

s

n

o

d

m

d

# Sanoma acquires Santillana Spain, a leading Spanish provider of K-12 learning content

Analyst and investor conference, 19 October 2020

Susan Duinhoven, President & CEO

# Growing the European Learning business: Sanoma becomes a leading player in the Spanish K-12 educational market

Sanoma has signed an agreement to acquire Santillana Spain, a leading Spanish provider of K-12 learning content

Excellent fit with Sanoma's strategy to grow its Learning business by acquisitions in the current operating countries or in new markets

Agreed enterprise value 465m€; 9.3 multiple (EV / 2019 pro forma adjusted EBITDA)

Continuing our transformation into a growing European learning company

Increasing free cash flow – creating value for shareholders

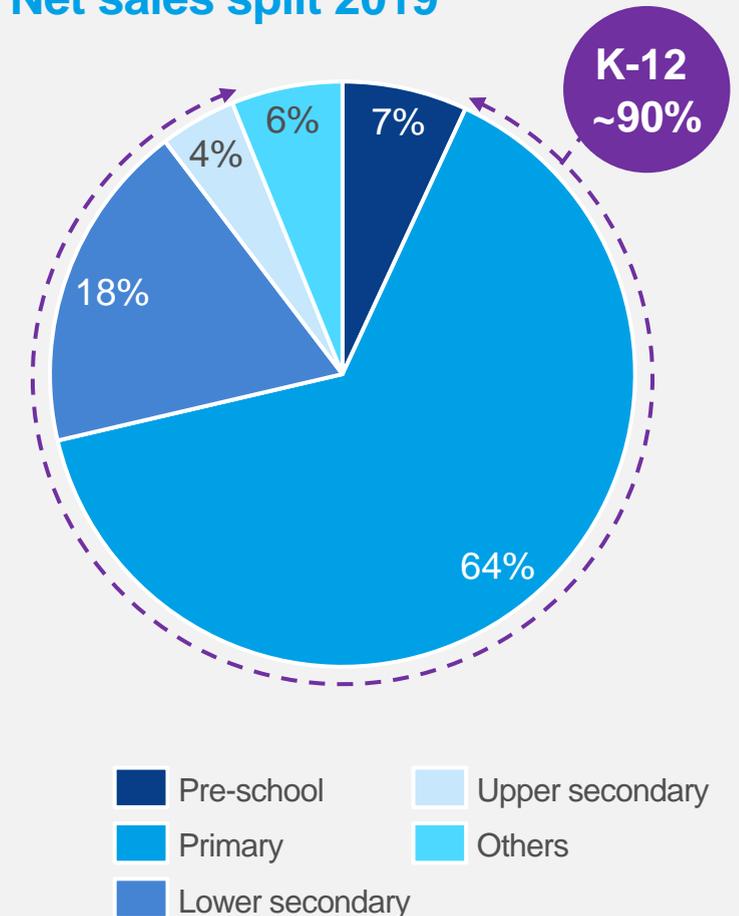
Expanding our offering in Spain into resilient K-12 content business, which offers growth opportunities through curriculum renewals and digitalisation

Growing the share of the stable learning business to over 65% of the Group's earnings

# Santillana Spain: a leading provider of learning content in Spain

- Santillana Spain is a leading provider of learning materials, primarily textbooks, for primary and secondary education in Spain
  - Operates in all 17 educational regions in Spain
- Net sales were 128m€, operational EBITDA 50m€ and standalone operational EBIT excl. PPA 43m€ (margin 34%) as pro forma 2019
- High share of K-12 and primary education offers good resilience over-the-cycle
- In 2019, only 2% of Santillana Spain's net sales were digital: above the market average in Spain, considerably less than in most Sanoma Learning companies
- Unique value proposition
  - Commercial teams well embedded in 17 autonomous regions in Spain
  - Central and regional content development teams
  - Strong brands<sup>1</sup> in all subjects, such as Santillana, Loqueleo and Richmond – Sanoma will have the right to use the brands through exclusive license agreements
  - Growing digital position in typically still non-digitalised Spanish market
- 570 employees: 40% in commercial and 30% in content development functions
- Strong and experienced management team, committed to the business

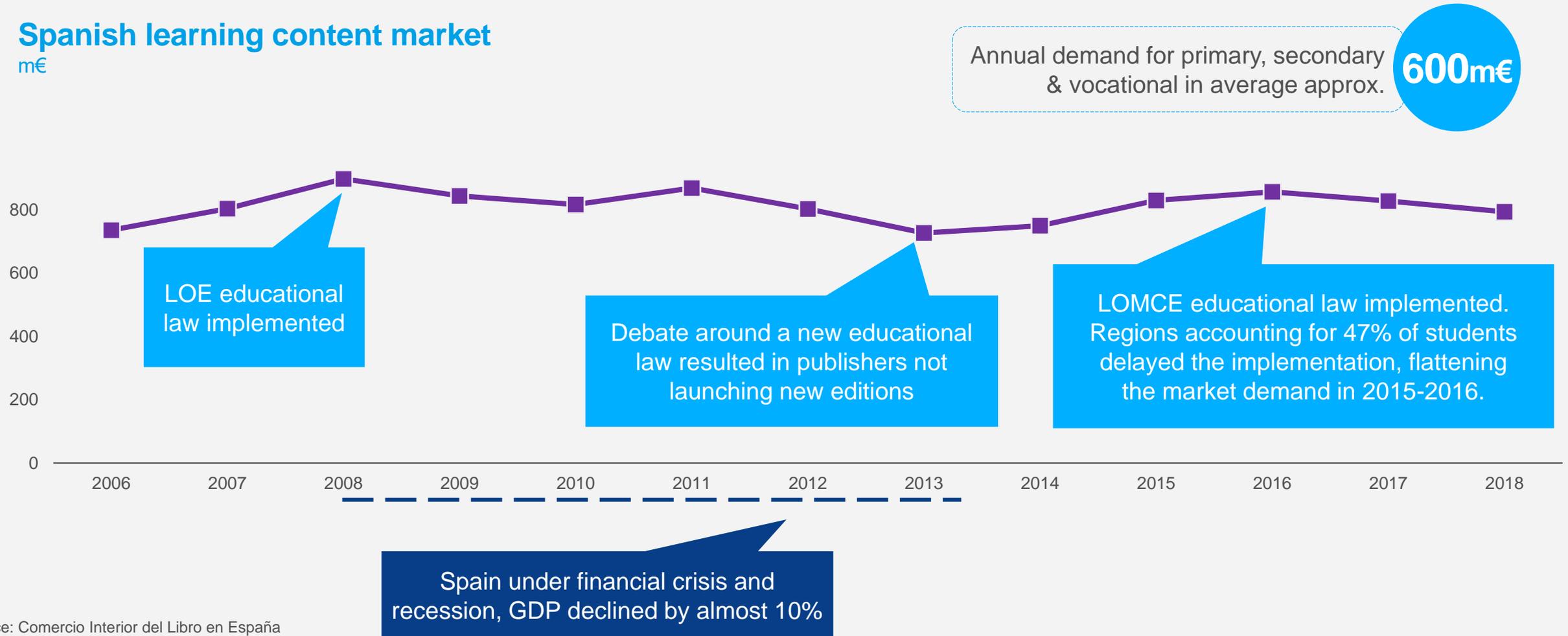
Net sales split 2019



# Spanish market is resilient and educational renewals have been implemented throughout economic cycles...

## Spanish learning content market

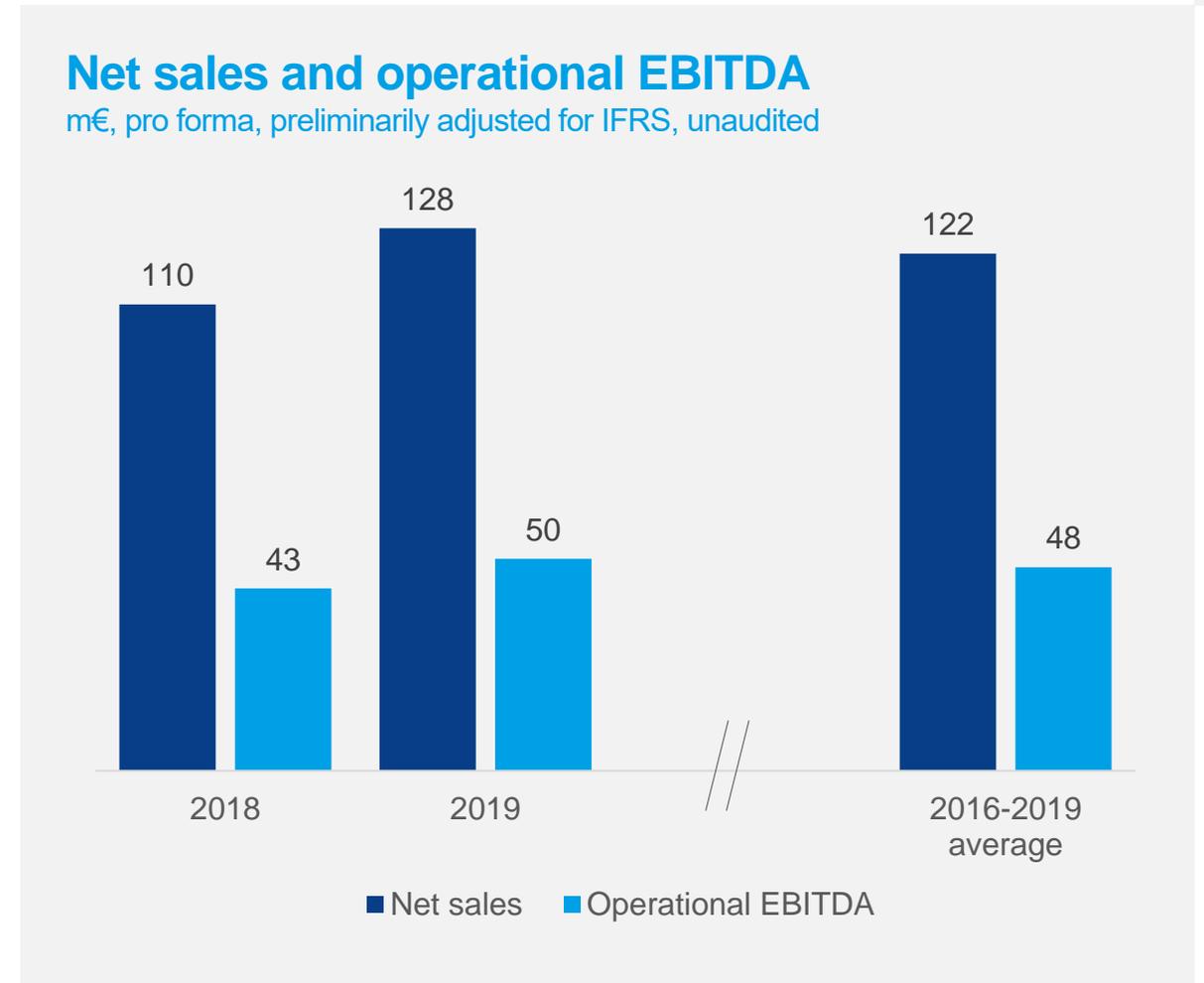
m€



Source: Comercio Interior del Libro en España

# ... while the curriculum cycle has a typical impact on the business year-on-year

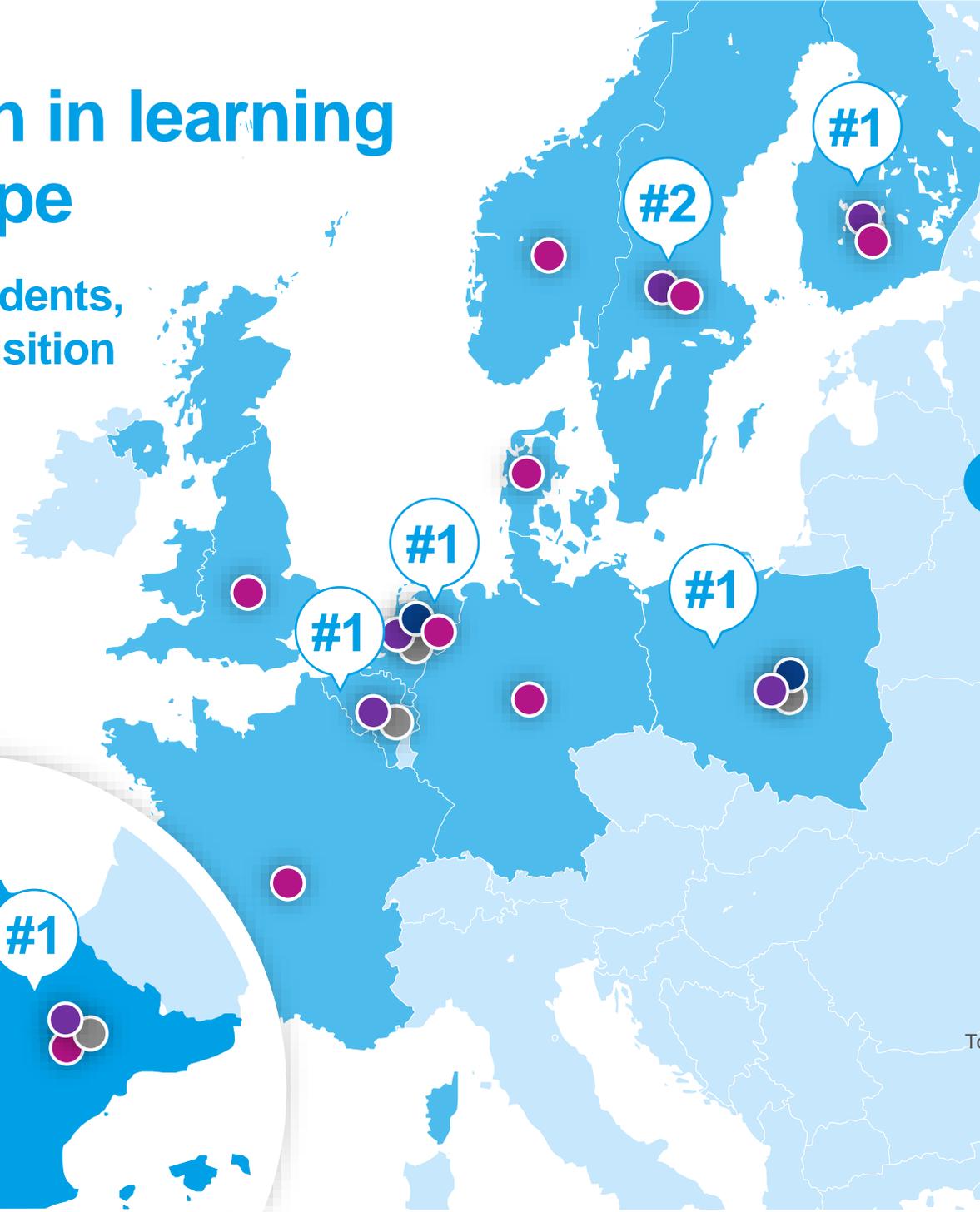
- In 2019, net sales and earnings of Santillana Spain grew significantly as demand for the current curriculum K-12 learning materials peaked
- In 2020-2021, a typical cyclical decline in market demand for K-12 learning materials is expected ahead of the introduction of the new curriculum
  - Expected to result in lower net sales and earnings compared to 2019 for Santillana Spain
  - New curriculum is expected to accelerate the demand in 2022-2023 by enactment of a new educational law, LOMLOE; currently going through the parliamentary approval process
- Santillana Spain's average operational EBIT margin excl. PPA in 2016-2019 was around 30%



# Growing position in learning services in Europe

Serving over 21 million students, 40% growth from the acquisition of Santillana Spain

- Learning content
- Digital platforms for teaching
- Digital platforms for administration
- Distribution services
- Market position



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

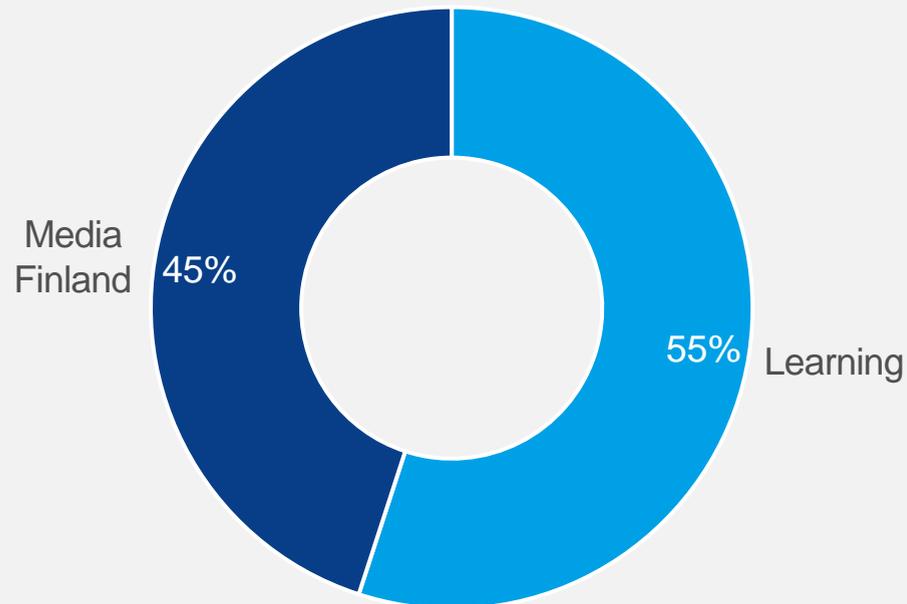
Denmark: 0.9 mn students

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

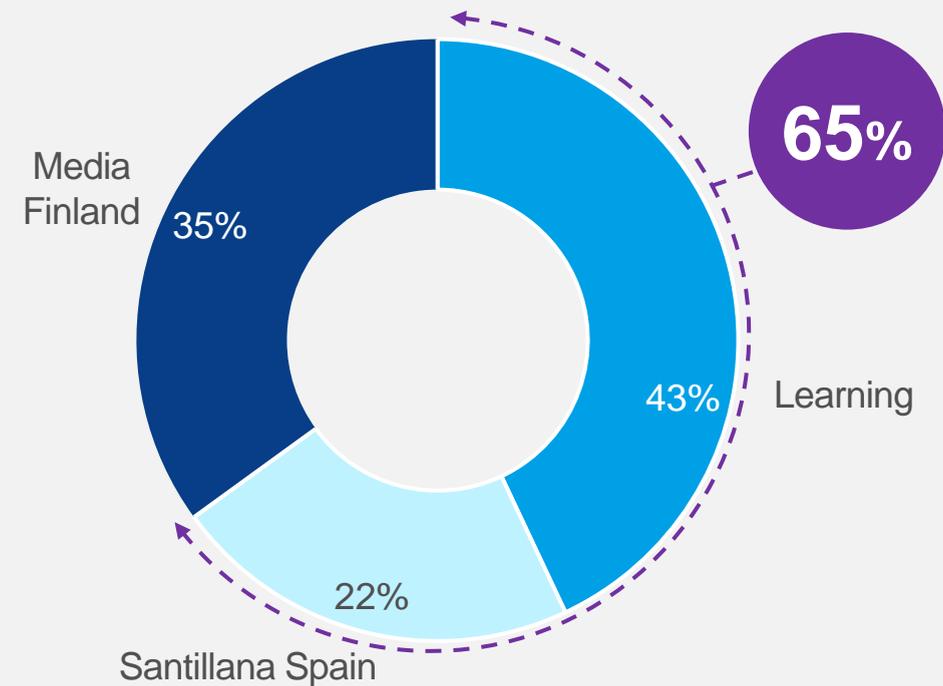
# Increasing share of stable learning business in Sanoma's portfolio

## Sanoma Group 2019 Operational EBIT excl. PPA<sup>1</sup>

Before...



... and after the acquisition of Santillana Spain



<sup>1</sup> Pro forma FY 2019 incl. acquired Iddink, Essener, itslearning and regional news media business, excl. divested Media Netherlands and Oikotie businesses

# Fair valuation for a leading player

- Enterprise value of 465m€
  - Including 53m€ of net debt at the end of June 2020
- 9.3 multiple of EV / 2019 pro forma adjusted EBITDA
- Locked box mechanism: Sanoma will receive the cumulative free cash flow of Santillana Spain from 30 June 2020 until closing
- Annual estimated net synergies of approx. 4m€
  - Expected to be realised in full by 2023
  - Mainly related to procurement, technology as well as shared operational and support functions



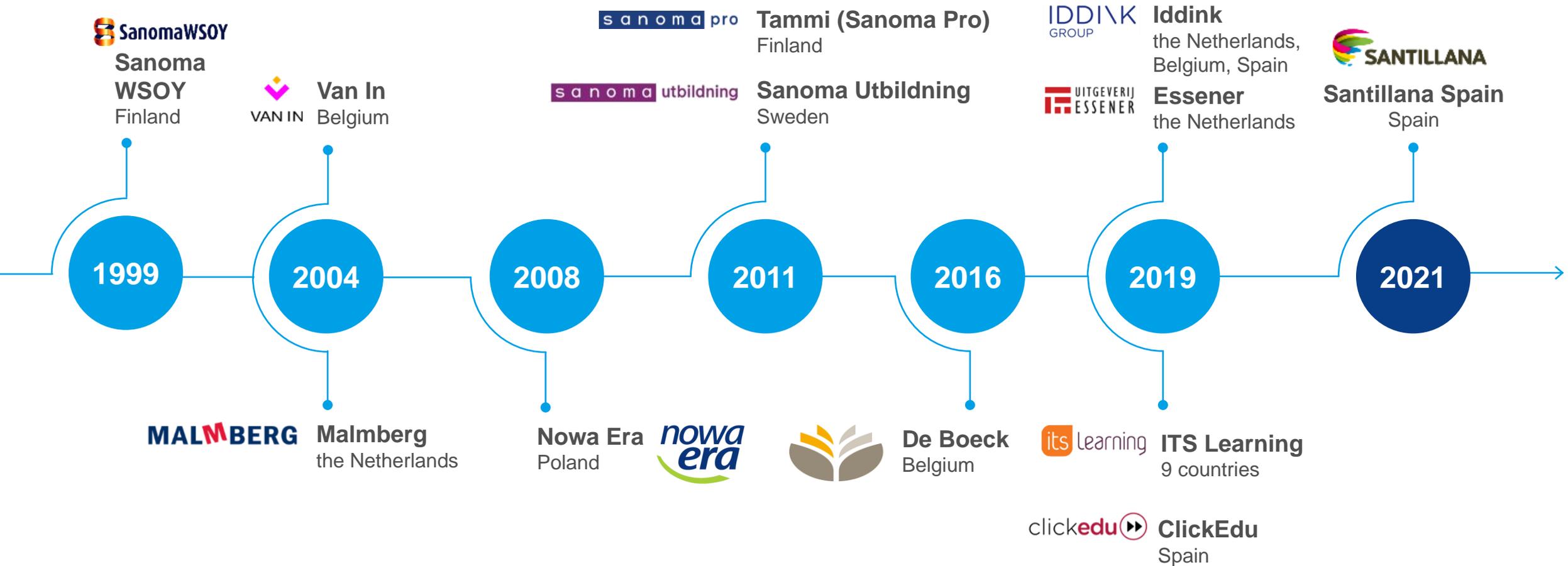
# Funding, transaction costs and closing

- Sanoma will finance the acquisition fully with debt
- Agreement on a committed bridge funding facility of 480m€ with Nordea Bank Abp and OP Corporate Bank plc, will be converted into long-term funding
- Approx. 2m€ of transaction costs to be booked as IACs in Sanoma Learning's Q4 2020 result, the remaining approx. 4m€ at closing
- The transaction is subject to
  - Approval by the General Meeting of Shareholders of Grupo Prisa – fully supported by the Board of Directors
  - Obtaining the necessary consents from the creditors of Grupo Prisa – a majority of whom have already agreed
- In addition, the transaction will be discussed with the Spanish competition authority
- Expected closing during H1 2021, after which the acquired business will be reported as part of Sanoma Learning SBU

Sanoma's long-term strategy, financial targets <sup>1</sup>  
and dividend policy will remain unchanged



# Next step in the successful M&A growth path of Sanoma Learning



# Growing the European Learning business: Sanoma becomes a leading player in the Spanish K-12 educational market

Continuing our transformation into a growing European learning company

Expanding our offering in Spain into resilient K-12 content business, which offers growth opportunities through curriculum renewals and digitalisation

Growing the share of the stable learning business to over 65% of the Group's earnings

Increasing free cash flow – creating value for shareholders

## Sanoma: Two strong businesses, focus on growth and dividends

- A growing European learning business with a strong digital footprint
- A leading cross-media company in Finland
- Aiming to continue our growth strategy through M&A
- Increasing dividend, 40-60% of annual free cash flow

Q&A

Save The Date

# Virtual CMD

8 December 2020

Sanoma's strategy will be presented by the management:

- President and CEO, Susan Duinhoven
- CFO & COO, Markus Holm
- CEO Learning, Rob Kolkman
- CEO Media Finland, Pia Kalsta

Invitations will be sent in due course

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

Sanoma will publish its  
**Q3 2020 Interim Report**  
on Thursday, 29 October  
at 8:30 EET

# Appendix



# 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%**

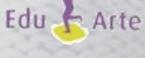
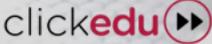
Serving  
**15m**  
students

**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 through acquisitions

| Learning services                      | Net sales * | Commercial contact   |                                     |
|--|-------------|--|-------------------------------------|
|  |             | Teachers   | Administrators                      |
| Content: blended materials and methods | 55%         |     | <input checked="" type="checkbox"/> |
| Material distribution                  | 30%         |     | <input checked="" type="checkbox"/> |
| Digital platforms for teaching         | 5%          |      | <input checked="" type="checkbox"/> |
| Digital platforms for administration   | 5%          |     | <input checked="" type="checkbox"/> |
| Testing and analytics                  | 5%          |      | <input checked="" type="checkbox"/> |

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

# Sanoma's long-term financial targets

## Key ratios

## Long-term target

## 30 June 2020

|                           |  |       |
|---------------------------|--|-------|
| Net debt /<br>adj. EBITDA | < 2.5  | 2.6   |
| Equity ratio              | 35-45%   | 34.4% |
| Dividend payout           | Increasing dividend<br>40-60%<br>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

# Santillana Spain has a renowned brand portfolio built on high-quality content and innovation



- Spanish-language textbooks in Spain
- Santillana is the anchor brand with a granular regional portfolio
- Regional brands have their own catalogue



- French, English and German learning materials



- Complementary digital solutions for all Santillana Spain products



## Complements

- Extracurricular materials (holiday materials, dictionaries, etc.)



- Reading books for children and young people



- Series focused on academic content for Kindergarten



- K-12 modular core course material



- Modular project focused materials for Kindergarten and Primary



- Spanish core course material in English

# Disclaimer

The information above contains, or may be deemed to contain, forward-looking statements. These statements relate to future events or future financial performance, including, but not limited to, expectations regarding market growth and development as well growth and profitability of Sanoma. In some cases, such forward-looking statements can be identified by terminology such as “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of those terms or other comparable terminology. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree. All forward-looking statements included herein are based on information presently available to Sanoma and, accordingly, Sanoma assumes no obligation to update any forward-looking statements, unless obligated to do so pursuant to an applicable law or regulation.

Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities of Sanoma or otherwise to engage in any investment activity.

s a n o m a

**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)