

**YrkesAkademin**  
**Third quarter 2018**

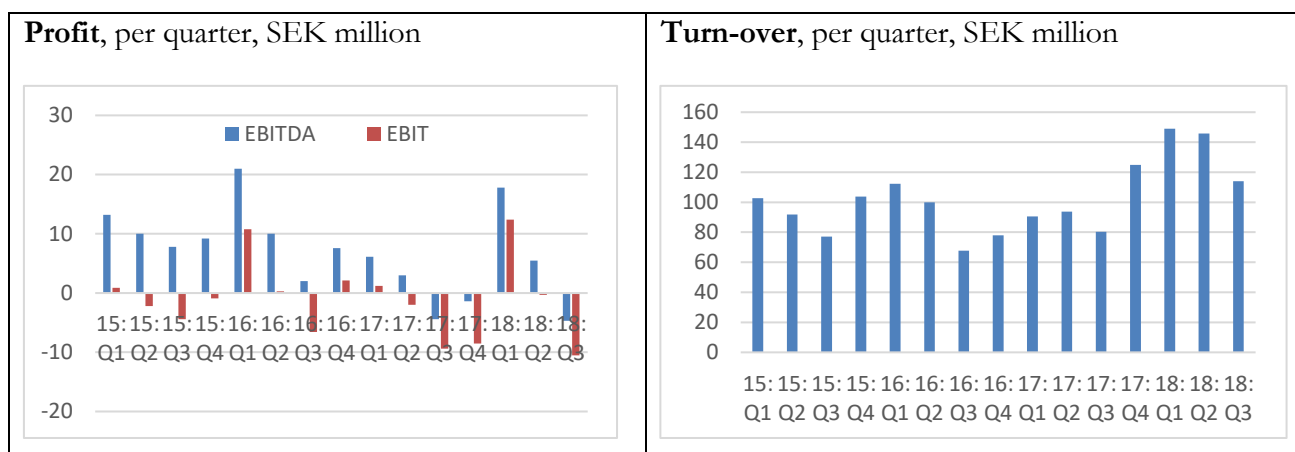
**FINANCIAL OVERVIEW**

**Third quarter, July – September 2018**

- Net sales increased 42% from last year’s third quarter to SEK 114.1 million (Q3 2017: 80.3)
- EBITDA was SEK -4.7 million (-4.4)
- EBIT was SEK -10.5 million (-9.4)
- Cash flow amounted to SEK -3.0 million (-7.3)
- Net debt amounted to SEK 401.2 million (393.1)

**Nine months period January-September 2018**

- Net sales increased by 55% to SEK 409.1 million (264.6)
- EBITDA was SEK 18.5 million (4.7), or 4.5% (1.8%)
- EBIT was SEK 1.6 million (-10.2), or 0.4% (-3.4%)
- Cash flow amounted to SEK -4.0 million (-17.4)



**CEO COMMENT**

As usual, the third quarter results are suppressed by low volumes over the vacation months and gap between semesters, affecting income from all customer segments - Employment education, Vocational University courses, Vocational secondary education as well as corporate skill-up courses.

This year, the negative effect was further amplified by The Swedish Public Employment Service’s savings program announced in May. The target to reduce volumes in active employment programs by 11% compared to 2017, has been widely exceeded in the third quarter. Despite the decrease, YrkesAkademin increased its participant volumes in the quarter compared to last year and thus increased its market shares further.

The prolongation of the state budget should have a slightly positive effect on Employment education, balanced by a negative effect on Vocational University courses and municipality sponsored vocational training. However, a new Government, or the Parliament, will most likely change the state budget frames. Even if it is uncertain how a lifelong learning will be funded, the need for competence development in the quickly automatized and skills driven labor market is obvious. YA is well positioned to capture the demand for skills development wherever it occurs.



**About YrkesAkademin:** YA Holding, including subsidiaries, is a Sweden based educational company. The business is primarily conducted in YrkesAkademin, the largest subsidiary. YrkesAkademin is one of the leading companies in the Swedish vocational education and labor market training industry. YrkesAkademin conducts training in several areas, including professional drivers, machine operators, industry, restaurant, real estate maintenance, construction and vehicle mechanics, professional Swedish as well as vocational secondary and university education.

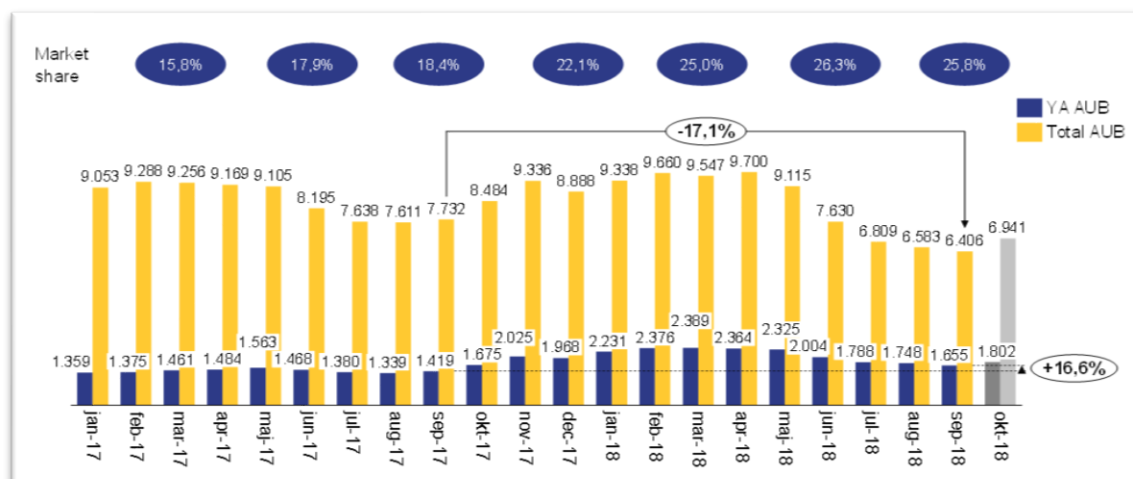
## MARKET AND SALES DEVELOPMENT

The Public Employment Service has so far this year reduced the total number of people enrolled in various active labor market programs - Employment training (AUB), Preparatory education (FUB), Support and matching (STOM) and introduction to work (INAB) - twice as much as the eleven percent foreseen and communicated in May. In September the number of participants in these programs, 33.897, were 38 percent lower the number of participants in 2017.

The largest drop in participants has not been within employment education, but in preparatory courses and support and matching. Still, the total number of participants in employment courses has been reduced by 17% from October 2017 to 2018. In the same period, YrkesAkademin has increased its number of participants by 17%, expanding its market share from 18% to 26%. But still, YA has in Q3 had a lower level of participants than anticipated after the high volumes in the spring. In addition, the growth of participants in the newly started professional Swedish courses has not been in line with predictions due to the savings ambitions of the authority.

### Number of people in Employment Education

Total participants in Employment courses (AUB). YA, market and market share 2017-2018



In parallel, the growth of Vocational University has continued. YA will under the autumn increase its number of courses to more than 30, and is approaching 1000 students, which will be close to twice the level of Q3 2017. In September, income from YH was about 50% higher than in 2017.

The secondary vocational education has also grown, even if the pace of the growth is somewhat unclear due to lack of statistics. YA has grown its number of pupils to around 400, which at the end of the quarter generated 50% higher income than at the end of Q3 in 2017.

In Finland, YA has gained frame agreements in Oulu, Kuusamo, Raahe and Satakunta in addition to the initiated courses. The expected business value of these frame agreements is approximately SEK 5m for 2019.

### **In the quarter**

The cost adaptation program that was initiated to meet the drop in Employment training volumes has been implemented step by step through the autumn. The number of rented trucks and buses has been reduced, excavators have been sold and leased back to enable quick and agile adjustment to changes in participants.

Temporary shut down of eight education sites, in addition to lost contracts in primarily real estate maintenance, has been initiated in dialogue with customers to meet a very low local demand of the offered and contracted educations, especially within professional Swedish, but also in other skills areas. YA is ready to open these educations again, should the demand increase.

The real estate educations have successfully been reduced as the contracts have expired and number of participants has decreased.

In total, cost of staff and consultants has decreased by SEK 4,1m, or 7,4% from Q1 to Q3 and the cost reduction will continue in Q4.

In addition, YA has initiated a staff reduction program. Teaching staff will be reduced to meet the actual demand of education and be agile to further reductions should that be necessary. Management, overhead and administrative staff will be reduced and adjusted to the smaller number of Employment courses participants and growth in Vocational university and secondary courses.

Due to labor laws, the reduction program will start to come into effect in late December and then gradually increase through the first quarter. In full effect, it is estimated to cut staff costs by SEK 15-20m annually, but the actual net effect is dependent of the size of new education starts as well as changes in participant rates in existing courses.

In the quarter, YA won tenders in crane operator education, where contracts have been signed for educations in four regions, covering most of southern Sweden. Since this is the first time the education is held, it is difficult to foresee the volume and income from the courses.

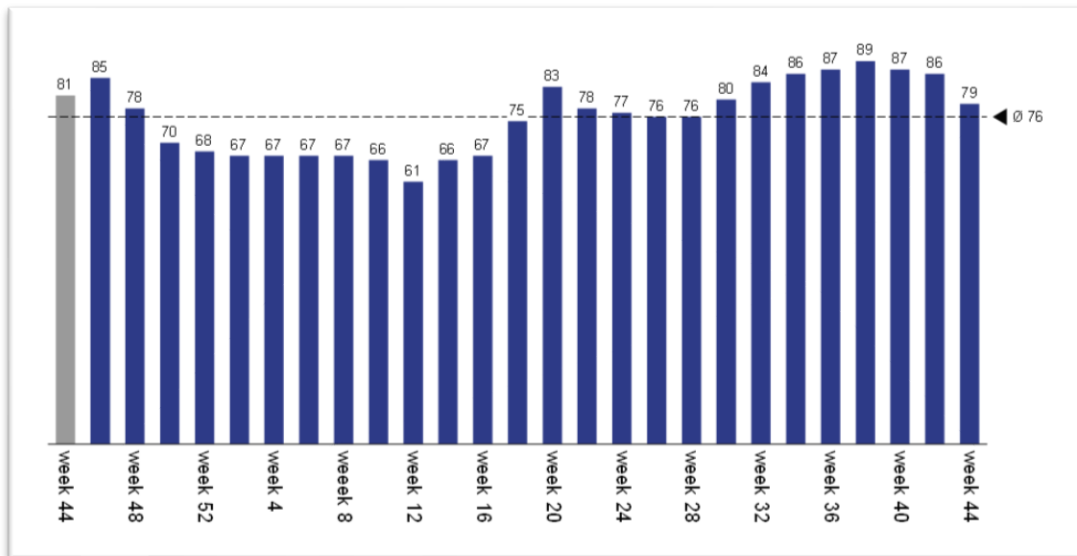
In addition, YA has won authorization for secondary vocational education across the greater Stockholm region, and expanded authorization for TSL educations, as well as smaller courses such as waiter/waitress training in Örebro municipality and introduction to construction in Borlänge municipality.

Last year's average share of participants that were employed three months after an education was 76%. In the quarter, the share was substantially higher due to a large demand for summer substitutes in the YA trades.

In general, the high demand for skilled labor, regardless of background or language perfections continues, which gives the immigrants that have arrived in the last 5-10 years an extraordinary opportunity to get a job and a firm connection to Swedish labor market and society.

**Share of participants in employment within three months after course end**

Three months after education end, average last 8 weeks, based on participants answers



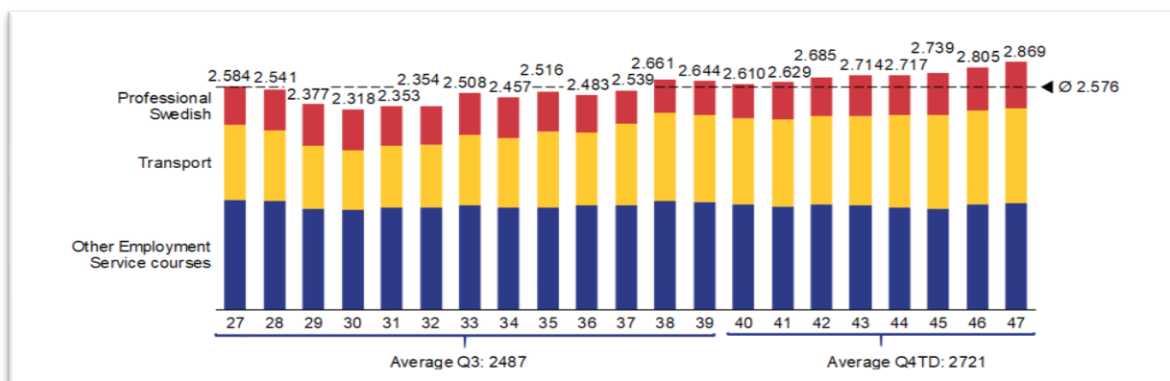
The subdued results affected the cash flow negatively in the third quarter. To counter act liquidity challenges, real estate as well as excavators were sold in the third quarter and in the beginning of the fourth quarter. In total, sales of real estate amounted to SEK 3.7m, and an excavator value of SEK 15m was realized.

**Events after the third quarter**

The cost adjustment program was implemented in the beginning of the fourth quarter, with effects expected in Q1 2019. In addition, income from The Employment Service increased as volumes picked up somewhat after the summer. The number of participants in Employment courses per week increased on average by close to ten percent from the third quarter to the first 8 weeks of Q4. Average weekly income from the Employment Service increased in the same period by 12 percent, due to a somewhat faster increase in the educations with higher price, such as Transport.

**Number of participants per week**

Q3-Q4 to date



YA lost an existing contract in Garden work education in Örebro for the Employment Service, but has appealed the decision.

In November, YA won 6 of the 10 new real estate contracts. Since YA used to have real estate education in 11 sites, the business value is lower than the previous contracts that have been terminated over the spring and summer. The 10 days appeal period means that the tender may still be appealed and contracts can be signed only after publication of the report.

Despite the improved financial performance during 2018, YA's profitability is subdued by the decrease in market size of employment education. A cost adjustment program is implemented, and the business plan is developed to increase profitability in the new market situation. This entails a review of the existing capital structure, including the corporate bond loan, and Pareto Securities has been engaged as financial adviser to explore available options. More information regarding the process will be announced when available.

## KEY FINANCIAL INFORMATION

(MSEK)	Quarter		Full Year	
	(Jul-Sep) 2018	(Jul-Sep) 2017	(Jan - Sep) 2018	(Jan - Sep) 2017
Net sales	114,1	80,3	409,1	264,6
EBITDA	-4,7	-4,4	18,5	4,7
EBITDA margin, %	-4,2%	-5,5%	4,5%	1,8%
EBIT	-10,5	-9,4	1,6	-10,2
EBIT margin, %	-9,2%	-11,8%	0,4%	-3,9%
Net debt	401,2	374,1	401,2	374,1

## KEY RATIOS

Leverage (net debt/EBITDA)	23.7x
Interest coverage (EBITDA/Net finance charges)	0.6x

## BUSINESS DEVELOPMENT DURING THE THIRD QUARTER

### Revenues

#### Third quarter July-September 2018

Revenue amounted to SEK 114.1 million (80.3) for the quarter. The average number of students in AUB was 2281 (1475) for the period. The increase versus prior year is despite a reduction of the total number of participants and the closing of the real estate courses, and stems primarily from new Professional Swedish courses as well as Truck and Bus driver education.

#### Nine months period January - September 2018

Revenue amounted to SEK 409.1 million (264.6) for the period. The average number of students in AUB has been 2715 (1607) for the period. The increase versus prior year is despite a reduction of the total number of participants and the expired real estate education contracts, and stems primarily from new Professional Swedish courses as well as Truck and Bus driver education.

## **Earnings**

### **Third quarter July-September 2018**

EBITDA amounted to SEK -4.7 million (-4.4) for the quarter.

The result is affected by summer as well as a general decrease in the demand of Employment courses and start-up costs for Vocational University courses and Professional Swedish courses.

### **Nine months period January - September 2018**

EBITDA amounted to SEK 18.5 million (4.7) for the period.

The improved result in the period is primarily due to increased transport education and lower start-up costs in 2018 compared to 2017.

## **Cash flow and financial position**

Cash flow from operating activities amounted to SEK -11.8 million (-15.9) during the quarter. For the nine months-period operating cash flow amounted to SEK -7.8 million (-21.0).

Cash flow from investing activities amounted to SEK 2.0 million (-2.8) during the quarter and SEK -24.4 million (-7.8) for the nine months-period.

Cash flow from financing activities amounted to SEK 6.8 million (11.3) during the quarter and SEK 28.1 million (11.4) for the nine months-period.

Total cash flow amounted to SEK -3.0 million (-7.4) during the quarter and SEK -4.0 million (-17.4) for the nine months-period.

## **OTHER DISCLOSURES**

### **Average number of employees in the Group**

For the period, the average number of employees (FTE) in the Group was 483 (359).

### **Reporting dates**

Interim report Q4, 2018

February 28, 2019

### **Accounting policies**

This interim statement has been prepared in accordance with IAS 34 Interim Financial Reporting. For a description of the Group's accounting policies, reference is made to the financial statement for 2017. Goodwill is tested annually for impairment in accordance with IAS 36.

### **Significant risks and uncertainty factors**

Significant risks and uncertainties are described in the financial statement for 2017.

This interim report has not been reviewed by the Company's auditors.

Falun, November 26, 2018

The Board of Directors

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## FINANCIAL STATEMENTS

### Income statement and other comprehensive income

	2018-07-01	2017-07-01	2018-01-01	2017-01-01
(SEK thousands)	2018-09-30	2017-09-30	2018-09-30	2017-09-30
Net sales	114 059	80 270	409 079	264 633
Other operating income	5 834	328	6 850	1 271
<b>Total</b>	<b>119 893</b>	<b>80 598</b>	<b>415 929</b>	<b>265 904</b>
<i>Operating expenses</i>				
Other external costs	-64 292	-44 324	-207 955	-137 011
Employee benefit expenses	-57 294	-40 472	-186 299	-123 012
Amortisation and depreciation of intangible and tangible fixed assets	-5 782	-5 037	-16 870	-14 951
Other operating expenses	-3 056	-199	-3 171	-1 154
<b>Operating result</b>	<b>-10 531</b>	<b>-9 434</b>	<b>1 634</b>	<b>-10 224</b>
<i>Profit/loss from financial items</i>				
Other interest income and similar profit items	12	14	30	48
Interest expense and similar loss items	-7 367	-7 341	-21 583	-21 695
<b>Result after financial items</b>	<b>-17 886</b>	<b>-16 761</b>	<b>-19 919</b>	<b>-31 871</b>
Tax on profit for the period	3 970	4 211	4 559	8 712
<b>Net result for the period</b>	<b>-13 916</b>	<b>-12 550</b>	<b>-15 360</b>	<b>-23 159</b>



## BALANCE SHEET

(SEK thousands)	2018-09-30	2017-09-30	2017-12-31
<b>Non-current assets</b>			
<i>Intangible assets</i>	488 411	489 442	489 178
<i>Tangible fixed assets</i>	79 402	72 655	71 129
<i>Financial assets</i>	4 351	209	2 485
<b>Current assets</b>			
<i>Current receivables</i>	74 909	63 403	67 202
<b>Cash and bank balances</b>	1 964	5 009	5 995
<b>Total assets</b>	<b>649 037</b>	<b>630 718</b>	<b>635 989</b>
<b>Equity</b>	<b>130 844</b>	<b>159 693</b>	<b>146 209</b>
<b>Liabilities</b>			
<i>Deferred tax</i>	-	6 091	-
<i>Long-term interest-bearing debt</i>	393 040	391 649	370 212
Bond loans	335 000	335 000	335 000
Other non-current liabilities	58 040	56 649	35 212
<i>Short-term interest-bearing debt</i>	20 237	6 476	13 948
<i>Current liabilities</i>	104 916	66 809	105 620
<b>Total equity and liabilities</b>	<b>649 037</b>	<b>630 718</b>	<b>635 989</b>

## STATEMENT OF CHANGES IN EQUITY

(SEK thousands)	Share capital	Other paid in capital	Retained earnings	Total
<b>Opening balance as of January 1, 2018</b>	<b>500</b>	<b>241 700</b>	<b>- 95 991</b>	<b>146 209</b>
Net profit			- 15 360	- 15 360
Results relating to foreign subsidiaries			- 5	- 5
<b>Closing balance as of September 30, 2018</b>	<b>500</b>	<b>241 700</b>	<b>- 111 356</b>	<b>130 844</b>

## CASH-FLOW STATEMENT

	2018-07-01	2017-07-01	2018-01-01	2017-01-01
(SEK thousands)	2018-09-30	2017-09-30	2018-09-30	2017-09-30
<b>Operating profit (EBIT) for the period</b>	-10 531	-9 434	1 634	-10 224
Depreciation/amortization	5 783	5 037	16 870	14 951
Interest paid/received	-7 355	-7 327	-21 553	-21 647
Income tax paid	-847	-819	-2 471	-2 068
<b>Cash flow from operating activities before change in operating capital</b>	-12 950	-12 543	-5 520	-18 988
Change in operating working capital	1 157	-3 312	-2 247	-2 051
<b>Cash flow from operating activities</b>	-11 793	-15 855	-7 767	-21 039
<b>Cash flow from investing activities</b>	1 977	-2 816	-24 376	-7 785
<b>Cash flow from financing activities</b>	6 847	11 290	28 112	11 434
<b>Cash flow for the period</b>	-2 969	-7 381	-4 031	-17 390
<b>Cash and cash equivalents, opening balance</b>	4 933	12 390	5 995	22 399
<b>Cash and cash equivalents, closing balance</b>	1 964	5 009	1 964	5 009

## DEFINITIONS

EBITA	Earnings before interest, tax and amortization.
EBITDA	Earnings before interest, tax, depreciation and amortization.
EBITA-margin	EBITA as a percentage of net sales.
EBITDA-margin	EBITDA as a percentage of net sales.
Net debt	Interest-bearing liabilities less cash balances excluding shareholder loans.
Number of annual employees	Average number of employees for the period
Lease contracts	Finance lease contracts are recorded as asset on the balance sheet and the value of the lease payments as debt. Depreciation is charged on the asset over the useful economic life.
<b>Translation</b>	
Arbetsförmedlingen, AF	The Swedish Public Employment Service
Yrkeshögskola	Vocational University
Arbetsmarknadsutbildning, AUB	Employment Training
Kunskapslyftet	Adult Education Initiative
Yrkesvux	Vocational Secondary School Education
Yrkesvenska	Professional Swedish Education