

Sanoma acquires Alma Media's regional news media business – Q&A

Q: What has happened?

A: Sanoma has signed an agreement to acquire Alma Media's regional news media business. Pro forma 2019, net sales of the acquired business were EUR 94 million and adjusted EBITDA was EUR 20 million incl. the impact of the delivery outsourcing agreement that came into effect on 1 January 2020. The agreed enterprise value (EV) of the acquired business is EUR 115 million, corresponding to a multiple of 5.8 (EV / Pro forma adjusted EBITDA including the impact of the delivery outsourcing agreement), and 3.5 after synergies.

Q: Why does Sanoma want to make this acquisition?

A: This highly synergistic bolt-on acquisition is an important investment in the growth of Sanoma's digital subscription base, and supports the sustainable future of independent domestic journalism in Finland. It provides net annual synergies of approx. EUR 13 million, related to operational efficiency, procurement and IT as well as shared operations and support functions. This allows investments in digital news media products, thus accelerating growth in digital subscription base and attracting younger, more demanding, audiences. The acquisition strengthens Sanoma Media Finland in one of its strategic core businesses, news & feature, and supports its long-term financial target of 12-14% operational EBIT margin excl. PPA.

Q: How does the acquisition impact the diversity of media landscape in Finland?

A: This acquisition is an important investment in the sustainable future of independent domestic journalism in Finland. It enables required investments in digital news media products, thus attracting also younger audiences. The acquisition creates a portfolio of independent and successful news brands with their own Editors-in-Chief ensuring continued diversity of the media landscape in Finland. The acquired business complements Sanoma's existing news media business; Alma Media's strong regional content on one hand, and national, international and feature content by Sanoma on the other. The synergies of the acquisition relate to increasing efficiency in shared operations and support functions, not to editorial or sales operations.

Q: Sanoma has said it wants to focus on expanding its learning business and now comes the acquisition of Finnish news media assets. Why? How does this impact your M&A headroom of EUR 400 million?

A: This acquisition does not change our focus on expanding the learning business with M&A. We have indicated that we want to strengthen Media Finland with synergistic bolt-on acquisitions in its core businesses, including news & feature. This acquisition is an important investment in the growth of our digital subscription base. Successful future in digital era requires scale. The impacts on our M&A headroom will also depend on the outcome of the evaluation of strategic options for Sanoma's online classifieds' business Oikotie.

Q: How would you comment on the valuation of the transaction?

A: The agreed enterprise value (EV) of the acquired business is EUR 115 million, corresponding to a multiple of 5.8 (EV / Pro forma adjusted EBITDA including the impact of the delivery outsourcing agreement), and 3.5 after synergies. We consider the valuation fair. As an industrial buyer, we expect significant synergies of EUR 13 million after the closing of the transaction.

Q: Today, Sanoma also announced it will evaluate strategic options for its online classifieds' business in Finland. What are the possible options? Why would Sanoma want to consider selling its digital assets while at the same time acquiring more print assets?

A: The evaluation of strategic options for Oikotie, a leading online classifieds' business in Finland, is in-line with Media Finland's strategic focus on three core businesses: news & feature, entertainment and B2B marketing solutions. During the past years Oikotie has successfully grown its net sales, and its solid profitability improvement continued in 2019. Divestment of the business could be one of the potential outcomes of the evaluation. Sanoma will release further information as soon as the evaluation is completed. Both the news media market as well as the classifieds' market in Finland are exceptionally fragmented for a country of this size. For both industries the business logic lies in increased efficiency which enables future investments in the digital development.

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