

Transcript > Alma Media Oyj, Q4 2023 Earnings Call, 16-February-2024 11am-noon

Participants

Elina Kukkonen

Senior Vice President-Communications & Brand, Alma Media Oyj

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

[Nikko Ruokangas](#)

Analyst, Skandinaviska Enskilda Banken AB (Finland)

[Petri Gostowski](#)

Analyst, Inderes Oyj (Research Firm)

Santtu Elsinen

Senior Vice President-Alma Consumer, Alma Media Oyj

Teemu Salmi

Director, Investor Relations, Alma Media Oyj

Juha-Petri Loimovuori

Chief Executive Officer-Alma Talent, Alma Media Oyj

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 Fourth Quarter and Full Year 2023. My name is Elina Kukkonen. I'm responsible of the Communications & Brand of Alma. We'll begin with the presentation shortly. And first to go onstage will be our CEO, Mr. Telanne. He will present the overall result of Alma Media 2023 and also highlight the performance of each business segment. After Kai's introduction, our new CFO, Mrs. Taru Lehtinen, will step onstage, and she will present the financials of Alma Media today. And then Mr. Telanne continues about the strategy, outlook, the operating environments, and also gives the rationale for the structural change of Alma Media's business segments announced earlier this morning.

And then we close with the Q&A session, and don't hesitate to ask any questions. Questions are more than welcome. We are happy to answer. We will first take the questions from here at Alma premises and then our Investor Relations Director, Mr. Teemu Salmi, will pick up the questions from online.

I think with this short introduction, we're quite ready to start. And once again, welcome on my behalf. And Mr. Telanne, the stage is yours.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Thank you, Elina. Good morning, everybody, and welcome to this interim report presentation on my behalf as well. As disclosed early in the morning, we had quite a good journey last year. The profitability improved after a heavy work with the costs. Adjusted operating profit for the full year ended up at last year's record high level. As we have learned early in the beginning of last year, the operational environment has been quite difficult for many years right now. It's been really, really difficult to get any kind of growth, especially organic growth, meaning that if you really want to mitigate the difficulties and defend the profitability, you have to be very careful with the costs. And that's what we've been doing during the whole year. We have always had two different kind of plans in place: Plan A and Plan B. And if the market doesn't develop as favorably as expected, we start to apply the Plan B as we did just last year.

Revenues were, during the last quarter, on the same level as we had 2022. But the operating profit improved almost 10% due to the cost initiatives that we have had all over the organization, meaning, in every segment that we have been very careful with the costs. Adjusted operating profit ended up to €16.7 million with a nice 21.5% margin during the fourth quarter last year. And for the full year, we were on a par of the comparable year, €73.6 million EBIT, 24.1% of the revenues.

Digital share of the business has been improving as expected. That comes from the decline of the print and the small, a little bit slowish increase in digital revenues ending up to 82.4% of total revenue for the full year. Balance sheet is developing nicely and as expected with a good cash flow, with a good profitability. Our CFO, Taru, will tell you more about the balance sheet and the financials after my presentation. She will give a deep dive into the numbers.

Gearing down to 65.4%, and equity ratio up to 46.1%, meaning that we have plenty of room for future investments into the digital businesses that we aim at.

As said, a flattish revenue development for the last quarter of last year as well as for the full year 2023. The development of Central Eastern Europe has slowed in terms of the growth. And the Finnish unfavorable market condition has continued. We have suffered from the poorest advertising market in Finland in all Finnish businesses, meaning that the media assets have suffered from that and as well as the classified services of ours, meaning houses and premises, and cars especially.

With good cost measures, the Alma Career profitability increased during the last quarter, €1.5 million as well as in Alma Talent. We will have a closer look at those. Unfortunately, in Alma Consumer, we suffered from the very depressing ad market and our own investments, initiatives in product and technology development, pressing the profitability a little bit. But anyway, a nice growth from €15.2 million to €16.7 million of EBIT during the last quarter. 82% digital revenue share of the business at the moment, which has been more or less the target of ours during this kind of environment and year.

Let's have a short look at the segments and the different businesses. Starting from Alma Career, which is the biggest segment of ours driving the profitability of the company. In Slovakia and Croatia, the good growth has continued with the good dynamics of the markets. In Croatia, of course, the travelling industry's driving the business. And in Croatia, other businesses – in Slovakia, other businesses as well. In the biggest market of ours, the growth has slowed down. Actually, during the last quarter, we have been slightly – on revenue side, slightly negative comparable development, 2.3%. But on a high profitability level still. There are big differences between the countries now, and the most difficulties we have had in Finland and Baltic countries where the labor markets are on a very low level. In Finland, the market is about more than 30% negative during the year.

We have been able to defend the profitability in the segment by reducing the costs, especially on the marketing and personnel side and sales side and by selling adjacent services around the core classified career – classified business. During the fourth quarter, revenue on comparison level, profit up by 18.2%. And finally, for the full year, profitability at the record high level, which I think was a really good achievement for the segment.

Invoicing has been slowing down during the year. The leveling down of the revenues is caused with the calming down of the invoicing during the second and third quarter in the Central Eastern Europe. As you can see from the slide, the purple curve here is the invoicing curve. It is below the revenue curve in the – during the middle of the year. And due to this, we haven't been able to increase the revenues. Now, the invoicing is closing to the revenue curve so that will be a good sign for us for the future as well. But we expect that there won't be very big changes up or down in the beginning of the year. But we wait for the markets to pick up during the second half of the year. That's the overall forecast of ours and the European Commission as well.

In Finland, the Alma Consumer market has been two-sided, you could say. For the media, as you can see from the middle of this slide, media and ad-financed services, the revenues went down during the last quarter, 9%. That comes from the poor advertising sales in the market. Mobility services like Nettiauto and others, they have been quite stable. And then the poor development in houses and premises has also affected our businesses. So, we lost 7.5% of the revenues compared to the 2022. But on the other hand, comparison and sharing economy services growing nicely on a high profitability. But we have a lot of investments here.

As said before and disclosed before, we have a lot of tech development in place and related extra costs. And due to these, the profitability has been going down from comparable years, €2.5 million to last year's €11.2 million. As said, the digital ratio going up 83.5% during last year. So, we have quite a small portion of the business in print businesses or print-related businesses anymore. And the weight of and the share of the profitability is quite small. There's still a high demand of news because of happenings in the environment, and we had a very positive development with IL Plus subscriptions during the year. The current rate is about 52,000 subscribers of those and growing.

And finally, Alma Talent, extremely good year. Adjusted operating profit up more than 15% during the last quarter and a very good development in services. So, we were able to mitigate the decline in print and advertising by good performance in services and, of course, a very good cost control inside the segment. Healthy margin of 22.8% during the last quarter and a nice development for the full year. More than 60% of this segment's revenue is from digital services. As said, the service has been the driver more or less here. And recurring revenues which has been one of the main KPIs for us, nicely up by 19% during the last quarter, but 20% during the full year. These are mainly the company information and legal services that we have put on the market. And especially the high growth on a very high profitability also in the business premises, marketplaces in Finland, but particularly in Sweden where we are the market leader as well as we are in Finland.

So, this was a dive into the businesses. And soon I give the floor to our CFO, Taru, who will go deeper into the balance sheet issues. But before this, we decided to acquire the share capital of the automotive industry software company, Netwheels, which is a nice add-on to our current businesses during the – inside the motor businesses, Nettiauto and others. It's a service to corporate customers. It provides a software on a SaaS basis for the automotive industry. A lot of data around cars and other vehicles that the industry uses. The revenue of that company is about €8 million, and that will be an add-on to our current revenues and profitability.

Briefly, a very good year in these circumstances. And now, Taru, you can continue with the financials. The floor is yours.

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

Thank you, Kai. And hello, everyone, and welcome to our analyst info also on my behalf. It's my pleasure to give you an overview of Alma Media's financial position for the first time as a CFO.

I will begin by discussing our long-term targets. The year 2023 was challenging for our revenue growth target due to the market headwinds. Despite these difficulties in the market, we were able to keep the strong baseline for revenue following the strong performance in previous years. In 2023, we had decline in advertising sales

but stable development in our marketplace business and in recruitment on average and robust growth in B2B services and marketplaces.

Regarding the operating margin, our successful business portfolio strategy, combined with our proactive cost-controlling actions, resulted a strong operating margin of 24.1%. In a difficult market situation, this can be considered an excellent achievement. We are on track to reach our long-term profitability target, 25%. Our leverage also continued to develop according to our expectations, and our financial position is still in a good level. Our target is to keep net-debt-to-EBITDA ratio below 2.5 and, currently, we are in the level of 1.6.

Now, let's discuss more about our financial position. We have had quite stable development in our balance sheet in recent years following our investment peak in 2021. However, the Q4 was quite active for us. We signed 10-year extension for our Helsinki office agreement, and we also renewed our long-term financing agreements. These actions led to an increase in our debt by approximately €30 million. In addition, we repaid €10 million in short-term loans during Q4. It is important to note also that our cash reserves increased while we were covering our financing needs for Netwheels acquisitions in January. In the total, our net debt decreased by €5.4 million. Our gearing going down accordingly while our equity is also getting stronger towards year-end. It is also worth of mentioning that due to the higher market interest rates, our financing cost has also increased during 2023. Our average interest rate was 3.2%, compared to 0.9% in previous year.

And then cash flow. Our operating cash flow was strong in Q4, amounting to €19.6 million as a result of cost-saving measures that helped us to get back on track after slower development in Q2 and Q3. Although the Q4 cash flow was better than in a previous year, it would not exceed the strong full-year 2022. The reasons behind the lower cash flow was that we actually paid more taxes during the year and those taxes mainly concerning year 2022. And increased interest payments due to the rising market interest rates.

Regarding the net working capital, we have had – in a previous year, we have experienced quite significant boost from higher advanced payments received. Actually, the difference between 2021 and 2022 was almost €6 million. And in 2023, the development of advanced payments was stable. I would repeat to say that our cash flow level from operating activities is somewhere between 2022 and 2023. And our free cash flow after investments was €52.5 million compared to previous year's €70.8 million; change that was driven by operating cash flow as previously explained and the sale of Bolt Group shares in 2022.

And then moving over to investments and capital expenditures, our investments totaling €26 million in 2023. Of this, approximately €14 million was related to leasing agreements, €2.3 million used for acquisitions, and remaining approximately €9 million were invested in our products and assets as a capital expenditure. Our investments are supporting our strategy to develop digital industry solutions and expand our services in customers' value chain in housing, in mobility, and in recruitment common platform. In addition, we made an investment to our premises.

We anticipate maintaining the current level of capital expenditures for year 2024. And we did not report any acquisitions in Q4. Return on investments and return on equity continues to deliver in a good level. And our full-year earning per share was €0.69. This was actually €0.19 less than previous year. And the decline can be explained by a couple exceptional item. The gain from the sale of Bolt Group shares last year increased the result in 2022. And in addition, the group's interest expenses rose due to the increase in market interest rates.

The change in the fair value of interest derivative also explains the decrease in the earnings per share. In 2022, we recorded a positive change in fair value of €5.2 million. Towards the year-end of 2023, long-term interest rates started to decline, which led to a negative change in fair value of €1.1 million. There actually were not other significant factors explaining the difference in earning per share, while our adjusted EBITDA remained at the previous-year level.

And then finally, I'm pleased to inform that Alma Media's board is proposing the dividend of €0.45 cents to be paid. Slight up from previous year and representing 65.6% payout ratio. Our solid business performance continue to support our ability to pay a good dividend in line with our long-term policy to pay at least half of the earning per share as a dividend. That concludes my presentation. Thank you.

President, Chief Executive Officer & Chairman, Alma Media Oyj

Thank you, Taru. As said, a solid base for future developments. Balance sheet in a healthy situation. I will go through the current view on the operational environment as a basis for the future strategy as we had in place. As you know, we have challenges in terms of the difficulties in the global environment which will continue. The news are not good at the moment. Economies are slowing down. Even though we have slight positive signals in the market, I will go through this later. Consumer behavior, increasing regulation, and of course, the geopolitics that will affect our businesses. These are the four main issues that we follow carefully.

I heard early in the morning that we have also the fresh figures from the European Commission. The changes are not big ones. These are not the newest ones, but these are from the November 15 last year. But the big picture is here. So, the message is that economies are going to pick up step by step. The message is that the beginning of the year seem to be difficult, but changes are awaited after the summer, more or less. And that's our view as well. Especially in Finland, it seems that the beginning of the year is slowish. The ad market will be difficult, but by the end of the year, the situation might change.

As we have heard, the interest rates are going down or expected to go down. Inflation is going down as seen here. The GDPs in our operating countries are going to increase as seen here. And fortunately, the labor market will be quite favorable in these markets. The unemployment rates are not going to increase despite the difficulties in the market. And in the main markets of ours, the situation is pretty good. So, we have a good basis for the Career business that we have in 11 countries.

But Finland seems to be the problem. More or less, the ad market is on a low level as it is actually all over the world at the moment, especially the newspaper business or the print business overall is difficult. Luckily, we don't have that much on share on that part of the business. But also the digital advertising is on a low level in Finland, and that's because of the consumer confidence and the purchasing power being on a low level of the customers. Our advertising customers don't advertise because of the poor demand, and that will continue. We expect that that will continue in the beginning of this year as well. We have a lot of effort, businesses, and initiatives in two businesses in Finland, being houses and premises and cars and other vehicles. And of course, we follow carefully the development of these markets. As we all know, the housing business has been difficult and is difficult at the moment.

The new apartment sales have been on a very low level. For the year 2022, the decline was almost 50%. And, again, last year, more than 60%. So, it has almost stopped. During the first three quarters last year, we had a relatively good performance in our services, meaning, in classified businesses and advertising as well compared to the market. But during the last quarter also, we were affected with the poor development of the housing market, meaning that the demand or the searches in our services went down 16%. The renting market has been solid. Of course, that's the side effect of the poor housing market. But the biggest business of ours is, of course, in Etuovi.com and the related businesses. So, the forecast is that there won't be rapid changes in the market, but hopefully by the later part of the year, this year will be better.

And for the mobility services, a little bit better market development, 7% for the full year, new car business up; and used car, 4%. But still the market level is very low compared to the average level for the decade; more than 114,000 new passenger cars sold, and last year, only a little bit below 90,000 cars. So, there's a lot of room to improve. And compared to the market, our business has been running nicely. The sold cars in our services totally almost 5% up. So, the value of the cars has been higher, and the gross market value of the sales also was 5% up, which is, of course, good. So, the volume then the activities in the services of ours has been on a high side.

What happens next? We decided to speed up the development of the company and further speed up the strategy. We decided to renew the organization and disclose the new structure in the morning today. That starts in the beginning of next month. In order to enhance the cooperation inside similar businesses in the company, to accelerate the implementation of the strategy, and increase, of course, from your point of view as investors the transparency of the businesses and the operations. And from the 1st of March on, we will have three segments: Alma Career. It will be as is - no changes there. But Alma Marketplaces, Alma News Media will be a different mix of services than we have had before. Going that later. We will merge also the Finnish companies into one entity. That will take place approximately by the end of August. And that will help us to use the data that we have a lot inside the company for further purposes.

And these are the segments and what they consist of. Career, led by Vesa-Pekka Kirsi, also present here. It will stay as is: leading job boards in 11 countries, and other services. The biggest segment of ours, healthy EBIT margin of 41%. The second one is a combination of our news media services in Finland, led by Juha-Petri Loimovuori, leading digital news media in the Finnish market, pioneer in paid digital content, and a leader in digital advertising. €110 million almost and EBIT margin of 13% last year. And thirdly, Alma Marketplaces led by Santtu Elsinen who is here as well. All the marketplaces, mobility and business premises, comparison services, and then the business-to-business services that we had before in Talent segment, meaning, the insight services for legal insights or commercial premises or whatever. €85 million, EBIT margin of 31%. These two, Career and Marketplaces, are almost fully digital services and still some print business in the News Media sector, but almost 60% in a new form digital business there as well.

Leading brands in key areas, strong position in Central Eastern Europe as well as in Nordic countries. So, the strategy we'll continue. We will continue transforming the core digital businesses as well. The print businesses grow in digital and continue with internationalizing the especially the Career services.

And also basis for the new way of organizing is to enhance the synergy creation here. As you might know, we have concentrated on four specific areas to share inside the company, and those are audiences that we try to deliver and move around the services, data that we gather a lot on daily basis, technology that we use around the cooperation. We have a lot of initiatives in order to use all the skills and the technology that we have in the company. Alma Career United project is one of those. But we have other initiatives as well. Might be good to mention that we have more than 50 initiatives on AI around the company at the moment. And of course, the common ad sales, Alma Media Solutions, which is responsible for selling the advertising for all the services of our businesses.

We are moving from a classified advertising only – from only ad classified advertising to transactional businesses and new revenue sources as well. This is something that we had disclosed earlier. So, there's no need to go deeper into this. But a lot of initiatives in this side as well.

And finally, the outlook for the year, that has already started. We are not waiting for big steps ahead in revenues due to the poor development of the markets, especially on the beginning of the year. We expect that if the markets are going to remain as is, we are able to defend the revenues and the profitability of last year, which was all-time-high record levels. So, that's our aim. And then there's some explanation on the outlook in the lower part of the slide. I won't repeat that.

There will be headwind still in the market, but we have a very good plan in place and are quite confident that we are able to keep the good profitability level still. So, that was my part. And if you have any questions, Taru and I, we are more than happy to answer those. Please, Taru, come to the stage.

Q&A

Nikko Ruokangas

Analyst, Skandinaviska Enskilda Banken AB (Finland)

All right. Nikko Ruokangas from SEB. Thank you for that presentation. So, starting with the outlook. So, earlier you discussed that markets could pick up in H2. So, if we think about your guidance, so would the markets recovering in H2 be an upside to that guidance, or is it somehow included?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

No, well – so the main idea behind the outlook is that the market will remain as is. So, it will be difficult as it had been. So, if the market is going to pick up, we might be able to improve, or we should be able to improve. Yeah, that will be an upside.

Nikko Ruokangas

Analyst, Skandinaviska Enskilda Banken AB (Finland)

All right, great. Then you talked about your 2023 was supported by cost improvement actions. So, how should we look at 2024 from that point of view? How much will you still adjust your costs further in 2024 in addition to those ones you made in 2023? And then looking at maybe cost inflation and pricing increases, 2024.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah, we have – of course, we have the cost inflation, as everybody, in place, meaning the cost have inflation in there. But then we have always, as we have had before, we have Plan A and Plan B. We start the year with the Plan A like the normal budget or the plan. And then we follow the markets carefully. And if the year doesn't start as expected, we will deploy the Plan B like we did last year. While the year didn't start from revenue's perspective as expected, you might remember that the forecast 2022, at the end of 2022, were similar as we have here now. We were waiting for the market to pick up, but that didn't happen. So, the pickup was postponed all the time.

Now, we have the same situation. The forecast is that the market will pick up eventually, but we will see. Do we need to postpone the pickup or not? And due to this, we have also Plan B, and it doesn't take very much effort on us to decide: do we have to apply the Plan B, which means that we have to cut the cost. We try to avoid this kind of cost cuts that will harm our abilities for future prosperity, meaning, this kind of structural changes that will destroy our competitiveness in the markets. So, we try to keep on the level of the investments and the product development efforts and those. And that meaning that we have this Plan B includes this kind of moving costs, fixes more or less, as we have had also before like last year. So, that's the case. So, usually, you have in plan a slightly increasing costs with the development plan. And if the market doesn't develop as expected, we did (00:40:37) this level of the costs.

Nikko Ruokangas

Analyst, Skandinaviska Enskilda Banken AB (Finland)

All right. So, the Plan A doesn't include further significant cost cuts.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

No.

Nikko Ruokangas

Analyst, Skandinaviska Enskilda Banken AB (Finland)

All right. Thanks. That clarifies. Then last one from me and maybe on that new segment structure. So, what was the catalyst for you to change this segment structure right now? And then maybe follow-up to that, there has been quite much structuring in Nordic media space. So, will this new structure maybe enable you to be part of those kind of restructurings going forward?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah, I'll start from the later part of the question. Having decided to reorganize the business, we haven't had that thought of taking part of any Nordic-level restructuring at all. This is like the decision of our own strategy development. And why do we do this now? As you might know, our strategic development has been this kind of step-by-step development; from print to digital, a step-by-step. And this is like an organizational learning curve, more or less. We started by learning to do cooperation 20 years ago, and step-by-step, we have moved forward. And we've achieved what we can achieve with the current structure or the structure that we have today, but not next month. So, we have got all synergies, more or less, that we can achieve with this way.

And now we are organizing the businesses closely with the similar businesses closer to each other, meaning that the media businesses, they try to achieve more synergies together with all the medias that we have, the News Media. And the same applies to services like Marketplaces and other services. We try to use all the technical capabilities inside the services better than we have been able to do with the current structure. That's like a step-by-step evolution more than a revolution in our case and we just mix the businesses differently and try to do the business as good as possible. We are really positive that that will take us to the next level again. Improve the profitability, improve the revenue, develop and improve the ability to use modern technology. We have the AI services, a lot coming and so on. So, that will be the idea.

Nikko Ruokangas

Analyst, Skandinaviska Enskilda Banken AB (Finland)

Great. Sounds good. Thank you.

Petri Gostowski

Analyst, Inderes Oyj (Research Firm)

Petri Gostowski from Inderes. If I start with Netwheels, I was slightly surprised with the price, and it was a bit lower than I have expected. So, is there something you can share on the 2023 profitability of the business? And also what are your plans going forward? Does it require investments in the business? And how does the growth outlook look here?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah, the Netwheels is a nice supplement and add-on to our current vehicle portfolio. It's part of it. I would say that from our point of view and for our customers' point of view, it's an elementary part of the complete service like the Data Core for car sales more or less. Regarding the price, we always pay the fair price for everybody. So, that's the case, and it's the way we behave. And of course, the idea is, of course, that we have the ability to develop the service as part of the complete portfolio. Santtu, who is leading the segment, they have a very good plan and a lot of ideas how to create a nice combination of those services in order to serve the B2B customers, meaning, the car dealers or the importers or whatever. And of course, the private customers as well inside the services.

Of course, there is that kind of product development, technological investment needs in every service. We know that early when we try to find or when we buy the service, we know it, of course, that there is something to do. But overall, the Netwheels business is nice and working smoothly and there's very good people inside the business. Hence, it's a very good add-on to our services and skills at the moment.

Santtu Jarkko Juhani Elsinen

Senior Vice President-Alma Consumer, Alma Media Oyj

If can continue?

Hello. Santtu Elsinen here. I'm Head of Alma Consumer. To continue on the topic, so the main rationale behind the Netwheels acquisition was the combination of our two capabilities. So, Netwheels has a product called GT-X, which is a market leader in Finland. It contains data about basically every car sold, what kind of accessories they have. Do they have have air-conditioning, etcetera? So, it has a huge database of all of the different varieties of car models available in this market, whereas Alma previously through the Nettix marketplaces, especially Nettiauto but also Autotalli, as well, we have a huge data asset on used car sales. So, by combining the extensive database of vehicles with the demand data from our marketplaces, we can create a new set of services. And for example, we have personally been a Netwheels customer for many years. We used their capabilities in our car dealer management systems. So, that is kind of the main rationale behind this. Thanks.

Petri Gostowski

Analyst, Inderes Oyj (Research Firm)

Thank you for the detailed answer. Jumping to Career then. I noticed there was some internal items in the Czech Republic revenue development on Q4. Can you help me understand what these were?

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

I can comment on that. So, we have the business unit called Alma Career Central, which is including Slovakia, Czechia and Poland companies, and those were like intercompany items between those three different companies. So, nothing like that much that would tell us something about the business performance behind those. And they were like allocated to Q4 in that sense.

Petri Gostowski

Analyst, Inderes Oyj (Research Firm)

Thank you. And then continuing with the Career in the Czech Republic, I mean, you – earlier, you commented on the first-half demand development or revenue development based on the invoicing. Can you provide any comments, what should we expect now in H1?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah. So, the invoicing level was a little bit below the revenue level during the second and third quarter last year. Meaning – and would we expect it that, okay, this has to affect to the revenues during the fourth quarter

and the beginning of this year. We have here also Vesa-Pekka Kirsi, who is leading the segment. If you want to continue, you can. But the idea is that, yes, the slowish invoicing or slightly slowing invoicing level would affect the revenues later. And it seems that it does. Also with – hand in hand with the slowing economies of Czech Republic and other countries as well. So, these curves will be at the same level, more or less. And now, of course, we're waiting for the situation to change during the later part of this year, and it seems that the beginning of this year might be a little bit slowish there as well before the economies are starting to recover as expected from the European Commission as we have seen before. So, that is the – more or less the forecast at the moment.

Petri Gostowski

Analyst, Inderes Oyj (Research Firm)

And lastly, a detailed question. So, there was a big deviation on the interest payments in your cash flow statement and your P&L. So, is this solely from the hedge, fair value change?

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

Yes, it's coming from the hedge agreement. Because we don't see any effect in cash flow when doing the fair value adjustments, it shown in the profit and loss. And our hedging agreement, this is valid from the December 2023. So, now we are starting to get all the positive effects to our cash flow now starting from the year 2024.

Petri Gostowski

Analyst, Inderes Oyj (Research Firm)

And to continue, should we expect the amount of cash interest to keep – to stay on the Q4 level going forward?

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

Yeah, of course, I cannot estimate how the interest rate will develop, but of course, because we are starting to get the positive effects from the agreement now.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

But overall, the 1%, say, change in interest rates means about €1.6 million of..

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

In cash flow, but then we have to net the positive effect of our interest derivative also, which is actually one – like one-third of that.

Elina Kukkonen

Senior Vice President-Communications & Brand, Alma Media Oyj

Okay. I think we can move to the online questions. Please, Teemu.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Well, first of all, I'm happy to say that we have record number of online questions. So, the online community has really picked up. We can start from Ben Akenes who's asking: would you consider raising interest-bearing debt in 2024?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

We don't have any need for that if we don't have any big, like, acquisition targets in sight. So, there's no need to take any extra debt. With the balance sheet, of course, we have room for new debt from that point of view. But we don't do that if we don't have any targets.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Fair enough. This is also from Ben. What is the most significant risk for Alma this year?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

The biggest risk is, of course, the surrounding environment. I mean, the economies of ours in 11 or 12 countries that we have. So, if the markets are not going to develop as expected, so the difficulties will continue. So, the headwind will continue. So, that's the biggest difference. Then, of course, the consumer confidence because of the war, because of the inflation, because of the high interest rates, that affects heavily to the demand of our customers. That's the second one. The third one is, of course, the competition and the American big players being in the market, especially in the ad market, is the third one. Their moves always affect us. And so far, they have been really successful in the businesses, in the ad businesses and taking most part of the digital ad investments in Finland as well. So, those three are the big ones. Of course, we have then the big moves like technology, tech development and consumer habits and those. But in short to midterm, the first three ones are the biggest ones.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

As a side note, sorry I haven't grouped these questions, so these are in chronological order. So, we are jumping from one place to the other just so that you know that.

So, the next one is from Steven Hesburn. Are you planning on launching any new group-wide ESG initiatives this year?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

No, we have a set of nice targets on that site, meaning, seven different kind of targets. And we have also that – all those for all personnel in our bonus system. So, the answer is no. We are staying with the current ones.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

From Steven as well: “Are you satisfied with your current capital structure, or could we see moves on this front in 2024?”

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

We are satisfied.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

And the final question from Steven Hesburn . Would you consider doing M&A transactions this year? What kind of targets with M&A?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah, of course, the management is working heavily all the time with the inorganic growth, as we have done. And before, we have done since 2005 more than 70 transactions. And that will continue, of course. Step-by-step, we are developing our balance sheet and ability to invest. And we have a nice set different kind of prospects. So, that – I would say that, in the midterm, the journey will continue. And then the later part was that what kind of targets we have. So, the targets are always inside the strategy, meaning that digital businesses, digital services close to our current businesses.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. This is from Antti-Jussi. How do you view the pricing? Are customers willing to pay more for the services this year?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

We have done the price increases hand in hand with the inflation all the time; sometimes a little bit more than before. But of course, with the headwind in the market, with the poor demand, it's not that easy to do the price increases as the customers are not able to pay higher prices. We have to be really careful with the price increases.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

And this is from Antti-Jussi as well. How do the rising interest rate environment affect Alma's business in general and the result?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

The biggest effect comes from the demand side, meaning, from – for houses and premises sector and the car sector. And then, overall, of course, for the advertising, where the demand for our customers is on a low level in every business, the ability to invest in marketing is on the low side then, so it affects to everything, every business of ours. We are not afraid of the interest rates of ours as the loan / the debt level of ours is sustainable. So, that's not the problem. But the biggest issue is, of course, the demand side of our customers.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. And then this is from Elina Heikkilä. What is the most important strategic target for the group this year?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

We develop or drive the strategy in a balanced way, meaning that we have the most important targets for every segment. The idea is to develop all the businesses in a sustainable way. And inside the segments we have, of course– but it's not necessary right now to go through this, we can do that later. But of course, they are related to the development of the advanced platforms, meaning, tech development, new product development, increase synergies inside the businesses, way of organizing the businesses and those. I would say that the most important part is to guarantee the current businesses, meaning, guarantee in the way of the initiatives that we have inside the current businesses. And secondly, we're trying to grow inorganically with new businesses close to ours. This will be the biggest one.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

This is also from Elina, partly related. Could new technological innovations offer you new growth opportunities in the near-term future? And any concrete comments on this?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Hopefully, yes. We have a lot of that kind of abilities that are of international nature, like in the commercial premises or the housing businesses like this DIAS service, which is one of its kind as far as I know in the world at the moment or other – that kind of businesses. We have around 600 people working around software development at the moment. And that's quite a good bunch of skilled people to develop for – run a services for the target areas that we have. We wait for very advanced services from this set of skills also in the future. And to add on that, as mentioned, we have more than 50 initiatives around AI to deploy inside the services or around the services that we have with the partners that we work with, other customers or other stakeholders. We used to use this kind of group of skills and set of skills together.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Let's go to Netwheels for a moment. First from Elina Heikkilä. How has the integration of Netwheels progressed?

Santtu Jarkko Juhani Elsinen

Senior Vice President-Alma Consumer, Alma Media Oyj

It progresses well. Of course, we have just started since the deal was closed on the end of January. So, there hasn't been a very long period to actually do the integration, but it progresses well. The people will move into our premises here at Alvar Aallon katu by summer. And then we will aim to finalize all of the ongoing procedures during the fourth quarter of this year. So, no major surprises there.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Thank you. And the second question about Netwheels comes from Ben Akenes. "We saw acquisition of Netwheels in January" ... And now we're going back to the M&A question, which you have partly already touched upon. But let's see if you want to clarify that a bit... "will we see other acquisitions during this year? And is M&A a priority for you?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Hopefully, we will see transactions during the year; during every year, hopefully. But of course, it depends very much on the progress of the negotiation with different kind of parties and targets usually or sometimes they take a little bit longer, especially the bigger movements or moves take a bit longer to negotiate. But, yes, my expectation is that we will also move on the M&A side this year.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

And from Ben Akenes. "Would you consider expanding to new geographic areas during this year?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Hopefully, yes. So, we are moving at the moment in the Balkan area with the Career segment, and that is quite interesting area. We want to continue there.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. Let's take a print business-related question now. Charles Benson asks: "will there be a future for the print business? Any positive highlights?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

I've several times been asked that where does that end? Do we do print business next year or after five years or what – the answer has been that we will do the print or deliver the print as long as the customers want to have it. That's the overall answer or the clear short answer to that. But the strategy of ours has been to transform the print to digital, of course, and that's what is happening. And with the new structure, we will speed up the development. At the end of the day, we will end to a situation where there's no sense of doing the print business. But that doesn't come to next year or the following year. It will take years. Right now, there's a lot of sense to have a print or a combination of print and digital. It's profitable. Still, the print business, not as profitable as the digital business, but still, it's a combination of those that we do and will continue until at the end of the day, the print will melt down and will be closed.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. Pia Rosqvist-Heinsalmi from Carnegie asks: "your new structure reveals that the News Media business saw an EBIT margin of 30% last year. Is there any room for you to improve this still?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yes. The Head of News Media, would you like to comment on that?

Juha-Petri Loimovuori

Chief Executive Officer-Alma Talent, Alma Media Oyj

Thank you, Pia, for the question. We are going to do our best. Of course, it's good to remark that last year was not so good for the journalistic media business everywhere. I hope that we can go to the better results during the coming years.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

It's fair to say that the current or the previous situation in the market with a very low level of advertising has been difficult for the News Media. And from a profitability point of view, the margin for the advertising is, of course, high. And it's really difficult to improve the profitability unless the ad market starts to pick up. But you can do on the cost side with the improved synergies, shared technology and so on. So, this – that's kind of step-wise possibilities to improve the profitability. And of course, the target has to be better.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Two questions about the new segment structure to be in place. Charles Benson asked: “merger of the legal companies, will this cause nonrecurring expenses? And any estimation of how large this will be in 2024?”

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

I can't imagine any kind of cost from the legal structure change. Can you?

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

Yeah, me neither. I wouldn't say that there would be any.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

The benefits come from simply a structure for the financial department. It's easier, of course, but the main issue from our point of view should be the better possibilities to use the data that we gather and to leverage the data to all of the services of the company. And that comes from the juridical structures or the limitations between the companies that we have at the moment inside the corporation.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. And Charles Benson asks also a new segment structure announcement. "Will this have an impact on the financial reporting this year?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yes, it will. So, we will start to report from the second quarter of this year. Taru can continue. But we will have the comparable numbers in place already then.

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

Yes. So, the pro forma numbers will be published in the beginning of April.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. From Charles Benson. This actually might go to Taru. "Finance expenses are going up. Would you consider de-leveraging this year?"

Taru Lehtinen

Chief Financial Officer, Alma Media Oyj

Yes, we will continue to repay our loans as much as it is possible. And it depends if we have some other use for the money like investments or M&A. But, yes, our plan is to repay that loans.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. Elina Heikkilä remarks that the investors hope for growth. How do you improve revenue growth this year?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah, the organic growth possibilities are heavily dependent on the market development, of course. That then, secondly, what is in our hands is, of course, our product development and sales capabilities that we try to improve all the time. Product development, pricing, sales efforts, marketing and those, those are in our hands. But then, to be honest, to grow organically more than inflation, it needs the market to improve. That is clear. Of course, we try to take market share. But that remains to be seen. But then inorganic growth, we have capability to invest €100 million to €150 million for acquisitions. And, of course, with good targets in hand, we will do that definitely.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Sanna Perälä from Nordea Markets is touching along the same issue here: "Do you see 2024 as back-end loaded, meaning, first half will decline and second half grow?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

The forecast, the overall forecast not only for us, from our side is that the start of the year will be difficult as is like the last year. And then the growth might start or speed up as we've seen from the forecast from the European economies. But from – I'm a little bit skeptical from the Finnish ability to grow – the market to grow. But in other countries where we are in, I'm more confident with that. But the overall, the common understanding right now is that the beginning of the year will be difficult with all the troubles in place that we have here. And then after the summer, the prospect is better.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. Thank you. You got three more questions to go.

Ben Akenes is asking about the same issue. "How do you interpret the recent changes in consumer behavior in Finland? And will this pose challenges to your growth this year?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah, we will have – especially in the first half of the year, we will have the same issues and the same challenges that we have – we had in the – during last year. So, the demand is on the low side. Interest rates are high, inflation is still there, the consumer confidence is on the low side. And so, that will be, of course – and has its effects on our businesses, on houses and premises, cars, advertising and those. The difficulties will remain there.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. So, Charles Benson is asking about the geopolitical tensions: "Do the current geopolitical global tensions have any impact on your business? And do you take risk management actions to manage these?"

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Yeah. We don't have any business in Russia, nor in Ukraine. So, we don't have these direct effects. But of course, all the troubles that affect to other businesses like the overall economic development is affected by the war. And we don't have any special mitigation initiatives regarding the war in Ukraine at the moment because of not having the businesses in there.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Okay. And a final question ... from Antti-Jussi. Will AI, artificial intelligence initiatives increase your sales this year?

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Hopefully, yes. So, the idea is to deploy the AI as soon as possible into the services, into the current services. And of course, we try to increase or develop the services with the AI to the next level. And of course, the second thing from – that's a revenue potential that we have there. And then the second thing is, of course, the cost side. So, like, for the software development, the guys have promised me that they will decrease the development cost by 30%. Remains to be seen. But that's the view. But for other purposes as well: the editors, they have a nice bunch of initiatives around the journalistic development with the AI helping the journalists to create the content and for the ad sales or subscription sales as well. How do we use and deploy the data for the purpose of every business with AI; that's the big question. Of course, we wait the AI to help to grow the business services, media, and other business we have.

Teemu Salmi

Director-Investor Relations, Alma Media Oyj

Just one more comment to go. This is from Rambo. "Good job."

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

Thank you, Rambo. To clarify, Rambo was the former leader of the Career segment of ours, who just retired two years ago. So, thank you, Rambo. We try to keep the business running as before. Thank you very much.

Kai Telanne

President, Chief Executive Officer & Chairman, Alma Media Oyj

If no further questions, we are ready to close the session. On the 15th of March, it's annual report, 5th of April, the annual general meeting, 19th of April, the interim report for the first quarter.

I thank you very much for your interest, and we'll meet the latest, Friday, 19th of April. Thank you.