



1Q19

Results

May 2019

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GUIDANCE

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Guidance – Kroton Ex-Somos and Somos

R\$ million and %	Somos (already published)			Kroton Ex-Somos			Comments
	2018 Pro Forma ¹ With IFRS16 ³	Guidance 2019	Chg.	2018 Pro Forma ² With IFRS16 ³	Guidance 2019	Chg.	
Net Revenue	1,867	1,933	3.5%	5,550	5,420	-2.4%	
Results							
Adjusted EBITDA	545	670	22.9%	2,695	2,570	-4.6%	
Adjusted EBITDA Margin	29.2%	34.7%	5.5 p.p.	48.6%	47.4%	-1.1 p.p.	
EBITDA ⁴	157	621	296.2%	2,422	2,450	1.2%	Reduction of non-recurring expenses, leading to margin gain, even with pressure related to FIES graduations
EBITDA Margin	8.4%	32.1%	23.7 p.p.	43.6%	45.2%	1.6 p.p.	
Cash Generation After Capex							
OCG after Capex	-9	150	n.a.	581 ⁵	650	12.0%	In 2019, we return to a growth trend of cash generation, with evolutions in both absolute cash and conversion
Conversion (with IFRS 16)	n.a.	24.2%	n.a.	24.0% ⁵	26.5%	2.6 p.p.	
Conversion (without IFRS 16)	n.a.	28.7%	n.a.	28.6% ⁵	31.8%	3.2 p.p.	

¹ After convergence of accounting practices

² Excludes the 80 days of results from Somos, from October 11 (transaction settlement date) to December 31, 2018

³ Impact of IFRS16 based on estimates

⁴ EBITDA considers interest and penalties on tuition and excludes the impact from Surplus Value of Inventories

⁵ Excludes the impacts from PN23 in 2018

Guidance – Kroton Consolidated

R\$ million and %	Kroton Consolidated						Comments
	2018 Corporate ¹ With IFRS16 ³	Guidance 2019	Chg.	2018 Pro Forma ² With IFRS16 ³	Guidance 2019	Chg.	
Net Revenue	6,059	7,353	21.4%	7,417	7,353	-0.9%	-Impact of volume of FIES graduations - We took control of Somos in October, with 2019 revenue already defined
Results							Where we had more space to act: Adjusted EBITDA flat EBITDA grows 21% Growth of 40% in cash generation, pointing to the new OCG trend as of 2020
Adjusted EBITDA	2,870	3,240	12.9%	3,240	3,240	0.0%	
Adjusted EBITDA Margin	47.4%	44.1%	-3.3 p.p.	43.7%	44.1%	0.4 p.p.	
EBITDA ⁴	2,484	3,040	22.4%	2,509	3,040	21.1%	
EBITDA Margin	41.0%	41.3%	0.3 p.p.	33.8%	41.3%	7.5 p.p.	
Adjusted Net Income ⁵	1,477	1,348	-8.7%	1,183	1,348	14.0%	
Adjusted Net Margin	24.4%	18.3%	-6.0 p.p.	15.9%	18.3%	2.4 p.p.	
Cash Generation After Capex							
OCG after Capex	489	800	63.9%	572 ⁶	800	40.1%	
Conversion (with IFRS 16)	19.7%	26.3%	6.7 p.p.	22.8% ⁶	26.3%	3.6 p.p.	
Conversion (without IFRS 16)	23.6%	31.6%	8.0 p.p.	28.0% ⁶	31.6%	3.6 p.p.	

¹ Considers the 80 days of results from Somos, from October 11 (transaction settlement date) to December 31, 2018

² Considering 12 months of Somos, after convergence of accounting practices

³ Impact of IFRS16 based on estimates

⁴ EBITDA considers interest and penalties on tuition and excludes the impact from Surplus Value of Inventories

⁵ Net income excludes the impacts from Surplus Value of Inventories and Amortization of Intangible Assets

⁶ Excludes the impacts from PN23 in 2018



OPERATIONAL INDICATORS

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Operational Pillars – Postsecondary Education

- **Positive intakes**, with even greater **growth** in the On-Campus segment (+4%)
- **Dropouts under control** in DL with an **improvement in On-Campus** (20% decrease between 2017 and 2019)
- Large decrease in FIES was **compensated by Out-of-Pocket students**, reducing drop in student base
- As of **2020**, **FIES ceases to generate** as much **pressure** on the base

Student Base

Undergraduate – Evolution 1Q19 vs. 1Q18

Total:

Enrollments ex-ProUni: **+1.4%**
Base: **-4.4%**

On-Campus:

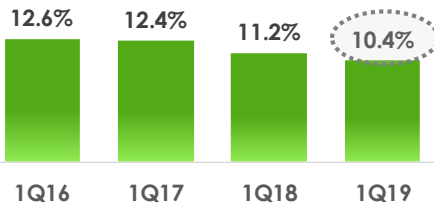
Enrollments ex-ProUni: **+4.1%**
Base: **-6.6%**

EAD:

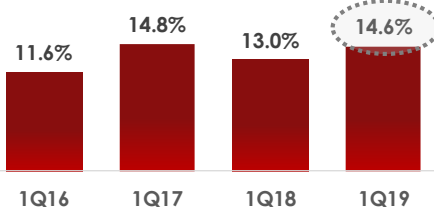
Enrollments ex-ProUni: **+0.1%**
Base: **-2.7%**

Undergraduate Dropouts

On-Campus

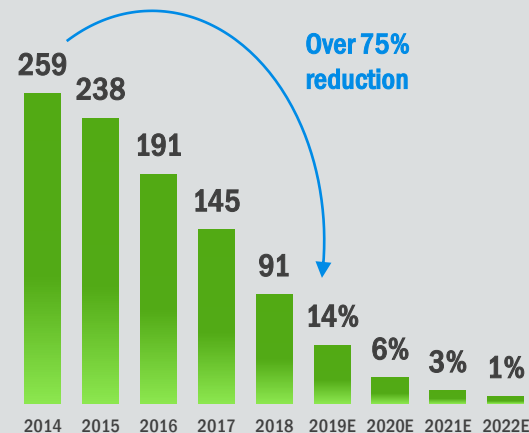


Distance Learning



FIES Student Base

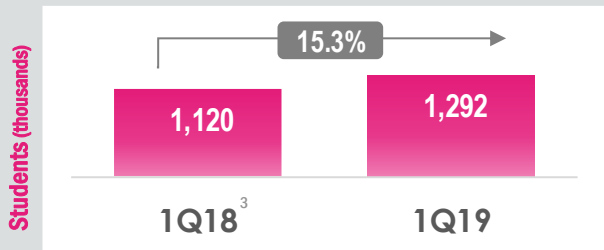
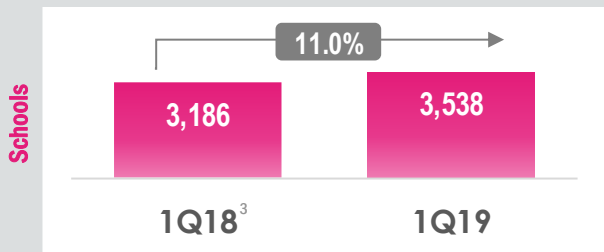
Thousands and % of On-Campus Undergrad



Operational Pillars – Primary & Secondary Education

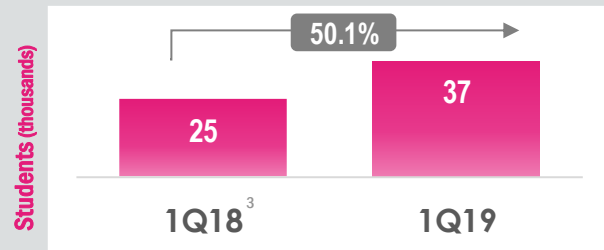
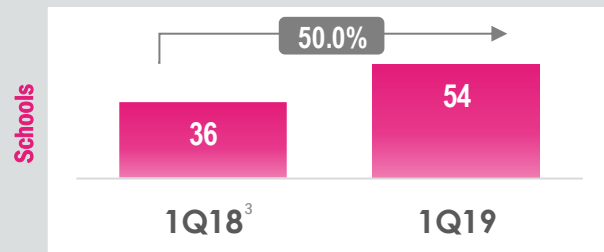
- With the acquisition of Somos, Kroton created the largest platform of K12 services and management of schools powered by technology in the country

K12 Platform (Core Content¹)



Own Schools

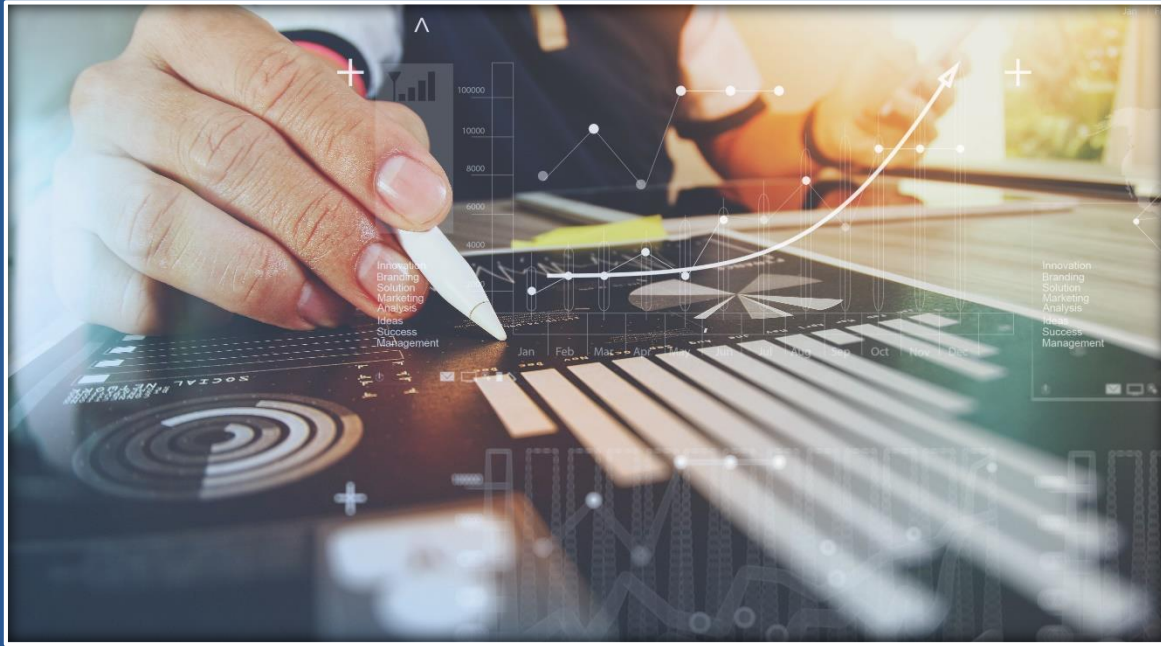
(Includes Own Schools and Schools managed by Contracts)²



¹ Considers private schools and students with contracts

² Does not include figures relating to Red Balloon

³ Pro Forma numbers, considering 12 months of Somos



OVERVIEW OF QUARTERLY RESULTS

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3.1 INTRODUCTION

1Q19 Results

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New Format for Publishing Results

POSTSECONDARY EDUCATION

UNDERGRADUATE OWN UNITS:

On-Campus Undergraduate
DL Undergraduate in Own Units

UNDERGRADUATE UNITS IN PARTNERSHIP:

DL Undergraduate in Units in Partnership

CONTINUED EDUCATION:

Graduate (On-Campus and DL)
Unregulated and Preparatory Courses (including SETS)

PRIMARY & SECONDARY EDUCATION

INTEGRATED PLATFORM OF K12 SERVICES &

PNLD/OFFICIAL CONTRACTS:

Core Content
Complementary Education (Counter Shift)
PNLD/Official Contracts

MANAGEMENT OF SCHOOLS:

Management of Own Schools/Schools Managed by
Contracts
Red Balloon



3.2 POSTSECONDARY EDUCATION

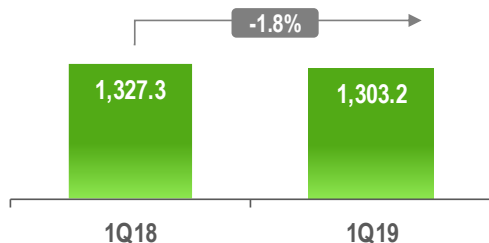
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Postsecondary Education Quarterly Results

Net Revenue

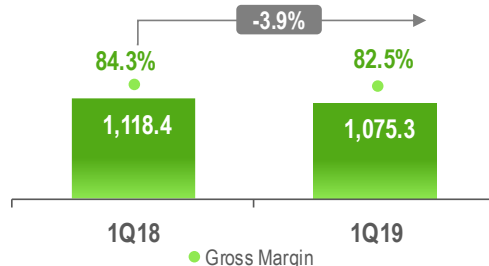
Quarterly – R\$ million



Net Revenue fell **1.8%** due to the **reduction of 4.4%** in the student base, which neutralized the positive results of the **1H19 enrollment process**, which posted an **increase of 1.4% ex-ProUni**.

Gross Income

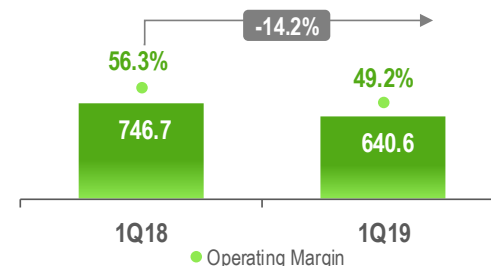
Quarterly – R\$ million



Decrease in Gross Income due to **consolidation of SETS** in the results for Postsecondary Education. Analyzing only **Undergraduate** (excluding Continued Education), **Gross Margin remained stable**.

Operating Result

Quarterly – R\$ million



Decrease in Operating Result due to:

- **Consolidation** of **SETS** in the results for Postsecondary Education
- Addition of **new units**, leading to **lower cost dilution**
- Seasonal events impacting the quarter (**PDA** and **marketing expenses**)



3.3

PRIMARY & SECONDARY EDUCATION

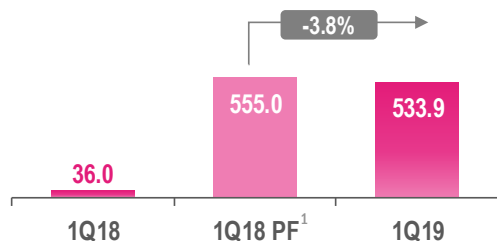
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Primary & Secondary Education Quarterly Results

Net Revenue

Quarterly – R\$ million

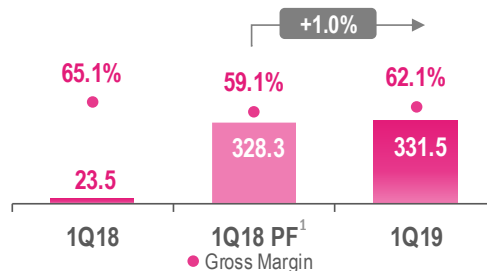


The **3.8% decrease** in Net Revenue is due to two effects of **PNLD**: 2017 purchases carried out in 1Q18 and postponement of purchases of 1Q19 to be carried out in the following quarters.

Excluding the **PNLD** effect, **Revenue** for the other businesses (**K12 Platform and Management of Schools**) grows.

Gross Income

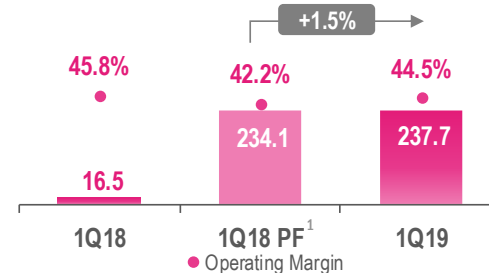
Quarterly – R\$ million



Gross Income posted **increase of 1.0%**, with evolution in **gross margin** of **3.0 p.p.**, with the initial **capture of synergies and efficiency gains**, which more than compensated the reduction in Net Revenue.

Operating Result

Quarterly – R\$ million



The Operating Result presented an **upturn of 1.5%**, with Operating Margin **growth of 2.4 p.p.**, following the trend presented in Gross Income, despite the increase in marketing expenses following the **new go-to-market** being implemented in the **K12 Platform**.

¹ Pro Forma result, considering 12 months of Somos after the convergence of accounting practices



3.4

CONSOLIDATED RESULTS

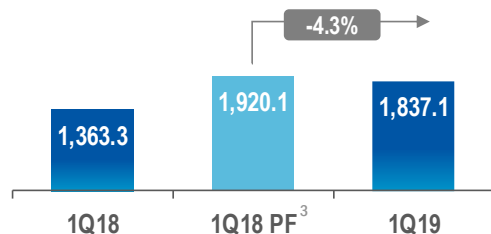
1Q19 Results

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Consolidated Quarterly Results

Net Revenue

Quarterly – R\$ million

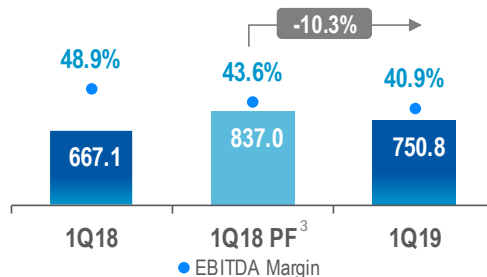


The factors which lead to the decrease in Net Revenue discussed in the previous slides should be partially compensated over the following quarters.

The 2019 **Guidance** points to a **decrease of only 0.9%**.

EBITDA¹

Quarterly – R\$ million

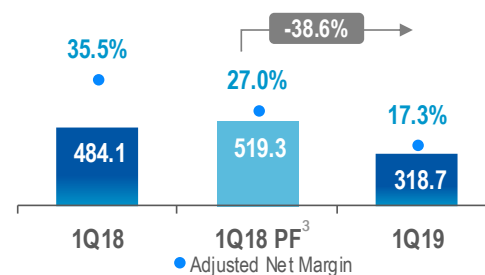


Reduction due to the **opening of new units and important seasonal factors** (PDA and marketing in Postsecondary Education and PNLD in Primary & Secondary Education).

The EBITDA **Guidance** for the year (R\$ 3.0 billion) points to a **21% increase** and growth of 1.2% even for Kroton Ex-Somos.

Adjusted Net Income²

Quarterly – R\$ million



Decline in Adjusted Net Income related to the increase in financial expenses due to the **funding of the Somos acquisition**, in addition to an increase in the levels of **depreciation**.

The **Guidance** for the year points to a **14.0% increase** in Adjusted Net Income.

¹ EBITDA considers interest and penalties on tuition and does not consider impact of inventory surplus (non-cash)

² Adjusted Net Income does not consider impact of inventory surplus (non-cash) and amortization of intangible assets (non-cash)

³ Pro Forma result, considering 12 months of Somos after the convergence of accounting practices



PDA AND AVERAGE RECEIVABLES TERM

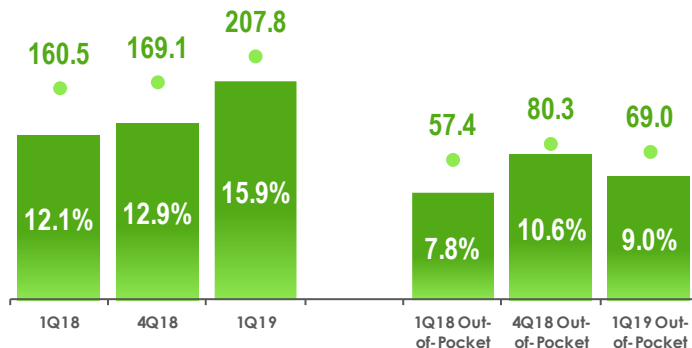
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Provision for Doubtful Accounts (PDA)

Postsecondary Education

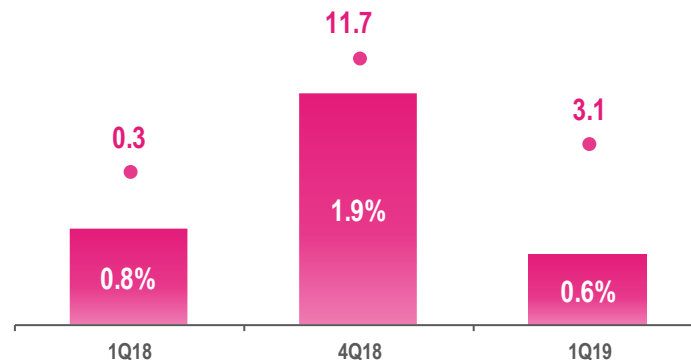
% Segment NR and R\$ million¹



Postsecondary Education PDA presented an **increase of 3.8 p.p.** over 1Q18, reflecting the **higher volume of PMT**, in addition to **increases** carried out in **Out-of-Pocket PDA**, which grew 1.3 p.p. year-over-year, to better reflect the **change in mix of the student base**, with the **graduation of FIES students** and the higher representativeness of **100% online students** in the Distance Learning student base.

Primary & Secondary Education

% Segment NR and R\$ million



Primary & Secondary Education PDA totaled **0.6%** in 1Q19, **0.2 p.p. below** 1Q18, due to the **incorporation of Somos** and the higher weight of the **B2B businesses**, in addition to the **decrease** in the PDA of **management of schools**, reflecting the **more Premium profile** of acquired units. In a quarterly comparison, the **1.3 p.p. reduction in PDA** reflects the **seasonality of operations**.

¹ Excluding Pronatec

Average Receivables Term

Days

Postsecondary Ed.	1Q19	1Q18	Change	Comments	4Q18	Change
Total	169	148	21 days	- Impact of PEP/PMT - Increase in Out-of-Pocket term	146	23 days
Out-of-Pocket ¹	110	88	22 days	-Despite the increase, the evolution between 4Q18 and 1Q19 (6 days) already proves less relevant compared to previous quarters	104	6 days
FIES	107	145	-38 days	Normalization of payment flows	64	43 days
PEP and PMT	489	388	101 days	Natural evolution of the products	483	6 days

Primary & Secondary Ed.	1Q19	1Q18	Change	Comments	4Q18	Change
Total	93	141	-48 days	Improvement in mix and on-time payments	76	17 days
Integrated Platform	121	141	-20 days	Improvement in on-time payments	96	25 days
Schools	28	n.a.	n.a.		25	3 days

¹ Excluding Pronatec



**CAPEX, EXPANSION
INVESTMENTS,
CASH GENERATION,
NET DEBT**

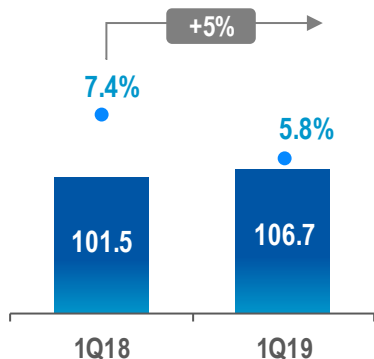
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Capex, Investments in Expansion and Operating Cash Generation

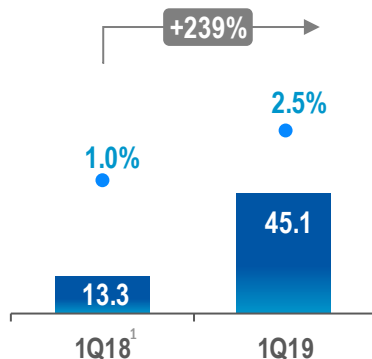
Capex

R\$ million and % NR



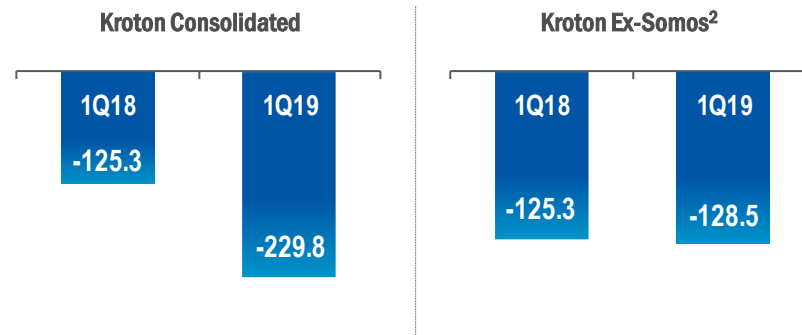
Investments in Expansion

R\$ million and % NR



Operating Cash Generation After Capex

R\$ million and % EBITDA-to-Cash



In 1Q19, Capex reached **5.8% of Net Revenue**, with the greatest part destined to the **development of content and systems** and **improvements** in the Company's units. In addition, investments in organic expansion totaled **R\$45.1 million** in 1Q19, **Increase of 239%**.

Cash consumption increased due to the **characteristics of the Primary & Secondary Education business** which consumes cash in the quarter and gained relevance in Kroton's results.

In **Kroton ex-Somos**, consumption was **practically stable**, even with delays in the **FIES** reenrollment schedule

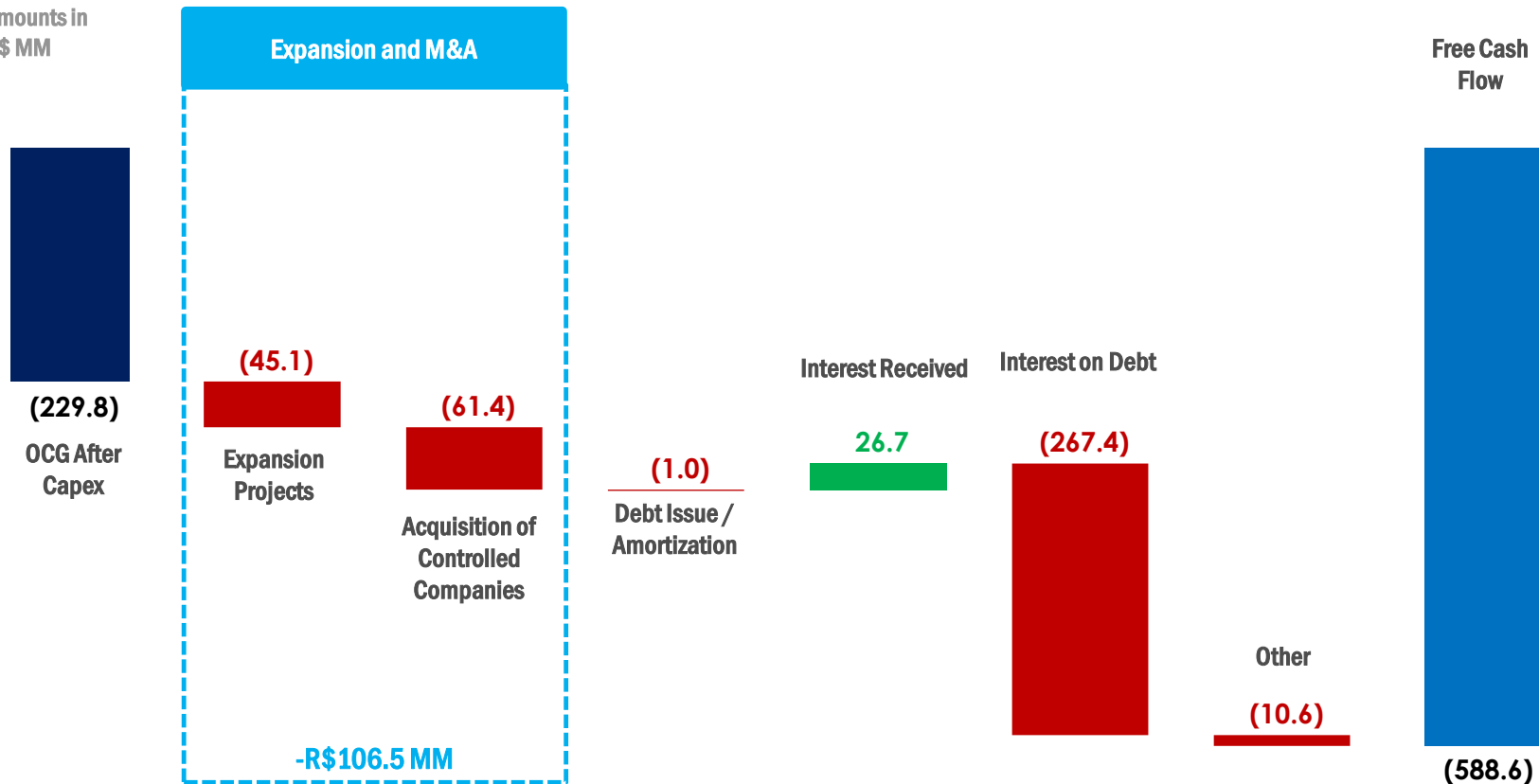
Guidance for the year foresees **growth of 64%** in cash generation after capex, with **positive generation of R\$ 800 million**.

¹ Includes Special Projects

² Excludes expenses related to the acquisition of Somos

Evolution of Free Cash Flow in 1Q19

Amounts in
R\$ MM



Amounts in R\$ million

Consolidated	1Q19	1Q18	Change	4Q18	Change
Cash and Cash Equivalents	2.024	1.543	31,2%	2.596	-22,0%
Loans and Financing	7.535	253	2874,1%	7.684	-1,9%
Net Cash (Debt)¹	-5.512	1.289	n.a.	-5.088	8,3%
Other Short and Long Term Debt ²	369	175	111,5%	368	0,5%
(1) Net Cash (Debt)²	-5.881	1.115	n.a.	-5.456	7,8%
(a) Short Term Accounts Receivables	135	507	-73,4%	133	1,7%
(b) Long Term Accounts Receivables	368	465	-20,9%	362	1,7%
(2 = a + b) Other Accounts Receivables³	503	972	-48,3%	494	1,7%
(1)+(2) Pro Forma Net Cash (Debt)	-5.379	2.086	n.a.	-4.961	8,4%

- In 1Q19, the Company's total cash position declined in relation to 4Q18, due to interest on debt, operational cash consumption and investments in organic and inorganic expansion.
- Including all other obligations and short-term and long-term accounts receivable, which include taxes and contributions paid in installments and obligations and rights related to acquisitions and divestments carried out, the Company's net debt increased 8.4% compared to 4Q18, due to a reduction in the cash position, partially compensated by a decrease in the obligations with M&A payments and of accrued interest.

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 5 years related to the Uniasselvi acquisition.

³ Considers the receivables related to the Uniasselvi, FAIR and FAC/FAMAT divestments, with installments to be earned from 2019 to 2022 adjusted to present value (excluding the earn-out amounts).

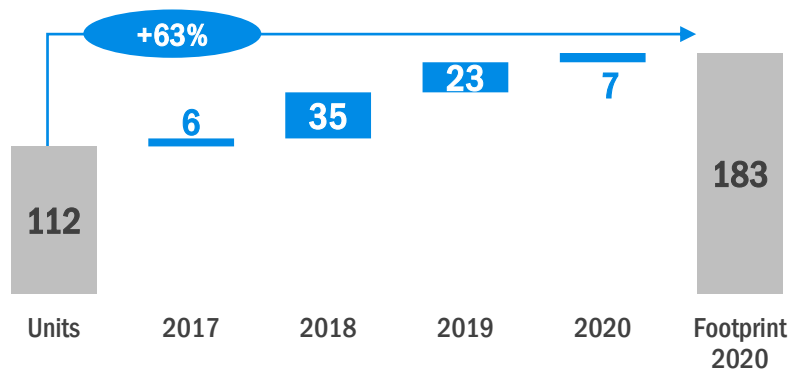


CLOSING REMARKS

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Performance of the Greenfields



Main Highlights

- **64** units opened with another **7** to be launched in 2020, totaling **71 new units**
- **Net Revenue: 15%** above the business plan
- **2019.1 Enrollments: 11%** above the target



Digital Transformation

Agility in
Scale (SAFe)



Analytics



Open
Innovation



Cultural
Change

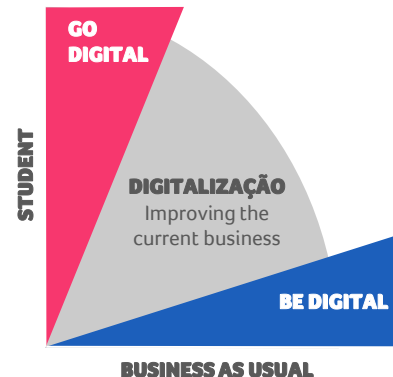
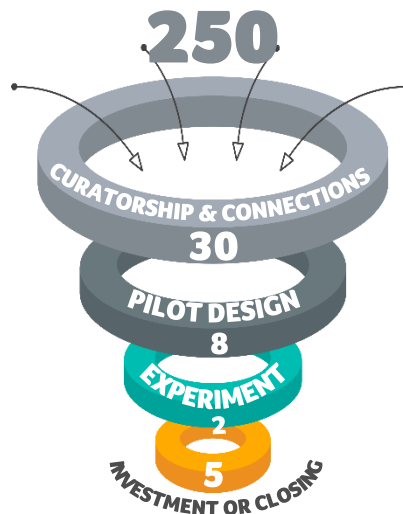


55 agile teams
15 value streams
8 delivery trains
~600 people involved
560 certifications
729 features delivered
537k development hours
22k innovation hours
35 workshops & benchmarks

26 bn records of students' behavioral analysis
Monthly increase of 46MM records
60 Tb processed and consolidated per month
5.2k types of data analyzed
2.4k processes of data transformation

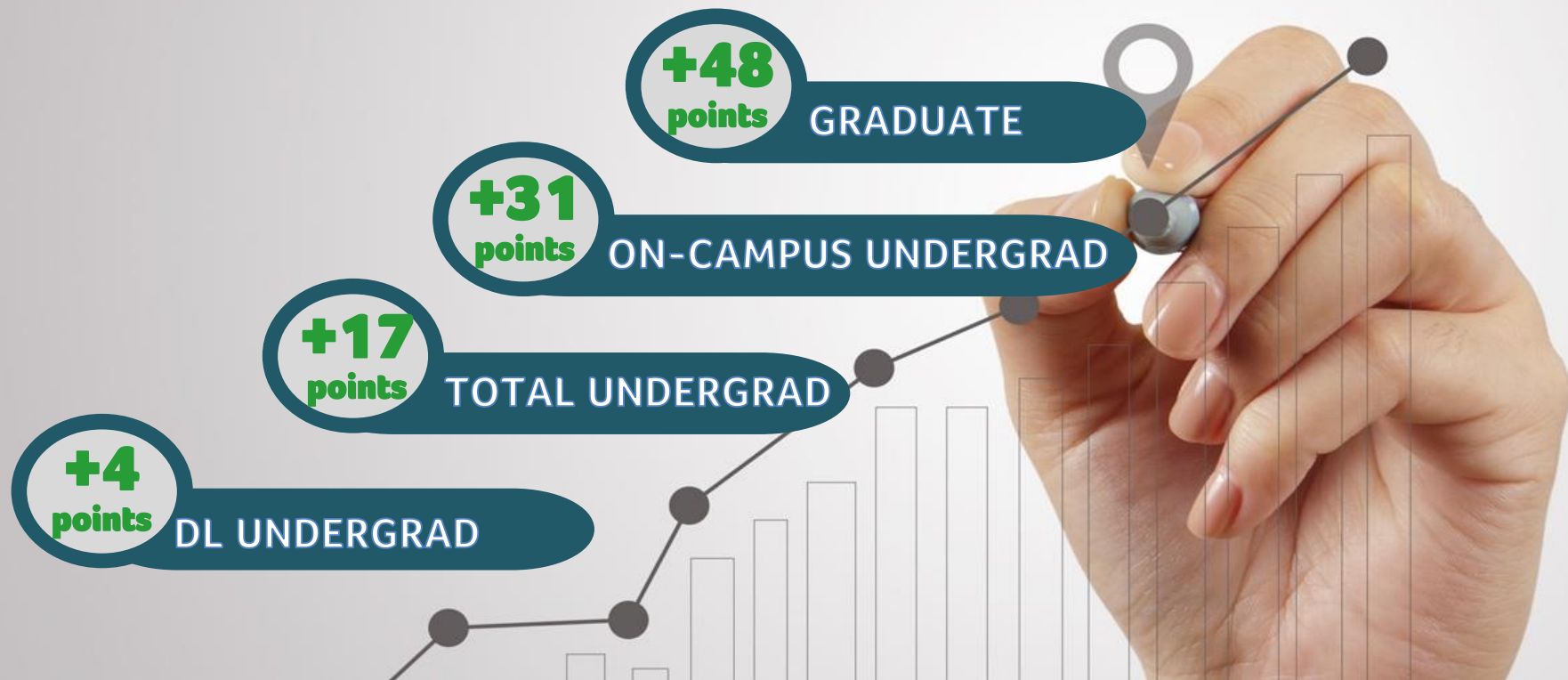
Strategic selection of startups

PIPELINE



35k certifications and 27k hours of training on Digital Transformation

Evolution in recurring NPS (YoY)





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