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# **SanomaWSOY**

## **Acquisition of Malmberg Investments B.V.**

16 July 2004

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# Acquisition: Malmberg Investments

## Transaction overview

- **SanomaWSOY Group's division WSOY**, Finland's largest book publisher and the market leader in general literature, educational materials, and several special publications, purchases **Malmberg Investments B.V.**, one of the leading educational publishers in the Netherlands (Malmberg) and Belgium (Van In)
- **Malmberg Investments B.V.** net sales in 2003 EUR 85.7 million
- **Malmberg Investments B.V.** personnel in 2003 (average) 340 FTE's BB
- Enterprise value EUR 221.9 million
- The acquisition is subject to approval of the Malmberg's works council and both Dutch and Belgian competition authorities.

Y: Kalvot/Malmberg acquisition

# Acquisition of Malmberg

## Transaction rationale 1/3

- Educational publishing has since the SanomaWSOY merger in 1999 been one of our key strategic areas due to its growth dynamics
- Malmberg shares SanomaWSOY's vision of the future of educational publishing in Europe
- Merging Malmberg's operations with WSOY's existing educational publishing assets creates Europe's sixth largest educational publisher with combined net sales of EUR 129 million, pro forma 2003

# Acquisition of Malmberg

## Transaction rationale 2/3

- Malmberg's and WSOY's educational assets complement each other excellently, creating synergy possibilities:

### Malmberg:

- proven cross border content utilisation
- innovative and pedagogically efficient learning systems
- product series and market know-how

### WSOY:

- leadership in all school levels, especially in maths and languages
- YDP's digital content production and WSOY's OPIT -platform
- broad scope of marketing solutions

- Companies share a common vision on the future of learning systems and ICT's role in them
- The new entity has the resources to take full advantage of opportunities in the evolving European educational publishing market

# Acquisition of Malmberg

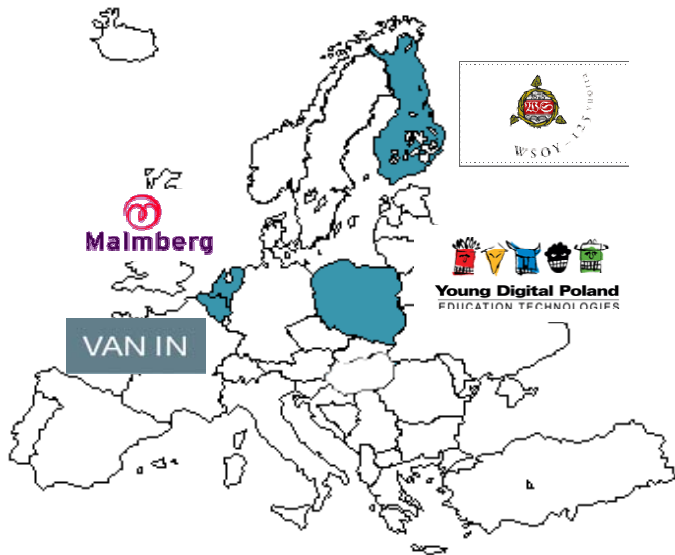
## Transaction rationale 3/3

- Malmberg's operational performance:
  - Strong profitability, 2003 EBITA EUR 23.6 million, 27.6% of net sales (EUR 85.7 million in 2003)
  - Market outperforming revenue growth rate (CAGR 1999–2003 9.9%)
- Valuation
  - Enterprise value EUR 221.9 million
  - EV / EBITA (2003) 9.4x
  - 2004 EPS effect minor due to timing
  - 2005 EPS effect clearly positive
- Financing
  - Due to the strong balance sheet of SanomaWSOY and good cash flow the acquisition can be financed by 1–2 years bank facilities, average margin 25 bp.
- Group's equity ratio will temporarily decline of some 3 percentage points, but recovers already during the rest of the year due to good cash flow

# Strategic opportunities

# Malmberg & WSOY Educational Publications

## Strategic opportunities

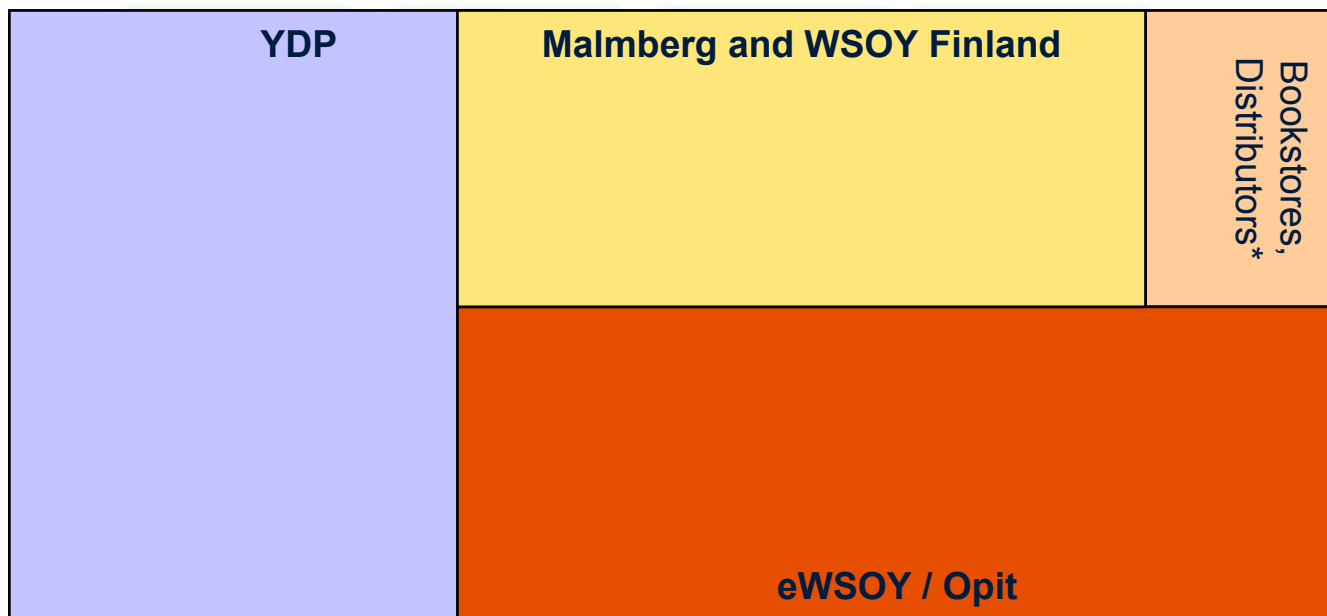


- eLearning and international licensing of educational materials are changing the markets
- The new combination aims to take full advantage of:
  - international licensing,
  - centralised digital content production,
  - internet based services, and
  - modularisation of educational material where applicable
- Continue to strengthen market positions and improve efficiency in the Netherlands, Belgium and Finland
- Growth accelerated by further value creating acquisitions and partnerships focusing on growth markets (e.g. CEE countries)

# Excellent platform for growth

Full service for evolving and diverse customer needs

USER FEEDBACK    CUSTOMER RESEARCH    MARKET DEMAND    PURCHASE LOGISTICS



USERS' TECH. STANDARDS    DESIGN & FEATURES    UNIQUE SALES PROCESSES    VARYING USER NEEDS

\* Note:  
Bookstore operations only in Finland

\*Y: Kalvot/Malmberg acquisition

# SanomaWSOY

# SanomaWSOY

## Key information

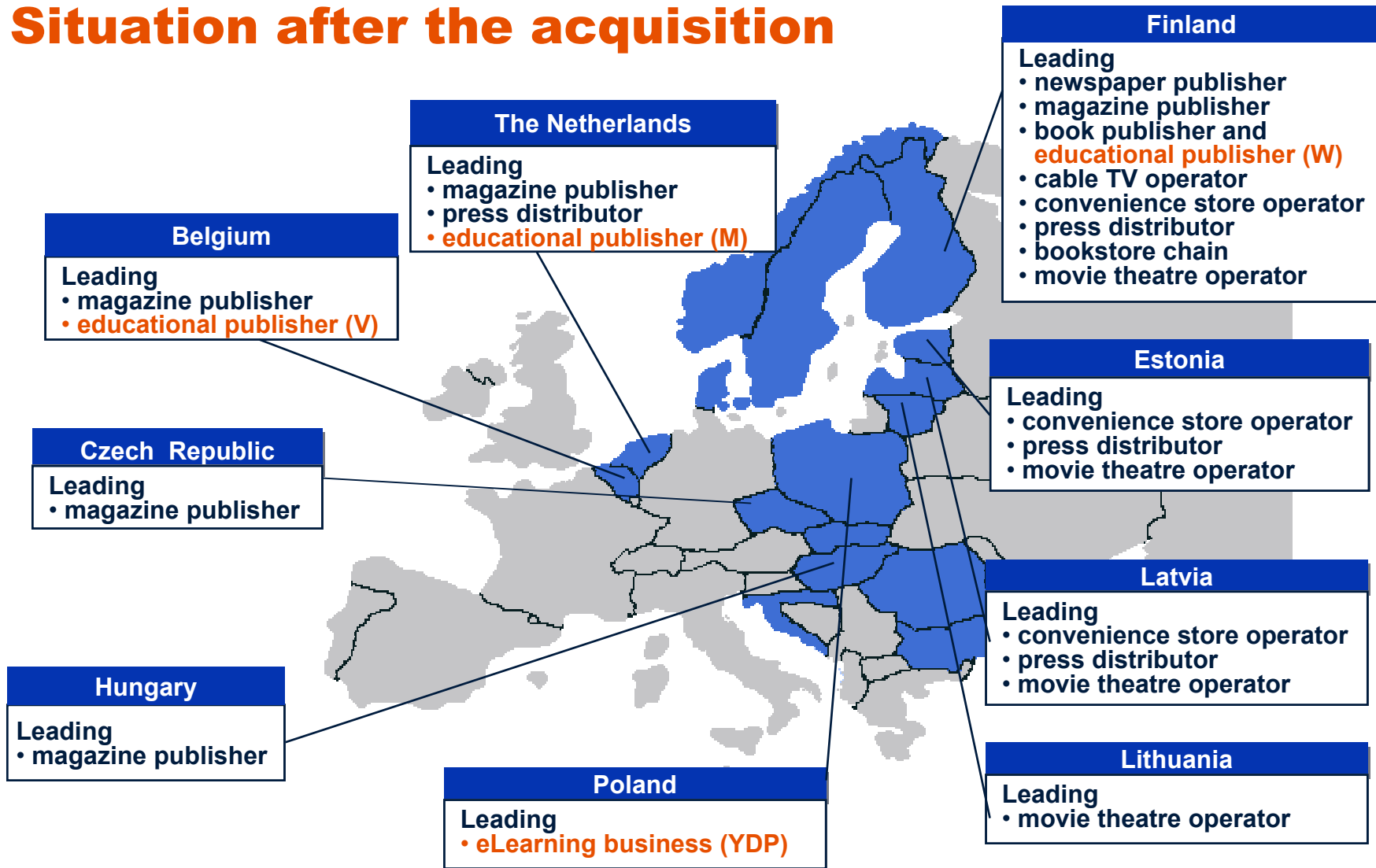
- SanomaWSOY is a growing European media company with a presence in 16 European countries
- The leading domestic multimedia portfolio in Finland (newspapers, magazines, books, television/cable TV, kiosk, press distribution, bookstore, movie theatre and printing operations)
- Among Europe's five-largest magazine publishers – strong in Belgium, the Czech Republic, Finland, Hungary and the Netherlands
- Net sales some € 2.4 billion
- Chairman of the Board Mr. Jaakko Rauramo, President & COO  
Mr. Hannu Syrjänen

Basic  
SanomaWSOY-  
presentation  
available at [www.sanomaWSOY.fi](http://www.sanomaWSOY.fi)

Y: Kalvot/Malmberg acquisition

# Strong Market Positions

## Situation after the acquisition



Y: Kalvot/Malmberg acquisition

# Strategic objectives

## Focus on growth, cash generation and being #1

### Growth

- To build a balanced business and market portfolio, that ensures sustainable growth and profitability.
- To internationalise 1–2 additional businesses step by step.
- Chosen areas for internationalisation:
  - Magazines
  - Educational publishing, and
  - Distribution
- To develop profitable new products and services; including those that can be successfully expanded cross-media or internationally.

### Business practises

- To continuously promote best management practices.

### Market leadership

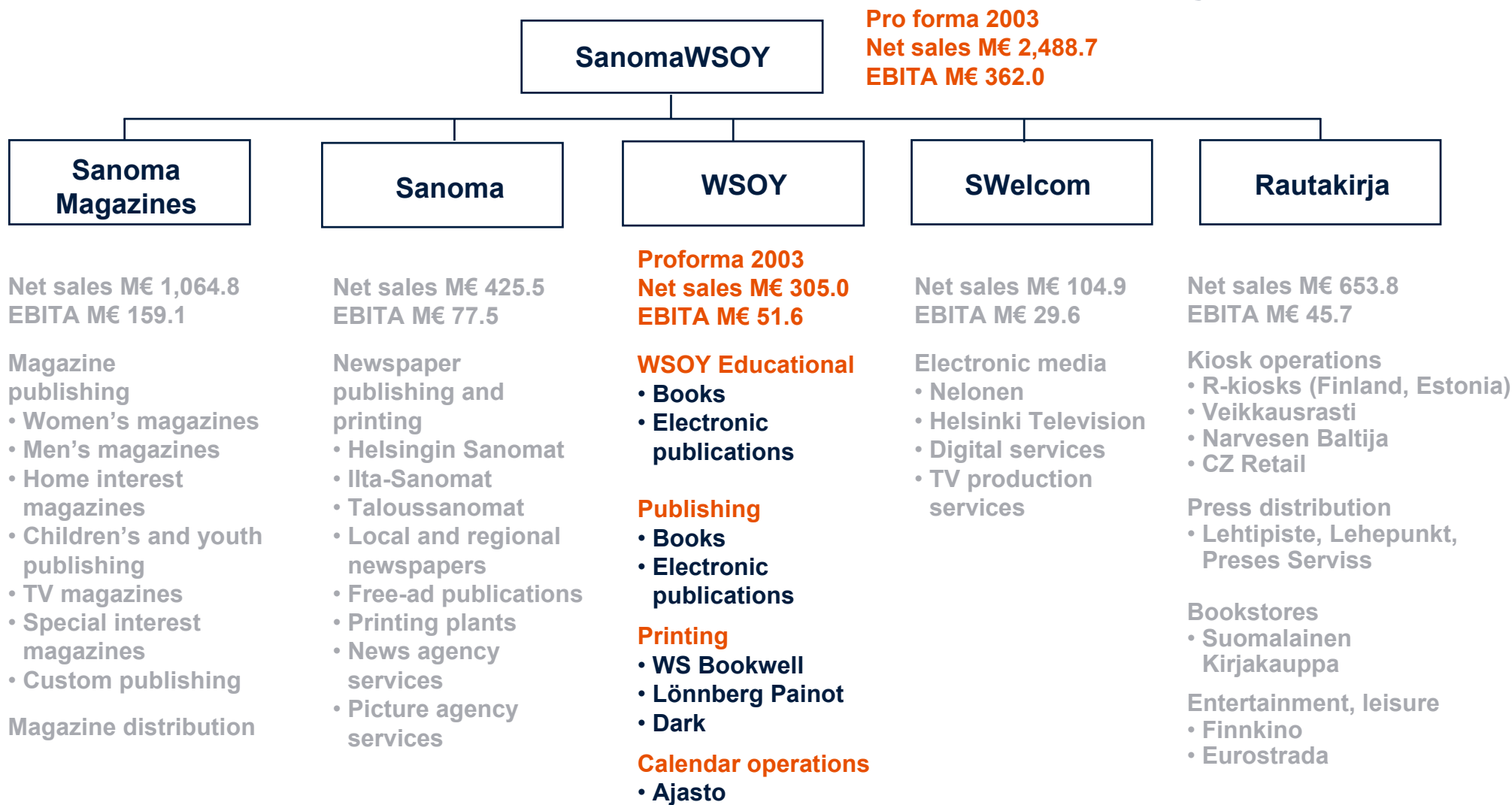
- To be a market leader and successfully leverage that leadership in our chosen businesses and markets.
- To be a leading European magazine publisher.

### Costs

- To increase the profitability of our present businesses and improve efficiency
- To divest non-core assets and businesses.

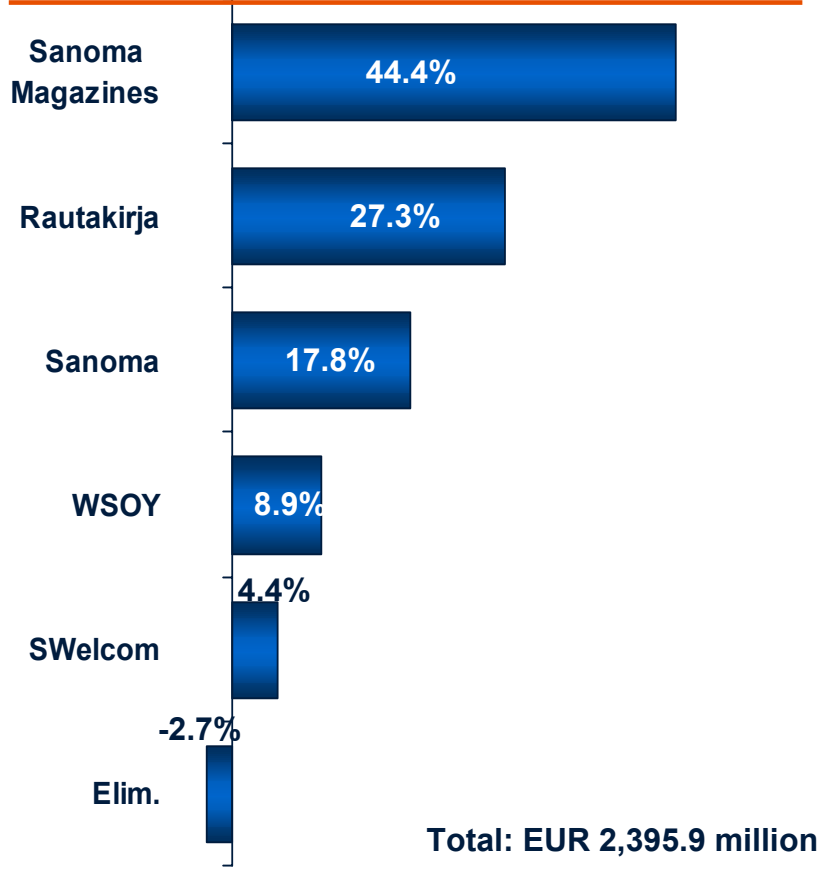
# SanomaWSOY Group after today

2003 pro forma,  
excluding YDP  
eliminations

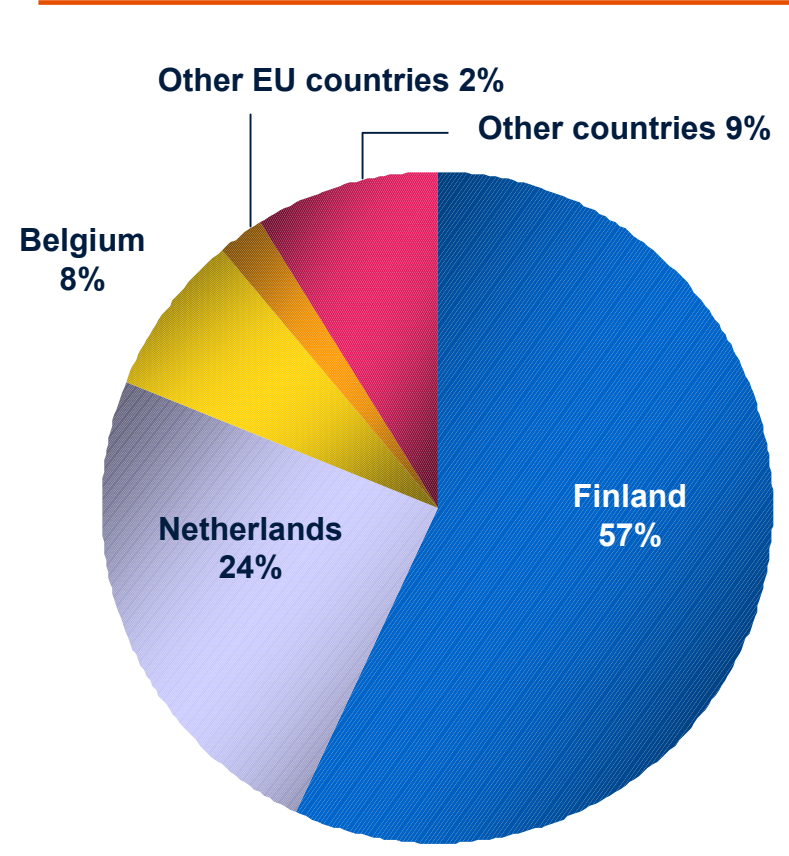


# Balanced composition of net sales before acquisition

Divisional 2003A net sales breakdown



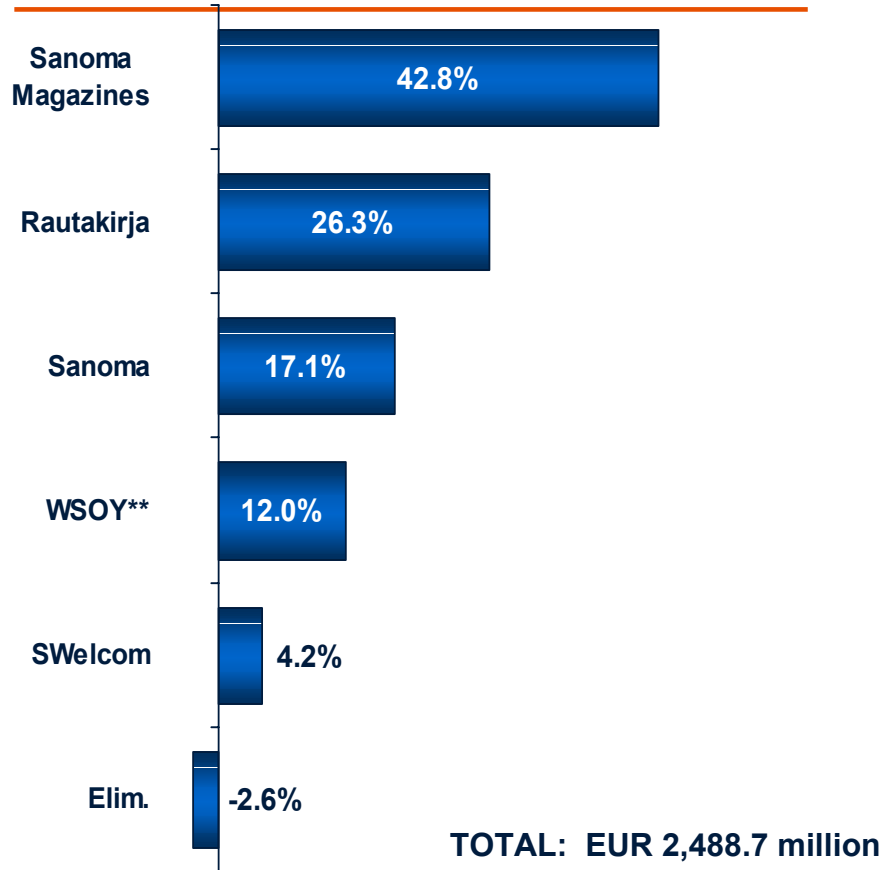
Geographic 2003A net sales breakdown



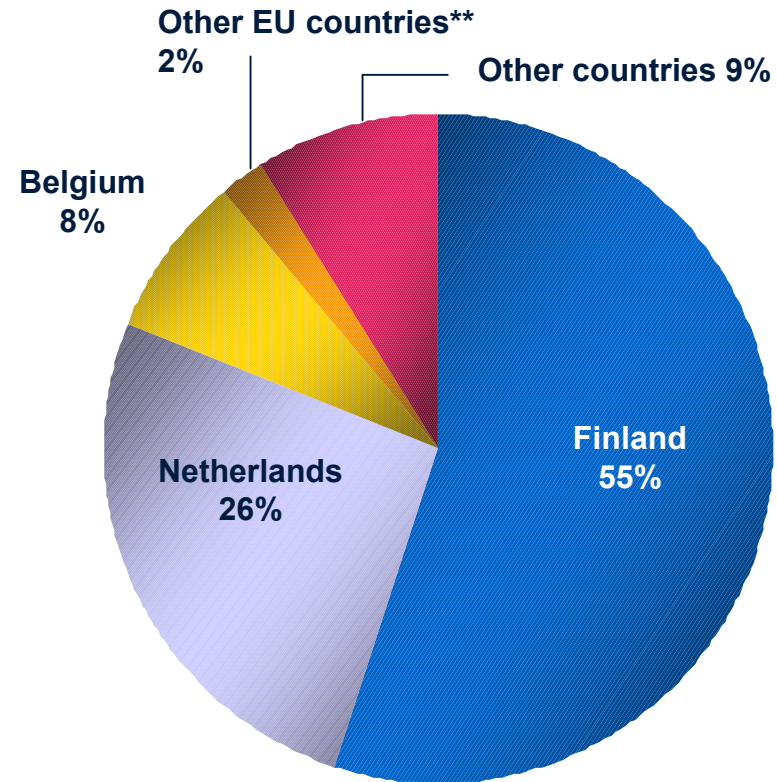
Y: Kalvot/Malmberg acquisition

# Balanced composition of net sales\* after acquisition

Divisional 2003A net sales breakdown



Geographic 2003A net sales breakdown



\* Pro forma

\*\* YDP included for whole year

Y: Kalvot/Malmberg acquisition

**WSOY**  
**– a division of SanomaWSOY**

# Book Publishing as Core Strength

## WSOY

- Werner Söderström Corporation was established in 1878
- Finland's largest publishing company – in 2003, WSOY published 714 new titles and 1,168 reprints
- The market leader in general literature, educational materials, and several specialist publications in Finland
- The authors include e.g. Mika Waltari, Väinö Linna, Eeva Joenpelto, Arto Paasilinna, Jari Tervo, Ilkka Remes
- One of the largest book printers in the Nordic region and the leading digital printer in Finland
- The leading publisher of multi-volume books and annual books in the Nordic region
- The leading calendar publisher in the Nordic region
- Electronic learning is a vigorously growing area

# **WSOY Educational Publications**

# WSOY Educational Publications

- WSOY established in 1878, first educational book was published in 1884
- Net sales was EUR 35.6 million in 2003
- Market leader on every school level, with a market share of over 50%
- Personnel 105
- Titles 2,800 (in stock); 300 new and 700 reprints per year
- Product portfolio includes:
  - Books & other printed materials, e.g. teachers materials, tests
  - CD-ROMs
  - Video
  - Interactive web-services

# Market shares and competitors

## Finland 2003

### Basic education (6–16 years)

- WSOY 54.8%
- Otava 37.9%
- Tammi 5.8%
- Edita 1.4%

### Vocational and adult education

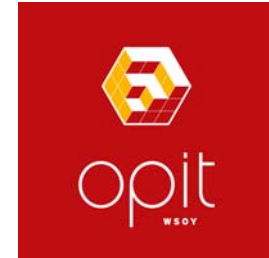
- WSOY 55.7%
- Otava 15.4%
- Tammi 14.4%
- Edita 14.4%

### Upper secondary education (16–19 years)

- WSOY 46.1%
- Otava 34.5%
- Tammi 13.8%
- Edita 5.5%

# **eLearning Opit and YDP**

# OPIT service



- Opit-service contains
    - Internet-based Virtual Learning Environment (VLE), where pupils and teachers can use communication and collaborative tools and use electronic content
    - Services including 24/7 hosting, user support, training, consultation etc.
    - Basic content package for primary, secondary and upper secondary levels
    - Content distribution channel
  - Customers
    - Primary, secondary, upper secondary and vocational
    - Teachers, pupils, and parents are *users* of Opit
    - Education providers (in Finland municipalities) are purchasing and paying the service – annual subscription fee is € 17 / pupil (list price)
    - Either individual pupils or schools are purchasing and paying content through the distribution channel
- These four components together differentiate Opit from empty learning platforms or from mere usage of electronic content*

- **Activities**

- World largest eContent Factory
  - Customers include Malaysian Government, Malmberg (NL), Harcourt (UK), Prosvieschenie (RUS), Nowa Era (PL), ...
- eEducational technology provider
  - Customers include CyberBook (NO), Training Club (IT), Commet (FR), Polkomtel, Ergo Hestia (PL), Porto Editore (P),...
- eEducation solutions provider
  - Products (CD-ROM, on-line packages)
  - Systems (network, eLearning platforms).
- Resources provider
  - Existing library
  - Creation on demand

- **Competencies**

- Assets creation
  - films, simulations, animations, 3D, pictures, maps
- Content development
  - Also multilingual content: Polish, English, Dutch, Finnish, Russian
- Content localisation – over 15 languages
- Authoring Tools development
- eLearning platform development (many intranet solutions and propriety on-line LMS)

# Malmberg

# Malmberg in brief

## Malmberg and Van In

- Malmberg (est. 1885) is considered as one of the most innovative educational publishers in Europe
- One of the leading publishers in the Netherlands and Belgium
- Publishes a wide portfolio of high quality print and digital materials



### Key figures in 2003:

Net sales	EUR 85.7 million
EBITA	EUR 23.6 million

# Educational publishing markets

## The Netherlands and Belgium

### Market segments

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- primary education (4–12 years)
- secondary education (12–18 years)
- higher education
- vocational & adult education
- home market

### Malmberg's operations

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- The Netherlands
  - primary education
  - secondary education
  - vocational & adult education
  - home market
- Belgium
  - primary education
  - secondary education

# Market shares and competitors

## Malmberg

### The Netherlands

Total Educational Market Shares, 2003	
Wolters Kluwer	36%
<b>Malmberg</b>	<b>24%</b>
Thieme Meulenhoff	19%
VBK	14%
Misc	7%

Market Shares, Primary education, 2003	
<b>Malmberg</b>	<b>34%</b>
Wolters Noordhoff (WK)	26%
Zwijsen	19%
Bekadidact (VBK)	11%
Thieme Meulenhoff	10%

Market Shares, Secondary Education, 2003	
<b>Malmberg</b>	<b>25%</b>
Wolters Noordhoff (WK)	25%
Thieme Meulenhoff	22%
EPN (WK)	14%
Nijgh Versluys (VBK)	11%
Misc	3%

### Belgium

Total Educational Market Shares, 2003	
<b>Van In</b>	<b>24%</b>
Wolters Plantijn	24%
De Boeck	17%
Pelckmans	12%
Die Keure	8%
Misc	15%

### Challenges

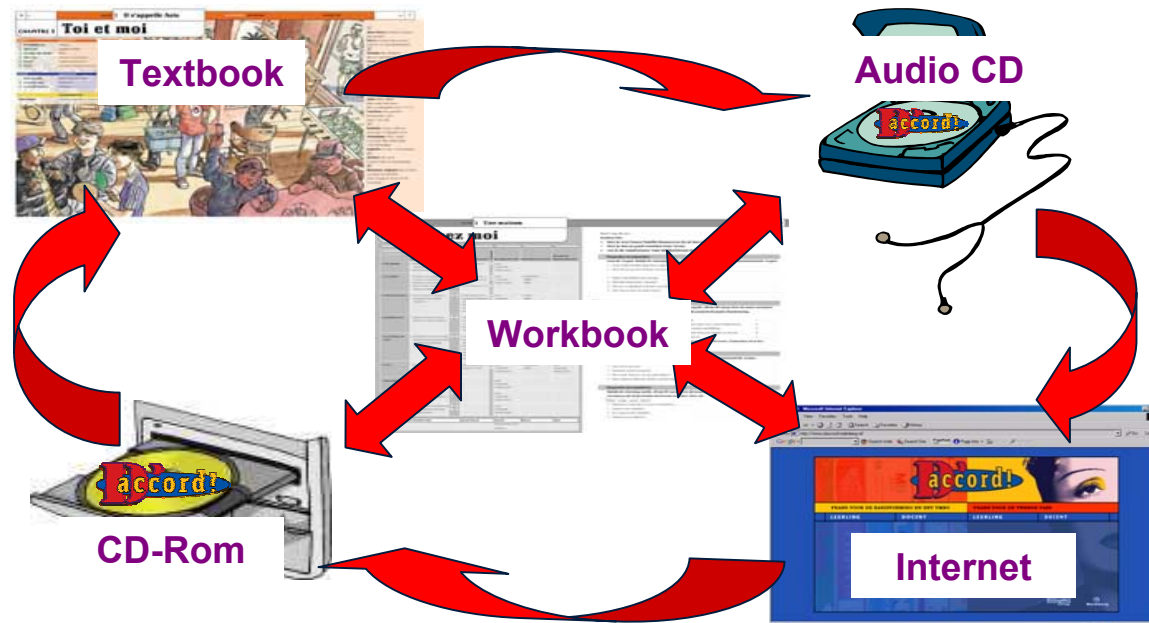
- Educational publishing is at transfer stone on the combining European market and it has great growth potential

# **Learning systems – a similar view**

# Malmberg

## Integrated learning systems

- The company has applied its integrated learning systems approach across its product portfolio
- In each target market, learning systems include textbook, workbook, Audio CD, CD-Rom and Internet lesson applications



Y: Kalvot/Malmberg acquisition

# WSOY Educational Publications

**Portfolio = active learning environment**

**Core components**

**KEY 7 ENGLISH**

**KEY 7 ENGLISH**

**COURSES 1-2 TEXTBOOK**

**COURSES 1-2 WORKBOOK**

PAUL WESTLAKK ■ ARISSA HAYVISTO ■ KASIA KANGASHUNTA ■ EERO LEHTONEN ■ JYRKI PELURINEN ■ MIJA HAYVISTO

## Basic aims of portfolio concept

- enhance learning and motivation
- expand and activate learning experience
- increase customer satisfaction
- lengthen lifespan of core components
- increase revenue and profitability
- create new demand and revenue streams

**Traditional extensions**

Special workbooks, CDs, Teacher's File, Answer keys, Tests (on paper and disk), videos, etc.



**Digital extensions**

**Web services:**

Teacher's Channel (distribution, updating)

Student's Channel (interactive)

**CD-rom for network use:**

**KEY 7 ENGLISH e-learning centre**

Grammar-burgers

Key Coaches

Grammar Shop

- Unit 1 1-6
- Unit 2 1-5
- Unit 3 1-6
- Unit 4 1-4
- Unit 5 1-2
- Unit 6 1-4
- Unit 7 1-4
- Unit 8 1-4

Working with words

- UNIT 1 UNIT 5
- UNIT 2 UNIT 6
- UNIT 3 UNIT 7
- UNIT 4 UNIT 8

Key talk

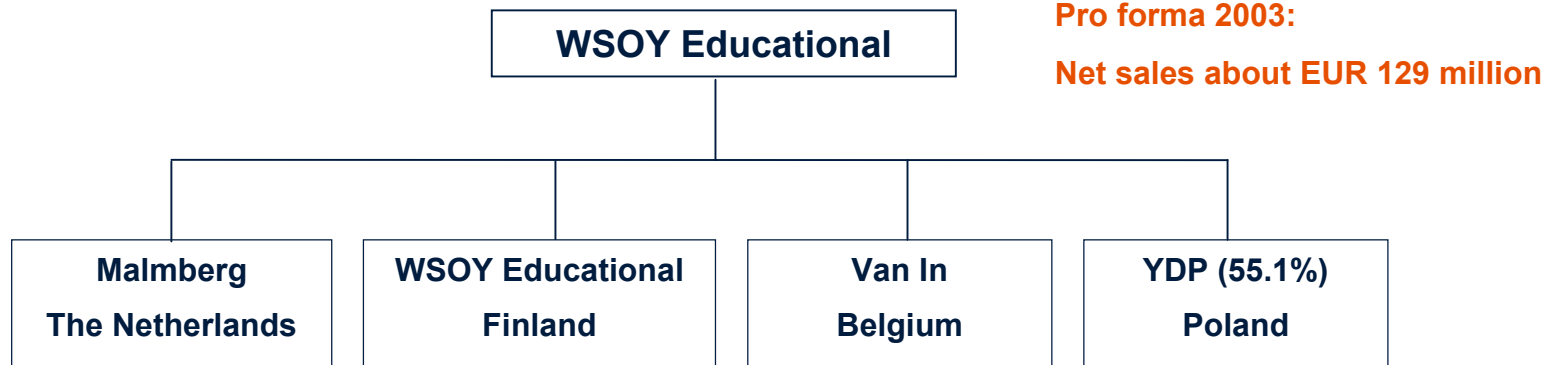
Internet access  
KEY 7 web pages

My Report  
Instructions

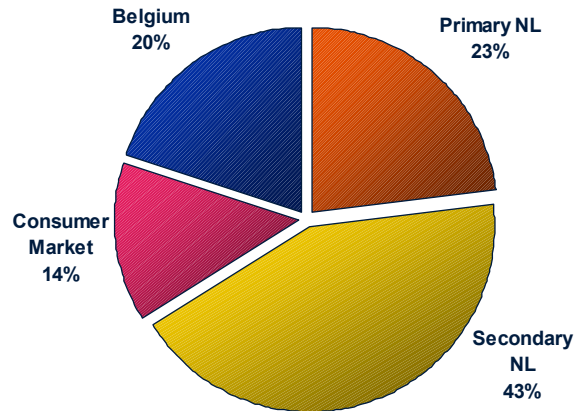
# Structure and integration

# The new WSOY Educational

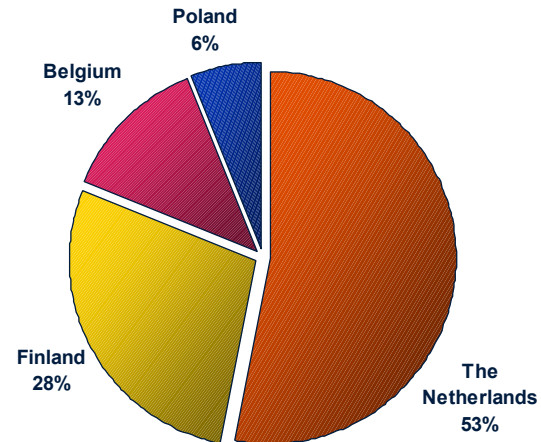
## Combined market leading operations



**Malmberg Investments, net sales 2003**



**WSOY Educational, pro forma net sales 2003**



Y: Kalvot/Malmberg acquisition

# The new WSOY Educational Personnel

- SanomaWSOY has no similar actions in the Netherlands or in Belgium so no redundancies at Malmberg, Van In or WSOY as a result of the acquisition are needed

## Personnel\*

the Netherlands	274
Belgium	65
Finland	128
Poland	269
Total	736

\* Full time equivalents

Y: Kalvot/Malmberg acquisition

# Integration Process

## What next?

- The integration period will start immediately and the process will be led by an integration board (chairman Hannu Syrjänen) and WSOY Educational management group (chairman Jacques Eijkens)
- The target of the integration period is to jointly agree on a strategy that delivers both quick wins and long term growth and profitability and to suggest necessary steps to implement the strategy.
- Work will be done in various teams with members from all parts of the new WSOY Educational



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**Together  
– a European champion**