

Q3 2020 Interim Report:

# Strong performance: Net sales grew and operational EBIT improved

Susan Duinhoven, President & CEO  
Markus Holm, CFO & COO

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# Q1-Q3 2020: Net sales grew, operational EBIT and free cash flow improved

Net sales

**835m€**

(2019: 707)

Comparable net sales growth

**-6%**

(2019: -1%)

Operational EBIT excl. PPA

**156m€**

(2019: 133)

Free cash flow

**65m€**

(2019: 56)

Net debt / Adj. EBITDA

**1.0**

(2019: 2.8)

- Net sales grew significantly in Learning as a result of the Iddink acquisition and good comparable growth in Poland, but declined in Media Finland due to the coronavirus pandemic
- Operational EBIT excl. PPA grew mainly due to the Iddink acquisition
- Free cash flow improved driven by the Iddink acquisition
- Leverage returned below its long-term target after the divestment of Oikotie
- An updated Outlook for 2020 was given on 8 October: Reported net sales expected to be around 1,050m€ (2019: 913) and operational EBIT margin excl. PPA around 14% (2019: 14.8%)

# Learning Q1-Q3 2020: Strong net sales growth during the high season...

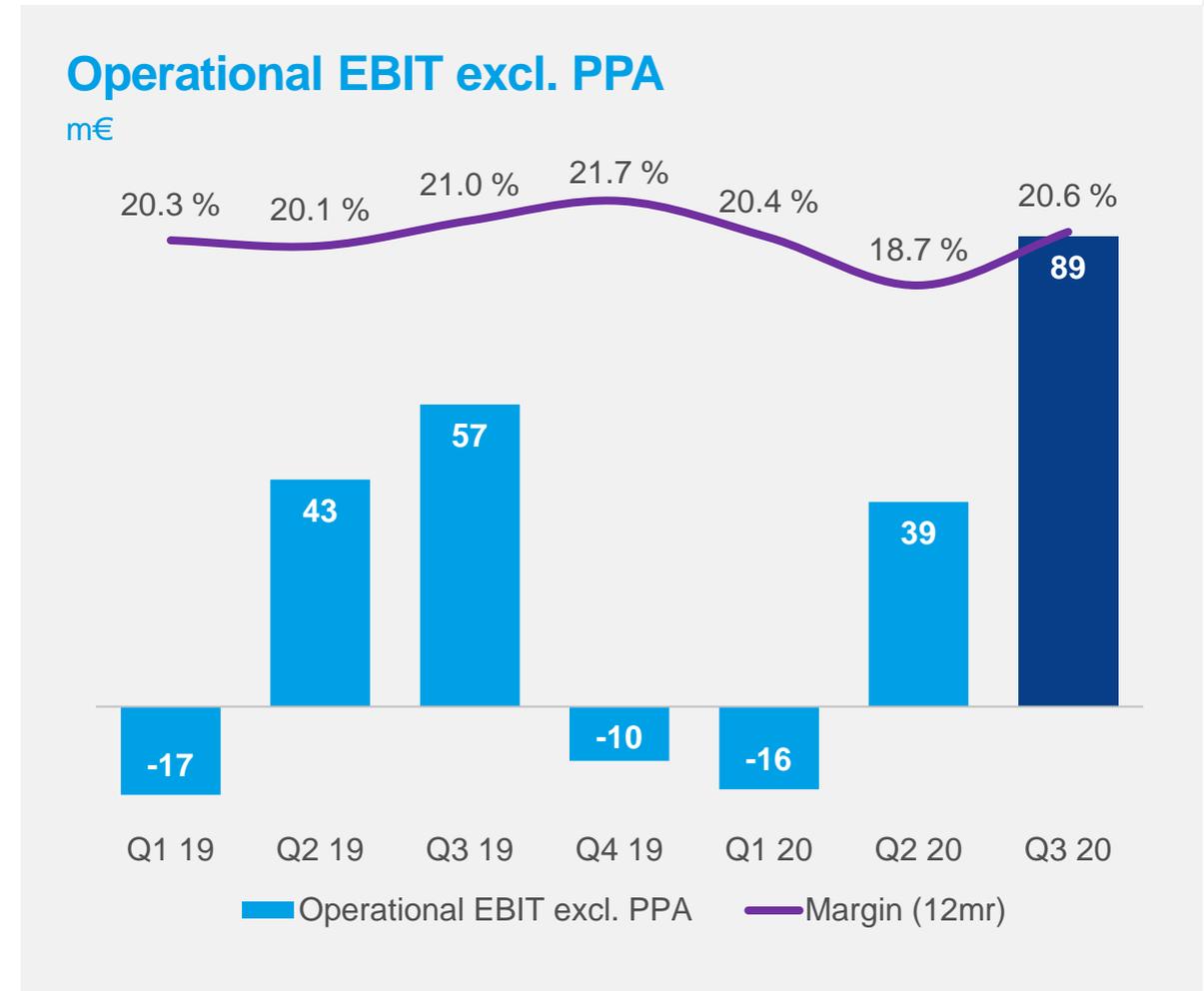
- Net sales grew significantly to 434m€ (2019: 275)
  - 141m€ from acquisitions, in particular Iddink
  - Comparable net sales growth was 6%
  - Strong 20% growth in Poland during the ongoing curriculum renewal in upper primary and upper secondary education
  - Net sales grew also in the Netherlands as a result of the ongoing curriculum renewals
- The coronavirus pandemic had only a minimal impact on the net sales and operational EBIT of Learning



# Learning Q1-Q3 2020: ...was also visible in significantly higher earnings

- Operational EBIT excl. PPA improved to 112m€ (2019: 84)
  - Majority of the earnings impact was attributable to the acquisition of Iddink
  - Strong net sales growth in Poland supported earnings
- Well on track towards full year targets for 2020 <sup>1)</sup>
  - Net sales of Learning estimated to be around 500m€
  - Operational EBIT margin excl. PPA estimated to be around 20%

<sup>1)</sup> As indicated in Sanoma's Analyst and Investor Update on 18 December 2019

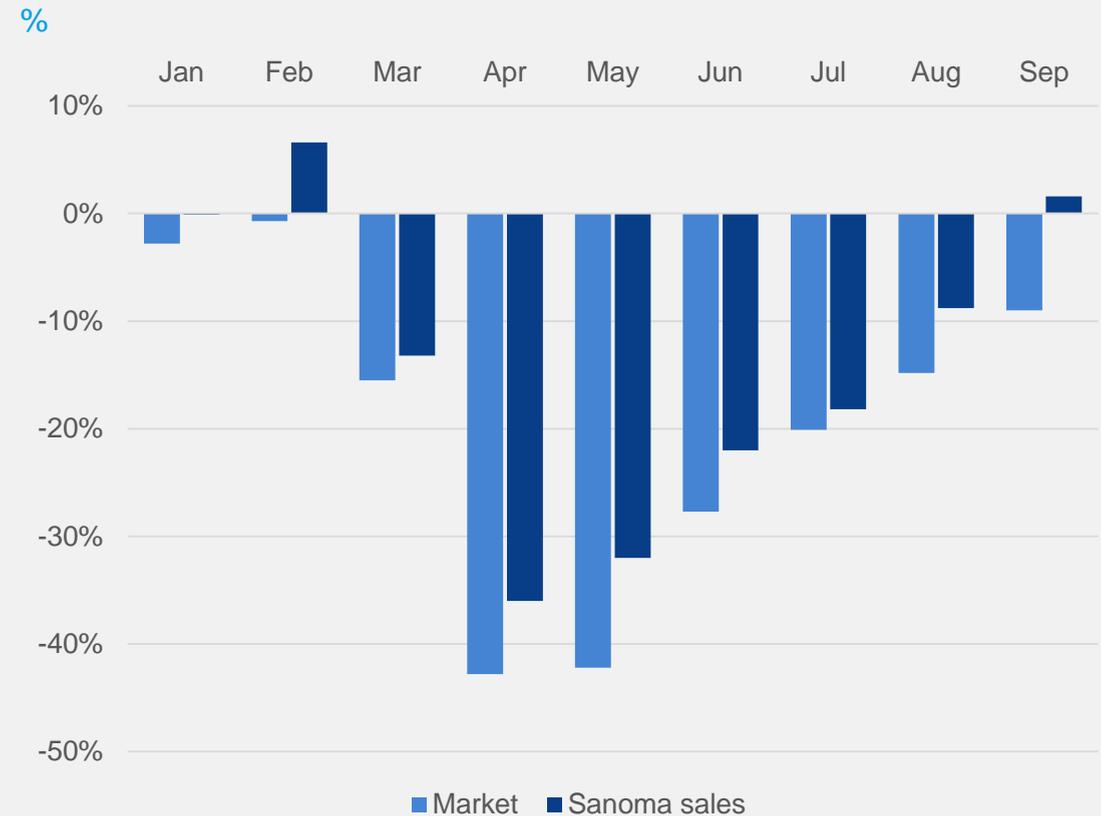


## Media Finland Q3 2020:

# Growing subscription sales and the acquired regional news media business had a positive impact on net sales

- Net sales declined slightly to 141m€ (2019: 147)
  - Net sales of the regional news media business was 20m€, while divestment of the online classifieds business, Oikotie in July, had an impact of -5m€
  - Comparable subscription sales grew driven by digital
    - Number of subscriptions for Helsingin Sanomat above 400k, +3% y-o-y
    - Number of subscriptions for VOD Ruutu+ above 300k
  - Significant recovery in advertising sales from the coronavirus dip, Sanoma outperformed the market esp. in online, radio and magazine advertising
    - Comparable advertising sales -5% vs. market -14%
    - Uncertainty expected to continue during the coming months and in 2021
  - Impact of the cancellation of festivals and events approx. -19m€

### Monthly advertising development <sup>1</sup>



<sup>1</sup> For Sanoma, comparable development excl. the impact of acquisitions and divestments

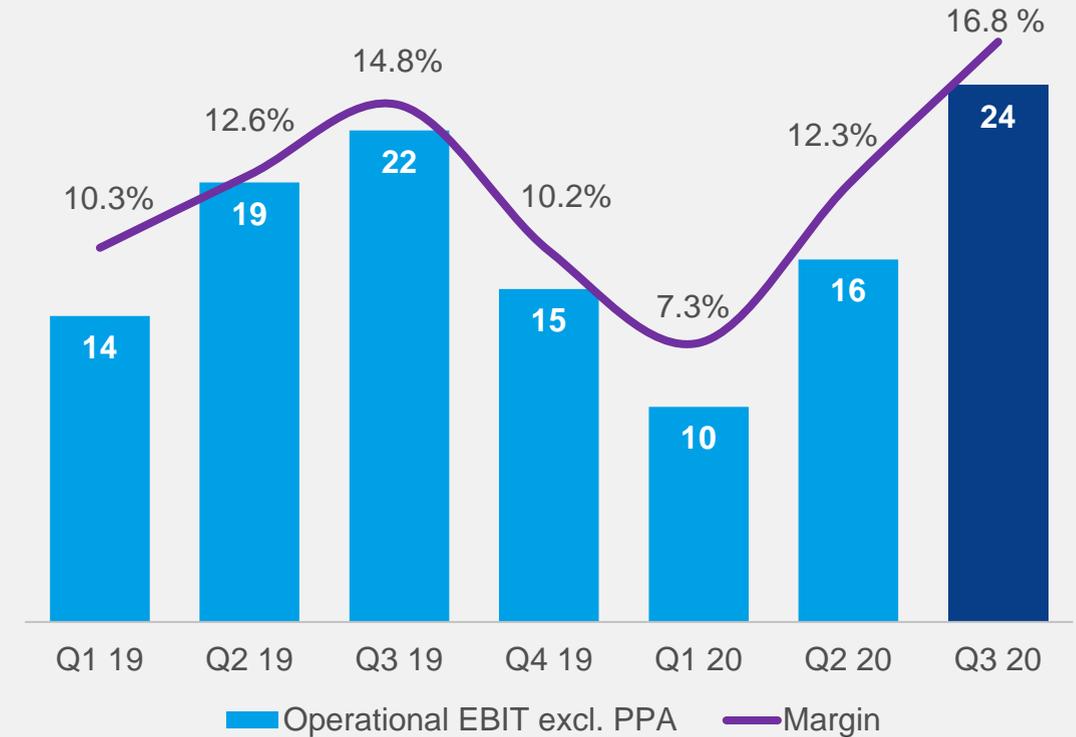
## Media Finland Q3 2020:

# Profitability improved y-o-y and was significantly above expectations

- Operational EBIT excl. PPA improved to 24m€ (2019: 22)
  - Successful cost mitigation actions across cost categories, including personnel, overall administration, content and paper
  - Adverse impact of the cancelled events season, lower advertising sales and the divestment of Oikotie
  - Part of the TV programming costs saved earlier this year were spent during the quarter, part still expected to be spent during Q4
- Uncertainty related to economic development and impact of the pandemic situation expected to continue during the coming months and in 2021

### Operational EBIT excl. PPA

m€



# Outlook for 2020 (published on 8 October)

In 2020, Sanoma expects that the Group's reported net sales will be around 1,050m€ (2019: 913).

The Group's operational EBIT margin excluding PPA is expected to be around 14% (2019: 14.8%), which in this case means the margin is not expected to be below 13% or above 15%.

The outlook is based on the assumption that the advertising market decline in Finland in 2020 will be between 15-20% compared to 2019.



# Continuing our transformation

Acquisition of Santillana Spain was announced on 19 October for an EV of 465m€ and an EV/EBITDA multiple of 9.3, closing expected during H1 2021

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

Iddink part of Sanoma Learning for one year – business and integration are progressing well



Over 65% of the Group's operational earnings will come from Learning

Continued focus on growing esp. the learning business

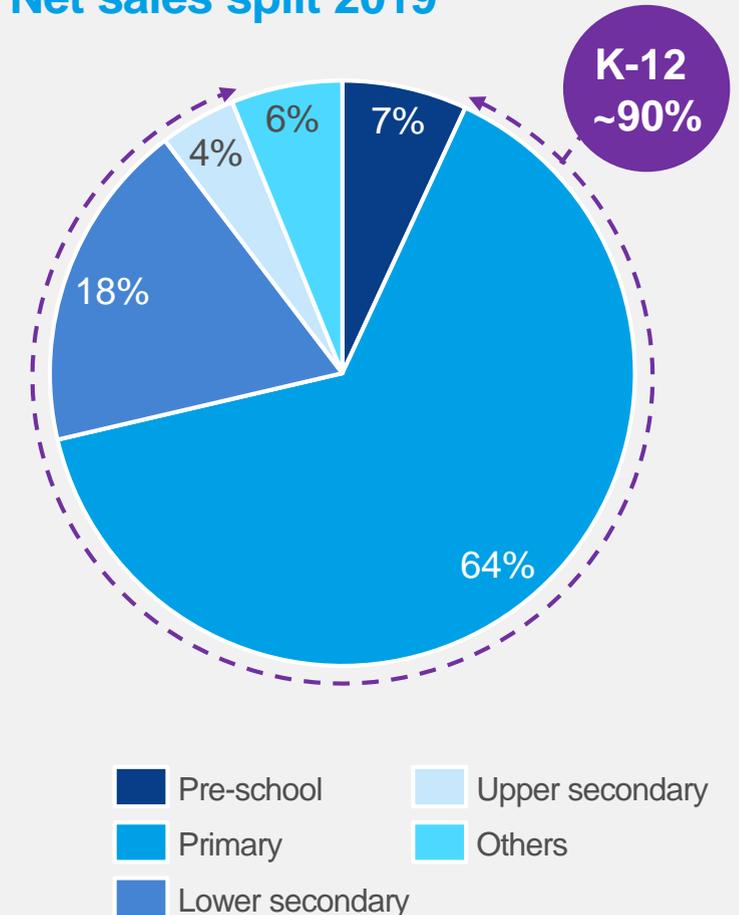
Long-term financial targets remained unchanged <sup>1)</sup>

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

- On 19 October, Sanoma announced the acquisition of Santillana Spain, a leading provider of learning materials, primarily textbooks, for primary and secondary education 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
- 570 employees and an experienced and committed management team

*More information about the acquisition at [Sanoma.com/investors](https://www.sanoma.com/investors)*

Net sales split 2019



# Financials

A group of children are participating in a tug-of-war competition on a grassy field. The children are wearing jackets and are pulling on a rope. The child in the foreground is wearing glasses and a grey jacket. The background shows a line of trees and a grassy hill.

# Strong earnings improvement in Q3 2020

**Learning**

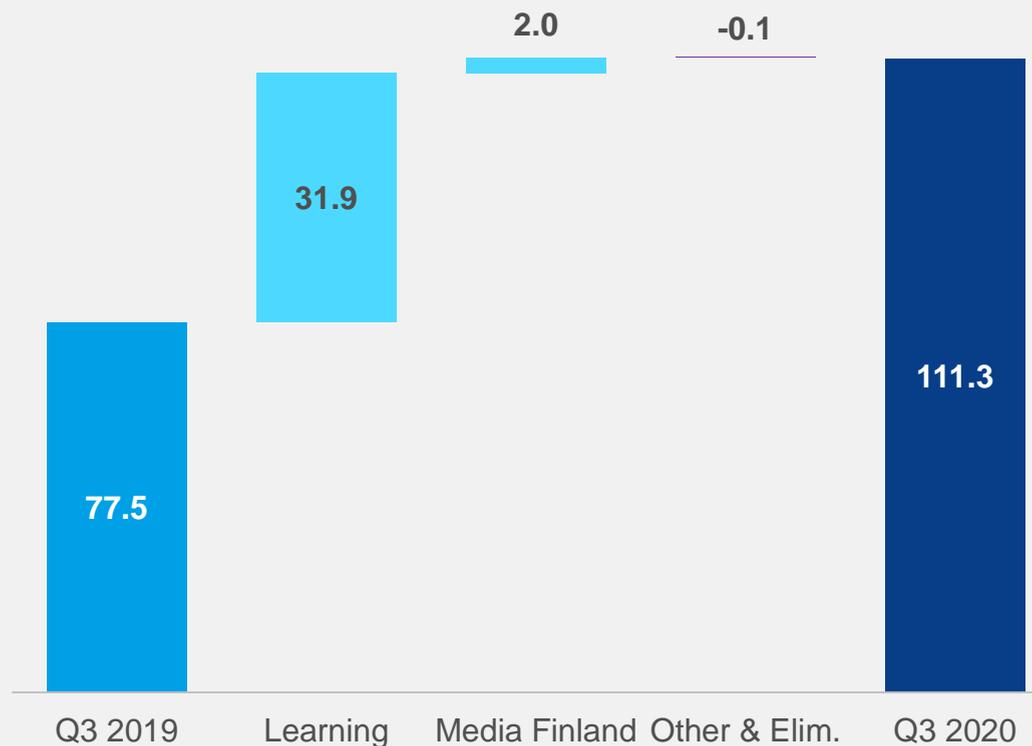
- + Acquisition of Iddink
- + Strong comparable net sales growth in Poland

**Media Finland**

- + Active cost mitigation actions across cost categories
- Cancelled events season
- Lower advertising sales
- Divestment of Oikotie

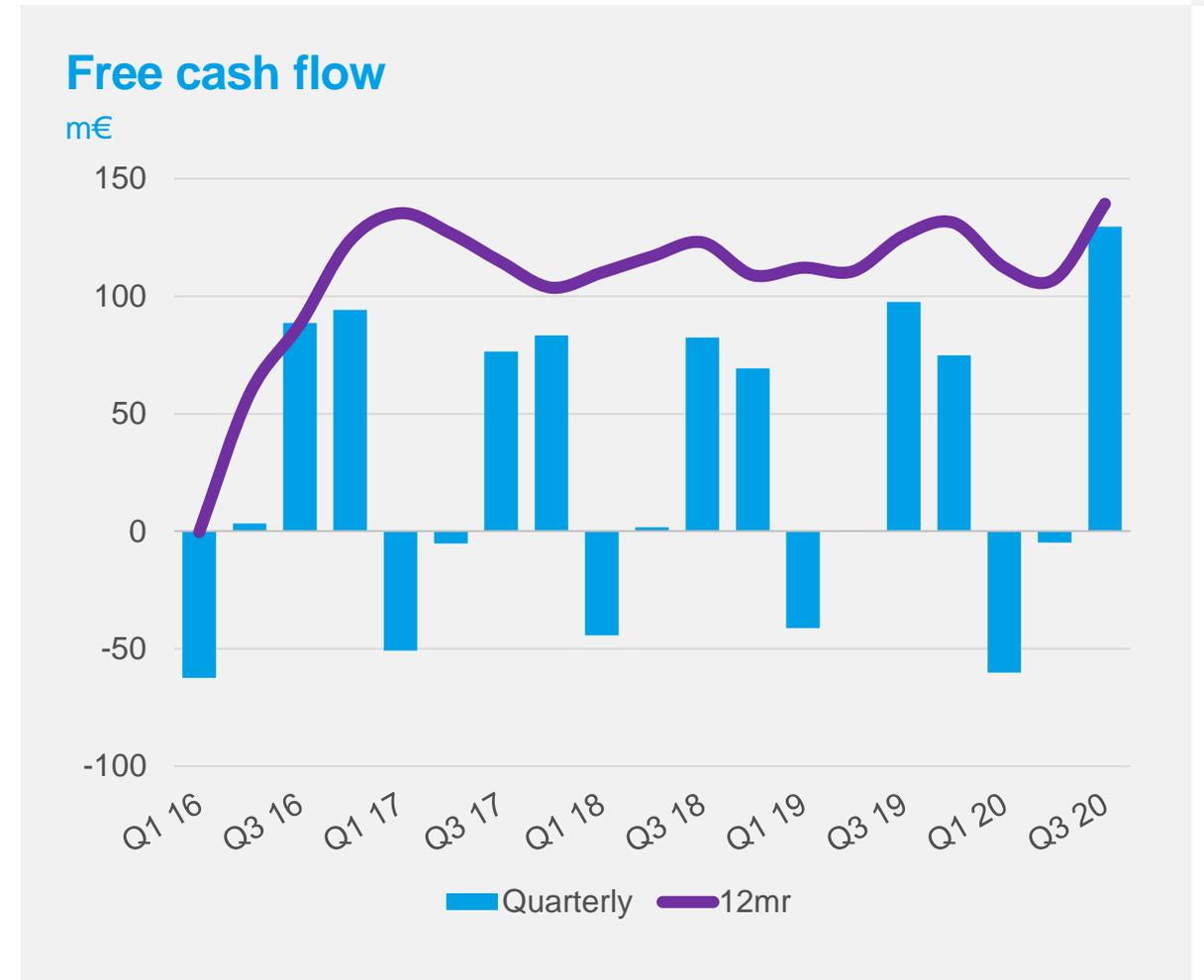
## Operational EBIT excl. PPA Q3 20 vs. Q3 19

m€



# Free cash flow improvement driven by the Iddink acquisition

- Free cash flow grew to 65 m€ (2019: 56) in Q1-Q3 2020
  - + Learning: Iddink acquisition, net sales and earnings growth in Poland as well as timing of working capital changes between quarters
  - Media Finland: lower profitability, partially offset by lower TV programming spend
  - Discontinued Media Netherlands operations: only the seasonally negative cash flow of the first four months is consolidated in 2020
- 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 2020
- 2<sup>nd</sup> dividend instalment of 0.25€ will be paid on 6 November (record date 30 October)



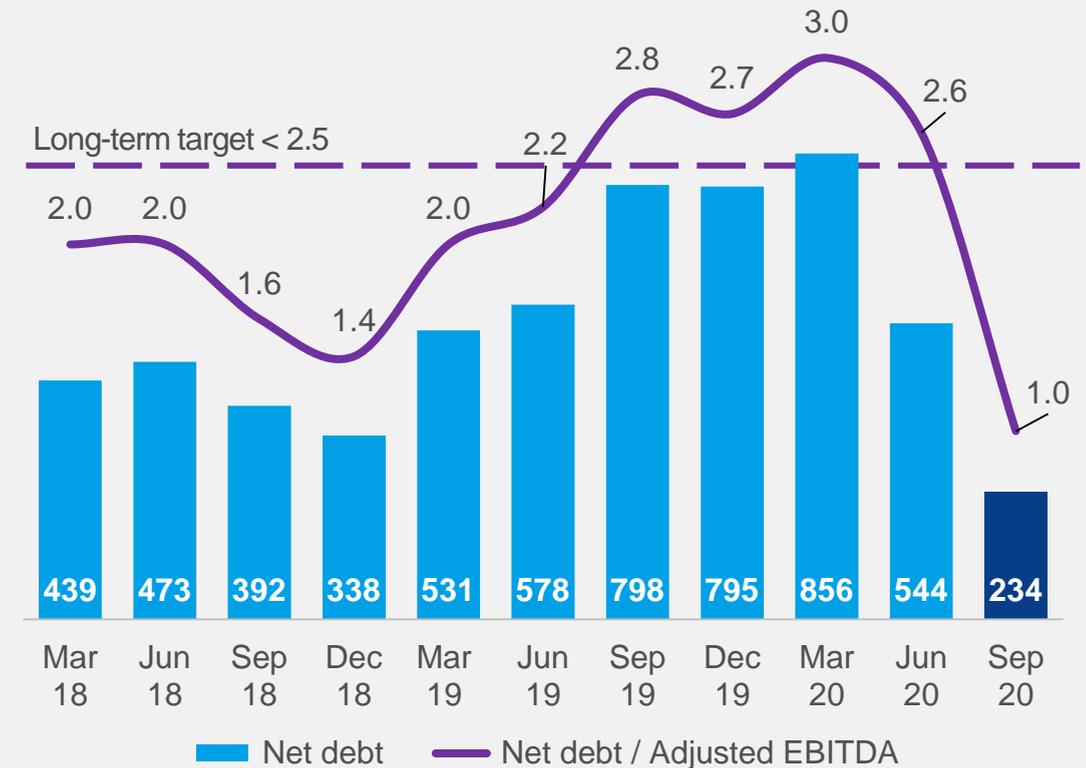
Free cash flow = Cash flow from operations less capital expenditure

# Net debt decreased during the quarter after the divestment of Oikotie

- Net debt decreased and leverage returned to its long-term target level as a result of the Oikotie divestment
  - Net debt / Adj. EBITDA 1.0 (2019: 2.8)
  - Equity ratio 48.5% (2019: 33.8%)
- Capital gain of 165m€ related to Oikotie divestment booked in Q3
- Closing of the acquisition of Santillana Spain expected during H1 2021
- Net financial expenses decreased to 7m€ (2019: 17) in Q1-Q3 2020
  - Average interest rate of external loans decreased to 0.8% (2019: 2.7%) following the repayment of the 200m€ bond in November 2019
  - Lower interest-bearing debt after the divestments of Media Netherlands and Oikotie

## Net debt

M€



# Financial reporting in 2021

10 February	Full-Year Result 2020
Week 9	Financial Statements and Directors' Report 2020
25 March	Annual General Meeting 2021
30 April	Q1 2021 Interim Report
28 July	Half-Year Report 2021
27 October	Q3 2021 Interim Report





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 Sanoma Learning, Rob Kolkman
- CEO Media Finland, Pia Kalsta

Invitations will be sent in due course

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

Q&A



# Appendix



# Sanoma in 2019

 NET SALES  
**913m€**

 NON-PRINT SALES  
**51%**

 OPERATIONAL EBIT MARGIN  
**14.8%**

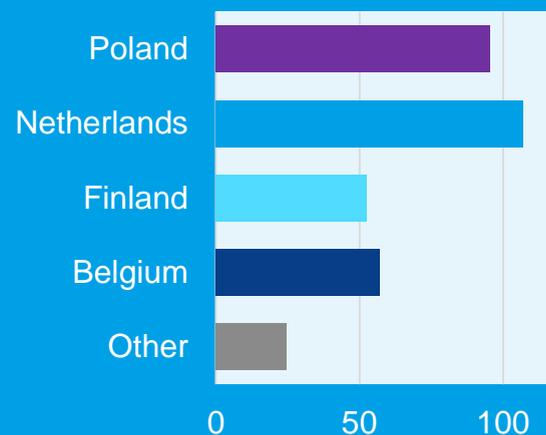
## Learning

 **337m€**

 **49%**

 **21.7%**

### NET SALES 2019



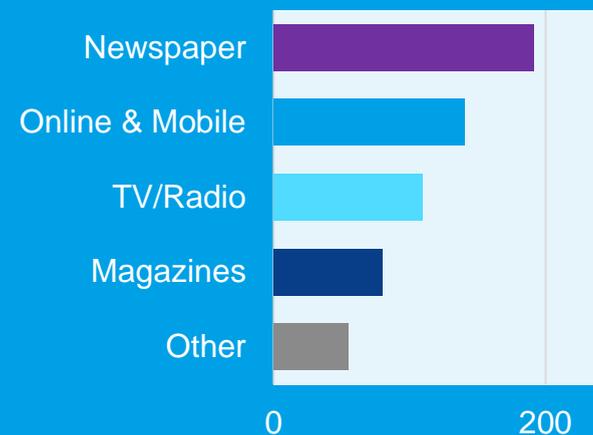
## Media Finland

 **577m€**

 **53%**

 **12.0%**

### NET SALES 2019



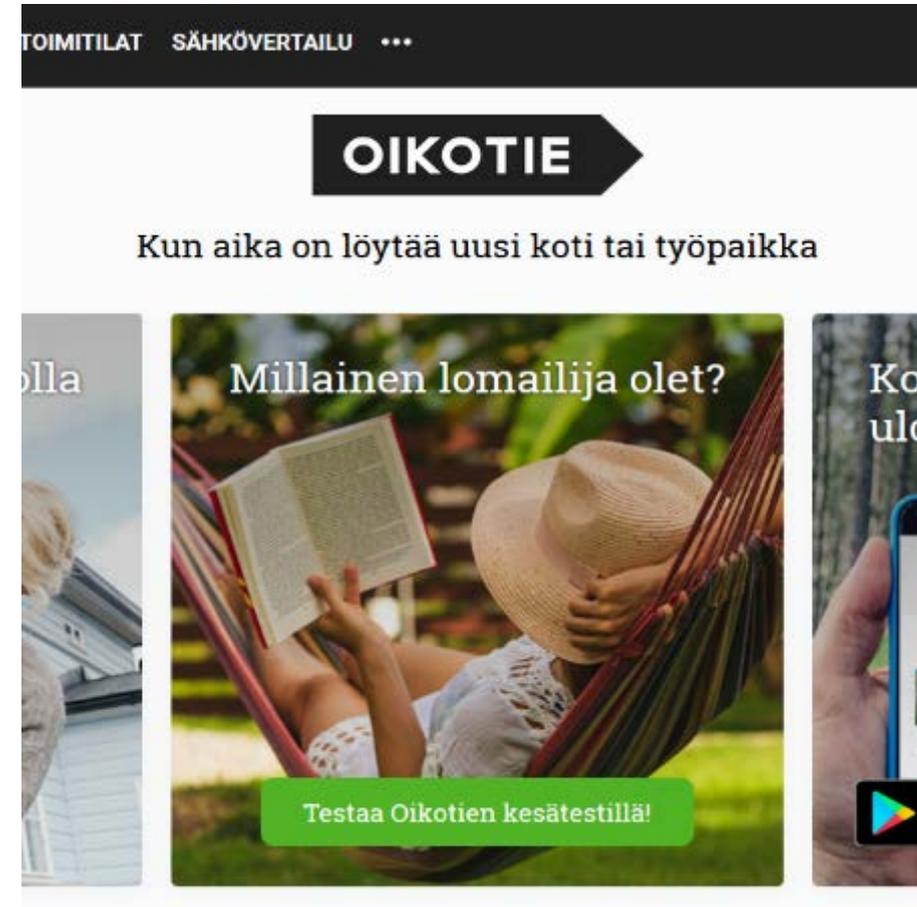
# Divestment of Media Netherlands

- 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



# 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 <sup>1)</sup>
- 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
- Oikotie is included in Sanoma's financial reporting until 31 July 2020
- A non-cash capital gain of 165m€ including divestment-related transaction costs of 2m€ were booked as IACs in Media Finland's Q3 2020 result



# Key impacts and risks of the corona virus pandemic and their mitigation

- **In Learning**, no major impact on net sales and profitability are currently expected as there will be no major changes in school purchasing and curriculum renewals
- **In Media Finland**
  - **Subscription and other B2C sales** (> 50% of net sales), apart from the events business, are not expected to be significantly affected, unless the exceptional situation intensifies
    - In January-September 2020, subscription sales of Media Finland grew slightly on a comparable basis, and by 14% including the acquired regional news media business
  - **In B2B advertising business** (net sales 247m€ in 2019), material impact on the net sales and profitability is expected
    - In 2020, Sanoma expects that the advertising market decline in Finland will be between 15-20% compared to 2019
    - January-September 2020 advertising sales -13% (market -21%), variation between customer categories and media channels
  - **The events business** will be impacted as all Media Finland's events for the summer season 2020 were cancelled based on the decision by the Finnish government
    - 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)

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

## Key ratios

	Long-term target	31 Dec 2019	30 September 2020
Net debt / adj. EBITDA	< 2.5	2.7	1.0
Equity ratio	35-45%	30.5%	48.5%
Dividend payout	Increasing dividend 40-60% of free cash flow	58%	n/a

## Learning

Comparable net sales growth

Operational EBIT margin excl. PPA

## Media Finland

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

# Group key figures Q3 2020

m€	Q3 20	Q3 19
Net sales	<b>401.1</b>	284.9
Operational EBIT excl. PPA	<b>111.3</b>	77.5
margin	<b>27.7%</b>	27.2%
EBIT	<b>266.5</b>	69.1
Result for the period	<b>243.9</b>	48.5
Free cash flow	<b>129.6</b>	97.5
Equity ratio	<b>48.5%</b>	33.8%
Net debt	<b>234.2</b>	797.8
Net debt / Adj. EBITDA	<b>1.0</b>	2.8
Operational EPS, €	<b>0.50</b>	0.39
EPS, €	<b>1.50</b>	0.35

	Q3 20	Q3 19
Average number of employees (FTE)	<b>4,225</b>	3,485
Number of employees at the end of the period (FTE)	<b>4,217</b>	3,740

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

# Group key figures Q1-Q3 2020

m€	Q1-Q3 20	Q1-Q3 19
Net sales	835.1	707.7
Operational EBIT excl. PPA	156.4	133.1
margin	18.7%	18.8%
EBIT	291.2	112.3
Result for the period	260.2	73.2
Free cash flow	64.5	56.3
Equity ratio	48.5%	33.8%
Net debt	234.2	797.8
Net debt / Adj. EBITDA	1.0	2.8
Operational EPS, €	0.64	0.51
EPS, €	1.59	0.44

	Q1-Q3 20	Q1-Q3 19
Average number of employees (FTE)	4,225	3,485
Number of employees at the end of the period (FTE)	4,217	3,740

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

# Learning: Quarterly key figures

m€	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
Net sales	<b>260.2</b>	115.5	58.1	61.4	138.4	105.4	31.4
EBIT	<b>83.3</b>	34.3	-20.6	-19.3	52.0	41.0	-18.6
Items affecting comparability (IACs)	<b>-1.8</b>	-0.3	-0.9	-5.5	-4.4	-1.1	-1.1
PPA amortisations	<b>-4.1</b>	-4.1	-4.0	-3.6	-0.8	-0.8	-0.8
Operational EBIT excl. PPA	<b>89.1</b>	38.7	-15.7	-10.3	57.2	43.0	-16.7
margin	<b>34.2%</b>	33.5%	-27.1%	-16.7%	41.3%	40.7%	-53.1%
Capital expenditure	<b>8.5</b>	8.8	6.6	8.3	4.7	5.2	3.8
Average number of employees (FTE)	<b>1,949</b>	1,936	1,917	1,488	1,398	1,361	1,355

# Long-term learning method market stable, but significant growth in the Polish and Dutch markets in 2020-2021

## The Polish market grows as

- In 2020 three out of the eight grades of all Primary schools will exchange their textbooks to updated methods, and in 2021 as well
- Impact of the Secondary reform continues

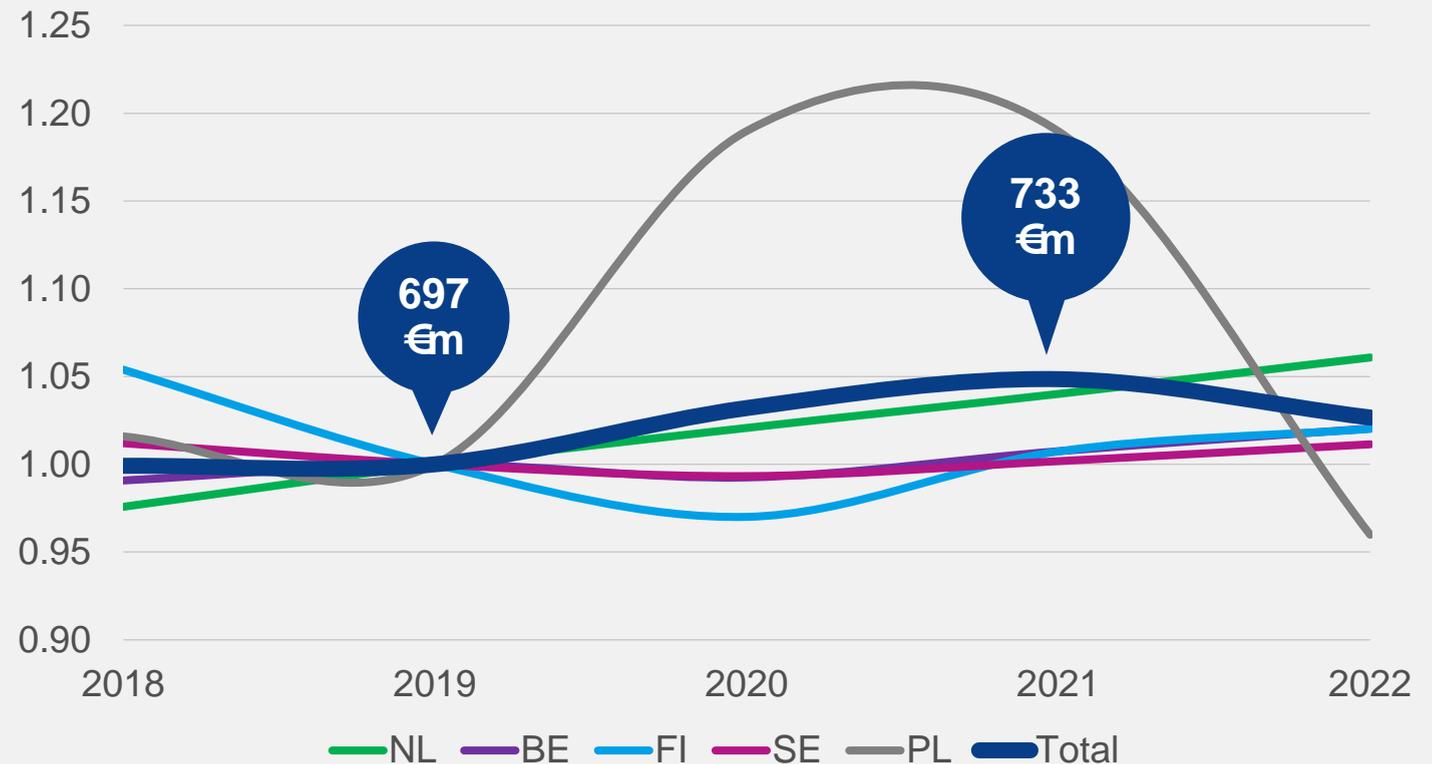
## The Dutch market grows as

- Primary mathematics method renewal accelerating
- Additional sales related to the subscription model

## Finland to rebound

- The upper Secondary reform in 2021

## Market value\*, indexed to 2019



# Media Finland: Quarterly key figures

m€	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
Net sales	<b>141.0</b>	130.9	129.9	144.2	146.5	154.5	131.6
EBIT	<b>184.5</b>	9.4	5.3	11.9	19.0	14.7	9.3
Items affecting comparability (IACs)	<b>162.6</b>	-5.1	-3.2	-1.7	-1.5	-3.6	-3.1
PPA amortisations	<b>-1.8</b>	-1.6	-1.1	-1.1	-1.1	-1.1	-1.1
Operational EBIT excl. PPA	<b>23.7</b>	16.0	9.5	14.7	21.7	19.4	13.5
margin	<b>16.8%</b>	12.3%	7.3%	10.2%	14.8%	12.6%	10.3%
Capital expenditure	<b>0.8</b>	1.3	2.1	1.1	0.9	1.2	0.7
Average number of employees (FTE)	<b>2,056</b>	2,001	1,773	1,804	1,811	1,793	1,764

# Finnish advertising market development

## Finnish measured media advertising markets

	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	FY 19
Newspapers	-21%	-42%	-19%	-10%	-12%	-2%	-7%	-9%
Magazines	-24%	-30%	-10%	-11%	-8%	-2%	-5%	-7%
TV	-6%	-34%	-3%	-8%	-5%	1%	-7%	-5%
Radio	-12%	-42%	-10%	2%	6%	10%	7%	6%
Online *	-4%	-23%	2%	1%	6%	9%	2%	4%
<b>Total market</b>	<b>-14%</b>	<b>-38%</b>	<b>-7%</b>	<b>-5%</b>	<b>-2%</b>	<b>5%</b>	<b>-2%</b>	<b>-1%</b>

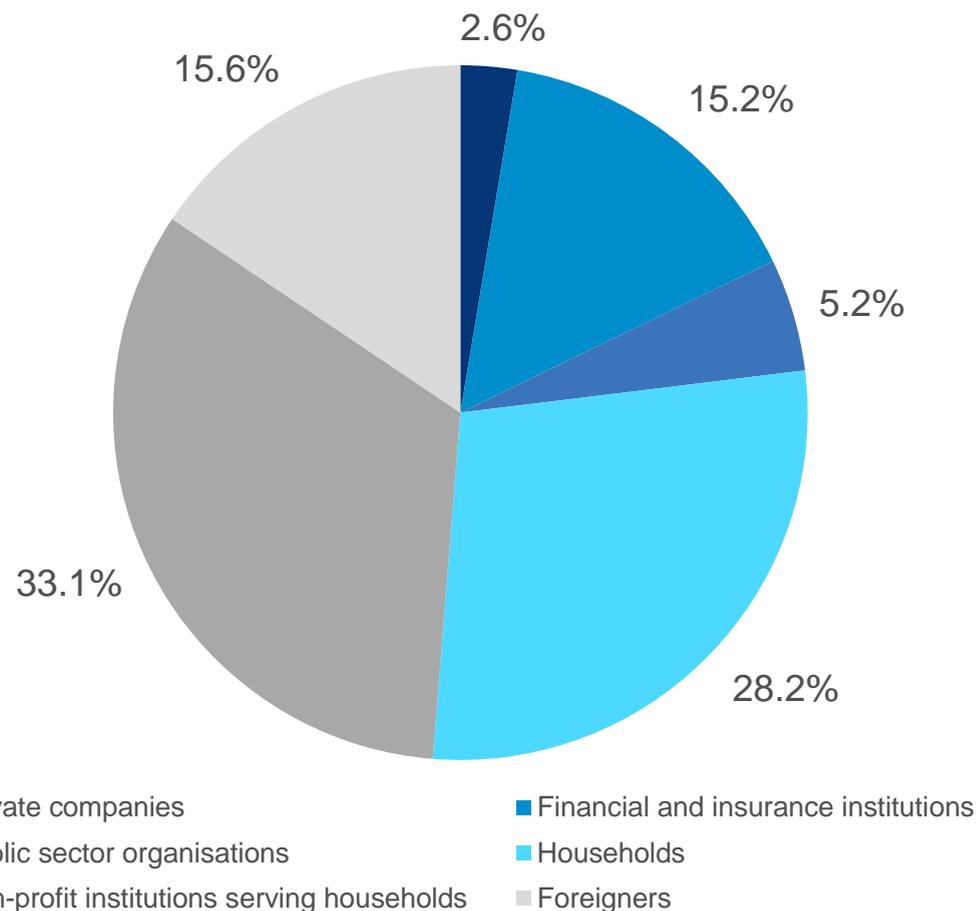
# Largest shareholders

30 September 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	4,400,000	2.7%
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%
<b>10 largest shareholders total</b>	<b>99,501,832</b>	<b>61.0%</b>
<b>Foreign holding *</b>	<b>21,331,772</b>	<b>13.0%</b>
<b>Other shareholders</b>	<b>42,732,059</b>	<b>26.0%</b>
<b>Total number of shares</b>	<b>163,565,663</b>	<b>100.0%</b>
<b>Total number of shareholders</b>	<b>22,736</b>	

## Holding by category

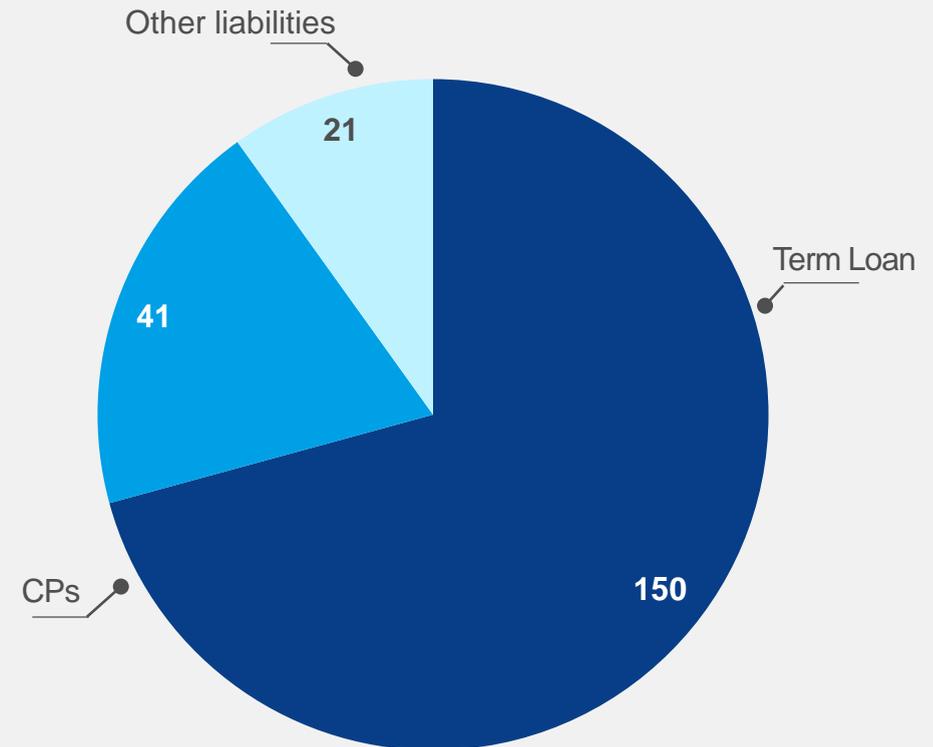


# Balanced debt structure at the end of September 2020

- 250m€ 4-year term loan was drawn in September 2019 to finance the acquisition of Iddink
  - 50m€ was repaid in Q2 2020
  - 50m€ was repaid in Q3 2020
- Sanoma has signed a 480m€ bridge loan facility with Nordea and OP to finance the acquisition of Santillana Spain
  - Will be converted into long-term funding
- Divestment of Oikotie was completed on 16 July
  - EV 185m€
- Divestment of Media Netherlands was completed on 20 April
  - EV 460m€

## Debt structure

m€, 30 June 2020



# Analyst coverage

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