

# ALMA MEDIA

## Q2 2015

Kai Telanne, President and CEO

Juha Nuutinen, CFO

21 July 2015

Living  
Information

@AlmaMedia\_IR

21.7.2015

# Agenda

Highlights

Market development

Financial development

Strategy and outlook

Q & A



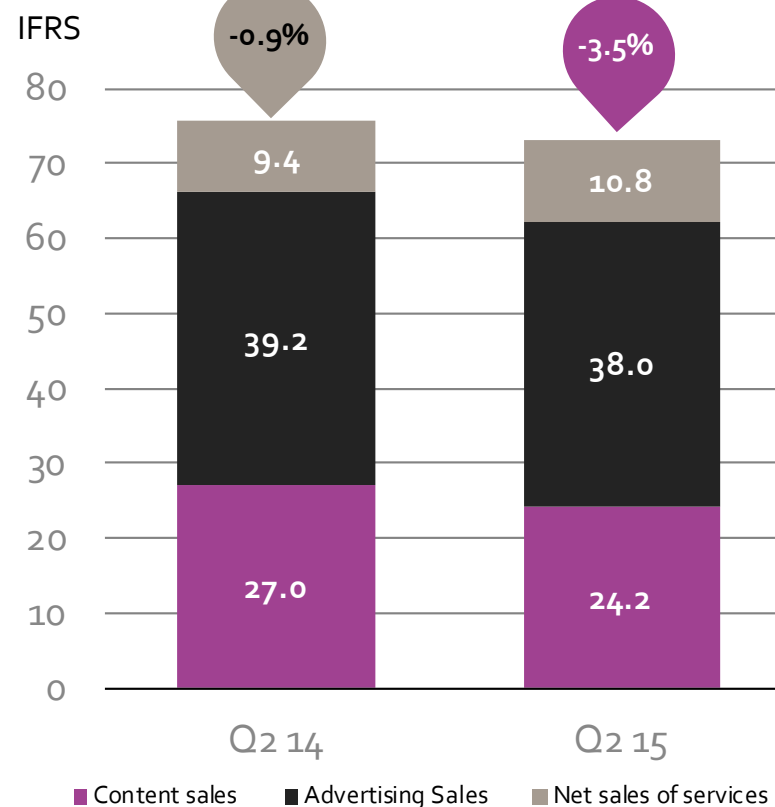
# Highlights

- The Finnish economy continued to be characterised by sustained weak development in the second quarter. Advertising volume declined by 3.3% year-on-year in Finland. The circulation volumes and single-copy sales of print media also declined.
- Alma Media's revenue in Q2 declined to MEUR 73 as a result of divestments. Operating profit improved to MEUR 6.8. Profitable growth in foreign markets compensated for the decline in domestic revenue and profitability. Measures implemented to reduce the cost structure in domestic operations were successful.
- Positive developments in the national economies of Eastern Central Europe and the improved employment situation in the region supported the strong growth of the digital recruitment service business. Recruitment business outside Finland grew by 23% in Q2. The domestic marketplaces business maintained its level of financial performance.
- The growth of the Financial Media and Business Services segment was boosted by JM Tieto, which builds marketing and sales concepts for B2B companies and was acquired in January 2015. Reorganisation measures in the customer magazine business also improved profitability.
- Revenue and profit continued to decline in the National Consumer Media segment, which is the segment hit hardest by the weak domestic advertising market.
- In the Regional Media segment, declining content revenue and advertising volume weighed down revenue, but operational cost adaptation measures and an increase in external revenue from printing operations helped curb the decline in the segment's profit.
- Alma Media expects its revenue to decrease in 2015 and operating profit excluding non-recurring items to remain unchanged or decrease from the 2014 level. The full-year revenue 2014 was MEUR 295.4, and operating profit excluding non-recurring items was MEUR 21.4.

# Revenue Q2/2015

- Revenue for the second quarter decreased by 3.5% to MEUR 73.0
  - The effect of divested business operations on the decrease in revenue was MEUR 3.3.
- Online sales increased by 8.0% and amounted to MEUR 25,7.
- Digital products and services accounted for 35.2% (31.4%) of Group revenue in the second quarter.
- Content revenue declined by 10.6% to MEUR 24.2.
  - Content revenue from digital channels did not cover the decline in print content revenue.
- Advertising revenue decreased by 2.9% to MEUR 38.0.
  - Online advertising sales increased by 9.4%.
  - Advertising sales for print media decreased by 13.7%
- Service revenue increased by 14.8% to MEUR 10.8.

## Revenue, MEUR

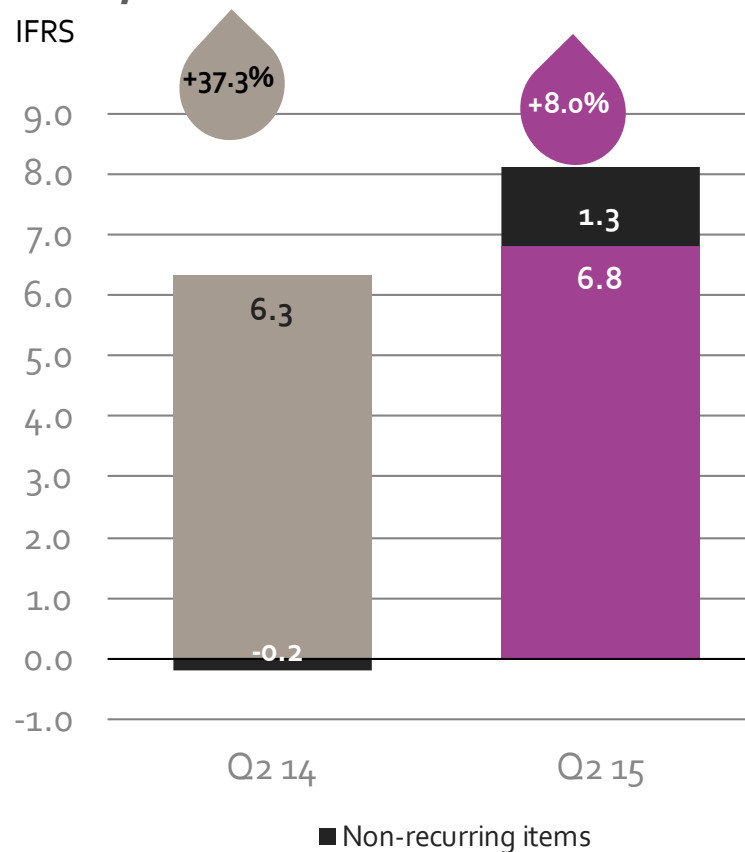


# Operating profit Q2 2015

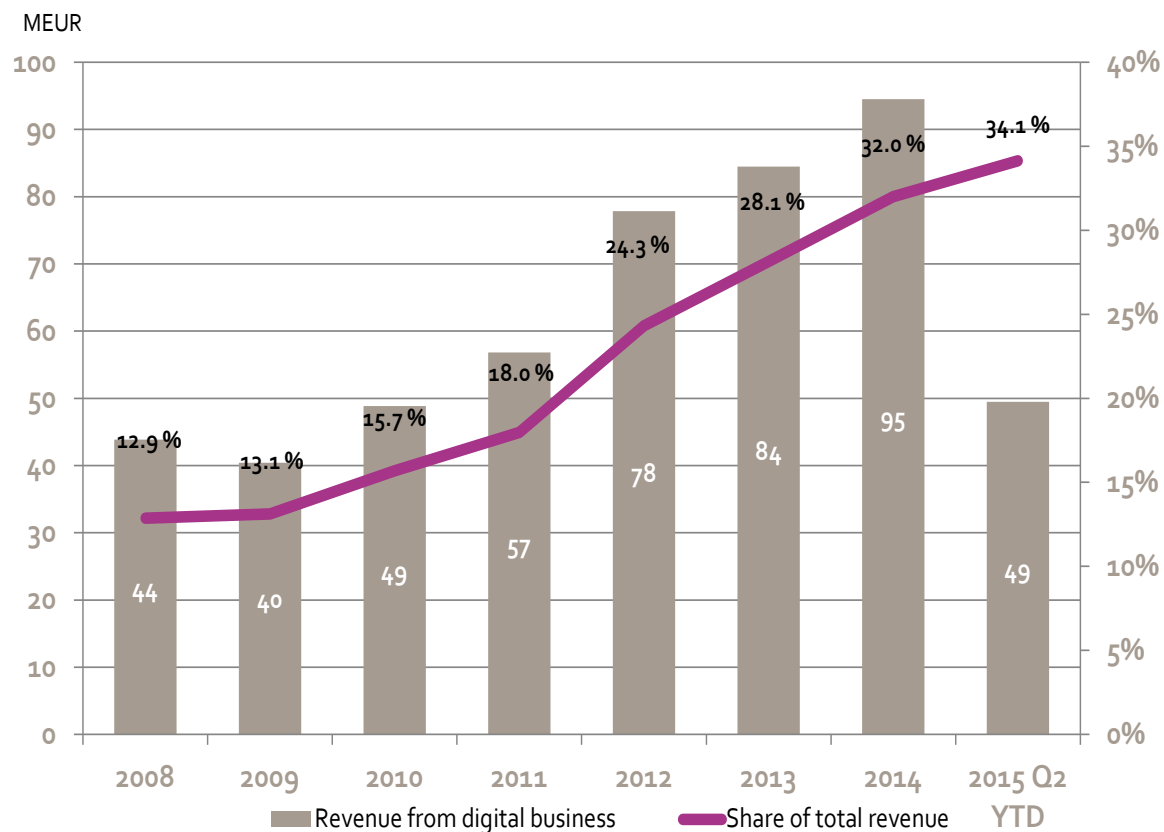
- Operating profit excluding non-recurring items increased by 8.0% to MEUR 6.8
- Operating profit was MEUR 8.1, or 11.1% of revenue.
  - The operating profit includes net non-recurring items in the amount of MEUR 1.3.
- Total expenses excluding non-recurring items decreased by 4.6% year-on-year to MEUR 66.4.

## EBIT, MEUR

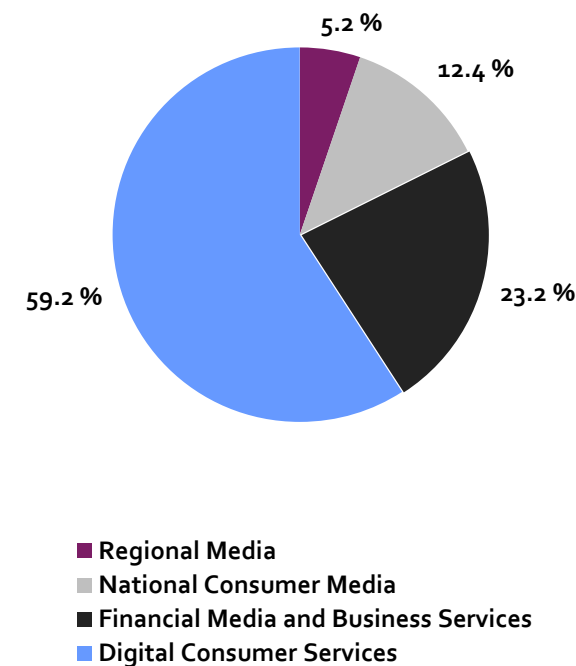
IFRS



# Investments in digital development to continue – the significance of digital business to Alma Media's income formation is increasing



Segment's share of the Group's digital revenue

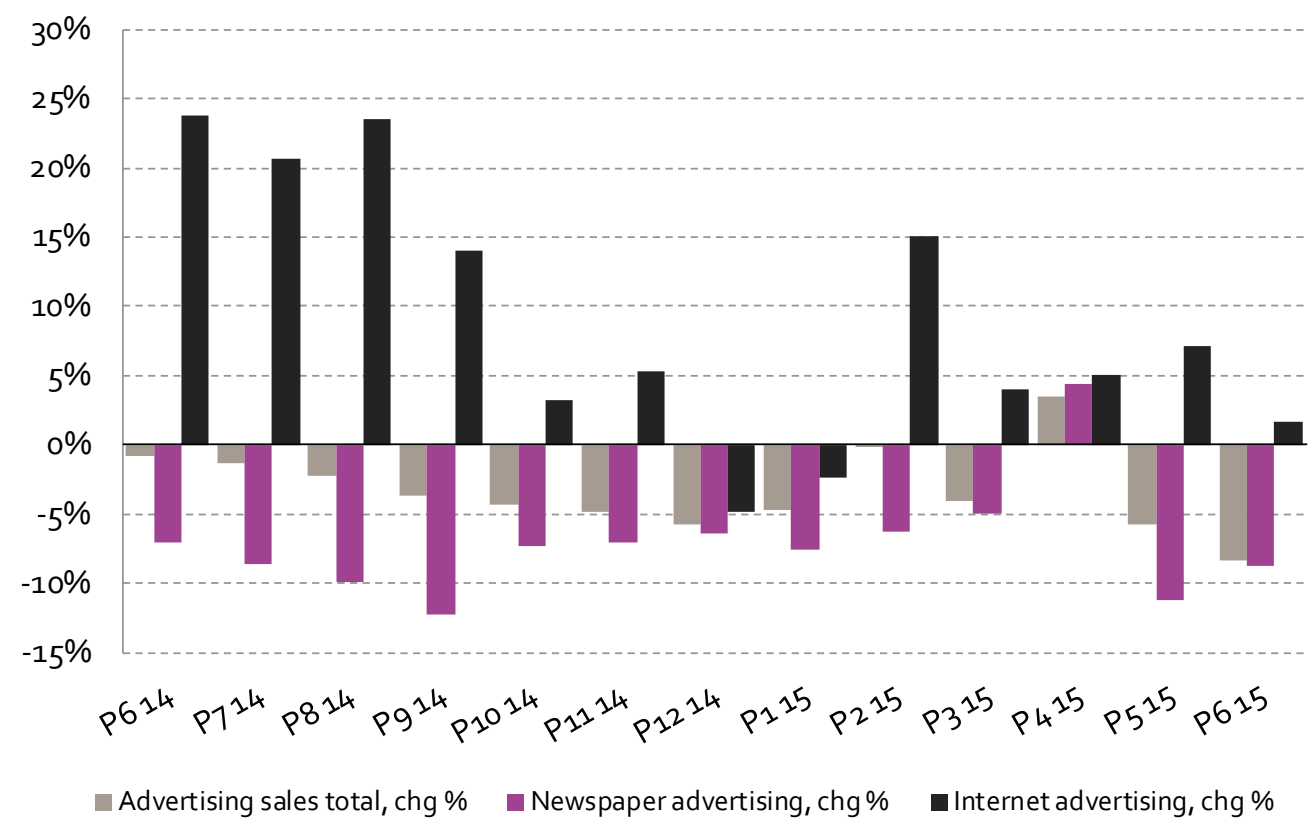






# MARKET DEVELOPMENT IN FINLAND

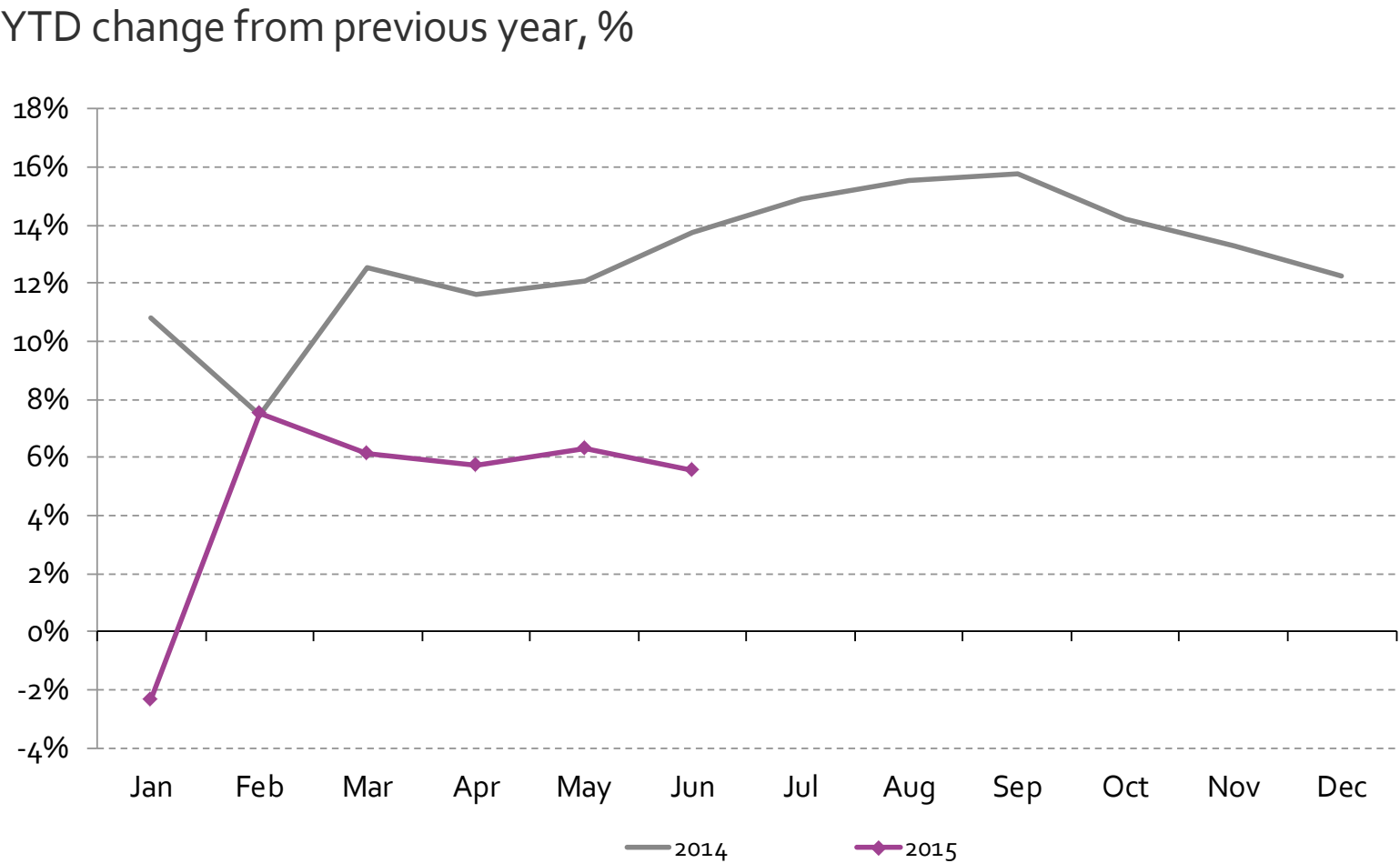
# Change in advertising 6/2014 – 6/2015



Source: TNS Media Intelligence



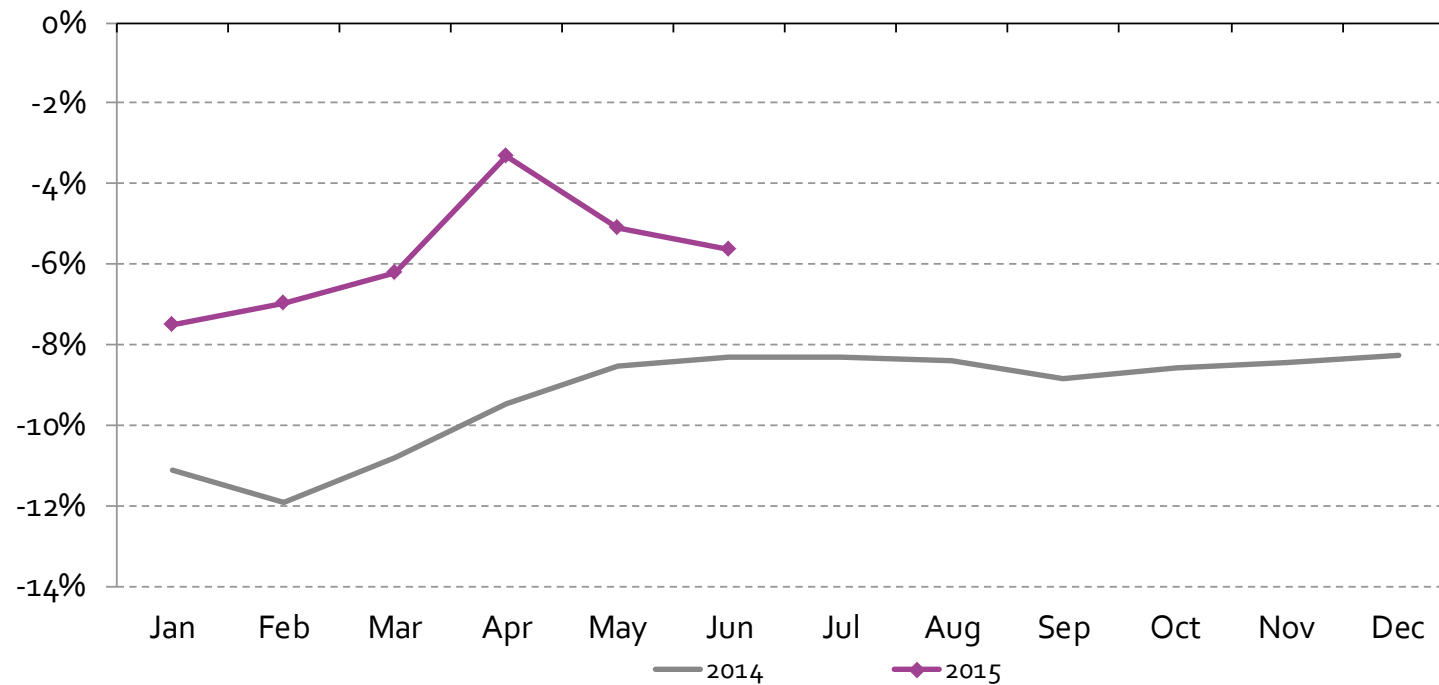
# Online advertising grew, but slower than in 2014



Source: TNS Media Intelligence

# The decline in newspaper\* advertising became steeper in May–June 2015

YTD change from previous year, %

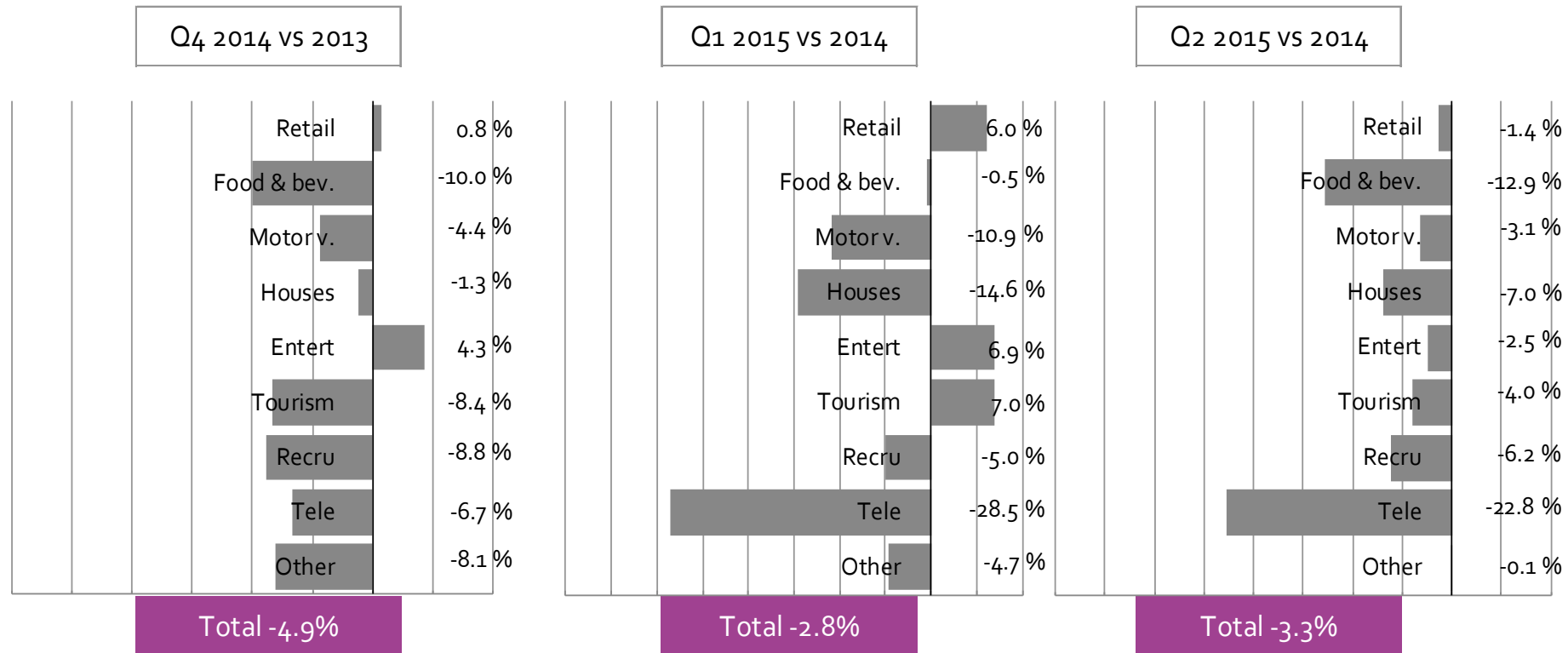


Source: TNS Media Intelligence

\* Newspapers, local and free issue papers

# Advertising turned to a decline in Q2/2015 across all segments

Total market, change from previous year



Source: TNS Media Intelligence



# FINANCIAL REVIEW

Juha Nuutinen, CFO

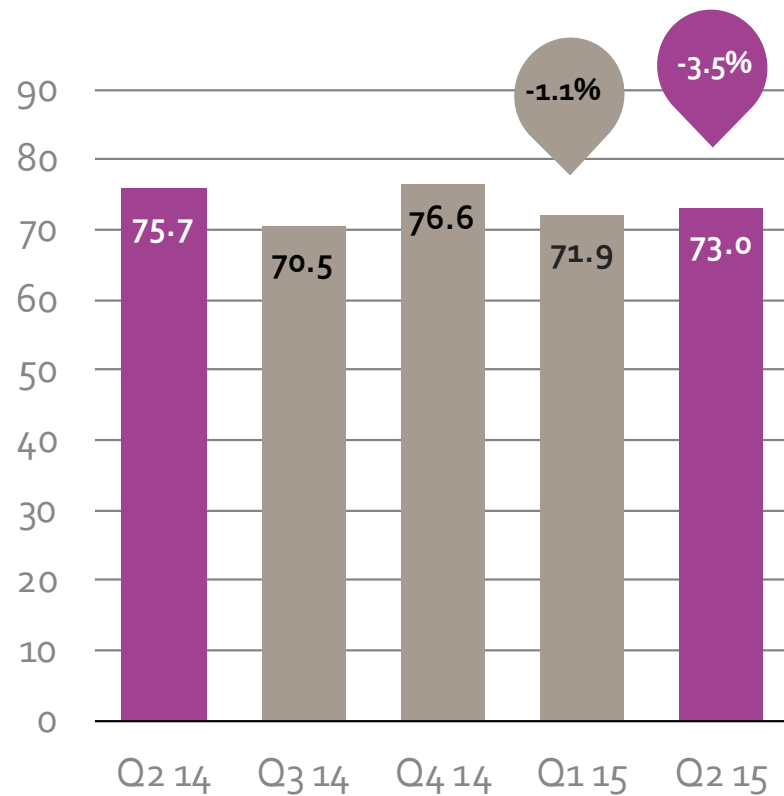


# Long-term financial targets

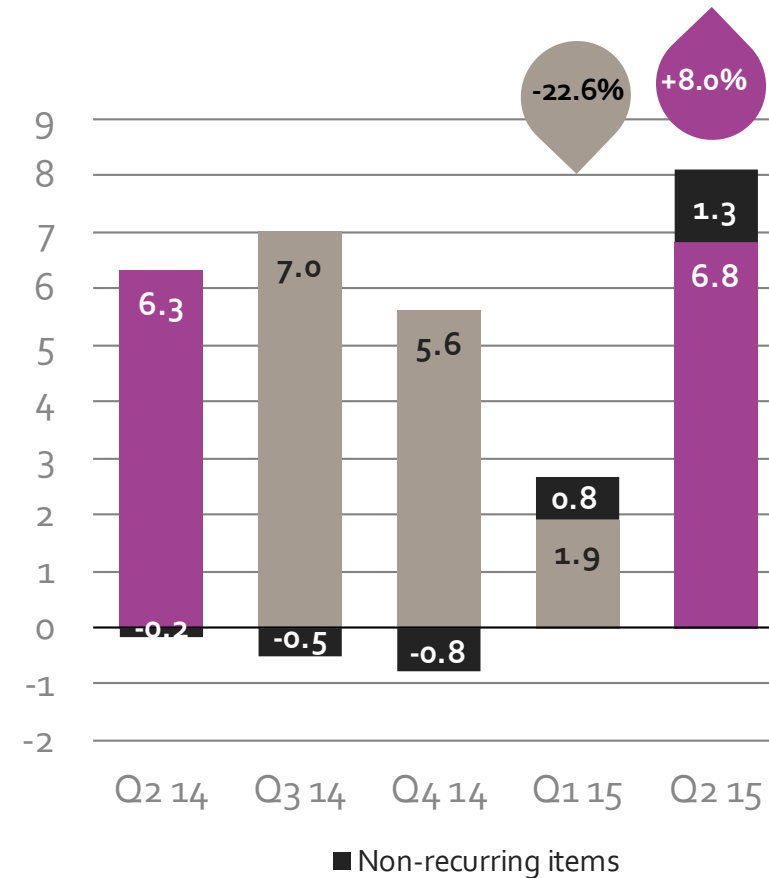
Alma Media's financial targets	2011	2012	2013	2014	2015 Q2	Target level
Digital business growth	16.3%	36.8%	8.4%	11.9%	4.2%	> 15%
Return on Investment (ROI), %	26.1%	13.8%	10.0%	9.7%	10.5%	> 15%
Dividend payout ratio*	103%	45%	50%	63%	n/a	> 50%

# Operating profit increased as expected in Q2

Revenue, MEUR



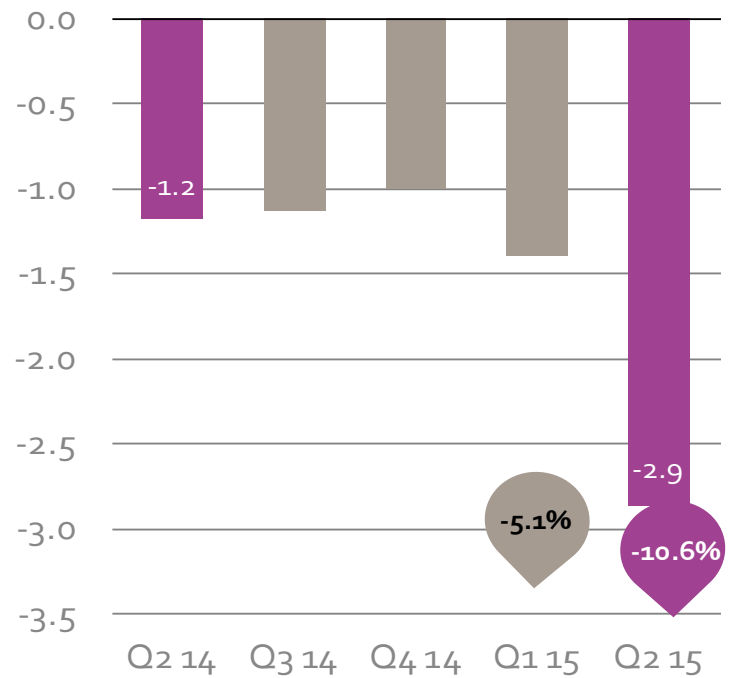
EBIT, MEUR



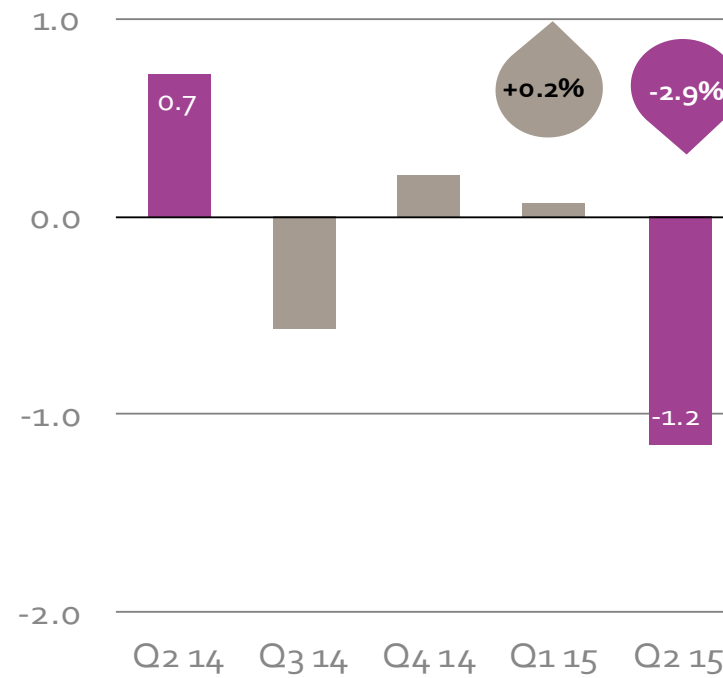


# Advertising sales, and print media content revenue in particular, declined

Content revenue, MEUR



Advertising sales, MEUR



# Growth in foreign markets compensated for the decline in domestic revenue and profitability

- The significance of foreign operations to Alma Media's income formation is increasing rapidly.
- Slow economic growth in Finland is weighing down on the revenue and profitability of Alma Media's domestic operations.

Revenue, MEUR	Q2 15	Q2 14	Chg %
Digital Consumer Services	15.3	14.0	9.4 %
Financial Media and Business Services	14.0	13.1	7.2 %
National Consumer Media	10.7	12.7	-15.8 %
Regional Media	34.0	37.2	-8.5 %
Other Operations	7.2	7.0	2.6 %
Alma Media total	73.0	75.7	-3.5 %

EBIT, MEUR	Q2 15	Q2 14	Chg %
Digital Consumer Services	3.9	2.5	56.9%
Financial Media and Business Services	1.9	1.3	40.1%
National Consumer Media	0.9	1.7	-48.0%
Regional Media	2.6	3.0	-11.8%
Other Operations	-2.5	-2.1	-14.3%
Alma Media total	6.8	6.3	8.0%

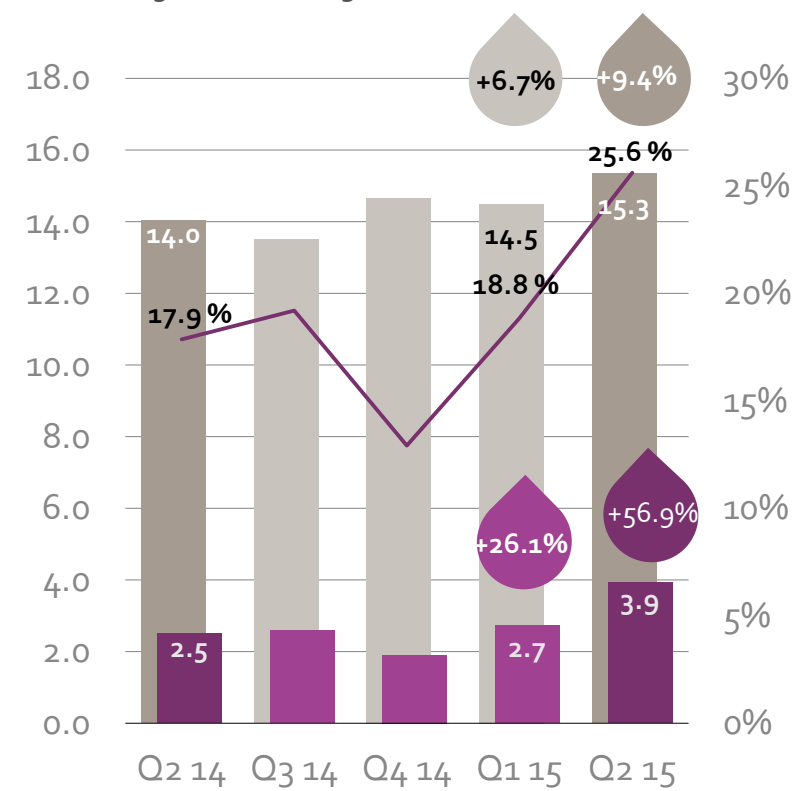
EBIT %	Q2 15	Q2 14
Digital Consumer Services	25.6	17.9
Financial Media and Business Services	13.3	10.2
National Consumer Media	8.1	13.1
Regional Media	7.7	8.0
Alma Media total	9.3	8.3

# Digital Consumer Services Q2/2015: continued strong growth in foreign markets

- Revenue grew by 9.4% to MEUR 15.3
  - Revenue from operations in Finland decreased by 2.6% due to the weak market situation to MEUR 5.6
  - The effect of divested business operations was MEUR 0.4.
- Recruitment service revenue increased by 20.7% and accounted for 73% of the segment's revenue.
  - Strong growth continued particularly in the Czech Republic, Slovakia and Croatia.
- Total expenses excluding non-recurring items were MEUR 11.5.
- The operating profit was 3.9 MEUR. No non-recurring expenses were reported during the review period.

Revenue and operating profit,  
MEUR & %

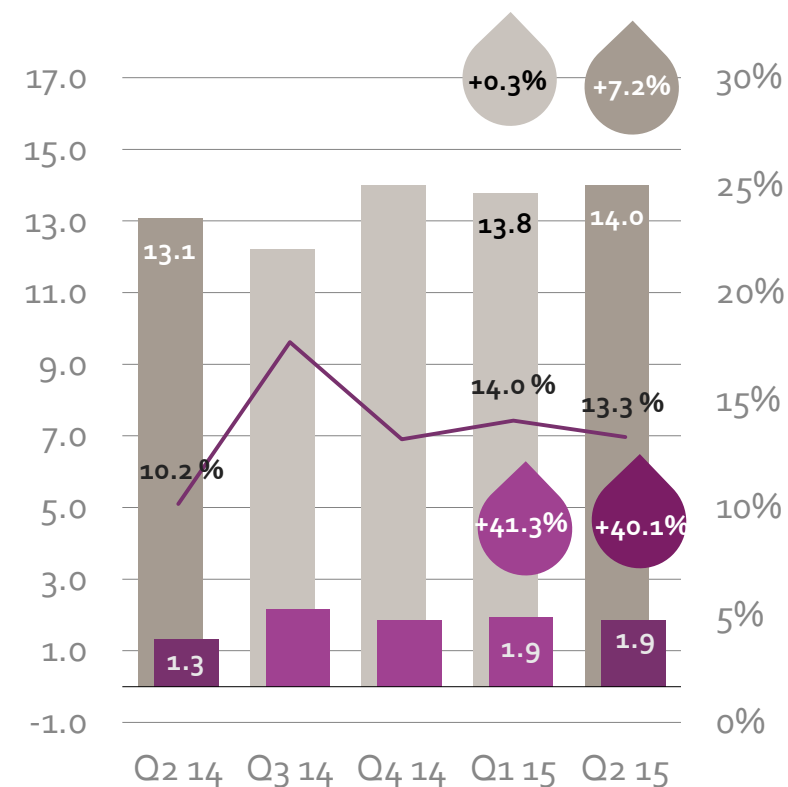
Excluding non-recurring items



# Financial Media and Business Services Q2/2015: growth boosted by JM Tieto

- Revenue increased by 7.2% to MEUR 14.0
  - Digital business accounted for 42.7% of revenue.
- Content revenue increased by 0.9% and was MEUR 3.8
  - Kauppalehti's digital content revenue grew by 15%, covering the decline in print media content revenue.
- Advertising sales was MEUR 4.1 and digital content revenue rose by 13.0%.
- Service revenue increased by 16.1% to MEUR 6.0.
- Total expenses excluding non-recurring items were MEUR 12.2, increased by 3.16%.
- Operating profit increased by 40.1% to MEUR 1.9. No non-recurring expenses were reported during the review period.
  - Profitability was improved by JM Tieto as well as restructuring measures in Alma360.

Revenue and operating profit,  
MEUR & %  
Excluding non-recurring items

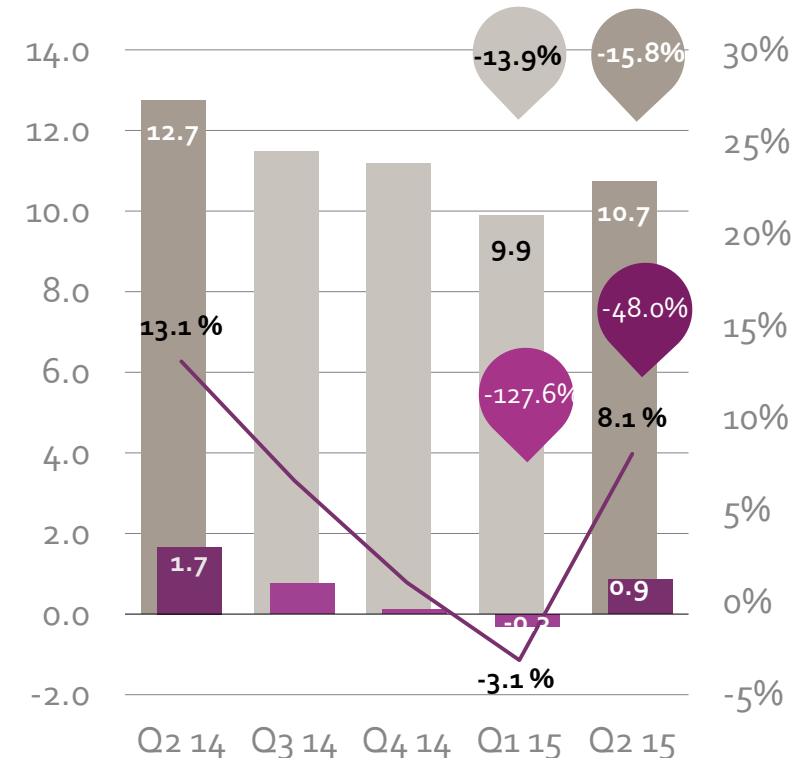


# National Consumer Media Q2/2015: result weighed down by the weak domestic advertising market

- Revenue declined by 15.8% to MEUR 10.7.
  - Online business accounted for 29.8% of the segment's revenue.
- Content revenue decreased by 14.1% due to a decline in Italehti's circulation.
- Advertising sales decreased by 17.9%.
  - Online advertising sales decreased by 12.3% as display advertising declined.
  - Advertising sales for print media decreased by 28.0%
- Total expenses excluding non-recurring items decreased by 10.9% to MEUR 9.9.
  - A decrease in printing and distribution as well as personnel costs contributed to the decline in total expenses.
- Operating profit declined to MEUR 0.9. No non-recurring expenses were reported during the review period.

Revenue and operating profit,  
MEUR & %

Excluding non-recurring items

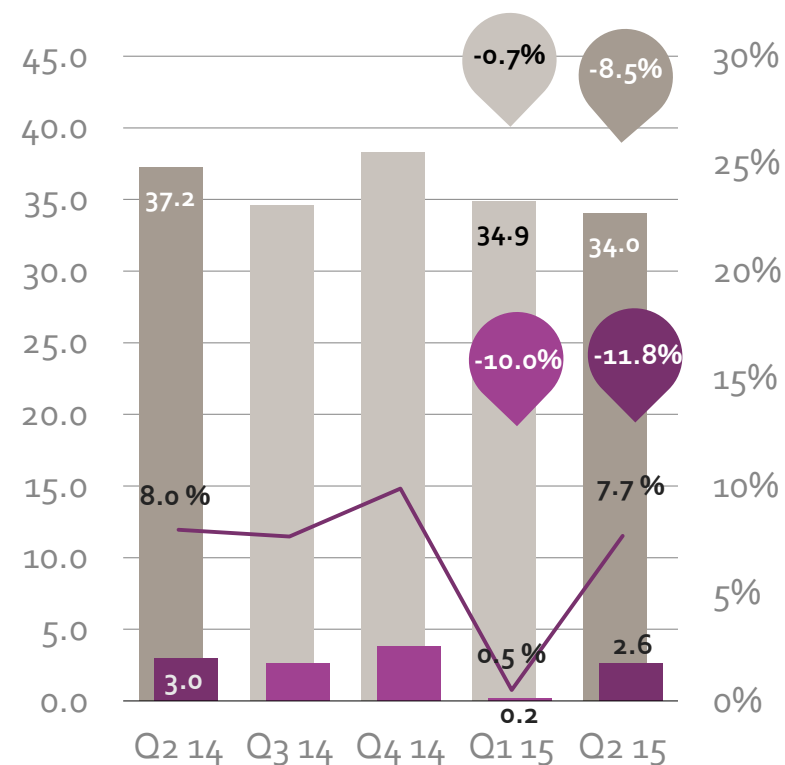


# Regional Media Q2/2015: The decline of the result was tempered by adjustment measures and the external sales of printing services

- Revenue was MEUR 34.0.
  - The divestment of business operations in Kainuu contributed to the decrease in revenue.
  - Digital business accounted for 4.0% of revenue.
- Content revenue declined by 11.6%.
- Advertising sales decreased by 11.1%.
  - Online advertising sales increased by 36.6%.
- Service revenue increased by 14.5%.
- Total expenses declined to MEUR 31.5 as a result of efficiency improvement measures for newspapers and printing operations.
- Operating profit excluding non-recurring items was on a par with the comparison period at 2.6 MEUR.
  - The non-recurring items MEUR 0.4 in the review period were mainly related to operational restructuring costs and sales gains.

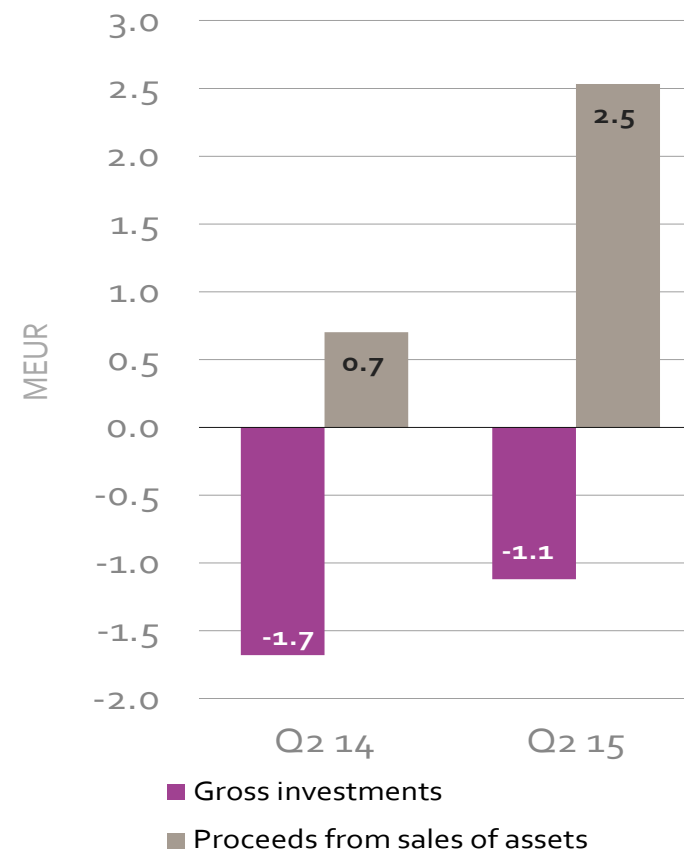
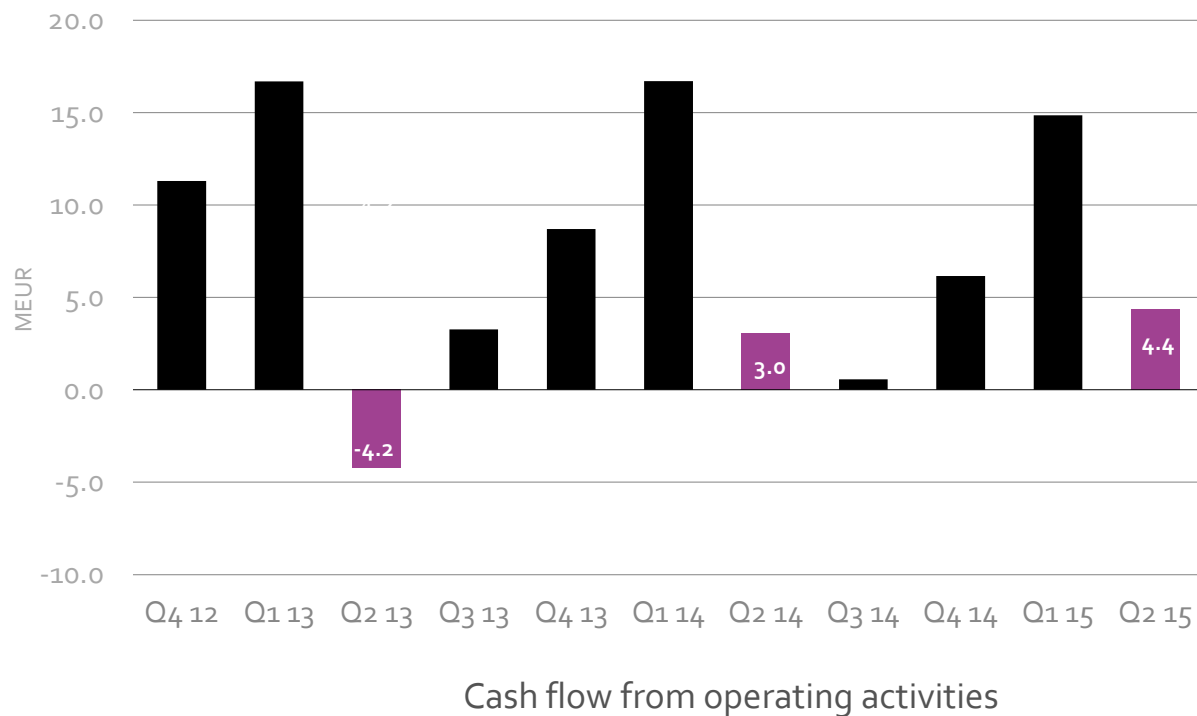
Revenue and operating profit,  
MEUR & %

Excluding non-recurring items



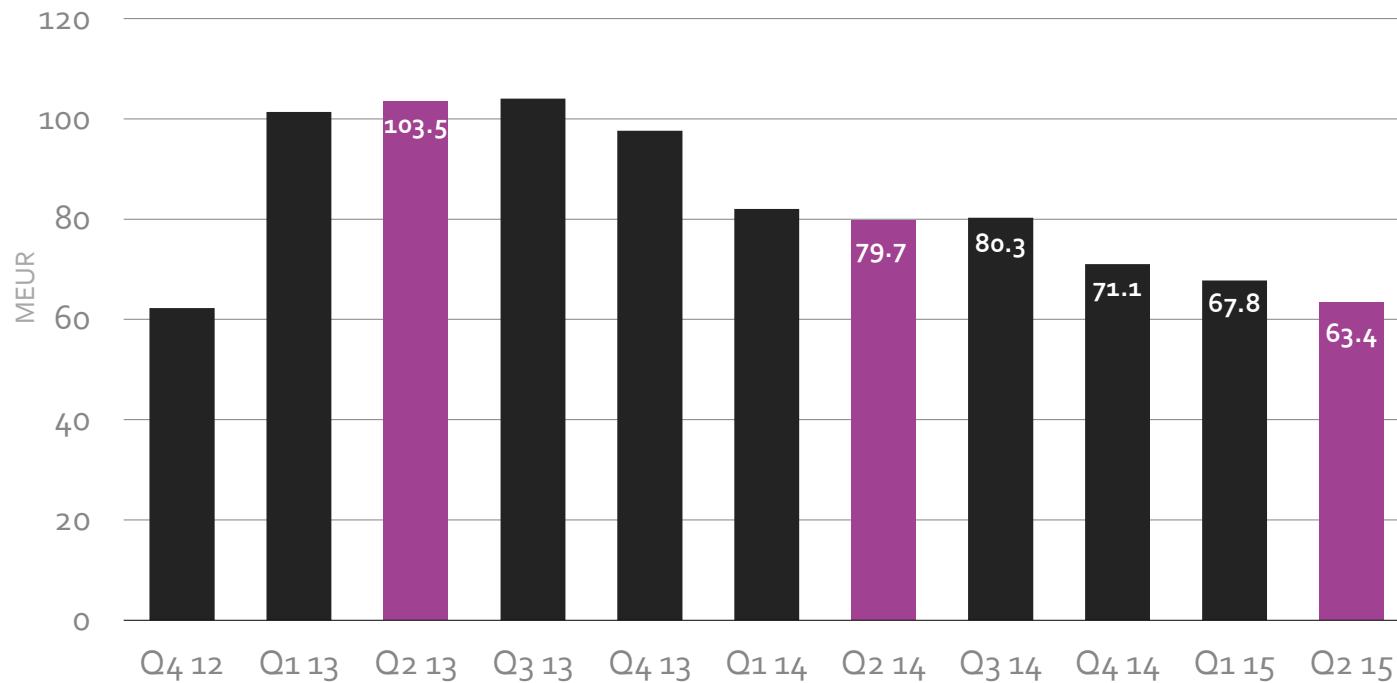


# Cash flow from operating activities and investments



# Interest-bearing liabilities

Net debt Q4/2012–Q2/2015



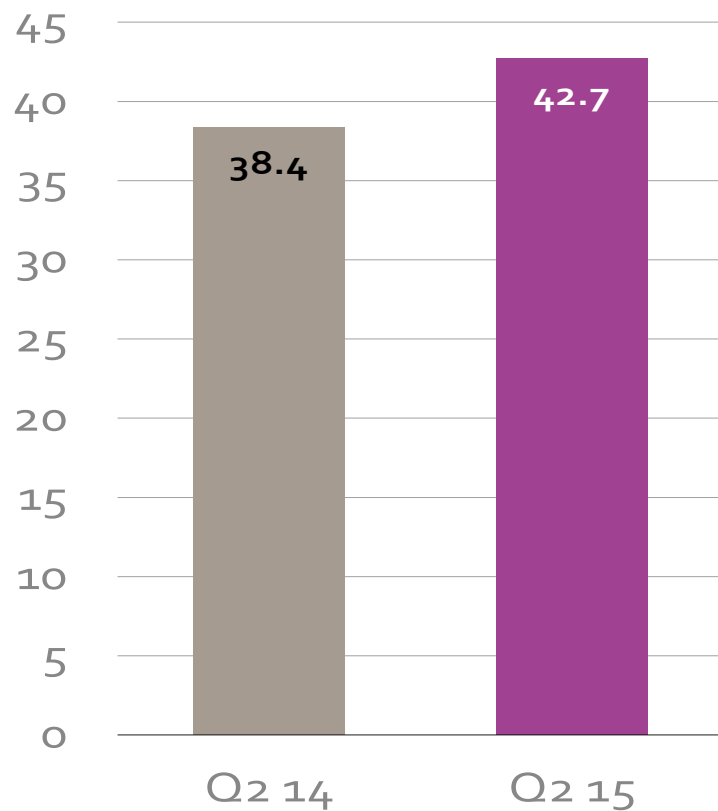
Net debt distribution

	Q2/2015
Financial leasing	67.5
Financial loans	7.5
Commercial papers	2.0
Cash and cash equivalents	-13.6
<b>Total</b>	<b>63.4</b>

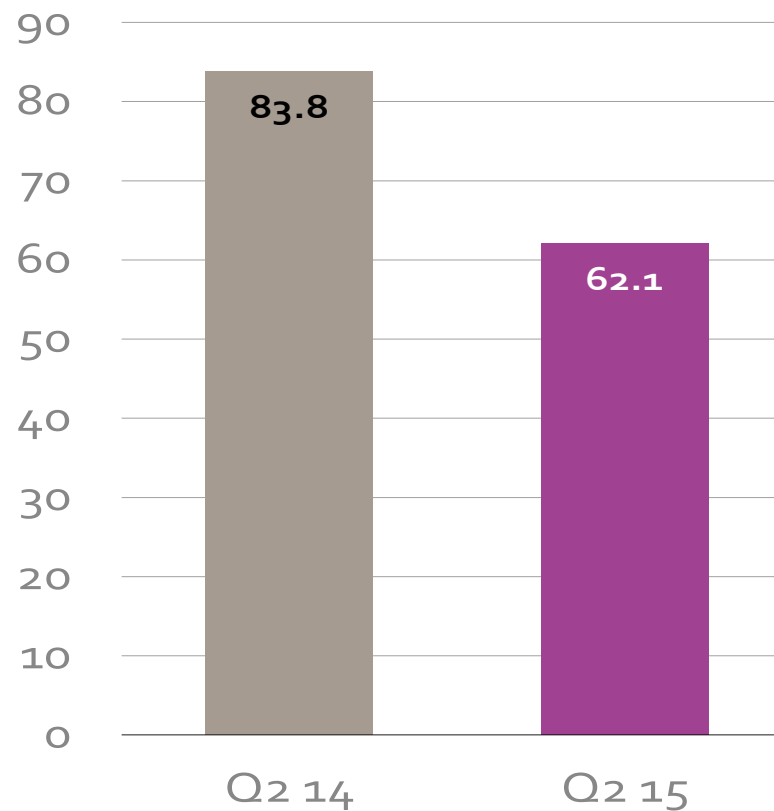
# Key indicators

IFRS

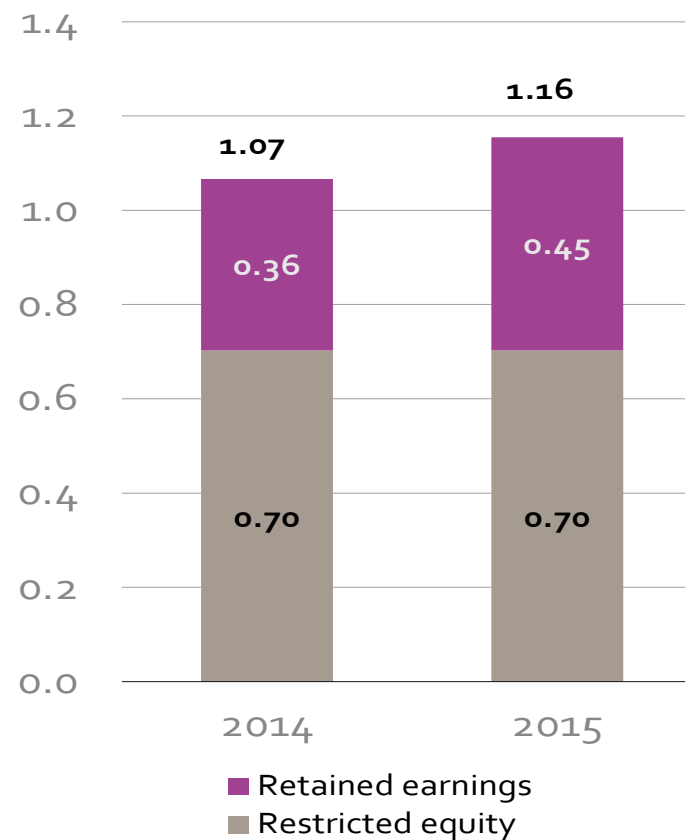
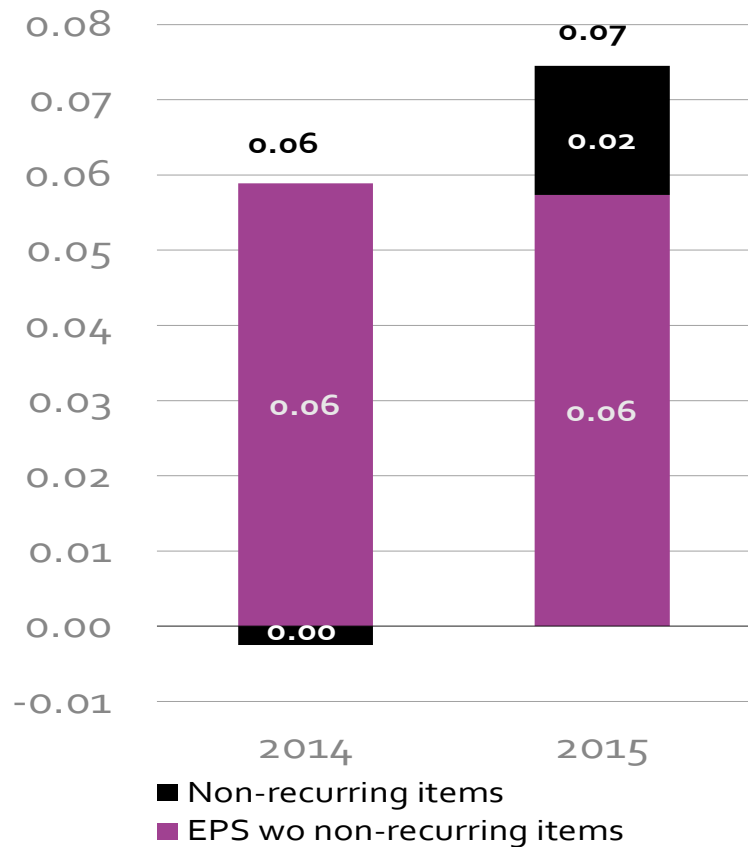
Equity ratio, %



Gearing, %



# Earnings per share and equity per share



# Balance sheet

MEUR	Q2 2015	Q2 2014
Intangibles and goodwill	112.0	112.7
Tangibles	73.0	83.2
Associated companies	25.3	24.9
Inventory	1.2	1.1
Receivables	33.7	33.8
Cash	13.6	13.6
<b>Assets</b>	<b>258.7</b>	<b>269.3</b>
Equity	102.2	95.1
Reserves-obligatory	0.5	3.9
Pension liabilities	2.7	2.9
Ib debt	77.0	93.3
Non-Ib debt	56.9	52.7
Advances received	19.5	21.4
<b>Equity and liabilities</b>	<b>258.7</b>	<b>269.3</b>



# STRATEGY AND OUTLOOK

Kai Telanne



# The focal points of the implementation of the strategy

Multi-channel  
content

Marketing  
solutions

Digital services

Resources and  
expertise

We will build new capacities, seek efficiency and  
accelerate growth in digital services and  
media.

# Alma Media launched the Gofinland service

- The Gofinland website will bring together under the same address all the experiences, activities and services needed by people spending their holidays at summer cottages.
- Gofinland will gradually expand throughout 2015. At the moment, the site is helping consumers find rental cottages.
- In future, content created by users will be an important part of the service in addition to activity-related content.
- The aim is to expand to also attract foreign travellers to Finland.





# Alma Media launched new video content

- Aamulehti launched AL Klippi, an online video channel. Klippi will have its own video productions in the area of news and current affairs, as well as short online video series and advertising videos.
- IL-Media launched a video publication related to its Pippuri.fi service and other lifestyle content products.



## Parmankinkun ja mozzarellan taivaallinen liitto

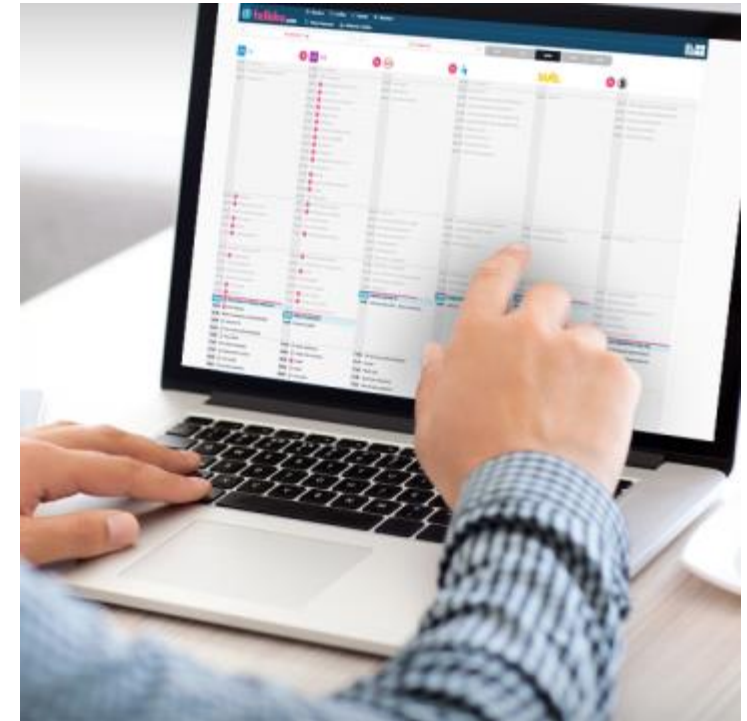
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Pippurin grillikoulussa opitaan grillaamaan mozzarellaa - ja kinkkua. Katso videolta, miten se onnistuu.



# Renewal of Telkku.com

- The television guide Telkku.com underwent a renewal to make it visually clearer, with more diverse content and easier use on all devices.
- The service aims to respond to the changes in the television industry and in the way consumers watch television.
- Telkku.com is the largest and most popular television guide in Finland.



# Alma Diverso unit to be closed down

- Alma Media has decided to implement organisational changes pertaining to its digital operations, digital advertising sales and sales support.
- The planning of these organisational changes began in June.
- In conjunction with these changes, Alma Media is planning to transfer small-scale digital consumer services from the Alma Diverso business unit to other business units.
- The changes will not have any impact on the number of personnel.



# The production model of Lapin Kansa and Pohjolan Sanomat was renewed in May

- The editorial teams, advertisement sales organisations, advertisement production and customer service functions of Lapin Kansa, Pohjolan Sanomat, Uusi Rovaniemi and Lounais-Lappi were merged.
- The paper is distributed as Lapin Kansa to the subscribers of Lapin Kansa, while in the Kemi and Tornio region, it will be distributed as Pohjolan Sanomat with slightly different content.
- In connection with the renewal, the online and mobile services of these newspapers were revamped. Online content is primarily available to subscribers.
- As a result of the changes in the production model, the number of employees at the different functionalities of the newspapers was decreased by 21 person years.
- The impact on delivery operations is 15 person years following a shift to six-day delivery.





# Outlook

- Low interest rates, a weaker euro and lower oil price improve the chances for growth in the long run. However, in 2015, economic growth is still expected to remain weak in Europe and, in particular, in Finland. The weak economic development has an impact on advertising volume, which is not expected to increase in Finland in 2015.
- Alma Media expects its revenue to decrease in 2015 and operating profit excluding non-recurring items to remain unchanged or decrease from the 2014 level. The full-year revenue 2014 was MEUR 295.4, and operating profit excluding non-recurring items was MEUR 21.4.





**The Finnish government must urgently make decisions on national policies to reduce value added taxes on digital media.**

# THANK YOU

Upcoming events in the investor calendar  
Q3 interim report 23 October 2015

