

# ALMA MEDIA

## Q3 2015

Kai Telanne, President and CEO

Juha Nuutinen, CFO

23 October 2015

@AlmaMedia\_IR

23.10.2015

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# Agenda

Highlights

Market development

Financial development

Strategy and outlook

Q & A



# Alma Media's performance Q3/2015 – main points

## The Group's performance was in line with expectations

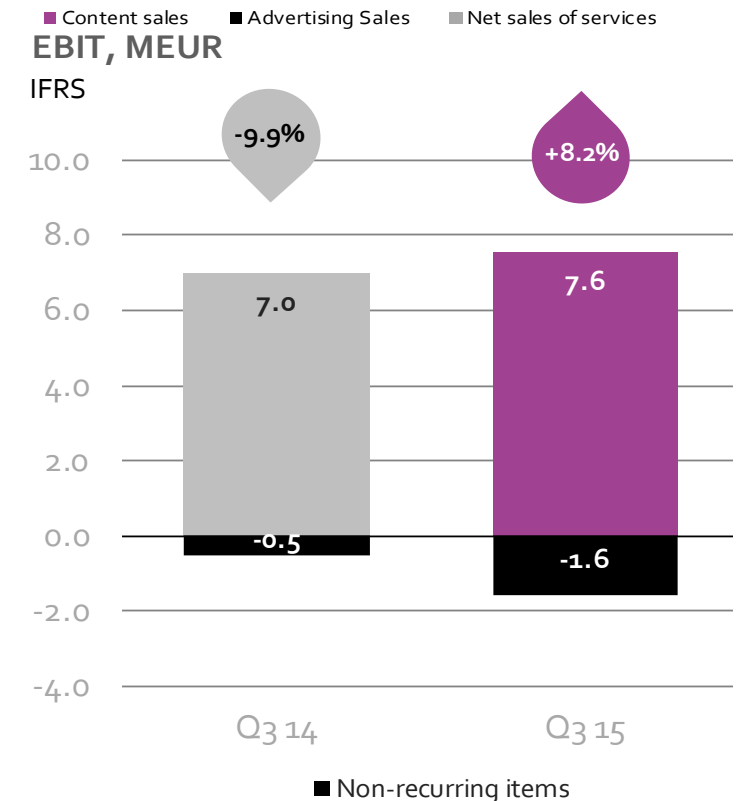
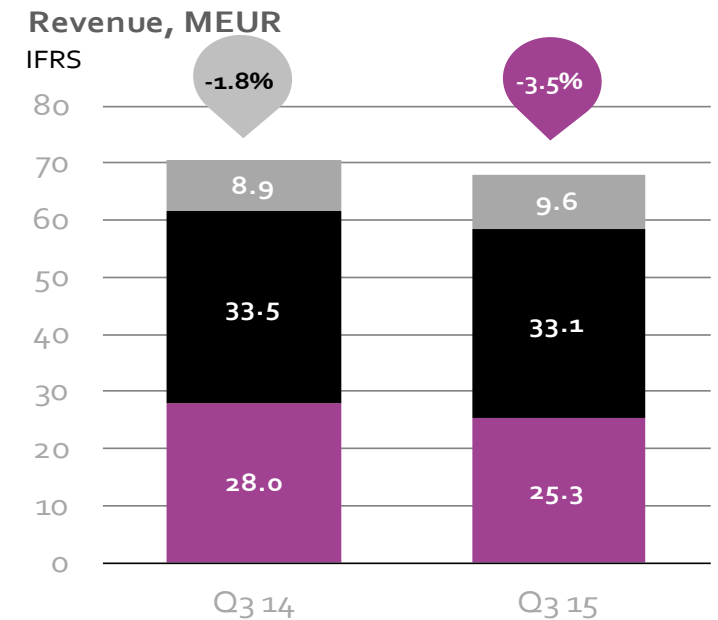
- Revenue MEUR 68.0 (-3.5%)
- Operating profit MEUR 7.6 (+8.2%)
- The Group's relative profitability has improved: operations have been streamlined and unprofitable businesses have been divested. Operating profit was 11.1% of revenue.
- Continued focus on the growth and development of digital products and services: share of Group revenue now 35%.
- Foreign operations achieved a good result and accounted for 16% of Group revenue.
- The recruitment business grew by nearly 27% and had good profitability.

## Domestic operations hindered by the weak Finnish market situation

- Marketplaces business: domestic revenue at the previous year's level, profitability improved by cost savings.
- Financial Media and Business Services: growth attributable particularly to JM Tieto, profitability at the previous year's level. Alma360 was sold to Otavamedia.
- National Consumer Media: revenue continued to decrease, particularly in print media, but the decline in profitability slowed down.
- Regional Media: profitability remained at the 2014 level thanks to streamlining measures in publishing operations and the improved efficiency of printing.

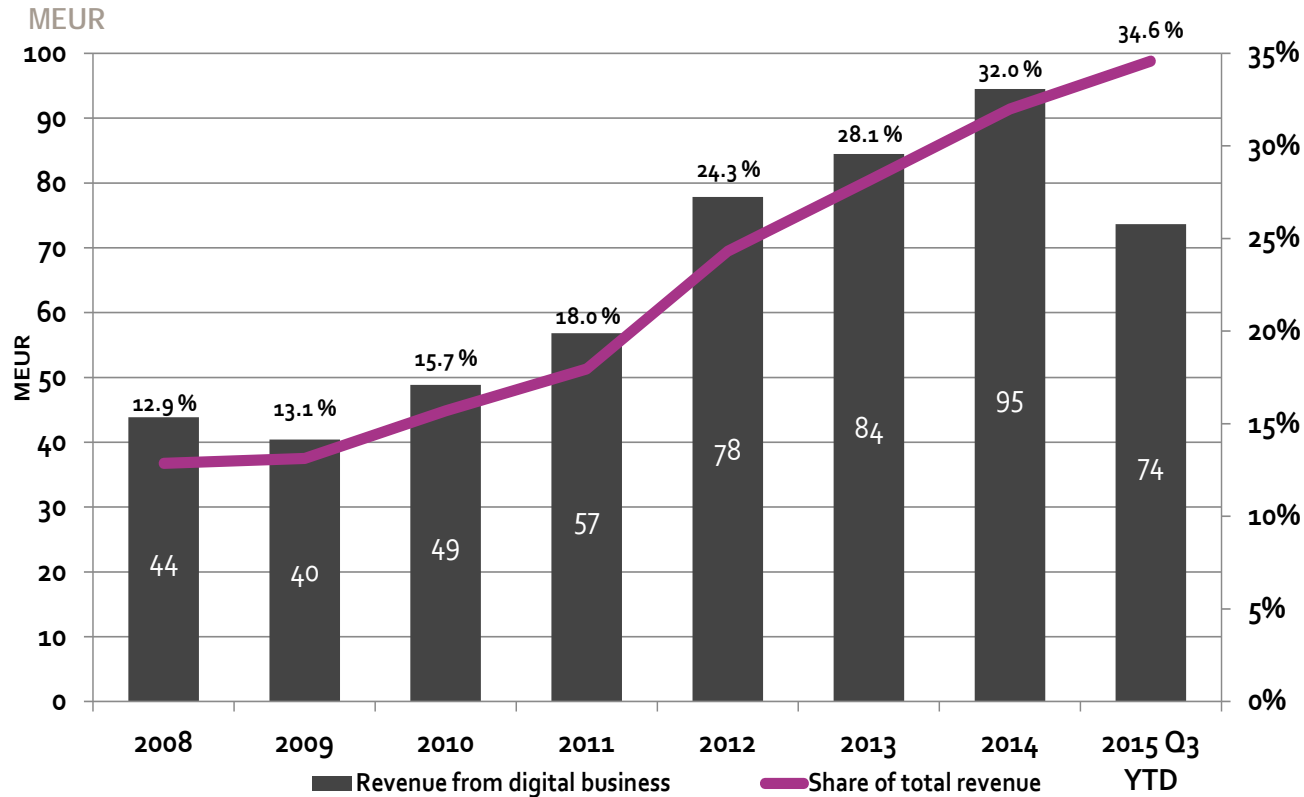
# Q3 revenue and operating profit

- Q3 revenue decreased by 3.5%, primarily due to divestments.
- Content revenue declined by 9.7%
  - Content revenue from digital channels did not cover the decline in print content revenue.
- Advertising revenue decreased by 1.2%
  - Online advertising sales increased by 11.2%.
  - Advertising sales for print media decreased by 14.3%
- Operating profit excluding non-recurring items increased by 8.2%
- Operating profit was MEUR 6.0, or 8.8% of revenue.
  - The operating profit includes net non-recurring items of MEUR -1.6. Impairment of MEUR 1.4 recognised in relation to the divested customer magazine business.
- Total expenses excluding non-recurring items decreased by 4.5% year-on-year to MEUR 60.6.

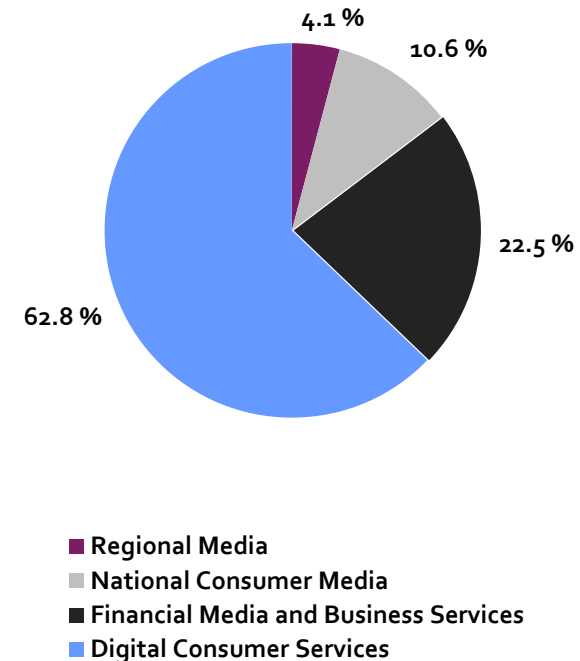


# Digital products and services are growing to account for a higher share of revenue – the goal is to further accelerate this growth

Online business revenue grew by 9.5% in Q3



Segment's share of the Group's digital revenue



# Combination of Alma Media and Talentum

- Alma Media has for long been Talentum's largest shareholder with a stake of more than 32%. The Combination Agreement and the Talentum Exchange Offer are a logical step in the implementation of Alma Media's strategy.
- The Combination will:
  - Ensure the future of high-quality Finnish business journalism and its competitiveness against intensifying global competition and in Finland's likely weak remaining economic situation.
  - Enable the investments required by digitisation and changes in consumer behaviour.
- Talentum will be combined with the Financial Media and Business Services unit. Talentum's Group functions will be combined with Alma Media's corresponding functions. The Combination will not affect Alma Media's other business units.
- Authority permissions, e.g. from the competition authorities, are required for the combination.
- Provided that the conditions of the offer are met, it is the intention of Alma Media to redeem any possible minority holdings and to request that Talentum be delisted from the Helsinki Stock Exchange.
- The combination is expected to be closed in the course of H1/2016



**The offer period of the Exchange Offer began on 15 October 2015. Initially expected to end on 12 November 2015, unless the offer period is extended.**

# MARKET DEVELOPMENT IN FINLAND

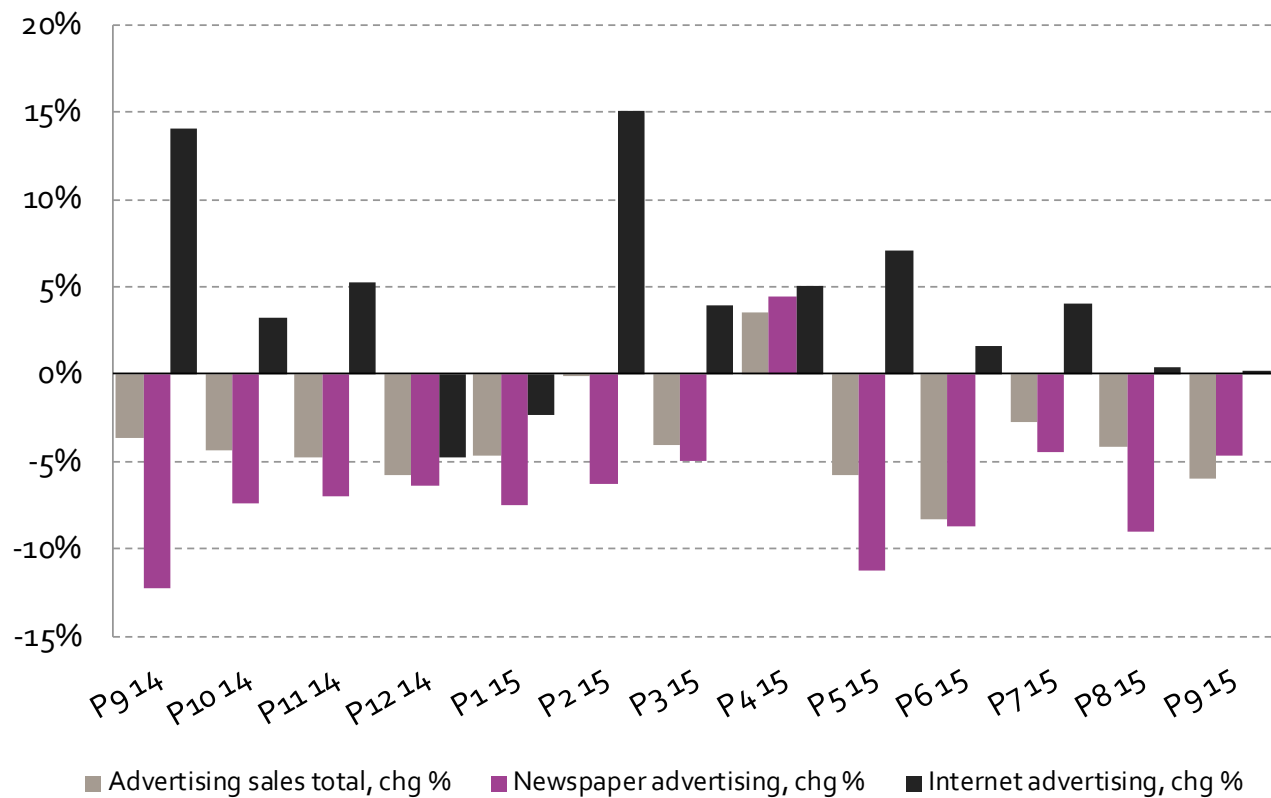
Kai Telanne, President and CEO

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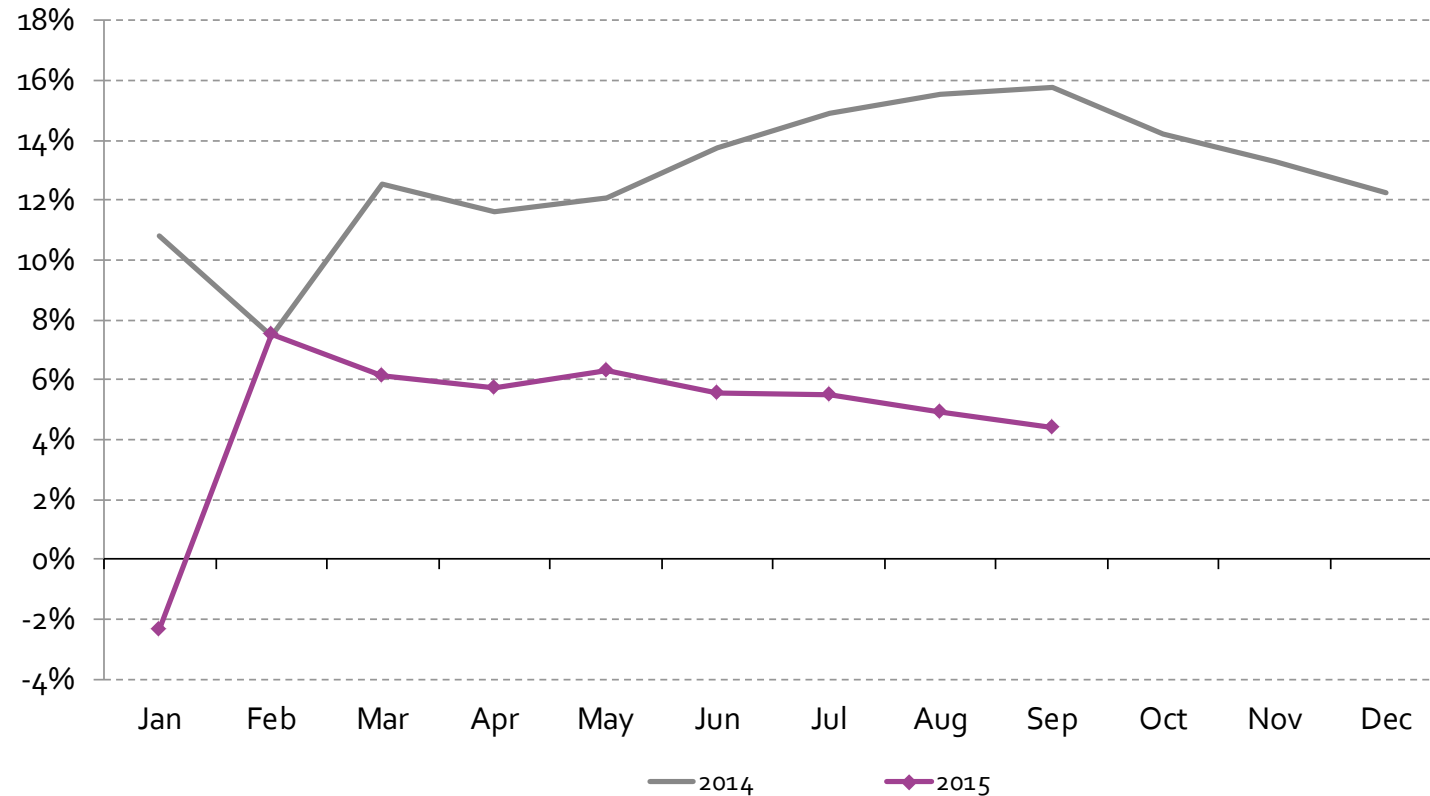
# Change in advertising 9/2014 – 9/2015



Source: TNS Media Intelligence

# Online advertising growth has slowed down

YTD change from previous year, %

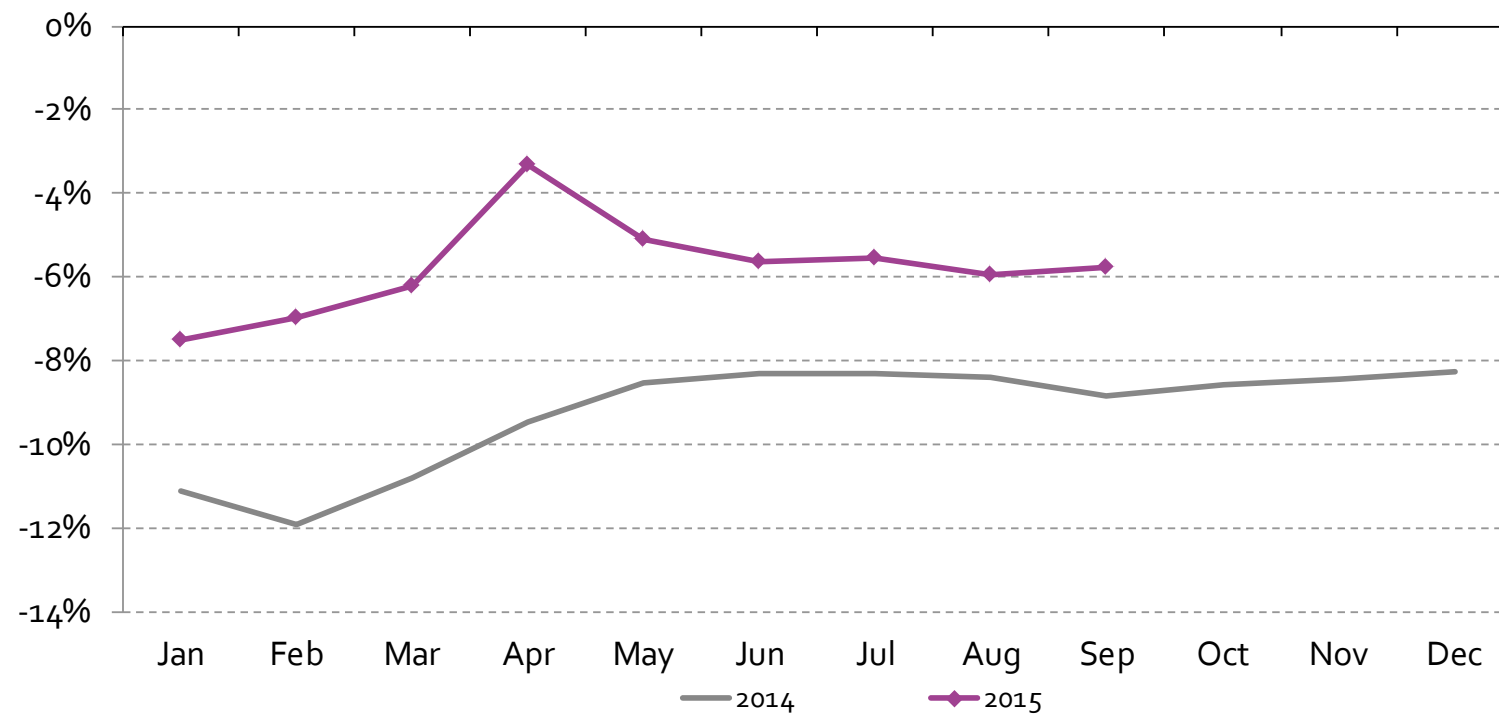


Source: TNS Media Intelligence



# Steady decrease in newspaper\* advertising

YTD change from previous year, %



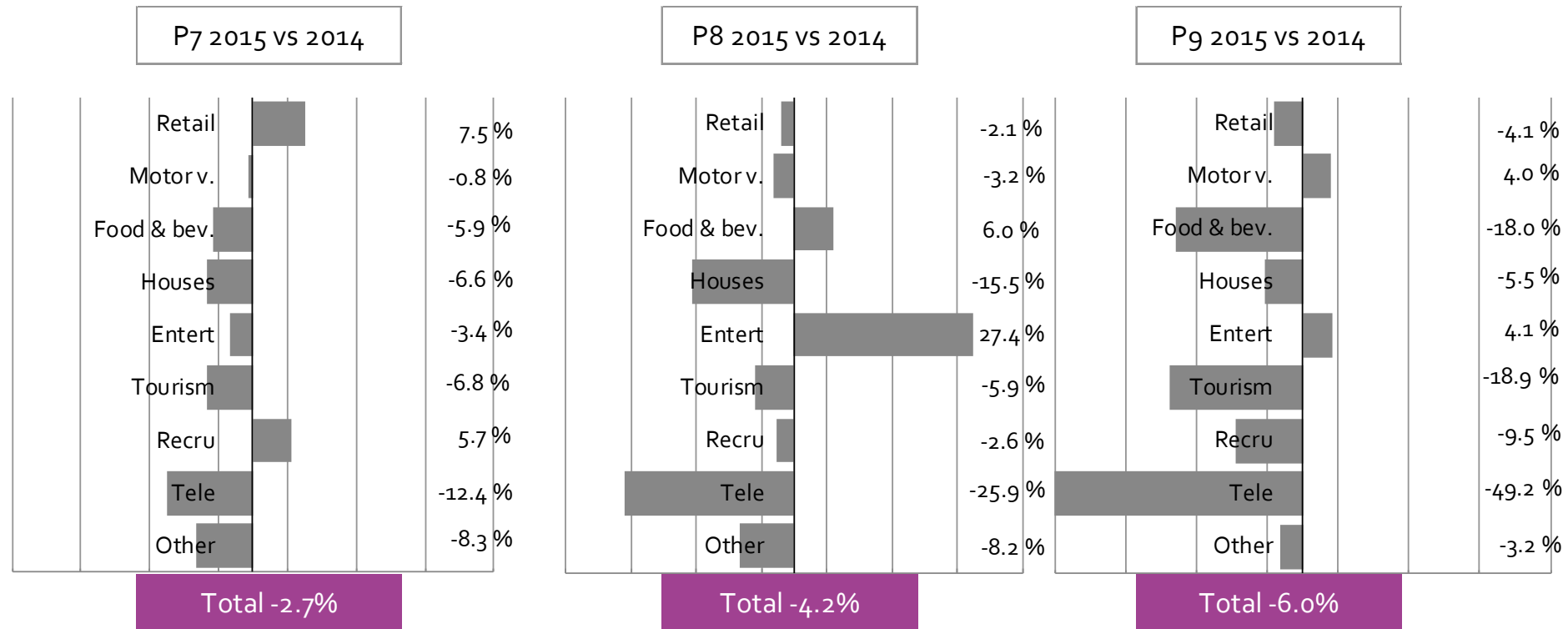
Source: TNS Media Intelligence

\* Newspapers, local and free issue papers



# Advertising decreasing in most industries

Total market, change from previous year



Source: TNS Media Intelligence

# FINANCIAL REVIEW

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# Long-term financial targets

Alma Media's financial targets	2011	2012	2013	2014	1-9/2015	Target level
Digital business growth	16.3%	36.8%	8.4%	11.9%	5.9%	> 15%
Return on Investment (ROI), %	26.1%	13.8%	10.0%	9.7%	9.9%	> 15%
Dividend payout ratio*	103%	45%	50%	63%	n/a	> 50%



# The significance of foreign operations to Alma Media's income formation continued to increase in Q3

- Slow economic growth in Finland is weighing down on the revenue and profitability of Alma Media's domestic operations.

Revenue, MEUR	Q3 15	Q3 14	Chg	Chg %
Digital Consumer Services	15.3	13.5	1.8	13.1 %
Financial Media and Business Services	12.5	12.2	0.3	2.3 %
National Consumer Media	9.9	11.5	-1.6	-13.7 %
Regional Media	31.6	34.6	-3.0	-8.7 %
<b>Alma Media total</b>	<b>68.0</b>	<b>70.5</b>	<b>-2.5</b>	<b>-3.5 %</b>

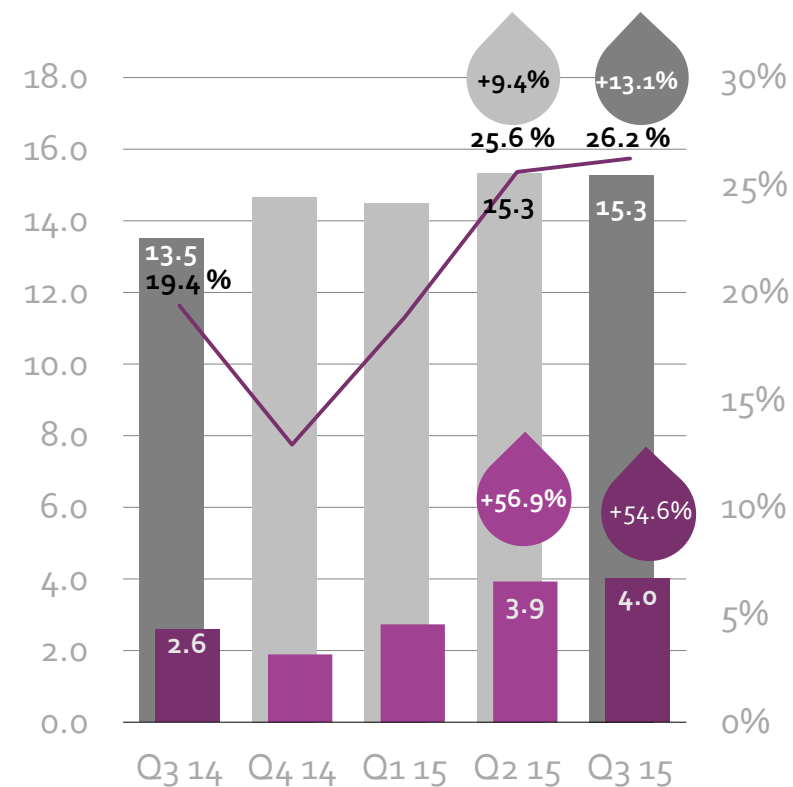
EBIT, MEUR	Q3 15	Q3 14	Chg	Chg %
Digital Consumer Services	4.0	2.6	1.4	54.6%
Financial Media and Business Services	2.1	2.2	0.0	-1.4%
National Consumer Media	0.7	0.8	-0.1	-13.7%
Regional Media	2.7	2.6	0.1	2.1%
<b>Alma Media total</b>	<b>7.6</b>	<b>7.0</b>	<b>0.6</b>	<b>8.2 %</b>

EBIT %	Q3 15	Q3 14	Chg
Digital Consumer Services	26.2	19.4	6.8
Financial Media and Business Services	17.1	17.6	-0.5
National Consumer Media	6.6	6.6	0.0
Regional Media	8.6	7.7	0.9
<b>Alma Media total</b>	<b>11.1</b>	<b>9.9</b>	<b>1.2</b>

# Digital Consumer Services Q3/2015: continued strong growth in foreign markets

- Revenue grew by 13.1% to MEUR 15.3
  - In Finland, profitability was at the same level as in 2014 the previous year in spite of the challenging domestic market situation.
- Recruitment service revenue increased by 26.5% and accounted for 73,9% of the segment's revenue.
  - Strong growth continued particularly in Eastern Central Europe.
- The operating profit was 4.0 MEUR. No non-recurring expenses were reported during the review period.

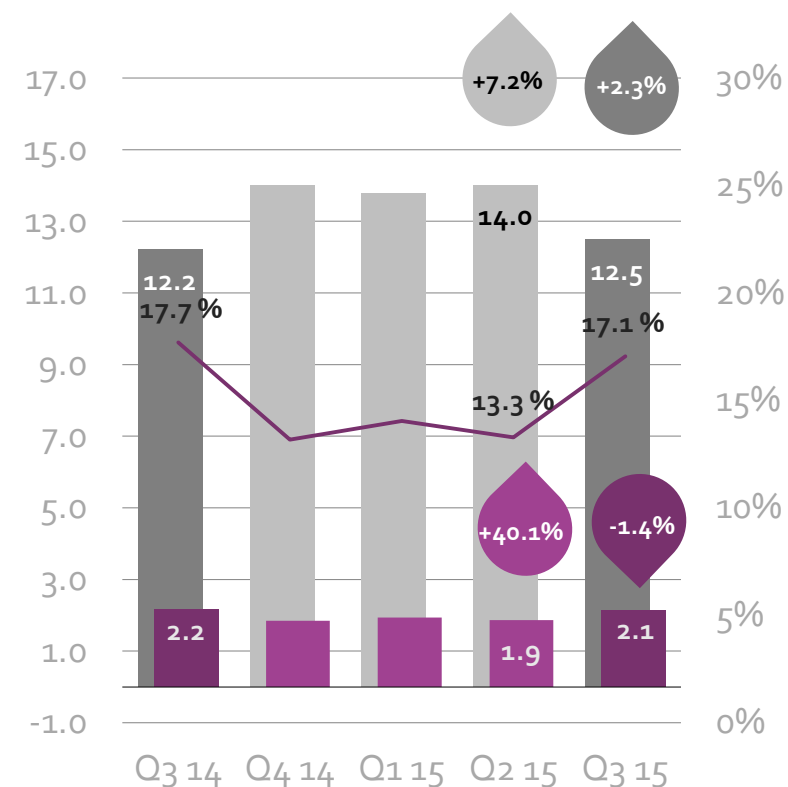
Revenue and operating profit,  
MEUR & %



# Financial Media and Business Services Q3/2015: growth boosted especially by JM Tieto

- Revenue increased by 2.3% to MEUR 12.5
  - Digital business accounted for 43.7% of revenue.
- Content revenue increased by 0.6% and was MEUR 4.0
  - Kauppalehti's digital content revenue grew by 16,8%, covering the decline in print media content revenue.
- Advertising sales declined by MEUR 0.3 and digital content revenue rose by 3.5%.
- Service revenue increased by 13.5% to MEUR 5.2.
  - JM Tieto increased service revenue by MEUR 0.8.
- Operating profit decreased by 1.4% to MEUR 2.1.
- MEUR 1.4 in non-recurring items recognised in the review period.

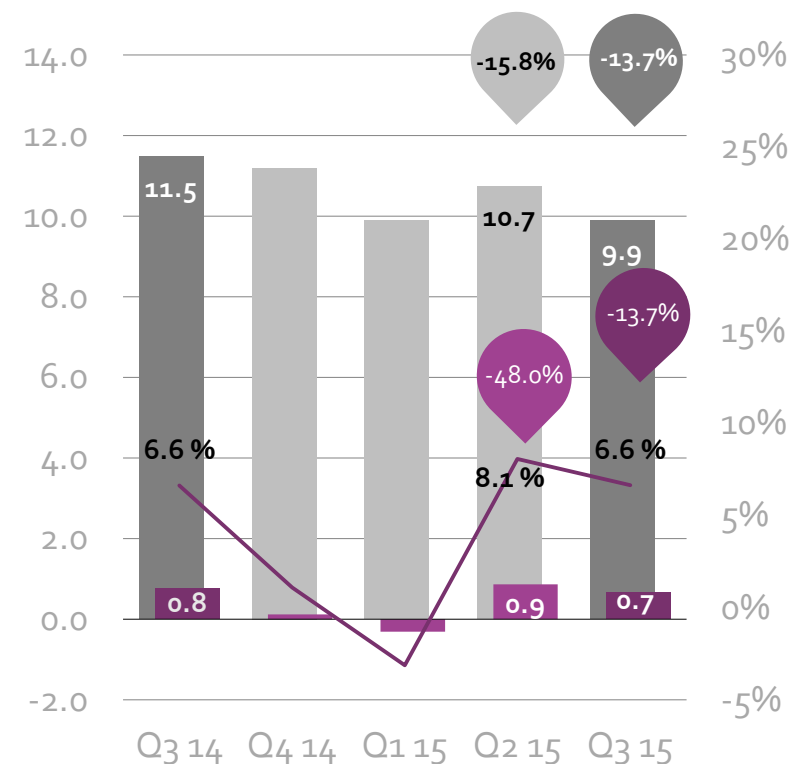
Revenue and operating profit, MEUR & %



# National Consumer Media Q3/2015: positive signs in mobile advertising

- Revenue declined by 13.7% to MEUR 9.9.
  - Online business accounted for 25.9% of the segment's revenue.
- Content revenue decreased by 16.4% due to a decline in Iltalehti's circulation.
- Advertising sales decreased by 9.2%.
  - Online advertising sales declined by 4.1% as display advertising fell, but rate of decline slowed down as a result of growth in mobile advertising sales. Programmatic buying has cut the segment's overall online advertising sales as well.
  - Advertising sales for print media decreased by 19.8%.
- Total expenses excluding non-recurring items decreased by 13.7% to MEUR 9.2.
  - The decrease was attributable to a decline in volume-linked printing and distribution costs and a reduction in content acquisition expenses.
- Operating profit declined to MEUR 0.7. No non-recurring expenses were reported during the review period.

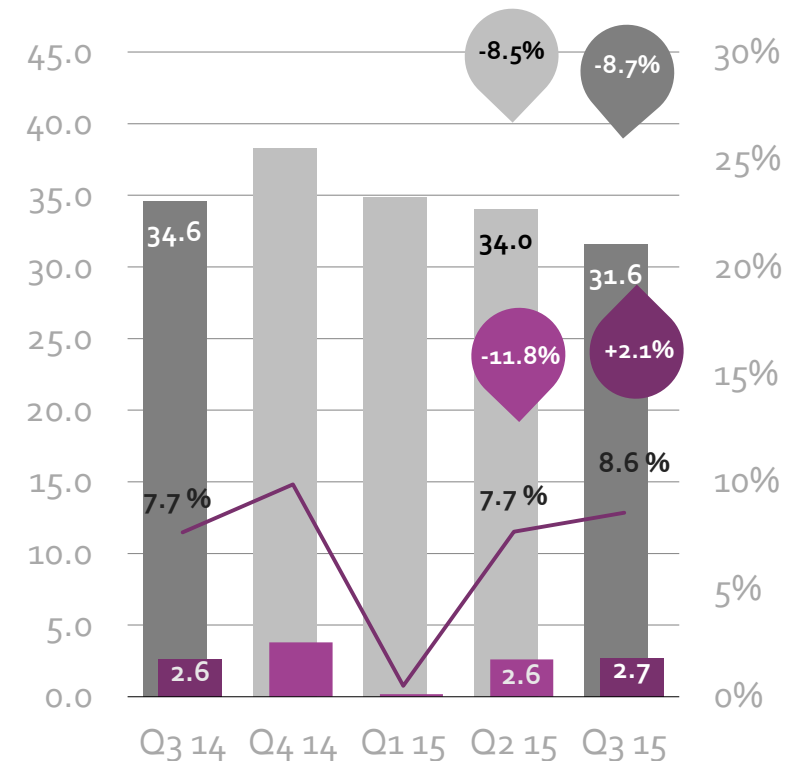
Revenue and operating profit, MEUR & %



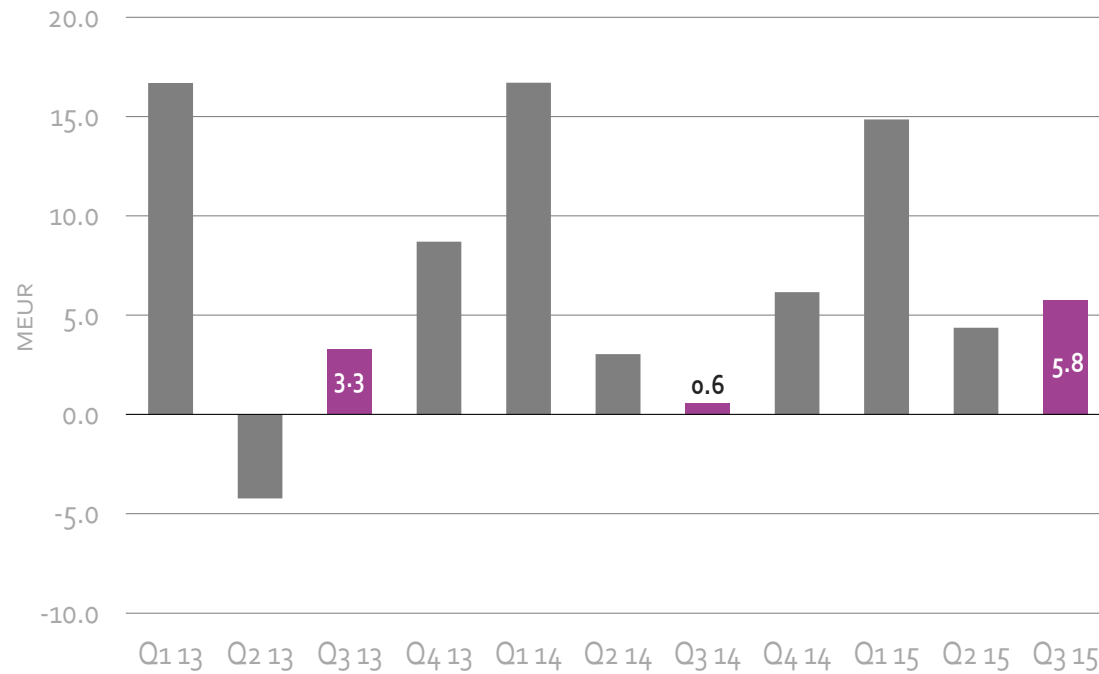
# Regional Media Q3/2015: adjustment measures and the external sales of printing services kept profitability at the 2014 level

- Revenue was MEUR 31.6.
  - Digital business accounted for 3.2% of revenue.
  - The effect of divested business operations on the decrease in revenue was MEUR 2.8.
- Content revenue declined by 8.9%.
- Advertising sales decreased by 12.2%.
  - Online advertising sales increased by 20.2%.
- Service revenue increased by 3.3%.
- Total expenses declined to MEUR 29.1 as a result of efficiency improvement measures in printing operations and the divestment of business operations in Kainuu.
- Operating profit excluding non-recurring items was MEUR 2.7.

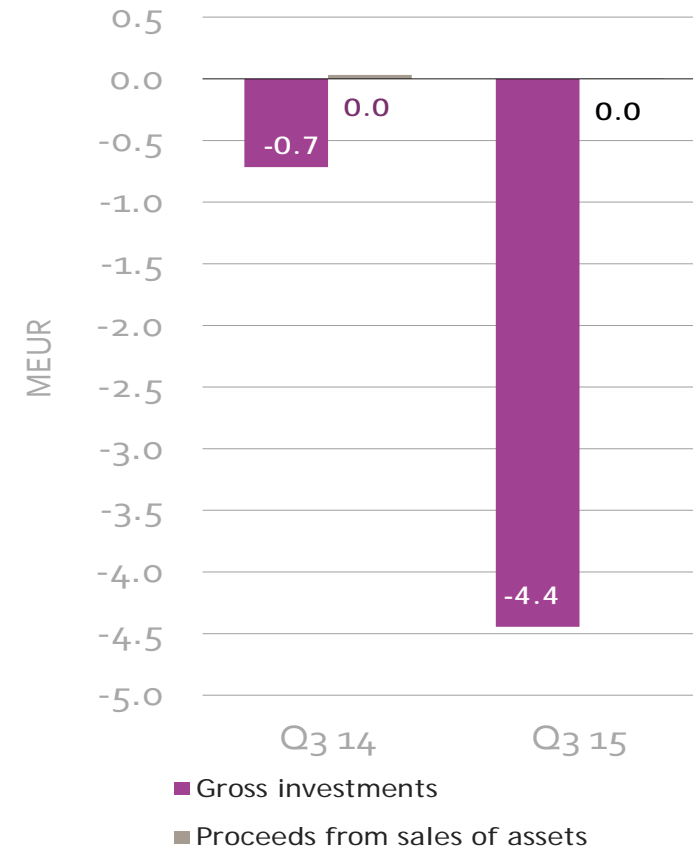
Revenue and operating profit, MEUR & %



# Cash flow from operating activities and investments

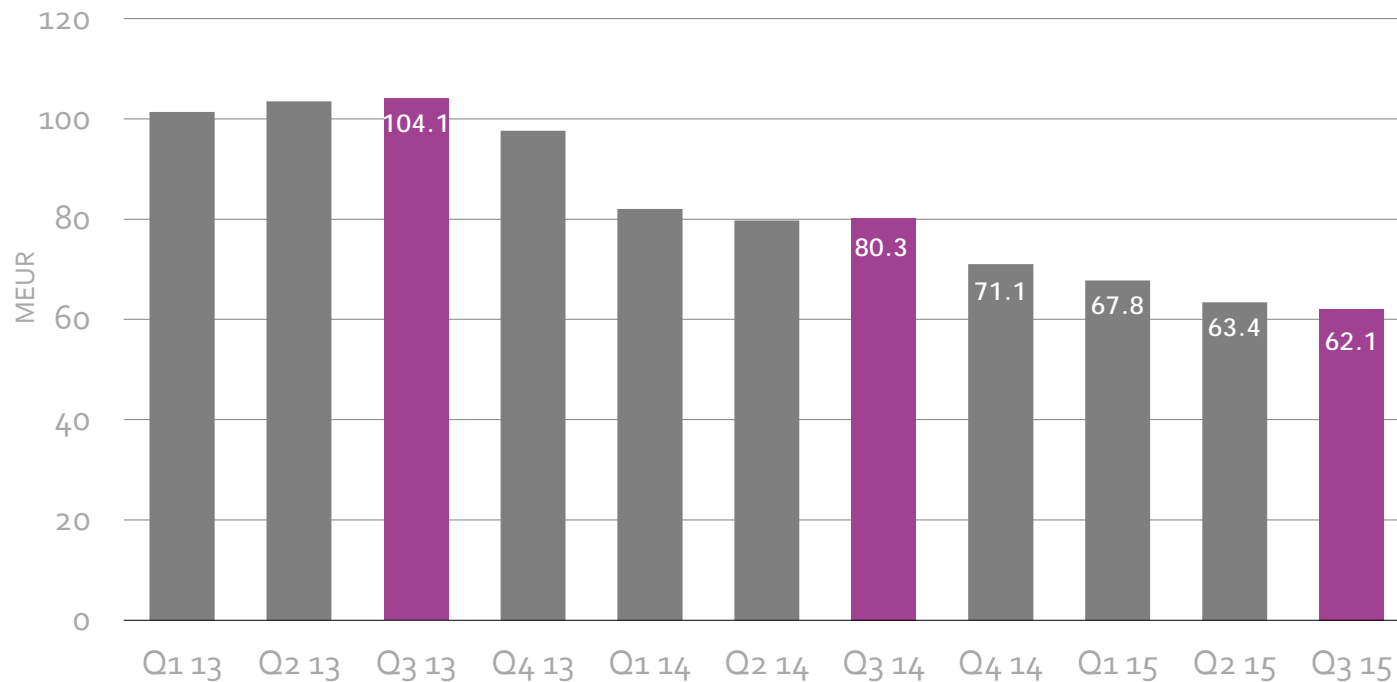


Cash flow from operating activities



# Interest-bearing liabilities

Net debt Q1/2013–Q3/2015



Net debt distribution

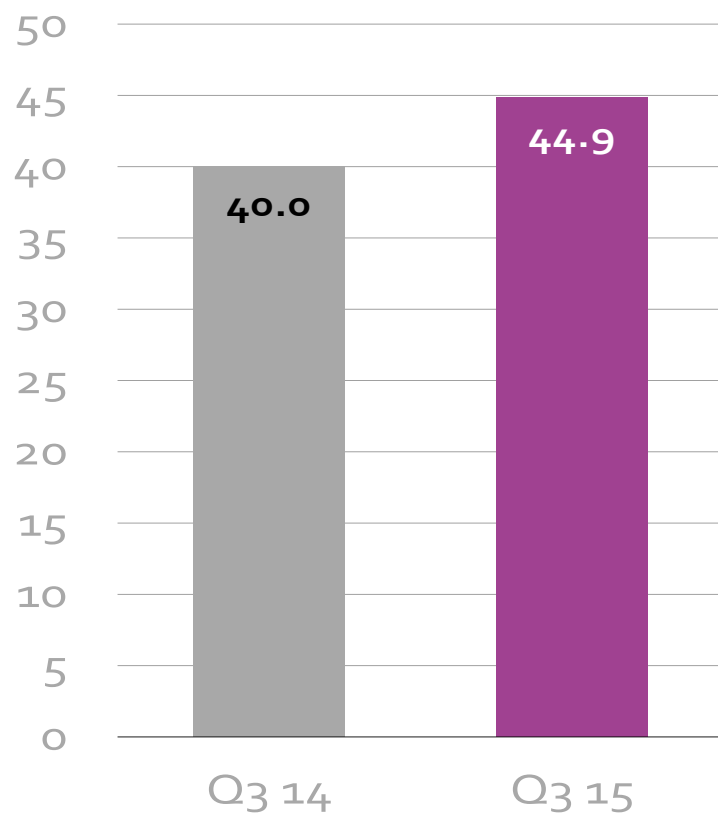
	Q3/2015
Financial leasing	66.2
Financial loans	7.0
Commercial papers	2.0
Cash and cash equivalents	-13.1
<b>Total</b>	<b>62.1</b>



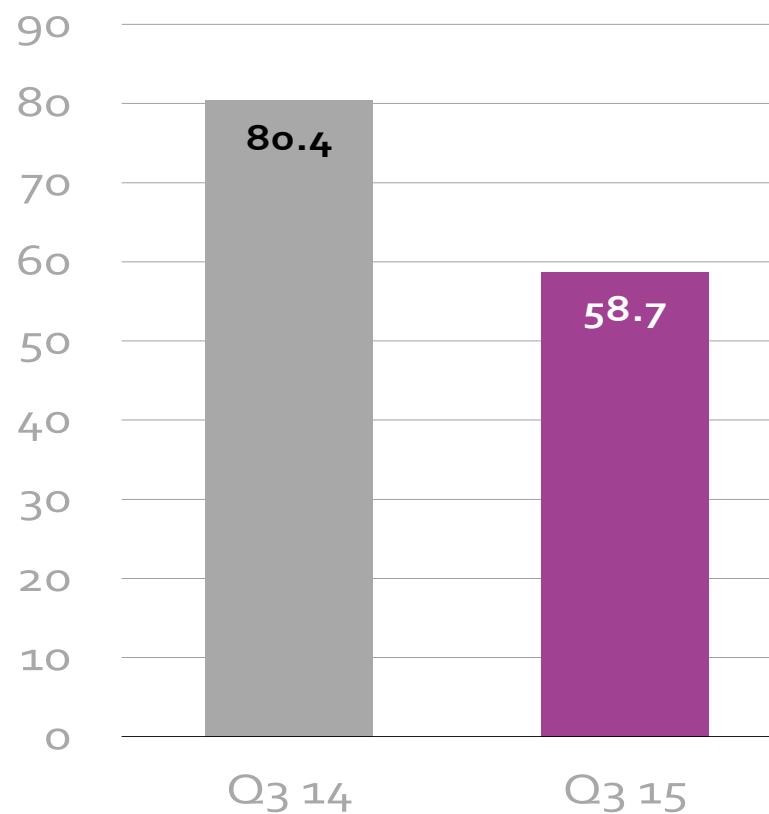
# Key indicators

IFRS

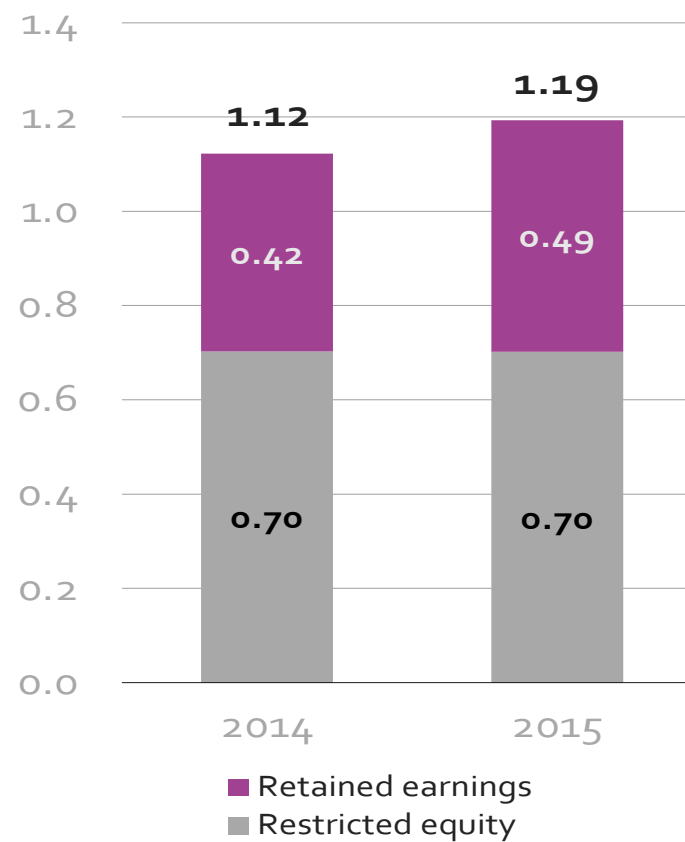
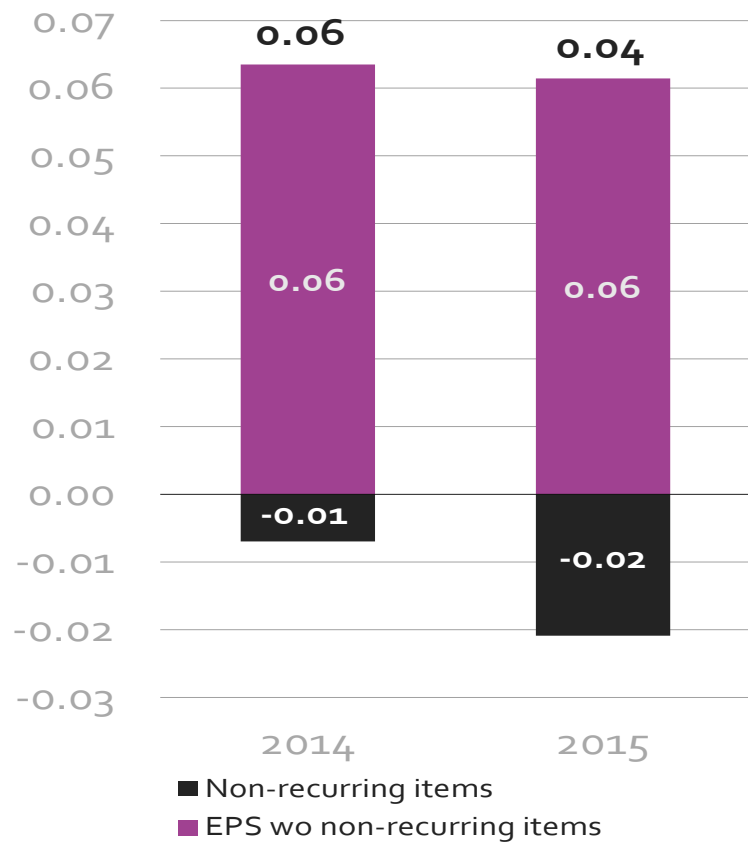
Equity ratio, %



Gearing, %



# Earnings per share and equity per share



# Balance sheet

MEUR	Q3 2015	Q3 2014
Intangibles and goodwill	108.1	111.5
Tangibles	71.5	81.8
Associated companies	24.8	24.7
Inventory	1.1	1.2
Receivables	33.6	37.9
Cash	13.1	10.5
<b>Assets</b>	<b>252.3</b>	<b>267.5</b>
Equity	105.7	99.8
Reserves-obligatory	0.4	3.7
Pension liabilities	2.7	2.9
Ib debt	75.2	90.7
Non-Ib debt	51.4	52.4
Advances received	16.8	17.9
<b>Equity and liabilities</b>	<b>252.3</b>	<b>267.5</b>

# STRATEGY AND OUTLOOK

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# 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 Regional Media modernises its operational model and launches statutory personnel negotiations

- Regional Media initiated statutory personnel negotiations in September to restructure its operations. The negotiations apply to the publication employees of Regional Media (except papers published in Lapland ) Alma Manu Oy, the printing and distribution company under Regional Media, is not included in the negotiations.
- According to a preliminary estimate, the number of employees may be reduced by at most 85 man-years. All in all, the negotiations apply to approximately 500 people.
- There is a need to modernise the operational models of the newspapers to better support the media that is becoming more and more digitised. The changes are also necessitated by the financial performance of the newspaper family.
- The objective of the reorganising is to inspect all operations in deliveries, production, sales, customer service, and support functions.



# Restructuring the commercial operations of media sales, the Alma Media Solutions organisation

- The objective is to strengthen the development of digital solutions for advertising and marketing communications, handling of key accounts, sales support as well as marketing and sales.
- A centralised operating model enables the realisation of new Alma-level products and customer-specific, unique solutions especially in digital format.
- Digital advertising services, advertising management and technical support for advertising will also be strengthened. The aim is to support the development of programmatic buying in advertising, as well as to strengthen data and analytics expertise to serve media sales.
- In conjunction with the organisational restructuring, the Alma Diverso unit was discontinued and its employees were transferred to other Alma Media business units.



# Outlook for 2015

- 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.



# THANK YOU!

Upcoming events in the investor calendar  
Q4 interim report 12 February 2016

