

1Q18 Results



May 2018

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The background of the slide is a solid blue color. Silhouetted against this blue background are several graduates in academic regalia. They are shown from the waist up, with their arms raised in celebration. Some are holding their mortarboards high, while others are holding rolled-up diplomas. Above them, several mortarboards are shown in mid-air, as if they have just been tossed. The overall scene conveys a sense of achievement and joy.

01 OPENING REMARKS

Operational Pillars

Student Base

Undergraduate – Evolution 1Q18 x 1Q17

Total:

New Enrollments: **+3.4%**

Student Base: **-1.6%**

On-Campus:

New Enrollments: **+4.2%**

Student Base: **-5.2%**

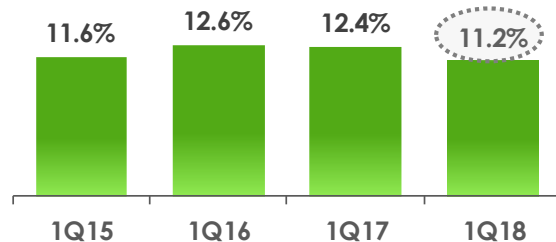
Distance Learning:

New Enrollments: **3.0%**

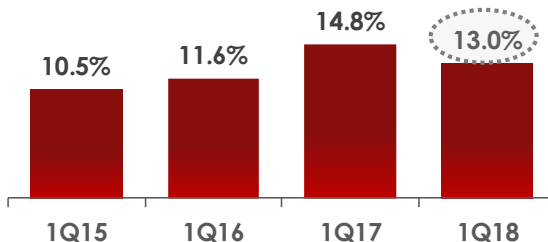
Student Base: **+1.2%**

Dropout Rate

On-Campus Undergraduate

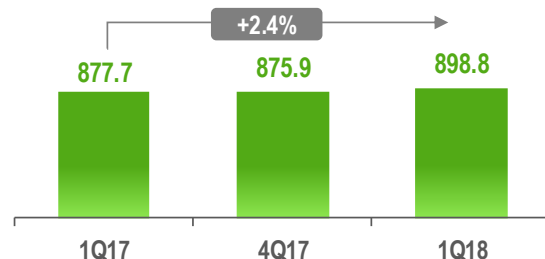


DL Undergraduate

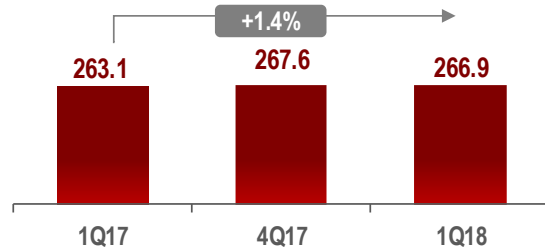


Average Ticket

On-Campus Postsecondary Education¹



DL Postsecondary Education²



All numbers exclude FAIR, FAC/FAMAT and NOVATEC

¹ Calculation of the average net ticket considers Net Revenue after FGEDUC, FIES Administrative Fee, Pronui and Taxes on all On-campus products, excluding revenue from Pronatec and the effects of APV.

² Calculation of the average net ticket considers Net Revenue before Transfers to owners of the centers and after ProUni scholarships and Taxes for all DL products and excludes the effects of APV.

A blue-tinted photograph of graduates in silhouette, celebrating with their arms raised and caps tossed into the air. The scene is set against a clear blue sky. The graduates are wearing traditional academic regalia, including gowns and mortarboards. Several mortarboards are captured mid-air, having been thrown by the graduates. The overall mood is one of triumph and accomplishment.

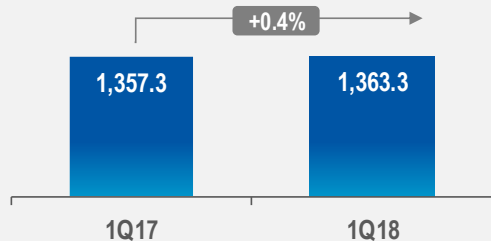
02 OVERVIEW OF THE RESULTS

Consolidated Results

CONSOLIDATED

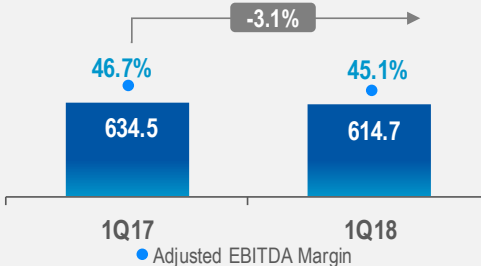
Net Revenue

Quarterly – R\$ million



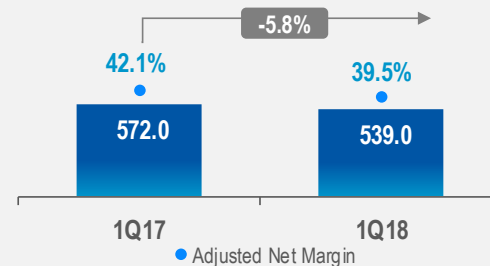
Adjusted EBITDA

Quarterly – R\$ million

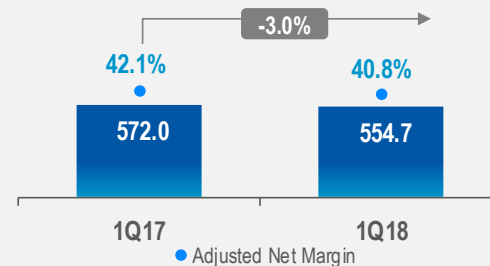
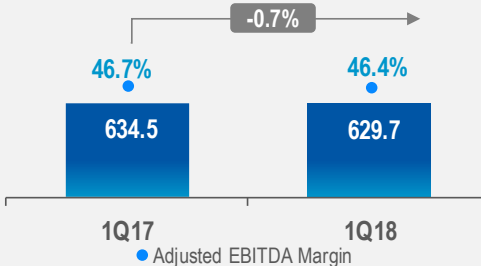
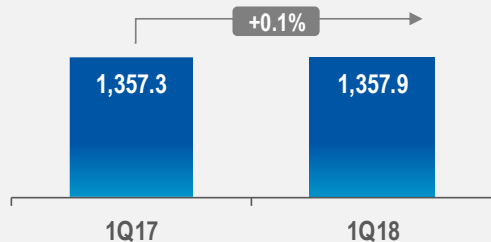


Adjusted Net Income

Quarterly – R\$ million



EX-GREENFIELDS¹



All numbers exclude FAIR, FAC/FAMAT and NOVATEC

¹ Excluding numbers related to new On-Campus units

Results by Segment

On-Campus

1Q18 vs. 1Q17 – Chg. in % and p.p.

Net Revenue: ▲ +0.6%
Gross Income: ▼ -1.5%
Gross Margin: ▼ -1.6 p.p.
Operating Result: ▼ -6.2%
Operating Margin: ▼ -3.8 p.p.

Upturn in Net Revenue, reflecting the **solid intakes of 1H18**, especially **out-of-pocket students**, sustained by the opening of **new campuses**, as well as the **ticket increase**, due to the **improvements in program mix** and **annual tuition increase**. Reduction in Gross Income and Operating Result, with the **increase in costs** related to the **organic expansion plan**, momentarily consuming the efficiency gains achieved in the period.

Distance Learning

1Q18 vs. 1Q17 – Chg. in % and p.p.

Net Revenue: ▲ +0.5%
Gross Income: ▲ +3.0%
Gross Margin: ▲ +2.2 p.p.
Operating Result: ▲ +6.1%
Operating Margin: ▲ +4.2 p.p.

Increase in Net Revenue driven by **robust enrollment and re-enrollment processes**, in turn supported by the **growth in the number of centers** and **expansion in the program portfolio**, with a highlight to **Premium DL programs**. Gross Income benefitted from the **optimization of the tutoring model**. Higher Operating Result and Margin, following **efficiency and scale gains**, which neutralized the increase in the number of employees.

Primary & Secondary Education

1Q18 vs. 1Q17 – Chg. in % and p.p.

Net Revenue: ▼ -3.7%
Gross Income: ▲ +5.1%
Gross Margin: ▲ +5.4 p.p.
Operating Result: ▲ +13.8%
Operating Margin: ▲ +8.4 p.p.

Reduction in Net Revenue, due to the **greater anticipation of sales in 4Q17**. Improvements in Gross Income and Margin and Operating Result and Margin, sustained by **greater efficiency** and **optimization in costs and expenses**. It is worth noting that the first quarter does not yet contemplate the results of Centro Educacional Leonardo da Vinci, as the acquisition was concluded in April/2018.

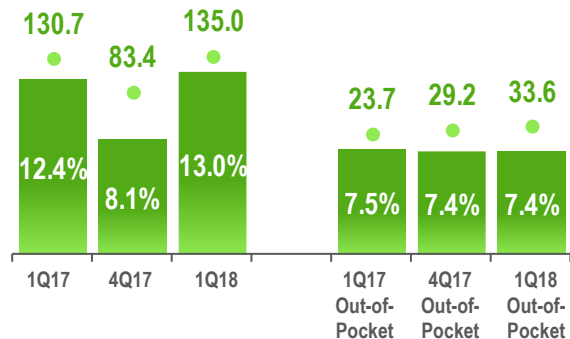
A blue-tinted background image showing the silhouettes of graduates in caps and gowns. Several graduates are visible, some holding up their caps and diplomas in celebration. The scene is set against a clear blue sky.

03 PDA AND AVERAGE RECEIVABLES TERM

Provision for Doubtful Accounts (PDA)

On-Campus

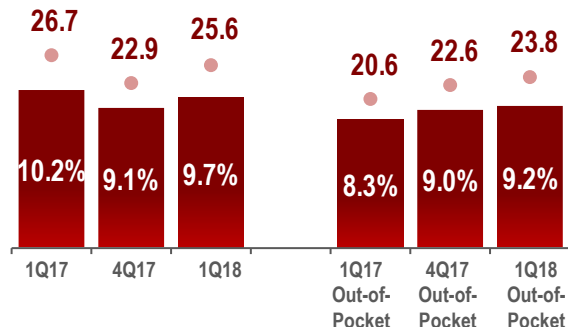
% Business NR and R\$ million¹



Increase of 0.6 p.p. in On-Campus PDA, following the higher representativeness of **PEP and PMT** students. When compared to 4Q17, there was an **upturn of 4.9 p.p.**, due to the **seasonality of PMT**. **Out-of-Pocket PDA** remained **stable** over the previous quarter, with a 0.1 p.p. reduction over 1Q17, following **the positive trend presented in the previous quarter**.

Distance Learning

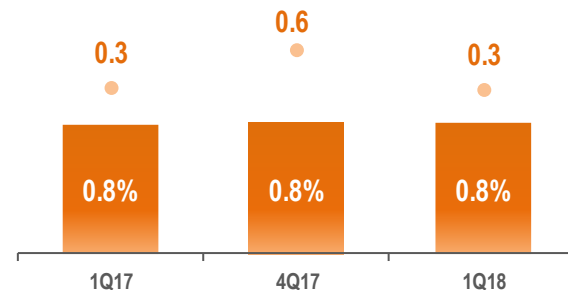
% Business NR and R\$ million



0.5 p.p. reduction in DL PDA year-over-year, reflecting a lower volume of **PMT** students in this quarter. **Increase of 0.6 p.p.** over 4Q17 due to the seasonality of PMT and **1H18 enrollments**. **Out-of-Pocket PDA** increased by **0.2 p.p.** in relation to 4Q17, due to the **increase in the base of 100% online students** and the **still challenging macroeconomic scenario**.

Primary & Secondary Education

% Business NR and R\$ million



Following the trend observed in 2017, Primary & Secondary Education **PDA** remained **stable**, demonstrating the **Company's assertiveness** in its policies.

Average Receivables Term

Days

On-Campus	1Q18	1Q17	Change	4Q17	Change
Total Average Term	163	146	17 days	129	34 days
Out-of-Pocket Average Term ¹	89	88	1 day	94	-5 days
FIES Average Term	146	151	-5 days	91	55 days
PEP and PMT Average Term	393	281	112 days	321	72 days

- Total average receivables term came to 163 days in 1Q18, 17 days higher year-over-year, mainly due to the increase in PEP and PMT average term.
- Out-of-Pocket average term was 89 days, practically stable in relation to 1Q17, with a 1-day increase. In relation to 4Q17, there was a decrease of 5 days, reflecting the natural seasonality and a convergence to a more stable scenario.
- FIES average term registered 146 days, down by 5 days over the previous year, supported by the receipt of the second installment due under PN23 in August/17.
- PEP and PMT average term totaled 393 days, up by 112 days compared to 1Q17, following the maturity already expected for this line for these products.

Distance Learning	1Q18	1Q17	Change	4Q17	Change
Out-of-Pocket Average Term	87	78	9 days	94	-7 days
PMT Average Term	242	189	53 days	140	102 days

- Out-of-Pocket average term reached 87 days, increase of 9 days over 1Q17, reflecting the macroeconomic scenario and higher number of 100% online students, which result in an increase in dropout rates and the lengthening of the average receivables term. In a quarterly comparison, there was a 7-day decrease, mainly due to the seasonality between periods, but also indicating convergence to greater stability in the coming quarters.
- PMT average term came to 242 days, up by 53 days year-over-year, once again following the maturity expected for this product.

Primary & Secondary Ed.	1Q18	1Q17	Change	4Q17	Change
Total Average Term	141	108	33 days	153	-12 days

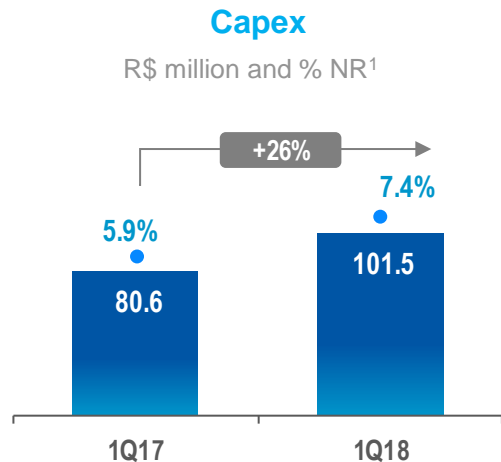
- Average term totaled 141 days, an increase of 33 days over 1Q17 due to the higher sales volume in 4Q17.

All numbers exclude FAIR, FAC/FAMAT and NOVATEC

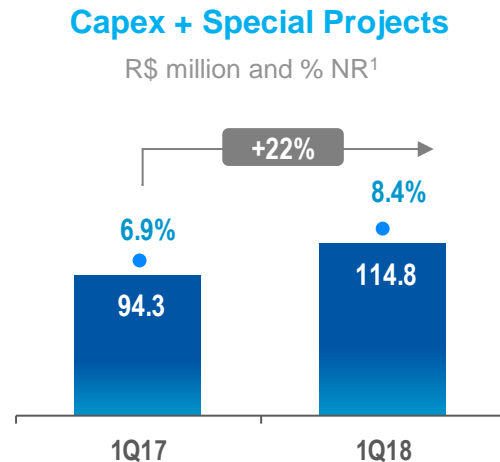
¹ Does not include Pronatec

A blue-tinted photograph of graduates in gowns and caps, celebrating with their arms raised and caps tossed into the air. The scene is set against a clear blue sky.

04 CAPEX, CASH GENERATION AND DEBT



In 1Q18, recurring Capex totaled R\$101.5 million, representing **7.4% of Net Revenue**, with **72%** of this amount being directed towards the **development of content, systems and licenses** and **expansion and improvement** of the Company's units.



After adding special projects and greenfields, total Capex reached R\$114.8 million in 1Q18, equivalent to **8.4% of Net Revenue**, with a highlight to the **organic expansion plan** and **Digital Transformation project**.

Operating Cash Generation (OCG)

Amounts in R\$ thousands

Consolidated	1Q18	1Q17	Change
GCO before Capex	(23,749)	133,002	n.a.
GCO / EBITDA	-4.2%	22.4%	-26.5 p.p.
GCO after Capex	(125,271)	51,155	n.a.
GCO / EBITDA	-22.0%	8.6%	-30.6 p.p.
GCO after Capex and Special Projects	(138,586)	38,759	n.a.
GCO / EBITDA	-24.3%	6.5%	-30.9 p.p.
Free Cash Flow	(190,409)	6,311	n.a.

- Cash generation in the quarter was impacted by the decrease in FIES payments due to the postponement of re-enrollments and reduction in the student base when compared to 2017, as well as an increase in Capex following our organic expansion plan. There were also other one-off effects, such as the buyback of shares and the reduction in the CDI rate.
- It is worth noting that, as of 2016, the government changed its FIES payment schedule, with the installment relating to November being paid in December, concentrating most of FIES payments in the second semester of the year.
- With this, Kroton presented a cash consumption, ending 1Q18 with a negative free cash flow of R\$ 190 million.
- For the following quarters, we expect a normalization in the FIES payment flow, and consequently, cash generation.

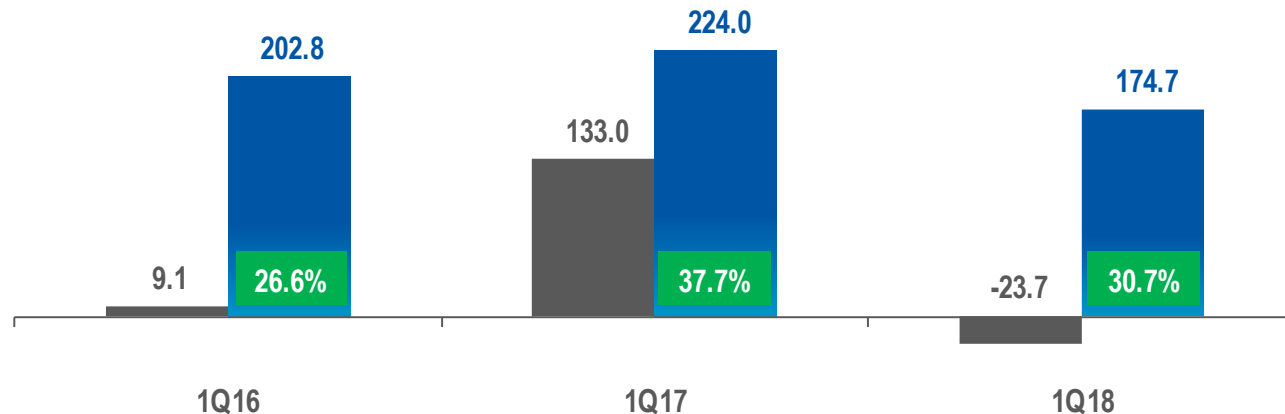
Operating Cash Generation Before Capex

Amounts in R\$ MM

EBITDA-to-Cash Conversion

■ Real OCG

■ Pro Forma OCG



Pro Forma Adjustments

Delay in FIES
Payments (PN23)

+R\$ 193.7 MM

November FIES installment anticipated
from December to January

+R\$191.7 MM

+R\$180.0 MM

Timing in the deadline for
FIES reenrollments 16.2 and 17.1

-R\$100.7 MM

Collective Vacations

+R\$18.4 MM

Amounts in R\$ thousands

Consolidated	1Q18	1Q17	Change	4Q17	Change
Cash and Cash Equivalents	1,542,745	1,356,720	13.7%	1,733,269	-11.0%
Loans and Financing	253,373	496,783	-49.0%	303,881	-16.6%
Net Cash (Debt)¹	1,289,372	859,937	49.9%	1,429,388	-9.8%
Other Short and Long Term Debt ²	174,639	202,354	-13.7%	171,191	2.0%
(1) Net Cash (Debt)²	1,114,733	657,583	69.5%	1,258,197	-11.4%
(a) Short Term Accounts Receivables	502,674	196,910	155.3%	495,298	1.5%
(b) Long Term Accounts Receivables	456,306	866,950	-47.4%	446,891	2.1%
(2 = a + b) Other Accounts Receivables³	958,980	1,063,861	-9.9%	942,189	1.8%
(1)+(2) Pro Forma Net Cash (Debt)	2,073,713	1,721,444	20.5%	2,200,386	-5.8%

- At the end of 1Q18, Kroton registered total cash and cash equivalents of R\$1.5 billion, down by 11.0% over 4Q17, impacted by the cash consumption in the period, as already described. In an annual comparison, there was a 13.7% increase.
- If we also include all other short and long term obligations and receivables, such as taxes paid in installments, obligations and rights related to acquisitions and divestments and 50% of the FIES installments which were not paid in 2015, the Company presented a net cash of R\$ 2.1 billion in 1Q18, growth of 20.5% over 1Q17.

¹ Considers only bank obligations.

² Considering all short- and long-term obligations related to the taxes paid in installments and the acquisitions, including the amount to be paid within 6 years related to the Uniasselvi acquisition.

³ Considers the short and long term receivables related to 50% of the FIES installments not paid in 2015, due in 2018, and receivables related to the Uniasselvi, FAIR and FAC/FAMAT divestments, with installments to be earned from 2018 to 2022 adjusted to present value (excluding the earn-out amounts).

A blue-tinted photograph of graduates in gowns and caps, some throwing their caps into the air, serving as the background for the title.

05 GUIDANCE AND CLOSING REMARKS

R\$ million and %	2017 ¹	2018 Guidance (Ex- Greenfields) ²	Change	Guidance 2018 (Consolidated)	Change
Net Revenue	R\$ 5,538	R\$ 5,440	-1.8%	R\$ 5,480	-1.1%
Adjusted EBITDA	R\$ 2,439	R\$ 2,350	-3.7%	R\$ 2,275	-6.7%
Adjusted EBITDA Margin	44.0%	43.2%	-0.8 p.p.	41.5%	-2.5 p.p.
Adjusted Net Income	R\$ 2,221	R\$ 2,030	-8.6%	R\$ 1,940	-12.7%
Adjusted Net Margin	40.1%	37.3%	-2.8 p.p.	35.4%	-4.7 p.p.
Total CAPEX (% of Net Revenue)	10.7%	-	-	13.5%	+2.8 p.p.

¹ Excludes numbers related to Pronatec, FAIR, FAC/FAMAT and NOVATEC

² Guidance excluding numbers related to new On-Campus units



- New holding company dedicated exclusively to the Primary & Secondary Education market
- Internal reorganization of Kroton's current K-12 business, which encompasses learning systems, owned and third-party schools, as well as any future deals that the Company carries out in this segment, including asset acquisitions and their subsequent expansion



- Acquisition of 73.35% of Somos Educação for R\$ 23.75 per share
- Creation of a complete educational platform, serving:
 - **3,624** Schools and **1.8MM** Teachers
 - **66k** B-2-C Students and **34.2MM** B-2-B Students
 - **R\$ 7.4 Bn** Net Revenue, **R\$ 3.0 Bn** EBITDA, EBITDA Margin of **41%**
- Synergies and efficiency gains estimated at R\$ 300 million, to be captured in up to 4 years (+16pp in EBITDA margin)
- Next steps: conclusion of the due diligence, analysis and approval by CADE, raising the required debt, private sale and Tag Along Tender Offer



CENTRO EDUCACIONAL
LEONARDO DA VINCI

- Acquisition of Centro Educacional Leonardo Da Vinci, located in Vitória (ES)
- Unique infrastructure, serving 1,311 students, 71% of whom in full-time programs
- With a strong focus on quality, CELV placed first in the state's ENEM examination for six times in recent years

CLOSING REMARKS

Organic Growth



+20 new campuses in 2018.2

+38 new campuses in 2019

TOTAL: 186 CAMPUSES AT THE END OF 2019



+100 new centers in 2018.2

+200 new centers in 2019

TOTAL: 1,510 CENTERS AT THE END OF 2019



**2018.2 Enrollment and
Re-enrollment Status**



**Digital Transformation
Status**



**Share buyback
Program**



**Approval of the distribution
of dividends totaling R\$
180.7 million (R\$ 0.11/share),
maintaining payout at 40%**

A blue-tinted background image showing a group of students in a classroom. In the foreground, a young woman with long, wavy blonde hair is smiling and looking towards the right. Next to her, another young woman with dark hair is looking down at a book or tablet. Other students are visible in the background, some sitting at desks. The overall atmosphere is positive and educational.

INVESTOR RELATIONS

www.kroton.com.br/ir

Carlos Lazar

carlos.lazar@kroton.com.br
+ 55 11 3133-7309

Pedro Gomes

pedro.gsouza@kroton.com.br
+ 55 11 3133-7311

Ana Troster

ana.mtroster@kroton.com.br
+55 11 3133-7314