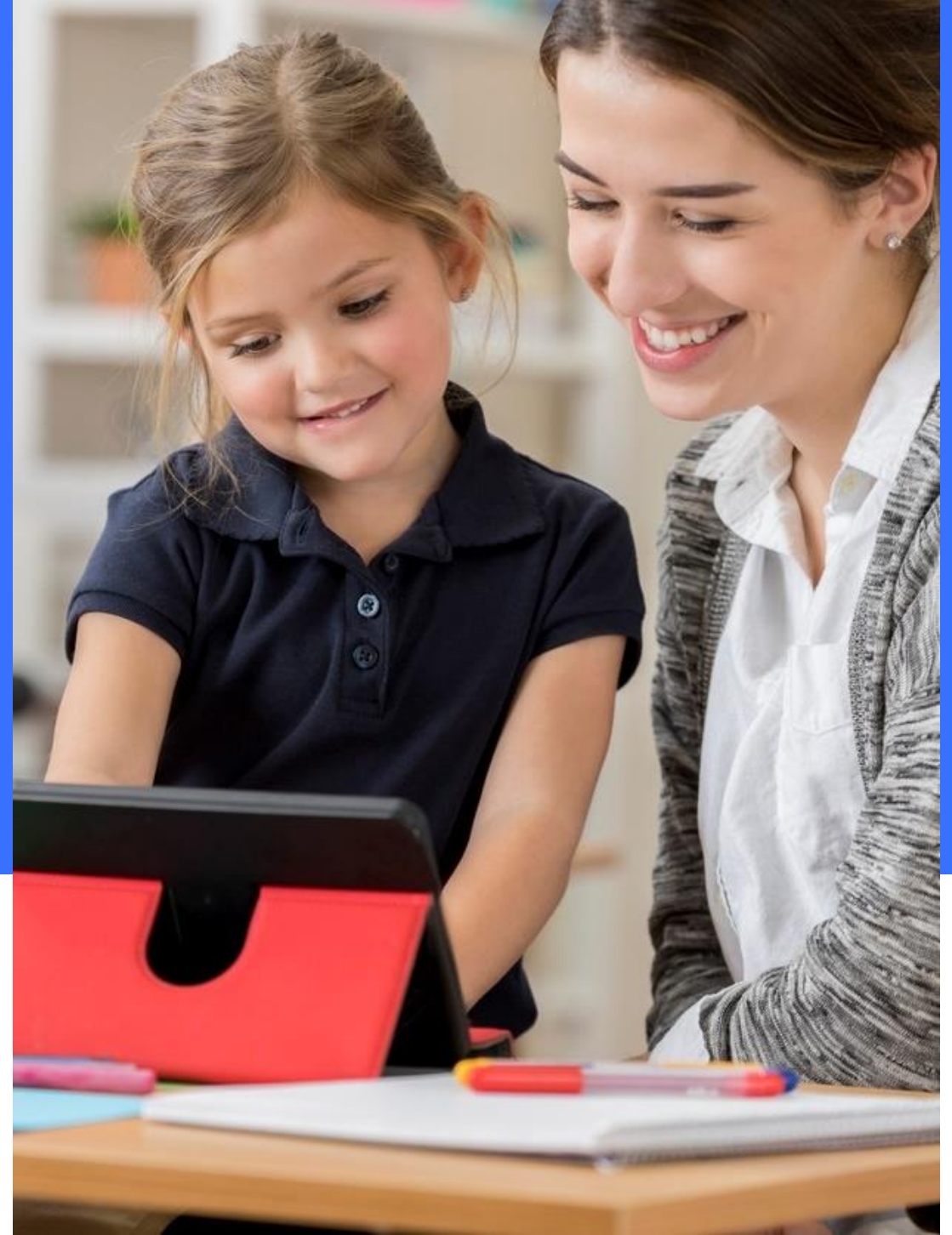


s a n o m a

# Leading K12 learning company capturing further growth in an attractive global market

September 2022



# We have an ambitious strategy for sustainable, profitable growth...

## We are one of the global leaders in K12 education serving 25 million students

- Producing inclusive learning materials and platforms to promote equal learning opportunities
- Strengthening our #1 position in European K12 learning services
- Aiming for selective growth globally through M&A

## We are Finland's #1 cross-media company with a weekly reach of 97%

- Providing trusted Finnish journalism and inspiring entertainment
- Continuing our successful digital transformation towards higher margin
- Increasing share of B2C provides sustainable future opportunities

## Growing through M&A while paying an increasing dividend

- Supporting our growth strategy in learning with a solid balance sheet
- Growing our dividend with an attractive yield
- Investing in further digital growth and in our people

## Our purpose

Through learning and media, we have a positive impact on the lives of millions of people every day

## Our ambition

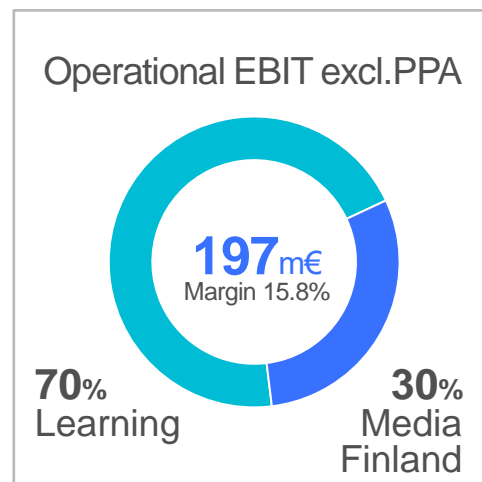
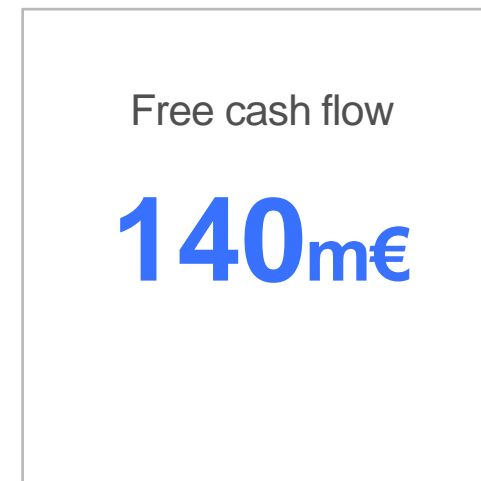
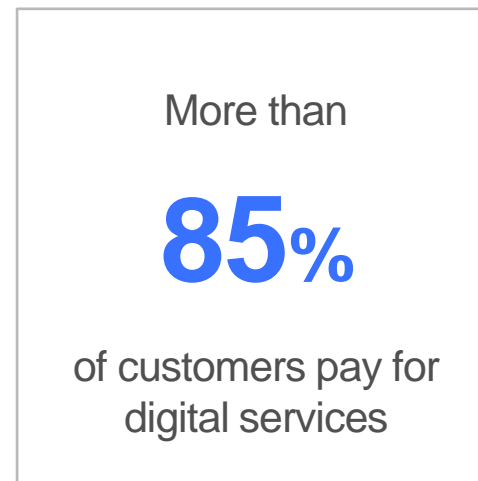
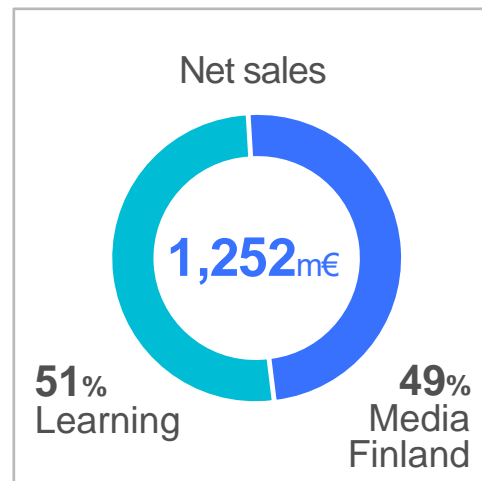
Group net sales over **2bn€** by 2030 at least **75%** from Learning

**s a n o m a**

... based on a well-balanced portfolio with clear long-term targets



## Year 2021 at a glance



\* After closing of the acquisition of Pearson Italy and Germany on 31 Aug 2022



## Our key long-term targets

(FY 2021 in brackets)

Net debt /  
Adj. EBITDA

**< 3.0**

(2.4)

Equity  
ratio

**35–45%**

(40.6%)

Increasing  
dividend

**40–60%**

of free cash flow  
(55%)

**Carbon  
neutral**

by 2030  
(77 gCO<sub>2</sub>e / € net sales)

Employee Experience  
Index

**>7.5**

by 2030  
(7.3)

Management  
gender balance

**50/50**

by 2030  
(39 women / 61 men)

# We are #1 in K12 learning services in Europe...

- **We focus on K12**, which is primary, secondary and vocational education (ie. 6–18 year-olds)
  - Supporting more than 25 million students in 12 European countries
  - Having a ~16% market share
- **Teachers and schools are our primary customers**
  - Teachers are key decision-makers on which learning content to use
  - In our operating countries, learning content is largely publicly funded and typically represents 1–3% of public education spend
- **Our learning services provide teachers with everything they need**
  - Printed and digital learning content created together with teachers and matching the local curriculum
  - Digital learning platforms, either linked to our content or open
  - Content distribution services
- **Our content has a positive impact on learning outcomes**
  - Inclusive learning materials promote equal learning opportunities and support diversity and differentiation

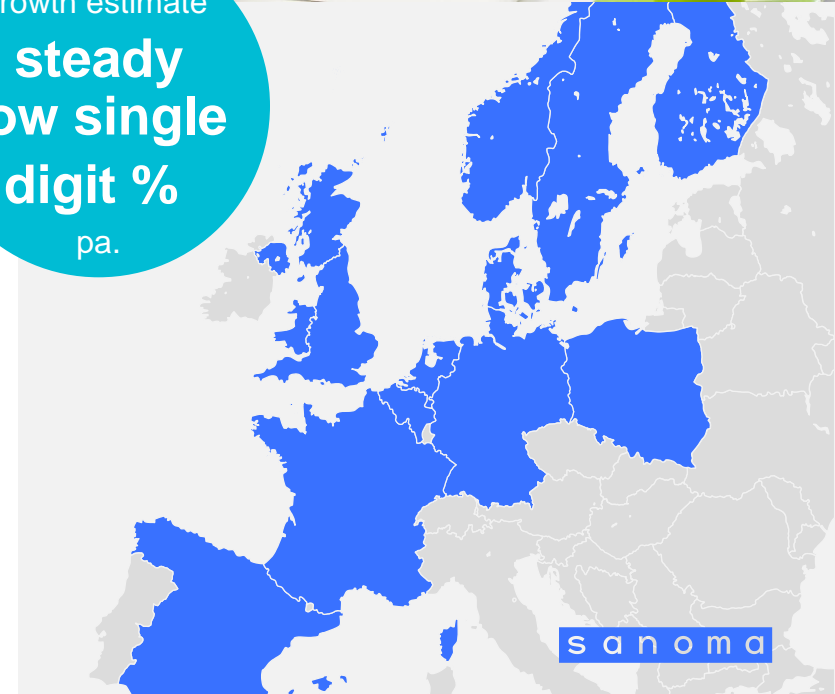


# ...and are leading the way in consolidating the market

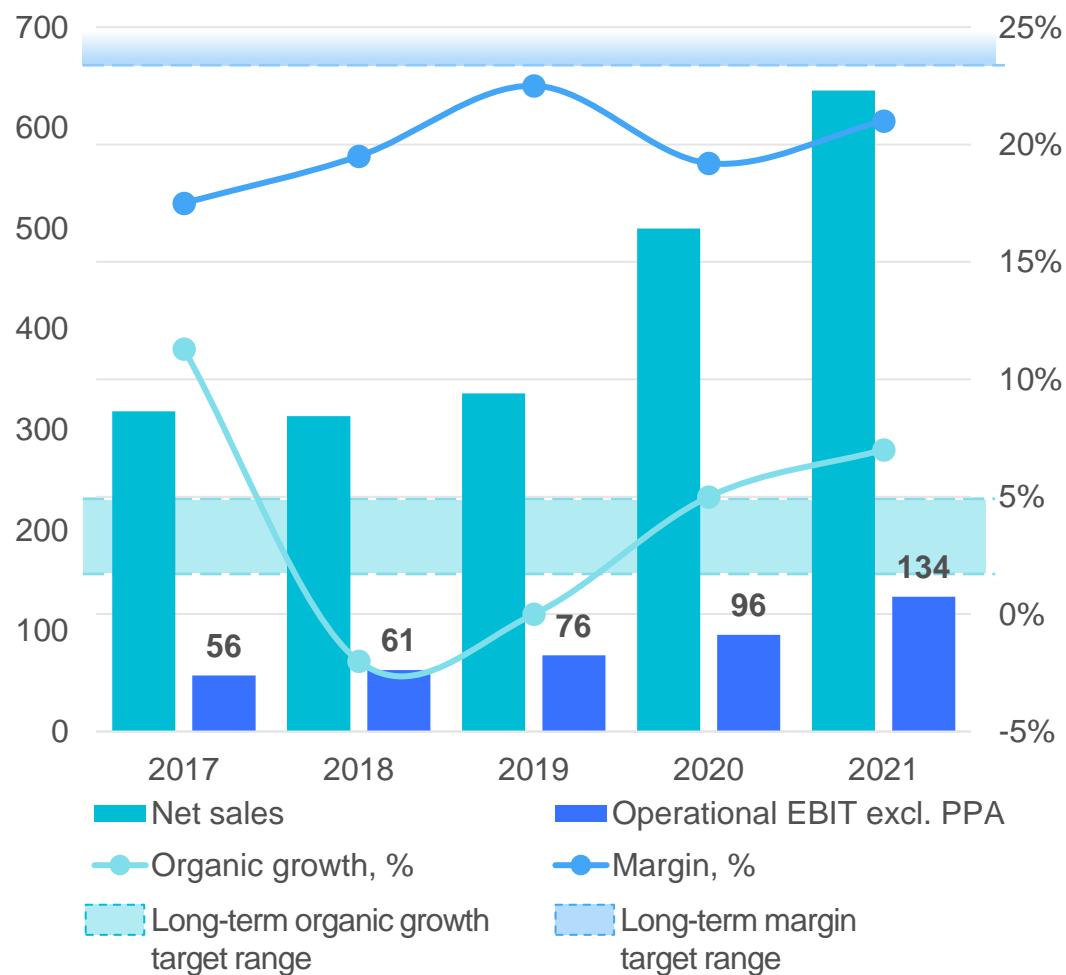
- K12 is a **stable and resilient market**
  - Stable population of approx. 75 million students in Europe, corresponding to a market size of 4–5bn€
  - Public spending on education is increasing, spend per student varies between countries
  - Significant fragmentation and high barriers to entry due to localised nature
  - Stability and predictability as teachers typically consider changing the learning materials only every 4–8 years
- Our **best-in-class digital platforms and footprint in highly digitalised countries** with high-quality learning outcomes give us unique benefits of scale
- **Digitalisation** within education is accelerating
  - Helping to drive market consolidation
  - Generating more stable revenue streams and higher profitability
  - Offering better scalability



Market growth estimate  
**steady**  
**low single**  
**digit %**  
pa.

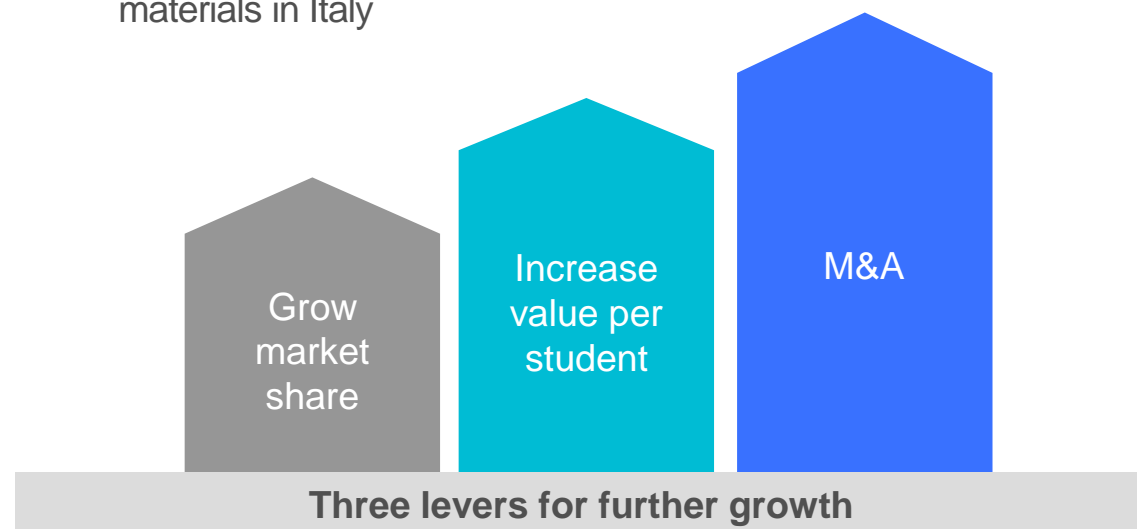


# In Learning, we have a successful track record and ambitious plan for profitable growth



## M&A has accelerated our transformation

- 2019: Four acquisitions in K12 learning services
- 2020: Santillana, leading provider of K12 learning content in Spain
- 2022: Pearson Italy, the third largest provider of K12 learning materials in Italy



## Long-term financial targets in Learning

Organic growth **2-5%**      Operational EBIT margin excl. PPA **> 23%\***

\* with current portfolio

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

- Sanoma enters Italy, one of the largest K12 learning services markets in Europe
  - Pearson is the 3rd largest publisher in the Italian market with a market share of 15%, focused on secondary education
  - Number of students, market size and government expenditure have been stable, and this is expected to continue
  - Italian market at an early stage of digitalization
- The acquisition also includes a small exam preparation business in Germany
- Increases the Group's net sales by 117m€ to ~1.4bn€ (pro forma 2021) with ~55% coming from Learning
- Increases Learning's contribution of operational EBIT excl. PPA (pro forma 2021) by 18m€ to ~70% of the Group
- Increasing scale in secondary education allows further 10m€ investments in platform development in the coming years
- EV 190m€ corresponding to a multiple of 7.2x (EV/EBITDA incl. estimated integration costs and additional investments in digital development)





# M&A strategy: Focus on growth opportunities in K12 learning business



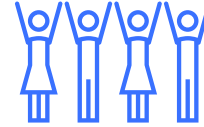
## We aim to grow in K12 learning content by

- Strengthening our position in current operating countries
- Entering new geographies where spending on education is stable or increasing
- Expanding also outside Europe as long as it fits our criteria



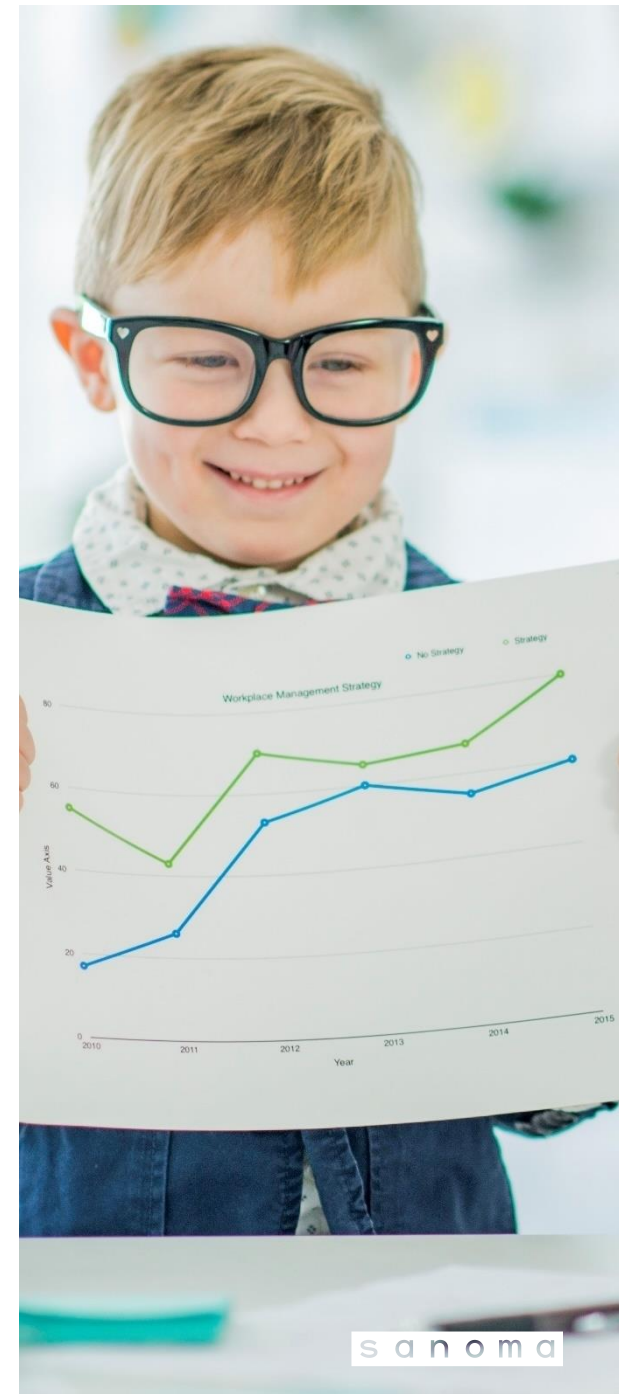
## We aim to acquire companies that

- Focus on K12 learning content
- Have leading #1–3 market positions
- Operate in markets with high barriers to entry
- Are growing, profitable and cash generative
- Provide opportunities for synergies



## Our M&A pipeline is healthy

- Market consolidation driven by accelerating digitalisation
- Majority of potential target companies owned by families, foundations or private equity
- Experienced in complex separations and integrations

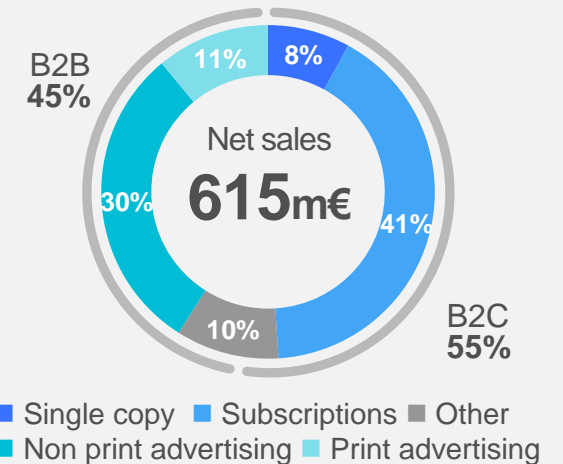


# We are Finland's #1 cross-media company...

- **Independent and trusted media** is essential for an open and democratic society
- We reach **97% of all Finns** every week by providing trusted Finnish journalism and inspiring entertainment
- Our **strategy focuses** on
  - News & feature
  - Entertainment
  - B2B marketing solutions
- We consider selective opportunities for synergistic bolt-on acquisitions that support growth in our strategic focus areas
- Our business is **transforming towards digital B2C**, supported by digital advertising
  - Share of stable B2C income has already increased to 55%
  - Digital transformation supports margins

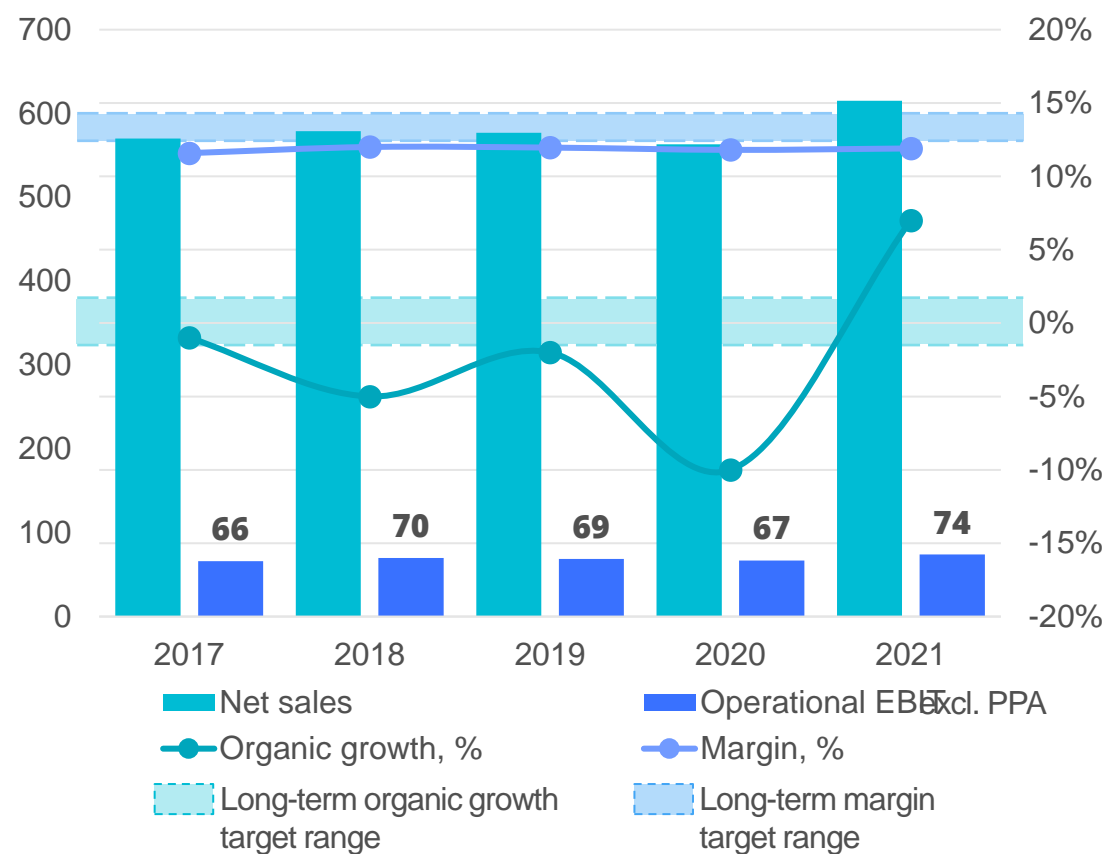


## Share of stable B2C income in Media Finland increasing



# ...delivering solid, stable earnings and cash flow

## In Media Finland, stable net sales and profitability development continued during the pandemic



- Sustainable performance in the **digital era requires scale**
  - We have **1.4** million subscriptions in total
  - **~55%** pay for digital component
- Switching from a single print news subscription to a digital news subscription will
  - Decrease net sales per subscriber
  - **Increase profit contribution**

## Long-term financial targets in Media Finland

Organic growth  
**+/-2%**

Operational EBIT margin excl. PPA  
**12-14%**

# Our Sustainability Strategy emphasises the positive impact of learning and media on society

## Trustworthy data

Target: Continuous privacy and security training for our employees

No major data breaches

## Responsible business practices

Target: All employees participating in annual conduct trainings

97% of employees participated the Code of Conduct e-learning

Positive impact of

## Inclusive learning

Empowering learning of over 25 million students

&

## Sustainable media

Trusted journalism and inspiring entertainment for all Finns

## Valued people

Target: Employee Engagement Index (EEI) above 7.5

EEI 7.3

## Vital environment

Target: Carbon-neutral by 2030

54% decline in our own operations greenhouse gas emissions

# Growing through M&A while paying an increasing dividend



## Solid balance sheet supporting M&A

- Implementing our clear growth strategy in Learning
- Maintaining the Group long-term leverage target of < 3.0
- Equity could be considered, if it creates value for all shareholders



## Growing dividend with an attractive yield

- Our policy is to pay an increasing dividend, equal to 40–60% of annual free cash flow
- For 2021, dividend payout was 55% of FCF



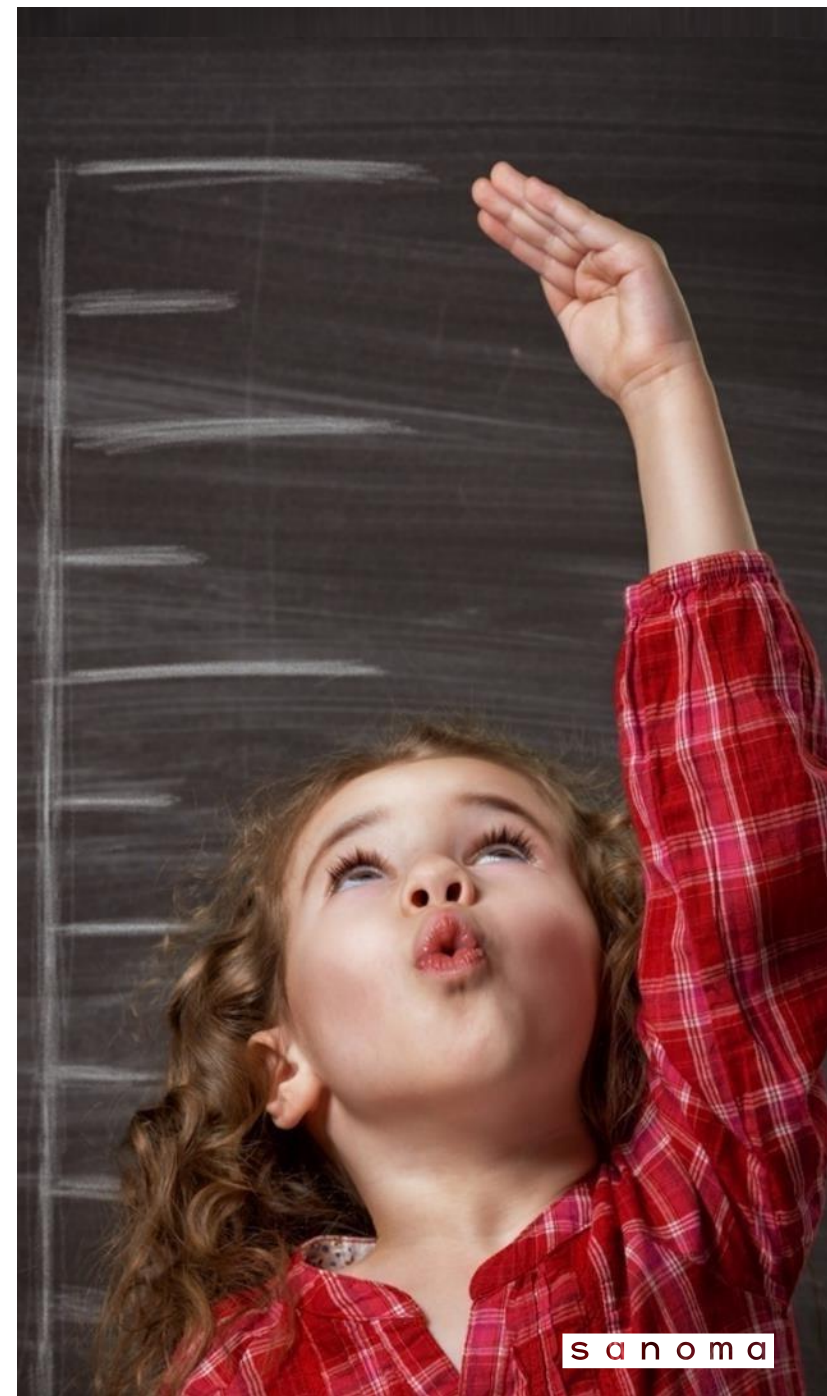
## Investing in further digital growth

- Harmonising and developing our digital learning platforms
- Aiming for best-in-class digital user experience in media
- Ensuring the development and well-being of our people



# We are on track for our strategic growth ambition for 2030

- 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 of 2–5% p.a. for Learning and +/-2% for 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



# We have an ambitious strategy for sustainable, profitable growth

- We are one of the global leaders in K12 education serving 25 million students and want to grow globally through M&A
- We are Finland's #1 cross-media company with a weekly reach of 97% and continue our successful digital transformation towards higher margin
- We aim to grow through M&A while paying an increasing dividend

## Our purpose

Through learning and media, we have a positive impact on the lives of millions of people every day

## Our ambition

Group net sales over 2bn€ by 2030 at least 75% from Learning

s a n o m a

**Appendix:  
Sanoma Learning**





# Sanoma is one of the global leaders in education

- Serving more than **25 million** K12 students in 12 countries across Europe, market share approx. 16%
  - European K12 student population stable at 75 million
  - Value of K12 learning services market approx. 4–5bn€ p.a. with low single-digit growth on average

## K12 student population in Sanoma Learning countries

**Germany:** 9.7m

**Netherlands:** 2.8m

**UK:** 8.7m

**Belgium:** 2.0m

**Italy:** 7.0m

**Sweden:** 1.8m

**Spain:** 6.4m

**Finland:** 0.9m

**France:** 5.5m

**Norway:** 0.9m

**Poland:** 4.7m

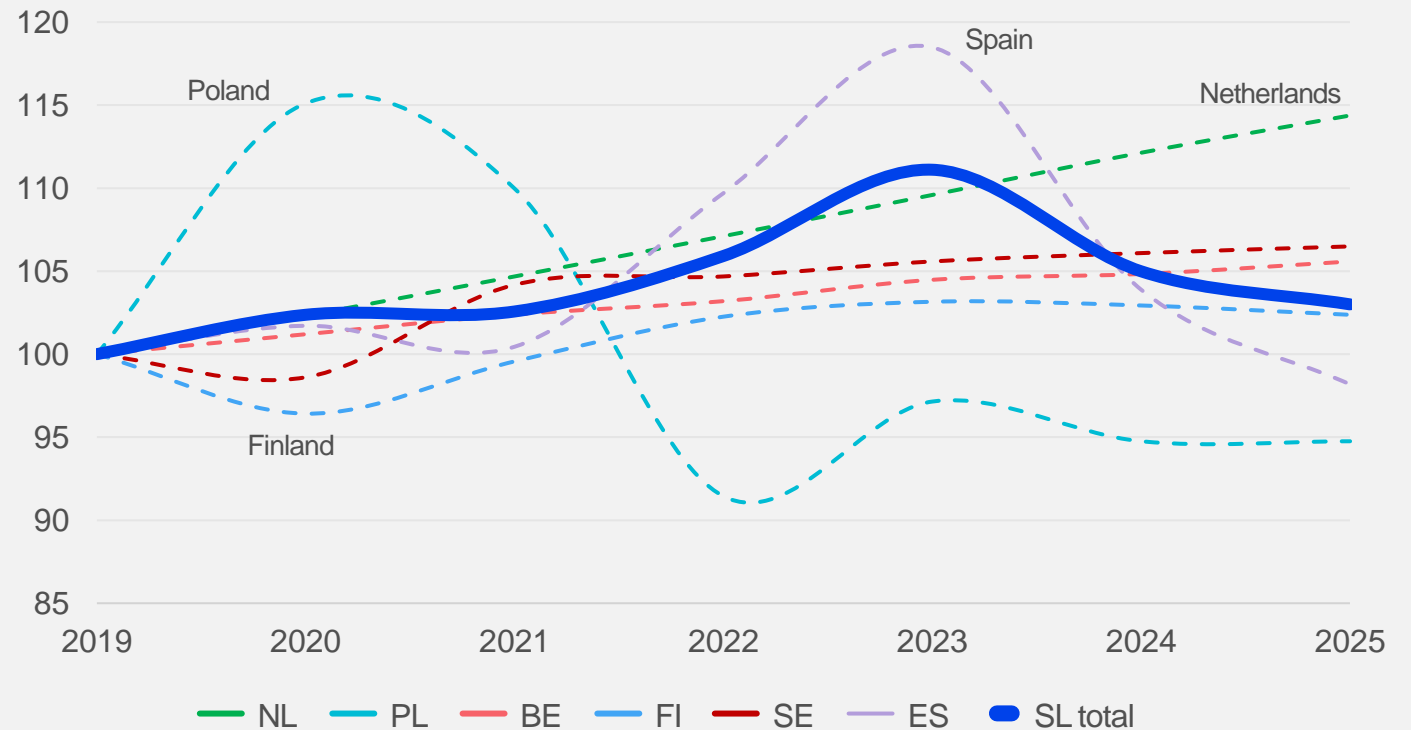
**Denmark:** 0.9m



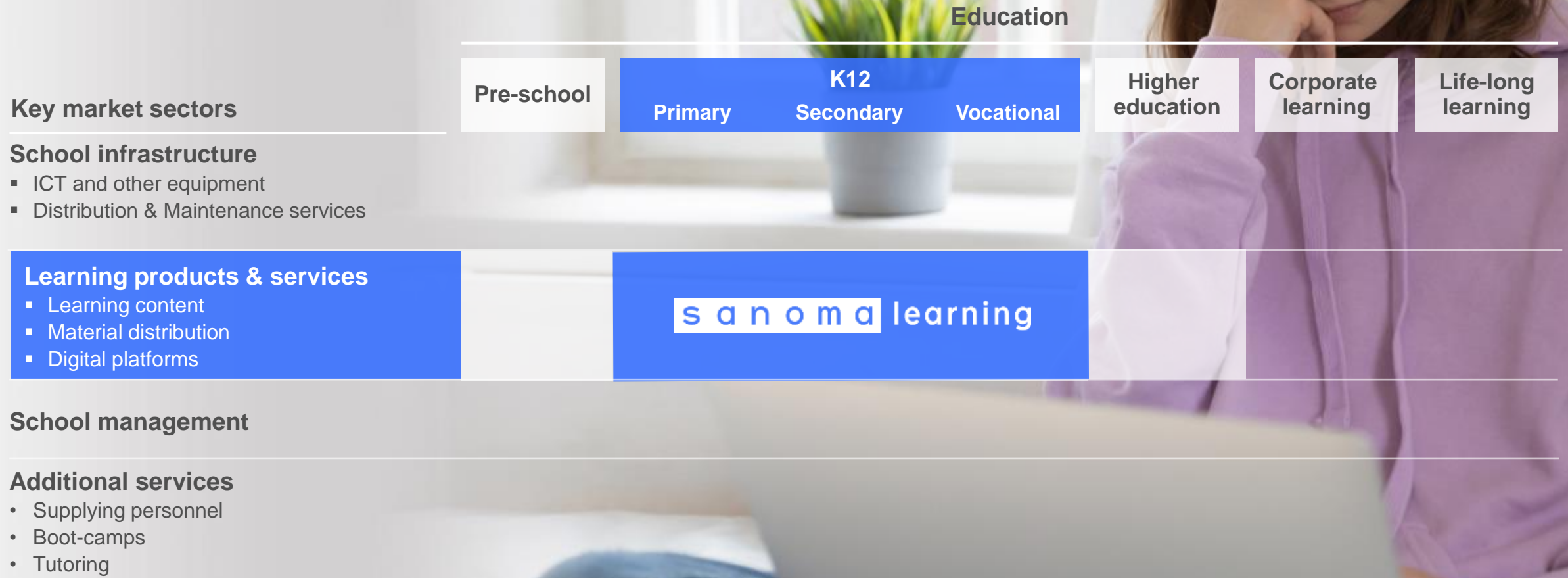
# In learning materials, modest market growth expected over the cycle

- **Dutch** market will be modestly growing due to increased value per student, same expected for **Italy** (missing from the graph)
- In **Poland**, decline due to the educational reform ending in 2021 and ahead of future reforms in the mid-/long-term
- In **Spain**, the LOMLOE reform is driving fluctuation from 2022 onwards
- Finland, Belgium and Sweden expected to be stable

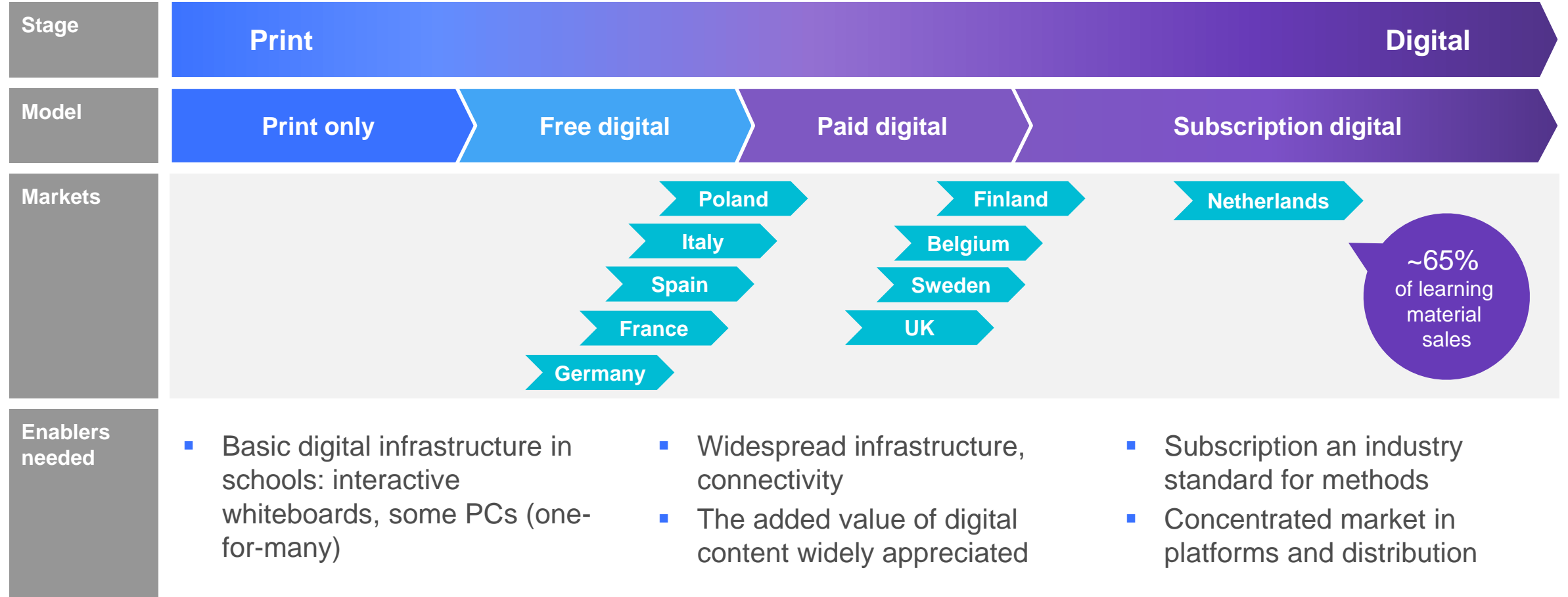
Value of K12 publishing market\*



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

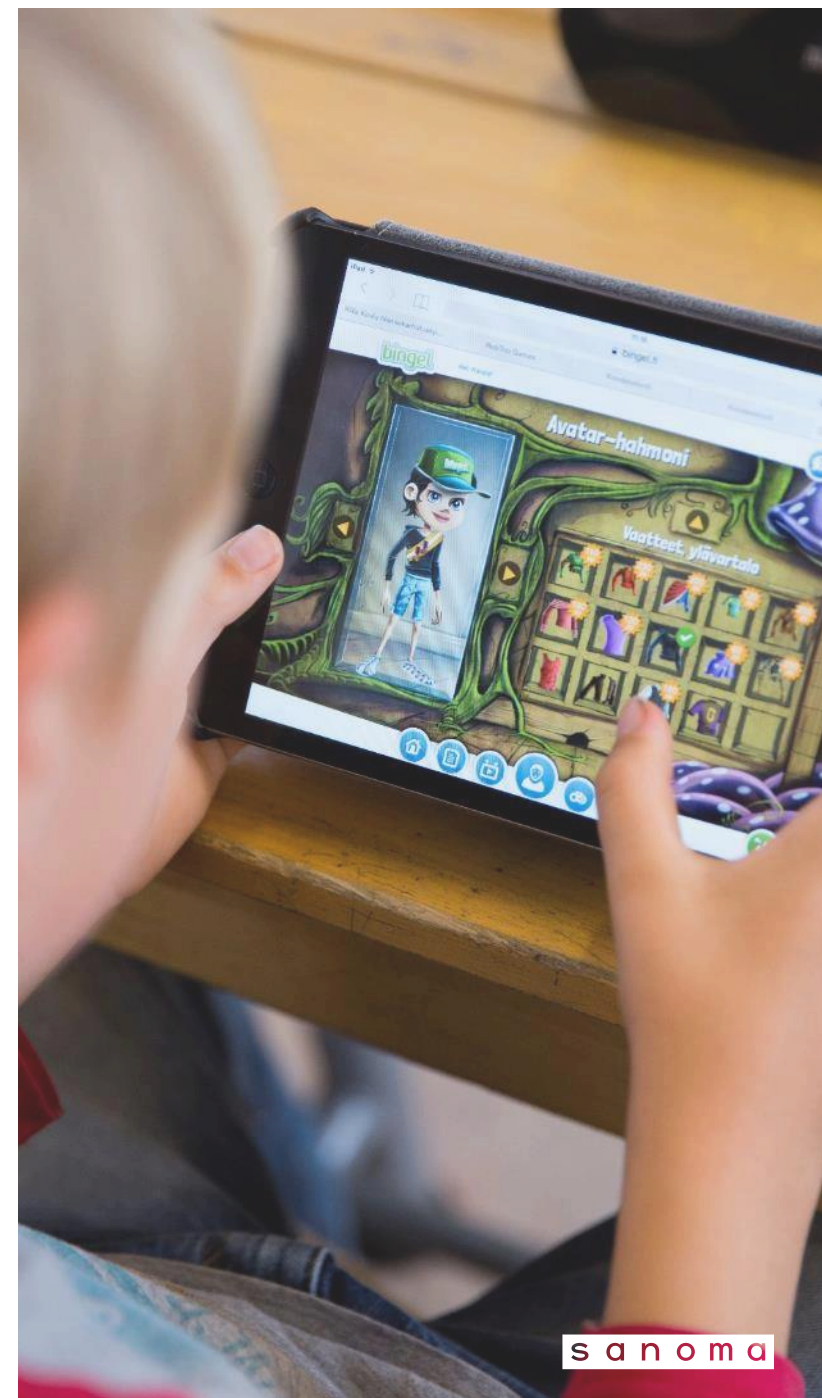
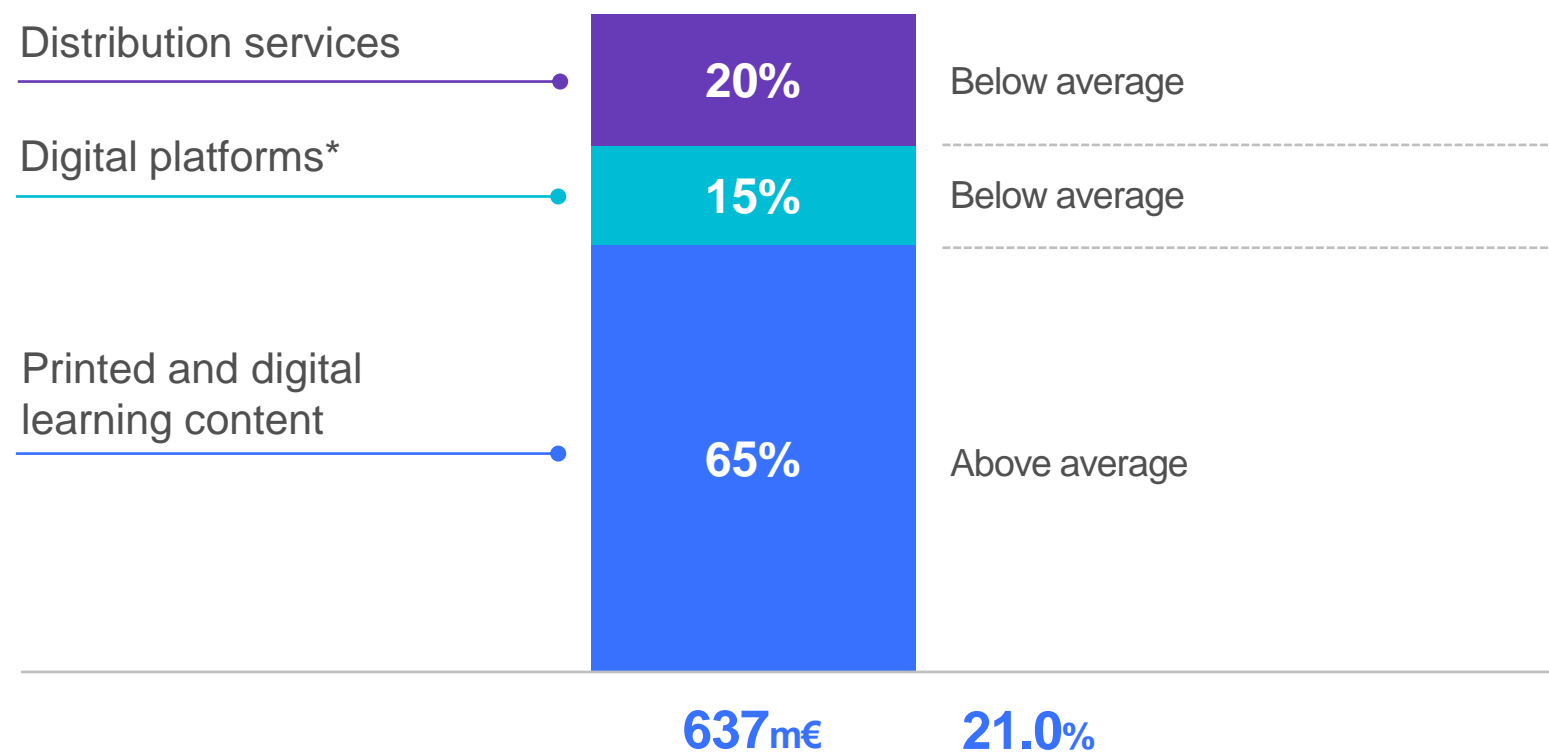


# ...leading the way in digitalisation across our markets

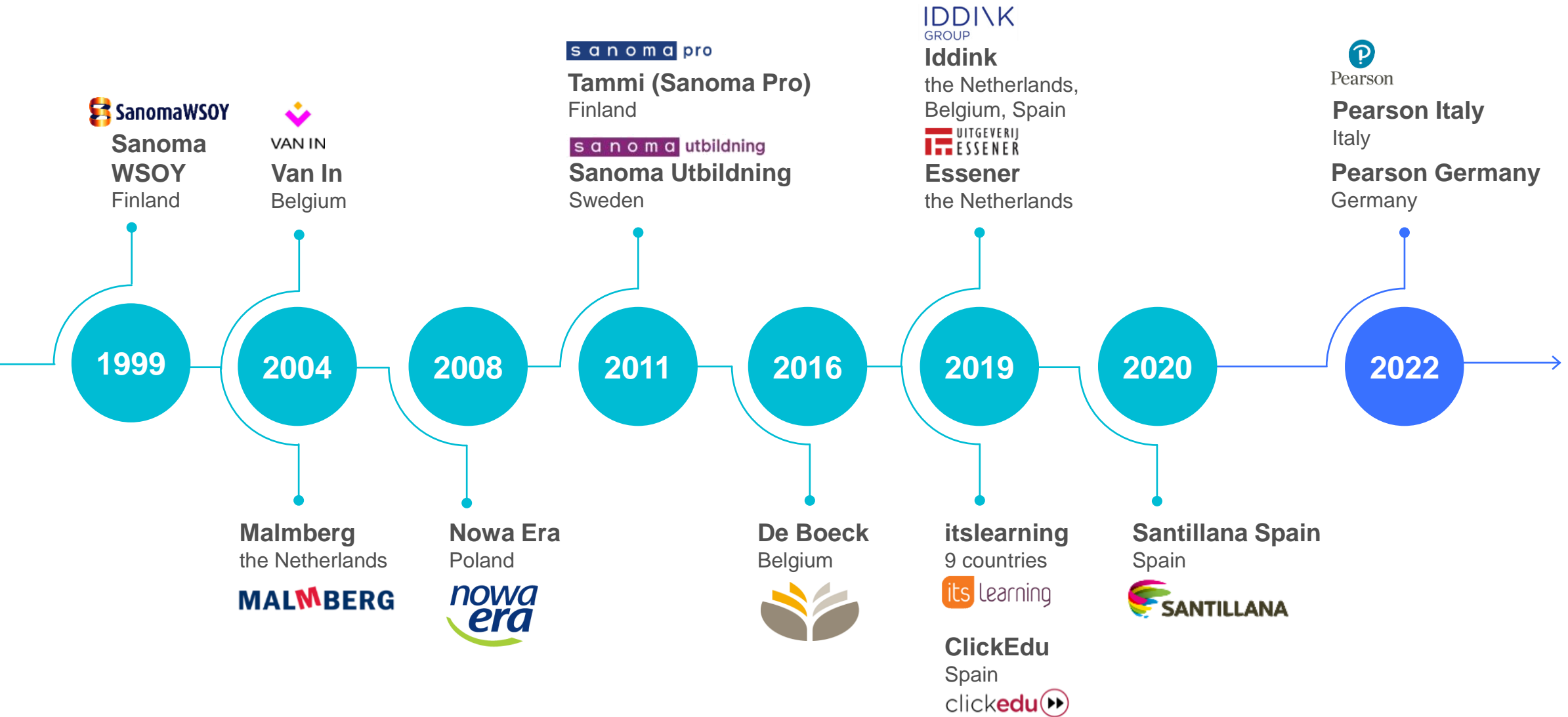


# Our wide footprint in learning content enables us to scale our digital competences

Share of net sales and operational EBIT margin excl. PPA in 2021



# Sanoma Learning has been successfully built through M&A

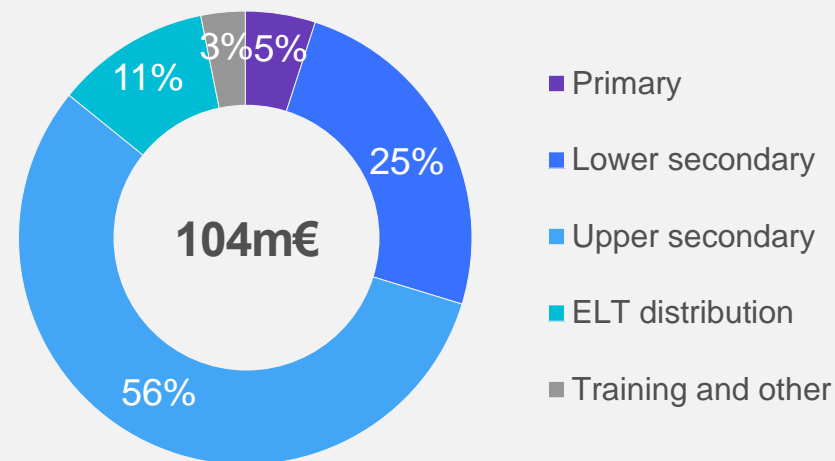


# The acquired Pearson business\* has a strong position in Italy

- 3<sup>rd</sup> largest publisher in a fragmented K12 learning material market in Italy with a market share of 15%
- 80% of sales from secondary education with leading market positions e.g. in philosophy and literature
- Pro forma 2021 net sales were 104m€, of which distribution of Pearson English Language Teaching (ELT) materials accounted for 12m€
- Well-established local brands and content highly regarded by teachers and students
- 161 employees, supported by an extensive external sales agent network
- Strong and experienced management team with a solid growth track record

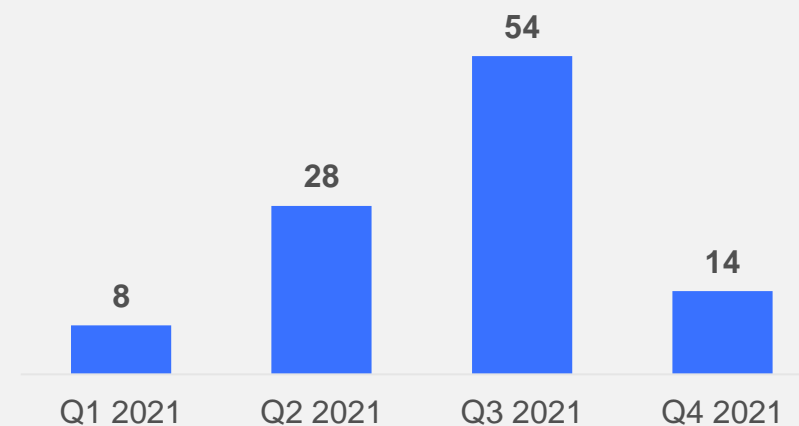
## Focus on secondary education

Pro forma net sales, m€, 2021



## Typical seasonal pattern

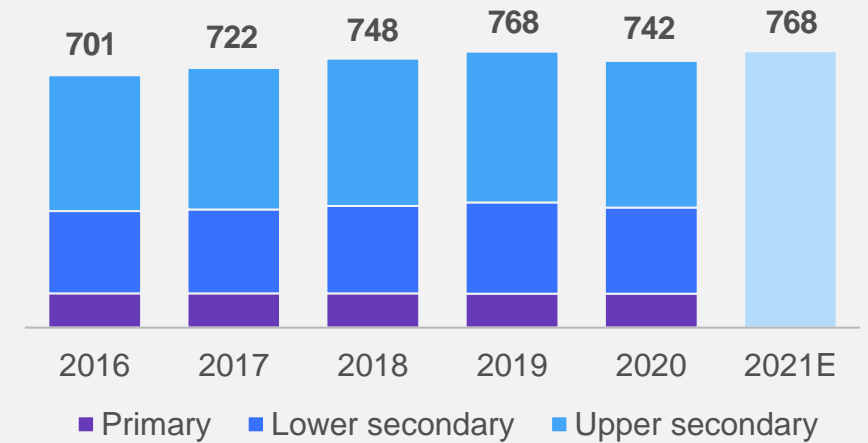
Pro forma net sales, m€



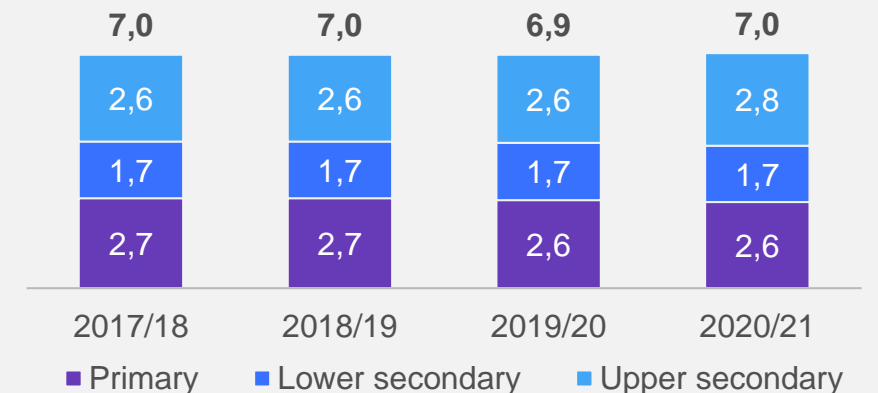
# Large Italian K12 learning material market provides significant potential for digitalisation

- Overall Italian K12 learning material market was estimated at above 750m€ in 2021, making it one of the largest markets in Europe
- Number of students, market size and government expenditure have been stable, and this is expected to continue
- Content renewals are continuous and driven by the need to meet government learning outcome targets, rather than by large curriculum renewals
- Digitalisation is at an early stage, with currently only 35% of secondary students using hybrid materials
- Secondary learning materials are paid by the parents and partially subsidised

**Total addressable market in Italy**  
m€



**Stable number of K12 students**  
millions





# Modest synergies with opportunity for digital development in secondary education

- Estimated synergies of 2–3m€ (annual run-rate) expected to be realised in full in 18–24 months after closing and mainly related to support functions and procurement
  - Complex separation and integration expected to take 18 months, using our well-tuned integration playbook
  - Separation and integration costs estimated to amount to approx. 14m€, will be booked as IACs during 2022–2023
- Sanoma will be investing approx. 10m€ extra in the development of digital learning platforms for secondary education over the three years after closing
  - The investment will substantially bolster Sanoma Learning’s digital offering for secondary education not only in Italy, but also in its other operating countries
- The agreed enterprise value (EV) of the acquired business is 190m€
  - Corresponding to a multiple of 6.4x (EV / Pro forma adjusted EBITDA 2021)
  - By adding the estimated costs for separation & integration and additional investments in digital development increases the multiple to approx. 7.2x
- Sanoma has financed the acquisition with a EUR 250 million 4-year term loan facility



# Appendix: Sanoma Media Finland



# 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

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

## Success factors across our units



NEWS & FEATURE

# #1 in independent Finnish journalism

Leading national and regional news media \*



IS

AAMULEHTI  
SATAKUNNAN KANSA

TIEDE

menaiset

GIORGIAN  
ruoka&viini

Focus on

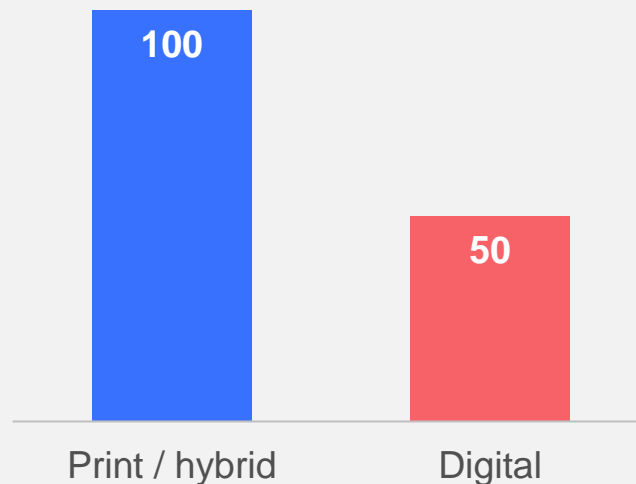
- Growing digitally active subscription base
- Growing daily national reach

\* Regional news media business acquired in April 2020

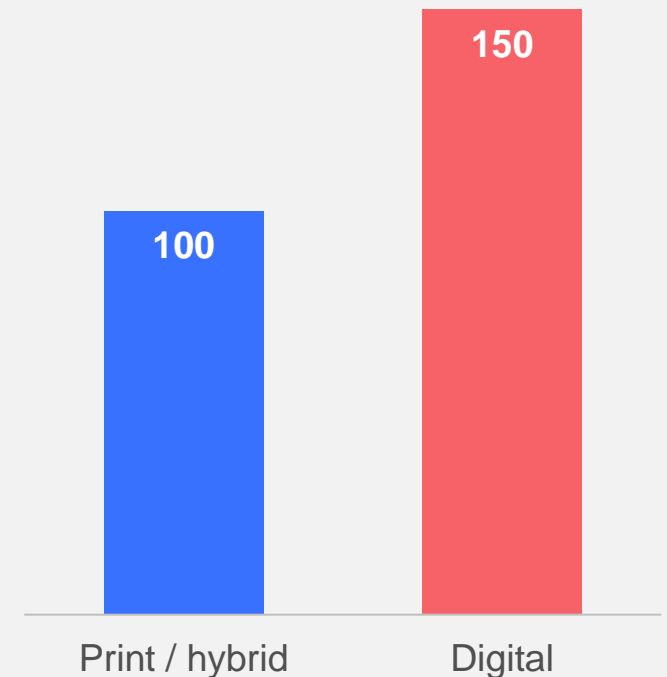
# Digital transformation increases profit contribution per incremental subscriber, but reduces net sales

- 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<sup>1</sup> reduces...  
Indexed



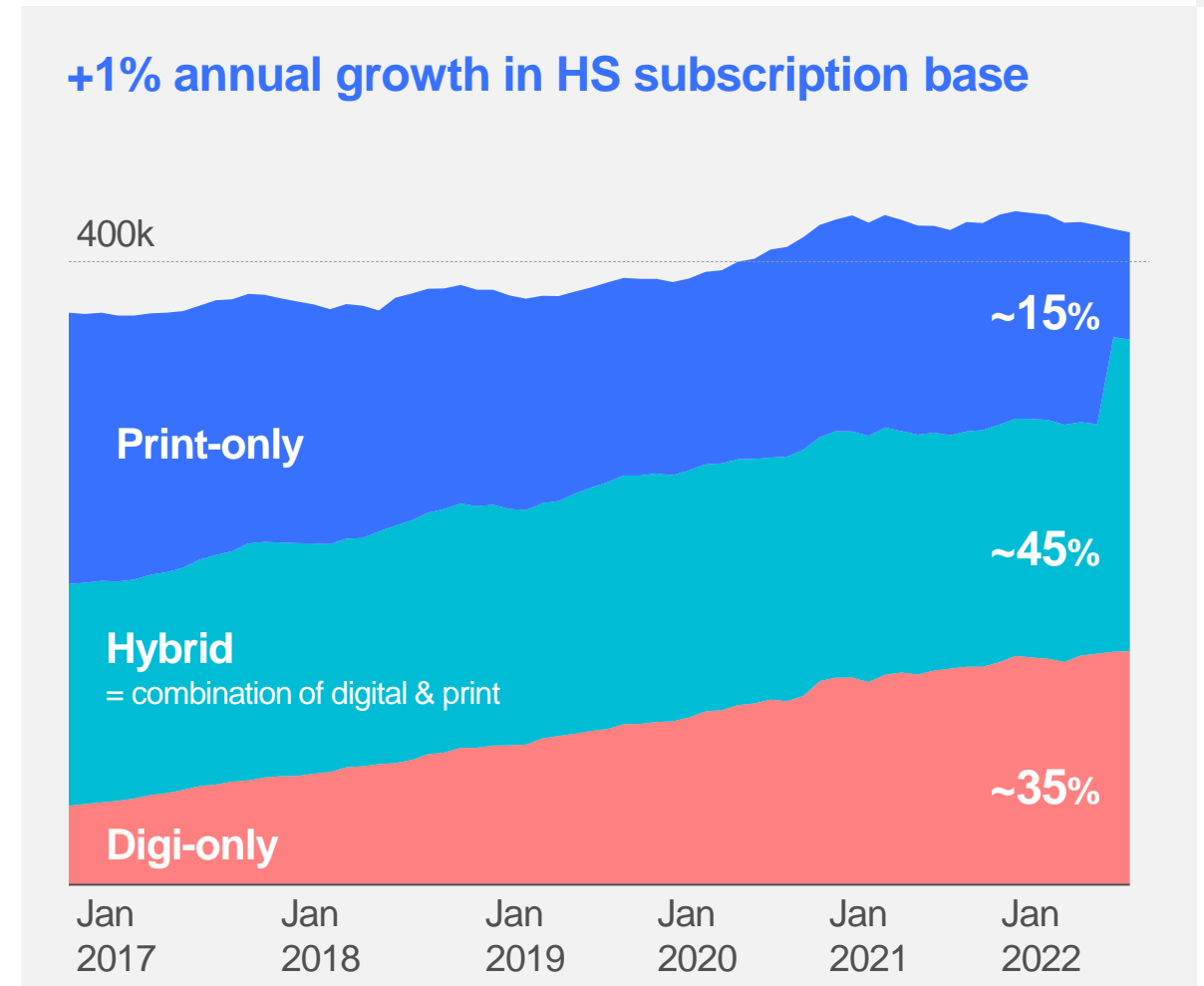
... but profit contribution increases<sup>1</sup>  
Indexed



<sup>1</sup> Excluding impact of digital transformation on advertising revenues

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

- HS total number of subscriptions over 420k
- Number of digital-only subscriptions over 150k, 35% of total subscription base
  - Already more than 80% of all subscriptions include a paid digital component
  - Appealing digital experience has attracted younger audiences
- Future success in digital requires further scale
- New content areas support subscription growth
  - HS Business News to strengthen business reporting, successfully launched in March 2021
  - HS Kids News, successfully launched in August 2020



ENTERTAINMENT

# We have leading positions in our selected areas

TV & video

Radio & audio

Live events

Our market positions

#1-2

#2

#1

ruutu Sim liv

4

Radio Suomipop **supla**

Radio Aalto helmi RADIO **RADIOROCK**

SuomiPop **FESTIVAALI**

**HIMOS**  
JUHANNUS

**ROCKFEST**

TIKKURILAFestivaali

**WANAJA**  
FESTIVAL





# Appendix: Sanoma Group




# Sanoma in 2021

 **NET SALES**  
**1,252m€**

 **NON-PRINT SALES**  
**53%**

 **OPERATIONAL EBIT MARGIN**  
**15.8%**

 **PERSONNEL**  
**over 5,000**

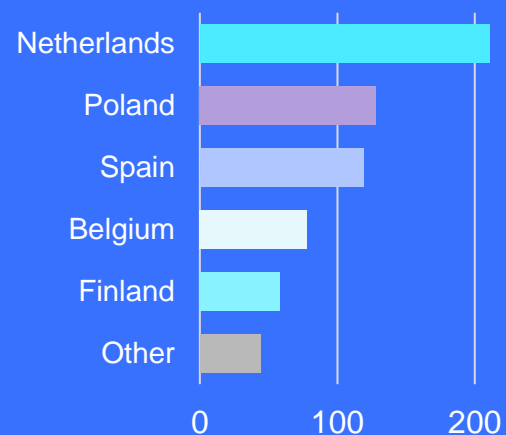
## Learning

Net sales **637m€**

Non-print **57%**

Margin **21.0%**

### NET SALES



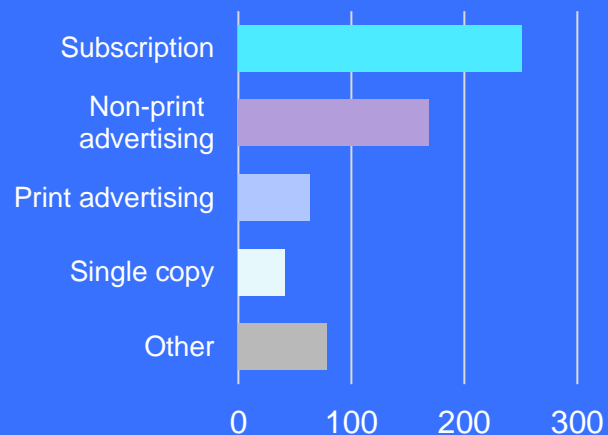
## Media Finland

Net sales **615m€**

Non-print **49%**

Margin **11.9%**

### NET SALES



# Sanoma is a sustainable investment with solid ESG performance

MSCI rating

**AA**

Scale AAA – CCC

Sustainalytics risk rating

**9.8**

Scale 0–100,  
lower score = lower risk

CDP score

**B**

Scale A – D-

ISS rating

**C+**  
**Prime**

Scale A – D

Upright net impact

**AA+**

Excellent +



# We are committed to global sustainability initiatives

Global Reporting Initiative reporting



Sustainability Standards Board reporting



Implementing UN Sustainable Development Goals



Signatory of UN Global Compact



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Committed to Science-Based Targets Initiative



Task Force on Climate-related Financial Disclosure reporting



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

- A dividend of 0.54€ (2020: 0.52) per share to be paid for 2021
  - Representing a total of approx. 88m€
- Payment in two parts
  - 0.27€ was paid in April
  - 0.27€ to be paid in November (record date tbc in October)

## Dividend policy:

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

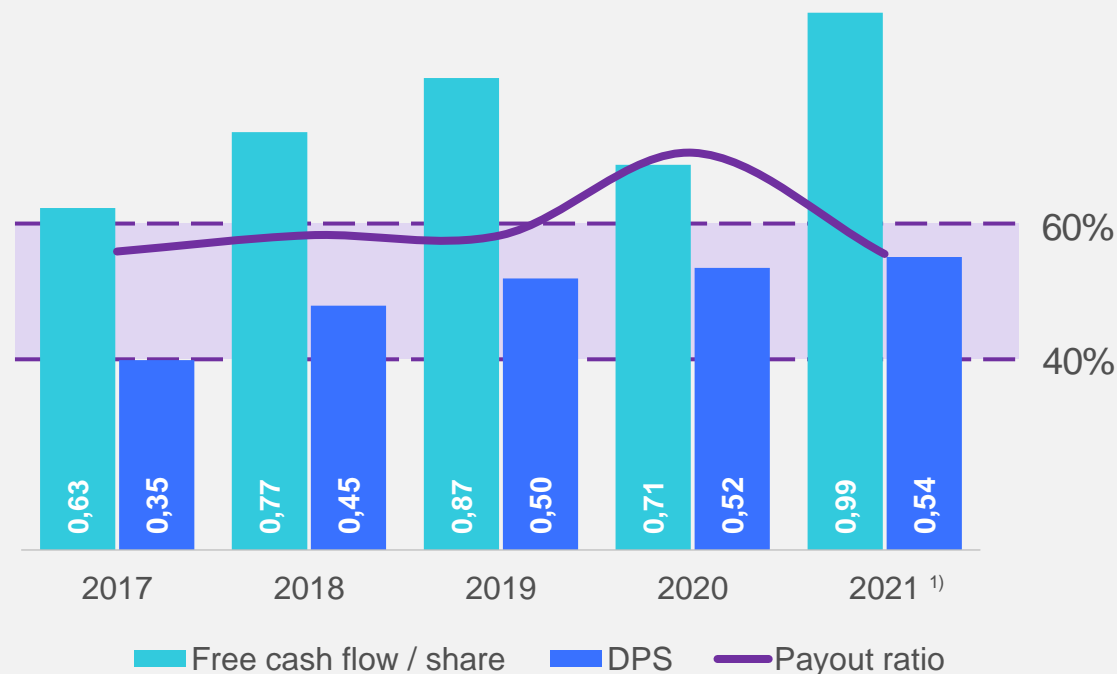
Dividend yield

**4.0%**

as of 31 December 2021

## Dividend per share

€



<sup>1)</sup> 2021 FCF excl. the net free cash flow impact of the VAT prepayment amounting to 21m€. 2020 FCF excl. the divested Media Netherlands, -22m€.

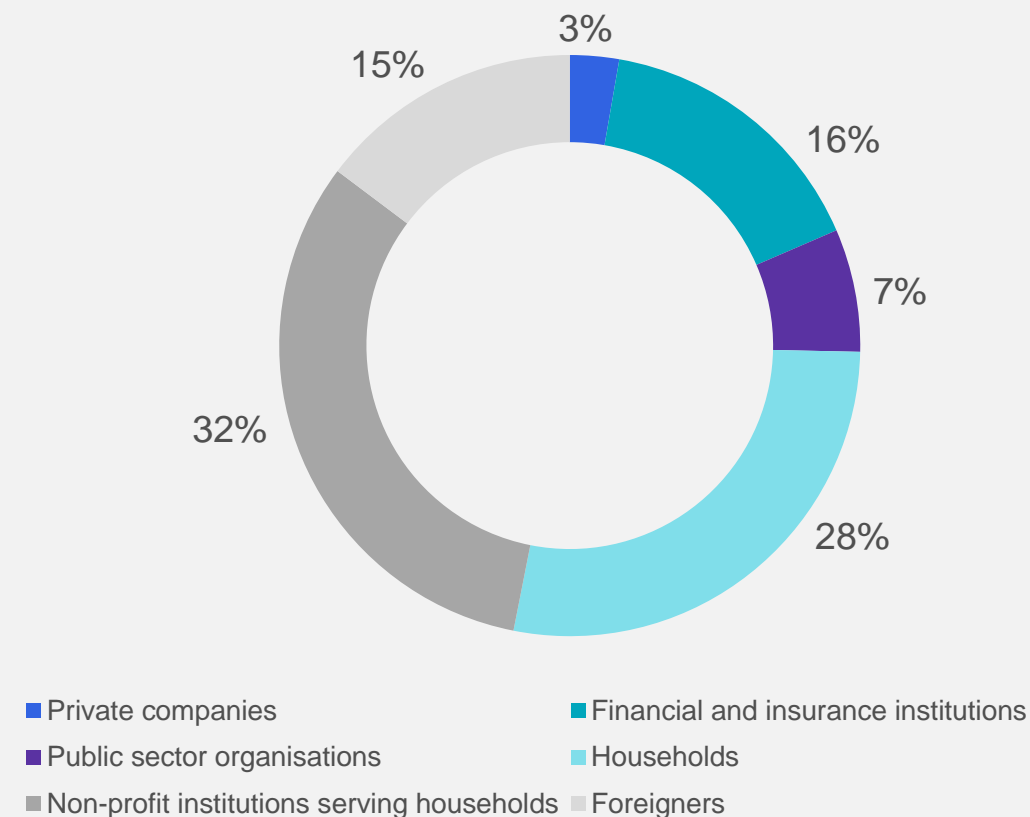
# Largest shareholders

31 August 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. The State Pension Fund	1,760,000	1.1
<b>10 largest shareholders, total</b>	<b>99,585,768</b>	<b>60.9</b>
Foreign holding	24,116,918	14.7
Other shareholders	39,862,977	24.4
<b>Total number of shares</b>	<b>163,565,663</b>	<b>100.0</b>
<b>Total number of shareholders</b>	<b>23,416</b>	

## Holding by sector



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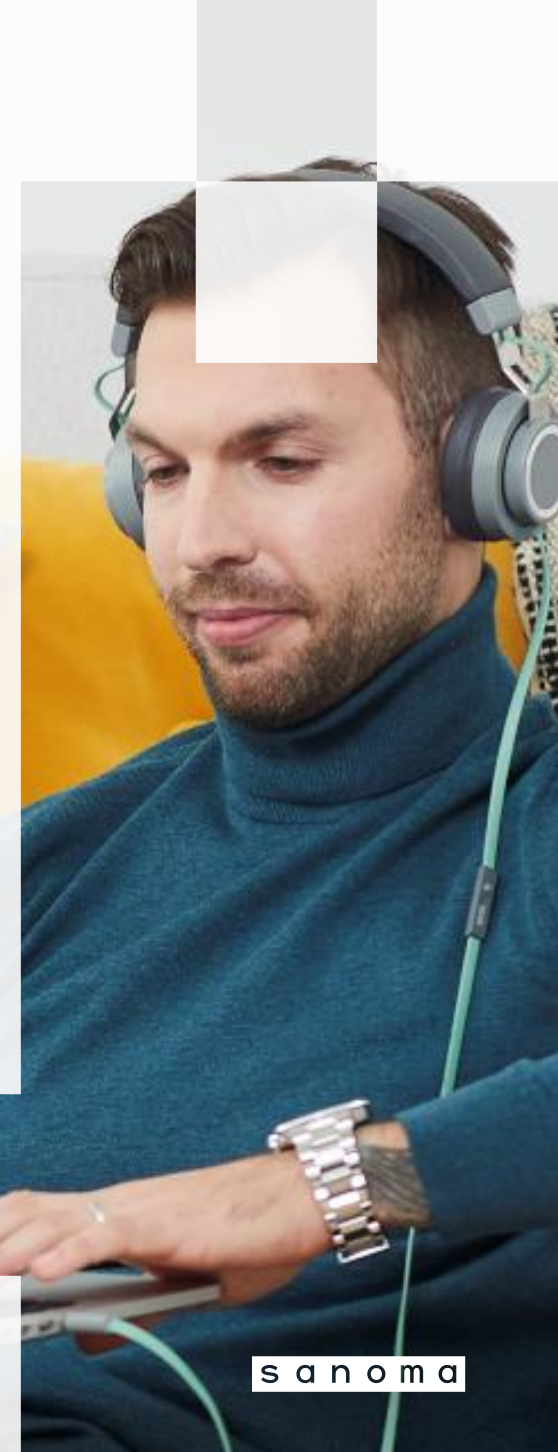
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# Disclaimer

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