1H17 Results

Investor Presentation

Segrate, 27 July 2017

GRUPPO MONDADORI

AGENDA

1. **1H 2017** Highlights
2. **1H 2017** Results
3. **1H 2017** Headcount
4. **FY 2017** Outlook
5. Attachments

1H17 Highlights

GRUPPO

€ mn

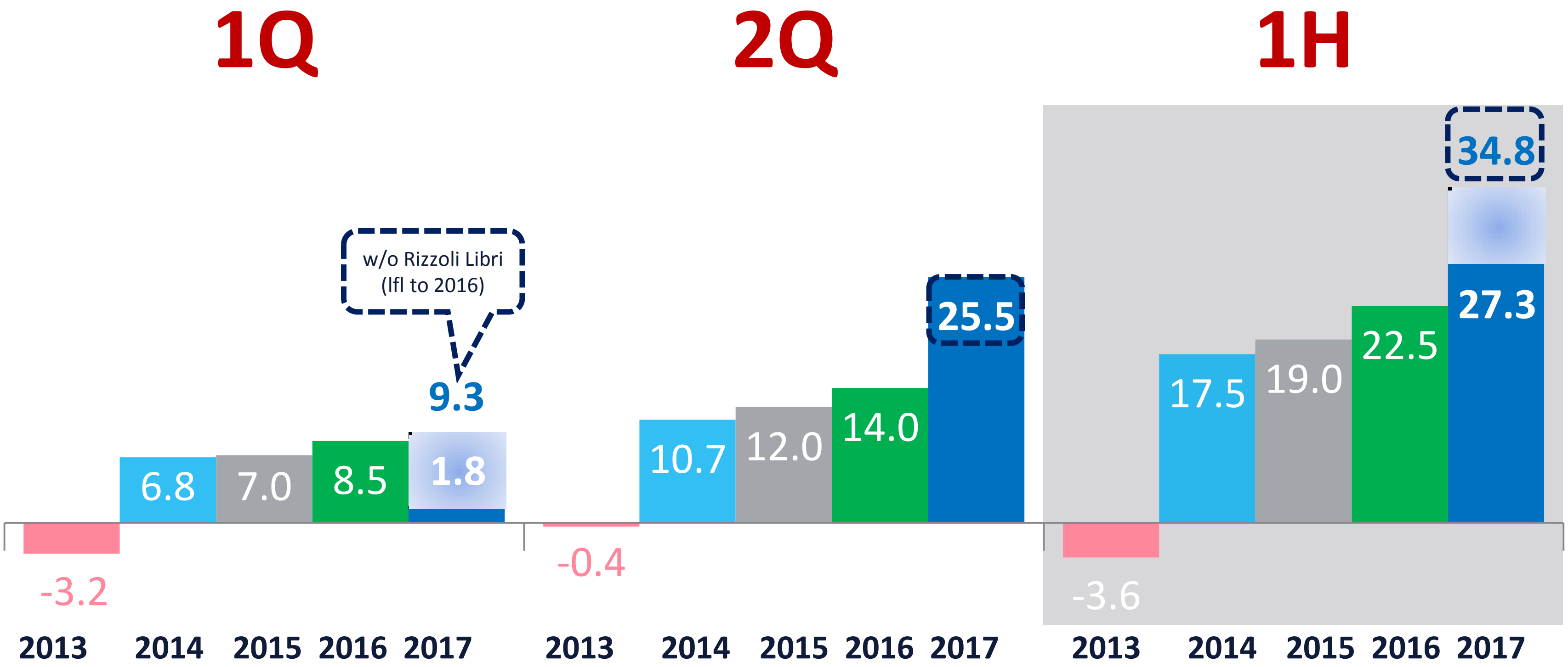
			1H17	2Q17
Revenues	**2017**	**553.0**	-1.7%	-5.2%
	2016	562.5		
Adjusted EBITDA	**2017**	**21.6** / ***29.1***	-19.0% ***+9% w Rizzoli Libri lfl****	+9.5%
	2016	26.7		
EBITDA	**2017**	**27.3**	+21.2%	+82.4%
	2016	22.5		
Net Result	**2017**	**4.4**	Improvement to 8+ mn €	Improvement to 15+ mn €
	2016	-3.8		

** Like-for-like scenario with Rizzoli Libri consolidated as is in 2016 (April-June)*

1H17 Highlights

€ mn

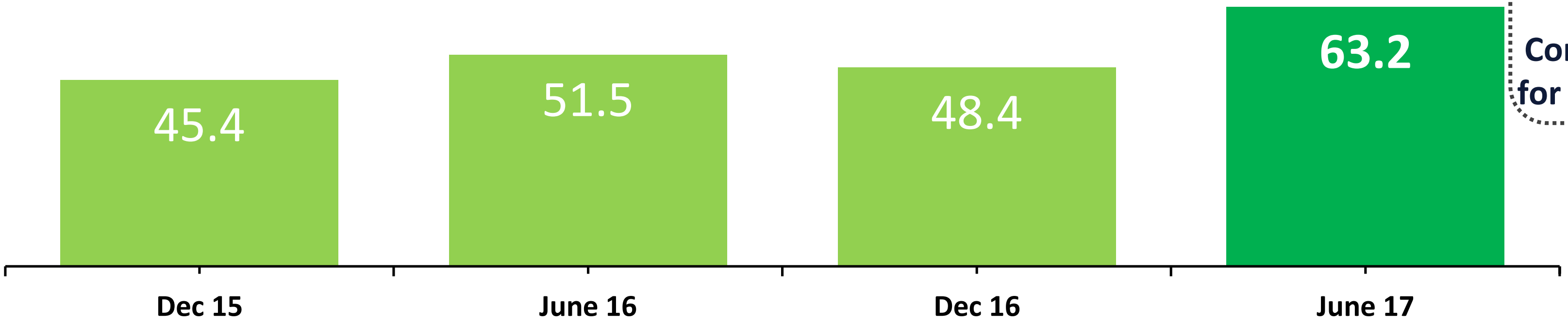
EBITDA improvement from 4 consecutive fiscal years



1H17 Highlights

€ mn

*LTM Ordinary Cash Flow**

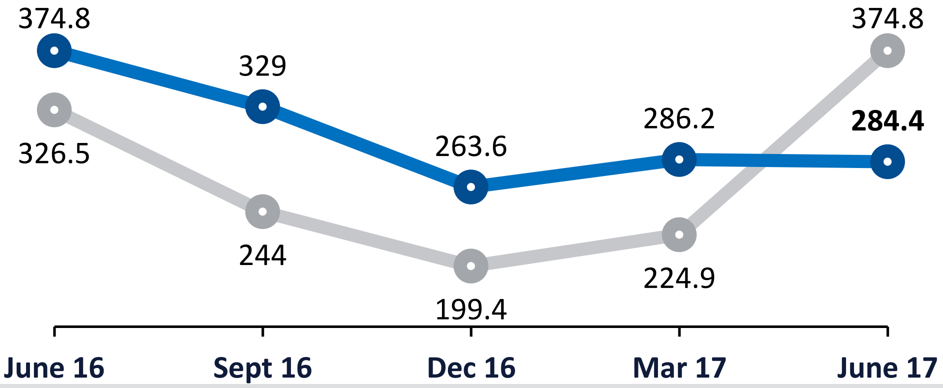


Consolidated for 12 months

** Operating Cash Flow net of investments, taxes and financial charges.*

Group NFP

90 € mn reduction in 12 months



2016

-90.5 € mn

2017

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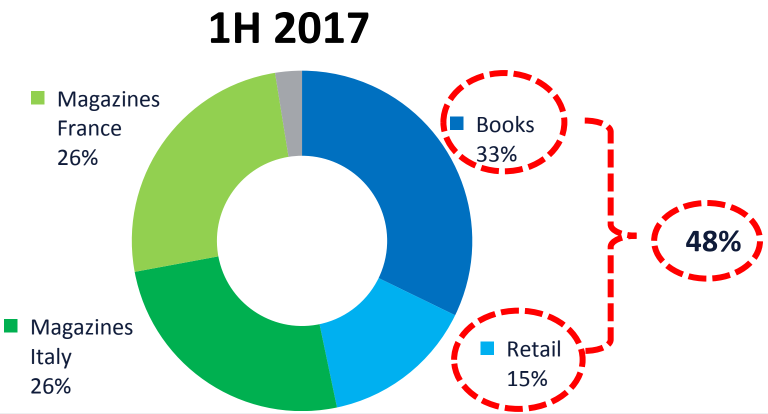
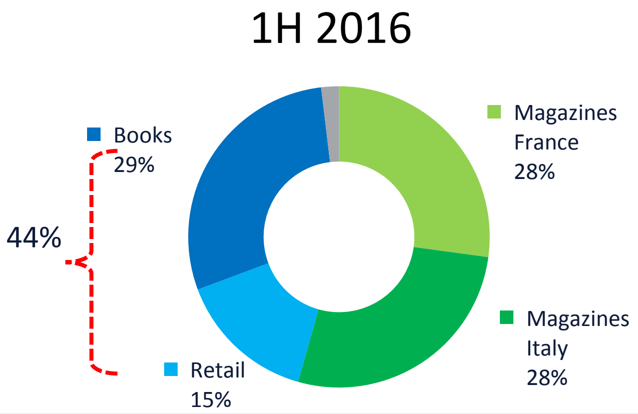
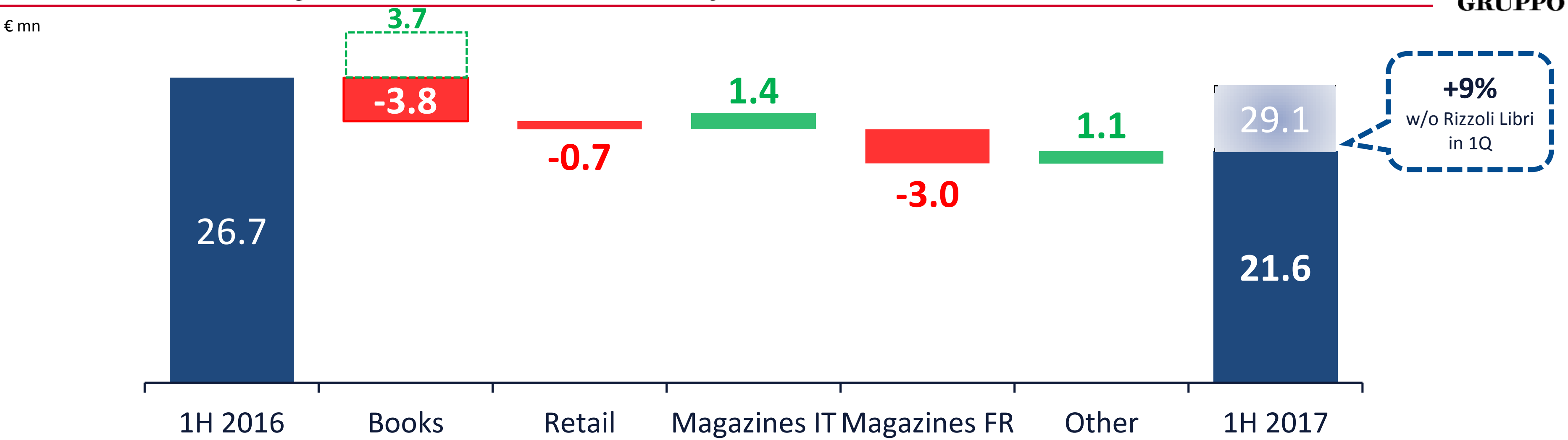
1H17 Revenues by Business Area

€ mn	1H 2017	1H 2016	Var %
Books	**187.9**	170.1	*10.4%*
Retail	**84.7**	88.2	*(4.0%)*
Magazines Italy	**148.1**	160.9	*(7.9%)*
Magazines France	**148.1**	160.4	*(7.6%)*
Corporate and Shared Services	**15.2**	11.4	*33.1%*
Intercompany	*(31.1)*	*(28.6)*	*8.7%*
Total Revenues	**553.0**	**562.5**	***(1.7%)***





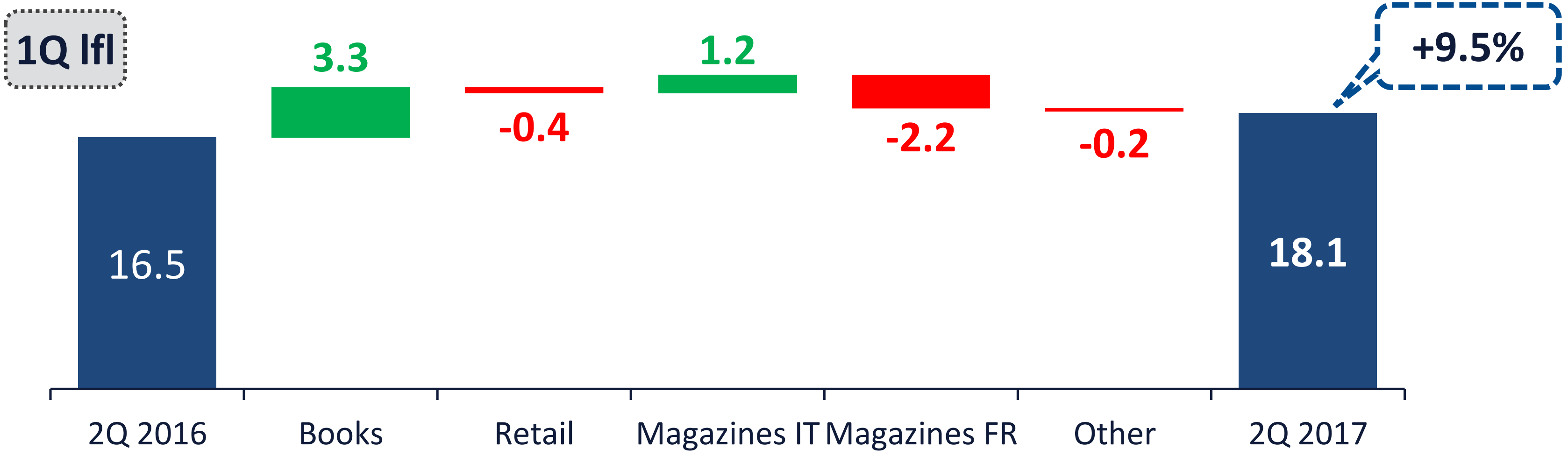
1H17 Adjusted EBITDA by Business Area



€ mn	1H 2017	1H 2016	*Var.*
Books	5.7	9.5	*(3.8)*
Retail	(3.7)	(3.1)	*(0.7)*
Magazines Italy	11.9	10.6	*1.4*
Magazines France	12.5	15.5	*(3.0)*
Corporate and Shared Services	(4.7)	(5.8)	*1.1*
Adj. EBITDA	**21.6**	**26.7**	***(5.1)***

2Q17 Adjusted EBITDA by Business Area

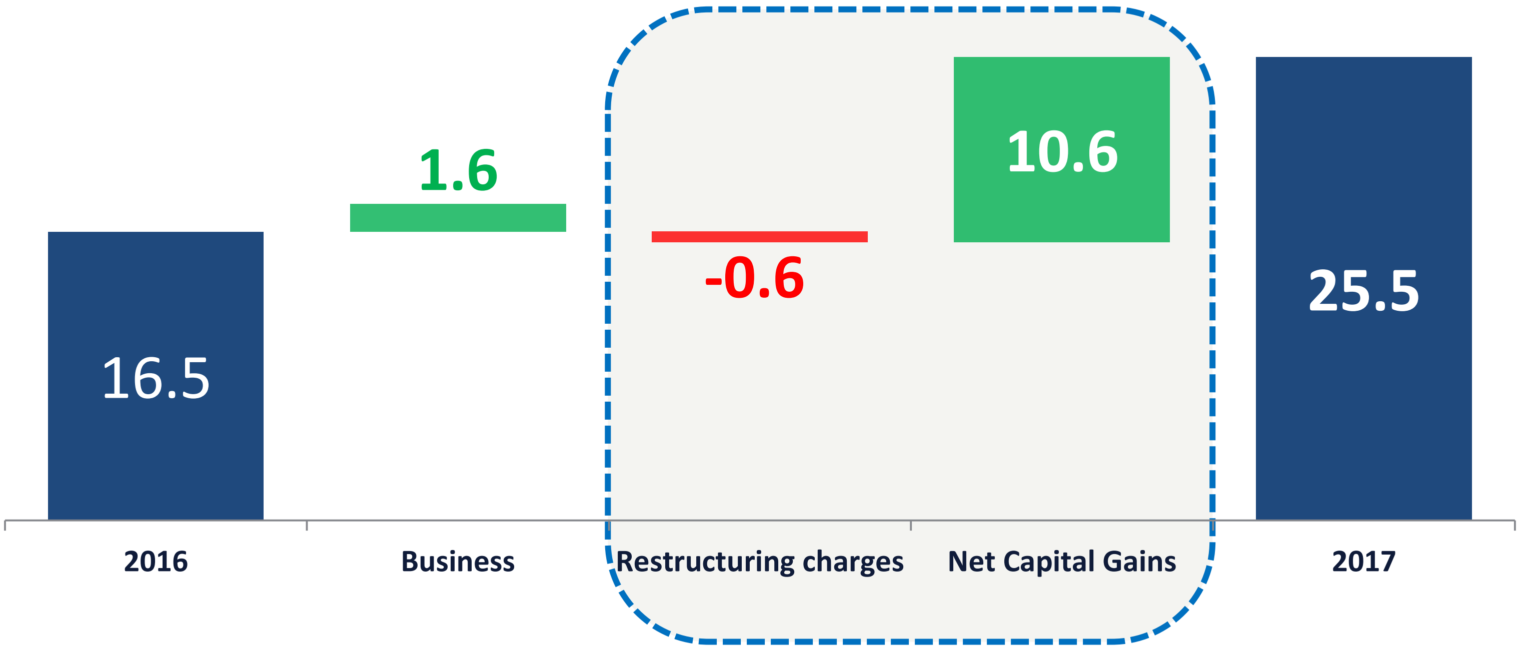
€ mn



€ mn	**2Q 2017**	2Q 2016	***Var.***
Books	8.6	5.4	*3.3*
Retail	(1.7)	(1.3)	*(0.4)*
Magazines Italy	5.3	4.2	*1.2*
Magazines France	8.9	11.2	*(2.2)*
Corporate and Shared Services	(3.2)	(2.9)	*(0.2)*
Adj. EBITDA	**18.1**	**16.5**	***1.6***

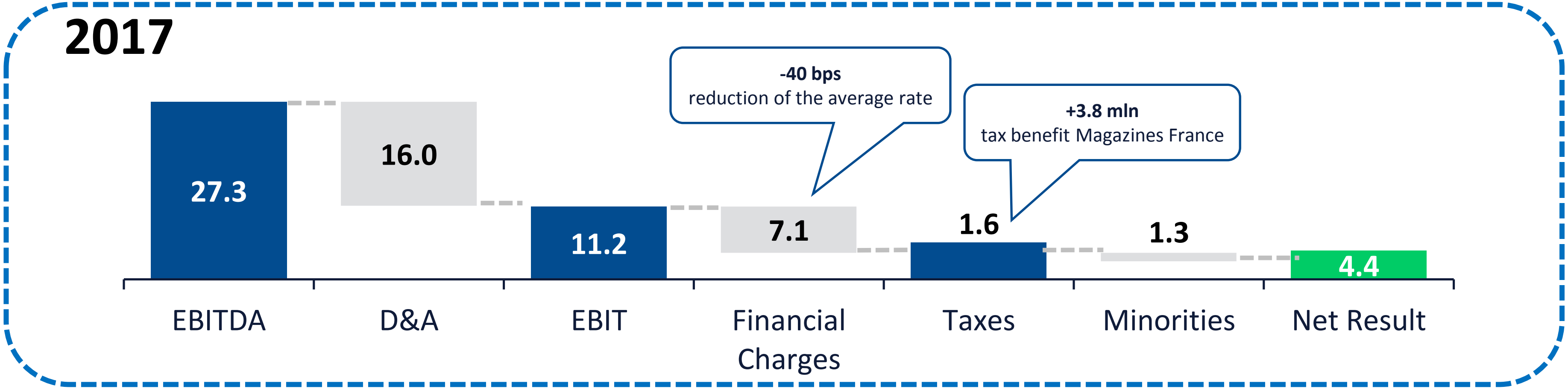
2Q17 EBITDA Reported Evolution

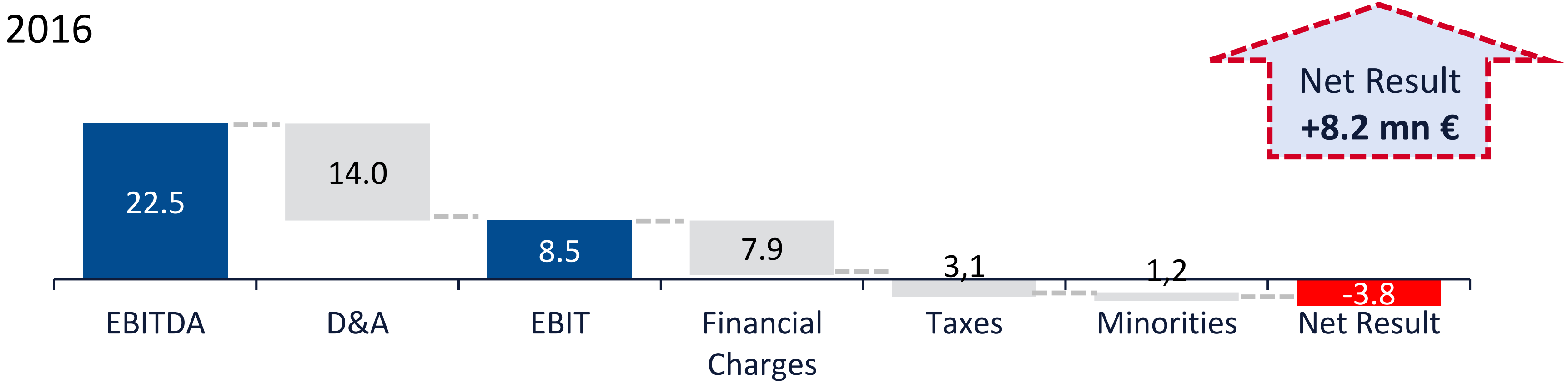
€ mn



1H17 from EBITDA to Net Result

€ mn

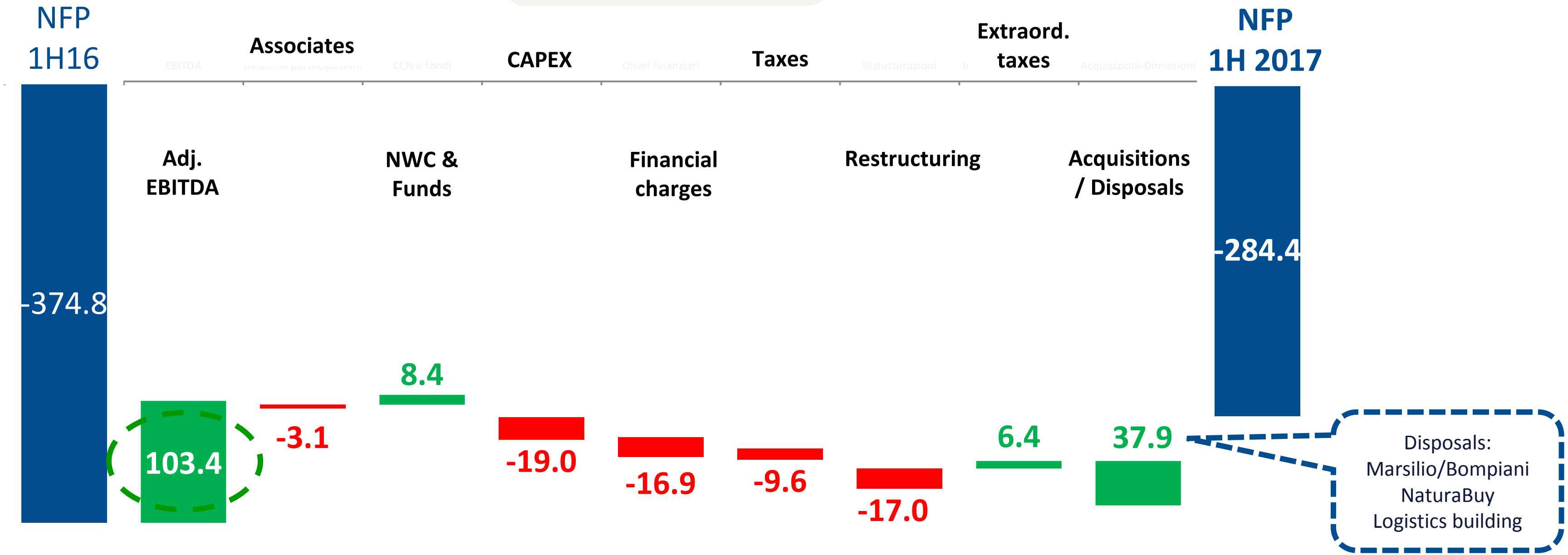




1H17 Cash Flow

€ mn

LTM Cash Flow
Total +90.5



LTM Ordinary Cash Flow +63.2

LTM Extraordinary Cash Flow +27.3

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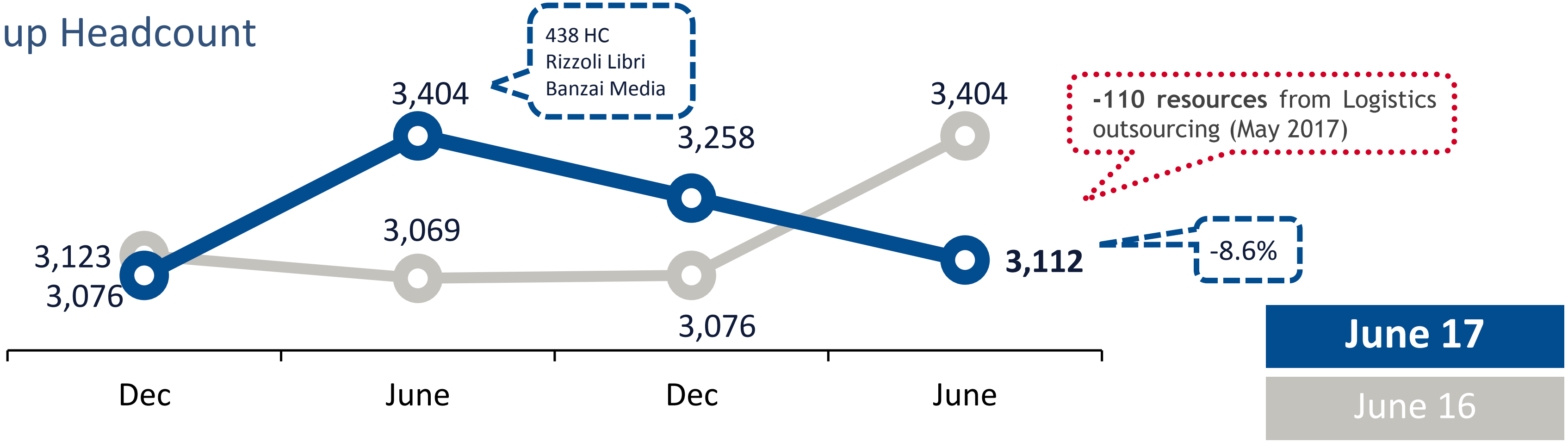
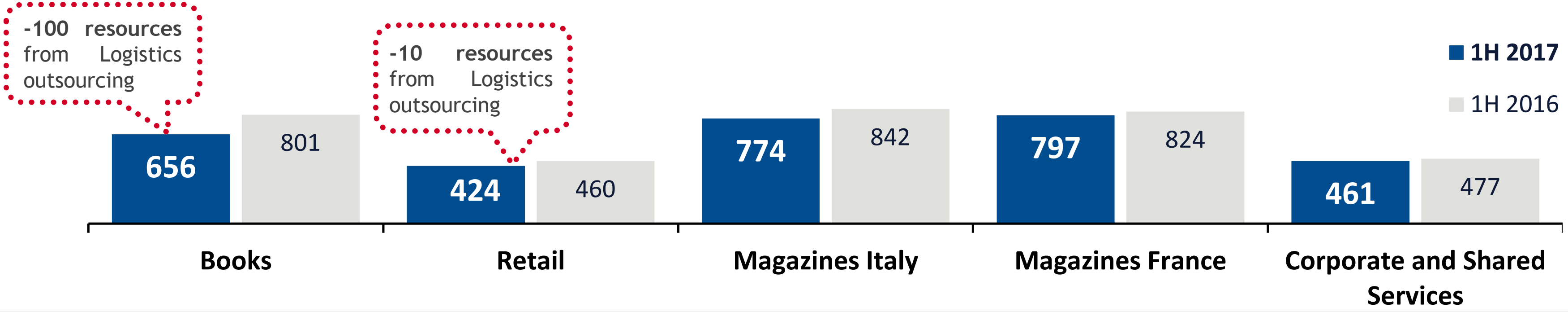
1H17 Headcount

Group Headcount



Headcount by BU



GRUPPO MONDADORI

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FY17 Outlook

GRUPPO

2017 TARGET: BETTER NFP ESTIMATE

REVENUES*	stable
Adj. EBITDA*	high-single digit growth
Net Result	+30% increase
NFP / Adj. EBITDA	within 2.0x (from 2.2–2.0x)

* Trends calculated on pro-forma 2016 (as if Rizzoli Libri and Banzai Media would have been consolidated from 1° Jan 2016): Revenues approx. € 1,280 mn and Adj. Ebitda about € 100 mn

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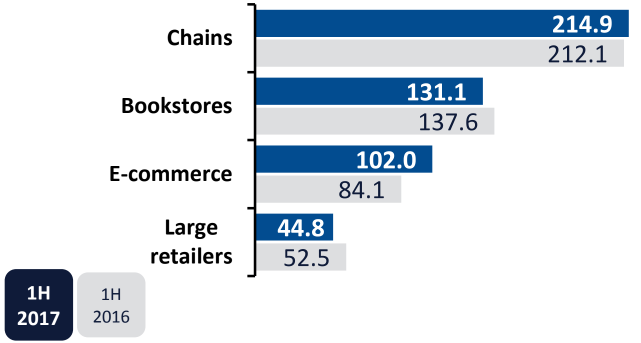
1H17 Books Market

Trade market – € 493 mn

+1.3%



Chains	+1.4%
Bookstores	-4.8%
E-commerce	+21.4%
Large retailers	-15.4%

Winning of Strega and Strega Giovani 2017 Prizes

5 titles in Top 10 sellers

Trade market shares

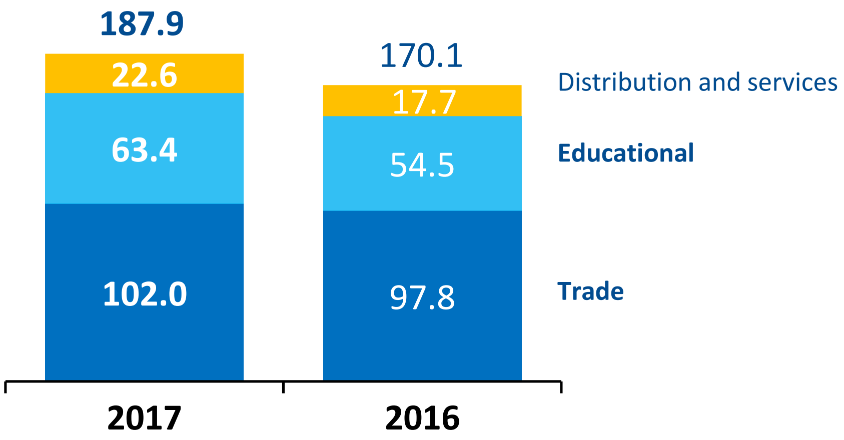
	1H 2017	1H 2016
GRUPPO MONDADORI	28.1%	
MONDADORI LIBRI	22.6%	22.9%
Rizzoli Libri	5.5%	5.9%
GeMS	10.7%	9.8%
Newton Compton Editori	2.3%	2.3%
Giunti	7.9%	8.9%
DeAgostini Libri	1.9%	2.0%
la Feltrinelli	4.8%	4.6%
Others	44.4%	43.5%

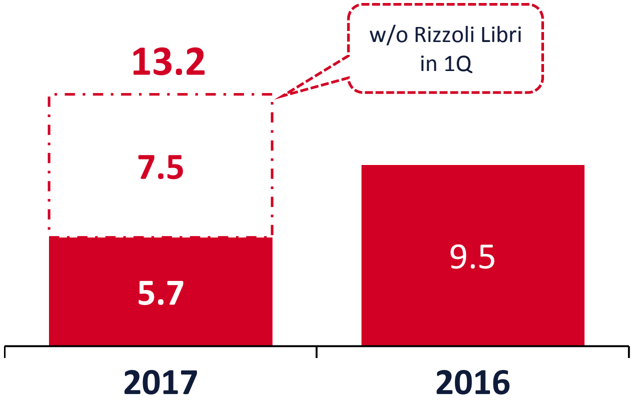
Source: GFK, June 2017 (sell-out market value data)

Revenues +10.4%

Adj. EBITDA

+39% (w/o 1Q Rizzoli Libri)

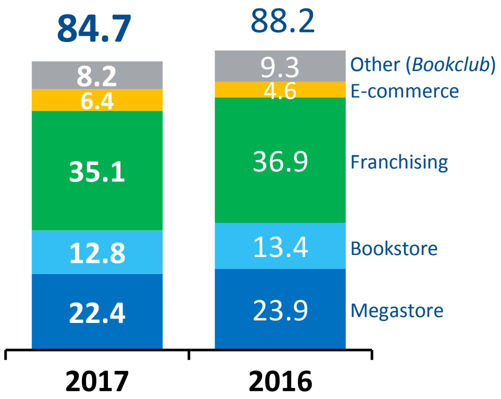




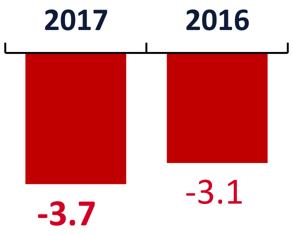
REVENUES	▸ **Trade** +4.3% (*E-book*: 5.2% Trade) ▸ **Educational** +16.3%, positive performance of Electa in both museum and publishing activities
Adj. EBITDA	▸ **+39%** (with 1Q Rizzoli Libri not consolidated) thanks to: • synergies from Rizzoli integration process • a positive Electa performance

1H17 Retail Business

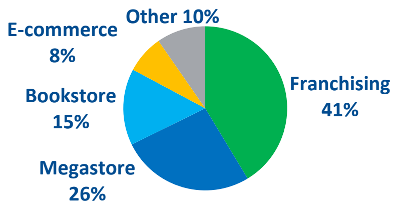
Revenues -4.0%



Adj. EBITDA -0.6 mn



Revenues by channel*



Franchising

	June 16	Var.	June 17
Franchising	309	+24	**333**
Point	225	-13	**212**
TOT PoS	534	+11	**545**

Directly Operated Stores

	June 16	Var.	June 17
Bookstore	20	-	**20**
Megastore	10	+1	**11**
TOT PoS	30	+1	**31**

REVENUES

- ***Megastore*** -6.3% due to *Consumer Electronics*, **Books +3.7%**
- ***Bookstore*** -4.6% (-1.3% lfl)
- ***Franchising*** -5.4% (also lfl)
- ***On-line* +37.7%** due to positive trend of «18app» (Bonus Cultura)

Adj. EBITDA

- Down -0.6 mn, due to sales decrease in Club channel even though a positive performance in all other channels

Books market
80% of Retail revenues*

Mondadori market share: 14.7%

(+0.3 p.p. vs June 2016)

Source: GFK, June 2017 (sell-out market value data)

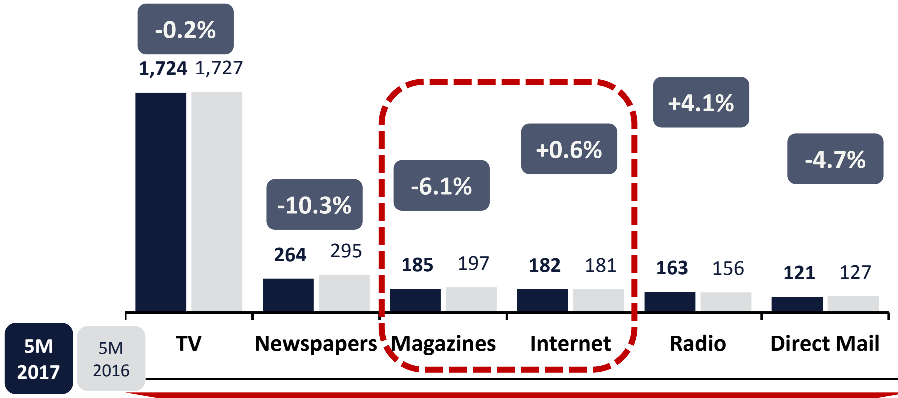
* "Total Store" Revenues; channels do not include Bookclubs

1H17 Magazines Italy - Market

MONDADORI MAGAZINE
GRUPPO

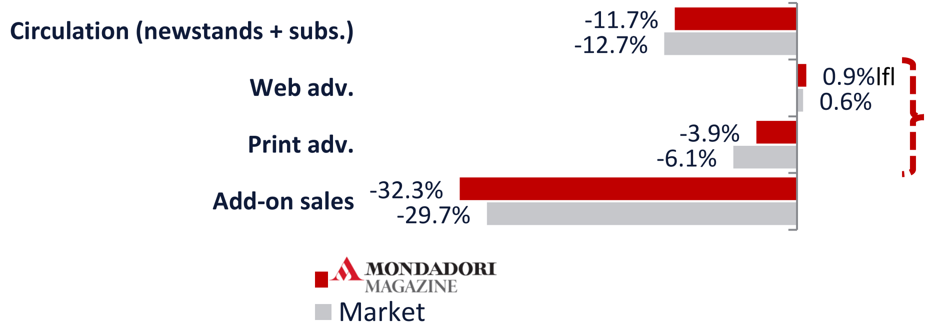
Italian adv. market (May 2017) 2,736 mn €

-1.9%



Circulation market shares

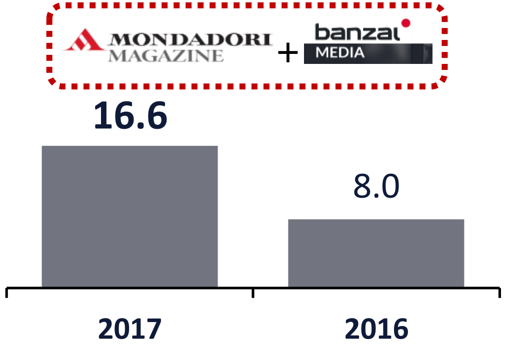
	2017	2016
MONDADORI MAGAZINE	31.6%	31.3%
CAIRO EDITORE	18.9%	18.2%
RCS	4.8%	4.7%
Casa Editrice Universo	11.4%	10.0%
HEARST magazines	5.4%	5.2%
CONDÉ NAST	3.5%	3.5%
Other	24.3%	27.3%



Gross collection

+14.5%

Web Unique Users / month (mn)



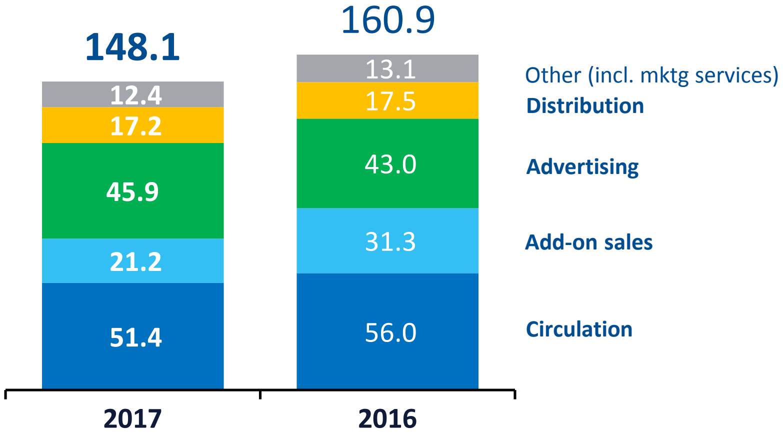
Source: Adv., Nielsen May 2017 (value data) - Circulation (newstands+subs.), internal source Press-di May 2017 (value data)

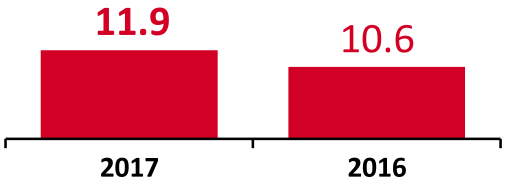
Source: Audiweb (May 2017)

1H17 Magazines Italy - Business

Revenues -7.9%

Adj. EBITDA +12.8%





New magazines

Monthly (out from March), 200k average copies

Weekly (out from 23 June), 300k copies each week

REVENUES

- Circulation revenues -8.2%
- **Adv. revenues +6.9%** (*print+web),* thereof **digital** represents **28% of total adv.**
- **Distribution and sales to third parties** -2.2%, performance better than the market

Adj. EBITDA

- **13% ca. improvement** mainly due to digital team/product integration between Banzai Media and Mondadori
- **Positive digital EBITDA; stable print EBITDA**

1H17 Magazines France Business

MONDADORI FRANCE

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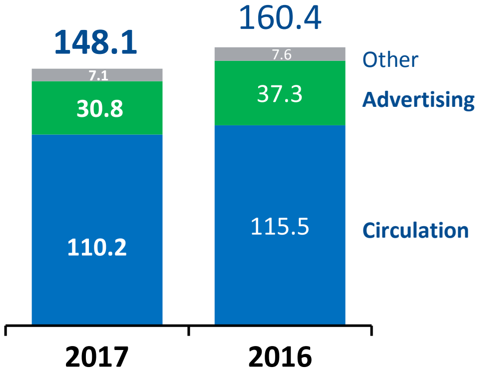
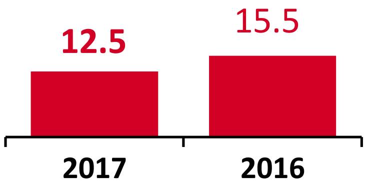
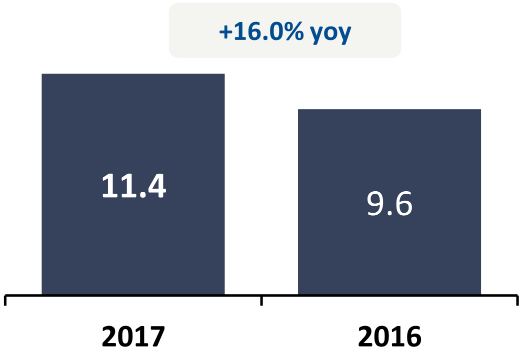
Revenues -7.6%



Adj. EBITDA -19.3%



Web + mobile unique users / month (mn)



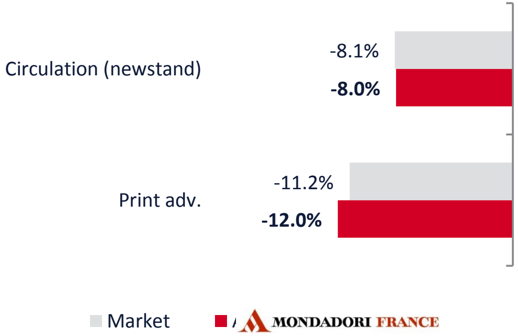
REVENUES

- **Circulation revenues** (74% of the total) down 4.5%:
  - newstand -5.1%
  - subscriptions -2.7% (54% of circulation revenues)
- **Adv. revenues** (*print+web*) down 17.4%, mainly due to digital (14% of total adv.), with a display adv. decrease (-22.7% desktop)

Adj. EBITDA

- Decrease due to:
  - Digital adv. revenues decrease
  - HQ rent cost increase
  - NaturaBuy deconsolidation from 1 May

Mondadori vs market



Print adv. market shares (by volume, May 17)

	2017	2016
MONDADORI FRANCE	10.6%	10.7%
Lagardère	11.2%	11.2%
	9.9%	10.3%
LE FIGARO	5.5%	5.5%
	5.1%	5.4%
Other	57.7%	56.9%

Source: Circulation, internal source Presstalis Apr 17 – Adv. Print, Kantar Media (volume data) May 17

BACKUP

1H17 Profit & Loss

Euro/millions	1° Half 2017	% on Revenue	1° Half 2016	% on Revenue	Var. %
Revenue from sales and services	**553.0**	*100.0%*	**562.5**	*100.0%*	***-1.7%***
Cost of sold items	167.3	*30.3%*	176.4	*31.4%*	*-5.1%*
Variable costs	193.4	*35.0%*	193.0	*34.3%*	*0.2%*
Fixed costs	53.0	*9.6%*	50.1	*8.9%*	*6.0%*
Cost of personnel*	119.8	*21.7%*	118.0	*21.0%*	*1.6%*
Other costs/(income)	-2.8	*-0.5%*	-1.8	*-0.3%*	*n.m.*
Result - associates	-0.6	*-0.1%*	-0.2	*0.0%*	*n.m.*
Adjusted EBITDA	***21.6***	***3.9%***	***26.7***	***4.7%***	***-19.0%***
Restructuring costs	-2.9		-2.4		*n.m.*
Non-ordinary items	8.5		-1.8		*n.m.*
EBITDA	**27.3**	***4.9%***	**22.5**	***4.0%***	***21.2%***
Amortization, depreciation and impairment	16.0	*2.9%*	14.0	*2.5%*	*14.3%*
EBIT	**11.2**	***2.0%***	**8.5**	***1.5%***	***32.7%***
Net financial income (costs)	-7.1	*-1.3%*	-7.9	*-1.4%*	*n.s.*
Income (costs) from other investments	0.0	*0.0%*	0.0		
Profit before taxes for the period	**4.1**	***0.7%***	**0.6**	***0.1%***	***n.m.***
Income tax	-1.6	*-0.3%*	3.1	*0.6%*	*n.m.*
Minority shareholders' result	1.3	*0.2%*	1.2	*0.2%*	*9.5%*
NET RESULT	**4.4**	***0.8%***	**-3.8**	***-0.7%***	***n.m.***

2Q17 Profit & Loss

Euro/millions	2° Quarter 2017	% on Revenue	2° Quarter 2016	% on Revenue	Var. %
Revenue from sales and services	**291.9**	*100.0%*	**307.7**	*100.0%*	***-5.2%***
Cost of sold items	87.0	*29.8%*	96.1	*31.2%*	*-9.5%*
Variable costs	102.1	*35.0%*	105.8	*34.4%*	*-3.5%*
Fixed costs	23.6	*8.1%*	23.9	*7.8%*	*-1.3%*
Cost of personnel*	59.0	*20.2%*	64.6	*21.0%*	*-8.7%*
Other costs/(income)	2.0	*0.7%*	1.3	*0.4%*	*62.4%*
Result - associates	-0.1	*0.0%*	0.5	*0.2%*	*n.s.*
Adjusted EBITDA	***18.1***	***6.2%***	***16.5***	***5.4%***	***9.5%***
Restructuring costs	-1.4		-0.8		*n.s.*
Non-ordinary items	8.8		-1.8		*n.s.*
EBITDA	**25.5**	***8.7%***	**14.0**	***4.5%***	***82.4%***
Amortization, depreciation and impairment	8.1	*2.8%*	8.6	*2.8%*	*-5.8%*
EBIT	**17.4**	***6.0%***	**5.4**	***1.7%***	***n.s.***
Net financial income (costs)	-3.7	*-1.3%*	-4.3	*-1.4%*	*n.s.*
Income (costs) from other investments	0.0	*0.0%*	0.0		
Profit before taxes for the period	**13.6**	***4.7%***	**1.1**	***0.3%***	***n.s.***
Income tax	-0.6	*-0.2%*	2.2	*0.7%*	*n.s.*
Minority shareholders' result	0.7	*0.2%*	0.8	*0.3%*	*-11.3%*
Net result	**13.5**	***4.6%***	**-2.0**	***-0.6%***	***n.s.***

1H17 Balance Sheet

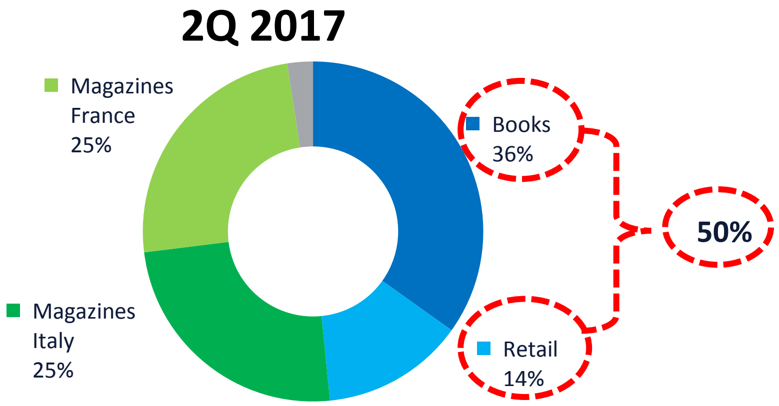
(€m)	1 H 2017	FY 2016	1 H 2016
Net receivables	273.6	300.1	313.6
Net inventory	160.5	143.4	184.3
Trade payables	(412.7)	(416.4)	(435.5)
Other assets/(liabilities)	24.3	(14.6)	18.1
NWC and Provisions	**45.7**	**12.5**	**80.5**
Intangible assets	602.3	612.1	604.3
Tangible assets	28.7	33.3	35.3
Investments	41.6	43.0	44.5
NET FIXED ASSETS	**672.5**	**688.5**	**684.2**
Provisions	(64.0)	(68.6)	(67.1)
Post-employment benefits	(47.0)	(51.0)	(50.7)
Assets/(Liabilities) of discontinued operations			19.1
NET INVESTED CAPITAL	**607.2**	**581.4**	**666.0**
Share capital	68.0	68.0	68.0
Minority shareholders' reserves and equity	250.5	227.3	226.9
Net result	4.4	22.5	(3.8)
EQUITY	322.8	317.8	291.2
NFP	284.4	263.6	374.8
TOTAL EQUITY	**607.2**	**581.4**	**666.0**

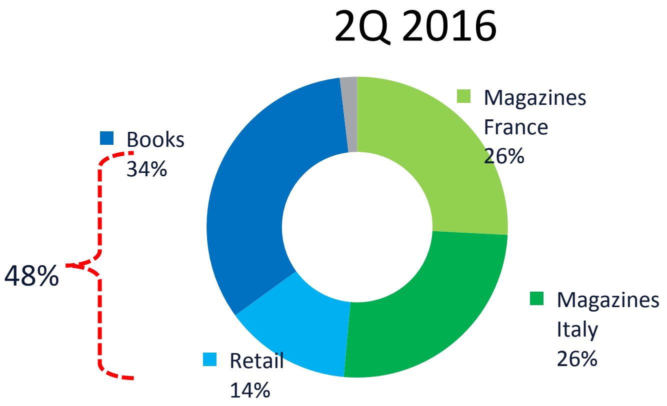
1H17 Net Financial Position

€m	Jun 17	Jun 16	LTM
NFP beginning of period	**(263,6)**	**(199,4)**	**(374,8)**
EBITDA before non-recurring items	21,6	26,7	103,4
Effect of shareholdings/dividends	1,1	(0,5)	(3,1)
Change in NWC + provision	(32,1)	(27,7)	8,4
CAPEX	(9,1)	(7,2)	(19,0)
Cash flow from operations	**(18,4)**	**(8,7)**	**89,6**
Financial costs	(7,1)	(7,9)	(16,9)
Taxes	(5,3)	(9,5)	(9,6)
Cash flow from ordinary operations	**(30,8)**	**(26,1)**	**63,2**
Capital increase / (Dividends paid)		0,0	0,0
Restructuring costs	(9,2)	(7,1)	(17,0)
Extraordinary tax amounts/prior years	5,9	15,1	6,4
Acquisition / disposal of assets	13,3	(157,3)	37,9
Cash flow from extraordinary operations	**10,0**	**(149,3)**	**27,3**
Total Cash Flow	**(20,8)**	**(175,4)**	**90,5**
NFP end of period	**(284,4)**	**(374,8)**	**(284,4)**

2Q17 Revenues by Business Area

€ mn	2Q 2017	2Q 2016	Var %
Books	**107.6**	106.7	*0.8%*
Retail	**41.8**	43.8	*(4.6%)*
Magazines Italy	**76.0**	82.5	*(7.9%)*
Magazines France	**75.7**	83.2	*(9.0%)*
Corporate and Shared Services	**7.7**	6.1	*26.4%*
Intercompany	*(17.0)*	*(14.6)*	*16.1%*
Total Revenues	**291.9**	**307.7**	***(5.2%)***





GLOSSARY

Glossary

- **EBITDA** — is equal to earnings before interest, tax, depreciation and amortization. The Group also provides information on the percentage of EBITDA on net sales. EBITDA computed by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance

- **Adjusted EBITDA** — is gross operating profit as explained above, net of income and expenses of a non-ordinary nature such as
  (i) income and expenses from restructuring, reorganization and business combinations;
  (ii) clearly identified income and expenses not directly related to the ordinary course of business;
  (iii) as well as any income and expenses from nonrecurring events and transactions as set out in Consob communication DEM6064293 of 28/07/2006.

- **EBIT** — net result for the period before income tax, and other income and expenses.

- **Net Invested Capital** — is equal to the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).

- **Operating Cash Flow** — adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment) and income and expenses from equity investments.

- **Ordinary Cash Flow** — is cash flow from operations as explained above, net of financial expenses and taxes paid in the period.

- **Extraordinary Cash Flow** — cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.

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Forward-looking Statements

Talune dichiarazioni contenute in questo documento, in particolare quelle riguardanti ogni possibile futura performance del Gruppo Mondadori, costituiscono o potrebbero costituire "*forward-looking statements*" e, a tal riguardo, comportano alcuni rischi ed incertezze. I risultati e gli sviluppi effettivi del Gruppo Mondadori potrebbero discostarsi in misura significativa dalle previsioni espresse o implicite nelle dichiarazioni sopracitate a causa di molteplici fattori.

Ogni riferimento alla passata performance del Gruppo Mondadori non dovrebbe essere considerata un'indicazione della sua futura evoluzione.

La presente comunicazione non costituisce un'offerta di vendita o una sollecitazione a sottoscrivere o ad acquistare strumenti finanziari.