Transcription
Sanoma Full-Year Result 2023

Kaisa Uurasmaa:
Good morning all, welcome to Sanoma's full Year Results 2023 presentation. My name is Kaisa Uurasmaa. I'm heading Investor Relations and Sustainability at Sanoma, and it's my pleasure to welcome you all here. In '23, our net sales grew and operational EBIT was driven by strong performance in Learning. Today we have the president and CEO Rob Kolkman and CFO Alex Green, who will tell you more about this. After the presentation, we will have a Q&A session and we will first take questions from the audience here at Sanoma House. Please use the microphone. After that, we will hand over to the telephone line. You can also use the chat function in the webcast platform as a third option. The whole event, including the Q&A, is recorded and the recording will be available on our website shortly after this event. With this, a warm welcome. I will invite Rob to start the presentation please.

Rob Kolkman:
Thank you very much, Kaisa. Good morning, everyone. Thank you for joining us today in person as well. Great to see you all. What I would like to do today is give you for the first time, and that's my pleasure, the overall results of Sanoma for 2023. As Kaisa already highlighted, I think it is driven by the net sales growth that we have seen in Learning. A really strong performance there. Let me just pick a couple of the core items of it. We ended the year at 1.39 billion in revenue. That was that, as expected, about two percent organic growth. We ended the operational EBIT for the year at the higher end of our updated guidance at about 175 million. I am also particularly pleased to see how the cash flow developed for us for the full year, ending up at 105 million, taking us also for our net debt over adjusted EBITDA to 2.8, which is below our long-term target of three.

If you look at the overall picture for the year, then the growth was driven by Learning, the 17 percent growth that you see here. Organically, the six percent, but also, of course, the Italian acquisition now being included for the full year. The operational EBIT was driven by Learning but was more than offset by the impact of the lower advertising sales that we saw in Media Finland, and also the cost of inflation. There's no change there compared to what we already indicated in the Capital Markets Day in quarter three. That's very much the trend we've seen for the full year. I think it's good to mention on the cash flow that 2022 had that one-off positive impact of the Italian acquisition to do with the working capital. If you compare really like for like we've seen a strong improvement in the cash flow overall for the business. As I mentioned, the leverage improves to 2.8.

A core element going forward is around Project Solar. In Learning, we are firmly on track to reach the targets there and to also achieve 23 percent in 2026. I'll talk a little bit more about that and also to show you how we are reporting on that and updating you on that on a quarterly basis. Everything considered and also firmly taking into consideration the dividend policy, the board proposes a dividend of 0.37€ per share, which is unchanged over the last year and corresponds to about 58 percent of our underlying free cash flow, which is within that 40 to 60 percent that we indicate in our dividend policy. I will come back to the outlook in more detail, but the core elements are that we expect our revenue to be between 1.29 billion and 1.34, and also the group's operational EBIT, excluding PPA, in the range of 160 to 180.

Let me first zoom in on Learning a bit, and it is very much building on what you've heard us say throughout the year and also on Capital Markets Day. So overall, that strong net sales growth of 17 percent. If you break that down further, we saw six percent organic growth and within that eight percent growth on the learning content side. That's the core driving factor here. Spain very much continues to be the driving force there with 18 percent growth. That was the final phase of the new curriculum, the LOMLOE. We also saw good growth in Poland for the year, driven by minor curriculum changes, but also some good digital sales that we saw there throughout quarter four. The Netherlands continues to be the story of two different parts, which is continued strong growth in learning content sales, that is more than offset by the changes we are making on the distribution side in that business. That's very much the discontinuation of those low-value distribution contracts we talked about as well before. That very much continued in '23. I will touch on it later for '24 as well. The other thing I'm pleased to report is that the implementation of the price increases. The above-average price increases. We can now, with the full year behind us, say that that was a successful implementation across our markets. You might recall that in quarter three, we highlighted that with regard to particular countries like Italy and Spain, you always have quarter four some more returns still to come. Those returns ended up in line with or even slightly better than what we forecasted at the time, also contributing to that good growth. As a reminder, the Italian business contributes now 105 million in sales. Now for the full year, compared to the 31 million in '22.

All that links directly to what you see here on the earnings growth, which I would qualify as a solid earnings improvement. The growth in revenue, particularly in Spain and Poland, drives the improvement in profitability. Overall as well, we have seen strong organic growth on the back of the successful implementation of the price increases. The Italian business had now that solid contribution, be it at a lower profitability level than the other learning content businesses because it's more focused on secondary education. Maybe as a reminder, if you look at the margins, we are now back to a proper full-year comparison compared to 2022. The reason was that in '22, we saw a lot of sales being phased, delayed effectively from quarter three to quarter four to do with Spain, also to do with the distribution in the Netherlands being somewhat delayed. That is now no longer the case. It's a more normalized pattern that you see in '23. We also expect that to continue going forward. That's with regard to the results.

If we then go to Solar. We of course spend a lot of time in the Capital Markets Day going through the core components. As a reminder, I've put them on the left-hand side here, the four key areas, the organizational optimization on the back of the post-curriculum renewal optimizations in Spain and Poland, but also across the other businesses, the publishing process improvements, very much also the harmonizing of our digital platforms, and particularly that move to Poland and Spain of our development capacity, and then quite a lot of other optimizations as well. What we've tried to do on the right-hand side is to give a feel for where we are when you think about our run rate of savings. The decisions we have taken to get to the 55 million operational EBIT improvement in 2026. As you can see here, that line is not smooth, because there is a lot of it happening in '24 over a certain period. Decisions that were taken in quarter one, quarter two, and of course also very much in quarter three. We'll keep you updated on that throughout the year. For now, the core message here is that we have a solid good start on Program Solar. We're about at that 30 percent of run-rate savings if you were to see what the impact is in 2026.

That's with regard to Learning. Let's now go to the media side. There are the trends that we've seen throughout the year have continued, which is the advertising sales declining by about seven percent, mainly due to newsprint and TV, which was in line with the declines we saw there in the market. We also saw that digital advertising sales continued to grow. If you look at it, logically speaking, then the share of print advertising also decreased to eight percent. If you look at the subscriptions, they grew slightly overall, which is partly to do with the successful implementation of price increases. Also, we saw a minor increase in the subscription base overall. If you look at the digital subscriptions as highlighted here, the overall digital subscriptions went up by 16 percent year on year specifically, also driven by Ruutu+, which was a strong performer there. The other sales as it highlights here were overall stable and, of course, particularly on the events and festival business that already happened much earlier in the year.

All this, of course, had an impact on the lower earnings that we have been highlighting throughout the year. That for us ended in line with the expectations. The majority of that had to do with the lower advertising sales. We also saw the personnel costs increase in line with expectations due to the salary inflation and the bonus provisions being normalized. All that was partly mitigated by the ongoing cost containment actions and also slightly lower paper, printing and distribution costs.

With all that considered, the board proposes a dividend of 0.37€ per share. As I mentioned, unchanged and very much in line with the payout between 40 and 60 percent of our free cash flow. You can see here how that is split over the three payments, which is, again, the same as we did this year.

Let me then move to 2024. First of all, paint a bit of a picture of how we look at 2024 and the key factors influencing that. You can see here split again in Learning and Media Finland. On the Learning side, we expect the comparable net sales to be impacted by two key things, which is the lower cycle in Spain, very much in line with what we show you on the expectation chart around curriculum changes. This will now go from that height to a significantly lower point. That will be mostly mitigated and compensated by the continuing good growth in the other learning content businesses. We will continue at the same time with stopping the low-value distribution contracts in the Netherlands. The process of trying to make the necessary changes in that market on the distribution side, we will continue to do. Also good to mention on Learning the smaller divestment of the German exam preparation business that we announced in January is now factored into these numbers and this guidance. Overall results in the lower reported net sales expectation and a relatively stable margin, which you might have seen in the full year results, is slightly higher, for '23 than we indicated at the Capital Markets Day.

If you then look at Media Finland, there we expect the comparable net sales to be relatively stable, which for us is in line with how we currently look at the Finnish economy, also expecting it to perform relatively stable, which is, of course, one of the keys, let's say, uncertainties that we see when you look at 2024 is the view, particularly on the advertising sales for the second half of '24 is a bigger unknown there. We expect the subscriptions to continue to grow modestly driven by digital so very much the continuation of the trends we have seen, driven again also by the digital of Ruutu+. On the advertising sales, there you see a slightly lower advertising sales expectation for us and a smaller portfolio on the live events. Of course, all that will continue with efficiency improvement measures that we are taking all the time across the media business. Also in the media, we announced one divestment in January, Netwheels. Again, that has been factored into our guidance for 2024. Overall for media that results in our view of a slightly lower reported net sales and a modest earnings and margin improvement that we see there. For both businesses, the long-term targets remain very much unchanged. If you look at that, of course, that's very important around the Learning, getting to the operational EBIT margin of over 23 percent from 2026 onwards.

All those considerations are factored into what you see here for the outlook for 2024. The 1.29 billion to 1.34 billion, and the Group's operational EBIT is between 160 to 180. If you summarize how we then look at the markets and the economies in that, then you see that we expect the advertising market in Finland to decline slightly, a bit less percentage-wise than in '23, but still decline, and the overall development in all the other markets and overall performance in Finland to be relatively stable. That's with regard to the outlook for 2024.

I would like to finish my part by reconfirming two key points that we've made in Capital Markets Day, which is the first one, if you look at our mid-term focus, the three key elements are firmly in place. The focus is on increasing the profitability of Learning and Media Finland, with all the elements that we've talked about, including, of course, very important project Program Solar, the growing organically, kind of different message there. In the mid-term, that focus on the smaller in-market acquisitions. Then on point 3, the deleveraging the balance sheet and finding the right balance between doing that and also, really being an important part of a story being the dividend payout as well. That's the combination there. Very much in line with what we said before.

If you look further ahead to 2030, then the growth ambition and long-term financial targets are very much unchanged, which you see repeated here around to get to over 2 billion overall in net sales. Mainly, of course, driven by the Learning business. That's the longer part. All the steps we are taking now in the mid-term will also enable us to do it. At the same time, if something were to come up now that is really adding value for us, also, if it's bigger, we would of course seriously look at that. Then the long-term targets remain unchanged on the financial side. With that said, I would like to hand it over to Alex to give more background on the financials.

Alex Green:
Thank you, Rob, and great to be here with you today again for this full-year results presentation. Let's start with the Q4 operational EBIT, which for Q4 2023 was at -27 versus minus two last year. Starting with Learning, as Rob pointed out earlier, there is a big phasing story here with last year a lot of value and a lot of deliveries in Spain and the Netherlands delayed to Q4. Whereas this year it's a much more normalized profile of the sort of quarters in terms of the learning sales. That's what is the vast majority of that difference. There are also some sales mix impacts in Poland with their very good late sales this year. If I look at Media Finland, this is again consistent with the story of the lower advertising revenues flowing through to the margin together with higher personnel costs due to salary inflation. And here in Q4, particularly the more normalized bonus provisions and also the higher TV program costs driven by the recent Elisa deal that we had. At the year's end, we also go through a lot of our TV broadcasting rights to make sure we've got the right valuations on the balance sheet, which led to some adjustments there as well. This offsetting the lower paper costs that we see coming through, also the continuous cost containment activities in that business. In the other area, and then across the units, the more normalized bonus provisions have had an impact overall here.

If I move on to free cash flow as you saw 105 million, a solid free cash flow generation for 2023. In 2022 reported 112, had the one-off impact of the Pearson acquisition. The underlying free cash flow was 65. You see a significant increase here and a lot of it is driven by this active working capital management. The focus we have, particularly at year-end on earlier billing, better collections, but also on lower inventory levels. In a high-cost capital market, having those inventories only what you need is much more sensible than making use of our cash. We've brought down the inventory levels considerably there. That together with lower tax payments and lower capital expenditure is offsetting the higher financing costs, which you'll see later due to the higher interest rates, and the different level of Media Finland earnings as well. A good result for us and a little bit better than we'd expected, in terms of the success of those programs to get to the 105 million. Looking forward to 2024, we expect to maintain that level of cash flow generation with a number of factors offsetting each other. The lower content creation investments, because we have no major curriculum renewals in Learning and also maintaining that high good level of working capital management, off-setting the higher further increase in financing costs as we are refinancing the €200 million bond which matures in March, which coming from a few years ago had a very advantageous cost, interest rate. We will have a very competitive rate going forward, but it won't be at that level. Then off-setting the Solar IACS that we talked about at the Capital Markets Day and before, which will be in 2024, which partly mitigated by the beginning of the benefits of that program. If you remember Rob's slide about getting 80 percent of the actions done to hit the 2026 margin, you see a lot of that coming in the second part of this year in 2024. That will start impacting the cash as well directly, leading to increases further if I move towards 2025 past the solar IACS and then 2026 with the higher margins, as we talked about in the Capital Markets Day, helping to go on that path of deleveraging.

Moving to the leverage, we end 2023 at 2.8, so below our target of three, with net debt coming down to 640 lower than last year and also lower than Q3 in line with the seasonality of the business equity ratio of 42 and a half. We're within our target. Here you see net financial items full year at 31 million versus 13 last year, with interest rates averaging 3.6 versus 1.5. Then as always, the hybrid bond is booked as equity. It's not in these net debt or financial items numbers as its debt, also the interest rate is booked to equity as well.

Finally, a word on our refinancing. As I've mentioned, we have the €200 million senior bond maturing in March, which we will refinance with the new €100 million term loan that was signed in October, and also with our existing funding facilities following the strong cash generations. In addition, we also extended the €300 million revolving credit facility by a year to November '26. We also have another option this year to extend it further. As you see on the graph, we have a further 100 million maturing at the very end of this year into a term loan. We will be working through this year on refinancing that with a more extended longer term finance as well. With that, I will welcome my colleagues back to the stage to go into the Q&A session.

Kaisa Uurasmaa: Thank you, Alex. Thank you, Rob. We are now ready to take questions. We will start here from Sanoma House. Please use the microphone. If we start with, Nikko Ruokokangas from SEB.

Nikko Ruokokangas: Great. Thank you. Nikko from SEB, I have a couple of questions. First of all, looking at your sales guidance, how much of a price impact do you include in this guidance? How much do you expect prices to move in '24?

Rob Kolkman: If I first comment on Learning, we do expect to continue above-average price increases, which, for the coming year, we expect to be about four to five percent on the bits that are relevant there, which is mainly, of course, the learning content side. On the media side, it's not a specific percentage but, of course, we continue to look at optimizing the price levels there, but it's not as such a specific percentage because it differs really per product.

Nikko Ruokokangas: I understand. Then moving on to cash flow this year. Could you comment on your expectations for free cash flow developments this year compared to '23?

Alex Green: We expect it to be at the same levels as I walked through the different positive impacts and the negative impacts. We will see the IACS for Solar. We announced 45 million overall, and the large part is still to come. The increased financing costs with the interest rates and the new bond are sort of hitting into it, but maintaining the better-working capital practices and slightly lower investments will keep us at roughly the same level. Then once we get past the Solar IACS into next year with the higher margins, this will increase the cash flow in the outer years and help our deleveraging.

Nikko Ruokokangas: I understand. Then the last one from me. You indicated that you expect the advertising market to decline slightly this year. Could you open your expectations? How do you see that coming now? Do you expect any kind of recovery or stabilizing in H2? How good visibility do you have currently on the market?

Rob Kolkman: You phrased that well. The visibility is, of course, the key element here. The second part of the year is of course the very difficult one to predict. Overall, our working assumption is that the overall market in Finland, economy is more stable, but we still expect this slight decrease in advertising. Clearly, the second half of the year plays a very important role in that. That's where the visibility is less.

Nikko Ruokokangas: I understand. That's all for me.

Kaisa Uurasmaa: Thank you, Nikko. Next, we will have Pia Rosqvist from Carnegie.

Pia Rosqvist: Thank you for taking my question or questions. Distribution sales, in 2023 and now your plans for 2024, can you quantify the amount you are expected to exit?

Alex Green: Referring to the Dutch distribution where we are coming out of low-value contracts, I think in 2024, this is going to be, I would say, roughly in the 30 million around that level in terms of what that comes down, It has an impact on the sales but as you know, relatively neutral impact on the EBIT side.

Kaisa Uurasmaa: As you know, we started it about a year ago. In '23, the impact was relatively small. It was around 5 million only. It will accelerate going forward.

Pia Rosqvist: Good. Thank you, and related to the distribution business, who's taking over these contracts? What is happening in the market when you have decided to exit these contracts?

Rob Kolkman: It's a good point. We're working very closely with the schools on that. There are a couple of other players in the market where it could go but it's also that fundamental shift in a model. In some cases, the schools would do more direct of their delivery. Sometimes they find other solutions there. For us, the key thing is we want to change the business model of that market. We think that's important. Going more towards a fee model. Any school that goes in that direction, we are of course very much also working with them.

Pia Rosqvist: Thank you. Then two other things. You mentioned a smaller portfolio in live events. What is happening there? I'm sorry if I missed something in Media Finland.

Rob Kolkman: It's mainly to do with the Rockfest. That's why.

Kaisa Uurasmaa: Rockfest doesn't take place in ’24, and it's one of the largest festivals that we have had.

Pia Rosqvist: Why is this?

Rob Kolkman: My understanding of it is that it has to do with how good could we perform for that festival with the lineup. The team decided that that would take another year to properly do that. That's why it's not happening.

Pia Rosqvist: Thank you. For your mid-term targets, I think the second one is growing organically. We have seen more now the events in the other direction. You have divested businesses or are divesting businesses. What are your plans to grow organically? Will we see this in 2024? Then the upper end of your guidance range, does this include any assumptions of small bolt-ons or are they on top?

Rob Kolkman: They are on top to be very clear on that point. The acquisitions are not factored in any way. If they happen, I will update accordingly. To the point of, divestments versus growth, I think we're very much focused on the growth side, the changes we have made. We always will continue to look at our portfolio. Overall, we are very happy with our portfolio and the focus is on that growth in all these areas that we could go into, whether it's the digital transformation in the media side or when you also look at the curriculum growth that we see, of course, across the Learning business.

Pia Rosqvist: Thank you.

Kaisa Uurasmaa: Thank you, Pia. Then we have Petri Gostowski from Inderes, please.

Petri Gostowski: Thank you for taking my questions, I have two. I recall you did a lot of work on working capital this year, are these changes based on your current contracts and learning so we can expect this working capital to be stronger in the future as well?

Alex Green: Yes. Most of the changes we made to working capital are operations that can be repeated, whether it's to do with prepayments in certain markets and earlier invoicing. Those things are structural. We will continue to do that. We also worked harder at collections and just getting our cash in and reducing our inventory levels. Those practices will not just continue to get better as we go forward. The intent built into the forecast is that we maintain a good level of working capital management.

Petri Gostowski: The next one is on Solar. Am I reading this correctly? If I read it, that it's the run rate of the savings in mid-24 should be around 50 percent. That's what you should expect to have in '25.

Alex Green: In that particular chart, just to be very specific what that means, we're focused on the savings that hit us, the 23 percent margin in 2026, and what is the progress toward that. That charge indicates that by the end of 2024, 80 percent of the actions that lead to that margin improvement will be done and, therefore, they're kind of in the bag if you like. That's that progress thing. We particularly wanted to focus on that, given that, a lot of our actions have that delayed impact on the P&L, and earlier impact on cash. A lot of it's around content creation, which would be capitalized and then amortized. I really wanted to make the point of the actions being done in 2024.

Petri Gostowski: Thank you.

Kaisa Uurasmaa: Thank you. Petri. Then we have Sanna Perälä from Nordea, please.

Sanna Perälä: Hi. Thank you. I have a couple of questions. First, could you elaborate what are the external printing sales you mentioned in the report?

Rob Kolkman: That's to do with the printing facilities that we have and that also have some third-party printing there. That's that line.

Sanna Perälä: A follow-up, what is the share of those, for example, in Media Finland?

Kaisa Uurasmaa: I think we need to come back to you. I guess the other sales in Media Finland mainly include the events sales and then there's the printing side.

Alex Green: It's not insignificant, but it's not massive but it's not top of mind.

Sanna Perälä: Thank you. Then in Learning in Q4, the sales in Italy declined year over year. Then again in Belgium, for example, they increased. Could you elaborate a little bit more on those events?

Rob Kolkman: It's always a bit difficult between the quarters because there is quite a bit of movement normally between quarter three and quarter four. Overall that trend that I highlighted was one where we now see a more normalized version of that. That's also what you see there. It's not easy to say it's exactly pinpointed by this. In Italy and Spain, I mentioned. then you can pinpoint it to the returns and what happens to that. That's less the case in those two.

Sanna Perälä: Thanks. Then my last question would be, you launched an Ilta-Sanomat extra service. Was it yesterday?

Rob Kolkman: Yes.

Sanna Perälä: What are your expectations for this service in the future?

Rob Kolkman: I think it's very important that our teams really come up with new ideas to see how we can really help the customer in what they would like to read or what they would like to experience. I very firmly see this as a great example of it. We are not expecting that to be massive in pure revenue terms. We do see it's very important from an engagement point of view.

Sanna Perälä: Thank you. That's all from me.

Kaisa Uurasmaa: Thank you, Sanna. Then we have Sami Sarkamies from Danske Bank, please.

Sami Sarkamies: Hi. Thanks. I have four questions starting from Learning. Can you still help us to understand why you're not expecting margin improvement this year? Even though there will be a tailwind from the Solar program, and you're also reducing low-margin activities and raising prices.

Rob Kolkman: Maybe a comment from me and then Alex, maybe a bit on the numbers. The core element there is around also what happens in the Spanish market, which is a highly profitable market and that will come down partly or mostly offset by the other learning businesses, but the margins are somewhat different there. The other point to mention is if you look in Learning, we also see, of course, the divestment I mentioned of Stark. Overall, that's the key thing. You are correct that if you look at the distribution side, there's always a bit of margin there but that's of course a relatively small part. Maybe, Alex.

Alex Green: I think you hit the main points. We'd take the divestment out. The impact of Spain versus being replaced b sales, which aren't quite at the same high-level margin of a large curriculum sale. There's salary inflation coming in for part of the year as well but net are the main points.

Sami Sarkamies: Would you be able to quantify that salary inflation anyway that how material?

Alex Green: We haven't put a number to that. I think last year, we had it at 10 percent for the full-year number. I think it's going to come in the first part of this year because obviously a lot of that came in the second half of this year but we haven't put a number on that.

Rob Kolkman: I think what you see there, overall, of course, that inflation levels are significantly coming down. You see that reflected in the next phase of the salary change as well.

Sami Sarkamies: Continuing with Learning, can you provide some color on how you expect sales to develop in some of the key operating countries this year?

Rob Kolkman: I don't think we comment on that too specifically, but if you look at the trends that I also shared in the Capital Markets Day, they very firmly are still there. The biggest one, of course, I've mentioned a couple of times in Spain. You see continued good growth on the learning content side in the Netherlands. Then you see more stable to smaller increases in the other markets, partly still driven by above-average price increases as well.

Sami Sarkamies: Then on Media Finland, you're expecting slightly better margins and results this year, even though advertising sales should still be down. Can you explain how you're able to achieve this? You haven't announced any new cost measures.

Rob Kolkman: No, but the cost measures are, of course, an ongoing part of what we do in media. I think that's partly reflected in what we are saying here. Also, of course, the growth that you do see on the digital subscription side contributes to this as well.

Sami Sarkamies: Then finally on the guidance, I guess we can now assume that you're targeting midpoints. Could you maybe run us through some of the key variables that would take us toward the lower end or higher end of the guidance ranges?

Rob Kolkman: Let me comment on that, and then always to Alex for maybe some more on the financials. I think overall, the lower end is very much that uncertainty around the key drivers. Particularly on advertising sales and to a lesser extent, what I mentioned in Spain. Of course, in Learning as well, you see quarter three being very, very important from a seasonal point of view. I think that's that part. If you look at our performance this year in '23, then you of course also need to take into account the two divestments that we've mentioned before.

Sami Sarkamies: Thanks.

Kaisa Uurasmaa: Thank you. Then Maria Wikstrom from SEB, please.

Maria Wikström: Thank you. Just two probably quick questions. First of all, there are some transactions, I guess, something going on in the Nordic media scene with Telia divesting the TV operations. Do you think you will be any way involved in these asset transactions or swaps or how would you call it?

Rob Kolkman: We follow it with great interest, but no specific comments on that.

Maria Wikström: Then I would like to ask you, Rob, that, how would you describe yourself as a leader compared to your predecessor?

Rob Kolkman: I think everybody is different. I'm not going to compare to Susan. I think she's done a great job over her eight years at the company. I think going forward, the focus from my end is very much on making sure that the great teams we have in the organization can now really also deliver on these core elements. Really making sure that they have the opportunity to focus on that organic growth that we mentioned to do the talent development that we need, and also to make sure that we really can deliver on the key focus points there. From that point of view, we also work very closely with Piia and her team on the media side and the same on the Learning side. Making sure that the local teams can do the right things is a core element of, for me, enabling great performance.

Maria Wikström: Thank you.

Kaisa Uurasmaa: Thank you, Maria. Any further questions from Sanoma House? If not, and I assume there are no questions on the telephone line, at least at the moment either, we take a few from the chat. They are a bit continuing on the themes that we have already discussed. Maybe I'll start with the one that is continuing on the media industry developments. Could you comment on the change that you've seen in the Finnish TV and media landscape in the context of rationalizing content investments in TV?

Rob Kolkman: I think our position on that has been pretty clear, which is we do look at investment levels needing to be sustainable. Also, from a business model point of view, we have made deliberate choices there to also not over-invest in that market. I think that's very much also what we will continue to do. What other players do in the market is, of course, up to them.

Kaisa Uurasmaa: If that becomes healthier overall, does it have an impact on our financials?

Rob Kolkman: It would in theory have a positive impact at that point. I think the market is still, as was indicated earlier, very much in transition still.

Kaisa Uurasmaa: Thank you. Then on the free cash flow topic still a bit, the cash flow elaborations were already given in '24 and '25, but then specifically, how do we see the content creation investments change in absolute terms versus '23?

Alex Green: As part of the Solar program to get the higher margins in 2026, part of that is looking at how we create content, and particularly after the last curriculum changes, how we create the right size team and the right size investment going forward across the markets and looking at it as a one Learning business. As we've talked about, part of the savings that we will see in 2026 from a margin perspective will come from lower investment and then depreciation through that channel obviously hitting cash earlier. We haven't in any of the particular parts of the Solar program put specific numbers on it. Being more efficient in this area, working across markets helps to lead to that margin improvement, which is then sustained.

Rob Kolkman: Maybe one other comment on this. If you look at it from the perspective of the method creation, we really look at our publishing program increasingly across the whole company. Which also means if you then see over time, for example, new curriculum happening in one market, we will make sure that that doesn't immediately impact the overall investments. We do that. It's more a consistent investment and we are positioning where we invest depending on what we see in the market. That was not possible before we had the scale we now have.

Kaisa Uurasmaa: Thank you. I think those were the questions from the chat. If no questions from the telephone line, I think that we will be wrapping up. As a reminder, we will publish our annual report in a few weeks time. The AGM will take place on 17th April, and then the Q1 results will come out eight of May. We are looking forward to seeing you in connection to those events again. Now, warm thanks from our side for participating in this event. We are, of course, available also afterward at Investor Relations for any further questions. Thank you, and have a good day.

Rob Kolkman: Thank you.