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Sanoma acquires Pearson's K12 learning business in Italy and announces strategic growth ambition

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Sanoma acquires Pearson's K12 learning business in Italy and announces strategic growth ambition

- Sanoma enters Italy, one of the largest K12 learning services markets in Europe
 - Sizable increase in the scale of Sanoma's secondary education portfolio
 - Italian market at an early stage of digitalisation
- 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
- Solid contribution to Group's free cash flow

Our purpose

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

Our ambition

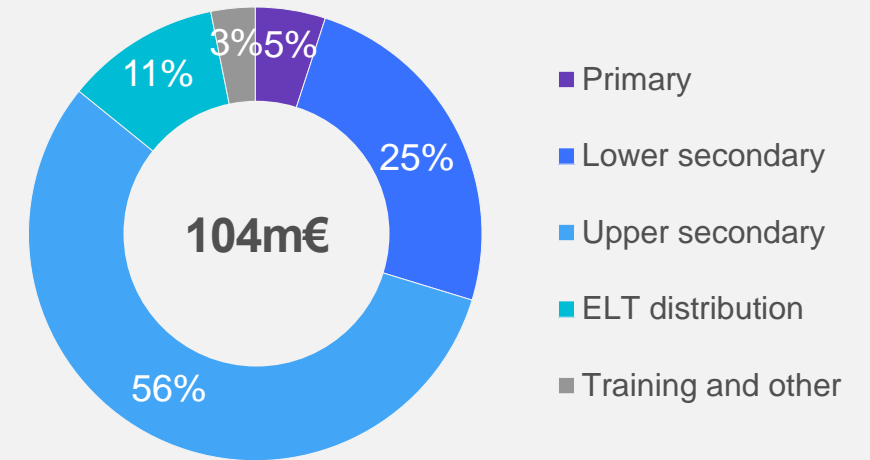
Group net sales over **2bn€** by 2030 at least **75%** from Learning

The acquired Pearson business has a strong position in Italy

- 3rd 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

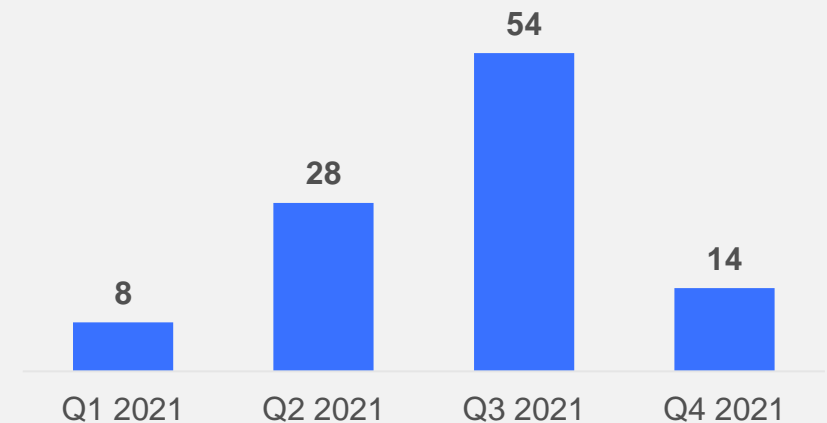
Focus on secondary education

Pro forma net sales, m€, 2021



Typical seasonal pattern

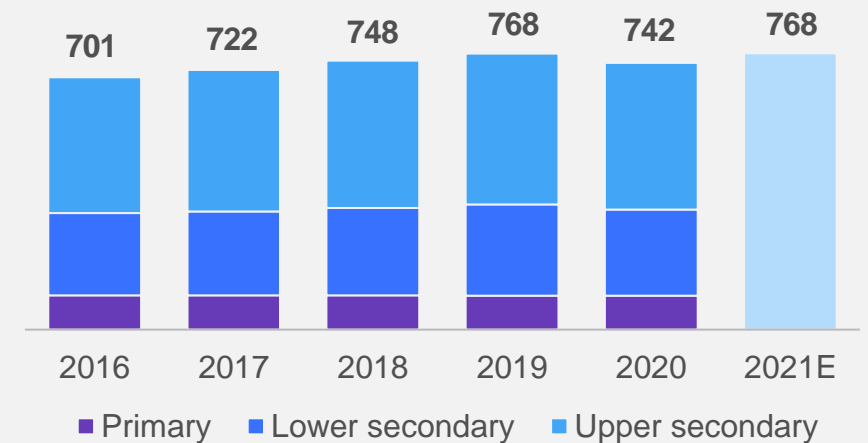
Pro forma net sales, m€



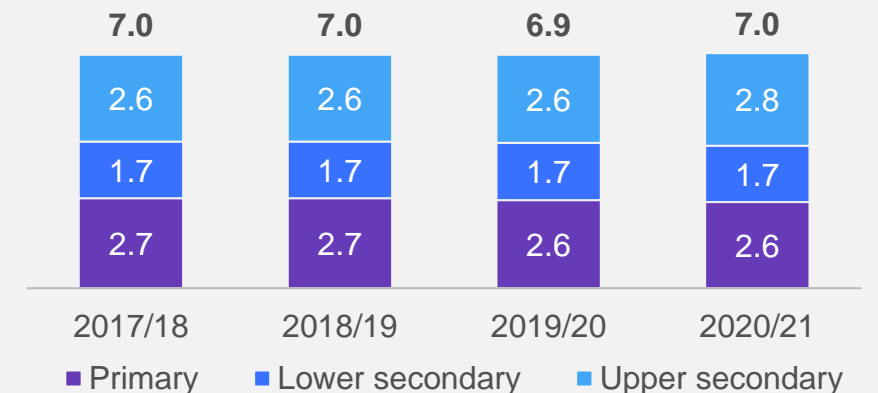
Large Italian K12 learning material market provides significant potential for digitalisation

- 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 transaction is expected to be finalised in Q3 2022
 - In Italy, the transaction’s status under the Foreign Direct Investments regime, so called Golden Power, will be discussed with the relevant authority
 - Approx. 3m€ of transaction costs to be booked as IACs in Sanoma Learning’s Q2 2022 result, the remaining approx. 5m€ at closing



DEUTSCH

1. Klasse

passend zum
Lehrplan**PLUS**



STARK

The acquisition also includes a small exam preparation business in Germany

- Pro forma 2021 net sales were 13m€
- Leading player in German exam preparation and assessment market with its strong local brand *Stark*
- Stark is recognised for its high-quality editorial content and 40 years of history
- Provides over 1,400 titles and learning aids, supplemented by digital content
- Used in all German provinces
- 90 employees

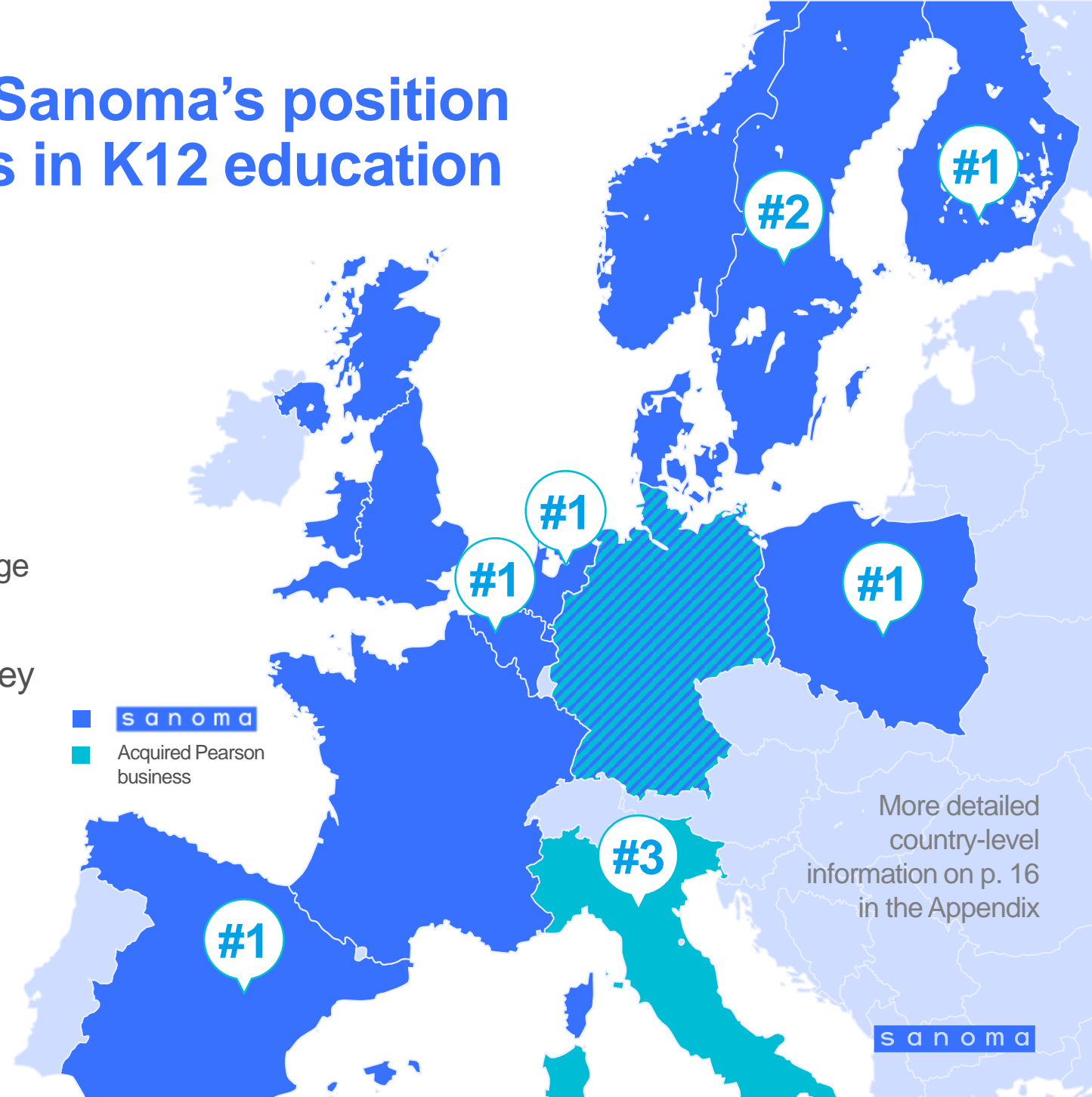
Fair valuation, funded with debt

- 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 signed an underwritten 4-year term loan facility with Nordea Bank Abp, OP Corporate Bank plc and Skandinaviska Enskilda Banken AB (publ)



The acquisition reinforces Sanoma's position as one of the global leaders in K12 education

- Serving more than **25 million** K12 students in 12 countries with a revenue market share of approx. 16% in Europe
 - 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
- Teachers and schools are our primary customers, and we provide them everything they need
 - Printed and digital learning content
 - Digital learning platforms
 - Content distribution services

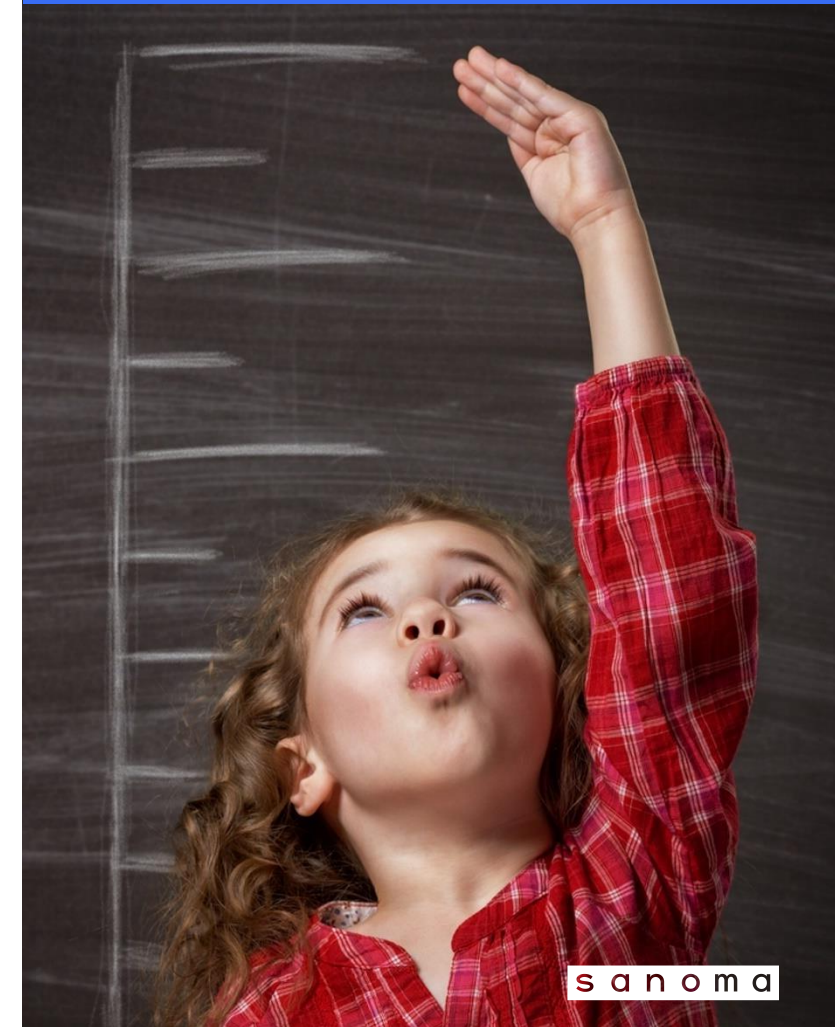


Balanced funding for ambitious growth and increasing dividend...

- Organic growth in-line with long-term target of 2–5% p.a.
- Attractive pipeline of potential targets and experience as acquirer with strong playbook for complex separations and integrations
 - In markets in which we are active already as well as expanding our geographic footprint in Europe and beyond
- Balanced funding for growth through acquisitions while paying an increasing dividend
 - Solid cash flow generation of both Sanoma's learning and media businesses
 - Expanding our debt capacity and keeping leverage (net debt / adj. EBITDA) within the long-term target of 'below 3.0'
 - Funding further growth also with equity could be considered, if it creates value for all shareholders

Our ambition

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





... while keeping our long-term targets unchanged

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 gCO₂e / € net sales)

Employee Experience
Index

>7.5

by 2030
(7.3)

Management
gender balance

50/50

by 2030
(39 women / 61 men)

(FY 2021 in brackets)

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Q&A



Deep-dive: Leveraging digital learning

9 June 2022 at 11:00 EET

Join a virtual presentation, roundtable discussion and Q&A around digitalisation in education with Rob Kolkman (CEO, Sanoma Learning) and Alex Green (CFO, Sanoma Group)

Join the
webcast:

sanoma.videosync.fi/deep-dive_june22/register

Appendix

A woman with long dark hair is shown in profile, wearing a white t-shirt and a pair of AR glasses. She is looking at a digital interface that appears to be a grid of data points or a map. Her right hand is touching the interface. The scene is lit with blue and purple light, creating a futuristic atmosphere. The background is dark with some blurred lights.

Financials of the acquisition

Adjusted key figures of the acquired business

(pro forma, preliminarily adjusted for IFRS and Sanoma accounting principles, unaudited)

EUR million	FY 2021	FY 2020
Net sales, total	117	113
- Italy	104	100
- Germany	13	13
Operational EBITDA	30	29
Operational EBIT excl. PPA	18	17
Cash flow from operations	14	13

The acquisition reinforces Sanoma's position as 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

Germany: 9.7m

UK: 8.7m

Italy: 7.0m

Spain: 6.4m

France: 5.5m

Poland: 4.7m

Netherlands: 2.8m

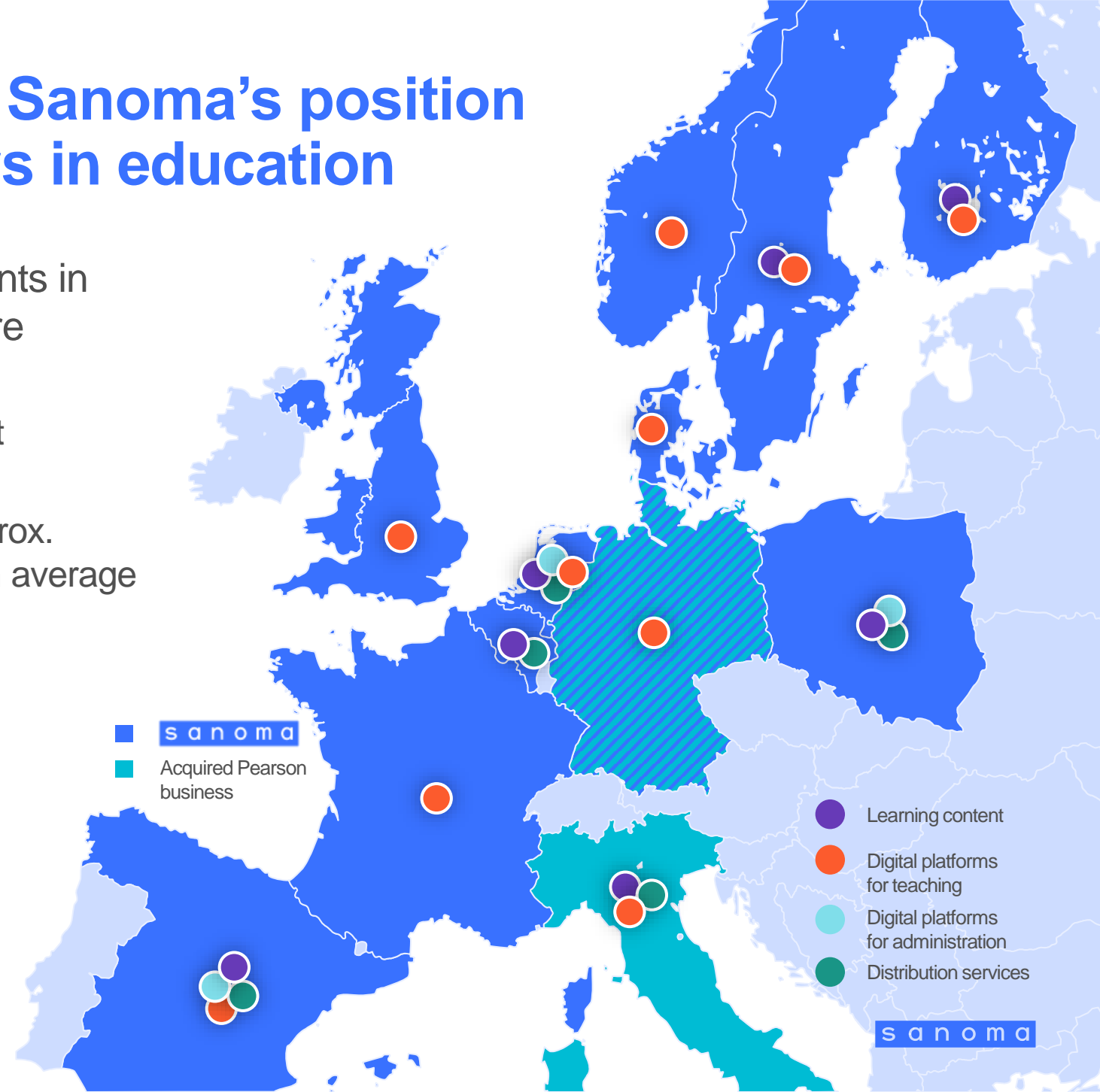
Belgium: 2.0m

Sweden: 1.8m

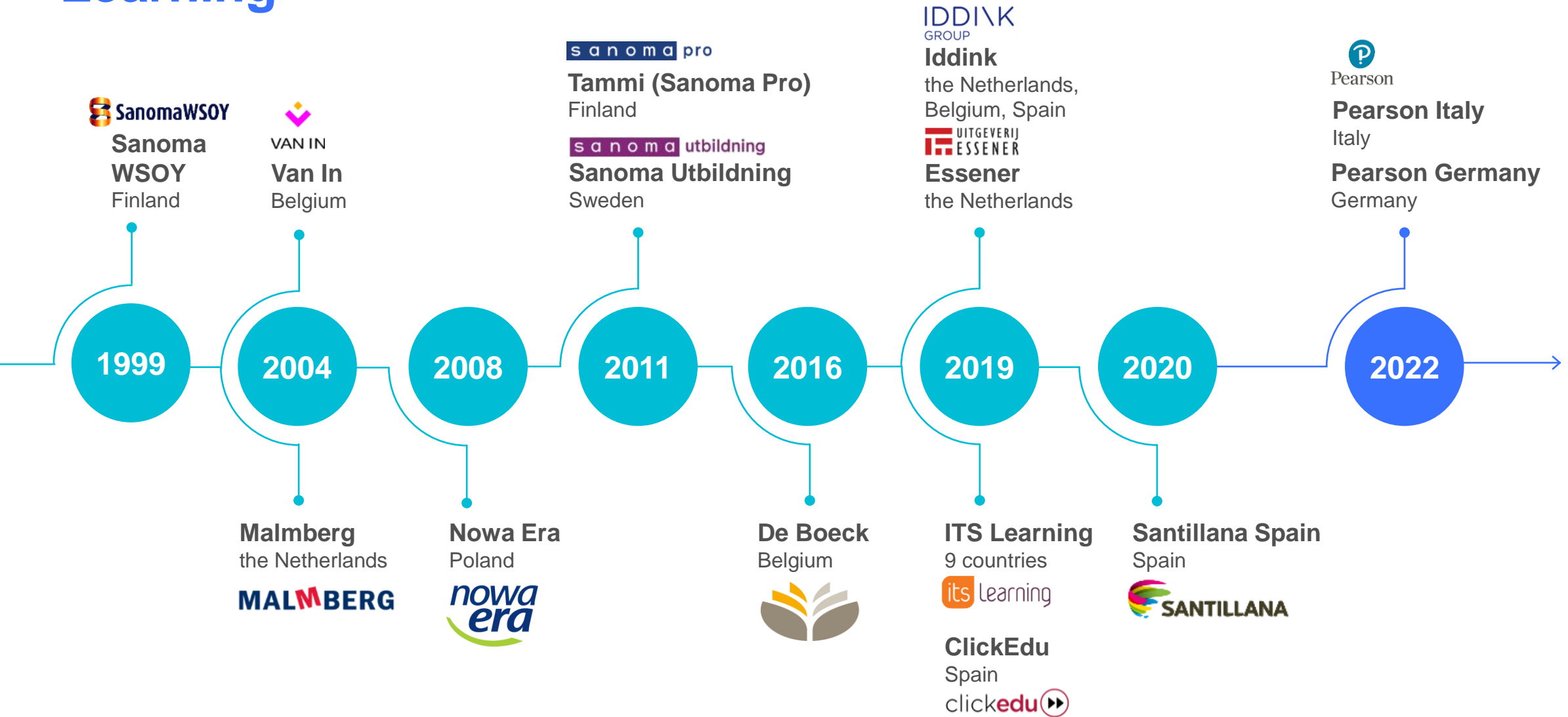
Finland: 0.9m

Norway: 0.9m

Denmark: 0.9m



Next step in the successful M&A growth path of Sanoma Learning



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