

Interim Report

July - March 2018

2018-05-04



Today's presenters



Marcus Strömberg

Chief Executive Officer

With AcadeMedia
since 2005



Eola Änggård Runsten

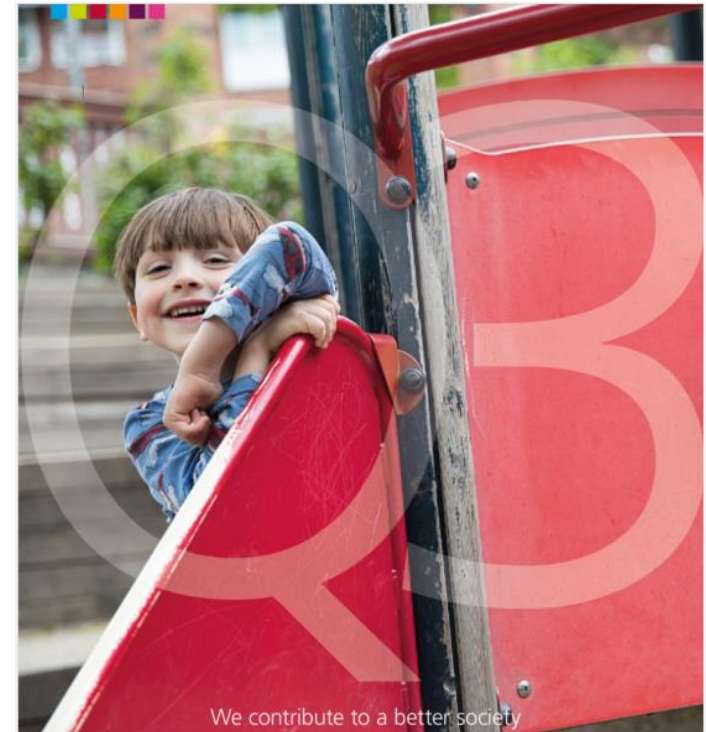
Chief Financial Officer

With AcadeMedia
since 2013



CEO introduction

- Strong volume and sales growth
- Contract transition in the adult segment leads to decline in operating profit
- Continued high employee satisfaction
- Stable development in school segments
- Contractual deficit in Hermods sfi Malmö. Ongoing dispute on amount
- Swedish parliament to vote on ownership assessment and the proposal on limitation of profits for welfare companies.



AcadeMedia AB (publ)

INTERIM REPORT July 2017 – March 2018

Strong volume and sales growth

Contract transition in the adult segment generates a decline in earnings

Continued high employee satisfaction




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

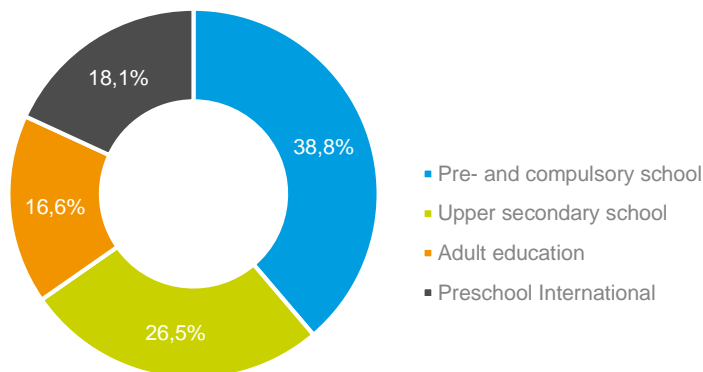
Geographical presence and selected brands (Q3)

Country				Total
Students	~165.2k ⁽¹⁾	~9.5k	~1.5k	~176.2k ⁽¹⁾
FTEs	~9.7k	~2.3k	~0.4k	~12.3k
Units	371	101	28	500

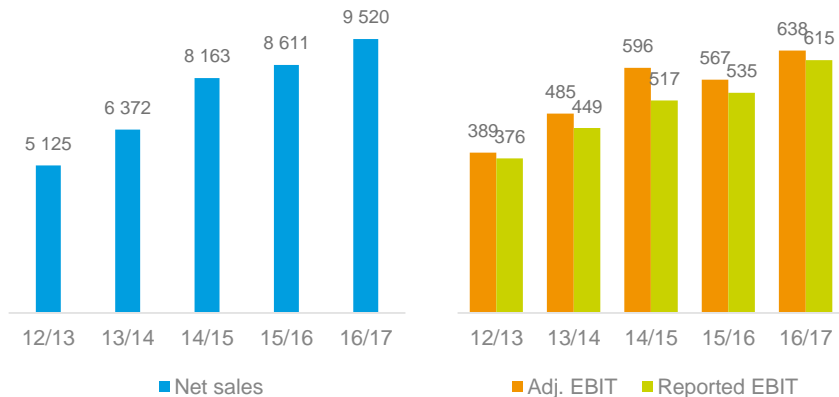


Financial overview

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.

Key highlights Q3 2017/18

Contract transitions in adult education segment puts pressure on earnings

Comments for Q3 2017/18

- Student numbers grew in school segments.
- Growth in net sales boosted by strategic acquisitions. Organic growth including bolt-on amounted to 6.1 percent.
- KTS with six preschools acquired in Germany. In addition, a total of five preschools were added and one upper secondary school was divested.
- The Adult Education segment has entered a difficult contract transition phase and has substantially lower earnings and margins
- EBIT increased by SEK 14 million (7.2%) compared to last year, explained by the acquisition of Vindora (SEK 24 m).

Key figures for Q3 2017/18

	2017/18	2016/17	Change
# of Students	76,188	66,299	14.9%
Net sales	2,967	2,540	16.8%
EBIT	209	195	7.2%
EBIT-margin	7.0%	7.7%	-0.7 p.p.
Adj. EBIT	214	197	8.6%
Adj. EBIT margin	7.2%	7.8%	-0.6 p.p.
Earnings after tax	152	132	15.2%
Earnings per share ¹⁾ , SEK	1.45	1.40	3.2%
Cash flow from operations	153	123	n/a

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

Key highlights July-March 2017/18

Acquisitions and organic expansion render revenue and earnings growth

Comments for July to March 2017/18

- Volumes 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. Organic growth (including bolt-ons) was 6.4 per cent.
- Margins improved in Upper Secondary and International Preschools segments while declining in Adult Education following the contract transition.
- EBIT increased by SEK 51 million (12.3%) compared to the same period last year explained partially by Vindora (SEK 45 million).

Key figures for July to March 2017/18

	2017/18	2016/17	Change
# of Students	72,410	65,691	10.2%
Net sales	7,818	6,909	13.2%
EBIT	455	405	12.3%
EBIT-margin	5.8%	5.9%	-0.1 p.p.
Adj. EBIT	463	408	13.5%
Adj. EBIT margin	5.9%	5.9%	0 p.p.
Earnings after Tax	320	262	22.1%
Earnings per share ¹⁾ , SEK	3.25	2.79	16.5%
Cash Flow from Operations	552	514	n/a

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

12 month rolling figures Q3 2017/18

Adult Education puts pressure on margins

Comments for 12 month rolling figures

- 12 month rolling net sales and EBIT are still at all time high thanks to acquisitions and volume growth as well as four relatively strong quarters in the adult segment.
- However, EBIT-margin has declined on 12-month rolling basis largely due to margin decline in the adult segment which is expected to continue.
- *NB Comparison between Q3 12-month rolling figures and full year 2016/17.*

Key figures for Q3 R12 2017/18 vs FY 2016/17

	2017/18 R12	2016/17	Change
Net sales	10,428	9,520	9.5%
EBIT	666	615	8.3%
EBIT-margin	6.4%	6.5%	-0.1 p.p.
Adj. EBIT	693	638	8.6%
Adj. EBIT margin	6.6%	6.7%	-0.1 p.p.
Earnings after tax	473	416	13.7%

Pre- and Compulsory Schools (Sweden)

Stable growth but margins under pressure from staff costs

Comments for Q3 2017/18

- Two preschools added in the third quarter, one bolt-on and one new establishment.
- Overall child numbers increased 3.8%.
- Net sales grew 6.7%, a result of volume increases and annual voucher revisions.
- Adj. EBIT-margin declined 0.4 percentage points due to higher staff costs partially due to extra resource requirements at certain schools.

Key figures for Q3 2017/18

	2017/18	2016/17	Change
Net sales	1,049	983	6.7%
EBIT	59	59	0.0%
EBIT-margin	5.6%	6.0%	-0.4 p.p.
Adj. EBIT	59	59	0.0%
Adj. EBIT-margin	5.6%	6.0%	-0.4 p.p.
# of Students	32,732	31,533	3.8%

Comments for the first nine months 2017/18

- Net one additional unit compared to prior year.
- Overall student numbers increased by 2.7%.
- Net sales increased with 6.2%.
- Adj. EBIT-margin was 0.5 percentage points lower mainly due to higher personnel costs. This is the result of salary increases as well as extra resource requirements at certain schools.

Key figures for the first nine months 2017/18

	2016/17	2015/16	Change
Net sales	2,831	2 665	6.2%
EBIT	102	109	-6.4%
EBIT-margin	3.6%	4,1%	-0.5 p.p.
Adj. EBIT	102	109	-6.4%
Adj. EBIT-margin	3.6%	4,1%	-0.5 p.p.
# of Students	31,857	31 033	2.7%

Upper Secondary Schools (Sweden)

Vindora acquisition and new establishments drive growth

Comments for Q3 2017/18

- Overall student numbers increased by 27.4%.
- Net sales increased by 38.0% compared to the same quarter last year.
- The Vindora acquisition and opening of seven new entities are the main growth drivers.
- Adj EBIT-margin increased by 0.7 percentage points in the quarter where Vindora units are a key contributor.

Key figures for Q3 2017/18

	2017/18	2016/17	Change
Net sales	926	671	38.0%
EBIT	88	60	46.7%
EBIT-margin	9.5%	8.9%	0.6 p.p.
Adj. EBIT	89	60	48.3%
Adj. EBIT-margin	9.6%	8.9%	0.7 p.p.
# of Students	32,456	25,476	27.4%

Comments for the first nine months 2017/18

- Year-to-date seven new units opened, 36 acquired and one unit was divested.
- Overall student numbers increased by 17.3%.
- Net sales increased by 24.8% compared to last year due to acquisitions, new establishments as well as annual voucher revisions.
- Adjusted EBIT increased to SEK 192 million (134). EBIT-margin improvement was due to increased capacity utilization and Vindora which operates with higher margins.

Key figures for the first nine months 2017/18

	2017/18	2016/17	Change
Net sales	2,310	1,851	24.8%
EBIT	190	134	41.8%
EBIT-margin	8.2%	7.2%	1.0 p.p.
Adj. EBIT	192	134	43.3%
Adj. EBIT-margin	8.3%	7.2%	1.1 p.p.
# of Students	30,101	25,662	17.3%

Adult Education (Sweden)

Contract transition has started to impact volumes and margins

Comments for Q3 2017/18

- Net sales increased by 6.5% mainly attributed to the acquisition of Vindora.
- Adj EBIT and adj EBIT-margin declined substantially. This is due to several ongoing contract transitions especially the new YS-contract (Vocational Swedish) which is running at lower volumes than expected.
- The contract transition to YSM has been delayed and will start at the end of Q4.

Comments for the first nine months 2017/18

- Sales growth of 8.8%, mainly driven by the acquisition of Vindora.
- Adj. EBIT declined by SEK 17 million due to contract transitions, which also affected adj. EBIT-margin negatively.
- *The ongoing contract transitions will result in weak earnings for the coming quarters. Measures are being undertaken to reduce the negative effects.*

Key figures for Q3 2017/18

	2017/18	2016/17	Change
Net sales	444	417	6.5%
EBIT	37	62	-40.3%
EBIT-margin	8.3%	14.9%	-6.6 p.p.
Adj. EBIT	37	62	-40.3%
Adj. EBIT-margin	8.3%	14.9%	-6.6 p.p.

Key figures for the first nine months 2017/18

	2017/18	2016/17	Change
Net sales	1 269	1 166	8.8%
EBIT	144	161	-10.6%
EBIT-margin	11.3%	13.8%	-2.5 p.p.
Adj. EBIT	144	161	-10.6%
Adj. EBIT-margin	11.3%	13.8%	-2.5 p.p.

Preschools (International)

Strong growth in Norway and Germany following acquisitions

Comments for Q3 2017/18

- KTS acquired in Germany with six pre-schools. In addition one new unit has been added in Norway.
- As a result child numbers increased by 18.4%.
- Net sales growth for the quarter 17.0%. Growth was mainly attributed to acquisitions as well as new establishments.
- Adj. EBIT improved primarily related to economies of scale in Germany.

Comments for the first nine months 2017/18

- Overall student numbers increased by 16.2%.
- Net sales growth was 14.7% as a result of acquisitions and new establishments. FX had a negative impact on sales of SEK 30 million compared to last year.
- Adj. EBIT-margin improved to 4.6% (4.2), was primarily related to a higher margin in the German operation.
- In Germany, 7 new pre-schools are estimated to open before the end of 2018.

Key figures for Q3 2017/18

	2017/18	2016/17	Change
Net sales	545	466	17.0%
EBIT	46	30	53.3%
EBIT-margin	8.4%	6.4%	2.0 p.p.
Adj. EBIT	46	30	53.3%
Adj. EBIT-margin	8.4%	6.4%	2.0 p.p.
# of students	11,000	9,289	18.4%

Key figures for the first nine months 2017/18

	2017/18	2016/17	Change
Net sales	1,405	1,225	14.7%
EBIT	65	51	27.5%
EBIT-margin	4.6%	4.2%	0.4 p.p.
Adj. EBIT	65	51	27.5%
Adj. EBIT-margin	4.6%	4.2%	0.4 p.p.
# of students	10,453	8,997	16.2%

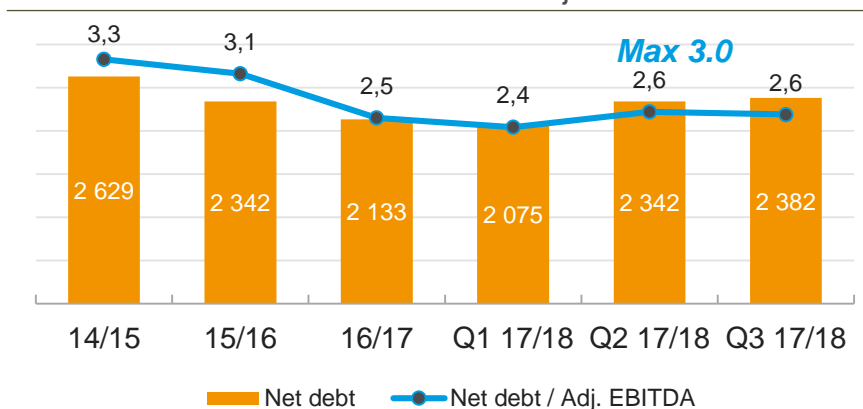
Financial position

Stable financial position despite several smaller acquisitions

- Capital employed has increased during the last 12 months by SEK 1,125 million mainly due to acquisitions, but also investments in preschool buildings in Norway and other investments.
- Equity increased by 28.7% due to the rights issue completed in December and equity/asset ratio is now 45.9%.
- Net debt increased by SEK 119 million.
- Net debt excluding real estate debt has increased by SEK 15 million.
- Leverage ratio remained at 2.6x since Q2, and is below the maximum 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 Q3 2017/18

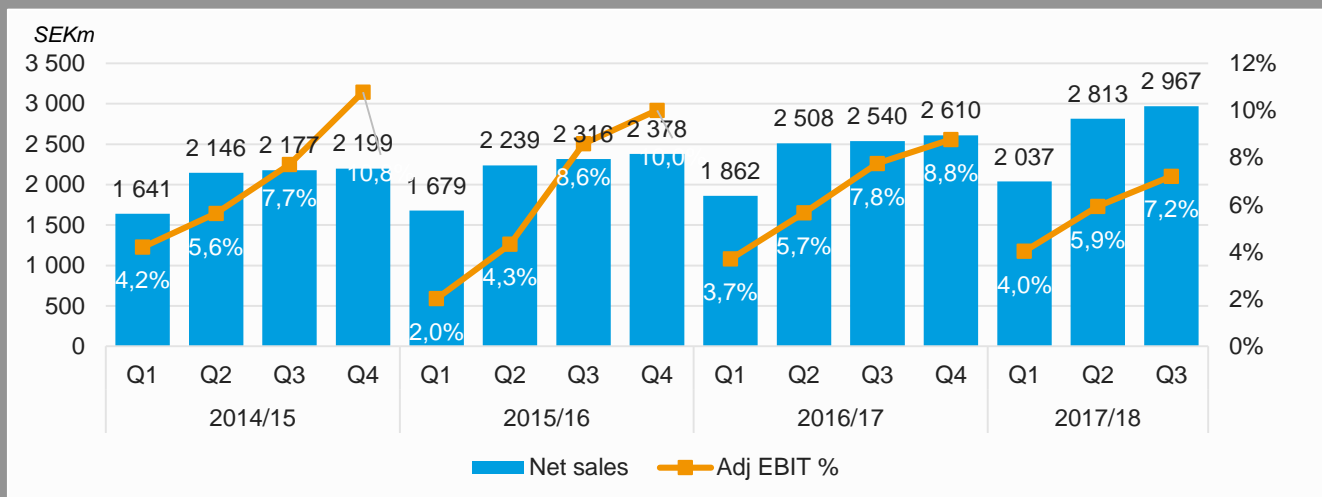
	2017/18 31 Mar	2016/17 31 Mar	Change
Total equity	4,205	3,267	28.7%
Net debt	2,382	2,263	5.3%
Adj. net debt ¹⁾	1,750	1,735	0.9%
Capital employed	7,125	6,000	18.8%
Equity ratio	45.9%	42.6%	3.3 p.p.

Seasonality varies between segments

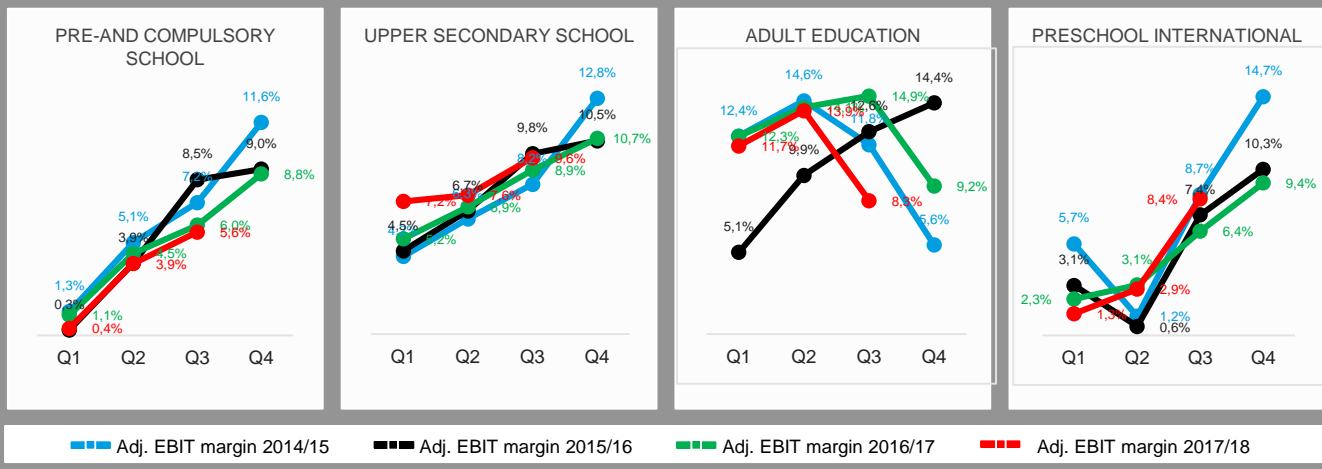
Adult Education shows its volatility in third quarter

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

Comments



- School segments continue to show normal seasonality.
- Adult segment shows its volatility in third quarter as it goes into a contract transition phase. Effects include ramp-down of old YS and high margin Basic Modules, gap between BM-contract and new YSM-contract and this quarter lower volumes than planned in the new YS contract.



Financial performance according to plan

Financial targets

Q3/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 and FX 	6.8%* (9.0%)
Profitability	7-8%	<ul style="list-style-type: none"> Adj. EBIT margin of 7-8% over time 	6.6%* (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 	2.6x (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 paid 16/17

*Turnover Q3R12 vs FY16/17

Thank you – Any questions?

