

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

Roadshow presentation, November 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. Continuing growth through M&A**
Also beyond the Santillana Spain acquisition
- 5. Growing dividend**
Supported by good profitability and solid cash flow

We have a well-balanced business portfolio with majority of earnings from the learning business already in 2020

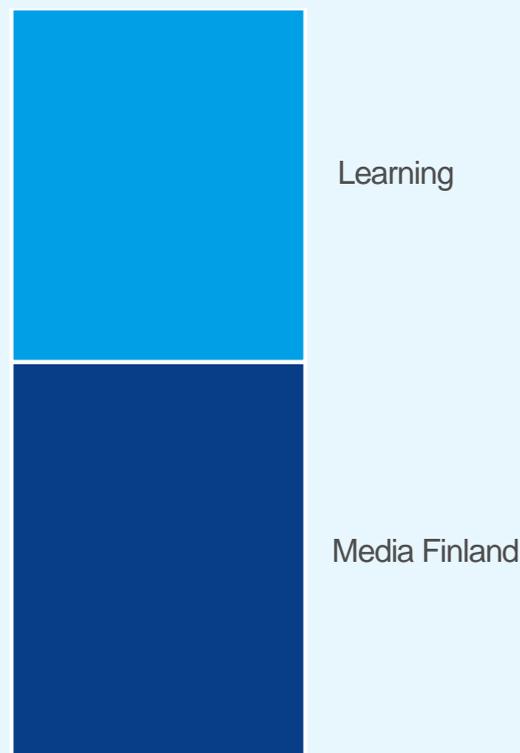
Sanoma Learning

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

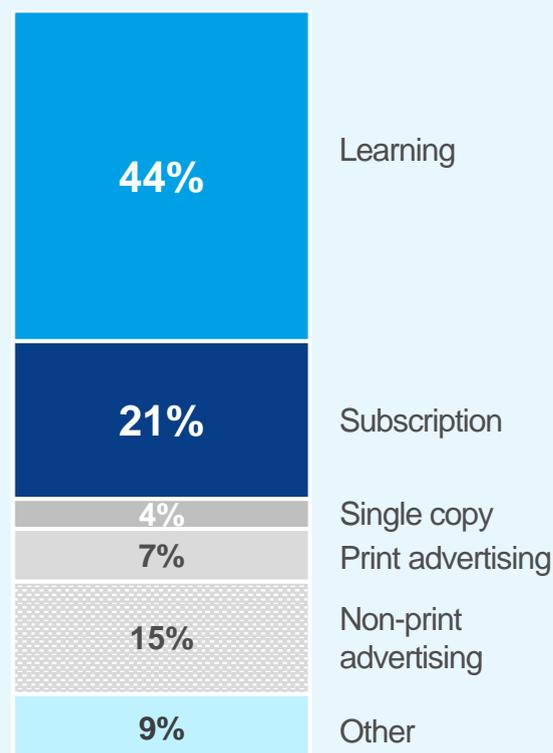
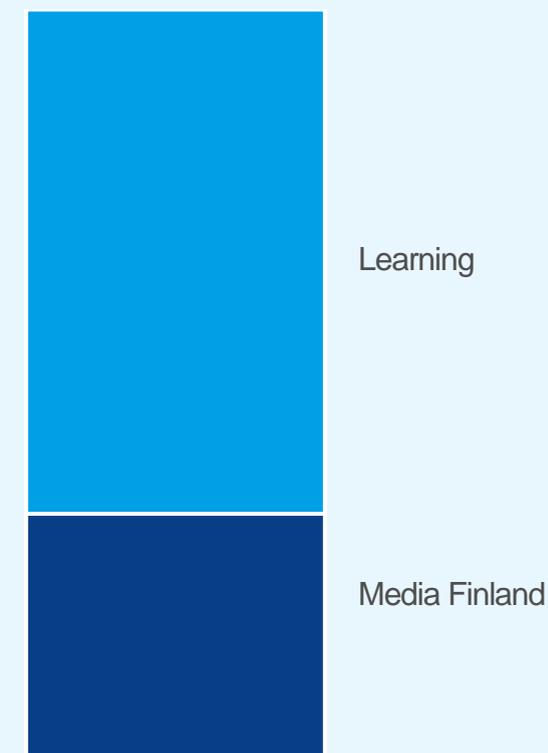
Sanoma Media Finland

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

Net sales
around 1,050m€¹



Operational EBIT
excl. PPA around 14%¹



YTD 2020: Continued transformation and increasing focus

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

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

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

Acquisition of Alma Media's regional news media business was completed on 30 April, EV 115m€ and EV/EBITDA multiple 5.8

Divestment of Media Netherlands was completed on 20 April, EV 460m€ and EV/EBITDA multiple 6.5



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

Continued focus on growing esp. the learning business

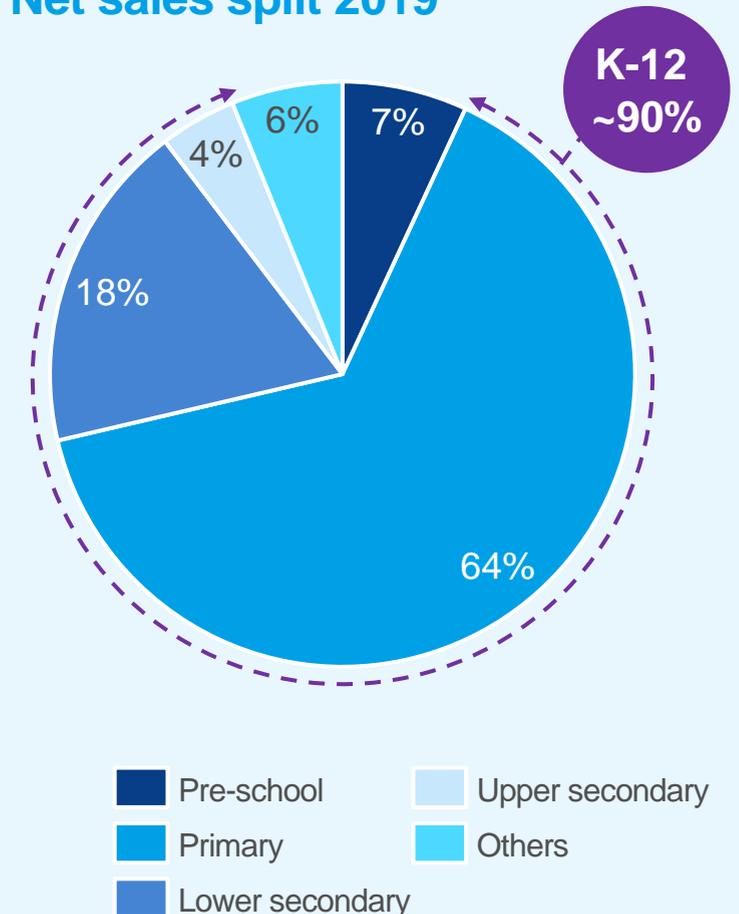
Long-term financial targets unchanged

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



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%)

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.



Aiming to continue our M&A growth strategy also beyond the Santillana Spain acquisition

M&A focus areas

Learning

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

- Enter new geographies
- Expand offering in existing markets

Media Finland

Synergistic acquisitions

- News & Feature
- Entertainment
- B2B marketing solutions

Solid M&A pipelines in both businesses

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

			Q1-Q3 2020
Comparable net sales growth	2-5%	0%	6%
Operational EBIT margin excl. PPA	20-22%	21.7%	25.8%
Comparable net sales growth	+/-2%	-2%	-13%
Operational EBIT margin excl. PPA	12-14%	12.0%	12.3%

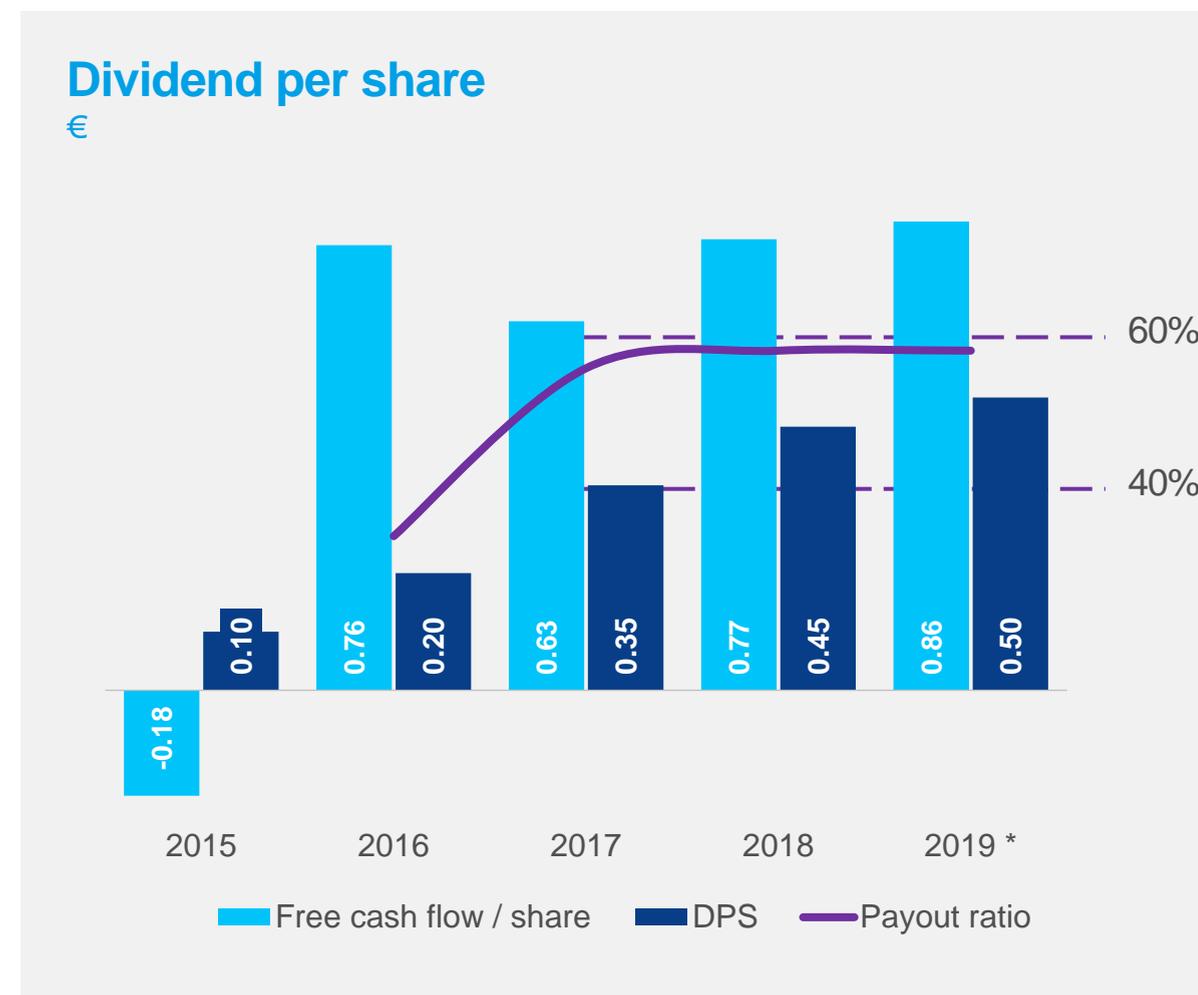
Growing dividend supported by good profitability and solid cash flow

- Dividend for 2019 is 0.50€ per share
 - Increase of 11% vs. 2018
 - 58% of free cash flow ¹
 - Dividend yield 5.3% (end of 2019)
- Paid in two parts
 - 0.25€ on 3 April
 - 0.25€ on 6 November

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.



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

Printed and digital course materials and digital platforms for teaching and administration

≈**20%**
oper. EBIT
margin excl.
PPA ¹

Long-term target
20-22%

Operations in
11
countries

350
employees in
tech

≈**500m€**
net sales ¹

Long-term target for
comparable growth
2-5%

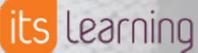
Serving
15m
students

1,900
employees

We focus on learning services for K12

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

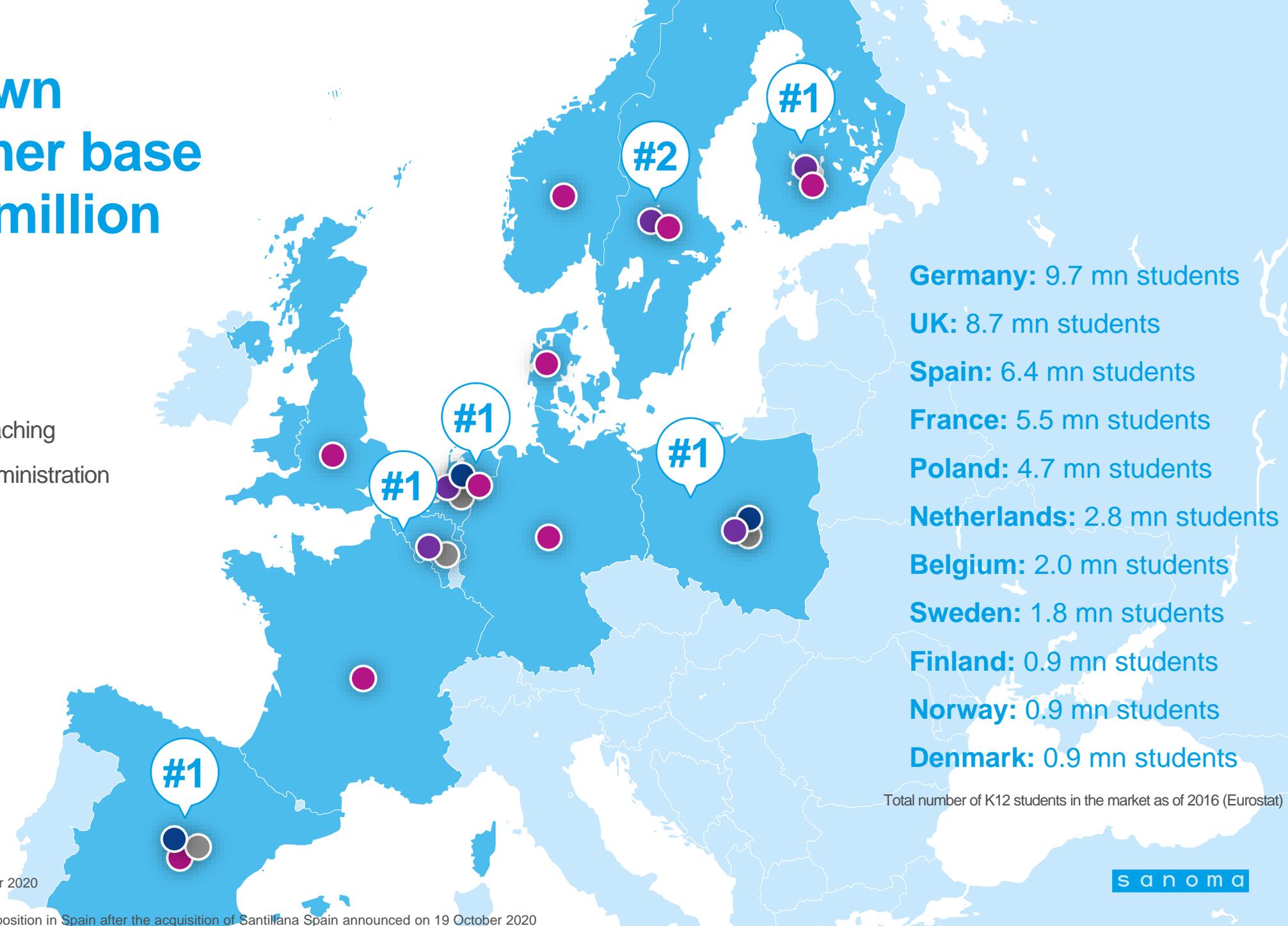
We have grown from a publisher into an integrated provider of learning services...

Learning services	Net sales ¹ 480m€	Commercial contact	
		Teachers	Administrators
Content: printed and digital 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"/>

¹ Incl. Iddink, Essener and itslearning LTM Q3 2019

... and grown our customer base to over 21 million students

- 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

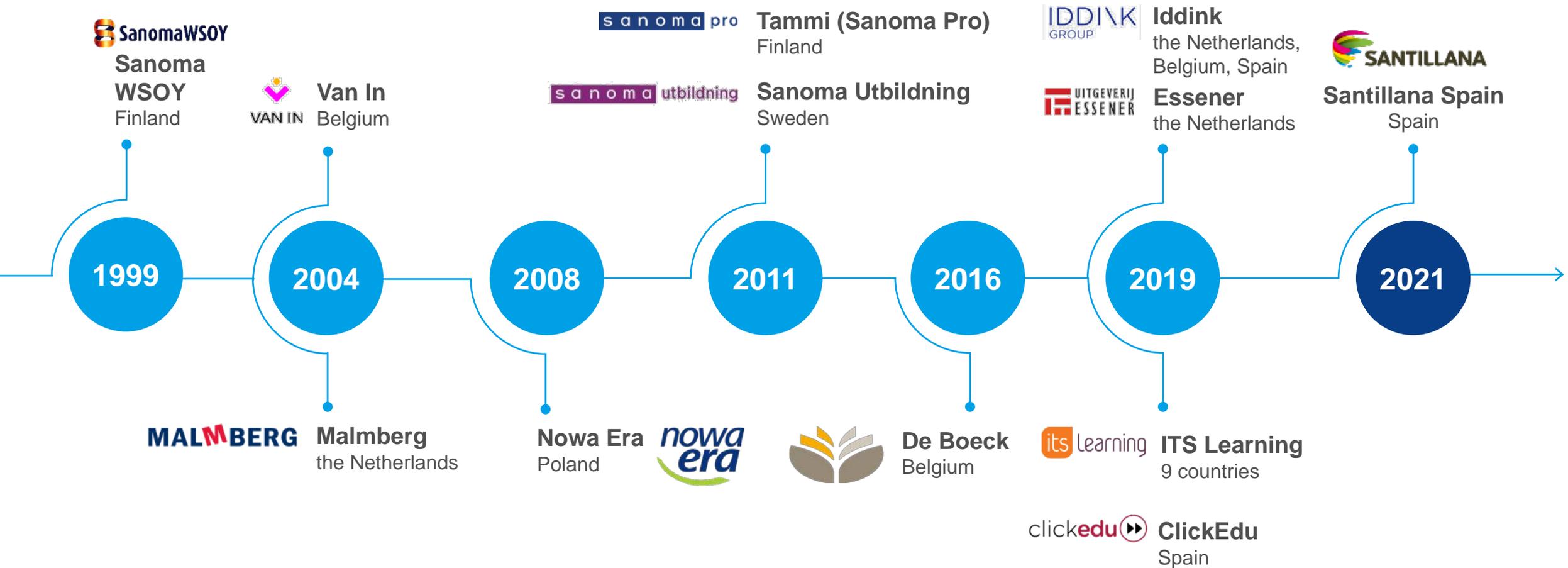
Finland: 0.9 mn students

Norway: 0.9 mn students

Denmark: 0.9 mn students

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

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





... and we want 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

2,100
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€¹

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

Enterprise value 115m€, multiple 5.8 (EV / Pro forma adjusted EBITDA¹) 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

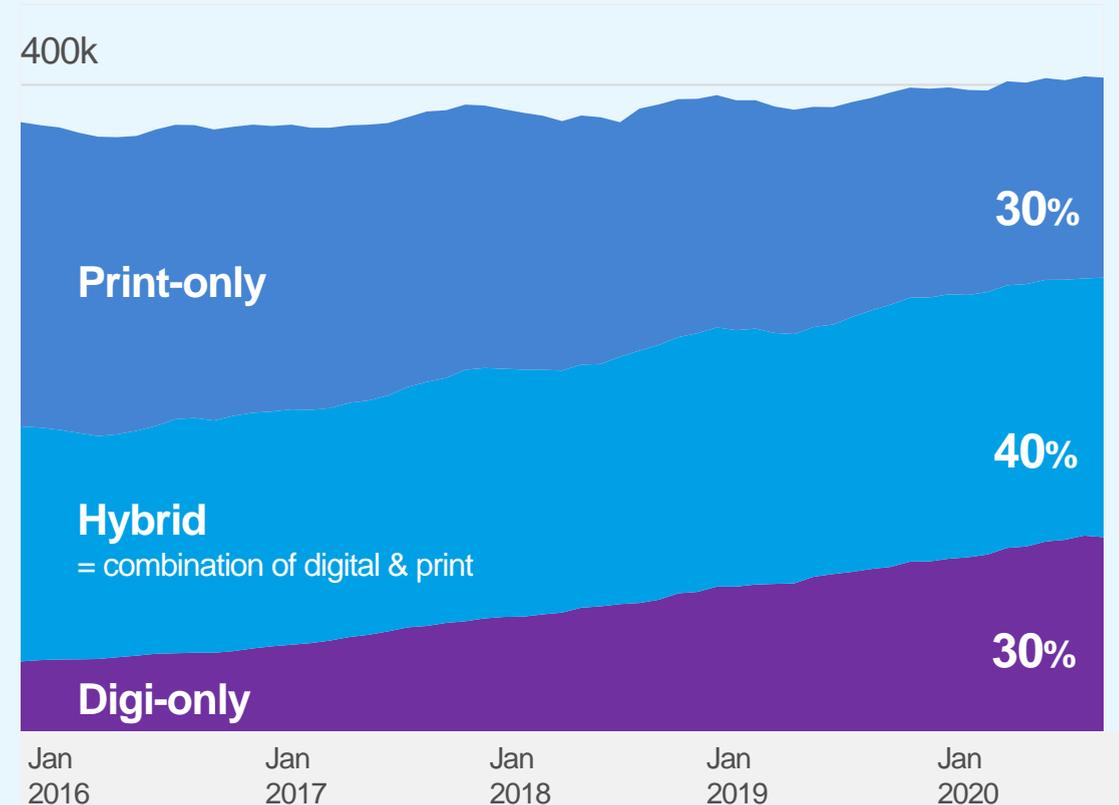
Efficiency in shared operations, better **financial returns** on digital investments

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 clearly above 100k, 30% of total subscription base
 - Total number of subscriptions growing for the fourth year in a row, with strongest growth in digital
 - Already 70% 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

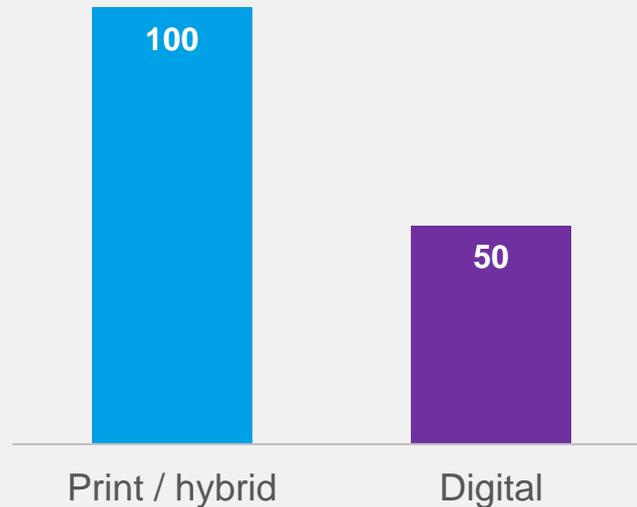


Digital transformation reduces net sales but increases contribution per incremental subscriber

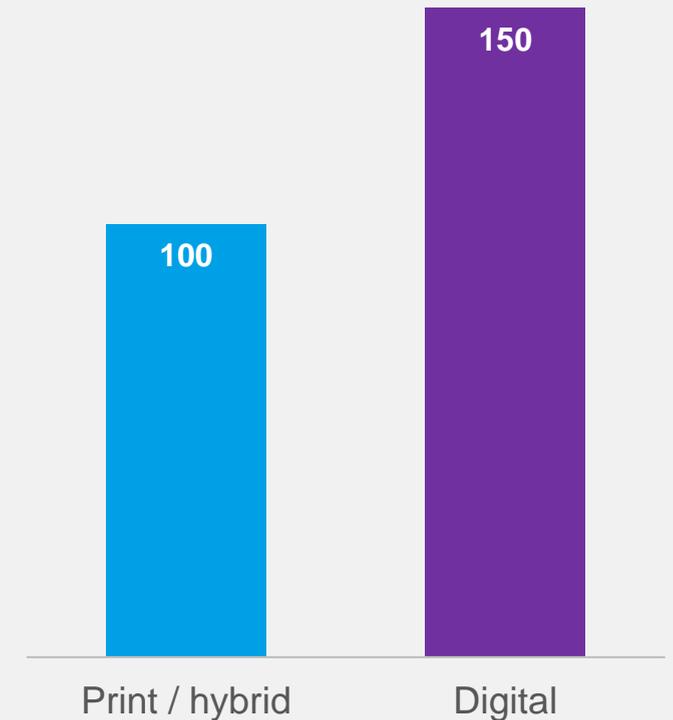
- Acquiring an additional subscriber for digital instead of printed news will
 - Generate half the net incremental sales due to lower consumer prices
 - Increase contribution by 50% due to absence of print and esp. distribution costs
- Active conversion of larger number of subscribers from print to digital would be not create additional contribution due to
 - Stranded costs related to printing and distribution
 - Potential loss of advertising revenues
 - Lack of consumer readiness

Net sales per additional subscription ¹ reduces...

Indexed



... but contribution increases ¹



¹ Excluding impact of digital transformation on advertising revenues

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Appendix



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
- 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



Divestment of Media Netherlands

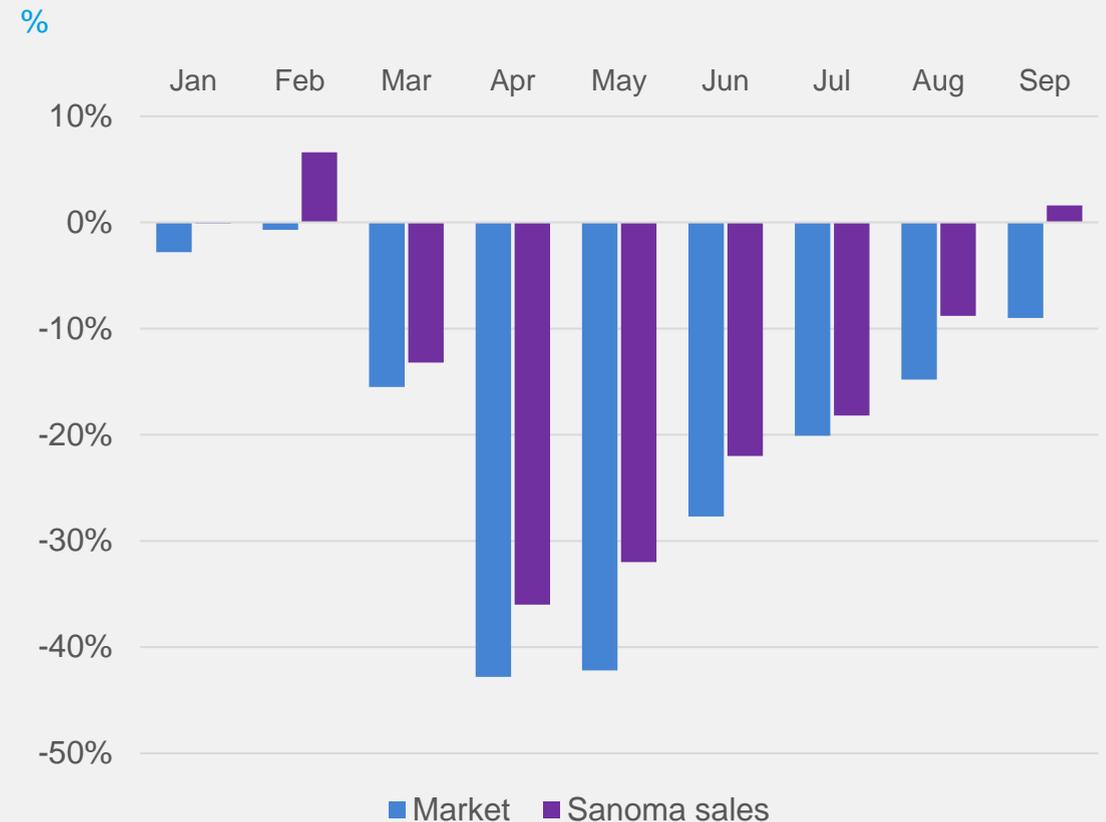
- On 10 December 2019, Sanoma announced it has signed an agreement to divest the strategic business unit Sanoma Media Netherlands
- The divestment was completed on 20 April 2020
- Media Netherlands is reported as Discontinued operations in Sanoma's 2019-2020 financial reporting
- Continuing operations 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



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 event 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)

Monthly advertising development, Jan-September 2020 ¹



¹ For Sanoma, comparable development excl. the impact of acquisitions and divestments

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