Corrected Transcript 16-Feb-2023 Alma Media Oyj (ALMA.FI) Q4 2022 Earnings Call Alma Media Oyj CORPORATE PARTICIPANTS Kai Telanne President & Chief Executive Officer, Alma Media Oyj Juha Nuutinen Chief Financial Officer, Alma Media Oyj

Kai Telanne President & Chief Executive Officer, Alma Media Oyj

The cost side is a little bit on a higher level in order to guarantee the good visitor base and the customer base in the services. Also this year and in the future. Alma Consumer had a headwind in the Finnish markets, especially on the advertising side. The Finnish advertising has been declining during the fourth quarter. The full year result is really good. We are really happy about that. Half of the business is media business. And of course, if the advertising market is declining, our business is declining because our market share is so high, 37% of the digital advertising is from Alma. And if the market is declining, so we will suffer of that as well. For the full year, 10% growth in revenues and on a good profitability level, we have quite many product development projects here, new initiatives in order to be more and more competitive in the markets. Especially on the marketplaces, on houses and premises and cars later this year. You will see, we have announced some of the new initiatives and more is to come. So, there is an extra load, of course, at the moment to product development, ICT and marketing as well. Iltalehti has been very successful in attracting readers, as we know. Of course, the environment is favorable for news and there's a very good reader base and we can use the good traffic in Iltalehti all over the company, so we can deliver the readers to talent services and to our marketplaces as well. So that's part of the synergy and actually vital part of the synergy in Finnish business in our case. IL Plus has been really successful in in subscriptions. In Iltalehti Plus, we have more than 40,000 subscribers at the moment and growing. This is the ratio of more than 82% at the moment, which is a sign of the good transformation and the market is moving or developing in favor of us in that sense as well. Of course, we have some extra cost on the print side because the print cost, the paper costs and the delivery costs are rising. But on the other hand, the print part is declining in our case, and we are able to quite nicely to mitigate the increase in print related costs with the good growth of digital businesses. And then last, but not least, Alma Talent, very good performance in difficult markets. As said before, we are suffering from the lack of IPOs in the market, which is a important part of the advertising in corporate especially. And, of course, the new car business being on a low side. For the full year, we have we have been lagging in Talent, especially on new car advertising quite a lot. But otherwise, a very good performance on circulation side. On service side, business to business services and recurring revenues on B2B data related services growing nicely. One of the key parts of the strategy of Talent group, as we know, is to grow on the B2B services. On the right side of the slide, you can see that the services part is really important from a revenue point of view, but also especially on profitability point of view. Half of the business of Talent group is media related businesses and the other part is services, different kind of services, including the direct marketing, which is quite stable business and on a on a healthy profitability level. I would say that 20.5% even during the fourth quarter of profit is decent and that – and really happy of that that profitability. Almost 60% at the moment from digital services and growing. So, that's the very brief outlook of the full year 2022 and fourth quarter. Maybe Juha, our CFO, Juha Nuutinen will continue with the finances like the balance sheet and I will continue after him with the outlook and those. Please, Juha.

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Juha Nuutinen Chief Financial Officer, Alma Media Oyj

About the financial position. First, about the net debt issue. Like we have discussed earlier, we have – we will decrease our net debt level with €10 to €20 million per quarter. And now at the end of last year, we had €143 million net debt level totally. And we were we're paying our term loan back with

€20 million so we are in a good situation and our balance sheet going stronger and stronger after each quarter. Our equity ratio is 46% and we estimate that it will be over 50% at the end of this year. So, this is going as expected and planned. Cash flow is we have strong cash flow. It's almost €80 million. Operating cash flow is almost €80 million for the last year. The cash flow was decreased at the end of the fourth quarter and slightly and because of higher working capital and higher taxes. This was also planned and expected because our customer advance payments has been exceptionally high in the in the earlier quarters in 2022. So it was expected that it would be slightly going down in in the last quarter, but it's still at the strong level. CapEx, we have also CapEx investments. We have also quite high last year, €13 million totally. There is one leasing agreement in Czech. We made a new premises and we made a new leasing agreement and the effect was €3.5 million. And that was one explanation with the higher CapEx. But still excluding this leasing liability, there is still a €10 million CapEx level. And we have made a lot of investments in our marketplace units, especially in housing and car segments. So normally we have this €5 million, €6 million yearly CapEx level, but this last year was slightly different for that aspect. We have made also one acquisition – business acquisition in December. We bought this business premises marketplace unit, toimitilat.fi. It may, comes into effect in the beginning of this year January. But we made the prepayment or the payment for that acquisition already in December and that was €2.8 million. Yeah, and the earlier acquisition, what we made in this 2022 was the Netello shares earlier acquisition. Earnings per share figure is higher perhaps than expected because there are one-off items now in this 2022 year. And it was €0.20 last quarter and €0.88 for the whole year. There's actually three exceptional item in last year figures, one is capital gain of all shares €6 million. Then there are interest derivative hedging, positive, fair value chain €5 million. And then there was a change in in contingent liabilities, €4 million in this last quarter. And that came mainly from the DIAS acquisition. These three items effect is around €0.17. Without those item, the earnings per share was slightly over €0.70. So it's good to understand why this earnings per share is higher than the normal – normal it is. And in the last quarter, without this change in contingent liabilities, our earnings per share was pretty much in line with the last – with the first – last quarter 2021 figure. Our return on equity was perhaps highest. What we have, however, almost 40%. That's, I think, all time high figure of what we have had. And also the return on investment was 19% so these are really strong figures. I would say our dividend – our Board suggestion for dividend is €0.44. It's €0.09 higher than last year. And it's approximately 50% from the earnings per share. And our dividend policy is that we will pay 40% or higher from the earnings per share. So that's logic there. Our long-term financial targets, we have not changed them. Revenue growth target, we have had is 5%. Of course, these two years has been exceptionally good here and then last year figure was 12%, but still it is 5% in the long run, is good target level. Operating margin target, we have set 1.5-year ago was 20% – 25%. We were preclosed last year 22%, so – 24% sorry. And so its slightly under our target level, but still really good operating margin level as a whole, 24%. The net debt to EBITDA ratio, we have said that we should keep the level under 2.5. And last year we had is the level it was 1.6. So we are under that level and it's in that aspect we are in a good situation from that point of view. So overall, we don't have – no necessary or need to change those long term targets. They are pretty good KPI figures at the moment in our case. And then the operating environment and perhaps, Kai, would continue and say some words about the guidance.

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Kai Telanne President & Chief Executive Officer, Alma Media Oyj

Sure. Thank you. Then how to continue from this? These are the four main things that we follow carefully around the environment. Of course, there are many other things, of course. But the underlying economies, of course, affect to our businesses in every country. The growth seem to decelerate in all operating countries at the moment. Digitalization continues to change the consumer behavior. That means that the expectations to our services are increasing, easy to use, time saving, safe digital experience is needed. And we are developing our businesses towards that – this kind of – towards this kind of advanced platforms, as we say. Regulatory environment is complex and digital legislation is increasing. So that's a burden for us. Of course. And we need to be very, very careful with the regulation and the data privacy issues as well. But we are well in that. And of course, the Russian aggression seem to continue, unfortunately. So we have to live with that. And we can live with that, but the uncertainty is going to continue unfortunately. As said before and disclosed, we don't have any direct issues or effects from the Ukrainian crisis because we don't have businesses in Ukraine or Russia. So, the effects are indirect in our case. We have fresh forecasts for European Commission of the economies in our market areas, saying that the GDP growth in every country is going to slow down as we all know from the news. After the third quarter, the view was that the slowdown is not that big like being around half of the previous growth, but now it seems that the – all the markets are more or less close to zero growth this year. And the idea – and the view seems to be that the first part of the year will be difficult and then that after that, that will – the situation will ease up. And that's our view as well. So the first part of the year is and might be difficult, but then things will get better. But as I seen here, we are close to zero. And that's of course, a bad sign for advertising businesses because if companies are careful and there is not demand for the services, there will be less advertising. Luckily, we are not dependent on advertising in Eastern European countries where we are only in employment, business, recruitment, business. But in Finland, we are suffering from the difficult market, of course. Luckily we are on the least declining businesses like digital business, more or less. Inflation seem to be high still, may be slowing down and hopefully slowing down. But this year will be difficult still. The current forecast is saying that we are between like 4% to 12% depending on the country. And that's, of course, too much. So the interest rates seem to be increasing and getting higher still with this kind of inflation rate, a little bit. But the good thing is that the unemployment rates are not going to increase, which means that the labor markets will be quite tight in the Europe, especially on the skilled labor where we are in. And it seems that there's not a big change in unemployment in our markets. And that's a good basis for the carrier business of ours. And as seen, the invoicing i.e., sales is increasing still in our case. And we expect that to continue maybe a little bit slowing down the growth, but it's still growing. That's good. In terms of the Finnish advertising market, this is the big picture, an unfortunate picture. The rest of the year has been disappointment. The market is declining. Our market share on digital advertising has grown, we are – our share is 37%. We have performed very well on a declining market that might take some time to change. I mean, not our market share, but the Finnish market. We have quite a good plan and high targets, but there's this kind of repression in the advertising market. So, the advertisers are careful. They are waiting for the demand to increase and the time to increase the advertising investments as well. The newspaper advertising were in December 15% down. Now in our case that doesn't hurt us very much, but the digital advertising was also down in December, which is not a good sign, of course. I have two slides of two important markets, underlying markets of ours, meaning houses and premises, because we are the market leader in marketplaces. And then on the other hand, the cars. I'll start from the houses and premises, and this is the picture of last year's market. On the left side of this slide, you can see the housing markets, sales of used apartments and new apartments saying that during the full year, used apartment sales 17.5% down. And during December 50%, almost 51% down. So not a very good development. And for the new apartments, even worse, almost 50% down for the full year and 67% down during the last month. We have performed in a declining market very good – very well. We were on par compared to the last year with the listings, meaning supply. There is demand for the listings of course, the companies, the agencies and the people they want to sell their apartments. But there is a lack of demand, maybe primarily because of the jumping interest rates. So, people are scared about the interest rates. Of course, the inflation is one. And then the energy crisis, is the third one. That's the combination of these maybe. The demand and searches are down around 20% during the full year. Hence, there is less movement and activities in the market. The local association, KVKL had disclosed that we are at the moment 11% below the five-year average figures, which, of course, cannot continue very long. So there will be a pent-up demand after the first part of the year. And if this continues to full year, there is – there will be a huge demand of apartments, houses and premises and those in coming months. And then the same picture from the mobility services and mobility markets. New car sales down 17% for the full year, but easing up during the December. During the rest of the year, minus 5%, around 10% for the used cars in our services. The similar development on sold cars like around 10%, a little bit less during the last quarter. So the car business is going to develop. It has started to develop. There has been these kind of production bottlenecks for the new cars as we all know, this is constraining the industry, of course, and that will ease up, as we have heard the situation will get better. So that's the case. In our case as we have disclosed both marketplaces for the houses and premises and the car marketplaces have grown on a good profitability level in in our business. Okay. What do we expect for the for the year? We are going to with the strategy that's set up. It's stable. So we're going to continue transforming the businesses still, 20% print business that will transform to digital. At the end of the day fully digital. We're going to develop our current core marketplaces, businesses towards advanced digital platforms. With a good cooperation inside the company, using the visitor base of the group and to maximize the synergies. We will grow in digital with the new revenue streams and continue with the internationalization of the business. So that's what we do. Our strategy is well aligned with the sustainable business. As said before, Alma Personnel is fully committed to our ESG targets, which we actually performed really well. We achieved 90% of our ESG targets last year. So completely – that almost completely achieved. And we have incentivized all the personnel to reach their targets. Environmental targets, social responsibility targets or good governance targets that is really important for us. At the moment, we have a nice portfolio, well-balanced portfolio, as you can see from here, three segments, evenly distributed. Revenues, more or less around €100 million or little bit more of a good profitability level. So that's a very good starting point or continuing the journey that we have lived for quite a long time. Very strong market position in the in the areas where we have decided to be like recruitment houses, vehicles, machinery, finance and professional media, commercial premises, digital advertising and news media. So that has been the target then and we are going to continue and keep the good position here. So to summarize the Q4 good performance in a turbulent environment. Unfortunately, the turbulence will continue. We have been able to increase the registered users, which will be really important for any media company and especially for us to grow in advertising, to grow in services. We have reached new digital milestone in Alma Talent as well as in Iltalehti with Iltalehti-Plus heading up to 80% of revenues from digital services. We have quite big new initiatives, investments and process engineerings would say in Career United that will end up to a very modern platform in recruitment and recruitment-related services with high efficiency. And at the moment that is going on, we've started that last year and now we are in good speed at that. And that will end to more effectiveness, meaning cost initiatives there. So we will be more effective than before. We have quite a high target there. And then, of course, we have a major investment in ICT, in consumer, and Talent as well, especially in consumer segment at the moment on houses and premises and cars and related services. So, there's a little bit extra burden on the cost at the moment, but we will enjoy the results later of this. And you will hear more news about the new initiatives during the year. Outlook refreshed, so we expect our full year revenue and adjusted operating profit remain at the last year's record high level or decrease a little bit. That depends very much on the underlying economies to develop. We estimate that the first half of the year might be difficult because we have quite the high cost on carrier and consumer especially. But then the rest of the year will be better so the cost effectiveness initiatives will be in place and the profitability will be better. So, the estimate – estimation of ours is that the good demand of the recruitment services will remain strong. So the labor market are tight. There's a good demand still. The question mark is only Finland and Baltics, which actually doesn't have that big effect on our revenue. As we know, the share of those is decent. And then the operational efficiency measures that we have initiated that's already started will improve the profitability on the latter half of the year. So that's the idea at the moment and the view at the moment. All right. So that was the message this time. Now, we are more than happy to answer your questions. Whatever they might be.

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QUESTION AND ANSWER SECTION Petri Gostowski Analyst, Inderes Oyj Q

Thank you. Petri Gostowski from Inderes. And starting with carrier and services growth there, if you talk about the overall growth in services in 2022, is there some business that's growing more than others or is it balanced?

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Kai Telanne President & Chief Executive Officer, Alma Media Oyj A Like over the core business.

No, Seduo is one and then the advertising, the recruitment related advertising is those are the biggest ones. Seduo is the learning business. So those are the ones that are growing. The leader of the segment is here, if you want to continue or add on, you can do that.

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Juha-Pekka Kirsi – Head of Alma Career
A Maybe a bit of context. Services are about 10% of overall career revenue and it has remained 10% throughout the growth within the 10%, as Kai already pointed out, the education services are the biggest growth, but at the same time we are growing elsewhere as well. But the growth of that group in itself is as steady as the growth of the whole business.

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Petri Gostowski Analyst, Inderes Oyj Q
Then continuing on that, I mean, you talked about Seduo taking into new market – markets. Is there some special country that is that is showing good traction under Seduo or is it is it more broad?

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A At the moment we are in three countries, Czech Republic, the first country, Slovakia, the neighboring, the second country and we started with Poland in the beginning of 2022. So Poland is our newest country and we are growing there well as a start, first year. Our biggest growth percentage wise last year came from Slovakia, Eurowise from Czech. Yes, we are biggest there still. as I said, the newest one is Poland. So it's on an investment phase, so to say. So we invest and market the service and those so the revenues will come later. But the Polish market is huge compared to the other markets that we are in. So we can expect that if we succeed there, that will be a nice business.

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Petri Gostowski Analyst, Inderes Oyj Q

Thank you. Then continuing with the revenue side, if we look at the growth of marketplaces, especially on mobility, I mean you said car sales volumes are down in that downturn, despite that you growing. Can you comment, is there some pricing impact in the 2022 growth of the marketplaces, e.g. very high prices or is this coming this year?

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Kai Telanne President & Chief Executive Officer, Alma Media Oyj A

No, we do, which as said, the volumes were on par with the previous year's level and the revenues have grown so we have increased prices. And of course with the inflation, our costs are increasing and we need to do the price increases hand-in-hand with the inflation, of course. So that's the big picture.

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Petri Gostowski Analyst, Inderes Oyj Q Then thinking about CapEx, obviously there were clearly reasons why 2022 your CapEx was higher. But thinking about 2023, can we expect a normal €6 to €7 million CapEx? And then on the current year, you and your peers have said that you expect a slowing advertising market. And I guess this is based on the fact what you've have and probably, in January and part of February. Can you give any some more – anymore comments on this, what's kind of – what kind of decline are you seeing? And we're talking about like 5% in advertising or more or less?

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Kai Telanne President & Chief Executive Officer, Alma Media Oyj

A No, we don't know yet. We don't have the figures. It's really difficult to estimate the market development because there are so big differences with the different medias like print business, so we don't have actually the touch of the print business at the moment or nor the TV business. We are not in digital businesses. It's our biggest part. But as we expect that the first part of the year will be difficult. So the customers are – they want to see what happens with the demand. That's more than – they want to advertise, but they haven't seen the change of the demand yet because of the shock of the war and the interest rates and the inflation and all those factors. So the market has to show some kind of development in the demand before the advertising starts to go. We have a very good discussion with the customers, with the advertisers, and good relations with them. So, we understand their problem and the pain that there is in the market, but that will ease up at the end of the day. So, there's willingness to come out with the advertising, no doubt about that.

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Teemu Salmi, Alma Media's IR
All right. And then moving on to online questions, unless there are any on-site? No. So we have only one. There's a plenty of opportunities out there in online community to ask questions. Jukka Parkkinen wants to know about the labor strikes. And let me quote "about labor strikes now and in the past, have you noticed faster transformation from sort of classic to digital services after strikes? Our interferences in delivering newspapers/magazines de facto good for you?..

Kai Telanne President & Chief Executive Officer, Alma Media Oyj

A No, not really. If I understood correctly, the strike doesn't effect on newspaper or magazine delivery. There are some problems with the Finnish Post Office, I have heard. But according to our experience, those strikes haven't affected heavily on the transformation. I would say that, not really. It's more about the long-term development of consumer habits to change. What we have seen.

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A Right. Well, that's it. No more questions.

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Kai Telanne President & Chief Executive Officer, Alma Media Oyj
Thank you. In that case, I will thank you very much, if you don't have any other questions. We are, of course, available any time, if you have any questions. Here you can see the upcoming events that we have in the calendar, like the Annual General Meeting, the 4th of April, and then the first quarter interim report on Friday 21st of April. So you are more than welcome to these events. Thank you very much. I hope you all have a nice rest of the week and a good start of the year. Thank you