Digital Transformation In Media

Santtu Elsinen, SVP & Chief Digital Officer

17.12.2019
Digital Transformation in Media
100+ websites and apps

1 913 professionals

355 M revenue

9,5 M
Profiled browsers in network (Finland)

10 countries in Europe

57 M adjusted EBIT
## Business Segments

### MARKETS

<table>
<thead>
<tr>
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<th>Revenue (M€)</th>
<th>Adj. operating profit (M€)</th>
<th>Operating margin</th>
<th>Digital</th>
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<tbody>
<tr>
<td></td>
<td>96.4</td>
<td>34.4</td>
<td>36 %</td>
<td>100 %</td>
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### CONSUMER

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<tr>
<td></td>
<td>151.7</td>
<td>14.4</td>
<td>10 %</td>
<td>24 %</td>
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### TALENT

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All figures from FY 2018
Strong Local Market Position Creates Competitive Advantage

<table>
<thead>
<tr>
<th>Category</th>
<th>Region</th>
<th>Websites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting</td>
<td>#1 Czech Republic</td>
<td>prace.cz, jobs.cz</td>
</tr>
<tr>
<td></td>
<td>#1 Slovakia</td>
<td>profesia.sk</td>
</tr>
<tr>
<td></td>
<td>#1 Croatia</td>
<td>mojposao.net</td>
</tr>
<tr>
<td></td>
<td>#1/2 Finland</td>
<td>monster.fi</td>
</tr>
<tr>
<td></td>
<td>#1 Estonia, Latvia, Lithuania</td>
<td>cvonline.com</td>
</tr>
<tr>
<td></td>
<td>#1 Serbia, Bosnia and Herzegovina, Macedonia</td>
<td>Poslovi.infostud.com, kolektiv.ba, vrabotuvanje.com.mk</td>
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<td>Housing</td>
<td>#1 Finland</td>
<td>etuovi.com</td>
</tr>
<tr>
<td>Cars</td>
<td>#2 Finland</td>
<td>autotalli.com</td>
</tr>
<tr>
<td>Financial and professional media</td>
<td>#1 Finland</td>
<td>AlmaTalent</td>
</tr>
<tr>
<td>Digital advertising</td>
<td>#2 Finland</td>
<td>Alma network</td>
</tr>
<tr>
<td>News Media</td>
<td>#2 Finland</td>
<td>iltalehti.fi</td>
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20 Years Of Journey Towards Digital Company

-2005
Birth of new Alma

2005-2010
Online becomes significant

2010-2015
Growth and internationalisation of digital services

2015-
Acceleration of growth utilising the possibilities of digital

Customer Experience
- Culture and competence
- Strategy and management
- Systems and processes
- Products and services
Digital Transformation Well Underway (yet only halfway)

Share of digital revenue

- 0% Print
- 10% Digital
- 30% Services
- 50% Share of digital revenue

*Rolling 12 months Q3/19
Alma Media Today

Digital:
- Ample room\(^2\) for investments in digital technology and M&A
- Growing dividend due to strong balance sheet, free cash-flow and high cash conversion\(^2\)

\(^1\) 210 M€, 2.5 * net debt/EBITDA
\(^2\) 95%
OPERATING ENVIRONMENT
ECONOMIC TRENDS IN OPERATING COUNTRIES
- Finland and Eastern Central Europe
  - Urbanisation

COMPETITION
- Global technology giants
  - Finnish media

MARKETING AND ADVERTISING
- Automation
  - Data
- New forms of digital marketing

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

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

REGULATION
- Regulatory environment
- Data protection: GDPR and ePrivacy

DRIVERS OF CHANGE IN OPERATING ENVIRONMENT
STRATEGY
Expanding our offering from media to related digital services.

Fulfilling the needs of our users’ everyday life as consumers and as professionals in business.
Building A Top-Tier European Digital Media And Service Company

1. Enabling higher profit per user and driving operational gearing
2. Strengthening market positions in key areas
3. Securing transformation with financial solidity

Ongoing monetization of digital marketplaces, content and services
Leveraging digital capabilities through technology investments
Strong Collaboration – Value Through Synergies

MARKETS

DIGITAL
SUBSCRIPTIONS

DATA

ALMA
THEMES

DIGITAL
AUDIENCES

ALMA MEDIA SOLUTIONS

ALMA CONSUMER

ALMA TALENT
No Need For Digital Strategy

PURPOSE & VISION
THE MOST EXCITING PROVIDER OF INFORMATION, SERVICE AND EXPERIENCES. SETS THE STAGE FOR THE FUTURE OF MEDIA.

FINANCIAL OBJECTIVES

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PORTFOLIO

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- • Reinforcing Iltalehti’s news profile and lifestyle content
- • Transforming delivery and printing from support service to service business

STRATEGIC INITIATIVES

- **AMS**
  - Alma-wide customer relationship management
  - Accelerating programmatic buying while ensuring price leadership
  - Content marketing and production
  - Mobile rich media and content generation
- **DIGITAL SUBSCRIPTIONS**
  - Growing digital content usage by making content a regular part of customers’ daily lives
  - Actively managing stages of digital customer path to increase reader loyalty and subscription propensity
- **DATA**
  - Consolidating customer and behavioral data, data analysis and activation
  - Developing competencies to support sales growth, service personalization and regulatory requirements
- **ALMA THEMES**
  - Enhancing Alma’s commercial position in selected, strong themes: Cars & mobility, health & well-being, housing, travel, food and careers
- **DIGITAL AUDIENCES**
  - Managing external and internal visitor traffic to grow audiences and increase engagement, creating growth in content and media sales

ENABLERS

- **SHARED GROUP SERVICES**
  - Efficient processes and tools to support digital business management and growth
  - Supporting strategic legal and regulatory issues, e.g. GDPR, ePrivacy and copyright
- **COMPETENCES AND MANAGEMENT**
  - Developing management and leadership competences for fast changing digital business
  - Competences for tomorrow and change abilities to support business growth
- **ICT & DIGITALISATION**
  - Utilizing digitalization possibilities in business and process development to increase efficiency
  - Creating synergy from shared technology platforms and their effective operation
- **ALMA BRAND AND BUSINESS BRANDS**
  - Strengthening the uniqueness of Alma’s media and service brands in selected sectors
  - Increasing interest in Alma’s brand commercially and also as an employer and a responsible operator
- **STRONG PARTNERSHIPS**
  - Actively evaluating current partnerships and developing international partnerships

Digital Transformation in Media
... As Strategy is Digital

### PURPOSE & VISION

**ACCELERATOR OF SUSTAINABLE GROWTH**

THE MOST EXCITING PROVIDER OF INFORMATION, SERVICE AND EXPERIENCES. SETS THE STAGE FOR THE FUTURE OF MEDIA.

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### PORTFOLIO

- **Expansion of recruitment services geographically, organically and through company acquisitions**
- **Complementing job advertising with new HR services**
- **Extending offering from marketplaces to services: From changing homes to living, from buying a new car to mobility**

### MARKETS

**FAST GROWTH**

- Rapid digitalization of media business, all digital content behind paywalls by 2020
- Development of new service products organically and through company acquisitions
- Increasing internal synergies by cross-selling and joint products

### TALENT

**GROWING PROFESSIONALISM**

- Ensuring profitability through cost adjustments. Strengthening synergistic service business both organically and through M&A.
- Reinforcing Iltalehti’s news profile and lifestyle content
- Transforming delivery and printing from support service to service business

### CONSUMER

**DYNAMIC CUSTOMER EXPERIENCE**

- Ensuring profitability through cost adjustments. Strengthening synergistic service business both organically and through M&A.
- Reinforcing Iltalehti’s news profile and lifestyle content
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Digital Transformation in Media

17.12.2019
Majority Of Advertising Digital, Tipping Point In 2018

Advertising sales in Finland

- Advertising revenue, print
- Advertising revenue, digital

*Rolling 12 months Q3/19
Competition In Digital Advertising Is Fierce Due To International Rivals

- Alma Media: 13%
- Sanoma: 17%
- Other Finnish media companies: 13%
- Search engine advertising: 33%
- Advertising in social media: 24%

Source: Kantar TNS, IAB Finland, Q1-Q3/2019

Digital Transformation In Media
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
Digital Content Sales Increase As The Key Success Factor

Alma Media has over 0.5 million print and digital subscribers.

Digital-only subscriber base enjoys high growth:
- Alma Talent brands +90 %
- Aamulehti +56 %
- Satakunnan Kansa +65 %

1 Excluding content sales of Alma Talent Pro in Finland and media content sales in Sweden.
All Media Brands Generate Digital Subscription Revenue

**Alma Media digital content sales 2013–2019**  
(number of B2C digital-only subscriptions)

**October 2019¹:**
- +50 000 B2C digital-only subs
- 60 000 company subscribers (Alma Talent)
- +320 000 subscribers paying for digital (including bundles)

**Data-driven processes**  
(ML, automation and analytics)
- improve conversion rates
- enhance customer experience
- increase business predictability
- improve operations and cost efficiency

¹ Number of digital subscriptions, 12 months
Converting High Reach To Higher ARPU
Moving along the value chain

From Job Boards To Recruiting Services

**Find a job**
- Job Board
- Mobile job board
- Job Fair
- Virtual job fair

**Find an employee**
- CV database
- Sourcing service

**Manage employment process**
- Applicant tracking system (ATS)

**Develop employer image**
- Employer reviews
- Career and recruiting pages

**Develop employees**
- HR seminars
- Webinar platform
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-maailma.fi
- Mediutiset
- AutoJerry
- Katsastushinnat.fi
- Talosofta
- Suomen
- Tukkuautot
- Etua.fi
- Mascus
- City24
- BNS
- Kainuun
- regional media
- Alma 360
- Local media in
- Pohjois-Pohjanmaa
- Lapin Kansa
- Matkapörssi
- Dagens Media Sverige
- Early morning
delivery (2020+)

DIVESTMENTS

MARKETS

CONSUMER

TALENT
VALUE CREATION FROM DATA
Data Drives Monetization In Strategic Initiatives

- 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

Traffic

192M visits

Data

32M visitors AUDIENCE & CONTENT 865M page views

Engagement

4.4 page views / visit

Monetisation

Media and content sales; services
New revenue streams

Loyalty

19M hours

530M data layer events

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

- **Audience segments**
  - Sociodemographic
  - Interest areas
  - Purchase intent

- **Tailored segments**
  - Special / niche segments
  - Combining audience and contextual data

- **Models**
  - Target group modelling for advertisers
  - Insight & analysis

Combining audience and contextual data for target group modelling.
Data Architecture

Websites and apps

Customers and subscription systems

Behaviours, locations and seed data for modelling

Subscriptions, users IDs and demographics

Customer Data Management Platform

Built with Amazon's and Google's cloud services

Sammio

Data lake & data warehouse

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

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

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

Customer Data Management Platform
Subscriptions, demographics
and modelled data

Marketing Automation
Analytics & visualisations
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Customer and subscription systems

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Page view data
Device data
Semantic data in articles
Geolocation
User questionnaires
Used e.g. in sociodemographic modelling
Registered users
Segments
Mobile use
Supervised Learning In Predicting Subscriber Churn

Relative importance of variables in prediction

Prediction accuracy (ROC curves) in test sample

Maksullisten artikkelien osuus
Päivät edellisesti lukukerrasta
Aloittiko kampanjapäivänä
Osuus lukukerrosta liltalehden kautta
Evästeiden määrä
Sijoittamisartikkelien osuus
Ilmaisten artikkelien osuus
Iltaisin lukemisen osuus
FRV-aktiivisuusmitta
Työaiheisten artikkelin osuus
Tabletilta luvun osuus
Päivällä lukemisen osuus
Aamulla lukemisen osuus

Esintyyys  Käyttökerrat  Tärkeys

0.00  0.05  0.10  0.15  0.20

0.00  0.25  0.50  0.75  1.00

0.00  0.25  0.50  0.75  1.00

Coin flip  FRV  Hybrid  Linear  Random forest  XGBoost
EdIT: Predicting Demand Of Content

AAMULEHTI
400,000 articles

ILTALEHTI
600,000 articles

Language Model
1,000,000 articles

AAMULEHTI
Classification models

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

What data is available? Where is it?

What do we need to answer? How to derive value from the results?
Lots of companies don’t succeed over time. What do they fundamentally do wrong? They usually miss the future.

Larry Page, Google