

# Interim Report

## July - September 2018

2018-10-25



# 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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- Record number of students, 15.7 percent growth
- Strong start in the Upper Secondary school segment. 13,500 new students enrolled. Three new schools opened
- A review of the brand portfolio during last year has resulted in fewer brands with more distinct profiles.
- International Preschool segment has opened six new units.
- Continued market and volume decline in the Adult Education segment. Capacity and cost adjustments are not yet sufficient.
- The Pre- and Compulsory School segment is on par with last year and continues to focus on turning around a handful of units.
- Quality Report for 2017/18 to be published shortly



# 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

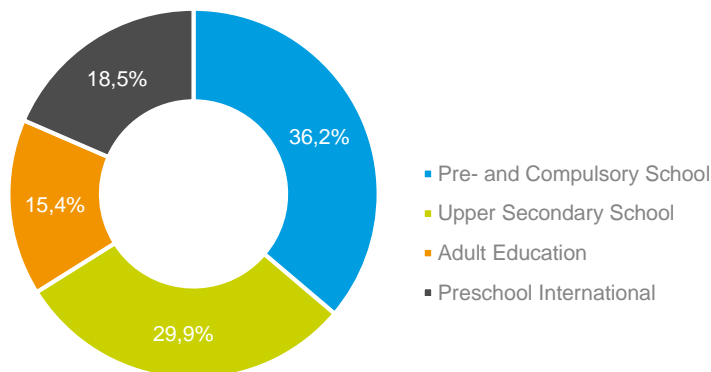
## Geographical presence and selected brands 17/18

Country				Total
Students <sup>(3)</sup>	~162.7k <sup>(1)</sup>	~9.2k	~1.5k	~178.8k <sup>(1)</sup>
FTEs <sup>(3)</sup>	~9.3k	~2.2k	~0.4k	~11,9k
Units <sup>(3)</sup>	362	100	23	505



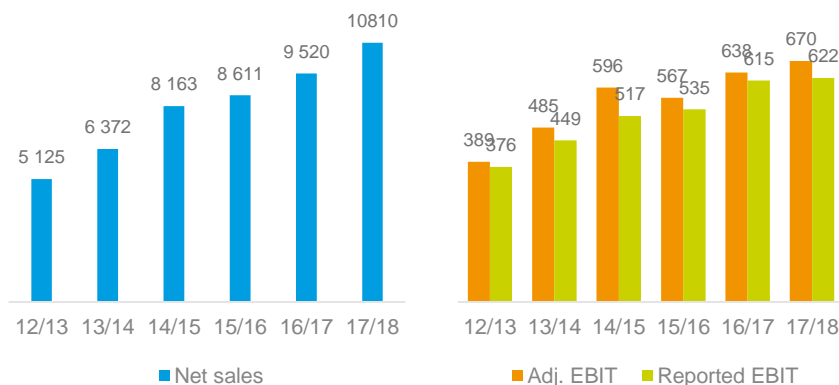
## Financial overview

### 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. 3) year average

# Key highlights Q1 2018/19

## *Decline in Adult Education segment puts pressure on EBIT*

### Comments for Q1 2018/19

- The July to September period is naturally the weakest quarter of the year due to the summer period.
- Student numbers grew with 15.7 percent in school segments, 4.8 percent organically.
- Growth in net sales was boosted by strategic acquisitions but hampered by decline in adult segment. Total organic growth including bolt-ons amounted to 2.8 percent.
- Adjusted EBIT declined by SEK 29 million compared to last year.
- Cash flow from operations was SEK 361 million lower in the period. Primarily an effect of net working capital effect.

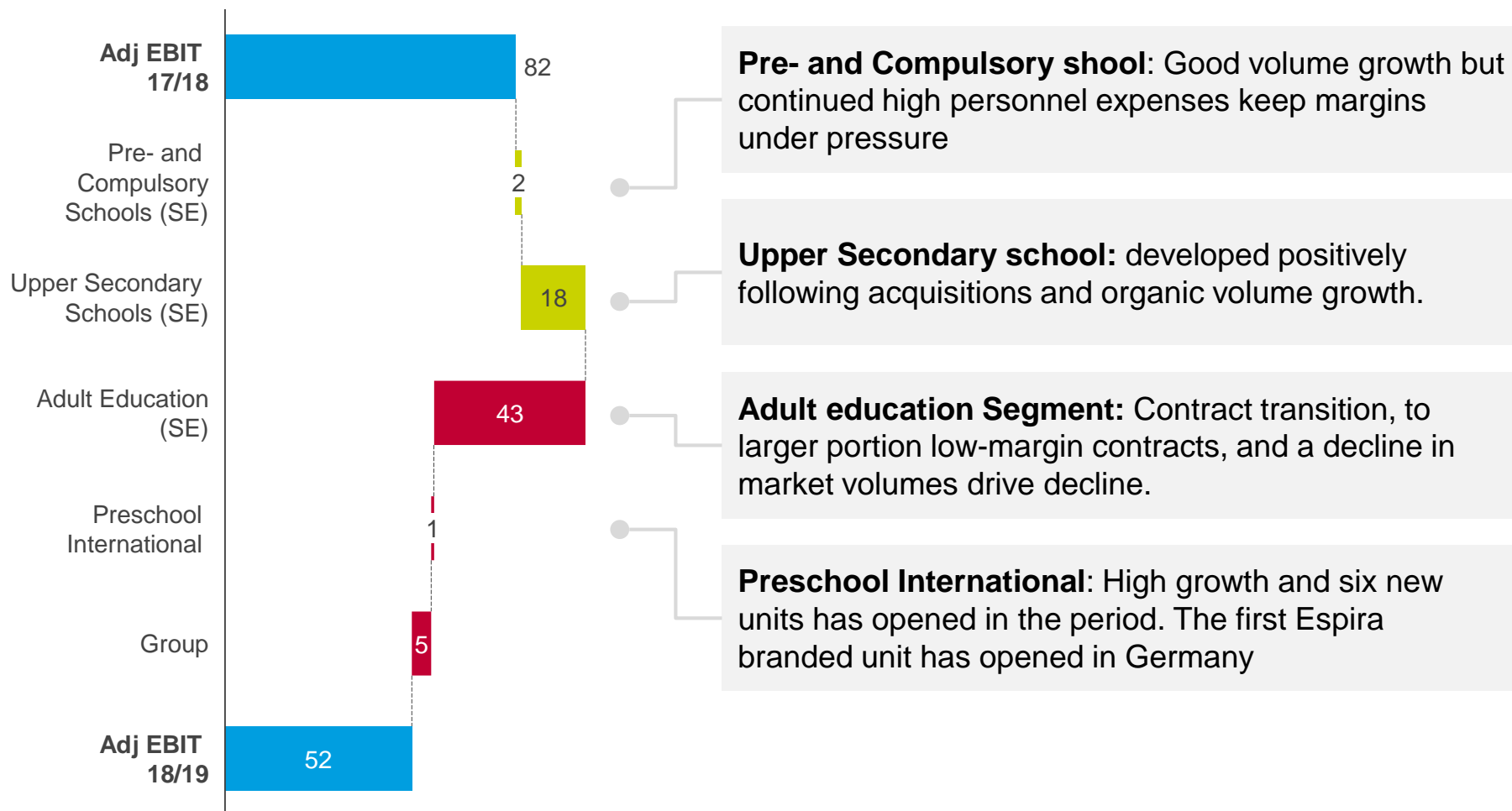
### Key figures for Q1 2018/19

	2018/19	2017/18	Change
# of Students	78,770	68,098	15.7%
Net sales	2,343	2,037	15.0%
EBIT	58	80	-27,5%
EBIT-margin	2.5%	3.9%	-1.4 p.p.
Adj. EBIT	52	82	-36.6%
Adj. EBIT margin	2.2%	4.0%	-1.8 p.p.
Earnings after tax	31	51	-39.2%
Earnings per share <sup>1)</sup> , SEK	0.30	0.54	-44.8%
Cash flow from operations	-219	142	n/a

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

# Key highlights Q1 2018/19 (cont.)

## Adult Education key component in EBIT decline



# 12 month rolling figures Q1 2018/19

## *Adult Education continue to put 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. The Upper Secondary School segment is the main growth contributor.
- However, EBIT-margin has declined on 12-month rolling basis due to margin decline in the Adult Education segment. .
- *NB Comparison between Q1 12-month rolling figures and full year 2017/18.*

### Key figures for Q1 R12 2018/19 vs FY 2017/18

	2018/19 R12	2017/18	Change
Net sales	11,116	10,810	2.8%
EBIT	600	622	-3.5%
EBIT-margin	5.4%	5.8%	-0.4 p.p.
Adj. EBIT	641	670	-4.3%
Adj. EBIT margin	5.8%	6.2%	-0.4 p.p.
Earnings after tax	410	430	-4.7%

# Pre- and Compulsory Schools (Sweden)

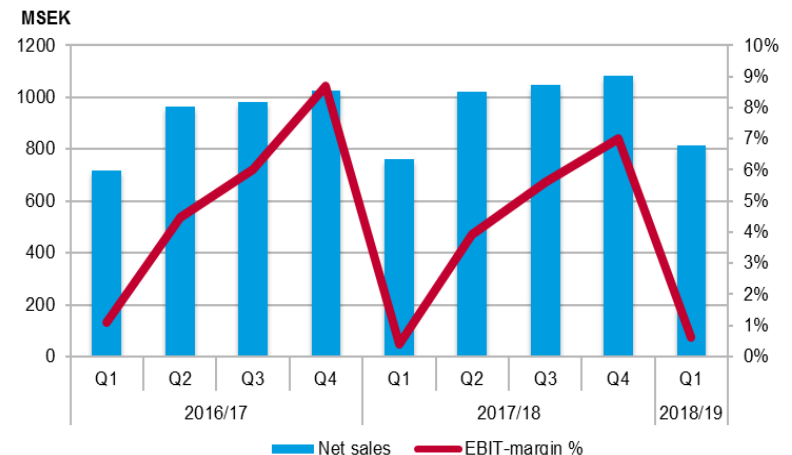
## Continued focus on turn-around units

Comments for Q1 2018/19

- Overall child numbers increased 4.1%.
- Net sales grew 7.4%, a result of volume increases and annual voucher revisions.
- EBIT-margin increased 0.2 percentage points .
- Margins are challenged by continued salary inflation not compensated by school vouchers.
- In addition there is a small number of schools which have required additional resources in order to turn-around.

Key figures for Q1 2018/19

	2018/19	2017/18	Change
Net sales	816	760	7.4%
EBIT	5	3	66.7%
EBIT-margin	0.6%	0.4%	0.2 p.p.
Adj. EBIT	5	3	66.7%
Adj. EBIT-margin	0.6%	0.4%	0.2 p.p.
# of Students	32,381	31,111	4.1%





# Upper Secondary Schools (Sweden)

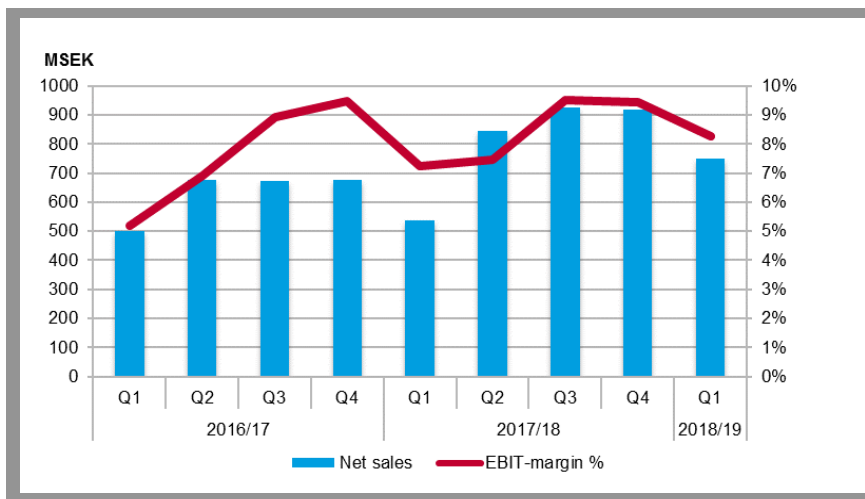
## Positive development following acquisitions and overview of brand portfolio

Comments for Q1 2018/19

- Overall student numbers increased by more than 30%, 4.5 percent organic growth.
- Net sales increased by 39.1% compared to the same quarter last year.
- Three new establishments and admissions to last year's new schools as well as Vindora acquisition (nov 2017) are growth drivers.
- More focused brand portfolio.
- Adj EBIT-margin increased by 0.3 percentage points in the quarter. SEK +5 million of retroactive revenues affected EBIT.

Key figures for Q1 2018/19

	2018/19	2017/18	Change
Net sales	750	539	39.1%
EBIT	62	39	59.0%
EBIT-margin	8.3%	7.2%	1.1 p.p.
Adj. EBIT	56	39	43.6%
Adj. EBIT-margin	7.5%	7.2%	0.3 p.p.
# of Students	35,065	26,918	30.3%



# Adult Education (Sweden)

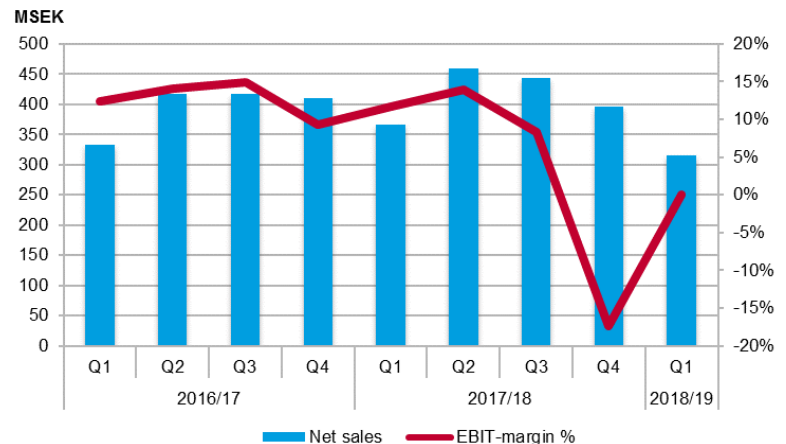
*The road back is longer than anticipated*

Comments for Q1 2018/19

- Net sales decreased by 13.9% and adjusted EBIT and adjusted EBIT-margin declined substantially compared to last year.
- The decline in the largest business area to the Public Employment agency is faster than expected. Moreover, lower prices in many of the new agreements add to the negative development.
- Capacity and cost adjustments are ongoing, but not sufficient due to lower volumes.
- It will take longer than previously anticipated to reach stable margin levels.

Key figures for Q1 2018/19

	2018/19	2017/18	Change
Net sales	315	366	-13.9%
EBIT	0	43	-100.0%
EBIT-margin	0.0%	11,7%	-11.7 p.p.
Adj. EBIT	0	43	-100.0%
Adj. EBIT-margin	0.0%	11.7%	-11.7 p.p.



# Preschool International

## Continued strong growth in Germany

Comments for Q1 2018/19

- The number of children increased by 12.5%, mainly driven by organic growth, but also acquisitions.
- Six new units opened in Germany.
- Net sales grew with 24%, of which 12.8 percent organic growth. Acquisitions and a favorable exchange rate development also contributed positively, 4.5 percent and 6.6 percent respectively.
- Slight EBIT and margin decline due to the high expansion rate as well as higher pension costs in Norway.

**espira**  
KUNNSKAPSBARNEHAGEN

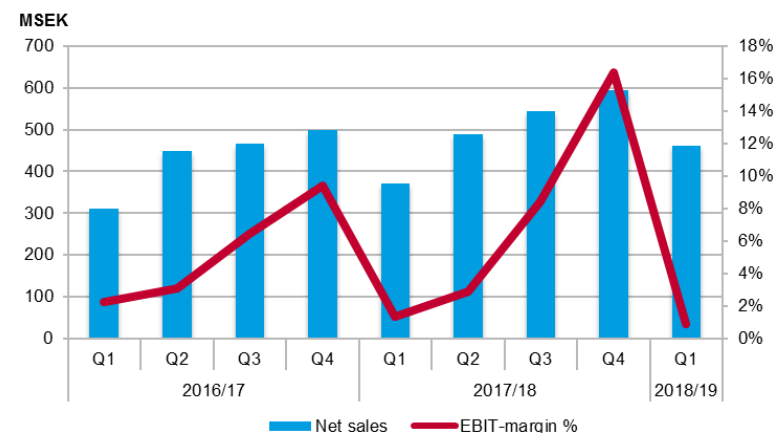
**joki**

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Key figures for Q1 2018/19

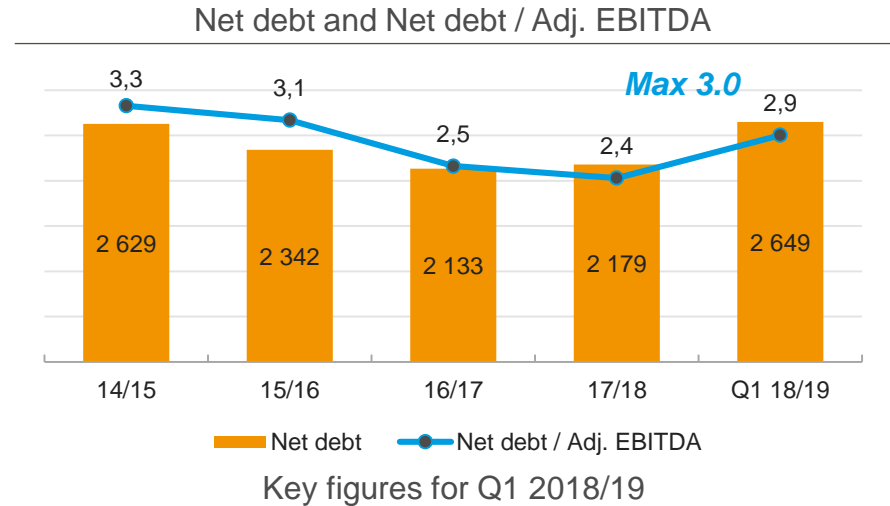
	2018/19	2017/18	Change
Net sales	461	372	23.9%
EBIT	4	5	-20.0%
EBIT-margin	0.9%	1.3%	-0.4 p.p.
Adj. EBIT	4	5	-20.0%
Adj. EBIT-margin	0.9%	1.3%	-0.4 p.p.
# of children	11,324	10,069	12.5%



# Financial position

*Negative development of new working capital impacts financial position*

- Net working capital developed negatively in the period compared to Q4 2017/18 impacting cash flow, net debt and leverage ratio.
- Capital employed has increased with SEK 1,114 million due to acquisitions, investments and increase in working capital.
- Equity/asset ratio improved to 44.3% (42.6).
- Net debt increased by SEK 574 million in the quarter mainly as a result of increased working capital
- Leverage ratio has increased to 2.9x (2.4), still below AcadeMedia's financial target of maximum 3.0x.



	2018/19 30 Jun	2017/18 30 Jun	Change
Total equity	4,249	3,487	21.9%
Net debt	2,649	2,075	27.7%
Adj. net debt <sup>1)</sup>	2,012	1,488	35.2%
Capital employed	7,316	6,202	18.0%
Equity ratio	44.3%	42.6%	1.7 p.p.

# Financial performance vs targets

## Financial targets

Q1/R12M  
(FY 17/18)

<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>4.7%*</b> (5.8%)
<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>5.8%*</b> (6.2%)
<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 maximum level</li> </ul>	<b>2.9x</b> (2.4x)
<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

\* Q1R12 vs FY17/18

# Thank you – Any questions?

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