Transcription

Sanoma Q1 2023 Interim Report

Kaisa Uurasmaa*:* Good morning, everyone, and welcome to Sanoma's first quarter 2023 results presentation. My name is Kaisa Uurasmaa. I'm heading Investor Relations and Sustainability at Sanoma. Today we have the President and CEO, Susan Duinhoven, and CFO, Alex Green, presenting the results. After the presentation we will have a Q&A session. We will first take questions from people here at Sanoma House, so please wait for the microphone before you ask your question. We will then hand over to the telephone line, and then you can also use the chat function in the webcast platform to ask questions. The full event will be recorded and the recording will be available on our website shortly after the end of the event. With this short introduction I would like to hand over to Susan to start the presentation, please.

Susan Duinhoven: Thank you very much, Kaisa. Good morning to all of you. Also, a warm welcome from my end on this result presentation. In the first quarter we saw sales growing with a slightly lower operational EBIT due to the inflation and the increased seasonality from our acquisitions. The quarter started, and the year started fully in line with our expectations. We saw net sales increasing to 218 million, which was the result of our Italian and German acquisition. We saw in Media Finland, to our satisfaction, that the sales were stable. If we look in the learning business, we saw a slight organic sales decline, and that came from the typical small quarter switches of orders between the quarters. If we look at the operational EBIT, excluding PPA, that decreased due to the inflation, and the increased seasonality from a growing learning business, but also from a mix in sales in Media Finland where the advertising sales declined as expected.

Now, it's good to realize throughout this whole presentation that the inflation impact is, of course, particularly strong in the first quarter because this is comparing to a 2022, where there was hardly any inflation yet in the first quarter. In the later quarters that inflation year-on-year effect will be considerably less. If we look then at the free cash flow, that is decreasing for the same reasons we see a lower result, but we also see the increased working capital from an increasing learning business. We call that a seasonally negative operating cash flow that grows through those acquisitions. If we then look at the leverage, 3.2, slightly above our long-term target, but very much in line with year-end. There are two effects there, that on the one hand, there's of course, increased cash need for funding the working capital, but on the other hand, offset by 150 million hybrid bond that we issued in March. That strengthens our balance sheet also for strategic purposes.

If we then take the outlook for the full-year 2023, that is unchanged. This quarter is fully in line with our expectations. Also the point within that range that we have indicated still very much in place at the same point. If we then look at Learning, first quarter, always a very small quarter, and in three months we basically do only 10 percent of our sales. You see a slight increase due to the Italian and the German business, and that is partially offset by negative organic net sales and that is a phasing between the quarters, but also the fact that we divested Eduarte, a small learning platform for vocational education in the Netherlands. We divested that in October '22, so that is in the comparable year still in our numbers.

If we then look at the operational EBIT, excluding PPA. Loss-making, as you would expect for a learning business in K-12, the growth of that learning business then makes also the loss larger, and you see that in all the learning businesses, the earnings come in in the second half of the year. Inflationary impact also impacted our learning business paper, personnel, cost increases you now start seeing occurring, and a slight increase in fixed costs basically throughout all the cost elements that are hit by inflation.

Now, as indicated, we have increased our prices and increased our prices significantly at the start of the year. However, that positive impact on revenues and on profitability will only show in the third quarter because that's the start of school, so then those new books and platforms will be procured by the schools. What we're selling at this moment is of course still the sales coming from last Q3, and that was a Q3 without significant price increases because those were set in January last year. Therefore, the price increases are according to our expectations, but as we indicated, the full mitigation of the inflationary cost increases, that will take one to two years in learning. A little bit of margin pressure in '23, but then coming back in '24 and '25. All in all, small quarter, good performance in line with our expectations and in full preparation for a successful high season.

If we then look at Media Finland, their sales was stable, but the earnings decreased for reasons of inflation and the different sales mix, so lower advertising sales. That advertising sales declined for us with five percent while the comparable market segments decreased with one percent. We saw two balancing elements online and radio still growing, but a decrease in TV and in print. It is important also to realize that the market share, for example, in digital advertising is still very much growing. However, the decrease in market share happened in the TV business specifically, and that is because we're quite prudent with our content investments and not everyone in the market operates in the same way.

Subscription sales was stable. The two effects in there are increase in prices in order to mitigate the cost increases, but then resulting also in a little bit lower volume, partly because of price elasticity, but also partially coming down from the peak post-corona. The growth in other sales then offset the advertising sales, but as you know, the advertising sales is very high margin sales. It reflected in our operational EBIT, which decreased to five million in this small quarter. Inflationary impact and the different sales mix contributed to that, but here I remind you again that when we look at the full-year, we have indicated before that for Media Finland, we expect one-third of the profit decrease. That is still very much stands. This quarter, of course, compares to a very strong comparable quarter in '22 still. That's Media Finland.

All in all, also there good first start of the year. Therefore our outlook for 2023 is very much unchanged. We indicate 1.35 to 1.4 billion in sales and an operational EBIT, excluding PPA, between 150 and 180 million. The assumption underneath this is that we expect that there is a mild recession in most of our operating companies, most particularly in Finland, and the advertising market in Finland will decline slightly. As far as we see now, the economic development is very much in line with these expectations and with our performance. With that, I would like to hand over to Alex to go into a bit of details on the financials.

Alex Green: Thank you, Susan, and welcome from my side as well. It's wonderful to be with you here today. Digging into the financials a little bit. I'll start with operational EBIT. As you heard, operational EBIT impacted by both seasonality with the addition of our new businesses, and also to do with the fact that Q1 last year was pre-inflation quarter versus where we are now. When we look at our overall results, and we do look at analyst reports and compare with consensus, we do see that, whereas obviously the full-year is in line with guidance, we do see that the Q1 and Q3 particularly is not quite reflecting exactly our expectations. Because as we say, we are entirely on track in terms of our expectations, and we see in the consensus that Q3 and Q1 are slightly differently laid out. Now, do appreciate it is hard to judge with the information, but just wanted to make that key point that we see that Q1 and Q3 do switch, and we are very much on track in terms of our expectations.

If I dig into the details on the Learning side with that 14 million versus last year, the acquired businesses, that's about five million of that total. The rest is to do with both the inflation impact on paper personnel and fixed costs, and also some timing of investments in terms of the curriculum changes in a number of markets this year versus the timing of investments last year, so as we ramp up to deliver on the high season. Also in there is, as reported earlier, the slightly lower comparable net sales versus last year, it does have an impact as well. The timing between quarters does impact this as well slightly.

In terms of Media Finland, there are two key reasons there, the inflation impact versus a low inflation or no inflation quarter last year, and plus the lower margin sales mix with the less high margin advertising sales in there, is impacting our operational EBIT as well in this small quarter. On the final line, other eliminations, we have a small change there, which is a more normalized personnel and technology expense this quarter versus lower levels last year. When I think about that line for the full-year, we do expect the full-year in this line to be higher than last year because of more normal regular bonus provisions levels versus the last year that we talked about in the full-year presentation. That's overall operational EBIT. Very much on track impacted by seasonal and the extra businesses, and the comparison with the quarter with no inflation.

If I move on to the balance sheet side, the leverage and the impact of the hybrid bond is very much seen here. Our net debt decreased to 757 million from the year end levels. There are two things happening here. We have the investment, which creates the negative cash flow in Q1, which is more than compensated by the funds coming in from the hybrid bond that we issued in March. The net debt over adjusted EBITDA ratio at 3.2, slightly above our long-term target, but sort of flat versus year-end because of those two impacts offsetting. Using the hybrid bond funds to partly net net, that reduces the debt on our balance sheet.

Our equity ratio at 40.6 is well within long-term target range of 35 to 45. Our net financial items, which were seven million in Q1 this year versus three last year, is mainly due to the higher levels of debt with the acquisition and also the significantly increased interest rates. You can see there that the average interest rates of the external loans is roughly three percent versus one percent last year. Just a reminder, the interest expense relating to the hybrid bond are not included in the net financial items or in the PNL, but they're recognized directly in equity because the hybrid bond is booked as equity, and so interest is flipped between the balance sheet line, so it goes directly to equity.

Talking about the hybrid bond, just wanted to redo the basic facts here, so 150 million euro hybrid bond was issued in March. We saw this as the best way to strengthen the balance sheet in order to increase or give us the financial flexibility to execute on our strategy at all times of the year. As you know, our learning business is highly cyclical. And as we grow it through acquisitions and organically, we get that more extreme working capital needs in the different parts of the year. A lot of cash out in the first half coming in in the second. In order to execute on our strategy at all times of the year, we needed the financial flexibility. We examined all the options and this was the best way to do, is to strengthen our balance sheet. It's treated as equity in the consolidated financial statements, and therefore is not included in the net debt or leverage calculations. The fixed coupon interest rate is at eight percent, which is tax deductible, and so therefore net cost to us is lower than that. The reset date is 16th of March 2026.

Finally on the free cash flow, so the free cash flow is lower than the prior year due to that increased seasonality that we're talking about. The addition of the Italian and German learning businesses where we're adding their investments for the high season onto that as well, which brings this down. It's a big part of the change, but also the lower results in the SBUs, which is partly timing. Then the phasing of the investments in TV and Media Finland as well, so difference between quarters, the phasing there is impacting these numbers as well as the higher interest paid that I just talked about. This is all offset a little bit by some lower taxes paid due to the results.

For the full-year 2023, we're expecting the free cash flow to temporarily decline versus the absolute last year. Now, remember, the absolute last year did have a one off impact of the acquisition of the Italian and Stark businesses, which as we bought them at the back end of the year when all the capital comes in, that gave us a one off impact in our cash flow. We now will see more normalized cash flow of an Italian business through the year. As Susan mentioned, our expectations in Media Finland to be a third lower in terms of operational EBIT, that will impact our cash. In addition, we continue to invest both in integrating our new acquisitions and in also developing our digital platforms and our platform harmonization. This together with the significantly higher financial expenses, means that overall the cash flow will be temporarily lower in 2023. That concludes the presentation. Here you see the timing of our financial reporting. With that, I'll invite Kaisa and Susan back to the stage so we go to our Q&A.

Kaisa Uurasmaa: Thank you, Alex. Thank you, Susan. We are now about to start the Q&A session. First, the audience here at Sanoma House, please.

Pia Rosqvist: Hello, Pia Rosqvist-Heinsalmi from Carnegie. A question regarding the advertising market in Finland. You declined also more than the market in the first quarter. What is happening? Who is gaining market share, and is this something we should be worried about?

Susan Duinhoven: Now, I would say worries are not needed. The key thing, as I indicated, is the TV market. This is where the smaller players in the TV market and MTV are the ones that are gaining a bit of market share, and we're losing a bit of market share, but those are choices that you, at some point, make when you do your content investments. How many big shows do you acquire? That is very much a return on the investment type of decision that you make, and everyone makes there a little bit different decisions. We're seeing a declining advertising market and therefore are careful with heavy content investments. The carefulness then also reflects that you lose a bit of share, but the benefit of that is that you're then sold out and everything that you have bought, you're using to the maximum effect.

Pia Rosqvist: Good, thank you. Then to the online part of the advertising market, so there you are gaining market share. What's behind this? Are you fighting with aggressive prices or what's behind this?

Susan Duinhoven: Yes, I hear that some people are thinking that, and sometimes making those statements, but that's not the case. We are having a good price level because that is what we know is our long-term perspective in the market. What you see is that our total media set, so both on the VOD, the advertising based VOD, but also and most specifically, Ilta-Sanomat, are performing very well, not only with regular digital ads, but also with video developments. A lot of audience and then very efficient and good propositions for advertisers, that makes that we're gaining step by step. We have heard those rumors as well that we would be in. That, of course, is always something that we also check in our teams, because that would not be a good development. This is real market share growth just by good actions.

Pia Rosqvist: Good. Thank you. Then on the subscription sales, the good balance now between price increases and unexpected volume declines. Should we expect this to persist for the remainder of the year? What is the outlook?

Susan Duinhoven: Yes, the outlook depends, of course, a little bit on how the economy will develop. We will be quite agile in this. We also do constantly reproductizing, so offering different types of subscriptions and those types of things. We'll stay very close to on track, but this is where we expect potentially a little bit lower B2C revenues. All in all, that was our expectation for the full-year. Yes, let's see if that also comes out. First quarter started well.

Pia Rosqvist: Good. Then still on media Finland, you said that growth in lower margin sales compensated the decline in ad sales. What is happening in this other row, in other sales?

Susan Duinhoven: We do, for example, quite a bit of printing services and distribution services for other newspapers, for other publications. Those increase in price because paper is increasing in price, energy, everything. This is where we translate, of course, those cost increases very directly into the price increases and that makes it grow. In addition, you also see that, of course, with our printing facilities that we have, the team is doing a good job in making good offers for people who might have their own printing plants, but now decide to come to us and to go into that total volume. It is a bit of volume increase, but quite a significant part of that is also just straightforward inflationary costs that are translated in the prices.

Pia Rosqvist: Thank you. Then a few on Learning. The investments and integration road map may be in Italy and Germany, can you shed some light on how that is going and where your focus is right now?

Alex Green: Yes, it's going very well. We've added a great team to Sanoma. We're connecting very well, particularly on the technology side and plugging them into the business, and looking at the synergies, working with procurement to make the most of the pricing power that we have. In numerical terms, we talked about a 14 million investment in integrations. We will see the bulk of that coming in in 2023, about 10 million of that because there was a little bit last year and a little bit going into 2024. Overall, going very well, very pleased to have them on board and every day they're becoming more and more part of Sanoma.

Pia Rosqvist: Good. Then I was reflecting upon the divestment of Eduarte and I think that was discussed already in Q4. However, regarding this German business you acquired with the Pearson acquisition, is that really core for Sanoma?

Susan Duinhoven: Yes, it is definitely a business. It's a small business that is a little bit on the side of what we have. It is so small that the first task is to separate it out of Pearson and to make it stand alone. That's the first element. Then we will work with the team to see through how that can develop and if we might need to consider other options.

Pia Rosqvist: Okay. That's all. Thank you.

Kaisa Uurasmaa: Thank you. Then next questions from Sanoma House, please.

Sanna Perälä: Hi, Sanna Perälä from Nordea. Continuing on the other sales in Media Finland, you mentioned that there were price increases that impacted to the growth. How should we look at the development going forward? When were the price increases implemented and what kind of growth rates should we expect?

Susan Duinhoven: Yes. Well, I think that that is what we're doing there, is these are typical printing contracts, let's say, for people who want folders printed or anything. These are not very lengthy contracts, so that can be three or six months contracts. We translate the prices, these have very clear clauses on inflation correction, so it depends a bit on what the inflation will be and what the cost increases will be in the different categories, and most pronouncedly, what the cost increase in paper is. It's hard for us to forecast that going forward.

Sanna Perälä: Okay. Thank you. Then in general, on the price increases you mentioned that you have implemented, are they mainly in Learning or in Media Finland, and are you happy with the results so far?

Susan Duinhoven: Yeah, they are in both businesses, so in every part of the business we are increasing the prices. The way you increase prices is a bit different between learning and media. In the learning business there is a once a year pricing moment that is typically at the start of the year, in January, when you produce your price list and schools then know what the books will cost. We're very satisfied with the way we have been able to price, and also with the response from the schools, because you can of course always increase your prices, you can also increase them much more, but then you know that you have a massive risk on your volume. We have, in very good cooperation also with schools, with governments, with municipalities, we have discussed these increases and that's where we have indicated that on the learning side it will take a bit longer.

Susan Duinhoven: On the media side, you're of course selling to consumers and therefore the pricing analysis is a very different one because that is more, in a bit of research, you try to see what the response will be. Based on that, you then make your estimations. Which increases are still value-creating and which increases would be value-destructing. They're very different mechanism, but in both businesses we of course do to the max. What is important for us is that we are in here for the long-term. We want to make sure that we're not just for one year or one quarter optimizing our prices, but that we optimize in such a way that we meet our long-term growth targets, take the learning business to two to five percent and the 23 percent margin, that that long-term target stays in play. The same for the media business, that we will be stable and 12 to 14 percent margin. Those long-term targets we put quite central. Then we accept that there will be a bit of margin pressure in 2023, but then that needs to come back in '24, '25.

Sanna Perälä: Thank you. Then lastly, I have to ask, there have been discussions about the impact of AI on your peers recently. How do you see this discussion and is there any threat to Sanoma's learning business?

Susan Duinhoven: Yes, I think let me upfront say we don't see a threat to Sanoma's business, and let me explain why there is such a difference. It started out with Check in the US as a company that is focused on higher education, and within that segment, more on tutoring and on content. If you do the comparison to Sanoma, then you see higher education for Check, K-12, so six to 18-year-olds in Sanoma. It's very different for a six-year-old versus a 26-year-old in how they will use ChatGPT. That's one big difference. Then the fact is it B2C? Like in the case of chat, we're selling to schools and teachers and what we're selling is not content, it is a workflow tool that helps a teacher bring a student from one level to the next. Each content element is not unique, I mean one and one is two. You can get that out of AI and you can get that out of our books. That's always the same thing.

Susan Duinhoven: What we're helping a teacher is not with that fact, but we're helping them to teach in 40 weeks, four hours a week, to teach children how to do math. That is such a different mechanism than for a university grade student providing answers on tutoring. I think the businesses are very different, and of course, we will be constantly following, are there opportunities in it? Are there other things? We will be following it, but we don't see any immediate impact on our business. I think business is quite different as the core reason.

Sanna Perälä: That's very clear. Thank you.

Kaisa Uurasmaa: Thank you. If no further questions from Sonoma House, I would like to remind our audience that the chat function is also available for questions. Now I would like to hand over for the telephone line, please.

Operator: If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial star five again on your telephone keypad. The next question comes from Sami Sarkamies from Danske Bank. Please go ahead.

Sami Sarkamies: Hi. I have two questions. Firstly, on learning, can you provide color on the country specific growth outlooks for this year, and have there been any changes to that during Q1?

Susan Duinhoven: Yes. If we talk about the learning countries, no changes that we have seen in Q1 other than the reassuring information that all the markets are doing well and are going according to expectation. The most prominent that your question might be around is Spain. I think in Spain we see, of course, and with the experience of last year, that some of the decisions come in quite late, but at the same time we see in Spain good growth for this year according to what we now see as decisions being taken. Will it be a very good year or will something still move into the next year? That we will probably only learn closer to the summer break.

Sami Sarkamies: Okay. Then I have a question on Media Finland and trading conditions. Any comment on development of advertising, media market, and consumer spend during Q1 and in the early part of Q2?

Susan Duinhoven: No, I think this went according to expectations. In the segments, in which we're active, advertising market declined slightly with around one percent. You saw, of course, that the total advertising market increased a bit, but that's with categories like outdoor and cinema who are still recovering from the corona dip. Advertising market is in line with our expectations. The consumer market is also in line. Consumers are cost-conscious. We do see that our new sales is doing well, but it takes quite a bit of effort. The digital, the lower cost subscriptions, are a bit more in favor compared to the full hybrid seven day subscription. We see the trends that you would expect with a country where the economy is putting a bit of pressure on consumers in their spending pattern.

Sami Sarkamies: How would you characterize the trends? Is the situation still getting worse or already getting the better if you think about the monthly developments?

Susan Duinhoven: Yes. No, and that is of course what every one of us is looking for, that glass bulb that we can look into. The honest truth is that the visibility on that is quite short. We do expect that the consumer trends, which are typically a bit longer trends that they will continue for the full-year. As we said, we are expecting that the second half, the advertising sales is already a little bit better. Also of course with a lower comparable, but that it is a little bit better in the second half of the year, and that's still what we see. We're in that sense, Q1 went as expected and also doesn't give any very concrete new insights.

Sami Sarkamies: Okay, thanks. I don't have any further questions.

Operator: The next question comes from Maria Wikström from SEB. Please go ahead.

Maria Wikström*:* Yes. Hello, this is Maria from SEB. I have a few questions and maybe the first one might have been answered, but I just wanted to double check. If in the learning business, the operational EBIT was some 40 million weaker compared to last year, can you split this to the Italy as well as the cost inflation? I really wanted to know that. How much was the Italy negative out of this 40 million, please?

Alex Green: Yes, sure. The Pearson Italy and Stack was about 5 million of that 14 difference this year, obviously, versus last year. That's the additional part. The remainder is both the inflation versus a no inflation Q1 last year. Then at a time where we're ramping up some investments to get ready for some curriculum changes as well, and the timing of those investments are a little bit different from last year, so particularly in Poland. Those things are also inflated, so it's five for the Italy and the remainder is the inflation and the increased activity.

Susan Duinhoven: Also the shift between the quarters because the sales is of course directly impacted.

Maria Wikström: Perfect. Thank you. Then on the Media Finland, so with flat sales development, the EBIT came down as much as 49 percent. The question is, is there more development? What are your plans to basically improve the profitability trend in this division? Would you plan for more cost-saving efforts, or what about the price increases in the subscription sales? How will you mitigate this? I think you said that we shouldn't expect this run rate going forward.

Susan Duinhoven: No, I think the run rate going forward, my explanation on that in the presentation was, I think, clear that the overall full-year impact is a third, and that still stands. The fact that the Q1 is more, you can say 50 percent, I would say 5 million. That also shows how small the quarter is. The comparable in '22 was unimpacted. We were using paper from stock from the year before, no salary increases of any significance and no inflation. The comparable year was quite strong pre-war also on the advertising side compared to now. The run rate is a third in decline. What we're doing in the Media Finland business is a constant cost efficiencies and cost innovation. Constant changing of practices, cost reductions. The fair point is that we have done so also during the past years. We are coming out of two years of corona in which we have, of course, also in order to keep the result at a good level, we have also done cost decreases.

Susan Duinhoven: There is a point where we actually say we now want to continue, for example, our investments in journalistic content in order to make sure that when consumers have the money and the willingness to spend, that we have the content to attract them into the subscriptions. Our long-term goals are key to us, and that is why we are accepting for 2023 a bit of a decrease in profitability and then knowing that when the advertising sales comes back, the way it impacts quite heavily of course now on the profitability, is because it's very profitable revenue, but that also is true when the advertising sales comes back. Then you also know that that is a very profitable revenue to return. That's how we are looking at it, but we leave no stone unturned, and that I can guarantee you, no stone unturned in cost savings efficiencies, but without going to the core of our business and the core of the attraction of our product.

Maria Wikström: Okay. Thank you. Then on the Dutch distribution business, that was of course, the disappointment, I guess it was Q2 last year. I think you told at that time that you have long contracts which limits the price increases. A little bit just getting the figures right, how does it look like for the Dutch distribution business, the price increases for the upcoming season, and have you figured out other ways to basically improve the profitability, which would be further cost-cutting measures, or how should we look at this year profitability of the Dutch distribution business?

Susan Duinhoven: Yes, what we have indicated there, and that is still with all the preparations that are in play, what we have indicated is that that business will be around break even this year, and that still holds, but let me give some color behind it. Last year we had a bit of a perfect storm, specifically in the summer, and that is the complexity of this distribution business, of any distribution business in any of our countries in learning, is that that distribution needs to happen in two months, July and August typically, or mid-June to mid-July depending on when the school starts is exactly, but you have only a very short period. This is where you need to have the labor, you need to have all the products from the publishers. Any hiccup that you would have in those flows, it needs to perform in those two months.

Susan Duinhoven: This is where we have done, of course, all the preparations, we have done all the cost reductions, all the tying up the labor contracts, but in the end, in the Dutch market, you need 500 17, 18-year-olds who want to work for two weeks and pick those parcels together and put them ready for sending. Those 500 you need. If you miss a week or you have only half, then you have a major thing to recover. That happened last year. We are now again fully prepared, but these are the intrinsic complexities, let's say, of this business. Now, we have taken structural actions, we have renegotiated with schools where we didn't have, for example, an inflation correction clause, renegotiated with some with success, others with a bit less success or less than we wanted. We have outsourced part of the physical handling so that we have more spread across the country when it comes to labor resources. The team has really done a great job in getting everything, all the learnings out of last year, getting in place.

Susan Duinhoven: I'm comfortable with our expectation that it will be break-even, and then in the next years, with the continued negotiations with schools, with new contracts coming in, that will become back to a normal profitable business. It also shows, and that's the good thing, that in these discussions in the full educational market in the Netherlands you also see how much of a need there is for a distributor to take the role that we have. That's, I think, the good thing that we learn out of this is that when we go to a school and indicate that we need to take actions in order to keep a profitable business, schools are with us there, because they also fully realize they cannot do without. That's the realization that comes out of that, so it's a good business intrinsically, but it has quite some operational challenges. You can believe me that we have dug deep into all the practices and processes to improve.

Maria Wikström: Thank you, Susan. If I may, one more on the balance sheet. You, of course, fixed the immediate balance sheet risk by issuing the hybrid bond of 150 million. You still are quite high on net debt EBITDA and you are guiding for lower free cash flow this year versus last year. How relaxed are you with the current balance sheet structure? Do you think your hands are now tied? What comes further in, let's say, short-term?

Alex Green: We're pretty comfortable with where we are in our balance sheet. As you say, our net debt over adjusted EBITDA is at the level of 3.2, which is just slightly above our long-term target. Let's just remind that the adjusted nature of the adjusted EBITDA is that we add to our EBITDA our investments in pre-pub, our investments in TV, which creates a much lower EBITDA, which creates a very conservative position that we try to stick to. In terms of our ability to continue on our strategic plan, as we said, the hybrid bond was enabled to give us the financial flexibility to do that. We do have headroom to continue on our strategic plan and that includes M&A. Now, we have said for this year or in the near future, we will concentrate on in-market bolt-on acquisitions that have clear synergies that we can add in whilst we work on integrating our Pearson acquisitions from last year. But yes, we do have the headroom to continue on our strategic plan and the financial flexibility to do that at all times of the year. We feel we're in a good position. Yes, pressure on margins this year, long-term plan, long-term outlooks, long-term margins still very much what we're working for.

Maria Wikström: Okay, Perfect. No further questions from my side. Thank you.

Susan Duinhoven: Thank you.

Kaisa Uurasmaa: Thank you.

Operator: There are no more questions at this time, so I hand the conference back to the speakers.

Kaisa Uurasmaa: Thank you. I still remind that you can use the chat. We have two questions on the chat at the moment. One for media business and one for the learning business. I think that we already discussed the subscription development and the media side, so I will start with that one. Did the subscription sales development in Media Finland surprise us? How do we see the short-term development there? Flat year-on-year seems a bit very solid development if it happens.

Susan Duinhoven: Yes. We were not surprised, but positively reassured, let me call it that way, that the overall development is flat. We do see that this is campaign-driven, so there can be quarters where you're a little bit more successful and a little bit less successful. For the full-year I would not put out the flag already and keep quite prudent, but we're happy with the development in the first quarter.

Kaisa Uurasmaa: Okay. Thank you. Then the other one, maybe, Alex, on the learning phasing differences between quarters. Could you please comment on the different phasing of orders in learning in Q1?

Alex Green: Yes. Remember, Q1 is a relatively small quarter and so is almost overly impacted by relatively small changes between Q1 and Q2. Again, we will likely see that a little bit in Q2 as well going between Q2 and Q3, so it's not unexpected. It's not unusual. Because later in the year everything is very focused on the back to school date, so things happen in a very contained, as Susan was talking about in terms of the Dutch business, very contained period. However, in this early stage, people have more flexibility about when they order, so we do see this timing change. It's not a significant thing.

Kaisa Uurasmaa: They impact also a few million euros on top line level. Yes. I don't see any further questions on the chat. I'm still checking people here at Sanoma House. You're happy at the moment, so I would like to thank all participants in this conference, and any questions later today, next week, please come back to us at

Investor Relations, we are happy to help. Now, thank you for participating and have a nice day.

Alex Green: Thank you.

Susan Duinhoven: Thank you.