

# Year End Report

## July 2016 - June 2017

2017-08-30



We contribute to a better society.

AcadeMedia AB (publ)

### YEAR-END REPORT July 2016 – June 2017

Strong profit growth of 15% for the year

Acquisition of the German preschools company Ste Kids Education GmbH

Green light for seven new upper secondary schools

**AcadeMedia**

# Today's presenters

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**Marcus Strömberg**

*Chief Executive Officer*

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With AcadeMedia  
since 2005



**Eola Änggård Runsten**

*Chief Financial Officer*

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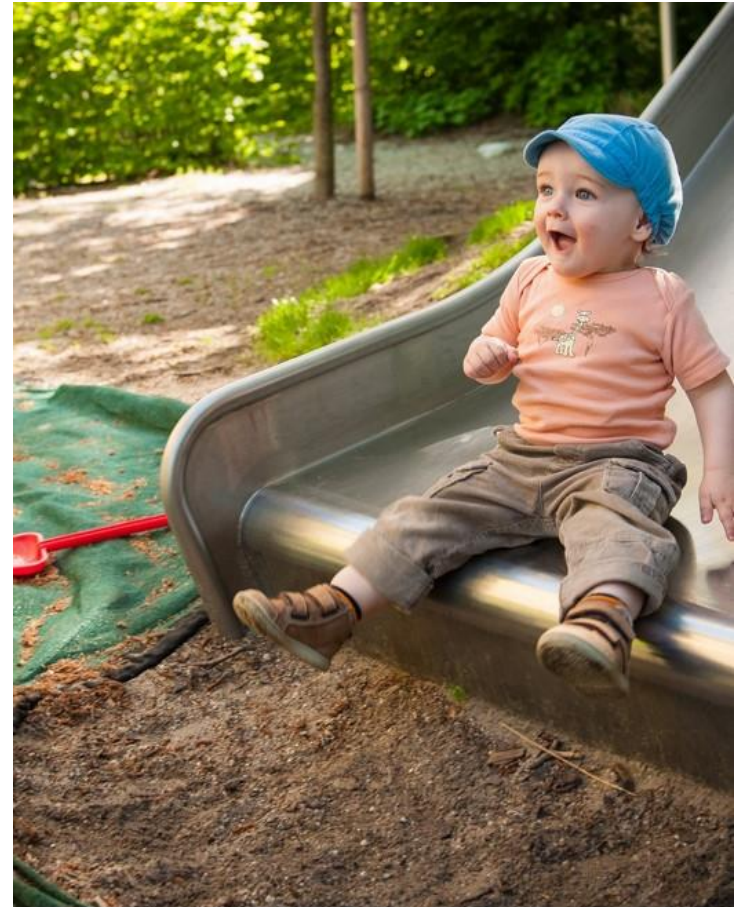
With AcadeMedia  
since 2013



# CEO introduction

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- Sound revenue growth in the school segments but margins affected by increased staff costs
- AcadeMedia has reinforced its position as market leader in adult education
- Expansion in Germany through the acquisition of Step Kids Education GmbH
- Seven new establishments in the Upper Secondary Schools segment fall 2017






# 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

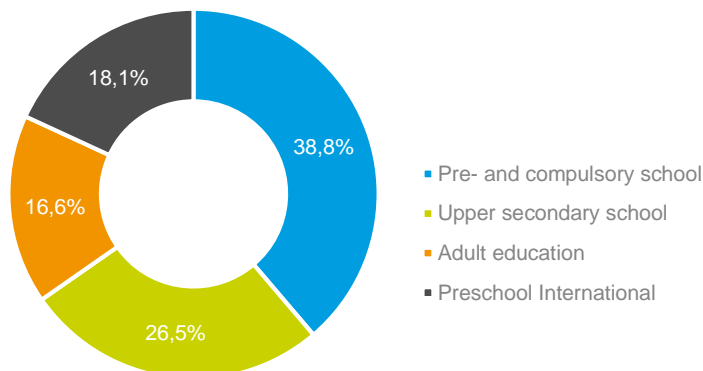
## Geographical presence and selected brands (Q4)

Country				Total
Students	~157.0k <sup>(1)</sup>	~9,1k	~1.1k	~167.2k <sup>(1)</sup>
FTEs	~8.5k	~2.1k	~0.3k	~11.0k
Units	333	95	17	445

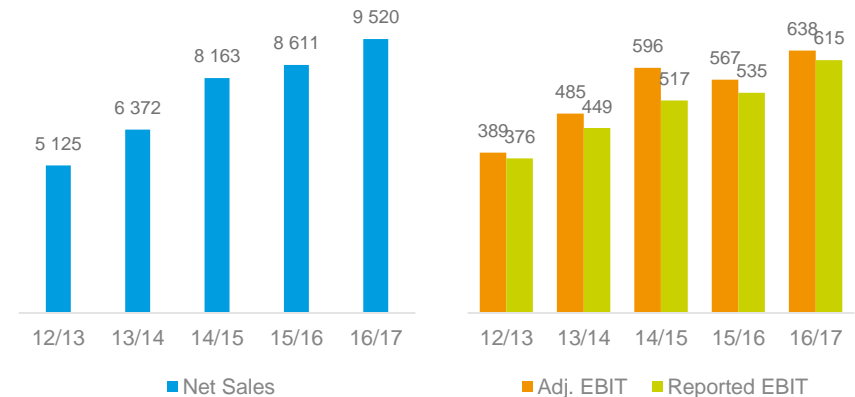


## Financial overview

Net Sales Split 16/17<sup>2</sup>



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 Q4 2016/17

*Sound revenue growth in the three school segments*

- Student numbers increased in all segments. Revenue growth was boosted by acquisitions as well as continued high volumes in the Adult education segment
- During the quarter one bolt-on acquisition was made in Sweden and two units acquired in Norway
- In Germany the acquisition of Stepke was concluded (10 units)
- EBIT decreased by SEK 7 million compared to the same period last year which is fully explained by a drop in EBIT in the Adult education segment

Key figures for Q4 2016/17

	2016/17	2015/16	Change
# of Students	67,207	64,342	4.5%
Net Sales	2,610	2,378	9.8%
EBIT	211	218	-3.2%
EBIT-margin	8.1%	9.2%	-1.1 p.p.
Adj. EBIT	229	238	-3.8%
Adj. EBIT margin	8.8%	10.0%	-1.2 p.p.
Earnings after Tax	154	140	10.0%
Earnings per share <sup>1)</sup> , SEK	1.62	1.63	-0.0%
Cash Flow from Operations	317	160	n/a

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



# Key highlights FY 2016/17

## *Strong EBIT growth in adult education segment*

- Student numbers increased in all segments. Revenue growth was boosted by acquisitions and high volumes in the Adult segment
- Bolt-on acquisitions    New establ.
  - Sweden    5            2
  - Norway    4            3
- Strategic acquisition of Stepke
  - Germany    10 units, 640 children
- EBIT increase of SEK 80 million (15%) is explained by strong margin improvement in the Adult education segment due to high volumes, profitable contracts and capacity adjustments last year.
- The margin in the Swedish school segments was negatively affected by higher staff costs and to a certain extent costs related to real estate.

Key figures for FY 2016/17

	2016/17	2015/16	Change
# of Students	66,070	63,151	4.6%
Net Sales	9,520	8,611	10.6%
EBIT	615	535	15.0%
EBIT-margin	6.5%	6.2%	0.3 p.p.
Adj. EBIT	638	567	12.5%
Adj. EBIT margin	6.7%	6.6%	0.1 p.p.
Earnings after Tax	416	319	30.4%
Earnings per share <sup>1)</sup> , SEK	4.41	3.74	17.9%
Cash Flow from Operations	830	542	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 Q4 2016/17

- Overall student numbers increased by 2.9%
- One preschool bolt-on acquisition in the quarter
- Revenue grew 7.8% following increased number of students and annual voucher adjustments.
- EBIT-margin was 0.8% lower than last year mainly due to higher personnel costs including the increase in social security fees for young people of SEK 2 million

## Key figures for Q4 2016/17

	2016/17	2015/16	Change
Net Sales	1025	951	7.8%
EBIT	89	90	-1.1%
EBIT-margin	8.7%	9.5%	-0.8 p.p.
Adj. EBIT	90	86	4.7%
Adj. EBIT-margin	8.8%	9.0%	-0.2 p.p.
# of Students	31,828	30,946	2.9%

## Comments for the financial year 2016/17

- Overall student numbers increased by 3.8%
- Two new-establishments and five bolt-on acquisitions completed during the financial year.
- One further preschool establishment is planned for fall 17/18
- Revenue growth amounted to 7.5%
- Growth in number of students could not fully compensate for higher salary levels and increase of social security fees (12) for young people, resulting in a margin deterioration vs last year.

## Key figures for the financial year 2016/17

	2016/17	2015/16	Change
Net Sales	3,690	3,434	7.5%
EBIT	199	206	-3.4%
EBIT-margin	5.4%	6.0%	-0.6 p.p.
Adj. EBIT	199	203	-2.0%
Adj. EBIT-margin	5.4%	5.9%	-0.5 p.p.
# of Students	31,231	30,081	3.8%

# Upper Secondary Schools (Sweden)

*Increased capacity utilization. Preparing for expansion*

## Comments for Q4 2016/17

- Overall student numbers increased by 1.8%
- Revenues increased by 3.1% compared to the same quarter last year due to volume increase and voucher adjustments
- Adj. EBIT and Adj. EBIT-margin improved despite some opex for new schools. However, EBIT declined due costs for wind-down of two units which were fully expensed in the quarter as “items affecting comparability”

## Key figures for Q4 2016/17

	2016/17	2015/16	Change
Net Sales	675	655	3.1%
EBIT	64	69	-7.2%
EBIT-margin	9.5%	10.5%	-1.0 p.p.
Adj. EBIT	72	69	4.3%
Adj. EBIT-margin	10.7%	10.5%	0.2 p.p.
# of Students	25,191	24,752	1.8%

## Comments for the financial year 2016/17

- Overall student numbers increased by 2.1% despite lower number of units than last year
- Revenues increased by 4.3% compared to last year due to volume increase and voucher adjustments from previous year.
- EBIT was unchanged compared to last year. Margin improvement due to higher utilization was offset by wind-down costs and costs for new establishments during the fall 2017.
- NB. Two fewer units compared to last year and a further six have been in wind-down this year

## Key figures for the financial year 2016/17

	2016/17	2015/16	Change
Net Sales	2,526	2,421	4.3%
EBIT	198	198	0.0%
EBIT-margin	7.8%	8.2%	-0.4 p.p.
Adj. EBIT	206	198	4.0%
Adj. EBIT-margin	8.2%	8.2%	0.0 p.p.
# of Students	25,544	25,014	2.1%



# Adult Education (Sweden)

## Financial result for the year at all-time high

### Comments for Q4 2016/17

- Participant volumes were high rendering revenues 7.9% higher than last year
- EBIT decreased in the quarter, mainly due to an exceptionally strong quarter last year. The key factors affecting were fewer production days this quarter compared to last year (6m), service-agreement ended (4m), as well as the effect last year of very high margins following the up-turn in the market and the cost adjustment earlier.

### Key figures for Q4 2016/17

	2016/17	2015/16	Change
Net Sales	411	381	7.9%
EBIT	38	55	-30.9%
EBIT-margin	9.2%	14.4%	-5.2 p.p.
Adj. EBIT	38	55	30.9%
Adj. EBIT-margin	9.2%	14.4%	-5.2 p.p.

### Comments for the financial year 2016/17

- Revenue growth of 14.9% was driven by a strong contract portfolio and high participant volumes.
- EBIT increased by SEK 53 million, compared to last year. This was mainly due to volume increase, highly profitable agreements and last years cost adjustments of Eductus operations.
- While the market is strong and AcadeMedias position has been reinforced, replacement of high margin contracts which are pending will result in 1-3 percentage points lower margins.*

### Key figures for the financial year 2016/17

	2016/17	2015/16	Change
Net Sales	1 576	1372	14.9%
EBIT	200	147	36.1%
EBIT-margin	12.7%	10.7%	2.0 p.p.
Adj. EBIT	200	150	32.5%
Adj. EBIT-margin	12.7%	10.9%	1.8 p.p.

# Preschools (International)

## *Acquisition of Stepke expands German operations substantially*

### Comments for Q4 2016/2017

- Overall child numbers increased by 17.9%
- Revenue growth for the fourth quarter was 27.9%. Increase mainly relates to acquisitions and new establishments in Norway. Currency changes (SEK/NOK) had a positive impact on sales of SEK 18 million in the quarter compared to last year
- EBIT improved mainly due to acquisitions and new establishments. However, margin in the quarter deteriorated as a result of higher staff costs and costs relating to acquisitions prior year.

### Comments for the financial year 2016/17

- Overall student numbers increased by 15.4%
- Three new establishments and four bolt-on preschools acquired, all in Norway. German preschool company Stepke was acquired in April which expanded the German operations with 10 units to 17.
- Revenue growth was 24.9% as a result of acquisitions and new establishments. Currency effects (SEK/NOK) had a positive impact on sales of SEK 74 million compared to last year.
- EBIT increased with 16.7% primarily as a result of Norwegian expansion

### Key figures for Q4 2016/17

	2016/17	2015/16	Change
Net Sales	499	390	27.9%
EBIT	47	40	17.5%
EBIT-margin	9.4%	10.3%	-0.9 p.p.
Adj. EBIT	47	40	17.5%
Adj. EBIT-margin	9.4%	10.3%	-0.9 p.p.
# of Students	10,188	8,643	17.9%

### Key figures for the financial year 2016/17

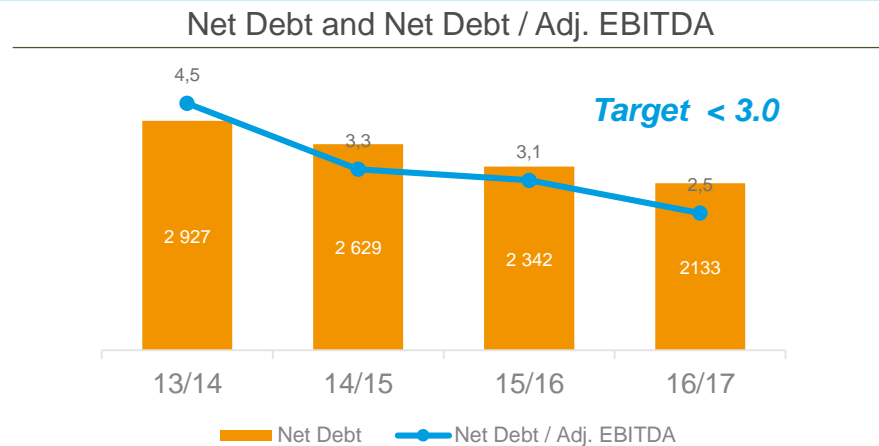
	2016/17	2015/16	Change
Net Sales	1,725	1,381	24.9%
EBIT	98	84	16.7%
EBIT-margin	5.7%	6.1%	-0.4 p.p.
Adj. EBIT	98	78	25.6%
Adj. EBIT-margin	5.7%	5.6%	0.1 p.p.
# of Students	9,295	8,056	15.4%

# Financial position

*Improved net debt and leverage ratio below maximum target*

- Capital employed has increased during the last 12 months by SEK 484 million due to growth through acquisitions and building pre-schools in Norway
- Net debt decreased by SEK 209 million despite investments made. This is the result of improved EBIT and net working capital.
- Net Debt excluding real estate debt has decreased by SEK 315 million
- Leverage ratio dropped to 2.5x 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



Key figures for Q3 2016/17

	2016/17 30 Jun	2015/16 30 Jun	Change
Total Equity	3,443	2,990	15.2%
Net Debt	2,133	2,342	-8.9%
Adj. Net Debt <sup>1)</sup>	1,550	1,865	-16.9%
Capital Employed	6,158	5,674	8.5%
Equity Ratio	43.9	41.7	2.2 p.p.

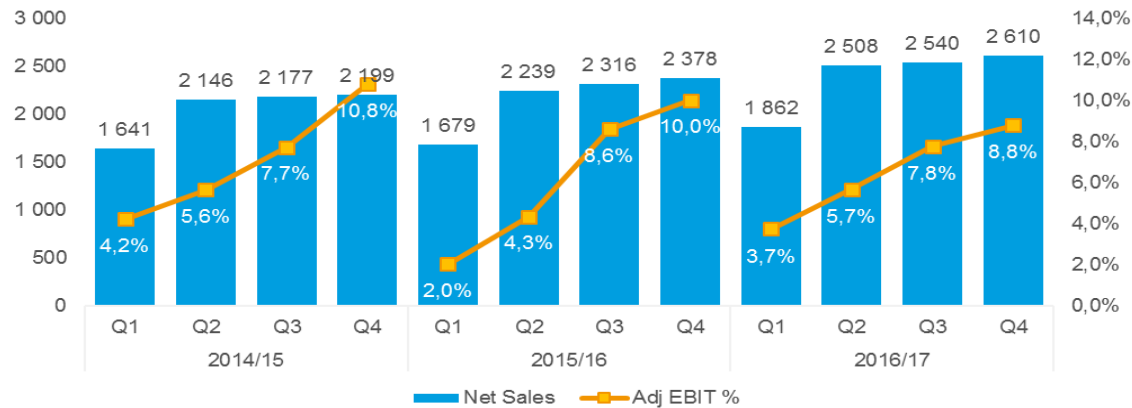
# Seasonality varies between segments

Q3 shows normal seasonality in school segments

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

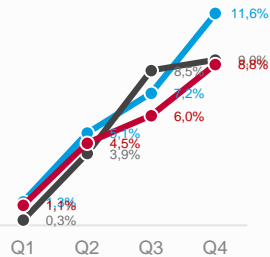
Comments

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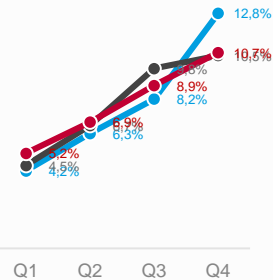


- School segments continue to show normal seasonality
- Fourth quarter of last year was exceptionally strong, especially adult. Adult segment is at all-time high

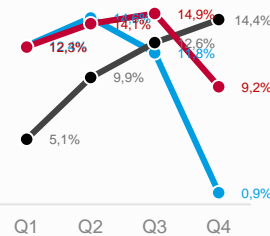
PRE-AND COMPULSORY SCHOOL



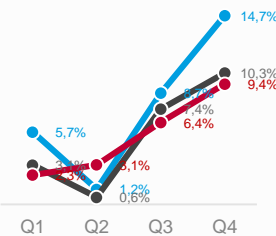
UPPER SECONDARY SCHOOL



ADULT EDUCATION



PRESCHOOL INTERNATIONAL



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

- Adult segment is volatile and fluctuations are determined by contract portfolio

# Financial performance according to plan

Financial targets			FY 16/17 (FY15/16)
<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</li> </ul>	<b>10.6%</b> (5.5%)
<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>6.7%</b> (6.6%)
<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>2.5x</b> (3.1x)
<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

# A unique combination of sustainability, growth and cash flow generation

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## 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?

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