

KROTON EDUCACIONAL S.A.

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Publicly Held Corporation

MATERIAL FACT

Kroton Educacional S.A. (B3: **KROT3**; OTCQX: **KROTY**) – “Kroton” or “Company” – in accordance with Instruction 358/02 issued by the Securities and Exchange Commission of Brazil (“CVM”), as amended (“CVM Instruction 358”), hereby announces its financial projections for 2019 (“Guidance”). The Guidance was based on assumptions made during the Company’s budgeting process, as follows:

As expected, 2019 should be another challenging year, and Kroton has prepared itself to face this moment by continuously improving its commercial strategy, pursuing solid and sustainable student-recruitment results, focusing on a portfolio of premium academic programs and continuing all of its organic and inorganic expansion projects, which include the integration of Somos, while ensuring high levels of efficiency in its operations.

The initiatives implemented enable the Company to announce as its best projections consolidated net revenue and adjusted EBITDA remaining stable, but pro forma EBITDA growing at above 20%. The year 2019 also should come to represent a positive inflection point in its cash generation, which should rise by over 40%.

In the Postsecondary Education segment, by 2020, the Company expects to have launched 71 new own units since 2017, representing growth of 63% from the initial base. Furthermore, 200 new units in partnership were implemented per year, with the number of DL centers increasing from 910 at the start of 2017 to 1,510 at the end of 2019.

In the Primary & Secondary Education segment, Kroton has the best and largest integrated platform for K12 services powered by technology in Brazil, with the capacity to meet all the educational needs of schools through the delivery of innovative and high-quality solutions, including print and digital content, methodology, assessment, teacher training and technology platforms to support the teaching-learning process, and more. To support this integrated platform, Kroton revisited the commercial strategy of Somos and is creating a new approach. The go-to-market strategy was completely reformulated, and the sales team, which previously interfaced with the school offering isolated products and services, now has the perspective of an integrated services platform. It is an important change that ushers in a new phase in the relationship between Somos and its partner schools.

Accordingly, the Company is ratifying the guidance of Somos announced on March 29, 2019, and presents its guidance for Kroton ex-Somos (excluding the impacts from the transaction with Somos) and for Kroton on a consolidated basis. For comparison purposes, the figures for 2018 in the following tables consider the adoption of IFRS16, which came into force this year.

Guidance for Somos and Kroton Ex-Somos:

R\$ million and %	Somos (already published)			Kroton Ex-Somos		
	2018 Pro Forma ¹ With IFRS16 ³	Guidance 2019	Chg.	2018 Pro Forma ² With IFRS16 ³	Guidance 2019	Chg.
Net Revenue	1,867	1,933	3.5%	5,550	5,420	-2.4%
Results						
Adjusted EBITDA	545	670	22.9%	2,695	2,570	-4.6%
Adjusted EBITDA Margin	29.2%	34.7%	5.5 p.p.	48.6%	47.4%	-1.1 p.p.
EBITDA ⁴	157	621	296.2%	2,422	2,450	1.2%
EBITDA Margin	8.4%	32.1%	23.7 p.p.	43.6%	45.2%	1.6 p.p.
Cash Generation After Capex						
OCG after Capex	-9	150	n.a.	581 ⁵	650	12.0%
Conversion (with IFRS 16)	n.a.	24.2%	n.a.	24.0% ⁵	26.5%	2.6 p.p.
Conversion (without IFRS 16)	n.a.	28.7%	n.a.	28.6% ⁵	31.8%	3.2 p.p.

¹ After convergence of accounting practices

² Excludes the 80 days of results from Somos, from October 11 (transaction settlement date) to December 31, 2018.

³ Impact of IFRS16 based on estimates.

⁴ EBITDA considers interest and penalties on tuition and excludes the impact from Surplus Value of Inventories

⁵ Excludes the impacts from PN23 in 2018

Analyzing first the guidance of Kroton Ex-Somos ex-effects from the transaction with Somos in 2019, net revenue should reach R\$5,420 million, down 2.4% from the previous year, mainly due to lower new enrollments of PEP students in the student-recruitment process of the first semester of 2019. Adjusted EBITDA is estimated at R\$2,570 million, with margin of 47.4%, representing decreases of 4.6% and 1.1 p.p., respectively, reflecting the higher costs and expenses with the launch of new units. However, the Company has made the decision to carry out a significant reduction in non-recurring expenses and to prioritize the analyses of EBITDA, which already include non-recurring expenses. Therefore, analyses over the course of the year (including for the purpose of the Variable Compensation Program of Executives) will focus on the line EBITDA, with the indicator now prioritized in the organization's management model.

For 2019, EBITDA is projected at R\$2,450 million, with margin of 45.2%, representing increases of 1.2% and 1.6 p.p. compared to 2018, supported by the significant

reduction in non-recurring expenses mentioned above. Lastly, for the first time, the Company is giving guidance for the generation and conversion of Operating Cash after Capex (excluding investments in expansion), which should reach R\$650 million and 26.5%, representing increases of 12.0% and 2.6 p.p., putting Kroton on a growth path already in 2019.

Guidance for Kroton Consolidated:

R\$ million and %	Kroton Consolidated					
	2018 Corporate ¹ With IFRS16 ³	Guidance 2019	Chg.	2018 Pro Forma ² With IFRS16 ³	Guidance 2019	Chg.
Net Revenue	6,059	7,353	21.4%	7,417	7,353	-0.9%
Results						
Adjusted EBITDA	2,870	3,240	12.9%	3,240	3,240	0.0%
Adjusted EBITDA Margin	47.4%	44.1%	-3.3 p.p.	43.7%	44.1%	0.4 p.p.
EBITDA ⁴	2,484	3,040	22.4%	2,509	3,040	21.1%
EBITDA Margin	41.0%	41.3%	0.3 p.p.	33.8%	41.3%	7.5 p.p.
Adjusted Net Income ⁵	1,477	1,348	-8.7%	1,183	1,348	14.0%
Adjusted Net Margin	24.4%	18.3%	-6.0 p.p.	15.9%	18.3%	2.4 p.p.
Cash Generation After Capex						
OCG after Capex	489	800	63.9%	572 ⁶	800	40.1%
Conversion (with IFRS 16)	19.7%	26.3%	6.7 p.p.	22.8% ⁶	26.3%	3.6 p.p.
Conversion (without IFRS 16)	23.6%	31.6%	8.0 p.p.	28.0% ⁶	31.6%	3.6 p.p.

¹ Considers the 80 days of results from Somos, from October 11 (transaction settlement date) to December 31, 2018.

² Considering 12 months of Somos, after convergence of accounting practices

³ Impact of IFRS16 based on estimates

⁴ EBITDA considers interest and penalties on tuition and excludes the impact from Surplus Value of Inventories

⁵ Net income excludes the impacts from Surplus Value of Inventories and Amortization of Intangible Assets

⁶ Excludes the impacts from PN23 in 2018

The above table presents two perspectives for Kroton's consolidated guidance, with the first the corporate perspective, i.e. including only the results from the 80 days during which Somos was consolidated in Kroton's financial statements; and the second a pro forma analysis, i.e. considering the full year results of Somos in Kroton's results.

Under the corporate analysis, the main messages are: Net Revenue growing 21.4%, Adjusted EBITDA growing 12.9% and Operating Cash Generation after CAPEX growing 63.9%.

In the pro forma analysis, net revenue is estimated at R\$7,353 million, down 0.9%, reflecting the impact from the graduation of FIES students and the fact that the Company assumed the management of Somos only in October 2018, when virtually all actions to ensure revenue growth in the following year already had been taken. Adjusted EBITDA is projected at R\$3,240 million, with EBITDA margin of 44.1%, both stable in comparison with the prior year, reflecting the capture of efficiency and synergy gains at Somos. Meanwhile, EBITDA is projected at R\$3,040 million, with

margin of 41.3%, representing increases of 21.1% and 7.5 p.p., explained by the significant decrease in non-recurring costs and expenses and by the capture of the synergies and efficiency gains at Somos mentioned above. The guidance for Adjusted Net Income is R\$1,348 million, with net margin of 18.3%, representing increases of 14.0% and 2.4 p.p. in relation to 2018, with part of the EBITDA gains consumed by higher financial expenses, given the Company's higher debt balance, as well as higher depreciation, both reflecting the acquisition of Somos. Lastly, Consolidated Operating Cash Generation after CAPEX (excluding investments in expansion) should reach R\$800 million, for an EBITDA-to-Cash conversion ratio of 26.3%, representing increases of 40.1% and 3.6 p.p., with a reversal from cash burn to cash generation at Somos, combined with cash generation growth at Kroton ex-Somos, signaling a new trend of cash generation already as of this year.

The year 2019 represents, therefore, one of positive inflection in Cash Generation, which should grow by 40% on a consolidated basis, with a positive trend for the coming years, which reflects Management's conviction that the Company will continue delivering robust results in the short term, while also prioritizing the creation of future value.

Bear in mind that any projections of financial results are merely estimates and should not be construed as a promise of future performance. These estimates are subject to various risks and uncertainties and are based on the information currently available. As such, they depend heavily on market conditions, the performance of the Brazilian economy, the industry in which the Company operates and international markets, and therefore are subject to change. Any change in perception or in the aforementioned factors could lead actual results to differ materially from the Guidance announced by the Company.

Any changes in the Projections will be announced to the market via a Material Fact, in accordance with CVM Instruction 358. Furthermore, note that the Company will provide a comparison of the Guidance given with the actual results of the quarter in its Quarterly Financial Information (ITR) and Standardized Financial Statements (DFP).

The Guidance announced herein also will be included in section 11 of the Company's Reference Form and be made available on the websites of the CVM, www.cvm.gov.br, and of B3, www.b3.com.br, as well as on the Company's Investor Relations website at www.kroton.com.br/ir.

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