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Bloomberg Transcript

Q3 2021 Earnings Call

Company Participants

- Adriano Pistore, Education Vice President
- Eduardo Haiama, Chief Financial Officer and Investor Relations Officer Vice-President
- Eduardo Parente Menezes, Chief Executive Officer
- Jose Aroldo Alves Junior, Vice-President of Distance Learning
- Marcel Desco, Executive Director of Marketing and Sales

Other Participants

- Analyst
- Javier Martinez
- Marcelo Santos
- Samuel Alves
- Vitor Tomita

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to YDUQS video conference with the Results of the Third Quarter 2021. This video conference is being recorded and the replay can be accessed at the website of the company www.yduqs.com.br. The presentation will always be available for download. We would like to inform that all attendees will only be watching the video conference during the presentation. And then we will start a Q&A session when further instructions will be provided.

Before proceeding, we would like to clarify that any statements that may be made during this conference call regarding the company's business profit, operating and financial projections and goals, constitute beliefs and assumptions of the YDUQS' Board and the current information available ought to the company. These statements may involve risks and uncertainties as they relate to future events and therefore depend on circumstances that may or may not occur. Investors, analysts and journalists should be aware of events related to the macroeconomic environment, the industry and other factors could cause the results to differ materially from those expressed in the respective forward-looking statements.

Present at this video conference we have Mr.Eduardo Parente, CEO of YDUQS, and Mr.Eduardo Haiama CFO and Investor Relations Officer.

Now, I would like to hand the floor over to Mr.Eduardo Parente, who will begin the presentation. Please, Mr Eduardo Parente, you may proceed.

Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you. Good morning everyone. I hope you're all well and healthy. I'd like to start our presentation. We are proud of the quarter we've had. Something we have had and expected actually happened and it seems things are quite promising. I would like to start on Page 3.

We have three major messages here, so we make an effort. What are the three things that we think are important for us to take away. The first thing is that we are used for -- we've always see in our discussions Digital and Premium growing quite strongly. We see the nine months of revenue of both have exceeded total revenue from last year. And as we had anticipated to you, so we reached 50% of our net operating revenue. This is almost a growth everybody is used to, just to tell you that it continues to happen, strongly helping a lot our business. It helps a lot to transform the face of our business.

Second great point, I think this is a novelty that is worth reinforcing are the clear signs of the On-campus recovery. We have since before the previous quarter, we had three quarters with a lower price. We had an increase in the onsite campus there. So we had a renewal. So with EBITDA margin returning to 2020 levels, increase On-campus intake versus last year On-campus moved most students are actually back to campus. And since the beginning of the year, we're having in person on-campus classes and we had a quite positive evolution in enrollments for next semester. This is the second great point, Digital and Premium maintaining strong growth.

And the second point is On-campus recovery. The third is not a novelty, clearly well know by you is very disciplined in our capital allocation. But I think this time of volatility, this becomes even more important, allows us to become seniors of our destination making better decisions, keeping all the alternatives we had open an equal with what you had. There are three signs that are very -- and three very important points that I wanted to share with you and many numbers, many details, transparency on the next pages.

Moving to Page 4, this is a reference through the estimates that we pointed out last quarter and intake and average ticket. I'm going to show you the left. We have 2019 because 2020 was quite a typical year when we see On-campus the growth of 12%. We look at 2020, we had a relative drop, not only do we have a growth of 12% On-campus and it's very much on a basis that has relative success considering a very difficult world we had last year.

Digital we had a 13% growth vis-a-vis a growth that we had that was quite large last year. So we're talking about almost 80% growth. When we look at the intake of this year, within the past 12 months in 2021, 342,000 students, a growth of 60,000 vis-a-vis previous year. And I think perhaps you can count a handful the number of destinations that had 342,000. This is what we had as intake. So in a handful of people who have like 60,000 students between 2020 and 2021, and the growth is quite strong.

And below we have our class. So we had a reference from 6.2k to 6.6k. We had 64,000 students in medicine and the ticket has increased more than we had estimated for the first nine months of the year from 0 to 5. We reached 12% of growth. On Digital, the same. We had an expectation of growth of more than 10% and the ticket got a little worse, actually did, but practically stable vis-a-vis the same period previously on the On-campus. This is something that you get very anxious as to the situation. The final lap, well for next semester, we're doing quite well on any dimension you choose. So it's a very small part of the process. So On-campus on purpose, we put a larger band in terms of intake. We've reached it over 12% increase and On-campus intake and the ticket behaving quite well. Again, the ticket alone is very good news, but along with the renewal indices that we had, along with the NPS and several things, the news is quite good in terms of the soundness and clear sign of recovery.

Moving to Page 5. What do we have in terms of highlights I've mentioned. On the left here we see strong recovery. We had the outlook of closing the year of 2000 class are now digital world. We came to practically 1000 students only on digital. When we look to the right, the top part of the page, the revenue of Digital reached, exceeded BRL1 billion, more than the revenue last year. Same thing with Premium, BRL640 million, which is higher than the revenue we had last year, the whole of last year. Reminding that both together in the first nine months accounted for 70% of our EBITDA, 70% of our EBITDA, 50% of our revenue in businesses that have very strong growth.

Below on the left, the evolution of three average tickets we see quite positive including Digital. The drop was smaller than what we expected. And when we look along with the renewal rate, the three renewal rates were higher than what we had last year. So a year ago, we were at a situation and we were giving a lot of discount and increase bad debt and stable tickets. And now we had actually no discount, and actually bed debt is dropping, and tickets increasing strongly with a renewal rate higher than what we had a year ago. All of this leads to this part of the bottom, right. So this is closing 2020, the first year that we've shown EBIT margins per business premium closed with 50% margin 2020 after all the administrative adjustments.

First semester we closed the 47% and in this quarter we get back to closer to previous year. Same thing on Digital. Last year '20, 45% first semester, 39% first half, third quarter 47%, getting close to 45%. But the great news I consider the On-campus. We've had a first semester that was difficult. Intake of first quarter was weaker. First quarter had great impact in the first quarter. I'm -- I was going to show you later, but we haven't had it on the third. Neither the second or the third we see a recovery. It is quite strong in terms of margins happening in the following which is despite the intake having been smaller than the previous year. So the 24% of the EBITDA On-campus margin is a clear sign of recovery.

And lastly, on this little banner below 80% reduction and no recurring effect on EBITDA. Nine months last year we had almost BRL300 million on recurring effect and it dropped to 59%. Because of three ordinances that were dropped in the second wave moment that we're going through.

I'm moving to Page 6. Let's talk about Premium. The great highlight here is the revenue of nine months exceeding last year with a growth in medicine of 38% over the nine months period. When we look at the top left, the revenue -- net revenue, adjusted net revenue. We talk a lot about adjusted, so. Last year we were talking adjusted. It was a moment of a lot of discount. So the leaps would be even greater. But because of transparency we trust very much adjustments we made last year. We believe they were correct. We prefer to maintain the same metrics, the same discussion all in the evolution of results. So what we show in green is the evolution that is quite strong and the number of students in medicine. We see the revenue at the top and the base about 30% always. And in gray, you see IBMEC that has joined the Premium unit, bringing a lot of value and with a quite important representativeness, practically not impacted by the pandemic as you can see.

On the top right, what I mentioned previously, we have the third quarter 48% margin. Retain the close to 50% of last year. Most important than that, we only disclosed our student data by business unit growth. In the Premium unit, we're close the BRL310 million last year EBITDA. And in the first nine months we had BRL304 million EBITDA.

In the colored one. So IDOMED getting to 64,000 students, average ticket 6%, next IBMEC almost 5000 students with average ticket stable at BRL27,000. Renewal rate is 98%, more than 1% point then previous year with the expectation of up to 450 new medicine seats under the approval process and the growth of the medicine average ticket exceeding expectations at 2021.

Moving to Page 7. We have close to 1 million students, thanks to the integration of the Qconcursos and again in revenue. So below we have the evolution of undergraduate studies. Distance learning, it is has strong growth. If you consider in terms of percentages bit more smaller, but absolute terms it's higher than what we had in the previous years. So quite important evolution here. Around 377 to 780. So here we totally EBITDA BRL440 million, we get to 420 in the first nine months showing great soundness in the growth, not only in the business.

Below in a left hand, base of students growing and slip and blue the pace of the Qconcursos joining the students that paid, Qconcursos not all users, only those that pay who are getting to practically 1 million students. So you know the growth trajectory. So we're getting to almost three times what we had in the third quarter 2019 which makes the base to be very young. A lot of maturing to happen. On the right, the bottom right, we have renewal rate growing vis-a-vis previous year and something that we're very proud of and improvement of our NPS quite strong.

And we have on-campus and digital grade transformation of our digital world, a revolution with the RM method, the way we teach using technology to take quality education to our methods. Ticket, as I said, very much in line. Rest I've mentioned. We're expecting the centers in 2022 to getting to 2500 centers.

Talking a bit about Qconcursos. We've been growing quite a lot. We ascertained this acquisition not only for the business itself. With this growth of 25% year-over-year shows that. We don't disclose detail results, but it's a strong cash generation, revenue -- strong revenue growth. On the right, it's the reason for our great pride. We are at this stage we have Mercado livre, Americanas, Magazine Luiza. The only education company that is in the largest e-commerce companies is Qconcursos ranking 10th and what you're going to see increasingly, what we brought to our family is a group of fantastic people that have this mind of inclusion to teaching of expanding to people that have more difficulties, lack system education and have this mind that is absolutely digital in the world where engagement is strong reducer of back as assembling of quality and relationship that you have. And we're all learning a lot from them. It's a very good experience for the group as a whole. It is not just a financial matter to have Qconcursos.

On Page 9, talking about On-campus. It's interesting to know that when you look at the on-campus the numbers vis-a-vis the growth I've just shown you on Premium and Digital, these are numbers that do not present growth. On the other hand the best news of the whole presentation is here. When we look at the revenue that dropped 6% vis-a-vis third quarter 2019, 13 vis-a-vis first nine months of 2019 EBITDA that has -- that is not yet equal to the others exceeding 2020. But here we have this clear recovery first quarter in terms of intake that was poor, weak, considering process year of impacting less the following quarters. You notice that on the left when we talk about revenue quarter-over-quarter, the drop is smaller. When we look at the nine months, we had impact in the first quarter of this non intake.

Student base, vis-a-vis third quarter 2019, it grows a bit. Obviously, it's not oranges for oranges. We had to change here when you compare oranges for oranges, it's a drop compared to 2019, but not great drop. What is important is undergraduate average ticket, we look many people, so that's why we had the mandatory discounts where you're going to go -- be able to keep the student fee mandatory discounts ended. We resumed the original prices and we went beyond them.

In terms of increase, we had increase in most courses above inflation. So I'm trying to recover previous losses and recovery rate of 83%, up 0.7 vis-a-vis previous year. So previous year, so we had scholarship program, we're working on discounts, understanding what was happening during the pandemic. Forgiving debt. We said, this is not the situation we have today. This is what we use to have our management, it gives two courses during the on the campus. So students tell us, well there are institutions that are much more expensive than ours, they recovered. It has been very pleased and it's working quite well.

So we resumed with 15% or those in February. I actually started teaching on-campus. In the second semester we have more than half, 50% of students, very positive mood. So for next week, we're starting test and people are choosing their discipline for the next semester, very positive atmosphere, NPS resize that 19% points of growth. And of course it continue to have greater representativeness, something we didn't talk too much. There is something that isn't very important. Well we had a reformulation of the semi on-campus quite strong. So the numbers that you see here on the left '19, '21, they are very different courses. So we had a semi on-campus managed by distance learning, almost quarter-on-quarter like the favor of students would be there and we inverted this logic last year to have from distance learning to on-campus, we managed to get a very good evolution and as an alternative.

So what we had to offer originally for those that know conditions they were ex-FIES, they could not afford BRL800 of on-campus. They were actually channel directly to distance learning. So we provided an intermediary offer and this has been quite successful, not only for you to have an alternative for those that can no longer pay and also for those -- for many on somebody to have a trade up different tries. So have a bit of on-campus and this has been working quite a well.

On Page 10, I think this page is quite important. It talks about the loss we're going through. I think you followed part of it. So we had improvement. We've always communicated transparently what has been happening. Just to illustrate this, see this curve. It's tragic, number of deaths from March 2020, 13th of March on Friday we had shut over all in Brazil our on-site classes. So last year we had this intent for enroll for generally 35%. We went on holidays. We're very excited what was going to happen and happened was that we had the second wave, we detected it very quickly. We had a very strong reaction which was very positive despite weak intake first semester.

So the intention to get back on-campus dropped sharply as well as the intention to enroll, what do you see on this chart. So we have great drop in turns and death and most of the population vaccinated, much smaller fear of returning on-campus. At the top, we see some international references. Those that are in Brazilian, very used to this. Those from abroad perhaps may be surprised by the numbers to put it in the correct perspective. This is the number disclosed daily by this ministry of health, somebody we greatly respect and this shows that we are in line with Germany and other European countries in terms of death per million inhabitants in the past few weeks and better than some countries that's overall have managed this process better than us over the pandemic.

I'm going to hand over to Haiama to talk about our revenue and our results.

Eduardo Haiama {BIO 7279971 <GO>}

Thank you, Parente. Good morning, everyone. Well to show you a bit of the revenue numbers, Parente mentioned previously, it's important to remember our two segments that grow a lot, Digital and Premium reached around 50% of total revenue and this dynamics in the next years are segments that should keep on growing or increasing more this share over time. And then another point that is very important in this without again showing and the chart in the middle of the drop of the impact that we've had of laws and court decisions, almost BRL70 million previous quarter to BRL9 million this quarter. So if we consider this our revenue, we would have around 12%. But as it being said, it was temporary.

Our adjusted revenue has grown 6. On the chart on bottom right, it shows a bit wide since the beginning of this year we stopped showing in our bridge of revenue, the variations of FIES. As you can see, FIES has in the quarter accounts for only 6% of the global revenue. And it tend to reduce in the next quarters.

On slide 12, we talk about costs. And here, I'd like to highlight two main items on the bottom chart. First, the level of bad debt and discount dropping regarding, last year we had 11.4%. Today, this year, it's 10 -- we have a 10.7% despite our rate of renewal having improved. Why is this important? Because at the end of the day it shows that we don't need to provide further discounts to renew our students with better indices or rates. So this is quite good, but considering the quality of the results.

On the middle bottom chart, basically we're showing cost as a percentage of revenue is dropping from 69% to 67% in absolute terms growing 9%, in line with accumulated inflation. And here, I'd like to highlight basically a line that is regarding publicity V&M and in this quarter has grown a bit more. Almost 25% regarding previous quarter basically on two lines because advertising is in line with previous year in absolute terms. But on the part of marketing, one is related to sales commissions because last year was almost in the fourth quarter and now it's dropping a bit more in the third quarter. So we were accounted for this expense and the other one is related to call centers. And here we have two factors, first is that depending on what we have. This will over time tends to grow, but the other one has been outsourced in terms of call center.

So Slide 13, we have cost and revenue and the impact on EBITDA. So consolidated is in line with better quality, non-recurring level was almost BRL70 million down previous year, this quarter drop to BRL35 million. And what draws most attention here is what we have on the right. When you look at the reported, this year growing 31 and the non-recurring level when we got the adjustment dropping from 300 to 60. All of this increasing our EBITDA margin growing from the first semester to the third quarter.

And on the bottom right showing what has been brought up, what has been said that the percentage today within our EBITDA, total EBITDA of the Premium, Digital reach almost 70%. In 2022, the trend is these levels to keep on growing. Our EBITDA we believe that the intake will be more normalized in on-campus in the first semester. You will have a great impact that will be positive both in terms of their revenue and EBITDA in the on-campus segment. I'd like to talk a bit more why we understand that this result has been very good third quarter.

On Slide 14. On this slide we show the EBITDA ex-acquisitions. Why? Digitally we started consolidating in May last year and as of August and more recently Qconcursos from July. If we were to make an evolution of EBITDA quarter against quarter as we're showing here including acquisitions the comparison would be fair, and would not actually show the evolution of our business. And what is this evolution? As you can see on the left bar, our EBITDA in the first quarter 2020 was BRL351 million. In this first quarter 2021, it was BRL242 million.

Why the drop? The drop specifically to intake. Has been mentioned that previous semester, our intake had a quite drop, basically in On-campus. And in a normal scenario, previous years what would we expect the result of a weak intake of the first semester. Well we would never be able to recover for the second, because second semester is seasonally is weaker in terms of intake than the first. But this chart shows what actually happened. In the first quarter actually our EBITDA was lower. In the second, it was a bit higher than the quarter. Previous year it reminding we adjusted and in the third quarter in reported numbers we were 7% above and adjusted in line. Why is this number important? Because it shows that our business actually is changing due to the fact that and Digital continuing to grow reading the results not to be the way they were previously because they were -- we had great intake in the first semester for on-campus.

And the other point important to highlight that Parente mentioned on the On-campus slide. Everything we have been doing, continue doing in terms of optimization is cost. And so this year, we return some units On-campus to optimize the cost line. Important to mention that these returns were more campus optimization last year in campus. So it's more in line with cost impact. And the other one in line of revenue on-campus was this ticket that has been mentioned that has grown after 18 months of stability year-over-year. In this quarter tickets are growing on on-campus. When you combine high ticket with the improvement in the cost, the margin has helped at the end of the day to despite weaker intake.

We had a quarter that was more in line with previous year which is quite reassuring for the fourth quarter in terms of results just as not only what is reported, but the adjusted one, adjusted, reminding you that we expect the level follows in line of what we had in the quarter until the terms and well below the previous year.

On the next slide. So we have reported income with the growth of 16%. I want to talk about what has impacted income in the past nine months and what kind of adjustments we have been placing, regarding what should be analyzed.

So let's look at the first financial result. We have bridge between reported from previous year and this one. Obviously, we has -- had a bit of debt, but we had an impact on financial results. The main challenge is on depreciation and amortization. What are the impacts? First line on our table are the leasings, rentals. On Adtalem, Athenas, we have more rentals and we have more expenses despite what I mentioned returning the units that we made.

The second line or row are improvements. Now we make over the years that we have made actually over the years in the rented properties and since we are returning some of these assets, well imagine that we painted a third-party building. The painting roughly would depreciate over 10, 15 years and we have to paint the building again. But when we start staying, well, let's not keep this property forever, let's return it into two, three, five years. What happens is that the depreciation of the investment made happens according to the contract. So that end up depreciating in fewer years. This is what actually happens. So this is why we have an adjustment of BRL21 million related to that.

The third row, we made several acquisitions in the past two years. We acquired Toledo, last year Adtalem, Athenas and now Qconcursos, some of these acquisitions add some kind of premium and it will be depreciation now and in the next four, five years. So it's totally non-cash. Cash has been disbursed in the past, but in terms of income this has an impact.

The other rows are future investments that we're expecting to make in the next few years to improve. The units now the part of IT and digital transformation that were starting to depreciate. The last adjustment is related to what we've had on the EBITDA and the way it impacts net income.

So the Slide 16 is cash flow and adjusted cash flow is in line with the previous year. But you would say cash flow as in the reported, it's now moved from BRL1 billion to BRL700 million, which is on the table first line. First we have to remind you according to IFRS, I have to consider interest expenses as operational this year we've had no doubt and I had done that and I would consider it as expense. This is capital structure, nothing to do with the operational health of our business.

You have a line here, removing these expenses to compare apples for apples. So the second line that calls the attention of the one before last was a delay in FIES receivables. In December 2019, we were supposed to receive BRL136 million FIES reimbursement and due to a problem we had with the pro forma system, it was rolled over to January 2020 and so we adjusted. So we had a lower flow of the EBITDA. So this has helped companies to postpone payments that would happen over the year to put almost everything for the last quarter. And this year the impact was quite small to compare apples for apples we have the adjustment of BRL680 million.

So the cost was in line. So where are we investing this in money, which is the our CapEx. The chart on the right we've maintained our guidance so that 40% approximately should be spent on digital transformation and IT and this is what we have been maintaining. This growth of the ninth months, we have been talking for some time that the investment of this year will be slightly higher than the previous year, reminding you that we spent BRL450 million last year. Then this investment that we made in digital transformation and IT, this showing the results as Parente mentioned on the previous slides with an improvement of our NPS, retention, engagement of students. Then we understand that as pandemic period, it will be even more important to keep on investing on this front.

So on slide 17, we talk about our capital allocation discipline and are comfortable with financial situation. We have almost BRL1 billion as first line and level of indebtedness that is low, 1.4x net debt for EBITDA and with a profile of credit that is very good, especially with banks who do these in a very comfortable situation and prepared for the scenario. So into 2018, we had an investment. So you saw that it's quite stable. So at that time we did not have so many M&As, it did not make sense for the cash flow there.

So we have reduced the level of dividends and we allocated in to M&A and so we have today -- and today due to Adtalem, Athenas and Qconcursos, what multiples -- multiples post synergy we can affirm what will they be? Because the integration that almost for the most critical processes and systems is over. Now basically we have to do more of the same to attain total synergies. So when you talk about multiples of 4x to 6.5x after acquisition compared to our current multiple looking EBITDA the past 12 months. So this ex-IFRS. So our acquisitions even in the most lower levels that we're living now because of the pandemic generated a lot of value. So when you combine our discipline into our current situation, the future plan is our plan and it's flexible.

We may amortizing the debt over time whereas debt we may be paying more dividends or not. We may possibly have a share buyback as we did in 2018 or looking at interesting M&A operations we can allocate that. So we have this flexibility prior to this situation that we see in July. So we are at a very comfortable situation for any kind of scenario.

With this, I'd like to hand over back to Eduardo Parente.

Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you. Okay. So we had -- we made a great summary of the main points of Digital and Premium continuing with strong growth, showing the recovery. I think we have the situation that is quite sound financially, that shows that it paid off the discipline we've had over the years. Just to illustrate that, the growth of Digital we got to 2000 centers BRL1 billion in revenue, 1000 students, revenue has grown up in past two years. Intake that we have alluded now in the fourth quarter rather than two semesters in digital has been quite effective, actually helping us to growth to get. We had a growth of 18% year-over-year.

Premium strong growth with revenue of BRL640 million, exceeding last year we got to 64,000 students, we practically doubled revenue in medicine and the two businesses are half of the revenue. 70% of EBITDA, which gives much more the phase of consolidated business with growth, strong growth. And as Haiama said, what you see are here with intake known by the market that was very poor. We have a possibility of upside for the first semester that's quite interesting for the first semester next year. We recover the empty of intake and the two businesses just keep on growing. Investments in digital transformation and IT moving ahead a lot with increasing the engagement of students on digital and on-campus reminding that on-campus students are back to classrooms. The two NPS is growing a lot, which is great.

We keep on optimizing our campus reminding that we've done what we said. So we keep on-campus optimizations. So we have our influence on our ticket and actually the margin dynamics. So we have actually getting -- we get to 24% from 12%. We have 24%. So this intake 12% that is better than market. So when we see the better in the third quarter despite hindered by the first quarter intake, it's a good situation. 80% of reduction in the non-recurring effects, I think we see for the first time, bad debt and discounts dropping. That was a number that was increasing. We always told you that we would get to the single digits and now we have and we have a drop compared to the same period last year as Haiama showed here. This is 1.4 net debt over EBITDA generating cash and having good effective businesses with the worst part of the pandemic has over. It leaves us in a very comfortable situation in terms of option.

I'm going to move on to the last page, Page 19. When we look at Premium and Digital, prospects ahead in Premium and Digital, we're going to exceed 50% of NOR next year. Our expectations that is not 50% of our EBITDA, we have an expectation of EBITDA on on-campus. So the growth would be greater share next year in terms of medical students from 71,000 to 75,000 undergraduate medicine students, expectation of 2500 DL centers, expansion of lifelong segments and increasing our portfolio we have a lot, we have a great potential if we expand.

On On-campus we have student enrollment intention increase with the expectation having levels pre-pandemic, expectation of all units operating with students back on-site in 2022 or there was 60% will reach over 80% and revenue and EBITDA recovery is expected to happen in 2022.

Digital transformation and IT is becoming stronger. We have an impact on that, but this is something that has been to me, not only a learning, but a way of thinking quite differently from -- about the business. So if you tell us where we are today, if three years ago, if we describe today, the people would say that we were visionaries where we gain comfort, improving the margin, testing things.

So you've test things and you see they work well, if it doesn't work, you stop anyway. So what we have been able to do, sometimes I take people to attend classes, I give at the end of the class, you have actually doing the roll call. You've raised the students grade and you have attorney that is totally different. I talked last night, people were choosing discipline for next semester on their app. This is -- all of this has a great influence on NPS just as it helps the quality of teaching. You can create opportunities that are different for students to prepare for a classroom or they are absorbing contents and learning via distance learning. This is absolutely fantastic. We've been doing this.

Last point of is bullet is that we are evolving a lot in terms of using AI to understand the behavior and performance of students. Last year we had a test that was totally digital with no teachers touching and actually in the -- on-campus and we're going to do this. And now we're going to have a great pilot for an final digital exam to understand who has learned what, what students were -- since so what questions work, what questions don't, which measure learning, which do not. This is a new step that will allow us to take a further step ahead of competition considering digital, distance learning with the participation of digital in on-campus students.

Lastly, we understand that this scenario is extremely favorable for M&A operations, but with the increase in interest we're going to be more careful than we'll been. So we have debt under control. So we have to be disciplined and capital allocation and the focus of the continuous improvement of cash flow conversion. Well, this is what we had. Again, I think it's being a quarter that it has been hard and an environment has been quite tough. But feels that all our efforts that we've made over the third crisis that paid off.

We are much more robust, believing a lot on on-campus. This is something I say. I tell people a lot within YDUQS and phonemic hasn't shown us that distance learning works and is shown that everybody is crazy to get back. Obviously it's not going to be the way it was before. Several adjustments will allow us to have more efficiency, use of technology in terms of classes, in terms of teachers, contributing a lot and things are much broader and their task as educators, the digital contents in on-campus has improved greatly, acceptance and the satisfaction that students have over their journey, NPS reflects it quite clearly.

So again, result of hard work, it's not simple, but we are confident that we have gone through the crisis well. We've taken care of your money quite well. Those who have entrusted us, we thank you very much for your confidence, for your trust. And once again, I'd like to thank you for your time and trust and move on to the Q&A.

Questions And Answers

Operator

(Question And Answer)

Thank you very much, Eduardo. We're going to start the Q&A session for investors and analysts. (Operator Instructions) Our first question is from Mr.Samuel Alves. Your mic is open. You can ask your question whenever you like.

Q - Samuel Alves {BIO 18720076 <GO>}

Good morning, everyone. Good morning Parente and Haiama. Thank you. Two questions on my side, the first is regarding on campus structure. We've noticed this small reduction of campus operating on -- exclusively on campus. The question is, where you see space today for some specific adjustment for the structure of on-campus or considering this recovery of the segment. This is no longer necessary, this is the first and the second.

On depreciation that Haiama was mentioning during his presentation, amortization of the spread, so do you think the 2022 recurring ahead could be something between what was it -- was in the beginning of the year on this level now, just to understand if we've had in the third quarter factors that has been abnormally higher because of the improvements? Thank you.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you, Samuel. I'm going to hand over to Adrienne and Haiama to answer your questions.

A - Adriano Pistore {BIO 20655758 <GO>}

Good morning. Regarding the configuration of our units in Brazil, we have some opportunities of optimizing our units, but it's quite marginal and we have as Haiama said, previously an improvement in the current configuration of our units with certain returns in some areas when we have greater migration to a more hybrid type of teaching, we see how this is going to be implemented.

Semi on-campus is to meet demands of courses that are less complex that had an average ticket that was smaller, costs will be smaller margins in these courses offered through the semi on-campus method and consumption of classrooms is smaller. This leads us to reconfigure our campus and over the next year, we still have some adjustments to our units throughout Brazil, but precisely any at optimizing basis and reduction of the operations. This is our main strategy for this year.

A - Eduardo Haiama {BIO 7279971 <GO>}

Thank you, Samuel, regarding depreciation the third quarter I'd say that basically, it's inline of the improvements that may have had a higher level. The number of properties and had a depreciation.

This says, if we think for 2022 what should remain for some time. First, this brilliant is the depreciation that started with digitally, then -- we're going to have a bit with you course for the next four, almost five years, amortizing this spread. And we have this, and to it's actually being totally absorbed this number. I have to give you the specific value. It's well below what we would say probably until 2022. When we expect to do and these improvements that we are actually having.

And looking at 2023, not only at this level, but also considering this time that should be longer amortization of leasing et cetera. So, we're going to have it's grown actually with the talent we had other properties and the optimization of the campus and Adriano mentioned well, the return not only the return of the return of the whole campus that partial one, actually makes this to drop.

I have to give you details, the changes between positive and negative. The negative fluctuations that what may be contributing positively, I have to give you for 2022. Okay.

Q - Samuel Alves {BIO 18720076 <GO>}

Thank you, Haiama and Adriano.

Operator

(Operator Instructions) Our next question is from Marcelo Santos. Mr.Marcello, whenever you like, you can open you mic.

Q - Marcelo Santos {BIO 3999459 <GO>}

Good morning everyone. Thank you for taking my questions; I have two. First is on on-campus duties. The segment into that is gaining revenue is smaller. If you consider what traditional distance learning and traditional on-campus. Do you think this is growing a lot, what dimension should it have to think there is a greater upselling or down selling and compared to distance learning or down selling of the traditional campuses? Second question is, what is the impact in terms of margin. Well you have a migration to the semi on-campus actually the question is on the semi on-campus. Thank you.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you, Marcelo. I'm going to answer both here. Semi on-campus system is gaining relevance we believe it's going to grow a lot. It is an very interesting alternative from the from the standpoint of cost that you have or you take if those that don't have the BRL681, but helps to fill the room with BRL350, BRL400. It's a way for you to have more people. And reduced fixed cost, we managed to get it the product right. So it's quite successful and quite well accepted and the impact of margin, we think it's quite positive because actually, we have this as an upsell.

Well, it's not BRL700, BRL200 you have something halfway. Historically, I like to reinforce this. We don't see the migration or the pay distance learning to from the ads to distant learning and we have that, those that to try and buy our distant learning, but the on-campus paying is a base that historically has been growing in the market as a whole. The COVID time has been a peculiarity, but we don't see this happening.

What we see actually our some competitors of ours that had this project which is intermediary that managed to capture a part of the people that do not have BRL700, that would like to have their networking, and this is something that we are benefiting and having great success.

We believe this will be quite representative ahead perhaps with similar impact that we've had when we brought -- when of having an acceleration in a project that has a price above the one that we would pay previously when people were only on distance learning.

Q - Marcelo Santos {BIO 3999459 <GO>}

Perfect. Thank you.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you Marcelo.

Operator

(Operator Instructions) Our next question comes from Mr.Javier Martinez. Mr.Javier Martinez when you want to ask a question, just open your microphone.

Q - Javier Martinez {BIO 15976679 <GO>}

Good morning, thank you very much. Eduardo, our opinion you are at a very interesting situation today. On one hand you have if you have 50% of revenue, 70% debt, and the resilient business, you have cash flow and they'll have a possibility of investments in the future.

On the other hand, you expect to recovery and we agree that the business of on-campus next year. And lastly, you've had, you've been lucky or you were intelligent to maintain a level of leverage that is quite low. This is a very interesting situation that generates lots of options. I'd like to understand, what is the strategic framework that you have for options. What are the options, what are the criteria, help us understand your lessons and your ideas going forward.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you, Javier. Okay, thank you. I think you depicted it quite well, many people look at us and the associate, our institution to the past that on-campus heavy think with very high fixed cost. I think this time, I go up to now people see it quite differently. I think in your relation there is a part that is on-campus, yes. But which is not that heavy thing we made mistakes, in the past, but they were small mistakes or we had the opening as new campy, but we did that where we could we understood and left this path.

And this generated today a structure of on-campus that is quite robust. And I believe the great point is this, in the first quarter, we were hardly hit by the lack of intake. We were kind of taken aback when you see that in EBITDA for intake would affect, yeah, the future for you. So the opposite should be the same, but the badge is not impact the whole year, but it did. So we see that the dropout rate is quite high. The first semester ends up having a great impact, students that register pay and leave.

This helps the economics of first quarter and this did not happen this year. And when you look, we have two businesses with high margin and the high growth and the third that I believe all the signs here that we are out from the great crisis, so we had in the first quarter margin price retention and our own intake within this year, even compared to second semester last year. The situation we look is that we see that our situation is much better. So, there's a risk of upside that is quite relevant whereas in the next semester.

Q - Javier Martinez {BIO 15976679 <GO>}

So what would we have looking ahead?

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

I'm going to ask Haiama to help me, just talk about capital allocation.

We've always told you three things just as letting medicine and M&A. Medical students keep growing both in discipline and in health. We managed to do something that is like this. So we get good results. So we get a set of 33 students of breakeven. So, the we are at a place that people have that 53 students, given we can have flexibility of pricing.

So you see, so it's almost flat compared to the previous year, when we look at the price item by item, we're being benefited by a mix, it is smaller obviously. We're being benefited by an improvement in the mix when we move to the better pricing that is that few people have within this market. So, for medical studies, this is safety of all our structure is very streamlined, even delivery many times and higher quality, then our competition, M&A changes our minds a bit. We are disciplined that's why we've had frustrations of businesses, we would like to have, but haven't.

Looking back, I think today we are quite happy at the conservative level we've had, especially considering two large ones that we've lost, that are paying off, at this moment they would not have this flexibility. In the short term we're looking well by in missing, so we have to be very careful, we can buy things with shares totally different, so you can have a totally different division.

Okay, for three years you've known this group and for three years this group has been telling distance learning medicine and M&A. The fourth thing that we kind of owned of is short-term courses that we believe has the great potential here, but it does not exist. If you do not have the correct platform and the correct technology. So we're going to spend what to take a lot of effort, money, time when we find the correct way of being extremely competitive in debt. And today, we believe we're getting close to this formula.

Haiama, would you want to add anything?

A - Eduardo Haiama {BIO 7279971 <GO>}

I just to add to what Parente mentioned. First that on the organic side, more than the growth and distance learning and premium due to the fact that we have great support and are generating a lot of cash, we should be investing a lot in what we understand will be the future of education, digital transformation, IT along with all the improvements that we are making in terms of infrastructure to our campus. Our mid long-term plan has not been impacted by the crisis, considering these conditions.

The second point is which is related more to M&A specifically considering the interest level. When we look at future curve 12% nominal, 5.5% interest and spread level companies that are more leveraged, how much they're paying. So the matter we're going to do is how much does it cost to carry this level of debt that is higher and how long it takes for you to have a turnaround in the assets that we're looking at with the multiple you understand we'll get to in the future and see whether things pay off.

One thing is doing M&A when interest is 2% or nominal or negative. Well, even if you pay 2%, 3% spread, you're paying 1%, 2% to 3% real on actually carrying the debt. And you can take three, four, five years to improve your operations. When you carry 20% a year, 15%, 12% real debt. You can expect 3, 5 years to present results. Otherwise, your economic production in the acquisition is lost. That's why Parente mentioned that we are very much, we're very careful in this regard and we looking at opportunities, which is the most important part.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Let me add something to what Haiama said here. When I look at this industry, three years that I've been here, I see a lot of the ideas of the day wonderful visions of the future will be like this and that and I think from all the wonderful visions I've seen there, those actually admirable.

They've seen something and they've built something of great value there. Yeah, there are changes that happen in the industry, have been happening gradually. What are those changes, distance learning, growing a lot, centers opening and hybrid, and I think this is something. Well, I'd like to have some credit on it.

Now being falsely modest, we have been experimenting and trying different things. If you look at our business today and what it was three years ago, our medicine that became action, now we have our internal, so we have a single counter medicine that reduces greatly our operating operating cost.

So, generating hybrid teaching (inaudible) talk about hybrid the education (inaudible) and so there was a class of teaching, but it worked and we had engagement and with digital tool and we hear all the time to teaching student (inaudible), you haven't heard us talking about the transformations, the hybrid, which are where you've seen things happening. So I have this (inaudible)

Q - Javier Martinez {BIO 15976679 <GO>}

(inaudible) what we have in the presentation so you don't tell us what has been (inaudible) but keep doing well.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you very much for your question. Good question.

Q - Analyst

Let me ask, if nobody else, some more questions, strategic thinks I have a some other things. Well, the first question is well, you've shown that the premium courses they hold well, the results therefore stable. I'm going to assist on the question on the previous quarter in strategic terms. Do you think about actually or perhaps going after courses with higher tuition fees, BRL2,000, BRL3,000 the tuition fees and increase the offer you have of these more premium courses?

Second question is in terms of trend, this about distance learning. We see that at least talking to experts, we have a certain trend that the growth rates reach levels that are a bit more normal, more organic. What we've seen high two digits in the growth of distance learning and this may be saturated. My question is, what do you see in terms of growth of segments of distance learning, if you're going to going to get to levels that are more common in terms of growth.

And the third question of terms of prices, you see tickets are still dropping. It seems that there is a certain competition for price. What do you think? When do you think will be the end of this conflict? I have just another question were two very basic question. First is, why is your personal expense. Why is it growing not only in absolute terms, but considering net income, and the other one is marketing.

I didn't quite understand, this grown regarding net income not only 2020, 2019. You talked a bit about the sales conditions. Do you see that this will be normal from now on to get students or this tends to stabilize? Thank you very much. Thank you.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Well, I'm taking the fun ones and idea of the expenses once for Haiama. So I take a note here, okay. Trends and strategies for premiums in course. So let's talk about courses with greater potentiality. Well, you've go after everything has to be complete. As Haiama said, 8.6% a bitter and pay something of 15% that will become 8%.

There's a range of 4% to 6%, is what we seek both synergies with in an on-campus world, it's easier for us to identify quite well, where this value comes from and online is strong. And we've been looking at more courses with different prices, (inaudible) people say

BRL1,000 premium, and they make this have BRL2,700, BRL2,400 two type of ticket that you move into the world of that would call premiered here and obviously expansion of is something that we are at a period of turn around.

We haven't talked about that the NPS Mac and medicine is evolving quite strongly. We managed to get especially in Rio Mac demand have been very strong branding situations that's quite important. Of course it was a higher tuition fee, if it's worthwhile, yes the time of crisis, this is very good. At a time of expansion perhaps not so much, because we believe that the expansion of higher education struggling in classes C and D when you find classes A and B fighting with someone for a student that is already somehow in higher education.

So yes for our portfolio it would be very interesting to have more students in this premium world expansion of medicine and on the Mac is a way for us to do this. But we do not discuss acquisitions that are within recent. With regards to distance learning, let me take both together growth and price. I would say prices are going to drop, but they stay well. Our calculations that when we see various large competitors with a bidder at about 20%, we have to take care and we will account for that.

So people consider it to transfer people consider it to add the reduction of there. When we when we see it again, many people are operating around 20% and 20% when it is put rental and CapEx on that, is relatively small cash generation and you have 5%, 10% price reduction. People have difficulties of operating within the market, so we believe that 10% is where the price is going to stop. Ahead, we've been talking about this for some time, it hasn't been happening.

But again this when I'm not happy with the growth, we've having 40% margin, we have this freedom and probably it's and possibility you are making this choice and dropping this price in the market.

Growth rates, what happens? You started having much more volume within distance learning, this applies to YDUQS and the market as a whole, for you to grow 30% when you had 500,000 students in tech and market as a whole is one thing. But if you have BRL1.5 million, BRL2 million you have the same 500,000 students and they take their different rate.

I think saturation is far, we look and we see the number of students with middle school debt, credit agreements with much higher than higher education students with degree. So we have stock of students. So, natural candidates for distance learning people that have degree and two, three, four, five is going to seek education and it keeps growing. So we don't see why stopping growth. What has happened a lot talking about strategy and trends is that it's become I'm going to kill the translator.

So it's a fight of big (inaudible) two small people start to Frenchy quality and content for the small ones this is very difficult. So you see a lot of people that do not have the on-campus with a possibility of growing. So you have this, this is why the margin is smaller so we charge, sometimes what we charge is less. So we have a situation which is different and then again, we are very well positioned, whatever the future is, but we're far from having a drop in growth that is significant.

Obviously 55% equal to what we had last year previous year of growth is something that we want to see in terms of intake these two digit number, probably starting with two is what we see.

A - Eduardo Haiama {BIO 7279971 <GO>}

Hi, fun part. Thank you, Mauricio. Expenses and with personal, this quarter growth in the comparison year-over-year more because last year, we had a drop and with a drop we'll miss the crisis in our result that was reported with very poor, what we had provisions in part of the bonus, we'd sort of reverted that. So only that in the previous year and corporate expenses, led to a revision of BRL12 million of bonus at the time.

Another point that has impacted this year and not last year is the what we call it ILP, our profit sharing program, we call it compensation. Why is it important? Because compensation whenever we hand shares we have to consider the expenses of the plan, and also labor charges on those deliveries. And we account for the challenges that in fact on this profit sharing or ILP, but one year before the delivery since we had delivery of shares in September this year.

We started accounting for these expenses from October last year, charges this quarter which did not happen last year. We did not actually shed or have delivered shares. So, despite or having acquisitions et cetera this part, that is cleaner quarter compared to acquisitions this year, against the quarter of last year that the fluctuation broadening cookies, it was more the way we accounted for it specifically. In marketing specifically we continue viewing that marketing spaces and advertising as a whole.

And to be in line with what we had in the second semester last year, since we still view this dynamics of growth of our distance learning. It is, we should expect that in absolute terms, it should grow, but we are actually making, expanding in digital and IT, so actually to improve our spending. So what are those improvements? So we have system to-date that basically is our educational system, it's our CRM and our billing.

So various brands that we undertake, they're complicated to be happening with systems. That is a monolith where everything we make may have further implications and we're making this investment to breakdown. So this party increase, to TRM, which is the heart that will help us have an intelligence and agility that will be much better from now on. This investment has started this year and should be to be completed next year. So, probably next year we'll see improvements in the way of operating to be increasingly more effective and our actions. So, overall next year, do not expect a drop regarding what we've had this year, but ahead we should have various benefits.

Q - Analyst

Okay. Very clear. Thank you. Thank you.

A - Eduardo Haiama {BIO 7279971 <GO>}

Thank you, [ph].

Operator

Our next question is from Mr.Vitor Tomita. Mr.Vitor Tomita, when you like, you can ask your question.

Q - Vitor Tomita {BIO 19238819 <GO>}

Thank you very much. Thank you. Good morning, everyone. Thank you for taking our questions. Most questions we wanted to talk about have been discussed, but there's a topic we'd like to see some color though we touched that which is strategy or so lifelong education strategy. So if you can give us some color and some more details, and now you have the technology with Qconcursos to help. On this area, various segments so for this line of revenue to become more relevant? Thank you very much.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you, Vitor. I'm going to hand over to Aroldo.

A - Jose Aroldo Alves Junior {BIO 17175301 <GO>}

Good morning. Vitor that's a good question. We've been working as we do here, coming but testing a lot of things. We've been testing things in the past with the arrival of Qconcursos accelerated that and brought some new possibilities. I'm going to talk about what we have a concrete something ahead.

I cannot tell you everything because it's part of our strategy of growth, while we're testing these, we rather not speak. On the first, we launched the first legal subscription of partnership with YDUQS and Marzo. We try to benefit from the both what each -- each one have. The each brand has the best for us to offer a new courses overall. So it's illegal subscription and we take a brand and content of Damasio with technology of engagement of communities offer courses.

We're designing a platform of free courses, also, (inaudible) courses to use merge the potential of our brands, or the Mac or local brands to offer courses. We also -- this also impacts the graduate studies, not all three courses of extension courses, but graduate courses with short courses that we've launched six months courses at the margin that have had great results last year.

Qconcursos, we also leverage sales of this kind of courses, graduate studies that are shorter. We already have some tests, some things have been proven, shorter graduate courses, synergy between Damasio and Q products and sales of Q products to Damasio to our other brands and the group, but the fact is that we have a lot of things being tested from platforms, engagement tools also being tested now, Q's arrived as recently, we using the spirit in these past six months. So to test a lot of things and to develop things.

And a -- things that they have to be able to in the next year we can launch many new things to the market. In the short term, we've launched what we already had of quick development little was being questioned so there was shorted them. As you graduate study these partnerships are more obvious the greater. I've been superficies the fact is that we've been thinking testing a lot, using brand and content from other brand is helps a lot with that, with sales technology and offer courses that coming.

Q - Analyst

Okay. Thank you very much. And thank you Menezes.

Operator

Our next question is from Vin?cius Ribeiro from Itau BBA. Vin?cius, you may ask your question.

{A: Vin?cius Ribeiro: Itau BBA:} Good morning, everyone. Good morning, management. Thank you for taking my questions. The topics we had sorted here. Most have been answered, but the first question that would be about the renewal rate that has improved again, as the investment in retention, improvement in NPS, you mentioned above. To what level makes sense to think about the increase of this rate from now on?

Second question, would you be more specific on expenses, non-recurrent expensive, there was more bit more pressure in this quarter for M&A and cost over expenses and transition, we would like to know if what we can expect it for the next quarters if we should see a normalization of these lines? Thank you.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

I was looking at your name Vin?cius, excellent. Sorry, Vin?cius. Thank you, Vin?cius for your question. I'm going to hand over to Marcel, who is our Marketing VP. Marcel will talk about renewal.

A - Marcel Desco {BIO 18634268 <GO>}

Vin?cius, thank you for your question. In renewal, we had pointing to several improvement. Thanks to tools and instruments what we've been doing in-house impacting the students, models to renewal that directing, this has had very good positive results for all the students and now we start working much closer to the freshman.

And I believe have the greatest gap to cover both in terms of on-campus and digital. So, we have all the efforts here endeavored, so both the recurrent in our basis. Students, we believe are the great drivers are going to be happening when we have everything well organized for the onboarding of freshmen and renewal.

Well, some advances are generated, the first of them, we're again talking a lot about tools and technology, now we start taking to the students front and two for example that we have been implementing within the students portal the renewal to that they can view their grades, their invoices.

So this has improved greatly, students experience an anticipated all our analysis of renewal and retaining the base as a whole, the next frontier as Eduardo mentioned is that we start having much more analytics of students' journey. We use apart, but with all those algorithms are integrated here and the renewal tools to support the process.

So again, reinforcing materials, so there we are in all the students. We should always keep an eye on them, but the freshmen are the great focus now.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Vin?cius, sorry to ask again, specifically what lines do you want to understand the evolution of?

{A: Vin?cius Ribeiro: Itau BBA:} Sure. Two main ones. Well, I think one we actually talked about it the call yesterday, we're restructuring especially expenses related to integration with M&A.

Sure. For M&A specifically it will depend on whether there is an operation or not. But overall it's quite small. If there is almost nothing, as to the restructuring, it is what we have shown if I'm not mistaken fourth quarter, third quarter last year, I can't remember and we showed this table as to how this restructuring costs has been evolving over the years and results, it's been breaking, it started in '17, '18 and year-over-year has been dropping greatly, in terms of expenses.

The level of efficiency we've been reaching increasingly hand place. Where do we still have opportunities for improvement. In addition to what I mentioned of the optimizations that Adriano has been implementing in the on-campus units with return of properties or perhaps hope building.

In general, the spending is quite small. We still have regarding optimization of classroom are getting to 40% digital content, that's where they oral model is, that we've implemented it is possible to get there with great quality and as I said the terrain -- that we had all the work done. It's more marginal the spending that we have here and it started when a digit -- antennas we still have a few years to perhaps three years of lower spending to take the whole optimization of cost there. Right.

{A: Vin?cius Ribeiro: Itau BBA:} For an absolute terms, what should we expect from the non-recurring numbers?

Let's exclude this year, let's take the third quarter this year is BRL35 million of non-recurring BRL9 million were revenue. So we have BRL26 million left, of the BRL26 million the great totality was optimizing cost, right, which is what I said that drops year-after-year. In the next two to three years and what is left, it depends on having or not an M&A ahead, but it's residual amount. I don't know if it has helped you and are acting at if that is what you were thinking.

{A: Vin?cius Ribeiro: Itau BBA:} Yes it has, very clear. Thank you.

Thank you, Vin?cius.

Operator

The next question is from Mr.Rena (inaudible) Mr.Rena, your microphone is open for questions.

Q - Analyst

Good morning, everyone. Well, I think people covered a lot of our questions. But the taking this last one of Vin?cius, I'd like to note the -- about the integration of digitally attended synergies, if they are within budget expected, if it is above below, if you can share that with us. Thank you.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you. Sure. As I mentioned, on that slide which we showed capital allocation. Now, we are very confident that we're going to get. At the multiples post- for 6.5x, the great weakness of any integration system is integrating systems and processes, this has been done. Once you've done that, basically you have the normal optimizations of your day-to-day that we implement.

Q - Analyst

What was used to be (inaudible) move on like that, what are interesting numbers here, great numbers to comment on.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

We went through a pandemic period, so intake suffered a lot. So what was the business plan that we had four digitally for revenue and cost (inaudible) protected in terms of revenue and of course we more than offset that when we look at that, we don't put everything and try to be lugging that we're going to deliver. Now we actually have been delivering more than we were planning, so that it better that we have today for this year is even above what we had in our original plan.

As to Tennessee, it was a bit the opposite. It's much better than what we imagined. Although we already had this feeling that investing in the North and Midwest, they are market places that are very good in terms of growth dynamics, but this growth actually has proven good and has brought results that we expected initially. So these two great ones in terms of integration.

We should say that we're quite happy with what is coming now in line or better, what was initially protracted. Going back to on-campus and digitally and then digitally detached in terms of results, so we are very happy of what has been delivered, and the risk -- the future risk is the negligible because the worst part is over, which is the process integration. Thank you very much.

Operator

Thank you, Rena. Our next question is from Mr.Javier Martinez. Mr.Martinez you may ask you a question.

Q - Javier Martinez {BIO 15976679 <GO>}

My question has been answered.

Operator

I'd like to hand over to Mr.Eduardo Parente, so we're going to have the question for his final remarks.

A - Eduardo Parente Menezes {BIO 16707188 <GO>}

So it is very good to see the lot of people attending, we had very high level questions. And I would say just the digital in premium continue to deliver on-campus, showing clear recovery and we're showing you our responsibility of choices next to the capital discipline you've always had that.

I'd like to thank you all very much, the effort of dedication to all faculty members and administrative, staff of YDUQS, and we've seen great effort and thank you for your trust in our performance and our care of -- taking care of your investment. Thank you very much. We're going to have a very positive fourth quarter. We're very excited and very excited about 2022. Well, I wish you all a very good week.

Operator

The YDUQS' video conferences is now closed. We thank you very much for your participation and wish you a very good day.