

## Y 2018 Earnings Call

### Company Participants

- Adriano Pistore, Vice-President of Distance-Learning Operations
- Eduardo Parente Menezes, Chief Executive Officer
- Gustavo Artur Ciocca Zeno, Chief Financial Officer, IR Officer, VP
- Rogerio Tostes, Director of Investor Relations
- Unidentified Speaker

### Other Participants

- Caio Moscardini, Analyst
- Joao Noronha, Analyst
- Leandro Passos, Analyst
- Luiz Maurici, Analyst
- Marcelo Santos, Analyst
- Rodrigo Gastim, Analyst
- Susana Salaru, Analyst

### Presentation

#### **Rogerio Tostes** {BIO 6148759 <GO>}

Good morning everyone. Welcome to the Teleconference of Estacio to the Discussion of the Results of the Fourth Quarter 2018. My name is Rogerio Tostes, and I'm the Director of Investor Relations. The presentation will be done by the CEO, Eduardo Parente and the CFO, Gustavo Zeno. I would like to thank you for the participation of everyone here, the Board of Directors and we will be available for the Q&A. The audio and the slides of the presentation will be transmitted in the Investor Relations website, [www.estacio.br/ir](http://www.estacio.br/ir).

Before giving the word to the CEO, I inform that this teleconference is being translated simultaneously into English. (Technical Difficulty) with your questions will be available. (Operator Instructions) Conference might contain predictions for the future, which are subjected to risks and uncertainty and can vary according to the expectations and they might not be fulfilled, actual financials might vary. These predictions are simply an opinion and the Company is not obliged to update them on new information.

Now over to Mr. Eduardo Parente, the CEO of Estacio.

#### **Eduardo Parente Menezes** {BIO 16707188 <GO>}

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Thank you, Tostes. Thank you everyone that is here today participating in this teleconference. I'm going to go to Slide 3. Well, these are the perceptions of the first 100 days. I think that the impression -- the biggest impression of this moment is that there is in fact -- as you know the market very well, there is a big need for our services. It's a big social need for the education of the country and we had very big indicators for that. Now Estacio is very well positioned in this market. As you can see up ahead, we have the quality indicators. They are seen in here in the slides. And it's what I've seen in the units in the classrooms, (inaudible) universities, while we have a strong standard, a very centralized structure, very robust and the student body and professors are very motivated. And we're relaxed that well, they are unique and standard of the art. So, we have a strong quality here for social education.

The other issue that we're going to talk about, a lot of people talk about digital and all of those things and it was born digital here in Brazil its -- well, we use a lot of the cell phone really. Almost 70% of the people work eight to 10 hours a day and you have public transportation and our student is going to do a course wherever they want, they are self learning therefore. They can have classrooms in an environment that is almost well going to the on-campus is basically on the past. And that allows us for a strong flexibility in the services provided. The growth that you can see up ahead here in the slides and as for the moment everybody knows that we have a good expectation for the economy and the team. The team has weakness [ph] in education, where professors are 15, 20 years in (inaudible) and they are very much aligned with a strong, solid curriculum.

Now, if you can look up ahead, as you can see, we spent a lot of time in Estacio talking about efficiency, it's something that we want to keep. Efficiency to maintain or to capture different things that we haven't captured yet. We started inception of a process that started last year. We want to strengthen the core business. We deliver academic content and this helps and we have the experience of the student or the customer. The customer has experienced with a WiFi or the payment options that are relatively cheap and it's relatively quick and we will try to make this easier for the students so that student can be the great communicator of quality other issues.

The payment processes and we need to work with the digital and what -- it's very interesting and what it adds value on the short term as we've seen. Now, this efficiency issue that I mentioned is our brand, it's one of our core brands and we will seek it more and more. And when we see up ahead, we have to think about growth. Well, the distance learning is obvious a very strong growth there, more practical, more courses leveraging this base with a uniform content. The healthcare, we are the biggest one here in Brazil. We are going to growth here. And obviously, we will do this through M&A and we will do this as it is interesting and it adds value to the stakeholders, of course. We have here a robustness and operational cash flow robustness that allows for this, but we believe and we have lead tools and we will continue to work with the stakeholders to grow here.

I'm going to the Slide Number 4, please. Now let's see the highlights for the fourth quarter of 2018. I think the highlight is well, the student body here is very stable. The FIES is a great point here in this space to student loans allows for the growth of this, also the issue of the average ticket growth. We have both distance learning and on-campus growing which generated a result of an EBITDA of 32% -- 31.9% in this slides. And we got

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to a level that is very healthy and we want to keep this up ahead. But I think that the greatest highlight in this page, it's here to the right. When we see a cash flow that is very good, 74%, well, we would have gone even higher and this shows the robustness of our business. The result that we are bringing through robust generation of our cash flow is key.

Now Slide Number 5. Let's take a look at the student body as a whole. On the left, the maintenance of it and here is the loss of FIES the student loan program, here you can see here in the slide at the next page. But we could grow the student numbers here outside of the FIES, the student loan program. And we do not see the return of the numbers of the FIES, the student loans, but we can grow in the other basis. Now on the right of the page, I think that really grows a lot -- is that we see a lot of opportunities for penetration in different regions of the country. As I mentioned, we have M&A purchase and acquisitions and we are growing strong in distance learning.

Well, Page 6 in the on-campus. On the left, we have the big loss of the student loans, FIES student loans, but we are not crying over this. You can see a strong growth in the medicine course, it's a growth of 8.5% as you can see. And we also have a lot to grow, we have another three campus that are going to be launched. And on the right, the big leap that we have in this growth, growing 20% in the offerings in the period of one year from 2017 to 2018, 1,730 to 2,077. This is a very relevant number for the average ticket and we are growing. If you see the loss of the student body, a number of those students. it was a loss of 8% in the FIES, but we have to highlight that these -- that we have new courses. So we are bringing added value that still has (inaudible) for maturing of four years. Again, we have the lots FIES, the student loans program, but we have compensated for this loss. And we have a perspective of growth, strong growth and this is very important.

Let's go to Slide 7, please. Now let's look at DL or distance learning. The expansion of the course is the effort. Actually the truth is the expansion of this. So what we have on the left a growth of almost 3 times the number of cities that we are present here in the distance learning last year, we doubled the numbers basically. And as you can see that the growth is not from -- until January 1st. We are growing a lot. And what you can see on the right is a growth of 40% and number of students per se. From the fourth quarter '17 to the fourth quarter of '18, we have a strong expectation because we just start to capture the students for 2019.

Going to Page 8. Look, I think that this page is very important and what I mentioned here in quality on the left we see that Estacio, everybody thinks that the big reference for the quality of this teaching here, we have a percentage of preliminary courses with satisfactory grades, but it's much higher than the average of the private and the public schools here in Brazil. On the right, well, we are talking about the distance learning, once again IDD, and this is where we can see a strong growth if we compare it. We are 21% over the national average and we have the best IDD or performance evolution indicator in Brazil. This is how we transform the students.

Well, the ENADE minus the ENEM tests and really this is the biggest number here in Brazil and this is what shows our growth.

I am going to pass it on to CFO and he is (inaudible) financial highlights. Gustavo Zeno?

## **Gustavo Artur Ciocca Zeno** {BIO 19036323 <GO>}

Well, Thank you. I wanted to start my presentation with new slides. Number 9, well, let's talk about the expansion of the business. We have in the segments, well, distance learning and on-campus and opening new poles, new cities, expansion of the offerings and the base of students and number of students, which resulted in the growth of revenue, reaching BRL3.6 billion or 7.1% superior to 2017.

The ticket -- average global ticket -- we can see a highlight here, growth of 3.8%. Well, we have here the FIES program, we've had a growth of the average global ticket in 4%. Going through the costs now, we have the same dynamic of the last quarters and it's important for any personnel and subcontracted. Now for 2018, the Company needed to once again do a restructuring of the staff, for teaching staff, management staff and corporate staff. That measure was important to maintain the efficiency and (inaudible) of our operation.

So to sum up, we got to the level of gross revenue with a growth of 18% in the quarter-to-quarter comparison and 24% in the annual comparison as a result, we got up to 55%. Now I'm going to talk about operational expenses. It's different from the cost component that I've just mentioned in the previous slide. Here the operational expenses, they brought a higher weight to the result, especially when it comes to commercial. Now in net revenue, our level of provisioning went from 7% in 2017 to 9% in 2018. So it is important to say that that's a level that was expected already by the Company. But it was compensated by the benefit that was brought by DIS and PAR to our student body into our revenue as a consequence.

As shown in our previous quarter, I wanted to bring you some evidence about our efficiency programs again, which is an important pillar for the growth of our results in 2018. This is Slide Number 11. Now, when it comes to revenue, so the first two blocks here, we say it would be pricing and loyalty and they both started in 2018. And they are contributing in an important way to the process of capturing -- of recruiting students. So we expect to have around BRL50 million to BRL70 million more revenue for each one of those programs.

Now, when it comes to expenses, we've also had two important project; strategic sourcing and also credit and billing. First one is now evolving and already has shown some savings. We have reviewed around 85 of the main contracts and we expect to save BRL40 million to BRL60 million. Now, for the second one, which is the billing system, we're promoting some improvements in the billing management with more customized actions and we're also improving the volume of credit recovery that is going to mean in the end of the program, we are going to have a savings of around BRL10 million to BRL20 million.

We'll see now Slide Number 12 with financial highlights. I wanted to highlight a few things here. The EBITDA performance adjusted in 2018, that got to BRL1.1 billion and the growth was 22% in the annual comparison. For the fourth quarter, the adjusted EBITDA was up to BRL253 million and a growth of 6% when comparing that to the same period in 2017. Now

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I want to highlight that we had to adjust a few non-recurring items in our business, especially when it comes to organizational restructuring with professors, the corporate staff administrative staff and some other expenses. We also had a receivables portfolio in 2016 that we had to consider as a factor here, and we got to BRL164 million in the fourth quarter of 2018. Now, when it comes to net revenue, we had the mark of BRL832 million in 2018 with the adjusted vision that represents a solid growth of 32% versus the result that we got in 2017.

Last but not least here I wanted to highlight the solid performance, the robust performance of our results here, represented by the conversion of EBITDA in operational cash flow. We got to 74% as an conversion index of the EBITDA here, excluding the PN23. As a consequence of the results that I've just shown you, we got to a compensation plan for our shareholders that got to BRL750 million, which is 10% of the value of the Company in the market.

I turn it over to our CEO, Eduardo Parente now for final conclusion.

### **Eduardo Parente Menezes** {BIO 16707188 <GO>}

Thank you, Zeno. Here are few messages that I want to show you. These are the important messages. I think that the biggest message here is the generation of cash flow, a solid one. You can clearly see the robustness of the business. Second, we can grow outside of the FIES student loan program, this is very growth, especially in the distance learning, 22% growth in distance. Growth of the average ticket is third and fourth, you can see the financial performance as robust to growth and the EBITDA of 22%.

Now on the right of Slide 13, you can see the perspectives, the expectations here for 2019. We have a capturing of 80% of student body. We can see the directions here of the on-campus on the left and distance learning on the right. You can see that we have a strong feeling -- we have strong hope, but -- it might not be fulfilled, but we think that it's going to happen. In the on-campus campus, we have it on average, but the average ticket of the business as a whole captured and then renewal, we have a slight growth.

Now on the distance learning, we have a strong capturing of new students over 10% and an average ticket of -- well it can vary between the new students and the students that we already have of zero to 10%. Here we have to maintain our efficiencies, but we have to talk about growth. It's time. It's a good perspective.

And now here Rogerio Tostes.

### **Rogerio Tostes** {BIO 6148759 <GO>}

Thank you, Eduardo. Thank you everybody for the presentation. Now we are open for Q&A. I highlight that in the name of the Company, thank you very much for your presence and now we have the Q&A session. So, operator, please.

## Questions And Answers

### Operator

If you have any questions in English, feel free to ask the question in English and we would translate into Portuguese. (Operator Instructions) First question is from Mr. Rodrigo Gastim from BTG Pactual Bank.

#### **Q - Rodrigo Gastim** {BIO 19694950 <GO>}

Good morning. I have two questions. First of all, in regards to the nature of the recurrent staff cost. Well I wanted to do the current items. I would have seen the details and just confirmed the understanding that in fact, after slower numbers in 2018 and slower growth of the student body, you did an adjustment in the structure -- in the number of professors and we want to know what's behind this?

And the second question is in regards to CapEx, it almost doubled. And a lot of us expected a stronger CapEx year-on-year, but I wanted to understand better. Well, you had the new campus, you have also the program Mais Medicos, which is we need more physicians and you have the medicine course. Well, if you can talk about all that.

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

Well, here's Eduardo. Well, before I wanted to -- before answering this, I wanted to say that this reduction in this staff -- framework of this staff has nothing to do with crisis or anything, non-recurring items. We -- capturing the base students numbers is stable. We have a strong growth and a reduction in the number of professors, was to having space, some people that didn't have the performance that we expected, for example, teachers that we didn't expect, and some people there were not really well placed. And they had different salaries from what we expected in the industry.

#### **A - Gustavo Artur Ciocca Zeno** {BIO 19036323 <GO>}

Well, hi. This is Gustavo Zeno. Let's talk about -- let me just add, the point that was also said about the professors. We established new curricula in 2018. It was an optimization and as a result, this allowed us, it contributed for us to do this adjustment. In other words, we have efficiencies, we have gained efficiencies that are not associated to the capturing of new students, it's a natural evolution of the Company. And this is one of one of the ways of achieving this adjustment and is doing a new curriculum and also the career plan for the professors. At the start of 2018, it generates -- this tree starts to bear its fruits and therefore we had a restructured framework in the number of professors.

Well the CapEx. The CapEx in the order of 6.9%, its CapEx, it was concentrated due to seasonality heart of it a very deal is to maintain the business. I understand the CapEx associated to our units -- well, we have improvement of the facilities itself and its CapEx can vary, can increase in a year and we expect that by the end of the year. It ended up growing, a little bit more concentrated towards the end of the year.

Once we see the history of the CapEx of Estacio, there is also -- there is always a growth at end of the year. But it's the seasonal growth that it's important. And well, the other part of the CapEx that is associated to expansion. We have added three healthcare new units for the Mais Medicos program. We have the labs and this required an investment. Last but not least, we mentioned in EBITDA very clearly, Jose do Rio Preto, Goiania and Volta Redonda, these are new poles that we expanded. So given that, we closed the CapEx with 6.9%.

**Q - Rodrigo Gastim** {BIO 19694950 <GO>}

Excellent, thank you. Well, Parente, If you just allow me another issue in regards to the non-recurring costs -- non-recurring items in staff for the professors. Now, what can we expect for 2019? We have a higher adjustments for gains or efficiencies. I think that in the curriculum, a great deal of adjustments were done in 2018 in the curriculum. So in other words, you have the structure of professor that you think that is and while reasonable that is sustainable to implement the new curricula. This is the first question. And the second one, just sort of about the CapEx. Can you share with us in orders of gratitude for the management, because what is the consumption of the CapEx in the context of the new healthcare, the medicine courses?

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

We are always seeking opportunities, right. I mean we've done the optimization of matrix, a good strong optimization. We are moving onto a second phase. Now, I would like to find here, but I think that is a very unlikely -- the CapEx you're seeing for Mais Medicos, it was for in the third quarter, in the fourth quarter, it's also representative it's CapEx from the second quarter, basically that's all I can tell you the CapEx for the healthcare courses is third and fourth.

**Q - Rodrigo Gastim** {BIO 19694950 <GO>}

Well thank you, thank you very much.

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

Thank you, Rodrigo.

**Operator**

The next question is from Luiz Maurici from Bradesco Bank. You may proceed.

**Q - Luiz Maurici** {BIO 17432519 <GO>}

Let's talk a little bit about the part of expenses with marketing, there is expenses here in the cycles. How do you see -- how do you foresee this for 2019, the stabilization and well, during the capturing of new students cycle the recruitment cycle? Well you also mentioned in the presentation you highlighted the issue of your growth in the center west and the southern region. Well, you have two new poles, you just mentioned, I think that in relative terms they added weight to what you have in your presence. So could you tell us a little bit about how this process is? And how it's potential growth for the new regions

and do we have a differentiation in the growth delta here or not or the issue of branding is still more important?

**A - Gustavo Artur Ciocca Zeno** {BIO 19036323 <GO>}

Well Luiz. Thank you. Let me give you Eduardo to answer the first question.

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

Hi Luiz, good question. Well, I'm going to talk about the marketing expenses. We have worked at a standard of 6% with ROI. We don't have an expense in these numbers, we think that this is a pace that is very close to stability. So, we do not expect any drastical changes here. Specifically, this is our expectation. I'm going to give the word to another participant now. Hi Adriano.

**A - Adriano Pistore** {BIO 20655758 <GO>}

Regards to the expansion of the distance learning poles -- distance learning centers. Well, we have the different regions, we are expanding in the southern region and Sao Paulo this is the highlight region. We have active distance learning centers over 200 poles or distance learning centers. This is a strategic direction of the Company, but there is space for expansion. The northern region is under our radar, under our strategic vision and the northern region is more differentiated. We have the Flex courses. It has a strong potential for growth. We closed the year with 21,000 students in the Flex mode. We take -- we start 2019 with a significant offering of technical courses for our partners. The Flex course is an average ticket, that is the double of the average ticket with the more than -- in comparison to both on-campus mode and distance learning mode. Now this part of the strategy, I don't know if I explain myself correctly, but anyways.

Again in terms of growth, we highlight region here. I think that the issue of growth, we are talking about centers, but we're not talking about students. But remember that Brazil is growing as a whole. Our growth, that's very well distributed, our base is still centralized in Rio de Janeiro and northeast and we are expanding in Brazil, the expansion of distance learning was nationally done.

**Q - Luiz Maurici** {BIO 17432519 <GO>}

Well. thank you.

**Operator**

Our next question is from Leandro Passos from Citibank.

**A - Unidentified Speaker**

Good morning.

**Q - Leandro Passos**



Good morning, everyone. I wanted to know about the acquisition strategy of the Company. Eduardo was talking about that, but I wanted you to share a little bit more. How you see the market and what we can expect on the M&A strategy coming from you? That's the first question.

Second has to do with PDD. In this quarter, we've seen better volume of PDD. So I wanted to know from you, have you seen the effect of the new charging or billing policy in that? How do you see that for students, that would be it. Thank you.

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

Well, Leandro, about the strategy here, I mean I don't want to give you a lot of detail because we don't have it well defined still, right now, okay.

**Q - Leandro Passos**

That's okay, no problem.

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

Now, about the PDD, I'm going to turn it over for the bad manager here. He's going to answer.

**A - Gustavo Artur Ciocca Zeno** {BIO 19036323 <GO>}

Well, we've seen some impact on the different billing system already and the idea is to sustain that all throughout this year, okay, to see what the results are going to be.

**Q - Leandro Passos**

Okay. Just one more question then. Something that caught my attention was the Flex modality having a lower volume. Are you going to reposition that or maybe mix more courses into that or is that a stabilized level already for the Flex modality, the Flex distance learning modality?

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

Could you repeat that? We didn't get the question.

**Q - Leandro Passos**

Yeah, I was asking about, there is a lower volume -- I mean there is a lower ticket for the Flex courses. So I was thinking about the idea of maybe re-positioning the courses. Are you thinking about that? How can we think about that category from now on?

**A - Adriano Pistore** {BIO 20655758 <GO>}

Well this is Adriano. It's true that when the reduction in the average ticket but that's aligned with our expansion strategy. So, the thing is this product is still being released, it's not everywhere yet. And the monthly payment is around BRL400 usually for this modality. And we are including more and more different courses right now. So, of course there are

going to be impacts to that. Especially in the healthcare area, we have more courses, but also engineering and some other areas. So, there is a natural impact, but we expect the average ticket to be more than BRL400, which is what we have right now.

### **Q - Leandro Passos**

Okay, great. Thank you for the answers.

### **A - Adriano Pistore** {BIO 20655758 <GO>}

Thank you.

### **Operator**

So our next question is from Susana from Itau.

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

Good morning.

### **Q - Susana Salaru** {BIO 16170633 <GO>}

Good morning, everyone. Well, the first question has to do with the following. I wanted to know what you see in distance learning nowadays in this area? And about the guidance that you mentioned about the first quarter of '19 you have, you're looking at a higher volume for the ticket in distance learning and on-campus learning. So what do you think is leading to that higher volumes, just so you know, we understand the dynamics of the market?

### **A - Gustavo Artur Ciocca Zeno** {BIO 19036323 <GO>}

Hi Susana, thank you for your question. I'm going to say a few things and then I'll turn it over to Adriano. In this competitive market for distance learning, I think we have to consider a few things. You see we've seen higher recruitment of students than our competitors. I think there is a lot of people trying to work with distance learning. A lot of people are still trying to find out what it is, right. Some people think that it's the old school distance learning like in the 90s. But we are looking at a completely innovative thing.

We want to be completely digital and that's changing the amount of flexibility that it allows. So that changes the courses and attracts more students to the centers. So what we have here is, of course we have to be careful with our competitors. I think many people are looking at us and trying to see examples or a model of what should be done. But we are way ahead of the others. This is a market that's growing a lot. It has a very positive projection to expand education, to take education further in the country.

I'll turn it over to Eduardo and Adriano there to say a few more words.

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

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Thank you. Well, this is Eduardo. I just wanted to add a few things. With the pricing project for instance that the beginning our next initiatives are trying to adjust a few things, we're trying to capture more value and have a higher average ticket. The other thing is in the flex modality for instance, we're bringing more added value I think. And that is also going to change the ticket for distance learning. So we're looking at a better mix right now. And well, since we have a national brand, that also helps a lot to make sure that we also expand in the entirety of Brazil.

**Q - Susana Salaru** {BIO 16170633 <GO>}

Well, I wanted to understand one thing about the new pricing model. Do you think you have captured that benefit completely or there's still a window of opportunity?

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

Well, I think it's just the beginning. I think we still have a lot of potential ahead of us.

**Operator**

Okay. Our next question is from Joao Noronha from Santander.

**A - Unidentified Speaker**

Good morning.

**Q - Joao Noronha** {BIO 17451608 <GO>}

Good morning, everyone. Talking about the intake now, I just wanted to ask you what the comparison was year-on-year and versus the last year since last year the season was till April approximately, just to understand the data that you have just mentioned.

**A - Unidentified Speaker**

Thank you, Joao. Well, it's the same idea basically. It's going to be until April.

**Q - Joao Noronha** {BIO 17451608 <GO>}

Okay. And in your perspective now. For you've seen in completion. What's the curve, I mean last year you had more in April and probably this year it's going to be more in March, can we compare them still?

**A - Unidentified Speaker**

Well, Joao. There is a specificity here with Brazil because of the Carnival you know, which has a reasonable impact. What I can tell you I think is when we think about on-campus learning, it's similar to last year and for distance learning, it is much better than last year that are already in terms of distance learning year-on-year comparing with last year.

**Q - Joao Noronha** {BIO 17451608 <GO>}

Okay, great. Thank you.

## Operator

Our next question is from Caio Moscardini from Morgan Stanley.

## A - Unidentified Speaker

Good morning.

## Q - Caio Moscardini {BIO 20856018 <GO>}

Good morning, everyone. Well I wanted to know about the following. What about the partners and their standpoint or how they're welcoming this Flex modality? Because I understand that you have to invest more in CapEx because of them. How are they seeing all this process?

## A - Adriano Pistore {BIO 20655758 <GO>}

Hi, this is Adriano. They are welcoming the idea. Look, this is a old demand I think, it's been on for a while now. It is an interesting product for everyone. And of course we have to invest in CapEx, and -- but it's double the ticket. But it's a real demand, you see to have courses in the Flex modality in different regions in Brazil. So partners do understand that there is a huge potential in this regard and we understand that we have a great window of opportunity right now and we are probably going to have even more partners in the future.

## Q - Caio Moscardini {BIO 20856018 <GO>}

Okay, good. And what about the competition between partners or among partners, because I mean we saw that there were few changes in terms of partners. How do you see that?

## A - Adriano Pistore {BIO 20655758 <GO>}

Well here at Estacio, we don't really see that happening. We had a common or natural adjustment of our partners. It's not really a rate that should be concerning, I believe for 2018 or for 2019. And our expansion plan is still going strong. So we're going to expand normally this year and I haven't seen any kind of difficulties to reach our goals.

## Q - Caio Moscardini {BIO 20856018 <GO>}

Okay, thank you.

## A - Adriano Pistore {BIO 20655758 <GO>}

Thank you.

## Operator

Our next question is from Marcelo Santos from JPMorgan.

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## A - Unidentified Speaker

Good morning.

## Q - Marcelo Santos {BIO 17186991 <GO>}

Good morning, everyone. I have two things to ask. The first one has to do with what Susana was saying about the ticket. If you could maybe talk about the ticket for old students and new students. I mean maybe a higher ticket would lead to abandonment of the courses. That's the first question. And the second is, thinking about the cash conversion here, I think it was very good rate in 2018 and what's the outlook for 2019? Do you think it's going to be the same level?

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

Hi, Marcelo. Well, about the ticket for old students, it is a very complex matter. But there's something that we don't want to be -- there is some information that we don't really want to be public right now, because of few changes. So I'm going to turn it over to Adriano.

## A - Adriano Pistori {BIO 20655758 <GO>}

Hi, Marcelo, this is Adriano. For 2019, we're also going to have good cash conversion. We expect a very good rate. Even though we are changing some financial products within our structure, but I suppose that we're going to have the right conditions to sustain a good cash conversion for this year.

## Q - Marcelo Santos {BIO 17186991 <GO>}

Just a follow-up then about financial products, how do you see that evolving for versus last year in terms intake, for instance?

## A - Adriano Pistori {BIO 20655758 <GO>}

Well economically, we expect to have the same adherence level to date and for the second quarter, I don't think it's going to be any different from the first quarter this year. And about PAR, we expect to have a better base and I don't think that's going to -- that's going to be a modest growth, maybe, but that's not going to be negative.

## Q - Marcelo Santos {BIO 17186991 <GO>}

Okay, thank you for the answers.

## Operator

We have concluded the Q&A session. I will turn it over to Eduardo Parente now for some final words.

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

Well, thank you very much everyone for your participation in our teleconference for the results of the fourth quarter. I hope that in three months, we'll be back here showing you

good results. Thanks everyone, have a good day.

## Operator

The teleconference is closed. Thank you all for your participation and have a wonderful day.

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