

AcadeMedia

Capital Markets Seminar

Preschool Market Focus

2019-08-29

Welcome

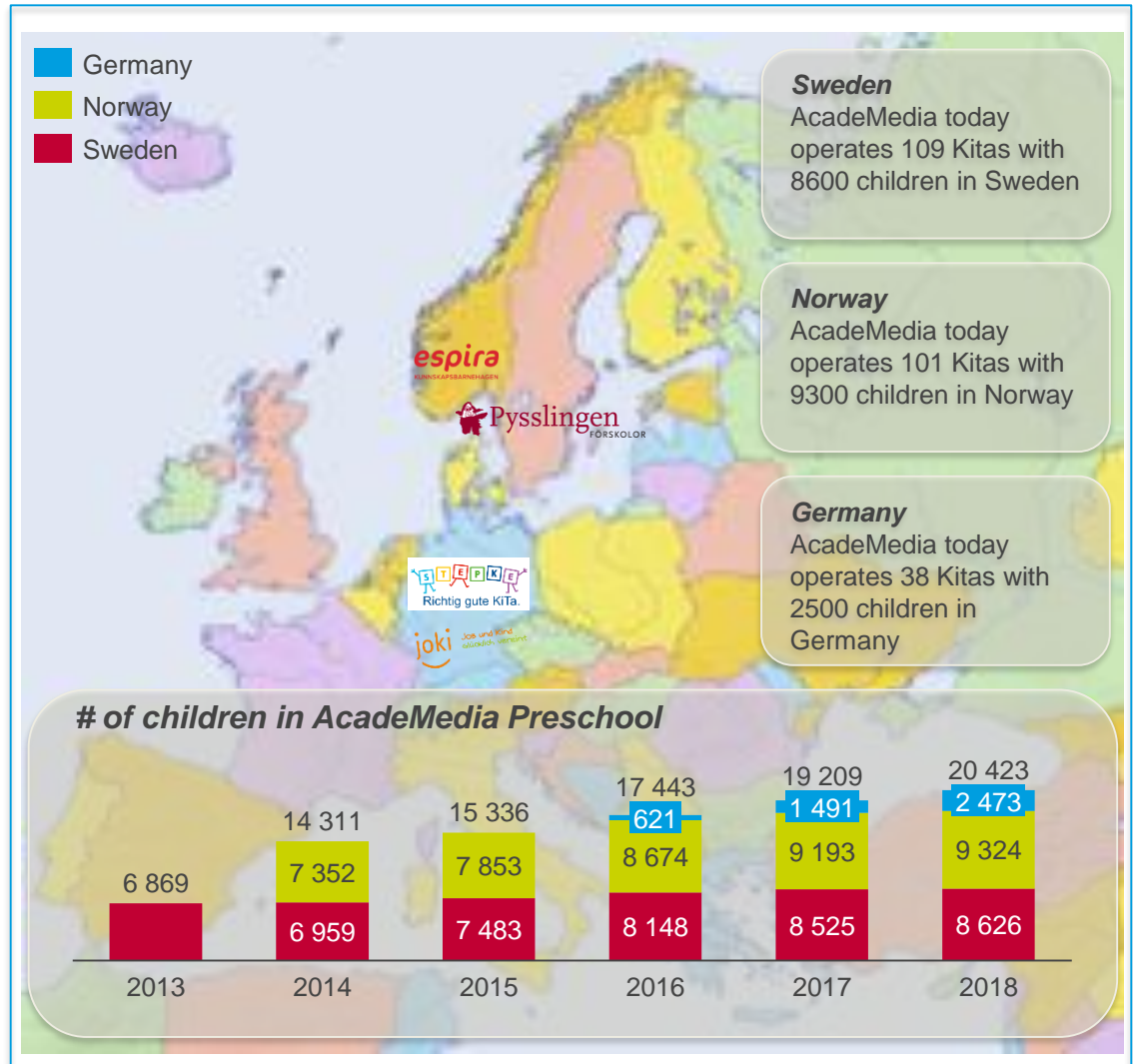
*Marcus Strömberg,
CEO of AcadeMedia*



20 400 children in AcadeMedia's preschools

AcadeMedia plans to open 15-20 new preschools in 2019/2020 and a further 15-20 new preschools in 2020/2021

- AcadeMedia is one of the leading preschool operators in Sweden and internationally.
- Net sales 2018/2019 amounts to approximately SEK 3.6 billion Pro-forma and corresponding adjusted EBIT-margin to approximately 5 percent.
- AcadeMedia plans to open 15-20 new preschools in 2019/20. An additional 15-20 new openings are planned for fiscal year 2020/21.



AGENDA

AcadeMedia in prime position to export preschools

Germany needs to build 350.000 places

European Market outlook

AcadeMedia and the European preschool market

Panel & Questions

AcadeMedia in prime position to export preschools

Veronica Rörsgård,
Head of Preschools Sweden



The Nordic preschool model is attractive

Proven model that enables gender equality and double careers

Why?

- Proven model
- High quality
- Affordable
- Preparation for school

Drivers

- Enables double careers
- Gender equality
- GDP growth
- Social integration

AcadeMedia's ability

- Strong track record for decades
- Successful publicly financed, privately managed childcare



Preschool as the first educational step

The Nordic preschool model is based on pedagogical tools for small children

- Combining care with learning
- Research shows positive effects on health and ability to learn of Nordic preschool model
- Sweden has had a formal curriculum for preschools since 1998.
- Norway has had a formal curriculum for preschools since 1995/1996



AcadeMedia has a solid track record

Unique models for quality, pedagogical expertise and staffing

- 250 preschools with 20 400 children
- More than 30 years of experience
- Established in Sweden, Norway and Germany
- Unique models for quality, pedagogical concepts and expertise as well as staffing models and operational KPIs



Pyss

&



Ling

espira
BLIKK 
EN METODIKK FOR KVALITETSVURDERING



AcadeMedia in prime position to export preschools

Marit Lambrechts,
Head of Preschools Norway



Scalable platform with transferable concepts

Quick transfer of proven concept

How?

- Full concept – establishing Espira in Germany
- Model – transferring the Swedish quality assurance model to Norway, Espira Blikk

Benefits

- Quick transfer of proven concept
- Low cost of implementation
- Leverage on existing expertise
- Competitive advantage in new markets



Espira a proven and transferable concept

Based on Espira's underlying philosophy that each child is full of amazing talents and capabilities, and should be the driving force behind learning and development



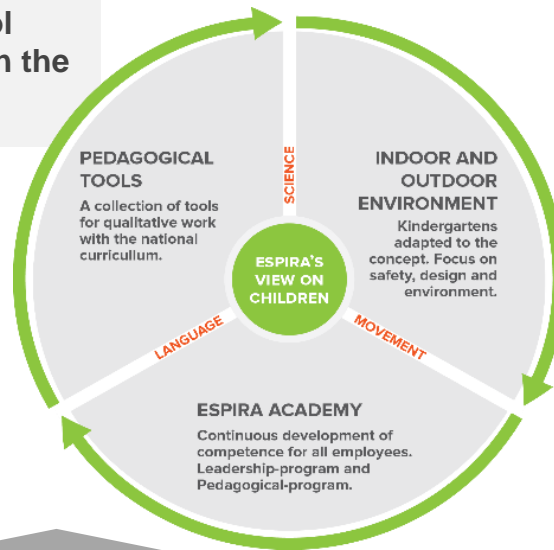
Språklabben Language and communication
Tumbleplassen Physical exercise and health
Skattekista Arts, culture and creativity
Samfunnsspira Community and social sciences

Miljøspira Nature and the environment
Filosofus Ethics, religion and philosophy
Tallbingen Numbers, space and form

Case – Espira, a proven concept

Scalable concept and tools designed to ensure attractive preschools

- 1 Proven Preschool concept based on the Nordic model



- 2 Unique competence development program - Espira Academy - offered to all employees leveraged with external expert panel to support in-house resources



- 4 Tailor-made indoor & outdoor environment



- 3 Quality system, standardized processes and digital tools



Case – Espira Germany

*Successful roll-out of Espira with first establishment in Sept 2018.
Another 6 Espira preschools to be opened during 2019/2020.*



Case – Espira Blikk

Transfer of best practice from Pyslingen (Sweden) to Espira (Norway)

- Espira Blikk is a transfer of best practice from Pyslingen's quality assurance model «Learning Index».
- Espira conducts assessments of quality processes in all preschools.
- The method we apply is called Espira Blikk.
- The method comprise two steps: Internal assessment and external assessment.



Case – Espira Blikk

Espira BLIKK has created a lot of credibility for Espira in Norway



Nylig var Mari Fagerheim, fag- og utviklingsleder i Espira (høyre), på Gardermoen for å gi pedagoger i Espira opplæring i kvalitetssystemet Espira BLIKK. Camilla Hagstrøm (venstre) er styrer i Espira Kløverenga barnehage, en av 26 barnehager som har testet ut systemet i et pilotprosjekt. (Foto: Silje Viken Sandgrind)

Slik vil de sørge for at barna får et godt barnehagetilbud

Espira har utviklet et system for å kunne følge opp kvaliteten i sine 101 barnehager. Det går ut på at personalet både skal vurdere pedagogisk praksis i egen barnehage, og få en ekstern vurdering av kolleger fra en annen barnehage.

kvalitet | Av: Silje Viken Sandgrind
publisert 16.01.2019



Slik skal barnehagen sørge for at barna får et godt tilbud



ESPIRA BLIKK: Espira Torshovdalen barnehage skal, sammen med resten av Espira-barnehagene, jobbe gjennom systemet «Espira Blikk» som skal sikre Endre, Eiljah, Julia og Leon og alle de andre barna et best mulig tilbud. Foto: Janina Lauritsen



«Første gang var det pedagoger som ble, og så var det opplysnings- og HR-veileder, som barnehagelærere Kine Merete Sander i Espira Ulfviken barnehage. Her ble det fullt utarbeidet med Espira Blikk, og det var første gang det ble gjort.



Germany needs 350k preschool places

Kristofer Hammar,
Head of business development and
Head of Preschools Germany



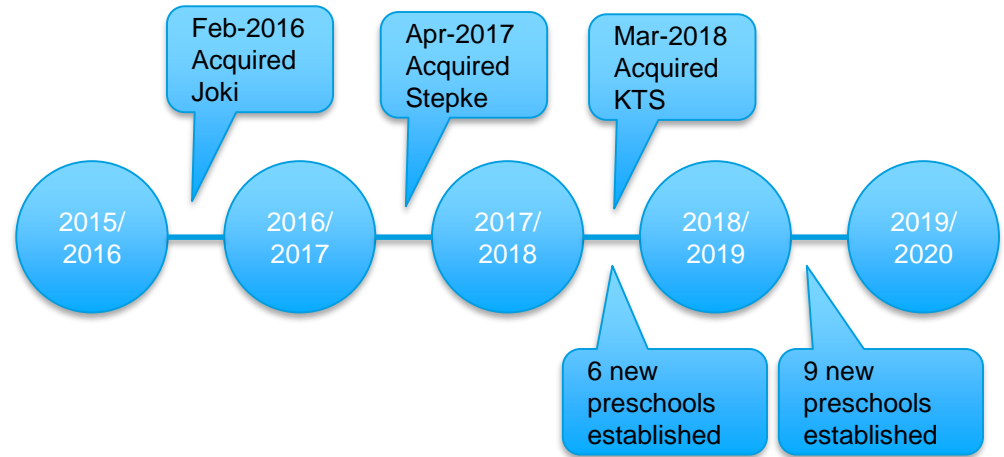
Solid platform for further growth

AcadeMedia has 38 units in Germany with ~3000 children.

Multi-brand strategy

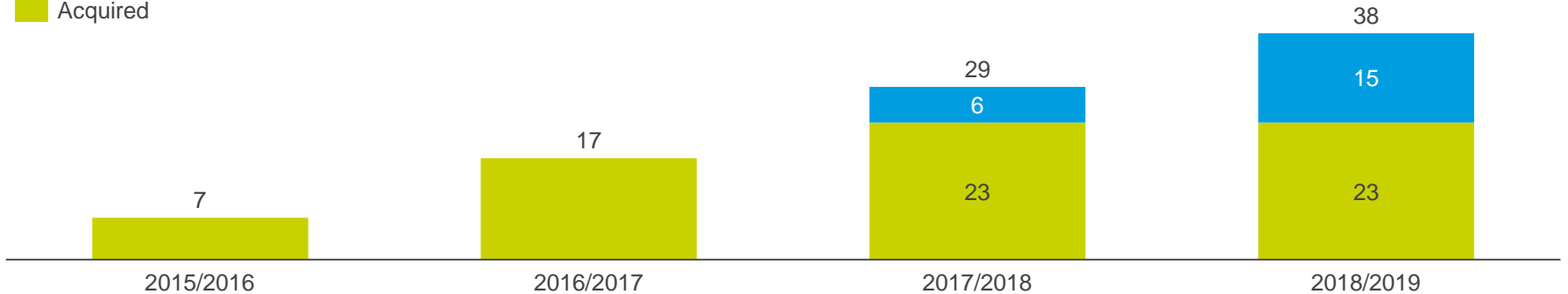


AcadeMedia's development



Number of preschools 2015/2016 – 2019/2020

- Established
- Acquired



Diversified brand and geographical strategy

AcadeMedia operates 4 concepts in 5 regions in order to maximize growth and diversify risks.



Concept: General
of preschools 2018/2019: 19
of Children Jun-2019: 1 489
Regions: Nordrhein-Westfalen, Berlin/Brandenburg



Concept: Nature/physical activity
of preschools 2018/2019: 1
of Children Jun-2019: 129
Regions: Bavaria, Baden Wurttemberg



Concept: Bilingual
of preschools 2018/2019: 7
of Children Jun-2019: 475
Regions: Bavaria



Concept: General
of preschools 2018/2019: 11
of Children Jun-2019: 624
Regions: Bavaria



Accelerated growth during 2019/2020

In 2019/2020 AcadeMedia will open 12-15 new preschools in Germany, an increase with 900-1150 new preschool places

New preschools in 2019/2020

Preschool brand and location	Opening	# of places
Espira-Heidelberg (BW)	Q1 2019/20	120
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Totalt		1137



Financially attractive growth in Germany

Currently Germany shows short ramp-up time and low initial investments

	Preschools Germany
Start-up capex	0,3-0,5 MEUR
Time to break-even EBIT	1 year
Time to mature EBIT	2 years
Number of students at maturity	75
Target revenues	1,0-1,5 MEUR
Target EBIT-margin	~12% (excl. allocated overhead)

Every child is legally entitled to a child care

Since 2013, every child, up to 6 years, is entitled to child care

0-3 yo (typically 0.2-3 yo)	Crèche/Nursery	Typically offers between 5-10h of care per day; can be both public and private. Can be both public and private operators with public funding
3-6 yo	Kindergarten	Typically offers between 5-10h of care per day; can be both public and private. Can be both public and private operators with public funding

Ministry of Labor, Social Affairs, Family, and Integration

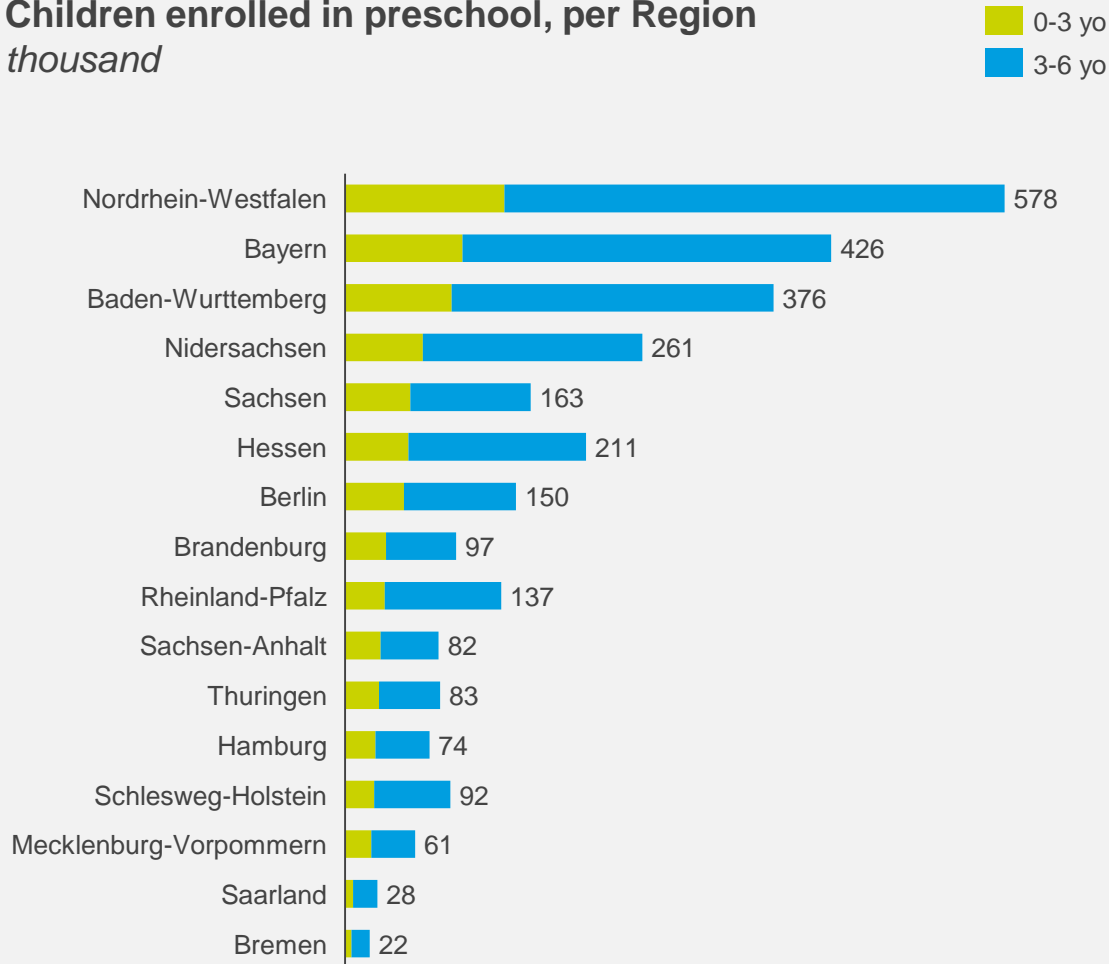
0-6 Voluntary participation

Preschool is not compulsory and it does not fall under the Ministry of Education but under the Social Ministry. Since 2013, every child is legally entitled to a child care.

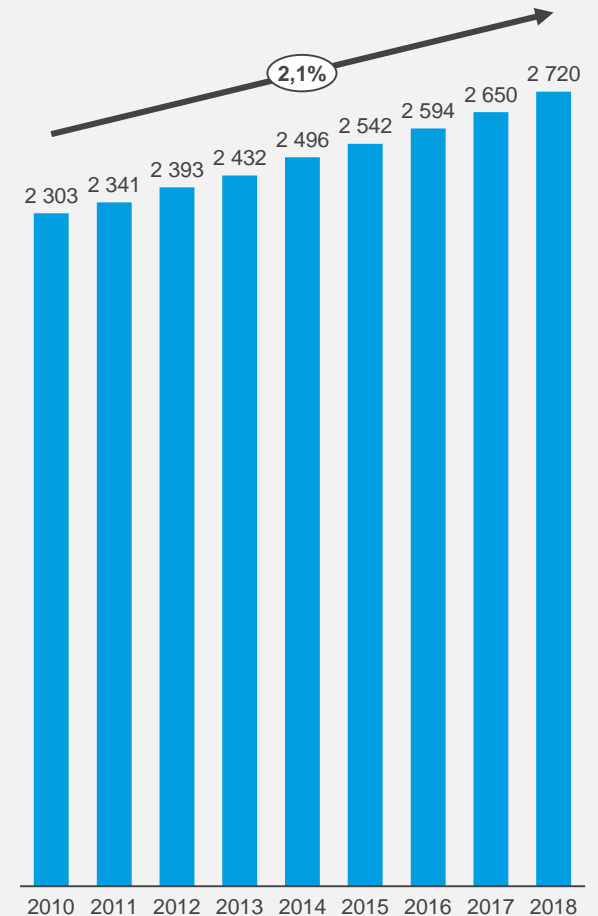
Increased enrolment

The number of children enrolled in preschools has increased with a CAGR of 2,1% 2010-2018. AcadeMedia covers 60% of the market with current establishments

Children enrolled in preschool, per Region
thousand



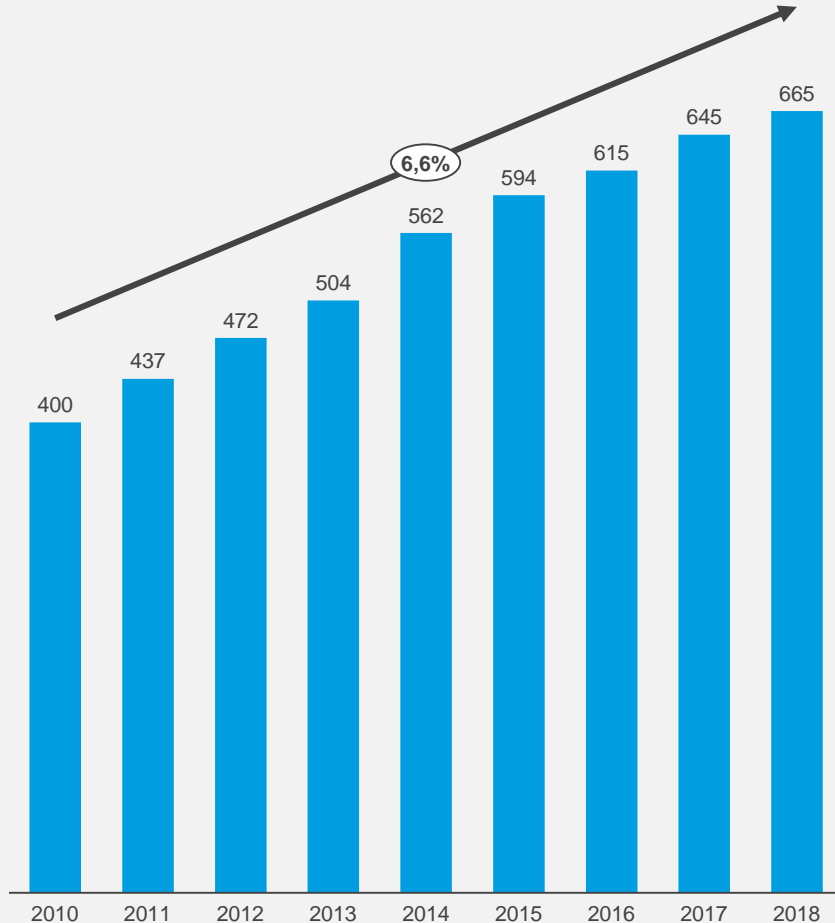
in Germany
thousand



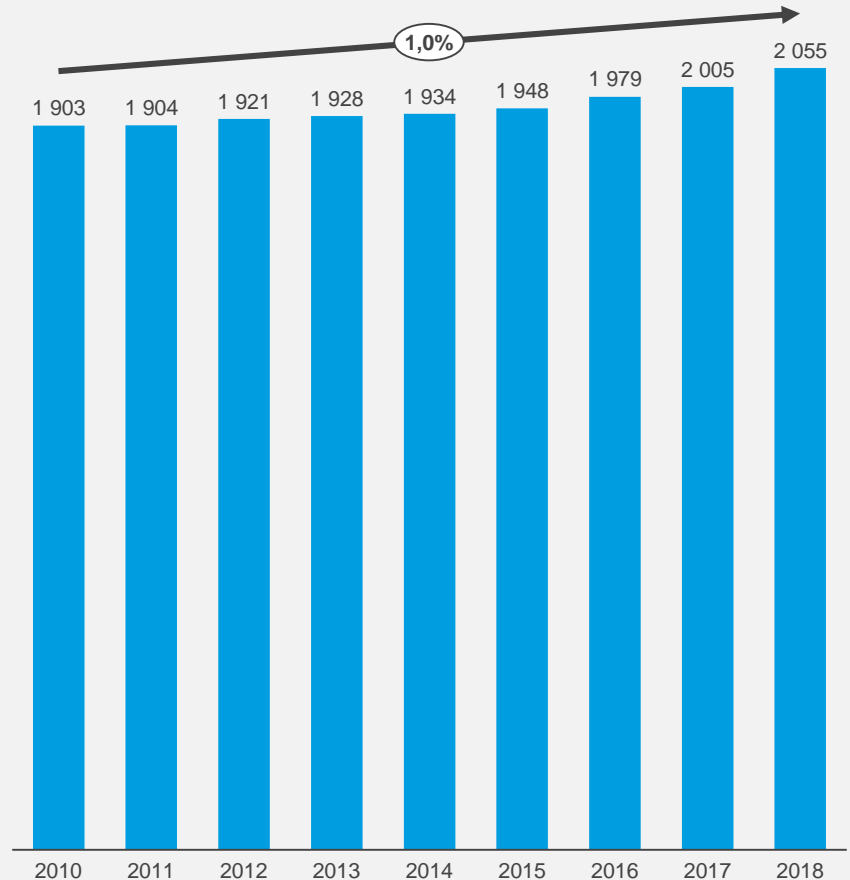
Culture and tradition impacts enrolment

Increasing interest from families in Germany to put young children in preschools

Children enrolled in pre-school, 0-3 yo
thousand



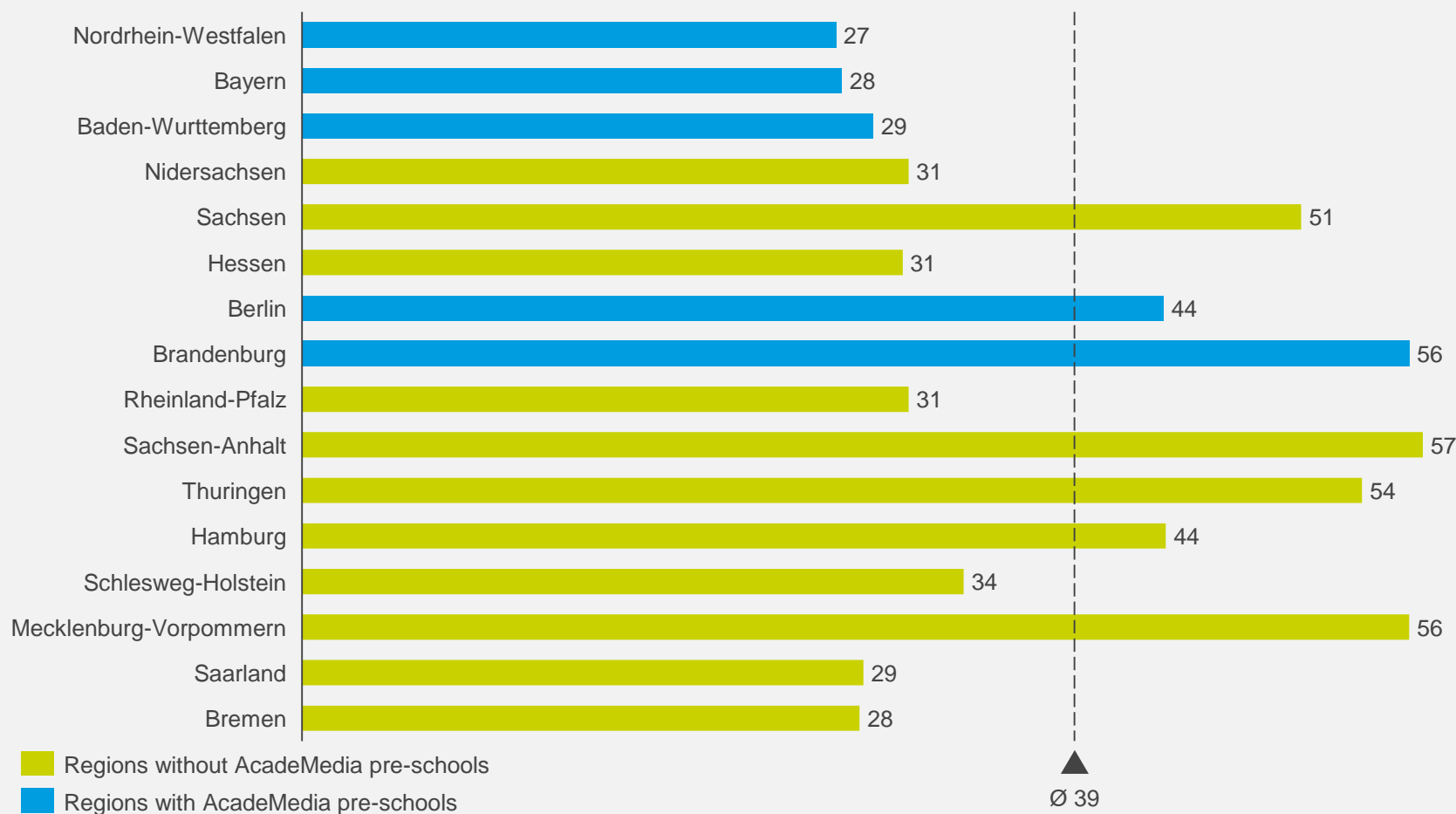
Children enrolled in pre-school, 3-6 yo
thousand



Growth potential in AcadeMedia's regions

Growth potential in Nordrhein-Westfalen, Bayern and Baden-Wurttemberg where enrolment of children 0-3 yo is less than 30 percent

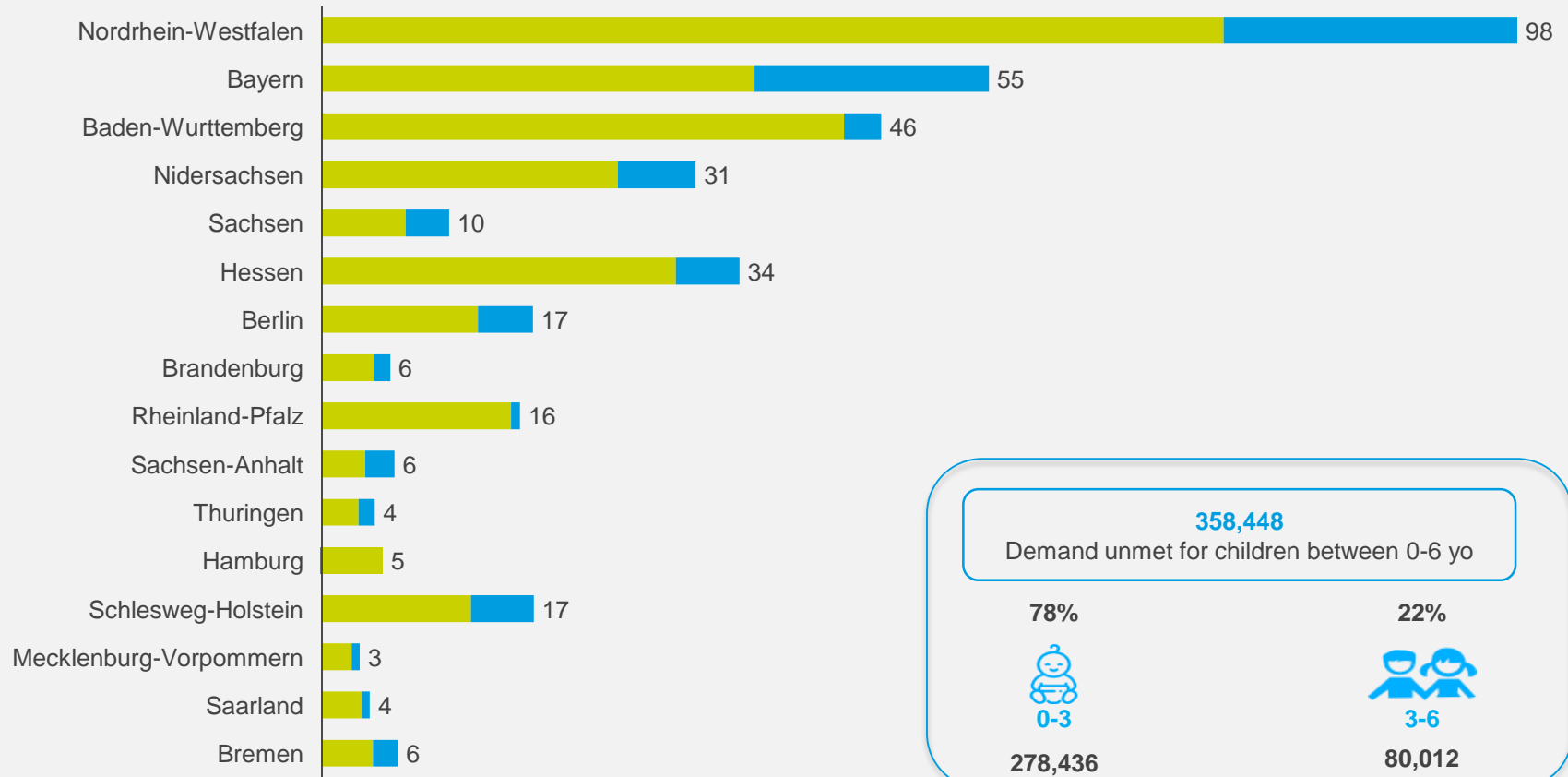
Enrolment per Region, 0-3 yo percent



Supply gap of 350 000 places in Germany

Potential also demonstrated by supply gap of 350 000 thousand places, where Nordrhein-Westfalen, Baden-Württemberg, and Bayern account for 55% of the supply gap for 0-3 yo

Supply gap per Region, 0-3 yo thousand



0-3 yo 3-6 yo

Regional model for subsidies

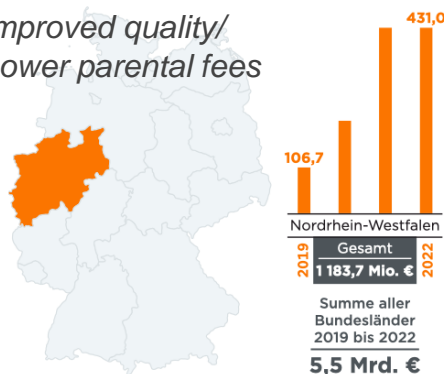
Each region or municipality decides on funding model for preschool operators. Systems still evolving in many municipalities with risk for changes in the future

- In 2018 the German government resolved to increase the quality of preschools and to provide funds for this.
- Funds are then transferred to the 16 Regions/Bundesländer. Each Region/Bundesland then decides how to use the funds and can have its own mechanism to distribute funds.
- Some regions transfer funds directly to operators, whereas other Regions distribute funds only to the municipalities within the Region. In this case each municipalities may have their own funding scheme.

Examples of varying use of preschool funding:

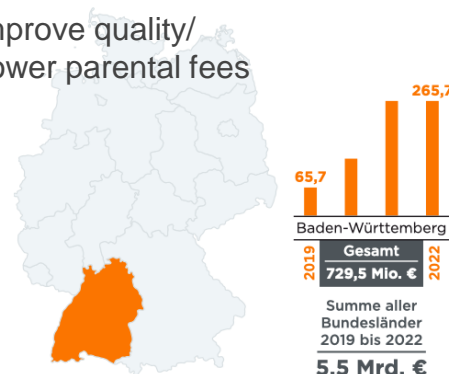
Nordrhein-Westfalen

*Improved quality/
Lower parental fees*



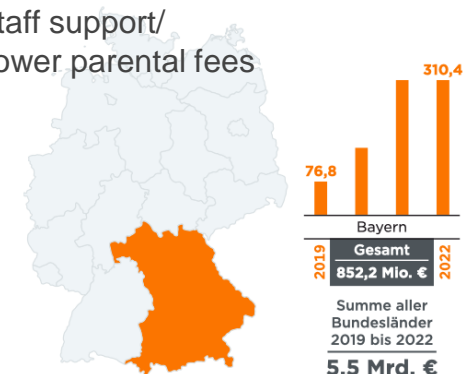
Baden-Württemberg

*Improve quality/
Lower parental fees*



Bayern

*Staff support/
Lower parental fees*



Fragmented preschool market in Germany

Competitors are growing both through acquisitions and organic growth.

Ernst Klett Aktiengesellschaft

- **Founded:** 1995
- **Headquarter:** Stuttgart, BW, DE
- **Ownership type:** Public Limited Company AG
- **Ultimate parent:** Klett Familienkommanditengesellschaft
- **Staff:** 5,034 (2017)
- **Children enrolled in KiTa's in Germany:** 5,753
- **Number of KiTas in Germany:** 114
- **International presence:** (16 countries), in Switzerland and Brazil (SIS) present with pre-schools

KLETTGRUPPE

pme Familienservice GmbH

- **Founded:** 1991
- **Headquarter:** Berlin, BE, DE
- **Ownership type:** Private (Limited liability company)
- **Ultimate parent:** PME Familienholding GmbH
- **Shareholders:** 49% owned by Gisela Erler, and other 5 shareholders
- **Staff:** < 1,800
- **Children enrolled:** ~2,500
- **Number of KiTas:** 49
- **International presence:** Czech Republic



educare Bildungskindertagesstätten

- **Founded:** 2002
- **Headquarter:** Köln, NW, DE
- **Ownership type:** Private
- **Staff:** 861 (2016)
- **Children enrolled:** 1,620
- **Number of KiTas:** 36
- **International presence:** No

educare

Denk mit!

- **Founded:** 2014
- **Headquarter:** Inning am Ammersee, BY, DE
- **Ownership type:** Private, Subsidiary of Babilou GmbH
- **Staff:** ~600
- **Children enrolled:** < 2,500
- **Number of KiTas:** 49
- **International presence:** France, Monaco, Belgium, Dubai and Switzerland



Kmk Kinderzimmer GmbH & Co. Kg

- **Founded:** 2011
- **Headquarter:** Hamburg, HH, DE
- **Ownership type:** Private
- **Children enrolled:** 2,182
- **Number of KiTas:** 16
- **International presence:** No



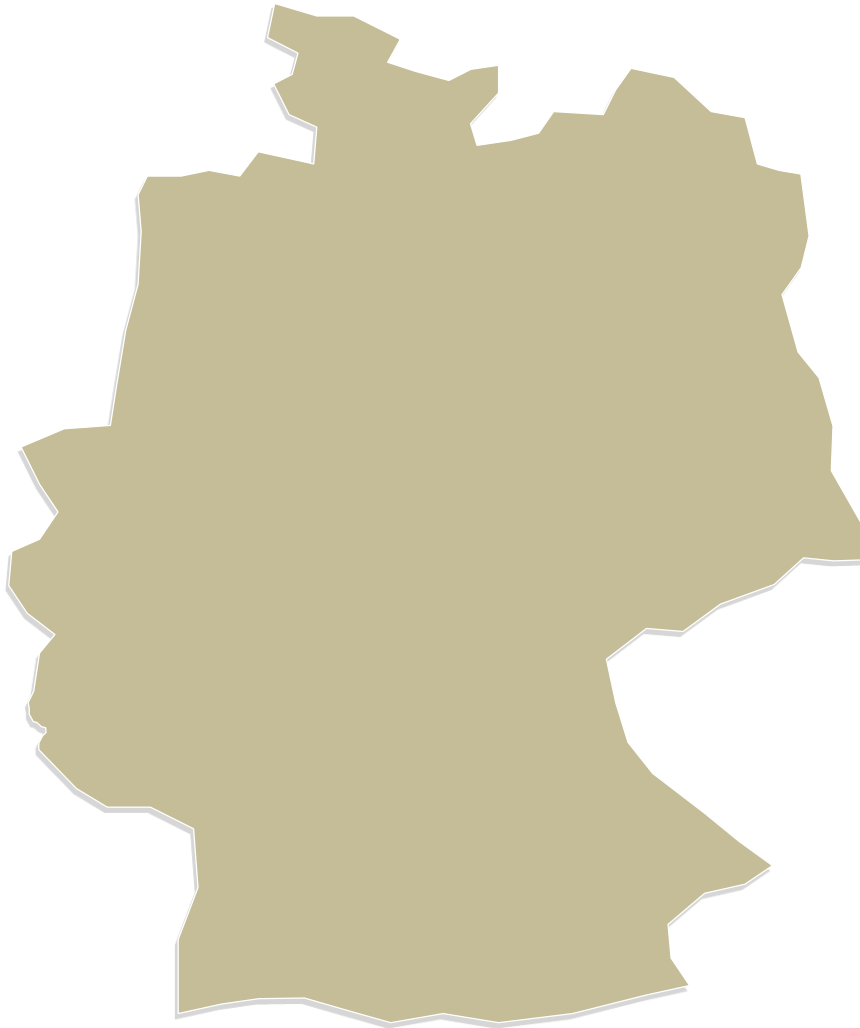
Giant Leap GmbH u. Co. KG

- **Founded:** 2006
- **Headquarter:** Esslingen am Neckar, BW, DE
- **Ownership type:** Private
- **Staff:** n/a
- **Children enrolled:** 1,250
- **Number of KiTas:** 27
- **International presence:** No



German market attracts international players

A number of international operators have entered the German preschool market




norlandia




Babylou[®]
Early Education Experts


Crèches
de France ● ● ●

Success Factors & Challenges

Success Factors

- + **Attractive concepts and quality models** which are proven in other countries/regions
- + AcadeMedia has chosen a **geographic position** in the regions with highest growth potential and where private providers are welcome.
- + Local **management** with a strong track-record for organic growth supported by the experience and senior management of AcadeMedia
- + AcadeMedia's **preschool know-how**

Challenges

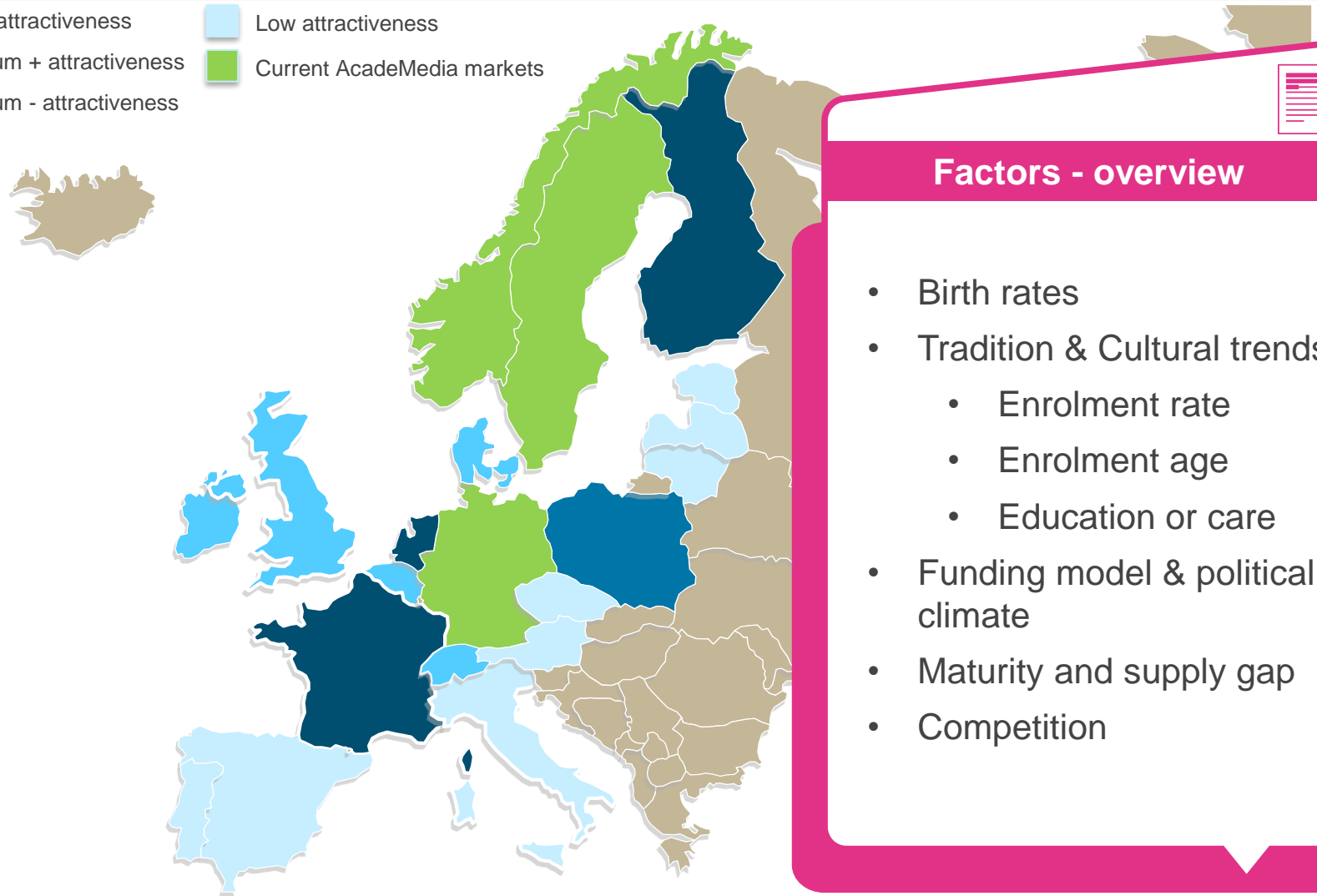
- Access to high quality staff
- Access to attractive locations
- Regional complexity with varying compensation models
- Likelihood of changing compensation models

Preschools - European Market Outlook



A number of markets with high attractiveness

Recent market research conducted by AcadeMedia shows a number of markets with high attractiveness: e.g. Finland, France, Poland and the Netherlands



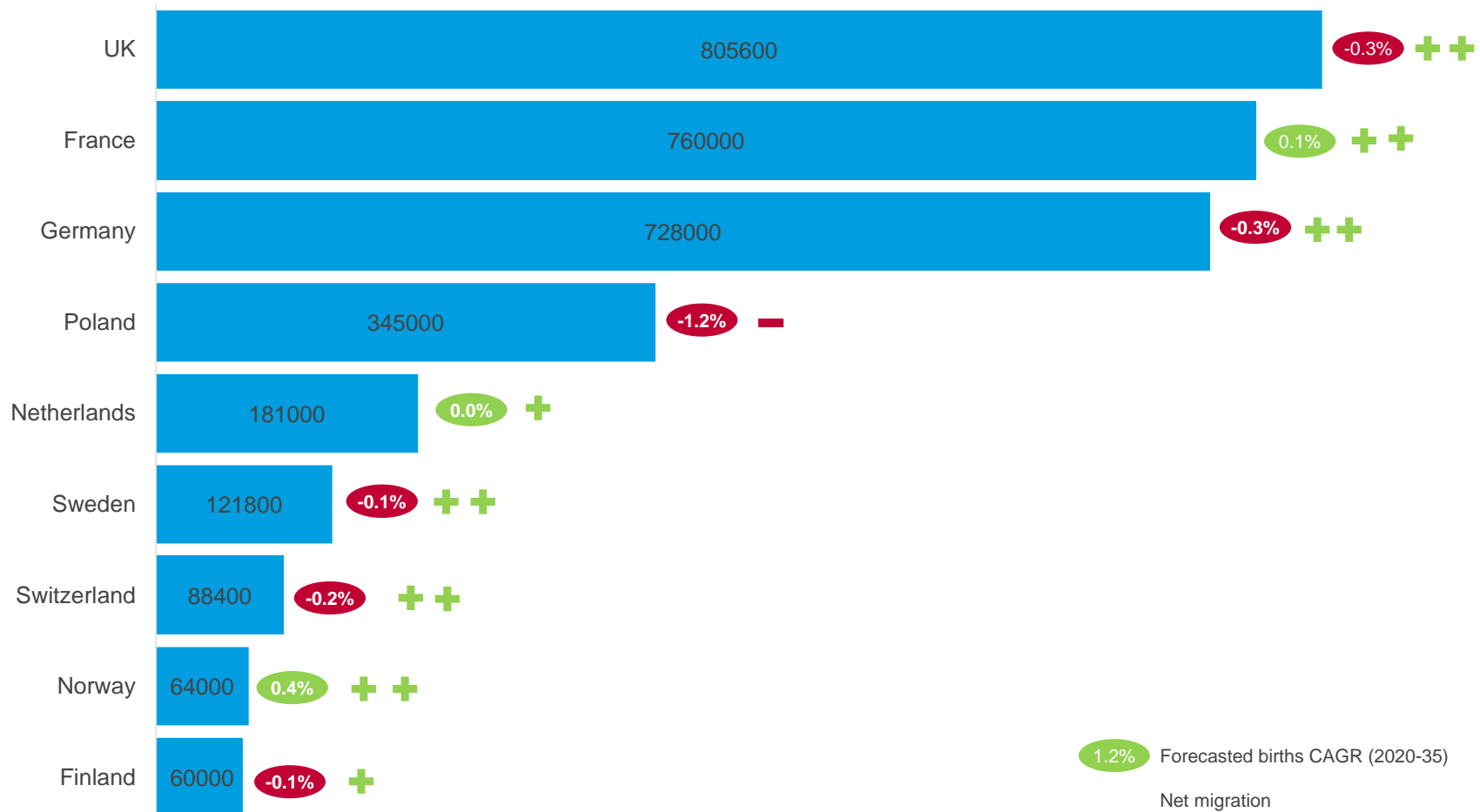
Factors - overview

- Birth rates
- Tradition & Cultural trends
 - Enrolment rate
 - Enrolment age
 - Education or care
- Funding model & political climate
- Maturity and supply gap
- Competition

Birth rates are not driving market development

Fertility policies and immigration partly mitigate the effects of aging population

Average # of births



1.2% Forecasted births CAGR (2020-35)

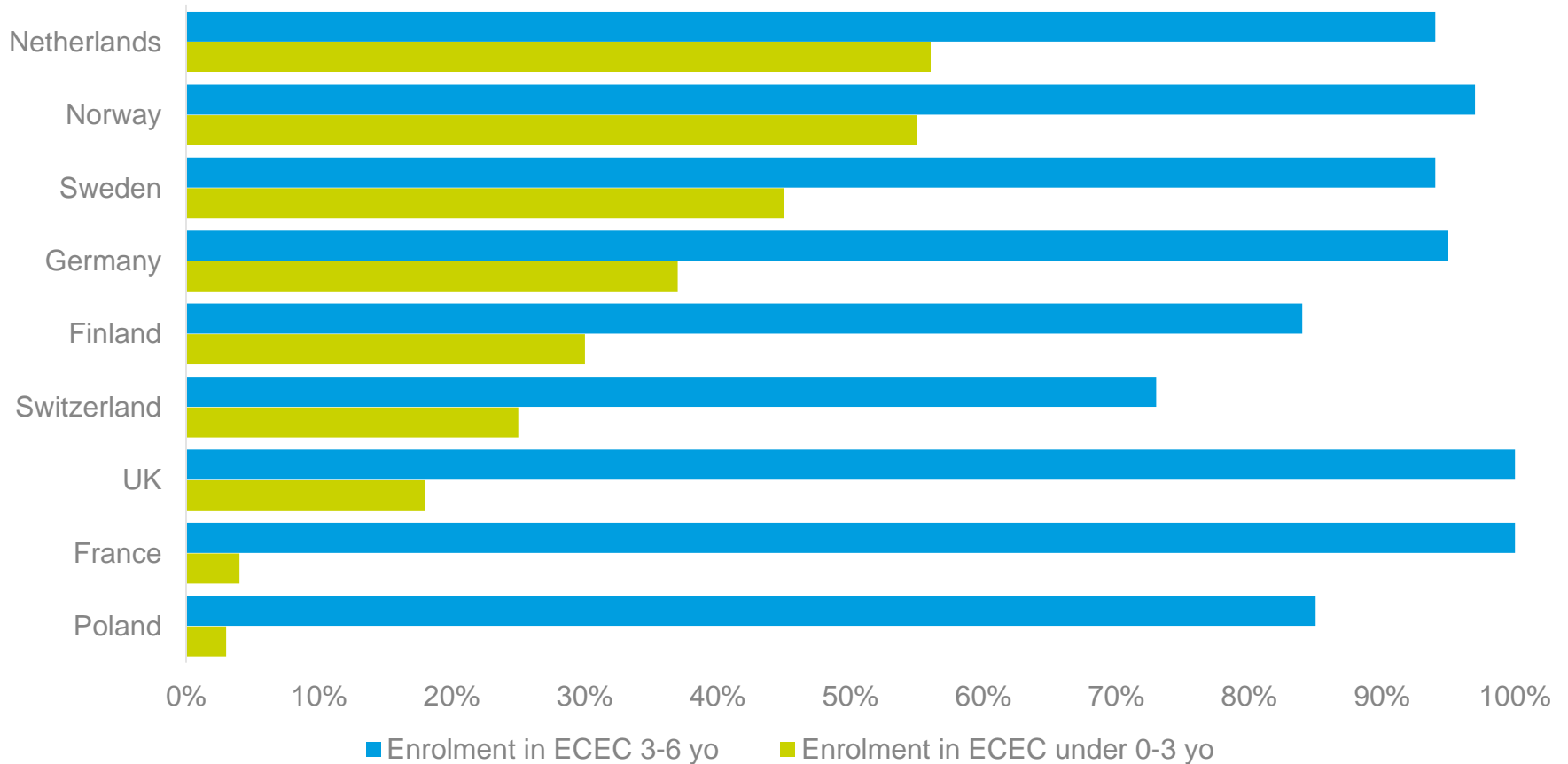
Net migration

+ ++ very positive, + positive, - negative, -- very negative

Culture and tradition impacts enrolment

Enrolment rates are still low for 0-3 yo. OECD target of preschool enrolment 0-3 yo: 33%

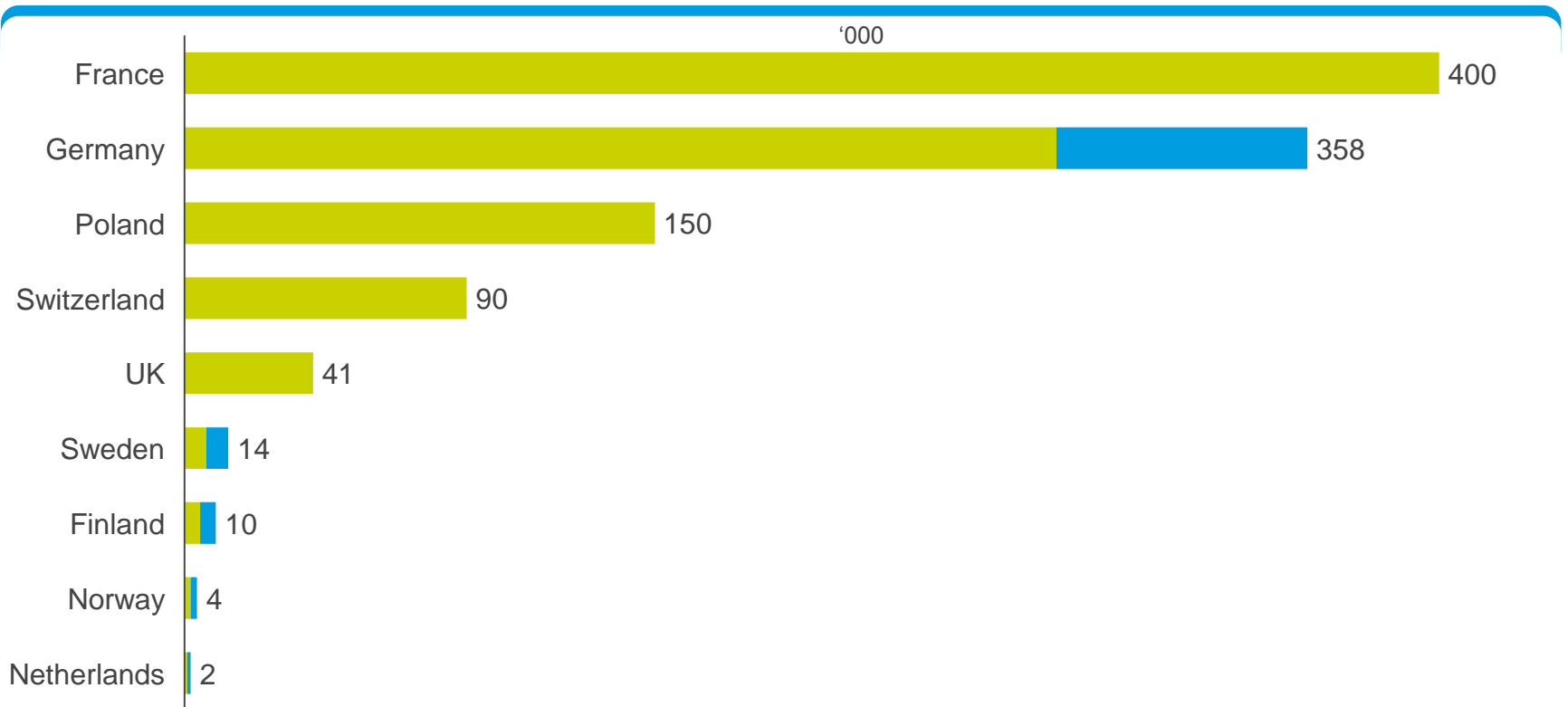
Enrolment rates in formal childcare for 0-3 yo and 3-6 yo



Supply gap expected to grow in most countries

Germany and France shows highest supply gap. More than 1,2 million preschools places lacking in Europe

Germany and **France** are most affected by the supply gap. Both countries are heavily incentivizing the private sector to meet the growing demand.

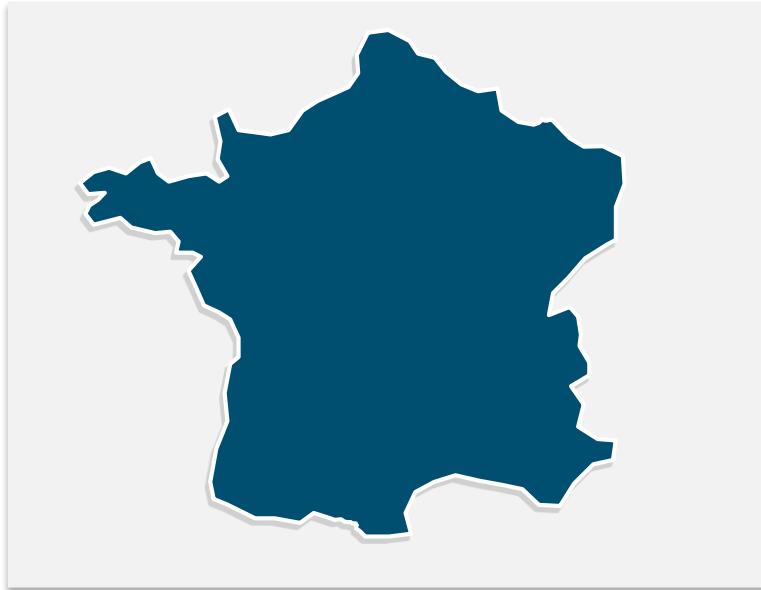


0-3 yo 3-6 yo

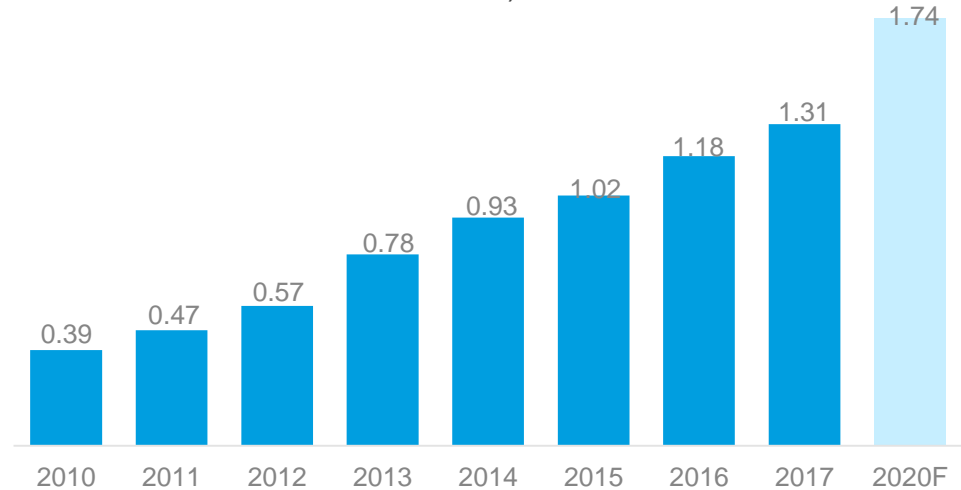
Sources: OECD; national statistical offices; press search; team analysis

Case - France

High demand for childcare services in France. Current supply gap is estimated at ~ 400 000 places



Private crèches market size by turnover (EUR billion)



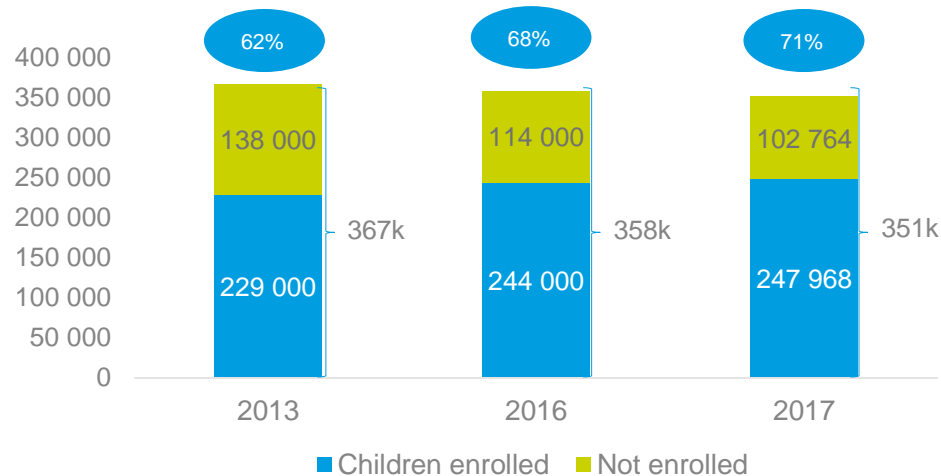
Country	Key opportunities	Challenges
France	<ul style="list-style-type: none">• Supply gap of 400,000 places for 0-3 year-old category• Fast growth of micro-crèche market• Positive demographic projection• Acquisition opportunities• National funding model	<ul style="list-style-type: none">• Intense competition from top 5-6 players

Case – Finland

Increased enrolment. Current supply gap is estimated at ~10 000 places



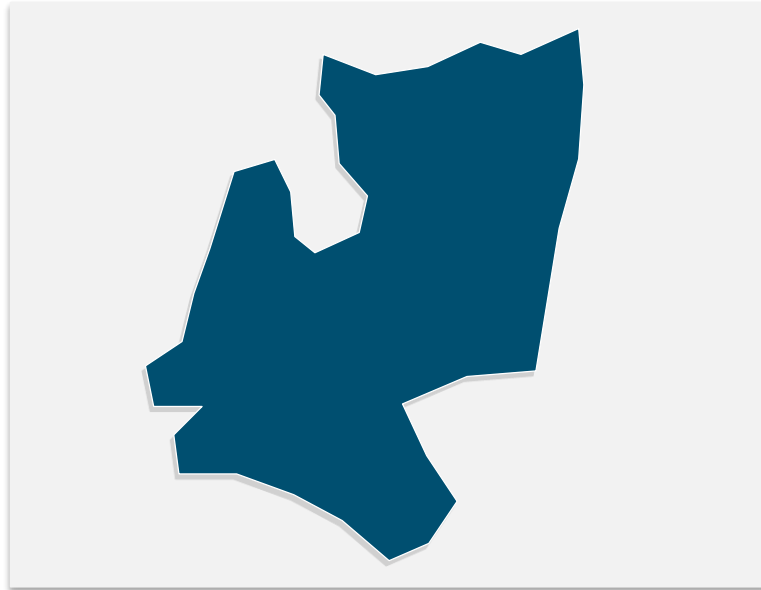
Enrolment in early childhood education (1-6 yo)



Country	Key opportunities	Challenges
Finland	<ul style="list-style-type: none">Increasing enrolment ratesIntroduction of service vouchersPositive operating conditions for private providers	<ul style="list-style-type: none">Intense competition from Touhula, Pilke and NorlandiaLimited acquisition opportunitiesNegative demographic outlook with regard to number of children in age group

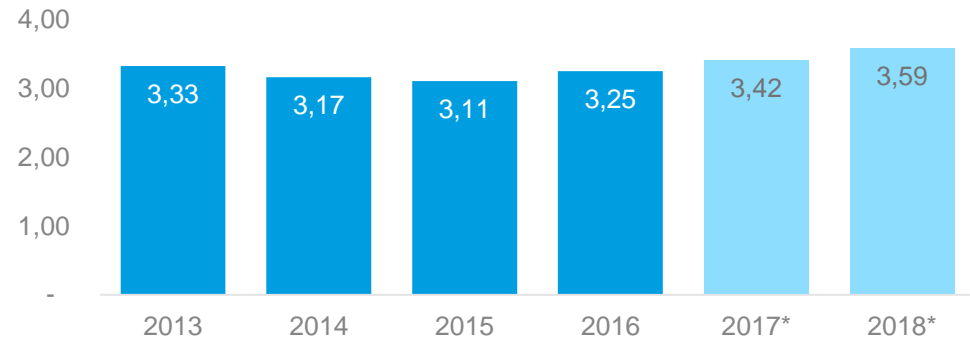
Case - Netherlands

Growth driven mainly by increased childcare allowance. Favorable public funding model and increased number of working hours by parents.



Market Size Evolution (daycare + playgroups)

EUR billion

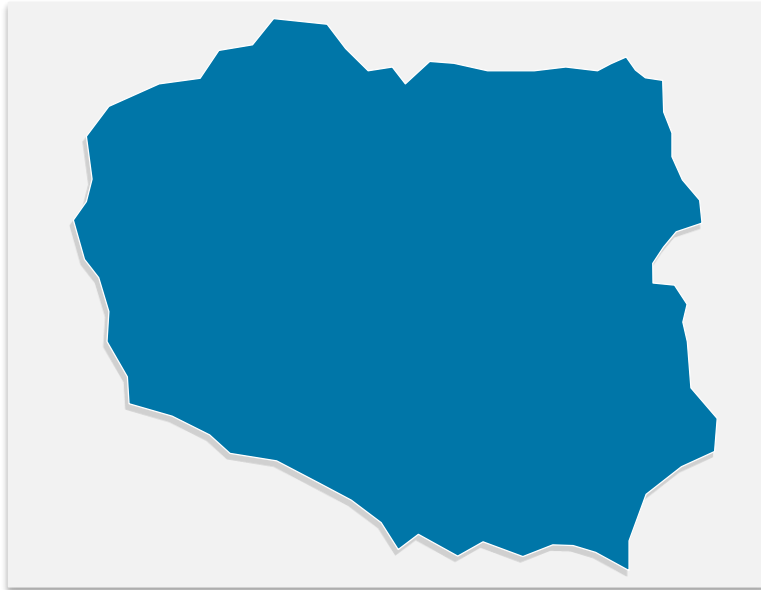


*Evaluations estimates based on market value in 2016 and press releases about growth rates in 2017/18.

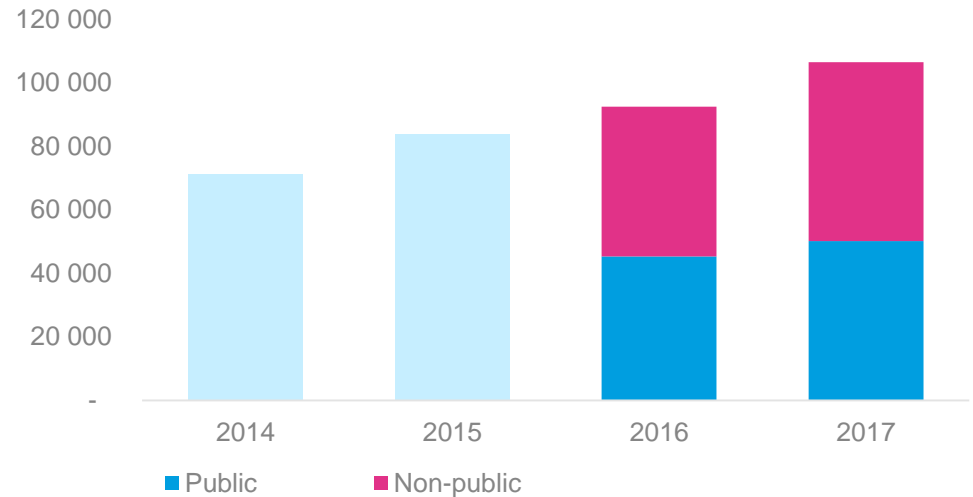
Country	Key opportunities	Challenges
Netherlands	<ul style="list-style-type: none">• Mature and fully private market with very high enrollment rates• Supply gap in urban areas (especially Amsterdam and Utrecht)• Sizable acquisition targets• National public funding model	<ul style="list-style-type: none">• Overcapacity outside largest cities• Strict infrastructure and staffing requirements

Case - Poland

Over 1,1 million children between 0-3 yo in Poland. Current supply-gap is estimated at ~150 000 places. Public funding in some parts.



Crèche and Kids Club – Places



Country	Key opportunities	Challenges
Poland	<ul style="list-style-type: none">• 1,1 million children between 0-3 yo• Highly fragmented market with low presence of international players (consolidation expected)• Large supply gap for crèches (financing for greenfield projects)• High potential in large cities	<ul style="list-style-type: none">• Low subsidies compared to Western European countries• Negative demographic outlook with regard to number of children in age group

Overview of Key preschool players internationally

Large preschool groups are emerging in Germany, France, UK and the Nordics



Plenty of M&A activity in preschool sector

Private Equity and Industry-backed groups are growing via acquisitions

- The most expansive players outside the Nordic region are:
 - **Busy Bees** (£327m revenues) is now caring for over 50,000 children across nearly 500 nurseries in the UK, Australia, Singapore, Malaysia, Canada and China. Backed by OTPP since 2013 and Temasek since 2018.
 - **Groupe Babilou** (Euro 450m revenues) operates more than 400 nurseries that can accommodate close to 20,000 children in France, Germany, Belgium, Switzerland, Dubai, Columbia and Argentina. backed by Cobepa since 2013 and TA Associates since 2017.
 - **Bright Horizons** (USD 1.8bn revenues) operates 1,065 child care and early education centers with the capacity to serve 118,000 children in USA, the UK, the Netherlands, Canada and India. NYSE-listed, formerly backed by Bain Capital.
- New players are entering the sector, e.g. **Sodexo** recently acquired the leading French chain **Creches de France**, through its subsidiary Crèche Attitude, and plans to expand internationally
- In addition, education focused PE-funds and financial investors from North America, Europe and Asia are scouting the market for platform investments within the preschool and education market
 - Canadian PE-fund Onex acquired the Dutch preschool chain **KidsFoundation** in July 2018. In April 2019 Kidsfoundation announced its acquisition of Partou. The new company will have responsibility for 60 000 children in the Netherlands.

Summary of European Outlook

- Large supply gap of 1,2 million preschool places
- Cultural trends moving towards increased preschool enrolment
- Regulatory trends moving towards increased public and voucher-based funding

AcadeMedia and the European preschool market

Marcus Strömberg,
CEO of AcadeMedia

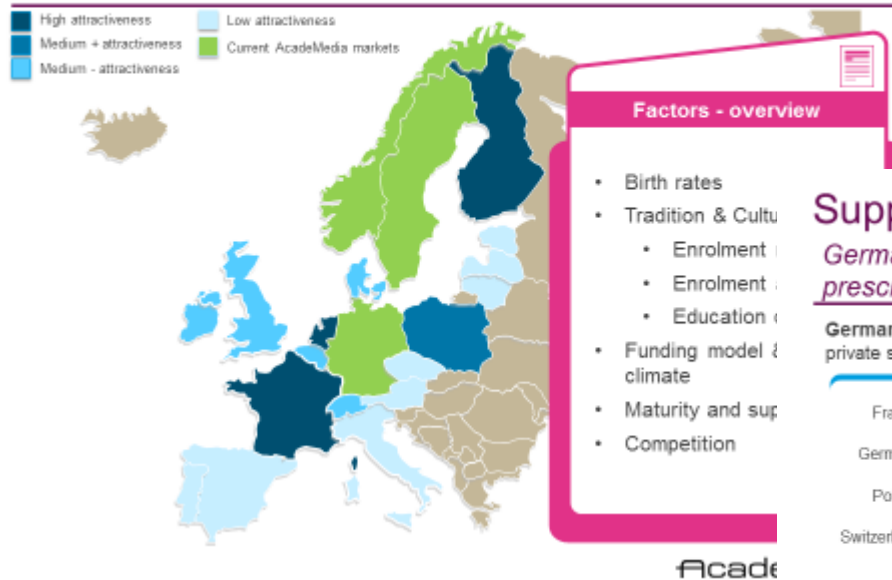


Evaluate entering new markets

AcadeMedia will continue to evaluate entering new markets

A number of markets with high attractiveness

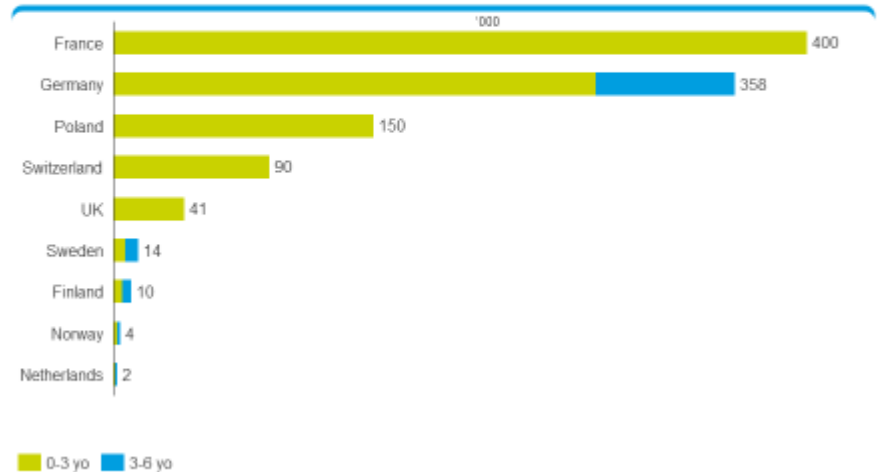
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AcadeMedia

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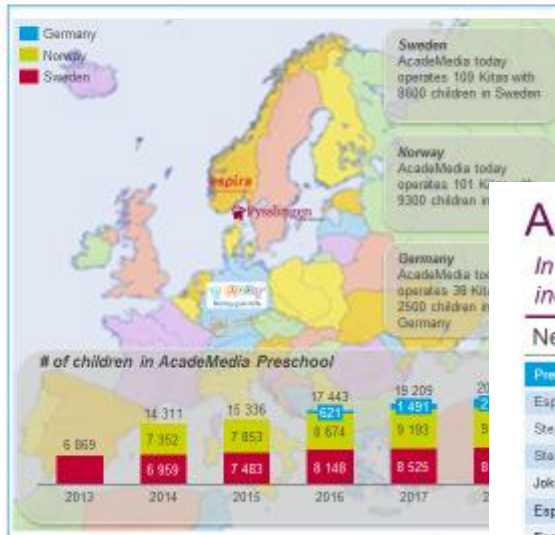
Accelerated growth

AcadeMedia plans an organic growth of at least 15-20 new preschools per year in current markets

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AcadeMedia

AcadeMedia

Continued development of our Nordic concept

AcadeMedia will continue to improve and develop concepts and models

The Nordic preschool model is attractive

Proven model that enables gender equality and double careers

Why?

- Proven model
- High quality
- Affordable
- Preparation for school

Drivers

- Enables double careers
- Gender equality
- GDP growth
- Social integration

AcadeMedia's ability

- Strong track record for decades
- Successful publicly financed, privately managed childcare



Acader

Scalable platform with transferable concepts

Quick transfer of proven concept

How?

- Full concept – establishing Espira in Germany
- Model – transferring the Swedish quality assurance model to Norway, Espira Blikk

Benefits

- Quick transfer of proven concept
- Low cost of implementation
- Leverage on existing expertise
- Competitive advantage in new markets



Thank you! & Questions

Karl-Johan Bonnevier,
Equity Analyst, DNB Bank

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