

# 4Q20 Results

**Mar 2021**








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# 2020: A difficult year, but we prepare the company for the next trajectory of value generation

**Consistently increase profitability, prioritizing asset light business segments and models, with greater growth potential and greater ROIC**



- Complete restructuring of the Campus operation concluded in 4Q20
- Physical and administrative structure adjusted to the new growth cycle
- Completion of Accounts Receivable adjustments (Paying, PEP and PMT). Light balance for the new profitability growth cycle
- Digital education growing organically
- Space for growth in Medicine



- Company growing organically, with underwriting business already representing more than 80% of revenue in 2021
- Acquisitions to complete the Platform offer
- Acquisition of the Eleva Learning System, with a supply contract for at least 10 years



- Sale of schools to Eleva
- Receipt of part of the payment in Eleva shares (in the case of an IPO)
- The transaction carried out allows us to continue experiencing growth and generating value with the consolidation of the B2C market for basic education, without the need for capital allocation.



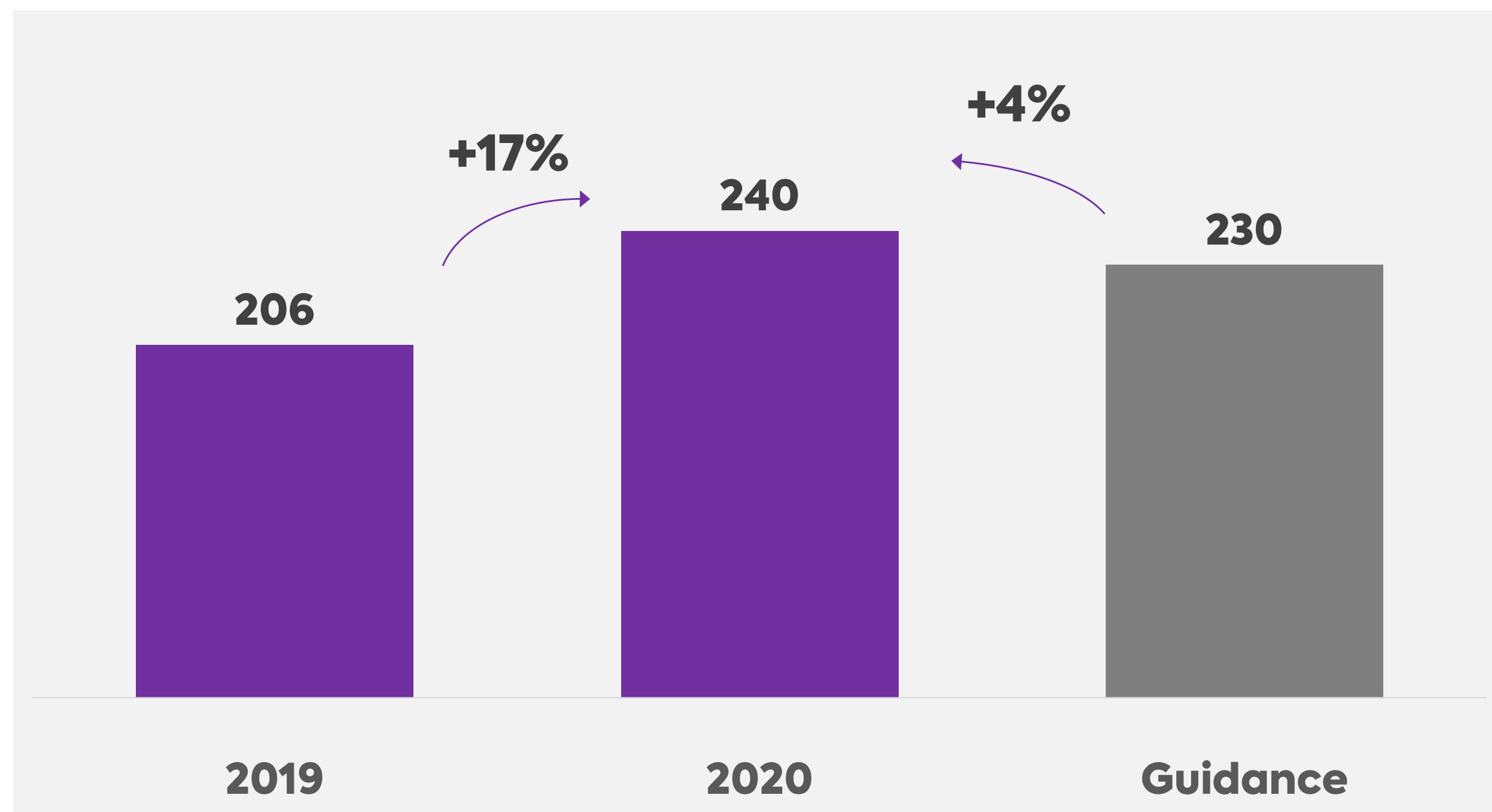
- Relevant organic growth
- OPM starts with external customers



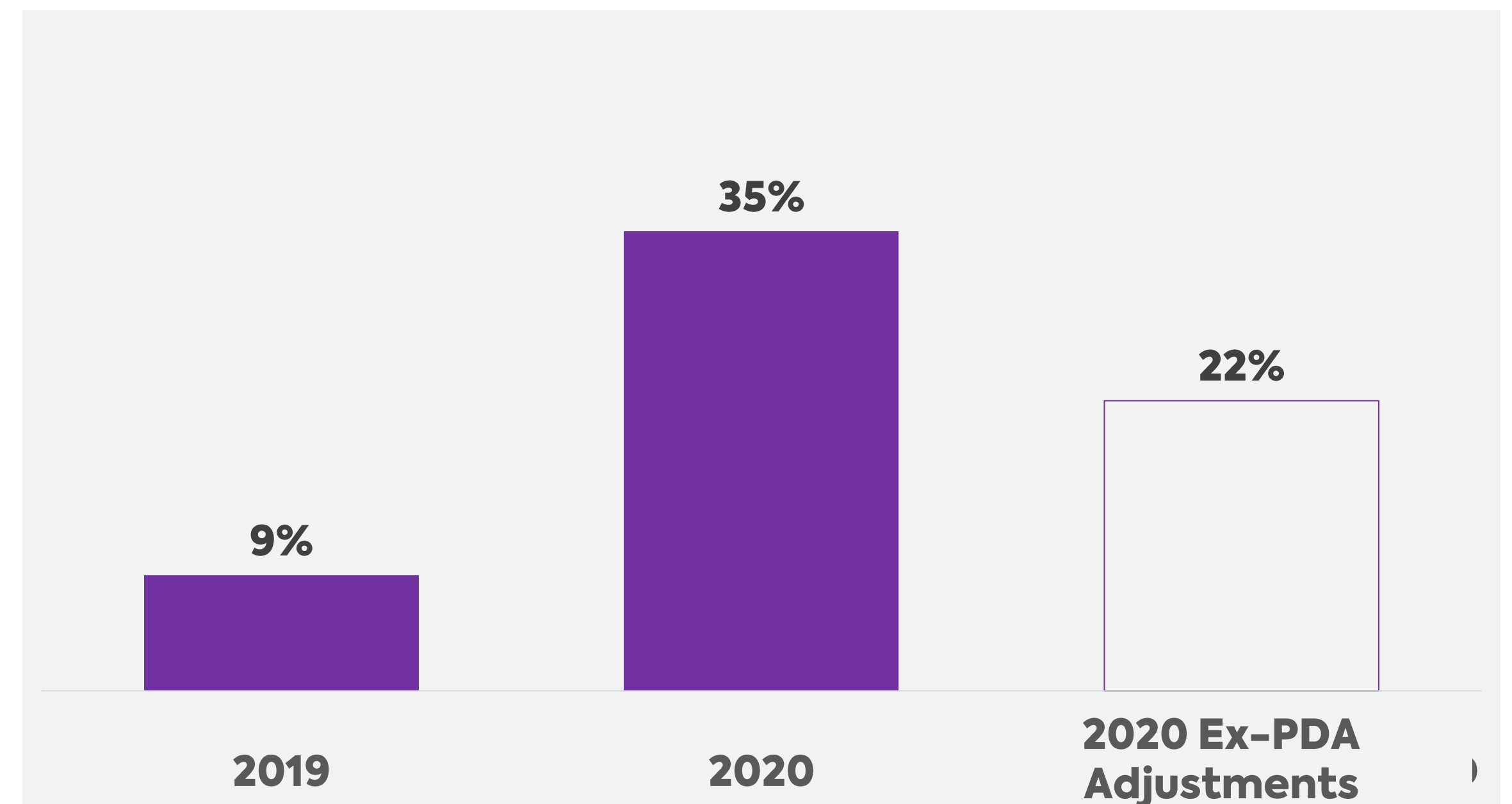
# Cogna – Operating Cash Generation

**Despite the impacts on revenue and EBITDA, we delivered a 17% growth in Post-Capex Operational Cash Generation (GCO) in 2020**

**Post-Capex OCG (BRL million) and Conversion<sup>2</sup> – 2020**



**Cash Conversion<sup>2</sup> – 2020**



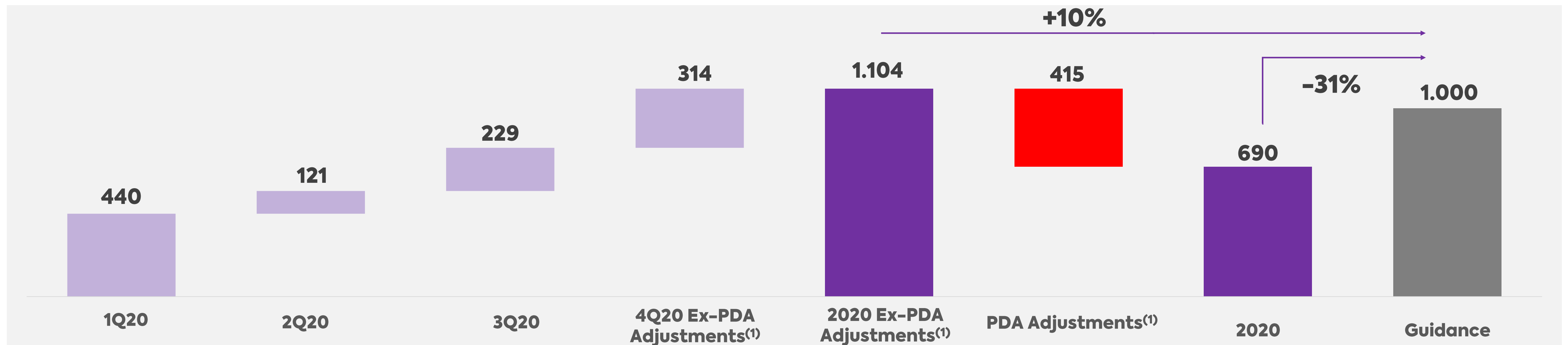
<sup>1</sup> Operational Cash Generation after Capex and Investments in Expansion (GCO) <sup>2</sup> Operational Cash Generation after Capex and Investments in Expansion (GCO) on Recurring EBITDA



# Cogna – Guidance 2020 and Leverage

- Recurring EBITDA of BRL 690 million, impacted by an extraordinary adjustment to allowance for doubtful accounts in the amount of BRL 415 million.
- Excluding the allowance for loan losses carried out in 4Q20 (non-cash effect), recurring EBITDA exceeds the guidance by 10%
- Due to the extraordinary adjustment of the Allowance for Loan Losses, net debt / adjusted EBITDA in the last 12 months reached 3.23x, above the 3x ceiling established by the debentures regulation. Although it does not characterize a breach of covenants, we will start negotiations with the debenture holders to renegotiate certain criteria related to the covenants.
- Excluding the complement of allowance for loan losses, the indicator is below 3x, with no forecast of exceeding this limit.

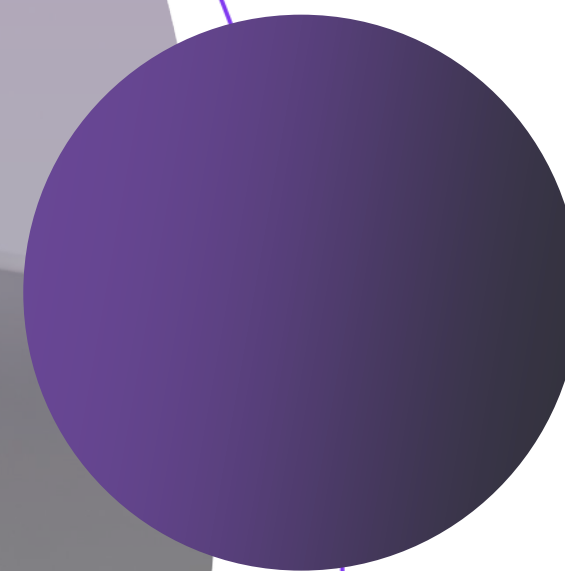
## Recurring EBITDA vs. Guidance (BRL million) - 2020



**Solid cash position of BRL 4.6 billion at the end of December and unchanged cash generation capacity**

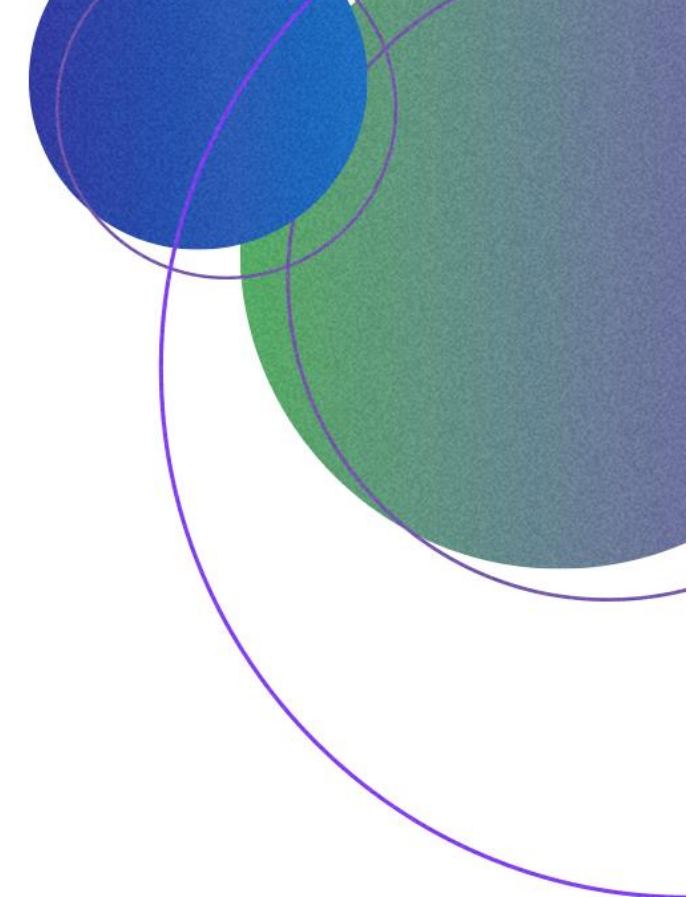
<sup>1</sup> 4Q20 PDA complement (BRL 415 million). EBITDA in 2Q20 (BRL 121 million) already considers a reduction of BRL 229 million in extraordinary adjustment to allowance for loan losses and was maintained in this way to make the EBITDA in the table comparable with the guidance. In 2020, extraordinary adjustments related to allowance for loan losses totaled BRL 644 million (BRL 229 million + BRL 415 million)





**Kroton**

**Mar 2021**

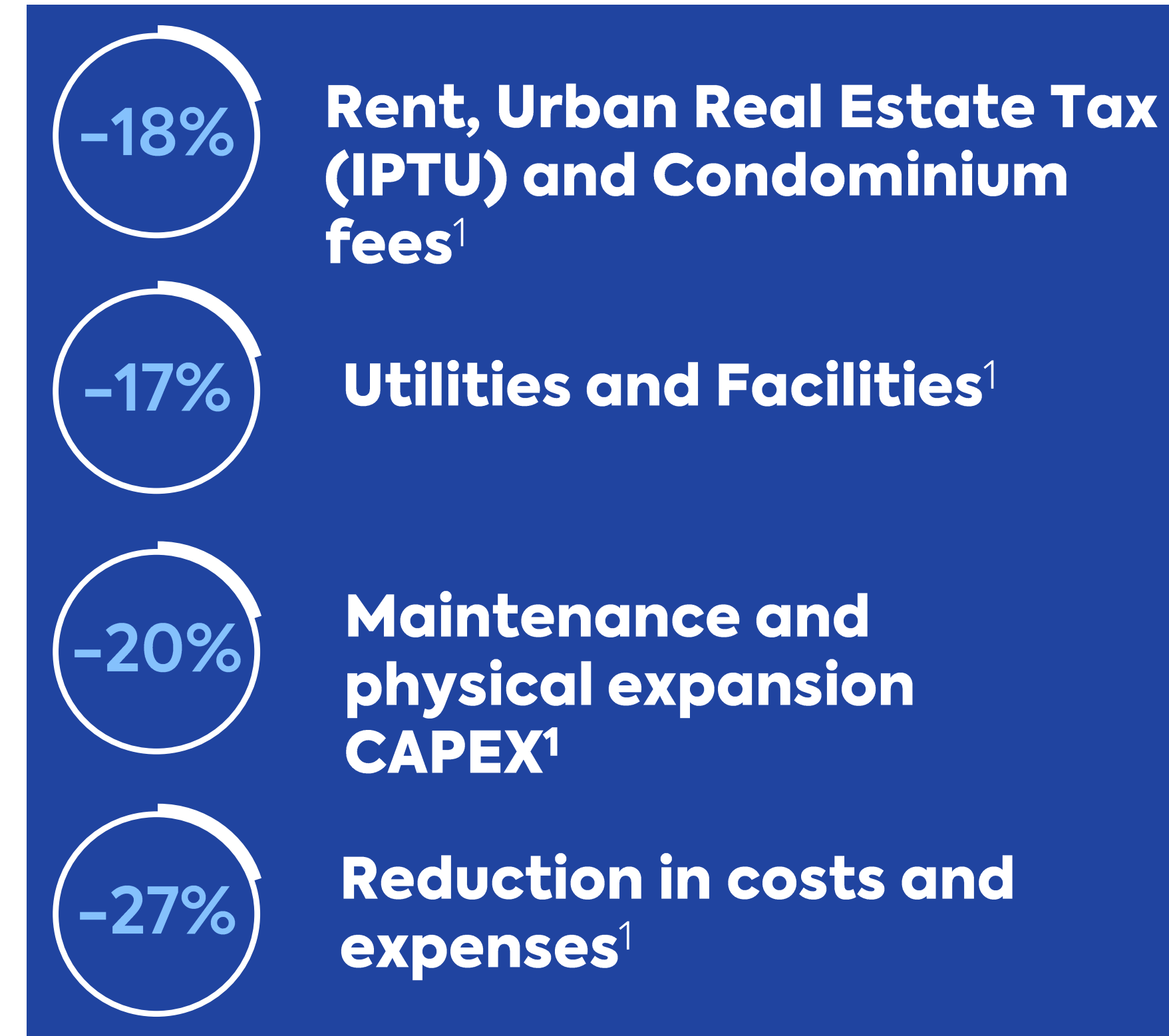
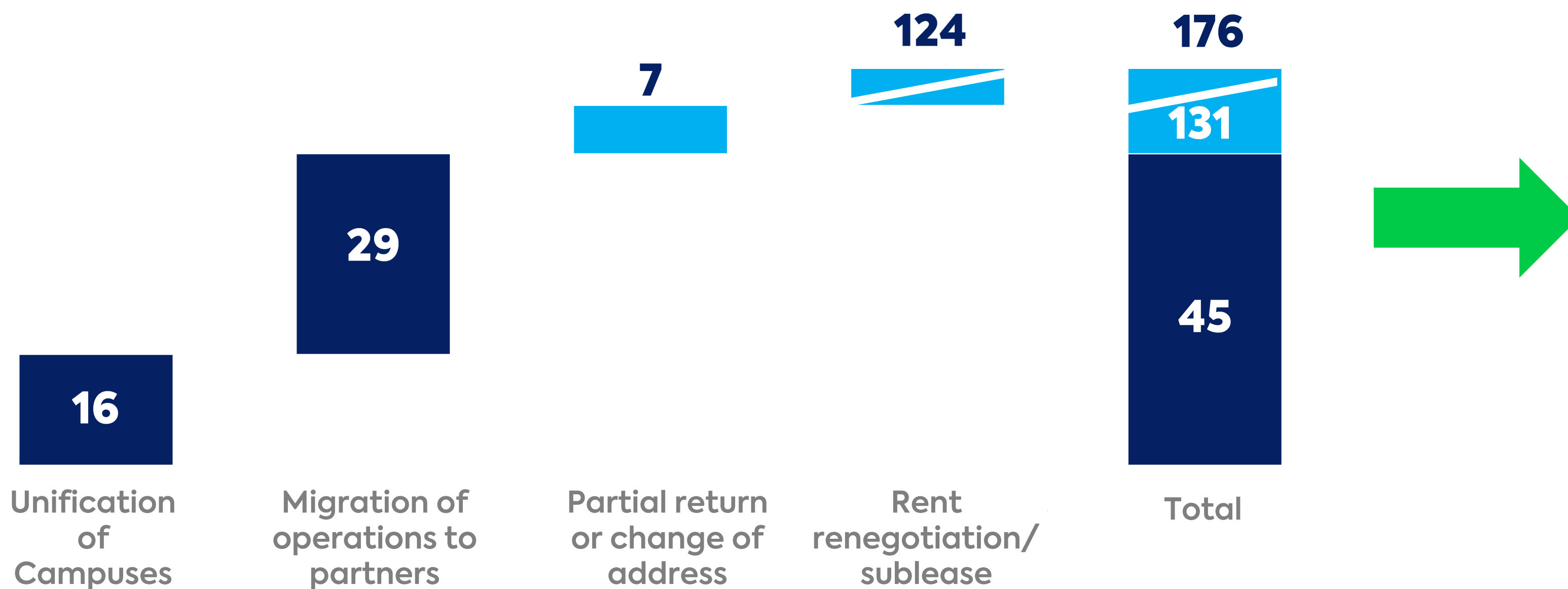




# A Reestruturação da Kroton – Movimentos e Impactos

Kroton did the biggest restructuring in its history, significantly reducing expansion costs but **maintaining service in 100% of the municipalities**

## 45 Units Handled



**Kroton on the way to deliver EBITDA growth in 2021, despite the challenges posed by the pandemic**

<sup>1</sup> Percentage calculated from the 2020 costs corrected by the adjustments foreseen in contracts for 2021 and discounting the temporary reductions due to the pandemic of COVID-19

# Kroton's Restructuring – Turnaround NPV and IRR

As with all processes of this nature, restructuring implies a high volume of non-recurring expenses. **Over 45% of expenses are non-cash accounting adjustments**

	Impactos em Resultado			Impactos em Caixa			Sumário Executivo	
Gastos de Reestruturação (R\$ Milhões)	4T20	2021E	Total	4T20	2021E	Total	Total	
Multas			100			100		
Rescisões			39			39		
Recomposição de investimentos			61			61		
Outros			15			15		
<b>Total Opex com efeito caixa</b>	<b>131</b>	<b>85</b>	<b>217</b>	<b>62</b>	<b>155</b>	<b>217</b>	<b>Investimentos (R\$ milhões)</b>	
Baixas contábeis	187	58	245	-	-	-		
<b>Total Opex</b>	<b>319</b>	<b>143</b>	<b>461</b>	<b>62</b>	<b>155</b>	<b>217</b>	<b>Payback (meses)</b>	
<b>Capex<sup>1</sup></b>	<b>21</b>	<b>30</b>	<b>51</b>	<b>-</b>	<b>51</b>	<b>51</b>	<b>Valor Presente Líquido (VPL, R\$ milhões)</b>	
<b>Total</b>	<b>340</b>	<b>173</b>	<b>512</b>	<b>62</b>	<b>206</b>	<b>268</b>	<b>Taxa Interna de Retorno (TIR)</b>	

4Q20: BRL 319 million in results (non-recurring items), of which BRL 187 million with a non-cash effect

2021: BRL 143 million in results (non-recurring items), of which BRL 58 million with a non-cash effect

BRL 51 million in capex

Investimentos (R\$ milhões)

268

Payback (meses)

16

Valor Presente Líquido (VPL, R\$ milhões)

507

Taxa Interna de Retorno (TIR)

86%

**Annual benefit generated by the project: BRL 155 million (base 2021) Expenses are justified by the high potential for return: NPV of BRL 507 million and IRR of 86%**

<sup>1</sup> Capex includes improvements in the remaining units for student migration



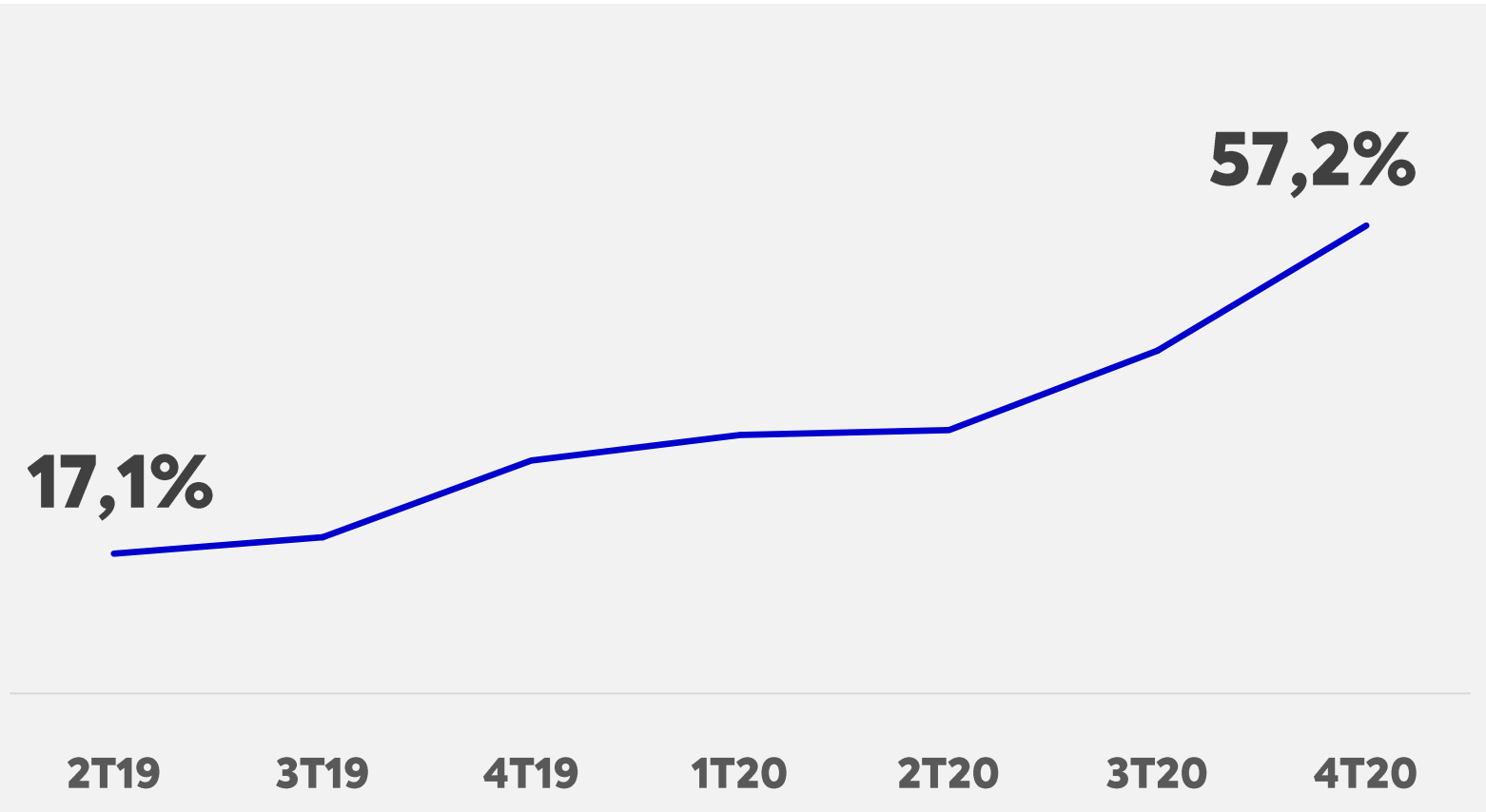


# Kroton – Accounts Receivables

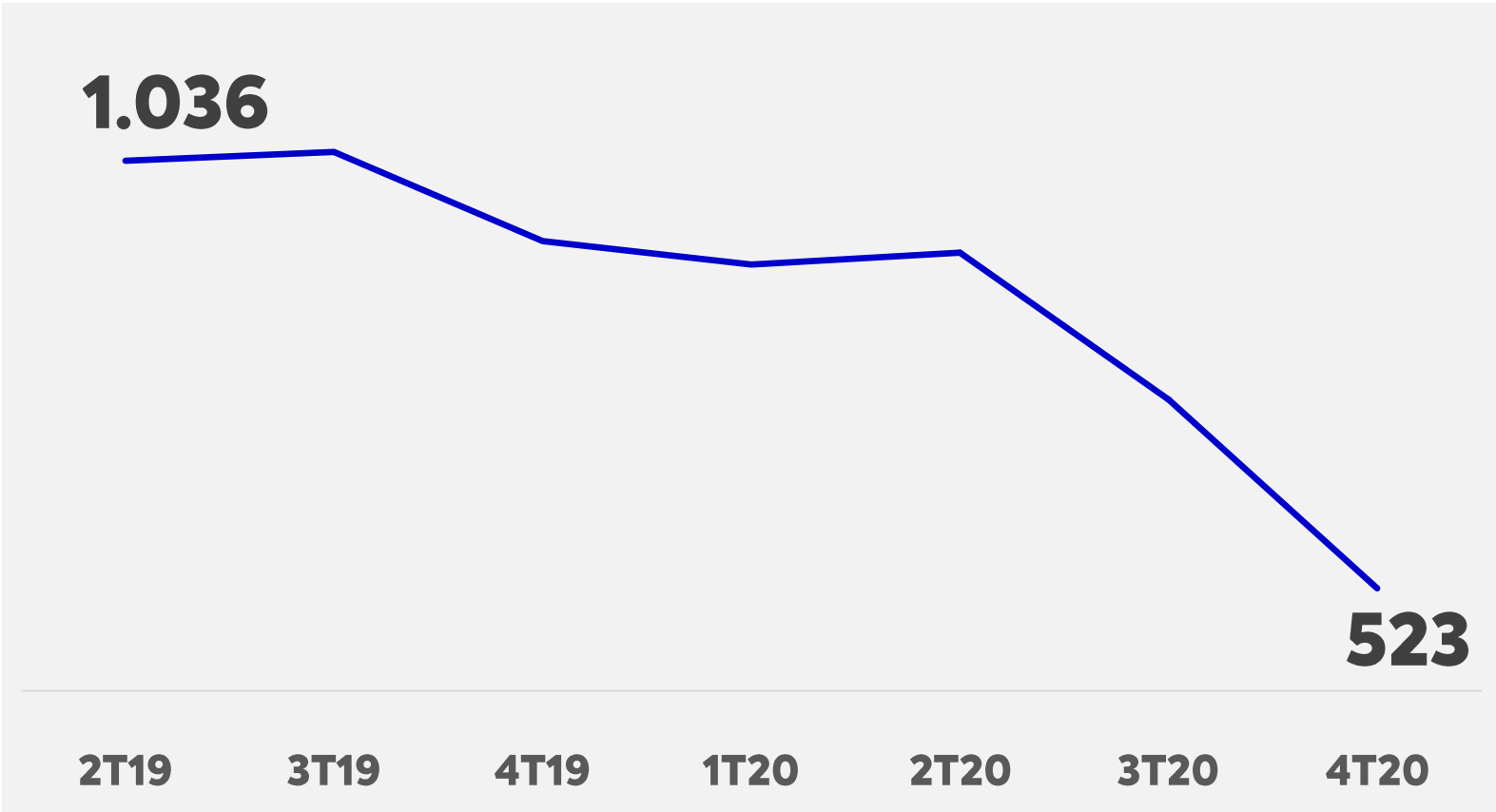
In 4Q20, we made adjustments to the provision that brought Kroton’s accounts receivable to another level ...

Bloco	Descrição	Impact (BRL MM)	Coverage <sup>2</sup>	ART (Days)
Out-of-pocket	Implementation of a new provisioning model, based on student profile attributes	185	57%	74
	Greater conservatism in the recovery estimate of credits written off more than 360 days ago			
PMT	Review of provisioning assumptions, with increased coverage	152	78%	401
PEP	New review of provisioning assumptions, with increased coverage	77	63%	664
Total		415		

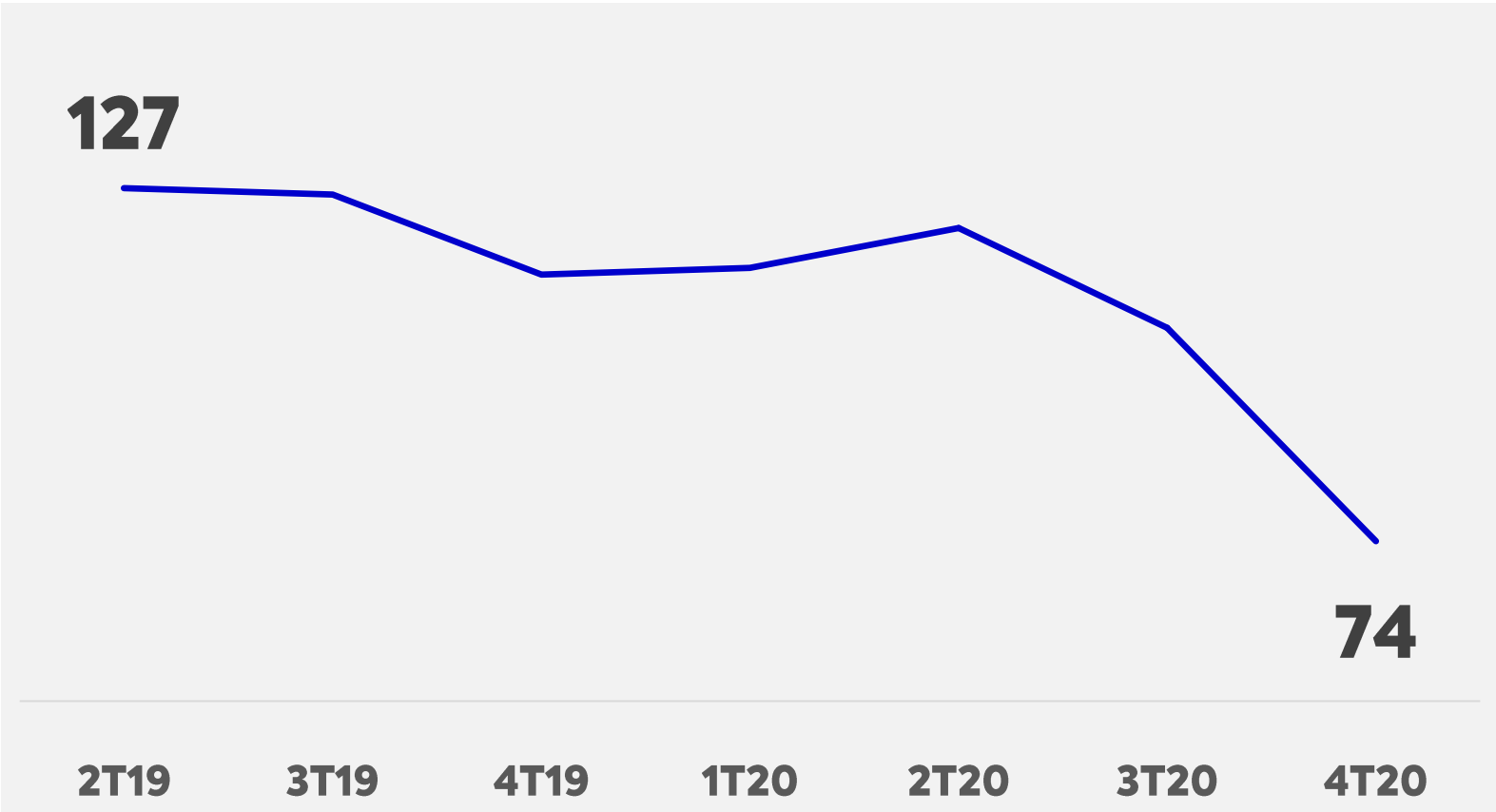
Coverage Ratio<sup>1,2</sup>



Accounts Receivables<sup>1</sup> (BRL million)



Average receivables term<sup>1,3</sup> (ART)



In 4Q20, we concluded an adjustment cycle involving all blocks of accounts receivable from the Company

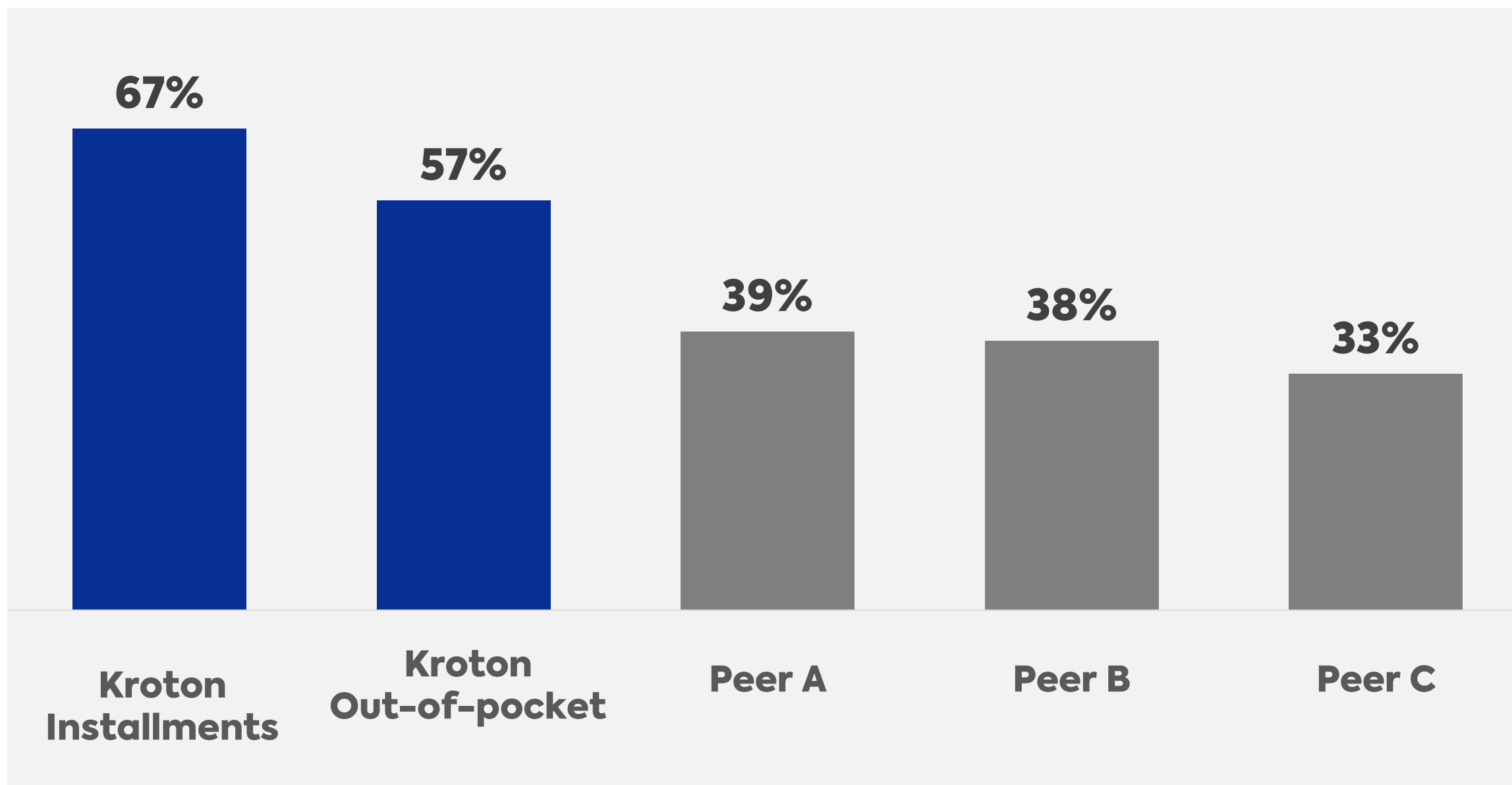
<sup>1</sup> Out-of-pocket students only. <sup>2</sup> Balance of PDA / Accounts Receivable Gross. <sup>3</sup> Balance of Accounts Receivable, Net over Net Revenue for the last 12 months

# Kroton – Accounts Receivables

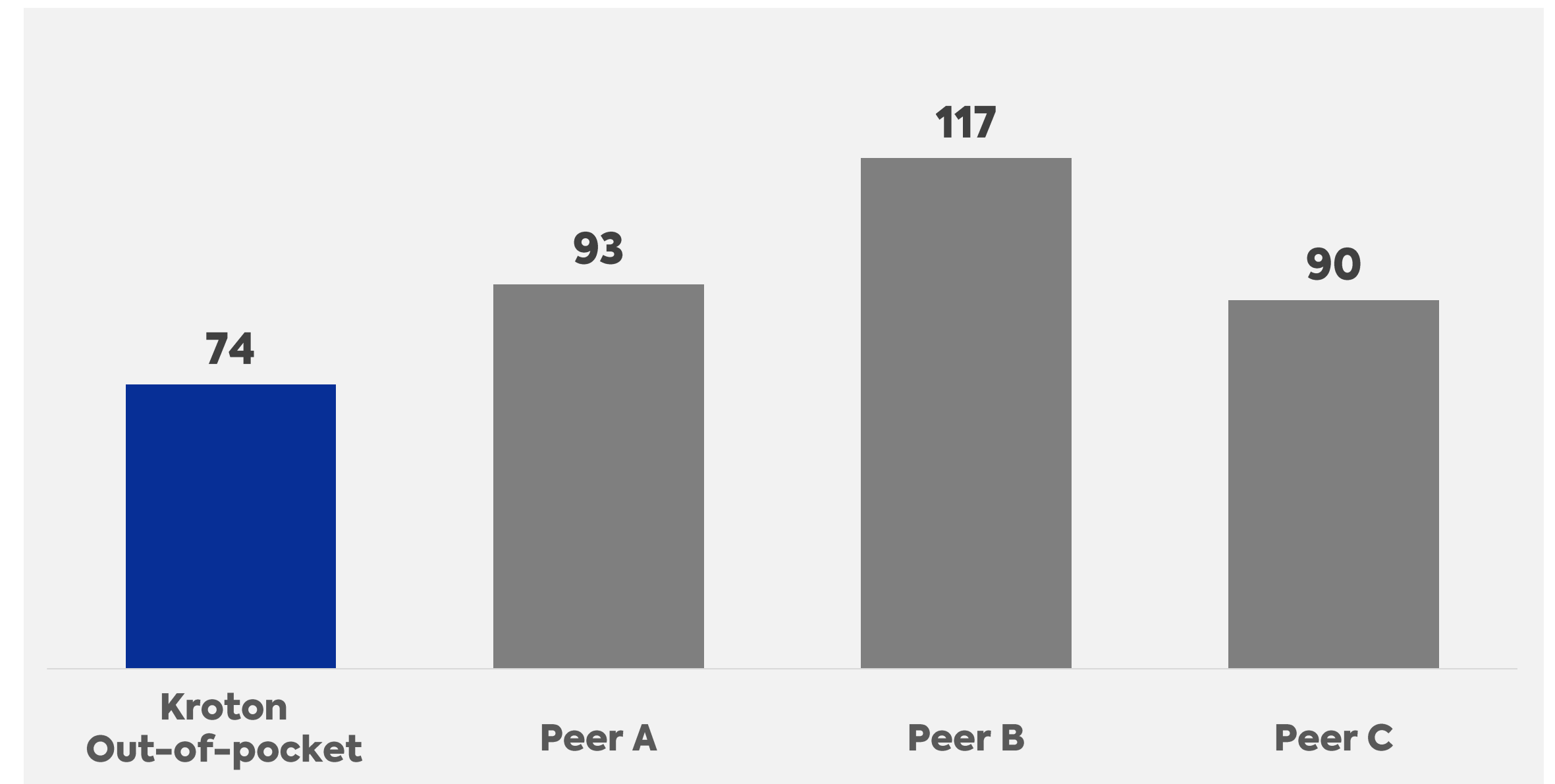
... that put accounts receivable from paying Kroton students at one of the safest levels in the industry:

- Coverage ratio of 57%, the highest among the selected pairs
- Average receivables term (ART) of 74 days, the shortest among the selected pairs

**Coverage Ratio<sup>1,2</sup>**



**Average receivables term<sup>1,3</sup> (ART)**



**The provisioning of accounts receivable from Kroton reached one of the most secure levels in the industry in terms of coverage and average collection period**

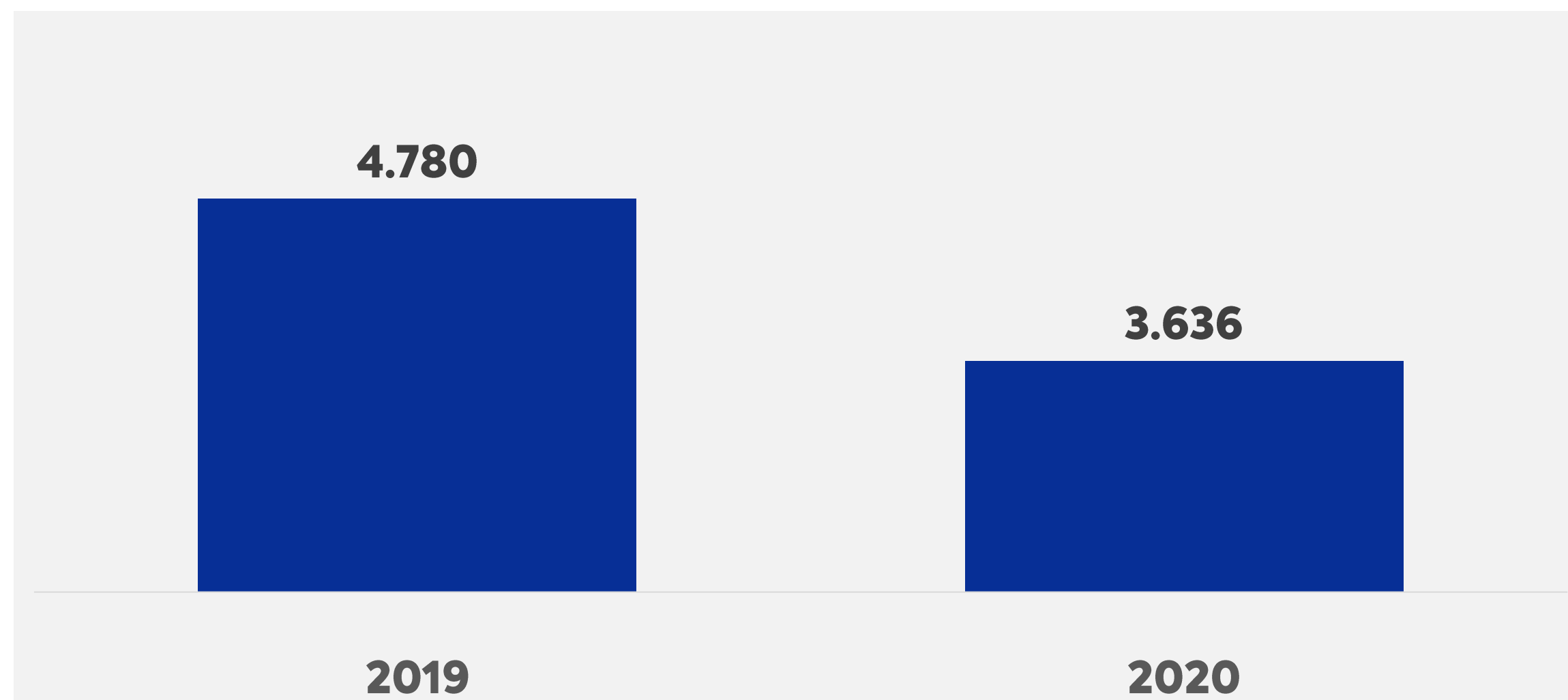
<sup>1</sup> Out-of-pocket students only. <sup>2</sup> Balance of PDA / Accounts Receivable Gross. <sup>3</sup> Balance of Accounts Receivable, Net over Net Revenue for the last 12 months



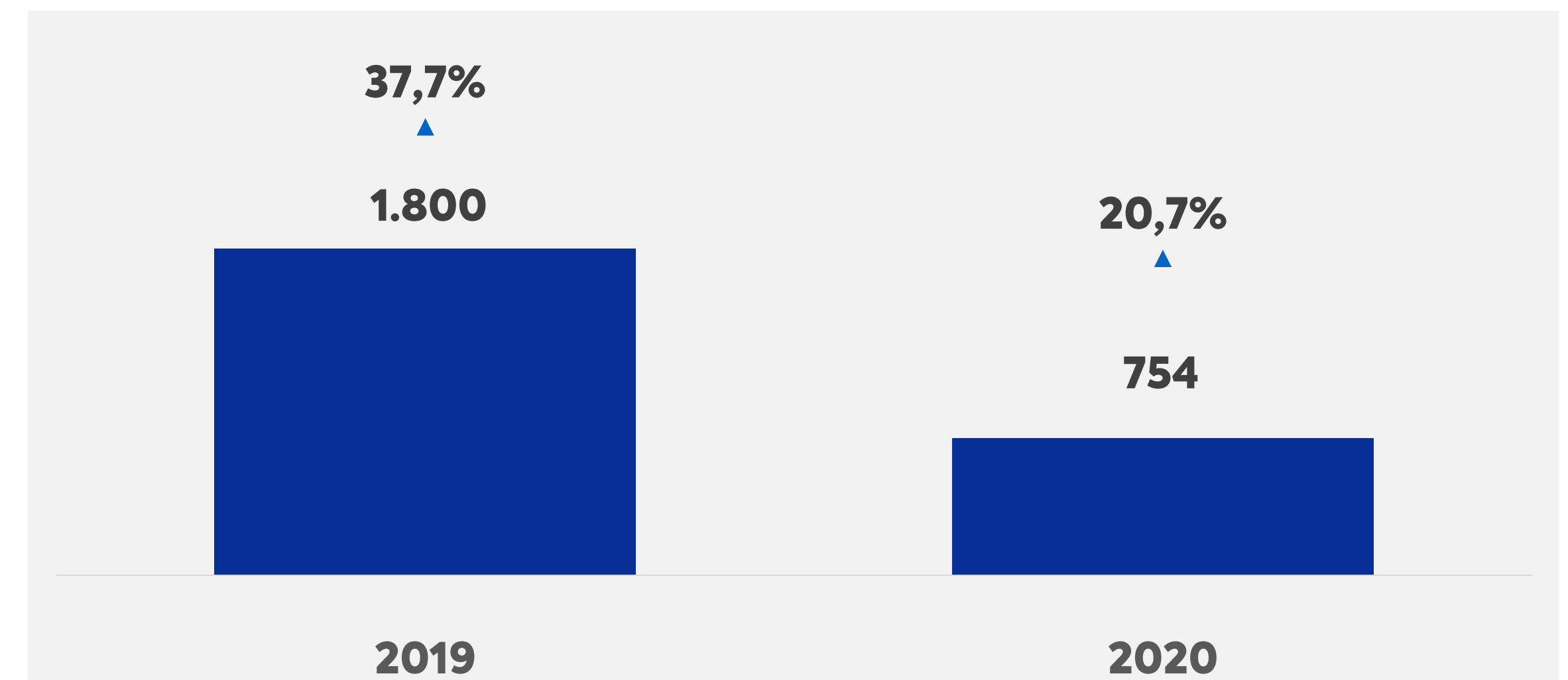
# Kroton – Operating Results

- Relevant drop in revenue: significant reduction in the FIES base and effects of the pandemic on-site
- Digital growing 18% in student volume
- EBITDA with sharp drop, due to the drop in revenue and the higher provisioning

**Net Revenue (BRL million)**



**Recurring EBITDA (BRL million) and EBITDA Margin**



Adjustments: BRL 644 million of extraordinary launches of allowances made in 2020:

- BRL 229 million in 2Q20 (PEP / PMT)
- BRL 415 million in 4Q20 (BRL 185 million paying; BRL 152 million PMT and BRL 77 million PEP)

**Lighter balance to start a new growth cycle**

**Falling revenue led to a drop in profitability and stimulated a turnaround that was already concluded in 4Q20**

## WHAT WAS 2020?

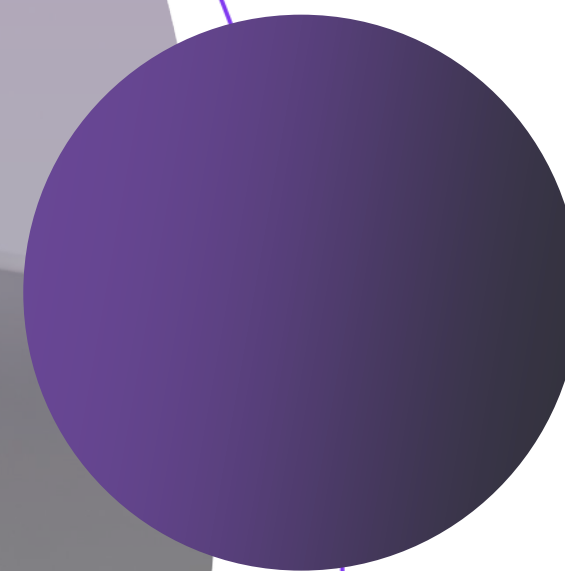
- Falling revenue (FIES graduations + pandemic effect) led to a major drop in profitability. To reverse the situation, Kroton underwent a deep turnaround, already concluded
- In parallel, we made a complete adjustment to accounts receivable, which placed the company on another level
- Distance learning growing organically: base + 18%, funding + 28%
- Relevant increase in the satisfaction of students and digital education partners: NPS students +17 p.p., NPS partners +19 p.p.

## WHAT ARE THE PROSPECTS FOR 2021?

- Face-to-face recruitment with a challenging scenario due to the measures of social distance
- Digital intake in a growing trend, in line with the digitalization trend of higher education
- Accelerated growth of hubs, rising from 1,255 in 2019 to more than 2,000 at the end of 2021
- Premium DL gaining relevance: + 20% in the number of offering hubs and substantial growth in funding 2021.1
- Re-enrollment of veteran students occurs marginally above expectations
- On-campus profitability recovery trend (effect of restructuring and adjustment to accounts receivable)
- Growth opportunities in Medicine

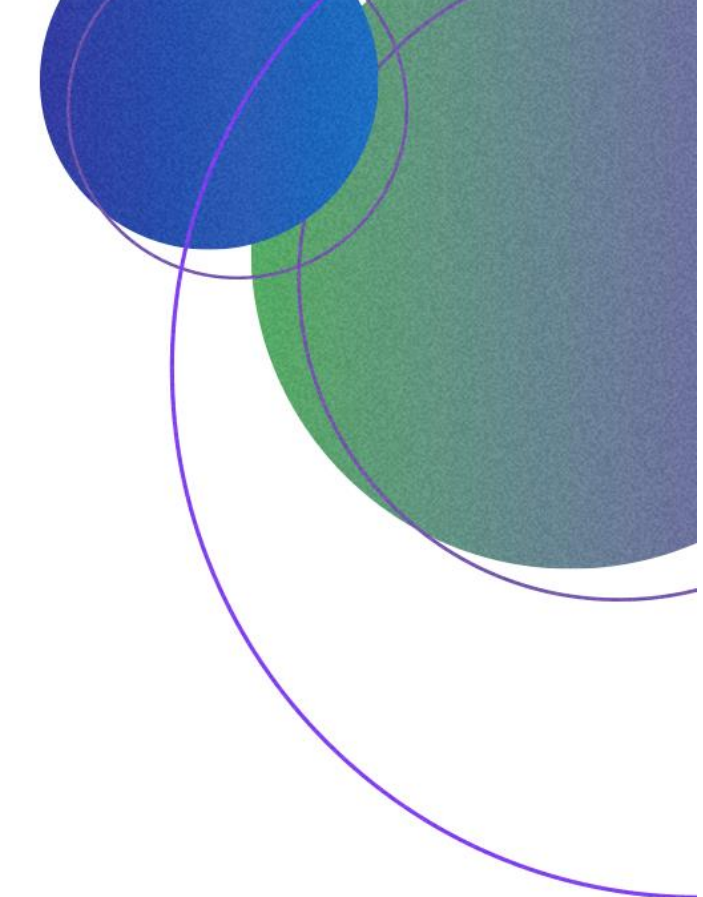
**In 2020 Kroton restructured its operation and accounts receivable to resume profitability in 2021**





**Vasta**

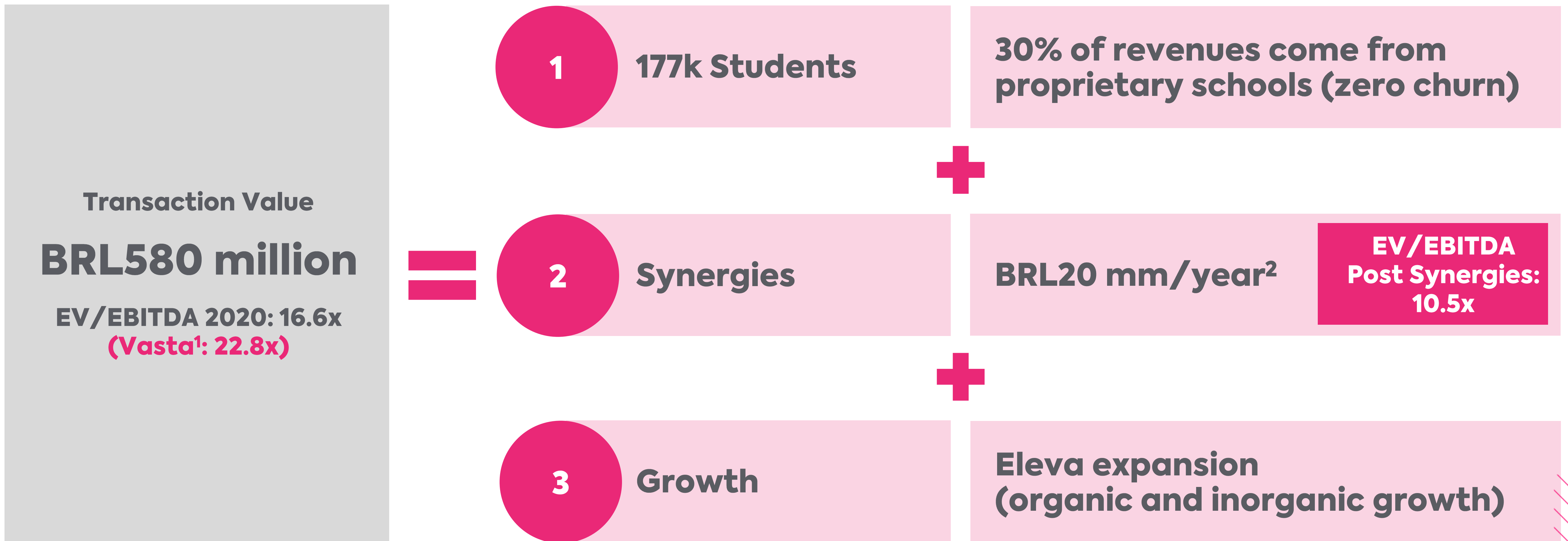
**Mar 2021**





# Cogna + Eleva: A highly value-generating transaction

Operation independently assessed by Vasta and **approved by an independent committee**

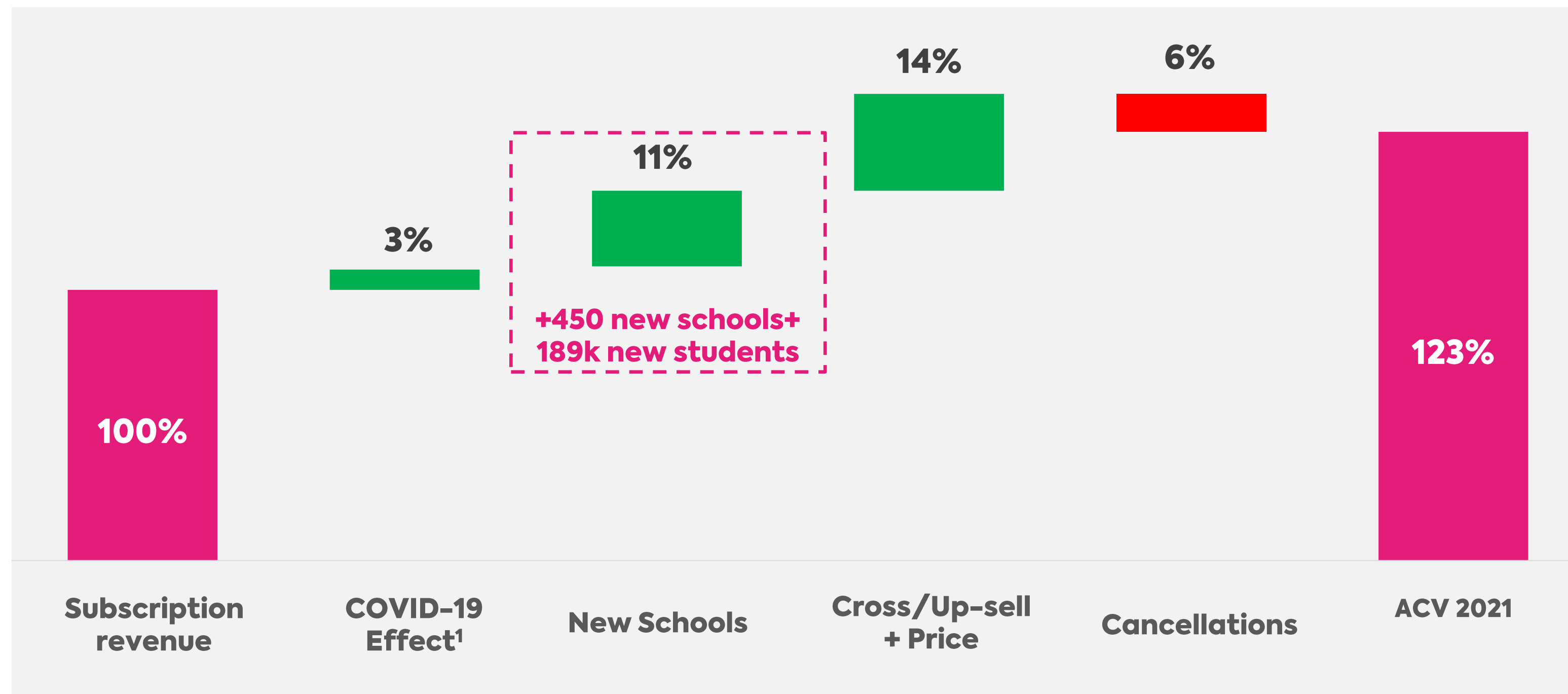


<sup>1</sup> On 2/19/2020, based on consensus estimates by sell-side analysts. <sup>2</sup> To be captured in up to 3 years.

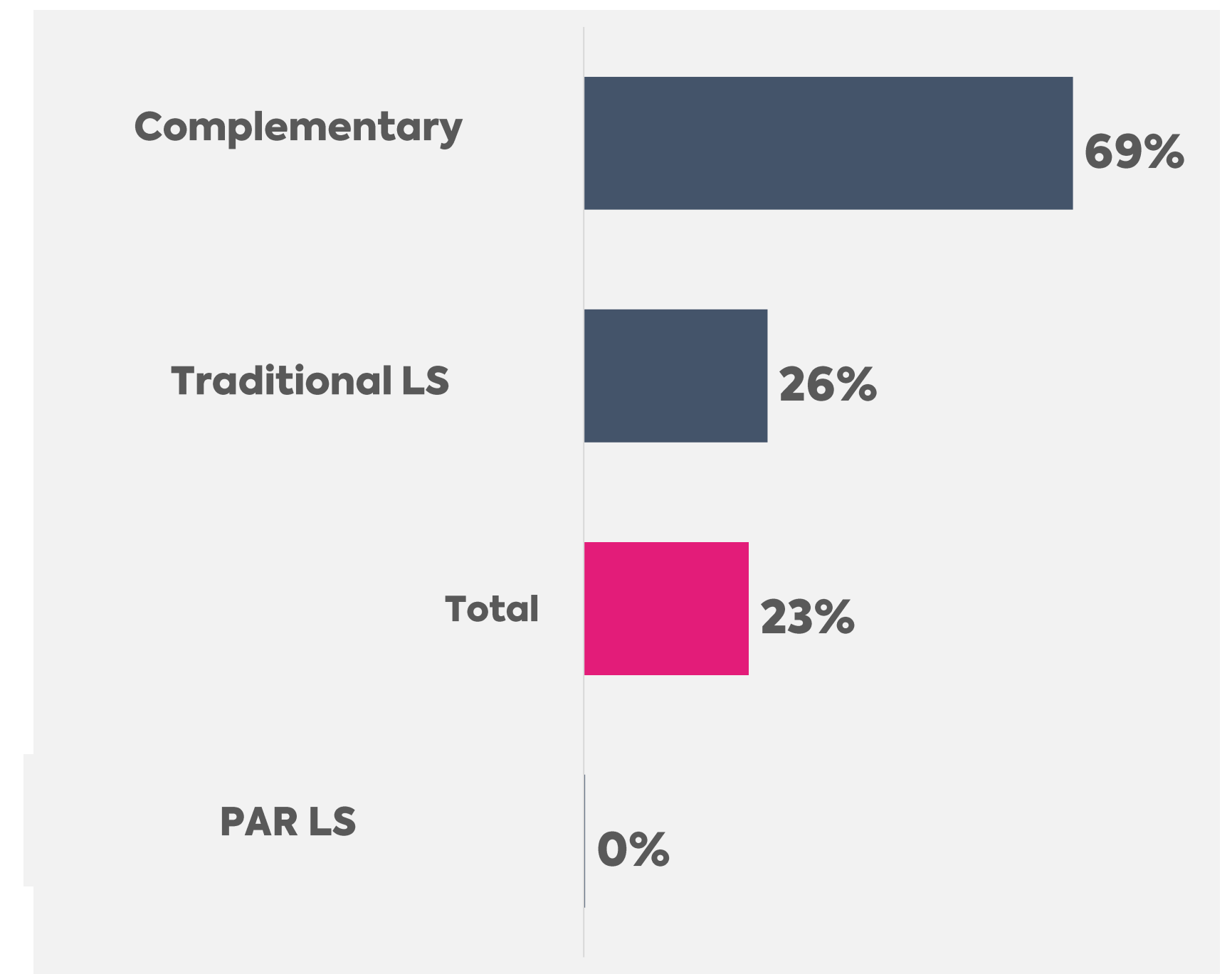
# Vasta - 23% Organic Growth in ACV 2021

- **Annual Contract Value (ACV) of BRL 853 million** for the commercial year 2021, **23% higher** than the subscription revenue recognized in the commercial cycle 2020
- Growth driven by **new schools (+ 189k new students) and cross / up-sell**; in terms of product, **traditional learning systems (LS) and complementary solutions** led the growth

Growth ACV 2021 per Component<sup>1</sup>



Growth ACV 2021 by Product<sup>1</sup>



**Second consecutive year of strong organic ACV growth Traditional Teaching Systems and Complementary Solutions gaining relevance**

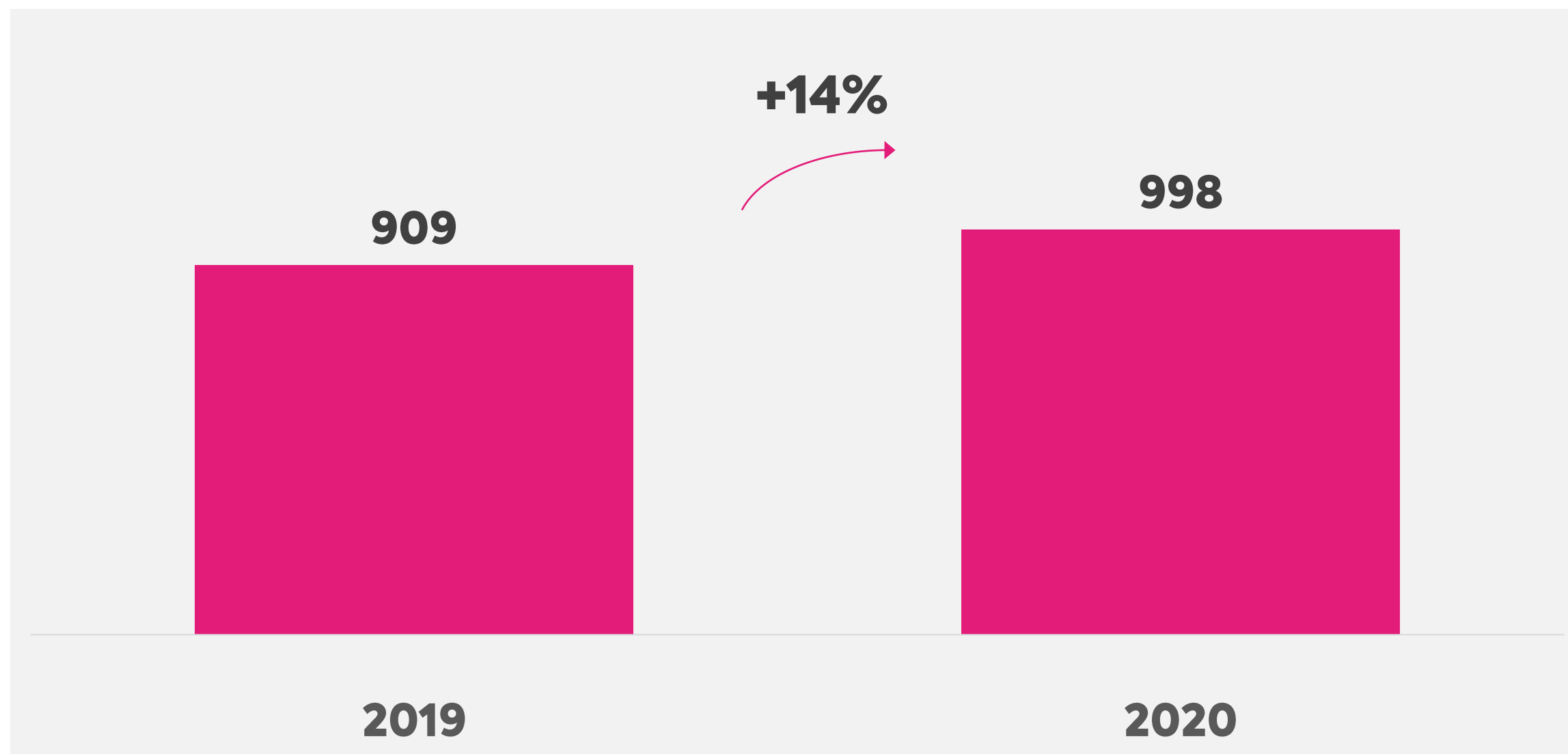
<sup>1</sup>Percentage of ACV 2020 that was not recognized as subscription revenue due to the pandemic.



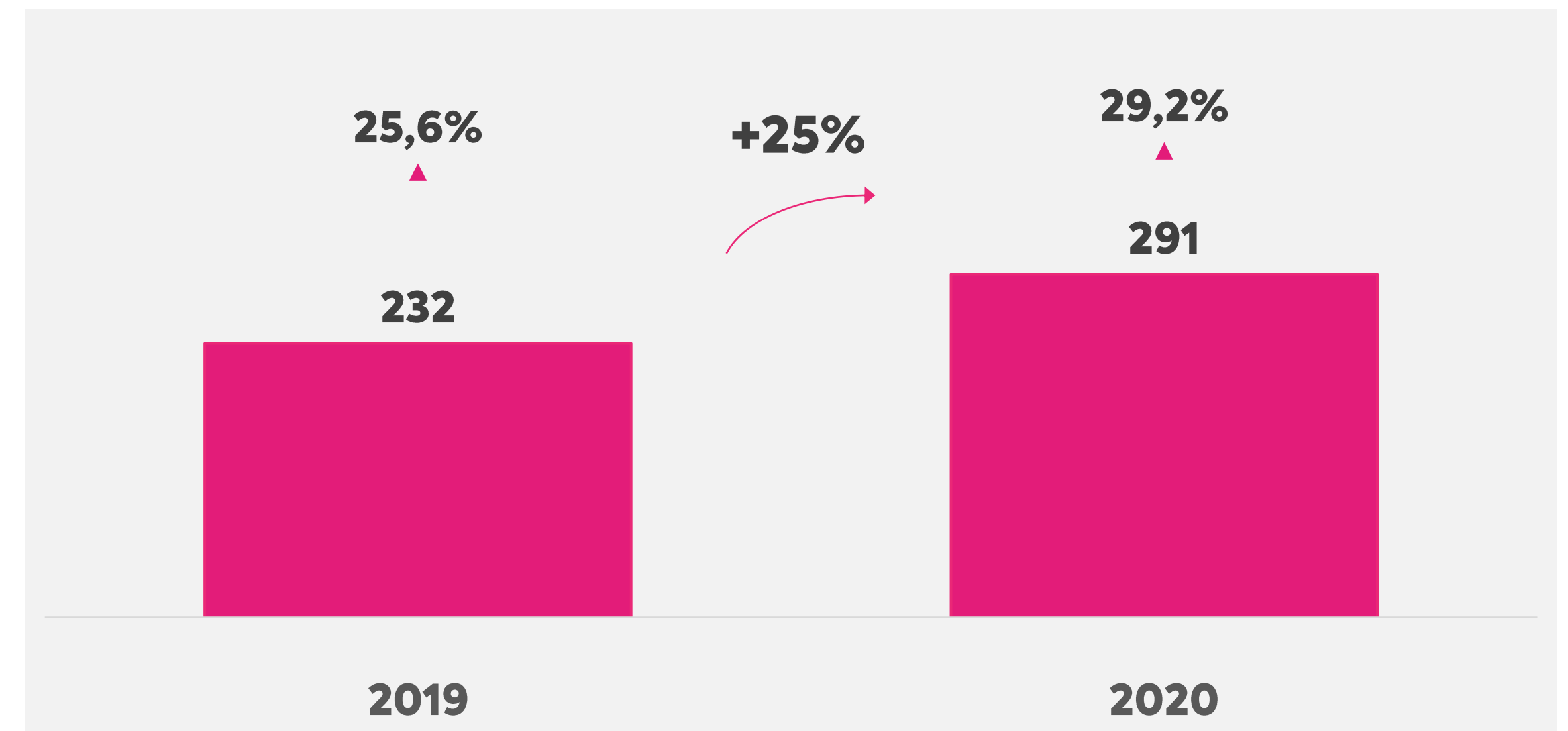
# Vasta – Operating Results

- Double-digit organic growth in net revenue, driven by successive increases in ACV
- Efficiency gains combined with dilution of costs and fixed expenses lead to margin expansion

**Net Revenue (BRL million)**



**Recurring EBITDA (BRL million) and EBITDA Margin**



Adjustments: Exclusion of tax credits that favored the results for 2019 and elimination of extraordinary expenses in 2Q20.

**Vasta follows its growth trajectory, which will be complemented by the acquisition of Eleva Platform in 2021**



## WHAT WAS 2020?

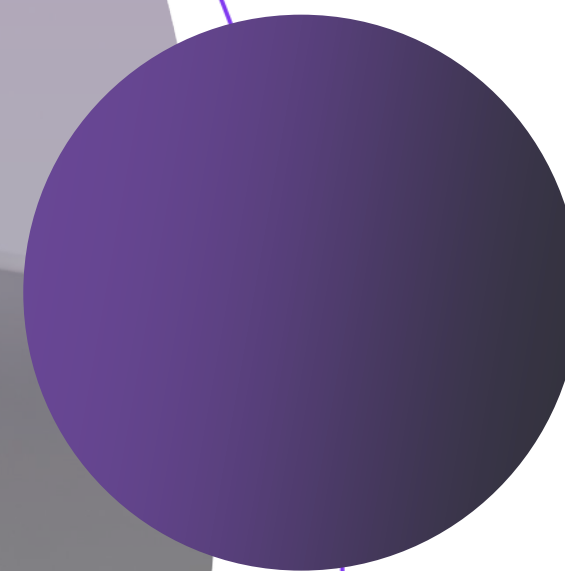
- Organic revenue growth, derived mainly from the underwriting business, which already represents more than 75% of the total
- Acquisitions of startups to increase the service offerings of the Vasta Platform
- Implementation of the Plurall Store, offering B2B2C services and increasing Vasta's Total Addressable Market
- Acquisition of the Eleva Platform, one of the largest and most respected Education Systems in the country
- Signing of a long-term contract (minimum 10 years) to offer education systems for all Eleva schools (current, coming from Saber, to be acquired or to be inaugurated)

## WHAT ARE THE PROSPECTS FOR 2021?

- Robust and long-lasting ACV (average over 3.5 years) is the company's main growth driver
- Pandemic generates challenge to capture revenue (in relation to ACV) and revenue drop will be higher than 2020. Effects are stronger in business associated with textbooks, including PAR (textbook based education system)
- Even with these impacts, the subscription business will have revenue growth, representing more than 80% of net revenue; traditional education systems will account for more than 70% of net revenue
- Robust M&A pipeline and new acquisitions are under review

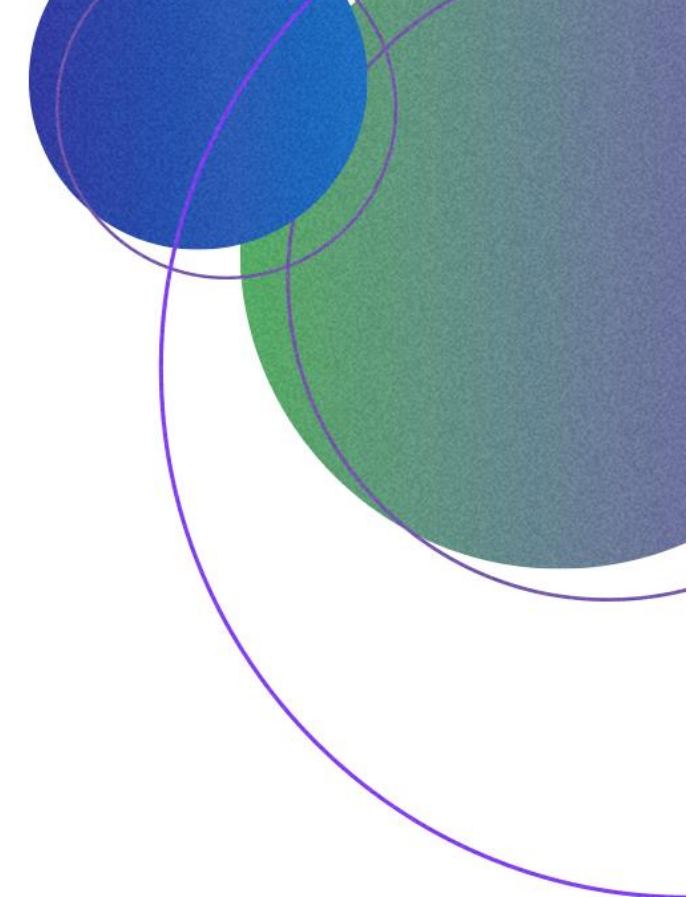
**In 2021, more than 80% of Vasta's revenue will come from the subscription business, which continues with strong organic growth. Acquisitions under analysis.**





**Platos**

**Mar 2021**

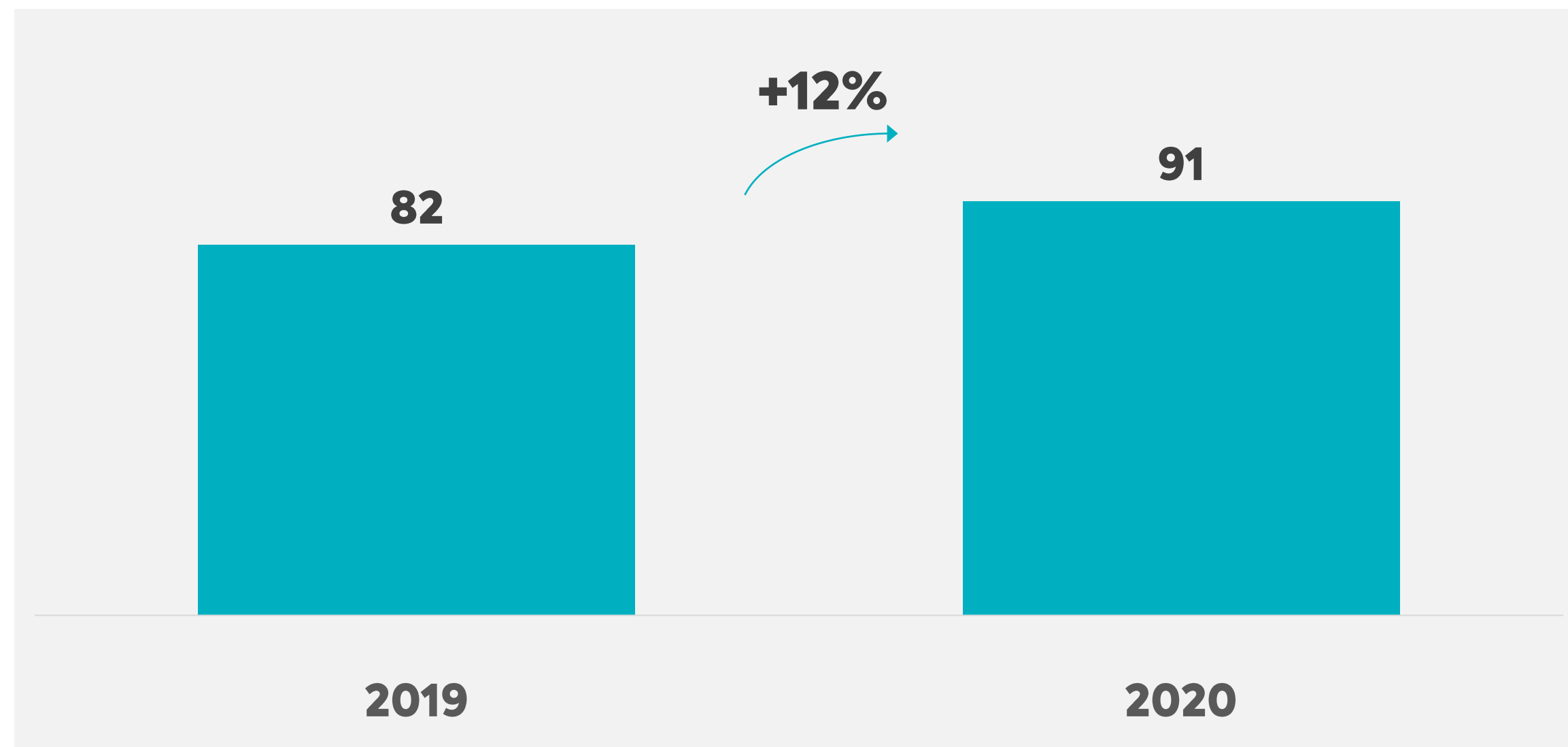




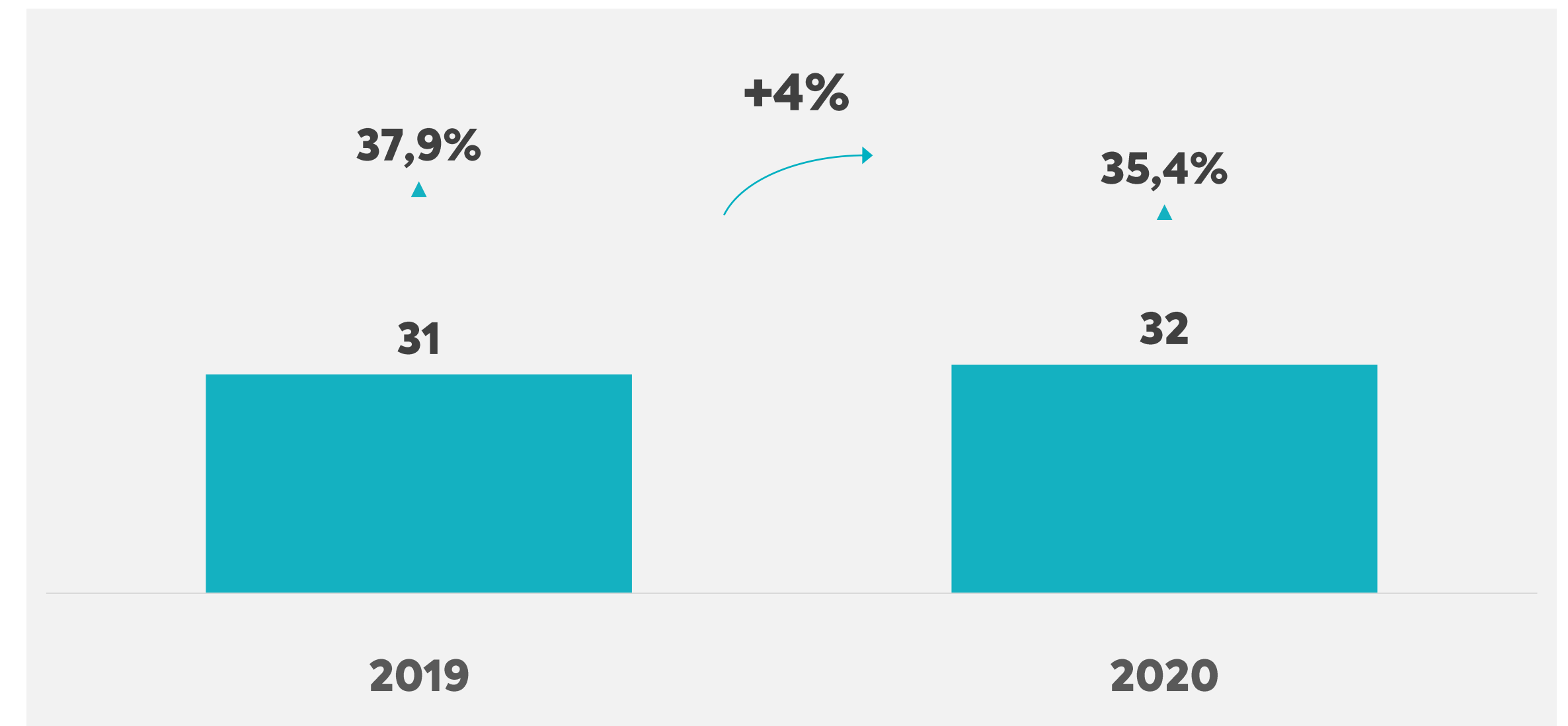
# Platos – Resultados Operacionais

- Net revenue continues to grow due to the expansion of digital postgraduate students (+ 35% yoy)
- Stabilization of EBITDA margin expansion – at a high level – despite greater investment in sales and marketing and greater need for provisioning

**Net Revenue (BRL million)**



**Recurring EBITDA (BRL million) and EBITDA Margin**



Adjustments: Reclassification of the years 2019 and 2020 according to the new level of provisioning

**Platos continues to grow in a healthy way and with high profitability, despite the effects of the pandemic**

## WHAT WAS 2020?

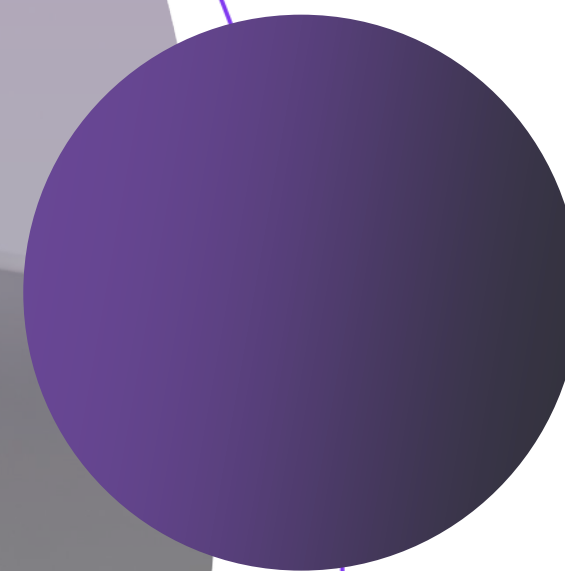
- **OPM Client Kroton**
  - Revenue and EBITDA growth despite the effects of the pandemic
  - Digital product intake grew by 35%, reflecting the correct decision to focus on the modality
  - Continuous increase in student satisfaction (i) with +33 p.p. in NPS (vs. 2018) and (ii) in digital gradu with NPS 68
  - OPM Others: signature of the first 3 contracts with universities of great potential in their areas of activity

## WHAT ARE THE PROSPECTS FOR 2021?

- **OPM Client Kroton**
  - Postgraduate student enrollment – focus on digital – continues to grow
  - Expansion of the digital portfolio of postgraduate courses and continuous increase in satisfaction levels
- OPM Others: business begins to generate revenue and new contracts in prospecting

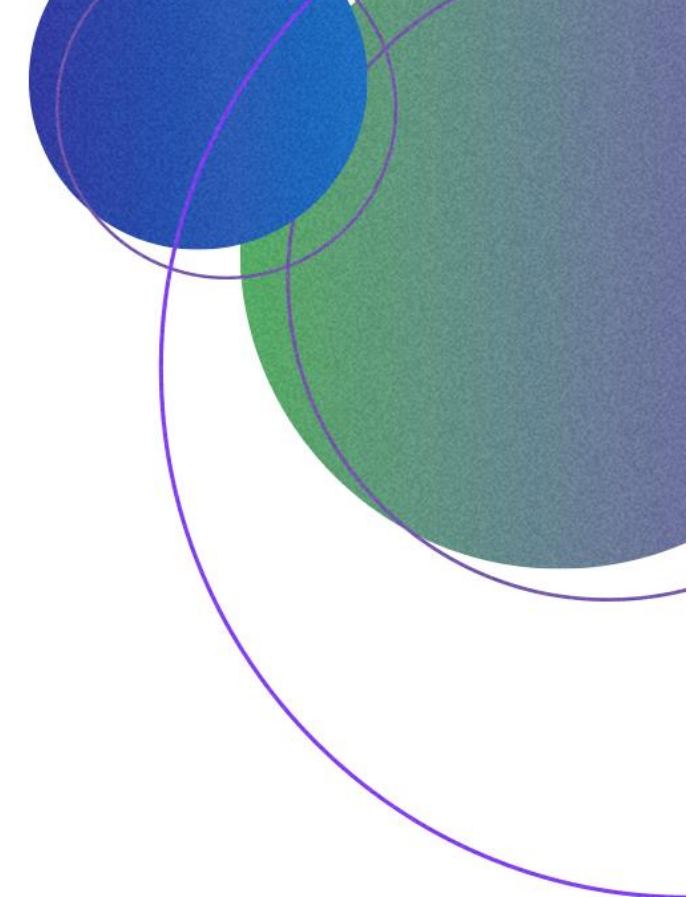
**Organic growth in 2020 and 2021 and OPM business external clients in operation**





**Saber**

**Mar 2021**

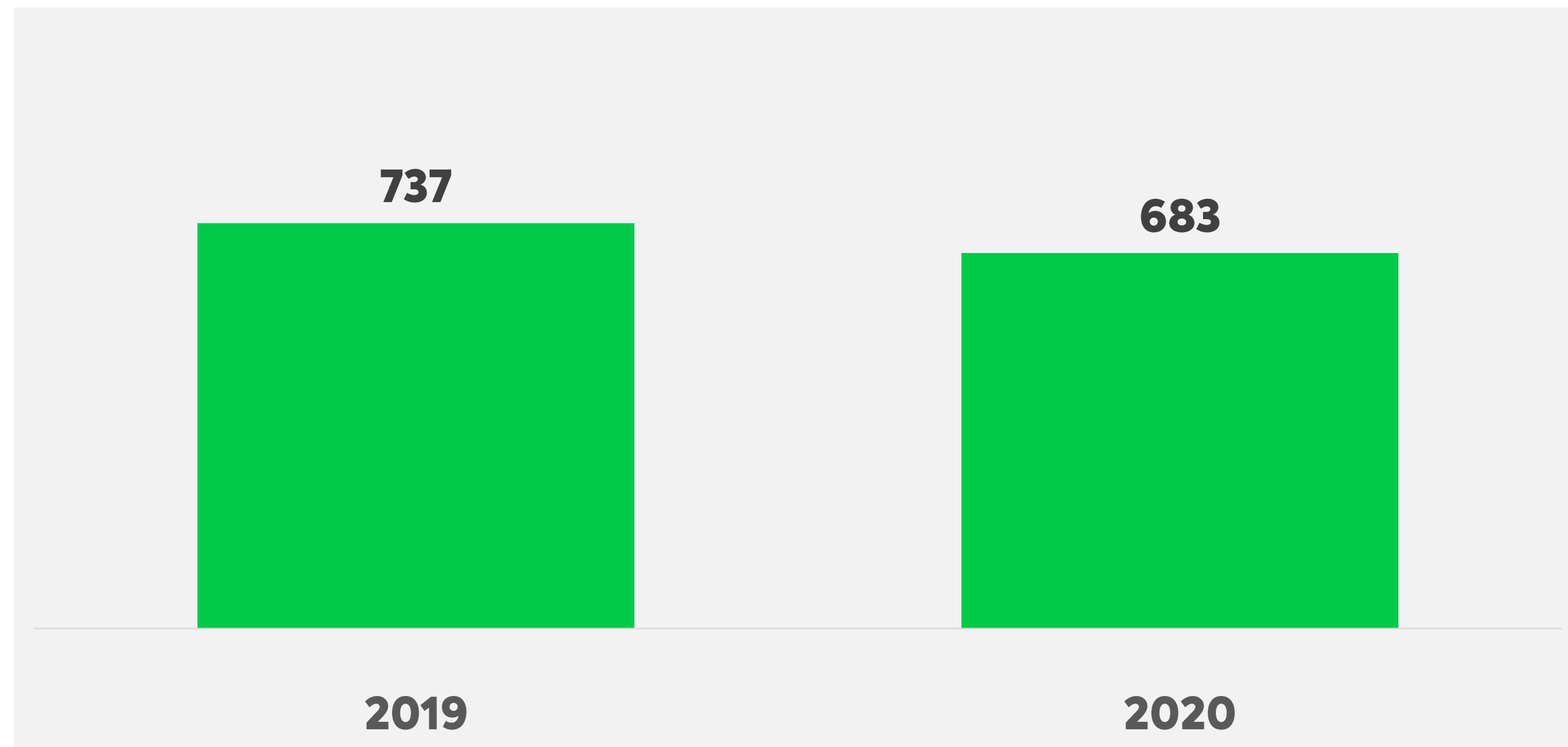




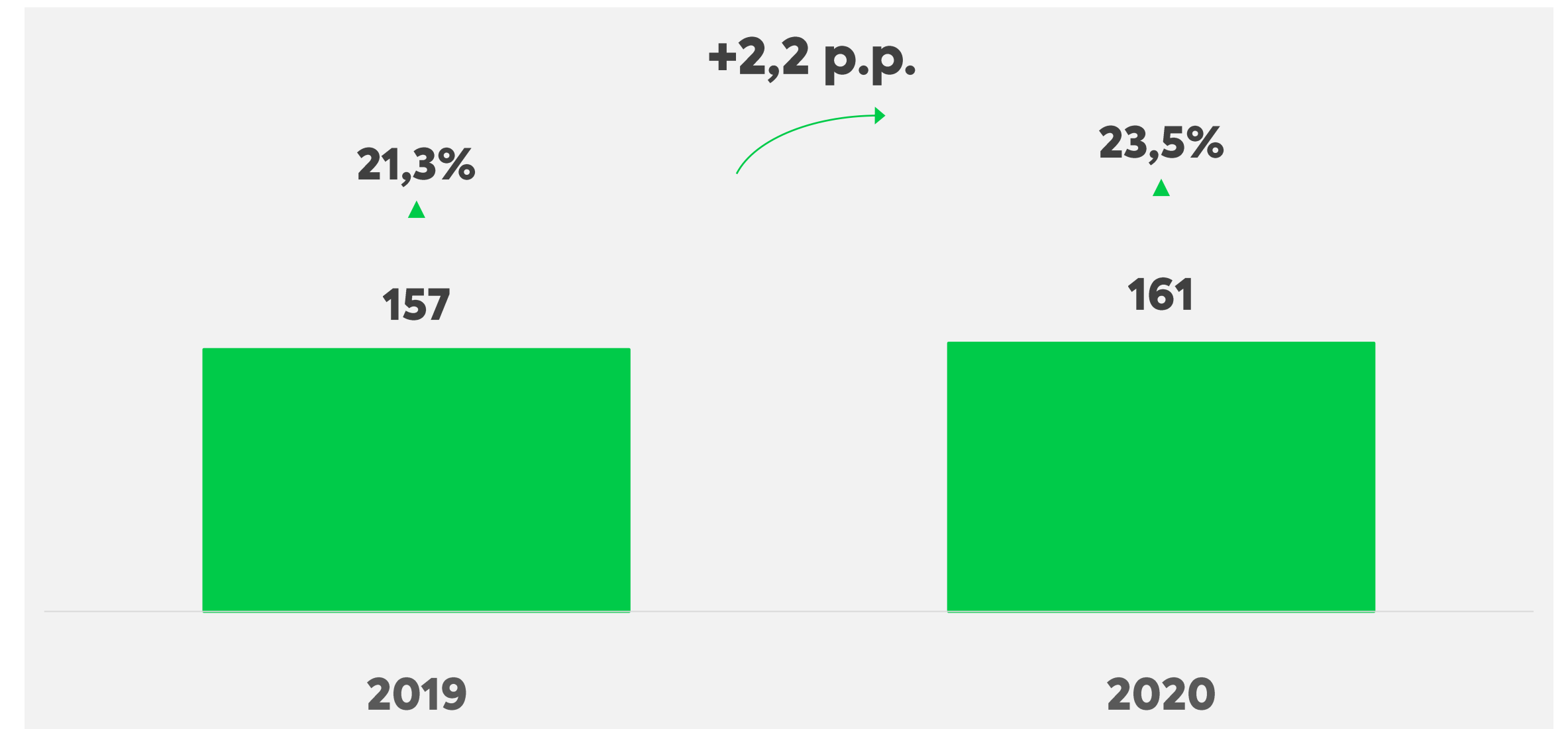
# Saber – Operating Results

- Net revenue suffered the effects of the pandemic, with dropout of students in the initial years and compulsory discounts (which offset the monthly fee adjustments)
- Despite the drop in revenue, there was an expansion of EBITDA margin in 2020 due to efficiency gains in the operation

**Net Revenue (BRL million)**



**Recurring EBITDA (BRL million) and EBITDA Margin**



Adjustments: Reversal of contingencies in 3Q19 of BRL 10.7 million (positive effect)

**Even with a drop in revenue due to the pandemic, Saber expanded its EBITDA margin by 2.2 percentage points.**





# Summary Saber



## WHAT WAS 2020?

- Drop in revenue due to the pandemic, especially in early childhood education and in the early years of elementary school
- Expansion of 2.2 percentage points in the EBITDA margin, even with a drop in revenue
- NPS post stoppage recovered 9 points in schools and 12.6 in the Red Balloon.
- Controlled delinquencies by 5.4%
- Transaction with Eleva

## WHAT ARE THE PROSPECTS FOR 2021?

- Student recruitment for 2021 impacted by the pandemic (early years)
- Re-enrollment walking as expected
- Completion of Transaction with Eleva

**The sale of Saber Schools with the receipt of part of the price in Eleva shares allows Cogna to continue generating value with the consolidation of the B2C Basic Education market, without the need for capital allocation**





# Other Businesses

**Mar 2021**

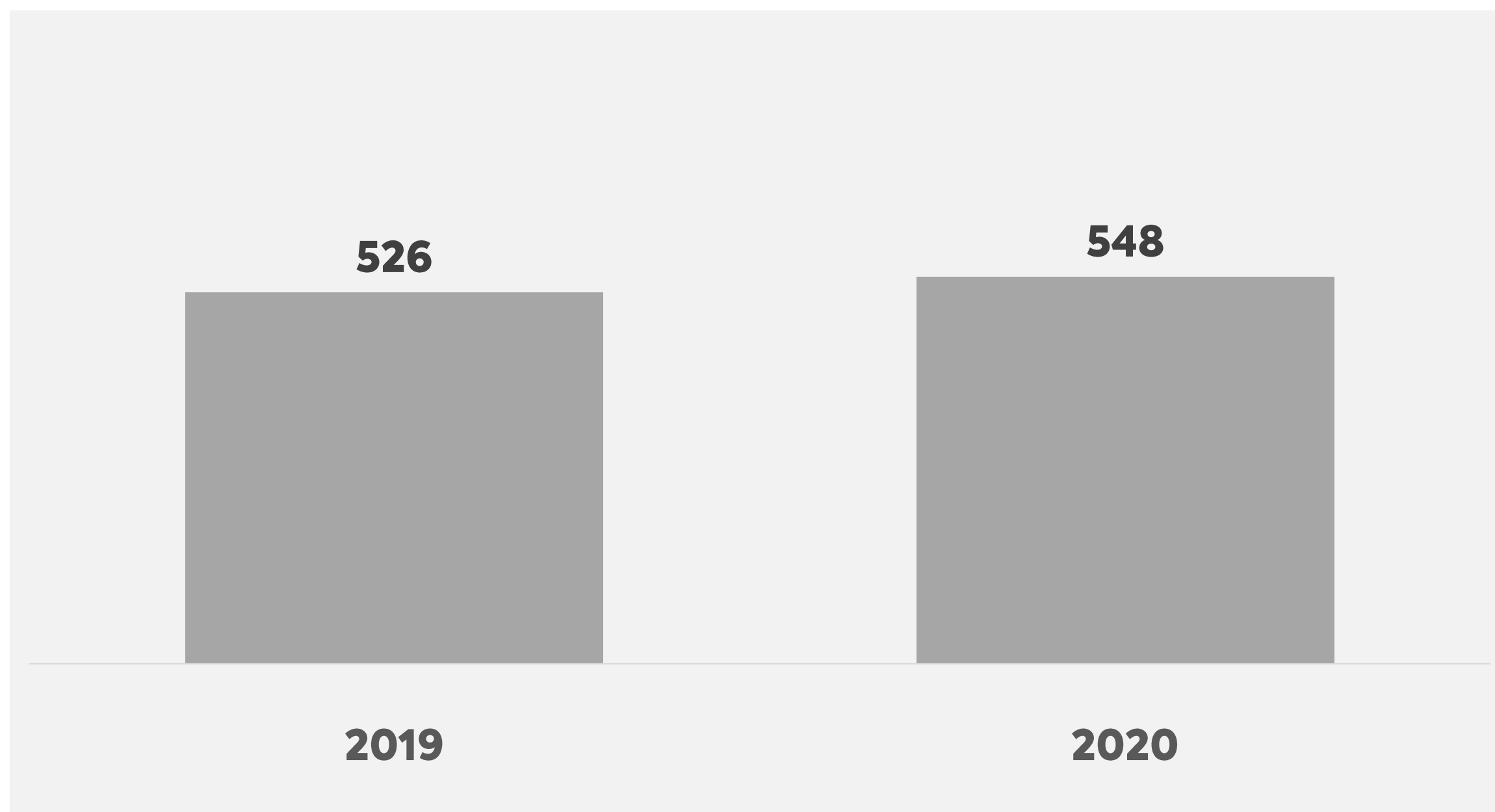




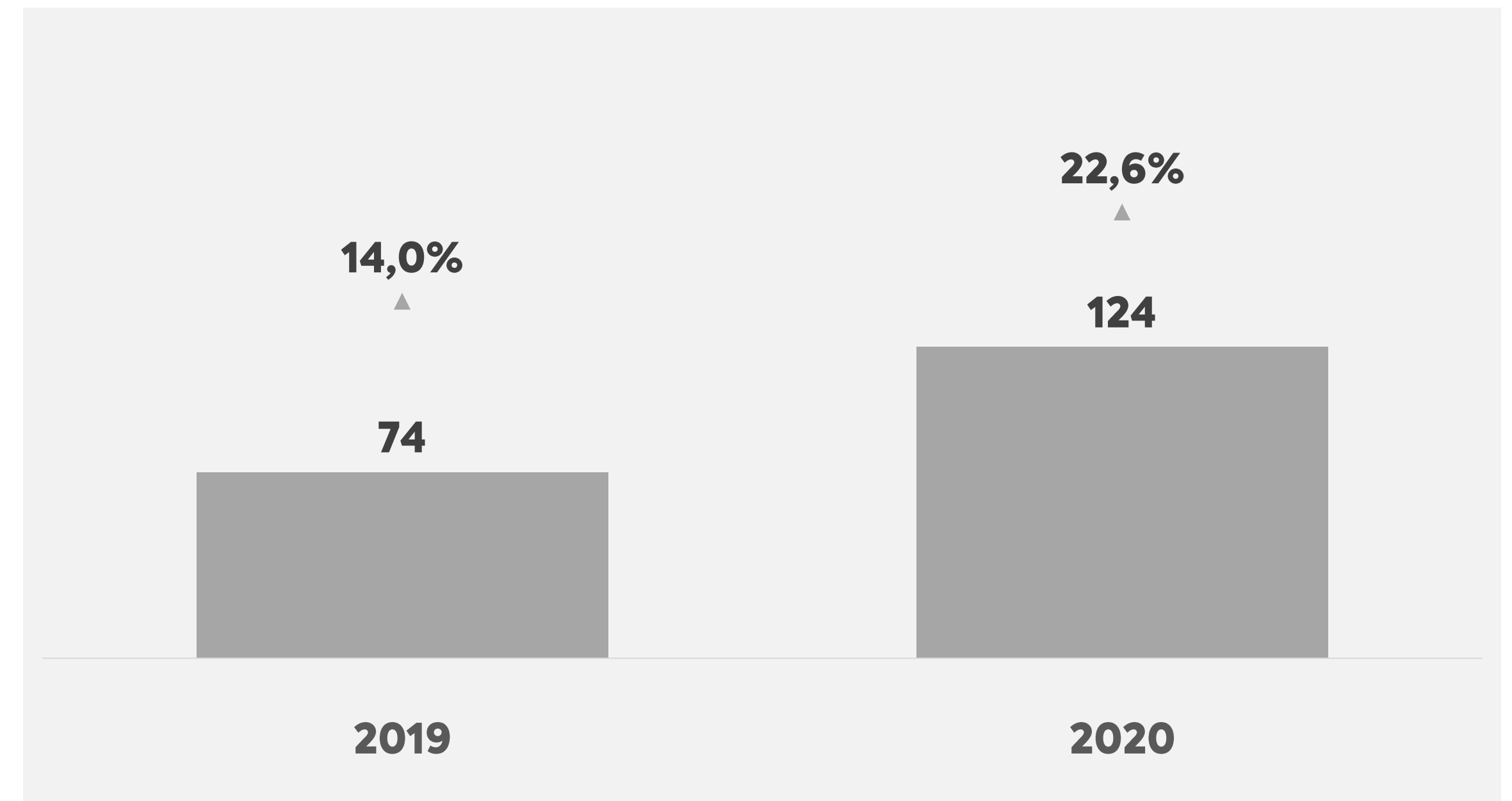
# Other Businesses – Operating Results

- In 2020, net revenue grew by 4%. Reduced scope of PNLD 2021 was offset by the gain in the participation of our publishers and the recognition, in 1Q20, of BRL 85 million in sales of PNLD 2020

**Net Revenue (BRL million)**

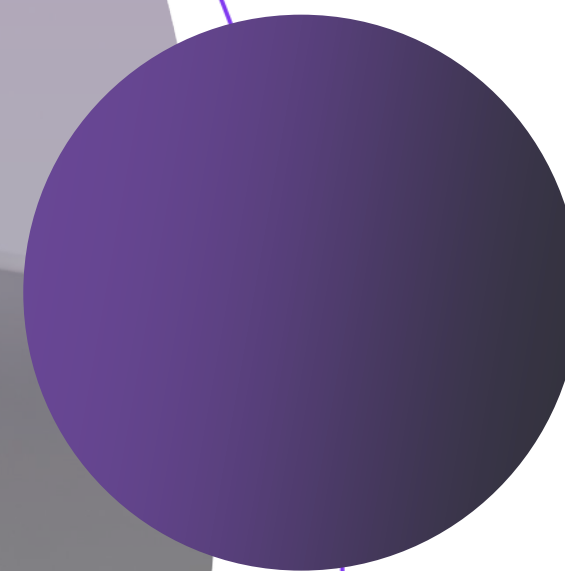


**Recurring EBITDA (BRL million) and EBITDA Margin**



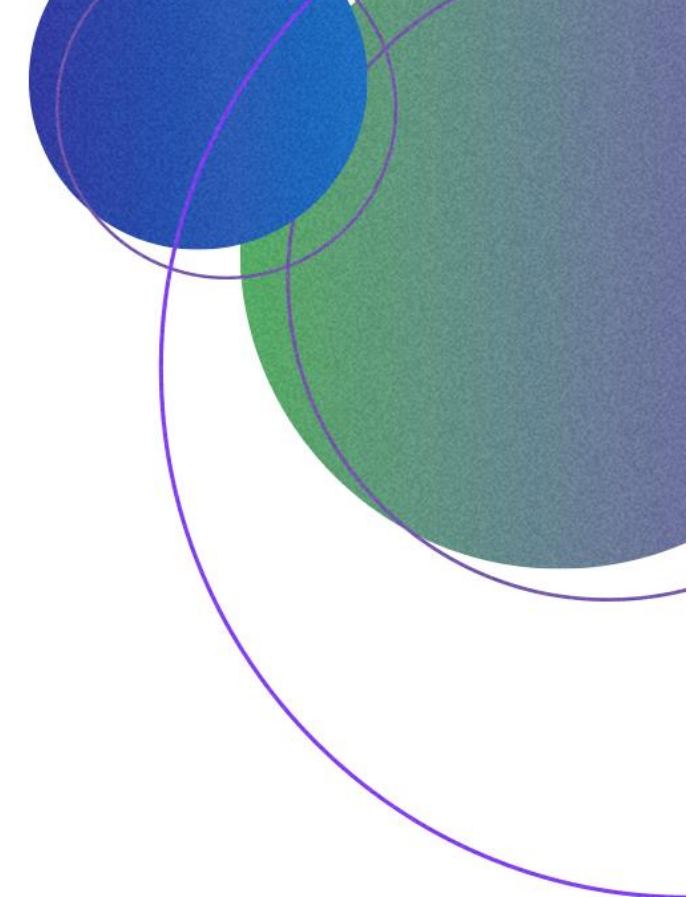
**We obtained share gain in PNLD 2021, which considered only the repurchase of Elementary School I and II. The new choice for high school, which comprises a large volume, was postponed to 2021-22**





**Cogna**

**Mar 2021**



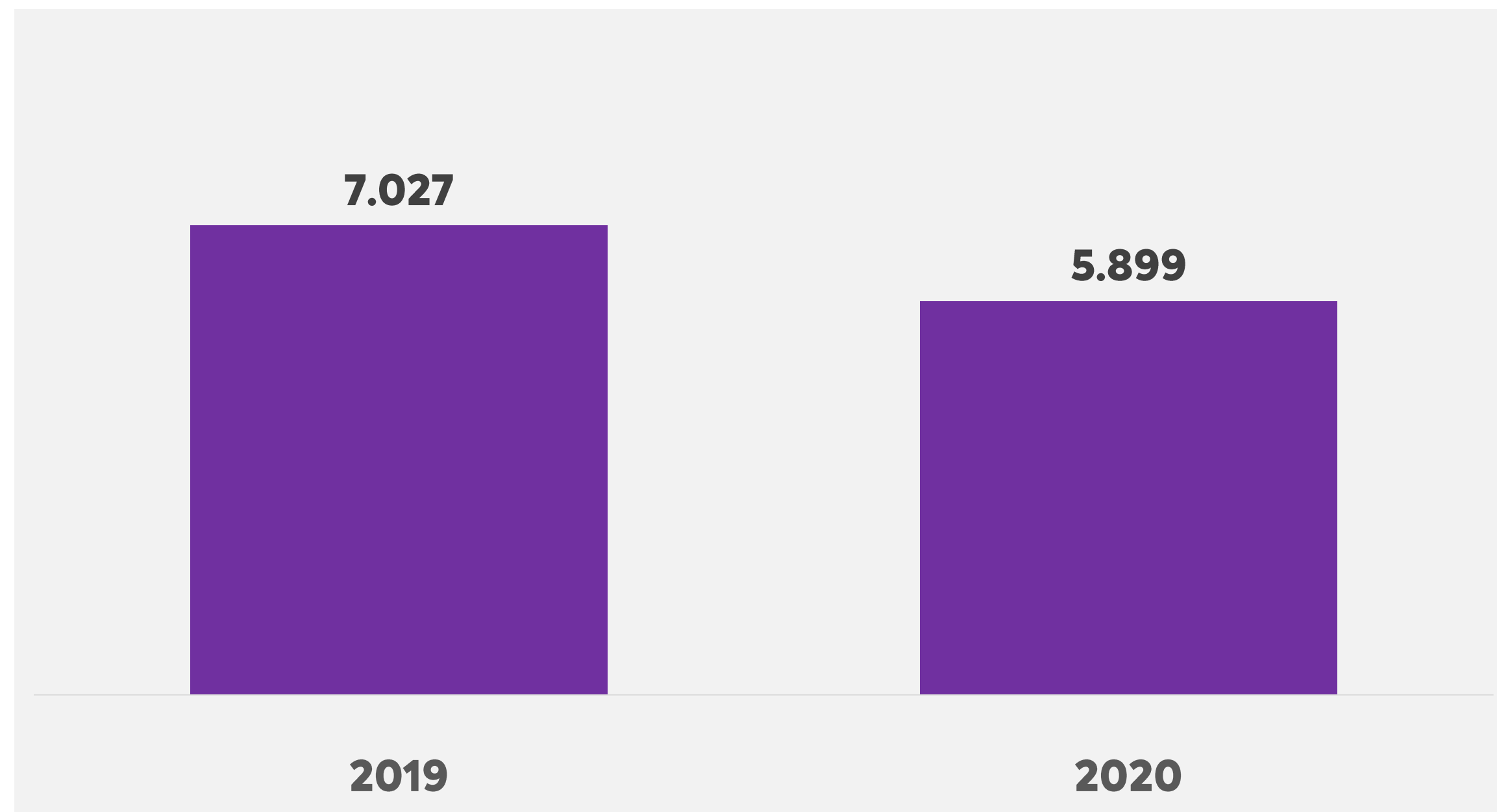




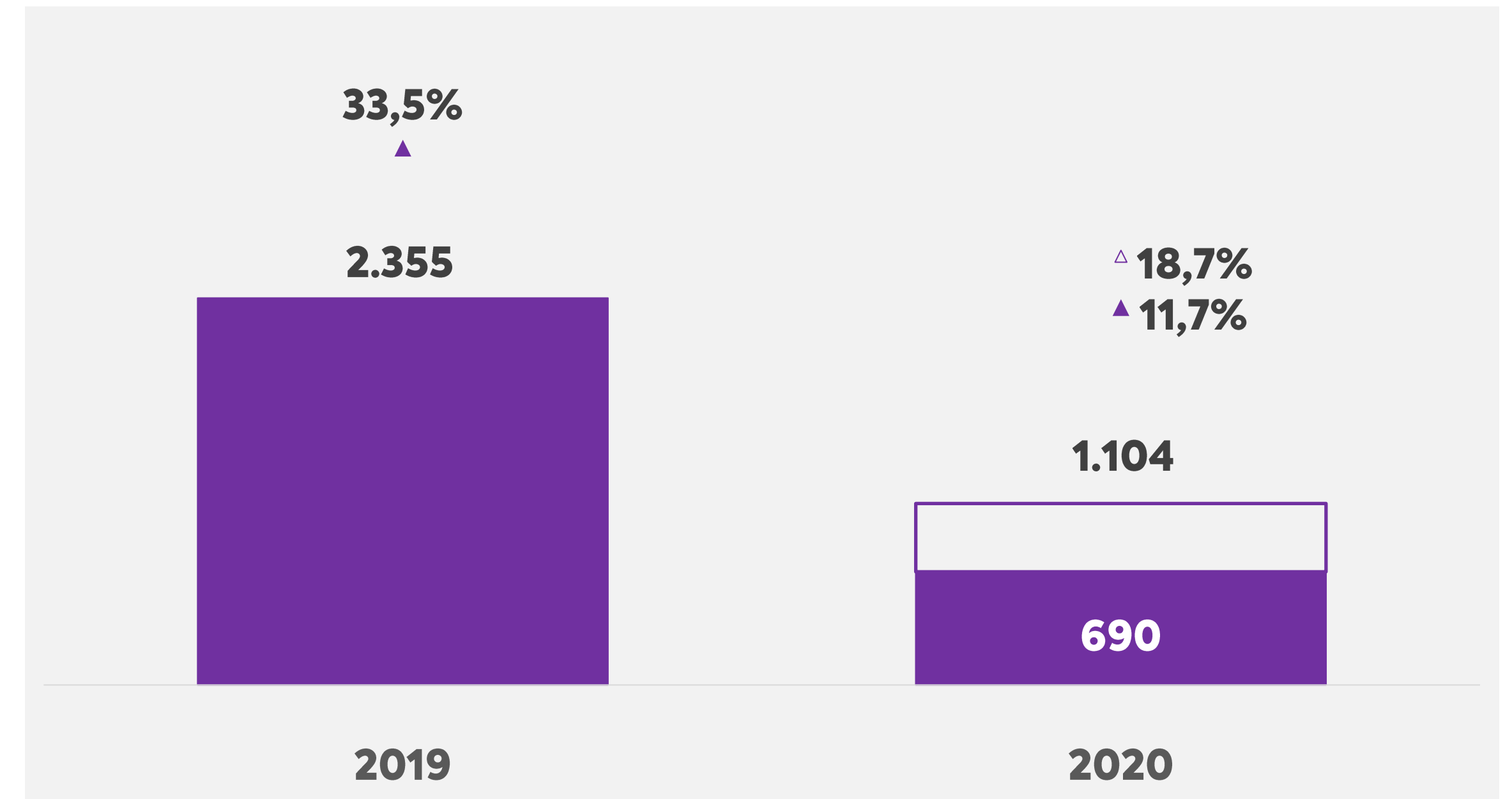
# Cogna – Resultados Operacionais

- Net revenue impacted by the drop in higher education revenue and the lower PNLD revenue, partially offset by the growth of Vasta
- The effects mentioned above, added to the greater need for provisioning, were the main offenders to recurring EBITDA

## Net Revenue (BRL million)



## Recurring EBITDA (BRL million) and EBITDA Margin



- Adjustments: Extraordinary launch of a PDA of BRL 415 million in 4Q20 (BRL 185 million paying; BRL 152 million PMT and BRL 77 million PEP)

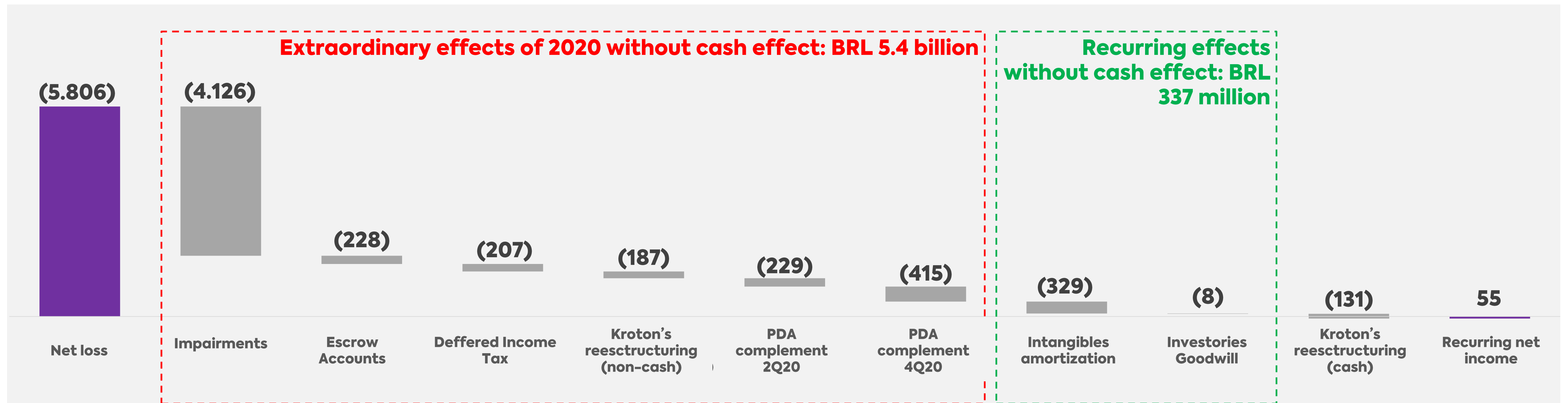
The extraordinary launch of BRL 229 million PDA carried out in 2Q20 was not adjusted in the calculation of EBITDA for 2020 to make the number comparable with the guidance. In 2020, extraordinary adjustments totaled BRL 644 million (BRL 229 million in 2Q20 + BRL 415 million in 4Q20)



# Cogna – Net Income

- Net result affected by a series of extraordinary events, with no cash effect, in the amount of BRL 5.4 billion
- Excluding extraordinary effects and / or no cash effect from 2020, Cognia would have reported a net income of BRL 55 million

## Adjusted Net Income (BRL milhões)



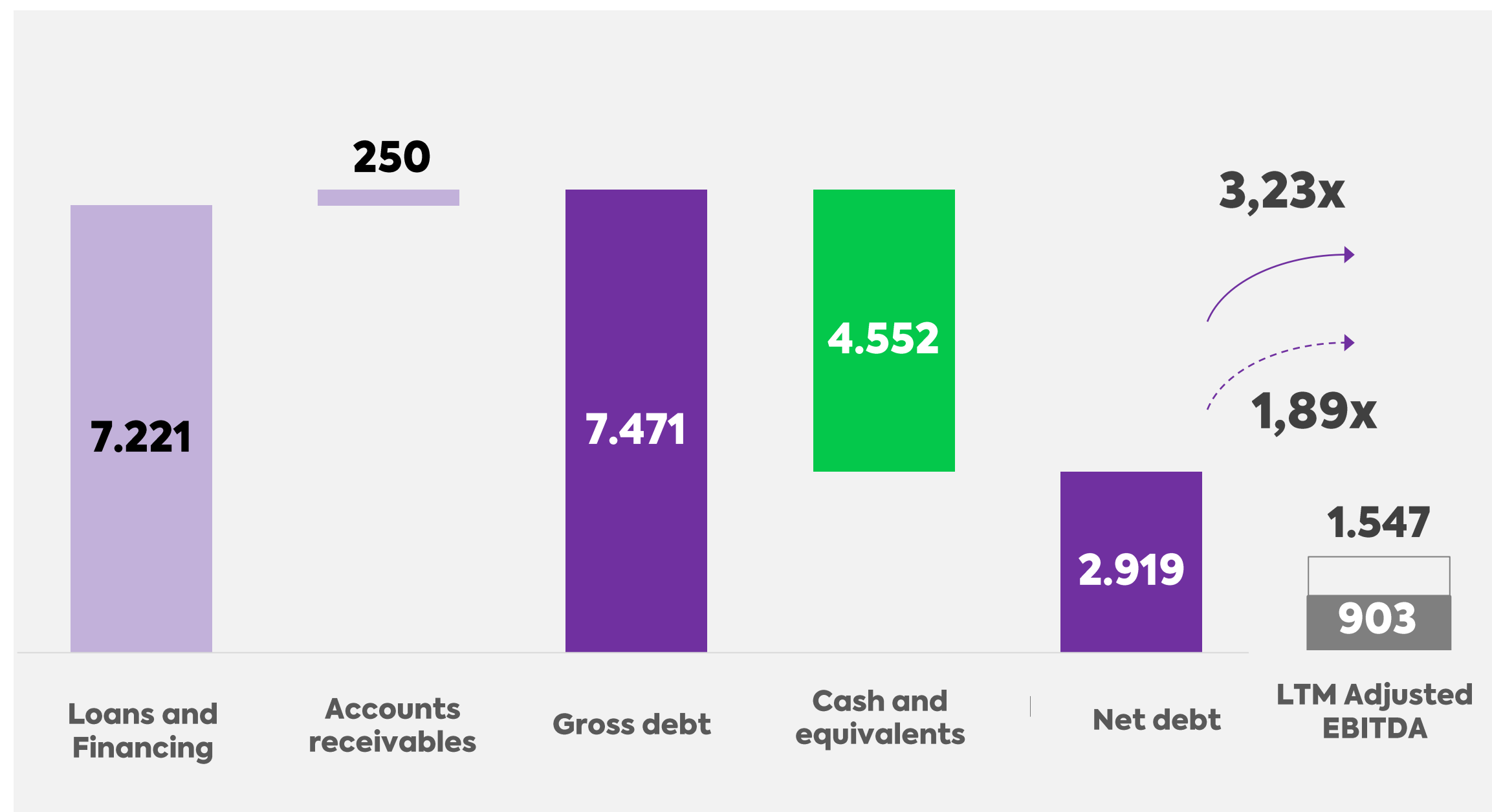
**Net income influenced by extraordinary events and with no cash effect.  
Disregarding these effects, Net Income of BRL 55 million in 2020.**



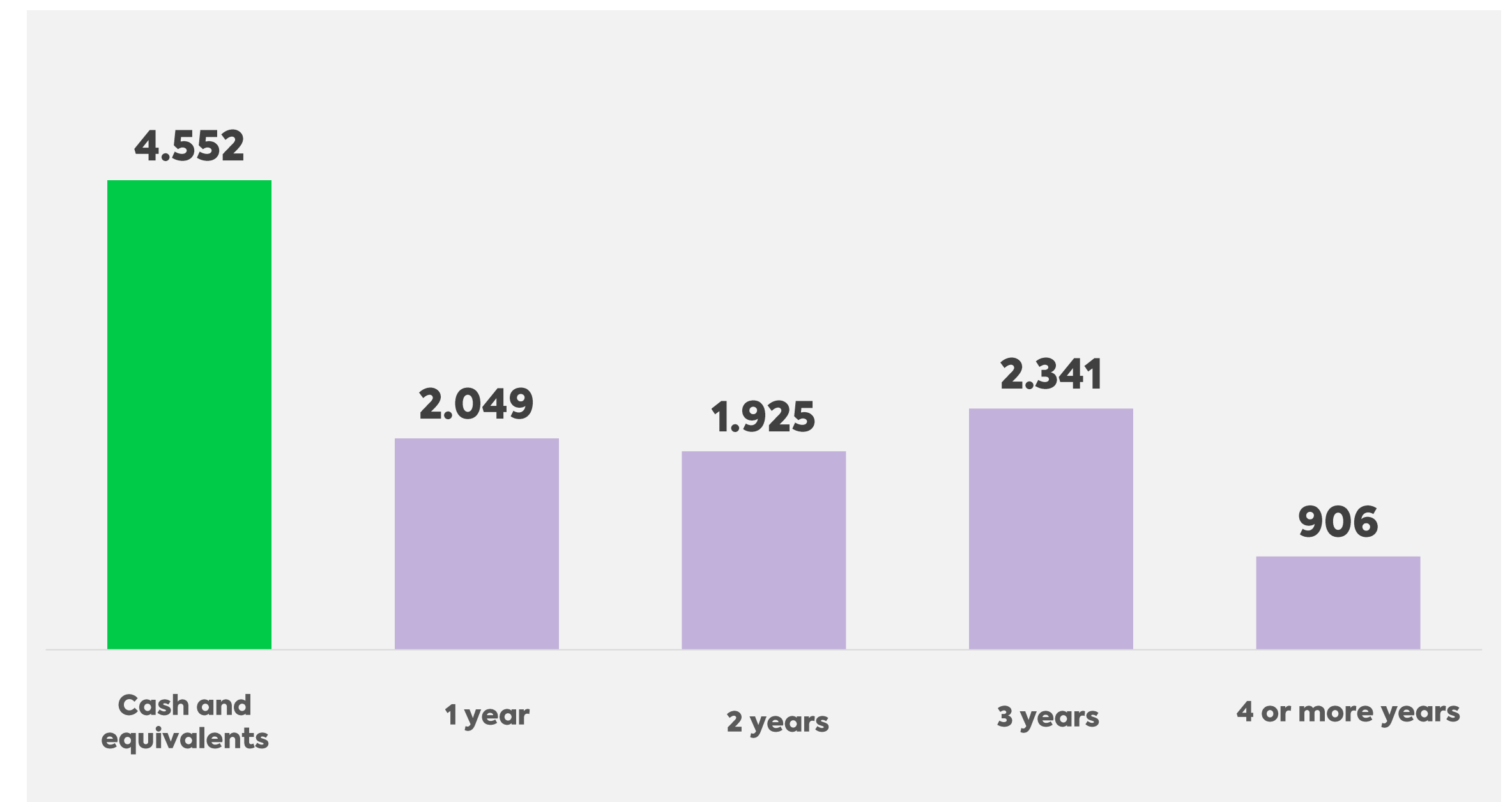
# Cogna | Endividamento

- Net debt of BRL 2.9 billion at the end of December, 3.23x the adjusted EBITDA of the last twelve months.
- Excluding allowances for allowance for loan losses realized in 2020, totaling BRL 644 million (of which BRL 229 million in 2Q20 and BRL 415 million in 4Q20), the indicator would have been 1.89x
- Solid cash position of BRL 4.6 billion and extended debt profile

**Net Debt and Adjusted EBITDA<sup>1</sup> (BRL million)**



**Debt Amortization Schedule<sup>2</sup> (BRL million)**



**Leverage above 3.0x due exclusively to non-cash adjustments**  
**Cash generation capacity unchanged. Cash of BRL 4.6 billion in December 2020**





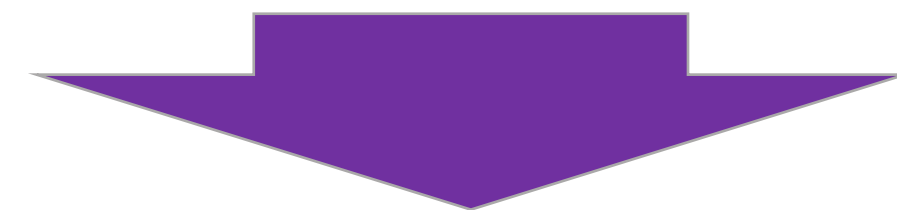
# Prospects for Cogna

**In 2020 Kroton restructured its operation and accounts receivable to resume profitability in 2021**

**In 2021, more than 80% of Vasta's revenue comes from the subscription business, which continues with strong organic growth. Acquisitions under analysis**

**The sale of Saber Schools with the receipt of part of the price in Eleva shares allows Cogna to continue generating value with the consolidation of the B2C Basic Education market, without the need for capital allocation**

**Organic growth in 2020 and 2021 and OPM business external clients in operation**



**Consistently increase profitability, prioritizing asset light business segments and models, with greater growth potential and greater ROIC**



# Investor Relations

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