

# Cedergrenska

## Where the teachers can thrive

- One of Sweden's leading independent schools
- 14% sales and 10% EBITA CAGR '19/'20-'22/'23e
- DCF scenarios yield a fair value range of SEK 43-76

### Targets geographical clusters in growing municipalities

A few players have established themselves behind the two largest independent school companies AcadeMedia and Engelska Skolan. Cedergrenska is one of them, thanks to rapid expansion in the last couple of years, with ~6,000 students spread between 26 schools, making it the eighth largest independent school in Sweden. The company targets geographical clusters where the schools collaborate and share resources, and has given utmost importance to the role of the teacher. Cedergrenska offers education from preschool up to higher vocational education, but the lion's share of revenue stems from Compulsory- and Upper Secondary schools. For example, it operates the largest independent Upper Secondary school with Tibble Gymnasium Campus Täby, which has 1,700 students. The company targets annual sales growth of 15% (7% organic) and an EBITA margin exceeding 8%.

### Aiming to be a part of the ongoing market consolidation

Cedergrenska has been active in M&A in recent years. During the last five years the revenue CAGR has been 32%, whereas the organic revenue CAGR has been 10%. Even though some larger independent actors have established themselves in the market, there are still many small independent companies that only operate one or two schools. Therefore, we think Cedergrenska has a solid position to continue its M&A driven agenda on top of the 7% organic growth it targets. We forecast organic growth of 5.1% on average over the coming four years with an EBITA margin of 8.1%. For the period '19/'20-'22/'23e we forecast sales and EBITA CAGR's of 14% and 10%, respectively.

### Successful M&A could create value

To arrive at our fair valuation range of SEK 43-76, we have used an equal weighted average of three DCF scenarios: 1) assuming ~5% organic growth and an 8% EBITA margin, 2) assuming 7% organic growth and the same margin, and 3) assuming ~5% organic growth but a 4% EBITA margin. In addition, we have elaborated with M&A scenarios that could add SEK 18-31 per share.

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SEKm	2019	2020	2021e	2022e	2023e
Sales	318	505	601	720	761
EBITDA	37	53	64	69	73
EBITDA margin (%)	11.8	10.5	10.7	9.5	9.6
EBIT adj	20	29	41	33	36
EBIT adj margin (%)	6.3	5.8	6.9	4.5	4.7
Pretax profit	19	27	34	30	35
EPS rep	1.13	1.55	1.83	1.60	1.91
EPS adj	1.13	1.55	2.27	1.60	1.91
Sales growth (%)	192.7	58.9	19.0	19.8	5.7
EPS growth (%)	325.6	37.5	18.4	-12.9	19.4

Source: ABG Sundal Collier, Company data

Reason: Initiating coverage

## Company sponsored research

Not rated

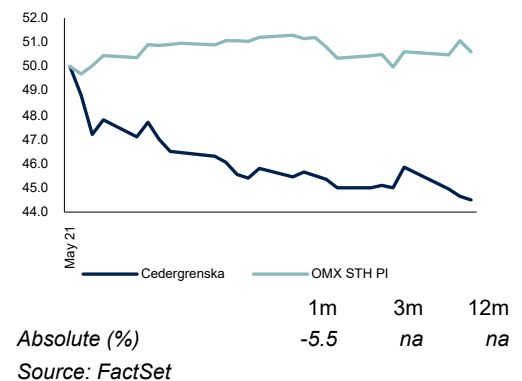
Share price (SEK) 30/06/2021 44.5  
 Fair value range (per share) 43-76

Services, Sweden  
 CEDER.ST/CEDER SS

MCap (SEKm) 516  
 MCap (EURm) 51  
 Net debt (EURm) 1  
 No. of shares (m) 11.6  
 Free float (%) 17  
 Av. daily volume (k) 15

Next event Q4 report: 30 Aug

## Performance



	2021e	2022e	2023e
P/E (x)	24.3	27.8	23.3
P/E adj (x)	19.6	27.8	23.3
P/BVPS (x)	3.71	3.27	2.87
EV/EBITDA (x)	8.1	6.9	5.9
EV/EBIT adj (x)	12.6	14.6	12.0
EV/sales (x)	0.87	0.66	0.57
ROE adj (%)	50.4	30.0	28.5
Dividend yield (%)	0	0	0
FCF yield (%)	4.3	9.2	8.4
Lease adj. FCF yld (%)	4.3	9.2	8.4
Net IB debt/EBITDA	0.1	-0.6	-1.2
Lease adj. ND/EBITDA	0.1	-0.6	-1.2

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

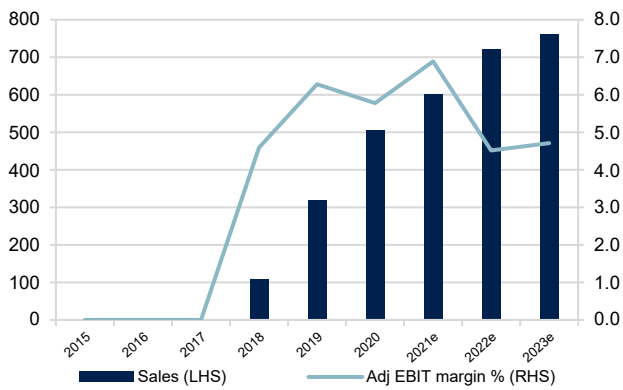
## Company description

Cedergrenska is a Swedish independent educational provider founded in 2007. It offers a broad range of education, from preschools to higher vocational education. The majority of revenues stem from compulsory and upper secondary schools located in the northeast Stockholm region. The company runs its schools under a framework called "The Cedergrenska model", which is based on geographical clusters where schools within cooperate to enhance education, create attractive workplaces and reach economies of scale.

## Risks

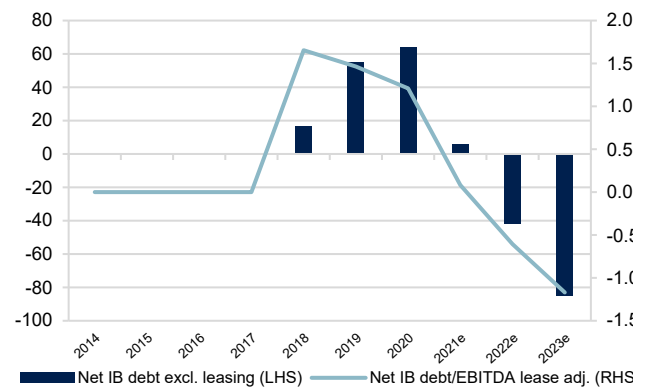
The two key operational risks the company faces are sufficient funding from the school vouchers and political reforms. Swedish municipalities are facing economic constraints from an ageing population and there is concern about how this will translate to school vouchers. Furthermore, the political landscape is far from predictable, and we cannot rule out reforms that will be negative for independent school actors in the future.

### Annual sales and adj. EBIT margin SEKm



Source: ABG Sundal Collier, Company data

### Lease adj. net debt and ND/EBITDA



Source: ABG Sundal Collier, Company data

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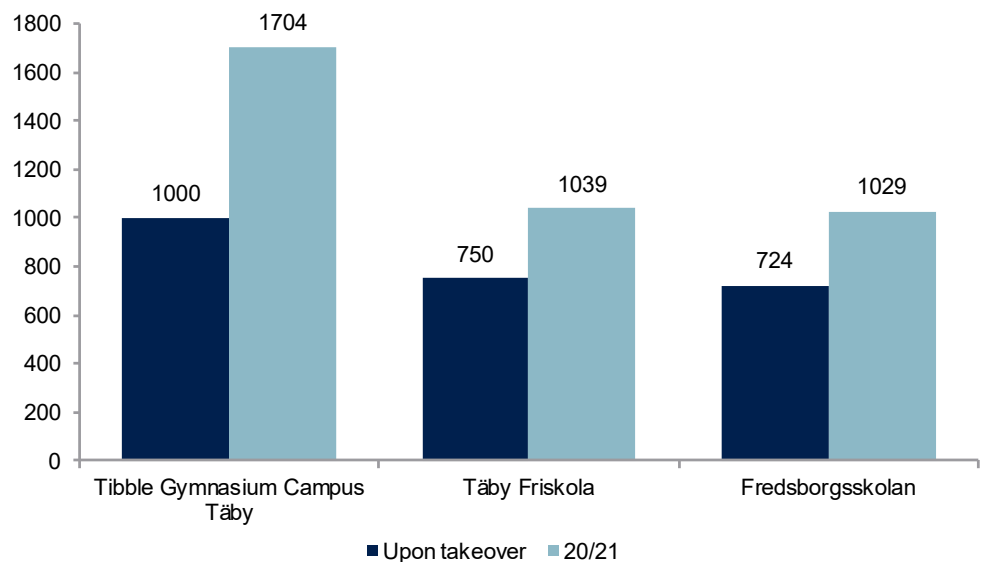
## Cedergrenska in brief

***Cedergrenska is a Swedish educational provider founded in 2007. It operates 26 school units in the northeast region of Stockholm, which is one of the fastest growing regions in Europe. The company operates pre-, compulsory- and upper secondary schools along with one school for higher vocational education. Most of the revenue comes from the compulsory and upper secondary schools. In total, there are ~6,000 students in the group's schools and it had 578 full-time equivalents (FTEs) as of 31 March.***

Cedergrenska started in 2007, when the municipality of Täby sold Tibble Gymnasium to the then principal and CFO. The new owners offered the employees partnerships in the company, TFG. However, they were both approaching retirement, and in 2011 they sold the school to the incoming principal, Håkan Söderström, and the economics and history teacher, Niklas Pålsson, who also became the CEO of TFG in addition to his duties as a teacher. The duo formed the backbone of what later became Cedergrenska, but from 2011 they operated Tibble Gymnasium with the vision of becoming the most coveted upper secondary school in northeast Stockholm.

Apart from the acquisition of Täby Friskola in 2012, the period between 2011 and 2017 was focused on developing the organisation organically and the education it offered. The teachers were put in focus, especially the ones with a greater drive were given additional freedom to express their thoughts and ideas. In conjunction with additional efforts to attract highly qualified teachers, the quality of the schools' education was strengthened. For example, Tibble Gymnasium went from having 280 applicants having the school as their first choice in 2011 to having over 600 having it as their first choice in 2017.

### Historical organic growth, number of students



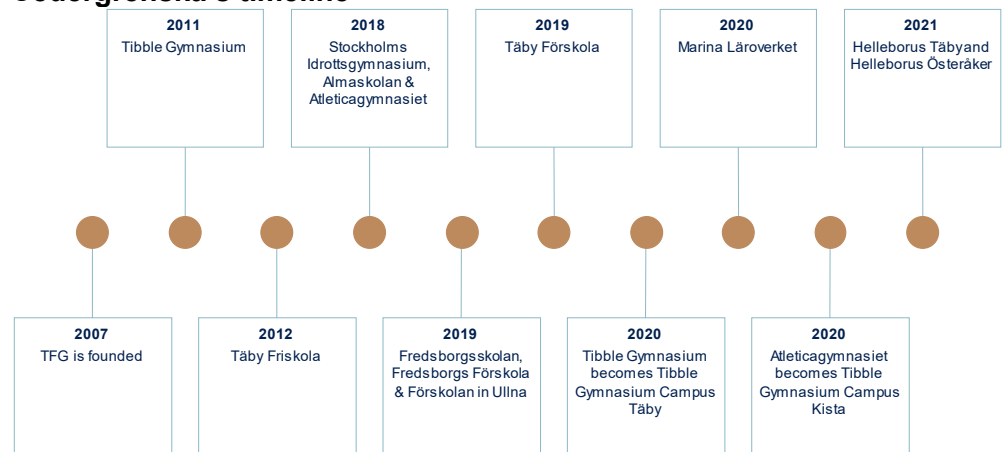
Source: ABG Sundal Collier, company data

From 2018, Cedergrenska started to put greater emphasis on its acquisition strategy by acquiring Stockholm Idrottsgymnasium, Athleticagymnasiet and Almaskolan. The acquisitions established Cedergrenska within sports education in Stockholm and gave a more diverse range of education. In 2019, an additional four acquisitions were made when Förskolan i Ullna, Täby Förskola, Ullnaskolan and Fredsborgsskolan joined the group. These acquisitions contributed to a new segment

in pre-schools and strengthened the offering for compulsory schools, where for example Fredsborgsskolan was one of Österåker’s largest compulsory schools.

In 2020, Marina Läroverket was acquired, which further strengthened the offering within upper secondary schools and gave Cedergrenska its first school within higher vocational training, specialised in lake and archipelago education. Athleticagymnasiet also underwent development work in 2020 in close collaboration with Tibble Gymnasium to increase the quality of the school's education. In conjunction with this, the school moved from Kungsholmen to Kista and changed its name to Tibble Gymnasium Campus Kista. The most recent acquisition was made in 2021, when Helleborusskolan was acquired, which is a compulsory school with branches in Täby and Österåker for students in need of extra support.

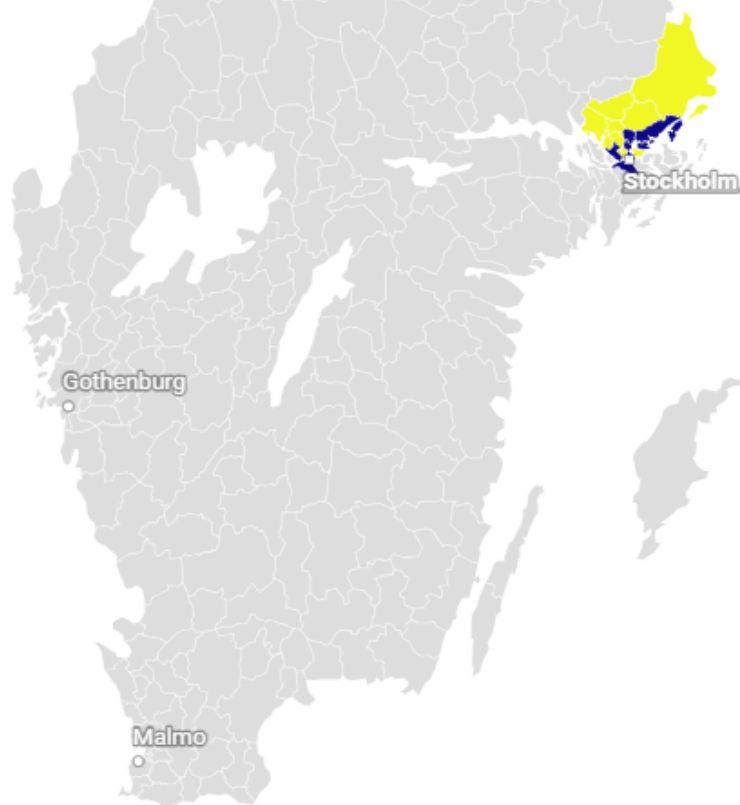
**Cedergrenska’s timeline**



Source: ABG Sundal Collier, company data

The company’s aim is to let each school operate in a decentralised system, with freedom to operate and develop the school and the education offered independently of the group. However, Cedergrenska will actively support the schools with functions such as finance, IT, service & maintenance, personal development and communication. The thought behind this approach is to make life easier for the principals and teachers so they can spend more time on optimising the actual teaching. Cedergrenska strongly believes that it is the teacher that has the greatest impact on students and that it is their work that should be put in focus.

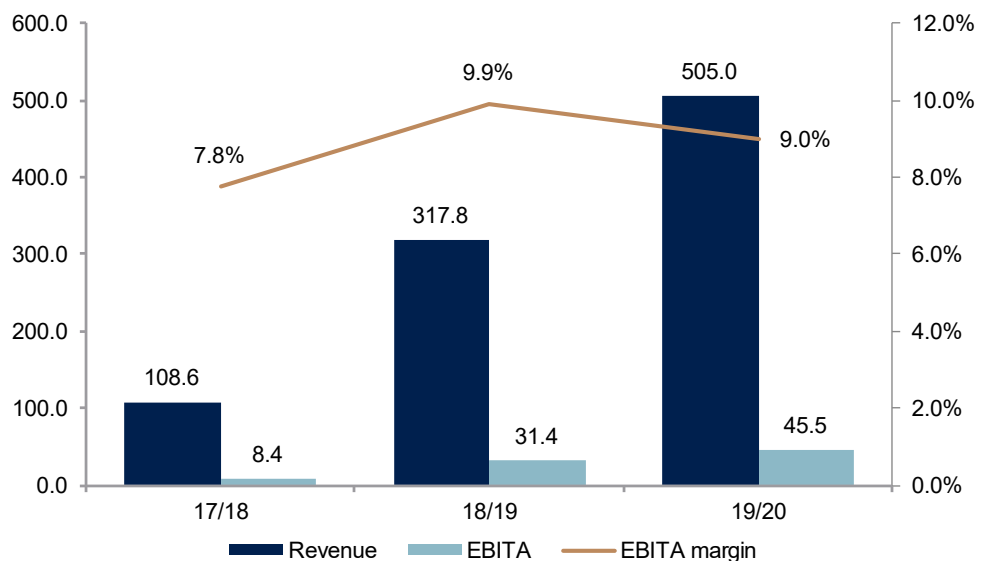
**Geographical exposure in blue, whole cluster in yellow**



Source: ABG Sundal Collier, company data

Today, Cedergrenska operates 26 school units in the northeast Stockholm region, of which 8 are pre-schools, 12 compulsory schools, 5 upper secondary schools and 1 higher vocational education centre. Almost 6,000 students attend one of Cedergrenska’s schools and the group had 578 FTEs as of 31 March. In the fiscal year 19/20, ending 30 June 2020, the company had revenues of SEK 505m, and in the last five years, the revenue CAGR has been 32%, of which 10% was organic. Håkan Söderström and Niklas Pålsson are still active in the company: Håkan as school and quality chief and Niklas as CEO. They are also to the two largest shareholders.

**Revenue & EBITA, SEKm, and EBITA margin, %**



Source: ABG Sundal Collier, company data

## The Cedergrenska model

Cedergrenska offers a broad range of education from pre-schools to higher vocational education. The company has no specific pedagogical focus, rather it encourages the distinctive character of each school. However, all schools should operate within the framework of what the company calls the Cedergrenska model. The model is based on the company creating geographical clusters in which the schools within them co-operate to enhance the education, create attractive workplaces and achieve economies of scale.

### Establish new geographical clusters

The established cluster in the northeast Stockholm region is defined as 13 municipalities and the north-, west- and central parts of the City of Stockholm. Cedergrenska currently has presence in four of those municipalities. The company says short distances between the schools within the cluster are of great importance in order to realise the synergies that the company sees. It includes access to educational facilities, sports facilities and other resources that can be shared between the schools in the cluster to maximise the utilisation. The ability to share resources allows smaller schools to perform activities more effectively. It also creates economies of scale for Cedergrenska's support functions.

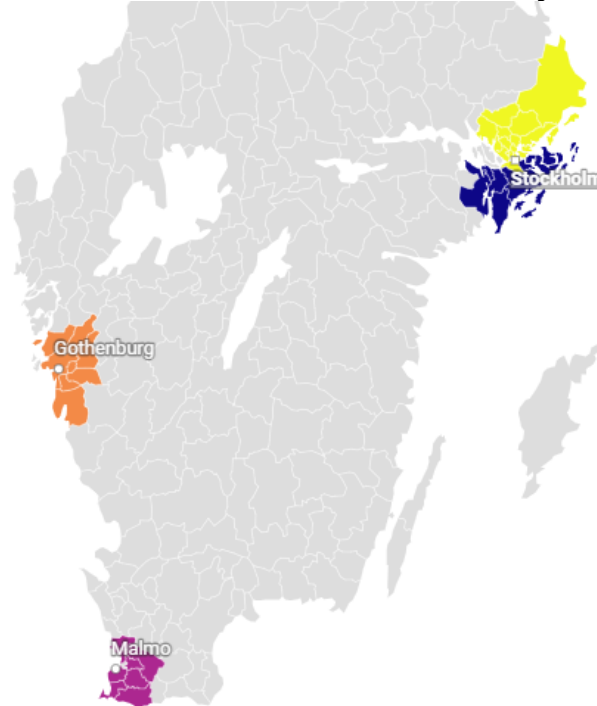
### Cedergrenska's current cluster, northeast Stockholm region

Municipality	Active	Inhabitants	% independent		within municipality	other municipality
			Preschool	Compulsory	Upper Secondary	Upper Secondary
Täby	x	72,755	92%	38%	43%	20%
Österåker	x	46,644	38%	33%	15%	38%
Danderyd	x	32,712	47%	21%	21%	29%
Stockholm (N,V & C)	x	975,551	37%	25%	38%	9%
Lidingö		48,005	34%	27%	2%	34%
Vaxholm		11,886	29%	12%	0%	70%
Sollentuna		73,990	62%	25%	7%	23%
Solna		83,162	46%	35%	4%	48%
Järfälla		81,274	29%	18%	4%	37%
Upplands Väsby		47,184	65%	48%	3%	42%
Upplands-Bro		30,195	17%	13%	0%	25%
Sigtuna		49,537	23%	17%	20%	23%
Vallentuna		34,119	66%	22%	0%	48%
Norrtälje		63,673	44%	23%	17%	15%
Sundbyberg		52,801	26%	34%	4%	45%
<b>Average</b>			<b>44%</b>	<b>26%</b>	<b>12%</b>	<b>34%</b>
<b>Total</b>		<b>1,703,488</b>				
<b>Total excl Stockholm</b>		<b>727,937</b>				
<b>Total not active</b>		<b>575,826</b>				

Source: ABG Sundal Collier, company data, SCB, Swedish Association of Independent Schools

In the future, Cedergrenska aims to establish new geographical clusters in larger cities or regions where the demographical pre-requisites allow the management education from pre-schools up to higher vocational education, or at least upper secondary schools. We have identified three clusters that might be of interest for Cedergrenska: south of Stockholm, Gothenburg and Malmö. These clusters have over 600,000 inhabitants. Additional clusters of interest could be Örebro/Västerås and Linköping/Norrköping regions, which have over 400,000 inhabitants although the geographical distances between the larger cities are longer, which might be an obstacle for the company's cluster framework.

**Potential future clusters, current one in yellow**



Source: ABG Sundal Collier, company data

**Cooperation**

The company strives to encourage collaboration between schools in the group, both for principals and teachers. For example, the principals of the schools have a meeting with group management and the support functions every other week. In addition, meetings are also arranged with teachers from different schools for the exchange experiences and to get a broader understanding of the different educational stages. The aim of both meetings is to increase the quality of the education, let everyone express their opinions on the subject and to create an attractive workplace.

**The teacher in focus**

Cedergrenska defines the key to success for the schools and Cedergrenska as a whole as the teachers that perform the high-quality education. To attract the most promising teachers, Cedergrenska needs to create the most attractive workplace, where teachers, first and foremost, can teach. Examples of features Cedergrenska has prioritised to ensure an attractive workplace includes the following:

- Higher proportion of senior teachers
- Trainee programs for young, promising teachers
- Support functions to increase time spent on teaching
- Focus on Learning Technologists to develop the use of digital learning materials
- A yearly budget for career development
- Access to unique facilities to enhance the education
- Recurring events and team building

A survey from 2018 found that teachers in independent schools are more positive about the conditions at the workplaces than teachers in a municipal school. Additionally, teachers in independent schools complained less about not being able



to finish their work during regular working hours than their municipal counterparts.<sup>1</sup> To continue to attract good teachers, we think it will be important to have a good reputation and an attractive workplace, especially as there is a lack of trained teachers in Sweden.

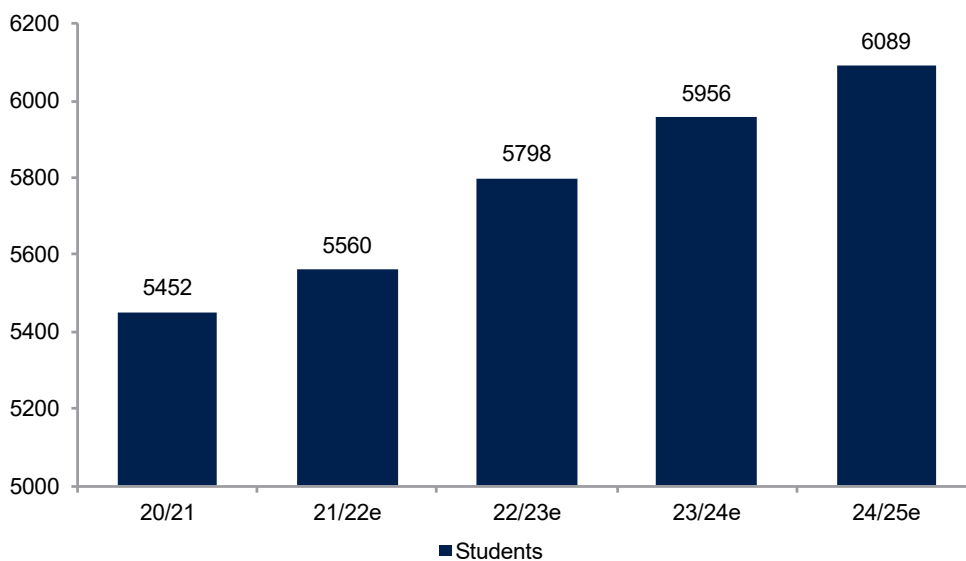
**Brand**

Cedergrenska aims to build and establish strong brands by offering high quality education in its schools. A school that has a good reputation when it comes to quality generates large interest from potential students and a high number of applicants, which ensures that the school operates close to full capacity. When a brand is established, the business becomes sustainable, which benefits students, employees and the owners.

**Growth strategy**

The company has an expansive growth strategy that involves both organic and acquisition-related growth. Cedergrenska has successfully grown Tibble Gymnasium, where number of students increased by 70% between 2011 and 2020. Looking ahead, Cedergrenska has been granted permission to expand its existing operations by building extensions and together with higher utilisation in its current units, it expects to increase the number of students by a CAGR of 3% until the start of the 24/25 school year.

**Organic growth ex. Helleborus, # of students (company estimate)**



Source: ABG Sundal Collier, company data

In addition to the organic growth, Cedergrenska also aims to continue to acquire high-quality schools. Since 2018, 11 school units have been acquired in the northeast Stockholm region and the company still sees possibilities to continue to acquire within the current cluster. Cedergrenska considers that the key for a successful acquisition is that it is willing to work to the Cedergrenska model and that it sees the benefits of joining the group. In parallel to the northeast Stockholm region, Cedergrenska aims to establish additional clusters by acquiring schools with a good reputation in the new region. Although consolidation in the sector has picked up pace in the last couple of years, there are still many small companies that only manage one or two units. Cedergrenska says these companies are more motivated by being able to offer the best possible education rather than by monetary

<sup>1</sup> Jobbhälsöindex Skola 2018

incentives. The company has historically attracted this kind of owner because of the cultural fit and sees them as a prime acquisition targets for the future.

## Vision

Cedergrenska's vision is to be the leading workplace in Sweden for qualified teachers and therefore give them the best conditions for children's and students' learning.

## Financial targets

Targets	Description
Revenue growth > 15%	Revenue CAGR should exceed 15% mid-term
Organic growth > 7%	Organic growth CAGR should exceed 7% mid-term
EBITA margin > 8%	The yearly EBITA margin should exceed 8%
Net debt/EBITDA < 2.0x	Net debt/EBITDA should not exceed 2.0x over time
Pay-out ratio	No dividend is planned for the coming 3 years, the generated cash flow shall be used for additional M&A and continued organic growth

Source: ABG Sundal Collier, company data

## Strengths and competitive advantages

According to the company, it has strengths and competitive advantages in the following six areas:

### Teachers

- Ability to attract and keep highly qualified teachers
- Ability to allow the teachers to spend their time on education
- Clear career paths for teachers
- Recurring offer for the teachers to acquire shares in the company

### Brand

- Ability to develop the education and increase the schools' academic brands

### Geographical clusters

- Ability to create synergies between schools, support functions and the common facilities that Cedergrenska has access to
- Ability to encourage the teachers' willingness to cooperate with colleagues
- Strong local anchoring that benefits the company's organic growth
- Attractive corporate culture that makes competing schools want to be a part of the group

### Decentralised organisation

- Active work from management to develop the schools and give them optimal pre-requisites for a successful school

**Trends**

- Shortage of educational places in large part of Sweden
- Positive demographic outlook and continued urbanisation
- Non-cyclical and politically prioritised sector
- High barriers to entry

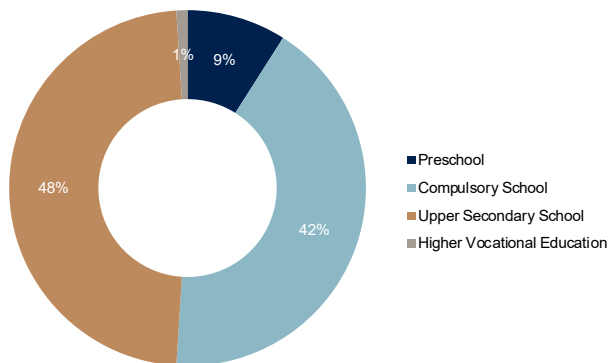
**Management**

- Multi-year experience of proven M&A processes that creates synergies between schools
- Successful history of building and refining school brands
- Proven ability to develop school units and to establish new schools

**Cedergrenska’s schools**

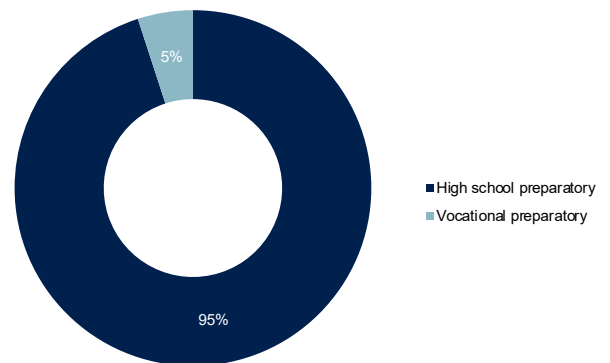
Among the company’s schools there are some of the northeast Stockholm region’s most sought-after compulsory schools in Täby Friskola, Fredsborgsskolan, and Stockholm’s third-most applied to and Sweden’s biggest independent upper secondary school in Tibble Gymnasium Campus Täby. The schools within the group overall are popular. For the autumn of 2020 most of the places within the group’s pre-schools, upper secondary schools and higher vocational education centre were taken. Within compulsory schools, students are primarily admitted in pre-school classes and year 7, with the places for year 7 filled completely whereas the places for the company’s pre-school classes were 94% filled last year.

**Number of students by segment**



Source: ABG Sundal Collier, company data


**Number of students by type of program**



Source: ABG Sundal Collier, company data

The company usually has more applicants than student places available, and works continuously to create more places in its schools. The pre-schools within the group have a queue that is approximately as large as the number of pre-school children, meaning ~500 children. These children often stay within the group and start pre-school class at some off the group’s compulsory schools. Cedergrenska’s three established upper secondary schools fill all student places with applicants that have the schools as their first choice. The fourth, Tibble Gymnasium Campus Kista, is in its start-up phase and the company expects it to reach the same level as the rest of the group in a couple of years. Tibble Gymnasium Campus Täby admitted 603 students last autumn and had 1,003 reserves. Cedergrenska’s view is that it is the school’s academic brand that interests the students and motivates them to apply to some of the schools within the group.

## Overview of Cedergrenska's schools



	Tibble Gymnasium Campus Täby	Täby Friskola	Almaskolan	Stockholms Idrottsgymna sium	Atleticagymn asiet	Kunskap Österåker	Täby Föskola	Fredsberg	Marina Läroverket	Helleborus	Group
<b>Municipality</b>	Täby	Täby	Stockholm Stad	Stockholm Stad	Stockholm Stad	Täby/Österåker	Täby	Österåker	Danderyd	Täby/Österåker	
<b>Type</b>	Upper Secondary	Compulsory	Compulsory	Upper Secondary	Upper Secondary	Preschool	Preschool	Compulsory	US/Higher Vocational	Compulsory	
<b>Year acquired</b>	2011	2012	2018	2018	2018	2019	2019	2019	2020	2021	
<b># of students</b>	1704	1039	162	376	271	245	284	858	575	421	<b>5935</b>
<b>Utilisation</b>	95%	80%	89%	97%	71%	78%	100%	94%	97%	100%	<b>90%</b>
<b>Students/teacher</b>	20.2	17.1	15.2	16.4	15.3	6.6	6.5	16.6	16.8	2.9	<b>11.7</b>

Source: ABG Sundal Collier, company data

# The Swedish school market

*Cedergrenska's business model stems from the de-regulation of the Swedish school system in 1992. This allowed the provision of education by private organisations. Today, almost 30 years later, ~20% of all Swedish children attend privately owned schools in Sweden. The penetration is highest for upper secondary schools, followed by preschools, and we see the least penetration in the compulsory school segment, where roughly 15% of children attend an independent school.*

The Swedish school system is regulated via the Education Act in conjunction with regulations from government agencies. According to Swedish law, school is compulsory for all children from preschool until the ninth grade. Preschool, upper secondary school and higher vocational education is not deemed mandatory, but 85% of children attend preschool in Sweden and over 99% of students finishing ninth grade continue to upper secondary school. Until 1992, the majority of Swedish schools were operated by the state, but the school reform that took place that year also allowed private or independent actors to receive government financing to run a school business. The reform also abolished the proximity principle, which was replaced with a free school choice that allowed for parents and students to choose a specific school independent of geographical location. Today, there are both schools run by municipalities and independent actors; roughly ~20% of all children in Sweden attend an independent school.

## License to operate an independent school

Before a private actor can conduct business in the Swedish school market, a license is needed. The license application system is different depending on which type of education the company intends to provide. For preschool, the municipality is responsible for granting access to private actors. The municipality's license is valid until further notice as long as the private actor meets and complies with the municipality's rules and guidelines. The license for compulsory and upper secondary schools is granted by the Swedish School Inspectorate and is also valid until further notice, given that rules and guidelines are followed. The license is granted for every grade in compulsory school and for every programme in upper secondary school. A license is also required to perform higher vocational education, which is granted by the Swedish National Agency for Higher Vocational Education. Their task also includes supervision of higher vocational education.

## Laws and rules

The education system is regulated by the Swedish Government. The state's mandate requires that education be equal in all parts of the country. The Education Act and related individual regulations are in place in order to assure that education is equal across the country, which includes the overarching goals and guidelines for how school businesses are run in Sweden. The Education Act is the framework for all school activities, i.e. both municipal schools and private actors. In addition, the government also establishes curricula to be followed by all actors in the system. The curricula's treats norms, values, knowledge requirements, the student's responsibility & involvement and assessment in grading. The Swedish School Inspectorate is responsible for supervision in pre-, compulsory- and upper secondary school segments, and it performs regular reviews.

## Voucher system

Independent schools receive compensation on the same premises as municipal schools, i.e. through a child voucher in preschool, a school voucher in compulsory- and upper secondary schools and through state grants for higher vocational

education. In addition to the school voucher, students with special needs can be granted extra funds that are distributed by the municipality. The compensation varies between different stages of education, as well as between different programmes within upper secondary schooling. The compensation covers costs for education, teaching materials, student health, meals, facilities, admin and compensation for VAT. In addition to the voucher system, schools can also receive state grants for government initiatives such as lead teachers, higher salaries for teachers etc. These contributions are administered by the Swedish National Agency for Education after an actor has applied to be part of the initiative. These funds can also be deemed refundable if the initiatives are not followed.

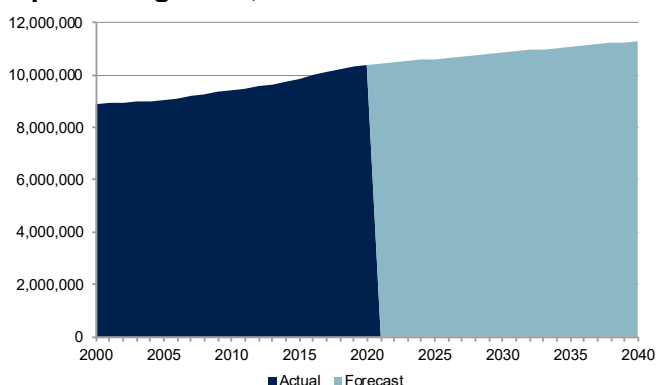
### Trends and driving forces

There are a few trends in the market that put Cedergrenska in a good position to continue to grow its influence on the Swedish education system in the future. We delve into some of them below.

#### Positive demographics

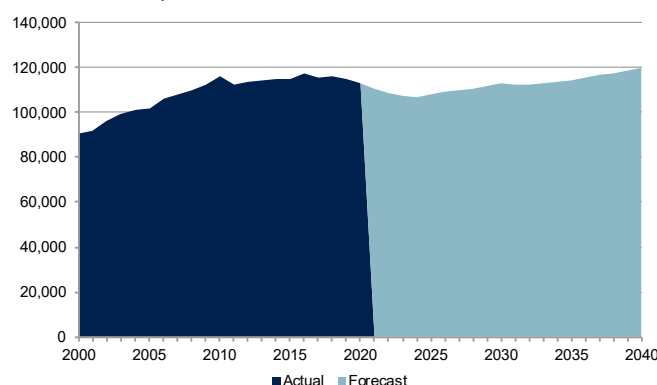
Statistics Sweden (SCB) predicts that the population in Sweden will continue to grow the coming years. In 2040, it predicts that there will be 11.3 million inhabitants in Sweden, up from today's 10.4 million. Births are also predicted to grow, creating a larger student base in conjunction with migration. There are currently roughly 113,000 child births per year in Sweden; by 2040 SCB predicts that figure will reach almost 120,000 per year.

Population growth, Sweden



Source: ABG Sundal Collier, company data, SCB

Child births, Sweden



Source: ABG Sundal Collier, company data, SCB

#### Growing student base

The growth in child births and the Swedish population in general has led to a larger student base and a need for more places within Swedish schools. During 2019/20 there were 522,000 children attending preschool in Sweden, which is 5.8% higher than in 2015/16. For Swedish compulsory school, there was a total of 1,090,000 students in 2019/20, up 10.2% from 2015/16, and the upper secondary schools had 355,000 students in 2019/20, up 9.9% from 2015/16.

#### More students in Swedish schools

School form	Preschool	Preschool class	Compulsory	Upper Secondary	Total
Age	1-5	6	7-15	16-18	1-18
School type	Voluntary	Mandatory	Mandatory	Voluntary	
# of students 19/20	522,000	122,000	1,090,000	355,000	2,089,000
Growth vs 15/16	5.8%	4.9%	10.2%	9.9%	8.9%

Source: ABG Sundal Collier, company data, Swedish National Agency for Education

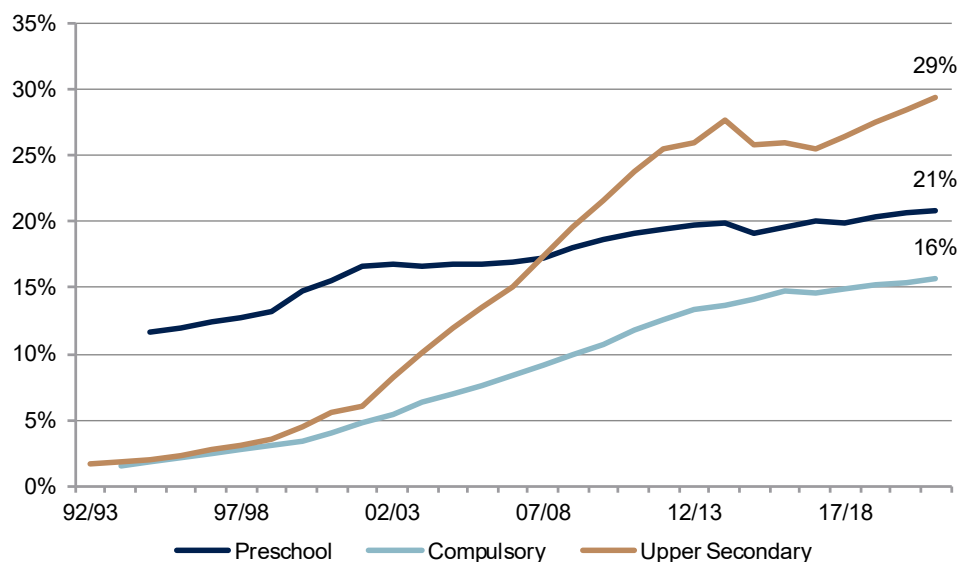
### Shortage of schools in Sweden

Ongoing urbanisation in conjunction with population growth has created a shortage of schools in Sweden, and demand is expected to remain high due to the positive demographic outlook in the coming years. Each municipality is responsible for making sure that all children are offered a place in school. Many growing municipalities have therefore attracted independent schools as a means to solve this issue. We deem that the political debate regarding independent schools is more intense on the state level, whereas local politicians have a more favourable view of independent actors, as they see them as a tool to solve a burning issue many municipalities have when it comes to school expansion.

### Independent schools gaining ground

The share of students that chose an independent school has been increasing since the concept was launched in 1992. Today, there are a total of around 2 million students in the Swedish school system and roughly 20% educate themselves in an independent school. The share is highest for upper secondary school, where 29% of students are enrolled in independent schools. In preschool, independent actors account for 21%; for compulsory school, penetration for independent schools was 16% at the start of 2020/21.

### Penetration of independent actors per category



Source: ABG Sundal Collier, company data, Swedish National Agency for Education

A study performed by the Swedish Association of Independent Schools found that parents chose independent schools because of a lack of violence/bullying, pedagogical approaches that better suit their children and because the communication between school and parent is deemed better than in municipal schools. Students, on the other hand, chose independent schools because the school has a special focus or way of working and the study environment is deemed better. The study also found that parents and students in grade 5, grade 9 and upper secondary are more satisfied in independent schools than their municipal counterparts.<sup>2</sup> We believe this is a factor behind the growing share of students attending independent school.

### Urbanisation

In addition to the growing population, there is also an ongoing urbanisation trend active in Sweden. In fact, out of the 10 municipalities that have grown the fastest

<sup>2</sup> Facts about independent schools (2021)

during the last 10 years, eight are in the Stockholm region. Out of the five that have grown the fastest during 2008-2018, two are within the northeast Stockholm region defined by Cedergrenska as a current cluster, namely Sundbyberg and Solna. This trend is expected to continue, and Stockholm Stad predicts that population growth of 33,500 people per year between 2018 and 2028. This will create demand for additional education capacity, and according to the municipality's prognosis, there will be a future shortage in this area if additional schools are not built. The demand is greatest in the suburban municipalities close to Stockholm.

Stockholm Stad predicts that the number of children in preschool and compulsory school will increase by 11% and 7% between 2018 and 2027, respectively, and for upper secondary school an additional 29% students is expected. For Täby and Österåker, where Cedergrenska has physical presence, the demand is greater. Täby municipality predicts that the number of children and students will grow by 55% in preschool, 32% in compulsory school and 44% in upper secondary school between 2018 and 2030. Österåker municipality also sees a growing student base, with the children in compulsory school predicted to grow by 11% and students in upper secondary by 33% between 2016 and 2026.

### **Barriers to entry**

As we mentioned earlier, a license is needed to run a school in Sweden. The municipalities, the Swedish School Inspectorate and Swedish National Agency for Higher Vocational Education assess, among other things, the ability to live up to regulations and the economic and organisational capacity to run a long-term, sustainable business.

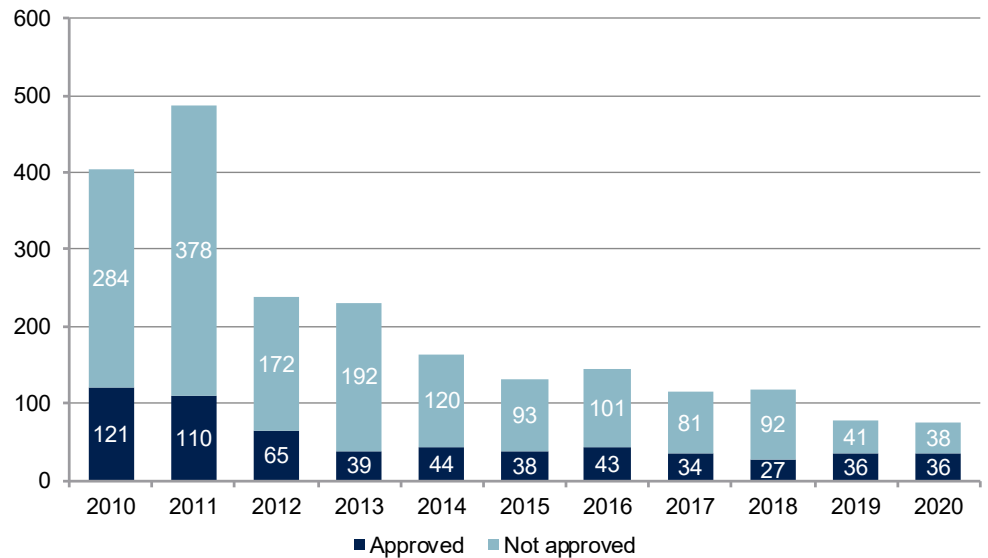
### **Licenses**

The license application system varies between the different supervisory authorities, but usually involves a review of quality-related factors, demand for education and the actor's ability to run a long-term business. In order to run a long-term business, the applicant need both facilities and the required capital to meet the capital requirements placed on independent actors. School facilities are often leased from third parties and the ability to sign and maintain lease agreements is crucial in order to run a long-term business. There are capital requirements needed for independent actors looking to start a school business before they receive a license. Through the capital requirement, the supervisory agency ensures that the independent actor can cover unexpected costs without endangering the quality of the school's education.

The Swedish School Inspectorate has seen a decrease in the number of applications to establish new schools of late. During 2010, it received 405 applications, of which 121 were approved and 284 were not approved. In 2020, the corresponding figure was 74, with 36 approved and 38 not approved



### Number of license applications to start a new independent school



Source: ABG Sundal Collier, company data, Swedish School Inspectorate

### Ability to recruit and keep qualified teachers

Another important factor in running a high-quality school business is the ability to recruit and keep qualified teachers. There is currently a shortage of teachers in Sweden; according to the Swedish Teachers' Union, the system lacks 65,000 certified teachers. The school law states that only certified teachers can teach, but this demand is difficult to meet due to the shortage. The highest number of certified teachers exist in upper secondary schools, at 82%, followed by compulsory school at 71%. The lowest amount of certified teachers exist in preschool, where only 38% of teachers are certified. The corresponding figures for Cedergrenska are 93%, 85% and 23%. Bear in mind that Cedergrenska has a relatively small exposure to the preschool segment.

### Ongoing consolidation

In conjunction with the independent school reform in 1992, many municipalities offered private actors the opportunity to acquire schools under their jurisdiction, and the number of independent schools rose quickly after the reform and has continued to rise ever since. This is expected to continue, as municipalities in high-growth areas are turning to independent actors to respond to the demand for additional educational places. However, as the independent school sector has become more mature, some actors have started to consolidate the sector, and a few larger educational groups have been established. One of the most active actors in this consolidation has been AcadeMedia, but Atvexa, Norlandia and Norway's Learningsverkstedet have also been active. Despite the recent consolidation trend, there remain many smaller players left in the sector, and out of the total 3,100 independent actors, 87% only own one school. That leaves plenty of room for Cedergrenska to continue to find acquisition targets in order to fulfil its financial target that involves a target for acquired growth.

## Independent actors by number of units

# of units	Preschool	Compulsory	Upper Secondary	Total
1	1,998	516	161	2,675
2	188	40	17	245
3	55	9	7	71
4	18	11	5	34
5	4	3	2	9
6	6		2	8
7	2	1	3	6
8	1			1
9	3	2		5
10	2			2
11-20	2	1	8	11
21-30		2	1	3
31-40		1	1	2
41-50	1	1		2

Source: ABG Sundal Collier, company data, Swedish National Agency for Education

## Competitive landscape

Cedergrenska mainly competes with smaller, often locally based independent actors as well as municipal schools. Within the upper secondary segment, the competition is mainly municipal actors such as Danderyd, Täby and Stockholm Stad. The list of private actors that compete within the segment includes Viktor Rydberg, Täby Enskilda and AcadeMedia. Within pre- and compulsory school, the main competitor is municipal schools. In addition to the municipalities, Cedergrenska competes with independent actors such as AcadeMedia, Atvexa, IES, Kunskapsskolan and Viktor Rydberg.

## 20 largest independent school principals

Name	Type	Preschool	Compulsory	Upper secondary	Total
AcadeMedia	Public	11,110	26,200	38,800	76,110
IES	Private		27,300	700	28,000
Kunskapsskolan	Private		12,100	2,400	14,500
Atvexa	Public	7,930	5,800		13,730
Thorengruppen	Private	250	3,800	8,800	12,850
Jensen Education	Private	800	2,220	3,600	6,620
Dibber*	Private	4,200	2,200		6,400
Cedergrenska	Public	529	2,480	2,926	5,935
Norlandia	Private	4,800			4,800
Lärande i Sverige	Private	150	960	3,500	4,610
Watma Education	Private		1,500	2,400	3,900
Viktor Rydberg	Foundation		1,420	2,200	3,620
Fridaskolorna	Staff owned	300	2,900	300	3,500
Stadsmissionen	Foundation			3,000	3,000
Raoul Wallenberg	Private	450	2,150		2,600
Futuraskolan	Private	350	2,200		2,550
Tellusgruppen	Public	1,200	420		1,620
Mägelungen	Staff owned		260	500	760
Utvecklingspedagogik	Private	50	350	250	650
Nytida**	Public	40	350	50	440
<b>Total 20 largest</b>		<b>32,159</b>	<b>94,610</b>	<b>69,426</b>	<b>196,195</b>
<b>Totalt all independent schools</b>		<b>107,865</b>	<b>172,321</b>	<b>106,213</b>	<b>386,399</b>
<i>Penetration largest actors</i>		<i>30%</i>	<i>55%</i>	<i>65%</i>	<i>51%</i>

\* part of Learningsverkstedet

\*\* part of Ambea

Source: ABG Sundal Collier, company data

## Political landscape

*The last decade has seen much debate over Sweden's current welfare system. The question of private welfare companies' earnings abilities is a polarising one, and was at the centre of politician Ilmar Reepalu's controversial "Ordning och reda i välfärden" investigation. In January 2019, four government parties agreed to slow political reforms in this sector for the next few years. However, the ongoing investigation "A more equal school" (SOU 2020:28) is proposing some changes to the current school system, the investigation has completed its referral round but no further timeline has been granted; as of 21 June 2021, Sweden's political situation is unclear following a no-confidence vote for Prime Minister Stefan Löfven.*

### The Reepalu investigation

In 2016, Ilmar Reepalu and his advisors produced a recommendation to the government that called for limiting shareholder returns from private welfare companies. The reason was to ensure that these firms' profits, which consist of taxes, are used to improve the quality of the companies' offerings. Education welfare companies have been accused of maximising margins by lowering education quality, which is why the investigation took place.

The main proposed solution was to limit the amount of permitted Return On Operating Capital (ROOC). The proposed limit put ROOC very close to Weighted Average Cost of Capital (WACC), with a few exceptions. This solution would have precluded any excess return, likely weighing down interest in the sector severely.

In 2017, Reepalu released a follow-up investigation arguing that it was not possible to hit his recommendation's targets through quality requirements alone. This investigation was met with criticism from both industry and government representatives, and Reepalu's proposed profit ceiling has not been implemented.

### The January agreement

In January 2019, the Social Democrat, Centre, Liberal and Green parties agreed on a series of points for the government to follow, laid out in a 73-point document. Point 49 lays out quality guidelines relevant to private schools:

- (1) The Swedish Schools Inspectorate's mandate to close substandard schools, both public and private, should expand. An investigation will take place in 2019-20 and is expected to produce a law by 1 January 2022.
- (2) Public and private schools will have the same conditions; quality measures will be the primary indicator. An investigation is set for 2020-22.

### A more equal school

The Swedish government that was formed after the 2018 election and led by Prime Minister Stefan Löfven started an investigation of the Swedish school system that examined how it could decrease the segregation and boost the resources available to compulsory schools. The investigation was presented in April 2020 and finished its referral round in November 2020, but there is currently no additional timeline, and no rule changes have been applied following the investigation. The main changes the investigation is proposing are:

- 1) A centrally administered school choice for compulsory schools, much like the system that is in place for upper secondary schools

- 2) A change in selection criteria where queues are no longer allowed. When there are more applicants than places, the principal can use one or more of the following criteria: sibling priority, geographical proximity, quota or school track. The principal can also use a randomised selection.
- 3) A change in how the voucher compensation is divided between the municipality and the independent actors. The change would see municipalities receive a larger amount given that they are deemed to have additional costs related to their ability to continually to receive new children/students, an obligation that independent actors don't share.
- 4) Several state grants will be merged into a sector grant to be administered by the Swedish National Agency for Education. The state is also proposed to contribute an additional SEK 3 billion to the sector grant
- 5) The National Agency for Education should establish a regional organisation to ensure active and close cooperation with the principals in each region

The feedback from the referral round has been mixed, with independent actors along with some of the larger municipalities critical of some of the report's findings. We deem that a change to the voucher system would have the greatest impact on the independent actors, but note that there is contradictory information regarding the compensation that independent actors receive. The ongoing investigation states that municipal schools and independent actors are compensated equally, but school researcher Gabriel Heller Sahlgren has found that independent actors receive SEK 8,300-8,500/student less than municipal schools.<sup>3</sup> We have also seen AcadeMedia and Engelska Skolan win several court cases where it has been found that they were not adequately compensated by the municipality, so our assumption is that any change in this area will be heavily challenged. A survey in Demoskop (2021) also found that the general assumption is that the profit margin in independent schools is overstated, and 73% of respondents thought that independent schools should be allowed to make profits.

Another uncertainty concerns the current political landscape, where Prime Minister Stefan Löfven received a vote of no-confidence on 21 June. It is now looking increasingly likely that we will have a new election later this year in addition to the normal election in 2022.

### **An uncertain, but positive political outlook**

The Swedish government parties possess radically different views on the matter, with left-wing parties more negative on the current situation and right-wing ones more positive. Though a major negative change seems unlikely given the government's current structure, the risk of one party changing its mind always exists (it has happened on this subject before).

Despite the risks, we remain positive about the political landscape for this sector. Sweden has 20% penetration of children/students attending independent preschools/elementary schools. as well as a substantial expansion plans in these areas. The economic consequences of effectively shutting down a major space for the independent school sector incentive would make the future supply deficit even more difficult at a time when most Swedish municipalities face increasing economic difficulties due to an ageing population.

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<sup>3</sup> Friskolorna och skolkostnaderna (Svenskt näringsliv, 2020)

## Financial forecast

*Cedergrenska's financial performance will depend on its ability to execute on the communicated extension plan, its M&A agenda, and the municipalities where it operates. With popular schools that have more demand than can be supplied, we think the company is in a good position to extend some of the schools it operates. We also believe that Cedergrenska will be an active consolidator in the coming years. However, we have not included any further acquisitions in our forecast, but in this report we analyse what M&A could add in terms of additional revenues in various scenarios. We estimate Cedergrenska will grow at a CAGR of ~5% organically (~3% from student growth and ~2% from compensation per child) and an EBITA margin of ~8% over the coming years.*

There are two main drivers for organic growth in Cedergrenska: (1) Extension of currently owned schools and (2) compensation per child/student. We think the number of students will have the greatest impact on organic growth, as the company already has licenses to extend some of the schools it operates and the ability to improve the utilisation in a few of the schools it operates.

### Growth in number of students

Cedergrenska has a plan to grow organically through licenses it has been granted to extend some of its schools and through improving utilisation in a few of the schools it operates. We think the plan is credible as the demand for the group's schools in many cases exceeds the current supply, which is evident when looking at number of applicants and the size of queues. When it comes to improving utilisation, we think two schools stand out as candidates: Täby Friskola and Tibble Gymnasium Campus Kista. The former has a utilisation rate of 80% after the extensions of recent years and the latter has a utilisation rate of 71% after its re-branding and a change in location.

As we view the growth plan as feasible, we use it as a basis for our forecast for the number of students. In addition, we have added 100 students in 23/24e and 200 students in 24/25e as we expect that the company will continue to apply for new licenses to extend schools or start brand new schools within its current geographical clusters.

The newly acquired Helleborus currently has 421 students in its two schools in Täby and Österåker. The schools are popular, and with a utilisation rate of 100%, they will need an extension or a third school to offer more places. It is possible that this will happen given the high demand, but in our financial forecast we have assumed that the student base will stay flat in the forecast period with an annual voucher increase of 2%. The 300 additional places on top of the communicated growth plan we have assumed in Cedergrenska can for example be from extending Helleborus further.

### Growth in number of students and voucher increases

Operational drivers	18/19	19/20	20/21e	21/22e	22/23e	23/24e	24/25e
<b>Cedergrenska</b>							
Communicated plan number of students	4,453	5,196	5,452	5,560	5,798	5,956	6,089
Additional places						100	200
Voucher increase				1.5%	2.0%	2.0%	2.0%
<b>Helleborus</b>							
Number of students			421	421	421	421	421
Voucher increase			2.0%	2.0%	2.0%	2.0%	2.0%

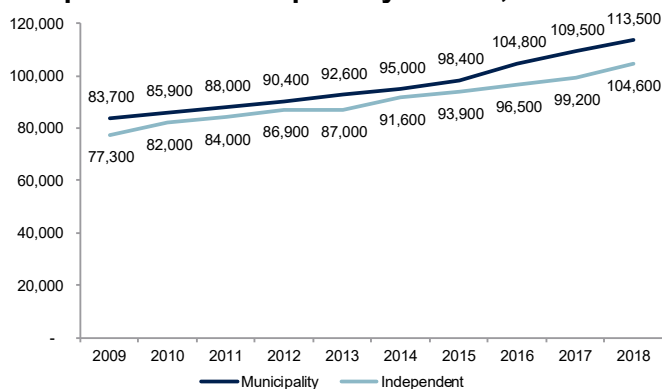
Source: ABG Sundal Collier, company data

### Compensation per student

In Sweden, the average cost per child has grown at a CAGR of ~3% in the last decade for both municipal and independent schools. The cost base typically grows between 2-3% annually mainly as an effect of inflation in teacher’s salaries. Although this is not an exact proxy, it highlights the general trend of the compensation, as it is in line with Cedergrenska’s historical growth as well.

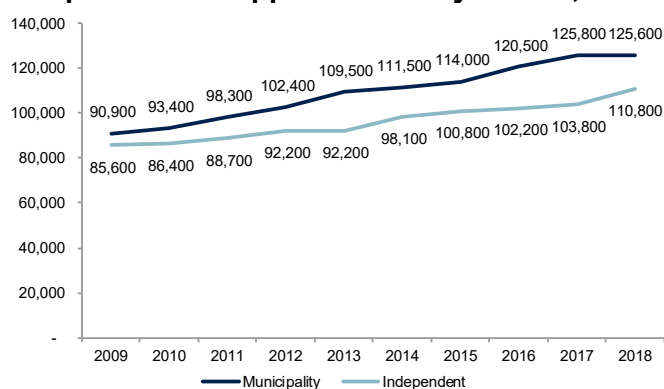
The economic outlook for Swedish municipalities is actually looking more promising post COVID-19, according to The Swedish Association of Local Authorities and Regions (SALAR) as additional state grants have been given to tackle the challenges from the pandemic. SALAR predicts an economic surplus from the municipalities of SEK 20-30bn between 2021 and 2024. Although the result in 2024 is given efficiency gains of around SEK 20 billion. We take a conservative view of compensation in our forecasts, and see an annual growth rate in compensation of 2%, expect for 1.5% in 21/22e in Cedergrenska, where the decision by Täby municipality to have flat voucher values for upper secondary schools in 2021 will continue to burden Cedergrenska in the next financial year. The reason for the conservative assumption is because the demographic outlook with an ageing population will continue to put pressure on municipalities’ budgets in the next decade.

Cost per student compulsory school, SEK



Source: ABG Sundal Collier, Swedish National Agency for Education

Cost per student upper secondary school, SEK



Source: ABG Sundal Collier, Swedish National Agency for Education

### EBITA margins and goodwill amortisation

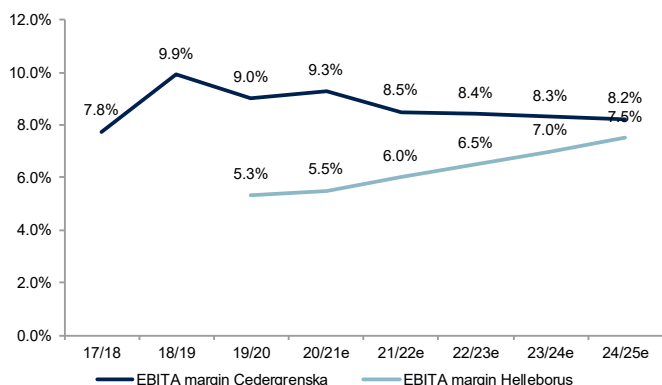
Cedergrenska has a financial target to exceed an EBITA margin of 8%, which it has achieved in the last two years, with EBITA margins of 9.9% and 9.0%, respectively. However, as we have seen in AcadeMedia and Atvexa, the current financial year has seen lower opex from postponed and cancelled activities in the schools due to COVID-19. Revenues, though, have not been reduced, which is why we think the EBITA margin will be somewhat boosted this year and should come down slightly next year, when COVID-19 restrictions ease. Together with our conservative view on school vouchers in the coming years, we think it will be hard to see any margin expansion for Cedergrenska in our forecast period. In addition, we think the utilisation in Tibble Gymnasium Campus Täby will be an important factor in determining if the company will continue to reach its financial EBITA margin target of 8%. We forecast an EBITA margin for Cedergrenska of 8.5-8.2% for ‘21/’22e-‘24/’25e.

On the other hand, Helleborus had a lower EBITA margin than Cedergrenska, at 5.3%, in ‘19/’20, but a breakdown between its schools in Täby and Österåker paints another picture. The smaller unit in Österåker had an EBITA margin of over 10% whereas the school in Täby had slightly negative EBITA. Our take is that there is room for improvement for the Helleborus schools if the unit in Täby can improve its

EBITA contribution. Long term, we think the Helleborus schools can close the profitability gap to the Cedergrenska group, and we forecast EBITA margins to improve sequentially from 6% to 7.5% for the period '21/'22e to '24/'25e.

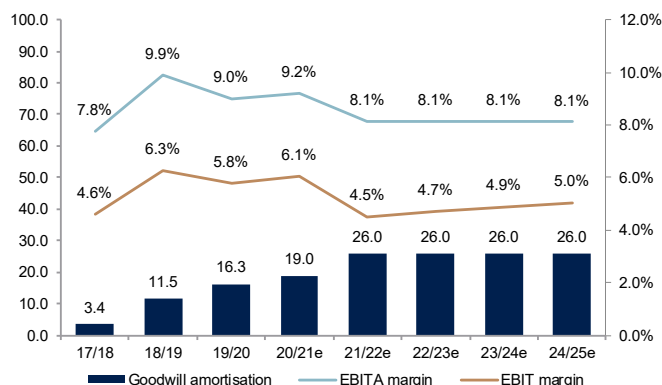
In combination, our EBITA margin assumptions for Cedergrenska and Helleborus lead to a flat group EBITA margin of 8.1% throughout the forecast period. However, we expect the EBIT margin to decline as the acquisition of Helleborus increases the goodwill amortisation by SEK 8m per year as Cedergrenska uses K3 accounting principles, where the entirety of acquired goodwill is amortised over 5 years. We forecast the goodwill amortisation to stay flat at SEK 26m per year, and because we expect revenue growth, which increases the EBITA level in SEKm, EBIT margins increase from 4.5% in '21/'22e to 5.0% in '24/'25e.

**EBITA margins, Cedergrenska & Helleborus, %**



Source: ABG Sundal Collier, company data

**EBITA & EBIT margins, % and goodwill amort.**

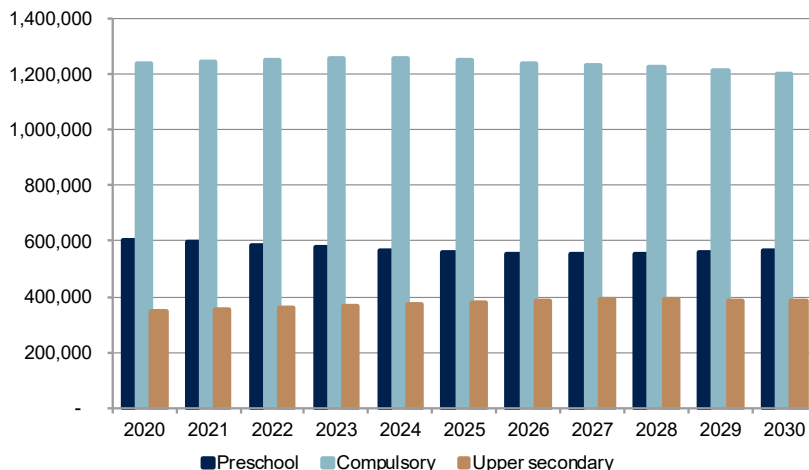


Source: ABG Sundal Collier, company data

### Total addressable market, 2025 and 2030

Although the demographic outlook until 2040 is positive, it is less favourable for the coming 5-10 years looking at 1 to 18-year-olds. According to SCB (Statistics Sweden), in 2025 the Swedish population aged between 1 and 18 will be of an equal size to that seen in 2020, but by 2030 it will have declined by almost 2% compared to 2020. The decline is most evident in the preschool age of 1-5, which is forecast to decline by almost 7% by 2030. The compulsory school age of 6-15 is forecast to decline by 3% by 2030. On the other hand, the upper secondary age group between 16 and 18 is expected to grow by over 11% up to 2030. Since Cedergrenska has a 48% exposure to the upper secondary segment, we expect that the demographic effect will have a positive impact for the company overall, especially when we consider that its geographical presence is in municipalities that are expected to grow from urbanisation.

### Demographical outlook by school type



Source: ABG Sundal Collier, company data, SCB

Another factor that will influence the addressable market and Cedergrenska's market share is the penetration of independent schools. Currently, the independent schools account for roughly 20% of the total market, and this sector has grown by 0.4-0.5% per year on average. Cedergrenska's market share (inc. Hellebrous) for independent schools is ~1.5% of the independent market. Below we have performed two sensitivity analyses on various levels of Cedergrenska's market share and the level of penetration for private companies, first for 2025 and second for 2030.

As a reference, our '24/'25e revenue assuming an average organic growth of 5.1% is based on 6,710 students. It appears that this is reachable without expanding the company's market share or share of independent companies excessively. A more optimistic scenario in which Cedergrenska will grow organically by 7% per year (also equivalent to our second DCF scenario) indicates the number of students would reach 7,166 with the same revenue per student assumptions. That scenario also falls well within our sensitivity table for 2025.

### Sensitivity analysis, number of Cedergrenska students, 2025

		Independent actors market share 2025				
Cedergrenska's market share		20.0%	21.3%	22.5%	23.8%	25.0%
1.5%		6,267	6,659	7,050	7,442	7,834
1.6%		6,685	7,103	7,520	7,938	8,356
1.7%		7,103	7,547	7,990	8,434	8,878
1.8%		7,520	7,990	8,460	8,930	9,401

Source: ABG Sundal Collier, company data

### Sensitivity analysis, number of Cedergrenska students, 2030

		Independent actors market share 2030				
Cedergrenska's market share		20.0%	22.5%	25.0%	27.5%	30.0%
1.5%		6,142	6,909	7,677	8,445	9,212
1.8%		7,165	8,061	8,957	9,852	10,748
2.0%		8,189	9,212	10,236	11,260	12,283
2.3%		9,212	10,364	11,516	12,667	13,819

Source: ABG Sundal Collier, company data



## Income statement

Cedergrenska's income statement is straightforward, with revenues coming from the voucher compensation per child and some additional revenues from state grants for special focus areas such as increasing equality and teacher salaries through the *Lead Teacher* project.

Most costs are personnel expenses, with teachers' salaries the majority. In Q4 '20/'21, we expect some extraordinary items to be booked for the IPO and the acquisition of Helleborus. In addition, as the company uses K3 accounting principles it has quite substantial goodwill amortisation, as a lot of acquisitions have been done in recent years. Financial items are mainly interest on the outstanding loans, and we expect taxes to resemble the Swedish corporate tax rate of 20.6%, with the caveat that goodwill amortisation needs to be added back to EBT before calculating the tax.

In terms of quarterly figures, the company has not disclosed any historical figures, but our analysis shows that Cedergrenska had revenues and EBITA of SEK 137m and SEK 12.8m in Q4 '19/'20, respectively. For Q4 '20/'21, we expect revenues of SEK 156m and adj. EBITA of SEK 11.3m.

## Yearly income statement

Annual overview (SEKm)	17/18	18/19	19/20	20/21e	21/22e	22/23e	23/24e	24/25e
<b>Revenues</b>	<b>108.6</b>	<b>317.8</b>	<b>505.0</b>	<b>601.0</b>	<b>720.1</b>	<b>761.3</b>	<b>806.1</b>	<b>849.5</b>
Raw materials and consumables	-11.7	-41.9	-51.2	-54.7	-72.0	-76.1	-80.6	-84.9
Other external expenses	-20.7	-59.6	-103.7	-131.1	-161.9	-170.8	-180.0	-189.7
Personnel costs	-66.0	-178.6	-293.0	-345.7	-417.7	-441.6	-467.5	-492.7
Other opex	0.0	-0.3	-4.2	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	-5.0	0.0	0.0	0.0	0.0
PP&E depreciation	-1.7	-6.0	-7.4	-9.1	-10.0	-10.9	-12.5	-13.3
<b>Adj. EBITA</b>	<b>8.4</b>	<b>31.4</b>	<b>45.5</b>	<b>60.4</b>	<b>58.5</b>	<b>61.9</b>	<b>65.5</b>	<b>68.9</b>
<b>EBITA</b>	<b>8.4</b>	<b>31.4</b>	<b>45.5</b>	<b>55.4</b>	<b>58.5</b>	<b>61.9</b>	<b>65.5</b>	<b>68.9</b>
Acquisition-related items	-3.4	-11.5	-16.3	-19.0	-26.0	-26.0	-26.0	-26.0
<b>EBIT</b>	<b>5.0</b>	<b>20.0</b>	<b>29.2</b>	<b>36.4</b>	<b>32.5</b>	<b>35.9</b>	<b>39.5</b>	<b>42.9</b>
Profit from associated companies	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Financial items	-0.1	-1.3	-2.4	-2.7	-2.4	-1.2	-0.7	-0.7
<b>EBT</b>	<b>4.8</b>	<b>18.7</b>	<b>26.7</b>	<b>34.0</b>	<b>30.1</b>	<b>34.6</b>	<b>38.8</b>	<b>42.2</b>
Tax	-2.0	-6.5	-9.7	-10.5	-11.6	-12.5	-13.3	-14.0
<b>Net profit</b>	<b>2.9</b>	<b>12.2</b>	<b>17.1</b>	<b>23.5</b>	<b>18.5</b>	<b>22.1</b>	<b>25.4</b>	<b>28.1</b>
Minority	2.6	11.3	15.5	21.3	18.5	22.1	25.4	28.1
<b>Net profit to shareholders</b>	<b>0.2</b>	<b>0.9</b>	<b>1.6</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Basic and diluted EPS, SEK</b>	<b>0.29</b>	<b>1.22</b>	<b>1.71</b>	<b>2.02</b>	<b>1.60</b>	<b>1.91</b>	<b>2.19</b>	<b>2.43</b>
<b>Growth rates &amp; margins</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>20/21e</b>	<b>21/22e</b>	<b>22/23e</b>	<b>23/24e</b>	<b>24/25e</b>
Sales growth		192.7%	58.9%	19.0%	19.8%	5.7%	5.9%	5.4%
Organic growth				17.2%	3.5%	5.7%	5.9%	5.4%
EBITA growth		273.7%	44.5%	21.8%	5.7%	5.7%	5.8%	5.2%
EPS growth		326.7%	40.5%	18.4%	-21.0%	19.4%	14.8%	10.6%
<b>Margins</b>								
Adj. EBITA margin	7.8%	9.9%	9.0%	10.1%	8.1%	8.1%	8.1%	8.1%
EBITA margin	7.8%	9.9%	9.0%	9.2%	8.1%	8.1%	8.1%	8.1%
Net margin	2.6%	3.8%	3.4%	3.9%	2.6%	2.9%	3.2%	3.3%
<b>Business area sales</b>								
Cedergrenska	109	318	505	592	613	652	694	735
Helleborus				9	107	110	112	114

Source: ABG Sundal Collier, company data

## Balance Sheet

As one would expect for an acquisition-centred company, Cedergrenska's leases the majority of its facilities, with most of the balance sheet being goodwill and debt. Furthermore, the firm's current assets and liabilities consist of a large share of accrued and prepaid income/expenses due to the compensation systems providing the bulk of revenue.

The company's balance sheet is not comparable to its public peers AcadeMedia and Atvexa, which both use IFRS accounting principles and therefore have a large leasing component on their balance sheets.

We regard Cedergrenska's balance sheet as healthy considering the acquisition strategy. Leverage is close to neutral after the IPO, which we view as conservative. The stable revenue stream should grant an opportunity for higher debt, which the financial target of a net debt/EBITDA below 2.0x also indicates. With the company's current leverage, there is space for continuous acquisition growth, which we illustrate in the valuation segment.

### Balance sheet

Balance sheet (SEKm)	17/18	18/19	19/20	20/21e	21/22e	22/23e	23/24e	24/25e
Tenancies	1	1	0	0	0	0	0	0
Goodwill	73	113	144	165	139	113	87	61
PP&E	21	28	42	50	55	63	66	70
<b>Total non-current assets</b>	<b>95</b>	<b>141</b>	<b>186</b>	<b>215</b>	<b>194</b>	<b>176</b>	<b>153</b>	<b>131</b>
Inventory	0	0	0	0	0	0	0	0
Current assets	8	12	24	48	58	61	64	68
Cash and cash equivalents	49	18	22	75	82	108	156	209
<b>Total current assets</b>	<b>56</b>	<b>31</b>	<b>46</b>	<b>123</b>	<b>140</b>	<b>169</b>	<b>220</b>	<b>278</b>
<b>Total assets</b>	<b>151</b>	<b>172</b>	<b>232</b>	<b>339</b>	<b>334</b>	<b>345</b>	<b>374</b>	<b>409</b>
Equity parent company	47	40	58	139	158	180	205	233
Non-controlling interests	4	5	6	9	9	9	9	9
<b>Total equity</b>	<b>50</b>	<b>45</b>	<b>64</b>	<b>149</b>	<b>167</b>	<b>189</b>	<b>215</b>	<b>243</b>
Deferred tax liabilities	1	2	7	7	7	7	7	7
Non-current liabilities	32	39	58	44	26	8	8	8
Current liabilities, interest bearing	33	34	17	37	15	15	15	15
Overdraft facility	0	0	11	0	0	0	0	0
Other short term debt	34	52	75	102	119	126	129	136
<b>Total liabilities</b>	<b>68</b>	<b>86</b>	<b>103</b>	<b>139</b>	<b>134</b>	<b>141</b>	<b>144</b>	<b>151</b>
<b>Total equity and liabilities</b>	<b>151</b>	<b>172</b>	<b>232</b>	<b>339</b>	<b>334</b>	<b>345</b>	<b>374</b>	<b>409</b>

Source: ABG Sundal Collier, company data

## Cash flow

Excluding acquisitions, Cedergrenska's cash generation is solid. Free cash flow conversion is high due to nearly no investment needs for operational maintenance.

Looking at organic growth, we expect this trend to continue. As has been argued throughout this report, operations are largely stable with mid-single digit annual organic growth.

However, Cedergrenska intends to continue acquiring companies, and this will cause changes in its financials. Acquisition capex will continue to be the outlier in cash flow, which in turn should drive growth and capacity for more acquisitions. The acquisition capex included in these estimates concerns the latest acquisition of Helleborus, in Q4 '20/'21. We see Cedergrenska as well-positioned to keep executing on its acquisition growth strategy, with acquisitions and debt raising/amortisation continuing to represent the largest share of activity on its cash flow statement.

## Cash flow statement

Cash flow (SEKm)	17/18	18/19	19/20	20/21e	21/22e	22/23e	23/24e	24/25e
<b>Cash flow before change in WC</b>	<b>10.5</b>	<b>31.7</b>	<b>48.2</b>	<b>61.1</b>	<b>54.6</b>	<b>59.1</b>	<b>64.0</b>	<b>67.4</b>
Changes in WC	-4.2	5.2	11.8	-5.3	7.1	3.5	-0.2	3.5
<b>Cash flow from operations</b>	<b>6.3</b>	<b>36.8</b>	<b>60.0</b>	<b>55.7</b>	<b>61.7</b>	<b>62.6</b>	<b>63.7</b>	<b>70.9</b>
Acquisitions	-12.3	-45.5	-57.5	-17.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Purchase of PP&E	-3.1	-11.7	-13.0	-16.5	-14.4	-19.0	-16.1	-17.0
<b>Cash flow from investing activities</b>	<b>-15.4</b>	<b>-57.1</b>	<b>-70.4</b>	<b>-33.4</b>	<b>-14.4</b>	<b>-19.0</b>	<b>-16.1</b>	<b>-17.0</b>
Change in revolving credit	0.0	0.0	10.9	-10.9	0.0	0.0	0.0	0.0
Borrowings	62.5	41.0	35.8	25.0	0.0	0.0	0.0	0.0
Amortisation of loans, L-T	-4.8	-33.1	-34.0	-42.5	-18.0	-18.0	0.0	0.0
Amortisation of loans, S-T	0.0	0.0	0.0	-4.2	-22.0	0.0	0.0	0.0
Rights issue	0.0	0.8	4.1	80.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	-18.6	0.0	-16.7	0.0	0.0	0.0	0.0
Dividend paid, minority	0.0	0.0	-2.8	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>57.7</b>	<b>-9.9</b>	<b>13.9</b>	<b>30.7</b>	<b>-40.0</b>	<b>-18.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Cash flow for the period</b>	<b>48.6</b>	<b>-30.2</b>	<b>3.5</b>	<b>53.1</b>	<b>7.3</b>	<b>25.5</b>	<b>47.6</b>	<b>53.9</b>
Cash at start of period	0.0	48.6	18.5	22.0	75.1	82.4	107.9	155.5
<b>Cash at the end of period</b>	<b>48.6</b>	<b>18.5</b>	<b>22.0</b>	<b>75.1</b>	<b>82.4</b>	<b>107.9</b>	<b>155.5</b>	<b>209.4</b>

Source: ABG Sundal Collier, company data

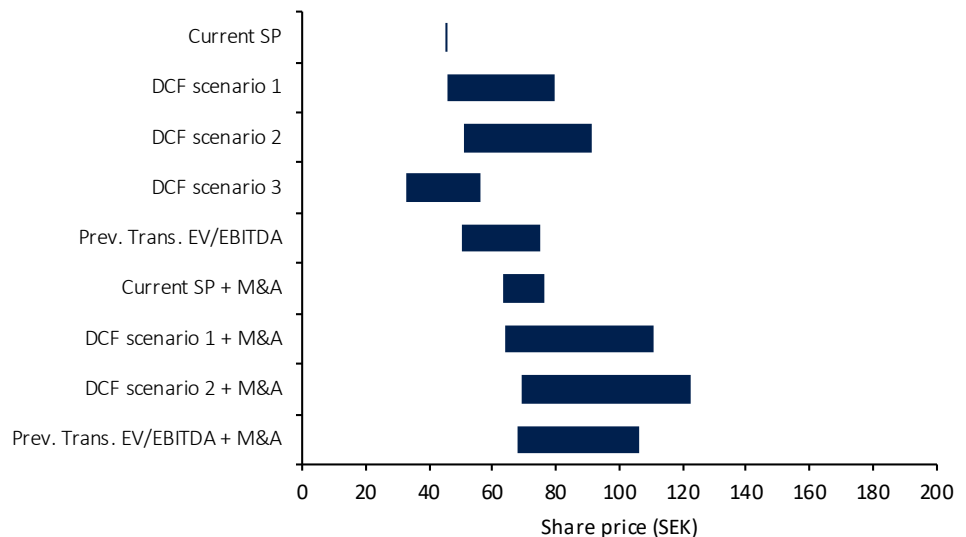
# Valuation

***Cedergrenska’s core financial performance has historically been unwavering with mid-single digit organic growth and stable margins. To illustrate the business value, we have conducted several valuation approaches, including three DCF scenarios, an analysis of previous transactions in the educational sector and what potential future M&A scenarios might add to the current value. Our fair value range is based on an equal-weighted average of the three DCF scenarios and yields a valuation range of SEK 43-76 per share.***

To summarize our valuation methods, the first DCF scenario is based on our current estimates for the forecast period, which include an organic revenue CAGR of ~5% and it gives a valuation range of SEK 46-80 per share. The second DCF scenario illustrates a scenario in which Cedergrenska grow revenues organically at a 7% CAGR, and it yields a range of SEK 51-91 per share. Both those DCF scenarios assume long-term EBITA margins of 8%. The third DCF scenario is more pessimistic and illustrates a situation where political changes affect the vouchers towards independent companies. It assumes an organic revenue CAGR of ~5% and long-term EBITA margins of 4%, and yields a valuation range of SEK 33-56 per share. The previous transaction multiples indicate a valuation of SEK 50-75 per share when excluding the Busy Bees acquisition of BrightPath Early Learning, which had a large bid premium. Finally, our M&A scenarios with debt levels of 1.0-2.0x net debt/EBITDA yield an additional value of SEK 18-31 per share.

We have then added the value from the M&A scenarios to our first two DCF scenarios and the previous transactions to arrive at additional valuation ranges. The highest of those, DCF scenario 2 plus M&A value indicates a valuation range of SEK 69-122 per share.

## Valuation overview



Source: ABG Sundal Collier, company data

### DCF scenario 1

In our first DCF approach, we estimate that Cedergrenska will grow organically by 5% on average per year, driven by extensions, utilisation improvements and voucher increases. Moreover, we assume no expansion of the EBITA margin, as we think Cedergrenska will have to increase teachers' salaries and other opex by as much as the voucher increases every year. The spread between EBIT and EBITA margins will vanish in '25/'26e as the goodwill amortisation will be finished by then.

By using a WACC range of 6.1-10.1% and terminal growth rates of between 1% and 3%, we arrive at our DCF valuation range of SEK 46-80 per share.

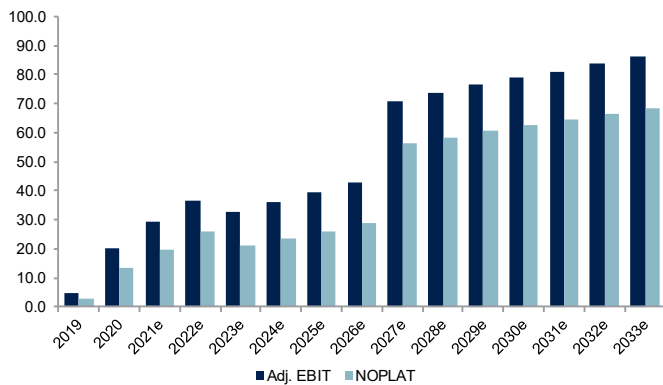
### DCF valuation range SEK 46-80

Cedergrenska DCF 1	Actual			Detailed forecast					DCF estimates							
	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	109	318	505	601	720	761	806	849	883.5	918.8	955.5	984.2	1,013.7	1,044.1	1,075.5	1,107.7
y-o-y %	n.a.	192.7%	58.9%	19.0%	19.8%	5.7%	5.9%	5.4%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
o/f organic				17.2%	3.5%	5.7%	5.9%	5.4%								
Opex	-104	-298	-476	-565	-688	-725	-767	-807	-813	-845	-879	-905	-933	-961	-989	-1,019
y-o-y %	n.a.	187.5%	59.8%	18.7%	21.8%	5.5%	5.7%	5.2%	0.8%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Adj. EBIT	5.0	20.0	29.2	36.4	32.5	35.9	39.5	42.9	70.7	73.5	76.4	78.7	81.1	83.5	86.0	88.6
Adj. EBIT margin	4.6%	6.3%	5.8%	6.1%	4.5%	4.7%	4.9%	5.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Taxes on EBIT	-2.0	-6.5	-9.7	-10.5	-11.6	-12.5	-13.3	-14.0	-14.6	-15.1	-15.7	-16.2	-16.7	-17.2	-17.7	-18.3
Effective tax rate	39.9%	32.7%	33.1%	29.0%	35.5%	34.8%	33.8%	32.8%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%
NOPLAT	3.0	13.4	19.5	25.8	21.0	23.4	26.1	28.8	56.1	58.4	60.7	62.5	64.4	66.3	68.3	70.4
Add: Depreciation & amortisation	5.1	17.5	23.7	28.1	36.0	36.9	38.5	39.3	13.3	13.8	14.3	14.8	15.2	15.7	16.1	16.6
D&A / sales	4.7%	5.5%	4.7%	4.7%	5.0%	4.8%	4.8%	4.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Net working capital	-26.9	-39.7	-51.7	-54.1	-61.2	-64.7	-64.5	-68.0	-70.7	-73.5	-76.4	-78.7	-81.1	-83.5	-86.0	-88.6
NWC / sales	-24.8%	-12.5%	-10.2%	-9.0%	-8.5%	-8.5%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%
Less: Chng. NWC		12.8	12.0	2.4	7.1	3.5	-0.2	3.5	2.7	2.8	2.9	2.3	2.4	2.4	2.5	2.6
Less: Capital expenditure	-15.4	-57.1	-70.5	-33.5	-14.4	-19.0	-16.1	-17.0	-16.8	-16.5	-16.2	-15.7	-15.2	-15.7	-16.1	-16.6
Capex / sales	14.2%	18.0%	14.0%	5.6%	2.0%	2.5%	2.0%	2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.5%	1.5%	1.5%
<b>Free cash flow</b>		-13.4	-15.3	22.8	49.7	44.7	48.3	54.5	55.3	58.4	61.7	63.8	66.8	68.8	70.8	72.9
FCF margin		-4.2%	-3.0%	3.8%	6.9%	5.9%	6.0%	6.4%	6.3%	6.4%	6.5%	6.5%	6.6%	6.6%	6.6%	6.6%
Invested capital		40.2	65.7	62.7	91.4	112.8	135.0	160.7	159.9	160.0	161.0	162.3	164.7	167.1	169.6	172.2
ROIC		33.4%	36.9%	40.3%	27.2%	22.9%	21.1%	19.5%	35.0%	36.5%	37.8%	38.7%	39.4%	40.0%	40.6%	41.2%
WACC		8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Residual ROIC		24.8%	28.2%	31.6%	18.6%	14.2%	12.4%	10.8%	26.4%	27.8%	29.2%	30.0%	30.7%	31.3%	31.9%	32.5%
EV/EBIT adj.		26.4	18.1	14.5	16.2	14.7	13.4	12.3	7.5	7.2	6.9	6.7	6.5	6.3	6.1	6.0
Discounted FCF				21.0	42.1	34.9	34.7	36.0	33.6	32.7	31.8	30.3	29.1	27.6	26.2	24.8

WACC assumptions	Terminal value	Fair value calculation	Per share (SEK)	DCF sensitivity analysis	WACC
<b>Equity</b>	Terminal growth	2.0% PV(FCF)	405	6.6%	8.6%
Rf rate	RONIC	8.6% PV(CV)	282	7.6%	9.6%
Market risk premium	NOPLAT t+1	72 EV	59.2	10.6%	
Equity beta	Continuing value	830 (-) Net debt	6	Terminal g	
Company specific risk premium		Equity value	681	1.0%	79.0
<b>CAPM</b>		No of shares, mn	11.6	1.5%	67.4
<b>Net debt</b>				2.0%	67.7
Cost of net debt				2.5%	67.8
Debt/equity ratio				3.0%	68.0
Tax rate					59.0
<b>WACC</b>					51.9
					46.2

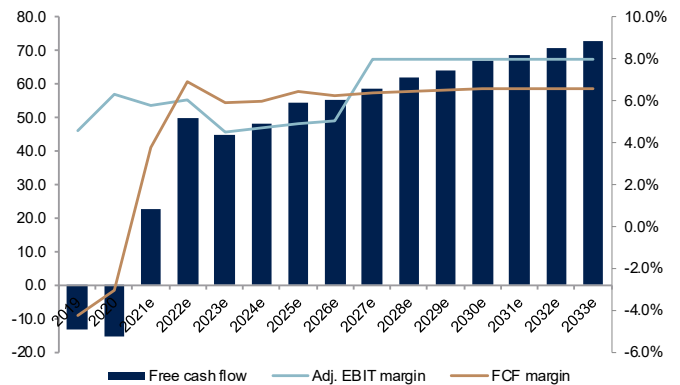
Source: ABG Sundal Collier, company data

### Adj. EBIT, NOPLAT (SEKm)



Source: ABG Sundal Collier, company data

### FCF (SEKm) & margins (%)



Source: ABG Sundal Collier, company data

## DCF scenario 2

In our second DCF approach, we estimate that Cedergrenska will grow organically by 7% on average per year, driven by extensions, utilisation improvements and voucher increases. Moreover, we assume no expansion of the EBITA margin, as we think Cedergrenska will have to increase teachers' salaries and other opex as much as the voucher increases every year. The spread between EBIT and EBITA margins will vanish in '25/'26e as the goodwill amortisation will be finished by then.

By using a WACC range of 6.1-10.1% and terminal growth rates between 1% and 3%, we arrive at our DCF valuation range of SEK 51-91 per share.

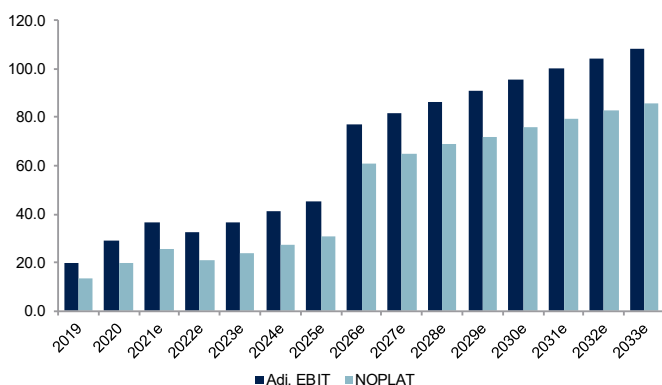
### DCF valuation range SEK 51-91

Cedergrenska DCF 2	Actual			Detailed forecast					DCF estimates							
	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	109	318	505	601	720	778	840	907	961.6	1,019.3	1,080.5	1,134.5	1,191.2	1,250.8	1,300.8	1,352.8
y-o-y %	n.a.	192.7%	58.9%	19.0%	19.8%	8.0%	8.0%	8.0%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	4.0%	4.0%
o/f organic				17.2%	3.5%	8.0%	8.0%	8.0%								
Opex	-104	-298	-476	-565	-688	-741	-799	-862	-885	-938	-994	-1,044	-1,096	-1,151	-1,197	-1,245
y-o-y %	n.a.	187.5%	59.8%	18.7%	21.8%	7.8%	7.8%	7.9%	2.7%	6.0%	6.0%	5.0%	5.0%	5.0%	4.0%	4.0%
Adj. EBIT	5.0	20.0	29.2	36.4	32.5	36.6	41.2	45.4	76.9	81.5	86.4	90.8	95.3	100.1	104.1	108.2
Adj. EBIT margin	4.6%	6.3%	5.8%	6.1%	4.5%	4.7%	4.9%	5.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Taxes on EBIT	-2.0	-6.5	-9.7	-10.5	-11.6	-12.6	-13.8	-14.7	-15.8	-16.8	-17.8	-18.7	-19.6	-20.6	-21.4	-22.3
Effective tax rate	39.9%	32.7%	33.1%	29.0%	35.5%	34.5%	33.5%	32.5%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%
NOPLAT	3.0	13.4	19.5	25.8	21.0	23.9	27.4	30.6	61.1	64.7	68.6	72.1	75.7	79.4	82.6	85.9
Add: Depreciation & amortisation	5.1	17.5	23.7	28.1	36.0	37.3	40.3	41.7	17.7	18.4	19.1	19.7	20.3	20.9	21.5	22.2
D&A / sales	4.7%	5.5%	4.7%	4.7%	5.0%	4.8%	4.8%	4.6%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Net working capital	-26.9	-39.7	-51.7	-54.1	-61.2	-66.1	-67.2	-72.6	-70.7	-73.5	-76.4	-78.7	-81.1	-83.5	-86.0	-88.6
NWC / sales	-24.8%	-12.5%	-10.2%	-9.0%	-8.5%	-8.5%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%
Less: Chng. NWC		12.8	12.0	2.4	7.1	4.9	1.1	5.4	-1.9	2.8	2.9	2.3	2.4	2.4	2.5	2.6
Less: Capital expenditure	-15.4	-57.1	-70.5	-33.5	-14.4	-23.3	-25.2	-27.2	-22.1	-22.1	-22.0	-21.7	-21.3	-20.9	-21.5	-22.2
Capex / sales	14.2%	18.0%	14.0%	5.6%	2.0%	3.0%	3.0%	3.0%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	2.0%	2.0%
Free cash flow		-13.4	-15.3	22.8	49.7	42.8	43.6	50.5	54.8	63.9	68.7	72.4	77.0	81.9	85.1	88.5
FCF margin		-4.2%	-3.0%	3.8%	6.9%	5.5%	5.2%	5.6%	5.7%	6.3%	6.4%	6.4%	6.5%	6.5%	6.5%	6.5%
EV/EBIT adj.		26.4	18.1	14.5	16.2	14.4	12.8	11.6	6.9	6.5	6.1	5.8	5.5	5.3	5.1	4.9
Discounted FCF				21.0	42.1	33.4	31.3	33.4	33.3	35.8	35.4	34.3	33.6	32.9	31.5	30.1

WACC assumptions	Terminal value	Fair value calculation	Per share	DCF sensitivity analysis	WACC
Equity	Terminal growth	2.0% PV(FCF)	428	6.6%	8.6%
Rf rate	RONIC	8.6% PV(CV)	345	7.6%	9.6%
Market risk premium	NOPLAT t+1	88 EV	773	6.6%	10.6%
Equity beta	Continuing value	1,014 (-) Net debt	6	1.0%	90.4
Company specific risk premium		Equity value	767	1.5%	90.6
CAPM		No of shares, mn	11.6	2.0%	90.9
Net debt				2.5%	91.1
Cost of net debt				3.0%	91.4
Debt/equity ratio					76.4
Tax rate					76.6
WACC					66.0
					66.1
					66.3
					66.4
					65.8
					57.5
					51.0
					51.1
					51.2
					51.3

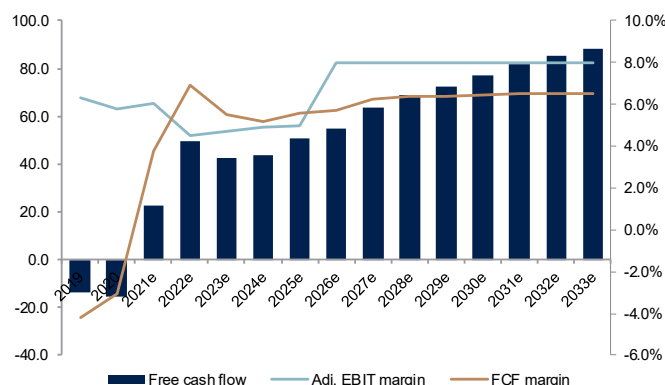
Source: ABG Sundal Collier, company data

### Adj. EBIT, NOPLAT (SEKm)



Source: ABG Sundal Collier, company data

### FCF (SEKm) & margins (%)



Source: ABG Sundal Collier, company data

### DCF scenario 3

In our third DCF approach, we estimate that Cedergrenska will grow organically by 5% on average per year, driven by extensions, utilisation improvements and voucher increases. Moreover, we assume that the long-term EBITA margin will be 4% following a potential change in the voucher system after political intervention.

We use a lower WACC range in this scenario as we have deleted the additional company specific risk premium from political uncertainty of 1.5%. By using a WACC range of 5.6-9.6% and terminal growth rates of between 1% and 3%, we arrive at our DCF valuation range of SEK 33-56 per share.

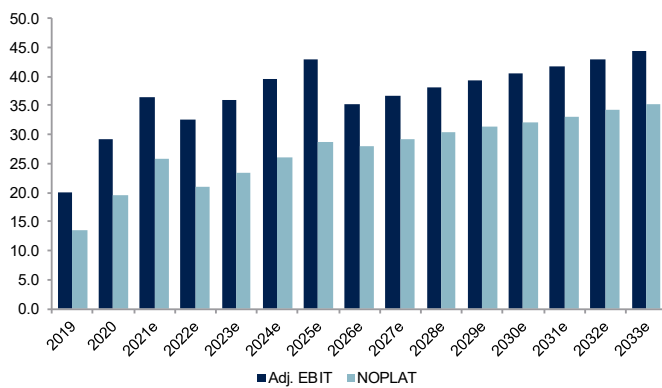
### DCF valuation range SEK 33-56

Cedergrenska DCF scenario 3	Actual			Detailed forecast					DCF estimates							
	2018	2019	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	109	318	505	601	720	761	806	849	883.5	918.8	955.5	984.2	1,013.7	1,044.1	1,075.5	1,107.7
y-o-y % of organic	n.a.	192.7%	58.9%	19.0%	19.8%	5.7%	5.9%	5.4%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Opex	-104	-298	-476	-565	-688	-725	-767	-807	-848	-882	-917	-945	-973	-1,002	-1,032	-1,063
y-o-y %	n.a.	187.5%	59.8%	18.7%	21.8%	5.5%	5.7%	5.2%	5.1%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Adj. EBIT	5.0	20.0	29.2	36.4	32.5	35.9	39.5	42.9	35.3	36.8	38.2	39.4	40.5	41.8	43.0	44.3
Adj. EBIT margin	4.6%	6.3%	5.8%	6.1%	4.5%	4.7%	4.9%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Taxes on EBIT	-2.0	-6.5	-9.7	-10.5	-11.6	-12.5	-13.3	-14.0	-7.3	-7.6	-7.9	-8.1	-8.4	-8.6	-8.9	-9.1
Effective tax rate	39.9%	32.7%	33.1%	29.0%	35.5%	34.8%	33.8%	32.8%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%
NOPLAT	3.0	13.4	19.5	25.8	21.0	23.4	26.1	28.8	28.1	29.2	30.3	31.3	32.2	33.2	34.2	35.2
Add: Depreciation & amortisation	5.1	17.5	23.7	28.1	36.0	36.9	38.5	39.3	13.3	13.8	14.3	14.8	15.2	15.7	16.1	16.6
D&A / sales	4.7%	5.5%	4.7%	4.7%	5.0%	4.8%	4.8%	4.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Net working capital	-26.9	-39.7	-51.7	-54.1	-61.2	-64.7	-64.5	-68.0	-70.7	-73.5	-76.4	-78.7	-81.1	-83.5	-86.0	-88.6
NWC / sales	-24.8%	-12.5%	-10.2%	-9.0%	-8.5%	-8.5%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%	-8.0%
Less: Chng. NWC		12.8	12.0	2.4	7.1	3.5	-0.2	3.5	2.7	2.8	2.9	2.3	2.4	2.4	2.5	2.6
Less: Capital expenditure	-15.4	-57.1	-70.5	-33.5	-14.4	-19.0	-16.1	-17.0	-16.8	-16.5	-16.2	-15.7	-15.2	-15.7	-16.1	-16.6
Capex / sales	14.2%	18.0%	14.0%	5.6%	2.0%	2.5%	2.0%	2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.5%	1.5%	1.5%
Free cash flow			-15.3	22.8	49.7	44.7	48.3	54.5	27.2	29.3	31.4	32.6	34.6	35.6	36.7	37.8
FCF margin			-3.0%	3.8%	6.9%	5.9%	6.0%	6.4%	3.1%	3.2%	3.3%	3.3%	3.4%	3.4%	3.4%	3.4%
EV/EBIT adj.		26.4	18.1	14.5	16.2	14.7	13.4	12.3	14.9	14.4	13.8	13.4	13.0	12.6	12.3	11.9
Discounted FCF				21.2	42.9	35.9	36.0	37.7	17.5	17.5	17.4	16.8	16.5	15.8	15.1	14.5

WACC assumptions	Terminal value	Fair value calculation	Per share	DCF sensitivity analysis	WACC
Equity	Terminal growth	2.0% PV(FCF)	305	5.6%	7.6%
Rf rate	RONIC	7.6% PV(CV)	180	6.6%	8.6%
Market risk premium	NOPLAT t+1	36 EV	485	9.6%	9.6%
Equity beta	Continuing value	469 (-) Net debt	6	1.0%	55.4
Company specific risk premium		Equity value	479	1.5%	47.2
CAPM		No of shares, mn	11.6	2.0%	41.2
Net debt				2.5%	36.5
Cost of net debt				3.0%	32.8
Debt/equity ratio					32.9
Tax rate					32.9
WACC					32.9

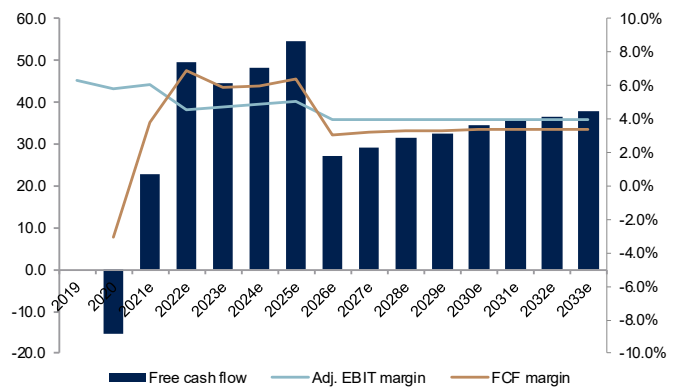
Source: ABG Sundal Collier, company data

### Adj. EBIT, NOPLAT (SEKm)



Source: ABG Sundal Collier, company data

### FCF (SEKm) & margins (%)



Source: ABG Sundal Collier, company data

## Previous transaction SEK 50-75 per share

For our transaction's valuation range, we have assumed an EV/EBITDA valuation between 9x and 13.4x. We have excluded the public transaction of Busy Bees acquiring Canadian company BrightPath Early Learning at a 46% bid premium. The reason behind this is that the large bid premium makes the EV/EBITDA multiple of 16x an outlier in the selection. The second-highest EV/EBITDA multiple in our range is Atvexa's acquisition of the Norwegian ULNA. On the other side of the spectrum, we see US firm Bright Horizon, which is an active consolidator. Bright Horizon acquired 36 educational centres in 2018 for a total of USD 68m, or an EV/EBITDA of 9x. We have also included the acquisition of Dutch KidsFoundation by venture capital firm ONEX and the most recent transaction in the sector, when Paradigm Capital's acquired Internationella Engelska Skolan.

## Sector transactions

Ann. Date	Acquirer	Target	Deal value (USDm)	Bid premium	EV / sales (LTM)	EV / EBITDA (LTM)
02/11/2020	Paradigm	IES	388	13%	1.1	9.5
08/02/2019	Atvexa	ULNA AS	25	Private trans.	0.7	13.4
27/11/2018	ONEX	KidsFoundation	174	Private trans.	Not disclosed	11.3
2018	Bright Horizon	Several targets	68	Private trans.	Not disclosed	9.0
28/07/2017	Busy Bees	BrightPath Early Learning	143	46%	1.8	16.0

Source: ABG Sundal Collier, company data

## M&A scenarios

In the last few years, we have witnessed an ongoing consolidation in the independent school market. However, there are still many small companies left, which is why we believe that consolidation will continue. Cedergrenska also has a financial target to grow revenue by at least 15% per year on top of its organic growth target of 7% per year, which indicates the company's intention to be part of this ongoing consolidation.

We have taken the balance sheet at the end of '24/'25e and looked at how large the M&A opportunity if the ND/EBITDA were at 1.0x, 1.5x and 2.0x. We have then assumed acquisition multiples of 6-8x, where Cedergrenska historically has acquired companies for ~6x EV/EBITDA, which is also consistent with the level of smaller acquisitions by AcadeMedia. This yields additional EBITA of between SEK 33m and SEK 57m. If we assume that the acquired companies have an EBITA margin in line with Cedergrenska's financial target of 8%, we have additional sales of between SEK 408m and SEK 716m, which is equivalent to a total revenue CAGR of 17% and 22% between '21/'22e and '25/'26e.

## M&A scenarios indicating revenue CAGR's of 17-22%

	1.0x ND/EBITDA					1.5x ND/EBITDA					2.0x ND/EBITDA				
Opportunity, SEKm	261	261	261	261	261	302	302	302	302	302	344	344	344	344	344
EV/EBITDA multiple	6x	6.5x	7x	7.5x	8x	6x	6.5x	7x	7.5x	8x	6x	6.5x	7x	7.5x	8x
Added EBITA, SEKm	44	40	37	35	33	50	47	43	40	38	57	53	49	46	43
Added sales, 8% EBITA margin	545	503	467	436	408	630	582	540	504	473	716	661	613	573	537
Implied 2026 sales, SEKm	1,428	1,386	1,350	1,319	1,292	1,514	1,465	1,424	1,388	1,356	1,599	1,544	1,497	1,456	1,420
Implied CAGR 2021-2026, %	19%	18%	18%	17%	17%	20%	20%	19%	18%	18%	22%	21%	20%	19%	19%
EV/EBITDA multiple, current SP	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x	9.5x
WACC, %	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Implied value, SEKm	414	382	355	331	310	479	442	410	383	359	544	502	466	435	408
Discounted value, SEKm	273	252	234	219	205	316	292	271	253	237	359	332	308	287	269
Discounted value, per share	23.6	21.8	20.2	18.9	17.7	27.3	25.2	23.4	21.8	20.5	31.0	28.6	26.5	24.8	23.2

Source: ABG Sundal Collier, company data



The additional EBITA that could be acquired by increasing the leverage is then multiplied by 9.5x, which is what the market values Cedergrenska at the current share price. The implied value is then discounted five years with a WACC of 8.6% to yield a discounted value of the acquired EBITA between SEK 205m and SEK 359m or a value of SEK 18-31 per share.

### M&A scenarios SEK 18-31 per share

ND/EBITDA	EV/EBITDA multiple				
	6x	6.5x	7x	7.5x	8x
1.0x	23.6	21.8	20.2	18.9	17.7
1.5x	27.3	25.2	23.4	21.8	20.5
2.0x	31.0	28.6	26.5	24.8	23.2

Source: ABG Sundal Collier, company data

### DCF scenarios plus M&A

We argue that it is realistic that Cedergrenska will continue to find acquisition targets mid-term as the independent school market still has of a lot of small companies running only one or two schools. Therefore, we want to illustrate how our DCF scenarios would be affected if the value of future M&A is added. Our first DCF scenario, which assumes an organic revenue CAGR of 5% mid-term indicates a valuation range of SEK 64-111 per share if we add the value that M&A could bring.

#### DCF 1 + M&A scenarios

ND/EBITDA	EV/EBITDA multiple				
	6x	6.5x	7x	7.5x	8x
1.0x	102.6	89.1	78.7	70.4	63.6
1.5x	106.7	92.9	82.1	73.5	66.5
2.0x	110.8	96.6	85.5	76.7	69.4

Source: ABG Sundal Collier, company data

Our second DCF scenario, which assumes an organic revenue CAGR of 7% mid-term indicates a valuation range of SEK 69-122 per share when adding the value of potential future M&A on top of the DCF valuation range.

#### DCF 2 + M&A scenarios

ND/EBITDA	EV/EBITDA multiple				
	6x	6.5x	7x	7.5x	8x
1.0x	114.0	98.2	86.0	76.4	68.6
1.5x	118.1	102.0	89.5	79.6	71.5
2.0x	122.3	105.8	93.0	82.8	74.5

Source: ABG Sundal Collier, company data

## Key risks

### Dependent on school vouchers

Cedergrenska's operations are dependent on the voucher systems established at the national and municipal level. This means that the business is not only affected by demand for school activities, but Cedergrenska and its subsidiaries also need to adapt to and run their business according to these systems in order to be able to provide their services in an efficient manner. The voucher systems in each municipality are also subject to change, sometimes at short notice. There is a risk that voucher system changes could mean that Cedergrenska does not receive sufficient compensation to cover all its costs for providing educational services. There is also a risk that if the compensation is insufficient, Cedergrenska cannot compensate by broadening its supply or by adjusting its operating costs accordingly.

### Operates on a regulated market

From time to time, restrictions have been proposed for publicly funded school activities conducted by independent actors, as well as restrictions on these actors' ability to conduct school activities for profit. Such bills could also be submitted in the future. A restriction on dividends could be particularly noticeable in a listed environment where recurring dividends can be an important factor for shareholders.

### Negative publicity

School activities have a great impact on people's future, and thus generate a great deal of interest and commitment from parents, authorities, the media and other stakeholders. Actual or perceived problems and incidents in the business or any criminal acts committed on the school facilities can lead to negative publicity in the media. In conjunction with such events, further investigations and legal measures may also be taken against Cedergrenska, its subsidiaries or employees within the group. Negative publicity and legal action can have a negative impact on Cedergrenska's or its subsidiaries' brand and reputation, which may impair its ability to compete in the education market, including the ability to attract new students and staff.

### Growth dependent on acquisition targets

Cedergrenska has an expansive growth strategy that involves both organic and acquisition-driven growth. Within the framework of the acquisition-driven growth strategy, Cedergrenska intends to continue to expand its operations through the acquisition of operations that broaden or supplement the group's existing operations, both in existing and new geographical markets. There is a risk that the group's future acquisitions may not be carried out on favourable terms or at all, which may hamper the group's growth.

# Appendix

## Overview of management

**Niklas Pålsson, CEO since 2018, CEO for TFG since 2011**

Born: 1972

Education: MSc in Economics, Stockholm University

Work experience: Ten years of experience as a licensed high school teacher, as well as 10 years in finance, including a period as a broker manager at Alfred Berg

Holding: 2,039,437 shares

**Yvonne Regnér, CFO since 2020**

Born: 1965

Education: MSc in Economics, Örebro University

Work experience: More than 10 years of experience as CFO in the private-sector education space. Regnér began her career as a controller in industries such as manufacturing, banks and confectionery; she then was appointed CFO of a US confectionary firm. Regnér also worked as a finance and administrative manager in the golf industry for seven years.

Holding: 2,755 shares

**Håkan Söderström, school- and quality chief since 2019**

Born: 1956

Education: Teacher's degree, Subject teacher's degree, from Stockholm University. Teacher ID, Rektorslyftet and ongoing school principal training, The National Agency for Education. State principal education, The Agency for School Development

Work experience: Söderström has worked as a teacher since the late 1970s in Upplands Väsby and Gnesta municipality. He has been a school principal since the late 1990s in the municipalities of Upplands Väsby, Danderyd and Täby. He also worked as a temporary production director for Danderyd municipality

Holding: 1,805,760 shares

## **Board of directors**

### **Christian Drougge, Chairman of the Board since 2015**

Born: 1971

Education: MSc in Marketing and Finance, Stockholm School of Economics

Work experience: Drougge has been active in investments since 1998, both internationally and in Sweden, and from 2010 in his own business. Before that, he was Investment Director at Proventus AB and Investment Manager at BancBoston Capital in London. Drougge has experience running businesses both operationally and from an ownership and board perspective. Previous investments include both buyout investments, growth companies and several restructurings. He was an owner in Pyslingen Förskolor & Skolor AB from 2005-2009.

Holding: 1,248,832 shares through Berkshore AB

### **David Sandgren, Board Member since 2011**

Born: 1973

Education: MSc in Economics & Business Administration, Stockholm School of Economics

Work experience: Sandgren has many years of experience as a tech entrepreneur and investor. He founded the online search company Hitta.se and Mortgageloan.com, and has since worked with his own investments.

Holding: 1,147,398 shares through ETOD Holding AB

### **Lotta Smith, Board Member since 2020**

Born: 1972

Education: MSc in Finance & Accounting and International Business, Stockholm School of Economics

Work experience: Smith has many years of international experience in strategy, real estate and in the investment industry from positions at e.g. Industrivärden, Morgan Stanley and LEK Consulting. She also has board experience from the Swedish School in London and Hedda Credit Fund in Sweden

Holding: 134,673 shares

### **Henrik Lokind, Board Member since 2011**

Born: 1975

Education: Upper secondary teacher's degree

Work experience: Lokind has many years' experience as a high school teacher in Philosophy and Swedish at Tibble Gymnasium. He has also run his own company for several years.

Holding: 26,960 shares

**Beatrice Feuk Dahlström, Board Member since 2011**

Born: 1970

Education: BSc in Philosophy, Stockholm and Lund University

Work experience: Dahlström has many years of experience in management team, strategy, and was HR manager at global media and communications agency IPG Mediabrands. She also has long experience, and is a well-known speaker, within digital marketing strategies and brand communication. Dahlström was a marketing manager at Gröna Lund AB and communications manager at General Motors for the Nordics and Ireland.

Holding: 800 shares

Additional info: Employee representative

**Marie Wikner, Board Member since 2018**

Born: 1971

Education: MSc in Business Administration, Stockholm University

Work experience: Wikner has experience in school development and pedagogical questions through her work as a subject teacher in Business Administration at Tibble Gymnasium and Jensen Education. Before that, she has almost 15 years of experience from the IT industry through employment as an Account Manager, Engagement Manager and Project Manager at Oracle / Sun Microsystems, Microsoft and Safepay.

Holding: 700 shares

Additional info: Employee representative

## Largest shareholders and lock-up agreements

Below are the 10 largest shareholders in Cedergrenska. Most of them have entered into a lock-up agreement for 360 days following the company's first day of trading, which was 25 May 2021. In total, 67% of the shares in the company have entered the lock-up agreement, which will expire on 20 May 2022. We notice that the free float is low, with only 17% of the shares not held by the top 10 shareholders.

### 10 largest shareholders in Cedergrenska

Owner	Shares	Value (SEKm)	% of shares	Aggregated %	Lock-up?
Niklas Pålsson	2,039,437	92.0	17.6%	18%	Yes
Håkan Söderström	1,805,760	81.4	15.6%	33%	Yes
Daniel Andersson	1,260,032	56.8	10.9%	44%	Yes
Christian Drougge	1,248,832	56.3	10.8%	55%	Yes
David Sandgren	1,147,398	51.7	9.9%	65%	Yes
Enter Fonder	838,679	37.8	7.2%	72%	
FE Fonder	500,000	22.6	4.3%	76%	
PriorNilsson Fonder	400,000	18.0	3.4%	80%	
Endel Viitberg	291,840	13.2	2.5%	82%	Yes
Lotta Smith	134,672	6.1	1.2%	83%	Yes
Others	1,932,590	87.2	16.7%	100%	
<b>Total</b>	<b>11,599,240</b>	<b>523.1</b>	<b>100.0%</b>		

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	0	0	0	0	109	318	505	601	720	761
COGS	0	0	0	0	0	0	0	0	0	0
Gross profit	0	0	0	0	109	318	505	601	720	761
Other operating items	0	0	0	0	-98	-280	-452	-537	-652	-689
<b>EBITDA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>37</b>	<b>53</b>	<b>64</b>	<b>69</b>	<b>73</b>
Depreciation and amortisation	0	0	0	0	-2	-6	-7	-9	-10	-11
Of which leasing depreciation	0	0	0	0	0	0	0	0	0	0
<b>EBITA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>31</b>	<b>45</b>	<b>55</b>	<b>59</b>	<b>62</b>
EO items	0	0	0	0	0	0	0	-5	0	0
Impairment and PPA amortisation	0	0	0	0	-3	-11	-16	-19	-26	-26
<b>EBIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>20</b>	<b>29</b>	<b>36</b>	<b>33</b>	<b>36</b>
Net financial items	0	0	0	0	-0	-1	-2	-3	-2	-1
<b>Pretax profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>19</b>	<b>27</b>	<b>34</b>	<b>30</b>	<b>35</b>
Tax	0	0	0	0	-2	-7	-10	-11	-12	-12
<b>Net profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>12</b>	<b>17</b>	<b>23</b>	<b>19</b>	<b>22</b>
Minority interest	0	0	0	0	0	1	2	2	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
<b>Net profit to shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>13</b>	<b>19</b>	<b>26</b>	<b>19</b>	<b>22</b>
EPS	0	0	0	0	0.26	1.13	1.55	1.83	1.60	1.91
EPS Adj	0	0	0	0	0.26	1.13	1.55	2.27	1.60	1.91
Total extraordinary items after tax	0	0	0	0	0	0	0	-5	0	0
Leasing payments	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	ns	ns	ns	ns	41.1	34.9	36.1	31.0	38.4	36.1
Gross margin (%)	nm	nm	nm	nm	100.0	100.0	100.0	100.0	100.0	100.0
EBITDA margin (%)	nm	nm	nm	nm	9.3	11.8	10.5	10.7	9.5	9.6
EBITA margin (%)	nm	nm	nm	nm	7.8	9.9	9.0	9.2	8.1	8.1
EBIT margin (%)	nm	nm	nm	nm	4.6	6.3	5.8	6.1	4.5	4.7
Pretax margin (%)	nm	nm	nm	nm	4.5	5.9	5.3	5.6	4.2	4.6
Net margin (%)	nm	nm	nm	nm	2.6	3.8	3.4	3.9	2.6	2.9
<b>Growth rates Y/Y</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Sales growth (%)	na	na	na	na	na	192.7	58.9	19.0	19.8	5.7
EBITDA growth (%)	na	na	na	na	high	270.1	41.2	22.0	6.3	6.1
EBIT growth (%)	na	na	na	na	high	300.4	46.2	24.7	-10.6	10.3
Net profit growth (%)	na	na	na	na	high	326.7	40.5	37.4	-21.0	19.4
EPS growth (%)	na	na	na	na	high	325.6	37.5	18.4	-12.9	19.4
<b>Profitability</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
ROE (%)	nm	nm	nm	nm	13.0	30.2	38.2	26.0	12.5	13.1
ROE Adj (%)	nm	nm	nm	nm	27.7	56.8	71.5	50.4	30.0	28.5
ROCE (%)	nm	nm	nm	nm	8.6	17.1	21.8	19.4	14.9	17.1
ROCE Adj(%)	nm	nm	nm	nm	14.5	26.9	33.9	32.0	26.8	29.5
ROIC (%)	na	na	na	na	8.6	15.3	15.8	16.9	13.6	18.8
ROIC Adj (%)	na	na	na	na	8.6	15.3	15.8	19.3	13.6	18.8
<b>Adj earnings numbers</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
EBITDA Adj	0	0	0	0	10	37	53	70	69	73
EBITDA Adj margin (%)	nm	nm	nm	nm	9.3	11.8	10.5	11.6	9.5	9.6
EBITDA lease Adj	0	0	0	0	10	37	53	70	69	73
EBITDA lease Adj margin (%)	nm	nm	nm	nm	9.3	11.8	10.5	11.6	9.5	9.6
EBITA Adj	0	0	0	0	8	31	45	60	59	62
EBITA Adj margin (%)	nm	nm	nm	nm	7.8	9.9	9.0	10.1	8.1	8.1
EBIT Adj	0	0	0	0	5	20	29	41	33	36
EBIT Adj margin (%)	nm	nm	nm	nm	4.6	6.3	5.8	6.9	4.5	4.7
Pretax profit Adj	0	0	0	0	8	30	43	58	56	61
Net profit Adj	0	0	0	0	6	24	33	48	45	48
Net profit to shareholders Adj	0	0	0	0	6	25	35	50	45	48
Net Adj margin (%)	nm	nm	nm	nm	5.8	7.4	6.6	7.9	6.2	6.3

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	0	0	0	0	10	37	53	64	69	73
Net financial items	0	0	0	0	-0	-1	-2	-3	-2	-1
Paid tax	0	0	0	0	0	0	0	0	0	0
Non-cash items	0	0	0	0	0	-4	-2	-1	-12	-12
Cash flow before change in WC	0	0	0	0	10	32	48	61	55	59
Change in WC	0	0	0	0	-4	5	12	-5	7	3
<b>Operating cash flow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>37</b>	<b>60</b>	<b>56</b>	<b>62</b>	<b>63</b>
CAPEX tangible fixed assets	0	0	0	0	-3	-12	-13	-17	-14	-19
CAPEX intangible fixed assets	0	0	0	0	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	-12	-45	-57	-17	0	0
<b>Free cash flow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9</b>	<b>-20</b>	<b>-10</b>	<b>22</b>	<b>47</b>	<b>44</b>
Dividend paid	0	0	0	0	0	-19	0	-17	0	0
Share issues and buybacks	0	0	0	0	0	1	4	80	0	0
Lease liability amortisation	0	0	0	0	0	0	0	0	0	0
Other non cash items	0	0	0	0	-42	-18	-26	-54	-17	-7
Balance Sheet (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Goodwill	0	0	0	0	73	113	144	165	139	113
Other intangible assets	0	0	0	0	0	0	0	0	0	0
Tangible fixed assets	0	0	0	0	22	28	42	50	55	63
Right-of-use asset	0	0	0	0	0	0	0	0	0	0
Total other fixed assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	95	141	186	215	194	176
Inventories	0	0	0	0	0	0	0	0	0	0
Receivables	0	0	0	0	8	12	24	48	58	61
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	0	0	0	0	49	18	22	75	82	108
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151</b>	<b>172</b>	<b>232</b>	<b>339</b>	<b>334</b>	<b>345</b>
Shareholders equity	0	0	0	0	47	40	58	139	158	180
Minority	0	0	0	0	4	5	6	9	9	9
<b>Total equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>	<b>45</b>	<b>64</b>	<b>149</b>	<b>167</b>	<b>189</b>
Long-term debt	0	0	0	0	32	39	58	44	26	8
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	0	0	0	0	0
Total other long-term liabilities	0	0	0	0	1	2	7	7	7	7
Short-term debt	0	0	0	0	33	34	28	37	15	15
Accounts payable	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	0	34	52	75	102	119	126
<b>Total liabilities and equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151</b>	<b>172</b>	<b>232</b>	<b>339</b>	<b>334</b>	<b>345</b>
Net IB debt	0	0	0	0	17	55	64	6	-42	-85
Net IB debt excl. pension debt	0	0	0	0	17	55	64	6	-42	-85
Net IB debt excl. leasing	0	0	0	0	17	55	64	6	-42	-85
Capital invested	0	0	0	0	68	101	135	162	133	111
Working capital	0	0	0	0	-27	-40	-51	-54	-61	-64
EV breakdown	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Market cap. diluted (m)	na	na	na	na	na	na	na	516	516	516
Net IB debt Adj	0	0	0	0	17	55	64	6	-42	-85
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	0	0	0	0	0	0	0	0	0	0
<b>EV</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>522</b>	<b>475</b>	<b>431</b>
Capital efficiency	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Total assets turnover (%)	nm	nm	nm	nm	143.5	196.5	249.8	210.5	214.1	224.3
Working capital/sales (%)	nm	nm	nm	nm	-12.4	-10.5	-9.0	-8.8	-8.0	-8.2
Financial risk and debt service	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Net debt/equity	nm	nm	nm	nm	0.33	1.22	1.00	0.04	-0.25	-0.45
Net debt/market cap	na	na	na	na	na	na	na	0.01	-0.08	-0.16
Equity ratio (%)	nm	nm	nm	nm	33.3	26.1	27.4	43.8	50.0	54.9
Net IB debt adj./equity	nm	nm	nm	nm	0.33	1.22	1.00	0.04	-0.25	-0.45
Current ratio	nm	nm	nm	nm	0.83	0.36	0.45	0.89	1.05	1.20
EBITDA/net interest	na	na	na	na	69.74	29.33	21.68	24.18	28.28	59.45
Net IB debt/EBITDA	nm	nm	nm	nm	1.65	1.46	1.21	0.09	-0.61	-1.17
Net IB debt/EBITDA lease Adj	nm	nm	nm	nm	1.65	1.46	1.21	0.08	-0.61	-1.17
Interest cover	nm	nm	nm	nm	58.04	24.65	18.65	20.77	24.14	50.54

Source: ABG Sundal Collier, Company data



Valuation and Ratios (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Shares outstanding adj.	0	0	0	0	10	10	10	12	12	12
Fully diluted shares Adj	0	0	0	0	10	10	10	12	12	12
EPS	0	0	0	0	0.26	1.13	1.55	1.83	1.60	1.91
Dividend per share Adj	0	0	0	2.0	0	0	0	0	0	0
EPS Adj	0	0	0	0	0.26	1.13	1.55	2.27	1.60	1.91
BVPS	0	0	0	0	4.69	3.96	5.82	11.99	13.59	15.50
BVPS Adj	0	0	0	0	-2.63	-7.32	-8.61	-2.23	1.61	5.76
Net IB debt / share	na	na	na	na	1.7	5.5	6.4	0.5	-3.6	-7.3
Share price	na	na	na	na	na	na	na	44.50	44.50	44.50
Market cap. (m)	na	na	na	na	na	na	na	516	516	516
<b>Valuation</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
P/E	na	na	na	na	na	na	na	24.3	27.8	23.3
EV/sales	na	na	na	na	na	na	na	0.87	0.66	0.57
EV/EBITDA	na	na	na	na	na	na	na	8.1	6.9	5.9
EV/EBITA	na	na	na	na	na	na	na	9.4	8.1	7.0
EV/EBIT	na	na	na	na	na	na	na	14.3	14.6	12.0
Dividend yield (%)	na	na	na	na	na	na	na	0	0	0
FCF yield (%)	na	na	na	na	na	na	na	4.3	9.2	8.4
Lease adj. FCF yield (%)	na	na	na	na	na	na	na	4.3	9.2	8.4
P/BVPS	na	na	na	na	na	na	na	3.71	3.27	2.87
P/BVPS Adj	na	na	na	na	na	na	na	-19.94	27.67	7.73
P/E Adj	na	na	na	na	na	na	na	19.6	27.8	23.3
EV/EBITDA Adj	na	na	na	na	na	na	na	7.5	6.9	5.9
EV/EBITA Adj	na	na	na	na	na	na	na	8.6	8.1	7.0
EV/EBIT Adj	na	na	na	na	na	na	na	12.6	14.6	12.0
EV/cap. employed	na	na	na	na	na	na	na	2.3	2.3	2.0
<b>Investment ratios</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022e</b>	<b>2023e</b>
Capex/sales	nm	nm	nm	nm	2.8	3.7	2.6	2.7	2.0	2.5
Capex/depreciation	nm	nm	nm	nm	179.9	195.3	176.2	181.4	143.5	174.5
Capex tangibles/tangible fixed assets	nm	nm	nm	nm	13.9	41.2	30.9	32.8	26.3	30.3
Capex intangibles/definite intangibles	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation on intangibles/definite intai	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation on tangibles/tangibles	nm	nm	nm	nm	7.7	21.1	17.5	18.1	18.3	17.4

Source: ABG Sundal Collier, Company data

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