

Adapteo.

Business Review

January-September 2019

Presentation 2019-11-15

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President and CEO

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CFO

Agenda

1. Adapteo in brief
2. Group performance
3. Business Areas
4. Financials and market outlook
5. Questions and answers

1. Adapteo in brief

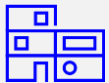
A leading modular space provider

Adapteo key highlights



#1 player in Northern Europe¹⁾

13% market share in ~€1.3bn market with 9% CAGR¹⁾



~32,400 modules (~1M sqm)²⁾

Fleet utilisation ~85%³⁾



Net sales €221M⁴⁾

Organic rental growth 11%⁵⁾



Comparable EBITDA €84M⁴⁾ (38% margin)

Operating profit (EBIT) €35M⁴⁾ (16% margin)



Operative ROCE 12%⁴⁾



Cash conversion before growth CAPEX 88%⁶⁾

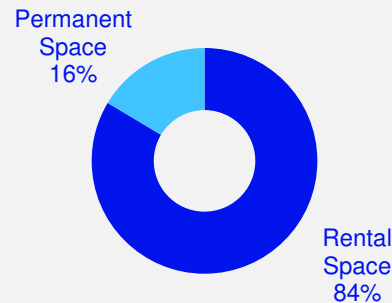
Rental model in brief



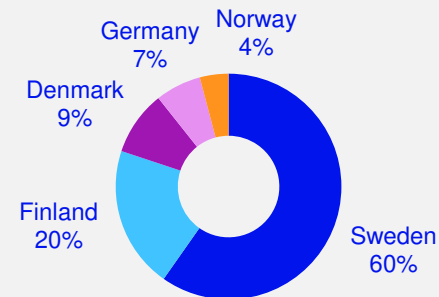
- Rental of modular buildings used as **flexible temporary solutions**
- **Contracts spanning up to 5 years**, on average, including extensions
- Mainly **public customers** within the **social infrastructure⁷⁾** segment
- **Strong cash generation** from installed base with **discretionary growth CAPEX**

Majority of revenue is recurring and coming from social infrastructure

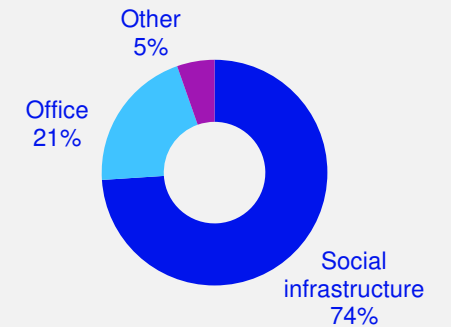
Net sales by Business Area⁴⁾



Net sales by geography⁴⁾

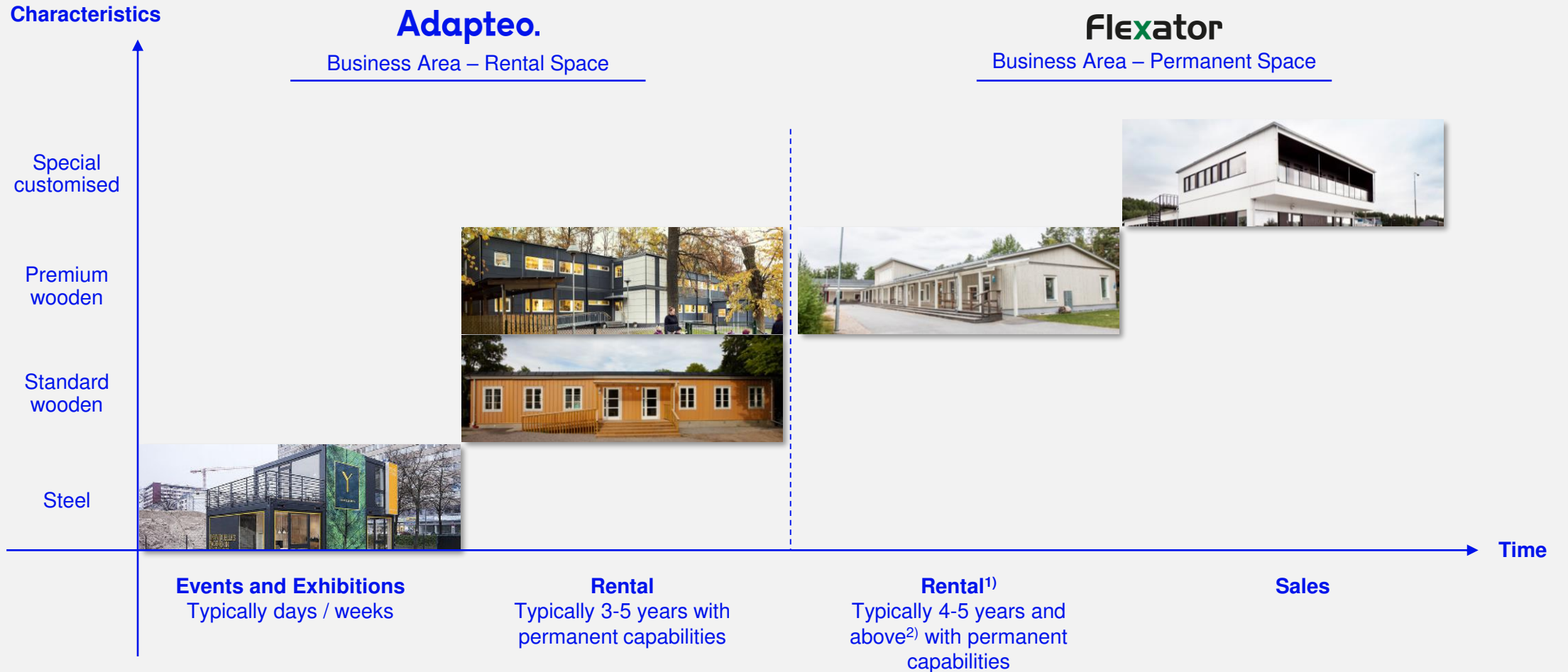


Rental income by customer segment⁸⁾



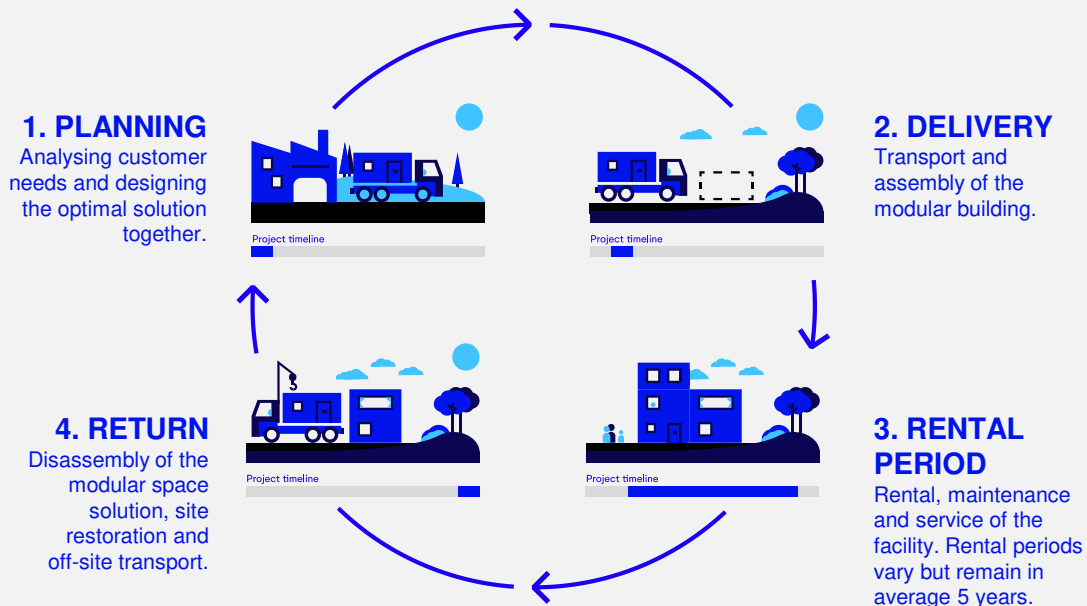
1) Rental market for modular space solutions in SE, FI, DK, NO and DE; 2) 2018 total ending balance. 3) 2018 Adapteo carve-out basis figures; 4) 2018 pro forma ("2018PF"). All pro forma figures are unaudited; 5) Average organic rental sales growth in 2016-2018 on Adapteo carve-out basis; 6) Operating cash flow before growth CAPEX / Comparable EBITDA, average 2016-2018 on Adapteo carve-out basis figures; 7) Includes daycare, school, elderly care and special accommodation; 8) 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)

Adapteo's extensive modular space offering

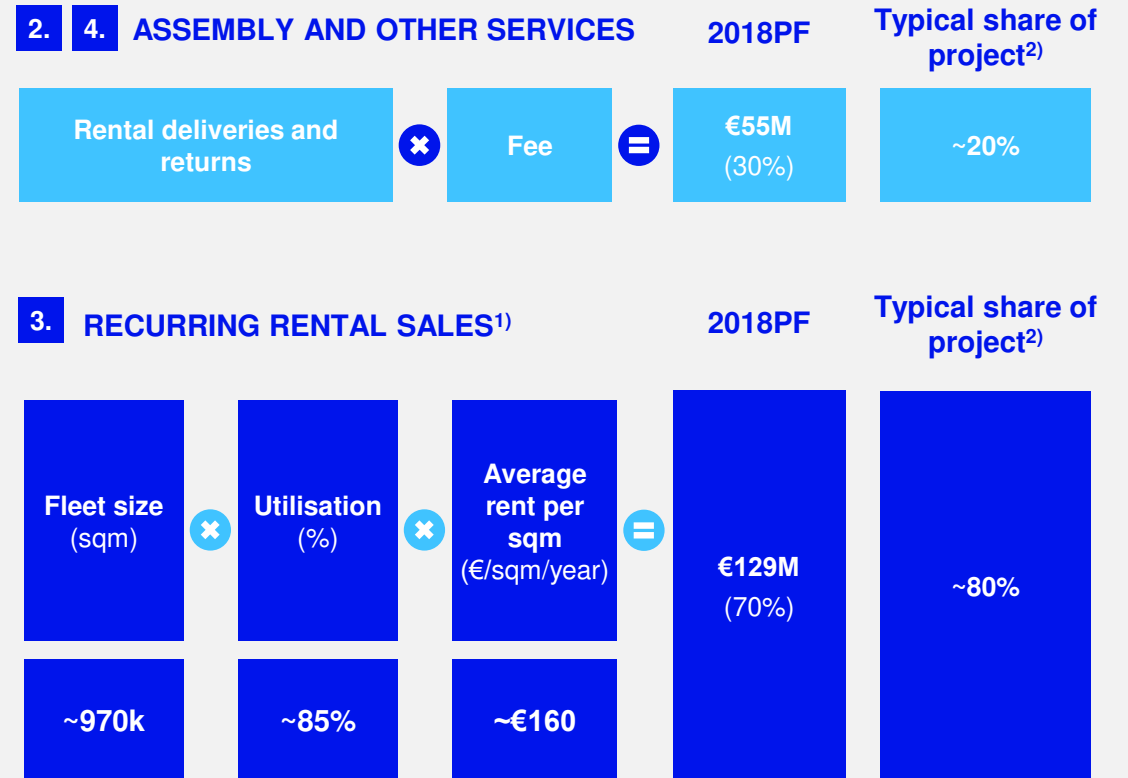


The Adapteo rental model

Rental contract life cycle

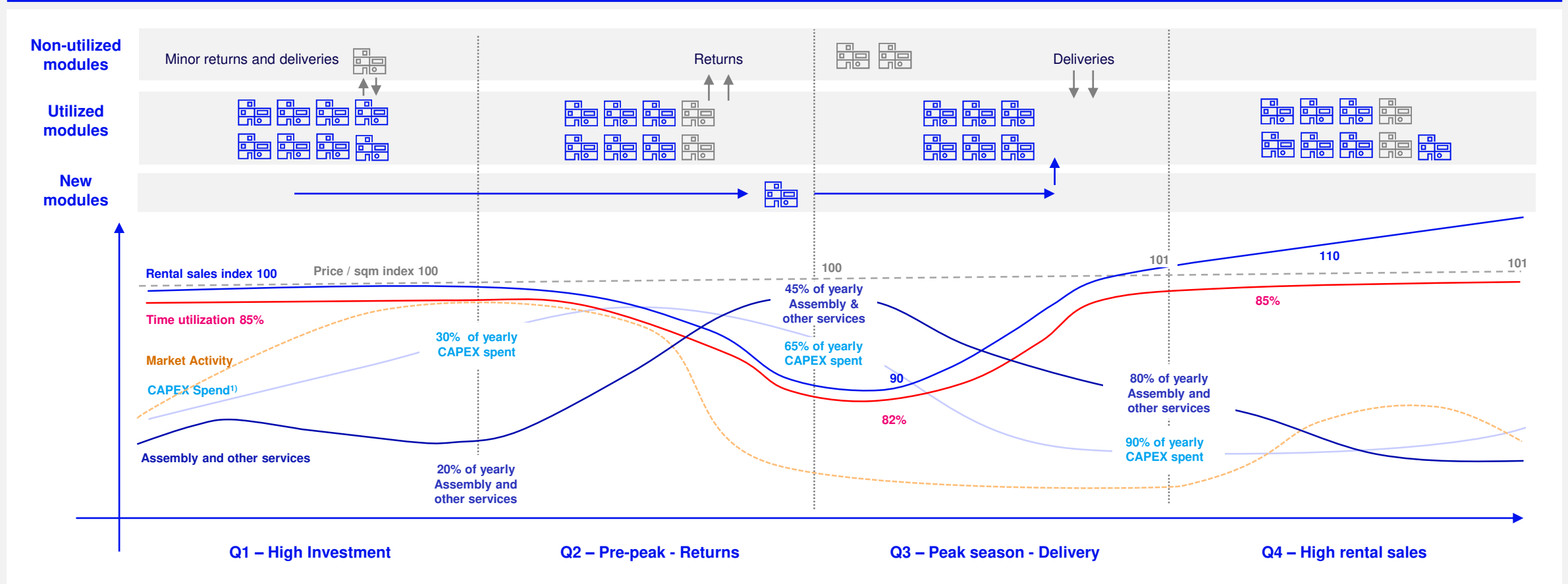


Revenue model



Business rationale and KPI dynamics over a one-year cycle

Typical KPI behaviour in a one-year cycle



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

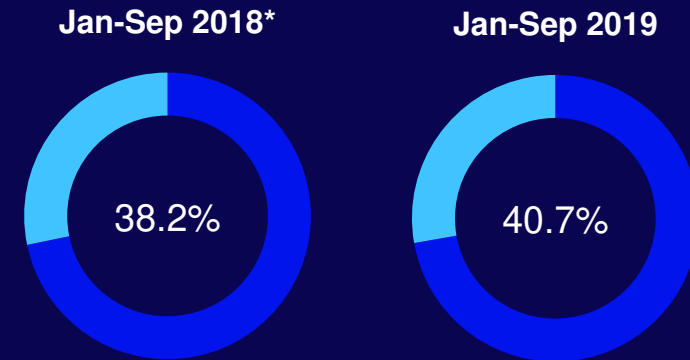
Financial targets and dividend policy

Area	Financial Targets	Actual (Jan-Sep 2019)
 <p>Growth</p>	<p>Double digit Comparable EBITDA growth</p>	<p>8%¹⁾</p>
 <p>Capital efficiency</p>	<p>Operative ROCE above 10%</p>	<p>11.7%</p>
 <p>Leverage</p>	<p>Net debt to Comparable EBITDA between 3.5x and 4.5x</p>	<p>4.6x</p>
 <p>Dividend</p>	<p>Aim to distribute dividend above 20% of net result</p>	<p>N/A²⁾</p>

1) Jan-Sep 2019 compared to Jan-Sep 2018 Pro Forma
 2) Group's profit for the year excluding items affecting comparability

2. Group performance

40.7
%



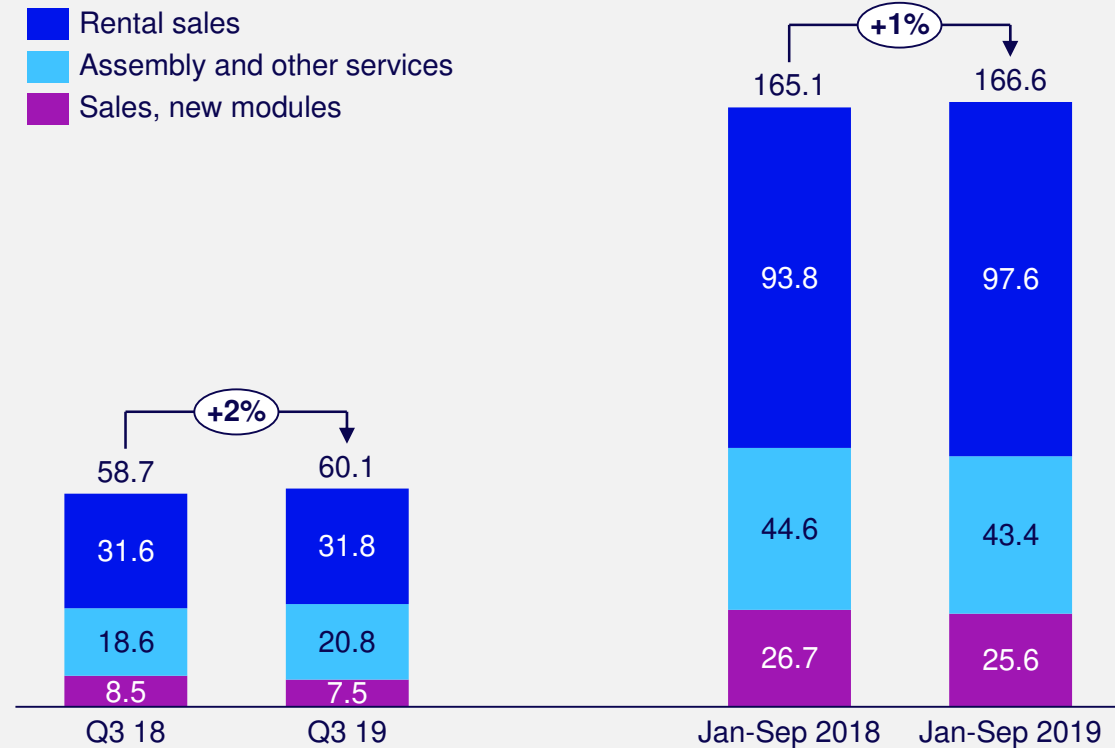
Comparable EBITDA was EUR 67.9 (63.1) million for the period, which represented 8% growth from the previous period. The Comparable EBITDA margin was 40.7%, up from 38.2% in January to September 2018.

Q3 2019 Highlights

- Adapteo introduced Adapteo.Hybrid to the German market, combining the advantages of wood and steel.
- In Business Area Rental Space, Adapteo secured important projects with strategic customers – Akershus municipality in Norway and Helsinki municipality in Finland. In Business Area Permanent Space, several new projects were sold, most notably projects in Valdemarsvik and Sundbyberg municipalities in Sweden.
- The total fleet size of Adapteo exceeded one million square metres.
- Business Area Permanent Space delivered its first building in Norway and continued its expansion in Finland.
- On 2 September Jan Isgård was appointed as interim Executive Vice President Business Area Permanent Space, until Magnus Tinglöf assumes this position on 16 December 2019.
- The integration of the Nordic Modular Group acquisition continues according to plan, with total annual synergies in the range of EUR three to four million to be realized in full in 2020.

Adapteo Group – Net sales grew by 1%, mainly driven by increasing Rental sales for the period

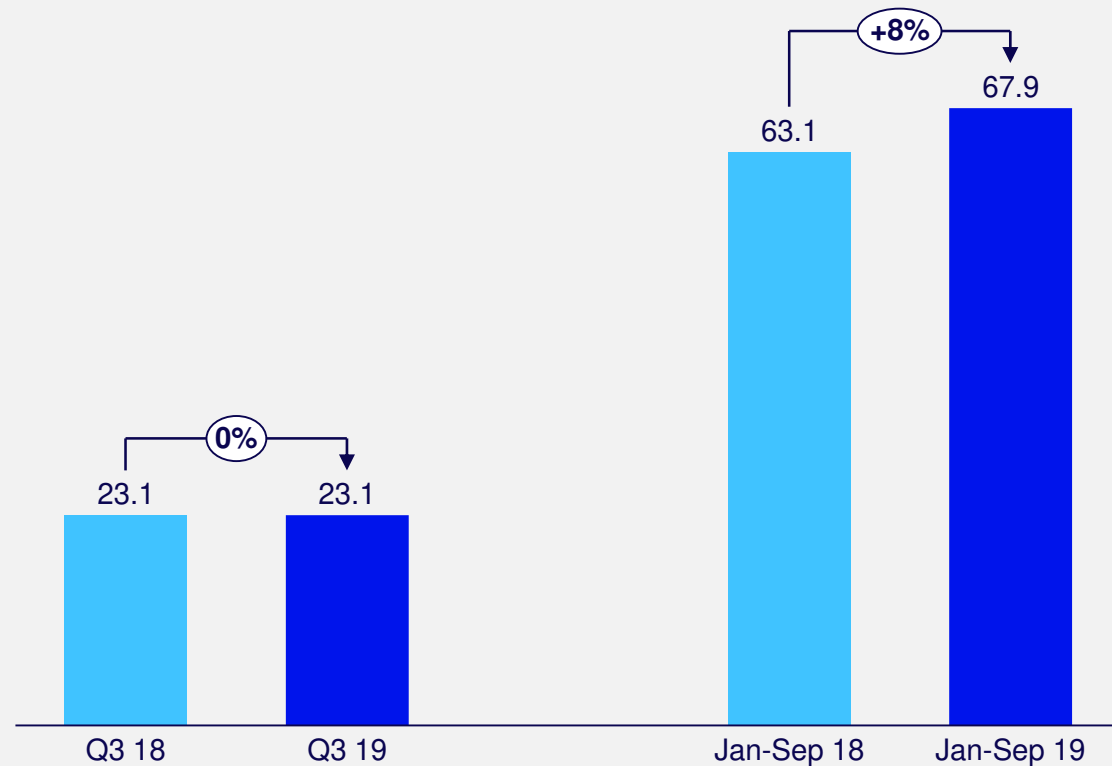
Net sales, EUR million



- Net sales for the period was EUR 166.6 (165.1) million, up by 1% compared to the previous year. In constant currencies, Net sales grew by 3%.
- This was mainly driven by increasing Rental sales, that amounted to EUR 97.6 (93.8) million during the period. In constant currencies, Rental sales grew by 6%.
- Negative sales development in Business Area Permanent Space due to changed production mix in Grábo factory, with positive development for Business Area Rental Space in sales of new modules.

Adapteo Group – Comparable EBITDA grew by 8% from the previous year, driven by cost savings and Rental sales

Comparable EBITDA, EUR million



- Comparable EBITDA for the period grew to EUR 67.9 (63.1) million.
- The main reason for the Comparable EBITDA growth was the growth in Rental sales, together with cost saving measures.
- The Comparable EBITDA margin increased to 40.7% (38.2).
- Operating profit (EBIT) decreased to EUR 26.0 (36.9) million, representing 15.6% (22.4) of Net sales. Operating profit (EBIT) included items affecting comparability amounting to EUR 11.4 (0.9) million.

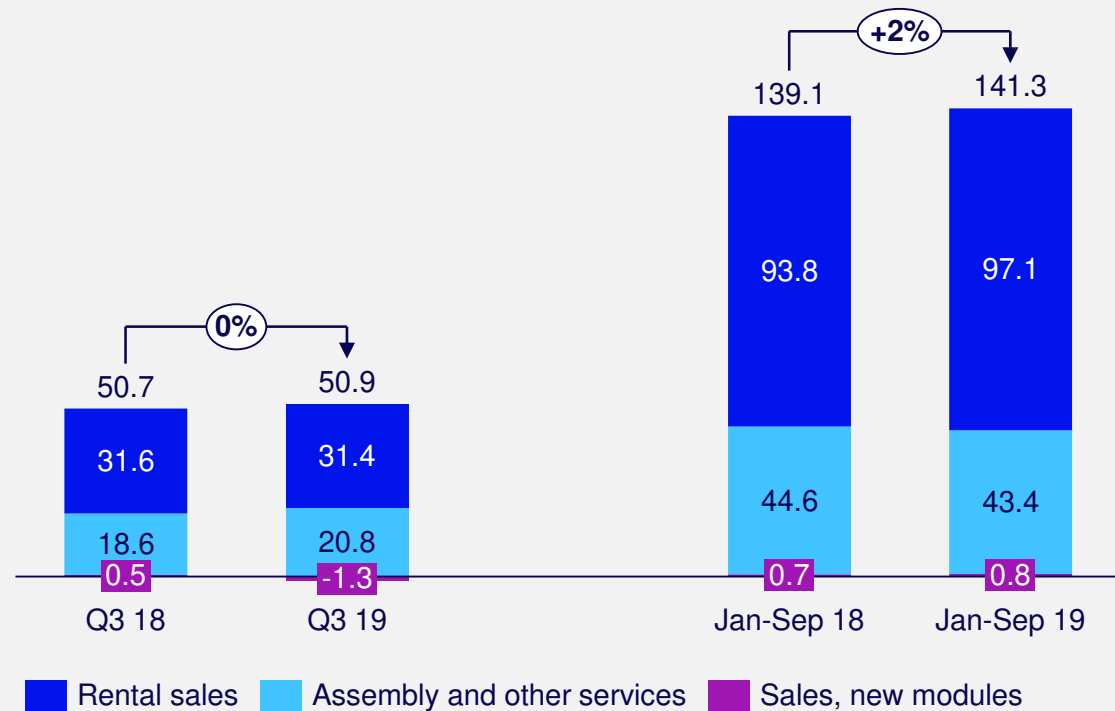
3. Business Area performance

Business Area:

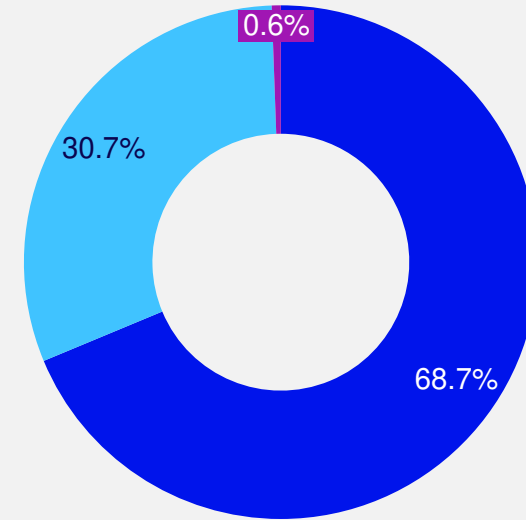
RENTAL SPACE

Rental Space – 2% growth in Net sales compared to the previous year, driven by Rental sales development

Net sales¹⁾, EUR million

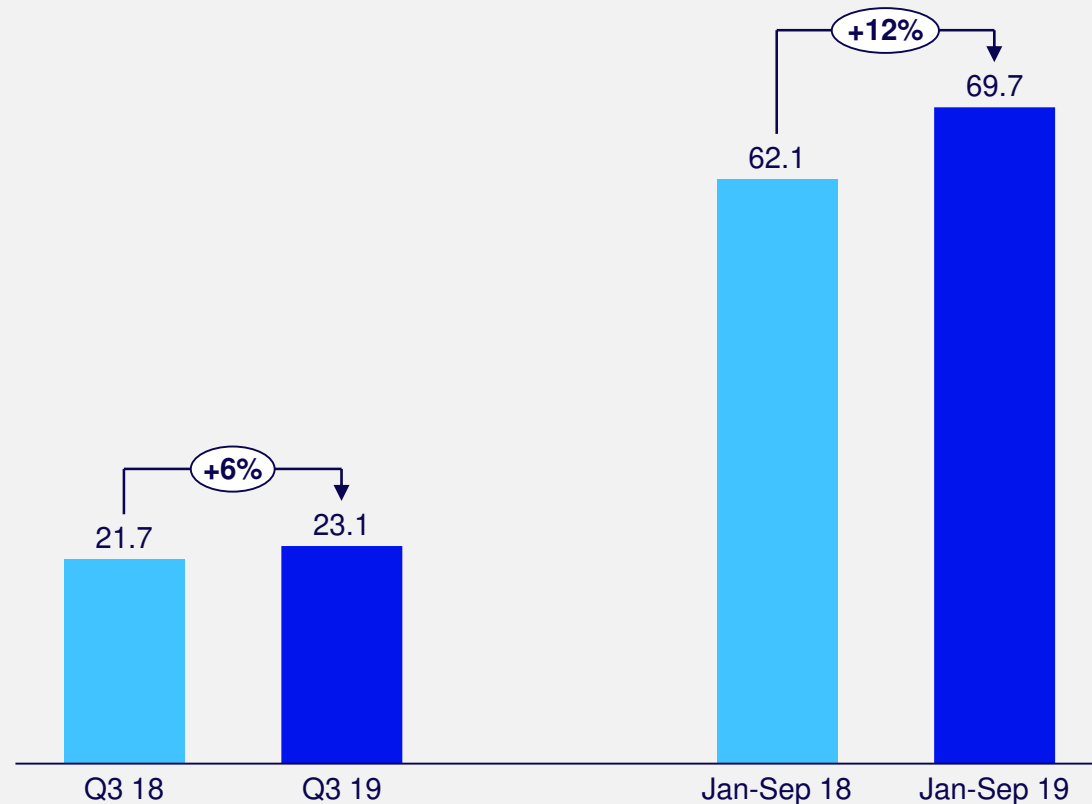


Jan-Sep 2019 Net sales, %



Rental Space – Comparable EBITDA increased by 12% in the period, driven by direct and indirect cost savings

Comparable EBITDA, EUR million



- Comparable EBITDA grew by 12% to EUR 69.7 (62.1) million, driven by organisational efficiency measures, improved project execution and savings from sourcing initiatives.
- The Comparable EBITDA margin increased to 49.3% (44.6), with Sweden, Finland and Denmark being the main contributing Business Units.

Business Area Rental Space develops societies



Customer: Region Syd-Danmark – Svendborg Hospital of Psychiatry



Contract: Initial contract established in April 2019. The project started in July and was handed over to the customer in September 2019.



Solution: Total of 40 rooms and common facilities spanning across 2,018 square metres, built on our C90 system.



Rental duration: Initially 21 months.



Project highlights: Customer urgently needed extra space during the renovation of the existing hospital. Adapteo delivered a fully specialized hospital within 2.5 months.



Customer highlights: Both the municipality and the personnel working in the facilities are satisfied with their new hospital building.

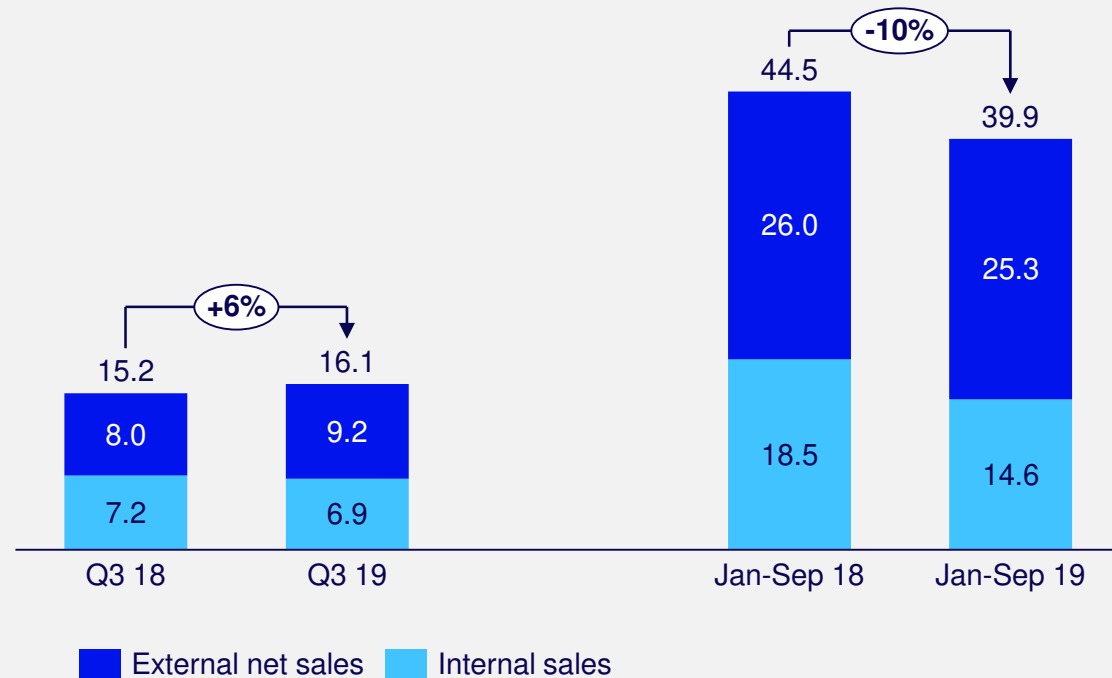


Business Area:

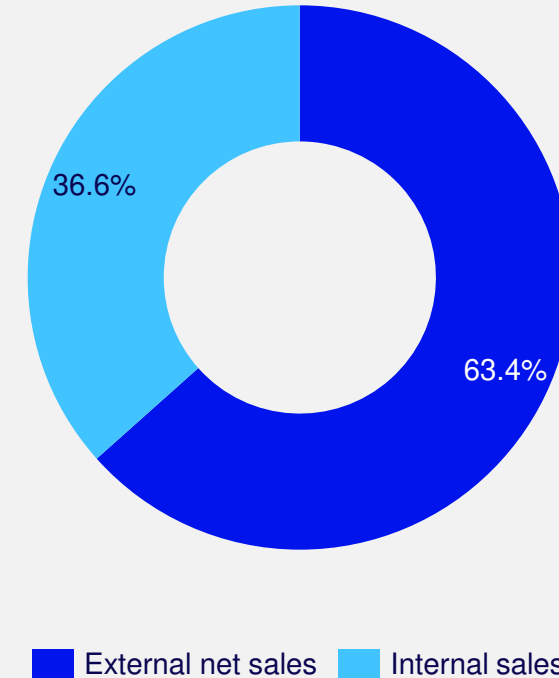
PERMANENT SPACE

Permanent Space – Net sales decreased by 10%, mainly due to declining internal sales from changed production mix

Net sales, EUR million

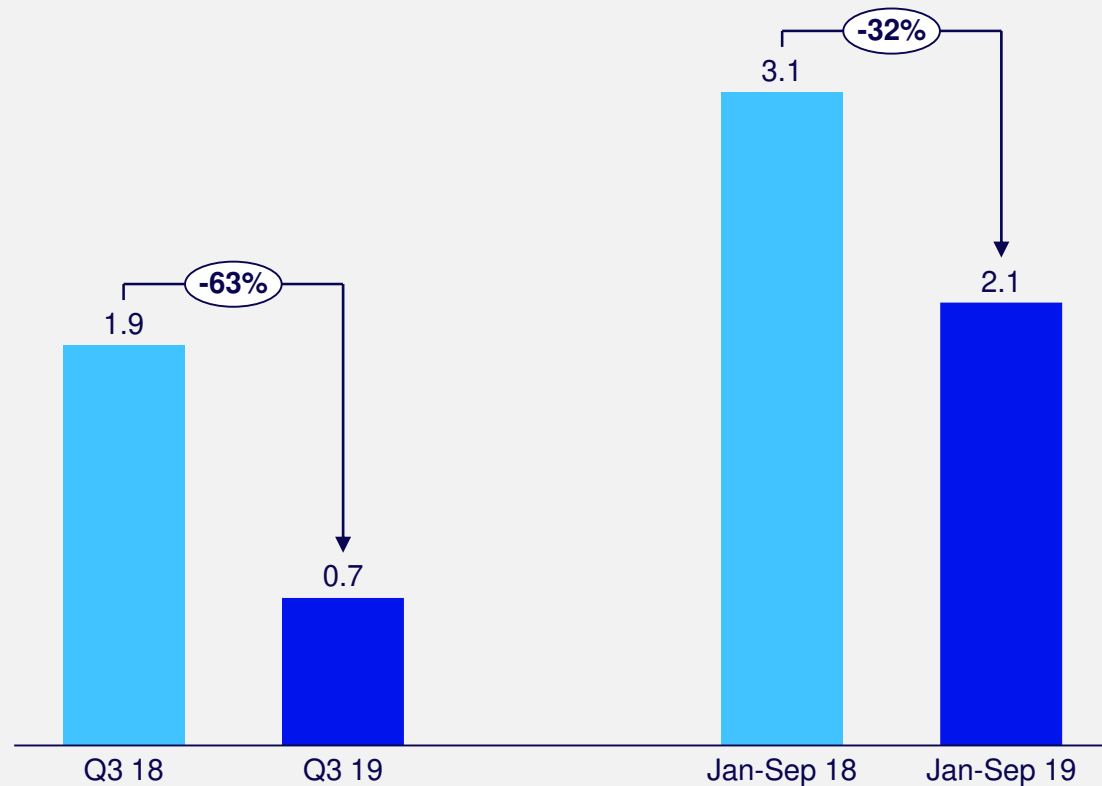


Jan-Sep 2019 Net sales, %



Permanent Space – Comparable EBITDA declined from the previous year, efficiency programmes are ongoing

Comparable EBITDA, EUR million



- Comparable EBITDA declined from the previous year and was EUR 2.1 (3.1) million for the period, representing 8.3% (12.0) of External net sales.
- Profitability was negatively affected by a shifted focus to C90 production in the Gråbo factory, which is now running with improving efficiency.
- We continued our improvements in Business Area Permanent Space with a dedicated focus on LEAN production, direct material sourcing, standardization of product structures, improvement in procurement processes and organizational efficiency measures.
- The Commercial Excellence programme has already delivered results through an improved order intake.

Business Area Permanent Space creates space to learn



Customer: Wästbygg AB – Daycare centre for Haninge municipality



Contract: The daycare centre was ordered in November 2018 and was handed over to the customer for school start 2019.



System: Built on our proven building system Anneberg, with a total of 984 square metres.



Type of solution: Pre-fabricated turnkey solution for daycare centres and schools.



Project highlights: Semi-customized solution to meet the design needs and demands from the customer.



Customer highlights: A returning customer with high customer satisfaction.



4. Financials and market outlook

Q3 2019 Financial Highlights

- Rental sales amounted to EUR 31.8 (31.6) million. In constant currencies, Rental sales grew by 2%.
- Net sales amounted to EUR 60.1 (58.7) million. In constant currencies, Net sales grew by 4%.
- Comparable EBITDA was EUR 23.1 (23.1) million. Comparable EBITDA margin was 38.4% (39.4).
- Operating profit (EBIT) decreased to EUR 12.0 (14.4) million, representing 19.9% (24.6) of Net sales. Operating profit (EBIT) included items affecting comparability of EUR 1.7 (0.1) million.
- Operative return on capital employed (ROCE) amounted to 11.7% (12.1% on 31 Dec 2018).
- Net debt to Comparable EBITDA was 4.6x.
- Operating cash flow before growth CAPEX was EUR -0.5 (7.1) million.
- Growth CAPEX was EUR 2.5 (3.6) million.
- Earnings per share was EUR 0.17 (0.20).

Jan-Sep 2019 Financial Highlights

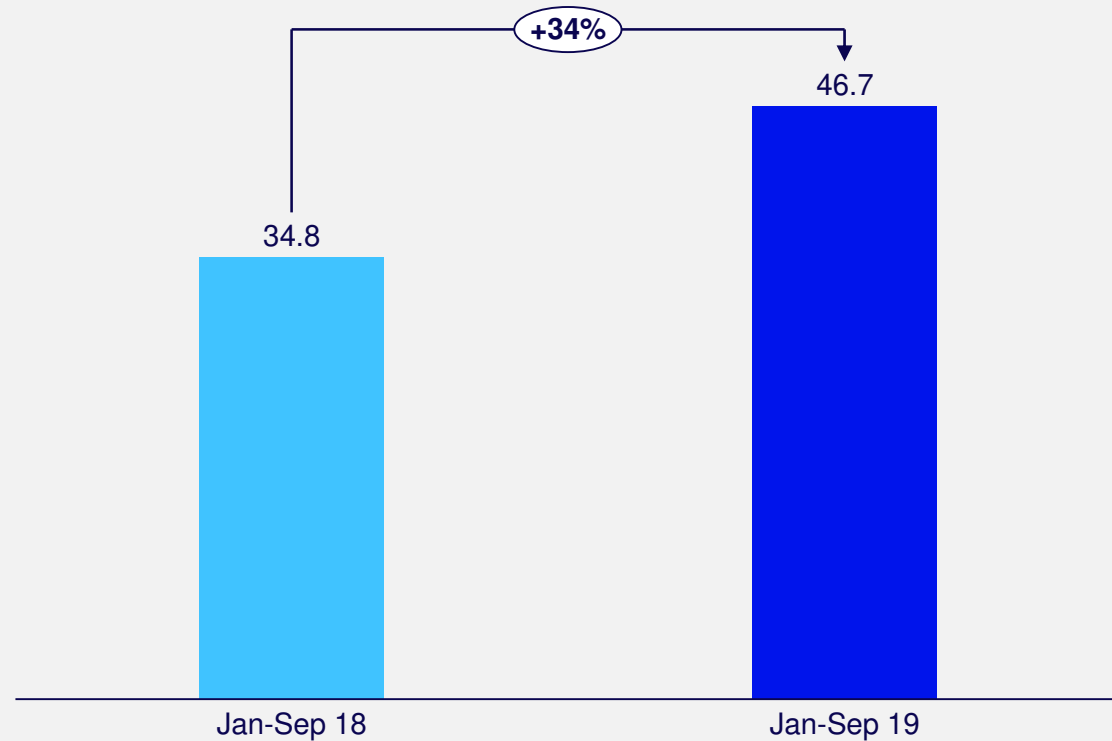
- Rental sales amounted to EUR 97.6 (93.8) million. In constant currencies, Rental sales grew by 6%.
- Net sales amounted to EUR 166.6 (165.1) million. In constant currencies, Net sales grew by 3%.
- Comparable EBITDA was EUR 67.9 (63.1) million. Comparable EBITDA margin was 40.7% (38.2).
- Operating profit (EBIT) decreased to EUR 26.0 (36.9) million, representing 15.6% (22.4) of Net sales. Operating profit (EBIT) included items affecting comparability of EUR 11.4 (0.9) million.
- Operative return on capital employed (ROCE) amounted to 11.7% (12.1% on 31 Dec 2018).
- Net debt to Comparable EBITDA was 4.6x.
- Operating cash flow before growth CAPEX was EUR 46.7 (34.8) million.
- Growth CAPEX was EUR 24.8 (29.0) million.
- Earnings per share was EUR 0.36 (0.54).

Key figures

EUR millions or as indicated	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net sales	60.1	58.7	166.6	165.1	220.6
Rental sales	31.8	31.6	97.6	93.8	128.8
Net sales growth in constant currency, %	4.3	-	2.6	-	-
Rental sales growth in constant currency, %	1.9	-	5.6	-	-
Comparable EBITDA	23.1	23.1	67.9	63.1	83.6
Comparable EBITDA margin, %	38.4	39.4	40.7	38.2	37.9
EBITDA	21.4	23.0	56.5	62.1	78.4
EBITDA margin, %	35.6	39.2	33.9	37.6	35.5
Comparable EBITA	14.3	15.2	39.4	39.9	50.6
Comparable EBITA margin, %	23.8	25.9	23.6	24.2	22.9
Operating profit (EBIT)	12.0	14.4	26.0	36.9	42.6
Operating profit (EBIT) margin, %	19.9	24.6	15.6	22.4	19.3
Profit for the period	7.5	9.1	16.1	24.0	28.3
Earnings per share, EUR	0.17	0.20	0.36	0.54	0.63
Comparable earnings per share, EUR	0.20	0.21	0.56	0.55	0.73
Net debt / Comparable EBITDA	-	-	4.6	-	-
Operative ROCE, %	-	-	11.7	-	12.1
Operating cash flow before growth CAPEX ¹⁾	-0.5	7.1	46.7	34.8	57.6
Cash conversion before growth CAPEX, % ¹⁾	-2.1	44.5	68.7	78.5	93.3
Growth CAPEX ¹⁾	2.5	3.6	24.8	29.0	46.7
Total sqm of modules	1,012,226	949,152	1,012,226	949,152	970,447
Utilisation rate, %	84.8	84.9	85.1	85.1	85.3
Average rent per sqm (€/year) ¹⁾	152.8	156.1	154.3	160.5	162.8

34% growth on a carve-out basis in accumulated operating cash flow before growth CAPEX, driven by EBITDA growth

Operating cash flow before growth CAPEX, EUR million



- The cash flow from operating activities improved and amounted to EUR 42.8 (37.2) million year-to-date 2019, driven by higher EBITDA.
- In the third quarter, the operating cash flow before growth CAPEX was negatively affected by increased receivables of EUR 17.8 million¹⁾.
- Net cash flow used in investing activities totalled EUR -43.1 (-40.7) million year-to-date 2019, mainly related to fleet investments.

Net CAPEX increased during the period compared to 2018, mainly driven by higher non-fleet investments

EUR millions or as indicated	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Net CAPEX	4.7	9.9	41.3	39.6	58.2
Net fleet CAPEX	3.5	9.7	31.5	36.2	53.5
Growth CAPEX	2.5	3.6	24.8	29.0	46.7
Maintenance CAPEX	1.0	6.1	6.7	7.2	6.9
Non-fleet CAPEX	1.2	0.2	9.8	3.4	4.7

Strong Operative ROCE despite increasing operative capital employed, with higher Net debt on a carve-out comparison

Key figures	31 Dec 2018	31 Jun 2019	31 Sep 2019	Financial target
Net debt / Comparable EBITDA	N/A	4.5x	4.6x	3.5-4.5x
Operative ROCE	12.1%	12.0%	11.7%	>10%
Operative capital employed, EUR million	418.6	425.0	450.2	N/A

Net debt, EUR million	31 Sep 2019	31 Dec 2018 ¹⁾
Non-current borrowings	410.7	350.1
Current borrowings	13.7	30.5
Financial receivables	-9.5	-10.9
Cash and cash equivalents	-0.9	-2.4
Net debt	414.0	367.2

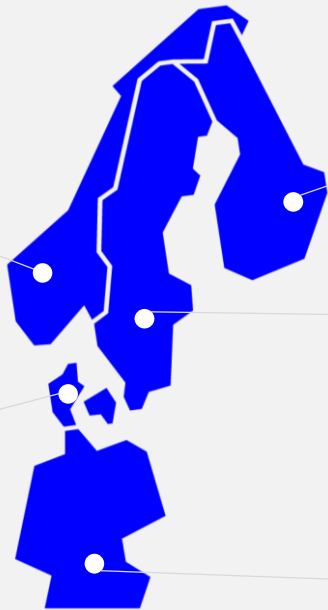
Financials – Summary P&L and cash flow drivers

	Key components	Unit	Jan-Sep 2019	Key drivers
Net sales	Fleet size	Sqm ('000s)	1,012	Growth CAPEX
	Utilisation	%	85.1%	Fleet usage efficiency
	Average rent	€/sqm/year	154.3	Market conditions and pricing excellence
	Assembly and other services	EUR million	43.4	Assembly/disassembly volume
	Sales, new modules	EUR million	25.6	Square metre volume and price
Costs	Materials and services	% of Net sales	37.9%	Mostly variable
	Employee benefit expenses, other opex and income ¹⁾	% of Net sales	21.4%	Fixed and variable
	Depreciation and amortization	% of Net sales	18.3%	Average depreciation time ~20 years
CAPEX	Maintenance CAPEX	EUR million	6.7	Historically ~10% of Comparable EBITDA
	Non-fleet CAPEX	EUR million	9.8	Historically ~4% of Comparable EBITDA
	Growth CAPEX	EUR million	24.8	Discretionary (~830 per sqm with 5-year payback)

Market outlook – Underlying demand will continue, supported by the structural drivers in the market

Norway

Strong activity in Q3, driven by large infrastructure projects. Future market activity in line with estimates.



Finland

A slow start in 2019 with accelerated market activity in Q3. Future market activity in line with estimates.

Sweden

Lower market activity in the public sector in 2019, private sector still experiencing growth.

Denmark

Less activity than anticipated, with a negative price development.

Germany

Steady activity in line with previous estimates.

Total market outlook

- Overall, we estimate that the demand for modular space solutions will continue to be supported by structural market drivers such as an ageing building stock, urbanisation, demographic changes, as well as the increasing need for social infrastructure due to a growing number of children and elderly people.
- In addition, the market will benefit from an increased underlying penetration of modular space solutions.
- Our mid-term market outlook remains positive for both Business Areas, with strong underlying and low cyclical needs driving the demand.
- The rental market is expected to grow over 10 per cent in Finland and Denmark and 5 to 10 per cent in Sweden, Norway and Germany.
- In the Business Area Permanent Space, Adapteo's core sales market is expected to experience double-digit growth.

Thank you!

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5. Questions and answers

Adapteo.