

Adapteo's Half-year Financial Report January–June 2019: Business Area Rental Space driving strong profitability

Adapteo Plc Regulatory Press Release 15 August 2019 at 7:30 a.m. CEST

Adapteo Plc was formed as a result of the demerger from Cramo Plc, which was completed on 30 June 2019. Trading in Adapteo's shares on the main market of Nasdaq Stockholm AB started on 1 July 2019.

In this Half-year Financial Report, financial information is presented on an actual basis for the balance sheet on 30 June 2019, and on a carve-out basis for all other financial information for the other periods presented. In addition, Adapteo has prepared pro forma financial information for the year 2018 and 2019 to reflect the impacts of the Nordic Modular Group (NMG) acquisition completed on 31 October 2018, the demerger completed on 30 June 2019, and the subsequent refinancing as if the NMG acquisition, the demerger and related refinancing had been completed already on 1 January 2018 to improve the comparability of financial information. As the acquired NMG has been included in Adapteo's figures as of the acquisition date and the demerger impacts have already been included in Adapteo's balance sheet as of 30 June 2019, they do not have pro forma impact for the year 2019 thus only pro forma impact of the refinancing to the finance costs and net debt differ between reported and pro forma information for the year 2019. The pro forma financial information and related preparation principles are described in more detail in Appendix 2 of this Half-year Financial Report.

The amounts in the following financial highlights and review are presented on a pro forma basis unless otherwise indicated. The reported amounts in the section "Condensed half-year financial information" are presented on a carve-out basis unless otherwise stated. The carve-out reporting principles are described in note 2 of this Half-year Financial Report.

April–June 2019

- 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, 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).
- Operating profit (EBIT) decreased to EUR 7.1 (11.8) million, representing 13.2% (21.8) of net sales. Operating profit (EBIT) included items affecting comparability of EUR 5.1 (0.8) million.
- Operating cash flow before growth capex was EUR 22.4 (12.4) million.¹
- Growth capex was EUR 11.5 (14.7) million.¹
- Earnings per share was EUR 0.10 (0.19).

January–June 2019

- Rental sales amounted to EUR 65.8 (62.3) million. In constant currencies, rental sales grew by 8%.
- Net sales amounted to EUR 106.5 (106.4) million. In constant currencies, net sales grew by 2%.
- Comparable EBITDA was EUR 45.3 (40.0) million, up by 13%. Comparable EBITDA margin was 42.5% (37.5).
- Operating profit (EBIT) decreased to EUR 14.0 (22.5) million, representing 13.2% (21.1) of net sales. Operating profit (EBIT) included items affecting comparability of EUR 10.2 (0.8) million.
- Operative return on capital employed (ROCE) amounted to 12.0% (12.1% on 31 Dec 2018)
- Net debt to comparable EBITDA was 4.5x.
- Operating cash flow before growth capex was EUR 47.0 (24.7) million.¹
- Growth capex was EUR 22.3 (26.3) million.¹
- Earnings per share was EUR 0.19 (0.33).

¹ On a carve-out basis

Significant events during the second quarter

- On 2 May 2019, Cramo announced appointments of Adapteo's President and CEO and Group Management Team with effect upon the completion of the demerger. Philip Isell Lind af Hageby was appointed President and CEO.
- On 17 June 2019, the Extraordinary General Meeting of Cramo decided that Cramo will demerge through a partial demerger so that all of the assets, debts and liabilities belonging to Cramo's Modular Space business are transferred without a liquidation procedure to Adapteo.
- The completion of the demerger was registered with the Finnish Trade Register on 30 June 2019.
- Upon the completion of the demerger, Cramo's shareholders received as demerger consideration one (1) Adapteo share for each Cramo share that they held. The trading in Adapteo's shares on the Main Market of Nasdaq Stockholm began on 1 July 2019 under the share trading code ADAPT. At the beginning of trading, the number of shares in Adapteo subject to trading was 44,682,697.

Key figures, pro forma

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		1.6		
Rental sales growth in constant currency, %	4.9		7.5		
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
Comparable EBITA	12.9	13.3	25.6	24.7	50.6
Comparable EBITA margin, %	23.9	24.6	24.0	23.2	22.9
Operating profit (EBIT)	7.1	11.8	14.0	22.5	42.6
Operating profit (EBIT) margin, %	13.2	21.8	13.2	21.1	19.3
Profit for the period	4.4	8.4	8.6	14.9	28.3
Earnings per share, EUR	0.10	0.19	0.19	0.33	0.63
Comparable earnings per share, EUR	0.19	0.20	0.37	0.35	0.73
Net debt / comparable EBITDA			4.5		
Operative ROCE, %			12.0		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

The reported amounts in the following table are presented on a carve-out basis. The full carve-out financial reporting is presented in the section “Condensed half-year financial information” beginning on page 16 in the Half-year Financial Report.

Key figures, carve-out

EUR millions or as indicated	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Net sales	53.7	33.6	106.5	65.8	152.0
Rental sales	32.6	23.3	65.8	46.1	100.0
Comparable EBITDA	22.9	14.6	45.3	28.2	61.8
Comparable EBITDA margin, %	42.6	43.6	42.5	42.9	40.6
EBITDA	17.7	13.8	35.1	27.4	57.2
EBITDA margin, %	33.0	41.2	32.9	41.6	37.6
Comparable EBITA	12.9	8.7	25.6	16.4	34.6
Comparable EBITA margin, %	23.9	25.8	24.0	25.0	22.8
Operating profit (EBIT)	7.1	7.8	14.0	15.5	29.3
Operating profit (EBIT) margin, %	13.2	23.1	13.2	23.5	19.3
Profit for the period	4.3	5.9	8.4	11.1	20.9
Earnings per share, EUR	0.10	0.13	0.19	0.25	0.47
Comparable earnings per share, EUR	0.19	0.15	0.37	0.26	0.56
Net debt / comparable EBITDA	4.4	2.0	4.4	2.0	5.9
Operative ROCE, %	12.0	10.7	12.0	10.7	8.3
Operating cash flow before growth capex	22.4	12.4	47.0	24.7	57.6
Cash conversion before growth capex, %	98.2	84.4	103.8	87.4	93.3
Growth capex	11.5	14.7	22.3	26.3	46.7
Total sqm of modules	997 007	704 459	997 007	704 459	970 447
Utilisation rate, %	84.9	84.5	85.2	84.3	84.7
Average rent per sqm (€/year)	154.9	158.5	156.9	159.4	162.8

Philip Isell Lind af Hageby, President and CEO:

Business Area Rental Space driving strong profitability

Adapteo’s demerger from Cramo was completed at the end of June and were successfully listed on the main market of Nasdaq Stockholm on 1 July 2019. I am very proud of the immense work we have done under a rigorous schedule during the past 12 months in order to ensure our success as an independent company. It has been a monumental undertaking for us to prepare for the listing and simultaneously execute a major acquisition of NMG and facilitate the integration as well as driving an underlying performance improvement within our operations. We will continue to strengthen our organization and refine our operations. Our purpose is to power a better and more adaptable society with our extensive offering in order to provide our customers and whole communities space to grow. As an undisputed Nordic market leader, we continue to build Adapteo as a leading European modular space provider with a solid operating platform.

Given our strong focus on the demerger, listing and integration of NMG, we can be happy with a large part of our business development during the second quarter. Our comparable EBITDA improved to EUR 22.9 (21.0) million (42.6% of net sales), an increase of 9%. Operating profit (EBIT), excluding items affecting comparability, decreased to EUR 12.2 (12.6) million. Our operating profit (EBIT) included items affecting comparability of EUR 5.1 (0.8) million.

Strong comparable EBITDA growth in Rental Space

The private rental market in Sweden remained stable and we started among others the first phase of a EUR 6.5 million and 5,850 sqm server hall project in Northern Sweden. The public rental demand in Sweden was somewhat lower during the period. We expect a higher market activity in H2, but at a slower pace than in the previous year. In Finland, the utilisation rate and prices per square meter remained stable. Demand for new rentals decreased but picked up towards the end of the period. Business Area Rental Space performed strongly with comparable EBITDA development driven by rental sales growth, indirect cost savings and sales of rental modules.

Investment in fleets

With a favourable mid-term market outlook in Rental Space Business Units, we made material investments in new rental modules during the second quarter. Our net fleet capex amounted to EUR 15.9 (14.8) million. Our growth capex decreased due to reinvestments required to replace the relatively high number of modules disposed during the quarter. The disposed older modular systems are replaced with our new premium C90 modules which will generate higher rental income and returns in the future. We expect to continue significant investments in new fleet throughout the year.

Actions taken in Permanent Space

With the acquisition of NMG last year, we entered into a new market of permanent sales and long-term rental of modular space solutions. The profitability of the Business Area Permanent Space was not satisfying. We continue to take corrective actions according to our plan and are assessing our factories' full potential to enable higher efficiency. We aim for further improvement in the Business Area Permanent Space once we reach the targeted level of operational excellence. In addition to our long-established permanent space operations in Sweden through NMG, Adapteo has entered the Finnish sales and long-term rental market during the first part of the year. We are pleased with our start in Finland, as we have received three sizeable permanent space orders.

Integration according to plan

The integration of NMG proceeds as planned. We have begun to improve our sourcing efficiency by leveraging our larger scale. We have also eliminated overlaps in administrative and other support functions. We expect the full annual operational cost synergies of EUR three to four million to be reached by the end of 2020.

Finally, I would like to take this opportunity to welcome all shareholders to Adapteo. I am looking forward to the rest of the year and beyond as we aim to utilise our full potential as an independent and listed company.

Market outlook

The company's business operations are dependent on the development of the rental and sales markets. Overall, the company believes that the demand for modular space solutions will continue to be supported by structural demand drivers including urbanisation, an ageing building stock as well as the increasing need for social infrastructure due to a growing number of children and elderly people. 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. During the first half of 2019, public market activity was lower than usual in Sweden, but municipalities' long-term need for schools and daycare centres 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 the Business Area Permanent Space, the total market is expected to grow 7 per cent (including residential customer segment) and Adapteo's core sales market (mainly social infrastructure and office customer segments) is expected to grow 11 per cent. In 2018, the size of Adapteo's fleet grew at a slightly slower pace compared to the previous year, and this year Adapteo will continue to gradually grow its rental fleet.

Invitation to presentation of Adapteo Half-Yearly Report Jan-Jun 2019

Adapteo invites analysts, investors, and the media to attend a presentation following the release of the results.

Time: 09:00 a.m. CEST, 15 August 2019

Place: Operaterrassen, Karl XII:s torg in Stockholm, Sweden

To attend the presentation, please submit a notification via: https://financialhearings.com/event/12159/register/live_event

Follow online: <https://tv.streamfabriken.com/adapteo-q2-2019>

Adapteo management will present and comment on the report. The presentation will be held in English and a recorded version will be available after the conference via <https://www.adapteogroup.com/investors/financial-report/>

To follow on phone, please use Dial-in number FI: +358981710521 SE: +46850558368

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Adapteo in brief

Adapteo is a leading Northern European provider of modular space solutions. We operate in Sweden, Finland, Norway, Denmark and Germany. Adapteo is a new brand with over 30 years of experience, born from the acquisition of Nordic Modular Group and the demerger from Cramo. We offer premium modular space solutions to schools, daycare centers, offices, accommodation and events for temporary and permanent needs. In 2018, Adapteo's pro forma net sales were EUR 221 million. Pro forma net sales include the modular space business of Cramo Plc and acquired Nordic Modular Group's net sales for the full year.

A changing society needs adaptable space. At Adapteo, we make sure everyone has the right kind of space, so that people can grow, and societies can move ahead. We create flexible modular spaces that are good for the planet and great for the future. Adapteo is listed on Nasdaq Stockholm.

www.adapteogroup.com

Space to grow