Alma Media

Extensive report

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This report is a summary translation of the report “Laaja kattaus digitaalisia palveluita” published on 05/27/2021 at 7:50 pm

A broad spread of digital services

We reiterate our Accumulate recommendation for Alma Media and revise our target price to EUR 10.5 (previously EUR 11.0). Alma Media has carried out a considerable transition as the business focus has shifted to high-profitability digital businesses that form good two-thirds of the company's revenue. Due to growing digital businesses and recent acquisitions, we believe the company has a good earnings growth outlook for the next few years. The return expectation consisting of earnings growth and dividend rises to a good level despite the downside in short-term valuation multiples.

Digital businesses in the driver's seat

Around 70% of Alma Media's revenue and even a larger share of the result comes from growing and highly profitable digital businesses. The core of these businesses are digital recruitment services and marketplaces, where the company has a strong market position on its main markets. Revenue from print media that primarily focuses on Finland continues, in our view, to decrease clearly driven by the media revolution, but despite this the profitability and cash flow of the operations are good. The brisk growth in digital businesses (CAGR 2011-2020 +154) has historically been born significantly from advertising income and digital advertising in the recruitment business, which has increased the share of the company's cyclical income. Recent acquisitions and the growth in digital services and content income has made income more stable, which has also lowered the cyclicality of revenue from before.

We expect brisk earnings growth with growing revenue

COVID still slows down recruitment services most but as a whole, the company's growth outlook for the ongoing year is good thanks to digital businesses. In the medium term, we expect the market trends and structural growth in digital businesses to support the Group's revenue growth. We believe the structural change in print media will slow down this growth but thanks to its modestly decreasing share the effect will be lower at Group level. Considering this overall picture and completed acquisitions, we estimate that the company's revenue will grow by a good 7% on average in the next couple of years (2021-2023e). Due to the scalability of digital businesses, we expect earnings growth will reach even higher to nearly 18% over the same period. As a result of recent acquisitions, Alma Media's gearing is elevated but thanks to the estimated earnings growth and excellent cash flow the level will decrease rapidly. Thus, we expect that the company will continue to be active on the acquisition front in the medium term after it has digested its latest acquisitions for a while.

Return expectation consisting of earnings growth and dividend is good

We believe the share's earnings-based valuation level is, however, elevated compared to the short-term earnings level considering the increased gearing (2021e P/E 19x and EV/EBIT 18x) As a result of the earnings growth we expect from revenue recovery and inorganic growth, the valuation will fall to reasonable levels with 2022 multiples when the 2022e adjusted P/E will be 15x and the corresponding EV/EBIT 14x. Our DCF model and sum-of-parts calculation that reflect the long-term ability to create value also support our view of the share's upside (EUR 10.9-11.4 per share). We believe the earnings growth together with the dividend yield of some 3-4% offer a good return expectation for the next couple of years despite the downside in the short-term valuation multiples.

Recommendation

Accumulate
(previous Accumulate)

EUR 10.50
(previous EUR 11.00)

Share price:
9.80

Key indicators

	2020	2021e	2022e	2023e
Revenue	230	253	274	285
growth-%	-8%	10%	8%	4%
EBIT adj.	45.5	56.6	68.5	73.8
EBIT-% adj.	19.7 %	22.4 %	25.0 %	25.9 %
Net Income	27.6	38.6	48.9	53.5
EPS (adj.)	0.36	0.53	0.64	0.69

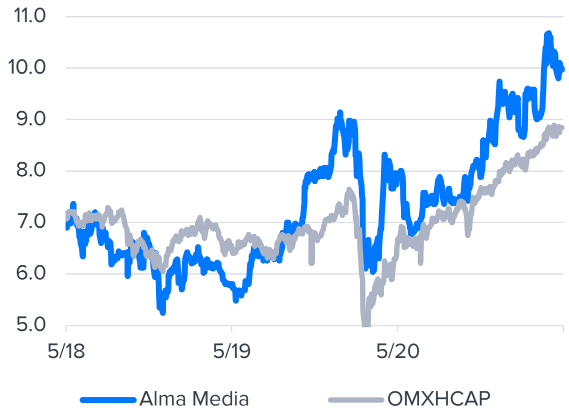
P/E (adj.)	24.6	18.7	15.2	14.2
P/B	4.0	4.1	3.7	3.3
Dividend yield-%	3.4 %	3.3 %	3.6 %	4.1 %
EV/EBIT (adj.)	16.6	17.9	14.4	12.9
EV/EBITDA	12.8	14.9	12.3	11.2
EV/S	3.3	4.0	3.6	3.4

Source: Inderes

Guidance (Unchanged)

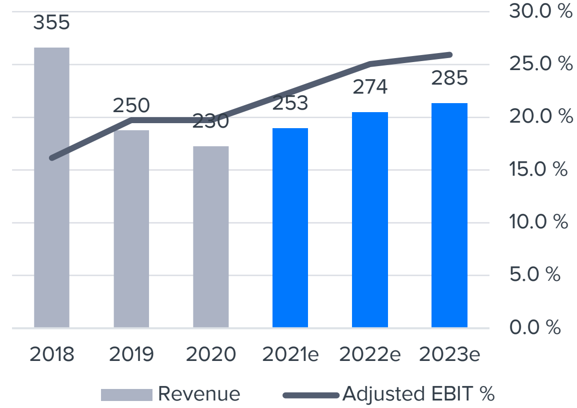
In 2021, Alma Media expects revenue from continuing operations (2020: EUR 230 million) and adjusted operating profit (2020: EUR 45.4 million) to grow from 2020.

Share price



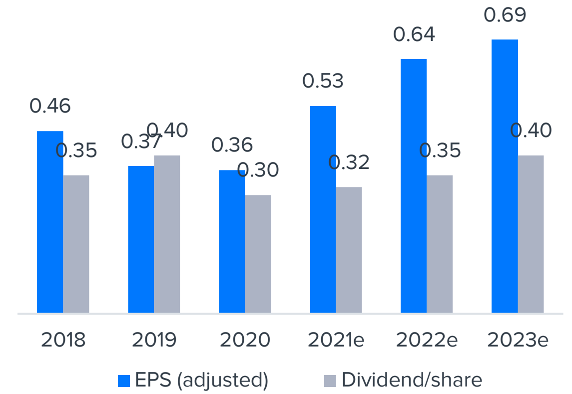
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

MCAP
806
EUR million

EV
1016
EUR million

Dividend
3.3 %
2021e

P/E (adjusted)
18.7
2021e

Value drivers

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

Risk factors

- Relatively high cyclicality
- Accelerated revolution in media and steep decrease in print media
- New technologies
- Changes in competitive position and dynamics
- Short-term uncertainty factors caused by COVID

Valuation

- Strong operational cash flow and financial position enable growing dividend
- High short-term valuation multiples will fall to moderate with the estimated brisk earnings growth in the next couple of years
- Sum-of-parts and DCF support current higher valuation level

Contents

Alma Media in brief

Alma Media is a media 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.

EUR 253 million (EUR 230 million)
Pro forma revenue* 2020, (reported revenue)

21.9% (19.7%)
Pro forma adjusted EBIT %*, 2020 (adjusted EBIT % of continuing operations)

+14% (2011-2020)
Average annual growth of digital revenue

71 %
Share of digital businesses in revenue, 2020 pro forma*

2013-2015

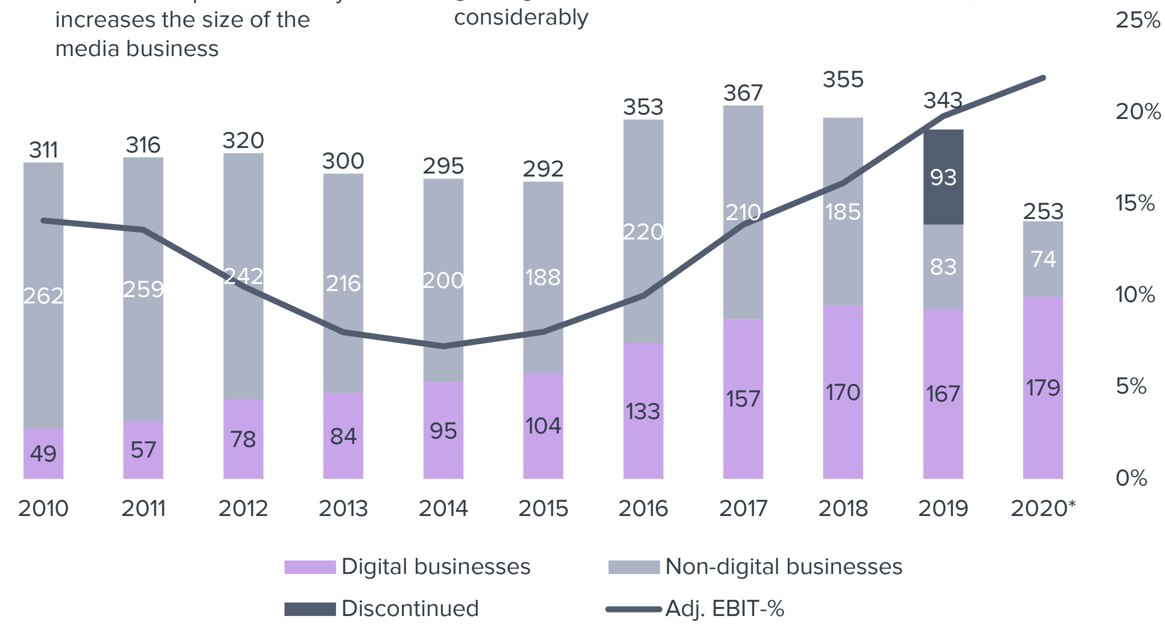
- Accelerating structural change in the media industry and restructuring costs depress the income and profitability of Alma Media's media business
- The recruitment portal business in the eastern parts of Central Europe is expanded to new areas and in the Czech Republic with acquisitions At the same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

2016-2019

- 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
- Cash flow strengthens and gearing decreases considerably

2020-

- Selling regional medias to Sanoma
- Digital businesses' share in revenue of the Group's continuing operations rises to 71%
- COVID pandemic depresses revenue development
- High acquisition activity (e.g. acquiring minority shares in Alma Mediapartners and Alma Career, and Nettix acquisition)



Source: Inderes, Alma Media
*Group's continuing operations + Nettix acquisition

Alma Media's business model 1/3

Marketplaces and digital services

Alma Media is a service company consisting of marketplace and media businesses whose well-known brands include, financial medias Kauppalehti and Talouselämä, news media Iltalehti, and digital services Etuovi.com, Monster.fi, Prace.cz, Jobs.cz and Profesia.sk, and as a result of the recent Nettix acquisition, e.g., NettiAuto and NettiMoto. In total, the company's portfolio consists of tens of well-known media and digital service brands.

The reported revenue from the Group's continuing operations in 2020 were EUR 230 million and the corresponding operational EBIT was EUR 45 million or 19.7% of revenue. Pro forma revenue that includes the Group's continuing operations and the Nettix acquisition announced in February 2021 was EUR 253 million and pro forma operational EBIT was EUR 55 million or 21.9% of revenue. In this report we examine the company based on pro forma figures calculated by Inderes as they correspond better with the current structure.

Alma Media holds the leading position in financial and professional media in Finland. In addition, the company is the market leader in Finland in marketplaces directed at consumers. In all, Alma Media operates in 11 European countries with the Czech Republic and Slovakia as the main markets next to Finland.

New segment structure

Alma Media announced figures in accordance with its new segment structure in April 2021. The biggest change from the old segment structure is that marketplace businesses directed at consumers moved from the old Markets segment to Consumer.

The Group's smallest segment measured by revenue is **Alma Career** that focuses on the recruitment business. Its main income flow is advertising income that is generated from digital recruitment services. In 2020, Career generated around 25% of the pro forma revenue, 33% of the adjusted pro forma operating profit and 35% of digital revenue.

Alma Talent, measured by revenue the biggest and by EBIT the smallest segment. 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 services. The segment also has small-scale event business. In 2020, Talent formed 38% of the Group's pro forma revenue, 26% of operational EBIT and 25% of digital revenue.

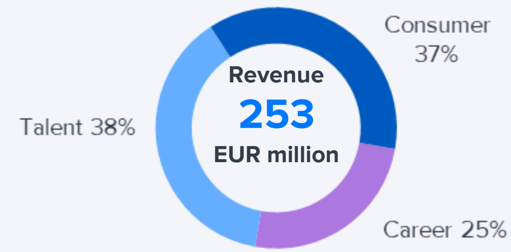
Alma Consumer includes housing and automotive industry marketplace businesses directed at consumers (e.g. Etuovi.com, Autotalli.com and NettiAuto). The segment also includes the national tabloid Iltalehti's various digital and printed news and lifestyle contents. The segment also includes online services, like Etua.fi, Telkku.com and Ampparit.com. The main income flows are advertising income and income from automotive and housing classifieds in the online services, as well as the income from Iltalehti's ad sales. In 2020, Consumer formed 37% of the Group's pro forma revenue, 41% of operational EBIT and some 40% of digital revenue.

Alma Media's business structure, 2020

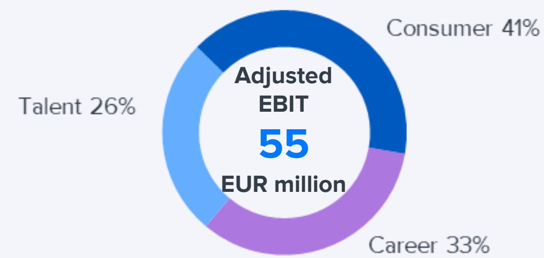
Alma Media Group (pro forma*)
*Revenue EUR 253 million, EBIT (adj.)** EUR 55 million

Career	Talent	Consumer
Rev.* MEUR 63 EBIT** MEUR 21 EBIT %** 32.8%	Rev.* MEUR 95 EBIT** MEUR 16 EBIT %** 17.1%	Rev.* MEUR 92 EBIT** MEUR 25 EBIT %** 27.1%
• 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 and NettiAuto) • National tabloid • Online media and digital services

Revenue distribution, 2020 pro forma**



Net sales distribution, 2020 pro forma**



Source: Alma Media, Inderes
*Continuing operations + Nettix
**Adjusted/operational pro forma EBIT

Alma Media’s business model 2/3

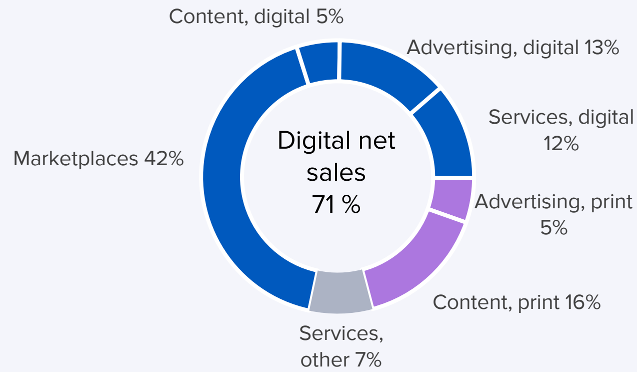
Over two-thirds of income digital

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 pro forma revenue has risen to 71% (2020) while the share of print media in revenue was around 21% and services 7%.

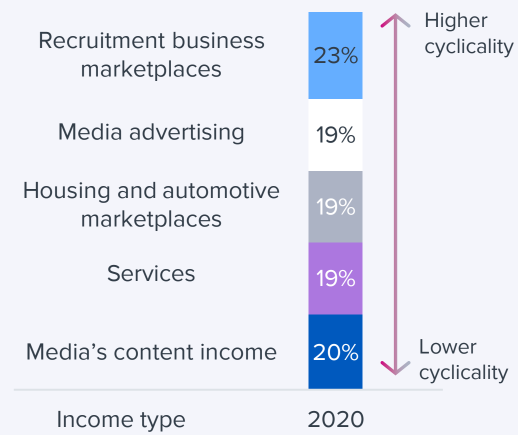
In addition, from the viewpoint of business trends, income continuity, customer type and cyclicality, the income can be divided into four categories:

1. **Media’s content income** (2020: some 20% 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). The share of digital income in content income is around 25% and correspondingly that of printed subscription income some 75%. By business area, Talent's share in content income is around 68% and Consumer's some 32%. 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 easily predictable and recurring income.
2. **Media’s advertising income** (2020: some 19% of revenue) consist of advertising income from newspapers and financial magazines and related online services. In 2020, the share of digital media in advertising income was 72% and print media 28%. By business area, Talent's share in media’s advertising income is around 41% and Consumer's some 59%. The main customer target group for advertising income is corporate customers. Advertising income is cyclical by nature because companies’ advertising investments are typically strongly dependent on general economic development.
3. **Marketplaces’ income** (2020: some 42% of revenue) consist of income from recruitment portals and digital housing and automotive marketplaces. Some 56% of marketplaces’ income consisted of recruitment portals in the Career segment and 39% of Consumer’s marketplaces directed at consumers. The remaining 5% came from Talent’s marketplaces for business premises. Marketplaces’ income are partly cyclical in nature as they are tied to the changes in the number of employed and demand for durable goods like housing.
4. **Service income** (2020: some 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 74%, Consumer’s some 16% and Career’s 10%. The customer target group of other income is primarily corporations. In our view, service income is slightly cyclical in nature.

Alma Media’s revenue distribution by type, 2020*



Alma Media's revenue distribution based on estimated cyclicality, 2020 pro forma*



Source: Alma Media, Inderes
*Continuing operations + Nettix

Alma Media’s business model 3/3

Different growth trends affecting income

In addition to normal demand drivers, Alma Media’s income development is guided by several structural trends of different magnitude.

The structural trend that most affects 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. 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 digital income has grown in 2011-2020 (pro forma) at an annual rate of some 14% of which part has been generated through acquisitions. We estimate that the growth in media's digital content income and advertising income will in the medium and long-term be around 5-10%. We expect income from digital marketplaces to grow by some 0-5% p.a. in the long term. We estimate that Alma’s service income will as a whole grow at 0-5% rate in the medium term.

Cyclical business evened out by strong market position, cash flow and predictability

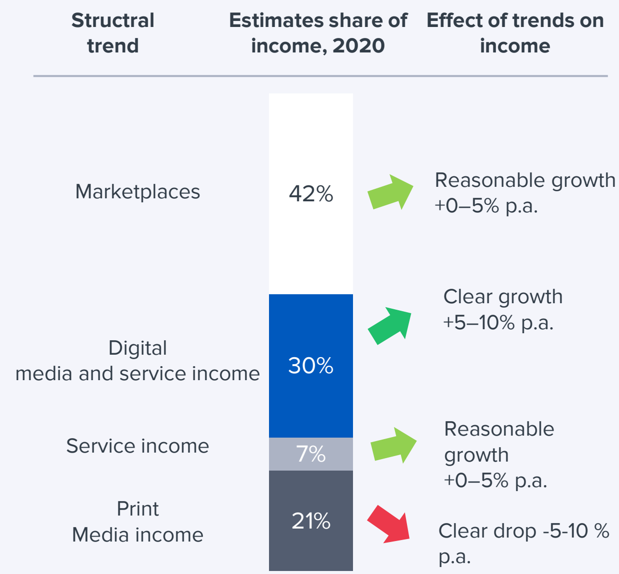
On the following page we illustrate the risk profile of Alma Media’s business model. The risk level of the company’s business is in our view raised especially by the rapid rate of change in the media industry, the considerable share of cyclical income in revenue, as well as strong growth and strengthened market position of advertising markets of international technology giants.

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.

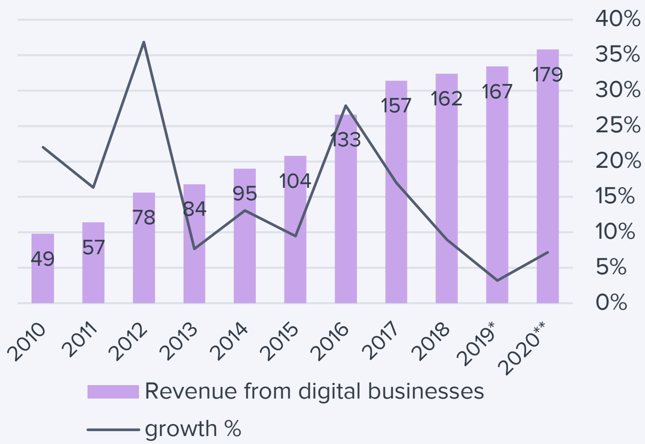
The company's balance sheet position has changed considerably because of recent M&A transactions. We estimate that the company's gearing will decrease rapidly to within the comfort zone as a result of high profitability and strong ability to generate cash flow.

Alma Media’s business model and growth do not tie up much capital and its working capital is negative and investment needs are low. Thus, the company’s management can offer growing dividend flow and invest in complementing acquisitions.

Estimated effect of business trends on Alma Media’s income

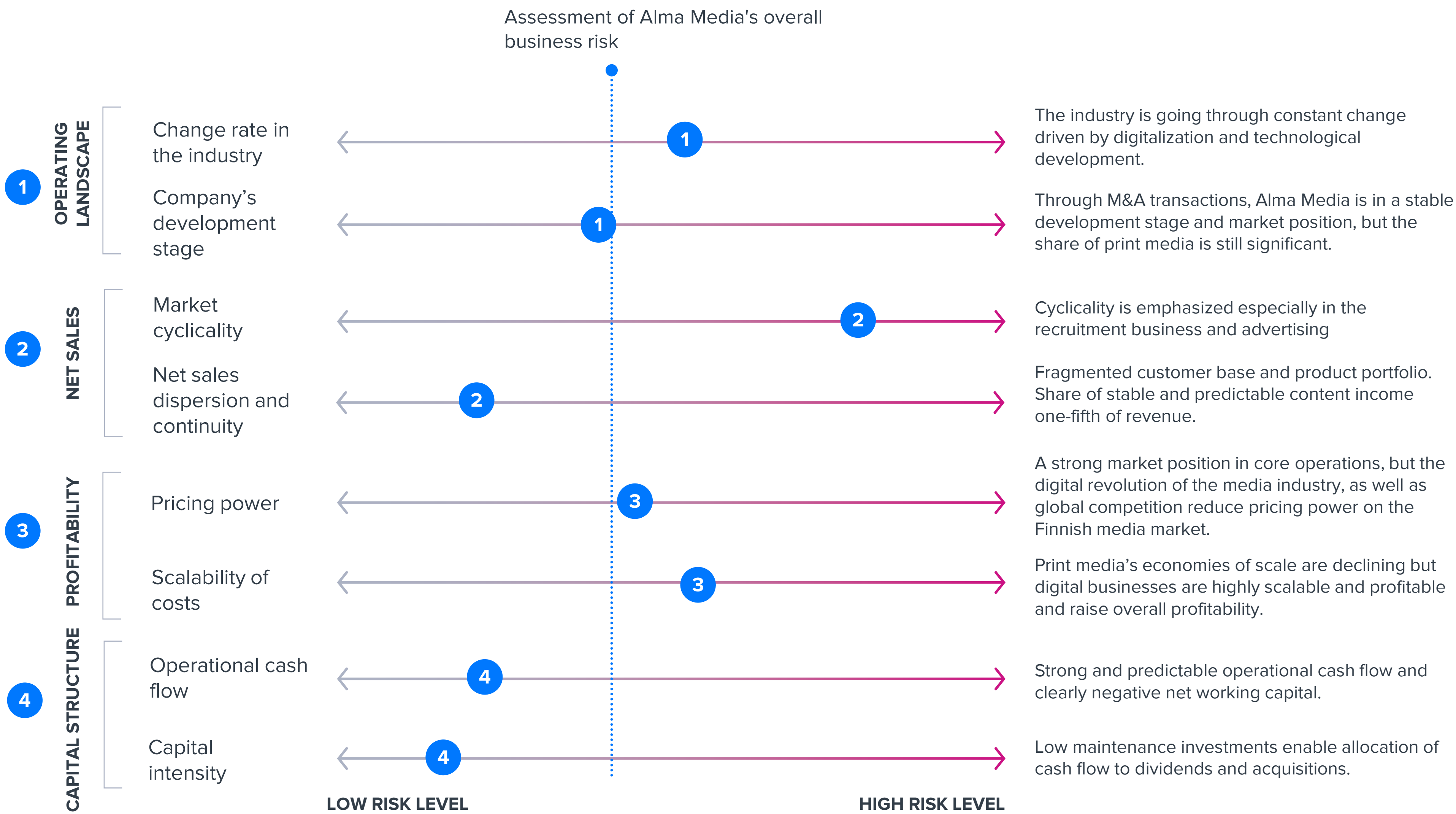


Revenue and growth % of Alma Media’s digital business



Source: Alma Media, Inderes
*Continuing operations
**Group's continuing operations + Nettix

Risk profile of Alma Media's business model



Source: Inderes

Alma Media's strategy

Strategy for 2021-2023

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 on new business and market areas, continuing internationalization, and though acquisitions. The company expects the competitive situation to tighten in its operating environment as international platform giants strengthen their positions, e.g., in advertising and marketplace business.

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.

For the 2021-2023 strategy period, Alma Media has identified four strategic initiatives than combine operations and aim at growing and developing the digital business. The strategic focus areas are: 1) growing audiences, commitment, and commercialization, 2) marketing solutions, 3) tightening internal cooperation in the company to reach economies of scale, and 4) commercializing data. M&A transactions are also a crucial part of Alma Media's strategy and we will discuss their role in more detail on the following page.

Financial objectives

Alma Media's financial targets and dividend distribution policy are:

Growth: Growth of digital business >12% p.a.

Profitability: Return on investment, % (ROI) over 17% p.a.

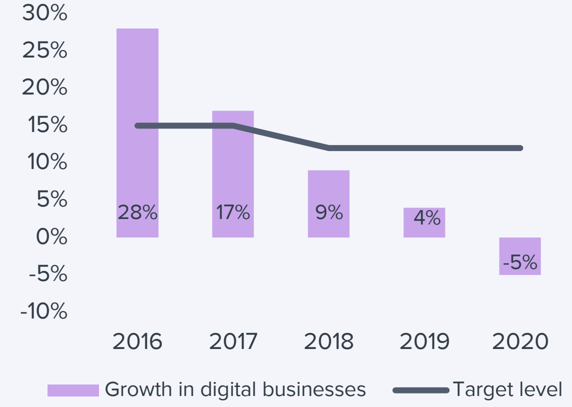
Profit distribution: Dividend over 50% of the result.

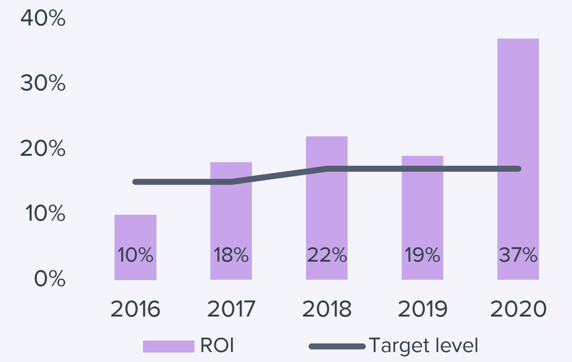
Last year, the company exceeded its target in terms of ROI supported by selling the regional medias (ROI % 37%) but also without non-recurring income (17.4%). The reported digital business of continued operations in turn decreased by 5% last years due to the COVID pandemic. Correspondingly, the company's payout ratio was clearly below the target level due to several acquisitions (2020: 27% vs. 50% target).

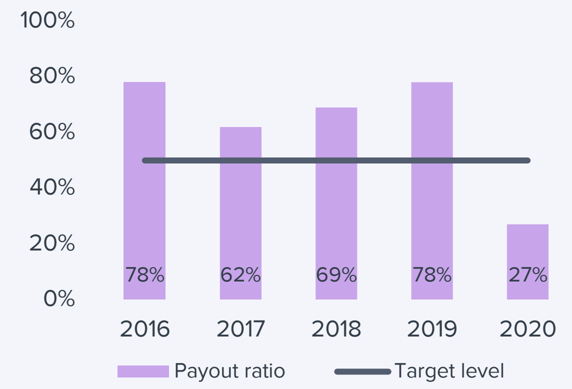
We consider Alma Media's financial targets to be sufficiently challenging and also realistic in terms of profitability. According to our view, they fit the company's business profile well, where the growth outlook for digital services is good, the business generates strong cash flow, and capital is tied primarily to intangible assets generated from acquisitions.

We believe the company will achieve its growth target for the digital business this year as the company's revenue grows strongly when the general economic development recovers and supported by the Nettix acquisition. Considering the company's development in recent years, the growth target seems quite ambitious to be reached with organic growth and we believe the target requires the company to continue making strategic acquisitions in the longer term.

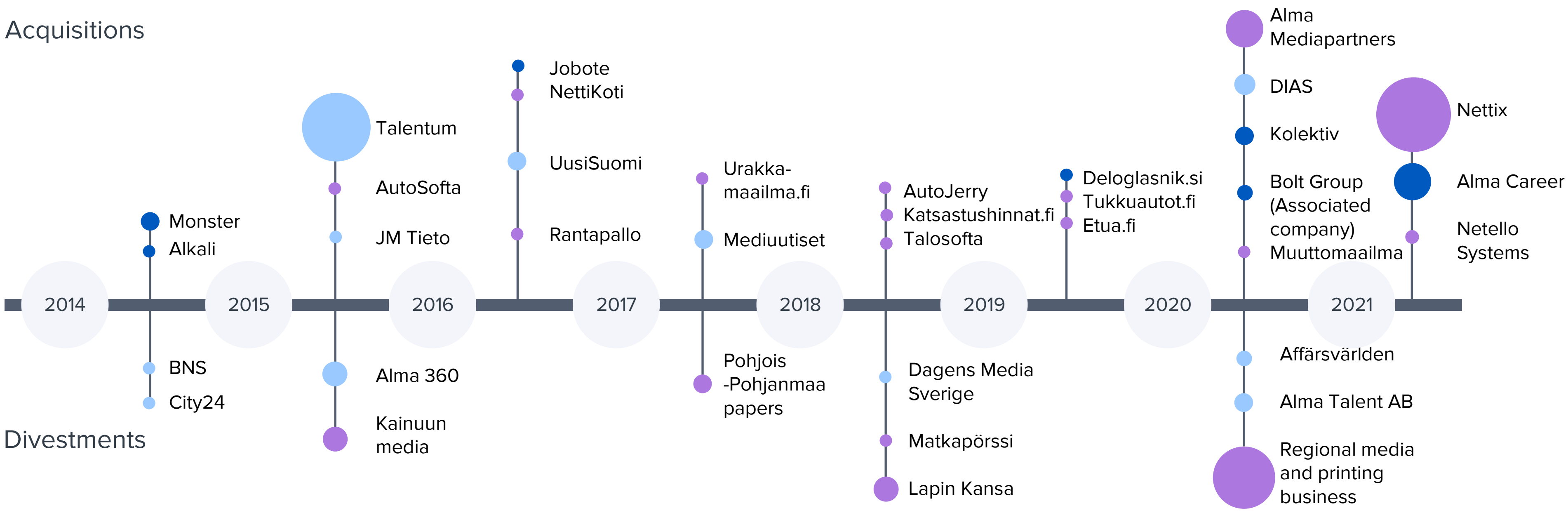
Financial targets and outcome (reported figures)







Alma's acquisitions in 2014-2021 and segments' M&A strategy



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 is possible if opportunities appear

Talent

- Importance of M&A transactions complementing
- Focus of M&A transactions on developing the portfolio and strengthening the growth of digital services
- Mainly 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 (marketplaces directed at consumers) and that complement the value chain
- In marketplaces the playing field for possible consolidation is mainly the Nordic countries

Source: Inderes

Alma Media's strategic development

2012 - 2016

2017 - 2020

2021-

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

Strengthening the earnings growth of core businesses and small acquisitions

- Focus on increasing digital income, improving profitability and cash flow
- Selling of businesses with weak growth and profitability
- 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
- Selling regional media and printing businesses to Sanoma Media Finland

Growth of digital business in center

- Strengthening the preconditions of growth as COVID recedes
- Structural revolution of media continues
- Utilizing the benefits of the new organization model and organizational competences at Group level
- Balance sheet put to work with recent acquisitions so in the short-term the focus is on lowering gearing

Strategic development trends

Implemented

- Business structure more focused and profitable, divestment of businesses with weak growth and profitability mainly completed
- Revenue of print media decreased clearly because of restructuring and market conditions, but growth in digital business stabilized total revenue development
- Profitability at a good level in all businesses
- Net gearing elevated after considerable acquisitions

Near future, 1-2 years

- Building new growth legs in digital media and services and managing the structural change in media
- Strengthening revenue and result growth as the market recovers from the COVID pandemic
- Lowering indebtedness in the balance sheet
- Smaller acquisitions that accelerate growth in digital businesses
- With the strong cash flow dividend payment ability is good and enables a growing dividend

The next 5 years

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

Source: Inderes

Sector review- recruitment and marketplaces 1/2

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

The global recruitment portal market has been growing strongly 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. According to various sources (e.g. Recruit and Research and Markets) the global digital job advertising and talent sourcing market was around USD 19-25 billion in 2020, and the market is expected to grow strongly in the medium term (2020-2027e CAGR ~5%).

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 strong market position on all of its main markets. In Finland, digital recruitment platforms are divided in particular between three players (Oikotie, Monster and Duunitori). In 2019, Oikotie had, according to market research by OC&C and Schibsted, a 29% market share of the overall market of Finnish marketplaces. One cannot, however, directly deduct the market share of the recruitment business from Oikotie's revenue of around EUR 28 million (2019) and market share because the platform also hosts, e.g., a housing marketplace and other services. According to the same research, Monster and Duunitori owned by Alma Media both has a 9% share of the total marketplace market in Finland in 2019.

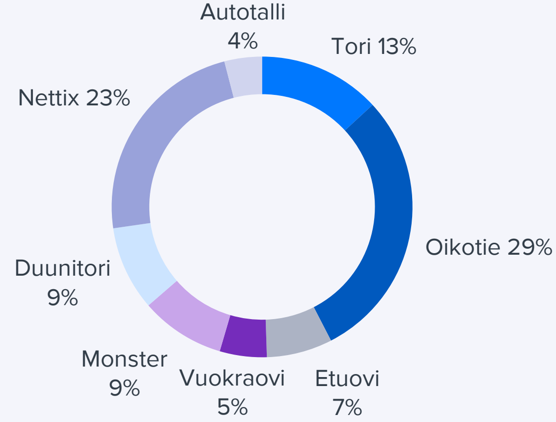
As the growth rate of the market slows down, technological development accelerates and competition tightens (Google, Facebook, LinkedIn), the industry has started to consolidate and in recent years especially big players like Recruit, SEEK and Stepstone have been active in acquisitions. Industry consolidation 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 CV banks, 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

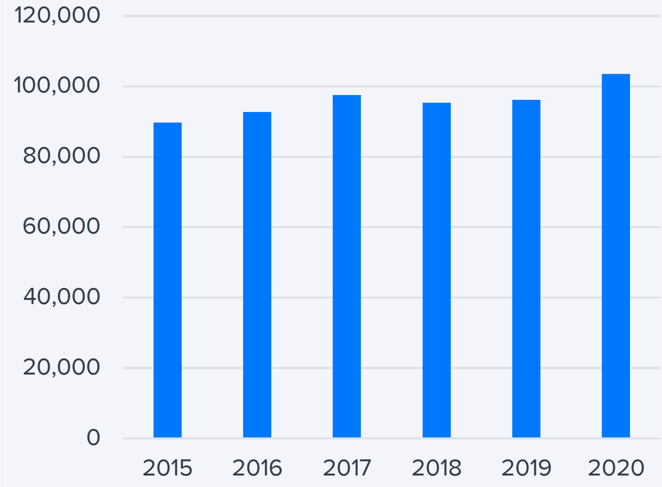
In Finland, the market position for online marketplaces remained quite stable for a long time until two significant M&A transactions took place in 2020 between the biggest players in the industry, Schibsted acquired Oikotie from Sanoma and Alma Media: acquired Nettix from Otavamedia. Growth of the biggest players has remained strong in recent years as they have expanded their services, economic growth has been good, and growth has been supported with small acquisitions. We believe the industry development will return to the growth track after the intervening year caused by COVID.

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.

Market shares in Finland in 2019



Housing trade volume in Finland



Source: OC&C, Schibsted and Statistics Finland

Sector review- recruitment and marketplaces 2/2

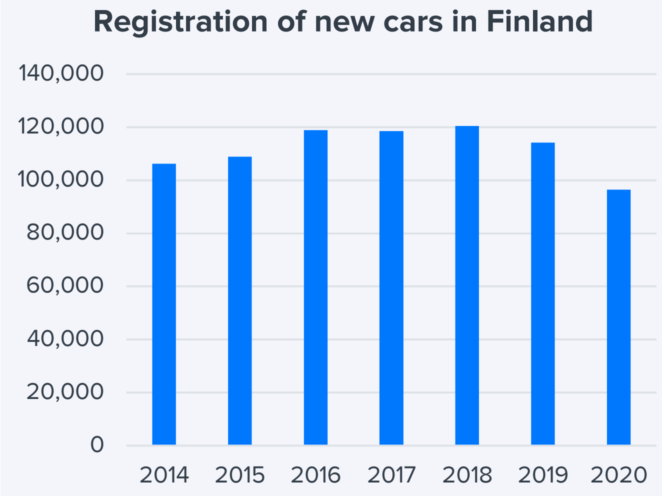
At a local level, the high entry threshold (e.g. brand recognition) has, in turn, kept the competitive positions pretty much unchanged. Entry of new competitors on the market is also in our opinion limited by the size and growth outlook of the underlaying market.

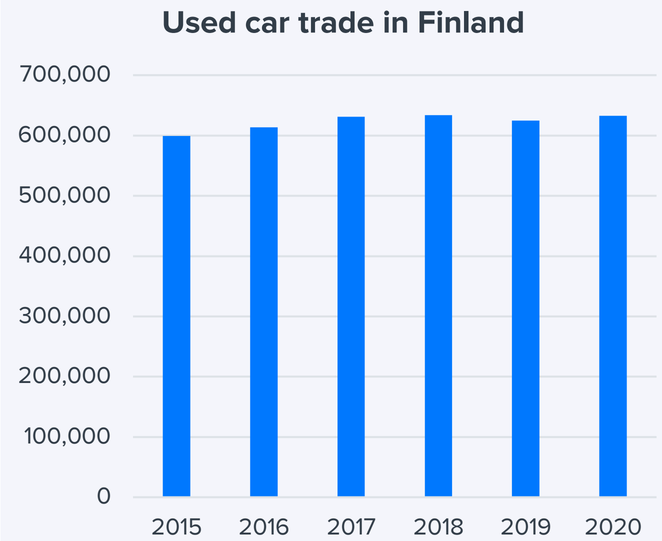
In terms of the key markets for Alma Media's marketplaces, the volume development of the housing market was on average around 3% p.a. in 2015-2020, which was particularly affected by the accelerated housing market in the COVID year 2020 (+8%), Based on the development at the beginning of the year, we believe that 2021 will also be strong in terms of housing market volume development. In the longer term, we expect the development to largely follow the medium level historical level (2015-2019 CAGR 1.8%).

Volume development in automotive trade has been more moderate in recent years. The volume of used car sales has grown on average by good 1% in 2015-2020 and registrations of new cars, in turn, grew by close on 2% p.a. in 2015-2019, until COVID affected the registrations in 2020 and they dropped by as much as 16% in Finland. We expect used car and new car sales to continue following the medium-term historical development in future.

Outlook for marketplaces

In our view, the market for marketplaces is in a mature stage in Finland and the growth of industry players follows the overall volume growth rate of automotive and housing trade (around +0-5% p.a.) in the medium and long-term considering cyclical fluctuations. We expect that slowing growth, increasing technological development and the threat of international competition will result in the growth and value creation of online marketplaces focusing heavily on the largest players in Finland (Alma Media and Schibsted).





Source: European Automobile Manufacturers Association, Netwheels Oy/Traficom

Sector review – media 1/2

Structural and cyclical drivers

The growth of the media sector is currently influenced by several different 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 and disrupts business models. The revolution is most evident in the sharp trend-like decline of print media income and the increased demand for 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 will still have a significant effect on the income of media companies.

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

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 contents 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 advertisement 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 ad 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 growth of the advertising market has been very divaricated. 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 doubled in the 2010s and according to TNS Kantar its share of total advertising (incl. Facebook and Google) climbed to nearly one-half (~47%) of all advertising in 2020 when COVID affected traditional forms of advertising.

According to IAB, good 60% of the value of online advertising constitutes advertisements on Facebook and Google and the remaining 40% comprises ads sold by national operators (like Sanoma and Alma Media). The fastest-growing trends within digital advertising have been social media marketing, mobile marketing, and native advertising. We expect the structural trends of the advertising market to continue largely as they are in upcoming years, and the overall demand for advertising in Finland to be negative due to the decline of print media advertising. We expect the COVID pandemic has accelerated this development so that the structural trend will continue at a more subdued level.

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 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 grow
- 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 on average by 5-10% p.a., but 2020 was the exception with only 2% growth. We expect the growth will continue in line with the brisker trend 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 in our opinion 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 content sales trends of Sanoma and Alma Media, as well as a survey conducted by the Ministry of Education and Culture, we estimate that content income has decreased only slightly (0-3%) in 2012-2019. 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 successfully managed to increase the number of subscribers paying for digital content. For example, Sanoma has been able to turn the total number of Helsingin Sanomat's subscribers to growth and currently Helsingin Sanomat has over 400,000 subscribers. The number of users paying for digital subscriptions has grown to 70% of the total number of subscribers and more than doubled since 2012.

Growth in the number of digital subscribers has been boosted by, e.g., greater willingness to pay for digital content, boosted by the increasing popularity of digital services, such as Netflix and Spotify, the discussion concerning fake news, the measures to develop paywalls and chargeable content, as well as improved accessibility of digital services. Most digital service subscribers are under the age of 50. Growth of digital content sales has, however, strongly focused on news and financial media, and digital subscription income development in magazines has been 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.

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 between 20 and 30%, whereas the EBIT % of print media is typically within the 5-15% range.

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 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) in terms of content.

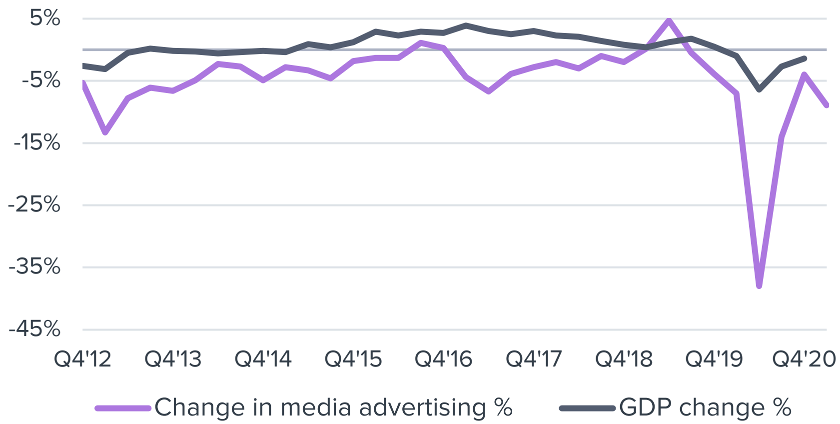
So far, leading Finnish media companies have fared relatively well in the competition against the likes of Facebook and Google, and their share of the digital advertising and content market has remained high in a global comparison. In terms of content income, Finnish media companies are supported by the high threshold to enter a small market and language region, long and strong relationships with readers in print media, as well as strong brands. Sanoma also clearly benefits from its multichannel approach, which other Finnish or international platform or media companies do not have.

Regulation can even benefit media companies

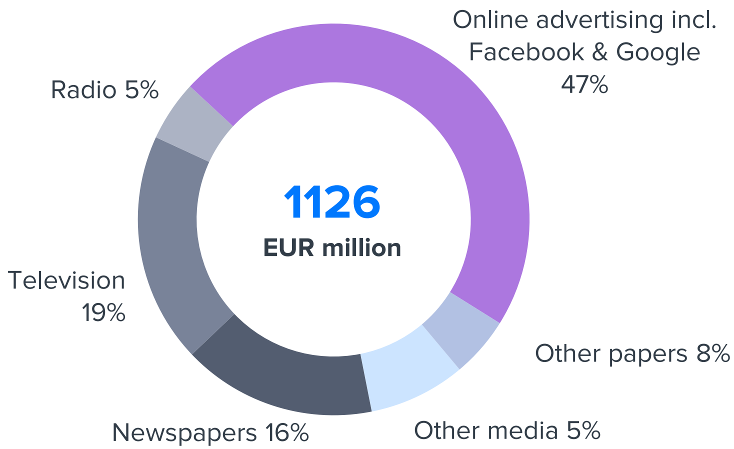
A legislation amendment project is ongoing in the EU that is related to legislation concerning digital markets and copyright. If changed, it can oblige technology companies to share collected data and even income flows. Possible concrete changes from the ongoing project are uncertain and they will take some time. However, relative to the current status it can, in our opinion, only be expected to improve the position of local players.

Development and competitive field of the media sector

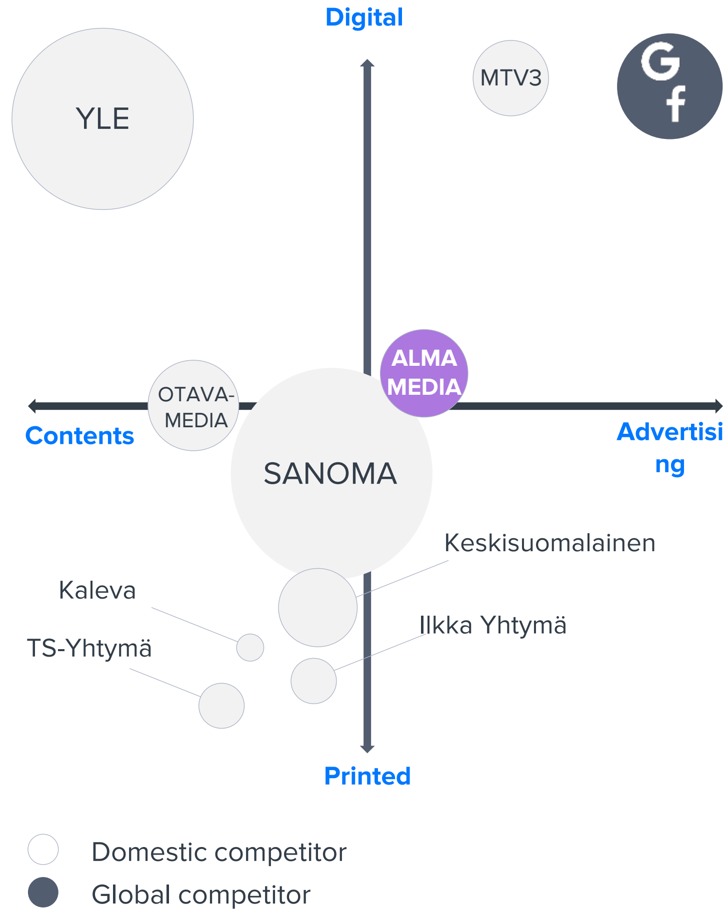
Development of Finnish media advertising cf. GDP until Q1'2021



Distribution of Finnish media advertising, 2020



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 Sanoma, even though its operations are financed by public funds.

Source: Kantar TNS, IAB, Statistics Finland, Inderes

Alma Career 1/3

Market leader of recruitment portals in Eastern Europe

Measured by revenue, Career is Alma Media's smallest segment (2020: EUR 63 million / 25% of group revenue) but thanks to strong profitability, measured by adjusted operating profit the segment is the Group's 2nd largest segment (2020: adjusted EBIT % 32.8%, adjusted EBIT EUR 20.6 million / 37% of Group's adjusted pro forma EBIT). The segment's business consists of recruitment services, e.g., Monster.fi, Jobs.cz, Prace.cz, CV Online, Profesia.sk and digital training service Seduo.

In 2020, in all 59% of the segment's revenue was generated in the Czech Republic, 16% in Slovakia, 10% in Baltic countries, 7% in Croatia, 5% in Finland, and 3% in other countries. Alma Career operates in 10 countries in Europe. Measured by revenue, Career is the biggest recruitment portal company in the Czech Republic, Baltic countries, Croatia, and Serbia. 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. 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.

Alma Media acquired Alma Career Oy's minority holding from Monster Worldwide at the end of Q1'21 and owns the leading recruitment services operating in eastern Central Europe in full. Recruitment services operating under the Monster brand (in Finland and the Czech Republic) continue operating as before. We believe increasing the holding enables more efficient development of the Monster recruitment service operating in Finland and binding it more tightly to Career's strategy.

Business cyclical but easily scalable

All of Alma Career's revenue (2020: 99%) came from digital business, a majority of which comprises advertising income while the role of complementing services is clearly smaller.

Career's business model is easily scalable as its capital structure is very light, cost level flexible, and gross margin % high. Thus, growth in digital services is typically very profitable in a mature development stage. 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.

Career's income is highly cyclical by nature as the business is based on job advertisements that fluctuate heavily with general economic development. Especially in economic turnarounds, changes in Career's service demand can be strong like we could see in connection with the COVID pandemic (revenue decrease over 25% Q2'20 vs. Q1'20).

Career in brief, 2020

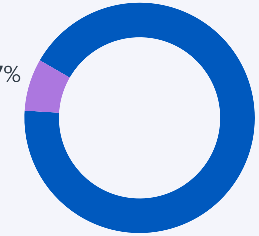
EUR 63 million
Net sales 2020

32.8%
Profitability, adjusted EBIT %

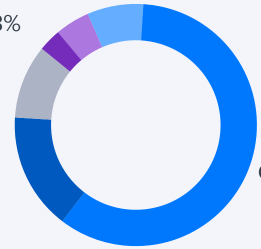
99 %
Share of digital income

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

Revenue by income type, 2020



Net sales geographically, 2020



Source: Inderes, Alma Media

Alma Career 2/3

Segment's development 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 geographical expansion. In the short term, we expect the business to recover with the general economic development as the effects from COVID subside and vaccination coverage grows.

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. (COVID pandemic was an exceptional event). Large estimate ranges depict that Career's income is highly cyclical.

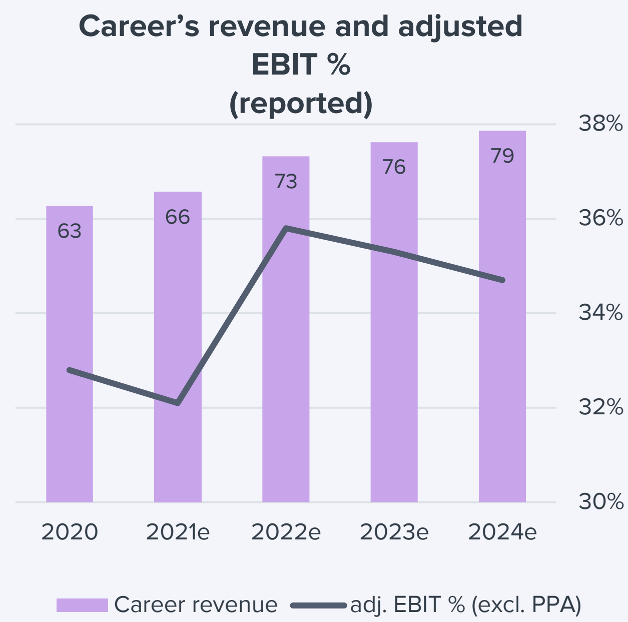
The profitability development of former Markets (incl. recruitment and marketplace services) was at an excellent level despite the quick growth in the segment and increasing in 2010-2019 prior to the COVID pandemic. This reflects the economies of scale, successful acquisitions and strengthened market position. Thanks to brisk cost saving measures profitability remained at a good level also in 2020. We expect the segment's profitability to recover especially in 2022 thanks to strong recovery in volumes.

Estimates

Our estimates for Career assume that the economic growth or the eastern parts of Central Europe and Finland makes an upturn in 2021 as COVID takes a backseat. However, due to sizable restrictions at the beginning of the year and revenue recognition principles (increase in billable utilization visible in revenue with a delay due to periodization) we believe that growth in marketplaces will be at a moderate level of some 3% in 2021. We do expect that service revenue will grow strongly as the sales of additional services grows from a moderate absolute level. In 2022, we expect that revenue from marketplaces will grow by 12% reflecting the revenue that is recognized belatedly relative to volume and the operating environment normalizing in all operating countries.

Considering this, we estimate that Career's revenue will grow by just under 5% in 2021 to EUR 66 million. We expect 2022 revenue to grow by good 11% to EUR 73 million. In the medium term, we estimate that revenue growth will slow down to around 2-5% as economic growth returns to the normal path on Career's main markets.

We anticipate that Career's 2021 adjusted EBIT will grow by good 2% to EUR 21.1 million (2020: EUR 20.6 million) and adjusted EBIT % to decrease slightly to 32.1% reflecting disappeared cost savings and still recovering revenue (2020: 32.9%).



Income statement	2020	2021e	2022e	2023e	2024e
Revenue	62.7	65.7	73.2	76.2	78.6
EBITDA adj.	23.9	23.9	29.0	29.7	30.1
EBIT adj.	20.6	21.1	26.2	26.9	27.3
Operating profit	21.4	21.1	26.2	26.9	27.3
Non-recurring items	0.8	-	-	-	-

Growth and profitability	2020	2021e	2022e	2023e	2024e
Revenue grwoth %		4.8 %	11.4 %	4.2 %	3.2 %
EBIT adj. growth %		2.5 %	24.0 %	2.7 %	1.7 %
Adj. EBITDA %	38.1 %	36.4 %	39.6 %	38.9 %	38.3 %
Adj. EBIT %	32.8 %	32.1 %	35.8 %	35.3 %	34.7 %
EBIT %	34.1 %	32.1 %	35.8 %	35.3 %	34,7 %

Source: Inderes

Alma Career 3/3

The revenue growth we estimate for 2021 also generates growing operating profit which is reflected in improving relative profitability (adjusted EBIT% 35.8%). In the medium term, we expect Career to be able to maintain high profitability (EBIT % over 33%) supported by economies of scale. The growing relative share of services in revenue will, however, in our opinion lower relative profitability slightly.

We believe better than expected cost efficiency and possible acquisitions are positive risks for our estimates. Negative estimate uncertainty is in the short term created by the slight uncertainty still linked to COVID and in the long term to unexpected changes in the competitive position.

Valuation of Career

We determine Career's fair value through the valuation multiples of an extensive peer group consisting of digital marketplace companies. We have identified altogether 14 peer companies for the segment. We believe the business models and growth expectations of the peer group as a whole reflect the business and growth profile of the segment well.

In our valuation we use the average and median EV/EBIT multiples of the peer group for 2021-2022 and our estimates for Career's 2021-2022 adjusted operating profit (EBIT).

Because the peer companies are on average 10x bigger than Career, we apply a 20% discount to the peer's multiples in our valuation calculation for the segment, of which the 2021 multiples are at an absolute high level.

The average EV/EBIT multiples for 2021-2022 of the peer group we use are 34x and 25x and the corresponding median multiples are 27x and 22x. With the peer group's average valuation multiples, a 20% peer group discount and Career's adjusted operating profit estimate, Career's enterprise value (EV) is around EUR 493-522 million.

One comparison point for Career's valuation could also be the deal price Schibsted paid to Sanoma in connection with the Oikotie acquisition (EV/S 6.7x and EV/EBITDA 19.7x). The multiples have been calculated using Oikotie's 2019 figures which COVD was not meddling with. Using our 2022 revenue and EBITDA estimates for Career that do no longer include the effects of the pandemic, the EV of the segment is EUR 490-570 million. The calculation supports the value we determined with the help of the peer group.

Alma Career's peer group

Peers	EV	EV/EBIT		EV/S	
Company	MEUR	21e	22e	21e	22e
Auto Trader Group PLC	6,463	38.4	21.2	22.3	14.8
Carsales.Com Ltd	3,629	27.2	23.3	13.3	12.0
Holidaycheck Group AG	1,457	20.2	13.4	1.4	1.3
Moneysupermarket.Com Group PLC	1,687	16.3	13.7	4.1	3.8
REA Group Ltd	13,933	47.0	37.9	24.2	19.3
Rightmove PLC	5,930	23.7	21.8	17.4	16.2
Schibsted ASA	9,219	50.4	40.2	6.6	6.2
Scout24 AG	4,752	26.5	22.5	12.6	11.3
Seek Ltd	7,877	39.4	40.5	7.7	10.7
Just Eat Takeaway.com NV	11,181			3.3	2.6
New Work SE	1,315	24.5	21.1	4.6	4.2
Stroeer SE & Co KGaA	5,450	26.8	20.9	3.5	3.2
Adevinta ASA	11,825	45.7	23.3	9.9	6.8
Recruit Holdings Co Ltd	71,493	60.3		4.2	3.9
Average	**11,158**	**34.3**	**25.0**	**9.6**	**8.3**
Median	**6,197**	**27.2**	**22.1**	**7.2**	**6.5**

Alma Talent 1/3

Financial and professional media Talent

Measured by revenue, Talent is Alma Media's largest segment (2020: EUR 105 million / 25% of Alma Media's pro forma revenue) and measured by adjusted operating profit the Group's smallest segment (2020: adjusted EBIT % 17.1%, adjusted EBIT EUR 16.2 million / 29% of Group's adjusted pro forma EBIT).

Thanks to the reorganization, the segment's business now consists of media and services. The main media in the segment's media unit is the leading financial media Kauppalehti. 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. The digital services also comprise, for example, the platform for digital housing trade acquired in late 2020 called DIAS.

Measured by revenue as well as users and subscriptions, Talent is Finland's largest financial and professional publication media. In other businesses, the company also operates in Sweden and the Baltic countries but there its market position is small. Relative to the Finnish media advertising market calculated by Kantar TNS (some EUR 1.13 billion), Talent's market share is close to 2% of the entire market and the online advertising market (around EUR 0.53 billion).

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 2020 revenue was 47%. Correspondingly the share of other revenue was 53% of which over one-half came from print media.

The share of **content income** (subscription income) of the segment's revenue was around 37% in 2020 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. Around 64% of content income is generated from printed magazines and books and 36% from digital subscription income.

Service income formed some 37% of the segment's revenue in 2020. We estimate that around 40% of this was generated from direct marketing services, some 20% from event and training services, and the remaining 40% from digital services, like Alma Talent's information services. The revenue of the digital housing trading platform DIAS will also be included in Talent's service income in future.

The share of **advertising income** in 2020 was around 20% of the segment's revenue. Roughly one-half of the segment's advertising income came from heavily declining print media advertising and the other half from growing online advertising.

Talent in brief, 2020

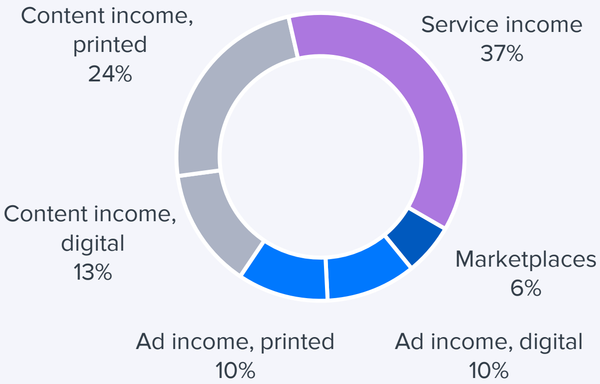
EUR 95 million
Revenue 2020

17.1%
Profitability, adjusted EBIT %

53% / 47%
Share of print and service income / share of digital income

#1 market position
Financial and professional media Finland

Revenue by income type, 2020



Source: Inderes, Alma Media

Alma Talent 2/3

In 2020, the share of **marketplaces** in the segment's revenue was around 6%. The segment's marketplaces are objektvision.se marketplaces for office premises operating in Sweden and Finland, and Kauppalehti office premises.

Segment's development 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 and long term by some 5-10% annually and services and marketplaces by some 0-5% p.a. Thus, the segment's total revenue growth will according to our estimates turn clearly positive in the next few years (+4-5%) reflecting the decreasing relative share of print media in the segment's income.

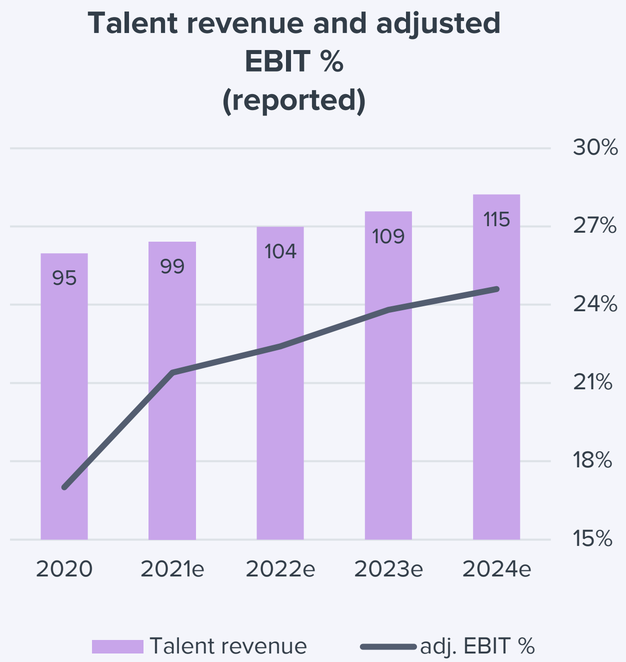
In terms of profitability, we expect the segment's sales distribution to improve gradually (relative share of more profitable digital business of revenue increases) and as efficiency improves, profitability will rise slightly in the medium term.

Estimates

In Talent's estimates we assume that Finland's economic growth will recover clearly in 2021 but we expect the structural change in the media field to continue which weakens Talent's growth to some extent. We estimate that Talent's revenue will grow by good 4% to EUR 99 million in 2021. In 2022, we expect growing digital business income to pull revenue to nearly 5% growth. In the medium-term estimate period we expect revenue development to continue on the same trend reflecting the growth in the digital business.

We anticipate that the 2021 adjusted EBIT will grow by nearly 31% to EUR 21.1 million (2020: EUR 16.2 million) and adjusted EBIT % to rise to 21.4% (2020: 17.0%) reflecting the increasing relative share of digital revenue. For 2022, we estimate that relative profitability will continue strengthening reflecting the growing relative share of digital income. In the medium term, we expect the growth in the digital business to drive a modest improvement in profitability. In 2024, we expect the adjusted EBIT % to rise to 25%.

Stronger than expected digital advertising, content sales and services (e.g. DIAS) development are in our opinion the positive risks for our estimates. Negative estimate uncertainty is created by unexpected changes in the competitive situation of digital advertising and clearly faster acceleration of the structural change in print media than expected.



Income statement	2020	2021e	2022e	2023e	2024e
Revenue	95.1	99.0	103.9	109.0	114.6
EBITDA adj.	20.4	25.1	27.2	29.9	32.2
EBIT adj.	16.2	21.1	23.2	25.9	28.2
Operating profit	13.1	20.8	22.7	25.4	27.7
Non-recurring items	-3.1	-0.3	-0.5	-0.5	-0.5

Growth and profitability	2020	2021e	2022e	2023e	2024e
Revenue growth %		4.1 %	4.9 %	5.0 %	5.1 %
EBIT adj. growth %		30.6 %	9.8 %	11.7 %	8.8 %
Adj. EBITDA %	21.5 %	25.4 %	26.2 %	27.5 %	28.1 %
Adj. EBIT %	17.0 %	21.4 %	22.4 %	23.8 %	24.6 %
EBIT %	13.8 %	21.1 %	21.9 %	23.3 %	24.2 %

Source: Inderes

Alma Talent 3/3

Valuation of Talent

We determine the value of the Talent segment based on the valuation multiples of the extensive peer group consisting of media companies.

We have identified altogether 13 peer companies for the Talent segment. Primarily, the peer group comprises combined print & digital media companies, similar to Talent. In our view, as a whole, the peer group's business models reflect Talent's business model reasonably well, as well as the general growth outlook for the media sector.

In our valuation we use the median EV/EBIT multiples of the peer group for 2021-2022 and our estimates for Talent's 2021-2022 adjusted operating profit. The peer companies are on average clearly larger than Talent and listed companies, so we apply a 20% discount to the peer's multiples in our valuation calculation for Talent.

The median EV/EBIT multiples of the peer group we are using are around 18x for 2021 and 12x for 2022. With the peer group's median valuation multiples, a 20% peer group discount and our operating profit estimate, Talent's enterprise value (EV) is EUR 227-297 million.

Alma Talent peer group

Peers	EV	EV/EBIT		EV/S	
Company	MEUR	21e	22e	21e	22e
Agora SA	273		102.6	1.3	1.1
Future PLC	4,229	22.8	18.8	6.3	5.4
Daily Mail and General Trust P L C	1,825	16.6	13.4	1.4	1.3
Gannett Co Inc	1,563		7.8	0.6	0.6
Lagardere SCA	6,754		38.7	1.4	1.2
Meredith Corp	3,191	7.6	10.2	1.3	1.3
Arnoldo Mondadori Editore SpA	580	48.3	9.8	0.8	0.7
New York Times Co	5,392	26.5	22.6	3.3	3.1
Rizzoli Corriere della Sera Mediagroup SpA	585	97.6	6.7	0.7	0.7
Sanoma Oyj	2,944	17.6	15.7	2.4	2.3
TX Group AG	875	9.0	7.8	1.0	1.0
Promotora de Informaciones SA	1,351	31.2	11.0	1.4	1.3
Vocento SA	268	12.6	10.3	0.7	0.7
Average	**2,295**	**29.0**	**21.2**	**1.7**	**1.6**
Median	**1,351**	**17.6**	**12.2**	**1.3**	**1.2**

Alma Consumer 1/3

Digital marketplaces directed at consumers

The focus of Consumer's business model changed considerably with the segment division (consumers' marketplace business moved to Consumer) and the Nettix acquisition. The acquisition made Consumer the Group's second largest segment measured by revenue (2020 pro forma revenue: EUR 92 million / 37% of Alma Media's pro forma revenue) and measured by adjusted operating profit the largest segment (2020: pro forma EBIT % 27.1%, pro forma adjusted EBIT EUR 25.0 million / 45% of Group's adjusted pro forma 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 reports online services (e.g. Etua.fi, Golffinland.fi, ampparit.com and telkku.com). Alma Media now owns its marketplace businesses fully after it acquired Alma Mediapartners' minority share at the end of 2020.

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 clearly better profitability than among competitors through economies of scale and pricing power. In addition , a well-known brand in marketplaces directed at consumers strengthens the company's market position as we believe they raise the entry threshold to the market,

Relative to the Finnish media advertising market calculated by Kantar TNS (some EUR 1.13 billion), Consumer's market share is close to 3% of the entire market and some 5% of the online advertising market (around EUR 0.53 billion).

Share of digital income is high

The share of Consumer's digital revenue was 78% of 2020 pro forma revenue, especially driven by marketplaces whose income are, however, susceptible to changes in consumer behavior. The income of the media unit is, in turn, a combination of conventional subscription-based print media and online media that relies on a digital business model and is largely financed by advertising. The effect of the structural changes in the media field is still considerable for Consumer as the share of print media in Consumer's pro forma revenue is around 22%.

The share of **marketplaces** in Consumer's pro forma revenue was around 44% generated mainly from advertising income in marketplaces favored by consumers (e.g. Etuovi.com and NettiAuto).

The share of **advertising income** of pro forma revenue in 2020 was some 30%. We estimate that around 87% of the segment's pro forma advertising income came from online advertising and some 13% from print media advertising.

In 2020, the share of **content income** in the segment's pro forma revenue was around 18%. Content income consists fully of single copy sales of Iltalehti.

We estimate that **service income** formed some 8% of the segment's pro forma revenue in 2020 consisting of digital services like Kotikokki, Telkku, Ampparit and e-Kontakti.

Consumer in brief, 2020

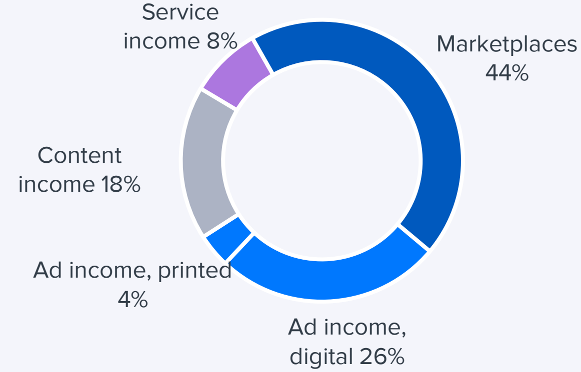
EUR 92 million
Pro forma revenue 2020

27.1%
Profitability, pro forma adjusted EBIT %

78% / 22%
Share of digital income / other business

#1 market position
In housing and automotive marketplaces

Revenue by income type, 2020



Source: Inderes, Alma Media
* Reported + Nettix acquisition, Inderes' estimates

Alma Consumer 2/3

Segment's development outlook

We believe Consumer's growth outlook in the medium term to be ambiguous but positive. The previously presented main drivers, that is classified ads focusing on the largest, most efficient platforms with the most developed services, and new digital services and expansion in the value chain of marketplaces and digital services support the growth of marketplaces continuing in the medium and long term. We 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 changes for the market of print media to continue as strong. We estimate that the print media revenue of the segment will continue decreasing by 5-10% in the medium term. In the past year, COVID has accelerated the decline and we do not expect the demand drop it has caused to recover much. Thus, we expect the COVID pandemic to further accelerate the ongoing structural revolution in media. As a whole, we do, however, believe that the revenue of the segment will grow by an average of some 3% p.a. in the medium term.

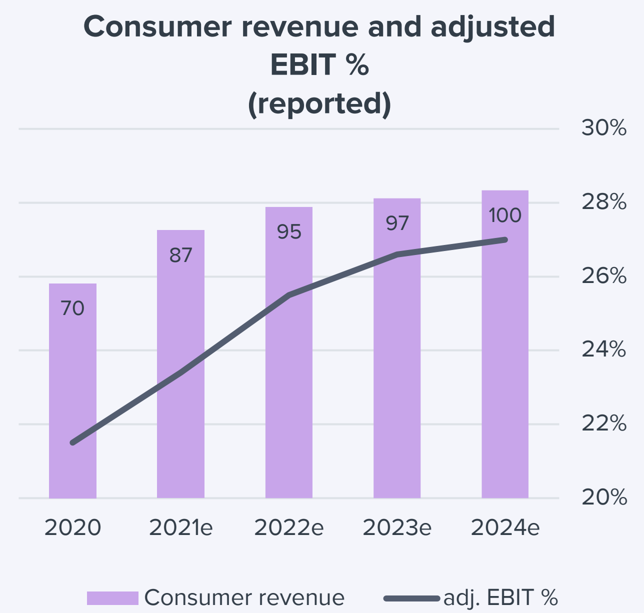
We expect profitability to grow in the short and medium term supported by a combination of increasing revenue and extremely scalable digital businesses. The development will, however, be slowed down by the expected decline in print media.

Estimates

Our estimates for Consumer are based on the same estimates concerning the Finnish economy as our estimates for Talent. We also expect the development of revenue from marketplaces to continue favorably pulled by automotive and housing sales that are on a good level. We estimate that Consumer's reported revenue will grow by 25% to EUR 87 million in 2021 supported by the Nettix acquisition (included since Q2'21). In 2022, we expect revenue to grow by another 9% reflecting the inorganic growth generated by Nettix and growing revenue from digital media.

We anticipate that the 2021 adjusted EBIT will grow by nearly 36% to EUR 20.3 million (2020: EUR 15.0 million) and adjusted EBIT % to rise to 23.4% reflecting the high profitability of marketplaces. In 2022, we expect adjusted EBIT % to rise to 25.5% reflecting the cost synergies generated from the acquisition and the growing relative share of digital income. In the medium term, we anticipate the adjusted operating profit will continue on its growth path caused by the change in the revenue structure.

Stronger than expected digital advertising development and expansion in marketplaces' value chains through possible complementing acquisitions are in our opinion the positive risks for our estimates. Negative estimate uncertainty is created by the risk of tightening competition especially in marketplaces and the speed of the structural change in print media.



Income statement	2020	2021e	2022e	2023e	2024e
Revenue	69.8	87.0	94.6	97.4	100.0
EBITDA adj.	17.0	22.1	26.2	28.0	29.2
EBIT adj.	15.0	20.3	24.1	25.9	27.0
Operating profit	15.3	17.9	21.1	22.9	24.0
Non-recurring items	0.3	-2.4	-3.0	-3.0	-3.0

Growth and profitability	2020	2021e	2022e	2023e	2024e
Revenue growth %		24.7 %	8.6 %	3.0 %	2.7 %
EBIT adj. growth %		35.5 %	18.5 %	7.4 %	4.5 %
Adj. EBITDA %	24.4 %	25.4 %	27.8 %	28.8 %	29.2 %
Adj. EBIT %	21.5 %	23.4 %	25.5 %	26.6 %	27.0 %
EBIT %	21.9 %	20.6 %	22.3 %	23.5 %	24.0 %

Source: Inderes

Alma Consumer 3/3

Valuation of Consumer

We determine the value of the Consumer segment based on an extensive peer group consisting of marketplace businesses and media companies. The peer group for Consumer's marketplace business corresponds with Career's peer group, while the peer group for other businesses corresponds with that of Talent. With Consumer's current structure, its businesses are different and have different drivers so a valuation with the help of a peer group is not as applicable as for the other segments.

Peer group valuation

As part of our valuation we use the EV/EBIT multiples of the peer group for 2021-2022 and our estimates for Consumer's 2021-2022 operating profit. The peer group we use is the same as for Career. We feel this is justified as according to our estimate most of the segment's result comes from marketplaces. The peer companies are, however, on average clearly larger and listed companies and the share of digital businesses is even higher than for Consumer, we apply a 20% discount to the peer's multiples in our valuation calculation for the segment.

The median EV/EBIT multiples of the peer group for 2021-2022 are around 27x and 22x. With the peer group's 2021-2022 median multiples, a 20% peer group discount and our operating profit estimate, Consumer's enterprise value (EV) is EUR 427-443 million.

Valuation levels of recent acquisitions

Valuation of Consumer is challenging because of the different growth and profitability profiles of its operations. The segment includes the marketplace business that is highly scalable and profitable and is valued with high multiples. The segment also includes growing digital service revenue and digital advertising, as well decreasing print media. Even though the remaining digital revenue could in our opinion be given higher multiples as independent businesses, for the time being creating print content is necessary for the development of digital income. Thus, the remaining revenue should in our opinion be valued with the multiples of more traditional media companies.

We have also determined the value of the segment based on recent acquisitions. The valuation multiples of Schibsted's Oikotie acquisition were EV/S 6.7x and EV/EBITDA 19.7x The EV/S multiple for the Nettix acquisition was 7.6x. Using the average EV/S multiples of these acquisitions for our 2022 estimate of marketplaces and for the rest the 2022 median EV/S multiple of the media company peers, the value of the segment is around EUR 375 million.

We have also estimated the value of the segment through the profitability multiple of the Oikotie deal and Nettix's relative profitability. When Alma Media acquired Nettix its 2022 EBIT % was around 50%. Using this profitability level for our 2022 revenue estimate of marketplaces and by adding the revenue-based share of other operations the segment value is EUR 491 million. The rather wide valuation range (EUR 375-491 million) reached with the various methods describes in our opinion how challenging the valuation of the segment is.

Alma Consumer peer group

Peers	EV	EV/EBIT		EV/S	
	MEUR	21e	22e	21e	22e
Career' peers					
Average	11,158	34.3	25.0	9.6	8.3
Median	6,197	27.2	22.1	7.2	6.5
Talent's peers					
Average	2,295	29.0	21.2	1.7	1.6
Median	1,351	17.6	12.2	1.3	1.2

Source: Inderes

Financial position

Balance sheet structure

We examine the company's financial situation using the figures from the end of Q1'21. It should, however, be noted that the effects from the Nettix acquisition announced in March 2021 were not reflected in the Q1 figures and thus we also review the financial situation in part based on our 2021 estimates.

Alma Media's balance sheet total at the end of Q1'21 was EUR 345 million. The Nettix deal increases the balance sheet total by some EUR 175 million (EUR 145 million in goodwill and EUR 30 million in intangible assets). Due to previous M&A transactions, the balance sheet already contains a lot of goodwill (EUR 154 million) and other intangible assets (EUR 58 million). A majority of this was generated in the 2012 recruitment portal acquisitions and the acquisition of Talentum at the end of 2015. At the end of Q1'21 the company had EUR 38 million in tangible assets and EUR 53 million in cash in hand. The remaining assets in the balance sheet consisted of receivable and other assets.

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 sales receivables. At the end of Q1'21, working capital was some EUR 61 million negative.

Alma's equity was EUR 128 million at the end of Q1'21. Minority interest in equity was only around EUR 4 million after the acquisitions of Alma Mediaparnters and Alma Career minority holdings. As a whole, some 34% of Alma Media's assets were divided to Talent, some 24% to Career, some 14% to Consumer and the remaining 28% to the Group at the end of Q1'21. We find Alma Media's balance sheet items to be mostly current as the company has annually carried out write downs based on impairment testing in the values of weaker asset items. The risks related to write downs are low as a whole and in Alma Media's size class the effects on the equity ratio and result would be quite limited.

Balance sheet has been put to work

After the series of Alma Media's recent and already completed M&A transactions (Q4'20: Alma Mediapartners and DIAS, Q1'21: Alma Career) the company's balance sheet position has changed slightly from one year ago. The company's net gearing at the end of Q1'21 was 31% (Q1'20: 1%). The company had EUR 80 million in long term interest-bearing debt and EUR 12 million in short term interest-bearing debt. Considering the cash in hand, the company's net debt at the end of Q1 stood at EUR 39 million. These figures do not, however, consider the effects of the Nettix acquisition that increases the amount of net debt by some EUR 170 million during Q2.

The ratio between Alma Media's net debt and EBITDA was around -0.1x at the end of Q1'21. We estimate that the balance sheet has since the latest acquisitions been stretched to a level that the company will digest for the next couple of years, and we only expect Alma Media to make small complementing acquisitions in the near future. The company's high profitability and the business's strong ability to generate cash flow will, however, rather quickly eat away at the net debt to a more modest level (2022e net debt/ EBITDA 2.6x). After the arrangements we still expect the company's equity ratio to be at a good level (2021e 40%) and net gearing to be slightly elevated (2021e 103%).

Strong return on equity

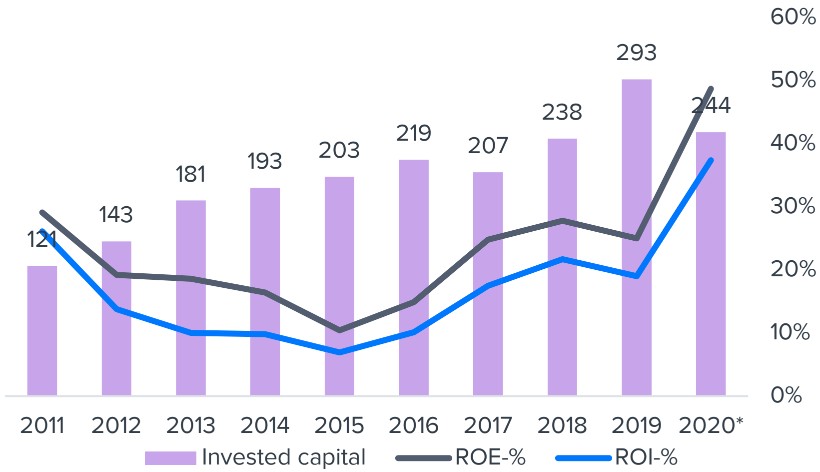
Alma Media's return on investment (ROI) and return on equity (ROE) have risen to a good financial target level pulled by profitability in recent years. We do, however, estimate that due to the clearly growing balance sheet the company will not reach the targeted over 17% ROI % in 2021 or 2022. We do not expect the growing balance sheet to create a permanent challenge and estimate that the ROI % will return close to the target level in the medium term. By contrast, we expect ROE to be above 20% starting from 2021 considering the increased leverage. In 2016-2020, Alma Media's ROI % (not including discontinued operations) was on average around 19% and ROE % around 20%.

Cash flow and dividend

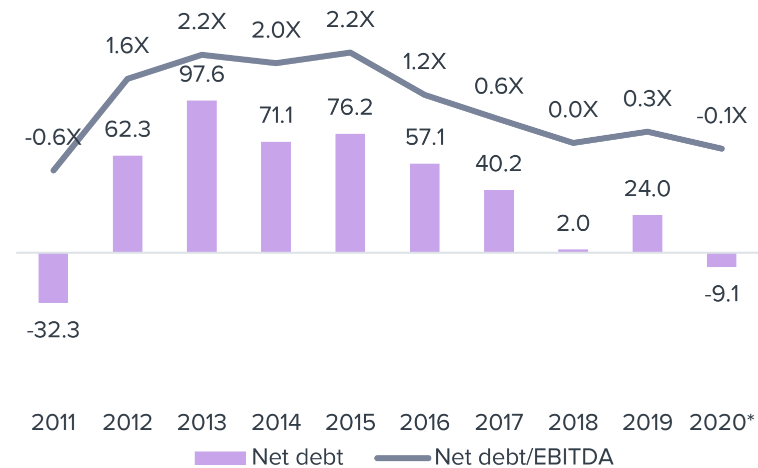
Alma Media's operational cash flow has been strong in 2019-2020 at some 22-24% of revenue (cf. adjusted EBIT slightly below 20%). Considering the company's low need for maintenance investments in fixed assets (some EUR 3-4 million per year) we assume the company's balance sheet position will strengthen quite quickly. In addition, high profitability, strong cash flow and low investment needs enable increasing dividend distribution despite possible complementing acquisitions.

Financial position

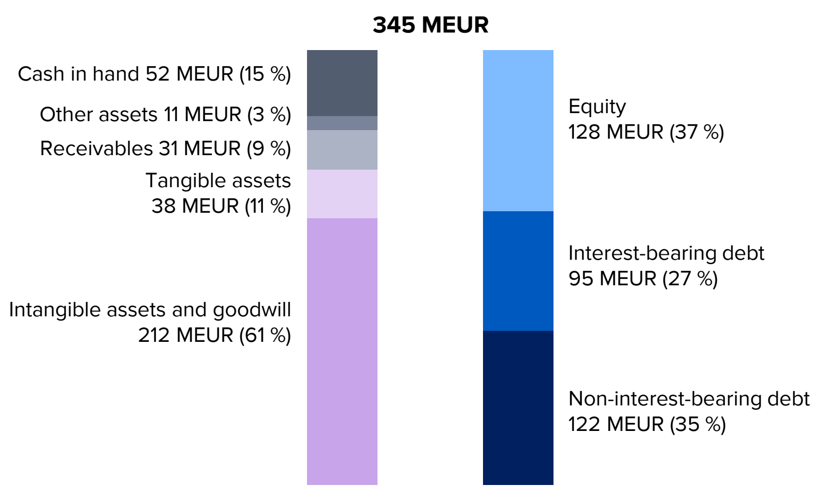
Invested capital, ROI % and ROE %



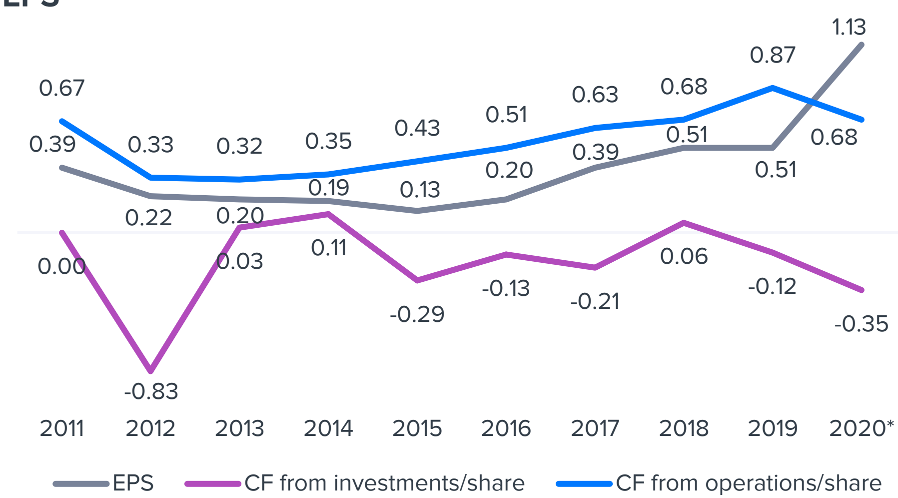
Net debt and net debt/EBITDA



Balance sheet structure, Q1'21



Operational cash flow and cash flow from investments and EPS



*Includes discontinued operations
Source: Inderes, Alma Media

Group level estimates

2021: inorganic growth

After the Nettix acquisition Alma Media issued an updated guidance for 2021, based on which is expects revenue from continuing operations (2020: EUR 230 million) and adjusted operating profit (2020: EUR 45.4 million) to grow from 2020. We estimate that the company's reported 2021 revenue will increase by10% to EUR 253 million. In our estimates we expect revenue to grow in all segments, but the growth is based especially on inorganic growth.

At Group level we expect the company's adjusted operating profit to grow by nearly 25% to EUR 57 million corresponding with a 22.4% EBIT margin (2020: 19.7%). In relative terms, we expect the highest growth of adjusted operating profit in the Consumer segment thanks to inorganic growth.

We expect the reported EPS to grow to EUR 0.47 reflecting the increasing operating result and lower share of minority interests (2020: EUR 0.34). Considering the improving earnings development and recent acquisitions we expect Alma Media to return to the path of growing dividends in its capital allocation and expect the company to raise its dividend per share to EUR 0.32.

2022-2023: we expect earnings growth to continue

We estimate that Alma Media's reported revenue will grow by nearly 8% in 2022, when especially Career's revenue will recover from the effects of COVID and the Nettix acquisition brings slight inorganic growth in Q1. On Group level, revenue growth is driven by increasing relative share of digital revenue but, on the other hand, continued decrease in print media slows down the development to some extent. Considering this overall picture, we expect 2023 revenue to grow by 4%.

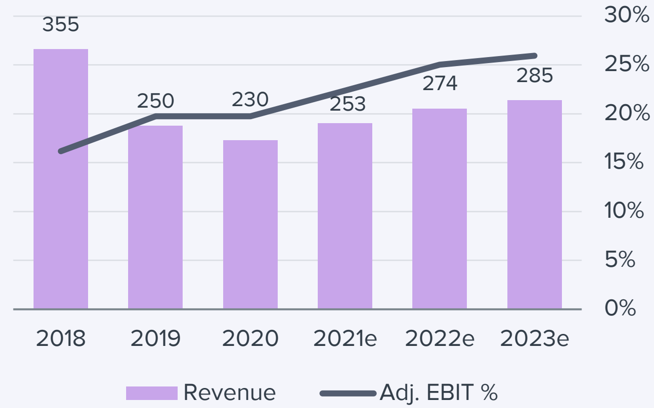
We expect the adjusted operating profit to grow more strongly than revenue in 2022 (2022e adjusted EBIT % 25.0%) and profitability to strengthen reflecting the change in revenue distribution and achieved synergies. We estimate that adjusted EBIT % will continue growing in 2023 to 25.9% supported by digital businesses. We expect the adjusted EPS for 2021 and 2022 to grow to EUR 0.59 and EUR 0.65 and the 2021 and 2022 dividend (EUR 0.35 and EUR 0.40) to continue on a slight upward trend.

Long-term earnings estimates

In the long term, the key factors affecting Alma Media's earnings development are the growth rate of the scalable digital business with stronger profitability and how steep the decline in print media is.

We estimate that Alma Media's digital businesses will grow by an average of 5-8% p.a. in the long term but at the same time the income from print media that forms around one-fifth of the income to drop by some 5-10% p.a., which depresses the overall picture and makes it more modest (CAGR 2022-2030 ~3.0%). The improved business focus boosts Alma's EBIT % in our estimates (2030: 24.5%) which in turn lifts earnings growth to a reasonable level (CAGR 2022-2030: +3.5%).

Revenue and profitability (reported figures)



EPS and dividend

Source: Inderes

Estimates

Income statement	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue	**355**	**250**	**61.8**	**52.5**	**53.9**	**62.0**	**230**	**58.1**	**63.6**	**62.1**	**69.4**	**253**	**274**	**285**	**295**
Alma Career	96.4	100.0	18.4	13.5	15.5	15.3	62.7	16.2	16.4	16.4	16.7	65.7	73.2	76.2	78.6
Alma Talent	109	103	25.6	22.4	20.7	26.4	95.1	24.5	24.7	22.6	27	99.0	104	109	115
Alma Consumer	152	47.2	17.9	15.7	16.9	19.3	69.8	17.5	22.0	22.6	25.0	87.0	94.6	97.4	100
Non-recurring items	-2.3	0.0	-0.1	0.9	0.8	0.9	2.5	-0.1	0.5	0.5	0.5	1.4	2.0	2.0	2.0
EBITDA	**76.6**	**71.4**	**16.3**	**13.0**	**17.0**	**12.8**	**59.0**	**14.3**	**15.5**	**18.7**	**19.6**	**68.1**	**80.2**	**85.6**	**89.1**
Depreciation	-15.6	-21.9	-4.1	-4.0	-3.9	-3.8	-15.8	-3.5	-4.2	-4.2	-4.2	-16.1	-15.7	-15.2	-14.8
EBIT (excl. NRI)	**57.3**	**49.4**	**11.2**	**11.8**	**13.2**	**9.4**	**45.5**	**11.1**	**13.4**	**15.6**	**16.5**	**56.6**	**68.5**	**73.8**	**77.3**
EBIT	**61.0**	**49.5**	**12.2**	**9.0**	**13.1**	**9.0**	**43.2**	**10.8**	**11.3**	**14.5**	**15.4**	**52.0**	**64.5**	**70.4**	**74.3**
Alma Career	34.4	37.7	6.6	4.8	5.5	4.5	21.4	5.1	5.1	5.8	5.2	21.2	26.2	26.9	27.3
Alma Talent	15.5	14.8	3.7	2.8	4.1	2.6	13.1	5.2	4.9	5.1	5.9	21.2	23.2	25.9	28.2
Alma Consumer	14.4	6.2	2.7	2.8	4.6	5.0	15.1	3.4	4.6	5.8	6.6	20.3	24.1	25.9	27.0
Others and eliminations	0.0	0.0	-1.8	-0.4	-1.1	-3.1	-6.4	-2.7	-1.9	-1.9	-1.9	-8.4	-8.0	-7.8	-7.8
Non-recurring items	-7.0	-9.2	1.0	-1.0	0.0	0.0	0.0	-0.3	-1.4	-0.4	-0.4	-2.3	-1.0	-0.5	-0.5
Net financial items	-0.3	-2.1	0.3	-0.6	0.0	-0.7	-1.0	-0.5	-0.8	-0.6	-0.6	-2.4	-2.7	-2.7	-2.6
PTP	**60.4**	**47.9**	**12.5**	**8.4**	**13.3**	**8.2**	**42.3**	**10.4**	**10.7**	**13.9**	**14.9**	**49.8**	**62.0**	**67.9**	**71.9**
Taxes	-12.5	-10.7	-2.3	-2.3	-1.9	-2.5	-9.0	-2.2	-2.2	-2.8	-3.0	-10.3	-12.7	-13.9	-14.7
Minority interest	-6.3	-6.4	-1.6	-1.3	-1.9	-1.0	-5.7	-0.5	-0.2	-0.2	-0.2	-1.0	-0.5	-0.5	-0.5
Net earnings	**41.7**	**30.8**	**8.6**	**4.9**	**9.5**	**4.7**	**27.6**	**7.6**	**8.4**	**10.9**	**11.7**	**38.6**	**48.9**	**53.5**	**56.7**
EPS (adj.)	**0.46**	**0.37**	**0.09**	**0.09**	**0.12**	**0.06**	**0.36**	**0.10**	**0.13**	**0.15**	**0.16**	**0.53**	**0.64**	**0.69**	**0.73**
EPS (rep.)	**0.51**	**0.37**	**0.10**	**0.06**	**0.12**	**0.06**	**0.34**	**0.09**	**0.10**	**0.13**	**0.14**	**0.47**	**0.59**	**0.65**	**0.69**

Key figures	2018	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	-3.4 %	-29.5 %	-0.5 %	-18.1 %	-7.5 %	-5.6 %	-8.0 %	-6.1 %	21.1 %	15.3 %	11.9 %	10.0 %	8.1 %	4.0 %	3.7 %
Adjusted EBIT growth-%		-13.8 %	-3.0 %	-1.2 %	-3.3 %	-24.3 %	-8.0 %	-0.6 %	14.1 %	18.4 %	76.1 %	24.6 %	21.0 %	7.8 %	4.7 %
EBITDA-%	21.6 %	28.5 %	26.3 %	24.7 %	31.5 %	20.6 %	25.6 %	24.6 %	24.4 %	30.1 %	28.3 %	26.9 %	29.3 %	30.1 %	30.2 %
Adjusted EBIT-%	16.2 %	19.7 %	18.0 %	22.4 %	24.4 %	15.1 %	19.7 %	19.1 %	21.1 %	25.1 %	23.8 %	22.4 %	25.0 %	25.9 %	26.2 %
Net earnings-%	11.8 %	12.3 %	13.8 %	9.3 %	17.7 %	7.6 %	12.0 %	13.2 %	13.1 %	17.5 %	16.9 %	15.3 %	17.9 %	18.8 %	19.2 %

Source: Inderes

NB! Reported figures

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 ability is good as the company's cash flow is strong, which means gearing decreases quickly. In addition, the company's investment needs are low and organic growth does not tie up much capital.

Cyclicality and industry revolution increases result fluctuation

The earnings development of media companies typically varies with general economic development as most of the industry's and Alma Media's income comes from 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 not as susceptible to economic fluctuation, as well as increasing digital service income act as a counterbalance.

Acquisition maker and potential target

M&A transactions are an important part of Alma Media's strategy, and the developmental stage and trends of the sector increase the probability of M&A transactions. For investors, M&A transactions have been visible in Alma Media in three ways: 1) The company itself seeks to actively accelerate growth, create synergy benefits and/or expand through acquisitions; 2) The company revised its business structure by selling businesses with weak profitability that did not fit its strategy; 3) Through media companies' cross ownership and the market position of Alma Media's important digital business Alma Media or its parts are potential acquisition targets. We believe point 1 is the most likely way also in future while the key measures related to point 2 have already been performed.

Positive value drivers

Growth of digital business: The growth outlook for digital businesses is still strong and 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 over two-thirds 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 M&A transactions: Alma Media has a strong track record of successful M&A transactions, but the company's indebtedness is relatively high at the moment. Cash flow lowers the leverage of the balance sheet 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 for investors.

Negative value drivers and risks

Cyclicality: A considerable share of the company's income come from cyclical advertising income. Thus, the company's growth is dependent on economic development. Thanks to quick adjustment measures the company has been able to defend its financial performance during the COVID pandemic.

Reducing print media income: We expect the decline of Alma Media's 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-fifth.

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 through global operators (e.g. Facebook and Google), which means the competitive position of national, regional, and local media companies has changed constantly.

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), which we, however, expect will benefit Alma.

Investment profile

1. **Profitable growth in digital businesses**

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

3. **Cyclicality raises the share's risk profile**

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

5. **Share's expected return relies heavily on growth, dividends, and acquisitions that accelerate earnings growth**

Potential

- Strong organic growth potential in digital businesses
- Excellent cash flow
- M&A transaction option that is positive considering the track record

Risks

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

Source: Inderes

Value determination1/2

Valuation methods

When valuing Alma Media's share, we currently place most weight on the share's expected total return based on the company's forecasts for the next few years (earnings growth + dividends + expected changes in valuation multiples). In addition, we support the valuation with a sum-of-parts calculation and DCF model. We favor the EV/EBIT multiple in our valuation as it includes the company's net cash. However, the P/E multiple also plays a crucial part.

Share's expected total return

We believe the role of dividend is crucial in the return expectation of Alma Media's share. With our estimates and the current EUR 9.80 share price level the dividend yield is around 3-4% in the next few years. We believe the dividend is on a solid base after last year's dividend cut and acquisitions, as well as the earnings growth generated from recovering revenue.

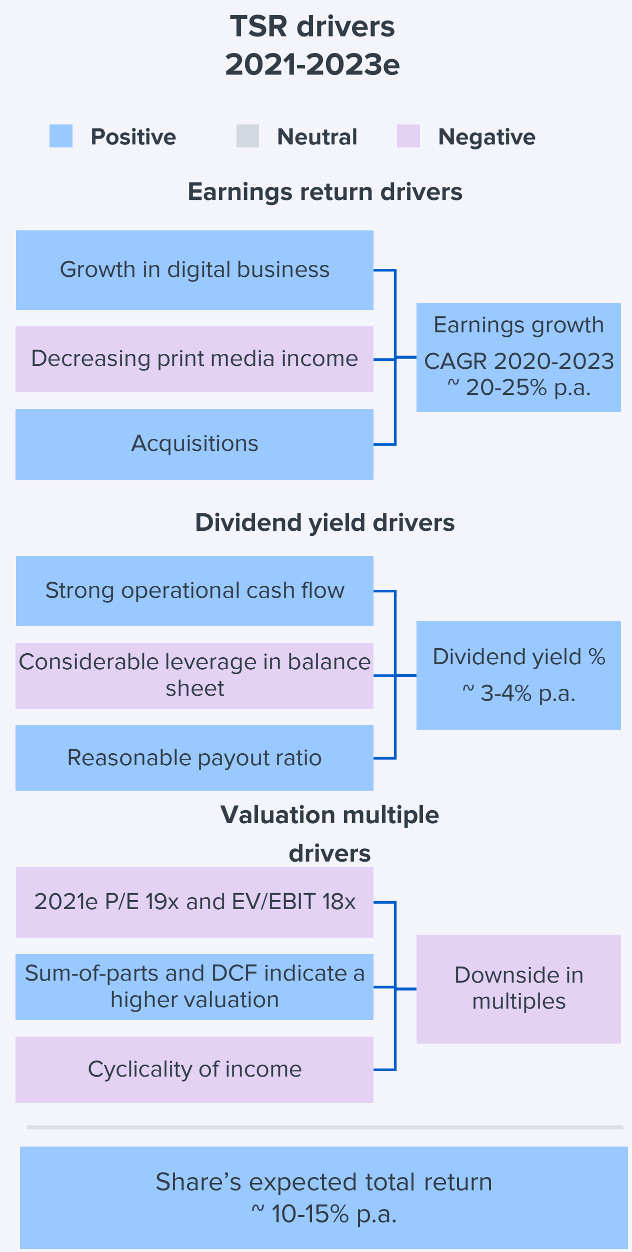
We expect the growth in Alma Media's adjusted net result to rise to a high 20-25% level in the next couple of years as we expect the company's digital businesses to recover quickly from the demand drop caused by the pandemic and growth is supported by completed acquisitions. Thanks to excellent scalability, we expect revenue growth to efficiently flow to the result.

Alma Media's earnings-based valuation multiples have risen to a relatively high level in absolute terms 2021e P/E adjusted 19x and EV/EBIT adjusted 18x). The valuation multiples are clearly above historically accepted levels for the company, but the rise is justified by the increase in the relative share of digital income. In our view, there is, however, downside in the absolute valuation multiples from the current level. With our estimates for the next few years, the valuation multiples decrease clearly thanks to earnings growth (2023e P/E 14x and EV/EBIT 13x), but according to our view the downside in the multiples for 2021 gnaws a bit at the return expectation consisting of earnings growth and dividend over the next few years.

We estimate that the return expectation consisting of earnings growth, dividend and downside in the valuation multiples is around 10-15% for the next couple of years.

Relative valuation

The average (median) EV/EBIT multiples of Alma Media's extensive peer group for 2021-2022e are around 27-20x and the corresponding P/E multiples are 34-28x. The valuation multiples of the peers are very high, and their medians are raised especially by the exceptionally high valuation multiples of digital and scalable marketplace peers. In our opinion, the suitability of an extensive peer group for Group-level valuation is rather weak and thus we use the peer group-based valuation mainly in our sum-of-parts calculation.



Valuation - sum-of-parts analysis 2/2

Sum-of-parts calculation

Alma Media's income consists of businesses with different medium and long-term growth and profitability outlooks and thus we believe they should be valued with different valuation multiples. In previous sections we have valued the businesses separately and here we focus on assessing the whole that is based on the sum of averages of the segment-specific values.

Based on the basic assumptions and our projections, we estimate the gross value of Alma Media's parts to be EUR 1,106 million. Due to the higher share of digital business, Career is the most valuable part of Alma Media with an EV of EUR 508 million. Consumer's value is raised by the high value of marketplaces but due to the weight of the media business its value is smaller than Career's in our sum-of-parts calculation, EUR 432 million. In the calculation, Talent has the smallest value of the segments, EUR 262 million.

When the value of the Group's costs (EUR -96 million) and net debt (2021e EUR -209 million) are deducted from the segments' EVs, the fair value of Alma Media's entire stock based on sum-of-parts is EUR 896 million or some EUR 10.9 per share.

DCF

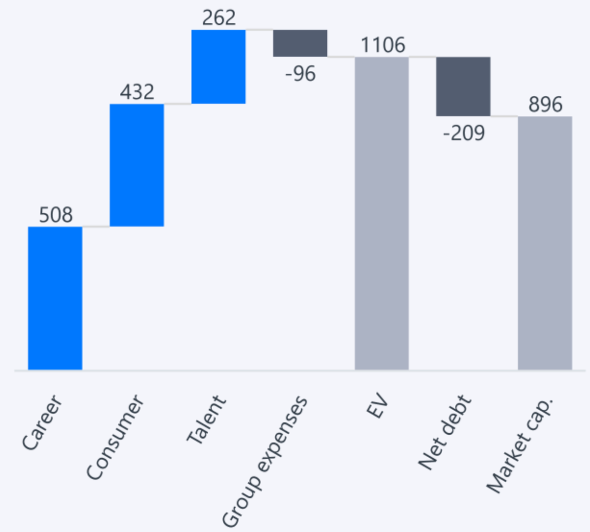
In Alma Media's valuation the DCF model can in our opinion be given more weight than average because the company's financial position is established, the market position of the businesses is stable, and the company has shown it can manage the structural change in the media field well.

Our DCF model indicates a share value of EUR 11.4. In our DCF model, revenue growth is in the medium and long-term driven by the growth in digital businesses, but the growth is slowed down to some extent by the decreasing print media. Our revenue growth estimate for 2025-2031 is 2-2.5%. As the digital businesses grow, the company's relative profitability and the return on equity remain, however, on a relatively stable trajectory. In our model, the EBIT margin will rise from the 2021 level of nearly 21% to some 25% in the long term. In the model, the weight of the terminal period in the value of cash flows is high at 72%. The weighted average cost of capital (WACC) we use in the cash flow model is 7%, with the cost of equity being higher at 7.7%.

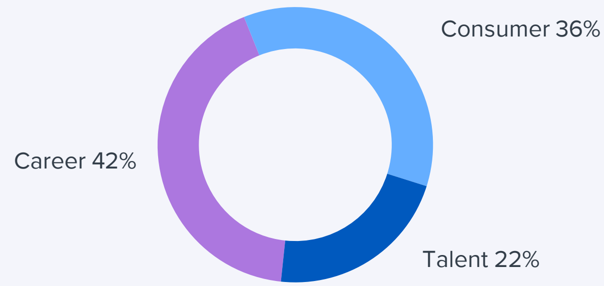
Rating and target price

We revise Alma Media's target price to EUR 10.5 (previous EUR 11.0) and reiterate our Accumulate recommendation. In our view, earnings growth in the next couple of years and the dividend raise the expected total shareholder return to a good level despite the downside in the valuation multiples. The valuation is also supported by the DCF model and sum-of-parts calculation that indicate a fair value of EUR 10.9-11.4 for the share. We believe the risks for our outlook is a slower than expected medium term earnings growth that is essentially linked to general economic development and the development of the competitive situation.

Estimate of Alma Media's sum-of-parts, 05/2021



Distribution of segments' values, 05/2021

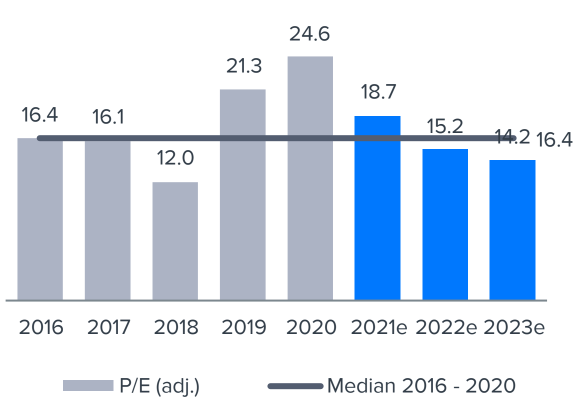


Valuation table

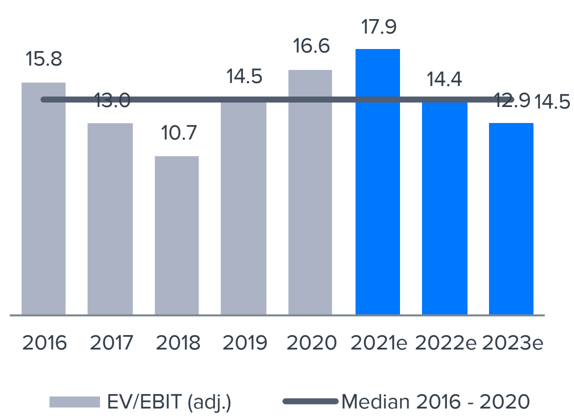
Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	5.03	7.19	5.54	7.96	8.92	**9.80**	**9.80**	**9.80**	**9.80**
Number of shares, millions	82.4	82.4	82.3	82.3	82.3	**82.3**	**82.3**	**82.3**	**82.3**
Market cap	414	592	456	655	734	**806**	**806**	**806**	**806**
EV	557	662	616	718	756	**1016**	**986**	**956**	**926**
P/E (adj.)	16.4	16.1	12.0	21.3	24.6	**18.7**	**15.2**	**14.2**	**13.5**
P/E	24.5	18.4	10.9	21.3	26.6	**20.9**	**16.5**	**15.1**	**14.2**
P/FCF	13.6	19.2	58.2	8.5	6.7	**neg.**	**13.8**	**13.1**	**12.5**
P/B	3.5	4.3	2.8	3.8	4.0	**4.1**	**3.7**	**3.3**	**3.0**
P/S	1.2	1.6	1.3	2.6	3.2	**3.2**	**2.9**	**2.8**	**2.7**
EV/Sales	1.6	1.8	1.7	2.9	3.3	**4.0**	**3.6**	**3.4**	**3.1**
EV/EBITDA	11.6	9.9	8.0	10.1	12.8	**14.9**	**12.3**	**11.2**	**10.4**
EV/EBIT (adj.)	15.8	13.0	10.7	14.5	16.6	**17.9**	**14.4**	**12.9**	**12.0**
Payout ratio (%)	78.0 %	61.4 %	69.0 %	106.8 %	89.3 %	**68.2 %**	**58.9 %**	**61.4 %**	**65.0 %**
Dividend yield-%	3.2 %	3.3 %	6.3 %	5.0 %	3.4 %	**3.3 %**	**3.6 %**	**4.1 %**	**4.6 %**

Source: Inderes

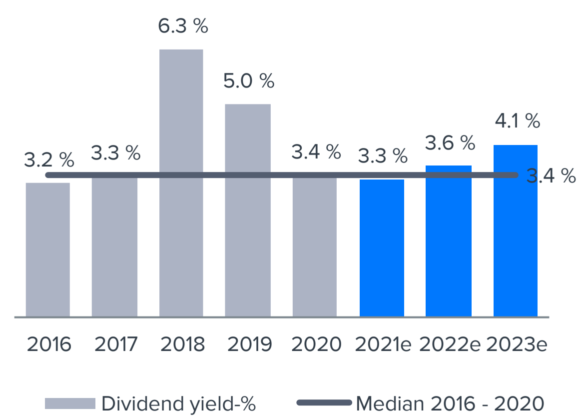
P/E (adj.)



EV/EBIT (oik.)



Dividend yield



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT 2021e	 2022e	EV/EBITDA 2021e	 2022e	EV/S 2021e	 2022e	P/E 2021e	 2022e	Dividend yield-% 2021e	 2022e	P/B 2021e
Alma Media Oyj	9.9	820	861	16.0	13.5	12.3	10.7	3.4	3.2	19.6	16.7	3.4	3.6	4.3
Agora SA	10.6	104	273		102.6	12.3	8.2	1.3	1.1		33.2		2.2	0.6
Future PLC	2900.0	3932	4229	22.8	18.8	19.6	16.1	6.3	5.4	24.8	22.1	0.1	0.1	3.9
Daily Mail and General Trust P L C	867.0	2053	1825	16.6	13.4	11.9	10.3	1.4	1.3	34.7	26.3	2.9	3.0	1.6
Gannett Co Inc	5.0	580	1563		7.8	4.1	4.0	0.6	0.6					0.8
Lagardere SCA	20.5	2670	6754		38.7	24.0	12.1	1.4	1.2		33.4		3.1	2.9
Meredith Corp	33.9	1129	3191	7.6	10.2	5.9	7.3	1.3	1.3	6.6	7.4			
Arnoldo Mondadori Editore SpA	1.7	449	580	48.3	9.8	6.3	5.7	0.8	0.7	16.3	13.0	1.8	2.3	2.2
New York Times Co	42.6	5859	5392	26.5	22.6	21.6	19.1	3.3	3.1	39.3	34.4	0.5	0.7	4.9
Rizzoli Corriere della Sera Mediagroup SpA	0.7	366	585	97.6	6.7	4.6	4.3	0.7	0.7	7.7	6.3	5.0	5.0	1.1
Sanoma Oyj	13.5	2222	2944	17.6	15.7	8.2	7.8	2.4	2.3	19.2	16.9	4.0	4.3	3.3
TX Group AG	82.0	773	875	9.0	7.8	6.2	5.6	1.0	1.0	56.9	32.6	2.5	2.6	0.5
Promotora de Informaciones SA	0.9	640	1351	31.2	11.0	11.6	6.6	1.4	1.3		89.9			
Vocento SA		135	268	12.6	10.3	6.5	5.8	0.7	0.7	16.2	12.5	1.9	3.7	0.7
Media peers, median		**773**	**1351**	**17.6**	**12.2**	**9.9**	**7.5**	**1.3**	**1.2**	**19.4**	**22.1**	**2.5**	**3.0**	**1.9**
Auto Trader Group PLC	567.0	6389	6463	38.4	21.2	37.0	20.8	22.3	14.8	47.8	25.9	0.7	1.3	12.9
Carsales.Com Ltd	19.1	3368	3629	27.2	23.3	23.1	20.5	13.3	12.0	33.6	28.9	2.6	2.8	9.4
Holidaycheck Group AG	3.3	796	1457	20.2	13.4	11.6	7.8	1.4	1.3	19.6	24.0	2.5	2.9	2.2
Moneysupermarket.Com Group PLC	270.2	1680	1687	16.3	13.7	13.5	11.6	4.1	3.8	20.3	16.9	4.3	4.5	6.9
REA Group Ltd	165.7	13809	13933	47.0	37.9	39.9	32.7	24.2	19.3	65.7	52.1	0.8	1.1	20.8
Rightmove PLC	597.4	6042	5930	23.7	21.8	23.5	21.7	17.4	16.2	30.1	26.8	1.2	1.3	63.1
Schibsted ASA	391.1	8315	9219	50.4	40.2	35.2	31.9	6.6	6.2	54.4	40.7	0.6	0.6	8.1
Scout24 AG	66.6	6185	4752	26.5	22.5	21.6	18.9	12.6	11.3	45.2	38.0	1.1	1.3	2.8
Seek Ltd	30.8	6919	7877	39.4	40.5	26.8	28.2	7.7	10.7	79.4	62.1	1.2	1.1	6.9
Just Eat Takeaway.com NV	73.7	11190	11181				71.3	3.3	2.6					1.3
New Work SE		1356	1315	24.5	21.1	14.1	12.6	4.6	4.2	36.7	31.9	1.2	1.3	9.9
Stroeer SE & Co KGaA	66.9	3865	5450	26.8	20.9	10.6	9.4	3.5	3.2	23.9	18.4	3.1	3.7	7.2
Adevinta ASA		10421	11825	45.7	23.3	32.8	19.3	9.9	6.8	100.5	58.9	0.3	0.4	3.7
Recruit Holdings Co Ltd	5535.0	72339	71493	60.3		38.4	29.3	4.2	3.9	71.8	51.1	0.5	0.6	8.9
Markeplace peers, median		**6287**	**6197**	**27.2**	**22.1**	**23.5**	**20.7**	**7.2**	**6.5**	**45.2**	**31.9**	**1.2**	**1.3**	**7.7**
Alma Media (Inderes)	**9.80**	**806**	**1016**	**17.9**	**14.4**	**14.9**	**12.3**	**4.0**	**3.6**	**18.7**	**15.2**	**3.3**	**3.6**	**4.1**
Average			**6449**	**31.3**	**22.6**	**17.9**	**16.4**	**5.8**	**5.0**	**37.8**	**31.6**	**1.9**	**2.2**	**7.4**
Median			**3191**	**26.5**	**19.8**	**13.5**	**11.9**	**3.3**	**3.1**	**33.6**	**27.9**	**1.5**	**2.3**	**3.8**
Diff-% to median				***-32%***	***-27%***	***10%***	***4%***	***20%***	***15%***	***-45%***	***-45%***	***122%***	***58%***	***7%***

Source: Thomson Reuters / Inderes NB: The market cap Inderes uses does not consider own shares held by the company

DCF calculation

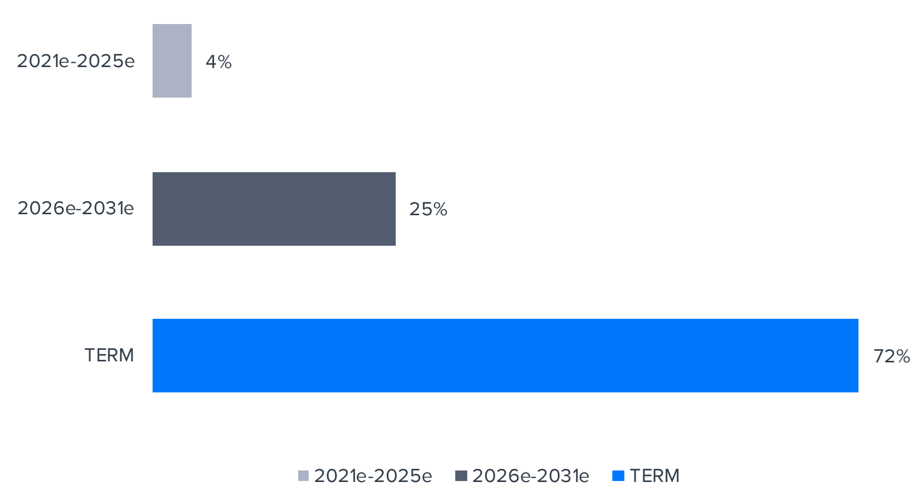
DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	**43.2**	**52.0**	**64.5**	**70.4**	**74.3**	**76.0**	**77.9**	**78.3**	**80.2**	**82.2**	**84.3**	**86.0**	
+ Depreciation	15.8	16.1	15.7	15.2	14.8	14.4	14.1	13.8	13.6	13.3	10.5	10.4	
- Paid taxes	-8.5	-10.3	-12.7	-13.9	-14.7	-15.0	-15.4	-15.5	-15.9	-16.3	-16.7	-17.1	
- Tax, financial expenses	-0.2	-0.5	-0.5	-0.6	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
+ 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	8.5	3.0	2.9	1.7	1.7	1.2	1.0	1.0	1.1	1.1	1.1	0.9	
Operating cash flow	**58.8**	**60.3**	**69.9**	**72.9**	**75.5**	**76.0**	**77.1**	**77.1**	**78.4**	**79.8**	**78.6**	**79.7**	
+ Change in other long-term liabilities	13.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-30.8	-233	-11.3	-11.3	-11.3	-11.3	-11.3	-11.3	-11.3	-11.3	-10.0	-10.4	
Free operating cash flow	**41.1**	**-171.2**	**58.6**	**61.6**	**64.2**	**64.7**	**65.8**	**65.8**	**67.1**	**68.5**	**68.6**	**69.2**	
+/- Other	68.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	109	-171	58.6	61.6	64.2	64.7	65.8	65.8	67.1	68.5	68.6	69.2	1406
Discounted FCFF		**-164**	**52.5**	**51.6**	**50.3**	**47.3**	**44.9**	**42.0**	**40.0**	**38.2**	**35.7**	**33.7**	**684**
Sum of FCFF present value		956	1120	1067	1016	965	918	873	831	791	753	717	684

Enterprise value DCF	**956**
- Interesting bearing debt	-42
+ Cash and cash equivalents	48
-Minorities	-4
-Dividend/capital return	-24.7
Equity value DCF	**937**
Equity value DCF per share	**11.4**

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	15.0 %
Cost of debt	4.0 %
Equity Beta	1.2
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.0 %
Cost of equity	**7.7 %**
Weighted average cost of capital (WACC)	**7.0 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2018	2019	2020	2021e	2022e
Revenue	355	250	230	**253**	**274**
EBITDA	76.6	71.4	59.0	**68.1**	**80.2**
EBIT	61.0	49.5	43.2	**52.0**	**64.5**
PTP	60.4	47.9	42.3	**49.8**	**62.0**
Net Income	41.7	30.8	95.6	**38.6**	**48.9**
Extraordinary items	3.7	0.1	-2.3	**-4.6**	**-4.0**

Balance sheet	2018	2019	2020	2021e	2022e
Balance sheet total	398.8	400.9	333.9	**515.6**	**514.3**
Equity capital	186.8	202.5	204.5	**201.4**	**224.0**
Goodwill	133.5	130.3	150.7	**295.7**	**295.7**
Net debt	55.0	-0.5	-6.3	**209.3**	**179.4**

Cash flow	2018	2019	2020	2021e	2022e
EBITDA	76.6	71.4	59.0	**68.1**	**80.2**
Change in working capital	5.3	-29.1	8.5	**3.0**	**2.9**
Operating cash flow	68.4	31.1	58.8	**60.3**	**69.9**
CAPEX	-61.2	46.5	-30.8	**-232.5**	**-11.3**
Free cash flow	7.8	77.3	109.1	**-171.2**	**58.6**

Largest shareholders	% of shares
Otava Oy	29.0 %
Mariatorp Oy	19.0 %
Ilkka-Yhtymä Oyj	10.9 %
Keskinäinen työeläkevakuutusyhtiö Varma	6.5 %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	3.4 %
Keskinäinen Työeläkevakuutusyhtiö Elo	2.3 %

Source: Inderes

Per share data	2018	2019	2020	2021e	2022e
EPS (reported)	0.51	0.37	0.34	**0.47**	**0.59**
EPS (adj.)	0.46	0.37	0.36	**0.53**	**0.64**
OCF / share	0.83	0.38	0.72	**0.73**	**0.85**
FCF / share	0.10	0.94	1.33	**-2.08**	**0.71**
Book value / share	1.95	2.09	2.23	**2.40**	**2.67**
Dividend / share	0.35	0.40	0.30	**0.32**	**0.35**

Growth and profitability	2018	2019	2020	2021e	2022e
Revenue growth-%	-3%	-29%	-8%	**10%**	**8%**
EBITDA growth-%	15%	-7%	-17%	**16%**	**18%**
EBIT (adj.) growth-%	12%	-14%	-8%	**25%**	**21%**
EPS (adj.) growth-%	4%	-19%	-3%	**45%**	**22%**
EBITDA-%	21.6 %	28.5 %	25.6 %	**26.9 %**	**29.3 %**
EBIT (adj.)-%	16.2 %	19.7 %	19.7 %	**22.4 %**	**25.0 %**
EBIT-%	17.2 %	19.8 %	18.8 %	**20.6 %**	**23.6 %**
ROE-%	28.1 %	18.5 %	15.5 %	**20.3 %**	**23.4 %**
ROI-%	23.1 %	18.5 %	17.4 %	**15.7 %**	**15.5 %**
Equity ratio	49.4 %	52.1 %	63.7 %	**40.1 %**	**44.7 %**
Gearing	29.4 %	-0.3 %	-3.1 %	**103.9 %**	**80.1 %**

Valuation multiples	2018	2019	2020	2021e	2022e
EV/S	1.7	2.9	3.3	**4.0**	**3.6**
EV/EBITDA (adj.)	8.0	10.1	12.8	**14.9**	**12.3**
EV/EBIT (adj.)	10.7	14.5	16.6	**17.9**	**14.4**
P/E (adj.)	12.0	21.3	24.6	**18.7**	**15.2**
P/B	2.8	3.8	4.0	**4.1**	**3.7**
Dividend-%	6.3 %	5.0 %	3.4 %	**3.3 %**	**3.6 %**

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	**239**	**257**	**444**	**439**	**435**
Goodwill	130	151	296	296	296
Intangible assets	54	55	84	81	79
Tangible assets	47	41	53	51	50
Associated companies	3.2	6.6	6.6	6.6	6.6
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	3.3	3.9	3.9	3.9	3.9
Deferred tax assets	0.4	0.3	0.3	0.3	0.3
Current assets	**162**	**76.7**	**42.0**	**45.1**	**56.3**
Inventories	0.7	0.6	1.5	1.4	1.1
Other current assets	83.3	1.0	0.0	0.0	0.0
Receivables	30	27	30	33	34
Cash and equivalents	48	48	10	11	21
Balance sheet total	**401**	**334**	**516**	**514**	**522**

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	**203**	**205**	**201**	**224**	**249**
Share capital	45	45	45	45	45
Retained earnings	101	111	125	148	173
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	7.2	7.7	7.7	7.7	7.7
Other equity	19	19	19	19	19
Minorities	30	21	4	4	4
Non-current liabilities	**51**	**58**	**232**	**207**	**187**
Deferred tax liabilities	11	12	12	12	12
Provisions	0.4	0.0	1.0	1.0	1.0
Long term debt	39	32	205	180	160
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.9	14.3	14.3	14.3	14.3
Current liabilities	**147**	**72**	**83**	**83**	**86**
Short term debt	9	10	15	10	10
Payables	66	58	65	70	73
Other current liabilities	72.5	3	3.4	3.4	3.4
Balance sheet total	**401**	**334**	**516**	**514**	**522**

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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

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
24-09-18	Accumulate	7.20 €	6.44 €
26-10-18	Accumulate	7.00 €	6.24 €
05-12-18	Accumulate	7.00 €	6.42 €
15-02-19	Accumulate	7.00 €	6.22 €
23-04-19	Accumulate	7.00 €	6.12 €
26-04-19	Accumulate	7.00 €	6.18 €
20-05-19	Accumulate	6.70 €	5.82 €
18-07-19	Accumulate	7.00 €	6.50 €
24-10-19	Accumulate	7.30 €	6.96 €
20-11-19	Accumulate	8.20 €	7.80 €
17-12-19	Accumulate	8.30 €	7.90 €
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 €

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