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A leading European learning and media company

Kaisa Uurasmaa, Head of IR and CSR

Pareto Nordic Corporate Bond Conference 2019



Today's agenda

- Sanoma in brief
- Our businesses
- Our strategic and financial priorities
- Acquisition of Iddink
- Q&A

SANOMA AS AN INVESTMENT:

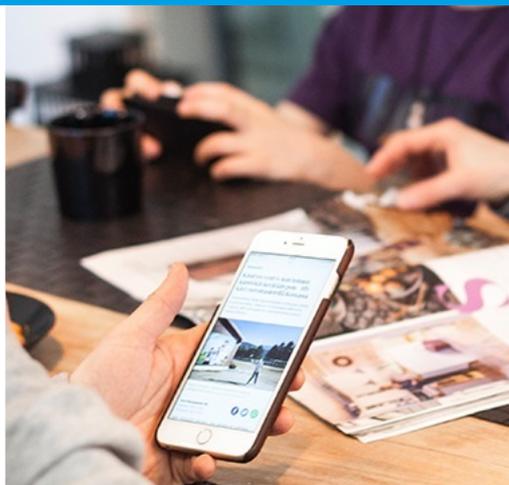
A leading European learning and media company



**Growing
dividends**



**Strong and
balanced
business
portfolio**



**Continued
focus on
selective
growth**



**Solid
profitability
and improving
cash flow**



**Equity ratio
and leverage
within long-
term target**

Sanoma in 2018



NET SALES
EUR 1,315 million



NON-PRINT SALES
45%



OPERATIONAL EBIT MARGIN
14.9%

Learning



EUR 313 million



46%



19.5%

Media Finland



EUR 579 million



49%



11.9%

Media Netherlands



EUR 424 million

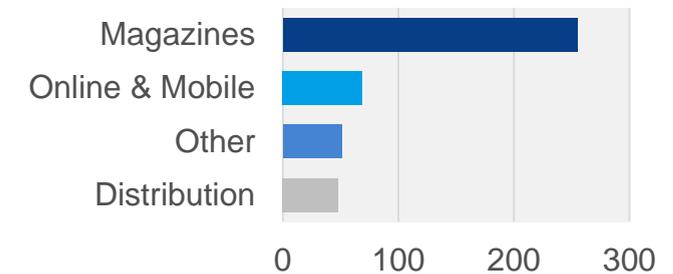
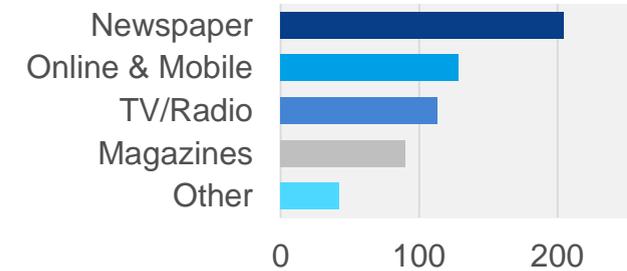
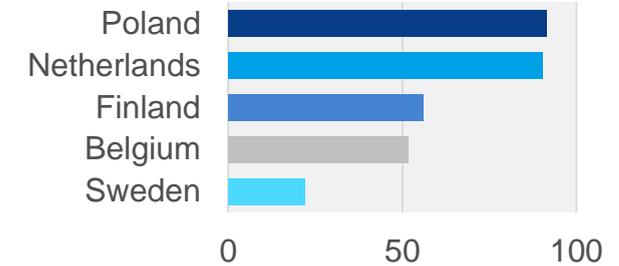


40%



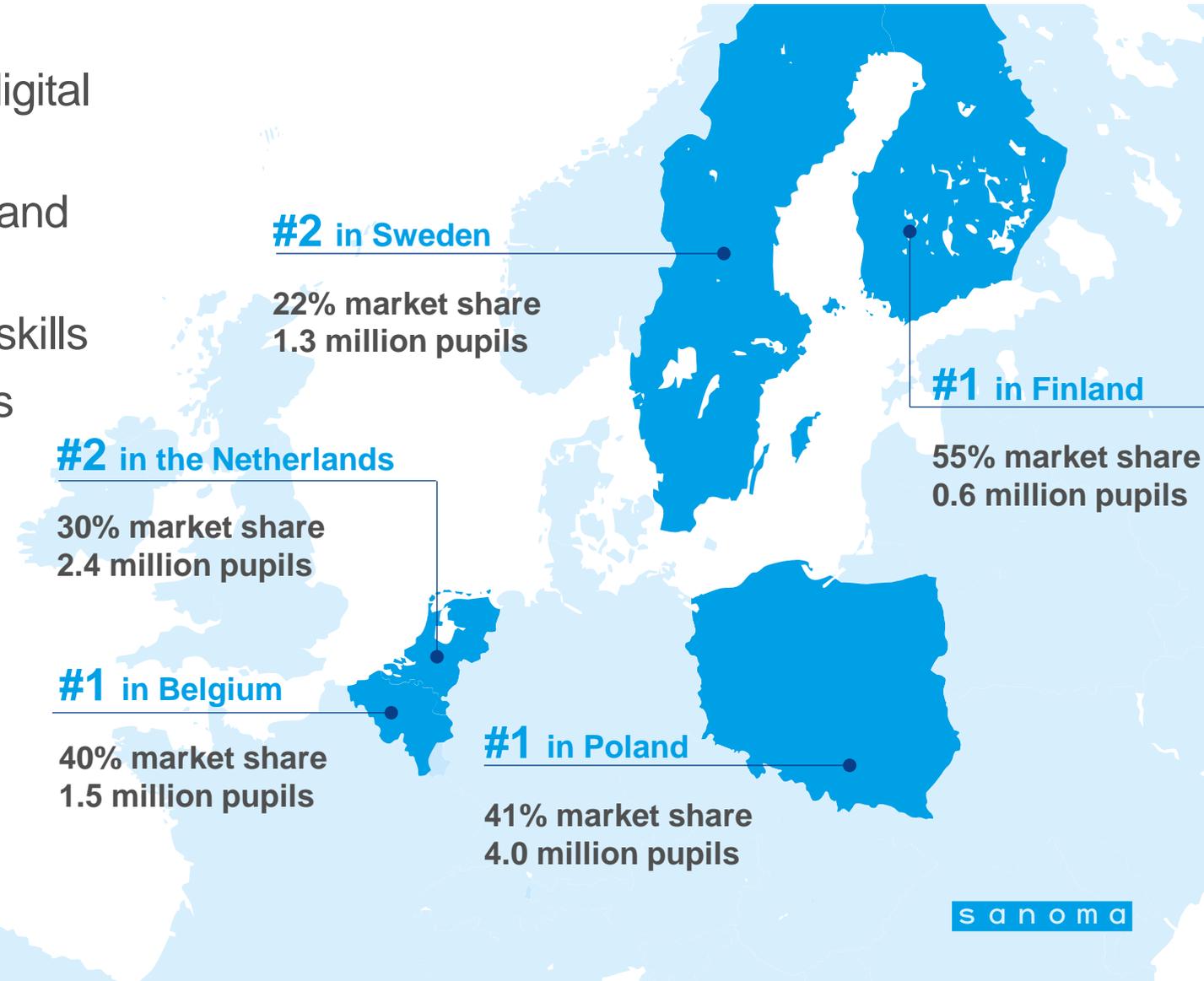
18.1%

Net sales 2018

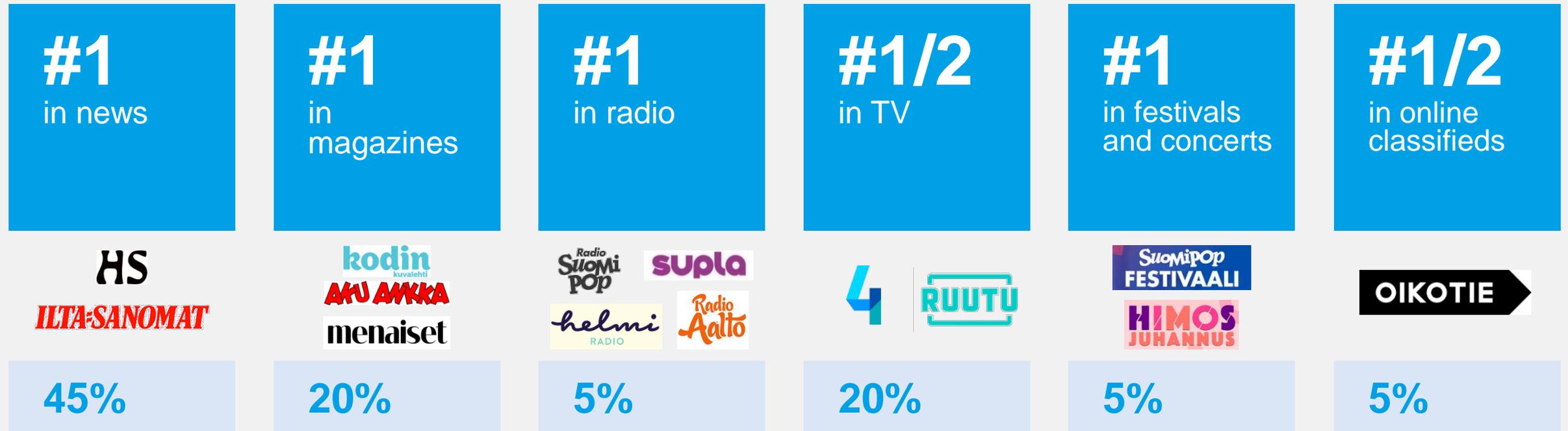


Learning: A leading position in some of the world's best education systems

- Printed and digital learning methods and digital learning platforms for K12
- Integrated product development & design and scalable technologies
- World-class learning and teaching design skills
- Strong local brands and customer relations
- Serving **10 million** pupils and **1 million** teachers
- Net sales split in 2018
 - Printed **54%**
 - Digital / hybrid **46%**



Media Finland: Strong brands on all media platforms reaching 95% of all Finns weekly



Share of net sales in 2018

Unique reach and measurable impact for B2B customers

Media Netherlands: Leading local media brands in digital and print reaching 70% of all Dutch every week

Blockbuster magazine brands

- 5 out of 10 leading magazine brands
- Cross media with increasing cash conversion

55%

Share of net sales in 2018

> average

Online news & data business



- #1 local player in online reach
- Value creation through top line growth by increasing value of advertising

10%

~ average

Special interest magazine brands

- Smaller titles with focus on cost efficiency

35%

< average

Profitability

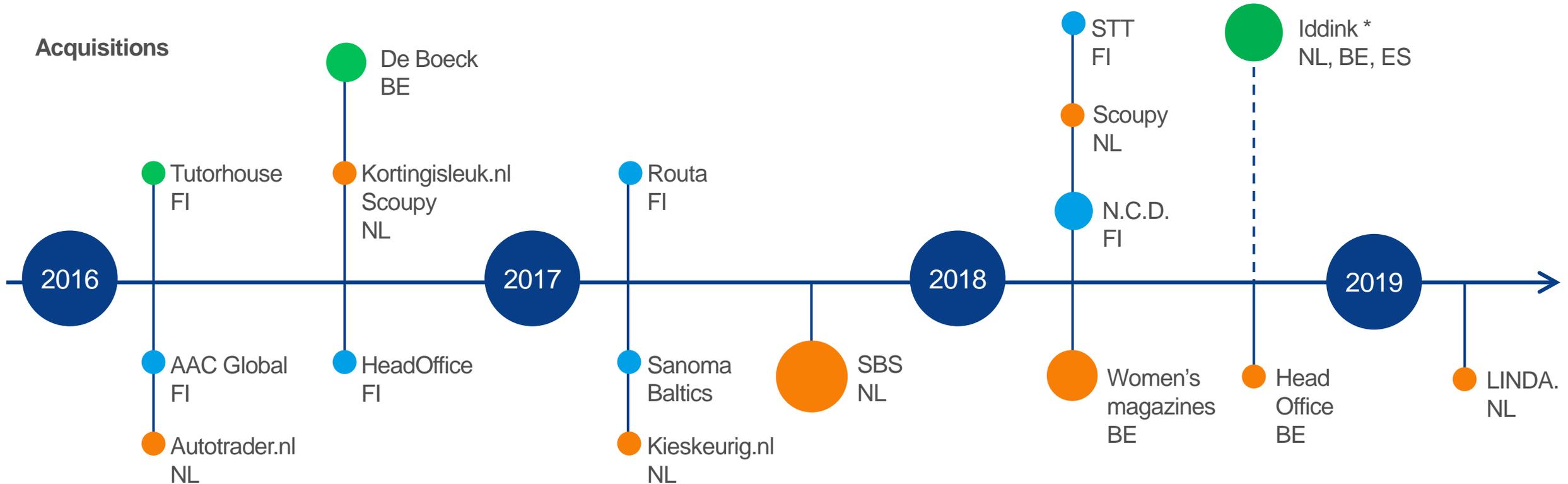
Media and learning have a meaningful role in society



- Journalistic content supports freedom of speech and independent information gathering
- Local entertainment contributes to shared values and experiences
- Data assists in serving relevant content to audiences, while focus on “avoiding creating an information bubble”

- Our modern learning methods support teachers in developing the full potential of every pupil
- Helps in building a strong foundation for a stable, productive and prosperous society
- Data is central to adaptive learning methods and measuring learning impact

We have reshaped our business in recent years...



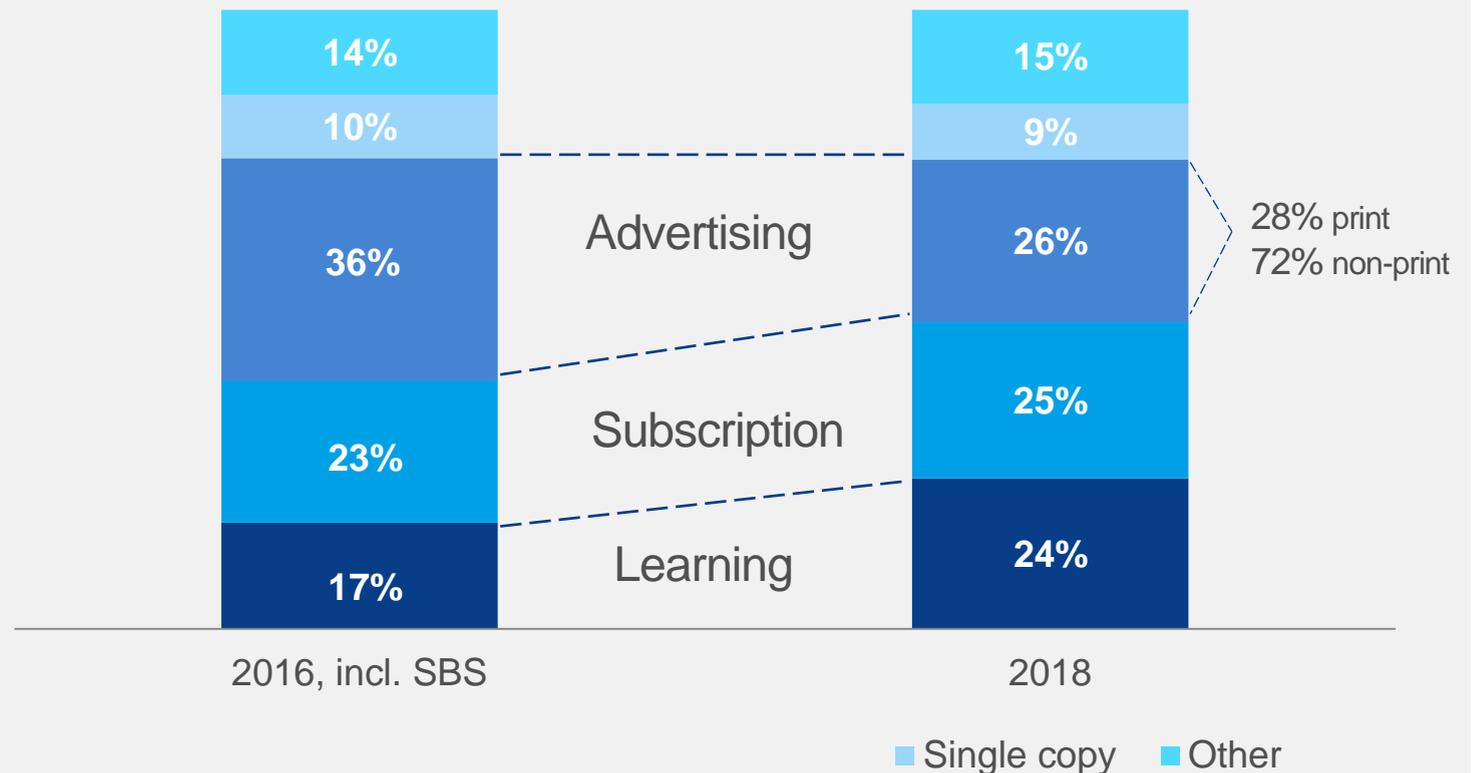
Divestments

● Media Finland ● Media Netherlands ● Learning

...and achieved a more balanced business portfolio

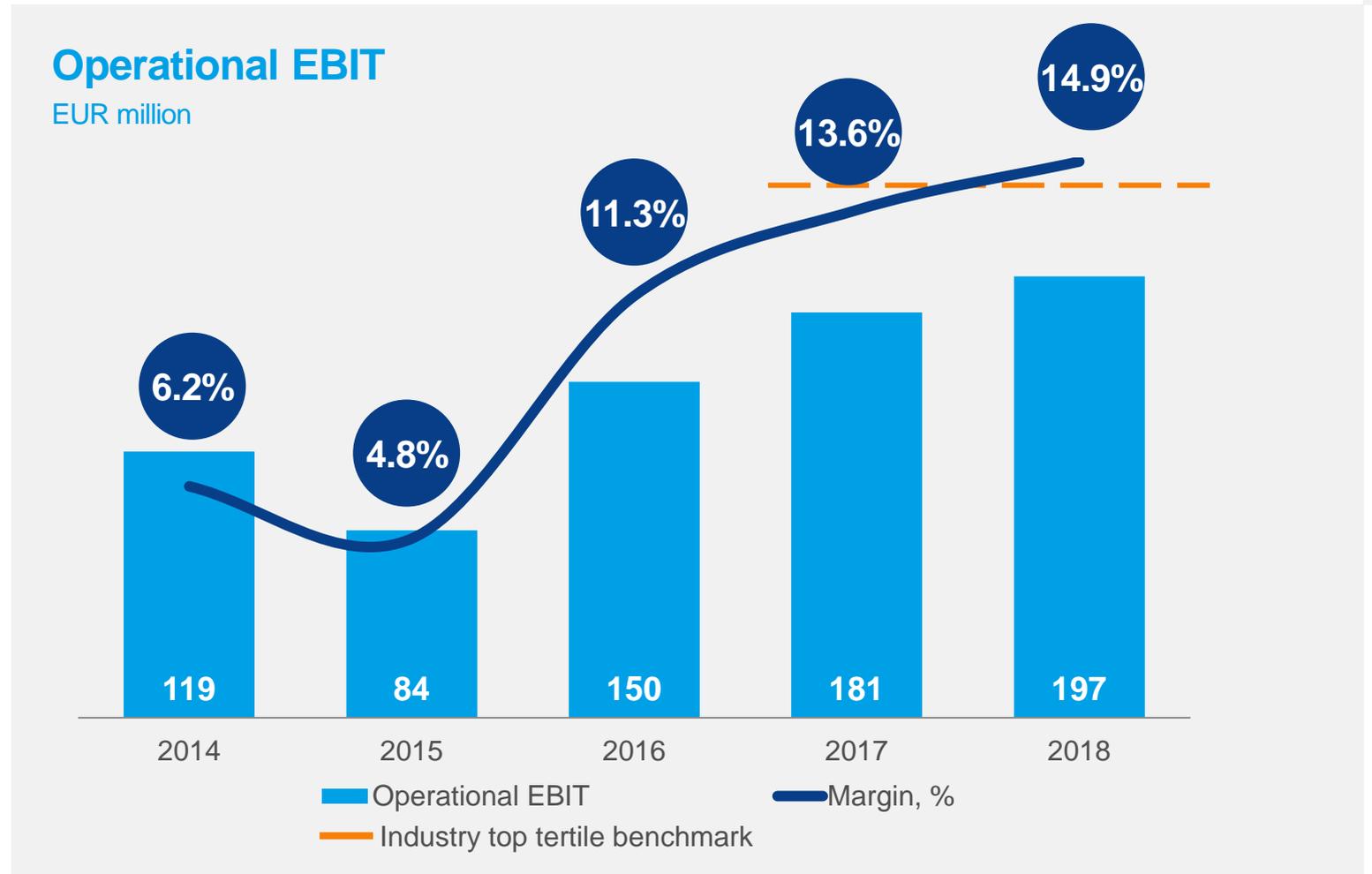
- Higher share of more stable subscription and learning sales
 - Learning's share to grow further following the acquisition of Iddink
- Lower exposure to more volatile advertising sales
- Overall focus on our stronghold positions in all segments we operate in

Group net sales by category



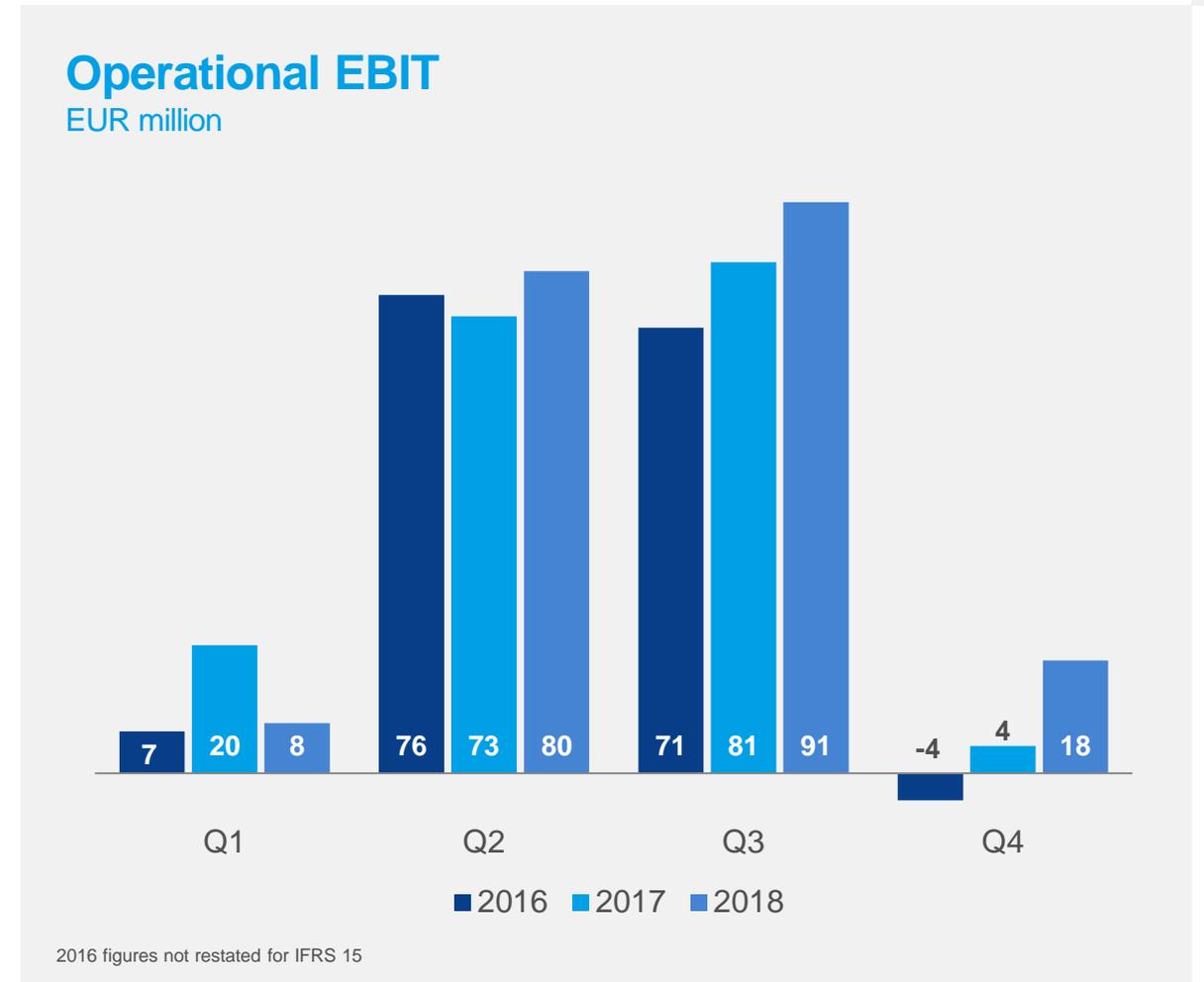
Our profitability has improved...

- Earnings improved in all SBUs in 2018
- EBIT margin in line with the top tertile industry benchmark of 14%
- Outlook for 2019:
 - Group's comparable net sales expected to be in-line with 2018
 - Operational EBIT margin excluding PPA expected to be around 15% (2018: 15.7%)
 - The outlook does not include any assumptions of the intended acquisition of Iddink



... and has a characteristic annual seasonality pattern

- Our quarterly financial performance is strongly affected by the seasonal pattern of the Learning business
 - Most of net sales and earnings are accrued during Q2 and Q3, i.e. close to the beginning of the school year
- Strengthening of the events business in Media Finland further increases the weight of Q2 and Q3 in business activity and financial performance



We are targeting a higher cash conversion

Our mid-term cash conversion target is **60–70%**

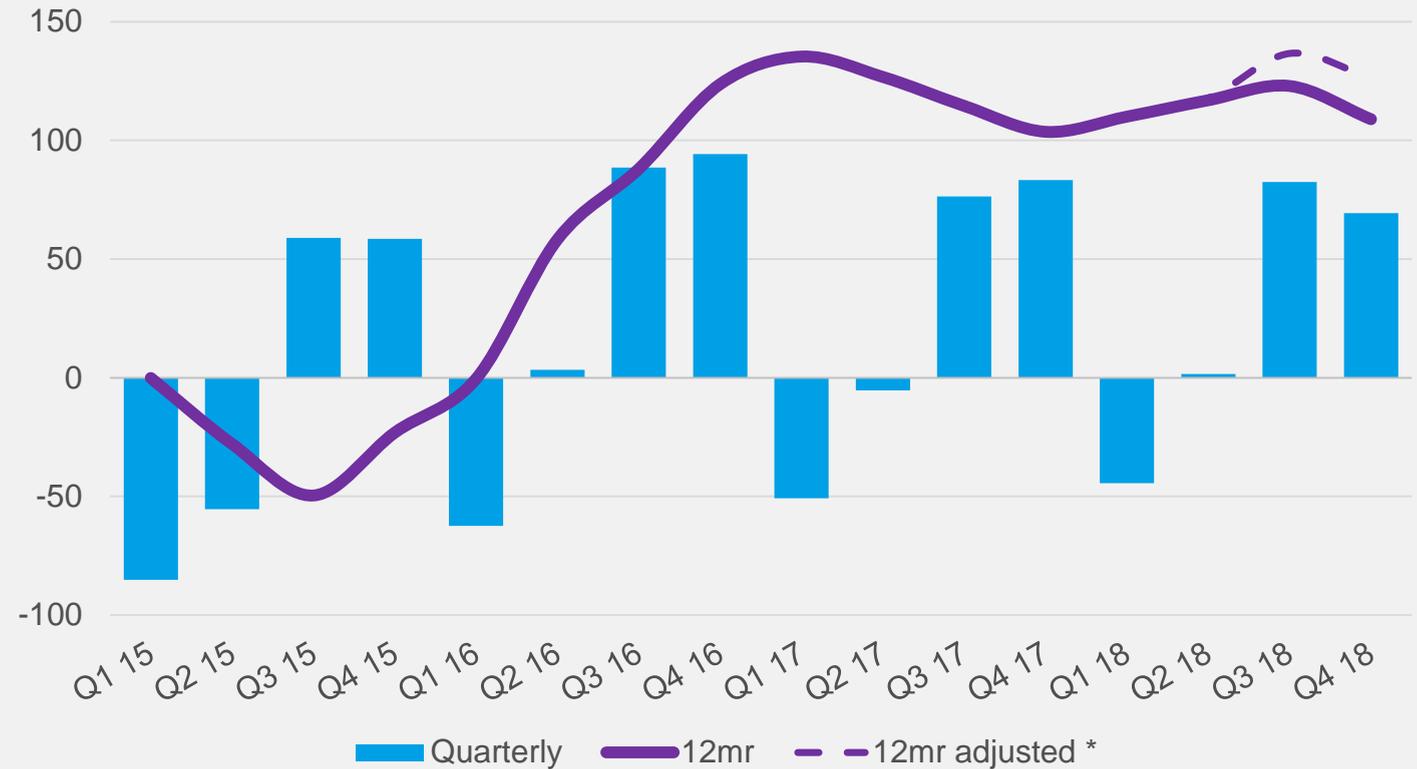
- Currently approx. 50%

Assumptions for key cash flow elements for 2019

- Businesses acquired in 2018
- Lower net financing costs
- Lower IACs in continuing operations
- Stable working capital
- Stable capex

Free cash flow

EUR million

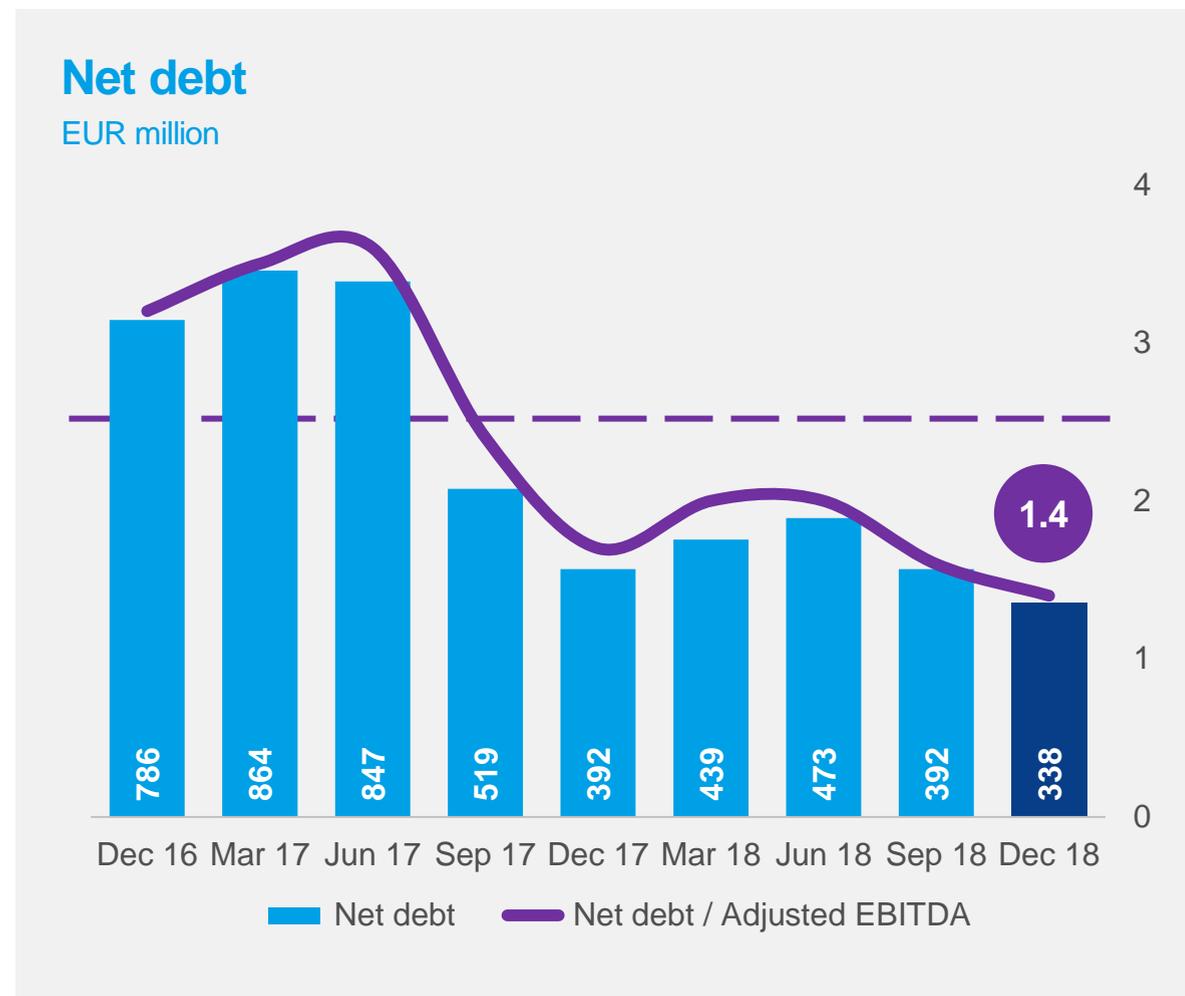


* Excluding one-off restructuring costs of EUR 17 million related to Discontinued operations
Free cash flow = Cash flow from operations less capital expenditure

Our leverage is at the long-term target level

At the end of 2018

- Net debt to adjusted EBITDA **1.4** (2017: 1.7)
 - Long-term target < 2.5
- Net debt EUR **338** million (2017: 392)
- Equity ratio **44.7%** (2017: 38.2%)
 - Long-term target 35-45%
- Gearing **55.3%** (2017: 71.6%)
- Net financial items decreased to EUR -17 million (2017: -23) due to lower amount of interest-bearing debt
- Average interest rate 2.5% (2017: 2.1%)



Our balance sheet allows acquisitions

Growth opportunities across businesses

Focus on selective growth

- › Synergistic bolt-on acquisitions
- › Organic growth initiatives
- › Active portfolio management

Learning

- › Core business in current markets
- › Core business in new markets
- › Adjacent business in current markets

Media Finland

- › Entertainment
- › News, feature and lifestyle
- › B2B

Media Netherlands

- › News & data
- › Creating 360 media brands

Iddink fits well in our growth strategy

Acquisition announced on 11 December 2018

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Iddink provides Sanoma Learning a platform for future growth

- Sanoma becomes a leading educational platform and service provider in the Netherlands
 - Increases the scale for investments in customers and platforms
 - Enables development of seamless digital learning solution for pupils, parents, teachers and schools, benefitting the whole value chain
- The acquisition strengthens our position in Belgium and expands the footprint into Spain
- Iddink's net sales were EUR 141 million and operational EBITDA EUR 27 million in 2017
 - Purchase price EUR 277 million, representing an EV / Operational EBITDA multiple of 10.3x
 - Closing expected during Q2-Q3 2019
 - Expected annual synergies of EUR 6 million to be realised in full within 3 years
- The acquisition increases Learning's share of Sanoma's business and improves revenue visibility

Iddink in brief

- Net sales EUR 141 million and operational EBITDA EUR 27 million (incl. rental book depreciation of EUR 16 million) in 2017
- Operations in the Netherlands, Belgium and Spain
- In the Dutch market, Iddink provides educational platforms and services both for secondary and vocational education and operates in three business areas:
 - Distribution of printed and digital learning methods with strong rental book sales
 - Student information systems, Magister and Eduarte
 - Data analytics and learning solutions
- 300 employees, about half of them working in educational technology
- Strong and experienced management team, committed to continue at Sanoma Learning

Iddink strengthens Sanoma's position as a leading European learning company

Belgium

Market size 1.5 million pupils

Net sales 2017
Sanoma MEUR 52
Iddink MEUR 21

The Netherlands

Market size 2.4 million pupils

Net sales 2017
Sanoma MEUR 92
Iddink MEUR 108

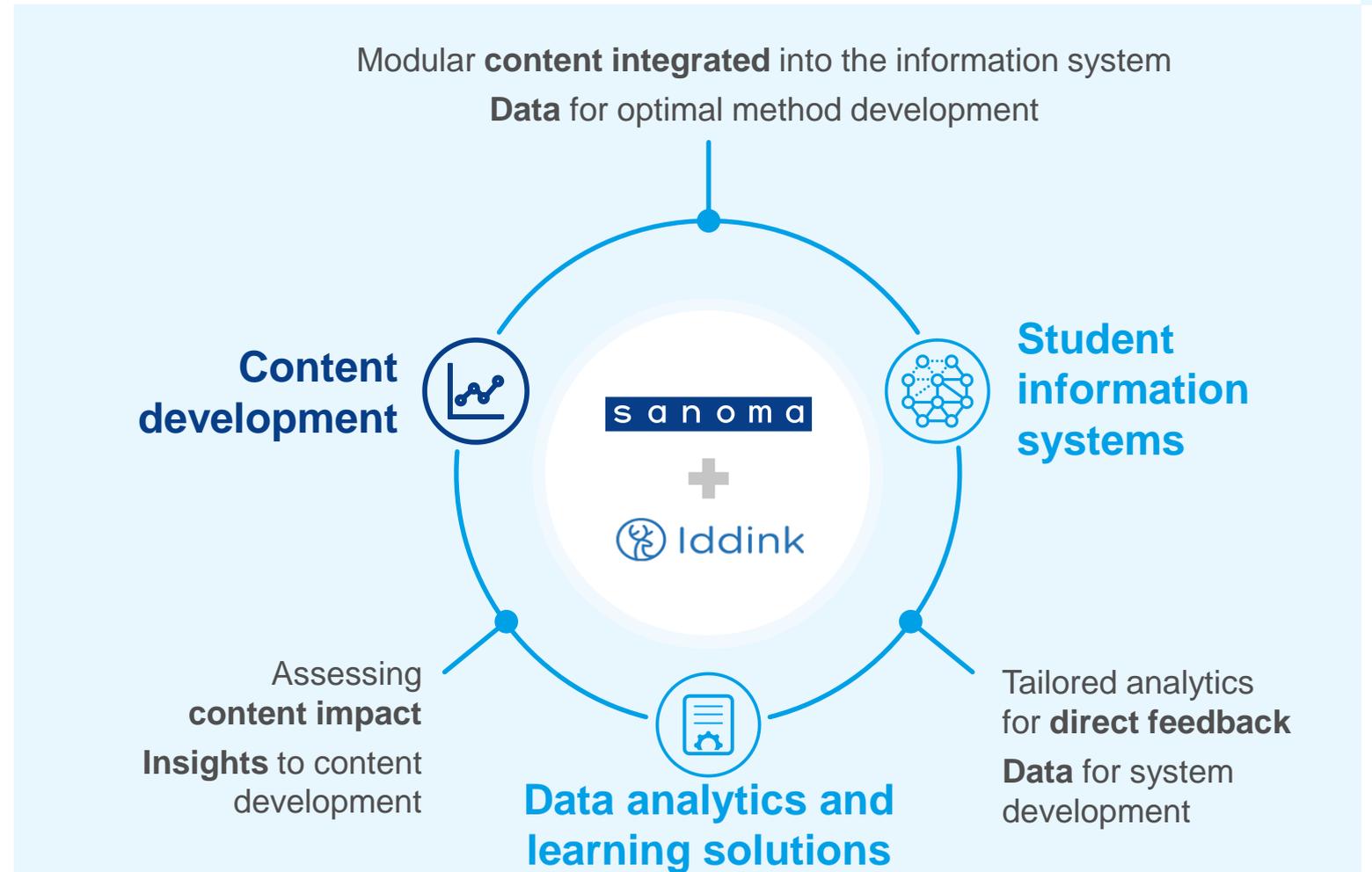
Spain / Catalonia

Market size 8.1 / 1.3 million pupils

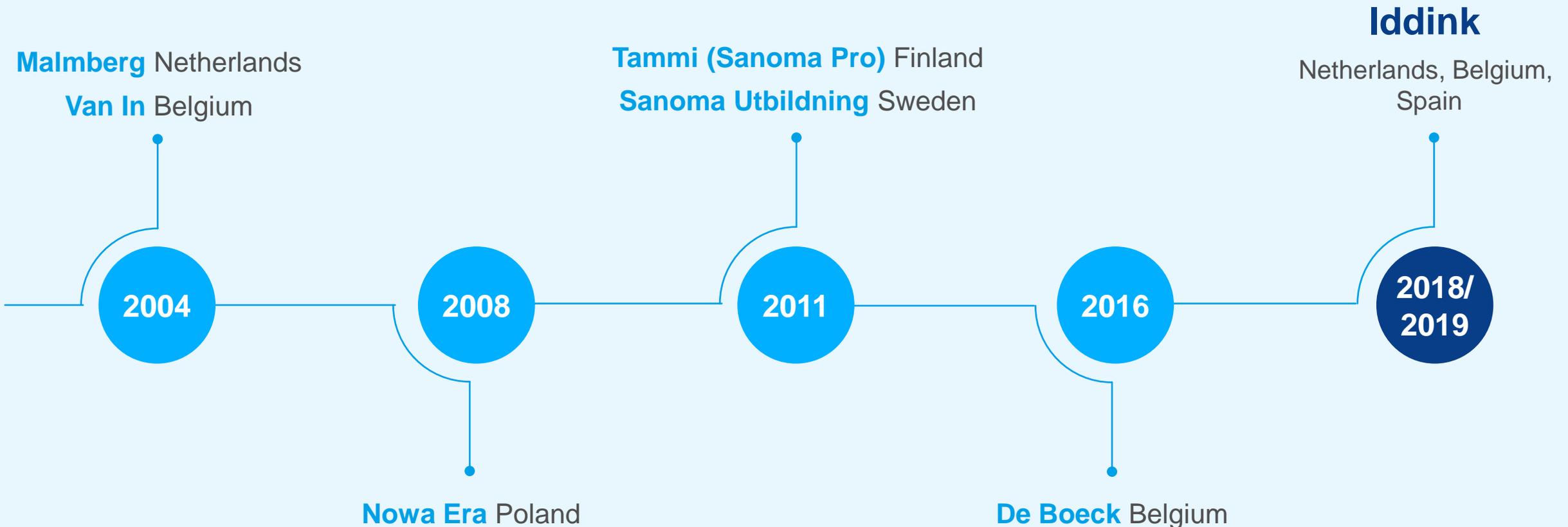
Net sales 2017
Iddink MEUR 11

Together Sanoma and Iddink have potential to develop education experience and drive continuous improvement

- Together, Sanoma and Iddink will develop seamless digital solutions for the benefit of the whole educational market
- Daily operations and organisations will remain separate
- Iddink continues to serve all publishers and content providers in its markets



Sanoma Learning is successfully built through M&A



Acquisition valuation and funding

Valuation

- Cash and debt free purchase price
EUR 277 million
- EV/EBITDA multiples
 - 10.3x operational EBITDA (incl. rental book depreciation of EUR 16 million)
 - 6.4x reported EBITDA

Funding

- Committed acquisition finance in place
 - EUR 250 million 4-year term loan
 - Annual EUR 50 million instalments from Q3 2020 and EUR 100 million repayment at maturity

Net debt / Adj. EBITDA ratio (under IFRS 16) expected to

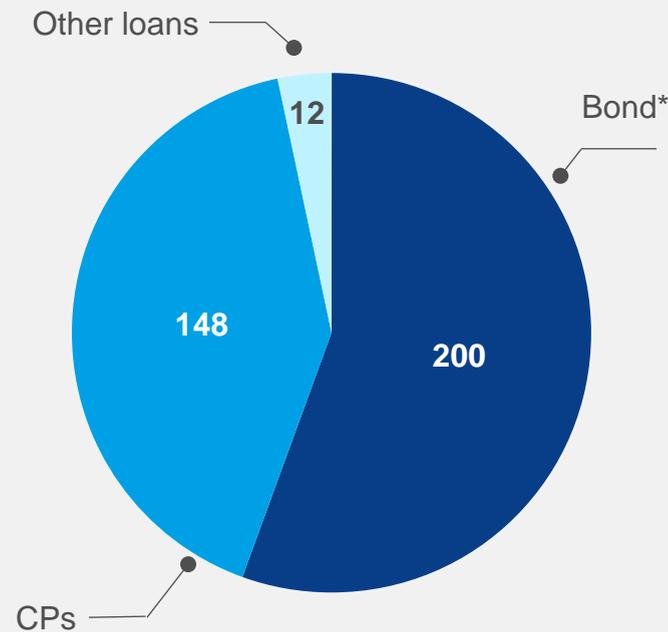
- Temporarily exceed the long-term target level of <2.5 after closing
- Return to around the long-term target level by the end of 2019

Our new debt facility extends the maturity profile

- On 4 February Sanoma signed a new EUR 550 million syndicated credit facility consisting of two tranches with nine banks
 - EUR 250 million 4-year term loan to finance the acquisition of Iddink
 - Annual EUR 50 million instalments from Q3 2020 and EUR 100 million repayment at maturity
 - EUR 300 million 5-year bullet revolving credit facility refinancing the previous EUR 300 million RCF
- Refinancing of the EUR 200 million bond maturing in November will be reviewed in Q2-Q3 2019

Debt structure

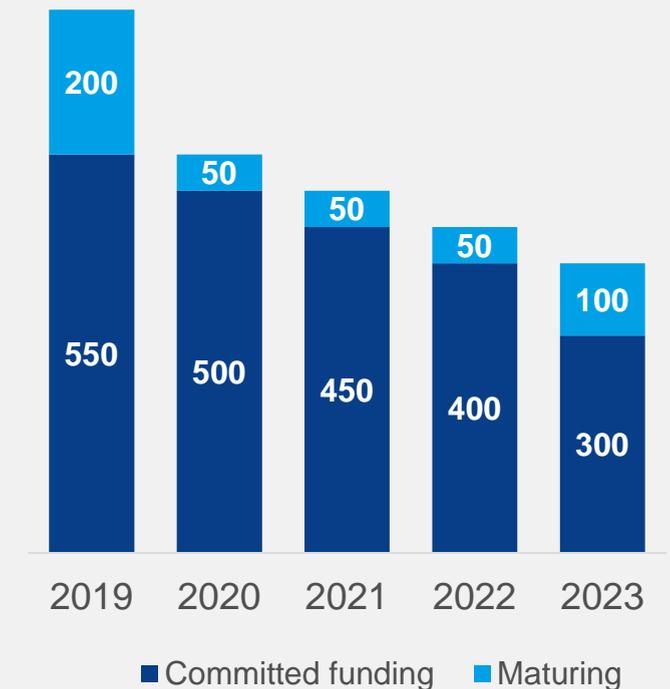
EUR million, 31 December 2018



* Book value EUR 197 million

Maturity profile

EUR million, 6 February 2019



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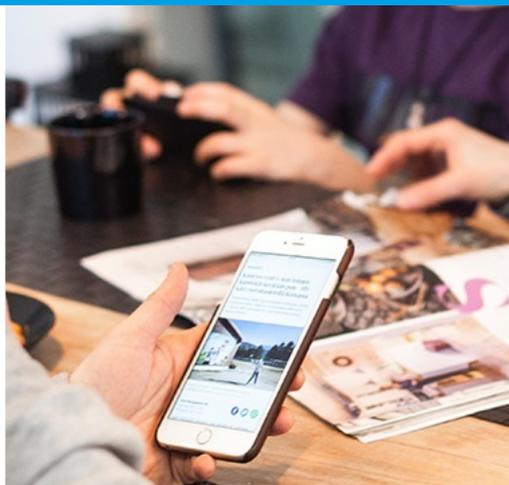
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**Equity ratio
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A young girl with brown hair and blue eyes, wearing a bright yellow sweater, is sitting at a desk in a classroom. She has her right hand raised high in the air, looking towards the camera with a slight smile. In the background, other children are visible, some with their hands raised, suggesting an interactive classroom environment. The lighting is warm and bright.

Q&A



Thank You