

**Operator:**

Good morning. Welcome to Ânima Educação's conference call to discuss the results for 4Q18 and 2018. We have here with us Marcelo Battistella Bueno, Chief Executive Officer, and André Tavares, Chief Financial Officer.

It is important to note that yesterday the Company posted on its IR website a video on the results for the period, and therefore this conference call will be dedicated to the question and answer session only. Participants may ask questions in Portuguese or in English. The Company will later disclose a transcript of the event in both languages on the IR website.

All participants will be on a listen-only mode during the Company's brief introduction. We will then begin the question and answer session for investors and analysts, when further instructions will be given. Should you need any assistance, please request the help of an operator by pressing\* 0.

The audio is being played simultaneously online, at [www.animaeducacao.com.br/ri](http://www.animaeducacao.com.br/ri), and on the MZIQ platform.

Before proceeding, we would like to clarify that any statements that may be made during this conference call related to the Company's business prospects, operational and financial projections and goals are based on the beliefs and assumptions of the Company's Board of Directors, as well as on information currently available. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect Ânima's future performance and may lead to results that differ materially from those expressed in such forward-looking statements.

Now I would like to give the floor to Mr. Marcelo Battistella Bueno, who will begin the conference call. Mr. Battistella Bueno, you may proceed.

**Marcelo Battistella Bueno:**

Good morning, everyone. It is a great pleasure to be here in this conference call to discuss our results for 4Q18 and 2018, an important moment for the Company.

Also, as you may have seen, we innovated again to make our lives easier and simpler, in line with our efficiency agenda. Yesterday, we posted a video of the conference, together with a short Q&A session with questions that we have received, and today we will dedicate this conference call to the Q&A, in two languages, so that you can ask questions in Portuguese or in English, and we will answer in the respective language. We will also post a transcript of this conference call in both Portuguese and English, in order to facilitate the understanding of our international investors.

**Rodrigo Gastim, BTG Pactual:**

Good morning. I have two questions, the first of which about the Census project. I think the earnings release provides a good explanation of what has been done so far, but I would like to talk about this in the call as well. If you could tell us what has, in fact, been incorporated into the numbers. You will ultimately lose some efficiency, but this will be partially offset by the opening of new units. I am trying to understand the net effect that this could have in 2019 a little better, the nominal net effect the Census project can have throughout 2019. This is the first point.

The second point, talking about the first semester intake, you obviously did not report any final number, but maybe you could just help us understand the qualitative dynamics of the three main variables a little better, since every time we consider the intake cycle, it is very important to consider not only enrollments, but also the average ticket and dropout rates. So, if you could explain, at least from a qualitative standpoint, how these three variables are behaving, I think it would be very helpful. These were my two questions. Thank you.

**André Tavares:**

Good morning, Rodrigo. Thank you for your questions. Regarding your first question, about the Census project, I would say that the nominal effect we expect for 2019 is very close to the one reported in the 4Q18 earnings release.

We have been seeking additional efficiency gains in our structure. And, obviously, there is an opposite vector, the ramp-up of the new campuses launched in 2018 and 2019.

However, we believe that, from now on, these two things will basically offset each other, and we do not believe we will deliver nominal savings lower than the ones reported in 4Q18.

Obviously, we would have to make a calculation comprising the agreement, collective bargaining and adjustments that will take place as of March and April, our base date, but we are working very hard to ensure that these things, especially the ramp-up of the new campuses, the increase in G&A expenses in the new campuses, are offset by these gains reported as part of the Census projects, as well as additional gains that will come from initiatives to make the Company's structure more efficient.

**Marcelo Battistella Bueno:**

Regarding your second question, Rodrigo, we are nearing the end of the cycle, and we should disclose the intake result in the first week of April. We have completed over 90% of the work, but our energy levels remain high. We are in the quiet period, so we cannot say much about this because we will disclose this information soon.

But our energy is focused, the ticket is a priority for us, we have an agenda of priorities for the Company: control of our ticket and control of our positioning, preserving our positioning, without losing competitiveness in a competitive market. We are also aware of this.

Dropout rates, one of the main squads of the digital transformation taking place at the Company, and the priority of the Journey of Ânima Students, or J2A, which is Re-enrollment, have already substantially improved the process, especially the re-enrollment process. So we are paying close attention to the issue of student retention, and I believe we will see improvements in this process, improvements in the student journey, improvements in the process leading to re-enrollment, making sure students remain with us.

[KA1] Comentário: Favor verificar se entendemos corretamente.

These are priority issues on which the Management has been focusing.

**Rodrigo Gastim:**

Excellent, Marcelo. This was very clear. When we talked to companies, up until a few days before Carnival, at around 60% of the curve, the unanimous feedback we received was that, yes, the scenario is still competitive, things were not easy, far from that, but that they were actually improving on the margin. So, when you compare cycle with cycle, 1Q19 against 1Q18, you see an improvement in the margin.

I would like to understand if, now that the process is almost 90% complete, very near the end, this is the qualitative feedback that you have for this process. That is, do you see the beginning of an improvement, bringing a little more optimism for 2S and for 2020?

**André Tavares:**

I would say that, from a qualitative standpoint, what we see at this point is in line with what you said. An improvement in the margin, given the fierce competition we have seen in the market.

**Rodrigo Gastim:**

Excellent. Perfect. I would like to briefly go back to that point about the Census project. Just to be clear: when you prepared the Company's budget for the year, you obviously considered all the nominal capture of the Census project and the collective bargaining, but you do not foresee any significant increase in costs or expenses that can offset this efficiency gain from the Census project. Do I understand this correctly?

**André Tavares:**

Yes, you do.

**Rodrigo Gastim:**

Perfect. Thank you, Marcelo and André.

**Vitor Tomita, Itaú:**

Good morning, everyone. We have two questions. First, in the earnings release you talked about the strategy for 2019 benefiting from the E2A, the J2A and the Q2A. Could you tell us which initiatives should mature faster, be more relevant this year and have a positive impact on the margin this year? This would be the first question.

The other questions is: could you talk a bit more about the performance of the Other Businesses division, which already improved substantially in 2018 and in 4Q18? Thank you.

**Marcelo Battistella Bueno:**

Thank you, Tomita, for your questions. In fact, we implemented the E2A in this first phase and we will begin to effectively reap its fruits as of the second semester and 2020, mainly due to efficiency gains. You can already see qualitative benefits in the academic quality results we have been disclosing.

So, I would say that the Q2A will have an aggressive ramp-up in 2019. To give you an idea, we successfully opened eight new units as part of this turnaround. This has allowed us to enter markets in which we did not have a presence, diversify our operations and offer high-quality education to young people from other regions, in line with our mission. I think the Q2A is a good source for 2019.

Regarding the J2A, in the previous question I mentioned that it is beginning to produce results. We have 15 squads distributed across the Company, and this has begun to improve service provision, offering simpler and more efficient services to students. So this also has a direct or indirect impact on the margin, for example, due to retention and dropout rates.

So I would mainly count on the Q2A in 2019, the E2A in 2020 and a little bit in 2S19, and the service improvement in a continuous agenda that will impact the Company. And the Census project and the new budget format, bringing the center of gravity to the units, will allow us to have more control, more tools to monitor results, etc. That is about it.

**Andr  Tavares:**

Vitor, pardon me, but could you please repeat the second question?

**Vitor Tomita:**

The second questions is: could you talk a bit more about the performance of the Other Businesses division, which improved substantially in 2018 and in 4Q18?

**Andr  Tavares:**

We actually had a substantial improvement in the Other Businesses segment, although it is still recording margins substantially lower than those of the Education segment, which is our core business.

We do see a possibility of improvement for 2019, especially if we take into account the work we have been doing at HSM, with new events, the partnership with the Singularity University that will be renewed this year, the II Summit Brasil and the ramp-up of EBRADI, which has been very successful, even better than our original business plan, pretty much in line with what we expected, beginning this year as strong as it ended last year.

[KA2] Coment rio: Favor verificar se entendemos corretamente.

So, the EBRADI ramp-up, the qualitative improvement and new HSM events are keeping this block on track for margin improvements.

**Marcelo Battistella Bueno:**

I think it is important to reaffirm that management has a clear mandate of working on two agendas at the same time, which means that these investments need to have themselves a margin agenda; they have to produce results. This is an agenda we are seeking, we are showing that the work is heading toward this. It also has to make sense for our core business. HSM must have a profound interaction and add value to our management courses, EBRADI has to have a direct impact on our Law students, on our results in the Brazilian bar exam.

So I believe it has to be clear that we have two clear and simultaneous management agendas.

**Vitor Tomita:**

Perfect. It is clear now. Thank you.

**Luiz Maur cio Garcia, Bradesco:**

Good morning. Two questions, the first of which about non-recurring expenses. You mentioned in the earnings release that the largest share of non-recurring restructuring expenses referred to the Census project, but there was also a smaller share related to faculty restructuring in some units. At the same time, in the video presenting the results, you clearly mentioned a goal of having zero non-recurring expenses in 2019. My question is whether, in fact, we can expect any faculty restructuring from now on not to be considered non-recurring, but as part of the business, being normally recorded in the result. This was the first question.

The second question refers to the ticket. You talked a little about this issue, both in the presentation and at the beginning of the call. I would appreciate it if you could give a little more detail about how you are trying to differentiate yourselves. Obviously, there is always the issue of the quality of the evaluation, which you have provided disclosure on, but the truth is that, for several reasons, either because other players are being more aggressive in terms of financing and you have to adjust to it, the price at your campuses is not very different from the what we see in the market, despite the higher evaluation.

As you have talked a lot about this, it would be nice if you could update us on the initiatives

that you are undertaking to that end and talk about what we can expect in terms of evolution of the ticket vis-a-vis your peers due to these initiatives.

**Marcelo Battistella Bueno:**

Thank you, Luiz Maurício. I will begin by the second question, then I will begin answering the first question and André will give you more information on the figures.

Ticket is a priority. We have to preserve our positioning, but we must be aware that students need to see incentives and competitive advantages to come to our schools.

We have talked about initiatives, for example, we have two ongoing pilot projects: two São Judas units are testing what we call the consumption propensity model. We did benchmarking with other sectors and tried to bring it to education. We are testing this to see if it works, so that we can have a much more granular and individual pricing strategy in order to avoid this price war that leads nowhere; we know very well where it takes us.

We are dedicating one of the important squads, *Ingressar* (Intake), to ensure that we have tools, not only related to discount control, but to controls for the application of individual discounts, but we can be increasingly more assertive in the application of discounts. I think this is also important.

The Q2A is taking us to other cities, a strategy we have been successfully adopting for many years. We are putting into practice our assumption that high-quality education is something that will affect all your life. Students who can have access to high-quality education will choose high-quality education.

Going to cities where our offer is differentiated, this also provides us with an interesting strategy to gain market share. And also, in terms of portfolio diversification, changing the area, the health area is doing well, which is a seasonal trend for the sector. I think this also has an impact. I tried to give you an overview on the ticket and on our strategy.

Regarding non-recurring items, my point is that a non-recurring item has to be treated in a non-recurring way, otherwise it becomes recurring. We must work based on this assumption and be increasingly firm about this.

Zero is a target. We have to get there, but we have to deal with this main assumption. Non-recurring items must be treated in a non-recurring way, otherwise they become recurring. This is the point I mentioned in our presentation. Am I right, André?

**André Tavares:**

That is it. I would say that 2018 was strongly influenced by restructuring issues, which are clearly non-recurring, related to the Census project, arising from academic restructuring implemented in some units.

Luiz Maurício, what we mentioned as a very clear intention of our management is to

minimize the impact of non-recurring items. But it is clear that this is not totally under our control and, if there is something that is clearly non-recurring, we have to report it like that.

We will make an effort to have increasingly rigorous criteria for what we classify as non-recurring. In 2018, this represented an important impact. We hope to see a much lower impact related to this issue in 2019, and we intend to bring this figure as close to zero as possible, but this is not fully under our control.

Regarding the ticket, just to complement what Marcelo said, we have a series of initiatives in the Company as we are seeking to have increasingly granular strategies for the ticket per SKU. In 2018, we made great progress in terms of our control of campaigns and discounts, as part of this aspect of discount granularity and more intelligent and assertive discount campaigns.

I would say that all our efforts are focused on this in 2019. I can say, without fear of being wrong, that today the ticket is the number one issue for the Company's Executive Board. This is the issue we are mostly focusing on, together with other issues, obviously, but this is the issue to which we have been dedicating more efforts and we - the financial area, the commercial area, the operational area and the academic area - are all very much aligned and devoted to a healthy and consistent ticket trajectory.

**Luiz Mauricio Garcia:**

Right. So, just to be clear on this issue of non-recurring items, from now on, any adjustment to the teaching staff that is part of the normal course of operations and takes place every year will not be treated as non-recurring but will be recorded directly in the result, as part of the business. Is that it?

**Andr  Tavares:**

It is exactly that. We will be increasingly strict. We already used to be strict, but we will be even stricter about this issue of academic restructuring.

**Luiz Mauricio Garcia:**

It is clear now. Thank you.

**Guilherme Palhares, BTG Pactual:**

Good morning. Thank you for taking my question. My question is mainly related to the recently acquired units. We saw a significant improvement in the EBIT margin this quarter, especially at UniSociesc, coming close to the levels of mature units. I would like to know how recurring this will be from now on, if we can see this 21% throughout the year in these recently acquired operations.

You mentioned in the video and also briefly in the call that other businesses have to make sense for the core business. I would like to understand what the initiatives related to the

interaction of the two businesses are and also up to which point this can help your students' employability, if this becomes a competitive advantage. Thank you.

**Andr  Tavares:**

Guilherme, thank you for the questions. I will ask Marcelo to first answer the second question, about other businesses, and then I will talk briefly about your first question.

**Marcelo Battistella Bueno:**

We have a compatibility matrix and we are increasingly seeking to bring these other businesses into our core business. To give you a few examples, all the content of EBRADI, which is prepared by great Law thinkers, great jurists, is made available to our undergraduate students, improving their lives, with preparatory courses for the Brazilian Bar exam, in order to help them have better results in the Bar exam and public exams to fill civil servant positions.

This interaction between practices, content, use of digital tools, that is, the ability to offer a lecture with a minister or a major jurist in the countryside of Goi s, in Minas Gerais, is something that technology allows us to do and is a clear example of how these other businesses can benefit our business.

HSM is our largest B2B operation; it is indeed present in almost all the main companies in the country, so it makes sense to think about our students' employability and workability, students of this initiative. Thinking about offers, placement, programs and projects with this platform is a lot more efficient without it.

We should also take into account all the content, of all thinkers, the world's best thinkers, made available over the last 30 years. Now, in 2019, we will have one of the most important personalities, one the world's leading thinkers, Harari. We have a contract that allows us to use part of this with our students, making this available to students in business courses, which represents the realization of this strategy.

I have given you a few examples, but we are at your disposal if you wish more information. In addition, the business itself has to be viable and sustainable, has to have good margins and has to contribute to our financial operation.

**Andr  Tavares:**

Guilherme, talking specifically about the Acquisitions block, we reported we had some difficulties, especially at Sociesc, which is the most important business in this block, in 1S. We made a very strong intervention at Sociesc at the end of 1S, beginning of 2S, and this intervention showed some results in 3Q, but in 4Q we could really see we were able to put this acquisitions block back on track in order to reduce the gap between the margins of this block and the margins of the mature block.

I would say that performance in 4Q was a lot closer to the normalized performance for this

block than the one recorded in 1S. Despite the improvement we had in this block, this performance still suffered a little in 1S. But we believe that we have now put this block back on track and I would say that it is perfectly appropriate to use 4Q as the normalized performance for this block from now on.

**Guilherme Palhares:**

Perfect. Just to be clear, considering a more normalized margin in the acquisitions, what can we see, in terms of consolidated margin, as a result of this normalization? Thank you.

**Andr  Tavares:**

I think that you, analysts and people who study the sector, are more prepared than I am to calculate what this margin should be. We also have a policy of not giving guidance, so I will return this question to you all. I believe that the market can make good result and margin projections.

Here we are working with a margin improvement. In all our budget scenarios, we worked with a margin improvement in 2019. The question of how big this improvement will be is something we will leave to each of you to make your own projections using your assumptions. I think the market is much more intelligent than we are to make these projections.

**Marcelo Battistella Bueno:**

Guilherme, it is important to point out that we have divided the avenues of margin recovery, mature operations, acquisitions and the Q2A. In the mature units, we have the E2A, which will impact them and the others that tend to mature.

**Guilherme Palhares:**

Perfect. Thank you.

**Roberto Waissmann, Bradesco BBI:**

Thank you for the call. I have two quick questions, the first of which about CAPEX. We see rising CAPEX levels and these investments are obviously related to the expansion you have been carrying out, as well as to the digital expansion, but I would like to know if something has changed in terms of net revenue. Can we expect this figure to be around 10% in the future, as you have mentioned?

Second, I would like to know the status of the projects for the implementation of the increase in the limit of distance-learning activities in on-campus courses from 20% to 40%. What can we expect as a possible effect of this from now on? Thank you.

**Andr  Tavares:**

Roberto, thank you for the questions. Regarding CAPEX, it is important to divide our current CAPEX into four basic groups: maintenance CAPEX, which all companies have and which is in line with our historical depreciation.

The Q2A group, which is the most important group, has consumed a larger share of CAPEX but we are not worried about this CAPEX because it has proved to be very productive, generating long-term results, since the Q2A has been performing better than what was expected in the original business plans. The Q2A is currently responsible for the Company's growth and we believe we are making a good investment when we allocate a large share of our CAPEX to create the Company's future.

There is a part that you mentioned that is not so relevant but which has been growing, related to the digital transformation, which we believe will produce positive impacts; it has already been producing some impacts, but should also have positive impacts on our retention rates. We have reported retention rates above the market average.

There is also a fourth block, which has some relevance and corresponds to the renewal of the course portfolio in the mature units. We have a few new courses, there is still a movement of renewal of the portfolio, especially in terms of courses in the areas of engineering and health, which puts pressure on CAPEX, especially regarding teaching equipment and laboratories.

But I would say that CAPEX has been mostly focused on the Q2A, and we have all the statements showing an appropriate IRR. So I would say this CAPEX is very healthy.

In 2019, as we will still have a strong Q2A, I would say that we should expect CAPEX to be more or less in line with what we saw in 2018. I do not expect any major change. We should not see any increase; we do not expect any major variations in relation to our CAPEX in 2018.

Regarding your second question, about the regulatory changes that will increase the online percentage of on-campus courses from 20% to 40%, there are still some regulatory issues to be solved. The regulation has been changed, but, the way it is written, still has only a minimum impact on the operations and covers only a small number of courses, especially for companies like us, formed mostly of university centers and universities, which have autonomy to open courses without the need for a prior concept.

We know that this prior concept is currently a barrier, something we have been discussing with the MEC, and the MEC has been very conscientious about making these changes. But they have not yet taken place.

In our opinion, even the changes in personnel and management that have been taking place at the MEC make it difficult to introduce changes quickly, since every new manager will have to take time to understand the issue, so we have to make an effort to explain.

However, we are very optimistic and, since we have a hybrid model, we are prepared to make changes to our curricula as soon as the regulations are clearer and really allow us to

increase this percentage from 20% to 40% in most courses, given that our academic model provides for different hybrid structures.

**Marcelo Battistella Bueno:**

I think at this point it is important to reinforce that this is our belief. We believe in this higher or lower usage of technology to improve teaching and learning. That is what we believe in, this is our positioning. So the regulatory agency is fully in line with education trends, not only in Brazil, but also abroad.

It is a change that has this very short-term positioning, but it is what we believe in the medium and long term, and we are prepared for this.

**Roberto Waissmann:**

This was very clear. Thank you.

**Operator:**

As there are no further questions, I give the floor to Mr. Marcelo Battistella Bueno for his final remarks.

**Marcelo Battistella Bueno:**

Thank you. I would just like to reinforce that we are open to receive feedback so that we can improve our earnings conference calls and our presentations. We hope we have been efficient and helpful. We will talk more in the future, including in our next call.

Thank you very much and have a nice day.

**Operator:**

Thank you. Ănima's conference call has ended. We thank you all for your participation. Have a nice day.

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