

**kroton**  
Day

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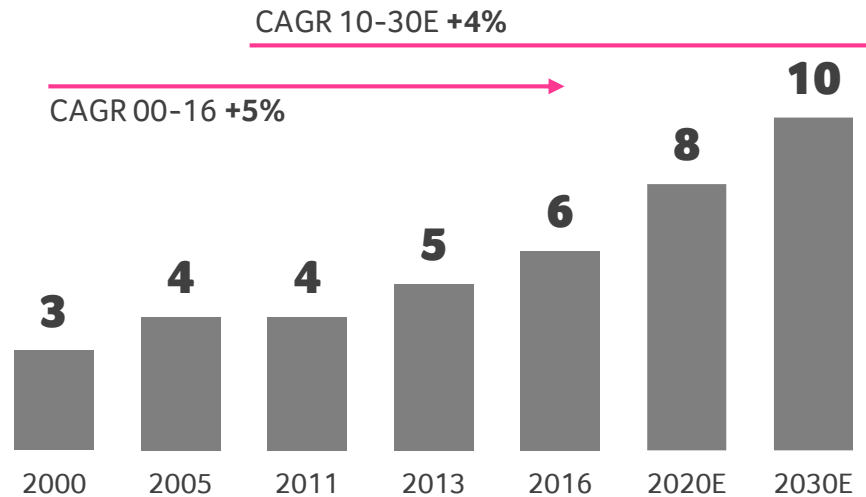
# The K-12 Market



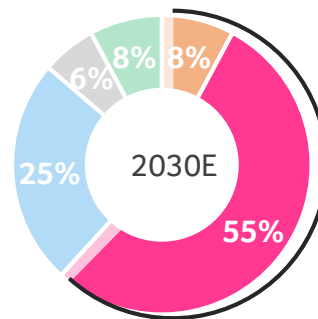
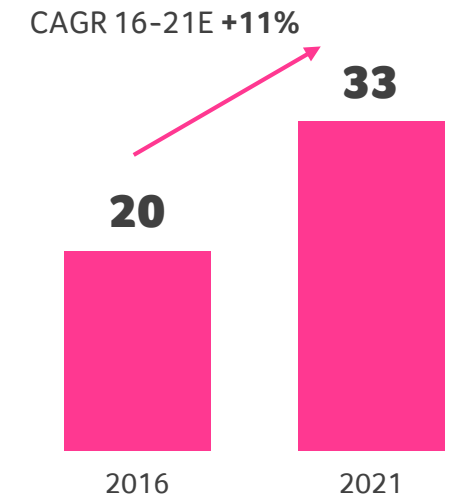
# K12

## Educational content grows more than total spending on education worldwide, especially in K12

Total world spending on education  
US\$ trillion



K-12 Educational  
Materials Market  
US\$ billion



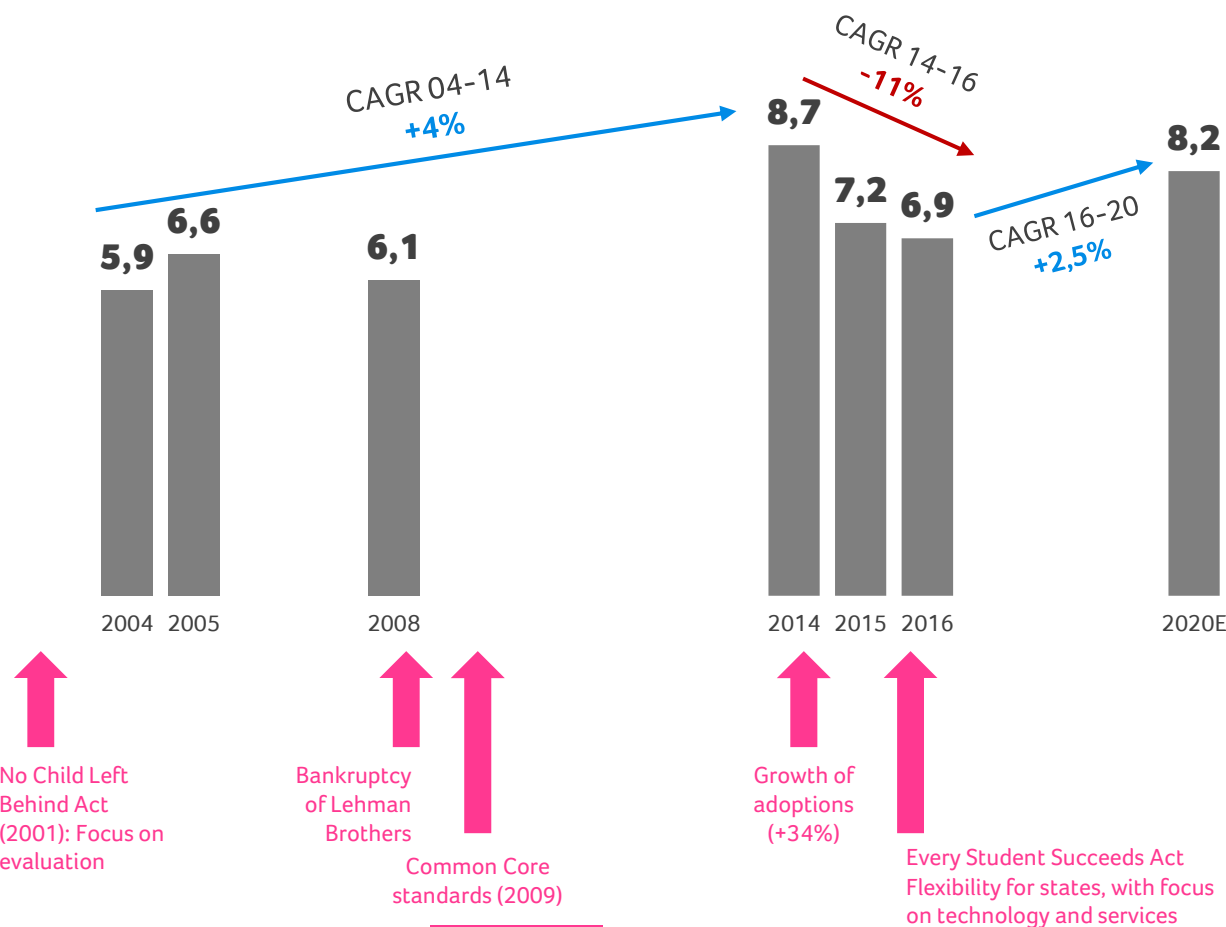
- Pre K
- K-12
- Postsecondary Ed.
- Corporate
- Continuing Ed.

Higher spending in developing countries and on pre-school education, and incorporation of new technologies

# K12

## Even in the USA, where new regulations have changed competitive dynamics

K-12 Teaching Materials Market, United States (\$ billion)



■ Teaching materials Market grew 42% after implementation of Common Core (equivalent to the Brazilian BNCC)

■ Personalization brought initial revenue decrease, but which is already returning to previous levels



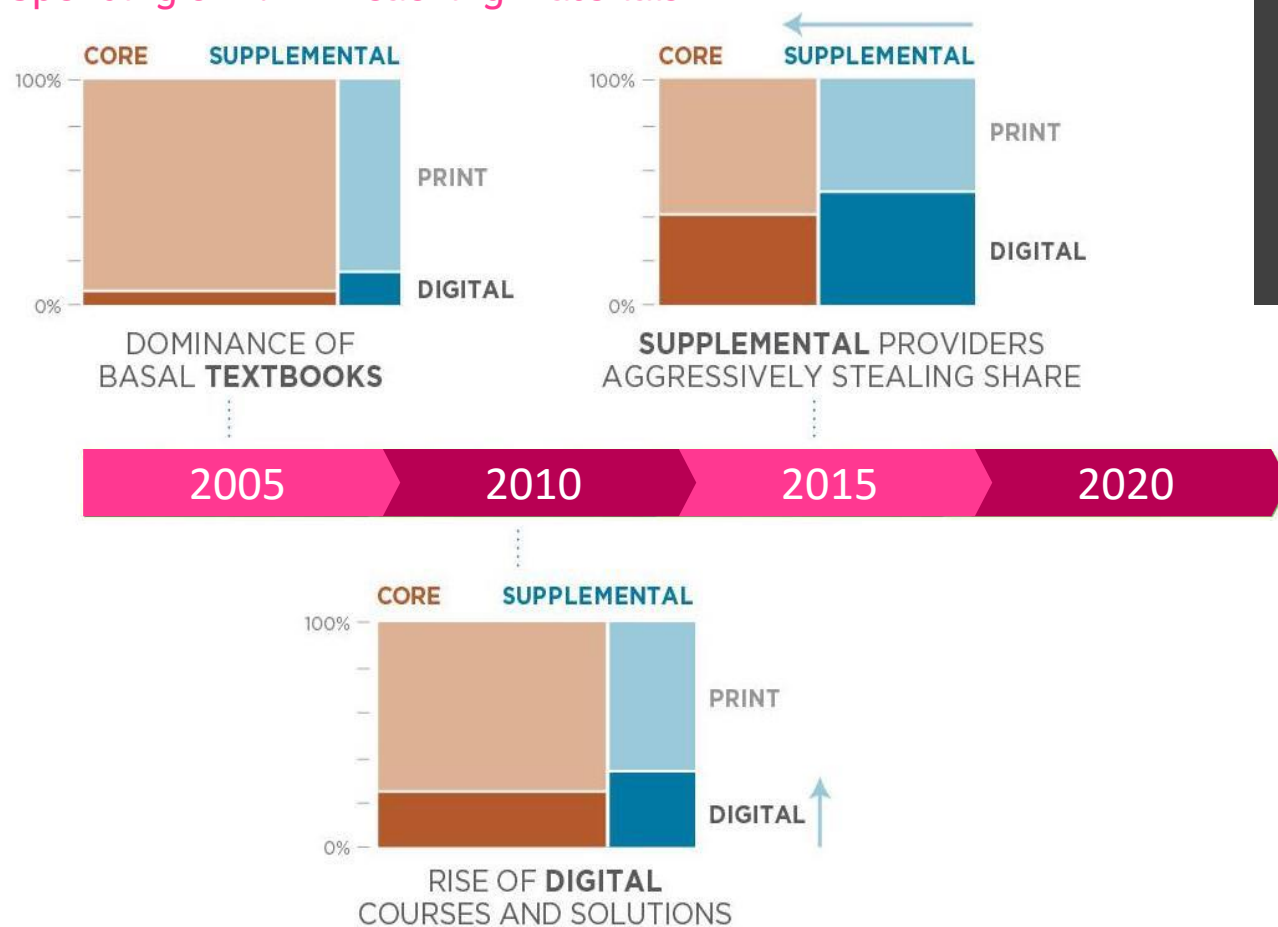
Source: IBIS Capital, UBS, Cardó y Asociandos

BNCC

# K12

## K12 USA: Opportunities for those who integrated Content to Services and Technologies

### Spending on K-12 Teaching Materials



- Dominant player must unite core content with complementary technologies
- Paper is still very important



Source: Tyton Partners 2018

# K12 Business:

largest catalog  
of educational  
solutions  
enables us to  
win the game

**kroton**  
shape your future



**Solutions with  
integrated  
technology**



plurall

stoodi

·studiare

App  
Prova



**Counter-shift  
solutions**



**One stop  
partner  
powered by  
technology**



**Marketplace**



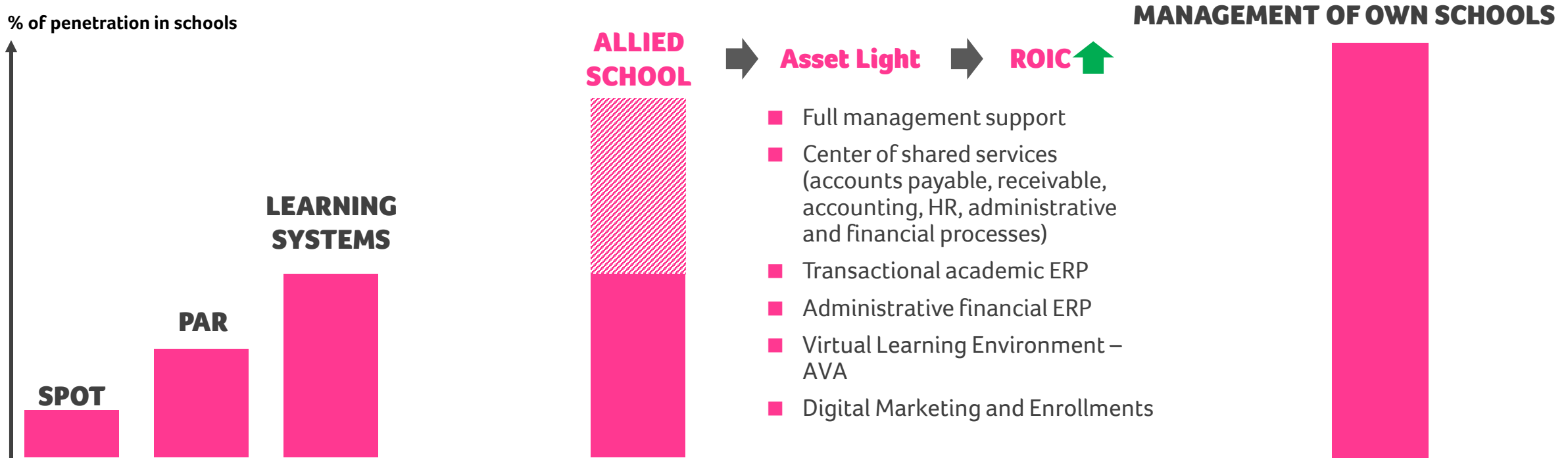
**Digital and/or  
printed  
textbooks with  
pedagogical  
assistance**



**Teacher  
Training**



# What is being built and can potentially generate the disruption in the K12 industry?

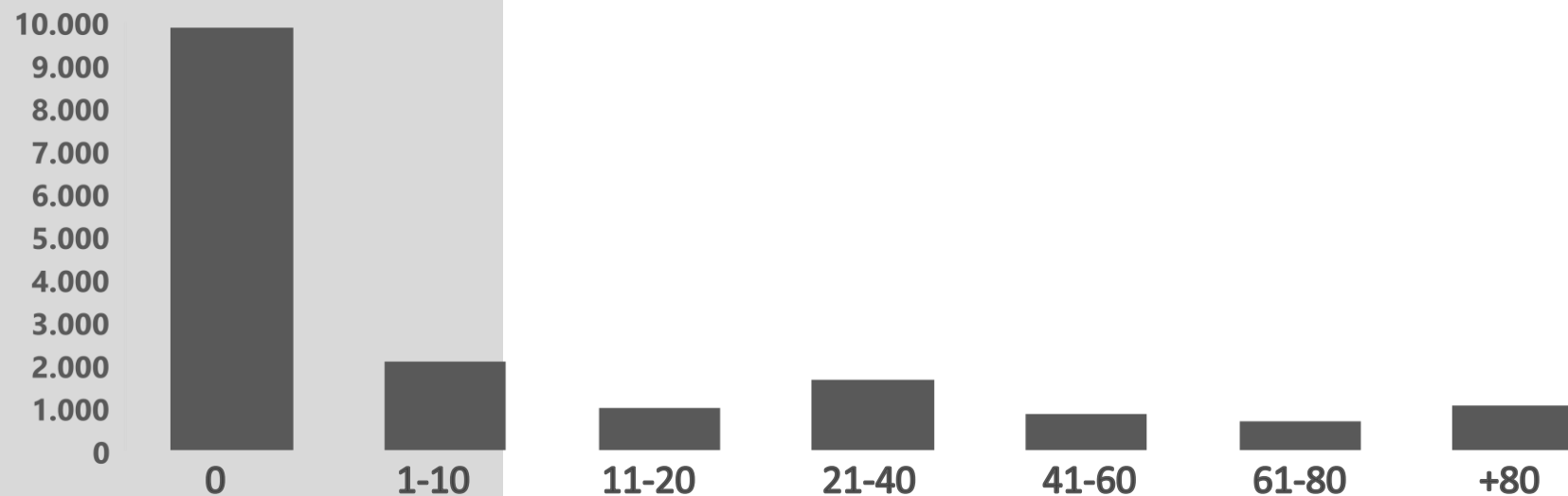


**K-12 Integrated Solutions**  
**One stop partner powered by technology**

**K12**  
**Own School**



# K12 Businesses: SOMOS' Penetration in Private Schools



Bands of adoption of SOMOS' works

(in thousands)

SOMOS' Adoption	0	11.1	15.1	48.4	44.0	46.4	93.2
Competitors' Adoption	532.6	104.6	48.8	55.0	17.2	6.0	2.8
# Thousand students	3,091	831.9	492.6	739.0	377.7	282.3	528.4
Potential Growth in Adoption	100%	90.4%	76.4%	53.2%	28.1%	11.4%	3.0%

**60% of Brazilian Schools**

\*Adoption of book and Learning System (with Pitágoras) 2017/2018 campaign

\*Considering the adoption per discipline/grade in Learning Systems

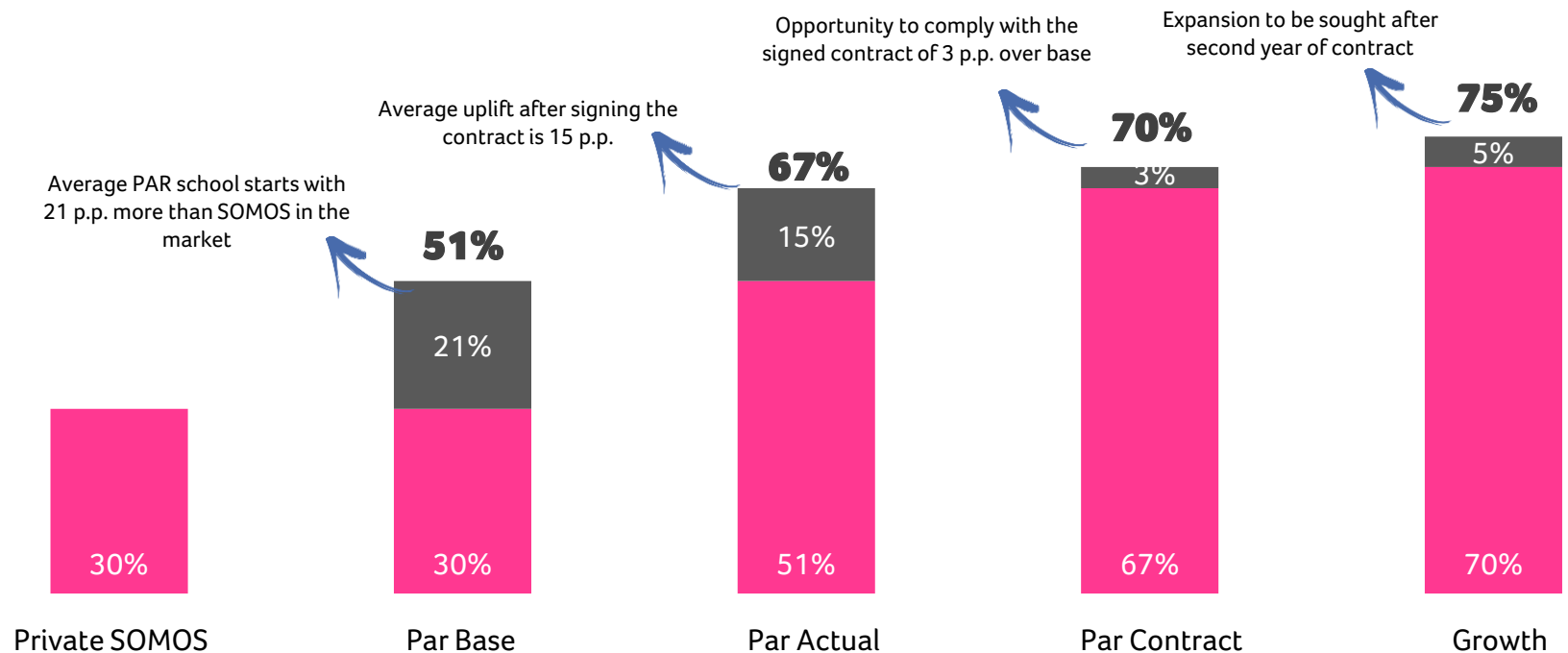


# K12 Business: PAR model adds value to print books



## Integrated solution with textbooks and/or learning systems, technologies, services

### INCREASE IN SHARE TARGET IN PAR SCHOOLS





## Comparison between adoption of SPOT and PAR Library

Projection for a high school class of 30 students with 11 subjects

	Spot Book	PAR Library
Price per Student	2.471,0	1.079,0
Conversion	30%	97%
(=) Margin of Contribution	11.151,7	21.494,8
Margin %	50%	68%

### PARENTS VALUE PROPOSITION

Reduction in basket value with access to more books

### SCHOOL VALUE PROPOSITION

Support, Assessment, Training, Sales Rebate, Physical Books, Library

### AUTHOR VALUE PROPOSITION

Remuneration maintained for Author with higher conversion of sales

### PAR VALUE PROPOSITION

92% higher margin for the company

High school, 30 students, 11 subjects -3V, 100% adoption SOMOS and 3-year contract.

**K12 Businesses:**  
PAR library transformed into educational solution (content + services + technology)





# K12 Business:

The purpose of the school is to teach and develop students. Everything else is secondary activities, such as:

## Allied Schools

**Accounting &  
Finance**

**Billing & Collections**

**Legal**

**HR & People  
Development**

**Marketing &  
Recruitment**

**PDCA & Action Plans**

### **Systems**

Transactional Academic | Administrative | Financial | Accounting | HR  
AVA | Evaluation | Other Technological Platforms



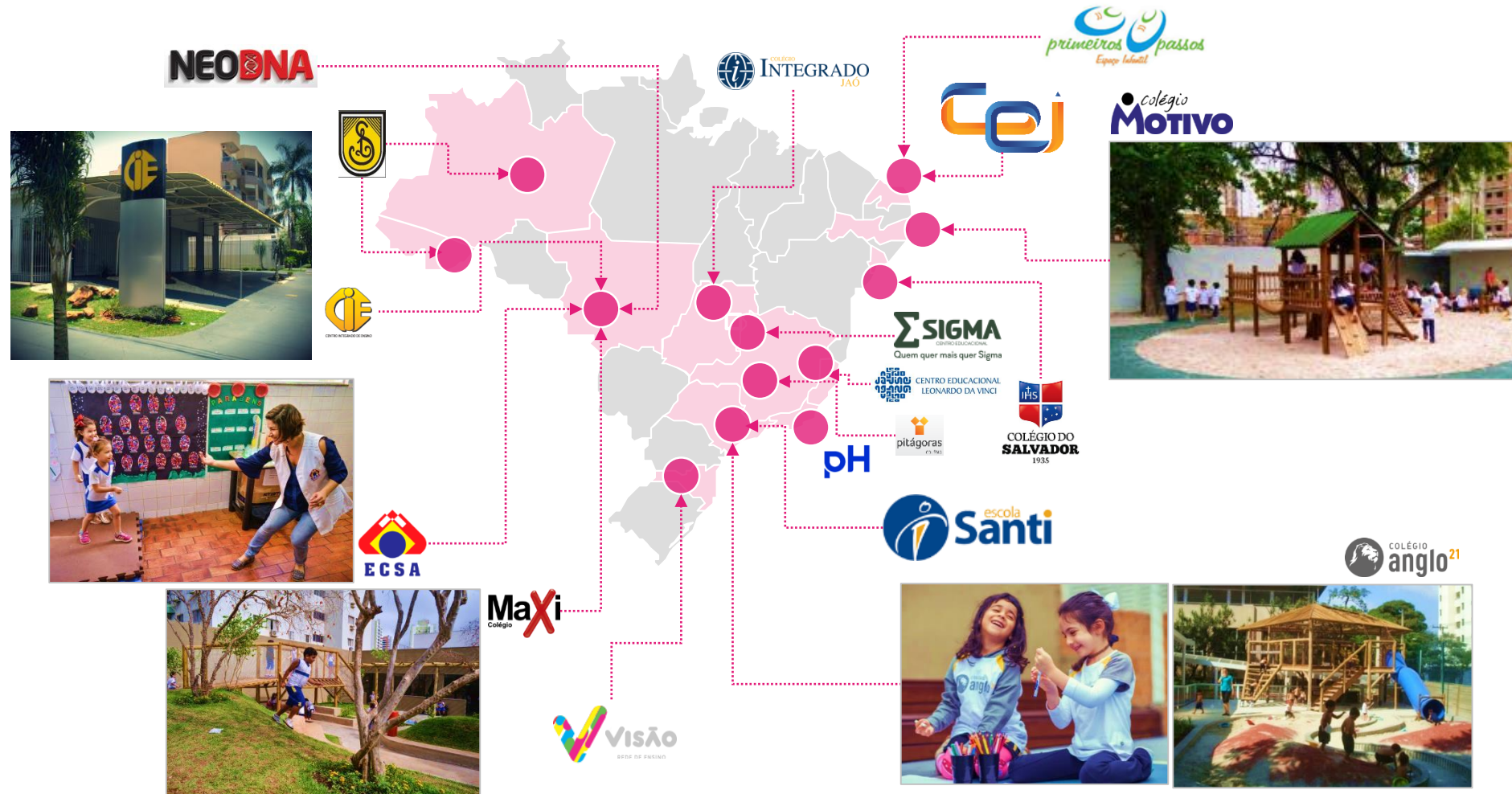
# School Management: renowned schools in all regions

**Our schools have strong roots in their states and are connected to the world**

We operate **46 own units of schools**

**11 states + FD with over 32,000 students**

Our schools are connected to each other and the world through best global education practices.





# School Management: Colégio Leonardo Da Vinci



Ranking ENEM	2010	2011	2012	2013	2014	2015	2016	2017
								





# School Management: Greenfield Leonardo Da Vinci

## Enrollments in Sep/ 19 and start of classes in Feb/ 20





# School Management: Colégio Lato Sensu



Ranking ENEM	2010	2011	2012	2013	2014	2015	2016	2017
 COLÉGIO LATO SENSU								



# School Management: Greenfield Lato Sensus (Ponta Negra) and Brownfield Cidade Nova





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# Integration and Synergies

# Specifically for communicating the Day 1 Structure, we carried out some relevant actions

Day 1 **Event** with  
**1,421** employees  
from the two companies  
+ **live webcast** for all  
employees

**87** Individual meetings for  
communicating changes in  
reporting, scope or duplicity  
with delivery of individual  
books

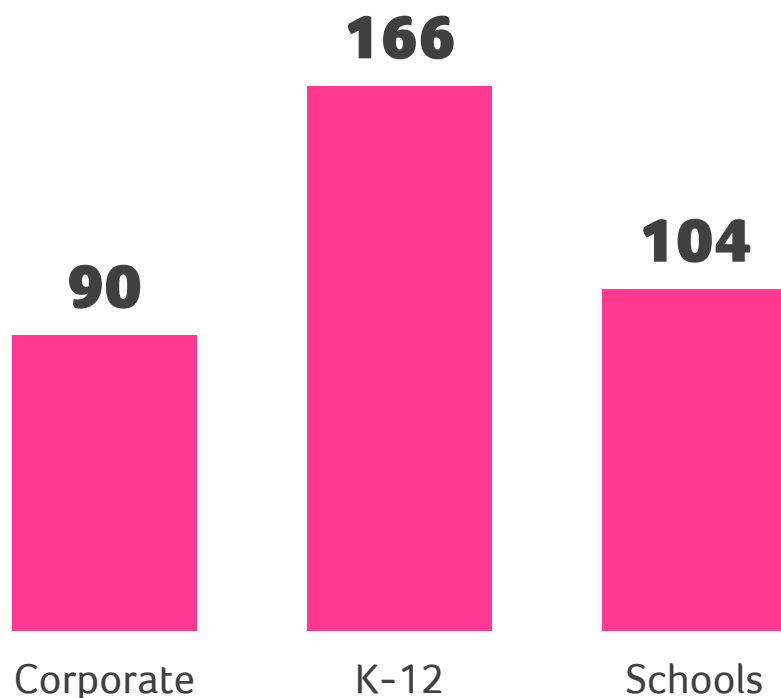




# Synergies estimated at R\$360MM

## Synergies estimated by area

R\$ MM



Note: includes synergies with cash impact (excl. one-time)

## Examples:

- Payroll synergies
- Procurement synergies
- Optimized publishing production
- Integrated back-office services
- Go to market for K-12 with revised commercial and service models
- School management with revised training and re-enrollment models

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**K12 Potential**

# Kroton K12 Potential Revenue

## Golden Rule:

**K12 Content**  
is equivalent on average  
to 1 monthly tuition of  
the school

**Counter-shift content**  
= 10% of total paid for  
services

**Revenue**  
R\$ billions

Business R\$Bn	PNLD	K12 Content	School Management	Counter-shift	Counter-shift Materials	G&A Schools (35% NR)	TOTAL
Total Market	1,5	5,0	60,0	36,0	4,0	21,0	
Revenue Share	33%	28%	1%	0%	0%	0%	
Fair Share	40%	40%	4%	6%	20%	20%	
Potential Revenue	<b>0,6</b>	<b>2,0</b>	<b>2,4</b>	<b>2,2</b>	<b>0,8</b>	<b>4,2</b>	<b>12,2</b>

