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Kaisa Uurasmaa: Good morning ladies and gentlemen, I would like to welcome you to Sanoma's third quarter 2019 interim report presentation. My name is Kaisa Uurasmaa I'm heading investor relations at Sanoma. This event will be recorded and it can be viewed live on our website. And then as a recording after the event. After the presentation, we will have a Q and A session. We will first take questions from here at Sanomatalo. Please wait for the microphone and then, after the questions from here, we will hand over to the telephone line. With this short introduction, I will now hand over to the first speaker Susan Duinhoven, our president and CEO who will be followed by Markus Holm, CFO. Please, Susan.

Susan Duinhoven: Thank you, Kaisa. Good morning and welcome, also from my end. Q3 was a solid quarter for Sanoma and if we look at the first nine months, operational EBIT was stable and the margin improved. If we then look at the highlights, and we look then at first nine months as a whole, then we see that net sales declined slightly but sales was stable in both learning and media Finland and the decline came out of the media in the Netherlands. And that's specifically due to the divestments done earlier in the year. The comparable net sales development of the group as a whole is -3% and that is in line with last year's trend. The operational EBIT excluding PPA, landed that on 184 million and was in line with previous year's level. And therefore the margin improved. The free cashflow is positively impacted by IFRS16 and that explains a big part of the increase. The leverage increased to 2.8, and 0.9 of that was a result of the Iddink acquisition and 0.4 was due to IFRS16 implementation. And as was noticed when we closed the deal on Iddink, we also improved our outlook for the full year 2019 and we indicated that the EBIT margin excluding PPA improved to above 15%. And we did that on September 13th at closing.

But then let's give a bit of an overview, as always, on the different businesses. And how the earnings said developed. And again, I do this for the first nine months because as you know, our learning business as quite the cyclicity so that avoids any shifts between the quarters. Earnings significantly improved in the learning business and grew in line with both net sales. And we also see some benefits of the High Five program coming through as well as an improvement in the business mix. In Media Finland, was solid earnings, stable net sales. And Media Netherlands, there as indicated before divestments, resulted in a lower reported net sales and followed of course also by operational EBIT. The operational EBIT was also impacted by the comparable net sales decline. And we'll explain that a bit later in the details of the SPU where that came from.

The other operations, you'll see a decrease in cost that is specifically our head office and our infrastructure technology cost that are reported there. So overall solid performance over the first nine months. In learning, I stay at the at the first nine months, you see net sales at the same level, the growth in Belgium and in Poland due to slight curriculum changes. So the major curriculum changes are still to take place in the coming years. But this was a slower start of that, and the Netherlands stable here and

in Finland slightly lower because there the curriculum changes ended in 2018. In Finland you also see that the digital learning methods start representing a larger part of the revenues and that means that that revenue is more equally spread across to year. And that of course then impacts the, the peak let's say that you normally see in Q2 and Q3. The operational EBIT excluding PPA improved to 85 million.

The benefits from the High Five program showing, and also the more favorable business mix in Poland. And there you remember we have both a distribution business and the publishing business, and it means that in a more favorable business mix, we sell more of our own products and less third party product. As said, the acquisition of Iddink, we're very pleased to be able to complete that on September 13th and it will be reported as part of the learning strategic business unit from 1st of October, 2019 onwards. So that means in these results, you do not yet see any results from Iddink that will only come into Q4. But when you look at the graph, I think you see a very, good trend and now resulting in a 12-months rolling EBIT of 21.5% for the overall learning business.

So with that going to Finland. And Finland is of course impacted always by the advertising market. So as usual, we give you a bit of an insight in that. In the report at figures, you see that if you look at the year as a whole, 2019 year to date, that the market is actually quite stable. But in the quarter, the decrease was 2%. And that is actually quite usual. You see that the Q2 was the exception and it was due to the elections that created more advertising market than we normally have in Finland. You'll see that if you look at third quarter, the newspaper and magazine, the print advertising decreasing. Radio and online strongly increasing. And the one exception in TV, where it's decreasing, there the Sanoma result was actually quite a bit more positive, from a trendline perspective due to an increased share.

So overall, we see the normal trends. The print slightly decreasing. The increase in radio, online and TV, sometimes a bit better than other quarters. It's important to realise that if you look at the Finnish advertising as a total within the group, that is less than 20% of the overall group revenues. And within that, the print is only a quarter of that. It gives you a bit of a feel for how to scale these trends.

If we then look at the Media Finland unit, we saw just like in the previous quarters that specifically the digital part of the business, both the subscription and the advertising, was growing very nicely and profitability overall improved. We see that in total net sales declined a bit, a little bit of shift specifically on the events business that grew in the first nine months but declined in the third quarter. But if we look at the digital subscriptions, specifically Ruutu+, Helsingin Sanomat—again, growth in the quarter. And with that you see that the decline in subscription sales in print, which is typically around the magazine business is almost compensated by the increase in digital subscription revenues. Advertising sales was also almost stable where the good development in digital and specifically also in video around our Iltasanomat, our news site, meant that the decrease in print was almost fully compensated. Single copy sales, also increased this quarter due to an additional issue, which is always with the weeklies, you can sometimes have a quarter with one more issue, and the decline in VAT that that improved the net sales. And as I already said, the net sales in events declined in the third quarter. But overall over the year increased. With events, we have of course a little bit of seasonal business now also included in our Finnish business.

If we then look at operational EBIT, that is as previous year level, the margin therefore improved. Improved profitability in the events. The revisiting of the portfolio after last year led to an increased profitability there. And you also see that the decrease in print leads to lower paper and distribution costs.

In the organization of Sanoma and Media Finland, we made a change from the 1st of October onwards and integrated a number of the news brands and the magazine brands. And that was, let's say building on the success that we've had with Tiede, which was always already closely integrated into Helsingin Sanomat, and were sharing of the digital content really improves the proposition. And we see that, that

works both for Ittasanomat and for Helsingin Sanomat each in their own fields. So therefore, combining this really makes sharing of this unique and high quality content possible for both subscribers and advertisers. So overall, you see improved profitability third quarter at 15.3%, which we see as very solid for a media business. If we then go to the Netherlands, there we saw just like we saw in the last quarter that the divestments have an impact on the net sales. And net sales declined in the quarter to 87 million, and 14 million of that decline was due to the divestments. And just to remind you, the divestments, we sold the LINDA magazine. We sold the head office of content marketing operations in Belgium and we discontinued the Home Deco, e-commerce operations, not the business, but the operations. The execution of it is outsourced. We see that of course now impacting in the third quarter. You will see specifically also that e-commerce operation impacting of course, also the fourth quarter.

Nu.nl again had a very good quarter with double digit growth, which made the digital advertising in the Netherlands grow significantly. The sales cashback service Scoupy, had lower sales and that was due to the earlier in the year restructuring of the portfolio where we only maintained and focused on the more profitable product lines. Circulation sales continue to be impacted by that 1st of January VAT increase in the Netherlands. As you remember from the earlier quarters, the VAT increase limited our pricing capabilities and that of course plays through the whole of the year. So you will see that coming back and also in the last quarter as one of these trends. In the Netherlands, the number of issues published overall was lower impacting both the circulation and the advertising sales. Earnings declined, largely due to the divestments and of course the lower comparable net sales. But also we had a little bit of extra spending in nu.nl and tidschrift.nl, and tidschrift.nl you can translate that as magazine.nl, which is our all you can eat online platform for subscriptions on all magazines, not only our own but also third party magazines. And that proposition is nicely taking off. Of course, still small numbers but already showing quite an attractive growth. And therefore both in nu.nl and tidschrift.nl we invest the bit in the technology behind it, usually interface and specifically on nu.nl also in content. For example with the launch of Junior.nu, news for kids. So that explains the results in the Netherlands where you see that over the quarters the profitability is good, but there is quite some swing between the quarters. Q2 very strong in margin and Q3 a bit lower. When we then go to the outlook for 2019 we improved that as indicated on September 13. Outlook is still the same. We expect a comparable net sales to be in line with 2018 and operational EBIT margin excluding PPA to be above 15% and the comparable figure for last year was 15.7%. As always, the outlook of course assumes that there is nothing exceptional happening in the fourth quarters on the consumer confidence or the advertising market development. And it's good to realise that this is therefore an outlook that also includes the Iddink fourth quarter results. Now with that, I would like to hand over to Markus to give a bit more details on the financials.

Markus Holm: Thank you. I will start as usual with the overview of third quarter operational earnings. And the Learning, you see the positives in the quarter. We had a more favorable business mix in Poland and with a lower share of the distribution sales. With net sales growth in Poland and Belgium mainly. And the benefits of the High Five program continued in the quarter. These were then slightly offset by higher amortizations due to investments in technology in Learning. The positive effect for Learning was 3.4 million compared to prior year. Media Finland, we had improved profitability in the events business that was now in the second year. We saw some positive effects of lower pay per distribution and marketing costs, then somewhat offset by TV program amortizations that increased due to timing differences, mainly versus prior year. Media Finland overall versus prior year, flat. Media Netherlands, negatives mainly here. The biggest one, the divestments that we did this year. Then also lower comparable net sales and the additional spending in nu.nl and tidschrift.nl, and lower marketing, personnel and other fixed costs expenses in quarter three prior year so that changes a bit the comparison. Looking on the cashflow, we're on a good level and according to our expectations, the year to date free cashflow improved to 56 million compared to 40 million a year ago. That however, includes 18 million of the IFRS16 leasing standard, and we have a euro 10 million impact of the rental contract settlement in Belgium as we have disclosed earlier in the year. Also costs related to changes in IT

infrastructure that what we call journey to cloud program, which has been quite big in the year for Sanoma.

Looking on the net debt. We have now the Iddink acquisition that has increased our net debt to 798 million and a net debt to EBITDA to 2.8, equity ratio at 33.8. And now the 250,000,000 four-year term loan that that we signed in February, that was drawn now in September to finance the acquisition of Iddink. In total the acquisition of Iddink and IFRS16 impact, they were 0.9 and 0.4, respectively. And the graph here, you can see that we are now somewhat above the long-term target of 2.5. But we see that in a year's time roughly we will be back on our target level. The 200 million euro bond we will repay in November. This will be replaced with more flexible debt instruments i.e. bank financing and commercial paper where we are active in the market. We expect this to significantly reduce our financial expenses going forward. On the year to date net financial expenses, you can see, net financial items were 18 million compared to 14 million a year ago, and this includes 5 million from IFRS16. Our average interest rate was slightly higher at 2.7 compared to prior year, only because of the higher proportion of a bond in the mix. And on 4th of November we will pay the second dividend instalment of 20 cents and the record date is now on the coming Monday 28th of October. And with those we have done completed the total dividend of 45 cents per share and the pay-out ratio as we calculate it, we exclude the one-off cost related to Belgium women's magazine portfolio, and that is then within our range of 40 to 60% pay-out. With this, I hand over to Kaisa for some closing remarks. Thank you.

Kaisa Uurasmaa: Thank you, Markus. Thank you Susan. We are planning to host an analyst and investor day in the end of December. So 18th of December is for you to pencil in, in your calendars. In the event Susan and Markus will elaborate a bit more on our learning business and its financials after the acquisition of Iddink. And invitations to this event will be sent later in November. And then we will be reporting the full year results on 7th of February next year. And with this I conclude the presentation. Now, the floor is open for questions from here at Sanomatalo. And please wait for the microphone. We have the first question here.

Sami Sarkamies: Great. Thank you. Sami Sarkamies from Nordea markets. A couple of questions. Starting from next year, this year is starting to be in the bag already. What's your current thinking regarding operating environment and your spending plans going into next year?

Susan Duinhoven: I think you know, we're not yet at the stage that the year is done. We're still very hard working on Q4, but we think that in general speaking, the economic environment is probably not going to improve compared to this year. So that is what we're taking into our thinking. At the same time it is uncertain how that will exactly impact. So we're prudent in that sense, but at the same time, I'm also a believer that we shouldn't be overly negative upfront. Because, you know, I think there are always opportunities and the other companies, specifically with that advertising, will also be needing to look for growth. So I think there are opportunities there, but it is fair to say that the environment, as for everyone, is not expected to improve.

Sami Sarkamies: OK. And then moving back to Q3. On Media Finland, just wanted to check, as you had higher TV amortizations in the third quarter due to the timing differences. Have you had lower amortizations in the first half the year or will that be the case in a Q4?

Markus Holm: It is just a shift between the quarters. There's some minor, not, not that significant really.

Sami Sarkamies: OK. And then on the Iddink acquisition. Would it be possible to go through the impact on PPAs that we will see going forward? So, what will be the sort of full impact on your PPA so going forward?

Markus Holm: That is a bit too early to say because we are now with the auditors, we are reviewing the PPAs and the allocation of goodwill and all of that that is happening in the fourth quarter. So that we will hopefully be able to elaborate more on in the coming sessions.

Sami Sarkamies: Anything you can say at this point?

Markus Holm: Nothing more than what we disclosed already regarding Iddink. So I think that already reflects, you know, the existing PPAs that we have in the businesses.

Sami Sarkamies: OK. And then finally on the domestic media business. You decided recently to divest some of the eCommerce assets. Could you open up your thinking behind that? I guess you could have sort of continued to invest and develop those services on your own as well.

Susan Duinhoven: These were smaller services and there is a belief on our end that there is a minimum scale that is needed in order to do that profitable. As you know, that general classifieds is not an area that is very lucrative anywhere in the world. And specifically when you then do that on a very small scale, it's very hard to make that profitable.

Sami Sarkamies: OK. Thanks.

Kaisa Uurasmaa: Thank you. More questions please.

Jarno Hartikainen: Jarno Hartikainen, Helsingin Sanomat. I'd like to ask about the recent decision to decrease the VAT for digital newspapers and the single magazines in the digital newspapers. What kind of effect, from your presentation I see that you didn't mention the decision at all, but did it have any kind of an effect on the profitability of media business in Finland? And looking to the future, how do you aim to distribute the benefits from that decision? I mean, what portion of the benefits will go to consumers as lower prices? What will go to the newsrooms in greater resources, and what portion of that will go to the orders as increased profitability? Thank you.

Susan Duinhoven: Thank you. I think we disclosed that last quarter when we discussed it in more detail because this is of course something that was a topic at that point in time. And what we have indicated is that we have done additional investments in data journalism. For example, in Helsingin Sanomat, as a use of that increased availability of funds in the single copy sales, we see that the strong decrease in single copy in general increases the cost base. So there, the VAT reduction very much supports the continued availability in, you know, a broad scale in all the market. So that's how that is used. And there will probably also be something going to the profitability of that. But that is a minor as I think the whole intention behind this and why we were also quite positive as we indicated before, is that now the VAT is equal and that I think is quite important from overall running of the business because otherwise you have a strange preference for printed or digital depending on the VAT pressure. So I think it is an important part, whatever the level is, that that is equal between digital and print.

Kaisa Uurasmaa: OK, thank you. Next questions here please?

Joni Sandvall from Nordea. Yes. I have one further question on Media Netherlands. Could you elaborate, what was the impact of the lower publishing volumes on your comparable net sales during the quarter? You had a number of issues. It was lower. So what was the impact on the comparable net sales?

Susan Duinhoven: That is, we have not split that for the different measures, but that is something that we can make available.

Joni Sandvall: OK. Thanks.

Kaisa Uurasmaa: Thank you. Next please.

Pete-Veikko Kujala: Pete-Veikko Kujala from SEB. First about the events business or the festivals business in Finland. Are you now satisfied if we look at Q2 and Q3, are you satisfied with the profitability of the business? Because I remember last year you had some issues, especially in Q3.

Susan Duinhoven: I think we're very happy with that business. It's clearly a business, you know, you need to constantly work with the portfolio. So you will see still movements in that portfolio, some acquisitions, some divestments as the market changes, the competitive situation changes. But we're very happy with that business. We saw good results coming out of it. And it's now of course a business that is also more integrated into Sanoma. If you remember last year, we acquired that business just before the summer. And you know, the peak is of course in the summer period. So they have, we were more I would almost say riding the wave and then really steering. And this now has given us a full year to prepare and it has shown its results. Both on the top line and on the bottom line.

Pete-Veikko Kujala: So there's this like a calendar effect if we look up Q2 and Q3?

Susan Duinhoven: It's just sort of which events are when and what's the organization. So unfortunately, where you're very used to us to these sort of stories from the learning business, we have now introduced this into the SMF business as well.

Pete-Veikko Kujala: OK. Super. Alright, still in Media Finland. Can you open up a little bit what was the effect of the Fox TV sales in Q3?

Susan Duinhoven: It was positive and I can't say much more about that. And that has also its origin in how we sell, because we sell total packages of audiences and that goes across all channels. Therefore it is very hard to say this part is allocated to that. And what the effect therefore is of having Fox, yes or no. And that is a bit of an artificial split. We can of course see what is published, let's say, what is shown on one channel but not what the effect of the channel is. So we will not disclose individual sales figures, but overall we were very happy with the TV development in the third quarter.

Pete-Veikko Kujala: Alright, thanks. And then one more, actually two more. Could you give some indication about how the Q3 was for a Iddink? The business that's not consolidated yet but...

Markus Holm: We haven't disclosed that. So we have disclosed until the second half and now we are doing the closing balance sheet for Iddink now and, it will be consolidated from 1st of October onwards. So that's when we start publishing.

Pete-Veikko Kujala: Alright. Then a continuing in Learning when you gave out your new guidance. You mentioned that Iddink was a driver in the upgrade. Maybe I'm just confused, but this would have to imply that the margin profitability in Q4 for Iddink is very much higher than last year, because I remember in 2018 it was something like 6%.

Susan Duinhoven: It is a couple of million higher the profitability, but we will sort of come back to that when we're reporting on the fourth quarter.

Pete-Veikko Kujala: All right, thanks.

Kaisa Uurasmaa: Thank you. And more questions here, please.

Petri Aho, Inderes: If we talk about the Media Netherlands, it has had a very big variation in operational EBIT margin. Can you discuss a little bit more about that and will it continue going forward?

Susan Duinhoven: There is of course always a bit of fluctuation and you see that also in the previous year. The fluctuation is a bit more this year. And we had that discussion also a bit in Q1, Q2. And I think that's where you see most of the shift because of Easter. And you know, Easter just being in Q2 or just being in Q1 makes then quite a bit of a difference. So I think if you look back at the Q1, Q2 results, you'll see that those average out. This quarter was truly impacted by both the divestments, the Scoupy sales, and I think also a little bit an over and last year there was a bit of a quarter effect between the quarters that make the compatible quite high. And that is the cost for both marketing and personnel was quite a bit lower than. So it is a bit coincidence I would say that all these effects now come together in this third quarter. And that's why it makes it look a bit, like I said, if you look at the underlying business and if you look at our expectations of that business, we're quite happy. And also we don't see in our business, when we look at the, underneath the drivers, we see quite solid performance. I mean the VAT increase in 1st of January was a disappointment for the whole of the market. But those are the things that happen. That is the only thing that has impacted, for example, the circulation sales in a negative way. The trends there are good, the business is performing well, teams are good, you know on the creative side coming up also with interesting new concepts for the magazines. So overall, we're quite happy with that business. But I'm with you, it is a bit of a wild ride this year. But I think that when we report to full year you'll see that dampen out.

Markus Holm: Quarter two more plusses and quarter three minuses. You have to look on the year to date overall, which is quite in line with our expectations. And so the divestment is really the biggest change to the prior year.

Petri Aho: Good. Yes. Can you then talk about more of these effects of divestments to Q3 results in Netherlands? So you said the net sales effect was 40 million, but what kind of margin had divested part?

Markus Holm: Overall, we have each quarter disclose the effect of the sales of the divestments and in on a year to date basis, it's somewhat over 40 million if I remember correctly. And you can take an average profitability more or less on that. So it is mainly the mood for magazines to the LINDA magazine, which was a good, profitable magazine.

Petri Aho: OK. Thank you.

Kaisa Uurasmaa: Thank you. Any further questions from Sanomatalo? If not, I will now hand over to the operator for questions from the telephone line.

Operator: Ladies and gentleman, if you wish to ask a question, please press zero one on your telephone keypad. We have one first question from Mr Arnaud Radimaky. Go ahead.

Arnaud Radimaky: Thank you. I still have a couple of questions on the Netherlands. What would be the underlying comparable trends in the print revenues in Q3 and here today if you exclude those divestments?

Susan Duinhoven: As we indicated in the slide it's minus 5% is the comparable sales excluding the divestments.

Arnaud Radimaky: Yes. But then you, give it this detail of print, non-print and other. So I was wondering how would it look on a comparable basis for those lines and if we can get the print?

Susan Duinhoven: We don't do not disclose that.

Arnaud Radimaky: All right. And, then on Netherlands still, what is that size of this nu.nl and Scouby business in terms of revenues? How big are these of the Netherlands and what is the margin compared to the rest of the business?

Susan Duinhoven: Yes, we typically do not disclose on a brand by brand basis. The revenues, both of them are of course smaller properties. Nu.nl now is comparable with other titles, let's say as an overall revenue. So I think you should not look at this as you know, as half of the business or something, but we will not disclose the details. Both of them are reported within the digital part of the business.

Markus Holm: News and data overall that as, as what we said in the road show presentations, roughly 10% of the sales in Holland.

Susan Duinhoven: But that's the total of it.

Arnaud Radimaky: Alright, thank you. On my final question is on the guidance. So, you would expect comparable net sales to be in line with last year, but the nine months were down 3%. So, what kind of expectation do you have for Q4 and what kind of range do you have if it will be in line?

Susan Duinhoven: We leave that math a little bit to you. We don't forecast, let's say a the quarters but typically in the media businesses, the fourth quarter is a heavy quarter. So that's the, it weighs quite heavily on the overall results.

Arnaud Radimaky: Do I understood it correctly that you are guiding flats organic sales for the full year and this means quite a hockey stick for Q4? And then, kind of what would be driving that if we say the advertising is coming down and that kind of underlying trends are similar to what we have seen?

Susan Duinhoven: I think if I understand your question, I think when we say in line with prior year, it doesn't mean to be on the euro exactly identical. So there is quite a range around that, that we normally keep. So stable is for us, there is a bit of a plus or minus around that.

Arnaud Radimaky: Right. That's great. Thank you. That's all from me.

Kaisa Uurasmaa: Thank you.

Operator: Thank you sir. Ladies and gentlemen, I would like to remind you that if you wish to ask a question, please press zero one on your telephone keypad. We have no other questions by phone.

Kaisa Uurasmaa: OK. Thank you. With this, I conclude the presentation and thank you for actively participating and if any further questions, please be in contact with us at IR. Thank you.

Susan Duinhoven: Thank you.