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Speakers:	Kai Telanne, CEO Juha Nuutinen, CFO
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PRESENTATION

Elina Kukkonen

Welcome to this online session of Alma Media's third quarter interim report. My name is Elina Kukkonen, and I'm responsible for the Communications and brand of Alma. We'll begin the presentation shortly, and our CEO, Mr Kai Telanne, will first present the overall outcome of the third quarter and the performance of our business statements. And Kai will be followed by our CFO, Mr Juha Nuutinen, on the financials of Alma Media today.

Kai will also return, then, to highlight Alma strategy shortly and about the outlook. Today, as we are fully online, we'll still have mainly Alma management here present at Alma premises, so feel free to ask any questions from us. And also, our Director of Alma Markets, Vesa Pekka-Kirsi, will be attending online. So, likewise, he's willing and able to answer all your questions. So, hopefully you can hear us loud and clear and everything goes smoothly.

So, once again, welcome, and, please, Mr Kai Telanne, I think you can begin here.

Kai Telanne

Thank you, Elina. And good morning to everybody on my behalf as well. As Elina told you, I will start with highlights of our third quarter and then Juha continues with financials. And if you have time -- I think we have time -- then I'll continue with the few strategy issues to close the presentation.

As many of you might have noticed already, as we disclosed a quite strong report in the morning, it was a little bit of a surprise for us as well. The epidemic impacted actually a little bit less to our businesses than we expected. And the slowing down of the epidemic and the lifting of the restrictions of the local authorities on different kinds of businesses led to a gradual economic recovery, which was, of course, reflected to our businesses as well, and to slow the decline of our revenues.

In this abnormal situation, I think that the profitability level of ours -- 24.5% for this review period -- was quite good. It was actually attributable to the cost reductions of a little bit more than €3 million. And, of course, the recovery of sales of advertising, recruitment services, and in particular, strong growth of digital subscriptions, especially in Talent segment -- around 30%.

7.4% decline in revenues, much less than in the second quarter, led to a profitability level of last year's third quarter, €13.2 million of EBIT, which is 24.5%. Due to this, and due to the investments that we have made during the year, our financial position is extremely good. As you know, liquidity and funding at a good level, net cash position of €65.9 million, which is, of course, a good basis for strategy development and future investments.

I really am happy that all the segments performed better than expected. The gradual recovery is happening all over the place in Finland and actually in every Alma country. Despite the virus, the invoicing also in recruitment businesses is increasing at the moment. There still seems a decline in revenue, but around half of the speed of the second quarter, which is of course very, very good and important for us. We have been able to mitigate the decline of revenues by different kinds of activities. The company is quite agile in defending its profits, which is seen nicely in third quarter.

One of the key KPIs of our digital transformation is, of course, the development of digital business and services. The share of the digital business of Group revenues is at the moment more than 70%. According to the plan, we still had a little minus on third quarter, but much less than we had on the second quarter.

I will take a short dive into the segment development, and after that, Juha will go more deeply into the finances and the balance sheet issues.

I start from the Alma Markets, which is the biggest contributor of the profitability of the company. As mentioned before, the sharp decline, which was actually happened in the second quarter, slowed down remarkably. And also the good development and growth of comparison and rental housing services mitigated the fall in profits. Revenue went down 10.5%. In Central Europe, the operating environment stabilised during the third quarter. While the authorities released the limitations for businesses, unfortunately, at the moment, the situation seems to be changing. We'll be coming back to that maybe later. But, anyway, during the third quarter, the situation seemed to be normalising. And that's, of course, good for us. The industries which are the biggest customers of ours, like the car industry, the German car industry and those, they are in fully working mode, which is, of course, a good development for us and guarantees that the expected revenue level can be achieved.

Our adjusted operating profit fell around 15% to €9 million, which is a healthy level of 40.7%. So, we have been quite good in defending the profitability of marketplaces and markets businesses. It's good to remark that, despite the good development of invoicing during the third quarter, which has been continuing still, that doesn't affect, or fully be seen during the year. The delayed revenue recognition of recruitment services and sales -- and that means that it burdened development during the second quarter of this year -- and it burdens the recruitment revenue for the full year of 2020 and the first half of '21, as well. So, you will see

that the decline will continue despite the good invoicing development of the recruitment services by the end of the year.

Unfortunately, the latest information from Central Eastern Europe is a bit negative in terms of Covid situation, like we heard in the morning in Czech Republic, for example, 12,000 new cases per day, which means that the authorities have to close many businesses like restaurants, bars, schools, events, different kinds of venues, and so on. But what we have heard and learned is that the heavy industries will continue in normal working mode, which is, of course, very important for us because those are the biggest customers of ours - the recruitment services. So, we're quite confident that the good development of ours will continue, but still the future is a little bit blurry, as we see. It's difficult to see what will really happen in the future. So, we are quite careful with that.

Recruitment service is around 70% of the revenues of that segment. And housing around one-fifth. As you notice from the right-down corner of this slide, the declining recruitment services, which was ranging from 16 to 60% in different services in different countries during the second quarter declined between 13% to 36% during the third quarter. Actually, the decline of revenues of recruitment business decreased overall 16% related to 29% last year. So, the decline has around halved during the third quarter of this year, compared to the same period of last year's. So, that's good to have in mind, that this is more or less the speed of the recovery at the moment.

Very happy development of Talent continued. Alma Talent, which is the business-to-business sector, have continued to transform the business by getting away from poorly-performing businesses with limited digital growth potential. That's more or less the key to the strategy of Alma Talent. Revenue declined 7.4%, excluding divested Swedish media businesses around last year's level or even increase in revenues. The demand, of course, of the high-quality media continued during the virus, and that's one of the key reasons, of course, for our good performance in content sales. But then, the good job done by the teams in our subscription sales teams is the other part of the good development of content sales growth of 46%. That's very important now. 50% of Talent revenues and businesses from digital sources and increasing; one of the key KPIs of this transformation.

Service sector inside this segment is growing nicely. Direct marketing, b-to-b marketplaces is growing on a high profit level. Advertising also nearly on last year's level, excluding the locked down event business, of course. A very nice profit improvement of 42.6% to more than €4 million during the third quarter, almost 20% EBIT, which is very good, especially in relation to the underlying market development and the competition. Finland comprises 89% of revenues of the segment. After the divestments of Sweden, that will be even more.

And then, the last segment: Alma Consumer. A very good recovery of advertising, very strict cost savings method were the key elements to soften the decline in profitability. The markets here are still declining; we had a rebound in advertising; also, in digital programmatic sales, normalising more or less, in our case; retail advertising picked up compared to the second quarter; and, of course, the very important sector of automotive cars rebounding on a year-on-year level. Unfortunately, single copy sales of Iltalehti still decreasing heavily; almost 21%, of course, mainly due to the restriction of travelling

business, but also because of the transformation from print to digital audiences and consumption.

The visitor base on high level, which is, of course, a good base for future advertising sales in Iltalehti and other services, page views +15% compared to last year's level. And adjusted operating profit fell 17.5%. Quite a healthy 11% profitability level in Consumer group, which is quite OK from my point of view, especially compared to the underlying market development.

All right, that was the brief dive into the segment development and performance of the third quarter. Now, Juha will continue with the financials, and after that I will come back with some strategic issues. Thank you.

Juha Nuutinen

Thank you, Kai, and good morning. I will continue with the financial position and financial issues. Like Kai mentioned earlier, we had a pretty strong third quarter result and, of course naturally, this reflects also to our financial position.

So, the first slide here describes the net debt and equity ratio, which is pretty strong because of the sales capital and capital gain of our regional media in spring. So, at the moment, at the end of September, our net cash is €66 million, and our equity ratio is over 70%. So, we are in a strong situation. Our interest-bearing liabilities amounted to 40 million, is fully leasing liabilities. And this change in our net debt level pretty much reflected the result that we had in the third quarter. There were no extraordinary items or big investments.

Also, our cash flow was pretty stable. We had stronger cash flow than last year in this month, even if that cash flow includes this continuing business last year. So, ten million was a good result. And also our net working capital levels are fluctuating quite a lot. So, we had a lower working capital level at the end of September. So, that was a part of this good cash flow, but it was on the opposite in the second quarter. So, there are some fluctuations in the quarter base.

We didn't have much investment from a cash point of view in this quarter, so that's why this 10 million is pretty much the same what we have excess in our net cash. Quite many times we are asked about this credit risks or impairment risks that we have, and we can say that, even if there is this Covid epidemic going on, we do not have any major credit loss risks at the moment, and we don't have any big risks either in our goodwill or our long term asset side. So, no evidence of many major risks at the moment.

About the investment side, the capex level is three million now in the first nine months, and it pretty much comes from the software renewal in our Baltic job portal. And also, we have done some capital investments in our Alma Market's Finnish unit. And it also includes a couple of new rental agreements in our Talent segment.

Acquisitions: what we have here is six million comes from the beginning of the year when we made two acquisitions. First was the acquisition in Bosnia Herzegovina of the Kolektiv business, and the other one was concerning Muuttomailma.com in Finland.

This slide was also in the previous case in summer when we showed you how this revenue recognition works. This is an example from our Czech unit, LMC, and now you can see how this invoicing has gone on during the last three months. And the blue line here is telling you the revenue trend, which is pretty much more stable than the invoicing, and you can see that there has been decline, but not so much than invoicing.

And we took the biggest hit in March and April in invoicing. And now, the latest three or four months, we have seen increasing in the invoicing levels. And if we could continue with this, we would reach the last year level after a couple of months. But now, as Kai also mentioned, we heard yesterday in Czech news that there were new restrictions in society, and quite heavy. And there are a lot of Covid cases in the Czech Republic, and now there is a big question mark at the moment how this is going on, and actually we don't know how big effect these restrictions have in the Czech Republic at the moment.

So, of course, if this invoicing will continue positively with that, it will affect our revenue also positively, but there might also be a case that the invoicing will also decrease now because of these new restrictions. So, the new restrictions in the Czech Republic, they are valid for two weeks now. And we can see after two or three weeks how this continues, but here you can see how it has been working so far. And so, we can discuss about the recovery in the third quarter. But it's a question mark, the next quarter.

Then, earnings per share figure. You notice that our result was pretty much at the same level than last year. So, the earnings per share figure is also 12 cents. Of course, we are missing the two cents that comes from the discontinued operations last year, but still this 12 cents is in line with the result. And then, you can see the capital gain in the second quarter quite easily. That comes from the sale of regional media business.

We have not touched or changed our long-term financial targets. These are pretty much the same. We have to look these targets off with this crisis. We have not yet made any changes there, but as you can see, and as Kai told, our digital business growth is negative this year. And in our return on investment side, there is a capital gain from regional media business. That's why the 45% is so high figure. So, no news about this item.

So, that was the financial part. And Kai will continue about the operating environment, and our outlook. So, if you can continue, I can discuss also, but perhaps you would like to say something about our strategy. Thank you.

Kai Telanne

Thank you, Juha. A few words about the current situation, the operating environment we are facing. We have here the latest estimates of economic forecasts. Unfortunately, these are from the summer. And the slide tells about the underlying economies, more or less, and as we can see from here, we are between -6% to -11% in every country. Of course, the worst situation is at the moment in Croatia, which is highly dependent on the tourism, of course. And, of course, there, the recruitment service business is falling down still, but less than we expected, to be honest. And then, the biggest market, the Czech Republic, the estimate from the summer: -7.8%. We don't have the newest estimate. Still, they will be coming, but

it's fair to estimate that with the second wave, the situation will be worse during the last quarter than the third quarter. So, we will see.

But then, it seems that still the estimate for picking up next year will be there, and if it looks like this, as we expect also for future development, we are confident that our businesses will be growing next year. So, we have made a few different plans for different scenarios. And according to these scenarios, we are able to grow also the next year and keep a good profitability level. Hopefully, the situation won't get much worse than it seems to go right now.

In Finland, as told before, the ad market has levelled off, or the decline has levelled off, remarkably. Since the second quarter, April was the worst month, of 50% decline in newspaper advertising and more than 40% decline in advertising total. Now, we are levelling off, and as we've seen from our figures, the digital advertising is almost at last year's level, more or less. That's good news for us, of course.

Some words about the strategy and, of course, the outlook, which is important for you. Our transformational strategy is quite simple. We have three main issues. The first one is of course to transform our old businesses to new ones, to transform the traditional print publishing business to modern digital combination of print and digital. And of course, the same applies to marketplaces, to traditional digital verticals that we have. We are transforming them into modern multi-digital services, including new horizontal add-on services.

In cars, in houses and premises, in recruitment and in all HR sector, you will see new initiatives going on in the near future. The second is, of course, to grow in digital. That's important because many of the traditional digital businesses are maturing, and if you really want to grow, you need to find and invest in new businesses and new things, and that's what we're going to do. We're doing that in marketplaces, we're doing that in Talent segment, and also in Consumer segment. That's one of the key elements of the strategy, and that's why we have collected a good financial position to enable the growth and investments to these things in the future.

And then, finally, the third one, the third part of the transformational strategy is to continue with the internationalisation of the company. We are international in two businesses, or three businesses, actually. Of course, the career business is the spearhead of our internationalisation. We have in Talent segment, we have in Sweden Objektvision, which is the real estate business for commercial purposes, and then we have also there the direct sales company, part of the company doing business in Baltic countries. So, we will continue this. This has been a good part of the growth of the company, and good part of the transformation, of course, of the company, and encourages us to continue with that journey, of course. So, we have investigated, are investigating all the time, different kind of possibilities to continue with the growth of our international business.

We have made some actions with the initiatives inside the strategy during the third quarter, and more will follow. One of these examples is this education platform, Seduo, which is created by our Czech LMC teams. It's a scalable, digital service content tailored to match the local culture's training service. We have launched in Finland. We will continue the expansion

of that business in Slovakia in the future and try to find the way to continue the launching of that business in other countries, as well.

We have gone to a new business, to a digital staffing business by a company named Treamer. We have invested a small sum of money into that business. We are able to continue with the investments if we really, really can see that that's the way to do it, that it shows us to be a profitable and growing business, as we expect.

And then, finally, the final example of strategy execution is Alma Talent's continuation of transformation of its businesses from print to digital and to discontinue unprofitable or poorly-profitable businesses with limited digital growth potential to digital profitable businesses. We have started personal negotiations regarding a few print titles like Metallitekniikka, Tekniikan Historia and Markkinointi&Mainonta, which haven't grown or shown to be very profitable ones. We will do this and end the negotiations during the last quarter.

So, these are only a few examples of the execution of the strategy that we have. One very important element of our common initiatives inside the company of current businesses is Alma Account. After getting rid of, or the discontinuation of third-party cookies that we will face, it's really important to have your own data. And to get your own data enough, you need to have registered customers. And in order to get all out of the company, we need to have Alma Account. By having that, we will have a large and rich user data in order to create better-targeted content in order to sell subscriptions, in order to sell targeted advertising and so on, in order to develop new cross-unit or cross-segment businesses in the future.

We have noticed that, with the good data, we can get much stronger user customer retention and better relevance for the services and content as we had before this. And of course, finally, if you have good data, if you have state of the art services and content that will end up to a higher ARPU, which is, of course, the target we are moving more or less towards transactional services and transactional fees from traditional display advertising or businesses like that.

But then, of course, the unified digital customer experience of Alma Network is the target for all of this. So, this will be the key for every business. We have about, or even more than, 100 sites, if I remember right, which means, of course, a very large customer base. And if we have the Alma Account properly used and in place, this will end up all the good things that is mentioned here.

OK. Then, finally, the forecasted outlook for 2020. Despite the good development in the third quarter, we are careful. The uncertainty is more or less evolving and increasing at the moment because the second wave of the virus is increasing at the moment, and the visibility, unfortunately, stays poor, blurry. And we estimate that, despite the good result in third quarter of our revenue and adjusted operating profit, we will be clearly behind last year's level. And here are the numbers from last year if you want to want to have those in mind, estimating our performance.

So, that was it. If you have any questions, I'm more than happy to answer. Thank you.

Q&A

Elina Kukkonen

OK. So, we take first the questions from the conference call line. So, I ask operator, we are ready.

Operator

Thank you. So, ladies and gentlemen, if you have a question for the speaker, please press 01 on your telephone keypad. I repeat, please press 01 on your telephone keypad. Please hold. We have the first question already.

So, the first question is from Mr Sami Sarkamies from Nordea. Sami, please go ahead.

Sami Sarkamies

Thanks. I have a couple of questions. Firstly, I would like to understand if the recovery has continued in the early part of Q4. You did discuss collective, various reservations, but if you look at and count the facts and data you have to hand, has the recovery continued so far?

Kai Telanne

It's just that the first month of the third quarter started as the last quarter ended. But it's really difficult to estimate how the current situation develops, I have to be honest. It seems to be under control at the moment as we have had the information early in the morning from Central Europe, like from LMC. The message is that, despite the possible lockdowns of different businesses that the authorities will do there, the main customers, like the car industries and those, will continue with their normal work, and the factories will be open, which is, of course, important for us.

And, of course, we are now selling next year more or less there. All the invoicing that is done there doesn't affect, actually, the figures of this year, but so far so good. The situation seems to be under control, and the beginning of the quarter started well, but that's not a guarantee of-- like you say, investors say, 'A good result today is not a guarantee of future profits', more or less, but we are quite OK and confident at the moment.

Sami Sarkamies

OK. And then, I'll actually continue on the recruitment businesses. You're flagging that you're expecting recruitment revenues to remain depressed until the first half next year. Just to clarify, are you expecting negative sales growth throughout the first half of next year in recruitment? Or is this more related to tough comparables you will be faced with in Q1 next year?

Kai Telanne

Because of the revenue recognitions as Juha showed you and discussed already earlier, because of the delay in revenues and because of the deep dive in the second quarter, the full

year revenue level will be negative, despite the good development of invoicing during the third and maybe the fourth quarter. So, that won't change the situation. And that means that because of the second quarter poor development, the first quarter and the second quarter of next year will be difficult on the revenue side, of course, despite the good development of the invoicing side.

Sami Sarkamies

OK. Then, moving on to cost savings. Temporary savings amounted to three million in the third quarter. Are you planning similar measures in the fourth quarter?

Kai Telanne

Yes. We're continuing around the similar measures, but it depends very much on the underlying situation development, of course. If it gets worse, we have some room for new initiatives, of course, as I have told you before. Right now, we have released some funds for marketing purposes to guarantee next year's sales and development, of course.

As you noticed, during the second quarter, our cost savings were around €9-10 million. Now, we are at the level of €3 million, which means that we don't have any temporary lay-offs, or we have some, but those are for those businesses which are totally locked down. But on a broad level, we don't have these kinds of lay-offs or salary reductions, or those kinds of measures or initiatives in place at the moment. So, we start to normalise the situation more or less, and if the invoicing continues to grow, there seems to be no need to intensify these kinds of measures or take them back rather than normalise the situation. So, no plans to do more cost initiatives unless the situation in the market changes.

Sami Sarkamies

OK. Thanks. And then, finally, I'd like to check how your M&A pipeline is looking at the moment and whether you believe you will be able to close something meaningful before the year-end.

Kai Telanne

Hopefully, hopefully. Pipeline looks good. We have good targets on the table, of course. Hopefully, we can finalise, but there's no need to hurry up. We have a good situation, of course, and the main thing is to have the situation under control and, of course, continue with the negotiation with different things. Don't worry, we will spend the money cleverly that we have, and you will hear about this later, I guarantee.

Sami Sarkamies

OK. Thank you very much. I don't have any other questions.

Kai Telanne

Do we have other questions? We have one. OK.

Operator

Yes. Thank you. So, we have the next question from Pete-Veikko Kujala from SEB. Please go ahead.

Pete-Veikko Kujala

Hi. This is Pete-Veikko Kujala calling from SEB. I have one more question continuing from where Sami Sarkamies left off. On the capital allocation strategy, you now mention that you have some targets in the pipeline on the M&A front. But if these types of purchases, if you don't pull off any meaningful size purchases, do you have the ability to actually allocate the balance sheet organically into investments, or is it, basically, that this amount of money has to be used in M&A and not organically? Thanks.

Kai Telanne

Yes. Our transformational strategy includes both organic growth and inorganic growth. Of course, the organic growth doesn't need these big sums of money that we have in the balance sheet at the moment. So, we are, in any case, continuing with the organic growth and the adjacent business growth, the product development, service development, and so on, as normal. There's no need to stop.

And then, on the other hand, there's not much room to intensify that kind of development if there's not the needed market or the demand in the market. So, we have to follow closely the demand of the market and then continue and develop services according to the demand. And that means that most of the resources on the balance sheet is reserved for inorganic growth, M&A activities in all segments that we have. And we'll do that. And that means that we have plans for Markets, we have plans for Talent, and we have plans also for Consumer business. In every segment, we have plans and negotiations going on.

Pete-Veikko Kujala

All right. Very good. That's all for me. Thanks.

Operator

So, thank you. There are no further questions from the attendees at this point, but I would like to repeat, if you have a question, please press 01 on your telephone keypad.

OK. At this moment I don't see any further questions. So, speaker, please go ahead.

Kai Telanne

OK. Thank you. No questions from online. OK. In that case, I will thank you very much. As you can see from this slide, upcoming events in the calendar: the fourth quarter bulletin, 17th February; interim report, 21st April, and so on. But I encourage you to contact us and to pose the questions that might not be answered in this session. Don't hesitate to do that. And once more, I thank you very much, all, for your attention. Stay safe and healthy. Thank you.