

Interim Report July-Dec 2016

2017-02-07



AcadeMedia AB (publ)

INTERIM REPORT July 2016 – December 2016

12% growth for the quarter

Continued strong development in adult education

Adult participants in Sweden and preschool parents in Norway more satisfied

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

- Underlying growth trends remain strong
- Solid growth supported by last years' acquisitions
- 2 new preschool units acquired in Norway and Sweden
- Adult participants in Sweden and preschool parents in Norway increasingly satisfied
- Strong momentum in adult segment
- PISA survey shows improvement for Swedish schools
















Largest independent education provider in Northern Europe

Overview

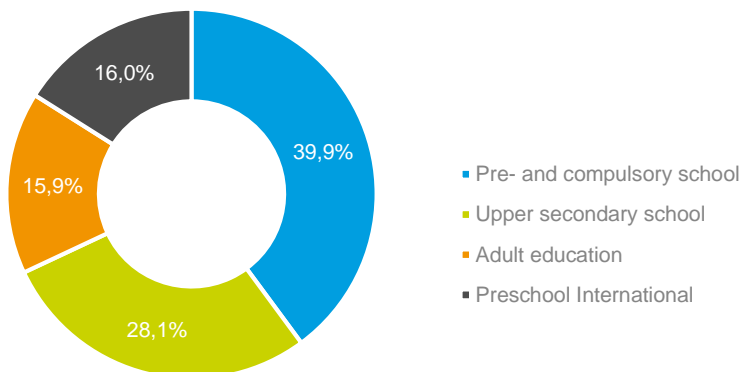
- Largest independent educational services provider in Northern Europe
- Comprehensive educational offering
- Unique quality assurance model – key for sustainable growth
- Multi-brand strategy
- International expansion initiated in 2014 through the acquisition of Espira and continued in 2016 as AcadeMedia entered the German market through its acquisition of Munich based preschool operator Joki

Geographical presence and selected brands (Q2)

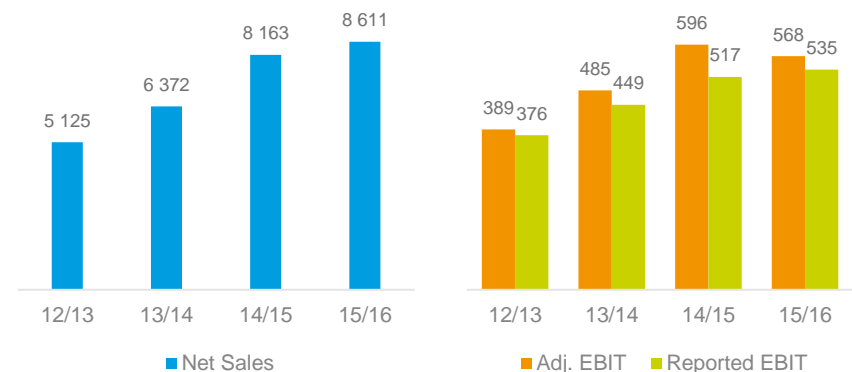
Country				Total		
Students	~136k ⁽¹⁾	~8,5k	~0.5k	~145k ⁽¹⁾		
FTEs	~8,0k	~1.9k	~0.1k	~10k		
Units	328	92	7	427		
						

Financial overview

Net Sales Split 15/16²



SEKm Financial Development 12/13-15/16



Note: 1) ~80,000 of which are students within adult education during a specific year, but not necessarily full-year students (due to e.g. shorter courses). 2) Excl. group related revenue of SEK 3 million.

Key highlights Q2 2016/17

Continued strong growth in adult segment

- Student numbers increased in all segments. This includes acquisitions which supports revenue growth in the second quarter
- Two bolt-on acquisitions
 - One preschool in Norway
 - One preschool in Sweden
- Adult segment continues the strong trend from previous quarter with a substantial EBIT improvement
- Margin improvements in all segments

Key figures for Q2 2016/17

	2016/17	2015/16	Change
# of Students	65,633	62,443	5.1%
Net Sales	2,508	2,239	12.0%
EBIT	142	90	57,8%
EBIT-margin	5.7%	4.0%	1.7 p.p.
Adj. EBIT	142	97	46.4%
Adj. EBIT margin	5.7%	4.3%	1.4 p.p.
Earnings after Tax	89	48	85.4%
Earnings per share ¹⁾	0.95	0.57	66.7%
Cash Flow from Operations	260	267	n/a

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

Q2 2016/17 – 12 month rolling figures

- 12 month rolling sales and EBIT are at all time high thanks to volume growth and four strong quarters in the adult segment
- Margins have improved in all segments
- *NB Comparison between Q2 12-month rolling figures and full year 2015/16.*

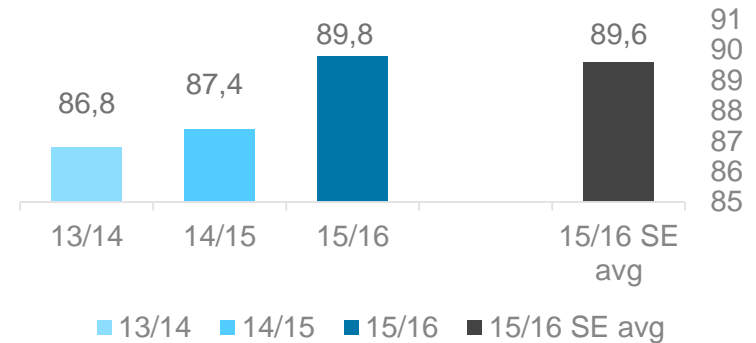
Key figures for Q2 R12 2016/17 vs FY 2015/16

	R12 2016/17	FY 2015/16	Change
Net Sales	9,063	8,611	5.2%
EBIT	624	535	16.6%
EBIT-margin	6.9%	6.2%	0.7 p.p.
Adj. EBIT	648	568	14.1%
Adj. EBIT margin	7.2%	6.6%	0.6 p.p.
Earnings after Tax	400	319	25.4%

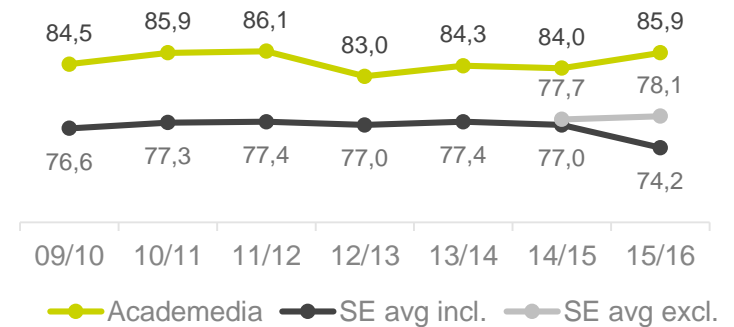
Key Quality results

- Planned regulatory inspections of 184 compulsory and upper secondary schools are proceeding according to plan.
- Upper secondary schools somewhat above national average
 - GPA 14.1 (13.9) vs national average of 14.1
 - Proportion of students to reach graduation requirements increased to 89.8% (87.4) vs national average of 89.6%
- Quality lead in AcadeMedia's compulsory schools is confirmed by national statistics
 - GPA 242 (240) vs national average of 224
 - Proportion of students with E or higher in all subjects 85.9% (84.0%) vs national average of 74.2%*

Upper secondary schools: % of students passed



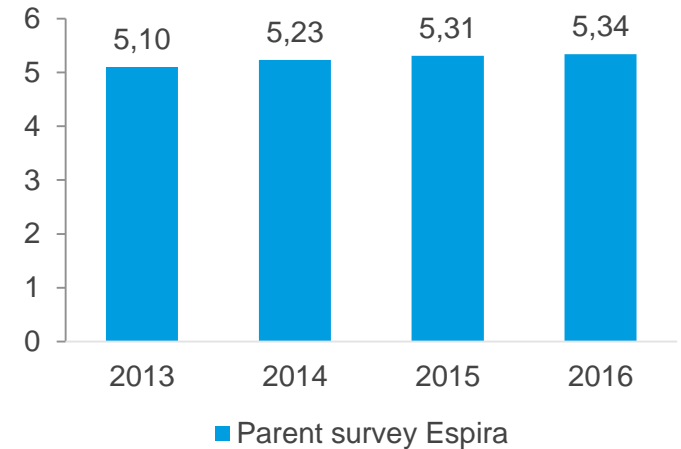
Compulsory schools - % of students w/o any F*



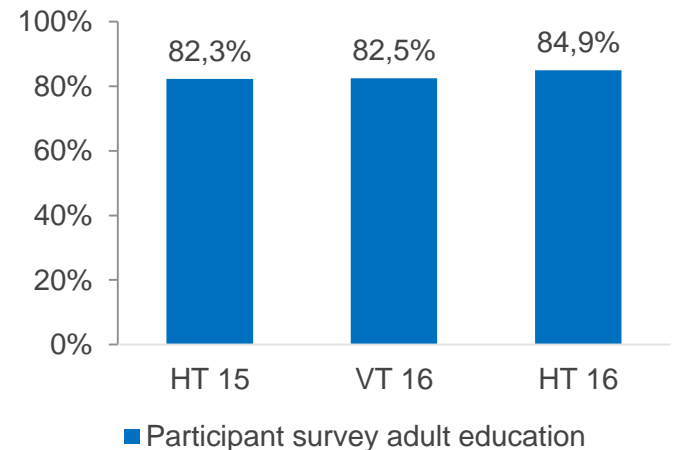
*Change in statistics from National Agency for Education. Downward trend is due to large influx of immigrants (AcademeMedia statistics include students with unknown background).

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 increasing satisfaction levels
 - Promotor score increased to 85% (82)



Pre- and compulsory schools (Sweden)

Stable growth

Comments for Q2 2016/17

- Overall student numbers increased by 4.5%
- One preschool acquisition in Stockholm
- Revenue growth was 8.4%
- Adjusted EBIT and margins negatively affected by higher social security rates -3 MSEK in the quarter

Comments for H1 2016/17

- Overall student numbers increased by 4.5%
- One new-establishment and one acquisition (preschools)
- One further preschool establishment is planned for fall 17/18
- Revenue growth amounted to 8.5%
- Adjusted EBIT and margins negatively affected by higher social security rates -7 MSEK year to date. Higher effect in Q1 due to full two step increase for July '16 vs July '15.

Key figures for Q2 2016/17

	2016/17	2015/16	Change
Net Sales	964	889	8.4%
EBIT	43	35	22.9%
EBIT-margin	4.5%	3.9%	0.6 p.p.
Adj. EBIT	43	35	22.9%
Adj. EBIT-margin	4.5%	3.9%	0.6 p.p.
# of Students	30,951	29,622	4.5%

Key figures for H1 2016/17

	2016/17	2015/16	Change
Net Sales	1,682	1,550	8.5%
EBIT	50	37	35.1%
EBIT-margin	3.0%	2.4%	0.6 p.p.
Adj. EBIT	50	37	35.1%
Adj. EBIT-margin	3.0%	2.4%	0.6 p.p.
# of Students	30,782	29,454	4.5%

Upper secondary schools (Sweden)

Healthy revenue growth maintained

Comments for Q2 2016/17

- Overall student numbers increased by 2.2%
- Revenues increased by 5.9%
- Revenue and EBIT affected by improved utilization levels in existing units
- Keep in mind that there are three fewer units compared to last year and a further six are in wind-down this year

Comments for H1 2016/17

- Overall student numbers increased by 2.2%
- Revenues increased by 4.8%
- Revenue and EBIT affected by improved utilization levels in existing units
- Keep in mind that there are three fewer units compared to last year and a further six are in wind-down this year

Key figures for Q2 2016/17

	2016/17	2015/16	Change
Net Sales	678	640	5.9%
EBIT	47	43	9.3%
EBIT-margin	6.9%	6.7%	0.2 p.p.
Adj. EBIT	47	43	9.3%
Adj. EBIT-margin	6.9%	6.7%	0.2 p.p.
# of Students	25,707	25,144	2.2%

Key figures for H1 2016/17

	2016/17	2015/16	Change
Net Sales	1,179	1,125	4.8%
EBIT	74	65	13.8%
EBIT-margin	6.3%	5.8%	0.5 p.p.
Adj. EBIT	74	65	13.8%
Adj. EBIT-margin	6.3%	5.8%	0.5 p.p.
# of Students	25,755	25,194	2.2%

Adult education (Sweden)

Continued strong growth

Comments for Q2 2016/17

- Participant volumes were high rendering revenues 18.1% higher than last year *led by 6.0 percent*
- Interim contract with Stockholm City supported growth in second quarter
- Last years right-sizing of Eductus operation has contributed to improved result
- No recurring seasonality in adult segment makes quarter to quarter comparisons difficult

Comments for H1 2016/17

- Participant volumes increased rendering revenues 19.5% higher than last year
- Interim contracts signed with Stockholm City 2015/2016 supported growth
- Last years right-sizing of Eductus operation contributed to improved result

Key figures for Q2 2016/17

	2016/17	2015/16	Change
Net Sales	417	353	18.1%
EBIT	59	35	68.6%
EBIT-margin	14.1%	9.9%	4.2 p.p.
Adj. EBIT	59	35	68.6%
Adj. EBIT-margin	14.1%	9.9%	4.2 p.p.

Key figures for H1 2016/17

	2016/17	2015/16	Change
Net Sales	749	627	19.5%
EBIT	99	46	115.2%
EBIT-margin	13.2%	7.3%	5.9 p.p.
Adj. EBIT	99	49	102.0%
Adj. EBIT-margin	13.2%	7.8%	5.4 p.p.

Preschools (International)

New starts and bolt-on acquisition during first half year

Comments for Q2 2016/2017

- Overall child numbers increased by 16.9%
- One preschool acquired in Norway during the second quarter
- Revenue growth for second quarter was 26.1% Increase mainly relates to acquisition of the German operations, as well as new establishments in Norway. Currency changes SEK/NOK had a positive impact on sales of SEK 25 million in the quarter compared to last year.

Key figures for Q2 2016/17

	2016/17	2015/16	Change
Net Sales	449	356	26.1%
EBIT	14	2	600.0%
EBIT-margin	3.1%	0.6%	2.5 p.p.
Adj. EBIT	14	2	600.0%
Adj. EBIT-margin	3.1%	0.6%	2.5 p.p.
# of Students	8,975	7,677	16.9%

Comments for H1 2016/2017

- Overall student numbers increased by 16.1%
- Three new establishments and two bolt-on preschools acquired
- Revenue growth for first half amounted to 23.4%
 - Norwegian growth of 16.7% mainly due to increasing number of children.
 - Improved Fx effect 22 MSEK
 - German preschool business was acquired in February 2016
- One new start in Norway planned fall 2017

Key figures for H1 2016/17

	2016/17	2015/16	Change
Net Sales	759	615	23.4%
EBIT	21	16	31.3%
EBIT-margin	2.8%	2.6%	0.2 p.p.
Adj. EBIT	21	10	110.0%
Adj. EBIT-margin	2.8%	1.6%	1.2 p.p.
# of Students	8,851	7,625	16.1%

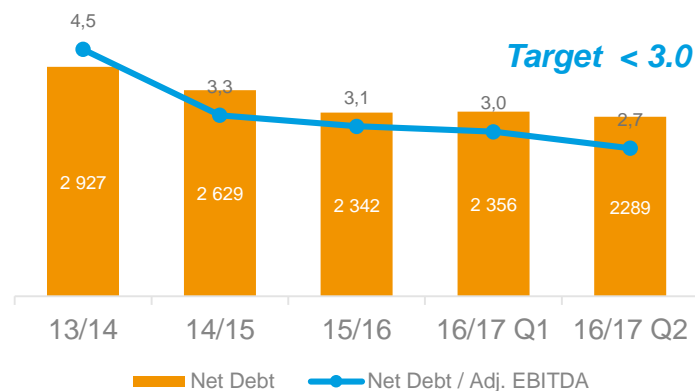
Financial position

Improved net debt and leverage ratio below maximum target

- Capital employed has increased during the last 12 months by 514 MSEK due to growth through acquisitions and building pre-schools in Norway
- Net debt decreased by 329 MSEK
- Net Debt excluding real estate debt has decreased by 526 MSEK
- Leverage ratio improved to 2.7x which is in line with target, thanks also to improved 12m EBITDA 844 (734) MSEK

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 Q2 2016/17

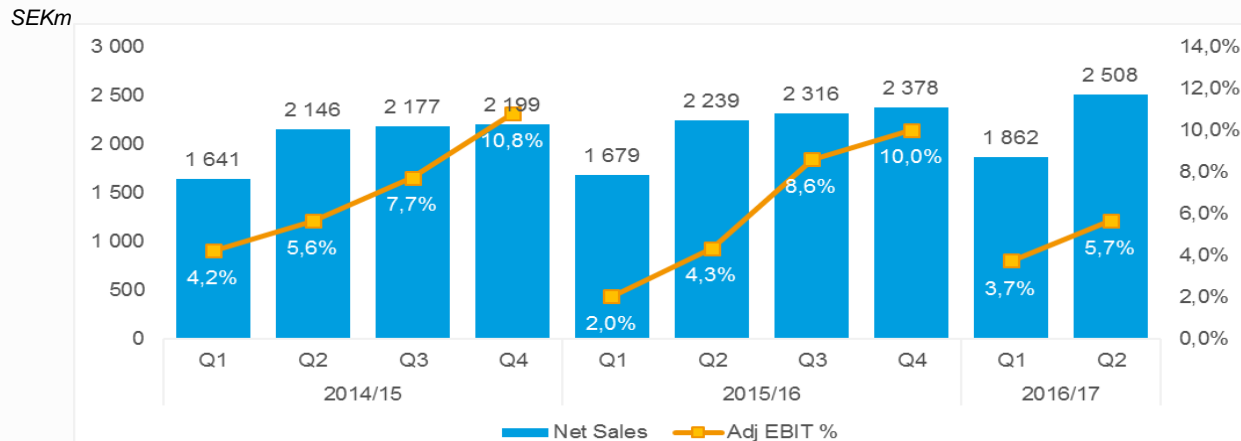
	2016/17 31 Dec	2015/16 31 Dec	Change
Total Equity	3,150	2,337	34.8%
Net Debt	2,289	2,618	-12.6%
Adj. Net Debt ¹⁾	1,762	2,288	-22.9%
Capital Employed	5,875	5,361	9.6%
Equity Ratio	41.6	33.7	7.9 p.p.

Seasonality varies between segments

Q2 shows normal seasonality in school segments

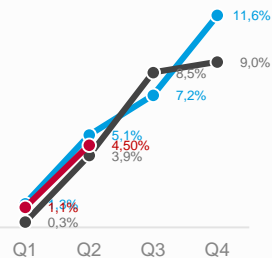
Quarterly seasonality – Net sales and adj. EBIT 2014/15 - 2016/17

Comments

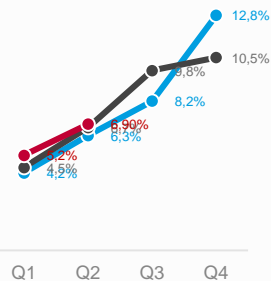


- School segments continue to show normal annual seasonality
- Second half of last year was strong
- Adult segment is volatile and without seasonality making Q-on-Q comparisons less relevant
- Adult segment is experiencing a strong cycle with now four consecutive good quarters

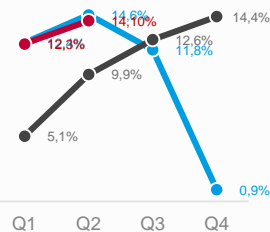
PRE-AND COMPULSORY SCHOOL



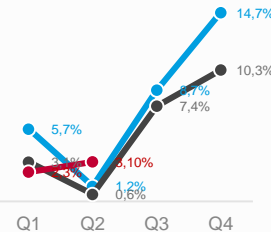
UPPER SECONDARY SCHOOL



ADULT EDUCATION



PRESCHOOL INTERNATIONAL



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

Financial performance according to plan

Financial targets			Q2-R12 (FY15/16)
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 	5.2%* (5.5%)
Profitability	7-8%	<ul style="list-style-type: none"> Adj. EBIT margin of 7-8% over time 	7.2% (6.6%)
Capital structure	<3.0x	<ul style="list-style-type: none"> Net debt / adj. EBITDA below 3.0x Leverage may temporarily, exceed the target level 	2.7x (3.1x)
Use of free cash flow	n.a.	<ul style="list-style-type: none"> Free cash flow primarily be reinvested Excess cash distributed to the shareholders while still maintaining quality and leverage targets 	No dividend

*Turnover Q2R12 vs FY15/16.

Preliminary voucher development 2017

- Voucher increases as per January 1st 2017 have been calculated on official vouchers sizes communicated so far.

Sweden

- Vouchers based on municipal education budgets per student per grade or education program
- So far voucher adjustments have been communicated by municipalities and preliminary increases amount to 2,3% for Swedish school segments.
- The voucher increases have been calculated based on voucher size per municipality and weighted with AcadeMedia's student mix in each business segment.
- The voucher increases are preliminary with regard to the fact that not 100 percent of all municipalities have communicated their levels yet.

Norway

- Voucher sizes are based on the actual accounts for 2015 in the municipality and increased with an annual index. Structure of pension and rent/real estate compensation has also changed.
- Overall vouchers are due to increase with 1,9% as a weighted average

Summary of Strategic priorities

- ✓ Continuous development of offering and quality level to remain the most attractive choice
- ✓ Improved capacity utilization in existing units
- ✓ Establishment of new units and bolt-on acquisitions
- ✓ Further strategic acquisitions possible longer term
- ✓ Build on current platform market for international expansion

