

# Interim Report

## July - June 2018

2018-08-29

We contribute to a better society

AcadeMedia AB (publ)

**YEAR-END REPORT** July 2017 - June 2018

15 percent growth in the quarter

Record year for Upper Secondary School and International Preschool segments

Adult Education segment under restructuring

AcadeMedia

# Today's presenters

---



**Marcus Strömberg**

*Chief Executive Officer*

---

With AcadeMedia  
since 2005



**Eola Änggård Runsten**

*Chief Financial Officer*

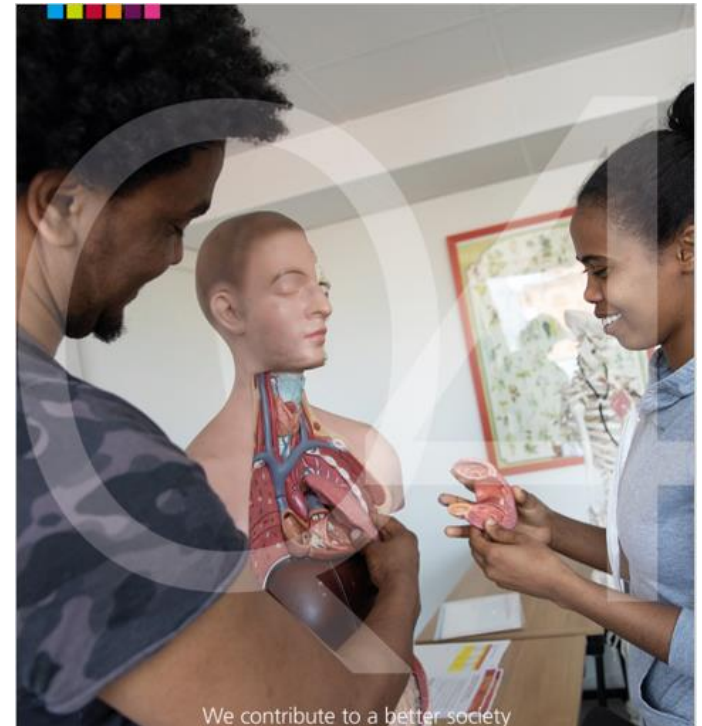
---

With AcadeMedia  
since 2013



# CEO introduction

- Continued good growth but lower margins.
- Strong year for the Upper Secondary School and International Preschool segment. Acquisitions, organic growth, and improved capacity utilization are key factors.
- Cost reductions and contract transitions in the Adult Education segment leads to decline in operating profit.
- The Pre- and Compulsory School segment is challenged by margin pressure from wage inflation and also has focused efforts on turning around a handful of units.
- The Swedish parliament (Riksdagen) voted against regulating profits, but for reinforced ownership and management assessment in the welfare sector.



We contribute to a better society

AcadeMedia AB (publ)

**YEAR-END REPORT** July 2017 – June 2018

15 percent growth in the quarter

Record year for Upper Secondary School and International Preschool segments

Adult Education segment under restructuring

**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

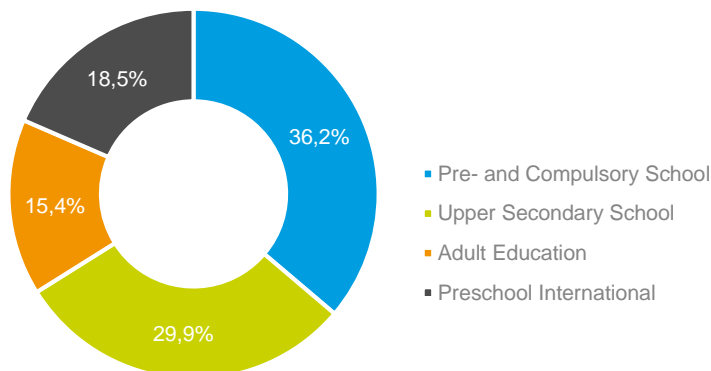
## Geographical presence and selected brands (Q4)

Country				Total
Students	~164.9k <sup>(1)</sup>	~9.5k	~1.8k	~176.2k <sup>(1)</sup>
FTEs	~9.8k	~2.2k	~0.5k	~12.5k
Units	371	101	29	501



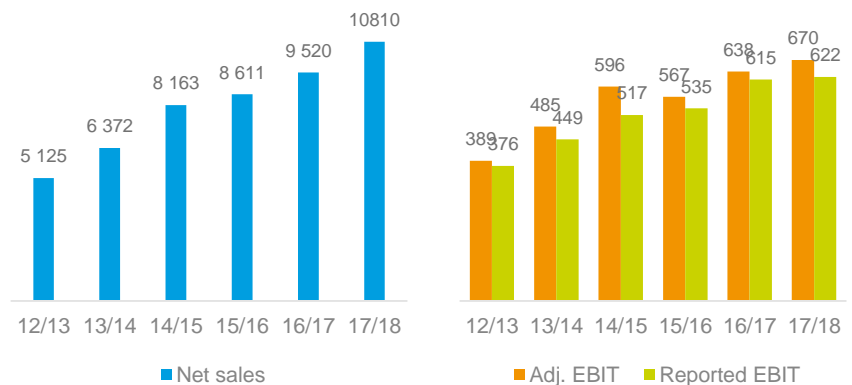
## Financial overview

### Net sales split 17/18<sup>2</sup>



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.

# Key highlights Q4 2017/18

*Extensive restructuring efforts improve situation adult education segment*

## Comments for Q4 2017/18

- Student numbers grew in school segments.
- Growth in net sales was boosted by strategic acquisitions. Organic growth including bolt-ons amounted to 4.1 percent.
- Strong year for Upper Secondary schools and International Preschool segment
- Adult Education segment takes restructuring charges of SEK 38 million
- The Pre- and Compulsory School segment has made efforts to manage challenges and to secure long-term quality in certain units.
- EBIT declined by SEK 44 million (-20.9%) compared to last year.
- Items affecting comparability amounted to SEK -40 million (-19) in the quarter.

## Key figures for Q4 2017/18

	2017/18	2016/17	Change
# of Students	76 233	67 207	13.4%
Net sales	2 993	2 610	14.7%
EBIT	167	211	-20.9%
EBIT-margin	5.6%	8.1%	-2.5 p.p.
Adj. EBIT	207	229	-9.6%
Adj. EBIT margin	6.9%	8.8%	-1.9 p.p.
Earnings after tax	111	154	-27.9%
Earnings per share <sup>1)</sup> , SEK	1.05	1.57	-32.7%
Cash flow from operations	376	317	n/a

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

# Key highlights full year July-June 2017/18

*Acquisitions and organic expansion render revenue growth, margins trailing*

## Comments for July to June 2017/18

- 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 5.8 per cent.
- EBIT increased by SEK 7 million (1.1%) but margin declined compared to last year.
- Margin improvement in Upper Secondary and International Preschool segments
- Margin decline in Adult and Pre- and Compulsory School segments.

## Key figures for July to June 2017/18

	2017/18	2016/17	Change
# of Students	73,366	66,070	11.0%
Net sales	10,810	9,520	13.6%
EBIT	622	615	1.1%
EBIT-margin	5.8%	6.5%	-0.7 p.p.
Adj. EBIT	670	638	5.0%
Adj. EBIT margin	6.2%	6.7%	-0.5 p.p.
Earnings after Tax	430	416	3.4%
Earnings per share <sup>1)</sup> , SEK	4.30	4.41	-2.5%
Cash Flow from Operations	928	830	n/a

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



# Items affecting comparability

*Negative and positive items from unforeseen events in the quarter*

Items affecting comparability (SEK m)	Q4 17/18	Q4 16/17	Full yr 17/18	Full yr 16/17	Comments to full year figures
Restructuring expenses (adult)	-38	-	-38	-	Restructuring charges in the Adult Education Segment
Restructuring expenses (upper secondary)	+3	-9	+3	-9	Excess restructuring reserve in the Upper Secondary Segment
Hermods SFI	-23	-	-23	-	Settlement with the City of Malmö of SEK 14 MSEK and expenses of 9 MSEK, impact the Adult Education
Transaction-related expenses	-3	-10	-8	-12	Group level
Integration expenses Vindora	-17	-	-20	-	Upper Secondary Segment
Pension adjustment Norway	37	-	37	-	New disability benefit rules in Norway impact International Preschool Segment
Other items affecting comp.				-3	
<b>Total</b>	<b>-40</b>	<b>-19</b>	<b>-48</b>	<b>-23</b>	

# Pre- and Compulsory Schools (Sweden)

## Margin pressure continues

### Comments for Q4 2017/18

- Margins are challenged by continued salary inflation not compensated by school vouchers (0.2 per cent). In addition there is a small number of schools which have required additional resources in order to turn-around.
- Overall child numbers increased 3.2%.
- Net sales grew 5.6%, a result of volume increases and annual voucher revisions.
- Adj. EBIT-margin declined 1.8 percentage points

### Comments for the full year 2017/18

- Net one additional unit compared to prior year.
- Overall student numbers increased by 2.8%.
- Net sales increased with 6.0%.
- Adj. EBIT-margin was 0.8 percentage points lower mainly due to higher staff costs.
- During the third and fourth quarter some units have needed extra resources mainly staff in order to manage issues and secure long-term quality.

### Key figures for Q4 2017/18

	2017/18	2016/17	Change
Net sales	1,082	1,025	5.6%
EBIT	76	89	-14.6%
EBIT-margin	7.0%	8.7%	-1.7 p.p.
Adj. EBIT	76	90	-15.6%
Adj. EBIT-margin	7.0%	8.8%	-1.8 p.p.
# of Students	32,834	31,828	3.2%

### Key figures for the full year 2017/18

	2016/17	2015/16	Change
Net sales	3,912	3,690	6.0%
EBIT	178	199	-10.6%
EBIT-margin	4.6%	5.4%	-0.8 p.p.
Adj. EBIT	178	199	-10.6%
Adj. EBIT-margin	4.6%	5.4%	-0.8 p.p.
# of Students	32,101	31,231	2.8%



# Upper Secondary Schools (Sweden)

## *Strong growth and improved margins*

### Comments for Q4 2017/18

- Overall student numbers increased by 27.1%.
- Net sales increased by 36.3% 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 0.2 percentage points in the quarter.
- Integration expenses of SEK 17 million in Q4

### Comments for the full year 2017/18

- Seven new units opened, 36 acquired, and one unit was divested.
- Overall student numbers increased by 19.7%.
- Net sales increased by 27.8% compared to last year due to acquisitions, new establishments as well as annual voucher revisions.
- Adjusted EBIT increased to SEK 292 million (206). EBIT-margin improvement was due to increased capacity utilization and Vindora which operates with higher margins.

### Key figures for Q4 2017/18

	2017/18	2016/17	Change
Net sales	920	675	36.3%
EBIT	87	64	35.9%
EBIT-margin	9.5%	9.5%	0.0 p.p.
Adj. EBIT	100	72	38.9%
Adj. EBIT-margin	10.9%	10.7%	0.2 p.p.
# of Students	32,024	25,191	27.1%

### Key figures for the full year 2017/18

	2017/18	2016/17	Change
Net sales	3,229	2,526	27.8%
EBIT	276	198	39.4%
EBIT-margin	8.5%	7.8%	0.7 p.p.
Adj. EBIT	292	206	41.7%
Adj. EBIT-margin	9.0%	8.2%	0.8 p.p.
# of Students	30,582	25,544	19.7%

# Adult Education (Sweden)

## *Extensive restructuring measures improves cost level going*

### Comments for Q4 2017/18

- Net sales decreased by 3.4%. *mainly because of lower demand*
- Adj EBIT and adj EBIT-margin declined substantially due to excess capacity following decline in market volumes and contract transitions.
- Extensive restructuring measures undertaken
- Items affecting comparability amounted to SEK 61 million, of which SEK 38 million relate to restructuring charges.

### Comments for the full year 2017/18

- Sales growth of 5.7% following a strong first half of the year and acquisition of Vindora.
- Strong market position, but challenges from contract transition and decline in demand.
- Despite restructuring measures weak earnings are expected for the coming quarters.
- After the transition AcadeMedia believes that the long-term EBIT-margin will be 9-11 percent.

### Key figures for Q4 2017/18

	2017/18	2016/17	Change
Net sales	397	411	-3.4%
EBIT	-69	38	-281.6%
EBIT-margin	-17.4%	9.2%	-26.6 p.p.
Adj. EBIT	-7	38	-118.4%
Adj. EBIT-margin	-1.8%	9.2%	-11 p.p.

### Key figures for the full year 2017/18

	2017/18	2016/17	Change
Net sales	1,666	1,576	5.7%
EBIT	75	200	-62.5%
EBIT-margin	4.5%	12.7%	-8.2 p.p.
Adj. EBIT	137	200	-31.5%
Adj. EBIT-margin	8.2%	12.7%	-4.5 p.p.

# Preschools (International)

*Strong growth and margin improvement, mainly in Germany*

## Comments for Q4 2017/18

- The number of children increased by 11.7%.
- Net sales growth for the quarter was 18.8% following acquisitions as well as new establishments.
- Adj. EBIT improved primarily related to economies of scale in Germany and improved capacity utilization in Norway.
- A change in the pension regulation in Norway had a positive effect of SEK 37 million.

## Comments for the full year 2017/18

- Overall student numbers increased by 14.9%.
- Net sales growth was 15.8% and a result of acquisitions and new establishments. FX had a negative impact on sales of SEK 11 million compared to last year.
- Adj. EBIT-margin improved to 6.3% (5.7), it was related to the factors described above.
- In Germany, 10-15 new pre-schools are estimated to open during 2018/19.
- Norway will adjust to new staffing regulation

## Key figures for Q4 2017/18

	2017/18	2016/17	Change
Net sales	593	499	18.8%
EBIT	97	47	106.4%
EBIT-margin	16.4%	9.4%	7 p.p.
Adj. EBIT	60	47	27.7%
Adj. EBIT-margin	10.1%	9.4%	0.7 p.p.
# of children	11,375	10,188	11.7%

## Key figures for the full year 2017/18

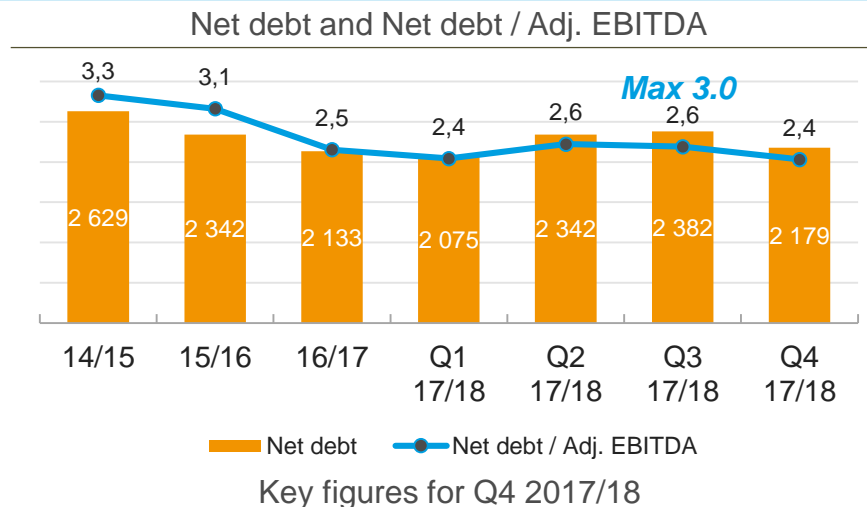
	2017/18	2016/17	Change
Net sales	1,998	1,725	15.8%
EBIT	162	98	65.3%
EBIT-margin	8.1%	5.7%	2.4 p.p.
Adj. EBIT	125	98	27.6%
Adj. EBIT-margin	6.3%	5.7%	0.6 p.p.
# of children	10,684	9,295	14.9%

# Financial position

*Stable financial position despite several smaller acquisitions*

- Capital employed has increased during the last 12 months by SEK 986 million mainly due to acquisitions, but also investments in preschool buildings in Norway and other investments.
- Equity increased by 23.8% due to the rights issue completed in December and equity/asset ratio is now 45.4%.
- Net debt increased by SEK 46 million.
- Net debt excluding real estate debt has decreased by SEK 22 million.
- Leverage ratio has declined to 2.4x, and is below AcadeMedia's financial target of maximum 3.0x.

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



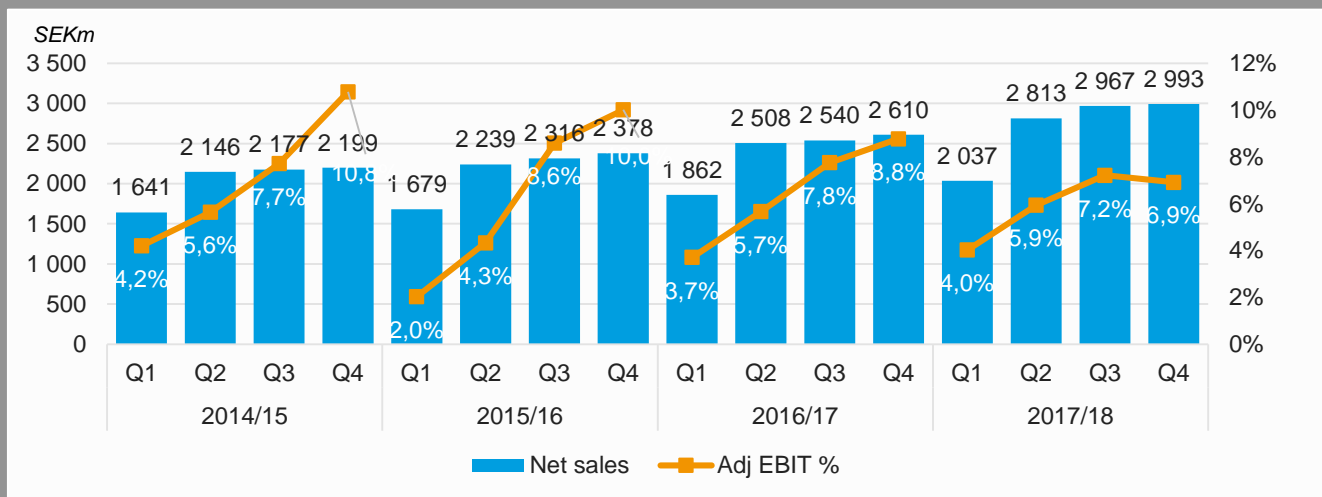
	2017/18 30 Jun	2016/17 30 Jun	Change
Total equity	4,262	3,443	23.8%
Net debt	2,179	2,133	2.2%
Adj. net debt <sup>1)</sup>	1,528	1,550	-1.4%
Capital employed	7,144	6,158	16.0%
Equity ratio	45.4%	43.9%	1.5 p.p.

# Seasonality varies between segments

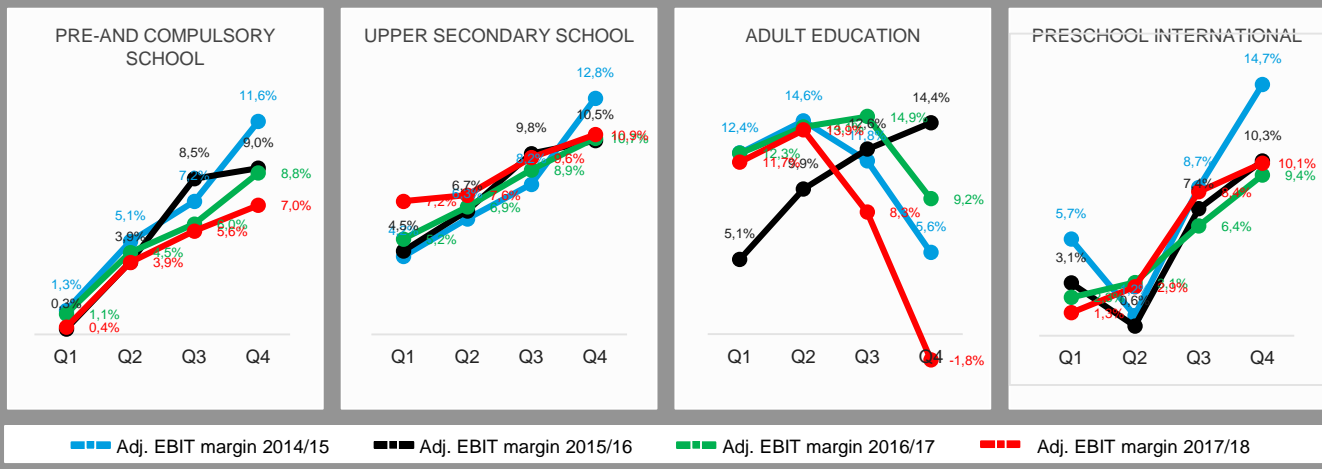
*Adult Education strongly affects consolidated operating margin*

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

Comments



- School segments continue to show normal seasonality, albeit a weak finish for Pre- and Compulsory Schools
- Adult segment volatility is enhanced following declining market volumes and contract transitions.



# Financial performance according to plan

## Financial targets

FY 17/18  
(FY 16/17)

<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%</b> (9.0%)
<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>6.2%</b> (6.7%)
<b>Capital structure</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 target level</li> </ul>	<b>2.4x</b> (2.5x)
<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>	No dividend proposed



# Thank you – Any questions?

---

