Q3 2020 Earnings Call

Company Participants

- Adriano Pistore, Vice President of Education
- 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
- Unidentified Speaker

Other Participants

- Fred Mendes, Analyst
- Leandro Bastos, Analyst
- Marcelo Santos, Analyst
- Samuel Alves, Analyst
- Vinicius Ribeiro, Analyst

Presentation

Operator

Good morning, everyone. Welcome to the Third Quarter Call of YDUQS. The presentation will be done by our CEO, Eduardo Parente; and by the CFO, Eduardo Haiama, where the presentation have all the other members of the Board of Directors. We are transmitting this through the RI of the company website, www.yduqs.ri, and we are translating it simultaneously into English. (Operator Instructions)

Now this might contain forward-looking statements that are subjected to risks and uncertainties that lead to such expectations to not materialize or substantially differ from expectations. These forecasts express the opinion only of the date they were made, and the company does not undertake to update them in the light of new information.

Now the word is with Eduardo Parente, the CEO of YDUQS. Please, the floor is yours.

Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you, Jordiano [ph]. Once again, I would like to thank you all for being here. And I would like to thank you for being here -- for being here at our earnings call, and I would like to thank all of our employees that allow us to continue with our very, very strong -- very, very strong year for results.

I will start on Page 3 with our opening remarks talking about the four main key issues here. The solid operations with robust performance in Digital Learning and Medicine. We have levels of growth that we have a lot in the pre-pandemic period. The operation is obviously different. A great deal of the students are still in the remote learning and the digital learning. And we've had a lot of success by using our digital content to bring digital content and the week [ph] contents to all of our students.

Now on site -- on-campus. We have seen very big stabilization signs. The ticket is asynchronous and we are also leading around what we think is the baseline, and it seems that it's reasonable and it's still being implemented in the on-campus world.

Well, in this quarter, we still had an impact in the revenue that is very important. I'm talking about the relevant impact with invoices. It's BRL79 million, the effect on revenue that determines that we lower the price. We talked about this in the last quarter. Even though we recognized that there is a possibility that we are going to try and find it up ahead, we think that the most transparent ways that we can work with it is to not treat this as a (inaudible) thing. So we are not accounting these future receivables (inaudible).

Now, fourth, we have a consistent collection and strong cash generation. We had an update last night and we are getting the feedback. This is very important for us. So we're looking at the cash generation and our receivables once again. We believe that at the end of the day it's important for the health of our business and things are taking place of course, and we have a communication room, and I thank you if in the end we can talk to all of you. It's a harsh quarter, but it has good numbers if we think about the very challenging environment.

Let's go to Page 4. So let's talk about the intake. This is our reality that will translate into from the previous page to this page. So let's talk about the Digital Learning. We captured over 50% more students than last year. This is very consistent and there is an impact in the Digital Learning. While the impact in on-campus is the first line that you can see in the table, we had worse numbers than last year, but we need to look at year-on-year number, and it's very much like last year. It's a strong side that the market has a trend towards stability. Once the pandemic allows us to go back to "normal". Medicine, we grew. We can see here on the table about 21% in regards to year-on-year and we had over 10% more students.

Now let's go to Page 5. Page 5, on the left, we have the student base and the distance learning centers. It's important to see this growth that hasn't happened out of the blue right now. When we express and when they grow more than 30% since 2015, this growth just actually shows the consistency of what we do. Up until now, we have two things that are very important. The first thing are the bottom on the left, we have an acceleration in the distance learning centers and we can see the growth 241 from 3Q18 to '19 and 636 from '19 to '20. It's a very simple model for the ticket. Very easy to be replicated with a good profitability.

And we've talked about the stability of last year and we've invested in quality. We have teachers and professors that are very aligned with a new generation of students and provide quality learning in the digital environment. And it's also teaching for the on-site. And on the Digital Learning, we didn't projected any -- we didn't projected retention rate in any scenario. We've had several analysis showing. There is a boost that is very interesting when we see the quality of life and the quality of learning for the students, and there is an increase of 2 percentage points in this quarter in regards to the previous quarter. Here on the right, we can see the growth here in the CAGR from 16% to 38%. We have a growth in regards to the previous quarter of over 5%, 176 to 274. Now I'm going to go back to the number of the 38% very shortly.

And I have here on Page 6, Medicine, and I don't want to repeat myself. But we have a leverage on organic growth. It's a biggest -- our second biggest growth lever. We have had a lot of growth from the third quarter of '19 to '20 in the student base from 4,000 to over 5,000 students. And we have to look at the expected intake. We have to look at the units that are not so mature. For example, Caninde, we're going to start this year, and we're going to have another 50 by the end of -- by the beginning of next year. So that generates next year of a growth of 10% in the number of seats.

When I look here at the bottom, the 250 seats that I mentioned, these are the ones that we're going to earn next year, besides the 134 seats in the third quarter of '20. And we hope that next year we will show you the same level of growth or even better in our student base. It's important to remember that we have two units that we've just opened but the rest is organic growth. We have to invest in laboratory, we have to invest in teachers and everything, but it's now the 1 million, 2 million per seat, while using our growth, it is working.

Here on the left, we can see a little bit of that. Medicine has been impacted by the discounts that are related to laws and court decisions. And the 12% here in total revenues is the digital learning. So if you add 26% -- in the digital learning, we had 26%, and medicine 12%, we've had over 40% of our business -- of our revenue actually in two businesses that have rates of growth that are very strong at our -- in our completely stable regardless of the pandemic.

Let's change to Page 7. I believe that now we are continuing the ideas when we look at the graph on the left. We have in dark green, these are the on-campus former FIES students, and we are getting to 21,000 FIES students. And the base that will -- of acquisitions that grow year-by-year. And here we have a very clear overview that we did three acquisitions over the last 12 months, all with the results that are five times the EBITDA, and this is what we are trying to find. We have to see the potential, and whenever we do M&As, we always take that into account and this is what we show. We have the 55,000 students that have come to our base from acquisitions over the last 12 months. Some of you did an analysis. I don't remember who submitted this, but the number of students per campus, and it's showing how this is healthy. 95% of the time we have an EBITDA level that is very good, very satisfactory, as also revenue but this is a very solid operation. And we see that we're getting into new operations through mergers and acquisitions.

And here are the things that makes sense really. Here in the middle, we have our renewable base, the former FIES undergraduate students. The number of students that are renewable on the on-site without taking into account FIES, it dropped 3 percentage points, but the fact that we have more students that are former FIES is something good is over 7% and it shows that we've done something good. And here that number that I just mentioned that was just starting [ph]. We have the former laws and court decisions. We have an increase in ticket and then there is a reduction once again. I don't think that we have to celebrate but this is an indication that everything that we mentioned made sense.

We're looking at this with care. We saw that pre-pandemic and we see the market is working as a whole, and there is an effect, and a lot of people that cannot reproduce this.

I'm going to tell you -- well, Haiama is going to talk to you about the financial data.

Eduardo Haiama {BIO 7279971 <GO>}

Thank you, Parente. Well, good morning everyone. Let's go to Slide 9. Let's talk about revenue. As Parente have commented in the first slide we suffered in the quarter because of the court decisions, if it wasn't for that, our revenue has grown almost 30% -- 27% year-on-year. And even so, if we consider the -- if we remove the acquisitions, we would have grown anyway. One important point showing in the graph is a drop in FIES students, not only compensated by the Digital Learning, but as well. Here we can see the adjustment of the revenue adjustments. We have the court decisions in Medicine as well the On-campus, which is stable on the former side.

Well, on the next Slide 10, we had the costs and expenses that are under control. In terms of costs, former acquisitions, we have dropped 2% from BRL633 million to BRL618 million year-on-year. And if we had included acquisitions, this would have grown 26%. And here is an important point. On the contrary of the second semester where we -- the second quarter, where we had a lot of issues with PDD and we have the financial discount that is proportional to revenue, it's very stable year-on-year. This is very important data that has been highlighted in such a way.

Then [ph] we look at Slide 11, the EBITDA -- our EBITDA adjusted by the laws, the quarterly figures would have grown 20% with our former, without acquisitions 3% growth. And then in EBITDA, an important point is that maybe wasn't clear and this is a point that we have to highlight. When Parente commented, the issue of the opening of the revenue and the importance that Medicine and Digital Learning has in the proportion of the revenue in the big sector that are growing after M&A, the EBITDA reported would have been higher -- the adjusted EBITDA would have been higher. So here we have a growth that if we just consider the EBITDA is higher throughout the years.

Let's go to Slide 12 in terms of net income and CapEx. Adjusted net income, also adjusted, it's stable. And here it's important to mention the issue of the difference between the revenue that we report today versus the revenue that we have the IFRS 16. IFRS 16 (inaudible) you have to bring the rentals, but we thought we are working with it is not perfect, it ends up in the first two years of the flow, it brings the penalty through the revenue saw the difference of the rent that we've had in the quarter. And what we actually reported as an expense between depreciation and financial expenses just in the quarter is BRL32 million. So it was in our income in IFRS.

Now on the table on the right, CapEx. And here more than taking a look at the CapEx and what was really the basis, one point that we've already mentioned, for some revenues or some earnings call, it's the investment that we're doing for the digital transformation of the company. And just this year, we've had over BRL70 million invested without taking into consideration the digital content that we are creating. This is a transformation that is very important that has taken place since last year and it will last for another two to three years, this investment phase.

Slide 13 now, the collection and cash generation as a whole. As it was mentioned, we understand that our level of provisions is very adequate when you see a drop nominally and 3% if we consider acquisitions, but two big assets that you are acquiring, it's normal that this decreases. In regards to the number of base of innovating, very stable year-on-year, because of the acquisitions, the average receivable days, and here we've generated more operational cash flow before CapEx. In the last year on the first nine months we generated BRL751 million, here nine months on 2020, BRL909 million and without former -- without acquisitions and with it we have over BRL1.031 million, very healthy. Cash position with the net EBITDA that is at 1.41 times.

Last but not least, on my part, on the acquisitions, just to show you the evolution. The synergies up until now in Adtalem, we have captured in an annualized way. When we see the annual rate, we will see here the BRL170 million which is against the expected, which is BRL230 million, and we will incorporate BRL70 million and a big generation will be when we receive the authorization for medicine and we will make sure that. By the end of -- by May of 2019, we captured BRL60 million. By the end of the year, we will capture BRL70 million.

Eduardo Parente Menezes {BIO 16707188 <GO>}

Thank you, Haiama. Let's go to Page 16. This is something that we've always knew and had never written it down. It shows a little bit more of what I've shown before here in 2015. Half of our revenue was FIES. And here in 2020, it is only 10%. Let me look at the business as a whole. We have in our revenue in the first nine months of 2020, 35% of Medicine, which is something that is very good, and it's been growing 20% per year. And our On-site growth, as we expect. What we have here, we have, of course, the court decisions, but we still will have the impact in 2021 and it shows that we have a business year, a set of activities and economic activities that are growing. 18% per year from 2015 till 2019 in net revenues former FIES (inaudible).

I think that people made good decision in the past in 2015 to choose -- when they chose what would be the business that would substitute FIES. I think that distance learning and medicine had been the two things that are generating cash flow revenues that are favorable to allow us to keep capturing synergy so we can continue following up on our business plan. The situation wouldn't be so favorable if we hadn't -- had chosen these two path and we see with everything that Haiama have shown, while the cash flow that we have we will start next year without that thing that we're still dragging us down. This is good.

On Page 17, we have here the perspective on the short term. It's still a challenging scenario. There is an impact of the laws and court decision that are not ending now and that's regarding the PDD in Portuguese, which is the bad debt pressuring the results. And we've done a lot of voluntary actions here. Well, a lot of things are impact. This is not over, as I told you. It's something that we will still see in the future, but with Digital Learning and Medicine and strong expansion pace, this would be last year of the impact of FIES. It's a scenario that is challenging. But since the beginning, the situation has (inaudible).

When we -- we were very scared next year. That was going to be the year that we went very quickly and we are not launching this as we expected but the base has grown. We are getting next year very -- in a solid base. We've gone over 6,000 students that study medicine, we have 250 seats that are completely new. We are taking the lead content to the method. So we have a positive perspective for 2021.

In long-term, it changes a little bit more. We continue with the three levers. M&A, capturing the synergies and value generation from recent acquisitions. We need to grow on that. The poles are still growing, the impact of our new poles. We had older poles that are going towards the third, fourth, fifth year, and we are always trying to find good opportunities that makes sense and that will add value to our business as a whole. So this is not something that -- well, again, we would, we have money, we have a stable financial situation, the robustness of the business, the cash and the organic growth is very strong. And this is what we have for the future.

And I wanted to do something very different. We have a team here and we're very proud of our team. And you don't have the opportunity of interacting with them. We did that last year where the figure was very nice and this year we couldn't do it because of the pandemic. So maybe we are going to do it next year, and then you will have the opportunity of talking to everyone.

But I want Adriano to talk to you a little bit more. He is -- the Onosite operations and all the digital operations, about the perspective of the business and what they think for the future.

Adriano Pistore {BIO 20655758 <GO>}

Thank you, Eduardo. Well, good morning. Let me start talking to you about something that Eduardo has already talked about. They have to do about the new business model (inaudible) is in essence has gone with completely optimized (inaudible) has a proposal for the increasing our KPIs for the quality of Medicine, not only internal but also external. We also believe in that, because the new teaching model joins the system of digital content that is excellent quality as everyone said before. It's in-house content as Haiama said, the methodology of the teaching that is a national standard for all of our units and also teachers that are ready for distance learning. We are capturing now almost 8,000 teachers in this new teaching methodology and this is the new model that is great.

Today, over 6,000 classes being offered completely in this model that serviced more than 100,000 students, basically all of our students that started in 2020, and not only with the brands, Estacio, but also the brands that were acquired. As we verify it, there is an increase in the satisfaction of our students. We are still not able to measure, because we've just implemented this model for improving teaching but the indicators of satisfaction have been considerable. Obviously, it was a series of initiatives that we've taken in a company as a whole but our indicator of quality NPS has reached the best historical data in the history of the company.

And the most important thing is that the big impact of these indicators are from the first year students where we improved over 40% the indicator of NPS over this year's, which increases the durability and the time that students remain with us, and it shows that we are going down the right path.

On my part, this is it. Thank you very much. Now Aroldo will do.

Jose Aroldo Alves Junior {BIO 21070983 <GO>}

Good morning. Thank you. Let me talk about a project where we taken a very important step. It's our project for the poles, the partner poles, but it's a (inaudible) that FIES too have an operation that is healthy for the poles and a better service for the students. It's a project that has a reduction in costs, but it's much more than that. We start to have a full control of the planning of the profitability of default and we have an internal consultancy area that we've just created where these poles are distance learning centers and here we want them to have a healthy financial life throughout our expansion. And this has two main objectives.

Now we have an increase in base. Here we have the number of centers and that we keep expanding faster and faster with this model for the centers. We have a lighter operation and we have -- we help our partners more and more. And in a different situation, maybe we couldn't work with the distance learning center. This is continuous, and we've taken a very good step this year. We left the operations more streamlined and we believe that we are going to get to the 2,000 training centers that we projected in the past, in the next year even [ph]. This is a very important project for us for the continuity of our growth and we've done with it.

Unidentified Speaker

Thank you, Aroldo. Now I'm going to talk about the perspective for Medicine and IBMEC. We can see that there is a very important impact. As Eduardo had said, we've had a big potential for the growth -- for the base and organic growth. A lot of our operations are still taking place. So if we consider the 1,400 seats that we have authorized, we can -- throughout the year, we can almost double this. With the authorization for the medical, we can also increase the space. We have a very experienced team where the operation of Medicine for enabling new seats and we've had a lot of success with the new operations and it brings us a lot of trust. We are really on track and we will deliver the program that were presented to you, and we will make the revenue grow a lot in the next years.

Medicine is very resilient throughout the pandemic. We've had a good commercial. We fulfilled 600 seats. It was performance that was above what we expected. Renewal was higher, slightly higher than the previous quarter. So as a whole, it was a very strong performance. All of that creation of YDUQS of a new area, new operation is very aligned with a focus on the students and we've talked about that with a commitment, with the experience of the students. So we can have a higher education solution for all audiences. You saw that we had the court orders, and I think that Medicine was -- segment was very impacted.

And we had a lot of proximity with the students. We want to treat the students in a differentiated way, taking care of them and strengthening our position, not only for medicine but others. For example, in the case of IBMEC, we've had very positive result. Sao Paulo is an operation that runs very well. That is maturing and it's growing strong. Belo Horizonte is very strong, and Rio de Janeiro is a place that we have to take care and we are strengthening the operation. So we can finally start to work with the operation. We've brought people that have experience to make this happen. In general, these are very positive results, and we believe that these will be fundamental for the future growth.

Questions And Answers

Operator

Ladies and gentlemen, we will start now with the Q&A session. (Operator Instructions) Our first question is from Marcelo Santos from JP Morgan.

Q - Marcelo Santos {BIO 17186991 <GO>}

Good morning everyone. Thank you for accepting my question. First, I want to talk about the point that Adriano has said about the new academic model that was completely optimized. You have the 40% of distance learning that is allowed for the campus. (inaudible) the dynamics of people are not spending a lot of time in the classes. But as you are gaining margins and people who are in next class, would you review the ticket? Can you comment that what that 40% with the distance learning? This is the first question.

Second question is, the admission exam given the pandemic and how would you work with the ENEM exam here as well?

A - Adriano Pistore {BIO 20655758 <GO>}

Marcelo, thank you. In regards to the (inaudible), we've had 40%, that is allowed. 40% is distance. And not only that, we have the optimization for the minimum time in practical activities in the contract as a whole. And it's important, in Estacio, we've operated in a very optimized way, but in the acquired unit, no. This becomes a very big lever for capturing synergies. And in the middle of the year and the turn of the quarter, all of the units that are Wyden, we will reach of the capturing of the synergies and we expect that the operations we will have an improvement in the imaging with the advancement in the student base.

In regards to the second point, which is (inaudible) and the ENEM exam. The admission exam in Portuguese is (inaudible) The test is something that we are taking a lot of attention, and we've had a lot of initiatives to see what would be the rate in the ENEM exam. So we can capture the enrollment before the process of ENEM test, and we hope that this is going to be -- we are expecting this to be a little bit later than the previous years.

Q - Marcelo Santos {BIO 17186991 <GO>}

Thank you.

Operator

Our next question comes from Mr. Leandro from Citibank.

Q - Leandro Bastos {BIO 21416405 <GO>}

Hi. Good morning everyone. Thank you. Well, first, if you can talk a little bit more about the strategy of questioning the legality of the discounts. How it's progressing and what do you expect as an impact for the next years -- for the next months actually? Will they decrease with time? That will be the first question.

And the second one and here is the comment with the new CV, do you see an opportunity of doing an adjustment with the structure at the end of the year, mainly for teachers? If you can tell us a little bit more how you made [ph] this? I think it would be -- that would be it. Thank you.

A - Unidentified Speaker

Do you want to work with the first one?

Good morning. So the impact has been in Rio de Janeiro by PROCON and the public defensership [ph]. We are working with PROCON to try and find an agreement. We are expecting to resolve in the short-term and closing this dispute and these additional context. We've talked about competencies at the regional and federal level and we hope that we have a better direction in regards to this issue.

Now I'm going to go to the second part. I think that the phase of the big adjustments was left behind. We still have some big adjustments in regards to performance. Everything that is better for the student, for teachers. Obviously, when we look at the past, we will have the synergies that we need to capture. Well, we are always talking about SKUs, SKUs, SKUs, and we see the margins of operations of our partners and we will take the actions in regards to all the evaluations that will take place in the sense. If at anytime we realize that there is a any specific drop in the course or the capture of the student base. In a structural way, we don't see a lot of changes. But if we have any type of offerings, any type of SKUs, we will see a drop in the base of students. I don't know if I'm answering the question correctly.

Q - Leandro Bastos {BIO 21416405 <GO>}

No. Yes. Just one more point in regards to the discount, when the student comes back, when the court order is dropped, but there might be a point of friction. How are you preparing the return of the judicial disputes in the future?

A - Unidentified Speaker

Well, we don't believe. Well, we will try and discuss if requires once again. We will analyze on a case-by-case. These are very specific points, and up ahead, there is a big impact in medicine. We have a relevant discount in a very high-ticket. It's a very big impact for us. We don't see a point of friction up in the future.

Q - Leandro Bastos {BIO 21416405 <GO>}

Thank you, Eduardo.

Operator

The next question comes from Mr. Samuel from BTG Pactual. You may proceed. Mr. Samuel, please verify your telephone.

Q - Samuel Alves {BIO 18720076 <GO>}

Can you hear me? Well, good morning everyone. These are two very important points. First, a very detailed question, where we have enough of the pro forma. We see here, I wanted to understand a little bit more and just to have a little bit more granularity on the numbers. And the question is about the price of the distance learning. You have a strong strategy for growth in the distance learning and you commented that we are going to get to 2,000 centers, almost 1,500 centers. Well, do you think that the Distance Learning, have we reached the bottom in the price of the monthly ticket?

A - Eduardo Haiama {BIO 7279971 <GO>}

Thank you, Samuel. Haiama [ph] here. If you see the main line that we have here, it's in the part of contingency, which is normal. It's just that in general this was stable. We look at expenses in the company in regards to the year-on-year -- the year before, and you ensure pandemic. In terms of cost, it's almost nothing. The main cost that we've had was on the increase of the bad debt, but all of them are oscillating very little. There isn't any specific effect, but we can talk about this later.

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

Eduardo here. You talked about the prices. What we see is that we saw the competition dropping the price. In the previous period, we didn't see a lot of changes, but we can see a drop later [ph] here. What we do is in the trade-off, in the base of the ticket, we maximize the revenue given that is -- the capturing cost is not that high. We think the trade-off and we have to take into consideration that our margin is much higher than a big deal of the competition for an unlisted company. So given our margin, we can work with the drop in prices that the competition is doing.

Q - Samuel Alves {BIO 18720076 <GO>}

Thank you.

Operator

Our next question is from Fred Mendes from Bradesco.

Q - Fred Mendes {BIO 17221617 <GO>}

Good morning everyone. Thank you for the call. Well, I believe that this is more specific in the cost part and working with the centers, it tripled. I understand there was a Distance Learning that is increasing. Is there anything else that we didn't capture here?

And the second thing, also working with a discounts and the core decisions, the value for the discounts has increased more than the net revenue. So I just wanted to understand how is this strategy from the future, of course, this is a specific moment, but how is the strategy of the company in regards to this?

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

I'm going to answer this very good. Well, talking about the Page 4, we've seen the growth with the partner centers, remember. We started with our own centers and now we are working in the smaller and medium cities with the partner centers. This growth is coming from apartment [ph] where you have sharing the profits of course. And just to complement here, we haven't increased those numbers. There is an issue of mix and what we've worked with about the operational Mato is that we are trying to reduce the cost of the center so that we don't increase the value that we are working -- working with the cost structure is important.

Haiama?

A - Eduardo Haiama {BIO 7279971 <GO>}

Can you repeat the second question?

Q - Fred Mendes {BIO 17221617 <GO>}

Sure. I think that the second one is more understanding when I look at the discounts and scholarships with the court decisions. This -- what happens here?

A - Eduardo Haiama {BIO 7279971 <GO>}

We were annualizing the quarter. And when we looked at our ticket increasing, I think it's very nice we're finally getting, so what would be the bottom of the well or the on-site we are expecting. And here, there are details of the results to our big (inaudible) we had an intake that was very interesting of SKUs of higher tickets as well as net capture, which is where we can get the biggest value of scholarship in the first semester. When you look at the average scholarship, it's not (inaudible) but it was a good surprise. Recapture students from courses that impact. We had higher tickets. And this scholarship is a little bit higher than the first semester.

Q - Fred Mendes {BIO 17221617 <GO>}

Thank you very much.

Operator

The next question is from Mr. Vinicius Ribeiro from UBS.

Q - Vinicius Ribeiro {BIO 19720178 <GO>}

Good morning. Two questions. Little bit simpler. Well, you commented about the investments in medicine, so we can improve the experience of the student, but I wanted to know if in the margins, have you seen an improvement in the ticket for the incoming students or this is going to be something for the future and a little bit about the consolidation process that we are discussing?

Obviously a follow up on that, the capital allocation, does it make sense for us to see an expressive change when we think about your M&A strategy or do you have a position that is more privileged in the on-site and also distance learning? If you can comment on those two points. And does that change? How do you see these two dynamics, the opportunities for M&A with the bankruptcy that we see in the market?

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

Regards to medicine, in fact, we see that and we are really focusing in the student and the experience of the student. We've had the opportunity of readjustment the tickets for the first year. And once again, that happened in the middle of the year. I think that there is a journey for the improvement of the experience and we will continue to get the profit in the future.

Let me continue. Sorry I was on mute. In the issue of medicine, we had an increase in the ticket that is very relevant. Obviously, we had to open -- we launched the campus on Tuesday, and three days later, we had the lockdown declared here in Rio de Janeiro. And we have to be close to students and medicine. We have to hear the students so that we can have a productive environment. But we clearly see that there is a movement for the increase of the ticket and it is completely within the projections that we've done.

The M&A strategy, and just to be very clear, we would like to keep expanding. We did offerings that we did not find that it was very aggressive. That was done very responsibly we want to work, choose -- get to an EBITDA that is good, and that we think that is responsible, and the operating that was done was based on that. We lost through the competition that was very aggressive. We didn't want to lose that, but it happened. Obviously, it's a bad feeling, because it's a very traditional company, very good, and we had the opportunity to a good growth. We talked about the -- this wouldn't be an easy acquisition, but we would have liked to have done it. But okay, there is four to five M&As in the pipeline and the idea is to return.

You talked about the bankruptcy. There are companies that are difficult. There is increase in the working hours and these will show up ahead. Would you like to add anything else, just to complement?

A - Unidentified Speaker

Well, talking a little bit more broadly about M&A, what is important apparently [ph] was commenting about the process -- all the processes that we take place. Of course, you price with all of our levers. While this growth that you will see in the Distance Learning that is growing organically 40%, we grow with what makes sense, as well as with the operational proficiency, I would have in everything that we are developing.

From the competitive standpoint, if you take a look at M&A, we are still going strong. We have levers that are very strong in the part of the value. Obviously, it will be a case-by-case scenario, and these are markets that probably given the liabilities will absorb the students and we will have to generate the liability that cannot be managed, and we believe that we are very competitive. Everything that we have to add.

Q - Vinicius Ribeiro {BIO 19720178 <GO>}

Thank you for your answer.

Operator

Because of the time, we are closing the Q&A. And I would like to give the word to Mr. Eduardo Parente for the final considerations.

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

Okay. We have a fantastic team that has a lot of discipline. Sometimes we seem to repeat ourselves with Medicine and Distance Learning and M&A, but this is it. We have a plan, we're sticking to the plan, and we have a lot of organic growth, and we are really working and the operation is growing a lot. It's a very challenging year, next year. Well, maybe this is not what we dreamed about, but certainly this is a year that we still look in a very positive perspective. Of course, we have learned a lot with the pandemic. I think that the learnings remain. New products and new ways of taking, teaching to our students. Thank you for your trust and I bid you farewell.

Operator

The teleconference of YDUQ3 is closed. Thank you for your participation. Have a wonderful day.