CONFERENCE CALL TRANSCRIPT

1Q17 RESULTS

OPERATOR:

Good morning, ladies and gentlemen, thank you for standing by and welcome to Estácio Participações' call to discuss the results for the **first quarter of 2017**.

This event is also being broadcast simultaneously on the internet, on the Company's IR website: www.estacioparticipacoes.com.br/ri.

We would like to inform you that all participants will only be able to listen to the call during the presentation. We will then begin the Q&A session, when further instructions will be given. Should you need any assistance during the conference, please, request the operator's help by pressing star 0.

This conference call may contain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause the Company's actual results to differ materially from those in the forward-looking statements. Such statements speak only as of the date they are made, and the Company is under no obligation to update them in light of new information.

I will now turn the conference over to **Mr. Pedro Thompson**, the Company's CEO. Please, **Mr. Thompson**, you may proceed.

PEDRO THOMPSON:

Thank you. Good morning everyone.

Welcome to our conference call to discuss our results for the first quarter of 2017.

With me here today are Leonardo Moretzsohn, our CFO, and Flávia Oliveira, head of our IR department. Just to remind you all, there will be a question-and-answer session as soon as the presentation is over.

Let us go straight to slide two, where I would like to emphasize once again the Company's strategic guidelines, as of the second half of 2016, regarding:

- **Transparency:** Transparency is not just a guideline, but the true pillar where all of our processes are substantiated. As of the second quarter of 2016, we have been disclosing information based on high Governance standards.

- **Student base and ticket recovery:** Since last semester, we adopted measures to attract a more sustainable student base, taking the best advantage of the net present value per student, in order to increase average ticket and ensure students' continuity;

- **Control of costs:** A series of measures adopted as of the end of 2016 enabled the Company to dilute costs, particularly related to personnel, marketing, and general and administrative expenses;

- **Cash generation:** The thorough revision of the Company's collection improved Estácio's EBITDA to cash conversion ratio, also enabling a gradual reduction in the average receivables days.

Therefore, I can say that Estácio entered 2017 focusing exclusively on EXECUTION.

And the first results can be noticed on slide 3 of our presentation.

In spite of the economic downturn that affected the student entollments and reduced FIES revenue, our net operating revenue increased by 3.8%, to R$819.0 million in 1Q17, accompanied by EBITDA growth of 9.0% over 1Q16, to R$214.8 million.

It is clear on this table that, in addition to the impacts from 1Q17 revenue, EBITDA was also influenced by the improved management of faculty costs which, through some initiatives implemented in 1Q17, fell by 5.8% over 1Q16, leading to a margin gain of 3.8 percentage points.

Excluding the effects of 2% retention of net revenue from FIES contracts pursuant to Executive Decree 741 (MP 741), and the non-recurring effects from expenses with ongoing M&A transactions, first-quarter comparable EBITDA totaled R$223.4 million, 13.3% up on 1Q16.

Therefore, the comparable EBITDA margin came to 27.3% in 1Q17, 2.3 percentage points up on 1Q16, despite the increased default and the creation of provisions for the Installment Payment Program (PAR).

I will now turn the floor over to our IR to present, with more details, the performance of our student base and ticket.

FLAVIA OLIVEIRA:

Good morning, everyone, I will talk about slide 4.

Estácio closed 1Q17 with a total of 561,200 students (5.3% less than at the close of 1Q16), essentially due to the 10.5% decrease in the on-campus student base, which was partially offset by the 8.2% increase in the distance-learning student base.

Of the 383,600 on-campus base, 351,200 are undergraduate students, 10.6% less than in 1Q16, due to the 26.6% increase in the number of graduates and the 21.4% reduction in the number of new students over 1Q16, due to the adoption of a new intake strategy, which reduced discounts and scholarships granted, focusing on the increase of the average ticket per student. Additionally, the renewal rate also decreased by 6.7 percentage points, essentially due to more restrictive re-enrollment discount criteria and debt assumption.

It is worth noting that both the reduction in the number of new students and the decline in the renewal rate were influenced by the decrease in the FIES student base, which fell by 19.7% between 1Q16 and 1Q17. Nevertheless, the net revenue growth emphasizes Estácio's strategies and advantages in growing without depending on the FIES.

In the distance-learning segment, the 8.2% increase to 177,600 students refers to the upturn of 1.8% in the undergraduate student base and 34.2% in the graduate student base, largely due to partnerships in the student intake process.

Also on this slide, I will talk a bit more about enrollments, which fell by 13.2% in 1Q17 compared to 1Q16, essentially due to the 21.4% decrease in the number of new on-campus students, due to the change in the intake strategy, focusing mainly on ticket growth and students who comply with their payment obligations. It is worth noting, however, that in addition to the higher average ticket, the dropout of students enrolled in 1Q17 is lower than in previous quarters, when enrollment was strongly influenced by discount campaigns. Therefore, Estácio's estimates regarding students enrolled in the last intake cycle show that these students' net present value is substantially higher than that of students enrolled in previous cycles. Estácio is already reaping some benefits from this strategy, for example, the dropout of freshman students in the month of April 2017 (until now) has decreased by 23.7%, when compared to the same period last year.

Estácio remains focused on its new strategy and on the intake restructuring process through its

- sales force, increasing the number of sales advisors and implementing a more aggressive variable compensation program to foster the attainment of the sales goals, which are now based on the average ticket rather than just student intake,
- simplifying and streamlining the granting of scholarships and discounts, in order to increase the average ticket. Significant reduction in discount campaigns, establishing a minimum payment of R$59 to conclude the enrollment process;
- Regionalization of campaigns and reduced institutional appeal.

Besides the new program of payment in installments.

Moving on to slide 5, we will now focus on the offer of Estácio's Installment Payment Program ("PAR" or Parcelamento Estácio), which began on the first quarter of this year.
Of the 92,300 students newly enrolled in courses on-campus in the 1Q17, 6,8000 students have enrolled using Estácio's Installment Payment Program, which makes it possible for

the student to pay half of the tuition of the course while studying and the other half of the tuition after graduating.
The amount of the installments is progressive; starting with the payment of 30% of the tuition in the first two semesters, 40% in the third, 50% in the fourth and 60% as of the the fifth semester.
The gross revenue received in cash from students with the PAR amounted to R$5.4 million in the 1Q17, while the total amount to be paid in installments was of R$15.1 million.
The efforts to offer the product were focused on the regions and on the courses with the greater FIES demand, excluding the "ticket premium" courses.

On the next slide, I will talk about distance-learning and on-campus average tickets.
Beginning with the on-campus segment, ticket increased by 17.2% in 1Q17, over the same period last year. Analyzing the on-campus undergraduate segment only, we see an increase of 16.8% in 1Q17. Results in line with the Company's new focus, which now prioritizes base quality rather than just growth, creating a new pricing strategy.

The on-campus graduate segment increased by 8.9% in 1Q17, in line with the period inflation.

In 1Q17, the distance-learning average ticket increased by 13.6% over the same period last year, also due to the changes mainly with regards to the relationship with partner centers and the management of their performance. Average ticked increased by 13.8% and 13.9% in the undergraduate and graduate segments, respectively.

Estácio is already reaping some benefits from this strategy. One I can mention, for example, is the intake average ticket, which increased by 30% in the 1Q17, when compared to the 1Q16, directly affecting the net operating revenue of the period.

Thus, Estácio's estimates concerning the students on this last cycle of intake, indicate that the net present value of these students move towards being significantly higher than the previous cycles.

From this better quality base, Estácio assures a higher net revenue from intakes, as well as more sustainable dropout and PDA indicators for the upcoming periods.

I will now turn the floor over to our CFO, Leonardo Moretzsohn, who will talk about our financial performance.

LEONARDO MORETZSOHN:

Thank you very much, Flávia.

Good morning, everyone.

On slide 7, I will present Net Revenue figures.

As we can see in the bridge presented, first-quarter net revenue came to R$819.0 million, 3.8% up on 1Q16, essentially due to:

- The R$152.5 million increase in Ex-Fies revenue from monthly tuitions, which represented an increase of 15.1% over 1Q16, due to the rising ticket in this period.
- The R$48.4 million reduction in FIES revenue from monthly tuitions, 1% less than in 1T16, due to the FIES base reduction.
- The R$5.5 million reduction in Pronatec revenue, due to the graduation of the last students in this segment;
- The R$7.5 million reduction in other revenue, chiefly due to the end of the Rio 2016 project, referring to trainings offered by Estácio to the volunteers of the Rio 2016 Olympic Games, which generated quarterly revenue of approximately R$8.3 million in 2015 (it is worth noting that there was a corresponding entry under expenses with institutional events, so that the effect in terms of operating result (EBITDA) was null, impacting the period's margin only).
- The R$46.4 million increase in the scholarships and discounts line, due to our change in the Company's pricing strategy;
- The 2% retention of net revenue from FIES contracts pursuant to Executive Decree 741 (MP 741), as of the second semester of 2016, which had an impact of approximately R$6.8 million in 1Q17.
- It is also worth noting that in 1Q17, approximately R$7.0 million was registered under gross revenue deductions, due to the adjustment to present value of receivables from Estácio's Installment Payment Program (PAR).

Moving on to slide 8, I will talk a little bit about our operating costs.

Cash cost represented 48.8% of net operating revenue in 1Q17, a 3.8 percentage point margin gain compared with 52.6% in 1Q16, essentially in the personnel line, which showed the first results of Estácio's restructuring of faculty cost management. In this sense, I can highlight the following measures:

- We tried our best to use the maximum possible number of modules online, up to the allowed limit of 20% of the on-campus courses;
- We increased the number of students in distance-learning classes, using resources such as live webcast in specific modules;
- We now offer directed study classes in the distance-learning segment;
- We also offer online Term Paper (TCC) modules;
- And we offer earlier classes in night courses, which reduced by 50% the additional night-shift premium.

With regards to textbook materials, Estácio now produces its own content and has reduced printing costs by offering the material online.

These simple measures brought significant results to the Company in 1Q17 and we hope this trend continues in the coming results.

On slide 9, we present our operating expenses.

Selling expenses accounted for a reduction of 2.5 percentage points in the margin, essentially due to the increase of 2.3 percentage points in PDA over 1Q16, and the beginning of PAR provisioning. First-quarter PDA performance was due to the increased default in 2H16.

Marketing expenses accounted for a reduction of 0.3 percentage point in the margin over 1Q16.

In 1Q17, **general and administrative expenses** represented 12.2% of net operating revenue, a 0.4 percentage point decrease over 1Q16, chiefly due to the 0.5 percentage point margin decline in the personnel expenses line, as a result of higher bonus provisioning in 1Q17 over 1Q16.

On slide 10, we see that first-quarter Net Income totaled R$121.8 million, 4.8% down on 1Q16, primarily due to the increase in the financial result (R$19.1 million) and higher depreciation and amortization (R$4.4 million), partially offset by the R$17.7 million increase in EBITDA.

The financial result recorded negative impacts in the following lines mainly:

- Revenue from the restatement of FIES accounts receivable, which fell by R$8.4 million, due to the decrease in FIES accounts receivable from 2015 following the payment of the first installment in the middle of 2016;
- Investment income, which dropped by R$7.2 million, due to the R$95.8 million decrease in cash and cash equivalents over 1Q16;
- Interest and financial charge expenses, which climbed by R$8.7 million, mainly due to the R$227.8 million increase in loans and financing over 1Q16.

On slide 11, we present Average Receivables Days.

We continue to focus on improving our collection campaign and student debt renegotiation policies, the results of which have already become apparent in the performance of average non-FIES receivables days, which improved by 10 days in comparison with 1Q16.

First-quarter accounts receivable fell essentially due to the downturn in FIES accounts receivable and in student monthly tuition.

On slide 12, in the first table, we see the information on our Capitalization and Cash.

Cash and cash equivalents totaled R$458.1 million on March 31, 2017, conservatively invested in fixed-income instruments pegged to the CDI interbank rate, government bonds and certificates of deposit with top-tier Brazilian banks.

The bank debt of R$1.04 billion corresponded mainly to:

- The Company's debenture issues (2nd series of R$300 million, 3rd series of R$187 million and 4th series of R$100 million);
- The loan from the IFC (first installment of R$48.5 million and second of around R$20 million);
- The issue of Company promissory notes, totaling R$300.0 million; and
- The capitalization of equipment leasing expenses in compliance with Law 11,638.

The R$227.8 million increase in the loans and financing line over 1Q16 refers mainly to the issue of R$300 million in promissory notes in November 2016 and R$100 million in debentures (4th issue) in December. The objective of these operations was to recover the cash spent on the settlement of the 1st debenture issue, totaling approximately R$214.1 million, and the payment of extraordinary dividends in November and December 2016, totaling R$420.0 million.

Including the commitments for future payments related to acquisitions made, which totaled R$115.3 million, as well as taxes payable in installments totaling R$15.2 million, Estácio's gross debt came to R$1.17 billion at the end of 1Q17, resulting in net debt of R$713.5 million.

Also on this slide, we show first-quarter CAPEX. We invested R$26.3 million, 20.3% down on 2016, chiefly due to the scheduling of maintenance investments, which totaled R$13.0 million, R$3.4 million less than in 1Q16, when the Company anticipated investments, mainly allocated to upgrading systems, equipment, libraries and laboratories in the units. Additionally, there were no investments in integration projects in 1Q17, given that there were no acquisitions in the past 12 months.

On slide 13, we present our Cash Flow.

Our operating cash flow was positive by R$62.3 million in 1Q17, a substantial improvement over the same period last year, especially when analyzing the EBITDA to OCF conversion ratio, which stood at 34.1% in 1Q17.

I will now turn the floor back over to our CEO, Pedro Thompson, for his closing remarks.

PEDRO THOMPSON:

Thank you, Moretzsohn

Concluding our presentation, moving to Slide 14, I would like to go over what we see for the Company, in our schedule focused 100% on PERFORMANCE:

1. Sustainable base of students, as a result from a consistent turnover, evasion and non-payment;
2. Focus on costs and expenses, especially the Cost with Faculty and Marketing;
3. Generating cash is also the main goal of the key executives of the Company;
4. Doing our work with a high level of governance;
5. And, finally, always preserving our academic excellence that we have achieved with outstanding outcomes.

To conclude, I highlight some photos from our last leadership forum, held on April 18 and 19. The organizational environment is an invaluable treasure we have, one we will never relinquish.

We can now move on to the question and answer session.

Thank you.

Q&A

Marcelo Santos, JPMorgan:

Good morning. Thanks for taking my question. I just wanted to know if you could provide a regulatory update, so what are most recent developments you have been seeing in FIES and your expectations for that, and also for distance learning.

Pedro Thompson:

Thank you for your question. We do not have any updates of FIES point zero or any regulatory issue until now. Due to the full schedule of campaign and political environment in Brazil, I do not expect anything on the short-term about that.

Marcelo Santos:

Thank you very much.

Ricardo Rezende, HSBC:

Hello, good morning. I just want to have some more color on the first intake cycle with your own financing program, your strategy to attract students, if it was more a boost strategy or if you had the entrance of students with such financing. Thank you.

Leonardo Moretzsohn:

Can you repeat your question, please?

Ricardo Rezende:

Sure. I just wanted to get more color on the financing program on this intake cycle, your strategy to market this product to students. If it was more a boost strategy to renew or students were actively looking for this financing program.

Leonardo Moretzsohn:

We are very proactive to offer this, but we are very concerned about not to cannibalize the premium students with these products, but we are very proactive in showing this to our students.

Ricardo Rezende:

OK, thank you.

CLOSING REMARKS

OPERATOR:

Since there seems to be no further questions, I would like to turn the floor over to **Pedro Thompson** for his closing remarks.

PEDRO THOMPSON:

I would like to thank all of you for taking part in our results conference call.

Our Investor Relations department is always at your disposal to help you with any questions you may have. Our contact information is available on our website.

We hope to see you again at our conference call next quarter.

Once again, thank you very much and have a great day!

OPERATOR:

Estácio Participações' conference call is now over. Thank you all for taking part and have a good day.

Please, refer to the company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."