Analyst meeting

Alma Media Management, December 16th, 2019
Agenda

- CEO Kai Telanne: Business review and operating environment
- CFO Juha Nuutinen: Financing digital transformation
- CDO Santtu Elsinen: Creating value from data
- Short glance on business segments and media advertising sales
  - Alma Markets/Vesa-Pekka Kirsi
  - Alma Talent/Juha-Petri Loimovuori
  - Alma Consumer/Kari Kivelä
  - Alma Media Solutions/Tiina Järvillehto
- Outlook for 2019
- Closing remarks
Alma Media today

Digital company with \( \frac{1}{2} \) revenues and \( \frac{3}{4} \) of adj. EBIT from digital sources.

**#1** in Eastern Central European recruitment market.

**#1** publisher of financial and professional media & services in Finland.

**#2** as a digital advertising network in Finland.

Ample room for investments in digital technology, M&A and growing dividend due to strong balance sheet, free cash-flow and high cash conversion.
Well underway in digital transformation, yet only halfway
Digital transformation and business mix driving operational gearing

*Rolling 12 months Q3/2019*
Operating environment
MARKETING AND ADVERTISING
- Automation
- Data
- New forms of digital marketing

ECONOMIC TRENDS IN OPERATING COUNTRIES
- Finland and Eastern Central Europe
- Urbanisation

TECHNOLOGY AND DATA
- Data, analytics and AI
- Smart devices, many platforms
- Automation and robotics
- Competence and competition for talent

MEDIA CONSUMPTION
- Mobile
- Social Media
- Paid digital content
- Print

REGULATION
- Regulatory environment
- Data protection: GDPR and ePrivacy

COMPETITION
- Global technology giants
- Finnish media

DRIVERS OF CHANGE IN OPERATING ENVIRONMENT

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DRIVERS OF CHANGE IN OPERATING ENVIRONMENT
GDP growth decelerates slightly in Eastern European countries

GDP forecasts in Alma’s operating countries 2017-2020E

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>5.7%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Latvia</td>
<td>3.8%</td>
<td>4.6%</td>
<td>2.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>4.2%</td>
<td>3.6%</td>
<td>3.8%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.0%</td>
<td>4.0%</td>
<td>2.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Finland</td>
<td>3.1%</td>
<td>1.7%</td>
<td>1.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4.4%</td>
<td>3.0%</td>
<td>2.5%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Croatia</td>
<td>2.9%</td>
<td>2.6%</td>
<td>2.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.4%</td>
<td>2.3%</td>
<td>3.1%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>
Steady declining trend in Finnish newspaper sales 2010–2018
Subscription and advertising sales

Source: The Finnish Newspapers Association, annual surveys, revenue related to sales of a journalistic product, net sales, excluding VAT
Norway And Sweden Lead The Way In Paid News Content

PROPORTION OF DIGITAL-ONLY SUBSCRIBERS – SELECTED MARKETS

(Excluding print/digital bundles)

Source: Reuters Institute Digital News Report 2019
Competition In Digital Advertising Is Fierce Due To International Rivals

Source: Kantar TNS, IAB Finland, Q1-Q3/2019
Financing digital transformation
Financing the growth
Strong capacity to invest and raise dividends

- Business generates significant free cash flow
- Ample room for M&A MEUR 210 (2.5 X net debt/EBITDA)
- Capex level on average MEUR 4–5 per year

*Rolling 12 mn Q3/2019
Strong cash generation

Cash flow seasonality driven especially by subscriptions.

Net cash provided by operat. activities
Net cash provided by operat. activities, rolling 12 months

Cash conversion= (EBITDA - CAPEX)/EBITDA

*Rolling 12 mn Q3/2019
Net debt and gearing

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Debt (MEUR)</th>
<th>Gearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>97.6</td>
<td>110.5%</td>
</tr>
<tr>
<td>2014</td>
<td>71.1</td>
<td>68.5%</td>
</tr>
<tr>
<td>2015</td>
<td>76.2</td>
<td>59.4%</td>
</tr>
<tr>
<td>2016</td>
<td>57.1</td>
<td>41.4%</td>
</tr>
<tr>
<td>2017</td>
<td>40.2</td>
<td>25.4%</td>
</tr>
<tr>
<td>2018</td>
<td>2.0</td>
<td>27.3%</td>
</tr>
<tr>
<td>2019 P9</td>
<td>50.5</td>
<td></td>
</tr>
</tbody>
</table>
Value Creation from Data
Data Drives Monetization In Strategic Initiaves

- Targeting in digital ad sales
- Better conversion and churn prevention in digital subscriptions
- Direct data sales
- More traffic to higher ARPU services
- Personalized services for digital audiences
Audience-Based Monetisation Model

Alma network visitors, consumed content and data layer events per month

192M visits

32M visitors

32M visitors

865M page views

530M data layer events

4.4 page views / visit

Loyalty

19M hours

Data

Traffic

Monetisation

Media and content sales; services
New revenue streams

Source: GA 360, monthly averages from January 2019 – October 2019
Data Drives Programmatic & Direct Ad Sales Growth

Programmatic sales Q1/2014 – Q3/2019

Data products and services for advertisers

<table>
<thead>
<tr>
<th>Audience segments</th>
<th>Tailored segments</th>
<th>Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sociodemographic</td>
<td>Special / niche segments</td>
<td>Target group modelling for advertisers</td>
</tr>
<tr>
<td>Interest areas</td>
<td>Combining audience and contextual data</td>
<td>Insight &amp; analysis</td>
</tr>
<tr>
<td>Purchase intent</td>
<td></td>
<td></td>
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</tbody>
</table>
Data Architecture

Websites and apps

Behaviours, locations and seed data for modelling

Subscriptions, users IDs and demographics

Customer and subscription systems

Customer Data Management Platform

Sammio

Data lake & data warehouse
Built with Amazon’s and Google’s cloud services

Subscriptions, demographics and modelled data

Logs

Profiles

Raw and combined data

Modelled data

Ad Server

Marketing Automation

Targeting & segmentation

Self service

Recommendations

Analytics & visualisations

Machine learning & AI

Customer segments
Data Architecture

Websites and apps
- Page view data
- Device data
- Semantic data in articles
- Geolocation
- User questionnaires
  - Used e.g. in sociodemographic modelling
- Registered users
- Segments
- Mobile use

Customer and subscription systems
- Subscriptions, users IDs
- Demographics

Data lake & data warehouse
Built with Amazon's and Google's cloud services

Other sources
- Data from CRM and subscription systems
- Ad impressions
- Page measurement data
  - E.g. reading times
- 2nd/3rd party data
  - E.g. data from B2B customers and external data sources

Customer Data Management Platform
- Subscriptions, demographics and modelled data

Marketing Automation
- Analytics & visualisations
- Ad Server
- Machine learning & AI

Customer segments
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Modelled data
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- Mobile use
Supervised Learning In Predicting Subscriber Churn

Relative importance of variables in prediction

Prediction accuracy (ROC curves) in test sample
EdIT: Predicting Demand Of Content

Language Model
1,000,000 articles

AAMULEHTI
400,000 articles

ILTALEHTI
600,000 articles

AAMULEHTI
Classification models

ILTALEHTI
Classification models
Data Literacy

What do we need to answer? How to derive value from the results?

What kind of analytical tools or methods are required for processing?

What data is available? Where is it?

Value

Analytics

Information
Business segments
100 % digital Alma Markets as the most important profit contributor

3-year revenue growth CAGR 12.9%, organic growth CAGR 11.2%,
Revenue streams of Alma Markets

**RECRUITMENT (74%)**

- Job listings: 80-90%

**Highly scalable with low cost per listing**

- Banner advertising
- Add-on services
- Licence fees (ATS systems)
- Employer branding (content marketing)
- Education
- Consultancy: 10-20%
- Job events and fairs

**HOUSING (18%)**

- Listing fees
- Banner advertising
- Add-on services/value-adding ranking fees
- Licence fees for SaaS services
- Commission fees from bidding services
- Lead-pricing

**CARS (8%)**

- Commission fees from bidding services

**Ability to realise scalability benefits**

- Investments to secure growth
- Scalability allows to cut costs up to 20%
- Capital light business model

- Ability to realise scalability benefits
- Investments to secure growth
- Scalability allows to cut costs up to 20%
- Capital light business model
### BUSINESS UNIT STRATEGY – ALMA MARKETS

- Recruitment services will be expanded: geographically, organically and through M&A.
- Job advertising will be developed and complemented by new HR services.
- Marketplace offering extension to services: from changing homes to living, from buying a new car to mobility services.

### PERFORMANCE Q1-Q3/2019

- Bosnia- Herzegovina/Kolektiv
- Product and service expansion to Poland and Hungary
- Sales focus more on SMEs
- Employer reviews service Tunto
- Employment fairs in three markets (Slovakia, Croatia and Czech)
- Tukkuautot.fi
- Renewal of Etuovi
- Newly acquired services driving growth: Autojerry and Urakkamaailma

### GOING INTO 2020

- Growth slowing down, maintaining good profitability level.
- Special focus on marketing and sales performance and efficiency.
- M&A focus supporting main business, enlarging service business and new geographic areas.
Alma Talent – digitalization and restructuring improving profitability

3-year revenue growth CAGR -2.8%, organic growth CAGR -1.0%,
The effect of divested and discontinued operations on the decrease in revenue was M€ 8.8 in 2016.
Revenue streams of Alma Talent

FINANCIAL AND PROFESSIONAL MEDIA (61%)
Content sales/subscriptions: digital and print
Advertising
Events and sponsorship sales

SERVICES FOR BUSINESSES AND PROFESSIONALS (39%)
Business information services
Books and related digital content services
Trainings and seminars delegate sales
B-to-B marketplace listings
Telemarketing services

More towards digital and subscription-based business models
<table>
<thead>
<tr>
<th>BUSINESS UNIT STRATEGY – ALMA TALENT</th>
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<tbody>
<tr>
<td>• Media business rapid digitalization, all digital content behind paywalls by 2020</td>
</tr>
<tr>
<td>• Target group as core asset</td>
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<tr>
<td>• New service products development organically and through M&amp;A</td>
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<tr>
<td>• Alma Talent synergy further increasement by cross-sales and joint products</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>PERFORMANCE Q1-Q3/2019</th>
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<tbody>
<tr>
<td>• Today all Alma Talent media generate digital content revenue, we are ahead of target. Digital-only subscription growth +90%* - Kauppalehti and Arvopaperi as spearheads 2019</td>
</tr>
<tr>
<td>• Affärsvärlden contract ending</td>
</tr>
<tr>
<td>• Co-operation with Messukeskus</td>
</tr>
<tr>
<td>• Alma ID and AT database in use and creating value</td>
</tr>
<tr>
<td>• Objektvision platform renewed, business developing well despite tight competition.</td>
</tr>
<tr>
<td>• Digital training platform and service in co-operation - live 2020</td>
</tr>
<tr>
<td>• Kauppalehti Opas online course by editorial staff</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>GOING INTO 2020</th>
</tr>
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<tbody>
<tr>
<td>• Transforming media and growth from services strategy continues.</td>
</tr>
<tr>
<td>• Strong digital subscription sales growth.</td>
</tr>
<tr>
<td>• Outlook stable in business and profitability development.</td>
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</tbody>
</table>

* number of digital subs., 12 months end October
Alma Consumer – securing profits in declining print market

Early morning paper distribution outsourcing deal with the Finnish Post to bring cost synergies in 2020-21

3-year revenue growth CAGR -5.4%, organic growth CAGR -1.0%

The effect of divested and discontinued operations on the decrease in revenue was M€ 22 in 2016.
Revenue streams of Alma Consumer

NATIONAL AND REGIONAL MEDIA (88%)
Content sales: digital and print subscriptions sales
Print single-copy sales
Advertising sales
Content marketing production

DIGITAL CONSUMERS SERVICES (3%)
Advertising
Subscriptions
Commission fees

PRINTING (9%)
Internal and external customer sales
### BUSINESS UNIT STRATEGY – ALMA CONSUMER

- Profitability assurance and cost adjustments. Strengthening of synergetic service business both organically and through M&A.
- Digital subscription growth acceleration, majority of regional and local media content behind paywall.
- Printing and delivery from support service to service business

### PERFORMANCE Q1-Q3/2019

- Cost savings of approx. MEUR 3,
- Investment in Etua.fi (60%)
- Good development: Aamulehti +56 %, Satakunnan Kansa +65 %
- Distribution outsourcing deal with the Finnish Post 2020-

### GOING INTO 2020

- Digital content sales expected to compensate for the decline in print media content revenue, outlook for advertising challenging.
- Searching actively for new digital services with media synergies.

* number of digital subs., 12 months end October
Majority Of Advertising Digital, Tipping Point In 2018

Advertising in Finland
- Advertising revenue, print
- Advertising revenue, digital

*Rolling 12 months Q3/19
**BUSINESS UNIT STRATEGY – ALMA MEDIA SOLUTIONS**

- Aiming for above the average growth of domestic digital market.
- Focus areas mobile, programmatic and content marketing
- New advertising formats and services

**PERFORMANCE Q1-Q3/2019**

- Slightly underperforming against the market
- Good growth in strategic growth areas
- New marketing solution: Brand studio
- Improving data capabilities (DMP)

**GOING INTO 2020**

- Strategic growth areas expected to grow, print and advertising market under pressure in general.
- Market-environment and competitive-landscape in digital advertising expected to tighten up.
- Emphasising on content marketing growth.
- Stronger grip on SME.
Strategy
Expanding our offering from media to related digital services.

Fullfilling the needs of our users’ everyday life as consumers and as professionals in business.
Strong Collaboration – Value Through Synergies
M&A Taps Into New Digital Revenue Pools

**ACQUISITIONS**

- Kotikokki
- Tyrvään
- Sanomat
- LMC
- Profesia
- MojPosao
- Cvonline
- E-kontakti.fi
- Monster
- Alkali
- Autosofta
- Talentum
- JMTieto
- Jobote
- Nettikoti
- Rantapallo
- Uusi Suomi
- Urakka-maalima.fi
- Mediutiset
- AutoJerry
- Katsastus-hinnat.fi
- Talosofta
- Suomen
- Tukkuautot
- Etua.fi

**DIVESTMENTS**

- Mascus
- City24
- BNS
- Kainuun
- regional media
- Alma 360
- Local media in
- Pohjois-Pohjan-
- maan
- Lapin Kansa
- Matkapörssi
- Dagens Media
- Sverige
- Early morning
delivery (2020-)
Long-term financial targets

<table>
<thead>
<tr>
<th>Financial target</th>
<th>Long-term target level</th>
<th>Status at Q3/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital business growth%</td>
<td>&gt;12%</td>
<td>4.5%</td>
</tr>
<tr>
<td>ROI%</td>
<td>&gt;17%</td>
<td>19%</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>&gt;50%</td>
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</tr>
</tbody>
</table>

### Financial Performance

**Digital business growth (%):**
- **Reported:** 4%
- **Target level:** 12%

**Return on investment (ROI):**
- **Reported:** 19%
- **Target level:** 17%

**Dividend payout ratio (%):**
- **Reported:** 41%
- **Target level:** 50%

### Graphs

- Return on investment (2015-2019)
- Dividend payout ratio (2015-2019)
Outlook (unchanged)

In 2019, Alma Media expects its full-year revenue to remain at the previous year’s level and its adjusted operating profit to increase compared to 2018.

The full-year revenue for 2018 was MEUR 354.6 and the adjusted operating profit was MEUR 57.3.
Headwinds and tailwinds going into 2020

- Macro outlook softening, geopolitical uncertainties prevailing.

- Ongoing monetization of digital marketplaces, content and services to continue as well as leveraging digital capabilities through technology investments.