

Corrected Transcript

Alma Media Oyj (ALMA.FI)

Q2 2022 Earnings Call

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

Elina Kukkonen

"Good morning, ladies and gentlemen, and welcome to this Interim Report Session of the Second Quarter and the First Half 2022 of Alma Media. My name is Elina Kukkonen and I'm responsible of the communications and brand here at Alma.

We'll begin this presentation shortly and first to go on stage will be our CEO, Mr. Kai Telanne. He will present the overall result of Alma Media and also highlight each business segment of Alma Media. After Kai's presentation, Mr. Juha Nuutinen, the CFO of Alma Media, will present the financial position of Alma Media, and then Mr. Telanne continues about the strategy going forward and the operating environment.

And after the presentations, we have plenty of time for questions. We welcome all the questions. We take first the questions here at Alma premises and then from the online chat function. So don't hesitate to ask questions, we are happy to answer them all. Our Manager of IR and Communications, Mr. Teemu Salmi, he will speak up the questions from the online channel.

So, once again, welcome, all. Nice to have you here and join us today with this stream and interim report session.

And I think we are ready and, please, Mr. Telanne, the stage is yours."

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Kai Telanne

"Thank you, Elina, and good morning, everybody. It's great to see you here and online as well. As Elina said, I'll start with the – with a brief overview of the second quarter of Alma Media, like the business review and some highlights of our operations, and Juha will continue with the financials and the balance sheet issues more.

Whereas a good development continued from the beginning of the year, as you can see from this slide on the right side, with revenue growth of 11% and the operating profit improving with 16%, that was quite well in line with our own expectations. All the business segments, solid performance, especially the Alma Career, which is leading the way for the good performance and the profitability.

EBIT margin at the top high level, 24.2%; and for the first half of the year, 25%, which is actually the long-term target of our profitability that we have lately revised. Due to a very good profitability development and good cash flow, our gearing went down to 94% and equity ratio up from 29% to 39%. That's, of course, very important for the future purposes, for the investment capability of ours for the future investments.

As said, Career was the leader in revenue and profitability development. Other segments, more on par compared to the last year, especially on the revenue side. A slight increase in costs in Consumer and Talent because to decision-based cost for product development, and so we will go deeper into this later.

The core strategy of Alma is, of course, to develop the digital business to transform the old print to digital and as – a combination of digital media and services. This strategy has continued as expected and as planned, 16% growth during the second quarter. The first quarter and the previous quarter, as you can see, they consist of the new investments of the Nettix operation, so this 16% is more or less the organic growth of digital business. It's above our own targets or the targets that we have disclosed earlier.

Let's go deeper into the business segments then. I start from the Alma Career, which will be the biggest segment of Alma this year and the most profitable one, of course, as you can see from this slide. A nice growth continued with the high profitability. Revenue went up 42% during the second quarter and more than 50% during the first half of the year, with a high profitability and increase in profitability. Adjusted operating profit, 53% up during the second quarter and almost 90% during the first half of the year. So, this is a remarkable achievement, of course, after the difficult COVID year, and it tells us about the good rebound of the recruitment and labor markets all over the place.

Every country contributed nicely, especially the biggest countries like Czech Republic, Slovakia, and Baltics and so on, a really, really good performance still going on. On top of the traditional job boards, which is of course the core of the business and the most profitable part of the business, the Other services as well, like the added services, recruitment advertising, of course, where we have a huge potential also, but the career development, staffing services as well are developing favorably.

It's a little bit strange, while we have this crisis in the – in Ukraine, the Russian offense, the labor market has stayed very lively and there's a huge demand still on different kind of labor in every country, and that seem to be continuing. Our sales has developed – have developed favorably, around 33% still, which is of course a good sign for the future as well. This is the curve for the invoicing and revenue recognition in Alma Career, which tells us that the demand is going on nicely.

Secondly, Alma Consumer, which is the Finnish part of the business, a combination of digital, leading digital media and classified services on houses and premises and cars and so on and different kind of comparison services, revenue growth of 2%, organic growth of 4%. Adjusted operating profit slightly

down because of the investment in product development. We have quite a heavy investment at the moment on cars and services, different kind of ERP systems, and also for housing systems.

Nettix integrated nicely into the car mobility services, so the organization is well in place at the moment and rocking nicely. A good growth of advertising both in Iltalehti.fi, mobile services, as well as in houses and premises like Etuovi.com. Nice digital growth. At the moment, digital ratio of this segment's business is almost 83%. So the decline in print doesn't have a remarkable effect anymore for us. As we know, the print advertising is still declining, but it doesn't have that big effect on our businesses anymore.

We will continue with the investments in products and services in order to guarantee a good development in the future. As disclosed before, we are transforming our Consumer segment's classified businesses into transactional mode, where we need the investments for the technology, and those investments are in place. They are mostly – in our case, they are mostly in the costs. That's the way we do that. So that is seen there. We actually doesn't have this kind of salary inflation going on in our case. All the increased costs are these kind of decision-based costs for the product development and services, not the inflation costs.

And third, the Alma Talent, very nice digital business growth, a good development on digital subscriptions. In this segment, the decline in new car sales in the market affects mostly. So we are seeing a declining advertising on cars and other vehicles, as well the lagging volume of IPOs, which is, of course, very important, advertising part for Kauppalehti, especially.

Recurring revenues on the service especially growing according to our plan, almost 16%, and that seem to be continuing. Digital business at the moment over 60%, so the transformation is going on nicely and as expected.

As you can see from the right side of this slide, 56% of the segment's revenue coming from the media business and the other part from services and direct marketing. Solid performance there.

So, those were the highlights of the second quarter, quite satisfactory quarter. And now Juha will continue with the financials, with the balance sheet, and others. And after Juha, I will come back with the strategy going forward."

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Juha Nuutinen

Chief Financial Officer, Alma Media Oyj

"Thank you. Next slides, like Kai told you, cover the financial position comments, cash flow, earnings per share, and our updated or our long-term financial targets. But let's start with the balance sheet first.

Last year, we had a pretty strong investments and that's why our balance sheet were pretty stretched at that time, but now we have stronger and stronger balance sheet after each quarter. And our net debt level is €164 million at the end of June. They were slightly increased from the first quarter, €7 million, and that's come from the dividend payment which we had in April. It was €29 million dividends what we paid in in April, so that explains the slight increase there.

The gearing is 93%, so it's going down. And after this – during the second half year, it will be stronger and stronger as well, both gearing and net debt level will decrease as well. The most part of the debt

comes from the term loan, €170 million, what we have at the moment. It is three years maturity and is expiring at the end of 2024, and equity ratio we have is 39%.

Operating cash flow we have pretty stable during this quarter compared to last year second quarter. We had slightly stronger cash flows in the first quarter and the last quarter last year. It is explained by the high invoicing in Alma Career and especially the advance payments, what we will receive in the first quarter. So, the next quarters will be pretty balanced compared to last year. But yeah, stable, strong cash flow from operating point of view.

CapEx, we have €4 million during the first half year. It's slightly higher than what we have had in history. There is a couple of bigger investments, especially in our marketplace business in housing and cars, and that explains higher CapEx level that we have had. And the CapEx will be higher this year than the last year figure, €6 million.

We had acquisitions, €2.4 million in April as well. It comes from the redemption of shares concerning Netello Systems. We already owned 60% of the shares and now we bought the rest of the 40% shares in April.

Earnings per share was one of our highest in history, €0.28. This comes from the good result naturally, but there is also a couple of extraordinary items as well affecting in that figure. One is the capital gain from the sale of Bolt Group shares. It was €6 million capital gain and affecting roughly €0.07 in this earnings per share.

There was also – we have a positive fair value change also in our interest hedging agreement in what we are – we are hedging there the interest costs and our term loan interests. And that was affected by €1.6 million in the second quarter as a positive in our financial items. So that effect was roughly €0.02. So, there are €0.09 in a way extraordinary items in this quarter earnings per share. Return on equity and return on investments are at the high level at the moment because of good results, but also because of these extraordinary items.

Our long-term financial targets, we have not updated these. This comes from in the beginning of the year. Our revenue growth target, we have 5%. And actually this year, what we have said earlier this year will be much over that target. This comes from the pretty strong revenue growth at Alma Career segment. But also in the first quarter, it includes the acquisition of Nettix effect as well. So, these two items will explain that much higher revenue growth than what we have in long-term target.

Adjusted operating margin, like Kai said, we have in the first half year, we have 25%, which is the same actually what we have in the long-term target level as well. We lifted up that target in the beginning of this year. And the net debt and EBITDA ratio, we have at the moment 1.8. We have this upper limit is 2.5 and then we are below that level quite significantly, and it will be decreased during the following quarters as well.

So our financial position is solid at the moment. We are in a good phase in that sense, and it will be stronger and stronger after each quarter in the future. So in that sense, we are in a positive path, I would say. And then operating environment, Kai will continue about this overall market situation, what we have."

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Kai Telanne

"All right. Thank you, Juha. As said, a nicely developing balance sheet for future purposes and for dividend purposes as well. Then there's of course the question that how is this operating environment developing from now on with the Ukrainian crisis going on? As I said earlier, we don't have any direct business in Ukraine or Russia. So we have only indirect effects on this. They will come with the market development, of course, in mid or long term.

So far, so good. As said, the Career business is running smoothly but slowing down on the advertising side in Finland. The latest forecast for the European Commission are quite clear. The GDP change is around halved from the beginning of the year. Inflation rates seem to be doubling or tripling from the previous forecast or the last year figures and the unemployment rate seem to be quite stable, which tells us that the labor markets will be quite stable in all of the place.

That's a good sign, of course, for us for the Career business development, which will be seen and which is seen from our own sales figures as well. But the concern of ours is, of course, on inflation and the GDP growth of the European markets. That will have its effects on the advertising and the businesses of our customers in many sectors, of course.

So, as we said, we are expecting a little bit slowing down of the markets. And we have seen, after the nice rebound of the advertising from the last year and the COVID times, the new situation seemed to affect on the advertising in Finland in June, a little more than 8% decline of the overall advertising coming mainly, of course, from the newspaper advertising declining heavily. But also the online advertising is declining at the moment from last year's pretty okay figures.

Luckily, our digital advertising is still growing, so we are gaining market share. As you can see, our market share from the Finnish media companies, among them is 38%. We have, in this material, we have some numbers from the most important markets of our classified businesses, mainly houses and premises and cars. It's good to understand how the market is developing at the moment then.

And roughly, it seems like that, for the houses and premises, the used houses market is declining around 10% and for the new apartments much more. So the construction industry is suffering at the moment, and they are slowed down remarkably with the news of the European market. And for us, that means that the volume of the listings is slightly down like around 5% at the moment. And the activity of the house sellers or buyers like the consumers is down around 10% at the moment. So the market is slightly slowing down. Now, well, our revenues are still increasing. We have price increases and add-on services which increases our sales still on the houses and premises.

And for the mobility services, new car businesses is struggling a lot as we know, because of the difficulties in the supply chain, 25% down the market, and for the used cars, around 10%. This is the overall view. Our listing for or sales in the Nettiauto, which is the biggest business, is well on par with the market decline around 10%, but the gross market value is increasing and that comes from the fact that the cheap car volume is declining. And in the service a little bit, it's more expensive cars are sold at the moment. So, there's the change in the market as well, which is, of course, very good for the Finnish car market in all. That's the view.

The car importers and the manufacturers are saying that the difficulties with the supply is going to ease a little bit because of the heavy investments on the chip industry, for example, in the US and there, but that will take time, of course. But we'll see. And the difficulties in new car business has a remarkable effect, of course, on the car advertising, which is the main reason for our Talent advertising, digital advertising to decline and for the Consumer side as well that comes from the market. Our market share has actually increased, as said before.

Is there any reason to revise our strategy? Not really. We're going to continue with the three-step strategy. We continue to transform the core to new, which is, of course, to transform the print business to digital from traditional classified business to transactional business and so on. And we are relying heavily on a good cooperation inside the company.

Part of the strategy is, for example, the Career United project that we have. We are combining force and labor in Career segment in order to be more effective to gain speed in product development and cost efficiency, of course.

We're going to continue to grow in digital, new services, new platforms, diversification in businesses and so on.

And then thirdly, to continue the internationalization of the business, the new services, the new geographies, and so on.

Here the drivers for the growth, I'm not going to go into the details. You have seen these, but you have these in the materials. This is clear. We have a strong position. It's a good pace to grow and to develop. And we will keep the good position and try to increase the position in the new areas like on the Balkan area, like you can see from here.

Lastly, about our Science Based Targets, ESG agenda, as you know, Alma's been the leading media in Finland on sustainability and development issues for quite a long time. We were the first one to set up the Science Based Targets in 2018. And now we have revised them in order to be in line with the 1.5 Celsius trajectory.

We have set the new targets and decided to reduce the Scope 1 and 2 emissions by 52% by 2030 from a base year of 2019. We have had the targets lately approved by the Science Based Target initiative, and the other targets as well. But overall, all employees in Alma Media, we have ESG targets. So, everybody in the company has some or many of these targets to follow, and we are working heavily on these, of course.

Some major achievements during the second quarter, most of these has already gone through. One of these is the Italehti Plus, which is the subscription target. The initiative for gaining paid customers for the tabloid business of Italehti is growing as expected and nicely. And with that, with the good growth of paid subscribers of Italehti Plus, we have been able to mitigate the decline of the print media, the single copy sales of Italehti.

All right. And finally, the outlook that was given and announced on 8th July. So, we will increase the revenues and adjusted operating profit significantly from the last year's level.

That's it. I'll stop here. And if you have any questions, don't hesitate to ask them. Teemu, do we have online some or first here?"

QUESTION AND ANSWER SECTION

Pia Rosqvist-Heinsalmi

Analyst, Carnegie Investment Bank AB (Finland) Q

"Pia Rosqvist from Carnegie. Maybe starting with Alma Career, so any specific comments on costs for the remainder of the year? I'm reading your report and you mention higher employee, higher

marketing expenses, and some cost inflation at least in the second quarter. So, do you expect them to persist? How can you manage the costs in Career during the second quarter?"

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Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj A

"Yeah, a very good question. Thank you. I tried to find the Career here. So, the volumes of the Career business are going up. We increased the labor there, especially on marketing and sales and that increasing the costs, of course. We tried to keep the margins high as we have done here. From here, you can see that still around half of the revenues are going down to the last row, which is of course the target. But it's impossible to increase the volume without increasing the cost as well, at least the sales volume.

But then there's the question of how the market is developing, the underlying market then. And from the down part of this slide, you can see that the unique visitors has decreased a little bit. And with the tight labor market, we need to advertise more and we need – try to increase the visitors in order to guarantee that the service is working and there we need marketing.

So marketing expenses are increasing when the market is tightening, I mean the labor market, with a very low unemployment rate like we have in Czech Republic a little bit more than 2% at the moment. It's difficult to get people changing the jobs or finding the jobs for the [ph] employees (00:32:43) and that's why we need to increase the marketing. And that will continue when the labor market is tight and the volumes are increasing.

The good sign here is, of course, that we have been able to increase the number of paid job ads. So the tight labor market, in a way, enhances the need for the job ad spend. So we are not actually seeing this kind of cost inflation. It comes from the volume. This is more like a decision-based cost increase, not the inflation-based cost – okay, we have inflation as well, but not that much on the salaries, not yet.

That might come later if the inflation continues for the next date and the next year to come. At the moment, we don't have salary inflation, at least in Finland. In eastern countries, we have slightly but it doesn't explain the cost increase here. These are decision-based cost increases to sales and marketing and product development."

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Pia Rosqvist-Heinsalmi

Analyst, Carnegie Investment Bank AB (Finland) Q

"Okay. Clear. And then if I still continue on the digital advertising growth in Alma Consumer. So what would you highlight as the main success factors that enables you to keep winning in the market?"

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Kai Telanne

"Firstly, market-leading position, a good reach of Iltalehti, a good development of the visitors and the interest, of course, of the news because of the overall development in the market like the crisis and whatever, and then a good performance of our sales and marketing people, development.

Programmatic advertising, we have a very good technology, high reach, and a good technology. So we are getting market share on the programmatic as well. And then mobile services, of course, most of the usage is on mobile. We have a good stance there and whatever and then, of course, a very good, good services.

And the digital stance, of course, only 20% of this segment's business is offline. And only a couple of percent of the advertising is online here. So, mostly, the offline revenue is coming from single copy sales of Iltalehti. I don't actually remember the share of digital advertising amongst this segment, but, Teemu, you can check that. It must be well over 90% at the moment."

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Pia Rosqvist-Heinsalmi

Analyst, Carnegie Investment Bank AB (Finland) Q

"Okay. And then final question on Alma Talent, so the overall inflationary pressure in Finland is felt. And I'm thinking already about next year and the pressure we might see on distribution costs and distribution services overall. So, how concerned or are you concerned that the transformation from digital to print now is speeding up for some of the final print products you still have in your offering?"

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Kai Telanne A

"You might say that I'm concerned about the cost inflation of paper and distribution, of course. There's a high inflation there. But then, on the other hand, I'm quite happy with the transformation of the business from print to digital, which seem to be much more profitable than the old print one.

But then, honestly, we will do the print business as long as there's the demand for that and the audience like to have and likes to have, and the advertisers want to advertise on the print business as well. So, we are following that. But you're right. There's cost inflation in print much more than in digital, and that will speed up the transformation, of course. Because we have to increase the prices, of course, for the print business, that will slow down the growth of the print, of course, and that might affect to the circulation and the subscription base of the print.

But on the other hand, when we are able to transform the print subscriptions to digital subscriptions, on revenue wise, it doesn't mean that much. But on profitability, it's actually favorable transformation for us."

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Pia Rosqvist-Heinsalmi

Analyst, Carnegie Investment Bank AB (Finland) Q

"Thank you."

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Sanna Perälä

Analyst, Nordea Bank Abp (Finland) Q

"Sanna Perälä from Nordea. Continuing with the career inflation situation, if we are going to see some inflation there, will you be able to make some price increases there or have you done any to mitigate the impact of inflation?"

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Kai Telanne A

"Yeah, we do all the time. We do the price increases hand in hand with the inflation that is going on. So we are able to mitigate that, of course. So I wouldn't see – I can't imagine that kind of effect on our profitability with the cost inflation."

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Sanna Perälä

Analyst, Nordea Bank Abp (Finland) Q

"Okay. Thank you. Then my second question would be about the product development and marketing costs and those investments you have going on. What is their level going to be in the future? Thinking of the investments and CapEx needs this year and the years to come."

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Kai Telanne A

Sorry, can you repeat the question please?

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Sanna Perälä

Analyst, Nordea Bank Abp (Finland) Q

... Level of investments.

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Kai Telanne A

"Well, about the same as we have at the moment. It might decrease, but you never know how the market and the world is going to develop. But at the moment, we have so many ongoing investments for products and services at the same time that it will affect on the figures as well. So, we are developing houses and premises ERP systems, new platform, cars and other vehicles as well and ERP systems there. And also the comparison services platforms are under development at the moment so quite a lot happening.

Part of the investments are a continuation or due to the Nettix integration and like the development of the acquired business and to combine that and to integrate that to our previous businesses. So, it's part of that investment in a sense. So, that will continue definitely this year and next year, I will say, and the revenues will follow and the profitability will follow."

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Sanna Perälä

Analyst, Nordea Bank Abp (Finland) Q

Okay. Thank you.

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Teemu Salmi

Manager-Investor Relations and Communications, Alma Media Oyj A

"If we have no further questions on-site, we have a number of good questions from the online community and please do not hesitate to ask some tough questions to Kai and Juha here. First question is from Maria Wikström from Skandinaviska Enskilda Banken. And this is a direct quote, "You're saying that recruitment growth will slow down towards year-end. If we are going into slower economic growth environment in 2023, is it likely that financial year 2022 will end up being a peak year for Alma Media?"

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Kai Telanne A

"No. It's impossible to say how the world is developing next year. Nobody knows, not yet. But it seems that the European labor market will be tight also in the future. If we won't end up into a recession, the markets seemed to be favorable for us. If the European Commission forecasts are like they are at the moment, we have a good basis for good development in the Career business. So, our targets will be to grow in a very profitable way as well. But, of course, if this turns to be a tough recession, for example, then the game is totally different or at least should be. We expect this growth to continue. That is the view at the moment."

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Teemu Salmi A

"Okay. A follow-up from Maria, any update on mergers and acquisitions? Do you think the current volatility could open up some opportunities for you to strengthen the operations?"

"And follow-up, in which business this acquisition would be directed to?"

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Kai Telanne A

"Okay. So, we have basically two or three focus areas. If I start from the Career, of course, the Career regional growth would be of our interest. So we are going at the moment on the Balkan area, and there we are leveraging the business on the service side on – in there.

The second focus area is digital services in Finland. Like for Talent, we are developing these B2B digital services, company information, legal services or law services data, and houses and premises

data services like the DSN and others. And we are willing to speed up this development with acquisition as well if they only are our targets.

And then the same in the Consumer side. So we are developing the business and ready to speed up the development with acquisitions, especially on the digital classified, classified services, transactional services and so on. So we have, of course, the – investigate these possibilities all the time and you will hear if something happens, of course.

But then there's a question of the balance sheet, and at the moment, we don't have balance sheet – after the big investment of Nettix, at the moment, we don't have resources for big investments. We have to wait for year or two.

With this cash flow, the situation is changing. Again, if we have a very good target, interesting target, the prices are going down, as you mentioned, we can always go to the equity market, if needed. And of course, our board and shareholders, they are willing to do that if a good targets arise. So that's the case.

But at the moment, with our own balance sheet, we are not able to do that kind of Nettix size acquisition as we all understand. We have around €30 million, €40 million per year at the moment to use for acquisitions, and that means that for the focus areas that we are aiming at, the sizes of the deals are quite small and the businesses are quite small. As we know, they are profitable businesses with a high growth margin, and they are quite expensive in any case. So smallish add-on, bolt-on acquisition at the moment, the bigger ones will come later."

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Teemu Salmi A

"All right, thank you. Now, Petri Gostowski from Inderes has three questions and the first one is on Consumer. Consumer's housing revenue was up 13% despite weaker market. What was the driver of this?"

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Kai Telanne A

"We have done price increases, of course, and then we have the value-added services and the ERP system services that we are developing. That's a good sign, of course, and a good example of the things that we are doing. We are investing and putting money on developing these services, we'll of course waiting for the revenues to come as well.

And we've been in the market quite a long time. As we know, we started early in – 20 years ago to be in the system market as well. So we are developing this kind of ERP systems for the agents and other stakeholders, and we are speeding up the development. One example of this development is the DIAS service, the digital end-to-end solution for that area, and the others will come.

So that is the reason, of course, we're able to maybe increase the market share and increase a little bit of prices and new services as well. And, of course, that's the way the market leader should do, keep the price level on a decent level, improve the services and increase the services, to leverage the business like horizontally or vertically as well. So, that's the idea."

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Teemu Salmi A

"And then Petri's follow-up is on Career. Can you comment on the €2 million Q-on-Q cost increase in Career? To what extent is it volume-linked or is there something impacting comparison on a quarterly basis?"

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Juha Nuutinen

Chief Financial Officer, Alma Media Oyj A

"One big part of that comes from the marketing expenses. So, we have increased the marketing efforts quite a lot, and most of that increase comes from that. And also we have increased number of employees as well, so the other part come from the salary costs."

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Kai Telanne A

"That's part of – that's what I tried to explain, that the costs are decision-based costs to sales and advertising. That's it. It's not out of our hands, it's decision-based. If the volume comes down, we are going to downsize the cost as well. So, we are cutting the costs and the number of employees and so on in that case, of course."

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Teemu Salmi A

"Fine. Then we go to Sami Sarkamies from Danske Markets. First question is on investments. Are you planning on scaling back development cost level at Consumer and Talent in order to prepare for slower business momentum?"

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Kai Telanne A

"No, we are not. So we are very decisive with the investment and the product development at the moment. So, we will continue that and go into the new businesses, like for the Consumer business, to traditional classified to transactional businesses, we will do that. So that train is moving and that will go.

The same on the Talent side. So we are very committed on finalizing the investments and the products there during this and next year. And then, okay, this is like the continuous work, you have to develop the services all the time. We don't acquire printing machines, but we develop the software development for the current and new services all the time. That will continue, so we are not cutting down these investments."

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Teemu Salmi A

"Then Sami's follow-up on Career, looking at our latest invoicing data point from June, it seems that the strong growth could be leveling off. Do you still have visibility for continued invoicing growth in Q3?"

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Kai Telanne A

"For the Career business?"

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Teemu Salmi A

"Yes, for the Career."

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Kai Telanne A

"Yeah, we have a good speed still, so a nice growth there. It's leveling down, but, of course, we have tough comparables as well. So it's good to have a view on those. So, we are well above the five years average and so on, so we had a nice rebound.

Of course, there's no business that can grow 50% year-on-year, as we know, and the labor markets are not developing that will – into this kind of growth, but it seems that the nice growth this year will continue. And if the labor market continues as expected in relation to the GDP growth of the European markets and the forecast of the European community, we're going to have a nice growth there as well on the next year."

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Teemu Salmi A

"Then on Consumer, you had a negative EBIT growth in Q2. Why would the trend be any better in second half of the year?"

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Kai Telanne A

"No, it depends very much on the market development. We have our investments going on there, we have quite a good development on the advertising, but it depends very much on the car market developing, the houses and premises market development. So, that's the big question, of course, what is going to happen there, is it going to continue as is or is it improving or what? So, it's really difficult to say and promise anything, but we are quite confident at the moment so."

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Teemu Salmi A

"Then Sami's question on Talent, you had negative EBIT growth in Q2 which was partially driven by divestments. Why would the underlying trend be any better in H2?"

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Kai Telanne A

"The same as on the Consumer side. So the car industry sales is really important for us, and the car advertising, it's been declining and it has a heavy effect on Talent especially, Kauppalehti and other as well. And then, of course, the IPOs which are lagging behind heavily is one of the other sectors. But otherwise, we are confident, our sales is running smoothly in other sectors. But again, very difficult to estimate why or how the overall market is going to develop, the economy is developing with this situation."

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Teemu Salmi A

"This is the final question from Sami and also the final question from the online community as it stands, so this is on inflation. You have not complained much about inflation. How will that impact your trading and margins going forward?"

.....
.....

Kai Telanne A

"Yes. As said, we actually don't have a remarkable salary inflation. We have the normal salary increases as agreed with the unions, like a normal way. But then in long term, it remains to be seen how the overall inflation reflects to the salaries next year or year to come. So nobody knows, but at the moment, we don't have that.

All the – almost all the salary increases are decision-based increases for the development of the business, increases in the volume on sales staff or increases in marketing. And ICT cost, of course, for the product development, that's the main source of cost increase in our case. But then, there's a small increase of – in our case, the – we have, of course, it's quite a big increase of print and delivery costs, but it doesn't have that major impact on Alma level for other costs while we have that small part of the business still – or anymore on offline business.

Any further questions from here? If not, I want to thank you very much for your attention and interest. Next time when we'll be here is on Thursday, 20th October. It was nice to have you here. I wish you all a very nice week and a lovely summer.

Thank you very much."

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