

Kroton
Educacional



Conference Call - 4Q11

March 29th 2012

KROT11
NÍVEL 2
BM&FBOVESPA

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Initial Highlights

Students	• Sep/11: 100.5 thousand students • Mar/12: 323 thousand students	✓With more than 320 thousand students in the Post Secondary, in March/ 2012, Kroton became one of the largest education companies in the world. ✓Strong Intake Process in 1Q12, growth of 39% of new students over 1Q11. ▪ Growth of 37% in Distance Learning new students ▪ Growth of 43% in In-class new students ✓Record of re-enrollments and excellent intake process, led to an increase of 23% in the student base ✓FIES reaches 36.9 thousand students in March, 2012, representing 33% of the students base. Considering the total of new students in 1Q12, 43% joined FIES
M&A	• Unopar Acquisition	✓Integration Process finalized in the four units acquired (São Luis, Imperatriz, Ponta Grossa and Sorriso) promoting a positive impact in the results ✓Unopar is already under the integration process, presenting results and cash generation above the business plan.
Financial Results	• EBITDA Guidance: R$ 100 million • EBITDA Delivered: R$ 105 million • + December of Unopar R$ 111 million)	✓Net Revenue grew 18.4% and 11.3%, respectively, over the 4Q10 and 2010. ✓EBITDA of R$ 105.0 million, 66.3% over 2010. Margin of 14.7%, 4.9 p.p. higher than previous year, proving a substantial improvement of the Company`s performance ✓Net Income rises 355.4% over 2010, reaching R$ 52.3 million.



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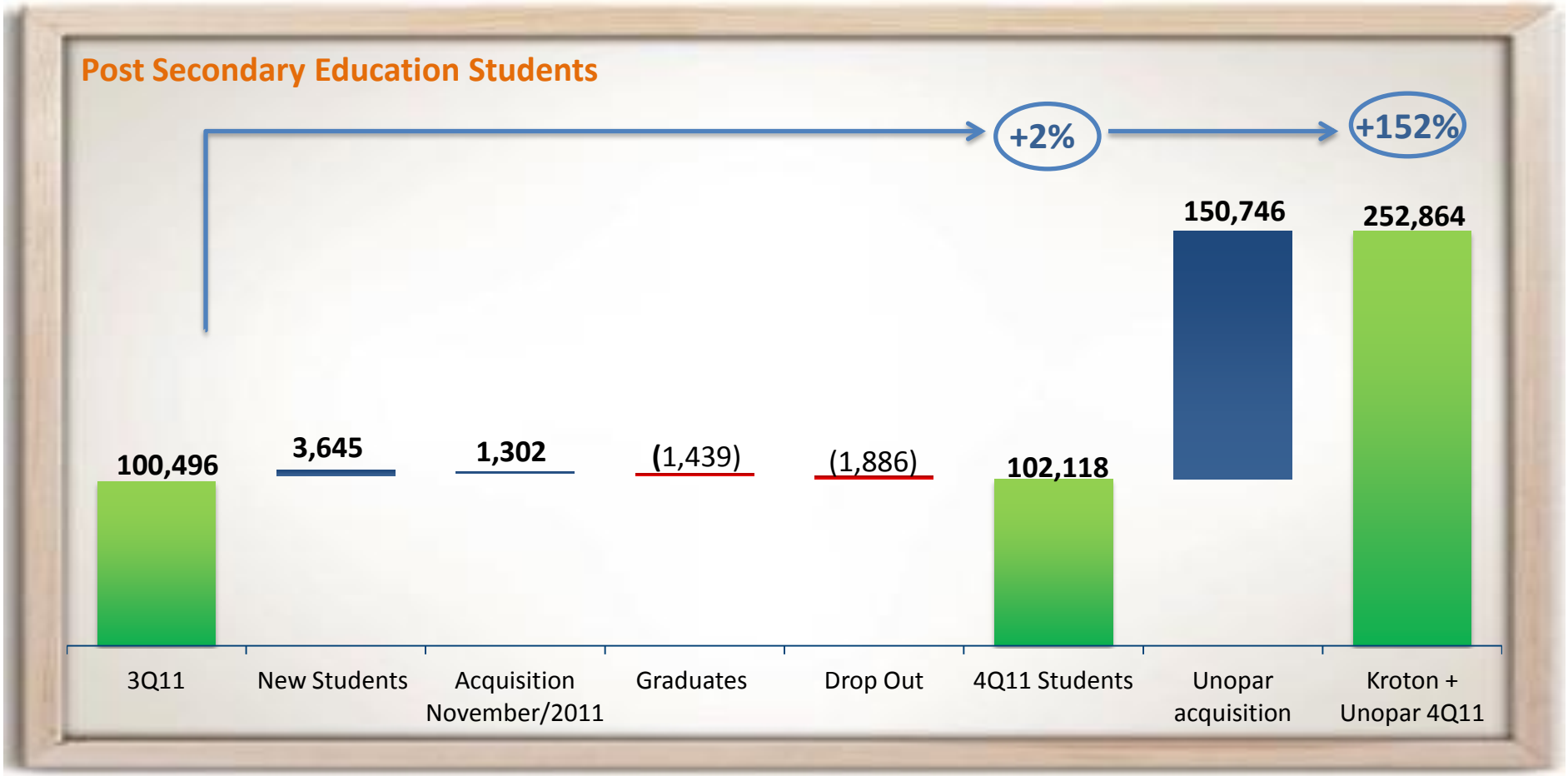


Operating Results

Students analysis – Database of 03/23/2012

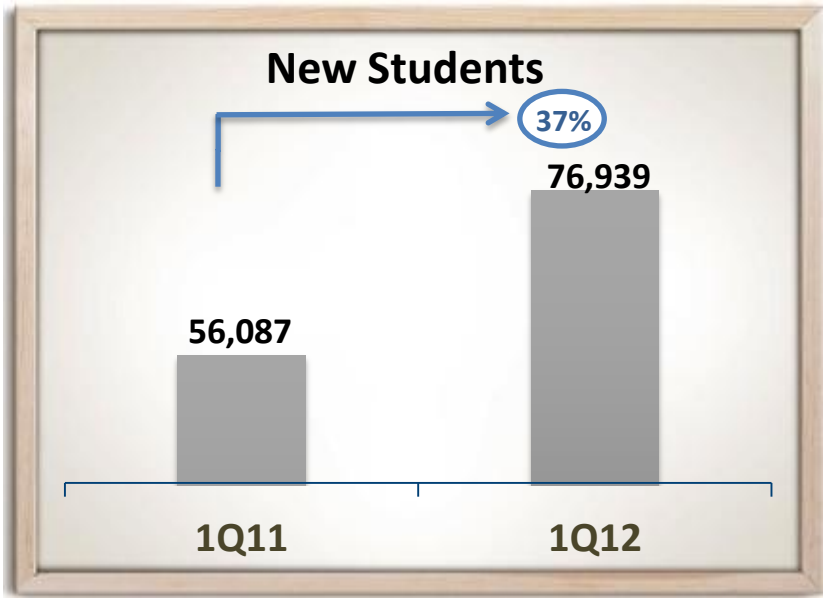
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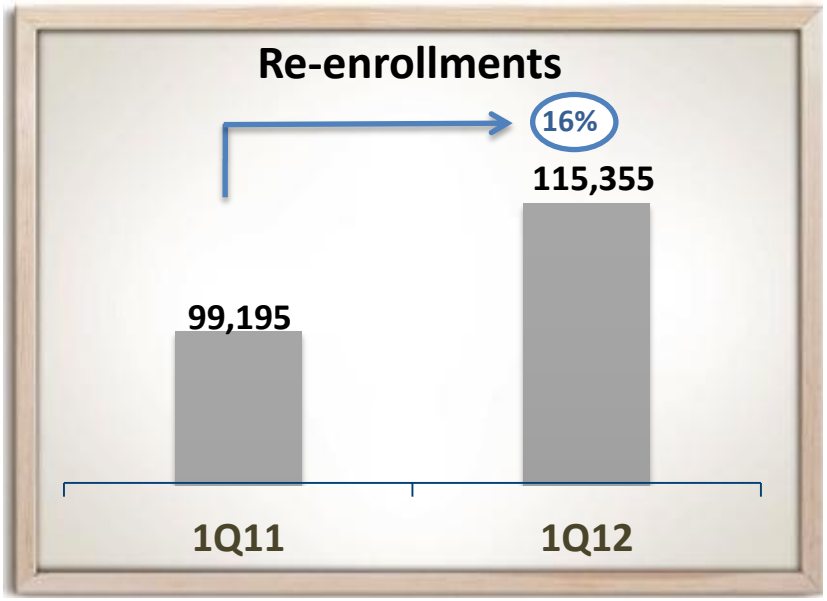
Post Secondary – 4Q11 x 3Q11 Growth of Students

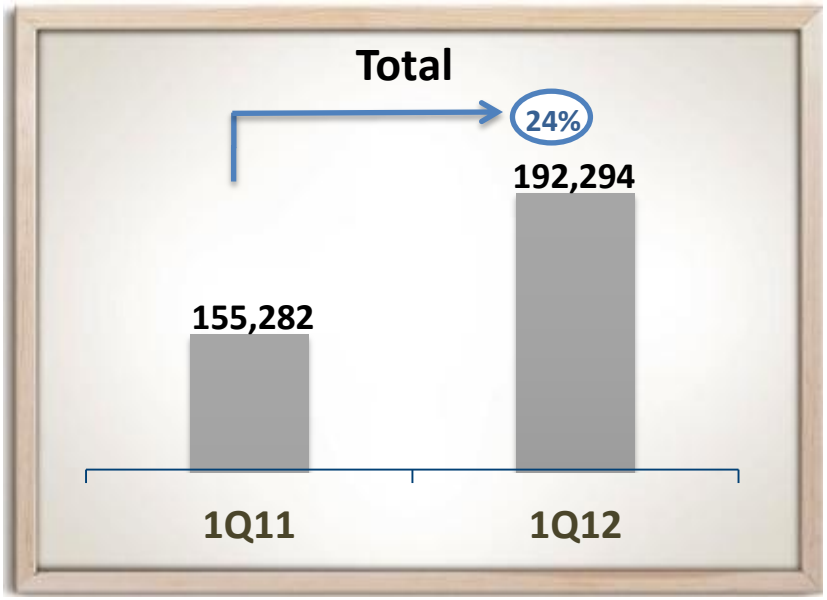


- Unopar acquisition contributed to 4Q11 Kroton´s student growth over 3Q11, and positioned Kroton as one of the largest education companies in the world

New Students and Re-enrollments – Unopar distance learning students



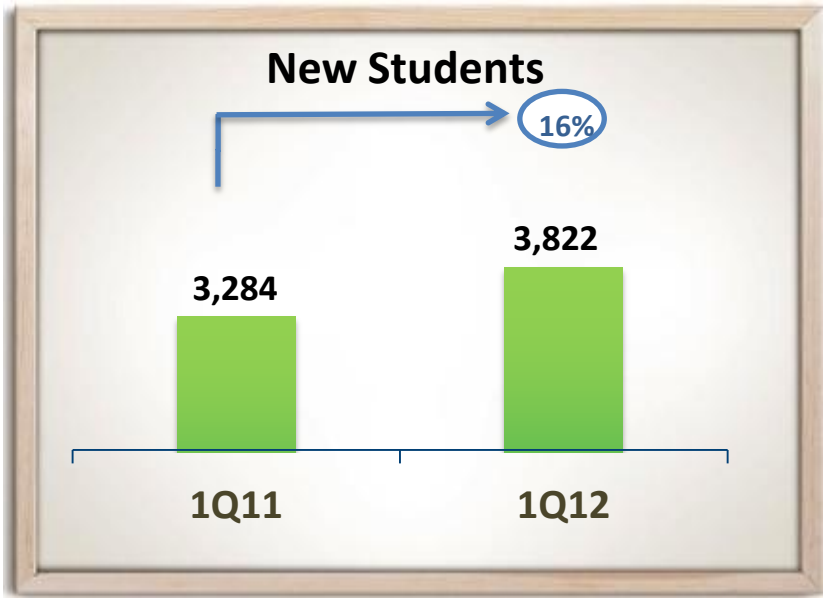


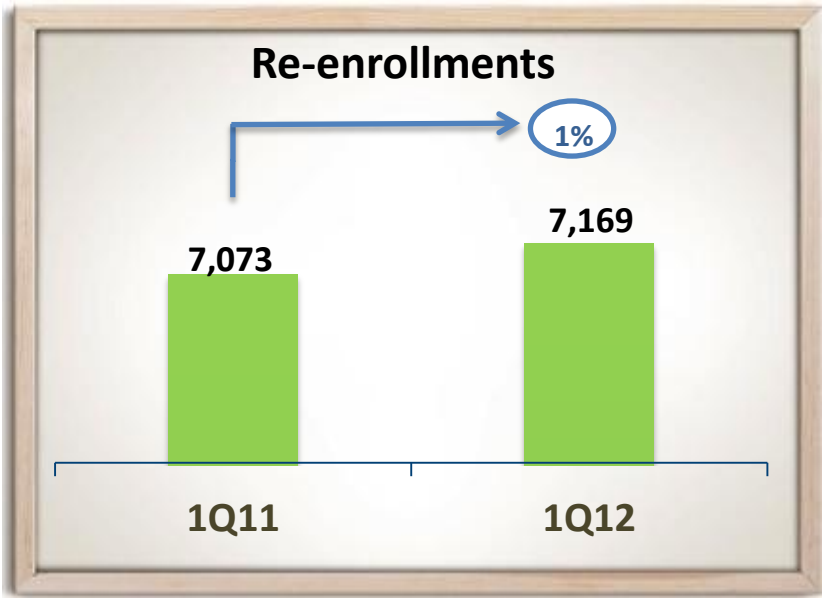


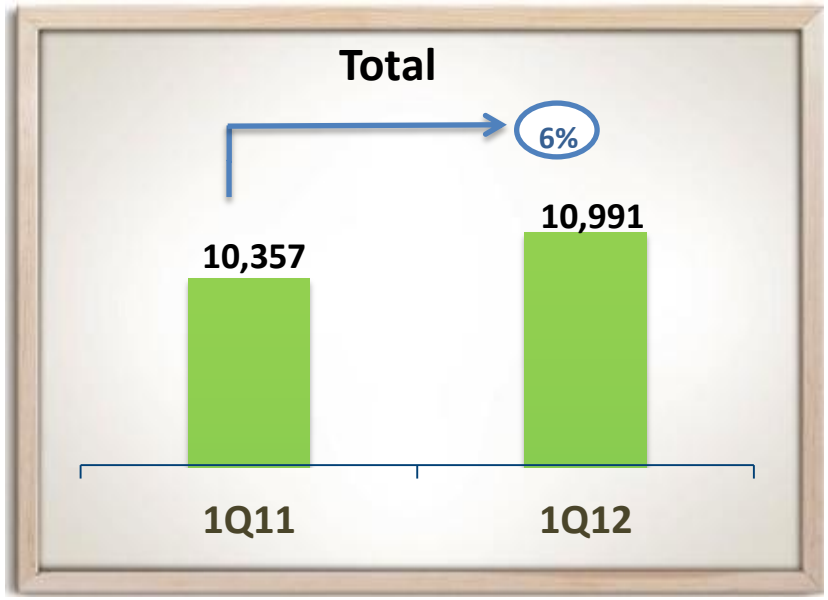
- Growth of 37% in the Distance Learning new students
- Distance Learning re-enrollments reached more than 115 thousand students, an increase of 16%
- Unopar`s Distance Learning total students base grew 24%

Base date: March 23th 2012

New Students and Re-enrollments – Unopar in-class students



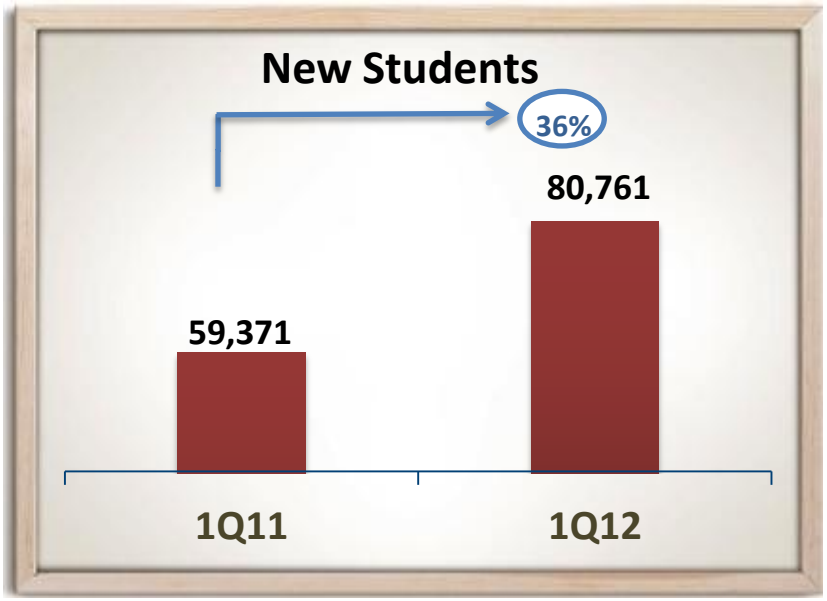


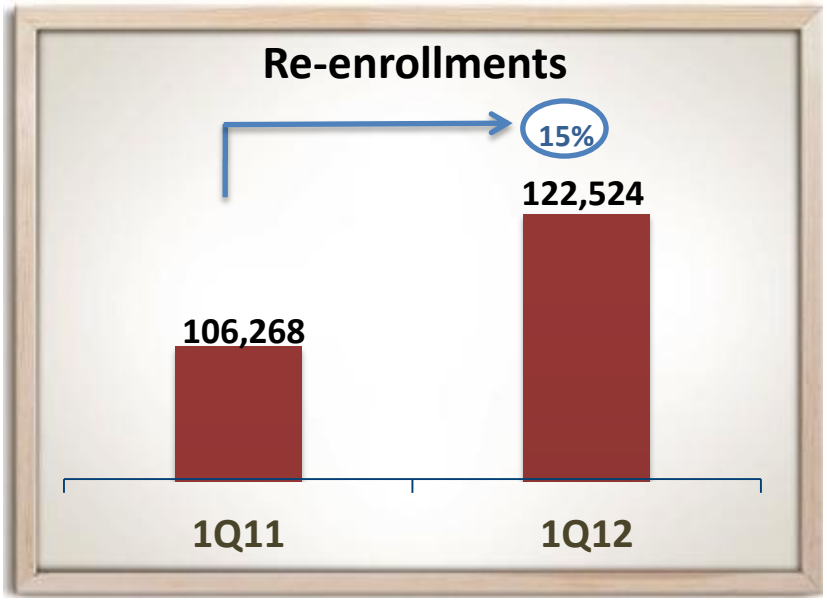


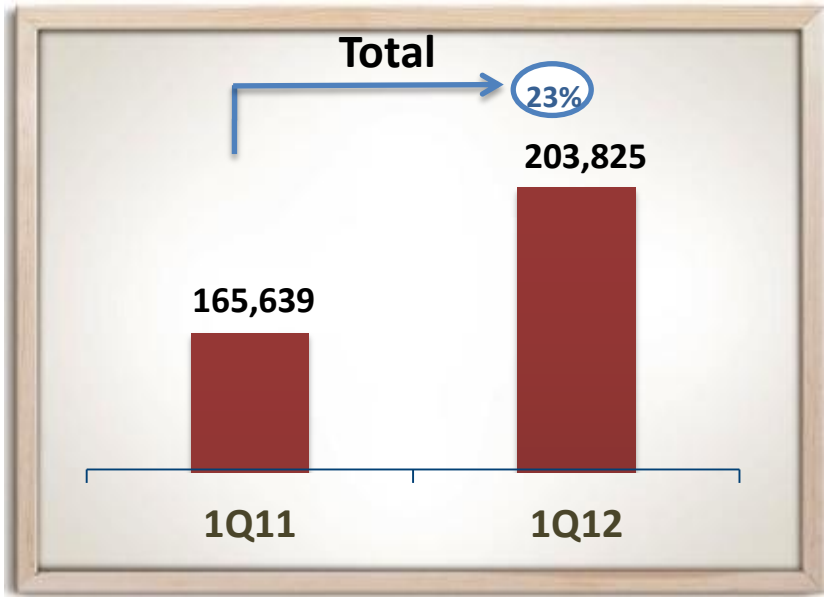
- Growth of 16% in new students base
- In-class re-enrollments increased 1%
- Total growth of 6%

Base date: March 23th 2012

New Students and Re-enrollments – Unopar consolidated students



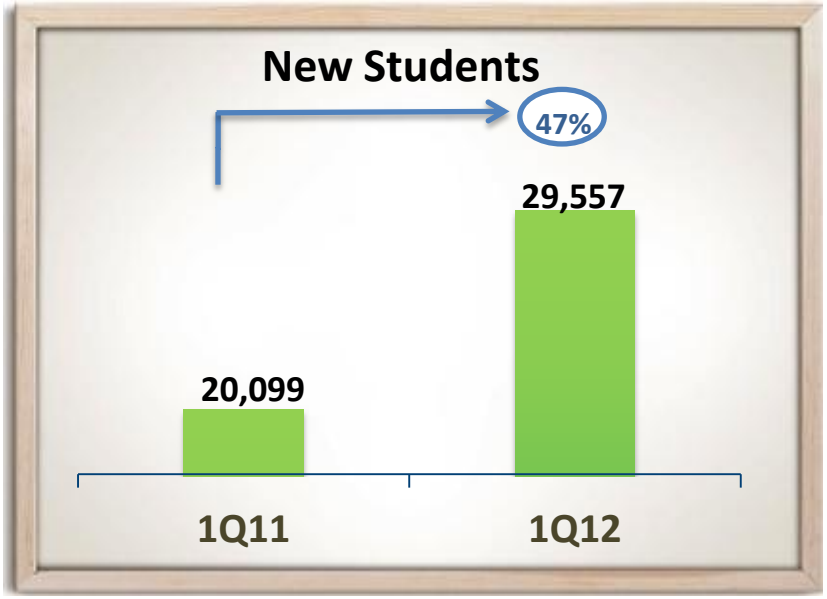


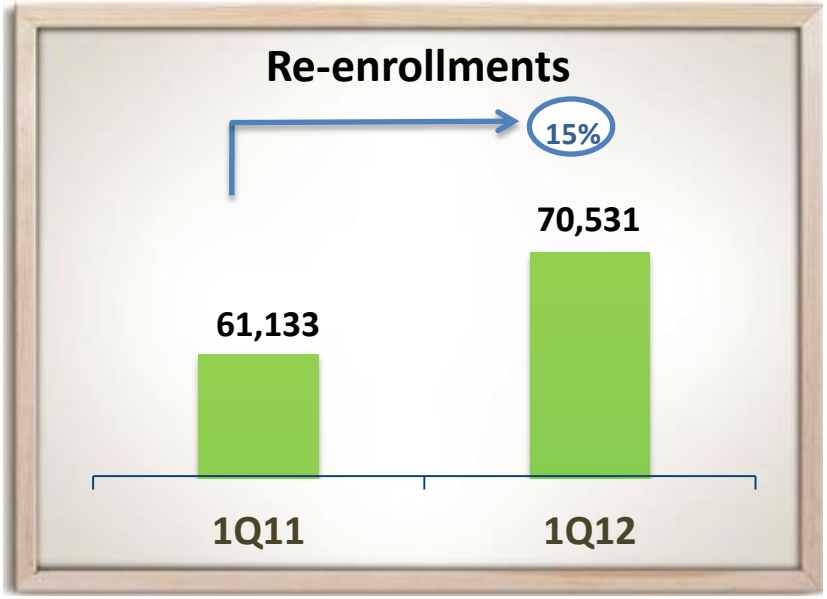


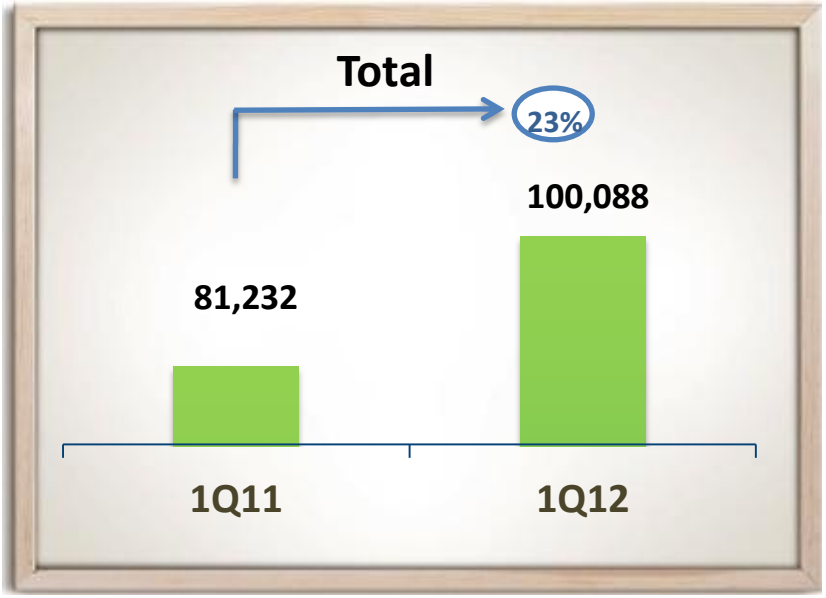
- Growth of 36% in Unopar's new students base
- Unopar's in-class re-enrollments increased by 15%
- Total growth of 23%

Base date: March 23th 2012

New Students and Re-enrollments – Kroton in-class students



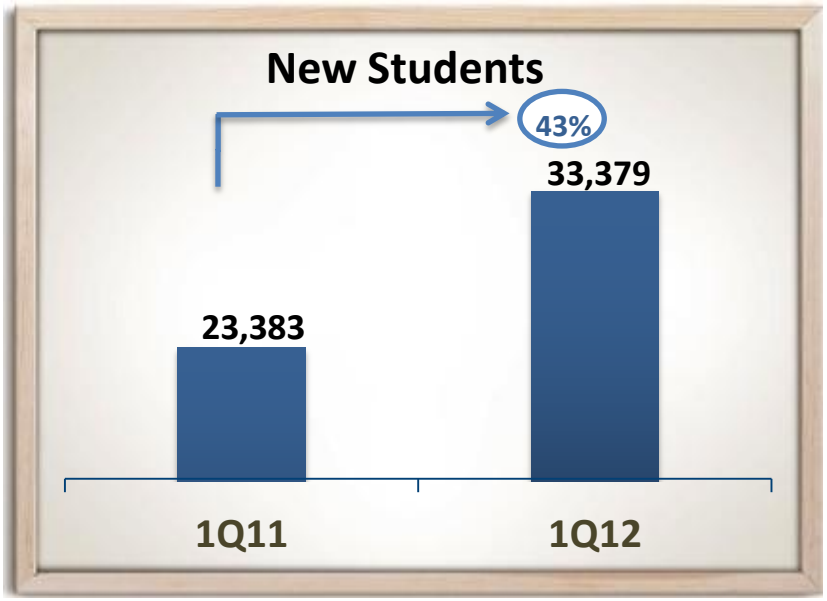


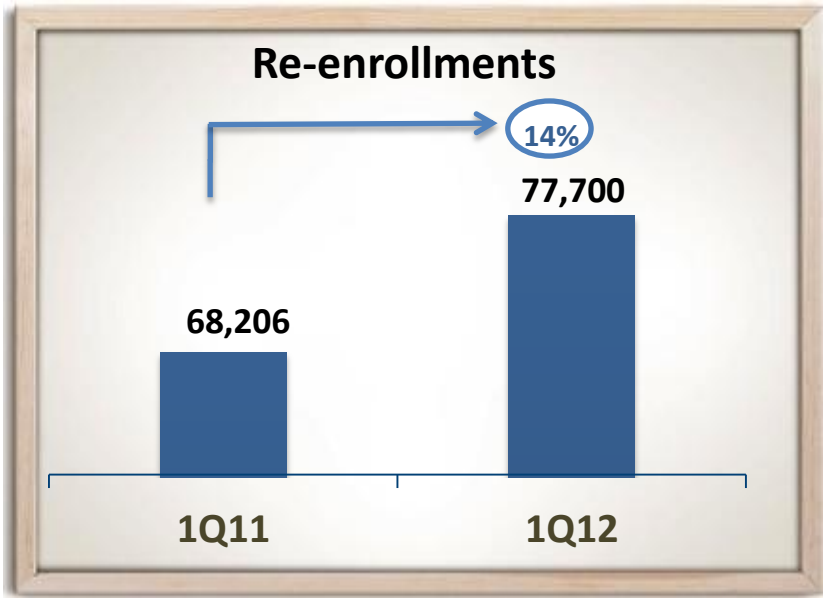


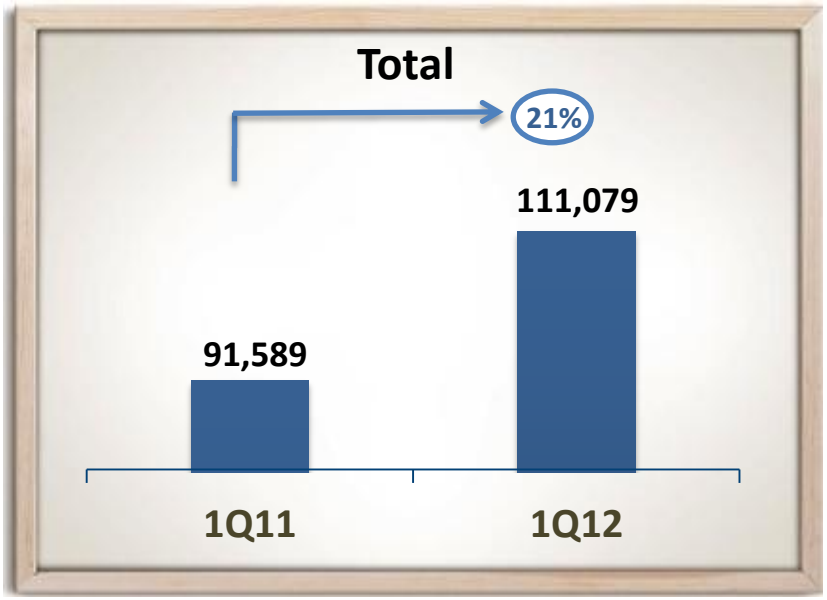
- Growth of 47% in Kroton's in-class new students base
- Kroton`s in-class re-enrollments increased 15%
- Total growth of 23% of Kroton`s in-class students

Base date: March 23th 2012

New Students and Re-enrollments – Kroton + Unopar in-class students



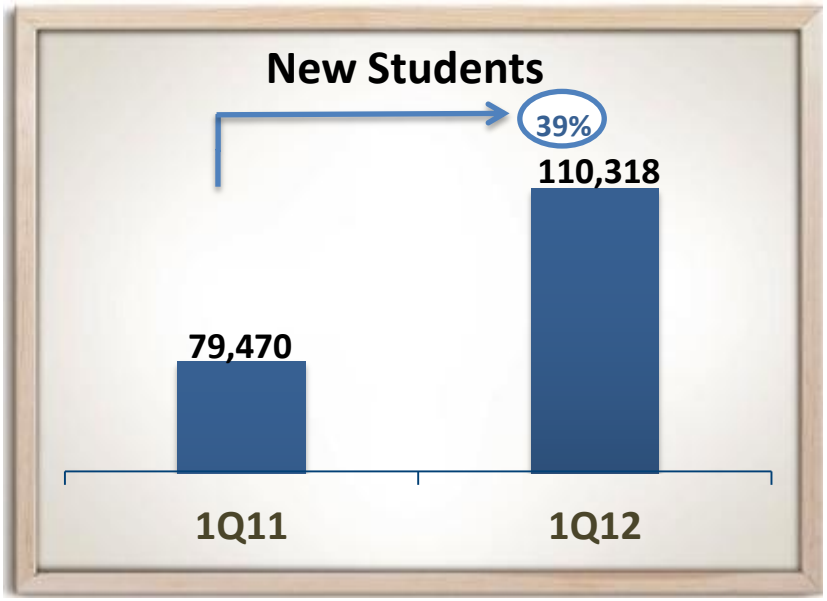


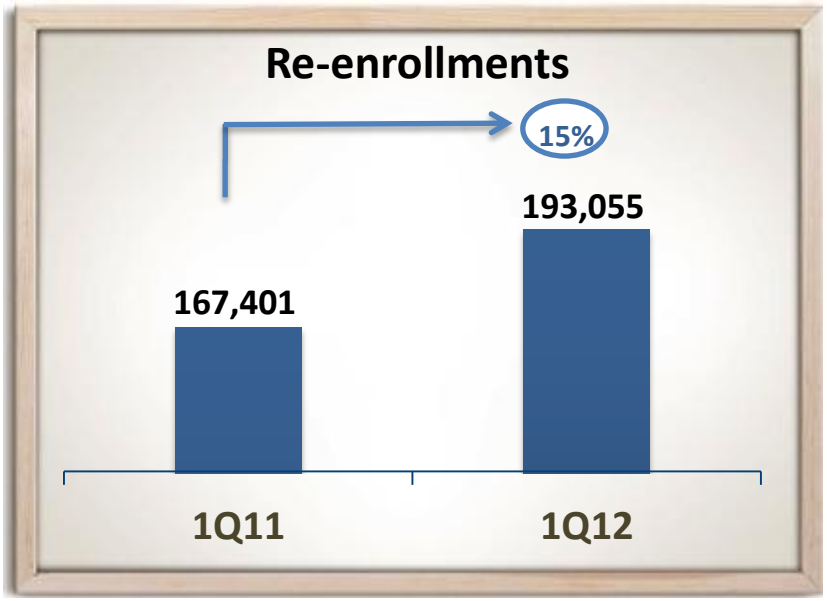


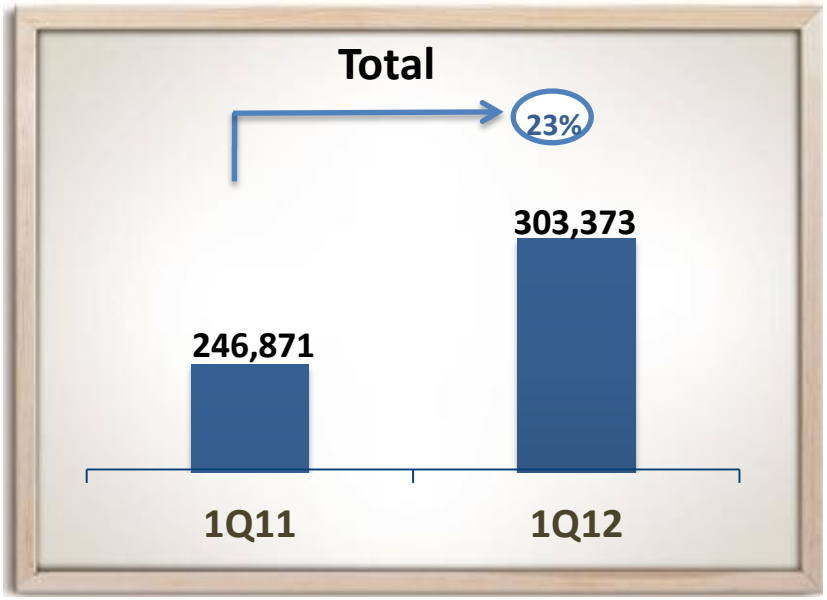
- Growth of 43% of in-class new students base (K + U)
- In-class re-enrollments increased 14% (K + U)
- Total growth of 21% of in-class students (K + U)

Base date: March 23th 2012

New Students and Re-enrollments – Kroton + Unopar total students







- Total growth of 39% in new undergraduate students
- Total re-enrollments of undergraduate students increased 15%
- Total growth of 23% in undergraduate student base

Data Base March 23th 2012

Post Secondary – 1Q12 New Students and Re-enrollments

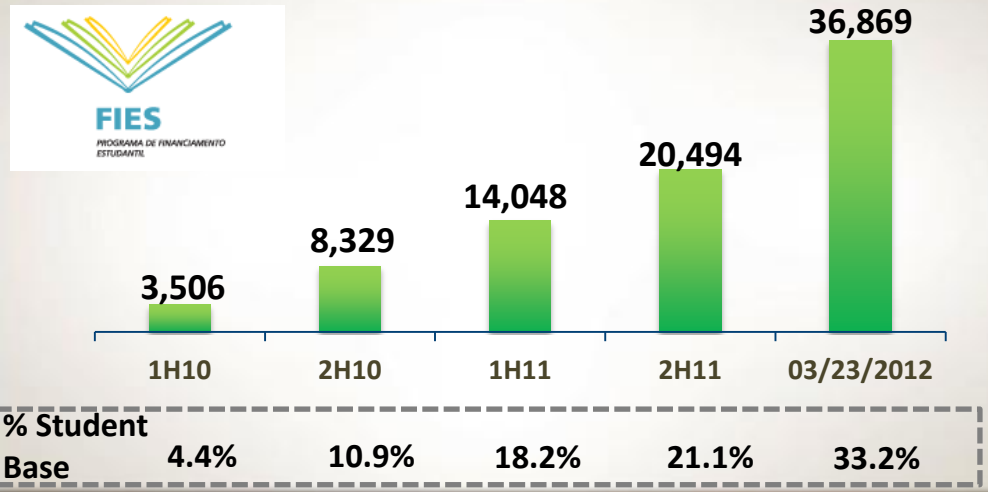
Students	In-class	Distance Learning	Total
Undergraduate	111,079	192,294	303,373
Graduate	13,122	6,418	19,540
Total	124,201	198,712	322,913

- Kroton exceeds 320 thousand Post Secondary students, consolidating its leadership position

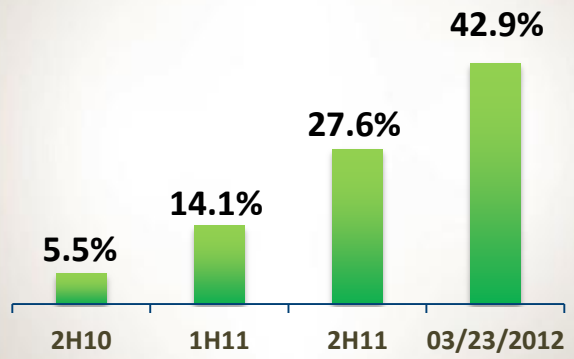
Base date: March 23th 2012

Post Secondary – FIES

Number of Kroton students with FIES*

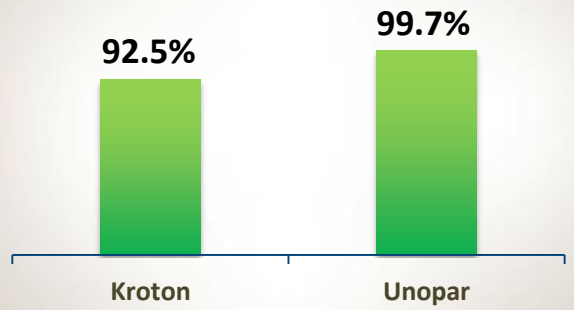


Intakes Process - % FIES *



- Number of FIES students reaches 33.2% of the student base
- Participation of FIES students during 2012 first half intake process reaches 43%, compared to 28% to the second half of 2011
- Monthly buy backs operating normally: R$ 27 million received in the 1Q12

Eligible student base



* Considering Unopar data from 03/23/2012

Integration Process: FAMA, União and FAIS

Integration Process Completed within the proposed deadline with significant results

São Luis and Imperatriz (MA)

July/11

R$ 24.0 million

5,007 students

+ R$ 23.0 million for the real state of 24.5 thousand m²

Ponta Grossa (PR)

July/11

R$ 8.0 million

1,486 students

+ R$ 150 thousand of net debt totaling an equity value of R$ 7.85 million

Sorriso (MT)

November/11

R$ 7.0 million

1,302 students

+ R$ 1.6 million of net debt totaling an equity value of R$ 5.4 million

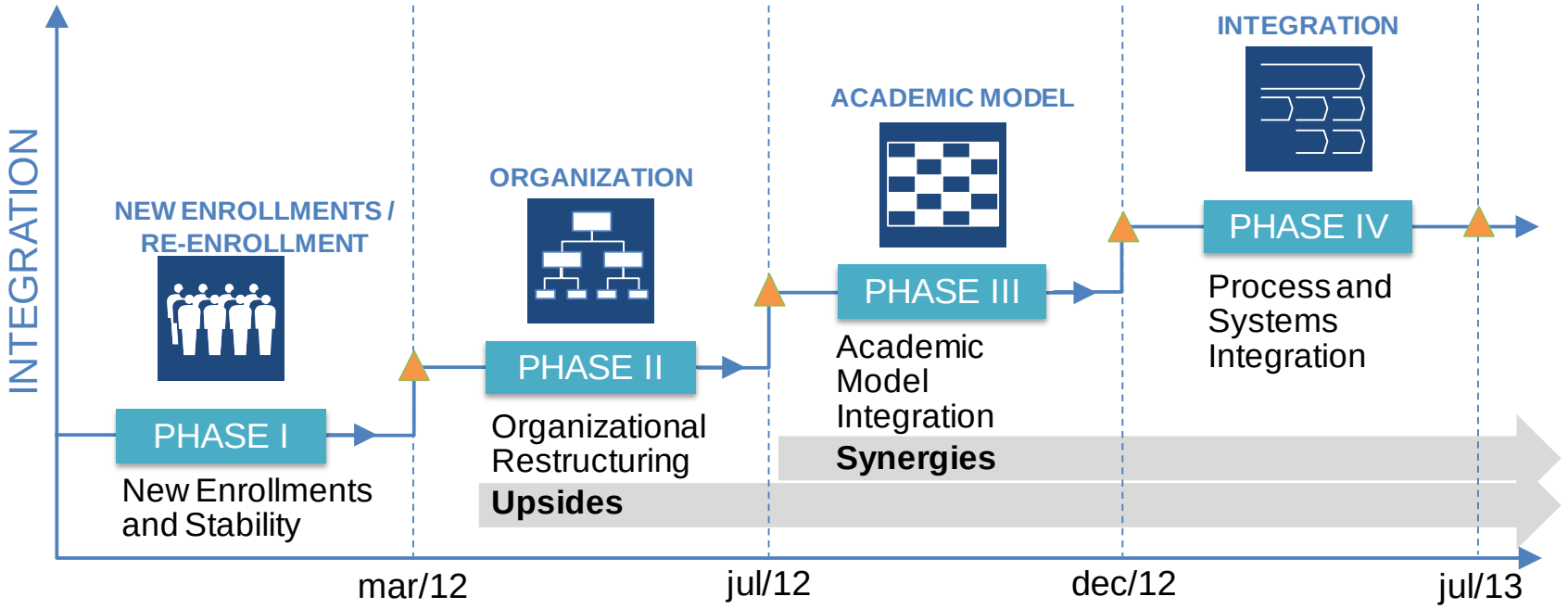
- **Kroton Academic Model implemented in the 4 acquired units.**
- **Acquired Units Performance:**

	4Q11	2011
Recurring Gross Margin	40.2%	37.4%
Recurring Operational Margin	17.8%	18.4%

Integration Process: Unopar

- **Integration: *Post Merger Integration* (PMI) methodology, with 15 integration teams and 89 Projects. Integration divided into 4 steps:**

Integration Steps



- Operation Stability
- Commercial Initiative (new intakes and retention)
- Organizational Diagnosis
- Matrix Management
- Process mapping

- Organizational structure optimization
- Revenues and Margins upsides projects development
  - ✓ Channels
  - ✓ Products

- Academic Model Implementation

- Process and Systems complete Integration

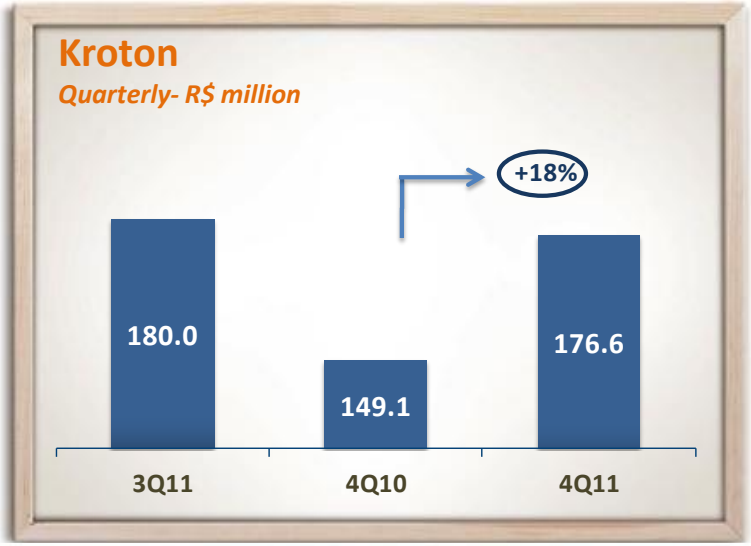


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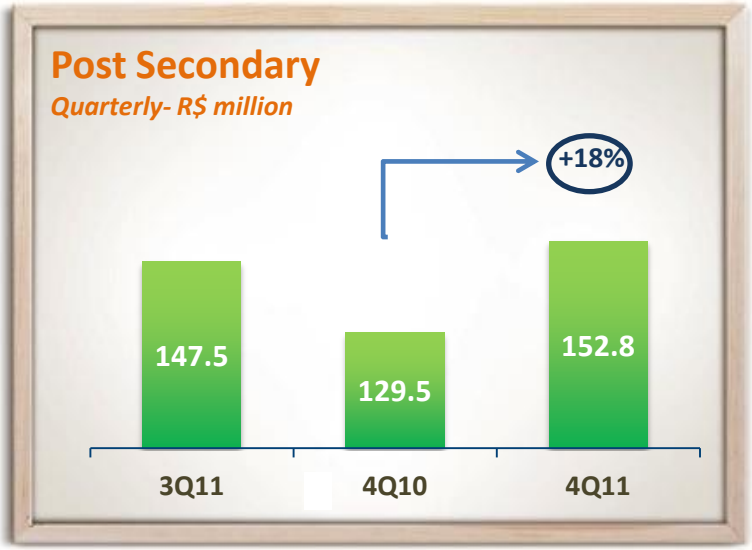


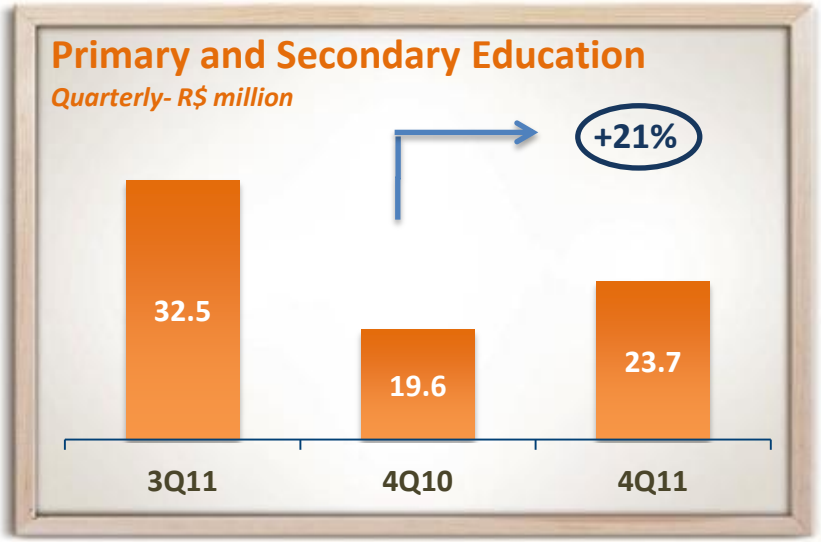
Financial Results

Net Revenue



- Consolidated Net Revenue increased 18% compared to 4Q10
- Post Secondary average tickets remains stable compared to 3Q11



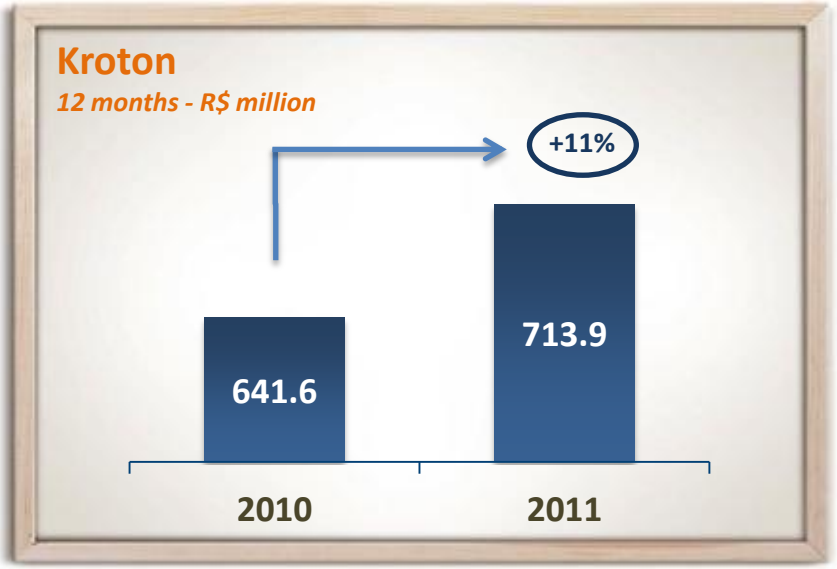


Undergraduate Average Ticket 4Q11: R$ 548.32

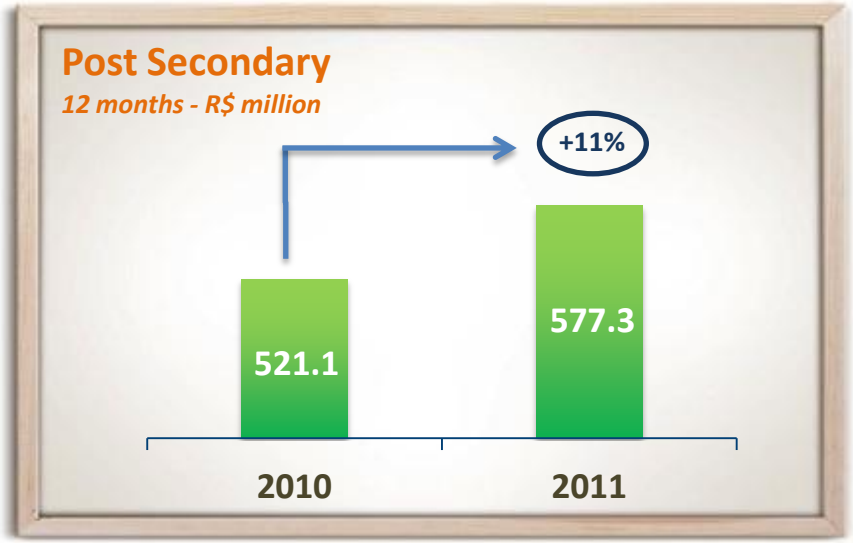
Graduate Average Ticket 4Q11: R$ 207.96

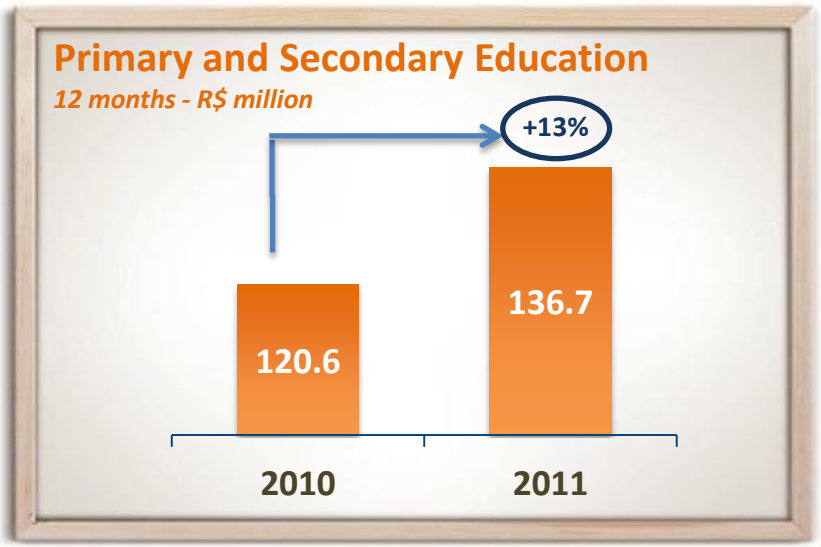
Primary and Secondary Average Annual Ticket 2011: R$ 375.19

Net Revenue



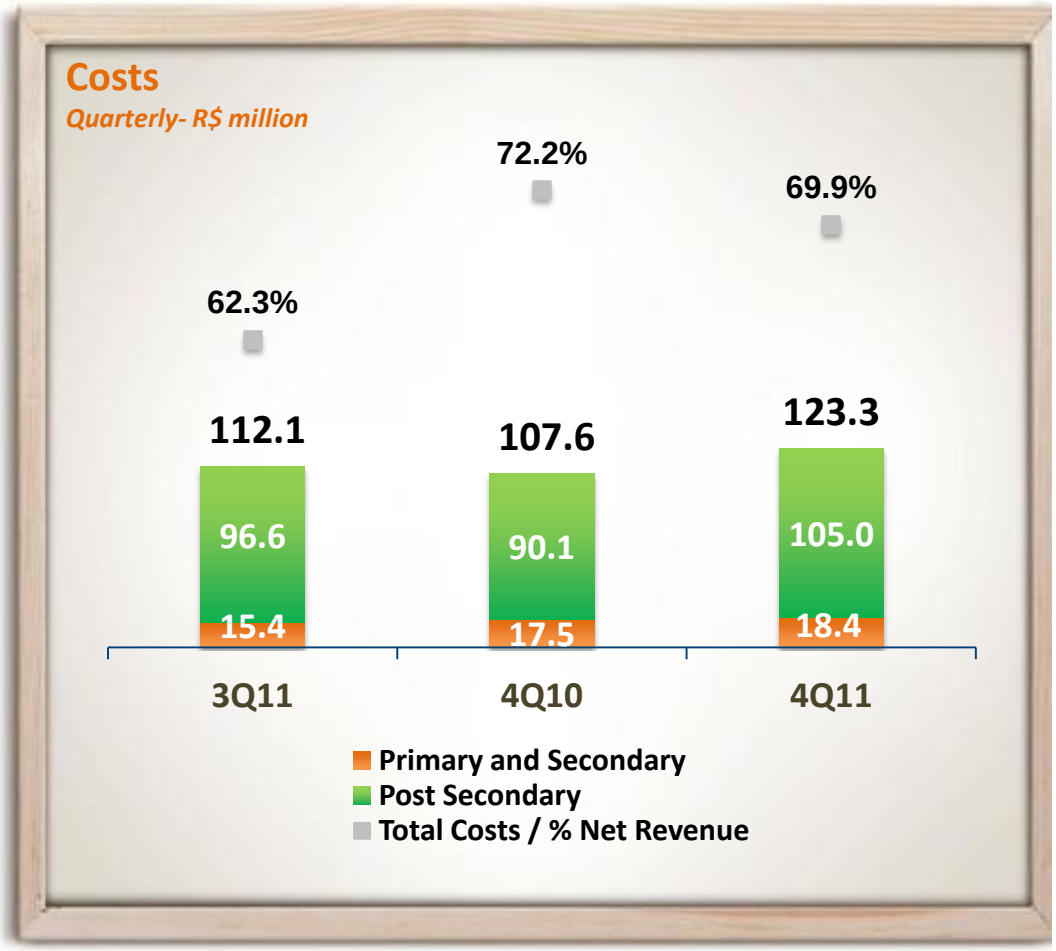
- Growth of 11% of Net Revenue between 2010 and 2011
- Two-digit growth of Post Secondary and Primary and Secondary Education

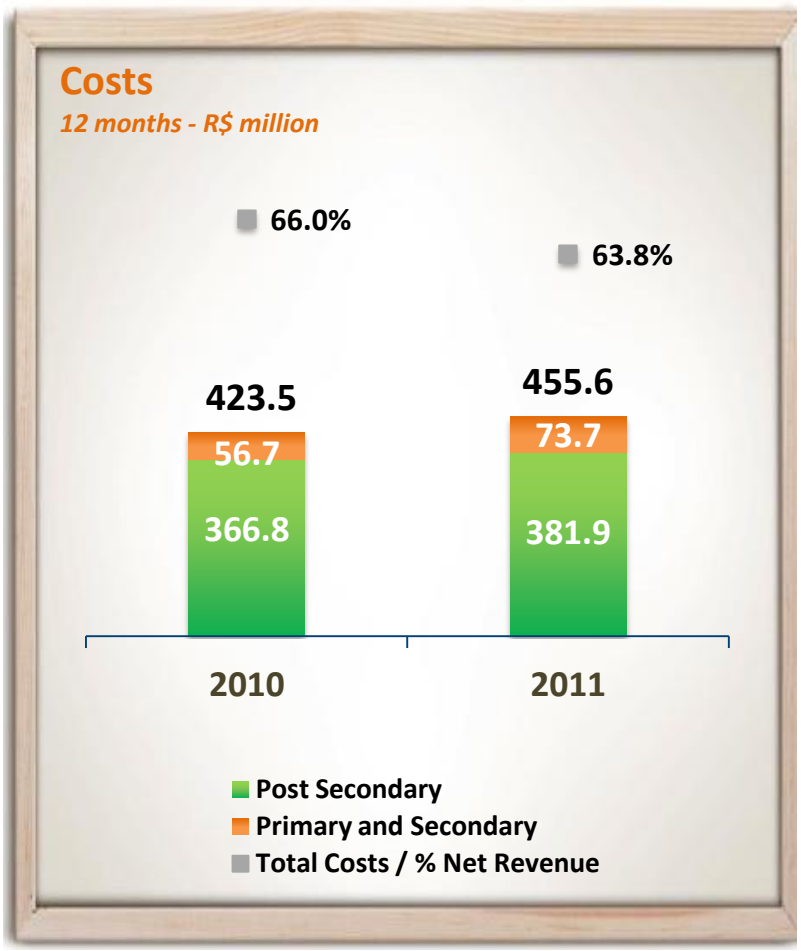




Costs of Goods and Services

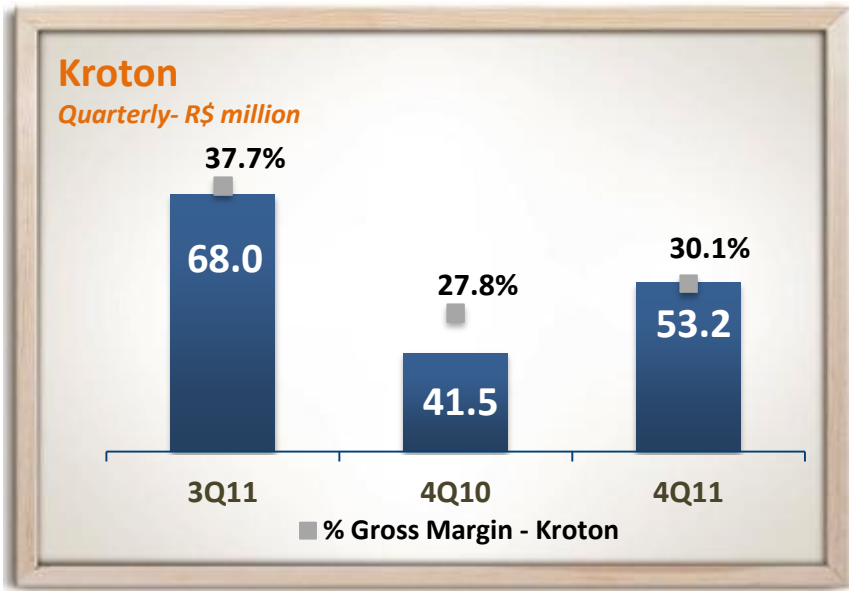
- Costs and Net Revenue ratio improvement of 2.2 p.p. between 2010 and 2011, reflects the initiatives that have been implemented aiming the Company's margin increase

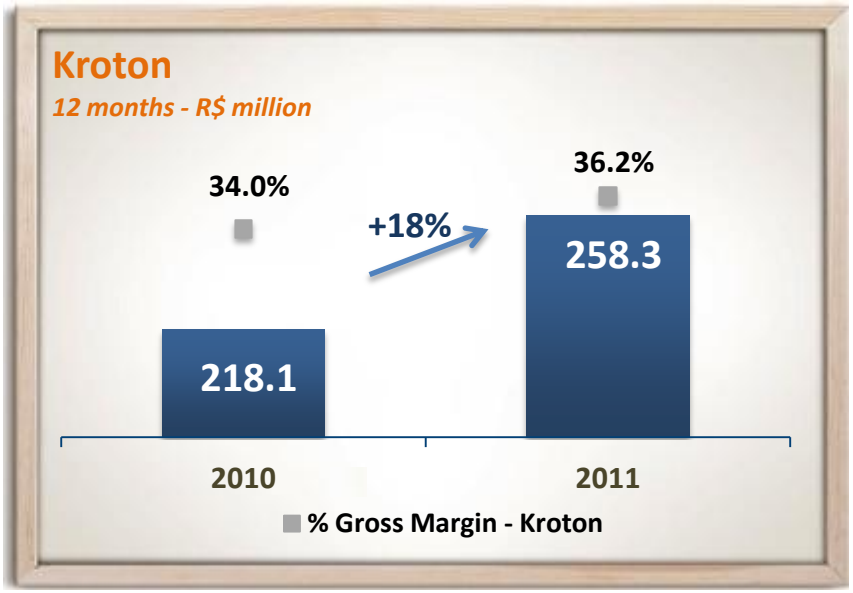




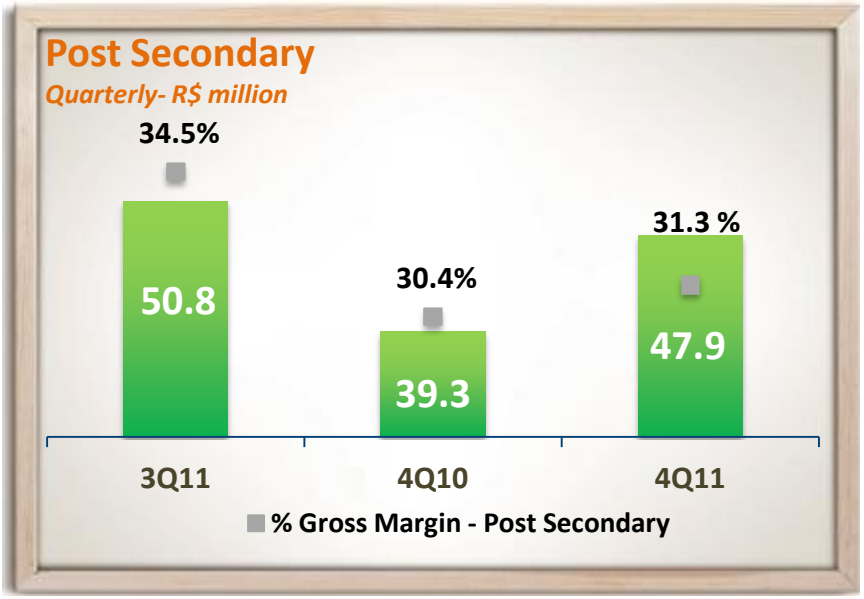
Consolidated Gross Income

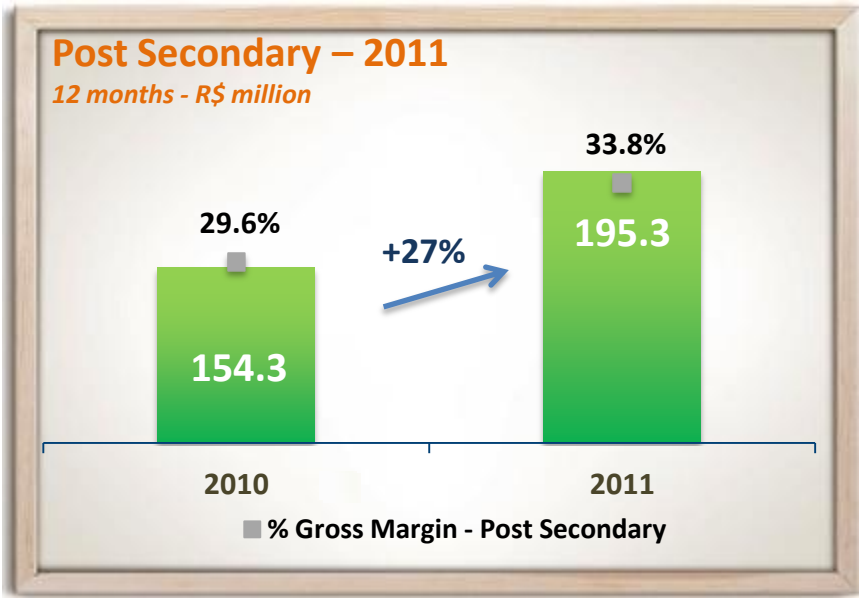
- Growth of 18% in the Gross Income, when compared to 2010
- Gross Margin reaches 36.2% in 2011

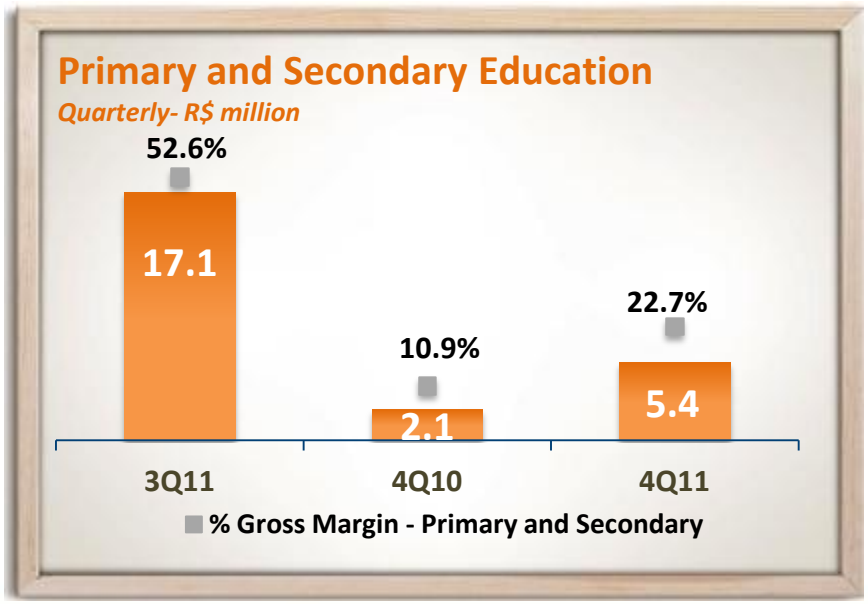


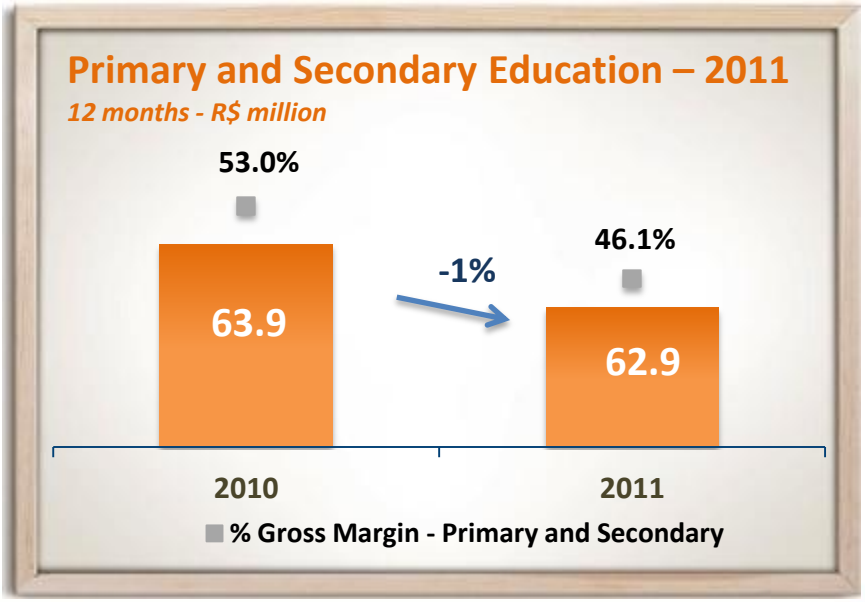


Gross Income by Segment



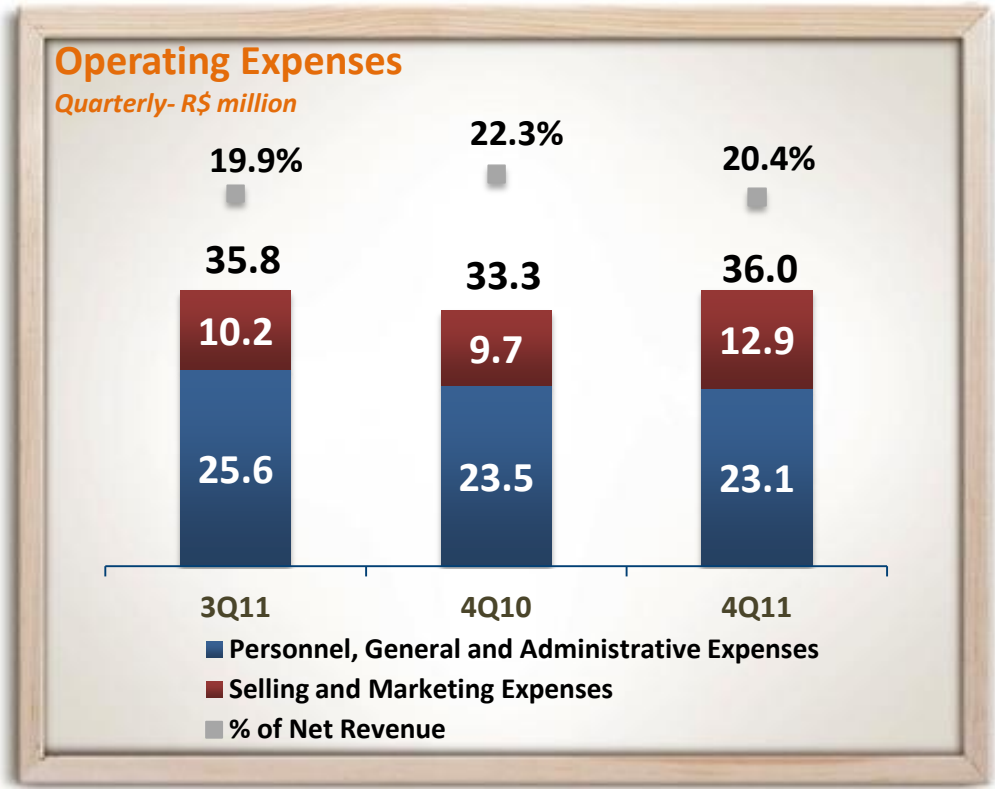


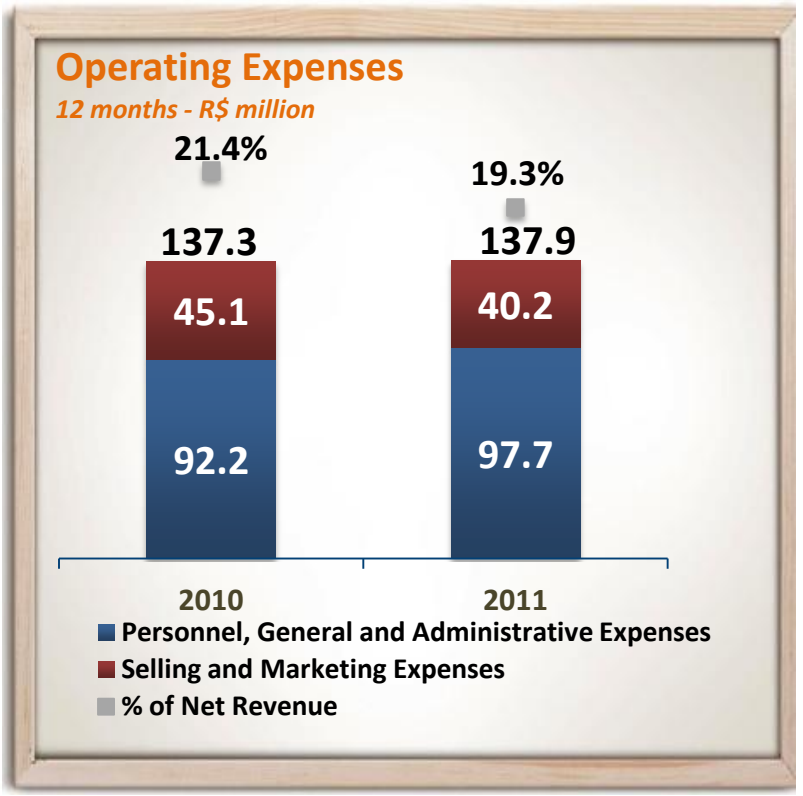




Operating Expenses

- Strict control regarding the operating expenses guarantee 2.1 p.p. reduction over net revenues between 2010 and 2011





Net Expenses / Net Revenue (%)	2010	2011
Personnel, General and Administrative	14.4%	13.7%
Selling and Marketing	7.0%	5.6%

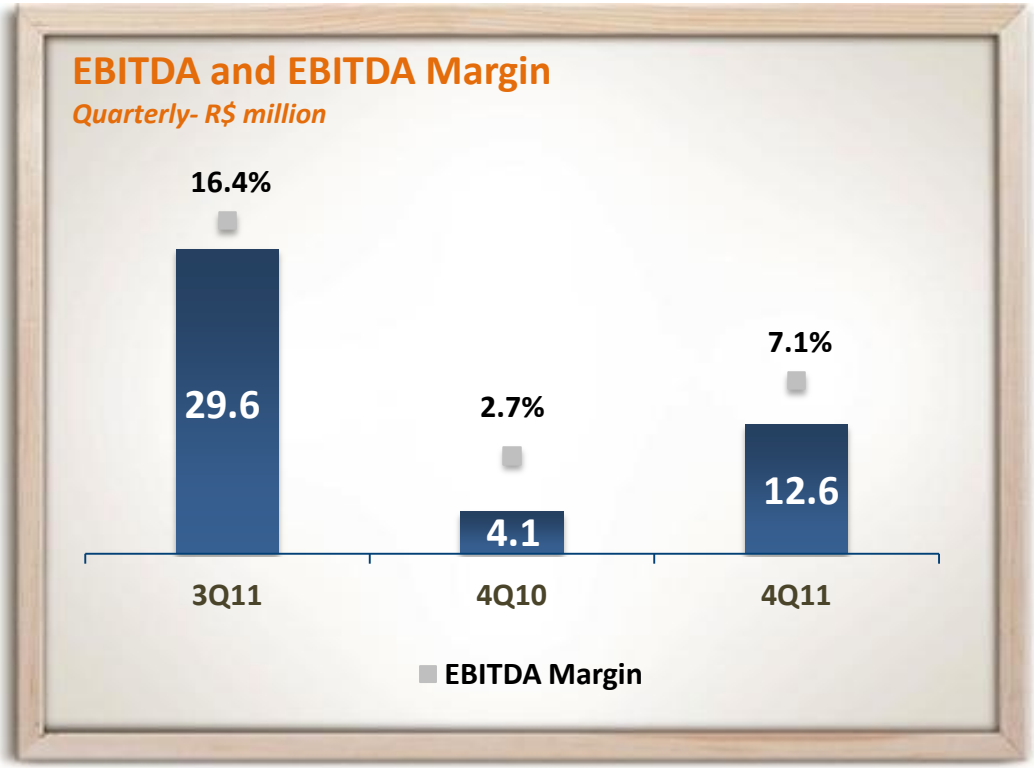
Non-recurring Events

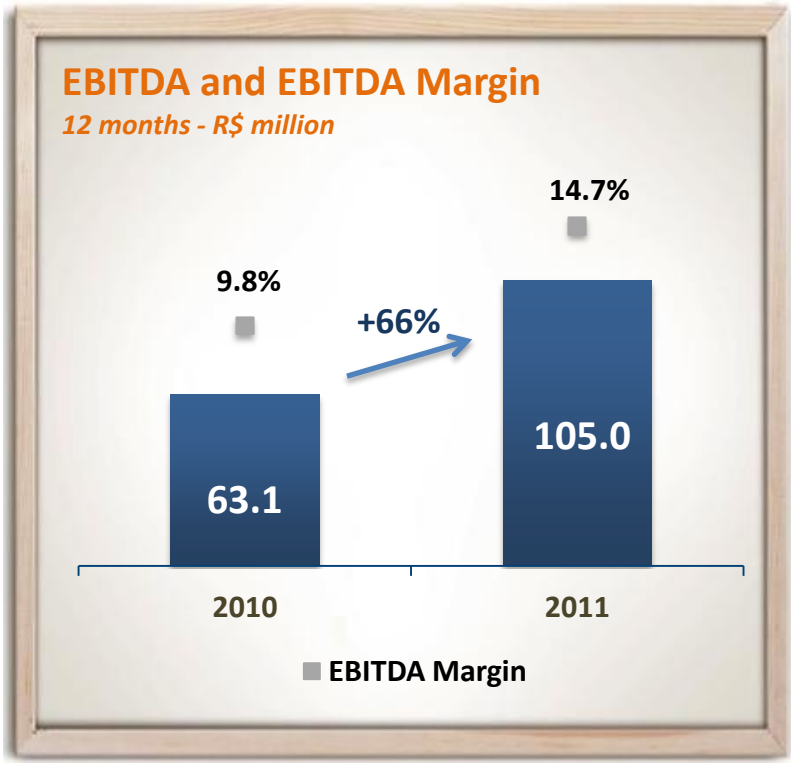
Non-recurring Item *Values in R$ ('000)*	Unit	Operation impact	4Q11
Cancellation Fines / Unit Closing Expenses	Rio de Janeiro / Belo Horizonte - MG	Transfer of the unit to another campus in the city, reducting operational costs/ expenses	(447)
Investment Write-offs	Rio de Janeiro Unit / Belo Horizonte – MG	Sell / Closing of unprofitable operations. Non-cash effect	(5,365)
M&A Projects	Faculdade de Sorriso - MT Unopar - PR	Costs and expenses related to the audit and integration process	(2,190)
Total of Non-recurring Expenses			**(8,002)**

- **The total amount in non-recurring events in 2011 was R$ 14.2 million, 61.3% lower than in 2010 — and with regard to net revenues, the total of the non-recurring events represented 2.0% in 2011, compared to 5.7% in 2010.**
- **For 2012, Kroton should register non-recurring expenses of approximately R$ 15 million related to the Unopar acquisition, with the major portion to be booked in 1Q12**

EBITDA

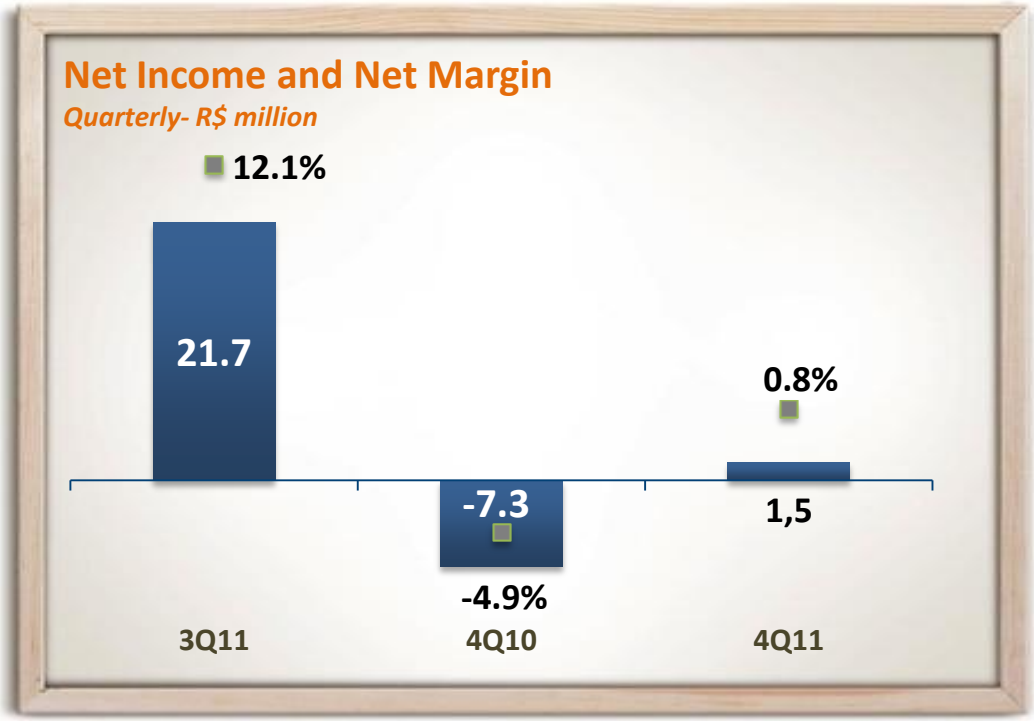
- EBITDA of R$ 105 million in 2011 outperforms *guidance* provided to the market by 5%
- Even not considering all acquisitions during 2011, EBITDA of the year reached R$ 102.6 million, which is also above the guidance provided to the market
- Considering the impact of the results of December of Unopar , the EBITDA reaches R$ 111.1 million

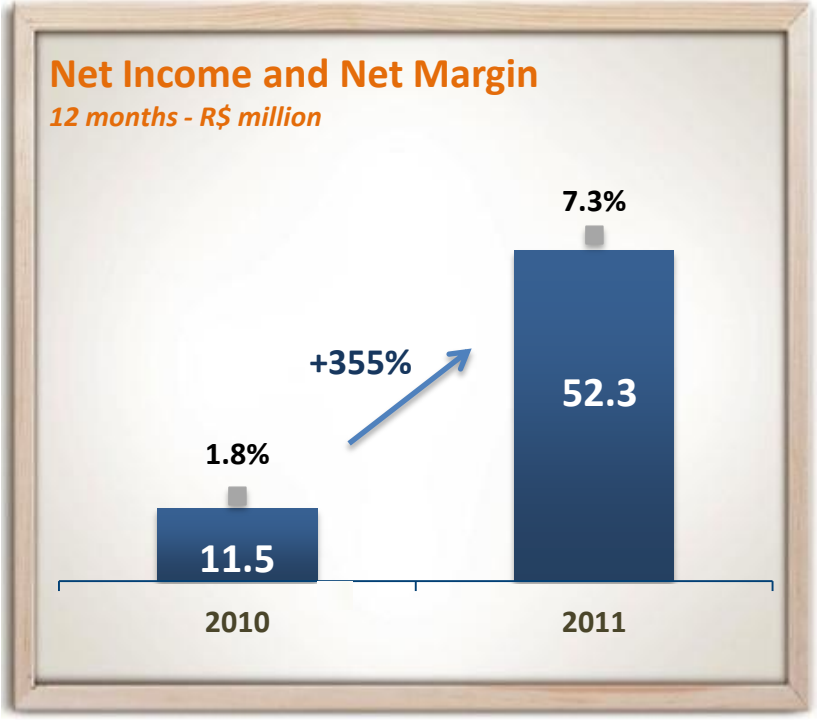




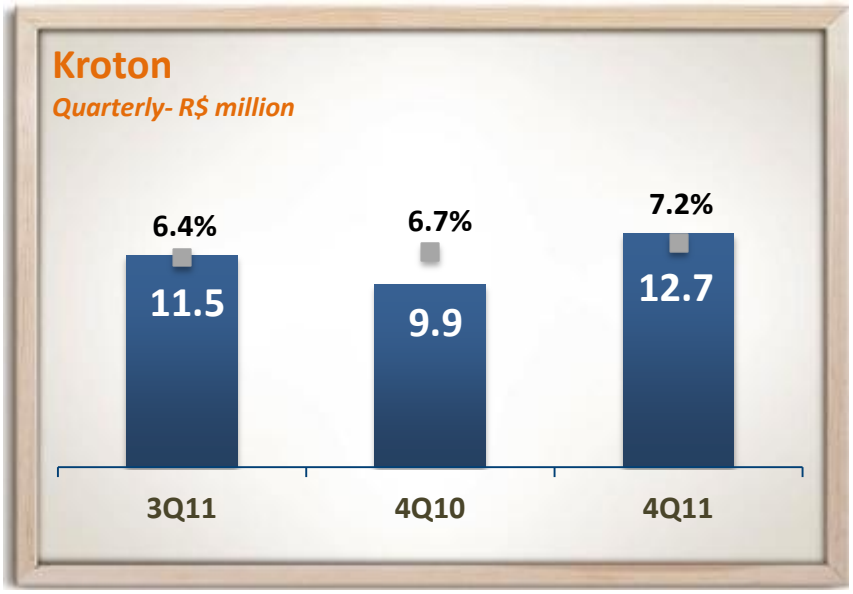
Net Income

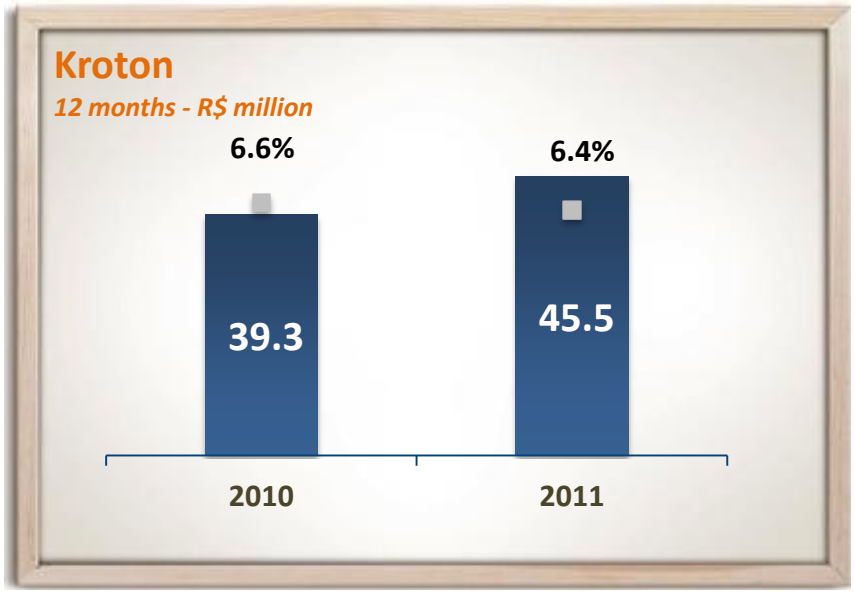
- Net Income of R$ 52.3 million is 355% above 2010

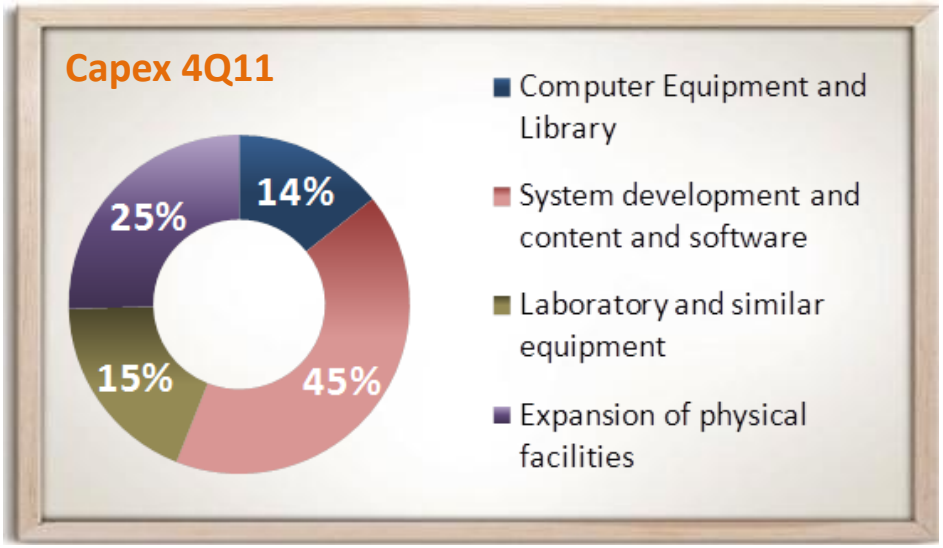




Capex







- **Capex as % of Net Revenue decreases 0.2 p.p. between 2010 and 2011**

Cash and Debt

Consolidated *Values in R$ ('000)*	4Q11*	3Q11	% Chg
Cash + Securities	138,549	293,194	-52.7%
Loans and Financing	558,746	15,994	n.a.
Short-term Debt	6,824	7,516	-9.2%
Long-term Debt	551,922	8,478	n.a.
Net Cash (Debt)	**(420,197)**	**277,200**	**n.a.**

- **Almost R$ 1.5 billion in 3 Capital Markets operations:**
  - ***Follow-on* at june/11 amounting R$ 380 million**
  - **Debentures Issuance amounting R$ 550 million at january/12 with a 7 year term and apropriate cost (CDI + 2% per year)**
  - **Capital increase ratified at march/12 amounting R$ 597 million (99,51% of subscription)**

*** Considers the R$ 100 milion payment and CCB of R$ 550 million hired in the context for Unopar acquisition**



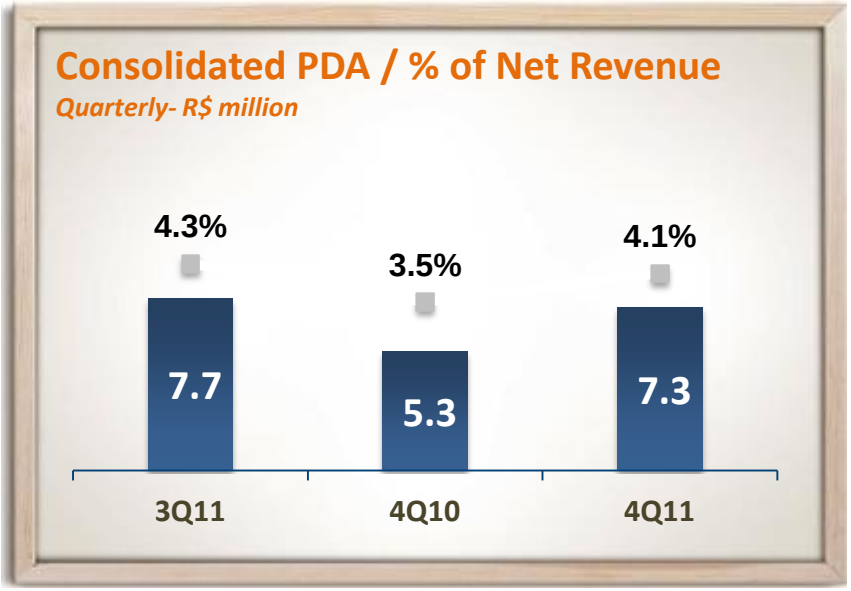
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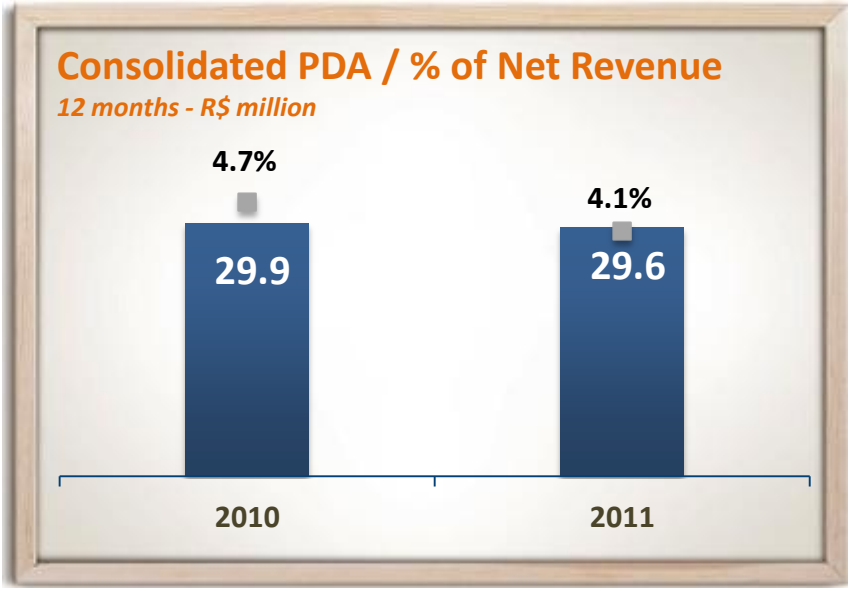


Provision and Receivables

KROT11
NÍVEL 2
BM&FBOVESPA

Consolidated Provision for Doubtful Accounts





- Reduction between 2010 and 2011 in PDA/Net Revenues ratio, is explained by the growth of the FIES program in the mix of Kroton's students portfolio. Excluding it and analyzing PDA (ex-FIES) / Net Revenue (ex-FIES), points to a 5.7% in 2010 and 5.6% in 2011.

Provision for Doubtful Accounts by Segment

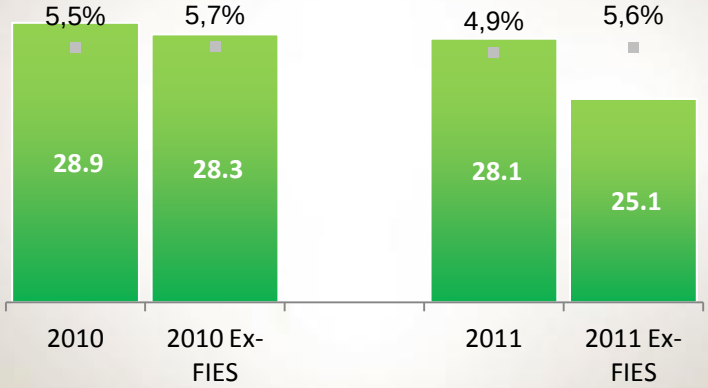
PDA Post Secondary / % Post Secondary Net Revenue

Quarterly- R$ million



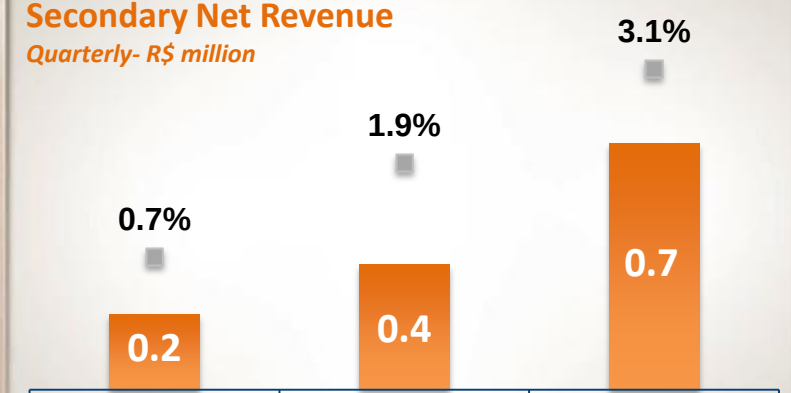
PDA Post Secondary / % Post Secondary Net Revenue

12 months- R$ million



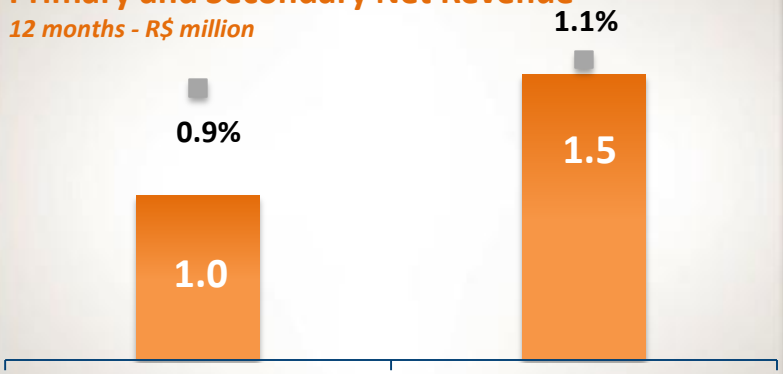
PDA Primary and Secondary / % Primary and Secondary Net Revenue

Quarterly- R$ million



PDA Primary and Secondary Education / % Primary and Secondary Net Revenue

12 months - R$ million



Accounts Receivable

In R$ (´000)

Kroton – Post Secondary	4Q11	4Q10	Chg%	3Q11	Chg%
Net Accounts Receivable - Post Secondary	**205,862**	**122,021**	**68.7%**	**181,295**	**13.6%**
Short Term - Tuitions and Agreements Receivable	90,703	85,681	5.9%	80,198	13.1%
Short Term - Acquired Units	2,775	-	n.a.	3,684	-24.7%
Long Term Receivables	17,003	20,587	-17.4%	18,934	-10.2%
FIES	95,381	15,753	n.a.	78,479	21.5%
Balance of certificates issued and blocked by CND	46,332	7,067	n.a.	30,324	52.8%
Accounts Receivable Turnover (days)					
(1) Tuition and Agreements to Receive (ex-FIES) / Net Revenue	57	57	+0 day	53	+ 4 days
(2) Tuition and Agreements to Receive (ex-FIES) / Net Revenue (Ex-FIES)	74	60	+ 14 days	66	+ 8 days
(3) Tuition and Agreements to Receive (FIES) / Net Revenue (FIES)	258	222	+ 36 days	276	-18 days
Tuition and Agreements to Receive (FIES) ex-blocked CND / Net Revenue (FIES)	133	122	+ 11 days	166	-33 days

Kroton – Primary and Secondary Education	4Q11	4Q10	Chg%	3Q11	Chg%
Accounts Receivable	30,979	35,562	-12.9%	32,050	-3.3%
Accounts Receivable / Net Revenue	82	106	- 24 days	87	-5 days



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Cash Generation

Cash Generation

R$ million	Ex-Unopar 2011	With Unopar 2011
Cash Flow from Operations	(62,000)	(48,256)
(Growth) Reduction of receivables FIES	(82,496)	(82,496)
Cash Flow from Operations (ex-FIES)	**20,496**	**34,240**

- **Kroton standalone consumed R$ 62.0 million in cash in 2011, but rose to R$ 82.5 million of FIES's balance in the same period**
- **Considering the growth in FIES's balance, Kroton standalone operations generated positive cash of R$ 20.5 million**
- **Including Unopar, cash generation was of R$ 34.2 million**



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Final Remarks

Final Remarks

1 Margin Expansion

- 66% EBITDA growth, from R$ 63.1 million in 2010 to R$ 105.0 million in 2011
- EBITDA margin expansion of 4.9 p.p., reaching 14.7%
- Growth of 355% Net Income, coming from R$ 11.5 million in 2010 to R$ 52.3 million in 2011
- Net Margin growth of 5.5 p.p., from 1.8% in 2010 to 7.3% in 2011

2 Acquisitions

- Acquisition of 4 small and mid-size companies: integration process fully completed in all of them
- Unopar acquisition, biggest deal in Brazilian education market
- Active pipeline with new acquisitions forecast for 2012

3 Organic Growth

- Excellent intake process in 1Q12*, both in distance learning and in-class:
  - Distance learning new students growth of 37% over 2011
  - In-class intake process (Kroton + Unopar) increased 43% compared to 2011
- Undergraduate total student base increase of 23% in comparison to 2011, overcoming 303 thousand students
- Post Secondary reached 323 thousand students
- FIES represents 33% of the students base. 43% of intakes (new students) joined FIES

Base date: March 23th 2012

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