

Half-year Report 2020:

Learning on track towards full year targets, advertising sales declined due to corona pandemic

Susan Duinhoven, President & CEO

Markus Holm, CFO & COO

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Continued transformation and increasing focus, long-term priorities remain unchanged

Oikotie was divested to Schibsted on 16 July for an EV of 185m€ and an EV/EBITDA multiple of 19.6 ¹⁾

Divestment of Media Netherlands was completed on 20 April for an EV of 460m€

Acquisition of Alma Media's regional news media business was completed on 30 April



**400-500m€
headroom
for M&A**

**Focus on
growing esp.
the learning
business**

**We remain
committed to
our long-term
financial
targets ²⁾**

H1 2020: Learning on track towards full year targets, advertising sales declined due to corona pandemic

Net sales

434m€

(2019: 423)

Comparable net sales growth

-8%

(2019: -2%)

Operational EBIT excl. PPA

45m€

(2019: 56)

Free cash flow

-65m€

(2019: -41)

Net debt / Adj. EBITDA

2.6

(2019: 2.2)

- Net sales grew in Learning driven by the Iddink acquisition and declined in Media Finland due to coronavirus pandemic impact on advertising and events business
- Operational EBIT excl. PPA declined due to the impact of the corona pandemic on advertising sales in Media Finland and shift in reported net sales in Learning due to the Iddink acquisition
- Free cash flow was negatively impacted by lower profitability and the divestment of Media Netherlands, partially offset by positive payment timing at Learning
- Leverage returned to its long-term target level after the divestment of Oikotie, announced and completed on 16 July

Learning H1 2020: Reported net sales moving towards Q3 after the Iddink acquisition...

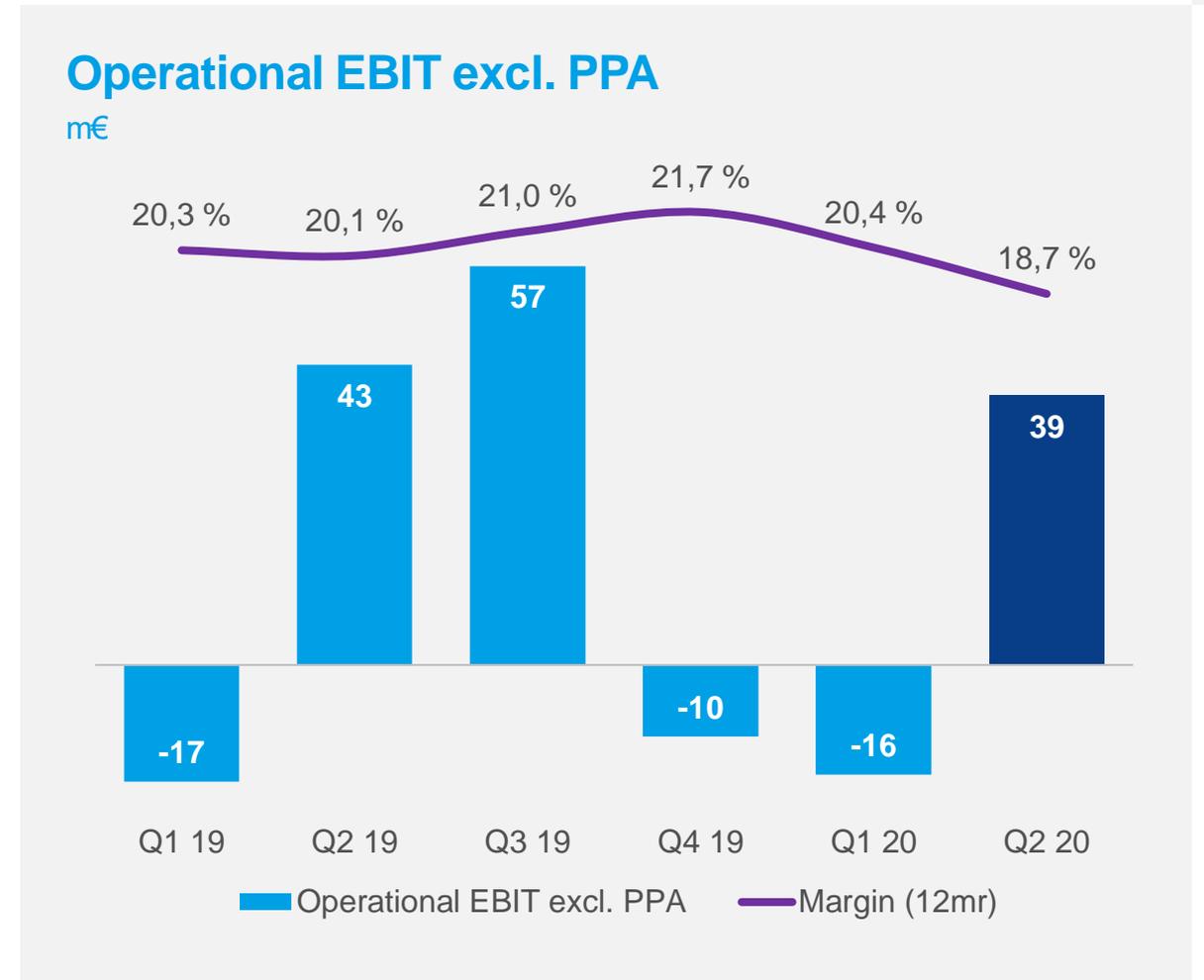
- Net sales grew to 174m€ (2019: 137)
 - 31m€ from acquisitions, Iddink and its learning in particular
 - Comparable net sales grew in the Netherlands during the ongoing curriculum renewal in primary education mathematics
- In Q2, part of learning material sales in the Netherlands and Belgium were now for the first time reported as Group internal sales to Iddink as distributor
 - External sales are only recognised in the income statement when Iddink delivers the materials to the external customers, i.e. schools, during the third quarter
 - Shifting approx. 12m€ of reported sales from the second to the third quarter, when the new school year starts
- The coronavirus pandemic had only a minimal impact on the net sales and operational EBIT of Learning



Learning H1 2020:

... we are on track towards full year targets

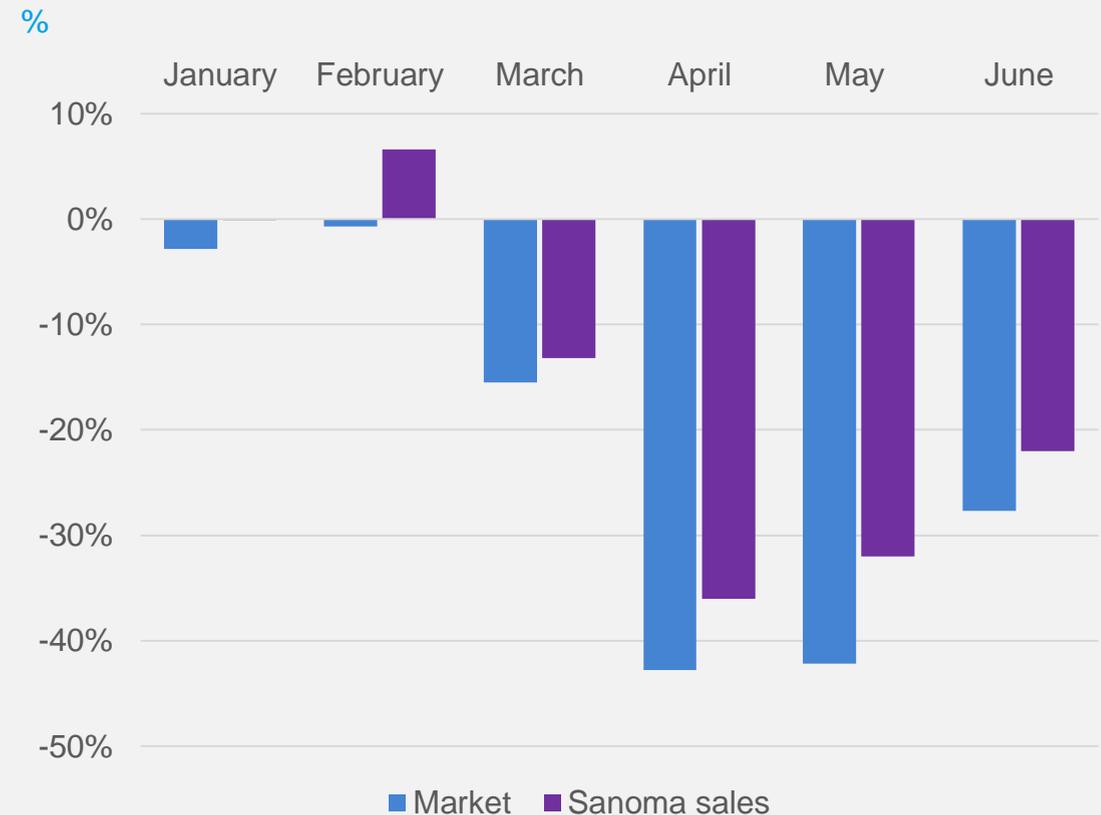
- Operational EBIT excl. PPA declined to 23m€ (2019: 26)
 - Shifting of reported net sales towards the third quarter had a negative earnings impact
 - Higher penetration of the subscription model led to lower share of rental books in the product mix and thus shifted earnings into Q3 at Iddink
- Well on track towards full year targets for 2020 ¹⁾
 - Net sales of Learning estimated to be around 500m€
 - Operational EBIT margin excl. PPA estimated to be around 20%



Media Finland Q2 2020: Advertising sales declined significantly due to corona...

- Net sales declined to 131m€ (2019: 155) due to the coronavirus pandemic
 - Comparable subscription sales grew driven by strong growth in digital subscription sales
 - Number of subscriptions for Helsingin Sanomat grew by 6% y-o-y
 - HS Kids to be launched in August has started to sell well
 - Good development also in the number of users for subscription-based VOD Ruutu+ and audio services Supla+
 - Net sales of the regional news media business acquired on 30 April 2020 amounted to EUR 12 million
 - The impact of the cancellation of all festivals and events was approx. -14m€
 - Comparable advertising sales declined by 30% or 21m€
 - Slow recovery expected to continue during H2
 - Uncertainty depending on economic development and impact of possible second wave of the pandemic

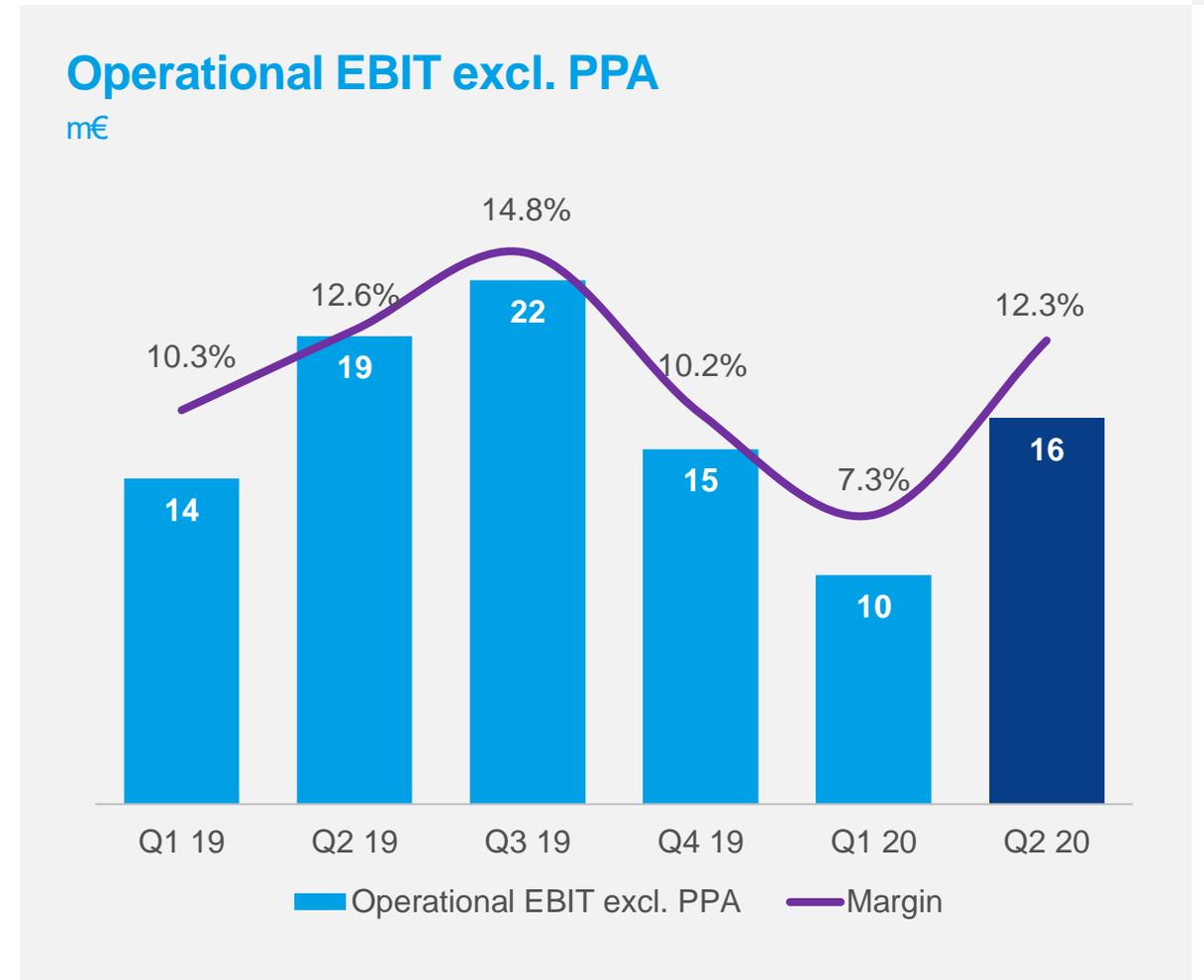
Monthly advertising development



Media Finland Q2 2020:

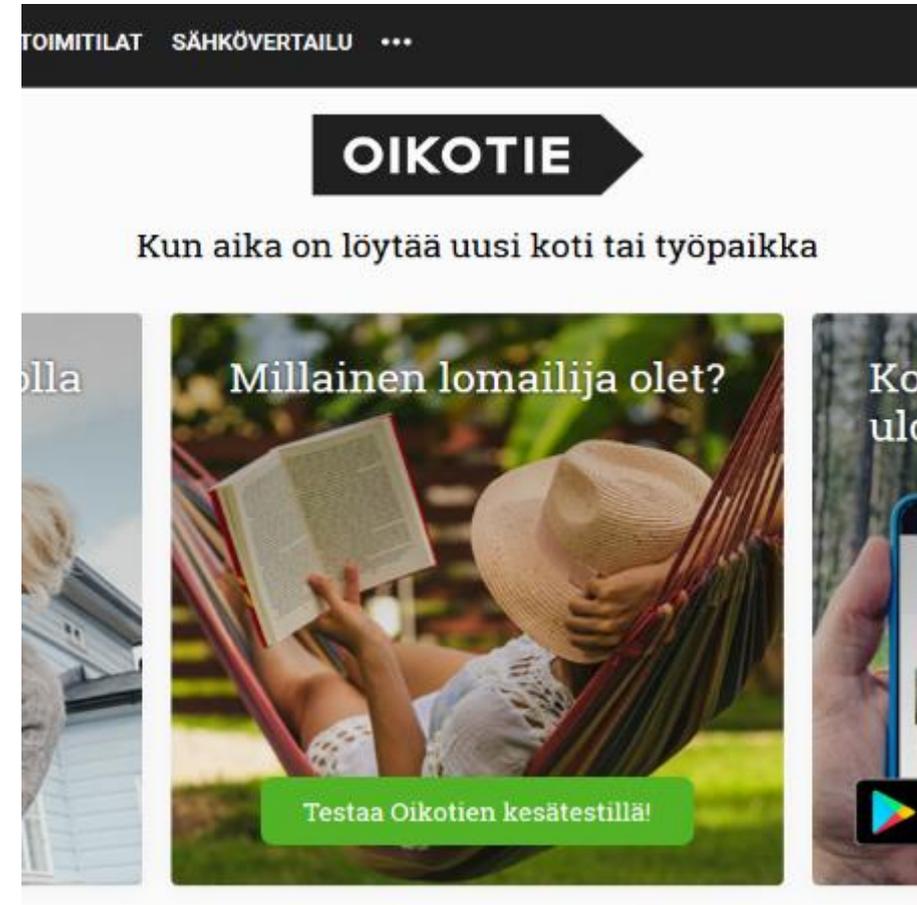
... profitability decreased only modestly due to one-offs

- Operational EBIT excl. PPA declined to 16m€ (2019: 19)
 - Adverse impact of lower advertising sales was partially offset by one-off items
 - Lower TV programming costs, which were shifted from the second quarter into the latter part of the year as a response to declining TV advertising sales
 - Received insurance compensation related to the cancelled events was booked in full in Q2, although some fixed costs related to the events business will occur in the latter part of 2020
 - Costs related to administration, marketing and content creation decreased as a result of actions taken to mitigate the corona impact
 - Paper and printing costs declined as a result of lower unit prices and volumes



Oikotie was divested to Schibsted for an EV of 185m€

- Divestment of Oikotie, the leading online classifieds player in Finland, was announced and closed on 16 July
- EV 185m€, corresponding to EV/EBITDA multiple of 19.6 ¹⁾
- Evaluation of strategic options for Oikotie announced on 11 February concluded that consolidation of the market creates value for advertisers, consumers and Oikotie business
 - Experienced international player can add more innovation and share technology
- Media Finland's focus fully on news & feature, entertainment and B2B marketing solutions
- Sanoma has 400-500m€ headroom for future M&A primarily in Learning business
- Oikotie will be included in Sanoma's financial reporting until 31 July 2020
- A non-cash capital gain of approx. 163m€ including divestment-related transaction costs of approx. 3m€ to be booked as IAC in Media Finland's Q3 2020 result



Outlook for 2020 (unchanged)

On 24 March 2020, Sanoma announced it had temporarily withdrawn its Outlook for 2020 (given on 7 February) and indicated significant impact on its business due to the coronavirus pandemic.

Sanoma expects to give an updated Outlook for 2020 later during the year.

Financials

Q2 2020 operational earnings declined

Learning

- Shifting of reported net sales towards the third quarter
- Higher penetration of the subscription model leading to lower share of rental books and shifting earnings into Q3 at Iddink
- Bonuses related to High Five

Media Finland

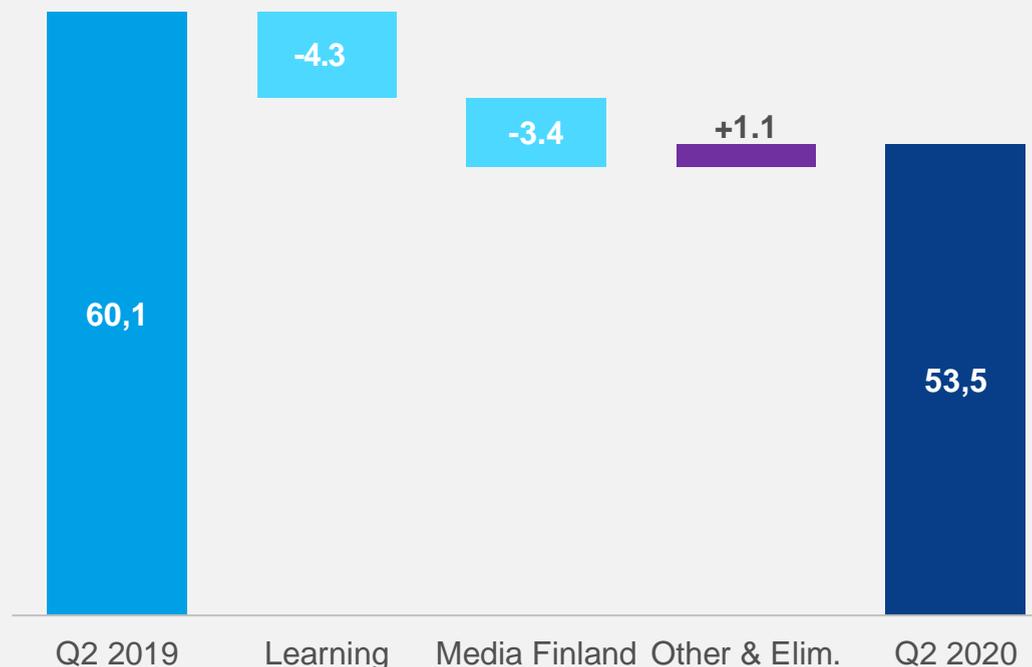
- Advertising sales
- + TV programme costs (shifted from Q2 to H2)
- + Insurance compensation of cancelled events (booked in Q2, some costs will occur in H2 20)
- + Cost mitigation actions related to corona
- + Paper and printing costs

Other

- + Lowering of bonus provisions related to Learning

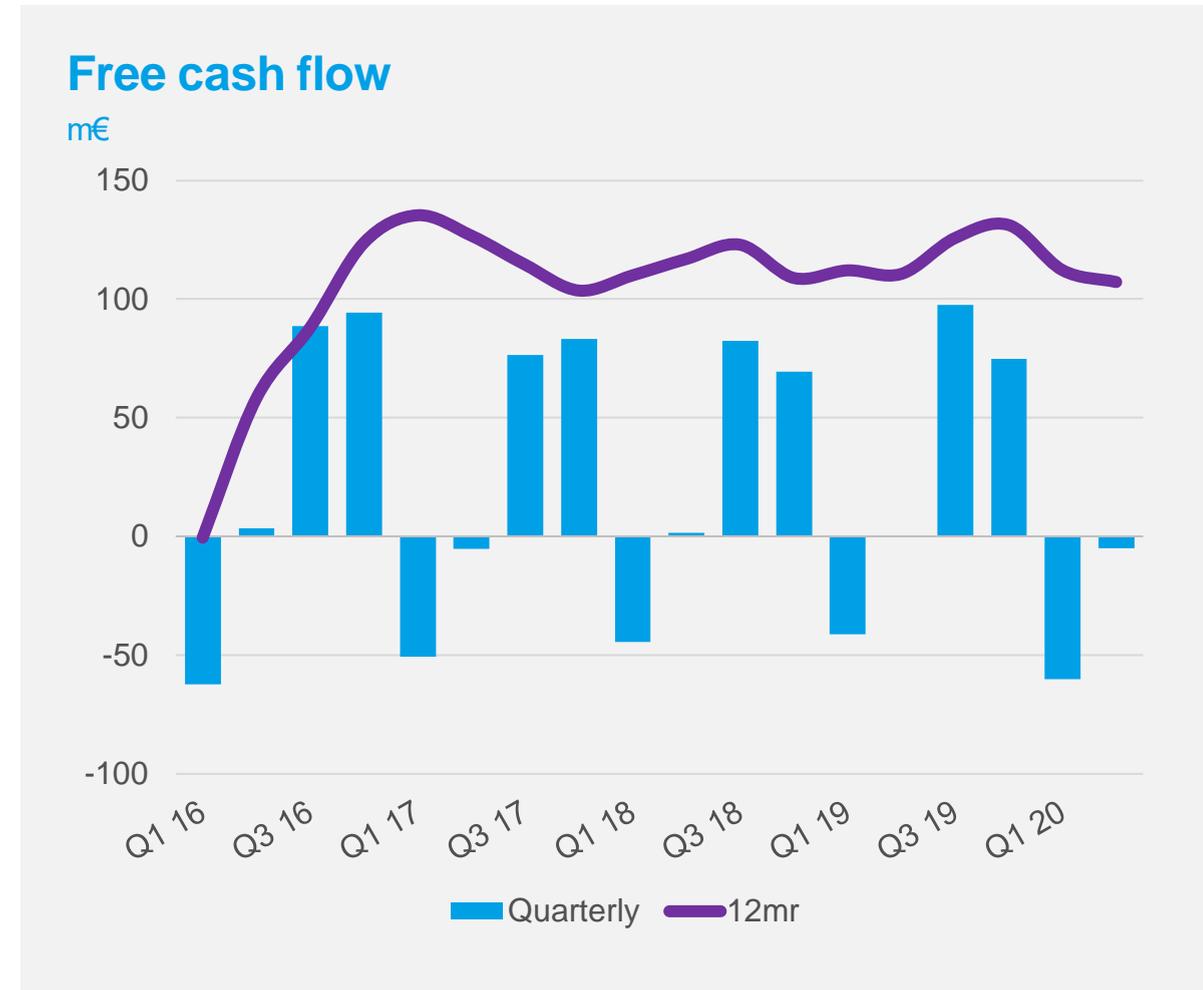
Operational EBIT excl. PPA Q2 20 vs. Q2 19

m€



Free cash flow impacted by corona and Media Netherlands divestment

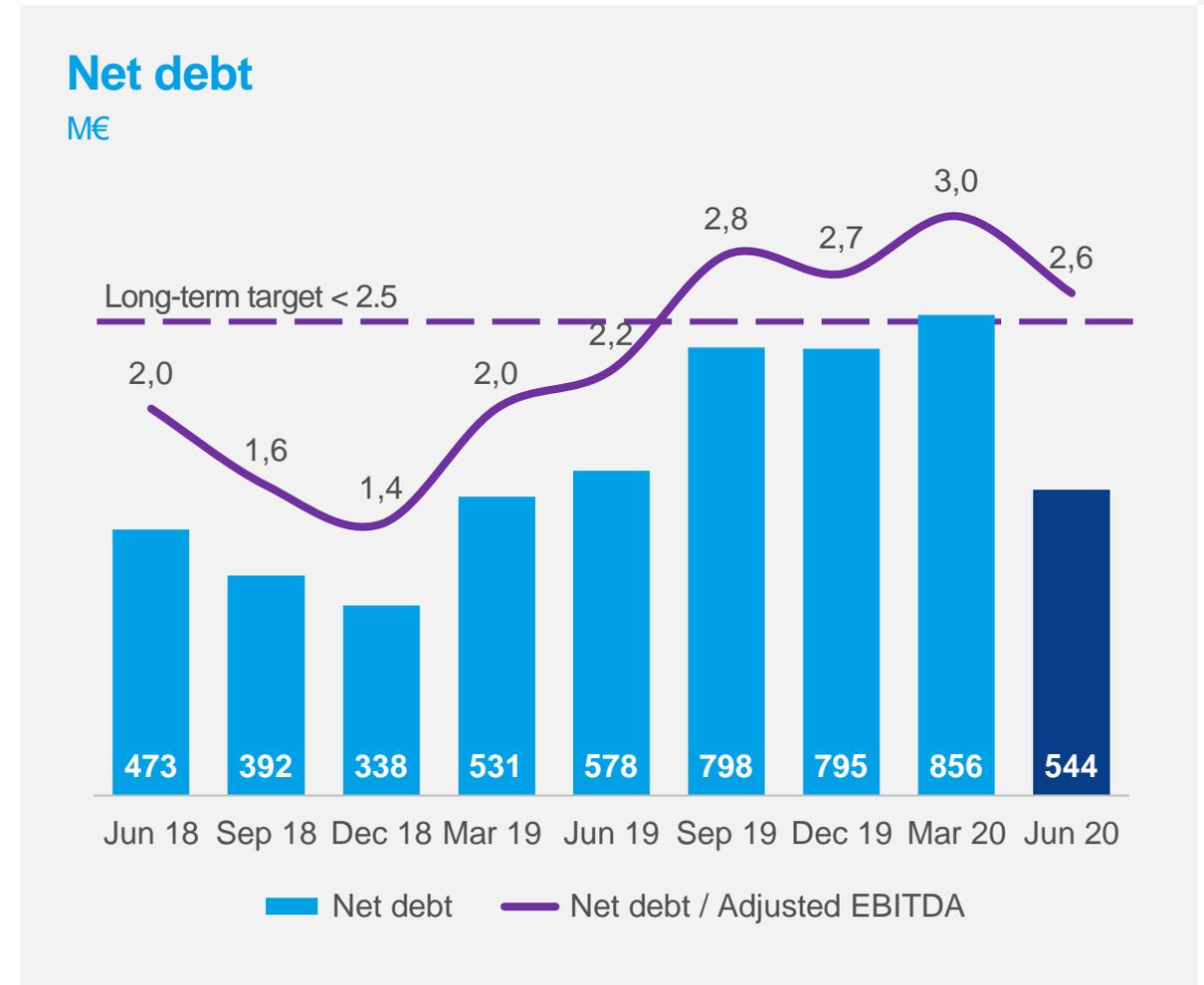
- Free cash flow declined to -65 m€ (2019: -41) in H1 2020
 - Lower profitability of the continuing business due to corona
 - Discontinued Media Netherlands operations as only the negative cash flow of the first four months was consolidated in 2020
 - Higher capital expenditure in technology driven by recent acquisitions in Learning
 - + Operating cash flow in Learning, driven by the impact of organic net sales growth in the Netherlands
- For dividend calculation purposes FY 2020 free cash flow will be adjusted for the divested Media Netherlands
 - Free cash flow of Media Netherlands was approx. -22m€ for January-April
- 2nd dividend instalment of 0.25€ will be paid in November



Free cash flow = Cash flow from operations less capital expenditure

Net debt decreased during the quarter after closing of the Media Netherlands divestment

- Net debt decreased from the end of March as a result of the Media Netherlands divestment
 - Net debt / Adj. EBITDA 2.6
 - Equity ratio 34.4%
- Net financial expenses decreased to 4m€ (2019: 10) in H1 2020
 - Lower average interest rate of external loans following the repayment of the 200m€ bond in November 2019
 - Average interest rate of external loans decreased to 0.7% (2019: 2.7%)
 - Positive FX translation impact and settlement of a tax receivable in Q1
- Leverage returned to its long-term target level after the divestment of Oikotie, announced and completed on 16 July



Financial reporting in 2020

29 October

Q3 2020 Interim Report

Virtual roadshow

with the CEO and CFO & COO on 1 September

More information:

[Sanoma.com/investors](https://www.sanoma.com/investors)

Book a meeting:

ir@sanoma.com

Appendix



Sanoma in 2019

 NET SALES
EUR 913 million

 NON-PRINT SALES
51%

 OPERATIONAL EBIT MARGIN
14.8%

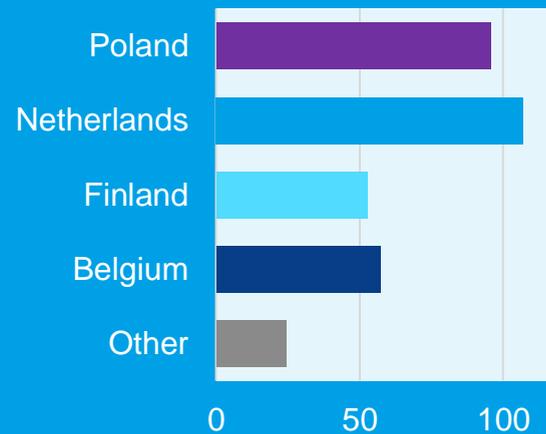
Learning

 EUR 337 million

 49%

 21.7%

NET SALES 2019



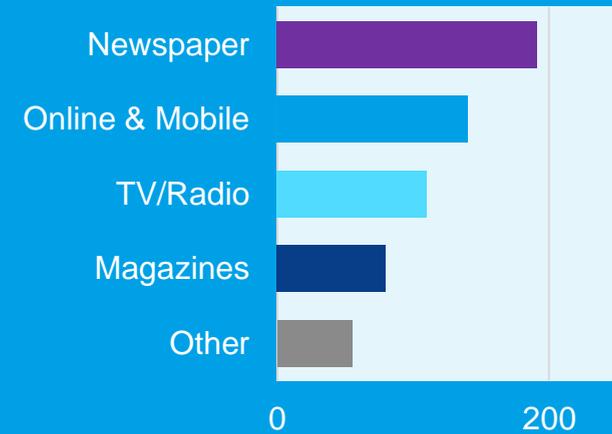
Media Finland

 EUR 577 million

 53%

 12.0%

NET SALES 2019



Divestment of Media Netherlands

- On 10 December 2019, Sanoma announced it has signed an agreement to divest the strategic business unit Sanoma Media Netherlands
- The divestment was completed on 20 April 2020
- Media Netherlands is reported as Discontinued operations in Sanoma's 2019-2020 financial reporting
- Continuing operations include Sanoma Learning and Sanoma Media Finland SBUs
- Unless otherwise stated, all income statement related quarterly and FY figures in this presentation, including corresponding periods in 2019, cover continuing operations only
- In addition to continuing operations, figures related to balance sheet and cash flow include the discontinued operations until closing



We are well on track with our long-term targets

Key ratios

	Long-term target	31 Dec 2019	30 June 2020
Net debt / adj. EBITDA	< 2.5	2.7	2.6
Equity ratio	35-45%	30.5%	34.4%
Dividend payout	Increasing dividend 40-60% of free cash flow	58%	n/a

The divestment of Oikotie (on 16 July 2020) will bring these to the long-term target levels

Learning

Comparable net sales growth
Operational EBIT margin excl. PPA

Comparable net sales growth	2-5%	0%	Reported on an annual basis
Operational EBIT margin excl. PPA	20-22%	21.7%	

Media Finland

Comparable net sales growth
Operational EBIT margin excl. PPA

Comparable net sales growth	+/-2%	-2%
Operational EBIT margin excl. PPA	12-14%	12.0%

Group key figures Q2 2020

EUR million	Q2 20	Q2 19
Net sales	246.2	259.8
Operational EBIT excl. PPA	53.5	60.1
margin	21.7%	23.1%
EBIT	42.3	53.9
Result for the period	29.2	36.1
Free cash flow	-4.9	0.1
Equity ratio	34.4%	37.2%
Net debt	543.9	578.0
Net debt / Adj. EBITDA	2.6	2.2
Operational EPS	0.22	0.33
EPS	0.20	0.31

EUR	Q2 20	Q2 19
Average number of employees (FTE)	4,168	3,428
Number of employees at the end of the period (FTE)	4,475	3,556

All income statement related figures cover Continuing operations only. Balance sheet and cash flow figures cover also Discontinued operations.

Group key figures H1 2020

EUR million	H1 20	H1 19
Net sales	434.0	422.8
Operational EBIT excl. PPA	45.1	55.6
margin	10.4%	13.2%
EBIT	24.7	43.2
Result for the period	16.3	24.7
Free cash flow	-65.1	-41.2
Equity ratio	34.4%	37.2%
Net debt	543.9	578.0
Net debt / Adj. EBITDA	2.6	2.2
Operational EPS	0.23	0.34
EPS	0.18	0.35

EUR	H1 20	H1 19
Average number of employees (FTE)	4,168	3,428
Number of employees at the end of the period (FTE)	4,475	3,556

All income statement related figures cover Continuing operations only. Balance sheet and cash flow figures cover also Discontinued operations.

Learning: Quarterly key figures

EUR million	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
Net sales	115.5	58.1	61.4	138.4	105.4	31.4
EBIT	34.3	-20.6	-19.3	52.0	41.0	-18.6
Items affecting comparability (IACs)	-0.3	-0.9	-5.5	-4.4	-1.1	-1.1
PPA amortisations	-4.1	-4.0	-3.6	-0.8	-0.8	-0.8
Operational EBIT excl. PPA	38.7	-15.7	-10.3	57.2	43.0	-16.7
margin	33.5%	-27.1%	-16.7%	41.3%	40.7%	-53.1%
Capital expenditure	8.8	6.6	8.3	4.7	5.2	3.8
Average number of employees (FTE)	1,936	1,917	1,488	1,398	1,361	1,355

Media Finland: Quarterly key figures

EUR million	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
Net sales	130.9	129.9	144.2	146.5	154.5	131.6
EBIT	9.4	5.3	11.9	19.0	14.7	9.3
Items affecting comparability (IACs)	-5.1	-3.2	-1.7	-1.5	-3.6	-3.1
PPA amortisations	-1.6	-1.1	-1.1	-1.1	-1.1	-1.1
Operational EBIT excl. PPA	16.0	9.5	14.7	21.7	19.4	13.5
margin	12.3%	7.3%	10.2%	14.8%	12.6%	10.3%
Capital expenditure	1.3	2.1	1.1	0.9	1.2	0.7
Average number of employees (FTE)	2,001	1,773	1,804	1,811	1,793	1,764

Finnish advertising market development Q2 2020

Finnish measured media advertising markets

	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	FY 19
Newspapers	-42%	-19%	-10%	-12%	-2%	-7%	-9%
Magazines	-30%	-10%	-11%	-8%	-2%	-5%	-7%
TV	-34%	-3%	-8%	-5%	1%	-7%	-5%
Radio	-42%	-10%	2%	6%	10%	7%	6%
Online *	-23%	2%	1%	6%	9%	2%	4%
Total market	-38%	-7%	-5%	-2%	5%	-2%	-1%

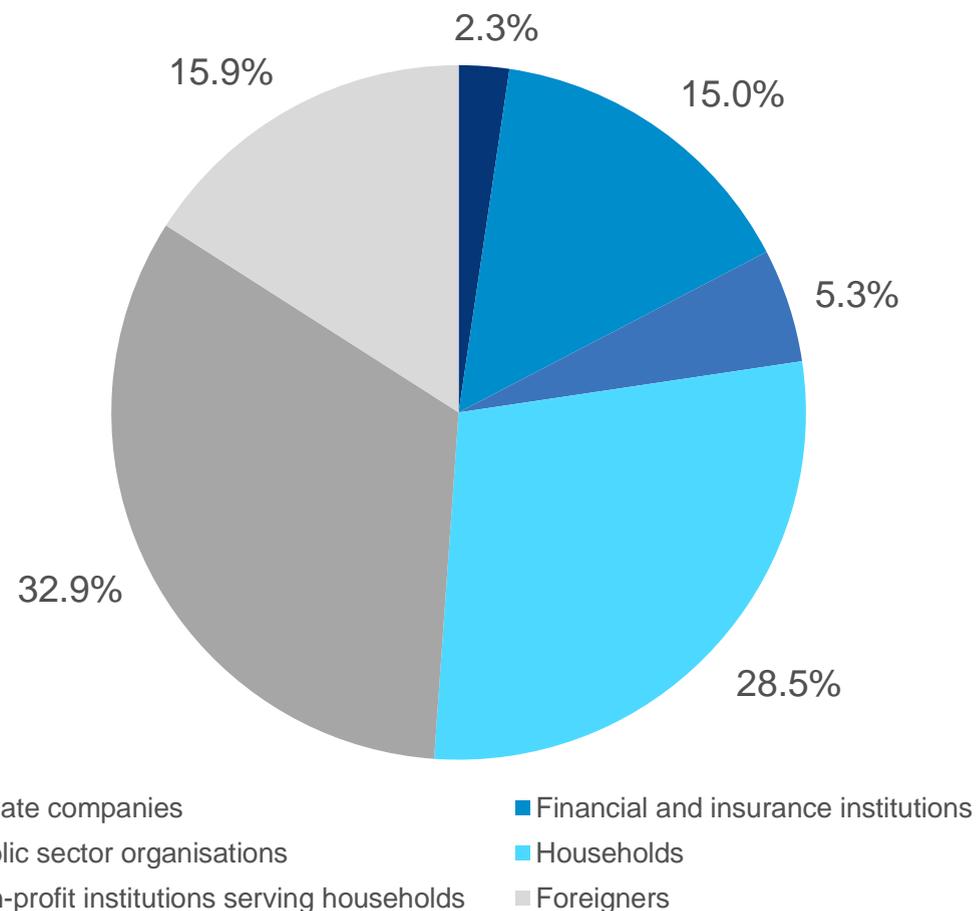
Largest shareholders

30 June 2020

Largest shareholders

	Number of shares	
1. Jane and Aatos Erkko Foundation	39,820,286	24.4%
2. Antti Herlin (Holding Manutas Oy: 12.03%, personal: 0.02%)	19,716,800	12.1%
3. Robin Langenskiöld	12,273,371	7.5%
4. Rafaela Seppälä	10,273,370	6.3%
5. Helsingin Sanomat Foundation	5,701,570	3.5%
6. Ilmarinen Mutual Pension Insurance Company	4,667,597	2.9%
7. Alex Noyer	1,903,965	1.2%
8. Lorna Aubouin	1,852,470	1.1%
8. Foundation for Actors' Old-Age Home	1,800,000	1.1%
10. The State Pension Fund	1,760,000	1.1%
10 largest shareholders total	99,769,429	61.1%
Foreign holding *	26,066,422	15.9%
Other shareholders	37,729,812	23.0%
Total number of shares	163,565,663	100.0%
Total number of shareholders	23,043	

Holding by category

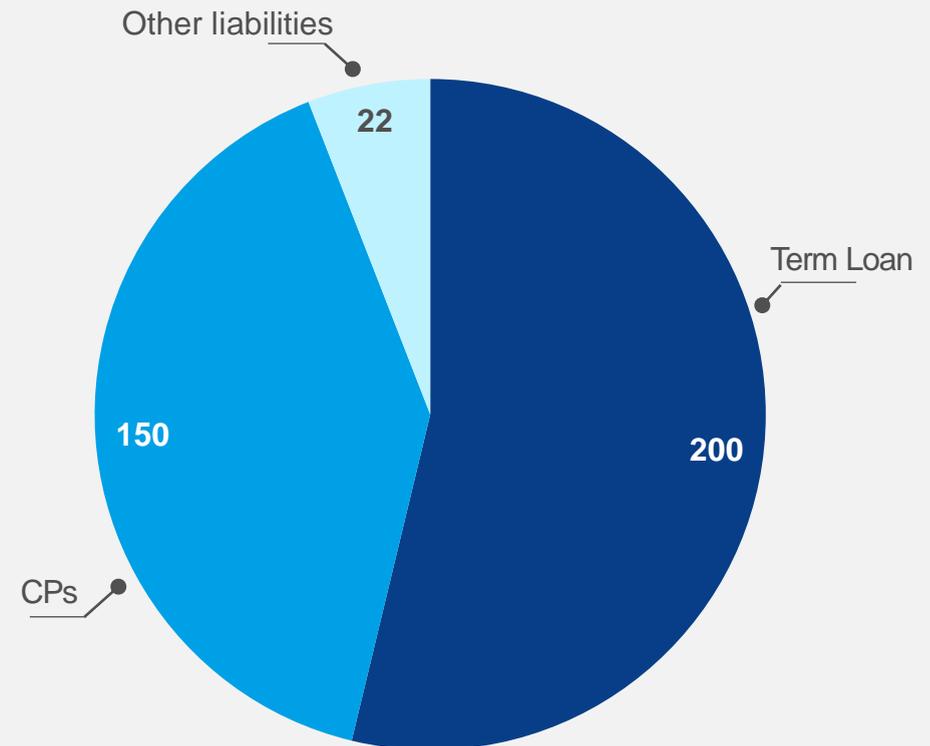


Balanced debt structure at the end of June 2020

- 250m€ 4-year term loan was drawn in September 2019 to finance the acquisition of Iddink
 - 50m€ was repaid in Q2 2020
 - Another 50m€ will be repaid in Q3 2020
- Average interest rate 0.7% (2019: 2.7%)
 - Expected to continue to be below 1% during the rest of 2020
- Divestment of Media Netherlands was completed on 20 April
 - EV 460m€
- Divestment of Oikotie was completed on 16 July
 - EV 185m€

Debt structure

m€, 30 June 2020



Analyst coverage

Carnegie Investment Bank

Pia Rosqvist-Heinsalmi +358 9 6187 1232

Danske Markets Equities

Panu Laitinmäki +358 10 236 4867

Inderes

Petri Aho +358 50 340 2986

Kepler Cheuvreux

Stefan Billing +46 8 723 51 48

Nordea

Sami Sarkamies +358 9 5300 5176

Pohjola

Joonas Häyhä +358 10 252 4504

SEB Enskilda

Pete-Veikko Kujala +358 9 6162 8578



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Please contact our Investor Relations:

Kaisa Uurasmaa, Head of IR & CSR

M +358 40 560 5601

E kaisa.uurasmaa@sanoma.com

ir@sanoma.com

www.sanoma.com