

Year-end Report

July 2018 - June 2019

2019-08-29



AcadeMedia AB (publ)

YEAR-END REPORT July 2018 – June 2019

The Pre- and Compulsory School Segment shows a strong final quarter
Preschools gathered in one segment to better capture growth opportunities

Board proposes an ordinary dividend of SEK 1.25 (0) per share

Academedi

Today's presenters



Marcus Strömberg

Chief Executive Officer

With AcadeMedia
since 2005



Eola Änggård Runsten

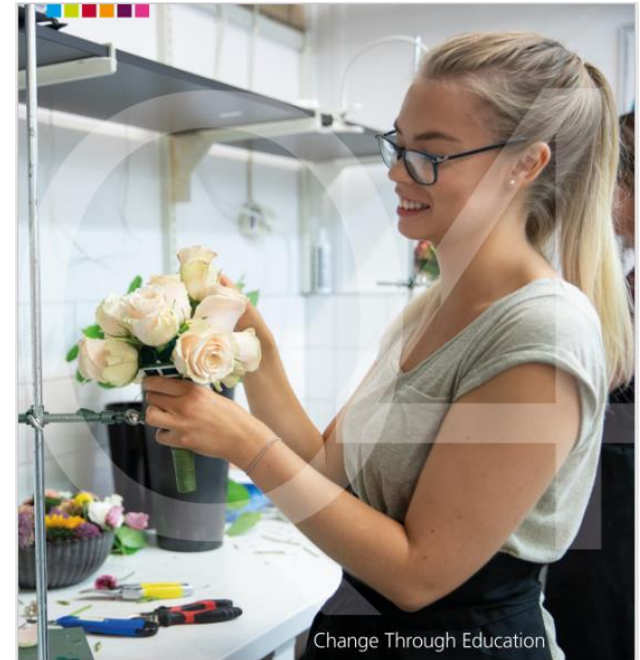
Chief Financial Officer

With AcadeMedia
since 2013



CEO introduction

- Strong finish in the pre- and compulsory school segment, especially compulsory schools.
- Revenue growth in the quarter was 5.6 percent of which 5.3 organic.
- Adjusted EBIT-margin improved in fourth quarter. For the full year, EBIT-margin improved in the Swedish school segments, but declined in Adult Education and International Preschool.
- The Adult Education Segment continues to be challenged by the changes at the Swedish Public Employment Service
- Restructuring of Swedish preschool portfolio completed.
- Substantial retroactive revenues in Q4 and the year as a whole.
- All preschools combined in one segment in order to capture future growth.
- Dividend of SEK 1.25 proposed



Change Through Education

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Preschools gathered in one segment to better capture growth opportunities

Board proposes an ordinary dividend of SEK 1.25 (0) per share

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

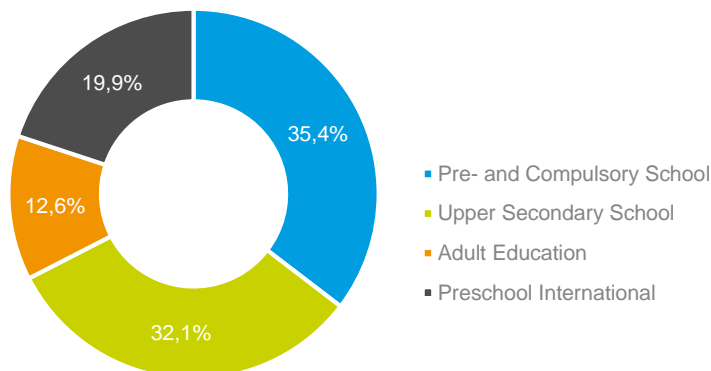
Geographical presence and selected brands 18/19

Country				Total
Students ⁽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



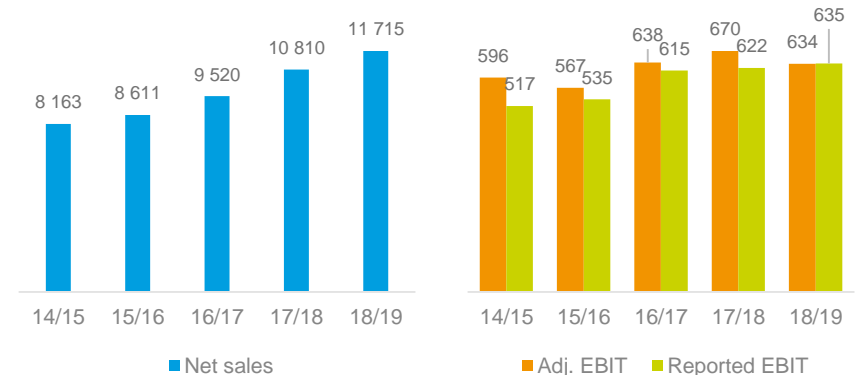
Financial overview

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

Key highlights Q4 2018/19

Improved earnings and continued growth in number of students

Comments for Q4 2018/19

- Student numbers grew with 4.9 percent in school segments.
- Net sales grew 5.6 percent (5.3 percent organically) despite the decline in adult education. Organic growth excluding the Adult Education Segment amounted to 6.7 percent.
- EBIT improved by 30.5% to SEK 218 million (167).
- Adjusted EBIT improved in all schooling segments. Adult education continues to show low earnings.
- Cash flow from operations was SEK 50 million higher in Q4 this year compared to last year.

Key figures for Q4 2018/19

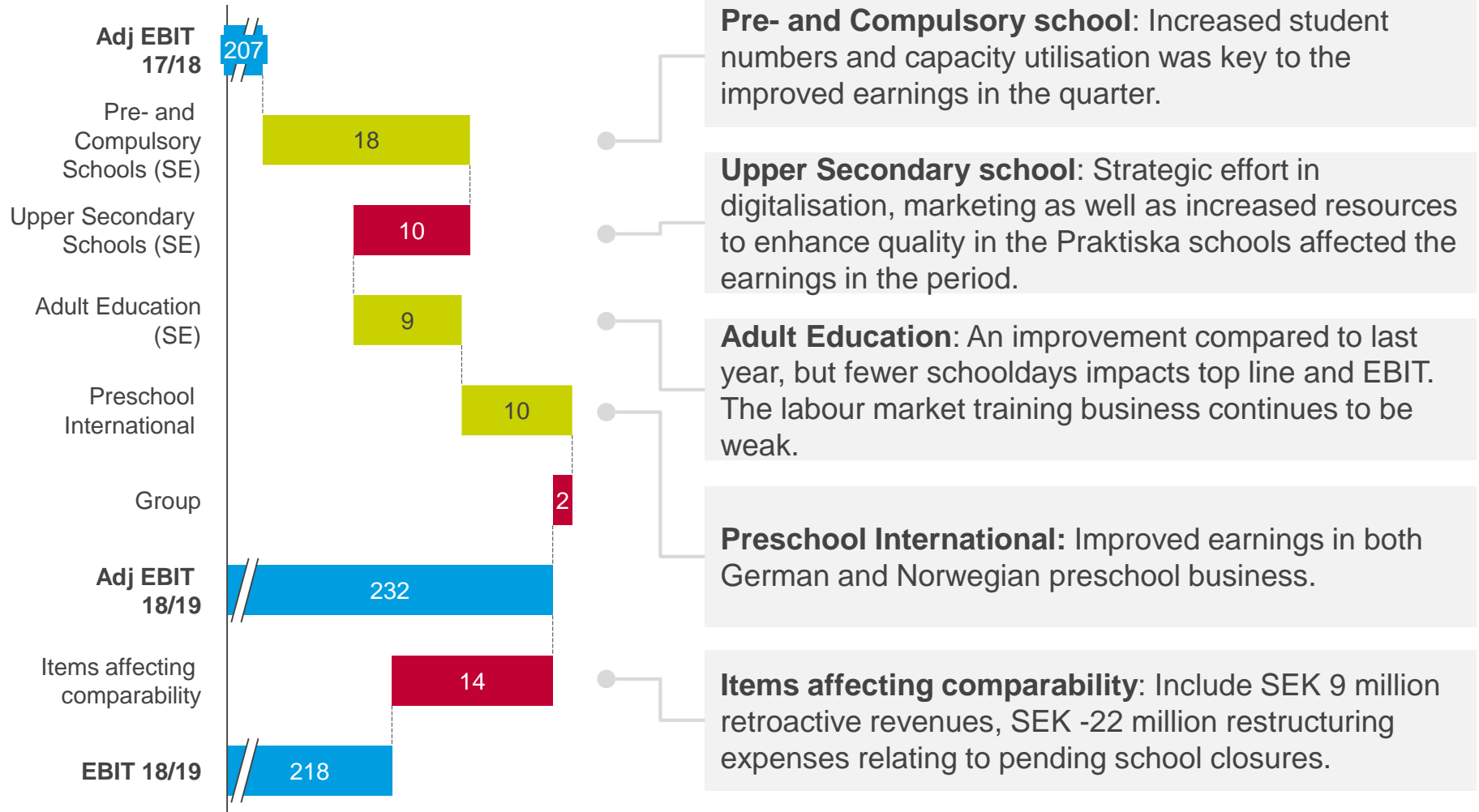
	2018/19	2017/18	Change
# of Students	79,994	76,233	4.9%
Net sales	3,162	2,993	5.6%
EBIT	218	167	30.5%
EBIT-margin	6.9%	5.6%	1.3 p.p.
Adj. EBIT	232	207	12.1%
Adj. EBIT margin	7.3%	6.9%	0.4 p.p.
Earnings after tax	148	111	33.3%
Earnings per share ¹⁾ , SEK	1.41	1.05	34.3%
Cash flow from operations	425	376	13.0%

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

Key highlights Q4 2018/19 (cont.)

Pre- and Compulsory Schools drive EBIT improvement in the quarter

(SEK million)



Key highlights full year 2018/19

Strong growth. Earnings and margins affected by Adult Education

Comments for full year 2018/19

- Volumes increased in all school segments.
- Growth in net sales was reinforced by acquisitions (mainly Vindora) but also from bolt-on acquisitions and new establishments. Organic growth (including bolt-ons) was 4.4 per cent.
- EBIT increased by SEK 13 million (2.1%) but margin declined compared to last year.
- Adjusted EBIT declined by SEK 36 million (5.4%), solely due to the development in the Adult Education Segment.

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

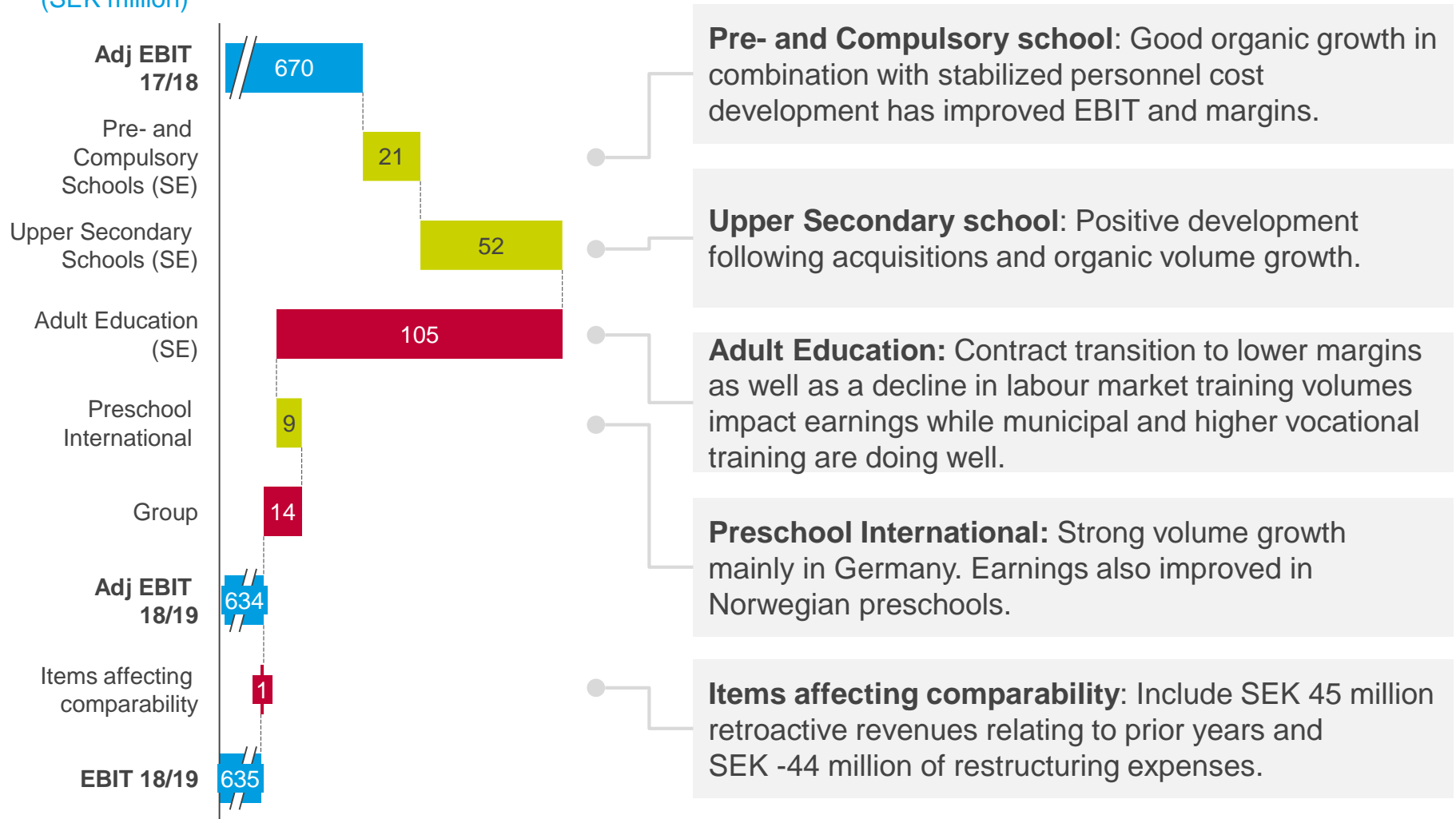
	2018/19	2017/18	Change
# of Students	79,493	73,366	8.4%
Net sales	11,715	10,810	8.4%
EBIT	635	622	2,1%
EBIT-margin	5.4%	5.8%	-0.4 p.p.
Adj. EBIT	634	670	-5.4%
Adj. EBIT margin	5.4%	6.2%	-0.8 p.p.
Earnings after tax	431	430	0.2%
Earnings per share ¹⁾ , SEK	4.09	4.30	-4.9%
Cash flow from operations	684	928	n/a

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

Key highlights full year 2018/19 (cont.)

Adult Education decline largely compensated by other segments

(SEK million)



Items affecting comparability

Negative and positive items from one-off events in the period

Items affecting comparability (SEK m)	Q4 18/19	Q4 17/18	Full yr 18/19	Full yr 17/18	Comments to full year figures
Retroactive revenue	9	-	45	-	34 MSEK relating to Upper Secondary School and 10 MSEK to Pre- and Compulsory School Segment
Restructuring expenses	-22		-44		- 15 MSEK Adult Education Segment, -14 MSEK Upper Secondary School Segment and -14 MSEK Pre- and Compulsory School Segment
Hermods SFI	-	-23	-	-23	Settlement with the City of Malmö of SEK 14 MSEK and expenses of 9 MSEK, impact the Adult Education
Integration expenses Vindora	-	-17	-	-20	Upper Secondary School Segment
Pension adjustment Norway	-	37	-	37	New disability benefit rules in Norway
Transaction-related expenses	-	-3	0	-8	Group level
Total	-14	-40	1	-48	

Pre- and Compulsory Schools (Sweden)

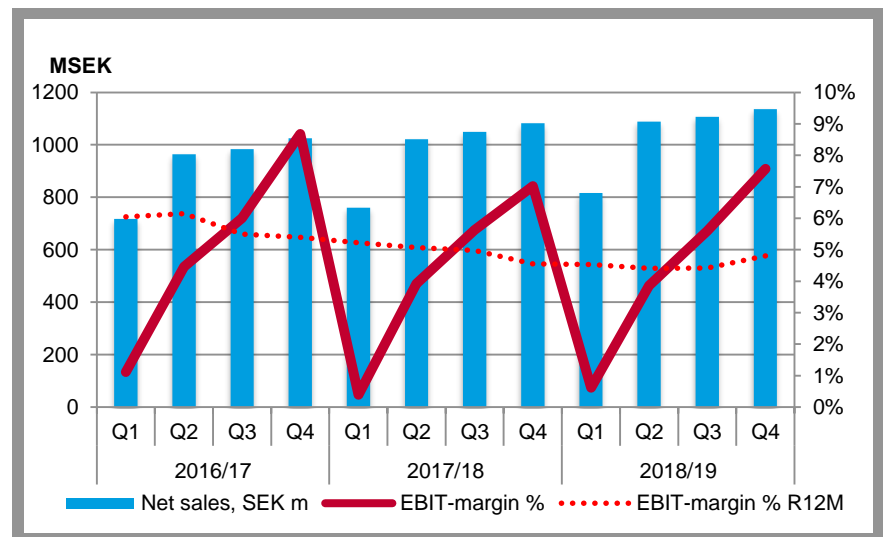
Stable growth and improved margins

Comments for Q4 2018/19

- Overall child numbers increased 2.0%.
- Good growth in net sales, as a result of volume increases and annual voucher revisions.
- Improved EBIT-margin due to good volume growth in existing compulsory school rendering improved capacity utilization. Stabilisation of staff turnover and wage inflation also contributes.
- A restructuring expense of 8 MSEK was taken in the quarter.
- Restructuring of the preschool portfolio is completed with the goal to enhance both quality and margins.
- Strategic decision to form a new Preschool segment as of 1 July 2019.

Key figures for Q4 2018/19

	2018/19	2017/18	Change
Net sales	1,136	1,082	5.0%
EBIT	86	76	13.2%
EBIT-margin	7.6%	7.0%	0.6 p.p.
Adj. EBIT	94	76	23.7%
Adj. EBIT-margin	8.3%	7.0%	1.3 p.p.
# of Students	33 498	32 834	2.0%



Upper Secondary Schools (Sweden)

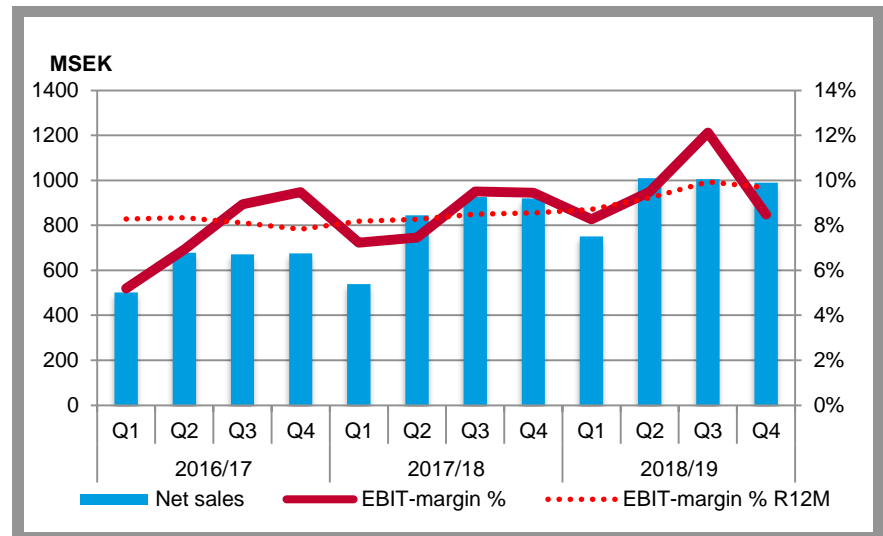
Strong growth and strategic expenses

Comments for Q4 2018/19

- New establishments in 2018 and 2017 continue to be growth drivers.
- One bolt-on acquisition in the quarter.
- EBIT-margin decreased by 1.0 percentage point in the quarter. Adjusted EBIT-margin also declined.
- Efforts to enhance attractiveness include strategic expenses for digitalisation, marketing as well as additional resources to ensure improved quality in the Praktiska schools.
- Items affecting comparability of SEK -6 million impacted the earnings in the period.
- Efforts are being made to secure strategic locations for future growth.

Key figures for Q4 2018/19

	2018/19	2017/18	Change
Net sales	990	920	7.6%
EBIT	84	87	-3.4%
EBIT-margin	8.5%	9.5%	-1.0 p.p.
Adj. EBIT	90	100	-10.0%
Adj. EBIT-margin	9.1%	10.9%	-1.8 p.p.
# of Students	34 194	32 024	6.8%



PRAKTISKA
Gymnasiet

LBS KREATIVA
GYMNASIET

D DIDAKTUS
GYMNASIUM



RH
INTERNATIONELLA
HOTELL- OCH RESTAURANGSKOLEN

H HAGSTRÖMSKA
GYMNASIET

VITTRA



NTI GYMNASIET

rytmus
MAKE | MUSIC | LIVE

KLARA
TEORETISKA GYMNASIUM



D DROTTNING BLANKAS
GYMNASIESKOLA

F FRAMTIDSGYMNASIET

Adult Education (Sweden)

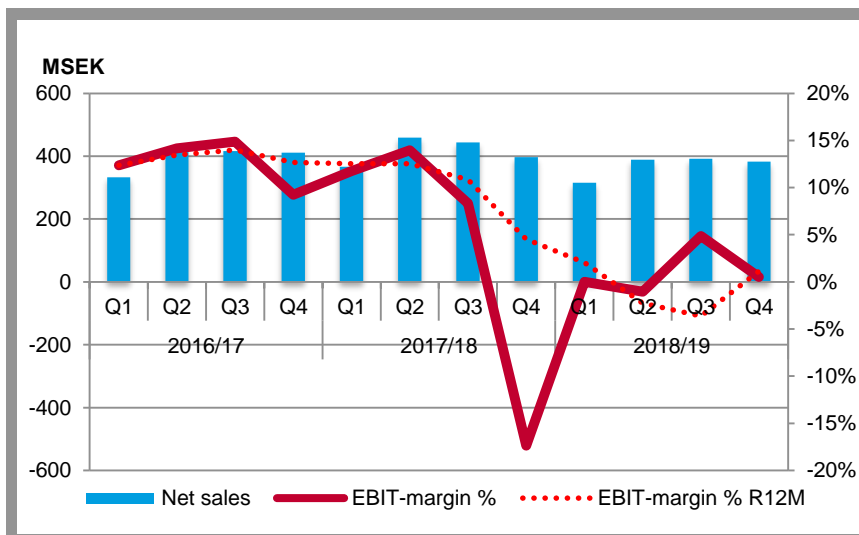
12-month rolling margin starts recovering

Comments for Q4 2018/19

- Net sales decreased by 3.8% due to lower volumes in the business for the Swedish Public Employment Service.
- EBIT improved compared to last year. A seasonal effect of fewer billable days in the fourth quarter rendered a lower EBIT than the previous quarter.
- On a 12-month rolling basis the margin improved
- The ongoing work to reduce costs in the vocational and preparatory modules contract (YSM¹) is going according to plan.
- The first period of the YSM contract ends 31 Oct. However, the contract can be extended 1+1 years and the Swedish Public Employment Service has decided to extend 25 of the 45 locations.

Key figures for Q4 2018/19

	2018/19	2017/18	Change
Net sales	382	397	-3.8%
EBIT	2	-69	n.a.
EBIT-margin	0.5%	-17.4%	17.9 p.p.
Adj. EBIT	2	-7	n.a.
Adj. EBIT-margin	0.5%	-1.8%	2.3 p.p.



¹ Swedish "Yrkes- och studievägledande moduler"

Preschool International

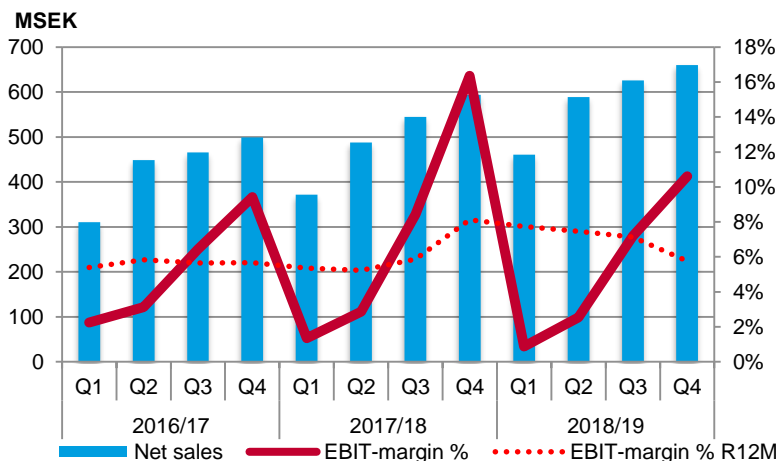
Strong organic growth and improved adjusted EBIT

Comments for Q4 2018/19

- Overall child numbers increased by 8.1 percent which is all categorized as organic growth.
- Two new establishments in Germany and one bolt-on acquisition in Norway were completed in the quarter.
- Net sales increased by 10.1 percent, primarily driven by new establishments in Germany, but also favorable exchange rate developments, 1.7 percent
- Adjusted EBIT and margin improved in both Norway and Germany.
- Looking forward, the new staffing regulation will result in temporarily increased costs. In addition, changes in actuarial assumptions will result in higher reported pension expenses in Norway next year. In total, this is expected to affect earnings by around SEK 35 million in the fiscal year 2019/20

Key figures for Q4 2018/19

	2018/19	2017/18	Change
Net sales	653	593	10.1%
EBIT	70	97	-27.8%
EBIT-margin	10.7%	16.4%	-5.7 p.p.
Adj. EBIT	70	60	16.7%
Adj. EBIT-margin	10.7%	10.1%	0.6 p.p.
# of children	12,302	11,375	8.1%



Full year overview by segment

- **Pre- and Compulsory Schools** Good organic growth in combination with stabilized staff costs rendered improved EBIT and margins.
- **Upper Secondary Schools** Positive development following acquisitions and organic volume growth.
- **Adult Education** Contract transition to lower margins as well as decline in labour market training program volumes impact earnings while municipal and higher vocational training are doing well.
- **International preschools** Strong volume growth mainly in Germany. Earnings also improved in Norwegian preschools.

Key figures for the full year 2018/19

	Number of students*		Net sales, SEK m		Adjusted EBIT, SEK m		Adj, EBIT margin		Operating profit/loss (EBIT), SEK m		EBIT margin	
	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19	17/18
Pre- and compulsory schools (Sweden)	32,988	32,101	4,147	3,912	199	178	4.8%	4.6%	195	178	4.7%	4.6%
Upper secondary school (Sweden)	34,653	30,582	3,757	3,229	344	292	9.2%	9.0%	364	276	9.7%	8.5%
Adult education (Sweden)	-*	-*	1,478	1,666	32	137	2.2%	8.2%	17	75	1.2%	4.5%
Preschool international	11,852	10,684	2,328	1,998	135	125	5.8%	6.3%	135	162	5.8%	8.1%
Group adj., parent company	-	-	4	5	-76	-62	-	-	-76	-70	-	-
Total	79,493	73,366	11,715	10,810	634	670	5.4%	6.2%	635	622	5.4%	5.8%

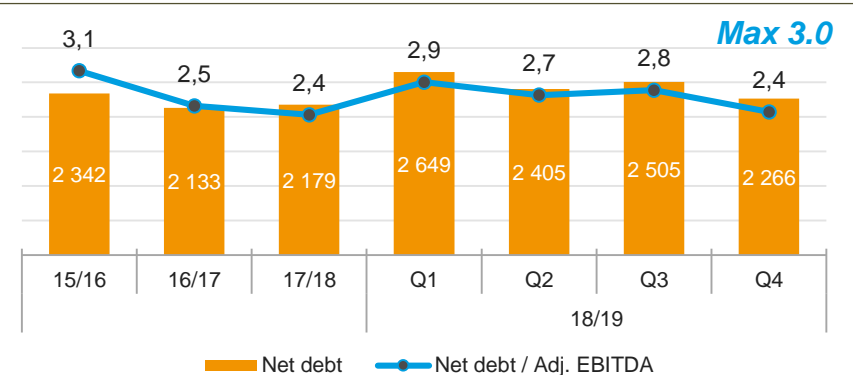
* The volume in Adult Education is not measured based on the number of participants since the study time varies.

Financial position

Financial position continues to improve

- Cash-flow from operations improved to 425 (376) MSEK in the fourth quarter.
- Capital employed increased with SEK 242 million due to investments in property and equipment.
- Equity/asset ratio improved to 47.2% (45.4).
- Long term debt is slightly lower than last year while net debt is higher due to lower cash position.
- Leverage ratio was 2.4x (2.4), which is in line with last year and well below AcadeMedia's financial target of maximum 3.0x.

Net debt and Net debt / Adj. EBITDA



Key figures for Q4 2018/19

	2018/19 30 Jun	2017/18 30 Jun	Change
Total equity	4,589	4,262	7.7%
Net debt	2,266	2,179	4.0%
Adj. net debt ¹⁾	1,533	1,528	0.3%
Capital employed	7,386	7,144	3.4%
Equity ratio	47.2%	45.4%	1.8 p.p.

Financial performance vs targets

Dividend of SEK 1.25 per share, corresponding to 31 percent of net profit

Financial targets

FY 18/19
(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	4.4% (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 3.0xLeverage may temporarily, exceed the maximum level	2.4x (2.4x)
Use of free cash flow	n.a.	<ul style="list-style-type: none">Free cash flow primarily to be reinvestedExcess cash distributed to the shareholders while still maintaining quality and leverage targets	1.25 SEK/ share (0)

Other topics

Preliminary effects of IFRS 16 Leasing
New segment structure as of July 1, 2019

IFRS 16 Leasing

Balance sheet impact is around 7 billion SEK

- AcadeMedia will apply IFRS 16 Leasing as of the financial year 2019/20.
- This involves recalculating operational leases, primarily rented premises, as if they were debt financed assets on the balance sheet.
- Preliminary calculations show that the right-of-use assets and lease liabilities will initially on July 1, 2019 have value of around 7 billion SEK. This corresponds to the net present value of the lease commitments.
- EBIT will be improved by the elimination of rental expense and the addition of depreciation on leased assets with an expected effect of around SEK 200 million, based on current portfolio.
- Financial net will be affected by interest expense on the leased assets which according to preliminary calculations will be SEK -350 million, based on current portfolio.
- **N.B.** Changes in the lease portfolio may render other numbers going forward.

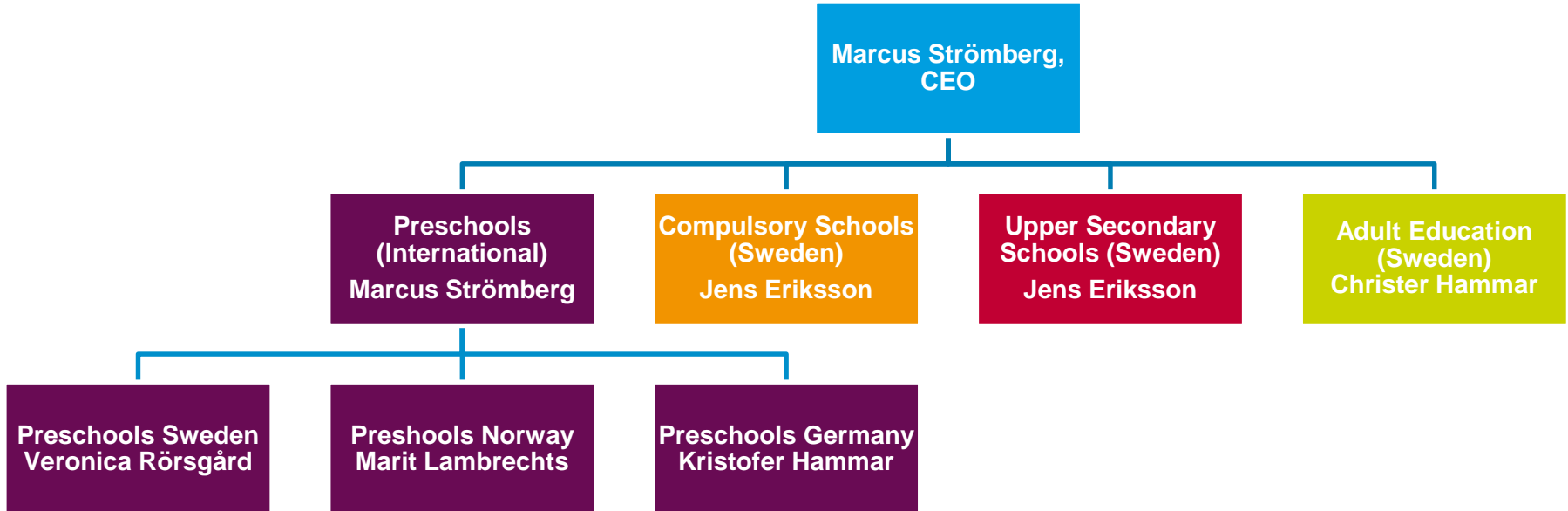
IFRS 16 Leasing

No commercial impact or changes to real estate strategy expected

- **No effects on commercial terms.** The change is purely accounting related.
- **Loan covenants** apply on a frozen gaap basis, i.e. no impact
- **No change in lease contract strategy** as a result of this accounting change. The duration of the lease contracts with will as currently be based on the stability of the underlying business, which in turn depends on the nature of the business as well as the demographic outlook.

New segment organisation as of 1 July 2019

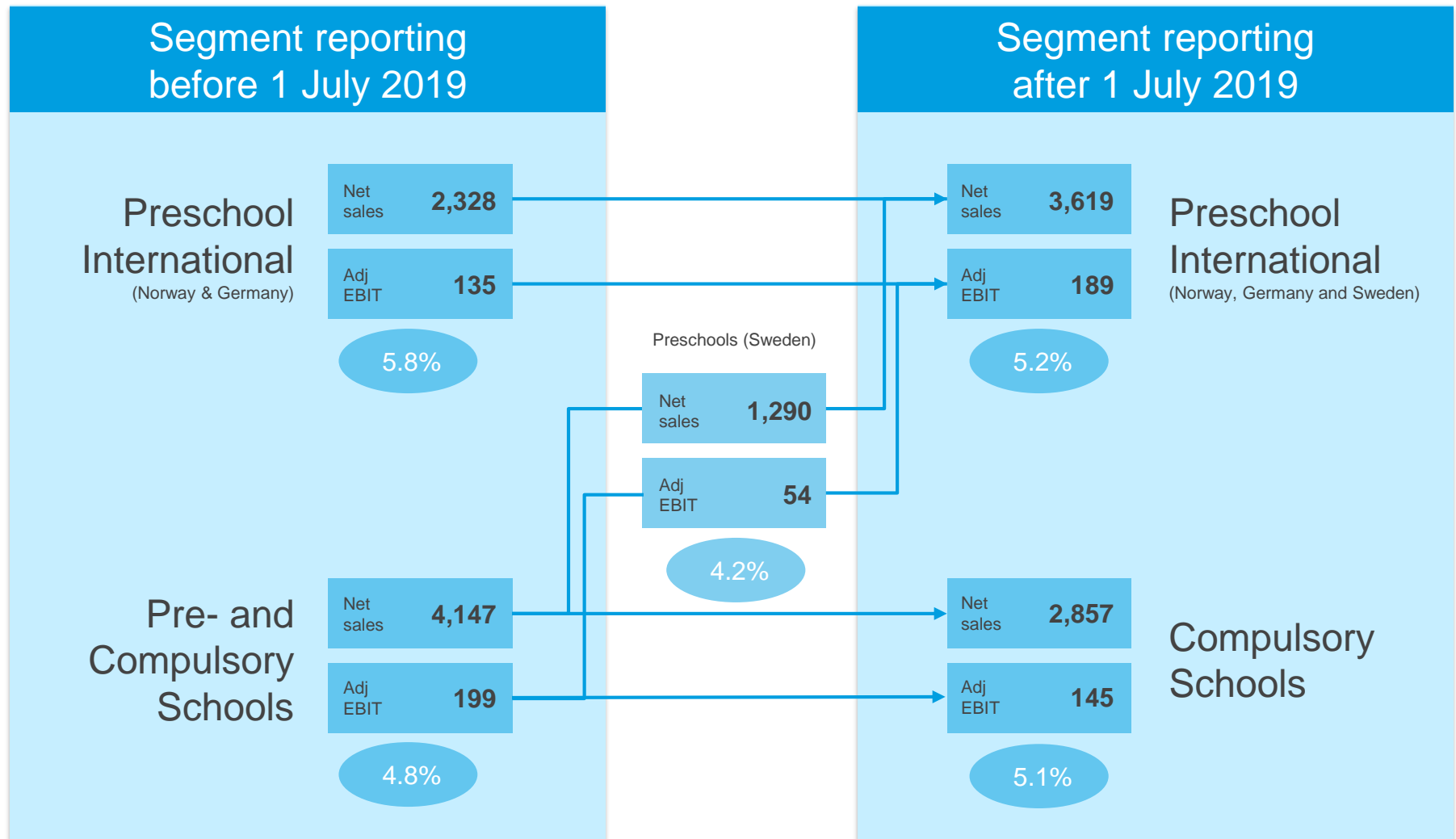
Formation of Preschool Segment and Compulsory School Segment



*Group Management
unchanged*

New segment reporting as of 1 July 2019

Swedish preschools joins International Preschool segment



The new segments

Financial data (pro-forma)

Preschool International (NEW)	Full year	
	<i>SEK million, unless otherwise stated</i>	2018/19
Number of children/students (average)	20,576	19,471
Net sales	3,619	3,262
EBITDA	262	278
EBITDA margin, %	7.2%	8.5%
Depreciation/amortisation	-68	-63
Acquisition related depreciations	-5	-4
Operating profit/loss (EBIT)	189	210
EBIT margin, %	5.2%	6.4%
Items affecting comparability	-	37
Adjusted operating profit/loss (EBIT)	189	173
Adjusted EBIT margin, %	5.2%	5.3%
Number of education units	255	241

Compulsory Schools (Sweden)	Full year	
	<i>SEK million, unless otherwise stated</i>	2018/19
Number of children/students (average)	24,265	23,314
Net sales	2,857	2,648
EBITDA	203	180
EBITDA margin, %	7.1%	6.8%
Depreciation/amortisation	-60	-50
Acquisition related depreciations	-1	-
Operating profit/loss (EBIT)	141	130
EBIT margin, %	4.9%	4.9%
Items affecting comparability	-4	-
Adjusted operating profit/loss (EBIT)	145	130
Adjusted EBIT margin, %	5.1%	4.9%
Number of education units	109	111

Thank you – Any 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.