



Creating value and growth with learning content

Deep-dive, 1 December 2022

Our agenda today

EET

11:00 Presentation on local learning content businesses

- › Printed and digital learning content is the core of our K12 learning services business
- › A closer look into our major learning markets: Poland, Spain, Italy and the Netherlands
- › The financial perspective of the stable and resilient content business

Chat open for questions

11:45 Roundtable discussion and Q&A

Latest

12:30 End of the event

Speakers

Rob Kolkman,
CEO Sanoma Learning

Alex Green,
CFO Sanoma Group

Moderator

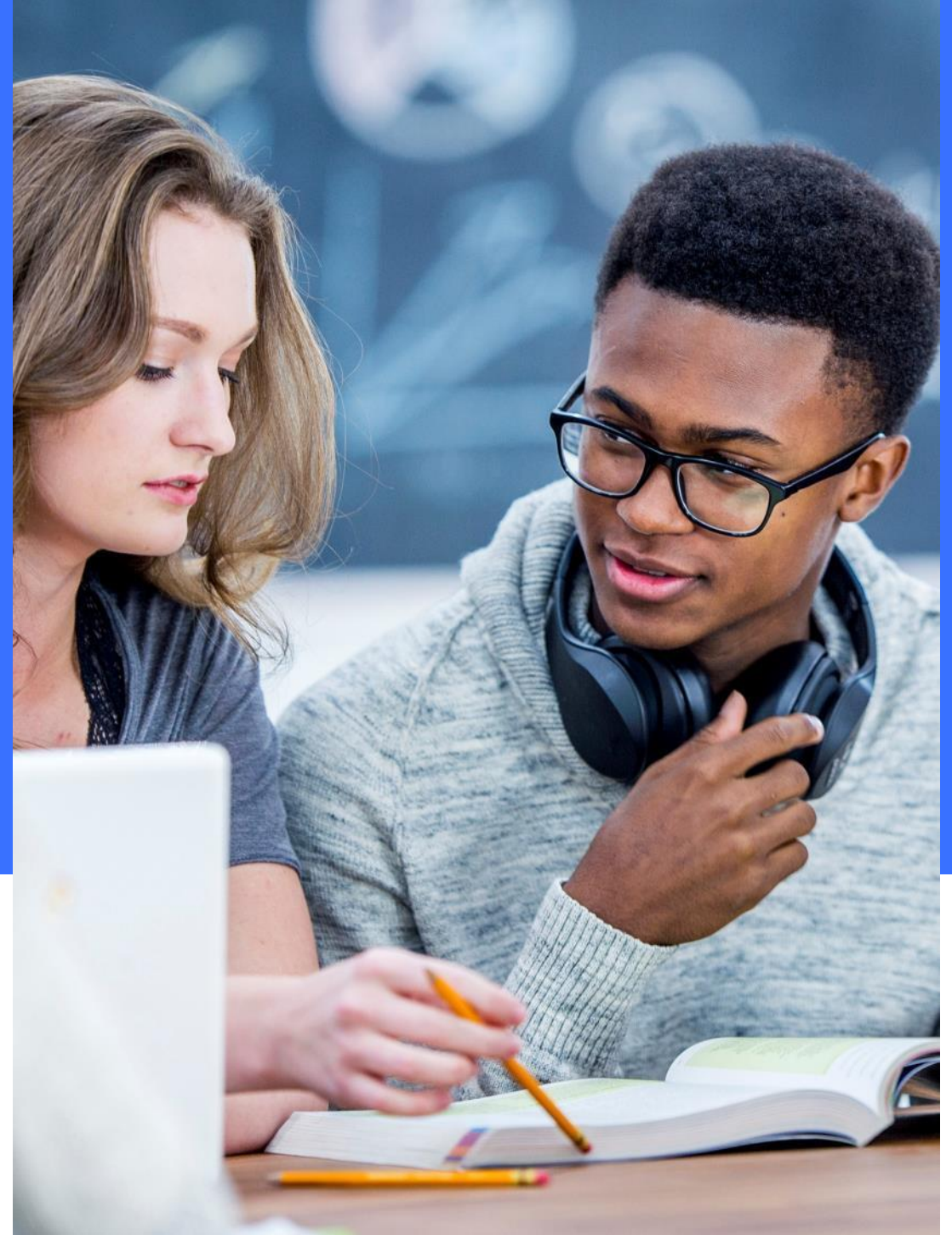
Kaisa Uurasmaa,
*Head of IR and
Sustainability
Sanoma Group*

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Creating value and growth with learning content

Rob Kolkman
CEO, Sanoma Learning

Alex Green
CFO, Sanoma Group



We are one of the global leaders in K12 education serving more than 25 million students

K12 is an attractive business

- Public spending on education is increasing and resilient to crises
- High barriers to entry due to localised nature
- Stable and predictable as teachers only change learning materials every 4–8 years

We are #1 in K12 learning services in Europe with benefits of scale

- Operating in 12 countries with learning content offering in seven
- Synergies from harmonised digital platforms and technology across countries
- Further investigating opportunities for shared use of content

Growth and digitalisation support our earnings in the long-term

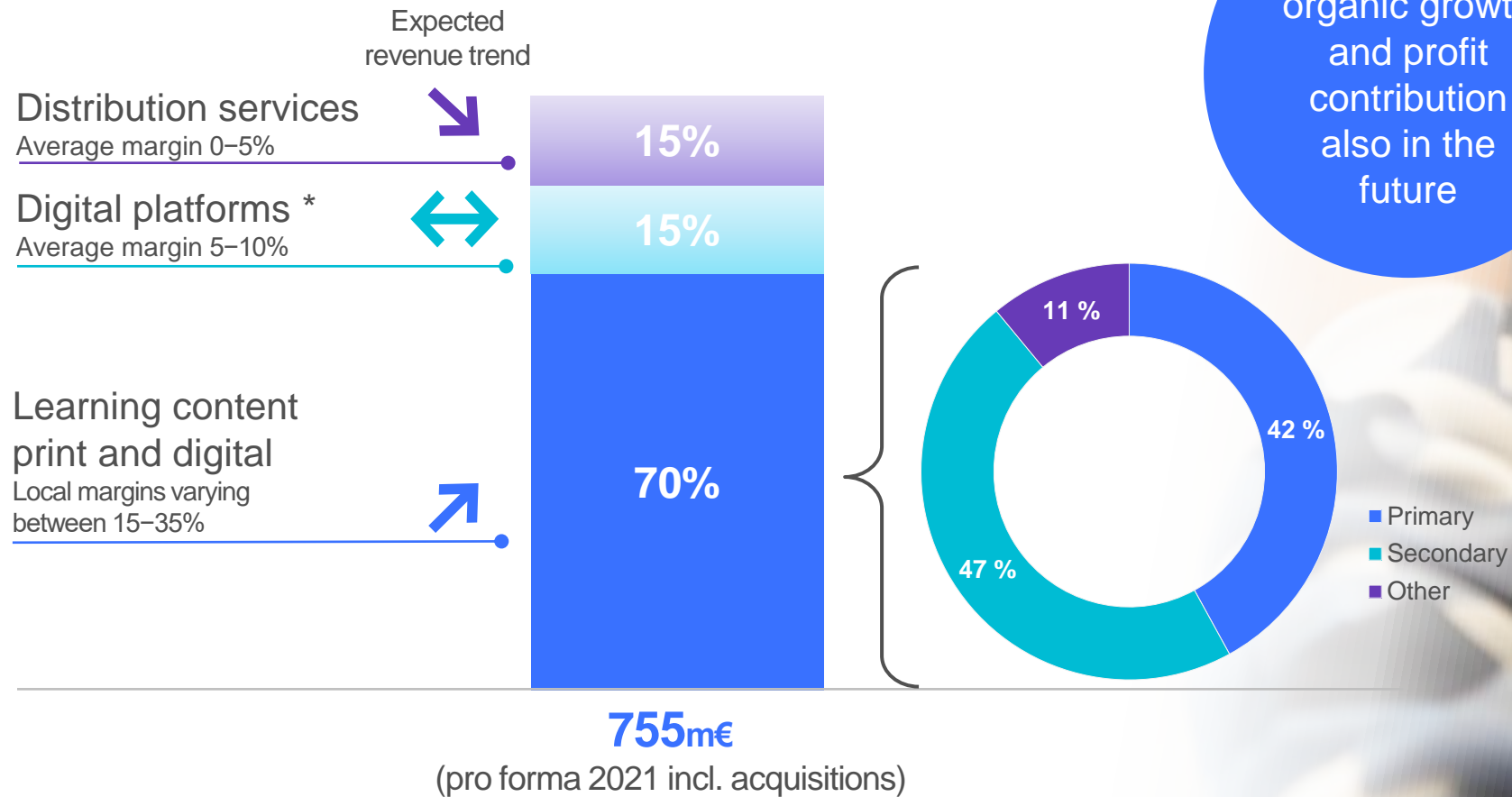
- Sustained organic growth in-line with our long-term target of 2–5%
- Solid M&A pipeline with an aim to enter new geographies globally and to expand our offering in the current markets
- Efficiency gains from harmonisation and scale in digital

Our ambition

Group net sales over **2bn€** by 2030 at least **75%** from Learning

Learning content is the key value driver for us

Average net sales split and margins over the cycle



PORQUE LA EDUCACIÓN ES EL MEJOR ESCENARIO PARA CAMBIAR EL MUNDO.



We create best-in-class printed and digital learning content



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sanoma

To support teachers, we develop learning methods...

What is a learning method?

- A comprehensive workflow tool providing the teachers a plan combined with learning materials throughout the curriculum and school year
- Enables the students to reach their annual learning goals, using the frequently updated printed content together with the digital platform
- Based on strong understanding of the curriculum, teachers' insights and local market needs
- Created together with the teachers
- Using our learning methods saves the teachers approx. 8h per week
- **The localised demands create high barriers to entry**



... that include everything a teacher needs during the school year...



Teachers have about **40 weeks** to help their students to reach their annual learning goals and move to the next grade



We provide best-in-class learning methods, including printed and digital teaching and learning materials based on the local curriculum



Clear and method-aligned teaching manual for better facilitated teaching, better insights to learning outcomes, after-sales support during the year



Best possible learning outcomes, students ready to move to the next grade

Challenge

Our offering

Teaching during the year

Goal

Learning method

Textbooks

Exercises

Interactive whiteboard content

Teacher materials

Digital learning platforms

Digital teaching platforms

Digital admin platforms

Start of the school year

End of the school year

...resulting in higher satisfaction among teachers and a positive impact on learning outcomes

Share of teachers using learning methods *

In primary education

95%

In secondary education

79%

Using our learning methods saves the teacher approx.

8h/week

Share of teachers agreeing that our learning methods... **

...support them in reaching curriculum objectives

85%

...help them to be more efficient in their work

76%

...help to engage their students

71%

* Self-reported, 2-5 days a week

** Based on Sanoma's European Teacher Survey conducted in 6 European countries in 2021

Learning methods also play a key role in our Sustainability Strategy

- We develop inclusive learning solutions supporting diversity, accessibility and differentiation
 - To enhance this, we work in-line with our Editorial Guidelines
 - External audits on inclusiveness of the content also conducted
 - Improving accessibility of our digital content to meet the WCAG AA-level guidelines

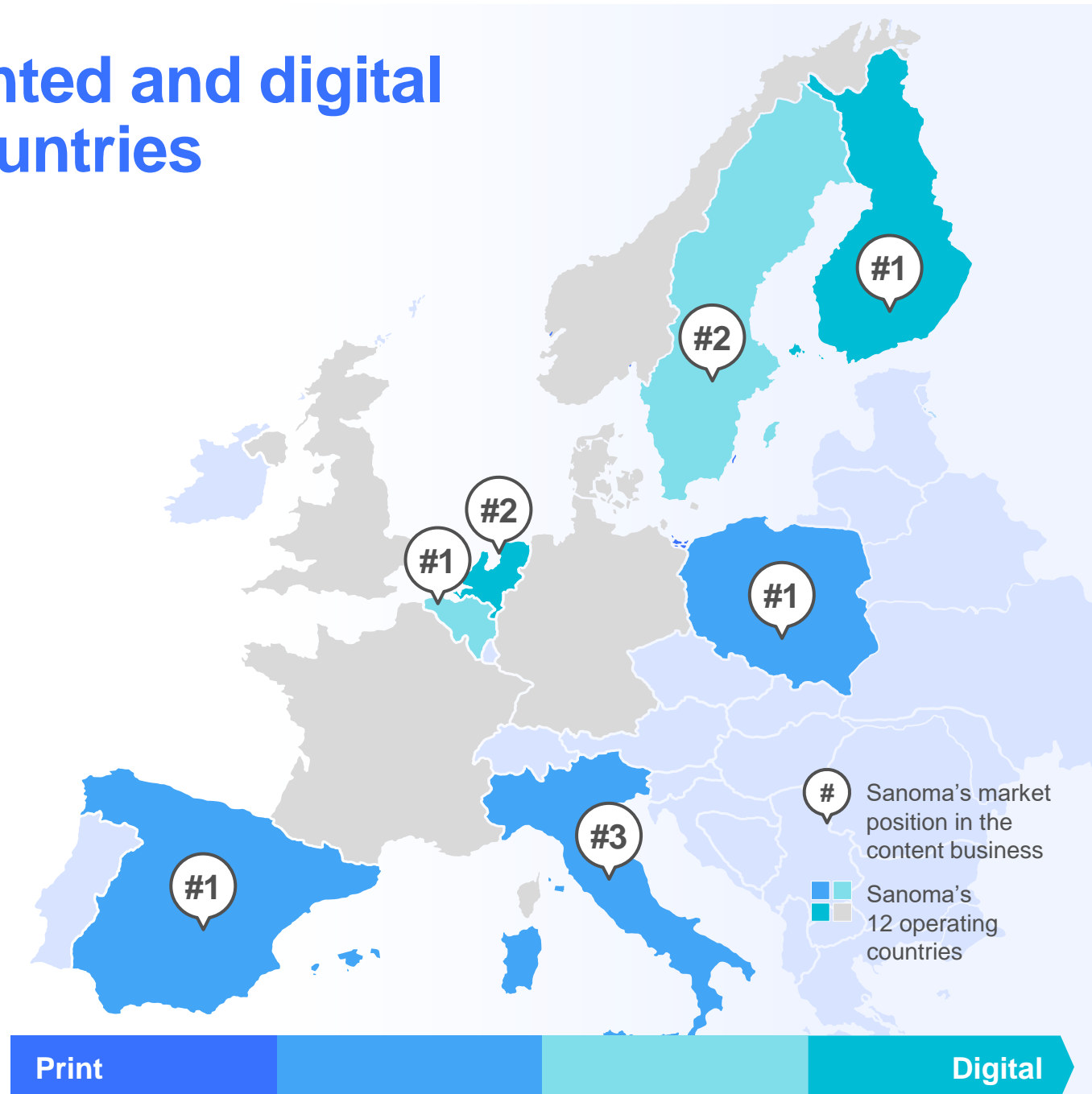


Our major local learning markets have high barriers to entry



We provide best-in-class printed and digital learning content in seven countries

- Learning content always adapted to local needs and curriculum
- Use of digital content at different stages in each country
- We have a clear competitive advantage in benefitting from scale across countries esp. through platform harmonisation



Poland returning to a growth path with next subsidy cycle starting in 2023

- Nowa Era is the leader in Poland's K12 learning content publishing with approx. 40% market share
- The Polish learning content market is approx. 150m€ in 2022, with demand expected to fluctuate driven by the subsidy cycle leading to growth in 2023-24 and lower subsidies in 2025
- Our innovative offering in niches, such as special educational needs and virtual laboratories, supports our position
- Poland's early stage in digital adaptation brings future growth opportunities

Key market factors in 2022

4.7m

K12 student population

2.8%

Public spend on K12 education of GDP (2019)

25/50€

Approx. primary/secondary education spend per student

150m€

Approx. market size of K12 learning content

Key competitor

WSiP

and several smaller local players

Sanoma's market position in content business

#1

In Spain, major educational reform and curriculum renewal LOMLOE* speeding up the demand

- With Santillana, we are the leader in Spain's fragmented K12 learning content publishing
- Our position is particularly strong in primary education
- The LOMLOE reform is driving fluctuations in 2022-2025
- In 2022, the implementation of LOMLOE has started with different pace per regions
- Content is mostly created centrally, with subsequent adaptations and/or translations to fit the regional needs
- Spain's early stage in digital adaptation brings future growth opportunities

Key market factors in 2022

6.2m

K12 student population

2.7%

Public spend on K12 education of GDP (2019)

95/80€

Approx. primary/secondary education spend per student

600m€

Approx. market size of K12 learning content

Key competitors

**Anaya
SM
Edelvives**

Sanoma's market position in content business

#1

Sanoma Italy is the latest addition to our portfolio

- Italy is one of the largest K12 learning content markets in Europe with an annual spend of approx. 750m€
- 80% of our business comes from secondary education, where we have leading market positions e.g. in philosophy and literature
- Number of students, market size and government expenditure are stable
- Content renewals are continuous and driven by the needs of teachers and the need to meet government learning outcome targets
- Italy's early stage in digital adaptation brings future growth opportunities

Key market factors in 2022

7.0m

K12 student population

2.8%

Public spend on K12 education of GDP (2019)

35/155€

Approx. primary/secondary education spend per student

750m€

Approx. market size of K12 learning content

Key competitors

**Mondadori
Zanichelli
La Scuola**



The Netherlands is the most advanced market in the use of digital content

- The Dutch market is already almost 100% hybrid in both primary and secondary education
- Our market position is particularly strong in primary education
- Share of subscription in our learning material sales currently already ~65% evening out the annual sales cycle
- We have successfully grown our business through market share gains

Key market factors in 2022

2.8m

K12 student population

3.2%

Public spend on K12 education of GDP (2019)

120/270€

Primary/Secondary education spend per student

500m€

Approx. market size of K12 learning content

Key competitors

**Noordhoff
ThiemeMeulenhoff
Zwijsen**

Sanoma's market position in content business

#2

The best learning outcomes are achieved by combining printed and digital learning content

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Fully gamified primary solution with avatars and points

- The added value of digital content is appreciated among students and teachers
 - Up-to-date content becoming more important in today's world
 - The role of videos is increasing
- Gamification and videos allow for more engaging and motivating education experience
 - They can be rolled out across countries
 - Pedagogy is still at the heart of gamification solutions
 - Visualisation of progress and accomplishments adds value to students
- The increasing use of digital content benefitting us by
 - Spreading the business more evenly across the year and softening the peak around the start of the new school year
 - Scale and harmonisation esp. of the platforms across countries

**Learning content is
a stable and
resilient business**



Strategic levers support our growth ambitions...

Learning content is the key in all three growth levers driving our performance towards ...



...Learning's long-term financial targets...

Organic growth

2-5%

Margin

above 23%

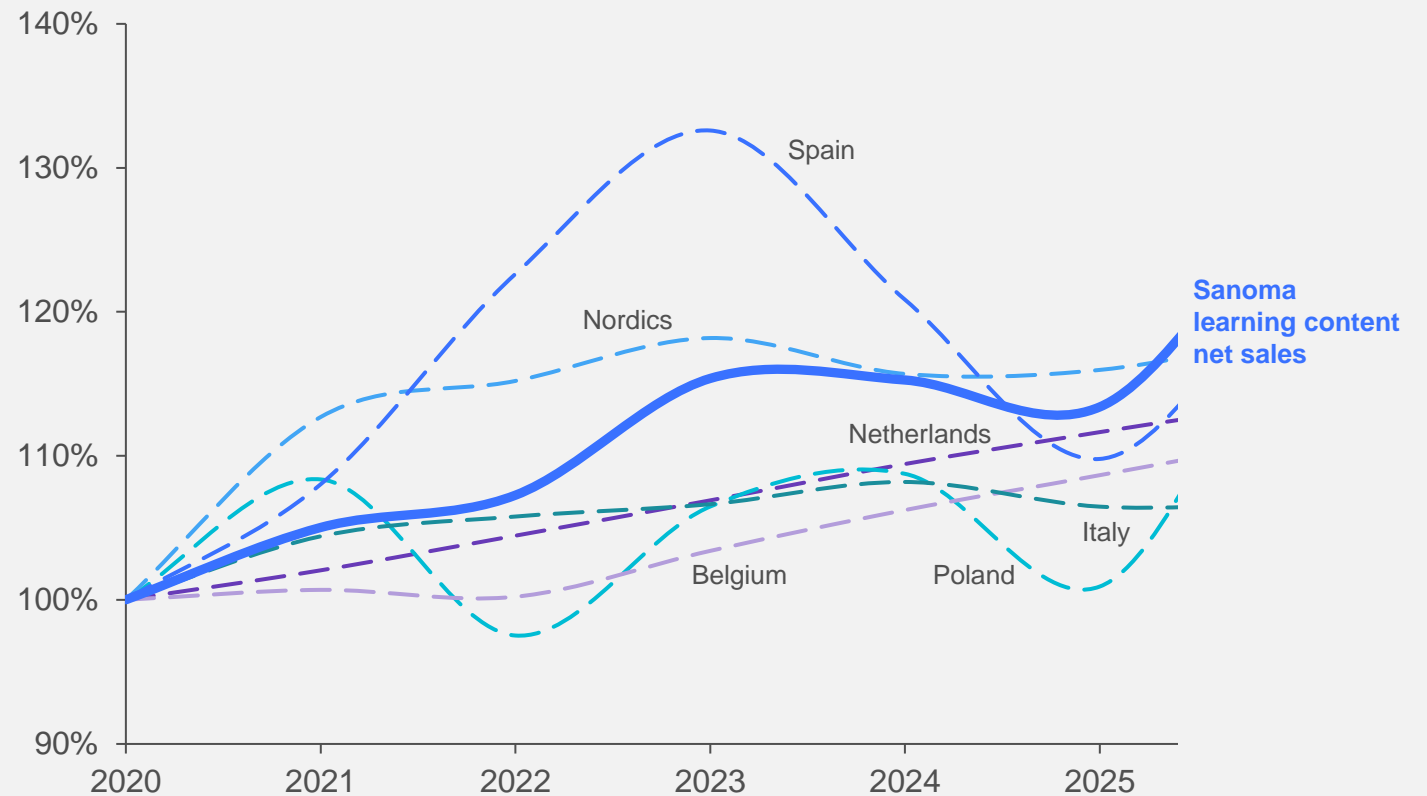
...and the Group-wide growth ambition

Group net sales over **2bn€** by 2030, at least **75%** from Learning

...and curriculum renewals contribute to that growth

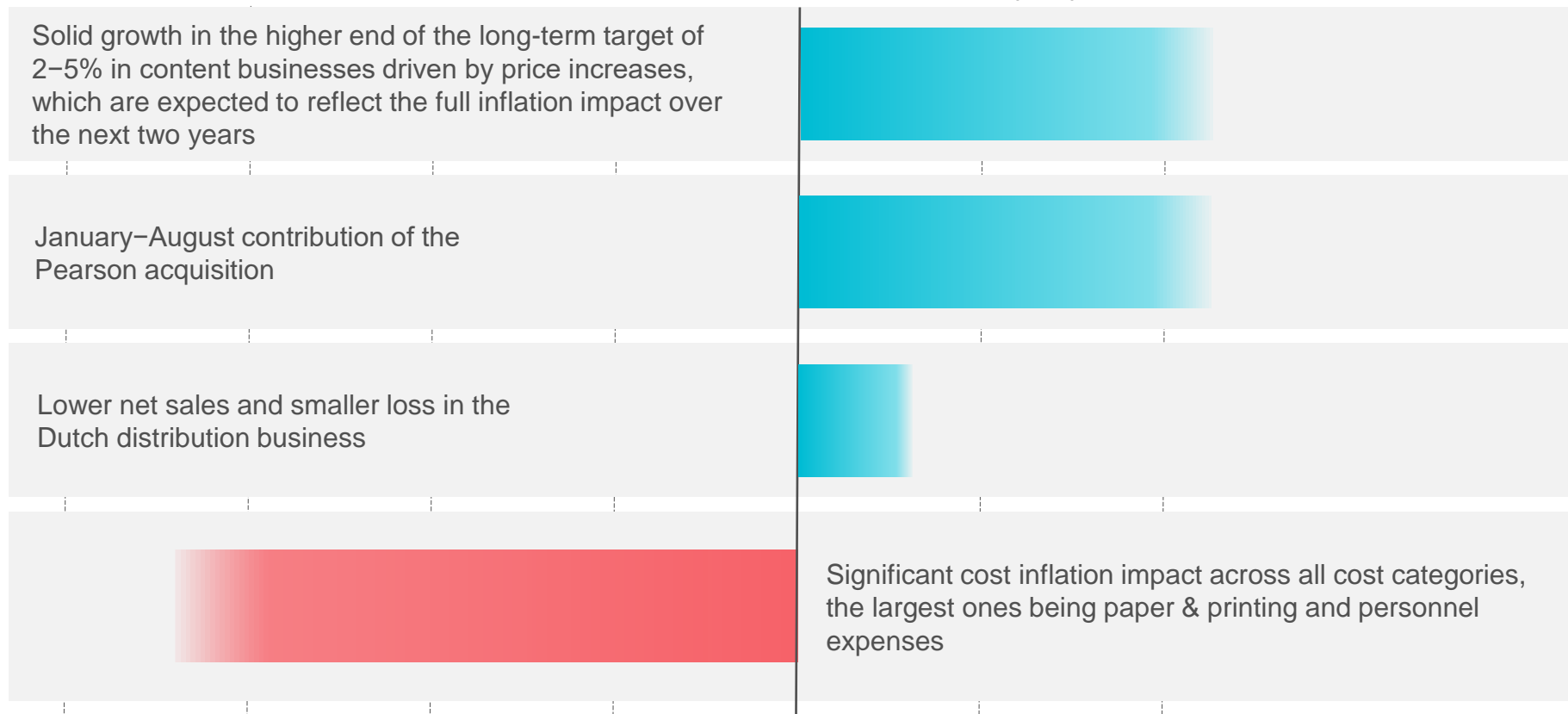
- Long-term growth over the cycle driven by wider geographical presence and position in both key segments (primary & secondary) regardless of local market fluctuations
- In **Spain**, the LOMLOE reform is driving fluctuations in 2022-2025
- In **Poland**, fluctuations driven by primary subsidy cycle
- **Dutch** market growing due to shift to subscription increasing the value per student
- **Italy** is a sizeable market and softens overall fluctuations

K12 publishing market values in Sanoma's key operating countries
indexed to 2020



As referred to in Q3 2022, profitability in Learning will be temporarily affected by the challenging operational environment in 2023

Estimated impact on Operational EBIT excl. PPA (m€) in 2023 vs. 2022



Free cash flow 2023 lower vs. PY due to

- Timing of the Italian acquisition in 2022
- Continued investments in business development and Italian integration

...in addition to increased financing costs for the Group

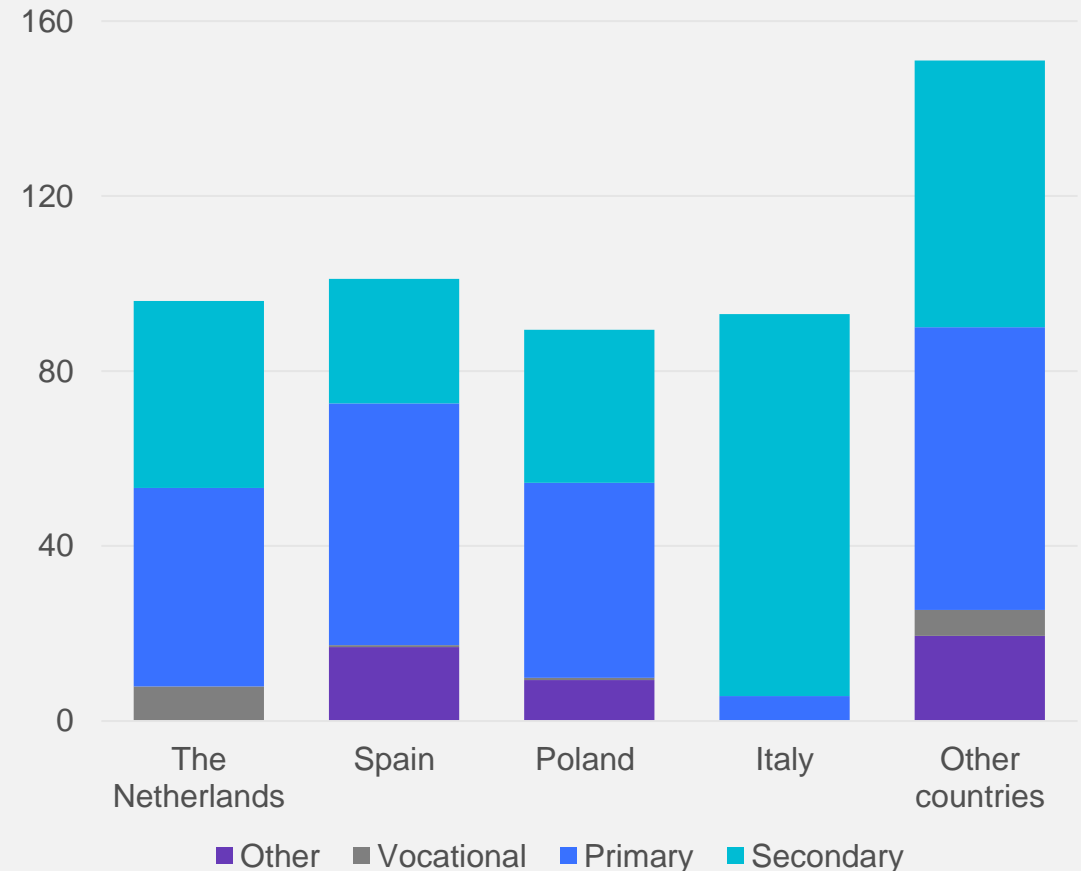
Country-level profitability of the learning content business varies between 15–35%

Factors impacting financial success of local content businesses

- Primary education typically more profitable, secondary has a wider range of subjects resulting in lower volumes per subject
- The degree of digitalisation
 - More stable revenue streams and in general better profitability
 - Moderates phasing between quarters
 - Offers better scalability and synergies

We have a balanced portfolio across K12

Learning content sales, m€, pro forma 2021



Creating value and growth with learning content

Printed and digital learning content is the strategic core and growth driver of our K12 learning services business

Our high-quality and inclusive learning content and digital platforms support good learning outcomes and provide us a strong competitive advantage

Learning services is a stable and resilient business

As referred to in Q3 2022, profitability in Learning will be temporarily affected by the challenging operational environment in 2023

Our ambition

Group net sales over **2bn€** by 2030 at least **75%** from Learning

Q&A

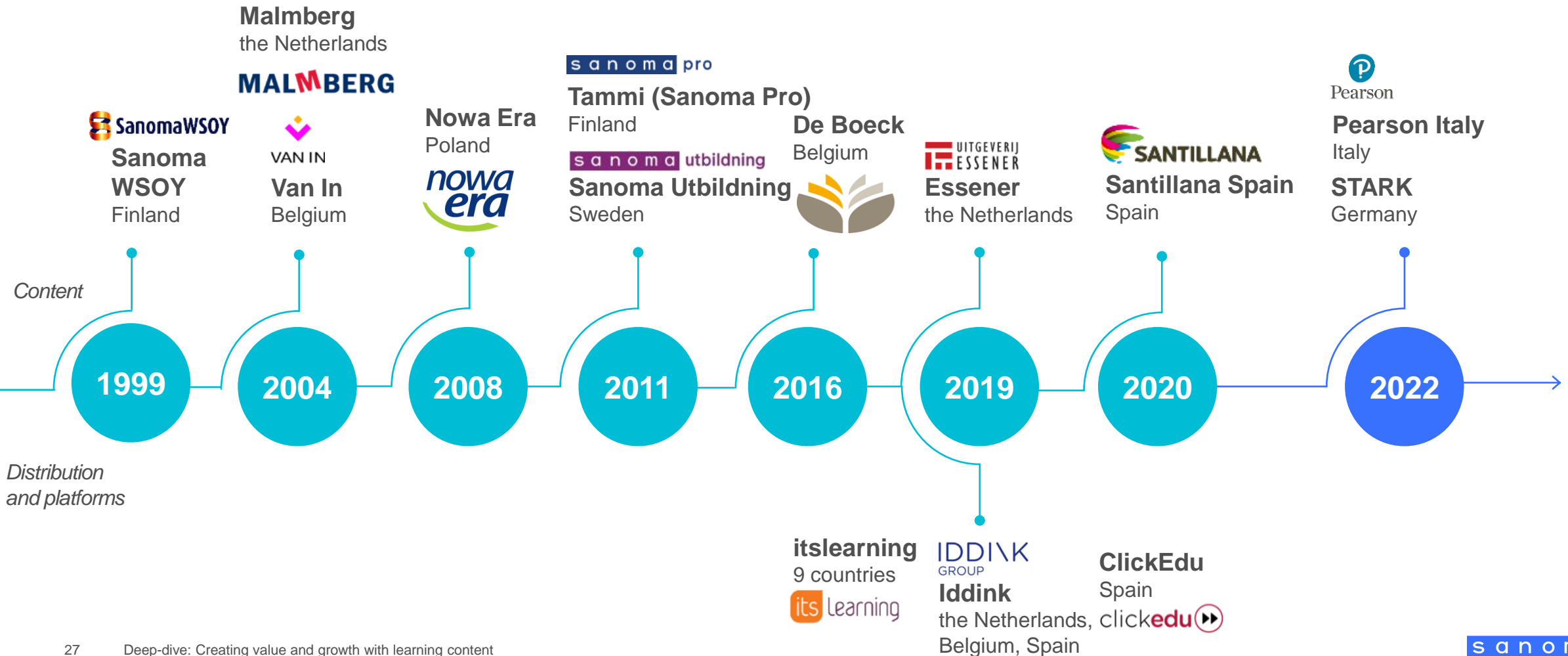


Appendix

Key market features in our major learning content countries

	Sanoma market position in learning content	K12 student population	Annual spend per student primary/secondary	Total annual spend	Public spend on education of GDP	Level of digitalisation	Funding mechanism
Poland	#1	4.7m	25/50€	150m€	2.8%	Early	Mainly publicly funded through different local mechanisms
Spain	#1	6.4m	95/80€	600m€	2.7%	Early	
Italy	#3	7.0m	35/155€	750m€	2.8%	Early	
The Netherlands	#2	2.8m	120/270€	500m€	3.2%	Advanced	

We have built our unique position during the past 20 years through acquisitions...



...and we aim to continue to grow our K12 learning business through M&A



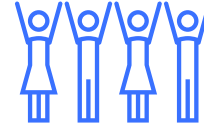
We aim to grow in K12 learning content by

- Strengthening our position in current operating countries
- Entering new geographies where spending on education is stable or increasing
- Expanding also outside Europe as long as the market and the target fits our criteria



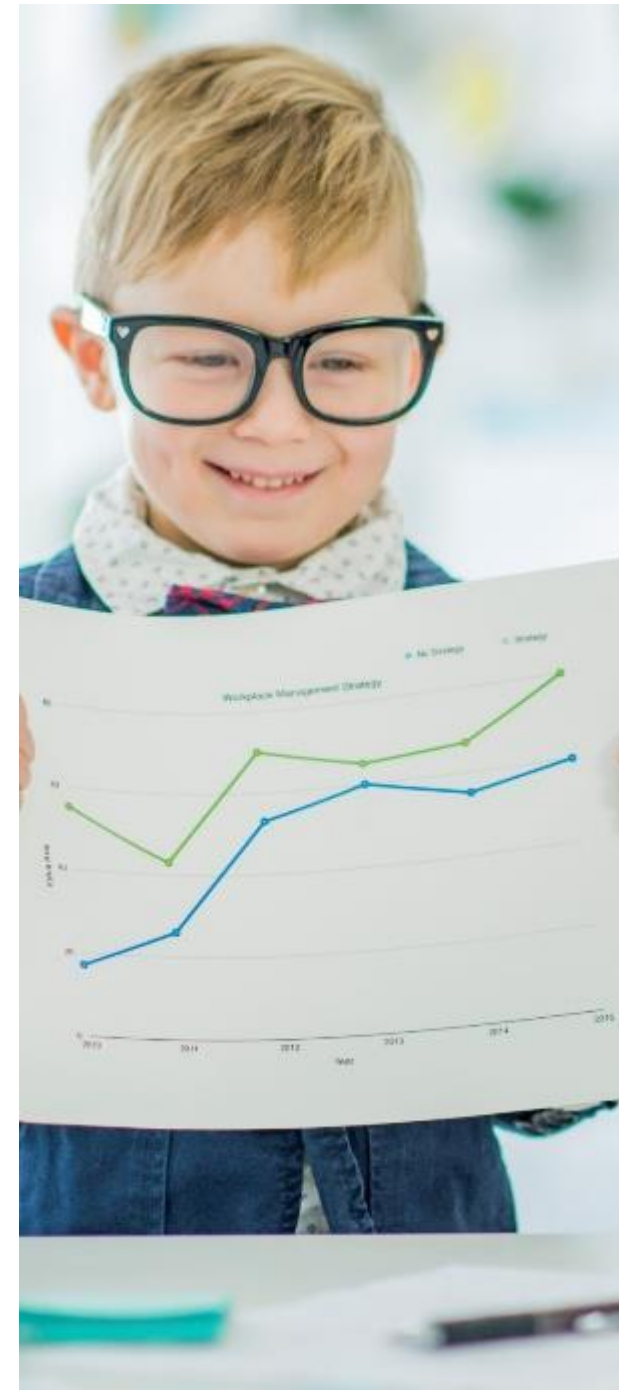
We aim to acquire companies that

- Focus on K12 learning content
- Have leading #1-3 market positions
- Operate in markets with high barriers to entry
- Are growing, profitable and cash generative
- Provide opportunities for synergies



Our M&A pipeline is healthy

- Market consolidation driven by accelerating digitalisation
- Majority of potential target companies owned by families, foundations or private equity
- Experienced in complex separations and integrations



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Data presented in this material is based on information from Sanoma Learning or publicly available data sources. In this presentation, the K12 market data typically does not include kindergarten.

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