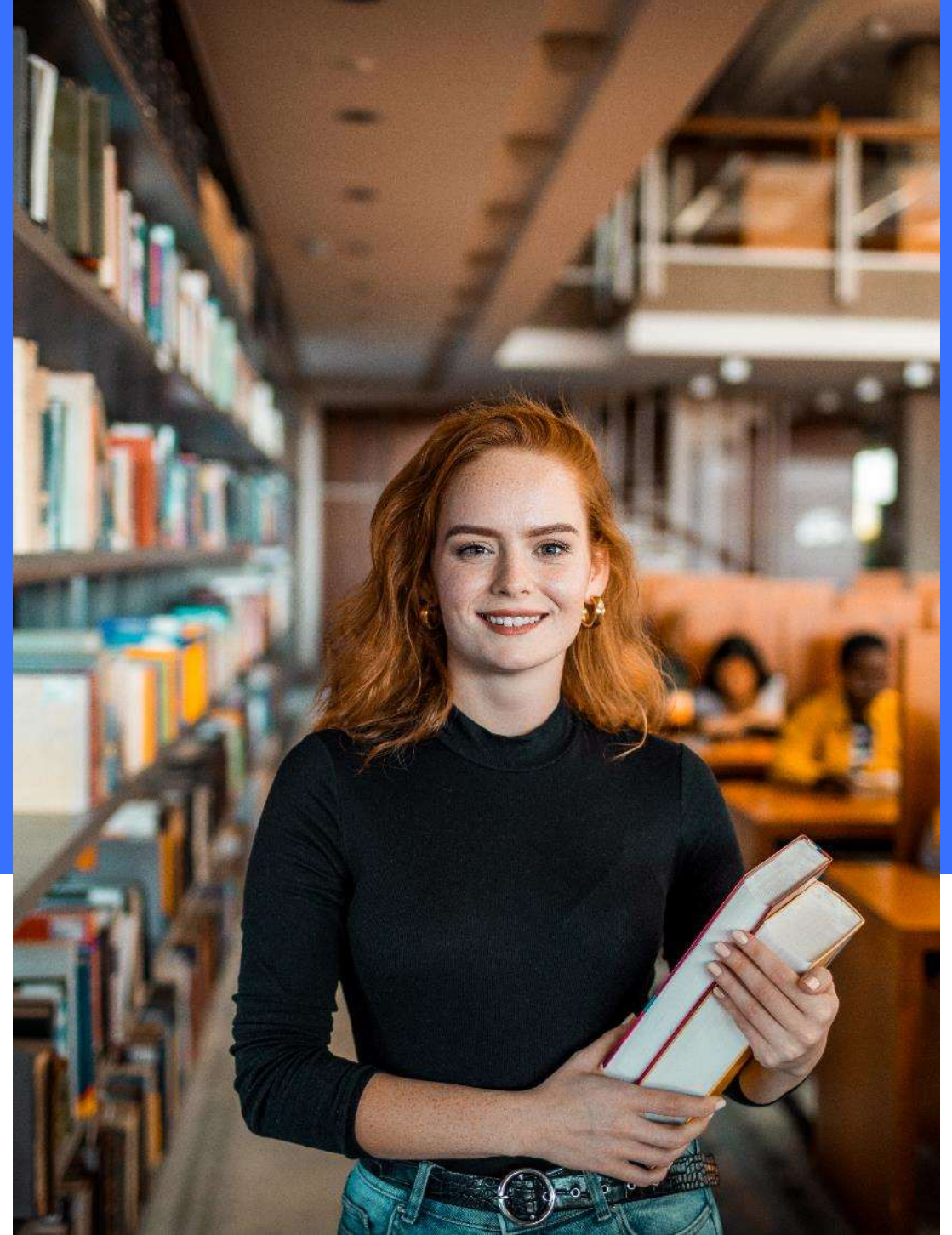


s a n o m a

# 2022: Continued growth in a challenging economic environment

AGM 2023

Susan Duinhoven, President and CEO



# We have an ambitious strategy for sustainable, profitable growth...

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

- Producing inclusive learning materials and platforms to promote equal learning opportunities
- Strengthening our #1 position in European K12 learning services
- Aiming for selective growth globally through M&A

## We are Finland's #1 cross-media company with a weekly reach of 97%

- Providing trusted Finnish journalism and inspiring entertainment
- Continuing our successful digital transformation towards higher margin
- Increasing share of B2C provides sustainable future opportunities

## Unique sustainability position, growth through M&A and increasing dividend

- Solid ESG performance and ambitious targets combined with intrinsic positive impact on society
- Supporting our growth strategy in learning with a solid balance sheet
- Growing our dividend with an attractive yield

### Our purpose

Through learning and media, we have a positive impact on the lives of millions of people every day

### Our ambition

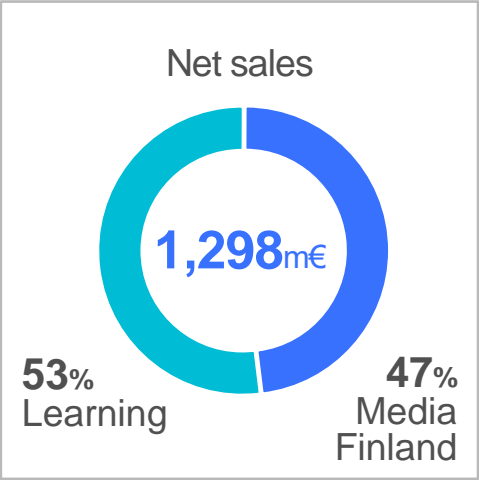
Group net sales over **2bn€** by 2030 at least **75%** from Learning

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# ...built on a well-balanced portfolio

## Year 2022 at a glance



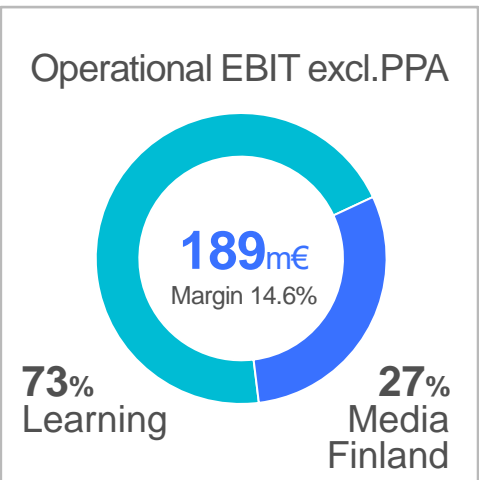
More than

**85%**

of users pay for digital services

Free cash flow

**112m€**



Operating in

**12**

European countries

More than

**5,600**

employees

# 1 We strengthened our position as one of the global leaders in K12 education

- The acquired Italian and German business had a positive earnings and cash flow contribution
  - Increased Learning's share of Group's net sales to 53% and of operational EBIT excl. PPA to 73%
- In Spain, solid net sales growth and performance during the first year of the curriculum renewal, and successfully completed integration
- Increased scale and harmonisation of digital learning platforms give future operational benefits



# Sanoma entered Italy with the acquisition of Pearson's local K12 learning business

- Italy is one of the largest K12 learning services markets in Europe
  - Sanoma is the 3rd largest educational publisher with a market share of 15%
  - Stable development in the number of students and government spend is expected to continue
  - Significant potential for further digitalisation with currently 35% of secondary students using hybrid materials
- 80% of Italian sales from secondary education
  - Significant increase in Sanoma's overall scale in this important educational segment
  - Allows further 10m€ investments in digital development

## Key market factors in 2022

**7.0m**

K12 student population

**2.8%**

Public spend on K12 education of GDP (2019)

**750m€**

Approx. market size of K12 learning content



# In Spain, major educational reform and curriculum renewal increased demand

- With Santillana acquired end of 2020, we are the leader in Spain's fragmented K12 learning content market
- The integration was successfully finalised during 2022
- In Spain, our position is particularly strong in primary education
- The LOMLOE educational reform is increasing the demand in 2022–2024
  - In 2022, the implementation of the curriculum renewal started with different pace across the 17 provinces and across different subjects
- Spain's early stage in digital adaptation brings future growth opportunities for our quality digital platforms

## Key market factors Spain in 2022

**6.2m**

K12 student population

**2.7%**

Public spend on K12 education of GDP (2019)

**600m€**

Approx. market size of K12 learning content

Sanoma's market position in K12 learning content

**#1**

# In Learning, we have built strong digital competencies that we can leverage across the business

- Digitalisation within education is accelerating and offers better scalability and opportunities for market consolidation
- Our best-in-class digital platforms and experience in highly digitalised countries, with proven learning outcomes, give us unique benefits of scale
- We are harmonising and developing our digital learning platforms
  - Acquisitions have increased the number of platforms
  - Using common modular platform technology increases efficiency and reduces costs
  - For example: in primary education, harmonising from 40 digital solutions to 15 common modules

**600+**  
employees  
in tech

**85%**  
of customers  
pay for a digital  
component

**>100**m€  
annual spend  
in tech and  
content

## 2 We continued our successful digitalisation in Media Finland

1.4m  
subscriptions  
in total

60%  
pay for a  
digital  
component

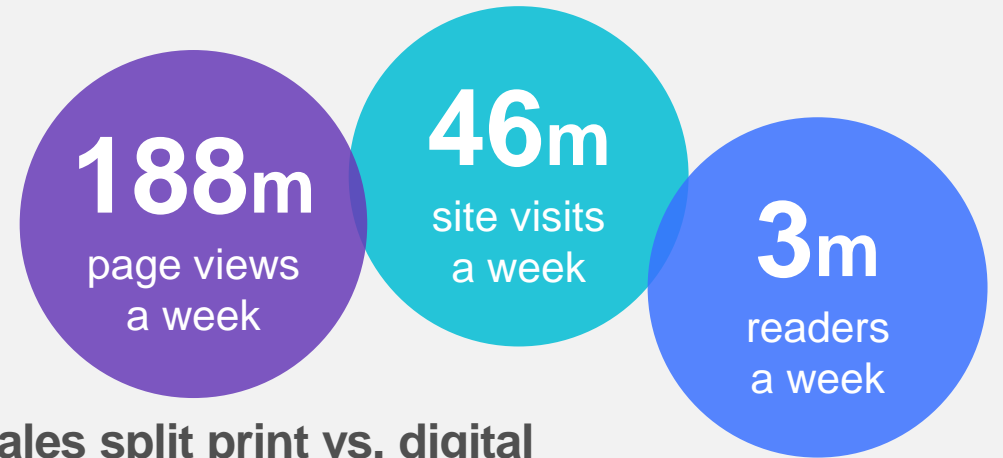
- Solid on average  $\approx$  5% growth in the digitally active subscriptions of both Helsingin Sanomat and regional news media
- Growing net sales and paying subscriber base of SVOD service Ruutu+ despite strong competition, leading to total subscriber base of above 300,000
- Clear growth in the number of visits in all our digital news platforms, highest above 20% at HS.fi



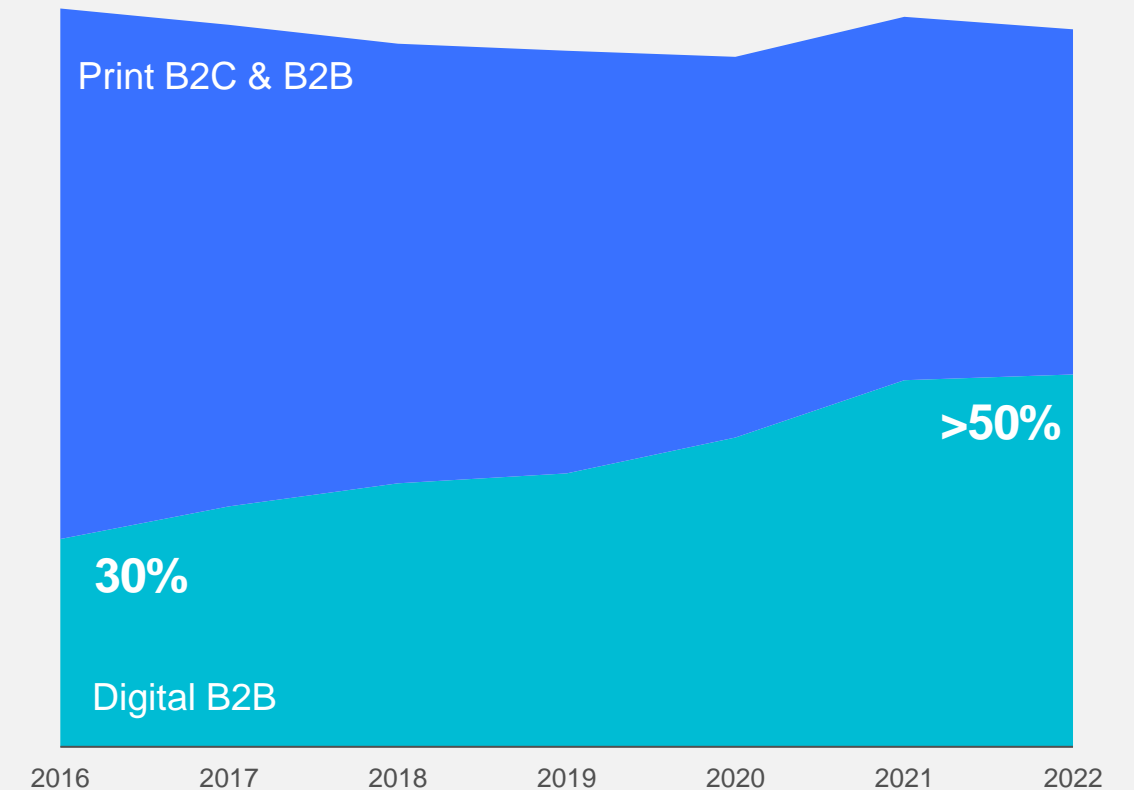


# Stable net sales driven by digital advertising

- Digitalisation has increased the reach significantly
  - IS reaches the whole of Finland and often audiences who don't currently subscribe to news
  - Provides easy and free access to curated news from professional journalists
- Increasing digital B2B sales compensating lower single copy sales
- IS aims to grow further through improved personalisation driving usage growth and carefully considered focused content targeted for younger and female audiences
  - Average number of weekly page visit at Me Naiset grown by more than 100% to 4.2 million



Net sales split print vs. digital



### 3 Improved sustainability performance and reporting reflected in higher ESG ratings...

- Further improvement in key ESG ratings, especially ISS ESG rating to Prime C+ and the leading global climate rating CDP to the leadership level score of A-
- As a result of the improved ISS ESG rating, inclusion in Nasdaq Helsinki Sustainability Index as of December 2022
- Employee Experience Index stable at 7.3, above European benchmark of 7.1
- New Science-based climate targets, which are expected to be validated after summer 2023



# ...with our Sustainability Strategy emphasising the positive impact of learning and media on society

## Trustworthy data

Target: Continuous privacy and security training for our employees

No major data breaches

## Responsible business practices

Target: All employees participating in annual conduct trainings

98% of employees participated the Code of Conduct e-learning

Positive impact of

## Inclusive learning

Empowering learning of over 25 million students

&

## Sustainable media

Trusted journalism and inspiring entertainment for all Finns

## Valued people

Target: Employee Engagement Index (EEI) above 7.5

EEI 7.3

## Vital environment

Target: 38% emission reduction in-line with Science Based Target initiative and carbon neutral by 2030

-7% in own operations greenhouse gas emissions

# Our annual European Teacher survey continues to show that our learning materials support teachers and save time

**84%**

of teachers say  
our materials support them  
in reaching curriculum  
objectives

**10-15**

**hours less**

our learning materials help  
teachers halve the weekly  
time used for preparing  
lessons and correcting  
assignments

**74%**

of teachers agree that our  
learning materials help  
them be more efficient in  
their work

# Increasing awareness of global and local sustainability issues with fact-based and independent journalism

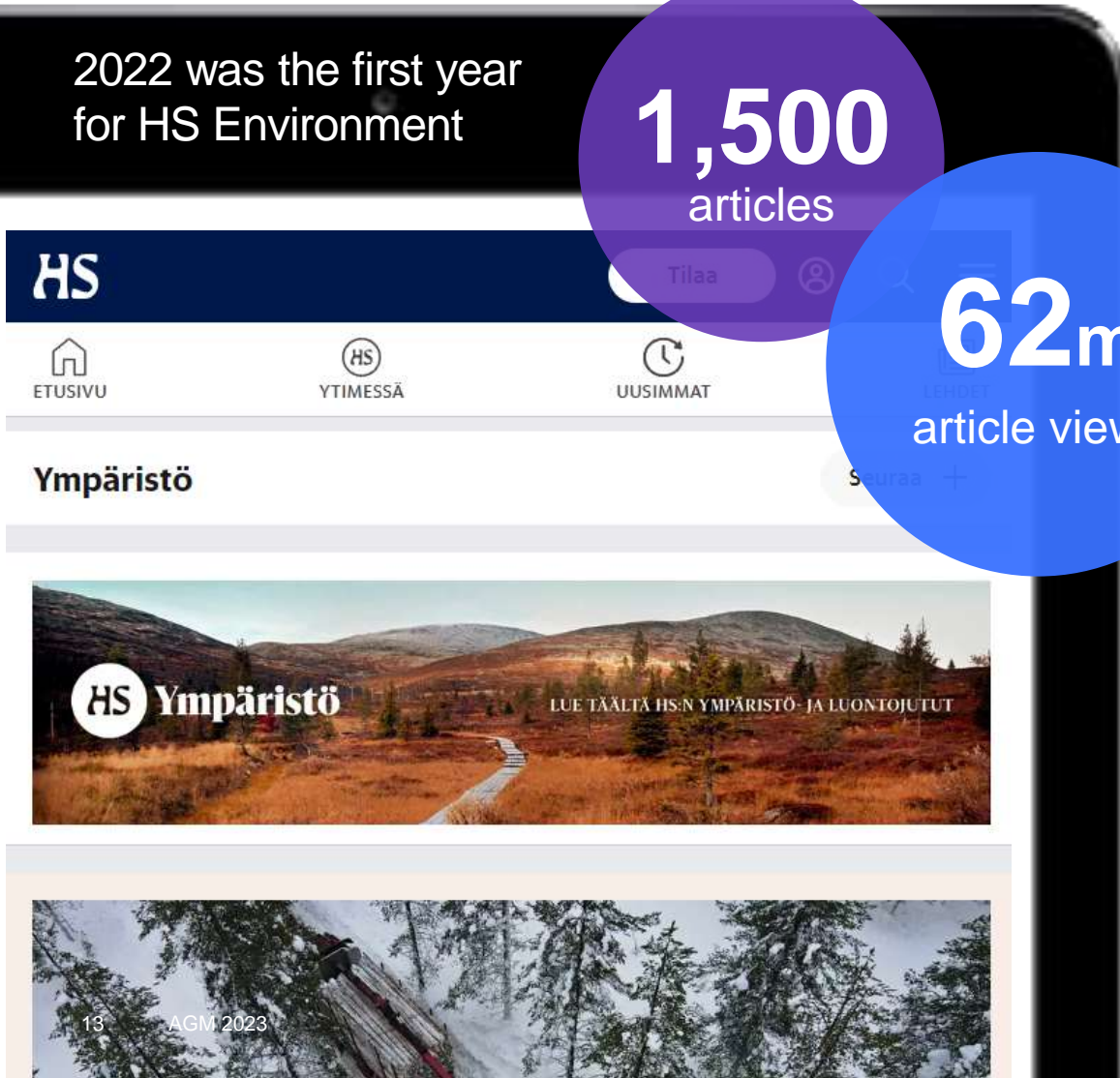
2022 was the first year for HS Environment

1,500 articles

62m article views

## Kids news

Promoting media literacy among tens of thousands of young readers in schools and at home



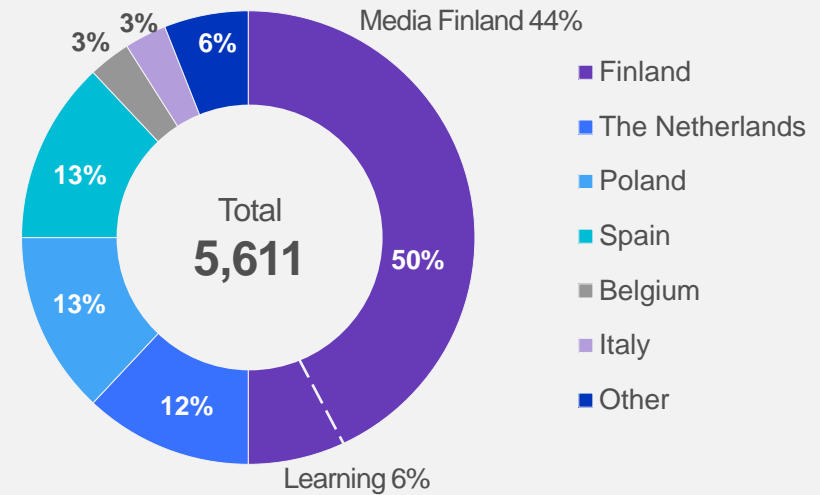
Two years in August 2022

# Passionate, diverse and dedicated people are key to our success

- We employ more than 5,600 people in 12 countries
- Hybrid work has become the new normal and in 2022 we invested in remodeling many of our offices to meet its requirements
- Average employee turnover increased to 16.5% (2021: 11.5) as has been typical overall after the pandemic
- Salary increases in all operating countries in 2023 to cover the increasing cost-of-living; higher increases for lower salaried personnel

## Personnel by country

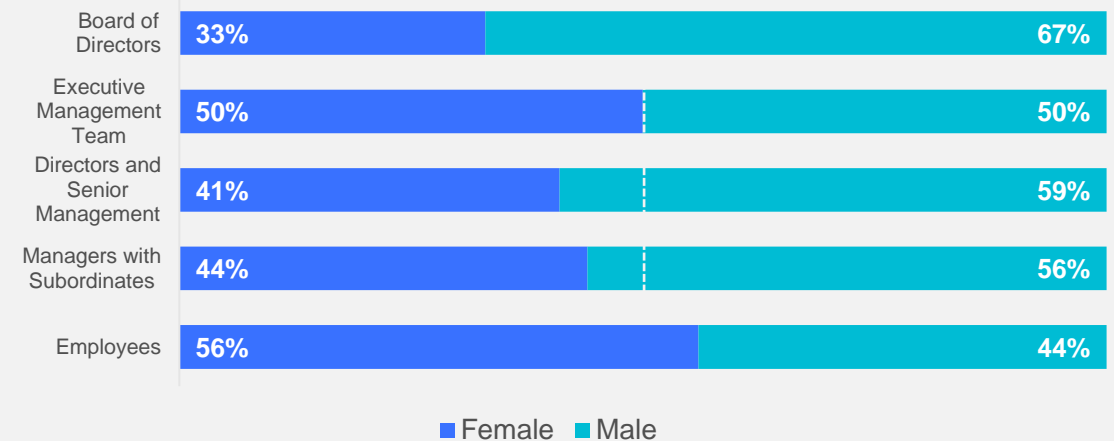
% at the end of 2022



## Gender diversity

% at the end of 2022

Target 50/50 in managerial positions by 2030



# Responsible business practices are part of our sustainability priorities

- Sanoma Code of Conduct outlines our shared ethical standards for employees and business partners
  - All employees are required to apply the Code in full in their day-to-day conduct and business decisions
  - 98% (2021: 97) of employees participated in the Code of Conduct e-learning in 2022
  - We have zero tolerance for any misconduct
- In 2022–2023, Senior Editors-in-Chief Kaius Niemi from Helsingin Sanomat and Jussi Tuulensuu from Aamulehti resigned after unacceptable behaviour
  - Two separate and unfortunate incidents
  - We have increased internal communication on the Code of Conduct, related policies and the whistle-blowing channel and developed the content and participation in the e-learning



# We support Ukraine – indirect impacts of the war have increased our costs

- We are shocked and appalled by the unprovoked Russian invasion of the Ukraine and we stand with the people of Ukraine
- We have supported the relief work in Ukraine with several initiatives
- News media plays a central role in providing reliable information during any crisis
- Impact of the war on our business
  - As Sanoma had no business in Russia or Ukraine, the war had a limited direct impact
  - The indirect impact from high inflation and energy crisis has been significant across almost all cost categories



Photo: Rio Gandara, HS



# Financial overview 2022 and Outlook 2023

FY 2022

## Net sales continued to grow while EBIT was affected by inflation

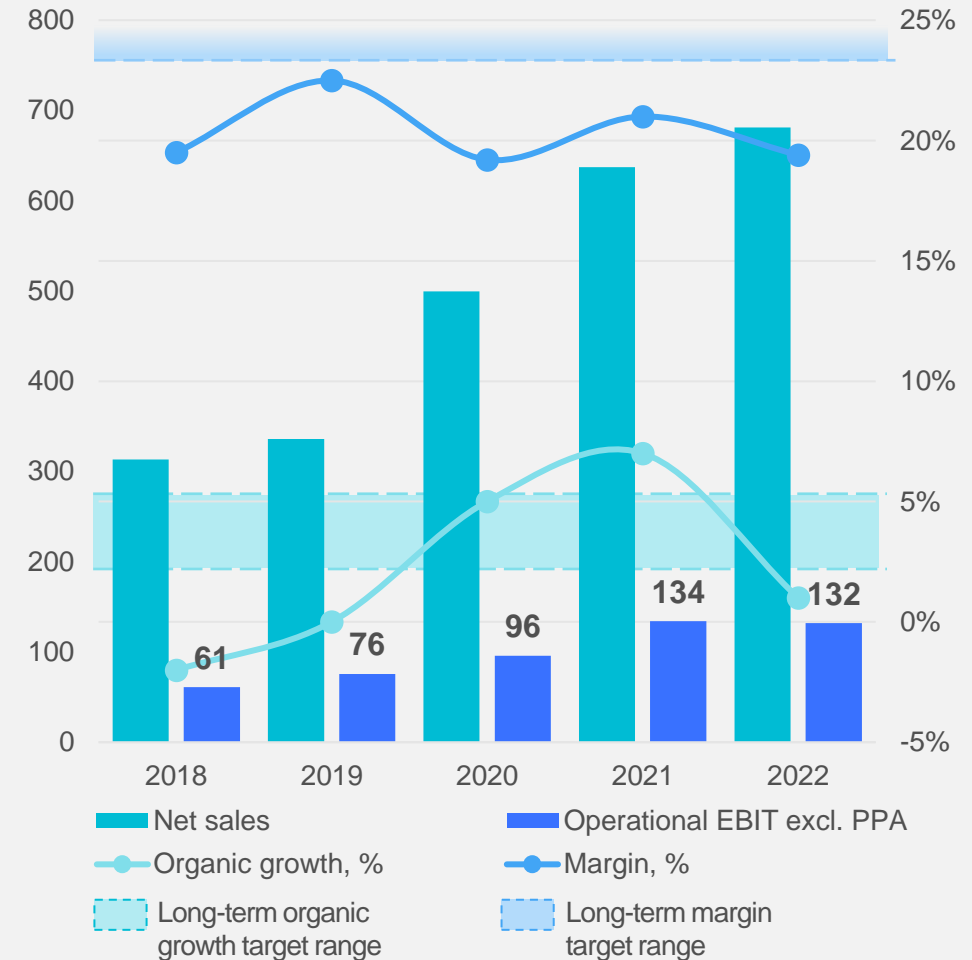
Net sales	Operational EBIT excl. PPA	Reported EBIT	Result for the period	Operational EPS	Reported EPS
<b>1,298m€</b> (2021: 1,252)	<b>189m€</b> (2021: 197)	<b>112m€</b> (2021: 142)	<b>77m€</b> (2021: 101*)	<b>0.65€</b> (2021: 0.69)	<b>0.47€</b> (2021: 0.62)

- Growth in net sales driven mainly by the Italian and German acquisition in Learning; stable in Media Finland
- Operational EBIT excl. PPA declined in a challenging operating environment, corresponding a margin of 14.6% (2021: 15.8)
  - Higher operating costs, especially paper, in both SBUs, partially mitigated by thoughtful cost management
  - Lower margin sales mix in Media Finland: lower advertising and higher events sales
- Result for the period was impacted by weaker operational result and
  - Higher financing costs due to increasing interest rates and higher amount of net debt following the acquisition in Italy and Germany
  - Higher IACs mainly related to recent acquisitions, investment in our offices and harmonisation of digital learning platforms
  - + Lower taxes

# Net sales grew while earnings were stable

- Net sales grew to 681m€ (2021: 637)
  - The acquired Italian and German business made a 37m€ contribution to the net sales growth for September–December
  - In Learning, organic growth varies year-on-year driven by curriculum renewals – in 2022 growth was 1% (2021: 7%)
    - Strong growth in Spain and the Netherlands
    - Expected decline in Poland following the ending of the latest curriculum renewal in 2021
- Operational EBIT excl. PPA was stable at 132m€ (2021: 134)
  - The acquired Italian business had 5m€ positive impact
  - Inflationary costs, esp. paper, had an adverse impact on earnings as price lists were set in the start of the year – will take 1–2 years before the full impact of high inflation is mitigated by price increases

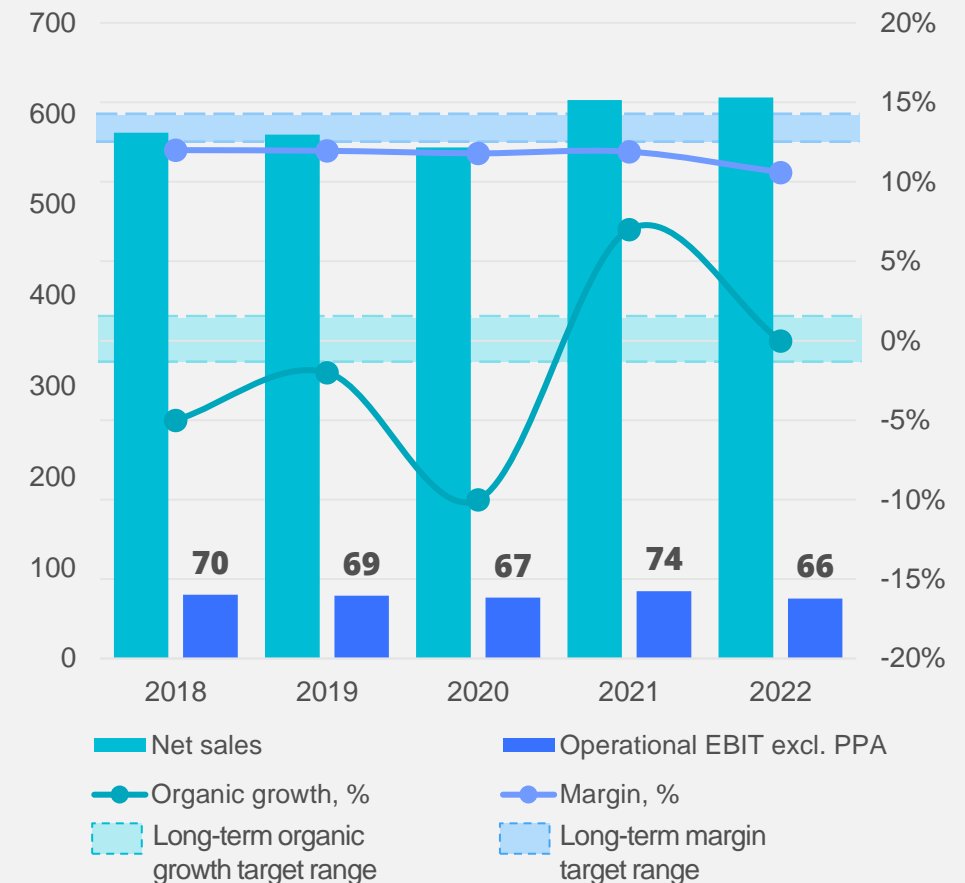
Net sales and operational EBIT excl. PPA  
m€



# Net sales remained stable, earnings impacted by lower advertising sales and higher costs

- Net sales amounted to 618m€ (2021: 615)
  - Total advertising sales declined despite growing digital and radio advertising sales
  - Subscription sales were stable with growing digital
- Operational EBIT excl. PPA declined to 66m€ (2021: 74)
  - Advertising sales declined, while sales of lower margin events and external printing services grew
  - Higher costs (e.g. paper) had a negative impact on earnings being partially offset by continued savings in fixed costs

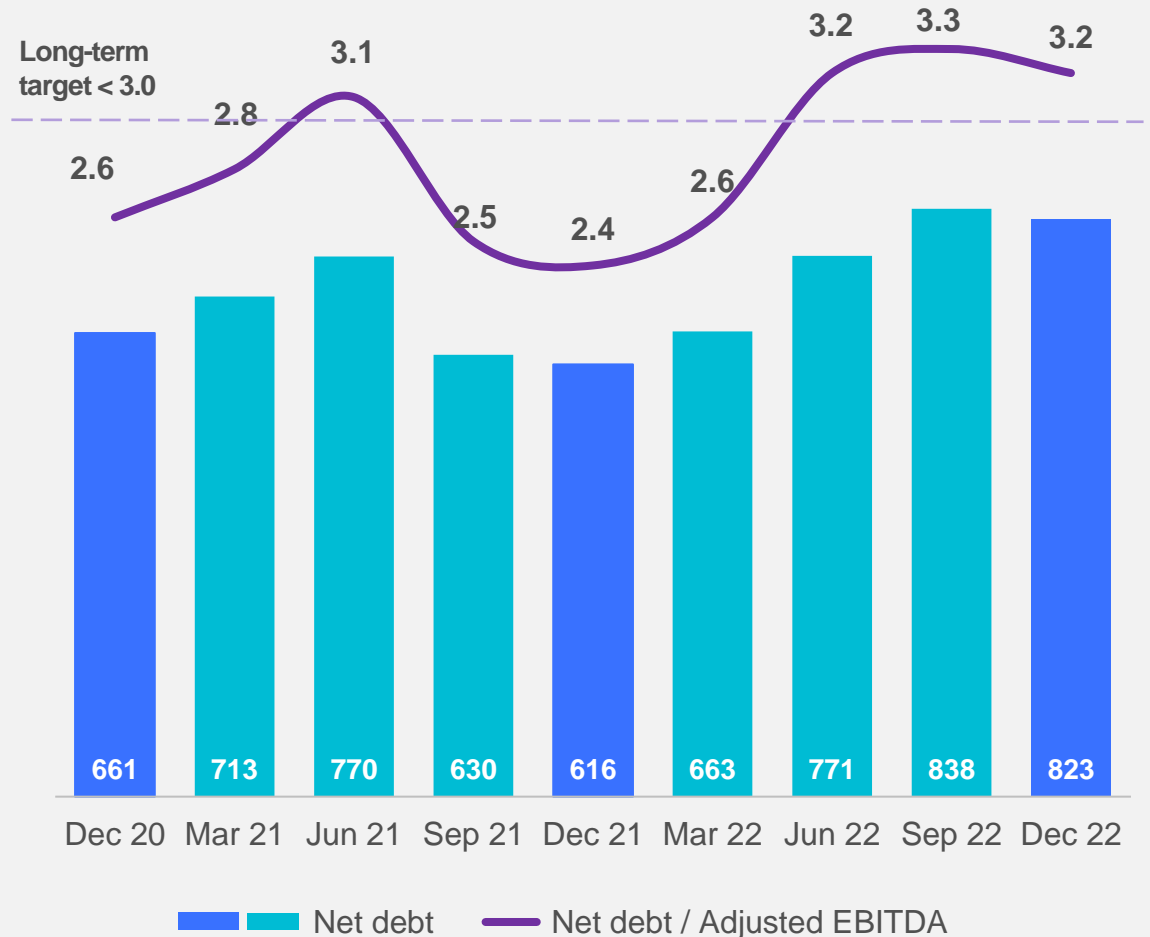
Net sales and operational EBIT excl. PPA  
m€



# Net debt and leverage increased with the acquisition in Italy and Germany

- Net debt / Adj. EBITDA was 3.2 (2021: 2.4), above the long-term target of <3.0
- Interest-bearing net debt totalled 823m€ (2021: 616)
- Equity ratio was 35.8% (2021: 40.6%), at low end of the long-term target range of 35–45%
- Net financial expenses were still on an efficient level of 13m€ (2021: 9) with average interest rate of external loans at 1.5% (2021: 1.1)

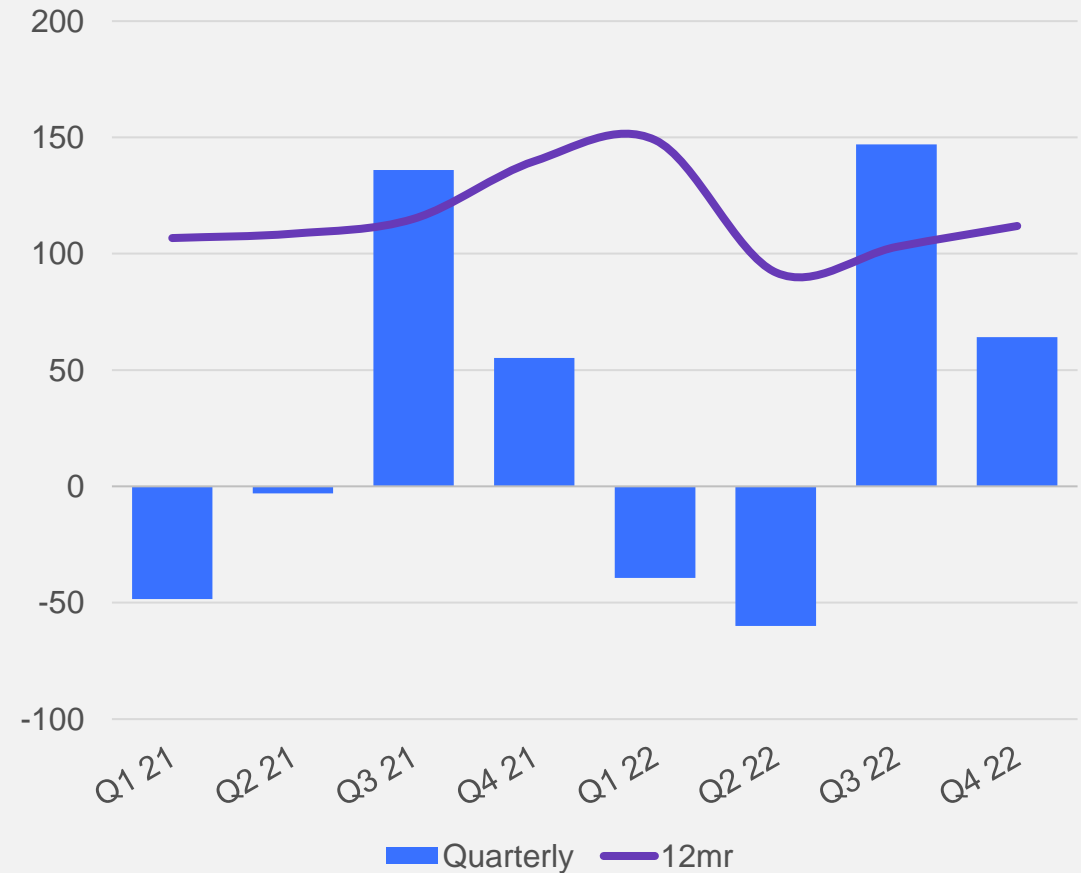
Net debt  
m€



# Free cash flow was lower in 2022

- Free cash flow amounted to 112m€
  - Significantly lower from the underlying business due to major investments made
  - Large positive contribution from the working capital of the Italian business due to timing
- In 2023, underlying FCF expected to be stable and cash flow the Italian business to normalise
  - Stronger seasonality between the quarters
- For dividend purposes, the 2022 FCF is adjusted for
  - + Pre-payment of the unjustified VAT claim
  - Operational cash flow of the acquired Italian and German business

## Free cash flow m€



Free cash flow = Cash flow from operations less capital expenditure

# The Board proposes a reduced dividend of 0.37€

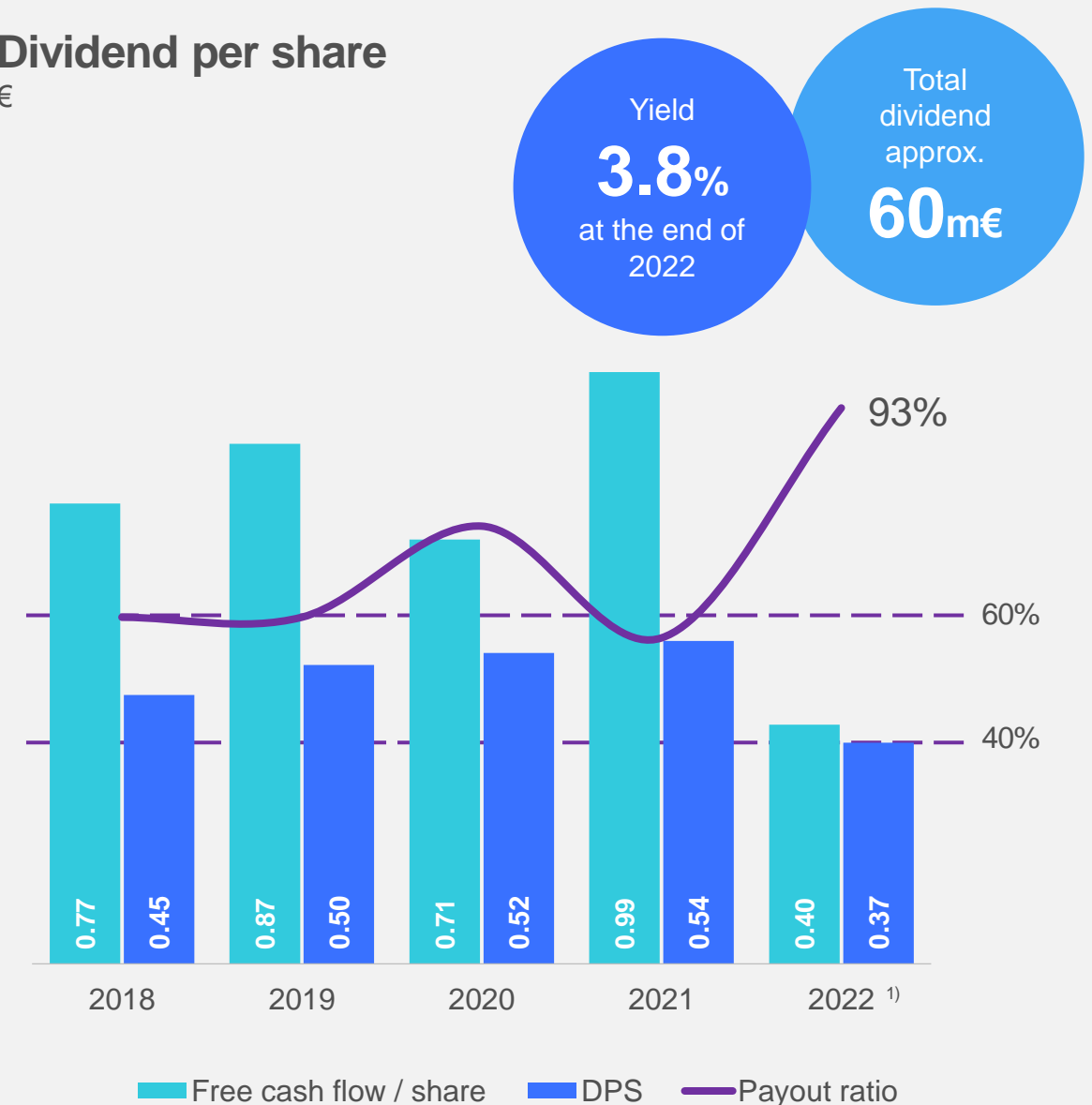
- The Board proposes a dividend of 0.37€ (2021: 0.54) per share to be paid for 2022
- The proposal balances the capital use between dividend and continuing growth investments
- The dividend will be paid in three parts following the seasonality in free cash flow
  - 0.13€ on 28 April (record date 21 April)
  - 0.13€ in September (record date tbc early September)
  - 0.11€ in November (record date tbc late October)

## Dividend policy (unchanged):

Sanoma aims to pay an increasing dividend, equal to 40–60% of annual free cash flow

When proposing a dividend to the AGM, the Board of Directors will look at the general macro-economic environment, Sanoma's current and target capital structure, Sanoma's future business plans and investment needs as well as both previous year's cash flows and expected future cash flows affecting capital structure.

## Dividend per share €



<sup>1)</sup> Underlying FCF 65m€ excl. operational cash flow of the acquired Italian and German business and the pre-payment of the VAT claim, dividend Board's proposal

# In 2023, we continue building the long-term strengths of our businesses

## Learning

- Organic growth driven by the continued implementation of the new curriculum in Spain and Poland returning to growth with the next renewal
- Continued successful integration of the acquired businesses
- Increasing cost level, esp. paper and personnel – will require 1–2 years to mitigate through price increases
- Continued, carefully considered investments in learning content and digital platforms

### Expected 2023 financial impact

- Organic growth within long-term target
- Higher operational EBIT resulting from recent acquisitions

### Long-term targets for SBUs unchanged

- Organic growth 2–5%
- Operational EBIT margin excl. PPA >23%

## Media Finland

- Expecting a mild recession in Finland leading to
  - Declining advertising market, while growth in digital continues
  - Weakening B2C demand due to lower consumer confidence, requiring sensitivity in utilising the price elasticity
- Continued focus on process improvement and thoughtful cost management to partially mitigate the significant inflation impact

- Modest net sales decline due to expected mild recession in Finland
- Significant inflation impact on operational EBIT

- Organic growth +/-2%
- Operational EBIT margin excl. PPA 12–14%



# Outlook for 2023

- In 2023, Sanoma expects that the Group's reported net sales will be 1.35–1.4bn€ (2022: 1.3)
- The Group's operational EBIT excluding PPA is expected to be 150–180m€ (2022: 189)
- Regarding the operating environment Sanoma expects that:
  - The economies in the Group's operating countries, particularly in Finland, will experience a mild recession
  - The advertising market in Finland will decline slightly, with most of the decline during the first half of the year



# We issued a 150m€ hybrid bond in March 2023

- The bond was seen as the best way to strengthen the balance sheet to
  - Increase our financial flexibility
  - Support the execution of our strategic plan at all times during the year
- The growing learning business follows the cycle of a school year
  - Increasing in-year cyclicity of Sanoma's business and financials
  - Requiring higher levels of working capital during the first half of the year





# Our long-term targets are unchanged

(FY 2022 in brackets)

Net debt /  
Adj. EBITDA

**< 3.0**

(3.2)

Equity  
ratio

**35–45%**

(35.8%)

Increasing  
dividend

**40–60%**

of free cash flow  
(93%<sup>1)</sup>)

Annual emission  
reductions of

**-4.2%**

in line with SBTi by 2030  
(Scope 1&2: -7%,  
Scope 3: -8%)

Employee Experience  
Index

**≥7.5**

by 2030  
(7.3)

Management  
gender balance

**50/50**

by 2030  
(41% women / 59% men)

<sup>1)</sup> of the underlying FCF in 2022

# We have an ambitious strategy for sustainable, profitable growth

- We are one of the global leaders in K12 education serving 25 million students and want to grow through M&A
- We are Finland's #1 cross-media company with a weekly reach of 97% and continue our successful digital transformation
- We have a unique sustainability position, aim to grow through M&A and pay an increasing dividend

## Our purpose

Through learning and media, we have a positive impact on the lives of millions of people every day

## Our ambition

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

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s a n o m a

Thank You!