

AcadeMedia Investor presentation

2017-11-06




About 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

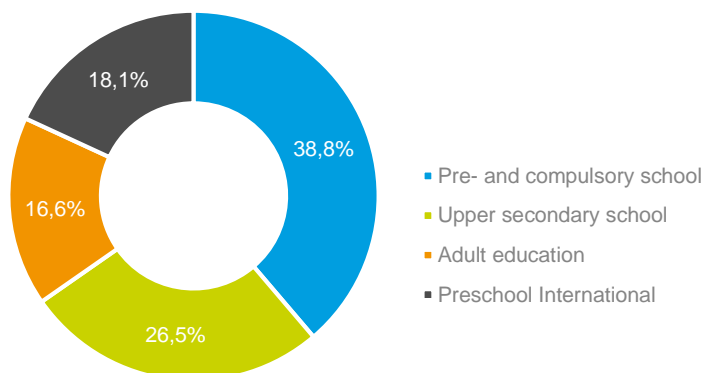
Geographical presence and selected brands (Q1)

Country				Total
Students	~158.0k ⁽¹⁾	~8.8k	~1.3k	~168.1k ⁽¹⁾
FTEs	~8.4k	~2.1k	~0.3k	~10,8k
Units	332	96	18	446



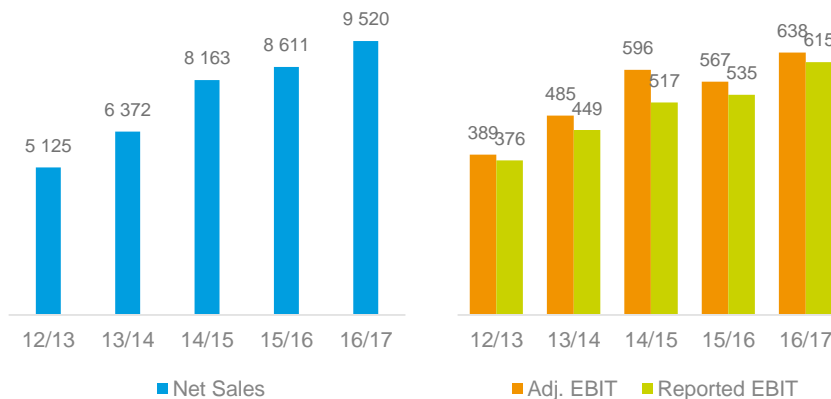
Financial overview

Net Sales Split 16/17²



SEKm

Financial Development 12/13-16/17



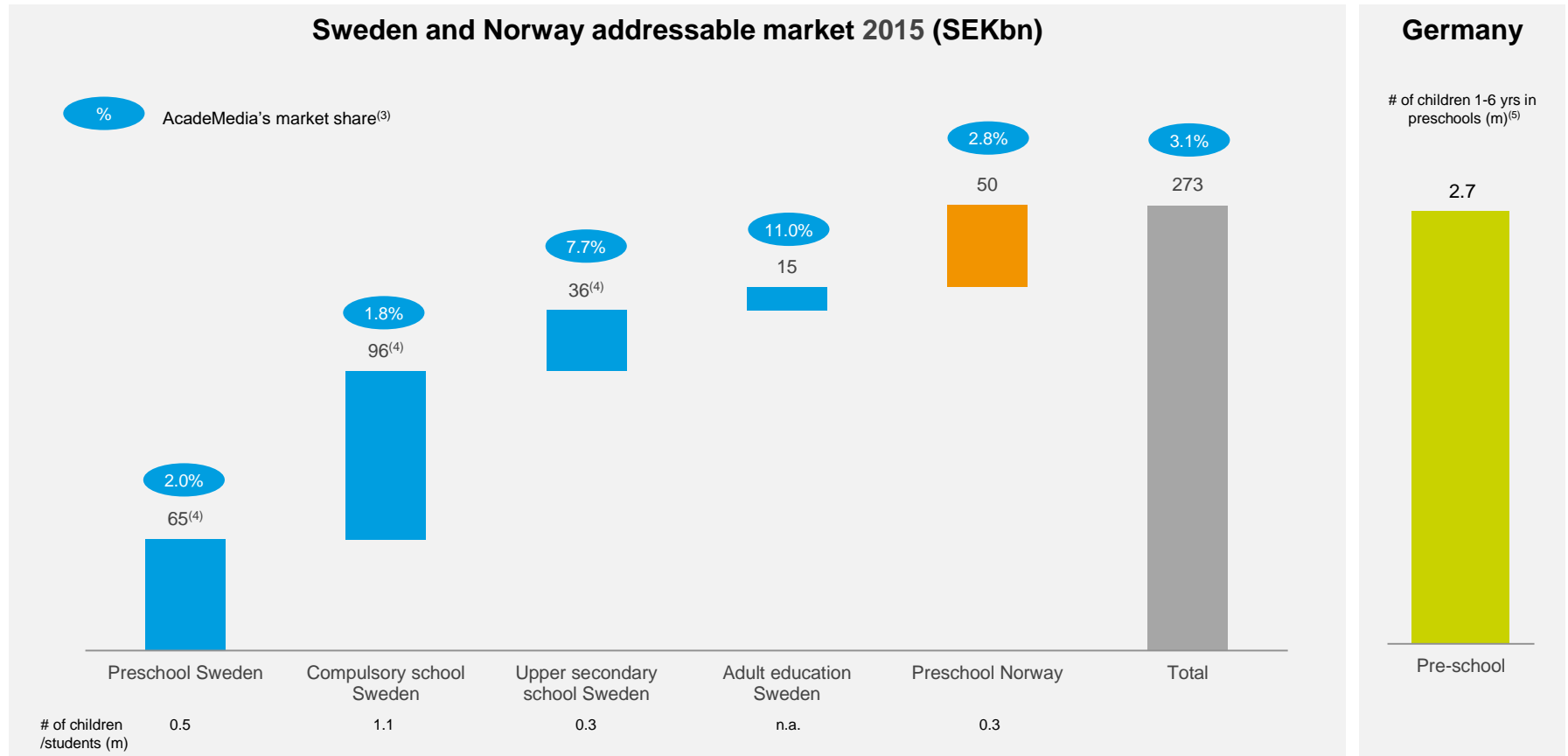
Note: 1) ~100,000 of which are students within adult education during a specific year, but not necessarily full-year students (due to shorter courses). 2) Excl. group related revenue of SEK 4 million.

AcadeMedia key highlights

1. Sizeable underlying market with stable and predictable long-term growth drivers
2. Increasing share of independent education providers
Largest independent educational provider in Northern Europe – #1 position across all segments in Sweden, leading position in preschool Norway and growing preschool platform in Germany
3. Unique model for assuring high quality, school attractiveness and sustainable growth
4. Proven track record of stable organic growth combined with successful acquisitions
5. Scalable business model with strong cash flow generation and limited cyclicity



Sizeable underlying market of which AcadeMedia still only has a fraction

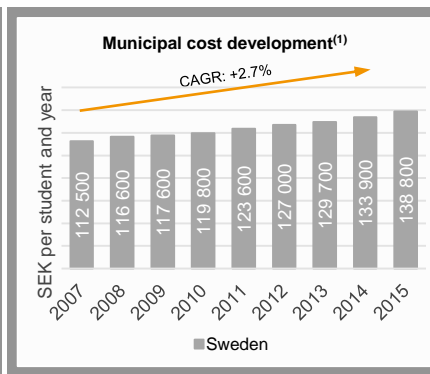
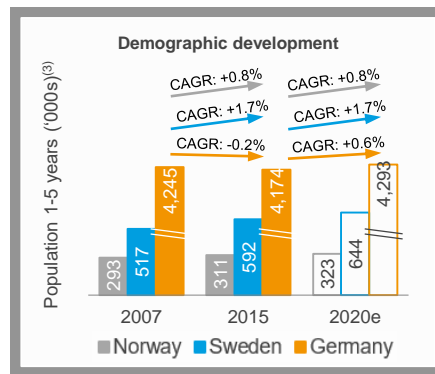


- Addressable market in Sweden and Norway worth approximately SEK 273bn
- Significant potential to grow in sizeable German market
- Investments in education represent a substantial part of national GDP and is high on government agendas

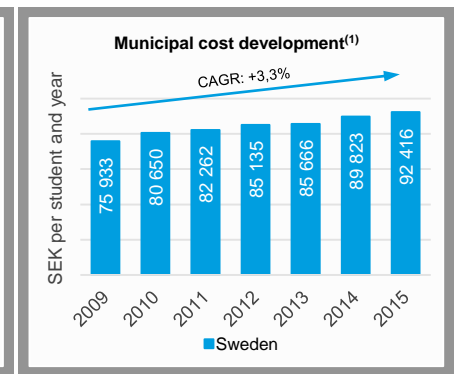
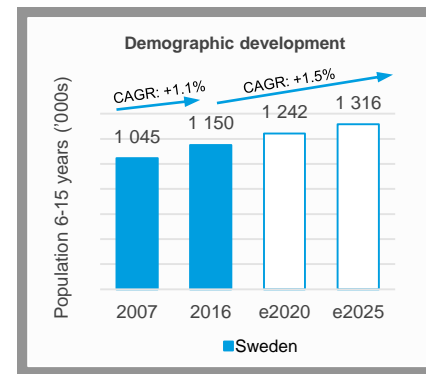
Source: Skolverket, SCB, SSB, Destasis. Note: 1) Refers to 2014 total education spend (not only AcadeMedia addressable market) and 2014 GDP. 2) Refers to mainland GDP. 3) Market share based on number of students for all segments except adult education and total, where market share is calculated based on revenue. Total market share calculated based on revenue. 4) Based on the total number of students (municipal and independent) multiplied by the average municipal cost per student, as the municipal cost (budgeted) is the basis for reimbursement to independent providers according to the equal terms principle. 5) Refers to children in both municipal and independent preschools.

Stable and predictable long-term growth drivers

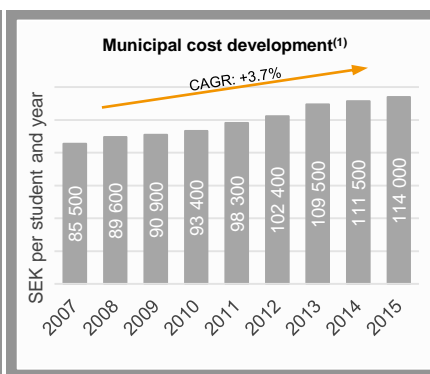
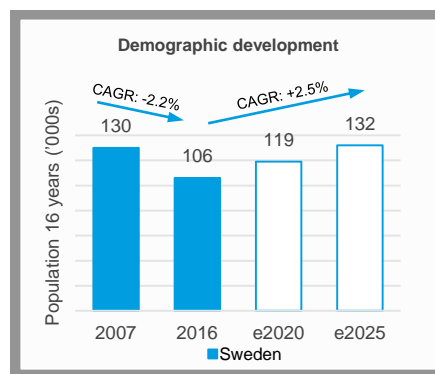
Preschool



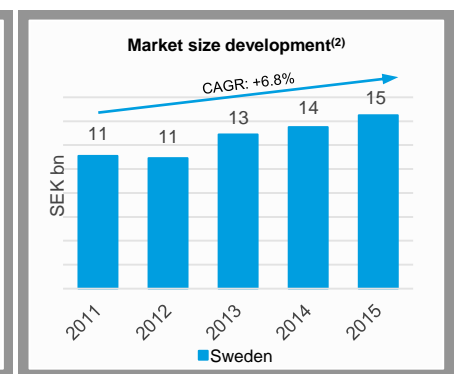
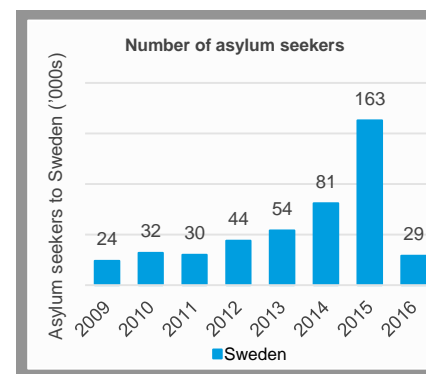
Compulsory school



Upper secondary school



Adult education



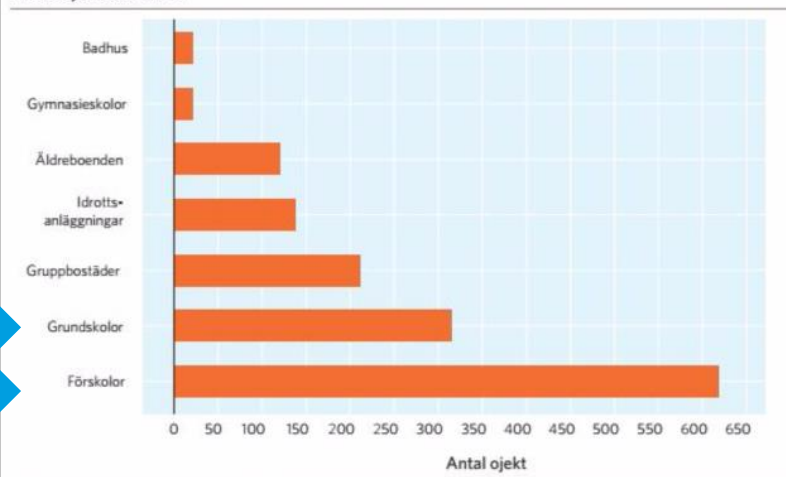
Favorable demographic trend in combination with increasing investments in education across all segments creates a solid foundation for stable long-term growth

• Source: Skolverket, SCB. Note: Compulsory school includes pre-compulsory school education. 1) Municipal cost refers to national average cost of running an independent school. Considerable variances occur between municipalities as regarding voucher size and voucher increase year on year. 2) Refers to total cost including private and public actors - municipal adult education, SFI, labor market programs and vocational education. 3) Germany refers to children age 1-6.

Future demand 2017-2020

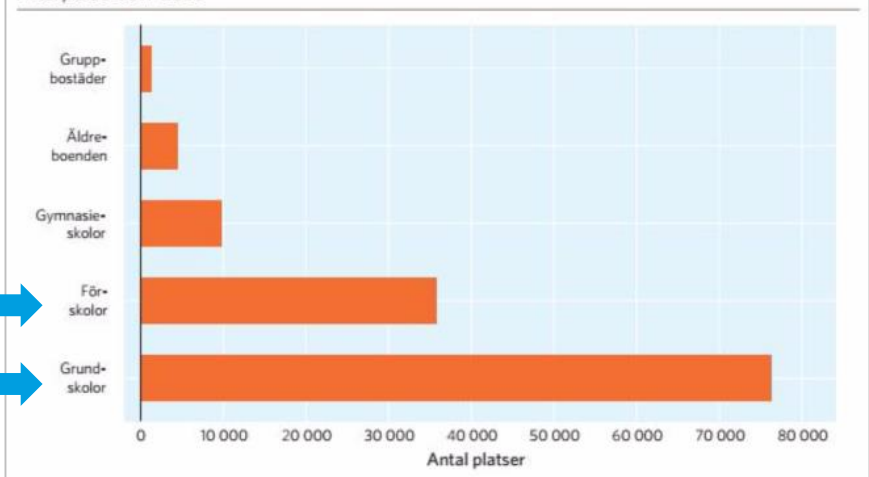
- In the coming years the population will continue to grow and increase the demand on school and healthcare systems. A large part of the demand is driven by immigration.
- A study made by the Swedish Association of Local Authorities and Regions show that up until the year 2020, 600 preschools and 300 compulsory schools needs to be added to the current school system in Sweden.

Diagram 32 • Antal planerade investeringsobjekt inom olika verksamheter
Antal objekt 2017-2020



Källa: Sveriges Kommuner och Landsting.

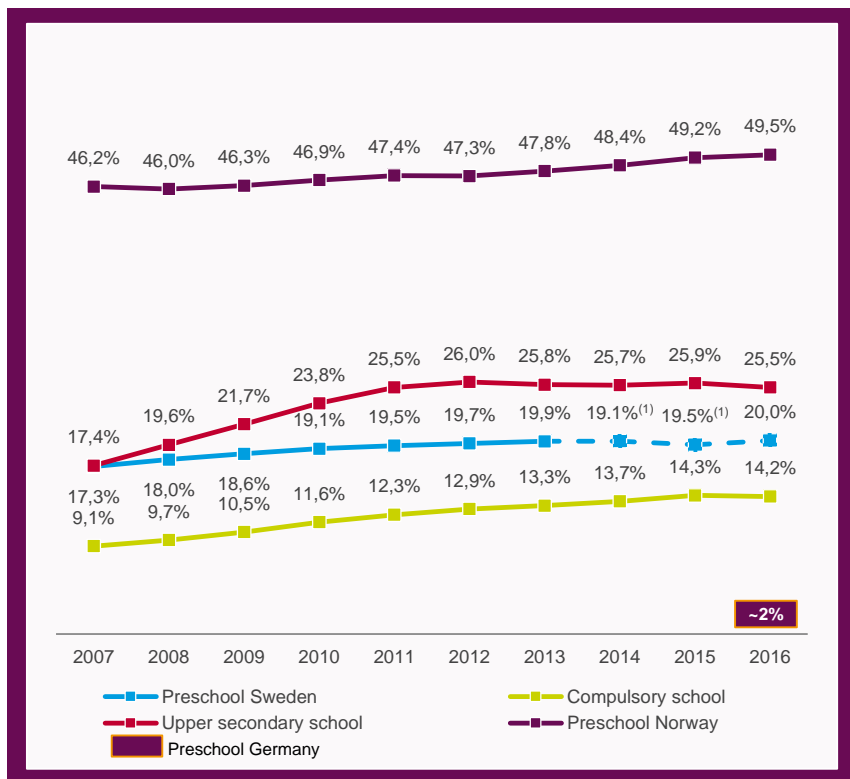
Diagram 33 • Antal planerade platser för investeringsobjekt inom olika verksamheter
Antal platser 2017-2020



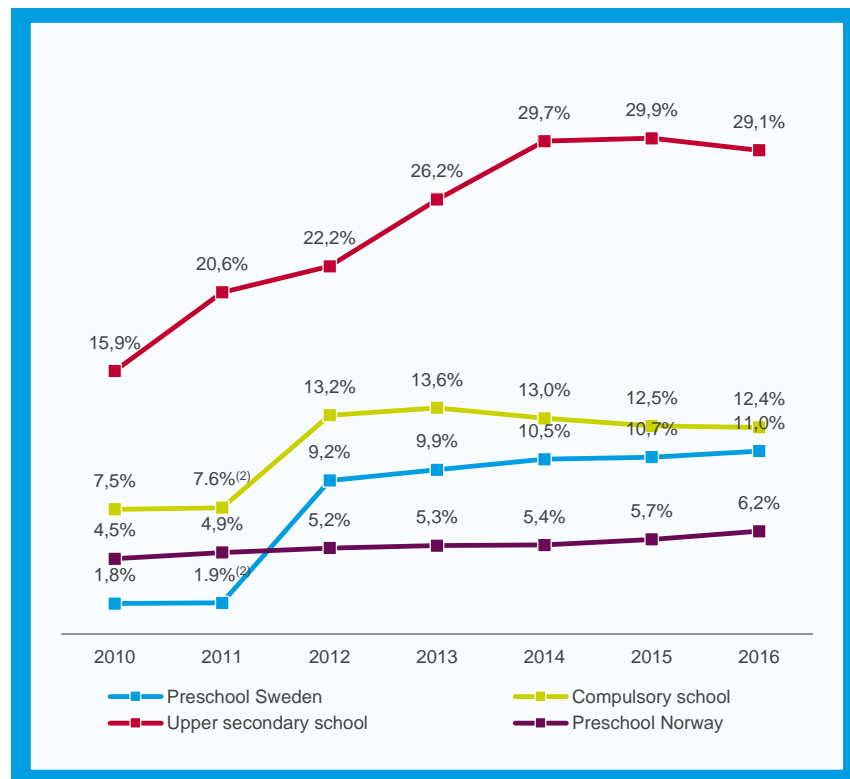
Källa: Sveriges Kommuner och Landsting.

Independent providers have grown but penetration still remains fairly low

INDEPENDENT PROVIDERS' PENETRATION OF TOTAL MARKET



ACADEMEDIA'S MARKET SHARE OF INDEPENDENT MARKET



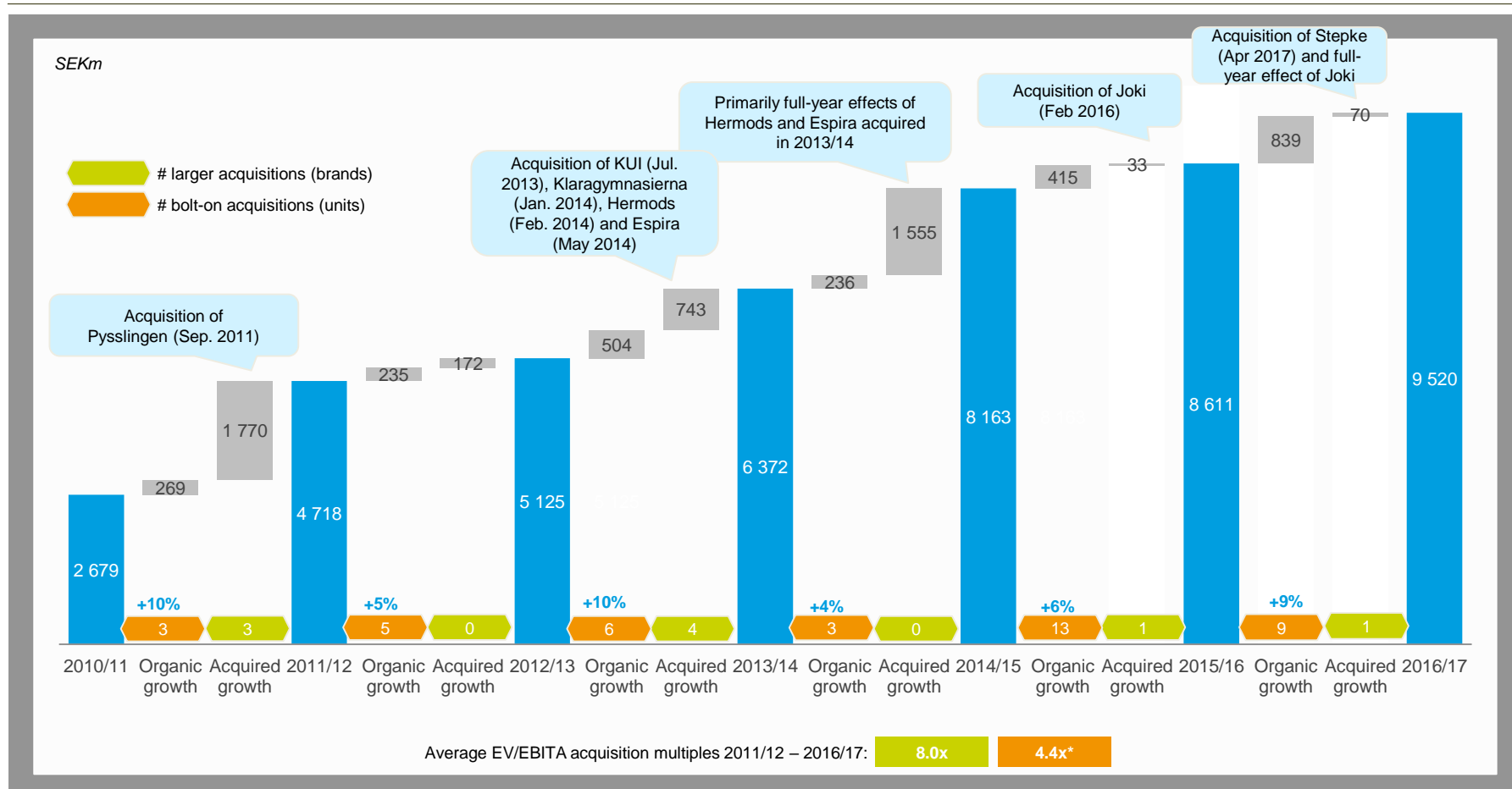
- Independent providers have grown significantly – however penetration still remains low in most segments
- AcadeMedia continues to gain market share

Source: Skolverket, SSB, Destatis. Note: Compulsory school includes preschool class. Market shares based on number of students. 1) SCB's measuring methodology changed in 2014 – on the same measuring basis 2014 and 2015 overall independent penetration is estimated to be higher. 2) Figures do not include the students in Pysslingen units acquired in 2011.

Growth track record

Proven ability to roll-out, acquire and integrate new businesses

Revenue development 2010/12 – 2016/17



Definitions: Organic growth includes smaller bolt-on acquisitions and excludes changes in currency. Acquired growth refers to revenues from larger acquisitions during the last 12 months. *) Refers to Swedish acquisitions whereas Preschool International has higher multiples of 8-10x.

Preschools (International)



Acquisition of Stepke strengthens German platform

Rationale for deal

- 7 preschools and 3 mobile preschools with a total of 640 children and 200 employees
- Access to new German regions, Nordrhein-Westfalen and Berlin/Brandenburg
- Strong pipe-line of a further 9 preschools to open before the end of 2018
- Strong management team which will add to the local competence

Summary of deal

- Purchase price (equity) of EUR 8.15 million, of which EUR 3 million in AcadeMedia shares.
- Earn-out of up to EUR 4 million depending on the financial outcome for the calendar years 2018 and 2019.

Key figures for German expansion

	Joki	Stepke	Total
Number of units	7	10	17
Number of children	450	640	1 100
Sales, EURm		6.6	



Upper Secondary Schools (Sweden)



New establishment ProCivitas in Stockholm

- ProCivitas is an academically oriented Upper Secondary School for students with high motivation to study
- With this new establishment, AcadeMedia increases the ProCivitas family to five units, located in Växjö, Malmö, Helsingborg, Lund and Stockholm
- ProCivitas Stockholm has admitted around 90 first year students and there are already additional requests
- The location is at Campus Södermalm together with Vittra and Sjölin's Gymnasium



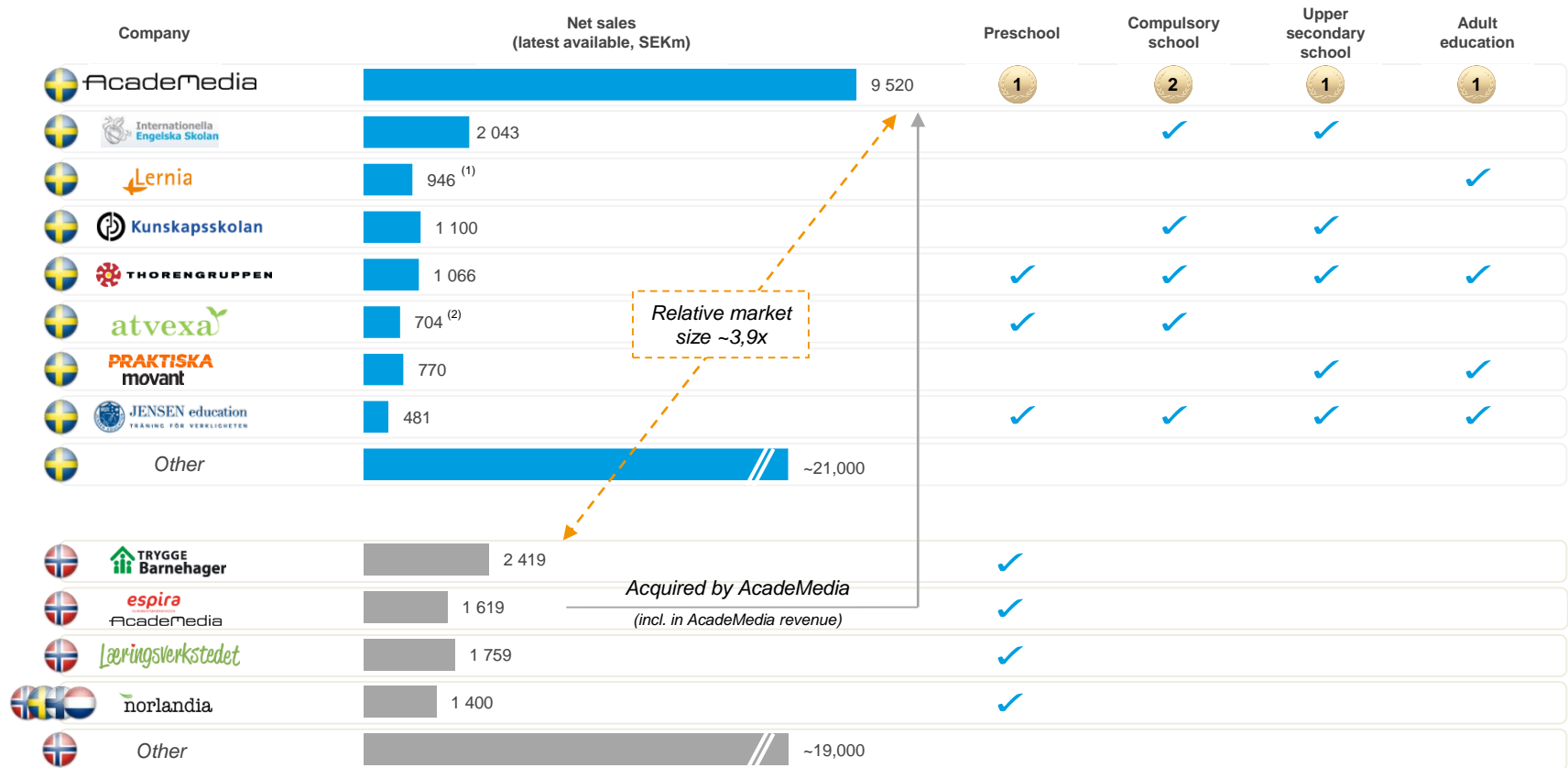
Upper Secondary Schools (Sweden)

New establishment Rytmus in Borlänge

- Rytmus is an academically oriented Upper Secondary School with focus on music
- The new school in Borlänge is an addition to current Rytmus operations with units in Stockholm, Göteborg, Malmö and Örebro
- The new unit has admitted some 50 first year students
- Local celebrity musicians have been engaged in the start-up
- Location is in ready-to-use premises in central Borlänge



Leading position with potential to further consolidate – Nordic perspective



- Highly fragmented market – AcadeMedia’s relative market size is ~3,9x the second largest
- Coverage of the whole educational system brings scale benefits and enables best practice sharing within and across segments

Source: Annual reports. 1) Only Lernia Education. 9) Acquired by Læringsverkstedet 2017.

Employee satisfaction continues to improve



85% are proud of their workplace

The most influential factor in recommending a workplace to others is when employees feel pride.



3 out of 4 believe they have valuable opportunities to develop within their role.



Improved leadership

Leadership efforts in recent years have bolstered our leaders and have led to our managerial index trending positively. (From 75 in 2013 to 79 in 2017)

566

Schools/units/departments took part in the survey

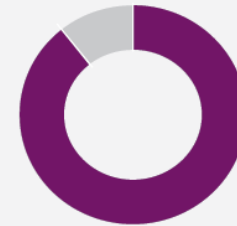
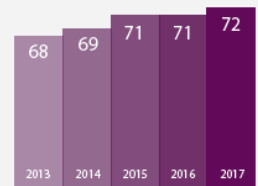
&

6,718

out of 8,629 employees responded anonymously, a response rate of 78%.

Employee satisfaction continues to increase

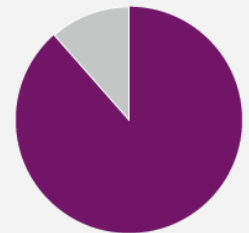
A consistently high level since 2013.



81% recommend their workplace to others.

85%

of employees have confidence in their manager, with 87% believing their manager is leading them towards increased success.



Financial overview

Key highlights Q1 2017/18

Sound revenue growth in the three school segments

Comments for Q1 2017/18

- Student numbers increased in all segments.
- Revenue growth boosted by acquisitions (mainly Stepke) but also from new establishments as well as high volumes in the Adult education segment
- Seven new upper secondary schools opened with approx. 370 students
- Two new preschools, (Ger + Norw) started during the quarter
- EBIT increased by SEK 12 million (17,6%) compared to the same period last year explained by the upper secondary segment

Key figures for Q1 2017/18

	2017/18	2016/17	Change
# of Students	68,098	65,143	4.5%
Net Sales	2,037	1,862	9.4%
EBIT	80	68	17.6%
EBIT-margin	3.9%	3.7%	0.2 p.p.
Adj. EBIT	82	69	18.8%
Adj. EBIT margin	4.0%	3.7%	0.3 p.p.
Earnings after Tax	51	41	24.4%
Earnings per share ¹⁾ , SEK	0.54	0.44	22.7%
Cash Flow from Operations	142	131	n/a

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

Pre- and Compulsory Schools (Sweden)

Growth could not fully compensate for increased staff costs

Comments for Q1 2017/18

- Overall student numbers increased by 1.6%
- One preschool and two smaller compulsory schools with approximately 310 children were closed or divested before the start of 2017/18. Adjusted for divestments, the number of children and students increased by 2.7%
- Revenue grew 6.0% following increased number of students and annual voucher adjustments.
- EBIT-margin was 0.7 percentage points lower than last year mainly due to higher personnel costs, not yet compensated by school vouchers

Key figures for Q1 2017/18

	2017/18	2016/17	Change
Net Sales	760	717	6.0%
EBIT	3	8	-62.5%
EBIT-margin	0.4%	1.1%	-0.7 p.p.
Adj. EBIT	3	8	-62.5%
Adj. EBIT-margin	0.4%	1.1%	-0.7 p.p.
# of Students	31,111	30,613	1.6%



Upper Secondary Schools (Sweden)

Increased capacity utilization. Seven new schools started

Comments for Q1 2017/18

- Seven new schools started with some 370 students
- Overall student numbers increased by 4.3% with an all-time-high of first year students
- Revenues increased by 7.6% compared to the same quarter following the volume increase as well as higher revenue per student
- EBIT and EBIT-margin improved compared to the same period the previous year as a result higher capacity utilization

Key figures for Q1 2017/18

	2017/18	2016/17	Change
Net Sales	539	501	7.6%
EBIT	39	26	50.0%
EBIT-margin	7.2%	5.2%	2.0 p.p.
Adj. EBIT	39	26	50.0%
Adj. EBIT-margin	7.2%	5.2%	2.0 p.p.
# of Students	26,918	25,802	4.3%



Adult Education (Sweden)

Financial result for the year at all-time high

Comments for Q1 2017/18

- Revenues increased by 10.2% mainly attributed to higher volumes within Basic Modules, Swedish for immigrants (SFI) and Komvux
- EBIT improvement is a result of higher volumes. However, many larger contracts are coming to an end and new contracts overall have a lower price level, which affects margins negatively
- Margins are also affected by new contracts being delayed by some salary inflation in certain teacher categories

Key figures for Q1 2017/18

	2017/18	2016/17	Change
Net Sales	366	332	10.2%
EBIT	43	41	4.9%
EBIT-margin	11.7%	12.3%	-0.6 p.p.
Adj. EBIT	43	41	4.9%
Adj. EBIT-margin	11.7%	12.3%	-0.6 p.p.



Preschools (International)

Acquisition of Stepke expands German operations substantially

Comments for Q1 2017/2018

- Child numbers increased by 15.4%
- Revenue growth for the quarter 19.6%
- Growth mainly attributed to the acquisition of the German operation Stepke, as well as new establishments and acquisitions in Norway. Currency did not notably affect sales in the quarter
- Roughly same EBIT level as previous year although negative effects of timing of facility maintenance in Norway
- Espira in Norway opened one new preschool during the quarter and one new preschool was opened in Germany under the Stepke brand.
- Stepke has secured the establishment of nine new preschools estimated to open before the end of 2018

Key figures for Q1 2017/18

	2017/18	2016/17	Change
Net Sales	372	311	19.6%
EBIT	5	7	-28.6%
EBIT-margin	1.3%	2.3%	-1.0 p.p.
Adj. EBIT	5	7	-28.6%
Adj. EBIT-margin	1.3%	2.3%	-1.0 p.p.
# of Students	10,069	8,727	15.4%



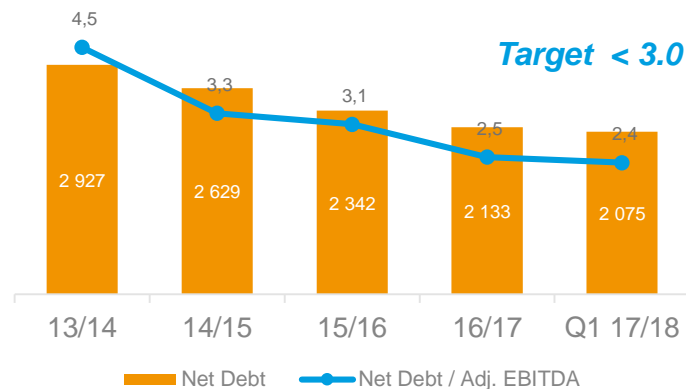
Financial position

Improved net debt and leverage ratio below maximum target

- Capital employed has increased during the last 12 months by SEK 454 million due to growth mainly acquisitions, preschool buildings in Norway and other investments
- Net debt decreased by SEK 281 million despite investments made. This is the result of improved EBIT as well as improved net working capital.
- Net Debt excluding real estate debt has decreased by SEK 348 million
- Leverage ratio dropped to 2.4x which is below the target level of 3.0x.

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

Net Debt and Net Debt / Adj. EBITDA



Key figures for Q1 2017/18

	2017/18 30 Sep	2016/17 30 Sep	Change
Total Equity	3,487	3,013	15.7%
Net Debt	2,075	2,356	-11.9%
Adj. Net Debt ¹⁾	1,488	1,836	-19.0%
Capital Employed	6,202	5,748	7.9%
Equity Ratio	42.6	40.8	1.8 p.p.

Seasonality varies between segments

Q1 shows normal seasonality in school segments

Quarterly seasonality – Net sales and adj. EBIT 2014/15 - 2016/17

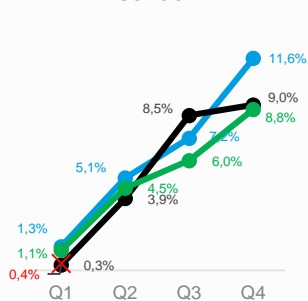
Comments

SEKm



- School segments continue to show normal seasonality
- First quarter margin improvement primarily due to the upper secondary segment where increased efficiency in existing units contributed positively
- Adult segment is volatile and fluctuations are determined by contract portfolio

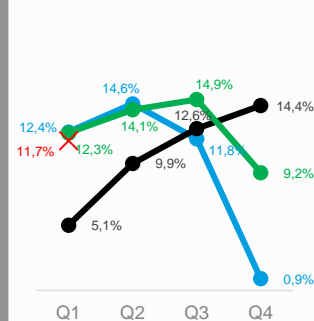
PRE-AND COMPULSORY SCHOOL



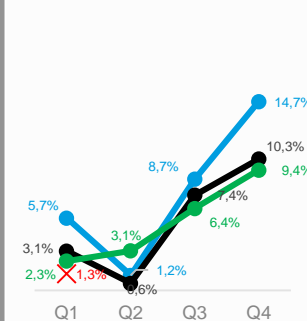
UPPER SECONDARY SCHOOL



ADULT EDUCATION



PRESCHOOL INTERNATIONAL



Adj. EBIT margin 2014/15 Adj. EBIT margin 2015/16 Adj. EBIT margin 2016/17 Adj. EBIT margin 2017/18

Financial performance according to plan

Financial targets			Q1/R12M (FY 16/17)
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 	9.4% (10.6%)
Profitability	7-8%	<ul style="list-style-type: none"> Adj. EBIT margin of 7-8% over time 	6.7% (6.7%)
Capital structure	<3.0x	<ul style="list-style-type: none"> Net debt / adj. EBITDA below 3.0x Leverage may temporarily, exceed the target level 	2.4 (2.5x)
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

Closing remarks

Status Politics & Regulation

- Illmar Reepalu has presented an investigation into limiting the profitability in the welfare sector. The proposal is essentially a cap on return on invested capital (ROIC).
- Government representatives have said that they will put a modified profit-cap proposal to the parliament no later than March 2018. It is expected that the content of the proposition will be disclosed at the end of November when it is placed for legal review (lagrådsremiss)
- There is a clear majority in the Swedish parliament against capping profitability
- The formal referral process ended in February and criticism has been massive, both from industry, authorities and municipalities.
- We see various accounting and legal obstacles in enforcing such a regulation
- The proposal would seriously negatively affect the supply of healthcare and schooling in Sweden at a time of increasing demand. Alternative funding being municipality funds (taxes). The report completely lacks analysis of consequences, which has been criticized.

What next?

- The political debate continues, but the children and students choose the best schools
- We continue to be pro-active in promoting ways how to develop the quality of the Swedish school system

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?



Appendix

Q1 2017/18 segment overview

EBIT increase in Upper Secondary Schools segment

- **Pre- and Compulsory Schools** revenue grew following increased number of students and annual voucher adjustments. EBIT-margin was lower than last year mainly due to higher personnel costs, not yet compensated by school vouchers
- **Upper Secondary Schools** student numbers increased by 4.3% with an all-time-high of first year students. EBIT and EBIT-margin improved compared to the same last year as a result higher capacity utilization.
- In **Adult Education** revenues increased by 10.2% mainly attributed to higher volumes within Basic Modules, Swedish for immigrants (SFI) and Komvux. EBIT improvement is a result of higher volumes.
- **International preschools.** Growth mainly attributed to the acquisition of the German operation Stepke, as well as new establishments and acquisitions in Norway.

Key figures by segment Q1 2017/18

	Number of students (average)		Net sales, SEK m		Adjusted EBIT, SEK m		Adj. EBIT margin		Operating profit/loss (EBIT), SEKm		EBIT margin	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Pre- and Compulsory Schools (Sweden)	31,111	30,613	760	717	3	8	0.4%	1.1%	3	8	0.4%	1.1%
Upper Secondary Schools (Sweden)	26,918	25,802	539	501	39	26	7.2%	5.2%	39	26	7.2%	5.2%
Adult Education (Sweden)	-*	-*	366	332	43	41	11.7%	12.3%	43	41	11.7%	12.3%
Preschool International	10,069	8,727	372	311	5	7	1.3%	2.3%	5	7	1.3%	2.3%
Group adj., parent company	-	-	0	0	-9	-13	-	-	-10	-14	-	-
Total	68,098	65,143	2,037	1,862	82	69	4.0%	3.7%	80	68	3.9%	3.7%

*) The volume of adult education is not measured based on the number of participants since the length of the programs varies.

AcadeMedia's board of directors

Proposal to AGM



Anders Bülow	Silvija Seres	Johan Andersson PROPOSED	Pia Rudengren PROPOSED	Anki Bystedt PROPOSED	Thomas Berglund PROPOSED	Håkan Sörman PROPOSED
Chairman of the Board	Board Member	Board Member	Board Member	Board Member	Board Member	Board Member
Board Member MellbyGård AB and Chairman of the Board of KappAhl.	CEO TechnoRocks.	CEO Mellby Gård AB.	Board member KappAhl AB, Boliden AB, Duni AB, WeMind AB and Tikkurila Oyj.	Head of External Relations and Communications at Stockholm University.	CEO Capio AB.	Board member Tom Tits Experiment.
Chairman of the Board and board Member of several MellbyGårds companies.	Board Member Nordea, The North Alliance and Norsk Tipping.	Chairman of the Board Chevalier Holding AB, Cale Group AB, Smart Eyes Holding AB. Board member Duni AB, Älvsbyhus Intressenter AB, StudentConsultig Holding AB.	Chairman of the Board Social Initiative Norden AB.	Auditor The Royal Swedish Academy of Engineering Science.	A number of positions as chairman of the board within the Capio Group. Deputy Chairman in ISS A/S.	

AcadeMedia's board of directors

Employee representatives



**Anders
Lövgren**

Employee representative, Lärarförbundet

Teacher, Network technology, IT-Gymnasiet, Västerås.

Board member Lärarförbundets Riksavdelning Acadamedia, Employee representative Lärarförbundet in Teoretiska Gruppen och NTI/ITG



**Peter
Milton**

Employee representative, Lärarnas Riksförbund

Teacher in religion, history and philosophy, Didaktus skolor, Liljeholmen

Employee representative LR in Segment Pre- and Compulsory Schools Board member, LRs koncernförening in AcadeMedia



**Fredrik
Astin**

Deputy employee representative, Lärarnas Riksförbund

Teacher, Fenestra centrum i Göteborg

Employee representative LR inom AcadeMedias Fria Gymnasieskolor, Board member, LRs koncernförening inom AcadeMedia, Board member, LR Göteborg



**Pernilla
Larsson**


Deputy employee representative, Lärarförbundet

Teacher at Design & Construction College i Helsingborg.

Owner structure

AcadeMedia's ten largest shareholders as per 2017-09-30



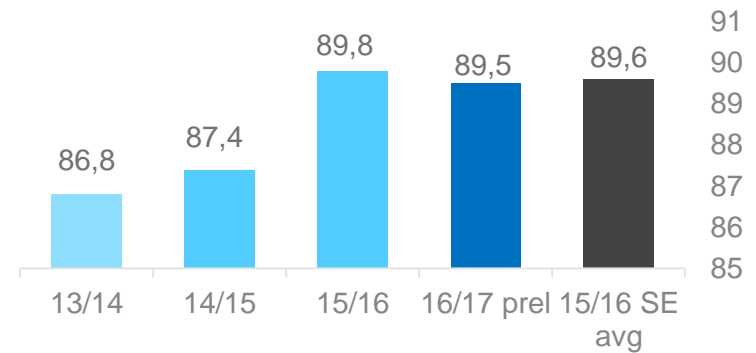
Name	Number of shares	Share of total number of shares, %
MELLBY GÅRD AB	19 960 327	21,06
MARVIN HOLDING LIMITED* 	11 511 385	12,14
NORDEA FUNDS LTD	10 538 993	11,12
FIDELITY FUNDS - NORDIC FUNDS	5 234 454	5,52
ANDRA AP-FONDEN	2 272 532	2,40
TREDJE AP-FONDEN	2 241 920	2,37
ILMARINEN MUTUAL PENSION INSURANCE CO	1 676 000	1,77
FÖRSÄKRINGSBOLAGET PRI	1 654 020	1,74
SWEDBANK ROBUR SMÅBOLAGSFOND SVERIGE	1 584 000	1,67
LÄNSFÖRSÄKRINGAR SMÅBOLAG SVERIGE	1 124 820	1,19

*On October 27 EQT announced that they have via the holding company Marvin sold 11.5 million shares. EQT owns no shares in AcadeMedia after this transaction.

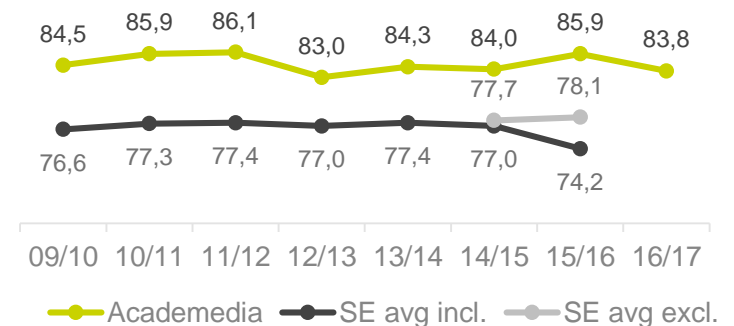
Key Quality results

- Regulatory inspections of 179 compulsory and upper secondary schools. The Inspectorate found no cause for criticism at 133 of these schools which is a very good result.
- Upper secondary schools slight decline vs last year
 - Preliminary statistics of students to reach graduation requirements decreased to 89.5% (89.8) vs national average last year of 89.6%
- Quality lead in AcadeMedia's compulsory schools is maintained
 - Proportion of students with E or higher in all subjects 83.8% (85.9%) vs national average last year of 74.2%*

Upper secondary schools: % of students passed



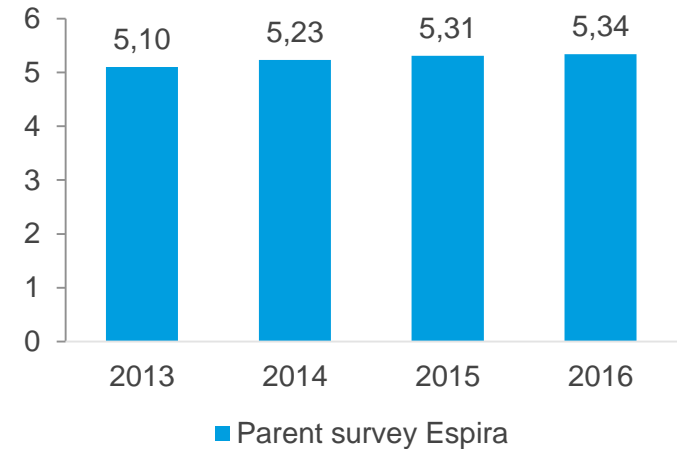
Compulsory schools - % of students w/o any F*



*Change in statistics from National Agency for Education. Downward trend in 15/16 is due to large influx of immigrants (Academediia statistics include students with unknown background).

Key Quality results, cont

- Parent survey in Norway showed increasing satisfaction levels in Norwegian preschools.
 - Rating 5.34 (5.31) out of max 6.0
 - Promotor score increased to 87% (86)



- Participant survey in Adult education showed continued high satisfaction levels
 - Promotor score at 85% (85)

