




# KROTON EDUCACIONAL S/A

## 2008 RESULTS

## March 24, 2009

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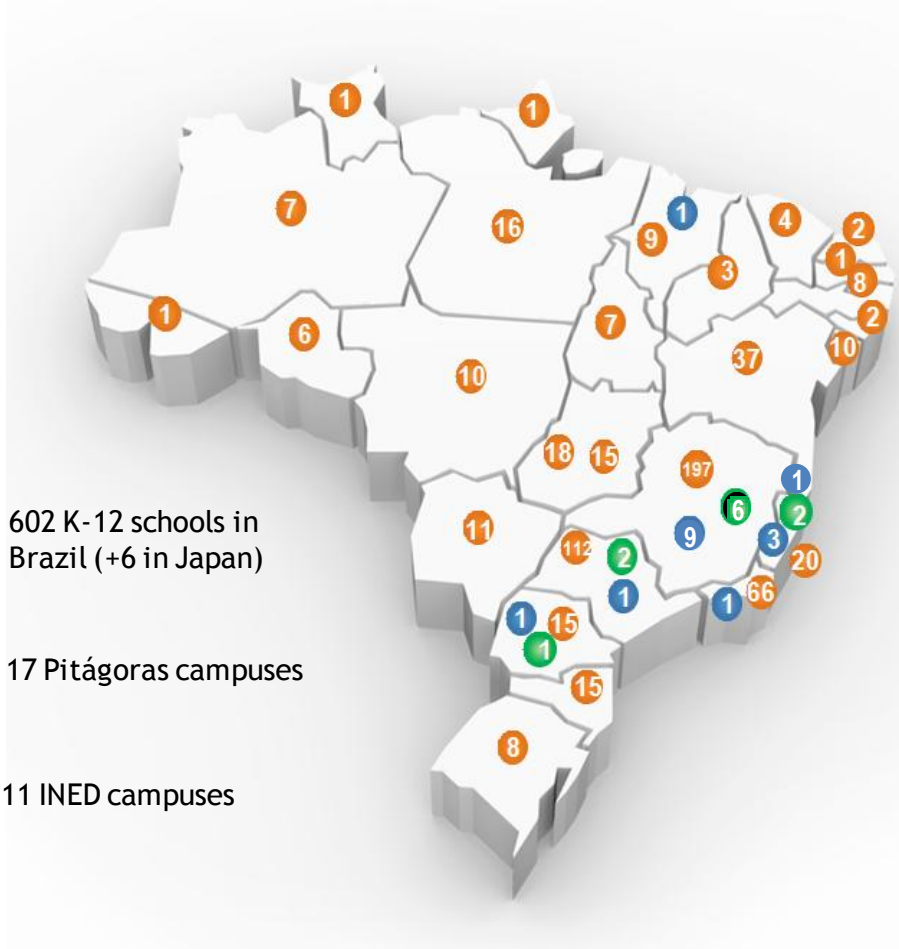
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# 2008 HIGHLIGHTS

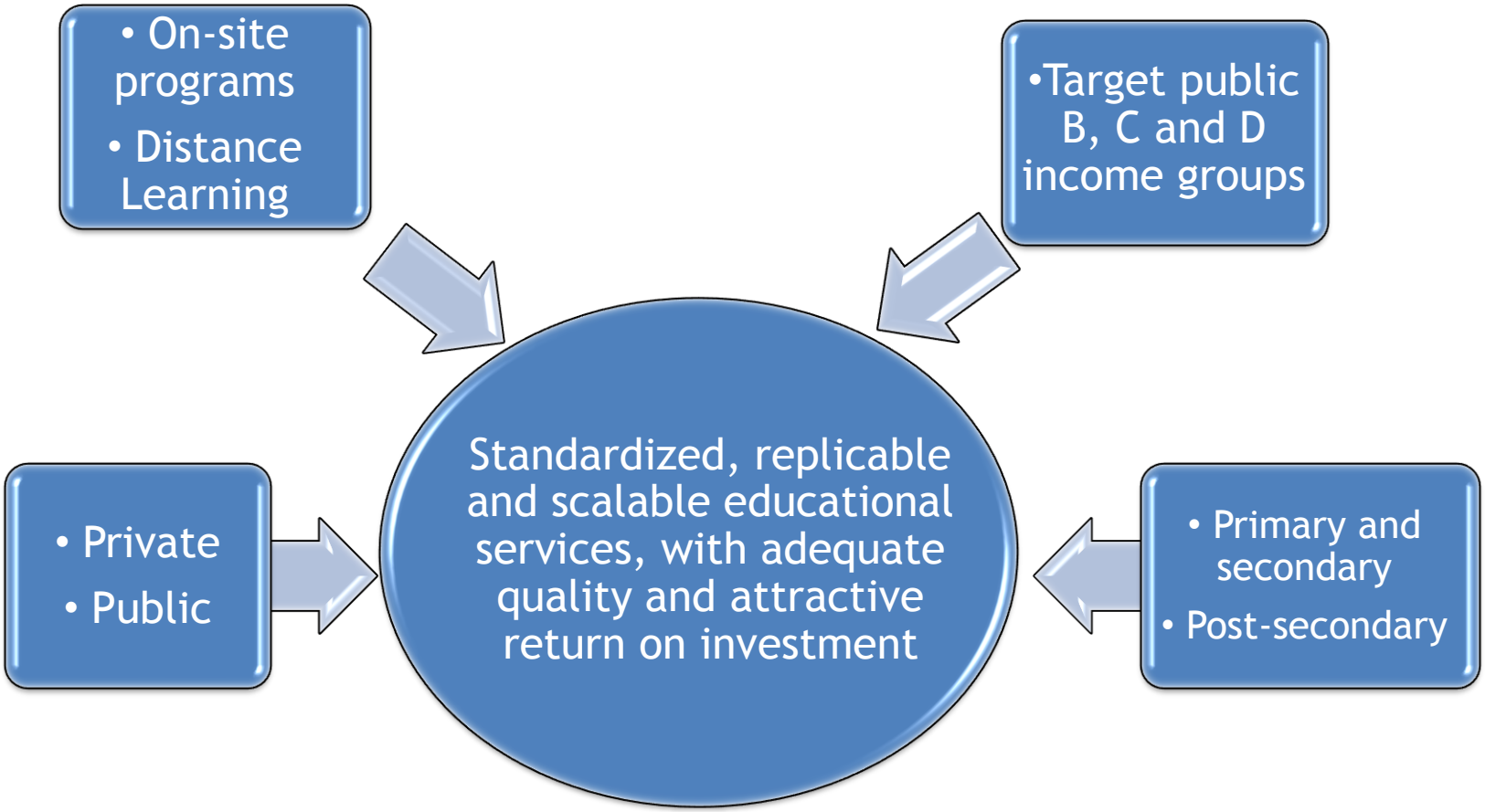



- 602 K-12 schools in Brazil (+6 in Japan)
- 17 Pitágoras campuses
- 11 INED campuses

- Entry into strategic markets;
- New products and services;
- Restructuring of processes and systems;
- Average number of students in the post-secondary operations increased 189.5%. In the primary and secondary operations, the student base expanded by 12.9%;
- Growth of 88.7% in net revenue to R$279.5 million;
- Adjusted EBITDA of R$51.5 million, 77.2% higher than in 2007. Positive Adjusted EBITDA margin in 4Q08, expanding by 16.1 p.p. over 4Q07;
- Adjusted net income of R$48.9 million, growing by 55% in relation to 2007.

INADE PITÁGORAS INED Projecta melhor escola

# EDUCATION IS OUR BUSINESS



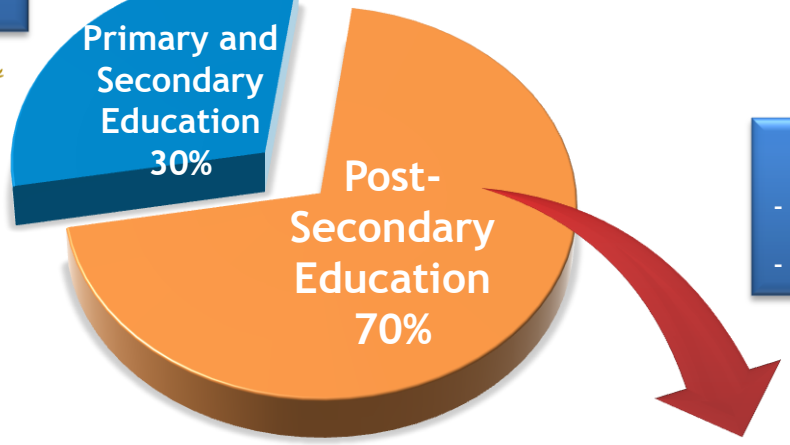

**Educational solutions tailored to the needs of people and institutions**

# DIVERSIFIED REVENUE TO REDUCE RISK

**Primary and secondary education:**

- Low delinquency;
- Annual renewal rate of 98%;
- Predictable cash flow;
- Income groups A, B, C and D;

## Revenue by Operation

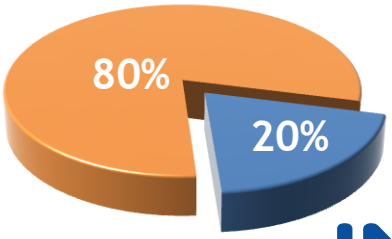



**Post-secondary education:**

- Financial programs for students;
- Low historical dropout rate;

**Pitágoras:**

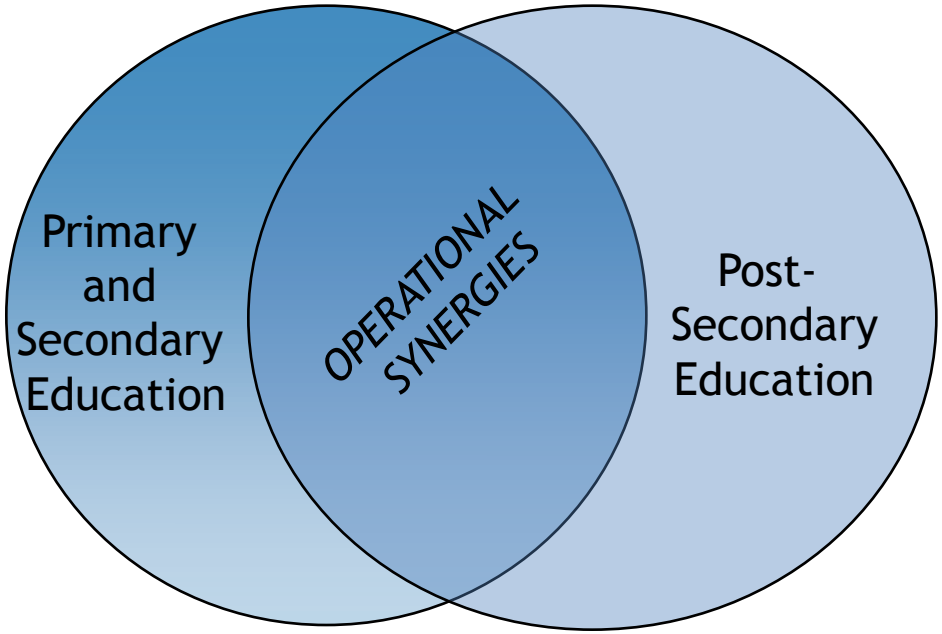
- Bachelor's programs;
- Classes B and C;




**INED:**

- Associate's and short- term programs;
- Differentiated payment methods;
- Classes C and D;

# INTEGRATED OPERATIONS




## Competitive Advantages

- Unique knowledge of industry and local experience for geographic expansion into new markets
- Diversified cash flow
- Operational synergies, opportunities for scale gains
- Strong brand recognition

# STRONG EXPANSION IN POST-SECONDARY OPERATIONS SINCE IPO...

**IPO – July 2007**

**(8 units in Minas Gerais State)**



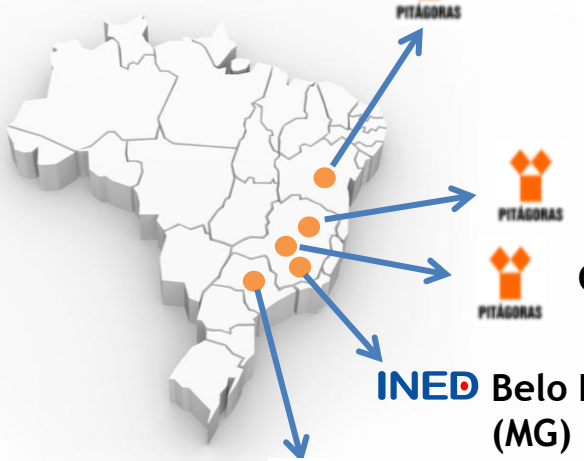
- Betim (MG)
- Ipatinga (MG)
- INED Belo Horizonte (MG) - 4 units Pitágoras and 2 INED)

**December 2008**

**(28 units in 7 states)**

- São Luis (MA)
- Teixeira de Freitas (BA)
- Betim (MG)
- Ipatinga (MG)
- INED Guarapari (ES)
- INED Linhares (ES)
- Vitória (ES)
- INED
- INED Belo Horizonte (MG) - 4 units Pitágoras e 3 INED
- INED Divinópolis (MG)
- Poços de Caldas (MG)
- Rio de Janeiro (RJ)
- INED Londrina (PR)
- INED Jundiaí (SP)
- INED Rio Claro (SP)
- INED Uberlândia (MG)

# ... AND NEW ORGANIC OPENINGS ON THE PIPELINE



Feira de Santana (MG)

Contagem (MG)

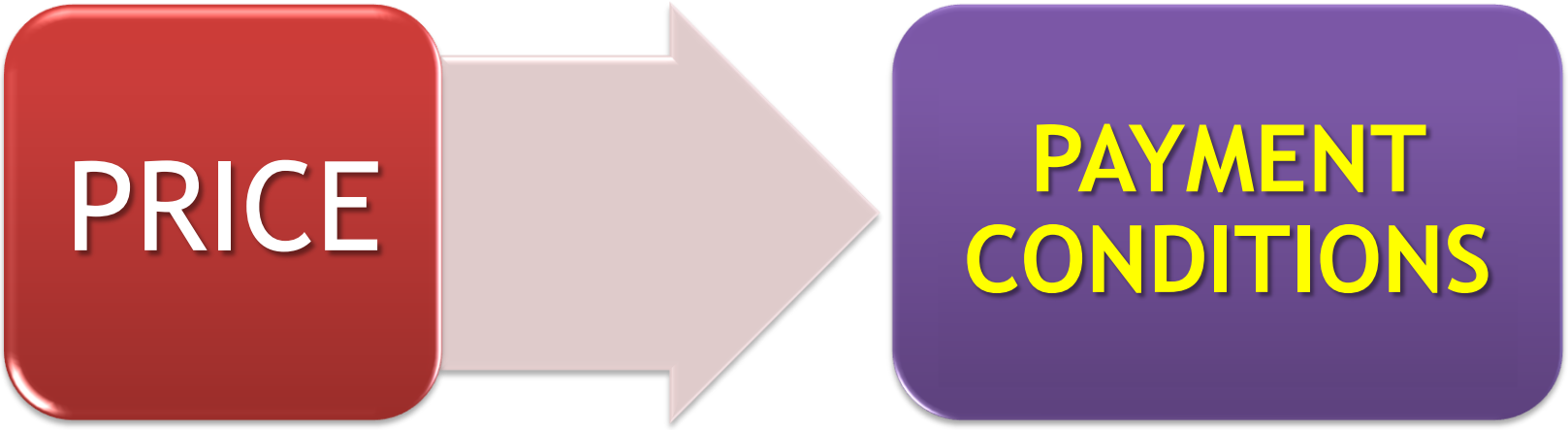
Governador Valadares (MG)

INED Belo Horizonte - Barreiro (MG)

Votorantim/ Sorocaba (SP)

| New Programs: | To be open: |
|---|---|
| Over 130 Ministry of Education's visits to conclude the process for authorizing academic programs. | 2009/2010 |

# PRICE vs. PAYMENT CONDITIONS



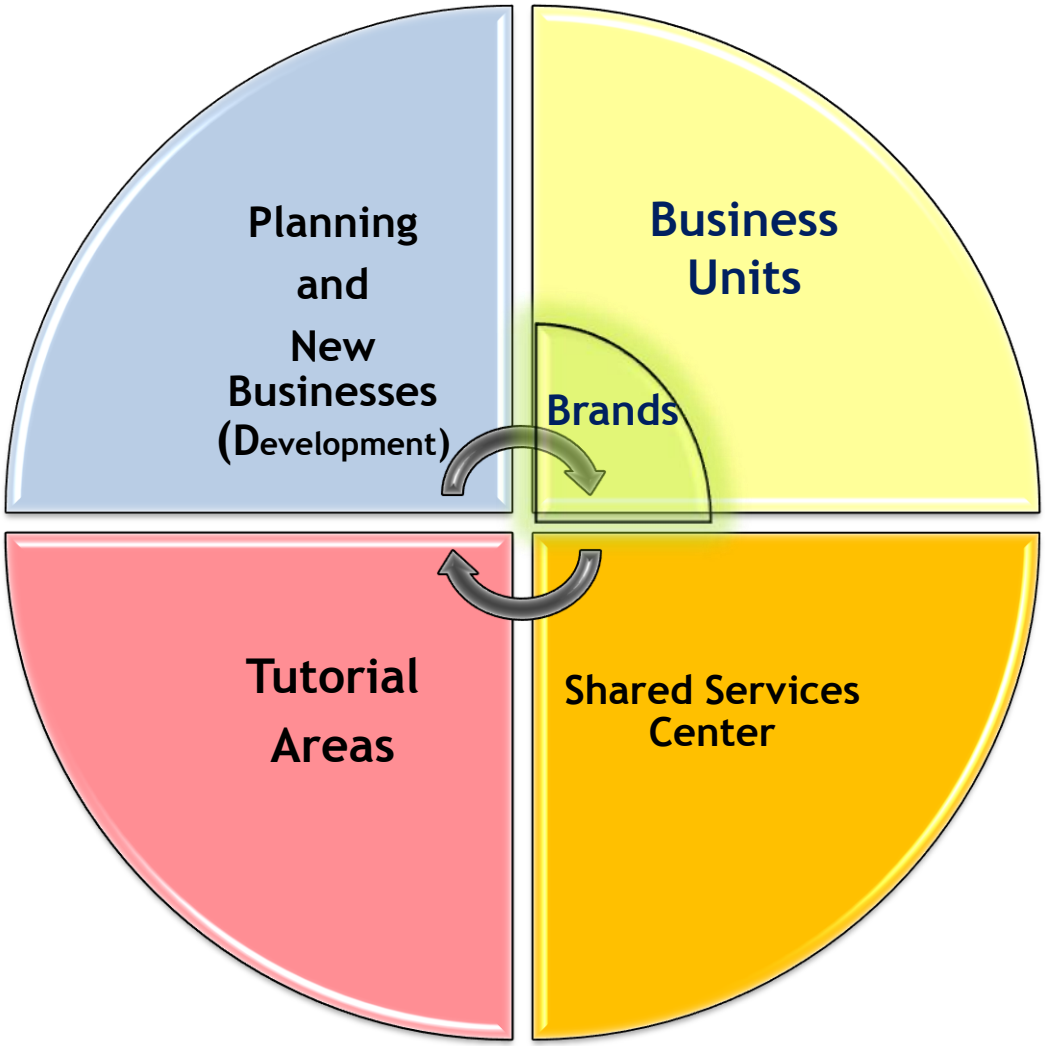

UNDERSTANDING OF PRODUCT CYCLE

FINANCIAL PROGRAMS FOR STUDENTS



**SUSTAINABLE BUSINESS**

# MANAGEMENT FOCUSED ON SUSTAINABILITY



Kroton Educacional






# FINANCIAL HIGHLIGHTS

INADE PITÁGORAS INED Projecta melhor escola

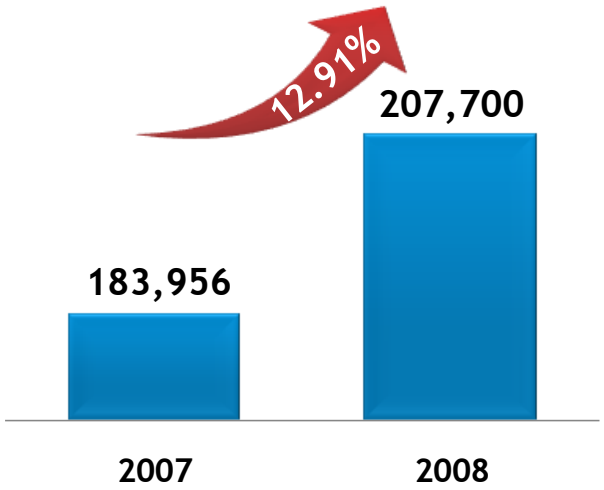
KROT11 NÍVEL 2 BOVESPA BRASIL

# MAIN INDICATORS

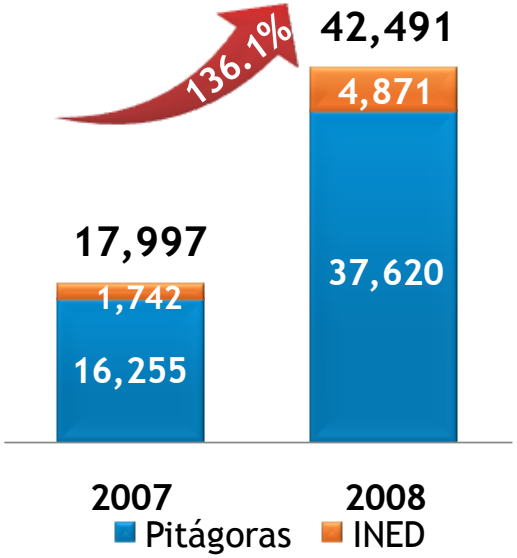
| *Values in R$ (thousand)* | 4Q08 | 4Q07 | Var | 2008 | 2007 | Var |
|---|---|---|---|---|---|---|
| Gross Sales Revenue | 74,673 | 36,066 | 107.0% | 306,904 | 155,605 | 97.2% |
| Net Sales Revenue | 67,556 | 34,506 | 95.8% | 279,558 | 148,173 | 88.7% |
| Adjusted EBITDA | 6,097 | (2,433) | (350.6)% | 51,496 | 29,065 | 77.2% |
| **Adjusted EBITDA Margin** | *9.0%* | *-7.1%* | 16.1 p.p | *18.4%* | *19.6%* | (1.2) p.p. |
| Adjusted Net Income | 6,721 | 4,429 | 51.7% | 48,894 | 31,546 | 55.0% |
| **Adjusted Net Income Margin** | *9.9%* | *12.8%* | (2.9) p.p. | *17.5%* | *21.3%* | (3.8) p.p. |

# STUDENTS AND CAMPUSES

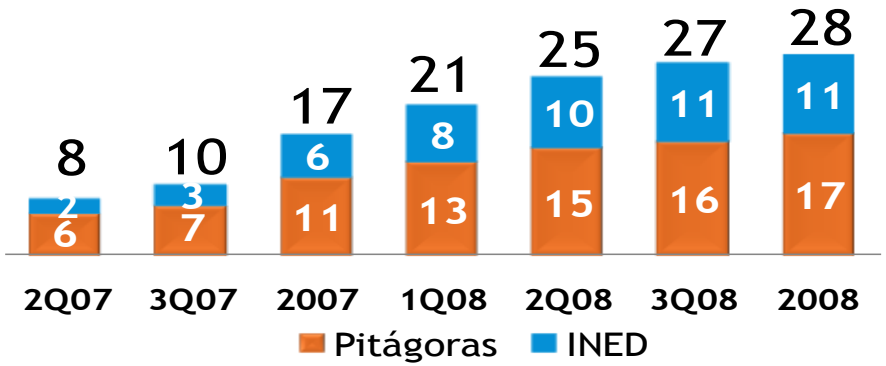
GROWTH IN THE FINAL NUMBER OF STUDENTS ON PRIMARY AND SECONDARY EDUCATION



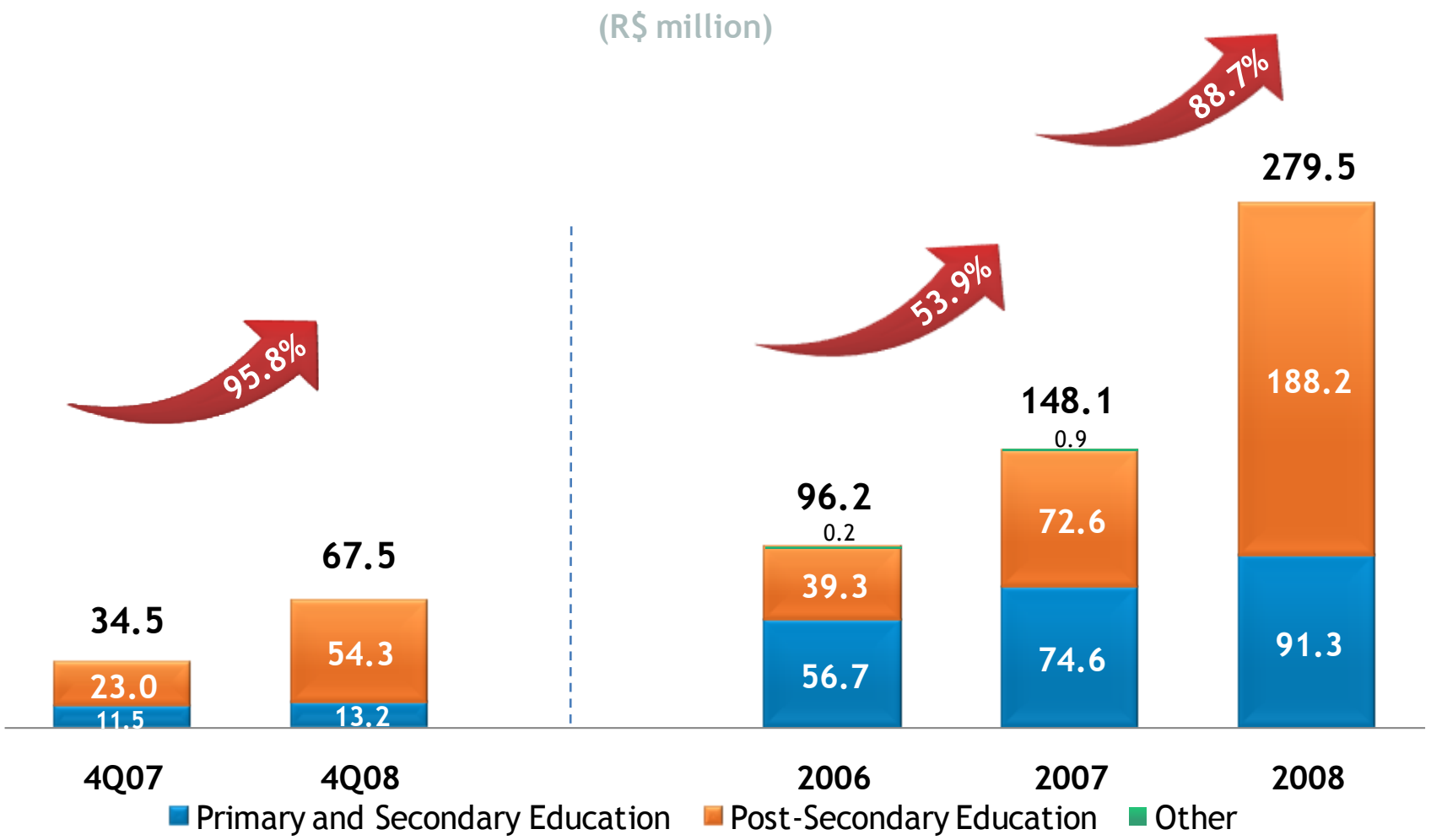

GROWTH IN THE FINAL NUMBER OF STUDENTES ON POST-SECONDARY




CAMPUSES ON POST-SECONDARY

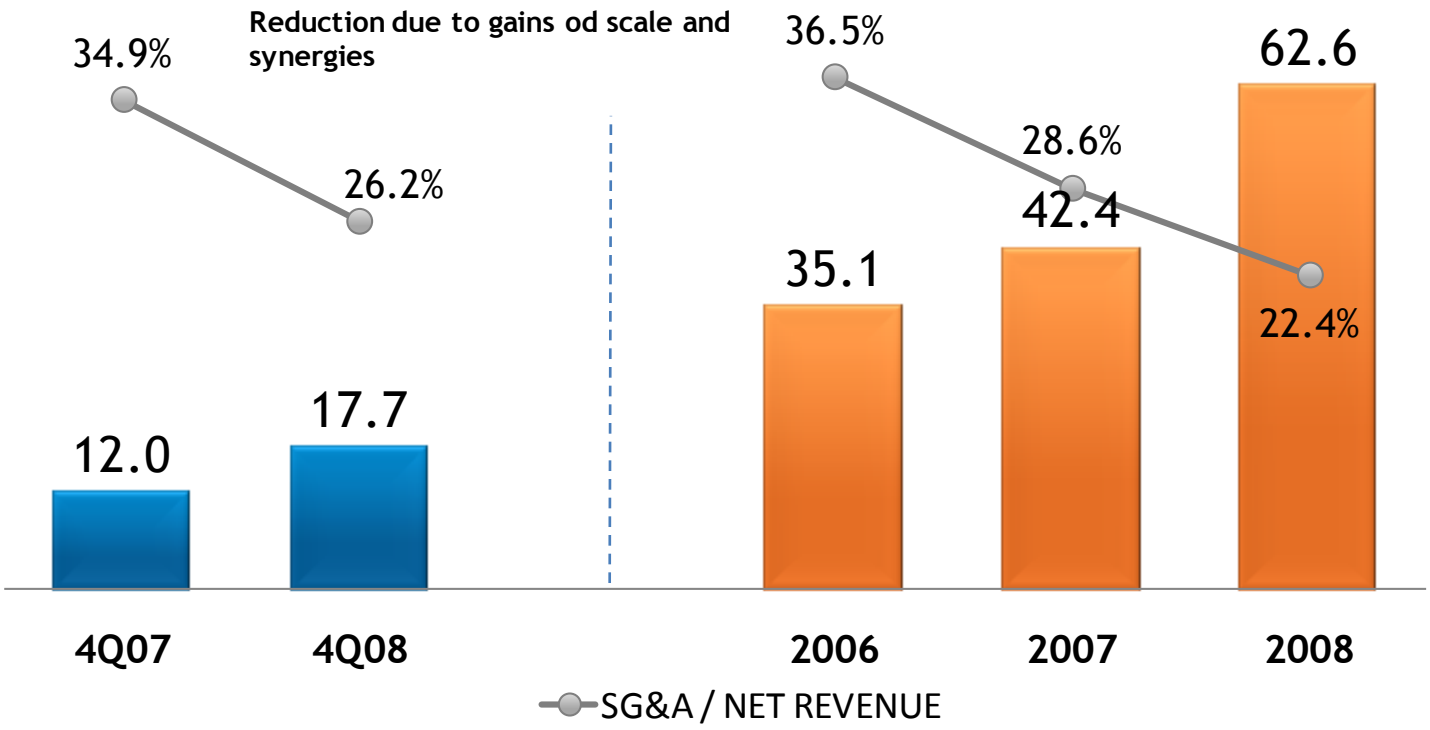


# NET REVENUE


(R$ million)
95.8%
53.9%
88.7%
34.5
23.0
11.5
67.5
54.3
13.2
96.2
0.2
39.3
56.7
148.1
0.9
72.6
74.6
279.5
188.2
91.3
4Q07
4Q08
2006
2007
2008
Primary and Secondary Education
Post-Secondary Education
Other

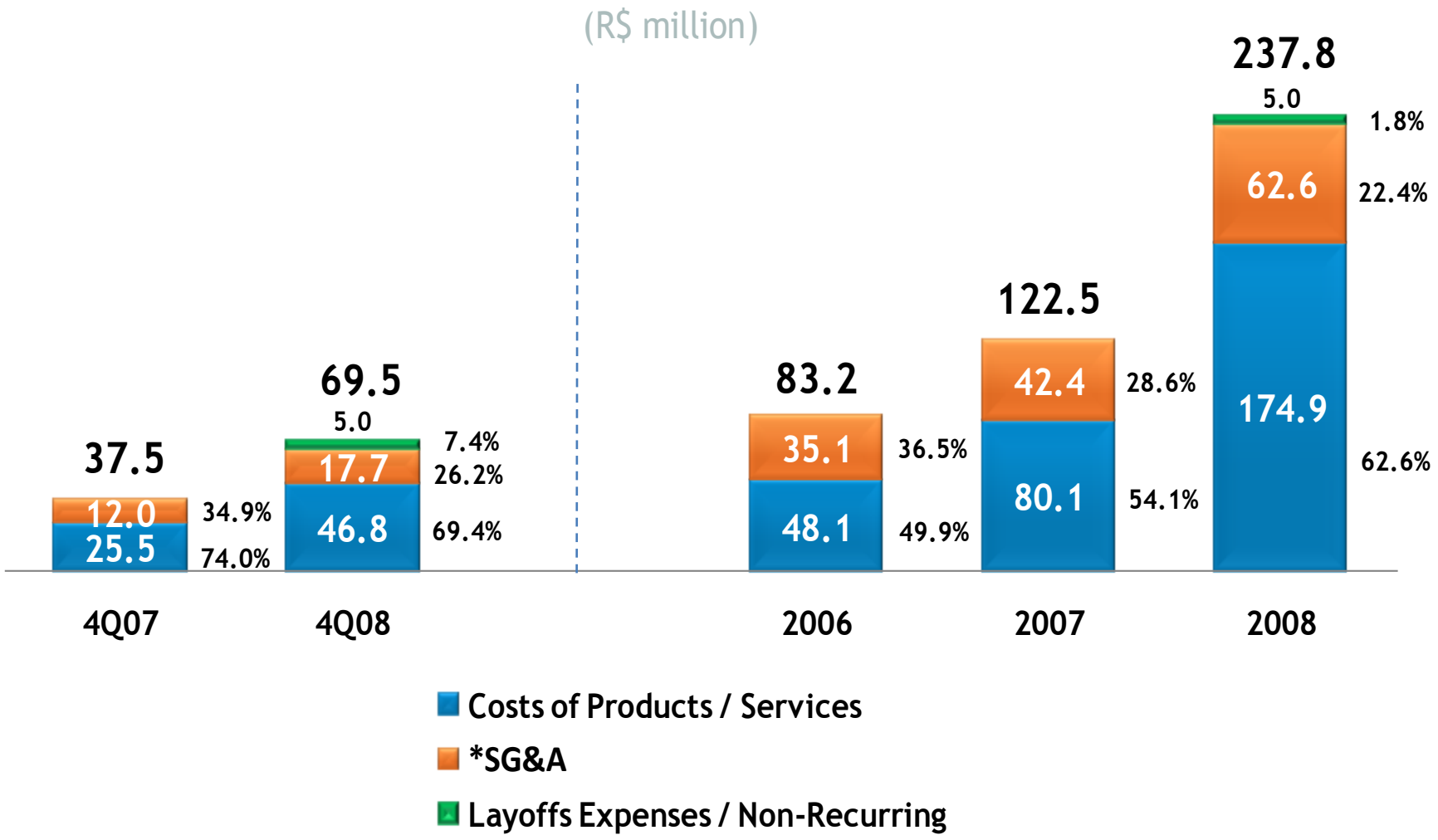
# OPERATING EXPENSES (SG&A)

(R$ million)




*EXCLUDING IPO EXPENSES AND GOODWILL AMORTIZATION.

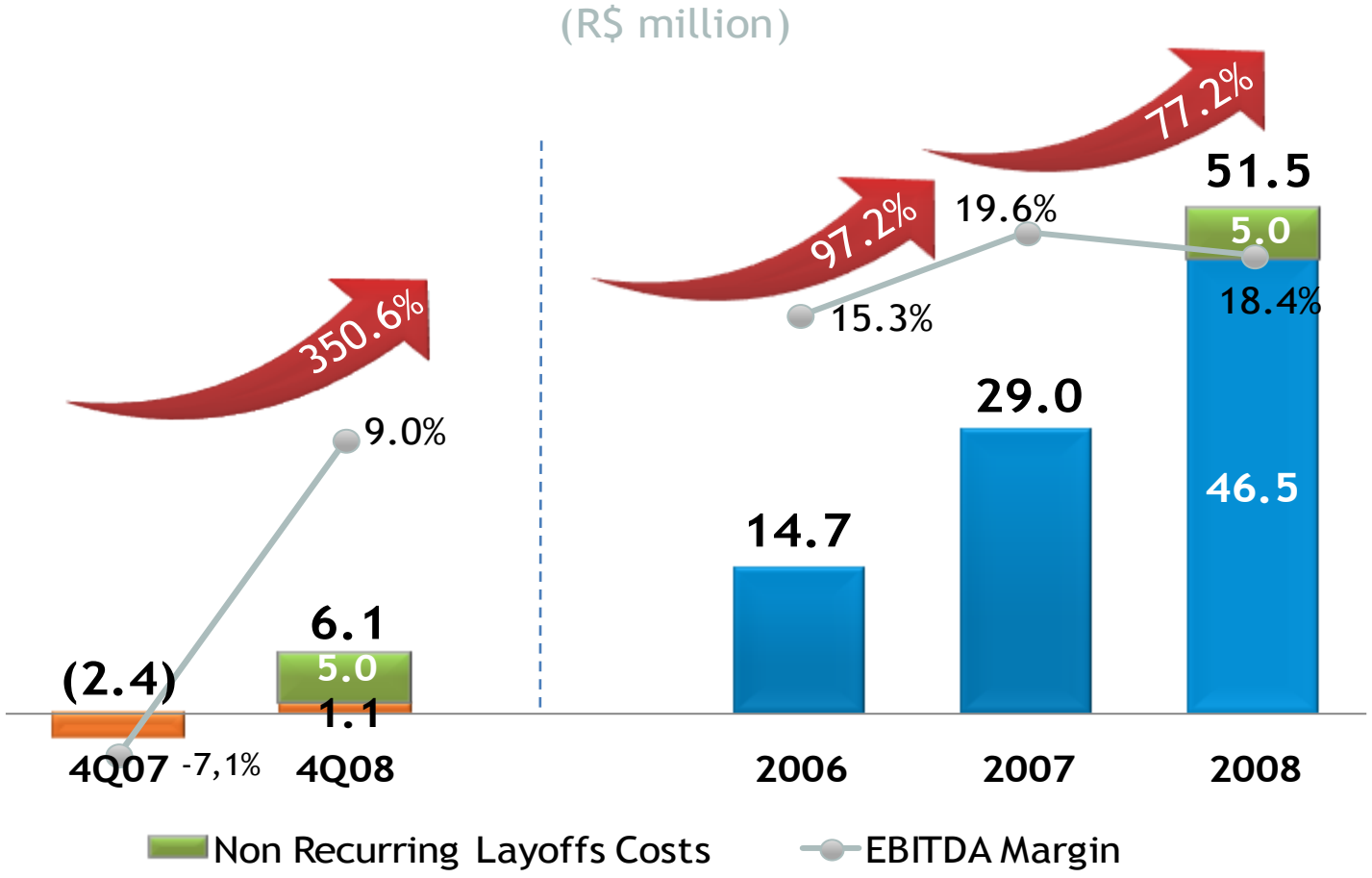
# COSTS, EXPENSES AND PERCENTAGE OF THE NET REVENUE



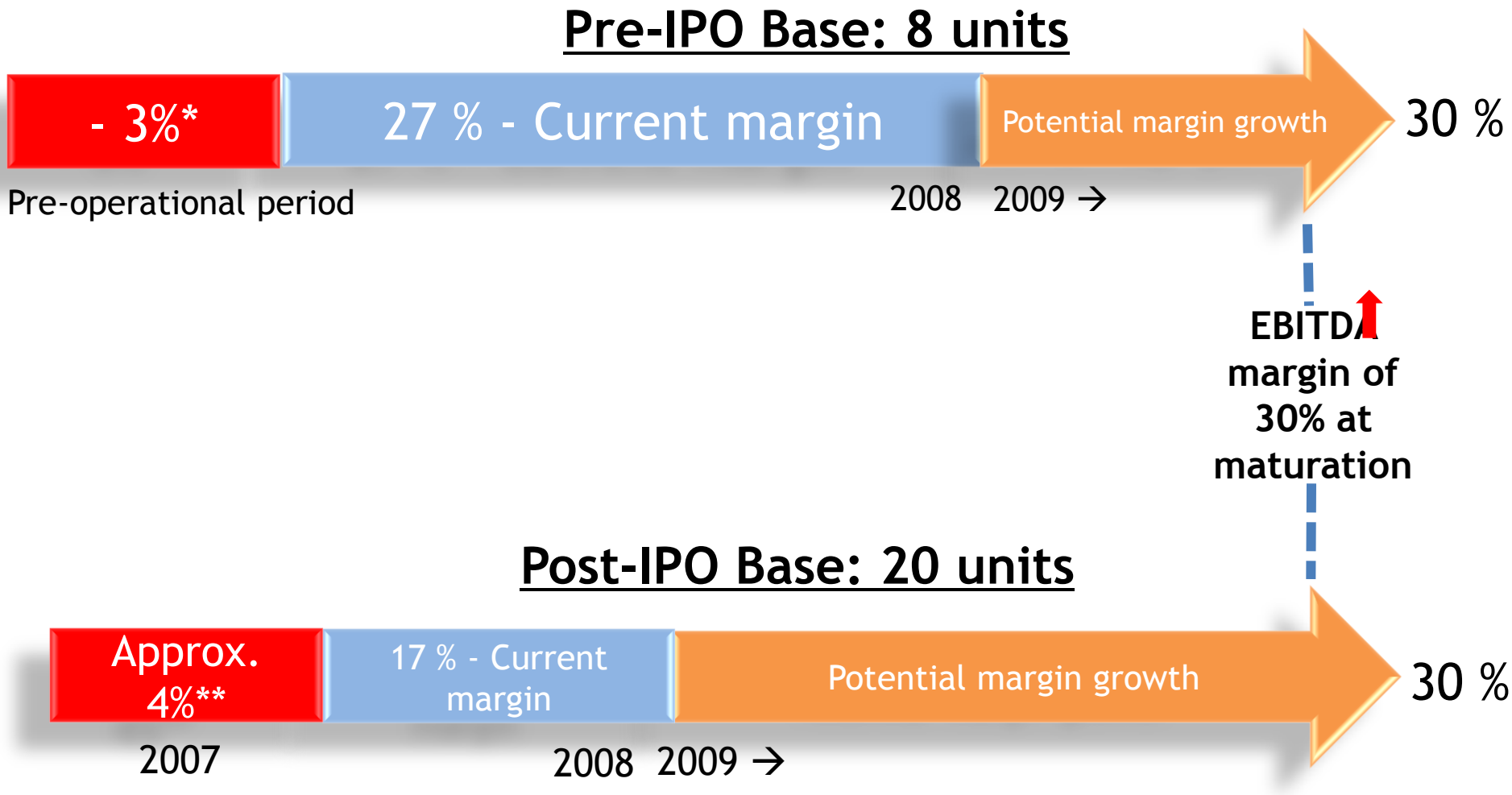



*EXCLUDING IPO EXPENSES AND GOODWILL AMORTIZATION.

# ADJUSTED EBITDA & ADJUSTED EBITDA MARGIN

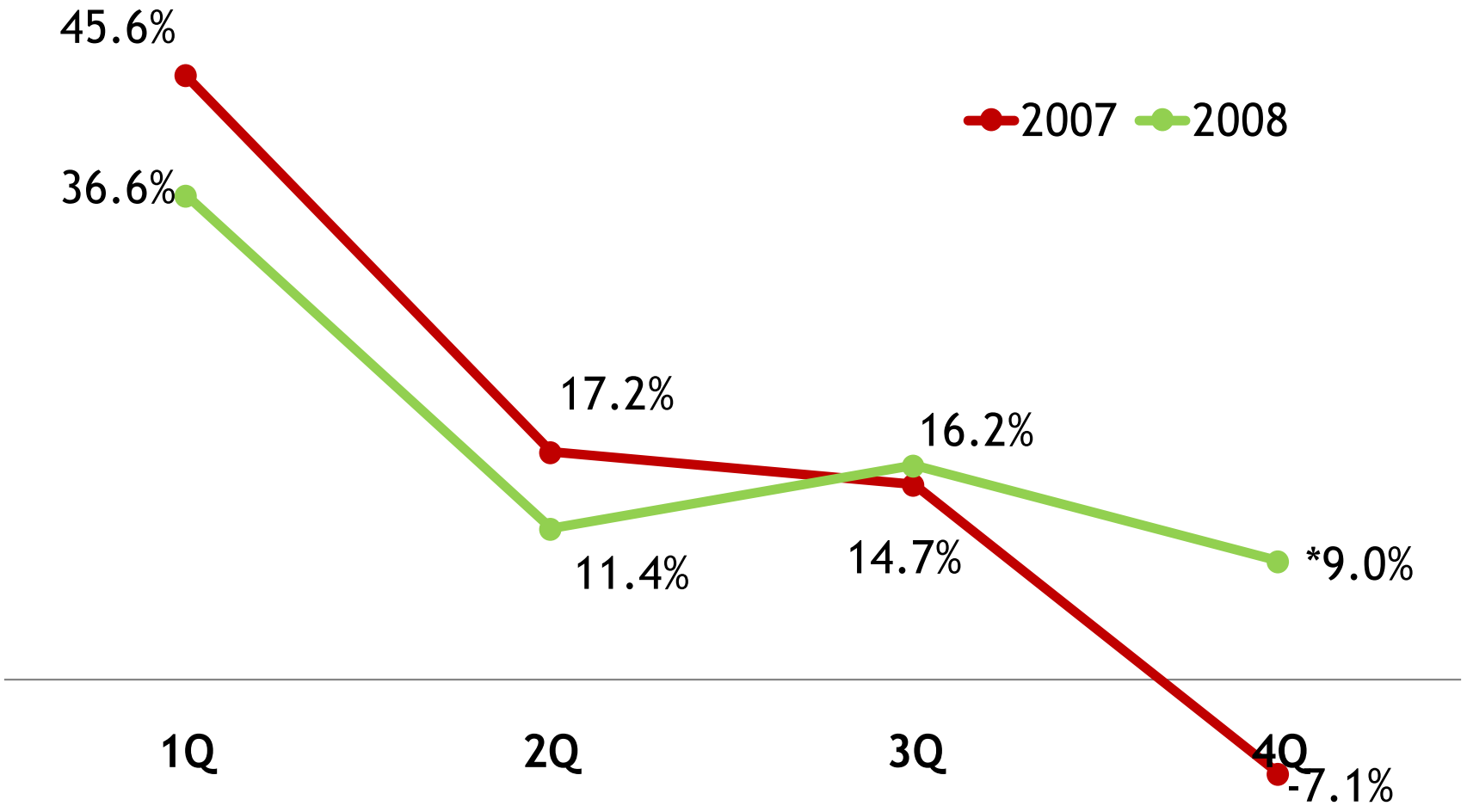


# TRACK RECORD OF EBITDA MARGIN EXPANSION IN POST-SECONDARY OPERATIONS




* Average EBITDA margin of a greenfield unit in the pre-operational phase
** Average EBITDA margin of units acquired at time of acquisition

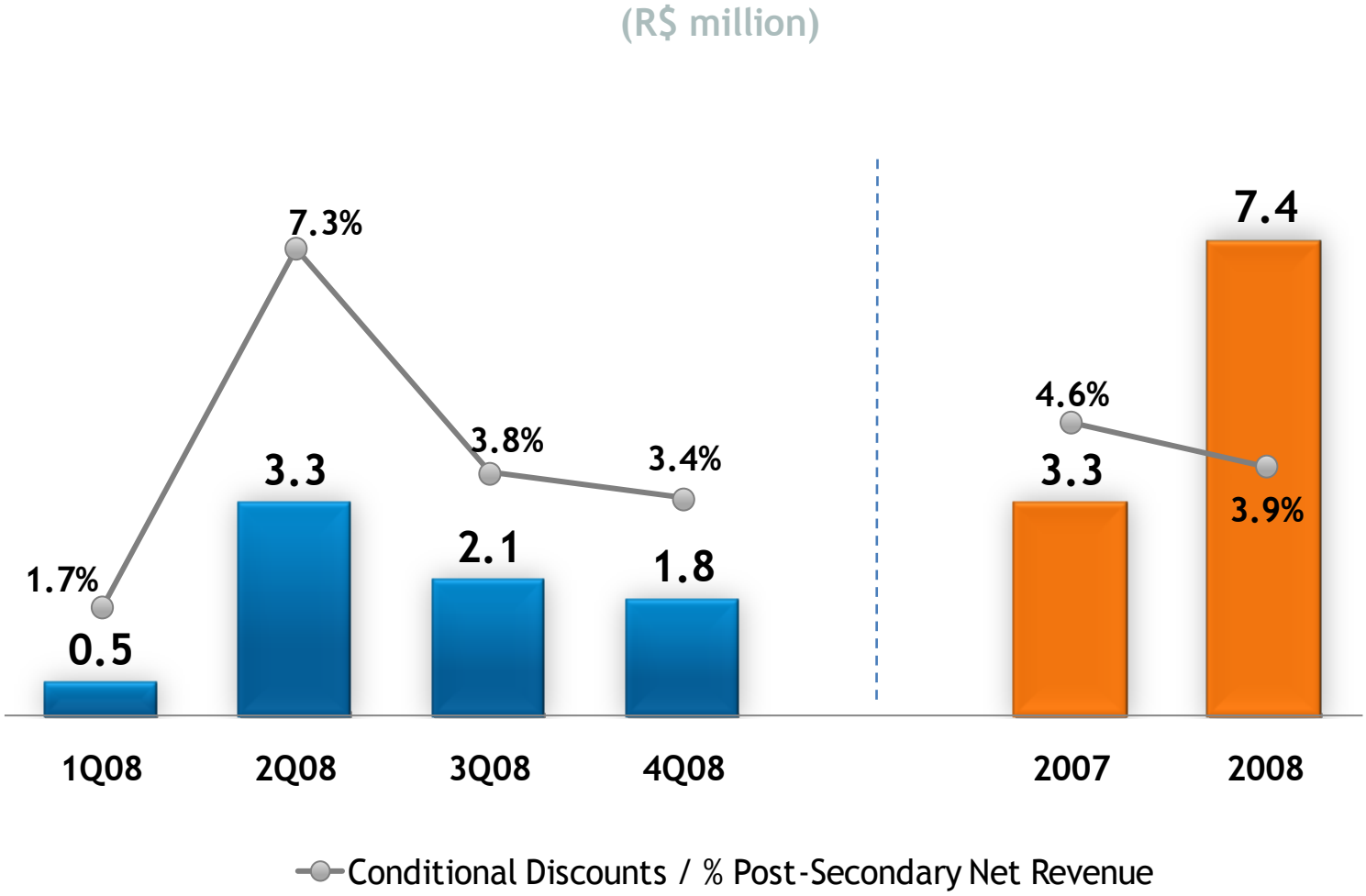
# DECONCENTRATION OF EBITDA MARGIN



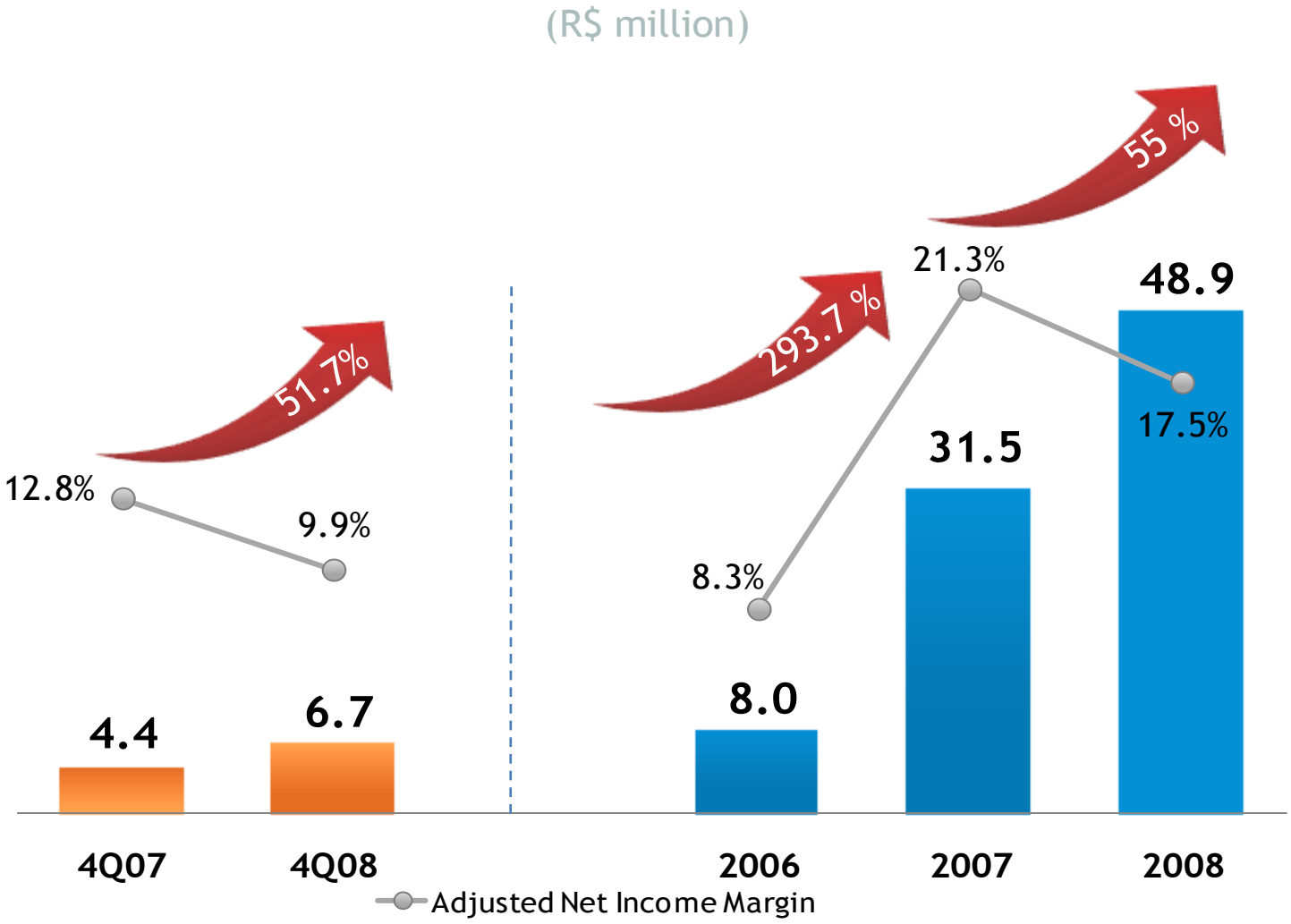



*EBITDA MARGIN ADJUSTED WITH NON RECURRING LAYOFFS EXPENSES.

# CONDITIONAL DISCOUNTS IN POST-SECONDARY EDUCATION
## (booked under financial discounts)

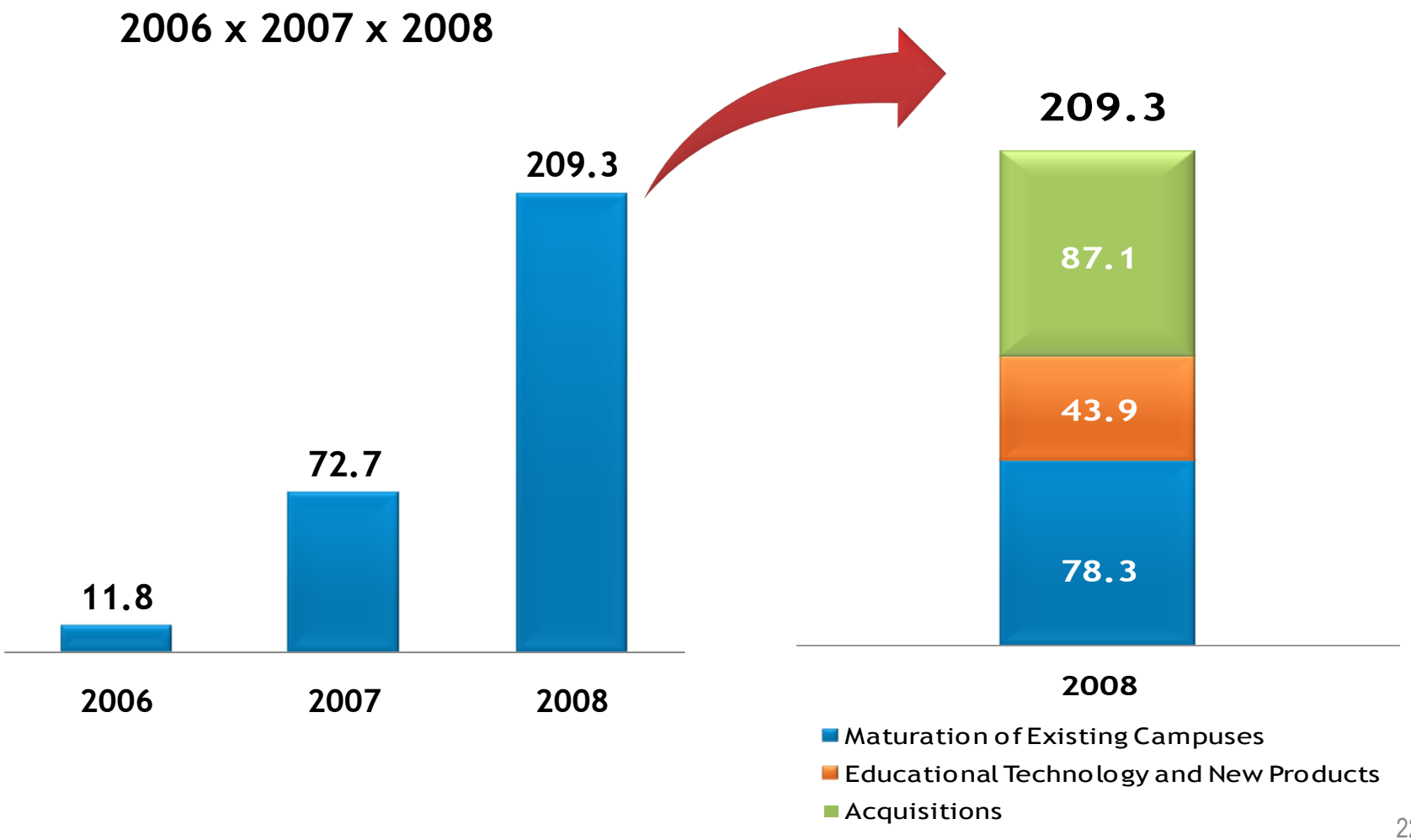


# ADJUSTED NET INCOME



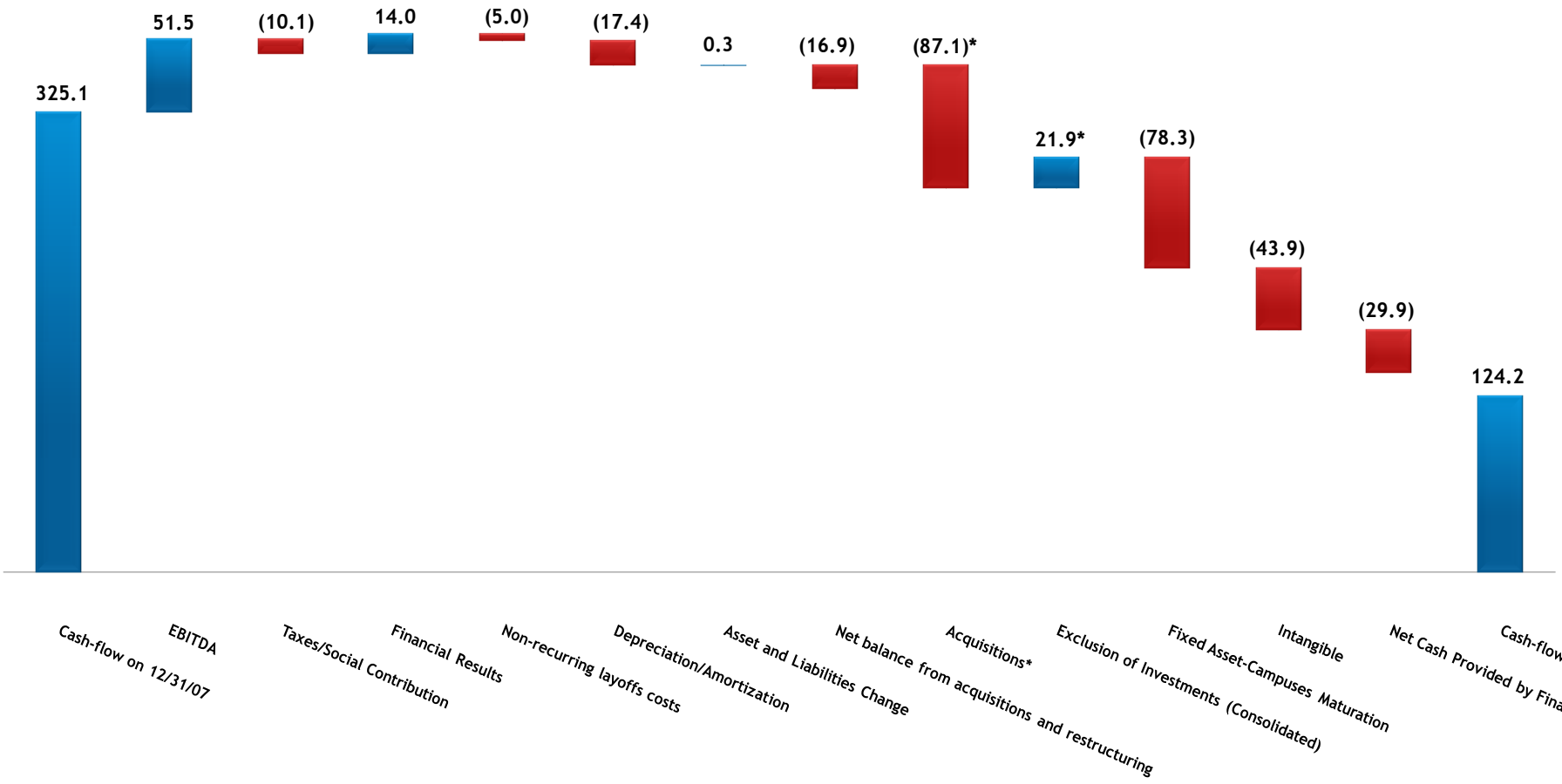
# CAPEX

R$ (million)



# CASH FLOW

R$ (million)




*R$ 21,9 MILLION ON INVESTMENTS AND R$ 65,2 MIILLION ON GOODWILL AMORTIZATION.

# 2008 HIGHLIGHTS WITH IMPACTS IN 2009

- Projecta:  operational arm in the public segment;
- Pilot Classes for undergraduate programs;
- Textbooks for Pitágoras post-secondary education;
- Intelligent financing alternatives for students;
- Implementation of the Company's Shared Service Center;
- Improvement of process and sistems;

**Harmonization process, focusing on capturing synergy gain, improving process quality and preparing for a new cycle.**






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