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# Alma Media Oyj (ALMA.FI)

Q3 2023 Earnings Call

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## 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 the Third Quarter of Alma Media 2023. My name is Elina Kukkonen, I'm responsible of the Communications & Brand of Alma.

As usual, we start with the presentations with our CEO, Mr. Kai Telanne, presenting the overall result of Alma Media and the performance by business segments. After Kai's presentation, we have our CFO, Mr. Juha Nuutinen, presenting the financial position of Alma. And then, Mr. Telanne will return about the strategy going forward, the outlook, and the operating environment.

And we welcome all the questions, so please use the chat function on the screen to present questions. And we take the questions from here from Alma premises. Our manager of IR and Communications, Mr. Teemu Salmi, will pick up the questions, and we answer them here.

I think with this quick introduction, we are ready to start, and welcome once again. And, Mr. Telanne, please, the stage is yours.

### Kai Telanne

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

Thank you, Elina, and good morning on my behalf as well. Welcome to the third quarter report presentation.

As disclosed, we had quite a solid performance during the third quarter despite the headwind that we have had in the market. We were more or less on par with the revenues and slightly increasing profitability. 6.2% increase in

the profitability. The share of the digital revenues went up from 82.3% to 83.9%, telling us the development of the transformation from print to digital going on in every especially publishing businesses.

We have a healthy situation with the financials, meaning the balance sheet going stronger with the gearing down to 72.7% and the equity ratio up to 46.1% with a good cash flow that we have had during the year. The revenue development was pretty similar in all business segments. I would say that quite flattish compared to the last year. And the profitability improvement came mainly from Alma Career mainly from Central, Eastern, and Southern Europe, backed up by Alma Talent good development in Finland and Sweden.

The digital business being flattish at the moment as we have had in Finland a declining advertising market, more than 3% to 5%, and speeding up during the second part of the year. The share of this digital revenue growth has been increasing, as I said before.

If we take a deeper dive into the business segment before I leave the floor to Juha, I start from Alma Career. Very nice profitability improvement due to a nice cost control or even savings in some parts of the costs. The labor demand has stayed on a high level, especially in Slovakia and Croatia, on a decently good level in Czech Republic as well. We have had difficulties in the market in the Baltics and in Finland. We have reduced some costs that we have had on a high level during the comparable period, meaning last year, especially on marketing. And due to this and some other cost savings, the profitability went nicely up.

The profit operating margin during the third quarter, 43.8%, of which we are extremely happy that we have been able to do this. And having the targets on a high level, this is a good start of reaching the long-term, high-level targets. Even the core recruitment services, demand has been slowing down in some markets. We have been able to mitigate the slowdown by increased sales of value-added services in the main markets. Yeah. This is the big picture of the recruitment business. We expect the European labor market to stay tight, meaning that our forecast for the rest of the year is on a positive side still, even there is increasing turbulence in the global environment.

This is the slide of the invoicing and revenue development showing that the invoicing, meaning sales in our case, has been reaching the revenue curve, meaning that the order book is increasing at the moment, which is, of course, a good sign for the rest of the year and for the beginning of the next year as well. So, there is light in the market showing up. The visitor base is okay. And the users with the job alert has been increasing, meaning that there are some redundancies seen in the markets and some easing up of some markets in the European arena.

Alma Consumer next, this is the Finnish part of the business, a combination of high-quality digital, media, mobility, classifieds, and other mobility services, as well as houses and premises and comparison and sharing services. The big picture here is that the ad market decline reflects to our sales heavily, especially on Ittalehti, but on in mobility and housing services declining the revenues. As we can see on the center of this slide, media service revenue went down more than 5%, but on the contrary, mobility and housing services mitigating that nicely.

But now we have seen that while the construction business is more or less closed down in Finland, the housing sales – the housing service sales in Alma also going down during the third quarter with 6.5%. So, we're suffering from a very weak market and, at the same time, having a quite heavy investments on houses, premises, and cars. Like this kind of software development investments, we're not able to keep the profitability level of last year but went slightly down.

Content sales, due to the increase in digital subscriptions in Ittalehti, went up by 7%. And there's also a good demand for comparison services, which is supporting the profitability, of course, of the segment. High demand for

journalism has continued as we know. There are lot of news, especially global news in place. And due to this, the Italehti Plus subscriptions went over 47,000 subscribers.

And lastly, Alma Talent, a B2B segment, is suffering from weak ad market in Finland. We haven't had any IPO advertising during the year. The car market is on the low side and so on. But the services are supporting the profitability with good development at this segment and also a very good cost control, so the profitability went up. That's a very good performance not to have a fall revenues more than from €22.1 million to €21.5 million in a very difficult market. Recurring revenue, one of the main KPIs of the segment, went up nicely, almost 24%. And that comes mainly from a good sales of company information and legal services that we have of high profitability as well.

So, this is the big picture, flattish development of revenues in all sectors and good cost control, leading to a nicely increased profitability. Now, I will leave the floor for Juha Nuutinen, our CFO, who will have his last interim report presentation in Alma. Floor is yours.

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## Juha Nuutinen

Chief Financial Officer, Alma Media Oyj

Thank you, Kai.

Let's look at first the financials. About the balance sheet issue, we have been quite stable balance sheet development during the last quarters. We reduced our net debt level with €8 million, and the gearing is, like I said, 73% at the moment. There was no big issues in this quarter actually. We reduced and paid back part of our loans from the financial institutions. And by that way, we get slightly lower net debt level than in mid-June.

Equity ratio, we have at 46%. And we will have a slightly higher equity towards year-end and slightly better financial position than the last year. No big transactions in this quarter actually.

Then about the investments and cash flow. This year and last, we have had pretty strong investments actually. Our CapEx, capital expenditure, have been at higher level than the average level. And during the last nine months, the CapEx level has been €7 million, and it will continue also in the fourth quarter as well. We are making bigger investments in our marketplace units in cars and housing sector. So, those investments continue also in the fourth quarter.

We have made acquisitions, €5 million during this year. So far, in August, we made pretty small acquisition actually in North Macedonia in Vrabotuvanje Online. We bought 70% of that recruitment portal. We already own 30% of that business. So, now the North Macedonian business is in entirely our own hands. This pretty small business, it's revenue level after year level is around €500,000. But still we make our stronger position in Balkan area overall with these kind of acquisitions.

Operating cash flow, we have €13 million in the third quarter. It was €4 million less than the last year. We have discussed this also in the previous quarters that last year was exceptionally high year from the cash flow point of view. We have strong cash flow because of customer prepayments with customer advance payments. And now, they are more using their advanced payments than last year, and that's why the working capital level is weaker than last year. And the effect of working capital change was €3 million actually from that change in this last quarter. So, that's the biggest effect there.

In the long run, I would say that the average cash flow level from operating cash flow is somewhere between last year and this year's level. So, that would be the average level overall. And then, naturally, we have paid also

higher taxes and higher interest costs, and their effect is around €1 million each in this last quarter. So, those are pretty much explanations from decreased cash flow.

Earnings per share was €0.19. There were no any major big one-off items in this quarters, only €300,000 concerning this North Macedonian business acquisition. And that's why this €0.19 pretty much shows quite clear earnings per share figure in overall. We have pretty high return on equity and return on investments revenues or profits, like you can see, 34% return on equity and 19% return on investments, and we are in a good position in that sense.

In this presentation, you can see the major one-off items, what we have had this year and last year. So, if you exclude those from the earnings per share figures, you can get more average figure overall concerning our performance in overall. All in all, that was pretty clear quarter, I would say.

Long-term financial targets, we have kept as they were. This year is a pretty tough year from the revenue target point of view. We are not reaching this 5% target this year, but hopefully next year and the years after that. At the moment, our revenue growth has been minus €1.4 million, so quite tough overall environment in advertising and also in housing sector and cars, so quite tough environment overall.

But concerning this operating margin, adjusted operating margin, we reached our target level, 25%, in this quarter. And now, we have nine month figures is at the level of what we have had set our targets. And I'm really pleased that our operational gearing has been stronger. And we lift the target around two years ago to be 25%, and now we have reached that.

Net debt-to-EBITDA ratio, our target is that we should have that ratio under 2.5, and now we are 1.7, so our financial position is quite stable and strong. And so, we are pretty happy in that situation. We don't need to change that net debt to EBITDA or our financial position largely. Hence, we are in a good situation from that KPI point of view.

That's for the financials this time. And like Kai said and you know that this is my last interim report, I would like to thank you all, you analysts here and all our shareholders and Alma Media, Kai especially, for the journey in which I have been on during these 11 years. These have been really good years for me, but also I think, good years for the company. Not bad, I would say. And we have done a great job and a lot of M&A transactions, a lot of changes in our processes, organisations, and everything what we can think. So, this has been great journey to me. Thank you all. And I'm really pleased also that we have found a new CFO also in-house. So, Taru Lehtinen will be the new CFO starting next quarter. And I hope you all luck and success also in this new position. Thank you.

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## Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Thank you very much, Juha. Quite a journey, more than 50 interim reports, more than 50 acquisitions or divestments. And what else? 11 years together. Thank you very much for that. So, you can be really proud of all that you have done here.

I continue briefly with the operating environment just to give you a glimpse of what we believe in what is happening here in the businesses. As we have said already before, we have our eye especially on these four main issues or challenges one might chase in the operating environment. Of course, the geopolitical turbulence is one of the main issues at the moment that has or is reflecting to many things like for the economies. Unfortunately, that seems to be continuing. There's no clear answer how to stop the aggression that is

happening in different places like in Ukraine and also nowadays in Israel and in many other places, reflecting to our businesses and confidence as well.

And, of course, the slowing economic or economies in eurozone especially. The economies have been decelerating, all operating countries of ours. It seems that the high inflation rate and interest rates have had a deeper, harder, bigger effect on consumer confidence and purchasing power than anticipated, I would say, or forecasted. So, this has been a little bit surprise for many how hard this has hit to the consumers, and the markets also where we are in. And, of course, in Finland, we had this kind of long-term or at least in all of the Europe this kind of long-term issue with the aging population and the issues that that will bring with it.

The change in consumer behavior is actually in favor of us or works in favor of us where we have chosen the digital transformation. So, we are heading to the right direction hand-in-hand with the consumers and with the companies as well. And the big question is that are we able to develop new, easy, time-saving and safe digital services that the consumers and the companies are needing? Of course, the corporate responsibility comes with that as well.

And lastly, the increase in regulation that we have had already with the digital services and with the amount of data that is used and needed, data privacy and consumer protection issues, more and more important that we have to take care of all those aspects. So, these are the four main issues or challenges we are taking care of.

It seems that the common understanding is that we have bottomed with the GDP or the GDP decreases in the eurozone. The European Commission, their newest forecast, are saying that the eurozone economies are growing to 0.8% this year, if I remember right, and 2.9% or 1.8% next year or something like that. And the inflation is decreasing from 5.6% this year on eurozone to 2.9%, meaning that there will be more purchasing power for the consumers. And the consumer confidence, with the decreasing inflation and stabilizing interest rates, should be developing favorably next year.

The unemployment rates seem to be stable, meaning that the European labor markets will be tight also in the future with the aging population and the high demand of skilled workforce. So, that's, more or less, a good sign for our businesses in the region of Europe and the business areas of ours.

The Finnish ad market is, of course, a question mark for us during the summer. The market seemed to be being better and developing favorably. But by the end of the third quarter, the market went again down, and we are on a very low level at the moment. Even the digital advertising started to decrease again during the third quarter, meaning that the main markets of ours are declining in Finland at the moment.

And as said before, we are suffering from this while we have a high market share in Finland. We are suffering from the market development not only in our publications like *Iltalehti*, *Kauppa-lehti* or other magazines, but also on the classified services like *Etuovi*, *Autotalli*, *Nettiauto*, and those where we have a remarkably share of digital advertising. So, that's been a question of ours. But we trust that this will change if the GDP development changes and the purchasing power of consumers changes.

A short update of two different and important markets of ours, meaning Finnish housing market, and then a Finnish mobility market. You have some information and details also from the recruitment businesses in our interim report. I don't have this here. But the big picture in Finnish housing business is really sad. As we know, the construction business is more or less closed down at the moment. On the left side of the slide, you can see, up left, trade volumes of houses and premises in Finland, used apartments, new apartments. Last year, used apartments 17.5% down and still going down while third quarter this year, 27.7% down. And even worse with the

new apartments, almost 50% down last year, and from that, 60% down this year, meaning that there's no new apartment construction or sales at the moment in Finland.

We've been performing pretty well in these circumstances still. While the volumes in our housing marketplaces or rental housing marketplace has been quite good compared to the market. They are active listings, positive third quarter. The demand/searches are down because of the low volume of the sales in the market. But on Vuokraovi, which is the rental housing marketplace, the high demand, high activity there and good profitability as well.

There's highlighted on the center of the slide, the Real Estate Confederation saying that the Finnish housing trade this year looks weaker than during the financial crisis 2008 and 2009. That's something we have to have in mind, which is quite sad. So, there's still like this kind of buyer's market. The medium marketing time for the houses extended from 63 to 96 days. So, that's it. So, in order to change the situation or see the increase of the market, we need the inflation stabilising or coming down and the interest rates stabilising. Otherwise, that won't happen.

And then, the mobility update. New car sales picking up. Most of this comes from last year's sales, I would say. This is because of the high delivery times of the new car. So, the registration seem to be picking up, but the sales are on a very low level, 14% below the long-term average. The volumes in our services are on a decent level, I would say, even on a good level. Sold cars totalling 5% – more than 5% up during the third quarter and the market value also, meaning that there are more expensive cars sold in the marketplace. Sales up in all price categories, I would say.

How do we then go further? We have had the target to be the number one player in all the businesses that we are in. As said before, the winner takes it all, as ABBA says it. We are continuing with the strategy that we have in place. We are going to transform the current digital core, even the digital core businesses to advanced platforms, towards new revenue sources, maximising the synergies that we have in the company. The core and the focus is, of course, on growing in digital, more or less, developing and expanding in value chains to new business areas with synergy benefits.

To clarify or to simplify this, it means like moving from current advertising business to transactional businesses with new revenue sources. And, of course, we try to continue with internationalising the business with new geographies or to grow with current geographies with new services.

From now on, we are talking about three business areas or three development areas, I would say, in our case; advanced marketplace platforms, intelligent information platforms, and inspiring media platforms. This is how we describe this developed areas inside the company and creating synergies with the audiences that we can deliver between the services, the common data, and the huge amount of data with the newest technology like AI and, of course, common sales that we use here to serve all the businesses and segments.

And during the coming interim reports and presentations, you will hear more about this step by step, so that you get light on the strategy developed, how we are moving on and developing these services, and what are the results of the development of this.

We are well on track. We have a lot of initiatives already in place, and some of them we have already disclosed like Baana, which is the auction service for cars to dealers and many, many others. But the core idea is to move from advertising to transactions. We are not leaving the advertising business because this is the core of our business and the company, but to new revenue sources like financing the transaction or other services as well. And we try to develop or we are developing this kind of end-to-end solutions for the consumers and the businesses to serve the customers in a digital advanced platforms for benefits of all stakeholders.



Just a reminder of the Otava's tender offer that we got during the summer. As a conclusion, on July, 5th of July, the board did their job, evaluated the tender offer, and then disclosed their view saying that they deemed that the offer price that Otava gave with the tender offer must be considered low from the perspective of the shareholders of Alma Media. And that seemed to be the case from the shareholders' point of view as well. With this tender offer, Otava's ownership rose from 29.18% to 31.18%, meaning 2 percentage points. That's just a reminder of what has happened.

This is our outlook. We repeat the outlook that we have disclosed earlier. We expect our full-year revenue and adjusted operating profit of this year to remain at last year's level or decrease from last year's level. And there's the description of the last year's figures as well. This is the current view.

We are pretty well on track fulfilling the outlook as well. So, as the CEO, I'm quite confident that we will do it. We'll do the job.

Okay. Thank you very much. That was the presentation. And if you have any questions, I and the management team members here, we are ready to answer your questions, so please.

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## QUESTION AND ANSWER SECTION

**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

Hello. It's Pia from Carnegie. Impressive results in this difficult market, so congratulations for that.

**Kai Telanne**

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

A

Thank you.

**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

I come back to your outlook and guidance for this year. So, what's the rationale behind the guidance since you left kind of the lower end unchanged despite the very strong performance in the third quarter?

**Kai Telanne**

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

A

No. Yeah. The turbulence in the market, it's really, really difficult to forecast anything. As we have seen that like with the advertising sales, the billing of every month has been really good, and the last part of the month has been really bad. So, it's really difficult to estimate that how this month, third quarter, is going to end up, and the visibility is very short and blurry. So, that is the main reason. We are pretty confident with our own initiatives, but the market is really difficult. I don't know. It's just hard to forecast.

But as said, we are well on track at the moment and quite confident that we are there and we'll be there. Of course, if we have to change the outlook, we will do that immediately. Hopefully, the market will support us. At the moment, we see only headwind ahead of us. No tailwind seeing or slight, yeah, the slight positive signals, but not the big ones to change the outlook.



**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

Thank you. Then to Alma Career, the cost level you have been very prudent in managing your costs for sales and marketing. Would you describe the current cost level as sustainable or representative or is this representative in this market? And if the market changes the cost level, the increase will follow.

**Kai Telanne**

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

A

So, we like maneuvering the engine carefully, having the eye on the market and the customers all the time. So, if the market changes and there will be like this kind of tailwind, more demand to take care of, of course that is the situation that you can increase your marketing efforts, sales efforts. And maybe in that kind of situation, the cost will increase hand-in-hand with the development, the market development. But without that, without the change in the market, I would say we aim to keep the cost level as is as far as possible.

But, of course, there are cost inflation in the Europe, all over the places. So, we can't avoid the cost inflation. So, we have to have this kind of cost initiatives in the group. Vesa-Pekka Kirsi, who's heading the segment, has been really, really tough with the cost. And as mentioned before, we have this Career United program and process with the process development and with the consolidation of different part of the businesses, meaning that we should be more cost-effective in the future with the business while we are sharing the common parts of the engine, so to say. And we have high expectations.

So, the expectation for the Career segment is to be more profitable than we are today than less profitable, meaning that we have a lot to do but well on track. Vesa-Pekka's team has been doing extremely good job, and we will see the results during the coming years.

**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

Thank you. And if I can continue on the Career, what is going on in the Baltics? Are you losing market share or has the market just become more difficult?

**Kai Telanne**

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

A

No, not really. The markets are becoming more difficult like in Finland. I would say that, in Finland, we have lost market share. In Baltic countries, there are three different markets in the Baltics, Latvia, Lithuania, and Estonia, and we have had difficulties in Lithuania. We have a strong competition in Lithuania. And there we have – I think we have lost market share there. But in these two other countries, we haven't. So, that is the case more or less. And the economies are suffering like in Baltic countries and especially in Finland. This is the picture of the countries, more or less, the labor market, and the recruitment business has been reflected by the poor development of these northern countries.

**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

Right. Thank you. I'll go back into the questions queue.

**Kai Telanne**

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

A

Okay.

**Petri Gostowski**

*Analyst, Inderes Oyj (Research Firm)*

Q

Petri Gostowski from Inderes. Continuing with Career, can you give some more color on the value-added services that grew in Career? Which services was this?

**Kai Telanne**

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

A

Yeah. Can we have – maybe, Vesa-Pekka, if you want to continue with the value-added services. We have many of those there. Yeah.

**Vesa-Pekka Kirsi**

*Senior Vice President, Alma Career, Alma Media Oyj*

A

Just to quickly and briefly, the value-added services, we have those in the areas of recruitment consultancy, in the area of education, and then employment branding, and then several other supporting services for the main Career business. And the growth at the moment, event business, which we are actively doing in Slovakia, Czechia, and Croatia, event, so meaning HR events. People are coming to a event that we organize, that's been a growing thing since COVID-19, especially successful this year.

In addition to that, we are flying still with the education services and employment branding services where companies, in addition to buying advertising, are buying additional services to support them as desirable employer. So, the employment branding service we see as one of the growth sectors in addition to normal ad sales.

**Petri Gostowski**

*Analyst, Inderes Oyj (Research Firm)*

Q

Sure. Thank you. Then continuing with Career and on the invoicing. You showed how it's developed lately. How should we read this into the beginning of next year? Is flattish expectations correct for H1 2024?

**Kai Telanne**

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

A

Yeah. Yeah. Very good questions. So, like the visibility is quite low at the moment, but the big picture would be like this roughly. Vesa-Pekka, you can back up. But we have had – or we have lagged behind during the second quarter with the sales and invoicing compared to the last year, meaning that we are waiting for difficulties in the beginning of the year with the revenues. But now we are picking up with the sales and the invoicing during the third quarter and hopefully during the fourth quarter as well.

So, the dip might be quite short or not too deep, I would say, in the beginning of the year. Otherwise, if the whole year invoicing has been lagging behind last year, we would have difficulties in reaching the revenues, at least the volumes in the beginning of next year. So, we have a decently good expectations also for the coming years. But, of course, you never know what happens outside of Alma with the turbulence and the situation. But now it seems that we can do the plans with these expectations at the moment pretty well.

**Petri Gostowski**

*Analyst, Inderes Oyj (Research Firm)*

Q

Thank you. Then on the housing market, we had recently a taxation change in Finland. Do you expect this to have any impact on the short-term volumes?

**Kai Telanne**

President, Chief Executive Officer & Chairman, Alma Media Oyj

A

Not in big terms. I would say, minor changes wouldn't affect that much on the markets. I'm expecting more changes or things happening with the increase in purchasing power like the inflation going down and the interest rates stabilising. That would be a good sign.

**Petri Gostowski**

Analyst, Inderes Oyj (Research Firm)

Q

Thank you very much.

**Kai Telanne**

President, Chief Executive Officer & Chairman, Alma Media Oyj

A

Thank you.

**Teemu Salmi**

Manager-Investor Relations & Communications, Alma Media Oyj

A

Then moving on to the online questions. Sanna Perälä from Nordea Markets is commenting. First of all, congratulations on the once again great result in a difficult environment. And the question is here. Regarding the labor market, which seems to be very uncertain at the moment, how do you see it developing next year, more upbeat or more negative amid the recessionary environment?

**Kai Telanne**

President, Chief Executive Officer & Chairman, Alma Media Oyj

A

We don't have the newest European Commission forecasts, unfortunately not yet. I think they disclose it in November or late November. So, we will give it to you. But, in May, the view was that there won't be big changes in the labour market, meaning the unemployment rates increasing heavily or something like that. The market is quite stable. And especially on the market where we are in, meaning skilled labour force like the white-collar market, the demand remains on a high level, meaning that we have quite a good basis for the plans and good development. And the problems are coming from the other markets more or less like in Finland from the construction industry and those. So, the quick answer is that labour market in the eurozone remains quite tight.

**Teemu Salmi**

Manager-Investor Relations & Communications, Alma Media Oyj

A

Thank you. And then Maria Wikström from SEB. If you look at the invoicing in recruitment, should we see a stable development also in H1 2024? Earlier you had said that if invoicing continues at this level, you will see a sales decline in 2024.

**Kai Telanne**

President, Chief Executive Officer & Chairman, Alma Media Oyj

A

Yeah. That's been the view. As said already before, we have been lagging behind with the invoicing during the first part of the year, especially during the second quarter in the year. Now, the invoicing, the sales has been picking up, meaning that there might be a positive surprise to the development.

So, the old view was that if we are lagging behind during the second half of the year with the invoicing, we will see difficulties or we are lagging behind with the revenues during the first half of the next year. So, one might see or keep the invoicing or the invoicing level of ours as an order book more or less. And that especially from the central of Career, meaning from the Czech Republic especially. So, the expectations have – becoming a little bit more positive than negative during the last months.

**Teemu Salmi**

*Manager-Investor Relations & Communications, Alma Media Oyj*

A

Thank you. And Maria's second question is about advertising. There was an article in the Finnish press that big US players, Google and Meta, has been discounting prices for online advertising in Finland in order to win share. Could you describe how do you see the online advertising space in Finland, and what is the outlook for pricing?

**Kai Telanne**

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

A

Yeah. There's a tight competition and that is true. The big players, they are decreasing prices, so we are competing heavily with them. We try to keep the price level as is because there's a high inflation going on all over the place. We haven't decreased prices, so we don't see any reasons for that. But we try to increase the quality of the services. We have had increasing reach of our media, so there's no need or no sense to decrease the prices.

But that's true, the market is difficult because the decrease in volumes and the decrease in prices. The price decrease has come also or might say mainly from the programmatic advertising, which is also reflecting to our revenues because we have a high share of the Finnish programmatic advertising, and we're suffering from that, of course.

**Teemu Salmi**

*Manager-Investor Relations & Communications, Alma Media Oyj*

A

Well, the online community has no further questions.

**Kai Telanne**

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

A

All right. Thank you.

**Elina Kukkonen**

*Senior Vice President-Communications & Brand, Alma Media Oyj*

A

Do we have any questions from here? Pia or Petri, you want to continue?

**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

Yeah. Hi. It's Pia again. If I can continue. Yeah. I had a question regarding Alma Talent where you now talk about the business premises market, which has performed well. And do you say it's becoming a second cornerstone in scalable digital services? Please share what's going on in this market since the overall housing market is so difficult.

**Kai Telanne**

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

A

Okay. Now we have a really good chance to have the best knowledge in place because here we have the woman in charge of the service, but Taru Lehtinen, our new CFO. So, Taru, you can educate us about the commercial property business a little bit, please.

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**Taru Lehtinen**

*Business Director & Head-Alma Talent Services, Alma Media Oyj*

A

Okay, just shortly. The business is operating a little bit different way than the housing segment. And so, the commercial properties, the vacancy rate actually is growing in a quite high levels at the moment. And that's, of course, like showing quite good result in our business in that sense. So, that's probably the main reason behind this development at the moment.

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**Kai Telanne**

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

A

So, we have had – in our commercial property business, we have had during the last years, during this strategy period, average growth rate, revenue growth rate of 13%, 13%, being the market leader in Sweden and Finland on a decently good profitability level. And there's also a very good initiatives in place. So, we are combining or creating this kind of Nordic level platform for commercial properties. And there's a clear need for this kind of service and platform in the Nordic level. Really interesting. And that's why we say that there will be a second leg or third leg or good basis for the other initiatives as well.

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**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

I have one final question. In the report, you referred to this interest rate derivative agreement signed in 2021. It's a four-year fixed agreement, fixed interest rate agreement. But could you please add some clarity? What should I understand from the fact that it's starting I think in December 2023? What does it mean in practice?

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**Juha Nuutinen**

*Chief Financial Officer, Alma Media Oyj*

A

Yeah. If I comment that. We made two derivative agreement where it starts after two years and then takes four years with a fixed interest rate. So, now it starts in December this year and takes four years, and the interest rate is close to zero actually and nominal value is €50 million. So, we get the fixed interest rate with 0% actually for that amount for the next four years. But from the accounting point of view, we will book that fair value change immediately when the interest rates are growing up. So, we have booked actually the fair value in accounting during this year and last year. But the cash flow starts now in December this year and takes four years.

So, from the cash flow point of view, we will get the results during the next four years. But from the accounting point of view, we have booked the fair value already this year and last year in our results. And the fair value is approximately €6 million positive at the moment. So, we will have actually €1.5 million positive cash flow per year starting next year.

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**Pia Rosqvist-Heinsalmi**

*Analyst, Carnegie Investment Bank AB (Finland)*

Q

Good. That's clear. Thank you.

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**Kai Telanne**

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

A

That's clear. A very good job with this and good timing, I would say.

Any other questions? In that case, I thank you very much for your attention. And as set here, next we will meet you on Friday, the 16th. We have the financial statement and then report on Friday, 15th March. And that will be the first report of Taru.

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