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A leading European learning and media company

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SEB Nordic Seminar 2019

**SANOMA AS AN INVESTMENT:**

# A leading European learning and media company



**Growing dividends**



**Strong and balanced business portfolio**



**Continued focus on selective growth**



**Solid profitability and improving cash flow**



**Equity ratio and leverage within long-term target**

# Sanoma in brief



NET SALES  
**€1.3 bn**



NON-PRINT SALES  
**40%**



OPERATIONAL EBIT MARGIN  
**13.6%**

Outlook for 2018  
**>14%**

## Learning



EUR 318 million



45%



17.5%

## Media Finland



EUR 570 million



45%



11.5%

## Media Netherlands



EUR 440 million

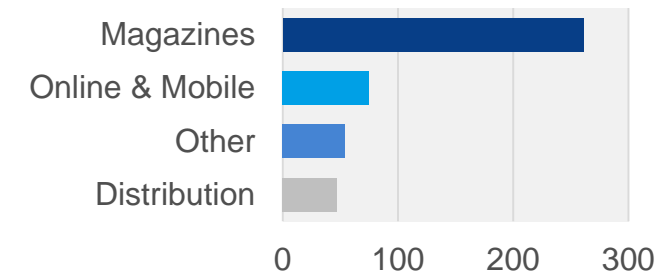
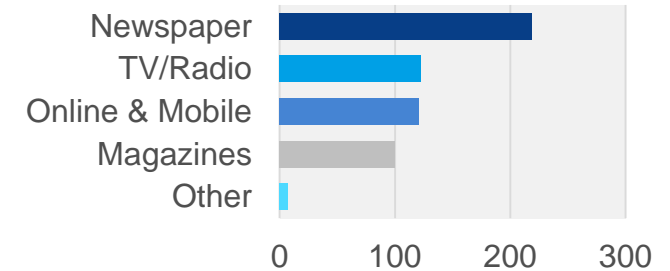
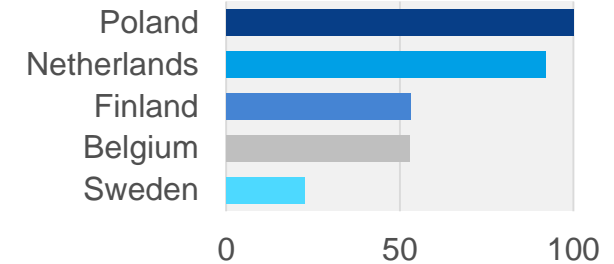


29%



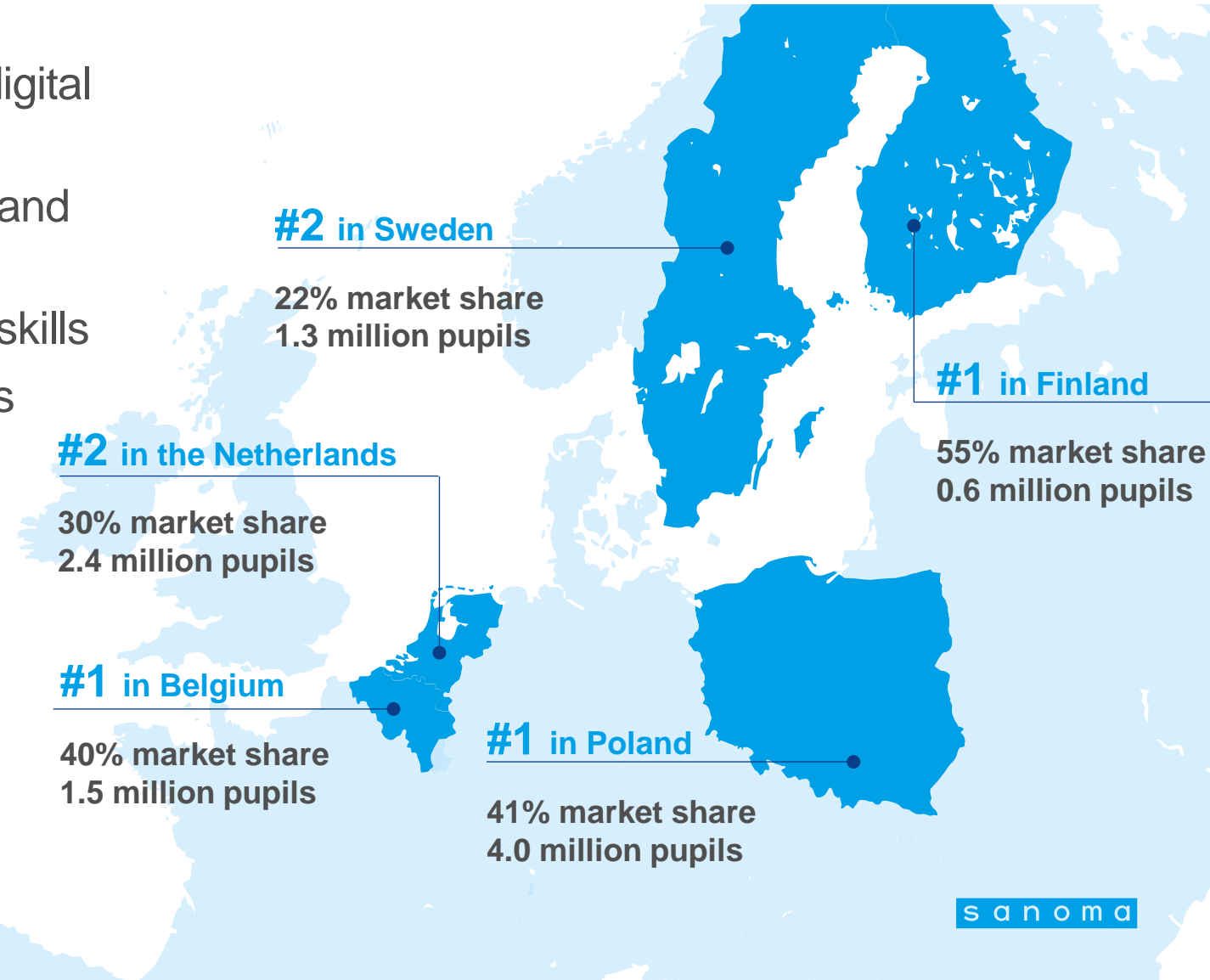
15.5%

## NET SALES



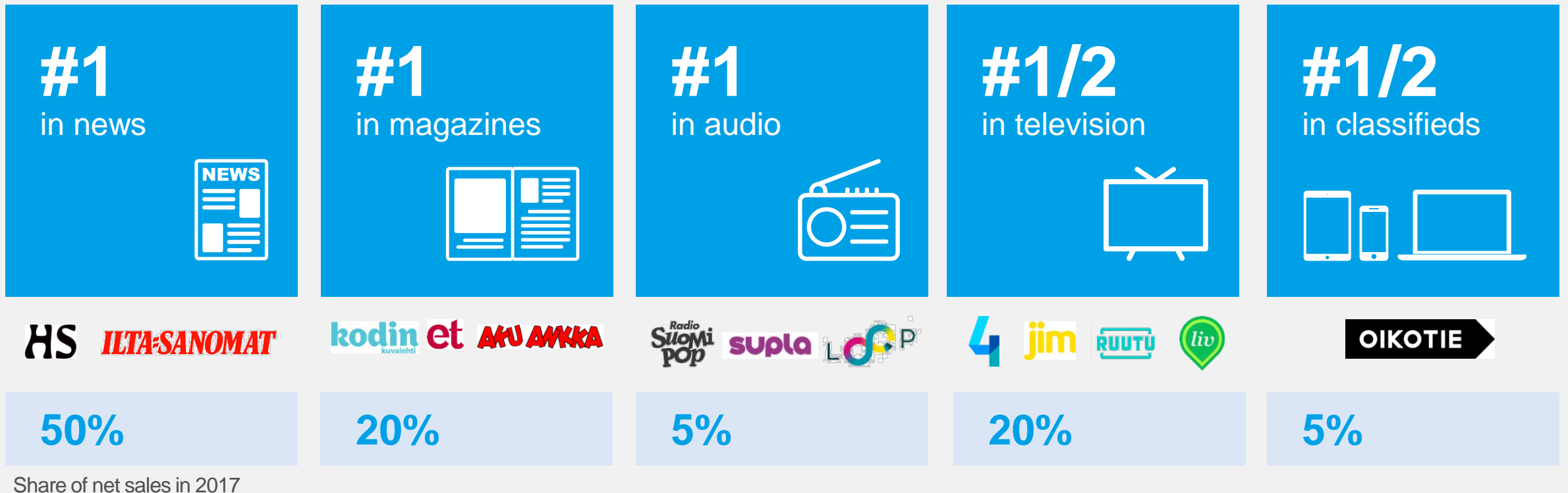
# Learning: A leading position in some of the world's best education systems

- Printed and digital learning methods and digital learning platforms for K12
- Integrated product development & design and scalable technologies
- World-class learning and teaching design skills
- Strong local brands and customer relations
- Serving **10 million** pupils and **1 million** teachers
- Net sales split in 2017
  - Printed **55%**
  - Digital / hybrid **45%**





# Media Finland: Strong brands on all media platforms reaching 95% of all Finns weekly



# Media Netherlands: Leading local media brands in digital and print reaching 70% of all Dutch every week

## Blockbuster magazine brands

- 6 out of 10 leading magazine brands
- Cross media with increasing cash conversion

55%

Share of net sales in 2017

> average

## Online news & data business



- #1 local player in online reach
- Value creation through top line growth by increasing value of advertising

9%

~ average

## Special interest magazine brands

- Smaller titles with focus on cost efficiency

36%

< average

Profitability

# Media and learning have a meaningful role in society

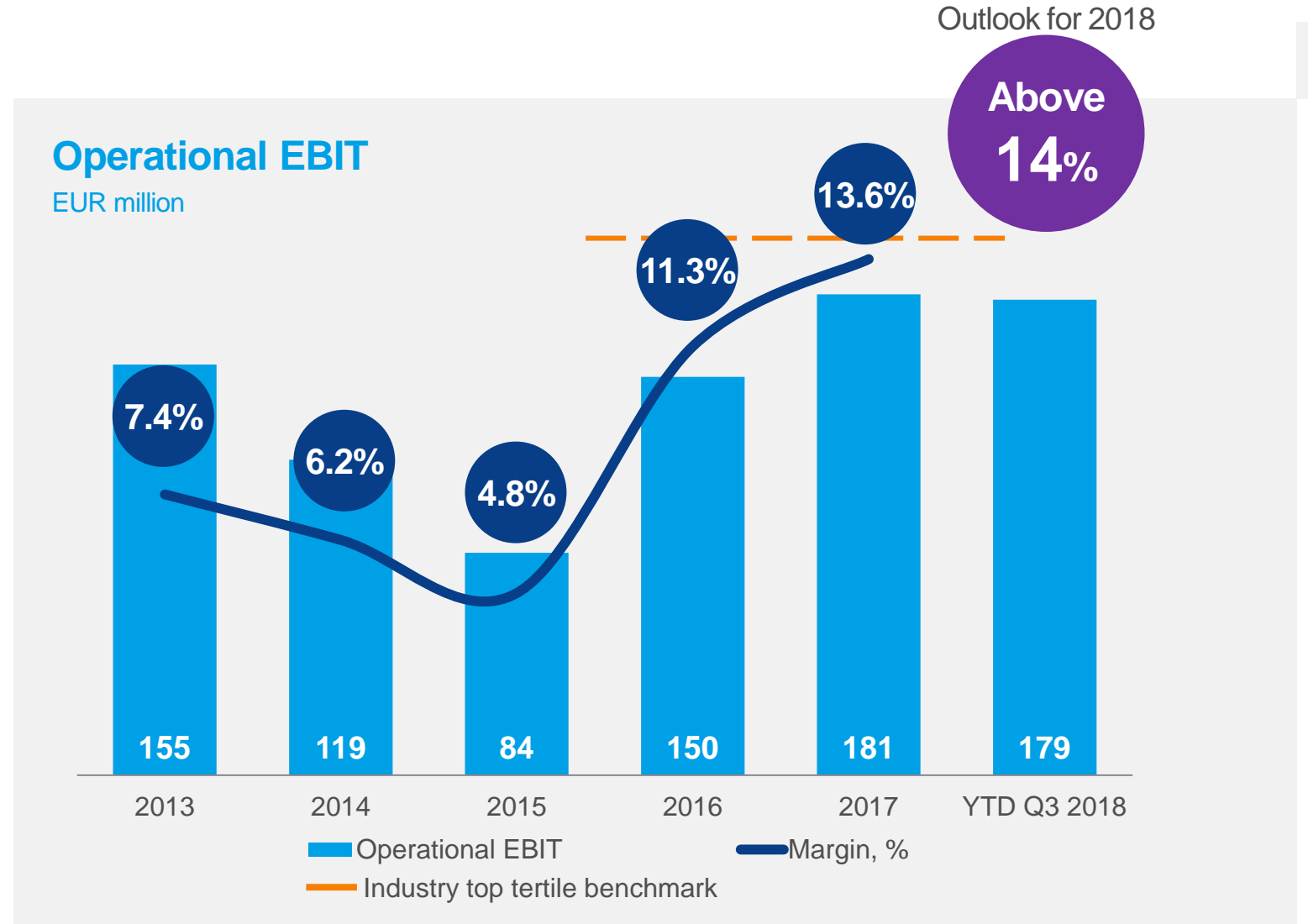


- Journalistic content supports freedom of speech and independent information gathering
- Local entertainment contributes to shared values and experiences
- Data assists in serving relevant content to audiences, while focus on “avoiding creating an information bubble”

- Our modern learning methods support teachers in developing the full potential of every pupil
- Helps in building a strong foundation for a stable, productive and prosperous society
- Data is central to adaptive learning methods and measuring learning impact

# Our profitability has improved...

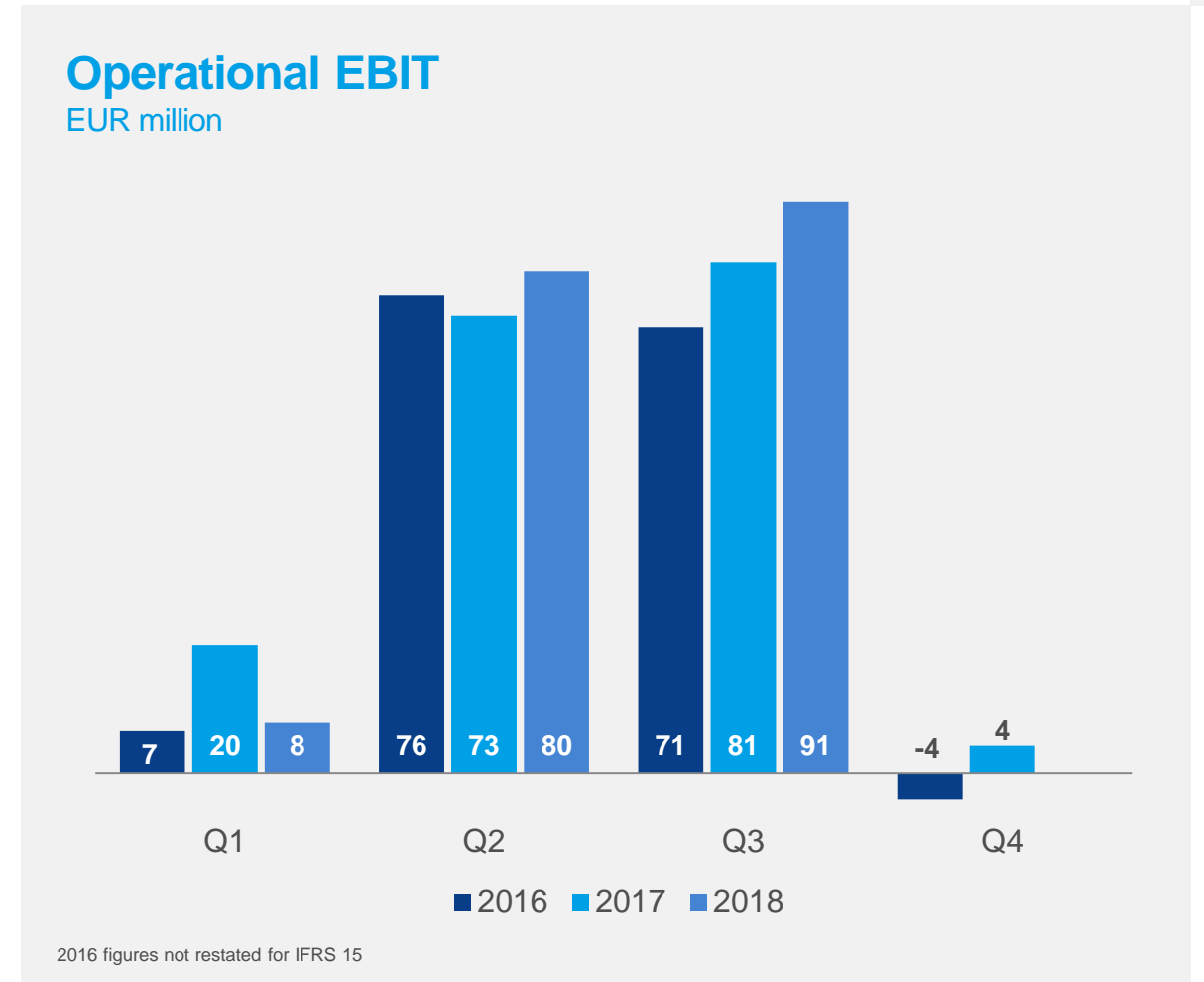
- Profitability continued to improve in 2017
  - Streamlined and more efficient operations
  - Divestments of Dutch TV operations SBS and Belgian women's magazine portfolio
  - Cost innovations
- Outlook for 2018 (revised on 11 Oct): Operational EBIT margin above 14%
- EBIT margin is in line with the top tertile industry benchmark of 14% in 2017





# ... and has a characteristic annual seasonality pattern

- Our quarterly financial performance is strongly affected by the seasonal pattern of the Learning business
  - Most of net sales and earnings are accrued during Q2 and Q3, ie. close to the beginning of the school year



# We are targeting a higher cash conversion

## Our mid-term cash conversion \* target is 60–70%

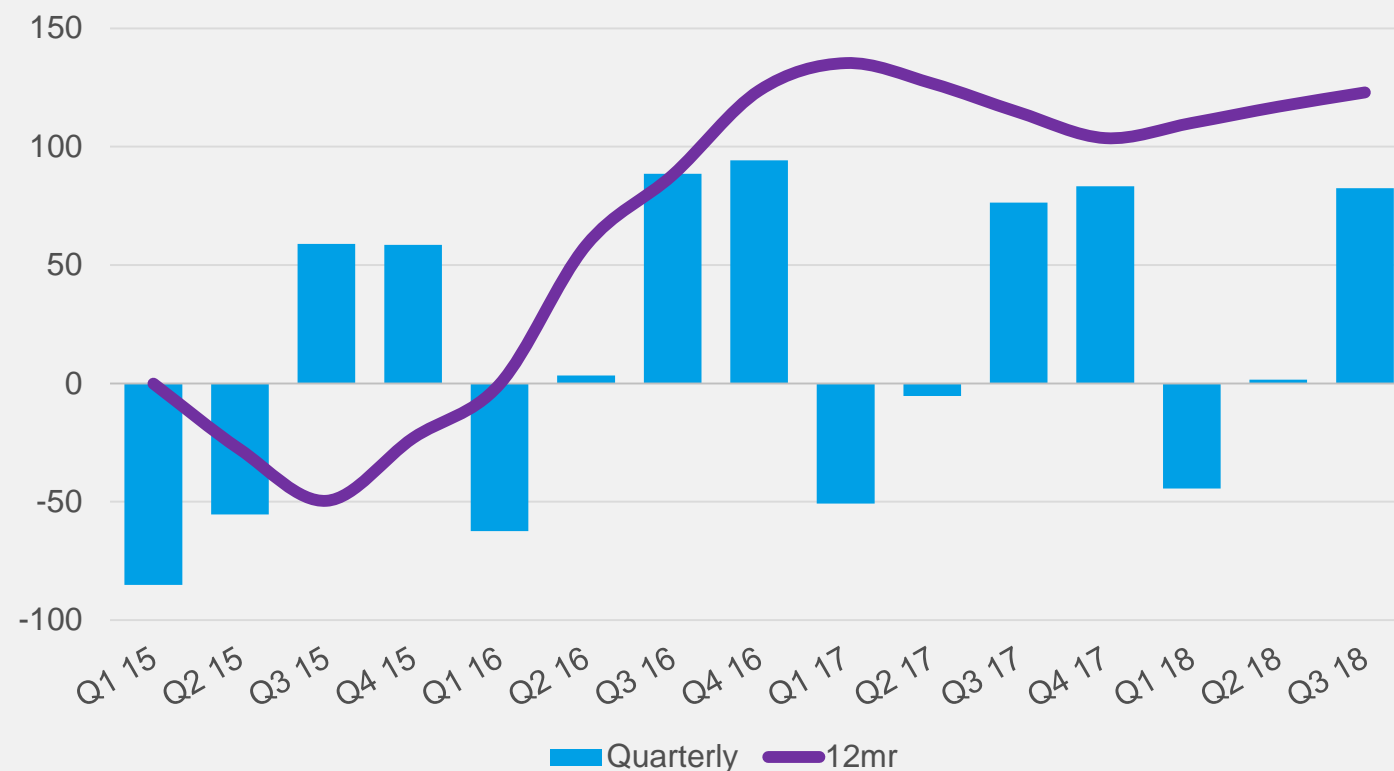
- In 2017, cash conversion approx. 50%

## Assumptions for key cash flow elements for 2018

- Profitability improvement
- Lower net financing costs
- Lower IAC in continuing operations
- Stable working capital
- Stable capex

## Free cash flow

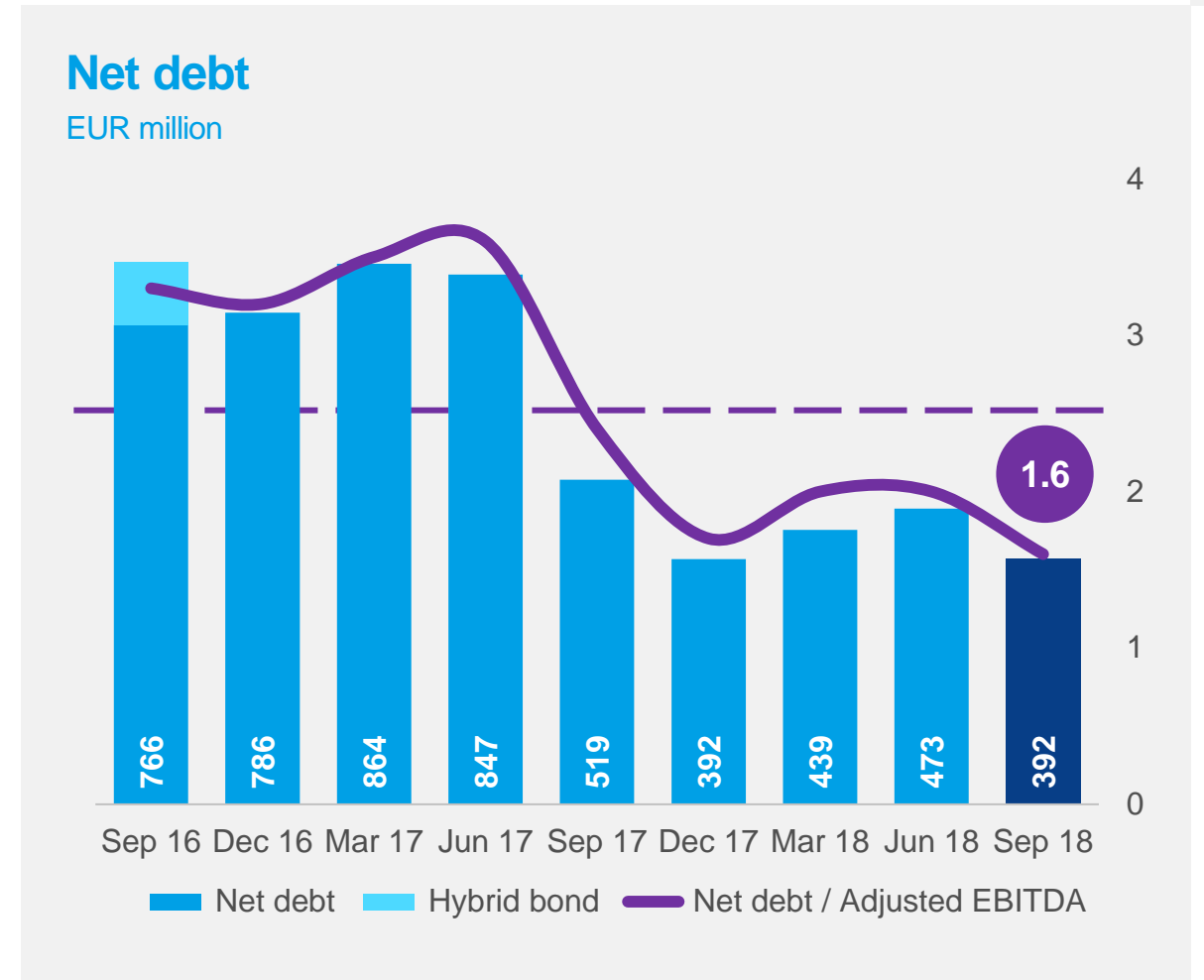
EUR million



Free cash flow = Cash flow from operations less capital expenditure

# Our leverage is at the long-term target level

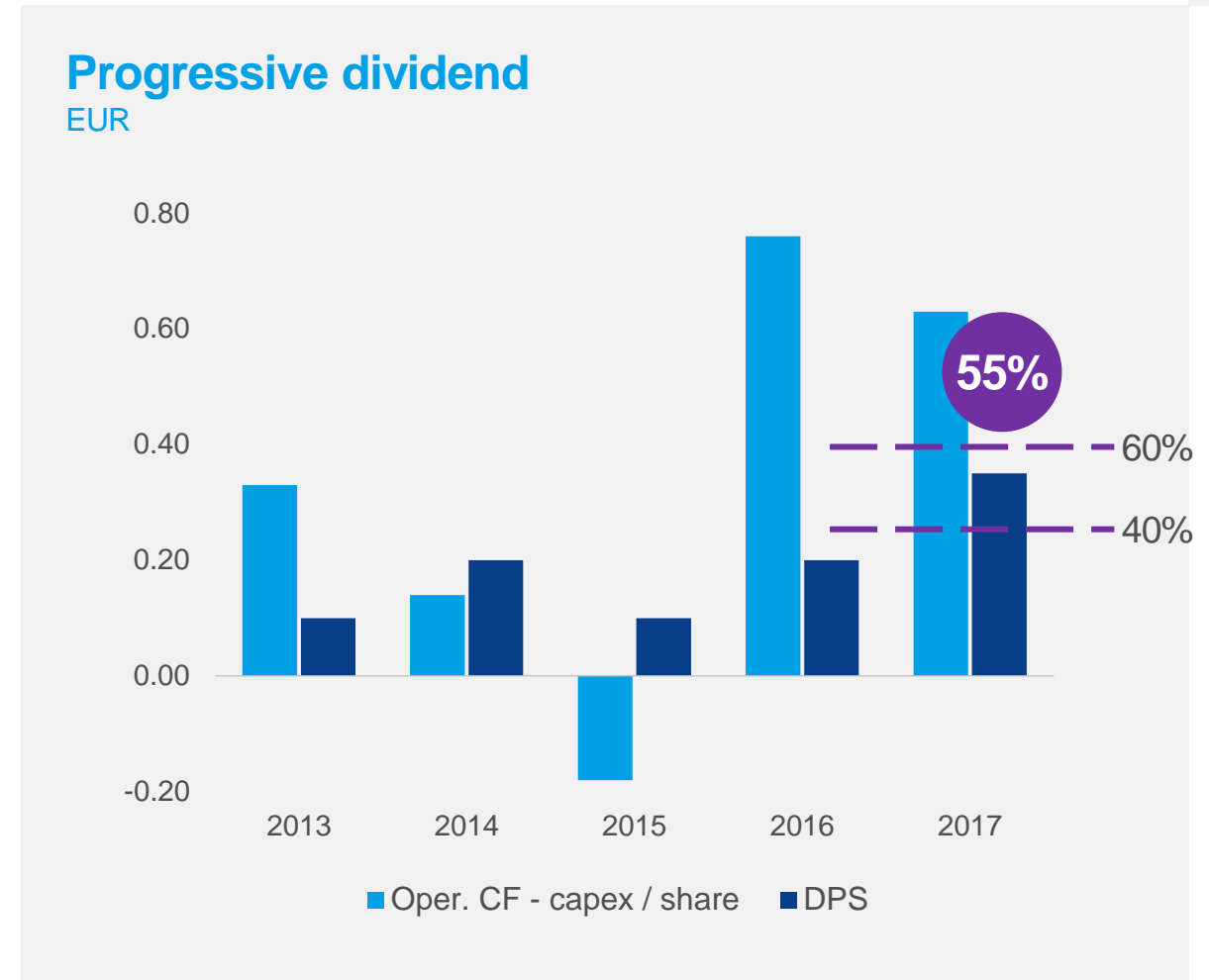
- Net debt / adjusted EBITDA from 2.4 at the end of Q3 2017 to **1.6** at the end of Q3 2018
  - Long-term target < 2.5
- Net debt has decreased to EUR **392** million
- IFRS 16 is expected to have an impact on leverage
  - Net debt/adjusted EBITDA to increase by approx. 0.6
  - Net debt to increase by approx. EUR 200 million
- Equity ratio **40.9%** at the end of Q3 2018
  - Long-term target 35–45%



# We are fully committed to our dividend policy

- **Dividend policy:**  
Sanoma aims to pay an increasing dividend, equal to 40–60% of annual cash flow from operations, after capital expenditure.
- In 2018, payment was made in two instalments:
  - EUR 0.20 in April
  - EUR 0.15 in November

When proposing a dividend to the AGM, the Board of Directors will look at the general macro-economic environment, Sanoma's current and target capital structure, future business plans and investment needs as well as both previous year's cash flows and expected future cash flows affecting capital structure.



# Our balance sheet allows acquisitions

## Growth opportunities across businesses

### Focus on selective growth

- › Synergistic bolt-on acquisitions
- › Organic growth initiatives
- › Active portfolio management

### Learning

- › Core business in current markets
- › Core business in new markets
- › Adjacent business in current markets

### Media Finland

- › Entertainment
- › News, feature and lifestyle
- › B2B

### Media Netherlands

- › News & data
- › Creating 360 media brands



# Iddink fits well in our growth strategy

Acquisition announced on 11 December 2018

## Focus on selective growth

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## Iddink provides Sanoma Learning a platform for future growth

- Sanoma becomes a leading educational platform and service provider in the Netherlands
  - Increases the scale for investments in customers and platforms
  - Enables development of seamless digital learning solution for pupils, parents, teachers and schools, benefitting the whole value chain
- The acquisition strengthens our position in Belgium and expands the footprint into Spain
- Iddink's net sales were EUR 141 million and operational EBITDA EUR 27 million in 2017
  - Purchase price EUR 277 million, representing an EV / Operational EBITDA multiple of 10.3x
  - Expected annual synergies of EUR 6 million to be realised in full within 3 years
- The acquisition increases Learning's share of Sanoma's business and improves revenue visibility

# Iddink in brief

- Net sales EUR 141 million and operational EBITDA EUR 27 million (incl. rental book depreciation of EUR 16 million) in 2017
- Operations in the Netherlands, Belgium and Spain
- In the Dutch market, Iddink provides educational platforms and services both for secondary and vocational education and operates in three business areas:
  - Distribution of printed and digital learning methods with strong rental book sales
  - Student information systems, Magister and Eduarte
  - Data analytics and learning solutions
- 300 employees, about half of them working in educational technology
- Strong and experienced management team, committed to continue at Sanoma Learning

## Iddink strengthens Sanoma's position as a leading European learning company

### Belgium

Market size 1.5 million pupils

Net sales 2017  
Sanoma MEUR 52  
Iddink MEUR 21

### The Netherlands

Market size 2.4 million pupils

Net sales 2017  
Sanoma MEUR 92  
Iddink MEUR 108

### Spain / Catalonia

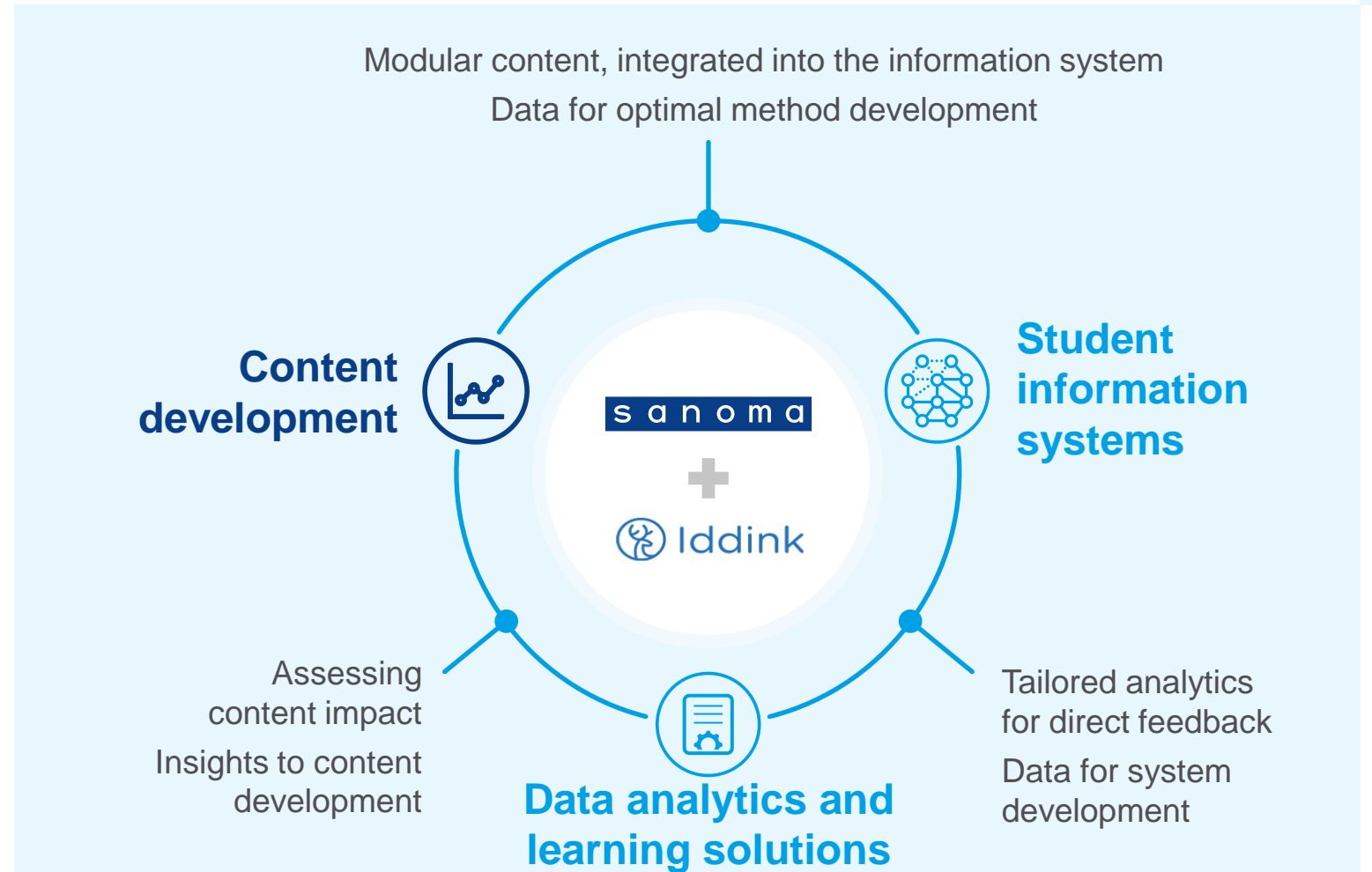
Market size 8.1 / 1.3 million pupils

Net sales 2017  
Iddink MEUR 11



# Together Sanoma and Iddink have potential to develop education experience and drive continuous improvement

- Together, Sanoma and Iddink will develop seamless digital solutions for the benefit of the whole educational market
- Daily operations and organisations will remain separate
- Iddink continues to serve all publishers and content providers in its markets

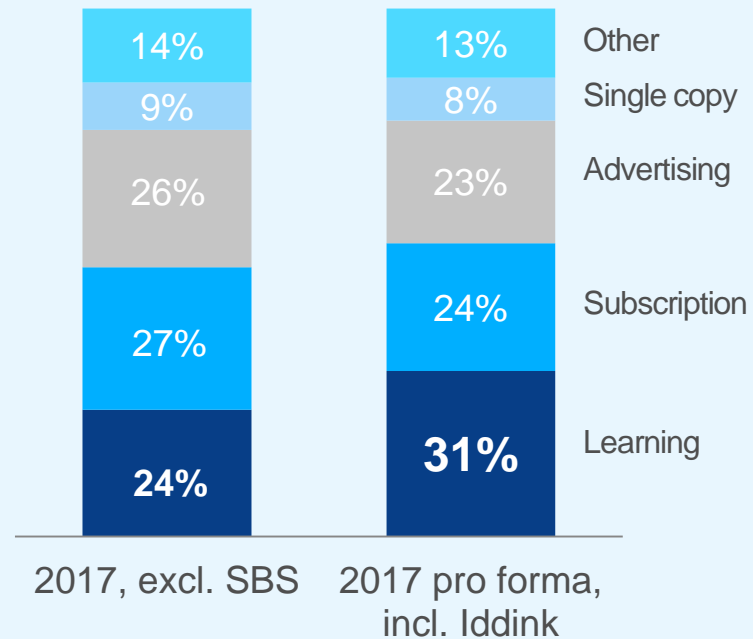


# With Iddink, our business portfolio becomes more balanced towards Learning

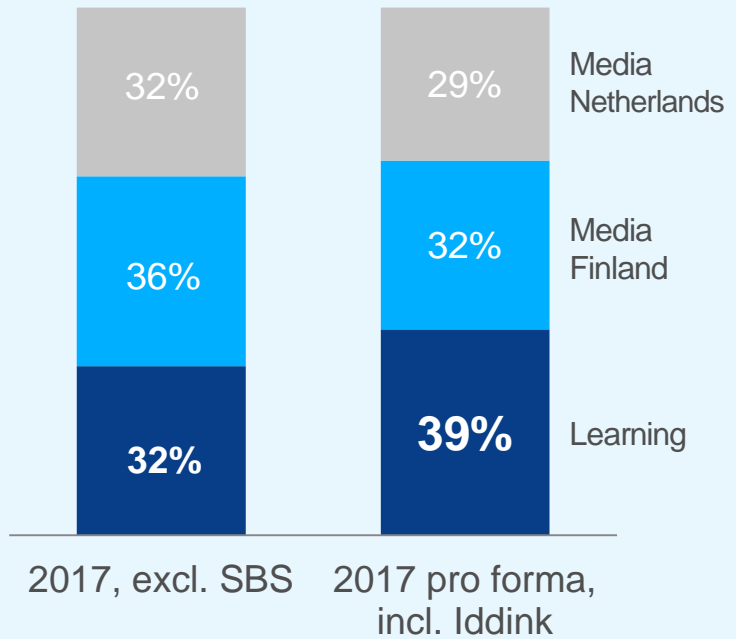
The acquisition increases the share of Learning in Sanoma's business portfolio

- Higher share of more stable learning sales
- Higher net sales growth rate for Learning
- Learning's share of Sanoma's operational EBITDA to grow to 39% (pro forma 2017)

**Sanoma Group**  
Net sales by category



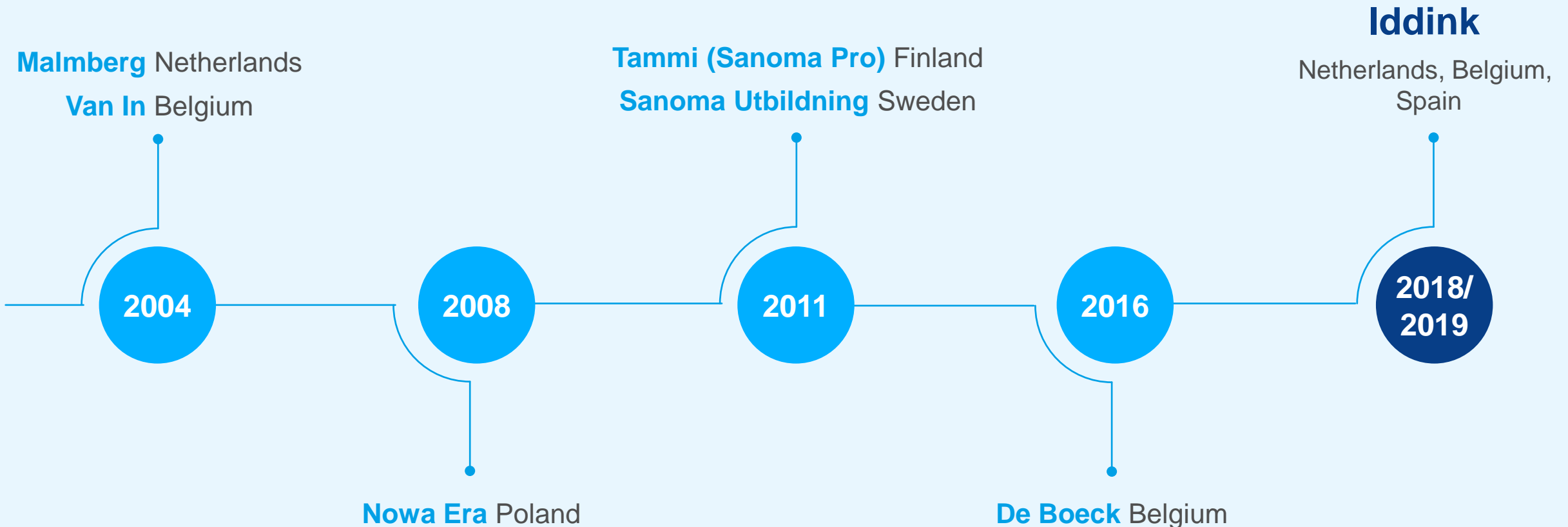
**Operational EBITDA\* by SBU**



\* Operational EBITDA incl. TV-programming rights, pre-publication costs and rental book depreciation



# Sanoma Learning is successfully built through M&A



**SANOMA AS AN INVESTMENT:**

# **A leading European learning and media company**



**Growing  
dividends**



**Strong and  
balanced  
business  
portfolio**



**Continued  
focus on  
selective  
growth**



**Solid  
profitability  
and improving  
cash flow**



**Equity ratio  
and leverage  
within long-  
term target**

A young girl with brown hair and blue eyes, wearing a bright yellow sweater, is sitting at a desk in a classroom. She has her right arm raised high, and she is smiling slightly. In the background, other children are also raising their hands, and the classroom setting is visible with desks and a yellow wall.

**Q&A**

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Thank You