Mondadori Group

RCS Libri Acquisition

Investor Presentation

2015, October 5th

MONDADORI

Strategic Rationale

MONDADORI LIBRI + RCS Libri

A transformational deal for Mondadori

Increasing contribution of Books area to **Group's** revenues and EBITDA

- **Leadership strengthened** in the **Trade** market
- **Foothold deepened** in the **Education** segment, the most profitable for the Group
- Opportunity to achieve **synergies from integration**
- Combination of two companies with **premium positioning** in terms of **brands** and **authors portfolio**
- Access to the US market through the **international network** of Rizzoli International Publications

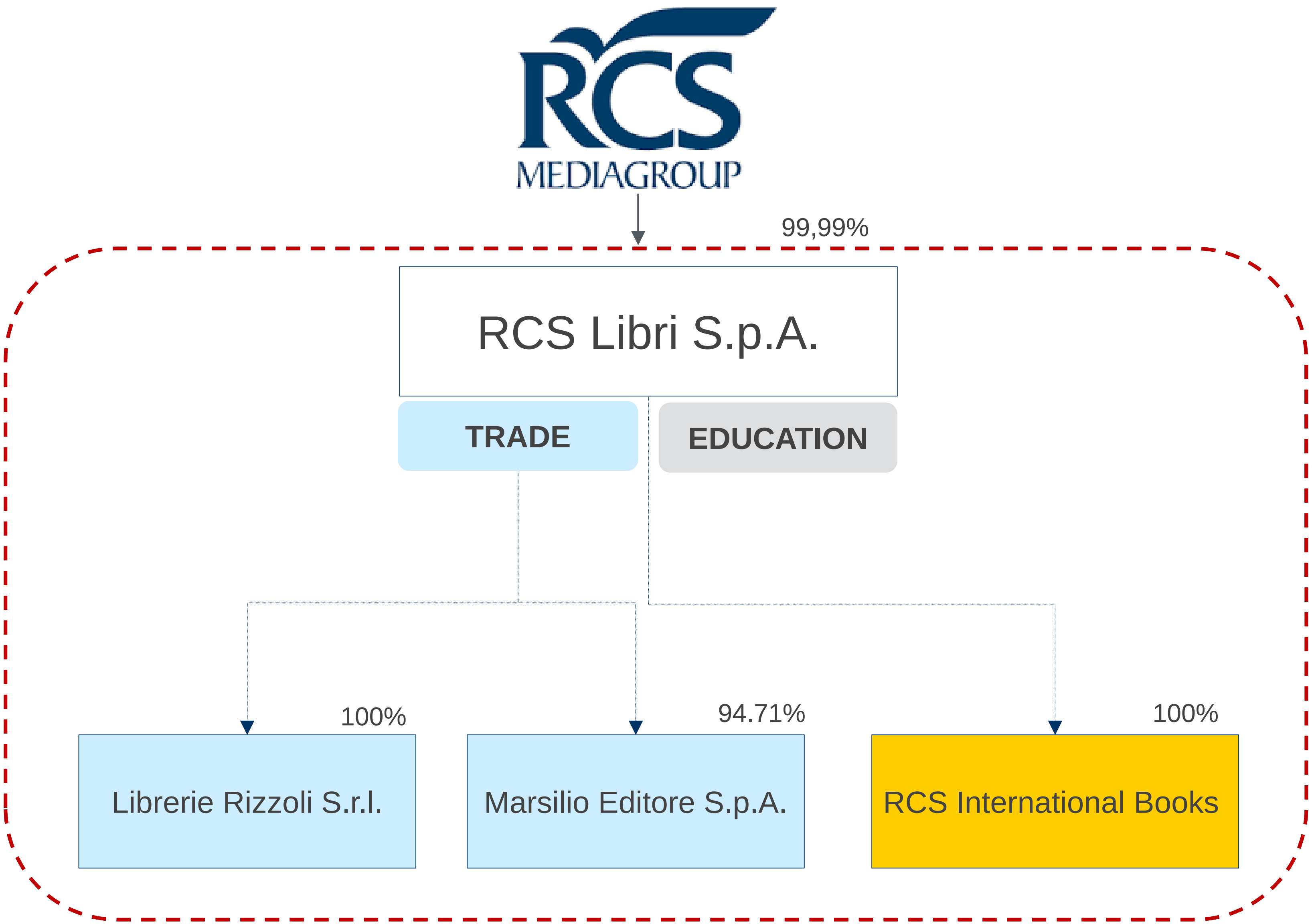
Agenda

- ***Key Highlights***
  - RCS Libri
    - Mondadori post-deal
      - Closing remarks

Key Highlights – The transaction

Deal Structure	Acquisition of 99,99% share capital of **RCS Libri S.p.A.**, which will also include **94.71%** of **Marsilio Editore** S.p.A. Completion subject to approval by competent regulatory authorities
Valuation	**Consideration** equal to **€ 127.5** million – **Average** and **adjusted NFP** (which also includes the buy-back of *Marsilio* minorities) equal to **-2.5** € million **Price adjustment** mechanisms of up to **+/- € 5.0** million based on the FY2015 actual performance of RCS Libri **Earn-out** up to a maximum amount of **€ 2.5** million based on the achievement of specific results in the Books segment in FY2017
Financing	The consideration will be entirely settled in cash at closing date and will be financed by credit lines Agreement signed with lending banks to reschedule the existing line reviewing **better deadlines** and **conditions** for the Group
Value Creation	Expected **run-rate synergies** of approx. **€ 10 million/year** (24 months from acquisition) **Accretive deal** starting 2016

Key Highlights – The scope



Key Highlights - Overview

	MONDADORI LIBRI	RCS Libri
BRANDS – TRADE	MONDADORI, GIULIO EINAUDI EDITORE, PIEMME EDIZIONI, Frassinelli, Sperling & Kupfer	Rizzoli, Marsilio, BOMPIANI, BUR, SONZOGNO, Rizzoli GALLERIA, Libreria Rizzoli .it
BRANDS – EDUCATION	LE MONNIER, LE MONNIER SCUOLA, EINAUDI SCUOLA, A.MONDADORI SCUOLA, MONDADORI FOR ENGLISH, PIEMME SCUOLA, MINERVA SCUOLA, JUVENILIA SCUOLA, POSEIDONIA SCUOLA, SCUOLA & AZIENDA, MURSIA SCUOLA, ELECTA SCUOLA, C.SIGNORELLI SCUOLA, LE MONNIER UNIVERSITÀ, MONDADORI UNIVERSITÀ	BOMPIANI per la scuola, Markes, HACHETTE Français langue étrangère, TRAMONTANA, La Nuova Italia, SANSONI PER LA SCUOLA, EDAGRICOLE SCOLASTICO, FABBRI EDITORI, Editorial Edinumen, CALDERINI

	FY 2014	Pro-forma Data
REVENUES	€ 336.6 mn Trade: € 182.4 mn Educational: € 109.3 mn Distribution&Other: € 44.9 mn	€ 221.6 mn Trade&Other: € 109.1 mn Education: € 86.2 mn International: € 26.3 mn
EBITDA *adjusted* *(margin%)*	€ 46.0 mn *(14%)*	€ 8.8 mn *(4%)*
HEADCOUNT (31.12.14)	558*	281

For RCS Libri: revenues and EBITDA reported in the 2014 Financial Statements, net of Adelphi Edizioni

** Includes approximately 115 employees working in distribution and logistics*

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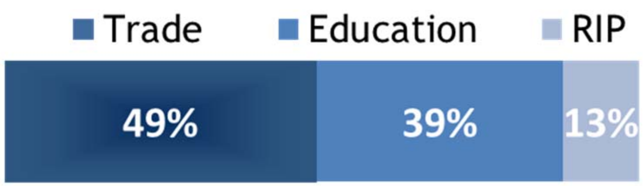
RCS Libri – The business

RCS Libri

2014 Revenue Breakdown
€ 221.6 million



2014 Revenue by Geography

3 Business Area	Trade	Education	Rizzoli Int. Publications
Market Ranking	ITALY 2014 # 2	ITALY 2014 # 4	USA 2014 # 2
Main Brands by Area	Rizzoli, Marsilio, Bompiani, Sonzogno, BUR, Fabbri Editori	Fabbri Editori, Rizzoli Languages, Bompiani, La Nuova Italia, Etas, Tramontana, Markes	Rizzoli, Rizzoli ex libris, Universe, Flammarion, welcome BOOKS, hardie grant, Skira, Marsilio
Retail	Libreria Rizzoli, Rizzoli Galleria		Rizzoli Bookstore

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Mondadori post-deal

MARKET SHARE

TRADE (30.06.2015)

Mondadori	24.4%	+	RCS Libri	9.9%*	=	34.3%

GEMS	10.2%	GIUNTI	6.7%	la Feltrinelli	4.4%
Newton Compton Editori	2.5%	DeAgostini Libri	1.6%	Others	40.3%

Source: GFK, value data (excluding Adelphi)

EDUCATION (31.12.2014)

Mondadori	13.0%	+	RCS Libri	11.8%	=	24.8%

ZANICHELLI	17.8%	PEARSON Education	15.1%
DeAgostini Libri	10.3%	Others	32.0%

Source: AIE, 2014 – data based on adoption volumes

Mondadori post-deal

Key Financials 2014

(€ m)

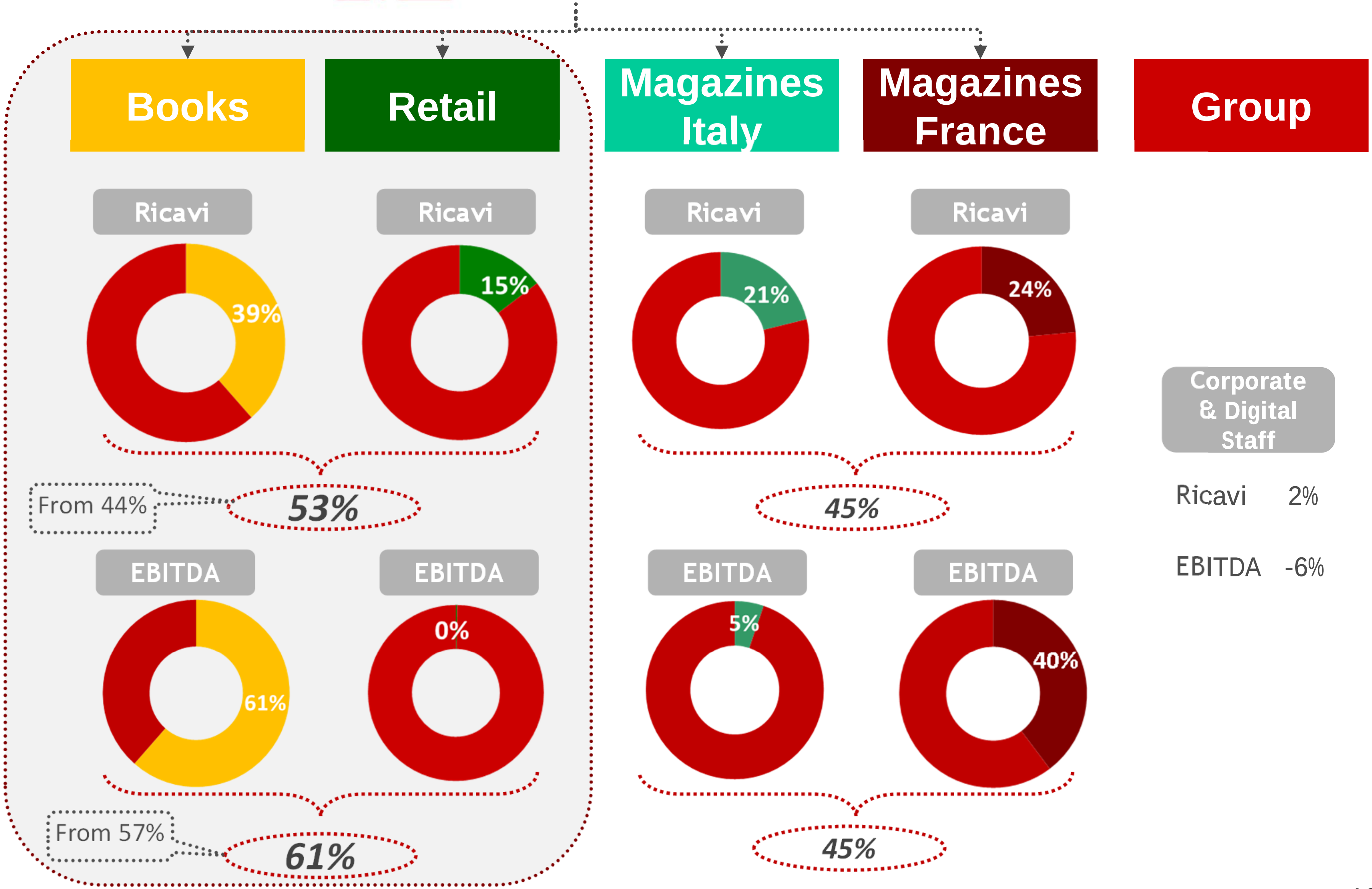
	Post Acquisition			
	MONDADORI LIBRI		MONDADORI	
	Standalone	Pro-forma	Standalone	Pro-forma
NET REVENUES	337	~ 558	1,166	**~ 1,387**
EBITDA ex NR	46	~ 55	68	**~ 77**
EBITDA margin %	*14%*	*10%*	*6%*	***6%***

Pro-forma 2014 figures based on Consolidated Financial Statements as approved by the respective BoD: radio activities of Mondadori has been discountinued

Mondadori post-deal

Pro-forma 2014 %

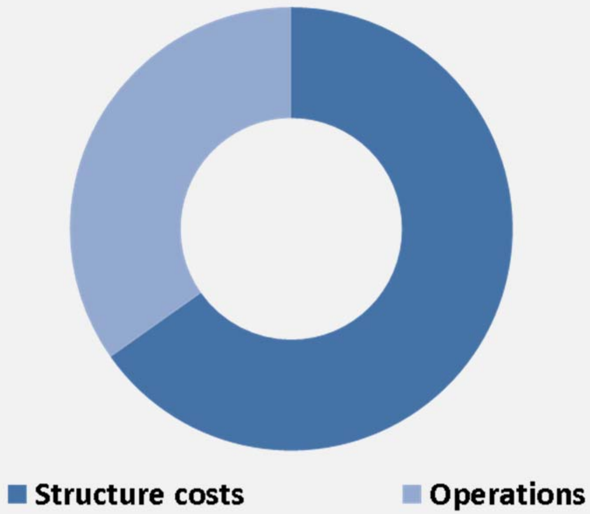
MONDADORI



Pro-forma 2014 figures based on data from 2014 Financial Statements (EBITDA before non-recurring items); radio operations discontinued

Mondadori post-deal – Synergies

Cost Synergies Breakdown



Highlights

- **Expected € 10 million of run-rate synergies/year** (24 months from acquisition)
- **Run-rate synergies** expectations refer mainly to **cost savings**:
  - 2/3 from savings on structure costs;
  - 1/3 from optimization of operations (sales and industrial)
- **Total integration costs** estimated at € 5 million over the 24 months following the acquisition
- **Transaction costs**: roughly € 3 million in 2016

Expected **run-rate synergies/year** of approx. **€ 10 million** (2018);
EPS accretive deal starting 2016

Mondadori post-deal

FUNDING OVERVIEW

€ m

Committed Lines

	OLD		NEW	
	Refunds	Available lines as of 31/12	Refunds	Available lines as of 31/12
2015	-35	520	→	**510**
2016	-261	259	**-10**	**500**
2017	-169	90	**-30**	**470**
2018	-90	-	**-40**	**430**
2019		-	**-40**	**390**
2020		-	**-390**	**-**

Mondadori post-deal

FUNDING OVERVIEW

Covenant

	OLD	NEW
2016	3.50x	**4.50x**
2017	3.50x	**3.75x**
2018	3.50x	**3.50x**
2019	3.50x	**3.25x**

Cost of debt

OLD

***Term Loan + Revolving*: fixed from 360 to 450 bps**

average cost 400+ bps

NEW

325 bps	*300 bps*	*275 bps*	*250 bps*	*225 bps*

PFN / EBITDA year-end: **4,0** — **3,5** — **3,0** — **2,5**

Underwriting fee: 65-75 bps

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Conclusions

Leadership strengthened in the Italian publishing industry

SHORT TERM…

- **Foothold deepened** in the Italian market in both **Trade** and **Education** segments
- Author portfolio enhanced
- Opportunity to increase ***Electa***'s business by integrating activities with Rizzoli International Publications (present in US)

….MEDIUM/LONG TERM

Opportunity to achieve:

- **efficiencies, industrial** and **commercial cost synergies**
- **improved profitability** of the Combined Entity

Closing Remarks

€ mn

M&A deals - 2015	Economic/Financial impacts: *EBITDA **	*NFP*
RCS Libri Acquisition	~14-15.0	(127.5)
80% of Monradio sale (*R101*)	~4.0	36.8
Real estate disposal	-	12-14.0
50% of JV *Harlequin-Mondadori* disposal	(0.5)	8.3
	17.5-18.5	**(70.4 – 68.4)**

3.7 – 4.0X

Reshaping the asset portfolio: tomorrow's **Mondadori**

** RCS Libri EBITDA: excluding synergies*

Forward-looking Statements

Statements contained in this document, particularly the ones regarding any Mondadori Group possible or assumed future performance, are or may be forward looking statements and in this respect they involve some risks and uncertainties.
Mondadori Group actual results and developments may differ materially from the ones expressed or implied by the above statements depending on a variety of factors.
Any reference to past performance of Mondadori Group shall not be taken as an indication of future performance.
This announcement does not constitute an offer to sell or the solicitation of an offer to buy the securities discussed herein.

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Upcoming events

November 5th, 2015

Interim report at 30 September 2015