3Q16 Results

November, 2016



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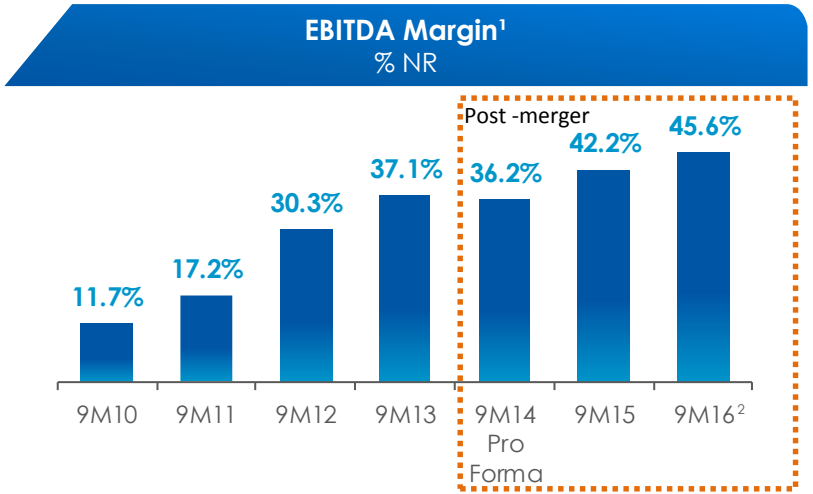
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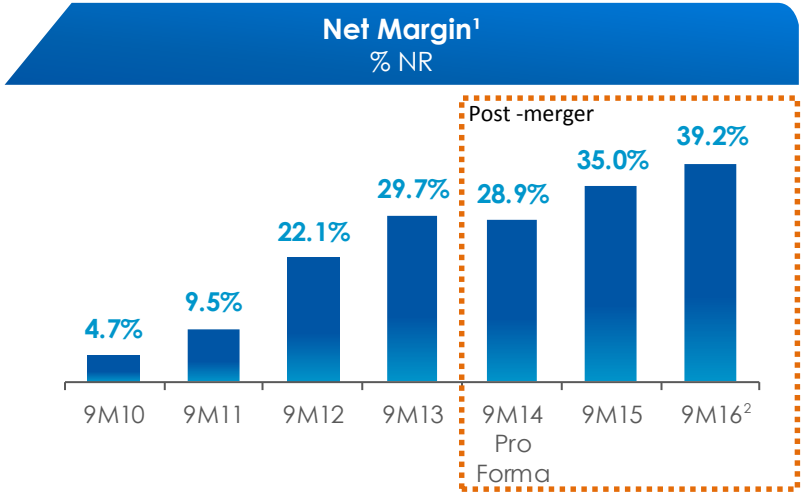
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Opening Remarks

Margin Expansion

- Financial performance remains extremely solid with upward trend





[1] Corporate data. Analysis of 2014 based on pro-forma figures and observing the different accounting practices at Kroton and Anhanguera.

[2] Financial performance of 3Q16 and 9M16 are based on pro forma data considering the historical level of amendments formalized in the SISFIES which is the criteria used for revenue recognition.

Intake and dropout indicators are very positive and PDA levels aligned considering adverse scenario

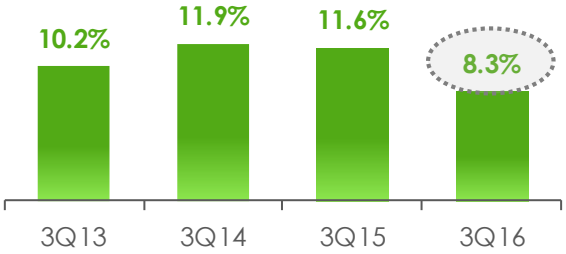
1 Intakes

Undergraduate
Evolution 3Q16 vs. 3Q15[1]

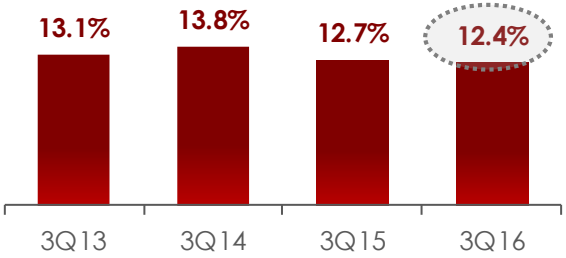
- On-campus **+1.5%**
- DL **+12%**
- Total **+8%**

2 Dropout Rate

On-campus Undergraduate[1]

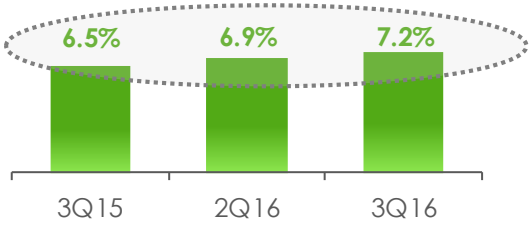


DL Undergraduate[1]

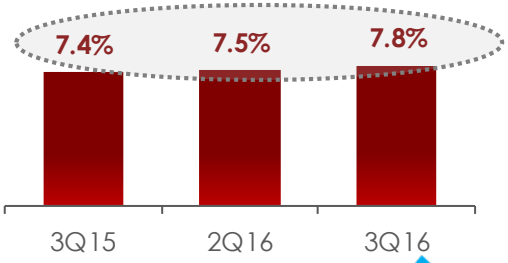


3 Delinquency

PDA On-campus – EX FIES/PEP
% Business NR (ex-Pronatec)



PDA DL
% Business NR

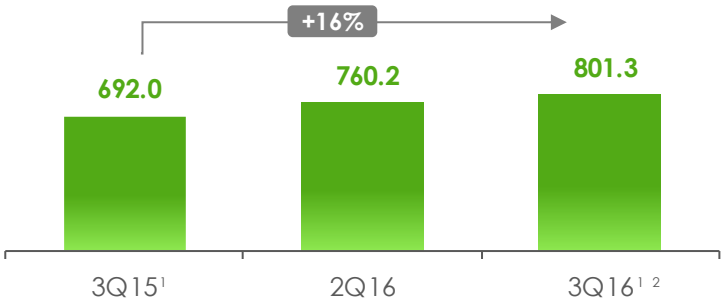


[1] Ex-Uniasselvi

Average Ticket

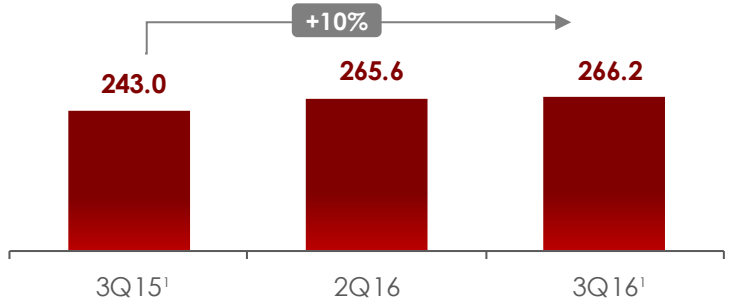
❖ Evolution in Average Ticket in On-Campus and DL Postsecondary Education

On-Campus



❖ The increase of 15.8% over 3Q15 reflects, mainly, the smaller incidence of scholarships and discounts in the intake processes this year and the more relevant intake of PEP students, who positively impact the ticket composition.

DL



❖ The growth of 9.5% YoY reflects annual tuition increase and higher incidence of Premium DL courses, which possess a higher ticket.

[1] Average ticket excluding the impact of timely scholarships and discounts, to allow for a better comparison.

[2] Financial performance of 3Q16 and 9M16 are based on pro forma data considering the historical level of amendments formalized in the SISFIES which is the criteria used for revenue recognition.

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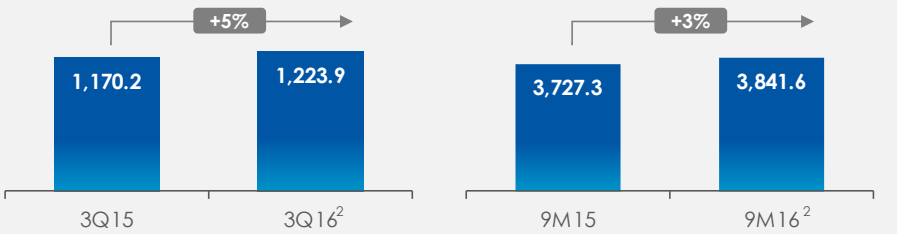
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Overview of the Results

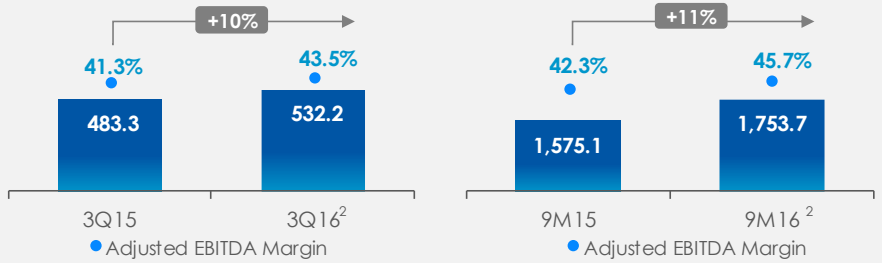


Overview of the Results

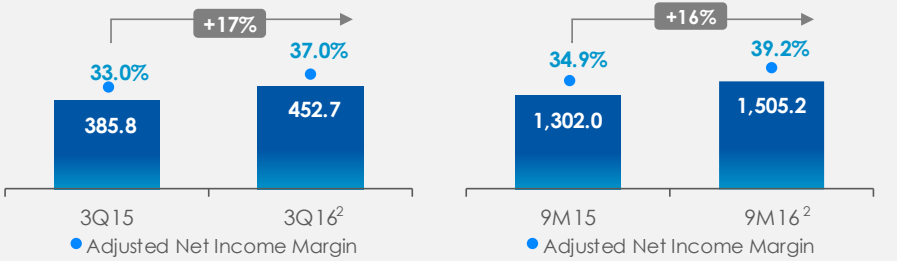
Net Revenue[1]
Quarterly and 9 Months - R$ MM



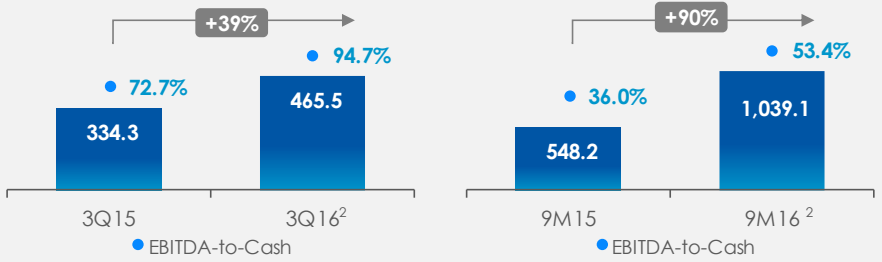
Adjusted EBITDA[1]
Quarterly and 9 Months - R$ MM



Adjusted Net Income[1]
Quarterly and 9 Months - R$ MM



Operating Cash Generation After Capex[1]
Quarterly and 9 Months - R$ MM



[1] Ex-Uniassevi

[2] Financial performance of 3Q16 and 9M16 are based on pro forma data considering the historical level of amendments formalized in the SISFIES which is the criteria used for revenue recognition.

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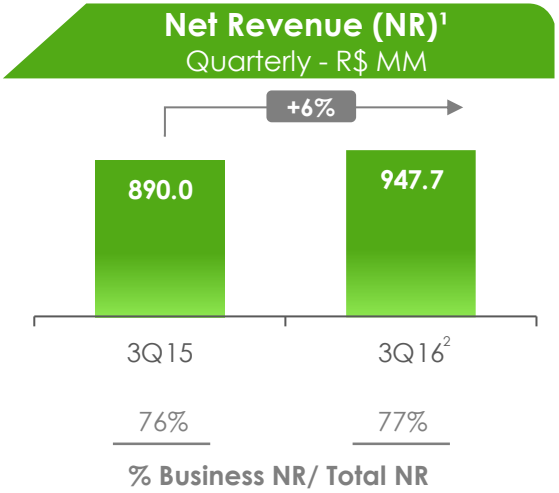
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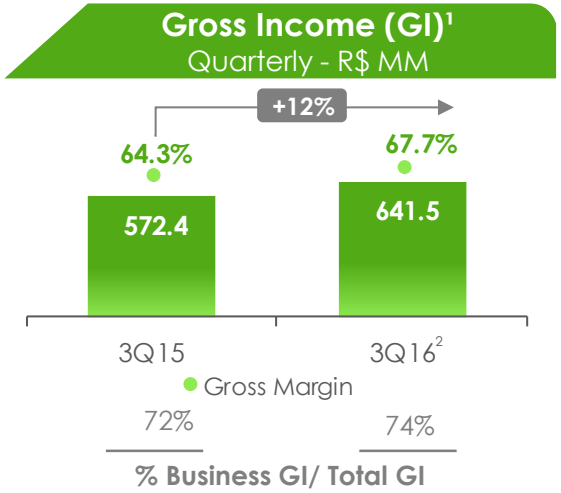
Financial Performance

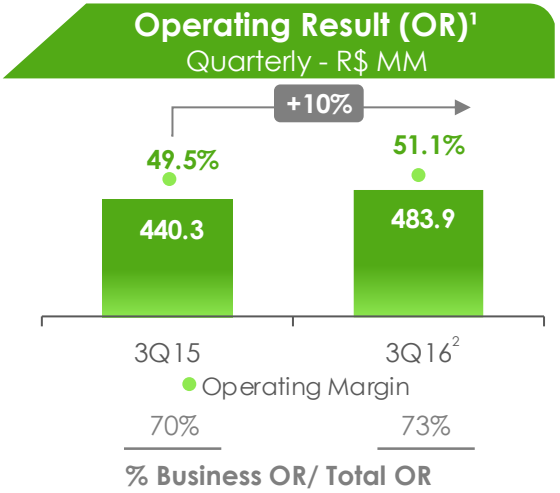


Financial Performance

On-Campus Business







- Net Revenue in the On-campus business increases 6% over 3Q15, positively impacted by the higher average ticket and by the increase in intakes observed in the second semester.
- Gross Income of On-campus education was 12% higher, reaching R$ 641.5 million with a margin of 67.7%, a consequence of the continuous efficiency gains and capture of synergies within the institutions.
- The segment's operating result before marketing totaled R$ 483.9 million, growth of 10% or 1.6 p.p. when compared to 3Q15, reflecting efficiency gains and the evolution of operational research in the class formation process.

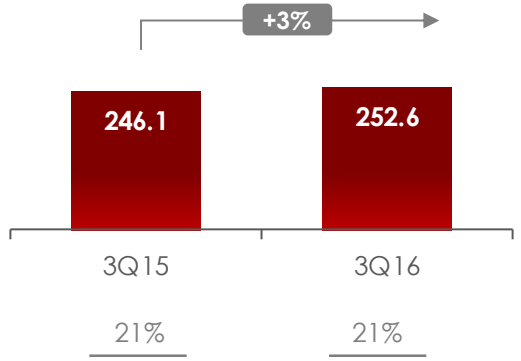
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Financial Performance

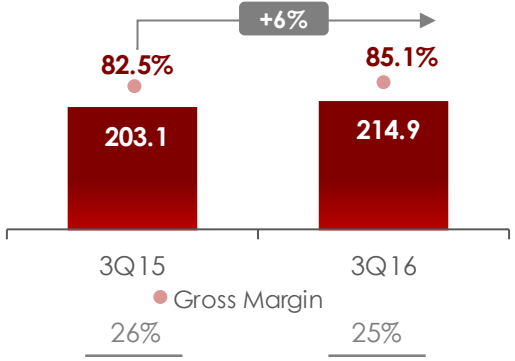
Distance Learning Postsecondary Business

Net Revenue (NR)[1]
Quarterly - R$ MM



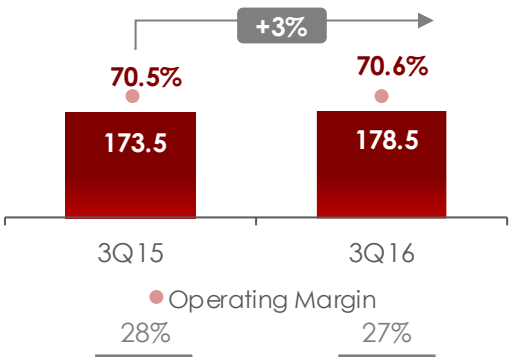
% Business NR/ Total NR

Gross Income (GI)[1]
Quarterly - R$ MM



% Business GI/ Total GI

Operating Result (OR)[1]
Quarterly - R$ MM



% Business OR/ Total OR

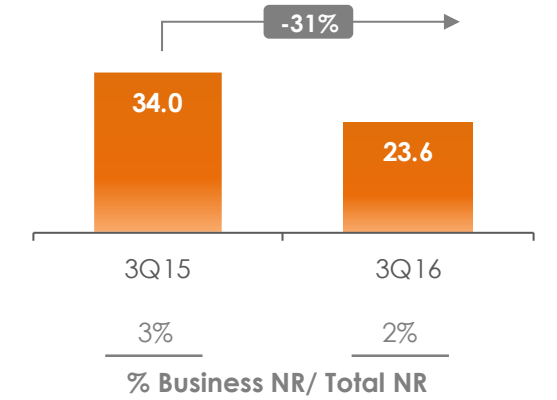
- Net Revenue of the DL segment reached R$ 252.6 million, a 3% increase YoY, benefitted by the positive impacts of the intake and re-enrollment processes and the higher average ticket.
- Gross Income presented a 6% growth, posting R$ 214.9 million in 3Q16. Gross margin of 85.1% represents an increase of 2.6 p.p over 3Q15, due to lower payroll costs in this period.
- Operating result before marketing totaled R$ 178.5 million, 3% above 3Q15 with a margin of 70.6%, a 0.2 p.p. increase reflecting the capture of important synergy and operating efficiency gains in the segment, partially offset by higher operating expenses with the increase in the number of DL centers.

[1] Ex-Uniasselvi

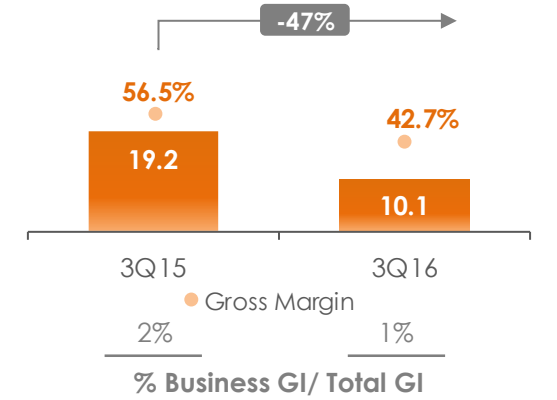
Financial Performance

Primary & Secondary Education Business

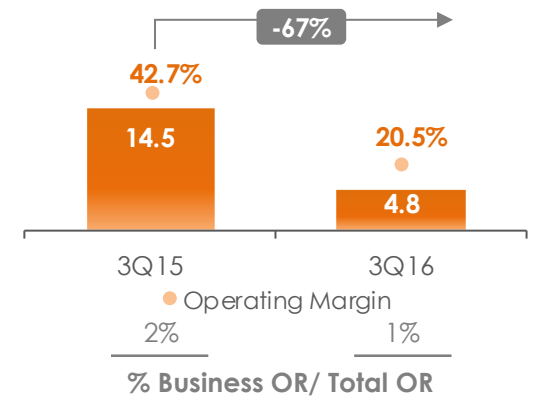
Net Revenue (NR)
Quarterly - R$ MM



Gross Income (GI)
Quarterly - R$ MM



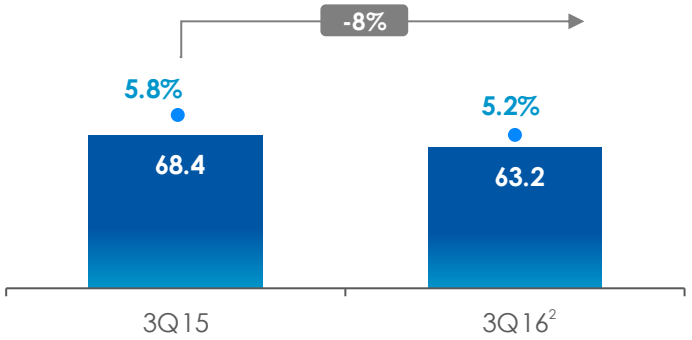
Operating Result (OR)
Quarterly - R$ MM



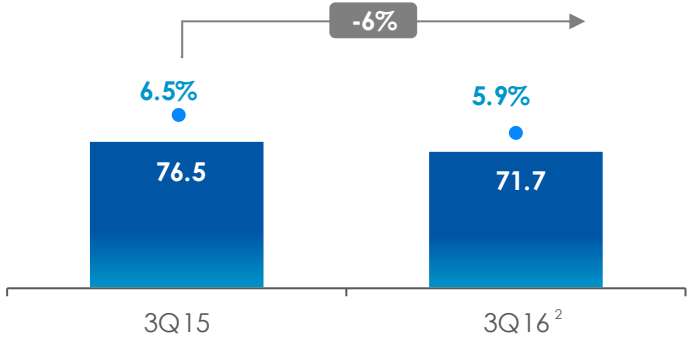
- Net Revenue of the Primary and Secondary Education segment totaled R$ 23.6 million, a 31% decrease YoY, bearing in mind Kroton is continually promoting an anticipation in the delivery of collections to even quarters. This event will also be observed between 4Q16 and 1Q17, with an increase in revenue being expected between 2015 and 2016.
- Gross Income reached R$ 10.1 million, 47% lower compared to 3Q15 with a gross margin of 42.7%, impacted by the revenue anticipation and the increase in teachers costs, given the collective bargaining of the category.
- Operating result before marketing of R$ 4.8 million, 67% below 3Q15 with an operating margin of 20.5%, due to the different schedule of revenue recognition and timely increases in costs and expenses.

Corporate and Selling & Marketing Expenses

Corporate Expenses[1]
Quarterly - R$ MM and % of NR[2]



Selling & Marketing Expenses[1]
Quarterly - R$ MM and % of NR[2]



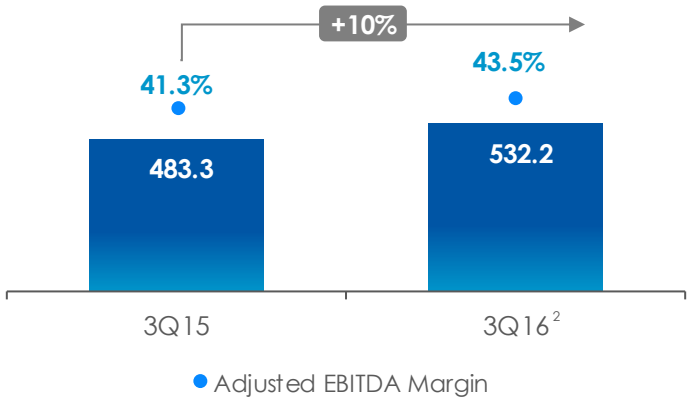
- Corporate expenses of R$ 63.2 million during the quarter, a reduction of 0.7 p.p. in relation to net revenue, reflecting the synergies with the merger and the adjustment in the number of corporate staff, as well as the reduction in expenses arising from the strategic sourcing process.
- Selling and marketing expenses in relation to net revenue also presented a decrease of 0.7 p.p. compared to 3Q15, due to the anticipation of part of the marketing campaigns to the first semester of 2016.

[1] Ex-Uniasselvi.

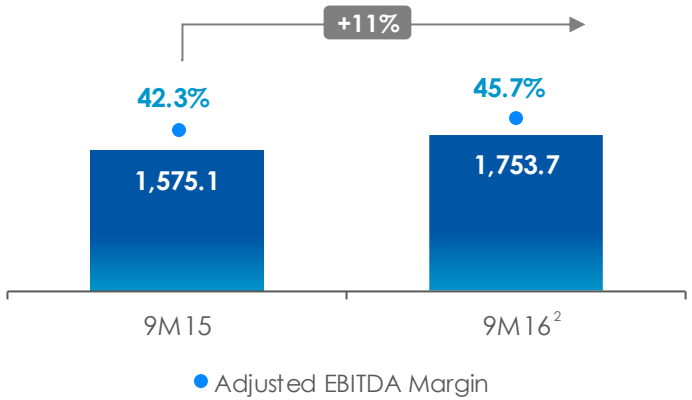
[2] Financial performance of 3Q16 and 9M16 are based on pro forma data considering the historical level of amendments formalized in the SISFIES which is the criteria used for revenue recognition.

EBITDA

Adjusted EBITDA[1]
Quarterly - R$ MM



Adjusted EBITDA[1]
9 Months - R$ MM



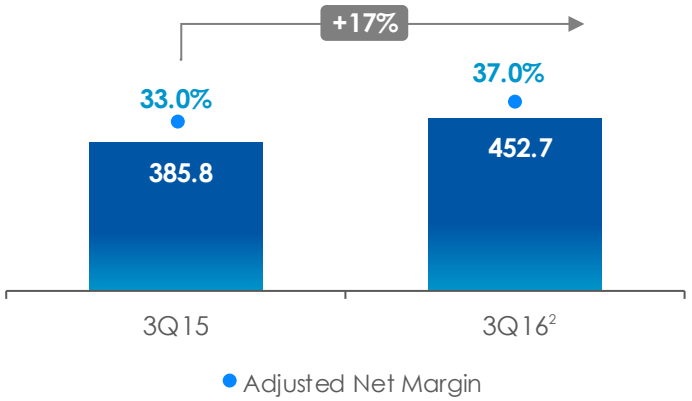
- **Adjusted EBITDA increases by 10% in relation to the same period in 2015 excluding Uniasselvi's numbers, totaling R$ 532.2 million during the quarter with adjusted EBITDA margin of 43.5%, 2.2 p.p. higher vs. 3Q15.**
- **9M16 adjusted EBITDA grows 11%, climbing to R$ 1,753.7 million with adjusted EBITDA margin of 45.7%, 3.4 p.p. above 9M15.**

[1] Ex-Uniasselvi.

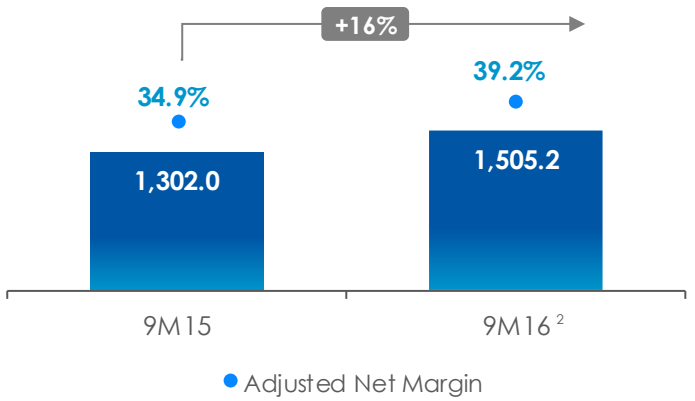
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Net Income

Adjusted Net Income[1]
Quarterly - R$ MM



Adjusted Net Income[1]
9 Months - R$ MM



- **Adjusted net income posted a 17% increase when compared to the same quarter last year, reaching R$ 452.7 million during 3Q16 with an adjusted net margin of 37.0%, 4.0 p.p. higher in relation to 3Q15.**
- **Adjusted net income grows 16%, totaling R$ 1,505.2 million in 9M16 with adjusted net margin of 39.2%, 4.3 p.p. above 9M15.**

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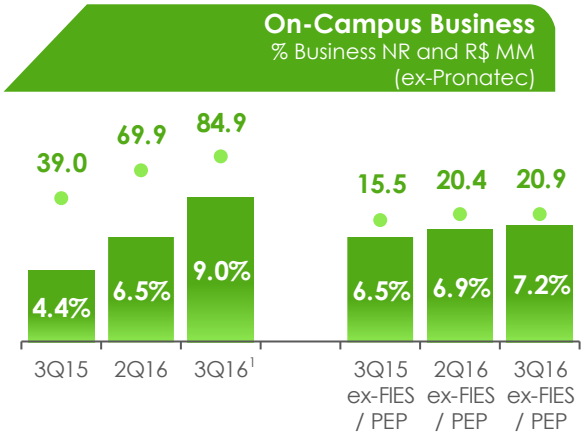
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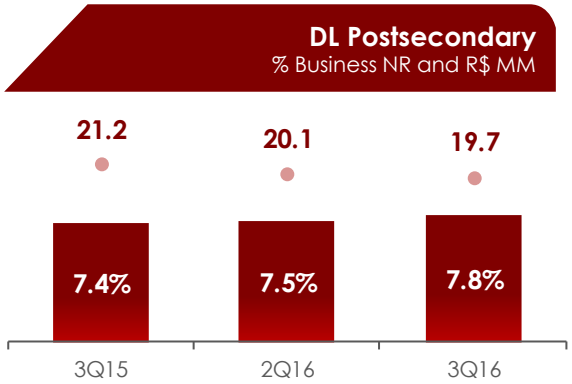
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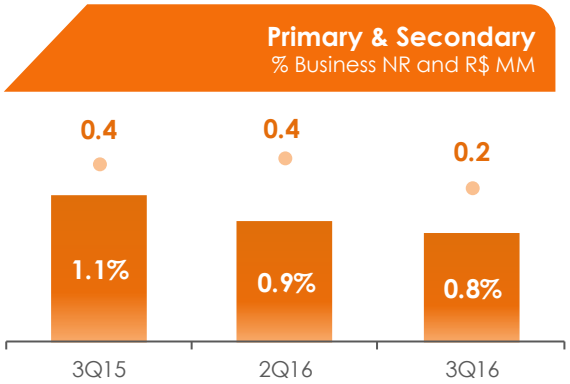
Provisioning, Receivables & Average Receivables Term



Provision for Doubtful Accounts (PDA)







- Total PDA of the On-campus business continues to increase, notedly, due to higher exposition to PEP. Provisioning ex-FIES/PEP increased 0.7 p.p. over 3Q15 and 0.3 p.p. vs. 2Q16, due to the increase practiced by the Company since the beginning of the year to better reflect delinquency expectations within the deterioration of the macroeconomic scenario.
- PDA level for the DL segment reached 7.8%, 0.4 p.p. higher when compared to the same period in 2015, demonstrating an increase in the same lines as what is being observed in the On-campus segment.
- Provisioning in Primary and Secondary Education was 0.8% of net revenue, 0.3 p.p. lower when compared to 3Q15, as a consequence of the effectiveness of collection policies.

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Accounts Receivables

On-Campus Amounts in R$ (´000)	3Q16[1]	3Q15	% Chg.	2Q16	% Chg.
Net Accounts Receivables	**1,453,519**	**1,217,222**	**19.4%**	**1,551,831**	**-6.3%**
Short Term – Tuition and Agreements	222,050	203,923	8.9%	274,433	-19.1%
FIES – Short Term	661,569	956,243	-30.8%	602,764	9.8%
FIES – Long Term	350,811	n.a	n.a	550,395	-36.3%
Ex-FIES Long Term Receivables	219,090	57,056	284.0%	124,239	76.3%

Distance Learning Amounts in R$ ('000)	3Q16	3Q15	% Chg.	2Q16	% Chg.
Net Accounts Receivables	**209,673**	**200,043**	**4.8%**	**216,949**	**-3.4%**

Primary and Secondary Education Amounts in R$ ('000)	3Q16	3Q15	% Chg.	2Q16	% Chg.
Net Accounts Receivables	**26,486**	**28,676**	**-7.6%**	**40,174**	**-34.1%**

- Total On-campus accounts receivables presented a decrease of 6.3% between 3Q16 and 2Q16, mainly as a consequence of the payment in August of 25% of the installments that were not paid in 2015 relative to PN23, partially consumed by the increase of PEP in the student base.
- Reduction of 3.4% in DL accounts receivables QoQ due to the effectiveness of renegotiation and collection policies in the re-enrolment process throughout the second semester.
- 34.1% decrease in Primary and Secondary Education accounts receivables compared to 2Q16 due to the anticipation of the collection sales calendar, generating a smaller number of receivables.

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Average Receivables Term

On-Campus Days		3Q16[1]	3Q15	Chg. (days)	2Q16	Chg. (days)
Total Average Term:	Total Net Accounts Receivables / Total On-Campus Net Revenue	132	115	17 Days	142	-10 Days
Ex-FIES Average Term:	Net Accounts Receivables (ex-FIES) / Net Revenue (ex-FIES)	110	74	36 Days	109	01 Day
FIES Average Term:	Net Accounts Receivables (FIES) / Net Revenue (FIES)	145	132	13 Days	159	-14 Days
Ex-FIES/PEP Average Term:	Net Accounts Receivables (ex-FIES/PEP) / Net Revenue (ex-FIES/PEP)	73	65	08 Days	81	-08 Days

Distance Learning Days	3Q16	3Q15	Chg. (days)	2Q16	Chg. (days)
Net Accounts Receivable / Net Revenue	69	61	08 Days	70	-01 Day

Primary and Secondary Education Days	3Q16	3Q15	Chg. (days)	2Q16	Chg. (days)
Net Accounts Receivable / Net Revenue	57	58	-01 Day	81	-24 Days

- In On-Campus Postsecondary:
  - Ex-FIES average term: presents an increase of 36 days in relation to 3Q15, mainly due to the effect of the higher average term of PEP. Excluding this effect, the ex-FIES/ex-PEP average term totaled 73 days in 3Q16, 8 days higher compared to 3Q15, reflecting the deterioration of the economic scenario and the greater volume of negotiations. When compared to 2Q16, however, there was an 8-day improvement.
  - FIES average term: reduction of 14 days in relation to 2Q16 due to the payment of the first installment relative to PN23.
- In Distance Learning, average term increased 8 days compared to 3Q15, impacted by the higher average term of receivables from LFG.
- In Primary and Secondary education, there was a decrease of 1 day in the average term between 3Q16 and 3Q15 due to the lower sales activities in the period.

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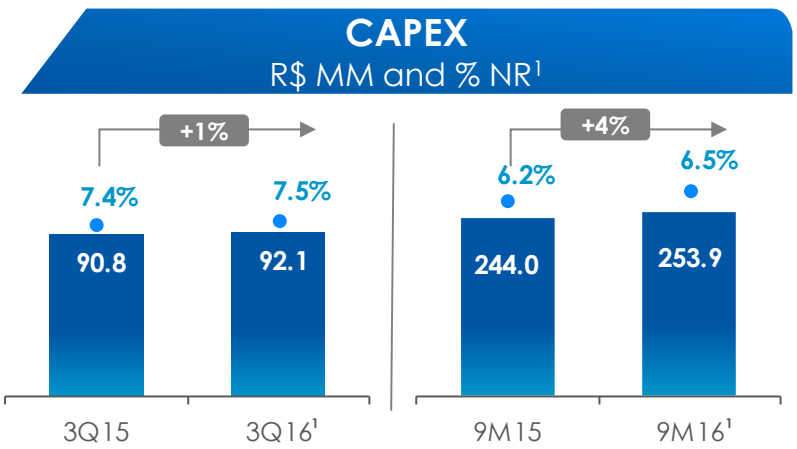
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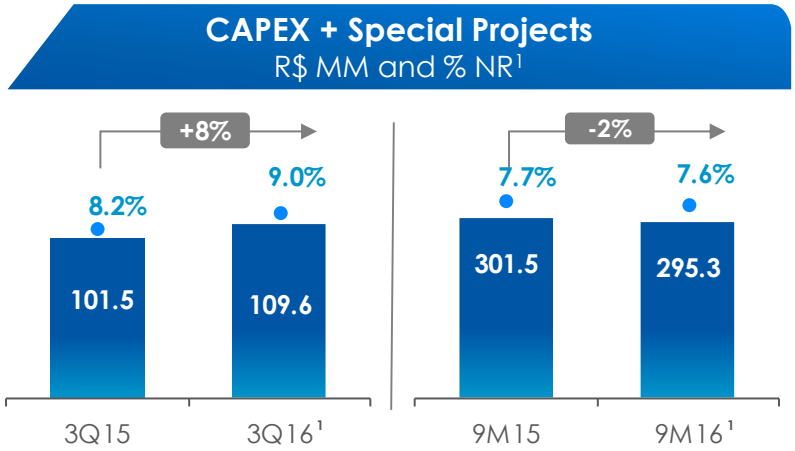
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Capital Expenditure & Debt



Capital Expenditure





- The volume de Capex in relation net revenue amounted to 7.5% in 3Q16, level 0.1 p.p. higher compared to 3Q15, with the greatest part directed to content development projects and software licenses, besides expansions and improvements in existing units.
- Adding Special Projects, investments reached R$ 109.6 million in the quarter, corresponding to 9.0% of net revenue. Year-to-date, the total volume in relation to net revenue represented 7.6%, within Company Guidance, of 8.0% of 2016 net revenue.

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Net Debt

Consolidated – Values in R$ ('000)	3Q16	3Q15	% Chg.	2Q16	% Chg.
Cash and Cash Equivalents	1,180,746	481,551	145.2%	934,337	26.4%
Loans and Financing	662,273	846,881	-21.8%	705,867	-6.2%
Net Cash (Debt)[1]	**518,473**	**(365,330)**	**n.a.**	**228,470**	**n.a.**
Other Short and Long Term Debt[2]	228,891	273,436	-16.3%	228,558	0.1%
(1) Net Cash (Debt)[2]	**289,582**	**(638,766)**	**n.a.**	**(88)**	**n.a.**
FIES Short Term receivables - PN 23[3]	**190,736**	**-**	n.a.	**183,693**	3.8%
FIES Long Term receivables - PN 23 + Uniasselvi sale[3]	**826,116**	**-**	n.a.	**1,014,134**	-18.5%
FIES - PN 23 - receivables Aug/18	350,811	-	n.a.	550,395	-36.3%
Uniasselvi sale	475,305	-	n.a.	463,739	2.5%
(2) Others accounts receivables[3]	**1,016,852**	**-**	n.a.	**1,197,827**	-15.1%
(1)+(2) Pro Forma Net Cash (Debt)	**1,306,434**	**(638,766)**	**n.a.**	**1,197,739**	**9.1%**

- **At the end of 3Q16, cash and financial investments amounted to R$ 1.180,7 million, 26.4% higher compared to 2Q16, with the receipt of 25% of the FIES installments which were not paid in 2015 (PN23). At the end of the quarter, the Company held a net cash position of R$ 518.5 million.**
- **Considering all short-term and long-term obligations and receivables, which include taxes and contributions paid in installments and the obligations and rights related to the acquisitions and sales made and FIES installments not paid in 2015, Kroton ended the period with a robust net cash balance of R$1.3 billion.**

[1] Considers only bank obligations.
[2] Considering all short-term 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 short-term receivables related to the second part of the 25% of FIES installments that were not paid in 2015 and long-term receivables related to the Uniasselvi divestment, to be earned between 2018 and 2022 adjusted to net present value (excluding the earn-out amounts) and the remaining 50% of the FIES receivables from 2015 (also adjusted to net present value).

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Cash Generation



Operating Cash Generation

Consolidated - Amounts in R$ ('000)	3Q16[1]	3Q15	% Chg.	9M16[1]	9M15	% Chg.
Operating Cash Generation (OCG) before CAPEX	**561,247**	**426,304**	**31.7%**	**1,286,250**	**791,696**	**62.5%**
OCG / EBITDA	114.2%	92.7%	21.5 p.p.	66.1%	52.0%	14.1 p.p.
Operating Cash Generation (OCG) after CAPEX	**465,486**	**334,287**	**39.2%**	**1,039,140**	**548,207**	**89.6%**
OCG / EBITDA	94.7%	72.7%	22.0 p.p.	53.4%	36.0%	17.4 p.p.
Operating Cash Generation (OCG) after CAPEX and Special Projects	**452,360**	**345,792**	**30.8%**	**1,000,484**	**524,145**	**90.9%**
OCG / EBITDA	92.0%	75.2%	16.8 p.p.	51.4%	34.4%	17.0 p.p.
Free Cash Flow	**246,369**	**92,253**	**167.1%**	**776,816**	**26,093**	**2877.1%**

- **Operating cash generation in the quarter was positively impacted by the normalization of the cycle of FIES tuition receivables after the end of PN23.**
- **Cash generation after CAPEX and Special Projects of R$452.4 million represented an EBITDA-to-Cash conversion ratio of 92.0% in the quarter, with R$1,000.5 million and EBITDA-to-Cash of 51.4% YTD.**

[1] Financial performance of 3Q16 and 9M16 are based on pro forma data considering the historical level of amendments formalized in the SISFIES which is the criteria used for revenue recognition.

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Closing Remarks



Closing Remarks

- **2017.1 intake process has already begun and is presenting positive signs until this moment**

- **Approval of the distribution of dividends of R$ 122.4 million (R$ 0.0754884616 per share) – maintaining payout at 35%**

- **Status of the operation with Estácio**

- **Awards:**
  - 6th place among the 100+ Innovative Companies in the Use of IT and first place in the ranking within the Education Sector – awarded by IT Mídia
  - Company of the Year in Service – awarded by Época Negócios and Reclame Aqui

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