Transcription
Sanoma Half-Year Report 2024

Kaisa Uurasmaa:
Good morning, everyone, and welcome to Sanoma's First Half 2024 Results Presentation. My name is Kaisa Uurasmaa and I'm heading Investor Relations and Sustainability at Sanoma. Our first half of the year was strong and earnings improved in both Learning and Media, and today, our President and CEO Rob Kolkman and CFO Alex Green will tell you more about that.

After their presentation, we will have a Q&A session. We will first take questions from the audience here at Sanoma House, please use the microphone. Then, we will hand over to the telephone line if there is any audience there. You can also use the chat function in the webcast platform for questions.

The full event, including the Q&A, is recorded and the recording will be available on our website shortly after the event. With this, I would like to invite Rob to start the presentation, please.

Rob Kolkman:
Thank you, Kaisa, and good morning, everyone. It's my pleasure to present the half-year results to you today. We've had a good first six months of the year. That's reflected in pretty much all of the metrics that you see here, and I will talk you through that. And then, as usual, also go specifically into the two business areas.

If you look at the sales side that grew in Learning, that was driven by the Netherlands and Spain, in particular. And that was overall stable in Media Finland. That helped, of course, with a strong operational EBIT improvement, where on top of what happened on the top line, we also saw lower operating expenses. That flowed through as well to the free cash flow, which improved again by both the higher earnings, but also the lower investments.

I think, all this really contributes to the core focus areas that we highlighted during the Capital Markets Day, and those are, of course, around improving the profitability in both Learning and in Media. Improving also the organic growth, particularly in Learning, together with in-market consolidations. And the third point I would like to highlight, is of course the deleveraging of the balance sheet as the third key focus area. If you purely look back now one year, then you see that also in action on our balance sheet, with a reduction in the net debt and also a leverage improved to 2.9 below the 3.0 that we have as our target. Alex, later on, will talk a bit more about that as well.

Also, pleased to report that Program Solar, or efficiency program, within Learning is on track, and I'll touch on that more specifically in a minute as well. So, we're very happy with the results for the first half of the year, good results. It is always good to realise in our type of business that, of course, we have a very big H2 ahead of us. That is true very much in Learning, when you think about the start of the school year, and also, of course, a lot particularly on the advertising revenue in Media Finland. That is also, in essence, and I'll touch on it in a bit more detail, why we are keeping the outlook unchanged.

Let me now zoom in on both parts of the business, starting with Learning and starting with the top line on the Learning side. So the net sales grew 3% and, actually, organically we grew 5%. Keeping in mind, of course, that we had the divestment of Stark now really impacting the numbers by about €5 million on the top line. So, the Learning content sales grew in the Netherlands, Spain and Poland, and that was partly offset by Finland and Belgium. And we see that as the sort of phasing effects that I also mentioned in the previous quarters that does happen. Particularly, of course, in Spain, it’s good to realise that last year, we were still sort of finalising some of the content, getting the books ready and then selling them in quarter three. What you now see is, of course, there is no change in books anymore, so we have more available to already deliver in quarter two. That's partly why you still see Spain being ahead at the half-year point. But, of course, as I also highlight here for the full year, the Spanish lower curriculum will have a significant impact on lower revenues for the full year. Besides the lower curriculum taking effect in Spain in quarter three, there is also the discontinuation of the low-value Dutch distribution contracts. Again, something we already highlighted before, but of course that is also happening more in quarter three and not so far in the year.

Clearly, the positive revenue growth flew through to our margins, which is highlighted here, with the net sales growth having a positive impact. But also, the first effects of Solar, especially in Spain, you can start to see that also in lower personnel costs. Clearly, the majority, as we have mentioned, is actually happening initially as less investments. Therefore, on the balance sheet and then ultimately lower depreciation, that is still true. But, of course, there are also some impacts that you can already see in the P&L as well. And again, Alex will highlight a couple of points there, too. And in Learning, although less than in Media at this point in time, we also see lower paper and printing costs. In Learning, you will see more of that happening again in the second half of the year when of course we sell more of the books in quarter three. Keeping in mind the two key areas within learning with regard to the lower curriculum cycle in Spain and the discontinuation of the low-value contracts, we still think that the margin, everything considered, will be relatively stable for the full year compared to the 18.7% that it was at the end of Q4 last year.

Let me now say a few words about Program Solar. So, pleased to say that Solar is very much on track. The key way we are currently measuring that is unchanged, which is around all the decisions that we are taking to get to those run rate savings for 2026. By the end of the year, we will have taken 80%, so the vast majority of those decisions, that will then flow through via the balance sheet and then also into the results fully into 2026. So we're still slightly ahead there and for the full year, we expect to at least be on schedule there with the 80%. And again, to bring that to life for you a bit, it is really across all these segments that you see here. I already mentioned Spain and the organisational optimisation there post the curriculum having an impact, and that will continue to be the case and we are also still taking more steps in that area. Same was true for Poland, and we're doing it in a couple of the other operating countries as well, but with Spain being the main one there.

We also continue to improve our publishing processes. That is partly also introducing new ways of working and really benefitting there from the scale. Also some software that will help us further reduce and optimise, for example, inventory levels. You see that already happening now, but we expect that to continue and improve even further, which is important as well if you think about the next high seasons coming up in 2026, in particular. And on the harmonisation of the digital platforms. The key element there is unchanged, which is to focus on building and growing our tech hubs, particularly in Poland and also in Spain. That will help us and our customers deliver more features and functionalities and digital solutions, but also at a lower cost. Because effectively it is moving very expensive development costs from some of our countries to lower-cost countries like Poland and Spain. And then, there is a wide range of other optimisations as well across the business also to make sure that we really benefit from a scale in HR, in finance and all those areas. So that's with regard to Learning and so, we're very much on track. And a very good first six months of the year for following.

Let me now switch to Media Finland. There, you saw overall stable net sales. I would characterise it really as a continuation of the core trends that we've seen for a while, which is on growth on the subscription side. Very good development in Ruutu+. And overall, the subscription sales grew year-on-year by 6% and it's also a continued solid performance there on the news driven by digital. The advertising sales still sees that growth on digital, also on TV and the decline on the print advertising. So, again, that is what makes up the 1% overall. And then, this time of the year, always a popular topic of course, the events. So, I think there are a few things to highlight here for events. So, the event sales overall is slightly lower and that is a combination of no Rockfest, which we of course did have in quarter two last year and we now will organize again in 2025. But that was partly mitigated by two events that last year were in quarter three and are now in quarter two. So there is some phasing, particularly with an impact on the top line happening there. If you look through that and you look at the ticket sales, then overall, the ticket sales are in line with expectations and that also means more or less in line with last year. So no major changes there. Obviously, event-by-event it can be different. But overall, that's what we see on the events side. And most of the events, of course, now have happened in the year. And also, here it is good to realise the impact of the portfolio changes in the quarter, €2 million, and for the half-year, €5 million.

If you then look at the earnings within Media Finland, there we saw good growth in the operational EBIT going to €14 million compared to €9 million last year. Same trends, of course, contributing here. Growth in digital advertising, subscription sales, also the lower paper costs still very significant here as well. And again, Alex will touch on it in a bit more detail. And events phasing, I also mentioned here as well. Then, just to be very clear on where do we now see this go for the second half of the year? So, what we expect for the full year is that the plus that we see year-to-date of roughly €8 million, that is there to stay. And that for the second half of the year, the profit will be more or less similar to the second half of last year. So that's about an €8 million year-on-year improvement on the results, if you look at it from a full-year perspective. And why is that the case? We do see continuation of a slightly declining overall advertising market. We also have stronger prior year comparables for both advertising and subscription sales, and lower paper costs are still there, but less significant than they were in the first half of the year.

And this is sort of the expectation for the second half of the year – to be similar to last. That does mean that there can still be differences between quarter three and quarter four. And, for example, if you take in quarter three, we have the Olympics that always lead to some slight changes in advertising spend, which you then see happening more, for example, again in quarter four. So, overall, similar performance in the second half of the year expected.

So, all these points lead to an unchanged outlook for the key reasons I mentioned and also the same operating environment underlying expectations that we have set at the start of the year, which is the advertising market in Finland declining slightly and more or less stable economies in all of our operating countries. So, with that said, I would like to hand over to Alex to talk us through some more of the financials.

Alex Green:
Thank you Rob, and welcome from me as well to this H1 presentation. So, with the financials, let's start with our operational EBIT for Q2 with good development in both businesses going from €54 million to €61 million operational EBIT for Q2. On the Learning side, an increase of €2 million coming from some sales mix impacts, but also then lower operating costs, particularly in paper where we have a full year in paper for Learning about a €5 million drop, of which the bulk of that will come in Q3, but there's about €2 million for the first half of the year and about €1 million in here. But as I said, adding to a €2 million increase.

In Media Finland, as we've just seen a €5 million increase year-on-year in operational EBIT with the growth in digital subscriptions and advertising sales. Again, lower paper costs for Media Finland, a €10 million impact with about €3 million – €6 million year-to-date, €3 million in Q1, €3 million in Q2 and then the rest evenly spread. So, in H2, less of an impact because the paper prices were already coming down in H2 last year. In addition to that, the events change with more in Q2 than Q3 improved the profitability. And then, we also had some lower external printing sales, which tends to happen when the price comes down automatically as well. But that all led to a €5 million increase year-on-year. The Other and elimination line is relatively stable. And for that line, the full-year estimate is it be similar levels to 2023.

Moving to our relatively new slide on income statement items. Now, we showed this for the first time in Q1. Here in Q2, we're putting both Q2 and H1 in the table here. I'm going to focus on the Q2 numbers for the comments. So in terms of Q2 IACs €8 million booked in Q2, €2 million of which come from our Program Solar. And then the others coming towards the end of the Pearson integration costs and also other strategic development costs throughout the business. You'll notice and as a reminder in Q2 2023, there's a large amount there, which is the VAT claim booked at Media Finland, for which we have an appeal out still, so that not yet concluded but booked in 2023.

In terms of net financial items that did grow from €8 million till €10.7 million in Q2. This is mainly due to the repayment of the low coupon rate, €200 million bond at the beginning of this year. That was obviously done three years ago at a very low interest rate. And so, refinancing that with our term loan and with other funding sources is at a sort of more contemporary interest rate. So, higher. So the average interest rates did go up from 4% to 5.3% in Q2. And then similarly in for H1, it goes up in the same way. If we look at free cash flow. So, free cash flow is always negative in the first half of the year because of the learning business cycle. We did improve it from the minus €84 million last year to minus €54 million with the higher operating results and also lower investments at this part of the year. And also some active working capital management which included significantly lowering our inventory levels due to the higher cost of capital. We are reducing those to be more exactly what's needed in the following months. Therefore, improving the working capital. That was offset a little by the higher interest paid, but also the lower prepayments in the Dutch distribution business, which is one of the changes from last year. So, obviously, as we talked about, when we discontinue low-value contracts, last year, they would have been a prepayment-associated given we don't have the contract, therefore less prepayment. So, that does impact the number here as well. With regards the timing impacts and all that. So, overall net-net, as we look at the full year. We still expect the free cash flow to be relatively similar to 2023.

And here, we state also the installments, the dividends. So the second half installments that will be the second one will be in September and the third one will be in November. As you remember, we do it in three installments. So, the free cash flow has contributed to improving our leverage position and bringing us to 2.9 below our long-term target of 3. And we expect that too, given the flow of cash in the second half of the year, that will come down towards the year-end. So net debt reduced by €62 million year-on-year. Obviously slightly up from March due to the seasonal patterns of our spending. And the equity ratio at 37.4% is inside the long-term target range that we have a 35% to 45%. That concludes the finance section. So I'll invite my colleagues back on stage for the Q&A session.

Kaisa Uurasmaa:
Thank you, Alex. Thank you, Rob. And we are happy to start the Q&A session from here at Sanoma House. And the microphone is on its way. Nikko, please.

Nikko Ruokangas: Yes. Thank you. Nikko Ruokangas from SEB. I have a couple of questions. So, first of all, starting with the guidance and maybe how did the quarter go compared to your estimates before the quarter? Given that you have now improved your profitability in H1. So, what should happen that you would land at the upper end of that guidance? And what is something you are still cautious about given that you're keeping the guidance?

Rob Kolkman: Yes. So maybe couple of points indeed on that. First of all, we are pleased with the results. Very pleased with the results in the first half of the year. We also try to be quite specific on how we see it for both businesses. And if you look at the Media side, that's why we are saying that the improvement in profitability that we saw in the first half of the year is there to stick, right. It’s there to stay. For the second half of the year, there the key uncertainty, of course, remains as always, around the advertising market. That's why we are saying we expect a more similar result then. On Learning, we are pleased, very pleased with the results we've seen so far. There, I think the main caveat is simply that it is still a relatively small part of the full year, right. So, that's why we are saying for quarter three, which is such an important one, that's where so much needs to come in that it’s not enough reason to change our forecasting there. And there is always a bit of phasing between the quarters as well.

Nikko Ruokangas: Yeah. I understand. Then on free cash flow. It's also improved in H1. So, what is your expectation for the full year? Has that changed since thew start of the year?

Alex Green: So, a lot of the impacts we see are timing-related and, specifically, looking to improve the free cash flow working capital in the middle part of the year. When I take a step back and look at the longer term and we talked about it before in terms of 2025 and 2026, we do see strong improvement in free cash flow coming with the absence of the IACS related to Solar and also as the margin improves. So, relative to that, 2024 we still see it as being relatively similar to last year. And yes, very pleased with the good performance in the first half. But however, the timing impacts still keep us to that conclusion.

Nikko Ruokangas: All right. So you expect a more negative or weaker free cash flow in H2 compared to last year then?

Alex Green: Well, we see there's still a lot of cash to come in and come out. We did improve a lot of our collections in the first half of the year, which obviously just impacts the other side of the quarter. But yes, indeed, we see the full year to be relatively similar to 2023.

Nikko Ruokangas: All right, thanks. Then, last one. What was the year-on-year impact of order phasing in Learning in Q2?

Rob Kolkman: Yes. So, I would like to make two comments on that specifically. If you purely look at it from a customer-by-customer basis, the impact was very limited. So yes, some customers, i.e., schools or bookshops ordered earlier, some later. That's only a very minor impact on the quarter. I think the key thing to highlight is if you look at the growth in the first half of the year, Spain is still growing in that one. And that's to do with the point I tried to highlight around. We have more books already available to sell because there is no change in curriculum. Of course, for the full year, we are expecting Spain to go down quite significantly because of the long lines. So, call it phasing. Call it slightly in a different way. But it's not so much on a customer-by-customer level. But on the Spanish point, you will see that flip the other way in quarter three.

Nikko Ruokangas: Yeah, I understand. That clarifies. Thanks, that's all from me.

Kaisa Uurasmaa: Thank you, Nikko. If you hand over to Sami, please.

Sami Sarkamies: Sami Sarkamies, Danske Bank. I have three questions. Starting from Learning. It seems that the year may pave out somewhat stronger than anticipated with top line headwind coming just the discontinued distribution deals with low margin. Why are you not seeing margin improvement on full-year level as you will benefit from mix improvement and the Solar program?

Rob Kolkman: I think from my perspective, the key point there to keep in mind is that the decline in quarter three for Spain is in a part of the market that is, also from a profitability point of view, one of the more profitable parts, which is the primary education in Spain. So that is, I think, where we see the headwinds also in the profitability side.

Sami Sarkamies: Okay. Thanks. And then, regarding Media Finland, you achieved a €7 million profit improvement in the first half. I think previously you have expected are also improvements during the second half as you will still benefit from cost tailwinds. Why are you now so cautious regarding the second half? You did well on the advertising front in the second quarter.

Rob Kolkman: I think the key thing for me there is around, if you look at the Finnish advertising market itself and also the Finnish economy, that there are no signs for us there at the moment that it is actually improving. So for example, quarter four, to be better, you would also expect that to become slightly better than currently the forecast is. So that's why we are saying the way we currently see it, more of a similar performance in the second half of the year.

Sami Sarkamies: Okay. And, finally, can you maybe elaborate a bit on the advertising success you had in the second quarter? What were some of the reasons for that? I mean, you're still heavy on print media, but you were able to grow faster than the market.

Rob Kolkman: Yeah. There are a few things to mention there. One is, it is driven by our focus on the digital, in particular, of course, TV as well. We also see with some of our customers that we are leading the way towards digital, which means yes, they are going faster down on print, but we're actually working with those customers very well to have their overall spend even move more to us. And that is also good to keep in mind, there was a small acquisition as well in the comparable numbers, which I think had roughly €0.5 million or so impact on the numbers. Yeah.

Sami Sarkamies: And maybe final one for Alex. You were a bit downplaying at the free cash flow improvement during first half. How much of that €26 million improvement is driven by pure timing?

Alex Green: Look, I'd say a large part of it is to do with the reduction in inventory levels, which kind of, you know, is a timing impact. And also, the very strong cash collections we got at the back end of June. And so, we were as last year, we targeted H1 point to try and do as well as we can to reduce interest payments and to get our debt down. And we got there and I'll say we got the whole team mobilised last year and again this year to try and optimise the working capital. And we were very pleased with the results we did. It's almost a slightly separate exercise to think about full-year cash flow where we're at a different cycle at that point. But we're pleased with where we are at the moment and still focused on having similar levels of cash at the end this year and then improving it in 2025 and 2026.

Sami Sarkamies: Okay. Thanks.

Pia Rosqvist: It's Pia Rosqvist from Carnegie. I'm interested in understanding, do you see any evidence of you taking market share? I'm now interested in both segments. In Learning, I think you explained that on a customer-by-customer basis, it's too early to draw that conclusion, but how about in Media Finland? Are you taking market shares?

Rob Kolkman: Yes. So we saw in quarter one a bit of regaining of market share that we had lost in the previous year. And I think, I highlighted that in the quarter one results, that it is there to stay. So, we saw that still being the case also for the half-year, but that was more stable in the market share perspective. Looking through all the kind of changes.

Pia Rosqvist: And just to clarify, so in Learning you're not seeing or it's too early to draw the conclusion that you would take market shares?

Rob Kolkman: In Learning, the cycle is such that we have now indications on indeed ordering and, of course, the Nordics is a good example where most of the orders are actually in, right, but we do not know how our competitors perform. We only see that when we see the full-year numbers, which normally is even not until January, February. And only then you can really draw more firm conclusions on market shares.

Pia Rosqvist: Thank you. And then a question regarding the in-market acquisitions you mentioned. We haven't seen much of those yet, but what is your ambition level? Should we expect to see them towards the end of the year?

Rob Kolkman: Well, we never comment specifically on that, of course. But it's very firmly in our focus. Right, because we strongly believe in some of our markets. There is a real benefit from in-market consolidation, making the scale work even more. So, we're very focused on that. But that's of course happening all behind the scenes until we can say anything about it.

Pia Rosqvist: Thank you.

Kaisa Uurasmaa: Thank you, Pia and Sanna, please go ahead.

Sanna Perälä: Hi. Sanna Perälä from Nordea. I have a couple of questions. First, regarding the personnel costs, which were down year-on-year. Could you elaborate more on what's the mix between personnel cost inflation, salary inflation versus lower head count you had?

Alex Green: All right. So, we are seeing, as we said, some of the Solar impacts coming through and it was €2 million to €3 million in H1. If I think about full year, there's sort of three things and you mentioned three things, really, or two of them you mentioned happening. We have the salary inflation coming in. We have the Solar impacts coming in. And we also have the divestments, which sort of reduced the head count slightly. So net-net, those things we're seeing being slightly low in H1. The salary inflation will come in more in H2. But net-net overall, I expect us to be at a similar or slightly lower level at a full-year.

Sanna Perälä: All right. Thanks. That's very clear. Then, a couple of questions regarding Q3 in Media Finland. So, if I understood correctly, you will have less events in Q3 versus last year?

Rob Kolkman: That's correct. The two that moved. Yeah.

Sanna Perälä: All right. Thanks. And then those subscription sales. So, you mentioned the trend is still there from Q1. Do you expect that to continue in H2 as well?

Rob Kolkman: As far as growth is yes. Because, of course, there's positive momentum there. It will of course, increasingly be at higher comparable numbers. Right. So, from that point of view, the percentages might change a bit, but the underlying growth is definitely there. Yeah.

Sanna Perälä: All right. Thank you. That's all for me.

Kaisa Uurasmaa: Thank you, Sanna. Any further questions from the audience? Petri, please.

Petri Gostowski: One additional question. I recall you mentioned that Stark divestment impact was €1 million in Q2. So, can you clarify how Q3 weighted business-wise?

Rob Kolkman: Yes. So, I think in total, it will go to €14 million? €14 million. So it's an exam preparation material. It was. Right? So, it follows a cycle in the German market and that's why we're so low in quarter two. And then you will see the remaining part of the €14 million happening mostly, if I remember correctly, in both quarter three and quarter four.

Kaisa Uurasmaa: Yeah. Quarter four is also large because the end exams of the first semester basically take place then.

Petri Gostowski: Got it. Thanks.

Kaisa Uurasmaa: Okay. If no further questions from the audience, we actually move to the chat. I understand that there are no questions at the moment from the telephone line either. We can come back to that if there are, later on.

From the chat. So the first question is about the Spain and the Dutch distribution business impact in Learning for this year. Could you please recap that once more? That how do we see the status of that now for the full year?

Rob Kolkman: Yes. So, I think that view is unchanged for both. So that means in Spain, we will see the lower curriculum. And on the low distribution contracts that we stopped, that's in the order of magnitude of €20 million to €30 million.

Kaisa Uurasmaa: Thank you. And then considering the solid H1, we keep our guidance for the full year unchanged. So what – again, a recap maybe on the key factors that are kind of impacting us not to do anything on the guidance based on this.

Rob Kolkman: Yes. So let's start with the point that we are happy with the good first six months. Right. That is encouraging to see in both of our businesses. If you then look at Learning, there is the core element in quarter three around Spain and the exact impact there, of course, is always difficult to predict. But that's one. And on the Media side, it is around the advertising and also what we've touched on earlier with regard to the fact that the Finnish market, we still continue to see a slight decline.

Kaisa Uurasmaa: Yeah. Thank you. And then the next one is about working capital. Alex, why were you not able to replicate the solid working capital management seen in H1 last year? And how should we think about the phasing in Q3, Q4?

Alex Green: Well, I'm very happy with free cash flow results we did do in H1. And a lot of the efforts we made last year in terms of lowering inventory, in terms of collections were replicated this year. The one thing that was different and we highlighted it was the prepayments from the Dutch distribution business. And that's because we came out of a lot of loss-making contracts. And therefore without those contracts, there is no prepayment, clearly.

And so, that's the one thing that was different year-on-year. So I think aside from that, I'm pretty happy with our working cash management so far in the year. And there is, obviously, timing impacts, you know, if you are successful in the first half that in things like collections. You know, it does have the opposite impact in Q3. So there will be, you know, a difference in Q3. But when we represent Q3 year-to-date, I still expect it to be sort of on track to where we're guiding.

Kaisa Uurasmaa: Thank you. And then, there was a question about the significant business risks impacting Q3, Q4 results. I think you just went through those impacts. And there was a question on M&A that we have also already covered. Then the next one is about price increases.

Any early comment on the upcoming price increases for 2025? And this doesn't specify segments, so I think it applies to both of them.

Rob Kolkman: Yes, yes. Maybe start with Media. There, it is an ongoing process to see and very carefully consider product by product what we can do. And we have seen, of course, modest price increases there over the last few years. And we will continue to focus on that, but it's very difficult to pinpoint a percentage on that. In Learning, of course, we have seen last year the 5% to 6% on average, which again, if it changes for this year, we have already indicated it's more around the 4% to 5%, which is still above inflation in our markets and, therefore, also helping with, you know, over the period of two years increasing. Getting back to the margins we had before.

It is too early to say what that will be for 2025, other than of course, that some of it is a flow-through from the prices we now have put in. And that is also to do with the fact that you see in some of our markets, governments making decisions around VAT and all those kind of things we also need to carefully take into consideration.

Kaisa Uurasmaa: Thank you. And then coming back to the salary, inflation and the personnel costs. Will the salary inflation put a pressure on the profitability for this year?

Alex Green: So, as I said, the three factors we talked about. So we have salary inflation coming in, which clearly, you know, is in the P&L. We also have the early stages of the actions we've taken on Solar, which give us an advantage as we go forward and more so in 2025 and 2026, as if you remember, some of the actions we take have to do with people whose costs go on the balance sheet for a while and then get depreciated. And then the third factor is the divestments, which sort of bring down our head count and have an impact as well. And net-net overall, I see us having relatively similar to slightly lower people costs in total for the year.

Kaisa Uurasmaa: Thank you. And then there are two questions about the prioritisation between profitability and growth. So, Rob, would you like to kind of maybe recap the 2024/2026 focus areas and if you have any comment on the kind of balance between the three different areas.

Rob Kolkman: Yeah. We want both is the short answer to that one. And it's also important if you think about it. So, clearly, with everything we are doing, both in Media and Learning around improving the profitability, those are very big and important steps. Solar in Learning, but the ongoing cost management that we are taking in Media is also very important, and the team has been successful on that for years. So that will continue.

Clearly, the longer-term success is also dependent on the organic growth and improving that organic growth and acquisitions that we just touched on earlier and, particularly, in-market acquisitions can help with that. So we are, as management, focusing on both. And that, of course, will also help with the third point, which is the deleveraging of our balance sheet of which you, if you purely look year-on-year at this point, have seen some good first steps as well.

Kaisa Uurasmaa: Very good. And a question on digital innovations. How big a role do innovations have in both businesses, basically? And is there anything exciting in the pipeline?

Rob Kolkman: I think there are a lot of exciting things happening around digital innovation. If you think AI, for example, in our Learning part, the sort of early test that we do around personalised learning and also working with the teachers on that is still, you know, very important. But it takes time to do that because, of course, it doesn't change overnight the way a teacher in primary education works with that.

In media, you see the same happening when you think about how do you, in journalism also use, for example, AI. And if you look at our core websites, you see constant improvements there on the audience interaction as well. So, a lot of different things happening. And particularly AI over time and generative AI, really is a great opportunity for us to also further support, particularly in Learning also the teachers and students.

Kaisa Uurasmaa: Very good. Thank you. Then the question that we often got is that are you happy with the current capital structure of the group or should we expect that to significantly change?

Rob Kolkman: No. We're very much happy with that. And also the way the Chairman focused on that in the AGM is very much the case. We focused on both our businesses with clear strategies and that is what we continue to do.

Kaisa Uurasmaa: Okay. And then, the final question: any new ESG initiatives planned for the near future?

Rob Kolkman: Well, the thing that immediately comes to mind is that there's a lot of reporting happening. But actually, underneath it, if you think about inclusive learning, if you think about all the elements of ESG, I think there's a lot going on within the business. Ultimately, you see that also reflected in, you know, in new products, new solutions, both in Learning and in Media. But I know and you are very much involved in that. There's a lot happening on the new regulations as well.

Kaisa Uurasmaa: Yeah. True. And we, of course, have clear targets for the ESG topics and are taking, you know, small steps towards those targets. So that takes place all the time basically.

Kaisa Uurasmaa: Yes. I'm scrolling through once more if there was anything that I missed. And do we have anyone on the telephone line at the moment? No. I think that we have concluded the questions from the chat. Anything from the audience here at Sanoma House? If not, we start to conclude the presentation.

Just a reminder of the next report that will be published on the last day of October. So, thank you for participating today. And of course, at IR, we are happy to continue the discussions afterwards and wishing everyone a good day. Thank you.