



Operator:

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to Abril Educação 4Q14 Earnings Conference Call. Today with us we have Mr. Guilherme Mélega, CFO and IRO, and Sandra Matsumoto, Investor Relations.

We would like to inform you that this call and the slides are being broadcast simultaneously through the Internet at the Company's website, www.abrilEducação.com.br/investidor, and the presentation is available to download at the Investor Information section.

Also, this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question-and-answer section. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Abril Educação's management and on information currently available to the Company.

They involve risks, uncertainties, and assumptions, because they relate to future events, and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also materially affect the future results of Abril Educação and could cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Guilherme Mélega, CFO and IRO, Mr. Mélega, you may begin your conference.

Guilherme Mélega:

Hi, everyone and thank you for participating in the earnings conference call of Abril Educação for the 4Q and the full year of 2014. I will start with the summary of the highlights for the period, and next I will briefly present the financial performance, however, all the detailed explanations can be accessed in our earnings release filed yesterday.

Moving to slide number two, despite the chronological orders, the highlight was the acquisition of a controlling interest in Abril Educação by Thunnus, a Company owned by investment funds managed by Tarpon, announced on February 9th. With this event, Tarpon increased almost 20% stake acquired directly from a Abrilpar in June last year to 40.64% stake of Abril.

As a consequence, such event triggers Mandatory Public Tender Offer and also a change in the organizational structure, which the appointment of the new President and a division between three strategic segments: K12 and language for adults.



On the right hand, it is illustrated the new organizational structure. In addition to these two CEOs for this strategic segment, Mario Ghio and Marcelo Bruzzi, there is Eduardo Mufarej, who was appointed as the new President and will be assisted by three subordinates.

Finance and IR headed by myself, Cultural and Organization headed by Guilherme Luz and Strategic, Innovation, Marketing, Innovation, M&A and IT, headed by Gustavo Wigman.

Another current event was the acquisition of the two new schools, Sigma Centro Educacional de Águas Claras, in Brasília; and Colégio Maxi, in Cuiabá; both schools are reference in quality education and have been registering excellent results on the national ENEM exams. Thus, important assets to reinforce our strategic positioning to focus on school segment growth, by replicating our quality of services and products that are offered to our partners

At last, in 2014, we acquired remaining 49% interest at Red Balloon. The great potential in this business, coupled with the positive prospective with the new school prompt led to an anticipation of the acquisition of the total stake, initially expected for 2017. This event represented an investment of R\$100 million, and we are certain of the relevance to our long-term strategy.

Before moving to the next slide, still regarding the acquisition of the controlling interest transaction at Abril Educação, it is also important to highlight that on March 12, the transaction was approved by the Brazilian antitrust agency, CADE. As soon as we have the closing of this transaction, Tarpon will have 30 days to file with the Securities and Exchange Commission of Brazil, CVM, the documentation related to the Mandatory Public Tender Offer to keep all the investors and analysts' information in timely manner.

Now we can move to the next slide. Turning now to the factors with operating impact in slide number three, I will start with learning systems. In learning systems, we have the 14% growth in the number of students from the Traditional Brand, Anglo, pH, SER, GEO and Maxi, which was fully accomplished in the 1H of the year.

We had the expansion of 207,000, students choose by our Technical Learning Systems, branded ETB. Including the expansion, these students originated from the PRONATEC, and the already known growth of students from The Leader In Me, jumping from 6,000 last year to 48,000 in 2014.

We ended the period with 931,000 students enrolled in our more than 2000 associate schools of Learnings System, a growth of 54% over the last year's period.

In publishers, the highlight was the significant results posted by our two brands: Ática and Scipione, in the 2015 PNL D program. We sold 32 million books, representing R\$245 million in revenue accounted for the physical volume, ending with 25% market share for the purchase program.

In Publishers, in the private segment, it is worth mentioning that the decrease posted in



2014 was a result of a special program named FDE, São Paulo, that boosted by 1.7 million the books sold in 2015, differently from 2014. By excluding this event, the decline in the number of books sold was 400,000 books. It was more than offset by the 10% growth in the average ticket, as a result of the higher concentration of sales in premium collections.

Now moving to slide number four. In the School segment, we posted a 3% growth in the number of students year-over-year. On top of that, we are able to recognize a price increase of 9% in the segment in this period.

On the other hand, in the Prep. Courses segment, we faced a weak number of enrollments for the Prep. Course Anglo, thus posting a decline of 7% in the number of students, offset by a price increase of 17%.

In Language, our brand Red Balloon continued its growth path in the number of students, which was up 11%, added to the significant growth in number of units, which grew by 45%. Only this year, we opened 15 new Red Balloon units, so we ended the period with 15,000 students enrolled in 48 units.

At the Ometz Group, the highlight was the growth in the number of students per unit, as per the number of students, we posted a growth of 7%, but a decline of 8% in number of franchise units, as part of the cleanup of its sales. So, we ended the period with 68,000 students enrolled and 345 units. The number of enrollment and kits sold accounted by 1% and 7% year-over-year respectively.

In the Ometz Group in 2014, we had some events that significantly consolidated the performance, pointing out the decrease in the business days, as a result of the World Cup and the change in the top management by the end of 2014, which will add to some change in the strategic positioning of the brand. In 2014, we concluded the stabilization process of the brand to be prepared to focus on the premium concept emphasis.

I will now comment on our financial performance in the period.

So, now on slide six, we demonstrate the breakdown of our consolidated revenue and the improvement in the mix of our business. Our total revenue in the 4Q14, grew by 9% from R\$469 million in the 4Q last year to R\$511 million in the 4Q of this year 2014.

The increase in the share of publishers in 4Q from 66% to 69% in 4Q14 is a result of the cycle of our programs and the portion in market share recovery to the level of 25%.

Another highlight came from the schools and Prep.Courses, from 14% to 15% in the 4Q. In the 12-month period, our total revenue grew by 22%, totaling R\$1.3 billion on a comparable basis. Excluding the acquisition of Ometz Group, Sigma and Motivo, it grew by 10% organically.

The acquisition effect in the accumulated view is seen on this School and Prep.Courses segment, with the addition of Motivo and Sigma and in the Language segment with Ometz Group that were not fully recognized in 2013, first, contributing to the increase of their



share in the period when we look in the publishers state. In the schools and Prep.Courses went from 20% to 24%, and in the Language from 10% to 13%.

Now, let us turn to the next slide. Turning to the Company's SG&A expense, it is important to highlight that in this quarter we accrued an expense of R\$18.7 million related to the new stock-based compensation plan approved in March 19th, as an Extraordinary Shareholders meeting. The plan intent is to booster our meritocracy based talent retention. The total dilution approved for the new plan was up 5% for the Company's total capital in five years.

In the 4Q, our expense was up 6% over the previous year, totaling R\$185 million, explained primarily by the new stock based compensation plan.

In 2014, SG&A grew by 28%, reaching R\$645 million, which excludes R\$28 million of the non-recurring expenses, as we informed you in the 3Q results for restructuring, R\$19 million of the new stock-based compensation plan, R\$57 million of the acquisitions of the Ometz Group, Sigma and Motivo schools, R\$8 million of expenses related to the new headquarters and R\$6 million related to consultants. If we exclude these expenses that occurred only 2014, SG&A grew by 5% year-over-year.

Moving to the next slide. Slide eight presents the evolution in our adjusted EBITDA, which grew by 13% in the quarter and by 25% in the full year, totaling R\$389 million. The highest contribution of R\$30 million in 2014, came from the Learning System business and the R\$31 million contribution came from Schools and Prep.Courses.

Now moving to the last slide. Slide nine presents the Company's capital structure and evolution in the net debt. Net debt increased from R\$861 million in the 3Q14 to R\$904 million this quarter, mainly due to cash disbursements related to the acquisition in the period. Our leverage ratio in the 4Q reached 2.6x EBITDA.

This concludes my presentation, now we may start the Q&A session.

Rodrigo Gastim, BTG Pactual:

Hi, thanks. Good morning. So, it would be basically two questions. My first question regards the transaction. I just would like to know when the next steps should take place, you have recently approve the transaction, but when is it going to be filed and when the transaction itself should happen?

And the second question regards to Learning System segment, I mean, if you could provide a little more details about what happened in the Q, I mean, in addition from what disclosed in the release to us, anything that could explain this big margin contraction. And if we should keep seeing this lower EBITDA margins levels in 2015.

If you also could give us a little bit more color around on the 1Q intake process that should be taking place and should be close to the end now in the Learning Systems segment, it would be much appreciated as well. Thanks.



Guilherme Mélega:

Hello, Rodrigo this is Guilherme, can you hear me?

Rodrigo Gastim:

Yes, I can.

Guilherme Mélega:

OK. We had some technical problems here. I will start with your first question regarding the transaction. Yes, as you mentioned, CADE approved the operation this month in March, in March 12th. We are still in 15-day waiting period after the approval, as it is normal in this kind of transaction, there are some third party waivers that are still being obtained, and we expect the closing to occur sometime in April, probably early April. This is the best information that I have now. OK?

Regarding Learning Systems, actually your 4Q analysis it is not quite correct, because the 4Q is not a trend. 4Q, we have lower revenues, because we have a better 3Q, we have more orders in 3Q that normally occurs in 4Q. So, we have a lower volumes, because we had shipments before 4Q. When you look the full year, that is where you have the best picture for Learning Systems.

And regarding the 1Q trends for 2015, what I can tell you right now is that we are having a positive trend, the same trend that we faced from 2013 to 2014. So, we have the business in a good shape.

Rodrigo Gastim:

Excellent, thanks Guilherme.

Operator:

This concludes the question-and-answer section. At this time, I would like to turn the floor back to Mr. Guilherme Mélega for any closing remarks.

Guilherme Mélega:

Thanks very much for participating in our 4Q conference. Looking forward to see you in our 1Q conference in early May. We are close to the closing of the transaction between Abrilpar and Tarpon. I just want you to let you know that we will keep the market timely posted about all the news about the transaction. Looking forward to see you again in May or early than that if we have an event to communicate. Thanks very much. Bye, bye.

Operator:

Thank you. This concludes today's presentation. You may disconnect your line at this time and have a nice day.



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