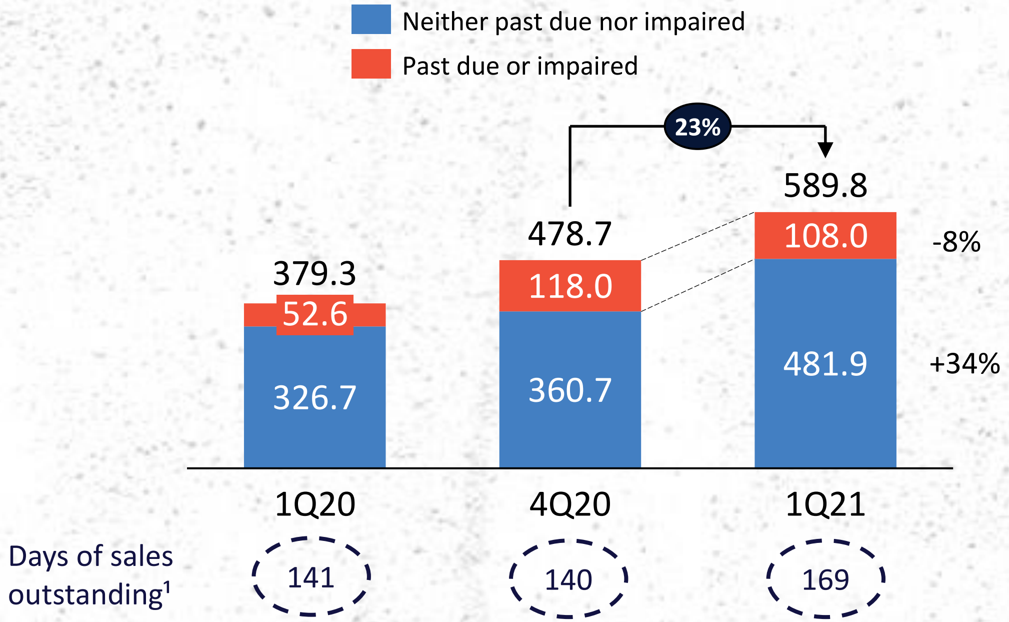
RECEIVABLES FROM 2021 SCHOOL YEAR ARE MORE CONCENTRATED IN Q2-Q4 AND YTD ONLY 2% HAVE SLIPPED TO 2022

Illustrative chart. The quarters do not have equal weights in any of the metrics presented.

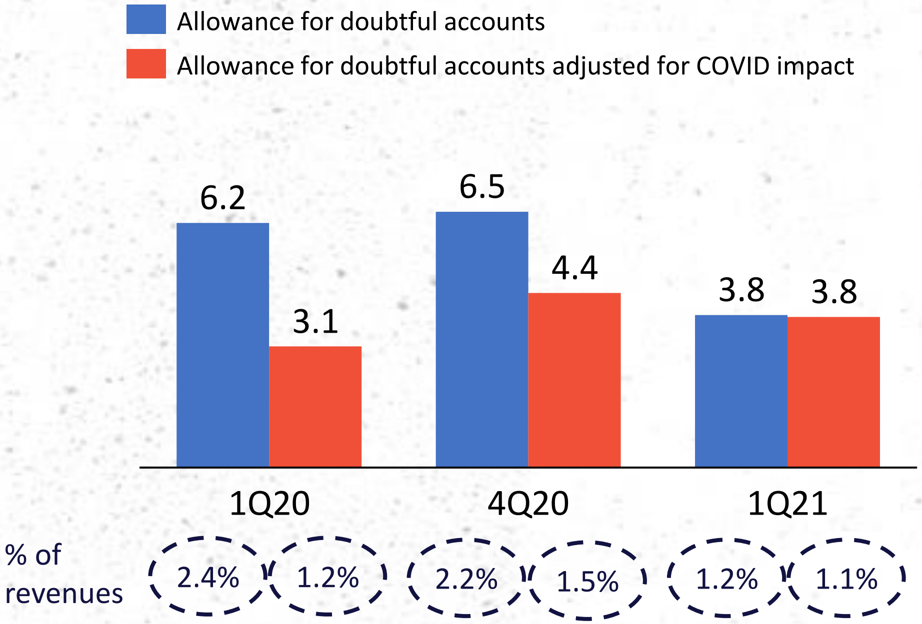
We opted to support our schools and protect our pricing and retention through slightly more flexible payment terms

In R$, mm

Trade receivables



Allowance for doubtful account

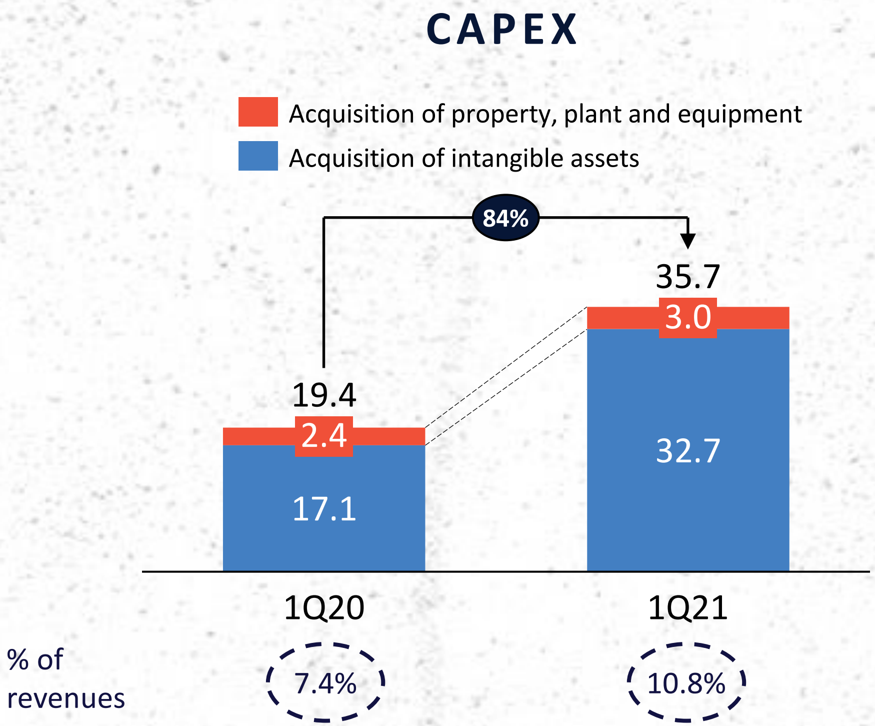


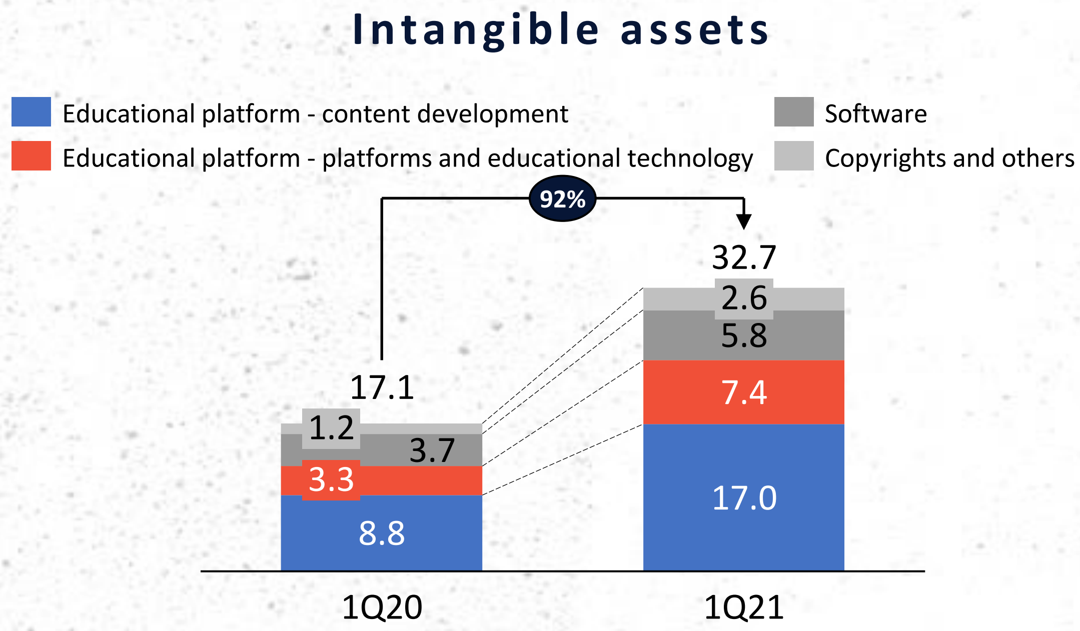
- Increase in trade receivables reflects the revenue growth and punctual renegotiation with clients for slightly more extended contracts due to the COVID impact to schools
- Given the high LTV of our contracts and our brand positioning, we prefer to avoid discounts, preserve our pricing power and add/renew contracts at very healthy economic parameters
- Allowance for doubtful accounts is returning to pre-pandemic levels as a result of the improvement in the receivables' profile and evolution of internal processes

1) Calculated as trade receivables net of the balance of allowance for doubtful accounts divided by the pro forma net revenue for the last twelve months, including pro forma revenues from businesses acquired in the period.

Investments in the product continues to be an important pillar for future growth

In R$, mm





- Increase in CAPEX mainly relates to investments in content development and technological improvements at Positivo, acquired in 2019, and SAS, peaking in the 1Q as we focus on further differentiating the product in the beginning of the sale cycle for 2022 school year. We expect CAPEX as a percentage of sales to decline in coming quarters.

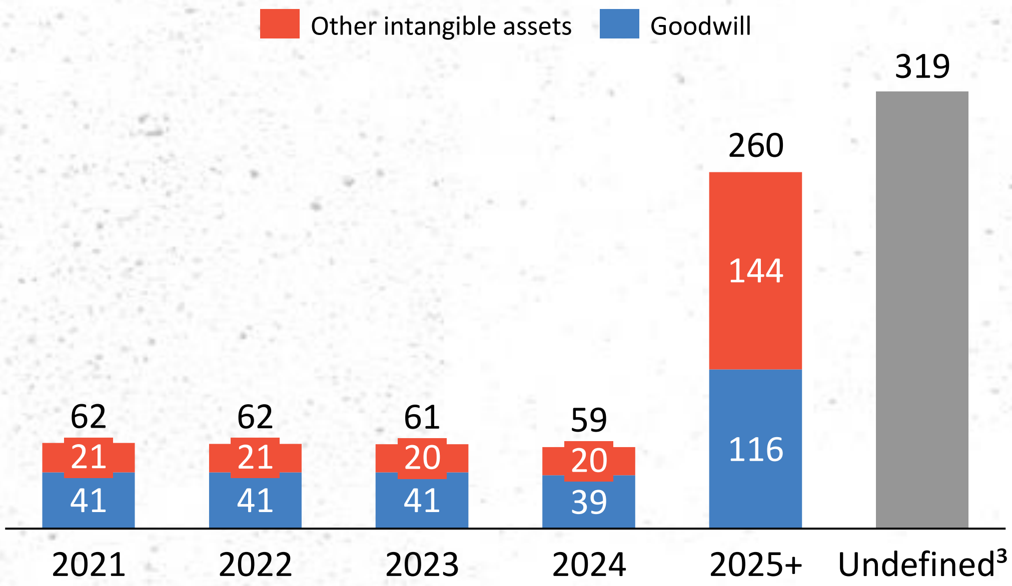
Corporate restructuring will allow for capture of additional cash tax benefits from business combination

In R$, mm

Corporate restructuring

Annual combined tax payment of ~R$30 MM.

Current tax benefit from business combination[2]



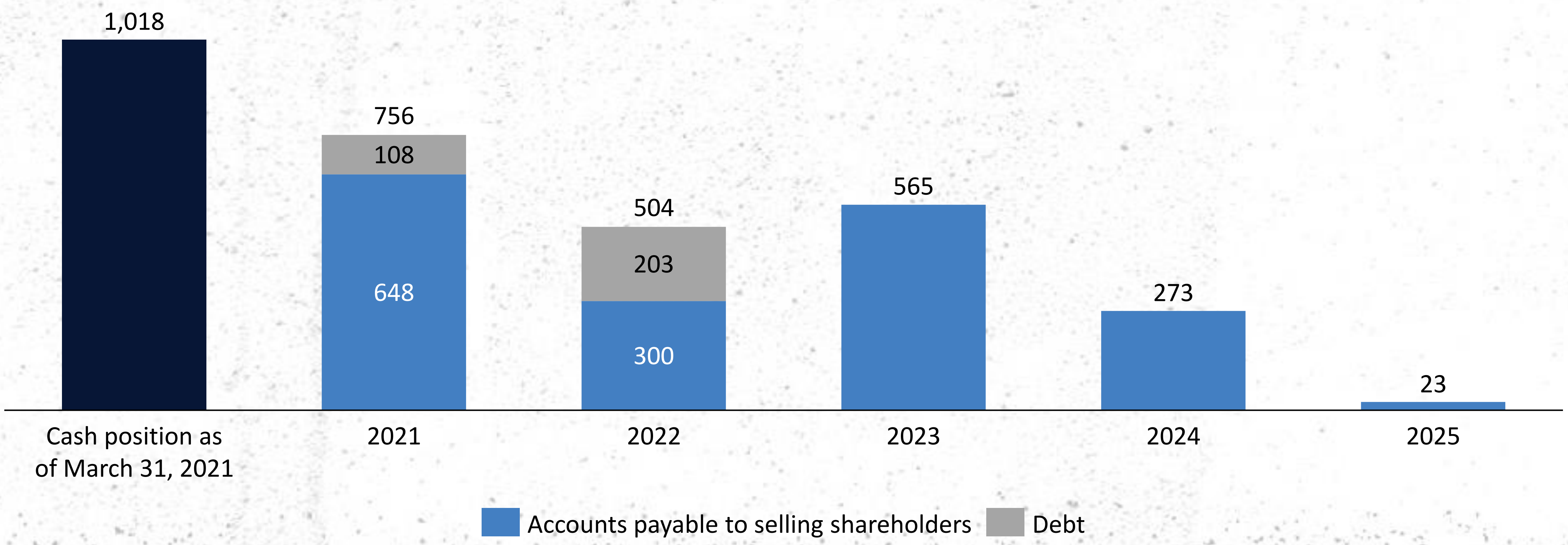
- Today only Positivo, SAE and part of SAS benefit from amortization of intangible assets and goodwill from business combinations (~R$60 mm per year for the next 5 years)
- As we incorporate other businesses into CBE we will be able to capture additional tax benefits and therefore further reduce our effective tax rate, currently at 20.3% (details on taxable income on slide 25)

1) Companhia Brasileira de Educação e Sistemas de Ensino S.A., entity incorporating acquired businesses. 2) Current benefit prior to corporate restructuring and excluding COC and Dom Bosco acquisition as it is still pending anti-trust approval. 3) Business not yet incorporated.

Cash position is enough to meet current obligations

Arco has firm proposals from banks for a credit line between R$600-700 million to strengthen its balance sheet at attractive conditions

In R$, mm



Accounts payable to selling shareholders do not include acquisitions announced still pending anti-trust approval.

Arco is paving the way to further accelerate growth

STRENGHTHENING CORE SEGMENT WITH TOP-OF-MIND BRANDS

SUCCESSFULLY LAUNCHING CROSS-SELL INITIATIVES

LEVERAGING OUR SUPERIOR VALUE PROPOSITION

ENTERING THE HUGE AND PROMISSING B2C MARKET

STRENGHTHENING CORE SEGMENT WITH TOP-OF-MIND BRANDS

1) Acquisition still subject to Brazilian antitrust authorities' approval. 2) Preliminary estimate, subject to change. 3) Considers scores based on schools that voluntarily disclosed the information. 4) Source: EY Parthenon, 2019. 5) National High School Exam (*Exame Nacional do Ensino Médio*), main national standardized test for university entrance in Brazil.

COC and Dom Bosco[1] was a **strategic acquisition** for Arco

FINANCIALLY ACCREATIVE DEAL WITH GREAT PRICE & GEOGRAPHY COMPLEMENTARITY

- Price paid equivalent to 14.4x 2020 EBITDA and expected to generate tax benefit NPV of ~R$214 mm[2]
- Strong presence in the SE region and price point complements Arco's current offering

TOP-OF-MIND BRANDS WITH PROVEN TRACK-RECORD ON STUDENTS' ADMISSION[3]

- COC and Dom Bosco are top-of-mind brands among parents and principals according to EY Parthenon[4]
- 48% of COC schools and 28% of Dom Bosco schools are in the top 3 in the ENEM[5] ranking of their municipalities

STRONG GROWTH AND SYNERGY OPPORTUNITIES

- Extensive M&A track record of acquiring and improving, accelerating growth of acquired solutions by applying our winning factors
- Initial assessment from integration team already shows ~R$15 mm in cost synergies per year, leading to a post-synergy multiple of 11.6x 2020 EBITDA

ADDITIONAL CROSS-SELL OPORTUNITIES

- Deal includes commercial agreement to distribute selected supplemental solutions from Pearson, which are complementary to its current offer

SUCCESSFULLY LAUNCHING CROSS-SELL INITIATIVES

72% of 2022 YTD new school intake
for supplemental solutions
coming from **cross-sell initiatives**

MORE INCENTIVES
Launching of incentive campaigns to close contracts by referral until Aug/21

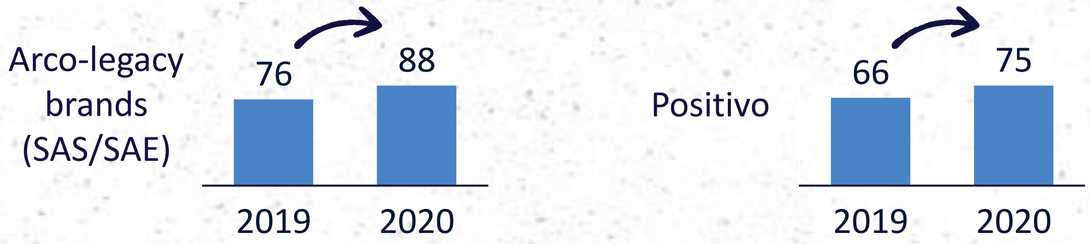
MORE BUNDLE BENEFITS
Improvement of special commercial conditions, providing more relevant and flexible tools to the frontline

MORE KNOWLEDGE AND TRAINING
Events with the entire frontline to reinforce training and grant merits to better performers

LEVERAGING OUR SUPERIOR VALUE PROPOSITION

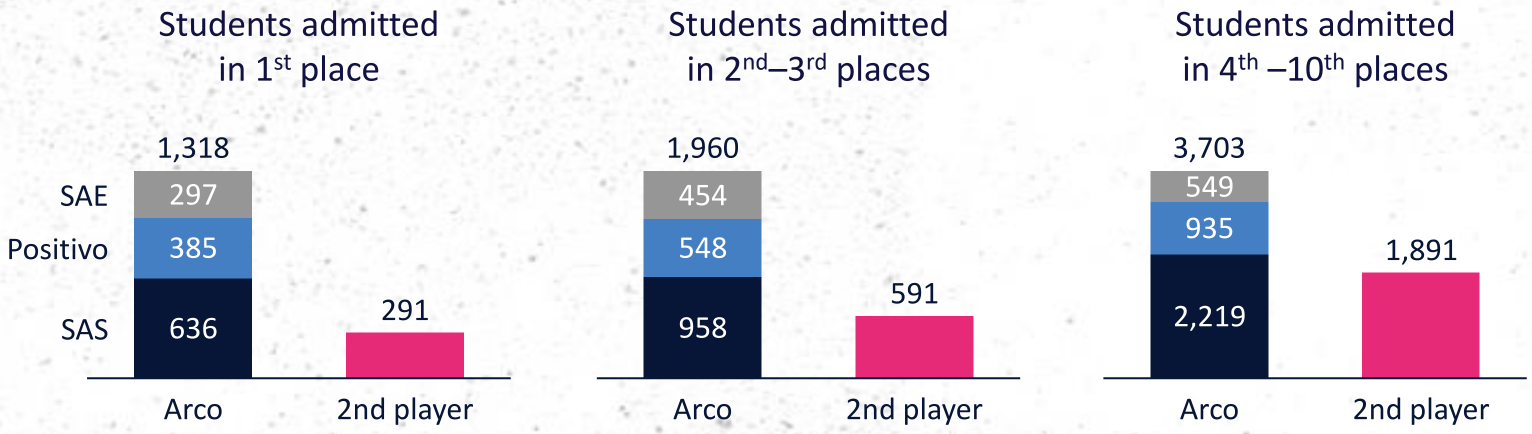
WE CONTINUE TO BE LEADERS IN PRODUCT NPS

15% increase in NPS[1]



WE HAVE A TRACK RECORD OF 50+ YEARS OF BRAND REPUTATION AND ACADEMIC RESULTS

Leader in admissions in public universities through ENEM[2]



WE ARE CONTINUOUSLY EVOLVING OUR PRODUCT

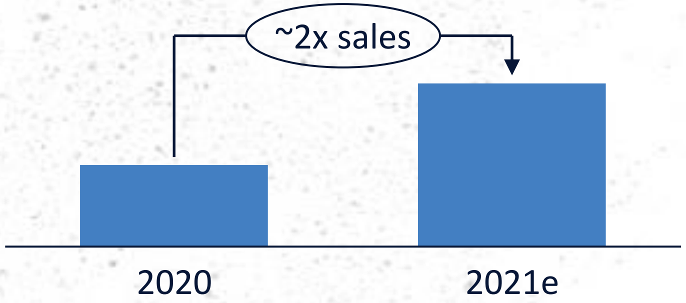
Investments in digitalization and innovation allows for the delivery of differentiated technology, content and pedagogical services

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.
2) ENEM is the National High School Exam (*Exame Nacional do Ensino Médio*), main national standardized test for university entrance in Brazil. Source: SiSU 2021.

ENTERING THE HUGE AND PROMISSING B2C MARKET

Initial investments already showing results

- **FOCUS ON TEAM AND MARKETING** to accelerate Me Salva!'s growth
- **INCREASE SHARE OF PREMIUM OFFERING**, as medicine test-prep courses



- **B2B TEST-PREP SOLUTION BEING DEVELOPED**, with expected launch for 2H21

ESG materiality analysis confirms focus on impact and people

Step 1 *~April* — **Map our materiality**

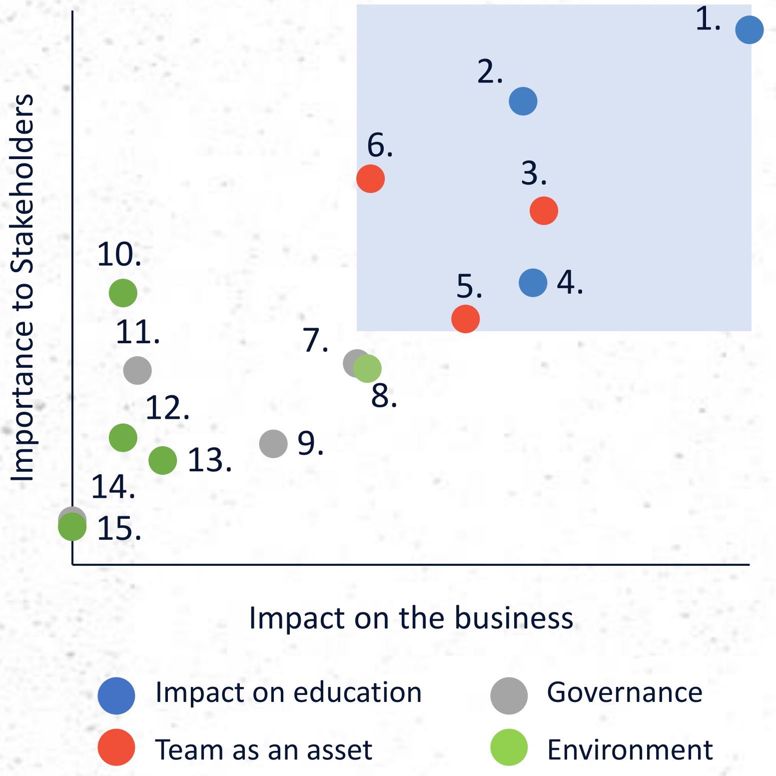
Step 2 *~May* — Benchmark with main frameworks

Step 3 *~June* — Define main indicators

Step 4 *2H21* — Disclose results & focus on continuous improvement

Themes prioritized by stakeholders[1]

1. Quality in Education
2. Inclusive Education and Access
3. Attracting and retaining talent
4. Quality of service and customer relationship
5. Diversity and inclusion
6. Work environment, development, and career
7. Corporate governance
8. Sustainable resource management
9. Data security
10. Clean technology and innovation
11. Stakeholder engagement
12. Inclusion of sustainability as a topic in the curriculum
13. Climate Change and Atmospheric Emissions
14. Intellectual property protection
15. Electronic waste management



WE WILL INITIALLY PURSUE
BETTER DISCLOSURE AND IMPROVEMENT IN
IMPACT ON EDUCATION & TEAM AS AN ASSET

1) Materiality analysis built based on Arco's business priorities and stakeholders' vision about key social, environmental and governance issues, undertaken in consultation with RPT.Estratégia.

APPENDIX

New Board member reinforces family's long-term commitment to the company

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

50 years of experience

Ari de Sá Cavalcante Neto
Board member/CEO/Founder

20 years of experience

Paula Soares de Sá Cavalcante
New Board member announced in May 2021

4 years of experience

Beatriz Amary Faccio
Independent Board member

12 years of experience

Carla Schmitzberger
Independent Board member

14 years of experience

David Peixoto dos Santos
Independent Board member
Audit commitee 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

Guidance & next events

GUIDANCE	
2021 ACV Recognition on 2Q21	19% - 21%
Adjusted EBITDA Margin 2021	35.5% to 37.5%

NEXT EVENTS	1Q Call	2Q Call	3Q Call	4Q Call
2022 ACV guidance			✓	
2022 ACV confirmation				✓
% of ACV recognition for next quarter	✓	✓	✓	✓
Current fiscal year EBITDA margin	✓	✓	✓	
Next fiscal year EBITDA margin				✓

Revenue recognition and annual contract value bookings

1. How does Arco recognize revenue?

We recognize our revenue when the content is made available to our partner schools.

2. When is Arco's content usually made available to partner schools?

We typically deliver our Core Curriculum content four times a year, in December - prior to the beginning of the school year - then March, June and August. We typically deliver our Supplemental Solutions twice a year, in December and June. In both cases, we deliver content two to three months prior to the start of each school quarter.

3. What is Annual Contract Value (ACV) Bookings?

We define it as the revenue we would contractually expect to recognize from a partner school in each school year pursuant to the terms of our contract with such school, assuming no further additions or reductions in enrolled students in such school year. We calculate ACV Bookings by multiplying the number of enrolled students at each partner school with the average ticket per student per year, net of discounts or courtesies.

Adjusted EBITDA reconciliation

In R$, 000´s
(unaudited)

Adjusted EBITDA Reconciliation	1Q21	1Q20
Profit (Loss) for the period	**11,811**	**3,821**
(+/-) Income taxes	10,600	6,609
(+/-) Finance result	28,674	28,952
(+) Depreciation and amortization	48,052	28,675
(+/-) Share of loss of equity-accounted investees	1,023	706
EBITDA	**100,160**	**68,763**
(+) Share-based compensation plan, RSU and provision for payroll taxes	11,724	15,960
(+) M&A expenses	3,997	1,564
(+) Non-recurring expenses	1,875	7,231
(+) Effects related to COVID-19 pandemic	629	3,402
Adjusted EBITDA	**118,385**	**96,920**
Net revenue	331,672	261,579
EBITDA Margin	30.2%	26.3%
Adjusted EBITDA Margin	**35.7%**	**37.1%**

Adjusted net income reconciliation

In R$, 000´s (unaudited)

Adjusted Net Income Reconciliation	1Q21	1Q20
Profit (loss) for the year	**11,811**	**3,821**
(+) Share-based compensation plan, RSU and provision for payroll taxes	11,724	15,960
(+) Amortization of intangible assets from business combinations	24,862	17,983
(+/-) Changes in fair value of derivative instruments	0	54
(+/-) Changes in accounts payable to selling shareholders	(2,188)	6,600
(+) Share of loss of equity-accounted investees	1,023	706
(+/-) Tax effects	(20,322)	(20,428)
(+) Foreign exchange on cash and cash equivalents	279	(742)
(+) Interest on acquisition of investments, net (linked to a fixed rate)[1]	22,474	11,319
(+) Interest on acquisition of investments, net (adjusted by fair value)[2]	4,907	8,699
(+) M&A expenses	3,997	1,564
(+) Non-recurring expenses	1,875	7,231
(+) Effects related to COVID-19 pandemic	629	3,402
Adjusted Net Income	**61,071**	**56,169**
Net revenue	331,672	261,579
Adjusted Net Income Margin (%)	**18.4%**	**21.5%**

1) Refer to interest expenses on liabilities related to business combinations and investments in associates that are linked to a fixed rate (CDI or SELIC). 2) Refer to interest expense on liabilities related to business combinations and investments in associates that are adjusted by the fair value of the acquired business.

Taxable income reconciliation

In R$, 000´s
(unaudited)

Taxable Income Reconciliation	1Q21	1Q20
Profit before income taxes	**22,411**	10,430
(+) Share-based compensation plan, RSU and provision for payroll taxes[1]	8,570	9,209
(+) Amortization of intangible assets from business combinations before incorporation[1]	4,901	14,524
(+/-) Changes in accounts payable to selling shareholders[1]	17,646	17,118
(+/-) Share of loss of equity-accounted investees	(348)	(240)
(+) Net income from Arco Platform (Cayman)	5,649	629
(+) Fiscal loss without deferred	1,384	1,313
(+/-) Provisions booked in the period	4,473	11,310
(+) Tax loss carryforward	17,054	29,769
(+) Others	3,763	5,726
Taxable income	**85,503**	**99,788**
Current income tax under actual profit method	**(29,071)**	**(33,927)**
% Tax rate under actual profit method	*34.0%*	*34.0%*
(+) Effect of presumed profit benefit	492	561
Effective current income tax	**(28,579)**	**(33,366)**
% Effective tax rate	*33.4%*	*33.4%*
(+) Recognition of tax-deductible amortization of goodwill and added value[2]	10,838	922
(+/-) Other additions (exclusions)	388	256
Effective current income tax accounted for goodwill benefit	**(17,353)**	**(32,188)**
% Effective tax rate accounting for goodwill benefit	***20.3%***	***32.3%***

1) Temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will yield amounts that can be deducted in the future when determining taxable profit or loss. 2) Added value refers to the fair value of intangible from business combinations.

Free cash flow reconciliation

In R$, 000´s
(unaudited)

Free Cash Flow Reconciliation	1Q21	1Q20
Cash generated from operations	**89,228**	**103,729**
(-) Income tax paid	(46,988)	(57,543)
(-) Interest paid on lease liabilities	(860)	(425)
(-) Interest paid on investment acquisition	(4,153)	0
(-) Interest paid on loans and financing	(3,567)	0
(-) Payments for contingent consideration	0	(3,696)
Cash Flow from Operating Activities	**33,660**	**42,065**
(-) Acquisition of property, plant and equipment	(2,998)	(2,377)
(-) Acquisition of intangible assets	(32,701)	(17,059)
Free cash flow	**(2,039)**	**22,629**

IR Contact:
ir@arcoeducacao.com.br
https://investor.arcoplatform.com

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