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Speakers:	Susan Duinhoven, President & CEO Markus Holm, CFO & COO
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PRESENTATION

Kaisa Uurasmaa

Good morning, ladies and gentlemen, and welcome to Sanoma's Full Year 2020 Results Conference. My name is Kaisa Uurasmaa, I'm the Head of Investor Relations at Sanoma. And today, here, we have President and CEO Susan Duinhoven, and CFO and COO Markus Holm presenting the results.

This event will be recorded, and the recording will be available on our website after the event. After the presentation, we will have a Q&A session. You can use the telephone line to ask questions, and we will first, hand over to the telephone line and take questions from there, and then, after the telephone questions, we will take questions from the chat function of this web cast.

And with this brief introduction, I would now like to hand over to Susan to start the presentation. Susan, please.

Susan Duinhoven

Thank you very much, Kaisa, and welcome also from my end to this full year 2020 results presentation. And it was quite an exceptional year, and we're very happy that we ended the year with a strong operational EBIT margin, and strongly increased sales. But even more important for us was that this year we also managed to accelerate our transformation into a learning company further. But let me first summarise the financial results.

If we look at the net sales, we landed on 1,062 million compared to 913 million the year before, and that net sales growth came from Learning, with close to 50% growth, most of it due to the result of the Iddink acquisition, but very importantly, also, with an underlying comparable sales growth of 5%. In Media Finland, of course, due to the Corona pandemic, the net sales declined.

The operational EBIT came to 157 million, compared to 138 million the year before, and that improvement was coming from Learning, but the Media Finland business did very well in keeping its EBIT stable. The operational EBIT margin then came to 14.7%, which was very close to the 15.1 in 2019. So, we're happy with that solid result.

The free cash flow declined to 95 million, and that was due to the divestment of the media business in the Netherlands that we had till April in our results. The leverage was very low during the year, and then increased at year end to 2.6, and that was due to the closing of the acquisition of Santillana in Spain.

The Board proposes a dividend of €0.52 per share, and the outlook for 2021 will be reported net sales expected to be between 1.2 and 1.3 billion. So, a continued increase from the 1.1 in 2020, and an operational EBIT margin excluding PPA between 14 and 16%. And that wider range reflects the uncertainties that the Corona pandemic still holds in our business.

But as I said, even more important was the continued transformation that we managed to do during 2020. And if we look at that, we see that in 2019, if you remember, we did four acquisitions in Learning: Iddink, by far the largest; but itslearning, a digital platform throughout Europe; Clickedu, a digital platform in the Spanish market; and a senior specialist publisher in the Dutch market. And during 2020, we’ve spent, of course, considerable time in integrating those businesses into our European Learning business. Then, at the year-end in October, we announced, and by December 31st we already closed, the Santillana acquisition in Spain, and Santillana being the leading provider of K12 learning content in the Spanish market. So, very happy that that went even faster than we anticipated when we announced.

If we look at the media business, there was significant transformation as well. We divested the media business in the Netherlands and divested also the classified online business Oikotie in Finland, and we acquired in Finland the regional news business, and we spent during 2020 considerable effort on integrating that business into our subscription news and feature business.

So, if you now look at Sanoma, you see two focused and leading businesses, each in their own field, with a very solid profitability and cash flow. And we have 300 million to 400 million headroom that we intend to use to grow our K12 learning business even further.

So, all in all, successful transformation, and specifically focused on the Learning business. And let me go into that in a bit more detail then, now.

If we look at Learning, you'll see strong net sales growth from the 336 million last year to 500 million this year, and that was driven by acquisitions, predominantly the largest one, the Iddink acquisition, that was closed in September of 2019 and was now for the first-time full year into our results. But as important, the underlying comparable sales growth was 5%, and that is at the higher end of our long-term range, and that was driven by the curriculum renewals both in Poland and in the Netherlands.

Now, the Corona pandemic did have a slight impact on the sales in Learning, and that was mostly due to the impossibility of doing on-site trainings. That was, of course, quite logical that we couldn't do that in Q2, but we had during the year the hope that in Q4 we could regain that. But due to the school closures and the large extent of remote teaching, that was not possible either in Q4.

And if we then take the net sales growth, you also see that the profitability, of course, increased significantly. The full year increased 27% to 96 million, coming from 76 in the year before. The margin decreased to 19.2%, and that was expected because we added now both Iddink and itslearning for the first time for a full year into our results, and those businesses are typically lower margin businesses than our publishing learning businesses.

So, the EBIT improvement followed the sales improvement due to the acquisitions and the strong comparable sales growth in Poland and the Netherlands, and we saw in our cost base also some impact from the Corona pandemic; some pluses and some minuses. The higher cost was in the warehousing, with high complexity, of course, in that peak summer period, but also higher hosting costs due to the strong increase in usage of our platforms. That was mostly offset by the typical lower cost that we have throughout the business in lower travel and lower office costs that compensated these increases.

But while we had an increase over the full year, we had a decrease in profitability in Q4. The loss there was 18 million, compared to 10 million the year before, and this is a logical effect of a growing Learning business because as you know, strong seasonality in Learning makes the growth of the business, the Q2 and the Q3, increase. But of course, then, the losses in Q1 and Q4 also increase. So, that is a logical consequence, and as we will also see, therefore, in 2021 and in the coming years.

There was a bit of a one-off effect as well in 2020, and that was due to the fact that both the sales and the margin of Iddink declined in Q4 due to this faster shift from renting books to selling books. And here, it is good to remember that when you sell a book, the cost of that book are fully taken into the PNL as cost of goods sold, whereas if you rent out a book, typically a more expensive book, but when you rent it out, you capitalise it and you write off in depreciation over a number of years. So, that's where the margin itself is directly impacted by this shift. And the acceleration of that shift created a margin impact that was now booked in Q4. Going forward, in the coming years we will make sure that that actual margin is booked throughout the year, and even with the peak in Q3 we will make sure that the true-up also happens within the quarters.

Overall, that shift from renting to selling is a favourable shift throughout the whole of the business chain. We see that schools like it because it gives a better learning result for the students. Students like it because they can keep the book at the year end. It is an annual book. They can write in it. It is their property. They can keep it. The publishers like it because, combined with the digital licence, it forms this interesting subscription-based proposition. And also, the distributor likes it because it takes away the high logistics costs of this expensive and complex return flow of rented books that need to be refurbished and repackaged all during a very high peak season in the summer.

So, all in all, a positive trend impacting the Q4 in 2020 a bit more significantly. But Q4 was also important for us as a quarter in which we closed the Santillana acquisition. And that closing happened on the 31st of December, much faster than we had initially anticipated. A very positive speeding up for us and now allowing us to already successfully start the integration of that business. Just to remind you, the Santillana business is the leading provider of learning materials primarily in primary education and secondary education in Spain. Their sales for 2020 were 106 million, with a strong operational EBIT of 29 million, representing a 27% margin. So, an above average for Sanoma Learning, an above average margin.

The digitalisation in Spain is also increasing, and you see that it is now 3% of Santillana's total sales. But, of course, it shows that even though it's increasing, it's still at a start in the Spanish market. If you compare the 2020 sales with the 2019 sales, you'll see that we are on the downward slope of the curriculum change that will continue in 2021. So, sales are expected to be of a similar level as will be the EBIT, and that is because we are preparing now for the introduction of the new law, the curriculum change that will kick in in 2022 and 2023.

Another reminder is that the seasonality in the Santillana business is even a bit stronger than in our other learning businesses. You see a very strong business focus in Q3, and that is logical because in the Spanish market, the holiday season is more in August, and therefore, the school starts in September, leading to a late Q3 peak. Therefore, to be expected, adding Santillana will add to the loss of the Learning business in Q1 and Q4 next year. We could see in the Spanish market some impact of the very severe lockdown measures that had to be taken in that market and the school closures. So, the pandemic did have some impact in the Spanish business, and if the pandemic continues to be a factor to count with in 2021, we might see a similar effect occurring also during this year.

So, with that, I will close the summary of the Learning business by saying strong business, very strong growth both in sales and margin during 2020.

If we then look at Media Finland. There, the net sales was, of course, impacted by the Corona pandemic. Comparable net sales declined with 10%. The regional news business added 54 million, but the divestment of the Oikotie business subtracted 11 million from the net sales. So, the overall total net sales was helped by the acquisitions, but the underlying business did decline. That was, of course, due to the advertising and the events ,but the subscription sales did very well again, I would say, this year. Helsingin Sanomat, with the digital subscription growth, solidly above 400,000 subscribers, and now for the 4th year in a row with year-on-year growth in total subscriber base. Truly an excellent performance by the team.

But also, the video on demand, the entertainment platform, Ruutu+, increased very significantly during this Corona year, with 27% of subscriber increase. So, all in all, clear that the subscription sales is continuing on its growth path.

The advertising sales declined, and that was, of course, logical, and you see in the graph that in the period Q2 and the start of Q3, there was in the whole of the market a very strong decline. But I think the team did a very good job in focusing on the customer, and therefore, outperforming the market both in TV, online, and radio advertising. And while the market decreased with 17%, the Sanoma Media Finland business decreased with only 9%.

Now, as you know the impact on the events business was complete. There were no events held during 2020, and we therefore showed a decrease of 35 million in that part of the business. The uncertainty that we had during 2020 is continuing in 2021. The development of the advertising market and the ability to do events is still uncertain, and that is a fact of life that we will live with. And you see that also reflected in the wider range of the outlook that I will come to.

But I think the strong performance of the Finnish media team is shown specifically also in the fact that they managed to keep the profitability stable even with decreasing sales. The EBIT, excluding PPA, was 67 million, coming from 69 the year before, with a margin of 11.8%. The active cost mitigations that the team did during the year across all cost categories basically managed to offset the lower advertising sales.

Now, these savings are also largely connected to the change in operating environment due to Corona. So, therefore we also need to be careful that when the Corona pandemic disappears, these savings to a large extent will disappear as well. The other positive effect that we had in the business was that even though we had to cancel all the events, we were insured for that, and therefore, that business, even without sales, still contributed slightly positively to the total result. The change in portfolio during the year in 2020 did not have an impact on the net earnings. So, additional earnings from the regional news media business were taken out by the divestment of the online classified business, Oikotie.

If we then look at 2021. There, we expect that the structural changes in the business – so the addition of the regional news business and the divestment of the Oikotie business - delivered net a slight positive result where the increase and the whole hopeful return of the advertising sales and the events business will be taken up mostly by increases in cost, both fixed and cost of sales, in addition to the digital growth initiatives that we have planned for our subscription business.

So, all in all, for Media Finland, if you look towards 2021, then you look at, hopefully, with the disappearing Corona impact, an increase in sales, also due to the structural changes in the business. But the profitability will be slightly up but relatively flat.

If we then turn to dividends, the Board proposes a dividend of €0.52 per share, and that is an increase in dividend, coming from €0.50 the year before, and that represents a total cash out of €85 million. This will be paid in two parts, two equal parts: €0.26 cents on April 22nd, with the record date of April 15, and the second part, €0.26, in November. The dividend policy is unchanged. Sanoma aims to pay an increasing dividend equal to 40% to 60% of the annual free cash flow.

And if we then look at our performance against the long-term targets that we have stated before and updated in December. There you see, if I take out a couple of these, that the leverage, the net debt over adjusted EBITDA ended on the year up 2.6, well within the updated target of below 3.0.

And if you look at the two business units, you will see that in Learning, the comparable net sales development and long-term targets are 2% to 5%, and this year we were at the higher end of that with 5%, and the operational EBIT margin, excluding PPA, we increased that target to quite an ambitious level of above 23% compared to this year at 19.2. It shows both ambition, but of course, also the fact that we took in the acquisition of Santillana, which on average, adds one percentage point to our Learning profitability margin.

If we look at Media Finland, there you see that our long-term target is to have a stable business from a revenue perspective, +/- 2%. This year, of course, with Corona impact that was below that, with -10, but an EBIT margin of 12% to 14%, which this year was 11.8. And there, of course, it is good to remember that this is also still a long-term and ambitious target because the divestment of the Oikotie business typically reduces our profitability.

If we then turn to the outlook for 2021, we expect to have a reported net sales between 1.2 and 1.3 billion compared to 2020, 1.1 – so, continued growth for the business - and operational EBIT margin, excluding PPA, is expected to be between 14% and 16%. And this is a slightly wider range that we think will cover the various scenarios on the Corona pandemic impact on our business.

But to guide a bit further, we indicate that the mid-points of these two ranges are based on the assumption that the advertising market in Finland will be relatively stable compared to 2020, and that there will be no major restrictions to the events business. The Learning business is then expected to be not significantly impacted by the prolonged school closures in the main operating companies.

So, with that, I would like to round off my part of the presentation, and hand over to Markus Holm for more details on the financials.

Markus Holm

Thank you, Susan. Good morning, everyone. I will start with a summary on the fourth quarter earnings.

In Learning, we saw a decline of 8.2 million in the operational EBIT, excluding PPA. The majority of this was explained by the accelerated shift from renting to selling books in Iddink, as explained by Susan. I want to also highlight here that both in the fourth quarter and in the coming first quarter, we will see, of course, an increasing impact of the Learning business that is negative in the first and fourth quarter of the year. Also, in 2020, we saw an impact of the lower margin businesses, itslearning and Iddink, on the overall margin on the Learning business.

Then, to Media Finland, we saw a positive 2.6 million operational EBIT, excluding PPA improvement. And this is mainly explained by the higher net sales and also continued cost mitigation actions across cost categories. Then, in our other items, we saw a reversal of accruals related to the divestment of Media Netherlands.

Looking at cash flow, we had a fairly good development in the cash flow. Cash flow continuing operations grew by 16% in 2020. The reported cash flow, however, declined to 95 million. The majority of this is explained by the free cash flow impact of Media Netherlands that was 22 million in 2020 as we only had the negative first four months in our results.

Also, the other factors explaining the cash flow: we saw, of course, a positive effect of the acquisitions and comparable net sales growth in Learning; in media Finland, the negative effect of lower profitability due to the Corona; and in Learning, higher investments in digital platform development. Also, significant transaction and integration costs, for instance, related to the Oikotie divestment, Media Netherlands divestment, as well as the integration costs related to regional media in Finland. For our dividend calculation purposes, we will eliminate that 22 million negative impact of the Media Netherlands divestment.

Our net debt increased at the end of the year due to the earlier-than-expected closing of the Santillana Spain acquisition that happened on the 31st of December. Our net debt then was 661 million compared to 795 million a year ago. Our net debt to adjusted EBITDA, however, was relatively stable at 2.6, and the equity ratio improved to 37.4, having been 30.5 a year ago, and that is due to the capital gain that we booked related to the Oikotie divestment.

Our net financial expenses decreased to 9 million, having been 22 million a year ago, and this significant reduction is due to lower interest-bearing debt and also the repayment of the 200 million bond that had a relatively high interest rate.

Picture of our debt structure. Currently, we have external interest-bearing debt of 583 million. The acquisition of Santillana Spain was financed by a bridge loan. And then, in December, we signed a 200 million term loan. The remaining part of the bridge we will convert into long-term financing, and we currently foresee this to happen now in winter, springtime. The average interest rate of the external loans was on a good level of 0.8%, down from 2.3% a year earlier.

Then, as a short reminder of our financial reporting, in 2021 Week 10, we will publish our Annual Report, and on the 30th of April we publish the first quarter interim report.

That concludes my part. Thank you.

Kaisa Uurasmaa

Thank you, Markus. Thank you, Susan. I would now like to ask Susan back to the stage for the Q&A. So, as a reminder, we will take questions from the telephone line as well as through the chat function in the webcast. And now first I would like to hand over to the operator for questions over the telephone line. Please.

Q&A

Operator

Thank you. Ladies and gentlemen, if you have a question for the speakers, please press 01 on your telephone keypad now.

And our first question comes from Sami Sarkamies from Nordea Markets. Please go ahead. Your line is now open.

Sami Sarkamies

Hi. I have a couple of questions. Let's start from Learning. I think you were opening up this adjustment that was made in Q4. First question would be that if there is that continued migration from renting to purchase of books, will further erode the results and, Iddink in the coming years? And if that's the case, how much downside from this could we be looking at in total?

Susan Duinhoven

Let me start with answering that question. This conversion from renting books to selling books is a trend that we foresee to continue in the coming years. And as you know, with the publishing part of our business, we're also very much counting on that increase in subscription sales. So, this is a trend that continues, and it is important to realise that, of course, though the margin is impacted, the cash flow is much less impacted, and specifically, once we can start reducing the fixed infrastructure on the logistics, which is, in the hybrid period. Of course, you need both systems, but longer term, you will scale down on the logistics and therefore reduce those logistics costs.

So, we see this long term as a positive trend that we are actively working towards and that we also see for the whole of the business and the business chain in the market as a positive trend. So yes, this impact on the margin is something that continues and was also taken into account when we did the acquisition, that it was already going on last year as well.

Sami Sarkamies

OK. So, no regrets in hindsight after having completed the acquisition?

Susan Duinhoven

Anything you see now is an acceleration, and the exact speed of the market uptake of this sort of transformation, that's always a bit hard to forecast. So, there, we see that it went faster, specifically, also, during the Corona year when the closeness to the market is a little bit less— So, the foresight on it was a little bit less than we would otherwise have had, but the intrinsic trend is both desired, and speeding it up helps in the overall transformation.

Sami Sarkamies

OK. Then, my second question would be on targets for Learning that were raised in early December at the CMD. Were you aware of this adjustment at the time, or does it in a way add to the challenge of these new targets?

Susan Duinhoven

Now, what you see is it's a long-term target, and in the long term, as we have discussed in the CMD extensively - in the long term, we see this subscription model in the Learning market. So, long term, we have always assumed that this transformation continues. So, as I said in December, the target is a challenging and ambitious target, but we see that both in our publishing businesses, the adding of the Santillana business, that these are major steps. But I do want to stress again, as the statements in the charts say, it's a long-term target and there is a certain amount of ambition and challenge in there. But this is where we think the business can go to; to above 23% margin.

Sami Sarkamies

OK. And then, finally on this matter, you already emphasised that you've been improving processes and so on, not to see this happening in the future, but did someone benefit from the fact that you showed unwarranted resolves after third quarter?

Susan Duinhoven

Not at all. I think, absolutely not. And we need to stress also that there is an enormous peak in sales that you have in the third quarter. And it is quite normal in the business to do the true-ups when you count the inventory, when you have, for example, also with publishers, you look at the full-year results. You do a true-up on the discounts. So, there is - in a distribution business, is a very normal mechanism, and specifically in a distribution business with such a peak very normal to do these true-ups.

It has always been part of the business. It's always been part of the practices. But now, with this accelerated shift you, of course, now see it more clearly, and that's the reason why we say we will go forward and install now the practices to basically measure the inventory on a monthly basis, which is no-one's pleasure to do. But that's the only way to get around this. As I say, a normal practice in a distribution business is to measure inventory at the year-end.

Sami Sarkamies

Yeah. OK. Thanks. And then, I would have one more question regarding guidance for this year. The 15% mid-point looks maybe a bit cautious given that you were at 14.7% last year and you will benefit from the Iddink acquisition. You did already discuss assumptions for the mid-point], but maybe you could help us understand the assumptions for you to arrive at lower and upper end of the guidance range, please.

Susan Duinhoven

I think the range is, I think, quite clear. If you take, for example, the sales range. If you take the mid-point as 1.25, +/- 15 million, the events business in itself is around 30 million to 35 million business. So, if the events happen or not, makes quite a bit of a difference. So, 20 million decrease in advertising, if we are wildly optimistic and say the advertising market comes fully back to 2019 level, you have all at once a major uplift.

So, that's where we say there are pluses and minuses possible, at the midpoint, we indicate. We honestly don't think that we are overly prudent. We think this is a realistic guidance and the best possible that we can give at this moment in time. You know us. We're not going wild. But at the same time, I think in the past year, you have also seen that during a Corona pandemic, forecasting is hard. But we have been quite realistic in those estimates as well as we think at this moment as we should, of course, also say.

Markus Holm

And we particularly do a few scenarios, and this range, we believe, covers those scenarios fairly well.

Sami Sarkamies

Thanks, that's very helpful. I don't have any further questions.

Operator

Thank you. Our next question comes from a Pete Kujala from SEB. Please go ahead. Your line is now open.

Pete-Veikko Kujala

Hi. It's Pete-Veikko Kujala calling from SEB. Can you hear me OK? All right. Let's start with the Learning. You mentioned that you have some discontinued operations in Learning that you have placed under strategic review. Can you give any comments on what updates there are?

Markus Holm

A strategic review of operations discontinued.

Susan Duinhoven

Discontinued business. We have a number of smaller businesses within Learning. Within itslearning, we had the discontinued business, for example, that was sold, the US. We had some changes there. We have a small business in adult education in safety. That is a discontinued business. So, there are a number of these much smaller entities that are discontinued. But no major review of any kind. Just part of normal portfolio reviews.

Pete-Veikko Kujala

All right. Understood. Thanks. And then continuing on Iddink. Can you give any kind of light that what's the typical subscription period that you are driving in Iddink? Do your customers typically subscribe for a one-year or a multi-year period?

Susan Duinhoven

This is definitely multi-year contracts that are entered into. A school typically chooses its logistics provider and the company that helps them. I think broader than logistics maybe is a bit of an understatement on what Iddink does, but specifically that gathering of all the needs from all the different departments in the school, from all the different subjects, for the learning materials; that’s a crucial role. And that is a role that typically requires quite some intimate knowledge about how the school operates, how the preferences are, who the key people are in the organisation.

So, therefore, a school chooses a provider for typically a four- to six-year contract period, and these contracts are highly sticky. So, at the end of the contract, yes, there is a review done, but in a high degree, 80% - 85% of the cases, it is then continued with the same party. So, these are longer-term high retention contracts.

Pete-Veikko Kujala

All right. Thanks. And continuing on this transformation in Iddink, the shift from rental to subscription or selling books, is this driven by you, or is this coming from the client side?

Susan Duinhoven

Always hard to see when you're customer oriented. But we can see that as the whole of the market, both – and this is, of course, a working together of publishers and distributors - are really catering for this transformation towards digital, and you see that with increasing digital subscriptions, it becomes more and more normal that when the digital content, for example, changes on a quarterly basis, that it feels quite out of date if you have a book that is published four to five years ago, because these changes, you would like them, then, to also go into the book. And this is where it comes to more annualised books.

Then, you have the benefit and the proof and scientific evidence that when students can write and underscore and make their comments and their notes in the book, they learn better. So, that is scientifically proven evidence that teachers also recognise. So, this is the trend where it initiates from. And then, of course, publishers and distributors try to accommodate this in order to create that increased learning impact. So, that's how this has developed. Then, always hard to say where does it start? I think success has many fathers typically, so I'll leave that to the market to decide.

Pete-Veikko Kujala

All right. Thanks. A couple more from Media Finland. Festivals are uncertain for this year, but can you give any insight into the fixed costs that you expect to materialise if festivals are cancelled? What costs do you still expect to come through?

Markus Holm

There are some fixed costs related to the festivals business, of course, a few millions. Of course, the majority of the costs are variable related to the production of those festivals, as such.

Pete-Veikko Kujala

All right. Thanks. And last one from me. You started cooperation negotiations in the acquired regional newspapers. Can you discuss this a little bit? And how should this affect the content sharing between, for example, Helsinki Sanomat and regional papers? Thanks.

Susan Duinhoven

These negotiations are in a broader field. So, also in the operations of the journalistic functions. And the teams are looking - and that is the subject of the negotiations - are looking, of course, into an optimised workflow between all the different subscription titles. It is very clear that there is a total editorial independence of the regional titles one by one. So, every title has their own Editor-in-Chief who determines the content. So, it is the Editor-in-Chief who decides which content to use and which adaptations to content to make. So, that’s, I think, pretty important to keep that in the back of your mind. But the operational flow, if there are efficiencies that are possible, that is what we are looking at and what the negotiation is about.

Pete-Veikko Kujala

OK. That's all from me. Thanks a lot.

Susan Duinhoven

Thank you.

Operator

Our next question comes from Pia Rosqvist from Carnegie. Please go ahead. Your line is now open.

Pia Rosqvist

Hello. It’s Pia Rosqvist from Carnegie. I've got a question regarding your MSA strategy. Given that the education sector gains a lot of interest at the moment, what can you tell us about the evaluation levels in the market at the moment?

Susan Duinhoven

Yeah, it's always hard to make a grand average because there are, of course, not that many deals, and it very much depends on what sector within the education market you're looking at. If you're looking at technology platforms, typically with a much higher multiple than, for example, content businesses. So, it is a variety there. I think in the area that we are interested in, the K12 education market, in that market, and then, specifically, if you look at publishing businesses, we think we have a good position because of the synergies that we can accomplish with reusing our digital platforms and integrating businesses from a back office perspective.

So, we think we have a good position there, given some synergies. But undoubtedly, if the interest increases in the market, the price level would go up. And we will be very clear on this that we need to see, not on the multiple basis, but on a DCF basis, we need to see a good investment case before we go there. So, that is, for us, the basis of doing business. But of course, we think we are well positioned due to the synergies and the established digital position that we have.

Pia Rosqvist

OK. Thank you. And if I can continue on your capital allocation policy, you are very clear and committed to your dividend. But can you somehow open up the reasoning behind this dividend from the Board perspective? €80 million is a lot, which you could use for acquisitions as well.

Susan Duinhoven

It is very clear, and we have stated that, time and time, that we have strong interest in M&A. We have an acquisition pipeline, but at the same time, we're committed to an increasing dividend for our shareholders. So, it is that combination that I think makes also Sanoma interesting as an investment, and that is behind the reasoning of the Board that the investment story in Sanoma is also underpinned by an increase in dividend.

Markus Holm

It must, of course, be supported by the increase in cash flow of the business.

Pia Rosqvist Very clear. Thank you.

Operator

Thank you. And as another reminder, if you do wish to ask a question, please press 01 on your telephone keypad now.

OK, as there appear to be no further audio questions, I'll return the conference to the speakers.

Kaisa Uurasmaa

Yes. Thank you, operator.

We have not received any questions from the chat line, so I would like to thank Susan and Markus for answering the questions, and let's wrap up the event. Thank you for participating, and in case you have any questions after this conference call or web cast, please be in touch with us at Investor Relations. So, thank you, and have a good day.