

## Y 2013 Earnings Call

### Company Participants

- Carlos Lazar, Investor Relations Officer
- Frederico Brito e Abreu, Chief Financial Officer
- Rodrigo Galindo, Chief Executive Officer

### Other Participants

- Brian Hinkes, Analyst
- Ruben Couto, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to Kroton Educacional's Fourth Quarter 2013 Earnings Conference Call. Today we have with us Mr. Rodrigo Galindo, Kroton's CEO.

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. (Operator Instructions)

Also today's live webcast plus audio and slide show may be accessed through Kroton Educacional's Investor Relation's website at [www.kroton.com.br/ir](http://www.kroton.com.br/ir) by clicking on the banner 4Q13 Webcast. The following presentation is also available to download on the webcast platform. The following information is available in Brazilian reais, in accordance with Brazilian's Corporate Law and generally accepted accounting principles, BR GAAP, which now conforms with International Financial Reporting Standards, IFRS, except for 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

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cause results to differ materially from those expressed in such forward-looking statements.

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

## **Rodrigo Galindo** {BIO 17238232 <GO>}

Good morning everyone, and welcome to the quarterly earnings conference call of Kroton Educacional for the fourth quarter of 2013. With me today is our IRO, Carlos Lazar; our CFO, Frederico Abreu. I'd like to start the presentation on slide three with the highlights in the period.

The fourth quarter brought us very positive results and ended another exceptional year for the company. The excellent performance in 2013 was driven by strong growth in new enrollments and re-enrollments in our recruiting process, a scenario that is repeating in 2014.

The 2014 recruiting process was very strong, we are in the final weeks of the enrolling cycle, which last until March 28, and we should reach 585,000 students which should represent growth of 23% in the undergraduate student base. (Technical Difficulty) results the fourth quarter figures were very (Technical Difficulty)

In terms of our financial results, the fourth quarter figures were very strong. The EBITDA of BRL728 million with EBITDA margin of 36.1%, which both surpassed our internal projections and consequently the guidance given to the market. Adjusted net income reached BRL580 million or more than doubled than the amount in 2012, with net margin of 26.6%.

Cash generation was also very strong in both the quarter, and the year.

Pro forma operating cash flow after CapEx was BRL115 million in the quarter and BRL622 million in the year, representing an EBITDA to cash conversion rate of 88%. These indicators already showed that how positive Kroton's performance was in the quarter and during today's presentation we'll give more detail.

Let's go now to the today's presentation starting with details on the company's operational performance. I now invite our IRO, Carlos Lazar to present our operational and financial performance.

## **Carlos Lazar** {BIO 17238206 <GO>}

Thank you, Rodrigo. Well, on slide five you can see our estimates for the enrollments of the new undergraduate students for the first semester of 2014, which is the most important event of the year. The new enrollment and re-enrollment process will last until

March 28, but we can already project with considerable certainty, how the process will conclude?

The chart on the left shows new enrollments in on-Campus allocation going from 44,000 students to 51,200 students for a growth of 16%. In distance learning, we should grow from 131,000 new students enrolled in the first semester of 2013 through 152,600 new students in the first semester of this year for a growth of 16%. That means the same rate as the on-Campus segment. Therefore considering the total new enrollments we should reach a total of 203,800 new students for a growth of 16% compared to last year.

Going now to slide six, we analyze the growth in the number of re-enrollment. As in the new re-enrollment process, the re-enrollment process also ends on March 28, but we also can project the final number of this year during this presentation, and as we did in the earnings release. Well on-Campus undergraduate allocation, we should grow by 20% from last year to reach 126,900 students.

In the distance learning segment we should reach 254,600 students for growth of 30% compared to last year's figures. Therefore we should re-enroll over 381,000 students during the first semester of this year, which represents a strong growth rate of 27% from the same period of last year.

Moving to slide seven, we show the estimated figures for the growth in the undergraduate student base for the first quarter of this year, which is the sum of the new enrollments and the re-enrollments rate. As I mentioned on previous slides both the new enrollment and re-enrollment process were very strong and we are in the final weeks of the process. But we can already estimate the student base, and for that we expect the growth of 19% in the on-Campus undergraduate base, and 25% in the distance learning base to reach a total undergraduate student base of over 585,000 students, which represents a very robust growth of 23% from the end of the first quarter of last year. Well, this growth is very important since it demonstrates the effectiveness of our commercial and marketing actions and also the strength of our brand.

On slide eight, we present some information on Pronatec, the federal government's program to promote vocational education, and as I mentioned before we are participating in the line of Bolsa Formacao segment, which students are fully subsidized by the federal government.

Well, during this first semester of the program that was launched in September 2013, we've registered an average base of 5,300 student offered through ten different programs and in eighteen different campuses. But for now in 2014, the new intake processes that we are beginning, we have considerably expanded the program, and we will offer 26,000 seats and this number initially approved -- this is better than the number initially approved and released to the market of 23,000 seats, because we filed some claims in the Ministry of Education and we were able to retain the approval for an additional 3,000 seats bringing to the total of 26,000.

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Well, the seats will be distributed across 35 (Technical Difficulty) 14% will be offered in the morning, 28% in the afternoon and 58% in the evening. This distribution will enable us to optimize the use of the campuses, which have idle capacity during the morning and evening periods. And also we expected to re-enroll approximately 14,000 Pronatec students or more or less double of the number of last year, that was approximately 8,000 students.

Well, the results here of the new-enrollment and re-enrollment process for the undergraduate in the Pronatec students give us a very good comfortable sign that 2014 will be another excellent year for Pronatec.

Let's change now for the financial performance, starting on slide 10. We show the company's net revenue by business segments. Each of the businesses posted very strong performance in the year and the net revenue in the post-secondary business grew 47% from the same period last year with strictly organic growth. In other words eliminating the effect of Uniasselvi in the period of 37% to our growth 37% on the organic base.

Also the organic net revenue growth in the year was 38% which further confirms the strength of our brands. The total net revenue -- considering the total both segment revenue and effectiveness of our intake in re-enrollment processes as commented earlier.

Well, considering now only the on-Campus post-secondary business, let's move to slide 11, to show the change in net revenue, gross income and operating results. Net revenue in the segment grew 46% from the fourth quarter last year driven mainly by the student growth generated by our new enrollment and re-enrollment process during the second semester of last year, and also by the higher average ticket observed.

The gross income reached 176 million with gross margin of 16.3 percentage points above the year before, driven by the economies of scale, captured by the roll out of the academic model and the acquired companies, especially here in Unopar and Uniasselvi, and also by the continued improvement in the process of forming new classes and by the ramp up in the distance learning courses in the curriculum [ph] of the on-Campus programs.

Also note that all this was achieved while maintaining rigorous cost controls in our operations. Likewise, operating income was three times higher than the fourth quarter last year, while operating margin was 37% or 19 percentage points higher than the same period last year, also influenced this year by the control of cost and expense.

Moving to the slide 12, we show the performance of the distance learning segment. And during this quarter, the net revenue in distance learning segment reached 153 million, growing 40% from the year ago quarter, driven basically by the expansion of the student base.

The gross income grew 50% in the period with gross margin reaching 74.1% or 5.2 percentage points higher than the same period last year.

The operating income in the distance learning grew 54%, in relation to the fourth quarter of 2012 with operating margin of 58% or 5.5 percentage points reflecting the efficiency gains captured with the combination of the operations of Unopar and Uniasselvi.

Moving on to slide 13, we show the financial performance of the primary and secondary businesses are the key to '12 business. Well this business posted net revenue growth of 7% from the fourth quarter last year, reflecting the higher sales of book collections and the gross income was mainly affected by the higher provision in -- for inventory losses during the quarter.

Considering the performance in the year, however, all indicators improved within the segment, whether nominal or absolute terms in relations to the previous years was the highlights -- highlighting the 19% growth in the operating income to BRL45 million with operating margin going to 27.8% or 2.3 percentage points higher than the previous years.

The slide four [ph] shows the performance of the EBITDA in the quarter and year. EBITDA in the fourth quarter was BRL173 million with EBITDA margin of 33.4% or 13.6 percentage points higher than the same period last year. Note that EBITDA was adjusted by non-recurring items of BRL10.8 million in the quarter, which is basically related to the expenses. We've then got the merger and some other integration.

In the year, adjusted EBITDA was BRL728 million, with the strong EBITDA margin of 36.1% or 8.5 percentage points higher than in 2012. This strong performance once again surpasses our guidance given to the market due to basically the success of the admission processes and also our operational efficiency.

On slide 15, we show the net income in the quarter and in the year. And here, the adjusted net income was BRL138 million in the fourth quarter of 2013 with a net margin of 26.6%. Note (Technical Difficulty) and as I mentioned on the EBITDA adjustment, but also the amortization of the intangible assets from the acquisition. In the year, the net income was BRL582 million or more than the double that income in 2012 with net margin of 28.9% or 9.8 percentage points higher than the same period of 2012.

Well, I'd like now to invite our CFO, Frederico Brito, to continue the presentation.

### **Frederico Brito e Abreu** {BIO 16674822 <GO>}

Hello everyone. Moving now to slide 17, where we analyze the working capital. So the next four slides we will analyze the performance of working capital, accounts receivable and the PDA, Provision for Doubtful Accounts. All the analysis here represented pro forma, which means that we consider the amount of BRL77.6 million related to the December '13 FIES credits, which was expected to be repurchased by the end of December, but was delayed to January 8, and this happened to all educational institutions in Brazil. And all of the numbers here consider that effect of 77.6 happening in December.

So going to slide 17, we analyze the performance of working capital in the quarter, which is basically the difference between current assets excluding cash and financial investments

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and current liabilities, excluding debt effect. So based on pro forma numbers, measures -- the working capital measured in number of days of net revenues registered the significant reduction of 28% from 18 days to 13 days compared to the same quarter last year, and 61% from the position at the end of the third quarter 2012, from 33 days to 13 days. So a significant improvement in working capital and this has been consistent over the last few quarters, and it's the result of three things.

One, continues effort to reduce the average FIES receivable term, reduction on the average Ex-FIES receivable term and also gradual increase in the average payment term through key renegotiations with certain suppliers. So now moving to page 18, where we can analyze the PDA. We have been adopting exactly the same methodology since 2010, so no changes in the criteria or no changes in the methodology. And it's basically based on the statistical analysis of historical collection data. All receivables up to 365 days of provision based on these statistical historical data, hence all receivables above 365 days are written off, it's the same methodology, no changes.

But what we can see basically over the last quarters is that, stability in the level of our PDA, and this is consistent in all of the businesses and this gives us a lot of comforts in respect to the sufficiency of this provision across quarters from 2012 to 2013.

So if we look on the left hand side, looking at the post-secondary business face-to-face, PDA in the fourth quarter was 3.8% down from 4.4% compared to the same quarter last year. So a reduction of 0.6 percentage points and this is mainly due to an increase of FIES students in the mix of face-to-face students, and this FIES students as you know, they have lower PDA. So, if we exclude FIES students provisioning was 6.4% or stable in respect to the third quarter and 0.2 percentage points down from last year.

For FIES students, the level of PDA was stable since the beginning of the program as 2.25%, which is basically the calculation of 15% share of risk of Kroton multiplied by 15% estimated PDA. So 15% multiplied by 15%, we get to 2.25 which is the PDA we've been using in the FIES students.

In the beginning of the year, some of the rules of FIES problems were adjusted, and the main change being all new FIES contracts become part of the guarantee fund or absolute. So all new contracts starting in the beginning of the year will be part of the guarantee funds, old contracts with co-signors will be maintained as co-signors. So this will lead to basically two adjustments, this was communicated to the market, but basically two adjustments.

The first, all guarantee fund contracts have a commission of 5.63%, so 5.63% deduct directly from net revenues, and PDA, which is reduced from the level of PDA we have today. So instead of growth on being responsible for 15% of any potential future loss, Kroton will be responsible for 1.5% of any future loss. Okay, so a reduction of 15% to 1.5% of responsibility for any loss. So this means that the level of PDA for FIES contracts will decrease, but we will have a commission deducted directly from net revenues.

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We already do these, we're all actually do contracts, but starting in 2014 we will have most of the contracts gradually migrated to attribute contract. So we will end up this PDA starting in 2014, and we'll see on the next releases this adjustment in the PDA. We believe this is a positive movement, because basically the level of exposure of the educational institutions to FIES students is decreased significantly. So in terms of risk management is good news for the company.

Looking on the middle of the page, distance learning business, as we mentioned before, we expect PDA to converge to the level close to those of Ex-FIES on-Campus students and this is what happened in 2013, and we end the quarter -- fourth quarter '13 with 6.6% PDA, which is very close to the level of PDA we have in the face to face. And lastly the PDA in the primary and secondary education increased by 0.6 percentage points in the fourth quarter compared to last year, and this is due to seasonality effect in terms of recognition of the PDA.

So if you look year-on-year, if you look 2012 compared to 2013 there is stability in the average level of PDA from 1.5% in 2012 to 1.6% in 2013. So basically stability in PDA in all segments of Kroton.

So now moving to slide 19, we can analyze the accounts receivable, the net accounts receivable. Basically, we have a total of BRL278 million that are divided on the different businesses, as you can see here on page 19. So 173 million related to post-secondary face-to-face, 77 million related to distance learning, and 28 million related to primary and secondary.

And on the next page, on page 20 we can see the average receivables term. So the main message here is, if we see a stability or a decrease in the average receivable term means that both our collection practices are working or and-or the level of PDA is sufficient, and this is what we can see here. Basically in all analysis we can show here on post-secondary, on the green part of the table. We can see a decrease in the average receivable term. We have four analyses here, the first analysis respects to the whole students' face-to-face, reduction from 74 to 45 days.

And now that this number two and three are related only to Ex-FIES student. So in both analysis -- the reduction of 17 and 15 days. And on the fourth analysis we have only the analysis for FIES students, also sharp decrease of 78 to 36 days, meaning minus 42 days. So any improvement in the working capital of 42 days in FIES students.

So now looking at distance learning. We have an increase from 29 days to 45 days, an increase of 16 days, and this is basically the consequences as we've been telling in the last releases of the convergence of provisioning, billing and renegotiation practices from basic -- from distance learning to post-secondary. So remember Unopar and Uniasselvi, both distance learning they were acquired, they have totally different collection and provisioning practices. So what we've been doing over the last 1.5 years is converging those practices. So necessarily we're having a convergence in terms of receivable terms, so we end the quarter with 45 days, which is exactly the same of face-to-face.

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And finally in the primary and secondary business, the average time decreased one day from last year, so the stability also in the primary and secondary education. So all in all, good news in terms of the evolution of our working capital on page 20.

Now moving to page 22, we can see the CapEx or the capital expenditure divided in two blocks. The first block which we call CapEx is basically related to maintenance and short-term growth. And the second block on the right hand side is CapEx plus the special projects. And these special projects are basically related to investments to support our medium-term growth or a period longer than three years.

So these long-term investments we split what is more recurring on the left hand side, and we add those non-recurring or more long-term on the right hand side. So looking at the right hand side, we have invested 32 million in the fourth quarter, and this is mainly investment in laboratory, library and expansion or improvements of some of our existing units, and this CapEx corresponds to 6.2% of our net revenue.

If you look at the year, so the 12 months we have 109.7 million or 5.4% of net revenues. Remember that these levels, the level of guidance we gave in the beginning of the year was about 6%, so we are a bit lower 5.4 in terms of CapEx. If we add the special projects, we have an investment of 57.2 million in the quarter or 11% of net revenues, and 8.1% of net revenues in the year or 162.5, which is a level again lower than the level we gave in the beginning of the year of 10%.

So CapEx plus special projects in the beginning of the year, our guidance was 10%, we deliver 8.1, so a bit better than what we really expected.

On page 23, we look at net debt, cash and gross debt. So we end the period with BRL423 million in cash and marketable securities, which is a significant growth from last year. This balance, this 423 do not include the 77.6 million in repurchases of FIES that were delayed. If that amount would have been received in December, total cash would be 500 million, a bit better even than the level of 423.

Now if you look at the financial debt, we end with BRL549 million, so this means the net debt by the end of the year, only including financial debt of 126 million, which is about 0.17 times EBITDA, which is a very low level of debt. If we include other short term and long-term liabilities that are related basically with sellers note of acquisitions that we had in the past, total net debt would stand at BRL362 million or 0.5 times EBITDA. If we include, if we add back the repurchase of FIES that was delayed, these level of net debt to EBITDA were moved from 0.5 to 0.39 times EBITDA, so a very conservative and adequate level of debt.

So now moving to page 25, we can see cash generation. So just summarizing, we had a quarter and another year of strong cash generation. So if you look on the -- both in the quarter and both in the year, if you look on the right hand side, the last bar, we have 12-month operating cash generation before CapEx -- sorry after CapEx -- after CapEx total CapEx, so if we go to the bottom line the final number, we've generated BRL570 million in cash, this is operating cash flow minus all CapEx including recurring and special projects



CapEx, 570 million or twice as much as last year, and representing an EBITDA to cash conversion of 81%, which is up from 75% last year.

So this is the result of a higher EBITDA and a higher scale and higher margin. Continues improvement in working capital, and gradual optimization of our effective tax rate.

So I'll now hand the word to Rodrigo for the final remarks.

## **Rodrigo Galindo** {BIO 17238232 <GO>}

Thank you, Frederico. Let's go to slide 27, which shows our guidance for 2014. So what do we expect for 2014, another year of revenue and margin growth. And net revenue should reach BRL2.5 billion or 22% more than 2013. EBITDA should reach BRL910 million, growing 25% from 2013. EBITDA margin should reach 36.9% increasing 80 basis points from 2013.

And net income should reach BRL760 million growing 31% compared to 2013. CapEx stood correspond to 6% of net revenue, considering maintenance CapEx and organic growth CapEx, plus 4% of net revenue in special projects, such as an acquisitions of properties and constructions of buildings for a long-term expansion.

Note that this guidance does not include anything, but strong acquisitions and already considered the invest from Pronatec. Even the excellent estimates for the new enrollment and re-enrollment process at the beginning of 2014, we are very confident that we'll be able to deliver these results, which have taken Kroton to a new level of performance.

Let's go to the last slide of today's presentation for my closing remarks, please. We enter 2013 with a strong result. EBITDA of BRL728 million or 88% more than 2012. Net income of BRL582 million or more than the double the amount in 2012. And cash generation after CapEx and special products of BRL570 million which represents a very strong EBITDA to cash conversion ratio of 81%. The undergraduate student base should grow by 23% and vocational programs, Pronatec -- should enroll 14,000 new students or double the number of last year. We also launched a second medical program at UNIME [ph] in Lauro de Freitas, Bahia that will be very important for straightening our brand in the region.

In 2014, we will maintain our focus on executing the 336 projects. Of these 336 projects, 42 are related to the academic area and here I want to highlight the adaptive learning project. In 2014, we will have three different adaptive learning platforms operating at Kroton, which will allow us to evaluate and compare performance.

Kroton will focus its investments more and more on innovation, given our belief that our large scale educational models required applied educational technologies to ensure a high quality education. Another group of a very important projects are the ones related to organic growth. These are 12 projects and that include 20 Greenfield projects, 183 new programs that covered the units, the accreditation of 225 new centers at Unopar and 42 new centers at Uniasselvi and a 100% web-based distance learning programs. In the capital markets we approved the distribution of BRL28 million in business, which will be paid to our shareholders on March 31.

In closing, I'd like to highlight that what makes us believe in the systems of Kroton's organic growth project is it tripled, that supports our business. First the quality of our academic model; second the good results of our regulatory indicators especially (inaudible) and third the strength of our brands. And our consistent growth over in the last few years is proof of this fact.

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

## Questions And Answers

### Operator

Thank you. Ladies and gentlemen, we will now initiate the question-and-answer session. (Operator Instructions) Our first question is Ruben Couto from Brasil Plural. Please go ahead.

#### Q - Ruben Couto {BIO 19172367 <GO>}

Good afternoon everyone. Thank you for taking my question. I have two questions related to the same thing that is on-Campus profitability. The first one is that, with this 49% gross margin that you reached in 2013, I mean, it's much higher than whatever we can see over your listed peers, and I understand that as you mentioned in the Portuguese call, most of the opportunities that 2Q towards this 49% -- opportunities to expand margins that were present in the past two years are starting to get harder to achieve. So I want to know if, what we can expect in terms of gross margins for on-Campus going forward. Do you see some kind of limit in these 49%, 50% of gross margins or do you think we can expand it a little bit further in the upcoming years?

And the second question is also related to this thing is actually related to acquired companies, I know it's tough to evaluate, but based on your past experience in this past acquisitions, can you tell us on average, how fast you believe you can turn and say 20% gross margin on-Campus company towards this 49%, 50% on average that you have today? Thank you.

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

Okay. Hello Ruben, this is Rodrigo Galindo speaking. Thank you for your question. I will answer the first part of the question, and Frederico will answer the second one. For your question about the margins, we will not disclose the projections of margins for each segment isolated. But we can give overview about the projections of -- increase of margins for the company combined.

How we told in the guidance, for 2014 we expect more or less 37% of EBITDA margin and we believe we have space to increase 100 basis points a year in the next three years that means we can achieve 40% of EBITDA margin in three years, that is most detailed and that we can disclose.

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**Q - Ruben Couto** {BIO 19172367 <GO>}

That's right, thank you. The second one?

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

The second one, in respect to how many years it takes us to turn around and to convert the level of performance of an acquired company to the average level of performance of Kroton?

**Q - Ruben Couto** {BIO 19172367 <GO>}

Yeah.

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

So we have mainly two types of acquisitions. We have the small acquisitions and the larger acquisitions, and I give you the details more on the smaller acquisitions, not transformational acquisition or transformational types of movements. So if you look at the face-to-face Uniasselvi or the face-to-face Unopar or the Unirondon which were acquisitions that took place in 2012, June 2012 for Uniasselvi, the August 2012 for Unirondon, and December 2011 for Unopar. The largest increase in terms of performance happens in 2013. So part of the increase in gross profit that we had in the company, part of this, not of course all of it, but part of it was an increase in the margin of these companies.

We have for the budget 2014 some improvements yet in some of the face-to-face operation of Uniasselvi, not all of them, and also in some of the operations of Unopar, but Unirondon is already at the level of average margin that we intend. So, over the course of 12 months we've achieved more than 70% of the plan and in the course of additional 6 to 12 months which are going to be 2014, we reached the level of performance of the other companies -- of the other units of face-to-face.

So the largest increase can be in the first 12 months, and then marginal increases come on the remaining semesters. Okay? So for 2014, part of the increase in gross profit that we expect to have is coming a small part for existing unit and another part from these acquired units that are not already yet at the level of margin that we intend them to be when compared to the remaining units of the group.

**Q - Ruben Couto** {BIO 19172367 <GO>}

That's helpful. So it's fair to assume that these 0.9% of the margin increase that you expect in 2014 will probably come from these margin expansion in this on-Campus as you said, most of it, at least?

**A - Frederico Brito e Abreu** {BIO 16674822 <GO>}

Yes. Part of it comes from this on-Campus, part of it comes from an effect of mix. Remember that distance learning is growing more than face-to-face, and distance running has higher margin than face-to-face. So part of this is also mixed. And as Rodrigo

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mentioned on the Portuguese call, this is a conservative number that we are very comfortable to achieve. There are additional levers that we have on our more optimistic forecast model, but this is a level we are comfortable to provide to the market right now.

**Q - Ruben Couto** {BIO 19172367 <GO>}

Okay, that's great. It's very helpful. Thank you.

**Operator**

Our next question is Rodrigo Gaston [ph], BTG Pactual. Please go ahead.

**Q - Unidentified Participant**

Hi, good morning everyone. I just want to -- one quick question here regarding the merger. I mean, we saw here Bloomberg headline stating that depending on how the decision the deal should be canceled, I just would like to know if you had established any kind of qualitative or quantitative limit of restrictions that you and also Anhanguera are able accept the deal to go through, any color on that. Thank you.

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

Actually we cannot comment on that. I mean, it's something that we are, of course, everybody know that we are under negotiation with CADE about the remedies at this time, and we will continue to do this negotiation in the following months until the end of the process. So what I can comment is like that.

**Q - Unidentified Participant**

Okay. Thank you very much.

**Operator**

(Operator Instructions) Our next question is Brian Hinkes, Fir Tree. Please go ahead.

**Q - Brian Hinkes** {BIO 18261086 <GO>}

Hi, good afternoon. Thanks for taking the question. I'm just trying to follow up on the last one, and trying to interpret the comments that you made. Could you please clarify whether you're still interested in completing the merger? Thank you.

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

The short answer is, yes. We are continue interested in conclude this deal, and we are working for this. We are working hard in CADE to understand the needs of antitrust (inaudible) Brazil and provide a solution for the issues that CADE put in our transaction.

**A - Frederico Brito e Abreu** {BIO 16674822 <GO>}

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And just to complement, all relevant information that needs to be disclosed to the market is going to be or was disclose through a relevant material fact to the market. We'll disclose two material facts in the last month. So there's no new news in terms of what was already disclosed to the market.

**Q - Brian Hinkes** {BIO 18261086 <GO>}

Great, thank you very much.

**Operator**

Having no further questions, this concludes the question-and-answer session. At this time, I would like to turn the call back to Mr. Rodrigo for any closing remarks.

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

I'd like to thank you everybody for participation on this call. And our IRO (inaudible) is available for further questions. Thank you very much.

**Operator**

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

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