

Interim Report

July – September 2019

2019-10-23

Change through Education

AcadeMedia AB (publ)
INTERIM REPORT July 2019-September 2019

6.8 percent organic growth
 EBIT excluding effects of IFRS 16 increased 29 percent
 Stable trend in Adult Education segment

AcadeMedia

Today's presenters



Marcus Strömberg

Chief Executive Officer

With AcadeMedia
since 2005



Eola Änggård Runsten

Chief Financial Officer

With AcadeMedia
since 2013



CEO introduction

- 12 new schools, whereof six in Germany
- Organic revenue growth of 6.8% despite some restructuring of Swedish preschool portfolio.
- EBIT improved by 29 percent to 75 MSEK (58) excluding effects of IFRS 16 and EBIT-margin improved to 3.0 (2.5) percent, albeit in a small quarter.
- The Adult Education Segment showed a stable financial result and had several positive events.
- German pre-school operations complete six new establishments in the quarter and are set to double in size within two years.
- IFRS 16 has a major impact on accounting
- AcadeMedia ranks fourth in terms of gender equality among listed companies in Sweden.
- Quality results are good:
 - High client satisfaction in preschools
 - Pass rates in compulsory schools remain above national average
 - Good improvement of pass rates in upper secondary schools










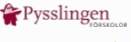





Largest independent education provider in Northern Europe

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 and 2017 as AcadeMedia entered the German market through its acquisition of Munich based preschool operator Joki and through Stepke in Brandenburg and Nordrhein-Westfalen

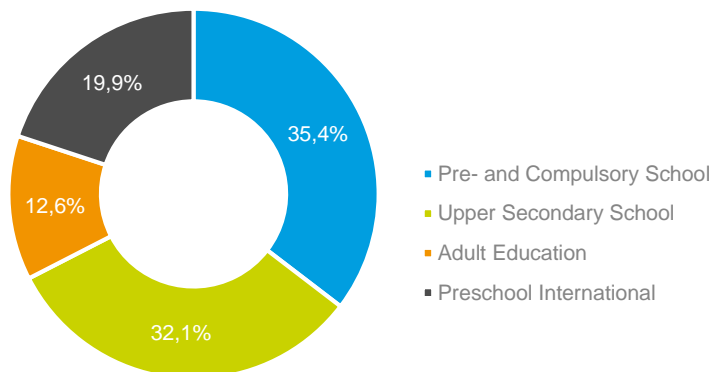
Geographical presence and selected brands 18/19

Country				Total
Students ⁽³⁾	~167.6k ⁽¹⁾	~9.4k	~2.5k	~179.5k ⁽¹⁾
FTEs ⁽³⁾	~9.5k	~2.3k	~0.6k	~12,4k
Units ⁽³⁾	371	100	36	507

 Richtig gute KiTa
 Pysslingen Skolor
 PRAKTISKA Skolor
 VITTRA
 Pysslingen FÖRSKOLA
 joki
 espira
 :rytmus
 Hermods
 eductus

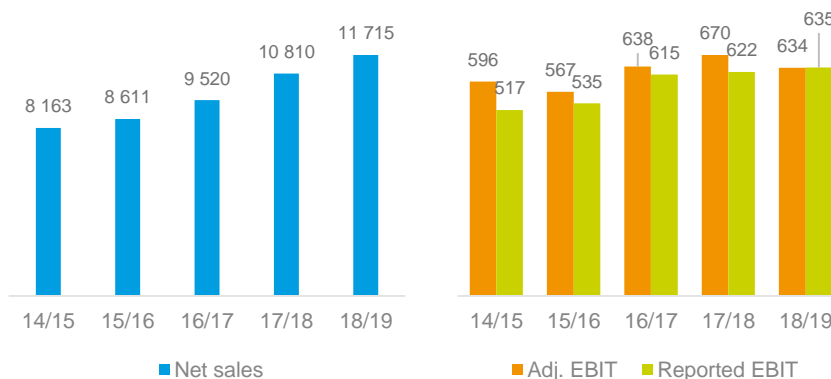
Financial overview

Net sales split 18/19²



SEKm

Financial development 14/15-18/19



Note: 1) ~100,000 of which are students within adult education during a specific year, but not necessarily full-year students (due to shorter courses). 2) Excl. group related revenue of SEK 4 million. 3) year average

IFRS 16 leasing has no commercial impact

- The implementation of IFRS 16 has a large impact on AcadeMedia's financial reporting. This involves recalculating operational leases, primarily leased premises, as if they were debt financed assets on the balance sheet.
- IFRS 16 has impacted the financial reports in that 7,334 MSEK of right-of-use assets have been added to the balance sheet. Consequently 355 MSEK of rental costs have been replaced with 301 MSEK of depreciation and 92 MSEK of interest expense related to leased assets. The impact on net profit in the quarter was -29 MSEK.
- In order to facilitate a like for like comparison, AcadeMedia also shows financials for 2019/20 excluding the effects of IFRS 16 in this interim report.
- IFRS 16 is only reported on group level so the accounting principles of the business segments are unchanged and segment costs include rent for premises.
- Many key ratios are shown excluding the effects of IFRS 16.
- Prior years have not been recalculated.

All figures in this presentation exclude the effects of IFRS 16 in order to better reflect the development of the underlying business.

Key highlights Q1 2019/20

Solid organic growth and stable situation in Adult Education

Comments for Q1 2019/20

- Student numbers grew by 3.4 percent in school segments following strong organic growth including 12 new establishments in the quarter.
- Net sales grew 6.8 percent organically. Adult education also contributed to growth in the quarter.
- EBIT improved 29% to 75 MSEK (58) where adult education and compulsory schools are the main contributors.
- Adjusted EBIT improved to 75 MSEK (52) and adjusted EBIT-margin improved to 3.0 percent (2.2).
- Free cash flow is seasonally weak in Q1 but improved to -122 (-296) mainly due to a better (more normal) working capital development in the quarter.

Key figures for Q1 2019/20, excluding effects of IFRS 16

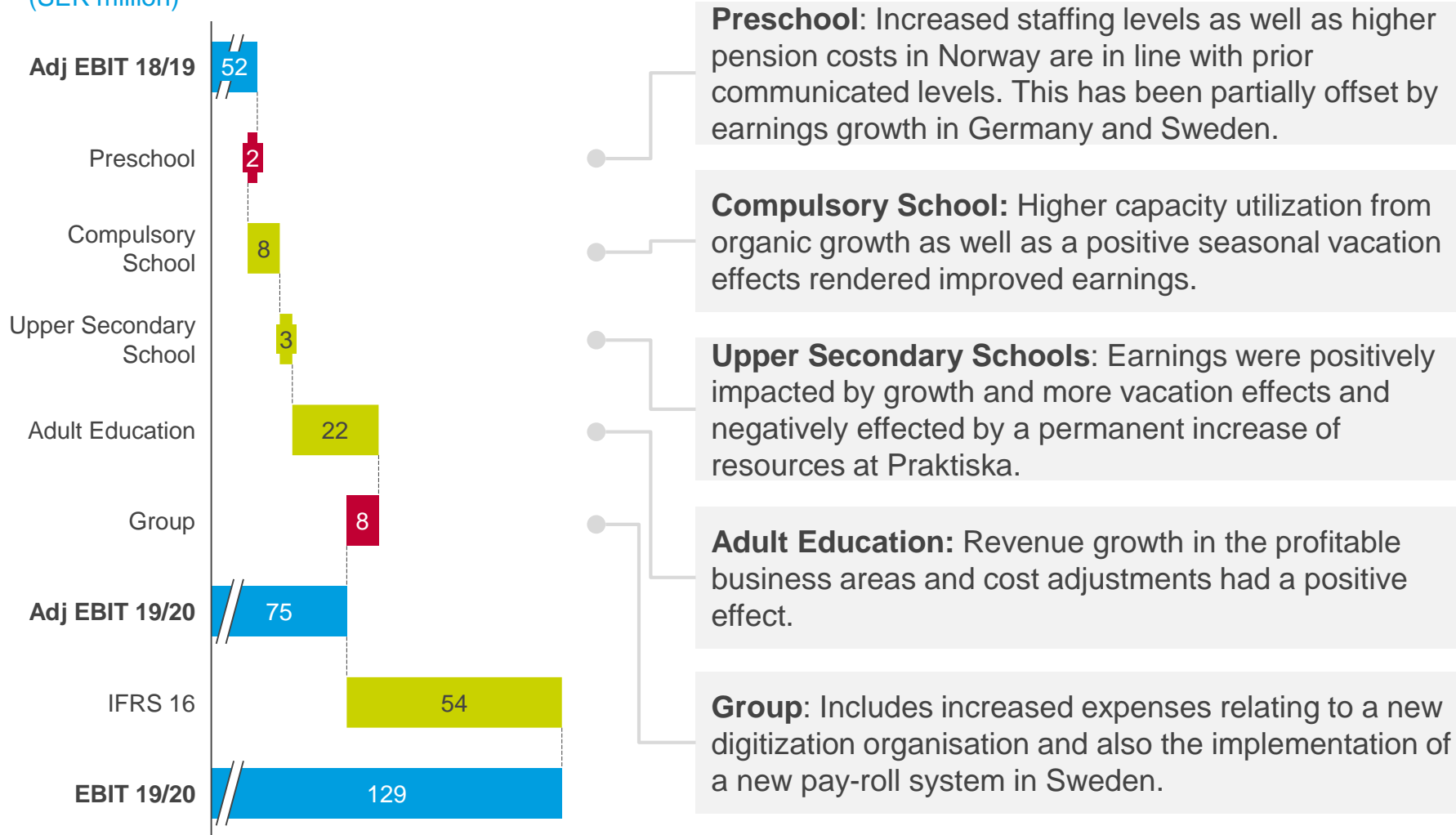
	2019/20	2018/19	Change
# of Students	81,468	78,770	3.4%
Net sales	2,502	2,343	6.8%
EBIT	75	58	29.3%
EBIT-margin	3.0%	2.5%	0.5 p.p.
Adj. EBIT	75	52	44.2%
Adj. EBIT margin	3.0%	2.2%	0.8 p.p.
Earnings after tax	46	31	48.4%
Earnings per share ¹⁾ , SEK	0.43	0.30	45.6%
Free cash flow	-122	-296	-58.8%

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

Key highlights Q1 2019/20 (cont.)

Adult and Compulsory Schools contribute to EBIT improvement

(SEK million)



12 month rolling figures Q1 2019/20

Adult Education recovery improves margins

Comments for 12 month rolling figures

- 12 month rolling net sales is approaching 12 000 MSEK and is continuously at all time high.
- Rolling 12 month EBIT is at 652 MSEK.
- EBIT-margin is rebounding thanks to EBIT improvement in Adult Education.
- *NB Comparison between Q1 12-month rolling figures and full year 2017/18.*

Key figures for Q1 R12 2019/20 vs FY 2018/19

	2019/20 R12	2018/19	Change*
Net sales	11,875	11,715	1.4%
EBIT	652	635	2.7%
EBIT-margin	5.5%	5.4%	0.1 p.p.
Adj. EBIT	656	634	3.5%
Adj. EBIT margin	5.5%	5.4%	0.1 p.p.
Earnings after tax	445	431	3.2%

* Change column refers to only one quarter year's growth

Preschools

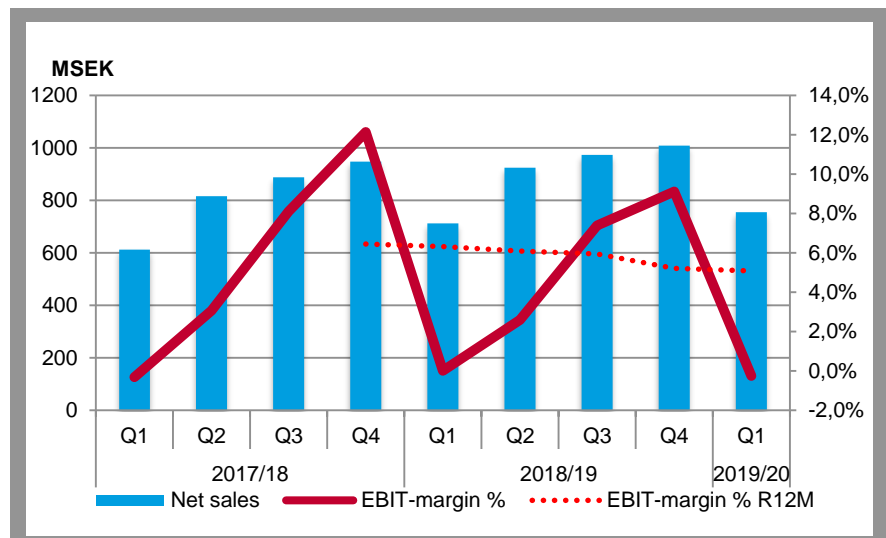
Improvements in Sweden and Germany offset increased staff costs in Norway

Comments for Q1 2019/20

- Segment created 1 July 2019 and includes preschools in Sweden (107 units), Norway (102 units) and Germany (44 units). In total 253 preschools.
- Overall child numbers increased 1.4 percent following the start of eight new units. Adjusted for the 12 divestments/closures in Sweden the organic growth figure was 5.6 percent.
- Sales growth of 6.0 percent mainly from Germany and also Norway.
- Adjustment to Norwegian staffing regulation is on plan and financial effects are so far as indicated.
- New defined contribution pension plan in Norway as of 1 Jan 2020 for 80 percent of staff. Indicative positive effect of around 60 MSEK.
- EBIT-improvement in Sweden and Germany partially offsets negative impact of Norway

Key figures for Q1 2019/20

	2019/20	2018/19	Change
Net sales	755	712	6.0%
EBIT	-2	0	n/a
EBIT-margin	-0.3%	0.0%	-0.3 p.p.
Adj. EBIT	-2	0	n/a
Adj. EBIT-margin	-0.3%	0.0%	-0.3 p.p.
# of children	20,015	19,741	1.4%



Compulsory Schools

Strong organic growth renders improved margins

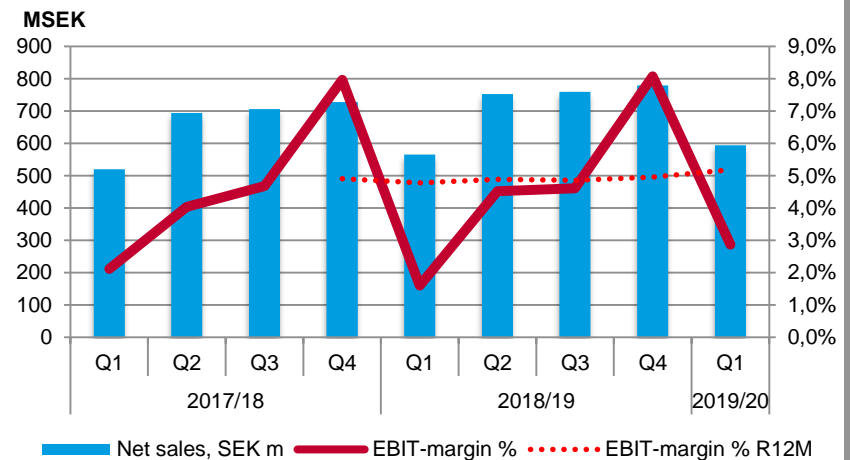
Comments for Q1 2019/20

- Segment created July 1st, 2019 and comprises 108 compulsory schools in Sweden under two brands.
- Number of students increased by 3.0 percent, in existing units entirely organically.
- Sales growth of 5.1 percent as a result of volumes and annual voucher revisions.
- Adjusted EBIT and adjusted EBIT-margin improved albeit in a small quarter. Key reason is volume growth in existing schools rendering improved capacity utilization. The first quarter was positively impacted by vacation effects compared to last year amounting to about SEK 5 million, which is expected to be evened out for the full year.
- EBIT-margin on a rolling 12-month basis has improved.



Key figures for Q1 2019/20

	2019/20	2018/19	Change
Net sales	594	565	5.1%
EBIT	17	9	88.9%
EBIT-margin	2.9%	1.6%	1.3 p.p.
Adj. EBIT	17	9	88.9%
Adj. EBIT-margin	2.9%	1.6%	1.3 p.p.
# of Students	24,689	23,964	3.0%



Upper Secondary Schools

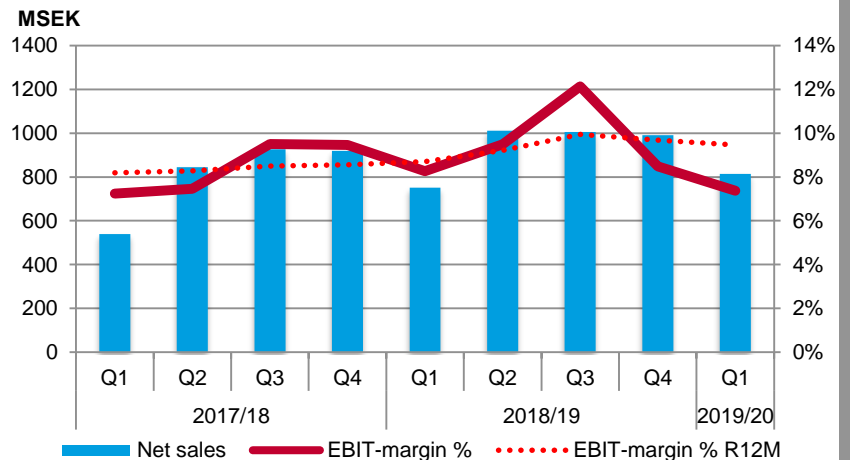
Strong growth and stable earnings

Comments for Q1 2019/20

- Four new schools started autumn of 2019. New establishments in 2018 and 2017 also contribute to volume growth which amounted to 4.8 percent.
- Revenues increase 8.5 percent.
- While adjusted EBIT improved to 60 MSEK (56) the margin decreased somewhat in the quarter.
- Earnings were impacted by costs to safeguard quality in the Praktiska schools as communicated. There is also a positive effect of vacation amounting to around 5 MSEK in the quarter.

Key figures for Q1 2019/20

	2019/20	2018/19	Change
Net sales	814	750	8.5%
EBIT	60	62	-3.2%
EBIT-margin	7.4%	8.3%	-0.9 p.p.
Adj. EBIT	60	56	7.1%
Adj. EBIT-margin	7.4%	7.5%	-0.1 p.p.
# of Students	36,764	35,065	4.8%



PRAKTISKA
Gymnasiet

LBS KREATIVA
GYMNASIET

D DIDAKTUS
GYMNASIUM



RH
INTERNATIONELLA
HOTELL- OCH RESTAURANGSKOLAN

IT
HAGSTRÖMSKA GYMNASIET

VITTRA



NTI GYMNASIET

:rytmus
MAKE | MUSIC | LIVE

KLARA
TEORETISKA GYMNASIUM



DROTTNING BLANKAS
GYMNASIESKOLA

FRAMTIDSGYMNASIET

Adult Education (Sweden)

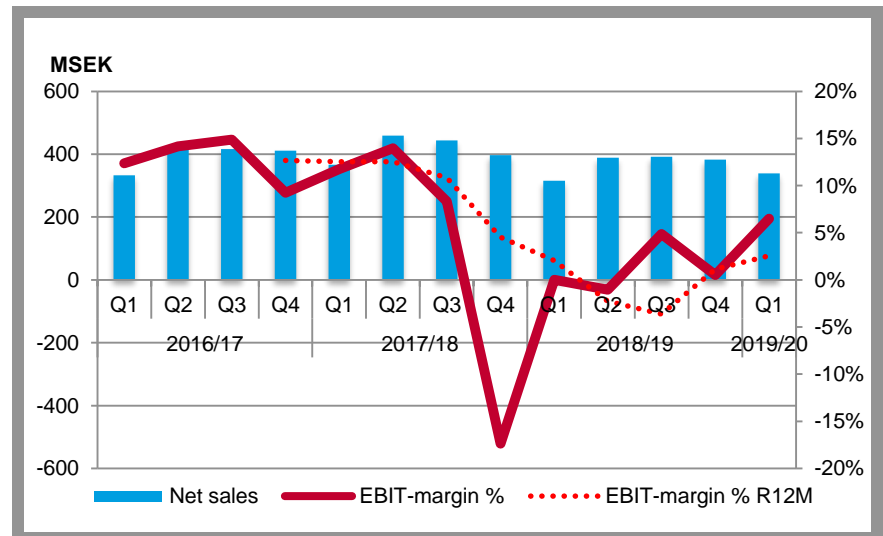
Recovery is ongoing and margin trend is positive

Comments for Q1 2019/20

- Net sales increased by 7.6 percent in the quarter.
- Sales breakdown (percentage of segment):
 - municipal education 63 percent (61)
 - higher vocational training 24 percent (19)
 - public employment agency 12 percent (18)
- 30 percent more students in higher vocational training.
- EBIT and EBIT-margin improved compared to last year.
- On a 12-month rolling basis the margin continues to improve
- The ongoing work to reduce costs in the public employment related business has been effective.
- Contracts for Gothenburg and Stockholm have been extended until next summer.

Key figures for Q1 2019/20

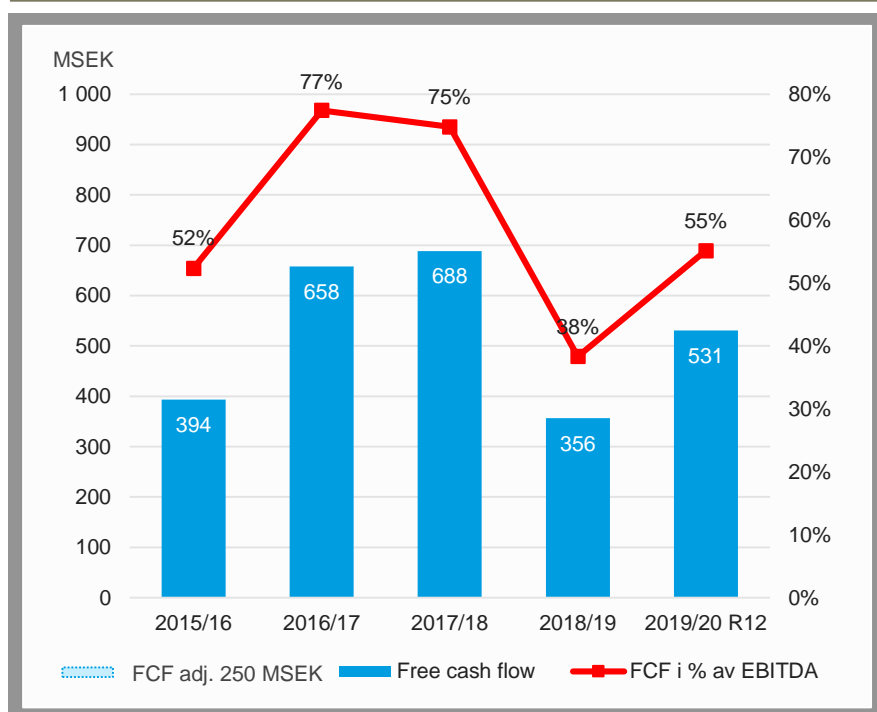
	2019/20	2018/19	Change
Net sales	339	315	7.6%
EBIT	22	0	n/a
EBIT-margin	6.5%	0.0%	6.5 p.p.
Adj. EBIT	22	0	n/a
Adj. EBIT-margin	6.5%	0.0%	6.5 p.p.



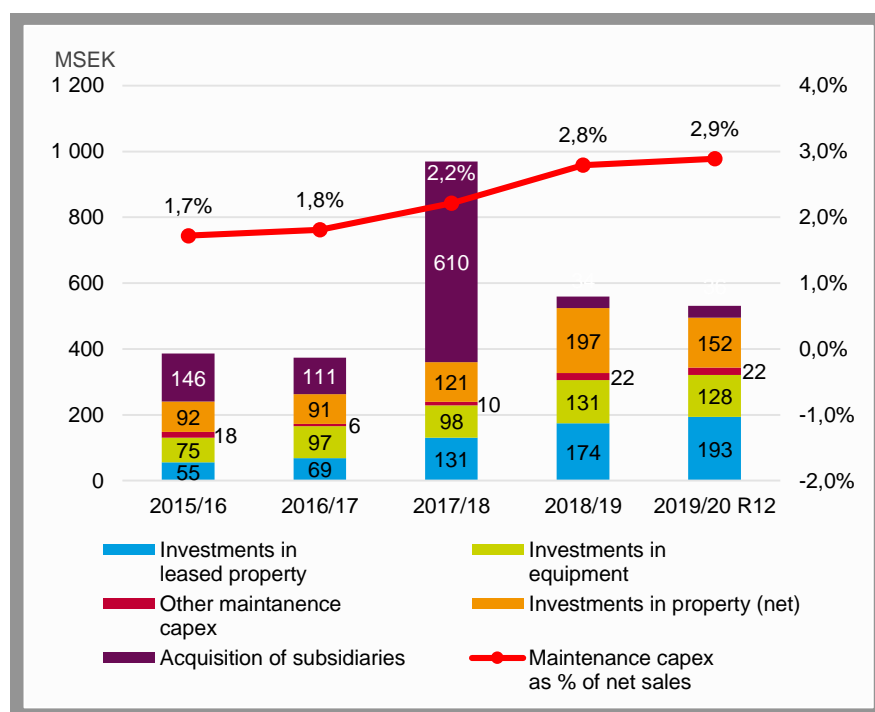
Free cash flow and investments

Strong free cash-flow can fund investments in current operations and growth

FCF as % of adj. EBITDA



Capex and Maintenance capex as % of net sales



- AcadeMedia has a strong Free cash-flow.
- Swings between years is largely affected by changes in net working capital. Eg, Free cash-flow for 2017/18 and 2018/19 were distorted by an unusually strong net working capital at the end of June 2018. The effect is around 250 MSEK.

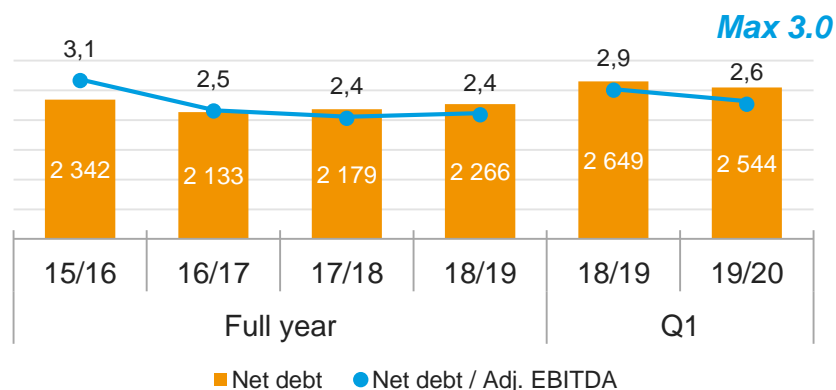
- Capex in current operations ("maintenance capex") has increased to around 3 percent of sales due to organic growth and increased investments in leased property.
- Growth capex can largely be funded by Free cash-flow except for large acquisitions.

Financial position

Financial position continues to improve. IFRS 16 has large impact

- Cash flow is negative at the beginning of the school year, which is a normal seasonal effect mainly related to working capital. Net is lower than first quarter last year (2 649) albeit higher than at the end of last year.
- Leverage ratio was 2.6x (2.9), which is an improvement compared to last year and well below AcadeMedia's financial target of maximum 3.0x.
- Debt related to right-of-use assets has been included as of 2019/20 with 7 372 MSEK (0).
- Book value of property in Norway and Germany is 1 148 MSEK (1 005)

Net debt and Net debt / Adj. EBITDA



Key figures for Q1 2019/20

	2019/20 30 Sep	2018/19 30 SEP	Change
Total equity	4,634	4,249	9.1%
Net debt	2,544	2,649	-4.0%
Adj. net debt ¹⁾	1,780	2,012	-11.5%
Property (BV)	1,148	1,005	14.2%
Lease liabilities	7,372	-	-

Financial performance vs targets

Performance largely in line with targets. Margin improving

Financial targets are unchanged

Q1/R12M
(FY 18/19)

Growth	5-7%	<ul style="list-style-type: none"> Annual revenue growth rate of 5-7% including organic growth and smaller bolt-on acquisitions but excluding larger strategic acquisitions and FX 	5.2%¹ (4.4%)
Profitability	7-8%	<ul style="list-style-type: none"> Adj. EBIT margin of 7-8% over time 	5.5% (5.4%)
Capital structure²	<3.0x	<ul style="list-style-type: none"> Net debt / adj. EBITDA below 3.0x Leverage may temporarily, exceed the maximum level 	2.6x (2.4x)
Use of free cash flow	n.a.	<ul style="list-style-type: none"> Free cash flow primarily to be reinvested Excess cash distributed to the shareholders while still maintaining quality and leverage targets 	1.25 SEK/ share (0)

¹ Q1R12 19/20 vs Q1R12 FY18/19

² Defined excluding effects of IFRS 16

Katarina Wilson

CFO as of 1 November 2019



Thank you,
questions?



This presentation may contain forward-looking statements which reflect AcadeMedia’s current view on future events and financial and operational development, and the current expectations of the AcadeMedia Group’s management. Forward-looking statements are all statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as “believes”, “estimates”, “anticipates”, “expects”, “assumes”, “forecasts”, “intends”, “could”, “will”, “should”, “would”, “according to estimates”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “to the knowledge of” or similar expressions, which are intended to identify a statement as forward-looking. Although the management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Forward-looking statements are subject to risks, uncertainties, and other factors which may entail that the actual results may differ materially from what is stated in the forward-looking information.