Transcription

Full-Year Result 2024

00:00:01 - 00:00:57
Kaisa Uurasmaa:
Good morning, everyone, and welcome to Sanoma's full-year 2024 results presentation. My name is Kaisa Uurasmaa. I'm heading Investor Relations and Sustainability at Sanoma. Our operational EBIT increased, and free cash flow improved strongly in '24. Today, we have the President and CEO, Rob Kolkman, and CFO, Alex Green, to tell you more about the results. After their presentation, we will have a Q&A session. First, we will take questions from here at Sanoma House. Please wait for the microphone. Then we will hand it over to the telephone line, and then you can also use the chat function in the webcast for questions. The presentation, including the Q&A session, will be available as a recording on our website after the event. With this, I would like to invite Rob on stage, please.

00:00:58 - 00:02:03
Rob Kolkman:
Thank you very much, Kaisa. Good morning, everybody. It's my pleasure to present the full-year 2024 results to you. As Kaisa already mentioned, it is really characterised by increased operational EBIT and also that strong free cash flow improvement. Before I go into all that, I thought it might be good to take a look at what we said at the time of the Capital Markets Day back at the end of '23, on the mid-term targets that we highlighted there. I'm very pleased to see that we are making continued good progress towards them. That is around the increasing profitability for both Learning and Media Finland, particularly in a year like '24 on the margin side, but also the improving cash flow generation. This has helped a lot as well with the third point, which is strengthening our balance sheet, where we are now well within our range on the net debt over adjusted EBITDA of below three. I'll touch later on what that also means for our continued ambitions to grow, also on the M&A side.

00:02:04 - 00:02:57
Rob Kolkman:
I thought it was good to give this perspective a bit, looking back at what we said at the time and the good progress we are making in those key areas. We now look at the full-year results. The sales side is very much a continuation of what we've been saying throughout the year and also at the end of the quarter three already indicated that the top line would decline slightly. It's mainly due to the planned discontinuation of those low-value learning material contracts in the Netherlands and Belgium. There is also the element of divestments in both Media Finland and Learning. The operational EBIT improved and also higher margins, both in Learning and in Media Finland. I touched on the stronger free cash flow that is really driven, and Alex will talk about that later, by the higher results, the EBITDA, and also lower investments.

00:02:57 - 00:03:58
Rob Kolkman:
It's a really fundamental improvement there on our free cash flow. Also, I'm pleased to say that Program Solar, the core actions, have now been materially completed. We already indicated that at the end of quarter three, and that has now happened. I'll touch on a couple of the key points in a minute as well. The balance sheet deleveraging continued now improved to 2.2. Again, Alex will give some more highlights on those elements. The board proposes everything considered a dividend of €0.39 which is €0.02 above last year to be paid in the usual three equal, now, instalments. In the outlook for '25, it's mentioned here already. I will touch on that more in-depth in a minute, but that is an expected net sales of between 1,28 and 1,33m€ and an operational EBIT between 170 and 190m€ with this year's results, '24 results being really in the middle of that. I'll come back to that in a minute.

00:03:58 - 00:05:05
Rob Kolkman:
Let's now zoom in on Learning and Media separately, starting with Learning, and there because Learning has the main-- quarter three is the big one. Quarter four is very much a continuation of what we highlighted. The impact of the distribution contracts is about 28m€ in 2024. It's also good to see that Spain if anything ended up slightly better in quarter four with the returns than we thought. Overall, Spain declined because of the lower LOMLOE was more than offset by the growth in our other learning content markets. That underlying growth is there in '24 particularly driven, as we already highlighted by Poland and the Netherlands. Also, '24 was still a year of above-price average price increases, which you also see reflected in the numbers. It's also good to be aware that the development of stock has now had its full-year impact of 14m€, of which 5m€ was in quarter four. We're pleased to say as well that we did a small acquisition here in Finland.

00:05:05 - 00:06:01
Rob Kolkman:
The secondary education methods from Edita we acquired, of course, are very small, but they fit very nicely into the highly synergetic kind of acquisitions we want to do in our markets. If you then go to the profitability side, there you see stable operational EBIT. If you take into account the divestment of Stark, the numbers would be slightly positive but limited, so let's say overall stable. Trends are very much the same as what we highlighted before. The net sales decrease in Spain was of course profitable, very profitable sales coming down. At the same time, we saw lower paper and personnel costs, price increases, and also slight growth in the other learning content markets, supporting very much the earnings there. As a result of that slightly lower top-line topline and stable overall operational earnings, we saw the margins improve to 19.2 percent.

00:06:01 - 00:06:52
Rob Kolkman:
Let's now zoom in on Program Solar. As I mentioned, we have materially completed Program Solar with regard to the actions. This is also the last time we will show it in this format because we are now really above 80 percent with all the actions taken. That puts us in a really good position to deliver those efficiencies in 2026 of 55m€, which of course is a key supporter for reaching our long-term target of 23 percent in 2026 as well. The first impacts were visible already in 2024 on the free cash flow, and also on elements of the cost base that we'll touch on as well. The streams have very much stayed the same on Program Solar. A big part that we highlighted at the end of quarter three was that we were in the middle of doing a reorganisation.

00:06:52 - 00:07:47
Rob Kolkman:
The second phase of the reorganisation in Spain was a very tough one, but a very necessary one as well, which already at the time was reflected in the IACs, but not yet in the percentage. A big part of the increase in percentage now is due to that. There are still things to be done in that remaining 18 or so percent, and they are across the different parts here. For example, the continuing growth of our nearshoring in Poland, in Spain, but also some other optimisations in the support functions, will continue, but materially this is done. From now on, the focus very much is on showing that it is reflected in the cash flow, particularly from '26, and also our curriculum increases. You will see that fully reflected in our operation EBIT as well. Let's now zoom in on Media Finland. The net sales there ended up for the full year at 581m€.

00:07:47 - 00:08:45
Rob Kolkman:
The trends there are very much the same that we've been highlighting for some time, which is there is good growth on the digital side, both in subscriptions and in advertising. At the same time, we see the decline happening mainly the advertising sales in newsprint and TV. That was also visible in quarter four which as you all have seen the total market was also a weaker advertising market in Finland. On the subscription sales, the growth thereof is three percent, a really good development of Ruutu+ throughout the year, but also the digital new subscriptions continue to show good growth. Regarding the other lower other sales events and external printing sales, there is nothing new there. That was already reflected previously in the numbers as well. Also, it's good to be aware of the portfolio changes of about 10m€ for the full year on the top line.

00:08:45 - 00:09:44
Rob Kolkman:
On the operational earnings and margin, we saw there for the full year the improvement to 8.2 percent, again driven by the same similar kind of trends. The growth in digital subscriptions was more than offsetting the decline in print. The growth in digital advertising sales, which of course offset the decline in print, there as well. We still see lower paper costs, declining prices, and volume have an impact there. Then we're very pleased to see how Pia Kalsta and the team are constantly working on further improving the operational efficiency, and that in '24 also again had a positive impact, especially on the personnel cost. With all that considered, it comes back down to the board proposal for the dividend of €0.39, an increase of €0.02, with equal instalments now proposed of €0.13 in three instalments.

00:09:44 - 00:10:47
Rob Kolkman:
That represents about 64m€ in cash and about 44 percent of our free cash flow. The increasing part, and it being between 40 and 60 percent, makes that firmly within the dividend policy that we have. That's around '24 and sort of the key elements are very much a continuation of what we saw already in quarter three. Let me now give a bit more context to the outlook for '25. There is a similar setup to what we did for '24. Let's look at both

businesses separately and look at the key elements there. Twenty-five is the last year when we still see the net sales on the Learning side somewhat declining, and there are two factors at play there. The first one is around the ongoing discontinuation of the low-value distribution contracts. We already indicated at the end of quarter three that we would expect that to be in the similar range that we saw in '24, so between 25m€ and 30m€.

00:10:48 - 00:11:53
Rob Kolkman:
That is reconfirmed here. We see the last phase of the lower cycle in Spain, but that is more than offset by the growth in the other learning market. Here we will also see some elements of the cost base, which is largely driven by Solar, leading to that slightly improving margin in the year before the larger curriculum renewal. This '25 is the last year before you will see the organic growth really step up as a result also of the curriculum renewals and all the hard work around growth organically in our business. That leads to the Learning part to slightly lower net sales, but stable operational earnings and therefore logically slightly improving margin for the full year. On the Media Finland side, we expect a continued modest growth in subscription sales, again driven by digital and also by considerate price increases. The second part is slightly lower B2B advertising sales. The trend will continue there of growth in digital but lower print and TV.

00:11:53 - 00:12:48
Rob Kolkman:
It's good for TV to be aware of the fact that we have ended the deal with Disney on the reselling of their advertising. There's a much lower profitability, but it has an impact on the top line, which we factored into the forecast as well. Also, here we will continue to see efficiency improvements driving that stable operating earnings expectation. Again, logically speaking, there's a slightly improved margin as a result. Overall also on the Media Finland side, there are slightly lower net sales, stable operational earnings in absolute terms expected slightly improving margin as a result. That's reflected here then in the overall outlook that we published today, with that revenue being between 1.28 and 1.33 and the profitability EBIT excluding PPA between 170 and 190m€.

00:12:48 - 00:13:50
Rob Kolkman:
The assumptions we have summarised are as follows. On the Learning side, the demand will be relatively stable across the market. That is reflecting my comment around some decline still in Spain and growth in other ones, more or less seeing that stability in demand. Regarding the advertising market in Finland, we expect the full year to be relatively stable. If I look at where we stand today with the advertising market, then that is still slightly declining. We expect that throughout the year will improve and therefore, for the full year, be relatively stable. I think that's it about the numbers. Then I would like to end by talking a bit about our ambitious strategy for growth that is firmly in place. I'm very encouraged by what we have seen this year and also the improvement in the deleveraging of our balance sheet, therefore creating space for further growth.

00:13:50 - 00:14:57
Rob Kolkman:
We will stay very firmly focused on increasing our profitability and free cash flow in both Learning and Media. Growing organically in Learning, which will mainly happen from '26 onwards. You will then really see it in our numbers underlying. There's already a bit going on there. If anything, the digital transformation in Media Finland, we remain focused on accelerating further and also successfully. A core message as well is around M&A. I think with the steps we've taken in '24, we are really in the position to continue to focus on the in-market consolidations, but also firmly, if bigger acquisitions value creating one coming up, we are very firmly focused on those as well, and we would love to continue to grow the business going forward with that M&A in mind as well. Of course, all that with meeting the leverage and equity ratio targets and also the dividend policy firmly in mind. That's it for now. I'm sure we'll come back to some key elements in our Q&A. Let me now hand it over to Alex to talk you through the financials.

00:14:58 - 00:15:50
Alex Green:
Thank you, Rob. Thank you. It's good to see you all here again. Let's go through the financials and start as usual with the operational EBIT for Q4 specifically. As you can see here, it was a very consistent year with last year with -27 in both years. There are some offsets in both of the main businesses on the Learning side, a favourable business mix. We have the discontinuation of low-value contracts in the Netherlands and Belgium, with some lower variable costs offset by that investment of Stark. Now, Stark had its profitability in '23 and very skewed to Q4. It did have an impact here, offsetting that positivity. On Media Finland, as we've heard, there is a growth in

digital subscription sales that we're very pleased with plus the lower paper cost and personnel was offset by the weaker advertising sales that we saw at the back end of the year.

00:15:50 - 00:16:40
Alex Green:
Then the other & elimination is relatively stable. We expect that cost base to continue to be similar going forward. If we look at the key income statement table, we can see here a significantly improved EBIT. If you look at the last two columns, which are the full year, the EBIT goes up by 30m€ impacted by the operational EBIT up i5 and then also lower IACs of €20 million lower in 2024. You see on the left-hand side the two main items within there that we've talked about throughout the year, the Solar restructuring costs and also the impairment of €29 million. This is linked to the discontinuation of the low-value contracts. Net financing items, the interest costs within that went up slightly now.

00:16:40 - 00:17:20
Alex Green:
Overall, the average interest rates went up because we repaid a very low-interest bond at the beginning of the year and replaced it with a very competitive but slightly higher rate at four percent. A social bond in September, the overall debt level has come down, as you'll see, but a net that increased the financial items, which took us to a result for the period significantly better than 2023. We focus then on the strong free cash flow improvement. As you can see on the table on the top right, we went from 105 to 145m€. The big impacts are coming from the higher result, the EBITDA, and also the lower investments. In terms of the investments, there are lower and more efficient investments.

00:17:20 - 00:18:22
Alex Green:
You can see this, particularly in the pre-publication costs in Learning, which is partly driven by our Solar initiatives and then also lower investments in TV programme rights within the Media Finland business. We also had lower taxes paid, partly offset by the higher financing costs today that I talked about. As we look forward to 145 in 2024, we expect that to further increase in 2025 with some further working capital improvements there as well. Rob talked about the progress we had in the leverage and net debt. Net debt came down to 569m€ at the end of the year from 640m€ last year. That with the improved EBITDA reduced our leverage to 2.2 well below the 3 target that we have equity ratio up at the top end of our target range at 45 percent. Therefore, it's continuing to progress in what we say at the capital market and deleveraging the balance sheet.

00:18:22 - 00:19:23
Alex Green:
As Rob was saying before, it's putting us in a great position for M&A, where we are increasing the capacity as we go forward. Finally, just to show again the maturity profile of external debt here. It is much improved due to the actions we've taken during the year, extending the maturity of the revolving credit facility of 300m€ to or another year to November 2027. Also, as mentioned, the 150m€ social bond, has a three-year maturity and, therefore, matures in 2027. It helps that profile, and that together with a solid performance in our ESG-ratings during the year and our leverage that we talked about puts us in a great position going forward. There are the financial slides, I'll welcome my colleagues back to the stage, and we will go to the Q&A.

00:19:28 - 00:19:46
Kaisa Uurasmaa:
Thank you, Alex. Thank you, Rob, and we are happy to take questions. As a reminder to the webcast, please use the chat function to ask questions, but we start from here at Sanoma House. Maybe Sami from my right-hand side, please wait for the microphone.

00:19:48 - 00:20:11
Sami Sarkamies:
Okay. Thank you. Sami Sarkamies, Danske Bank. I have four questions. We'll take these one by one. Starting from the guidance assumptions, what kind of macroeconomic conditions do you assume for Media Finland based on your assumption for stable advertising media markets? You don't seem to assume much growth in your forecast.

00:20:12 - 00:20:39
Rob Kolkman:
I think if you look at the forecasting there, I look at the same numbers that you do look at, which is a slight economic growth, for Finland assumed. If I purely zoom in on what it means for the advertising side, then what I mentioned earlier is we expect effective and therefore an improvement in the situation throughout the year. However, we are starting still from a base that currently is showing decline rather than stability. That's sort of the way I look at it.

00:20:40 - 00:20:50
Sami Sarkamies:
Okay. Then I'm moving on to Learning, what kind of price increases does your forecast assume relative to typical price increases?

00:20:50 - 00:21:18
Rob Kolkman:
Yes. Of course, for the last two years, we saw the above-average price increases to compensate for the high inflation two or three years ago. We are now going back to what we consider more normalised price increases, which is, in most of our markets, just slightly above the inflation rate. If you were to put that in percentages, it's more about that three percent, three, four rather than the four to six that we saw over the last two years.

00:21:20 - 00:21:45
Sami Sarkamies:
Okay, thank you. Then moving on to your EBIT guidance, it looks a bit cautious, especially when looking at the lower end of the range, 170m€. You did 180m€ last year. You're assuming stronger advertising media markets. You will see additional benefits from the Solar program. What would take you to €170 million this year?

00:21:46 - 00:22:09
Rob Kolkman:
I think you already touched on the key point there which is if you think about the advertising market, we are now standing-- What is it, mid-February? It's not even-- That's the biggest risk and uncertainty that we have. To your point, what would it take to get to 170m€ indeed that would be lower than what we are currently in the mid-range expecting.

[silence 00:22:06-00:22:09]

00:22:09 - 00:22:23
Sami Sarkamies:
Then finally, on the cash flow outlook for this year, can you be a bit more specific on what kind of improvement we could expect? I think you already mentioned that it's coming from working capital.

00:22:24 - 00:22:39
Alex Green:
Yes, 105 to 145m€ this year, I'm not expecting it to jump the same amount. I'm expecting it to be somewhat above the 145, but not necessarily significantly above at this point.

00:22:39 - 00:22:40
Sami Sarkamies:
Okay. Thank you.

00:22:41 - 00:22:44
Kaisa Uurasmaa:
Thank you, Sami. Nikko, please continue.

00:22:44 - 00:23:21
Nikko Ruokangas:
Yes. Nikko Ruokangas from SEB. Thank you for the presentation. I have also a couple of questions, and maybe I should start with guidance and outlook for Learning. As you are expecting slightly increasing margins, but stable earnings there, as you are cutting some low profitability contracts, you already technically have improved margins there. Are you not expecting any kind of benefit from the Solar Program already this year?

00:23:22 - 00:24:00
Rob Kolkman:
There are some benefits from the Solar Program in there, particularly, Alex I think, highlighted as well on the personnel cost that we would see. Twenty-five is the last year when we are still at the lower end of the cycle. I think the bigger impact there is around the fact that the combination of Spain with the other markets is, as I say, more or less stable to slightly increasing. Then it will depend on where it exactly ends up, and to what extent the margins improve. We currently expect mainly due to the logic that you highlight as well, with the top line coming down because of the low-value contracts, that the margin will improve as a result of that mainly.

00:24:01 - 00:24:26
Nikko Ruokangas:
Yes, I understand. Thanks. Then on the balanced side, you showed that your leverage has come down, and you also highlighted some possibilities for continuation of acquisitions. How comfortable would you be with not only doing bolt-on acquisitions but also bigger ones, given that your leverage is still close to three with the hybrid?

00:24:26 - 00:24:28
Rob Kolkman:
You can go for the hybrid.

00:24:29 - 00:25:0
Alex Green:
The hybrid will be repaid in early 2026. With the increased cash flow that we expect to generate as well, we will continue to deleverage through 2025. We have in the past talked about having the capacity to do an acquisition, the bolt-on in-market ones of similar size to the Pearson one we did a few years ago. We now, with the better position, believe we can do a higher one as well and still be in a good position at the end of the year and going into next year to repay the hybrid bond.

00:25:06 - 00:25:07
Nikko Ruokangas:
All right.

00:25:07 - 00:25:19
Rob Kolkman:
Maybe one other comment on that. Knowing that these things always take time, we are as management very firmly focused on both, the end market and the new acquisitions in other markets.

00:25:20 - 00:25:43
Nikko Ruokangas:
Yes, thank you. Then on the cash flow side, you said also lower prepublication rights, broadcasting rights, and so on in '24. Do you feel that they are still coming down in '25 due to Solar impacts, or was the bottom in 24?

00:25:46 - 00:26:17
Alex Green:
The biggest impact on the prepublication rights will be in 2026, in terms of a margin perspective, as we ramp up in the volumes, as you have the curriculum changes coming into 2026. We have made our prepublications costs more efficient, and that's why we saw an improvement. I expect them to be at relatively similar levels, slightly down, but relatively similar as we build up towards 2026. When the volumes go up, the unit costs will be lowered, and therefore we'll see the benefit there in 2026.

00:26:17 - 00:26:44
Nikko Ruokangas:
Okay. Then the last one from me. Sales guidance indicates, if I remember right, roughly €15 million to €65 million decline in '25. Is that mainly driven by the ending of low profitability distribution contracts, or are there any kind of other larger items you expect to come downwards?

00:26:46 - 00:27:22
Alex Green:
At the group level, we see going into 2025, a similar level. We said 28m€ revenue drop in '24. Based on the discontinuation, we see similar levels. We said 25 to 30m€. We also on the Media Finland side have the Disney

contract which is no longer applicable. It was in the high teens, around 17m€. That will come down, although at an EBIT level that was a fairly low-margin business case and contract. We will offset the EBIT of that in different ways, but those are the things that impact the revenue side.

00:27:23 - 00:27:25
Nikko Ruokangas:
All right. Thanks. That's all from me.

00:27:26 - 00:27:30
Kaisa Uurasmaa:
Thank you. Pia, please.

00:27:30 - 00:27:49
Pia Rosqvist:
Yes. Hello. Pia Rosqvist from Carnegie. I have a few questions. If I start with the balancing, I think you discussed it already. Regarding the balance between M&A versus paying back your hybrid bond, I get the impression that you are very firmly committed to paying back that bond.

00:27:50 - 00:27:51
Rob Kolkman:
That is correct.

00:27:51 - 00:27:55
Pia Rosqvist:
Yes, but it will not limit your capability to do larger?

00:27:56 - 00:27:57
Rob Kolkman:
Correct. It's both.

00:28:00 - 00:28:07
Pia Rosqvist:
Regarding the M&A if we talk about regions, do you have ambitions also outside of Europe?

00:28:08 - 00:28:24
Rob Kolkman:
If you look at the M&A, our focus is firmly on K12. That can be in Europe, and it's obvious that there are certain markets where we would love to play a role, but K12 is the focus. If the right one comes along that is outside of Europe, we would also seriously consider that.

00:28:26 - 00:28:44
Pia Rosqvist:
Okay. Thank you. Then I'm wondering about the lower paper costs you referred to. I think you said earlier in the year that most of that benefit has already been captured, but can you quantify the effect of lower paper costs?

00:28:44 - 00:29:19
Alex Green:
In 2024, on the Media Finland side, we saw a €10 million lower cost in a paper, although two-thirds of that came from a sort of volume decrease. The other third came from the sort of unit price decrease. Impact on Learning was about €7 million there. As we go forward into 2025, we're expecting paper costs to go up slightly with inflation. We will continue to see volume decreases on the media side, Media Finland side, as we continue with the digitalisation and relatively stable volumes on the Learning side.

00:29:20 - 00:29:32
Pia Rosqvist:
Thank you. With regard to the Solar Program, have you seen opportunities to do more than you are currently targeting?

00:29:33 - 00:30:05
Rob Kolkman:

Yes. When you do a big programme like this, there are always things coming up where you think there's an additional opportunity here. I think the big one that we also highlighted was the restructuring basically, and setting it up for the growth of the Spanish business that we have. There I think Alejandro Costa and the team have done a great job in really going further. They originally thought about how can we now really set it up for further growth, so that's an example. The other one is where we constantly are challenging ourselves, can we do more, can we do differently, is also on the harmonisation of the platforms.

00:30:05 - 00:30:35
Rob Kolkman:
We know that it is a multi-year approach, and you will never really be finished. The new elements constantly pop up and not to be underestimated, the possibilities, certainly in the medium term of the use of AI in all kinds of business is also something that was less clearly pronounced when we started Solar. That will continue, but that is then more in our business as usual rather than calling it still Solar. I think in that part where we're saying that what we have planned to do is materially completed now.

00:30:36 - 00:30:49
Pia Rosqvist:
Thank you. Regarding Media Finland, the gambling market legislation is in change. Do you have any expectations of an impact for this year, or is it more next year or even beyond that?

00:30:50 - 00:31:06
Rob Kolkman:
Yes, our best estimate is certainly not this year. It might be the second half of '26 or more like early '27. At the moment, I think if you were to ask it as of now, it's more the second half of '26 where the expectations are.

00:31:06 - 00:31:26
Pia Rosqvist:
Okay. Thank you. Then finally, regarding Media Finland, looking at the constant restructuring costs and listening to your message, one should conclude that they are continuing. We should expect to see continued restructuring costs in Media Finland.

00:31:27 - 00:31:48
Rob Kolkman:
I think the key thing there is that Pia Kalsta and the team are constantly looking and indeed of better ways to operate, dealing also there with the opportunities that AI deliver. In line with what you're saying, I would expect that to continue. That's also logical if you think about an organization that is going through such a transformation effectively from a business model point of view as well.

00:31:49 - 00:31:50
Pia Rosqvist:
Thank you.

00:31:50 - 00:31:54
Kaisa Uurasmaa:
Thank you, Pia. There are further questions from Petri, please.

00:31:54 - 00:32:05
Petri Gostowski:
Yes, Petri Gostowski from Inderes. Just a clarification on the '25 free cash flow, can you discuss how you expect your investments to develop this year?

00:32:06 - 00:32:19
Alex Green:
We're expecting relatively stable investments going into 2025 and the cash flow will increase due to further improved working capital management.

00:32:21 - 00:32:35
Petri Gostowski:
I hope I'm not going ahead of myself, but then thinking about '26 regarding free cash flow. Obviously, you're

saying Learning will improve profitability. It will be a driver, but what should we expect on the investment side in '26?

00:32:36 - 00:33:06
Alex Green:
I think you're talking about the '26 cash flow. If you think of profitability improvement and of getting past the Solar IACs where we still have an element in 2025 that's going to have a positive impact. The absolute level of investments in pre-pub will go up with the higher curriculum change, but the unit cost of it, so the efficiency and therefore margin impact, will be higher.

[silence 00:33:02-00:33:06]

00:33:06 - 00:33:07
Petri Gostowski:
I'll leave it here. Thanks.

00:33:07 - 00:33:23
Kaisa Uurasmaa:
Okay. Thank you. Are there any further questions from Sanoma's House audience? If not, I would like to hand over to the telephone line if we have any questions there.

[silence 00:33:20-00:33:23]

00:33:23 - 00:33:56
Operator:
If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. [silence 00:33:36-00:33:49] There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

00:33:57 - 00:34:01
Kaisa Uurasmaa:
Thank you. We have a few more questions from Sanoma House. Sami, please.

00:34:01 - 00:34:12
Sami Sarkamies:
Sami Sarkamies, Danske Bank. One more question. What are you expecting in terms of one-off costs in '25 and '26?

00:34:13 - 00:34:16
Alex Green:
In terms of IAC costs?

00:34:16 - 00:34:16
Sami Sarkamies:
Yes.

00:34:19 - 00:34:54
Alex Green:
On the Learning side, we still have €5 million to €7 million remaining of Solar IACs. We did €17 million in '23, '22, and '24, and we'd settle it'll be around the 45 mark. The remainder bit of that we'll also have a modest amount of IT reset costs in there and some potentially smaller restructures. Then on the Media Finland side, we talked about continual process improvement, and continual efficiencies, which will potentially trigger €5 million to €10 million on that side is that kind of level. [silence 00:34:51-00:34:54]

00:34:54 - 00:34:56
Sami Sarkamies:
How much would be the total, roughly?

00:34:59 - 00:35:20
Alex Green:
If you add all that up, it's under €20 million, but this is the stuff that you can plan upfront. You also get potentially through the year. We obviously do our impairment checks all the way through and these things get impacted by business decisions, but that's the stuff that is ongoing and kind of planned.

00:35:21 - 00:35:27
Sami Sarkamies:
I'm assuming no impairments, about €20 million this year and I guess about €15 million in '26.

00:35:29 - 00:35:33
Alex Green:
I haven't got that fast to thinking about '26 in that sense, but that's about--

00:35:33 - 00:35:34
Rob Kolkman:
Yes.

00:35:36 - 00:35:36
Sami Sarkamies:
Okay. Thanks.

00:35:36 - 00:35:43
Alex Green:
Less than 20. [silence 00:35:37-00:35:43]

00:35:43 - 00:35:44
Pia Rosqvist:
Hi, it's Pia.

00:35:44 - 00:35:44
Kaisa Uurasmaa:
Pia, please?

00:35:44 - 00:35:57
Pia Rosqvist:
Thank you. It's Pia from Carnegie. Just one clarification regarding the impairments. You did an impairment on the discontinued distribution contracts, and now you flagged for more for this year. Should we expect that?

00:35:57 - 00:35:59
Alex Green:
I didn't flag any impairments--

00:35:59 - 00:36:03
Pia Rosqvist:
No, no. You flagged for continued lower sales from--

00:36:03 - 00:36:04
Alex Green:
Yes, yes. Sorry, my apologies.

00:36:05 - 00:36:10
Pia Rosqvist:
The distribution contract. I'm just thinking about the effect on possible impairments.

00:36:10 - 00:36:50
Alex Green:
No. Good question. The impairment checks that we did-- The review that created the impairment in 2024 was a view going forward of revenue levels for the future. It took into account exactly what we've said about going down in '24, going down in '25, and a bit in 26, before we get to the point as we start winning competitive

tenders and the revenue starts going up. That impairment was a view of the balance sheet value based on that entire plan. There isn't sort of new every year because of that. It's taken, from that point on, a full reflection of the value of the balance sheet. That holds for a long period.

00:36:50 - 00:36:51
Pia Rosqvist:
Thank you for that clarification.

00:36:51 - 00:36:52
Alex Green:
Thank you.

00:36:53 - 00:37:14
Kaisa Uurasmaa:
Thank you. I will continue with a few questions from the chat that also relate to the free cash flow, IACs, and investments. Is there anything specific still that we could say about the investments in TV in '25?

00:37:16 - 00:37:23
Rob Kolkman:
The overall level is continuing to be similar. We're not expecting a major change there as such.

00:37:25 - 00:37:27
Alex Green:
Yes, I agree. It's consistent.

00:37:28 - 00:37:50
Kaisa Uurasmaa:
Then, tax payments, and tax impact on free cash flow. We indicated that in '24 there was some phasing in taxes paid between the years, which will indicate that in '25 it will be at least somewhat higher. Alex, do we have any further advice on that?

00:37:50 - 00:38:53
Alex Green:
If you look at the tax numbers, we've shown that 2023 was a particularly unique year. There were a number of items in there that were disallowable, which showed a sort of higher tax. That's why there was that change. I think going from the 2024 numbers is much more consistent with a lot-- Hardly any kind of disallowables are not significant, and I expect to see that continue going forward. Therefore, a relatively stable tax position is going forward. That said caveat is that the timing of tax payments on the cash flow side is sometimes a bit erratic from governments. We do sometimes get late payments and occasionally early payments from governments of quite sizable amounts, repayments of tax. That does actually skew the cash flow slightly year-on-year. For instance, we got an early payment of about €5 million from one government two months early. We weren't expecting it in December this year. That can impact there, but in terms of the P&L side, the tax amounts are going to be relatively stable.

00:38:54 - 00:39:12
Kaisa Uurasmaa:
Thank you. Then there is a question how many savings are you expecting to see from Media Finland change negotiations in 2025? We don't have any change negotiations going on, so I think that refers to the restructuring that we already discussed.

00:39:12 - 00:39:18
Rob Kolkman:
Yes, and there I don't think we give any further detailed information on that. That is reflected in our outlook as well for '25.

00:39:19 - 00:40:10
Kaisa Uurasmaa:
Yes. There are no further questions in the chat. Is there anything further from the Sanoma House? Then we conclude the presentation and the Q&A. As a reminder, our next financial report, the Q1 report, will be published on the 29th of April. On the same day, we will also host our AGM, which will mean that this event

takes place only in the afternoon, so already a heads-up about that. With this, we conclude the presentation. Thank you for your active participation. Afterward, please be in touch with us at Investor Relations with any further questions. Thank you all and have a good day.