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Speakers:	Susan Duinhoven, President and CEO Markus Holm, CFO & COO Kaisa Uurasmaa, Head of Investor Relations
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Kaisa Uurasmaa: Hello ladies and gentlemen. Welcome to Sanoma's first half 2019 results presentation. My name is Kaisa Uurasmaa I am heading Investor Relations at Sanoma, and today we have the president and CEO Susan Duinhoven and CFO and CEO Markus Holm who will present the result. This event can be viewed live on our website and will also be recorded, and the recording will be available on the web after the event. After the presentations we will first take questions from people here at Sanomatalo and then hand over to the telephone line. With this introduction I will now hand over to Susan who will start the presentation.

Susan Duinhoven: Thank you, Kaisa. Welcome also from me on this nice warm summer day in Helsinki. Pleasure to present the results from the first half of the year. And we had a good quarter and therefore also stable operational EBIT both for the second quarter and for the first half of the year.

If I start off with a couple of highlights for the first half of the year. The net sales landed on 602 million which is slightly down from last year's 625 million, mostly due to the divestments in the Netherlands. Operational EBIT 91 million, stable versus last year and therefore operational EBIT margin slightly up to 15.1%. Free cash flow equal to last year and the leverage at 2.2, also stable versus last year. And of course you need to remind yourself that it includes the IFRS16 accounting change and therefore 0.5 out of that leverage is due to the IFRS16. If we look at the underlying business performance, the comparable sales development was -3% versus last year. Same trends as we had in recent years. Operational EBIT as I indicated stable and outlook for 2019 is therefore also unchanged. If we then go a little bit into the businesses, there you see again quite stable performance across all three units in the first half of the year. Learning stable net sales resulting stable earnings. Media Finland sales stable as a result of acquisitions, and earnings improved slightly. Media Netherlands, as I just indicated, reported net sales and operational EBIT declined due to the divestments most from last year in Belgium and this year the LINDA. magazine, and a comparable net sales and earnings were stable. And as you see in the graph the other operations are also identical to last year.

If we then go into the second quarter specifically for each of the businesses. If we go to Learning, a good start of the year. Sales declined slightly with the usual shifts between the quarters. But specifically in Poland where we have had the majority of the curriculum change now done, we still saw some growth due to the launch of a couple of new products, for example exam preparation products that created a bit of growth specifically in the second quarter. In Finland, curriculum changes also finalised in 2018 and some of the deliveries postponed to the third quarter so therefore revenue, even though the sales is already done, revenue will be recognised in third quarter, led to a slight sales decline. And as we discussed in the first quarter, in the Netherlands we had an order that came in the Q1 and therefore reduced a bit of the sales in Q2. But all of that, easy to understand and the typical learning shifts between the quarters also applies this year. Following the net sales therefore earnings slightly declined to compensating affect the "High Five" benefits coming in but offset by the amortisation of the earlier investments both in digital platforms and in the renewing of the learning methods. Of course, the heavy curriculum changes that

we've seen in the last year have led to investments that we know amortise. The closing of the Iddink acquisition we're looking forward to that. We expect that to be by the end of the third quarter. The Dutch ACM, the regulatory body, is finalising its market research. The research has come in, shown no surprises so we are looking forward to a good finalisation at the end of Q3. So that is Learning: good start of the year looking forward now to the top of the high season.

If we then go to the Finnish advertising market that grew this quarter. And grew with 5%, so quite significantly but that is largely due to the elections. So without the elections the growth would be around 1%. You see basically coming back that good performance in all types of media, most particularly newspapers also the online clearly benefiting from election activity. So overall a good advertising market in this quarter. And Media Finland, our media business followed that: had a good quarter, net sales grew and earnings improved slightly. Sales grew to 155 million coming from 146 last year, and the growth in advertising was similar to the market growth, and most particular in radio and in digital we saw interesting growth. Of course, driven to a large extent by the elections so not to be taken forward at the same rate. TV advertising overall in line with market. We did not fully benefit from the inclusion of the sales of the Fox channels so we did not see particular growth due to that. We are very happy also this quarter again with the subscription sales from Ruutu and Helsingin Sanomat. And Helsingin Sanomat again this quarter managed to grow its overall subscriber base. So good performance there partially compensating the traditional decline in the magazine subscription sales and also the specific decline due to the discontinuation of pay-TV. Now most of the sales growth came from acquisitions from the new addition to the festival business, the Rockfest, and from the STT business that we are acquired last year. The earnings improved only slightly and not in line fully with revenues and that is easily explained because both the Rockfest and STT business do not contribute. STT business because it's typically a break-even business and the Rockfest festival only this year will not show a contribution and its part of the deal structure where this year's result will stay with the original owner. Now end of the quarter we announced that we increased our ownership in Oikotie our classifieds business in Finland from 90% to 100%, and therefore now have full ownership. So Media Finland; good quarter.

Media Netherlands, largely the results determined by the divestment, underlying business nice and stable. The sales declined to 94 million in the quarter and the impact was 12 million due to the divestment of LINDA., the content marketing business in Belgium that we divested last year, and the discontinuation of the operations of the e-commerce in Home Deco. Therefore, we only now recognise the margin and no longer the full sale of that e-commerce business. Now particular growth in the Netherlands in NU.nl, our news platform, the largest news platform in the Dutch market, and strong development, strong performance by the team there. Time spent on site grew in the quarter 10% in the first half year 11%, and the sales growth was in the quarter 18% and 16% over the first half year. So very good performance there. Circulation sales continued to be impacted by the VAT increase that occurred in the Dutch market on the 1st of January. VAT was increased from 6 to 9% and that limited our pricing flexibility considerably. We will see that of course playing through all the quarter this year. Operational earning stable, and therefore margin significantly improved. Good cost containment on the fixed cost offset the lower net sales so solid profitability. And if you remember last quarter we had a bit of it questions on the margin in the first quarter and you now see that that has recovered and that is typical when Easter is on the boundary between Q1 and Q2, and then a little bit of a switch can make that costs are more in Q1 and the benefits more in Q2. So taking this forward you better sort of start from the average of the first half of the year, and that's 18.5% which is a nice improvement from the 17.6% last year.

Those were the three businesses and resulting from that is that our outlook 2019 is also unchanged. Comparable net sales will be in line with 2018 and operational EBIT margin excluding PPA will be around 15% coming from last year 15.7%. And as always the outlook is of course based on the assumption that consumer confidence in the advertising market will also be in line with 2018, and just to remind you that the outlook does not include any assumptions on the Iddink acquisition which, as I said, will be expected to close end of Q3. So with that I hand over to Markus to go into a bit of details on the financials.

Markus Holm: Thank you. Let's start by a smaller view the quarter 2 results. The operational earnings were stable across the SBUs. If we start with Learning, the operational EBIT excluding PPA was down by 1.2 million. This is explained by net sales growth that was positive in Poland driven by the new products launched there. Also continued positive benefits from the "High Five" program. Then some slight negative impacts of the shift sales in the Netherlands and in Finland and the higher amortisations following the investments in digital platforms such as Bingel in primary education and the renewed learning methods. In Media Finland, the EBIT was up by 0.8 million helped by net sales growth especially from advertising and events, offset then by soft development in TV and the fact that when you analyse the margin in Finland that the Rockfest and STT contributed to the net sales but not much to do the EBIT. In Media Netherlands, the EBIT was down by 0.7 million very much explained by the lower net sales due to the divestments, then compensated to a good extent by cost containment on fixed costs.

To our free cash flow, the development is firm, our first half free cash flow was -41 million compared to -43 million a year ago. The implementation of IFRS16 standard improved free cash flow by 12 million and this was largely offset by the settlement of the rental contract related to discontinued operations in Belgium that we paid in the first quarter. Overall pretty well developing as we expect on the free cash flow. Balance sheet is also solid despite the IFRS16 impact, net debt was 578 million in the quarter. Net debt to adjusted EBITDA 2.2 and equity ratio 37.2. Net financial items including the IFRS16 impact were -6 million in a quarter and -10 million in the first half. And this included 2 million in the quarter and 3 million in the first half of effects of the IFRS16. The average interest rate was 2.7 compared 2.4 fully explained by the change in the mix of our funding portfolio, i.e. the higher proportion of the bond in the portfolio.

Iddink have published their 2018 figures in June and therefore we want to add these for your information. Worth noting that these are fully according to Dutch GAAP and not yet in Sanoma IFRS so that adjustment will be done later but here you can see the development of the sales and EBITDA, EBIT during the years 2018, -17, -16. Worth noting here that in the figures are included and non-recurring items of 5 million in 2018 and 3 million in 2017. And as Susan mentioned it is likely that that this will close towards the end of 3rd quarter this year and if that will be the case we see that the impact on Sanoma's full year will be fairly neutral, both in sales and in EBIT because of the small quarter 4. Then to finalise with a reminder, quarter three interim, that will be published on the 25th of October. Thank you.

Kaisa Uurasmaa: Thank you, Markus. Thank you, Susan. We will first take questions from here at Sanomatalo. Please wait for microphone before asking the question. First question.

Panu Laitinmäki: Thank you. It's Panu Laitinmäki from Danske Bank. I would have two questions. First one is on the impact of the acquisitions and divestments on your results. Is it possible to give a number on the expected second half impact on other revenues? And then secondly, on the guidance overall, you are guiding a kind of flat comparable sales for the full year but it was down in the first half so you are expecting an improvement while in the EBIT margin it seems to be the other way; you improved in the first half but the full year guidance kind of implies decline. So just why it would go the other way and what is driving this and maybe is the margin guidance just conservative as it has been in the past couple of years? Thanks.

Susan Duinhoven: Let me maybe start with the last one. I think our guidance is our guidance. It is around 15%, and 15.1 in the first half, so I think that is where we will leave it. And I think the other part, maybe there is something to be provided later on, on the specifics let's say of the divestment on the second half. I'm quite comfortable that that can be shared.

Kaisa Uurasmaa: The next question, please.

Sami Sarkamies: Thanks. Sami Sarkamies, Nordea Markets. I would ask on the full year EBIT outlook. Last year you did have 50 million euros higher EBIT in the second half of the year. Are you looking at similar seasonality also this year or are there differences you are able to pinpoint at this point in time?

Markus Holm: There are no big changes as such the seasonality patterns, so quarter three is typically strong quarter in the year.

Susan Duinhoven: Due to Learning.

Markus Holm: Yes.

Sami Sarkamies: And then I would continue on Learning in Finland. You did have these timing shifts into third quarter. Can you specify that, you know what sort of amounts are we talking about?

Markus Holm: Well if you look on both these, the Netherlands' shift and the shifting in Finland to the third quarter, I think those in total were some 1 to 2 million negative in the quarter now.

Sami Sarkamies: OK. Then maybe finally at a follow-up question to the previous guidance question. You're targeting flat organic net sales on comparable terms on a full year level. In which areas of your business to see growth in the second after year?

Susan Duinhoven: If you look let's say the, and there are of course the compensating affects, you see that the media markets are typically, without the acquisitions and underlying business, typically having a bit of topline pressure. The Learning business typically a little bit of growth. Learning business is of course this year without significant curriculum changes so the curriculum reforms have pushed the sales up in the last year, and that is so the comparable between the quarters might be the same, the level, of so, will be slightly different. So that's where where you see those curriculum changes not pushing it up you have more of the baseline in there.

Sami Sarkamies: Thank you.

Kaisa Uurasmaa: Any more questions, please?

Pete-Veikko Kujala: Thanks. Pete-Veikko Kujala from SEB. A couple from me as well. Firstly, let's may be start with Finland. You said the Fox TV deal hasn't impacted your advertising sales in the first half. Has it increased your costs? Do you have any costs coming in from that deal?

Susan Duinhoven: In the Fox deal, as we explained before, we have a course a payment that you do for the channel and out of that advertising sales, that is very comparable to when you have normal content because for your own channel to have of course content costs and that is of a similar magnitude.

Pete-Veikko Kujala: Right thanks. And then about the STT acquisition. What is the long-term rational for the deal? If, if, it's...

Susan Duinhoven: If it's not for profit?

Pete-Veikko Kujala: Yes, pretty much.

Susan Duinhoven: No, I think we consider it very important for the Finnish market as a whole, that is a good and viable news agency. And it proved that there were shareholders who wanted to step out of that business and then someone needs to step up and that's where, we say, we have taken that the responsibility to step up into that. And we're therefore assuming that we can make this a break-even business. As you know there is at the moment a small subsidy in order to make the transformation. That is a one year subsidy and after that it needs to be break-even. That's more of a matter of taking a responsibility for the market as a whole and it's also as part of that market is also good for Sanoma.

Pete-Veikko Kujala: And continuing with Finland, about the festival business. If we can exclude the Rockfest effect, how is the profitability in the business? Because I remember at least from last year in Q3 when the profitability was kind of below expectations. Do you see similar kind of restructuring costs or something like that in this year?

Susan Duinhoven: If I just comment on the business itself. Of course this sort of weather helps a lot because this is a business that depends on ticket sales but also on food and beverages. So you know, it's really too early to say how the whole of the business will be going because, if you get in the high season which is a little bit after the summer break in Q3, if then the weather turns horrendous, you know. So I don't want to make forward-looking statements of the weather but so far we are very happy with the business.

Pete-Veikko Kujala: And last from Finland, I promise. The digital VAT change came in in July. Do you expect some kind of effect on your EBIT level in Finland?

Susan Duinhoven: No we don't, and the reason is in the two businesses we have, that are impacted by this, we have taken measures, slightly different. But if you look at media business, take for example in Helsingin Sanomat there we have not changed price level but what we have done we is step up the investment, or let's say the cost in the business by increasing the number of positions for data journalism and for digital development. So there we choose to invest more in order to get richer contents in Helsingin Sanomat. In the learning business that's also impacted by this positive trend, there we have reduced the prices and we have reduced the prices in equal measures as the VAT benefit. So it has no bottom-line impact but we're still quite happy with the change because the fact that it is now equal between the print and digital business avoids a lot of discussion and confusion.

Pete-Veikko Kujala: All right. Thanks.

Kaisa Uurasmaa: One more.

Pia Rosqvist: It is Pia Rosqvist from Carnegie, hi. A few questions with regard to Iddink. So I think it's been the 13 weeks have now passed since the Dutch competition authority started investing but from your side, have you been able to start integration planning with Iddink already and what are your early findings so far?

Susan Duinhoven: We are of course very much restricted by law on what you can do, and what you cannot do. So you can acquaint the two companies to each other but not much more than that. The 13 weeks have been passed and you know there will be still quite a bit of weeks left because of the holiday period. You know, the mechanism of stopping the clock that the authorities have to right to do. So it will be until the end of Q3 that that this will take. We have not had any surprises, not positive and not negative. We had done of course a sort of due diligence and we have worked for years and years and years with Iddink, because they are of course a major distributor in the Dutch market. So we have other than good introductions between the two companies, we have no other positive effects from that.

Pia Rosqvist: When I look at the published, you now published the reported number for 2018, I see a slight difference in 2017 compared to what you published earlier. What is this effect?

Markus Holm: On the EBITDA level you mean?

Pia Rosqvist: On sales and the operational EBITDA.

Markus Holm: On the EBITDA especially there is an adjustment that we made to the 3 million, which is now put separately in the footnotes.

Pia Rosqvist: ok. Thank you.

Kaisa Uurasmaa: One more question from Sanomatalo, please.

Pete-Veikko Kujala: Continuing from Iddink. Maybe we can talk about this more when the deal closes but can you open up a little bit your long-term aspirations? In 5 years, where do you see the business being? Are you still in the same countries or are you in hopefully a new countries? What's kind the long-term plan?

Susan Duinhoven: I think we should keep them for the closing maybe. We have of course plans and the synergies as you remember from when we disclosed at time, the synergies between the two businesses are relatively limited. We see interesting growth opportunities for Iddink specifically in Spain but also in the other markets. This educational learning platform business is of course very interesting. It is only at the starting point in the whole development because schools are only now transforming more and more into really digital and hybrid learning experiences. So we see very good opportunities but we will also, at closing, we will still be quite strict that as you know in our forward-looking statements.

Pete-Veikko Kujala: All right, thanks.

Kaisa Uurasmaa: Do we have any more questions from Sanomatalo? If not, thank you and I will now I hand over to the operator for questions from the telephone line. Please.

Operator: If you would like to ask a question please press zero one on your telephone keypad now. If you would like to withdraw a question you may do so by passing zero two to cancel. There will be a brief pause while questions are being registered. - - And there seem to be no audio questions, I will hand right back to the speakers.

Kaisa Uurasmaa: OK. Thank you. With this I now conclude the event. Thank you all for participation and active dialogue, and we can continue of course afterwards if you have any questions. Thank you and have a beautiful rest of the summer!