

4Q19 Results

March 2020



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Opening Remarks

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Actions to Contain COVID-19

Actions defined and monitored by the **Crisis Committee** (installed on March 09), seeking to safeguard the **health** of our students and employees, and guarantee the **continuity of our services**

Corporate	Migration of 100% of the activities of the corporate offices in São Paulo and Valinhos to home office	
Postsecondary Education	Administrative Activities	<ul style="list-style-type: none">• Closing of all own units and partner centers on the week of March 16• Continuation of enrollment and re-enrollment activities through digital means, including 100% online admission exams implemented since January
	Academic Activities	<ul style="list-style-type: none">• Continuity of classes through digital platforms – use of synchronous and asynchronous models, depending on the program and activity – for our 13,837 classes (32,180 subject offers)• Guaranteed access to all KLS 2.0 content, which is based on the flipped classroom model
K-12 Education	Digital School	Combination of 3 platforms – Plurall, Plurall Maestro and Google Hangouts Meet <ul style="list-style-type: none">• All content made available in a digital environment (+400k learning objects)• Carrying out synchronous activities• Available for 100% of partner schools (including our own schools)
	Anglo/Stoodi	100% of the online course (Anglo) and 100% of the content (Stoodi) made available for free

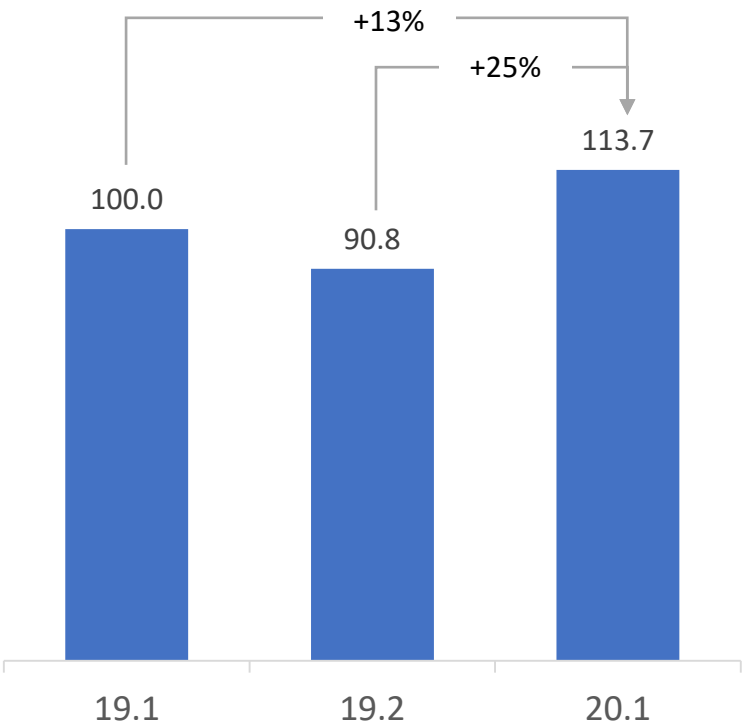


Actions to Contain COVID-19

Postsecondary Education – Significant increase in the engagement of our on-campus students and in the access to virtual platforms

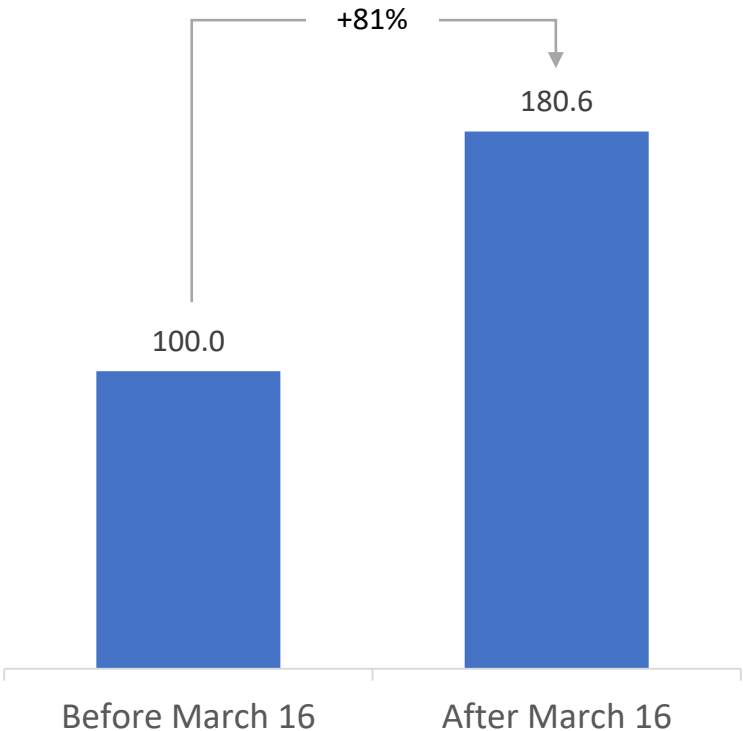
Academic engagement indicator

(Base 100 – Continuous Evaluation grades until the 6th week*)



Access to AVA by Students

(Base 100 – average of unique weekly accesses)



Teaching materials in AVA

(numbers until the 6th week* of 20.1)



100%
of students with material
from AVA



79%
of students with
institutional material

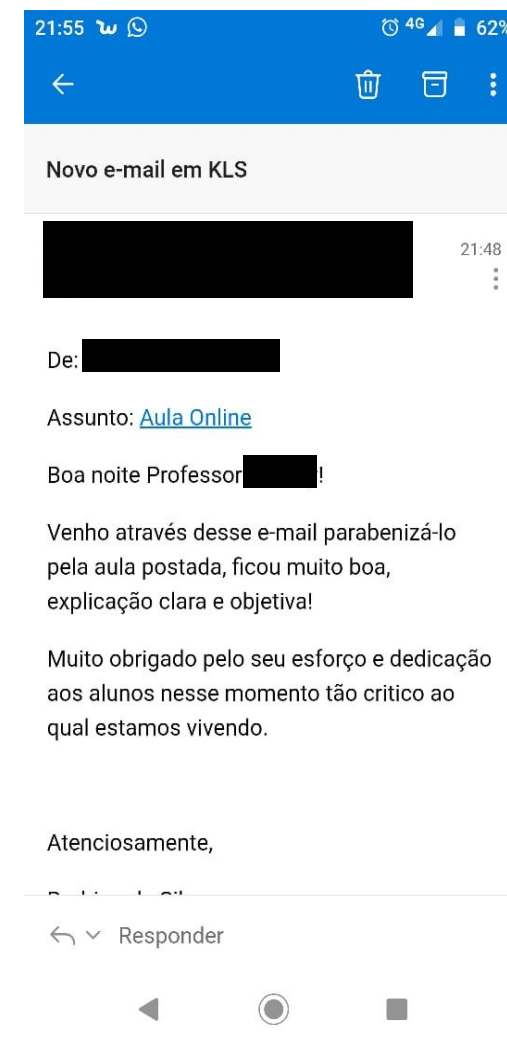
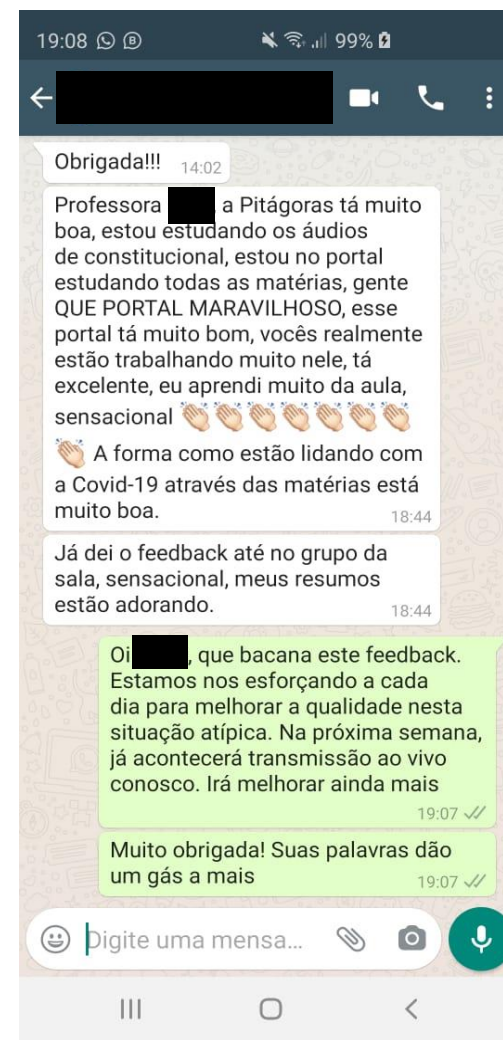
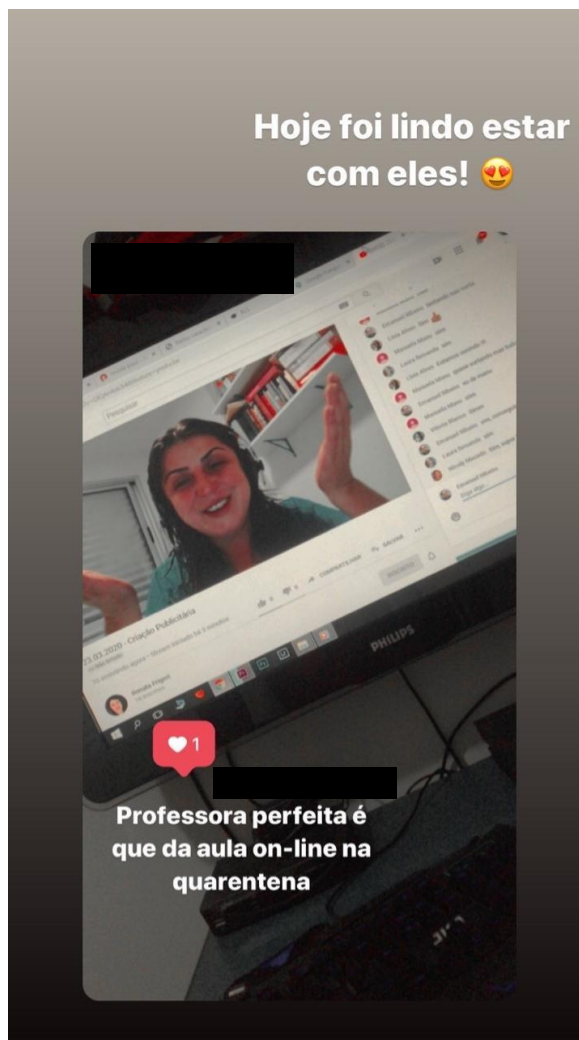
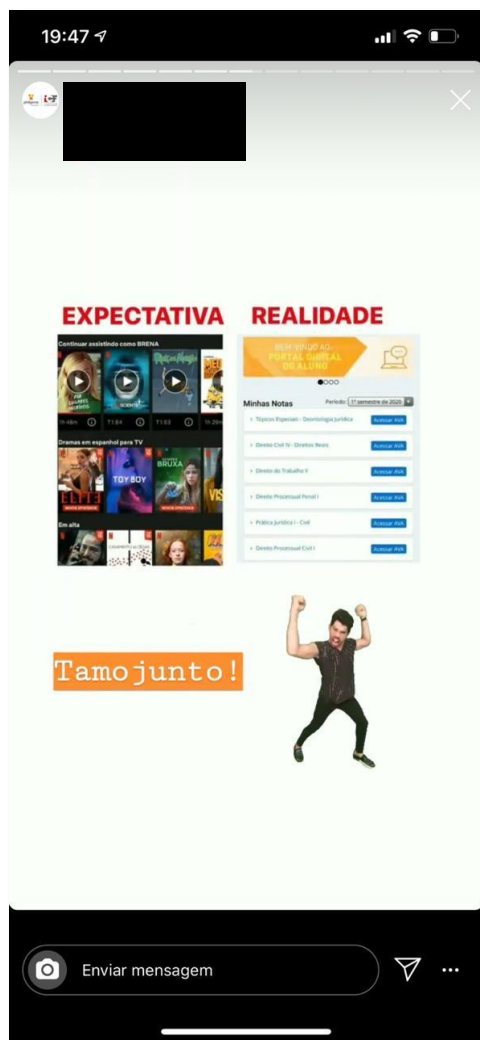


81%
NPS with an average grade
of 9.4 in ~1MM evaluations

(*) Week starting on March 23, 2020

Actions to Contain COVID-19

Postsecondary Education – Spontaneous statements by students illustrate the positive repercussion of our actions



Actions to Contain COVID-19

K-12 Education – High volume of accesses to the Digital School platforms and positive repercussion with the families

Reach of the Digital School

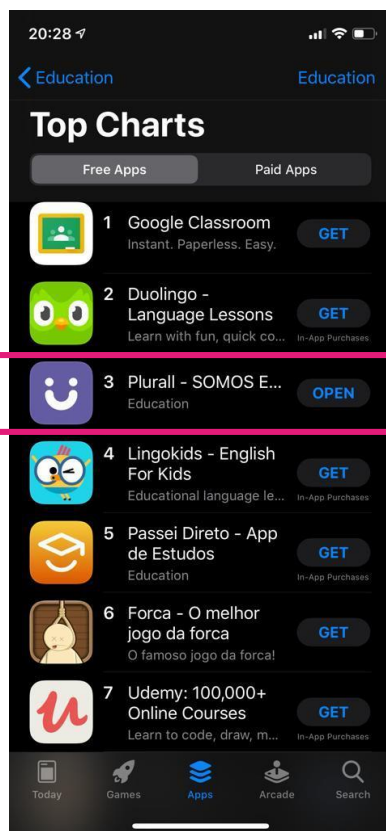
(Data recorded on the week of March 23)

- ✓ 4,023 schools
- ✓ 52,825 teachers
- ✓ 40,783 classes
- ✓ 923,277 students

Plurall Downloads

(Data registered on March 30)

- ✓ Closed app #1 in downloads at the Apple Store



Repercussion

(Spontaneous statements by students' families)

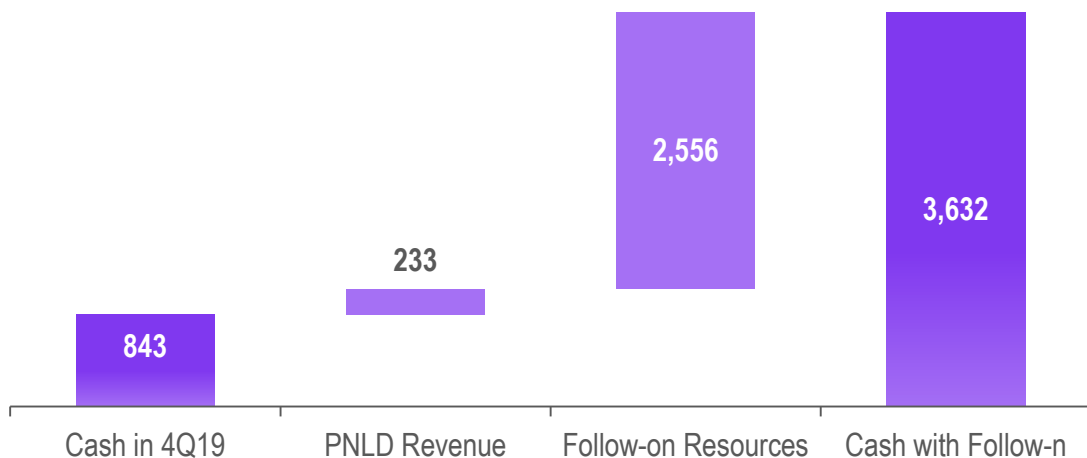
- “What I have seen, since Monday, is something surprising, which are distance learning classes, which I knew was possible for teaching at regular schools, seeing as it is already widely used in undergraduate programs, however now it is being tested and verified with great efficiency at a High School level (...) I am very sure there will be no losses in this period, on the contrary, a huge gain with the new possibilities. Congratulations Anglo Morumbi. Overcoming all expectations!” –mother of student in the 1st year of High School
- “With the online classes, the teachers can put all students on the same agenda through Plurall, he shares his screen and the explanation flows better, Plurall became the board of the classroom. After classes, I access the platform and do the exercises, when I have doubts, they are clarified at any moment, this facilitates the understanding of the subject. And it is contributing significantly to my learning process” – student in the 9th year of Elementary School
- “I am impressed with the practicality and efficiency of the entire system. Excellent! To unify the communication capacity of hangouts with Plurall's tools is what I can call a perfect marriage and a true revolution in the teaching and learning process” – High School teacher



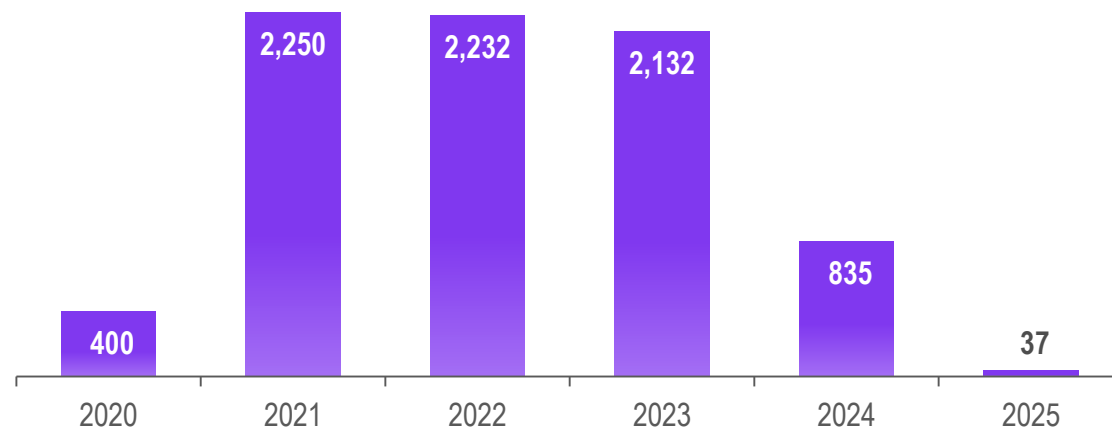
Comfortable Cash Position and Debt Amortization Schedule

Company's financial situation strengthened by the conclusion of the **follow-on offering** of R\$2.6 billion

Cash Position after Follow-on (R\$ million)



Debt Amortization Schedule (R\$ million)



When adding the resources of the follow-on (R\$2.6 billion received in February) and the remainder of the 2020 PNLD revenue, the **net debt/adjusted EBITDA** ratio falls from 3.0x at the end of 2019 to 1.9x

For 4Q19, management proposes the non payment of dividends, which will result in a payout for 2019 of 68.6%

Overview of Quarterly Results

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Agenda

- **Postsecondary Education**

Primary & Secondary Education

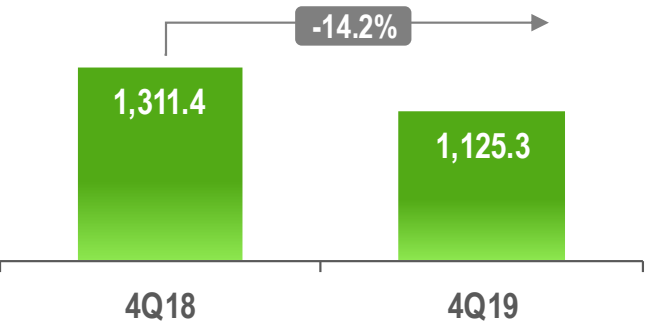
Consolidated Results



Postsecondary Education Results

Net Revenue

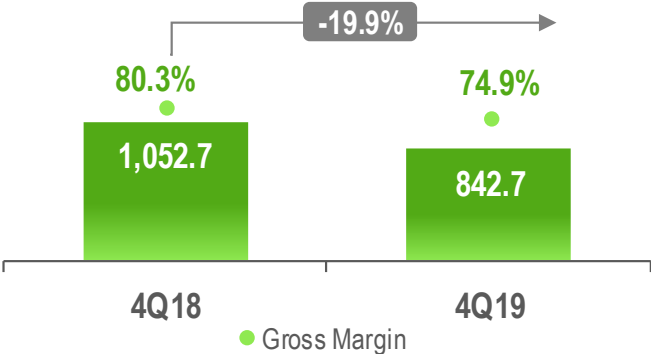
Quarterly – R\$ million



Net Revenue reduction of **14.2%** due to the **decrease in the Undergraduate student base**, partially compensated by the robust enrollment results, with an **increase in revenue from freshmen**, as well as the evolution in net revenue from **Continuing Education** following the reformulation of this segment under the concept of an **EdServ Platform**.

Gross Income

Quarterly – R\$ million

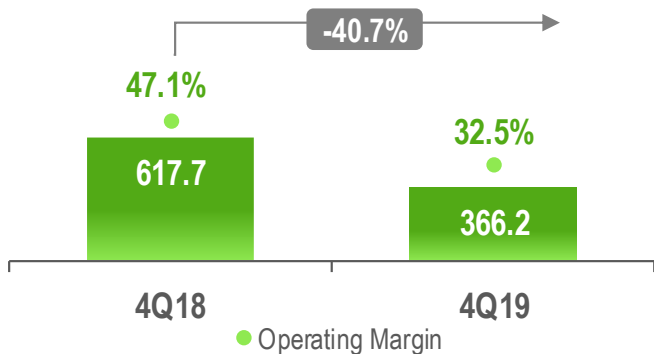


Retraction of **5.4 p.p.** in Gross Margin, mainly due to:

- **maturation of the new units** launched since 2018, and
- **maturation of more premium programs**, in the areas of healthcare and engineering, in more advanced semesters.

Operating Result

Quarterly – R\$ million



Reduction in Operating Margin of **14.6 p.p.** due to the impact of the **additional provisioning for losses** constituted this quarter. This effect was partially compensated by the **greater efficiency in the operation** and **reduction in marketing expenses**, which were anticipated to 3Q19.

Agenda

Postsecondary Education



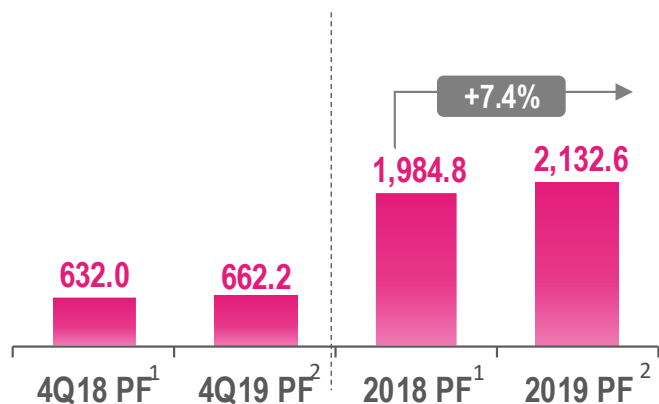
Primary & Secondary Education

Consolidated Results

Primary & Secondary Education Results – Quarterly and Annual

Net Revenue

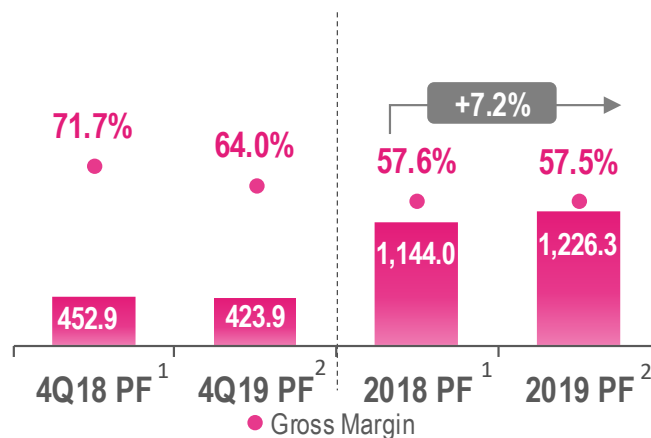
Quarterly – R\$ million



In 2019, Net Revenue moves up by **7.4%**, reflecting the results of the new **go-to-market** for the **K-12 Platform**, which included a growth in **ACV of 25%**, in addition to evolutions in the **School Management** segment.

Gross Income

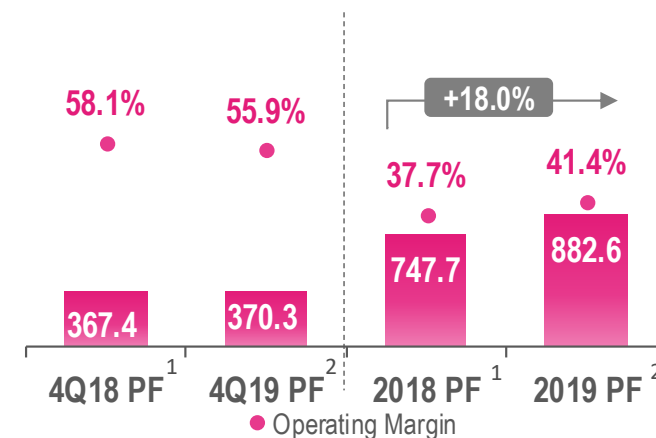
Quarterly – R\$ million



Increase of 7.2% in annual Gross Income, following the Net Revenue trend, **with gross margin remaining flat**.

Operating Result

Quarterly – R\$ million



Growth of **18.0%** in Operating Result in 2019, with a **3.7 p.p. gain** in Operating Margin, due to the **increase in the efficiency level** and capture of **synergy gains** in the period.

¹ Pro Forma result, considering Somos' numbers in 4Q18 and 2018 (after the convergence of accounting practices)

² Pro Forma result, excluding the receipt of the PNLD repurchase from the 4Q19 numbers (which had been added to the 3Q19 numbers following the regular seasonality of this revenue), and the inclusion of amounts relating to the PNLD purchase which were received in January and February 2020. Additionally, for comparison purposes, the reclassification of the amounts related to editorial capex were excluded.

Agenda

Postsecondary Education

Primary & Secondary Education



Consolidated Results

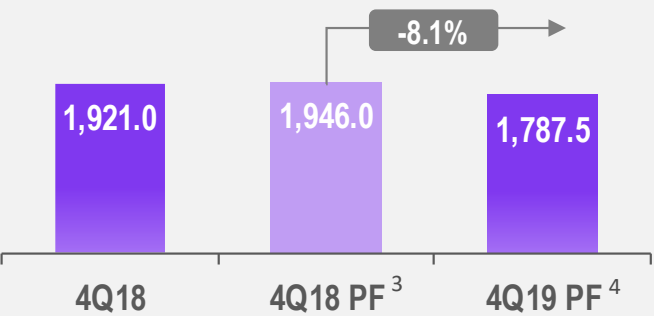


Consolidated Results – Quarterly and Annual

QUARTERLY

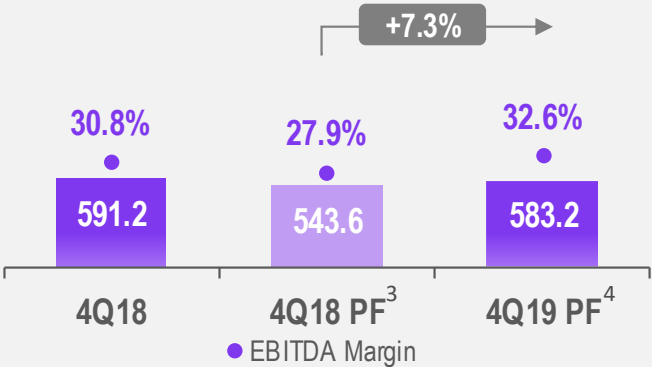
Net Revenue

R\$ million



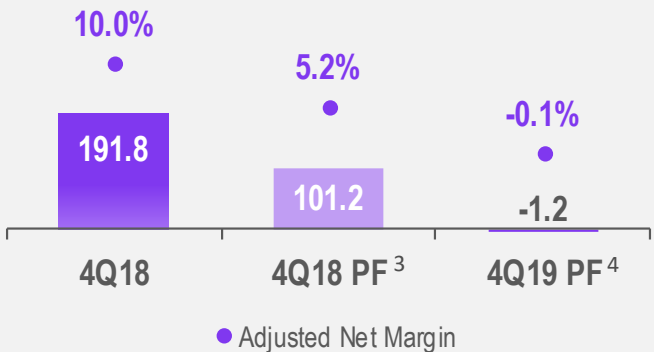
EBITDA¹

R\$ million

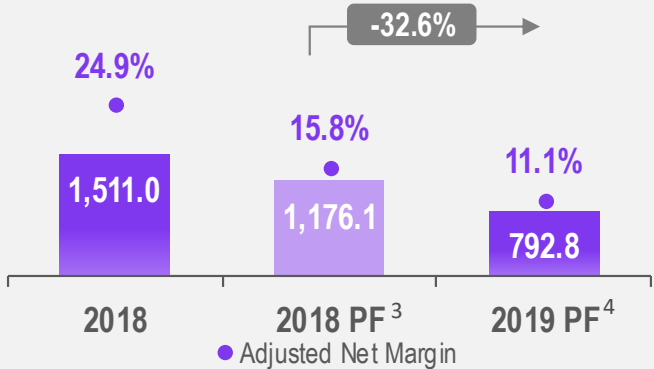
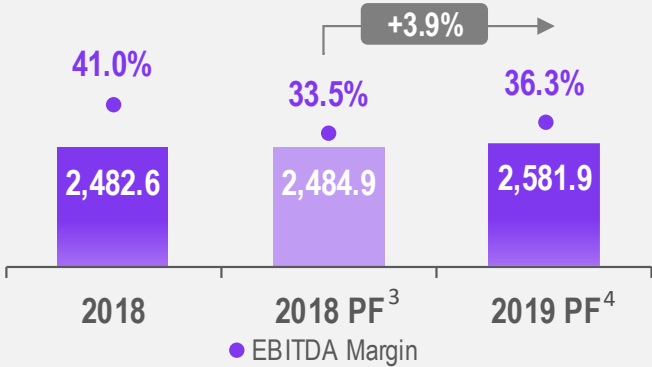
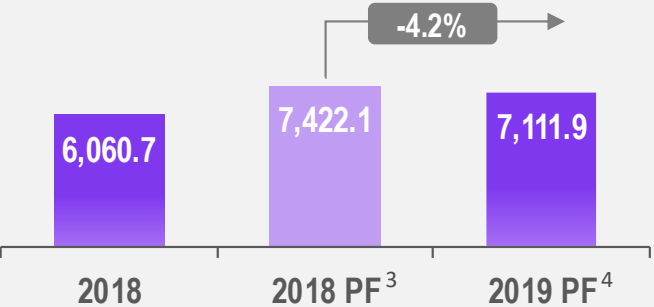


Adjusted Net Income²

R\$ million



ANNUAL



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 Somos' numbers in 4Q18 and 2018 (after the convergence of accounting practices)

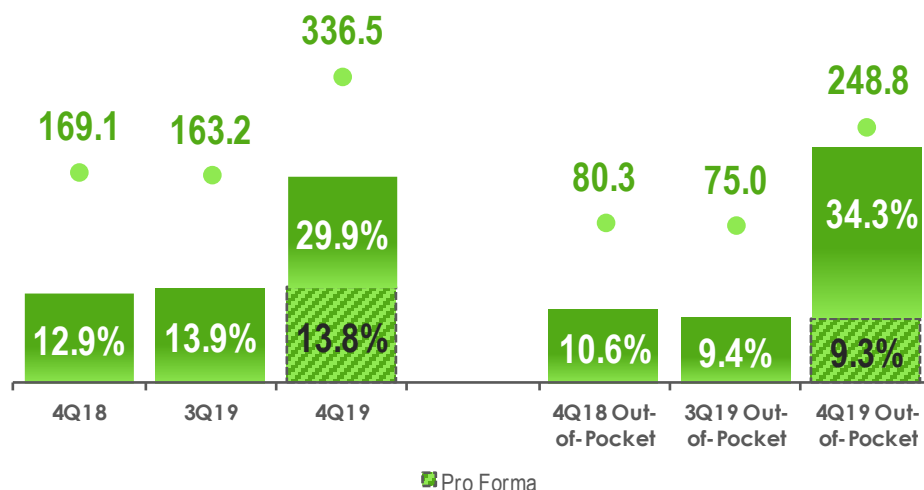
⁴ Pro Forma result, including the total receipt relating to the 2020 PNLD (R\$142 million received in 1Q20 and R\$91 million which will be received in April 2020). Additionally, for comparison purposes, the reclassification of the amounts related to editorial capex were excluded.

PDA and Average Receivables Term

Provision for Doubtful Accounts (PDA)

Postsecondary Education

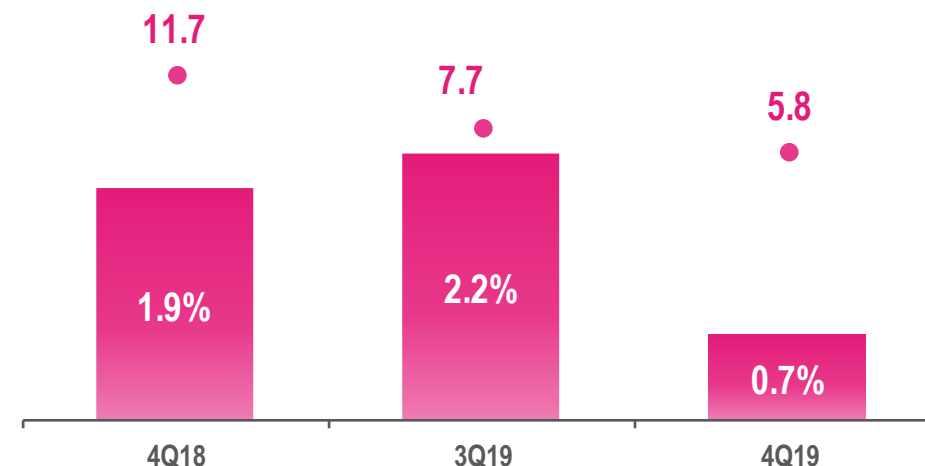
% Segment NR and R\$ million



Total PDA **moved up by 17.0 p.p.** on an annual comparison, with a **23.7 p.p. increase** in Out-of-Pocket PDA, reflecting the **additional provisioning** constituted in light of **one-off effects**, the **migration of all students to Kroton's systems** and the **amount of adjustments** in classroom hours (PAM). Given the **COVID-19 pandemic** and the increasing **level of uncertainty in the perspectives** of an improvement in the **macroeconomic scenario**, there was the need for a complement this quarter.

Primary & Secondary Education

% Segment NR and R\$ million



K-12 **PDA** reduced **1.2 p.p.** over 4Q18 and **1.5 p.p.** in relation to 3Q19 mainly due to the higher level of provisioning adopted in 4Q18 and 3Q19 because of the bookstores in judicial recovery, in addition to a higher **representativity of amounts related to PNLD** in 4Q19, seeing as PDA associated with PNLD is lower compared to other receivables.

Average Receivables Term

Days

Postsecondary Ed.	4Q19	4Q18	Change	Comments	3Q19	Change
Total	194	146	48 days	Evolution of the installment products and impact of the increase in Out-of-Pocket average term	197	-3 days
Out-of-Pocket	115	104	11 days	Reflection of the increase in PDA and challenging macroeconomic scenario, which pressures the dropout indicator	128	-13 day
FIES	42	64	-22 days	Receipt of the competency related to November in December	70	-28 days
PEP and PMT	691	483	208 days	Maturation of these products	653	38 days

Primary & Secondary Ed.	4Q19	4Q18	Change	Comments	3Q19	Change
Total	115	76	39 days	Integration of Somos' and Saber's numbers	45	70 days
Integrated Platform	151	96	55 days	Impact of the postponement in the receipt of amounts relating to PNLD, already regularized	51	100 days
Schools	24	25	-1 days		32	-8 days

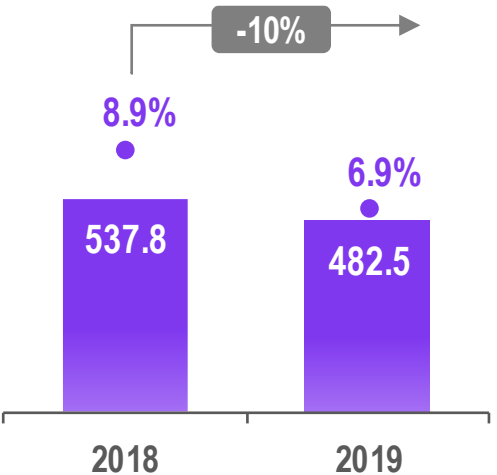
Capex, Expansion Investments, Cash Generation & Net Debt



Capex, Investments in Expansion and Operating Cash Generation

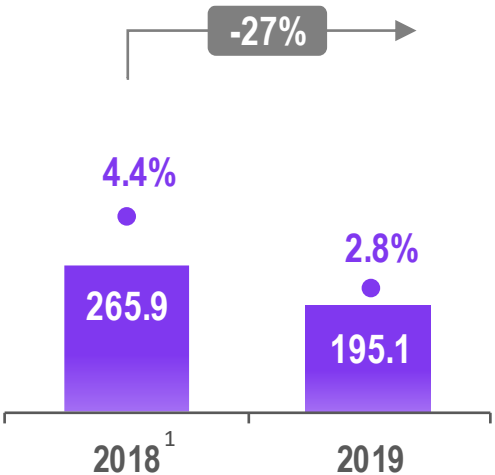
Capex

R\$ million and % NR



Investments in Expansion

R\$ million and % NR



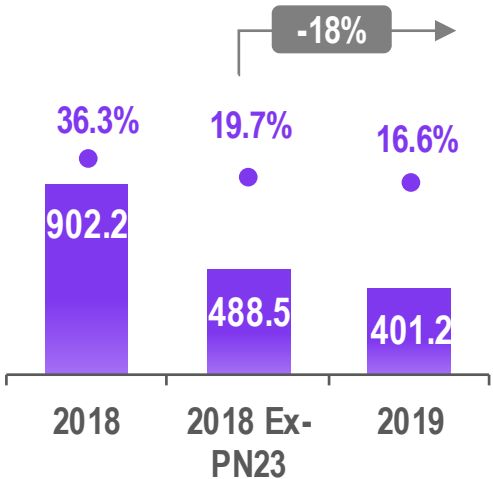
In 2019, Capex reached **6.9% of Net Revenue**, 2.0 p.p. below the previous year, of which **88%** were invested in the **development of content, systems, software licenses, improvement works in the Company's units and editorial Capex**.

Investments in expansion totaled **R\$ 195.1 million** in the year, 2.8% of net revenue and a reduction of 27% compared to 2018.

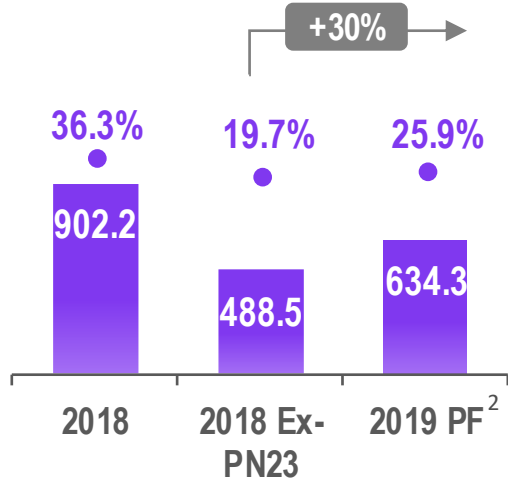
Operating Cash Generation After Capex

R\$ million and % EBITDA-to-Cash

Cogna Consolidated



Cogna Consolidated Pro Forma²



Disregarding the effect relating to PN23 from the 2018 number, OCG after capex presented a **30% growth** when adding to the 2019 number the receipt of all amounts relating to the PNLD 2020 program, reinforcing the **robustness of the operation even in a challenging year**.

¹ Includes Special Projects

² Pro Forma result, including the receipt of the total amounts relating to PNLD 2020 (R\$142 million received until March 23, 2020 and R\$91 to be received until the end of 2Q20)



Net Debt

Amounts in R\$ million

Consolidated	4Q19	4Q18	Change	3Q19	Change
Cash and Cash Equivalents	843	2,596	-67.5%	436	93.3%
Loans and Financing	8,085	7,684	5.2%	8,011	0.9%
Net Cash (Debt)¹	-7,241	-5,088	42.3%	-7,575	-4.4%
Other Short and Long Term Debt ²	315	368	-14.2%	318	-0.8%
(1) Net Cash (Debt)²	-7,557	-5,456	38.5%	-7,893	-4.3%
(a) Short Term Accounts Receivables	138	133	4.1%	138	0.5%
(b) Long Term Accounts Receivables	251	362	-30.5%	381	-34.0%
(2 = a + b) Other Accounts Receivables³	390	494	-21.2%	519	-24.9%
(1)+(2) Pro Forma Net Cash (Debt)	-7,167	-4,961	44.5%	-7,374	-2.8%

At the end of 2019, Cognia had a **total cash balance of R\$ 843 million**, increase of 93.3% in a quarterly comparison, reflecting the **receipt of relevant installments of PNLD**, in addition to **lower operational disbursements**. Additionally, we received one of the **installments relating to the Uniasselvi sale** and resources raised from the **sale and leaseback of buildings** carried out in the period, which were sufficient to **neutralize the payment of interest on debentures, the investments in expansion and the payment of dividends**.

Net debt, which totaled R\$7.2 billion, does not take into consideration the **follow-on carried out in February/2020**, when the Company raised **R\$2.6 billion, lowering its leverage considerably** and placing Cognia in a **solid cash position**.

¹ Considers only bank obligations.
² Considering all short- and long-term obligations related to the taxes paid in installments, acquisitions and FIES, including the amount to be paid within 5 years related to the Uniasselvi acquisition.
³ Considers the receivables related to the divestments of Uniasselvi, FAIR and FAC/FAMAT and other controlled companies, with installments to be earned from 2019 to 2022 adjusted to present value (excluding the earn-out amounts).

Closing Remarks

Closing Remarks

We understand that the crisis brought on by the onset of COVID-19 will impact our business

Enrollments

- Until the closure of our units, over 70% of the enrollment goals had been achieved
- The process continues through digital means (online admissions and enrollments), but at a slower pace

Re-Enrollments

- Until the closure of units, over 80% of the re-enrollment target had been met
- The process continues following last year's standards, with practically all stages occurring through digital means
- Student feedback and engagement in relation to our digital solutions have been very positive

K-12 Education

- We believe our K-12 businesses are more resilient and should be less affected
- K-12 education (ex-PNLD) represents around 26% of our revenue

Solid Cash Position

- At this moment, we will prioritize maintaining a solid cash position, but we continue aware of M&A opportunities which will be considered as soon as the impacts relating to COVID-19 are clearer

Restructuring of the Operation

- Cognia reiterates its **execution** DNA, and is preparing a robust action plan to face the scenario post-COVID-19

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