



**Arco Signs Definitive Agreement
to Acquire
Sistemas de Ensino Positivo**

May 2019



FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements as pertains to Arco Platform Limited (the “Company”) within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, the Company’s expectations or predictions of future financial or business performance conditions. The achievement or success of the matters covered by statements herein involves substantial known and unknown risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the Company’s results could differ materially from the results expressed or implied by the statements we make. You should not rely upon forward-looking statements as predictions of future events. Forward looking statements are made on the basis of the Company’s current expectations and projections relating to its financial conditions, result of operations, plans, objectives, future performance and business, and these statements are not guarantees of future performance.

Statements which herein address activities, events, conditions or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. You can generally identify forward-looking statements by the use of forward-looking terminology such as “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “evaluate,” “expect,” “explore,” “forecast,” “guidance,” “intend,” “likely,” “may,” “might,” “outlook,” “plan,” “potential,” “predict,” “probable,” “project,” “seek,” “should,” “view,” or “will,” or the negative thereof or other variations thereon or comparable terminology. Moreover, all statements in this presentation, whether forward looking or of historical fact, are based on the limited information available to the Company during the due diligence process of Positivo and its business operations (the “Positivo Business”) prior to the signing of the acquisition agreement discussed herein. This limited access to information may have impaired the Company’s ability to conduct a full and comprehensive assessment of the Positivo Business, thus leading to risks and uncertainties. Reasons for this uncertainty include, but are not limited to, the following: (i) the Positivo Business is a carve out of an entity with different businesses and, therefore, the analysis was conducted on the basis of pro forma, non-audited and adjusted financial statements of the Positivo Business; (ii) the accounting parameters and criteria adopted by the Positivo Business are different from the ones adopted by the Company; (iii) the transfer of the Positivo Business to a new entity limits the Company’s ability to assess the proper transfer of all assets and rights to such new entity. In addition to that, the forward-looking statements regarding the Positivo Business include risks and uncertainties related to statements about competition for the combined business; risks relating to the continued use of the Positivo brand in schools not run by the Company; restrictions and/or limitations on the acquisition of the Positivo Business that may be imposed by antitrust authorities or other regulatory agencies; risks relating to the Company’s ability to attract, upsell and retain customers of the Positivo Business; general market, political, economic, and business conditions in Brazil or abroad; and the Company’s financial targets are based on measures which include revenue, share count and other IFRS measures, as well as non-IFRS financial measures including gross margin, operating margin, net income (loss) per diluted share, EBITDA (as defined herein), Adjusted EBITDA (as defined herein) and free cash flow.

Forward-looking statements represent the Company management’s beliefs and assumptions only as of the date such statements are made, and the Company undertakes no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

Further information on these and other factors that could affect the Company’s financial results is included in filings the Company makes with the Securities and Exchange Commission from time to time, including the section titled “Risk Factors” in the Company’s most recent Forms 20-F and 6-K and its Rule 424(b) prospectus. These documents are available on the SEC Filings section of the Investor Relations section of the Company’s website at: <https://investor.arcoplatform.com/>

TRANSACTION SUMMARY

SUMMARY

Arco Platform Limited has agreed to acquire 100% of Sistema Positivo de Ensino for a total enterprise value of R\$1,650 million.

The acquisition encompasses only the private school learning systems and does not include the public school learning system and the printing company.

TRANSACTION CONSIDERATION

The acquisition will be paid fully in cash, with 50% paid at closing and the remaining 50% deferred¹. Installments terms are: no payment in 2020, 10% paid in 2021, 10% in 2022, 15% paid in 2023 and 15% in 2024.

EXPECTED CLOSING

The transaction is subject to customary closing conditions, including antitrust regulatory approvals.



698k
Students
School Year 2019



~3.4k
Private Partner
Schools



R\$397 mm
ACV 2019²



MEET SISTEMA POSITIVO¹



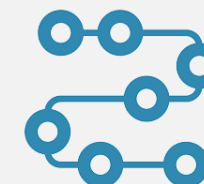
R\$137 mm
Adj. EBITDA 2018



2 Core
1 Supplemental
Brands



SISTEMA DE ENSINO
POSITIVO



40 Years
Brand Legacy

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²ACV Bookings is the yearly (assuming a school year) revenue contractually expected to be recognized from a partner school assuming no further additions or reductions in the number of enrolled students. In 2018, Positivo had R\$360mm of ACV2018 and R\$30mm of other revenues.

TRANSACTION RATIONALE

OPPORTUNITY TO BRING ARCO NEXT GENERATION TECHNOLOGY TO 698K NEW STUDENTS AND ENHANCE THEIR EDUCATION AND OUTCOMES

DOUBLES THE BUSINESS SIZE WITH THE SAME BUSINESS MODEL, ADDS COMPLEMENTARY REGIONS AND CUSTOMER PROFILES AND WITH OPPORTUNITIES TO CAPTURE SYNERGIES

1

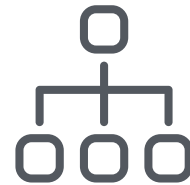


ACCELERATES EXPANSION WITH THE SAME BUSINESS MODEL

Arco's student base will increase more than 2x, to over 1 million students

With the same B2B2C model, asset-light, predictable revenue, high operating leverage and cash flow conversion

2

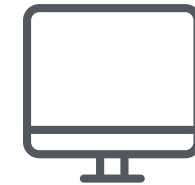


ADDS COMPLEMENTARY ASSETS

Complementary regional footprint, strong in the south and southeast region

Extend our current product offering solutions at different pricing points

3



MASSIVE VALUE ADD OPPORTUNITIES THROUGH SCALE AND TECHNOLOGY

Scale allows us to invest in the best content and technology

Opportunity to enhance student experience and outcomes through technology improvements

1

POSITIVO IS A HIGH QUALITY
ASSET WHICH

ACCELERATES OUR EXPANSION WITH THE SAME BUSINESS MODEL

By adding a traditional brand with a loyal customer base, we maintain all the great characteristics of our business model while increasing scale.



Note:

1. Cash Conversion is the ratio of Free Cash Flow to EBITDA



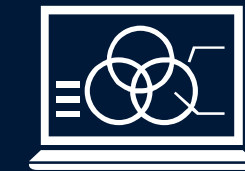
**Long-term
Relationships**
+50% of Clients
@ 10-Yr+



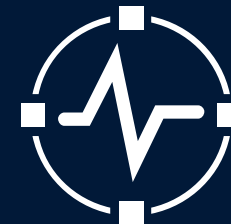
**Recurring and Stable
Revenues**



Brand Legacy
+40 years



Education as a Service

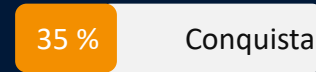


**Highly Predictable
Cash Flow**
~45% Cash Conversion¹

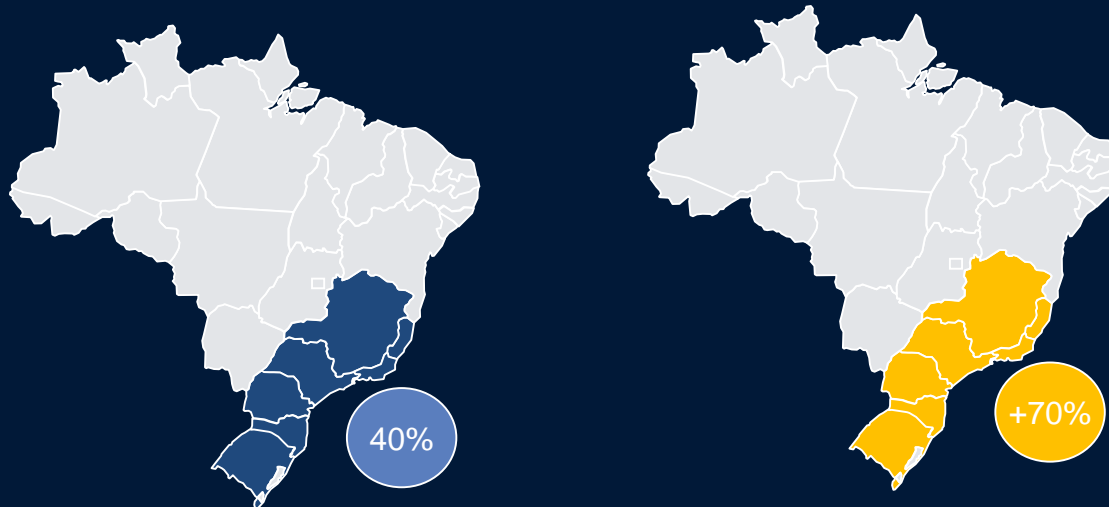


**Asset-light
Model**
35% EBITDA 2018 Margin

Solutions serving complementary price points (relative prices)



Students Geography¹



Note:
1. As of 2018

2

A UNIQUE FIT

ADDS COMPLEMENTARY ASSETS

Positivo increases Arco's product offerings and regional penetration with minimal customer overlap

3

MORE TECHNOLOGY, DYNAMIC
CONTENT AND IMPROVED GO-TO
MARKET STRATEGY

MASSIVE VALUE ADD OPPORTUNITIES THROUGH SCALE AND TECHNOLOGY

We believe there is a massive opportunity to create value by deploying our expertise to promote digital transformation in Positivo.
A larger client base with nearly 1.2 million students allows us to benefit from significant scale gains.

Digital and Execution Transformation



Technology

Introduce Arco's tech features
to Positivo's clients



Go-to-market

Re-accelerate growth by improving
salesforce effectiveness



Content

Dynamic / updated
Content



Retention

Optimized pedagogical
support



Mapped Opportunities and Synergies



Top line initiatives to
boost **revenue growth**
and **cross sell**
opportunities



Natural gains of
scale and increased
efficiency

MAPPED OPPORTUNITIES AND SYNERGIES

ESTIMATED ANNUAL SYNERGIES

R\$30mm

PHASE-IN

4 Years



TOP LINE INITIATIVES



GAINS IN SCALE AND SYNERGIES



ENHANCE GO-TO-MARKET STRATEGY



G&A OPTIMIZATION



IMPROVE PRICING STRATEGY



SUPPLY CHAIN INTEGRATION



CROSS-SELL OPPORTUNITIES



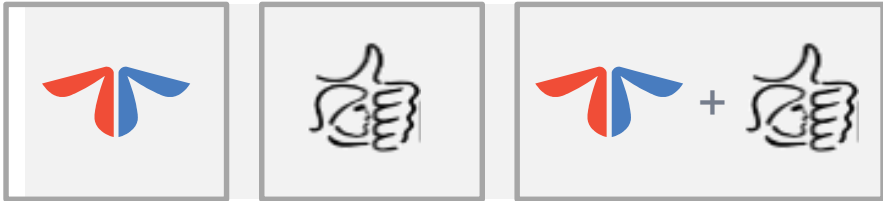
+ 698K STUDENTS




ACCESS TO

+3.4k

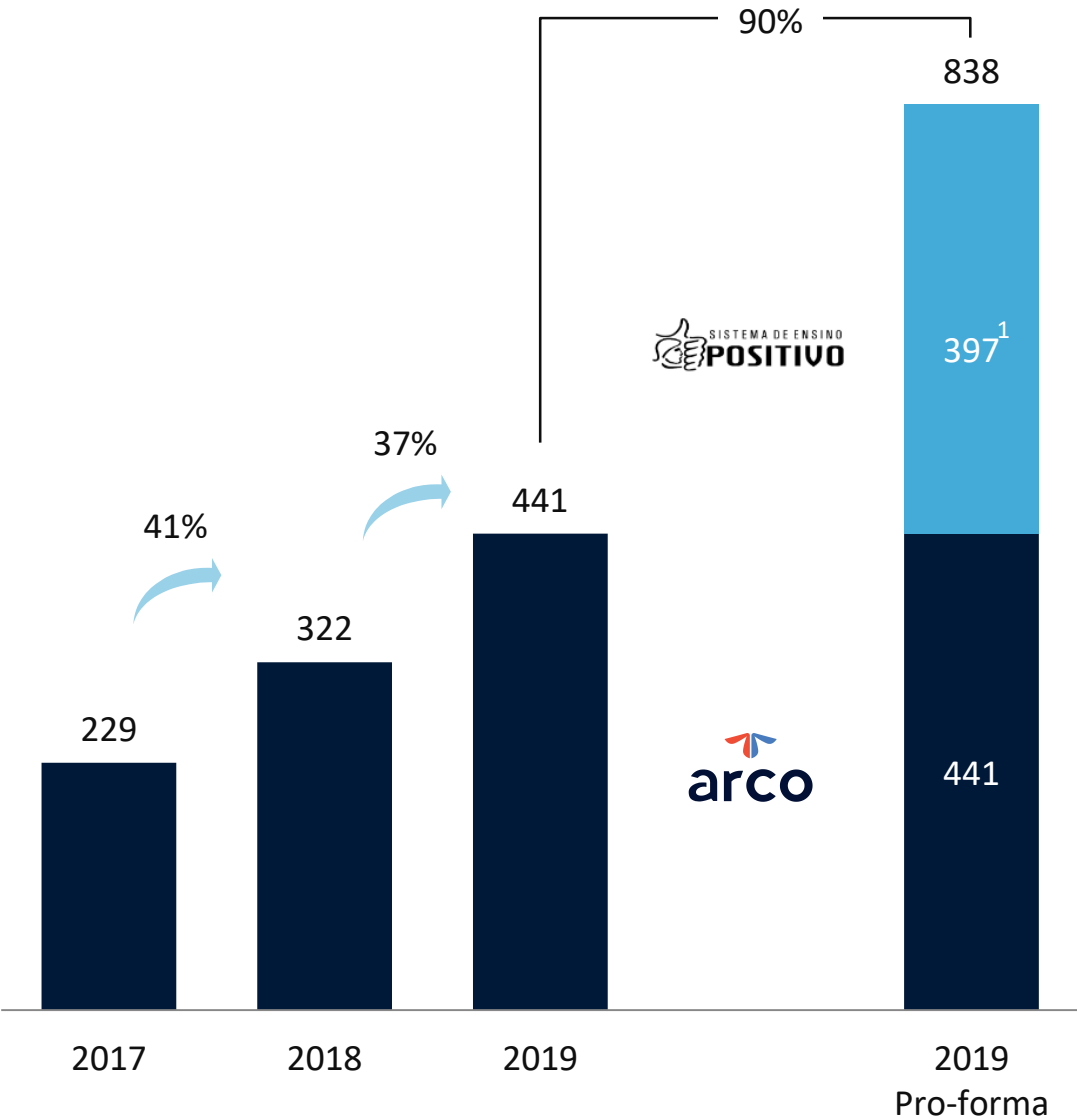
MORE SCHOOLS TO CROSS-SELL AND LAUNCH NEW SUPPLEMENTAL SOLUTIONS

ARCO POST ACQUISITION PROFILE



	# Thousand of Students ¹	499	698	1.197
	# of Partner Schools ¹	~1.4 k	~3.4 k	~4.8 k
	ACV 2019 ^{2,3} (R\$ mm)	441	397	838

ACV^{2,3} (R\$ MILLION)



1. For the 2019 school year.
 2. ACV Bookings is the yearly (assuming a school year) revenue contractually expected to be recognized from a partner school assuming no further additions or reductions in the number of enrolled students.
 3. In 2019, Positivo has R\$397mm of ACV2019 and estimates R\$24mm of other revenues.

