

Q2 2019

Presentation
15 August 2019

Philip Isell Lind af Hageby, President & CEO
Timo Pirskanen, CFO

Adapteo.

Agenda

- Adapteo in brief
- Group level development
- Business areas
- Financials and market outlook

Adapteo in brief

Philip Isell Lind af Hageby, President & CEO

A leading modular space provider

Adapteo key highlights



#1 player in Northern Europe¹⁾
13% market share in ~€1.3bn market with 9% CAGR¹⁾



~32,400 modules (~1M sqm)
Fleet utilisation ~85%²⁾



Net sales €221M³⁾
Organic rental sales growth 11%⁴⁾



Comparable EBITDA €84M³⁾ (38% margin)
Operating profit (EBIT) €43M³⁾ (19% margin)



Operative ROCE 12%³⁾



Cash conversion before growth capex
88%⁵⁾

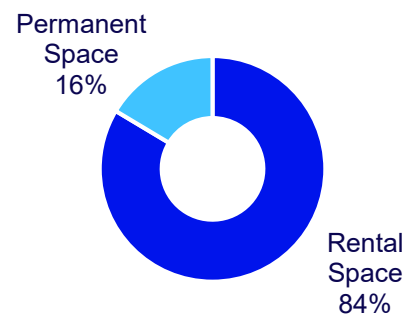
Rental model in brief



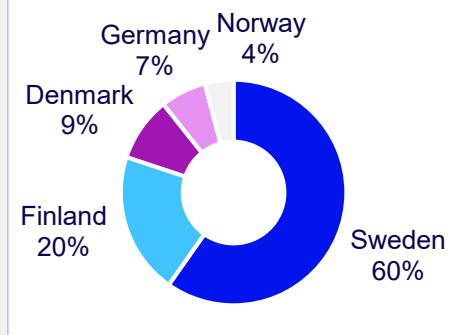
- Rental of modular units used as **flexible temporary solutions**
- **Contracts spanning up to 5 years**, on average, including extensions
- Mainly **public customers** within the **social infrastructure⁶⁾** segment
- **Strong cash generation** from installed base with **discretionary growth capex**

Majority of revenue is recurring and coming from social infrastructure

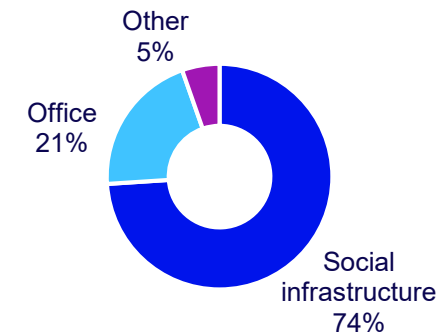
Net sales by business area³⁾



Net sales by geography³⁾

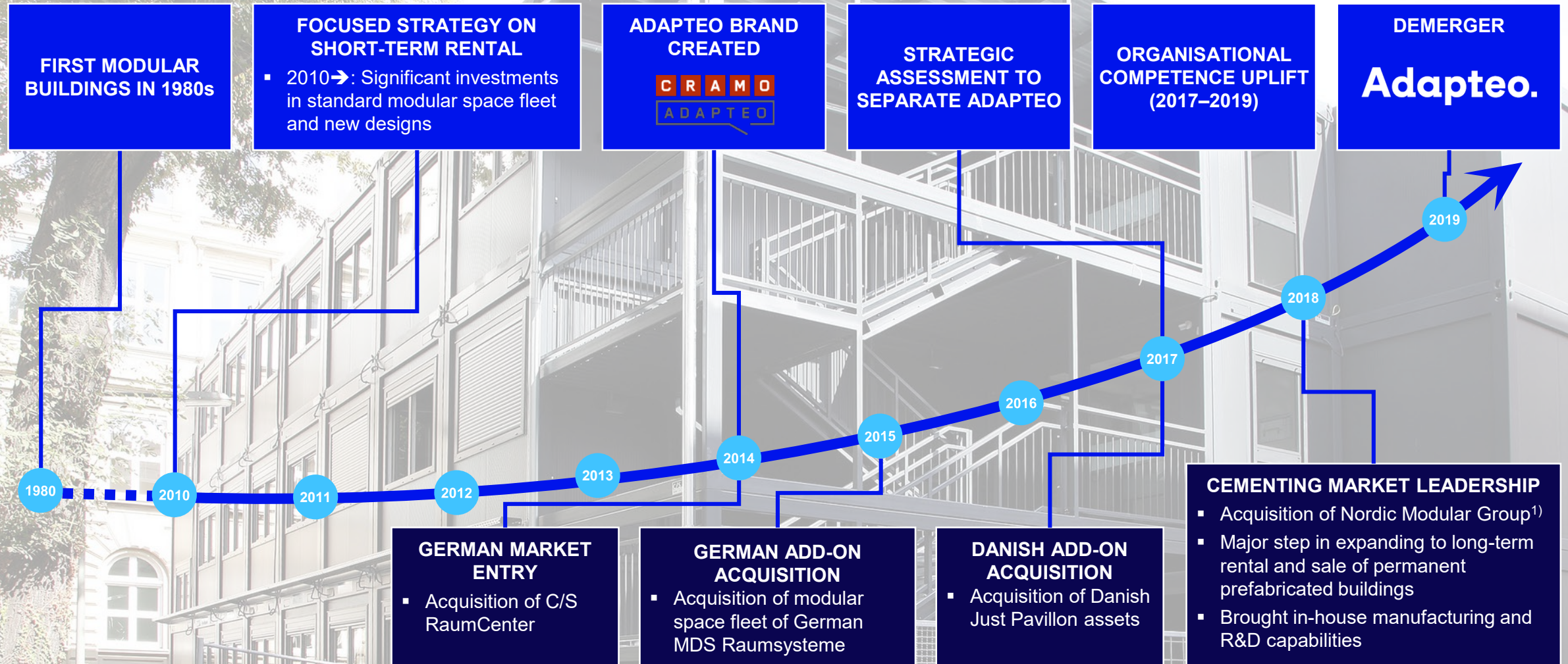


Rental sales by customer segment⁷⁾



1) Rental market for modular space solutions in SE, FI, DK, NO and DE; 2) 2018 Adapteo carve-out basis figures; 3) 2018 pro forma ("2018PF"). All pro forma figures are unaudited; 4) Average organic rental sales growth in 2016-2018 on Adapteo carve-out basis; 5) (Comparable EBITDA – cash flow before growth capex) / Comparable EBITDA, average 2016-2018 on Adapteo carve-out basis figures; 6) Includes daycare, school, elderly care and special accommodation; 7) The customer rental income information has been derived from Adapteo's internal customer invoicing and contract data. Such information has not been prepared in accordance with IFRS and includes certain assumptions made by the management. Accordingly, such data should be considered indicative of Adapteo's customer segmentation and may not be directly comparable to Adapteo's revenue reported in accordance with IFRS; Source: Management Consultant Analyses (Adapteo market share, market size and growth)

Key milestones in history for Adapteo



■ Strategic initiatives
 ■ M&A transactions

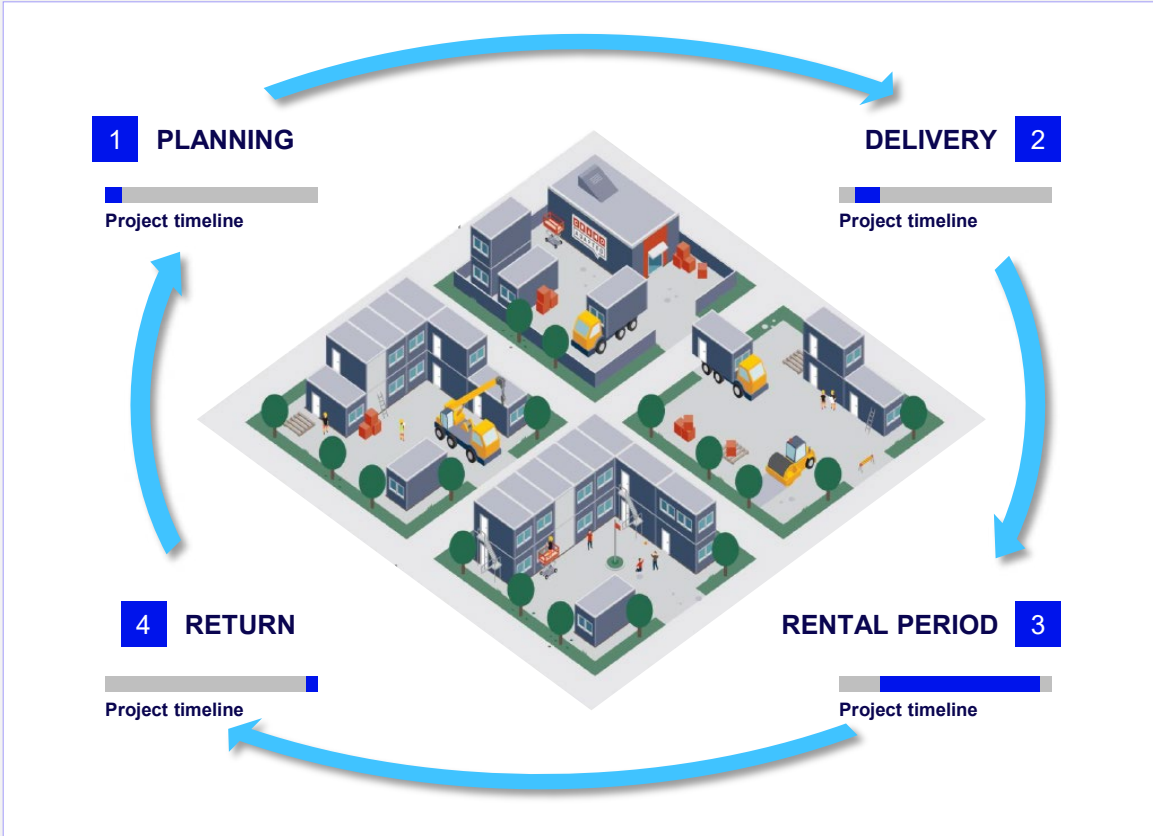
Adapteo's extensive modular space offering



1) Long-term leasing represents Adapteo's rental business model in Business area Permanent Space; 2) Typically 4-5 years initial contract with an option to extend the contract

The Adapteo rental model

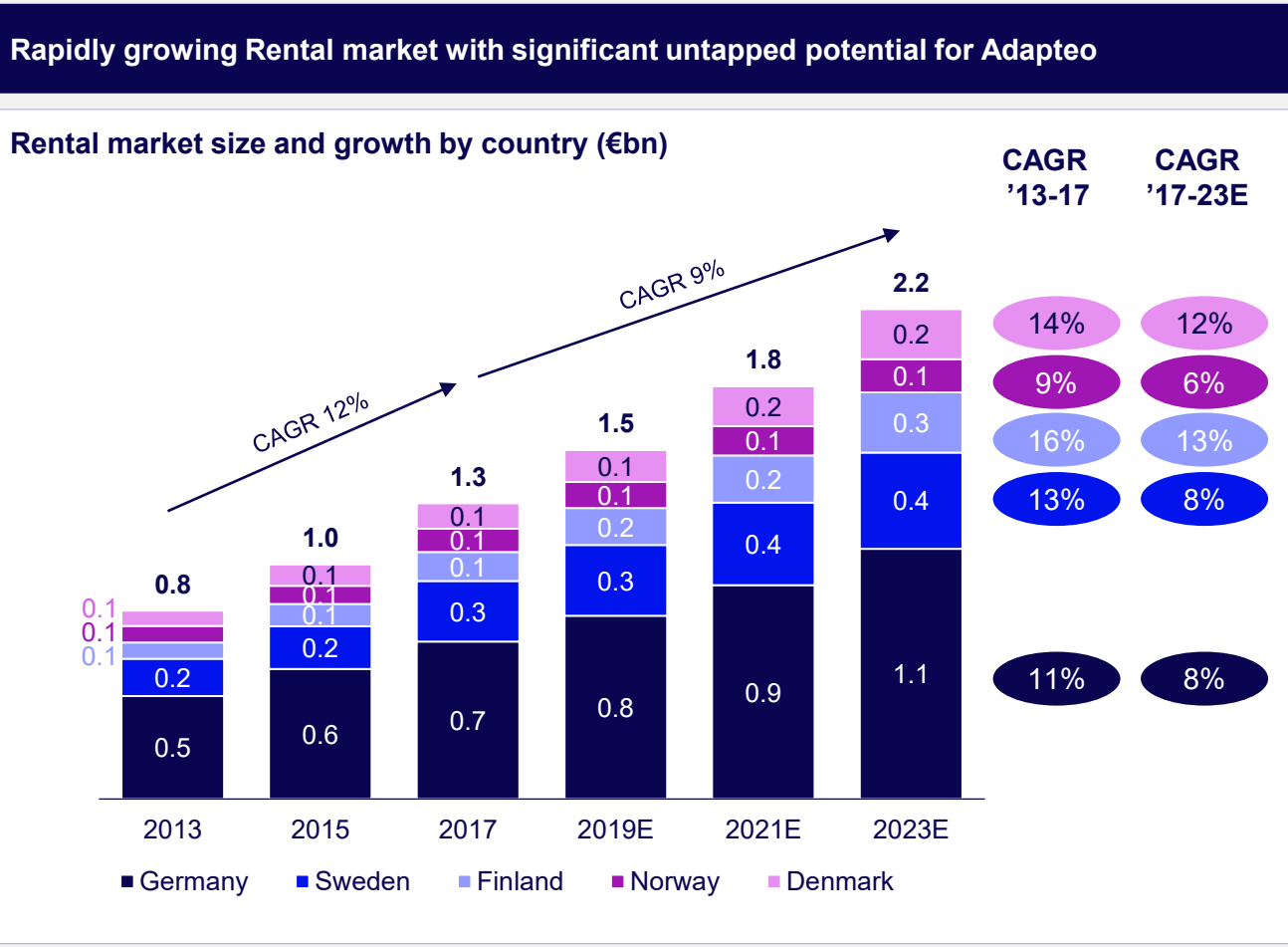
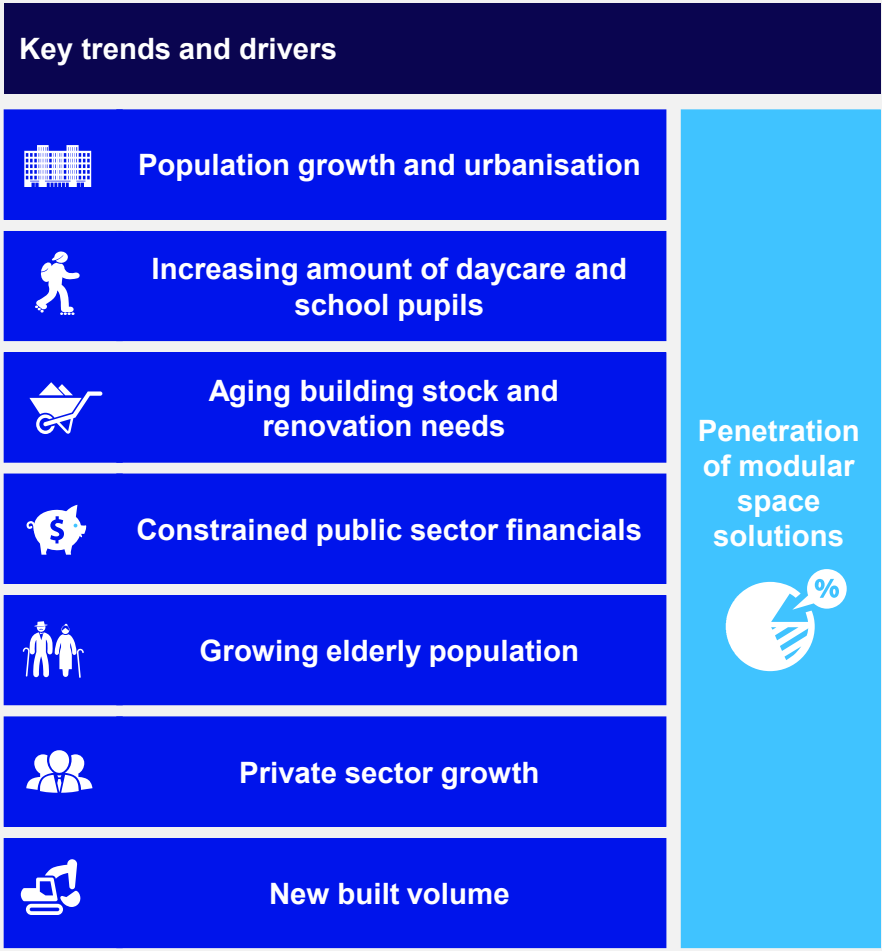
Rental contract life cycle



Revenue model

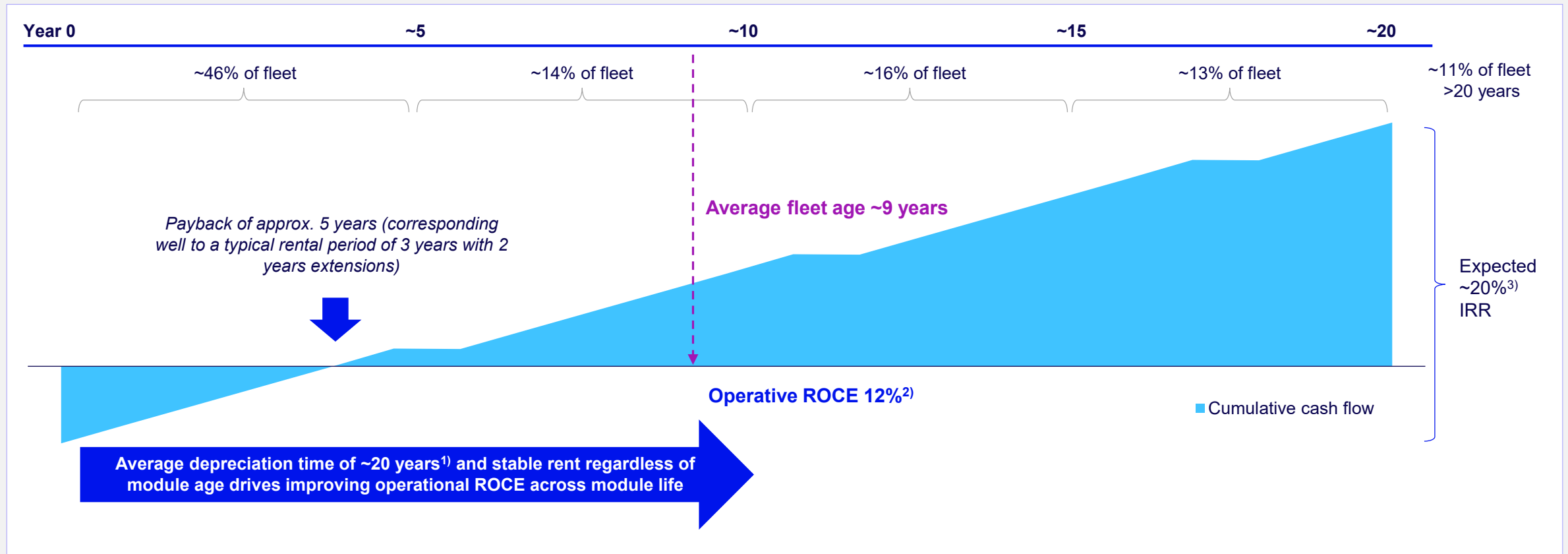
2 4 ASSEMBLY AND OTHER SERVICES	2018PF	Typical share of project²⁾
<div style="display: flex; align-items: center; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white;">Rental deliveries and returns</div> × <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white;">Fee</div> = </div>	<div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;"> €55M (30%) </div>	<div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;"> ~20% </div>
3 RECURRING RENTAL SALES¹⁾	2018PF	Typical share of project²⁾
<div style="display: flex; align-items: center; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;">Fleet size (sqm)</div> × <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;">Utilisation (%)</div> × <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;">Average rent per sqm (€/sqm/year)</div> = </div> <div style="display: flex; align-items: center; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;">~970k</div> <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;">~85%</div> <div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;">~€160</div> </div>	<div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;"> €129M (70%) </div>	<div style="border: 1px solid black; padding: 5px; background-color: #007bff; color: white; text-align: center;"> ~80% </div>

Secular demand growth, modular space is set to benefit



Growth capex has a strong expected IRR

Illustrative example of a module lifetime cash flows



Note: Age distribution of fleet based on age of modules. Fleet with undocumented age (<5% of total fleet) excluded from analysis; 1) For new modules; 2) 2018PF; 3) Illustrative calculation assuming management estimation of the investment amount, direct rental costs and costs from assembly and other services, approximately EUR 6,000 of annual rental sales, standard pricing parameters, 85 percent utilisation rate during the 20-year period, and not taking inflation into consideration; Company materials (Average investment payback period of first contract, average fleet age, average total rental period)

Resilient profitable growth and returns in an attractive market

Adapteo.

- **Fast growing and resilient market supported by long-term structural trends**
- **A Northern European leader with a scalable platform poised for growth**
- **Recurring revenues from a diverse base of primarily public customers**
- **Attractive returns on long-lived assets**
- **Strong cash generation from installed base with discretionary growth capex**
- **Several value creation avenues beyond the underlying market growth**

Financial targets and dividend policy

	Targets	Actual
Growth	<ul style="list-style-type: none">Double digit comparable EBITDA growth	H1 2019 13%¹⁾
Capital efficiency	<ul style="list-style-type: none">Operative ROCE above 10%	H1 2019 12.0%²⁾
Leverage	<ul style="list-style-type: none">Net debt to comparable EBITDA between 3.5x and 4.5x	H1 2019 4.5x²⁾
Dividend	<ul style="list-style-type: none">Aim to distribute dividend of above 20% of net result³⁾	N/A

Business Area Rental Space driving strong profitability

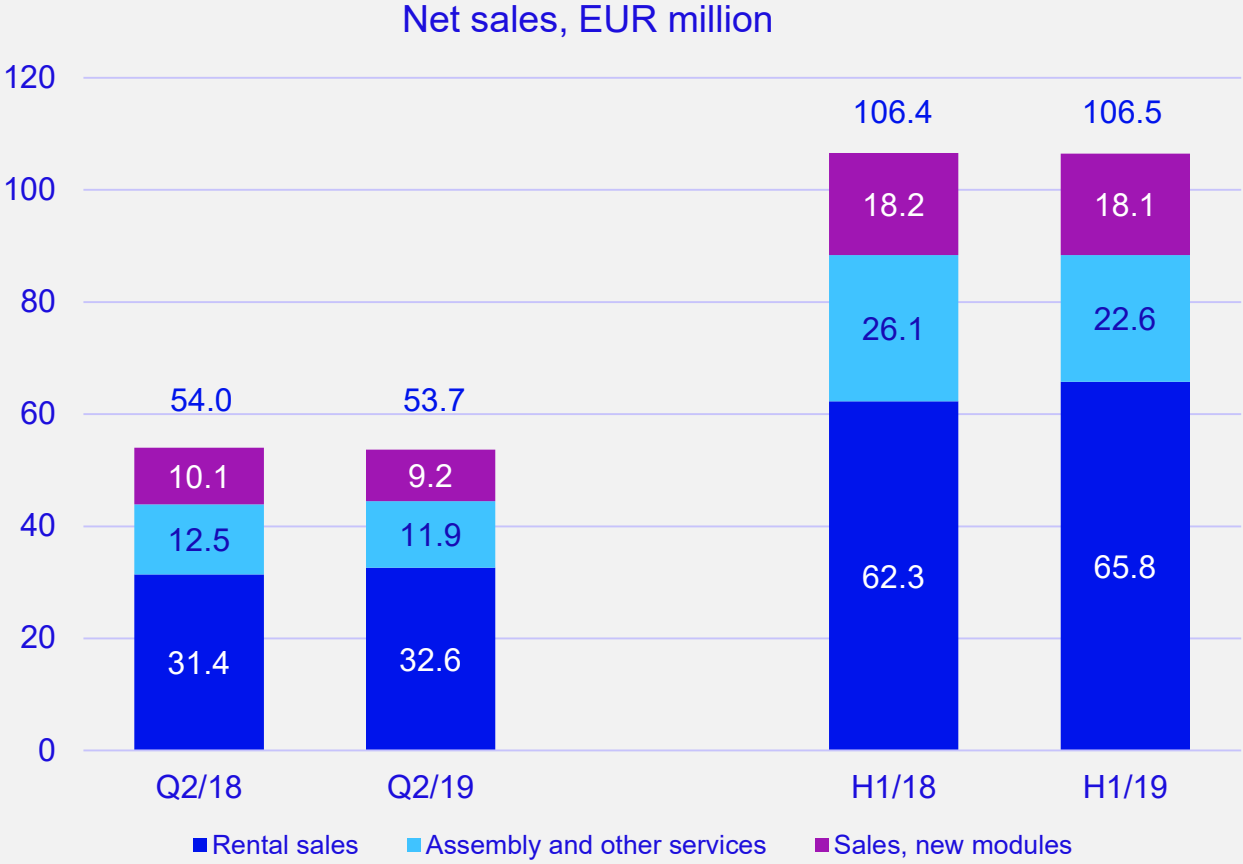
Philip Isell Lind af Hageby, President & CEO

Q2 2019 Highlights

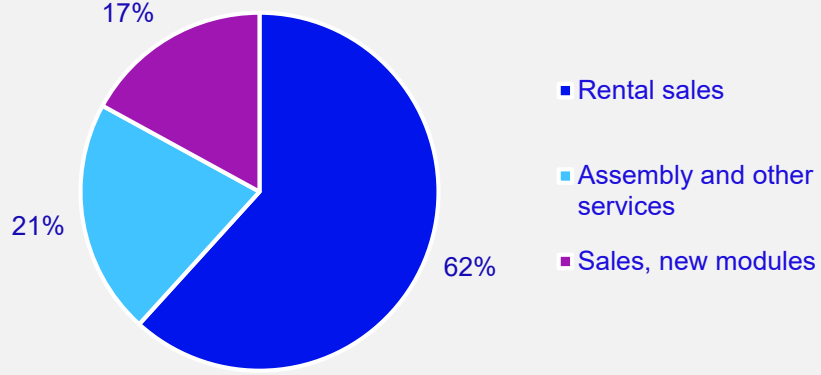
- Demerger and listing – utilise our full potential as an independent company.
- Material investments in new rental modules – growth capex decreased due to reinvestments.
- High and stable utilisation rate.
- Stable underlying average rent per square meter.
- Corrective actions to improve performance within Business Area Permanent Space.
- The integration of NMG proceeds according to plan.

The amounts in the following financial highlights are presented on a pro forma basis unless otherwise indicated.

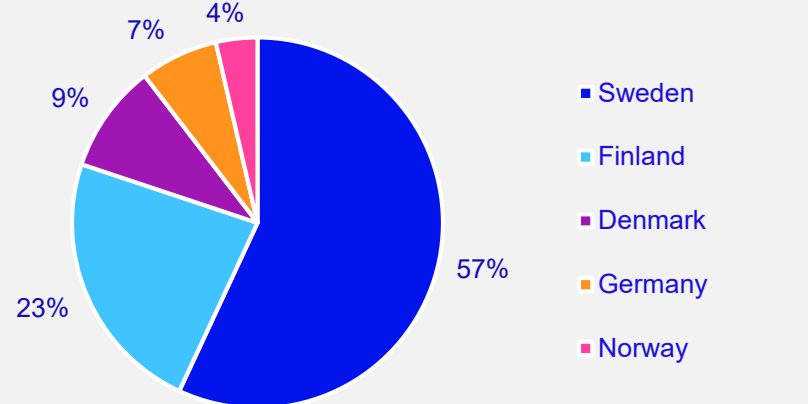
Stable net sales in Q2 and H1



H1 Net sales by business type, %

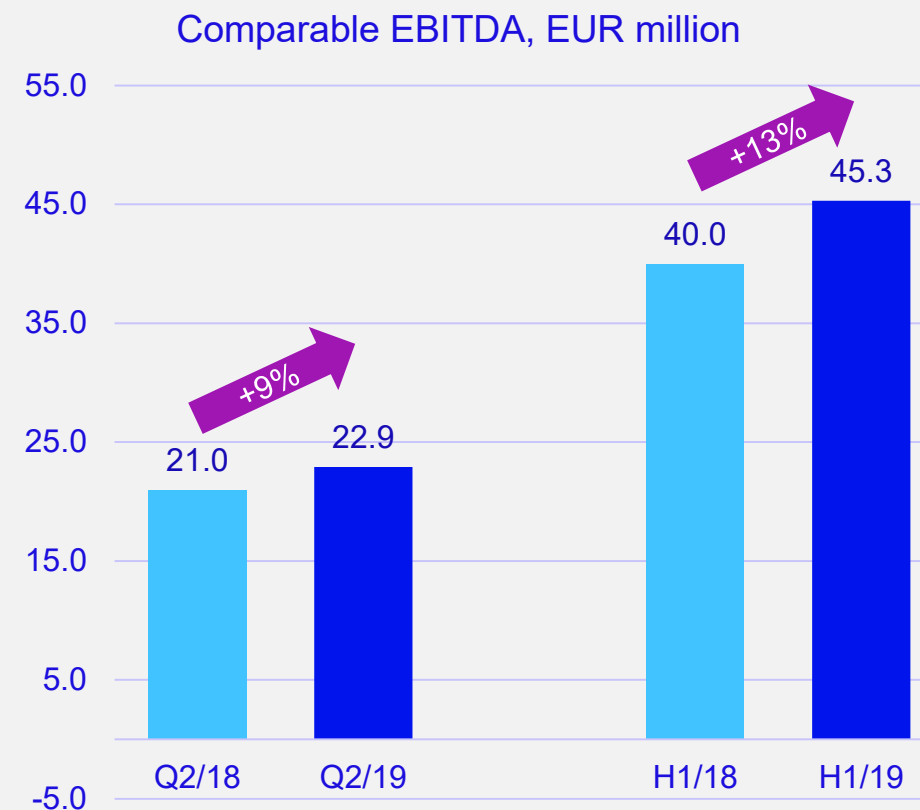


H1 Net sales by geographical location, % (carve-out)



Comparable EBITDA growth of 9% in Q2

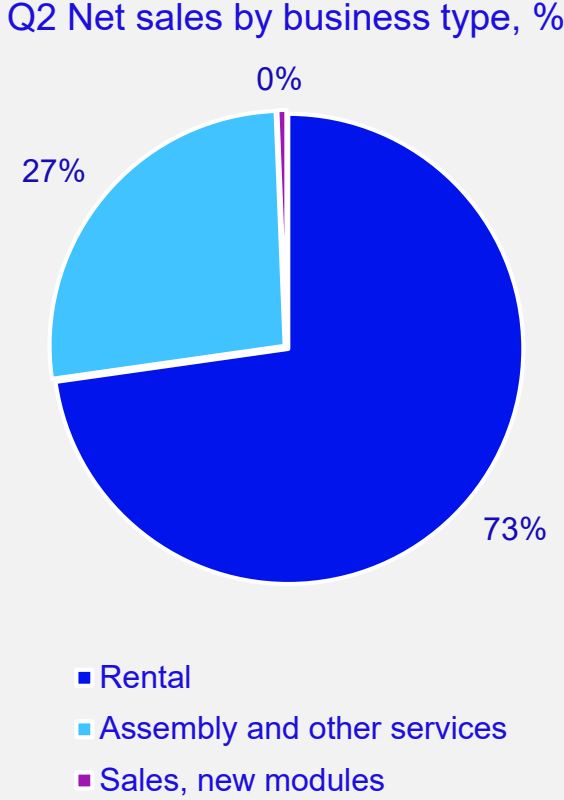
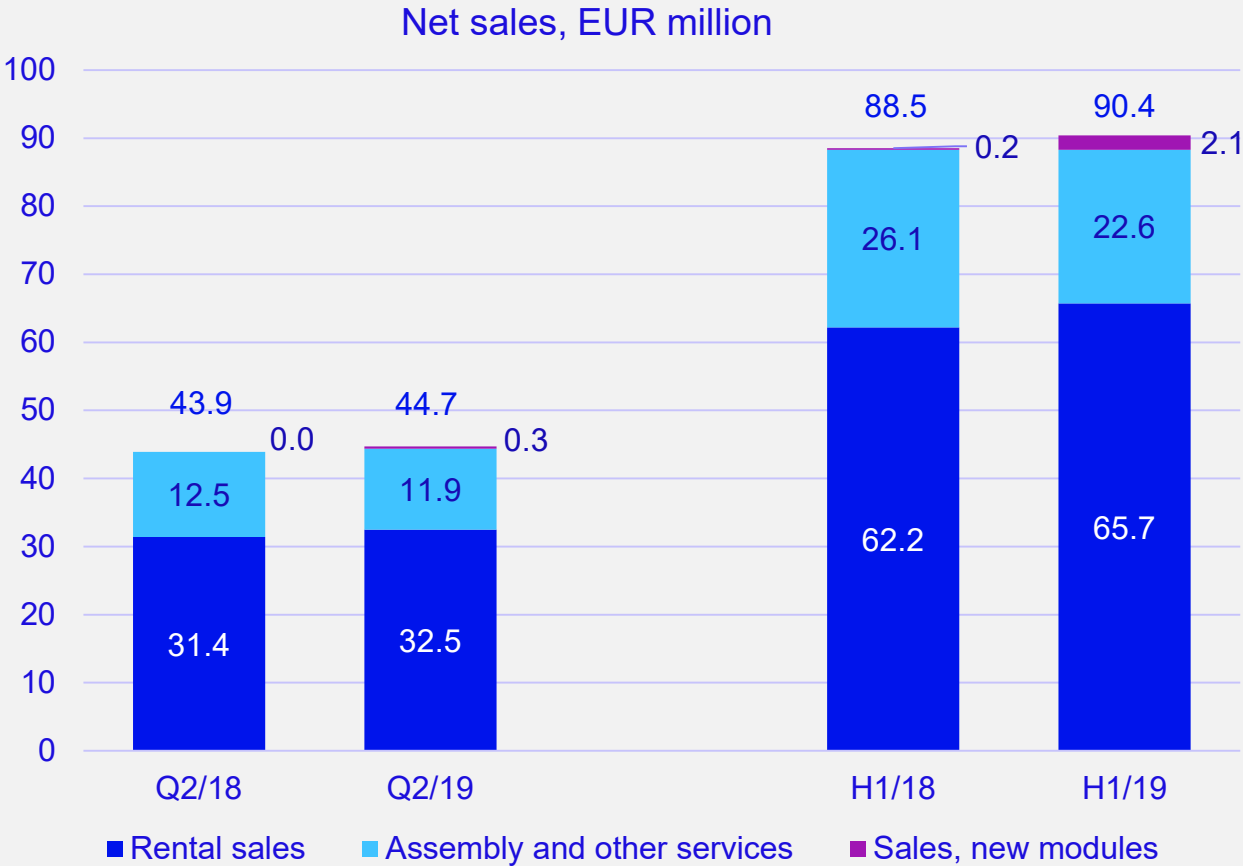
- Adapteo's comparable EBITDA for the second quarter grew by 9% to EUR 22.9 (21.0) million due to rental sales, indirect cost savings and sales of rental modules.
- The comparable EBITDA margin increased to 42.6% (39.0).
- Profitability was impacted by positive development in Sweden and Denmark.
- Operating profit (EBIT) amounted to EUR 7.1 (11.8) million. Operating profit (EBIT) included items affecting comparability of EUR 5.1 (0.8) million.



Business areas

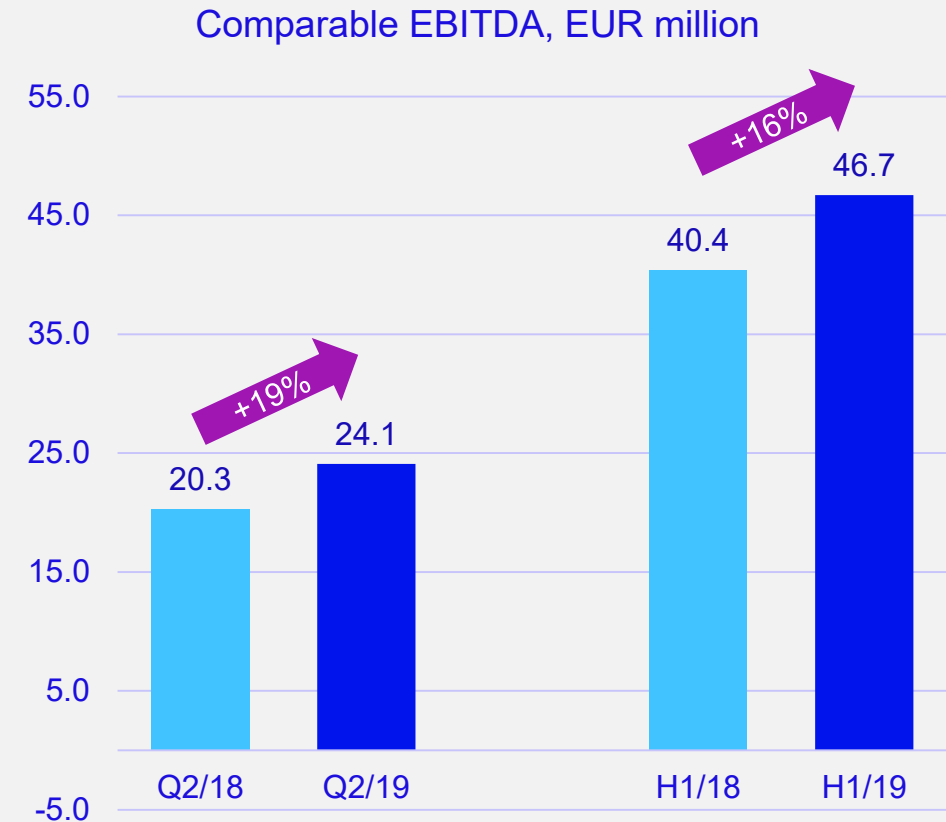
Philip Isell Lind af Hageby, President & CEO

Rental Space: Positive development in net sales

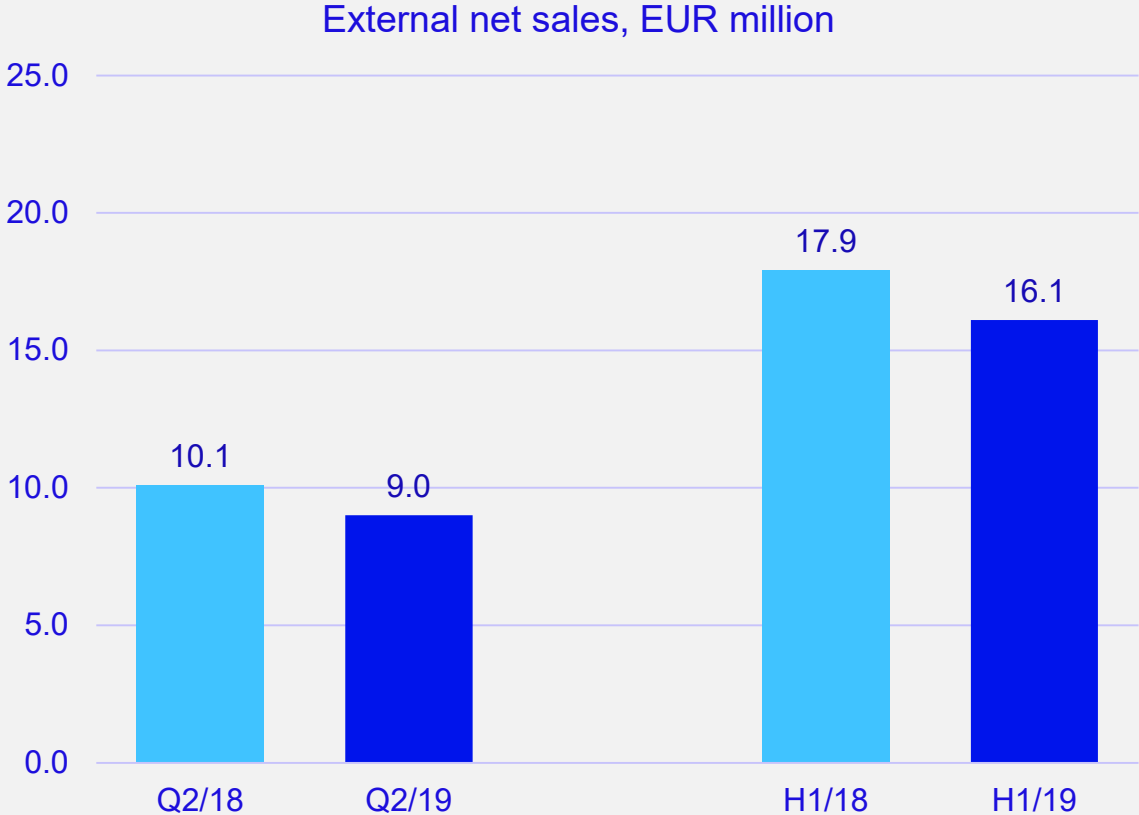


Rental Space: Comparable EBITDA grew by 19% in Q2

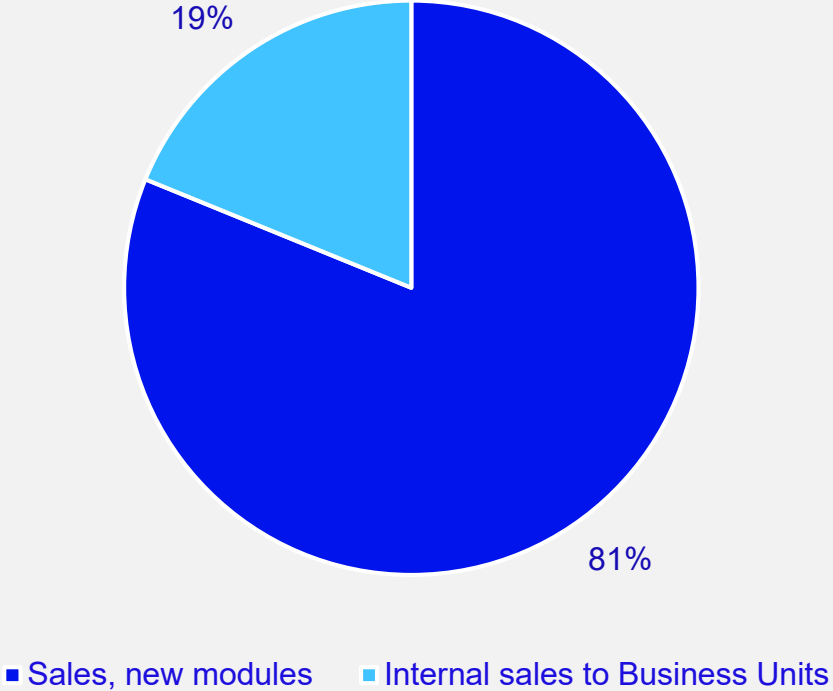
- Comparable EBITDA grew by 19% to EUR 24.1 (20.3) million due to rental sales, indirect cost savings and sales of rental modules.
- Comparable EBITDA margin was 53.9% (46.2).
- Profitability was affected by positive development in Sweden and Denmark.



Permanent Space: Decrease in external net sales

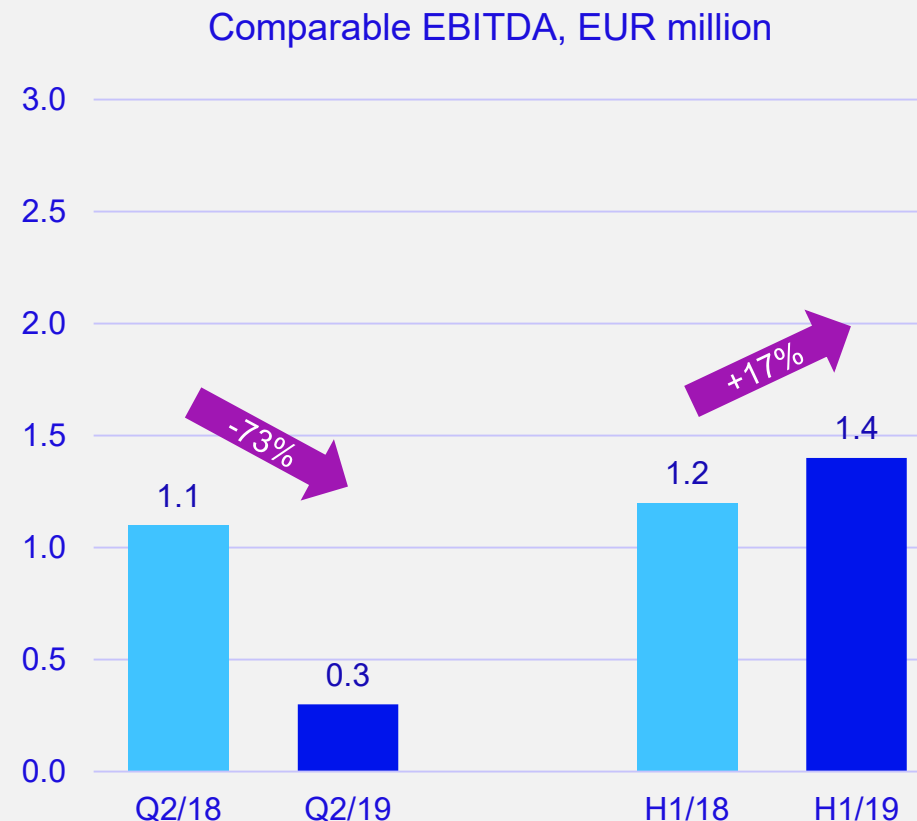


Q2 Total net sales by business type, %



Permanent Space: Actions taken for higher efficiency

- Comparable EBITDA declined from the previous year and was EUR 0.3 (1.1) million, representing 3.7% (11.2) of external net sales.
- Profitability was negatively affected by issues in project execution and deliveries.
- We continue to take corrective actions according to our plan and are assessing our factories' full potential to enable higher efficiency.
- The Anneberg factory is executing an efficiency program to increase capacity through improved material supply, streamlined processes and enhanced ergonomics.
- The Gråbo factory has initiated a transition to produce C90 modules.



Financials and market outlook

Timo Pirskanen, CFO

Q2 2019 Financial Highlights

- Rental sales amounted to EUR 32.6 (31.4) million. In constant currencies, rental sales grew by 5%.
- Net sales amounted to EUR 53.7 (54.0) million. In constant currencies, total net sales grew by 2%.
- Comparable EBITDA was EUR 22.9 (21.0) million, up by 9%. Comparable EBITDA margin was 42.6% (39.0).
- The adoption of IFRS 16 had a positive effect of EUR 0.9 million on comparable EBITDA.
- Operative return on capital employed (ROCE) for H1 amounted to 12.0% (12.1% on 31 December 2018).
- Net debt to comparable EBITDA was 4.5x.
- Operating cash flow before growth capex was EUR 22.4 (12.4) million (carve-out).
- Growth capex was EUR 11.5 (14.7) million (carve-out).

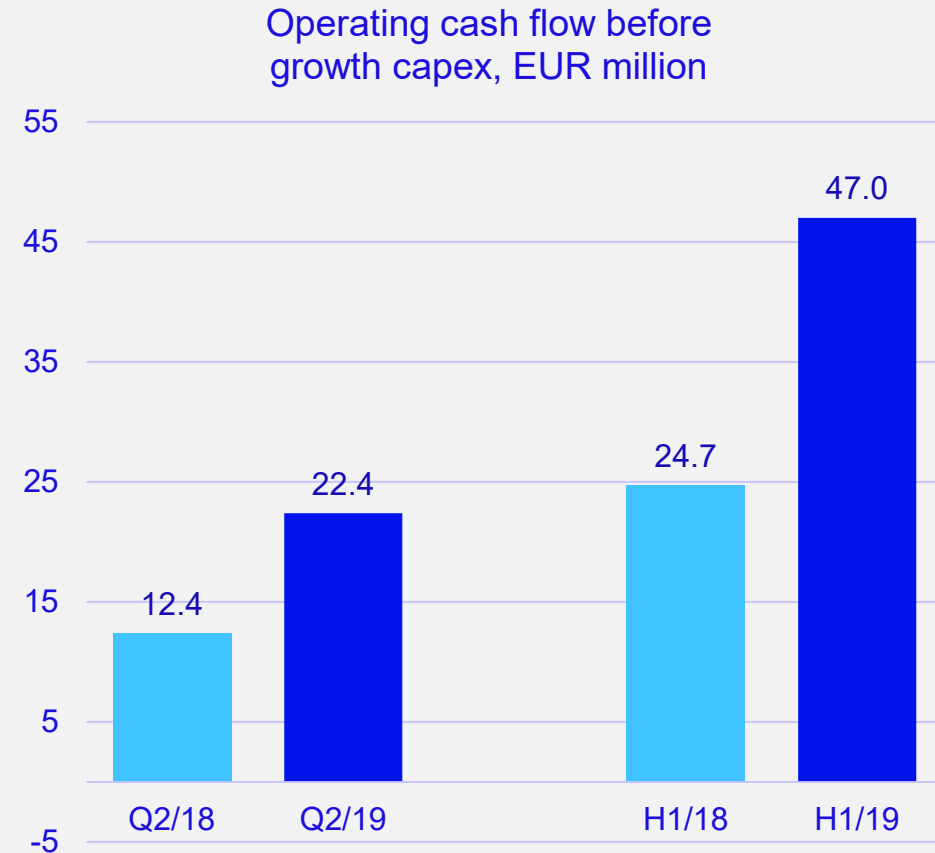
Key figures

EUR millions or as indicated	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Net sales	53.7	54.0	106.5	106.4	220.6
Rental sales	32.6	31.4	65.8	62.3	128.8
Net sales growth in constant currency, %	1.9	N/A	1.6	N/A	N/A
Rental sales growth in constant currency, %	4.9	N/A	7.5	N/A	N/A
Comparable EBITDA	22.9	21.0	45.3	40.0	83.6
Comparable EBITDA margin, %	42.6	39.0	42.5	37.5	37.9
EBITDA	17.7	20.2	35.1	39.1	78.4
EBITDA margin, %	33.0	37.4	32.9	36.8	35.5
Profit for the period	4.4	8.4	8.6	14.9	28.3
Comparable earnings per share, EUR	0.19	0.20	0.37	0.35	0.73
Net debt / comparable EBITDA	N/A	N/A	4.5	N/A	N/A
Operative ROCE, %	N/A	N/A	12.0	N/A	12.1
Operating cash flow before growth capex ¹	22.4	12.4	47.0	24.7	57.6
Cash conversion before growth capex, % ¹	98.2	84.4	103.8	87.4	93.3
Growth capex ¹	11.5	14.7	22.3	26.3	46.7
Total sqm of modules	997 007	946 745	997 007	946 745	970 447
Utilisation rate, %	84.9	85.4	85.2	85.1	85.3
Average rent per sqm (€/year) ¹	154.9	158.5	156.9	159.4	162.8

¹ On a carve-out basis.

Strong cash flow from operating activities in H1 (carve-out)

- In H1, cash flow from operating activities improved and amounted to EUR 46.8 (27.3) million, resulting mainly from the higher EBITDA and change in working capital.
- Operating cash flow before growth capex totalled EUR 47.0 (24.7) million.
- Net cash flow used in investing activities totalled EUR -35.7 (-30.9) million, mainly related to fleet investments.



Capex: Reinvestments in material role (carve-out)

	4–6/2019	4–6/2018	1–6/2019	1–6/2018	1–12/2018
Net capex	20.5	16.0	37.0	29.8	58.2
Net fleet capex	15.9	14.8	28.0	26.5	53.5
Growth capex	11.5	14.7	22.3	26.3	46.7
Maintenance capex	4.4	4.0	5.9	4.1	6.9
Non-fleet capex	4.6	1.2	9.0	3.3	4.7

Leverage and operative ROCE

Key figures

	31 Dec 2018	31 Mar 2019	30 Jun 2019	Long-term target
Net-debt / Comparable EBITDA¹	N/A	4.5x	4.5x	3.5–4.5x
Operative ROCE¹	12.1%	N/A	12.0%	>10%
Operative capital employed, EUR million	418.6	430.8	425.0	N/A

¹ H1 2019 annualised comparable EBITA / comparable EBITDA

Net debt (pro forma)

EUR million	31 Mar 2019	30 Jun 2019
Non-current borrowings	412.4	411.4
Current borrowings	5.8	6.2
Financial receivables	-10.7	-10.2
Cash and cash equivalents	-5.6	-1.9
Net debt	402.0	405.4

Financials - summary P&L and cash flow drivers

	Key components	Unit	H1 2019 PF	Key drivers
Net sales	Fleet size	sqm ('000s)	997	Growth capex
	Utilisation	%	85%	Fleet usage efficiency
	Average rent	€/sqm/year	157 ¹	Market conditions and pricing excellence
	Assembly and other services	€m	23	Assembly/disassembly volume
	Sales, new modules	€m	18	Volume
Costs	Materials and services	% of net sales	34.8%	Mostly variable
	Employee benefit expenses, other opex and income ³	% of net sales	22.7%	Fixed and variable
	Depreciation and amortisation	% of net sales	19.8%	Average depreciation time on new modules ~20 years
Capex	Maintenance capex	€m	5.9 ¹	Historically ~10% of Comparable EBITDA ²
	Non-fleet capex	€m	9.0 ¹	Historically ~4% of Comparable EBITDA ²
	Growth capex	€m	22.3 ¹	Discretionary (~€830 per sqm with 5-year payback on average)

1 On a carve-out basis; 2 Average 2016-2018 Adapteo carve-out basis figures; 3 Excluding IAC

Market outlook and current trading

Market outlook unchanged

- Our mid-term market outlook remains positive for both business areas, with strong underlying and low cyclical needs driving the demand.
- The Business Area Rental Space market is expected to grow over 10 percent in Finland and Denmark and 5 to 10 percent in Sweden, Norway and Germany.
- In the Business Area Permanent Space, the total market is expected to grow 7 percent (including residential customer segment) and Adapteo's core sales market (mainly social infrastructure and office customer segments) is expected to grow 11 percent.

Current trading

- During the first half of 2019, public market activity was lower than usual in Sweden, but municipalities' long-term need for schools and daycare centers remains. Adapteo expects a higher public market activity in the second part of the year, but at a slower pace than in 2018.
- Also in Finland public market activity was lower than usual during the first part of the year, but Q3 has begun with increasing market demand.
- In Denmark and Norway, the market activity remains favourable. Strong demand continues in the German market.
- Adapteo is developing an increased exposure towards the private sector for secured revenue streams from several customer segments.

Questions

Thank you!

Adapteo.