

Interim Report

July - December 2018

2019-01-31



Today's presenters



Marcus Strömberg

Chief Executive Officer

With AcadeMedia
since 2005



Eola Änggård Runsten

Chief Financial Officer

With AcadeMedia
since 2013



CEO introduction

- First half year includes both progress and headwind
- Good growth in the school segments. Especially the Upper Secondary School Segment had a very strong development and is set for further growth.
- Vindora has been a financially successful acquisition.
- The Adult Education Segment continues to battle tough market conditions in the employment training market. Due to loss making contracts an expense of SEK 15 MSEK has been taken. However, other parts of adult education are outperforming last year.
- A new government was approved in January following a broad political agreement, which included a positive view on independent 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

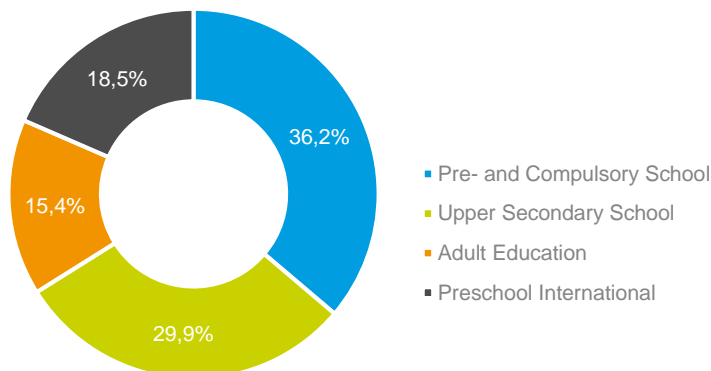
Geographical presence and selected brands 17/18

Country				Total
Students ⁽³⁾	~162.7k ⁽¹⁾	~9.2k	~1.5k	~178.8k ⁽¹⁾
FTEs ⁽³⁾	~9.3k	~2.2k	~0.4k	~11,9k
Units ⁽³⁾	362	100	23	505



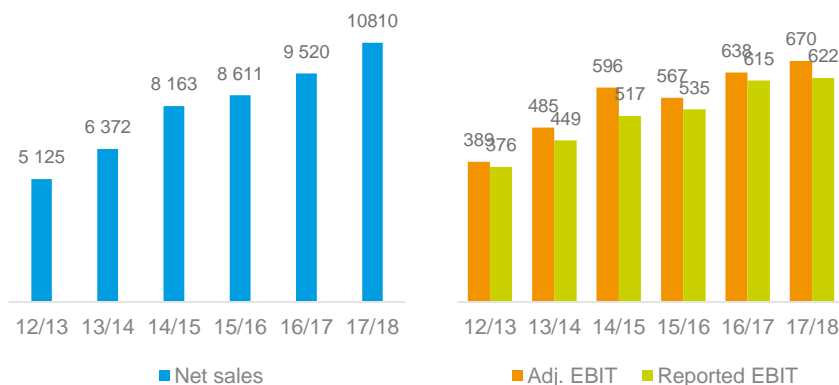
Financial overview

Net sales split 17/18²



SEKm

Financial development 12/13-17/18



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

Key highlights Q2 2018/19

Very good growth in Upper Secondary School Segment

Comments for Q2 2018/19

- Student numbers grew with 8.8 percent in school segments.
- Growth in net sales showed a solid organic growth of 4.5 percent despite the decline in adult education and was further boosted by strategic acquisitions.
- Adjusted EBIT was stable or improved in all school segments, but declined heavily in adult education rendering a total EBIT drop of SEK 28 million compared to last year.
- Cash flow from operations was SEK 92 million higher in Q2 this year compared to last. This was primarily an effect of a positive net working capital development.

Key figures for Q2 2018/19

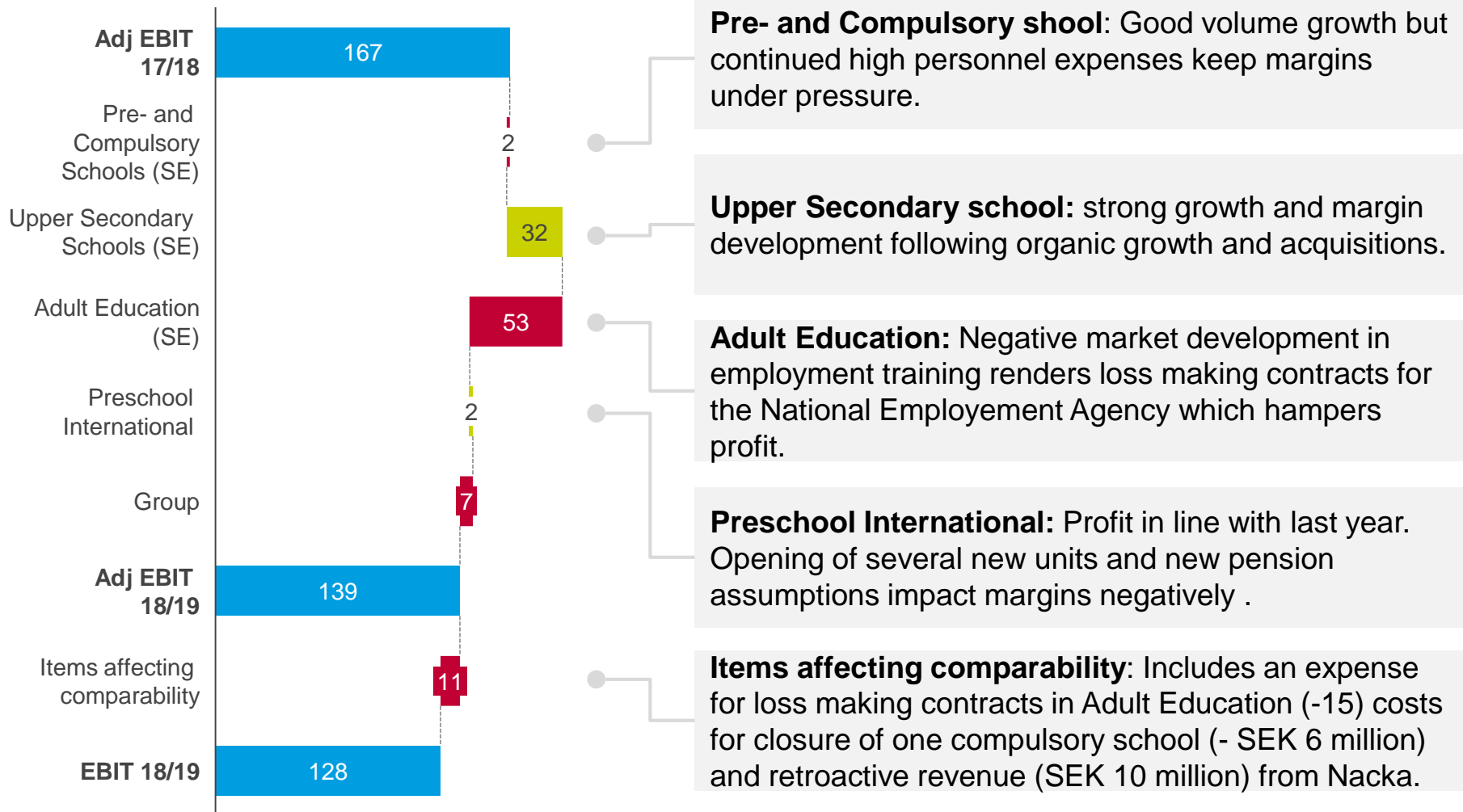
	2018/19	2017/18	Change
# of Students	79,335	72,945	8.8%
Net sales	3 076	2 813	9.3%
EBIT	128	166	-22.9%
EBIT-margin	4.2%	5.9%	-1.7 p.p.
Adj. EBIT	139	167	-16.8%
Adj. EBIT margin	4.5%	5.9%	-1.4 p.p.
Earnings after tax	79	116	-31.9%
Earnings per share ¹⁾ , SEK	0.75	1.22	-38.2%
Cash flow from operations	348	257	35.1%

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

Key highlights Q2 2018/19 (cont.)

Adult Education key component in EBIT decline

(SEK million)



12 month rolling figures Q2 2018/19

Strong growth. Earnings and margins decline due to Adult

Comments for 12 month rolling figures

- 12 month rolling net sales are still at all time high thanks to acquisitions and volume growth. The Upper Secondary School Segment is the main growth contributor.
- However, the earnings and margins are affected by the decline in Adult Education Segment.
- *NB Comparison between Q2 12-month rolling figures and full year 2017/18.*

Key figures for Q2 R12 2018/19 vs FY 2017/18

	2018/19 R12	2017/18	Change
Net sales	11,378	10,810	5.3%
EBIT	561	622	-9.8%
EBIT-margin	4.9%	5.8%	-0.9 p.p.
Adj. EBIT	613	670	-8.5%
Adj. EBIT margin	5.4%	6.2%	-0.8 p.p.
Earnings after tax	373	430	-13.3%

Pre- and Compulsory Schools (Sweden)

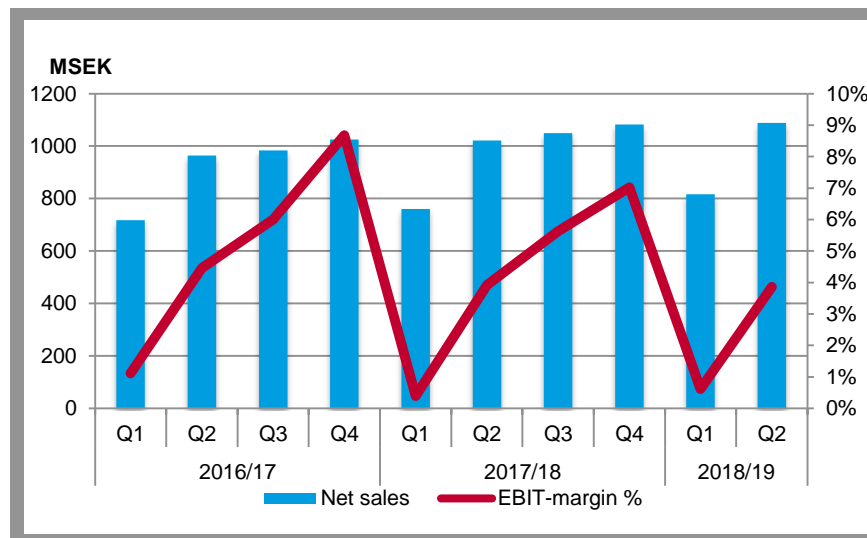
Stable development

Comments for Q2 2018/19

- Good growth in net sales, as result of volume increases and annual voucher revisions.
- Overall child numbers increased 3.2%.
- EBIT-margin in line with last year.
- Wage inflation has subsided somewhat. Turn-around units still require substantial resources.
- The period is affected by two items affecting comparability, net SEK +4 million
 - Restructuring expense of 6 MSEK following the decision to close one unit.
 - Retroactive revenue from municipality of Nacka of SEK 10 million.
- Overview of pre-school unit portfolio ongoing.

Key figures for Q2 2018/19

	2018/19	2017/18	Change
Net sales	1,088	1,021	6.6%
EBIT	42	40	5.0%
EBIT-margin	3.9%	3.9%	0 p.p.
Adj. EBIT	38	40	-5.0%
Adj. EBIT-margin	3.5%	3.9%	-0.4 p.p.
# of Students	32,751	31,727	3.2%



Upper Secondary Schools (Sweden)

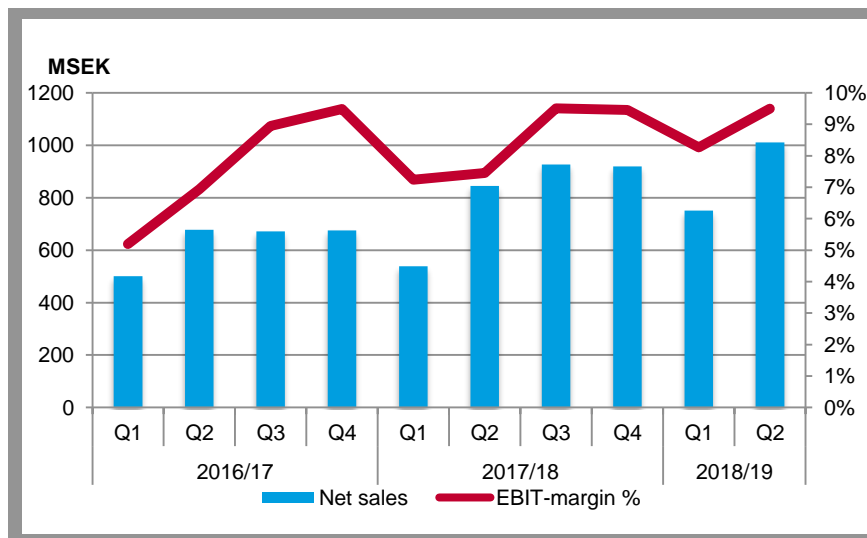
Strong growth and margin improvement

Comments for Q2 2018/19

- Student numbers increased by almost 13 percent.
- Net sales increased by 20 percent compared to the same quarter last year.
- New establishments in 2018 and 2017 as well as Vindora acquisition (nov 2017) were growth drivers.
- Adjusted EBIT-margin increased by 2.0 percentage points in the quarter.
- The Schools Inspectorate will conduct a number of planned audits of the Praktiska schools.

Key figures for Q2 2018/19

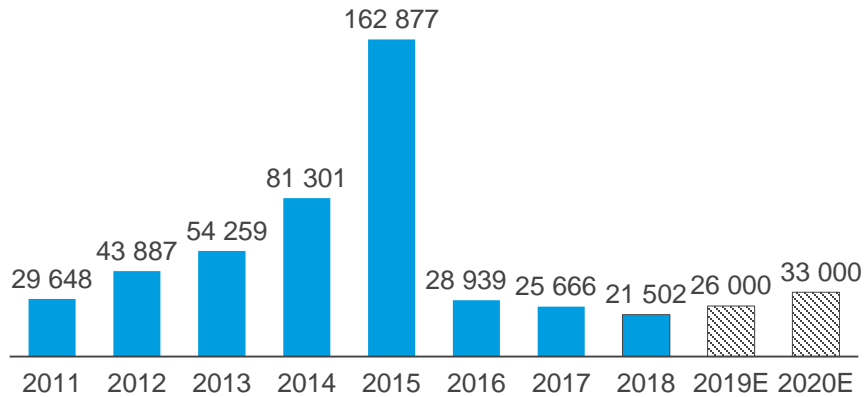
	2018/19	2017/18	Change
Net sales	1,011	845	19.6%
EBIT	96	63	52.4%
EBIT-margin	9.5%	7.5%	2 p.p.
Adj. EBIT	96	64	50.0%
Adj. EBIT-margin	9.5%	7.6%	1.9 p.p.
# of Students	34,873	30,928	12.8%



Adult Education (SE) – Market development

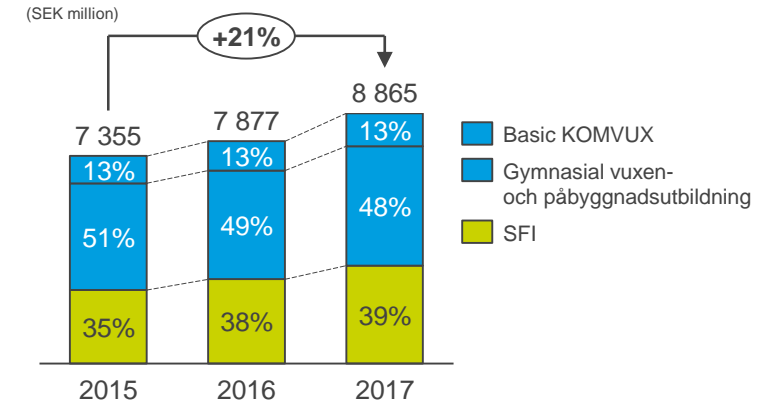
Demand is shifting as labour market needs are changing

Number of asylum seekers* 2011-2019



Source: SCB and Swedish migration agency – forecast November 2018
*) Excluding Family immigration

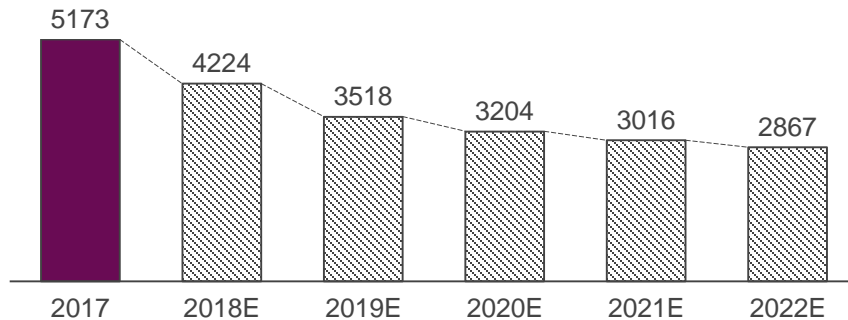
Komvux including SFI – funds paid out



Source: SCB

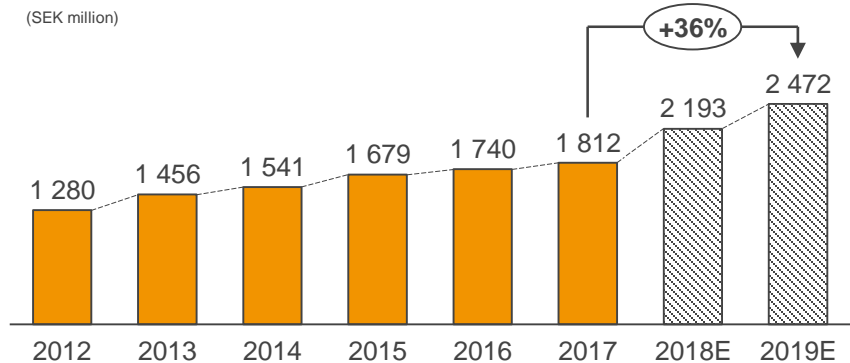
Swedish Public Employment Agency

Purchased services and education (SEK million)



Source: Swedish public employment agency, forecast January 2019

Higher Vocational Education – funds paid out



Source: Swedish National Agency for Higher Vocational Education, forecast is found in "Regleringsbrev"

Adult Education (Sweden)

Mixed development where employment training has negative market

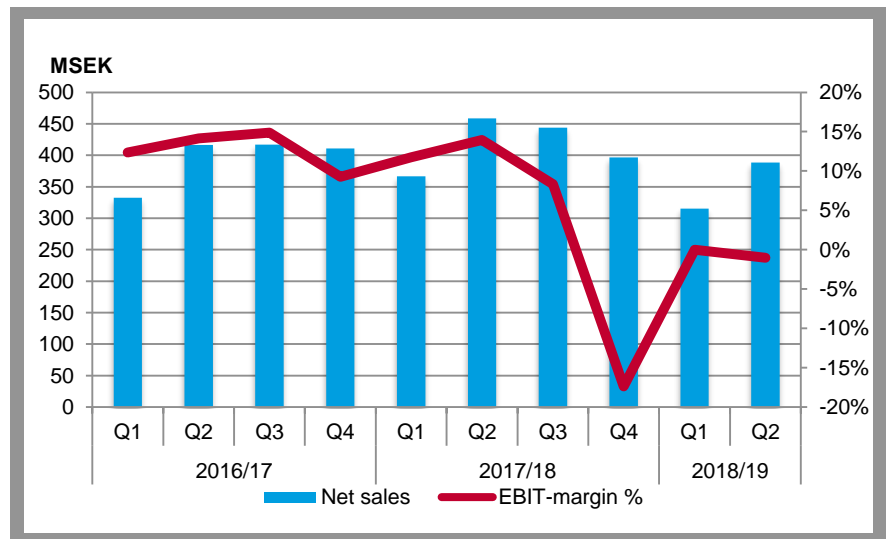
Comments for Q2 2018/19

- While the municipal training and higher vocational training are doing well the employment training procured by the National Employment Agency is in decline.
- Net sales decreased by 15.5% and adjusted EBIT and adjusted EBIT-margin declined substantially compared to last year.
- Two key contracts, Vocational Swedish and Vocational and Preparatory Modules, are lossmaking due to considerably lower volumes that planned in conjunction with contractual obligations regarding staff and local presence.
- A strong labor market in combination with uncertain political conditions for the National Employment Agency makes it difficult to predict when the market will stabilize.
- An expense relating to future losses of SEK 15 MSEK has therefore been taken in the quarter.



Key figures for Q2 2018/19

	2018/19	2017/18	Change
Net sales	388	459	-15.5%
EBIT	-4	64	-106.3%
EBIT-margin	-1.0%	13.9%	-14.9 p.p.
Adj. EBIT	11	64	-82.8%
Adj. EBIT-margin	2.8%	13.9%	-11.1 p.p.



Preschool International

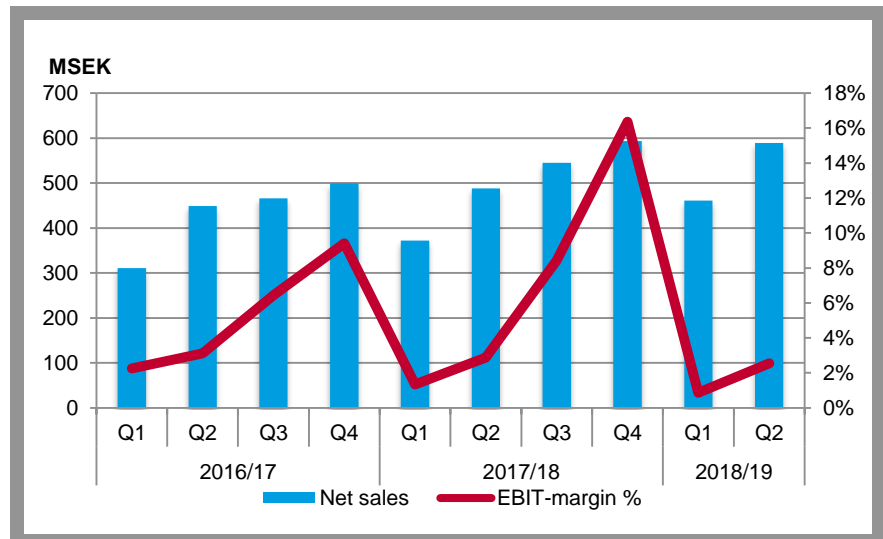
Good volume growth but margins are affected by high expansion rate

Comments for Q2 2018/19

- The number of children increased by 13.8%, mainly driven by organic growth, 8.6%.
- Net sales increased by 20.7%, of which 11.4 percent organic growth. Acquisitions and a favorable exchange rate development also contributed positively, 3.9 percent and 5.4 percent respectively.
- Slight EBIT and margin decline due to the high expansion rate as well as higher pension costs in Norway.

Key figures for Q2 2018/19

	2018/19	2017/18	Change
Net sales	589	488	20.7%
EBIT	15	14	7.1%
EBIT-margin	2.5%	2.9%	-0.4 p.p.
Adj. EBIT	15	14	7.1%
Adj. EBIT-margin	2.5%	2.9%	-0.4 p.p.
# of children	11,711	10,290	13.8%

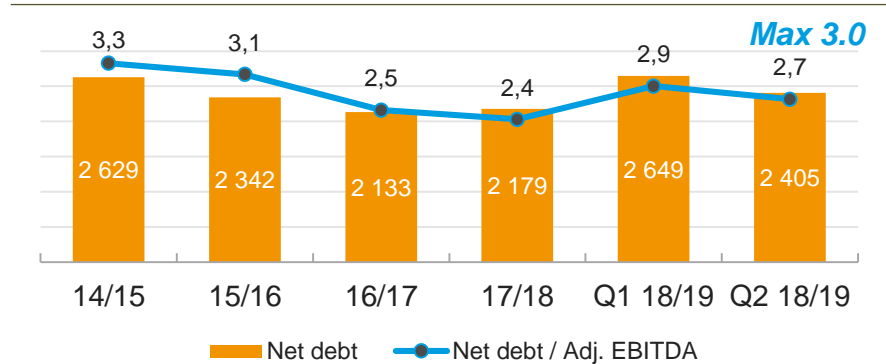


Financial position

Improved financial position versus last quarter

- Net working capital developed positively in the second quarter compared to the first quarter 2018/19. This had a positive impact on cash flow, net debt and leverage ratio.
- Capital employed increased with SEK 206 million due to investments.
- Equity/asset ratio improved to 45.6% (45.0).
- Net debt is somewhat higher than last year.
- Leverage ratio improved from the prior quarter but is slightly above the same period last year 2.7x (2.6). Current level is below AcadeMedia's financial target of maximum 3.0x.

Net debt and Net debt / Adj. EBITDA



Key figures for Q2 2018/19

	2018/19 31 Dec	2017/18 31 Dec	Change
Total equity	4,262	3,997	6.6%
Net debt	2,405	2,342	2.7%
Adj. net debt ¹⁾	1,770	1,750	1.1%
Capital employed	7,072	6,866	3.0%
Equity ratio	45.6%	45.0%	0.6 p.p.

Financial performance vs targets

Financial targets

Q2/R12M
(FY 17/18)

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 	4.5%* (5.8%)
Profitability	7-8%	<ul style="list-style-type: none"> Adj. EBIT margin of 7-8% over time 	5.4%* (6.2%)
Capital structure	<3.0x	<ul style="list-style-type: none"> Net debt / adj. EBITDA below 3.0x Leverage may temporarily, exceed the maximum level 	2.7x (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 	No dividend proposed

* Q2R12 vs FY17/18

Thank you – Any questions?

