

Adapteo.

Presentation 14 February 2020

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President and CEO

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CFO

Financial Statement Release

January-December 2019

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

Agenda

1. Adapteo in brief
2. Group performance
3. Business Area performance
4. Financials
5. Market outlook
6. Questions and answers

1. Adapteo in brief

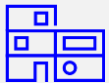
A leading modular space provider

Adapteo key highlights 2019



#1 player in Northern Europe¹⁾

13% market share in EUR 1.3bn market with 9% CAGR¹⁾



~34,000 modules (>1 million square metres)

Fleet utilisation ~84%



Net sales EUR 216 million

Organic Rental sales growth 5%



Comparable EBITDA EUR 88.5 million (40.9% margin)

Operating profit (EBIT) EUR 22.1 million (10.2% margin)



Operative ROCE 8.5%



Cash conversion before growth CAPEX 74.2%²⁾

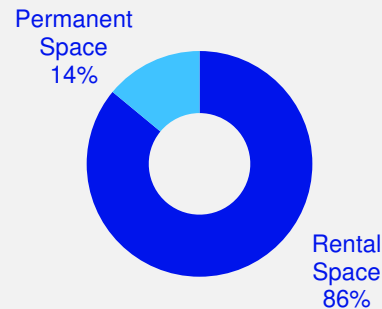
Rental model in brief



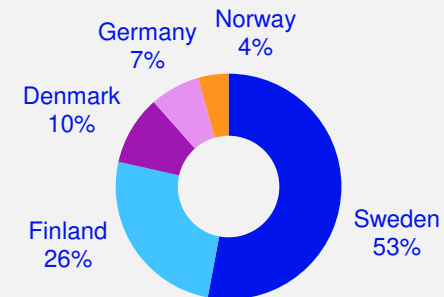
- Rental of modular buildings used as **flexible temporary solutions**
- **Contracts spanning up to 5 years**, on average, including extensions
- Mainly **public customers** within the **social infrastructure³⁾** segment
- **Strong cash generation** from installed base with **discretionary growth CAPEX**

Majority of revenue is recurring and coming from social infrastructure

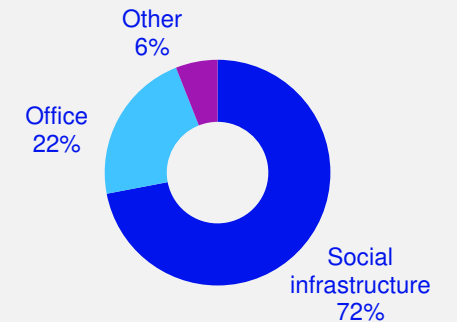
Net sales by Business Area



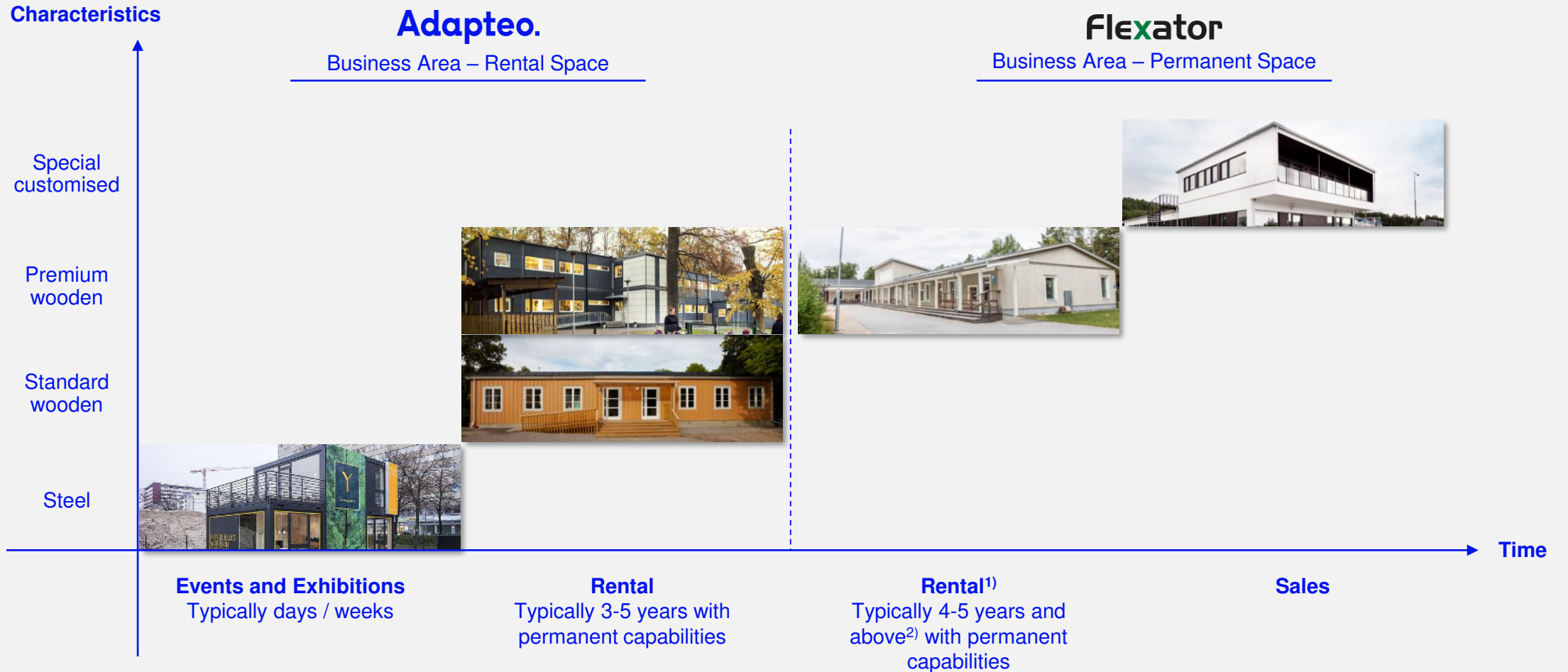
Net sales by geography



Rental income by customer segment

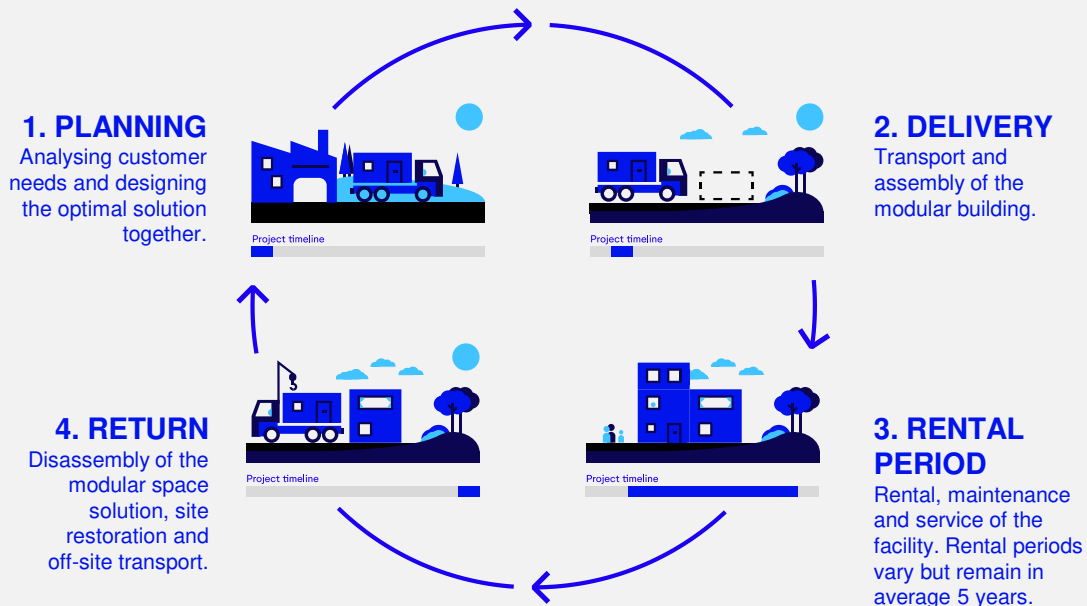


Adapteo's extensive modular space offering

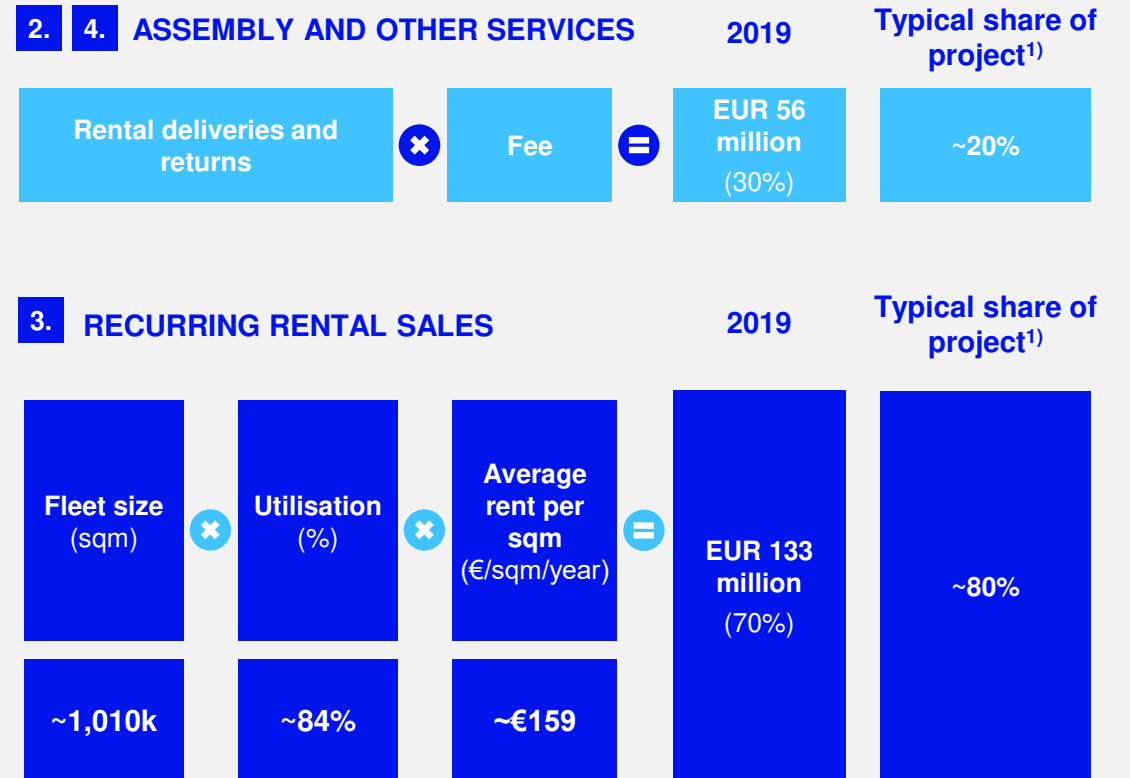


The Adapteo rental model

Rental contract life cycle

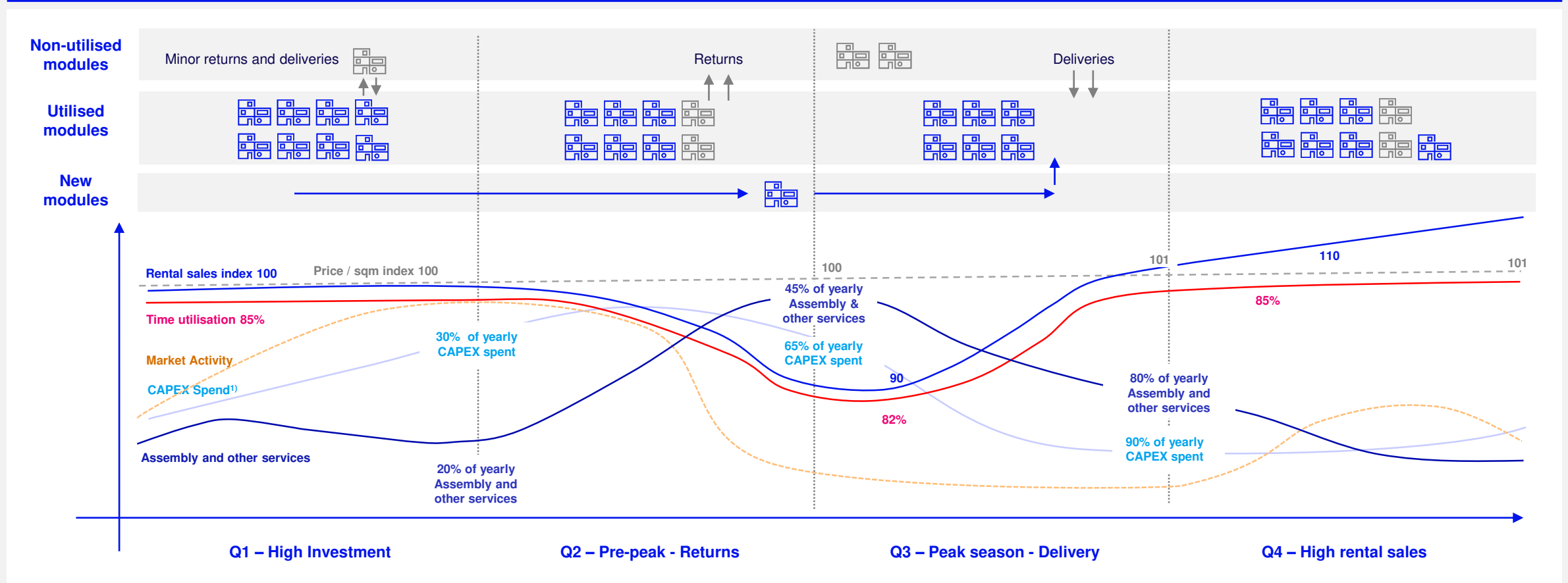


Revenue model



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

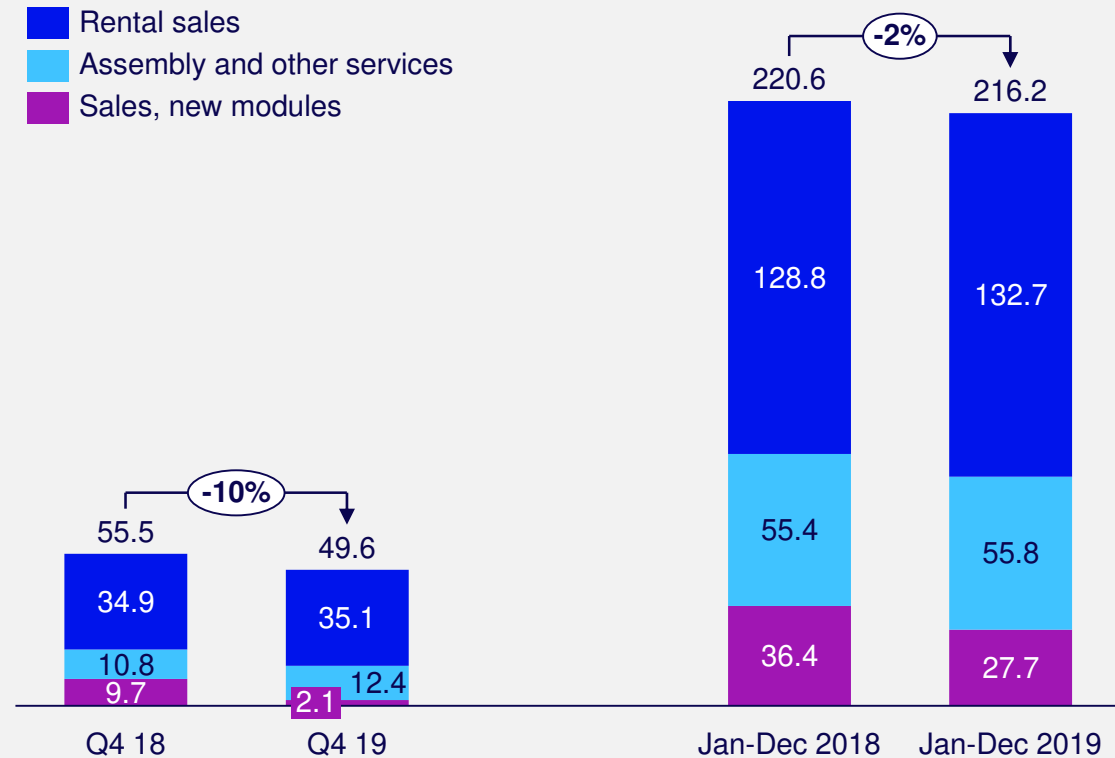
2. Group performance

Q4 2019 Highlights

- In Germany, Adapteo partnered up with the Mecklenburg-Vorpommern School in Neukloster, providing them with new and accessible school buildings. The order includes approximately 1,400 square metres and was delivered during the fourth quarter.
- In Sweden, Adapteo received an order from Laholm Municipality for an elderly care solution that equals 2,650 square metres. The solution has been co-developed with the customer in an innovative manner. The preliminary rental start is in July 2020.
- In Finland, Adapteo received an order for a school building in Jalasjärvi to a total area of 3,200 square metres. The preliminary rental start is in February 2020.
- On 27 November, Adapteo announced a change in the Group Management Team. Erik Skånsberg was appointed CFO and Niklas Alm was appointed Senior Vice President Investor Relations, both positions being members of the Group Management Team.

Adapteo Group – Net sales flat in constant currencies, impacted by a decrease in external sales of new modules

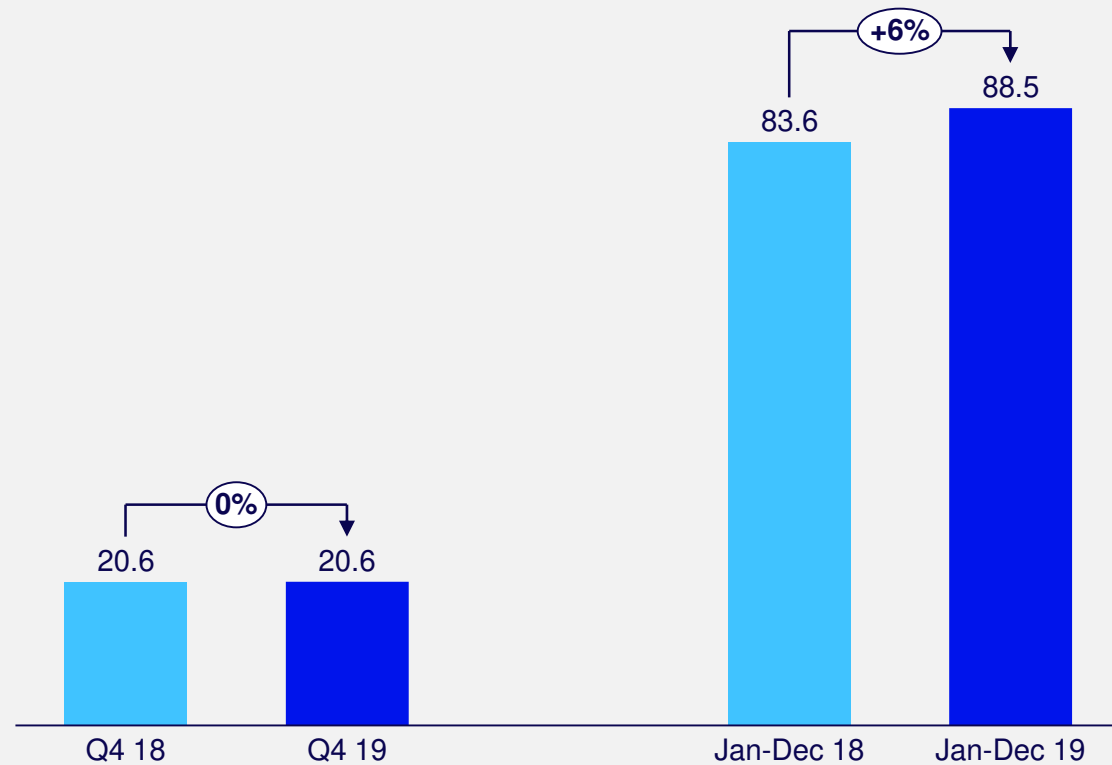
Net sales, EUR million



- Net sales for the period was EUR 216.2 (220.6) million, down by 2% compared to the previous year. In constant currencies, Net sales was unchanged.
- This was mainly driven by increasing Rental sales, that amounted to EUR 132.7 (128.8) million during the period, offset by a decrease in Sales of new modules by EUR -8.7 million. In constant currencies, Rental sales grew by 5%.

Adapteo Group – Comparable EBITDA grew by 6% with a margin increase of three percentage points

Comparable EBITDA, EUR million



- Comparable EBITDA for the period grew to EUR 88.5 (83.6) million.
- The Comparable EBITDA margin increased to 40.9% (37.9), driven by intensified focus at Operational Excellence initiatives, cost control and performance management.
- Operating profit (EBIT) decreased to EUR 22.1 (42.6) million, representing 10.2% (19.3) of Net sales. Operating profit (EBIT) included items affecting comparability amounting to EUR 12.4 (5.2) million.
- Operating profit was impacted by a write-down of EUR -9.8 million for phasing out older modules in Finland. The initiative will generate higher future rental income and strengthen long-term competitiveness.

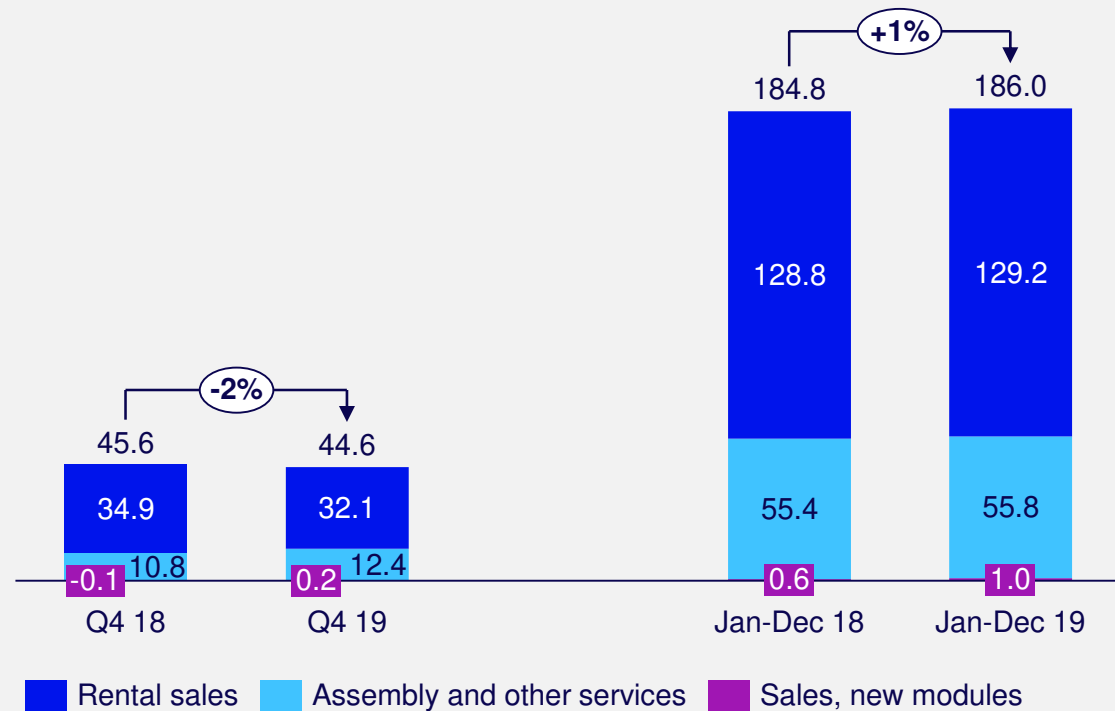
3. Business Area performance

Business Area:

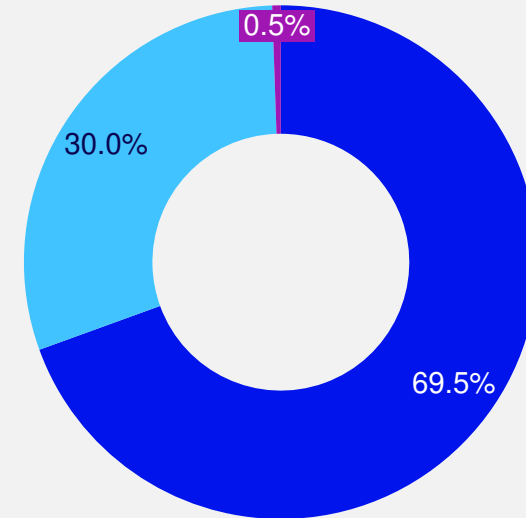
RENTAL SPACE

Rental Space – Growth hampered by continued weak market

Net sales, EUR million



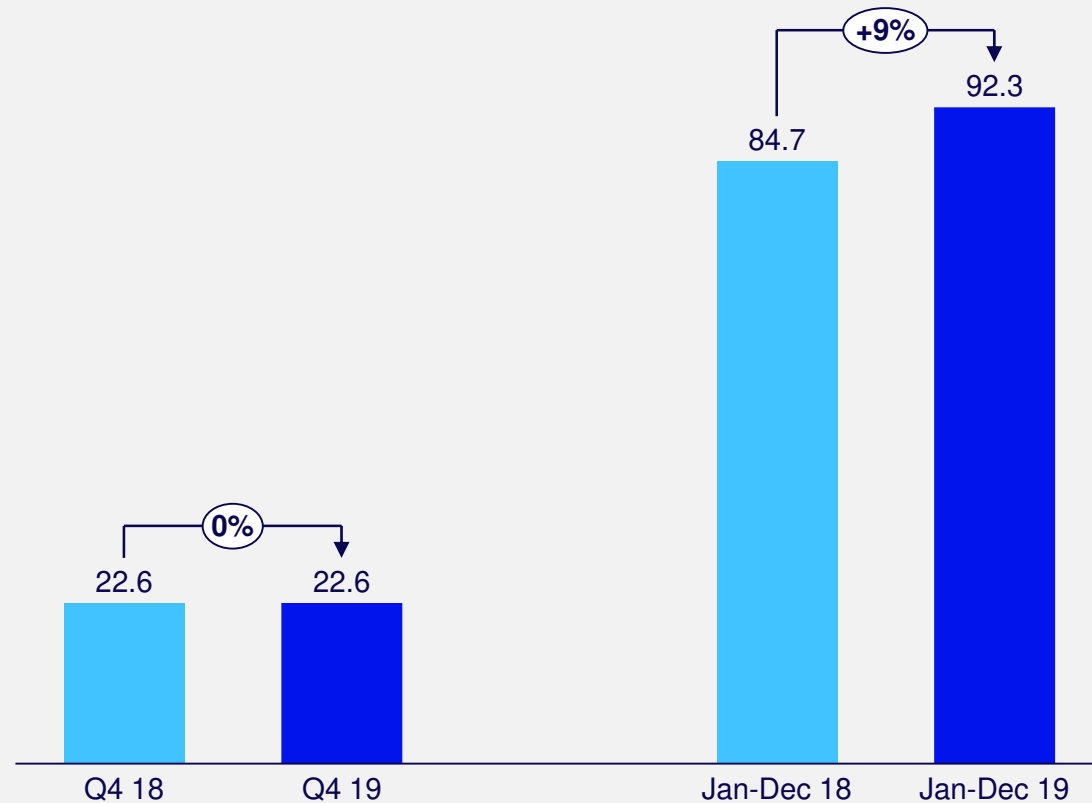
Jan-Dec 2019 Net sales, %



Rental sales Assembly and other services Sales, new modules

Rental Space – Comparable EBITDA increased by 9%

Comparable EBITDA, EUR million



- Comparable EBITDA grew by 9% to EUR 92.3 (84.7) million, mainly driven by cost control, performance management and sales of modules.
- The Comparable EBITDA margin increased to 49.7% (45.8), with Finland, Denmark and Norway the main contributing Business Units.

Space for students in no time



Customer: Viken Region, Norway – School facility for Bleiker Videregående Skole.



Contract: The project was handed over to the customer in December 2019.



Solution: Three floor school building of 2,268 square metres, built on our C40 building system.



Project highlights: The customer urgently needed space to fit all the students in the area while a new school was being built.



Customer highlights: The customer is impressed by the fast-paced building process and satisfied with the optimised indoor environment in the school.

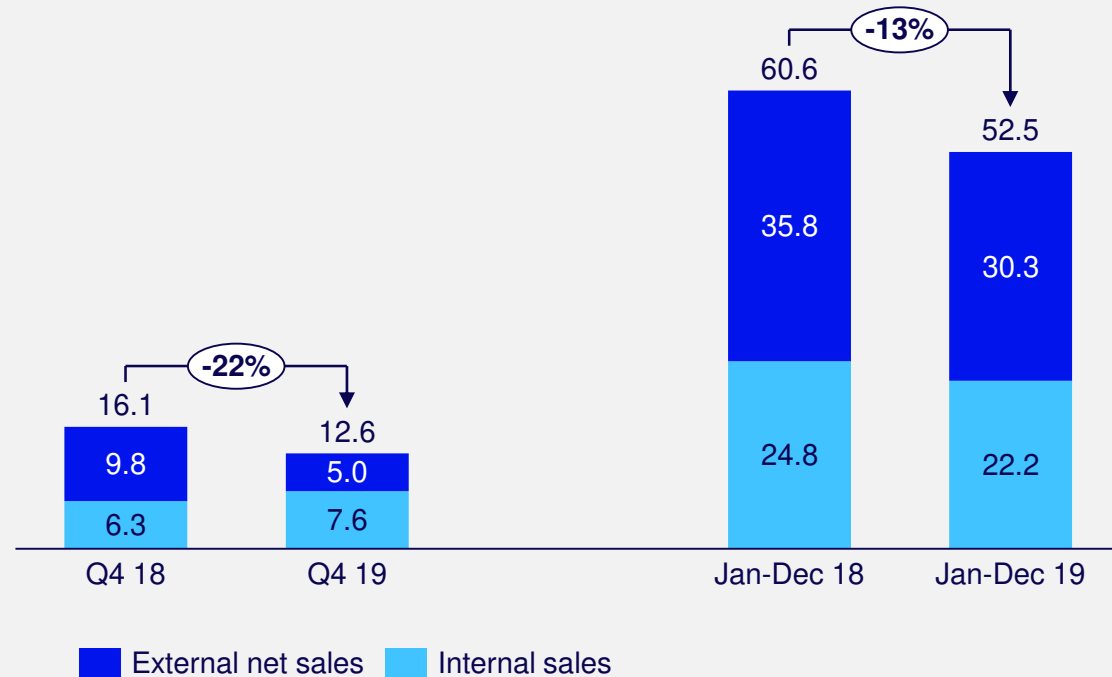


Business Area:

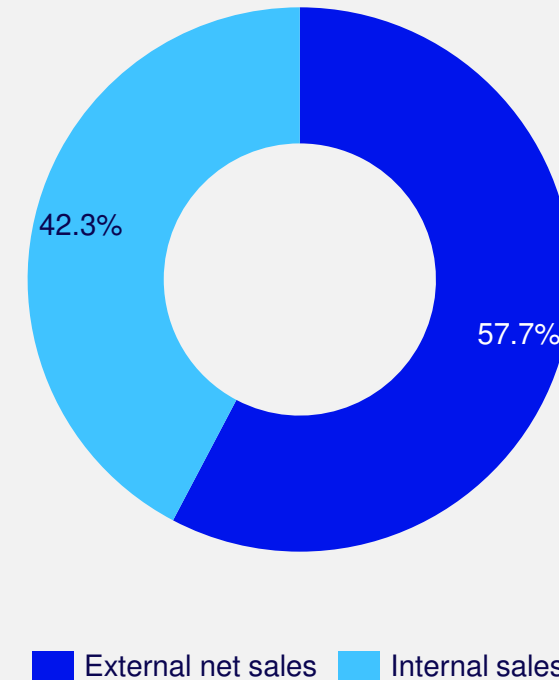
PERMANENT SPACE

Permanent Space – Net sales decreased by 13%, due to changed production mix and lower external sales

Net sales, EUR million

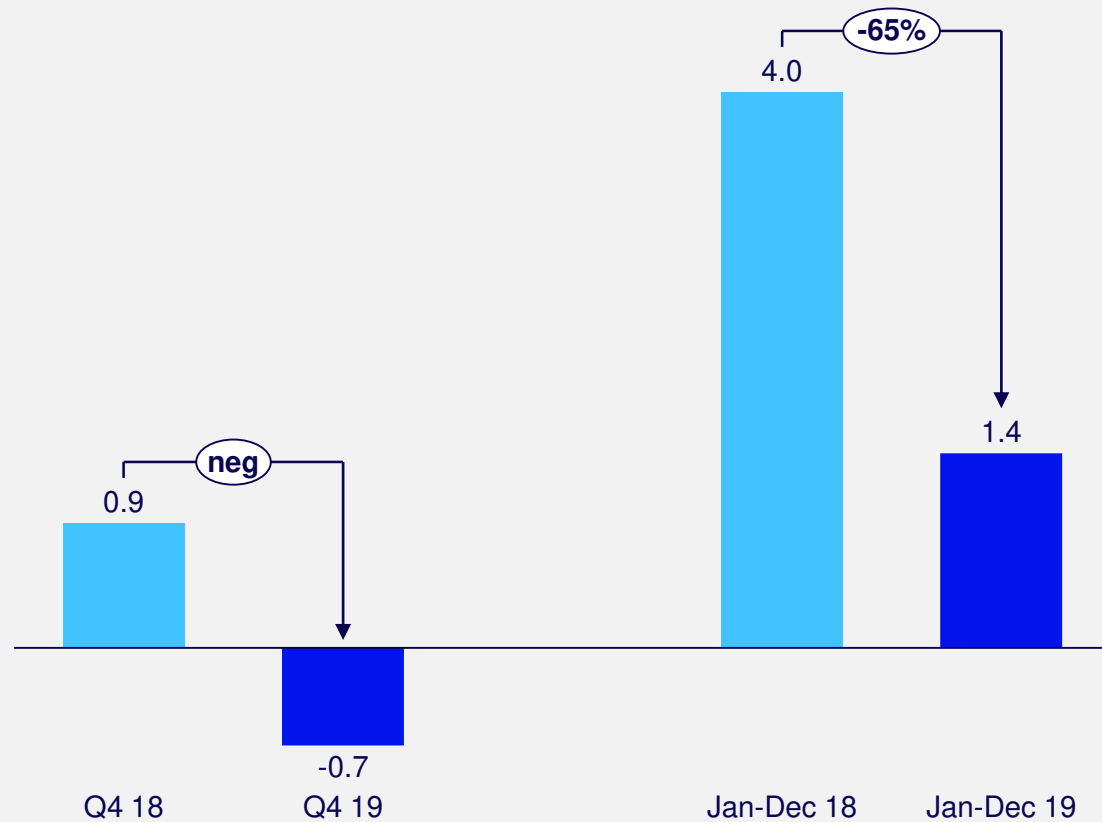


Jan-Dec 2019 Net sales, %



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 1.4 (4.0) million for the period, representing 4.7% (11.2) of External net sales.
- Profitability was negatively affected by production transition due to the C90 Gråbo phase-in programme.
- The Anneberg factory is executing an efficiency programme with a dedicated focus on LEAN production, direct material sourcing, standardisation of product structures, improvement in procurement processes and organisational efficiency measures.

Customised school and daycare centre



Customer: City of Helsinki, Finland – Brändö school and daycare centre.



Contract: Long-term rental contract, the production started during the summer of 2019 and was handed over in November 2019.



System: Built on modules developed specifically for the customer, 1,470 square metres of space.



Type of solution: Pre-fabricated turnkey solution for school and daycare centre with large scale professional kitchen.



Project highlights: Highly customised solution to meet the design needs and demands from the customer.



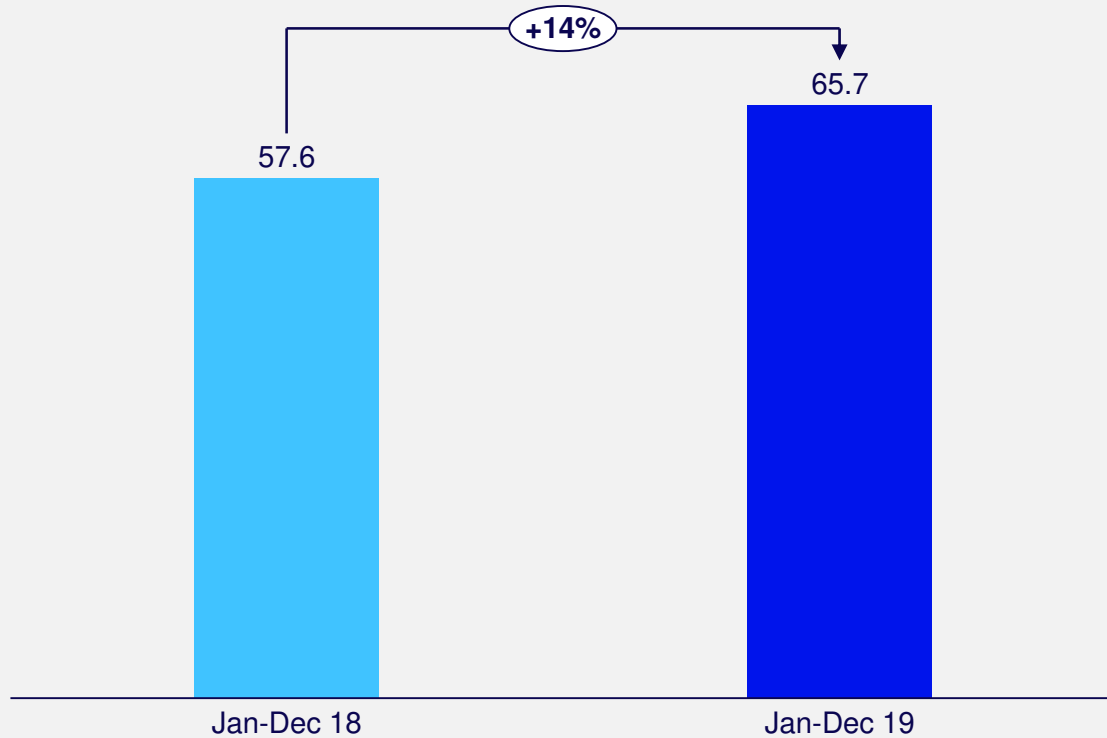
Customer highlights: The customer was more than satisfied with the solution and looking forward to use the building for years to come.



4. Financials

Increase in free cash flow underline discretionary nature of Growth capex

Operating cash flow before growth CAPEX, EUR million



- Operating cash flow before growth CAPEX totalled EUR 65.7 (57.6) million.
- Net working capital decreased during 2019 by EUR 17.2 (7.5) million.
- Free cash flow increased to EUR 36.5 (11.0) million.

Increased Maintenance CAPEX ensures a future-proof fleet

EUR millions	Oct-Dec 2019	Oct-Dec 2018 ¹⁾	Full Year 2019	Full Year 2018 ¹⁾
Net CAPEX	27.9	18.6	69.2	58.2
Net fleet CAPEX	27.9	17.3	59.4	53.5
Growth CAPEX	4.3	17.7	29.1	46.7
Maintenance CAPEX	23.6	-0.3	30.3	6.9
Non-fleet CAPEX	0.0	1.3	9.9	4.7

Financial position

Key figures	31 Dec 2018	31 Jun 2019	31 Dec 2019	Financial target
Net debt / Comparable EBITDA	N/A	4.5x	4.5x	3.5-4.5x
Operative ROCE	12.1%	12.0%	8.5%	>10%
Operative capital employed, EUR million	418.6	425.0	435.6	N/A

Net debt, EUR million	31 Dec 2019	31 Dec 2018 ¹⁾
Non-current borrowings	410.5	350.1
Current borrowings	1.6	30.5
Financial receivables	-8.4	-10.9
Cash and cash equivalents	-3.8	-2.4
Net debt	400.0	367.2

Key figures, pro forma





EUR millions or as indicated	Oct-Dec 2019	Oct-Dec 2018	Full Year 2019	Full Year 2018
Net sales	49.6	55.5	216.2	220.6
Rental sales	35.1	34.9	132.7	128.8
Net sales growth in constant currency, %	-8.5	-	-0.2	-
Rental sales growth in constant currency, %	1.6	-	4.6	-
Comparable EBITDA	20.6	20.6	88.5	83.6
Comparable EBITDA margin, %	41.6	37.0	40.9	37.9
EBITDA	19.6	16.2	76.1	78.4
EBITDA margin, %	39.6	29.3	35.2	35.5
Comparable EBITA	-2.2	10.7	37.2	50.6
Comparable EBITA margin, %	-4.4	19.2	17.2	22.9
Operating profit (EBIT)	-3.9	5.6	22.1	42.6
Operating profit (EBIT) margin, %	-7.8	10.1	10.2	19.3
Profit for the period	-7.5	4.3	8.6	28.3
Earnings per share, EUR	-0.17	0.10	0.19	0.63
Comparable earnings per share, EUR	0.04	0.17	0.61	0.73
Net debt / Comparable EBITDA	4.5	-	4.5	-
Operative ROCE, %	8.5	12.1	8.5	12.1
Operating cash flow before growth CAPEX ¹⁾	19.0	22.8	65.7	57.6
Cash conversion before growth CAPEX, % ¹⁾	92.0	130.8	74.2	93.3
Growth CAPEX ¹⁾	4.3	17.7	29.1	46.7
Total sqm of modules	1,009,986	970,447	1,009,986	970,447
Utilisation rate, %	82.6	86.0	84.4	85.3
Average rent per sqm (€/year) ¹⁾	159.0	156.0 ²⁾	158.7	162.8

1) 2018 figures on a carve-out basis
2) Pro forma based figure due to the NMG consolidation

Financials – Summary P&L and cash flow drivers

	Key components	Unit	Jan-Dec 2019	Key drivers
Net sales	Fleet size	Sqm ('000s)	1,010	Growth CAPEX
	Utilisation	%	84.4%	Fleet usage efficiency
	Average rent	€/sqm/year	159	Market conditions and pricing excellence
	Assembly and other services	EUR million	55.8	Assembly/disassembly volume
	Sales, new modules	EUR million	27.7	Square metre volume and price
Costs	Materials and services	% of Net sales	36.4%	Mostly variable
	Employee benefit expenses, other opex and income ¹⁾	% of Net sales	22.6%	Fixed and variable
	Depreciation and amortisation	% of Net sales	25.0%	Average depreciation time ~20 years
CAPEX	Maintenance CAPEX	EUR million	30.3	Historically ~10% of Comparable EBITDA
	Non-fleet CAPEX	EUR million	9.9	Historically ~4% of Comparable EBITDA
	Growth CAPEX	EUR million	29.1	Discretionary (~830 per sqm with 5-year payback)

Financial targets and dividend policy

Area	Financial Targets	Actual (Jan-Dec 2019)
 Growth	Double digit Comparable EBITDA growth	6% ¹⁾
 Capital efficiency	Operative ROCE above 10%	8.5%
 Leverage	Net debt to Comparable EBITDA between 3.5x and 4.5x	4.5x
 Dividend	Aim to distribute dividend above 20% of net result ²⁾	Proposal EUR 0.12 per share

1) Jan-Dec 2019 compared to Jan-Dec 2018 Pro Forma

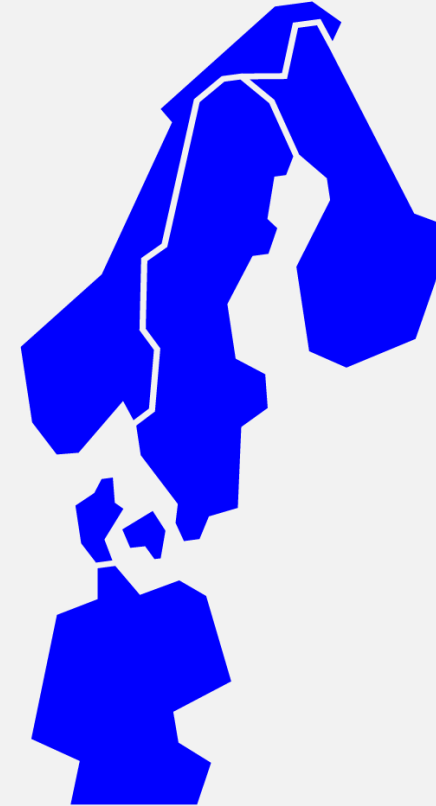
2) Group's net result for the year excluding items affecting comparability

5. Market outlook

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

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 buildings.
- 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.



6. Questions and answers

Adapteo.