



# Arco Reports Third Quarter 2022 Results

ARCO CONCLUDED THE 2022 CYCLE WITH ORGANIC NET REVENUE GROWTH OF 34% OVER THE 2021 CYCLE AT R\$1,561 MILLION (100% ACV RECOGNITION) AND IMPROVED PROFITABILITY

**São Paulo, Brazil, December 1<sup>st</sup>, 2022 – Arco Platform Limited, or Arco or Company (Nasdaq: ARCE)**, today reported financial and operating results for the third quarter ended September 30<sup>th</sup>, 2022.

“ We are concluding the 2022 cycle with 100% ACV bookings recognition, leading to a 48% top line growth and an increase in profitability. Initiatives put in place this year were a great first step in a long path towards improving efficiency and integration, reducing redundancy, and making Arco a more agile company to better service our partner schools and generate greater value to our shareholders. In this context free cash flow is a key success metric for our management team, together with growth, which, with a now comprehensive portfolio that includes pedagogical, financial and software solutions, will be powered by a more mature cross-selling strategy. ”

**Ari de Sá Neto, CEO and founder**

|                      | Net revenue                    | Cash Gross profit              | Adj. EBITDA                  |
|----------------------|--------------------------------|--------------------------------|------------------------------|
| <b>2022</b><br>cycle | R\$1,561M<br><i>+47.7% YoY</i> | R\$1,249M<br><i>+49.0% YoY</i> | R\$526M<br><i>+58.3% YoY</i> |

| 3Q22        |                   |
|-------------|-------------------|
| Net revenue | Cash gross profit |
| R\$253.9M   | R\$206.7M         |
| Adj. EBITDA | Adj. net income   |
| R\$37.2M    | R\$(61.9)M        |

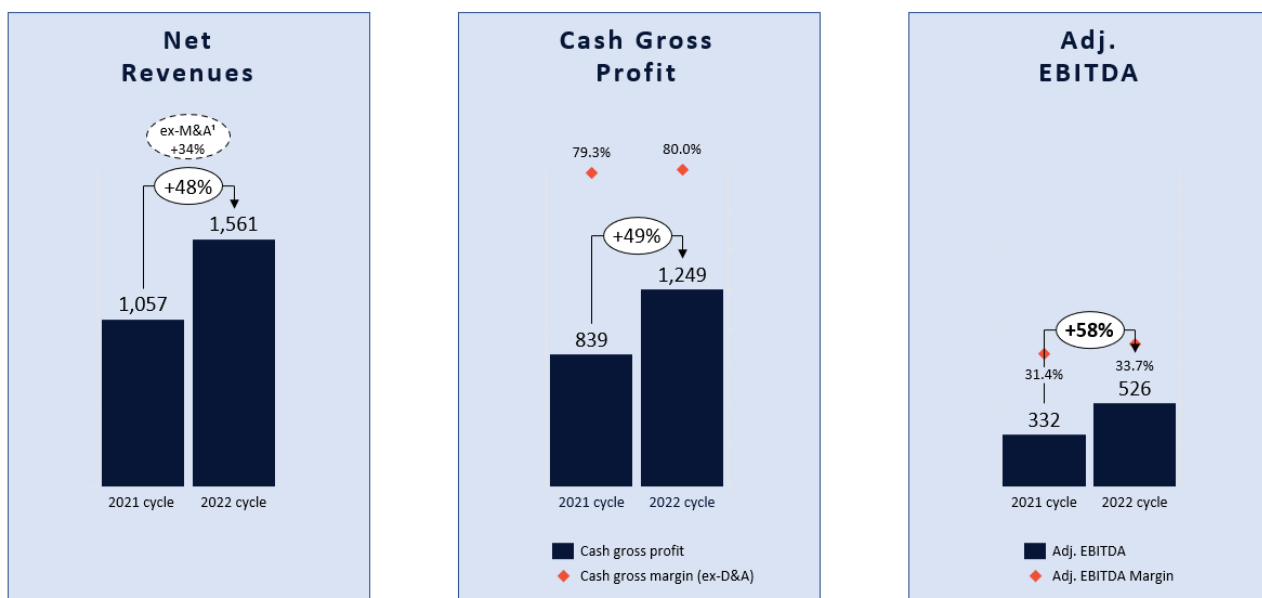
| 9M22        |                   |
|-------------|-------------------|
| Net revenue | Cash gross profit |
| R\$1,096.1M | R\$858.3M         |
| Adj. EBITDA | Adj. net income   |
| R\$294.5M   | R\$(51.8)M        |

Note: Please see Adjusted EBITDA Reconciliation on page 17 and Adjusted Net Income Reconciliation on pages 17 and 18.

## Cycle Highlights

- > Arco **concluded the 2022 cycle** with net revenue of R\$1,561 million (**100% recognition of the 2022 ACV bookings** provided at the beginning of the year), a 47.7% increase year-over-year (or 33.8% organic top line growth YoY). Net revenue for Core solutions totaled R\$1.237 million (+46.9% YoY), while net revenue for Supplemental solutions totaled R\$325 million (+50.7% YoY).
- > **Cash gross profit** was R\$1,249 million (+49.0% YoY), leading to an 80.0% cash gross margin (versus 79.3% for the 2021 cycle).
- > Integration and efficiency initiatives contributed to an **adjusted EBITDA** of R\$526 million for the 2022 cycle, translating into a 230-basis point expansion in adjusted EBITDA margin to 33.7%.

In R\$, M



Note: Cycle figures include: (i) 4Q revenues from previous year (excluding impact in top line and cost from cut-off related to content from previous cycle delivered after September 30th) and (ii) nine-month revenue for the year (plus impact in top line and cost from cut-off related to content from current cycle delivered after September 30th). 2022 cycle figures exclude new business developed in the year (pilot of managerial & financial solution).

<sup>1</sup> Businesses acquired in 2021 (Me Salva, Eduqo, Edupass, COC, Dom Bosco) and 2022 (PGS, Mentos).

## 3Q22 and 9M22 Highlights

- > **Net revenue** for the third quarter was R\$253.9 million, a 38.6% YoY increase, with Core solutions totaling R\$207.1 million (+38.1% YoY) and Supplemental solutions totaling R\$46.8 million (+40.5% YoY). For the first nine months of 2022, net revenue increased 42.1% YoY to R\$1,096.1 million, with Core solutions increasing 49.8% to R\$920.6 million and Supplemental solutions increasing 12.1% to R\$175.5 million. Excluding recent M&A<sup>1</sup>, net revenue increased 19.5% YoY in 3Q22 and 28.6% YoY in 9M22 YoY.

<sup>1</sup> Recent M&As refer to businesses acquired in 2021 (Me Salva, Eduqo, Edupass, COC, Dom Bosco) and 2022 (PGS, Mentos).

- > **Cash gross margin** (gross margin excluding depreciation and amortization) was 81.4% in 3Q22 (vs. 79.7% in 3Q21). For the first nine months of 2022, cash gross margin was 78.3% (vs. 78.7% in 9M21). The positive results from our integration and efficiency initiatives were key to partially offset non-recurring costs resulting from late additional orders of pedagogical materials by our partner schools in the second quarter, as rush printing costs are on average 25% higher than regular printing costs and books were shipped using express tariffs and through more expensive shipping methods (air, dedicated trucks). In the first nine months of 2022, Arco delivered R\$33 million in cost savings, above the total amount expected in cost savings for the full year.
- > Higher **selling expenses** excluding depreciation and amortization at R\$128.5 million in 3Q22 (+42.1% YoY) and R\$413.8 million (+47.7% YoY) in the first nine months of 2022 reflect (i) higher investments in commercial activities (identifying and developing leads and cross sell opportunities, intensifying pedagogical support to partner schools, resumption of in-person interactions and events, among others), which are key to fostering strong growth potential opportunities and capturing more market share over time in both Core and Supplemental segments, and (ii) higher inflation for the period (mainly impacting travel expenses). Excluding recent M&A<sup>1</sup>, selling expenses increased 35.5% in 3Q22 and 41.3% in 9M22. As a result of the diligent cash collection process and its close relationship with partner schools, Arco was able to improve the quality of its receivables, resulting in a consistent decrease in allowance for doubtful accounts.

| <b>Allowance for doubtful accounts (R\$M)</b> | <b>3Q22</b> | <b>3Q21</b> | <b>YoY</b> | <b>2Q22</b> | <b>QoQ</b> | <b>9M22</b> | <b>9M21</b> | <b>YoY</b> |
|---|-------------|-------------|------------|-------------|------------|-------------|-------------|------------|
| Allowance for doubtful accounts               | (1.9)       | 6.0         | N/A        | 0.4         | N/A        | (8.5)       | 16.5        | N/A        |
| % of net revenue                              | - 0.8%      | 3.3%        | -4.1 p.p.  | -0.1%       | 0.7p.p.    | -0.8%       | 2.1%        | -2.9 p.p.  |

- > **General and administrative expenses (G&A)** continue to show the trend of a more integrated back-office strategy. In 3Q22, G&A expenses excluding depreciation and amortization were R\$70.5 million (-29.1% YoY) and represented 27.8% of net revenue (versus 54.2% in 3Q21). Excluding recent M&A<sup>1</sup>, G&A expenses decreased to R\$67.7 million (-31.7% YoY) in 3Q22. Share-based compensation plan expenses increased 47.4% YoY in 3Q22 (excluding Geekie's SOP<sup>2</sup> in 2021), representing 8.5% of 3Q22 revenue (vs. 8.0% of revenue in 3Q21). For the first nine months of 2022, G&A expenses excluding depreciation and amortization were R\$209.1 million (-4.6% YoY) and represented 19.1% of net revenue (versus 28.4% in 9M21). Excluding the effects of recent M&A<sup>1</sup>, G&A expenses decreased 10.7% YoY in 9M22 to R\$194.2 million. Share-based compensation plan expenses increased 24.3% YoY in 9M22, representing 3.7% of 9M22 revenue (vs. 4.3% of revenue in 9M21). From a cost savings perspective, Arco surpassed its initial goal for the year, delivering G&A savings of R\$59 million in 9M22, above the R\$47 million goal for the full year.
- > **Adjusted EBITDA** was R\$37.2 million in 3Q22 (+135.1% YoY), with an **adjusted EBITDA margin** of 14.6% (versus 8.6% in 3Q21). As for the first nine months of 2022, adjusted EBITDA increased 42.6% YoY to R\$294.5 million, and adjusted EBITDA margin was 26.9% (versus 26.8% in 9M21). We expect the 2022 full year adjusted EBITDA margin to be around the bottom of the 36.5% and 38.5% guidance range we provided at the beginning of the year.
- > **Adjusted net income (loss)** in 3Q22 was R\$(61.9) million, with an adjusted net margin of -24.4% (versus -11.9% in 3Q21), impacted by higher finance expenses and depreciation and amortization. For the nine-month period ended

<sup>2</sup> As part of Geekie's acquisition, Arco acquired management future stake in Geekie, resulting from the exercise of their existing SOP. The fair value of SOP was calculated using the same valuation method as the accounts payable to selling shareholders for the acquisition of the remaining interest, resulting in the final transaction price, which were updated quarterly for Geekie's most recent fair value, until was settle in Jun/2022.

September 30<sup>th</sup>, 2022, adjusted net income was R\$(51.8) million, with an adjusted net margin of -4.7% (versus 7.0% in 9M21).

- > **A solid cash collection process** in the quarter led to an important improvement in the quality of accounts receivable, with a reduction in **days of sales outstanding (DSO)** to 98 days in 3Q22 from 141 days in 2Q22 and 104 days in 3Q21, and a 2.1 p.p. reduction in **delinquency levels** to 4.0% in 3Q22 from 5.6% in 2Q22 and 6.1% in 3Q21.

| Days of sales outstanding              | Sep. 30, 2022 | Sep. 30, 2021 | YoY        | June 30, 2022 | QoQ         |
|--|---------------|---------------|------------|---------------|-------------|
| Trade receivables (R\$M)               | 510.9         | 382.3         | 34%        | 687.6         | -26%        |
| (-) Allowance for doubtful accounts    | 77.4          | 77.1          | 0%         | 79.7          | -3%         |
| <b>Trade receivables, net (R\$M)</b>   | <b>433.5</b>  | <b>305.1</b>  | <b>42%</b> | <b>607.8</b>  | <b>-29%</b> |
| Net revenue LTM pro-forma <sup>1</sup> | 1,614.5       | 1,073.2       | 50%        | 1,568.9       | 3%          |
| <b>Adjusted DSO</b>                    | <b>98</b>     | <b>104</b>    | <b>-6%</b> | <b>141</b>    | <b>-30%</b> |

1) Calculated as net revenue for the last twelve months added to the pro forma revenues from businesses acquired in the period to accurately reflect the Company's operations.

- > Arco's **corporate restructuring** is ongoing. In October, Arco concluded the incorporation of Geekie into CBE (*Companhia Brasileira de Educação e Sistemas de Ensino*, Arco's wholly-owned entity which incorporates acquired businesses), leading to estimated future annual income tax savings of approximately R\$17million. Future incorporations include Pleno (2023), Escola da Inteligência (2023) and SAE Digital (2024). As we keep incorporating other businesses into CBE, we expect to capture additional tax benefits and therefore further reduce our effective tax rate, currently at 8.7% in 9M22 (versus 17.3% in 9M21).

| Intangible assets - net balances (R\$M) | Sep. 30, 2022  | Sep. 30, 2021  | YoY        | June 30, 2022  | QoQ        |
|---|----------------|----------------|------------|----------------|------------|
| <b>Business Combination</b>             | 2,922.5        | 2,334.6        | 25%        | 2,949.9        | -1%        |
| Trademarks                              | 479.6          | 437.3          | 10%        | 488.8          | -2%        |
| Customer relationships                  | 246.4          | 261.4          | -6%        | 255.8          | -4%        |
| Educational system                      | 215.7          | 209.6          | 3%         | 224.6          | -4%        |
| Softwares                               | 9.8            | 11.4           | -14%       | 8.6            | 14%        |
| Educational platform                    | 4.7            | 5.7            | -18%       | 4.4            | 7%         |
| Others <sup>1</sup>                     | 15.4           | 16.4           | -6%        | 16.8           | -8%        |
| Goodwill                                | 1,950.9        | 1,392.8        | 40%        | 1,950.9        | 0%         |
| <b>Operational</b>                      | 279.8          | 206.5          | 35%        | 288.1          | -3%        |
| Educational platform <sup>2</sup>       | 178.1          | 141.7          | 26%        | 200.1          | -11%       |
| Softwares                               | 77.1           | 53.0           | 45%        | 77.1           | 0%         |
| Copyrights                              | 24.6           | 11.8           | 108%       | 10.8           | 127%       |
| Customer relationships                  | 0.1            | 0.1            | -35%       | 0.1            | -35%       |
| <b>TOTAL</b>                            | <b>3,202.2</b> | <b>2,541.2</b> | <b>26%</b> | <b>3,238.0</b> | <b>-1%</b> |

1) Non-compete agreements and rights on contracts. 2) Includes content development in progress.

| Amortization of intangible assets (R\$M) | 3Q22   | 3Q21   | YoY  | 2Q22   | QoQ  | 9M22    | 9M21    | YoY |
|--|--------|--------|------|--------|------|---------|---------|-----|
| <b>Business Combination</b>              | (79.2) | (55.9) | 42%  | (73.5) | 8%   | (213.0) | (165.9) | 28% |
| Trademarks                               | (8)    | (6.5)  | 20%  | (8.0)  | -3%  | (23.5)  | (19.3)  | 22% |
| Customer relationships                   | (9.7)  | (8.6)  | 13%  | (9.4)  | 3%   | (28.2)  | (25.6)  | 10% |
| Educational system                       | (8.9)  | (8.1)  | 9%   | (9.4)  | -6%  | (27.6)  | (24.2)  | 14% |
| Softwares                                | (0.7)  | (0.9)  | -22% | (0.7)  | 1%   | (2.1)   | (2.1)   | 0%  |
| Educational platform                     | (0.2)  | (0.3)  | -17% | (0.2)  | 24%  | (0.6)   | (0.7)   | -7% |
| Others <sup>1</sup>                      | (1.4)  | (1.3)  | 4%   | (1.5)  | -10% | (4.3)   | (3.6)   | 18% |
| Goodwill                                 | (50.6) | (30.1) | 68%  | (44.3) | 14%  | (126.8) | (90.3)  | 40% |

|                                   |                |               |            |                |            |                |                |            |
|-----------------------------------|----------------|---------------|------------|----------------|------------|----------------|----------------|------------|
| <b>Operational</b>                | (34.2)         | (22.8)        | 50%        | (29.1)         | 17%        | (92.8)         | (61.6)         | 51%        |
| Educational platform <sup>2</sup> | (26.8)         | (16.3)        | 64%        | (21.7)         | 24%        | (70.8)         | (45.3)         | 56%        |
| Softwares                         | (5.6)          | (4.5)         | 24%        | (5.4)          | 4%         | (16.2)         | (10.1)         | 60%        |
| Copyrights                        | (1.6)          | (2.0)         | -20%       | (1.8)          | -11%       | (5.3)          | (6.1)          | -13%       |
| Customer relationships            | (0.2)          | -             | NA         | (0.2)          | -10%       | (0.5)          | (0.1)          | 380%       |
| <b>TOTAL</b>                      | <b>(113.4)</b> | <b>(78.7)</b> | <b>44%</b> | <b>(102.6)</b> | <b>11%</b> | <b>(305.9)</b> | <b>(227.5)</b> | <b>34%</b> |

1) Non-compete agreements and rights on contracts. 2) Includes content development in progress.

| Amortization of intangible assets (R\$M) | Impacts P&L | Originates tax benefit | Amortization with tax benefit in 3Q22 <sup>2</sup> |             |                      |
|--|-------------|------------------------|--|-------------|----------------------|
|  |             |                        | Amortization                                       | Tax benefit | Impact on net income |
| <b>Business Combination</b>              |             |                        | <b>(58.8)</b>                                      | <b>20.0</b> | <b>(38.8)</b>        |
| Trademarks                               | Yes         | Yes <sup>2</sup>       | (2.0)  | 0.7         | (1.3)                |
| Customer relationships                   | Yes         | Yes <sup>2</sup>       | (2.9)  | 1.0         | (1.9)                |
| Educational system                       | Yes         | Yes <sup>2</sup>       | (3.3)  | 1.1         | (2.2)                |
| Educational platform                     | Yes         | Yes <sup>2</sup>       | 0.5  | (0.2)       | 0.4                  |
| Others <sup>1</sup>                      | Yes         | Yes <sup>2</sup>       | (0.5)  | 0.2         | (0.4)                |
| Goodwill                                 | No          | Yes <sup>2</sup>       | (50.6)   | 17.2        | (33.4)               |
| <b>Operational</b>                       | Yes         | Yes                    | <b>(34.2)</b>                                      | <b>11.6</b> | <b>(22.6)</b>        |
| <b>TOTAL</b>                             |             |                        | <b>(93.0)</b>                                      | <b>31.6</b> | <b>(61.4)</b>        |

1) Non-compete agreements and rights on contracts. 2) Amortizations are tax deductible only after the incorporation of the acquired business.

| Amortization of intangible assets from business combination that generate tax benefit – breakdown by type (R\$M) | Businesses with current tax benefit |            |            |            |              | Undefined <sup>2</sup> |
|--|-------------------------------------|------------|------------|------------|--------------|------------------------|
|  | 2022 <sup>1</sup>                   | 2023       | 2024       | 2025       | 2026+        |                        |
| Trademarks   | 21                                  | 27         | 27         | 27         | 318          | 66                     |
| Customer relationships   | 21                                  | 25         | 25         | 25         | 59           | 111                    |
| Educational system   | 25                                  | 27         | 27         | 27         | 106          | 32                     |
| Software license   | -                                   | -          | -          | -          | -            | 11                     |
| Rights on contracts  | 1                                   | 1          | 1          | 1          | 3            | 1                      |
| Others   | 2                                   | 2          | 2          | 1          | 1            | 10                     |
| Goodwill   | 183                                 | 237        | 231        | 227        | 761          | 355                    |
| <b>Total</b>   | <b>253</b>                          | <b>319</b> | <b>313</b> | <b>308</b> | <b>1,247</b> | <b>587</b>             |
| <b>Maximum tax benefit</b>   | <b>86</b>                           | <b>108</b> | <b>106</b> | <b>105</b> | <b>424</b>   | <b>199</b>             |

1) Considers the maximum tax benefit for full year 2022. In 3Q22 we have benefited from R\$17.6 million (totalizing R\$44.6 million in 9M22). 2) Businesses with future tax benefit (not yet incorporated).

| Amortization of intangible assets from business combination that generate tax benefit – breakdown by solutions (R\$M) | Businesses with current tax benefit |            |            |            |              | Undefined <sup>2</sup> |
|---|-------------------------------------|------------|------------|------------|--------------|------------------------|
|   | 2022 <sup>1</sup>                   | 2023       | 2024       | 2025       | 2026+        |                        |
| Geekie  | 7                                   | 42         | 42         | 42         | 279          | -                      |
| NAVE  | 9                                   | 9          | 9          | 9          | 11           | -                      |
| P2D <sup>3</sup>  | 57                                  | 89         | 89         | 89         | 364          | -                      |
| Positivo, Conquista, PES English  | 170                                 | 170        | 170        | 169        | 593          | -                      |
| Other Companies   | 10                                  | 10         | 4          | -          | -            | -                      |
| Acquired companies not yet incorporated   | N/A                                 | N/A        | N/A        | N/A        | N/A          | 587                    |
| <b>Total</b>  | <b>253</b>                          | <b>319</b> | <b>313</b> | <b>308</b> | <b>1,247</b> | <b>587</b>             |
| <b>Maximum tax benefit</b>  | <b>86</b>                           | <b>108</b> | <b>106</b> | <b>105</b> | <b>424</b>   | <b>199</b>             |

1) Considers the maximum tax benefit for full year 2022. In 3Q22 we have benefited from R\$17.6 million (totalizing R\$44.6 in 9M22). 2) Businesses with future tax benefit (not yet incorporated). 3) Refer to COC and Dom Bosco solutions acquired in 2021.

➤ **CAPEX** in 3Q22 was R\$30.9 million, representing 12.2% of net revenue (versus 21.4% of net revenue in 3Q21). For 9M22, CAPEX totaled R\$121.1 million, or 11.1% of net revenue (versus 14.8% of net revenue in 9M21), and within the guidance range of 10.0% to 12.0% of net revenue for 2022 full year we provided in 3Q21.

| CAPEX (R\$M)  | 3Q22        | 3Q21        | YoY         | 2Q22        | QoQ         | 9M22         | 9M21         | YoY        |
|---|-------------|-------------|-------------|-------------|-------------|--------------|--------------|------------|
| <b>Acquisition of intangible assets<sup>1</sup></b> | <b>27.0</b> | <b>35.0</b> | <b>-23%</b> | <b>41.5</b> | <b>-35%</b> | <b>108.8</b> | <b>104.8</b> | <b>4%</b>  |
| Educational platform - content development          | 0.9         | 13.4        | -93%        | 4.5         | -80%        | 9.3          | 31.7         | -71%       |
| Educational platform - platforms & tech             | 15.2        | 8.5         | 79%         | 17.9        | -15%        | 57.7         | 35.7         | 62%        |
| Software  | 7.7         | 10.5        | -27%        | 16.5        | -54%        | 34.5         | 30.2         | 14%        |
| Copyrights and others                               | 3.2         | 2.5         | 29%         | 2.6         | 22%         | 7.3          | 7.2          | 2%         |
| <b>Acquisition of PP&amp;E</b>                      | <b>3.9</b>  | <b>4.0</b>  | <b>-2%</b>  | <b>1.7</b>  | <b>128%</b> | <b>12.3</b>  | <b>9.5</b>   | <b>30%</b> |
| <b>TOTAL<sup>1</sup></b>                            | <b>30.9</b> | <b>39.0</b> | <b>-21%</b> | <b>43.2</b> | <b>-29%</b> | <b>121.1</b> | <b>114.3</b> | <b>6%</b>  |

1) For 9M22 excludes R\$14.2 million related to M&A payments (PGS' and Mentec's acquisition, being R\$5.5 million in 1Q22 and R\$8.7 million in 2Q22) from the accounting CAPEX of R\$135.4 million.

- > **Cash from operations** for 3Q22 and 9M22 were R\$89.7 million (from R\$74.1 million in 3Q21) and R\$384.1 million (from R\$276.5 million in 9M21), respectively. Free cash flow to firm<sup>3</sup> in 3Q22 increased 253.5% YoY to R\$55.7 million, representing 22.0% of net revenues (vs. 8.6% of net revenue in 3Q21). For the nine-month period ended September 30<sup>th</sup>, 2022, free cash flow to firm also presented a significant improvement, increasing 131.9% YoY to R\$212.4 million, or 19.4% of net revenue (vs. 11.9% in 9M21).

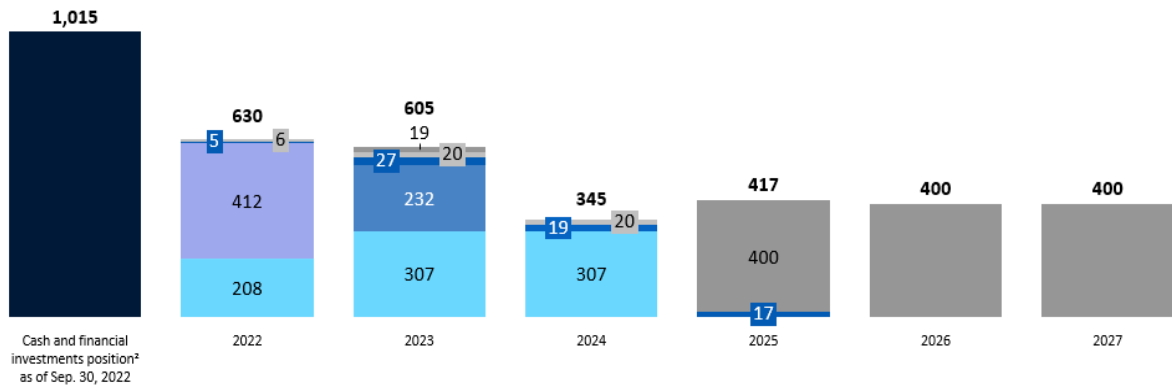
| Free cash flow to firm (managerial)        | 9M21         | % of net revenue | 9M22         | % of net revenue | YoY          |
|--|--------------|------------------|--------------|------------------|--------------|
| Adjusted EBITDA                            | <b>206.5</b> | 26.8%            | <b>294.5</b> | 26.9%            | +43%         |
| (+/-) Noncash adjustments                  | (2.4)        | -0.3%            | (12.6)       | -1.2%            | +430%        |
| (+/-) Working capital                      | 72.5         | 9.4%             | 102.2        | 9.3%             | +41%         |
| (-) Income taxes paid                      | (70.7)       | -9.2%            | (50.6)       | -4.6%            | -28%         |
| (-) CAPEX <sup>1</sup>                     | (114.3)      | -14.8%           | (121.1)      | -11.1%           | +6%          |
| <b>Free cash flow to firm (managerial)</b> | <b>91.6</b>  | <b>11.9%</b>     | <b>212.4</b> | <b>19.4%</b>     | <b>+132%</b> |

1) Excludes R\$14.2 million related to M&A payments (PGS' and Mentec's acquisition, being R\$5.5 million in 1Q22 and R\$8.7 million in 2Q22) from the accounting CAPEX of R\$135.4 million for 9M22

- > Arco's **cash and cash equivalents plus financial investments position** as of September 30<sup>th</sup>, 2022, was R\$1,015 million, while **financial debt and accounts payable to selling shareholders** were R\$2,797 million, leading to a net debt of R\$1,782 million. As part of Arco's balance sheet management strategy, on August 5<sup>th</sup>, 2022, we announced the closing of a new Debentures issuance amounting to R\$1,200 million. Net proceeds were partially used to prepay the Debentures issued in August 2021, and the balance was used to strengthen Arco's cash position while extending its debt maturity profile. The new Debentures mature on August 3<sup>rd</sup>, 2027, with principal to be amortized in three equal installments payable on August 3<sup>rd</sup>, 2025, August 3<sup>rd</sup>, 2026, and August 3<sup>rd</sup>, 2027, and bear interest at CDI +2.30% per annum, payable semi-annually on February 3<sup>rd</sup> and August 3<sup>rd</sup>.

<sup>3</sup> Please reference page 19 (reconciliation of free cash flow) for additional details.

In R\$, M

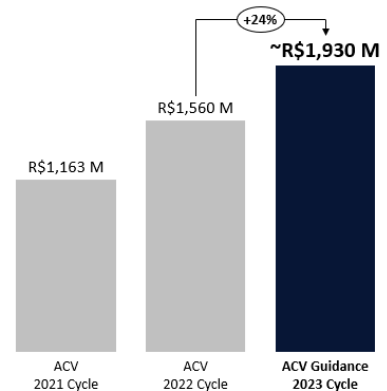


| OBLIGATIONS   | BREAKDOWN BY TYPE  | INDEX   | NET DEBT <sup>1</sup> / ADJ. EBITDA LTM                            |
|---|--|---|--|
| <b>LOANS AND FINANCING<sup>1</sup></b><br><b>R\$ 1,264 M</b>          | Debentures (R\$1,219 M)<br>Other (R\$45 M)   | CDI+2.30% p.a. – paid semi annually<br>2.4% p.a. – paid quarterly | 3Q21: 3.97<br>4Q21: 3.78<br>1Q22: 3.76<br>2Q22: 3.50<br>3Q22: 3.44 |
| <b>ACCOUNTS PAYABLE TO SELLING SHAREHOLDERS</b><br><b>R\$ 1,533 M</b> | Others sellers notes (R\$68 M)<br>Escola da Inteligência (R\$232 M)<br>International School <sup>3</sup> (R\$412 M)<br>Positivo (R\$822 M) | Earn-outs & CDI<br>Earn-out (ACV multiple)<br>SELIC<br>CDI        |  |

1) Excludes Convertible notes: considers the conversion into equity of the convertible senior notes with no future disbursement of principal (US\$150 M) issued on Nov 30, 2021. These notes mature in 7 years, on Nov 15, 2028, and bear interest at 8% per year fixed in Brazilian reais (R\$66 M per year). 2) Sum of cash and cash equivalents and financial investments (short-term and long-term). 3) Amount subject to an arbitration process. Please reference Note 21 of the Financial Statements as of September 30th, 2022, for additional details.

➤ We had another strong **commercial cycle for the 2023 school year**, with a new student intake and upsell for both Core and Supplemental solutions indicating healthy organic growth YoY. Retention rates remained consistent with historical trends and average price increase was 2-3 p.p. above inflation (considers expected inflation – IPCA – of 5.88% for 2022 and 5.01% for 2023, as per Brazilian Central Bank Focus Report as of November 18th, 2022). Cross-sell initiatives were again a key driver to our go-to-market strategy, leading to a ~2 p.p. increase in the number of schools in our core base with at least one Supplemental solution to ~17% (from ~15% in 2022 school year). We are providing a 2023 ACV guidance for our pedagogical solutions of approximately R\$1,930 million, which represents approximately 24% organic growth versus 2022 cycle net revenues of R\$1,561 million.

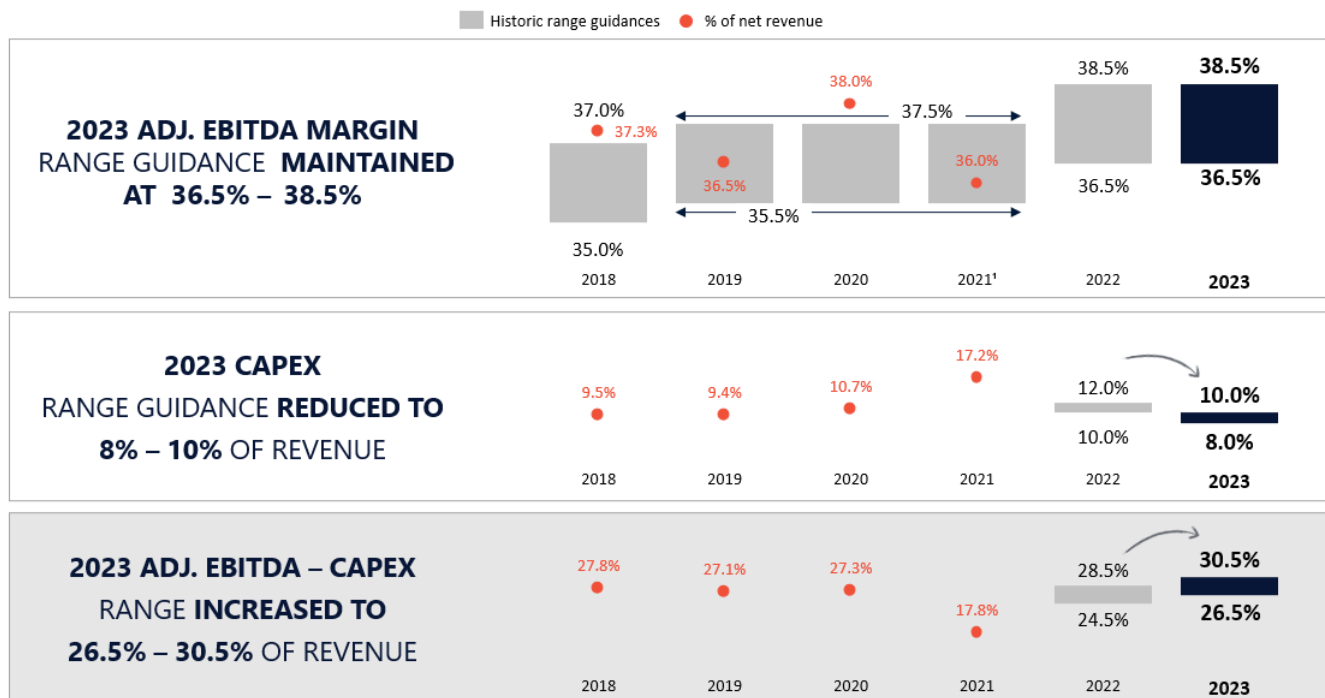
**2023 CYCLE ACV GUIDANCE FOR PEDAGOGICAL SOLUTIONS**  
(OCT/2022 – SEP/2023)



➤ COC, one of our recently acquired Core solutions had positive results for its first commercial cycle post acquisition, with a 17-point increase in the NPS to 66 leading to a 15 p.p. improvement in retention rate for the 2023 school year to 95%. We were able to implement significant price increases for the 2023 cycle (~4 p.p. above expected inflation). Finally, the year-over-year ACV growth was over 30%.

➤ We are also providing an **adjusted EBITDA margin guidance range for 2023 fiscal year** for our pedagogical solutions of 36.5% to 38.5%, in line with the range provided for 2022 fiscal year, and a **CAPEX as a percentage of revenue guidance range for 2023 fiscal year** of 8.0% to 10.0%, below the 10.0% to 12.0% range provided for 2022 fiscal year. The expansion of our adjusted EBITDA – CAPEX as a percentage of revenue metric reflects Arco’s

integration initiatives and corporate restructuring in place as Arco paves the way to become a portfolio hub of education solutions and a more efficient company, including (i) strategic sourcing, (ii) supply chain: printing costs & freight, (iii) IT systems optimization, (iv) corporate reorganization, (v) supplemental synergies, (vi) sales & operations planning, (vii) increased cooperation among core units, and (viii) technology integration.



1) For historical comparison purpose the chart above shows the 2021 adj. EBITDA margin excluding M&A announced after guidance disclosure. Consolidate adj. EBITDA margin for 2021, including M&A announced in 2021 after the guidance disclosure, was 35.0%.

- > Arco initiated its efficiency and integration agenda in 2021, with the goal of improving our operations, internal processes, and capital allocation strategy, leading to enhanced cash generation and generating more value to our shareholders. Accordingly, free cash flow became a key success metric to management, with three main drivers: (i) continuous margin expansion, (ii) return of capex to pre-covid levels as a percentage of revenue (at high single-digit rates), and (iii) normalization of working capital.
- > Finally, the Brazilian antitrust agency (CADE) approved the **isaac acquisition** on November 16<sup>th</sup>. The transaction is expected to close on January 2<sup>nd</sup>, 2023.

## Conference Call Information

Arco will discuss its third quarter 2022 results today, December 1<sup>st</sup>, 2022, via a conference call at 5 p.m. Eastern Time (6 p.m. Brasilia Time). To access the call, please dial: +1 (412) 717-9627, +1 (844) 204-8942 or +55 (11) 4090-1621. For enhanced audio connection investors may connect through [Web Phone](#) (access code: 7636515).

An audio replay of the call will be available through December 7<sup>th</sup>, 2022, by dialing +55 (11) 3193-1012 and entering access code 1608874#. A live and archived Webcast of the call will be available on the Investor Relations section of the Company's website at <https://investor.arcoplatform.com/>.



## **About Arco Platform Limited (Nasdaq: ARCE)**

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Arco has empowered hundreds of thousands of students to rewrite their futures through education. Our data-driven learning methodology, proprietary adaptable curriculum, interactive hybrid content, and high-quality pedagogical services allow students to personalize their learning experience while enabling schools to thrive.

## **Forward-Looking Statements**

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This press release contains forward-looking statements as pertains to Arco Platform Limited (the "Company") within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, the Company's expectations or predictions of future financial or business performance conditions. The achievement or success of the matters covered by statements herein involves substantial known and unknown risks, uncertainties, and assumptions, including with respect to the COVID-19 pandemic. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the Company's results could differ materially from the results expressed or implied by the statements we make. You should not rely upon forward-looking statements as predictions of future events. Forward looking statements are made based on the Company's current expectations and projections relating to its financial conditions, result of operations, plans, objectives, future performance and business, and these statements are not guarantees of future performance.

Statements which herein address activities, events, conditions or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. You can generally identify forward-looking statements by the use of forward-looking terminology such as "anticipate," "believe," "can," "continue," "could," "estimate," "evaluate," "expect," "explore," "forecast," "guidance," "intend," "likely," "may," "might," "outlook," "plan," "potential," "predict," "probable," "project," "seek," "should," "view," or "will," or the negative thereof or other variations thereon or comparable terminology. All statements other than statements of historical fact could be deemed forward looking, including risks and uncertainties related to statements about our competition; our ability to attract, upsell and retain customers; our ability to increase the price of our solutions; our ability to expand our sales and marketing capabilities; general market, political, economic, and business conditions in Brazil or abroad; and our financial targets which include revenue, share count and other IFRS measures, as well as non-GAAP financial measures including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted Net Income (Loss) Margin, Taxable Income Reconciliation and Free Cash Flow.

Forward-looking statements represent the Company management's beliefs and assumptions only as of the date such statements are made, and the Company undertakes no obligation to update any forward-looking statements made in this press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

Further information on these and other factors that could affect the Company's financial results is included in filings the Company makes with the Securities and Exchange Commission from time to time, including the section titled "Risk Factors" in the Company's most recent Forms 20-F and 6-K. These documents are available on the SEC Filings section of the Investor Relations section of the Company's website at: <https://investor.arcoplatform.com/>

## Key Business Metrics

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ACV Bookings: we define ACV Bookings 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 partner school, assuming no further additions or reductions in the number of enrolled students that will access our content at such partner school in such school year (we define "school year" for purposes of calculation of ACV Bookings as the twelve-month period starting in October of the previous year to September of the mentioned current year). We calculate ACV Bookings by multiplying the number of enrolled students at each partner school with the average ticket per student per year; the related number of enrolled students and average ticket per student per year are each calculated in accordance with the terms of each contract with the related partner school.

## Non-GAAP Financial Measures

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To supplement the Company's condensed consolidated financial statements, which are prepared and presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board—IASB, we use Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin and Managerial Free Cash Flow and which are non-GAAP financial measures.

We calculate Adjusted EBITDA as profit (loss) for the year (or period) plus/minus income taxes, plus/minus finance result, plus depreciation and amortization, plus/minus share of (profit) loss of equity-accounted investees, plus share-based compensation plan and restricted stock units, plus provision for payroll taxes (restricted stock units), plus/minus M&A related (gains) losses and expenses, plus non-recurring expenses and plus effects related to COVID-19 pandemic. We calculate Adjusted EBITDA Margin as Adjusted EBITDA divided by Net Revenue.

We calculate Adjusted Net Income as profit (loss) for the year, plus amortization of intangible assets from business combinations (which refers to the amortization of the following intangible assets from business combinations: (i) rights on contracts, (ii) customer relationships, (iii) educational system, (iv) trademarks, (v) non-compete agreement and (vi) software resulting from acquisitions), plus/minus changes in accounts payable to selling shareholders (which refers to changes in fair value of contingent consideration and accounts payable to selling shareholders—finance costs), plus interest income (expenses), net (which refers to interest expenses related to accounts payable to selling shareholders from business combinations adjusted by fair value), plus share-based compensation plan, restricted stock units and related payroll taxes (restricted stock units), plus/minus non-cash adjustments related to Derivatives and Convertible Notes, plus M&A expenses (expenses related to acquisitions, and legal services mainly due to International School arbitration), minus other changes to equity accounted on investees, plus non-recurring expenses, which are related to consulting expenses for Sarbanes-Oxley implementation, plus effects related to COVID-19 pandemic, which includes the revision of the Company's estimated credit losses from its trade receivables based on expected increases in financial default and in unemployment rates in Brazil for the year and plus/minus changes in current and deferred tax recognized in statements of income applied to all adjustments to net income (which refers to tax effects of changes in deferred tax assets and liabilities recognized in profit or loss corresponding to financial instruments from acquisition of interests, tax benefit from tax deductible goodwill, share-based compensation and amortization of intangible assets).

For purposes of the calculation of Adjusted Net Income for the year ended December 31, 2021, we have excluded the following adjustments that we applied to the calculation of Adjusted Net Income for prior periods: (i) Interest income (expenses) linked to a fixed rate (we will maintain the adjustment for Interest income (expenses) that refers to adjustments by fair value); (ii) Foreign exchange effects on cash and cash equivalents and (iii) share of loss of equity accounted investees and. These adjustments will not be applied to the calculation of Adjusted Net Income going

forward. We believe that eliminating these adjustments from our calculation of Adjusted Net Income for the year ended December 31, 2021 and going forward does not impact our investors' ability to assess our results of operations. We have not retroactively restated Net Adjusted Income for the periods prior to 2021.

We calculate Managerial Free Cash Flow as Net Cash Flows from Operating activities, less acquisition of property and equipment, less acquisition of intangible assets, less M&A-related payments. We consider Free Cash Flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by operating activities and cash used for investments in property and equipment required to maintain and grow our business.

We understand that, although Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin and Managerial 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 and Managerial 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.

## Investor Relations Contact

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<https://investor.arcoplatform.com/>

**Arco Platform Limited**  
**Interim condensed consolidated statements of financial position**

| <i>(In thousands of Brazilian reais)</i>    | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|---|-------------------------------|------------------------------|
| Assets                                      | (unaudited)                   |                              |
| <i>Current assets</i>                       |                               |                              |
| Cash and cash equivalents                   | 314,015                       | 211,143                      |
| Financial investments                       | 661,465                       | 973,294                      |
| Trade receivables                           | 433,491                       | 593,263                      |
| Inventories                                 | 231,470                       | 158,582                      |
| Recoverable taxes                           | 65,069                        | 38,811                       |
| Derivative financial instruments            | -                             | 301                          |
| Related parties                             | 3,838                         | 4,571                        |
| Other assets                                | 87,948                        | 66,962                       |
| <b>Total current assets</b>                 | <b>1,797,296</b>              | <b>2,046,927</b>             |
| <i>Non-current assets</i>                   |                               |                              |
| Financial investments                       | 39,057                        | 40,762                       |
| Derivative financial instruments            | -                             | 560                          |
| Related parties                             | -                             | 6,819                        |
| Recoverable taxes                           | 12,657                        | 22,216                       |
| Deferred income tax                         | 367,340                       | 321,223                      |
| Other assets                                | 73,916                        | 57,534                       |
| Investments and interests in other entities | 121,787                       | 126,873                      |
| Property and equipment                      | 64,558                        | 73,885                       |
| Right-of-use assets                         | 25,229                        | 35,960                       |
| Intangible assets                           | 3,202,214                     | 3,257,360                    |
| <b>Total non-current assets</b>             | <b>3,906,758</b>              | <b>3,943,192</b>             |
| <b>Total assets</b>                         | <b>5,704,054</b>              | <b>5,990,119</b>             |

| <i>(In thousands of Brazilian reais)</i> | <b>September 30,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|-------------------------------|------------------------------|
| Liabilities                              | (unaudited)                   |                              |
| Current liabilities                      |                               |                              |
| Trade payables                           | 152,336                       | 103,292                      |
| Labor and social obligations             | 108,087                       | 157,601                      |
| Lease liabilities                        | 20,688                        | 20,122                       |
| Loans and financing                      | 58,772                        | 228,448                      |
| Derivative financial instruments         | 2,671                         | -                            |
| Taxes and contributions payable          | 5,384                         | 7,953                        |
| Income taxes payable                     | 13,468                        | 37,775                       |
| Advances from customers                  | 5,731                         | 35,291                       |
| Accounts payable to selling shareholders | 879,418                       | 799,553                      |
| Other liabilities                        | 5,188                         | 3,176                        |
| <b>Total current liabilities</b>         | <b>1,251,743</b>              | <b>1,393,211</b>             |
| Non-current liabilities                  |                               |                              |
| Labor and social obligations             | 1,179                         | 661                          |
| Lease liabilities                        | 10,611                        | 22,996                       |
| Loans and financing                      | 1,853,495                     | 1,602,879                    |
| Derivative financial instruments         | 63,947                        | 223,561                      |
| Provision for legal proceedings          | 2,821                         | 1,398                        |
| Accounts payable to selling shareholders | 653,917                       | 869,233                      |
| Other liabilities                        | 365                           | 946                          |
| <b>Total non-current liabilities</b>     | <b>2,586,335</b>              | <b>2,721,674</b>             |
| Equity                                   |                               |                              |
| Share capital                            | 11                            | 11                           |
| Capital reserve                          | 2,103,699                     | 2,203,857                    |
| Treasury shares                          | (114,701)                     | (180,775)                    |
| Share-based compensation reserve         | 98,785                        | 90,813                       |
| Accumulated losses                       | (221,818)                     | (238,672)                    |
| <b>Total equity</b>                      | <b>1,865,976</b>              | <b>1,875,234</b>             |
| <b>Total liabilities and equity</b>      | <b>5,704,054</b>              | <b>5,990,119</b>             |

**Arco Platform Limited**  
**Interim condensed consolidated statements of income**

| <i>(In thousands of Brazilian reais, except earnings per share)</i>  | Three-month period ended<br>September 30, |                  | Nine-month period ended<br>September 30, |                  |
|--|---|------------------|--|------------------|
|  | 2022                                      | 2021             | 2022                                     | 2021             |
|  | (unaudited)                               | (unaudited)      | (unaudited)                              | (unaudited)      |
| Revenue  | 253,922                                   | 183,267          | 1,096,096                                | 771,240          |
| Cost of sales  | (62,820)                                  | (44,766)         | (312,452)                                | (199,994)        |
| <b>Gross profit</b>  | <b>191,102</b>                            | <b>138,501</b>   | <b>783,644</b>                           | <b>571,246</b>   |
| Operating expenses:  |   |                  |  |                  |
| Selling expenses   | (153,549)                                 | (114,982)        | (492,341)                                | (353,367)        |
| General and administrative expenses                                  | (85,518)                                  | (109,867)        | (251,655)                                | (246,161)        |
| Other income, net  | (1,714)                                   | 413              | 17,356                                   | 2,913            |
| <b>Operating profit</b>  | <b>(49,679)</b>                           | <b>(85,935)</b>  | <b>57,004</b>                            | <b>(25,369)</b>  |
| Finance income   | 105,629                                   | 20,353           | 479,244                                  | 42,407           |
| Finance costs  | (159,511)                                 | (124,947)        | (523,097)                                | (209,239)        |
| Finance result   | (53,882)                                  | (104,594)        | (43,853)                                 | (166,832)        |
| Share of loss of equity-accounted investees                          | (4,284)                                   | (5,575)          | (24,220)                                 | (8,326)          |
| <b>(Loss) profit before income taxes</b>                             | <b>(107,845)</b>                          | <b>(196,104)</b> | <b>(11,069)</b>                          | <b>(200,527)</b> |
| Income taxes - income (expense)                                      |   |                  |  |                  |
| Current  | (4,385)                                   | (1,246)          | (18,194)                                 | (37,143)         |
| Deferred   | 39,766                                    | 53,290           | 46,117                                   | 85,402           |
| Total income taxes – income (expense)                                | 35,381                                    | 52,044           | 27,923                                   | 48,259           |
| <b>Net (loss) profit for the period</b>                              | <b>(72,464)</b>                           | <b>(144,060)</b> | <b>16,854</b>                            | <b>(152,268)</b> |
| Basic earnings per share – in Brazilian reais                        |   |                  |  |                  |
| Class A  | (1.30)                                    | (2.53)           | 0.30                                     | (2.67)           |
| Class B  | (1.30)                                    | (2.53)           | 0.30                                     | (2.67)           |
| Diluted earnings per share – in Brazilian reais                      |   |                  |  |                  |
| Class A  | (1.30)                                    | (2.53)           | 0.30                                     | (2.67)           |
| Class B  | (1.30)                                    | (2.53)           | 0.30                                     | (2.67)           |
| Weighted-average shares used to compute net (loss) profit per share: |   |                  |  |                  |
| Basic  | 55,807                                    | 56,902           | 55,940                                   | 57,109           |
| Diluted  | 55,807                                    | 57,122           | 61,228                                   | 57,329           |

**Arco Platform Limited**  
**Interim condensed consolidated statements of cash flows**

| <i>(In thousands of Brazilian reais)</i>                                  | Three-month period ended<br>September 30, |                  | Nine-month period ended<br>September 30, |                  |
|---|---|------------------|--|------------------|
|   | 2022                                      | 2021             | 2022                                     | 2021             |
|   | (unaudited)                               | (unaudited)      | (unaudited)                              | (unaudited)      |
| Operating activities  |   |                  |  |                  |
| Loss before income taxes  | <b>(107,845)</b>                          | <b>(196,104)</b> | <b>(11,069)</b>                          | <b>(200,527)</b> |
| Adjustments to reconcile loss before income taxes to cash from operations |   |                  |  |                  |
| Depreciation and amortization   | 55,617                                    | 42,605           | 195,700                                  | 136,080          |
| Inventory reserves  | 9,264                                     | 5,579            | 22,603                                   | 12,965           |
| Provision (reversal) for expected credit losses                           | (1,919)                                   | 5,987            | (8,522)                                  | 16,486           |
| Loss (profit) on sale/disposal of property and equipment and intangible   | 2   | 87               | (190)                                    | 222              |
| Fair value change in financial derivative                                 | (58,589)                                  | -                | (154,562)                                | -                |
| Fair value adjustment in accounts payable to selling shareholders         | -   | 74,664           | (26,320)                                 | 75,153           |
| Share of loss of equity-accounted investees                               | 4,284                                     | 5,575            | 24,220                                   | 8,326            |
| Share-based compensation plan   | 17,706                                    | 41,760           | 26,752                                   | 57,315           |
| Accrued interest on loans and financing                                   | 72,549                                    | 11,705           | 178,093                                  | 20,610           |
| Interest accretion on accounts payable to selling shareholders            | 47,268                                    | 30,802           | 136,942                                  | 84,826           |
| Interest from financial investment  | (24,763)                                  | (6,421)          | (63,116)                                 | (14,916)         |
| Interest on lease liabilities   | 1,001                                     | 1,204            | 3,288                                    | 3,361            |
| Provision for legal proceedings   | 1,317                                     | 248              | 1,423                                    | 37               |
| Provision for payroll taxes (restricted stock units)                      | 3,871                                     | 1,259            | 788                                      | 2,686            |
| Foreign exchange (income) expenses, net                                   | 21,316                                    | (1,945)          | (22,346)                                 | 2,147            |
| Gain on changes of interest of investment                                 | 46  | -                | (17,712)                                 | -                |
| Other financial expense (income), net                                     | (987)                                     | 1,792            | (4,115)                                  | (706)            |
|   | <b>40,138</b>                             | <b>18,797</b>    | <b>281,857</b>                           | <b>204,065</b>   |
| Changes in assets and liabilities   |   |                  |  |                  |
| Trade receivables   | 170,531                                   | 95,594           | 166,187                                  | 95,979           |
| Inventories   | (47,514)                                  | (6,372)          | (75,185)                                 | (18,339)         |
| Recoverable taxes   | (16,421)                                  | (5,463)          | (7,973)                                  | (2,996)          |
| Other assets  | 9,867                                     | (12,776)         | (25,210)                                 | (21,231)         |
| Trade payables  | (2,593)                                   | 21,809           | 49,044                                   | 29,034           |
| Labor and social obligations  | 324                                       | 1,069            | 26,069                                   | 11,325           |
| Taxes and contributions payable   | (1,671)                                   | (1,388)          | (2,649)                                  | (6,471)          |
| Advances from customers   | (55,201)                                  | (36,559)         | (29,560)                                 | (16,574)         |
| Other liabilities   | (7,713)                                   | (574)            | 1,515                                    | 1,730            |
| <b>Cash from operations</b>   | <b>89,747</b>                             | <b>74,137</b>    | <b>384,095</b>                           | <b>276,522</b>   |
| Income taxes paid   | (3,101)                                   | (19,167)         | (50,575)                                 | (70,684)         |
| Interest paid on lease liabilities  | (1,250)                                   | (918)            | (3,596)                                  | (2,521)          |
| Interest paid on accounts payable to selling shareholders                 | (1,702)                                   | (1,031)          | (38,616)                                 | (5,254)          |
| Interest paid on loans and financing                                      | (115,856)                                 | (5,461)          | (147,848)                                | (13,406)         |
| Payments for contingent consideration                                     | (146)                                     | -                | (70,687)                                 | (332)            |
| Payments for stock options  | -   | -                | (75,578)                                 | -                |
| <b>Net cash flows from operating activities</b>                           | <b>(32,308)</b>                           | <b>47,560</b>    | <b>(2,805)</b>                           | <b>184,325</b>   |
| <b>Investing activities</b>   |   |                  |  |                  |
| Acquisition of property and equipment                                     | (3,925)                                   | (4,010)          | (12,323)                                 | (9,542)          |
| Payment of investments and interests in other entities                    | (14)                                      | (53,538)         | (32)                                     | (126,760)        |
| Acquisition of subsidiaries, net of cash acquired                         | -   | (15,839)         | -  | (31,056)         |
| Payments of accounts payable to selling shareholders                      | (1,270)                                   | (8,449)          | (1,270)                                  | (101,285)        |
| Acquisition of intangible assets  | (26,976)                                  | (35,190)         | (123,029)                                | (104,733)        |
| Maturity of financial investments   | (264,243)                                 | 213,374          | 376,650                                  | 366,309          |
| Loans to related parties  | 1   | -                | (4,811)                                  | -                |
| <b>Net cash flows from (used in) investing activities</b>                 | <b>(296,427)</b>                          | <b>96,348</b>    | <b>235,185</b>                           | <b>(7,067)</b>   |

**Financing activities**

|   |                |                |                  |                |
|---|----------------|----------------|------------------|----------------|
| Purchase of treasury shares                               | (1,523)        | (25,069)       | (53,139)         | (134,806)      |
| Payment of lease liabilities                              | (3,774)        | (4,245)        | (15,779)         | (10,599)       |
| Payment of accounts payable to selling shareholders       | (10,884)       | (13)           | (132,154)        | (19,455)       |
| Loans and financings - additions                          | 1,189,058      | 891,116        | 1,189,058        | 887,673        |
| Loans and financings – payment                            | (905,582)      | -              | (1,116,911)      | -              |
| <b>Net cash flows (used in) from financing activities</b> | <b>267,295</b> | <b>861,789</b> | <b>(128,925)</b> | <b>722,813</b> |

|   |                 |                  |                |                |
|---|-----------------|------------------|----------------|----------------|
| Foreign exchange effects on cash and cash equivalents | (298)           | 1,945            | (583)          | (2,147)        |
| <b>Increase in cash and cash equivalents</b>          | <b>(61,738)</b> | <b>1,007,642</b> | <b>102,872</b> | <b>897,924</b> |

**Cash and cash equivalents**

|  |                 |                  |                |                |
|--|-----------------|------------------|----------------|----------------|
| At the beginning of the period               | 375,753         | 314,692          | 211,143        | 424,410        |
| At the end of the period                     | 314,015         | 1,322,334        | 314,015        | 1,322,334      |
| <b>Increase in cash and cash equivalents</b> | <b>(61,738)</b> | <b>1,007,642</b> | <b>102,872</b> | <b>897,924</b> |



**Arco Platform Limited**  
**Reconciliation of Non-GAAP Measures**

**Reconciliation of Adjusted EBITDA**

| <i>(In thousands of Brazilian reais)</i>                       | Three-month period ended<br>September 30, |                 | Nine-month period ended<br>September 30, |                |
|--|---|-----------------|--|----------------|
|  | 2022                                      | 2021            | 2022                                     | 2021           |
|  | (unaudited)                               | (unaudited)     | (unaudited)                              | (unaudited)    |
| Net (loss) profit for the period                               | (72,464)                                  | (144,060)       | 16,854                                   | (152,268)      |
| (+/-) Income taxes   | (35,381)                                  | (52,044)        | (27,923)                                 | (48,259)       |
| (+/-) Finance result   | 53,882                                    | 104,594         | 43,853                                   | 166,832        |
| (+) Depreciation and amortization                              | 55,617                                    | 42,605          | 195,700                                  | 136,080        |
| (+) Share of loss of equity-accounted investees                | 4,284                                     | 5,575           | 24,220                                   | 8,326          |
| <b>EBITDA</b>  | <b>5,938</b>                              | <b>(43,330)</b> | <b>252,704</b>                           | <b>110,711</b> |
| (+) Share-based compensation plan                              | 21,596                                    | 42,993          | 40,745                                   | 64,041         |
| (+) Share-based compensation plan and restricted stock units   | 16,922                                    | 41,630          | 26,752                                   | 57,315         |
| (+) Provision for payroll taxes (restricted stock units)       | 4,674                                     | 1,363           | 13,993                                   | 6,726          |
| (+) M&A expenses   | 1,490                                     | 15,299          | 10,676                                   | 29,055         |
| (+/-) Other changes to equity accounted investees <sup>3</sup> | 46  | -               | (17,712)                                 | -              |
| (+) Non-recurring expenses                                     | 8,083                                     | 296             | 8,083                                    | 948            |
| (+) Effects related to Covid-19 pandemic                       | -   | 544             | -  | 1,696          |
| <b>Adjusted EBITDA</b>   | <b>37,153</b>                             | <b>15,802</b>   | <b>294,496</b>                           | <b>206,451</b> |
| <br>   |   |                 |  |                |
| <b>Revenue</b>   | <b>253,922</b>                            | <b>183,267</b>  | <b>1,096,096</b>                         | <b>771,240</b> |
| <b>EBITDA Margin</b>   | <b>2.3%</b>                               | <b>-23.6%</b>   | <b>23.1%</b>                             | <b>14.4%</b>   |
| Adjusted EBITDA Margin   | 14.6%                                     | 8.6%            | 26.9%                                    | 26.8%          |

**Reconciliation of Adjusted Net Income**

| <i>(In thousands of Brazilian reais)</i>  | Three-month period ended September 30, |                                |                  |
|---|--|--------------------------------|------------------|
|   | 2022                                   | 2021<br>pro forma <sup>1</sup> | 2021<br>reported |
|   | (unaudited)                            | (unaudited)                    | (unaudited)      |
| Net loss for the period   | (72,464)                               | (144,060)                      | (144,060)        |
| (+) Share-based compensation plan   | 21,596                                 | 42,993                         | 42,993           |
| (+) Share-based compensation plan and restricted stock units                          | 16,922                                 | 41,630                         | 41,630           |
| (+) Provision for payroll taxes (restricted stock units)                              | 4,674                                  | 1,363                          | 1,363            |
| (+) M&A expenses  | 1,490                                  | 15,299                         | 14,353           |
| (+/-) Other changes to equity accounted investees <sup>3</sup>                        | 46                                     | -                              | -                |
| (+) Non-recurring expenses  | 8,083                                  | 296                            | 1,242            |
| (+) Effects related to Covid-19 pandemic  | -                                      | 544                            | 544              |
| (+/-) Adjustments related to business combination                                     | 31,435                                 | 114,669                        | 131,064          |
| (+) Amortization of intangible assets from business combinations                      | 23,911                                 | 25,598                         | 25,598           |
| (+/-) Changes in accounts payable to selling shareholders                             | -                                      | 74,664                         | 74,664           |
| (+) Interest expenses, net (adjusted by fair value)                                   | 7,524                                  | 14,407                         | 14,407           |
| (+) Interest on acquisition of investments, net (linked to a fixed rate) <sup>1</sup> | -                                      | -                              | 16,395           |
| (+/-) Non-cash adjustments related to derivative instruments and convertible notes    | (32,690)                               | -                              | -                |
| (+/-) Foreign exchange on cash and cash equivalents <sup>1</sup>                      | -                                      | -                              | (1,945)          |
| (+) Share of loss of equity-accounted investees <sup>1</sup>                          | -                                      | -                              | 5,575            |
| (+/-) Tax effects   | (19,441)                               | (51,579)                       | (61,738)         |
| <b>Adjusted Net Income</b>  | <b>(61,945)</b>                        | <b>(21,838)</b>                | <b>(11,972)</b>  |
| <br>  |  |                                |                  |
| <b>Net Revenue</b>  | <b>253,922</b>                         | <b>183,267</b>                 | <b>183,267</b>   |
| Adjusted Net Income Margin  | -24.4%                                 | -11.9%                         | -6.5%            |
| Weighted average shares   | 55,807                                 | 56,902                         | 56,902           |
| <b>Adjusted EPS</b>   | <b>(1.11)</b>                          | <b>(0.38)</b>                  | <b>(0.21)</b>    |

*(In thousands of Brazilian reais)*

|   | <b>Nine-month period ended September 30,</b> |                        |                |
|---|--|------------------------|----------------|
|   | <b>2022</b>                                  | <b>2021</b>            | <b>2021</b>    |
|   | (unaudited)                                  | pro forma <sup>1</sup> | Reported       |
|   | (unaudited)                                  | (unaudited)            | (unaudited)    |
| Net (loss) profit for the period  | 16,854                                       | (152,268)              | (152,268)      |
| (+) Share-based compensation plan   | 40,745                                       | 64,041                 | 64,041         |
| (+) Share-based compensation plan and restricted stock units                                    | 26,752                                       | 57,315                 | 57,315         |
| (+) Provision for payroll taxes (restricted stock units)  | 13,993                                       | 6,726                  | 6,726          |
| (+) M&A expenses  | 10,676                                       | 29,055                 | 22,203         |
| (+/-) Other changes to equity accounted investees <sup>3</sup>                                  | (17,712)                                     | -                      | -              |
| (+) Non-recurring expenses  | 8,083  | 948                    | 7,800          |
| (+) Effects related to Covid-19 pandemic  | -  | 1,696                  | 1,696          |
| (+/-) Adjustments related to business combination   | 89,472                                       | 204,482                | 235,329        |
| (+) Amortization of intangible assets from business combinations                                | 81,510                                       | 75,350                 | 75,350         |
| (+/-) Changes in accounts payable to selling shareholders                                       | (26,320)                                     | 75,153                 | 75,153         |
| (+) Interest expenses, net (adjusted by fair value)   | 34,282                                       | 53,979                 | 53,979         |
| (+) Interest on acquisition of investments, net (linked to a fixed rate) <sup>1</sup>           | -  | -                      | 30,847         |
| (+/-) Non-cash adjustments related to derivative instruments and convertible notes <sup>2</sup> | (157,910)                                    | -                      | -              |
| (+/-) Foreign exchange on cash and cash equivalents <sup>1</sup>                                | -  | -                      | 2,147          |
| (+) Share of loss of equity-accounted investees <sup>1</sup>                                    | -  | -                      | 8,326          |
| (+/-) Tax effects   | (41,963)                                     | (93,634)               | (103,793)      |
| <b>Adjusted Net Income</b>  | <b>(51,755)</b>                              | <b>54,320</b>          | <b>85,481</b>  |
| <b>Net Revenue</b>  | <b>1,096,096</b>                             | <b>771,240</b>         | <b>771,240</b> |
| Adjusted Net Income Margin  | -4.7%  | 7.0%                   | 11.1%          |
| Weighted average shares   | 55,940                                       | 57,109                 | 57,109         |
| <b>Adjusted EPS</b>   | <b>(0.93)</b>                                | <b>0.95</b>            | <b>1.50</b>    |

1) Adjusted net income for previous periods presented in this column excludes the following adjustments: (i) Interest on acquisition of investments, net (linked to a fixed rate); (ii) Foreign exchange on cash and cash equivalents; and (iii) Share of loss of equity-accounted investees. Such adjustments will be no longer consider in the net income reconciliation from 4Q21 onwards and are presented for comparison purposes only in the "Reported" column.

2) Such adjustment was previously named "(+/-) Changes in fair value of derivative instruments".

3) Refers to (gains) losses related to capital contribution from others on investees leading to an increase in equity of the investee.

## Reconciliation of Free Cash Flow

| <i>(In thousands of Brazilian reais)</i>                                    | Three-month period ended<br>September 30, |                  | Nine-month period ended<br>September 30, |                  |
|---|---|------------------|--|------------------|
|   | 2022                                      | 2021             | 2022                                     | 2021             |
|   | (unaudited)                               | (unaudited)      | (unaudited)                              | (unaudited)      |
| <b>Loss profit before income taxes</b>                                      | <b>(107,845)</b>                          | <b>(196,104)</b> | <b>(11,069)</b>                          | <b>(200,527)</b> |
| (+/-) Non-cash adjustments to reconcile Adj. EBITDA to cash from operations | 147,983                                   | 214,901          | 292,926                                  | 404,592          |
| (+/-) Working capital (Changes in assets and liabilities)                   | 49,609                                    | 55,340           | 102,238                                  | 72,457           |
| <b>Cash from operations</b>   | <b>89,747</b>                             | <b>74,137</b>    | <b>384,095</b>                           | <b>276,522</b>   |
| (-) Income tax paid   | (3,101)                                   | (19,167)         | (50,575)                                 | (70,684)         |
| (-) CAPEX   | (30,901)                                  | (39,200)         | (135,352)                                | (114,275)        |
| <b>Free cash flow to firm</b>   | <b>55,745</b>                             | <b>15,770</b>    | <b>198,168</b>                           | <b>91,563</b>    |
| (-) Interest paid on loans and financings & lease liabilities               | (117,106)                                 | (6,379)          | (151,444)                                | (15,927)         |
| (-) Interest paid on accounts payable to selling shareholders               | (1,702)                                   | (1,031)          | (38,616)                                 | (5,254)          |
| (-) Payments for contingent consideration                                   | (146)                                     | -                | (70,687)                                 | (332)            |
| (-) Payments of stock options <sup>1</sup>                                  | -   | -                | (75,578)                                 | -                |
| <b>Free cash flow</b>   | <b>(63,209)</b>                           | <b>8,360</b>     | <b>(138,157)</b>                         | <b>70,050</b>    |
| (-) M&A classified as Payments of stock options <sup>1</sup>                | -   | -                | 75,578                                   | -                |
| (-) M&A classified as CAPEX <sup>2</sup>                                    | -   | -                | 14,208                                   | -                |
| (-) M&A classified as payments for contingent consideration <sup>3</sup>    | 146                                       | -                | 70,687                                   | 332              |
| <b>Free cash flow (managerial)</b>  | <b>(63,063)</b>                           | <b>8,360</b>     | <b>22,316</b>                            | <b>70,382</b>    |

- 1) For 9M22 considers R\$75 million related to M&A payment booked as stock option plan expense (Geekie employees' SOP).
- 2) For 9M22, considers R\$14.2 million related to M&A payments (PGS' and Mentec's acquisition, being R\$5.5 million in 1Q22 and R\$8.7 million in 2Q22) from the accounting CAPEX of R\$135.4 million.
- 3) For 9M22, considers R\$70 million of contingent consideration related to M&A payment (difference between amount in the PPA and the final transaction amount calculated by the earn-out multiple.,

| <i>(In thousands of Brazilian reais)</i>   | Three-month period ended<br>September 30, |               | Nine-month period ended<br>September 30, |               |
|--|---|---------------|--|---------------|
|  | 2022                                      | 2021          | 2022                                     | 2021          |
|  | (unaudited)                               | (unaudited)   | (unaudited)                              | (unaudited)   |
| <b>Free cash flow to firm</b>              | <b>55,745</b>                             | <b>15,770</b> | <b>198,168</b>                           | <b>91,563</b> |
| (+) M&A classified as CAPEX <sup>1</sup>   | -   | -             | 14,208                                   | -             |
| <b>Free cash flow to firm (managerial)</b> | <b>55,745</b>                             | <b>15,770</b> | <b>212,376</b>                           | <b>91,563</b> |

- 1) For 9M22, considers R\$14.2 million related to M&A payments (PGS' and Mentec's acquisition, being R\$5.5 million in 1Q22 and R\$8.7 million in 2Q22) from the accounting CAPEX of R\$135.4 million.

## Reconciliation of Taxable Income

| <i>(In thousands of Brazilian reais)</i>   | Three months period ended<br>September 30, |                  | Nine months period ended<br>September 30, |                  |
|--|--|------------------|---|------------------|
|  | 2022                                       | 2021             | 2022                                      | 2021             |
|  | (unaudited)                                | (unaudited)      | (unaudited)                               | (unaudited)      |
| <b>Loss before income taxes</b>  | <b>(107,845)</b>                           | <b>(196,104)</b> | <b>(11,069)</b>                           | <b>(200,527)</b> |
| (+) Share-based compensation plan, RSU and provision for payroll taxes <sup>1</sup>                | 26,215                                     | 44,929           | 7,401                                     | 53,965           |
| (+) Amortization of intangible assets from business combinations before incorporation <sup>1</sup> | 7,477                                      | 725              | 21,323                                    | 10,485           |
| (+/-) Changes in accounts payable to selling shareholders <sup>1</sup>                             | 17,751                                     | 92,173           | 41,355                                    | 131,584          |
| (+/-) Share of loss of equity-accounted investees  | 4,284                                      | (1,896)          | 24,220                                    | (2,831)          |
| (+) Net income from Arco Platform (Cayman)   | (7,719)                                    | 2,971            | (112,227)                                 | 16,771           |
| (+) Fiscal loss without deferred   | 3,487                                      | 4,168            | 15,333                                    | 8,935            |
| (+/-) Provisions booked in the period  | (14,706)                                   | (3,546)          | 29,413                                    | 9,781            |
| (+) Tax loss carryforward  | 131,869                                    | 77,673           | 168,892                                   | 169,039          |
| (+) Others   | 13,471                                     | 9,349            | 23,643                                    | 17,868           |
| <b>Taxable income</b>  | <b>74,284</b>                              | <b>30,442</b>    | <b>208,284</b>                            | <b>215,070</b>   |
| <b>Current income tax under actual profit method</b>   | <b>(25,257)</b>                            | <b>(10,350)</b>  | <b>(70,817)</b>                           | <b>(73,123)</b>  |
| % Tax rate under actual profit method  | 34.0%                                      | 34.0%            | 34.0%                                     | 34.0%            |
| (+) Effect of presumed profit benefit  | -  | -                | -   | 3,266            |
| <b>Effective current income tax</b>  | <b>(25,257)</b>                            | <b>(10,350)</b>  | <b>(70,817)</b>                           | <b>(69,857)</b>  |
| % Effective tax rate   | 34.0%                                      | 34.0%            | 34.0%                                     | 32.5%            |
| (+) Recognition of tax-deductible amortization of goodwill and added value <sup>2</sup>            | 17,692                                     | 10,867           | 44,560                                    | 32,802           |
| (+/-) Other additions (exclusions)   | 3,181                                      | (1,763)          | 8,063                                     | (88)             |
| <b>Effective current income tax accounted for goodwill benefit</b>                                 | <b>(4,385)</b>                             | <b>(1,246)</b>   | <b>(18,194)</b>                           | <b>(37,143)</b>  |
| % Effective tax rate accounting for goodwill benefit   | 5.9%                                       | 4.1%             | 8.7%                                      | 17.3%            |

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 assets from business combinations.