

## Adapteo's Business Review January-September 2019: Stable profit development despite market slowdown

Adapteo Plc Regulatory Press Release 15 November 2019 at 8:00 a.m. CET

### July-September 2019

- 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.
- Operating cash flow before growth capex was EUR -0.5 (7.1) million. A EUR 17.8 million cash was tied up in net working capital during the third quarter 2019 in connection to the implementation of the new ERP-system. 1
- Growth capex was EUR 2.5 (3.6) million.1
- Earnings per share was EUR 0.17 (0.20).

### January-September 2019

- 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, up by 8%. 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. 1
- Growth capex was EUR 24.8 (29.0) million.1
- Earnings per share was EUR 0.36 (0.54).

### Significant events during the third quarter

Total fleet size of Adapteo exceeded one million square meters during the third quarter with the fleet standing at 1,012,226 square meters at the end of the quarter.

Adapteo introduced Adapteo.Hybrid, combining the advantages of wood and steel to the German market during the third quarter.

In Business Area Rental Space, we secured important projects with strategic customers – Akershus municipality in Norway and Helsinki municipality in Finland.

Business Area Permanent Space delivered its first building to Norway and continued expansion in Finland.

On 20 September Adapteo announced that it will have a new industry classification as from 23 September, 2019. The new ICB classification industry code is 8000, Financials and Sub sector code: 8600, Real Estate & Development.

On 29 August Adapteo announced a change in the Group Management Team of Adapteo. Jan Isgård was appointed as interim Executive Vice President Business Area Permanent Space. He assumed the

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position from 2 September 2019 and hold it until Mr. Magnus Tinglöf assumes the position as Executive Vice President Permanent Space on 16 December 2019.

## 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 <sup>1</sup>	-0.5	7.1	46.7	34.8	57.6
Cash conversion before growth capex, % <sup>1</sup>	-2.1	44.5	68.7	78.5	93.3
Growth capex <sup>1</sup>	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) <sup>1</sup>	152.8	156.1	154.3	160.5	162.8

<sup>1</sup> On a carve-out basis, Comparable EBITDA, comparable EBITA and comparable EBIT are restated for January-June 2019, see page 24, Net debt is based on Adapteo's real balance sheet not on a carve-out basis in 2019, 2018 on carve-out bases.

## Philip Isell Lind af Hageby, President and CEO:

### Stable profits in the quarter

Despite a lower market activity in our main markets during the year, which impacted our growth, we delivered a stable profit development in the third quarter. We also saw a lower degree of rental contract extensions in the market, leading to higher project return flows and price pressure, mainly driven by the public sector.

The slower market development has led to less new rental starts; therefore, Business Area Rental Space saw a flat development. In our Business Area Permanent Space, we have seen the same tendencies in the public sector, but a more favourable demand from the private sector.

### Geographic expansion within Business Area Permanent Space

We continued our geographic expansion during the quarter within Business Area Permanent Space where we delivered our first building to Norway and continued our successful expansion in Finland. During the quarter, Business Area Rental Space introduced a new solution for the German market, the

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Adapteo.Hybrid. The solution combines the advantages of wood and steel in the same construction enabling high energy efficiency and offers excellent exterior design with premium indoor climate. The first building has already been delivered, to the great appreciation of the customer. In Finland, we continue our fleet renewal initiative, replacing old modular systems with our premium C90 solutions. This will generate higher future rental income and strengthen our long-term competitiveness.

## Strategic new agreements

Within the Business Area Rental Space, we secured important projects with strategic customers – in Norway with Akershus municipality and with Helsinki city in Finland. Within Business Area Permanent Space, several new projects were sold, most notably daycare centres projects in Valdemarsvik and Sundbyberg municipalities in Sweden.

Our total portfolio of rentable square meters exceeded one million during the quarter, with a stable and close to optimal utilization rate of 85% for the period. The average rent per square metres in constant currencies for January to September was EUR 154 compared to EUR 158 in the previous year.

## Operational excellence delivers improvements

In the second quarter, we launched an operational excellence program with the purpose to enhance efficiency across the Group. We continued our improvements in Business Area Permanent Space with a dedicated focus on LEAN production, direct material sourcing, standardization of product structure, improvement in procurement processes and organisational efficiency. The initiatives have already delivered improvements in our manufacturing network as well as extracted sourcing related savings. Worth mentioning, a EUR 17.8 million cash was tied up in Net working capital during the third quarter 2019 in connection with the implementation of the new ERP-system. The integration of Nordic Modular Group acquisition continues according to plan, with total annual synergies in the range of EUR three to four million to be realised in 2020.

## Favourable structural drivers

The low market activity we have seen during the year is now expressed in lower revenues during the third quarter, with impact on quarters ahead. Meanwhile, the needs in the public sector remains and our long-term view of the market development stays unchanged. An old and ageing building stock with substantial renovation needs, urbanization, demographic changes, growing number of pupils and enrolled children in daycare centres, a growing elderly population, as well as an underlying penetration where modular buildings become increasingly appreciated, are examples of market drivers that will create persistent demand for our solutions, today and tomorrow.

We continue to work close to our current and prospective customers to gain deeper understanding of their needs and challenges to secure our relevance in the market. At the same time, we consistently develop our commercial offering, pricing tactics and customer service to stay ahead of the competition, build strong partnerships and become the most customer-oriented company in the industry.

## **Invitation to presentation of Adapteo Interim Statement January-September 2019**

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

A conference call with a presentation for investors, analysts and media will be held at 11.00 CET.

The presentation will be held via teleconference and webcast by President & CEO Philip Isell Lind af Hageby and CFO Timo Pirskanen. The session will start with a presentation, followed by a question-and-answer session and will be held in English. A recorded version will be available after the conference at [adapteogroup.com](http://adapteogroup.com) under Investor Relations.

Dial in numbers and links to conference call:

Finland: +358981710523

Sweden: +46856642706

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UK: +443333009264

Link to webcast: <https://tv.streamfabriken.com/adapteo-q3-2019>

## **For additional information, please contact**

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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, day care centres, 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](http://www.adapteogroup.com)

Space to grow