9M18 Results

Investors Presentation

Ernesto Mauri – CEO
Oddone Pozzi – CFO

Segrate, 14 November 2018

AGENDA

1. **9M 2018** Highlights
2. **9M 2018** Results
3. **9M 2018** Business
4. **FY 2018** Outlook

Disclaimer

GRUPPO

In 2018, "Profit (loss) from discontinued operations" includes the net result of Mondadori France in the first nine months of the current year, together with the recognition of the fair value adjustment of the assets being sold, in line with the negotiations currently underway, previously measured at value in use. The item also includes intercompany financial expense relating to Mondadori France. The "adjusted result from continuing operations" therefore differs in this amount from the result from continuing operations shown in the financial statements attached to this Statement (€ -193.3 million in 9M 2018 and € 12.8 million in 9M 2017, in accordance with IFRS 5). For the sake of comparison, figures for the first nine months of 2017 have been restated accordingly.

*Beginning from 1 January 2018 (and to provide a consistent presentation, also for 2017), the Group has applied the new "**IFRS 15 - Revenue from Contracts with Customers"** - revenue recognition standard, which applies to all contracts stipulated with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments; the new standard provides for:*

- *the booking of circulation revenue based on the cover price or, in any case, on the price actually paid by the purchaser, gross of all commissions paid. Accordingly and unlike the previous accounting treatment, the commission has been recognized separately as distribution cost, no longer as a reduction in revenue. Magazines Italy and France, as a result, saw an increase in revenue;*
- *the presentation of revenue from the distribution of third publishers' products, net of relating acquisition costs, previously booked in cost of sold items. The Books Area, as a result, saw a decrease in revenue.*

The new IFRS 15 presents revenue and costs differently, with no effect on EBITDA.

Beginning from 2018, the result generated by associates (consolidated at equity), previously classified in adjusted EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

9M18 Highlights

The Interim Management Statement at 30 September 2018 exposes the values referred to the business area Magazines France as «*Result from discontinued operations*» in accordance with **IFRS5**, considering the following conditions met:

- Board of Directors' commitment to sell Mondadori France;
- the asset is available for sale;
- the successful outcome of the negotiations is highly probable.

9M18 Highlights

In 2018 Mondadori Group successfully continued its **focalization plan on Books core business and a razionalization in the Magazines business**

MONDADORI MAGAZINE
Inthera S.p.A. disposal
May 2018

MONDADORI FRANCE
Exclusive negotiations for possible disposal
Sept. 2018

MONDADORI MAGAZINE
Newsmagazine *Panorama* disposal
Oct. 2018

In accordance with the requirements requested by **IFRS5**, in **9M18** the transaction is classified as **discontinued operation**

9M18 Highlights

GRUPPO

€ mn

	2018	2017	9M18	3Q18
Revenues	**658,1**	707,1	**-6.9%**	-10.6%
Adjusted EBITDA	**62,8**	60,8	**+2.0 € mn**	-0.4 € mn
EBITDA	**53,0**	63,2	**-10.2 € mn** (due to: less positive not ord. components, and more restructuring costs)	-1.8 € mn
Adjusted result from continuing operations	**15,8**	25,5	**-9.7 € mn**	+1.0 € mn

AGENDA

1. **9M 2018** Highlights
2. **9M 2018** Results
3. **9M 2018** Business
4. **FY 2018** Outlook

9M18/3Q18 Revenues and Adj. EBITDA by Business Area

GRUPPO

€ mn

Revenues

	9M2018	9M2017	Var. %
Books	339.6	357.2	*(4.9%)*
Retail	129.3	132.6	*(2.5%)*
Magazines Italy	216.1	243.6	*(11.3%)*
Corporate & Shared Services	25.8	20.2	*28.0%*
Intercompany	*(52.7)*	*(46.6)*	*13.0%*
Total	**658.1**	**707.1**	***(6.9%)***

3Q2018	3Q2017	Var. %
161.1	185.6	*(13.2%)*
46.2	48.0	*(3.7%)*
68.5	78.0	*(12.1%)*
8.5	7.2	*17.9%*
(17.1)	*(19.8)*	*(13.6%)*
267.2	**298.8**	***(10.6%)***

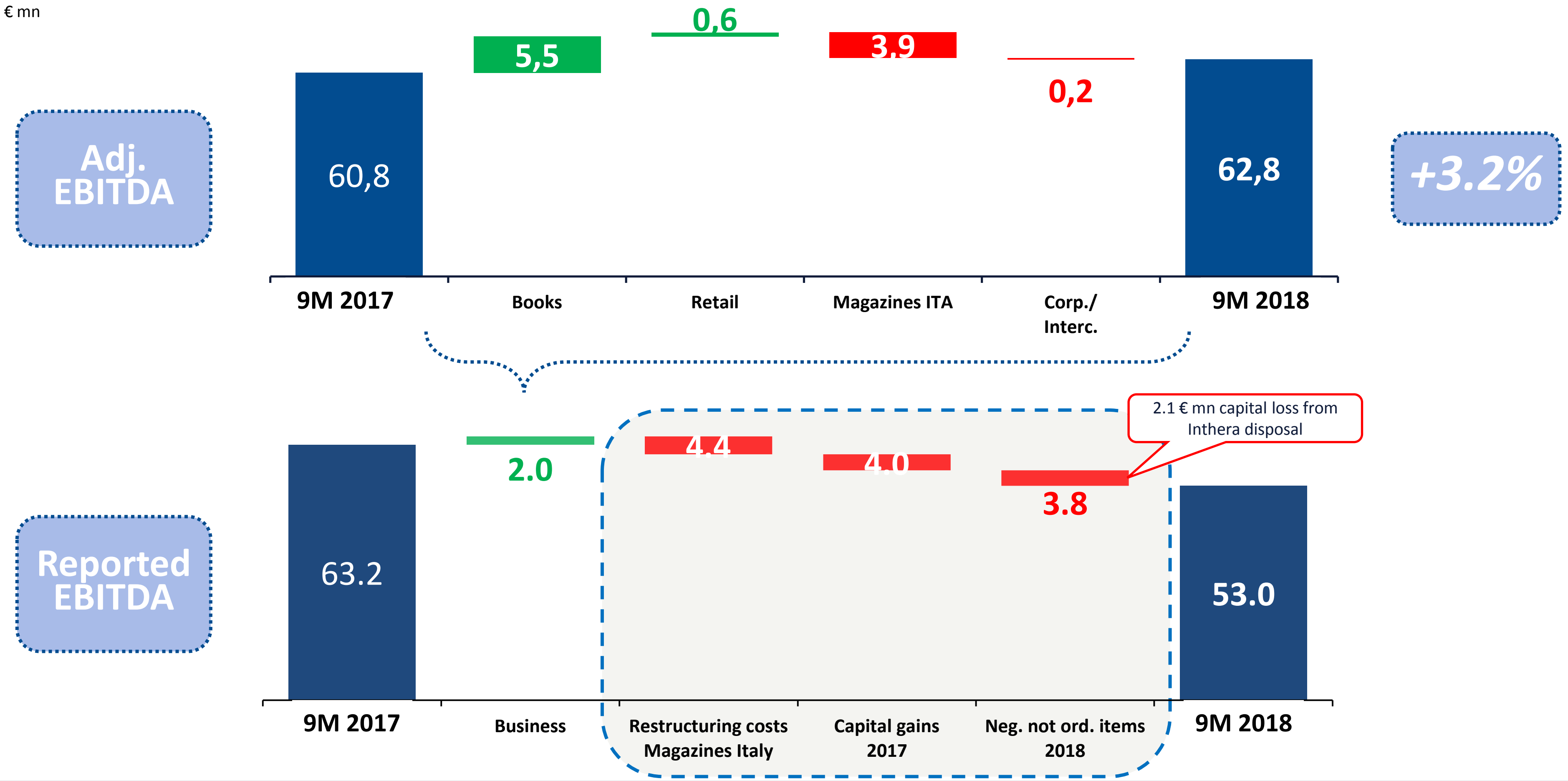
Adj. EBITDA

	9M2018	9M2017	Var.
Books	68.0	62.5	*5.5*
Retail	(3.4)	(3.9)	*0.6*
Magazines Italy	4.1	8.1	*(3.9)*
Corporate & Shared Services	(5.2)	(5.1)	*(0.1)*
Intercompany	*(0.7)*	*(0.6)*	*(0.1)*
Total	**62.8**	**60.8**	***2.0***

3Q2018	3Q2017	Var.
54.7	56.5	*(1.8)*
(0.1)	(0.2)	*0.0*
(2.7)	(3.0)	*0.3*
(1.1)	(1.4)	*0.3*
(0.0)	*(0.8)*	*0.7*
50.7	**51.1**	***(0.4)***

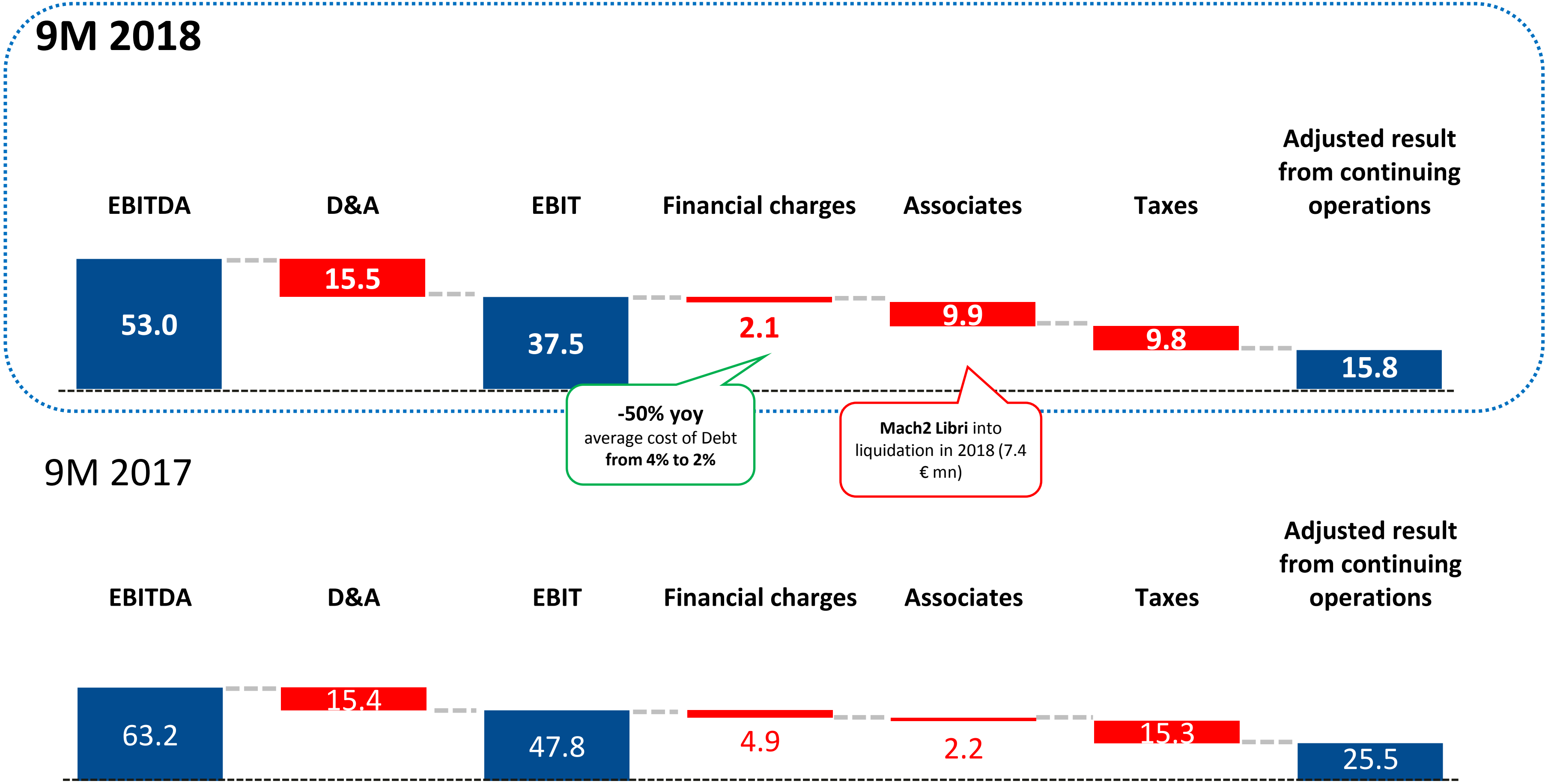
9M18 EBITDA evolution

€ mn



9M18 from EBITDA to Net Result

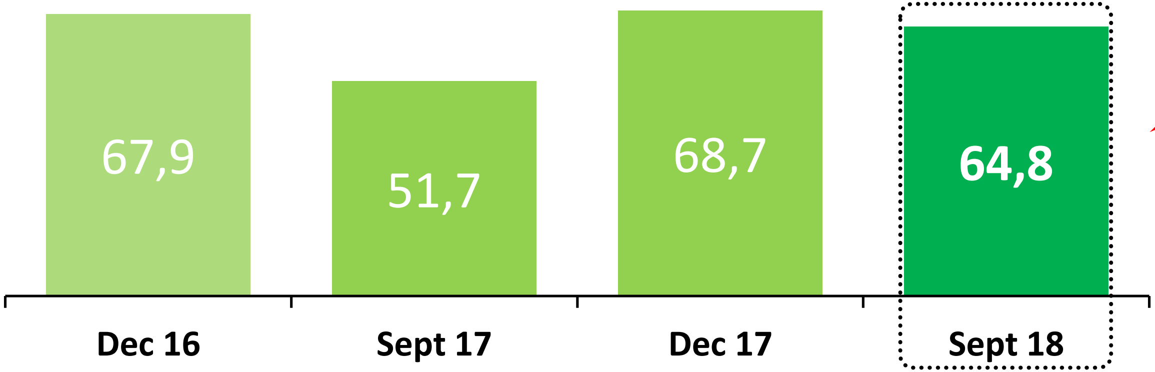
€ mn



9M18 LTM Cash Flow

€ mn

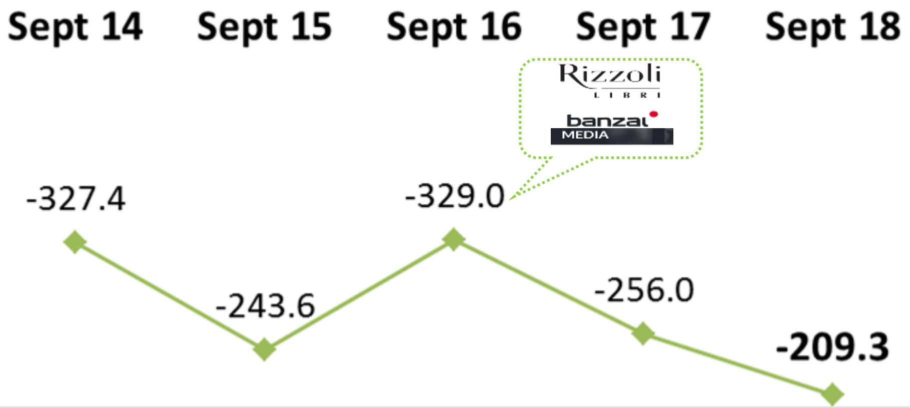
Positive cash generation from business confirmed



11.3 € mn from discontinued operations

Ordinary Cash Flow = Operating CF net of investments, taxes, associates and financial charges.

Group PFN



More than 18% reduction

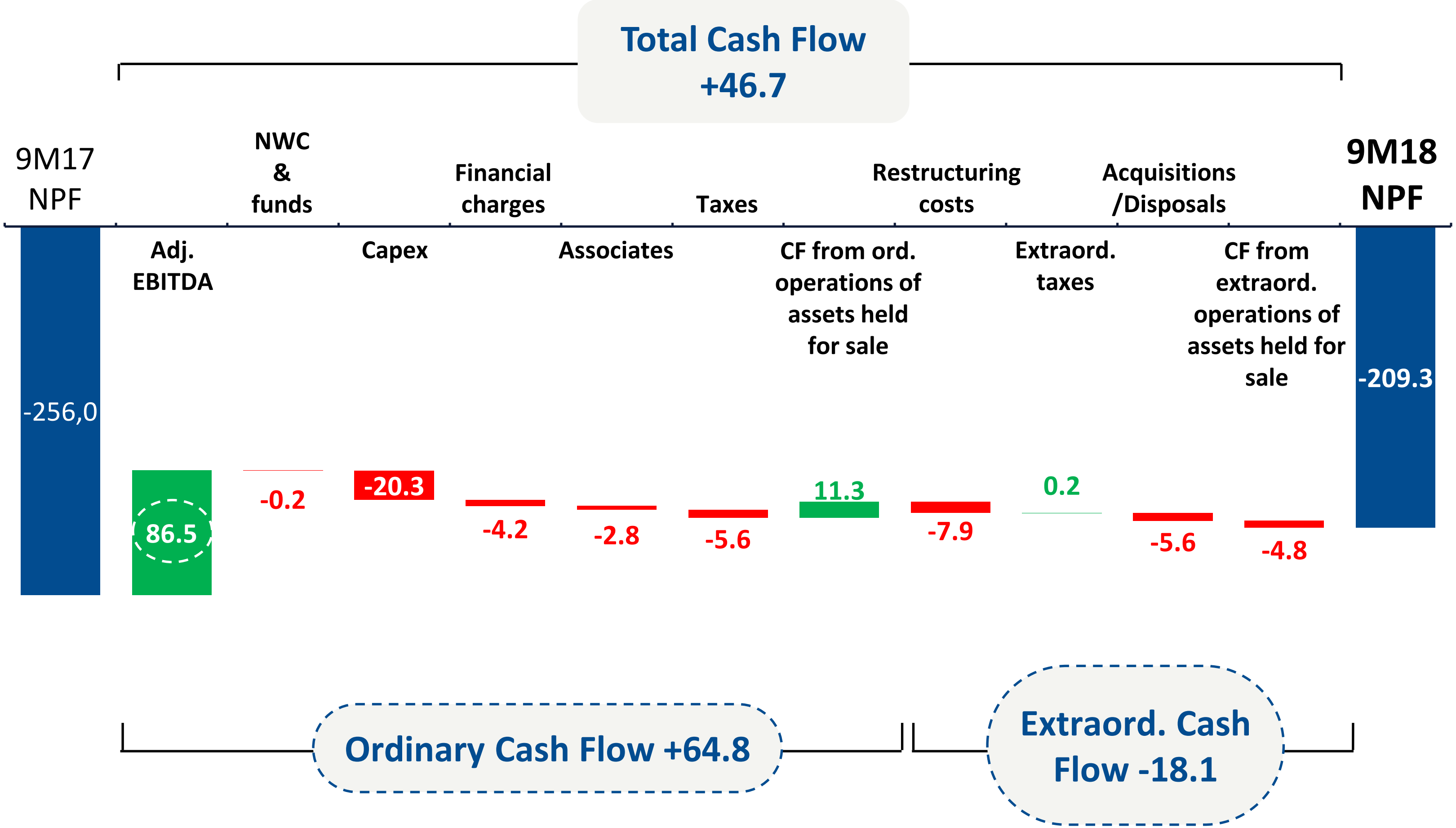
2017

-46.7 € mn

2018

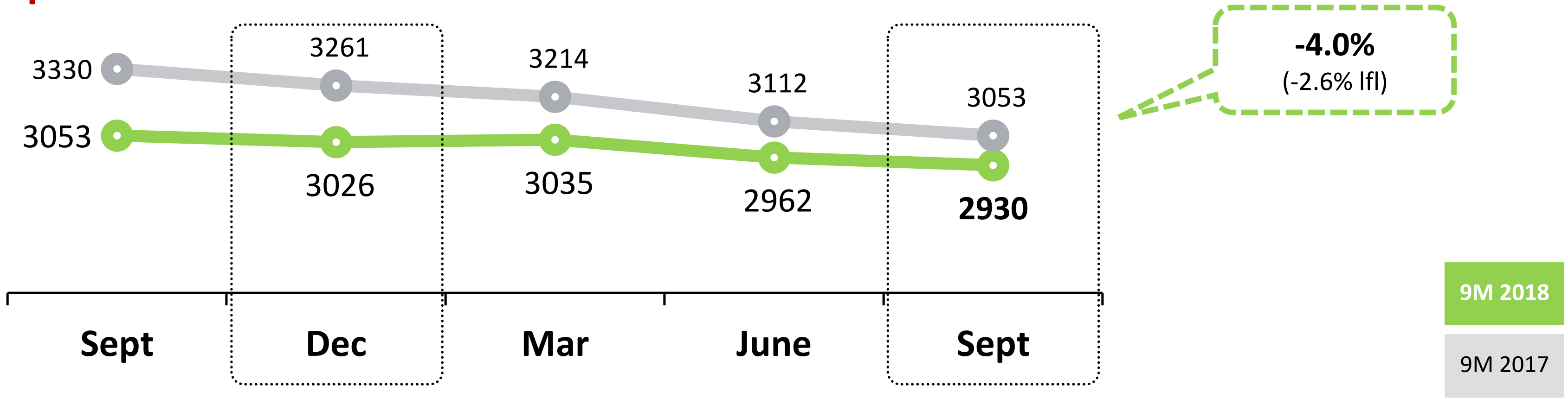
9M18 LTM Cash Flow

€ mn

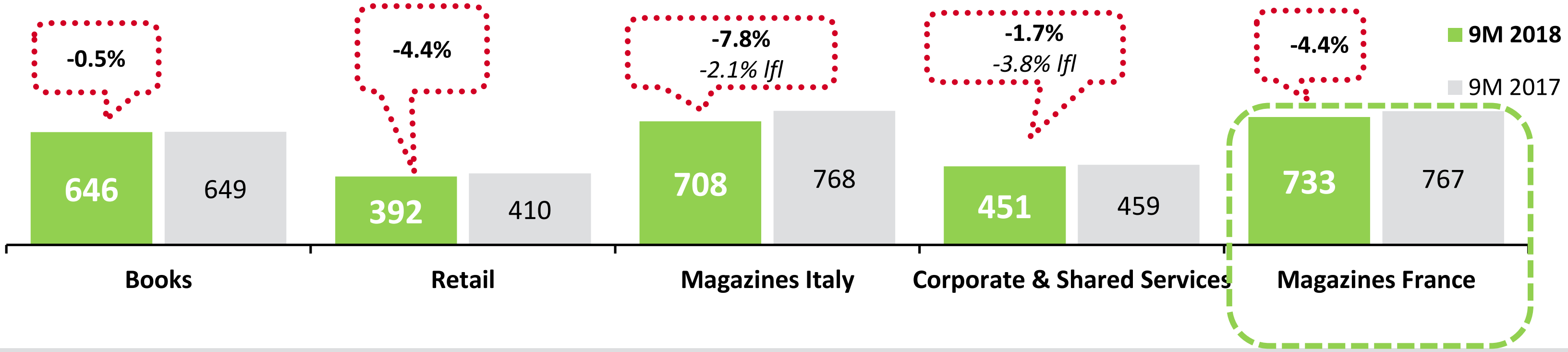


9M18 Headcount evolution

Group Headcount



Headcount by BU



AGENDA

1. **9M 2018** Highlights
2. **9M 2018** Results
3. **9M 2018** Business
4. **FY 2018** Outlook

9M18 Business – Trade Books

MONDADORI LIBRI
GRUPPO

Trade Market – € 748.2 mn

	2018	2017	9M
			-0.4%
Chains	336.7	341.2	-1.3%
Bookstores	183.3	190.1	-3.5%
E-commerce	170.6	151.0	+12.9%
Large retailers	57.6	69.1	-16.7%

Mondadori Group market share at Sept. 2018: 34.0%

Trade market shares

GRUPPO MONDADORI	27.4%	29.6%
EMS	9.7%	10.4%
GIUNTI	8.7%	8.2%
la Feltrinelli	5.1%	4.8%
NEWTON COMPTON EDITORI	2.3%	2.0%
DeAGOSTINI LIBRI	1.5%	1.6%
Altro	45.3%	43.4%

5 titles in first 10 Top sellers

From 27th Sept.

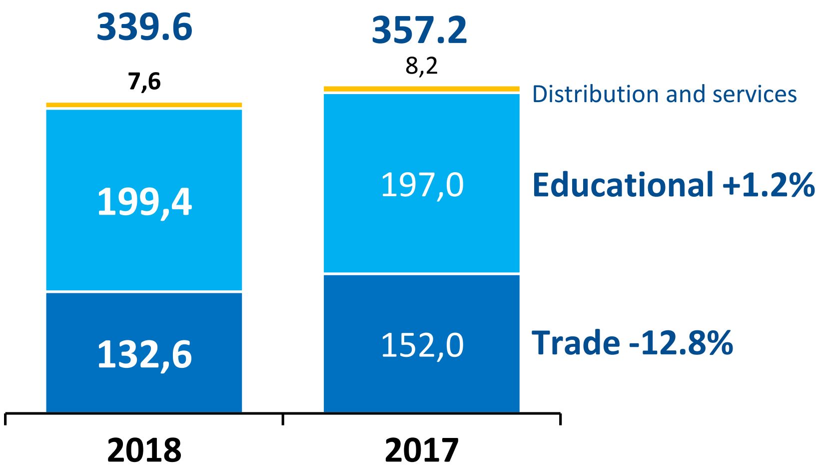
YE18 NEW BOOKS: 100k copies in Oct.

 Fonte: GFK Sept. 2018 (sell-out market value data)

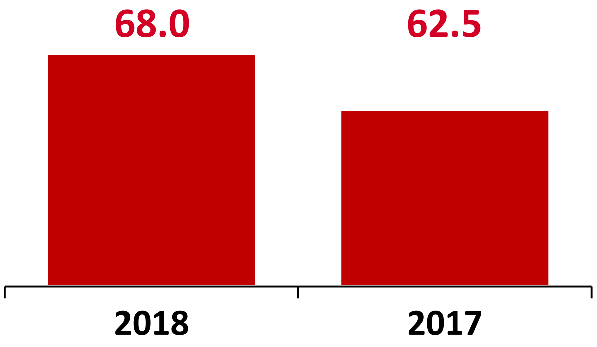
9M18 Business – Books

€ mn

Revenues -4.9%



Adj. EBITDA +5.5 € mn



REVENUES

- **Trade**: decrease due to the presence in 3Q17 of the best-sellers by D. Brown and K. Follett and the drop in the Large Retailers channel;
- **Educational**: increase in the scholastic business.

Adj. EBITDA

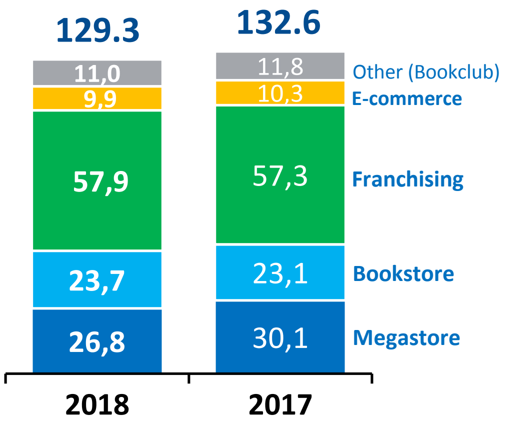
- **Improvement** due to the ongoing operating efficiencies and to the different revenues mix of the Education Area

9M18 Business – Retail

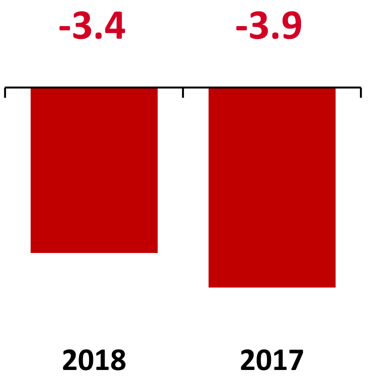
MONDADORI RETAIL
GRUPPO

€ mn

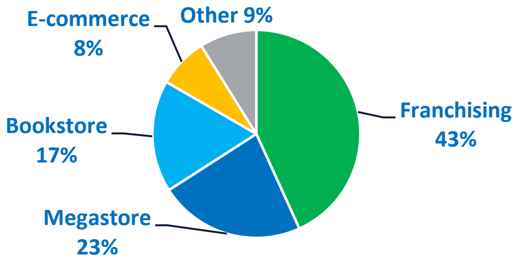
Revenues -2.5%



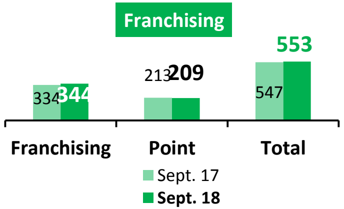
Adj. EBITDA +0.6 € mn

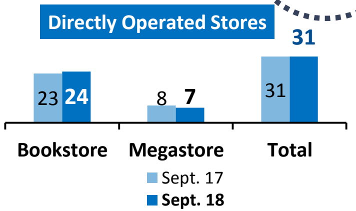


Revenues by channel*



584
+6 PoS





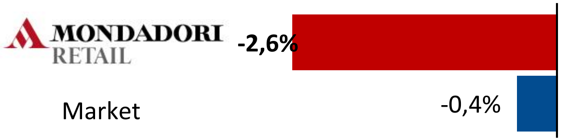
REVENUES

- **Directly-managed Bookstores +2.5%** (-2.5% lfl); **Book +2.0%**
- **Franchised bookstores +1.0%** (-0.4% lfl)
- **Megastore** -10.9% due to Consumer Electronics performance and Palermo/S. Pietro all'Orto stores closures; **Book +0.3%**
- **On-line** -3.5%

Adj. EBITDA

- **Improvement** driven by razionalization project of the directly-managed stores (in part. in the megastore channel) and to an higher efficiency in store management.

80% revenues in Book market*



14.6% market share

Fonte: GFK Sept. 2018 (sell-out market value data)

*"Total Store" revenues; channels do not include Bookclub

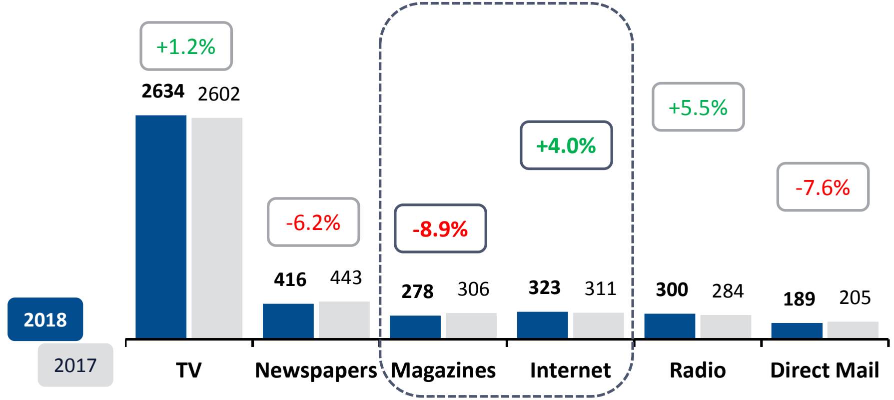
9M18 Business – Magazines Italy

MONDADORI MAGAZINE

GRUPPO

Adv. market – € 4.3 bn

+0.0%

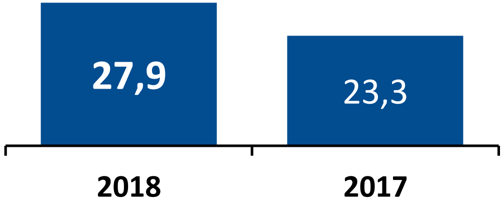


Circulation market shares

	2018	2017		2018	2017
MONDADORI MAGAZINE	30.9%	31.9%			
CAIRO EDITORE	20.5%	19.6%	HEARST magazines	5.5%	5.5%
RCS	5.7%	5.1%	CONDÉ NAST	3.3%	3.3%
Casa Editrice Universo	11.0%	10.9%	Other	23.0%	23.8%

Web Total Audience (mn users/month)

+19% yoy



Source: Adv. – Nielsen (Sept. 2018), value data;
Circulation by value (newstands + subs. channels) – internal source (Sept. 2018)

Source: comScore (average data Jan.–Aug.)

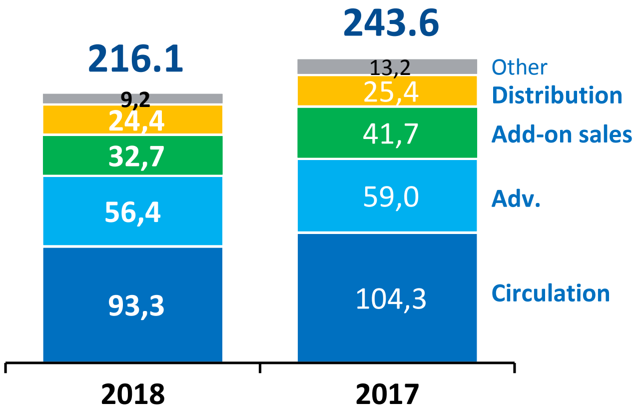
9M18 Business – Magazines Italy

MONDADORI MAGAZINE

GRUPPO

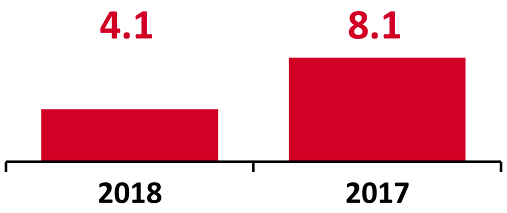
€ mn

Revenues -11.3%



Adj. EBITDA 9M -3.9 € mn

Adj.EBITDA 3Q +0.3 € mn
(2.7) (3.0)



REVENUES

- **Circulation revenues** -10.5%
- **Adv. revenues** -4.3% (print+web):
  - ca. +7% increase in web (**digital at 30%** of total adv. collection),
  - print in line with the market.
- **Distribution and revenues towards third parties** -3.8%, lower contraction vs. market driven by the continous commitment in the development of third parties portfolio.

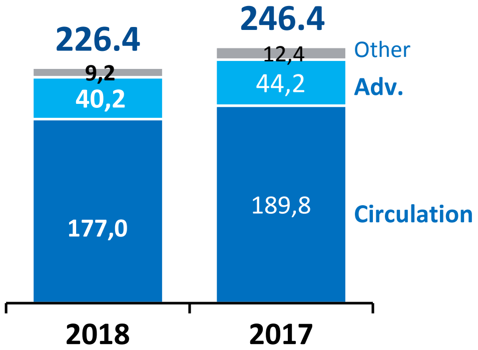
Adj. EBITDA

- Negative trend, with partial recovery in 3Q18 vs. 1H18, thanks to:
  - revenues contraction in the print area, partially compensated by the activities portfolio revision and by the operating and overhead costs reductions;
- the continous improving path in the digital area.

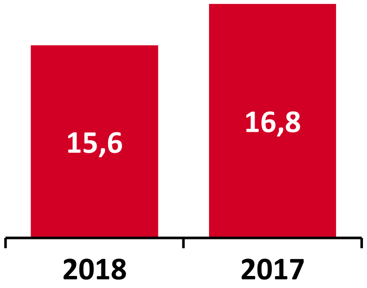
9M18 Business – Magazines France

€ mn

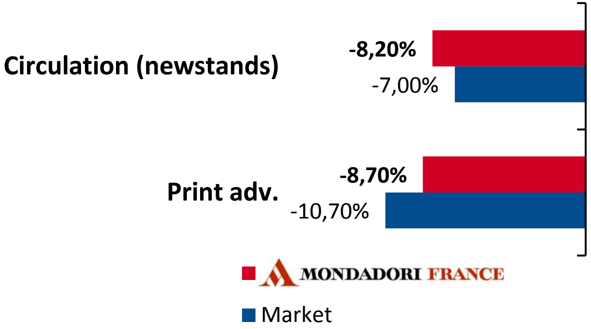
Revenues -8.1%



Adj. EBITDA -1.2 € mn



Mondadori vs market



Source: Circulation – Mondadori France Aug. 2018, Adv. – Net Index June 2018

REVENUES

- **Circulation revenues** (75% of the total) decreasing -6.8%:
  - newstands -8.2%,
  - subscriptions -5.1%.
- **Adv. revenues** -9.0% (print+web):
  - print (88% of the total adv. revenues) -8.7%, performance better than the market.

Adj. EBITDA

- **-0.8 € mn** excluding NaturaBuy (company sold in May 2017)

Print adv. market shares

	2018	2017
Mondadori France	10.7%	10.6%
Lagardère	11.5%	10.7%
PM	9.4%	9.8%
Le Figaro	6.0%	5.4%
Le Monde	5.1%	5.3%
marie claire	4.4%	4.5%
altice	4.3%	5.3%
Condé Nast	4.0%	4.5%
Bayard	1.7%	1.8%
Reworld Media	1.5%	1.6%
Other	38.4%	40.5%

Source: Adv. – Kantar Media June. 2018

AGENDA

1. **9M 2018** Highlights
2. **9M 2018** Results
3. **9M 2018** Business
4. **FY 2018** Outlook

FY18 Outlook

CONTINUING OPERATIONS SCOPE

REVENUES	**High-single digit decrease**
Adj. EBITDA	**Slight increase**
Adj. result from continuing operations	**Ca. 7 € mn decrease due to more negative not ord. components**
Ordinary Cash Flow	**≈ 50 € mn** (55/60 € mn including assets held for sale)

GRUPPO MONDADORI

BACKUP

9M18 Profit & Loss

€ mn

€ millions	9 months 2018	Percentage on revenue	9 months 2017	Percentage on revenue	Var. %
Revenue from sales and services	**658.1**	*100.0%*	**707.1**	*100.0%*	***-6.9%***
Cost of sold items	201.3	*30.6%*	213.7	*30.2%*	*-5.8%*
Variable costs	221.4	*33.6%*	245.9	*34.8%*	*-10.0%*
Fixed costs	51.9	*7.9%*	59.6	*8.4%*	*-12.9%*
Cost of personnel	120.7	*18.3%*	127.1	*18.0%*	*-5.1%*
Adjusted EBITDA	**62.8**	*9.5%*	**60.8**	*8.6%*	***3.2%***
Restructuring costs	6.0		2.2		*n.s.*
Negative/(positive) extraordinary items	3.8		-4.6		*n.s.*
EBITDA	**53.0**	*8.1%*	**63.2**	*8.9%*	***-16.1%***
Amortization, depreciation and impairment	15.5	*2.4%*	15.4	*2.2%*	*0.9%*
EBIT	**37.5**	*5.7%*	**47.8**	*6.8%*	***-21.6%***
Net financial expense (income)	2.1	*0.3%*	4.9	*0.7%*	*-57.4%*
Expense (income) from associates	9.9	*1.5%*	2.2	*0.3%*	*n.s.*
Expense (income) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before taxes for the period	**25.6**	*3.9%*	**40.8**	*5.8%*	***-37.3%***
Income taxes	9.8	*1.5%*	15.3	*2.2%*	*-36.3%*
Adjusted result from continuing operations	**15.8**	*2.4%*	**25.5**	*3.6%*	***-38.0%***
Adjusted result from discontinued operations	-195.7	*-29.7%*	7.7	*1.1%*	*n.s.*
Result attributable to non-controlling interests	1.6	*0.2%*	1.9	*0.3%*	*-15.8%*
Net result	**-181.5**	*-27.6%*	**31.2**	*4.4%*	***n.s.***

-198.1 € mn fair value adjustment
+2.4 € mn. net result Mondadori France

3Q18 Profit & Loss

€ mn

€ millions	3° quarter 2018	Percentage on revenue	3° quarter 2017	Percentage on revenue	Var. %
Revenue from sales and services	**267.2**	*100.0%*	**298.8**	*100.0%*	***-10.6%***
Cost of sold items	81.6	*30.5%*	88.4	*29.6%*	*-7.8%*
Variable costs	79.2	*29.6%*	97.9	*32.8%*	*-19.1%*
Fixed costs	19.8	*7.4%*	23.0	*7.7%*	*-13.9%*
Cost of personnel	35.9	*13.4%*	38.3	*12.8%*	*-6.3%*
Adjusted EBITDA	**50.7**	***19.0%***	**51.1**	***17.1%***	**-0.7%**
Restructuring costs	0.6		0.4		*43.9%*
Negative/(positive) extraordinary items	0.7		-0.6		*n.s.*
EBITDA	**49.5**	***18.5%***	**51.3**	***17.2%***	***-3.5%***
Amortization, depreciation and impairment	5.3	*2.0%*	5.2	*1.7%*	*3.1%*
EBIT	**44.1**	***16.5%***	**46.1**	***15.4%***	***-4.2%***
Net financial expense (income)	0.7	*0.3%*	1.5	*0.5%*	*-53.7%*
Expense (income) from associates	1.7	*0.6%*	1.9	*0.6%*	*-9.5%*
Expense (income) from other investments	0.0	*0.0%*	0.0	*0.0%*	
Result before taxes for the period	**41.7**	***15.6%***	**42.7**	***14.3%***	***-2.2%***
Income taxes	12.3	*4.6%*	14.2	*4.7%*	*-13.5%*
Adjusted result from continuing operations	**29.5**	***11.0%***	**28.5**	***9.5%***	***3.3%***
Adjusted result from discontinued operations	-198.0	*-74.1%*	-1.1	*-0.4%*	*n.s.*
Result attributable to non-controlling interests	0.5	*0.2%*	0.6	*0.2%*	*-13.1%*
Net result	**-169.0**	***-63.2%***	**26.9**	***9.0%***	***n.s.***

9M18 Balance Sheet

€ mn

	Sept. 18	Dec. 17	Sept. 17
Trade receivables	259.9	254.1	289.7
Inventory	132.7	120.8	137.6
Trade payables	(354.2)	(368.0)	(377.1)
Other assets (liabilities)	64.9	46.4	62.1
NWC	103.3	53.3	112.3
Intangible assets	224.3	224.5	225.7
Property, plant and equipment	21.8	23.1	23.4
Investments	36.5	37.6	40.9
NET FIXED ASSETS	282.7	285.2	289.9
Provisions and post-employment benefits	(107.5)	(101.7)	(102.0)
Assets/liabilities held for sale	94.8	297.7	301.2
NET INVESTED CAPITAL	**373.2**	**534.6**	**601.5**
Share capital	68.0	68.0	68.0
Reserves	249.2	217.4	217.4
Profit (loss) for the period	(181.5)	30.4	31.2
Share capital and reserves attributable to non-controlling interests	28.2	29.5	28.8
EQUITY	163.9	345.3	345.5
NET FINANCIAL POSITION (DEBT)	209.3	189.2	256.0
TOTAL EQUITY	**373.2**	**534.6**	**601.5**

9M18 Net Financial Position

€ mn

LTM (€mn)	Sept. 18	Dec. 17
NFP beginning of period	**(256.0)**	**(263.6)**
Adjusted EBITDA	86.5	110.5
Dividends minorities	0.0	(3.3)
Change in NWC + provisions	(0.2)	4.2
CAPEX	(20.3)	(19.3)
Cash flow from operations	66.1	92.2
Financial expense	(4.2)	(14.0)
Management of investments in associates	(2.8)	(1.8)
Taxes	(5.6)	(7.6)
Cash flow from ordinary operations of assets held for sale	11.3	
Cash flow from ordinary operations	**64.8**	**68.7**
Restructuring costs	(7.9)	(13.8)
Extraordinary tax amounts / prior years	0.2	6.8
Acquisition/disposal of assets	(5.6)	12.7
Cash flow from extraordinary operations of assets held for sale	(4.8)	
Cash flow from non-ordinary operations	(18.1)	5.7
Total Cash Flow	46.7	74.4
NFP end of period	**(209.3)**	**(189.2)**

9M18/3Q18 Reported EBITDA by Business Area

€ mn

Rep. EBITDA	9M2018	9M2017	*Var.*	3Q2018	3Q2017	*Var.*
Books	66.8	62.0	*4.9*	54.3	56.4	*(2.1)*
Retail	(3.7)	(4.6)	*0.9*	(0.2)	0.3	*(0.6)*
Magazines Italy	(3.0)	7.6	*(10.6)*	(2.9)	(3.2)	*0.3*
Corporate & Shared Services	(6.3)	(1.1)	*(5.2)*	(1.6)	(1.4)	*(0.3)*
Intercompany	(0.7)	(0.6)	*(0.1)*	(0.0)	(0.8)	*0.7*
Total	**53.0**	**63.2**	***(10.2)***	**49.5**	**51.3**	***(1.8)***

Glossary

GRUPPO

- **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).

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

- **LTM Ordinary Cash Flow** cash flow from ordinary operations in the last twelve months.

- **Extraord. 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.

GRUPPO MONDADORI

Mondadori Group IR (available on Google Play and App Store)

twitter.com/mondadori

it.linkedin.com/company/mondadori

facebook.com/GruppoMondadori

instagram.com/gruppomondadori

youtube.com/c/mondadori

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.