

# Two strong businesses, Learning and Media Finland, ready for growth

Sanoma as an investment, September 2020

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SANOMA AS AN INVESTMENT:

# Two strong businesses, focus on growth and dividends

- 1. Solid net sales and profitability**
- 2. Sanoma Learning**  
Growing business with strong digital footprint and benefits of scale
- 3. Sanoma Media Finland**  
Leading cross-media offering with stable net sales and improving profitability
- 4. M&A headroom of 400-500m€**
- 5. Growing dividend**  
Supported by good profitability and solid cash flow

# We have a well-balanced business portfolio with 55% of earnings from the learning business

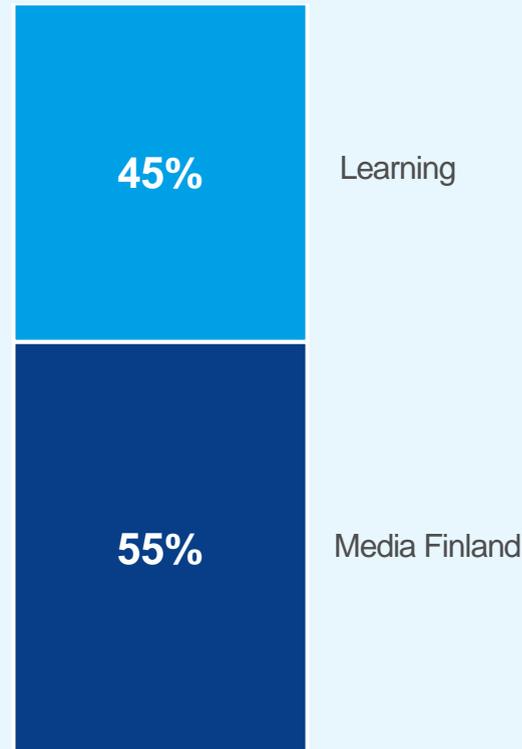
## Sanoma Learning

A growing European-based learning company offering blended learning solutions, platforms and educational services

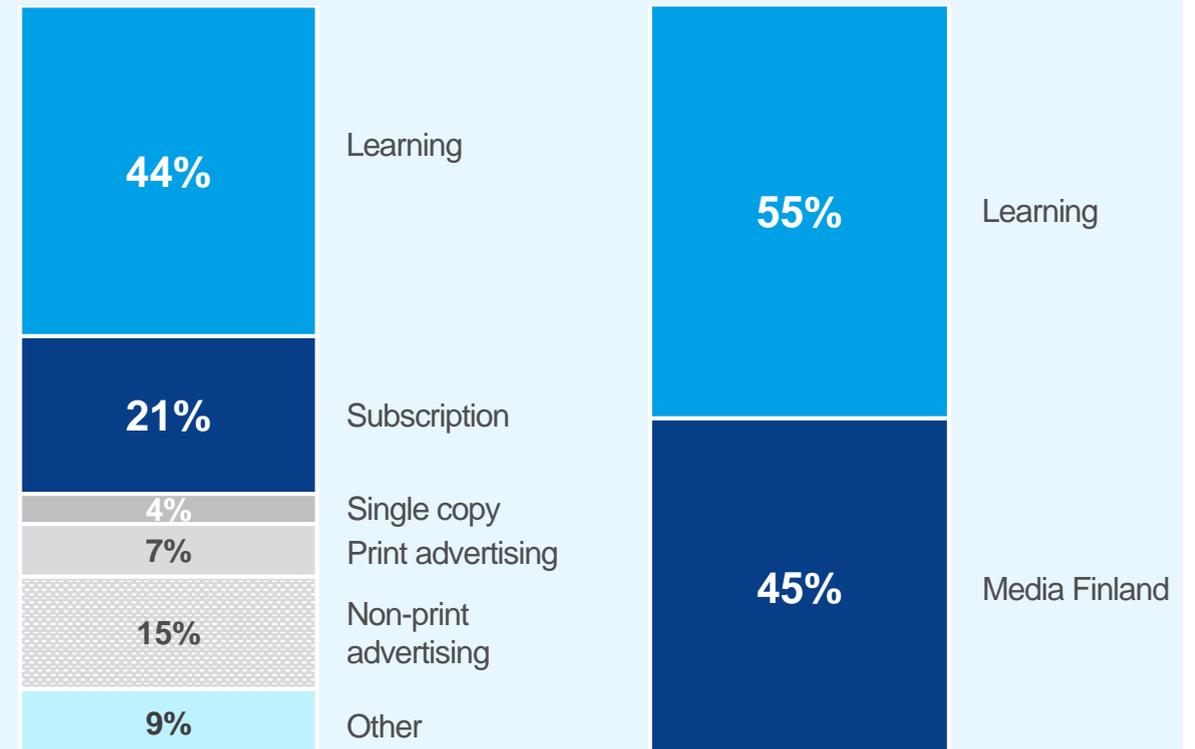
## Sanoma Media Finland

The leading cross-media company in Finland focusing on news & feature, entertainment and B2B marketing solutions

Net sales  $\approx$  1,050m€ \*



Operational EBIT excl. PPA  $\approx$  150m€ \*



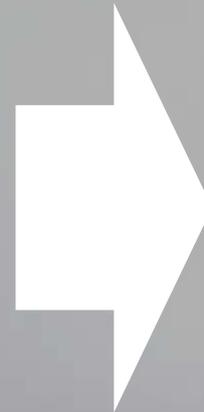
\* 2019, pro forma: Incl. Iddink, Essener, itslearning and regional news media business, excl. Media Netherlands and Oikotie

# H1 2020: 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\*

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**

# 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

# Key impacts and risks of the corona virus pandemic and their mitigation (as of 24 July 2020)

- Successful shift to remote operations supported by recent IT investments, no disruptions in the business
- Partial mitigation of the impacts through diversified business portfolio with most of the earnings coming from Learning
- **In Learning**, no major impact on net sales and profitability are currently expected as no major changes in school purchasing and curriculum renewals are expected
- **In Media Finland**
  - **Subscription and other B2C sales** represents more than half of the total net sales and are not expected to be significantly affected, unless the exceptional situation intensifies
  - **In B2B advertising business** (net sales 247m€ in 2019), material impact on the net sales and profitability is expected
    - H1 decline was 18% (market decline 24%), variation between customer categories and media channels
    - Size of the impact is dependent on the duration of the crisis and the pace of the recovery, too early to make reliable and specific estimates
    - After the financial crisis in 2008, Sanoma's advertising sales declined in-line with the market by approx. 17%
  - **The events business** will be impacted, as the Finnish government decided on 22 April to prohibit all large events until the end of July 2020, and thus all Media Finland's events for the summer season 2020 were cancelled
    - Net sales for Media Finland's events business estimated to be close to zero in 2020 (in 2019, net sales EUR 35 million and operational EBIT margin above the 12.0% margin of the Media Finland SBU)
- Our top priorities are the health & safety of our employees, solid support to our customers throughout the crisis and continuation of fulfilling our role in society in a responsible manner

## 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.

# Both learning and media have an important role in society



## Learning

- Our modern learning methods and platforms support teachers in developing the full potential of every student
- Helps in building a strong foundation for a stable, productive and prosperous society



## Media

- Journalistic content supports freedom of speech and independent information gathering
- Local entertainment contributes to shared values and experiences
- Responsible advertising supports local economic growth

## Responsible business practices across the value chain

# Sanoma Learning, a growing European education company

Blended course materials and digital platforms for teaching and administration

≈**20%**  
oper. EBIT  
margin excl.  
PPA \*

Long-term target  
**20-22%**

Operations in  
**11**  
countries

**350**  
employees in  
tech

≈**500m€**  
net sales \*

Long-term target for  
comparable growth  
**2-5%**

Serving  
**15m**  
students

**1,900**  
employees

# We focus on learning services for K12

|   | Education  |                 |                  |            |                     |                       |                       |
|---|------------|-----------------|------------------|------------|---------------------|-----------------------|-----------------------|
| Key Market Sectors  | Pre-school | Primary         | K12<br>Secondary | Vocational | Higher<br>education | Corporate<br>learning | Life-long<br>learning |
| <b>School infrastructure</b> <ul style="list-style-type: none"><li>▪ ICT and other equipment</li><li>▪ Distribution &amp; Maintenance services</li></ul>              |            |                 |                  |            |                     |                       |                       |
| <b>Learning services</b> <ul style="list-style-type: none"><li>▪ Content: materials and methods</li><li>▪ Material distribution</li><li>▪ Digital platforms</li></ul> |            | Sanoma Learning |                  |            |                     |                       |                       |
| <b>School management</b>  |            |                 |                  |            |                     |                       |                       |
| <b>Additional services</b> <ul style="list-style-type: none"><li>▪ Supplying personnel</li><li>▪ Boot-camps</li><li>▪ Tutoring</li></ul>                              |            |                 |                  |            |                     |                       |                       |

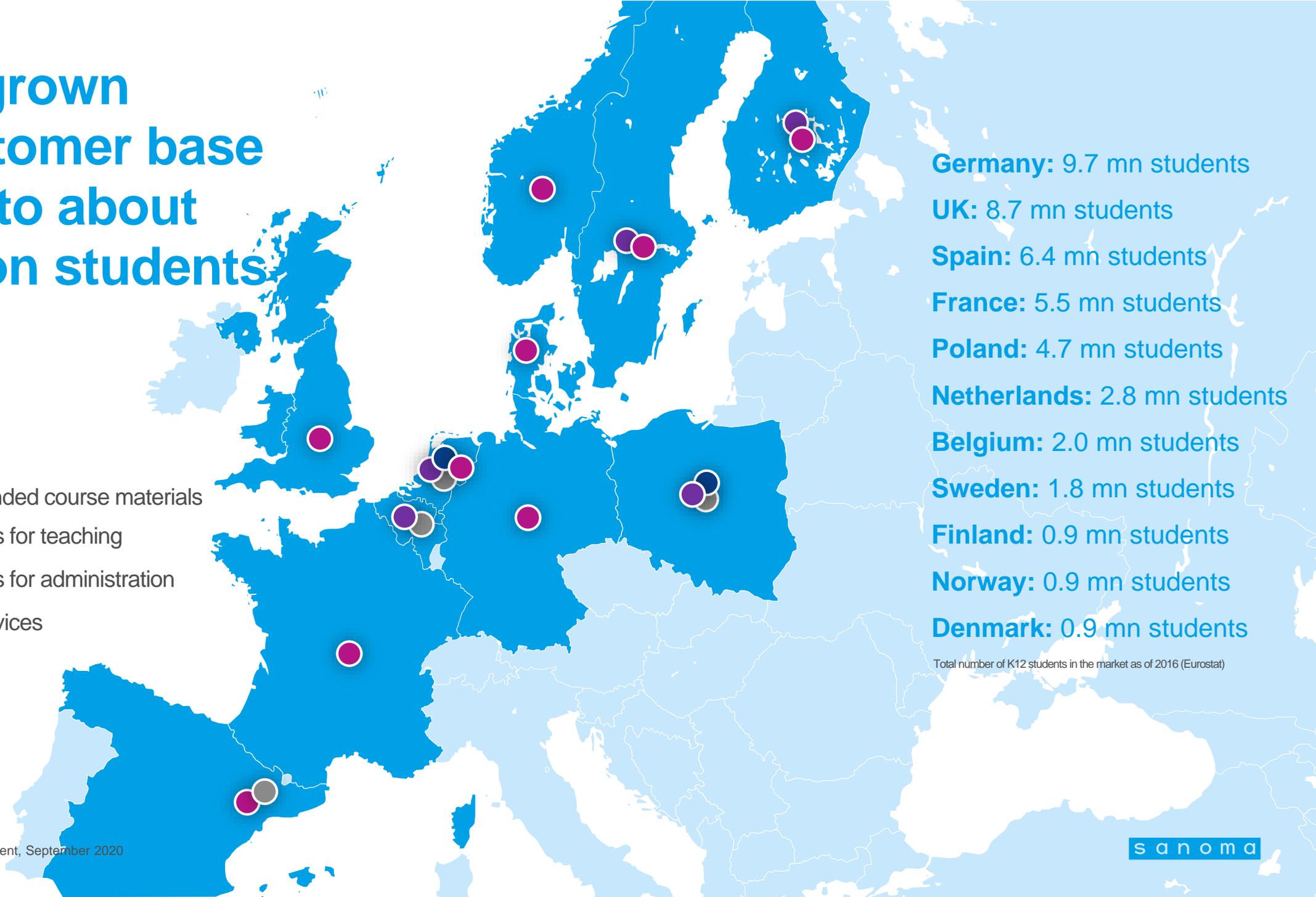
# We have grown from a publisher into an integrated provider of learning services...

| Learning services                      | Net sales * | Commercial contact                        | Commercial contact                  |                                     |
|--|-------------|---|-------------------------------------|-------------------------------------|
|  |             |   | Teachers                            | Administrators                      |
| Content: blended materials and methods | 55%         | bingel, Kampus                            | <input checked="" type="checkbox"/> |                                     |
| Material distribution                  | 30%         | IDDIK GROUP, nowa era                     |                                     | <input checked="" type="checkbox"/> |
| Digital platforms for teaching         | 5%          | Magister.me, its learning, [click edu »]  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Digital platforms for administration   | 5%          | Magister, Edu Arte, VULCAN, [click edu »] | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Testing and analytics                  | 5%          | TEAS, QUAYN, Bureau ICE, TIG              | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

\* Incl. Iddink, Essener and itslearning LTM Q3 2019

# ... and grown our customer base by 50% to about 15 million students

- Creation of blended course materials
- Digital platforms for teaching
- Digital platforms for administration
- Distribution services



**Germany:** 9.7 mn students

**UK:** 8.7 mn students

**Spain:** 6.4 mn students

**France:** 5.5 mn students

**Poland:** 4.7 mn students

**Netherlands:** 2.8 mn students

**Belgium:** 2.0 mn students

**Sweden:** 1.8 mn students

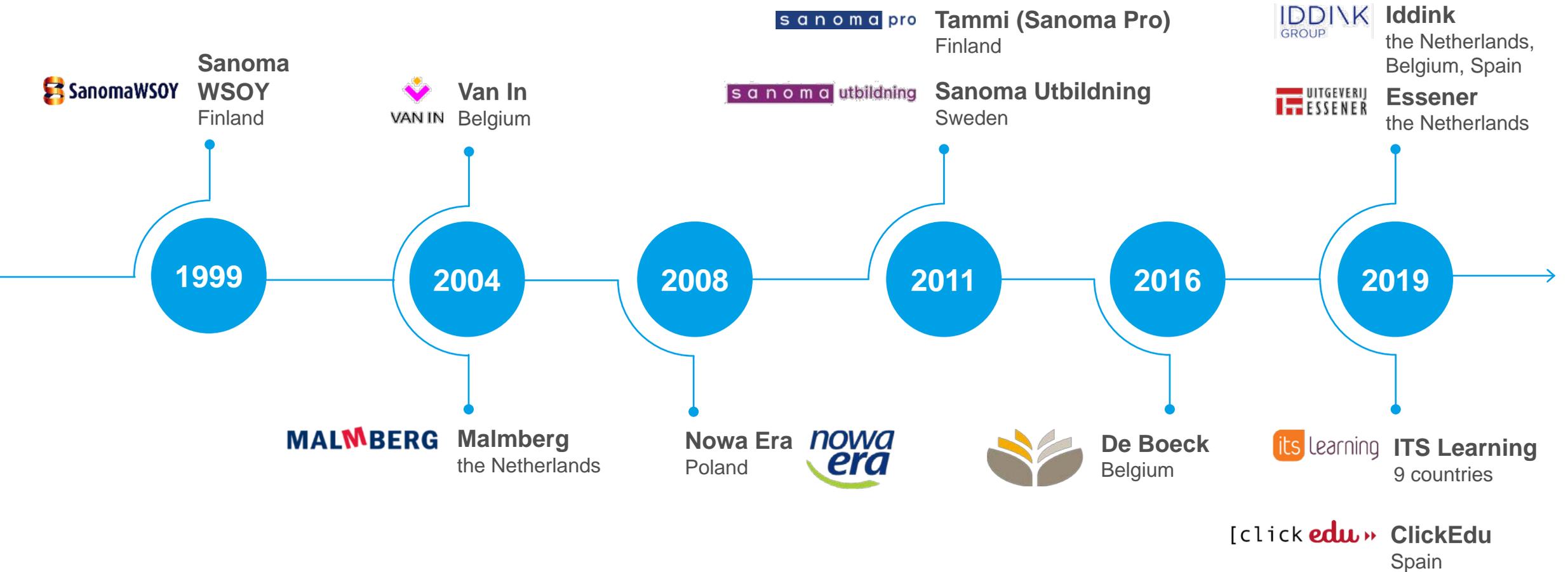
**Finland:** 0.9 mn students

**Norway:** 0.9 mn students

**Denmark:** 0.9 mn students

Total number of K12 students in the market as of 2016 (Eurostat)

# Sanoma Learning has been successfully built through M&A to approximately 500m€ business...





## ... and we now again have the financial strength to continue to grow through M&A

- Using our scale and capabilities in learning design, technology and services
  - To enter new geographies in K12
  - To expand our offering in existing markets
- With the “High Five” business development program we have achieved scale benefits in our existing businesses, which we can leverage with recent acquisitions and future M&A

# Media Finland, the leading cross media company...

Strong,  
independent  
media for  
generations  
to come

Long-term target  
12-14%

**12.0%**  
oper. EBIT  
margin excl.  
PPA

**2,000**  
employees

**577m€**  
net sales

Long-term target for  
comparable growth  
+/-2%

**50%**  
non-print

**97%**  
weekly reach

# ... focusing 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

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

On 30 April 2020, Sanoma acquired Alma Media's regional news media business in Finland (2019 net sales 94m€ and adjusted EBITDA 20m€\*)

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

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**

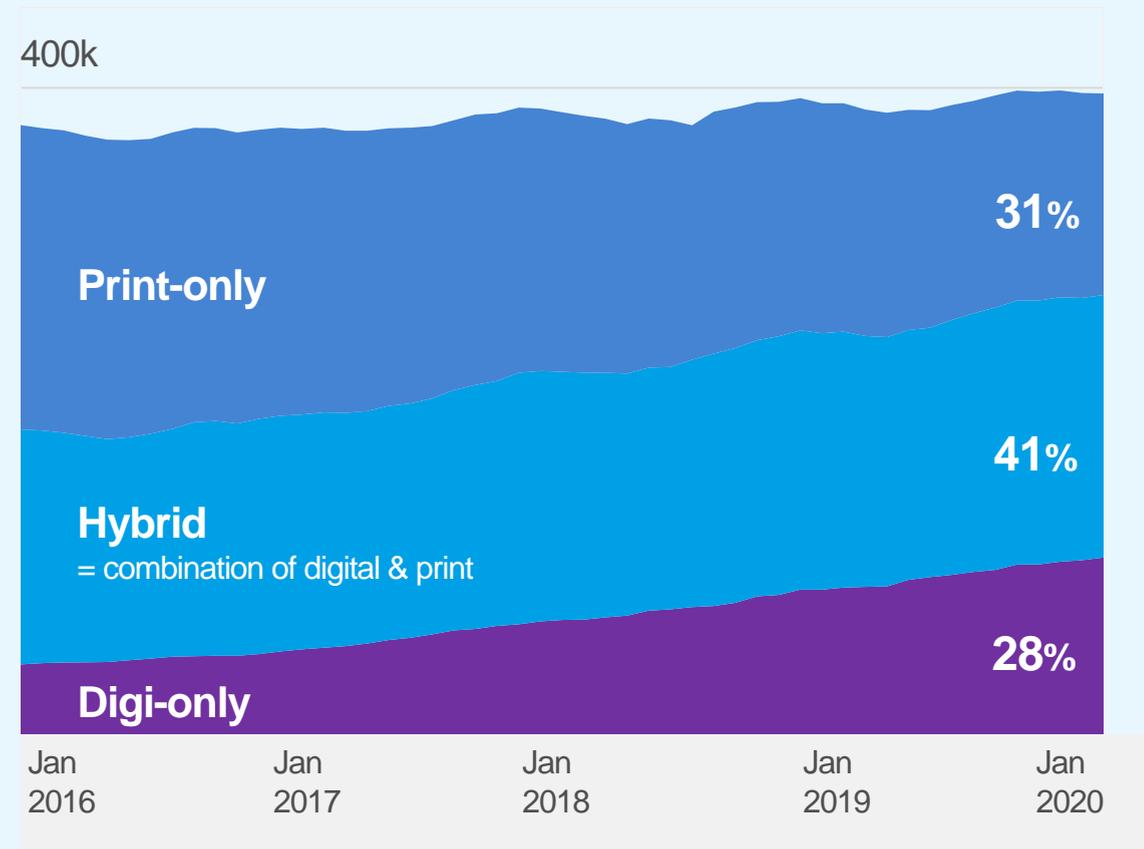
**Efficiency** in shared operations, better **financial returns** on digital investments

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

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

- Number of digital-only subscriptions at HS is now above 100k, equalling around 28% 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 15% (end of March 2020); 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



# As a Group, we have M&A headroom of 400-500m€ with solid pipelines in both businesses

Headroom for acquisitions \*

**400-500**  
m€

**Learning**

**Media  
Finland**

M&A focus areas

Using our scale and capabilities in learning design, technology and services to

- Enter new geographies
- Expand offering in existing markets

Synergistic acquisitions

- News & Feature
- Entertainment
- B2B marketing solutions

**Solid M&A pipelines in both businesses; expected to materialise in 12-18 months**

# We are well on track with our long-term targets

## Key ratios

## Long-term target

## 30 June 2020

Net debt /  
adj. EBITDA

< 2.5

2.6

Equity ratio

35-45%

34.4%

Dividend payout

Increasing dividend  
40-60%  
of free cash flow

n/a

The divestment of Oikotie (on 16 July 2020) will bring leverage and equity ratio well within the long-term target levels

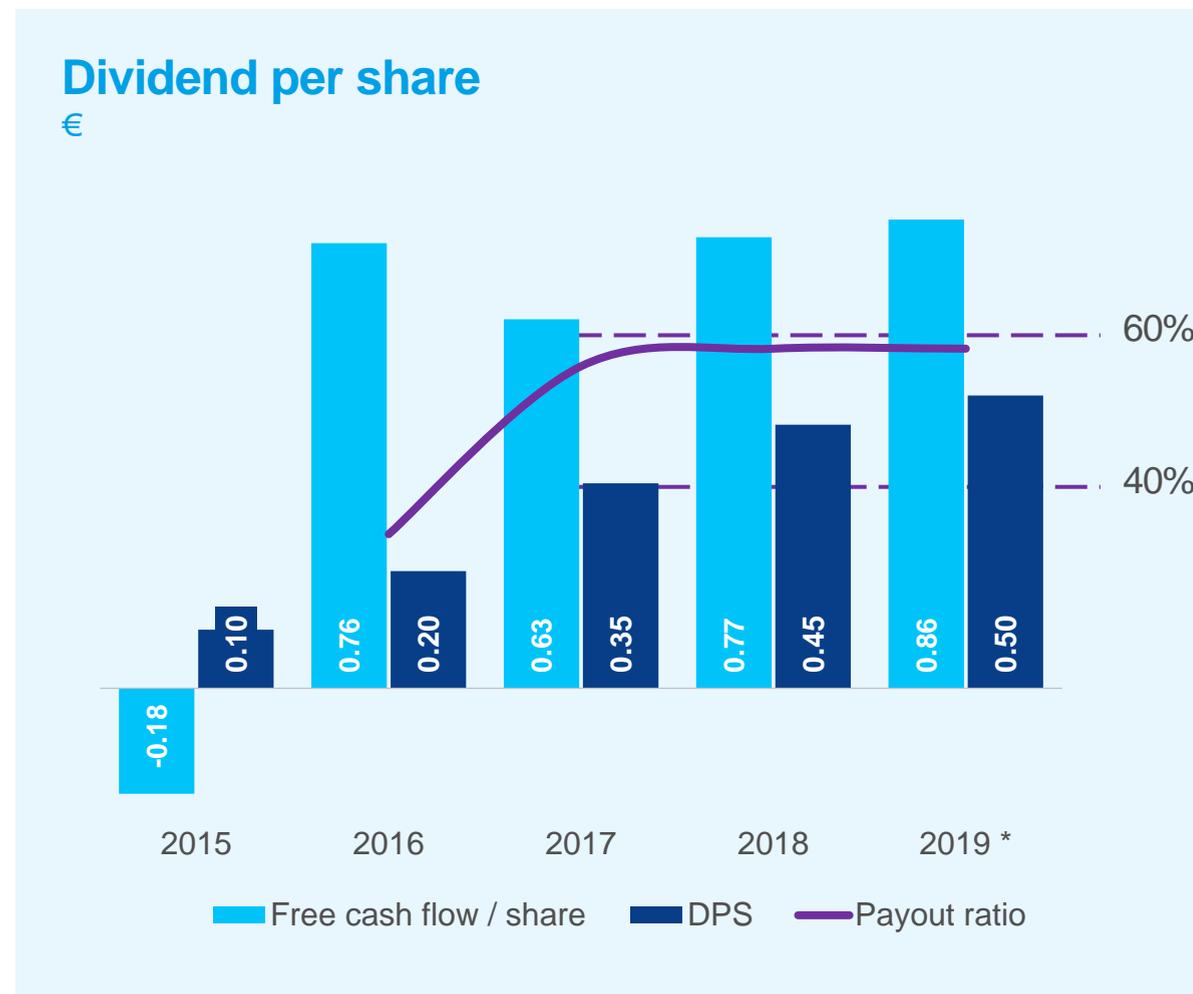
# Growing dividend supported by good profitability and solid cash flow

- Dividend for 2019 is 0.50€ per share
  - Increase of 11% vs. 2018
  - 58% of free cash flow \*
  - Dividend yield 5.3% (end of 2019)
- Paid in two parts
  - 0.25€ on 3 April
  - 0.25€ in November (record date tbc in October)

## Dividend policy:

Sanoma aims to pay an increasing dividend, equal to 40–60% of annual free cash flow.

When proposing a dividend to the AGM, the Board of Directors will look at the general macro-economic environment, Sanoma's current and target capital structure, Sanoma's future business plans and investment needs as well as both previous year's cash flows and expected future cash flows affecting capital structure.



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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](mailto:kaisa.uurasmaa@sanoma.com)

[ir@sanoma.com](mailto:ir@sanoma.com)

[www.sanoma.com](http://www.sanoma.com)

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