



# Estácio

## CORPORATE PRESENTATION

**Credit Suisse IV Equity Ideas Conference 2011**

January, 2011

## **1. Company Overview**

## **2. Strategy**

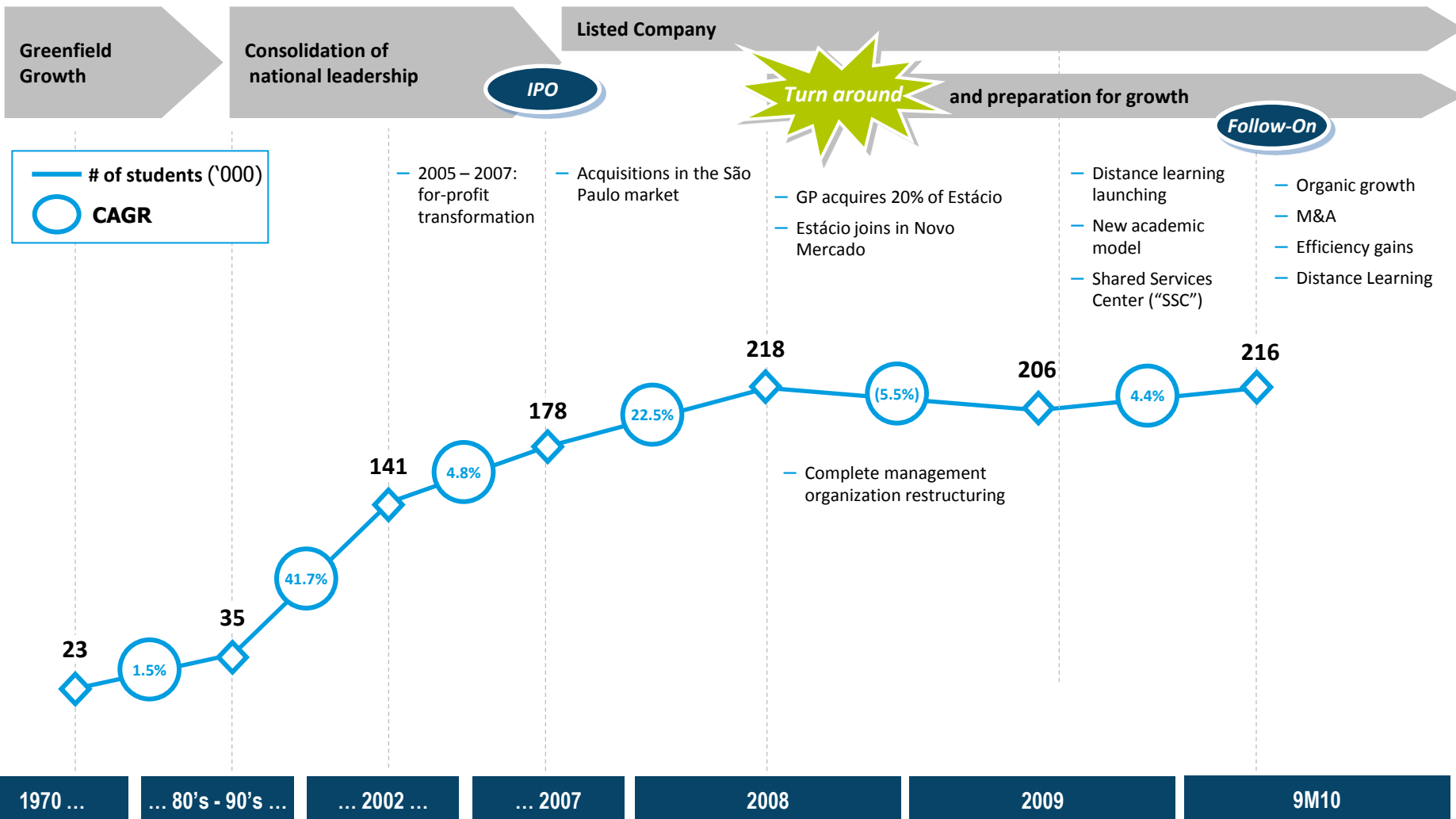
## **3. Financials**

## **4. Recent Developments**

## **5. Quality Requirements**

## **6. Conclusion**

# ESTÁCIO: KEY MILESTONES



Note: Until 2007 the student base did not include graduate students.

## HIGHLIGHTS

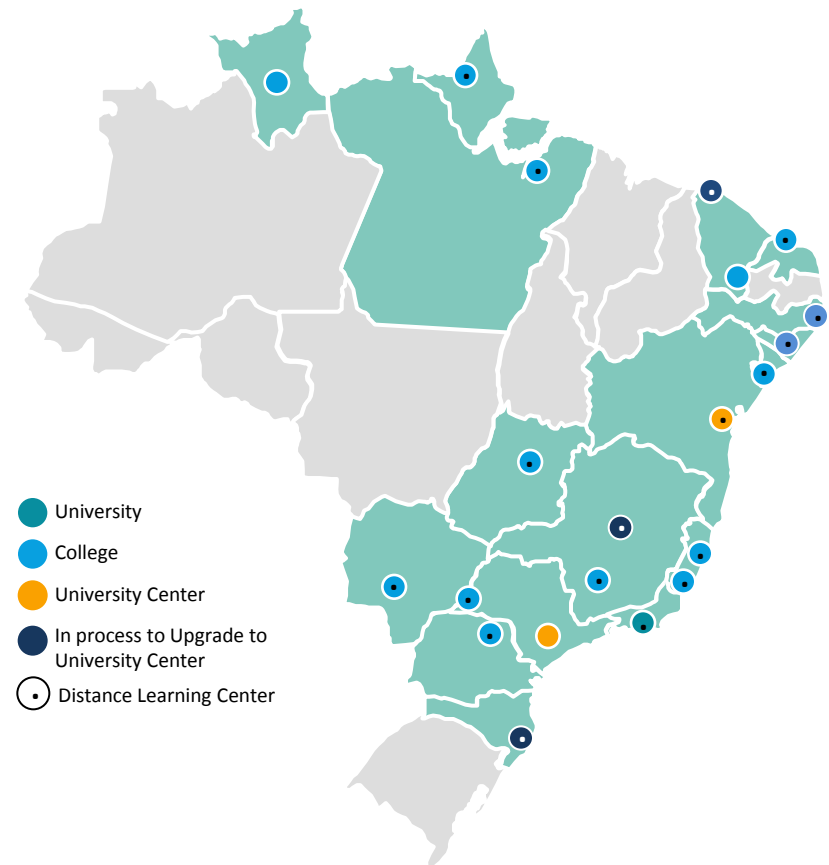
- Largest private post-secondary education group in Brazil
- Leading presence in the large and underserved working adults target group
- Diversified portfolio of programs with differentiated quality and competitive pricing
- Only Brazilian education company listed in Novo Mercado

## KEY FIGURES

- ◆ **216k students**
- ◆ **69 campuses in 35 major cities in Brazil**
- ◆ **51 accredited Distance-learning Centers**
- ◆ **78 programs**

## ESTÁCIO'S REGIONAL FOOTPRINT<sup>1</sup>

Nationwide operations, covering states that account for 86% of GDP and 82% of population

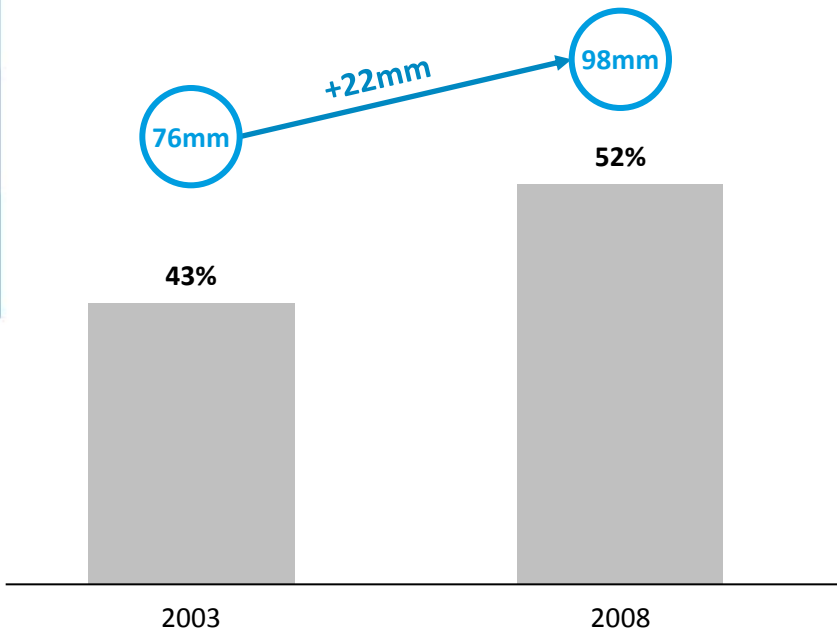


(1) Estácio also owns a University in Paraguay with 2.7 thousand students

- Emergence of a class C with enormous consumption power and increasing awareness of the value of education

## EMERGING CLASS<sup>1</sup>

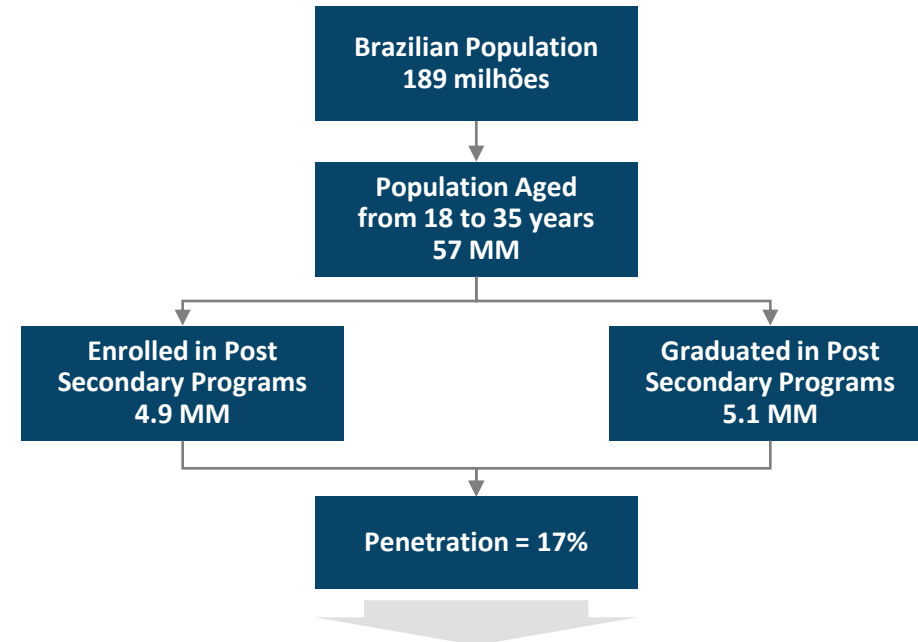
(% households, Apr/03 – Apr/08)



- Income per capita CAGR of 4% since 1980 and 22 million individuals entered the class C income segment in the last 5 years
- According to FGV, 36 million people will join class C over the next 4 years

Note: (1) Households earning: R\$1,064 to R\$4,591 per month  
(2) PNAD - IBGE

## FOCUS ON MIDDLE AND LOWER CLASSES<sup>2</sup>



### Market size and penetration per Income Brackets:

	A Class	B Class	C Class	D&E Classes	Total Mkt
Current Mkt Size	2.3	5.7	2.1	0.48	10.6
Penetration Level	77%	36%	9%	3%	17%
Share of Penetrated Mkt	22%	54%	20%	5%	100%
Unpenetrated Mkt	0.7	10.1	21.2	15.5	47.6
Share of Unpenetrated	1%	21%	45%	33%	100%

**Estácio's Target**

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# NEW ACADEMIC MODEL DRIVING QUALITY AND EFFICIENCY

## DIFFERENTIATED QUALITY PRODUCTS...

- ◆ 41 programs updated to labor market demands (90% of Estácio's current student base)
- ◆ Tailor made text books bundled in tuitions
- ◆ Comprehensive student portal
- ◆ On-line library with more than 2,000 titles

**Higher attraction  
and retention of  
students**

## ....WITH REDUCED COSTS

- ◆ Integrated curricula with shared disciplines
- ◆ 20% of distance learning content in on-campus programs
- ◆ 20% of on-line self-learning activities

**Improved gross  
margin**



**Innovation and product reengineering aiming at better quality at competitive pricing**

## MARKET INTELLIGENCE

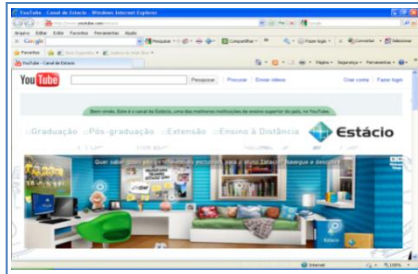
- ◆ Screening of key geographies and targets for:
  - New programs and revenue sources
  - Expansion through new units
  - M&A targets

## STRUCTURES SALES FORCE

- ◆ Geographical and channel segmentation
- ◆ 7,000 high schools and 2,000 companies regularly visited for student sourcing
- ◆ Trade marketing approach
- ◆ Full planning, execution and tracking for all admission cycles

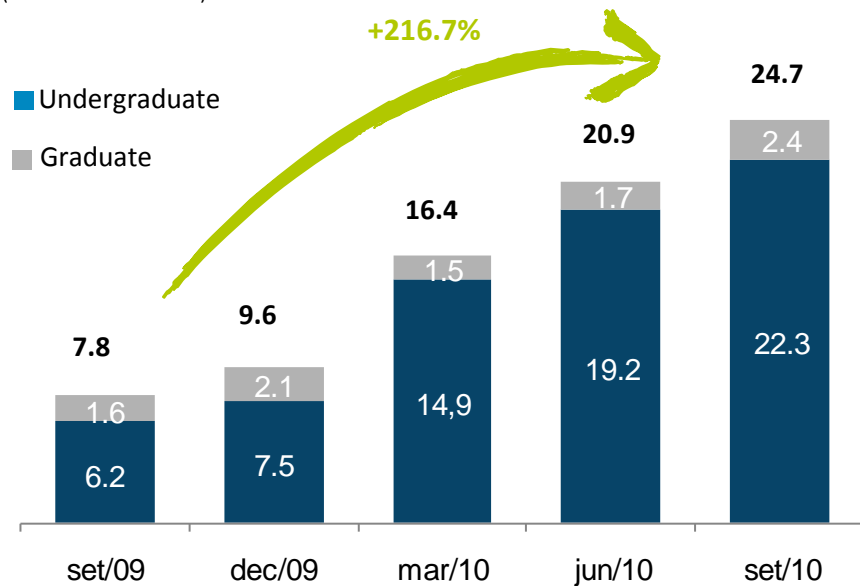
## BRANDING AND ADVERTISING

- ◆ Strong national brand equity:
  - ◆ 2nd most valuable brand in the education sector and 48th overall, by InBrands
- ◆ New media channels (online and social networks)



## DISTANCE LEARNING

(Students in thousands)



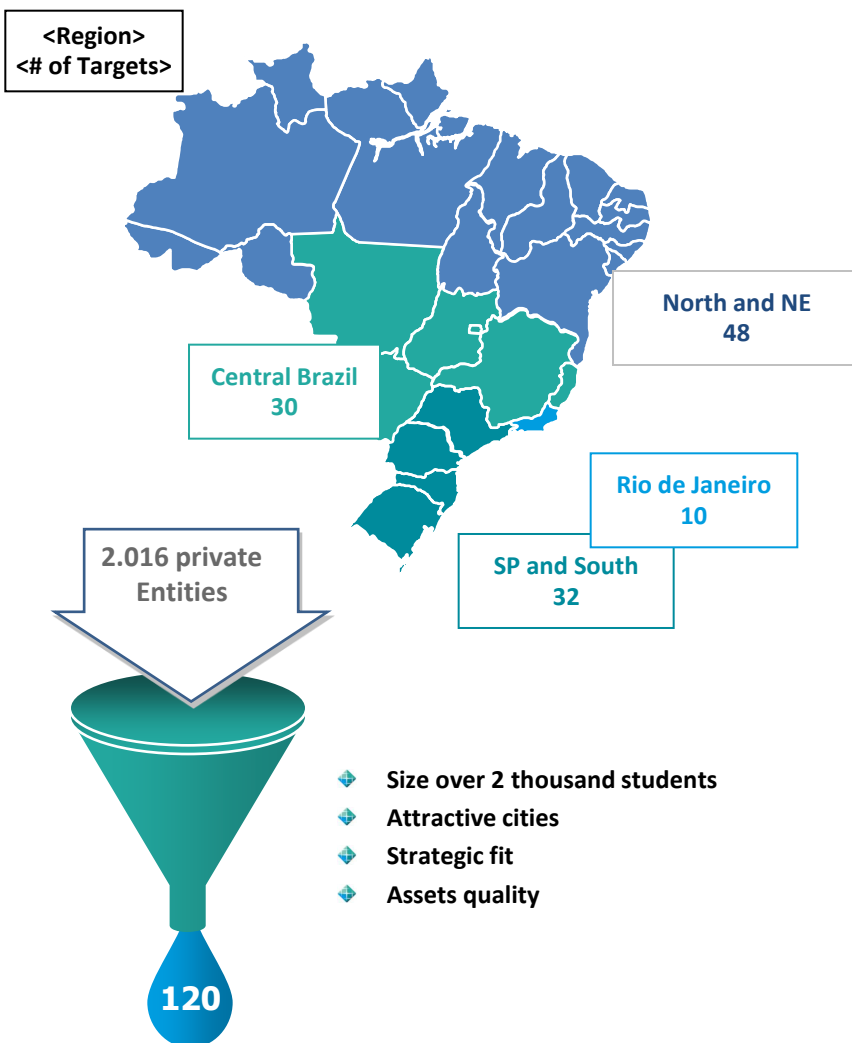
- ◆ Quality of education coupled with technology and support
- ◆ Lower average ticket: bringing D Class to the addressable market
- ◆ No additional CAPEX: 51 centers within our 69 campuses
- ◆ Higher profitability

## OTHER ORGANIC OPPORTUNITIES

- ◆ **Launching of new programs and courses**
  - ◆ Focus on high growth segments according to market needs (Ex: courses for oil & gas, infrastructure and tourism industries)
- ◆ **Opening of new campuses**
  - ◆ Geographic expansion
- ◆ **New revenue sources**
  - ◆ Corporate education and vocational courses

**Market share gains, increased points of presence and time to market**

## M&A

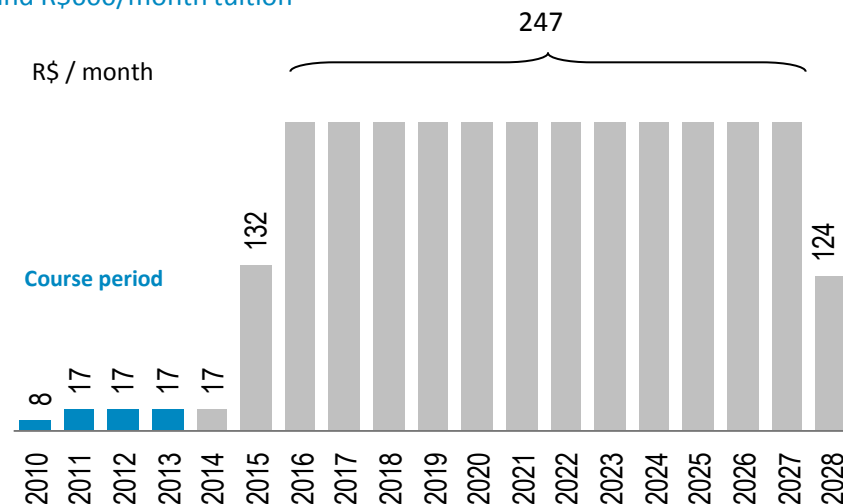


## STUDENT FINANCING



- Long-term financing to low-income students
- 3.5% a.a. nominal interests with 18-year term
- No guarantor required from 2011 onwards
- Allows further penetration in Classes C and D
- Students become more quality sensitive and less price sensitive
- Lower level of drop-outs: financing is currently the major reason for drop-outs

**Example:** payment flow for a 100% FIES financed of a 4-year course and R\$600/month tuition



## LOWER OPERATING COSTS

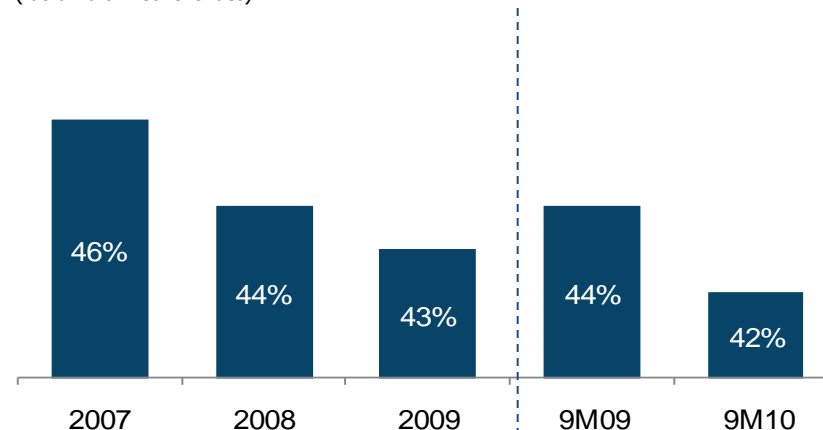
- 1 Product reengineering – new academic model
- 2 More efficient faculty cost allocation: PPC modeling and control
- 3 Management on a unit-by-unit basis (individual P&Ls and internal benchmarking)

## G&A DILUTION

- 1 Zero based / matrix budgeting → Strong cost austerity
- 2 Centralization of back-office (SSC) → Scalability
- 3 Better management of receivables → Lower bad debt provisions

## PERSONNEL COSTS<sup>1</sup>

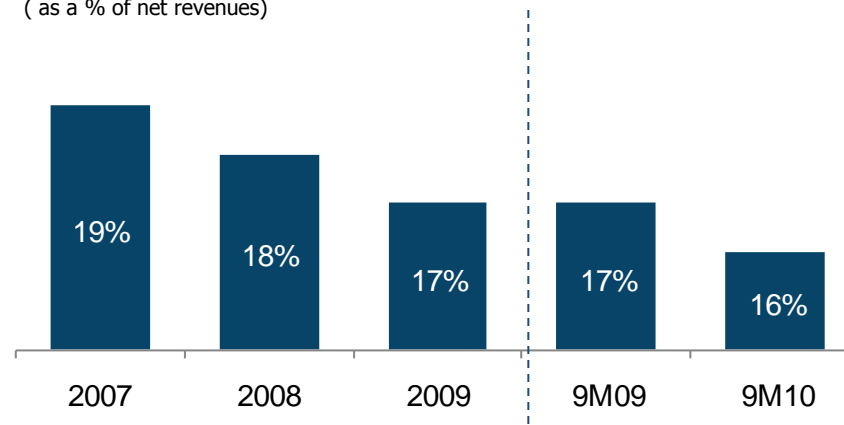
( as a % of net revenues)



(1) Excluding INSS and non-recurring

## G&A

( as a % of net revenues)



Result-oriented culture is key to differentiation and long-term sustainability of business model

**Expertise in education combined with experience from several industries**

**Management by “walking around” to guarantee execution and disseminate culture**

- 220 managers with individual, monthly tracked goals driving their variable compensation
- 68 units visited by CEO in the first 18 months

**Stock options & variable compensation fully aligned with shareholders**

- EBITDA based variable compensation for executives, managers and faculty members
- Stock option to 28 senior executives (up to 4.5% of capital to be granted)

**Capacity to attract and retain new talents**

- Trainee programs and accelerated meritocratic career planning in all levels

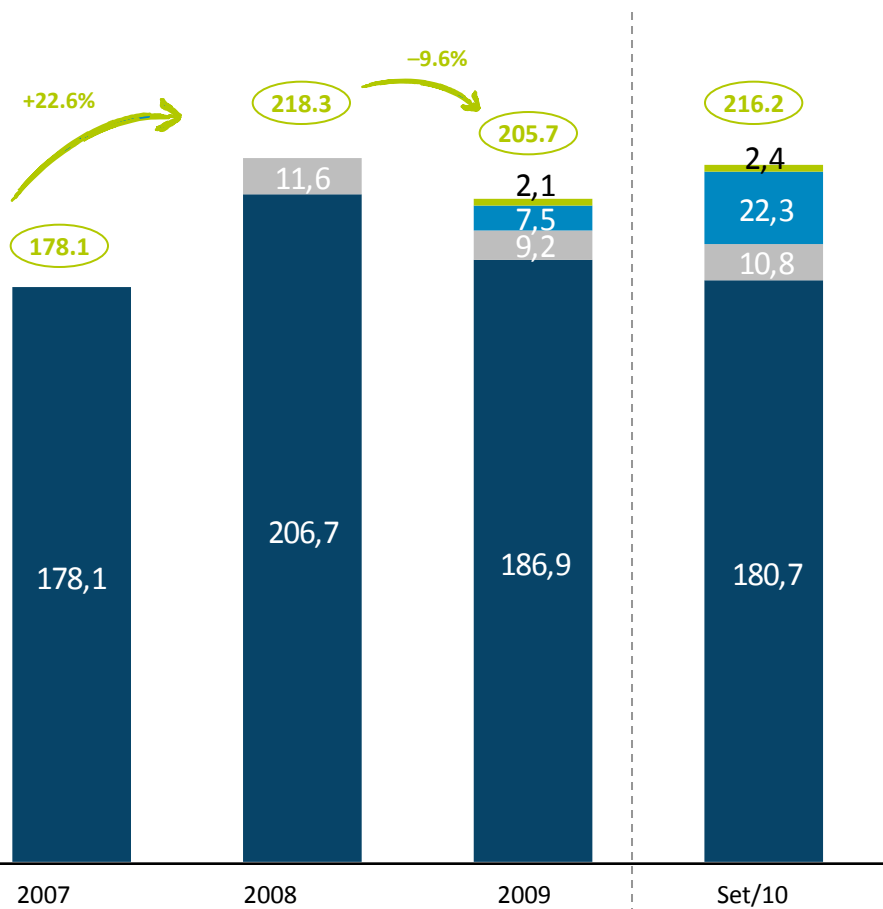
**Culture set to groom internal talents for self-sustained growth**

- Excellence in human talents in all levels is top priority

1. Company Overview
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## STUDENT BASE

( in '000 students ) total



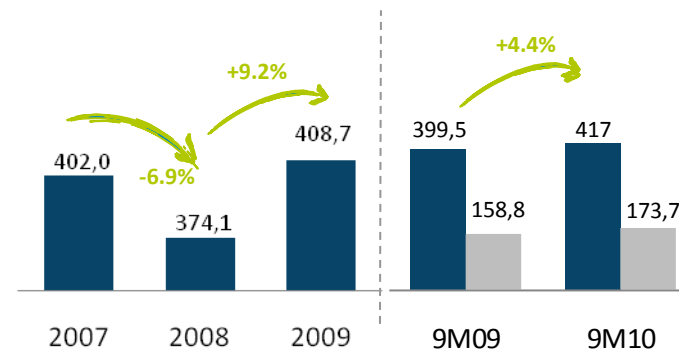
■ Distance Learning Graduate  
■ Distance Learning Undergraduate  
■ On Campus Graduate  
■ On Campus Undergraduate

## NET REVENUES



## AVERAGE TICKETS

■ On Campus Average Ticket    ■ Distance Learning Average Ticket



(1) Average ticket = net revenues in the period over student base at the end of the period

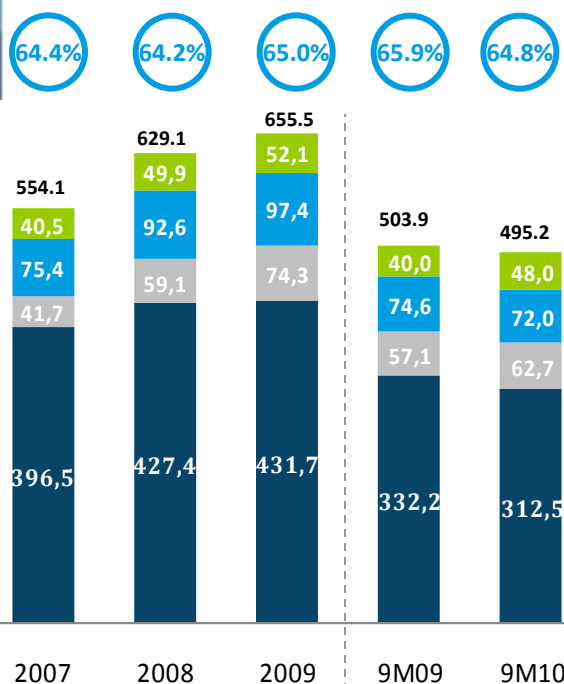
# STRICT CONTROL OF COSTS AND EXPENSES

## COST OF SERVICES

( in R\$ million )

○ % of net revenues

■ Payroll ■ INSS ■ Rentals ■ Others



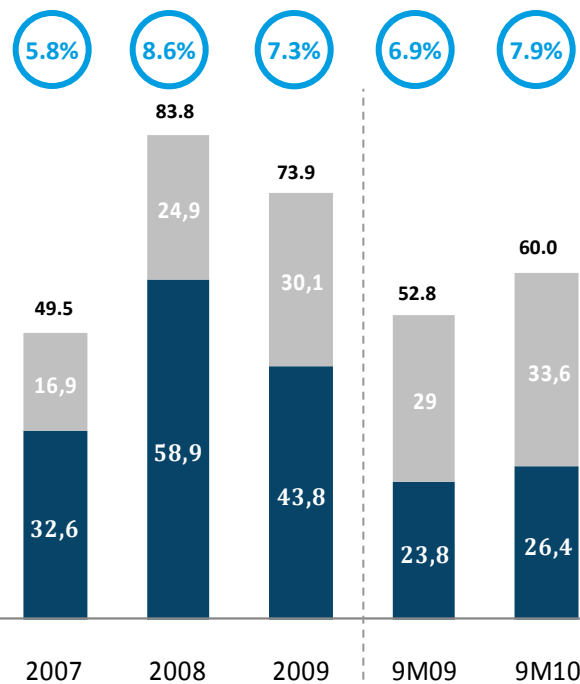
**Better management of faculty offset the step up of INSS and inflation**

## SELLING EXPENSES

( in R\$ million )

○ % of net revenues

■ PDD ■ Marketing



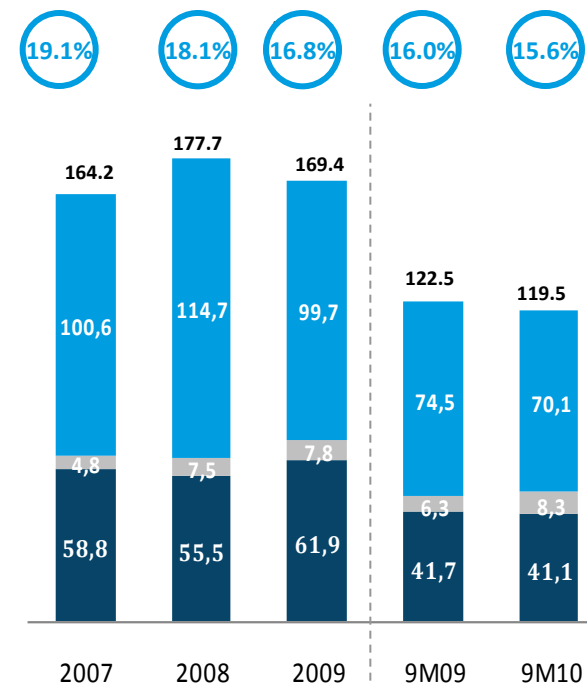
**Benchmark delinquency in the industry  
Discretionary increase in marketing to advertise new academic model and FIES**

## G&A EXPENSES

( in R\$ million )

○ % of net revenues

■ Payroll ■ INSS ■ Others




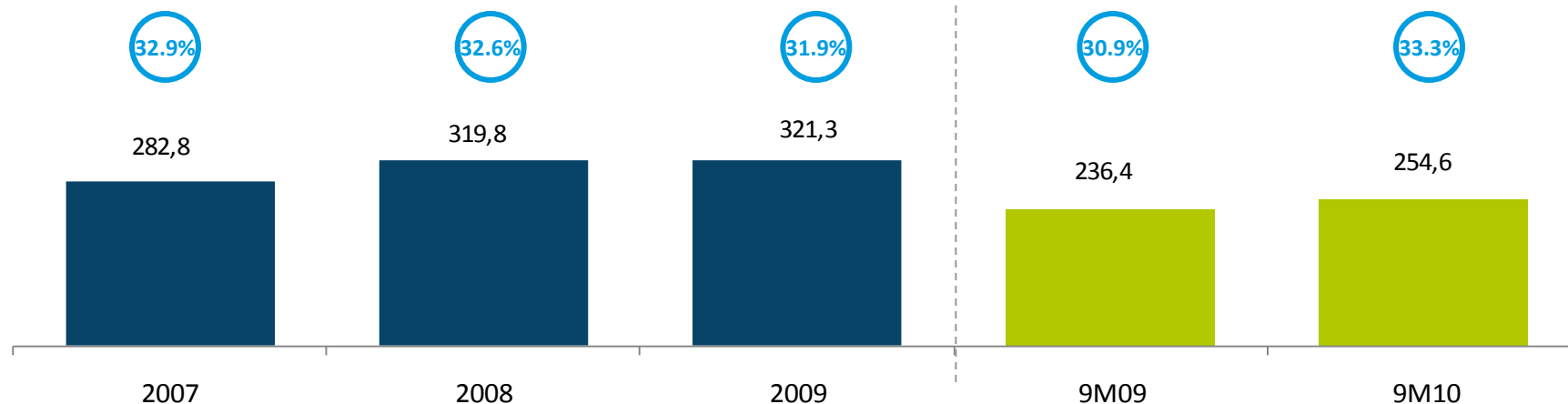
**Real decrease in G&A expenses – scalable model**

Note: (1) Not considering depreciation and non-recurring items

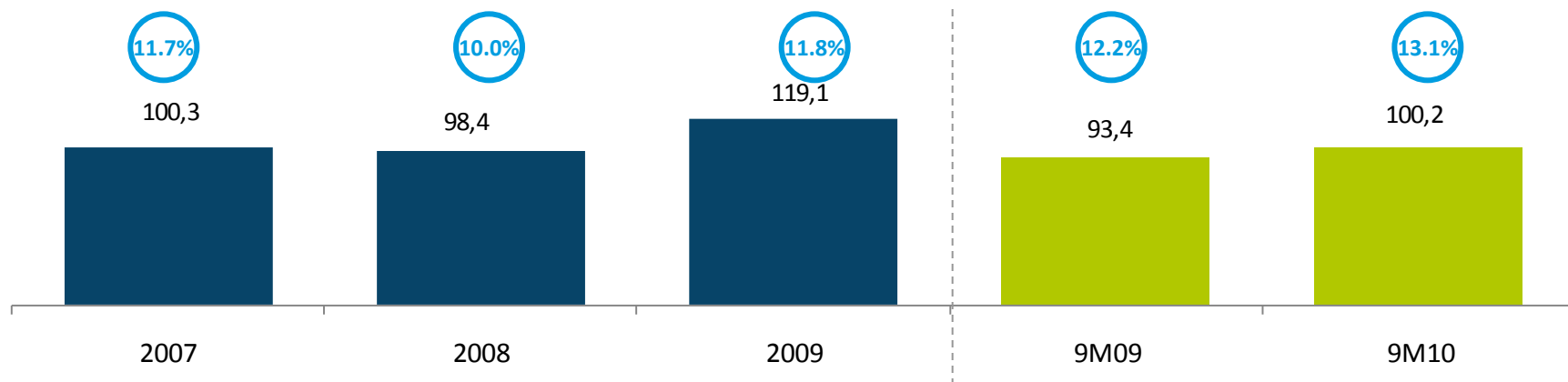
# SIGNIFICANT ROOM FOR MARGIN EXPANSION

## ADJUSTED GROSS PROFIT (R\$MM) AND GROSS MARGIN<sup>1</sup>

 % of net revenues



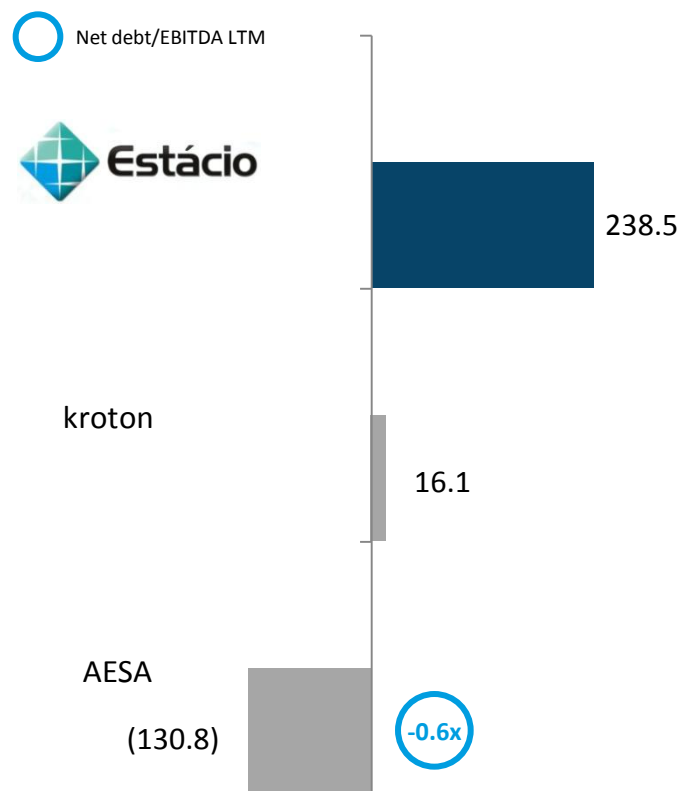
## ADJUSTED EBITDA (R\$MM) AND EBITDA MARGIN (%)<sup>1</sup>



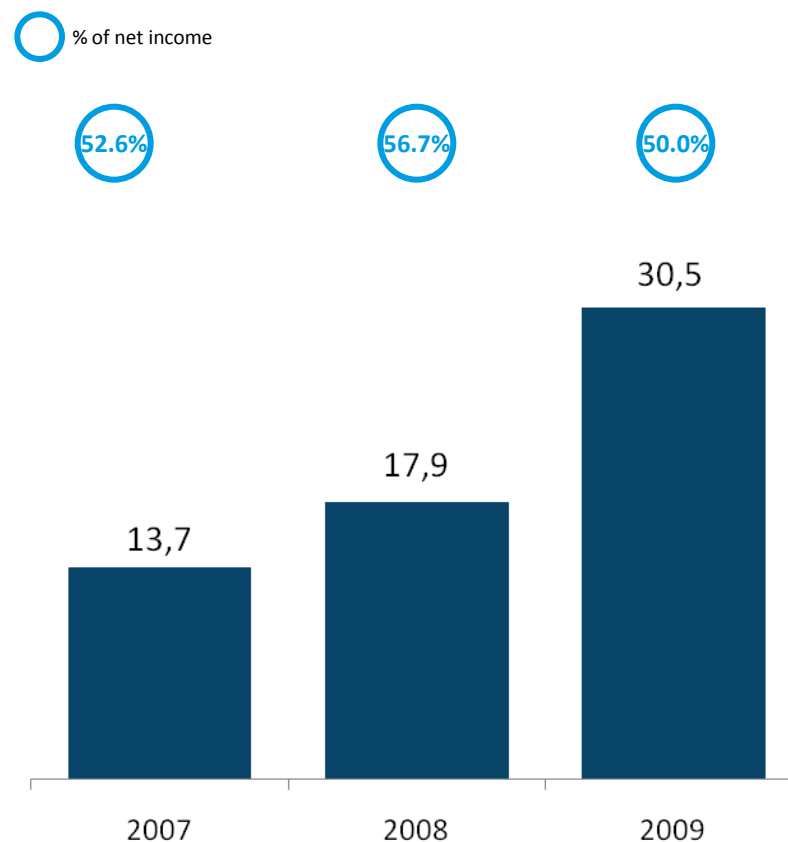
Note: (1) On a recurring basis

**Student base growth and efficiency gains will leverage margin expansion**

## NET CASH (NET DEBT) AS OF 30-SEP-2010 (R\$MM)



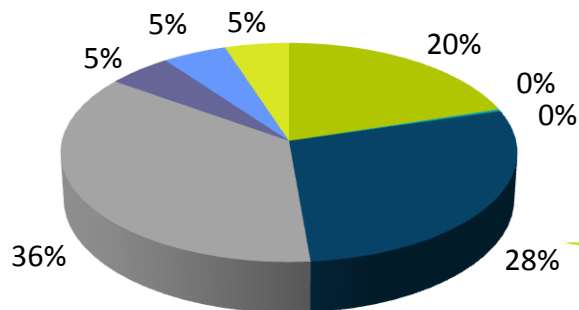
## DIVIDENDS DISTRIBUTED (R\$ MM) AND PAYOUT RATIO



1. Company Overview
2. Strategy
3. Financials
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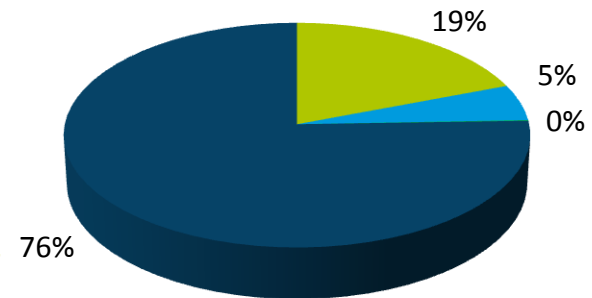
## BEFORE PUBLIC OFFER

- GP Investments
- Treasury
- Joao Uchoa Cavalcanti
- Andre Uchoa Cavalcanti
- Administrators and Counselors
- Free Float
- Monique Uchoa Cavalcanti
- Marcel Uchoa Cavalcanti



## AFTER PUBLIC OFFER

- GP Investments
- Treasury
- Administrators and Counselors
- Free Float



Free Float reaches **76%**

Number of shares  
**78,751,843**

Number of shares  
**82,038,041**

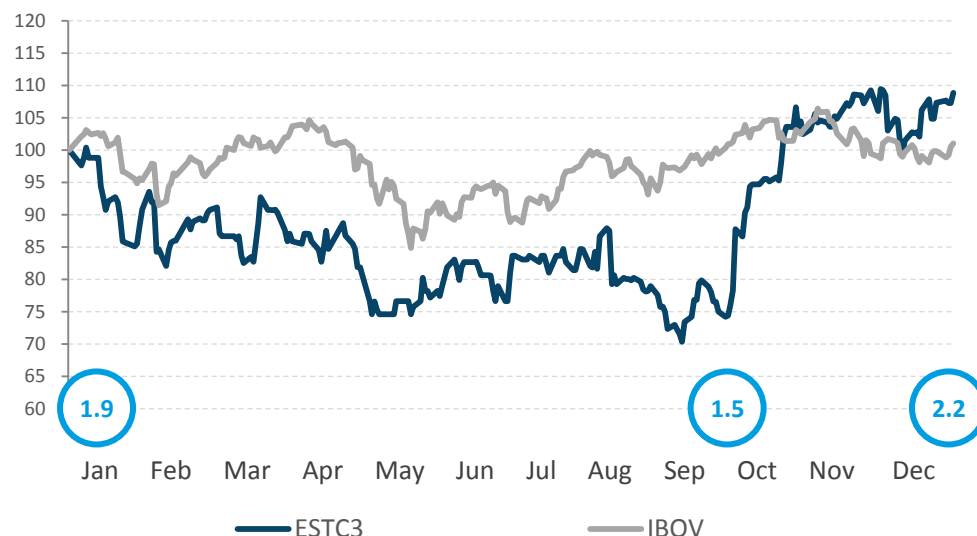
## ESTACIO'S LIQUIDITY

○ Average Daily Trading Volume (Reais)  
 - - - Before vs. After the Public Offer



## STOCK PERFORMANCE AND MARKET VALUE

○ Market Cap (in R\$ billion)



**Stock price increases 39% after the Public Offer**

**Average Trading Volume grows over 6 times from Jan-Aug to Sep-Dec**

## CHACARA FLORA CAMPUS

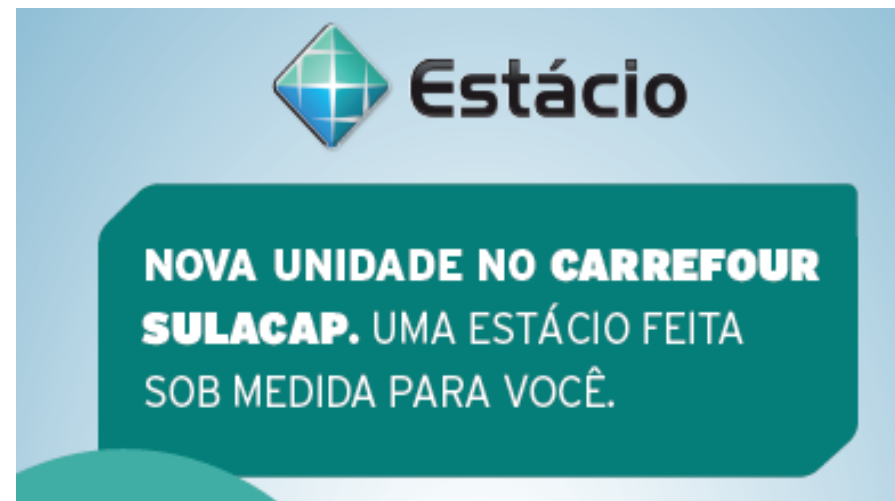


**Location:** São Paulo

**Number of courses:** 2 (niche programs)

**Capacity:** 2100 students

## SULACAP CAMPUS



**Location:** Rio de Janeiro

**Number of courses:** 18

**Capacity:** 3200 students per shift

## STRUCTURED TRADE MARKETING AND FOCUS ON DIRECT MARKETING



### ***"TIRA DÚVIDAS" PROJECT***

- ◆ Educational stands at the subway
- ◆ Estacio professors answer population's doubts



### ***ESTÁCIO'S POINTS OF SALES***

- ◆ Sale outlets well located
- ◆ Focus on neutralizing the actions of our competitors
- ◆ Promote brand and products



### ***CLICK PROFISSÃO***

- ◆ Promote vocational tests
- ◆ Events in high schools

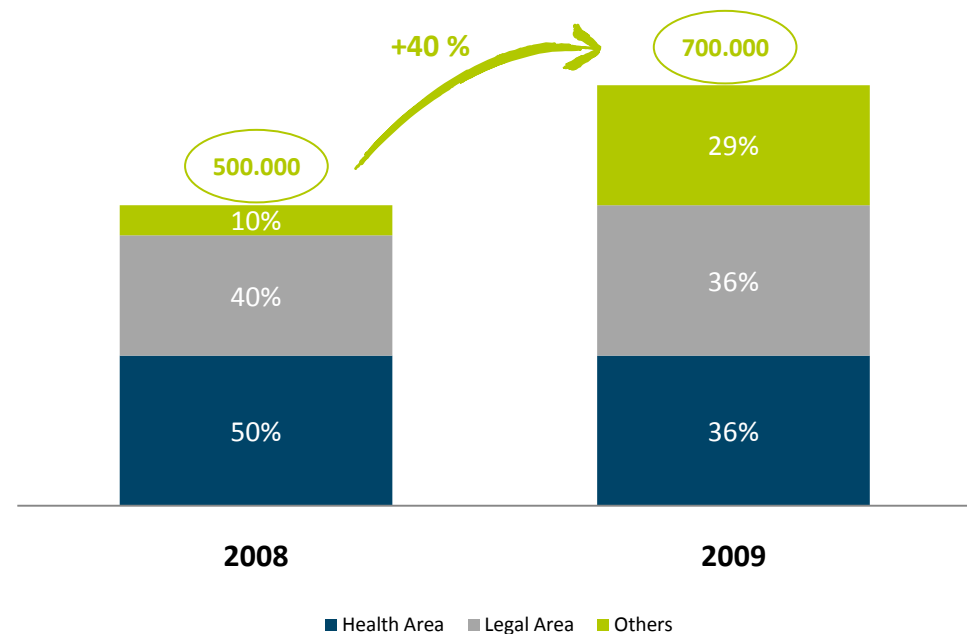
COMING SOON



IN 2009, 200.000 STUDENTS WERE ACHIEVED BY OUR 206 PROJECTS TO THE COMMUNITY



## COMMUNITY ATTENDANCE



- 1. Company Overview**
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## REGULATORY EVENTS

## MEC EVALUATIONS



**IES**

(High Education Institution)

**ACCREDITATION  
REACCREDITATION**

**Accreditation  
Assessment  
Grades**

IES grades

Graduate and  
undergraduate  
average grades

Positive  
assessment  
may render  
dismissal  
of  
regulatory  
events

5

4

3

**IGC<sup>1</sup>**



**COURSE**

**AUTHORIZATION\***

**RECOGNITION**

**RECOGNITION RENEWAL**

**ENADE**

**IDD**

**Supplies<sup>3</sup>**

Infraestrutura  
Faculty  
Student satisfaction

**CPC<sup>2</sup>**

Grades from courses  
in each municipality

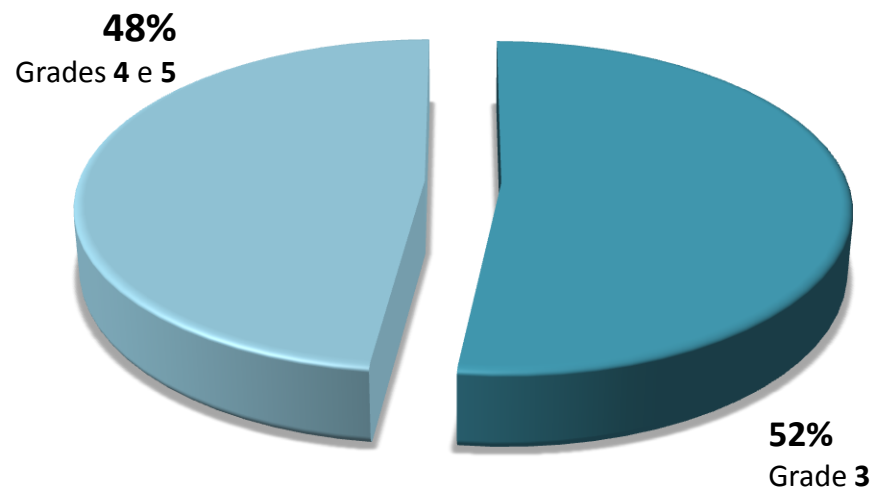
Negative  
assessment  
may render  
penalties by  
the Ministry  
of Education  
(MEC)

2

1

<sup>1</sup>General Index of Courses – Represents the average weighted graduate and undergraduate grades from each institution; <sup>2</sup>Preliminary Course Concept; <sup>3</sup>Represents the highest weight in the CPC calculus composition; \*If the IES is a College, and doesn't have autonomy; except Law, Medicine, Odontology and Psicologia.

- ◆ 100% of Acts of Authorization submitted with MEC were granted with grades equal or above 3, by an External Assessment Committee.
- ◆ Out of 50 municipality-courses evaluated by MEC in 2010, 48% exceeded the minimum grades required, reaching grades of excellence (4 and 5).



- ◆ Implementation of the New Academic Model;
- ◆ Dashboard of regulatory compliances;
- ◆ Action plans to all and every regulatory events;
- ◆ Legal Opinions, Technical Notes and Reports issued by Central Compliance Intelligence;
- ◆ Operations, academic and legal teams with goals and bonuses driven by regulatory compliance.

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**Quality product and competitive pricing**



**Organic and M&A growth platform**



**Scalable business model with margin expansion potential**



**Management culture drives self sustained business model and long term growth**

### **Investor Relations:**

Flávia de Oliveira

**E-mail:** [flavia.oliveira@estacio.br](mailto:flavia.oliveira@estacio.br)

**Phone:** +55 (21) 3311-9789

**Fax:** +55 (21) 3311-9722

**Address:** Av. Embaixador Abelardo Bueno, 199 – Office Park – 6<sup>th</sup> floor

CEP: 22.775-040 – Barra da Tijuca – Rio de Janeiro – RJ – Brazil

**Website:** [www.estacioparticipacoes.com/ir](http://www.estacioparticipacoes.com/ir)

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