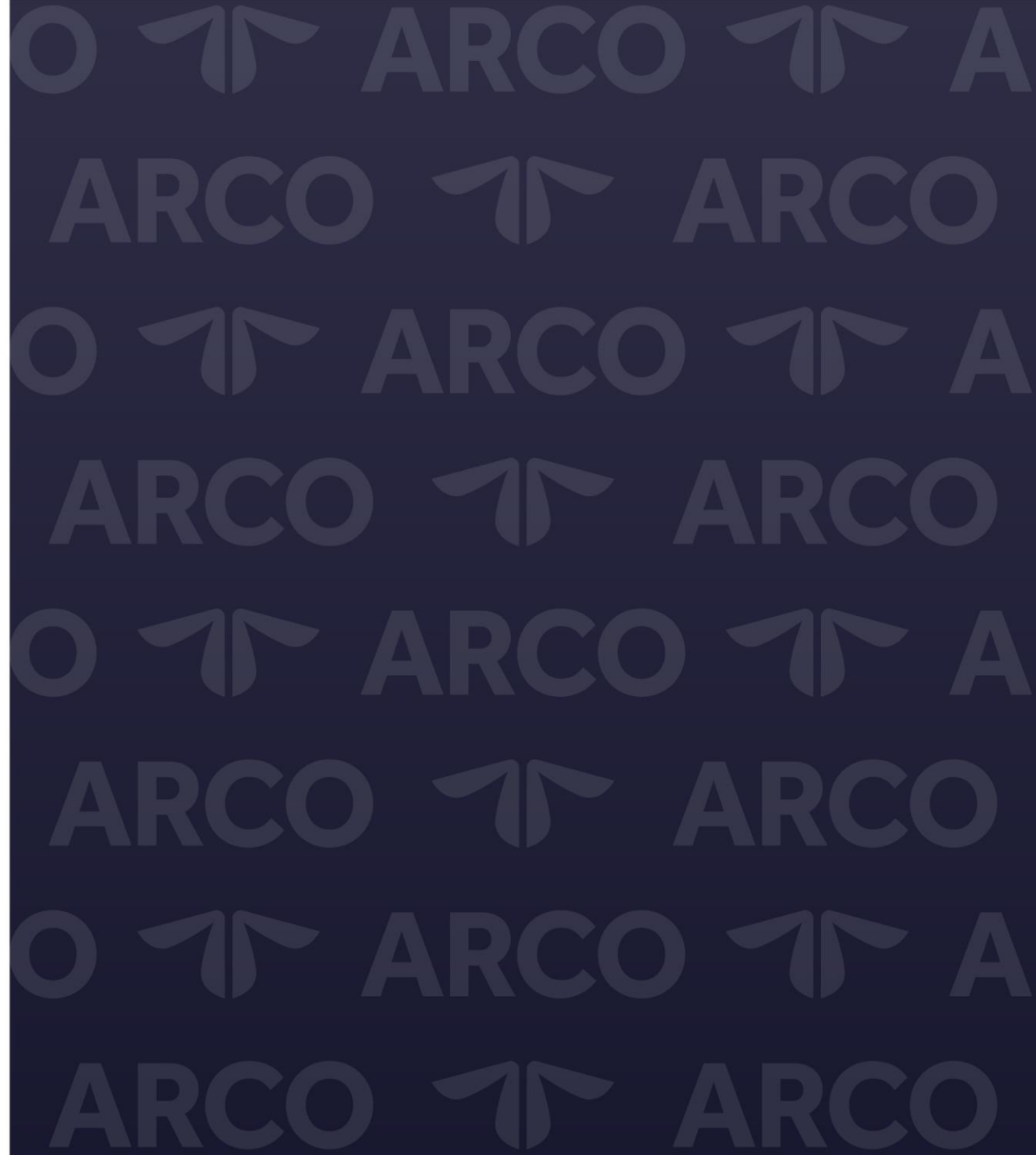




**4Q19 & FY19 Earnings Presentation**

*March 2020*





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We have included in this presentation our Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Free Cash Flow and Adjusted Free Cash Flow, which are non-GAAP financial measures, together with their reconciliations, for the periods indicated. We understand that, although Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Free Cash Flow and Adjusted Free Cash Flow are used by investors and securities analysts in their evaluation of companies, these measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results of operations as reported under IFRS. Additionally, our calculations of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income Margin, Free Cash Flow and Adjusted Free Cash Flow may be different from the calculation used by other companies, including our competitors in the education services industry, and therefore, our measures may not be comparable to those of other companies.



# Key Messages

## 2020 ACV CONFIRMATION

- ✓ 2020 Consolidated ACV adding up to **R\$1,006mm**, above guidance of **R\$1,000mm**
- ✓ Arco ex Positivo growing at **35%** YoY, above guidance of 32% to 34%
- ✓ Positivo ACV growing at **9%** YoY

## 2019 ADJ. EBITDA MARGIN ACHIEVEMENT

- ✓ **37.9%**<sup>1</sup> of FY19 Adjusted EBITDA margin ex M&As, surpassing the guidance of 35.5% to 37.5% for 2019

## POSITIVO SYNERGIES

- ✓ **R\$50 million – R\$70 million** annual EBITDA synergies expected from Positivo by the fourth year of integration
- ✓ Final Purchase Price Allocation at **R\$ 1,557 mm**
- ✓ Estimate a **tax benefit of R\$529 million** over the amortization period



**1** Arco's standalone results

**2** 4Q & FY19 results

**3** 2020 Guidance

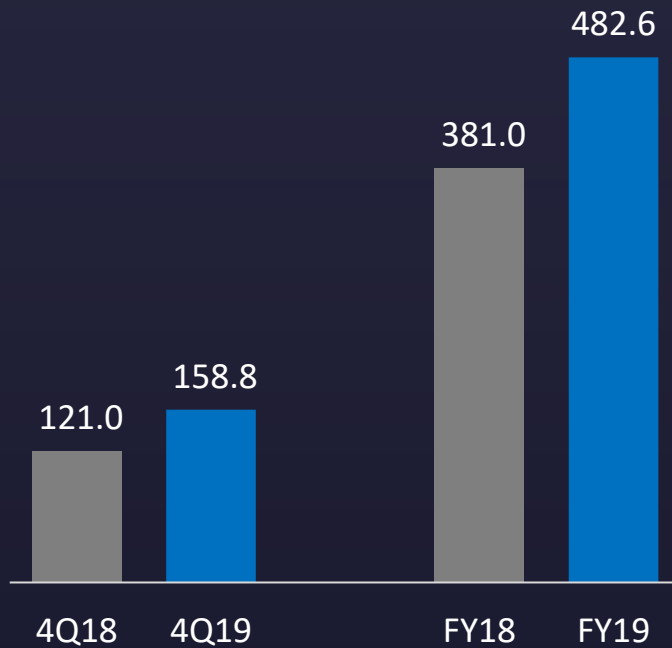
**4** Positivo





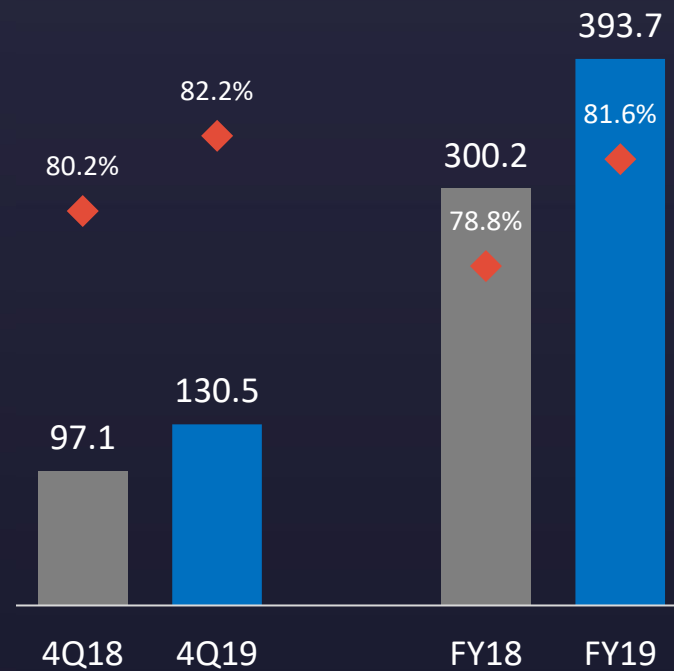
In R\$, mm

### Net Revenues



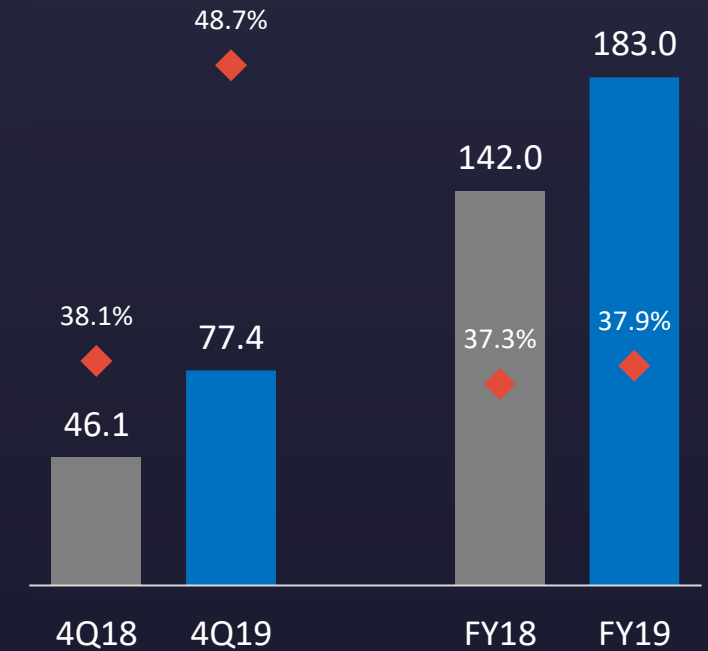
### Gross Profit

■ R\$ mm ◆ Gross margin



### Adjusted EBITDA

■ R\$ mm ◆ Adj. EBITDA margin



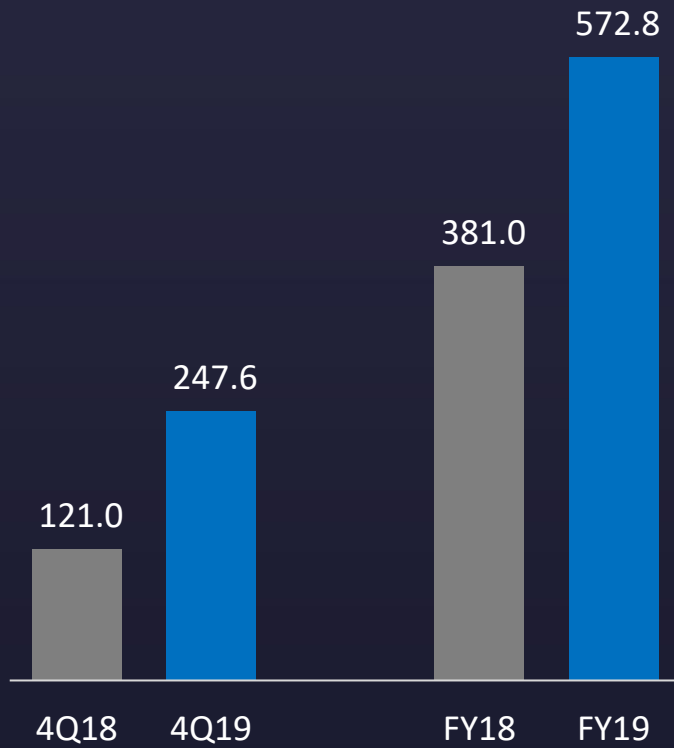
Note:

1 Excluding M&amp;A in 2019.

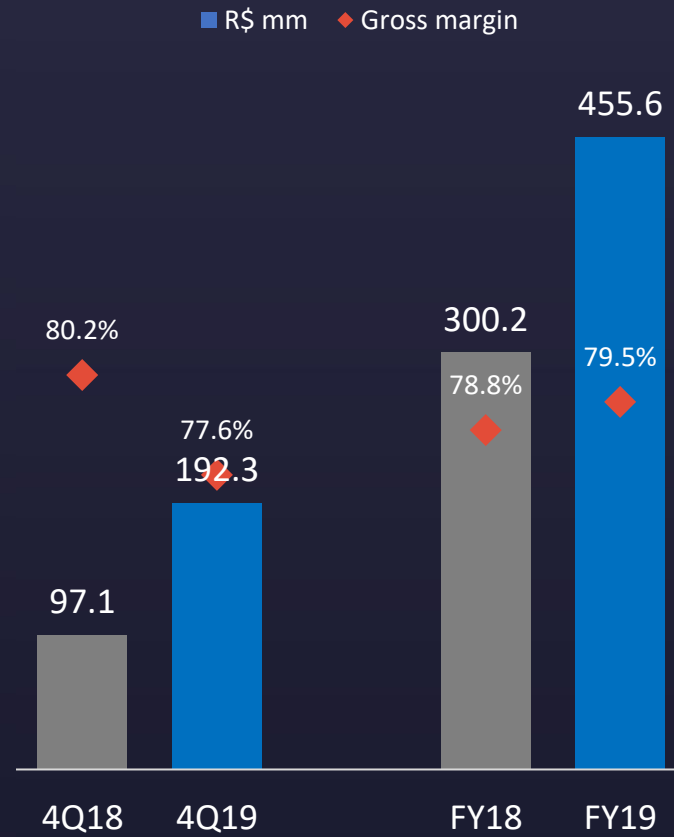


In R\$, mm

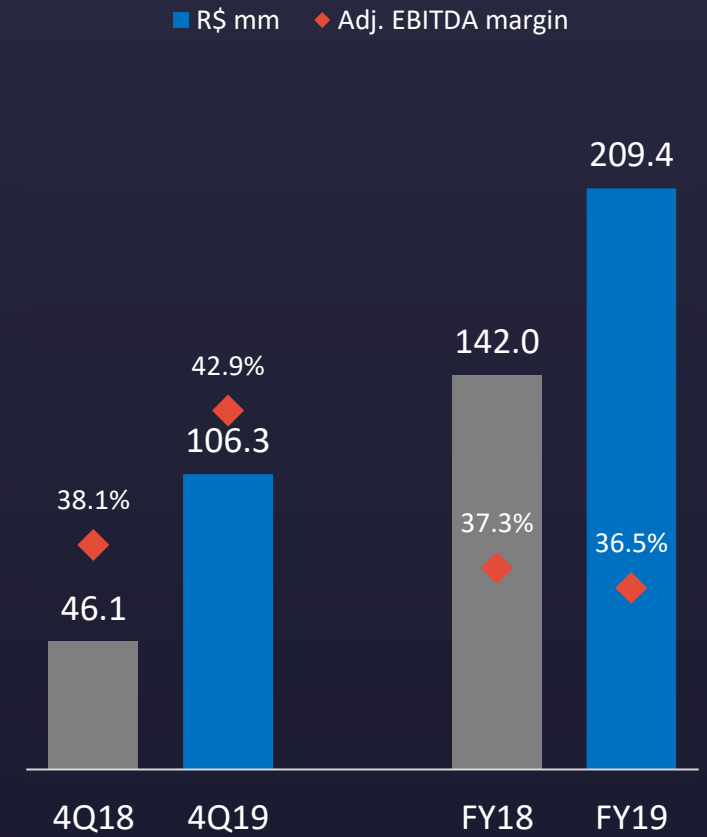
### Net Revenues<sup>1</sup>



### Gross Profit<sup>1</sup>



### Adjusted EBITDA<sup>2</sup>



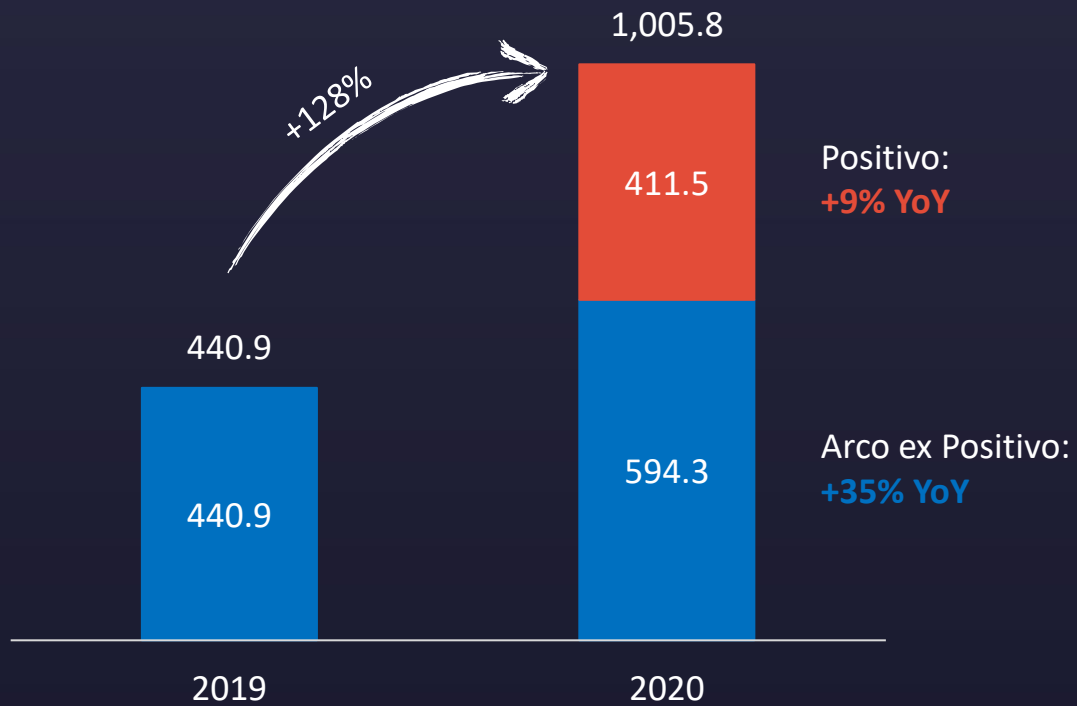
Note:  
 1 As reported in Arco Financial Statements for the period ended December 31, 2019.  
 2 Adjusted EBITDA including M&A in 2019.



In R\$, mm

## 2020 ACV

■ Arco ex Positivo ■ Positivo



## ACV by Segment

	ACV (R\$ mm)			Price increase <sup>1</sup>
	2019	2020	YoY (%)	2020
<b>Arco ex-Positivo</b>	<b>440.9</b>	<b>594.3</b>	<b>35%</b>	<b>6%</b>
Core Solutions	340.5	418.8	23%	8%
Supplemental Solutions	100.4	175.5	75%	3%
<b>Positivo</b>	<b>378.5</b>	<b>411.5</b>	<b>9%</b>	<b>5%</b>
Core Solutions	355.5	384.8	8%	5%
Supplemental Solutions	23.0	26.6	16%	2%
<b>Total Core Solutions</b>	<b>340.5</b>	<b>803.6</b>	<b>136%</b>	<b>6%</b>
<b>Total Supplemental Solutions</b>	<b>100.4</b>	<b>202.2</b>	<b>101%</b>	<b>3%</b>
<b>Arco - Total</b>	<b>440.9</b>	<b>1,005.8</b>	<b>128%</b>	<b>6%</b>

Note:

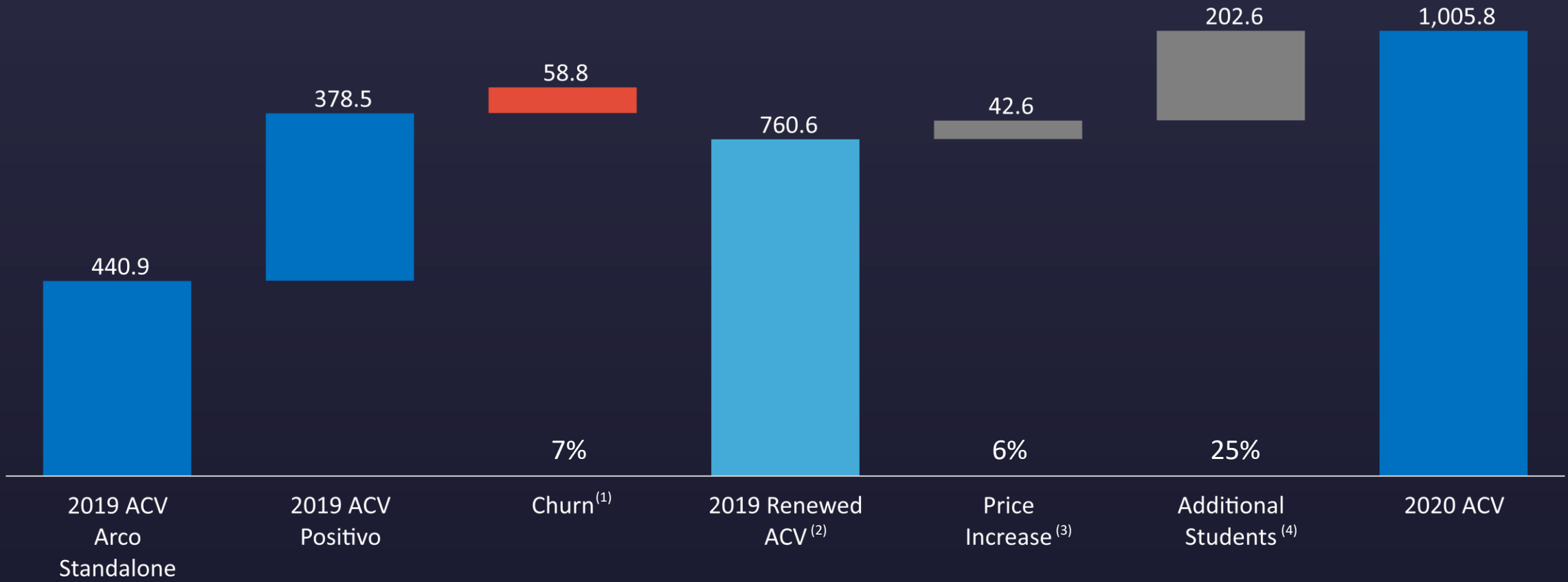
1 Calculated as % of 2019 Renewed ACV.

# 3

## Consolidated 2020 ACV Build-Up



In R\$, mm



Note:

1 Calculated as % of 2019 ACV (Arco and Positivo).

2 Value of renewed contracts before accounting any price increases, upselling or organic variations.

3 Calculated as % of 2019 Renewed ACV.

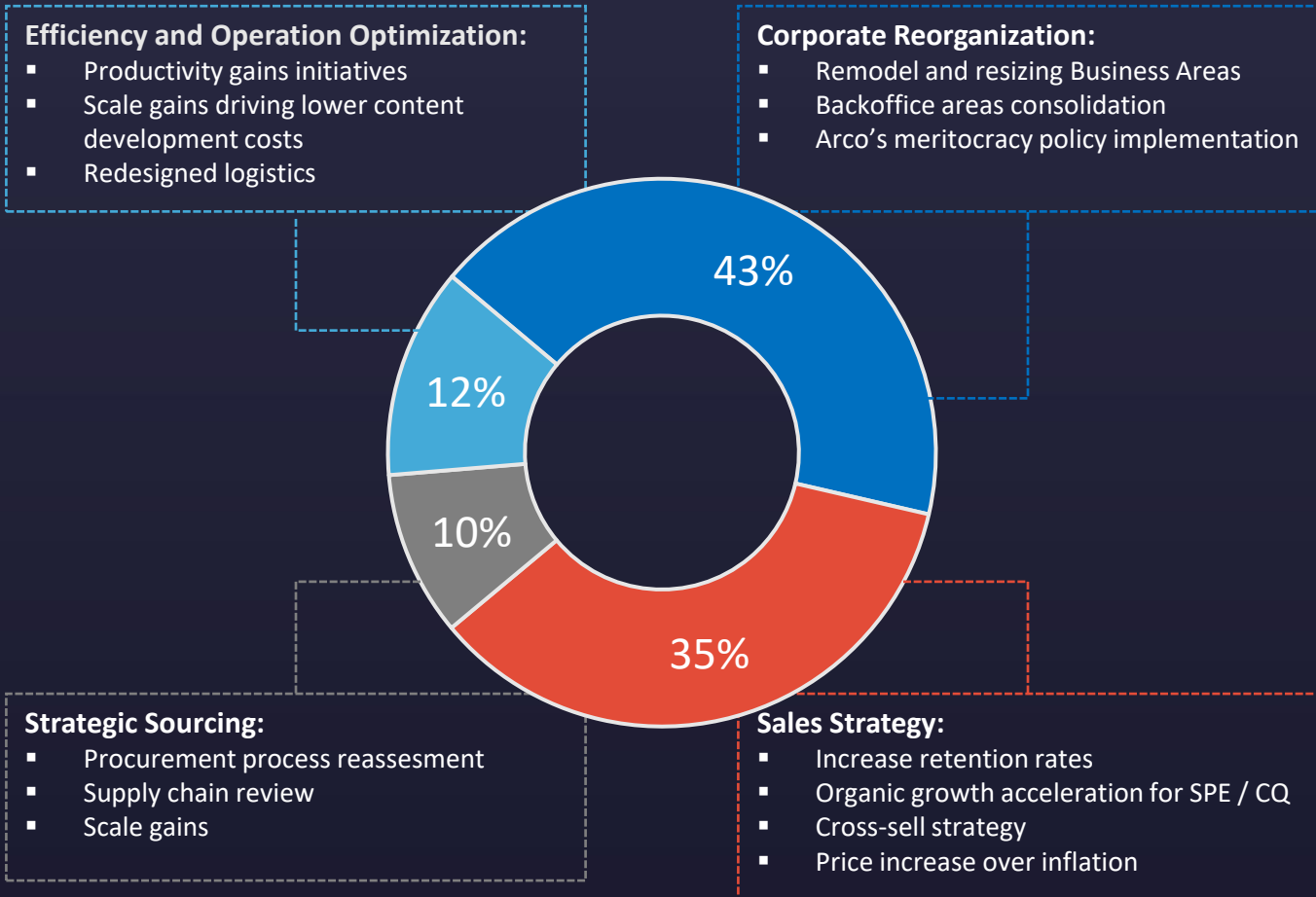
4 Additional students take into account new clients, upsell in existing clients and organic changes in the existing clients.



# 4 Positivo: Revised Synergies Guidance



**R\$50 million – R\$70 million** annual EBITDA synergies expected from Positivo by the fourth year of integration



### Purchase Price Allocation<sup>1</sup>

**~R\$ 1,557 million**

We estimate this amount should generate a tax benefit of R\$529 million over the amortization period<sup>2</sup>.

### Benefit schedule<sup>3</sup>:

Year 1-5	Year 6-9	Year 10	Year 11-20
~R\$ 70 mm per year	~R\$ 20 mm per year	~R\$ 10 mm per year	~R\$ 6 mm per year

Note:

<sup>1</sup> PPA for the acquisition of Positivo based on October 2019 figures resulted in an estimate of approximately R\$1,557 million of both identifiable intangible assets and goodwill.

<sup>2</sup> Amortization period starts at the time the incorporation of Positivo by EAS Educação is finalized, which we expect will happen in the third quarter 2020. The unused portion in the year of the amortization, should generate a tax loss, which may be offset in the coming years, limited to 30% of the tax profit.

<sup>3</sup> Benefit estimated may change given that goodwill is tested for impairment every year.



## ACV Growth Mindset

### STRENGTHENING THE TEAM

#### Focus on People

- ✓ Multiple actions regarding eNPS
- ✓ Focus on communication and engagement of Positivo's highly experienced team
- ✓ New talented people and former Arco's talents joined Positivo

### SALES FORCE REINFORCEMENT

#### Sales force Team

- ✓ +46% Farmers Team increase
- ✓ +30% Hunters Team increase

#### Sales force Model

- ✓ New compensation structure
- ✓ New training program
- ✓ New Sales Goal
- ✓ CRM implementation

### SHARED SERVICE CENTER AND OPERATIONS

#### Operations Integration

- ✓ Successfully integrated the main processes
- ✓ Final integration scheduled for 2nd semester

#### New ERP

- ✓ ERP system integration scheduled for 1st semester



# Appendix





## Top Priorities

### Protect our People

- ✓ Contingency plan approved and preventive measures already implemented
- ✓ Back-up plan allows company to maintain normal course of operations if cases are confirmed or situation escalates

### Support our Schools

- ✓ 100% of the content can be delivered online to students
- ✓ Schools and students to receive guideline on how to keep-up with original study plan through the virtual platform
- ✓ Online tutoring with Arco's pedagogical support team available to schools

### Quick Recap of Arco's Business Model

- ✓ We operate a B2B business under annual contracts
- ✓ 2020 ACV of R\$ 1,006 mm to be recognized during the school year. We expect Revenues in line with the ACV throughout this period
- ✓ Business is a strong cash generator with very low leverage profile



# Guidance

## 2020 Guidance

ACV 2020 Confirmation		~R\$ 1,006 million
ACV growth 2020, ex. Positivo		35%
2020 ACV Recognition on 1Q20		23% to 26%
Adjusted EBITDA Margin 2020		35.5% to 37.5%

## Previous Guidance Achievement

	2018		2019	
	Guidance	Delivered	Guidance	Delivered
ACV (R\$ mm)	322.1	✓	440.9	✓
Adj. EBITDA Margin (%)	35.0% to 37.0%	✓	35.5% to 37.5%	✓



## Next Events

- Our business operates through annual contracts; therefore, we recommend investors to analyze our numbers on an annual basis.
- We intend to provide guidance as follows:

	1Q Call	2Q Call	3Q Call	4Q Call
2020 Consolidated ACV guidance			✓	
2020 Consolidated ACV confirmation				✓
% of ACV recognition for next quarter	✓	✓	✓	✓
Current fiscal year EBITDA margin	✓	✓	✓	
Next fiscal year EBITDA margin				✓



# Revenue Recognition and Annual Contract Value Bookings

## 1. How does Arco and Positivo recognize revenue?

We recognize our revenue when the content is made available to our partner schools. The same applies to Positivo.

## 2. When is Arco's content usually made available to partner schools?

We typically deliver our Core Curriculum content four times a year, in December - prior to the beginning of the school year - then March, June and August. We typically deliver our Supplemental Solutions twice a year, in December and June. In both cases, we deliver content two to three months prior to the start of each school quarter.

## 3. What is Annual Contract Value (ACV) Bookings?

We define it as the revenue we would contractually expect to recognize from a partner school in each school year pursuant to the terms of our contract with such school, assuming no further additions or reductions in enrolled students in such school year. We calculate ACV Bookings by multiplying the number of enrolled students at each partner school with the average ticket per student per year.



# Adjusted EBITDA Reconciliation

In R\$, 000's

<i>(In thousands of Brazilian reais)</i>	4Q19	4Q18	FY19	FY18
<b>Adjusted EBITDA Reconciliation</b>	(unaudited)	(unaudited)		
Profit (loss) for the period	42,515	(76,889)	(9,431)	(82,916)
(+) Income taxes	(3,775)	(43,085)	(33,103)	(17,985)
(+/-) Finance result	12,089	159,954	98,808	162,177
(+) Depreciation and amortization	23,865	5,735	48,314	19,594
(+) Share of loss of equity-accounted investees	(153)	243	1,800	792
<b>EBITDA</b>	<b>74,541</b>	<b>45,958</b>	<b>106,388</b>	<b>81,662</b>
(+) Share-based compensation plan	11,148	138	66,978	60,297
(+) M&A expenses	15,939	-	28,848	-
(+) Non-recurring expenses	4,675	-	7,142	-
<b>Adjusted EBITDA</b>	<b>106,303</b>	<b>46,096</b>	<b>209,356</b>	<b>141,959</b>
<b>Net Revenue</b>	<b>247,644</b>	<b>121,009</b>	<b>572,837</b>	<b>380,981</b>
<i>Adjusted EBITDA Margin</i>	<i>42.9%</i>	<i>38.1%</i>	<i>36.5%</i>	<i>37.3%</i>





# Adjusted Net Income Reconciliation

In R\$, 000's

<i>(In thousands of Brazilian reais)</i>	4Q19	4Q18	FY19	FY18
<b>Adjusted Net Income Reconciliation</b>	(unaudited)	(unaudited)		
Profit (loss) for the period	42,515	(76,889)	(9,431)	(82,916)
(+) Share-based compensation plan	11,148	138	66,978	60,297
(+) Amortization of intangible assets from business combinations	13,485	2,958	23,173	11,766
(+/-) Changes in fair value of derivative instruments	(10,822)	2,243	(473)	(659)
(+/-) Changes in accounts payable to selling shareholders	7,622	130,378	89,403	130,378
(+) Share of loss of equity-accounted investees	(153)	243	1,800	792
(-) Tax effects	(25,112)	(52,797)	(79,569)	(51,525)
(+) Foreign exchange on cash and cash equivalents	571	34,435	555	34,435
(+) Interest expenses (income), net <i>(from M&amp;A acquisitions)</i>	17,153	2,419	41,042	9,781
(+) M&A expenses	15,939	-	28,848	-
(+) Non-recurring expenses	4,675	-	7,142	-
<b>Adjusted Net Income</b>	<b>77,021</b>	<b>43,128</b>	<b>169,468</b>	<b>112,349</b>
<b>Net Revenue</b>	<b>247,644</b>	<b>121,009</b>	<b>572,837</b>	<b>380,981</b>
<i>Adjusted Net Income Margin</i>	<i>31.1%</i>	<i>35.6%</i>	<i>29.6%</i>	<i>29.5%</i>



# Free Cash Flow Reconciliation

In R\$, 000's

<i>(In thousands of Brazilian reais)</i>	4Q19	4Q18	FY19	FY18
<b>Free Cash Flow Reconciliation</b>	(unaudited)	(unaudited)		
Cash generated from (used in) operations	(138,865)	(8,820)	27,984	118,763
(-) Income tax paid	(6,107)	(1,174)	(34,747)	(26,639)
(-) Interest paid on lease liabilities	(455)	-	(852)	-
<b>Cash Flow from (used in) Operating Activities</b>	<b>(145,427)</b>	<b>(9,994)</b>	<b>(7,615)</b>	<b>92,124</b>
(-) Acquisition of property and equipment	(3,382)	(2,807)	(10,991)	(6,854)
(-) Acquisition of intangible assets	(16,741)	(19,555)	(43,102)	(29,403)
<b>Free Cash Flow</b>	<b>(165,550)</b>	<b>(32,356)</b>	<b>(61,708)</b>	<b>55,867</b>
(+) Interest change in financial investments	45,797	-	45,797	-
(+) Positivo's working capital	55,078	-	55,078	-
(+) Business combinations	5,699	-	5,699	-
(+) M&A expenses	15,939	-	28,848	-
(+) Others	8,784	-	11,251	-
(+) RSU's labor and social obligations	(3,561)	-	(3,561)	-
<b>Adjusted Free Cash Flow</b>	<b>(37,814)</b>	<b>(32,356)</b>	<b>81,404</b>	<b>55,867</b>