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**Two focused and leading businesses  
poised for further growth**

Roadshow presentation, January 2021



## Two focused and leading businesses poised for further growth

- We continue to grow Sanoma Learning, the leading European K12 learning business
- We are the leading cross-media company in Finland and continue our successful digital transformation
- We have 300-400m€ headroom for M&A and focus on growing our learning business further
- We pay a solid dividend
- Sanoma is a sustainable investment with learning and media having a positive impact on society

# We have accelerated our transformation during the past year

≈ 800m€ invested

More than 400m€ new, highly profitable net sales acquired

**Four acquisitions in K12 learning services in 2019**

Iddink | Itslearning | Clickedu | Essener

**Regional news media business in Finland**

**Santillana Spain, leading provider of K12 learning content in Spain**

ACQUISITIONS

DIVESTMENTS

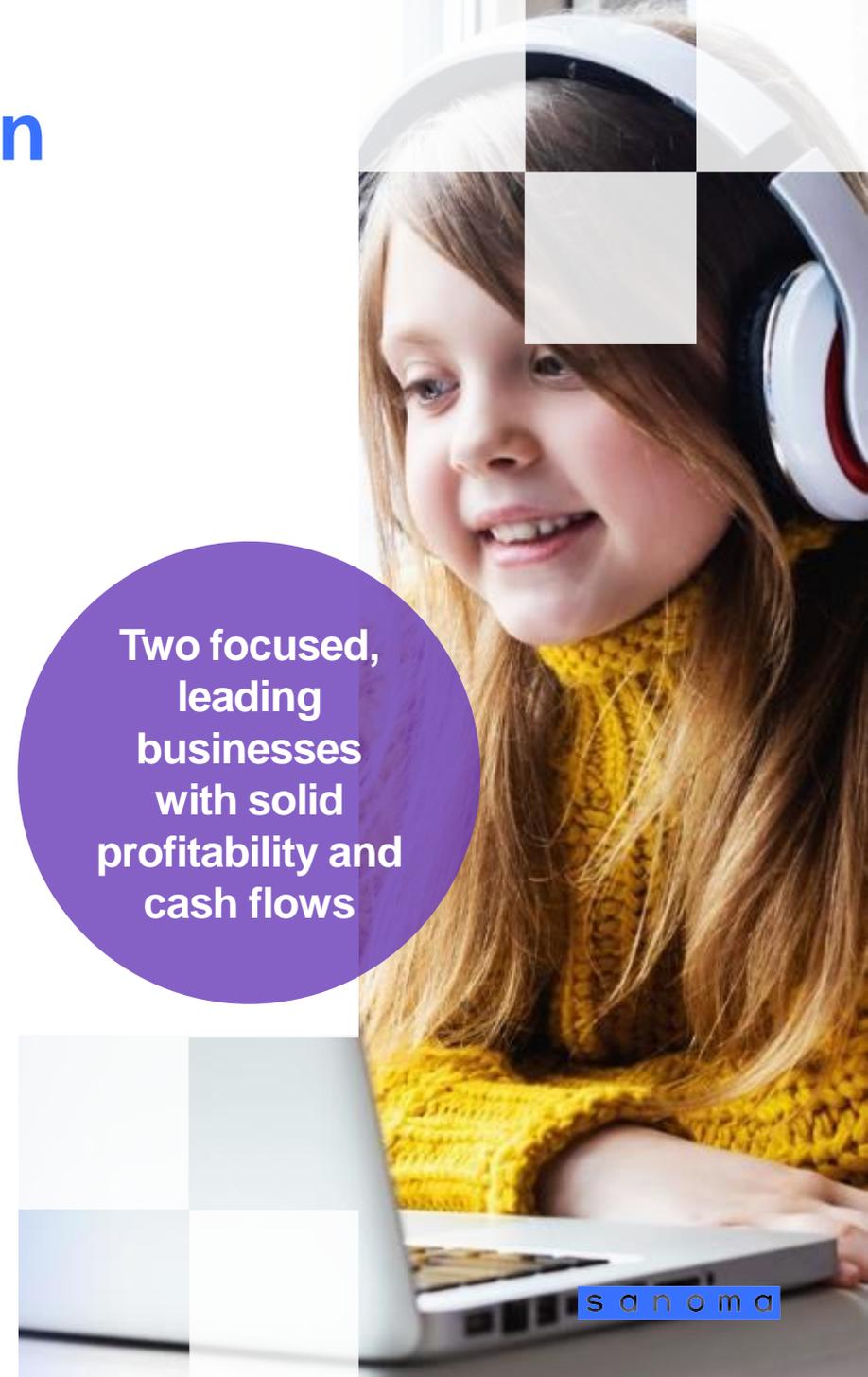
**Media Netherlands**

**Online classifieds business Oikotie**

Two focused, leading businesses with solid profitability and cash flows

≈ 700m€ divestment proceeds received

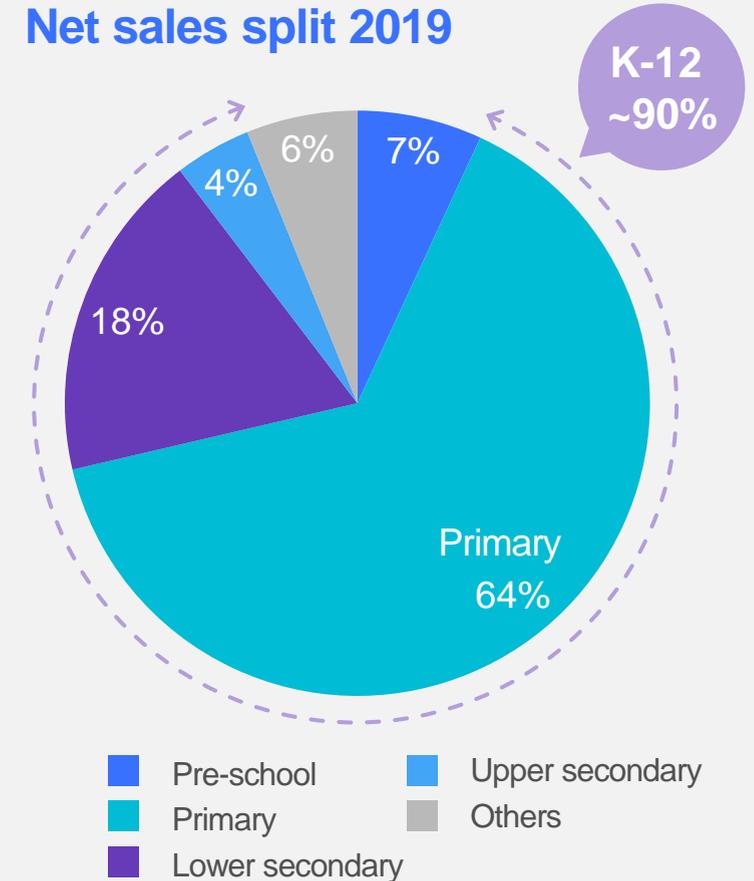
≈ 400m€ net sales divested



# Acquisition of Santillana Spain expands our footprint in blended learning solutions in Europe

- Santillana Spain is a leading provider of learning materials, primarily textbooks, for primary and secondary education in Spain
- Net sales of 122m€ and standalone operational EBIT excl. PPA 37m€ (margin 30%) – annual average 2016-2019
- In 2019, only 2% of Santillana Spain's net sales were digital: above the market average in Spain
- 570 employees: 40% in commercial and 30% in content development functions
- Strong and experienced management team, committed to the business
- Acquisition was finalised on 31 December 2020

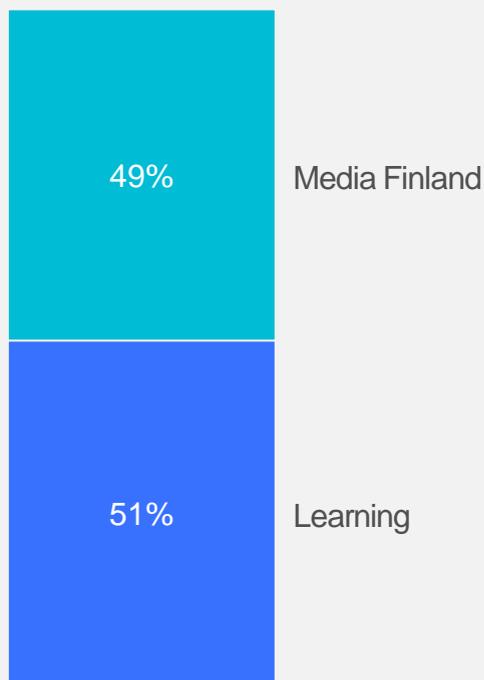
Net sales split 2019



# Learning is now contributing close to 70% of Group earnings

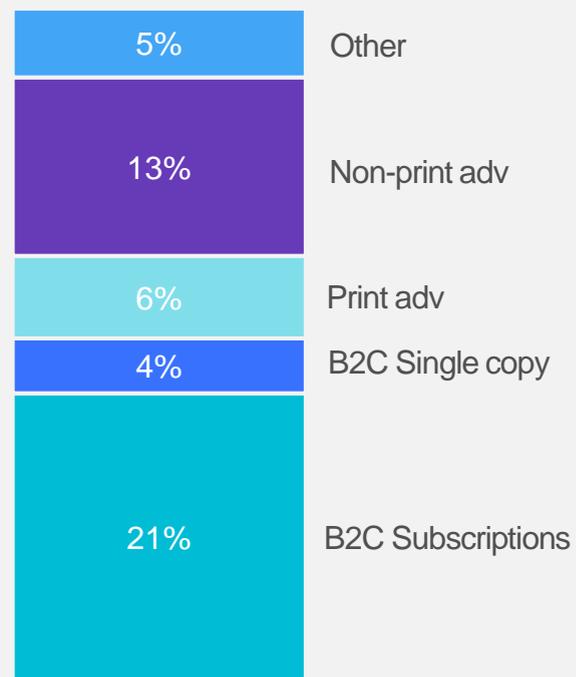
## We have a balanced revenue profile with...

Net sales by SBU, %



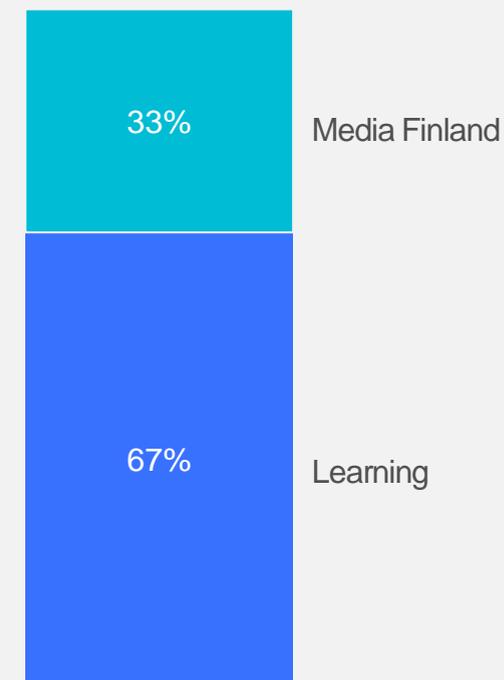
## ...B2C more than half of our media sales

Group net sales by category, %



## Learning close to 70% of earnings

Operational EBIT excl. PPA by SBU, %

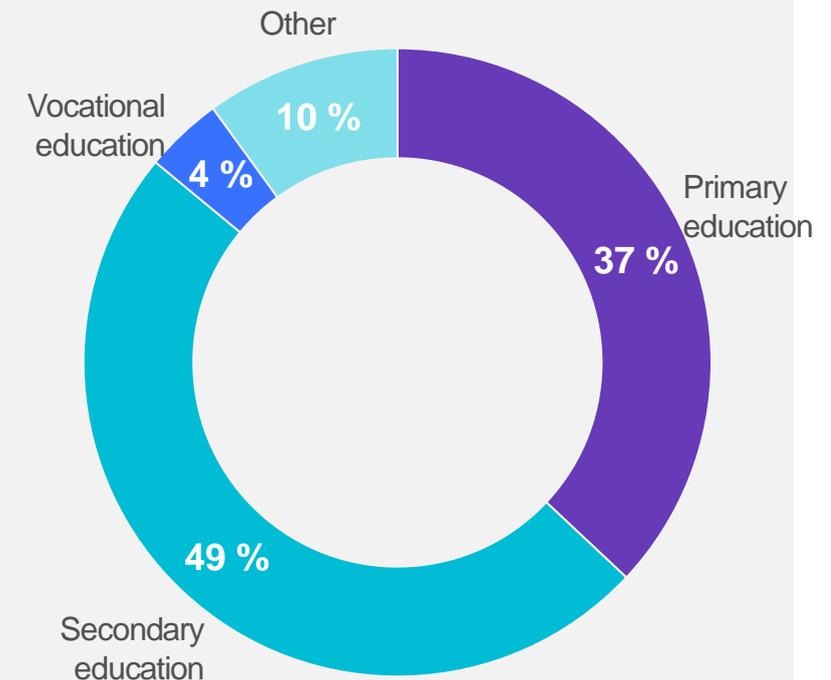


All figures pro forma LTM Q3 2020 incl. the impact of acquisitions and divestments

# We continue to grow Sanoma Learning with strong focus on K12 learning services...

- **We focus on growing our K12 learning services**
  - K12 being primary, secondary and vocational education
  - Learning services being blended learning content (print & digital), digital platforms for teaching and administration as well as content distribution
  - High barriers to entry due to local nature of the business
  - Three growth levers: market share gains, expansion of services and M&A
- **We share our best-in-class digital platforms and our European footprint gives us unique benefits of scale**
  - Transitioning towards a subscription model
- **We upgraded our long-term profitability target**
  - Operational EBIT margin excl. PPA will be 'above 23%' over time including the acquisition of Santillana Spain
  - Comparable net sales growth 2-5% (unchanged)

**Net sales split**  
Pro forma LTM Q3 2020





# We continue to grow our learning business through M&A

- We have a well-developed pipeline and a good momentum for further acquisitions
  - Focus on European K12 learning services
  - Both learning content and digital platform businesses
  - Entering new geographies and expanding our offering in current markets
- We have increased our leverage target to **'below 3.0'** (previous target: below 2.5)
  - Stable and predictable Learning business now close to 70% of Group earnings
- Our M&A headroom allows us to participate in the ongoing consolidation in the European K12 learning services market

M&A headroom

**300-400**m€

by 2022

# Sanoma is the leading media company in Finland successful in its digital transformation...

- **Focused media company with scale**
  - News & feature, entertainment and B2B marketing solutions
  - Highly synergistic, bolt-on acquisitions could be considered
- **Increasing share of consumer income and subscriptions in both news and entertainment**
  - B2C sales now 50% of total net sales ( $\approx$  45% in 2016)
- **Proven track record of a successful digital transformation**
  - Helsingin Sanomat news subscriptions increasing for 4<sup>th</sup> consecutive year, now already above 400,000
  - Ruutu+ Video-on-Demand with more than 300,000 subscriptions
- **Solid performance towards long-term financial targets**
  - Stable comparable net sales growth +/-2%
  - Increasing operational EBIT margin excl. PPA 12-14%



# ... and has proven resilience even in an exceptional year

- Corona pandemic had a significant impact on Finland's advertising and events market in 2020
  - Our advertising sales declined by 13% in January-September, strong recovery since September
    - We have been gaining 2-3%-points in market share over the year
  - No live events and festivals took place in 2020 – business still contributed due to insurance compensation
- Efficient cost containment across the business, resulting in total savings of 15-20m€
- For 2021 we expect with continuing recovery
  - Costs to return to near normal levels
  - Continuing low visibility in advertising demand
  - In live events business, highly flexible cost structure

# Solid dividend for our shareholders while growing through M&A

## Dividend policy unchanged

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

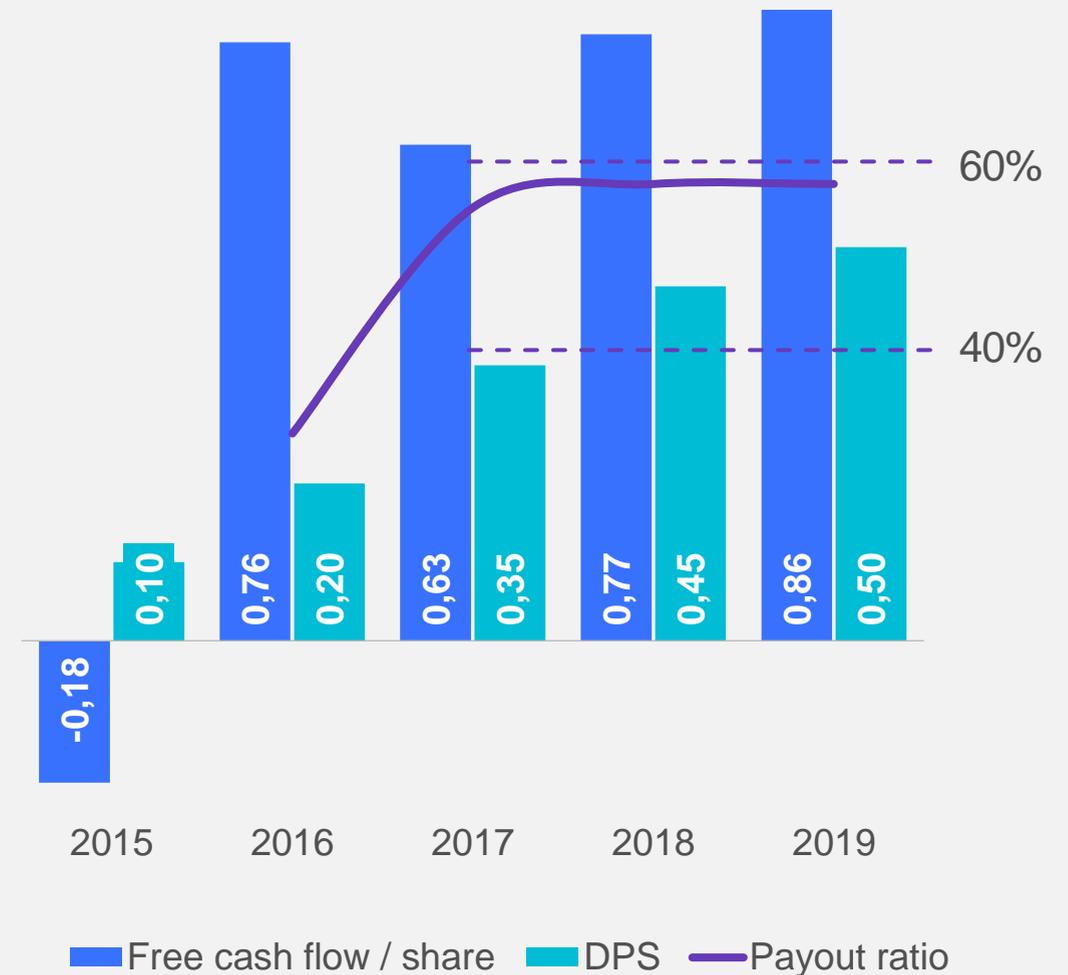
Dividend yield

# 4.1%

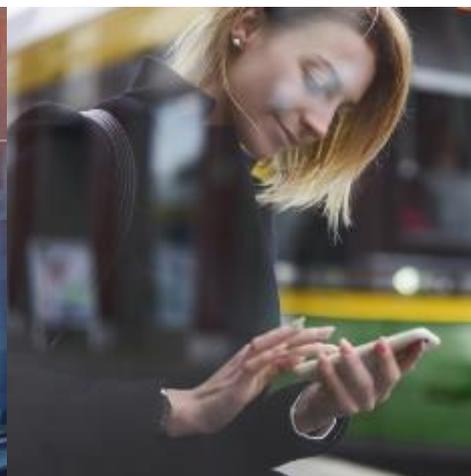
as of 30 Nov 2020

## Dividend per share

€



# Learning and media have a positive impact on society



## Inclusive learning

We develop inclusive learning solutions that help all students to achieve their potential.



## Sustainable media

We provide trusted Finnish journalism and inspiring entertainment, now and in the future.



## Trustworthy data

We use the data you trust us with to make learning and media better.



## Vital environment

We act to protect the climate and build awareness of sustainability.



## Value people

We promote equality and provide an inspiring workplace with excellent opportunities to develop.



Responsible and ethical business practices and supply chain integrity are fundamental for us.



## Two focused and leading businesses poised for further growth

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- Sanoma is a sustainable investment with learning and media having a positive impact on society

A photograph of two young men sitting at a wooden desk in a bright, modern office or study environment. The man on the right, wearing glasses and a blue button-down shirt, is smiling and looking at a tablet computer he is holding. The man on the left, wearing a grey t-shirt, is leaning in and looking at the tablet. In the foreground, there is a yellow mug on the left and a white coffee cup on the right. The background shows a window with blinds and a framed picture on the wall.

## Appendix: Learning

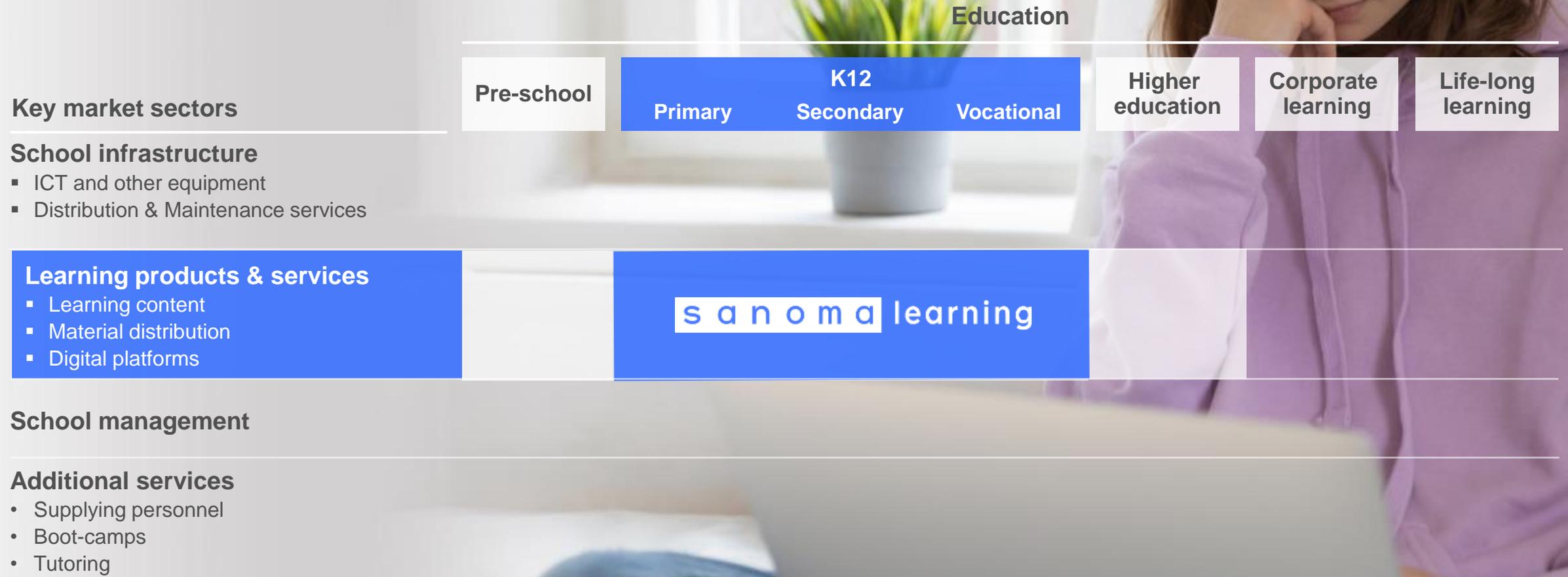


LEARNING:

## Market leader in European K12 with strong digital footprint and benefits of scale

- Upgrading long-term profitability target to 'above 23%' operational EBIT margin excl. PPA
- Successfully executing on M&A strategy
- Increasing attractiveness due to conversion from single product to subscription model
- Best-in-class materials, blended methods and common digital platforms and technology
- Positive impact on society by better learning outcomes

# We are a focused European provider of K12 learning products and services

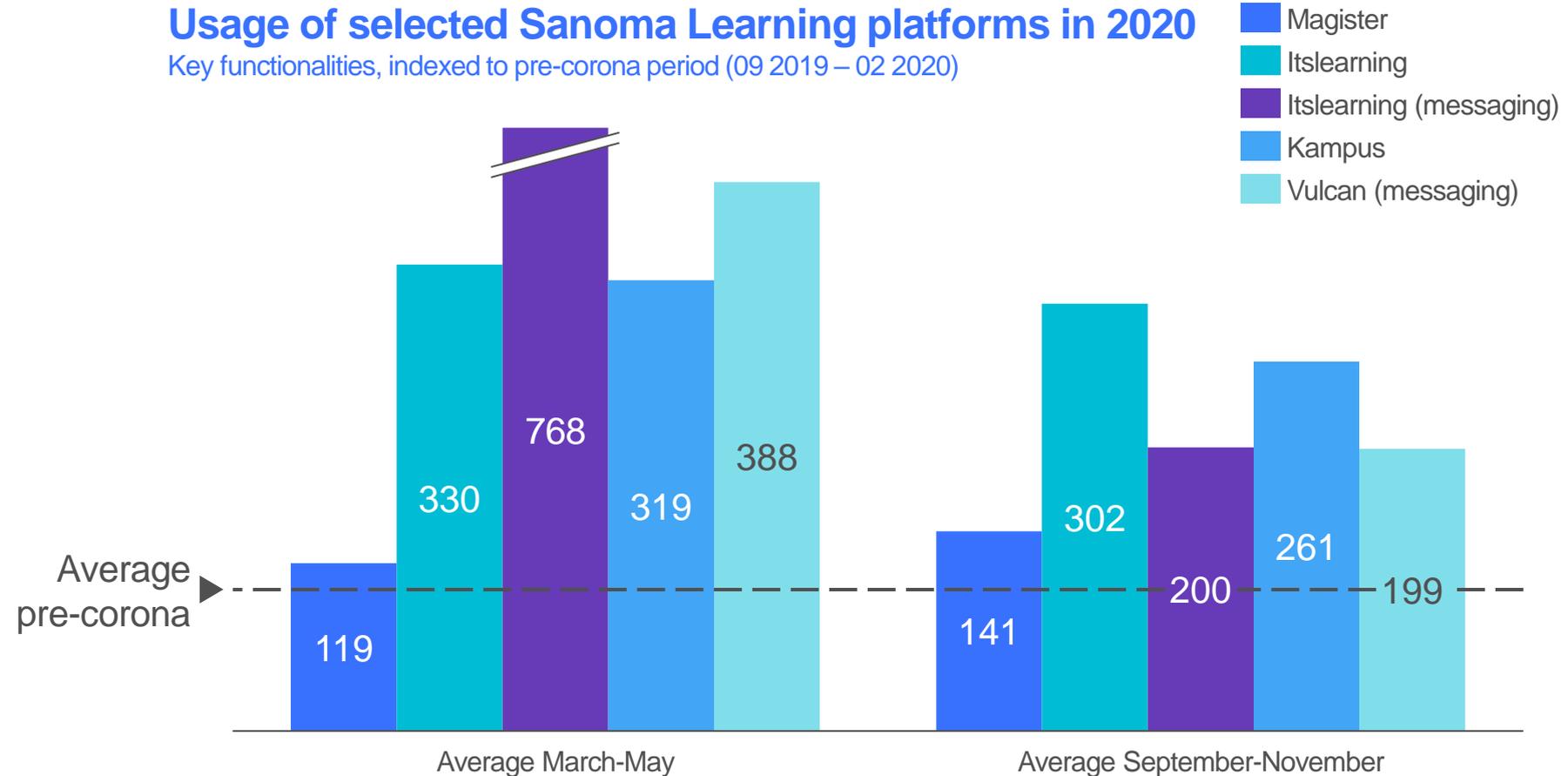


# We have developed as a publisher of learning materials into an integrated provider...

Learning products & services	Net sales share*	Commercial contact	
		Teachers	Administrators
Blended learning content	60%	 	<input checked="" type="checkbox"/>
Material distribution	25%	 	<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"/>

# ... with significant increase in usage on platforms supporting teachers during the corona pandemic

- Platforms performed well to deal with increased usage
- Previously less digitized markets like Poland have escalated to intense usage levels
- Integrations of MS Teams and Google for education supports teachers and students



# Strategic levers support our growth ambitions...

## Our growth levers

3

**M&A:** enter new geographies in K12 and expand our offering in existing markets

2-5% p.a. organic growth target

2

**Increase value per student** through extending offerings, Classroom as a Service

1

**Grow market share** by continuing to win in local markets

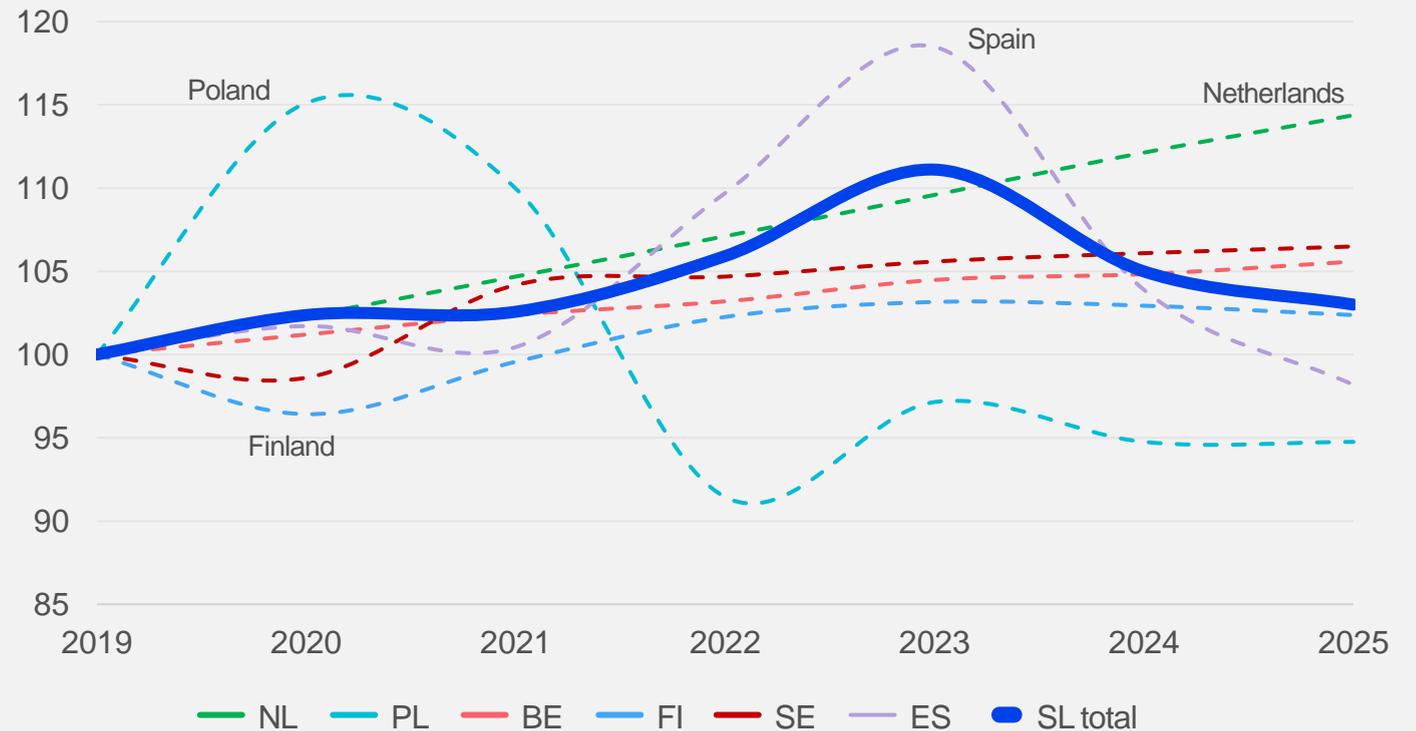
2020

**Long term profitability\* target of above 23%** enables us to continue investing while delivering a solid cashflow

# ... with modest market growth over the cycle

- In **Poland**, fluctuations due to the educational reform ending in 2020-2021
- In **Spain**, the LOMLOE reform is driving fluctuation in 2022-2024
- **Dutch** market will be modestly growing due to increased value per student
- In **Finland**, with the upper secondary reform of 2021 the market will rebound, similarly in Sweden

Value of K12 publishing market\*



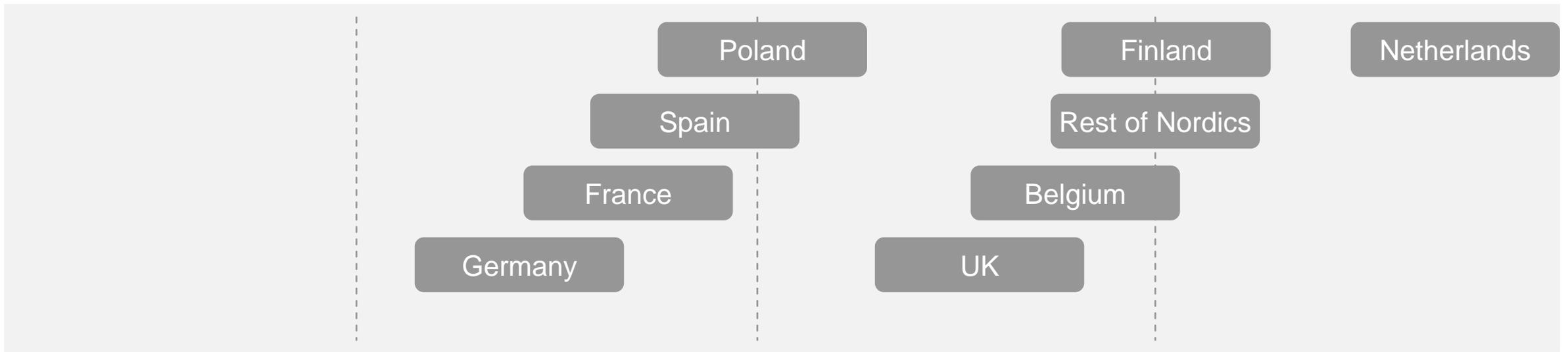
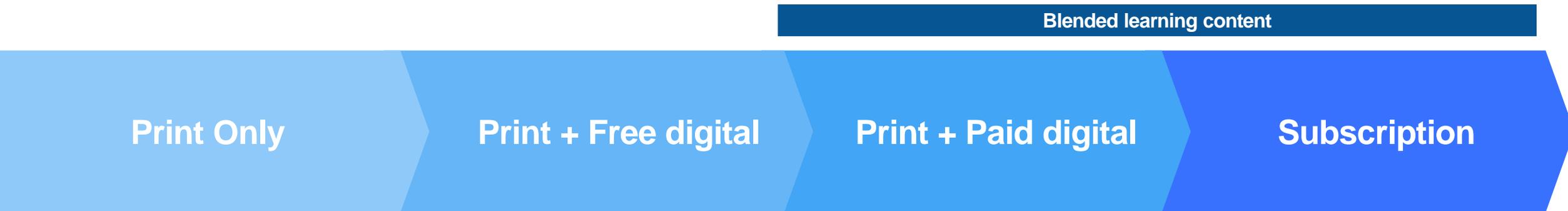
# Through greater integration of products and services, the market is shifting towards a subscription model...



## Greater benefits for all through subscription

- For students: more up-to-date materials, books can be retained
- For schools: stable and predictable cost of learning materials
- For distributors: lower cost due to no return flows
- For Sanoma: reduced second-hand market, more efficient content creation and more predictable sales

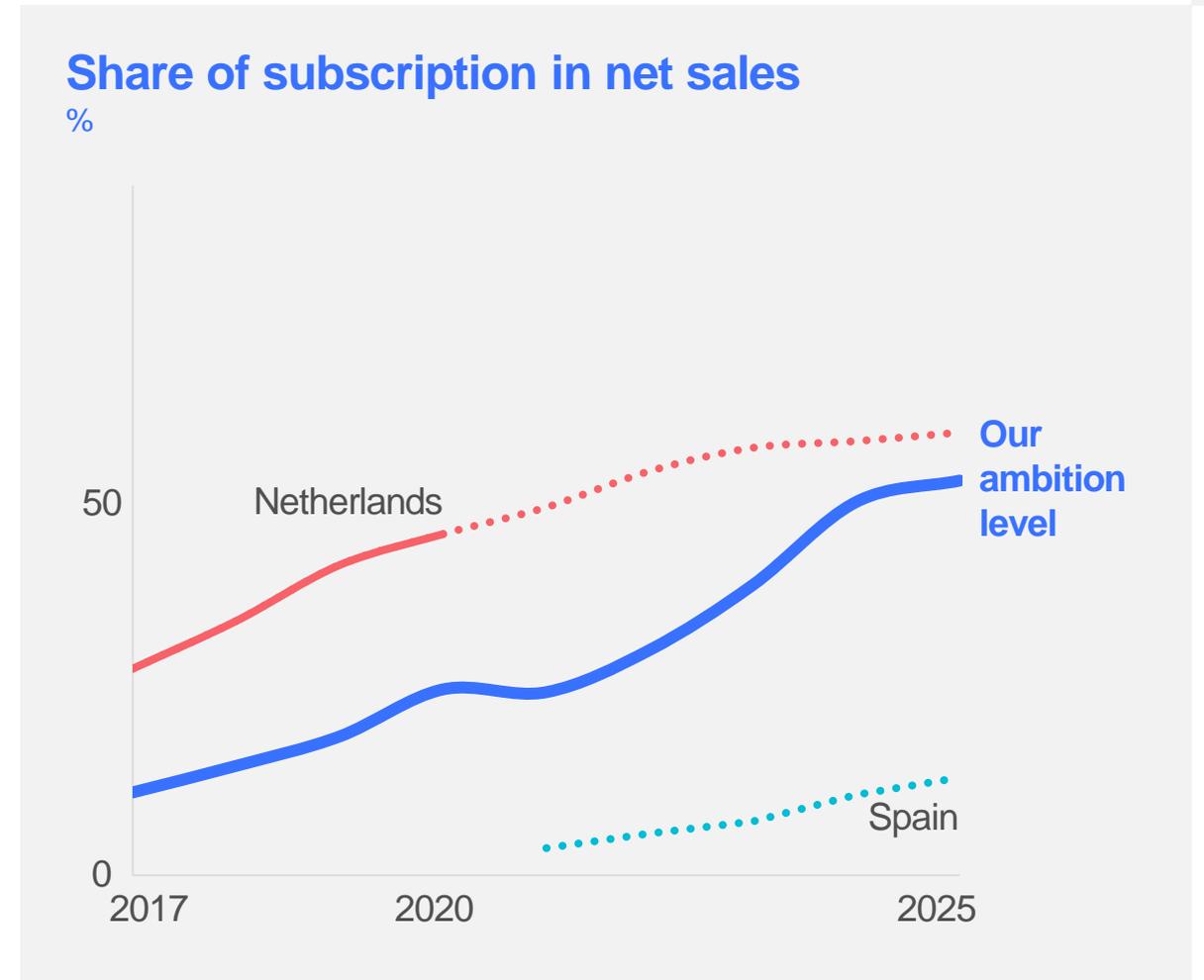
... the pace of this shift differs by country, but we aim to move to the subscription model across all our European markets...



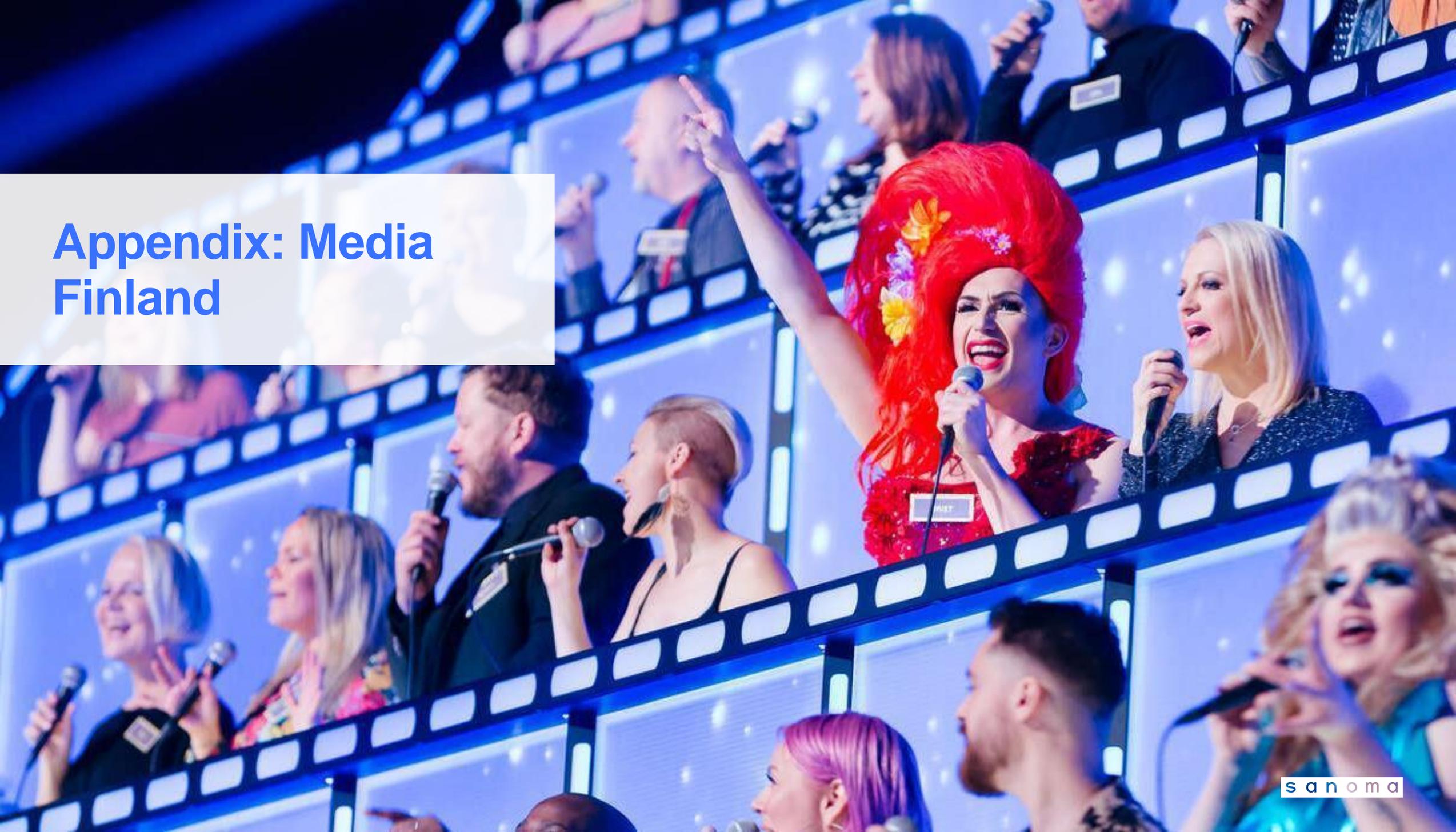
Sanoma view of the state of maturity of the various countries

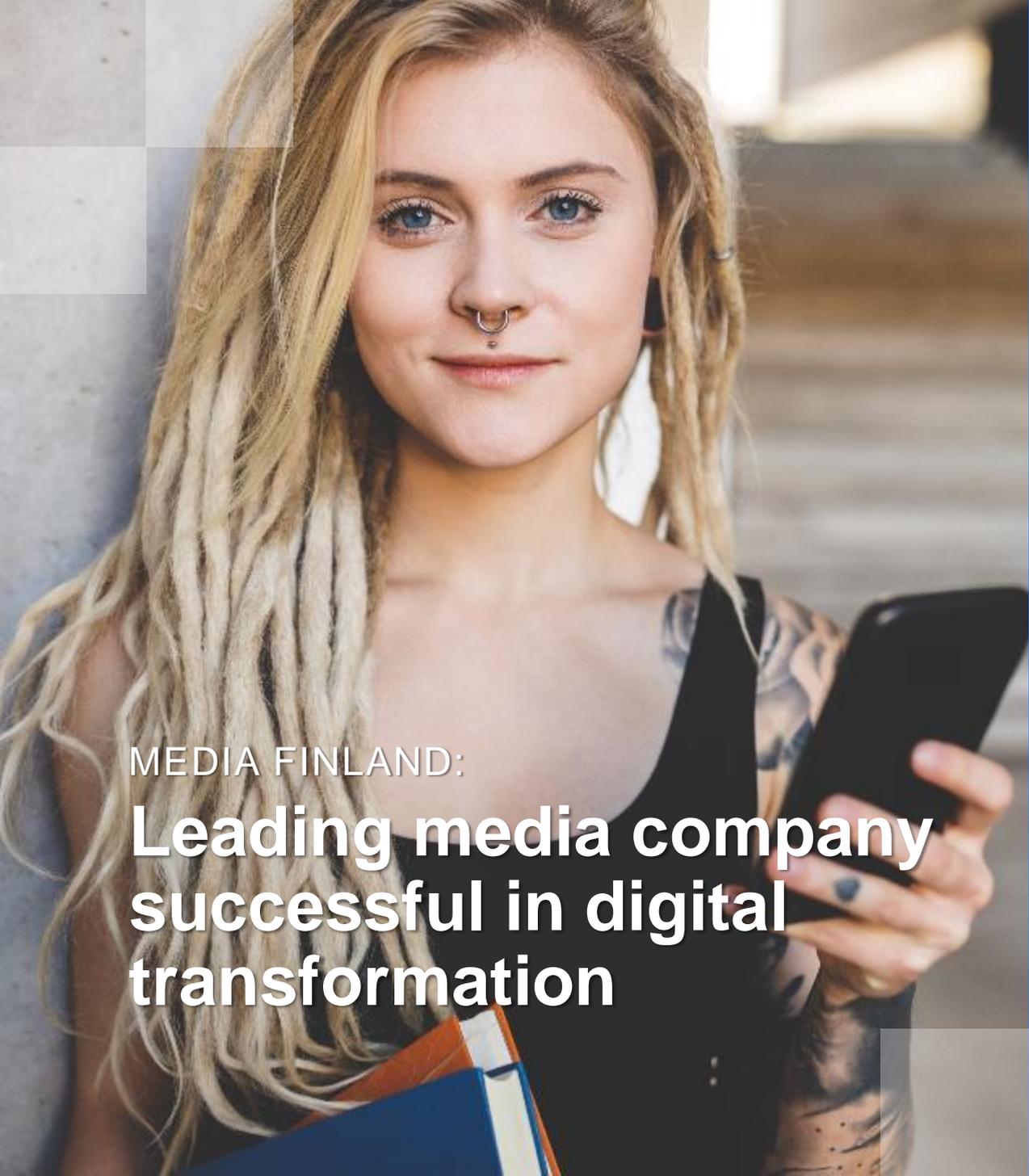
# ... increasing the share of subscription in net sales to above 50%

- Currently, subscription sales represent approx. 25% of our net sales
- Ambition supported by various initiatives to raise this to over 50% by 2025
- With countries at different stages of digitalisation the transition will take time
- Reduced second-hand market, more efficient content creation and more predictable sales
- Customer benefit: Continuous access to most up-to-date materials



# Appendix: Media Finland





MEDIA FINLAND:

# Leading media company successful in digital transformation

- Leading positions in news & features, entertainment and B2B marketing solutions
- Rapidly increasing digital subscriptions
- Stable net sales (+/-2%\*) and improving profitability (12-14%\*)
- Important role in Finnish society: independent journalism and local entertainment

# Finland's leading cross media company

**580m€**  
net sales

**10.9%**  
oper. EBIT  
margin excl. PPA

**>50%**  
B2C revenue

**97%**  
weekly reach

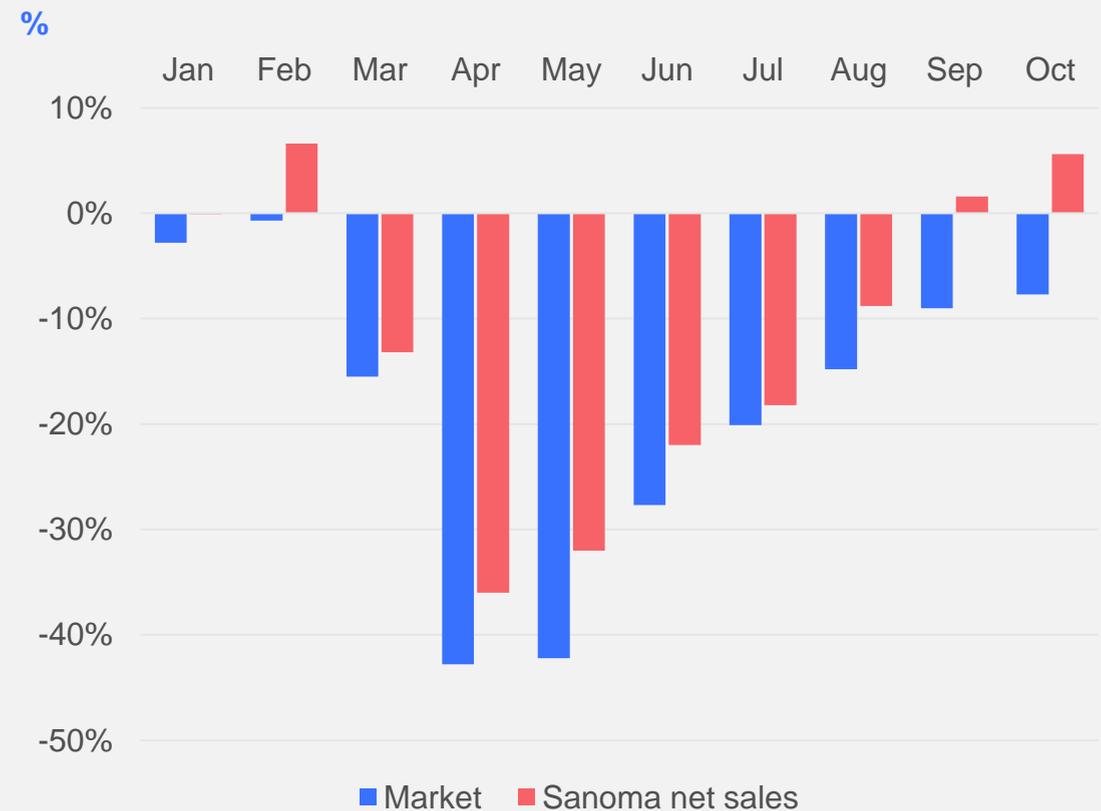
Long-term  
target for  
comparable  
growth  
**+/-2%**

Long-term  
target  
**12-14%**

# Outperforming the advertising market despite challenging conditions

- Advertising sales have made a significant recovery in H2 2020 as marketing spend has resumed in many industries not significantly affected by corona
  - Industry variance is high – travel industry has cut budgets considerably in 2020, whereas FMCG and retail show better results in ad spend
- We have outperformed the market especially in online, TV, radio and magazine advertising
  - Overall, our January–September 2020 comparable advertising sales -13% vs. market -21%
- Uncertainty is expected to continue, with limited visibility into 2021

## Monthly advertising development, Jan-Oct 2020\*

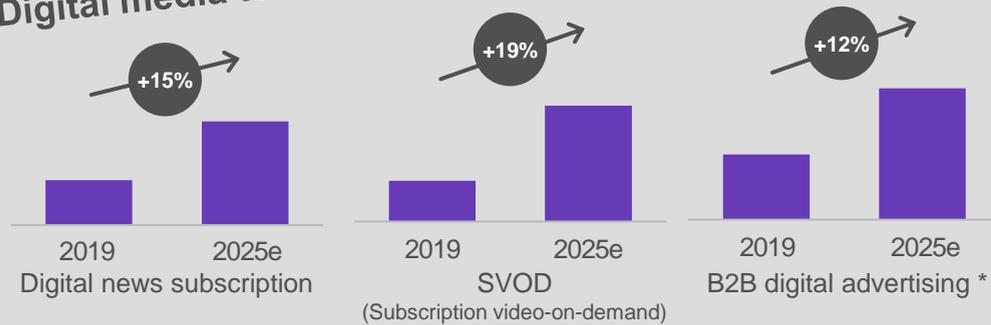


\* For Sanoma, comparable development excl. the impact of acquisitions and divestments

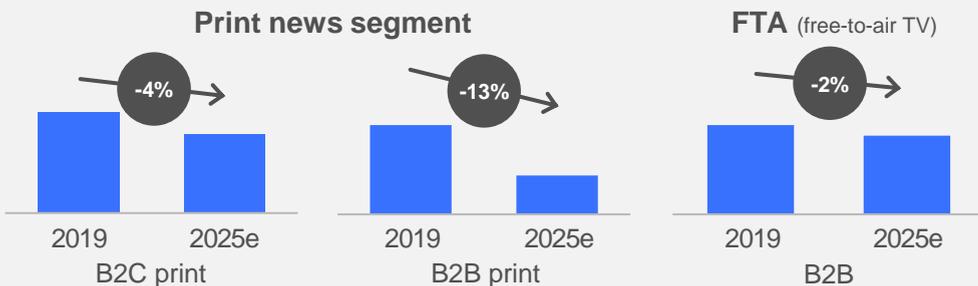
# Long-term digital transformation of media continues – corona accelerating digital adoption both in B2C and B2B

## Finnish media market outlook

### Digital media to double



### Traditional media to slowly decline



## Market drivers long-term

- **Consumer willingness to pay** for high-quality news, video and audio on a subscription basis is growing
- **Increasing interest in lifestyle and feature** content if placed on news platforms
- **Transformation from linear TV to on-demand** continues with growth driven by increased penetration and stacking behavior
- **Advertising spend is shifting towards digital** and customer data is a prerequisite for selling digital advertising
- **FTA more resilient to traditional media decline** since FTA and digital complement each other well

# We have leading positions in news & feature, entertainment and B2B marketing solutions



## News & feature

- Sustainable demand
- Our strong history and position
- Proven track record in digital transformation

#1 in domestic,  
independent journalism



## Entertainment

- Increasing consumer revenue
- Unique combination of strengths across media types
- Important role in total advertising portfolio

#1 in domestic entertainment  
with most attractive  
brands and stars



## B2B marketing solutions

- A unique, multimedia offering to build effective marketing solutions
- Strong digital advertising growth supported by improved data and targeting capabilities
- Strong sales organisation with superior knowledge of local market and customers

#1 marketing partner helping  
companies to grow in Finland

## CASE REGIONAL MEDIA

# Integration and synergy capture proceeding to plan

### Background

- On 30 April 2020, Sanoma acquired Alma Media's regional news media business in Finland

### Deal rationale

- Highly synergistic bolt-on acquisition
- Strengthening one of our strategic core businesses, news & feature
- Growing our digital subscription base
- Efficiency in shared operations
- Better financial returns on digital investments
- Supporting our long-term profitability target (12-14% operational EBIT margin excl. PPA)

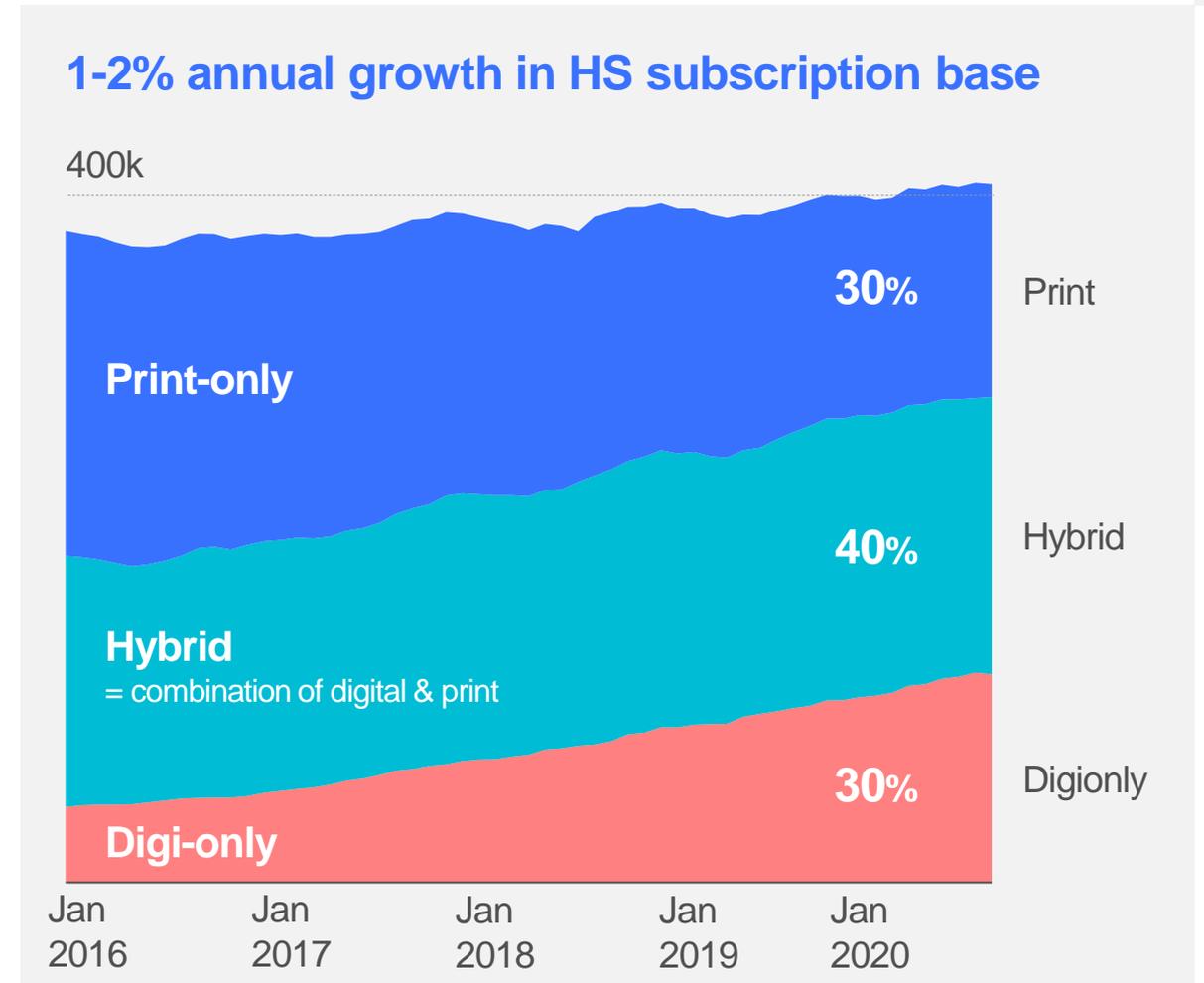
Synergy realization on track to achieve full run rate net synergies of **13m€ by 2022**

Strong digital subscription growth of **46% YoY**

Integration proceeding well e.g. harmonised ways of working and IT systems

# Subscriptions growing for the fourth year in a row with strong growth in digital

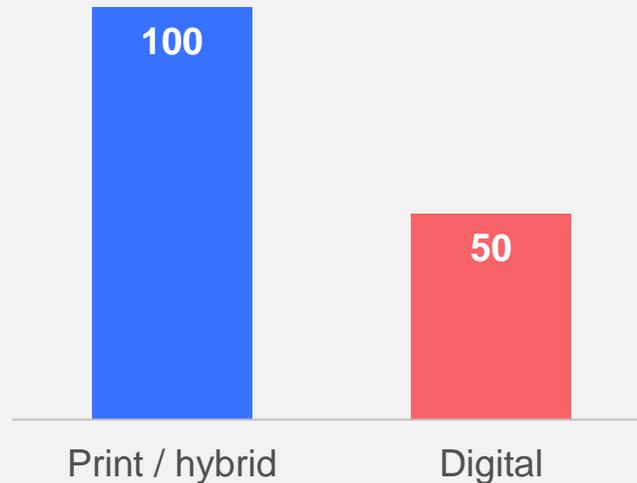
- HS total number of subscriptions over 400k
- Number of digital-only subscriptions well above 100k, 30% of total subscription base
  - Already 70% of all subscriptions include a digital component
  - Appealing digital experience has attracted younger audiences
- Future success in digital requires further scale
- New content areas support subscription growth
  - HS Kids News, successfully launched in August 2020
  - HS Business News to strengthen business reporting, launch in March 2021



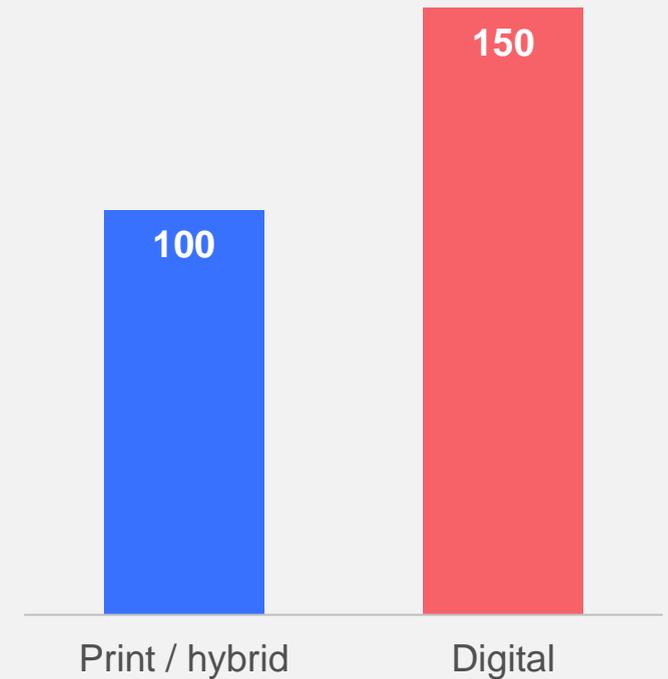
# Digital transformation increases profit contribution per incremental subscriber, but reduces net sales

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

**Net sales per additional subscription\* reduces...**  
Indexed



**... but profit contribution increases\***  
Indexed



\* Excluding impact of digital transformation on advertising revenues

## CASE ILTA-SANOMAT

# Stable net sales driven by digital advertising

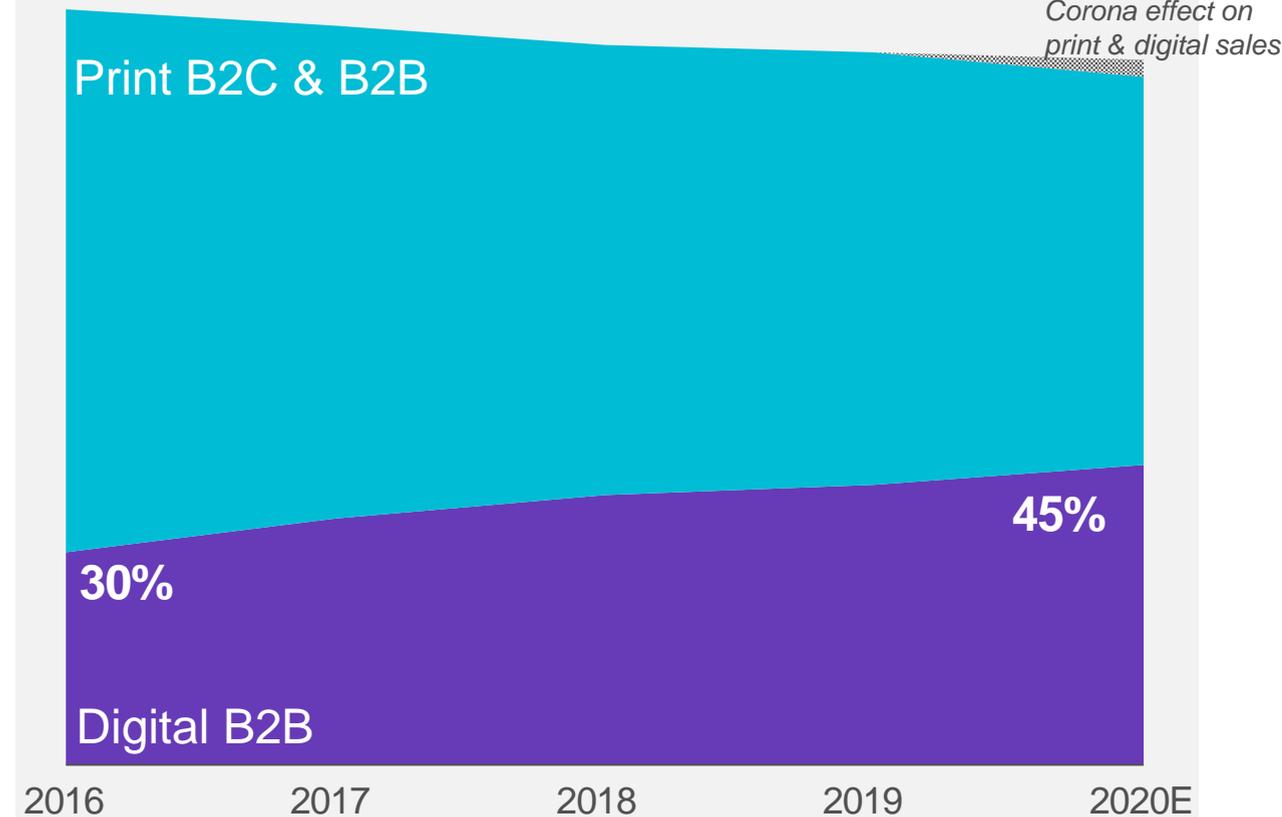
- Digitalisation has increased the reach significantly
  - IS reaches the whole of Finland and often audiences who don't currently subscribe to news
  - Provides easy and free access to curated news from professional journalists
- Increasing digital B2B sales compensating lower single copy sales
- IS aims to grow further through improved personalisation driving usage growth as well as through focused content for younger and female audiences

**ILTA-SANOMAT**

**menaiset**

**43m**  
site visits a  
week +17%  
YoY

### Net sales split print vs. digital



# Our digital transformation is driven by a unique combination of success factors, shared between businesses

## Success factors across our units



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