

# Interim Report

## July 2019 – March 2020

2020-05-05



Change through Education

AcadeMedia AB (publ)

### INTERIM REPORT July 2019-March 2020

The coronavirus outbreak had a large impact on operations but limited financial impact this quarter. Preschools in Norway and Germany were partially closed from the end of March due to Covid-19. The Adult Education Segment continues to show growth with restored margins. **AcadeMedia**

# Today's presenters

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**Marcus Strömberg**

*Chief Executive Officer*

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With AcadeMedia  
since 2005



**Katarina Wilson**

*Chief Financial Officer*

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With AcadeMedia  
since 2016



# CEO introduction

- The corona outbreak has had a large operational impact but limited financial effect. Our goal has been to decrease the spread of the virus while still providing care and education to our children, students and adult education participants.
- All our 36,000 upper secondary school students and 20,000 adult education participants shifted to distance education on March 18<sup>th</sup>. AcadeMedias long and dedicated efforts on digitalisation made the transition easier.
- All preschools in Norway and Germany closed mid-March with the exception of children of key workers such as health care professionals.
- Pre- and compulsory schools in Sweden have remained open but with increased sick leave among students and employees.
- Adult education will be more important than ever when unemployment is rising, which is reflected in the Swedish governments various measures.



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The Adult Education Segment continues to show growth with restored margins AcadeMedia

# 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

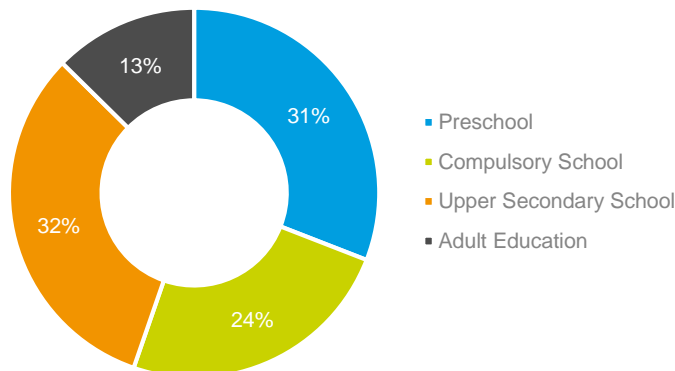
## Geographical presence and selected brands 18/19

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

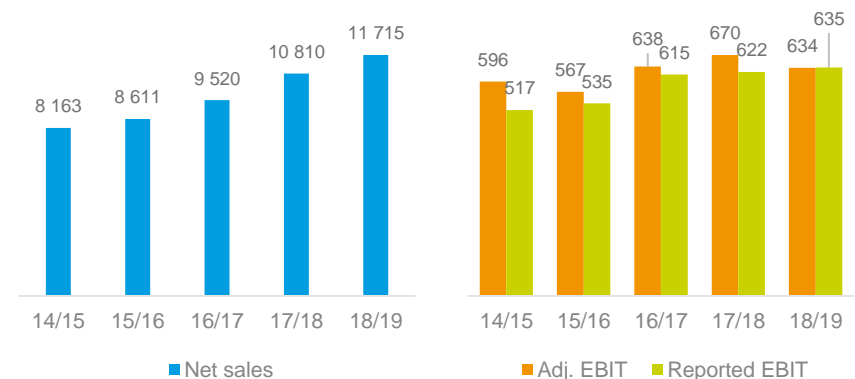


## Financial overview

### Net sales split 18/19<sup>2</sup>



### 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

# Key highlights Q3 2019/20

## *Adult Education and Compulsory School drive adj. EBIT improvement*

### Comments for Q3 2019/20

- Student numbers grew by 3.8 percent in school segments following organic growth including 3 new units in Germany in the quarter.
- Net sales increased 4.8 percent with growth in all segments and Adult Education continued to contribute to growth. Organic growth adjusted for negative currency was 5.3 percent.
- Adjusted EBIT increased to SEK 224 million (210) and adjusted EBIT-margin increased to 6.8 percent (6.7) driven by the Adult Education and Compulsory School segments.
- EBIT improved 12% to SEK 259 million (231) with items affecting comparability amounting to SEK 36 million (20).
- Free cash flow was stronger than last year SEK 107 million (21).

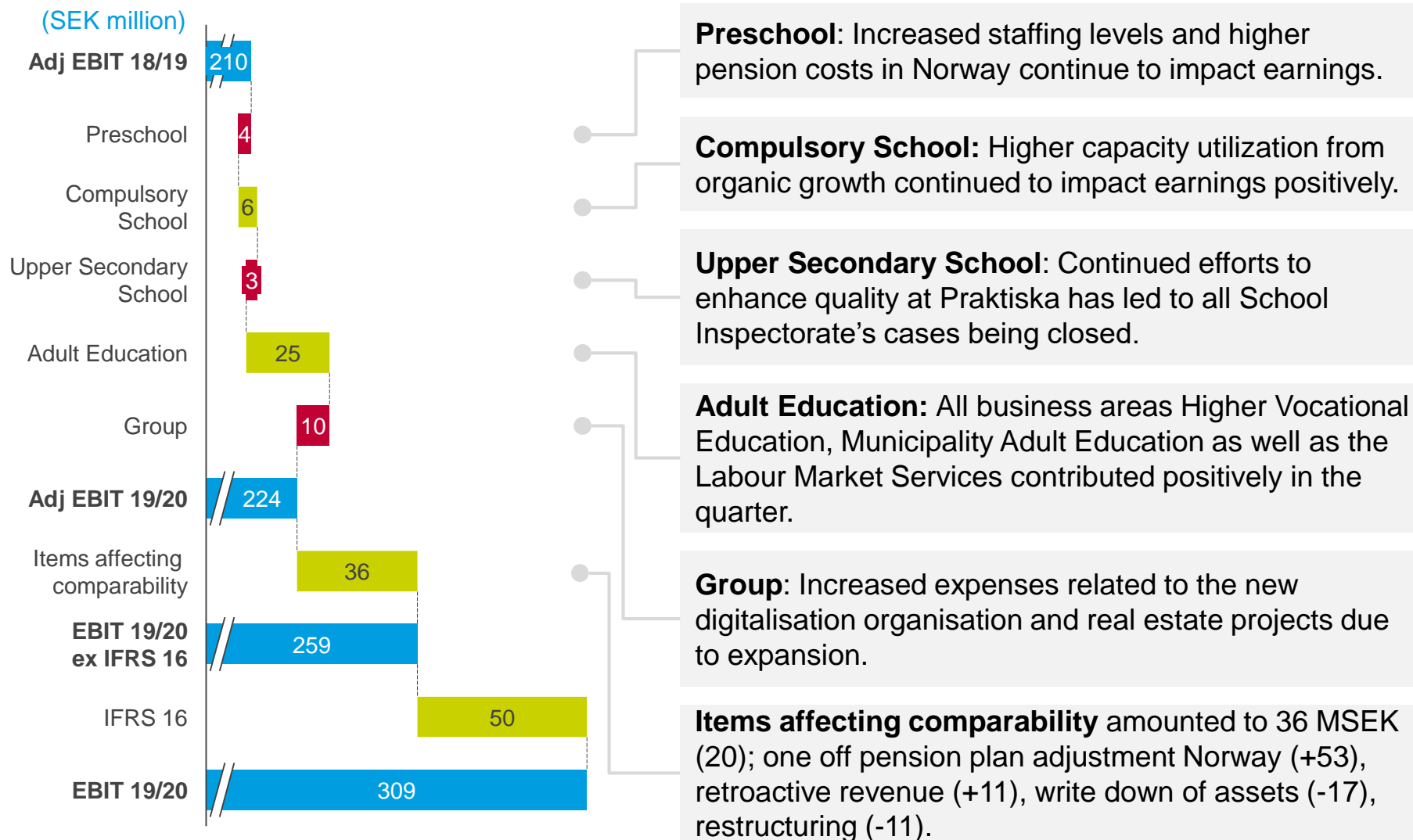
### Key figures for Q3 2019/20, excluding effects of IFRS 16

	2019/20	2018/19	Change
# of Students	82,940	79,873	3.8%
Net sales	3,284	3,135	4.8%
EBIT	259	231	12.1%
EBIT-margin	7.9%	7.4%	0.5 p.p.
Adj. EBIT	224	210	6.7%
Adj. EBIT margin	6.8%	6.7%	0.1 p.p.
Earnings after tax	193	172	12.2%
Earnings per share <sup>1)</sup> , SEK	1.83	1.63	12.1%
Free cash flow	107	21	412.9%

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

# Key highlights Q3 2019/20 (cont.)

*Adult and Compulsory Schools continue to drive adj. EBIT improvement*





# 12 month rolling figures Q3 2019/20

*Net sales R12 over SEK 12 billion and EBIT R12 at all time high*

## Comments for 12 month rolling figures

- 12 month rolling net sales continue to grow and is now well above SEK 12 billion.
- Rolling 12-month EBIT (ex IFRS 16) is SEK 703 million which is at an all time high.
- EBIT-margin is rebounding following the EBIT improvement in Adult Education.
- *NB Comparison between Q3 12-month rolling figures and full year 2018/19.*

## Key figures for Q3 R12 2019/20 vs FY 2018/19

	2019/20 R12	2018/19	Change*
Net sales	12,206	11,715	4.2%
EBIT	703	635	10.7%
EBIT-margin	5.8%	5.4%	0.4 p.p.
Adj. EBIT	681	634	7.4%
Adj. EBIT margin	5.6%	5.4%	0.2 p.p.
Earnings after tax	491	431	13.9%

\* Change column refers to only three quarter year's growth

# Preschools

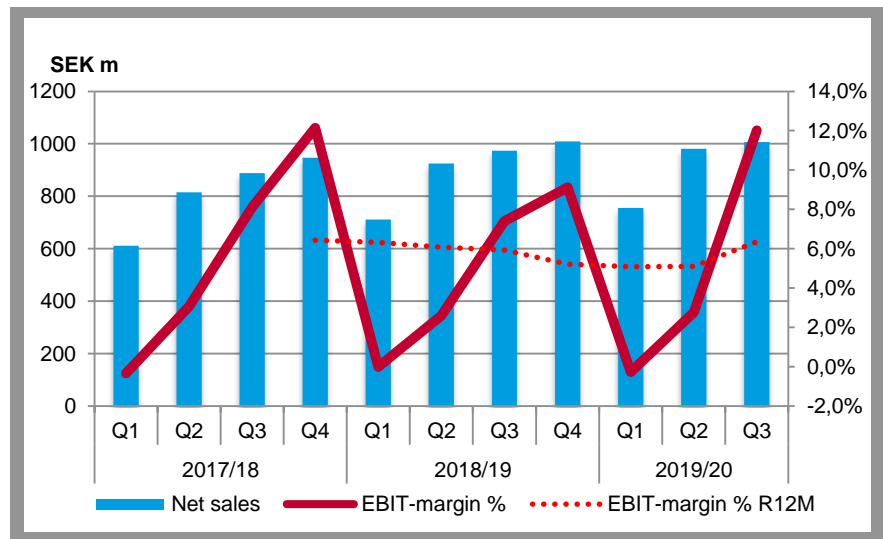
*New staffing regulation in Norway on plan, Corona impact SEK 3 million*

Comments for Q3 2019/20

- The segment includes preschools in Sweden (109 units), Norway (104) and Germany (47). Three new units opened in Germany in the period which gives a total of 260.
- Overall child numbers increased 1.6 percent. Adjusted for 12 divestments/closures in Sweden last year, the growth was 5.6 percent.
- Adjusted EBIT and margin was primarily impacted by the new staffing regulation in Norway and financial effects so far are as indicated. A decision to not charge parental fees in Germany during the closure impacted earnings negatively with SEK 3 million. The financial impact in the fourth quarter is estimated to SEK 10 million.
- New defined contribution pension plan in Norway as of 1 Jan 2020 gave a positive onetime effect of SEK 53 million in items affecting comparability.
- The 15-20 planned openings in Germany during 2020/21 might if needed be delayed because of the Corona outbreak.

Key figures for Q3 2019/20

	2019/20	2018/19	Change
Net sales	1,007	974	3.4%
EBIT	121	72	68.1%
EBIT-margin	12.0%	7.4%	4.6 p.p.
Adj. EBIT	68	72	-5.6%
Adj. EBIT-margin	6.8%	7.4%	-0.6 p.p.
# of children	21,310	20,975	1.6%





# Compulsory Schools

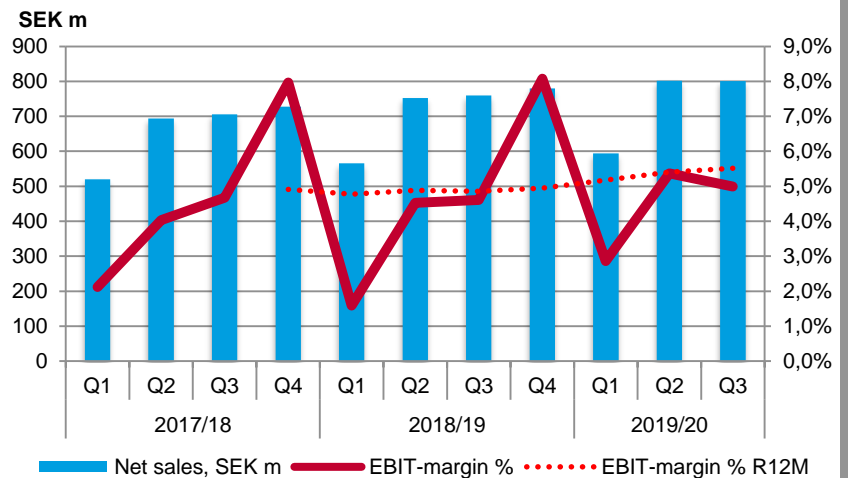
*Strong organic growth delivered improved margins*

Comments for Q3 2019/20

- Segment created 1 July 2019 includes 109 compulsory schools in Sweden under three brands.
- Number of students increased by 3.8 percent.
- Sales growth of 5.4 percent as a result of increased number of students and annual voucher revisions.
- Adjusted EBIT and adjusted EBIT-margin improved. Main reason was volume growth in existing schools generating improved capacity utilization.
- EBIT-margin on a rolling 12-month basis continues to improve.
- One small compulsory school was acquired after the end of the reporting period.

Key figures for Q3 2019/20

	2019/20	2018/19	Change
Net sales	801	760	5.4%
EBIT	40	35	14.3%
EBIT-margin	5.0%	4.6%	0.4 p.p.
Adj. EBIT	40	35	14.3%
Adj. EBIT-margin	5.0%	4.6%	0.4 p.p.
# of Students	25,339	24,417	3.8%



# Upper Secondary Schools

*Earnings affected by continued effort to increase quality at Praktiska*

Comments for Q3 2019/20

- Student numbers increased by 5.2 percent as a result of 14 new schools that in total started over the last three years of which four started in the autumn of 2019.
- Net sales increased by 5.8 percent.
- Adjusted EBIT and adj EBIT margin decreased mainly as a result of continued efforts to enhance quality in the Praktiska schools which has resulted in all School Inspectorate's cases being closed. Last year SEK 7 million retroactive compensation was received.
- For the autumn of 2020 five new openings are being marketed and we see a great interest from students.
- For the full year, adjusted EBIT is expected to be in line with last year.

**PRAKTISKA**  
Gymnasiet

**LBS** KREATIVA  
GYMNASIET

**D** DIDAKTUS  
GYMNASIUM



**RH**

INTERNATIONELLA  
HOTELL- OCH RESTAURANGSKOLAN

**IT**

HAGSTRÖMSKA GYMNASIET

**NTI** GYMNASIET

**:rytmus**  
MAKE | MUSIC | LIVE

**KLARA**  
TEORETISKA GYMNASIUM

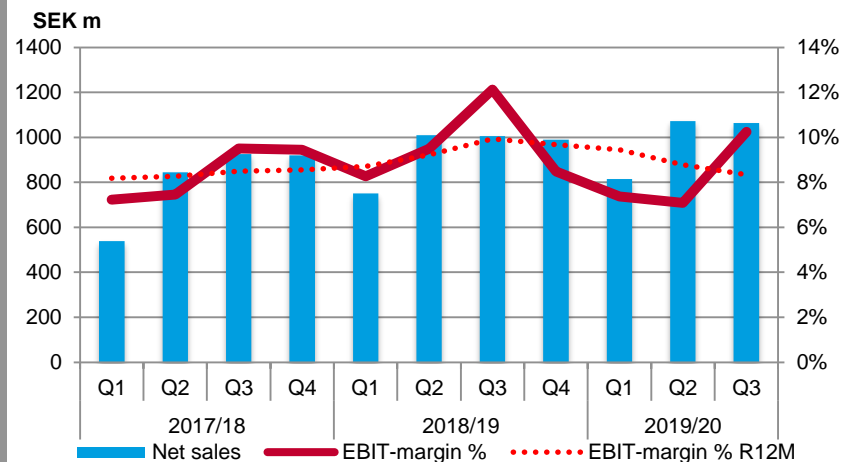


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GYMNASIESKOLA

**F** FRAMTIDSGYMNASIET

Key figures for Q3 2019/20

	2019/20	2018/19	Change
Net sales	1,064	1,006	5.8%
EBIT	109	122	-10.7%
EBIT-margin	10.2%	12.1%	-1.9 p.p.
Adj. EBIT	98	102	-3.9%
Adj. EBIT-margin	9.2%	10.1%	-0.9 p.p.
# of Students	36,291	34,481	5.2%



AcademeMedia

# Adult Education

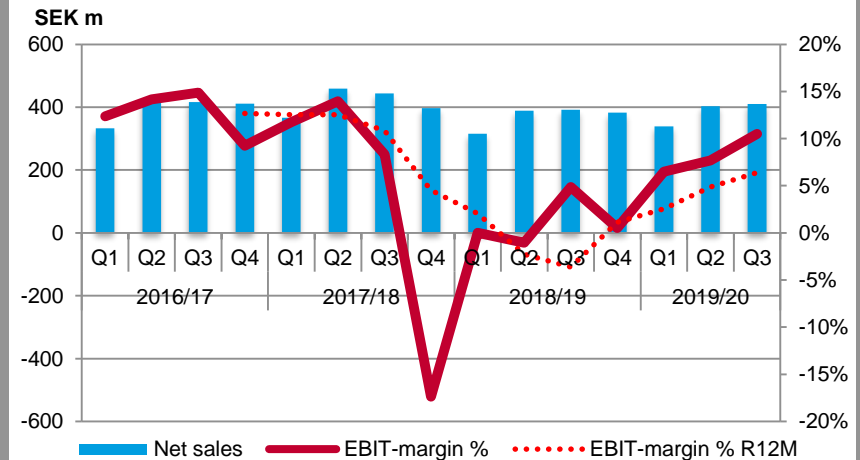
## Profitable growth and continued positive margin development

Comments for Q3 2019/20

- Net sales increased by 4.6 percent in the quarter.
- EBIT and EBIT-margin improved. All business areas contributed in the period. The third quarter is a seasonally strong quarter with many days of education.
- The volume-sensitive contract for vocational and preparatory modules can be terminated 31 October 2020.
- On a 12-month rolling basis the margin continues to improve.
- Contracts for Gothenburg and Stockholm are partially appealed. Permanent and temporary agreements will be signed, providing stability until 31 December 2020.
- Rising unemployment will create an even higher need for adult education.

Key figures for Q3 2019/20

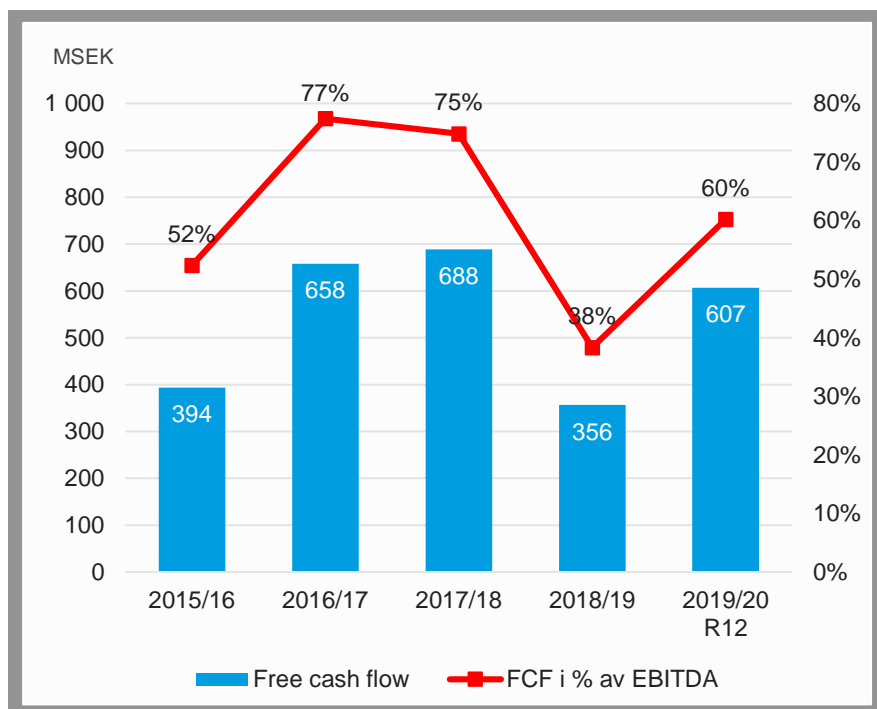
	2019/20	2018/19	Change
Net sales	410	392	4.6%
EBIT	43	19	126.3%
EBIT-margin	10.5%	4.8%	5.7 p.p.
Adj. EBIT	43	19	126.3%
Adj. EBIT-margin	10.5%	4.8%	5.7 p.p.



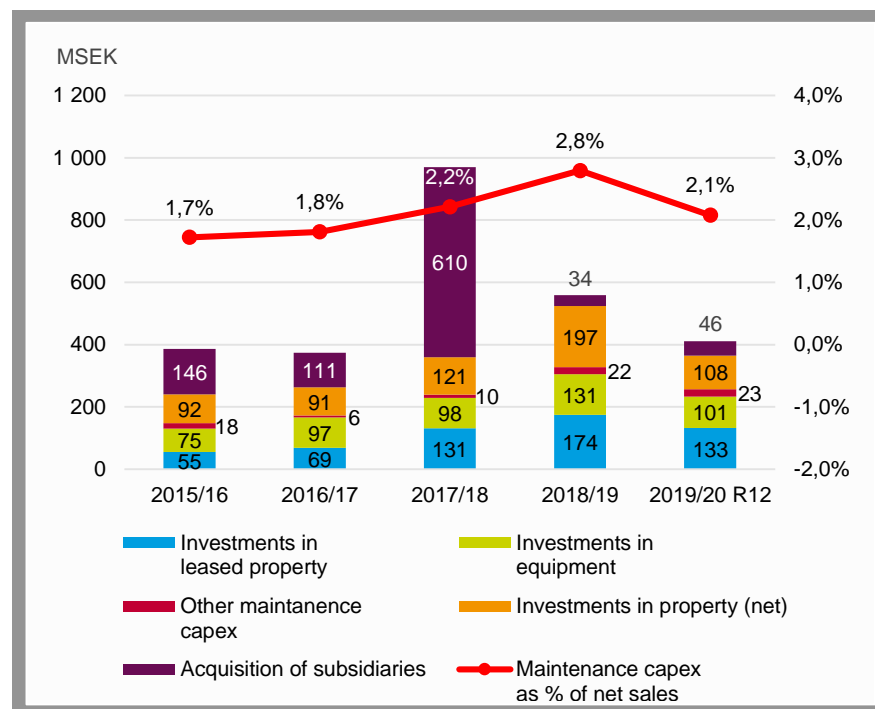
# Free cash flow and investments

*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 are mainly an effect of changes in net working capital. Free cash flow for 2017/18 and 2018/19 were distorted by an unusually strong net working capital position at the end of June 2018.

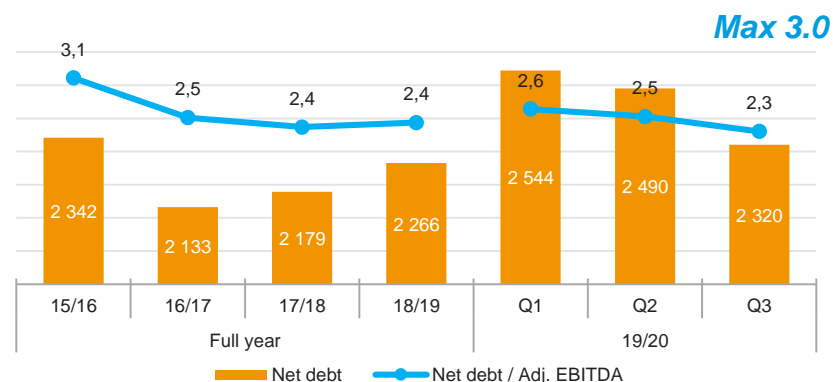
- Capex in current operations ("maintenance capex") has on a R12M-basis declined compared to last year.
- Growth capex can largely be funded by Free cash flow except for large acquisitions.

# Financial position

## *Financial position improvement*

- Net debt is lower than last year and has decreased since the last quarter.
- Leverage ratio improved from previous quarter and is lower than the same period last year 2.3x (2.8) and well below AcadeMedia's financial target of maximum 3.0x.
- In the second quarter, a dividend of 1.25 SEK per share was paid out, corresponding to SEK 132 million.
- Debt related to right-of-use assets has been included as of 2019/20 and amounted to 7,190 as per 31 of March 2020.
- Book value of property in Norway and Germany is SEK 1,066 million (1,051).

Net debt and Net debt / Adj. EBITDA



Key figures for Q3 2019/20

	2019/20 31 Mar	2018/19 31 Mar	Change
Total equity	4,741	4,421	7.2%
Net debt	2,320	2,505	-7.4%
Adj. net debt <sup>1)</sup>	1,623	1,844	-12.0%
Property (BV)	1,066	1,051	1.4%
Lease liabilities	7,190	-	-

# Financial performance vs targets

*Performance largely in line with targets. Margin improving*

## Financial targets are unchanged

**Q3/R12M**  
(FY 18/19)

<b>Growth</b>	<b>5-7%</b>	<ul style="list-style-type: none"> <li>Annual revenue growth rate of 5-7% including organic growth and smaller bolt-on acquisitions but excluding larger strategic acquisitions and FX</li> </ul>	<b>5.8%<sup>1</sup></b> (4.4%)
<b>Profitability</b>	<b>7-8%</b>	<ul style="list-style-type: none"> <li>Adj. EBIT margin of 7-8% over time</li> </ul>	<b>5.6%</b> (5.4%)
<b>Capital structure<sup>2</sup></b>	<b>&lt;3.0x</b>	<ul style="list-style-type: none"> <li>Net debt / adj. EBITDA below 3.0x</li> <li>Leverage may temporarily, exceed the maximum level</li> </ul>	<b>2.3x</b> (2.4x)
<b>Use of free cash flow</b>	<b>n.a.</b>	<ul style="list-style-type: none"> <li>Free cash flow primarily to be reinvested</li> <li>Excess cash distributed to the shareholders while still maintaining quality and leverage targets</li> </ul>	1.25 SEK/ share (0)

<sup>1</sup> Q3R12 19/20 vs Q3R12 18/19

<sup>2</sup> Defined excluding effects of IFRS 16



# IFRS 16 leasing has no commercial impact

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- 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 per 31 June 2019. Consequently, year to date, 1,034 MSEK of rental costs have been replaced with 879 MSEK of depreciation and 271 MSEK of interest expense related to leased assets. The impact on net profit for the first nine months was -90 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.***

Thank you,  
questions?



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