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# 2023: Net sales growth and operational EBIT driven by strong performance in Learning

Rob Kolkman  
President & CEO

Annual General Meeting 2024





sanoma

We are a leading  
European K12  
learning company  
and  
#1 digital media  
company in Finland...





...and have a positive impact on the lives of millions of people every day

Reaching

**97%**

of all Finns every week



Serving

**25 million**

students across Europe

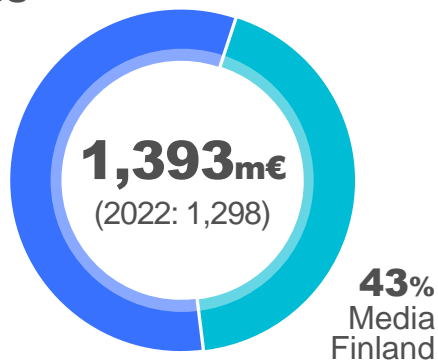


# 2023 Overview

## Net sales

FY 2023

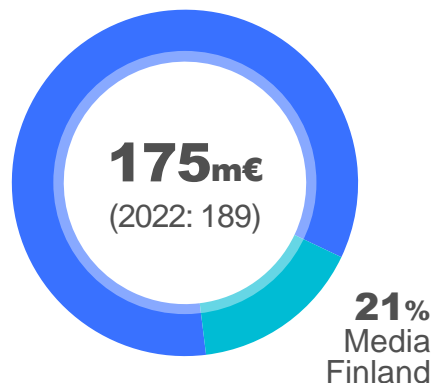
**57%**  
Learning



## Operational EBIT excl.PPA

FY 2023

**79%**  
Learning



Organic net sales  
growth

**2%**

(2022: 1%)

Operational EBIT  
margin excl. PPA

**12.6%**

(2022: 14.6%)

Free cash  
flow

**105m€**

(2022: 112)

Net debt /  
Adj. EBITDA

**2.8**

(2022: 3.2)

- Strong net sales growth of 17% in Learning, coming organically (6%) and from the Italian acquisition; slight net sales decline in Media Finland
- Operational EBIT improvement in Learning more than offset by the impact of lower advertising sales and cost inflation in Media Finland
- In free cash flow, positive one-off impact in 2022 of the Italian acquisition and lower earnings in Media Finland were mostly mitigated by strong organic growth and active working capital management in Learning
- Leverage improved to 2.8, meeting the long-term target level of below 3.0
- Efficiency program Solar in Learning on track to reach the long-term profitability target of 23% in 2026
- Board proposes a dividend of 0.37€ per share (2022: 0.37), corresponding to 58% of free cash flow

## Strong net sales growth led to solid earnings improvement

- Net sales grew by 17% to 795m€ (2022: 681)
  - Organic growth of 6% driven by all major learning content markets; Spain, Poland and the Netherlands
  - Additional growth from Italian acquisition in August 2022
- Operational EBIT excl. PPA increased to 148m€ (2022: 132)
- 800+ new learning materials launched
- In our annual European teacher survey, 84% of teachers agree that our materials support them in reaching curriculum objectives

Organic growth in learning content <sup>1)</sup>  
**8%**  
in 2023

Learning content  
**~74%**  
of net sales





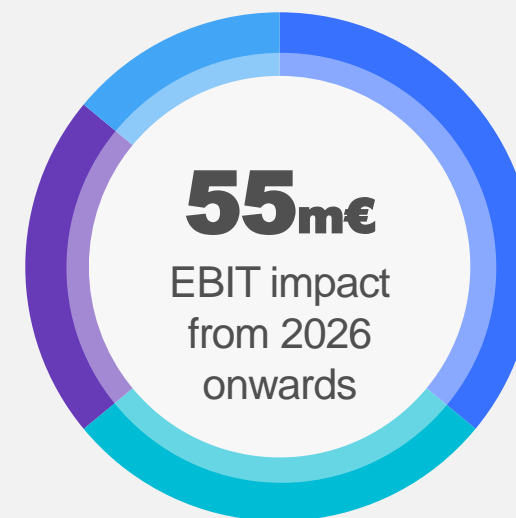
# Program Solar helping Learning reach its long-term profitability target of 23% in 2026

- Solar brings full benefits from the increased scale of the business
- Program streams touch our key business operations across countries

<b>Organisational optimisation</b>	<ul style="list-style-type: none"> <li>▪ Post-curriculum renewal optimisation in Spain and Poland</li> <li>▪ Optimising selected other operations</li> </ul>
<b>Publishing process improvement</b>	<ul style="list-style-type: none"> <li>▪ Increasingly leveraging benefits of scale in content creation (sharing) and production (centres of excellence)</li> <li>▪ Reviewing publishing portfolios and plans</li> </ul>
<b>Harmonisation of digital platforms</b>	<ul style="list-style-type: none"> <li>▪ Optimising product development and maintenance through outsourcing and nearshoring mainly to Poland and Spain</li> </ul>
<b>Other optimisations</b>	<ul style="list-style-type: none"> <li>▪ Rightsizing support functions by optimising the overall organisational structure</li> </ul>

## Solar benefits are split between program streams

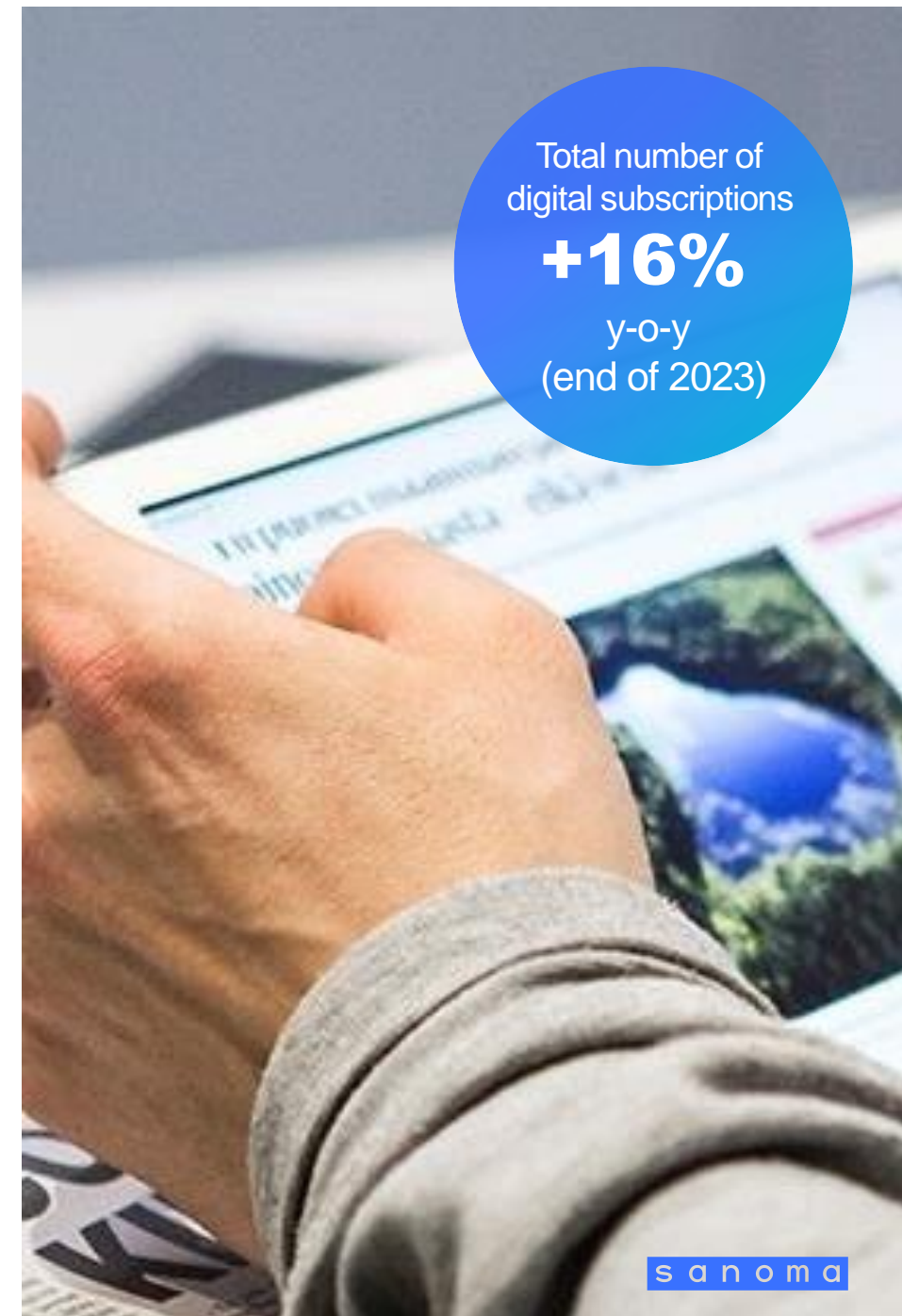
%



- Organisational optimisation
- Publishing process improvements
- Digital harmonisation
- Other optimisations

## Positive operational development in challenging operating environment

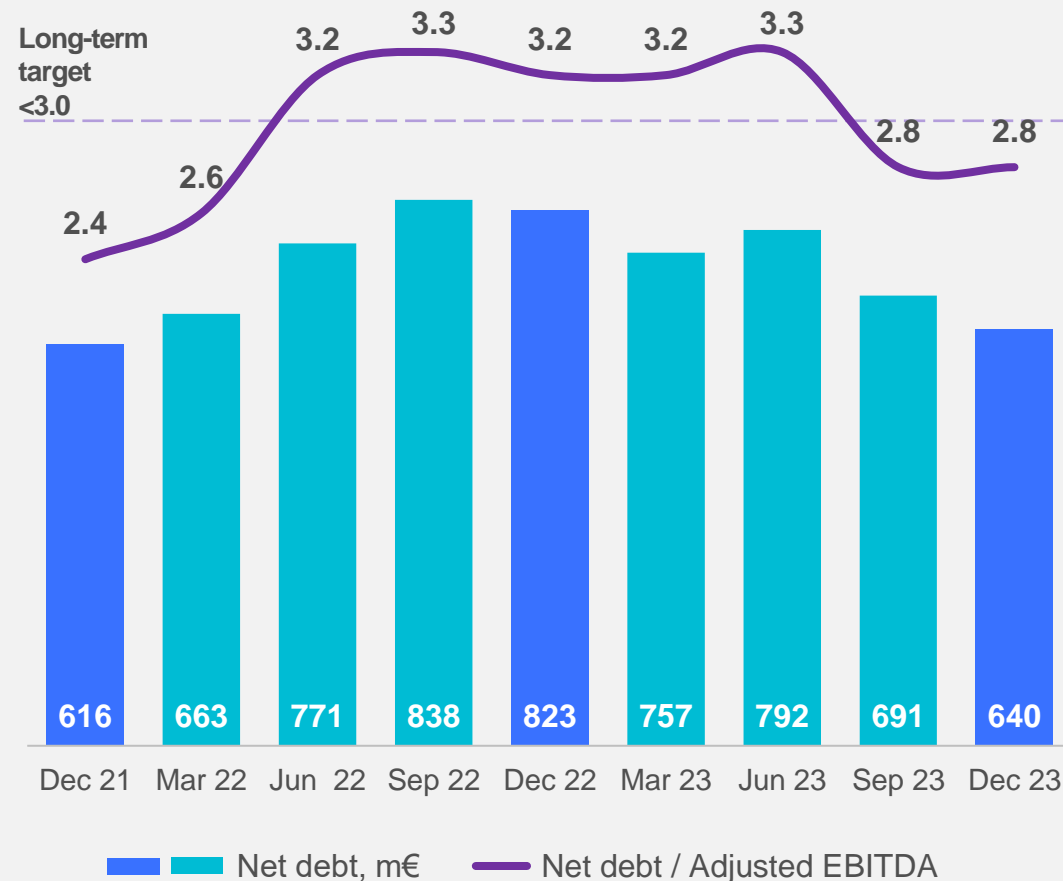
- Net sales declined slightly to 598m€ (2022: 618)
  - Advertising sales declined mostly due to newsprint and TV, while digital advertising sales continued to grow
    - Share of print advertising decreased to 8% of Media Finland's net sales (2022: 9%)
  - Comparable subscription sales grew slightly supported by price and volume
- Operational EBIT excl. PPA decreased in line with expectations to 40m€ (2022: 66)
  - Lower advertising sales and salary inflation partially offset by lower paper, printing and distribution costs and active cost containment actions



# Balance sheet ratios within long-term target levels

- Net debt decreased to 640m€ due to improved cash flow generation and 150m€ hybrid bond issued in March 2023 (booked as equity)
  - Net debt to adjusted EBITDA improved to 2.8 (2022: 3.2)
  - Equity ratio improved to 42.5% (2022: 35.8%)
- Net financial items increased significantly due to the increase in interest rates, and amounted to -31m€ (2022: -13)
- 200m€ bond, issued in 2021, was repaid in March 2024

## Net debt

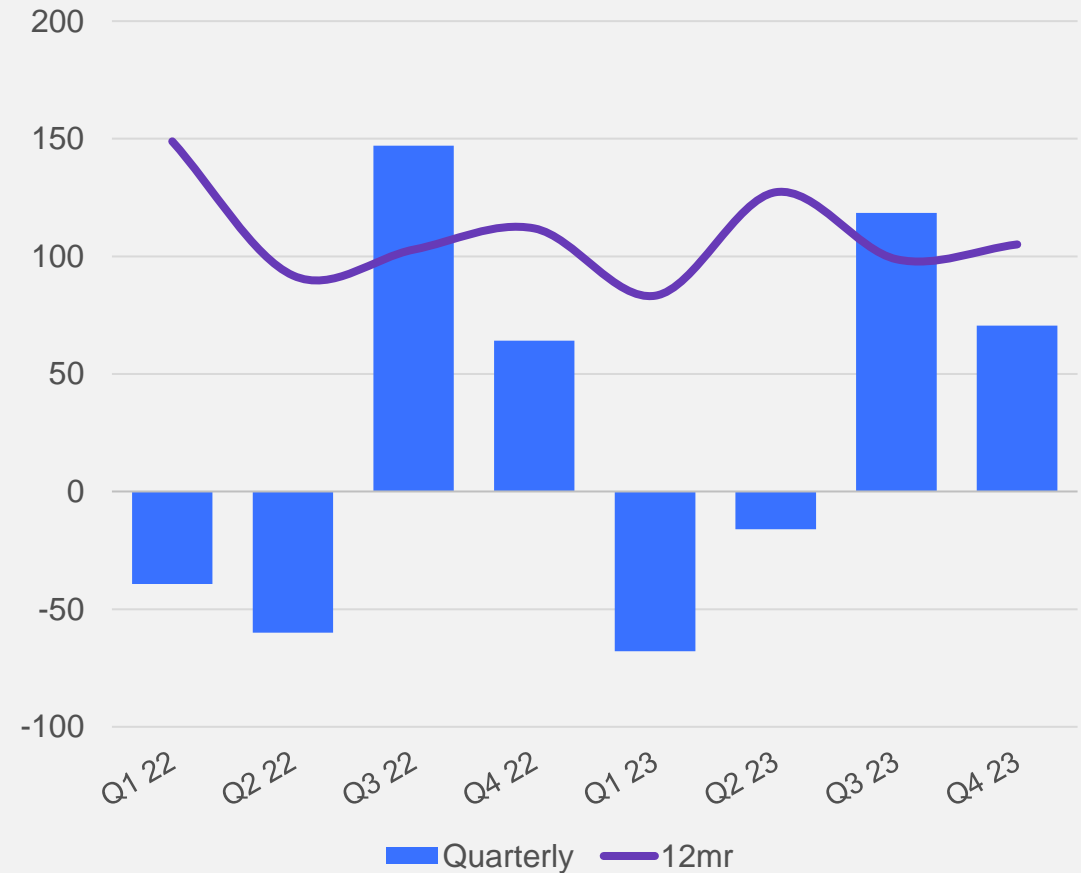




# Solid improvement in underlying free cash flow

- Free cash flow in 2023 was 105m€ (2022: 112)
  - + Active working capital management in Learning
  - + Lower taxes
  - + Lower capital expenditure
  - Higher financing costs
  - Lower earnings in Media Finland
  - Impact of the Italian and German businesses due to the timing of the closing in August 2022

Free cash flow  
m€



Free cash flow = Cash flow from operations less capital expenditure

# Board proposes a dividend of 0.37€ per share

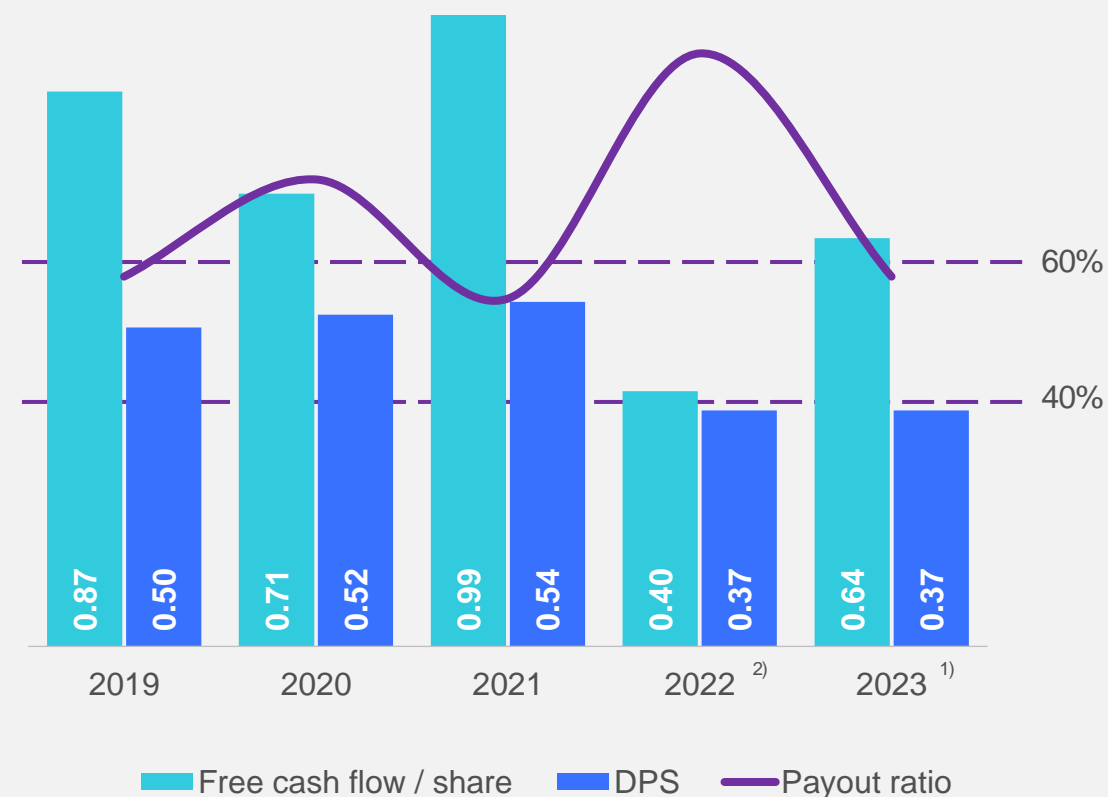
- The Board proposes a dividend of 0.37€ (2022: 0.37) per share to be paid for 2023
  - Representing a total of approx. 60m€
  - Pay-out of 58% of FCF
- To be paid in three parts following the seasonality in Sanoma's free cash flow
  - 0.13€ on 26 April (record date 19 April)
  - 0.13€ in September (record date tbc early September)
  - 0.11€ in November (record date tbc late October)

## Dividend policy:

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> Board's proposal to the AGM

<sup>2)</sup> Underlying FCF 65m€ excl. operational cash flow of the acquired Italian and German business and the pre-payment of the VAT claim



# Strong progress in sustainability across learning and media

1

Focus on DE&I continued, providing equal opportunities score improved to 8.2 (2022: 7.7)

2

New ethical AI principles support secure use of AI

3

Ambitious climate targets validated by the Science Based Targets initiative

4

31% reduction in own operations' GHG emissions compared to 2021

5

29% reduction in value chain GHG emissions compared to 2021

6

Sustainability-linked KPIs added to 300m€ Syndicated Revolving Credit Facility

7

98% of employees trained on ethics and Code of Conduct

8

New Human Rights statement supports in due diligence process development

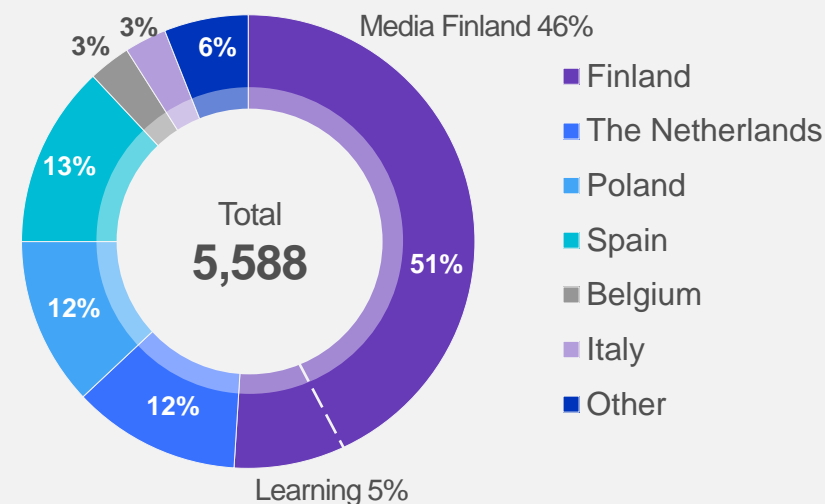


# Passionate, diverse and dedicated people are key to our success

- We employ over 5,500 people in 12 countries
- Average employee turnover decreased to 13.3% (2022: 16.5)
- Our Employee Experience Index improved to 7.5 (2022: 7.3), being in line with the long-term target level of  $\geq 7.5$ 
  - Sanoma’s EEI continued to be above the European benchmark level of 7.1

## Personnel by country

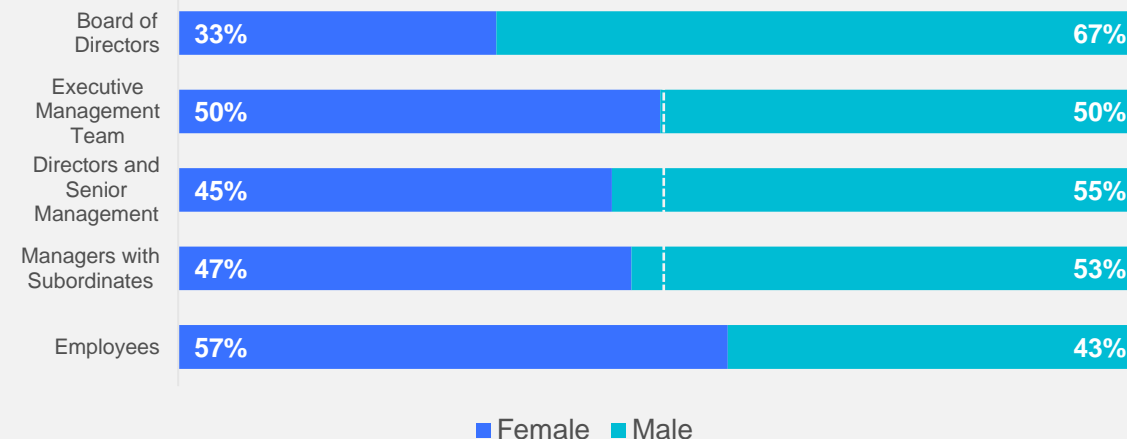
% at the end of 2023



## Gender diversity

% at the end of 2023

Target 50/50 in managerial positions by 2030



# Generative AI brings opportunities and new ways of working

- AI helps us become more efficient e.g. in editorial processes both in learning and media
- We have established clear guidelines and processes for the ethical use of AI

## In media, editorial use without compromising our foremost priorities of trusted journalism

### For example:

- News summaries, effective especially with younger audiences and increase time spent on an article
- Predictive headline analytics and suggestions to the editors
- Improved advertising targeting capabilities
- *Text to speech* transforming news articles to audio



## In learning, many potential use cases

### For example:

- Immersive reader already integrated in learning platforms
- Personalised learning experience
- Efficiency for teachers' day-to-day work through insights and routine time-savers
- Curriculum and pedagogy development, new skills to teach and learn



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# Santillana

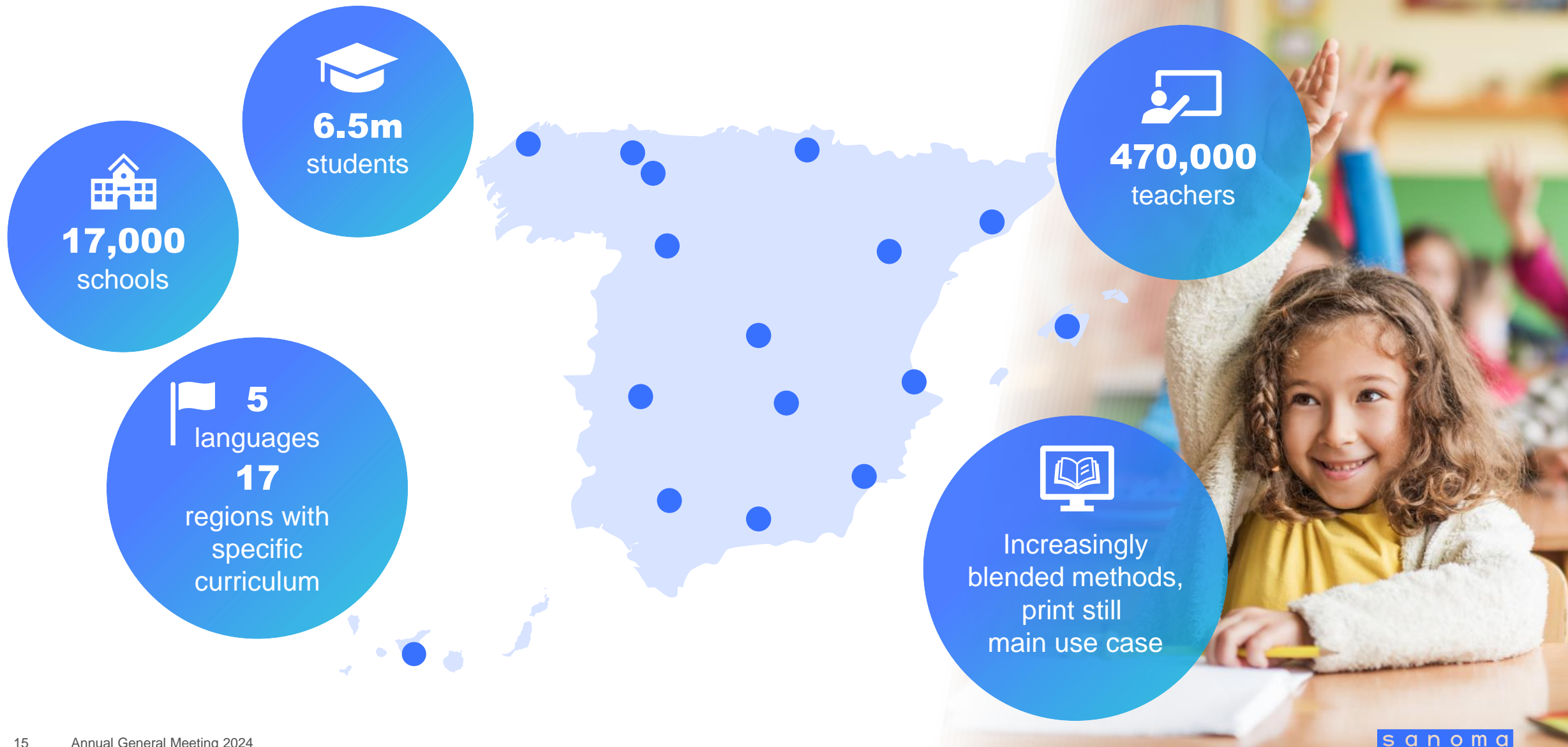
Using blended learning methods  
in Spain

Alejandro Castex  
Managing Director  
Santillana





# Large and resilient K12 learning market in Spain



# Our methods support teachers' work and students' learning outcomes

Published in 2023  
500+ printed and digital books  
300+ workbooks  
40+ literature books  
1,000+ teachers' materials

## For students

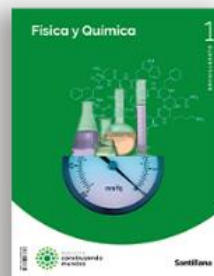
## Methods

## For teachers

- Textbooks
- Digital platforms
- Workbooks
- Literature books
- Materials for home study
- Gamification



- Guides with didactic suggestions
- Solutions guides
- Resources for evaluation
- Material for attention to diversity
- Digital platforms for classroom & at home





# We help to shape the future of K12 education

**Tools helping  
teachers'  
workflows &  
blended  
learning**

Close  
collaboration  
with teachers  
& schools

Spanish  
pedagogical  
expertise,  
sharing know-  
how across  
regions

**Quality content  
supporting  
the curriculum  
& improved  
learning  
outcome**

**Sustainability  
& inclusive  
learning  
materials**

Foster  
diversity,  
equity, and  
respect for the  
environment



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# Sanoma Media Finland

Finland's #1 digital media company

Pia Kalsta  
CEO  
Sanoma Media Finland



This is Sanoma Media Finland

# Trusted and interesting journalism, inspiring entertainment

Entertainment

News & Feature

TIKKURILAFestivaali

HIMOS  
JUHANUS

RADIO ROCK

SUOMI  
POP

supla

liv

4

ruutu

Sim

et TIEDE LUONTO kodin TIEDE <sup>Walt Disney</sup> AKU ANKKA GLORIA

menaiset

ILTA-SANOMAT

SATAKUNNAN KANSA  
Länsi-Suomi

AAMULEHTI

HELSINGIN SANOMAT

97%

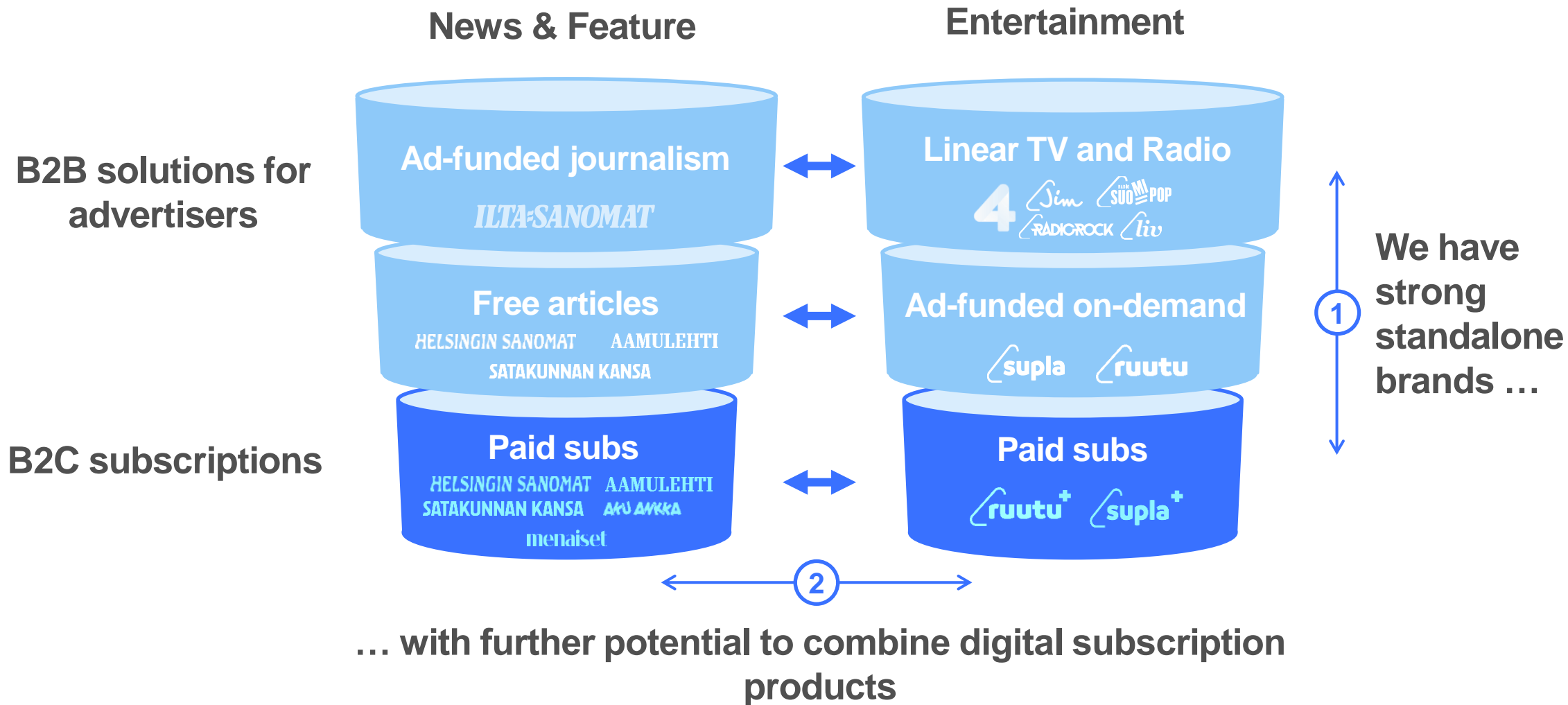
weekly reach  
(88% digital)

1.4m

subscriptions  
(900,000 digital)



# Strong portfolio of independent and complementing brands with substantial synergies in both B2B and B2C





# Ruutu's role in total viewing is steadily growing

- TV viewing is digitising, an increasing proportion of Finns pay for TV content
- Ruutu+ subscriptions are a significant part of Sanoma's digital subscription base
- Growing demand for domestic content: entertainment, sports and content collaboration at the heart of Ruutu
- Partnership with Elisa added original series and over 100 domestic movies to Ruutu

Total number of  
Ruutu+  
subscriptions

**370k**

**ruutu**



# Ilta-Sanomat is the largest digital media in Finland

- IS reaches Finns when something major happens, also those who are not actively following news
- A significant social role thanks to accessibility
- Business model transforming from single copy sales and print advertising to digital advertising
- Digital advertising sales compensating print advertising sales already for long
- The role of video stands out in content consumption, providing also a growing platform for digital advertising
- Solid start for IS Extra, which provides background and in-depth content on top of free articles

**6.6m**  
daily visits

**3m**  
visitors a week





A positive impact on the life of every Finn  
**Digital transformation continues**

**A leader in reliable and  
engaging journalism**

**Strong position in domestic  
high-reach entertainment**

**Sustainable profitability**





**Looking forward**



# Key factors influencing 2024 performance

## Learning

- Comparable net sales impacted by
  - Lower cycle in Spain mitigated by growth in other learning content businesses
  - Discontinuation of low value distribution contracts
- Successful implementation of price increases and first benefits of Program Solar mitigating the inflation impact
- Divestment of German exam preparation business Stark

### Expected 2024 financial impact y-o-y

- Lower reported net sales
- Relatively stable margin

### Long-term targets for SBUs unchanged

- Organic growth 2–5%
- Operational EBIT margin excl. PPA >23% from 2026 onwards

## Media Finland

- Comparable net sales relatively stable in-line with expected economic environment in Finland
  - Subscription sales to grow modestly driven by digital
  - Slightly lower B2B advertising sales and smaller portfolio in live events
- Continuous efficiency improvement mitigating the inflation impact
- Divestment of Netwheels

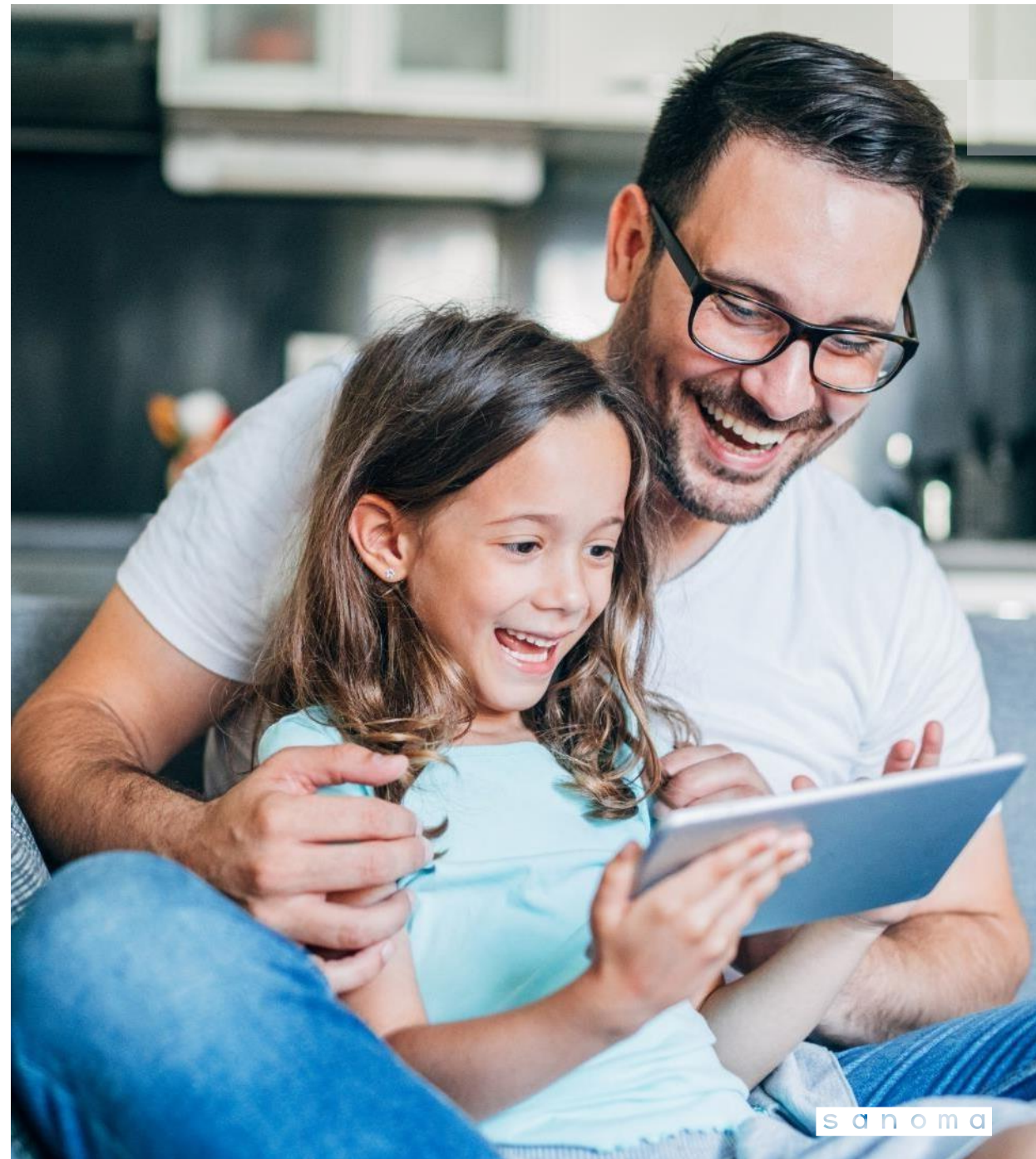
- Slightly lower reported net sales
- Modest earnings and margin improvement

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



# Outlook for 2024

- In 2024, Sanoma expects that the Group's reported net sales will be 1.29–1.34bn€ (2023: 1.4)
- The Group's operational EBIT excluding PPA is expected to be 160–180m€ (2023: 175)
- Regarding the operating environment Sanoma expects that:
  - The advertising market in Finland will decline slightly
  - The development in the economies of the Group's operating countries is expected to be relatively stable





# We have an ambitious strategy for sustainable profitable growth

- Aiming for the Group's net sales to be over 2bn€ by 2030, with at least 75% coming from Learning
  - Continued focus on M&A in Learning
- Learning achieving its long-term profitability target of 23% by 2026, supported by our increased scale
- Accelerating digitalisation and improving profitability towards long-term target in Media Finland
- Dividend continues to be important, with payout ratio 40–60% of free cash flow

## Our purpose

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

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Thank You!