Corrected Transcript on Earnings call 21 April 2023

 21-Apr-2023 Alma Media Oyj (ALMA.FI) Q1 2023 Earnings Call Alma Media Oyj (ALMA.FI)

CORPORATE PARTICIPANTS

Elina Kukkonen Senior Vice President-Communications & Brand, Alma Media Oyj Kai Telanne President, Chief Executive Officer, Alma Media Oyj Juha Nuutinen Chief Financial Officer, Alma Media Oyj Vesa-Pekka Kirsi Senior Vice President, Head of Alma Career.

....

OTHER PARTICIPANTS

Sanna Perälä Analyst, Nordea Bank Abp Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Sami Sarkamies Analyst, Danske Bank

....

MANAGEMENT DISCUSSION SECTION

Elina Kukkonen Senior Vice President-Communications & Brand, Alma Media Oyj:

Good morning, ladies and gentlemen, and welcome to this interim report session of Alma Media's First Quarter 2023. My name is Elina Kukkonen and I'm responsible of the Brand and Communications here in Alma. As usual, we have prepared the presentations and first to go on stage will be our CEO, Mr. Kai Telanne. He will present the overall result and the development by business segments. After Kai's presentation, our CFO, Mr. Juha Nuutinen will present the financial position of Alma Media today. And then Mr. Telanne returns with the strategy and outlook and also a few words about the operating environment. And we have reserved plenty of time for questions again, so please don't hesitate to ask questions. Use the online chat function to present questions online and we take first the questions here on site and then we pick up the questions from online. So once again, welcome and with this short introduction, we are ready to start. So please, Mr. Telanne.

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj Thank you, Elina. Good morning, everybody. Let's start to review the first quarter performance of Alma. As we all know, the war of aggression of Russian in Ukraine affected heavily on the business environment of ours and Europe. The slowing economy, difficulties in raw materials and others, high inflation rate, continued high interest rates. Interest rates increased sharply year-on-year and all these combined affected heavily on consumer confidence and the purchasing power of consumers. All these affected our businesses as well. Despite the turbulence, we managed to perform according to our own expectations, as we have said before. So, we forecasted by the end of the year or at the end of the year that the beginning of this year might be and actually will be a little bit difficult. Our revenue decreased slightly year-on-year. I have to remind you that we had record high comparison period last year and compared to this, our performance was quite okay. Operating profit decreased from the comparative record high period because of the investments in product development, marketing, services and others, like personnel as well. So, all these combined declined or was the reason behind the slight decline of the operating profit, 13% to €17 million. The balance sheet is developing as expected, the gearing went down to 58% from 102% and the equity ratio went up to 47.88%. So, personally, I'm pretty happy with the performance during the first quarter in these circumstances. All the segments performed according to our own expectations actually, Alma Career performed better than we expected in this environment. The revenues went still up and the sales went up nicely with €1 million. But in Finland, the Consumer segment and Talent segment suffered heavily from the declining advertising market and especially the programmatic advertising market where we are market leader in Finland. So in these segments, the decline in operating profit was a little bit more than we have expected, €1 million and €0.6 million. The digital business continued to grow. Still, the organic growth was okayish, 82% of the revenues coming from digital services. So, the transformation from print to digital is on the latter part of its phase and proceeding according to our plan. Of course, with the high inflation, the print-related costs increased quite remarkably, also in the beginning of the year, meaning print costs, paper costs, printing costs and delivery costs. And to mitigate these cost increases, we have new initiatives.

A review of the segments:

I start from the Career, which is nowadays the biggest segment of ours revenue wise and especially profitability wise. The revenue continued to grow, the sales continued to grow, but the increased costs with the high inflation of salaries, marketing, product development, and tech development reduced the profitability. We are in a high profitability level still. We have initiatives to increase the profitability and long-term target is much higher than where we are now. And there are huge differences at the moment between the regions, as we can see from these figures as well. The South part of the segment is performing pretty well with the revenues as well, almost 20% growth still in the South. The Central Europe is on par with the more – more or less on par with last year's level. And the Northern business is suffering heavily from the market development like Finland, the market is declining more than on our own revenues. The demand for the labor has remained strong in Eastern – Central Europe and the revenue is expected to grow still during the second quarter as we expect. But the initiatives for cost reductions is ongoing, so we have started to mitigate and planned and initiated the project. So, we are aiming at defending the profitability of last years in this segment as well and are quite confident that we can we can do that. This slide we use to show you the curve of the invoicing or revenue recognition in Alma Career because there are differences with this. So, the invoicing turns to revenues hand-in-hand with the usage of the so-called credits of our customers in Central Europe especially. And here you can see that the invoicing is going nicely still, so the sales is working as expected or even better, but a little bit slowing down from the all-time high level of last year. We have more unique visitors than we had on average last year, which tells a little bit about the labor market development, so there are more interest in the usage of the service and they are good, good and bad, could say from our point of view. The good thing here that the more of visitors we have, we are able to decrease the amount of marketing in our services, so we can decline the costs if the unique visitor base increases. So, that's what we are doing at the moment and we have more users with job alert, so they are more engaged in the services at the moment, which tells us that the customers of ours, the paying customers are more cautious at the moment with their employment than they used to be in the high market, more or less. No worries with the segment, we are really confident with the performance of that. Consumer – profitability was under pressure due to the decrease of the advertising market and the increased costs. As told before, we have a lot of new initiatives in product development, tech development, new services especially on the houses and premises and mobility businesses, and that will continue. So, we will be more competitive in toughening markets already during this year. But we are moving our businesses towards advanced platforms. So, the problem here is more or less the Finnish advertising market, which is declining, especially in our case and especially seen in the Consumer segment is the programmatic advertising, which is declining much more than the direct sales in Finland. And the programmatic market is a little bit difficult. It's really difficult for us to improve with our own measures that market in total, so that part of the business will develop along with the market developing in our guess, more or less. Very positive thing is of course that the demand for journalism continued of course with the turbulence in the global market and the difficulties in political situation. IL Plus subscription base is climbing still. As I heard in the morning, we have already 45,000 customers – paying customers there so that this increase is nicely, smoothly as expected. And we are investing there, of course, hand-in-hand with the growth. Digital ratio in this segment is already 82.5%, so the print advertising decline, for example, does have only a minor effect on this side. If I remember right, I don't know if you have the figure here, but if I remember right, less than 10% of the advertising in Consumer segment is print-related advertising, so it's heavily digital advertising. So, if you want to follow the development in the Consumer segment, you have to follow the digital advertising market development more or less. Half of the business here is now media and ad-financed services and the other half is other services like houses and premises, mobility and other comparison services. They are this kind of comparison services which are performing extremely well at the moment, like Etua.fi that what we have with the increasing market interest rates, that business is flourishing at the moment and that will do extremely good profit and performance during this year. But as said, the investments in service develop and in marketplaces and comparison services on Consumer segment will continue. And you will hear more about this. I will give you a few examples here as well. Try to explain how this strategy that we have developed and how do we implement the strategy in the Consumer and Talent segment as well. Good performance with Alma Talent, suffering, of course, as in Consumer segment from the advertising decline in Finland, especially the car segment and IPOs, we are lagging at the moment. Operating profit in services increased nicely, 19%, so the growth in this segment comes from the services part more than the media part currently. It's good to remind you that half of the business of this segment comes from the services other than media businesses. It's been like this for quite a long time and the growth comes from the service part, so digital service part rather than from the media part. The strategy here is to guarantee the paid subscription base, the digital subscription base, to mitigate the decline in advertising market or print business. And we have been really successful in this. One of the key KPIs here is to secure the recurring revenue growth, which we have been doing pretty well, like here, 20% in Alma Talent services growing and that's profitable growth. So, the service part will be the jewel in this segment. 60% of the revenues in the segment from digital businesses. Well done. So, this is the big picture, in difficult circumstances, pretty good performance from my point of view and more will follow. So, now Juha will go through the financials and the balance sheet and I will continue after that with the strategy development. Juha? The stage is yours.

....

Nuutinen Chief Financial Officer, Alma Media Oyj Yes. Thank you, Kai. Let's look at the financial position and other financial items as well. We had, from the cash point of view, a quite okay quarter. We reduced our net debt level with around €50 million and it's currently at €128 million. Also, our equity ratio increased with 2%. On Monday, we paid dividends with €36 million and it will affect our second quarter financial status. Our net debt level will increase around €15 million, €20 million in the second quarter. And also equity ratio will slightly go down, but then towards at the end of the year, we will come back to a level €125 million, €130 million with the net debt and close to 50% with the equity ratio. So we are pretty healthy situation from a balance sheet point of view. There are no big changes in net debt level or liabilities. As a gross point of view, we have this leasing liabilities and term loan where these liabilities came from. Investments we have at the higher level at the moment than what has been previously during the last two, three years. We have invested now a lot to marketplaces in housing and mobility side and also in Career as well, so this €2.6 million investments are higher than what we have normally have been. And we are in a strong development phase in most of our marketplace platforms. We made acquisition at the end of the year in toimitilat.fi, which belongs to Talent group and it's shown in the acquisition row, €2.88 million. Then we sold Rantapallo.fi service travel site in February and it caused €0.4 million loss in our first quarter results and we are presenting that as one-off item in first quarter results. So, that one-off item came from that sales. Cash flow we have, our cash flow decreased from last year high levels. We have discussed this quite a lot during the last quarters as well. Of course, it's affecting – our decreasing profit is affecting here, but it's also our own net working capital level change is affecting here as well. Perhaps you remember that last year I discussed a lot that we have had a lot customer advance payments, especially in Career segment, and now it will more stabilised. And that's why the last year has been extremely high from cash point of view and now we are turning somehow on the average level at least from the net working capital point of view. So, part of that cash flow change comes from that effect. But also interest costs are higher now than last year and that's affecting us as well also. Also, taxes are slightly higher in the beginning of the year compared to the last year. So, no drama here. It's pretty expected, what we have discussed also last year. Our earnings per share is €0.14 and there is also a couple of items behind this, of course, roughly half from the change from the last year €0.19 level comes from the decreasing result. But there is also, in the financials, there are items which we go through. Last year it was the interest derivative, hedging derivative instrument, what was valued as a fair value. And we made €2 million fair value, positive change in last year first quarter. And now the fair value change was €0.2 million as a negative. So €2.2 million came from that instrument actually and it's affecting roughly half from that change in earnings per share in the first quarter. Our return on equity is still on strong level, 24% and also investment – return on investment in 14%. So, so we are in a good level from that point of view. Yeah. And our dividend was €0.44, which we paid this week actually. So – and we are paying dividends as a onetime, we are not dividing it into two or three parts during the year, so that's why it's affecting this second quarter in our financial status. So, this is pretty much shortly, shortly the balance sheet items. Then the long-term financial targets, we have 5% growth target on the long run targets. We have been on that, over that level in the last two years, 2021 and 2022. Now we are in slightly below that minus 1%, but hopefully this turns towards the year end. So, so but now at the moment, we are behind this target level in the beginning of this year. Our adjusted operating margin target is 25%. Now we reached 23%. This is pretty much the same that this is a good target and we believe that we will get the target level, but not in the beginning of this year. So that's why we are behind because of this decreasing result. Our net debt to equity ratio is upper limit or upper limit is set on 2.5. And now we are at the level of 1.5, so there is no big change compared to the last year quarter figure, 1.6. So, so we are behind that limit quite strongly actually. And there is no big change happening in that figure during this year. So, that was the financial part and Kai will continue about the other operating issues and strategy comments.

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj Thank you, Juha. That was clear. I continue with the operating environment further. These four drivers are those that we have to follow carefully and these are the main issues to think about concerning the operating environment. Of course, the slowing economy growth is the one thing affecting heavily on the advertising, especially in our case and the businesses of our paying customers. The changing consumer behavior is in favor for us. And favorable, I mean, digitalization will continue, it is clear and that changes to consumer behavior and we are heavily on the digital side in our product development and services. The increasing regulation is something that we just have to digest. Regulatory environment is complex - that is seen already and due to the legislation increases. So, we have a lot to think about around this. And then of course, the geopolitical turbulence, which is more or less out of our hands, we just have to adjust to that and eat what is what is coming. Uncertainty will certainly continue here. So these are the facts. So, how does the operating economies look like at the moment? These are the newest forecasts given on February by the European Commission. And there is a change, of course, from the previous, from the later part of last year. As seen here, the big picture is the European economies seem to be this year close to zero. So, the growth has decreased remarkably and with this kind of environment, we just have to do good business. Inflation will decline. So the – if I remember right, the average inflation in Eurozone this year will be like 9.4% or something like that. Next year – no, 9.4% last year, 6.3% or 6.4% or something like this this year and under a little bit under 3% next year. So, the common view is that we will take care of this inflation with the increasing market, the inflation, interest rates and other initiatives as well remains to be seen. But the good thing for us is, of course, that the labor markets will be tight. This is quite common view that there won't be big changes in the unemployment of the European countries and our markets. As seen here, there are minor changes, but not the big ones. So there's a quite good basis for us to continue with the good development in Career, good sales and product development as well. So, our case, except the advertising market, which is a little bit difficult. So, the Finnish market, that's of course related mostly on the Finnish market and Finnish businesses here. As seen now, the beginning, the end of last year was already difficult than the beginning of this year. The first half of this year seemed to be quite, quite difficult. But that's where we have to live in. I want to give you a short review of two important markets of ours, which are related to our biggest marketplaces in Finland. And those are houses and premises market and then mobility market. Let's start from the houses and premises. As seen here, this market has been really difficult in in Finland. During the first quarter of this year, the used apartment market has gone down one third. So the decline has increased from the last year average and the new apartment market's plummeted to 74%; so that describes quite clear the difficulties in construction businesses and related businesses. In our case, our services have performed against this market development pretty good and during the first quarter, we have 9% decrease in the supplies even though the demand [indiscernible] (00:27:27) negative side, still. As seen from the revenues, we are quite on par with the high last year, so should be quite satisfied with the situation. There is some signs of recovery at the moment. The agencies and the clients – paying clients of ours are saying that they see more traffic in the viewings of their partners at the moment. So, this is the newest information at the moment, so let's see what happens so – but we are quite, quite happy to hear this kind of news. Hopefully that happens. So, this is the big picture, difficulties in the new apartments, also in the used apartments and that the prices of the houses, premises, apartments are going down as heard. So, it should be quite a good, good, actually, time for going into mortgages if somebody wants to buy something. So that's it. And then the mobility market, the same, it's been very difficult for the new car segment last year. And of course, hand-in-hand with the new car segment, the used car segment is suffering as well because there's not the changeover with the new and used cars. The situation is changing. So the decline has started to slow down hopefully next quarter will be already better. Our performance has been all the time pretty good compared to the market. We have, in our service, the sold cars total is on positive side already and the gross market value is on positive side, which means that hand-in-hand with the volume, the market this is growing. And I said both in these markets, both houses and premises and mobility services, we have quite a lot of initiatives and investments going on at the moment. We will be more and more competitive all the time. Okay. So that was it. A few words going forward with the strategy and of course, the outlook. Of course, it's interesting to see what we are going to aim at from now on. This is the current situation; this is where we have aimed during the times and the years to be number one in the areas where we have aimed at and we are pretty good, succeeded – have succeeded in in in that. In recruitment, houses and premises, mobility services, professional media, commercial premises, digitalized advertising and news media in digital. That has been the target for us. Revenue split at the moment, half of the business are from marketplaces business, media, one third and services 17%. So, this is the composition of the businesses, so it's good to follow of course closely what happens in the marketplaces business, especially in our case. So we are going to continue transforming the core. We are quite well ahead with the transformation from print to digital. So now we have started to transform our marketplaces towards advanced digital platforms, coming later to that, of course, maximizing synergies through the efficient cooperation. You have heard about the Career United project, which is a segment wise operation aiming at a deep synergy and deep cooperation at all levels. We continue to grow with the digital, new revenues, new revenue sources and streams in current service area, especially on marketplaces and we are expanding other businesses in value chains to newer business areas with synergies. And then there's no reason to stop the internationalizing of the business. So, we are expanding our recruitment businesses to new geographies, especially on the Eastern Europe, where we are going at the moment and new services to current platforms, new revenue sources as well. So, what does this mean then? We focus on these three business areas, advanced marketplace platforms with the newest technology in place, intelligent information platforms where we have a nice growth, specially in the Talent segment at the moment, there's a good possibility to grow and of course inspiring media platforms where we put also the current developing, emerging technology like AI in place to increase the efficiency of the operations, like on the journalistic side, customer relationships, sales and others. So, we concentrate on recruitment, houses and premises, mobility services, media and information services with synergies. This is the core of the business. And of course, the beauty in this lies on the synergies in the meat of this. So, we have a huge amount of audience that we harvest as good as possible. We direct the user traffic and commercial, the use of data for growing high ARPU services. We develop seamless user experience with the different services. We're using the data that we have, the first party data, which is of value, of high value from now on with the changing legislation. We use the best technology available, including AI and other technologies emerging and of course, we have a very effective sales organization, common sales organization inside the group to use all the possibilities emerging with this. So, the cooperation and synergy is of course a very important part to harvest all the possibilities that we have here. What does the transformation from advertising and the traditional digital listing businesses of ours mean in this strategy? It means that we are entering into larger potential market and new revenue sources. We have tried to describe here what does this in overall means in our services like in houses, some premises, mobility services or even recruitment services. We can describe the process of the value chain of buyers and sellers, or business to business partners like this, it's a similar process everywhere. At the moment or previously, we've been more on advertising business. Like, like we have transformed the print classified business to digital framework, as you understand. So, we are heavily on advertising business and now we are developing the services with advanced technology to be more not only on advertising, but on new revenue sources, meaning part of the transactions into platforms. So, they are advanced platforms enabling our customers, either buyers or sellers or other partners to do the whole transaction in our platforms, meaning that we are aiming at, we don't have here any other [indiscernible] (00:35:53), meaning that we are aiming at new revenue sources, like to financing, like to insurances or other parts of the transaction. So, we aim at taking our commission or part of the other revenue sources in addition to the traditional advertising business where we are in. So, this is actually the target of the initiatives that we have in place at the moment in the marketplaces and also the other digital services of ours like in Talent group. And nicely on the way, we are proceeding according to the plan and the investment plans at the moment and you will see step by step the advancements of these in the market and concretely. So, we will discuss about this transformation every time. I would say that every time during this year, during these interim reports and of course, more deeply in CMD that we definitely will have, Elina might have the plan already, I don't know. But we will go deep, take a deep dive, of course, into this, but it's really interesting. So we have a good plan and work going on. And lastly, of course, the sustainability issue, as you know, we are well in the forefront in the media business, in sustainability issues. We take this seriously. This is just an example of how we halved our carbon footprint during the last seven years and the new target is to again halve the current footprint during the next five years. We have been pretty good at this. And now we are in the environmental issues, we got new prices couple of weeks ago, Elina's team were there to get it and we are among, in specific measures or targets or KPIs, so we are among the world's best 8% of the companies, not only media companies, but among all companies in the world. It's here, the supplier engagement leaderboard and rank. So, that's it, so briefly strategy proceeding well according to the plan. OviPro launched, that's part of the investment in the housing and premises services. It's a high-quality service for the professionals in order for them to maneuver in the advanced platform as good as possible. We just launched Baana, which is a competitor to AutoVex. If that helps you to understand what we do, that's the new digital used car auction service. It's the best in the market, by the way. And we have had the soft launch and the exact or the real launch will happen by the end of this month or starts by the end of this month. These new initiatives that we have on the housing businesses, it's a new service to digitalise the rental process. So, the idea is of course here as well that you can do everything in renting up your property in our advanced platform. So, you don't need to go out of the platform, but you can do everything there, including the payments and so on. We have told you about the divestments of Rantapallo and the acquisition of Tunnistetieto. Briefly the first quarter performance. Thank you.

The outlook is here before you – or while you think about your questions, we have said that we are confident with the outlook that we gave even the beginning of the year is difficult. We are confident to reach the last year's revenue level or at least are very close to that. Thank you very much. Any questions?

....

QUESTION AND ANSWER SECTION Sanna Perälä Analyst, Nordea Bank Abp Q Hi, Sanna Perälä from Nordea. I have a few questions regarding the operational outlook and – or starting with a question regarding Q1 actually, how much of Career's lower EBIT in Q1 was a result of salaries, salary inflation? And how should we look at the cost development this year in Career specifically?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A So the inflation of Career costs is, of course, from or the cost increase came from product development and partly from the Career United extra cost that we have there. But product development, ICT development, salary increases and inflation and especially marketing, increased marketing compared to the last year. And as I tried to explain you, while the visitor base is growing and the visitor – amount of visitors in the Career platform is increasing, we are able to decrease the investments in marketing and that's what we are doing at the moment. So, the answer is that the level of cost or the growth of cost will stop or the cost will decline in a specific area. So, we are quite confident that we are on the way with mitigating the cost increases in Alma Career at the moment. So, Vesa-Pekka Kirsi, the head of the Alma Career, is here. So if you really want to ask some more detailed question about that, you can post a question. But this is the big picture. So, we have started the cost reduction processes and initiatives in Alma Career and that will be seen by the later part of the year. Yeah. So, like to summarize, we won't see the same cost increase rate that we have seen in Alma Career or any other segments.

....

Sanna Perälä Analyst, Nordea Bank Abp Q Okay. Thank you. That clarifies. And then regarding Career's revenue growth, on the back of tough comps, it's natural that the growth has been moderating. How should we look at the rest of the year? Is the growth expected to accelerate or moderate even more?

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A That's a very good question, but we don't have an exact answer for that because that depends very much on the overall development of the economies, of course, and the sentiment in the market and so on. The current situation is that our sales organization and the sales are performing pretty well. So, we are selling quite well at the moment, so the customers are buying the services, but they are not using the services as we have hoped, if you understand what I mean. So we have this kind of good inventory level in the businesses. So, the good sales turns into revenues when the customers are using the services. So, when they are using the credits that we have sold them, then that turns to revenues and now they are cautious. With the geopolitical situation, of course, everybody waits for or the situation to clear a little bit, the uncertainty to settle a bit and so on. So, that is the biggest, biggest issue. The services are performing extremely well, but the best estimate at the moment is that we will see a slight increase in the sales and the revenues, but to see a bigger jump upwards, the market has to change. So the overall economy has to change in that – that's my view. And Vesa-Pekka, do you have a better view on that or not? But this seem to be the big, big picture.

....

Vesa-Pekka Kirsi Senior Vice President, Head of Alma Career A Kai, I think you put it quite well. So, just to quickly close, the market is cautious, as Kai has been saying. We saw that cautiousness already last quarter last year and continuing this the first quarter. At the same time, it seems also that the markets are getting used to the situation in the geopolitical now and there's also positivity in the market that we didn't expect to see yet. For instance, the Baltic States in March performed well against our expectations and that was because of the positive market marker. So, it's quite hard to say when does the market turn and how positive, but we expect now that the second half will be much better than the first one.

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Yeah, I would say that in many markets like in recruitment, in houses and premises and as well in mobility services, there's this kind of pending demand under the surface which just waits for bursting up as we know, there's a huge demand of houses and premises there. The basic need is there still and as well for the mobility services, the basic need to change to cars and other vehicles as well. But this uncertainty about the circumstances and environment is the problem, of course, for this, yeah.

....

Sanna Perälä Analyst, Nordea Bank Abp Q Okay. Thank you for the clarification. And one more. Regarding the advertising sales, you mentioned that you expect the market or well, yeah, the market to rebound in H2. Would it be justified to expect advertising sales to grow year-on-year in H2?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Yeah, we had difficulties in advertising in Finland already last year in the second half of the year. So, in relation to that, we expect market to grow. Yeah, that's true.

....

Sanna Perälä Analyst, Nordea Bank Abp Q Yes. Thanks. That's all from me.

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q Hi. Pia Rosqvist from Carnegie. In difficult markets, a good player takes market share. So, can you give us your reflections on the segments and the divisions where you are taking market shares or maybe also some comments on the segments where you are in a weaker position?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A That's a tough question. We haven't disclosed that specific information so far, but there are differences, of course. So, we have performed very well in different areas. The overall view is that we have lost market share only in

Finnish advertising, common advertising, and that comes mostly from the programmatic advertising where we are market leader in Finland. And that's really difficult to estimate what happens with that and how to mitigate the loss. The directors are in good hands and we have performed pretty, pretty good there. So, I haven't heard any segment where we have had lost market share, like shown here, like in the houses or premises market or mobility market, the market has gone down much more than the revenues or the usage of our services, which tells us that we haven't had problem with this. The only thing where we might loss, maybe not in the first quarter, but during last year is the Finnish recruitment business. So, there we haven't succeed in the Finnish recruitment service [indiscernible] (00:49:52), even though the service performs in the KPIs with other revenues and the profitability pretty well. But that might be something where we haven't succeeded as expected. But in all other places, I would say that we have been pretty, pretty good.

....

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q Thank you. Then you mentioned new initiatives to safeguard profitability. Can you give some concrete examples on what you are doing in the different divisions?

....

Kai Telanne President, Chief Executive Officer , Alma Media Oyj A Yeah. We have an exact plan always as we behave in this kind of situation. We have, in the first place, we do scenarios for different kind of environmental challenges. And then we make plans for these scenarios and then when we see that the environment is going to change, we just choose that we do this or this or this. And it's a bit different way in different segments, depending on where they are, what the plans are and so on. But some example, for example, marketing is one. So, like in Career segment where we have had difficulties with the visitor base, we have put a lot of money on the marketing to mitigate the loss of visitors like customers, employees in the service. And when the situation changes in the market and the traffic increases in the service, we can take the money back. So, we withdraw the investment in marketing more or less. Not all, of course, but we take quite a lot of that. Then we have tech costs that we can take out. We have purchases from outside of the company to take out and so on. So, we do a lot of different kind of moving costs out from the plan in different segments, but we don't spoil the future, so we don't do these kind of initiatives that might destroy our future competitiveness, anything else. And that means a million wise cost savings in different segments altogether. That's why we are pretty confident that whilst they are on the way in every segment and in all the all the corporate level services as well that we can achieve, even the first part of the year is difficult, we can achieve the profitability according to the outlook.

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q Thank you. And with paper printing and distribution costs, are there anything specific new ongoing there?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Yeah, we have new agreement, so that's a very good question. So, the printing cost, delivery costs and of course, the paper costs inside the printing cost they are increasing heavily, as we have heard, as you maybe heard from the colleagues of ours, who are more print related, they have huge difficulties with this. We are not that dependent on that. But still, the print-related costs are increasing heavily and we have initiated and started new initiatives, meaning new agreements with the printing partners and delivery partners to mitigate the costs. So we are quite successful and happy with the new agreement relative to the market develop and that will decrease or at least the new initiatives will mitigate the increase of the print-related cost of Alma Media. That is the case and that of course affects Consumer and Talent.

....

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q Still a couple of questions. On Alma Talent, the recurring revenues you are working or prioritizing, improving or growing the recurring revenue. So – and you are successful now in Q1, what's the reason behind this in particular?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Like this law-related data services, which are performing really well and commercial premises related services, the market is develop, like the need for this are like countercyclical services sometimes, like the law-related services are counter-cyclical services. And that's one of the reason. Of course, the good services and the way we have organized to develop and sell the services on a new way with a new effort is, of course, the reason. So, it's partly a good demand in the market, an increase in demand and the other part is the good performance of the organization and of course the focus. So, we have more, shifted focus more on developing the servicing and building the business, which is half of the Talent business at the moment. Just to remind you, it's really important for us and it brings half of the profitability as well.

....

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q So, to conclude, you would say that the market is growing as well, but you are still growing faster than the market?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A No, it's difficult to say because you don't – you can't find the market figures. Nobody collects them, but if the part of recurring revenues grows 20%, I really don't know how the market develops.

....

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Yeah.

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A It doesn't matter actually.

....

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q Thank you. And then a final question regarding the financial expenses for Q1. Are they representative for the full year?

....

Juha Nuutinen Chief Financial Officer, Alma Media Oyj A Yeah, pretty much they are. They are – the €300,000 or €400,000 currency losses in the first quarter, but excluding that, then the other one are pretty much the same what we have during the whole year. The interest cost has increased from last year, clearly. Yeah. Yeah, they are pretty much in line except this currency losses, €300,000, €400,000.

....

Pia Rosqvist-Heinsalmi Analyst, Carnegie Investment Bank AB (Finland) Q Thank you.

....

Sami Sarkamies Analyst, Danske Bank Q Okay. Hi. Two questions. Sami Sarkamies from Danske Bank. Looking at the business momentum that could be measured with revenue development, it seems safe to assume that things will still get worse during the second quarter. Are you seeing any positive signs regarding the second half?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Actually, so, we are ready for the decline during the second quarter as well, so we were quite pessimistic after the first two months. But now the March was better. It was more or less on par with last year. So, there are signs of recovery and the positivity in the market with the customers more or less, I would expect like the consumer goods business and retail business in Finland would be pretty good in March. But then on the other hand, it's really difficult to say how the geopolitical situation develops and what is really going to happen. It depends very much on the view and the changes in the inflation. Is it really going down? What is happening with the market interest rates? Have we seen the jump in the interest rates? And if we have, then the consumer confidence will increase. They will increase and that will affect on the consumption and advertising and car sales and premises sales and whatever. So, this is a combination of this. But they are signs of recovery or they are signs of slowing down the decline, let's say that is maybe because the second quarter was still pretty good last year. We had record high first half, we have to remember that from last year.

....

Sami Sarkamies Analyst, Danske Bank Q Okay. And then if we think about the second half, you're expecting stronger development, then how much of that is driven by easier comparables and how much by recovery?

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A The comparables are easier. Of course, that will be seen. And then of course, the cost initiatives that we have will be in effect during the first month. And we are talking about several millions in Alma's case. So, that will be the – so we are not counting on a jump in the market like the high jump. That's not fair. So, we have to do the business or the work by ourselves and that means the cost reductions compared to the last year. Definitely.

....

Sami Sarkamies Analyst, Danske Bank Q Yeah. Thanks.

....

Elina Kukkonen Senior Vice President-Communications & Brand, Alma Media Oyj A Any more questions from onsite? If not, then we move on to the online questions, please.

....

Q Online questions. We so far have only one from Maria Wikström, Skandinaviska Enskilda Banken. Looking at geographical trends in Career division, the growth rates in Czech Republic and Slovakia is coming down. Is this broadly across industries? Do you still forecast growth for full year 2023?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Okay. Yeah. There are differences between the industries, so – but the big picture is that the big customers are still employing and in our case in Central Europe, the big customers, big customers, meaning car industry, for example, of course, and this kind of heavy industry in that sense. And the small customers are cautious, especially in the North, but also in the Central Europe. So, the smaller enterprise, the more cautious it is. So, they have slowed down or stopped their employments and the big customers have continued. The big customers have continued to buy the services as well. So, the increase in invoicing comes from the biggest customers or the big relationships that we have. But then on the other hand, it's difficult to say, maybe Vesa-Pekka knows better, but I haven't heard that there are that big differences between different industries in that sense, but the size of the company is meaningful. And then the other question was, how do we see the end of the year? It seems we are confident that the sales will increase still, but then it remains to be seen how the revenue development continues because we don't know how the companies are going to use the services, use the credits that we are selling. So, that remains to be seen. But as we might remember, even the end of the year, the revenue development of ours was quite okay-ish. It was slowing down, but it was quite okay-ish on Career segment as well.

....

Q Continuing with the same question actually: “In Finland and Baltics, how has the negative trend developed over the quarter or has there been any changes during the quarter? And the final part of the question is that the same question also for Czech and Slovakia, what has been the trend during the quarter?”

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Maybe Vesa-Pekka, you can answer this question if you have any answer for this?

....

Vesa-Pekka Kirsi Senior Vice President, Head of Alma Career, Alma Media Oyj A Well, it's – we could look on the numbers, but within the quarter, the countries specifically have been performing as we expected and as we planned in terms of sales. There has been more positive signs positive, more positive than we expected on the March as already commented and that gives – also the April has started well, giving an indication that perhaps the markets individually are turning more positive than we expected. But that's roughly the view.

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A

But it looks like the common sentiment has changed to a positive overall sentiment, meaning positive signs in advertising, positive signs in recruitment and others, but still remains to be seen how the change to numbers then becomes the numbers in the revenues

....

Q: This just came in from Maria also. Could you talk about wage inflation? You expect 2023 versus 2022, it must be quite different across geographies?

....

Kai Telanne President, Chief Executive Officer, Alma Media Oyj A Yeah. That's right. In the Central Europe, where the labor market has been tightest, the salary inflation has been highest and that will continue. But it will slow down, at least in our case, we don't expect the salaries to increase with the pace that they have increased so far. We have had, of course, pressure in those and that the more you come to the North, the less we expect salaries to increase. So, the current view in Finland would be around 3.5% salary increase, maybe 4% maximum. But around that and in Central Europe, a little bit more of that. But the inflation will decrease definitely. So, we don't have that kind of pressure because the overall inflation will decrease as well. And of course, when the labor market is up a little bit, there will be more room or at least less room for salary increases or the demand for salary increases in that kind of situation with will, of course, from employers point of view, that will help a little bit the pressure.

....

Kai Telanne: If you don't have any other questions, thank you very much.

