

s a n o m a

Q1 2023:

Net sales grew, inflation and increased seasonality lowered operational EBIT

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Alex Green, CFO



Q1 2023

Year started as anticipated, seasonality between quarters will be stronger than in the previous years

Net sales

218€

(2022: 211)

Organic net sales growth

-1%

(2022: 1%)

Operational EBIT excl. PPA

-31m€

(2022: -10)

Free cash flow

-68m€

(2022: -39)

Net debt / Adj. EBITDA

3.2

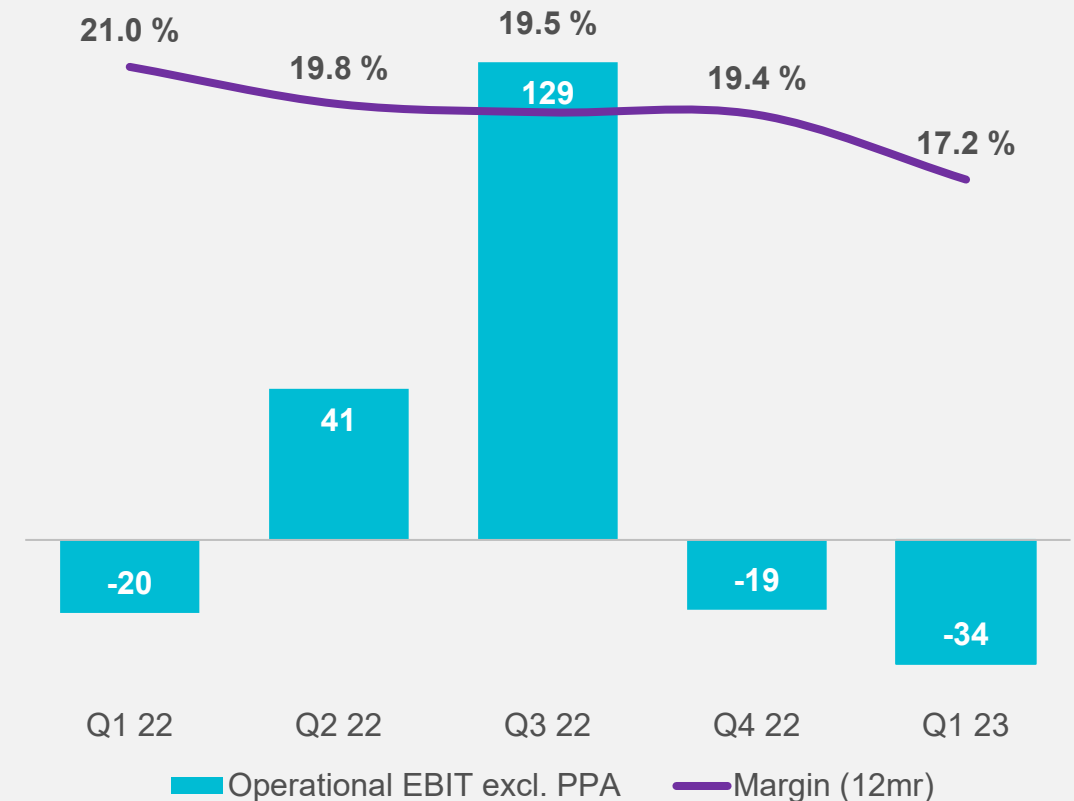
(2022: 2.6)

- Net sales grew slightly in Learning as a result of the acquisition in Italy and Germany and were stable in Media Finland
- Operational EBIT excl. PPA decreased due to inflation and increased seasonality as well as lower advertising sales in Media Finland
 - The inflation impact in the comparison period of Q1 2022 was still very low
- Majority of the decrease in free cash flow was attributable to the addition of the seasonally negative operating cash flow of the acquired Italian and German business
- Leverage increased vs. year-end in-line with its seasonal pattern, offset by the issuance of the 150 m€ hybrid bond in March that strengthened the balance sheet
- Outlook for 2023 unchanged

Structurally small quarter with increased seasonality

- Net sales grew to 76m€ (2022: 69)
 - The Italian and German business had a 11m€ contribution
 - Partially offset by slightly negative organic net sales development due to different phasing of orders, and the divestment of Eduarte in October 2022
- Operational EBIT excl. PPA decreased to -34m€ (2022: -20)
 - The annual seasonality with a loss-making Q1 was further amplified by the acquired Italian business, where the majority of earnings is accumulated in H2
 - Inflation impact on paper, personnel and fixed costs
- The implemented increases in selling prices will have a positive impact on revenues and profitability from Q3 onwards – full mitigation of the inflation impact will take 1–2 years

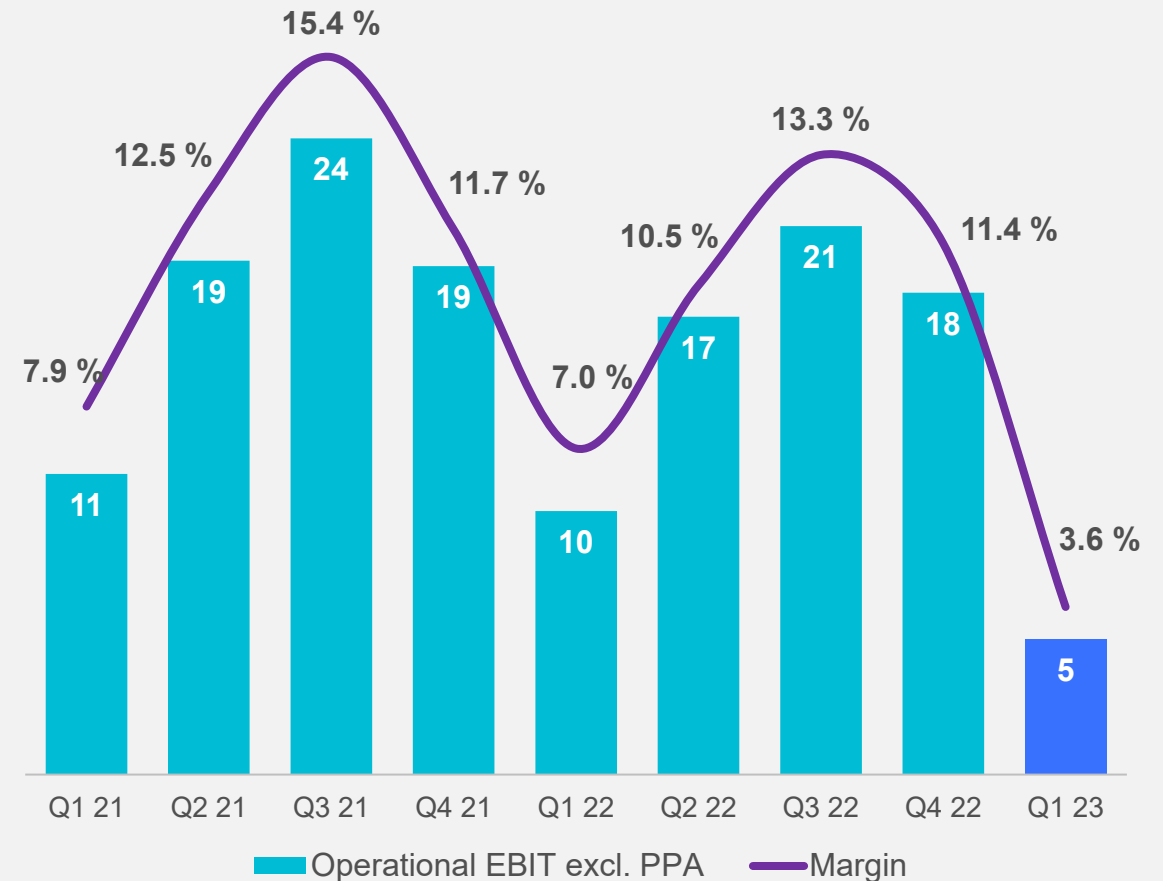
Operational EBIT excl. PPA m€



Earnings decreased due to inflation and lower advertising sales

- Net sales were stable at 142m€ (2022: 142)
 - Total advertising sales declined by 5% with growth in online and radio, but decreased in TV and print
 - Increase in market share in digital, decrease in TV with prudent content investments
 - Subscription sales were stable as the impact of lower volumes was offset by price increases
 - Growth in other sales offset the lower advertising sales
- Operational EBIT excl. PPA decreased to 5m€ (2022: 10)
 - Inflation impact on paper, personnel and fixed costs
 - Lower advertising sales in sales mix

Operational EBIT excl. PPA
m€



Outlook for 2023 (unchanged)

- 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





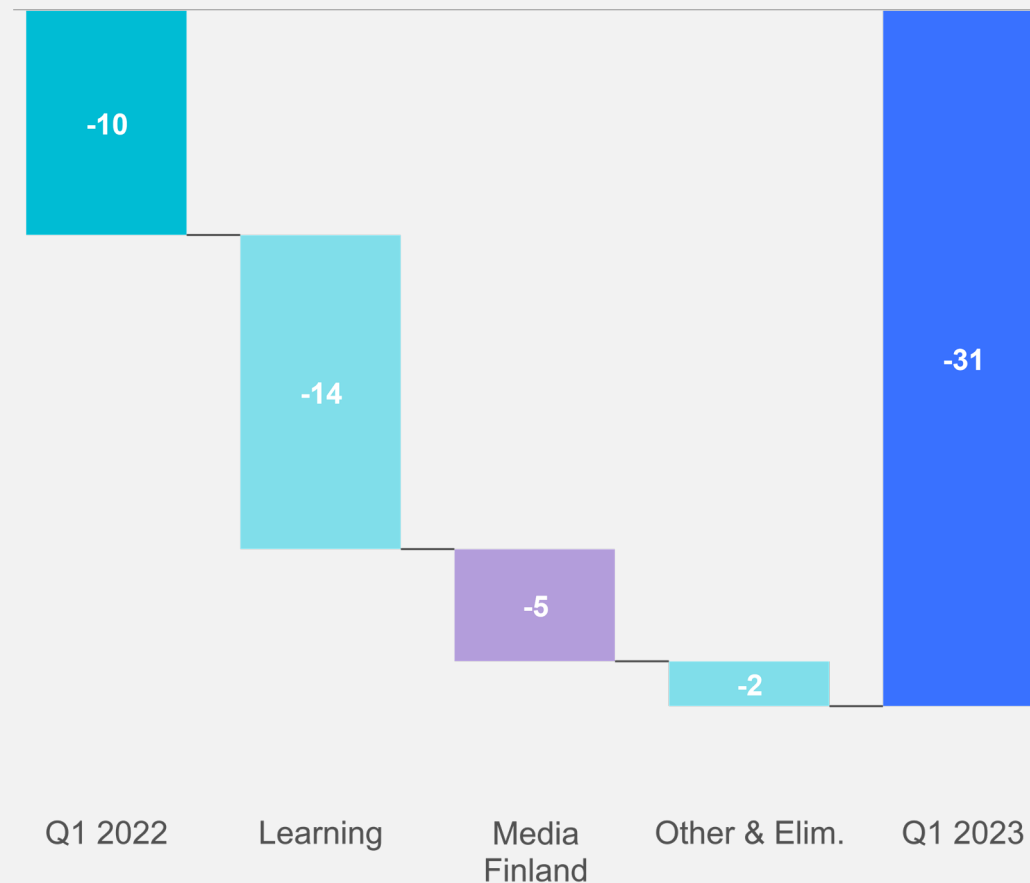
Financials

Q1 2023

Operational EBIT decreased and was seasonally negative

Learning	<ul style="list-style-type: none">- Seasonal losses of the acquired Italian business in-line with earlier published previous years' performance- Inflation impact on paper, personnel and fixed costs, incl. ramp-up costs ahead of the curriculum renewal in Poland- Slightly lower comparable net sales
Media Finland	<ul style="list-style-type: none">- Inflation impact on paper, personnel and fixed costs- Lower margin sales mix with less advertising sales
Other & elim.	<ul style="list-style-type: none">- Normalised personnel and technology expenses compared to lower level in Q1 2022➤ FY 2023 costs expected to be clearly above 2022 level mainly due to regular bonus provision levels

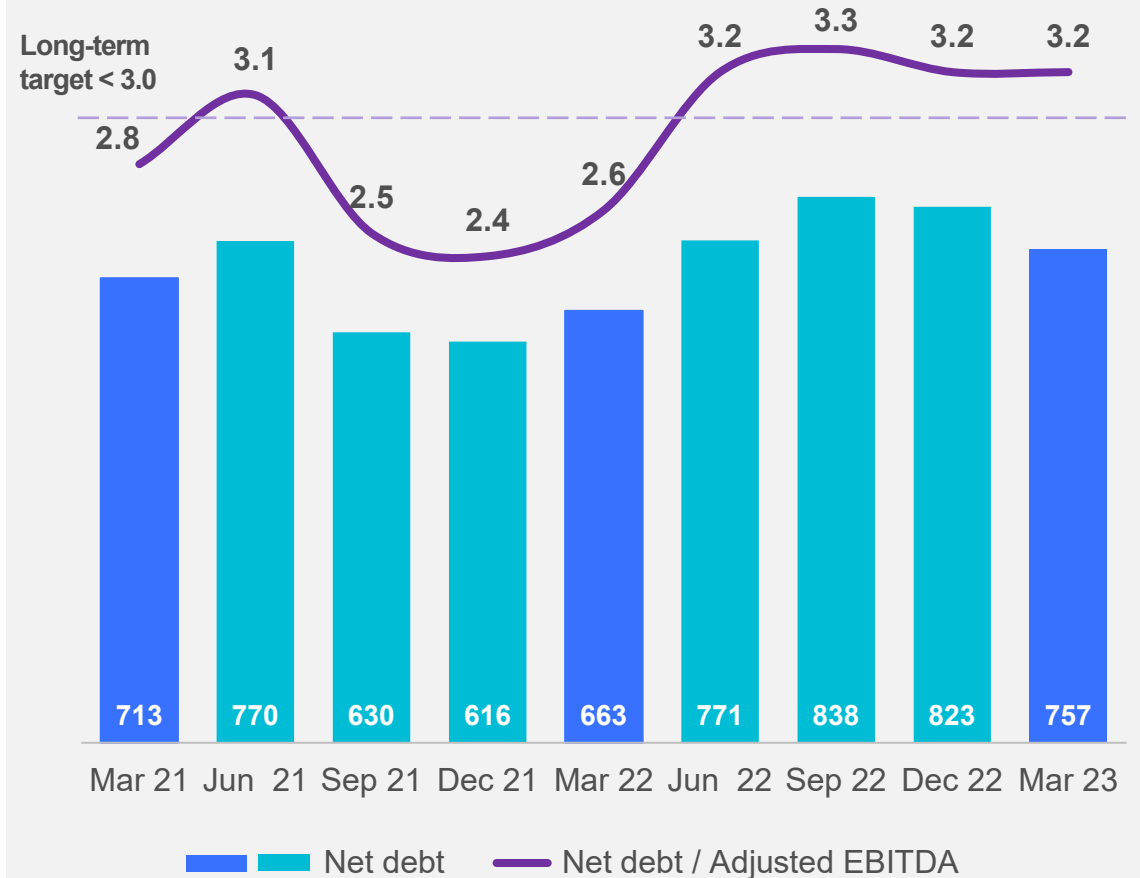
Operational EBIT excl. PPA Q1 2023 vs. Q1 2022
m€



Leverage impacted by the acquisition in Italy and Germany and the increased seasonality

- Net debt decreased to 757m€ from year-end 2022
 - Negative cash flow in Q1 was more than compensated by funds from the hybrid bond issued in March
 - Net debt / Adj. EBITDA at 3.2 (2022: 2.6), seasonal increase offset by the hybrid bond
 - Equity ratio at 40.6% (2022: 39.3%), within the long-term target range of 35–45%
- Net financial items amounted to -7m€ (2022: -3) mainly due to higher debt and significantly increased interest rates
 - Average interest rate of external loans 2.9% (2022: 1.2)
 - Interest expenses of the hybrid bond are not included in net financial items but recognised directly in equity

Net debt m€



150m€ hybrid bond was issued in March

- The bond seen as the best way to strengthen the balance sheet to increase financial flexibility that supports the execution of the strategic plan at all times
- With the learning business being an increasing part of Sanoma, its annual cyclical nature relating to the school year cycle requires different levels of capital during H1 and H2
- The hybrid bond is treated as equity in the consolidated financial statements and is not included in net debt or leverage
- Fixed coupon interest of 8.0% p.a.
- Reset date 16 March 2026



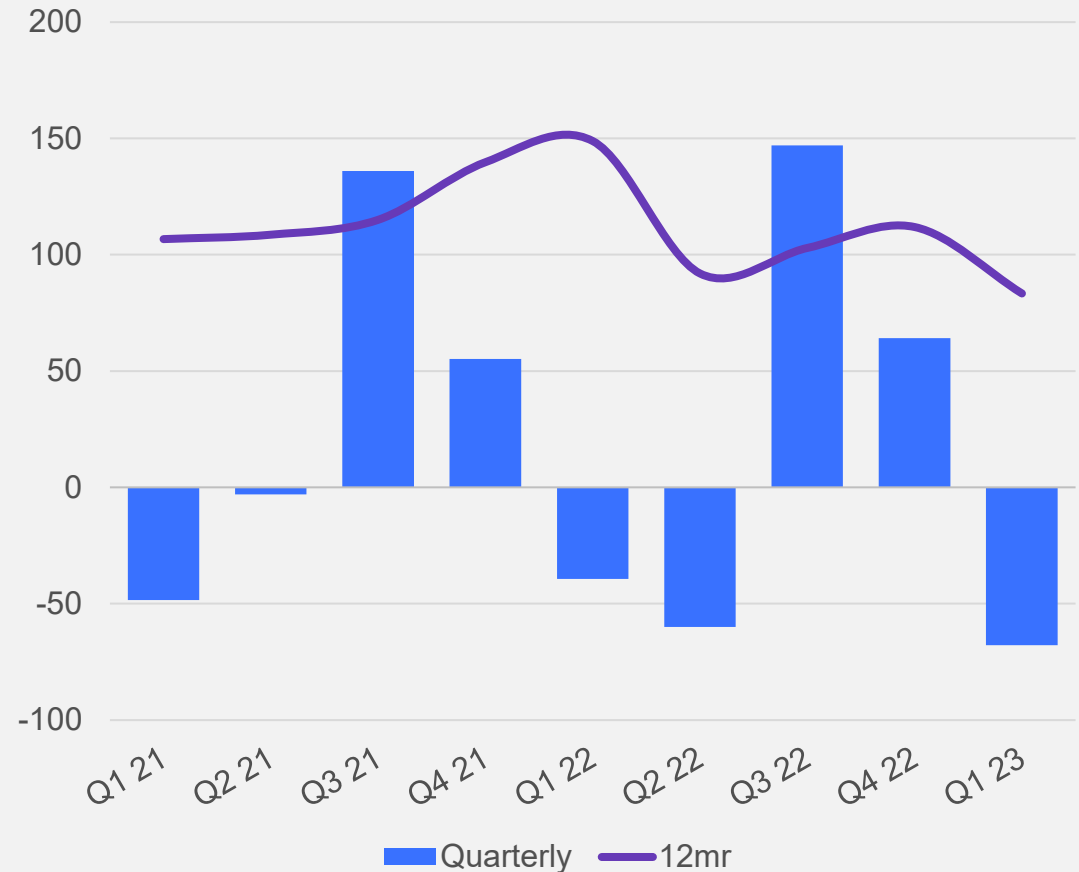
Free cash flow lower due to increased seasonality

- Free cash flow was at -68m€ (2022: -39)
 - Addition of seasonally negative operating cash flow of the acquired Italian and German business
 - Lower result in both SBUs
 - Phasing of investments in TV programs in Media Finland
 - Higher interests paid
 - + Lower taxes paid

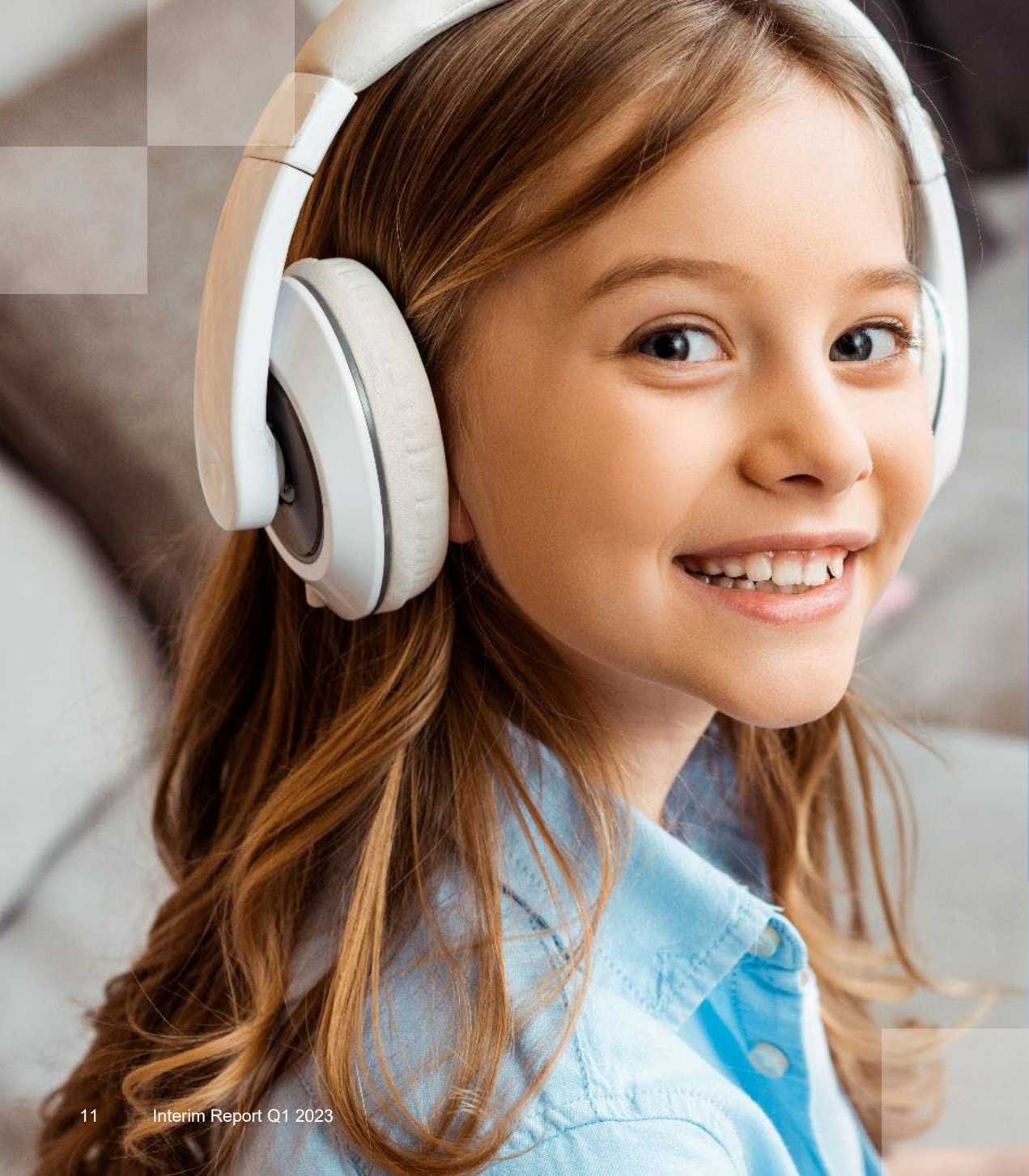
For 2023, free cash flow expected to temporarily decline due to

- Normalised free cash flow of the Italian business
- Lower earnings in Media Finland
- Continued integrations and investments in digital platforms
- Significantly higher financial expenses

Free cash flow
m€



Free cash flow = Cash flow from operations less capital expenditure



Financial reporting in 2023

Half-Year Report 2023

Wed 26 July

Interim Report Q3 2023

Thu 26 October



Q&A


A man with glasses and a beard, wearing a white t-shirt, is sitting on a blue couch. He is leaning over a young girl with long brown hair, who is also wearing a white t-shirt. They are both looking at a tablet computer held by the girl. The man is smiling broadly, and the girl is also smiling. The background is a blurred indoor setting, possibly a living room.

Appendix

Sanoma in 2022

NET SALES
 **1,298m€**

NON-PRINT SALES
 **57%**

OPERATIONAL EBIT MARGIN
 **14.6%**

PERSONNEL
 **over 5,000**

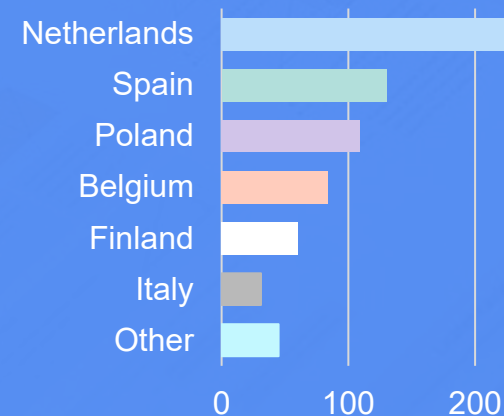
Learning

Net sales **681m€**

Non-print **62%**

Margin **19.4%**

NET SALES, m€



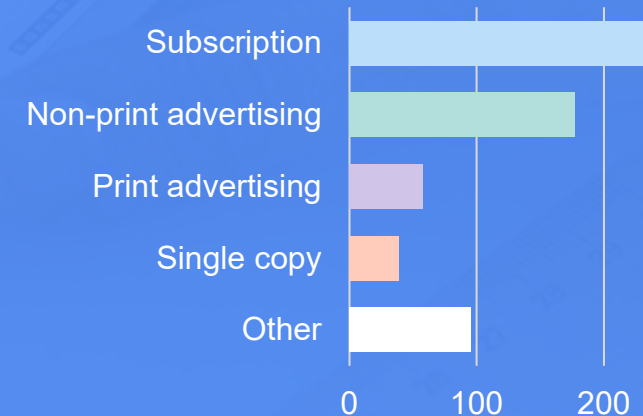
Media Finland

Net sales **618m€**

Non-print **52%**

Margin **10.6%**

NET SALES, m€



Group key figures Q1 2023

m€	Q1 2023	Q1 2022
Net sales	217.8	210.6
Operational EBITDA	11.7	28.8
margin	5.4%	13.7%
Operational EBIT excl. PPA	-30.7	-10.4
margin	-14.1%	-4.9%
EBIT	-43.1	-22.0
Result for the period	-39.8	-18.3
Free cash flow	-67.9	-39.3
Equity ratio	40.6	39.3
Net debt	756.5	663.0
Net debt / Adj. EBITDA	3.2	2.6
Operational EPS, €	-0.23	-0.10
EPS, €	-0.25	-0.11

	Q1 2023	Q1 2022
Average number of employees (FTE)	5,054	4,826
Number of employees at the end of the period (FTE)	5,070	4,852

Learning: Quarterly key figures

m€	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22
Net sales	76.3	101.6	360.3	149.8	69.3
Operational EBITDA	-12.9	4.8	150.7	58.6	-1.3
Operational EBIT excl. PPA	-33.5	-18.9	129.4	41.0	-19.7
margin	-43.9%	-18.6%	35.9%	27.4%	-28.4%
IACs	-2.0	-6.3	-22.3	-2.6	-1.0
PPAs	-8.3	-8.8	-8,7	-7.9	-7.0
EBIT	-43.8	-34.0	98.4	30.5	-27.7
Capital expenditure	8.1	12.5	7.7	11.2	8.9
Average number of employees (FTE)	2,834	2,717	2,674	2,605	2,591

Media Finland: Quarterly key figures

m€	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22
Net sales	141.5	158.0	154.8	163.7	141.6
Operational EBITDA	26.6	41.7	39.2	38.8	30.7
Operational EBIT excl. PPA	5.1	18.1	20.6	17.2	9.9
margin	3.6%	11.4%	13.3%	10.5%	7.0%
IACs	-1.9	-2.5	-0.7	-0.8	-0.6
PPAs	-1.7	-1.7	-1.7	-1.8	-1.8
EBIT	1.5	13.9	18.2	14.6	7.5
Capital expenditure	2.7	2.3	2.6	3.0	1.1
Average number of employees (FTE)	2,093	2,160	2,178	2,158	2,099

Finnish advertising market development

Finnish measured media advertising markets

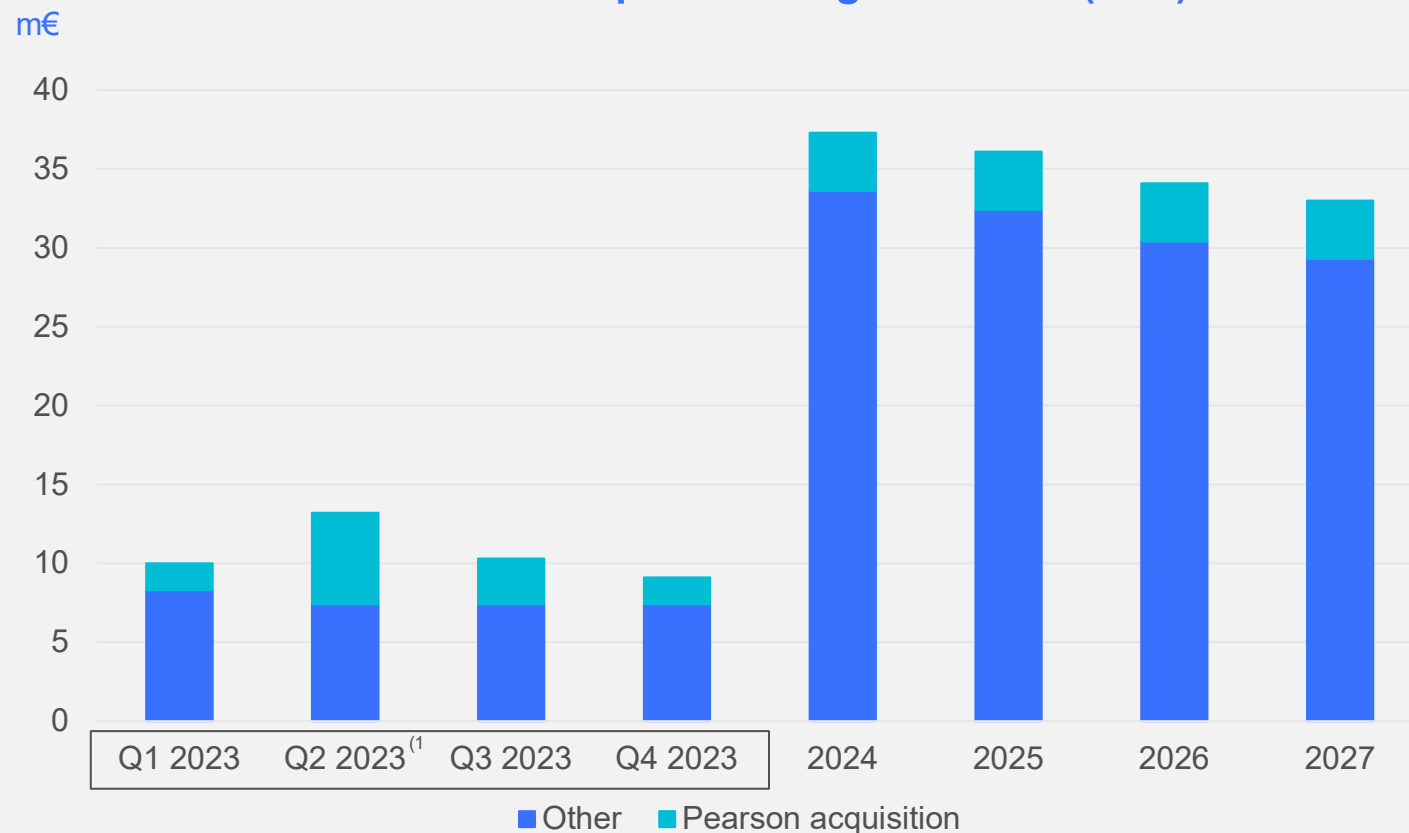
	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22
Newspapers	-7%	-13%	-7%	-12%	0%
Magazines	-6%	-20%	-5%	-5%	-14%
TV	-1%	-5%	-4%	-1%	-2%
Radio	5%	-7%	-3%	12%	16%
Online (excl. search and social media)	0%	-1%	6%	4%	12%
Total market	1%	-7%	0%	2%	7%

Source: Kantar TNS, Media Advertising Trends, March 2022

Estimated amortisations of acquired intangible assets (PPA) of the Group

- Acquired subsidiaries are consolidated using the acquisition method, whereby the cost is allocated to the acquired assets and liabilities assumed at their fair value on the date of acquisition
- With regard to the acquisition of new assets, the Group assesses the expected useful life of the intangible right and determines the useful life on the basis of the best knowledge available on the assessment date
- Amortisation is calculated using the straight-line method
- More information about the accounting policies related to intangible assets can be found in [the Financial Statements 2022](#)
- The annual PPA amortisation related to the Pearson acquisition is approx. 4m€, and an additional approx. 10m€ is amortised in the first 12 months after acquisition due to inventory step-up amortisations

Estimated amortisations of acquired intangible assets (PPA) 2023–2027

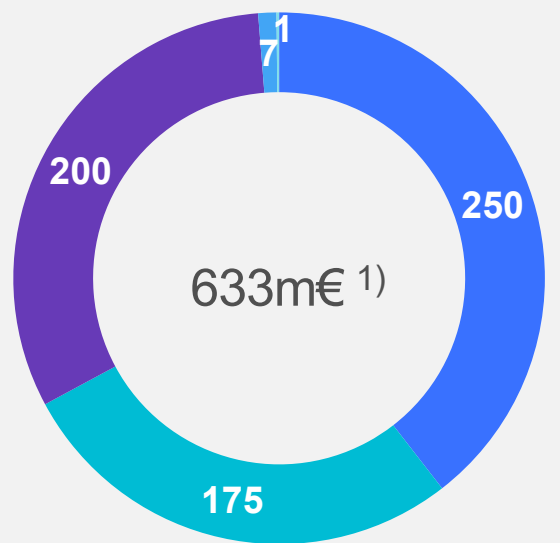


⁽¹⁾ The Pearson acquisition related PPA amortisations in Q2 and Q3 2023 are higher due to the inventory step-up amortisations

We have a well-balanced debt portfolio

External debt structure ¹⁾

m€, 31 March 2023

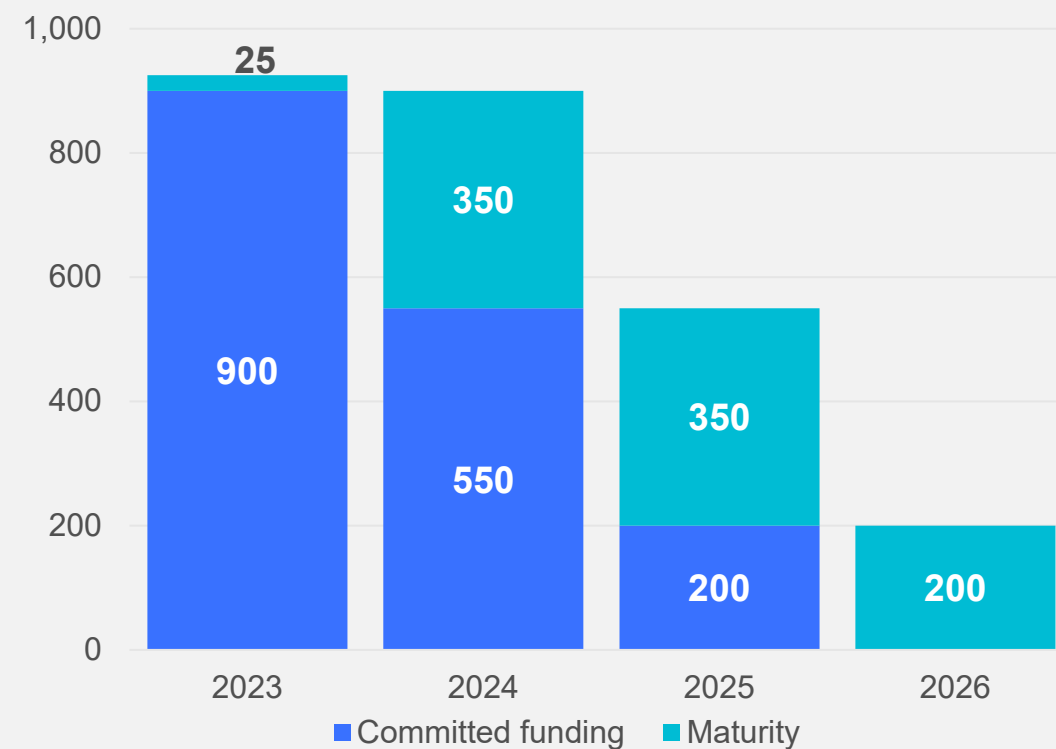


- Term loan 2022
- Term loan 2020
- Bond
- Commercial papers
- Other loans

¹⁾ Excl. IFRS 16 liabilities

Maturity profile 2023–2026

m€, 31 March 2023



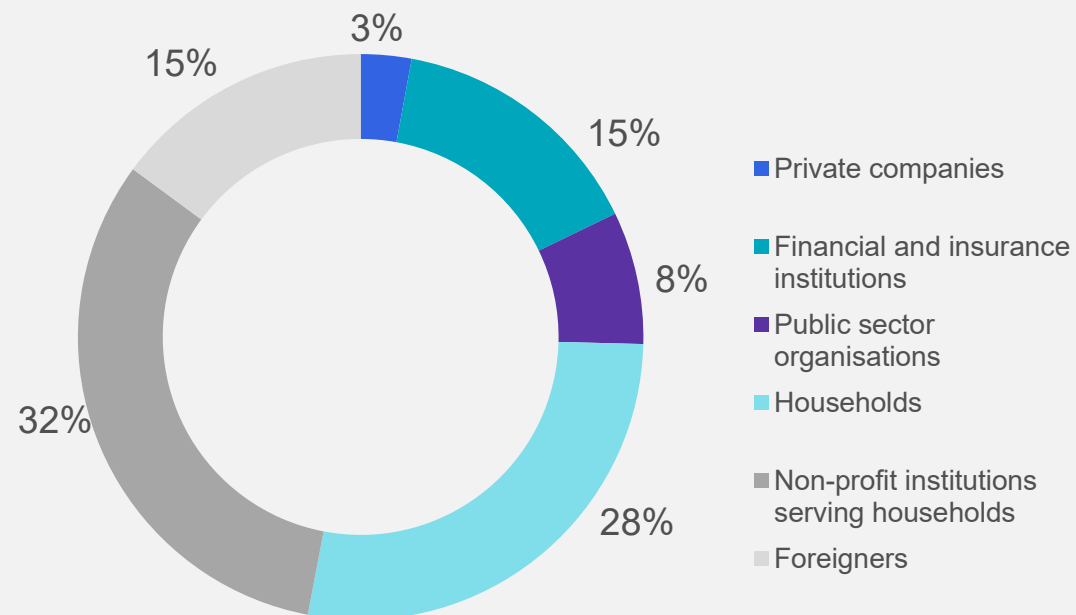
Largest shareholders

31 March 2022

Largest shareholders

Shareholders	Number of shares	% of shares
1. Jane and Aatos Erkkö Foundation	39,820,286	24.4
2. Antti Herlin Holding Manutas Oy: 12.10%, personal: 0.02%	19,816,800	12.1
3. Langenskiöld Robin	12,273,371	7.5
4. Seppälä Rafaela	9,026,490	5.5
5. Helsingin Sanomat Foundation	4,701,570	2.9
6. Varma Mutual Pension Insurance Company	4,450,557	2.7
7. Ilmarinen Mutual Pension Insurance Company	3,805,800	2.3
8. Noyer Alex	2,527,405	1.6
9. Elo Mutual Pension Insurance Company	1,892,000	1.2
10. Bernardin-Aubouin Lorna	1,852,470	1.1
10 largest shareholders, total	100,166,749	61.3
Foreign holding	24,359,089	14.9
Other shareholders	39,039,825	23.8
Total number of shares	163,565,663	100.0
Total number of shareholders	24,196	

Holding by sector



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