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Two focused and leading  
businesses poised for  
further growth

Susan Duinhoven, President & CEO  
Pörssisijoittajan viikko, 14 September 2021



# Two focused and leading businesses poised for further growth

- We continue to grow Sanoma Learning, the leading European K12 learning business
- We are the leading cross-media company in Finland and continue our successful digital transformation
- We have 300-400m€ headroom for M&A and focus on growing our learning business further
- We pay a solid dividend
- Sanoma is a sustainable investment with learning and media having a positive impact on society



# Two focused and leading businesses

## LEARNING

Market leader in European K12 with strong digital footprint and benefits of scale

- Net sales **605m€** <sup>(1)</sup>
- Oper. EBIT margin excl. PPA approx. **20.7%** <sup>(1)</sup>
- Market share approx. **13%**
- Serving more than **20 million** students across Europe
- Long-term financial targets
  - Comparable net sales growth 2-5%
  - Operational EBIT margin excl. PPA above 23%

## MEDIA FINLAND

Finland's leading cross media company

- Net sales **563m€** in 2020
- Operational EBIT margin excl. PPA **11.8%**
- B2C revenues approx. **50%**
- Reaching **97%** of all Finns every week
- Long-term financial targets
  - Comparable net sales growth +/-2%
  - Operational EBIT margin excl. PPA 12-14%



# We accelerated our transformation during 2020

≈ 800m€ invested

More than 400m€ new, highly profitable net sales acquired

**Four acquisitions  
in K12 learning  
services in 2019**

Iddink | Itslearning |  
Clickedu | Essener

**Regional news  
media business  
in Finland**

**Santillana, leading  
provider of K12  
learning content  
in Spain; closed on  
31 December**

**Two focused,  
leading  
businesses  
with solid  
profitability and  
cash flows**

ACQUISITIONS

DIVESTMENTS

**Media  
Netherlands**

**Online classifieds  
business Oikotie**

**300-400m€  
headroom for  
M&A**

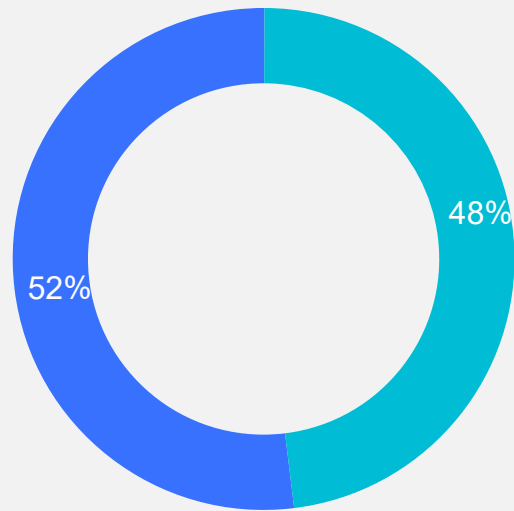
≈ 700m€ divestment proceeds received

≈ 400m€ net sales divested

# Learning is now contributing close to 70% of Group earnings

**We have a balanced net sales profile...**

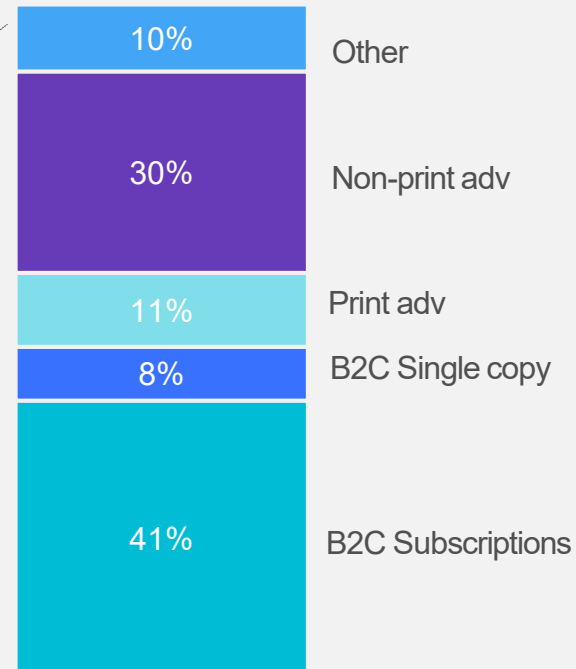
Net sales by SBU



Learning Media Finland

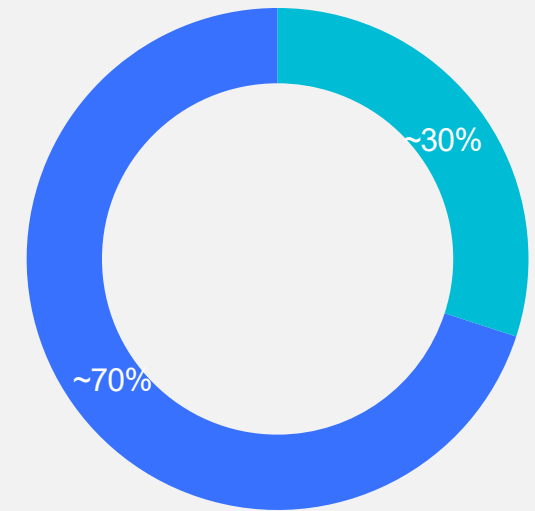
**...with B2C about half of media sales**

Group net sales by category, %



**Learning close to 70% of earnings**

Operational EBIT excl. PPA by SBU



Learning Media Finland

Pro forma incl. Santillana Spain as presented in Sanoma's stock exchange release on 8 March 2021

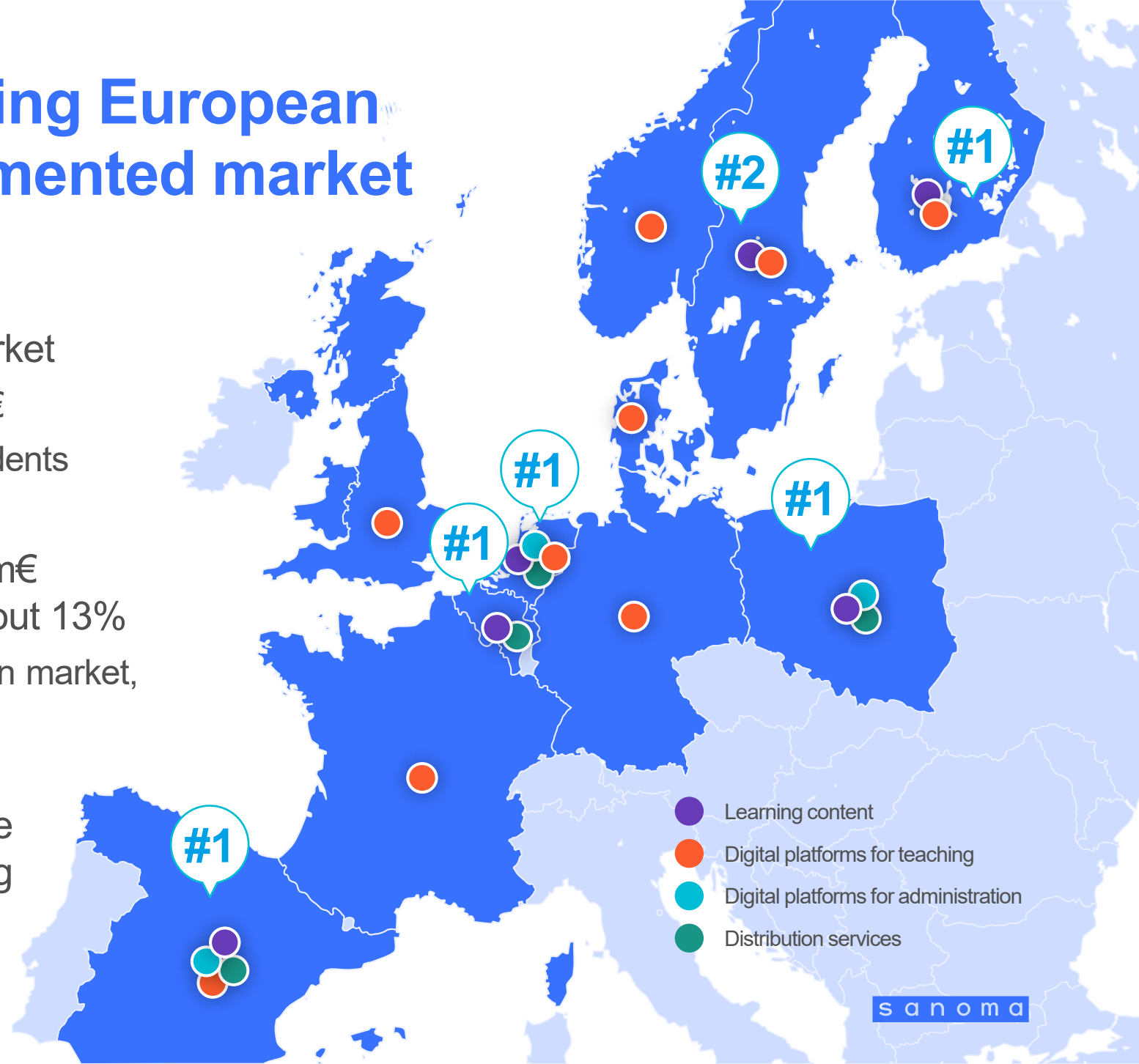
# We continue to grow Sanoma Learning with strong focus on K12 learning services...

- **We focus on growing our K12 learning services**
  - K12 being primary, secondary and vocational education
  - Learning services being blended learning content (print & digital), digital platforms for teaching and administration as well as content distribution
  - High barriers to entry due to local nature of the business
  - Three growth levers: **market share gains, expansion of services and M&A**
- **We share our best-in-class digital platforms and our European footprint gives us unique benefits of scale**
  - Transitioning towards a subscription model
- **Long-term financial targets**
  - Comparable net sales growth 2-5%
  - Operational EBIT margin excl. PPA above 23% over time including the acquisition of Santillana



# ... and we are the leading European player in a highly fragmented market

- European K12 learning services market
  - Fragmented market of approx. 4-5bn€
  - Serving a total of about 75 million students
- Our annual net sales of around 600m€ represent a market share of only about 13%
  - Already leading player in the European market, serving over 20 million students
- Opportunity to increase market share in existing markets and by expanding into new markets





# Sanoma is the leading media company in Finland successful in its digital transformation

- **Focused media company with scale**
  - **Focus: News & feature, entertainment and B2B marketing solutions**
  - Highly synergistic, bolt-on acquisitions could be considered
- **Increasing share of consumer income and subscriptions in both news and entertainment**
  - B2C sales now  $\approx$  50% of total net sales ( $\approx$  45% in 2016)
  - Helsingin Sanomat news subscriptions increasing for 4<sup>th</sup> consecutive year, now already above 400,000
  - Ruutu+ Video-on-Demand with more than 300,000 subscriptions
- **Proven track record of a successful digital transformation**
  - Digital transformation increases profit contribution per incremental subscriber, but reduces net sales
- **Solid performance towards long-term financial targets**
  - Stable comparable net sales growth +/-2%
  - Increasing operational EBIT margin excl. PPA 12-14%





# Solid dividend for our shareholders while growing through M&A

- A dividend of 0.52€ (2019: 0.50) per share is paid for 2020
  - Representing a total of approx. 85m€
- Paid in two parts
  - 0.26€ on 22 April
  - 0.26€ in November (record date tbc in October)

## Dividend policy:

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

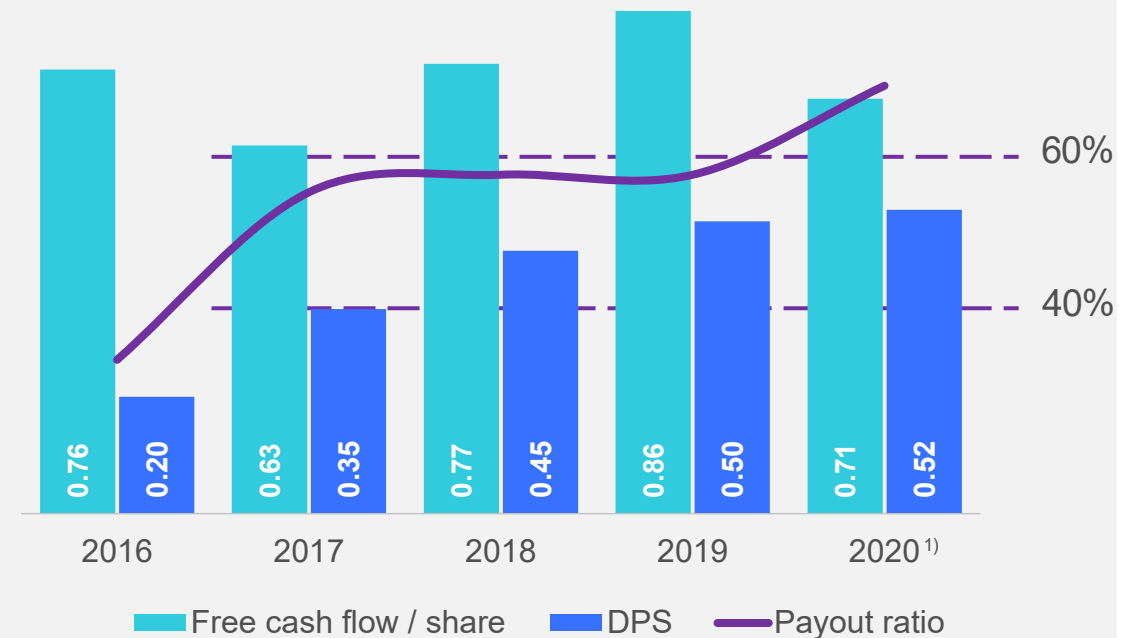
Dividend yield

**3.6%**

as of 31 December 2020

## Dividend per share

€



<sup>1)</sup> FCF excl. free cash flow of the divested Media Netherlands, -22m€

## Learning and media have a positive impact on society

### 1. INCLUSIVE LEARNING

We develop inclusive learning solutions that help all students to reach their potential

### 2. SUSTAINABLE MEDIA

We provide trusted Finnish journalism and inspiring entertainment, now and in the future

### 6. RESPONSIBLE BUSINESS PRACTICES

Good governance, ethical business practices and supply chain integrity are fundamental for us

### 3. TRUSTWORTHY DATA

We use the data you trust us with to make learning and media better

### 5. VITAL ENVIRONMENT

We act to reduce our climate impact and build fact-based awareness of sustainability

### 4. VALUED PEOPLE

We promote equality and provide an inspiring workplace with excellent opportunities to develop



# We are committed to develop sustainability and our reporting

**AA**

Solid ESG rating from MSCI on scale AAA-CCC

**1**

Highest Quality Score in ISS ESG rating's Governance category

**Low**

ESG risk rating from Sustainalytics (low = below 20 on scale 0-100)

**2.1**

Net positive score on Upright impact analysis

**CDP**

Reporting on our climate action with Climate Disclosure Project

**Aligned with UN SDGs**

Sustainable Development Goals integrated into our strategy

**Signatory of UN Global Compact**

Committed to the Ten Principles of UN Global Compact

**Science Based Targets**

Committed to set emission reduction criteria according to SBTi

**EU taxonomy eligible**

Developing our reporting for the taxonomy

**GRI**

Annual third party assured reporting according to Global Reporting Initiative





# Two focused and leading businesses poised for further growth

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# Thank You!





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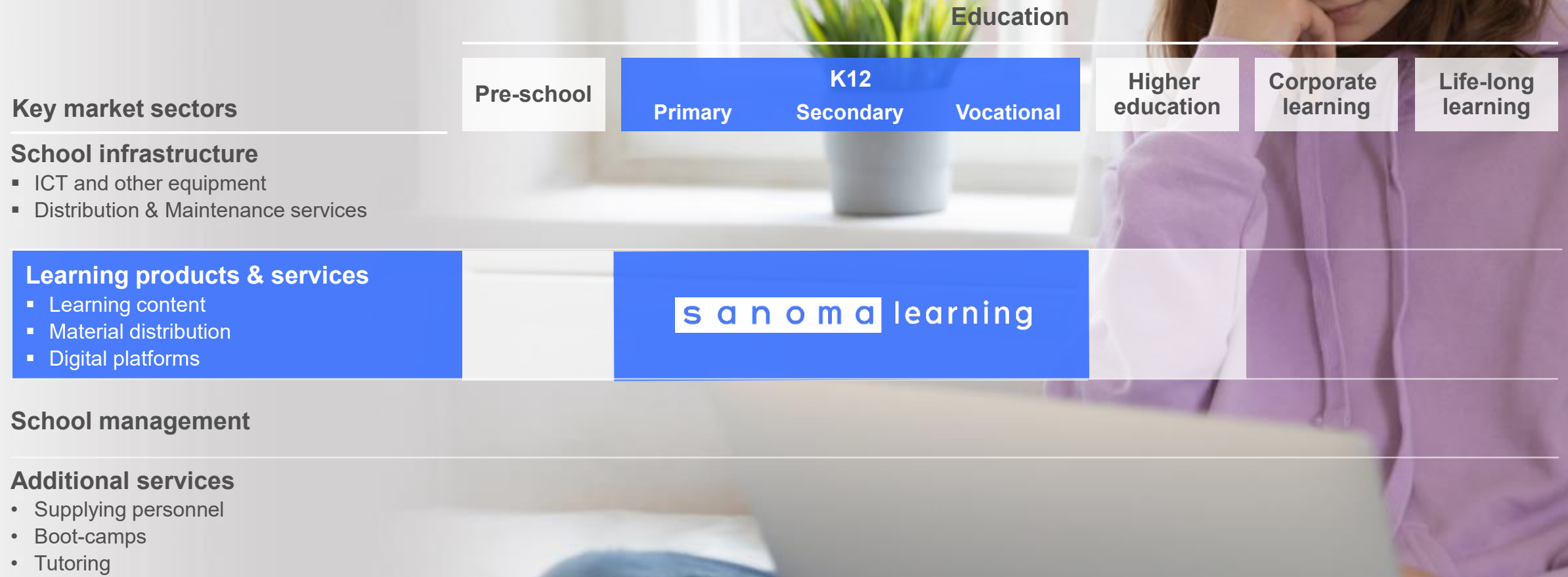


LEARNING:









## Market leader in European K12 with strong digital footprint and benefits of scale

- Upgrading long-term profitability target to 'above 23%' operational EBIT margin excl. PPA
- Successfully executing on M&A strategy
- Increasing attractiveness due to conversion from single product to subscription model
- Best-in-class materials, blended methods and common digital platforms and technology
- Positive impact on society by better learning outcomes

# We are a focused European provider of K12 learning products and services



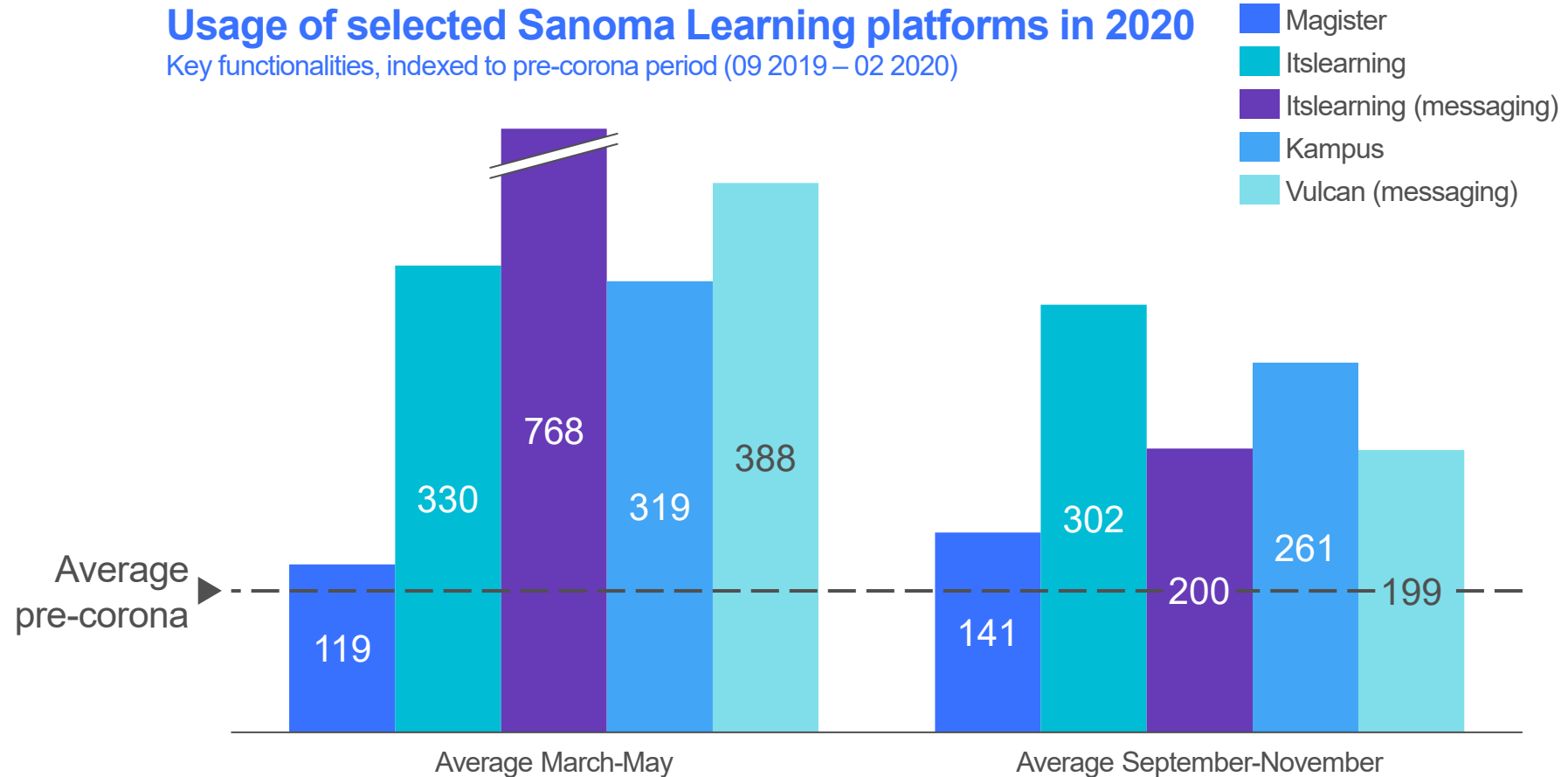
# We have developed as a publisher of learning materials into an integrated provider...

Learning products & services	Net sales share*	Commercial contact	
		Teachers	Administrators
Blended learning content	60%	 	<input checked="" type="checkbox"/>
Material distribution	25%	 	<input checked="" type="checkbox"/>
Digital platforms for teaching	5%	 	<input checked="" type="checkbox"/>
Digital platforms for administration	5%	 	<input checked="" type="checkbox"/>
Testing and analytics	5%		<input checked="" type="checkbox"/>



# ... with significant increase in usage on platforms supporting teachers during the corona pandemic

- Platforms performed well to deal with increased usage
- Previously less digitized markets like Poland have escalated to intense usage levels
- Integrations of MS Teams and Google for education supports teachers and students



# Strategic levers support our growth ambitions

## Our growth levers

3

**M&A:** enter new geographies in K12 and expand our offering in existing markets

2-5% p.a. organic growth target

2

**Increase value per student** through extending offerings, Classroom as a Service

1

**Grow market share** by continuing to win in local markets

2020

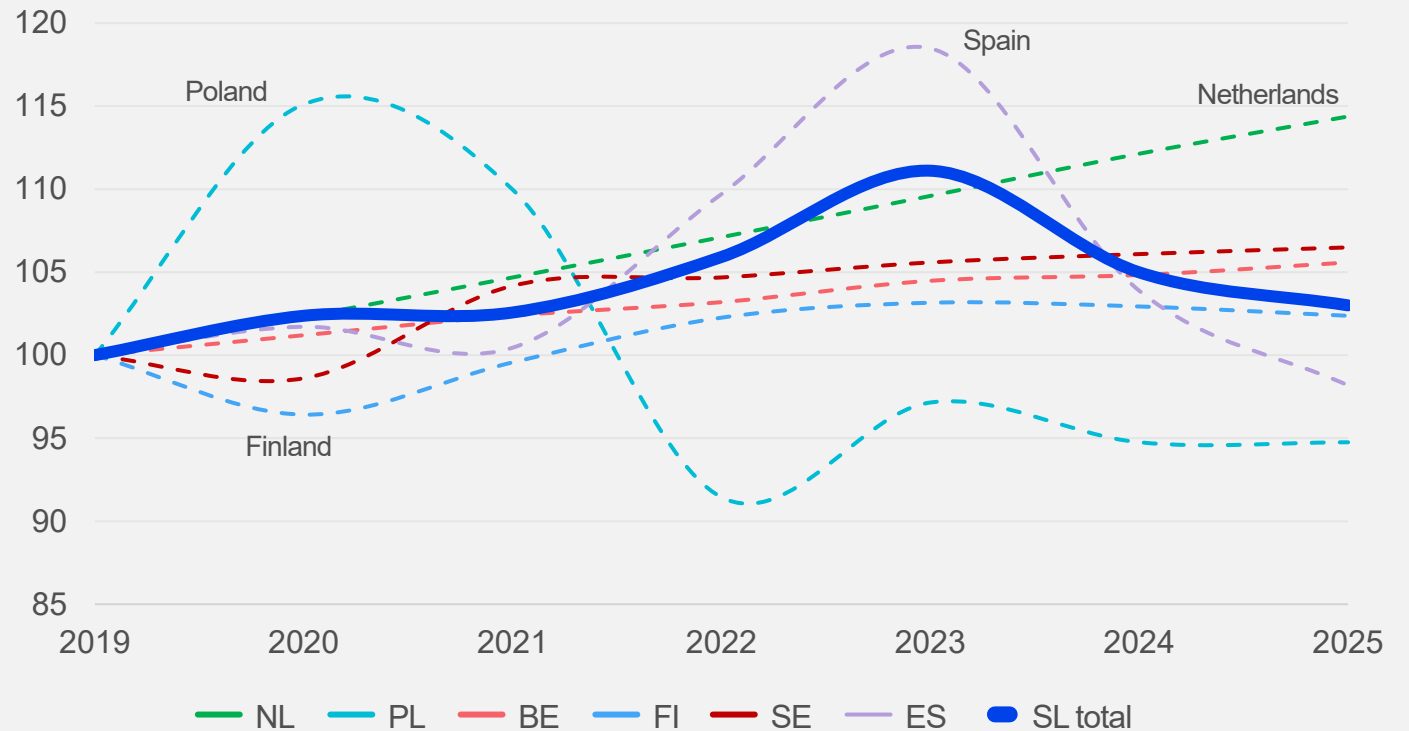
**Long term profitability\* target of above 23%** enables us to continue investing while delivering a solid cashflow

\* Operational EBIT excluding PPA for the whole of Sanoma Learning

# In learning materials, modest market growth expected over the cycle

- In **Poland**, fluctuations due to the educational reform ending in 2020-2021
- In **Spain**, the LOMLOE reform is driving fluctuation in 2022-2024
- **Dutch** market will be modestly growing due to increased value per student
- In **Finland**, with the upper secondary reform of 2021 the market will rebound, similarly in Sweden

Value of K12 publishing market\*





# Greater integration of products and digital services creates shift towards attractive subscription model

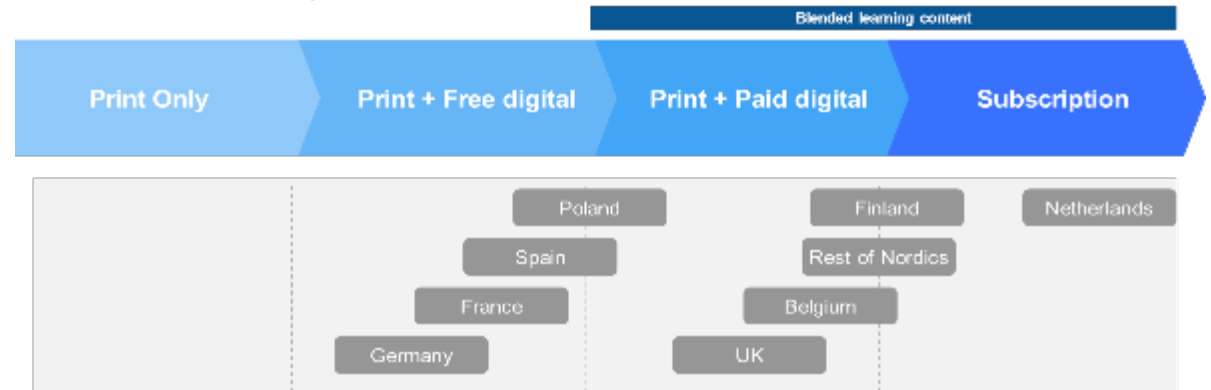
## Greater benefits for all through subscription

- For students: more up-to-date materials, books can be retained, notes in books improves learning impact
- For schools: stable and predictable cost of learning materials
- For distributors: lower cost due to absence of return flows
- For publishers: reduced second-hand market, more efficient content creation and more stable sales and cash flows

## The pace of this shift differs by country, but we aim to move to the subscription model across all our European markets

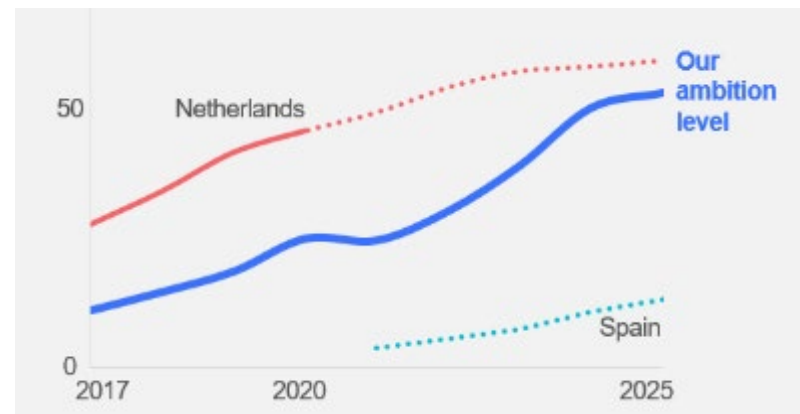
- Currently, subscription sales represent approx. 25% of our net sales
- Ambition supported by various initiatives to raise this to over 50% by 2025
- With countries at different stages of digitalisation the transition will take time

## State of maturity of the various countries



Sanoma view of the state of maturity of the various countries

## Share of subscription in net sales %



# We continue to grow our learning business through M&A

- We have a well-developed pipeline and a good momentum for further acquisitions
  - Focus on European K12 learning services
  - Both learning content and digital platform businesses
  - Entering new geographies and expanding our offering in current markets
- We have increased our leverage target to **'below 3.0'**
  - Stable and predictable Learning business now close to 70% of Group earnings
- Our M&A headroom allows us to participate in the ongoing consolidation in the European K12 learning services market

M&A headroom

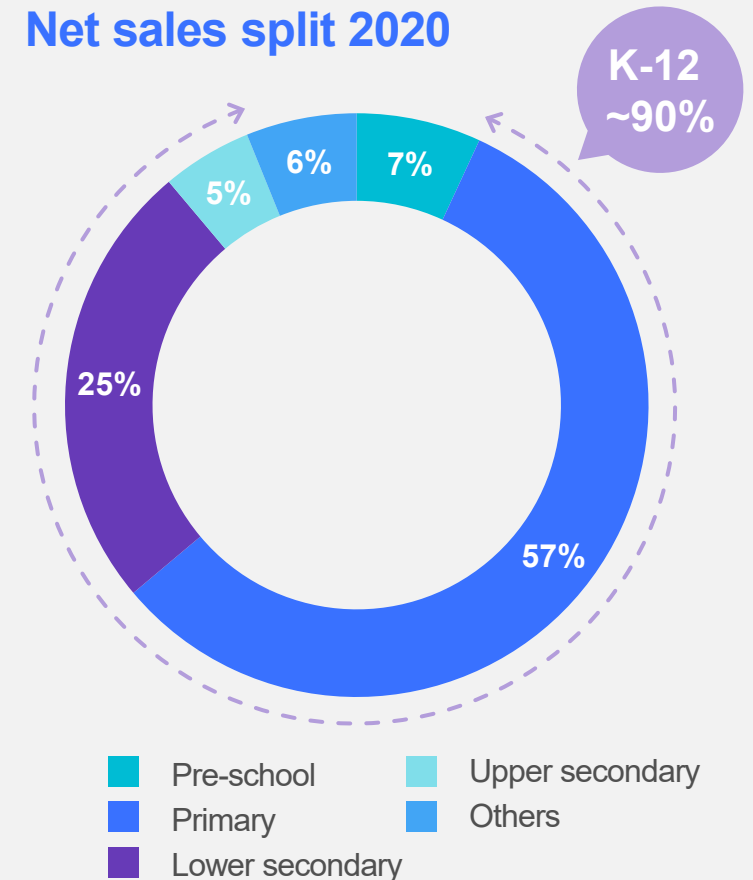
**300-400**m€

by 2022

# Early closing and successful start of integration of Santillana

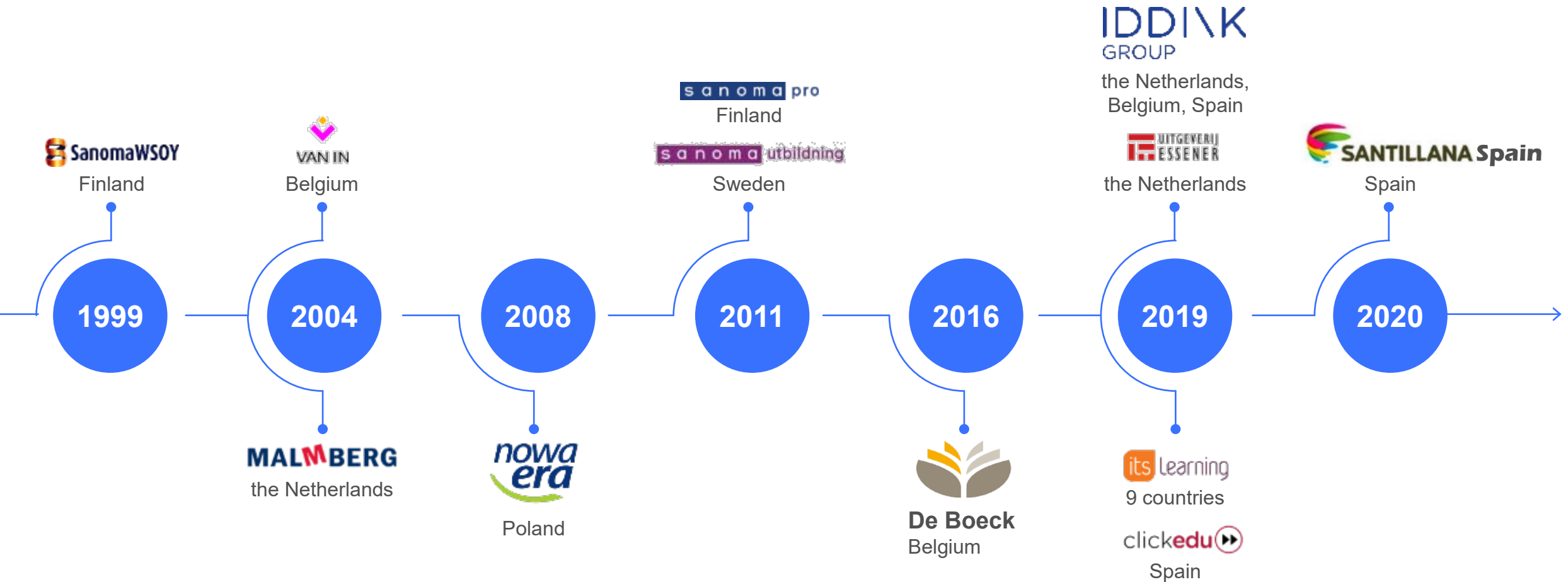
- Acquisition of Santillana, the leading provider of learning materials, primarily textbooks, for primary and secondary education in Spain, was closed on 31 December 2020
- Net sales of 106m€ and standalone operational EBIT 29m€ (margin 27%) in 2020
  - Digitalisation in learning is starting – 3% of Santillana’s net sales were digital in 2020
- In 2020-2021, a typical cyclical decline in market demand for K-12 learning materials is expected ahead of the introduction of the new curriculum
  - Expected to result in lower net sales and earnings compared to 2019
  - New curriculum is expected to accelerate the demand in 2022-2023
- Strong seasonality in Santillana business: small and loss-making Q1 and Q4, vast majority of the business focused in Q3
- Strict lockdown measures and school closures in Spain due to the coronavirus pandemic had some impact on learning material demand in Q4
  - In case school closures are prolonged, it may also have an adverse impact on the business in 2021

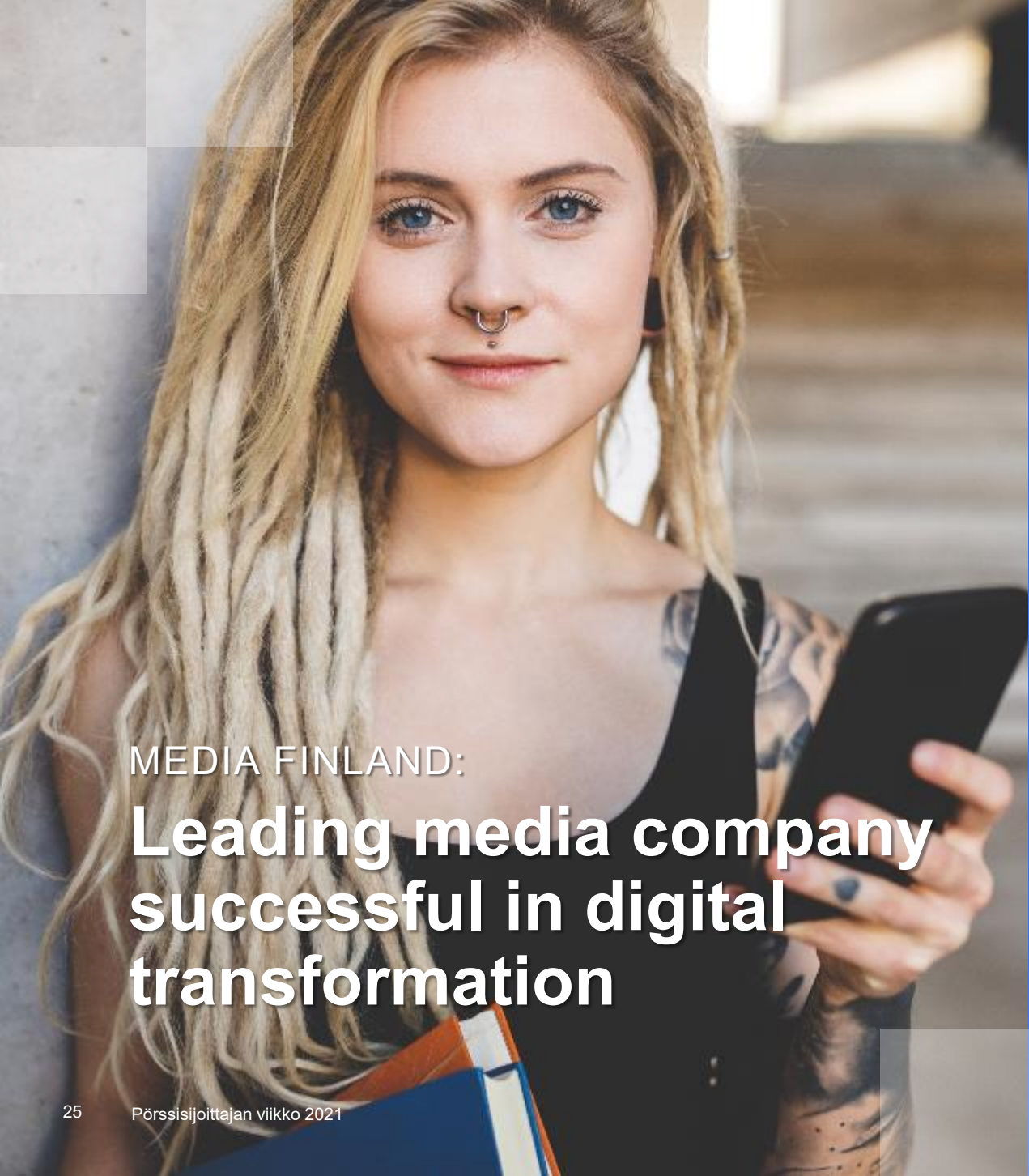
Net sales split 2020





# Sanoma Learning has been successfully built through M&A





MEDIA FINLAND:

## Leading media company successful in digital transformation

- Leading positions in news & features, entertainment and B2B marketing solutions
- Rapidly increasing digital subscriptions
- Stable net sales (+/-2%\*) and improving profitability (12-14%\*)
- Important role in Finnish society: independent journalism and local entertainment

# We have leading positions in news & feature, entertainment and B2B marketing solutions



## News & feature

- Sustainable demand
- Our strong history and position
- Proven track record in digital transformation

#1 in domestic,  
independent journalism



## Entertainment

- Increasing consumer revenue
- Unique combination of strengths across media types
- Important role in total advertising portfolio

#1 in domestic entertainment  
with most attractive  
brands and stars



## B2B marketing solutions

- A unique, multimedia offering to build effective marketing solutions
- Strong digital advertising growth supported by improved data and targeting capabilities
- Strong sales organisation with superior knowledge of local market and customers

#1 marketing partner helping  
companies to grow in Finland



# In 2020, we continued to implement our digital transformation strategy

## Strong digital growth

- ➔ Helsingin Sanomat (HS) **70% out of over 400k** subscriptions include a payable digital element (+8% YoY)
- ➔ Ruutu+ SVOD subscriptions over **300K** (+16% YoY)
- ➔ Ilta-Sanomat (IS) average weekly visits over **43M** (+17% YoY)

## Focus on core business

- Combined News & Features organisation settled in and showing strategic benefits of close cooperation across the brands
- Integration of the acquired regional news media business proceeding according to plan
- Online classifieds business Oikotie divested to Schibsted

NEWS & FEATURE

# #1 in Finnish journalism, further strengthened by acquired regional news media

Leading national and regional news media



IS

AAMULEHTI  
SATAKUNNAN KANSA

TIEDE

menaiset

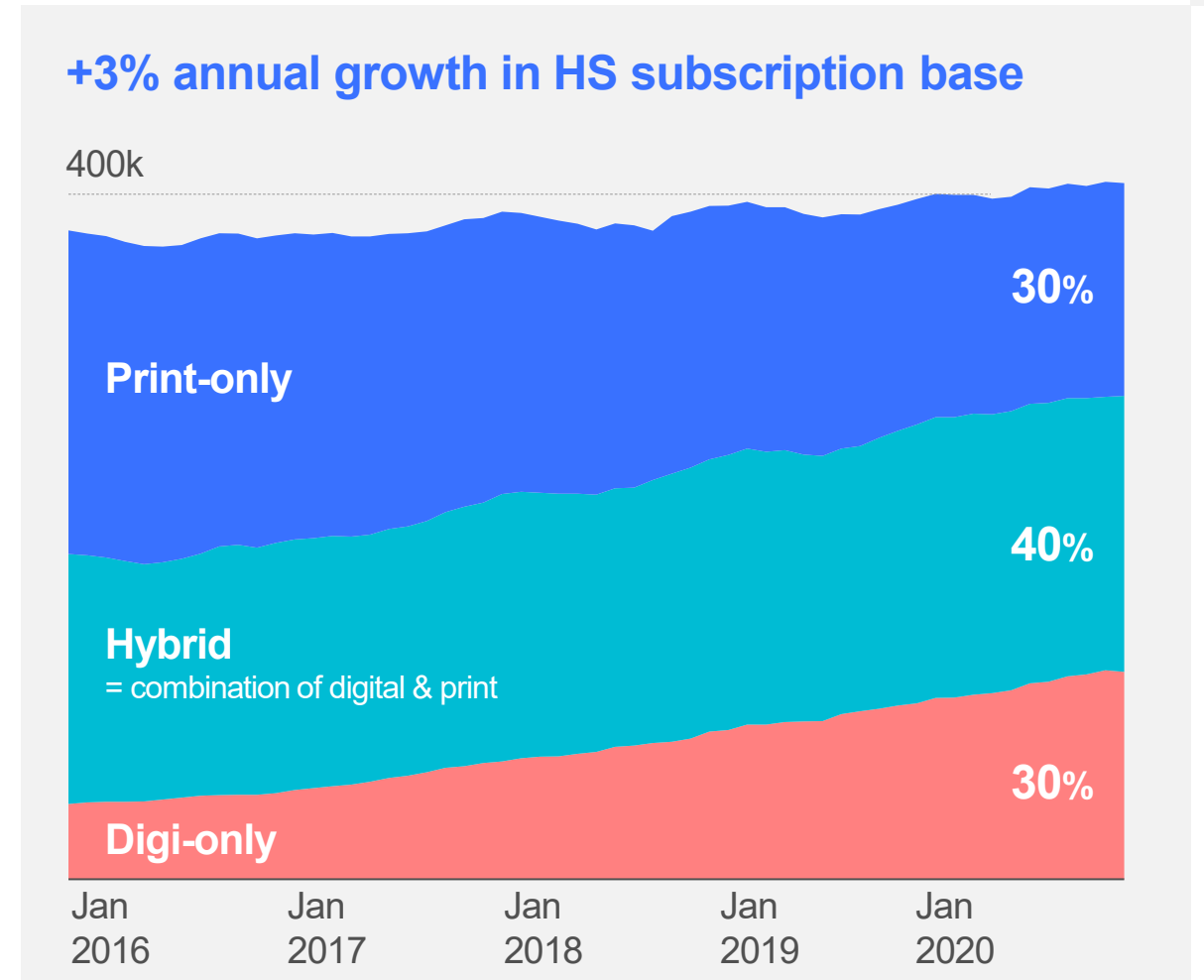
GIORGIAN  
ruoka&viini

Focus on

- Growing digitally active subscription base
- Growing daily national reach

# Subscriptions growing for the fourth year in a row with strong growth in digital

- HS total number of subscriptions over 400k
- Number of digital-only subscriptions well above 100k, 30% of total subscription base
  - Already 70% of all subscriptions include a digital component
  - Appealing digital experience has attracted younger audiences
- Future success in digital requires further scale
- New content areas support subscription growth
  - HS Kids News, successfully launched in August 2020
  - HS Business News to strengthen business reporting, launch in March 2021

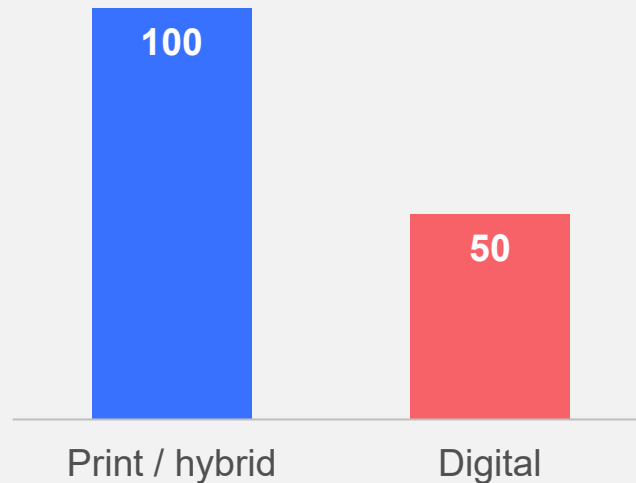




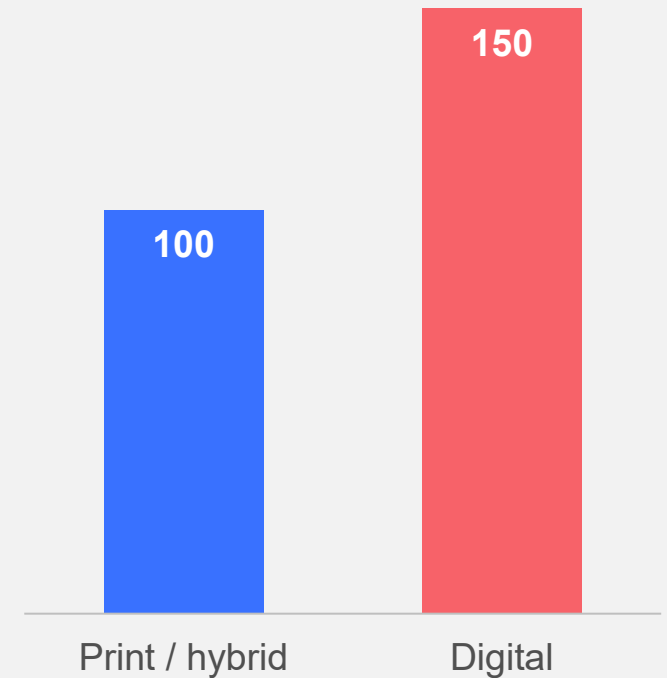
# Digital transformation increases profit contribution per incremental subscriber, but reduces net sales

- Acquiring an additional subscriber for digital instead of printed news will
  - Generate 50% the net incremental sales due to lower consumer prices
  - Increase contribution by 50% due to absence of printing and especially distribution costs
- Active conversion of larger number of subscribers from print to digital would not create additional contribution due to
  - Consumer preference for print
  - Stranded costs related to printing and distribution
  - Potential loss of advertising revenues

**Net sales per additional subscription<sup>1</sup> reduces...**  
Indexed



**... but profit contribution increases<sup>1</sup>**  
Indexed



<sup>1</sup> Excluding impact of digital transformation on advertising revenues

## CASE REGIONAL MEDIA

# Integration and synergy capture proceeding to plan

### Background

- On 30 April 2020, Sanoma acquired Alma Media's regional news media business in Finland

### Deal rationale

- Highly synergistic bolt-on acquisition
- Strengthening one of our strategic core businesses, news & feature
- Growing our digital subscription base
- Efficiency in shared operations
- Better financial returns on digital investments
- Supporting our long-term profitability target (12-14% operational EBIT margin excl. PPA)

Synergy realization on track to achieve full run rate net synergies of **13m€ by 2022**

Strong digital subscription growth of **46%** YoY

Integration proceeding well e.g. harmonised ways of working and IT systems



ENTERTAINMENT

# We have leading positions in our selected areas

TV & video

Radio & audio

Live events

Our market positions

#1-2

#2

#1

ruutu Sim liv

4

Radio Suomipop **supla**

Radio Aalto helmi RADIO radiorock

SuomiPop FESTIVAALI

HIMOS JUHANNUS

ROCKFEST

TIKKURILAFestivaali

SOLARSOUND FESTIVAL

WANAJA FESTIVAL



## B2B MARKETING SOLUTIONS

# Increasingly stronger position also in the SME segment

### SME (small and mid-size enterprise) customers – significant potential to grow

- Our market share in SME is relatively low (~15% vs. over 30% in large customers)
- Position further strengthened through regional news and regional radio acquisitions as well as digital offering
- Already large customer base and superior sales organisation

### Large customers – grow market share

- Multimedia offering provides competitive advantage and supports market share growth

### Market share per customer segment\* 2020

Large customers

>30%

SME customers

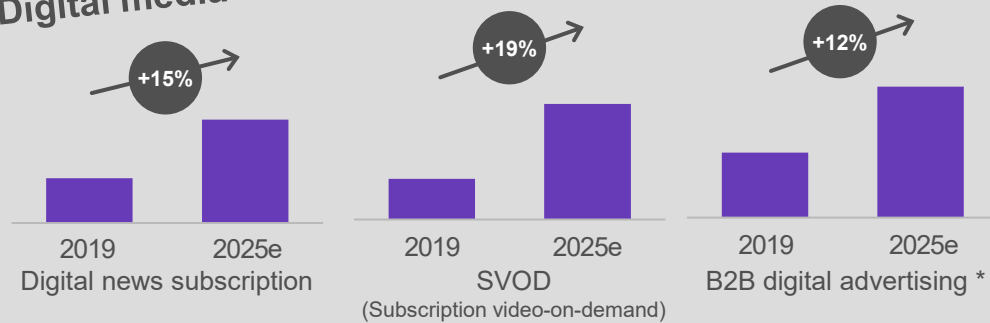
~15%

\* Excluding digital international media companies

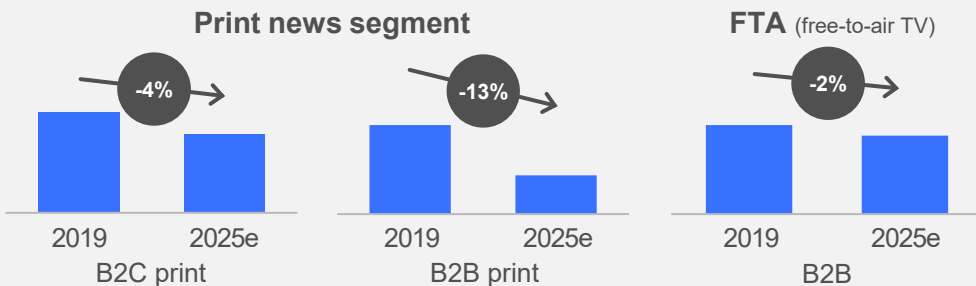
# Long-term digital transformation of media continues – corona accelerating digital adoption both in B2C and B2B

## Finnish media market outlook

### Digital media to double



### Traditional media to slowly decline



## Market drivers long-term

- **Consumer willingness to pay for high-quality news, video and audio on a subscription basis is growing**
- **Increasing interest in lifestyle and feature content if placed on news platforms**
- **Transformation from linear TV to on-demand continues with growth driven by increased penetration and stacking behavior**
- **Advertising spend is shifting towards digital and customer data is a prerequisite for selling digital advertising**
- **FTA more resilient to traditional media decline since FTA and digital complement each other well**

# Our digital transformation is driven by a unique combination of success factors, shared between businesses

## Success factors across our units





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