



3Q20 Results

November 2020



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Opening Remarks

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Overview of 9M20 performance

- **Recurring EBITDA growth in 9M20** in all the group's companies, except undergraduate education
- **Operating cash generation after capex of R\$183 million** in 3Q20, representing **80% of recurring EBITDA conversion**
- **Maintenance of a solid cash position** (R\$3.7 billion by the end of 2Q20) and elongated debt profile

Company	9M20 - Annual Change (%)			Comments
	Net Revenue	EBITDA	EBITDA Mg.	
Kroton	-27%	-73%		Last year with high impact from the graduation of FIES students Enrollment and reenrollment of students highly impacted by COVID-19 Substantial reinforcement of the PDA due to COVID-19
Platos	12%	13%		Growth in Revenue, EBITDA and EBITDA Margin, as a result of the focus on the graduation business and the digital products
Saber	-7%	11%		Revenue loss due to the pandemic, but with expressive EBITDA and EBITDA Margin growth, driven by the processes of integration and capture of operating efficiencies
Vasta	8%	18%		Revenue and EBITDA growth, reflecting the business' high growth potential and recurrency
Cogna	-17%	-57%		Impacts in Cogna derive from undergraduate studies, especially on-campus education

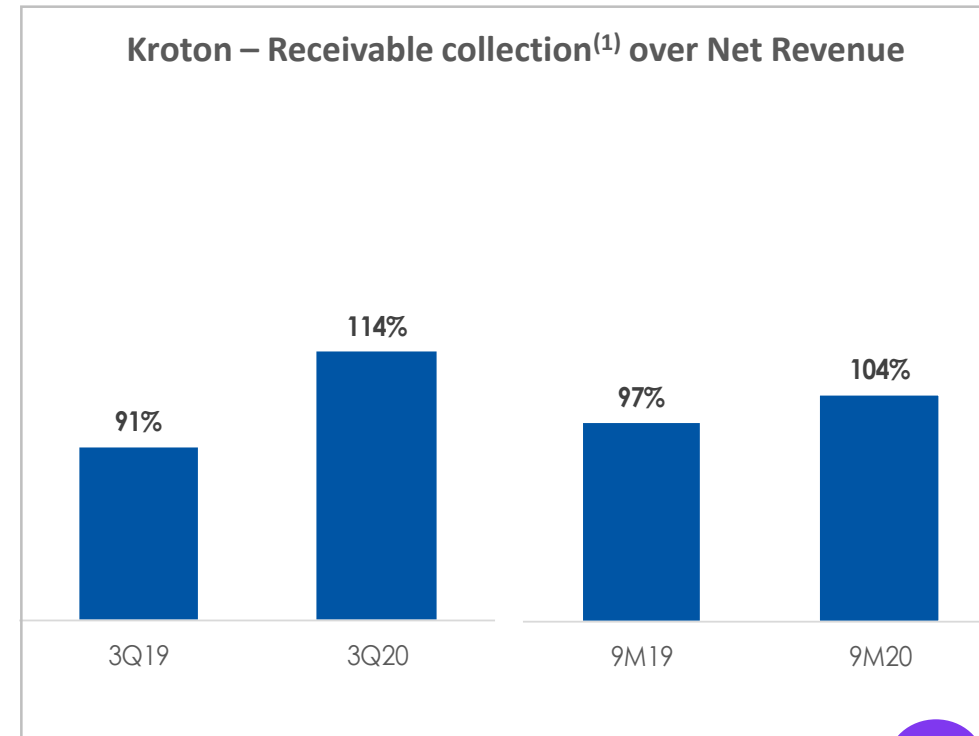
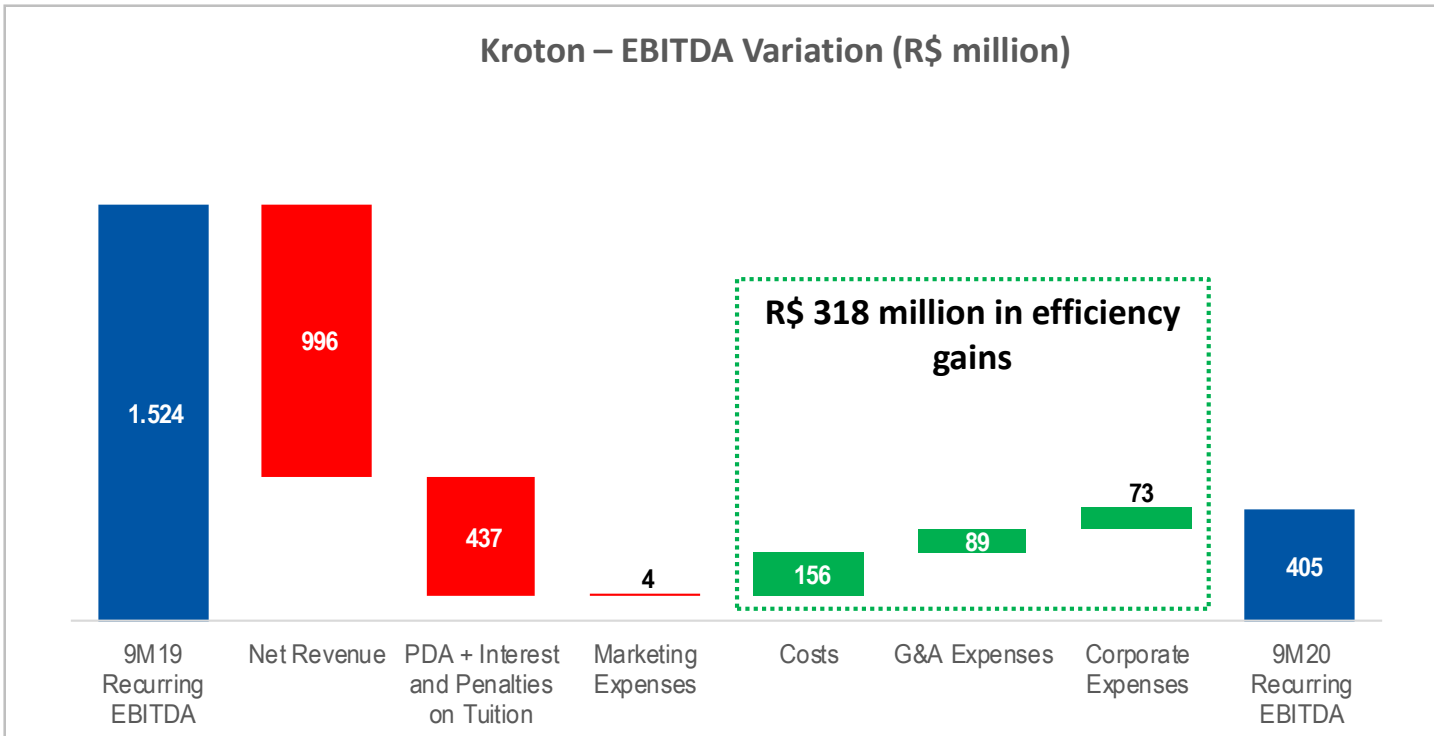
Observations:

Analysis conducted considering Recurring EBITDA in 2019 and 2020, with the use of a proforma analysis for Vasta.



Kroton – 9M20 Performance Analysis

- 9M20 results impacted by **revenue loss** and **higher provisions**, owing to the graduation of FIES students and the Covid-19 effect
- **Efficiency gains and savings of R\$ 318 million** in costs, G&A expenses and corporate expenses
- Revenue, despite lower, is more solid and generates more cash. The ratio between **receivable collection and revenue increased 23 p.p. in 3T20 and 7 p.p. in 9M20**
- **Average ticket** of on-site, out-of-pocket students in a **recovery** trend: **+9%** in the annual comparison



(1) Before the pass-through to partners.



Kroton – 2S20 Intake Results

- **Student intake fell only 2%** in the comparison with the 2S19, with the recovery on the **growth of digital courses (+32%)** being offset by a relevant drop in the on-site intake
- Drivers for the drop in the on-site intake:
 - **Drop in the demand for on-site education**, driven by Covid-19 effects
 - **More sustainable commercial practices** that generates more cash, like the suspension of temporary installment products (PMT) 100%
 - Price discipline: **Intake average ticket of on-site**, out-of-pocket students **grew 6%**
- Due to the **hybridization**, we believe that the analysis by the amount of on-site content offers a more accurate picture of our business, and, therefore, we will prioritize this analysis in the upcoming quarters:
 - High presentiality (on-site + digital premium): **-38% or -30% excluding FIES and PEP**
 - Low presentiality (100% on-line + *semi*): **+25%**
- **The increase of drop-out rate in the on-site education** reflects the deterioration in students’ payment ability, in light of the maintenance of our more conservative policy in the renewal of students in delinquency situation and high-risk profile. **In the digital education, the drop-out rate fell 0,5 p.p.**

Kroton –2S20 Intake

Intake	3Q20	3Q19	% Chg.
High Presentiality	48.280	77.814	-38,0%
On-site	25.853	66.205	-61,0%
Digital Premium	22.427	11.609	93,2%
Low Presentiality	130.701	104.439	25,1%
Total	178.981	182.253	-1,8%

Kroton – 3T20 Drop-out Rate

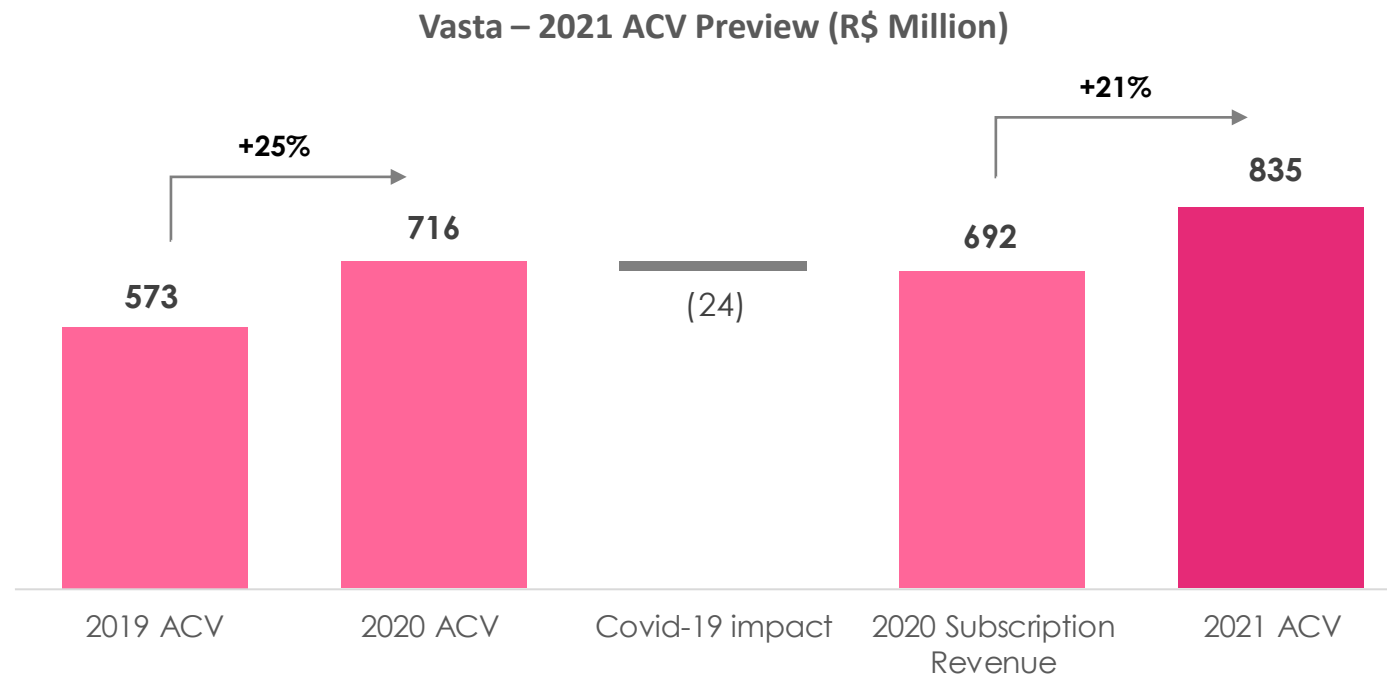
Drop-out Rate	3Q20	3Q19	% Chg.
On-site	19,5%	13,7%	5,8
Digital	16,1%	16,6%	(0,5)

(1) On-site courses and Digital Premium. (2) Digital courses 100% on-line and *semi*



Vasta – Strong ACV Growth

- **Subscription revenue of R\$ 692 million in the 2020 commercial year (4Q19-3Q20)**, just 3% short of the guidance of annual contract value (ACV) announced in the beginning of the year
- To date, Vasta has signed a total of **R\$ 835 million in contracts to the 2021 school year (ACV 2021)**, which represents a 21% growth versus the subscription revenue registered in the 2020 commercial year, e 17% growth over the ACV 2020. The ACV building process extends to early January, which may **increase even more the 2021 ACV**



2021 ACV: 21% growth over the subscription revenue of 2020 commercial year

Operating Results

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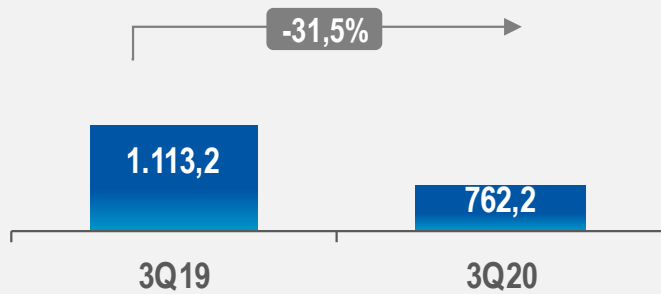


Kroton and Platos Results

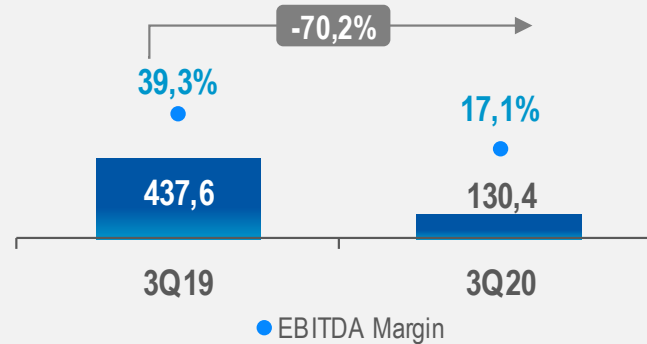
R\$ million

Kroton

Net Revenue



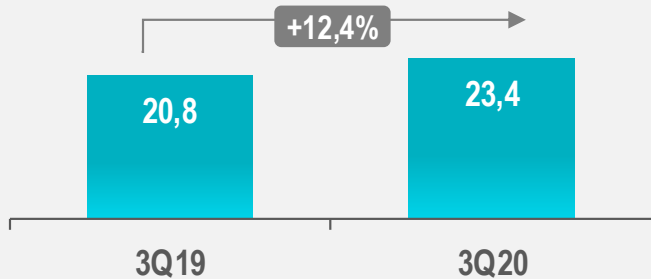
Recurring EBITDA¹



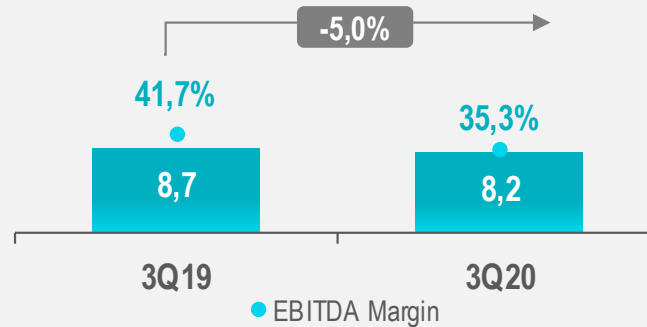
- Revenue impacted by **reduction in student base** and lower **average ticket**, partially compensated by **increase in the digital student base**
- EBITDA impacted by the revenue loss and the **higher PDA level**, partially compensated by the **cost reduction measures**

Platos

Net Revenue



Recurring EBITDA¹



- Increase in revenue reflecting the growth in the **intake of digital students**
- EBITDA decrease due to higher **marketing expenses** and the correction in the allocation of **corporate expenses**. Year-to-date, **EBITDA increases 13%**

¹ EBITDA considers Interest and Penalties on Tuition and does not consider non-recurring items

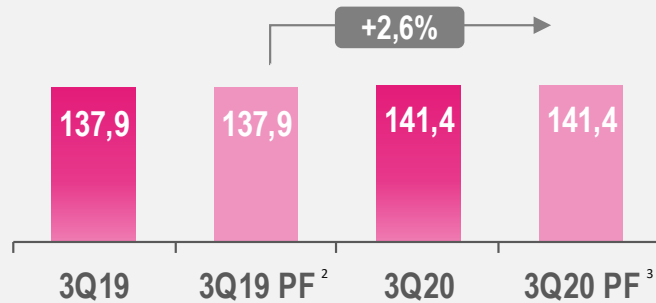


Vasta and Saber Results

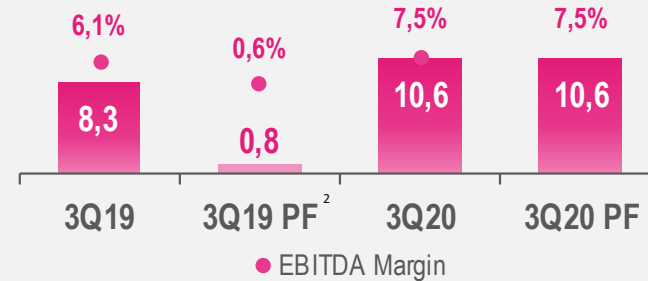
R\$ million

Vasta

Net Revenue



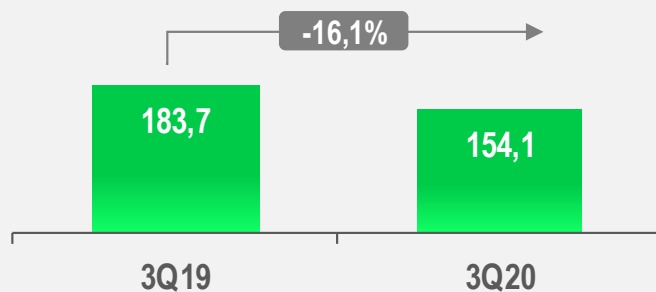
Recurring EBITDA¹



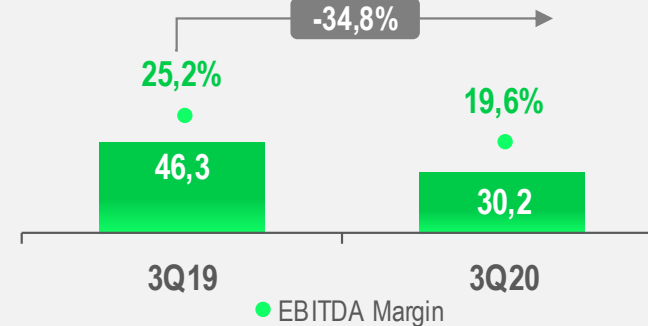
- **Revenue growth** driven by the recovery of non-subscription sales with the return of activities
- **Subscription revenue 8% lower**, due to the anticipation of the recognition revenue in the 2020 commercial year
- **Substantial improvement in EBITDA** owing to lower operating expenses and PDA
- Year-to-date (proforma view), **net revenue and EBITDA grow 8% and 18%**, respectively

Saber

Net Revenue



Recurring EBITDA¹



- Decrease in revenue due to the **impacts of Covid-19** (drop-out in early years plus compulsory discounts), besides the recognition of financing discounts referring to previous quarters
- In 9M20, **EBITDA grew 11%, with 4.7 p.p. of margin expansion**

¹ EBITDA considers Interest and Penalties on Tuition and does not consider impact of inventory surplus (non-cash) and non-recurring items

² Proforma result, considering the classification of publishing expenses under cost of goods sold, exclusion of PIS/COFINS credits and reversal of provisioning for variable remuneration

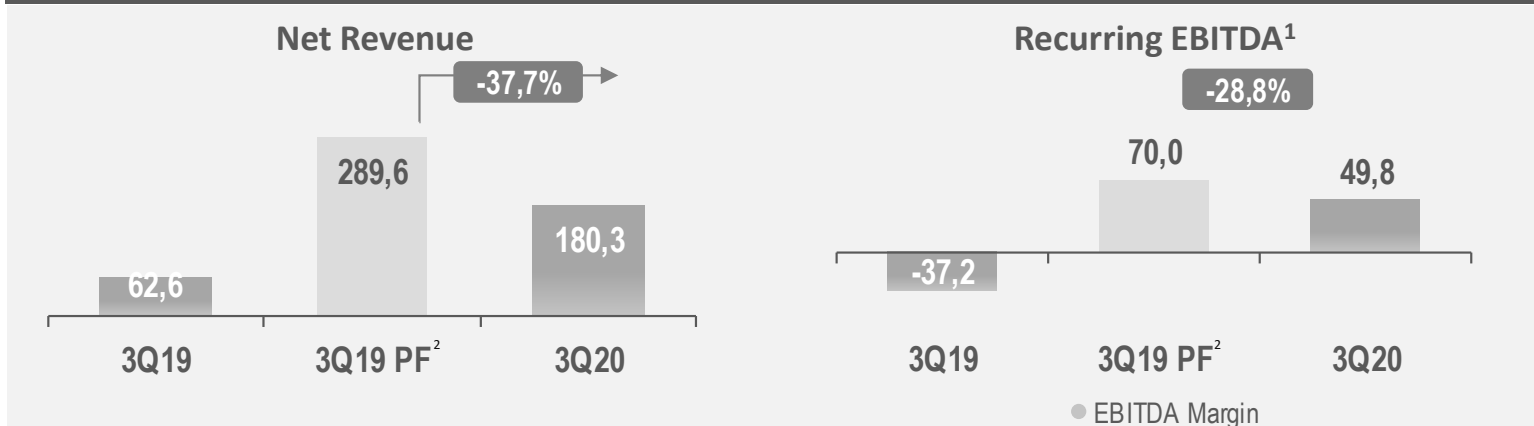
³ Proforma result, excluding the impacts related to Covid-19 in PDA, expenses of INSS related to previous years and inventory adjustment



Others and Cogna Results

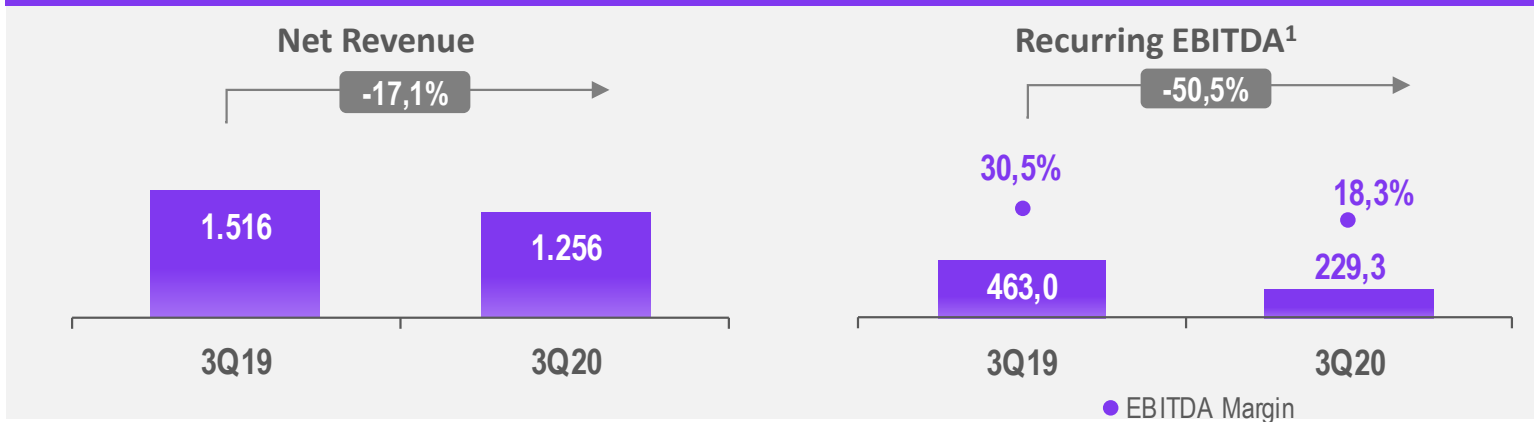
R\$ million

Other Businesses



- Revenue and EBITDA favored by the sales to the 2021 PNLD
- Decline in the proforma view reflects the higher level of sales of 2020 PNLD

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- Reduction in and EBITDA, reflecting the **Covid-19 impacts**, mainly in the Kroton business, especially in **on-campus undergraduate education**
- In 9M20, net revenue fell by 17%, with a decrease of 51% in recurring EBITDA

¹ EBITDA considers Interest and Penalties on Tuition and does not consider impact of inventory surplus (non-cash) and non-recurring items

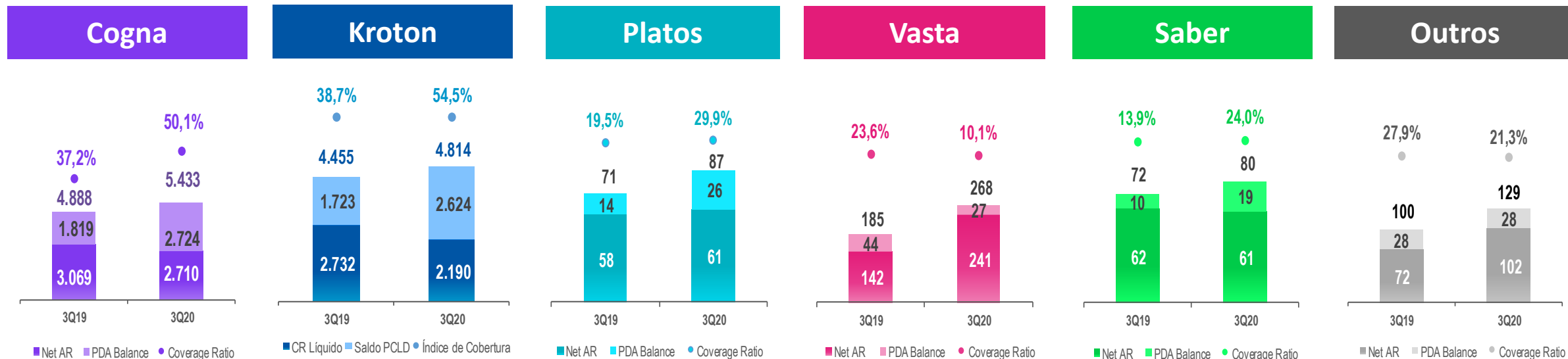
² Proforma result, considering the recognition of 2020 PNLD results without delays and the classification of publishing expenses under cost of goods sold

Financial Performance

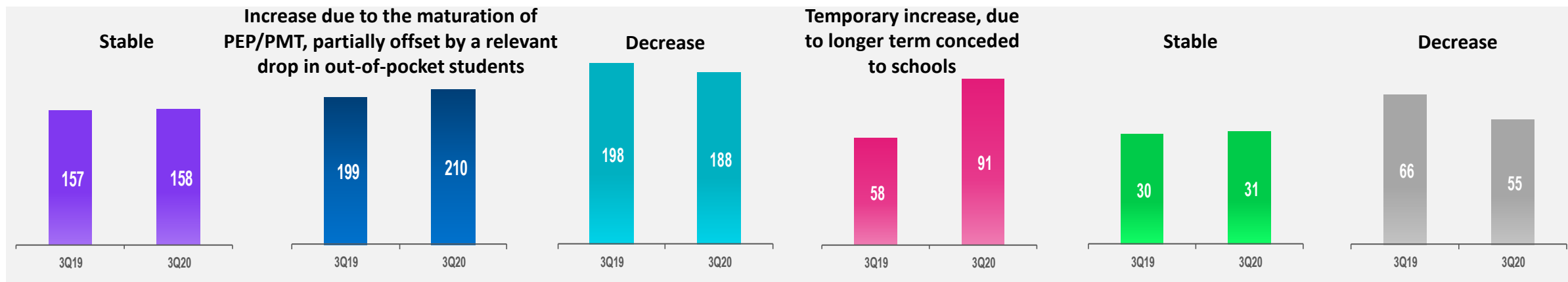
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Accounts Receivable, Coverage Ratio and ART

Accounts Receivable and PDA
(R\$ million)



Average Receivables Term
(Days)



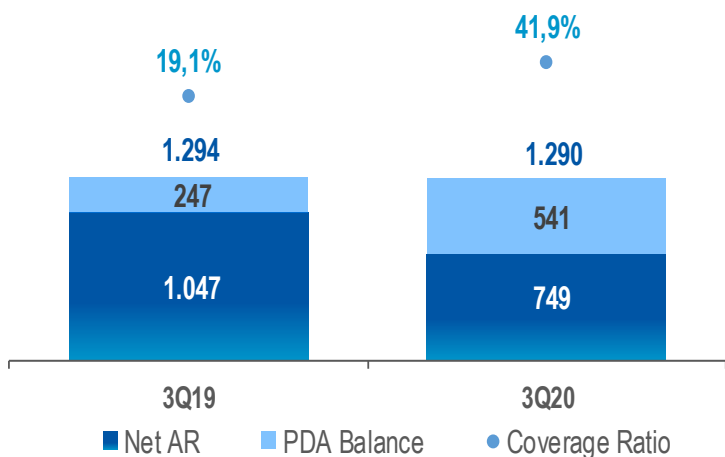


Kroton – Considerable improvement in accounts receivable, coverage and receivables term of out-of-pocket students

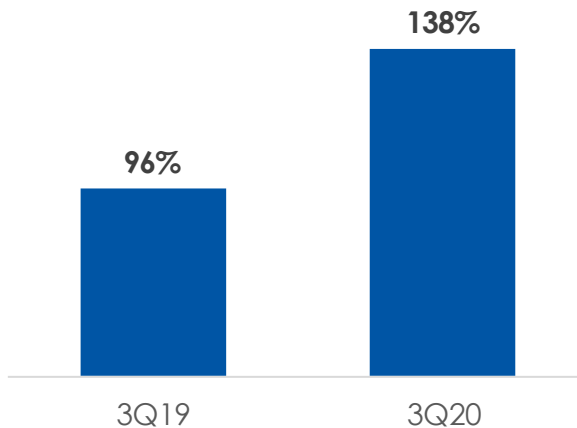
In 12 months, we brought the accounts receivable of Kroton out-of-pocket students to a new level:

- **Net accounts receivable** fell **28%** (from R\$ 1,05 billion to R\$ 0,75 billion), while **coverage ratio** increased from 19% to **42%**
- **Receivable collection over net revenue** increased from 96% to **138%**
- **Average receivables term** decreased from 126 days to **106 days**

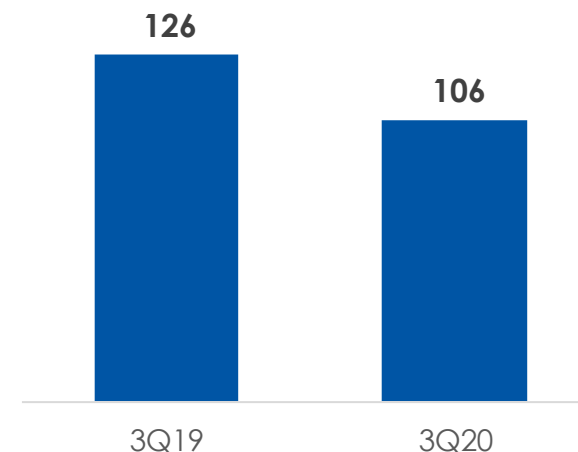
Accounts Receivable (R\$ Million)



Coverage Ratio



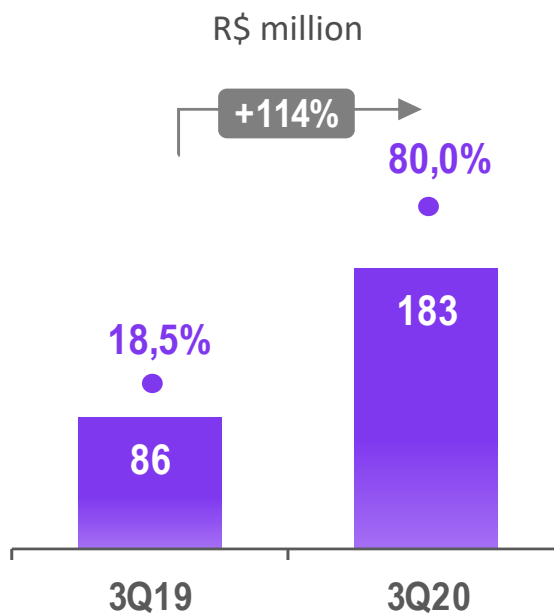
Average Receivables Term (days)



Conversão de caixa de 80% no 3T20

- Operating cash flow after capex and investments in expansion was **R\$ 183 million**, a significant increase in relation to the previous year, despite the decline in the operating result
- **In 9M20, this line totaled R\$ 181 million**, versus a consumption of R\$ 101 million in the same period of 2019 – **we are on-track to deliver our commitment of generating positive OCF after capex in 2020**
- **Cash conversion reached 80%**, versus a 18.5% in 3Q19, reflecting the more sustainable profile of Kroton’s account receivable

OCG After Capex and Investments in Expansion

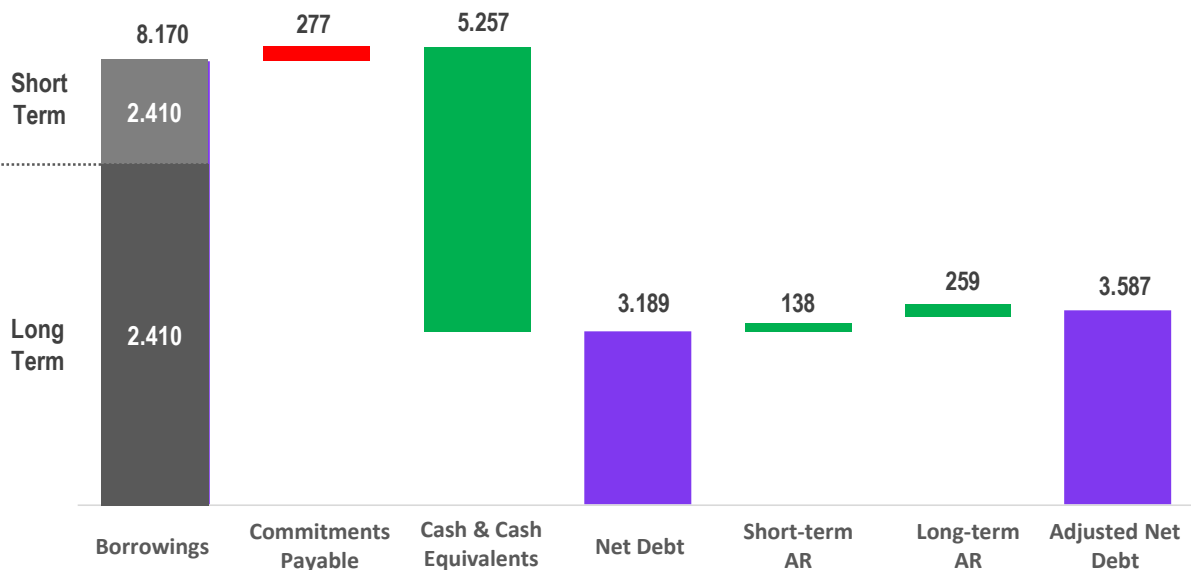




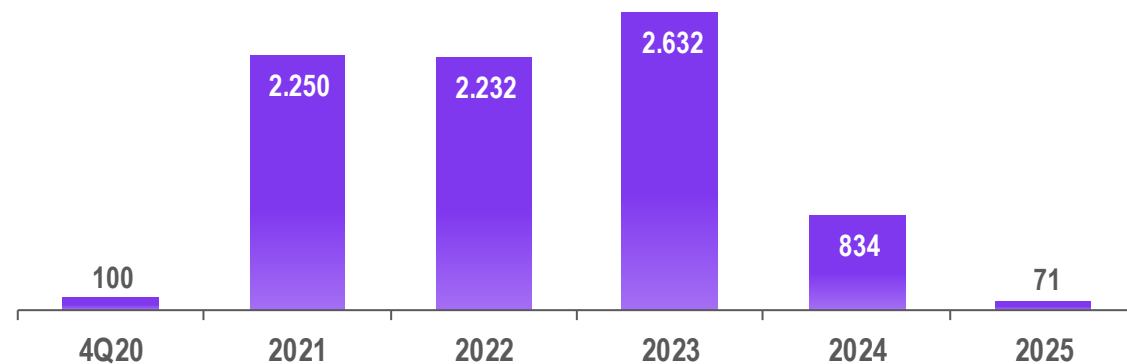
Solid cash position and leverage under control

- Solid cash position: **R\$ 5.3 billion in cash** by the end of September
- Leverage under control: **net debt/EBITDA at 2.2x** by the end of September – **we are on-track to deliver the commitment of not breaching debentures' covenants in 2020** – and **maintaining the ability to make future strategic movements at our business units**
- Debt amortization schedule doesn't consider the **debentures tender offer (of up to R\$ 846 million)**, to happen during **4T20**

Solid cash position



Elongated debt amortization profile



Closing Remarks



Closing Remarks

Other Businesses	<ul style="list-style-type: none">• R\$ 368 million contract signed for the 2021 PNLD, referring to the replacement of books from previous editions• Choice of books to the high school was postponed to 2021. Saber had 100% of approval in the titles available to the choice of Object I (Integrating Projects and Life Project)
Platos	<ul style="list-style-type: none">• Relevant migration to the digital, with 56% growth in 3T20 intake• Contracts with third-party institutions in advanced phase of negotiations, to the school year 2021
Saber	<ul style="list-style-type: none">• Covid-19-driven drop-out is controlled and concentrated in early years (kindergarten and first years of elementary school). Renewal process for 2021 has already started and the first signs are encouraging• Process of capture of synergies and efficiencies has happened as expected
Vasta	<ul style="list-style-type: none">• Total of R\$ 835 million in contracts to 2021 school year (ACV 2021), which represents a 21% growth versus the subscription revenue registered in 2020 commercial year• M&A pipeline remains solid and negotiations are evolving. As announced during the IPO process, 50% of the resources are available to acquisitions
Kroton	<ul style="list-style-type: none">• The restructuring process of Kroton's on-site operations has advanced significantly during the quarter, and part of the restructuring shall be concluded by the year-end• More details regarding Kroton's restructuring and the process of digital transformation shall be announced in the upcoming Cogna Day

Cogna Day: 12/14, 2pm (Brasilia time) – Virtual event (subscriptions to be opened soon)

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