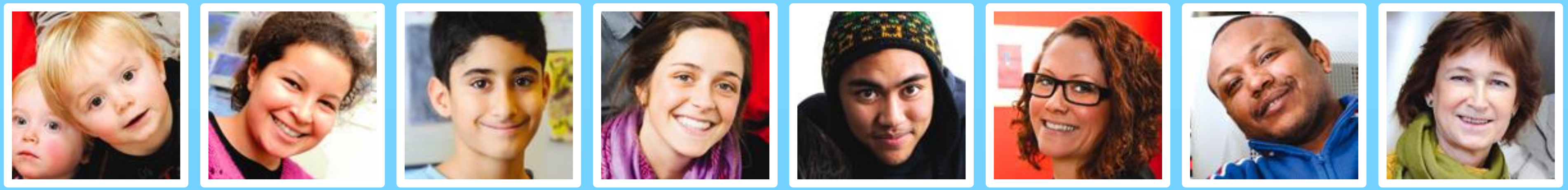

# Interim Report
## July 2016 - March 2017


2017-05-10



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# Today's presenters

**Marcus Strömberg**
*Chief Executive Officer*

With AcadeMedia
since 2005

**Eola Änggård Runsten**
*Chief Financial Officer*

With AcadeMedia
since 2013



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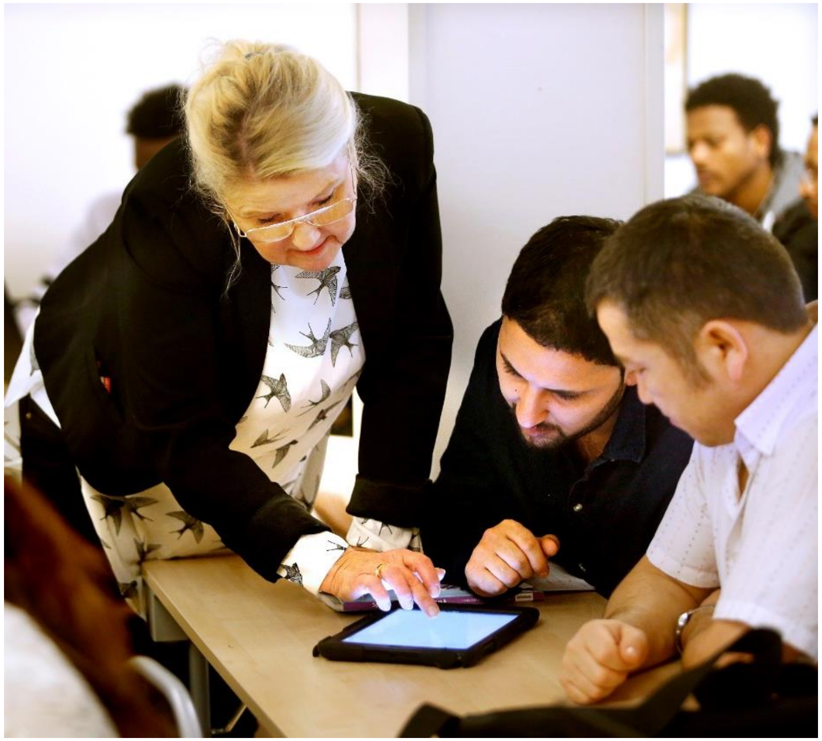
# CEO introduction

- Continued strong volumes in Adult education
- Revenue growth was solid in all three school segments but margins were affected primarily by higher staff costs
- Law on “Equal Terms” should secure fair cost compensation long-term
- Three new preschools were acquired and one new establishment was concluded in Sweden
- Strong interest in new establishments in Upper Secondary Schools segment
- Improved employee satisfaction





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# Employee satisfaction continues to improve

85% are proud of their workplace

The most influential factor in recommending a workplace to others is when employees feel pride.

3 out of 4 believe they have valuable opportunities to develop within their role.

Improved leadership

Leadership efforts in recent years have bolstered our leaders and have led to our managerial index trending positively.
(From 75 in 2013 to 79 in 2017)

566

Schools/units/departments took part in the survey

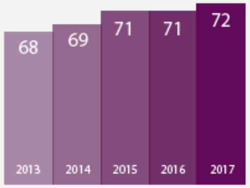
&

6,718

out of 8,629 employees responded anonymously, a response rate of 78%.

Employee satisfaction continues to increase

A consistently high level since 2013.

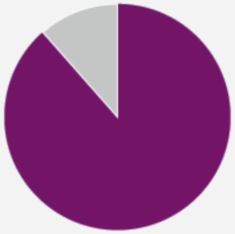



81%

recommend their workplace to others.

85%

of employees have confidence in their manager, with 87% believing their manager is leading them towards increased success.





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# Largest independent education provider in Northern Europe

## Overview

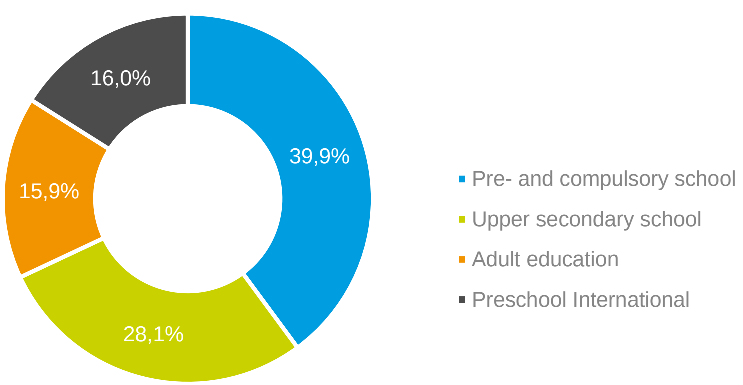
- Largest independent educational services provider in Northern Europe
- Comprehensive educational offering
- Unique quality assurance model – key for sustainable growth
- Multi-brand strategy
- International expansion initiated in 2014 through the acquisition of Espira and continued in 2016 as AcadeMedia entered the German market through its acquisition of Munich based preschool operator Joki

## Geographical presence and selected brands (Q3)

| *Country* | | | | **Total** |
|---|---|---|---|---|
| Students | ~137k[(1)] | ~8,5k | ~0.5k | **~146k[(1)]** |
| FTEs | ~8,0k | ~1.9k | ~0.1k | **~10k** |
| Units | 328 | 92 | 7 | **427** |

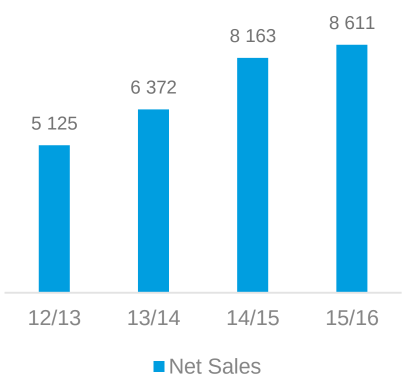
## Financial overview

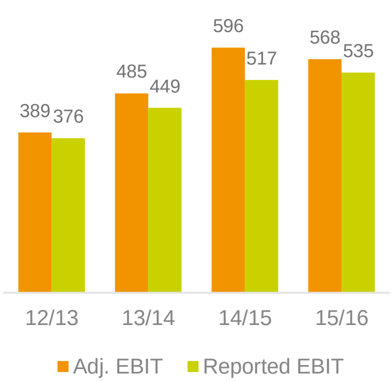
Net Sales Split 15/16²




*SEKm*

Financial Development 12/13-15/16




Note: 1) ~80,000 of which are students within adult education during a specific year, but not necessarily full-year students (due to e.g. shorter courses). 2) Excl. group related revenue of SEK 3 million.



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# Key highlights Q3 2016/17

*Continued strong growth in adult segment*

- Student numbers increased in all segments. Revenue growth was boosted by acquisitions and high volumes in the Adult segment
- Three bolt-on acquisitions and one new establishment was concluded in Sweden
- Adult segment continues the strong trend from previous quarters with a substantial growth in EBIT and an improved EBIT margin
- Margins affected by higher teacher salaries not yet compensated by school vouchers. Higher social security fees and retroactive voucher compensation in last years’ figures also affect comparison with last year

Key figures for Q3 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| # of Students | 66,299 | 63,716 | 4.1% |
| Net Sales | 2,540 | 2,316 | 9.7% |
| EBIT | 195 | 196 | -0.5% |
| EBIT-margin | 7.7% | 8.5% | -0.8 p.p. |
| Adj. EBIT | 197 | 199 | -1.0% |
| Adj. EBIT margin | 7.8% | 8.6% | -0.8 p.p. |
| Earnings after Tax | 132 | 129 | 2.3% |
| Earnings per share [1)] | 1.40 | 1.51 | -7.3% |
| Cash Flow from Operations | 123 | 128 | n/a |

1) Earnings per share before dilution and based on average number of shares during the year.



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# Q3 2016/17 – 12 month rolling figures

- 12 month rolling sales and EBIT are at all time high thanks to volume growth especially in the Adult segment
- Margin improvement is driven by the Adult Education segment whereas the school segments have been negatively impacted by salary inflation
- *NB Comparison between Q3 12-month rolling figures and full year 2015/16.*

Key figures for Q3 R12 2016/17 vs FY 2015/16

| | R12 2016/17 | FY 2015/16 | Change |
|---|---|---|---|
| Net Sales | 9,287 | 8,611 | 7.9% |
| EBIT | 623 | 535 | 16.4% |
| EBIT-margin | 6.7% | 6.2% | 0.5 p.p. |
| Adj. EBIT | 646 | 568 | 13.7% |
| Adj. EBIT margin | 7.0% | 6.6% | 0.4 p.p. |
| Earnings after Tax | 403 | 319 | 26.3% |

# Pre- and Compulsory Schools (Sweden)

*Growth could not compensation for increased staff costs*

Comments for Q3 2016/17

- Overall student numbers increased by 3.5%
- Three preschool acquired and one new establishment
- Revenue growth was 5.4%
- Adjusted EBIT and EBIT-margin were negatively affected by higher personnel costs not yet compensated by voucher size
- Q3 last year included retroactive voucher compensation of SEK 9 million.

Key figures for Q3 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 983 | 933 | 5.4% |
| EBIT | 59 | 79 | -25.3% |
| EBIT-margin | 6.0% | 8.5% | -2.5 p.p. |
| Adj. EBIT | 59 | 79 | -25.3% |
| Adj. EBIT-margin | 6.0% | 8.5% | -2.5 p.p. |
| # of Students | 31,533 | 30,471 | 3.5% |

Comments for the first nine months 2016/17

- Overall student numbers increased by 4.2%
- Two new-establishments and three bolt-on acquisitions of preschools completed
- One further preschool establishment is planned for fall 17/18
- Revenue growth amounted to 7.3%
- Growth could not fully compensate for higher personnel costs and increase of social security fees for young people, resulting in a margin deterioration vs last year.

Key figures for the first nine months 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 2,665 | 2,483 | 7.3% |
| EBIT | 109 | 116 | -6.0% |
| EBIT-margin | 4.1% | 4.7% | -0.6 p.p. |
| Adj. EBIT | 109 | 116 | -6.0% |
| Adj. EBIT-margin | 4.1% | 4.7% | -0.6 p.p. |
| # of Students | 31,033 | 29,793 | 4.2% |

# Upper Secondary Schools (Sweden)

*Increased capacity utilization. Preparing for expansion*

## Comments for Q3 2016/17

- Overall student numbers increased by 2.2%
- Revenues increased by 4.7%
- Increased margin from high capacity utilization was offset by higher personnel costs and to a limited extent by expenses for new establishments in the fall of 2017
- Marketing of up to 7 new establishments for the fall of 2017

## Key figures for Q3 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 671 | 641 | 4.7% |
| EBIT | 60 | 63 | -4.8% |
| EBIT-margin | 8.9% | 9.8% | -0.9 p.p. |
| Adj. EBIT | 60 | 63 | -4.8% |
| Adj. EBIT-margin | 8.9% | 9.8% | -0.9 p.p. |
| # of Students | 25,476 | 24,917 | 2.2% |

## Comments for the first nine months 2016/17

- Overall student numbers increased by 2.2%
- Revenues increased by 4.8%
- Despite increase in sales, margin from high capacity utilization was offset by higher personnel costs and left the margin unchanged
- NB. Three fewer units compared to last year and a further six are in wind-down this year

## Key figures for the first nine months 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 1,851 | 1,766 | 4.8% |
| EBIT | 134 | 128 | 4.7% |
| EBIT-margin | 7.2% | 7.2% | 0.0 p.p. |
| Adj. EBIT | 134 | 128 | 4.7% |
| Adj. EBIT-margin | 7.2% | 7.2% | 0.0 p.p. |
| # of Students | 25,662 | 25,102 | 2.2% |

# Upper Secondary Schools (Sweden)

*New establishment ProCivitas in Stockholm*

- ProCivitas is an academically oriented Upper Secondary School for students with high motivation to study
- With this new establishment, AcadeMedia increases the ProCivitas family to five units, located in Växjö, Malmö, Helsingborg, Lund and Stockholm
- ProCivitas Stockholm plans to admit 90 first year students and interest is high
- The location for the new unit will be in Södermalm together with Vittra and Sjölin Gymnasium

# Upper Secondary Schools (Sweden)

*New establishment Rytmus in Borlänge*

- Rytmus is an academically oriented Upper Secondary School with focus on music
- The new school in Borlänge will be an addition to current Rytmus operations with units in Stockholm, Göteborg, Malmö and Örebro
- The new unit plans to admit approximately 50 first year students and interest is high
- Local celebrity musicians have been engaged in the auditions
- Location is planned to available ready-to-use premises in the middle of Borlänge



Många intresserade av att gå på Rytmus

# Adult Education (Sweden)

## *Continued strong growth as well as margin improvement*

Comments for Q3 2016/17

- Participant volumes were high rendering revenues 14.6% higher than last year
- Margin increase was mainly due to volume increase and last years right-sizing of Eductus operations
- No recurring seasonality in adult segment makes quarter to quarter comparisons less relevant

Key figures for Q3 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 417 | 364 | 14.6% |
| EBIT | 62 | 46 | 34.8% |
| EBIT-margin | 14.9% | 12.6% | 2.3 p.p. |
| Adj. EBIT | 62 | 46 | 34.8% |
| Adj. EBIT-margin | 14.9% | 12.6% | 2.3 p.p. |

Comments for the first nine months 2016/17

- Participant volumes increased rendering revenues 17.8% higher than last year
- Contract portfolio for the first nine months has run at high capacity. Volumes from an interim contract with the City of Stockholm, gave record high sales for the segment
- Increase volumes and last years right-sizing of Eductus operation contributed to improved EBIT

Key figures for the first nine months 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 1 166 | 990 | 17.8% |
| EBIT | 161 | 93 | 73.1% |
| EBIT-margin | 13.8% | 9.4% | 4.4 p.p. |
| Adj. EBIT | 161 | 95 | 69.5% |
| Adj. EBIT-margin | 13.8% | 9.6% | 4.2 p.p. |

# Adult Education (Sweden) Cont.

*Several large and profitable contracts need to be re-tendered*

**Market**

- The market is driven by contract tenders rather than a direct effect of immigration. There is a solid underlying growth in the market.
- The contract tendering process is complex and takes anywhere from three months to over a year.
- In protracted processes there is a risk of volume gaps

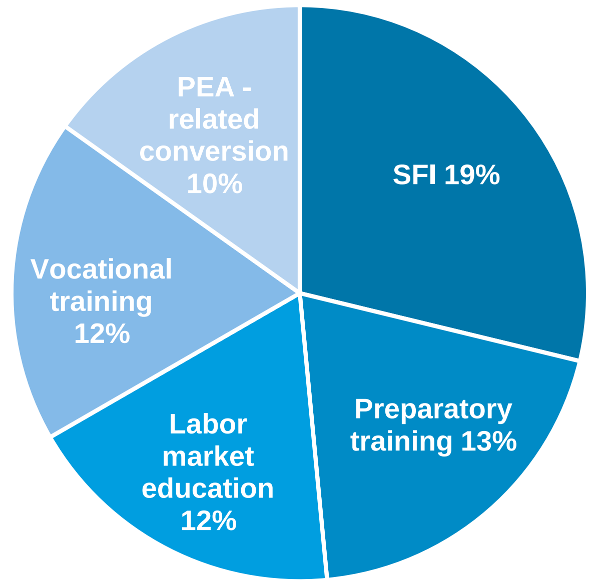
**Contract portfolio**

- More than 300 contracts. However, top-10 account for 70% of volumes
- Margins vary considerably between contracts
- The coming year 2017/18 several large and profitable contracts will expire and volumes re-tendered

**Summary**

- Strong underlying market but complex contract/participant acquisition process
- AcadeMedia is well positioned with several leading brands and a qualitative and attractive offering

Total market Adult Education in Sweden 2015



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# Preschools (International)

*New starts and bolt-on acquisitions provide growth*

Comments for Q3 2016/2017

- Overall child numbers increased by 11.5%
- Revenue growth for third quarter was 23.9%. The increase mainly relates to acquisitions and new establishments in Norway. Currency changes SEK/NOK had a positive impact on sales of SEK 31 million in the quarter compared to last year.
- EBIT improved but margin deteriorated as a result of various cost increases in Norway.

Key figures for Q3 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 466 | 376 | 23.9% |
| EBIT | 30 | 28 | 7.1% |
| EBIT-margin | 6.4% | 7.4% | -1 p.p. |
| Adj. EBIT | 30 | 28 | 7.1% |
| Adj. EBIT-margin | 6.4% | 7.4% | -1 p.p. |
| # of Students | 9,289 | 8,328 | 11.5% |

Comments for the first nine months 2016/17

- Overall student numbers increased by 14.5%
- Three new establishments and two bolt-on preschools acquired, all in Norway
- Revenue growth for first half amounted to 23.6%
    - Norwegian growth mainly due to increasing number of children and an Fx impact on sales, positive SEK 56 million
    - German preschool business was acquired in February 2016
- One new establishment in Norway is planned fall 2017

Key figures for the first nine months 2016/17

| | 2016/17 | 2015/16 | Change |
|---|---|---|---|
| Net Sales | 1,225 | 991 | 23.6% |
| EBIT | 51 | 43 | 18.6% |
| EBIT-margin | 4.2% | 4.3% | -0.1 p.p. |
| Adj. EBIT | 51 | 38 | 34.2% |
| Adj. EBIT-margin | 4.2% | 3.8% | 0.4 p.p. |
| # of Students | 8,997 | 7,859 | 14.5% |

# Preschools (International) Cont.

*Acquisition of Stepke strengthens German platform*

Richtig gute KiTa

## Rationale for deal

- 7 preschools and 3 mobile preschools with a total of 640 children and 200 employees
- Access to new German regions, Nordrhein-Westfahlen and Berlin/Brandenburg
- Strong pipe-line of a further 8 preschools to be started in the next 18 months gives volume growth in Germany
- Strong management team which will add to the local competence

## Summary of deal

- Purchase price (equity) of EUR 8.15 million, of which EUR 3 million in AcadeMedia shares.
- Earn-out of up to EUR 4 million depending on the financial outcome for the calendar years 2018 and 2019.

## Key figures for Q3 2016/17

| | Joki | Stepke | Total |
|---|---|---|---|
| Number of units | 7 | 10 | 17 |
| Number of children | 450 | 640 | 1 100 |
| Sales, EURm | | 6.6 | |



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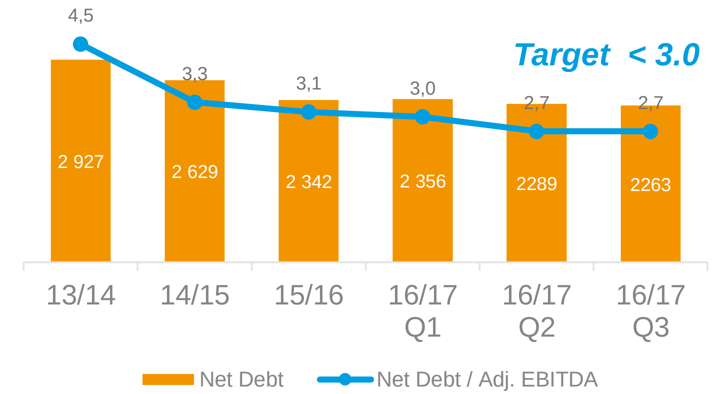
# Financial position

*Improved net debt and leverage ratio below maximum target*

- Capital employed has increased during the last 12 months by SEK 363 million due to growth through acquisitions and building pre-schools in Norway
- Net debt decreased by SEK 350 million which is largely the result of the new issue in connection with the IPO
- Net Debt excluding real estate debt has decreased by SEK 497 million
- Leverage ratio is remains at 2.7x which is below the maximum target of 3.0x.

Net Debt and Net Debt / Adj. EBITDA




Key figures for Q3 2016/17

| | 2016/17 31 Mar | 2015/16 31 Mar | Change |
|---|---|---|---|
| Total Equity | 3,267 | 2,507 | 30.3% |
| Net Debt | 2,263 | 2,613 | -13.4% |
| Adj. Net Debt[1)] | 1,735 | 2,232 | -22.3% |
| Capital Employed | 6,000 | 5,637 | 6.4% |
| Equity Ratio | 42.6 | 34.6 | 8 p.p. |

1) Adjusted Net Debt excludes real estate loans, purpose being to show the amount of net debt required to finance operations

# Seasonality varies between segments

*Q3 shows normal seasonality in school segments*

Quarterly seasonality – Net sales and adj. EBIT 2014/15 - 2016/17


Comments

- School segments continue to show normal annual seasonality
- Fourth quarter of last year was exceptionally strong
- Adult segment is experiencing a strong cycle with now five consecutive good quarters
- Adult segment is volatile and without seasonality making Q-on-Q comparisons less relevant



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# Financial performance according to plan

| | | Financial targets | Q3-R12 (FY15/16) |
|---|---|---|---|
| **Growth** | **5-7%** | • Annual revenue growth rate of 5-7% including organic growth and smaller bolt-on acquisitions but excluding larger strategic acquisitions | **7.9%*** (5.5%) |
| **Profitability** | **7-8%** | • Adj. EBIT margin of 7-8% over time | **7.0%** (6.6%) |
| **Capital structure** | **<3.0x** | • Net debt / adj. EBITDA below 3.0x<br>• Leverage may temporarily, exceed the target level | **2.7x** (3.1x) |
| **Use of free cash flow** | **n.a.** | • Free cash flow primarily be reinvested<br>• Excess cash distributed to the shareholders while still maintaining quality and leverage targets | No dividend |

*Turnover Q3R12 vs FY15/16.

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# Summary of Strategic Priorities

- ✓ Continuous development of offering and quality level to remain the most attractive choice
- ✓ Improved capacity utilization in existing units
- ✓ Establishment of new units and bolt-on acquisitions
- ✓ Further strategic acquisitions possible longer term
- ✓ Build on current platform market for international expansion



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