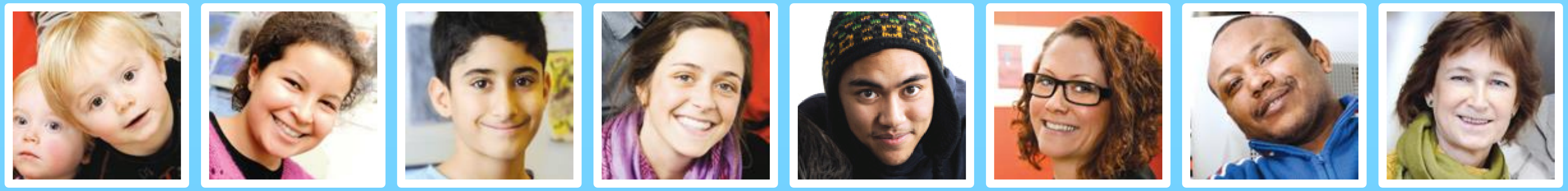
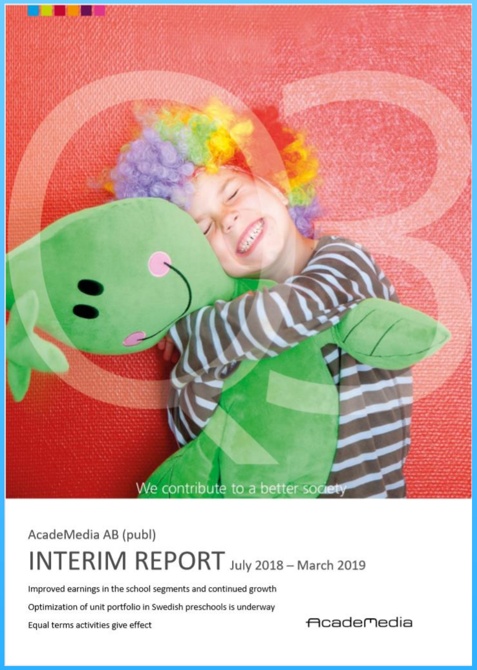


Interim Report

July 2018 - March 2019

2019-05-07



We contribute to a better society

AcadeMedia AB (publ)

INTERIM REPORT July 2018 – March 2019

Improved earnings in the school segments and continued growth

Optimization of unit portfolio in Swedish preschools is underway

Equal terms activities give effect

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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

CEO introduction

- Improved earnings in the school segments and continued growth in the number of students
- Margins stabilizing in the school segments
- The Adult Education Segment continues to be challenged by the changes at the Swedish Public Employment Service
- Optimization of preschool portfolio initiated
- The Norwegian operation has started transition to the new staffing regulation
- Work to ensure adherence to Equal Terms law rendered substantial retroactive revenues
- Voucher (price) revisions for 2019 are 2.5% for Swedish schools and 3.4% for Norwegian preschools
- Client and employee survey shows improvements, especially in the Upper Secondary School Segment

Largest independent education provider in Northern Europe

Overview

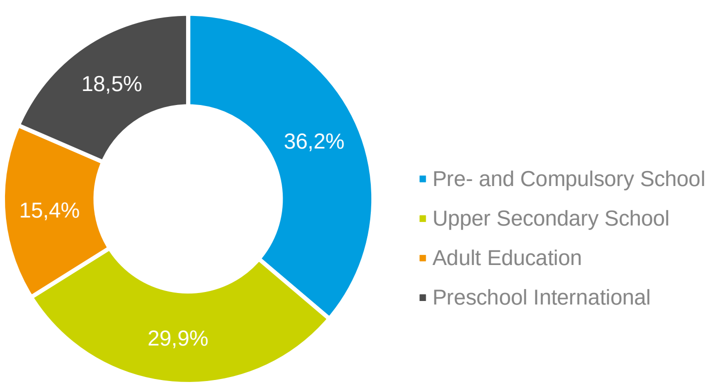
- Largest independent educational services provider in Northern Europe
- Comprehensive educational offering
- Unique quality assurance model – key for sustainable growth
- Multi-brand strategy
- International expansion initiated in 2014 through the acquisition of Espira and continued in 2016 and 2017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

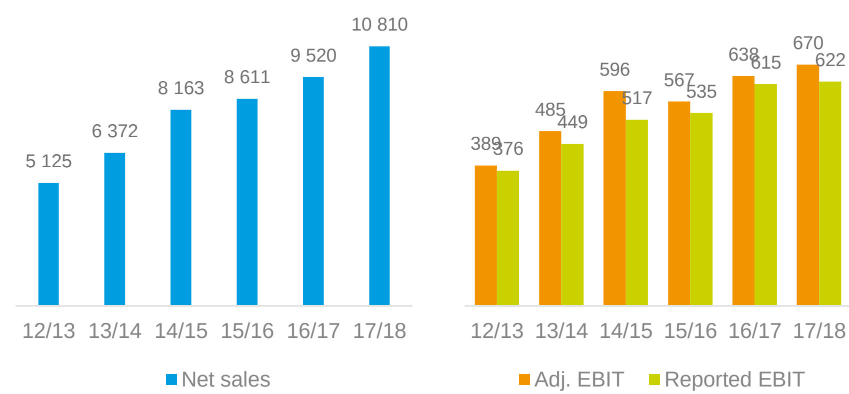
Financial overview

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

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Key highlights Q3 2018/19

Improved earnings and continued growth in number of students

Comments for Q3 2018/19

- Student numbers grew with 4.8 percent in school segments.
- Growth in net sales showed a solid organic growth of 4.5 percent despite the decline in adult education. Organic growth excluding the Adult Education Segment amounted to 7.3 percent.
- EBIT improved by 10,5% to 231 (209) MSEK.
- Adjusted EBIT was fairly stable in the pre- and compulsory school segments. Adult education continues to show low earnings, which was off-set by strong performance in the Upper Secondary School Segment.
- Cash flow from operations was SEK 25 million lower in Q3 this year compared to last year.

Key figures for Q3 2018/19

	2018/19	2017/18	Change
# of Students	79,873	76,188	4.8%
Net sales	3,135	2,967	5.7%
EBIT	231	209	10.5%
EBIT-margin	7.4%	7.0%	0.4 p.p.
Adj. EBIT	210	214	-1.9%
Adj. EBIT margin	6.7%	7.2%	-0.5 p.p.
Earnings after tax	172	152	13.2%
Earnings per share [1], SEK	1.63	1.45	13.0%
Cash flow from operations	129	153	-15.7%

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

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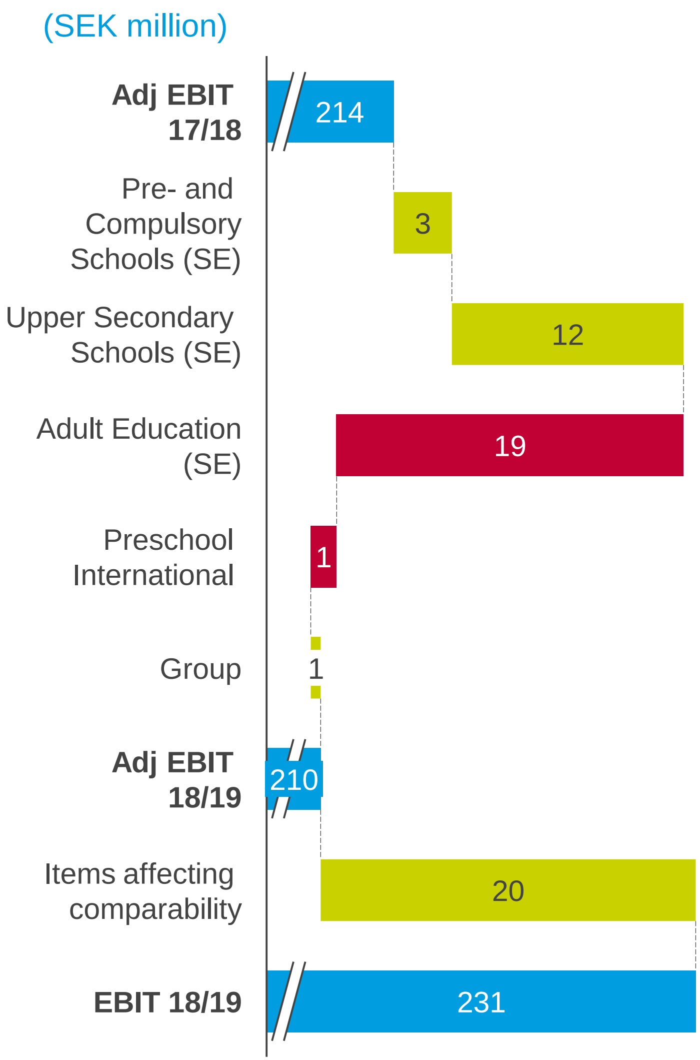
Key highlights Q3 2018/19 (cont.)

Retroactive revenues key component in EBIT improvement



Pre- and Compulsory school: Stable volume growth, EBIT and margins. Personnel expenses remain high.

Upper Secondary school: Strong volume growth and retroactive revenues boost earnings and margins.

Adult Education: Continued weak market in employment training for the Swedish Public Employment Service hampers earnings.

Preschool International: Earnings in line with last year. Limited impact so far from the new staffing regulation in Norway.

Items affecting comparability: Include retroactive revenues from the municipality of Uppsala to the Upper Secondary School Segment related to previous years.

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12 month rolling figures Q3 2018/19

Strong growth. Earnings and margins affected by Adult Education

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 Q3 12-month rolling figures and full year 2017/18.*

Key figures for Q3 R12 2018/19 vs FY 2017/18

	2018/19 R12	**2017/18**	**Change**
Net sales	11,546	10,810	6.8%
EBIT	583	622	-6.3%
EBIT-margin	5.0%	5.8%	-0.8 p.p.
Adj. EBIT	609	670	-9.1%
Adj. EBIT margin	5.3%	6.2%	-0.9 p.p.
Earnings after tax	393	430	-8.6%

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Pre- and Compulsory Schools (Sweden)

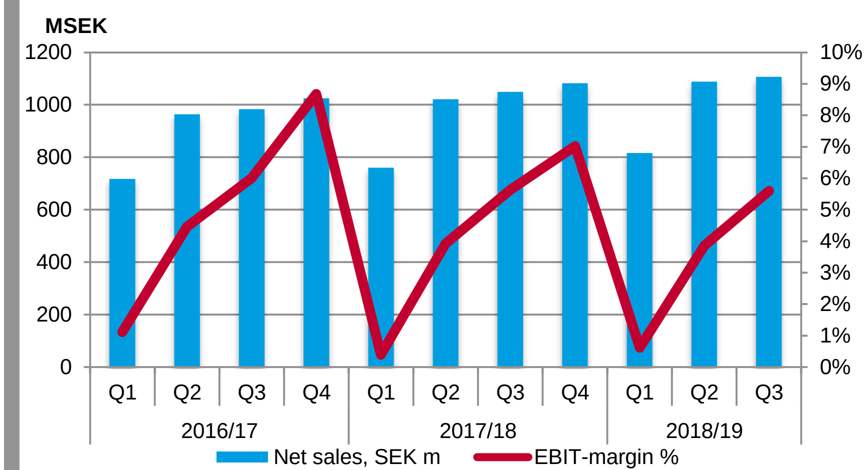
Stable growth and margins

Comments for Q3 2018/19

- Overall child numbers increased 1.8%.
- Good growth in net sales, as a result of volume increases and annual voucher revisions.
- EBIT-margin in line with last year.
- Wage inflation has subsided somewhat. Turn-around units still require substantial resources.
- Optimization of the preschool portfolio is ongoing. The goal is to enhance both quality and margins.
- Portfolio changes in Swedish preschools:
  - Agreements for divestment of nine pre-schools has been signed
  - Decision to close three pre-schools
  - One new unit opened

Key figures for Q3 2018/19

	2018/19	2017/18	Change
Net sales	1,107	1,049	5.5%
EBIT	62	59	5.1%
EBIT-margin	5.6%	5.6%	0.0 p.p.
Adj. EBIT	62	59	5.1%
Adj. EBIT-margin	5.6%	5.6%	0.0 p.p.
# of Students	33,321	32,732	1.8%



Upper Secondary Schools (Sweden)

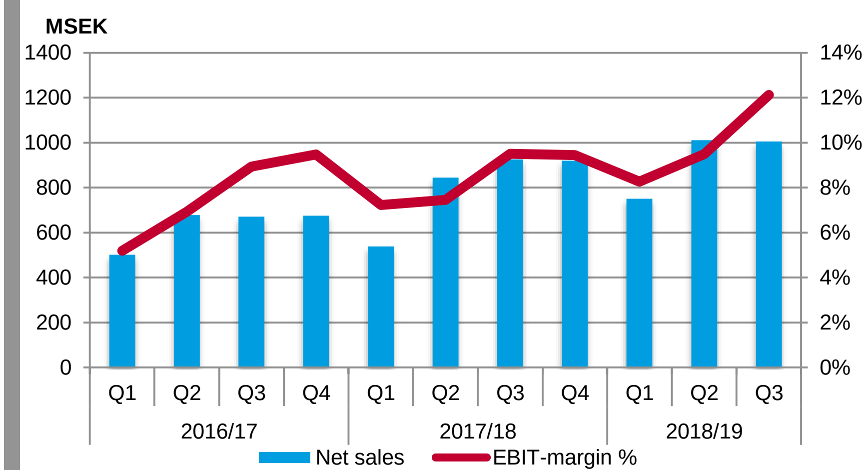
Strong growth and margin improvement

Comments for Q3 2018/19

- A strong quarter driven by volume growth, 6.2 percent. Net sales increased by 8.6 percent.
- New establishments in 2018 and 2017 continue to be growth drivers.
- EBIT-margin increased by 2.6 percentage points in the quarter, which is largely due to retroactive revenue from municipality of Uppsala of SEK 20 million.
- Adjusted EBIT and margin also improved
- Two factors may limit margins going forward
  - Praktiska units will need additional operational expenditure to address current quality issues.
  - Increased competition for attractive premises may render higher .

Key figures for Q3 2018/19

	2018/19	2017/18	Change
Net sales	1,006	926	8.6%
EBIT	122	88	38.6%
EBIT-margin	12.1%	9.5%	2.6 p.p.
Adj. EBIT	102	89	14.6%
Adj. EBIT-margin	10.1%	9.6%	0.5 p.p.
# of Students	34,481	32,456	6.2%



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Adult Education (Sweden)

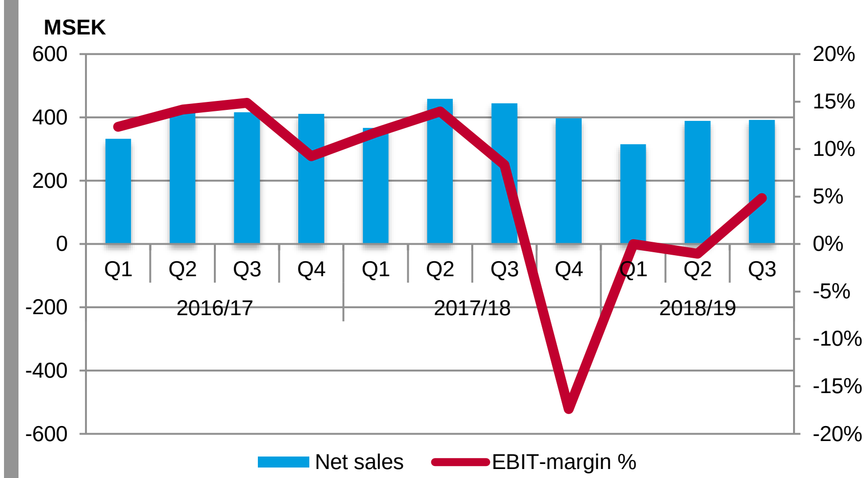
Mixed development. Labour market education continues to face headwind

Comments for Q3 2018/19

- Net sales decreased by 11.7% and adjusted EBIT and adjusted EBIT-margin declined substantially compared to last year.
- The decline was related to labour market education for the Swedish Public Employment Service.
- Work to reduce costs and resources has further intensified in the period.
- Municipal adult education and higher vocational education show growth with stable or slightly improved margins.
- Large changes ongoing at the Swedish Public Employment Service.
- The City of Gothenburg will extend its contract with AcadeMedia following the ruling to redo the tender.

Key figures for Q3 2018/19

	2018/19	2017/18	Change
Net sales	392	444	-11.7%
EBIT	19	37	-48.6%
EBIT-margin	4.8%	8.3%	-3.5 p.p.
Adj. EBIT	19	37	-48.6%
Adj. EBIT-margin	4.8%	8.3%	-3.5 p.p.



Preschool International

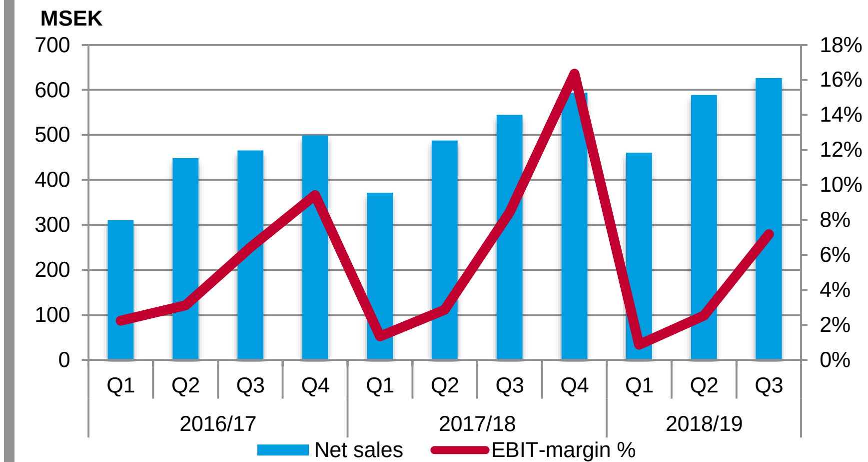
Good volume growth, but margins are affected by pension expenses

Comments for Q3 2018/19

- The number of children increased by 9.7 percent.
- Net sales increased by 14.9 percent, primarily driven by volume growth, but also favorable exchange rate developments, 3.8 percent.
- Slight EBIT and margin decline partly due to higher pension expenses in Norway. Economies of scale in Germany had a positive contribution in the period.
- The Norwegian operation has started its transition to the new staffing regulation. The effects so far have been offset by other savings.

Key figures for Q3 2018/19

	2018/19	2017/18	Change
Net sales	626	545	14.9%
EBIT	45	46	-2.2%
EBIT-margin	7.2%	8.4%	-1.2 p.p.
Adj. EBIT	45	46	-2.2%
Adj. EBIT-margin	7.2%	8.4%	-1.2 p.p.
# of children	12,071	11,000	9.7%



In-depth Norwegian Preschool

A short-term dip in earnings is expected

- In May 2018, the Norwegian Parliament (Stortinget) resolved on regulations of staff and teacher density in preschools.
- The new regulation applies to all preschools and will result in more pedagogical leaders, more staff and thus higher personnel expenses.
- The voucher levels will in due course reflect the higher expenses, but with a two-year delay.
- Consequently, there will be a transition period for the independent preschool providers.

- The main impact of the new regulation is expected to occur as of August 2019 following the staff density requirements.
- The Norwegian management team is fully focused on managing this change. However, a two year effect on earnings is expected.

The teacher density norm *("pedagognorm")*

The teacher density norm requires at least one pedagogical leader per 7 children under three and at least one pedagogical leader per 14 children older than three years[1].

Last date of compliance: 1 August 2018

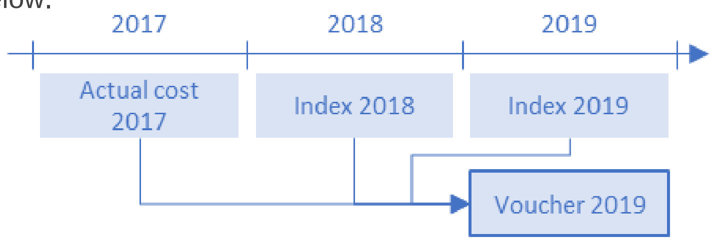
The staff density norm *("bemanningsnorm")*

The staff density norm requires a minimum of one employee per three children under the age of three and one employee per six children over the age of three years[1].

Last date of compliance: 1 August 2019

The Voucher system and the two-year delay

Example, the vouchers for 2019 are calculated based on the actual cost in municipal preschools for the financial year 2017 and adjusted with a cost index for 2018 and 2019. Hence, changes to the municipalities' cost base take two years until they are reflected in the voucher. A simplified illustration is shown below.



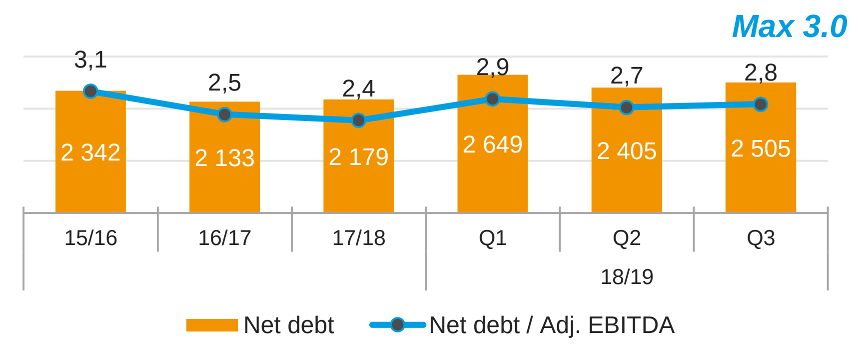
[1] *Children are considered as over three from August 1 the year they turn 3 years old.*

Financial position

Improved financial position versus last quarter

- Cash-flow from operations improved to 264 (220) MSEK in the third quarter.
- Change in net working capital was negative -136 (-67), primarily due to a calendar effect in Norway. This had a negative impact on cash flow, net debt, and leverage ratio.
- Capital employed increased with SEK 96 million due to investments in property and equipment.
- Equity/asset ratio improved to 46.8% (45.9).
- Long term debt is lower than last year while net debt is higher due to lower cash position
- Leverage ratio was 2.8x (2.6), which is in line with AcadeMedia's financial target of maximum 3.0x.

Net debt and Net debt / Adj. EBITDA



Key figures for Q3 2018/19

	2018/19 31 Mar	2017/18 31 Mar	Change
Total equity	4,421	4,205	5.1%
Net debt	2,505	2,382	5.2%
Adj. net debt[1)]	1,844	1,750	5.4%
Capital employed	7,221	7,125	1.3%
Equity ratio	46.8%	45.9%	0.9 p.p.

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

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Financial performance vs targets

	Financial targets		Q3/R12M (FY 17/18)
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	**4.1%*** (5.8%)
Profitability	**7-8%**	• Adj. EBIT margin of 7-8% over time	**5.3%*** (6.2%)
Capital structure	**<3.0x**	• Net debt / adj. EBITDA below 3.0x • Leverage may temporarily, exceed the maximum level	**2.8x** (2.4x)
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 proposed

* Q3R12 vs FY17/18

Thank you – Any questions?