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# Sanoma acquires Pearson's K12 learning business in Italy and announces strategic growth ambition

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Susan Duinhoven, President & CEO  
Alex Green, CFO



# Sanoma acquires Pearson's K12 learning business in Italy and announces strategic growth ambition

- Sanoma enters Italy, one of the largest K12 learning services markets in Europe
  - Sizable increase in the scale of Sanoma's secondary education portfolio
  - Italian market at an early stage of digitalisation
- The acquisition also includes a small exam preparation business in Germany
- Increases the Group's net sales by 117m€ to ~1.4bn€ (pro forma 2021) with ~55% coming from Learning
- Increases Learning's contribution of operational EBIT excl. PPA (pro forma 2021) by 18m€ to ~70% of the Group
- Solid contribution to Group's free cash flow

## Our purpose

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

## Our ambition

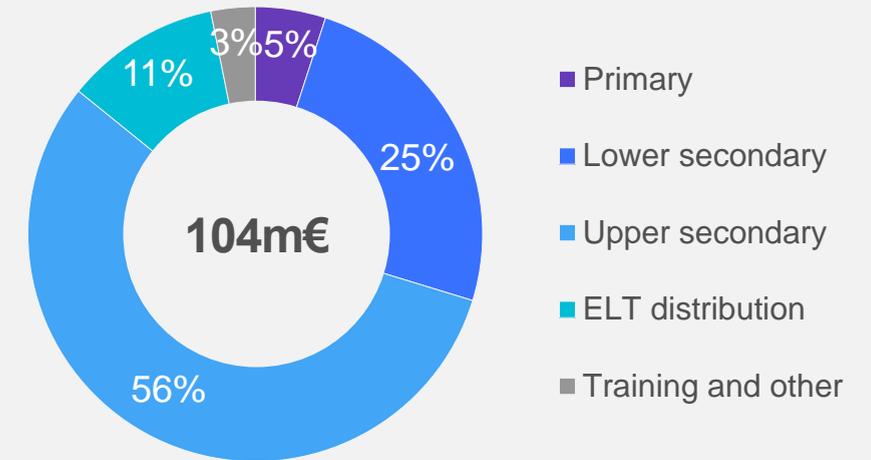
Group net sales over **2bn€** by 2030 at least **75%** from Learning

# The acquired Pearson business has a strong position in Italy

- 3<sup>rd</sup> largest publisher in a fragmented K12 learning material market in Italy with a market share of 15%
- 80% of sales from secondary education with leading market positions e.g. in philosophy and literature
- Pro forma 2021 net sales were 104m€, of which distribution of Pearson English Language Teaching (ELT) materials accounted for 12m€
- Well-established local brands and content highly regarded by teachers and students
- 161 employees, supported by an extensive external sales agent network
- Strong and experienced management team with a solid growth track record

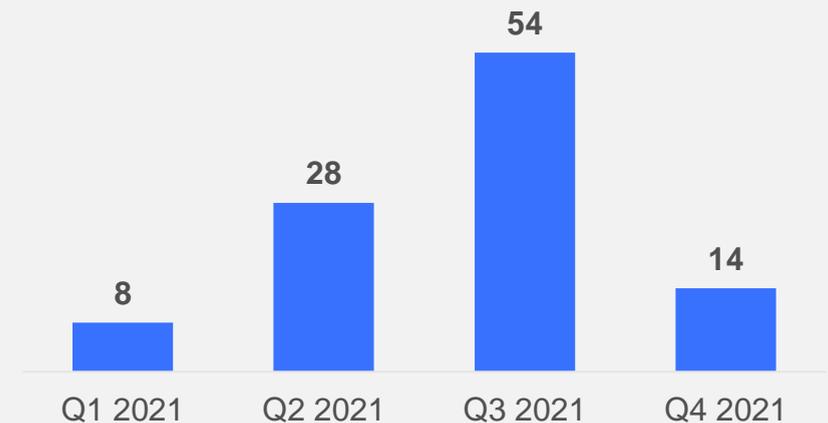
## Focus on secondary education

Pro forma net sales, m€, 2021



## Typical seasonal pattern

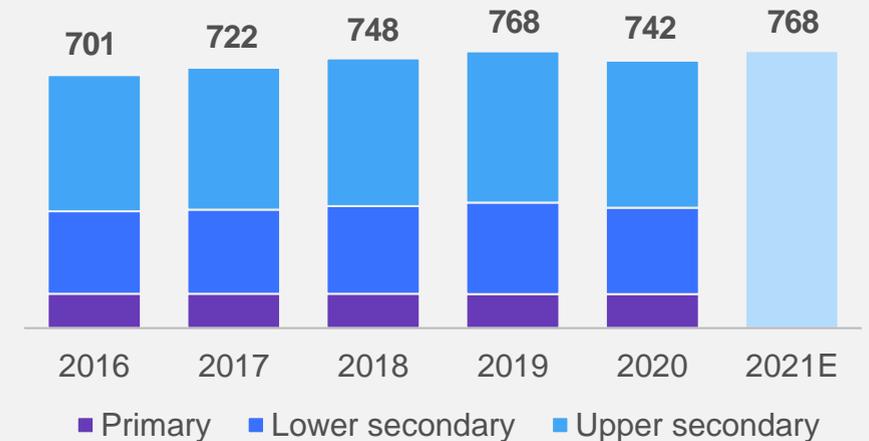
Pro forma net sales, m€



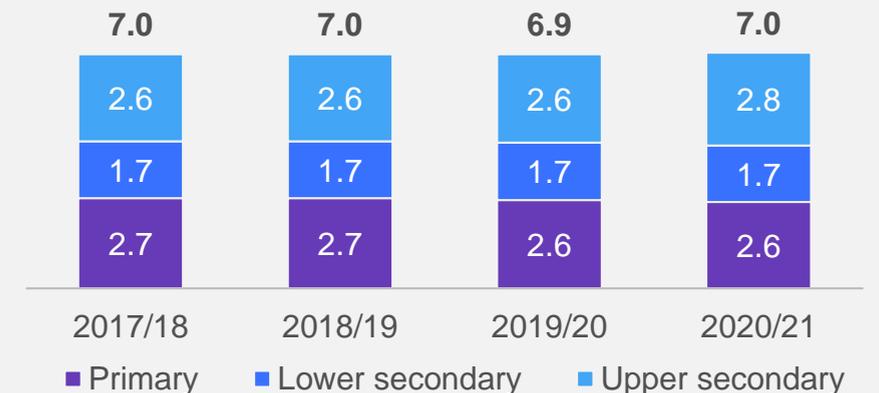
# Large Italian K12 learning material market provides significant potential for digitalisation

- Overall Italian K12 learning material market was estimated at above 750m€ in 2021, making it one of the largest markets in Europe
- Number of students, market size and government expenditure have been stable, and this is expected to continue
- Content renewals are continuous and driven by the need to meet government learning outcome targets, rather than by large curriculum renewals
- Digitalisation is at an early stage, with currently only 35% of secondary students using hybrid materials
- Secondary learning materials are paid by the parents and partially subsidised

**Total addressable market in Italy**  
m€



**Stable number of K12 students**  
millions



# Modest synergies with opportunity for digital development in secondary education

- Estimated synergies of 2–3m€ (annual run-rate) expected to be realised in full in 18–24 months after closing and mainly related to support functions and procurement
  - Complex separation and integration expected to take 18 months, using our well-tuned integration playbook
  - Separation and integration costs estimated to amount to approx. 14m€, will be booked as IACs during 2022–2023
- Sanoma will be investing approx. 10m€ extra in the development of digital learning platforms for secondary education over the three years after closing
  - The investment will substantially bolster Sanoma Learning’s digital offering for secondary education not only in Italy, but also in its other operating countries
- The transaction is expected to be finalised in Q3 2022
  - In Italy, the transaction’s status under the Foreign Direct Investments regime, so called Golden Power, will be discussed with the relevant authority
  - Approx. 3m€ of transaction costs to be booked as IACs in Sanoma Learning’s Q2 2022 result, the remaining approx. 5m€ at closing



# DEUTSCH

## 1. Klasse

passend zum  
Lehrplan**PLUS**



### STARK

## The acquisition also includes a small exam preparation business in Germany

- Pro forma 2021 net sales were 13m€
- Leading player in German exam preparation and assessment market with its strong local brand *Stark*
- Stark is recognised for its high-quality editorial content and 40 years of history
- Provides over 1,400 titles and learning aids, supplemented by digital content
- Used in all German provinces
- 90 employees

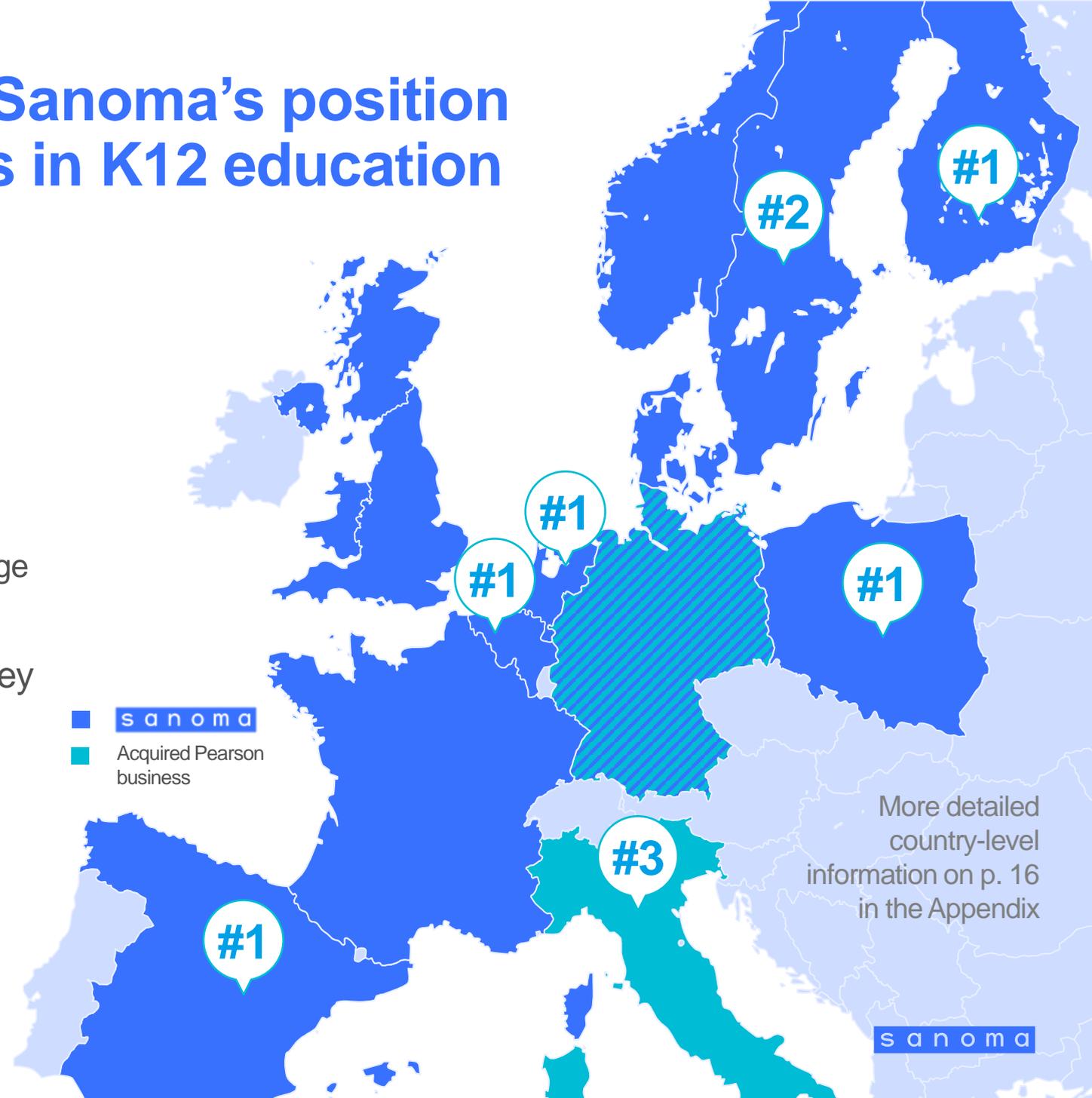
# Fair valuation, funded with debt

- The agreed enterprise value (EV) of the acquired business is 190m€
  - Corresponding to a multiple of 6.4x (EV / Pro forma adjusted EBITDA 2021)
  - By adding the estimated costs for separation & integration and additional investments in digital development increases the multiple to approx. 7.2x
- Sanoma has signed an underwritten 4-year term loan facility with Nordea Bank Abp, OP Corporate Bank plc and Skandinaviska Enskilda Banken AB (publ)



# The acquisition reinforces Sanoma's position as one of the global leaders in K12 education

- Serving more than **25 million** K12 students in 12 countries with a revenue market share of approx. 16% in Europe
  - European K12 student population stable at 75 million
  - Value of K12 learning services market approx. 4–5bn€ p.a. with low single-digit growth on average
- Teachers and schools are our primary customers, and we provide them everything they need
  - Printed and digital learning content
  - Digital learning platforms
  - Content distribution services

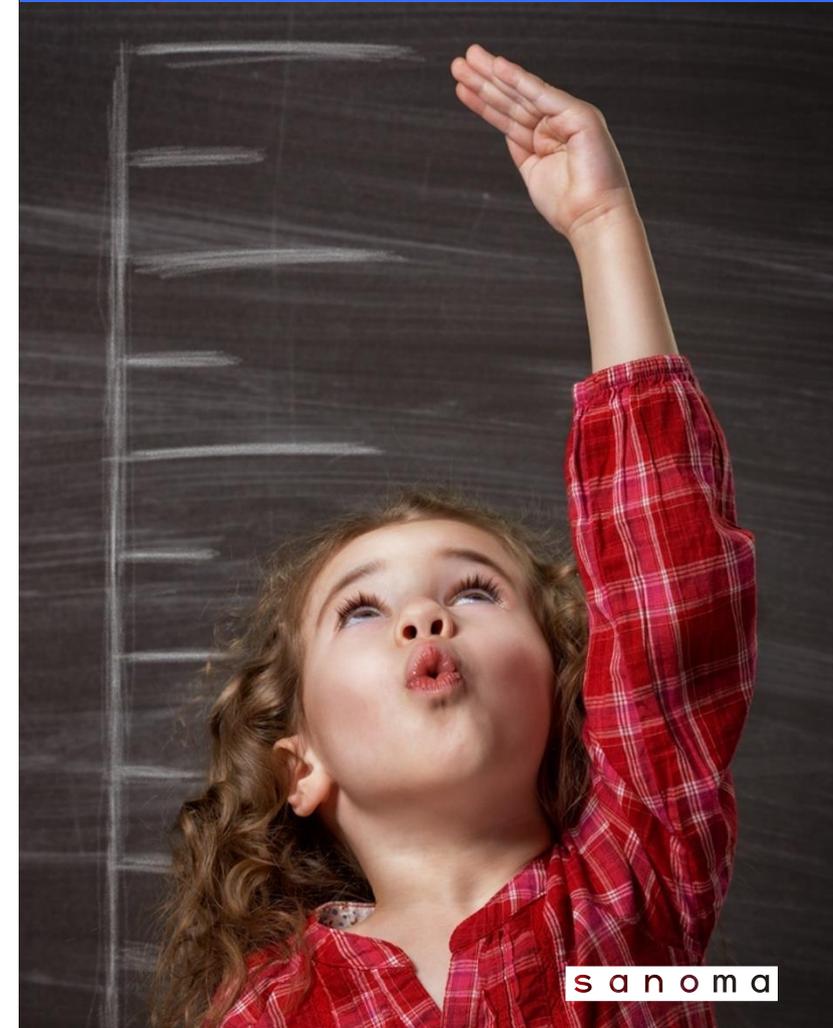


# Balanced funding for ambitious growth and increasing dividend...

- Organic growth in-line with long-term target of 2–5% p.a.
- Attractive pipeline of potential targets and experience as acquirer with strong playbook for complex separations and integrations
  - In markets in which we are active already as well as expanding our geographic footprint in Europe and beyond
- Balanced funding for growth through acquisitions while paying an increasing dividend
  - Solid cash flow generation of both Sanoma's learning and media businesses
  - Expanding our debt capacity and keeping leverage (net debt / adj. EBITDA) within the long-term target of 'below 3.0'
  - Funding further growth also with equity could be considered, if it creates value for all shareholders

## Our ambition

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



sanoma



# ... while keeping our long-term targets unchanged

Net debt /  
Adj. EBITDA

**< 3.0**

(2.4)

Equity  
ratio

**35–45%**

(40.6%)

Increasing  
dividend

**40–60%**

of free cash flow  
(55%)

**Carbon  
neutral**

by 2030  
(77 gCO<sub>2</sub>e / € net sales)

Employee Experience  
Index

**>7.5**

by 2030  
(7.3)

Management  
gender balance

**50/50**

by 2030  
(39 women / 61 men)

(FY 2021 in brackets)

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# Q&A



## Deep-dive: Leveraging digital learning

9 June 2022 at 11:00 EET

Join a virtual presentation, roundtable discussion and Q&A around digitalisation in education with Rob Kolkman (CEO, Sanoma Learning) and Alex Green (CFO, Sanoma Group)

Join the  
webcast:

[sanoma.videosync.fi/deep-dive\\_june22/register](https://sanoma.videosync.fi/deep-dive_june22/register)

# Appendix

# Financials of the acquisition

## Adjusted key figures of the acquired business

*(pro forma, preliminarily adjusted for IFRS and Sanoma accounting principles, unaudited)*

EUR million	FY 2021	FY 2020
Net sales, total	117	113
- Italy	104	100
- Germany	13	13
Operational EBITDA	30	29
Operational EBIT excl. PPA	18	17
Cash flow from operations	14	13

# The acquisition reinforces Sanoma's position as one of the global leaders in education

- Serving more than **25 million** K12 students in 12 countries across Europe, market share approx. 16%
  - European K12 student population stable at 75 million
  - Value of K12 learning services market approx. 4–5bn€ p.a. with low single-digit growth on average

**Germany:** 9.7m

**UK:** 8.7m

**Italy:** 7.0m

**Spain:** 6.4m

**France:** 5.5m

**Poland:** 4.7m

**Netherlands:** 2.8m

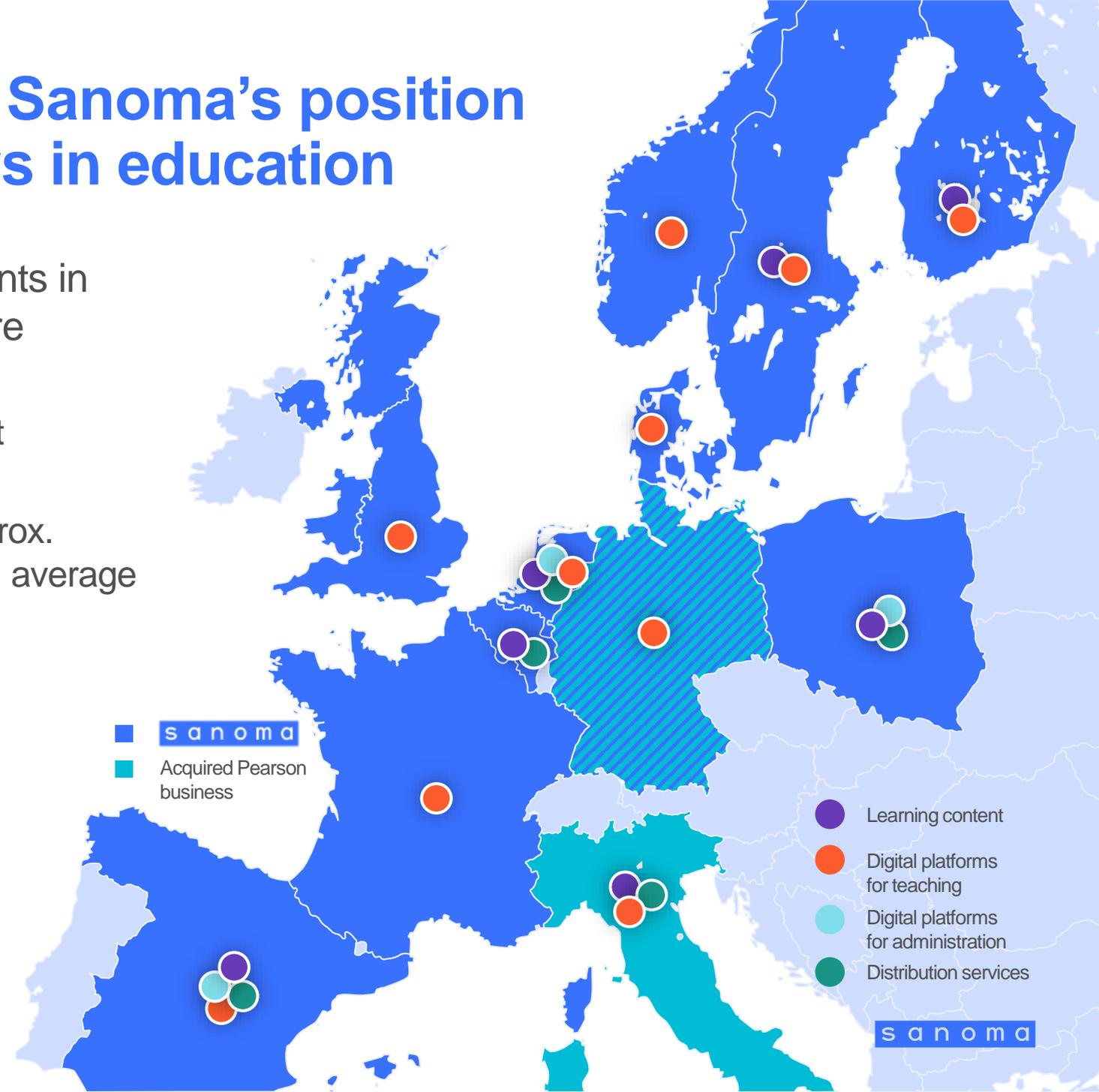
**Belgium:** 2.0m

**Sweden:** 1.8m

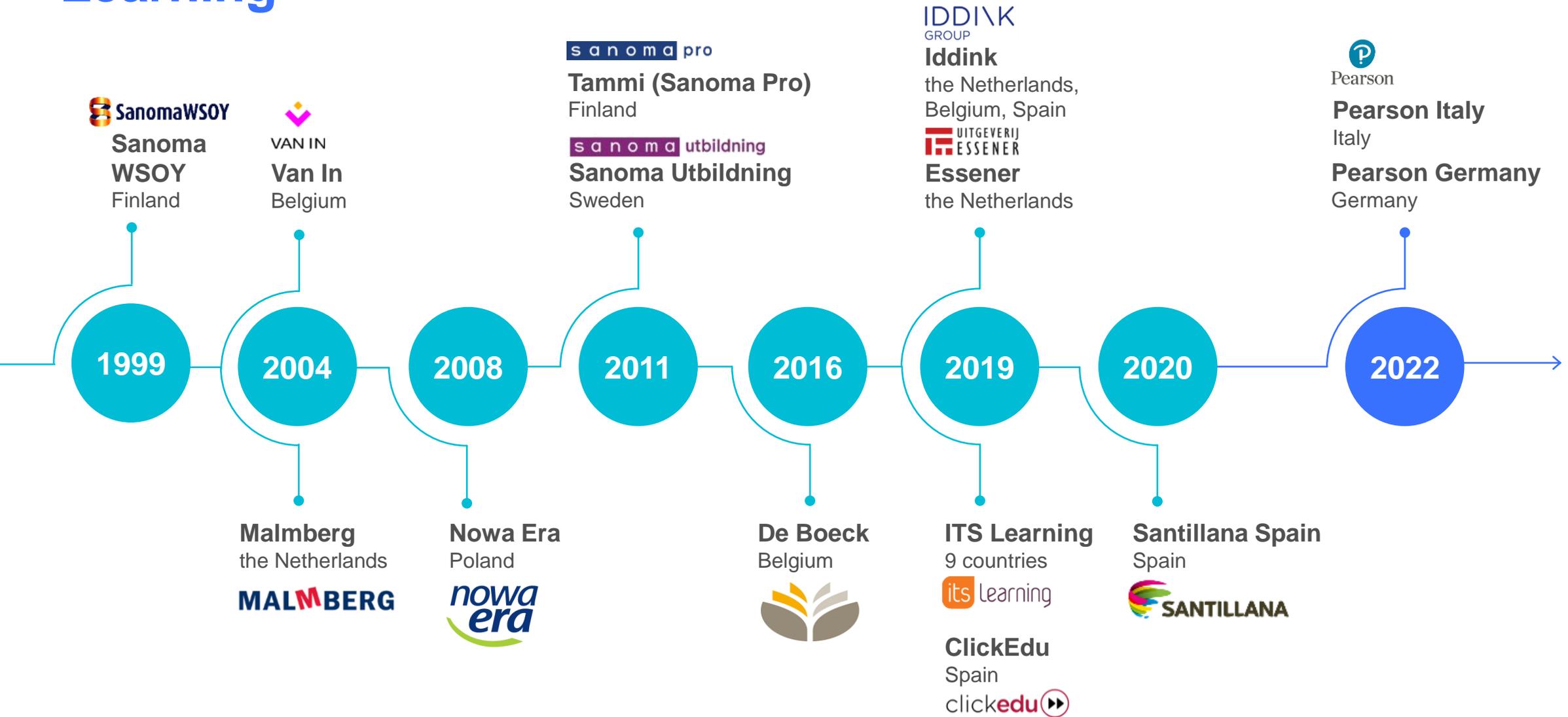
**Finland:** 0.9m

**Norway:** 0.9m

**Denmark:** 0.9m



# Next step in the successful M&A growth path of Sanoma Learning



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