

# Sanoma acquires Alma Media's regional news media business and evaluates strategic options for its online classifieds' business in Finland

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# Highly synergistic acquisition supporting the growth of Sanoma's digital news subscriptions in Finland

Sanoma has signed an agreement to acquire Alma Media's regional news media business in Finland with net sales of 94m€ and adjusted EBITDA of 20m€\* for 2019

Highly synergistic bolt-on acquisition: estimated net synergies 13m€ from 2022 onwards

Agreed enterprise value 115m€, multiple 5.8 (EV / Pro forma adjusted EBITDA\*) and 3.5 including also synergies

Growing our **digital subscription** base

Supporting Media Finland's **long-term profitability target**

(12-14% oper. EBIT margin excl. PPA)

**Sustainable future for independent domestic journalism in Finland**

**Efficiency** in shared operations, better **financial returns** on digital investments

Strengthening Media Finland in one of its strategic core businesses, **news & feature**

# Independence of the strong regional titles, led by dedicated Editors-in-Chiefs, will continue after the acquisition

## The acquisition will include:

- Alma Media Kustannus Oy
  - Leading regional newspapers Aamulehti (founded in 1881) and Satakunnan Kansa (founded in 1873)
  - Thirteen smaller newspapers in Tampere region as well as Western and Central Finland
- Alma Manu Oy
  - A state-of-the-art printing facility in Tampere
- The acquired business will report to Sanoma Media Finland's News & Feature unit, which currently consists of HS, IS and seven magazine titles



**Janakkalan Sanomat**  
**Jokilaakso**  
**Jämsän Seutu**

**Kankaanpään Seutu**  
**KMV-lehti**  
**Merikarvia-lehti**

**Nokian Uutiset**  
**Rannikkoseutu**  
**Suur-Keuruu**

**Sydän-Satakunta**  
**Tyrvään Sanomat**  
**Valkeakosken Sanomat**

**Vekkari**  
**ALMA MANU**

**sanoma**

# Alma Media's regional news media business

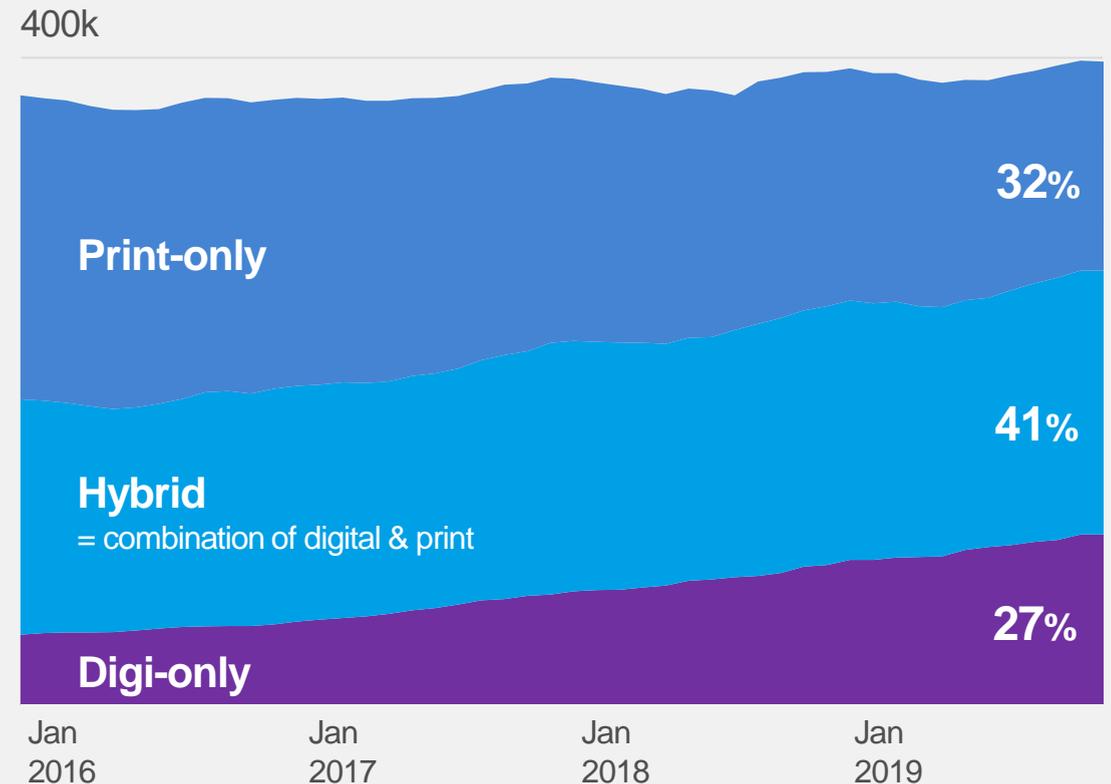
- Net sales of 94m€ and adjusted EBITDA of approx. 20m€\* in 2019
  - Subscriptions are approx. 60% and advertising is approx. 40% of total net sales
  - Majority of print advertising sales comes from regional advertising – typically more stable than national print advertising
- Acquired titles have a total of 190k subscriptions (end of 2019)
  - Titles have strong position in their own regions, with a total reach of over 90%
  - Approx. 14% of subscriptions are digital-only; grew approx. by 60% in 2019
  - As a comparison: total number of subscriptions for HS is 397k, with share of digital-only being 27% (end of 2019)
- Alma Manu's state-of-the-art printing facility in Tampere, leased with a book value of 41m€ (end of 2019)
- Approx. 365 FTE (beginning of 2020)
  - Shared administrative operations will stay at Alma



# Recent learnings and successes at Helsingin Sanomat supporting combined digital growth

- Number of digital-only subscriptions at HS is now above 100k, equalling more than 27% of total subscription base
  - Total number of subscriptions grew for the third year in a row, with strongest growth in digital
  - Already 2/3 of all subscriptions include a digital component
  - Appealing digital experience has attracted younger audiences
- Aim to accelerate digital growth in the acquired titles
  - Share of digital-only 14% (end of 2019); grew by approx. 60% in 2019
  - Better financial returns on increasing investments in digital development to be achieved
  - Attractive higher contribution for additional digital subscriber compared to print
- Future success in digital requires scale

## 1-2% annual growth in HS subscription base



# Key rationale: Increasing scale in subscription news benefits readers, advertisers, employees and shareholders

## Sustainable future for independent domestic journalism in Finland

### Increasing efficiency

- Bolt-on, synergistic acquisition with estimated net synergies of approx. 13m€
  - Operational efficiency, procurement, IT and shared operations & support functions
  - Expected to be realised in full in 2022
- Enables better returns on the increasing investments in digital development

### Sharing successes

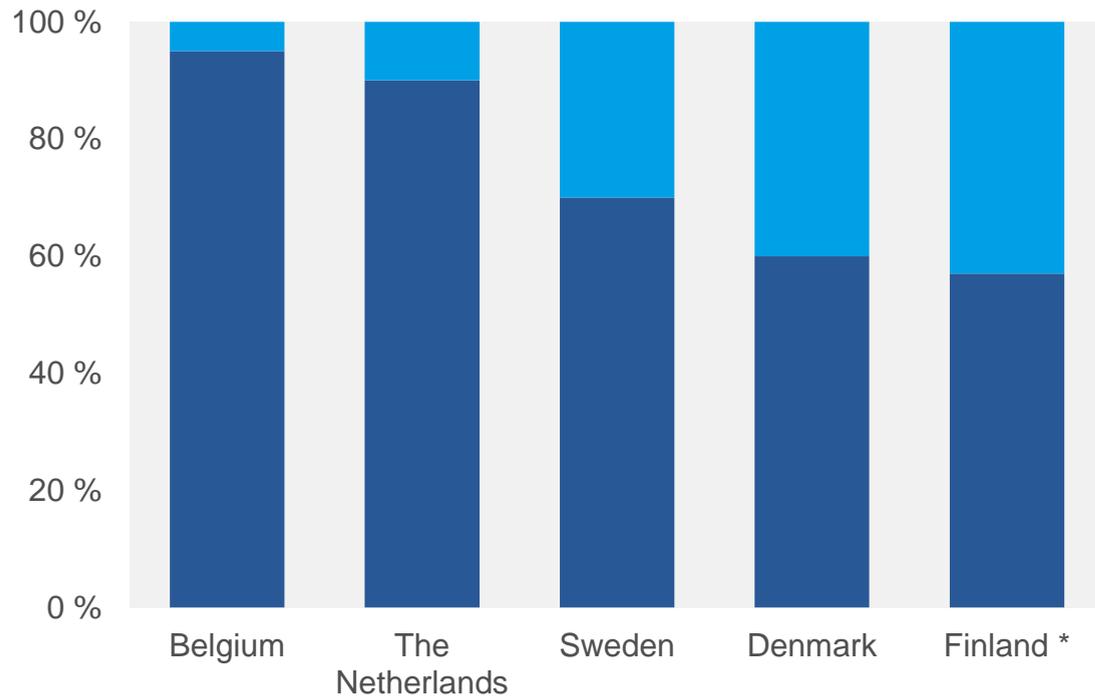
- Continued investments in joint development of digital platforms
- Shared pool of international, national & feature content as well as technology and talent
- Increased focus and wider product offering for regional B2B sales
- Extended opportunities for professional development and job rotation

### Keeping all news titles editorially independent

- Editorially independent Editors-in-Chief
- Engaging, high-quality, regional and national journalism for readers now and in the future
- Freedom to focus uniquely on creating high-quality, independent news journalism

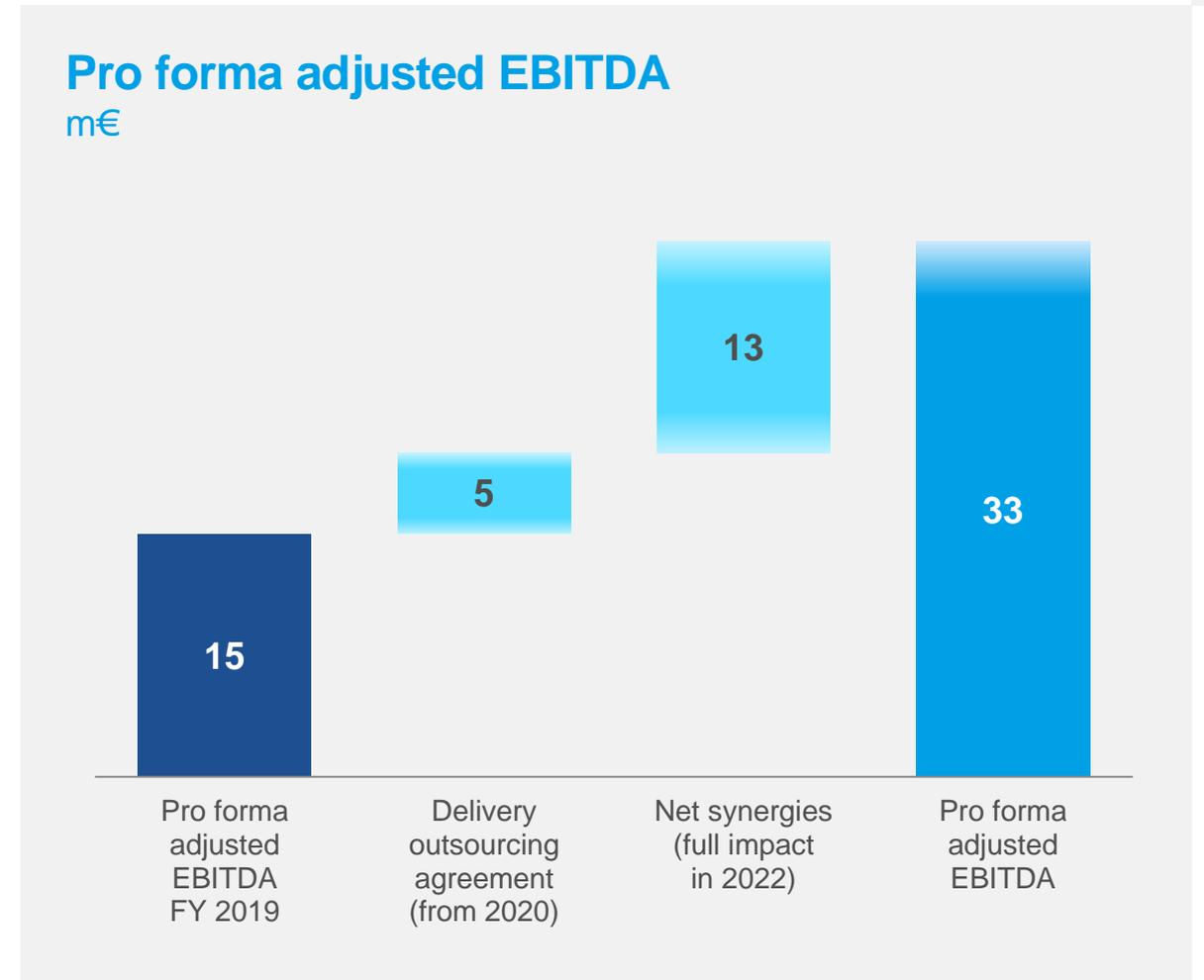
# News media market in Finland continues to be highly fragmented and diverse

Market shares of two largest domestic news media players in some European countries



# Attractive valuation for highly synergistic bolt-on acquisition

- Enterprise value of 115m€, including 42m€ of net debt and advances received (end of 2019)
- EV / Pro forma adjusted EBITDA multiples
  - 5.8 incl. impact of the delivery outsourcing agreement \*
  - 3.5 incl. net synergies also
- Expected annual cost savings of approx. 5m€ related to the delivery outsourcing agreement with full impact already in 2020 \*
- Annual estimated net synergies of approx. 13m€, expected to be realised in full in 2022
  - Half related to operational efficiency, procurement and IT
  - The other half to shared operations and support functions



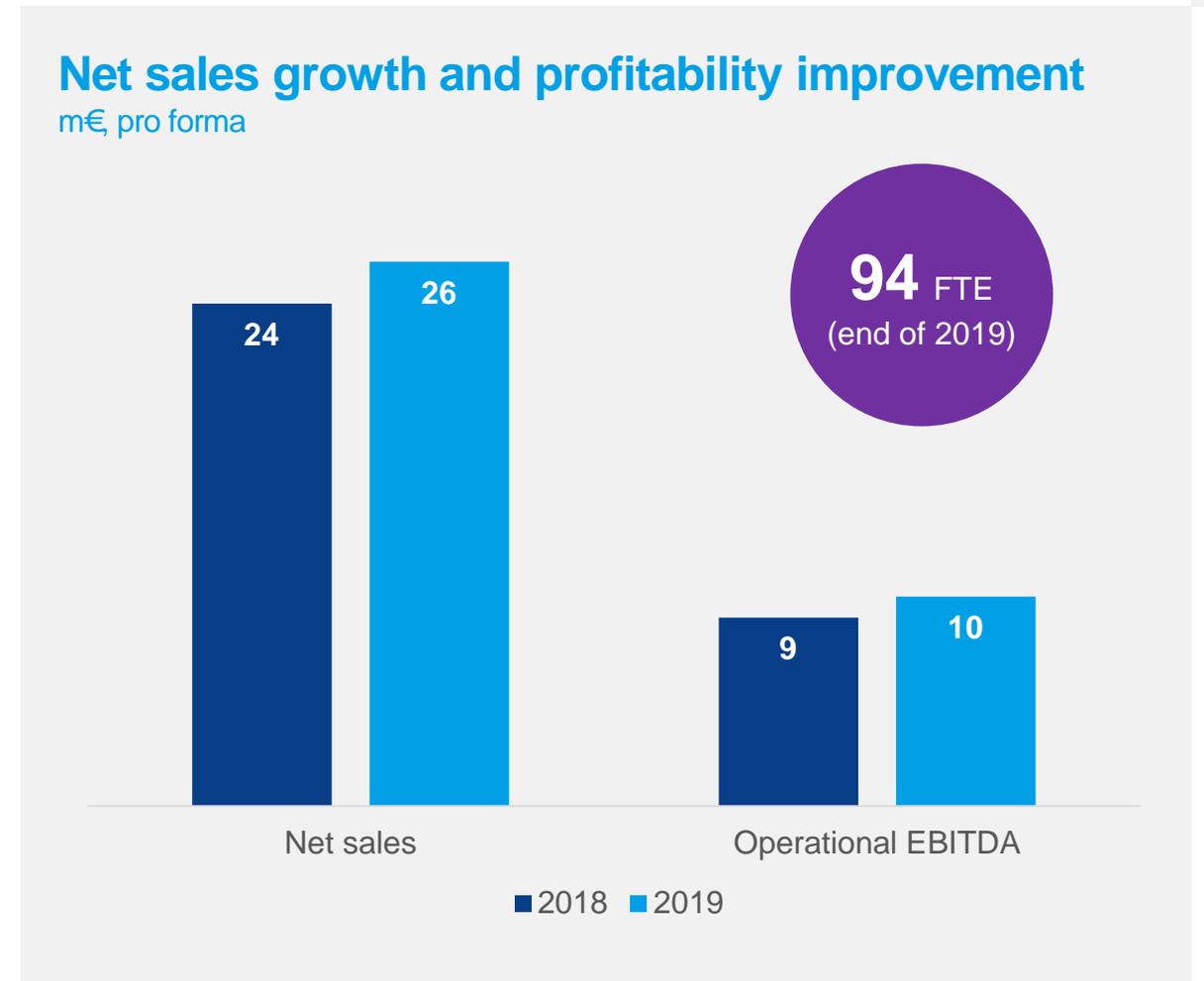
# Funding, transaction costs and closing

- Sanoma will finance the acquisition through existing debt facilities
- Transaction and integration costs of approx. 6m€ to be booked as IACs in Sanoma Media Finland's 2020 result
- The transaction is subject to customary closing conditions, including approval by the Finnish Competition and Consumer Authority, and is expected to be finalized during 2020
- After closing, the acquired business will be reported as part of Sanoma Media Finland SBU



# Evaluating strategic options for Sanoma's online classifieds' business

- Sanoma has decided to evaluate strategic options for Oikotie Ltd., a leading online classifieds player in Finland
  - The leading Finnish online classifieds sites in recruiting and housing
  - Sites on construction and renovation (rakentaja.fi) and electricity comparison (sähkövertailu.fi)
- The evaluation is in-line with Sanoma Media Finland's focus on its core strategic businesses: news & feature, entertainment and B2B marketing solutions
- Divestment of the business can be one of the potential outcomes of the evaluation
- Sanoma will release further information as soon as the evaluation is completed



# Summary: Highly synergistic acquisition supporting the growth of digital news subscriptions in Finland

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# Appendix

**Mr. President,  
welcome to  
the land of  
free press.**

HEIKKILÄN SANOMAT

# The acquired business

m€	2019	2018
Reported net sales	99	103
<b>Net sales pro forma *</b>	<b>94</b>	<b>98</b>
Adjusted EBITDA	15	13
<b>Adjusted EBITDA pro forma *</b>	<b>20</b>	<b>18</b>
Adjusted EBIT	10	8
Net debt incl. advances received	42	n/a
Value of acquired assets in seller's B/S	84	n/a
Liabilities	73	n/a
Leased printing assets	41	n/a
Cash flow from operations	13	9
<b>Cash flow from operations pro forma</b>	<b>18</b>	<b>14</b>

## AAMULEHTI

- The second largest daily newspaper in Finland
- Print and digital publishing as well as advertising with almost 80% reach in Tampere region

## SATAKUNNAN KANSA

Kankaanpään Seutu    Sydän-Satakunta  
Merikarvia-lehti    Jokilaakso

- Satakunnan Kansa is the leading newspaper in Pori region
- Four local newspapers
- Print and digital publishing and advertising with over 90% reach in the region

Nokian Uutiset    Tyrvään Sanomat    Valkeakosken Sanomat  
Jämsän Seutu    Vekkiari    Rannikkoseutu  
Suur-Keuruu    KMV-lehti    Janakkalan Sanomat

- Nine leading local newspapers
- Print and digital publishing as well as advertising with significant influence in their respective regions



- Printing services with optimal location and modern facility (from 2013) and machinery
- Delivery and logistics services

# Sanoma in 2019

 NET SALES  
**EUR 913 million**

 NON-PRINT SALES  
**51%**

 OPERATIONAL EBIT MARGIN  
**14.8%**

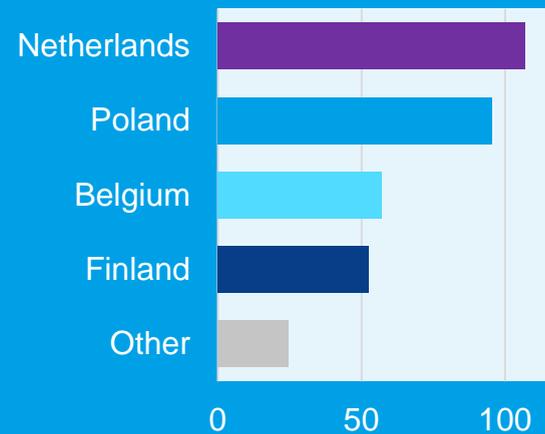
## Learning

 EUR 337 million

 49%

 21.7%

### NET SALES 2019



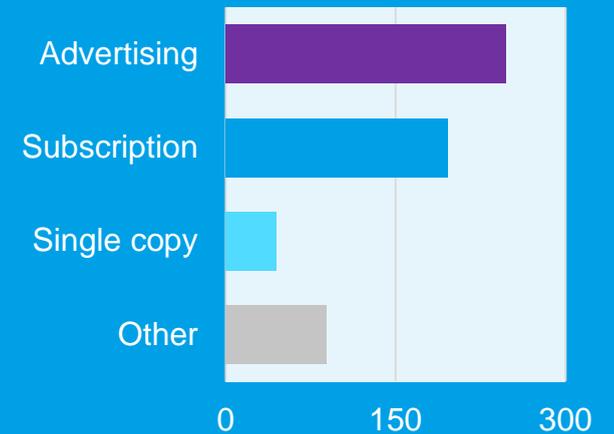
## Media Finland

 EUR 577 million

 53%

 12.0%

### NET SALES 2019



# Sanoma Media Finland focuses on three core businesses



## News & feature

- Sustainable demand
- Our strong history and position
- Our proven track record in successful digital transformation

Leading in domestic,  
independent journalism



## Entertainment

- Growing market
- Unique combination of strengths
- Important role in total advertising portfolio

Leading entertainment  
house with most attractive  
brands and stars



## B2B marketing solutions

- Our reach has value for marketers
- A unique, comprehensive portfolio and offering to further build on
- Growth opportunities in the markets

Marketing partner  
of choice

# The new News & Feature unit

Leading news brands

**IS**

**HS**

+

Strong feature brands

**VAUVA** Meidän **PERHE**

**menaiset**

GLORIAN **ruoka&viini**

**SPORT TIEDE**

Focus on

**Growing digitally active  
subscription base**

**Growing the daily  
national reach**

# Media Finland: Adjusted \* quarterly key figures

EUR million	FY 19	FY 18	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Net sales	576.8	578.5	144.2	146.5	154.5	131.6	144.5	150.7	146.2	137.0
EBIT	54.9	59.3	11.9	19.0	14.7	9.3	9.3	19.2	19.9	11.0
Items affecting comparability (IACs)	-10.0	-7.1	-1.7	-1.5	-3.6	-3.1	-6.2	-1.4	1.9	-1.5
PPA amortisations	-4.4	-3.2	-1.1	-1.1	-1.1	-1.1	-1.0	-1.0	-0.7	-0.4
Operational EBIT excl. PPA	69.4	69.6	14.7	21.7	19.4	13.5	16.5	21.5	18.7	12.9
margin	12.0%	12.0%	10.2%	14.8%	12.6%	10.3%	11.4%	14.3%	12.8%	9.4%
Capital expenditure	3.8	4.1	1.1	0.9	1.2	0.7	1.1	0.7	0.5	1.8
Average number of employees (FTE)	1,804	1,781	1,804	1,811	1,793	1,764	1,781	1,779	1,742	1,709

# Disclaimer

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