Q3 2017 Earnings Call

Company Participants

- Carlos Alberto Bolina Lazar, Investor Relations Officer
- Frederico do Casal Ribeiro Brito e Abreu, Chief Financial Officer
- Rodrigo Calvo Galindo, Chief Executive Officer & Director

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to Kroton Educacional Third Quarter 2017 Earnings Conference Call. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question-and-answer session. At that time, further instructions will be given.

Also, today's live webcast, both audio and slideshow, may be accessed through Kroton Educacional's Investor Relations website, www.kroton.com.br/ir, by clicking on the banner 3Q 2017 Webcast. The following presentation is also available to download on the company's website. The following information is available in Brazilian reais in accordance with Brazilian Corporate Law and Generally Accepted Accounting Principles, BRGAAP, which now conforms with International Financial Reporting Standards, IFRS, except where otherwise indicated.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Kroton management and on information currently available to the company. They involve risks, uncertainties and assumptions, because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of the company and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I would turn the conference over to Kroton CEO, Mr. Rodrigo Galindo, who will begin the presentation. Mr. Galindo, you may begin your conference.

Rodrigo Calvo Galindo {BIO 17238232 <GO>}

Hello. Good morning, everyone, and welcome to Kroton's earnings conference call for the third quarter of 2017. With me today are our IRO, Carlos Lazar; and our CFO, Frederico Abreu. During today's presentation, we will show how once again we delivered robust results with top line growth, margin gains, strong cash generation and a solid balance sheet. But first, I want to show all of the effort that the company has been making to expand its operations in both the On-Campus and Distance Learning segments, and steadily (03:10) expanding its operating radius and continually improving the quality of the education it offers its students.

So, let's start with this presentation on slide 4, which gives an update on the status of our organic growth project (03:26). Starting with the On-Campus businesses in the left side, where of the 100 greenfield projects announced to the market, six are already in operation in the cities of João Pessoa, which started operating in the second semester of 2016; Luís Eduardo Magalhães and then Bacabal, which started in the first semester this year; and Vitória da Conquista, Bom Jesus da Lapa and Jequié, which started operating in the second semester now.

And another four units, Tucuruí, Arapiraca, Eunápolis and Serra, have already begun their student recruiting process for the first semester of 2018. Today, we received the great news that two other units had their accreditation published in the Federal Register, Marabá and Paragominas, therefore, increasing to six the number of new units approved for enrolling students for the first semester of 2018. As a result, we have the following updated details (04:29).

Six recently implemented units between the second semester of 2016 and second semester of 2017; another six units already accredited in admitting students for the first semester of 2018; five units in the advanced stage of accreditation by the Ministry of Education, which could be approved in time to offer programs already in the first semester of 2018. Our expectation is that at least two of these five will be implemented in the first semester of 2018; and another 11 units planned to be implemented in the second semester of 2018. This means that, by the end of 2018, we expect to have implemented 28 of the 100 units that we have planned.

In the Distance Learning segment, in the right side of the slide 4, given the new regulatory framework announced in June, we were able to inaugurate 200 new centers in September of 2017 and with another 200 centers to be inaugurated by the start of next year. In other words, we will have more 400 distance learning centers participating in the students recruiting process for the first semester of 2018 than in the first semester of this year. Once these new centers are open, Kroton will have 1,310 centers in 945 cities across Brazil, which represents coverage of 75% of the segment's potential demand, which will ensure inflows of new students in the coming years.

I should also talk a little bit about the process to implement a new (06:19) Distance Learning center at Kroton (06:21). In the last three years, we have implemented, through the Distance Learning Vice President, a very robust process for selecting, preparing, implementing and campaigning with the (06:34) centers. The partner candidates are interviewed in a rigorous selection process and the current partners, whose centers had exceptional performances, are valued and encouraged to implement the new centers.

And after selecting the partner, there is an intense process for training the center's manager as well as the administrative and sales teams. The effort also included the structured implementation of process and systems of Kroton. This means that we consider a center to be implemented only once it is fully prepared to operate as one of our partners. And for this to occur satisfactorily and efficiently, we have a large corporate team dedicated to prospecting and implementing centers. We believe this is one of (07:27).

We believe there are two different things. One thing is to have a regulatory permission to open a center, and another completely different thing is to have the right partner in the right place with the right incentives and training, and that (07:42) Kroton's organizational culture. We believe that there is a huge differential that Kroton has been building over the last three years, and that gives us an important competitive advantage.

Let's go now to our IR Officer, Carlos Lazar, who will present our operational highlights and our financial performance.

Carlos Alberto Bolina Lazar {BIO 17238206 <GO>}

Well, thank you, Rodrigo. So, let's begin with the operational highlights in slide 5. So, here, we have the new enrollment and reenrollment process for students in the middle of the year (08:13), and we analyze here that we delivered a very successful result in a still very challenging macroeconomic scenario, marked by high unemployment and weak economic growth. We enrolled about 179,000 new undergraduate students in the quarter or 6% more than last year to end the third quarter with 902,000 undergraduate students, approximately in line with the same period of last year.

Looking only at the On-Campus undergrad base, the highlight was the evolution in the base of students paying out-of-pocket, in other words excluding those that uses FIES or any other financial products, for which – and it's all here (08:58), the new enrollments grew 50% with nearly 50,000 (09:01) new students, which demonstrated the strength of our brands and the recognition of the quality that we offer. Once again, the share of FIES students in our students recruiting declined, with only 5,000 new students being admitted in this last cycle, which corresponds to 8% of the new students in the On-Campus base.

Note also that the significant drop in the enrollments of students using the PEP, the Private Installment Plan, which reflects the commercial policy prohibiting the cumulative use of offerings, which further reduced the attractiveness of the product. And it's also very important to mention that we have adjusted this type of offering (09:48). So, we do believe that the exposure of the product should increase again in 2018. Going forward, given the 334,000 in reenrollments in the period, we ended the third quarter with approximately 400,000 On-Campus undergrad students, which is 6% less than a year ago, which also reflects the growth in the graduations and the higher dropout rates, which I will give more detail.

In Distance Learning segment, we enrolled 114,000 new Distance Learning students, an increase of 10%, double-digit increase, which further confirms our competitive advantage that we mentioned in previous slides. Note also that the Premium Distance Learning accounted for 6% of the new enrollments and should continue to gain relevance because we're going to have a very important expansion in the offerings that is planned for 2018. In addition to the 388,000 (10:53) students enrolled, we ended the third quarter with 502,000 Distance Learning students, which is about 2% more than last year.

If you look at the chart in the middle of the slide, you can see our dropout rates. A key factor here explaining the higher dropout in both segments is the more rigorous policy that we adopted over the renegotiation of past-due balance, combined also with more of the down-cycle in the economic scenario, where we saw a high unemployment rate, as I mentioned before. I should also emphasize that the dropout rate should be considered together with the average receivables term and the level of the provisioning for doubtful accounts or PDA, which corresponds to the (11:41) of the provision indicators.

Here, we will look also in more detail later in this presentation, so for you to understand. As you can see, the average receivables term declined with 6 days (11:57) in both segments, while PDA for out-of-pocket students remained stable, as we will see later, leaving us more comfortable as to the effectiveness of our policy. Other specific factors worked to worsen the dropout rate in both segments. In the On-Campus segment, there is a shift between students here from FIES to the other type of products, out-of-pocket and PEP.

And also, in the Distance Learning segment, the increase in the dropout rates is a consequence of the growth in the 100%-online programs that has also a much lower level of costs, but also a lower engagement of the students compared to the other modalities. Note that we continue to make progress in the initiatives of our Retention Program, which will work to combat dropouts by measuring student's engagement and acting before the student takes the decision to leave off our institutions.

If you look to the right-hand side of the slide, you can see our provision for doubtful accounts for out-of-pocket students in both On-Campus and Distance Learning segments. As I did mention before and in line with expectations that we expressed in recent calls, the PDA in the On-Campus improved, declining about 10 basis points, demonstrating solid (13:25) recovery of the past-due balances. On the other hand, the PDA of Distance Learning segment increased slightly due to the expansion of the 100%-online students that also, as I said, presents a higher dropout rate.

Move to slide 6, where we show the evolution of the net average ticket in the On-Campus and Distance Learning. In the left-hand side, you can see the increase of 8.6% in the On-Campus average ticket, achieving BRL 863, driven once again by the more premium program mix, with the mid-year student recruiting process representing the second straight time in which more students were enrolled in health and engineering programs than in other lower-ticket programs, as well the annual tuition increase here impacts positively.

In the right-hand side, you can see the average ticket in Distance Learning, where we see a 3.6% increase, reaching BRL 267. And the factors that contributed were the expansion in the Premium Distance Learning, as well the more exposure to the temporary payments plan known as PMT with a higher level price. So, we can conclude that the operational pillars remain solid with strong student base, growing average ticket and provisioning for losses completely under control.

Move on to the financial performance of the presentation, I invite you to slide 8, which provides an overview of the main impacts in each segment and how they affected the main lines of our financial results. Note that to ensure the comparability of figures in this slide, we exclude the impacts from institutions that we sold, namely FAIR and FAC/FAMAT according to the agreements and in line with the sale of Uniasselvi held in 2016.

So, starting with the On-Campus (15:36) segment, the net revenue grew 10% year-over-year, driven by our recent student enrollment and reenrollment process and by the improvement of our average ticket, supported by the better program mix that Rodrigo mentioned already. The gross income in the On-Campus segment grew by 15% (15:57) with gross margin expanding 250 (15:59) basis points, driven by revenue growth and the improvement of our efficiency levers in the segment, which included the roll-out of the operations of the research software, together with our academic model and the higher penetration of the more digital courses, digital disciplines over the curriculum, and also the gains captured in costs and expenses throughout the strategic sourcing project.

The operating result, before marketing expenses, grew 7%, while the operating margin expanded 150 basis points. These results are explained by the higher provisioning to support conservatively the PEP products and also by the lower impact from the inflation adjustment in the line interest and penalties on tuition related to the agreements for receiving the overdue FIES installments, which in the quarter – this line in the quarter of last year was BRL 8.1 million and this year was only BRL 300,000. So, this effect -excluding this effect, I believe that the efficiency gains captured in the quarter became really clear in line with the trend observed in the gross margin.

Turning now to Distance Learning segment, the revenue grew 5%, supported by the higher average ticket and also the strong results in the admission process. Distance Learning gross income grew 7%, with gross margin expanding almost 200 basis points, which is also explained by the economies of scale and efficiency levers, as an example, the optimization of the tutoring model, synergy gains, and also the growth of the 100% web online students that also has a higher level of margin.

As a result, operating result – the operating line of the Distance Learning, before marketing expenses, grew by 8% with the margin expanding more than 200 basis points, supported by the initiatives to optimize head count and economies of scale. And lastly, in the right-hand side of the slide, you can see the Primary and Secondary Education segment, where net revenue fell by 5%. But in the other hand, the efficiency supported much better level of operational result. This line – the gross margin grew by 520 basis points, while the operating result grew 50% and the margin grew by 12 percentage points.

Moving on, slide 9 shows our consolidated results in the quarter and year-to-date. Here also we enforce (18:49) the exclusion of the results from FAIR, FAC and FAMAT and also

Uniasselvi, as I mentioned before. Net revenue in the quarter grew 9% and achieved BRL 1.3 billion, driven by the results of the On-Campus and Distance Learning segments. And in the year-to-date, net revenue is about BRL 4.2 billion, also double-digit growth.

Adjusted EBITDA in the quarter grew by 9% to BRL 577 million, (19:16) despite the pressures from the lower number of DL students and the expansion of the installment products. The EBITDA growth in the quarter is supported also by the efficiency and cost control measures. And in the nine-month, the same impact was perceived here, as it grew 10%, reaching BRL 1.9 billion, the margin achieving 45.5%. Last, at the bottom, you can see the adjusted net income that grew 18%, almost 20%, to BRL 530 million with a margin of 40%. In the year-to-date, it grew also in the same line, 17%, reaching BRL 1.7 billion, so the margin also reaching 41.6%.

Well, lastly in this part of the presentation, I would like to invite you to go to slide 10, where we detail the variation of the adjusted EBITDA between the third quarter this year and last year. During the third quarter, we no longer had the impact from the charging of the FIES Administrative Fees, which already existed in the last year. So, we're starting now with an EBITDA margin with 43.4%. We see pressure comes from the change in the student mix, the reduction of FIES, the higher level of graduation, the lower share in the reenrollments from FIES and the increase in PEP and PMT. So, all that pressured the EBITDA margin about 420 basis points.

However, we continually are working hard here to deliver margin gains or the sustainability of this margin at least with the efficiency levers already present like the roll-out basically of the operational software, the strategic sourcing, the collection project and some others. So, as a result of all that, we were able to offset the negative margin impact and reached an EBITDA margin of 43.6% in the quarter. So, we remain focused in the roll-out of these levers and also in the conquer of (21:32) new value generation fronts to continue delivering solid, robust and sustainable results.

Thank you a lot. I would like to invite now Mr. Frederico to continue.

Frederico do Casal Ribeiro Brito e Abreu {BIO 16674822 <GO>}

Thank you, Carlos. Good afternoon, everyone. So, in the next two slides, we will detail the provision for doubtful accounts and also the average receivable term. Just before getting into the numbers, I would like to comment briefly on the drivers of the indicators that we look for provisioning and to assess the sufficiency of our provisioning for accounts receivable. So, the first indicator that is important to mention is that our coverage ratio for our accounts receivable is – you can see an increase compared to last year. So, the coverage ratio increased. This is a good sign that we have more provisions in our accounts receivable. A good part of this is related to the PEP, but also related to paying students.

The second information that is important, the provisioning remained stable. You'll see in the numbers a slight reduction on On-Campus face-to-face, but pretty much stable. And also we kept the same levels of provisioning for PMT, for PEP and also FIES; so stability.

And the third information before getting into the numbers, the average receivable term started to show some signs of recovery and you can see a decline, not a sharp decline, but a small decline in the average receivable term and also a decline in the FIES balance with a normalization of all FIES payments throughout the year and also the payments of the FIES that was not paid in 2015.

So, overall, the numbers you'll see in terms of PDA and accounts receivable, despite a very challenged macroeconomic scenario, high unemployment, you can see that our numbers continued healthy and this is a very good sign that I mean, all the actions that we are doing to manage attrition, manage delinquency are producing positive effects.

So, now moving to page 12, we can see our PDA level for each of our businesses. I would like just to comment before diving into the numbers that we are excluding Uniasselvi and we are also excluding FAIR, FAC/FAMAT, which were three operations that were sold in August this year related to the antitrust remedy that was approved when we merged with Anhanguera. So, excluding that effect and starting on the On-Campus segment, you can see that total PDA stood at 13.6%. This is 460 basis points higher than last year, and mainly here the increase year-on-year is related to our mix, mainly a higher proportion of PEP. And PEP, as you know, have a higher PDA. So, this increase overall in face-to-face is related to mix.

If we exclude FIES and PEP, and we look at the bars, the green bars on the right, you can see what is the PDA only for out-of-pocket students. And here, the good news is we decided this quarter for the first time since 2016 to decrease slightly the PDA, the signs that we are having in all of our managerial numbers are positive. So, we are already seeing a decreasing in our PDA levels in face-to-face over the last couple of quarters. And in this quarter, we decided to lower a bit our PDA level.

If you look now on the Distance Learning, on the left-hand side, the red bar, you can see that our PDA was 9.2%. This includes our PMT. So, if we exclude PMT, our PDA only for out-of-pocket students in Distance Learning was 8.7%, which is a small increase compared to the second quarter, but still different from face-to-face. Here, we are not seeing yet sustainable signs of recoverability or a better recoverability on Distance Learning compared to last year. So, we've decided to increase slightly the PDA. And once we start seeing signs of recoverability better than last year, we will then assess if we will decrease or not PDA for Distance Learning. But we are not comfortable to do it now in this quarter.

And the third information on PDA is on basic education. You can see a stability basically on 0.8% of net revenues on PDA. So, here, there's no -anything relevant to mention on basic education. So, overall on page 12, you can see taking out the effects of PEP, taking out the effect of PMT, you can see some stability in our PDA levels, which is very positive taking into account the very challenging scenario that we are living in Brazil.

Moving now to page 13, we can look at the average receivable term for each of our businesses. So, starting by the face-to-face post-secondary business in green, you can see a positive evolution. So, a decrease in our average receivable term year-on-year in 7 days. If we look at each of the products within the face-to-face starting with the out-of-pocket students, you can see a 4-days reduction compared to previous quarter and a 4-days increase compared to last year. So, it's the first quarter where we show a decrease compared to the previous quarter.

So, what we are starting to see in face-to-face is, first, what I've mentioned before, a decrease in the PDA; and second, we start seeing a decrease in the average receivable term. And our expectations is that we converge over the next quarters or to the levels that we had in 2015 to take some time to converge. But the message, the main message is that the signs start to become positive, and you can already see this decrease in this quarter.

FIES is also a positive message here. We can see a decrease in 39 days compared to last year. Here, there are two effects, two positive effects in FIES. First, all FIES payments are normalized in 2017, so no delay. And the second, we were paid in August on the second installments on FIES related to Normative Rule Number 23, that amount that was not paid in 2015 that was renegotiated. So, in 2017, we received on time the second installment. So, the trend here is also a convergence of this average receivable term to the levels that we had in 2014-2015.

And now, looking at the PEP and PMT, what you can see here is an increase in the average receivable term. This is basically the result and the effect of the maturation of our own financing products in our base. So, this is a normal effect that we should continue to see over the next quarters.

Looking now at Distance Learning, you can see 88 days in average receivable term for out-of-pocket students. This is 3 days below last quarter, but 10 days higher than last year, different from face-to-face. And as I also mentioned on PDA, here we are not seeing yet a declining trend that we should expect for the next quarter. So, on Distance Learning, we still have an effort to converge the levels of PDA and the levels of average receivable term to the levels of face-to-face students. And we should start seeing some improvements on the second semester only of 2018. And the PMT average receivable term stood at 200 days in the quarter for Distance Learning.

And finally, on basic education, you can see 50 days of average receivable term. This is 40 days lower than the second quarter. And basically here, this is a seasonal effect. But most important, you can see a decrease of 7 days compared to last year. So, it's a positive effect and it was one of the positive effects for our free cash flow also on the third quarter. So, overall, average receivable term decreased in face-to-face for the reasons I mentioned. Small increase in Distance Learning and a decrease in basic education.

And so, now, I invite you to move to page 15 where we will present our CapEx for our total investments. Main message here is our investments are within the range of investments that we had in our budget and the range of investments that we've provided in the beginning of the year as a guidance. So, everything normal here, all of our projects to grow organically, maintenance CapEx are being conducted normally.

So, total investments, moving to the right-hand side of the page, total investments, CapEx, including recurring CapEx, maintenance CapEx and also expansion CapEx, in the quarter was BRL 146.5 million, which is 11.1% of our net revenues. This is a level in the quarter that is higher than the level that we had in the second and in the first quarter 2017, which is normal. Most of the investments, they occur in the second semester of the year when we are preparing the following year.

But when we look at the full year, so the nine months, we are at 8.7% of our net revenues with a total investment of BRL 363 million. And for the full year, so also adding the fourth quarter 2017, we should be within the level of investment that we've provided as guidance to the market. And here, for you to have an idea of what types of investments we are having here, 39% of the recurring CapEx is related to content, systems development and software, 26% to expansions and improvements, and the remaining part to library, IT equipments, et cetera.

Moving now to page 16, we can see here cash generation extremely positive in the quarter and also on the accumulated nine months of the year. So, starting with cash generation before CapEx, we have a total of BRL 498 million. Already excluding CapEx, full CapEx, the recurring maintenance and the special projects, our free cash flow from operations was BRL 382 million. This is a 73.2% EBITDA to cash, which is lower than the same quarter last year, but mainly here related to seasonality of FIES and some suppliers. So, I invite you to look at the nine-months comparison.

So, if you look at free cash flow after all CapEx, we have a total of BRL 1.060 billion this year compared to BRL 1 billion last year. And this is pretty much the same level of EBITDA to cash of 60%. So, year-on-year, taking out the effect of seasonality that we had in this quarter mainly related to FIES and suppliers, we are at the same levels of EBITDA to cash that we had last year. There's no reasons for the next quarters to be at the level lower to the previous year. So, here the main message is despite a higher proportion of debt which consumes our working capital, despite that and despite having a lower amount of FIES, we are being able to keep a very healthy EBITDA to cash at a level of about 60% of our EBITDA.

And taking out the payments of that interest and also dividends, so the last line of this table on page 16, you can see the free cash flow. So, on the quarter, it was BRL 234 million, very close to what we had last year on the same quarter. But if you look at the nine months, we delivered BRL 486 million, which is 16% higher than last year. So, here also very positive, our free cash flow is positive year-on-year. And then you can see how this free cash flow impacted positively our cash balance and our debt position, so I'll invite you to page 17.

And on page 17, you can see our net debt. So, starting with total cash, we've ended the quarter with BRL 1.645 billion. This is a very robust level of cash. This is 16.6% higher than the previous quarter and more than 39% higher than last year. So, this is one of the highest, if not the highest level of cash that we had in the company. With also adding all the debt, financial debt, and non-financial debt, our net cash position by the end of the quarter was BRL 1.076 billion, which is 36% higher than the previous quarter and almost more than 3 times higher than last year.

And if we add up to this positive cash position, taking out all that, if we add to this level, other accounts receivable, there are certain that will be paid throughout the next years. The first is related with FIES, the 50% balance of FIES that will be paid in 2018 related to Normative Rule Number 23, and also the payment that is due related to the sale of Uniasselvi, FAIR, FAC/FAMAT. We've ended the quarter with a positive net cash position of more than BRL 2 billion. This is extremely important for the – as a balance for the projects, all the organic projects that we are running and that we will run next year and also provide us a lot of oxygen for potential M&A activities that we may conduct this year or next year. So, this is a very positive cash balance situation.

So, I end my presentation here and I invite Rodrigo for his closing remarks.

Rodrigo Calvo Galindo {BIO 17238232 <GO>}

Thank you, Fred. I want to conclude today's presentation with a few additional considerations. First, regarding the admissions and reenrollment process for the first semester of 2018, despite that is very early stage, we are confident about the results. We adjusted the go-to market and reinforced the sales team, which is highly engaged in the admissions process.

In the first semester of 2018, we will also expand the offer of our services and geographic footprint in both On-Campus and Distance Learning formats. In the Distance Learning segment, we'll have 400 new centers, 200 of which implemented in late 2017 and another 200 to be fully operational by then with trained teams and sales staff ready in the first weeks of 2018. So, full operation, 400 new Distance Learning centers in full operation from the beginning of 2018.

In the On-Campus Education, we will have 12 new units, of which 6 were recently implemented between the second semester of 2016 and the second semester of 2017; another 6 units are already accredited through Ministry of Education to admit new student for the first semester of 2018 and in total, we expected to have 28 units implemented by the end of 2018.

With regard to the process for our Strategic Planning to 2022 projects, I want to present some of our key numbers. Kroton senior managements have already put over 4,500 hours of working. So, we are expecting and we are a putting a lot of energy in the Strategic Planning because we know the importance of this process for the future of the company. We already had more than 100 meetings in this topic. This is a high quality time spent thinking the future of our organization. More than 100 people are directly involved in the Strategic Planning, including all main leaders, nine employees from the internal consulting team dedicated full-time, and professionals from external consulting firms.

We have conducted over 60 interviews with Kroton executives, directors and market analysts, eight days of intense workshops and three major surveys (40:40) of students, former students, prospects and all our employees. We also have received special invitations from major companies, including Amazon and Disney to participate in nine lectures and roundtables. We are more and more certain of the growth opportunities in each of our segments and in our ambition to become a truly digital company.

I also want to take this opportunity to invite everyone to our Kroton Day 2017, which will be held in December 11 at the Hotel Tivoli in São Paulo where we will give more details on the product (41:20) of our Strategic Planning, efficient levered (41:23) growth, growth from – and digital transformation journey. So, everybody's invited to Kroton Day in December 11.

Moving on the next bullet, our Board of Directors approved the distribution of BRL 171.3 million in dividends which corresponds to approximately BRL 0.10 per share, maintaining the same payout level of 40% adopted since the start of the year. The payment of dividend is scheduled for November 26 (sic) [November 27] (41:53) in 2017.

Lastly, I want to mention that the awards that Kroton won in the past few months. We won first place in the education category in the Valor 1000 awards sponsored by the newspaper Valor Econômico, which corroborates our efforts to transform the lives of our students. We also received two top education awards with first place for Unopar in the category of distance learning institutions for faculty, and first place for Pitágoras in the category educational systems for the private services in the primary and secondary education.

And last, we also received first place in the education category in the Estadão Empresas Mais awards recognizing our support for the country's (42:46) students, society, and economy. The award we received gives us more confidence that we are in the right path to build sustainable value for all our stakeholders.

Once again, thank you for participating in today's call. And now, we will begin the question-and-answer session. Thank you.

Q&A

Operator

Ladies and gentlemen, we will now initiate the question-and-answer session. I would like to turn the call back to Mr. Rodrigo Galindo for any closing remarks.

A - Rodrigo Calvo Galindo {BIO 17238232 <GO>}

I'd like to thank you, everybody, to participating on this call and put our IR area for further questions. Thank you.

Operator

Thank you. This does conclude today's presentation. You may disconnect your line at this time. Have a nice day.