

Sanoma acquires Santillana Spain – Q&A

External (to be published at www.sanoma.com/investors)

Q: What has happened?

A: Sanoma has signed an agreement to acquire Santillana Spain, a leading Spanish provider of K-12 learning materials, from Promotora de Informaciones S.A. (Grupo Prisa). With this acquisition, Sanoma significantly expands its position in the Spanish K-12 learning services market, which is one of the largest in Europe. Net sales of the acquired business were 128m€ and pro forma adjusted EBITDA was 50m€ in 2019, which was the peak year of the current curriculum. During the current curriculum in 2016-2019, Santillana Spain's annual net sales were 122m€ and operational EBITDA 48m€ in average. The agreed enterprise value of the acquired business is 465m€, corresponding to a multiple of 9.3 (EV / Pro forma adjusted EBITDA 2019). The transaction is expected to be finalised during H1 2021.

Q: In the learning content business, Spain is a new market for Sanoma. How does the market look like and are there opportunities for growth?

A: Spain is one of the largest educational markets in Europe with 6.4 million students in primary, secondary and vocational education, and an annual spend in K-12 learning materials of approx. 600m€, including both public and private funding. The Spanish K-12 learning content market has proven to be resilient throughout the economic cycles as well as during the ongoing coronavirus pandemic. Santillana Spain operates in all educational regions in Spain, which is a relatively fragmented market partially due to its 17 educational regions, each with their own curriculum.

Growth opportunities relate to curriculum renewals and digitalisation. The new educational law, LOMLOE, is currently going through the parliamentary approval process in Spain, and a new curriculum based on the law is expected to accelerate the demand for K-12 learning content in 2022-2023. Before that, in 2020-2021, a typical cyclical decline in market demand for learning materials compared to 2019 is expected. In Spanish schools, digitalisation is still low: 2% of Santillana Spain's net sales in 2019 were digital products. The share was above the market average, but clearly below the level Sanoma Learning has in other operating countries, indicating future opportunities.

Q: How are you planning to combine and roll-out your existing digital platform offering to Santillana Spain's customers?

A: In Spanish schools, digitalisation is still low: 2% of Santillana Spain's net sales in 2019 were digital. The share was above the market average, but clearly below the level Sanoma Learning has in other operating countries. We have good digital platforms and products across Sanoma Learning and will after closing of the acquisition start with the experienced team of Santillana Spain to plan how to introduce them in Spain. Many of our digital platforms for teaching have already been introduced in several countries and can be tailored (e.g. language and curriculum requirements) for new geographical markets. Also, we already offer digital teaching platforms in Catalonia, Spain through ClickEdu, acquired in 2019.

Q: Will the acquisition of Santillana Spain have an impact on Sanoma's long-term financial targets, dividend policy or short-term ability to pay dividends?

A: The acquisition will not have an impact on Sanoma's long-term financial targets, dividend policy or ability to pay dividends, which have been taken into account when assessing our M&A headroom and agreeing on the acquisition. Sanoma has sufficient funds to pay the second instalment of the 2019 dividend, 0.25€ per share (approx. 40m€) early November as well as the future 2020 dividends, after the decision by the 2021 AGM to be held in March.

Q: What is Sanoma's strategy after the acquisition of Santillana Spain?

A: Our strategic focus will continue to be growing especially our learning business both organically and through M&A. We have successfully executed that strategy with four acquisitions completed in 2019 (170-180m€ additional net sales) and the most recent and largest one, Santillana Spain, just announced (about 130m€ additional net sales). This year, we have also strengthened our media business in Finland by acquiring regional news media business (about 90m€ additional net sales). Also after the acquisition of Santillana Spain, we want to continue our current growth strategy: aiming to grow our European learning business further through M&A in current operating countries or new markets, and to strengthen our media business in Finland in its chosen core businesses: news & feature, entertainment and B2B marketing solutions. Our short-term focus is of course on closing the acquisition of Santillana Spain and successfully integrating it into Sanoma Learning.