

s a n o m a

Interim Report Q3 2022:

Net sales grew driven by Spain and the recent acquisition in Learning

Susan Duinhoven, President & CEO
Alex Green, CFO



Q1–Q3 2022

Net sales grew driven by Spain and the acquisition of Pearson Italy and Germany

Net sales

1,039m€

(2021: 999)

Organic net sales growth

2%

(2021: 8%)

Operational EBIT excl. PPA

192m€

(2021: 203)

Free cash flow

48m€

(2021: 85)

Net debt / Adj. EBITDA

3.3

(2021: 2.5)

- Net sales grew both in Learning and in Media Finland
- Operational EBIT excl. PPA impacted by lower profitability in the Dutch learning distribution business and higher paper costs
- Closing of the Pearson Italy and Germany acquisition on 31 August contributed positively to Q3 net sales, earnings and free cash flow
- Lower earnings and higher investments together with the earlier delays in net sales in Spain impacted the free cash flow
- Leverage was above long-term target of <3.0 as a result of the Pearson acquisition
- On 31 August, the Outlook for 2022 was updated to reflect the impact of the acquisition of Pearson Italy and Germany; otherwise unchanged

Net sales grew driven by organic growth especially in Spain and the Pearson acquisition...

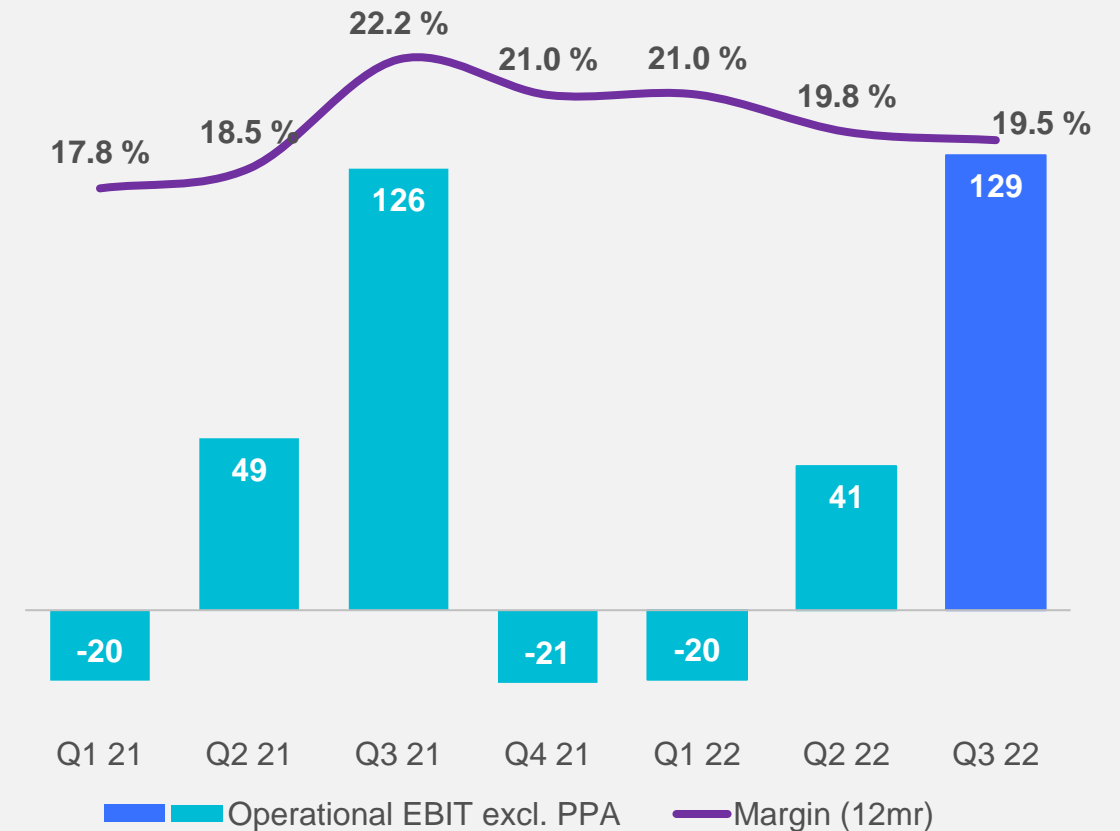
- Net sales grew to 579m€ (2021: 549)
 - Pearson Italy and Germany, acquired on 31 August 2022, had a 21m€ contribution to the net sales growth
 - Organic growth was 2% (2021: 7%)
 - In Spain, third quarter net sales grew significantly driven by the ongoing curriculum renewal delayed from Q2
 - In Poland, the latest curriculum renewal ended in 2021 and as expected, net sales declined
 - Net sales grew also in the Netherlands, Finland and Belgium driven by digital sales and increasing market demand



...earnings impacted by lower profitability in the Dutch distribution business

- Operational EBIT excl. PPA was 151m€ (2021: 155)
 - Earnings in the **learning content businesses** improved in all major markets except Poland despite significantly higher paper costs
 - Earnings of the **Dutch distribution business** declined in an exceptionally competitive market due to
 - Inflationary cost pressures
 - Shortage of labour
 - Late deliveries by publishers
 - This is expected to continue to impact results also next year
 - The acquired Pearson Italy and Germany had a positive impact on earnings

Operational EBIT excl. PPA m€



Sanoma acquired Pearson's K12 learning business in Italy as of 31 August 2022

- Sanoma entered Italy, one of the largest European K12 learning services markets early in its digitalisation
 - Pearson is the 3rd largest publisher in the Italian market with a market share of 15%, focused on secondary education
 - Stable market with curriculums renewed on a continuous basis
 - Sanoma will be investing further in the platform development for the secondary education
- EV 190m€, closed on 31 August
- Increases the contribution of Learning on Group's net sales to $\approx 55\%$ and an operational EBIT to $\approx 70\%$
 - September net sales of the acquired businesses were 21m€ with solid contribution to operational EBIT and free cash flow
 - 4–5m€ contribution to operational EBIT expected for September–December 2022

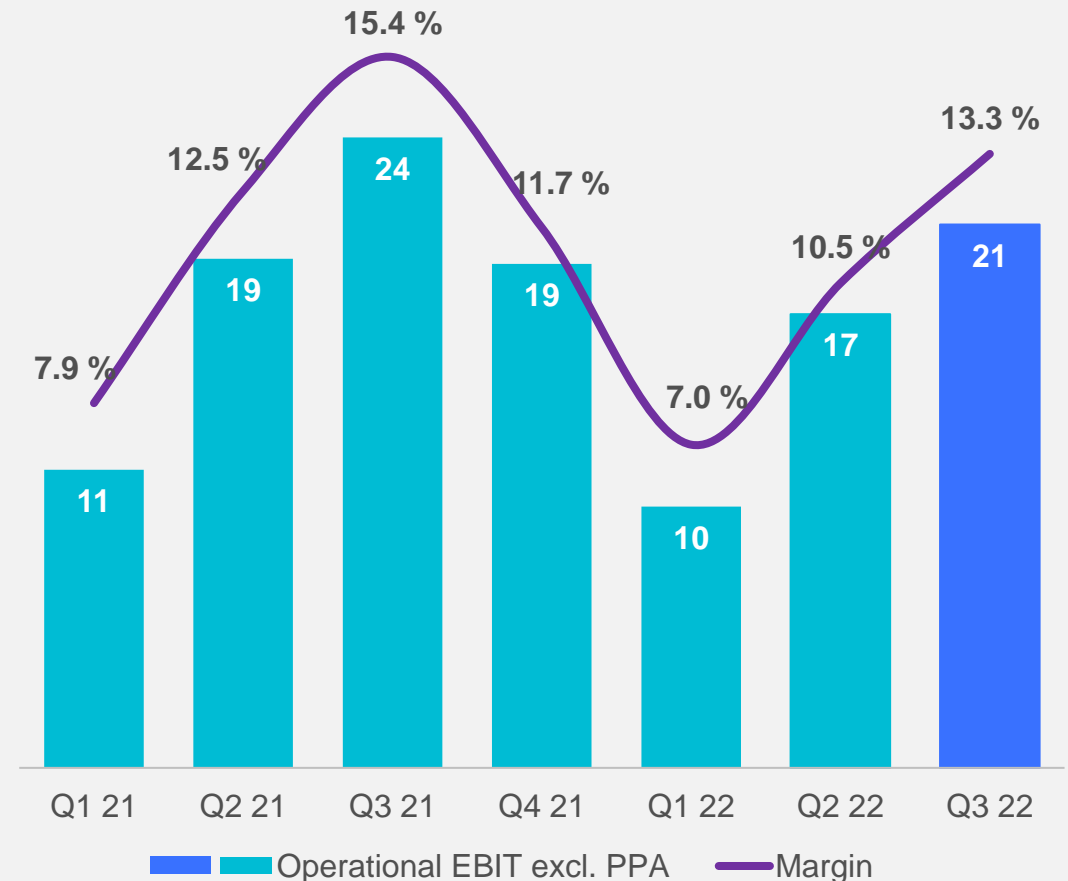
Quarterly and FY figures available in the appendix on p. 22



Net sales stable, earnings impacted by higher paper costs

- Net sales stable at 155m€ (2021: 155)
 - Total advertising sales declined in-line with the relevant market categories
 - Digital and radio advertising sales continued to grow
 - Print and TV advertising sales declined
 - Subscription sales declined slightly
 - Trending downwards after strong corona-driven growth
 - Digital subscription sales continued to grow while print declined
 - Events business and external printing services contributed to net sales growth
- Operational EBIT excl. PPA was 21m€ (2021: 24)
 - Significantly increased paper costs
 - Lower advertising and subscription sales
 - Small positive contribution of the lower margin events business; FY will be around break-even

Operational EBIT excl. PPA
m€



Outlook for 2022 (unchanged)

Last updated on 31 August for the acquisition of Pearson Italy and Germany

- In 2022, Sanoma expects that the Group's reported net sales will be 1.3 –1.35 bn€ (2021: 1.25)
- The Group's operational EBIT margin excluding PPA is expected to be around 15% (2021: 15.8%)
- Regarding the operating environment Sanoma expects that:
 - The continuing coronavirus pandemic will not have a significant impact on its businesses
 - The advertising market in Finland will be stable



Operational environment will also be challenging next year

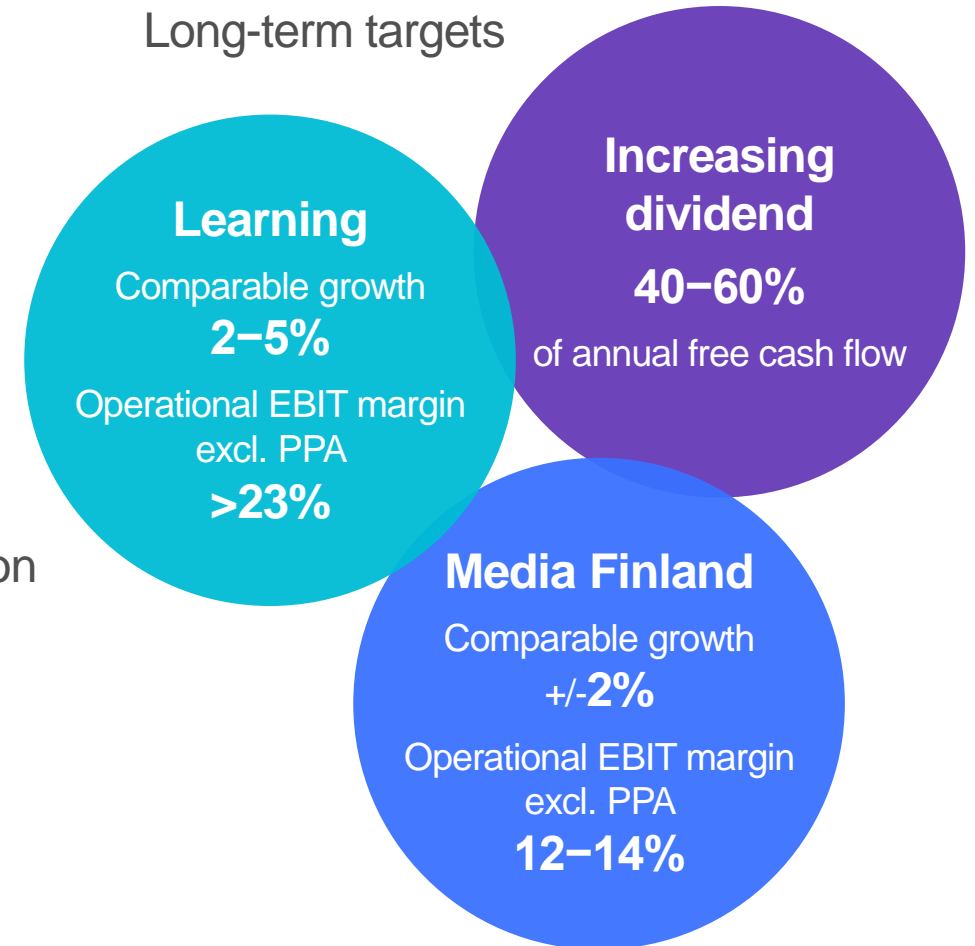
■ Supporting our performance

- Resilient learning content business with growth driven by
 - Second year of curriculum change in Spain
 - Poland returning to growth trajectory with new curriculum renewal
 - Pearson Italy and Germany acquisition
- In Media Finland, digital advertising continues to grow
- Thoughtful cost management across the business

■ Burdening our performance

- In Learning, continuing market pressures in the Dutch distribution business
- In Media Finland
 - Declining advertising market
 - Weakening B2C demand due to low consumer confidence
- Increasing inflationary cost pressure
 - Rising personnel costs impacting from 2023 onwards
 - Paper and distribution costs remaining high

Long-term targets



We are well underway to our strategic growth ambition for 2030

- Currently approx. 55% of net sales from Learning
- We are aiming for the Group's net sales to be **over 2bn€ by 2030**, with **at least 75% coming from the learning business**
- Central levers in achieving the ambition are
 - Organic growth in-line with long-term targets in Learning and Media Finland
 - Growth through acquisitions while paying an increasing dividend
 - Solid cash flow generation of the learning and media businesses enable expansion of the debt capacity for further M&A
 - Keeping the leverage (net debt / adjusted EBITDA) within the long-term target of below 3.0
 - In addition, equity could be considered for funding further growth, if it creates value for all shareholders



Financials

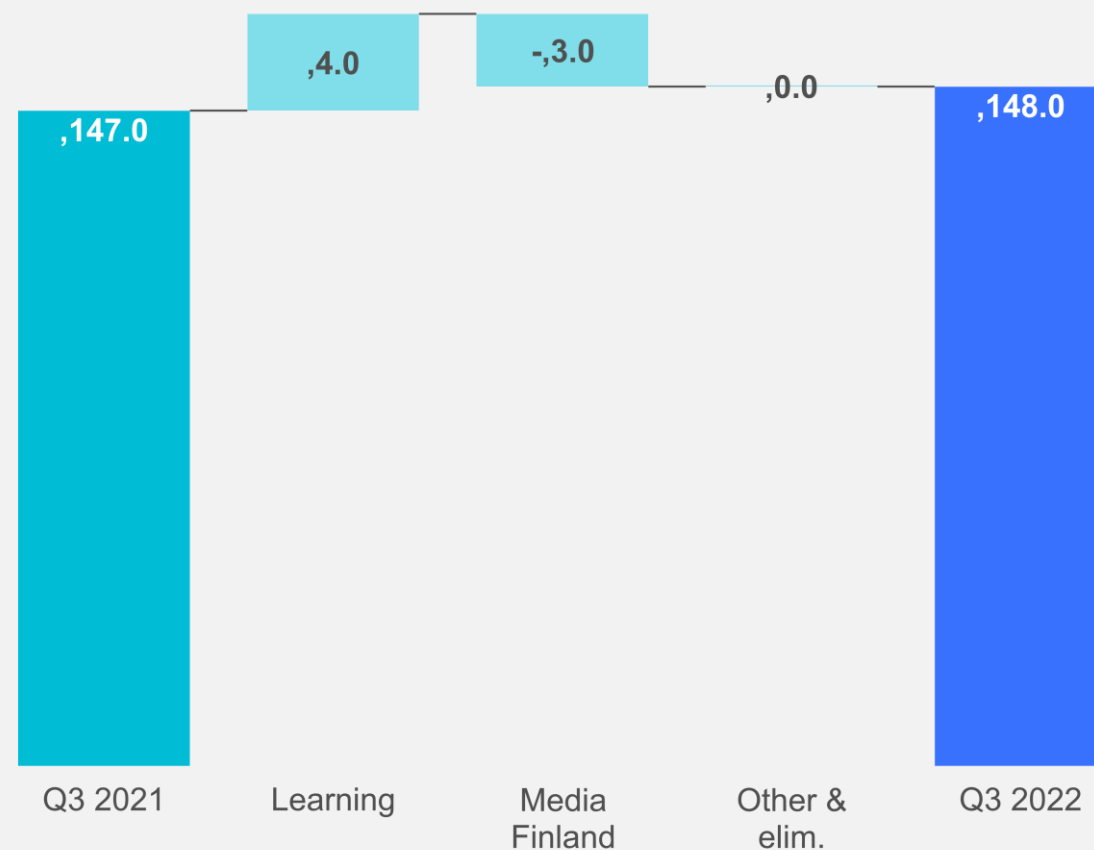


Q3 2022

Operational EBIT stable

Learning	<ul style="list-style-type: none">+ Organic growth in the content business in Spain and the Netherlands+ Pearson Italy and Germany acquisition- Weakened profitability in the Dutch distribution business with growing sales- Lower sales in Poland
Media Finland	<ul style="list-style-type: none">+ Small contribution of the events business- Higher paper costs- Lower advertising and subscription sales
Other & elim.	<ul style="list-style-type: none">➤ FY 2022 expected to remain stable vs. 2021

Operational EBIT excl. PPA Q3 22 vs. Q3 21
m€



Q1–Q3 2022

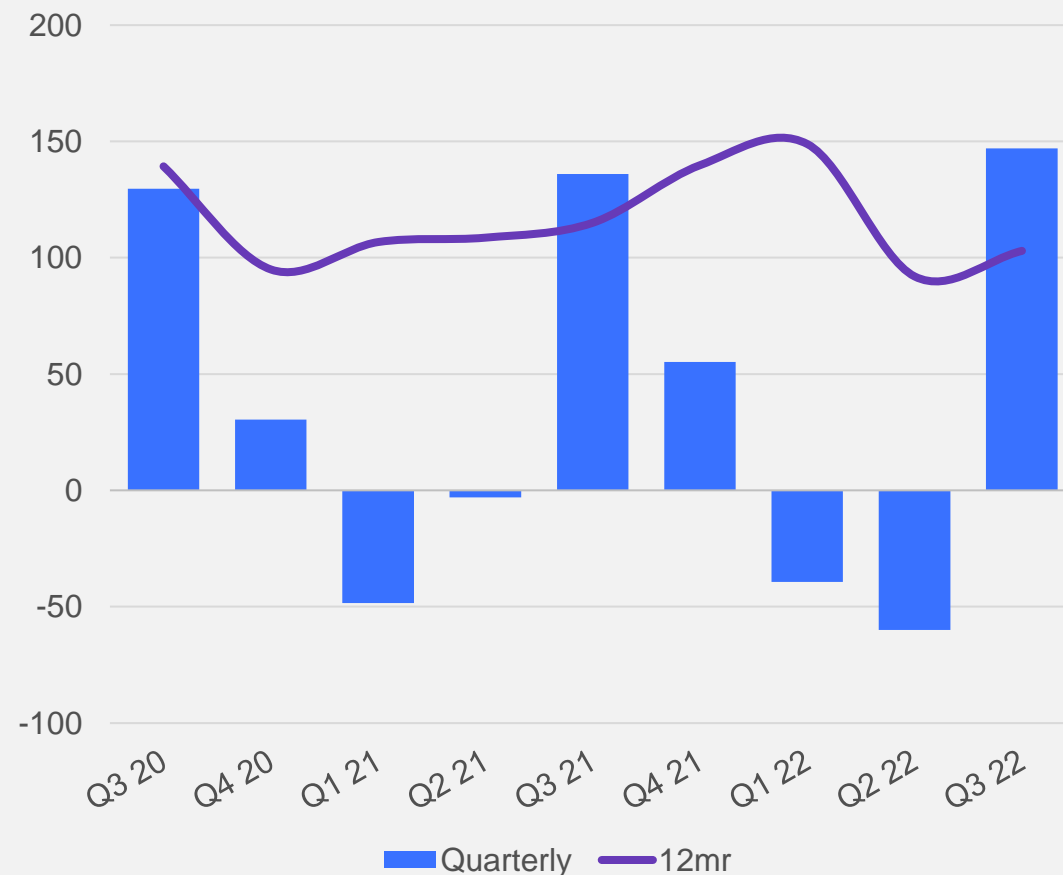
Lower earnings and higher investments reduced free cash flow

- Free cash flow lower at 48m€ (2021: 85*)
 - + Acquisition of Pearson Italy and Germany
 - + Lower TV programme costs
 - Lower EBITDA
 - Higher investments in digital development and office adaptation
 - Higher net working capital
 - Higher taxes paid for higher earnings in 2021
- With the earlier reported delays in the learning content sales in Spain, FCF cumulating later compared to PY
- Second instalment of the dividend for 2021 of 0.27€/share
 - Record date 28 October
 - Payment date 4 November

* Q1-Q3 2021 FCF included 21m€ net pre-payment of unjustified VAT claim in Media Finland

Free cash flow

m€

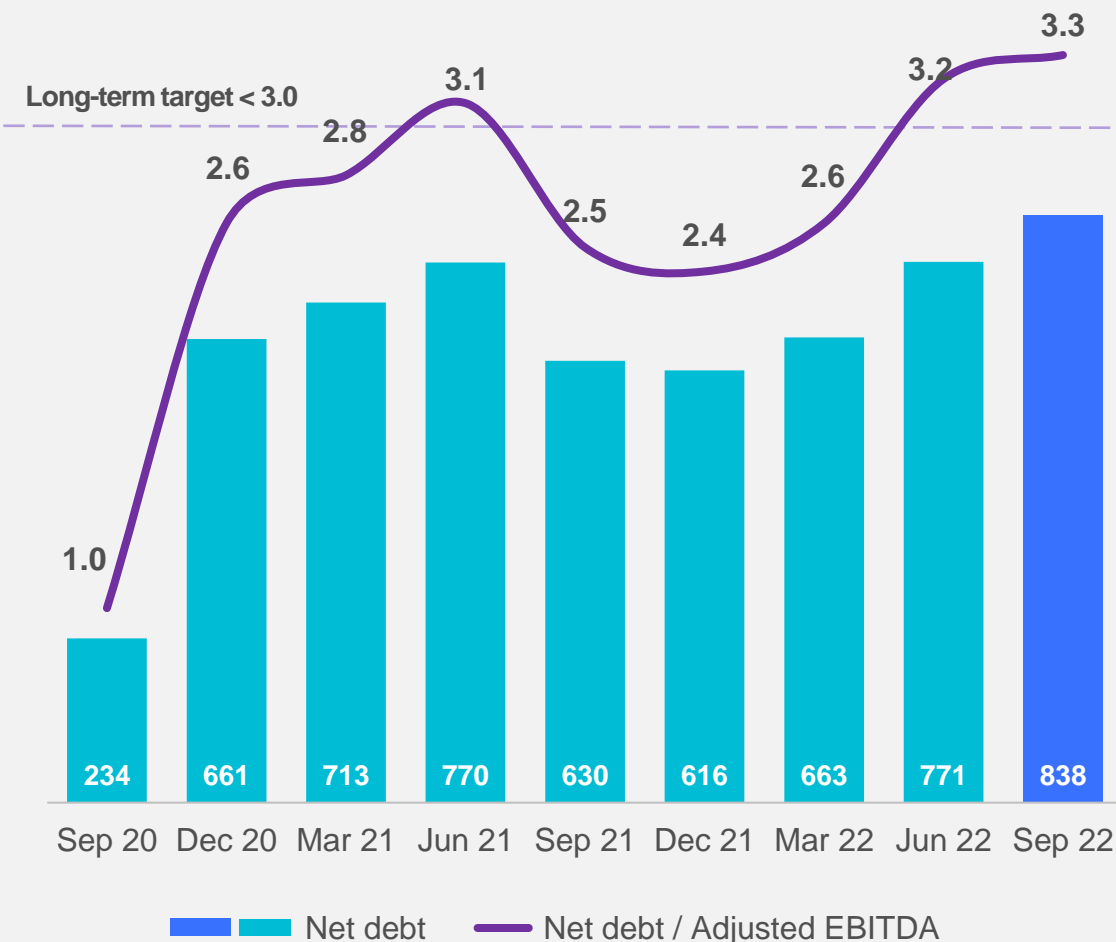


Free cash flow = Cash flow from operations less capital expenditure

Net debt and leverage increased with the acquisition of Pearson Italy and Germany

- Net debt / Adj. EBITDA was 3.3 (2021: 2.5)
- Interest-bearing net debt totalled 838m€ (2021: 630)
- Equity ratio was 33.0% (2021: 38.2%)
- Net financial items for Q3 slightly higher at -4m€ (2021: -3) due to the acquisition of Pearson Italy and Germany
 - YTD average interest rate of external loans remained stable at 1.1% while increasing market rates started to have an impact during Q3
- Balanced external loan portfolio with 250m€ 4-year term loan drawn for the acquisition of Pearson Italy and Germany
- Annual PPA related to the Pearson acquisition approx. 4m€, and an additional approx. 10m€ in the first 12 months due to the accounting of purchased inventory

Net debt
m€





Deep-dive into learning content businesses

1 December 2022

Virtual presentation and roundtable discussion with Rob Kolkman (CEO, Sanoma Learning) and Alex Green (CFO, Sanoma Group)

Save the
Date



Financial reporting in 2023

Full-Year Result 2022	10 February
Interim Report Q1 2023	4 May
Half-Year Report 2023	26 July
Interim Report Q3 2023	26 October

Financial Statements and
Directors' Report for 2022

week 10

AGM 2023

19 April


Q&A




Appendix

Sanoma in 2021


NET SALES

 **1,252m€**


NON-PRINT SALES

 **53%**

OPERATIONAL EBIT MARGIN

 **15.8%**

PERSONNEL

 **over 5,000**

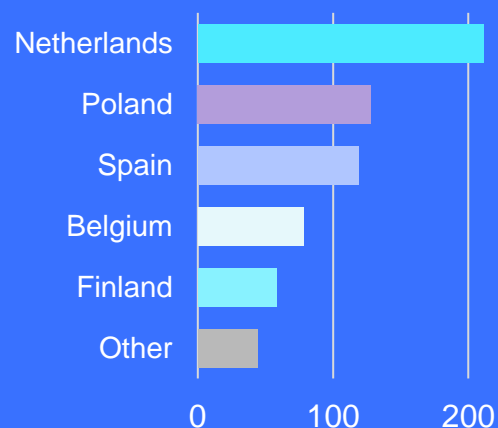
Learning

Net sales **637m€**

Non-print **57%**

Margin **21.0%**

NET SALES



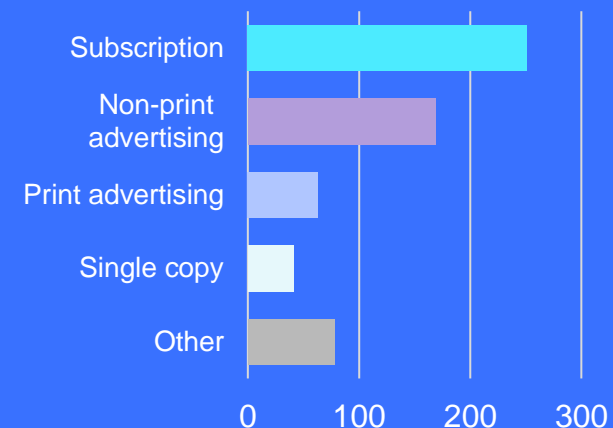
Media Finland

Net sales **615m€**

Non-print **49%**

Margin **11.9%**

NET SALES



Group key figures Q3 2022

m€	Q3 2022	Q3 2021
Net sales	514.9	486.3
Operational EBITDA	188.4	184.5
margin	36.6%	37.9%
Operational EBIT excl. PPA	148.4	147.4
margin	28.8%	30.3%
EBIT	116.3	133.1
Result for the period	85.6	102.7
Free cash flow	146.9	136.0
Equity ratio	33.0%	38.2%
Net debt	837.6	630.3
Net debt / Adj. EBITDA	3.3	2.5
Operational EPS, €	0.61	0.64
EPS, €	0.52	0.63

	Q3 2022	Q3 2021
Average number of employees (FTE)	4,996	4,904
Number of employees at the end of the period (FTE)	5,135	4,828

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

Group key figures Q1–Q3 2022

m€	Q1–Q3 2022	Q1–Q3 2021
Net sales	1,038.8	999.2
Operational EBITDA	310.1	318.9
margin	29.9%	31.9%
Operational EBIT excl. PPA	191.6	202.5
margin	18.4%	20.3%
EBIT	132.8	160.8
Result for the period	98.1	115.3
Free cash flow	47.5	84.5
Equity ratio	33.0%	38.2%
Net debt	837.6	630.3
Net debt / Adj. EBITDA	3.3	2.5
Operational EPS, €	0.72	0.76
EPS, €	0.60	0.70

	Q1–Q3 2022	Q1–Q3 2021
Average number of employees (FTE)	4,996	4,904
Number of employees at the end of the period (FTE)	5,135	4,828

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 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21
Net sales	360.3	149.8	69.3	88.5	331.6	149.0	68.2
Operational EBITDA	150.7	58.6	-1.3	3.0	144.9	66.0	-0.9
Operational EBIT excl. PPA	129.4	41.0	-19.7	-20.6	125.6	48.9	-20.0
margin	35.9%	27.4%	-28.4%	-23.3%	37.9%	32.8%	-29.3%
IACs	-22.3	-2.6	-1.0	-4.4	-4.3	-0.9	-1.6
PPAs	-8,7	-7.9	-7.0	-6.6	-9.2	-9.3	-7.2
EBIT	98.4	30.5	-27.7	-31.6	112.2	38.7	-28.7
Capital expenditure	7.7	11.2	8.9	9.7	7.7	8.2	8.0
Average number of employees (FTE)	2,674	2,605	2,591	2,599	2,601	2,592	2,581

Adjusted key figures of Pearson Italy and Germany

(pro forma, preliminarily adjusted for IFRS and Sanoma accounting principles, unaudited)

Quarterly figures

m€	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net sales, total	31	11	18	58	29	12
Operational EBIT excl. PPA	6	-4				

FY figures

m€	FY 2021	FY 2020
Net sales, total	117	113
- Italy	104	100
- Germany	13	13
Operational EBITDA	30	29
Operational EBIT excl. PPA	18	17
Cash flow from operations	14	13

The acquisition of Pearson Italy and Germany was completed on 31 August 2022, and they are included in the Learning SBU figures as of 1 September 2022. Their net sales contribution for Q3 2022 was 21m€.

Media Finland: Quarterly key figures

m€	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21	Q1 21
Net sales	154.8	163.7	141.6	164.1	154.8	154.1	142.2
Operational EBITDA	39.2	38.8	30.7	41.9	40.9	40.0	32.2
Operational EBIT excl. PPA	20.6	17.2	9.9	19.1	23.9	19.3	11.3
margin	13.3%	10.5%	7.0%	11.7%	15.4%	12.5%	7.9%
IACs	-0.7	-0.8	-0.6	-1.7	-0.8	-1.5	-2.1
PPAs	-1.7	-1.8	-1.8	-1.7	-1.7	-1.7	-1.7
EBIT	18.2	14.6	7.5	15.7	21.3	16.1	7.5
Capital expenditure	2.6	3.0	1.1	1.1	1.2	1.0	1.5
Average number of employees (FTE)	2,178	2,158	2,099	2,072	2,090	2,082	2,056

Finnish advertising market development

Finnish measured media advertising markets

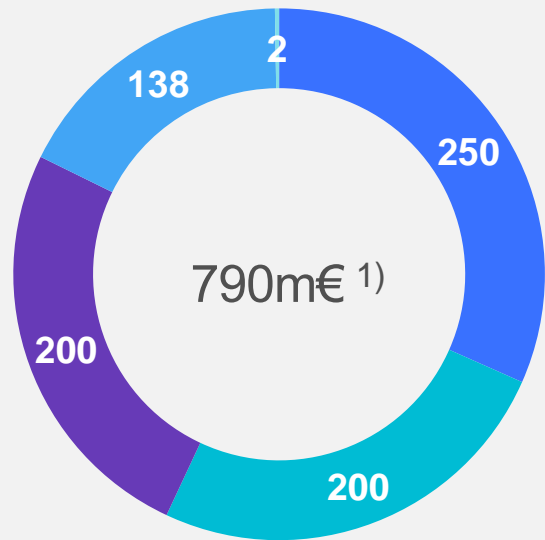
	Q3 22	Q2 22	Q1 22	FY 21	Q4 21	Q3 21	Q2 21	Q1 21
Newspapers	-7%	-12%	0%	3%	2%	0%	36%	-14%
Magazines	-5%	-5%	-14%	-4%	-5%	-4%	11%	-16%
TV	-4%	-1%	-2%	9%	0%	4%	43%	-3%
Radio	-3%	12%	16%	18%	21%	12%	47%	-7%
Online (excl. search and social media)	6%	4%	12%	18%	13%	14%	43%	6%
Total market	0%	2%	7%	10%	7%	7%	43%	-9%

Source: Kantar TNS, Media Advertising Trends, September 2022

We have a well-balanced debt portfolio

External debt structure ¹⁾

m€, 30 September 2022

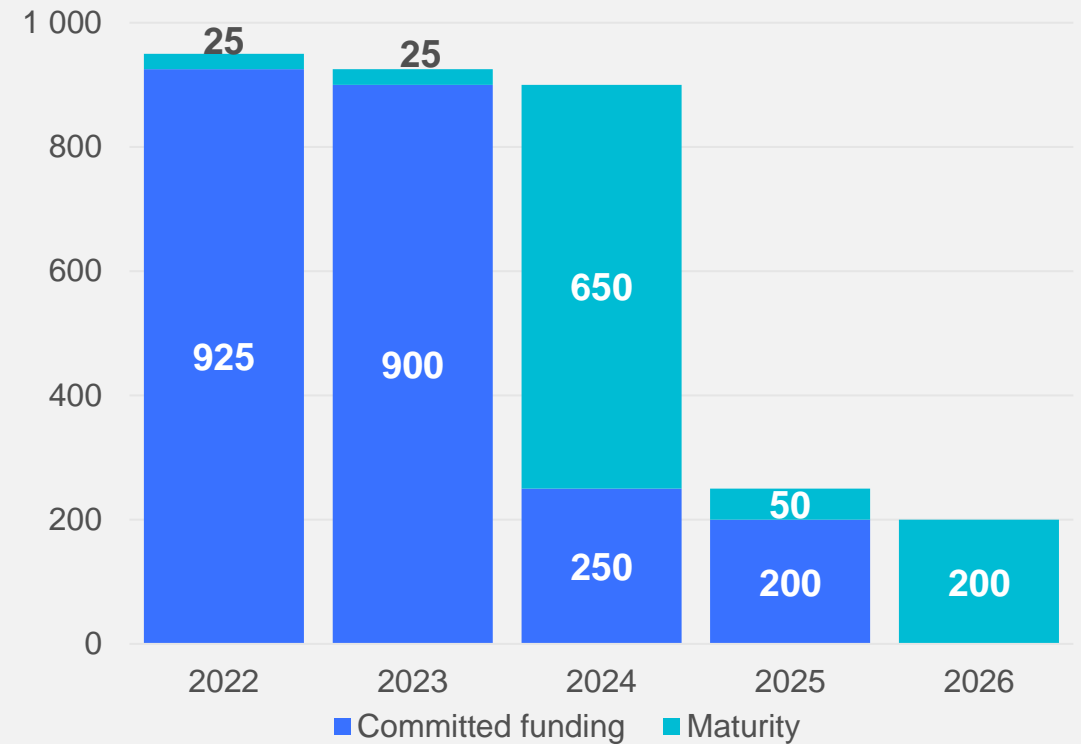


- Term loan 2022
- Term loan 2020
- Bond
- Commercial papers
- Other loans

¹⁾ Excl. IFRS 16 liabilities

Maturity profile 2022–2024

m€, 30 September 2022



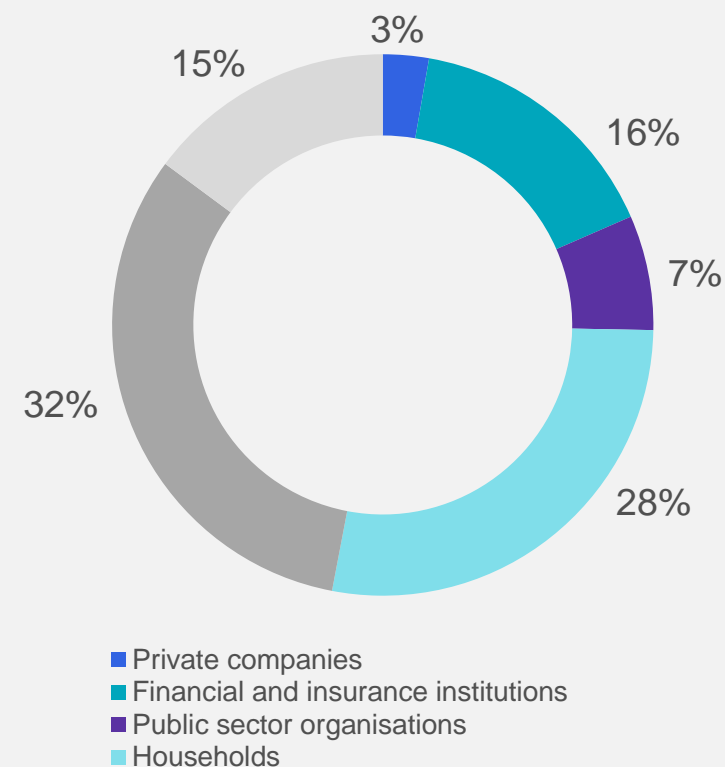
Largest shareholders

30 September 2022

Largest shareholders

Shareholders	Number of shares	% of shares
1. Jane and Aatos Erkko Foundation	39,820,286	24.4
2. Antti Herlin Holding Manutas Oy: 12.10%, personal: 0.02%	19,816,800	12.1
3. Langenskiöld Robin	12,273,371	7.5
4. Seppälä Rafaela	10,273,370	6.3
5. Helsingin Sanomat Foundation	4,701,570	2.9
6. Ilmarinen Mutual Pension Insurance Company	4,391,800	2.7
7. Varma Mutual Pension Insurance Company	2,792,136	1.7
8. Noyer Alex	1,903,965	1.2
9. Aubouin Lorna	1,852,470	1.1
10. Elo Mutual Pension Insurance Company	1,795,000	1.1
10 largest shareholders, total	99,620,768	60.9
Foreign holding	24,288,587	14.9
Other shareholders	39,656,308	24.2
Total number of shares	163,565,663	100.0
Total number of shareholders	23,331	

Holding by sector



Analyst coverage

Carnegie Investment Bank

Danske Markets Equities

Inderes

Kepler Cheuvreux

Nordea

OP Corporate Bank

SEB

Pia Rosqvist-Heinsalmi

Sami Sarkamies

Petri Gostowski

Stefan Billing

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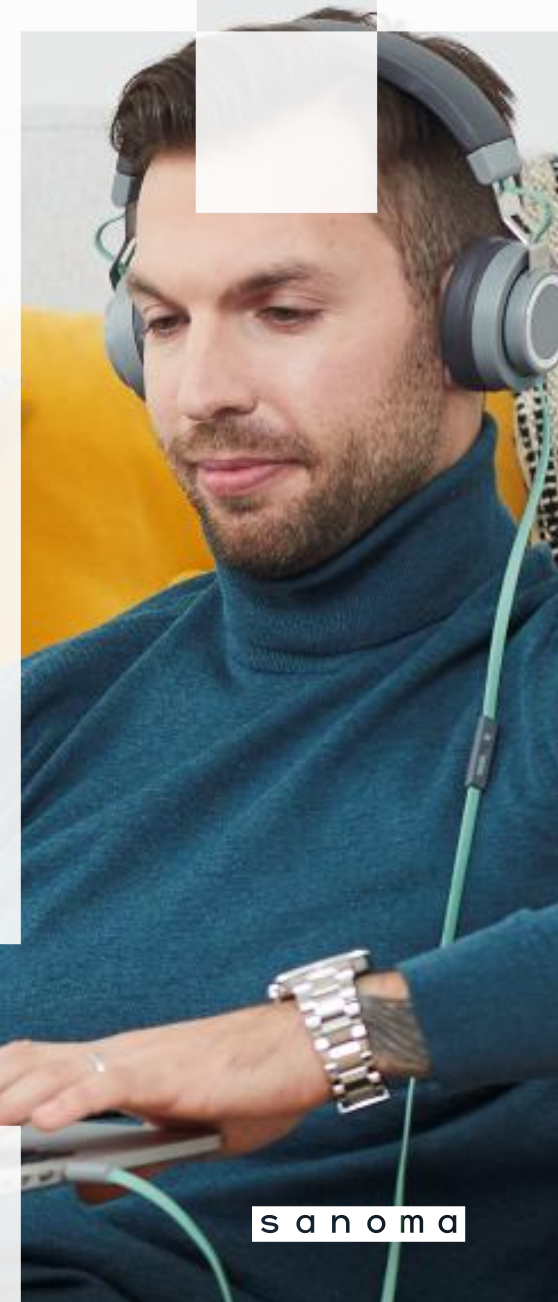
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