

Half-Year report January – June 2020

Presentation 7 August 2020

Philip Isell Lind af Hageby
President and CEO

Erik Skånsberg
CFO

Agenda

1. Adapteo in brief
2. Group performance
3. Business areas
4. Financials
5. Summary
6. Questions and answers

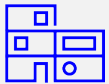
1. Adapteo in brief

A leading flexible real estate company in Northern Europe

Adapteo key highlights 2019



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



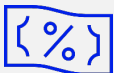
>1 million square metres
Building portfolio utilisation ~84%



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⁾

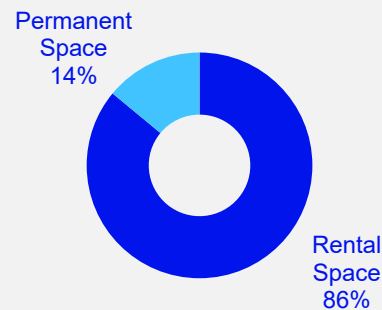
Rental model in brief



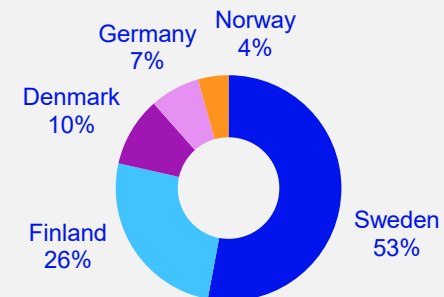
- Rental of adaptable buildings used for **mid or long-term needs**
- **Contract lengths up to 5 years**, on average, including extensions
- Mainly **public customers** within the **social infrastructure³⁾** segment
- **Strong cash generation** from contract base with **discretionary growth CAPEX**

Majority of revenue is recurring and coming from social infrastructure

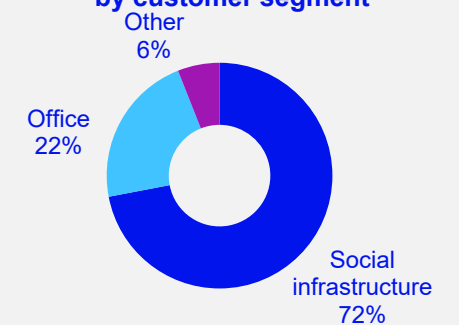
Net sales by Business Area



Net sales by geography



Rental income by customer segment

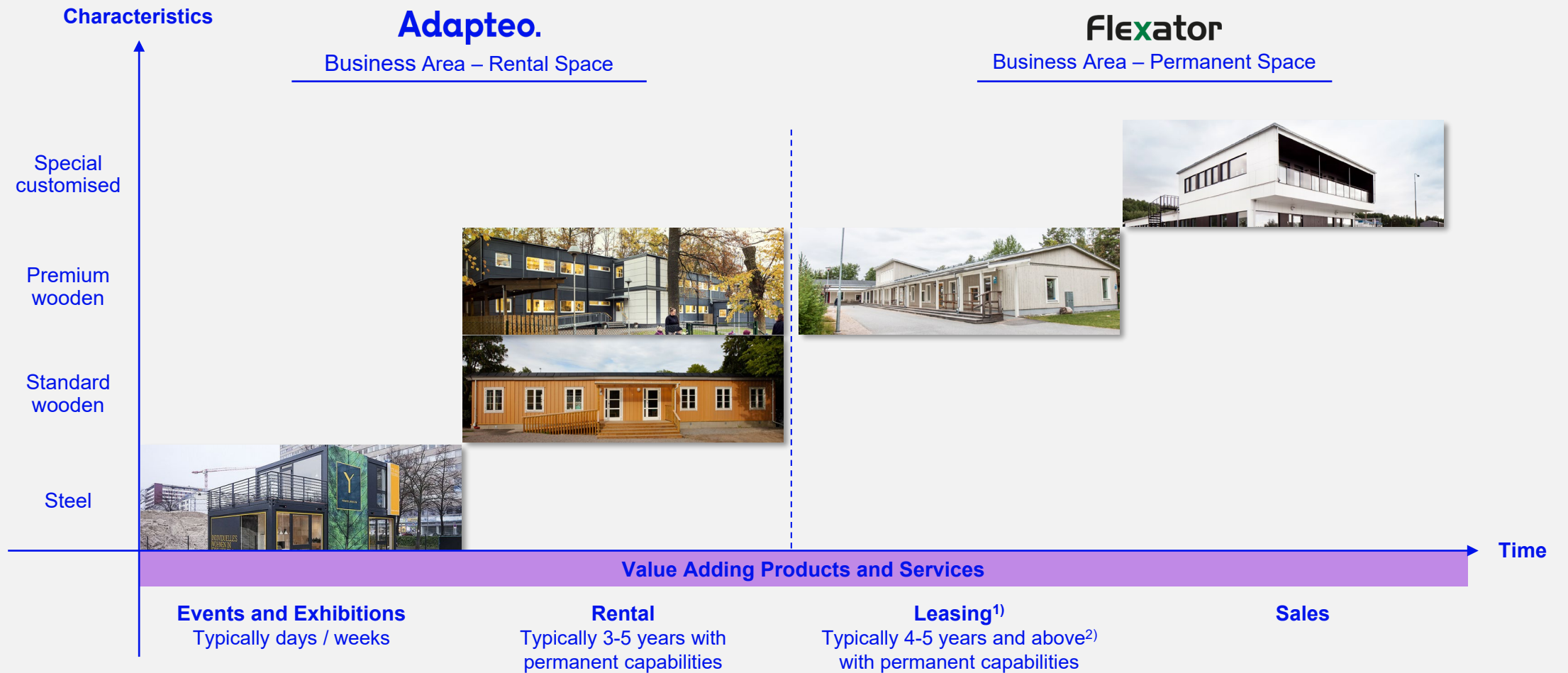


1) 2017 Rental market for adaptable buildings solutions in SE, FI, DK, NO and DE

2) Operating cash flow before growth CAPEX / Comparable EBITDA, 2019 Adapteo figures

3) Includes daycare, school, elderly care and special accommodation; Source: Management Consultant Analyses (Adapteo market share, market size and growth)

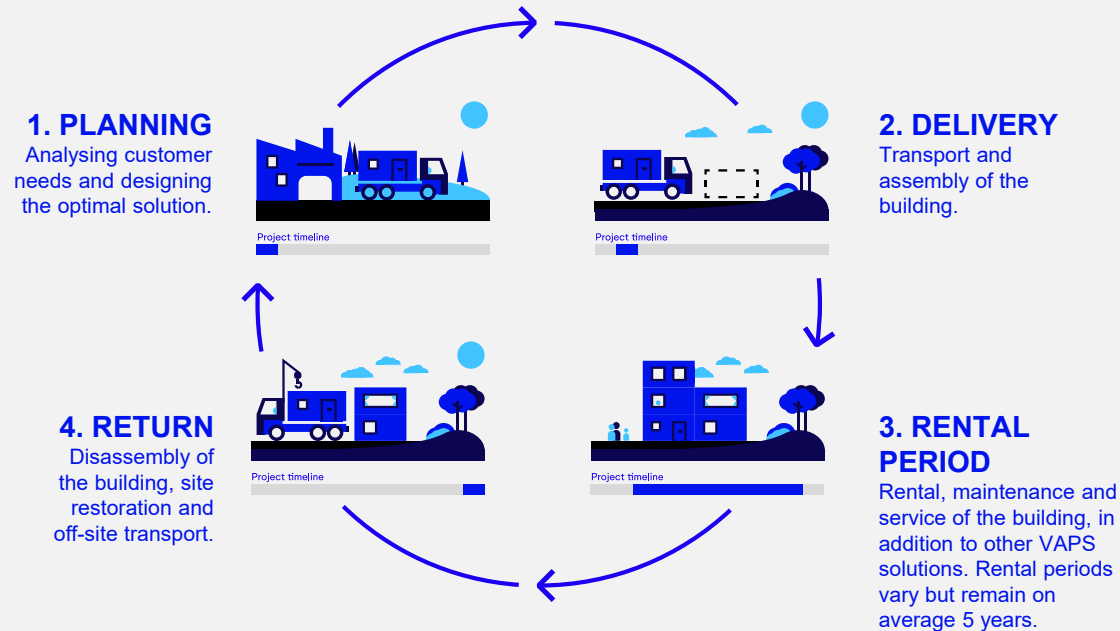
Adapteo's extensive and adaptable building offering



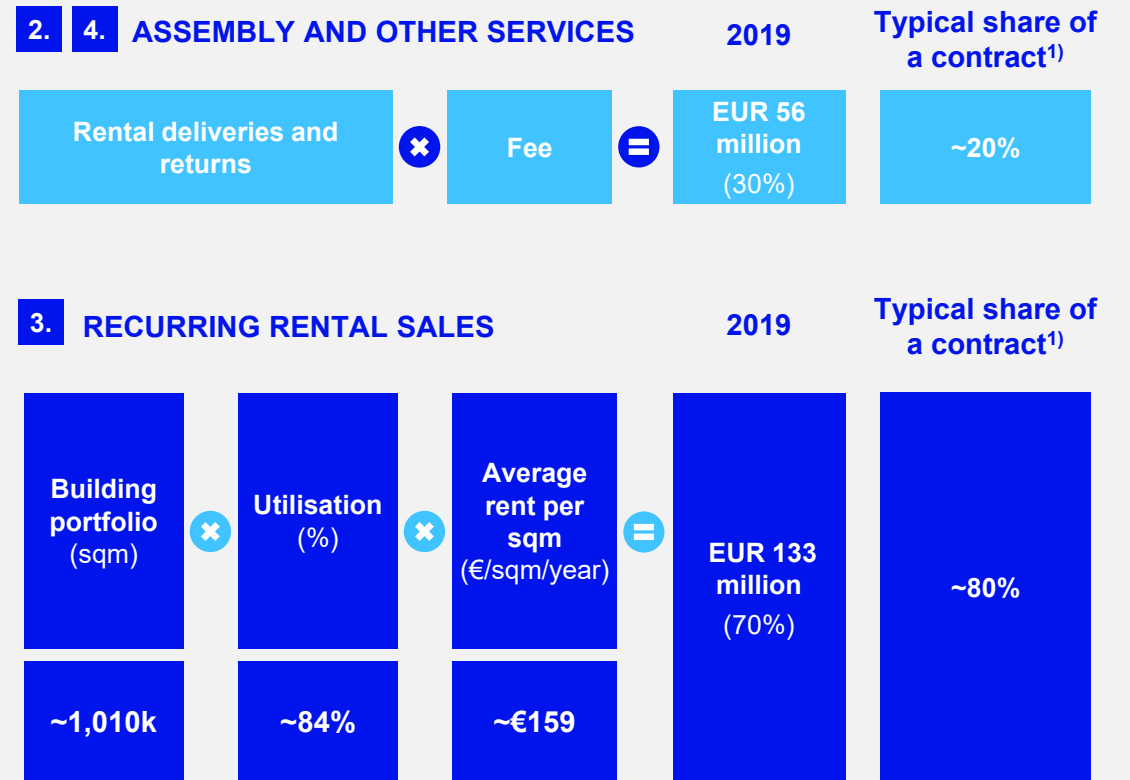
1) Long-term leasing represents Adapteo's rental business model in Business area Permanent Space;
2) Typically 4-5 years initial contract with an option to extend the contract

Adapteo's circular rental model

Rental contract life cycle



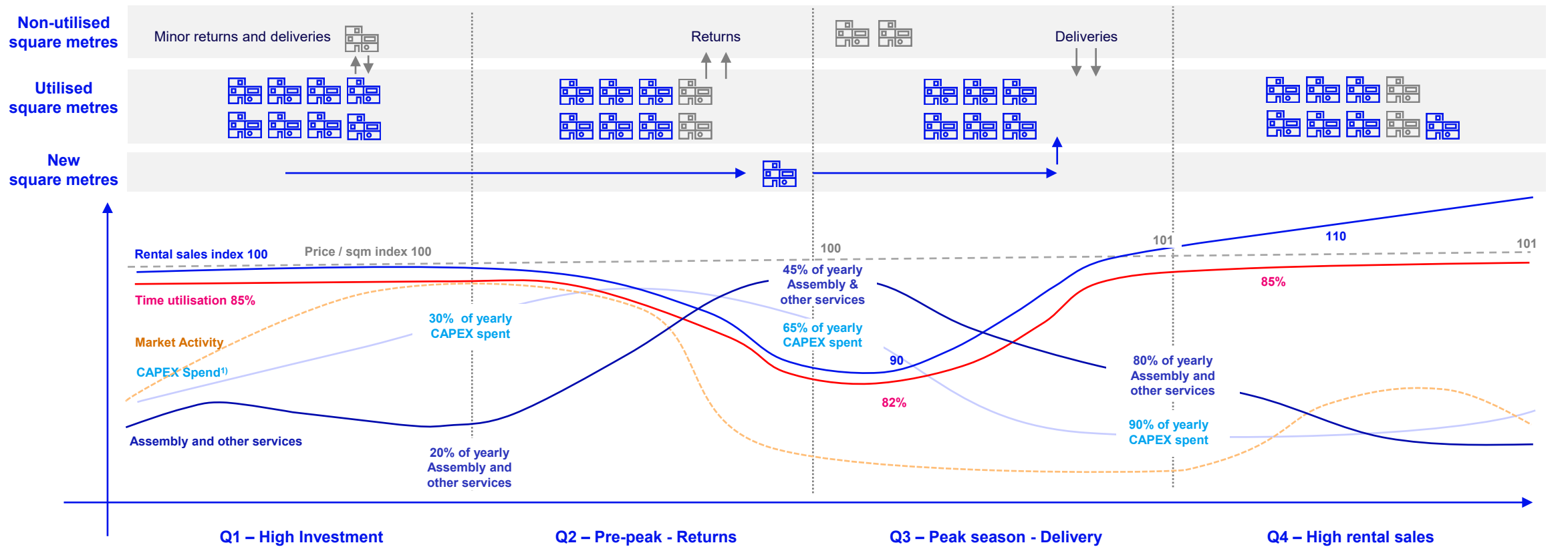
Revenue model



1) Illustrative based on a typical C90 solution assuming Company's pricing parameters and estimated direct rental and rental related costs and a five-year rental period. No inflation assumed

Business rationale and KPI dynamics over a one-year cycle

Typical KPI behaviour in a one-year cycle

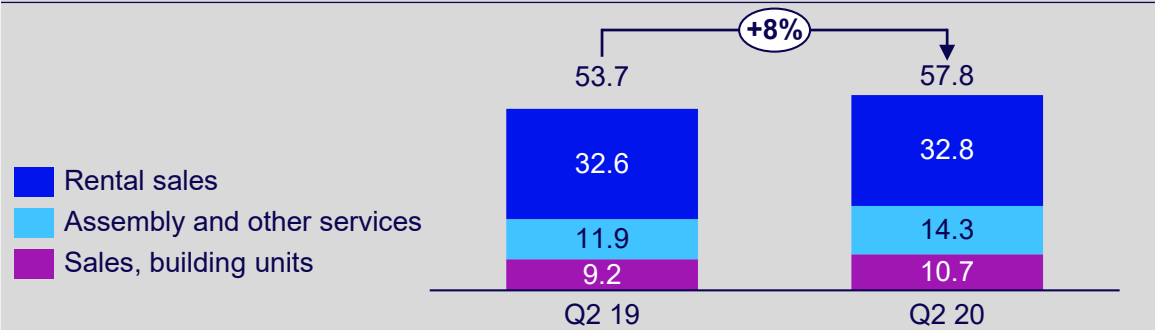


2. Group performance

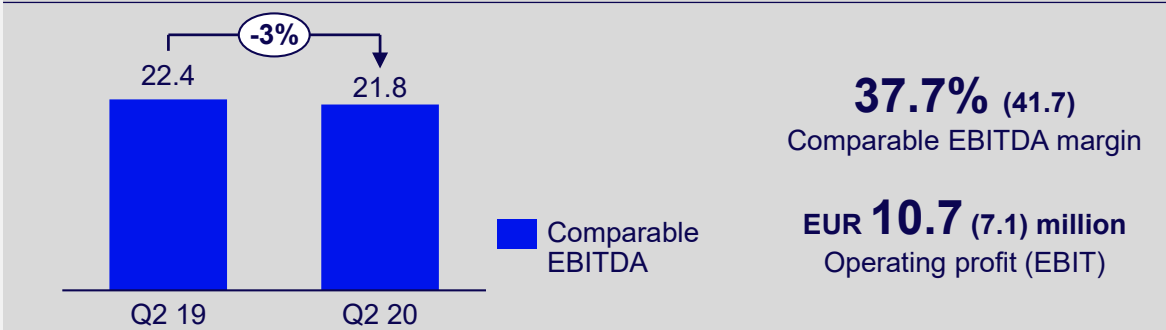
Stable development in adverse market conditions

Q2 – Financial development in brief

Revenue¹⁾



Earnings²⁾



Cash flow and CAPEX

EUR 26.1 (21.6) million Operating cash flow before growth CAPEX
 EUR 22.1 (20.1) million Net CAPEX
 EUR 16.3 (11.5) million Growth CAPEX

Financial position

4.6x Net debt to Comparable EBITDA
 EUR 7.5 (5.0)³⁾ million Cash and cash equivalents
 EUR 100 million Unused credit facility⁴⁾

1) Rental sales unchanged in constant currencies. Net sales grew by 7% in constant currencies.

2) Operating profit (EBIT) margin amounted to 18.6% (13.2) of Net sales. Operating profit (EBIT) included IACs of EUR 0.8 (4.7) million.

3) As of 31 March 2020.

4) Of which EUR 35.0 million of the revolving credit facility was drawn per 30 June but unused.

Operational highlights

- Adapteo continuously works with the manufacturing network, cost base, and operational efficiency:
 - Concentration of inhouse production of adaptable buildings to the Group's production facility in Anneberg, Sweden. All 45 employees at the plant in Gråbo, Sweden, were given notice of termination, and production is scheduled to close down during the second half of 2020.
 - Closing hubs and a warehouses to consolidate operational footprint.
 - Extensive initiatives for reducing operating costs, including reducing number of employees across the entire organisation along with other profit protection measures.
- An intensified focus on the commercial excellence program – built on commercial offering optimisation, pricing excellence, sales force effectiveness, and brand equity growth – is gradually paying off.
- Adapteo has delivered several temporary adaptable building solutions for regional hospitals and care providers. The buildings are being used as screening areas for Covid-19, testing of patients, administration, and accommodation facilities for medical workers.

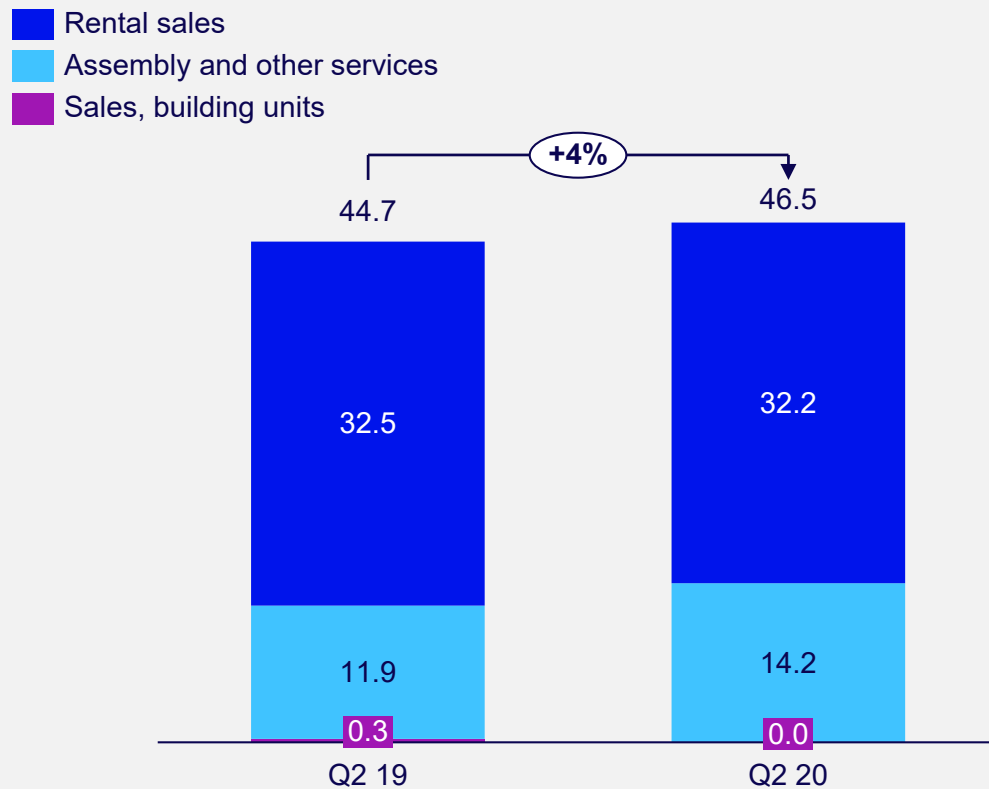
3. Business area performance

Business Area:

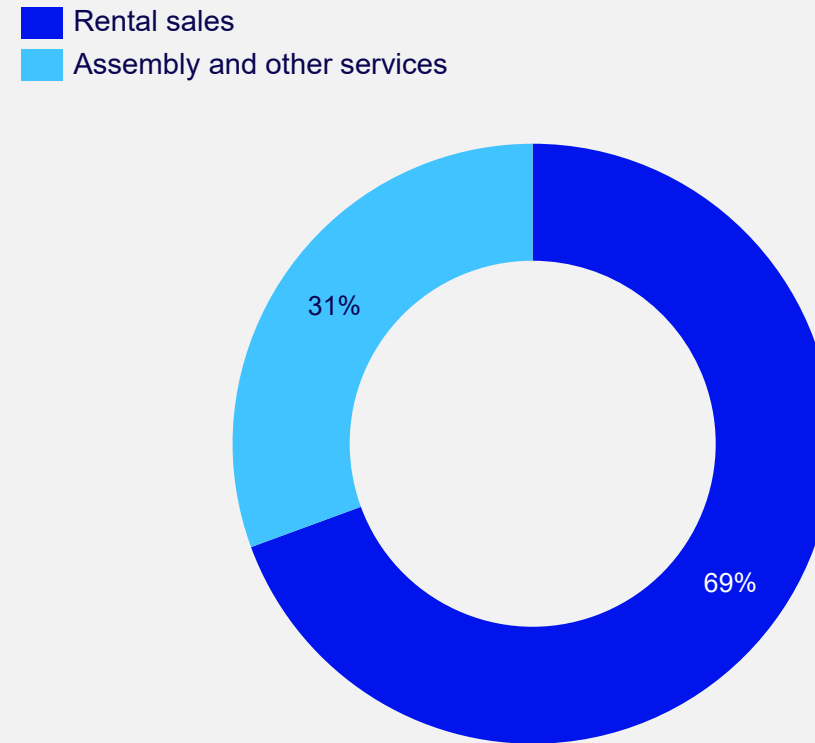
RENTAL SPACE

Rental Space – Rental sales in line with last year

Net sales, EUR million

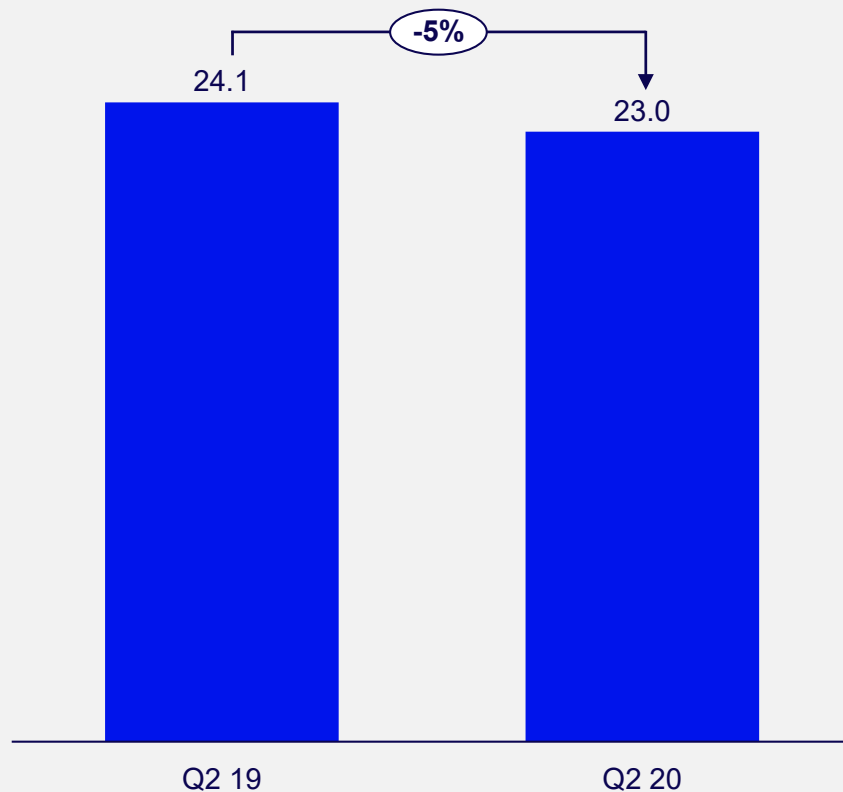


Apr-Jun 2020 Net sales, %



Rental Space – Comparable EBITDA decreased by 5%, due to lower margins from Assembly and other services

Comparable EBITDA, EUR million



- Comparable EBITDA decreased by 5% to EUR 23.0 (24.1) million.
- The Comparable EBITDA margin decreased to 49.6% (53.9).
- Order intake was slower than anticipated but some large orders were delivered, resulting in more square meters going out than coming back.
- Competition has sharpened, not least due to general overcapacity in covid-19 times. Rental rates were under pressure and margins on assembly services were very thin.
- Private-sector demand was marginal while public-sector demand did not show any major negative impact.
- Portfolio utilisation was 80% at the end of June, on par with the preceding quarter, despite the portfolio expansion and weaker market conditions.

School buildings for the City of Helsinki



Customer: City of Helsinki, Finland – School



Contract: The rental period is for 60 months and the buildings were handed over to the customer in July 2020.



Solution: School facility of three buildings totalling 3,300 square metres based on our C90 building system.



Project highlights: The buildings are the first three storey buildings provided by Adapteo Finland. The installation required a special foundation and steel frames due to the location on a steep cliff.



Customer highlights: Available land area was small. Since the school was built on a cliff, the multiple storeys made it possible to accommodate the required number of students and staff.

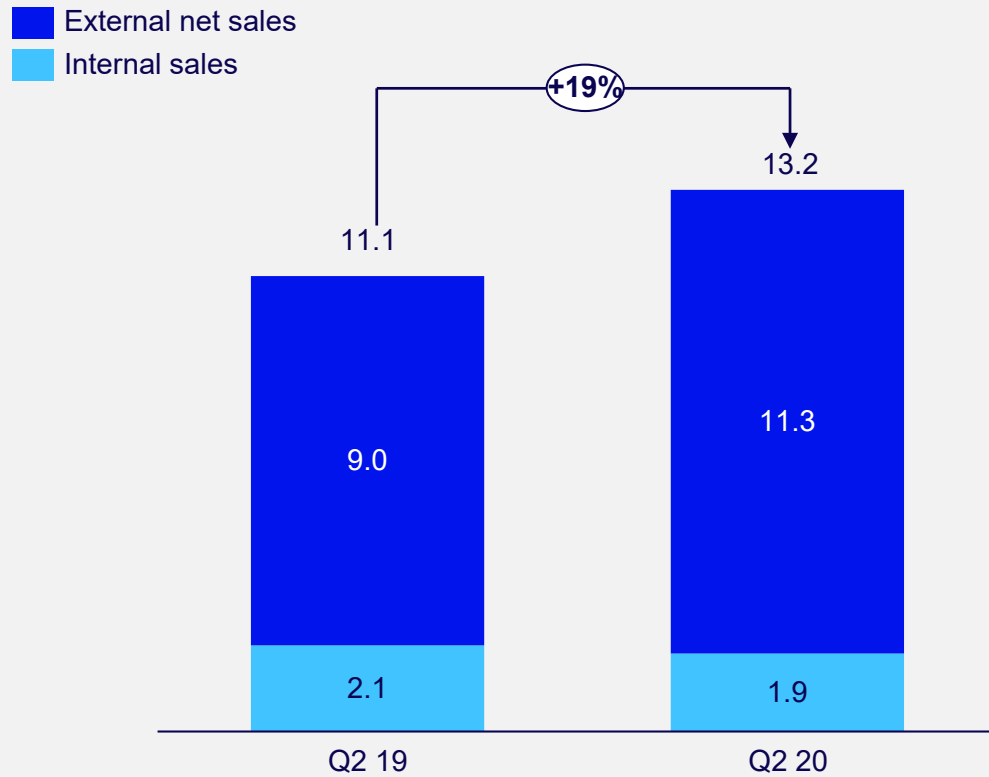


Business Area:

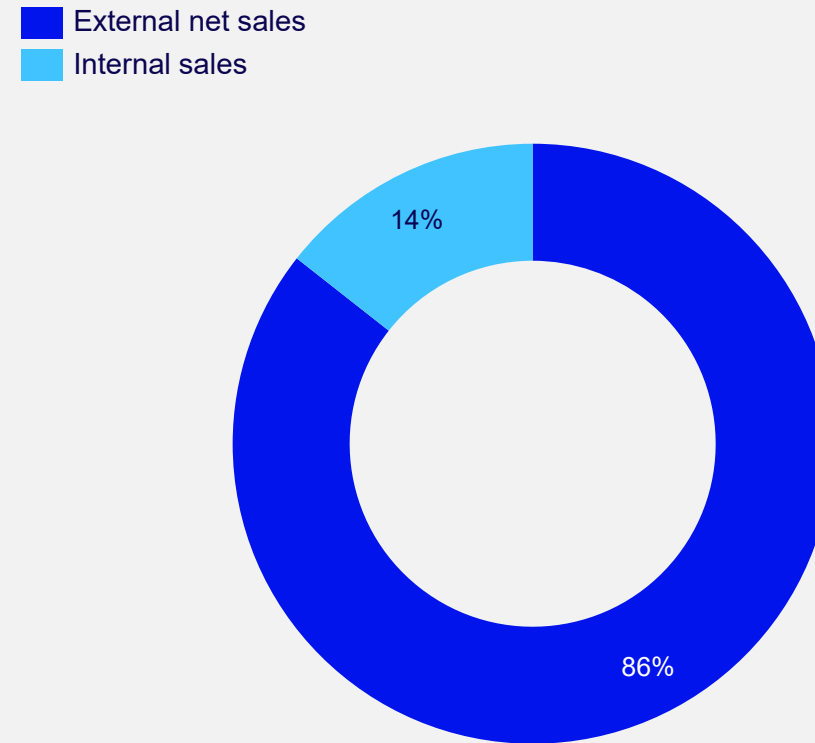
PERMANENT SPACE

Permanent Space – External net sales increased by 26%

Net sales, EUR Million

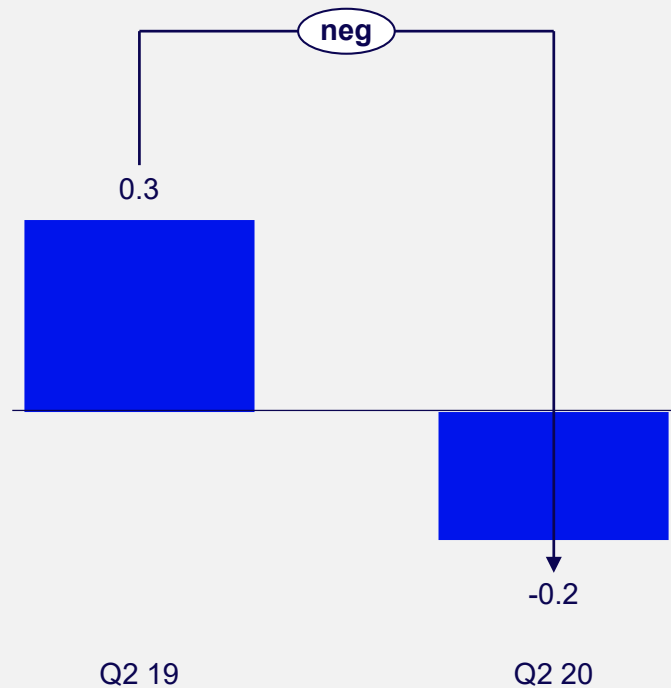


Apr-Jun 2020 Net sales, %



Permanent Space – adverse market conditions in Finland

Comparable EBITDA, EUR million



- Comparable EBITDA decreased to EUR -0.2 (0.3) million, representing a negative margin (3.7%) of External net sales.
- Adverse market conditions in Finland putting pressure on project margins.
- Sales efforts focused on projects that are a better fit for the specific production facility in Anneberg, Sweden.
- The external order book was higher at the end of the quarter than last year.
- Operational efficiency measures have resulted in lower costs and improved cost efficiency for production units.
- Planning is progressing on the closure of production for Adapteo's internal supply of building units at the Gråbo factory and factory closure is planned to take place in the second half of 2020.
- Sales composition effect from lower leasing revenue more than compensated by higher sales of building units.

A highly customised daycare centre in Stockholm



Customer: Sundbyberg municipality, Sweden – Daycare



Contract: The production started in January 2020, with assembly on site starting in March 2020 and the final handover in July 2020.



System: The 1,600 square metres building was specifically developed for the customer in cooperation with an architect.



Type of solution: A highly customised solution for a daycare centre including a preparation kitchen, with six departments in two storeys accommodating 130 children.



Project highlights: High demands regarding energy requirements which resulted in a building classified as *Miljöbyggnad Silver* and *Sunda hus* with solar panels and a sedum roof.



Customer highlights: Based on the specific requirements and the location, the customer is pleased with the short delivery time and the configuration of the building.



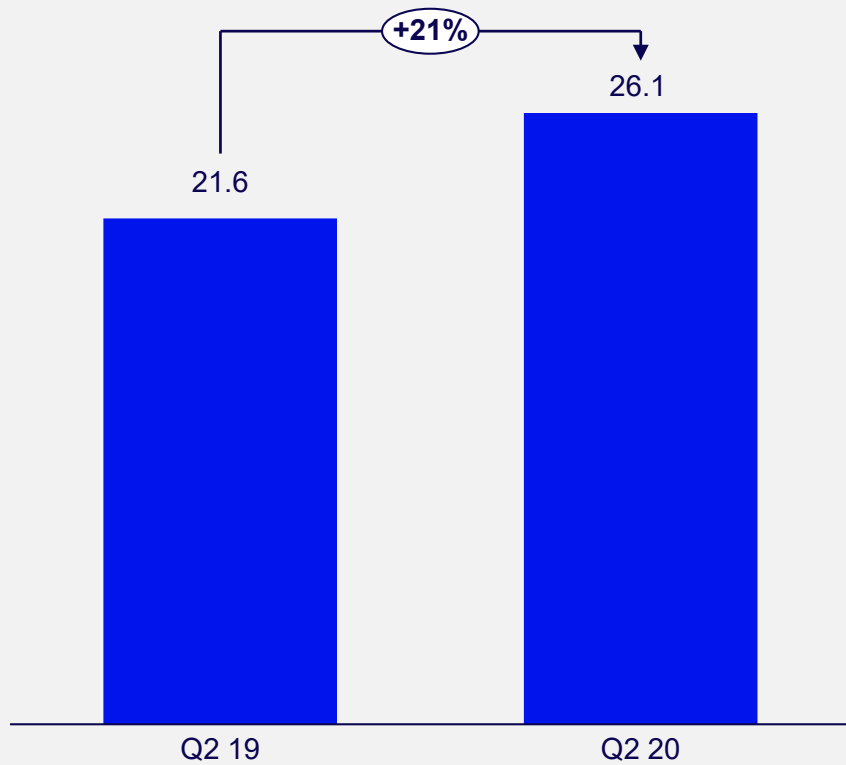
4. Financials

Key figures

EUR millions or as indicated	Apr-Jun 2020	Apr-Jun 2019	Full Year 2019
Net sales	57.8	53.7	216.2
Net sales growth in constant currency, % ¹	6.7	1.9	-0.2
Rental sales	32.8	32.6	132.7
Rental sales growth in constant currency, % ¹	-0.1	4.9	4.6
Comparable EBITDA	21.8	22.4	88.5
Comparable EBITDA margin, %	37.7	41.7	40.9
EBITDA	21.0	17.7	76.1
EBITDA margin, %	36.3	33.0	35.2
Comparable EBITA	12.2	12.4	37.2
Comparable EBITA margin, %	21.2	23.1	17.2
Comparable operating profit (EBIT)	11.5	11.7	34.6
Comparable operating profit (EBIT) margin, %	20.0	21.8	16.0
Operating profit (EBIT)	10.7	7.1	22.1
Operating profit (EBIT) margin, %	18.6	13.2	10.2
Profit for the period ²	6.7	4.3	8.4
Earnings per share, EUR	0.15	0.10	0.19
Comparable earnings per share, EUR ²	0.16	0.18	0.60
Net debt to Comparable EBITDA	-	-	4.5
Operative ROCE, %	-	-	8.5
Operating cash flow before growth CAPEX	26.1	21.6	65.7
Cash conversion before growth CAPEX, %	119.8	96.7	74.2
Growth CAPEX	16.3	11.5	29.1
Total sqm in building portfolio	1,036,018	997,007	1,009,986
Utilisation rate, %	79.9	84.9	84.4
Average rent per sqm (€/year)	156.8	154.9	158.7

Increased Operating cash flow due to lower working capital

Operating cash flow before growth CAPEX, EUR million



- Operating cash flow before growth CAPEX totalled EUR 26.1 (21.6) million.
- Net working capital decreased by EUR 10.2 (7.9) million during the quarter.
- Cash and cash equivalents amounted to EUR 7.5 million (5.0 million on 31 March 20).
- At the end of the reporting period EUR 35.0 million of the revolving credit facility of EUR 100 million was drawn but unused.

Well-invested portfolio for anticipated future requirements

EUR millions	Apr-Jun 2020	Apr-Jun 2019	Full Year 2019
Net CAPEX	22.1	20.1	69.2
Net fleet CAPEX	20.8	15.9	59.4
Growth CAPEX	16.3	11.5	29.1
Maintenance CAPEX	4.5	4.4	30.3
Non-fleet CAPEX	1.3	4.2	9.9

Financial position remains at a good level

Key figures	30 Jun 2020	31 Dec 2019	Financial target
Net debt to Comparable EBITDA	4.6x	4.5x	3.5-4.5x
Operative ROCE	7.8%	8.5%	>10%
Operative capital employed, EUR million	445.1	435.6	N/A

Net debt, EUR million	30 Jun 2020	31 Dec 2019
Non-current borrowings	411.0	410.5
Current borrowings	36.4	1.6
Financial receivables	-7.6	-8.5
Cash and cash equivalents	-42.5	-3.8
Net debt	397.2	399.8

5. Summary

2020 outlook including continued impact from Covid-19

2020 outlook including continued impact from Covid-19

- The industry is characterised by overcapacity and price pressure with price levels lower than at the beginning of the year.
- Low demand in private sector. Events business currently halted. Low demand for workers accommodation and office space.
- Stable demand in public sector though with postponed decisions.
- Financial performance has been kept up by our long-term contracts and strong market positions as well as by targeted cost savings and disciplined execution of continuity plans.
- The resilient business model and a strong financial position make Adapteo well-equipped to handle the current downturn.
- Adapteo believes that it has a position of relative strength due to its size, efficient operation and skilled organisation, and a high-quality reputation, and that it thus will be able to secure or strengthen its market share.
- The company's future success is therefore more dependent on market volumes and prices than on internally controlled factors.

Dual listing

- Adapteo has decided to apply for a dual listing on Nasdaq Helsinki with the ambition of this to take place by mid-October 2020.

Resilient profitable growth and returns in an attractive market

Adapteo.



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
 Growth	Double digit Comparable EBITDA growth
 Capital efficiency	Operative ROCE above 10%
 Leverage	Net debt to Comparable EBITDA between 3.5x and 4.5x
 Dividend	Aim to distribute dividend above 20% of Net result ¹⁾

6. Questions and answers

Adapteo.