Sanoma

Extensive report

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Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

Inderes corporate customer

This report is a summary translation of the report “Kansien sisällä vakautta ja voimaa” published on 4/12/2022 at 9:20 pm

Stability and strength in the books

We reiterate our Accumulate recommendation and EUR 14.0 target price. The learning business generates good 2/3 of Sanoma's result, which makes a majority of income flows defensive and their risk level is low. We expect these characteristics to strengthen in the future, as we expect the company to continue acquisition-driven growth in the learning business. We estimate that the expected return for the next few years consists of attractive dividend yield and moderate earnings growth. This, together with Sanoma's low risk level creates in our view a good risk/return ratio.

Stable, high-profitability learning business acts as a value driver

As a result of the inorganic growth of recent years, the learning business has become the main driver of Sanoma's earnings. Learning business that is more valuable, stable and highly profitable for investors form good 2/3 of Sanoma's operating result. As a result of this change, the share of Media business in net sales has decreased, and the attractiveness of content and advertising income have increased due to the increase in the relative share of digital income with higher profitability. We expect the shift in the focus of income flows to continue as inorganic growth still focuses on acquisitions in the learning business. Thus, we expect that the risk level of the business will continue its trend-like decline.

Stable and prudent growth

We estimate that the organic growth potential of Sanoma's net sales is at 0-5% in the medium term. In the learning business the growth rate is determined by the timing of curriculum reforms and in the Media business by steadily developing subscription income and more cyclical advertising income. Considering this, we expect a medium-term growth rate of about 2%. At the same time, we expect the company's profitability to increase slightly due to the restructuring of its income, which will slightly improve the growth rate. As the integration of previous acquisitions has been completed, we expect Sanoma to become active on the acquisition front again within a year. Due to good operational cash flow, the company's financial position easily allows allocation of the EUR 300-400 million assets estimated by the company to growth while the company distributes growing dividends to its shareholders. A key short-term risk we see is cost inflation, while longer-term key risks are in particular the usual risks associated with acquisitions.

Expected returns consists of dividend yield and estimated earnings growth

We feel Sanoma's short-term earnings-based valuation is quite neutral (2022e P/E adj. 17x and EV/EBIT 16x) but we expect the earnings growth in coming years to depress the valuation multiples to a moderate level in the longer term. Our DCF model that focuses on long-term value creation indicates that the share is undervalued while based on our sum of the parts model the share is correctly priced. We believe the value based on the sum of the parts model is depressed by the unjustifiably low valuations of Learning's peers. As a whole, we consider the valuation rather neutral, so the expected return for the next few years consists of the estimated nearly 5% dividend yield and moderate earnings growth. We expect Sanoma to continue value generation through inorganic growth in the learning business already in the short term of which the company has a good tr<ck record in recent years.

Recommendation

Accumulate
(prev. Accumulate)

EUR 14.00
(prev. EUR 14.00)

Share price:
12.24

Key figures

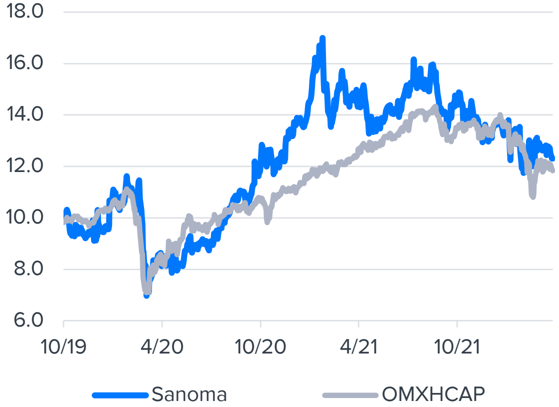
	2021	2022e	2023e	2024e
Revenue	1252	1293	1335	1356
growth-%	18%	3%	3%	2%
EBIT adj. excl. PPA	197	202	215	222
EBIT-% adj.	15.8 %	15.6 %	16.1 %	16.4 %
Net Income	100.6	111.5	128.0	133.5
EPS (adj.)	0.71	0.72	0.82	0.86
P/E (adj.)	19.1	17.0	14.9	14.3
P/B	3.1	2.7	2.6	2.5
Dividend yield-%	4.0 %	4.7 %	4.9 %	5.1 %
EV/EBIT (adj.)	18.0	15.6	13.6	12.6
EV/EBITDA	8.1	7.0	6.4	6.1
EV/S	2.3	2.0	1.8	1.8

Source: Inderes

Guidance (Unchanged)

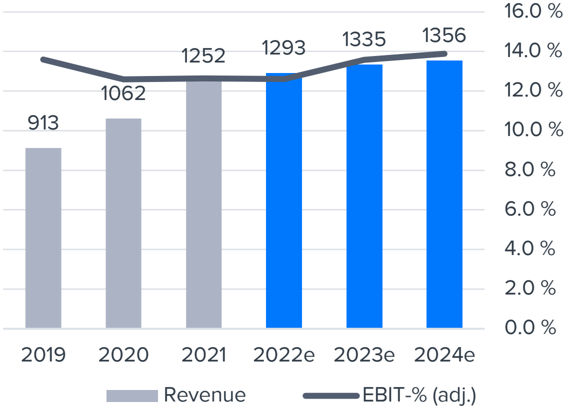
In 2021, Sanoma expects the group's reported net sales to be EUR 1.25-1.3 billion (2021: 1.25) and operational EBIT % excluding PPA depreciation to be 15-16% (2020: 15.8%)

Share price



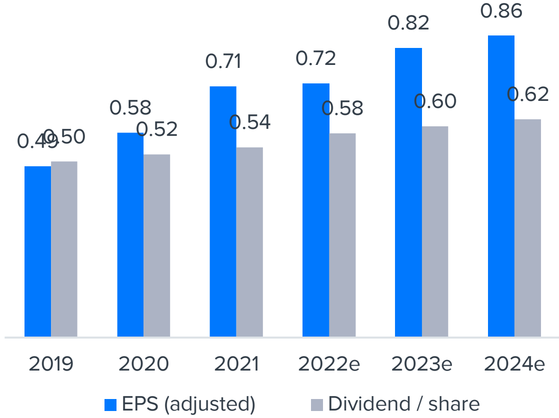
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Growth in digital income and services
- Improved cost efficiency and net sales structure
- Strengthening cash flow and financial position enables significantly sized acquisitions that create value
- Synergy benefits from completed acquisitions

Risk factors

- Acceleration in the drop in print media
- Weakening competitive position especially against global competitors
- Typical risks associated with acquisitions
- Cyclical risks
- Political risks and risks related to regulations

Valuation	2022e	2023e	2024e
Share price	12.3	12.3	12.3
Number of shares, millions	162.9	162.9	162.9
Market cap	1997	1997	1997
EV	2541	2456	2375
P/E (adj.)	17.0	14.9	14.3
P/E	17.9	15.6	15.0
P/FCF	11.5	10.7	10.7
P/B	2.7	2.6	2.5
P/S	1.5	1.5	1.5
EV/Sales	2.0	1.8	1.8
EV/EBITDA	7.0	6.4	6.1
EV/EBIT (adj.)	15.6	13.6	12.6
Payout ratio (%)	84.7 %	76.4 %	75.6 %
Dividend yield-%	4.7 %	4.9 %	5.1 %

Source: Inderes

Contents

Company description and business model	5-9
Strategy	10-12
Sector review – Learning	13-14
Learning	15-17
Sector review – Media Finland	18-21
Media Finland	22-25
Financial position	26-27
Group level estimates	28-29
Investment profile	30-31
Valuation	32-33
Tables	34-38
Disclaimer and recommendation history	39

Sanoma in brief

Sanoma is a Group consisting of two independent business units and one of the leading learning material and solutions provider in Europe and the leading media company in Finland.

2016-2019

- Business focus, divestments of non-synergistic businesses
- Extensive programs to improve business and administration efficiency
- Profitability makes a clear upturn
- Cash flow improves, gearing decreases and balance sheet strengthens considerably

2020-2021

- Business focus will shift more strongly to Learning following the Santillana acquisition
- Regional media business acquisition and Oikotie divestment
- The pandemic hurts the Media business, but it recovers quickly and profitability remains at a good level

2022-

- Back to normal operating environment with moderate organic growth expectations
- Previous acquisitions have been integrated
- EUR 300-400 million leeway for acquisitions enables continued inorganic growth

EUR 1,252 million

Net sales 2021

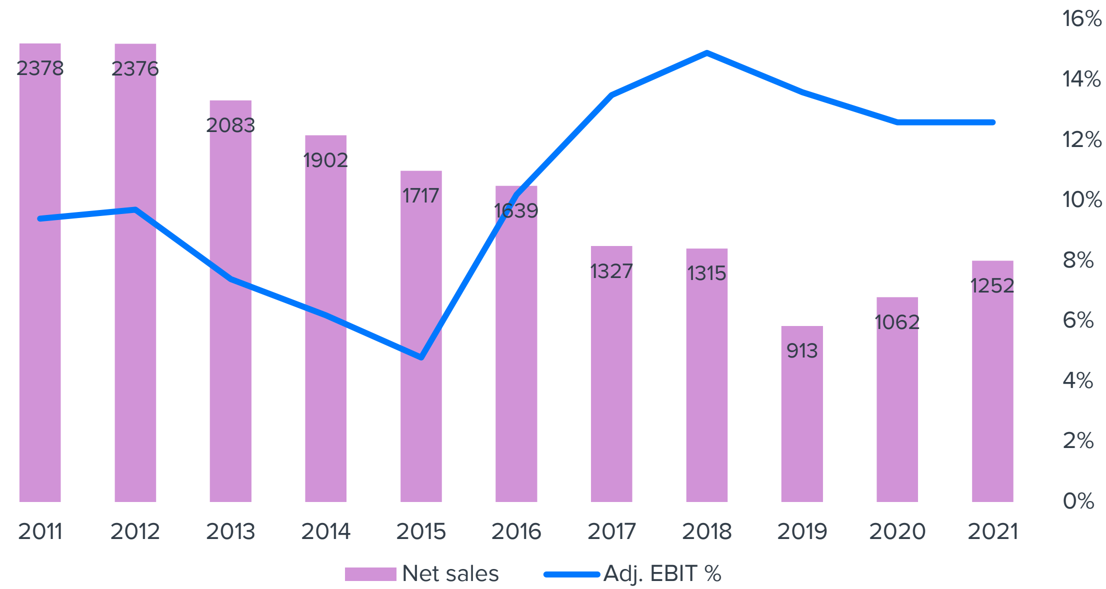
15.8%

Operational EBIT-% excluding PPA depreciation, 2021

51% / 68% Learning's share of net sales and operational EBIT excluding PPA depreciation, 2021

20%

Share of advertising income in net sales, 2021



Source: Inderes, Sanoma

Sanoma's business model 1/3

Learning solutions and media business

Sanoma is a learning and media industry group that consists of two independent business areas; Learning and Media Finland. The company has learning business in 11 countries while media business focuses on Finland.

The Group's net sales from continuing operations totaled EUR 1,252 million in 2021. Operational EBIT excluding PPA depreciations (hereinafter operational EBIT) was EUR 197 million or 15.8% of net sales. Similarly, reported EBIT for 2021 was EUR 142 million, which corresponds to a 11.4% EBIT margin.

Sanoma has a leading market position on the Dutch, Spanish, Polish, Finnish and Belgian learning materials and solutions markets and on the Finnish media market. The company's well-known domestic media brands and products include, e.g., Helsingin Sanomat, Iltasanomat, Nelonen, Ruutu, Radio Suomipop and Aku Ankka. All in all, Sanoma's portfolio comprises dozens of leading media, digital service and learning brands.

Two independent business units

The **Learning** business comprises the income of printed, digital, as well as blended learning materials and solutions. In 2021, the business constituted 51% of the Group's net sales and 68% of its operational EBIT.

Sanoma's other business unit, **Media Finland**, is the leading media company in Finland. The segment's income primarily comprises subscription, content and advertising income of the newspaper, news and magazine media, advertising and subscription income of TV, radio and related online services. It also includes other service income comprising, e.g., festivals, events, marketing services, event marketing, corporate publications, books and printing services. Media Finland's share in Group net sales was 49% and 32% of operational EBIT in 2021.

Under the Other operations segment the company also reports the Group's other expenses not allocated to business segments.

Four income components

Sanoma's business can is divided into four main components by income type, which differ from each other in terms of the recurrence of income, customer type and cyclicality.

1) **Learning income** (2021: 51% of net sales) consist fully of the income from the Learning segment's digital and printed learning materials (incl. distribution) and digital learning platforms. The customer target group for learning income is mainly the public sector, and in particular primary schools, upper secondary schools and vocational schools (K12). Learning income is not tied to the general economic development in the short term but is subject to changes in school semesters and curricula. Annual Learning income concentrates on Q2 and especially on Q3, which also results in strong seasonal fluctuation in Sanoma Group's net sales and operating result. Moreover, Learning income may annually vary considerably from country to country. This is based on the demand for learning solutions, typically driven by curriculum reforms in individual education markets every 5-10 years.

Sanoma's business structure, 2021

Sanoma Group
Net sales EUR 1,252 million
EBIT (adjusted excl. PPA) EUR 197 million

Media Finland

Net sales 615 MEUR
EBIT* EUR 74 million
EBIT % 11.9%

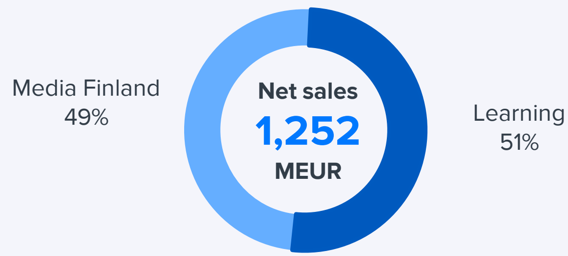
- Newspapers
- Online media
- TV & Radio
- Magazines
- Festivals
- Other services

Learning

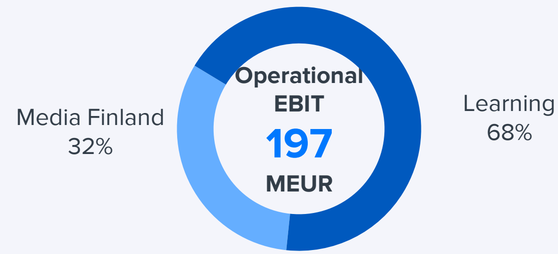
Net sales 637 MEUR
EBIT* EUR 134 million
EBIT % 21.0%

- Learning materials
- Digital learning platforms
- Learning material distribution

Net sales distribution, 2021



EBIT* distribution 2021



* Operational EBIT excl. PPA depreciations

Sanoma's business model 2/3

Due to the growth and geographical expansion of Learning, the income fluctuation from year to year is moderate for the entire business, as the curriculum reforms of the countries do not occur in the same years.

2) **Media's content income** (2021: 23% of Sanoma's net sales) comprises subscription and single-copy sales income of printed newspapers and magazines (e.g. HS and Aku Ankka), as well as online news and entertainment media services (e.g. HS.fi and Ruutu+). Content income net sales comprises recurring subscription income that represents some 20% of Sanoma's net sales, and the corresponding percentage of single-copy sales is close on 3%. The primary customer target group for content income is consumer customers.

3) **Media's advertising income** (2021: 20% of net sales) consists of advertising income from newspapers and magazines, TV and radio channels and related online services. We estimate that the share of digital media as well as TV & radio advertising in advertising income was good 75% in 2021 and thus plays a clearly bigger role than print media. The main customer target group for advertising income is corporate customers. Advertising income is cyclical by nature because companies' advertising investments are typically strongly dependent on general economic development.

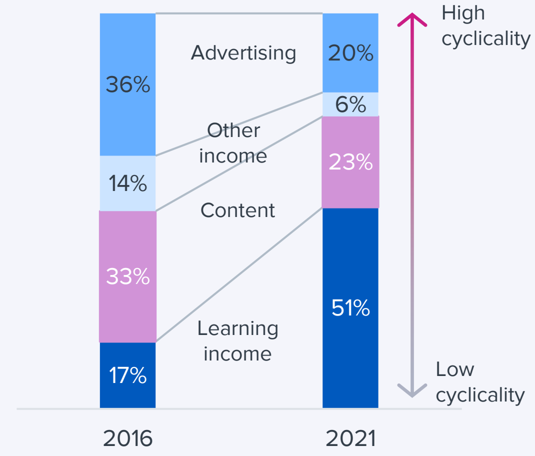
4) **Other income** (2021: 6% of the net sales) consist of Finnish festival operations, marketing services, corporate publications, as well as books and printing services. Although the main customer target group for other income is businesses, most of the income from the festival business that typically forms some 40% (in 2019, so before the COVID pandemic) of other income comes from consumers. Other income was lower than typical in 2021 due to the COVID pandemic. During 2021, Sanoma increased its holding in the festival and event organizer Nelonen Media Live Oy from 60% to 100%.

Structural trends affect income flows

In addition to normal demand drivers, Sanoma's income development is guided by several structural trends of different magnitude. The structural trend that most affects Sanoma is the regression of print media resulting from the digitalization of media consumption that strongly affects both the development of print media content income and, especially, print media advertising. The share of print media income of Sanoma's net sales is 25% (2021). An opposing trend to that of print media is the structural growth of digital media income. The income share of other media than print media (incl. linear TV and radio) in Sanoma's net sales was 23% (2021).

Structural trends also affect the growth of Learning and other income, but their effect is lower than media's. Last year, Sanoma restructured the focus of its business considerably with M&A transactions. Especially due to significant growth in the learning business, the effect of structural trends on the company's business has changed and the share of income types from regressing print media has decreased considerably.

Sanoma's net sales distribution 2021



Estimated effect of trends on Sanoma's income

Income type	Impact of trends on income
Learning income	Reasonable growth +2–5% p.a.
Content income	Clear growth in digital content +5-10% p.a. Slight drop in traditional content -0-3% p.a.
Advertising	Clear growth in digital advertising +5-10% p.a. Clear decline in printed advertising 510% p.a.
Other income	Stable +/-2% p.a.

Source: Inderes

Sanoma's business model 3/3

At the same time, the dependency of business income on general economic development, i.e., cyclicality has decreased.

Overall risk profile of Sanoma's business model is moderate

In our opinion, the overall risk profile of Sanoma's business model is moderate (see graph on the next page). The business model's risk level is specifically reduced by the moderate share of cyclical income, high percentage of recurring and predictable income, strong market position, as well as predictable and strong operational cash flow. The business model's risk level is primarily increased by factors related to the revolution of the media sector that strongly reduces the demand for print media, undermine Sanoma's pricing power, and reduce the scalability advantages of print media operations.

High share of easily predictable revenues

The share of income from recurring order flows in Sanoma's net sales was some 71% in 2021, and they comprise very stable and predictable Learning income and media content subscription sales. The share of advertising income that is heavily dependent on consumer demand and economic cycles, has decreased markedly of Sanoma's net sales because of the restructuring in recent years.

While the share of advertising income has decreased, content income based on recurring subscription sales has taken foothold and generated 20% of net sale in 2021. Thanks to subscription sales and Learning's income, about 3/4 of income are of a continuous and highly predictable nature. As a result of this development, the share of non-recurring content income (single copy) has dropped very low, to some 3%. It should be noted that COVID was heavily reflected in the relative income shares and especially in terms of advertising income and other income in 2020 and the operating environment was still unusual in 2021. For example, only about half of the festivals and events in the repertoire were organized during 2021.

Global competition and regression of print media reduce pricing power

Sanoma holds a strong market position in its own fields of specialization, especially on the Finnish media market. Traditionally, this has guaranteed Sanoma very strong pricing power. However, reduced coverage of print media, fragmentation of media consumption, as well as the competitive pressure introduced to a large degree by Google and Facebook, have weakened the advertising pricing power of local media companies. According to our estimate, the speed of change has leveled out, with larger media companies improving their technological solutions and winning market share from small domestic operators. We believe that this change in the competitive situation on the local market has been strengthened by the COVID pandemic, after which the relative winners will be larger players.

Print media's economies of scale declining but digital offers high benefits of scale

Most of Sanoma's cost structure is fixed, as is typical for newspaper, magazine, and learning material publication. As a result of the regression of print media, Sanoma's economies of scale have, in our opinion, decreased in print media, which means the company has had to constantly cut its fixed costs and improve operational efficiency. We believe that Sanoma abandoned the Savo newspaper printing business in early 2022 as a result of this regression.

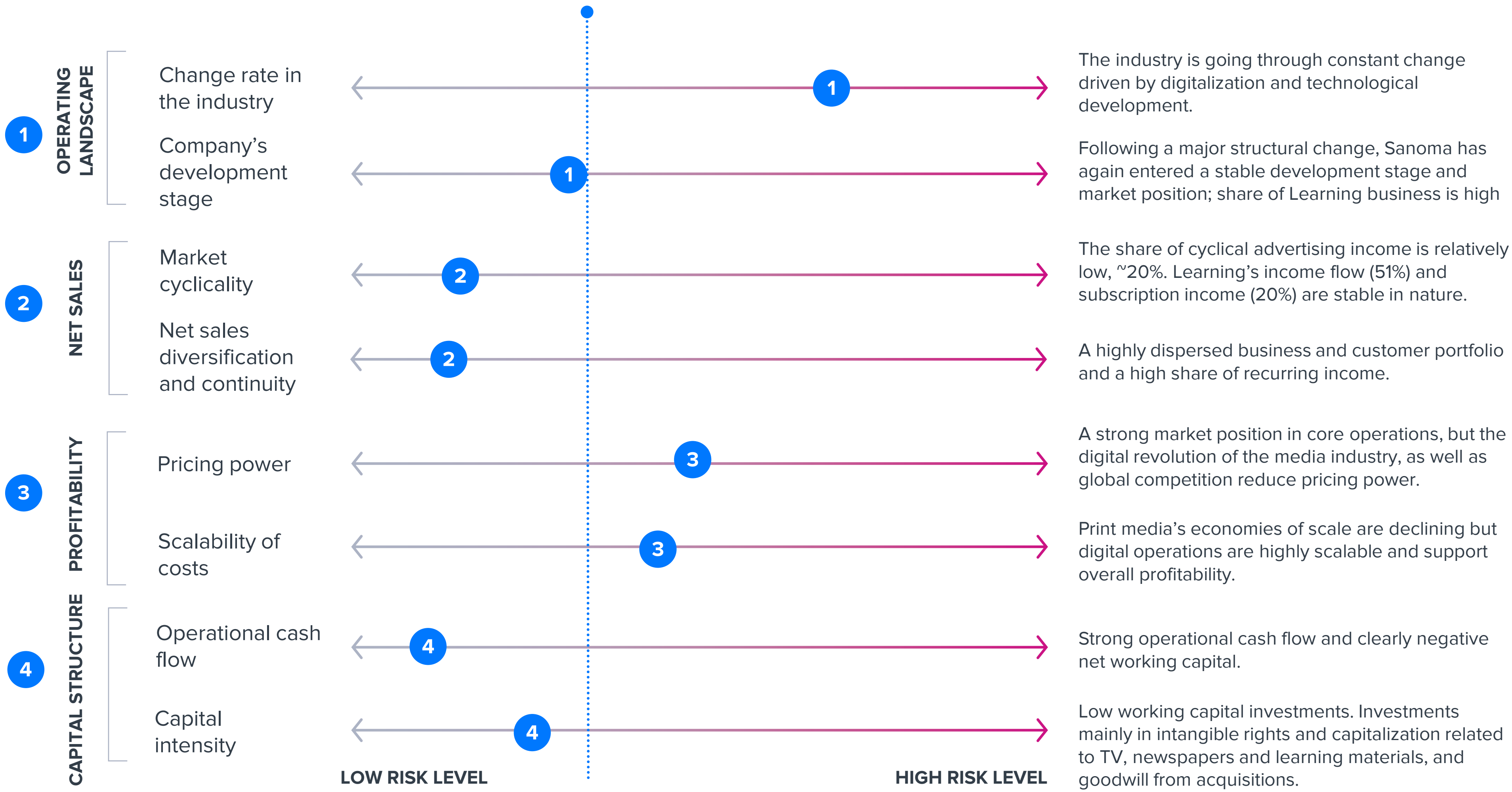
The economies of scale are much higher and relative profitability is better in strongly growing digital income, which compensates for print media's diminishing profitability potential.

Strong operational cash flow and modest investment needs

Overall, the ability of Sanoma's business units to generate cash flow is excellent as:1) content income's cash flows are typically very front-heavy and they contain a lot of advance payments; 2) the Group's net working capital is typically negative at the end of the year; 3) organic business growth typically ties up a low level of capital; and 4) there is little need to invest in tangible and intangible assets, apart from program rights and product development investments.

Risk profile of Sanoma's business model

Assessment of Sanoma's overall business risk



Source: Inderes

Sanoma's strategy

No specific group-level strategy

Sanoma has not announced a group-level strategy; its strategy comprises the individual strategies of its independent business units. In our view, it is natural not to have a group-level strategy as the business models, markets and competitive fields of Sanoma's businesses are drastically different from each other, with synergies only in terms of group administration. Furthermore, in the rapidly evolving media sector, rigid long-term group-level strategies could, in our opinion, even impair Sanoma's competitiveness.

Group-level development trends

Over the past few years, the development of Sanoma Group has been steered by development trends comparable to strategic goals. In 2018–2020, the company completed a significant restructuring stage that started in 2015 during which Sanoma focused on core operations that are leading in their respective markets, simplified its business structure, and carried out extensive cost saving and efficiency programs. Despite a considerable decrease in net sales, the restructuring can be seen as successful as it clearly improved the company's profitability and cash flow. Therefore, the company has also been able to allocate capital into investments that shape the business structure, and especially into Learning. This has increased recurring net sales, which has clearly lowered the risk profile of the business and dependency on economic development.

In our opinion, Sanoma's strategic focus in the next few years will be on organic growth that utilizes the scalability of its core businesses, cost management, and improving cash flow. In the case of completed acquisitions, the company has completed the integration and cost synergies have largely been achieved, which means that they focus on the utilization of increased resources and achieving sales synergies. At the same time, we expect that growth will also be boosted by inorganic growth, which will lead to further integration processes.

Acquisitions an important part of the strategy

Acquisitions are an important part of Sanoma's strategy, as they are needed to increase net sales, reinforce the value chain, ensure continuous earnings growth and economies of scale, and to replace the fading income from print media. Divestments have been used to steer capital to more efficient use.

The company has assessed that it has EUR 300-400 million to spend on acquisitions. Sanoma has also said it has a relatively clear view of potential acquisition targets.

We expect that in the next few years, acquisitions will focus on the Learning segment, where the aim is to penetrate new markets both geographically and in terms of services, as well as improve economies of scale and the market position. We estimate that Media Finland will be active in the next few years in small-scale acquisitions that will strengthen the value chain and economies of scale.

Financial objectives

Sanoma's long-term financial targets and dividend policy updated in 2020:

1. Leverage: The ratio of net debt to adjusted EBITDA below 3.0x.

2. Solvency: Equity ratio 35–45%.

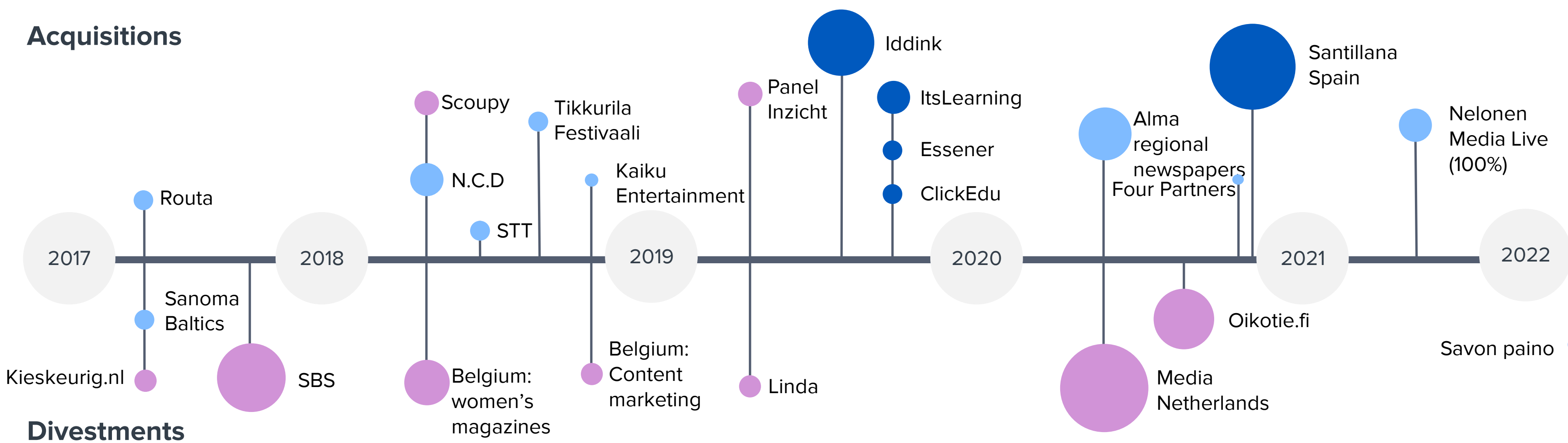
3. Dividend policy: Growing dividend corresponding to 40–60% of annual free cash flow.

Considering the latest reported figures (Q4'21), leverage (2.4x) and solvency (41%) are within the company's long-term financial target levels. Our estimates expect the company to reach the targeted levels also at the end of the year.

In its dividend policy, Sanoma has emphasized dividend growth, which is tied to the development of free cash flow. We expect the company to stick to this target also in the long term. We believe the factor driving the dividend is the objective to increase the dividend every year as was seen in 2021. The dividend distributed for 2021 is 55% of free cash flow adjusted by a non-recurring item.

All in all, we consider Sanoma's financial targets to be justified with emphasis on stable development. They are a good fit with Sanoma's current business profile, where the regressing traditional media still generates strong cash flow and acquisitions, growing digital income, and efficiency measures generate earnings growth. The company has also set financial targets for the segments, which are discussed in separate segment-specific sections.

Sanoma’s acquisitions in 2017-2022 and segments’ M&A strategy



Source: Sanoma

Business activities’ M&A strategy

Learning

- Importance of M&A transactions high
- Acquisition target areas include basic education learning solutions (K12) and related markets
- Increasing economies of scale and market share in the markets of current core businesses
- Expansion in the value chain in current market areas
- Geographical expansion into new countries in Europe

Media Finland

- Importance of M&A transactions is complementing
- Focus of M&A transactions in complementing the value chain and strengthening growth
- Mainly small complementing acquisitions in areas where synergies with core businesses is high
- Partnerships and consolidation possible if opportunities appear
- Small divestments can be made to develop the portfolio

Source: Inderes

Sanoma's strategic development

2017 - 2019

2020 - 2021

2022-

Stabilization of core operations and becoming active in M&A transactions

- Divestment of non-core, non- synergistic businesses
- Restructuring of financing
- Focus on improving profitability and cash flow
- Iddink and other complementing acquisitions in Learning
- Learning implemented the "High Five" program to improve efficiency

Stable profitability, strong cash flow and synergistic acquisitions

- Core businesses in a stable development phase, despite the pandemic
- Divestment of Oikotie
- Structural revolution of media continued, and the pandemic accelerated the growth of digital media while strengthening the decline in print
- Capital allocation on acquisitions and growing dividend
- Santillana acquisition in the Learning business and acquisition of Alma Media's regional newspaper business in the Media business

Capital allocation to acquisitions

- Stable profitability and strong cash flow
- Stable development in core businesses
- Structural revolution of media continues
- Geographic expansion and expansion of the product and service portfolio in Learning
- Developing the digital offering in Media
- Accelerating the conversion of Learning's net sales to the order model

Strategic development trends

Implemented

- Lighter, more focused and more profitable business structure
- Net sales decreased significantly due to the restructuring, but acquisitions were quite successful
- Profitability improved to good levels in all businesses (2015: adj. EBIT% approx. 5% -> 2021: adj. EBIT-% close to 13%)
- The company's balance sheet decreased clearly, intangible assets shrunk
- Thanks to the improved cash flow and result, dividend per share increased from EUR 0.10 to EUR 0.54

Near future, 1-2 years

- Festival business recovers from the pandemic and growth in entertainment services will level off
- Organic net sales growth is moderate due to structural change in media and the different stages of the curricula in different countries
- Acquisitions push overall reported net sales to clear growth
- Profitability strengthening as the relative share of Learning increases
- Gradual improvement of cash flow and business efficiency

Long-term

- Managing the structural change in media and gradually strengthening profitability as consumption continues to shift from print to digital
- Learning, digital services and acquisitions as growth drivers
- We estimate that Sanoma strives for a clearly higher market share than the current 13% in the EUR 4-5 billion European learning markets (K12)
- Option to expand beyond Europe in Learning

Source: Inderes

Sector review – Learning 1/2

Structural, educational reform and efficiency improvement linked demand drivers

In our view, the learning sector's outlook and demand are influenced by three key drivers: the structural change of demand driven by digitalization, the ongoing curriculum and education system reforms, as well as the need to improve in learning results and make teaching more efficient.

The structural change of demand driven by digitalization has also affected the learning market for quite some time but due to the slow rate of overall change in the curricula and education systems, the change has been significantly slower, more predictable and controlled than on the media market. Digitalization is reflected in the learning market primarily in the declining use of printed learning materials and, at the same time, the higher demand for digital learning solutions, new business and pricing models, as well as competitors offering new purely digital solutions.

The key driver of the learning market are still country-specific curriculum and education system reforms that typically occur every 5–10-years. While the changes in these cycles dramatically affect demand in the short term, long-term trend growth is slow.

The third driver that steers and increases demand in the learning market in the long term is the increasing need to improve learning results and, especially, the need of the private education sector to improve the efficiency of education investments. This provides learning companies with new business expansion opportunities both in basic education and digital learning platforms.

Key trends of the learning market

In our opinion, the key trends affecting the learning market are:

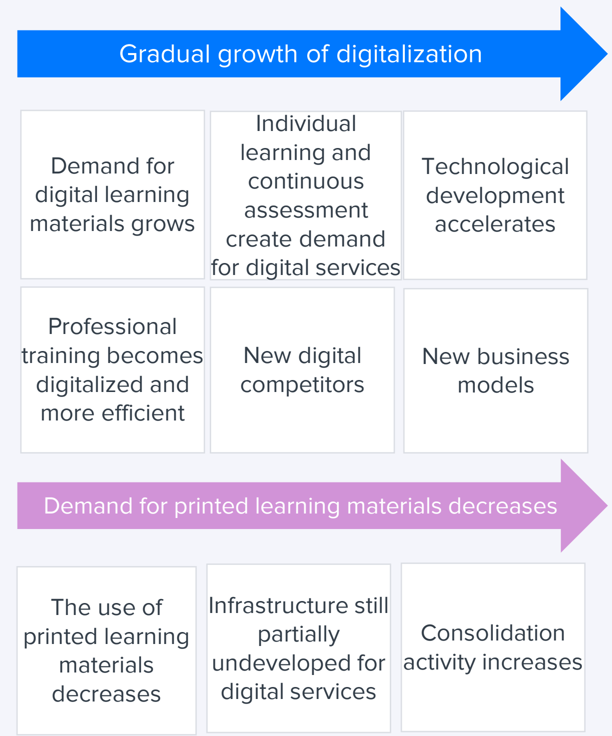
- The market share of combined printed and digital learning materials and purely digital learning solutions is growing.
- Individual learning and continuous assessment of learning are becoming more commonplace, which shapes the demand for learning solutions and increases the demand for digital services, specifically.
- The requirements for educational methods increase, and the rate of change becomes faster, increasing the need for solutions that support teaching.
- Professional learning solutions become digitalized and efficiency requirements increase.
- The number of competitors increases with new digital operators, and the consolidation of traditional operators continues.
- The sector will adopt recurring subscription fee-based business models.

We believe, the switch to distance learning driven by the COVID pandemic has increased the demand for digital learning solutions, contributing to the gradual growth of digitalization. The rate of growth varies considerably on Sanoma's target markets and the starting points on the markets also vary.

Outlook for learning materials market

According to Sanoma, the share of the learning materials market and digital learning platforms that make up the net sales of learning companies is only about 3% of the total costs of education in the company's market areas.

Key trends of the learning market



Source: Inderes

Sector review – Learning 2/2

We estimate that this part of the market will grow slowly in the long term (+0-2% p.a.) as the use of printed learning materials decreases and age cohorts diminish. With the digitalization of learning materials and new teaching methods, the market shares of digital solutions are redistributed between the most competitive operators and traditional operators focusing on printed materials. We believe, Sanoma is well-positioned in this revolution as it has a comprehensive and well-developed digital solution portfolio, and it holds a strong market position in its own focus areas.

Outlook for learning platforms

The share of learning platforms and administrative systems for education is still relatively small in the net sales of learning companies like Sanoma (about 10-20%). These costs are covered by the education budget for administration, systems and development which is significantly larger than that for learning materials. The size of this budget is normally around 15% of total costs.

As a result of the above-mentioned trends and the learning market's bigger market potential, the long-term growth outlook of this sector is, in our view, clearly more positive (>5% p.a.) than those of the learning material market.

Competitive field mainly consists of local learning companies

The learning sector requires strong country-specific expertise, tailoring and competence, as well as an extensive local sales and distribution network. For example, in Finland, teachers have a high level of autonomy and freedom to choose learning material formats and solutions, which decentralizes decision-making across a large group. Subsequently, the market entry threshold is extremely high, and competition mainly occurs between local operators. Furthermore, the number of operators in the sector is typically fairly small because profitable learning material publishing requires a relatively large-scale.

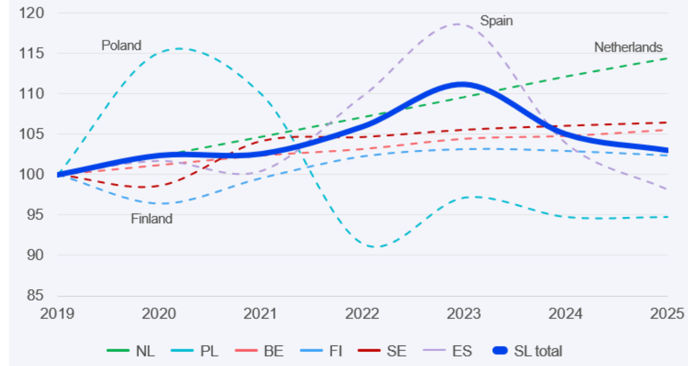
The competitive field for digital platforms and applications is, however, much more fragmented and international because competition also occurs between technologies, not just contents and methods and, thus, competition is not quite as dependent on local level expertise. Nonetheless, according to players in the field, the infrastructure of schools still suffers from shortcomings in some countries, which slows down the adoption of digital materials.

Sanoma's main competitors in publishing learning materials are Otava in Finland, Noordhoff and ThiemeMeulenhoff in the Netherlands, Plantyn and Pelckmans in Belgium, WSiP in Poland, Liber, Natur & Kultur and Gleerups in Sweden and Grupo Anaya in Spain.

Noordhoff, Plantyn and Liber are owned by Infinitas Learning. ThiemeMeulenhoff is owned by the German Klett. According to Sanoma, all the above individual, country-specific companies mainly operate solely on their home market and none of them has significant operations in several countries even if they have the same owner.

To our understanding no major publishers of digital K12 materials have so far emerged in any of the target countries where Sanoma Learning operates.

Growth outlook for the learning material market



Source: Sanoma

Sanoma Learning 1/3

Learning is Sanoma's larger segment

Sanoma acquired Santillana Spain at the end of 2020 that is the leading publisher of learning materials for basic education and secondary education in Spain. As a result of an acquisition, the segment became Sanoma's largest segment measured by net sales. Sanoma Learning's net sales in 2021 were EUR 637 million (51% of Sanoma's net sales). Learning is also the larger segment measured by operational result (operational EBIT EUR 134 million in 2021, or 68% of Sanoma's operating profit).

The Learning business comprises the sales income of printed, digital, and blended learning materials and solutions. The main segment of the company's products and services is the K12 segment that covers primary and secondary education, as well as vocational education.

Most of Learning's income come from the steadily developing basic education market

Most of Learning's income is generated by the steadily developing and highly predictable basic education learning material and learning solutions market.

Examined by product and service types, some 60% of Learning's net sales constitutes content, which covers both printed and digital contents, 25% material distribution, and the remaining 15% is evenly distributed between teaching platforms, administration platforms and test and analytics services. Around 25% of the sales consists of subscription sales covering the entire supply, while 75% of sales comes from conventional product-based pricing.

Geographically, more than 90% of the Learning segment's business comes from markets where it has a comprehensive service portfolio and where it is either the largest or second largest operator.

In 2021, the Netherlands comprised 33%, Poland 20%, and Spain 19% of reported net sales. Correspondingly Belgium's share was 12% and Finland's 9%. In 2021, around 7% of net sales comprised smaller shares from Sweden, Norway, Denmark, France, Germany, and Great Britain. Sanoma has estimated that the highly fragmented European learning material and services market is worth EUR 4-5 billion annually of which Sanoma's market share is 13%.

Sanoma Learning's companies include, e.g., Sanoma Pro in Finland, Nowa Era in Poland, Van In in Belgium, Malmberg in the Netherlands, Sanoma Utbildning in Sweden, Iddink in the Netherlands, Belgium and Spain, and Santillana in Spain.

The strong market position of the segment's businesses is based on the local companies' long history as learning material publishers, developers, and distributors. For instance, Learning's Finnish unit, Sanoma Pro, has been publishing textbooks for over 130 years. Learning has also been historically able to increase its market share in connection with curriculum changes.

Financial targets and strategy

Sanoma's long-term financial targets for Learning are 2-5% annual comparable net sales growth and over 23% operational EBIT excluding PPA depreciations.

Learning targets organic growth via curriculum reforms and increasing digitalization.

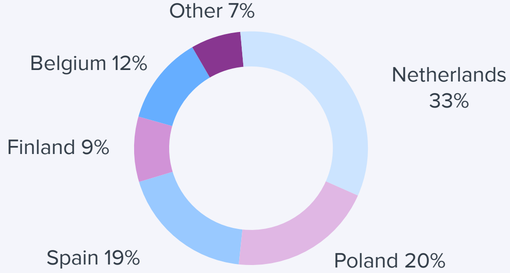
Learning in brief, 2021

637 MEUR (2020 reported: 500 MEUR)
Net sales 2021

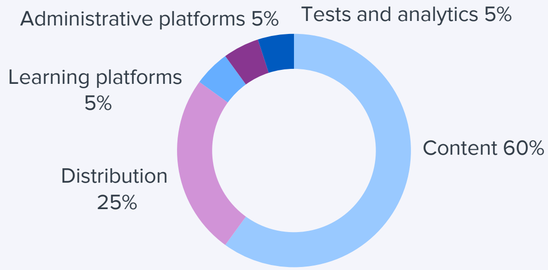
21.0% (2020: 19.2%)
Profitability, operational EBIT %*

~ 13 % market share
On Europe's EUR 4-5 billion K12 market

Net sales by country, 2021



Net sales by product type



Source: Inderes, Sanoma
* Operational EBIT excl. PPA

Sanoma Learning 2/3

In addition, the segment will continue to expand its technology and service offering, as well as expansion into new geographical areas through acquisitions.

From time to time, fluctuations in teaching cycles have a significant impact on the segment's net sales development. For example, the end of the Polish curriculum reform that had a positive impact in 2020 and 2021, will have a negative impact on growth in 2022. The Spanish curriculum reform, in turn, is expected to increase net sales in 2022-2023.

We estimate that Learning will try to strengthen its hold, especially on the digital learning platforms on various markets also in future, because this position is strategically attractive due to the stable nature of income. We also estimate that purchases on the platform side are more permanent because the threshold to change platforms is high due to costs and usage habits, whereas changing learning materials is easier when the curriculum changes. Here, the company can expand by introducing platforms it already owns to markets where the level of digitalization is rising or inorganically by acquiring platforms with a strong foothold on these markets. We believe, the focus of Sanoma's acquisition strategy will be, above all, on expanding Learning. Here the main target market is the K12 market in Europe, but wo do not believe expansion on the K12 market outside Europe is out of the question either in the longer term.

In terms of profitability, we expect the segment's development to be on an upward trend in the medium-term but below the long-term financial target (operational EBIT-% over 23%). In the long term, we expect increasing digitalization and a larger scale to boost profitability, keeping it on a slight upward curve.

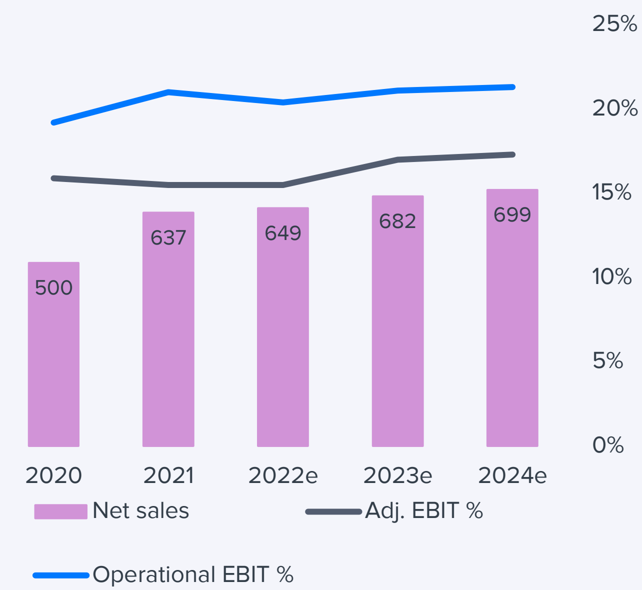
Estimates for the next few years

We estimate that the reported net sales of the Learning segment will increase slightly in 2022 due to the impact of the Spanish curriculum reform and growth from the Netherlands which is the largest market. Similarly, the end of the Polish curriculum reform will decelerate growth. Against this background, we expect the reported net sales for 2022 will increase by 2% to EUR 649 million (2021: 637 MEUR).

In 2023, we expect net sales growth to strengthen, thanks to the stronger growth generated by the Spanish curriculum reform and the relative decline in Polish net sales becoming more moderate. Thus, we expect that 2023 net sales to increase by 6% to EUR 688 million. In 2024, we expect net sales growth to slow down closer to the longer-term average growth rate and be 2.5%. We estimate net sales to rise to EUR 705 million.

We expect Learning's operational EBIT for 2022 to fall by 1% to EUR 133 million (2021: 134 MEUR),and operational EBIT % to decline to 20.4% (2021:

Learning's estimates



Income statement	2020	2021	2022e	2023e	2024e
Net sales	500	**637**	**649**	**688**	**705**
Operational EBIT	95.9	**133.9**	**132.6**	**145**	**150**
EBIT adj.	79.6	**101.6**	**100.6**	**117**	**122**
EBIT	66.4	**90.5**	**98.6**	**115**	**120**
Non-recurring items	-13.2	**-11.1**	**-2**	**-2.0**	**-2.0**

Growth and profitability	2020	2021	2022e	2023e	2024e
Net sales growth %	*48.5%*	*27.3*	***1.9%***	***6%***	***2.5%***
Operational EBIT growth%	18.5%	27.6%	**-1 %**	**16.3 %**	**4.3%**
Operational EBIT %	19.2%	21.0%	**20.4%**	**21.1%**	**21.3%**
Adj. EBIT %	15.9%	15.5%	**15.5%**	**17%**	**17.3%**
EBIT %	13.3%	14.2%	**15.2%**	**16.7%**	**17%**

Source: Inderes

Sanoma Learning 3/3

21.0%). Profitability is negatively affected by general cost inflation and, e.g., the increase in paper prices. In 2022-2023, we estimate that operational EBIT will grow by 16.3% and 4.3%. The corresponding operational EBIT margins are 21.1% and 21.3%. From 2023 onwards, the margin improvement is driven by the increase in Spanish net sales with better margins.

Medium- and long-term estimates

In the medium-term estimate period extending to 2025, we expect 3% average net sales growth and average EBIT % of 21%. In the long term, we also expect an average growth of 3% and a gradual slight increase in profitability. We consider acquisitions that accelerate growth to be a positive risk for our estimates, while negative estimate uncertainty will mainly be created by the timing of curriculum reforms, and possible prolongation and/or acceleration of cost inflation.

Learning's valuation

When determining the value of the segment, we use the 2022-2023 EV/EBIT ratios of key peer companies as a reference value.

We have identified seven listed peer companies for the Learning segment but, because of some operators' weak performance and different development stage, their valuation as a whole does not currently work as a relevant yardstick for Learning. In our estimate, Pearson, John Wiley & Sons Inc and Wilmington are most suitable among the peer companies for the valuation comparison, and we have determined Learning's acceptable valuation multiples based on the average EV/EBIT multiples for 2022 and 2023, which are 13x. With our 2022 and 2023 operational EBIT (excluding PPA depreciations) estimates for Learning and the multiples of the peer companies, Learning's value is some EUR 1,695-1,824 million. We consider the absolute valuation multiples of the peers to be moderate, given the stable and predictable demand for the business and the profitability level.

We feel Learning's valuation can also partially be compared to the valuation multiples of the Santillana Spain acquisition. The enterprise value (EV) of the transaction was EUR 465 million and the average operational EBIT excluding PPA depreciations of the acquired target in 2018-2020 was EUR 34.6 million. Thus, the EV/EBIT multiple of the transaction was 13.4x. We expect that Learning's operational EBIT for 2022 will be EUR 133 million, in which case the acquisition valuation multiple would indicate that Learning's EV is around EUR 1,777 million. Considering Santillana's smaller size category and Learning's more comprehensive (geographically and in terms of the offering) and more digital business portfolio, we find it reasonable to accept a higher valuation multiple for Sanoma Learning as a whole than the valuation multiple of the acquisition.

Therefore, Learning's value is EUR 1,696 million calculated on the average of the methods we have used. Thus, Learning's valuation has decreased significantly from the previous extensive report (2021 estimate: 2,342 MEUR). This has been particularly affected by the sharp decline in the valuation level of Learning's peer companies, while the decline in our estimates has been moderate.

Learning's peer group

Peers	EV	EV/EBIT		EV/S	
Company	MEUR	22e	23e	22e	23e
Bloomsbury Publishing PLC	367	11.8	11.3	1.4	1.3
Pearson PLC	7595	15.3	14.0	1.8	1.7
John Wiley & Sons Inc	3433	12.6	13.4	1.8	1.7
Wilmington PLC	268	10.5	10.4	1.9	1.8
Koninklijke Brill NV	45	9.1	9.1	0.9	0.9
2U Inc	1430	-	108.6	1.5	1.3
Chegg Inc	4494	25.9	20.6	5.8	5.1
Average		**14.2**	**26.8**	**2.1**	**2.0**
Median		**12.2**	**13.4**	**1.8**	**1.7**

Source: Inderes, Refinitiv

Sector review – media 1/2

Structural and cyclical drivers

The growth of the media sector is currently influenced by several structural, legislative, and cyclical drivers.

The main driver of the media sector has for a long time been the structural revolution arising from digitalization and demographic factors, which shapes consumer and advertiser demand, as well as the competitive field of the media industry and disrupts business models. The revolution is most evident in the sharp trend-like decline of print media income and growth in digital media.

The general economic trend (GDP change), which has historically had a strong correlation especially with advertising income trends, has been left in the shade of structural change as a demand driver. However, short- and medium-term GDP changes will still have a significant effect on the income of media companies.

Media companies are also strongly affected by technological development, the partial blurring of media sector boundaries, as well as legislative and cultural factors that shape the competitive dynamic between media companies and social media.

Key trends of the media sector

In our view, the key media sector market trends for investors are:

- The use of and demand for traditional media (newspapers, magazines, books, and linear TV) decreases, which gradually reduces the content and advertising income of print media and weakens their profitability.
- The consumption of digital content and services increases and becomes more diverse, e.g., as mobile devices and applications become increasingly popular, which increases digital content and advertising income and improves relative profitability.
- The competitive media field is globalizing, and access to content and data becomes faster and easier, which especially weakens the competitiveness of small media companies specializing in print media and increases competition for content income and advertising investments.
- Willingness to pay for digital content increases and the pricing models develop, accelerating the growth of digital content income.
- Advertising becomes automated and more efficient, which will shape the structure and pricing of the digital advertising market.
- The quantity and importance of data increases, creating new business opportunities and services.
- Data protection and privacy requirements increase. One of these drivers is the EU's General Data Protection Regulation (GDPR), which levels the playing field between local media companies and global platform operators.
- Technological know-how as a competitive factor becomes emphasized.

Advertising market development and outlook

In the past few years, the most influential trend on the Finnish advertising market has been the sharp decline of print media and, equally, the increase of digital advertising. The growth rate of the Finnish advertising market is clearly lagging the GDP trend, which is explained, e.g., by the relatively large share of print media of the overall market. Coverage of statistics describing total advertising has become slightly less comprehensive in recent years, as a significant part of advertising investments is directed at global operators excluded from the calculation, such as Facebook and Google. Advertisers have also invested heavily in the deployment of new advertising technologies, which has decreased direct investment in media advertising.

Examined by advertising channel, the growth of the advertising market has been very divaricated. In Finland, advertising in magazines and newspapers has halved in the 2010s, and the amount of TV advertising has also dropped clearly. By contrast, the amount of digital advertising has doubled in the 2010s and according to TNS Kantar its share of total advertising (incl. Facebook and Google) climbed to one-half (50%) of all advertising in 2021 when COVID still affected traditional forms of advertising.

Roughly half of the value of digital advertising constitutes advertising on Facebook and Google and the other half comprises ads sold by national operators (like Sanoma and Alma Media). The fastest-growing trends within digital advertising have been social media marketing, mobile marketing, and native advertising. We expect the structural trends of the advertising market to continue largely as they are in upcoming years, and the total value of advertising in Finland to be slightly in red due to the decline of print media advertising. We believe the COVID pandemic has accelerated this change so that the structural trend for print media will continue at a lower level.

Media sector drivers and trends

Digitalization
New devices, new digital services and applications, faster network connections and the growing share of “digital natives” among the population digitalizes media consumption heavily.

Economic trend
Conventionally, the media sector has been very sensitive to economic fluctuations because over 50% of the income come from advertising. With digitalization, the percentage of content income of revenue grows, which makes the sector less sensitive to economic fluctuations.

Technological development
New technologies change the earning models and competition dynamic. Especially the role of data and analytics as a competitive factor becomes highlighted. The main competitors are global platforms and technology companies.

Regulation and culture
Data protection and privacy regulation becomes stricter, which increases the importance of fixed customer relationships. So-called ‘fake news’ emphasize the role of well-known and trusted content providers.

Strong growth of digital media

- Internet and mobile-based media consumption grows
- Advertising becomes automated, its volume and effectiveness increases, and prices drop
- Data volume and value increases
- Media consumption becomes fragmented, and availability improves and becomes faster
- The use of digital content increases
- The importance of data protection and privacy increases

Declining demand for print and linear media

- Decreasing print content and advertising income
- Economies of scale and profitability weaken
- Continuous need for improved efficiency and consolidation

Sector review – media 2/2

According to TNS Kantar, the volume of online advertising has annually grown by roughly 5-10% in Finland in recent years. In 2021 growth was brisker (13.4%). We believe the growth will continue to be brisker than general market growth in the medium term. We expect the linear TV advertising trend to continue on a slight decline (-5–0%) in the medium term, as some of the investments previously made in TV advertising will be redirected to digital advertising and streaming services.

Content income trends

There is no detailed statistics on the market development of content income but based on the development of companies in the media sector we estimate that content income has decreased only slightly (0-3%) in 2012-2019. We believe, the decline has been sharpest in single copy sales of tabloids and magazines.

The decrease of content income has been curbed by price increases and, especially, the accelerated growth of digital content sales. Even though the share of digital content sales overall is still relatively low, the largest media operators, like Sanoma and Alma Media, have successfully managed to increase the number of subscribers paying for digital content. For example, Sanoma has been able to turn the total number of Helsingin Sanomat's subscribers to growth and currently Helsingin Sanomat has over 400,000 subscribers. The number of users paying for digital subscriptions has grown to 70% of the total number of subscribers and more than doubled since 2012.

The growth in the number of digital subscribers has been driven by, e.g., Growth in the number of digital subscribers has been boosted by, e.g., greater willingness to pay for digital content, the increasing popularity of digital services, such as Netflix and Spotify, the discussion concerning fake news, the measures to develop paywalls and chargeable content, as well as improved accessibility and quality of digital services. Most digital service subscribers are under the age of 50. Growth of digital content sales has, however, strongly focused on news and financial media, while digital subscription income development in magazines has been muted.

We estimate that overall content income growth will be low in the next few years, as the growth of digital content income does not yet fully compensate for the decline in print media income due to the higher prices of print media.

Growth of digital content improves relative profitability

One of the positive effects of the digital revolution of the media sector is that the growth of the relative share of digital income improves the sector's relative profitability. The improved relative profitability is based on the sales margin of digital products and services, which is typically clearly higher than that of print media products due to lower distribution and material costs. The scalability of digital operations is also markedly better than that of print media. According to our estimate, the EBIT % of media operations relying solely on digital content and advertising income is roughly between 20 and 30%, whereas the EBIT % of print media is typically within the 5-10% range.

Global giants rule the competitive field

Digitalization will increasingly shape the competitive media field, and competition in advertising takes place more against global platform companies, like Facebook and Google, instead of between local media companies. In terms content income in print media and services, competition is still local, but TV and digital media increasingly compete with global companies, as well as companies outside the media industry (such as Apple or telecom operators) in terms of content.

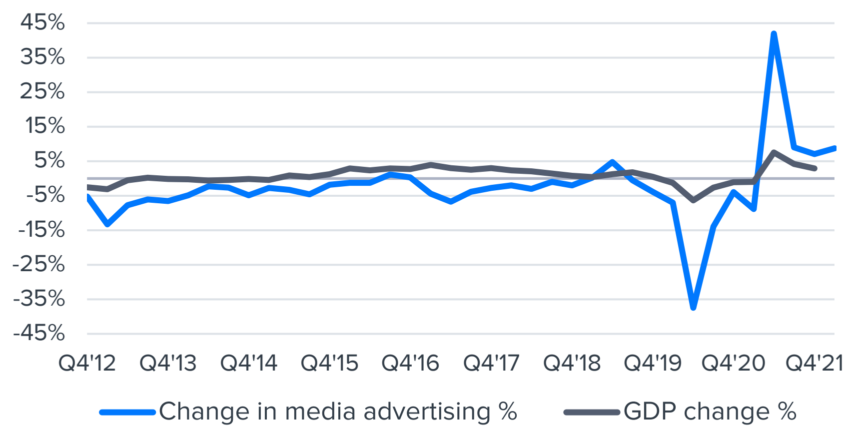
So far, leading Finnish media companies have fared relatively well in the competition against the likes of Facebook and Google, and their share of the digital advertising and content market has remained high in a global comparison. In terms of content income, Finnish media companies are supported by the high threshold to enter a small market and language region, long and strong relationships with readers in print media, and strong brands. Sanoma also clearly benefits from its multichannel approach, which other Finnish or international platform or media companies do not have.

Regulation can benefit media companies

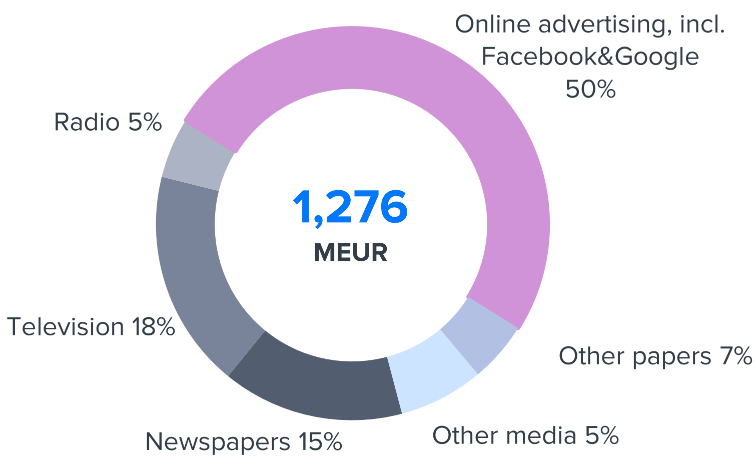
A legislation amendment project is ongoing in the EU that is related to legislation concerning digital markets and copyright. If changed, it can oblige technology companies to share collected data and even income flows. Possible concrete changes from the ongoing project are uncertain and they will take some time. However, relative to the current status it can, in our opinion, only be expected to improve the position of local players.

Development and competitive field of the media sector

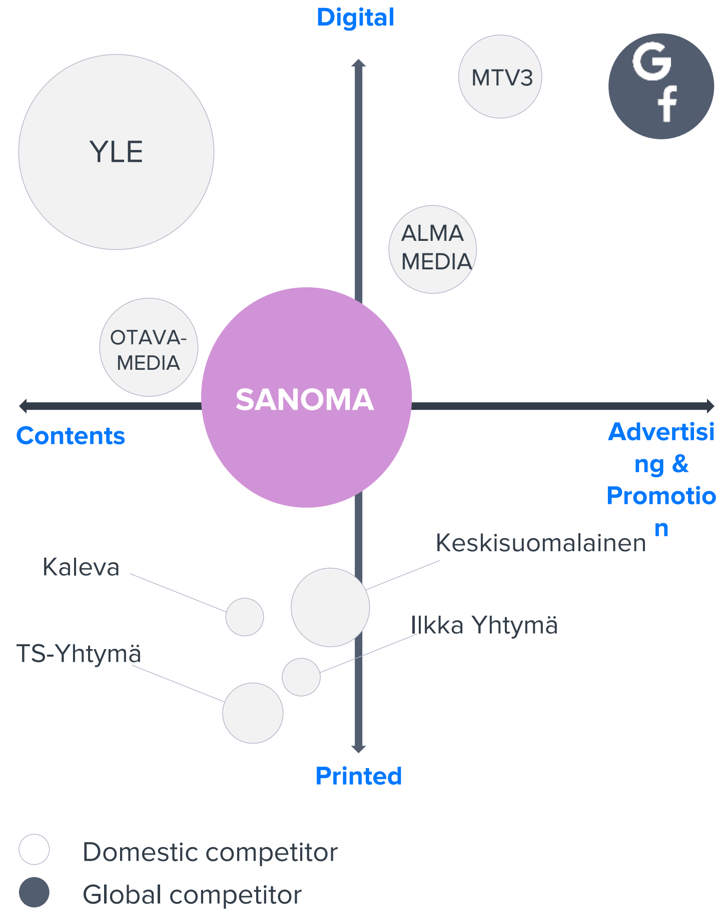
Development of Finnish media advertising cf. GDP until Q4'2021*



Distribution of Finnish media advertising, 2021



Competitive field of the Finnish media market



The size of the sphere depicts the size of the Finnish media operations based on financial statements and Inderes' estimates. In terms of content income, YLE has been deemed a competitor of Sanoma, even though its operations are financed by public funds.

Source: Kantar TNS, IAB, Statistics Finland, Inderes
*Q1'22 change in media advertising includes January-February figures

Media Finland 1/4

Finland's largest commercial media company

Media Finland's net sales was EUR 615 million in 2021, which corresponded with 49% of Sanoma's net sales. Measured by operational EBIT, Media Finland is, however, clearly the smaller segment (operational EBIT 74 MEUR or 32% of Sanoma's operational EBIT).

The segment's strategy focuses on three units, which are journalism (news & feature), entertainment and B2B marketing solutions. Journalism consists of news media HS, regional media (e.g. Aamulehti), Iltasanomat and several magazines. Correspondingly, entertainment includes, e.g., the TV and radio company (Nelonen Media), the audio content service Supla and live events. B2B marketing solutions cover advertising and marketing solution sales. In addition, Sanoma Lifestyle that focuses mainly on printed magazines (e.g. Aku Ankka, ET and Kodin Kuvalehti) is also part of the segment.

Media Finland is Finland's largest commercial media company, measured by both the number of newspaper and magazine users and subscribers, printed & online media advertising, as well as TV and radio advertising. Compared to the Finnish media advertising market calculated by Kantar TNS (some EUR 1.28 billion), Media Finland's market share is roughly 19% of the whole market.

Income highly dispersed – weight of print media still relatively high

Media Finland's business model is widely distributed between different income sources, which is the result of the segment's multichannel operating model and comprehensive product portfolio that covers the entire Finnish media sector. In 2021, the relative share of print media accounted for some 25% of the Group's net sales.

Content income has become the largest form of income for Media Finland. In 2021, the share of content income was around 47% of the segment's net sales (2020: 49%), which introduced stability to net sales. Of this, recurring subscription income made up roughly 86% and single copy sales only around 14%. We believe that the majority of content income are currently generated by content income of digital newspapers and magazines even though the subscription revenues of video services (Ruutu.fi) have also been increasing.

Advertising income formed 40% of the segment's net sales in 2021 (2020: 41%). In 2021, good 75% of advertising income came from the relatively stable TV and radio advertising and growing online advertising, while only some 25% of income came from declining print media.

Other business income comprised approximately 13% of the segment's net sales in 2021 (2020: ~10%). The COVID pandemic depressed other income heavily in 2020, as under normal circumstances, the festival and event business generates around EUR 35 million, while in 2020 its net sales were almost zero. In 2021, about half of the festivals and events in the repertoire were organized during the year, so the relative share of the other business is slightly higher in a normal operating environment. A small share of other income comes from marketing services and book publishing and printing services.

Media Finland in brief, 2021

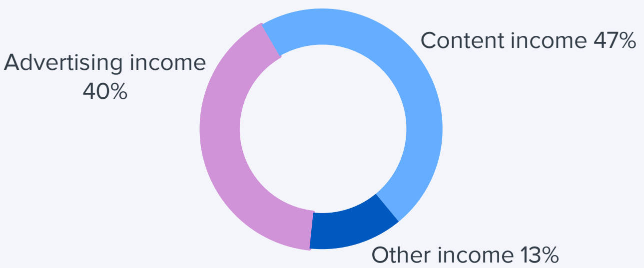
EUR 615 million (2020: 563 MEUR)
Net sales 2021

11.9% (2020: 11.8%)
Profitability, operational EBIT %

51% / 49%
Share of printed/other than printed business income

#1 and #2 market position
News media, magazines, TV & Radio, B2B

Net sales by income type, 2021



Source: Inderes, Sanoma
* Operational EBIT excl. PPA

Media Finland 2/4

Segment's financial targets and strategy

Sanoma's long-term financial targets for Media Finland are +/-2% comparable net sales growth and operational EBIT % excluding PPA depreciations of 12–14%.

Media Finland's long-term growth outlook is moderate and ambiguous as around one half (2021: 51%) of the segment's income still leans on the print media market that is declining heavily due to structural trends. Despite the structural decline of print media, the company believes that the demand for digital content is sustainable and growing strongly so the segment's strategy focuses on a leading position in the news & feature segment. Therefore, the strategy is built around maintaining a leading position throughout the shift from print to digital, which was also the basis for acquiring Alma Media's regional newspaper operations.

However, due to the lower unit price of digital media, the shift from print to digital has a negative effect on the company's net sales. However, digital is much more scalable due to its cost structure and, consequently, more profitable. Accelerating the shift is not, however, strategically attractive as quickly scaling down the distribution of print media and printing costs is not possible. In addition, it would weaken advertising income quickly and not all consumers are ready to move fully to digital consumption. Thus, Sanoma allows the consumer to control the rate of change instead of actively seeking to speed up the rate of change itself.

The counterbalance to print media is the growth outlook for other than print media that generated 49% of Media Finland's net sales in 2021. Digital content and digital B2B advertising included in this share is expected to grow annually in the medium term.

Media Finland's growth and profitability outlook

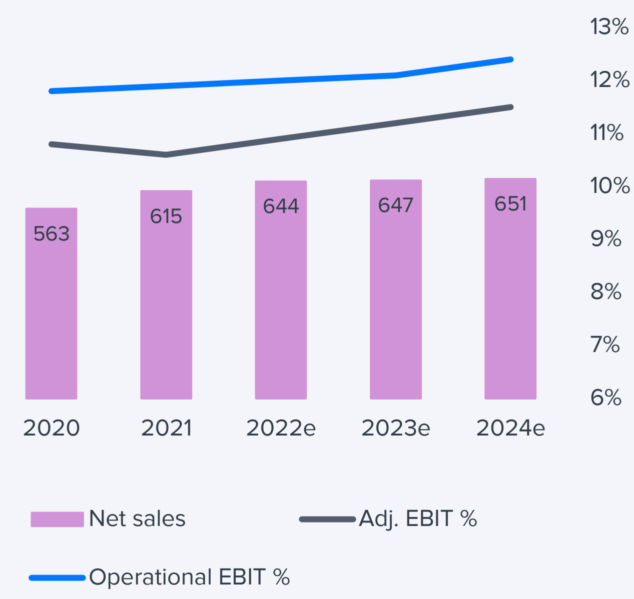
We estimate that the net sales of the segment's print media will continue declining by 5-10% in the medium and long-term, and especially advertising income from print media will continue decreasing heavily, and the number of print media subscribers will decline evenly. Considering Media Finland's current business structure, media income other than print media will grow by some 2-5% per year, so the growth of the segment's total net sales over the course of the next couple of years should be slightly positive and in line with financial targets.

In terms of profitability, we expect the segment to continue on a slightly upward trend in the medium and long term. Profitability is negatively affected by the decline in print media advertising, growth investments and cost inflation, the effects of which is compensated by increase in higher-margin digital income. In addition, we expect the company to continue to achieve moderate benefits from improving operational efficiency.

Estimates for the next few years

We assume in our estimates that the COVID pandemic is no longer reflected in Media Finland's business environment, so the event business is no longer affected by restrictions in coming years.

Media Finland's estimates



Source: Inderes

Media Finland 3/4

We expect Media Finland's net sales to grow by almost 5% in 2022 to EUR 644 million reflecting the estimated moderate growth in advertising and content income and the recovery of the event business.

We anticipate that Media Finland's 2022 operational EBIT will grow by some 5% to EUR 77 million (2021: 74 MEUR) and operational EBIT % to remain roughly on last year's level at 12.0% (2020: 11.9%).

Profitability is positively affected by full synergy benefits from the regional media acquisition and slightly by the recovery of the events business to normal level. Similarly, profitability is negatively affected by short-term cost inflation, which is reflected in particular in the increase in paper prices.

In 2023, we expect net sales to remain at the previous year's level, as we estimate low trend-like growth in content income. We expect the development in advertising to be almost stable, in line with the slowing economic growth picture. Thus, our 2023 net sales forecast is EUR 647 million, which represents an increase of 0.4% compared to the previous year. In 2023, we expect profitability to increase a smidgen (operational EBIT growth 2%), reflecting our estimate of alleviating cost pressure.

Medium- and long-term estimates

In 2024 and beyond, we expect annual average net sales growth of about 1% in the medium and long term. In 2024, we also estimate a slightly growing operational EBIT and slightly increasing relative profitability thanks to better net sales distribution, i.e., increase in the relative share of digital income. In the long term, we expect a slight growth in Media Finland's EBIT and a gradual increase in operational EBIT % reflecting the growth in digital income. However, the increase in profitability is slowed down by the decline in print demand and, as a result, by the decline in its relative profitability.

Risks related to estimates

As a positive risk to our estimates, we see faster growth in digital media advertising in coming years. In addition, acquisitions that accelerate earnings growth can result in faster earnings growth than we estimate, although we expect the focus of acquisitions to be on Learning. Uncertainty in estimates is in the short term created by the effects of the geopolitical situation on Finland's economic growth and hence the development of advertising. In addition, in the short and medium term, slight uncertainty in the estimates may be created by the company's ability to manage the exit of subscribers after the COVID time subsides and consumer behavior may change. Thus, the quality of content and its value to the customer is an important driver for content income development.

Media Finland's estimates

Income statement	2020	2021	2022e	2023e	2024e
Net sales	563	615	**644**	**647**	**651**
Operational EBIT	66.6	73.5	**77.1**	**78.4**	**80.8**
EBIT adj.	60.5	66.7	**70.3**	**72.4**	**74.8**
EBIT	209.6	60.6	**66.3**	**68.4**	**70.8**
Non-recurring items	149.1	-6.1	**-4**	**-4**	**-4**

Growth and profitability	2020	2021	2022e	2023e	2024e
Net sales growth %	-2%	9.3 %	**4.7%**	**0.4%**	**0.6%**
Operational EBIT growth%	-3.8%%	10%	**5%**	**1.7%**	**3.1%**
Operational EBIT %	11.8%	11.9%	**12.0%**	**12.1%**	**12.4%**
Adj. EBIT %	10.8%	10.8%	**10.9%**	**11.2%**	**11.5%**
EBIT %	37.3%	9.9%	**10.3%**	**10.6%**	**10.9%**

Source: Inderes

Media Finland 4/4

Media Finland's valuation

We determine the value of the Media Finland segment based on the valuation multiples of an extensive peer group consisting of international media companies. We have defined altogether 15 peer companies for the Media Finland segment. Primarily, the peer group comprises combined print & digital media companies, similar to Sanoma, as well as a few TV companies. In our view, as a whole, the peer group's business models and growth prospects reflect Media Finland's business model, as well as the sector's growth prospects reasonably well.

We use the peer group's 2022-2023 EV/EBIT multiples and 2022 EV/S multiple in our valuation. The average EV/EBIT multiples for 2022-2023 of the peer group we use are 19x and 12x and the corresponding median multiples are 14x and 12x. The average EV/S multiple of the peer group for 2022 is, in turn, 1.6x and the median is 1.3x.

Using the peers' 2022-2023 median valuation multiples and Media Finland's net sales and operational EBIT estimates, Media Finland's enterprise value (EV) is EUR 849–1,046 million, the average being EUR 940 million.

Thus, Media Finland's value has practically remained unchanged from our last extensive report (2021 estimate: 936 MEUR). This is the result of almost unchanged earnings estimates and the valuation multiples of the peer group.

Media Finland's peer group

Peers	EV	EV/EBIT		EV/S	
Company	**MEUR**	**22e**	**23e**	**22e**	**23e**
Alma Media	940	13.8	13.1	3.2	3.1
Future PLC	3668	13.3	11.4	3.8	3.6
Gannett	1556	10.2	10.4	0.5	0.6
ITV PLC	4372	5.3	5.9	1.0	1.0
Lagardere	7142	23.3	17.9	1.2	1.0
Arnoldo Mondadori Editore	623	8.2	7.6	0.7	0.7
Nordic Entertainment Group	2823	87.8	28.4	1.8	1.5
News Corp	12461	13.3	11.8	1.3	1.3
New York Times	6344	27.1	22.7	3.0	2.8
Promotora de Informaciones	1346	23.2	14.7	1.7	1.6
Rizzoli Corriere	585	6.2	5.3	0.7	0.7
Roularta Media Group	167	-	-	0.6	0.6
Schibsted	5654	30.8	-	3.5	3.3
TX Group	1603	14.5	14.2	1.9	2.0
Average		**19.0**	**12.2**	**1.6**	**1.5**
Median		**13.6**	**11.8**	**1.3**	**1.3**

Source: Inderes, Refinitiv

Financial position

Financial position is stable

Sanoma's balance sheet has decreased significantly due to the structural change, and the balance sheet's risks have fallen to a moderate level. The company's business model enables strong cash flow and organic growth practically ties up no capital. Thus, the company's dividend payment capacity is good, and we expect Sanoma to continue increasing its dividends in the next few years. The balance sheet and ability to generate cash flow also enable acquisitions.

Balance sheet entails considerable intangible assets

Sanoma's balance sheet total at the end of 2021 was EUR 1,933 million. Balance sheet assets comprise significant goodwill (753 MEUR, 39% of the balance sheet) and other intangible assets (673 MEUR, 35% of the balance sheet). Goodwill and intangible assets are mostly the result of acquisitions, while other intangible assets are capitalization of broadcasting rights and content production costs. The balance sheet has tied moderate amounts of non-current tangible assets (EUR 212 million), and the company has shares and investments of EUR ~13 million.

Due to the nature of the operations, the company's net working capital is clearly negative because the company accrues significant advance payments and non-interest-bearing debts are typically clearly higher than accounts receivable. At the end of 2021, working capital was a negative EUR 214 million or -17% of net sales.

Sanoma's equity at the end of 2021 was EUR 721 million or EUR 4.38 per share. The company had EUR 669 million in interest-bearing liabilities (incl. lease liabilities), EUR 52 million in cash and, thus, interest-bearing net debt amounted to EUR 616 million. A large share of interest-bearing debt consists of a bank loan falling due in 2023 (225 MEUR) and a EUR 200 million bond that falls due in 2024 with a fixed interest rate of 0.625%. We believe financing is sufficiently dispersed timewise and the company can get financing at relatively low interest rates. We find the balance sheet items current due to the considerable restructuring and strong result turnaround and we feel the risks related to write-downs of goodwill are low.

Leverage has remained under control

Sanoma's leverage has remained below its target level and thus the balance sheet enables acquisitions. The company's net gearing at the end of Q4'21 was 86% (Q4'20: 93%). The ratio of net debt to adjusted EBITDA at 2.4x was below the company's target level (< 3x). We expect net gearing at the end of 2022 to be clearly lower at 72% and the ratio of net debt and adjusted EBITDA to fall to around 1.5x. Thus we feel the company has a leeway of EUR 300-400 million for acquisition considering its financial and balance sheet position.

Free cash flow is at a good level

With the streamlining of the business structure, improved profitability and very successful M&A transactions, Sanoma has been able to improve its operational cash flow. Reflecting this, Sanoma's operational cash flow in 2017-2021 has been around EUR 141-181 million. On average, operational cash flow has been at good 13% relative to net sales.

It should be noted that from 2019 onwards, comparability is weakened by the effects of the IFRS16 standard that transferred lease liabilities to financial cash flow (previously operational cash flow). The revision of the standard has had a positive impact of some EUR 30 million on operational cash flow in recent years.

The company's capital expenditure has been moderate in recent history, although in the last two years investments (2021: 42 MEUR) have risen slightly due to investments related to development work of digital platforms and IT systems, and because of Learning's recent acquisitions. However, investment growth is natural as size increases and, as a whole, we consider organic investment needs to be moderate.

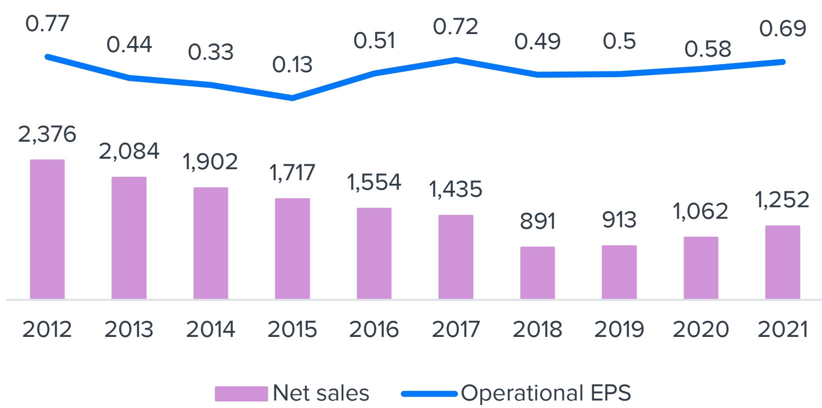
Due to the low investment need, the company's free cash flow is also at a good level and increased to EUR 140 million or EUR 0.86 per share in 2021(2020: EUR 0.58 per share).

Dividend is financed with free cash flow

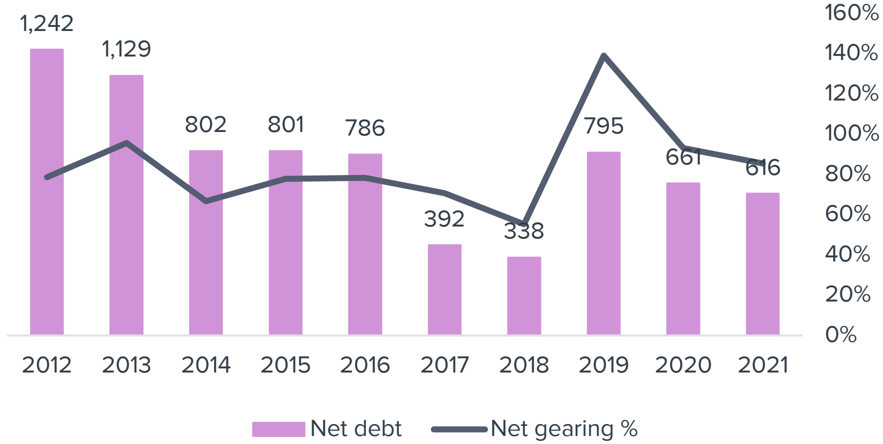
The company's dividend policy is to pay 40–60% of the free cash flow as dividends annually. The 2021 dividend was EUR 0.54 (2020: EUR 0.52 per share) and approximately 63% of free cash flow. However, this corresponds to 55 % of the free cash flow adjusted for the non-recurring advance VAT payment and is therefore in line with the dividend policy. Sanoma's cash flow enables increasing dividend in line with the dividend policy, considering the current payout ratio and expected earnings growth.

Financial position

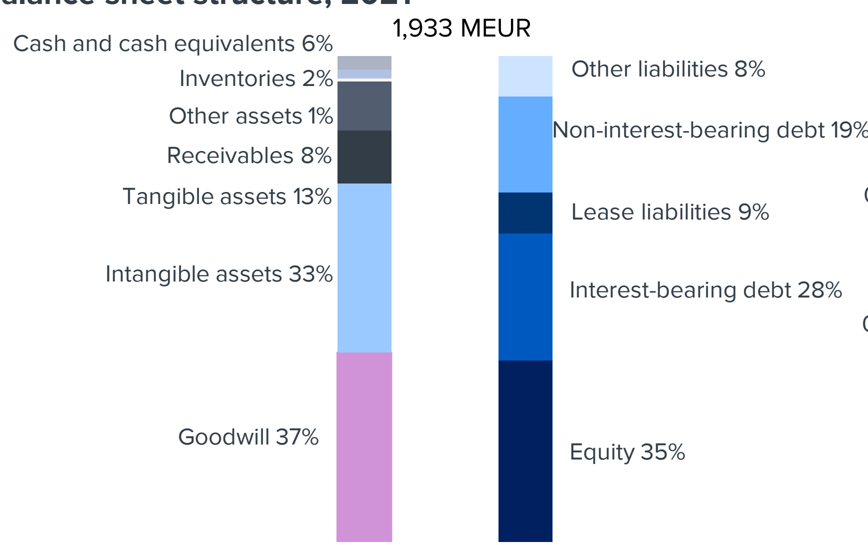
Net sales and operational EPS



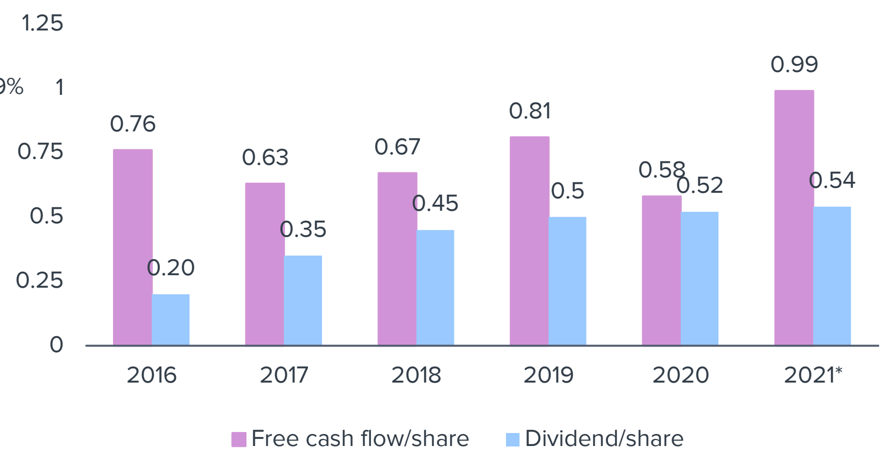
Net debt and gearing %



Balance sheet structure, 2021



Free cash flow and dividend per share



Source: Inderes, Sanoma

Group level estimates

Year 2022: Normal year in terms of COVID, slight margin pressure from cost inflation

Sanoma expects the Group's reported net sales to be EUR 1.25-1.3 billion (2021: 1.25 billion) and operational EBIT % excluding PPA depreciation to be 15-16% (2021: 15.8%). We expect Sanoma's 2022 net sales to be EUR 1,293 million which corresponds to a net sales increase of about 3%. In our estimates, growth is mainly based on the growth in Learning from the Spanish curriculum reform and the continued good growth in the Netherlands. In addition, Media Finland helps Group-level growth, driven by the slight growth we expect in content income and digital advertising and the growth in events business. By segment, we expect Media Finland's net sales to grow by 5% and Learning's net sales to increase by 2%.

We expect operational EBIT excluding PPA to increase by some 2% to EUR 202 million (2021: 197 MEUR) and EBIT % excluding PPA to rise to 15.6% (2021: 15.8%). In our estimates, cost inflation reduces the EBIT margin in the short term, which is reflected in the cost pressure caused by the increase in paper prices also indicated by the company (10 MEUR). We expect adjusted EPS in 2022 to increase a smidgen to EUR 0.72 (2021: EUR 0.71), reflecting operational earnings growth. Similarly, the reported EPS is expected to increase to EUR 0.68 from the comparison period (2021: EUR 0.62) reflecting moderate non-recurring items. We expect the company to stick to its dividend policy supported by the strong balance sheet and cash flow. We expect that the dividend per share will rise to EUR 0.58 (2021: EUR 0.54) corresponding with a payout ratio of around 54% of free cash flow.

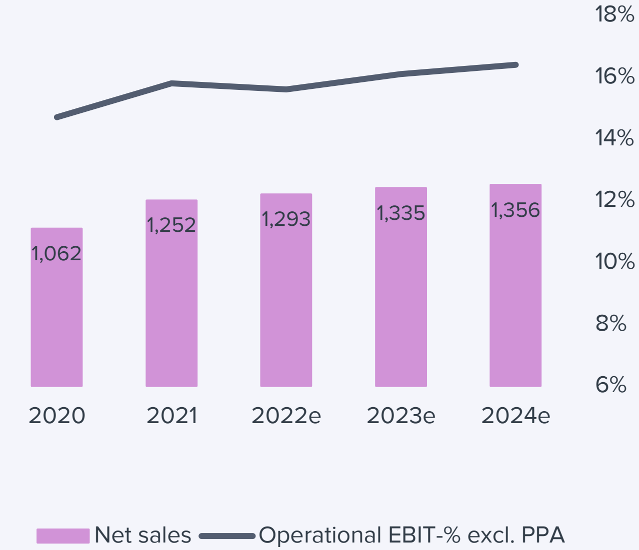
2023-2025 estimates: Steady performance

The estimates changes we made in connection with the update for 2023-2024 were 1% We expect that Sanoma's organic net sales will increase by 3% in 2023, as Learning continues to grow moderately driven by Spain and the Netherlands, and Media Finland is likely to continue to develop steadily. In 2024-2025, we expect net sales development to be stable, without new acquisitions. The steady development is also visible in profitability, as we expect it to continue to increase gradually from 2023 onwards, reflecting the development of net sales distribution and strengthening operational efficiency. Considering the strong ability to generate cash flow we expect a slight annual increase in the dividend in 2023-2025.

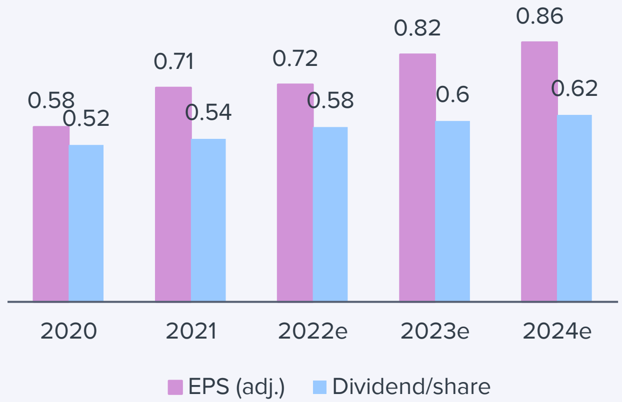
Long-term earnings estimates

In the long term, the key factors affecting Sanoma's earnings development are the growth rate of the scalable digital business with better profitability and of the Learning business, as well as how steep the decline in print media is. We expect Sanoma's other than print media income will grow by an average of some 2-5% p.a., but simultaneously the income from print media that represent some 25% of income to decline by around 5-10% p.a. This depresses Sanoma's overall net sales growth to a low level (2026e-2030e average 1.5%). That said, improved net sales distribution and efficiency, as well as decreasing depreciation increase Sanoma's EBIT margin (2030e: 15.8%) and income growth to a slightly positive level in our estimates.

Net sales and profitability



EPS and dividend



Source: Inderes

Group level estimates

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	**1062**	**210**	**303**	**486**	**252**	**1252**	**216**	**322**	**500**	**255**	**1293**	**1335**	**1356**	**1374**
Media Finland	563	142	154	155	164	615	146	168	164	166	644	647	651	655
Learning	500	68	149	332	88	637	70	153	337	89	649	688	705	719
EBITDA	**446**	**26**	**101**	**182**	**40**	**349**	**28**	**109**	**187**	**39**	**364**	**383**	**391**	**397**
Depreciation	-177	-50	-50	-49	-58	-207	-52	-52	-52	-52	-207	-208	-209	-210
Oper. EBIT excl. PPA	**157**	**-10**	**65**	**147**	**-5**	**197**	**-12**	**68**	**147**	**-1**	**202**	**215**	**222**	**227**
EBIT (excl. NRI)	**134**	**-20**	**55**	**137**	**-14**	**158**	**-22**	**59**	**137**	**-11**	**163**	**181**	**188**	**193**
EBIT	**270**	**-24**	**52**	**133**	**-19**	**142**	**-23**	**57**	**136**	**-13**	**157**	**175**	**182**	**187**
Media Finland	60	9	18	22	17	67	10	19	24	18	70	72	75	76
Learning	80	-27	39	116	-27	102	-29	41	115	-27	101	117	122	126
Other operations	-6	-1	-3	-2	-4	-10	-2	-2	-2	-2	-8	-8	-8	-9
Net financial items	-9	-4	-3	-3	1	-9	-3	-3	-3	-3	-10	-12	-12	-12
PTP	**260**	**-28**	**49**	**130**	**-17**	**134**	**-26**	**55**	**133**	**-15**	**147**	**164**	**171**	**176**
Taxes	-23	3	-12	-27	3	-32	3	-12	-29	3	-35	-36	-37	-38
Minority interest	0	0	0	0	0	-1	0	0	0	0	0	0	0	0
Net earnings	**237**	**-25**	**37**	**102**	**-14**	**101**	**-23**	**43**	**104**	**-12**	**112**	**128**	**134**	**137**
EPS (adj.)	**0.58**	**-0.12**	**0.24**	**0.65**	**-0.06**	**0.71**	**-0.13**	**0.27**	**0.65**	**-0.06**	**0.72**	**0.82**	**0.86**	**0.88**
EPS (rep.)	**1.45**	**-0.15**	**0.22**	**0.63**	**-0.09**	**0.62**	**-0.14**	**0.26**	**0.64**	**-0.07**	**0.68**	**0.79**	**0.82**	**0.84**

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	16.3 %	11.9 %	23.1 %	21.2 %	11.3 %	17.9 %	2.6 %	6.1 %	2.9 %	1.2 %	3.3 %	3.2 %	1.6 %	1.3 %
Adjusted EBIT growth-%	7.7 %	43.0 %	13.1 %	29.6 %	117.8 %	18.3 %	14.0 %	8.6 %	0.5 %	-16.4 %	3.0 %	11.2 %	3.9 %	2.5 %
EBITDA-%	42.0 %	12.4 %	33.4 %	37.4 %	15.8 %	27.9 %	13.1 %	33.9 %	37.5 %	15.3 %	28.1 %	28.7 %	28.8 %	28.9 %
Oper. EBIT-% excl. PPA	14.7 %	-4.8 %	21.5 %	30.3 %	-2.1 %	15.8 %	-5.6 %	21.3 %	29.4 %	-0.6 %	15.6 %	16.1 %	16.4 %	16.5 %
Adjusted EBIT-%	12.6 %	-9.1 %	17.9 %	28.1 %	-5.3 %	12.6 %	-10.1 %	18.3 %	27.4 %	-4.4 %	12.6 %	13.6 %	13.9 %	14.1 %
Net earnings-%	22.3 %	-11.7 %	12.1 %	21.1 %	-5.5 %	8.0 %	-10.8 %	13.3 %	20.8 %	-4.6 %	8.6 %	9.6 %	9.8 %	10.0 %

Source: Inderes

Investment profile

Sanoma profiled as a stable dividend company for investors

As a result of the change in income flows, Sanoma's investment profile has changed considerably in recent years. We believe that the key change is the partial substitution of cyclical income flows with stable and predictable income flow from Learning, which have risen to a relatively higher role.

As part of the restructuring process, we believe the risk profile of the share has decreased and the company's cash flow profile has also strengthened. As a result, we feel Sanoma is profiled as a stable dividend payer and a company that implements a clear inorganic growth strategy.

Acquisitions play an important role

Acquisitions are an important part of Sanoma's strategy, and the developmental stage and trends of the sector increase the probability of acquisitions also in future.

The size class of Sanoma's acquisitions may vary significantly also in future, but we believe that it is likely that even larger acquisitions will not significantly change the company's operational risk profile in the future. Potential acquisitions are not included in our estimates before they materialize, as it is practically impossible to predict them.

In our opinion, Sanoma's key positive value drivers for investors are:

Creating shareholder value through acquisitions: Sanoma has great potential to accelerate its income growth by means of acquisitions. We believe, the focus of acquisitions is on the more stable Learning operations. Therefore, acquisitions provide the opportunity to change the net sales and earnings structure towards even more stable income components. This would also lower the risk profile, although we already consider Sanoma's risk profile to be rather moderate as a whole.

Growth of digital business: We believe Sanoma's digital media operations have good growth prospects and profitability, which is why they constitute a key value driver for the share.

Gradual improvement of profitability: We still see potential in Sanoma to improve its profitability by streamlining its operations and improving the sales structure (e.g. Learning's growth) in the medium and long terms.

Strong cash flow: The company's businesses have excellent ability to generate cash flow, which over time enables both growing dividends, organic and in-organic investments and paying off debt.

In our opinion, Sanoma's key negative value drivers and risks for investors are:

Reduced print media income: We expect the decline of Sanoma's print media net sales to continue far into the future, which will subdue the company's total growth and slow down its ability to produce growing cash flow.

Weakening competitive position: The competitive field of media companies is fragmented, the threshold to enter the industry has lowered and competition for advertising investments has increased through global operators (e.g. Facebook and Google), which means the competitive position of national, regional and local media companies has weakened.

Technological risks: The key risks in the field of digital business operations are linked to technological changes that may rapidly change the markets and business models, as well as significantly increase the costs of product development and advertising. Currently, such risks include, e.g., the increasing popularity of ad blockers and the strengthening position of social media tech platforms.

Cyclical risks: Although the sensitivity of Sanoma's operations to economic fluctuation has decreased markedly, a weak economic cycle continues to lower earnings growth expectations, especially for Media Finland, and is also reflected in the sector's acceptable valuation multiples. This risk is particularly enhanced in the short term, as predicting cyclical developments is challenging. However, in the long run, the long-term trend growth of the economy provides the basis for stable development or even moderate growth.

Acquisitions risks: Sanoma has many unsuccessful acquisitions in the past that have destroyed shareholder value and serve as a reminder of the risks involved. However, we consider the risks associated with acquisitions to be smaller than before as the track record of current management is very good.

Investment profile

1. **Stable and profitable core operations that generate strong cash flow**

2. **Structural change in media decelerates organic growth, growing through acquisitions**

3. **Moderate operational risk level: strong market position, highly diversified income, modest share of cyclical income**

4. **Good balance sheet position and strong cash flow provides leeway for acquisitions**

5. **Share's expected return consists of dividends and synergistic acquisitions that boost earnings growth**

Potential

- Improving income defensiveness as the focus of business shifts increasingly towards the Learning business
- Growth in digital income and services
- Good cash flow and growing dividend
- Improved cost efficiency and net sales structure

Risks

- Failed acquisitions and integration
- Acceleration of the structural change in media and drop in print media
- Weakening competitive position especially against global competitors
- Risk related to technology and regulations

Source: Inderes

Valuation 1/2

Valuation methods

When valuing Sanoma's share, we place a significant weight on the share's expected total return based on the company's forecasts for the next few years (earnings growth + dividends + expected changes in valuation multiples). In addition, we support the valuation with a sum of the parts calculation and DCF model. We have used relative valuation, when calculating the segment-specific value in our sum of the parts calculation. We especially favor the earnings-based EV/EBIT and P/E ratios of the next few years in our valuation.

Share's expected total return

We believe the expected return of Sanoma's share will strongly depend on the dividend yield in the next few years, but earnings growth also plays an important role. Based on our estimates and the current EUR 12.24 price level, the share's dividend yield will be 4.7-5.1% over the next few years. We believe Sanoma's dividend to be on a sustainable growth path as the company's operational cash flow is growing and we expect the company to focus on dividend growth in capital allocation next to inorganic growth.

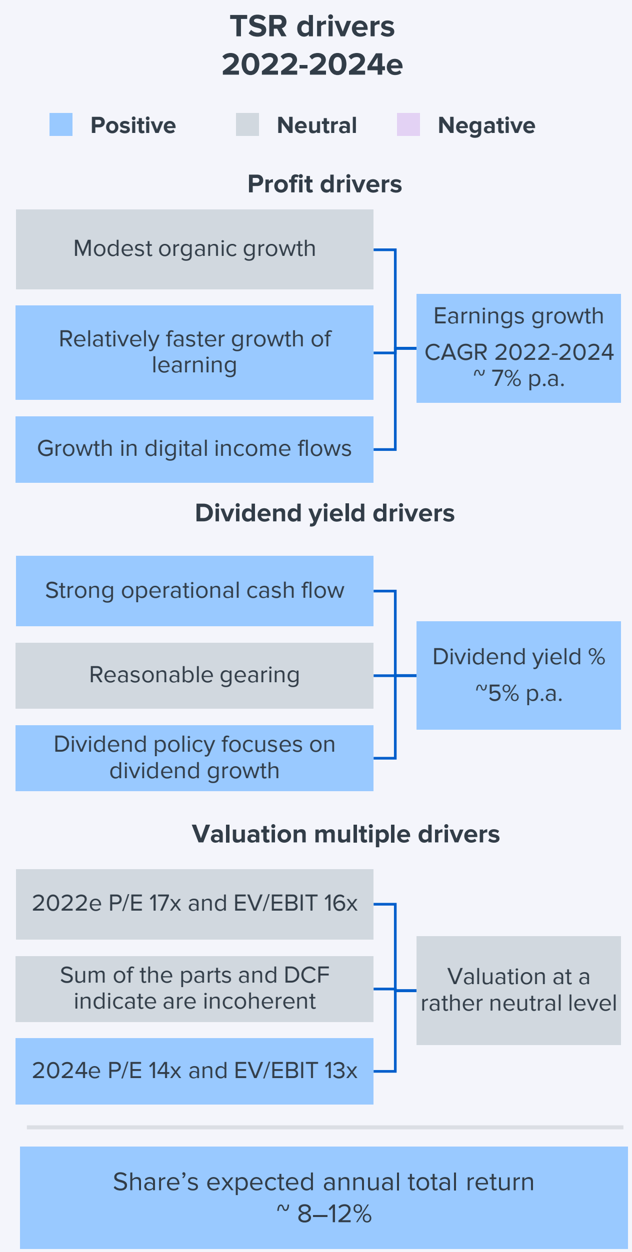
We except Sanoma's adjusted net profit growth to be on average 7% in 2022-2024, which comprises net sales growth and a slight increase in profitability. We estimate that the company can be expected to make acquisitions in the next 12 months, but we have not taken them into account in our estimates as it is practically impossible. Thus, the company's earnings growth is likely to exceed the organic earnings growth rate we estimate.

Sanoma's adjusted P/E ratios for 2022-2023 are 17x and 15x and the corresponding EV/EBIT ratios are 16x and 14x. The corresponding valuation multiples for 2024, which fully reflect the 2022-2024 earnings growth, are 14x and 13x. In our view, the valuation multiples for the current year are rather neutral overall, whereas in the next few years the valuation will fall to a moderate level with the expected earnings growth. Thus, the share's total expected return consists of good dividend yield and expected earnings growth and is about 8-12%.

DCF

In Sanoma's valuation the DCF model can in our opinion be given more weight than average because the Sanoma's profitability development is established and especially the cash flow of Learning, that generates a larger share of cash flows, is stable and predictable.

Our DCF model indicates a share value of EUR 15.3. Due to Learning's stable growth (excluding possible acquisitions) and the decline of print media, net sales will increase slightly in the medium term (2025-2030) but thanks to the growth in digital business the company's relative profitability will rise gradually and ROE remains on a strong level. In our model, the EBIT margin will rise from 11.4% in 2022 to an average of 15.8% in the longer term. The weighted average cost of capital (WACC) we use in the cash flow model is 6.9%, and the cost of equity at 7.7%.



Source: Inderes

Valuation 2/2

Sum of the parts calculation

Sanoma's businesses are highly independent and there are no significant synergies between them so we believe they should be valued with different valuation multiples. Sum of the parts offers in our view a yardstick for the valuation of Sanoma's share and increases transparency into the company's value creation. In previous sections we have valued the businesses separately and here we focus on assessing the whole.

Based on the basic assumptions and our projections, we estimate the gross value of Sanoma's parts at EUR 2,449 million. Learning is responsible for approximately 2/3 of the Group's EV, which has decreased from our previous extensive report. This is based on a drop in the valuation multiples for Learning's peer group. Correspondingly, the valuation of Media Finland has remained fairly stable.

When the fair value of the Group's costs (-188 MEUR) and interest-bearing net debt at the end of 2022 (-538 MEUR) are deducted from the segments' EVs, the fair value of Sanoma's entire stock based on sum of the parts is EUR 1,911 million or EUR 11.7 per share.

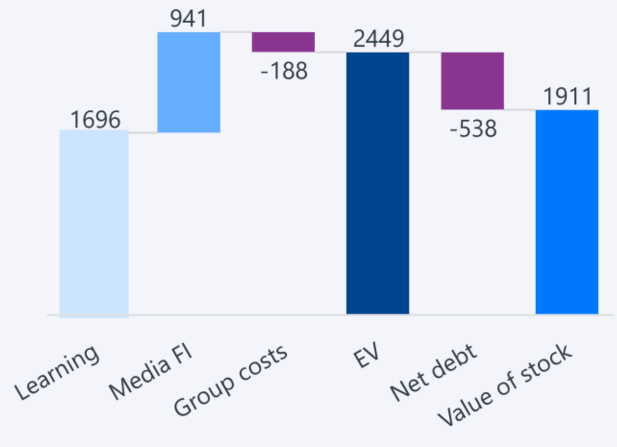
We feel the importance of the sum of the parts calculation as a yardstick for Group valuation is weaker than before as the valuation multiples of Learning's peer group are low. We believe that as an independent listed entity Learning's valuation multiples would be higher than this. However, we do not expect the businesses to be separated into independent companies in the foreseeable future. This is based on our estimate that the inorganic growth potential generated by Media business' cash flow for Learning is an important factor for keeping the businesses in one entity.

Valuation summary

We reiterate our Accumulate recommendation and EUR 14.0 target price for Sanoma. In our view, the valuation of Sanoma's share is rather neutral as a whole based on a number of different indicators. Therefore, we estimate that the expected return for the next few years consists of the expected attractive dividend yield and moderate earnings growth. We feel that the expected return these generate is attractive considering Sanoma's low risk profile. Thus, we find the risk/return ratio of the share to be good.

We estimate that Sanoma can be expected to continue with inorganic growth in the next 12 months. We feel this creates a positive value driver for the share, because we find Sanoma's track record in the past few years of Learning's inorganic growth to be good.

Estimate of Sanoma's sum of the parts, 4/2022



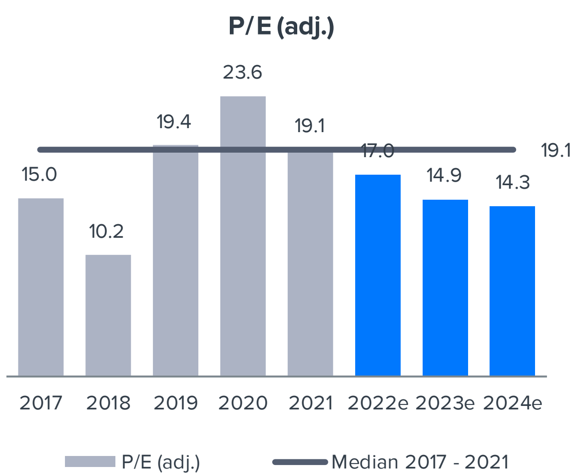
Distribution of EV, 4/2022

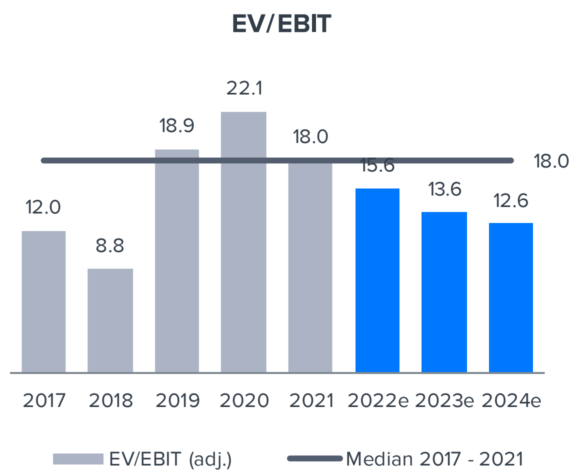
Source: Inderes

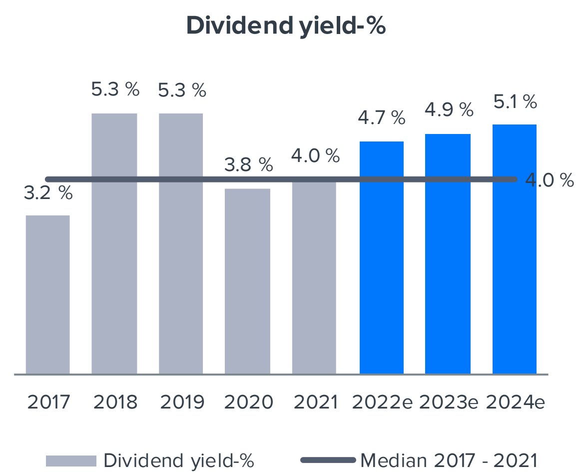
Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	10.9	8.49	9.45	13.7	13.6	**12.26**	**12.26**	**12.26**	**12.26**
Number of shares, millions	163.2	162.5	162.5	163.0	162.9	**162.9**	**162.9**	**162.9**	**162.9**
Market cap	1775	1380	1536	2240	2219	**1997**	**1997**	**1997**	**1997**
EV	2150	1729	2348	2951	2842	**2541**	**2456**	**2375**	**2297**
P/E (adj.)	15.0	10.2	19.4	23.6	19.1	**17.0**	**14.9**	**14.3**	**13.9**
P/E	neg.	12.4	25.0	9.5	22.1	**17.9**	**15.6**	**15.0**	**14.6**
P/FCF	3.8	10.1	neg.	11.0	15.6	**11.5**	**10.7**	**10.7**	**10.7**
P/B	3.2	2.3	2.9	3.2	3.1	**2.7**	**2.6**	**2.5**	**2.4**
P/S	1.2	1.0	1.7	2.1	1.8	**1.5**	**1.5**	**1.5**	**1.5**
EV/Sales	1.5	1.3	2.6	2.8	2.3	**2.0**	**1.8**	**1.8**	**1.7**
EV/EBITDA	7.2	5.8	9.3	6.6	8.1	**7.0**	**6.4**	**6.1**	**5.8**
EV/EBIT (adj.)	12.0	8.8	18.9	22.1	18.0	**15.6**	**13.6**	**12.6**	**11.9**
Payout ratio (%)	neg.	65.7 %	132.3 %	35.8 %	87.6 %	**84.7 %**	**76.4 %**	**75.6 %**	**76.0 %**
Dividend yield-%	3.2 %	5.3 %	5.3 %	3.8 %	4.0 %	**4.7 %**	**4.9 %**	**5.1 %**	**5.2 %**

Source: Inderes







Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT 2022e	 2023e	EV/EBITDA 2022e	 2023e	EV/S 2022e	 2023e	P/E 2022e	 2023e	Dividend yield-% 2022e	 2023e	P/B 2022e
Alma Media	9.2	755	940	13.8	13.1	11.0	10.6	3.2	3.1	14.4	13.5	4.2	4.5	4.0
Future PLC	2314.0	3399	3668	13.3	11.4	10.6	9.9	3.8	3.6	14.7	13.5	0.2	0.2	2.8
Gannett Co	4.2	546	1556	10.2	10.4	4.5	4.6	0.5	0.6	9.2	11.3			
ITV PLC	78.1	3814	4372	5.3	5.9	4.5	5.0	1.0	1.0	5.7	6.7	6.6	7.3	1.9
Lagardere SA	25.4	3580	7142	23.3	17.9	14.0	10.2	1.2	1.0	27.2	14.2	2.4	3.6	3.6
Arnoldo Mondadori Editore	1.9	510	623	8.2	7.6	4.9	4.7	0.7	0.7	10.3	9.4	4.6	4.8	2.1
Nordic Entertainment Group	394.3	3023	2823	87.8	28.4	42.4	21.5	1.8	1.5	103.8	37.5			3.5
News Corp	21.1	11496	12461	13.3	11.8	7.9	7.4	1.3	1.3	23.0	20.5	1.0	1.0	1.5
New York Times	45.2	6950	6344	27.1	22.7	22.1	19.1	3.0	2.8	39.1	33.0	0.7	0.8	4.6
Promotora de Informaciones	0.6	453	1346	23.2	14.7	10.4	8.4	1.7	1.6		27.4			
Prosiebensat 1 Media	10.8	2556	4957	8.0	7.7	5.9	5.7	1.1	1.0	6.8	6.4	7.1	7.8	1.4
Rizzoli Corriere		383	585	6.2	5.3	4.1	3.8	0.7	0.7	7.3	6.1	8.2	8.2	1.0
Roularta Media Group	19.4	255	167			3.7	3.6	0.6	0.6	7.8	7.7			
Schhibsted ASA	204.6	4872	5654	30.8		19.9	17.7	3.5	3.3	36.6	27.6	1.0	1.1	1.0
TX Group	146.6	1617	1603	14.5	14.2	10.4	10.3	1.9	2.0	54.9	56.9	4.0	4.0	0.7
Bloomsbury Publishing PLC	414.0	405	367	11.8	11.3	9.8	9.4	1.4	1.3	17.1	16.5	2.3	2.4	
Pearson PLC	774.0	7028	7595	15.3	14.0	10.4	9.7	1.8	1.7	20.0	17.5	2.7	2.8	1.3
John Wiley & Sons Inc		2690	3433	12.6	13.4	8.7	8.1	1.8	1.7	12.9	12.3	2.6	2.8	2.6
Wilmington PLC	257.0	270	268	10.5	10.4	8.4	8.3	1.9	1.8	14.0	13.2	2.7	2.9	
Koninklijke Brill NV	23.0	43	45	9.1	9.1	6.5	5.7	0.9	0.9	16.1	11.1	3.1	4.5	1.7
2U Inc	12.4	867	1430		108.6	18.7	12.7	1.5	1.3					1.4
Chegg Inc	35.3	4373	4494	25.9	20.6	19.0	16.0	5.8	5.1	30.2	25.1			4.1
Sanoma (Inderes)	**12.26**	**1997**	**2541**	**15.6**	**13.6**	**7.0**	**6.4**	**2.0**	**1.8**	**17.0**	**14.9**	**4.7**	**4.9**	**2.7**
Average				**18.5**	**17.9**	**11.7**	**9.6**	**1.9**	**1.7**	**23.6**	**18.4**	**3.3**	**3.7**	**2.3**
Median				**13.3**	**12.4**	**10.1**	**8.9**	**1.6**	**1.4**	**15.4**	**13.5**	**2.7**	**3.2**	**1.9**
Diff-% to median				**17%**	**9%**	**-31%**	**-28%**	**25%**	**32%**	**10%**	**10%**	**75%**	**51%**	**44%**

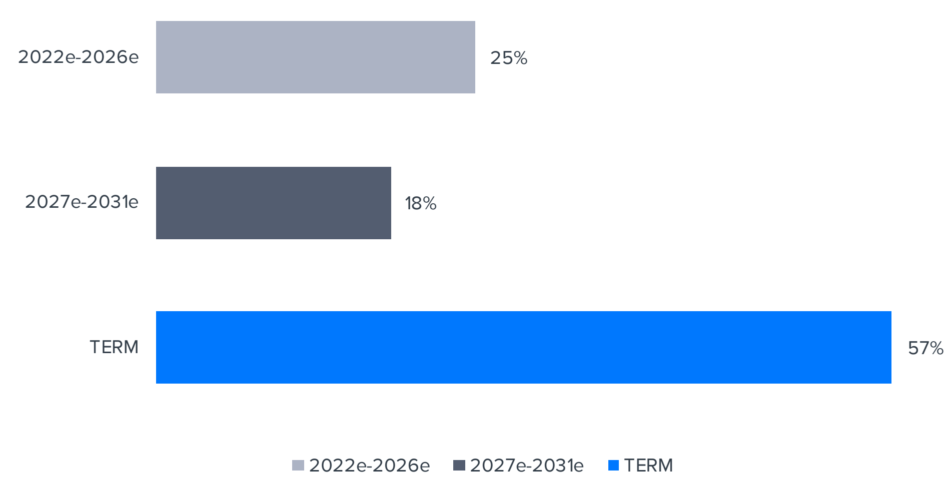
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	**142**	**157**	**175**	**182**	**187**	**213**	**219**	**227**	**233**	**234**	**237**	
+ Depreciation	207	207	208	209	210	193	181	179	175	173	171	
- Paid taxes	-37.1	-35	-36	-37	-38	-44	-45	-47	-48	-49	-49	
- Tax, financial expenses	-2.2	-2.4	-2.7	-2.7	-2.7	-2.8	-2.8	-2.8	-2.8	-2.9	-3.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-6.7	12.0	9.2	5.4	4.8	3.9	4.0	4.0	4.1	4.2	3.7	
Operating cash flow	**303**	**338**	**354**	**356**	**360**	**363**	**356**	**360**	**361**	**359**	**359**	
+ Change in other long-term liabilities	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-159	-164	-167	-170	-173	-176	-179	-167	-168	-168	-172	
Free operating cash flow	**142**	**174**	**187**	**187**	**187**	**187**	**177**	**193**	**193**	**191**	**188**	
+/- Other	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	142	174	187	187	187	187	177	193	193	191	188	3400
Discounted FCFF		**166**	**167**	**156**	**146**	**137**	**121**	**123**	**115**	**107**	**98**	**1778**
Sum of FCFF present value		3114	2948	2781	2626	2479	2343	2222	2099	1983	1877	1778
Enterprise value DCF		**3114**										
- Interesting bearing debt		-669										
+ Cash and cash equivalents		52.4										
-Minorities		-19.5										
-Dividend/capital return		0.0										
Equity value DCF		**2491**										
Equity value DCF per share		**15.3**										

Wacc	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	15.0 %
Cost of debt	3.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	**7.7 %**
Weighted average cost of capital (WACC)	**6.9 %**

Source: Inderes

Cash flow distribution



Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	**1640**	**1624**	**1620**	**1613**	**1608**
Goodwill	753	753	753	753	753
Intangible assets	579	605	629	618	608
Tangible assets	261	212	184	188	193
Associated companies	2	3	3	3	3
Other investments	12	9	9	9	9
Other non-current assets	15	32	32	32	32
Deferred tax assets	18	9	9	9	9
Current assets	**302**	**241**	**256**	**262**	**265**
Inventories	46	36	36	36	35
Other current assets	20	17	17	17	17
Receivables	121	136	149	153	156
Cash and equivalents	115	52	54	56	57
Balance sheet total	**2048**	**1932**	**1905**	**1870**	**1834**

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	**710**	**721**	**744**	**778**	**814**
Share capital	71	71	71	71	71
Retained earnings	210	210	233	267	303
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	409	433	433	433	433
Minorities	20	7	7	7	7
Non-current liabilities	**636**	**706**	**427**	**394**	**363**
Deferred tax liabilities	141	127	127	127	127
Provisions	1	1	1	1	1
Long term debt	481	566	287	254	222
Convertibles	0	0	0	0	0
Other long term liabilities	14	13	13	13	13
Current liabilities	**702**	**506**	**733**	**698**	**657**
Short term debt	294	103	305	256	209
Payables	384	376	427	440	447
Other current liabilities	24	26	1	1	1
Balance sheet total	**2048**	**1933**	**1905**	**1870**	**1834**

Summary

Income statement	2019	2020	2021	2022e	2023e
Revenue	913.2	1061.7	1251.6	**1292.6**	**1334.6**
EBITDA	252.8	446.1	349.1	**363.7**	**383.1**
EBIT	102.0	269.6	142.4	**156.9**	**175.2**
PTP	80.2	260.4	133.8	**146.9**	**163.8**
Net Income	11.6	250.6	100.5	**111.5**	**128.0**
Extraordinary items	-22.1	135.9	-15.8	**-6.0**	**-6.0**

Balance sheet	2019	2020	2021	2022e	2023e
Balance sheet total	1997.9	2048.3	1932.5	**1904.8**	**1870.2**
Equity capital	550.9	709.9	720.9	**744.5**	**778.0**
Goodwill	505.8	752.7	753.3	**753.3**	**753.3**
Net debt	764.3	660.7	616.4	**538.0**	**454.3**

Cash flow	2019	2020	2021	2022e	2023e
EBITDA	252.8	446.1	349.1	**363.7**	**383.1**
Change in working capital	-447.8	403.9	-6.7	**12.0**	**9.2**
Operating cash flow	-177.6	886.7	303.1	**337.9**	**353.8**
CAPEX	-109.7	-692.1	-159.3	**-164.1**	**-166.9**
Free cash flow	-168.0	204.5	142.1	**173.9**	**186.8**

Valuation multiples	2019	2020	2021	2022e	2023e
EV/S	2.6	2.8	2.3	**2.0**	**1.8**
EV/EBITDA (adj.)	9.3	6.6	8.1	**7.0**	**6.4**
EV/EBIT (adj.)	18.9	22.1	18.0	**15.6**	**13.6**
P/E (adj.)	19.4	23.6	19.1	**17.0**	**14.9**
P/B	2.9	3.2	3.1	**2.7**	**2.6**
Dividend-%	5.3 %	3.8 %	4.0 %	**4.7 %**	**4.9 %**

Source: Inderes

Per share data	2019	2020	2021	2022e	2023e
EPS (reported)	0.38	1.45	0.62	**0.68**	**0.79**
EPS (adj.)	0.49	0.58	0.71	**0.72**	**0.82**
OCF / share	-1.09	5.44	1.86	**2.07**	**2.17**
FCF / share	-1.03	1.25	0.87	**1.07**	**1.15**
Book value / share	3.26	4.23	4.38	**4.53**	**4.73**
Dividend / share	0.50	0.52	0.54	**0.58**	**0.60**

Growth and profitability	2019	2020	2021	2022e	2023e
Revenue growth-%	-31%	16%	18%	**3%**	**3%**
EBITDA growth-%	-15%	76%	-22%	**4%**	**5%**
EBIT (adj.) growth-%	-37%	8%	18%	**3%**	**11%**
EPS (adj.) growth-%	-42%	20%	23%	**1%**	**14%**
EBITDA-%	27.7 %	42.0 %	27.9 %	**28.1 %**	**28.7 %**
EBIT (adj.)-%	13.6 %	12.6 %	12.6 %	**12.6 %**	**13.6 %**
EBIT-%	11.2 %	25.4 %	11.4 %	**12.1 %**	**13.1 %**
ROE-%	10.8 %	38.8 %	14.3 %	**15.4 %**	**17.0 %**
ROI-%	8.7 %	19.0 %	9.8 %	**11.4 %**	**13.3 %**
Equity ratio	29.6 %	37.2 %	40.2 %	**42.2 %**	**45.0 %**
Gearing	138.7 %	93.1 %	85.5 %	**72.3 %**	**58.4 %**

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
07-02-19	Reduce	9.50 €	9.06 €
02-05-19	Reduce	9.00 €	9.09 €
12-05-19	Reduce	9.00 €	8.56 €
26-07-19	Accumulate	9.40 €	8.90 €
16-09-19	Accumulate	10.00 €	9.52 €
28-10-19	Accumulate	10.70 €	10.16 €
12-12-19	Reduce	10.00 €	9.47 €
18-12-19	Accumulate	10.00 €	9.30 €
10-02-20	Accumulate	11.25 €	10.64 €
12-02-20	Reduce	11.60 €	11.62 €
25-03-20	Accumulate	8.50 €	7.66 €
30-04-20	Accumulate	9.00 €	8.51 €
29-05-20	Accumulate	9.50 €	8.55 €
27-07-20	Accumulate	10.00 €	9.30 €
20-10-20	Reduce	12.50 €	12.84 €
30-10-20	Reduce	12.50 €	12.48 €
09-12-20	Reduce	13.00 €	13.38 €
11-02-21	Reduce	15.00 €	15.95 €
12-04-21	Reduce	15.00 €	14.56 €
03-05-21	Accumulate	15.00 €	14.44 €
29-07-21	Reduce	15.50 €	16.16 €
28-10-21	Accumulate	15.50 €	14.34 €
14-02-22	Accumulate	14.00 €	12.58 €
13-04-22	Accumulate	14.00 €	12.26 €

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Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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