Alma Media

Extensive report

06/10/2023 12:05

Petri Gostowski
+358 40 821 5982
petri.gostowski@inderes.fi

Inderes corporate customer

This report is a summary translation of the report "Arvonluontia digitaalisella liiketoimintaportfoliolla" published on 6/10/2023 at 12:05 pm

Value creation with a digital business portfolio

We reiterate our Accumulate recommendation for Alma Media and lower our target price to EUR 10.0 (previously EUR 10.5) due to the increased risks in the operating environment. Most of Alma Media's income streams are generated by digital businesses with a strong market position and competitiveness. Considering these factors, we believe the company has rather good conditions for long-term value creation.

Competitive and mainly digital businesses with excellent ROIC

In all , 81% (2022) of Alma Media's revenue and we estimate even a larger share of the result comes from digital businesses that are growing in the long term and highly profitable. The core of these businesses are digital recruitment services and housing and automotive marketplaces, where the company has excellent competitiveness due to its strong market position. This creates a solid foundation on which the company can develop new digital services that strengthen the overall offering and value creation potential. The growth of these services is also valuable, as they typically do not tie up significant capital and their profitability is high. The growth of the current business portfolio is slowed by the development of domestic print media, whose revenue we expect will continue to fall driven by the media revolution. However, their relative share of revenue has fallen to a rather reasonable level (2022: 14%).

Short-term growth is held back by economic development, longer-term growth outlook is healthy

We estimate that Alma Media's short-term growth outlook is subdued, based on a slowdown in the recruitment business that grew very strongly in 2022 and the weak development of the advertising market, in line with economic growth. In the medium term, the growth outlook for the business portfolio is, according to our estimates, good. Considering this overall picture we estimate that the company's revenue will grow by an average of 1% in the next couple of years (2022-2025e). In line with the cost pressures, we expect this year's result to fall from the excellent level last year and annual operational earnings growth in the next few years to on average be around zero (2022-2025e). Historically, Alma Media has strengthened its growth through both smaller and large acquisitions, which, considering the company's financial position, is also possible in the future. The key risks are linked to the economic development of the main markets, which links to the demand for the company's services and through their high profitability also to the result. In the current context of clearly slower economic growth, we feel this risk is highlighted in the recruitment business, were 2021-2022 was very strong.

Risk/return ratio turns attractive

With the result of the past 12 months, the valuation of Alma Media's share is moderate (LTM P/E 13x and EV/EBIT 11x). We expect the result for the current year to fall from the strong 2022 level, which will raise the short-term valuation. The gradually increasing result over the next few years will again push the valuation to a moderate level with our estimates for the next few years (2025e P/E 14x and EV/EBIT 11x). Thus, the upside in the valuation together with our dividend forecast of over 5%, raises the expected return in the next few years to an attractive level. The moderate valuation of the share is also reflected in our cash flow model, which is EUR 10.7 per share and well above the current price.

Recommendation

Accumulate
(previous Accumulate)

10.00 EUR
(previous EUR 10.50)

Share price:
8.92

Key figures

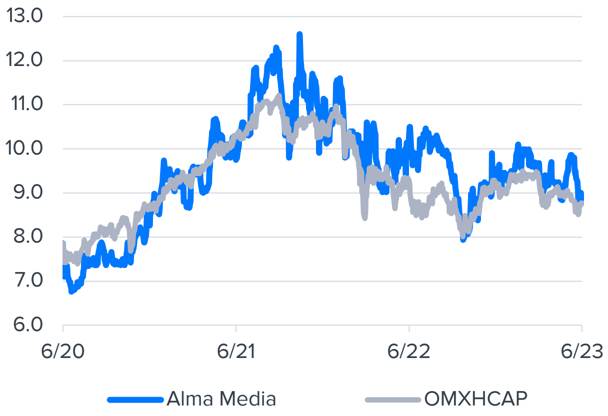
	2022	2023e	2024e	2025e
Revenue	309	306	310	315
growth-%	12%	-1%	1%	2%
EBIT adj.	73.4	67.6	69.1	71.8
EBIT-% adj.	23.8 %	22.1 %	22.3 %	22.8 %
Net Income	72.4	47.9	50.8	52.9
EPS (adj.)	0.72	0.59	0.62	0.65
P/E (adj.)	13.1	15.0	14.3	13.7
P/B	3.8	3.4	3.2	3.0
Dividend yield-%	4.7 %	5.2 %	5.4 %	5.5 %
EV/EBIT (adj.)	12.5	12.7	12.2	11.5
EV/EBITDA	9.5	10.2	9.8	9.3
EV/S	3.0	2.8	2.7	2.6

Source: Inderes

Guidance (Unchanged)

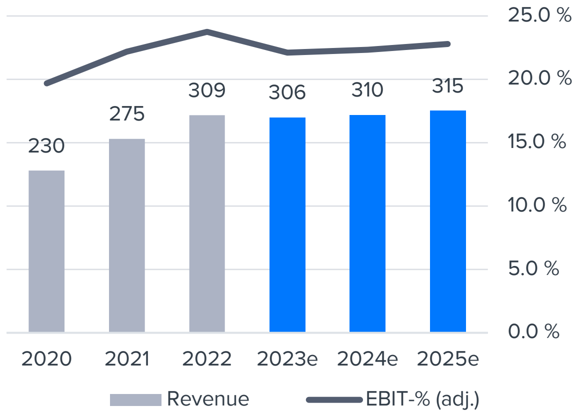
In 2023, Alma Media expects its full-year revenue (2022: 309 MEUR) and adjusted EBIT (2022: 73.4 MEUR) to remain at the 2022 level or to decrease from it.

Share price



Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend

Source: Inderes

Value drivers

- Profitable growth in digital businesses
- Positive long-term market trends of marketplace businesses
- Stable profitability development and good cash flow of media businesses
- M&A transaction option that is positive considering the track record

Risk factors

- Cyclicality especially in advertising and recruitment business
- Accelerated revolution in media and decrease in print media
- Competitive risks posed by new technologies
- Possible changes in competitive position and dynamics

Valuation	2023e	2024e	2025e
Share price	8.92	8.92	8.92
Number of shares, millions	82.2	82.2	82.2
Market cap	733	733	733
EV	860	843	825
P/E (adj.)	15.0	14.3	13.7
P/E	15.3	14.4	13.9
P/B	3.4	3.2	3.0
P/S	2.4	2.4	2.3
EV/Sales	2.8	2.7	2.6
EV/EBITDA	10.2	9.8	9.3
EV/EBIT (adj.)	12.7	12.2	11.5
Payout ratio (%)	78.9 %	77.7 %	76.2 %
Dividend yield-%	5.2 %	5.4 %	5.5 %

Source: Inderes

Contents

Alma Media in brief

Alma Media is a Group that focuses on digital recruitment and marketplace services and publishing of financial and professional media operating in Finland and eastern parts of Central Europe.

2013-2015

- Accelerating structural change in the media industry and restructuring costs depress the income and profitability of Alma Media's media business
- The recruitment portal business in the eastern parts of Central Europe is expanded to new areas and in the Czech Republic with acquisitions At the same time, the company sold its heavy vehicles marketplace business
- Talentum acquisition clearly increases the size of the media business

2016-2020

- Integration of the Talentum acquisition and divestment of businesses with weak profitability that are not growing
- Extensive programs to improve business and administration efficiency
- Profitability turns around because of increased efficiency and strong and profitable growth in digital businesses
- Digital businesses' share of revenue of Group's continuing operations rises to 71%
- The company sold its regional newspaper and printing business

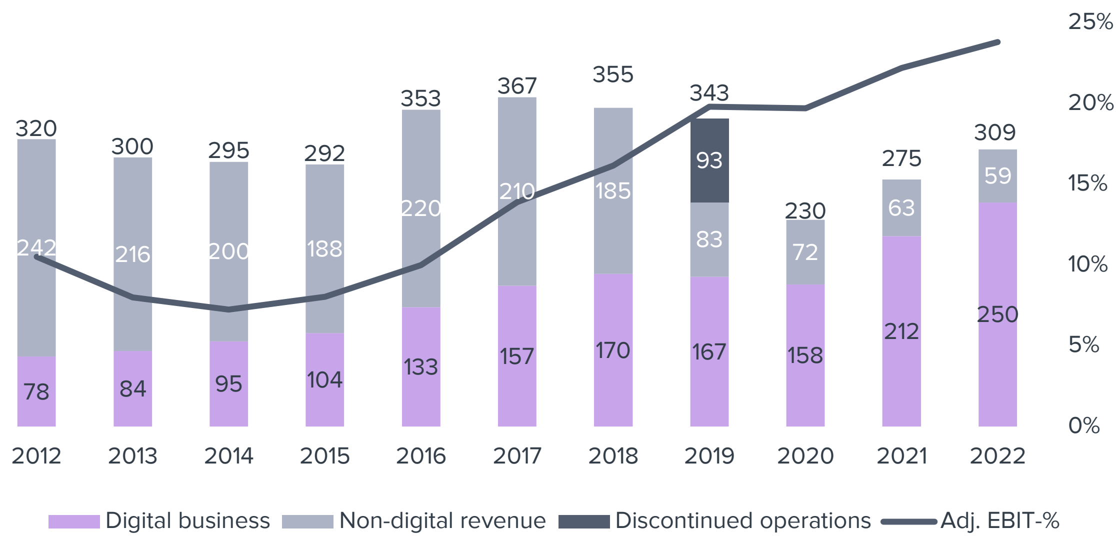
2021-2022

- Into a new size class in marketplace business through the Nettix acquisition
- The strong recovery of demand from the pandemic and the consequent good economic development led to strong growth and very good profitability
- Rather good cash flow will digest the debt load and improve leeway for M&A transactions

309 MEUR **(+ 12 %)**
Reported revenue 2022, (growth %)

23.8%
Adjusted EBIT -%, 2022

81%
Share of digital business in revenue, 2022



Source: Inderes, Alma Media

Alma Media's business model 1/3

Marketplaces and digital services

Alma Media is a service company consisting of marketplace and media business, whose well-known local brands are digital services Etuovi.com, Jobly.fi, Prace.cz, Jobs.cz and Profesia.sk and automotive industry marketplaces like NettiAuto, Autotalli.com and NettiMoto. Well-known brands in the media business include, e.g., financial medias Kauppalehti and Talouselämä and the news media Iltalehti. In total, the company's portfolio consists of tens of well-known media and digital service brands.

The Group's revenue in 2022 was EUR 309 million and the operational EBIT was EUR 73.4 million or 23.8% of revenue. Alma Media is the leading player in consumer marketplaces in Finland and has a leading position in Finnish financial and professional media. Alma Media operates in 11 European countries with the Czech Republic and Slovakia as the main markets next to Finland.

Three business pillars

The Group's largest segment measured by revenue is **Alma Career** that focuses on the recruitment business, which reflecting scaling growth generated most of the Group's operating result in 2022. Its main income flow is advertising income that is generated from digital recruitment services' job advertisements and related additional services. In 2022, Career generated around 34% of the Group's revenue, 49% of adjusted EBIT and 43% of digital revenue.

Measured by revenue and EBIT the smallest segment is **Alma Talent**. Alma Talent's leading financial media is Kauppalehti. Other financial and professional media are, e.g., Talouselämä, Tekniikka & Talous and Arvopaperi. Alma Talent Services offer professionals and corporations extensive content related to company and real estate information, law, financial management, competence development, leadership, and marketing. The segment also has small-scale event business (incl. investor events). In 2022, Talent formed 31% of the Group's revenue, 23% of adjusted EBIT and 23% of digital revenue.

Alma Consumer includes housing and automotive industry marketplace businesses directed at consumers (e.g. Etuovi.com, Autotalli.com and NettiAuto). The segment also includes the national tabloid Iltalehti's various digital and printed news and lifestyle contents. The segment includes online services such as Autojerry, Etua, Urakkamaailma, Telkku.com and Ampparit.com. The main income flows are advertising income and income from automotive and housing classifieds in online services, as well as the income from Iltalehti's ad sales. In 2022, Consumer formed 34% of the Group's revenue, 28% of adjusted EBIT and 34% of digital revenue.

The share of digital revenue is high

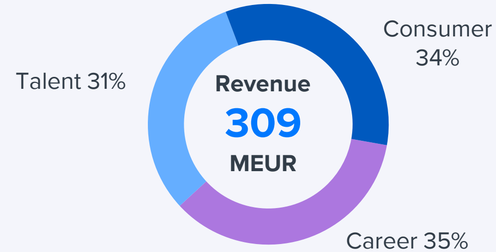
Alma Media's business model can be divided into two main components by income type, digital and non-digital revenue, that differ from each other in terms the income growth outlook and profitability. Through structural changes, M&A transactions and strong organic growth in recent years, the share of digital businesses in Alma Media's revenue has risen to 81% (2022) while the share of print media in revenue (14%) has decreased further as the digital transformation in media continues.

Alma Media's business structure, 2022

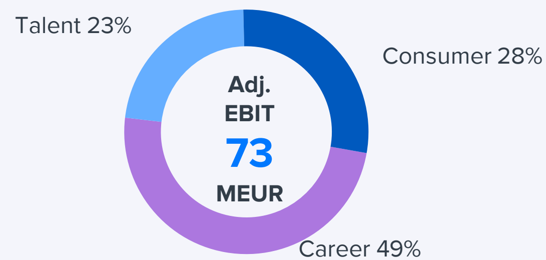
Alma Media Group
Revenue EUR 309 million, EBIT (adj.) 73 MEUR

Career	Talent	Consumer
Revenue 110 MEUR EBIT* 42.5 MEUR EBIT %* 38.7%	Revenue 97 MEUR EBIT* 19.7 MEUR EBIT %* 20.4%	Revenue 104 MEUR EBIT* 24.4 MEUR EBIT %* 23.4%
• Recruitment portals • Services related to recruitment (e.g. digital training service Seduo)	• Digital subscription-based content media • Digital data, content, and marketplace services	• Marketplaces for consumers (e.g. Etuovi, NettiAuto) • National tabloid • Online media and digital services

Revenue distribution, 2022



EBIT distribution , 2022



Source: Alma Media, Inderes
*Adjusted EBIT

Alma Media's business model 2/3

The share of services in revenue was around 5% in 2022.

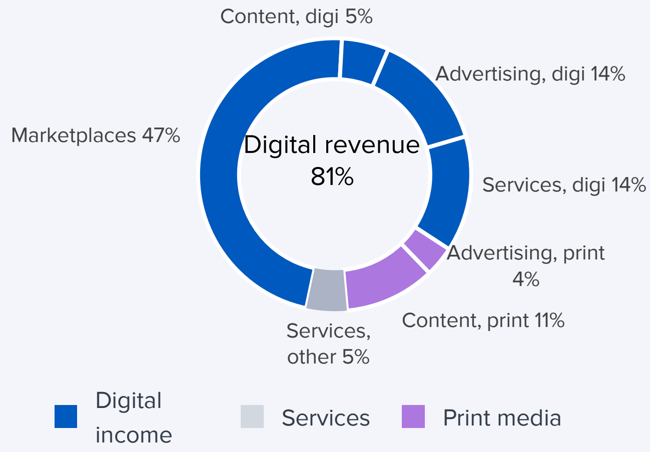
In addition, from the viewpoint of business trends, income continuity, customer type and cyclicality, the income can be divided into four categories:

1. **Media's content income** (2022: 17% of revenue) consist of subscription and single copy sales income from printed newspapers and financial magazines (e.g. Iltalehti and Kauppalehti) and their online services (e.g. KL.fi and Iltalehti Plus). The share of digital income in content income was 34% in 2022 and correspondingly that of printed subscription income some 66%. By business area, Talent's share in content income is around 2/3 and Consumer's some 1/3. The key customer group for content income in Consumer is consumer customers and for Talent corporations, organizations and consumers. We believe the cyclicality of content income is low and they consist mainly of recurring subscription income. The trend in content income is an increase in demand for digital content, which has compensated for the decline in print media.
2. **Media's advertising income** (2022: 18% of revenue) consist of advertising income from newspapers and financial magazines and related online services. In 2022, the share of digital media in advertising income was 80% and print media 20%. By business area, Talent's share in media's advertising income is around 1/3 and Consumer's some 2/3. The main customer target group for advertising income is corporate customers. Advertising income is cyclical by nature because companies' advertising investments are typically dependent on economic development.
3. **Marketplaces' income** (2022: 48% of revenue) consist of income from recruitment portals and digital housing and automotive marketplaces. Some 2/3 of marketplaces' income consisted of recruitment portals in the Career segment and 1/3 of Consumer's marketplaces directed at consumers. Around 5% came from Talent's marketplaces for business premises. Marketplaces' incomes are partly cyclical in nature as they are especially tied to the changes in the number of employed and demand for durable goods.
4. **Service income** (2022: 19% of revenue) consist primarily of Talent's event, training, and information and marketing services, Career's service revenue related to the recruitment business, and Consumer's online service income. By segment, Talent's share of service income is around 2/3, Consumer's 18% and Career's 18%. The customer target group of other income is primarily corporations. In our view, service income is slightly cyclical in nature.

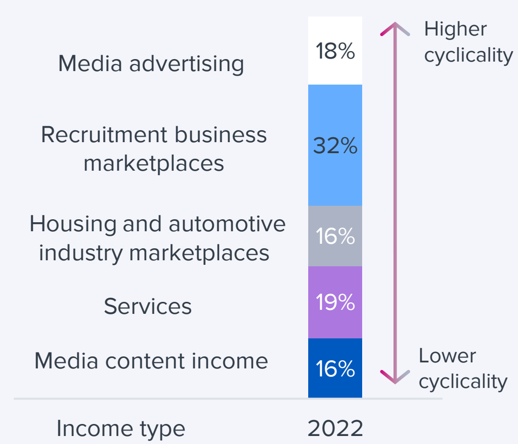
Different growth trends affecting income

In addition to normal demand Alma Media's income development is guided by divergent structural trends of different magnitude. A key structural trend affecting Alma Media is the regression of print media resulting from the digitalization of media consumption that strongly affects both the development of print media content sales income and, especially, print media advertising, where investments are shifting heavily to the digital side.

Alma Media's revenue distribution by type, 2022



Alma Media's revenue distribution based on estimated cyclicality, 2022



Source: Alma Media, Inderes

Alma Media’s business model 3/3

In addition, the drop in print media’s content income is partially accelerated by the company’s own measures to raise digital content sales. We estimate that content income from print media and print media advertising sales will decrease by some 5-10% p.a. in the medium-term.

An opposing trend to that of print media is the structural growth in digital media content and advertising, as well as in the demand for digital services. Alma Media’s revenue from digital business has grown in 2012-2020 at an annual rate of some 12% (CAGR-%), consisting of organic growth and inorganic growth generated by acquisitions. We estimate that the growth in media's digital content income and advertising income will in the medium-term be around 5-10% in an environment of average economic growth. We expect income from digital marketplaces to grow by some 0-5% p.a. in the medium-term. Correspondingly, we expect service revenues to grow at a rate of 0-5% in the medium-term.

Strong market position balances the cyclical business

On the following page we illustrate the risk profile of Alma Media’s business model. The risk level of the company’s business is raised by the considerable share of cyclical income in revenue, and the growth and strong market position of international technology giants on the advertising markets.

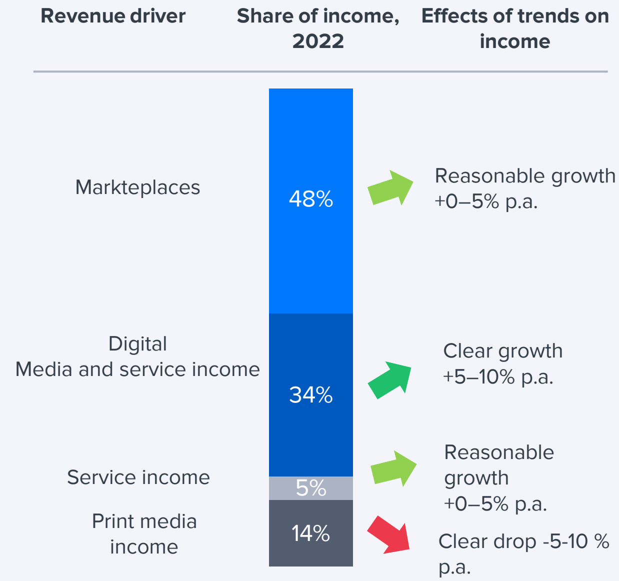
In our opinion, the risk profile of the business is, in turn, stabilized by the company's stable market position on Finland’s B2B media market, content income, strengthened position on marketplaces directed at Finnish consumers, and an extremely strong market position in recruitment portals in the eastern parts of Central Europe.

Even though the cost structure of the company's media businesses is quite fixed, and the scalability of print media weakens, the company has proven it can adjust its cost structure quite quickly to correspond with demand fluctuations (e.g. in connection with COVID) and the relative profitability and scalability of growing digital businesses are strong.

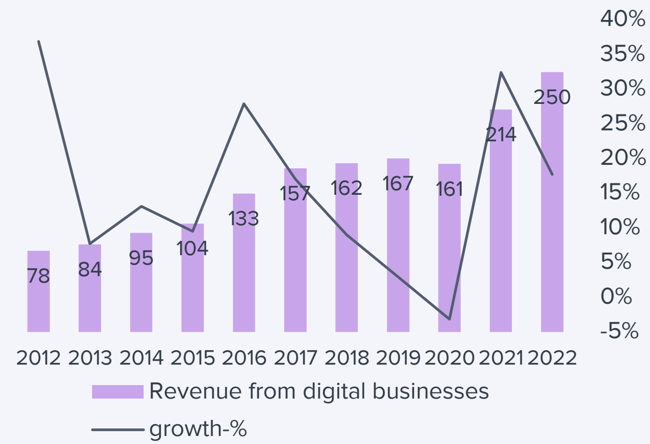
Cash flow performance is very good

Alma Media's business model and growth do not tie up capital, and the company's working capital is negative over time because the fees for several services are charged in a frontloaded manner. The company's organic investment needs are also low. Therefore, the business produces good free cash flow. As a result, the company can generate a growing dividend stream and allocate the cash flow from the business to acquisitions that complement existing businesses.

Estimated effect of business trends on Alma Media’s income

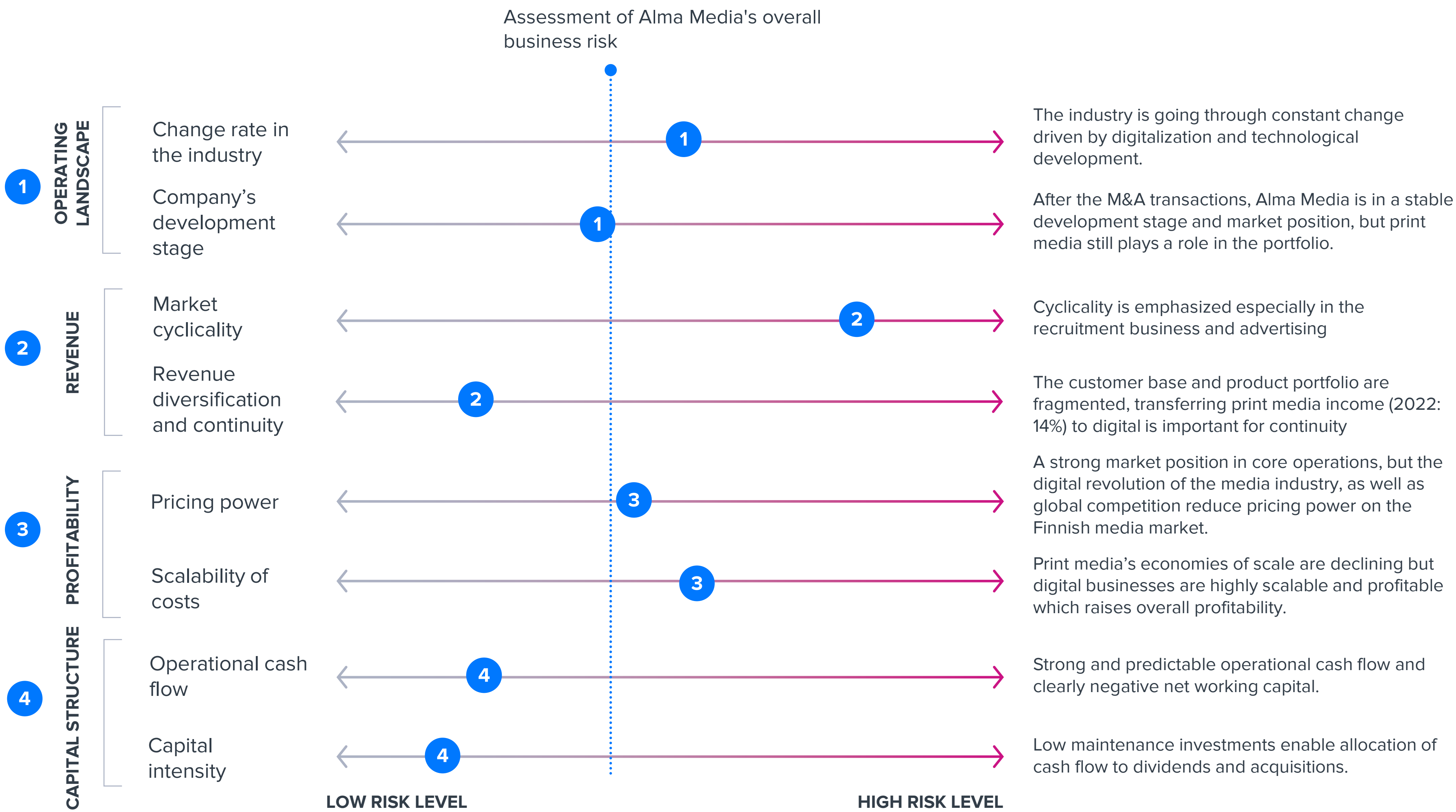


Revenue and growth % of Alma Media’s digital business



Source: Alma Media, Inderes

Risk profile of Alma Media's business model



Source: Inderes

Strategy

Strategy year

The aim of Alma Media’s strategy is to raise shareholder value through revenue growth and improving profitability. The company strives towards this by developing and expanding current business operations, seeking growth opportunities in new business and market areas, continuing internationalization, and though acquisitions.

Key in the company’s strategy is to continue expanding from media and marketplace content production and advertising into new digital products and services that complement customer needs and cover the entire value chain. Alma Media's strategic priorities are: 1) digital transformation, 2) increasing digital business, 3) internationalization. We believe that M&A transactions are a crucial part of Alma Media’s strategy also in the future and we will discuss their role in more detail on the following page.

Financial targets

Alma Media's financial targets updated at the beginning of 2022 are:

Growth: Annual revenue growth over 5%

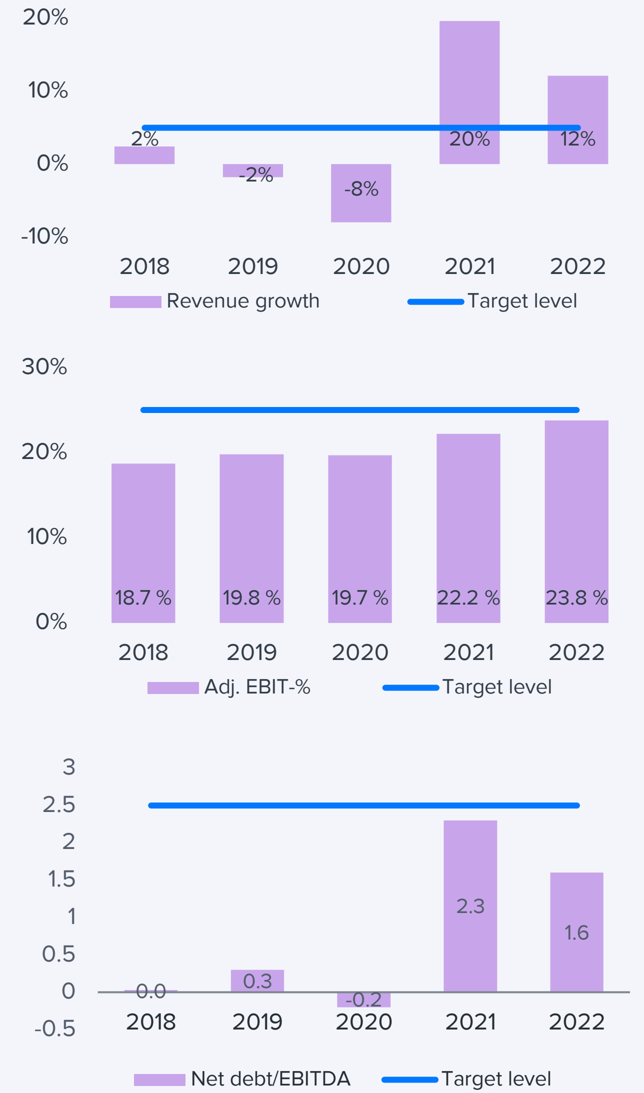
Profitability: Adjusted EBIT margin over 25%

Solvency: Net debt-to-EBITDA ratio < 2.5

Relative to the historical profitability trend, the profitability target seems ambitious. However, it should be noted that the structure of revenue has changed significantly in recent years and the relative share of businesses with higher profitability than the target level has increased. The profitability target is, therefore, dependent on the distribution of revenue, as, e.g., the profitability of the Career segment is well above the target level and, correspondingly, we consider the target level challenging for the media business. Therefore, we find the target very challenging for Talent. However, Alma Media's profitability potential is reflected in the fact that in Q1’22 and Q3’22 profitability was above the target level. The company's gearing (net debt/EBITDA) has been low in recent history but especially due to the Nettix acquisition, gearing rose close to the target level. However, the strong cash flow from operations has already absorbed indebtedness well below the target level.

We consider Alma Media's financial objective in terms of profitability to be realistic, but partly dependent on market development. The company's services are mostly digital and, we estimate that growth and possible future acquisitions determine how improving the relative profitability of businesses is possible. It is, however, noteworthy that the more digital businesses are, the more the related investments/growth inputs are reflected in the income statement (e.g. product development) than in the balance sheet. In terms of the growth target, we believe it is achievable as a combination of organic and inorganic growth, but we find organic growth of more than 5% in the medium-term with the current business structure to be challenging considering the medium-term economic growth expectations.

Financial targets and outcome (reported figures)



Source: Alma Media, Inderes

Alma Media's strategic and operational development

2012 - 2016

Developing the business portfolio with acquisitions and improving profitability

- In media business, focus on improving profitability and cash flow and focus on strong core operations
- In Career (previously Markets) strengthening earnings growth of considerable acquisitions and developing activities
- Considerable cost savings after the Talentum acquisition in the Talent segment and Group operations
- Strengthening financial position

2017 - 2022

Strengthening the earnings growth of core businesses and small acquisitions

- Focus on increasing digital income, improving profitability and cash flow
- Divesting businesses that grow weakly and have low profitability (e.g. regional media and printing)
- Small “precision” acquisitions especially in digital services directed at consumers
- Overall revenue development negative as print media declines but growth in digital income and increase in relative profitability improved result
- The share of digital revenue has increased from about 43% to 81% at Group level

2023-

Profitable growth, digital business at the forefront

- Diversification of product portfolio in marketplace businesses, digital products that complement customer needs and cover the entire value chain in digital services
- Good cash flow will enable lower gearing, which enables new acquisitions and increasing dividends
- Organic growth is moderate, so growth is likely to be accelerated by inorganic growth also in the future

Strategic and operational development

Actualized

- Business structure more focused and profitable, divestment of businesses with weak growth and profitability mainly completed
- Revenue from print media has fallen significantly and digital revenue clearly plays a more important role
- Profitability at a good level in all businesses
- Net gearing has been boosted clearly by acquisitions, but good performance and cash flow development rapidly melts away the debt level

Near future, 1-2 years

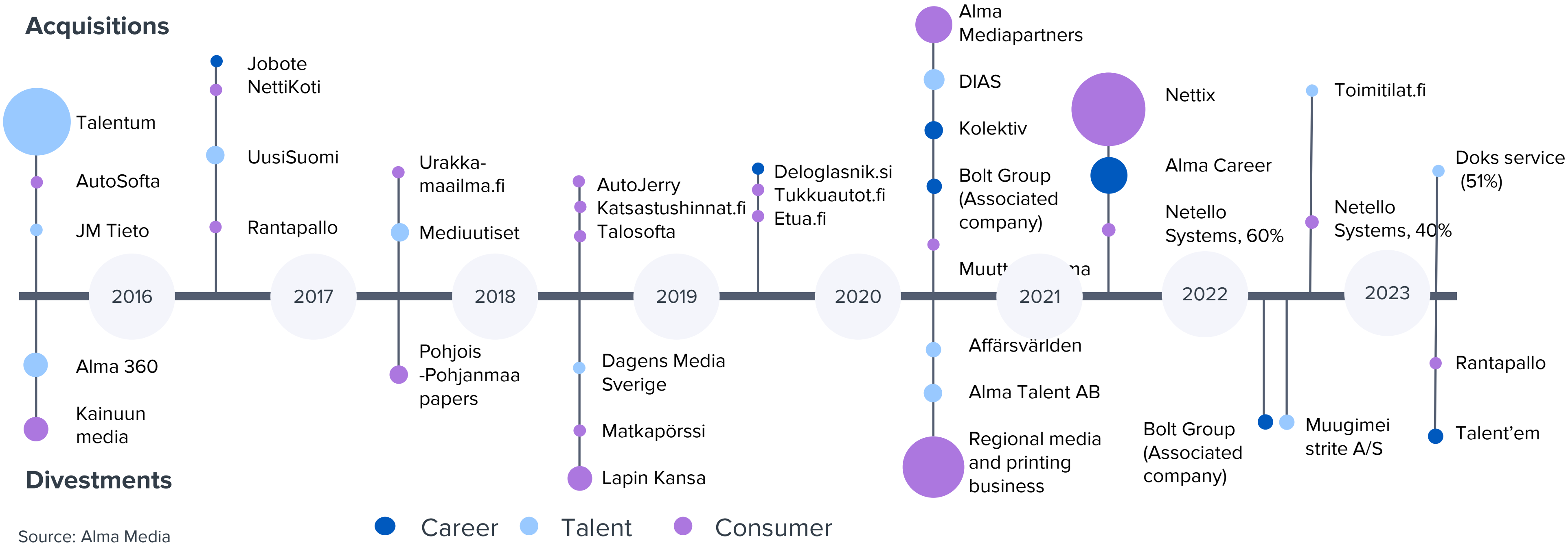
- Managing the structural change in media
- Lowering indebtedness in the balance sheet
- Smaller acquisitions that accelerate growth in digital businesses
- Focus on developing and increasing digital services and products
- Developing marketplaces toward a transaction-based operating model

Next 5 years

- Managing the structural change in media and the digital transformation
- Marketplaces, digital services, and acquisitions as growth drivers
- With the high relative share of digital businesses profitability remains at a high level
- Tightening competitive situation as a risk, technological abilities, and data management key

Source: Inderes

M&A



Source: Alma Media

Business activities' M&A strategy

Career

- Importance of M&A strategic
- M&A transactions focus on strengthening and complementing value chains, and expanding into new markets
- We believe partnerships and consolidation are possible if opportunities open up

Talent

- Role of M&A transactions is complementing
- Focus of M&A transactions on developing the portfolio and strengthening the growth of digital services
- Possibly small "precision" acquisitions in areas with high synergies with core operations and that create cost efficient growth like B2B service business

Consumer

- Importance of M&A strategic
- Target areas of acquisitions primarily those with high synergies with core businesses and that complement the value chain
- In marketplaces the playing field for possible consolidation is mainly the Nordic countries

Source: Inderes

Sector review – marketplaces 2/2

Global giants dominate large markets, small players are strong on small markets

The global recruitment portal market has been growing for a long time as looking for work, job advertisements and management of recruitment processes has become digitalized, portals have developed technologically, and new services have been built around them. The biggest players in the industry have conquered most of the global markets but local and specialized companies often have strong market positions outside the large markets (like China and the US). For example, Alma Career's recruitment portals have a leading market position on all its main markets.

As the growth rate of the market slows down, technological development accelerates and competition tightens (Google, Facebook, LinkedIn), the industry has started to consolidate and in recent years especially big players like Recruit, SEEK and Stepstone have been active in acquisitions. Industry consolidation is also accelerated by the fact that the entry threshold for the industry has grown due to so-called network effect and players with the largest visitor traffic and customer base get the biggest share of industry revenue. In addition, economies of scale are considerable in the industry and, therefore, it is difficult for new players to challenge the market leaders.

Expected consolidation in Finnish marketplaces

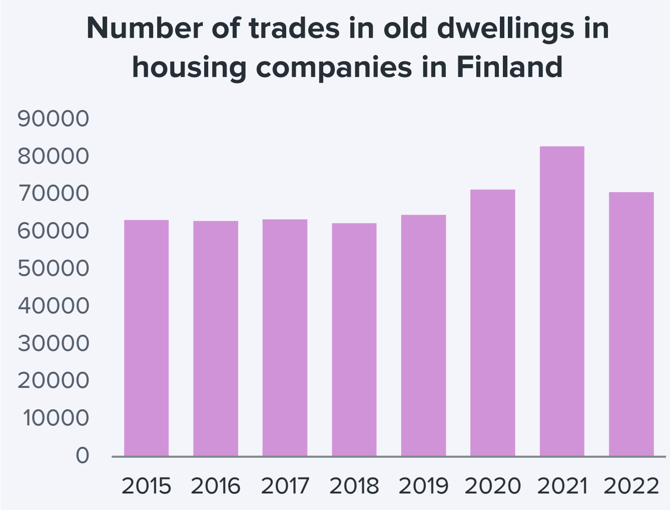
In Finland, the market position for online marketplaces remained quite stable for a long time until two significant M&A transactions took place in 2020 between the biggest players in the industry, Schibsted acquired Oikotie from Sanoma and Alma Media: acquired Nettix from Otavamedia. The main players have been able to grow in recent years as they have expanded their services. At the same time, economic growth has been at a reasonable level and growth has been supported by small acquisitions.

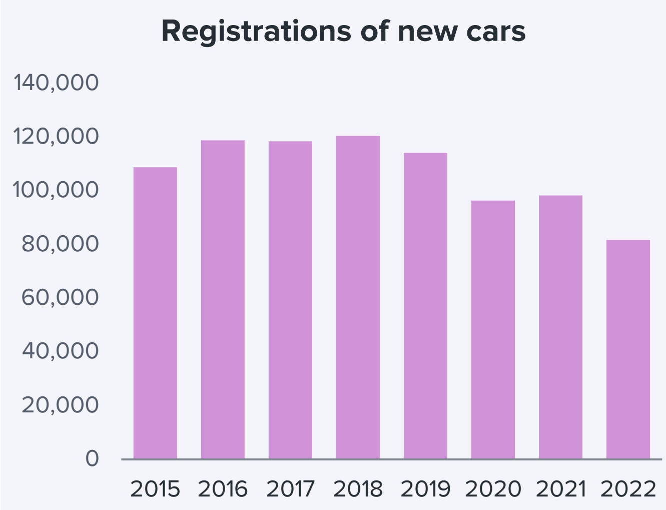
We estimate that the competition in housing, automotive and accommodation service marketplaces has remained largely local in Finland as international technology companies (like Facebook and Google) have not developed considerable products that are successfully competing with marketplaces and they do not have similar knowledge of local market conditions and customers. At a local level, the high entry threshold (e.g. brand recognition) has, in turn, kept the competitive positions pretty much unchanged. Entry of new competitors on the market is also in our opinion limited by the size and growth outlook of the underlaying market.

Development of housing and automotive trade

In terms of the key markets for Alma Media's marketplaces, the volume development of the housing market grew on average by +1.5% p.a. in 2015-2022. During the COVID pandemic, the liquidity shot from the monetary policy, the so-called home nesting trend, and the accelerated housing trade, pushed the number of housing transactions to record level in 2020 and particular in 2021.

Volume development in automotive trade has been more moderate in recent years. In recent years, registrations of new cars have fallen clearly from the pace of the mid-2010s. We estimate that this is caused by the slowdown in new car production that started already before the pandemic and the component shortage that worsened during the pandemic.





Source: Statistics Finland and Netwheels Oy/Traficom

Sector review – marketplaces 2/2

At the same time, the trade in used cars has developed relatively steadily in recent history. However, in 2022, the usually steady trade in used cars turned to a decline, which, we believe reflects the increased financing costs and, on the other hand, the reduced investments by consumers in durable goods as a result of higher inflation.

Growth outlook of marketplaces

In our view, the market for marketplaces is in a mature stage in Finland and the growth of industry players will follow the overall volume growth rate of automotive and housing trade (around +0-5% p.a.) in the medium- and long-term unless they launch new products/services. We expect that slowing growth, increasing technological development and the threat of international competition will maintain the growth and value creation of online marketplaces concentrated on the largest players in Finland (Alma Media and Schibsted).

Toward a transaction-driven model in marketplaces

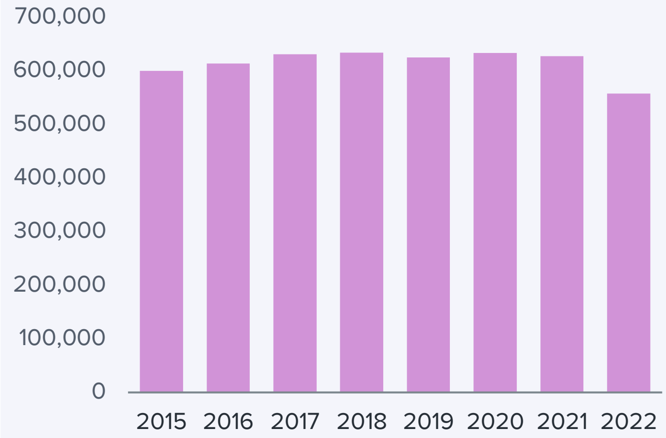
Alma Media has reported that it has ongoing development projects in its marketplace business with the aim of obtaining a larger share of the value of the transaction through value-added services (e.g. financing and insurance). This would mean that the current marketplaces based on the so-called "classified model" would be changed to transaction-based models (see p. 15).

Thanks to the large volume of for-sale ads (good 570,000 cars were sold through Nettiauto in 2022), Alma Media is a very attractive partner for companies providing financing and insurance services, as they will gain a new distribution channel for their services through the extensive sales network offered by Alma Media's marketplaces efficiently and at relatively low cost. In practice, this would mean that marketplaces would serve as a sales channel for financing and insurance service partners, from which Alma Media would receive commission income. The marginal cost of these returns is very low for Alma Media, which makes the transaction-based business model highly scalable and therefore attractive.

We believe that from the financing and insurance company's viewpoint, this distribution channel does not entail any significant costs (excl. commission fee paid to Alma Media), and thus Alma Media will also be able to offer the end customer a rather competitive price for financing and insurance services. In light of this, the higher the number of cars sold through marketplaces, the better the conditions the company could obtain in the commission model for selling third party services (economies of scale), while at the same time the consumer may be given more competitive terms of financing.

The transition to a transaction-based model in automotive trade requires that buying of financing and insurance services moves from the car dealership to the marketplace. We except that this transition will take time, but the first estimates of its growth possibilities and potential can be made during 2023.

Trade in used cars in Finland



Source: European Automobile Manufacturers Association

Marketplace structures

Greater ownership of the value chain →

↓ Additions & improvements

	Search catalog	Transaction possible financing risk	Own logistics operational risk	Own warehouse balance sheet risk	Own brands product risk
Marketing ad fee and/or search advertising	ETUOVI.com, AUTOTALLI.com, NETTIAUTO				
Transaction fee charged from the buyer and/or seller		airbnb, depop	CAZOO, Copart	zalando	
SaaS subscription fee	Docplanner Group			Teladoc HEALTH	
AI AI supports demand and supply				babylon	
Financing financing, insurance and guarantee services				AUTO1 GROUP, CARVANA	amazon

Source: Dealroom.com, companies' websites

Sector review – media 1/2

Structural and cyclical drivers

The growth of the media sector is currently influenced by several structural, legislative, and cyclical drivers.

The main driver of the media sector has for a long time been the structural revolution arising from digitalization and demographic factors, which shapes consumer and advertiser demand, as well as the competitive field of the media industry, while disrupting business models. The revolution is most evident in the sharp decline of print media income and growth in digital media.

The general economic trend (GDP change), which has historically had a strong correlation especially with advertising income trends, has been left in the shade of structural change as a demand driver. However, short- and medium-term GDP changes still have a significant effect on advertising income.

In addition, media companies are strongly affected by technological development, the partial blurring of media sector boundaries, as well as legislative and cultural factors that shape the competitive dynamic between media companies and social media, in particular.

Key trends of the media sector

In our view, the key media sector market trends for investors are:

- The use of and demand for traditional media (newspapers, magazines, books, and linear TV) decreases, which gradually reduces the content and advertising income of print media and weakens their profitability.
- The consumption of digital content and services increases and becomes more diverse, e.g., as mobile devices and applications become increasingly popular, which increases digital content and advertising income and improves relative profitability.
- The competitive media field is globalizing, and access to content and data becomes faster and easier, which especially weakens the competitiveness of small media companies specializing in print media and increases competition for content income and advertising investments.
- Willingness to pay for digital content increases and the pricing models develop, accelerating the growth of digital content income.
- Advertising becomes automated and more efficient, which will shape the structure and pricing of the digital advertising market.
- The quantity and importance of data increases, creating new business opportunities and services.
- Data protection and privacy requirements increase. One of these drivers is the EU's General Data Protection Regulation (GDPR), which levels the playing field between local media companies and global platform operators.
- Technological know-how as a competitive factor becomes emphasized.

Advertising market development and outlook

In the past few years, the most influential trend on the Finnish advertising market has been the sharp decline of print media and, equally, the increase of digital advertising. The growth rate of the Finnish advertising market is clearly lagging the GDP trend, which is explained, e.g., by the relatively large share of print media of the overall market. Coverage of statistics describing total advertising has become slightly less comprehensive in recent years, as a significant part of advertising investments is directed at global operators excluded from the calculation, such as Facebook and Google. Advertisers have also invested heavily in the deployment of new advertising technologies, which has decreased direct investment in media advertising.

Examined by advertising channel, the development of the advertising market has been very divaricated for a long time. In Finland, advertising in magazines and newspapers has halved in the 2010s, and the amount of TV advertising has also dropped clearly. By contrast, the amount of digital advertising has more than doubled since the beginning of the 2010s and according to TNS Kantar its share of total advertising (incl. Facebook and Google) was a bit over half of all advertising in 2022.

Major global players like Facebook and Google have taken a large share of the value of digital advertising and are competing with national players in this market. The fastest-growing trends within digital advertising have been social media marketing, mobile marketing, and native advertising. We expect the structural trends in the advertising market to continue as unchanged in the big picture in the coming years. This means that we expect the clear decline in print advertising to continue and the relative share of digital advertising to increase. Thus, we expect the value development of the total market to be relatively stable or slightly positive in Finland.

Media sector drivers and trends

Digitalization
New devices, new digital services and applications, faster network connections and the growing share of “digital natives” among the population digitalizes media consumption heavily.

Economic trend
Conventionally, the media sector has been very sensitive to economic fluctuations because over 50% of the income come from advertising. With digitalization, the percentage of content income of revenue grows, which makes the sector less sensitive to economic fluctuations.

Technological development
New technologies change the earning models and competition dynamic. Especially the role of data and analytics as a competitive factor becomes highlighted. The main competitors are global platforms and technology companies.

Regulation and culture
Data protection and privacy regulation becomes stricter, which increases the importance of fixed customer relationships. So-called ‘fake news’ emphasize the role of well-known and trusted content providers.

Strong growth of digital media

Internet and mobile-based media consumption grows	Advertising becomes automated, its volume and effectiveness increases, and prices drop	Data volume and value increases
Media consumption becomes fragmented, and availability improves and becomes faster	The use of digital content increases	The importance of data protection and privacy increases

Declining demand for print and linear media

Decreasing print content and advertising income	Economies of scale and profitability weaken	Continuous need for improved efficiency and consolidation

Sector review – media 2/2

According to TNS Kantar, online advertising volume in Finland has grown in the last few years roughly by 5-10% p.a., and in 2022 growth reached 10%. We believe the growth will continue to be brisker than general market growth in the medium term. We expect the linear TV advertising trend to continue on a slight decline (-5–0%) in the medium-term, as some of the investments previously made in TV advertising will be redirected to digital advertising and streaming services.

Content income trends

There is no detailed statistics on the market development of content income but based on the development of media sector companies we estimate that content income has decreased slightly (0-3%) in a historical review. We believe, the decline has been sharpest in single copy sales of tabloids and magazines.

The decrease of content income has been curbed by price increases and, especially, the accelerated growth of digital content sales. Even though the share of digital content sales overall is still relatively low, the largest media operators, like Sanoma and Alma Media, have managed to increase the number of subscribers paying for digital content. For example, Alma Media has been successful in significantly increasing the number of monthly subscriptions among Talent's consumer and corporate customers in recent years.

The growth in the number of digital subscribers has been driven by, e.g., greater willingness to and experience in paying for digital content as the popularity of digital services, such as Netflix and Spotify, has increased, the discussion concerning fake news, the measures to develop paywalls and chargeable content, as well as improved accessibility and quality of digital services. Growth of digital content sales has, however, strongly focused on news and financial media, while digital subscription income development in magazines has to our understanding been relatively muted.

We estimate that overall content income growth will be low in the next few years, as the growth of digital content income does not yet fully compensate for the decline in print media income due to the higher prices of print media.

Growth of digital content improves relative profitability

One of the positive effects of the digital revolution of the media sector is that the growth of the relative share of digital income improves the sector's relative profitability. The improved relative profitability is based on the sales margin of digital products and services, which is typically clearly higher than that of print media products due to lower distribution and material costs. The scalability of digital operations is also markedly better than that of print media.

According to our estimate, the EBIT % of media operations relying solely on digital content and advertising income is roughly 20-30%, whereas the EBIT % of print media has historically typically been within the 5-10% range.

We estimate that cost inflation puts increasing pressure on the profitability of print media, while their volumes have fallen significantly in recent years. This makes it even more difficult to achieve reasonable profitability in print media, which we suspect could accelerate structural changes in print media.

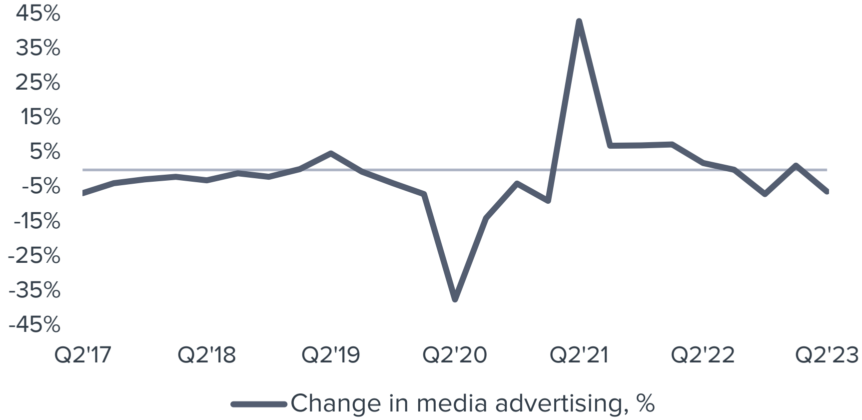
Global giants rule the competitive field

Digitalization will increasingly shape the competitive media field, and competition in advertising takes place more against global platform companies, like Facebook and Google, instead of between local media companies. In terms of content income in print media and services, competition is still local, but TV and digital media increasingly compete with global companies, as well as companies outside the media industry (such as Apple or telecom operators).

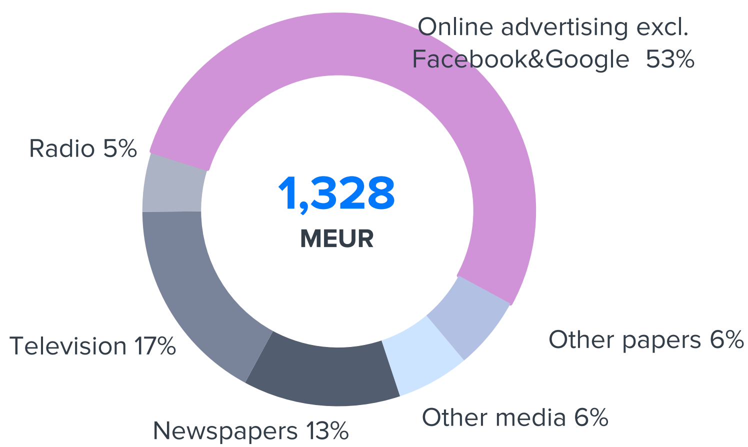
So far, leading Finnish media companies have fared relatively well in the competition against the likes of Facebook and Google, and their share of the digital advertising and content market has remained high in a global comparison. In terms of content income, Finnish media companies are supported by the high threshold to enter a small market and language region, long and strong relationships with readers in print media, and strong brands.

Development and competitive field of the media sector

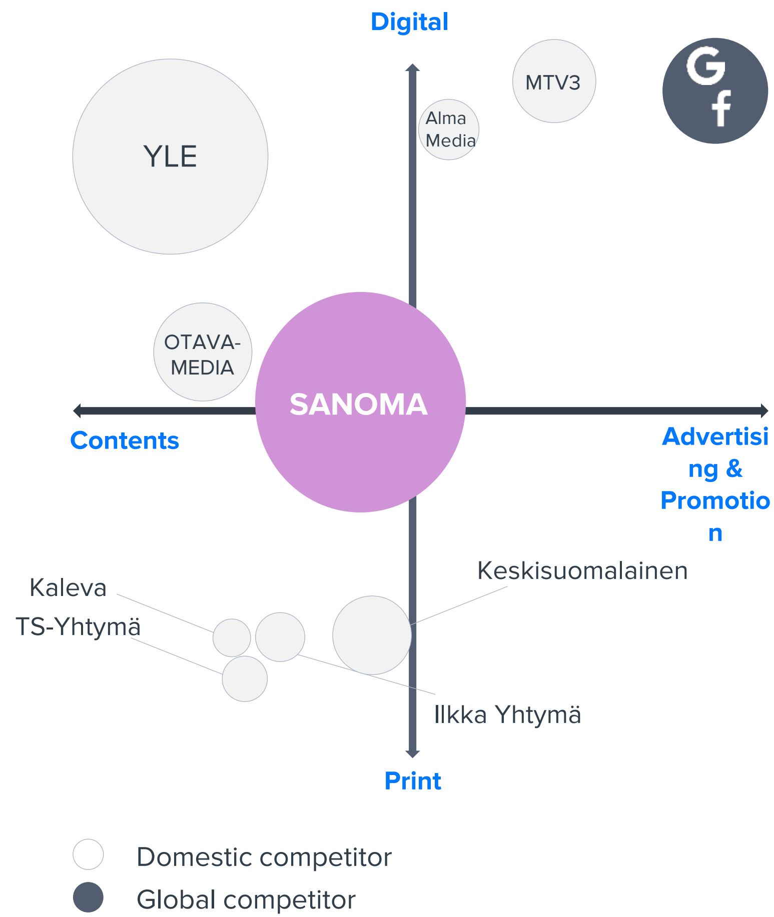
Development of Finnish media advertising *



Distribution of Finnish media advertising, 2022



Competitive field of the Finnish media market*



The size of the sphere depicts the size of the Finnish media operations based on financial statements and Inderes' estimates. In terms of content income, YLE has been deemed a competitor of media companies, even though its operations are financed by public funds.
* Illustrative graph based on Inderes' estimates where data are not available

Source: Kantar TNS, IAB, Statistics Finland, Inderes
* Q2'23 incl. April figure only

Alma Career 1/3

Market leader of recruitment portals in Eastern Europe

Thanks to the growth in 2022, Career rose to the largest segment of Alma Media measured by revenue (2022: 110 MEUR/ 36% of Group revenue). Thanks to its high profitability, it was already the Group's largest segment measured by adjusted EBIT (2021: adj. EBIT-% 38.7%). The segment's business consists of recruitment services such as, Jobs.cz, Prace.cz, CV Online, Profesia.sk, MojPosao.ba, Jobly.fi and, e.g., the Seduo online training service.

In 2022, in all 58% of the segment's revenue was generated in the Czech Republic, 16% in Slovakia, 10% in Baltic countries, 9% in Croatia, 5% in Finland, and 2% in other countries. Alma Career operates in 11 countries in Europe. Measured by revenue, Career is the biggest recruitment portal company in the Czech Republic, Baltic countries and Croatia. Career has a particularly strong market position in the Czech Republic and Slovakia (estimated over 80%).

Achieving a market leader position in digital services is very valuable as it typically enables high profitability through economies of scale and pricing power. Market leadership also brings benefits through the network effect. This is because the bigger the marketplace becomes and its number of users grows, the more valuable the marketplace becomes for users and the more valuable it is for the next new user. This makes it easier to get the next customer. In other words, the cost of customer acquisition typically decreases the bigger the business grows. Wide geographical coverage is also often very beneficial as it enables duplication of services, as well as sharing expertise and development cost among a bigger mass.

Business is cyclical but easily scalable

Nearly all of Alma Career's revenue (2022: 98.9%) came from digital business, a majority of which comprises advertising income while the role of complementing services is smaller. Career's business model is easily scalable as its capital structure is very light, cost level flexible, and gross margin percentage high. Growth in digital services is, therefore, typically in a mature development phase and very profitable, as shown by Career's figures in recent years. Due to rapid technological development and competition, the sales and marketing costs of digital services, as well as product development costs are, however, considerable, especially when starting out and they also require certain maintenance and development investments to remain competitive.

Career's income is cyclical as the business is based on job advertisements that fluctuate with general economic development. Especially in economic turnarounds, changes in Career's service demand can be strong as was seen in connection with the COVID pandemic (revenue decrease over 25% Q2'20 vs. Q1'20) and recovery from it (2021: +31%). In accounting Career's revenue development is characterized by delayed recognition compared to customer invoicing.

Career in brief, 2022

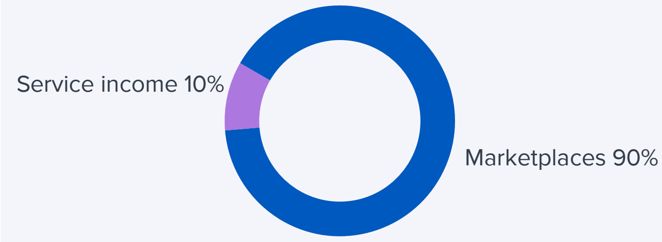
110 MEUR
Revenue 2022

38.8%
Profitability, adjusted EBIT %

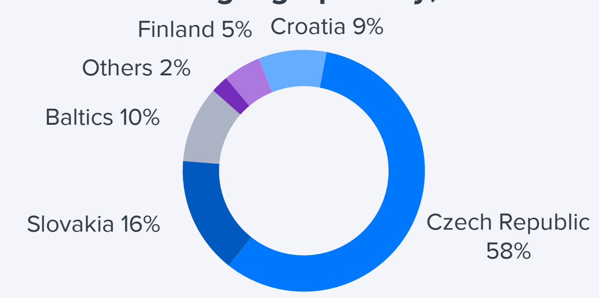
98.9%
Share of digital income

#1 market position
Recruitment portals in the Czech Republic, Slovakia, Estonia, Latvia, and Croatia

Revenue by income type, 2022



Revenue geographically, 2022



Source: Inderes, Alma Media

Alma Career 2/3

Segment's growth outlook

Continued growth in Career in the medium- and long-term is in our opinion supported by two main drivers: 1) Classified ads focusing on the largest, most efficient platforms with the most developed services, 2) new digital services and expansion in the value chain of recruitment services in current operating countries and geographically.

Based on the historic growth of the segment and management estimates, we expect that the growth potential of Alma Career's revenue in a good 2-5% economic growth environment to be 5-10% p.a. and in a zero-growth and slowing growth environment to be 0-5% p.a..

The profitability development of the recruitment businesses was on an upward trend in 2010-2019, despite the rapid growth of the segment. This is an indication of the economies of scale of the business, successful acquisitions and a strengthened market position. Profitability took a hit in 2020, burdened by the COVID pandemic, which reflects its high operational lever. This lever works in both directions, as growth in 2022 resulted in high profitability (adjusted EBIT-% 38.8%).

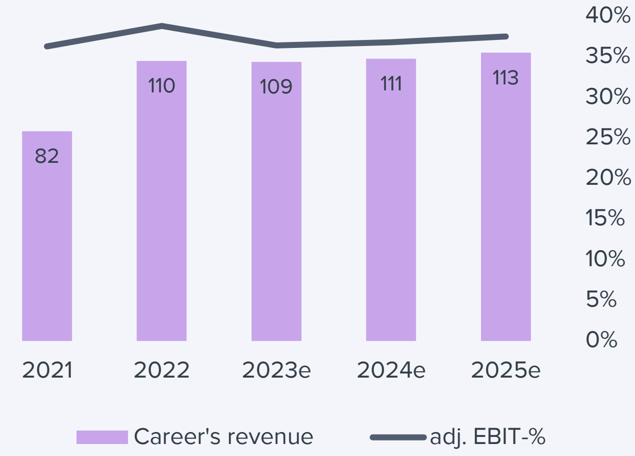
For Career, the Czech Republic (58% of Career's revenue 2022) plays the biggest role for its development and growth. In the Czech Republic and the second largest target country Slovakia, manufacturing industries employ around one-third of the workforce. In the Czech Republic in particular, unemployment has been among the lowest in the EU in recent years and there is a shortage of labor. Low unemployment can mean that recruitment portals must attract potential workers to the labor market, which in practice means higher sales and marketing costs. On the other hand, companies seeking employees must invest more in job searches and related additional services, which will have a positive impact on Career's development.

We believe that before the COVID pandemic, Career's business in the Czech Republic and Slovakia focused more on serving the job searches of large companies, but with COVID the company's customer base has expanded more to SMEs, reducing dependence on large companies (such as the automotive industry). However, we estimate that car manufacturers still account for a large share of Career's revenue in the Czech Republic and Slovakia.

Growth estimates

In Career's estimates we assume that economic growth in eastern Central Europe and Finland has slowed down in winter 2022 and economic growth will be slower than before also in 2023-2024. Due to the strong demand in the past 12 months and the revenue recognition principle (increase in invoicing visible in revenue with a delay due to periodization), marketplace still grew in Q1 but we expect the growth to slow down during the rest of 2023 and the full-year revenue for marketplaces to decrease by 1%. However, we expect that service revenues continue to grow, which means that we expect Career's total revenue to remain almost stable at the previous year's level at EUR 109 million.

Career's revenue and adj. EBIT-%



Source: Inderes

Alma Career 3/3

In 2024, we expect slow growth in marketplaces' revenue, reflecting the subdued economic growth of only 1%. Despite the more challenging operating environment, we expect services to continue to grow slightly, e.g., supported by growth in education services. Against this background, we expect Career's revenue to increase to EUR 111 million in 2024.

Margins are high

We expect that Career's 2023 adjusted EBIT will decline by 6% to EUR 39.9 million (2022: 42.5 MEUR) and adjusted EBIT % to rise to 38.8%. This reflects the cost inflation brought on by high inflation, which we expect the company will be partly able to offset with savings measures, such as smaller marketing investments. In 2024, we expect the segment's profitability will remain relatively stable at 36.8% due to the slowdown in growth and continued elevated inflation. This corresponds to the level of the previous year's adjusted EBIT of EUR 40.7 million.

Medium-term estimates

In the medium-term, we expect that Career's revenue growth will be around 2-3% reflecting the longer-term average economic growth on the main markets. In the same period, we estimate that Career will be able to maintain high profitability (average EBIT-% some 38%), supported by the network effects of economies of scale and high market shares.

Due to Career's cyclicality, the main estimate risks in both the short- and medium-term are linked to changes in labor demand, which is linked to cyclical fluctuations and lack of available workforce.

Career's estimates

Income statement	2021	2022	2023e	2024e	2025e
Revenue	82.2	109.8	109.4	110.6	113.0
EBITDA adj.	32.6	45.5	42.8	43.6	45.3
EBIT adj.	30.0	42.5	39.9	40.7	42.4
EBIT	30.0	48.5	39.9	40.7	42.4
Non-recurring items	-	+ 6	-	-	-

Growth and profitability	2021	2022	2023e	2024e	2025e
Revenue growth %	31.1%	33.6%	-0.4%	1.1%	2.2%
Adjusted revenue growth %	44.7%	42.8%	-6.3%	2.1%	4.1%
adj. EBITDA %	39.7%	41.3%	39.1%	39.4%	40.1%
Adj. EBIT-%	36.6%	38.8%	36.4%	36.8%	37.5%
EBIT-%	36.6%	48.5%	36.4%	36.8%	37.5%

Source: Inderes

Alma Consumer 1/2

Digital marketplaces directed at consumers

Measured by revenue and adjusted EBIT, Consumer is Alma Media's second largest segment. In 2022, its revenue was EUR 104 million (2022: 34% of Alma Media's revenue) and adjusted EBIT was EUR 24.4 million. (2022: 28% of Group's adj. EBIT).

The core of the business are digital marketplaces directed at consumers (e.g. housing related Etuovi.com and Vuokraovi.com, and motor sector related Autotalli.com, NettiAuto ja NettiMoto). In addition, the media unit that consists of the national news media Iltalehti plays an important role. The segment also includes comparison services Autojerry, Urakkamaailma, Katsastushinnat.fi ja Etua, news service Ampparit and Netello, a specialist in digital advertising solutions. Consumer's target market is the Finnish market.

Consumer is the market leader in housing and automotive related marketplaces. Achieving a market leader position in digital services is very valuable as it typically enables high profitability through economies of scale and pricing power. In addition, a well-known brand in consumer marketplaces strengthens the company's market position and raises the entry threshold to the market,

Relative to the Finnish media advertising market calculated by Kantar TNS (some EUR 1.28 billion), Consumer's market share is close to 3% of the entire market and some 5% of the online advertising.

Share of digital income is high

Consumer's digital revenue accounted for 82.7% of revenue in 2022. Despite marketplace income depending partly on consumers' investments in durable goods, marketplace income developed strongly in 2022, when both the housing trade and the second-hand car trade were subdued. This reflects the fact that the volume of classifieds and advertising remained at a good level.

The income of Consumer's media unit is, in turn, a combination of conventional print media and online media that is largely financed by advertising. The effect of the structural changes in the media field is reasonable for Consumer as the share of print media in Consumer's revenue was 19% in 2022.

In 2022, the share of **marketplaces** in Consumer's revenue was 40%. The income consists mainly of advertising income from marketplaces favored by consumers (e.g. Etuovi.com and NettiAuto).

The share of **advertising income** of revenue in 2022 was 34%. Of the advertising income 90% consisted of online advertising and some 10% of print media advertising.

In 2022, the share of **content income** in the segment's revenue was 16%. Content income consisted of single copy sales of printed Iltalehti and subscription income from the Iltalehti plus service.

In 2022, service income accounted for 10% and consisted of, .e.g., digital services like Autojerry, Urakkamaailma and Etua.

Consumer in brief, 2022

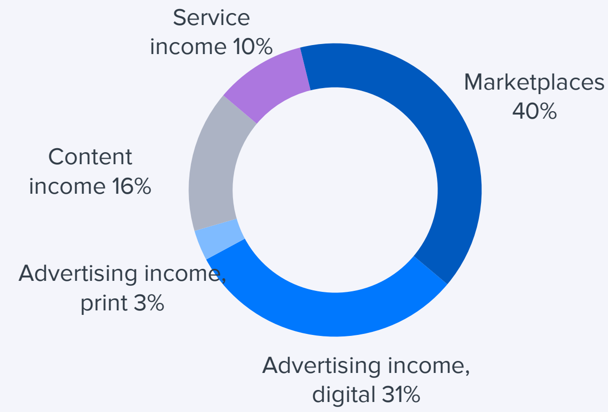
104 MEUR
Revenue 2022

23.4%
Profitability, adjusted EBIT %

81% / 19%
Share of digital income / other business

#1 market position
In housing and automotive marketplaces

Revenue by income type, 2022



Source: Inderes, Alma Media

Alma Consumer 2/2

Segment's growth outlook

We believe Consumer's growth outlook in the medium-term is positive as a whole. We feel that continued growth of marketplaces in the medium- and long-term is supported by the growth in the volume of housing and automotive trade. We also believe the growth outlook for digital advertising and services is good and we expect the income from digital businesses to grow in the medium-term by some 5-10% annually. By contrast, we expect the structural trends in print media will continue to scale down the market. We estimate that the print media revenue of the segment will continue decreasing by 5-10% in the medium-term.

We expect profitability to grow moderately in the medium-term supported by a combination of increasing revenue and extremely scalable digital businesses. However, the development is slowed down by the expected drop in print media and resulting inefficiencies.

Estimates

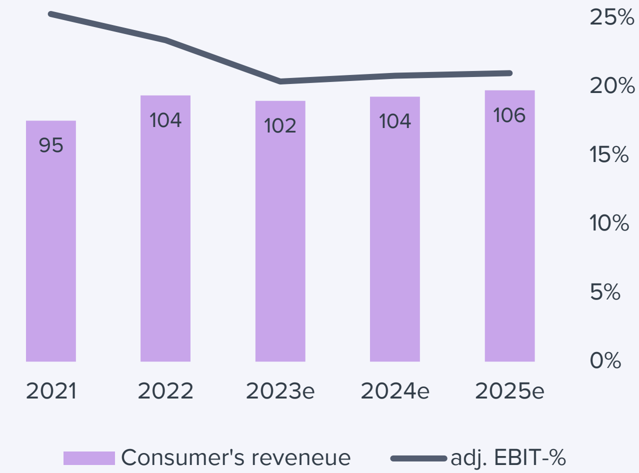
We expect Consumer's revenue to drop by 2% to EUR 102 million in 2023. The driver behind this is the decline in advertising sales, while we expect the overall development of other revenue drivers to be relatively stable. Correspondingly, in 2024, we expect revenue to increase by close on 2% thanks to the development in marketplaces and advertising perking up.

We anticipate 2023 adjusted EBIT to decrease by around 14% to EUR 20.8 million (2022: 24.5 MEUR) because of increased costs and a reduction in the revenue from high-margin advertising. This corresponds to an adjusted EBIT margin of 20.4%, which is lower than in the previous year (2021: 23.4%). In line with moderate growth and the savings measures that we expect to realize to some extent already in H2'23, we estimate that the adjusted EBIT for 2024 will increase by almost 4% to EUR 21.6 million and thus the adjusted EBIT-% will increase to 20.8%.

In the medium-term, we expect the adjusted EBIT to continue on a growth path as slight revenue growth will scale as it comes from digital and therefore very profitable sources.

We consider a successful conversion of marketplaces to the transaction model a positive risk for our estimates. We believe that thanks to the very high profitability of the transaction-driven model, the positive impact of its growth on Consumer's profitability would be significant. A key negative risk to our estimates is tightening competition, especially in marketplaces and advertising.

Consumer revenue and adjusted EBIT-%



Income statement	2021	2022	2023e	2024e	2025e
Revenue	94.5	104.1	102.2	103.9	106.4
EBITDA adj.	28.2	29.9	26.6	27.5	28.2
EBIT adj.	23.9	24.4	20.8	21.6	22.3
EBIT	23.5	24.6	20.4	21.6	22.3
Non-recurring items	-0.4	0.2	-	-	-

Growth and profitability	2021	2022	2023e	2024e	2025e
Revenue growth %	35.3%	10.2%	-1.9%	1.6%	2.3%
Adjusted revenue growth %	59.3%	1.8%	-14.4%	3.7%	3.3%
adj. EBITDA %	29.8%	28.7%	26.1%	26.5%	26.5%
Adj. EBIT-%	25.3%	23.4%	20.4%	20.8%	21.0%
EBIT-%	24.9%	26.6%	20.0%	20.8%	21.0%

Source: Inderes

Alma Talent 1/2

Financial and professional media Talent

Measured by revenue and EBIT, Talent is the smallest segment in Alma Media, as its revenue in 2022 was EUR 96.5 million (31% of Alma Media's revenue) and the adjusted EBIT was EUR 19.7 million (2022: adj. EBIT-% 20.4% / 23% of the Group's adj. EBIT).

Talent's business consists of media and services. The biggest media unit in the segment is the financial media Kauppalehti, which holds the leading position in Finnish financial media. Other financial and professional media are, e.g., Talouselämä, Tekniikka & Talous and Arvopaperi. Together these form good one-half of Talent's revenue. Alma Talent Services offer professionals and corporations extensive content related to company information, real estate information, law, financial management, competence development, leadership, and marketing services. In addition, services include marketplaces for business premises in Finland and Sweden and DIAS, a digital housing transaction platform.

Measured by revenue as well as users and subscriptions, Talent is Finland's largest financial and professional publication media. Relative to the Finnish media advertising market calculated by Kantar TNS (some EUR 1.3 billion), Talent's market share is close to 1% of the entire market and close on 2% in online advertising.

Weight of print media in total income still crucial

Talent's business model is dispersed widely across different income sources, which is the result of the segment's product portfolio that extensively covers Finland's entire financial and professional media field and several different types of service businesses.

The effects of the media field's structural trends on the segment's development are, however, still significant as the share of digital media in Talent's 2022 revenue was 59%. Correspondingly the share of other revenue was 41% of which over one-half came from print media.

The share of **content income** (subscription income) of the segment's revenue was 36% in 2022 which brings stability to revenue. In our view, content income now consists nearly fully of recurring subscription income, while the share of single copy sales is very small. Content income was divided into half between print and digital content in 2022.

Service income formed 39% of the segment's revenue in 2022. Service income is divided into direct marketing services, event and training services, digital services such as Alma Talent information services. The revenue of the digital housing trading platform DIAS is included in Talent's service income.

The share of **advertising income** in 2022 was 20% of the segment's revenue. 40% of the segment's advertising income comes from declining print media advertising and a larger share from growing online advertising.

In 2022, the share of **marketplaces** in the segment's revenue was 7%. The segment's marketplaces are objektvision.se marketplaces for office premises operating in Sweden and Finland, and Kauppalehti office premises.

Talent in brief, 2022

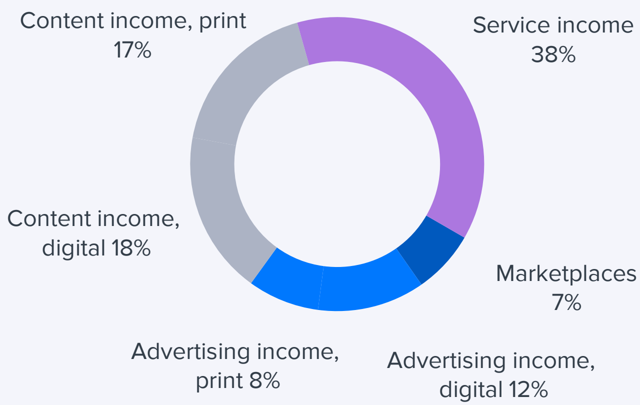
96.5 MEUR
Revenue 2022

20.4%
Profitability, adjusted EBIT %

59% / 41%
Share of digital income/print and service income

#1 market position
Financial and professional media, Finland

Revenue by income type, 2022



Source: Inderes, Alma Media

Alma Talent 2/2

Segment's growth outlook

The Talent business is in the midst of a shift of content business from print media to digital, which together with weakly developing print media advertising subdues the development of the segment's total revenue. We believe the segment's growth outlook is good in services and marketplaces

We expect the segment's print media revenue to decrease by 5-10% p.a. in the short and medium-term reflecting the drop in print media advertising income and subscribers we anticipate. We, in turn, expect the income from digital businesses to compensate for the drop in revenue from print media. We expect income from digital business to grow in the medium-term by some 3-5% annually and services and marketplaces by some 0-5% p.a. Thus, the segment's total revenue growth will according to our estimates turn positive in the medium-term reflecting the decreasing relative share of print media in the segment's income.

In terms of profitability, we expect the segment's sales distribution to improve gradually (relative share of more profitable digital business of revenue increases) and as efficiency improves, profitability will rise slightly in the medium-term.

Estimates

In our estimates, Talent's revenue growth is sluggish in the next few years, as digital revenue sources compensate for the declining revenue from print media.

This year, we expect Talent's revenue to drop by some 1% to EUR 95.8 million. The reason is a slight decrease in advertising and content income, which will be offset by inorganic growth in marketplaces, reflecting the Toimitilat.fi acquisition. In 2024, we expect growing digital income to slightly increase revenue, but the drop in print media revenue will depress overall revenue development to around zero. In the medium-term we estimate that revenue development will be slightly positive considering Talent's content competitiveness and the growth in digital income, which will compensate for the decline in print media.

We expect that 2023 adjusted EBIT will decline by 4% to EUR 18.9 million (2022: 19.7 MEUR) and adjusted EBIT % to drop to 19.7% (2022: 20.4%) reflecting decreasing revenue and slight cost inflation. In 2024, we expect relative profitability to pick-up slightly as the distribution of revenue improves. In the medium term, we estimate that the growth in digital business and thus the digitalization of revenue distribution will lead to a moderate increase in profitability.

Stronger than expected digital advertising, content sales and services (e.g. DIAS) development are in our opinion the positive risks for our estimates. According to our estimates, Nordic marketplaces for business premises can also offer new growth drivers for Talent in the longer term. Negative risks are related to changes in the competitive position in digital advertising and the intensity of the structural change of print media.

Talent revenue and adjusted EBIT-%

Income statement	2021	2022	2023e	2024e	2025e
Revenue	99.7	96.5	96.1	96.9	97.9
EBITDA adj.	24.2	23.1	22.2	23.1	23.4
EBIT adj.	20.5	19.7	18.9	19.3	19.6
EBIT	20.5	20.1	18.9	19.3	19.6
Non-recurring items	-	0.4	-	-	-

Growth and profitability	2021	2022	2023e	2024e	2025e
Revenue growth %	4.8%	-3.2%	-0.8%	0.4%	0.8%
Adjusted revenue growth %	26.5%	-4.0%	-4.2%	2.4%	1.4%
adj. EBITDA %	24.3%	23.9%	23.2%	24.1%	24.1%
Adj. EBIT-%	20.6%	20.4%	19.7%	20.1%	20.2%
EBIT-%	20.6%	20.9%	19.7%	20.1%	20.2%

Source: Inderes

Financial position

Balance sheet structure

Alma Media's balance sheet total at the end of Q1'23 was EUR 495 million. Most non-current assets in the balance sheet consists of goodwill (294 MEUR), generated in a significant proportion (~58%) in the Nettix acquisition carried out in Q1'21. This acquisition also increased the amount of intangible assets and they amounted to EUR 88 million at the end of Q1'23. Most of the goodwill and intangible assets was generated in the 2021 recruitment portal acquisitions and the Talentum acquisition at the end of 2015. The company had EUR 30 million in tangible assets and EUR 43 million in cash in hand. The remaining balance sheet assets consisted of receivables and other assets, the most significant item being trade receivables of EUR 38 million.

Due to the nature of the operations, the company's net working capital is typically negative because most of the revenue accrues advance payments and accounts payable are typically clearly higher than accounts receivable. At the end of Q1'23, working capital was some EUR 57 million negative.

As a whole, at the end of the Q1'23 altogether 18% of Alma Media's assets were distributed to Career, 21% to Talent, 43% to Consumer, and the remaining 17% were Group assets (i.e. unallocated). We consider Alma Media's balance sheet items to be current and, as a whole, the risks associated with write-downs are small.

Debt has melted away quickly

With the Nettix acquisition Alma Media's gearing rose to 109% at the end of the 2021 fiscal year. Correspondingly the equity ratio was 35% at the end of 2021. With strong performance in 2021-2022, gearing has decreased significantly and in Q1'23 net gearing was 59% and the equity ratio was close to 48%. The company had EUR 164 million in long-term interest-bearing debt, consisting of EUR 140 million in financing loans and close on EUR 24 million in IFRS 16 liabilities. Short-term interest-bearing liabilities amounted to EUR 7 million, which also consisted of leasing liabilities. Thus, the company's interest-bearing net debt was EUR 128 million. The net debt/EBITDA (past 12mos) ratio was thus 1.5x. This is below the 2.5x target level and we feel that gearing as a whole is quite moderate. Long-term financing matures at the end of 2024, so we expect it to be refinanced during 2023. We expect this to happen at reasonable prices, thanks to a good financial position and business quality.

Strong competitiveness is reflected in return on capital

Alma Media's ROI-% or ROIC-% and ROE-% have been on very good levels in recent years. In 2022, the company's reported ROE was 38.6% and ROI-% was 18.9%. Over the last 5 years, the corresponding figures have averaged 22.5% (ROE-%) ja 14.8% (ROIC-%). Thus, the company can produce a return on capital that is quite good and clearly above the required return.

Cash flow machine that guarantees dividend payment capability

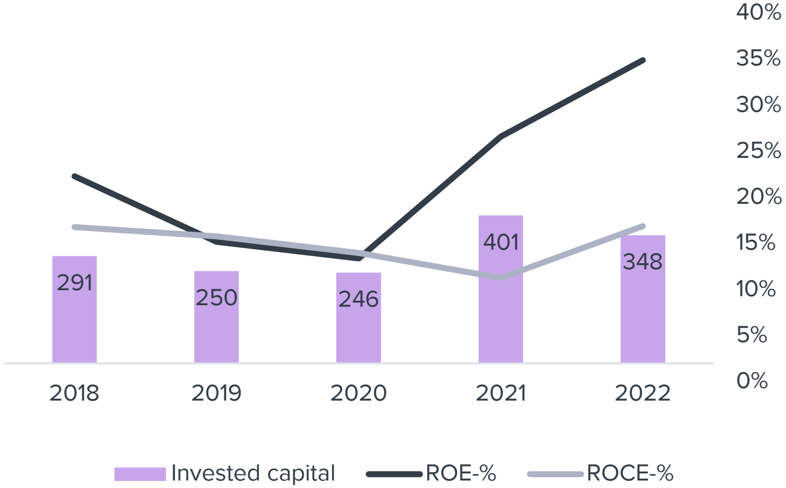
Alma Media's operational cash flow has been strong in 2018-2022 at some 22-29% of revenue. The average over the whole period has been about 26%.

This is based on the fact that customers pay Alma Media for its products and services partly in advance (the share of recurring revenue is high), which on the one hand results in relatively high advance payments and a small amount of trade receivables resulting in negative working capital. This is reflected positively in operating cash flow, as the business does not tie up working capital and the company is able to finance operational business with customer money. In addition, the organic working capital investment needs of the businesses have been moderate (on average, about 3 MEUR per year). The above factors have been reflected in an excellent cash conversion (free cash flow/EBIT), which has averaged 80% in 2018-2022.

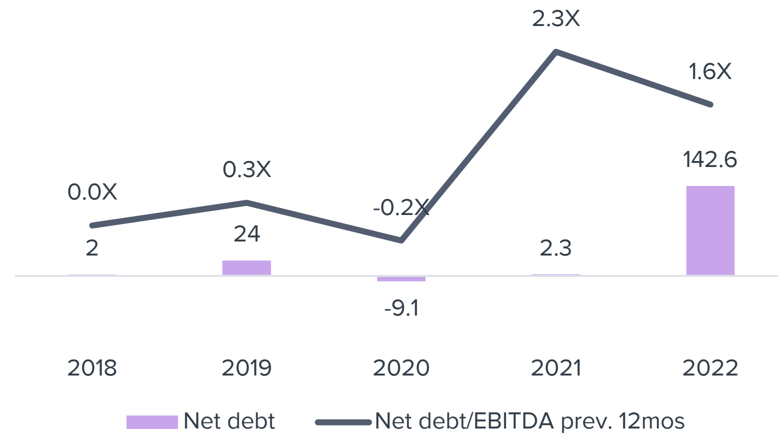
The company's operations are highly profitable and generate excellent cash flow. Profitability has also historically been relatively stable, for example, even when the business environment changed radically (e.g. COVID year 2020: 24.3% of operating cash flow relative to revenue). This reduces the risk level of the business. Due to the relatively stable position of Alma Media's businesses and the strong potential for generating free cash flow, the company can distribute a growing dividend in the long-term. In addition, cash flow can be used to finance acquisitions that complement existing businesses.

Financial position

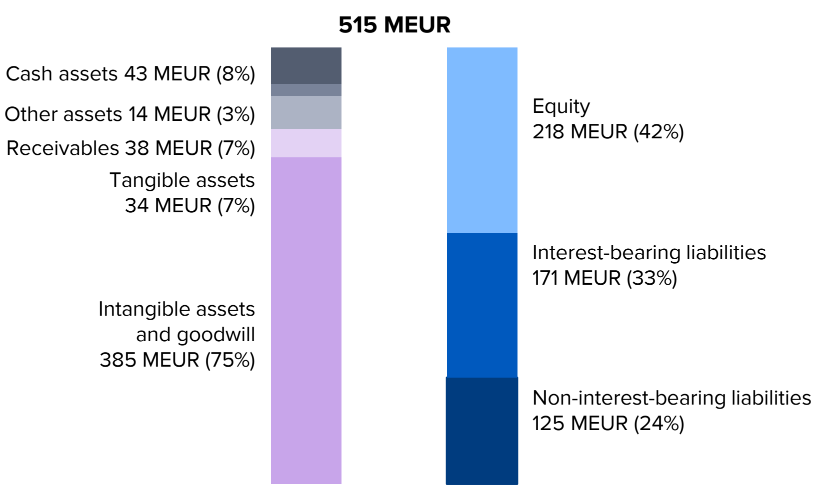
Invested capital and return on capital



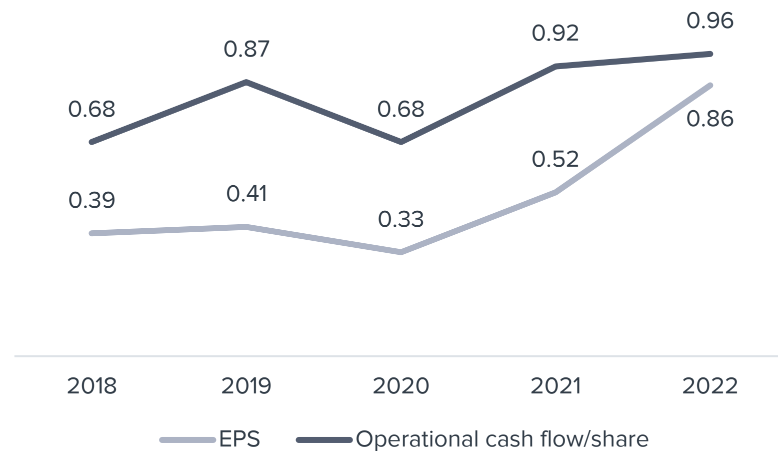
Net debt and net debt/EBITDA



Balance sheet structure at the end of Q1'23



Cash flow from operations and EPS



Source: Inderes, Alma Media

Group level estimates 1/2

Defense game played in 2023

In 2023, Alma Media expects its full-year revenue (2022: 308.8 MEUR) and adjusted EBIT (2022: 73.4 MEUR) to remain at the 2022 level or to decrease from it. In Q1'23, Alma Media's revenue fell by 1% to EUR 75.2 million mainly due to the decrease in Talent's revenue. The drop in revenue was affected by the divestment of the Baltic telemarketing business, while comparable revenue was at the level of the comparison period. With the rise in costs, adjusted EBIT decreased in Q1 by 13% from a fairly strong level in the comparison period. The Q1 adjusted EBIT margin was 22.6% (vs. 25.7% in Q1'22).

We estimate that 2023 revenue will decrease by 1% to EUR 306 million. We expect the Group's adjusted EBIT to decline by some 8% to EUR 67.6 million corresponding with a 22.1% adjusted EBIT margin (2022: 23.8%). We expect the earnings of all segments to decreases but the decline in earnings will be mitigated by decreasing Group costs.

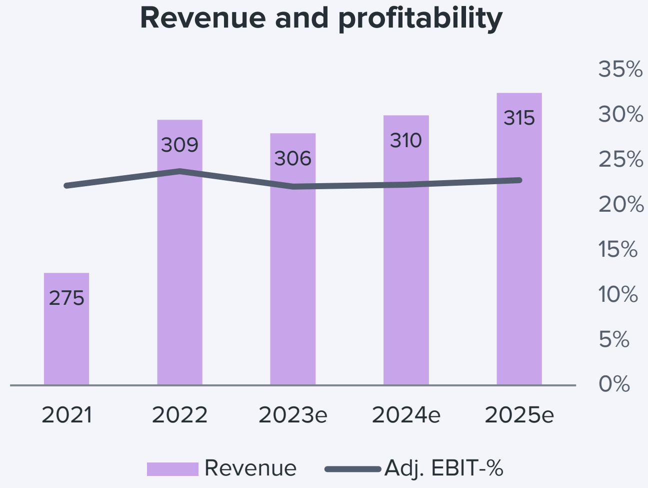
In line with the decline in operating profit and increased financing costs, we expect adjusted EPS to fall to EUR 0.59. Considering the good operating cash flow and the moderate investment needs we expect free cash flow to be well in line with EBIT and thus the company's balance sheet and financial position to strengthen as the year progresses (2023e net debt/ EBITDA 1.5x). Thus, despite the declining performance from the previous year, we expect Alma Media to increase its dividend slightly to EUR 0.46 per share (2022: EUR 0.44 per share). This corresponds to a payout ratio of 79%, which is in line with the dividend policy according to which the company's long-term objective is to pay on average over 50% of the profit for the financial year to shareholders.

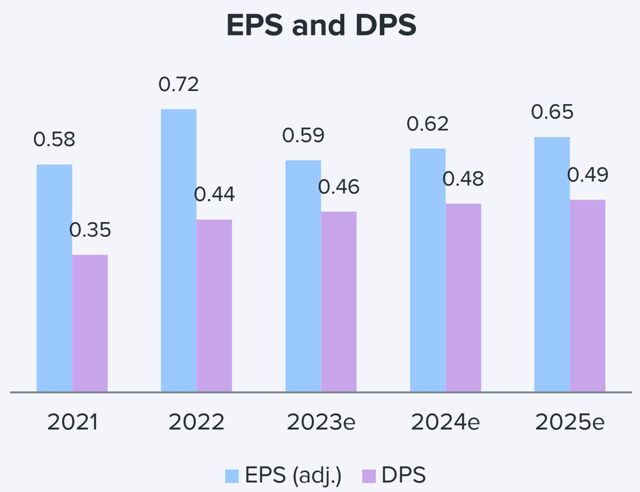
Estimates for 2024-2025

We expect Alma Media's revenue to grow by 1% in 2024 to EUR 310 million, where the key driver is the slightly positive development of revenue in advertising and marketplaces. Considering the growth in digital income, we expect adjusted EBIT for 2024 to grow slightly faster than revenue, i.e. about 2%, and reach EUR 69.1 million. Thus, we expect profitability to increase slightly and reach 22.3% at Group level.

In 2025, we expect revenue to grow at Group level by 2% and adjusted EBIT to grow by close on 4% to EUR 71.8 million, still driven by growth in digital businesses. This corresponds to a slightly increasing adjusted EBIT margin that reaches 22.8% in 2024 in our estimates.

In our forecasts, the financial expenses for 2024-2025 will remain above the levels seen in recent history, in line with the higher interest rates. Thus, the EPS for the corresponding years are expected to be EUR 0.62 and EUR 0.65, in line with the fairly stable operational performance. In line with the fairly good free cash flow, Alma Media's balance sheet and financial position strengthens in our forecasts, allowing acquisitions to continue at a higher gear. With our estimates for the end of 2025, the company's net debt/EBITDA has fallen to a moderate level of 1.1x. Thus, considering the excellent financial position, we expect that the dividends for 2024-2025 (EUR 0.48 and 0.49) will continue on a moderate upward curve.





Source: Inderes

Group level estimates 2/2

Long-term earnings estimates

In the long-term, the key factors affecting earnings development are the growth rate of the scalable digital business with stronger profitability and how steep the decline in print media is. Considering this, our medium- and long-term growth estimate is 2.5%. Our estimates are based on the organic growth we expect and do not contain any inorganic growth which we consider likely to occur.

The current business structure and, on the other hand, the shift to digital businesses, keeps our EBIT % for Alma (2032: 23.5%) at an excellent level. As a result, operational earnings growth is also reasonable (CAGR 2024-2032: 3%) and ROIC is on an excellent level (2023e-2032e average ~ 19 %).

Minor estimate changes

We made minor estimate changes for the coming years in connection with the extensive report. As a result, our revenue estimate for the next few years decreased by 1%, while earnings estimates decreased by 1-2%.

The main target for the forecast changes was the Consumer segment, where we revised our revenue estimates to slightly more moderate for 2024-2025. In line with the high profitability of the segment, this was also visible in the earnings estimates that also decreased.

So far, we have not included the recent announcement of acquiring an online recruitment service in North Macedonia in our estimates. The reason is that the acquisition is subject to approval of the competition authorities and will not be completed until approval is granted. Vrabotuvanje Online's revenue in 2022 amounted to EUR 0.5 million, which is less than 0.5% of Career's revenue in 2022.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	307	306	0%	311	310	-1%	317	315	-1%
EBIT (exc. NRIs)	67.4	67.6	0%	70.1	69.1	-1%	72.9	71.8	-1%
EBIT	66.5	66.7	0%	69.6	68.6	-1%	72.4	71.3	-1%
PTP	60.5	60.8	0%	66.1	65.1	-2%	68.9	67.7	-2%
EPS (excl. NRIs)	0.59	0.59	0%	0.63	0.62	-2%	0.66	0.65	-2%
DPS	0.46	0.46	0%	0.48	0.48	0%	0.49	0.49	0%

Source: Inderes

Estimates

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**230**	**275**	**76.2**	**79.3**	**74.6**	**78.7**	**309**	**75.3**	**78.3**	**73.6**	**78.6**	**306**	**310**	**315**	**324**
Alma Career	62.7	82.2	26.7	28.4	27.3	27.4	109.8	27.7	28.5	26.1	27.1	109	110.6	113	118
Alma Talent	95.1	99.7	25.2	24.1	22.2	25.0	96.5	23.9	23.9	22.7	25.3	95.8	96.1	96.9	97.9
Alma Consumer	69.8	94.5	24.8	27.1	25.5	26.7	104	24.2	26.3	25.2	26.6	102	104	106	109
Other and elimination	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NRIs	2.5	-0.9	-0.4	-0.4	-0.3	-0.5	-1.6	-0.5	-0.4	-0.4	-0.4	-1.7	-1.0	-1.0	-1.1
EBITDA	**58.9**	**73.5**	**24.1**	**30.2**	**23.5**	**19.4**	**97.2**	**20.8**	**22.5**	**21.5**	**19.0**	**83.9**	**86.0**	**88.6**	**90.2**
Depreciation	-15.8	-16.7	-4.3	-4.3	-4.3	-4.4	-17.2	-4.3	-4.3	-4.3	-4.3	-17.2	-17.3	-17.3	-16.5
EBIT (excl. NRI)	**45.3**	**61.1**	**19.6**	**19.2**	**19.3**	**15.2**	**73.4**	**17.0**	**18.4**	**17.3**	**14.9**	**67.6**	**69.1**	**71.8**	**73.7**
EBIT	**43.1**	**56.8**	**19.8**	**25.9**	**19.3**	**15.0**	**80.0**	**16.5**	**18.2**	**17.2**	**14.7**	**66.7**	**68.6**	**71.3**	**73.7**
Alma Career	20.6	30.0	12.3	11.8	10.0	8.4	42.5	11.0	11.5	9.2	8.2	39.9	40.7	42.4	43.4
Alma Talent	16.2	20.6	5.5	4.3	4.9	5.1	19.7	4.8	4.8	4.5	4.8	18.9	19.3	19.6	20.0
Alma Consumer	15.0	23.9	5.0	6.7	6.8	5.9	24.4	4.0	5.3	6.2	5.3	20.9	21.6	22.3	23.3
Other and elimination	-6.5	-13.4	-3.2	-3.5	-2.4	-4.1	-13.2	-2.9	-3.2	-2.6	-3.4	-12.1	-12.5	-12.5	-12.5
NRIs	-2.3	-4.3	0.2	6.6	0.0	-0.3	6.6	-0.5	-0.1	-0.1	-0.1	-0.9	-0.5	-0.5	-0.5
Net financial items	-1.0	-1.4	0.4	1.4	0.7	3.7	6.3	-1.9	-1.5	-1.5	-1.5	-6.4	-4.0	-4.0	-2.3
PTP	**42.2**	**56.3**	**20.0**	**27.5**	**20.3**	**19.0**	**86.9**	**14.6**	**16.9**	**15.9**	**13.4**	**60.8**	**65.1**	**67.7**	**71.9**
Taxes	-9.0	-12.1	-4.0	-4.2	-4.0	-2.3	-14.5	-2.9	-3.6	-3.4	-2.9	-12.8	-13.9	-14.5	-15.3
Minority interest	-5.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.4
Net earnings	**27.5**	**43.6**	**16.0**	**23.4**	**16.3**	**16.7**	**72.4**	**11.7**	**13.3**	**12.5**	**10.5**	**47.9**	**50.8**	**52.9**	**56.1**
EPS (adj.)	**0.36**	**0.58**	**0.19**	**0.12**	**0.20**	**0.21**	**0.72**	**0.15**	**0.16**	**0.15**	**0.13**	**0.59**	**0.62**	**0.65**	**0.68**
EPS (rep.)	**0.33**	**0.53**	**0.19**	**0.28**	**0.20**	**0.20**	**0.88**	**0.14**	**0.16**	**0.15**	**0.13**	**0.58**	**0.62**	**0.64**	**0.68**

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	-8.0 %	19.6 %	31.3 %	10.7 %	10.1 %	0.9 %	12.1 %	-1.3 %	-1.3 %	-1.2 %	-0.1 %	-1.0 %	1.3 %	1.8 %	2.7 %
Adjusted EBIT growth-%		34.8 %	77.1 %	15.9 %	8.0 %	-1.9 %	20.1 %	-13.2 %	-4.6 %	-10.0 %	-2.4 %	-7.9 %	2.3 %	3.8 %	2.7 %
EBITDA-%	25.6 %	26.7 %	31.6 %	38.0 %	31.5 %	24.6 %	31.5 %	27.7 %	28.8 %	29.2 %	24.2 %	27.4 %	27.8 %	28.1 %	27.9 %
Adjusted EBIT-%	19.7 %	22.2 %	25.7 %	24.3 %	25.8 %	19.4 %	23.8 %	22.6 %	23.5 %	23.6 %	18.9 %	22.1 %	22.3 %	22.8 %	22.8 %
Net earnings-%	11.9 %	15.8 %	21.0 %	29.5 %	21.8 %	21.2 %	23.4 %	15.6 %	16.9 %	16.9 %	13.4 %	15.7 %	16.4 %	16.8 %	17.3 %

Source: Inderes

Investment profile

Combination of a growth and dividend share

As an investment object Alma Media is profiled as a growth company based on the significantly increased role of marketplace businesses, as well as profitable growth and active acquisition strategy and based on the media business that is slowed down by print media, profitable and generates strong cash flow as a dividend share. Alma Media's dividend payment capacity is good, as the company's cash flow is strong, organic investment needs are low, and organic growth does not tie up significant capital.

Cyclicality and industry revolution increases result fluctuation

The company's performance is linked to economic development, as a share of Alma Media's income is generated by advertising income. Continued revolution in the industry, i.e., the drop in content income from print media together with the cyclical recruitment business increases the fluctuation in Alma Media's result. Content income that is usually recurring by nature and less susceptible to economic fluctuation, as well as increasing digital service income act as a counterbalance.

Acquisitions also in the future

The organic growth outlook of Alma Media's current businesses are moderate and therefore M&A transactions are a key part of Alma Media's strategy and value creation.

The company's previous M&A transactions have been seen in divestment of low-profit and non-strategic businesses and acquisitions seeking growth and economies of scale, which have completed and expanded existing businesses. We believe we can expect similar M&A transactions also in future in the medium- and long-term.

Positive value drivers

In our view, Alma Media's main strengths and value drivers are:

Growth of digital business: The growth outlook for digital businesses is still good and their profitability potential is high, which is why they constitute a key value driver for the share. The share of digital businesses in the company's revenue is already around 81% and even a larger share of the result.

Strong cash flow: The ability of the company's business operations to generate cash flow is excellent, which enables both growing dividends, paying off debt, and significant acquisitions, if necessary.

Creating shareholder value through acquisitions: Alma Media has a strong track record of successful acquisitions. The company's gearing limits the ability to make larger acquisitions at the moment, although we estimate that equity financing is also possible for the company. Cash flow lowers the leverage of the balance sheet relatively quickly and we estimate that one can expect Alma Media to remain active in M&A transactions in the medium-term. Based on the track record we see M&A transactions as a positive option.

Negative value drivers and risks

We believe Alma Media's main weaknesses and risks are:

Cyclicality: A significant share of the company's income come from cyclical advertising income. Thus, the company's revenue development is dependent on economic development. However, thanks to quick adjustment measures the company has been able to defend its financial performance during the COVID pandemic and we estimate that the flexibility of the company's cost structure compensates to some extent for risks related to revenue.

Reducing print media income: We expect the decline in print media revenue to continue far into the future, which will subdue the company's growth and weaken its cash flow. The share of print media in Alma Media's revenue is around one-sixth.

Changes in the competitive position: The competitive field of media companies is fragmented, the threshold to enter the industry has lowered and competition for advertising investments has increased thanks to global operators (e.g. Facebook and Google. As a result, the competitive position of national, regional and local media companies is susceptible to change. To maintain their competitiveness, operators must invest in continuous business development.

Technology and regulation risks: The key risks in the field of digital business operations are linked to technological changes that may rapidly change the markets and business models, as well as significantly increase the costs of product development and advertising. Currently, such risks include, e.g., the increasing popularity of ad blockers and the strong market position of social media tech platforms. In terms of companies that utilize consumer data widely the risk is tightened regulation (e.g. GDPR).

Investment profile

1. **Growth in digital businesses and excellent profitability**

2. **Stable and profitable core operations that generate good cash flow**

3. **Cyclicality raises the risk profile of the business**

4. **Strong cash flow helps lower gearing quickly and brings leeway for acquisitions**

5. **We expect the company to continue with acquisitions that shape income sources and strengthen growth**

Potential

- Organic growth potential in high profitability digital businesses
- Excellent cash flow and high ROIC
- M&A transaction option that is positive considering the track record

Risks

- Cyclicality
- Structural decrease in print media income and arising needs for adjustment
- Changes in the competitive position
- Changes in technology

Source: Inderes

Valuation 1/2

Valuation methods

When valuing the share, we currently place most weight on the share's expected total return based on the forecasts for the next few years (earnings growth + dividends + expected changes in valuation multiples). In addition, we approach the valuation with the cash flow model (DCF). In the valuation, we favor the EV/EBIT ratio that reflects the balance sheet structure and the P/E ratio.

We do not give much weight to the relative valuation, because there are no clear peers available for Alma Media's business structure. The best peer for Alma Media would be Schibsted, involved in both marketplace and media businesses but its valuation and valuation multiples are currently confounded by the special situation related to the Adevus holding, which is why we believe it is not suitable for relative valuation.

We have abandoned the sum of the parts model that we applied before, because we believe its suitability for Alma Media's segments consisting of various income sources is weak. We also do not expect the different segments of Alma Media to be for sale, as we estimate that the operational synergies especially between the digital media business and marketplaces are an essential reason to keep the businesses together.

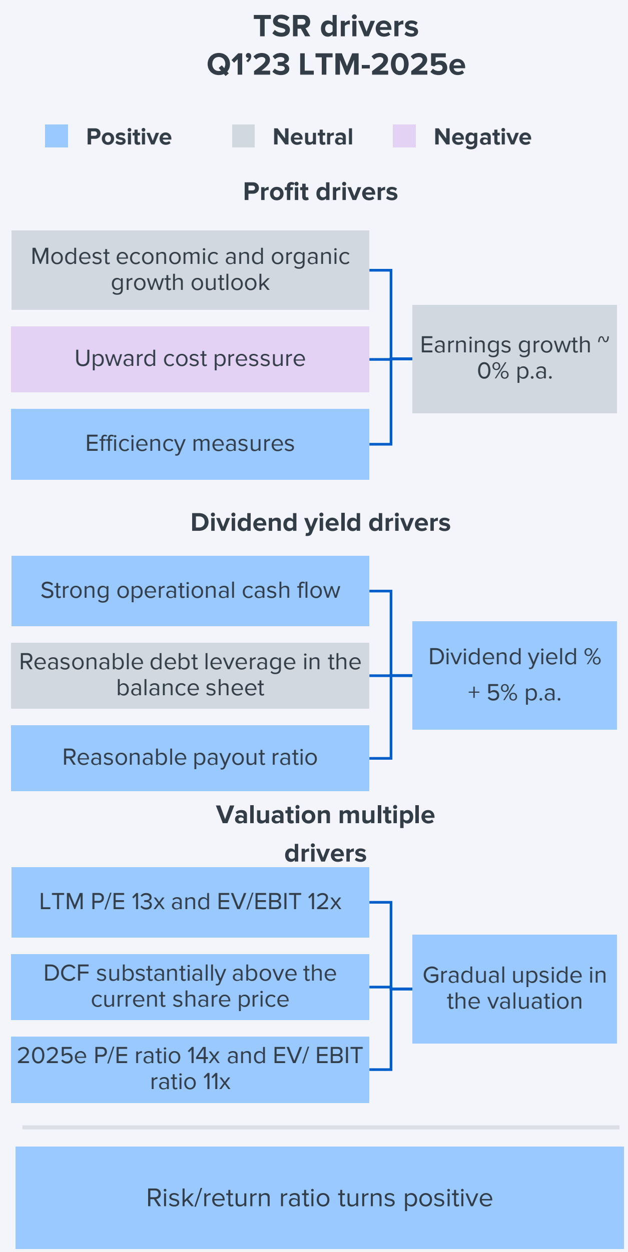
Share's expected total return

We believe the role of dividend is crucial in the expected return of the share. With our estimates and the current EUR 8.92 share price level the dividend yield is 5-5.5% in the next few years.

We predict that organic earnings growth in the coming years will be weak from the strong 2022 level. Our earnings forecast for 2025 is slightly below the actual 2022 level and thus earnings growth does not form a driver for the expected return during the review period.

Alma Media's earnings-based valuation multiples for the past 12 months are P/E 13x and EV/EBIT 12x. We find these earnings-based valuation multiples moderate in absolute terms relative to Alma Media's rather good capital performance, excellent cash conversion of the businesses and the ability to generate free cash flow as a result of moderate investment needs. Considering these factors, the EV/EBIT ratio based on our 2025 estimates falls to 11x and the corresponding P/E ratio is 14x, which we consider attractive as a whole.

Short-term valuation multiples can also be compared to Alma Media's historical valuation multiples, which have averaged 14x for the EV/EBIT ratio and 18x for the P/E ratio. The valuation multiples for the previous five years were set in the zero interest rate period, after which acceptable valuation levels have decreased due to increased interest rates. Thus, we do not expect investors to price the share in the current interest rate environment with the same multiples as in the previous five years. It should be noted, however, that Alma Media's business has also changed considerably as the relative share of digital business has increased, which has also increased business profitability, return on capital and cash flow.



Source: Inderes

Valuation 2/2

We feel these factors support an increase in the acceptable valuation level. Thus, we believe that the rise in required returns and the change in business portfolio are clearly driving the acceptable valuation in opposite directions. In our view, the acceptable valuation has risen close to the five-year average levels with the change in the business portfolio. Thus, we feel there is upside in the absolute valuation multiples from the current level. Therefore, the expected return consisting of the upside in the valuation and the dividend yield turn the risk/return ratio positive in our opinion.

DCF

We feel that the applicability of the DCF calculation in Alma Media's valuation is reasonable, and it reflects the company's long-term ability to create value. On the other hand, we feel its applicability is to some extent weakened by the partial cyclicality of demand.

Our DCF model indicates a share value of EUR 10.7. In our DCF model, revenue growth is in the medium and long-term driven by the growth in digital businesses, but the growth is slightly slowed down by the decreasing print media. Our revenue growth estimate for 2026-2032 is 2.5% on average. As the digital businesses grow, the company's relative profitability and return on capital remain, however, relatively stable. In the long term, the EBIT margin is 23-23.5%, which is in line with the profitability achieved in recent history, but below the company's own target level. Thus, long-term profitability expectations do not seem too demanding considering Alma Media's track record.

In the model, the weight of the terminal period in the value of cash flows is on a reasonable 56% level. The weighted average cost of capital (WACC) we use in the cash flow model is 8.0%, with the cost of equity being higher at 9.2%.

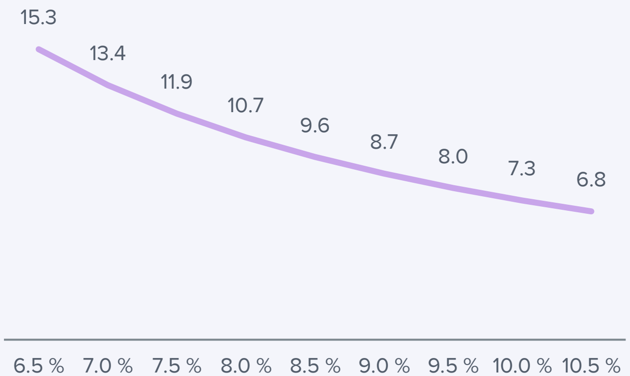
Recommendation and target price

We reiterate Alma Media's Accumulate recommendation and considering the elevated short-term risks we revise our target price to EUR 10.0 (previous EUR 10.5). The expected return consisting of the upside in the valuation and expected dividend yield turn the risk/return ratio positive in our opinion. We believe the main risk to our view is the macro risks that considering recent news flows are now elevated. According to our estimates, this may also act as a decelerator for the rise in the share's short-term valuation.

Valuation	2023e	2024e	2025e
Share price	8.92	8.92	8.92
Number of shares, millions	82.2	82.2	82.2
Market cap	733	733	733
EV	860	843	825
P/E (adj.)	15.0	14.3	13.7
P/E	15.3	14.4	13.9
P/B	3.4	3.2	3.0
P/S	2.4	2.4	2.3
EV/Sales	2.8	2.7	2.6
EV/EBITDA	10.2	9.8	9.3
EV/EBIT (adj.)	12.7	12.2	11.5
Payout ratio (%)	78.9 %	77.7 %	76.2 %
Dividend yield-%	5.2 %	5.4 %	5.5 %

Source: Inderes

Cash flow model (EUR/share) at different required returns

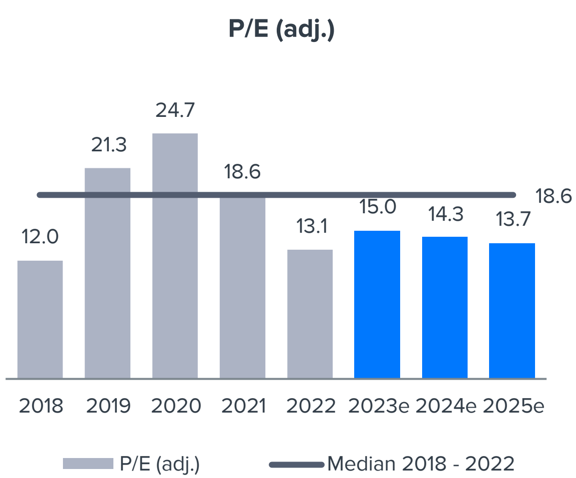


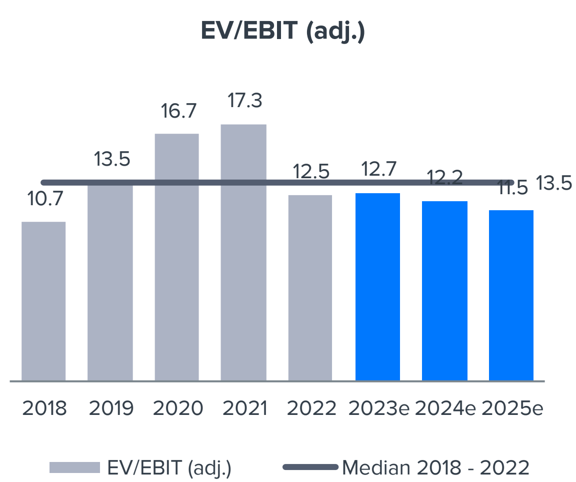
Source: Inderes

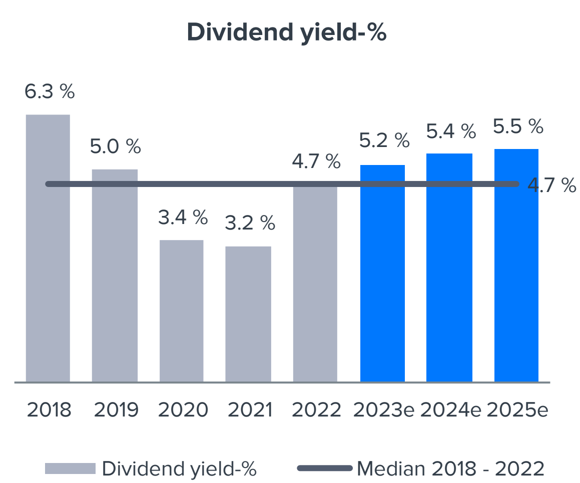
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	5.54	7.96	8.92	10.8	9.40	**8.92**	**8.92**	**8.92**	**8.92**
Number of shares, millions	82.3	82.3	82.3	82.4	82.2	**82.2**	**82.2**	**82.2**	**82.2**
Market cap	456	655	734	891	773	**733**	**733**	**733**	**733**
EV	616	665	756	1059	920	**860**	**843**	**825**	**806**
P/E (adj.)	12.0	21.3	24.7	18.6	13.1	**15.0**	**14.3**	**13.7**	**13.1**
P/E	10.9	21.3	26.7	20.4	10.7	**15.3**	**14.4**	**13.9**	**13.1**
P/B	2.8	3.8	4.0	5.4	3.8	**3.4**	**3.2**	**3.0**	**2.8**
P/S	1.3	2.6	3.2	3.2	2.5	**2.4**	**2.4**	**2.3**	**2.3**
EV/Sales	1.7	2.7	3.3	3.8	3.0	**2.8**	**2.7**	**2.6**	**2.5**
EV/EBITDA	8.0	9.3	12.8	14.4	9.5	**10.2**	**9.8**	**9.3**	**8.9**
EV/EBIT (adj.)	10.7	13.5	16.7	17.3	12.5	**12.7**	**12.2**	**11.5**	**10.9**
Payout ratio (%)	69.0 %	106.8 %	89.9 %	66.1 %	50.0 %	**78.9 %**	**77.7 %**	**76.2 %**	**70.0 %**
Dividend yield-%	6.3 %	5.0 %	3.4 %	3.2 %	4.7 %	**5.2 %**	**5.4 %**	**5.5 %**	**5.4 %**

Source: Inderes







Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT 2023e	 2024e	EV/EBITDA 2023e	 2024e	EV/S 2023e	 2024e	P/E 2023e	 2024e	Dividend yield-% 2023e	 2024e	P/B 2023e
Alma Media	730	861	12.9	11.9	10.3	9.6	2.8	2.7	14.7	13.3	4.8	5.4	3.3
Agora SA	286		2.2	4.0	2.5	6.4							0.5
Future PLC	1002	1518	5.2	5.1	4.7	4.6	1.7	1.6	5.1	4.9	0.5	0.6	0.8
Gannett Co Inc	291	1267	12.6	12.4	4.7	5.2	0.5	0.5	15.1				0.5
Lagardere SA	2964	6799	14.2	13.1	9.3	8.2	0.9	0.8	10.9	9.8	6.2	6.0	2.5
Arnoldo Mondadori Editore SpA	495	730	8.4	8.0	5.2	5.1	0.8	0.8	8.2	7.9	6.0	6.2	1.7
New York Times Co	5673	5325	21.0	17.8	15.8	14.0	2.4	2.2	30.1	26.2	1.1	1.2	3.7
Rizzoli Corriere della Sera Mediagroup SpA	371	540	5.8	5.4	3.8	3.7	0.6	0.6	7.1	6.5	8.4	8.4	0.9
TX Group AG	1141	1213	13.2	9.6	6.6	5.5	1.2	1.1	12.0	9.6	6.3	4.1	0.4
Promotora de Informaciones SA	402	1097	13.1	10.4	6.9	6.0	1.2	1.2		10.8			
Vocento SA	88	183	13.9	10.4	5.5	4.9	0.5	0.5	17.6	11.1	6.1	3.3	0.4
Auto Trader Group PLC	6590	6647	18.9	17.0	17.8	16.3	11.6	10.6	24.4	22.4	1.4	1.5	10.3
Carsales.Com Ltd	5550	6245	28.3	22.0	24.0	18.9	13.2	10.3	32.0	27.7	2.5	2.8	2.9
Moneysupermarket.Com Group PLC	1627	1701	13.9	12.2	11.5	10.4	3.5	3.3	17.0	15.3	4.6	4.8	6.2
REA Group Ltd	11024	11226	33.4	27.4	28.1	23.7	15.2	13.4	47.4	38.5	1.2	1.4	12.2
Rightmove PLC	5012	4977	16.5	15.3	16.2	15.1	12.0	11.1	21.4	19.8	1.6	1.8	63.9
Schibsted ASA	4047	4552	42.7	28.6	22.2	18.0	3.4	3.2	53.0	31.0	1.0	1.2	1.6
Scout24 SE	4508	4614	19.8	17.2	16.8	14.8	9.3	8.4	26.6	23.2	1.8	1.9	3.1
Seek Ltd	5032	5840	21.1	19.9	16.9	15.9	7.5	7.4	31.7	29.5	2.0	2.3	3.1
Stroeer SE & Co KgaA	2590	4248	16.5	14.0	7.7	6.9	2.3	2.1	16.2	13.2	4.7	5.2	5.4
Adevinta ASA	7821	9817	23.9	18.1	15.3	12.7	5.4	4.8	29.7	22.7		0.1	1.0
Alma Media (Inderes)	**733**	**860**	**12.7**	**12.2**	**10.2**	**9.8**	**2.8**	**2.7**	**15.0**	**14.3**	**5.2**	**5.4**	**3.4**
Average		**3939**	**15.7**	**13.6**	**11.5**	**10.4**	**4.9**	**4.4**	**20.4**	**17.4**	**3.7**	**3.4**	**6.5**
Median		**4248**	**14.0**	**12.8**	**9.8**	**8.9**	**2.4**	**2.2**	**17.3**	**14.3**	**3.5**	**2.8**	**2.9**
Diff-% to median			***-9%***	***-5%***	***5%***	***10%***	***19%***	***22%***	***-13%***	***0%***	***45%***	***92%***	***19%***

Source: Refinitiv / Inderes

DCF calculation

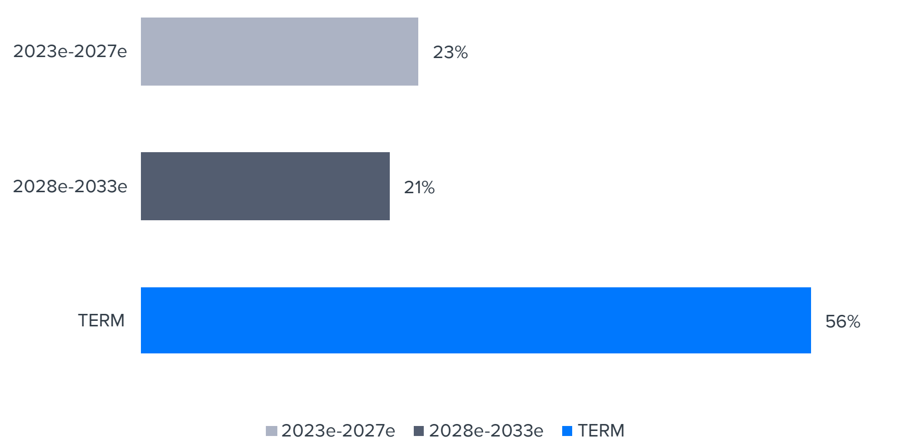
DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	12.1 %	-1.0 %	1.3 %	1.8 %	2.7 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %
EBIT-%	25.9 %	21.8 %	22.2 %	22.6 %	22.8 %	23.0 %	23.0 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %
EBIT (operating profit)	**80.0**	**66.7**	**68.6**	**71.3**	**73.7**	**76.3**	**78.2**	**81.9**	**84.0**	**86.1**	**88.2**	**90.5**	
+ Depreciation	17.2	17.2	17.3	17.3	16.5	16.2	15.3	14.5	14.4	14.4	14.5	14.5	
- Paid taxes	-16.2	-12.8	-13.9	-14.5	-15.3	-16.0	-16.5	-17.3	-17.8	-18.2	-18.7	-19.1	
- Tax, financial expenses	1.1	-1.4	-0.9	-0.9	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.0	-0.6	0.6	0.8	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	
Operating cash flow	**87.0**	**69.2**	**71.8**	**74.1**	**75.6**	**77.3**	**78.0**	**80.1**	**81.6**	**83.3**	**85.1**	**86.8**	
+ Change in other long-term liabilities	-6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-17	-14	-14.0	-14.0	-14.0	-14.5	-14.5	-14.5	-14.5	-14.5	-14.5	-14.8	
Free operating cash flow	**63**	**55**	**57.8**	**60.1**	**61.6**	**62.8**	**63.5**	**65.6**	**67.1**	**68.8**	**70.6**	**72.1**	
+/- Other	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	73	55	57.8	60.1	61.6	62.8	63.5	65.6	67.1	68.8	70.6	72.1	1333
Discounted FCFF		**53**	**51.2**	**49.3**	**46.8**	**44.1**	**41.3**	**39.5**	**37.4**	**35.5**	**33.7**	**31.8**	**589**
Sum of FCFF present value		1053	1000	949	899	853	808	767	728	690	655	621	589

Enterprise value DCF	**1053**
- Interest bearing debt	-174
+ Cash and cash equivalents	30
-Minorities	-4
-Dividend/capital return	-36
Equity value DCF	**876**
Equity value DCF per share	**10.7**

WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	4.5 %
Equity Beta	1.4
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**9.2 %**
Weighted average cost of capital (WACC)	**8.0 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	230	275	309	**306**	**310**
EBITDA	58.9	73.5	97.2	**83.9**	**86.0**
EBIT	43.1	56.8	80.0	**66.7**	**68.6**
PTP	42.2	56.3	86.9	**60.8**	**65.1**
Net Income	95.5	43.6	72.4	**47.9**	**50.8**
Extraordinary items	-2.2	-4.3	6.6	**-0.9**	**-0.5**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	333.9	518.4	495.2	**492.4**	**489.8**
Equity capital	204.5	166.5	205.9	**217.7**	**230.7**
Goodwill	150.7	294.5	294.4	**294.4**	**294.4**
Net debt	-6.3	182.7	143.7	**129.3**	**112.4**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	58.9	73.5	97.2	**83.9**	**86.0**
Change in working capital	8.5	14.0	5.0	**-0.6**	**0.6**
Operating cash flow	58.7	82.1	87.0	**69.2**	**71.8**
CAPEX	-30.8	-190.3	-17.5	**-14.0**	**-14.0**
Free cash flow	109.0	-105.4	73.1	**55.2**	**57.8**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	3.3	3.8	3.0	**2.8**	**2.7**
EV/EBITDA (adj.)	12.8	14.4	9.5	**10.2**	**9.8**
EV/EBIT (adj.)	16.7	17.3	12.5	**12.7**	**12.2**
P/E (adj.)	24.7	18.6	13.1	**15.0**	**14.3**
P/B	4.0	5.4	3.8	**3.4**	**3.2**
Dividend-%	3.4 %	3.2 %	4.7 %	**5.2 %**	**5.4 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.33	0.53	0.88	**0.58**	**0.62**
EPS (adj.)	0.36	0.58	0.72	**0.59**	**0.62**
OCF / share	0.71	1.00	1.06	**0.84**	**0.87**
FCF / share	1.32	-1.28	0.89	**0.67**	**0.70**
Book value / share	2.23	1.99	2.49	**2.63**	**2.79**
Dividend / share	0.30	0.35	0.44	**0.46**	**0.48**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	-8%	20%	12%	**-1%**	**1%**
EBITDA growth-%	-18%	25%	32%	**-14%**	**2%**
EBIT (adj.) growth-%	-8%	35%	20%	**-8%**	**2%**
EPS (adj.) growth-%	-3%	61%	24%	**-17%**	**5%**
EBITDA-%	25.6 %	26.7 %	31.5 %	**27.4 %**	**27.8 %**
EBIT (adj.)-%	19.7 %	22.2 %	23.8 %	**22.1 %**	**22.3 %**
EBIT-%	18.7 %	20.6 %	25.9 %	**21.8 %**	**22.2 %**
ROE-%	15.4 %	25.1 %	39.3 %	**22.8 %**	**22.8 %**
ROI-%	17.4 %	17.8 %	20.6 %	**17.7 %**	**18.4 %**
Equity ratio	63.7 %	34.7 %	45.8 %	**48.8 %**	**52.1 %**
Gearing	-3.1 %	109.7 %	69.8 %	**59.4 %**	**48.7 %**

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**432**	**429**	**426**	**422**	**419**
Goodwill	295	294	294	294	294
Intangible assets	91	87	86	84	81
Tangible assets	35	34	32	31	30
Associated companies	7.7	4.2	4.2	4.2	4.2
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	3.6	8.8	8.8	8.8	8.8
Deferred tax assets	0.7	0.6	0.6	0.6	0.6
Current assets	**86.1**	**66.2**	**66.6**	**67.3**	**68.5**
Inventories	0.7	0.7	0.6	0.6	0.6
Other current assets	2.0	0.1	0.1	0.1	0.1
Receivables	32	35	35	36	36
Cash and equivalents	52	30	31	31	32
Balance sheet total	**518**	**495**	**492**	**490**	**488**

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**167**	**206**	**218**	**231**	**244**
Share capital	45	45	45	45	45
Retained earnings	91.2	132	143	156	170
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	7.7	7.7	7.7	7.7	7.7
Other equity	19	20	20	20	20
Minorities	3	2	2	2	2
Non-current liabilities	**263**	**191**	**177**	**159**	**140**
Deferred tax liabilities	19	17	17	17	17
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	227	164	150	132	113
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	17.1	10.2	10.2	10.2	10.2
Current liabilities	**89**	**98**	**97**	**100**	**103**
Short term debt	8	10	10	12	13
Payables	76	81	80	81	83
Other current liabilities	5.3	7	7.0	7.0	7.0
Balance sheet total	**518**	**495**	**492**	**490**	**488**

Disclaimer and recommendation history

The information presented in Inderes reports is obtained from several different public sources that Inderes considers to be reliable. Inderes aims to use reliable and comprehensive information, but Inderes does not guarantee the accuracy of the presented information. Any opinions, estimates and forecasts represent the views of the authors. Inderes is not responsible for the content or accuracy of the presented information. Inderes and its employees are also not responsible for the financial outcomes of investment decisions made based on the reports or any direct or indirect damage caused by the use of the information. The information used in producing the reports may change quickly. Inderes makes no commitment to announcing any potential changes to the presented information and opinions.

The reports produced by Inderes are intended for informational use only. The reports should not be construed as offers or advice to buy, sell or subscribe investment products. Customers should also understand that past performance is not a guarantee of future results. When making investment decisions, customers must base their decisions on their own research and their estimates of the factors that influence the value of the investment and take into account their objectives and financial position and use advisors as necessary. Customers are responsible for their investment decisions and their financial outcomes.

Reports produced by Inderes may not be edited, copied or made available to others in their entirety, or in part, without Inderes' written consent. No part of this report, or the report as a whole, shall be transferred or shared in any form to the United States, Canada or Japan or the citizens of the aforementioned countries. The legislation of other countries may also lay down restrictions pertaining to the distribution of the information contained in this report. Any individuals who may be subject to such restrictions must take said restrictions into account.

Inderes issues target prices for the shares it follows. The recommendation methodology used by Inderes is based on the share's 12-month expected total shareholder return (including the share price and dividends) and takes into account Inderes' view of the risk associated with the expected returns. The recommendation policy consists of four tiers: Sell, Reduce, Accumulate and Buy. As a rule, Inderes' investment recommendations and target prices are reviewed at least 2–4 times per year in connection with the companies' interim reports, but the recommendations and target prices may also be changed at other times depending on the market conditions. The issued recommendations and target prices do not guarantee that the share price will develop in line with the estimate. Inderes primarily uses the following valuation methods in determining target prices and recommendations: Cash flow analysis (DCF), valuation multiples, peer group analysis and sum of parts analysis. The valuation methods and target price criteria used are always company-specific and they may vary significantly depending on the company and (or) industry.

Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

Buy The 12-month risk-adjusted expected shareholder return of the share is very attractive

Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

The analysts who produce Inderes' research and Inderes employees cannot have 1) shareholdings that exceed the threshold of significant financial gain or 2) shareholdings exceeding 1% in any company subject to Inderes' research activities. Inderes Oyj can only own shares in the target companies it follows to the extent shown in the company's model portfolio investing real funds. All of Inderes Oyj's shareholdings are presented in itemised form in the model portfolio. Inderes Oyj does not have other shareholdings in the target companies analysed. The remuneration of the analysts who produce the analysis are not directly or indirectly linked to the issued recommendation or views. Inderes Oyj does not have investment bank operations.

Inderes or its partners whose customer relationships may have a financial impact on Inderes may, in their business operations, seek assignments with various issuers with respect to services provided by Inderes or its partners. Thus, Inderes may be in a direct or indirect contractual relationship with an issuer that is the subject of research activities. Inderes and its partners may provide investor relations services to issuers. The aim of such services is to improve communication between the company and the capital markets. These services include the organisation of investor events, advisory services related to investor relations and the production of investor research reports.

More information about research disclaimers can be found at www.inderes.fi/research-disclaimer.

Inderes has made an agreement with the issuer and target of this report, which entails compiling a research report.

Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
16-02-20	Reduce	8.80 €	8.70 €
12-03-20	Reduce	6.80 €	6.54 €
26-03-20	Reduce	6.50 €	6.50 €
12-06-20	Accumulate	8.00 €	7.10 €
20-07-20	Accumulate	8.00 €	7.06 €
23-10-20	Accumulate	8.50 €	7.84 €
13-01-21	Reduce	9.50 €	9.54 €
18-02-21	Reduce	9.00 €	9.14 €
08-03-21	Accumulate	10.00 €	9.50 €
13-04-21	Accumulate	10.00 €	9.22 €
22-04-21	Accumulate	11.00 €	10.46 €
28-05-21	Accumulate	10.50 €	9.80 €
19-07-21	Accumulate	12.50 €	11.80 €
22-07-21	Reduce	12.00 €	11.60 €
17-09-21	Reduce	11.50 €	10.90 €
22-10-21	Reduce	12.00 €	12.48 €
17-02-22	Accumulate	11.00 €	10.00 €
14-03-22	Reduce	11.00 €	10.60 €
25-04-22	Accumulate	11.00 €	9.58 €
13-06-22	Reduce	11.00 €	10.50 €
21-07-22	Reduce	11.00 €	10.30 €
21-10-22	Accumulate	10.50 €	9.10 €
17-02-23	Accumulate	10.50 €	9.63 €
24-04-23	Accumulate	10.50 €	9.04 €
10-06-23	Accumulate	10.00 €	8.92 €

Inderes connects investors and listed companies. We help over 400 listed companies to better serve their investors. Our community is home to over 70 000 active investors.

Our social objective is to democratize information in the financial markets.

We build solutions for listed companies that enable seamless and effective investor relations. Majority of our revenue comes from services to listed companies, including Commissioned Research, Virtual Events, AGM services, and IR technology and consultation.

Inderes is listed on Nasdaq First North growth market and operates in Finland, Sweden, Norway and Denmark.

Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

Award-winning research at **inderes.fi**

STARMINE ANALYST AWARDS FROM REFINITIV

THOMSON REUTERS ANALYST AWARDS

Juha Kinnunen
2012, 2016, 2017, 2018, 2019, 2020

Mikael Rautanen
2014, 2016, 2017, 2019

Sauli Vilén
2012, 2016, 2018, 2019, 2020

Antti Viljakainen
2014, 2015, 2016, 2018, 2019, 2020

Olli Koponen
2020

Joni Grönqvist
2019, 2020

Erkki Vesola
2018, 2020

Petri Gostowski
2020

Atte Riikola
2020

Research belongs
to everyone.