

Q2 2014 Earnings Call

Company Participants

- Rogerio Frota Melzi, Chief Executive Officer
- Virgilio Deloy Capobianco Gibbon, Chief Financial Officer

Other Participants

- Bruno Giardino, Analyst
- Marcelo Santos, Analyst
- Ruben Couto, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Thank you for standing by and welcome to Estacio's Conference Call to discuss the Second Quarter of 2014 results. This event is also being broadcast simultaneously on the internet, via webcast, which can be accessed on the company's IR website www.estacioparticipacoes.com.br/ir together with the respective presentation and the earnings release. We would like to inform you that during the Company's presentation, all participants will only be able to listen to the call. We will then begin the Q&A session, when further instructions will be given. (Operator Instructions).

This conference call contains forward-looking statements that are subject to risks and uncertainties that could cause the company's actual results to differ materially from those in the forward-looking statements. Such statements speak only as of the date they are made, and the Company is under no obligation to update them in light of new information.

I will now turn the conference over to Mr. Rogerio Melzi, CEO. Please, Mr. Rogerio, you may proceed.

Rogerio Frota Melzi {BIO 16212298 <GO>}

All right, thank you very much. Good morning, everyone. Welcome to our conference call to our second quarter '14 results. Here with me is our CFO, Virgilio Gibbon, who will help me with the presentation as well as our IR team. At the end of the presentation, we are going to take some questions.

So we'll begin with slide number two of our presentation, which is also available on our website. When we look at the key indicators of the second quarter of this year, we see

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that once again, we were very successful in maintaining significant growth. Our on-campus students base grew by almost 19% in the same-shop concept, while our distance learning student base grew by 35%, as a result our total student base grew 22.2% over the same period of the previous year. This solid performance of the student base together with the rise in the average on-campus ticket brought significant growth in net revenue, which totaled R\$589.1 million in the second quarter '14 up 32.8% over the second quarter '13.

As EBITDA reached R\$106 million for an extra growth of 59.2% with the margin of 18% up 3 percentage points over the same periods of the previous year.

Our net income, reached R\$86 million, an increase of 84.2% reflecting directly in our earnings per share, which stood at R\$0.29, an increase of 81.2% over the same quarter last year. Including the adjustment for the new FIES schedule for the repurchase of certificates, adjusted operational cash flow came to R\$97.5 million up by R\$58.7 million, when compare to 2013.

In addition, this quarter, we saw the approval of the UniSEB acquisition both by CADE and by our own shareholders and the subsequent announcement of the approval of the Medicine program at the campus. We also announced the acquisition of IESAM, an institution headquartered in Belem, Para state. Yesterday, we also announced the acquisition of Literatus, in Manaus marking our entry into a another state is Northern region of Brazil. We will come back to this acquisition at the end of the presentation.

Estacio also received the authorization to offer approximately 15,000 seats, 7,000 of which in the North and Northeast regions under the second problem by problem in 2014, which allows the students to take vocational courses back in by the government. We've also seen a relevant increase in the number of average students that was been very active, to be a very strong portfolio in the corporate solutions segment.

At the end of the presentation, I will come back to some important points on our strategy and also on our outlook for 2014. But in brief, here I'll start, we continue to grow with balance and a lot of discipline, patience and focus on the returns generated for shareholders and stakeholders in general.

Now I'd like to turn it over to Virgilio Gibbon, our results for the second quarter of 2014.

Virgilio Deloy Capobianco Gibbon {BIO 16679141 <GO>}

Thank you, Melzi. Good morning, everyone. To begin, I'd like to call your attention to slide number three, where we'll show our operating performance. The first graph on the left, we have our student base in the first quarter of 2014. We closed the quarter of 383,000 students up 22.2% over the same quarter of the last year, excluding acquisitions made in the past 12 months, assets in Florianopolis, the same shops student base grew 21.9% over the same period of the previous year.

Our same shops on-campus student base reached 302.7 students at the end of June, up 18.9% over the same period last year, reinforcing the sustainable growth trend in the

student base. The distance learning student base was up 35% over the same period of the previous year to a total of 79.4[ph] students. The graph on the slide shows net operating revenue up 32.8% over second quarter 2013, to a total of R\$589.1 million with increased student base and rise in the average on-campus ticket.

In the table, on the lower part of the slide, we can see that in second quarter 2014, the average on campus ticket grew by 11.8% in line with the increase seen in the first quarter, 2014 and above inflation for the year, reflecting our continued capacity to pass through prices sustainably. Again for the same reasons described in the previous quarter, with this result -- this result is explained by our policy of increasing prices above inflation in some markets as well as an effect of the mix that among other factors, the rise on the choice of FIES students to enroll in costs of higher value added especially engineering and health programs.

The average distance-learning ticket fell 2.3% primarily due to significant organic growth in graduate student base, up 56% this quarter. In addition, we saw the recurring effect that we have been discussing for a few quarters, our policy of repositioning the price of distance-learning in some markets in addition to the increased base of students in EAD Mais, which dilutes the curriculum of the course and as a result, the price of an additional two semesters.

Moving now to slide number four, we see the vertical analysis of our operational costs and expenses. The second quarter, the cash cost improved 1.5 percentage points in margin over second quarter 2013, as a result of 1.1 percentage points in rents with dilution gains on this line reflect a more comparable baseline of our first quarter rentals, when we were not as efficient in this line, 0.6 percentage points in the third-party services line with the in-source of security services with an offset in the personnel in charts line.

The 0.2 percentage points rise in personnel in charge below that we have seen in recent years can be explained by the following reasons. The payment of R\$8 million in bonuses in the second quarter 2014 above the amount paid last year. The teachers, support staff and management of units for 2014 -- 2014, first semester meeting goals. The cost of product and personnel, which began to be booked in April of 2014 and represents a total of R\$3.2 million in the second quarter.

With this an existence second quarter 2013, while the revenue was only partially recognized during the same period. The continued effect of the in-source of security service representing R\$1.1 million in the second quarter and that did not exist last year.

In second quarter 2014, selling expenses represented 13.7% of net revenues, down one percentage -- 1.1 percentage point with the 1.5 percentage point rise in the publicity line with the anticipation of some campaign so that they will not coincide with the World Cup schedule. This loss more than offset the 0.4 percentage points gain in the PDA line, there is a reflect organic improvement in this line.

In the second quarter, G&A expenses represented a 11.7% of net revenues, a 2.3 percentage points improvement over the same period of the previous year. This

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evolution was a result of the 1.7 percentage points in personnel as well as the reversal of the provision for contiguous line, this reversion was due to a labor loss that is being executed and was restated. With this reevaluation of the lawsuit, there was a reversal of R\$2.8 million in the provision.

On slide five, we see the growth in our EBITDA. In the second quarter of 2014, our EBITDA reached a R\$106 million, but the significant 59.2% accounting a quarter excellent results for an EBITDA margin of 18%, 300 bps over second quarter of 2013. We maintain the same phase of expansion of margins that we saw in the first quarter, resulting in more than 10 quarters of sustainable growth without major spikes in line with our expectations. Our net income reached a total of R\$86 million up 84.2% with net margin of 14.6% expanding 4.1 percentage points over last year.

Moving on to slide number six, now we have our accounts receivable. The number of net students receivable days, including receivable of net revenue from FIES fell three days over second quarter 2013 and eight days over first quarter 2014, falling to 76 days. Excluding the FIES net revenue and the FIES receivables on the calculation, our days of receivable ex-FIES was at 89 days practically stable over the first quarter and up five days over second quarter last year.

Moving on to slide seven. Our FIES accounts receivable line in the second quarter was R\$128.6 million down R\$18.6 million as over the previous quarter in line with their normalization of the process for prepayment of contracts concentrated at the start of the academic year. FIES carry-forward credits presented an increase of 18.8 million in the second quarter, reached R\$82.4 million. It should be noted that, in the midst of the case from allies a schedule of monthly repurchase auctions, which has been in practice since the end of 2013.

According to this new timeline collection related to the repurchase of certificate has happened all in the first days of the following months, such that the balance of our accounts receivable is higher at the close of the quarter. By the end of second quarter 2014, we had R\$81.5 million on FIES certificates to be cashed in July.

In slide number eight, highlight the aging of our receivables and agreements, which remains healthy in the second quarter. Thanks to continuous restrict policies for renegotiations of that, this quarter, we had only 7% of total receivables originated from negotiations with students. The percentage of due is more than 60 days over a due among the renegotiation receivables represents 28% of total agreements that is only 2.5% of our receivable portfolio.

Finally slide number nine, show our quarterly cash flow. On this slide, we show the key lines in our cash flow in the quarter. Considering that FIES repurchase auctions in December in the amount of R\$44 million, in March in the amount of R\$63.1 million and in June in the amount of R\$81.4 million were received in the respective months. Adjusted net operating cash flow, assume that the buyback auctions amounts received in April and July in affect being received in March and June, totaled R\$97.5 million and R\$58.7 million improved in the same period. Considering the adjustment to the new FIES timeline,

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operating cash flow before adjusted CapEx was a R\$129.1 million up 60.4 million over the same quarter of the previous year.

Now, I'll hand it back to, Melzi for his conclusions and final considerations.

Rogério Frota Melzi {BIO 16212298 <GO>}

Well, thank you, Virgilio. Moving onto slide number 10, we'll talk a bit about our most recent acquisitions, Literatus in the city of Manaus. But of our medium and long-term strategy is to have a physical presence in all the states in the country, as well as in the most important cities in terms of economic and academic potential. In this contest, every time we enter a new city and especially the new state, we get closer to our strategic goal. So we are overjoyed that Literatus has become part of Group Estacio.

In addition to bring a strategic role in our company, Literatus has a series of strong points that make us even more enthusiastic about the acquisition. After all, Manaus is one of the most important market in Brazil, and where Literatus is number one priority in terms of entering in new cities. For this reason, we have been studying the best way to entering the city for a long time and we are happy, we ended up getting there through such a good asset.

Moving onto slide number 11, Literatus received excellent revaluation from the Ministry of Education, with a general course index, IGC ranging of 2.44 equivalent, to a score three in a scale for one to five, offers 22 undergraduate programs in several areas and has 4,800 students with capacity for almost 15,000 students.

Finally, the team we have found the institution, both in the teaching and in the administrative staff is excellent, which will allow us to attract more students in to Estacio. We are paying R\$48 million for Literatus partially in cash and partially through the assumption of debt and liabilities in general.

Data related to the business than will be present at shareholders meeting to be -- specifically called for this propose later on.

Now moving to slide number 12, we will talk a little bit about where we are now and also about our perspectives. At the end of 2012, we decided to create a new vision for Estacio. Looking at the year to 2020, as our long-term horizon as our deep and very responsible process, we ended up with the vision that Estacio would like to be recognized as the best option in post-secondary location for students, employees and shareholders.

In other words, we want to get the best return rates for the three stakeholders who invest more heavily in our company, our investors, our students and our employees. We believe that seeking better rates of return for this three stakeholders, which in the beginning may see a little contract story, it was really quicker withhold cycle, where actions to serve one stakeholder will reinforce the others, we know however that to reach decision and there by the kind of leadership we inc, we need to be very disciplined.

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And also to respect, some very important part of the strategic drivers, including one, the continues search for balance between this forces. Two, the adoption of a gradual phase of expansion, which will allow us not only to maintain, but rather to raise our standards of quality, while we deliver such a growth and three the construction of elements of differentiation with long-term effects, which will certainly help us and value for our stakeholders. But that in turn requires significant time, energy and discipline in the short term in order to become a realities.

In this contest with directing our actions. So as to fit within this desired parameters always looking at their long-term effects. Thus, when you talk about balancing forces during this quarter, we can mention the balancing between in other set of very strong financial results with several other non-financial initiatives, such as the organization of (inaudible) for the financial community and subsequently the first start-up days for journalists, media agents and community leaders, as well as our ongoing projects focusing on increasing our service levels and on improving the relationship with our students and the countless visits, round tables and communication efforts with our employees.

In this context, I'd like to let you know that we spent the last two entire days in meetings with 11,000 teachers and co-coordinators of all Estacio units to discuss the issues that included our academic model, R&D and innovation. We also naturally took advantage of these opportunity to keep spreading our words and therefore building a strong organizational culture.

At the same time, when we talk about keeping a great job, rare job, pace of extension. We are very glad to have yet again grown by more than 50%, an increase in EBITDA margin by nearly 300 bps, this quarter. However, we know that if we want to maintain this space in a sustainable manner. We need to keep selling new seeds for the future of organization.

On this front, I'd like to emphasis the completion of UniSEB acquisitions with the subsequent approval of its Medicine program. Estacio's participation in the third Pronatec program, the acquisitions in Northern region. Our steady growth in the grad segment and also on our potential corporate training client portfolio. And the projects for the expansion of our campuses and Distance Learning operations as evidence of our concern with continue to create value in a healthy and sustainable way over the coming years.

Finally, when you talk about building elements of differentiation with long-term effects. We are aware that we have to take advantage of this moment, which is marketed by excellent result and stable operations to raise a social standards, so as to be able to present ourselves as a more complete player in the future. In this scenario, we can highlight that our recently inaugurated Espaco NAVE, which aims to fast innovation is fully up and running and has just launched the NAVE start-up program, a start-up pre-accelerator created by Estacio to encourage entrepreneurship among our students and alumni.

We also have our Corporate University, called Educare operating at a good pace already gathering secretary and staff in our new space dedicated to personnel development and the dissemination of our culture. As for R&D, we are honored with the first place in the

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CWTS Brazilian Research Ranking 2014 developed by The Centre for Science and Technology Studies a respected interdisciplinary institute of the traditional Leiden University, in the Netherlands.

We are continuing our branding project, the final equation of an Integration Committee there we will spend the next year's working directly with active boards to build the attributes that shall be perceived by our stakeholders by 2020. We keep personnel innovation into our academic model, this time with the adoption of the "Bring your own device" technology to allow us to instruct say such as content to systems through any platform.

We are also running the final test, with our own Touch screen TV, a 55 inches TV set equipment with a series of special equipment that will be implemented in our 94,000 class rooms to help with the implementation of the 23rd academic model.

Before I finish our presentation, I'd like to briefly talk about our distance-learning renewal for the second-half of 2014, which are few in progress.

In both segments on-campus and distance-learning, KPIs continue to suggest significant growth for the coming semesters. The number of applicants, students who applied to participate in the selection process on the website, sorry, increased substantially, but over last year, 20% up in the on-campus segment and 50% up in the distance-learning segment, both on an a same short basis, excluding acquisitions.

However, due to the decline in the conventional rates during the World Cup, in-take growth is unlikely to keep pace with the increase in applicants as verified in the last semesters. In the on-campus segment, it is worth highlighting the loss operations settings specifically bottlenecks, both in terms of infrastructure and authorized seats, which we are working to overcome as soon as 2015.

In this context, we expect the in-take on-campus segment to grow between 4% and 8% over the last year, while the distance-learning segment should move up by 15% to 20%. We'd like to remind you, however that unlike in recent semesters, the entire process is behind schedule, due to the World Cup. So these projections are subject to increased volatility compared to normal conditions.

Please also bear in mind that this event do not include the recently announced acquisitions of UniSEB, IESAM and Literatus, which would add students to these days. However the resulting carryover of substantial growth in the quarter and recent semesters and the gradual improvement in our dropout rates indicated significant expansion of the student base.

We expect the total on-campus student base to grow between 14% and 16% and the distance-learning base to increase between 15% and 20% both on the same shop basis, over 2013, I'm sorry about that between 20% and 25% for distance-learning, not 15 and 20 between 20% and 25%.

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Finally, it is worth noting that in establish intake should grow between 80% and 100% over the same period last year, although the number of students in absolute terms is still modest compared to (inaudible). We are convinced that this substantial growth underlines the potential that may result from this acquisition, especially after we can actually implement the management practice that have led faster to acquire excellent growth rates and strong margin expansion in recent years.

We believe, this figures will allow us to generate great results in the second semester, allowing us to close 2014 on a high note. In addition, thanks to yet another record number in main registration in 2014, we can already and this is a very promising 2015 for Estacio.

Well, that was our presentation, we will now be taking some questions.

Questions And Answers

Operator

Thank you, ladies and gentlemen we will now begin the Q&A session. (Operator Instructions) So, now our first question comes from Bruno Giardino from Santander. Please go ahead.

Q - Bruno Giardino {BIO 15974970 <GO>}

Good morning, everyone. It's -- I know that this subject was, while we discussed it in Portuguese conference call. But is it possible to know on a qualitative basis, how much of the limitations on campus should intake growth was due to the World Cup effect and how much was due to the lack of capacity from offshore campuses. And also do you think the market -- marketing expenses could continue high in the third quarter as a way to boost the final stage of students intake?

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

Well, Bruno, let me take and then Virgilio can confirm that. I'm sorry about my voice, but I've definitely got a flu here. Anyway --

Q - Bruno Giardino {BIO 15974970 <GO>}

No problem.

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

As for the second question, no, I think we are going to close the year in the same range for marketing expenses as we do it over the last years, this is between 5% and 5.2%, 5.3% of net revenues. This is something strategic to us and students chance this year. So see that as something seasonal, okay. As for your first question, to give you an idea. We are very scientific, when it comes to our intake process here in Estacio, so we know how many students we want to have by the end of the cycle.

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So -- we work backwards, we know that in order for us to have a certain number of students, we would need a certain number of applicants, right. And I think the important piece of news in this call is that the interest in Estacio keeps really, really high, we're talking about an increase in the number of applicants are close to 20% and in distance-learning are close to 50%, but then we have the conversion rates.

We need to transform this applicants into students. To give you an idea, in a normal situation out of 100 students, who applied with us, roughly 55% to 60% show up to take their admission test, 55 to 60. But during the World Cup, December was below 40 and obviously that ended up, creating a problem to us because the day Brazil lost in the World Cup, that 7-1 to Germany match. The day after that, these number started moving up very quickly again.

So right now we have a huge backlog, (inaudible) of applicants and we are trying to convert these students, these applicants, sorry, into students. But there are some limitations for example, the number of students they can take a test every day, a season limitation, even the students, some of them will end-up, giving up because they may think that it is a little bit late. So, I think we have a good opportunity in our hands to try to increase this conversion rates from now until the end of the presentation.

But I mean, it's early to tell whether we are going to be successful or not. That's the reason we are giving this range between 4% and 8%. We may surprise, yes essentially, but it will be responsible not to go anything beyond that at this point in time. Also bear in mind that the students that eventually, we are not going to be able to convert in this semester, we likely will be converted in 2015, because there will be part of obviously for our backlog and our teams, who work hard to make this people come back to the university at the beginning of 2015. So this is the reason. I'm very enthusiastic about our growth perspectives, when I look at the number of applicants are not exclusively, and the number of our new students.

Another important piece of information as for infrastructure. What happened was that in the beginning of the year when we saw that the World Cup could actually bring some promise to us, we decided to try to go or try to speed up our admission cycle in the beginning of the year. So to give you an example, in many cities in Brazil where we have constraints of seats because of the minister predications authorizations. Instead of waiting for or speeding that the admission cycle into two semesters, which is usually what we do, end about bringing a 100% of the authorized students in the first semester, this is or this was very much to guarantee that we could have a nice return and throughout the entire year.

And I think it worked really successfully. But now obviously, we stated some kind of constraints in this cities. On -- at the same time, we did have some kind of a infrastructure constraints, because again we keep growing and growing and growing and as much as we have a lot of expansion happening right now in a lot of campuses in Estacio, have never signed for get many expansion projects in Estacio since I'm here. The truth is that there is some delay, and I think we shall be ready for the beginning of next year.

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So, I don't think, this will be constraints for the beginning of 2015. I think we shall be ready to go at the end of the year. And there will be a lot of room for improvement at beginning of next year. Last piece of information, the moment we notice that it will be difficult for us to keep growing at 15% or 20% despite the growth in the number of applicants, we work a little bit more with prices.

So in the on-campus segment, for example, we ended up increasing prices by more than 4% this is between the first and the second semester, which is something really unique. I think we've never done that in the last year's and this past and the reason we did that this time is because, since you are facing constraints, you may allow yourself to make some adjustments in the price variable.

So, I mean putting all these together, the student base grow 15%, 16% on-campus, 20% distance-learning, price increase improvement in terms of dropouts and everything else initial test, new campus acquisitions. I think we have grown to deliver in the second semester, as well.

Q - Bruno Giardino {BIO 15974970 <GO>}

Okay, very clear. Thanks. Just to confirm. What are this problem of lack of capacity concentrated in your institution with quality that is right. And I don't think you experiment this problems in the universities and in center -- University centers, right?

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

You are absolutely right. Pretty much except for medical problems for sure, you're right about that.

Q - Bruno Giardino {BIO 15974970 <GO>}

Okay. And just a follow-up from the Portuguese call as well. You mentioned that one of the institutions that had new learning centers approval by the Minister for Education was owned by UniSEB's previous owners. Is that right. And if it is, what's the name of this institution?

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

Yeah. We do have a call as an option like when we made acquisition of UniSEB some assets even come together and we decide to have a call. So we're making a decision, right now, essentially we are going to do that, but it's still there are some points to be covered here.

But the truth is that one of these assets located in (inaudible) in the name of Dom Bosco has just supported a view on the distance-learning operations there, with I think 15 learning centers. So if we are going to precise this option? Yes we are going to increase our distance-learning capacity as well.

Q - Bruno Giardino {BIO 15974970 <GO>}

As it was 12. But, okay, but just confirming. Thank you very much.

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

I bet.

Operator

(Operator Instructions) Our next question comes from Ruben Couto from Brasil Plural. Please go ahead.

Q - Ruben Couto {BIO 19172367 <GO>}

Hello. And thank you for taking my question. This is actually a quick one, regarding Literatus acquisition and talking about the amount paid for the execution, I know this is not the best valuation metric to look into, but it's the only one that we have, when we are talking about 10,000 EV[ph] per students and as it also happened, with the IESAM acquisition. I know in that one you had the whole thing related to your steps -- real estate purchasing as well, but I guess that going forward, are we going to see this new acquisitions in the ballpark of an 8,000 to 10,000 EV students going forward or was there something specific about these two -- that made you guys comfortable of going a little bit higher in terms of how much you're willing to pay. And how are guys thinking about going forward in your next upcoming small acquisitions in this pattern of -- like you -- like to call a faster organic growth. How much are you willing to pay again, I know this is not the best evolution metric, but just to give us a little bit color on how we could model this going forward. Thank you.

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

Well, thank you for your question. You're right about that we've abandoned this metric, because this is not a metric whatsoever, right. Is wrong by definition to make this kind of calculation, that give you an idea and I think, we gave the information, they gave an authorization to go up to 15,000 students, so shall we divide by whatever 8,000 students or by 15,000 student and that's would -- is that -- that will depend a lot of our own capacity to fuel this authorized seats, which I believe given our track records. And now our capabilities, I think we have got a -- get there at some point.

So whenever we make acquisitions, we go deep into our analysis and we need to make sure that we are going to be able to add our own capabilities to whatever the bring along with the acquisition tribute all this value. When we announced this acquisition as we know, they are subject to an approval, because we bring all of them to our shareholders meeting. And then we'll open our business as to show the EBITDA or we show our projections for a growth in this acquisitions. And I think, again as we look at what are all happening at best I think we're delivering very, very interesting requests this acquisitions.

(inaudible) we're experiencing this acquisitions, it's usually above 20%. In this case, when we bring to the shareholders meeting you see that is close to 25%. So this is the kind of number, I'm interested and really not how many students are coming with the acquisition,

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but better, what is the kind of returns and again this is conservative budget, it is right. The kind of returns you can generate on that assets.

This is one of the most important acquisitions, we made in the past, it is a new state with very interesting perspectives for growth and which we believe Estacio brands will play a very interesting role, because of the kind of attributes we bring to our brand according to the kind of results, sorry to this result we need in the cities. so to add on that. This strategy of entering new cities, new states is at the core of our long-term strategy, if you follow us, we need to understand that.

We want to be physically present in the most important Brazilian cities in all of the 27 states, because this is how we are going to build a powerful brand in national brand for education to leverage on the segments we're going to play.

For example, the distance-learning segments, so every time we make a move, enter in a new city, enter in a new state, through a nice acquisition like Literatus, we celebrate here because we like to look that as appraisal, we're putting a lot of pieces together and when they are finally together maybe by 2017, 2018. We're going have a unique company spread all over the country connected, should all the society in the Brazilian environment. We see very strong brand, very well manage it in our segment in this scenario and accomplished, that if you still favorable in terms of demand growth, we'll boost our earnings and we'll make everybody happy about this fashion.

Q - Ruben Couto {BIO 19172367 <GO>}

Perfect, it's very clear. Just a quick question on this. For your 25% IRR, that we're expecting for Literatus, how do you expect in terms of maturation and do you reach this 14,000 full seats. How long that it take to reach there. I mean in this business plan of yours. How long does it takes to get there?

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

We usually study five to six years. I can tell -- cannot tell you, whether we are going to fill all this 15,000 seats in five or six years. But I mean, you're going to do lot over this period -- so eventually improved the margins because we bring a lot of innovation, we bring a lot of tools. Thinking about the online content alone, how much can add just by replacing on-campus regular classes, think about making this in lots of operation we've learning center for distance-learning.

So I mean that we bring a lot of dilution as well. So we have to combine all these things. Growth, -- the student base growth margin new projects, brands and everything else. When you put all those things together you get to this 25% IRR.

Q - Ruben Couto {BIO 19172367 <GO>}

Great, it make sense. Thank you very much.

A - Virgilio Deloy Capobianco Gibbon {BIO 16679141 <GO>}

Thank you.

Operator

The next question comes from Marcelo Santos from JPMorgan. Please go ahead.

Q - Marcelo Santos {BIO 20444938 <GO>}

Hello. Thanks for taking the question again. I just want a clarification on something, that was discussed in Portuguese call regarding the sale of portfolio which you did in the past in Stockholm, now. I would just want to confirm, how much in the second quarter of 2013 it impacted the P&L. Was it like the R\$9 million, that you mentioned or this was -- that's what I want to concern better?

A - Virgilio Deloy Capobianco Gibbon {BIO 16679141 <GO>}

Marcelo, in 2013, the total impact in our results over the sale of our accounts receivables, close to R\$9 million.

Q - Marcelo Santos {BIO 20444938 <GO>}

Okay, okay. Thank you. And -- just another quick question, in the case of acquisition you've made, could you, -- would it be possible to share that the average ticket or in what's range it lies, please.

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

Not yet, I mean, we are going to that later all as we organized in the information, right now, we are very much focusing on making a good tradition, a lot of people is there, talking to people there. So let's wait a little bit and then we will give all this information, for now keep this 25% in mind. And that's most important number.

A - Virgilio Deloy Capobianco Gibbon {BIO 16679141 <GO>}

And just to add something here, Marcelo. If you think that the -- take a look into the website under the ticket prices for Literatus very close, cost by cost as we have in the average in Estacio, we are very concentrated in technological programs. So the total average ticket maybe is a little bit lower, but cost program by program is very close that -- that's right, we have as an average in Brazil, okay.

Q - Marcelo Santos {BIO 20444938 <GO>}

Okay. Thank you.

A - Virgilio Deloy Capobianco Gibbon {BIO 16679141 <GO>}

Thank you.

Operator

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(Operator Instructions) Since there seems to be no further questions. I would like to turn the floor over to Mr. Rogerio Melzi for his final remarks.

A - Rogerio Frota Melzi {BIO 16212298 <GO>}

So well, thank you everyone for participating in our call. Here Estacio, we keep very enthusiasm about, what is going on here both in terms of demand as evidenced by the number of applicants, we have in this semester. And also in terms of our own capabilities to keep growing our revenues, to keep expanding our EBITDA, our EBITDA margins, net income and also cash flow. I think the numbers, and all the projections we have for the second semester, I really promise you and I think that we're going to deliver wonderful result once again, as we get ready or starting to get ready to an another good year in 2015.

So our IR team, Virgilio, and myself will be here available for you. And hope to see all of you very soon. Thank you and have a good day.

Operator

This concludes Estacio's conference call. You may now disconnect and have a good day.

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