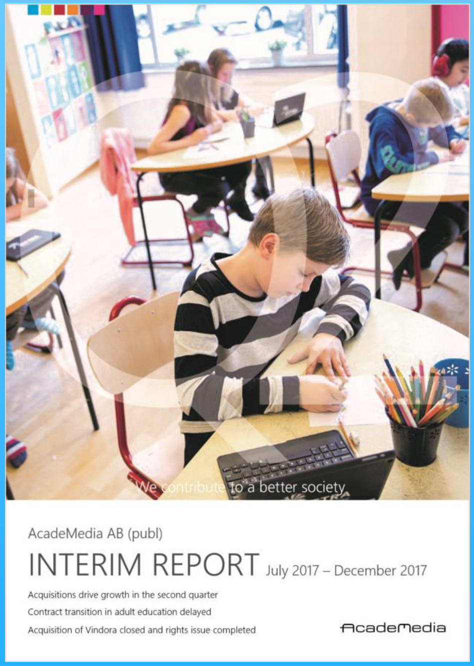
       

Interim Report
July - December 2017

2018-02-01



AcadeMedia

Today's presenters

Marcus Strömberg
Chief Executive Officer

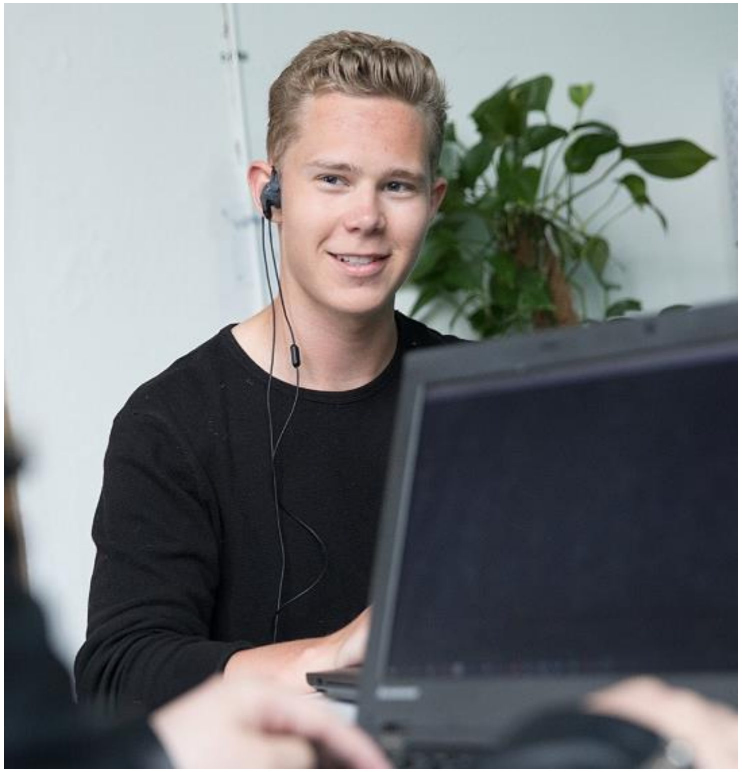
With AcadeMedia since 2005

Eola Änggård Runsten
Chief Financial Officer

With AcadeMedia since 2013

CEO introduction

- Strong net sales and profit growth in the second quarter
- Student numbers up 11.1 percent
- Acquisition of Vindora closed
- Contract transition in adult education delayed
- Rights issue oversubscribed and completed



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Largest independent education provider in Northern Europe

Overview

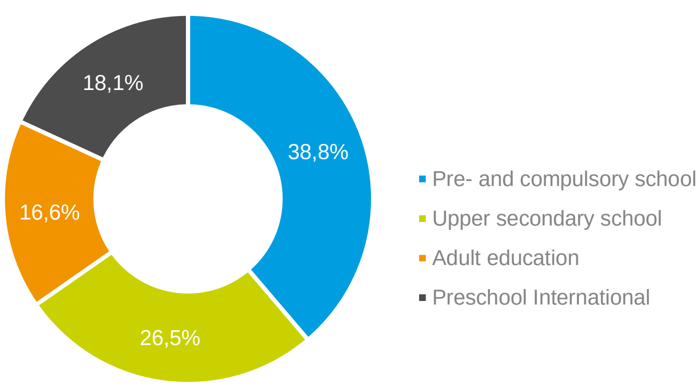
- Largest independent educational services provider in Northern Europe
- Comprehensive educational offering
- Unique quality assurance model – key for sustainable growth
- Multi-brand strategy
- International expansion initiated in 2014 through the acquisition of Espira and continued in 2016 and 2017 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 (Q2)

Country				**Total**
Students	~162.7k[(1)]	~9.0k	~1.3k	**~172.9k[(1)]**
FTEs	~9.3k	~2.1k	~0.4k	**~11.8k**
Units	370	100	19	**489**

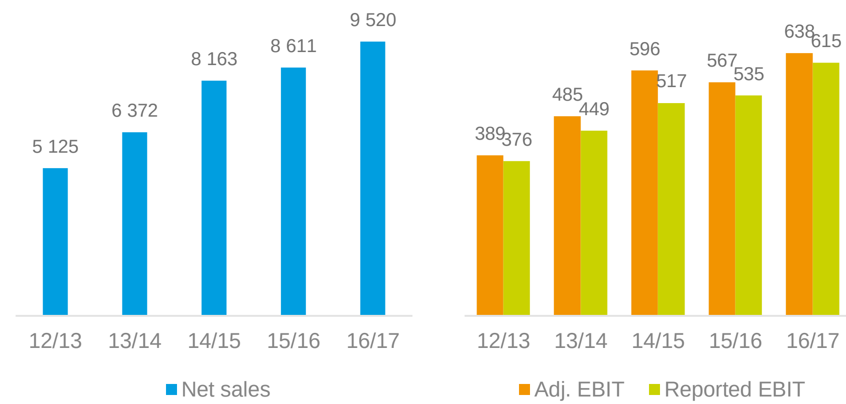
Financial overview

Net sales split 16/17[2]



SEKm

Financial development 12/13-16/17



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.

Key highlights Q2 2017/18

Acquisition of Vindora boosts revenue growth and earnings

Comments for Q2 2017/18

- Student numbers increased in all segments.
- Growth in net sales was boosted by acquisitions (mainly Vindora) but also from bolt-on acquisitions, new units as well as high volumes in the Adult education segment. FX had a negative impact on net sales of SEK 21 million in the quarter.
- Seven preschools were acquired and one new opened. Vindora acquisition included 36 upper secondary schools.
- EBIT increased by SEK 25 million (16,9%) compared to the same period last year, largely explained by the acquisition of Vindora (SEK 21 million).

Key figures for Q2 2017/18

	2017/18	**2016/17**	**Change**
# of Students	72,945	65,633	11.1%
Net sales	2,813	2,508	12.2%
EBIT	166	142	16.9%
EBIT-margin	5.9%	5.7%	0.2 p.p.
Adj. EBIT	167	142	17.6%
Adj. EBIT margin	5.9%	5.7%	0.2 p.p.
Earnings after tax	116	89	30.3%
Earnings per share [1], SEK	1.22	0.95	28.4%
Cash flow from operations	257	260	n/a

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

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Key highlights July-December 2017/18

Acquisitions drive growth

Comments for July to December 2017/18

- Student numbers increased in all segments.
- Growth in net sales was boosted by acquisitions (mainly Vindora) but also from new establishments as well as high volumes in the Adult education segment.
- High activity with several acquisitions and opening of new entities. The number of units grew by 39 (net) in the upper secondary segment, 7 in international preschool, and -1 (net) in the pre- and compulsory school segment.
- EBIT increased by SEK 37 million (17.1%) compared to the same period last year explained by Vindora (SEK 21 million).

Key figures for July to December 2017/18

	2017/18	2016/17	Change
# of Students	70,522	65,388	7.9%
Net sales	4,850	4,370	11.0%
EBIT	246	210	17.1%
EBIT-margin	5.1%	4.8%	0.3 p.p.
Adj. EBIT	249	211	18.0%
Adj. EBIT margin	5.1%	4.8%	0.3 p.p.
Earnings after Tax	168	130	29.2%
Earnings per share [1], SEK	1.76	1.38	27.5%
Cash Flow from Operations	399	391	n/a

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

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12 month rolling figures Q2 2017/18

Acquisitions push net sales to SEK 10,000 million

Comments for 12 month rolling figures

- 12 month rolling net sales and EBIT are at all time high thanks to acquisitions, volume growth and four strong quarters in the adult segment.
- *NB Comparison between Q2 12-month rolling figures and full year 2016/17.*

Key figures for Q2 R12 2017/18 vs FY 2016/17

	2017/18 R12	**2016/17**	**Change**
Net sales	10,000	9,520	5.0%
EBIT	652	615	6.0%
EBIT-margin	6.5%	6.5%	0.0 p.p.
Adj. EBIT	676	638	6.0%
Adj. EBIT margin	6.8%	6.7%	0.1 p.p.
Earnings after tax	453	416	8.9%

Pre- and Compulsory Schools (Sweden)

Margins under pressure but growth maintained

Comments for Q2 2017/18

- One compulsory school and two preschools with approximately 700 children were acquired in the second quarter.
- Overall student numbers increased by 2.5%.
- Net sales grew by 5.9 % also as a result of annual voucher adjustments.
- EBIT-margin was 0.6 percentage points lower mainly due to higher personnel costs, not yet compensated by school vouchers.

Key figures for Q2 2017/18

	2017/18	2016/17	Change
Net sales	1,021	964	5.9%
EBIT	40	43	-7.0%
EBIT-margin	3.9%	4.5%	-0.6 p.p.
Adj. EBIT	40	43	-7.0%
Adj. EBIT-margin	3.9%	4.5%	-0.6 p.p.
# of Students	31,727	30,951	2.5%

Comments for H1 2017/18

- Three units were closed or divested in the beginning of the period and three units were acquired in the period.
- Overall student numbers increased by 2.1%.
- Net sales increased with 5.9%.
- EBIT-margin was 0.6 percentage points lower mainly due to higher personnel costs.

Key figures for H1 2017/18

	2016/17	2015/16	Change
Net sales	1,781	1,682	5.9%
EBIT	43	50	-14.0%
EBIT-margin	2.4%	3.0%	-0.6 p.p.
Adj. EBIT	43	50	-14.0%
Adj. EBIT-margin	2.4%	3.0%	-0.6 p.p.
# of Students	31,419	30,782	2.1%

Upper Secondary Schools (Sweden)

Vindora acquisition drives growth

Comments for Q2 2017/18

- In November, Vindora was acquired with 36 units under the brands Praktiska och Hagströmska with 6,227 students.
- Overall student numbers increased by 20.3%.
- Net sales increased by 24.6% compared to the same quarter last year as a result of the Vindora acquisition and opening of seven new entities.
- Adj EBIT-margin increased by 0.7 percentage points in the quarter.

Key figures for Q2 2017/18

	2017/18	2016/17	Change
Net sales	845	678	24.6%
EBIT	63	47	34.0%
EBIT-margin	7.5%	6.9%	0.6 p.p.
Adj. EBIT	64	47	36.2%
Adj. EBIT-margin	7.6%	6.9%	0.7 p.p.
# of Students	30,928	25,707	20.3%

Comments for H1 2017/18

- Overall student numbers increased by 12.3% with an all-time-high of first year students.
- Net sales increased by 17.4% compared to last year due to a higher number of students and voucher adjustments from previous year.
- Adjusted EBIT increased to SEK 103 million (74). EBIT and margin improvement was due to increased capacity utilization and the Vindora acquisition.

Key figures for H1 2017/18

	2017/18	2016/17	Change
Net sales	1,384	1,179	17.4%
EBIT	102	74	37.8%
EBIT-margin	7.4%	6.3%	1.1 p.p.
Adj. EBIT	103	74	39.2%
Adj. EBIT-margin	7.4%	6.3%	1.1 p.p.
# of Students	28,923	25,755	12.3%

Adult Education (Sweden)

Contract transition delayed one quarter kept profit and margins high

Comments for Q2 2017/18

- Net sales increased by 10.1% mainly attributed to the acquisition of Vindora but also higher volumes within Basic Modules, Swedish for immigrants (SFI), and Komvux.
- Adj EBIT-margin remained at a high level.
- The contract transition to YSM has been delayed one quarter. No further participants admitted to the Basic Modules contract by end of January.

Key figures for Q2 2017/18

	2017/18	2016/17	Change
Net sales	459	417	10.1%
EBIT	64	59	8.5%
EBIT-margin	13.9%	14.1%	-0.2 p.p.
Adj. EBIT	64	59	8.5%
Adj. EBIT-margin	13.9%	14.1%	-0.2 p.p.

Comments for H1 2017/18

- Sales growth of 10.1% was driven by the acquisition of Vindora, which represented 3.1%, as well as high participant volumes.
- Adj. EBIT increased by SEK 8 million and amounted to SEK 107 million (99), compared to last year.
- *While the market is strong and AcadeMedias position remains solid, replacement of high margin contracts which are pending will result in 1-3 percentage points lower margins.*

Key figures for H1 2017/18

	2017/18	2016/17	Change
Net sales	825	749	10.1%
EBIT	107	99	8.1%
EBIT-margin	13.0%	13.2%	-0.2 p.p.
Adj. EBIT	107	99	8.1%
Adj. EBIT-margin	13.0%	13.2%	-0.2 p.p.

Preschools (International)

Strong growth in Norway and Germany following acquisitions

Comments for Q2 2017/18

- One new preschool in Germany and four preschools acquired in Norway.
- As a result child numbers increased by 14.7%.
- Net sales growth for the quarter 8.7%. Growth was mainly attributed to the acquisition of the German operation Stepke, as well as new establishments and acquisitions in Norway. Fx (SEK/NOK) had a negative impact on net sales of SEK 21 million.
- Adjusted EBIT is at same level as previous year.

Key figures for Q2 2017/18

	2017/18	2016/17	Change
Net sales	488	449	8.7%
EBIT	14	14	-
EBIT-margin	2.9%	3.1%	-0.2 p.p.
Adj. EBIT	14	14	-
Adj. EBIT-margin	2.9%	3.1%	-0.2 p.p.
# of students	10,290	8,975	14.7%

Comments for H1 2017/18

- Overall student numbers increased by 15.0%.
- Net sales growth was 13.3% as a result of acquisitions and new establishments. Fx (SEK/NOK) had a negative impact on sales of SEK 21 million compared to last year.
- Adj. EBIT decreased with 9.5%, mainly due to higher property related expenses.
- Three new units opened and four units were acquired in the period. Germany will open nine new preschools during 2018.

Key figures for H1 2017/18

	2017/18	2016/17	Change
Net sales	860	759	13.3%
EBIT	19	21	-9.5%
EBIT-margin	2.2%	2.8%	-0.6 p.p.
Adj. EBIT	19	21	-9.5%
Adj. EBIT-margin	2.2%	2.8%	-0.6 p.p.
# of students	10,180	8,851	15.0%

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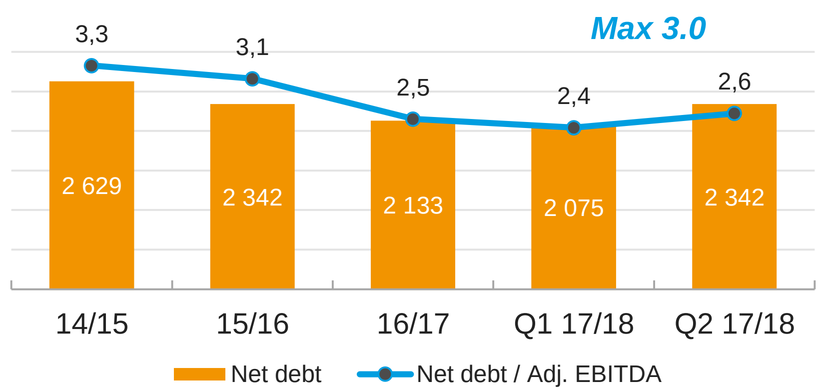
Financial position

Rights issue of SEK 410 million completed

- Capital employed has increased during the last 12 months by SEK 991 million mainly due to acquisitions, but also investments in preschool buildings in Norway and other investments.
- Equity increased by 26.9% due to the rights issue completed in December.
- Net debt increased by SEK 53 million.
- Net debt excluding real estate debt has decreased by SEK 12 million.
- Leverage ratio rose to 2.6x from 2.4x in Q1, but is below the maximum level of 3.0x.

Net debt and Net debt / Adj. EBITDA



Key figures for Q2 2017/18

	2017/18 31 Dec	2016/17 31 Dec	Change
Total equity	3,997	3,150	26.9%
Net debt	2,342	2,289	2.3%
Adj. net debt[1)]	1,750	1,762	-0.7%
Capital employed	6,866	5,875	16.9%
Equity ratio	45.0%	41.6%	3.4 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

Q2 shows normal seasonality in school segments

Quarterly seasonality – Net sales and adj. EBIT 2014/15 – 2017/18

Comments

- School segments continue to show normal seasonality.
- Second quarter margin improvement primarily due to the acquisition of Vindora which operates with a higher margin.
- Adult segment is volatile and fluctuations are determined by contract portfolio.

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Financial performance according to plan

		Financial targets	Q2/R12M (FY 16/17)
Growth	**5-7%**	• Annual revenue growth rate of 5-7% including organic growth and smaller bolt-on acquisitions but excluding larger strategic acquisitions and FX	**7.4%*** (9.0%)
Profitability	**7-8%**	• Adj. EBIT margin of 7-8% over time	**6.8%*** (6.7%)
Capital structure	**<3.0x**	• Net debt / adj. EBITDA below 3.0x • Leverage may temporarily, exceed the target level	**2.6x** (2.5x)
Use of free cash flow	**n.a.**	• Free cash flow primarily to be reinvested • Excess cash distributed to the shareholders while still maintaining quality and leverage targets	No dividend paid 16/17

*Turnover Q2R12 vs FY16/17

A unique combination of sustainability, growth and cash flow generation

A. Sustainable and predictable business model

- Favorable demographic trends with high predictability
- Attractive “recurring revenue model” – a student will likely remain in AcadeMedia schools for several years
- Student base and revenue levels known at the beginning of each year
- Pricing is based on municipality costs – no price competition from independent providers

B. Multi-layered and scalable growth ahead

- Secular growth drivers in the underlying market
- Increasing market share for independent providers
- Best-in-class offering
- Substantial consolidation opportunities
- Attractive international expansion opportunities
- Significant operating leverage due to high degree of centralized operations and low incremental costs for adding additional students

C. Strong cash flow generation

- Limited capex requirements
- Negative working capital profile
- Capacity to fund growth and deleveraging
- Very limited cyclicality

Thank you – Any questions?