

# Alma Media Q3 2013

Kai Telanne, President and CEO  
Juha Nuutinen, CFO  
25 October 2013



# Agenda

Q3 highlights

Market development

Financial development

Strategy and outlook

Q & A

# Q3/2013 highlights

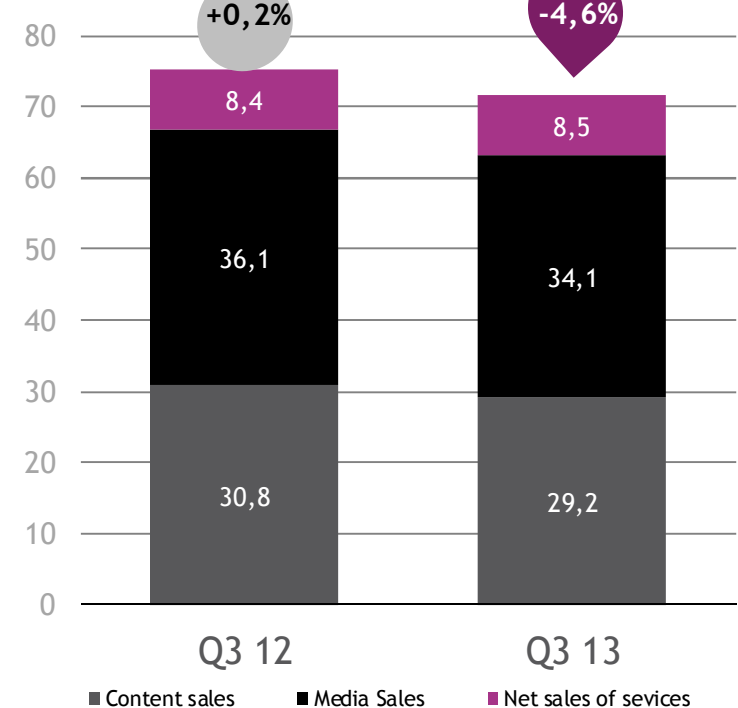
- The decline in revenue slowed down, with digital services and Kauppalehti Group, in particular, performing well. Alma Media's revenue decreased by 4.6% and operating profit excluding non-recurring items fell by 12.6% year-on-year.
- Digital recruitment services achieved a strong result in the Group's business units outside Finland. Recruitment services accounted for 10.9% of Alma Media's revenue.
- Among the Group's Finnish marketplace services, Etuovi.com has maintained a good level of profitability despite the weak market conditions.
- The increase in Kauppalehti's digital content sales exceeded the fall in print media content sales. Kauppalehti's digital content revenue increased by 22.1%, while online advertising sales grew by 25.7%.
- Alma Media expects its revenue and operating profit excluding non-recurring items for the second half of 2013 and the full year to decline compared to the corresponding periods in 2012.

# Revenue Q3/2013

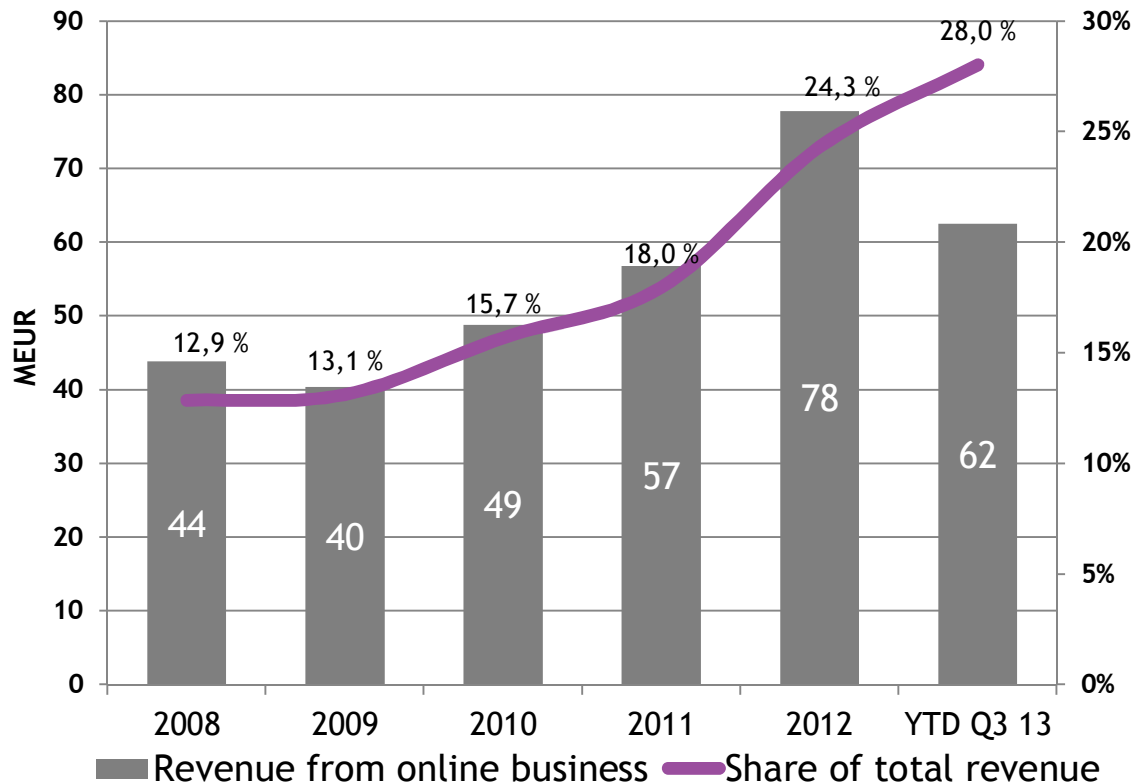
- Quarterly revenue declined by 4.6% year-on-year, to MEUR 71.1.
- Revenue from digital products and services grew, primarily on the strength of recruitment services outside Finland.
- Content revenue declined by 5.2%.
- Revenue from advertising sales declined by 5.5%.
  - Online advertising sales increased by 7.9%.
  - Advertising sales for print media fell by 13.5%.
- Service revenue increased by 1.4%.

## Revenue, MEUR

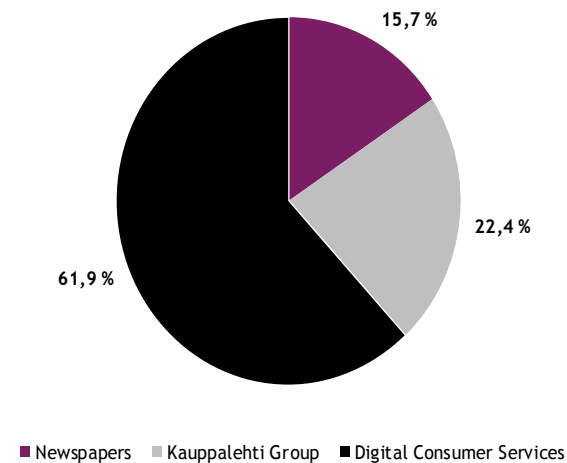
IFRS



# Growth in digital business



Digital business by segments Q3/2013

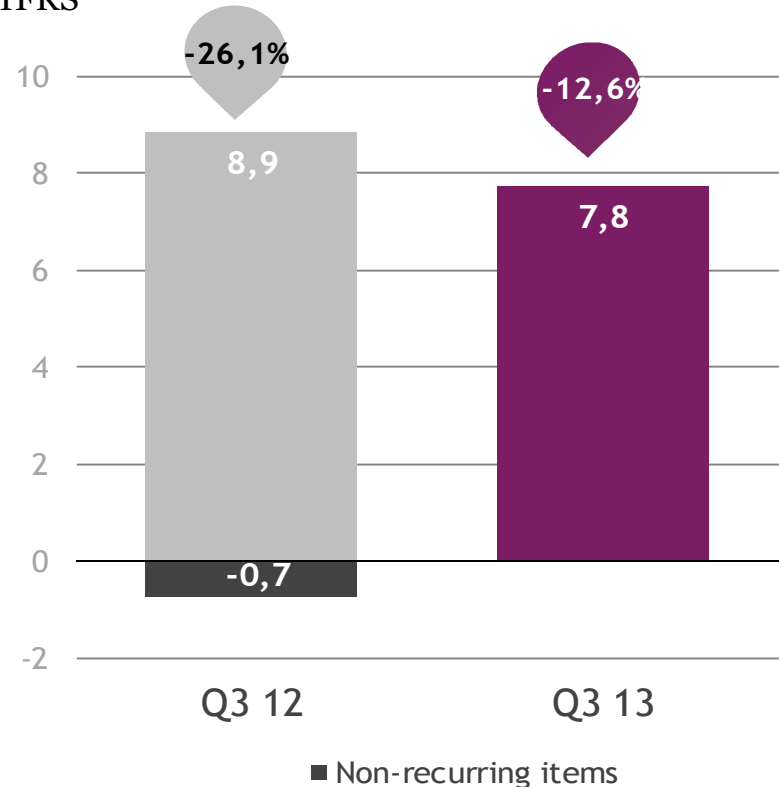


# Operating profit Q3/2013

- Total expenses excluding non-recurring items decreased 3.5% year-on-year, to MEUR 64.1.
  - Expenses decreased primarily due to restructuring measures carried out in 2012 and cost-reduction measures implemented in 2013.
- Operating profit excluding non-recurring items declined by 12.6% to MEUR 7.8, or 10.8% of revenue.
- Operating profit amounted to MEUR 7.8, equal to 10.8% of revenue.
  - There were no non-recurring items during the period.
  - The non-recurring items in the comparison period were mainly related to operational restructuring.

## EBIT, MEUR

IFRS



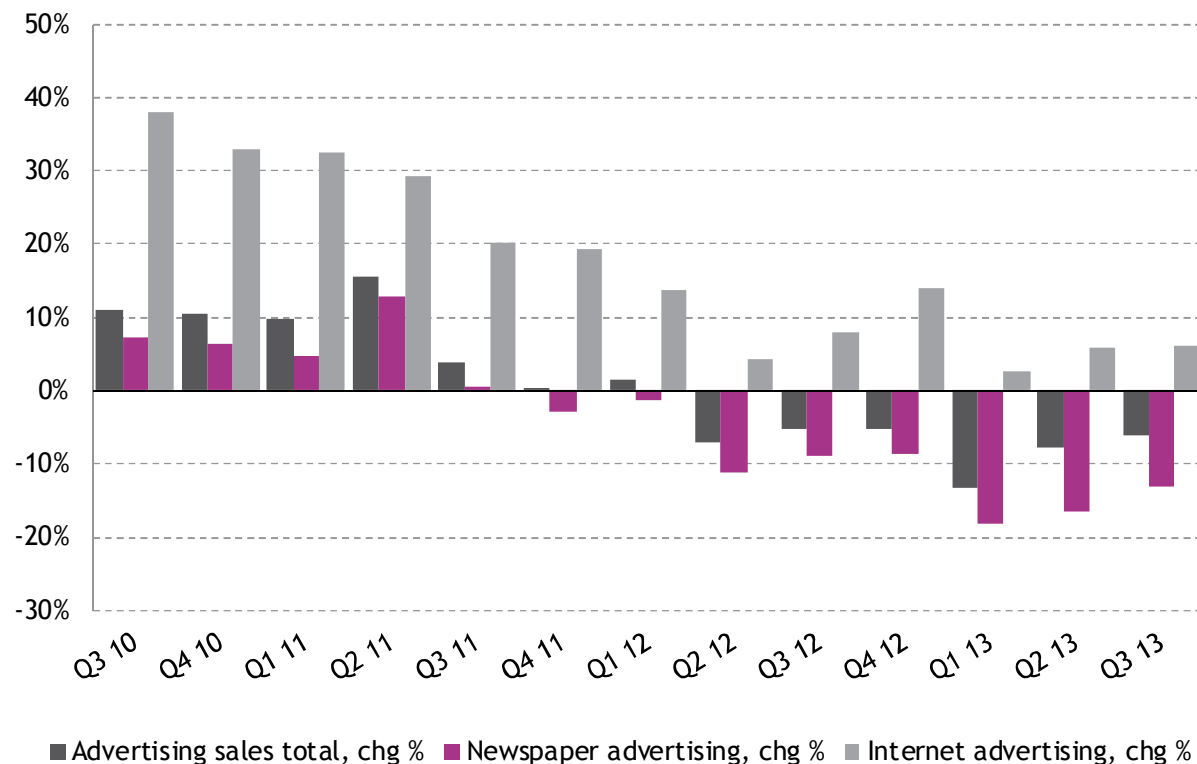


# Market development Finland

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# Change in media advertising Q3/2010–Q3/2013



Change % Q3/13 vs. Q3/12	
Newspapers	-13.1
Magazines	-7,5
TV	+0.6
Radio	+3.8
Internet	+6.1
Total	-6.1

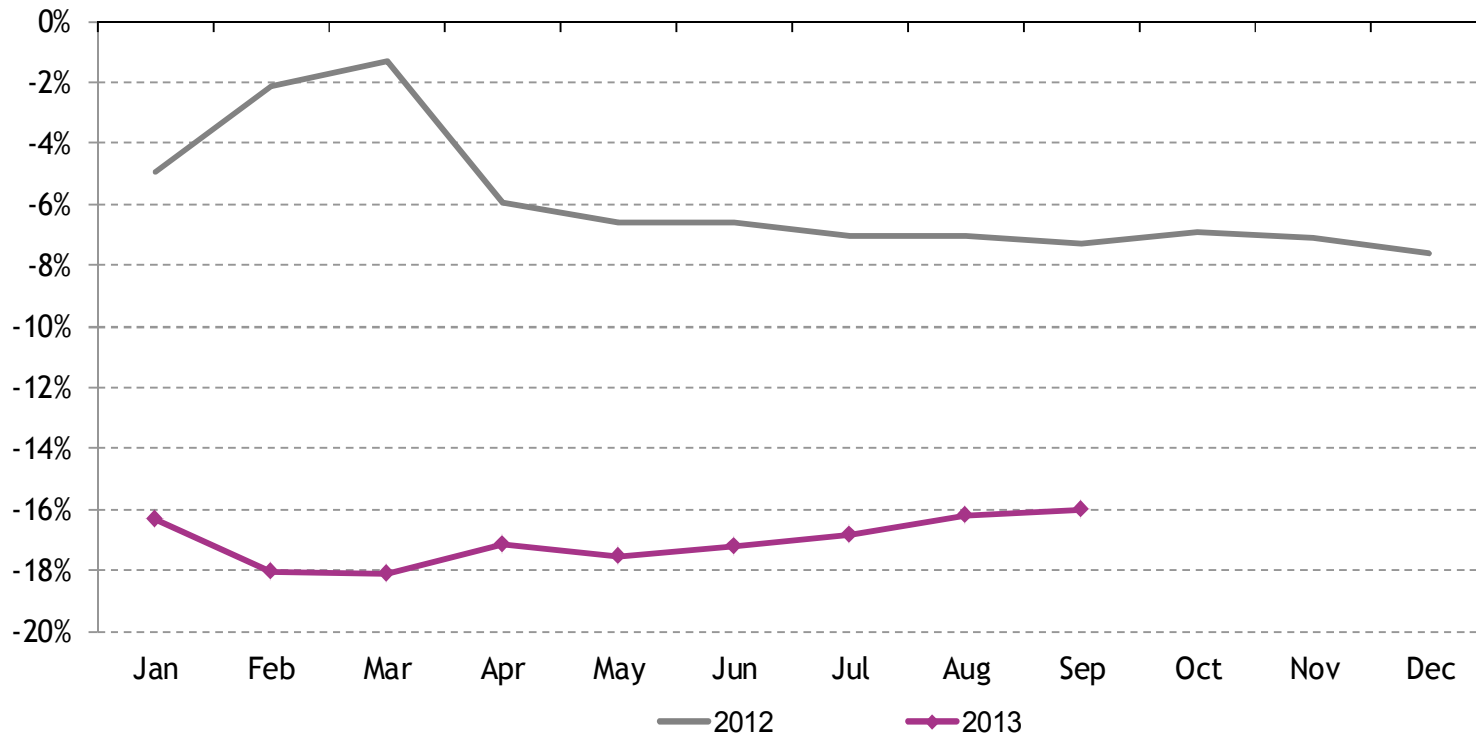
Source: TNS Media Intelligence



# Advertising volume in printed newspapers\*

## remains low

YTD change from previous year, %

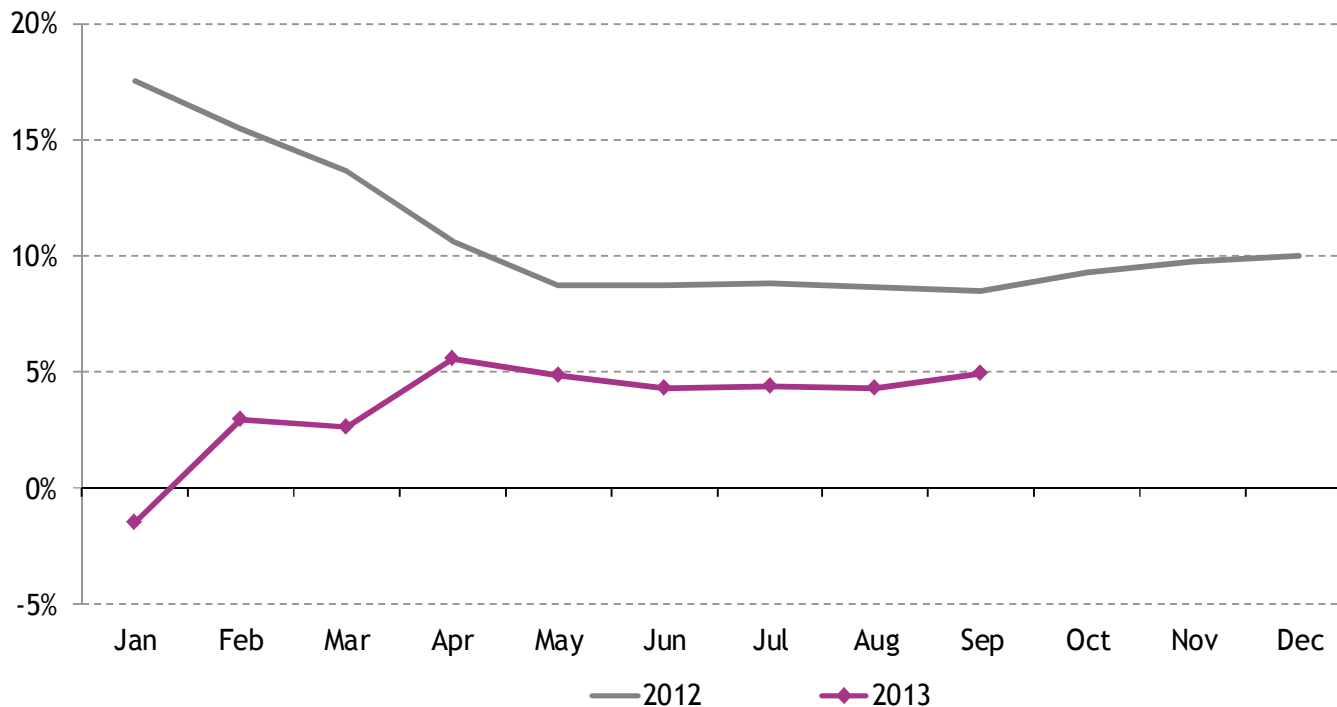


Source: TNS Media Intelligence

\* Newspapers, local and free issue papers

# Growth in online advertising has slowed down

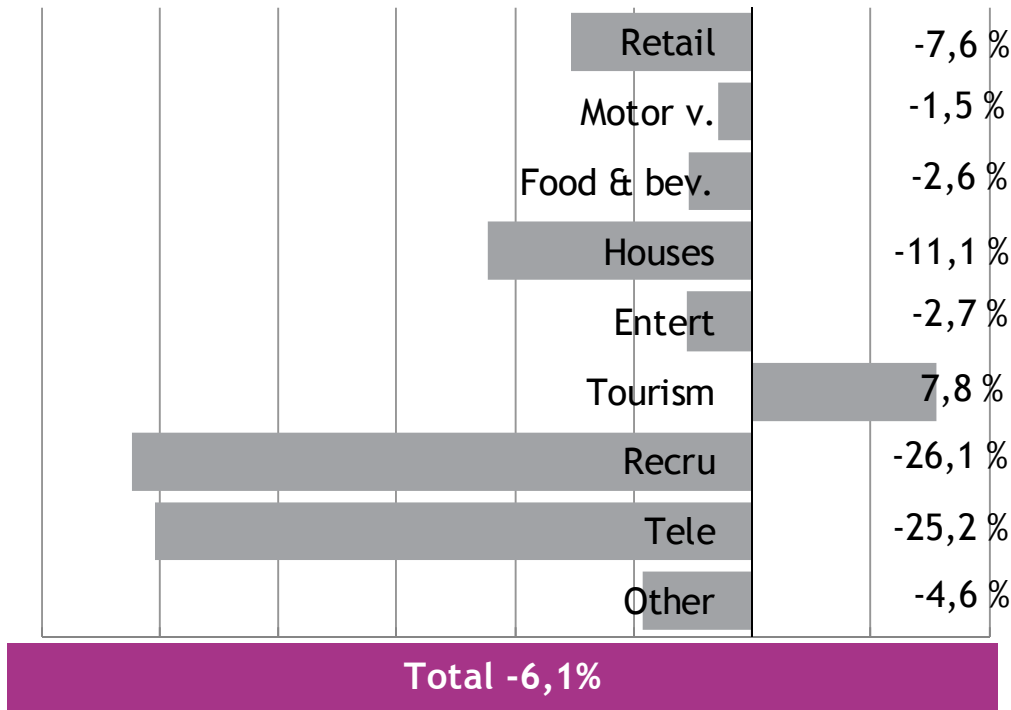
YTD change from previous year, %



Source: TNS Media Intelligence

# Advertising volume fell in nearly all industries

Total market, change from Q3/2012

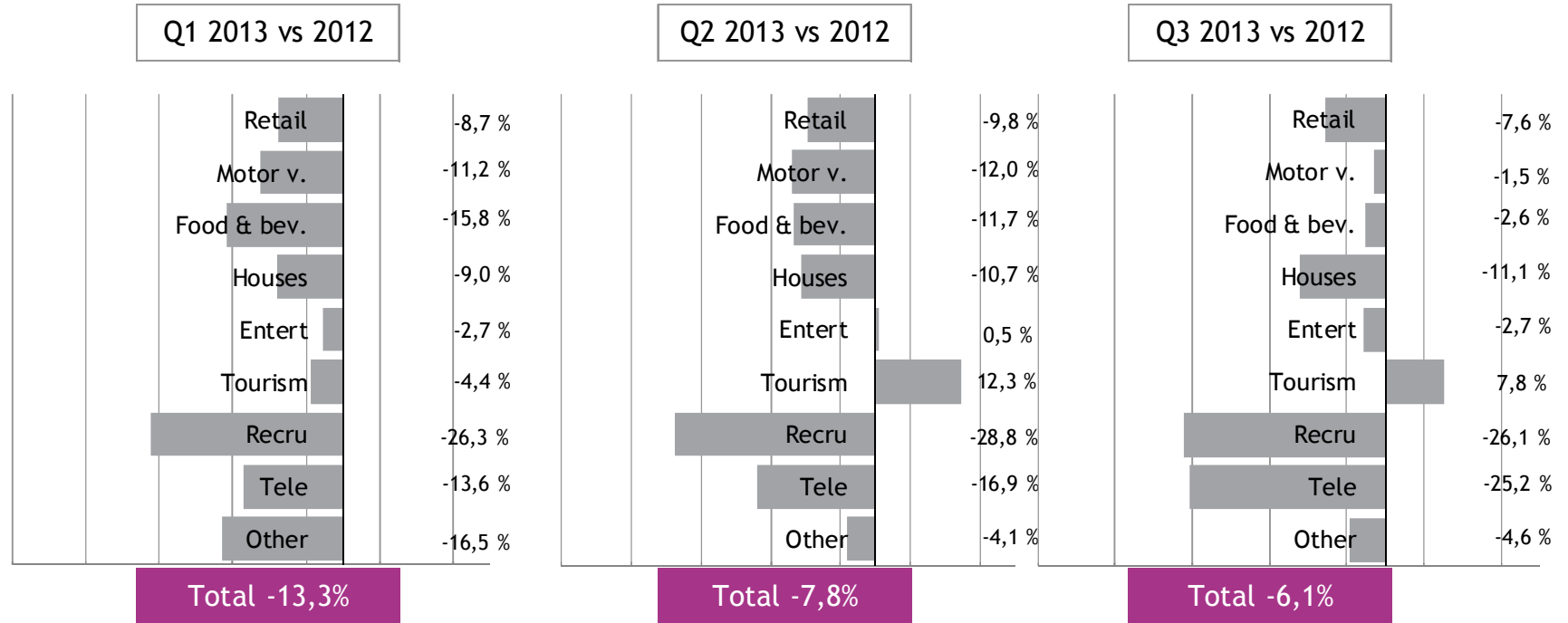


Advertising in Q3/13	MEUR
Retail	51
Motor vehicles	22
Food & beverages	16
Houses and premises	11
Entertainment	11
Tourism and traffic	9
Recruiting	7
Telecommunications	5
Other	84
<b>Total</b>	<b>215</b>

Source: TNS Media Intelligence

# The decline is sustained

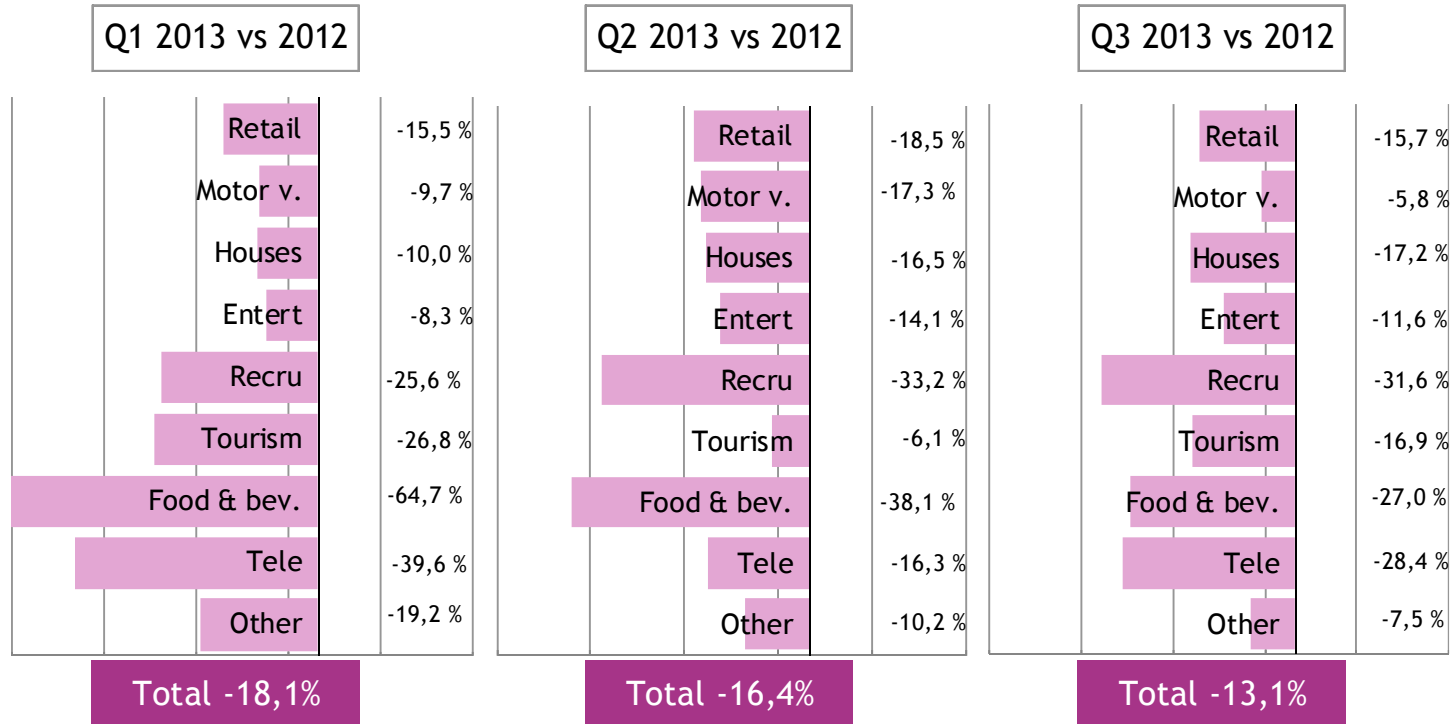
Total market, change from previous year



Source: TNS Media Intelligence

# Fall in newspaper advertising is steeper

Newspapers total\*, change from previous year

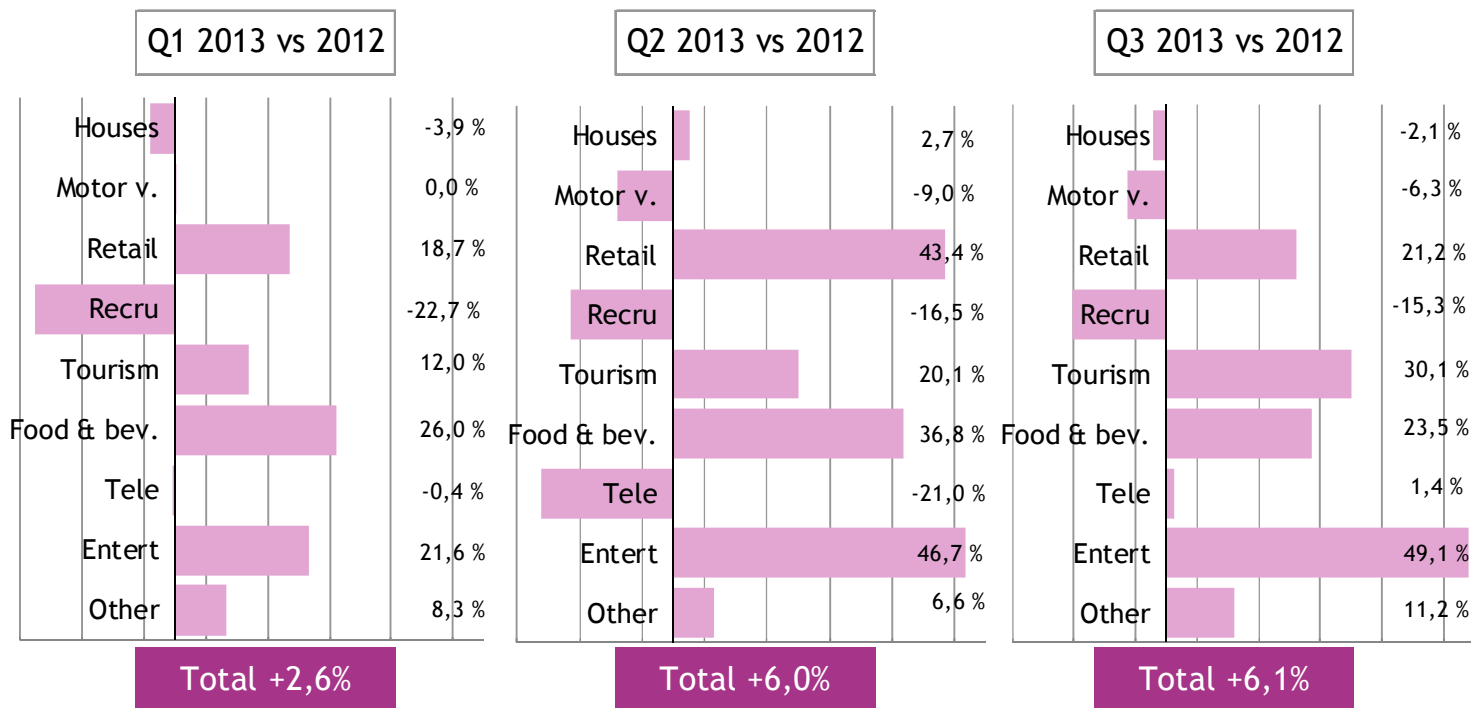


Source: TNS Media Intelligence

\* Newspapers, local and free issue papers

# Slight increase in online advertising

Internet, change from previous year



Source: TNS Media Intelligence

# Financial review

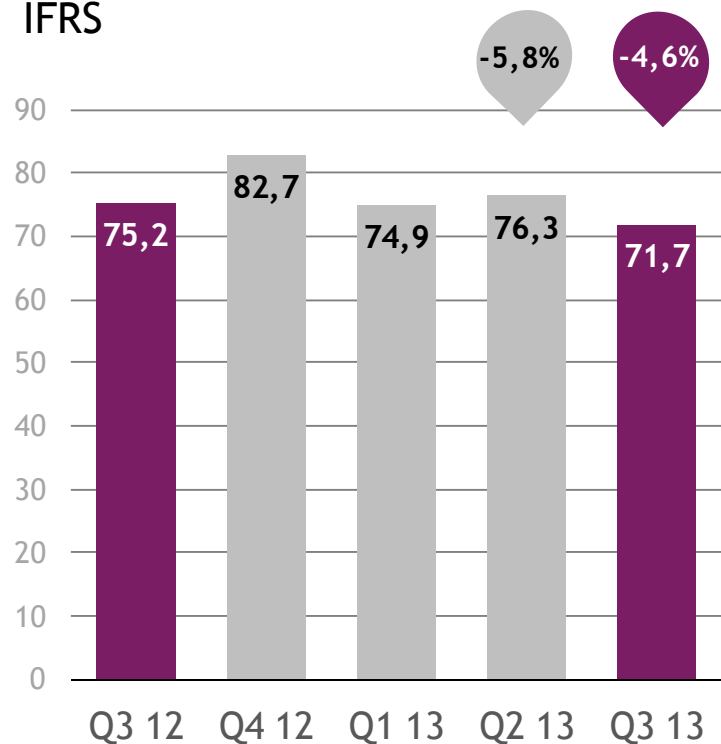
Juha Nuutinen, CFO

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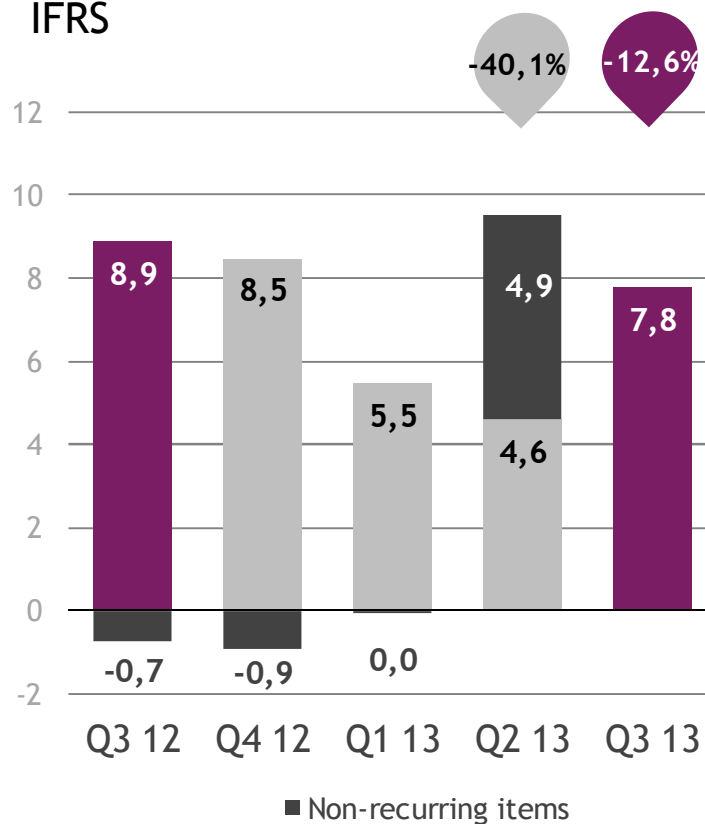


# The decline in revenue slowed down

Turnover, MEUR  
IFRS



Operating profit, MEUR  
IFRS

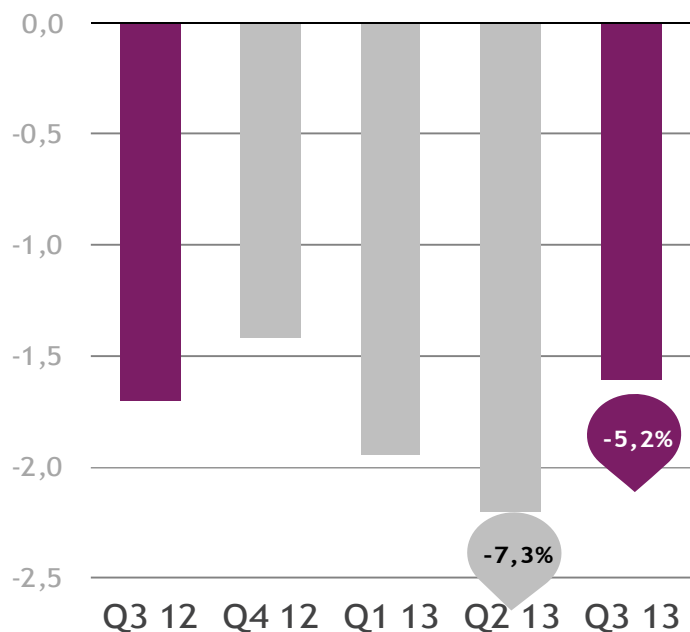




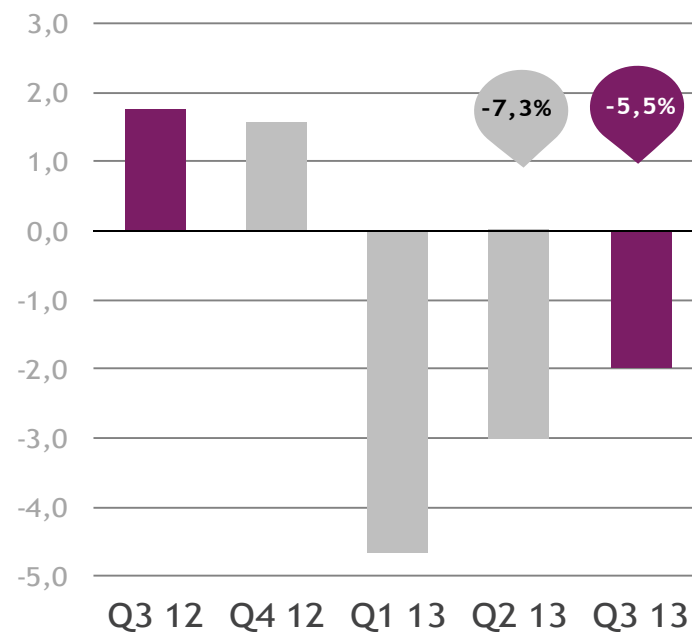
# Content and advertising revenue fell due to a declining trend in print media

IFRS

Content turnover, MEUR



Advertising turnover, MEUR



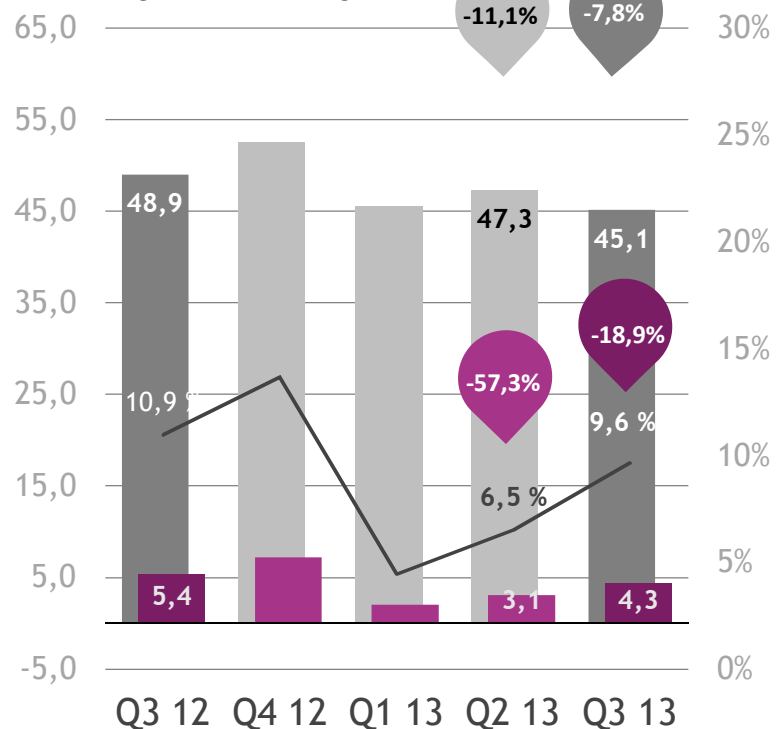
# The Newspapers segment in Q3

- Revenue declined by 7.8% to MEUR 45.1.
  - With the exception of Iltalehti, online business accounts for only a minor proportion of total turnover.
- Content revenue decreased by 6.2% to MEUR 25.0.
  - The decline was primarily due to the decreasing circulations of Iltalehti and other newspapers.
- Advertising sales fell by 10.3% to MEUR 19.4.
  - Online advertising sales increased by 22.5%.
  - Advertising sales for print media declined by 14.4%.
- Total expenses excluding non-recurring items were MEUR 40.8 (43.6).
  - Restructuring in 2012 and cost-reduction measures in 2013 contributed to the decrease in expenses.
- Operating profit excluding non-recurring items amounted to MEUR 4.3, or 9.6% of revenue.

## Revenue and operating profit

MEUR & %

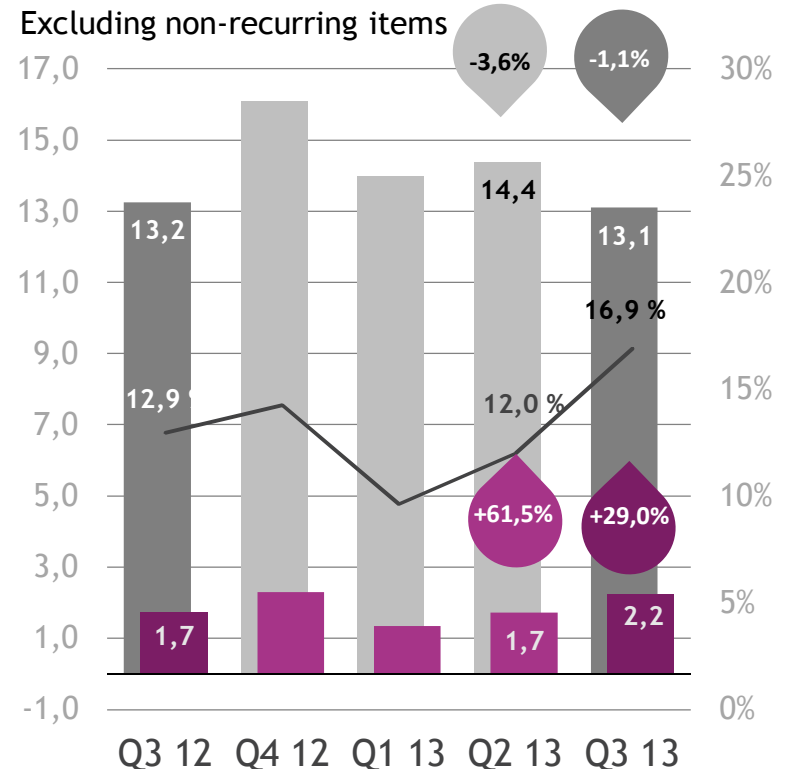
Excluding non-recurring items



# Kauppalehti Group in Q3

- Revenue declined by 1.1% to MEUR 13.1.
  - Online business represented 35.1% of revenue.
- Content revenue increased by 1.1% to MEUR 4.2.
  - Digital content revenue grew by 22.1%.
- Kauppalehti's advertising sales increased by 3.7% to MEUR 3.6.
  - Online advertising sales increased by 25.7%.
- Service revenue declined by 5.6% to MEUR 5.3.
- Total expenses amounted to MEUR 10.9 (11.7).
  - The decrease in expenses is a consequence of restructuring carried out in 2012 and cost-reduction measures taken in early 2013.
- Operating profit excluding non-recurring items was MEUR 2.2 (1.7).

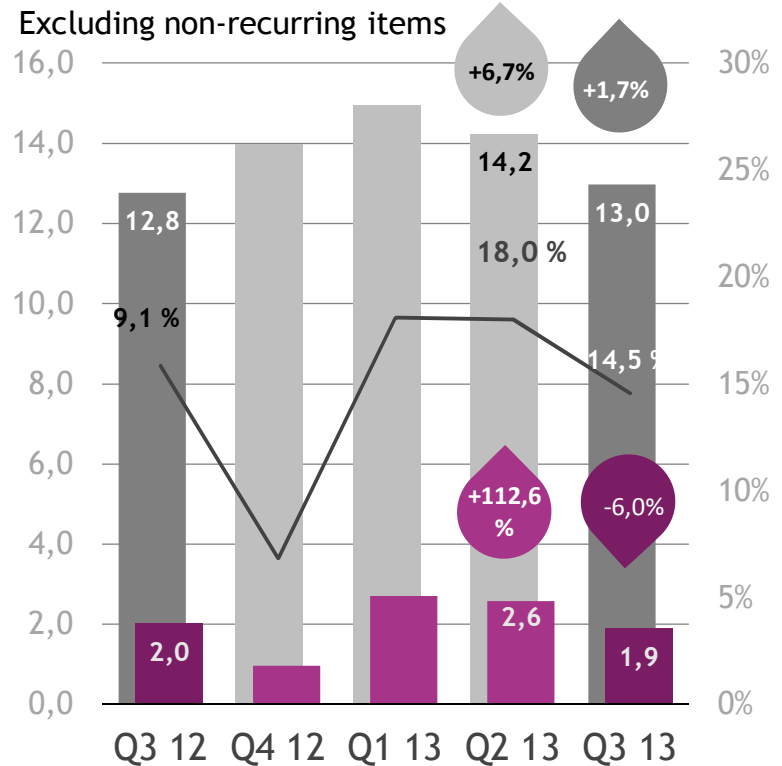
## Revenue and operating profit, MEUR & %



# Digital Consumer Services in Q3

- Revenue increased to MEUR 13.0.
  - Revenue from operations outside Finland amounted to MEUR 7.1.
- Recruitment business revenue increased.
  - Recruitment services accounted for 61% of the segment's revenue.
  - The profitability of operations outside Finland has remained at the expected level.
  - Weak Finnish market conditions had a negative effect on Monster.fi's advertising sales.
- Etuovi.com has improved its profitability compared to the previous year.
- Total expenses excluding non-recurring items amounted to MEUR 11.2.
- Operating profit excluding non-recurring items was MEUR 1.9.

## Revenue and operating profit, MEUR & %

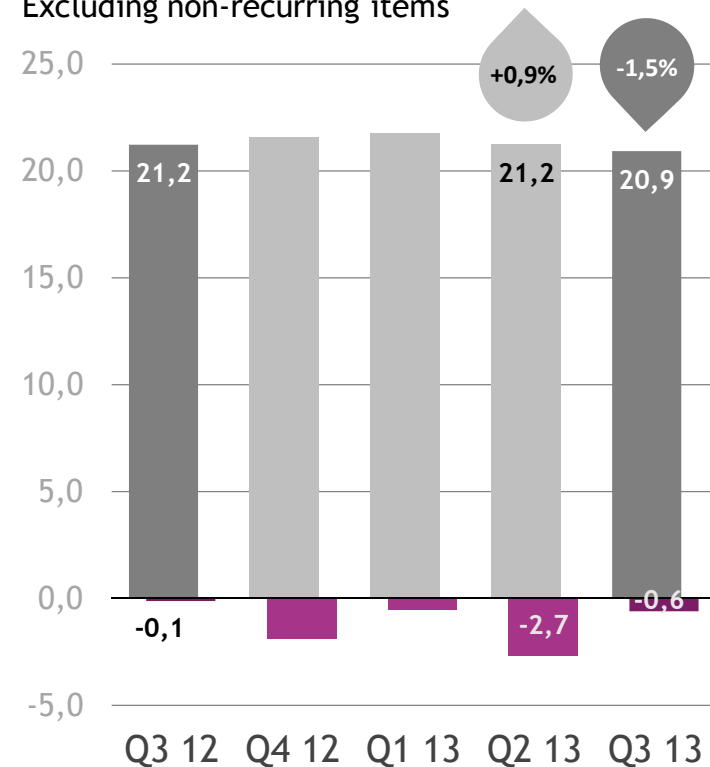


# Other Operations in Q3

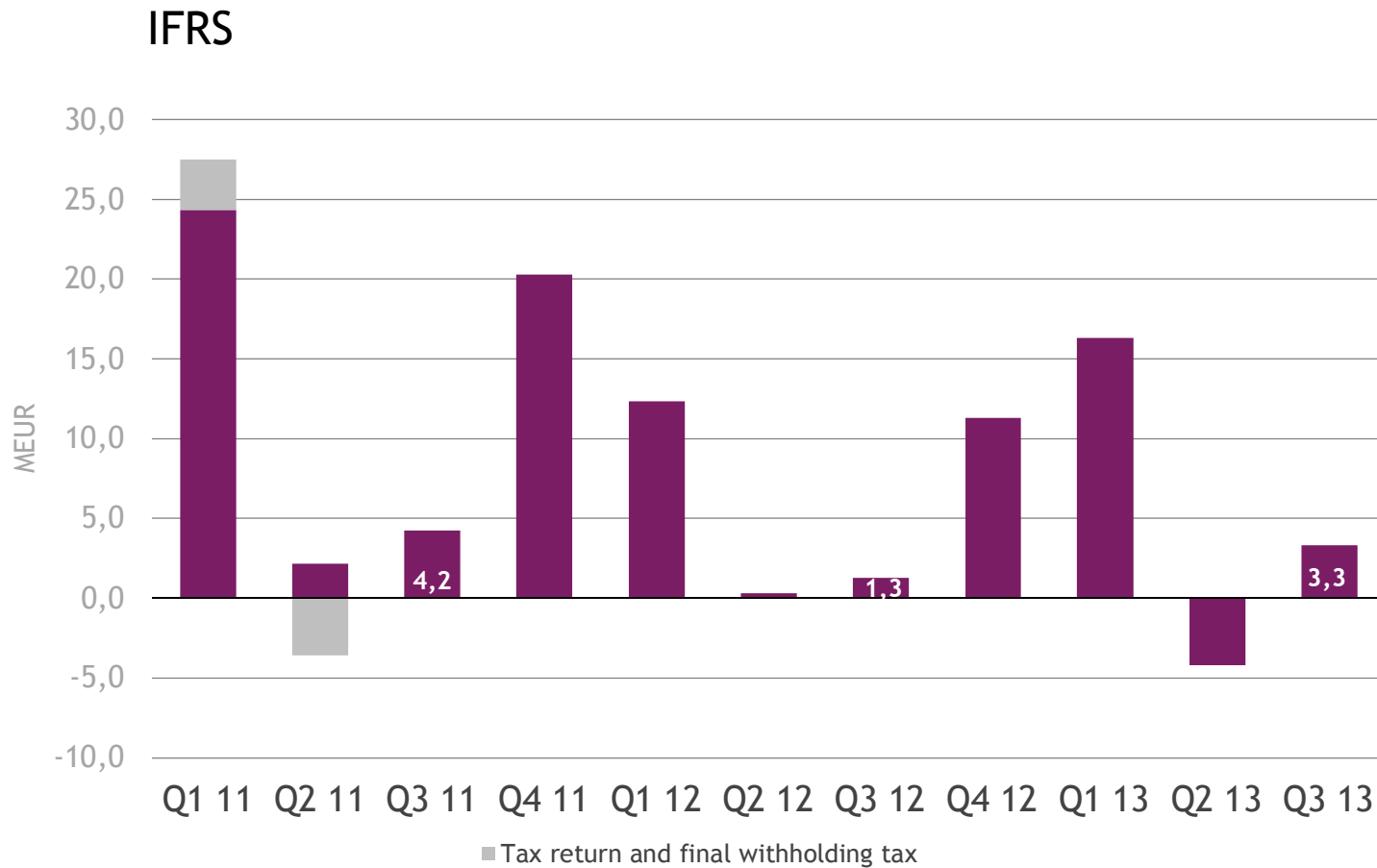
- Revenue amounted to MEUR 20.9, of which external revenue accounted for MEUR 1.7 (1.6).
- Total expenses excluding non-recurring items were MEUR 21.6 (21.4).
- The new printing facility in Tampere was commissioned in the spring.
  - Production reliability at the printing facility is now under control.
  - Late deliveries have declined substantially from the level seen earlier in the year.
  - An agreement was signed in September on moving the printing of Hämeen Sanomat and Hämeenlinnan Kaupunkiuutiset to the printing facility in Tampere from 1 January 2014 onwards.

## Revenue and operating profit, MEUR

Excluding non-recurring items



# Cash flow from operating activities



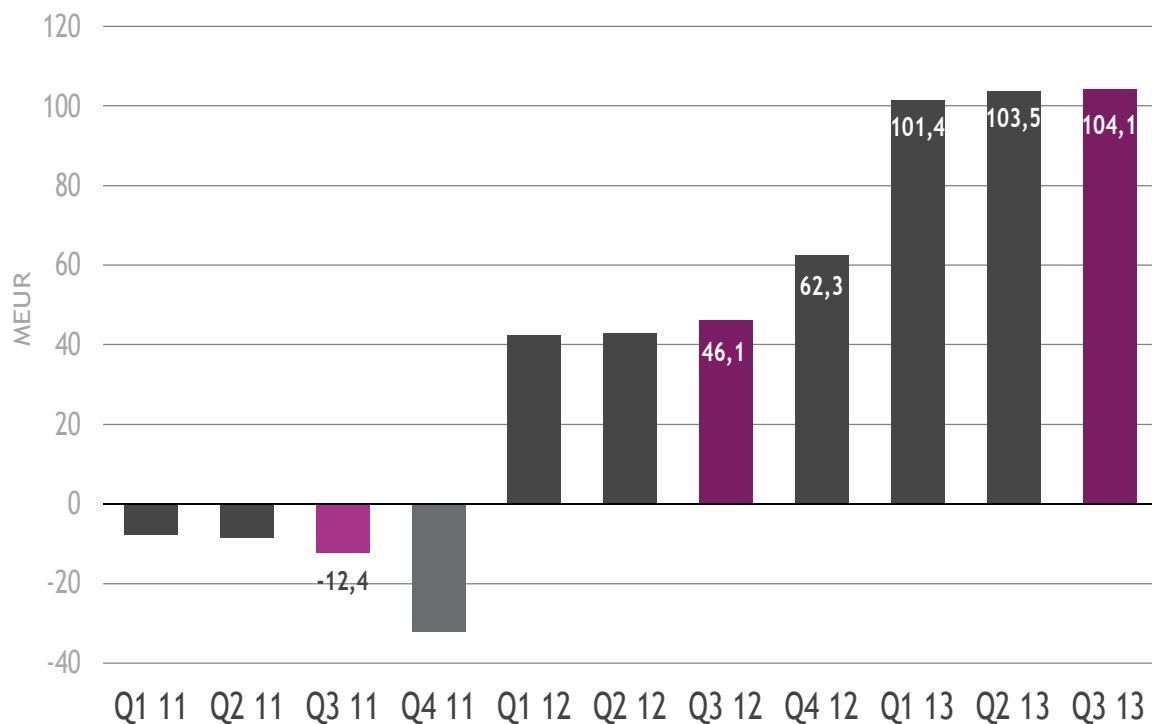
# Cash flow and capital expenditure

## IFRS



# Interest-bearing liabilities

## Net debt Q1/2011–Q3/2013



## Net debt distribution

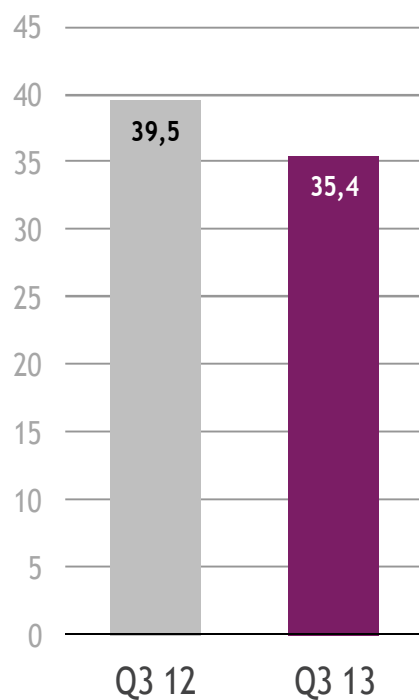
	Q3/2013
Financial leasing	75.9
Bank loans	23.0
Commercial papers	15.0
Cash and cash equivalents	-9.8
<b>Total</b>	<b>104.1</b>



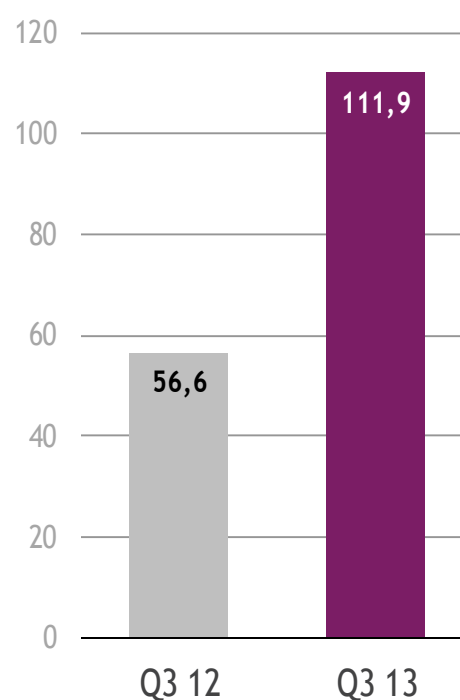
# Key indicators

## IFRS

### Equity ratio, %



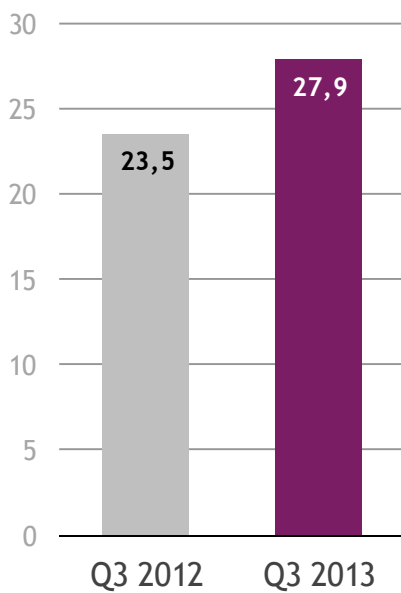
### Gearing, %



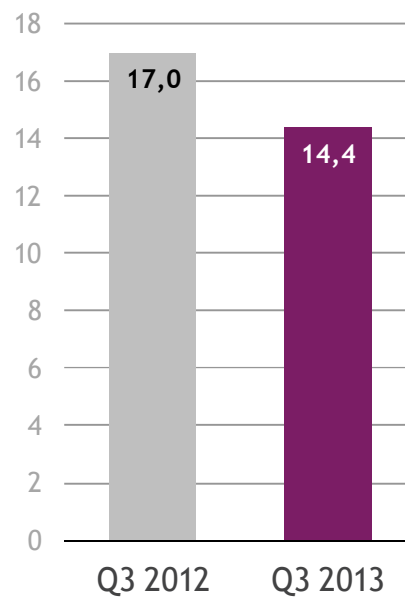
# Key indicators

IFRS

Return on Equity, %

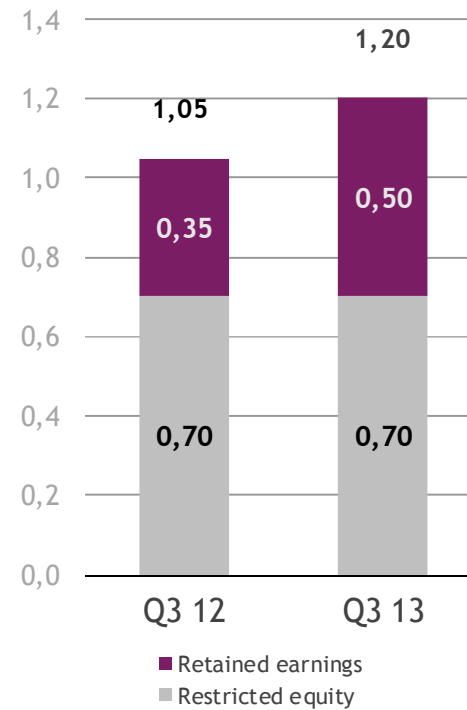
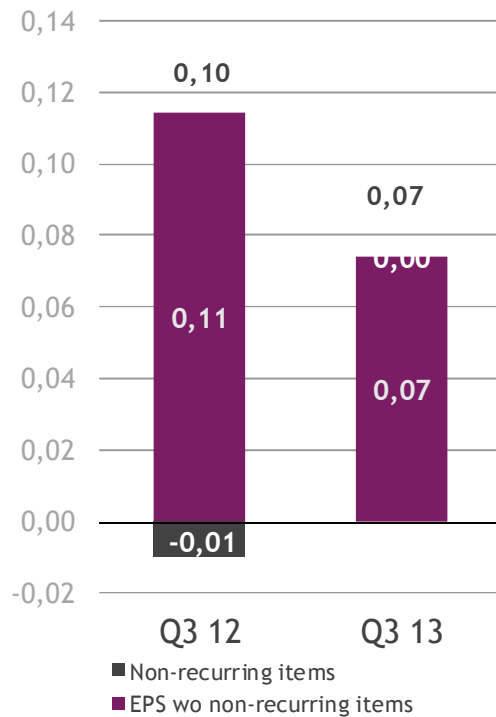


Return on Investment, %



# Earnings per share and equity per share

IFRS



# Balance sheet

MEUR	Q3 2013	Q3 2012
Intangibles and goodwill	115,6	91,7
Tangibles	87,7	37,7
Associated companies	30,5	33,6
Inventory	0,7	0,7
Receivables	37,4	40,2
Cash	9,8	20,9
<b>Assets</b>	<b>281,8</b>	<b>224,8</b>
Equity	93,0	81,4
Reserves-obligatory	3,9	0,4
Pension liabilities	2,8	2,9
Ib debt	113,9	67,0
Non-Ib debt	49,1	54,1
Advances received	19,1	18,8
<b>Equity and liabilities</b>	<b>281,8</b>	<b>224,8</b>

# Key figures

MEUR	2013 Q3	2012 Q3	Change %	2013 Q1-Q3	2012 Q1-Q3	Change %	2012 Q1-Q4
Revenue	71,7	75,2	-4,6	223,0	237,4	-6,1	320,1
Total expenses excluding non-	64,1	66,4	-3,5	205,6	212,6	-3,3	287,0
Ebitda excluding non-recurring	11,4	12,0	-5,2	27,4	34,5	-20,4	45,1
Operating profit excluding non-	7,8	8,9	-12,6	17,8	25,0	-28,8	33,5
% of revenue	10,8	11,8		8,0	10,5		10,5
Operating profit	7,8	8,1	-4,7	22,7	18,9	19,7	26,5
% of revenue	10,8	10,8		10,2	8,0		8,3
Profit for the period	5,9	8,1	-27,1	17,9	15,3	17,2	17,4



# Strategy and outlook

Kai Telanne

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# Alma Media's strategic focus 2013-2015

## 1. DEVELOP PUBLISHING OPERATIONS

Secure cash flow from multiple-media publishing operations while improving productivity through developing operating methods and promoting cooperation within the industry.

Fully exploit investments in printing operations and ensure distribution efficiency.

## 2. GROW DIGITAL SERVICES

Grow and develop the digital service business.

Integrate acquired businesses outside Finland into Alma Media, accelerating international growth.

## 3. AGILE GROUP

Increase strategic flexibility and efficiency. Develop leadership skills, and, in particular, digital business competencies.

Develop IT systems to meet changing needs.

# Strategy implementation in Q3/2013

## NEW LIFE OF PRINT

- ✓ Good progress in the Aamulehti renewal project, tours to collect reader feedback are underway.
- ✓ Alma Regional Media's Premium project continued to increase the provision of paid content: next in line are the Kainuu regional news website and Pohjolan Sanomat, which is set to offer paid content from the beginning of 2014.
- ✓ Kauppalehti launched an online media development project to redesign content, subscription products and media sales opportunities. The new website is scheduled to be launched in spring 2014.
- ✓ The Kauppalehti application comes pre-installed on the Nokia Lumia 1020 mobile phone.
- ✓ Kauppalehti's Windows application became a paid application.
- ✓ Monster.fi, Lapin Kansa and Pohjolan Sanomat began co-operation on recruitment advertising.
- ✓ Iltalehti launched dedicated applications for its special supplements.

## GROWTH IN DIGITAL SERVICES

- ✓ The development of the Meedio service continued.
- ✓ Kotikokki.fi launched the Ruokakassi (Grocery Bag) service.
- ✓ The amount of Kotikokki.fi site visitors increased through social media marketing.
- ✓ The overall look of Telkku.com was renewed.
- ✓ The Enreach project to enable audience targeting is moving forward.
- ✓ The implementation of user management (TUJU) is being expanded.
- ✓ The development of a new customer, subscription and product system (ATT) for Kauppalehti's content sales is moving ahead.
- ✓ LMC began selling a video interview system
- ✓ A new version of LMC's Teamio People system was launched.
- ✓ A responsive version of Profesia's Mark recruitment system was developed.
- ✓ Tau Online's virtual recruitment fair platform was completed.

## AGILE GROUP

- ✓ The Myyntikone (Sales Machine) project is preparing a new CRM system, with gradual implementation to begin in Q4.
- ✓ The financial organisation was restructured.
- ✓ Preparations were made to move MS Office 360 to the cloud.
- ✓ Use of the development project portfolio was expanded.



# Alma Media recognised in the CDLI climate index

- In October 2013, Alma Media became the only Nordic media company to be included in the Climate Disclosure Leadership Index
- The index lists the companies that achieve the highest scores in the global CDP climate disclosure survey
- Aimed at listed companies, the CDP is an international survey that invites thousands of companies to analyse the risks and opportunities associated with climate change and report on their annual carbon dioxide emissions



# Future outlook

25 October 2013

Economic growth in Europe, and in particular Finland, is expected to remain weak in the fourth quarter of 2013. The decline in media advertising and the gradual shift of media consumption to digital channels will decrease the revenue and profitability of print media. In this market situation, Alma Media's strong growth in the sales of digital services does not yet fully offset the decline in the sales of print media.

Alma Media maintains its outlook given in the interim report published on 19 July 2013, according to which it expects the revenue and the operating profit excluding non-recurring items for the second half of 2013 and the full year to decline compared to the corresponding periods in 2012. Revenue for the second half of 2012 was MEUR 157.9 and operating profit excluding non-recurring items MEUR 17.4. Full-year revenue for 2012 amounted to MEUR 320.1 and operating profit excluding non-recurring items was MEUR 33.5.

# Thank you! Questions?

Upcoming events in the investor calendar:

- Capital Markets Day 27 November 2013
- Q4 and full year 2013 result 13 February 2014



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