GRUPPO MONDADORI

1Q19 Results

Investors Presentation

Ernesto Mauri – CEO
Oddone Pozzi – CFO

Segrate, 15 May 2019

GRUPPO MONDADORI

AGENDA

1 - 1Q 2019 Highlights

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Disclaimer

In 2019, the “Adjusted result from discontinued operations" included the net result of Mondadori France in the current year, together with the recognition of the fair value adjustment of assets being sold, to reflect the negotiations in progress, previously measured at value in use.

This item also includes the financial expense held by the Parent Company, but attributable to Mondadori France and charged to the latter under the intercompany loan agreement (approximately € 0.7 million).

The "Adjusted result from continuing operations" and the "Adjusted result from discontinued operations" therefore differ by this amount from the amounts of the statements attached to this document (equal to € 5.6 million in 1Q 2019 and € 0.7 million in 1Q 2018), prepared in accordance with IFRS international accounting standards.

To enable a like-for-like comparison, 2018 figures have been restated accordingly.

As of 1 January 2019 (and to provide a consistent presentation, also for 2018), the Group has adopted the new IFRS 16 - Leases.

The new standard provides a new definition of lease (operating leases) and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, the differences lying in:

- *the identification of the asset,*
- *the right to replace the asset,*
- *the right to essentially receive all the financial benefits arising from the use of the asset, and*
- *the right to control the use of the asset underlying the contract.*

The standard introduces a single lessee accounting model, by which an asset under an operating lease is recognized in assets with an offsetting financial liability.

P/L will no longer record lease payments as operating/general costs, rather the depreciation of the booked asset and the financial expense implicit in the lease payment.

An exception to this accounting model are leases regarding low-value assets and those with a term of 12 months or less.

1Q19 Highlights

On 19th April 2019 agreement signed for the disposal of Mondadori France to Reworld Media

Results in line with the 2019 guidance:

- Revenues in decline also due to temporary effects and to perimeter changes
- Adjusted EBITDA (no IFRS) in improvement

Continuos strong Ordinary Cash Flow generation

MF disposal update

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During 1Q19 Mondadori Group continued the disposal process of Mondadori France, started in 2018

MONDADORI FRANCE

Sept. 2018	Feb. 2019	Apr. 2019
Exclusive negotiations for possible disposal	Put option underwriting	**Signing**

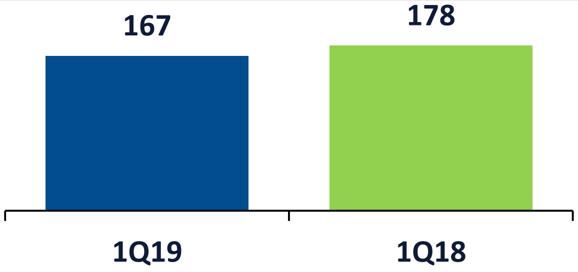
In accordance with the requirements requested by IFRS5, the transaction is classified as discontinued operation

1Q19 Highlights *(no IFRS 16)*

€ mn

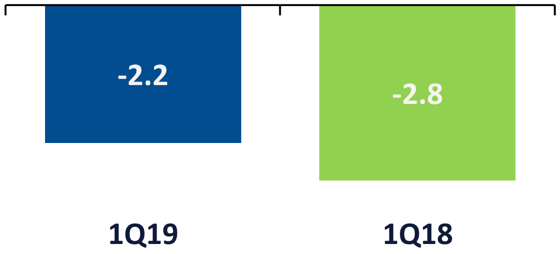
-6.1%

Revenues



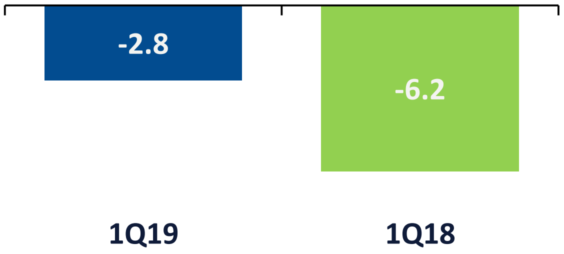
+0.5 € mn

Adjusted EBITDA



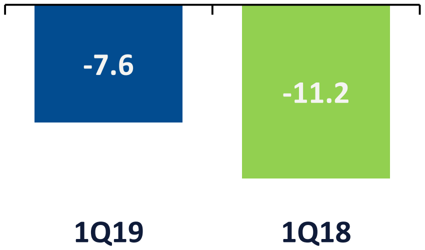
+3.3 € mn

EBITDA



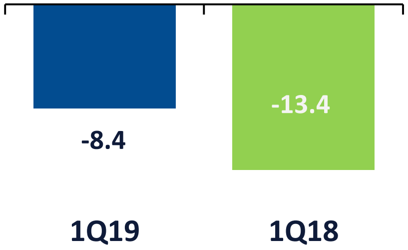
+3.6 € mn

EBIT



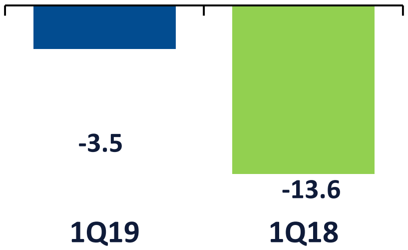
+5.0 € mn

Adj. Result from continuing operations



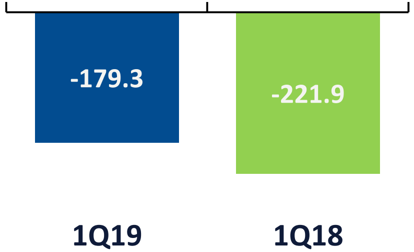
+10.1 € mn

Net Result



+42.6 € mn

NFP



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1Q19 Revenues and Adj. EBITDA by Business Area

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€ mn

Revenues

Revenues	1Q19	1Q18	Var. %	
Books	70.2	73.6	*(4.6%)*	
Retail	41.3	43.2	*(4.4%)*	
Magazines Italy	63.0	70.1	*(10.2%)*	-2.5% lfl
Corporate & Shared Services	9.5	8.8	*7.9%*	
Intercompany	*(17.2)*	*(18.1)*	*(5.0%)*	
Total	**166.8**	**177.7**	***(6.1%)***	-3.1% lfl

Adj. EBITDA

Adj. EBITDA	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	Var. Lfl	Var.
Books	(0.2)	(0.4)	(0.7)	***0.3***	*0.6*
Retail	(0.5)	(2.5)	(1.9)	***(0.6)***	*1.5*
Magazines Italy	2.6	2.6	2.1	***0.5***	*0.5*
Corporate & Shared Services	(0.3)	(2.0)	(2.0)	***0.0***	*1.7*
Intercompany	*0.0*	*0.0*	*(0.2)*	*0.2*	*0.2*
Total	**1.7**	**(2.2)**	**(2.8)**	***0.5***	*4.6*

1Q19 Rep. EBITDA and EBIT by Business Area

€ mn

Rep. EBITDA

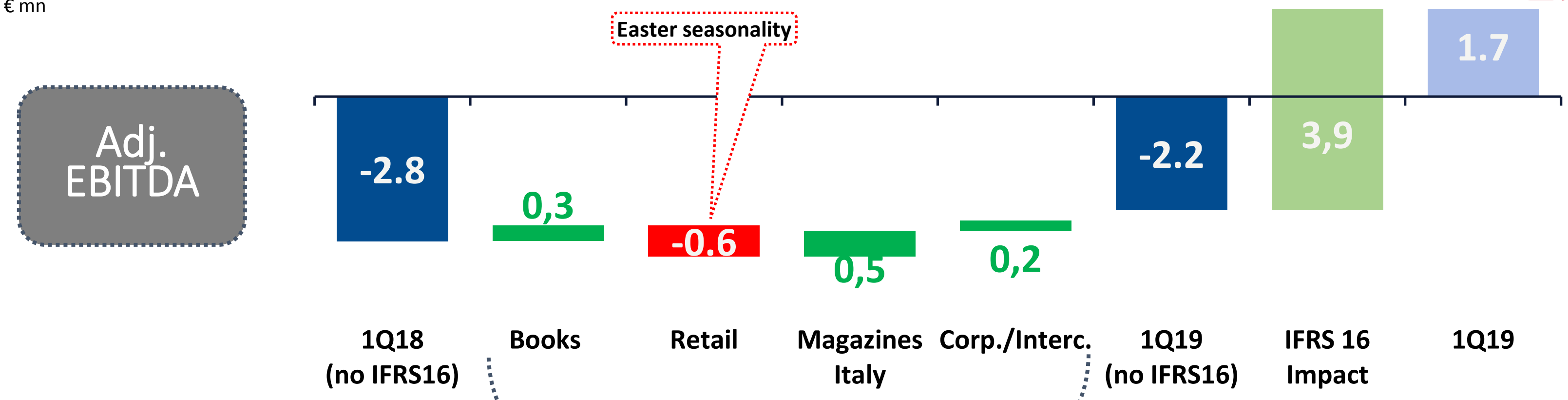
Rep. EBITDA	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	*Var. Lfl*	*Var.*
Books	(0.3)	(0.6)	(1.0)	***0.4***	*0.7*
Retail	(0.6)	(2.6)	(2.1)	***(0.5)***	*1.6*
Magazines Italy	2.3	2.3	(0.8)	***3.0***	*3.0*
Corporate & Shared Services	(0.3)	(2.0)	(2.1)	***0.1***	*1.7*
Intercompany	*0.0*	*0.0*	*(0.2)*	*0.2*	*0.2*
Total	**1.1**	**(2.8)**	**(6.2)**	***3.3***	*7.4*

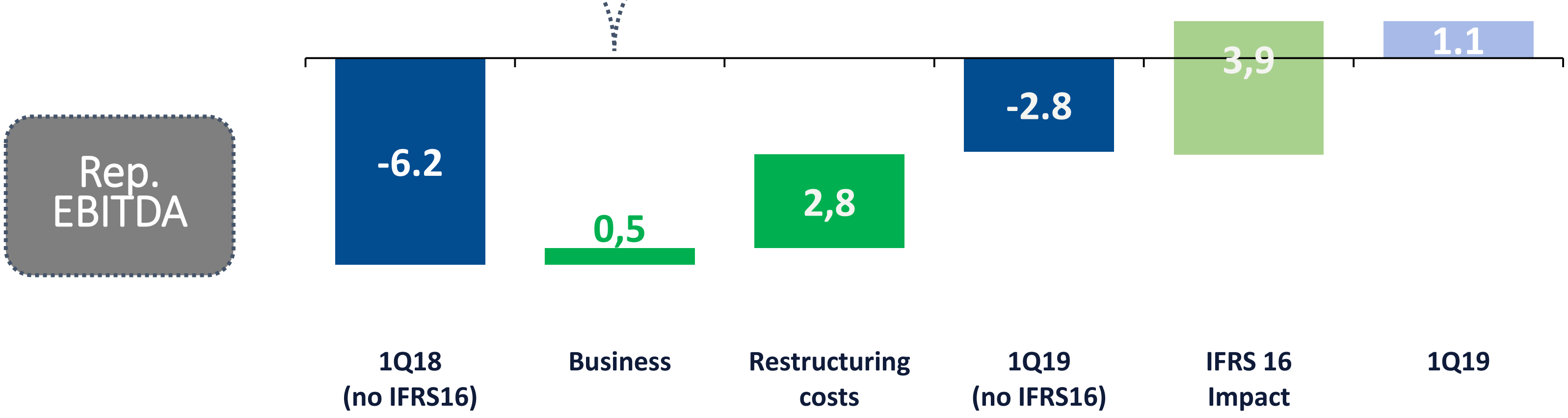
EBIT

EBIT	1Q19 (IFRS16)	1Q19 (no IFRS16)	1Q18 (no IFRS16)	*Var. Lfl*	*Var.*
Books	(2.8)	(2.8)	(3.8)	***1.0***	*0.9*
Retail	(3.2)	(3.2)	(2.9)	***(0.3)***	*(0.3)*
Magazines Italy	1.0	1.0	(1.8)	***2.8***	*2.8*
Corporate & Shared Services	(2.3)	(2.5)	(2.5)	***0.0***	*0.1*
Intercompany	*0.0*	*0.0*	*(0.2)*	*0.2*	*0.2*
Total	**(7.2)**	**(7.6)**	**(11.2)**	***3.6***	*4.0*

1Q19 EBITDA Evolution

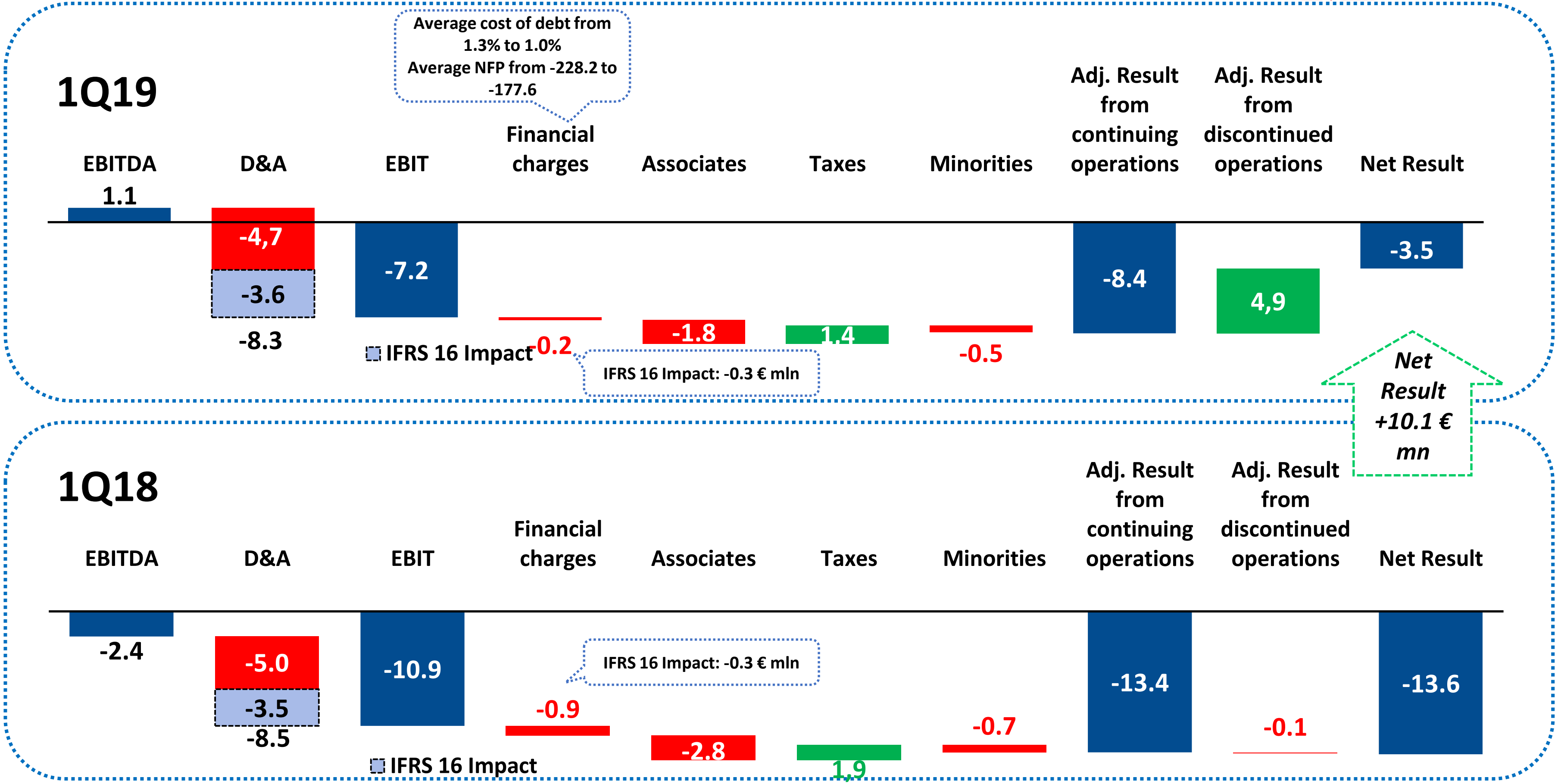
€ mn





1Q19 from EBITDA to Net Result

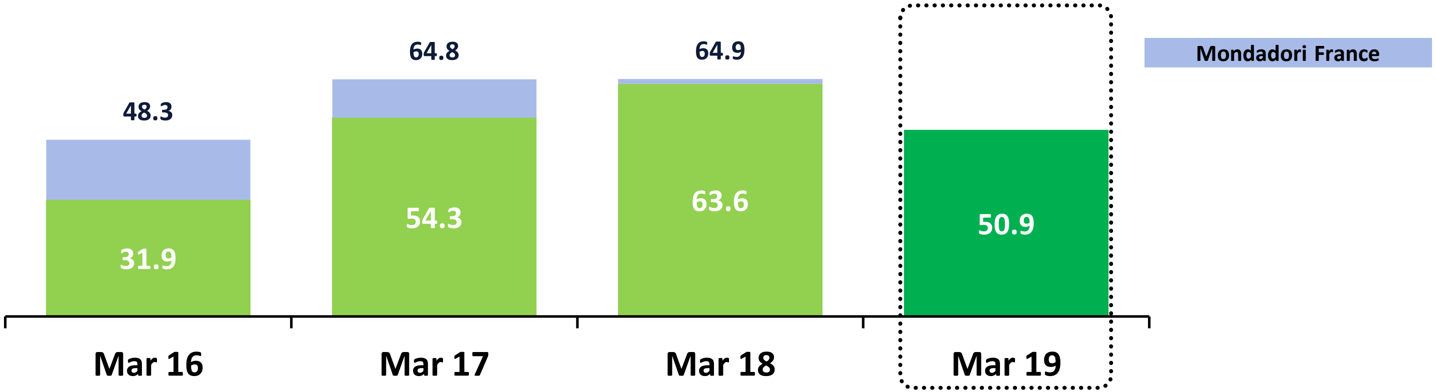
€ mn



1Q19 LTM Cash Flow

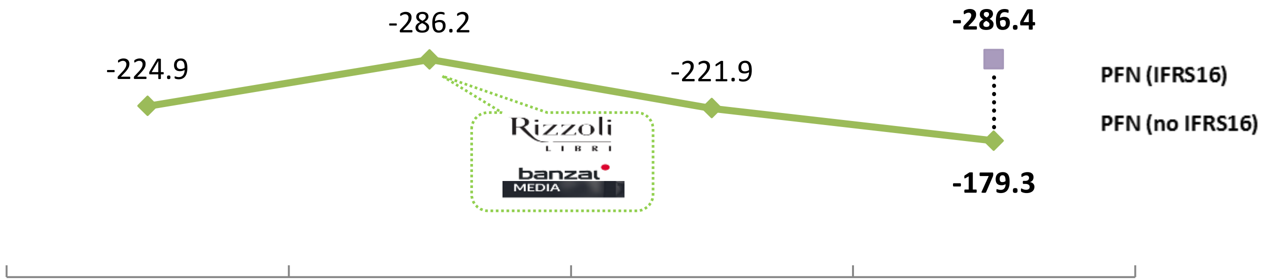
€ mn

Positive cash generation from business confirmed



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

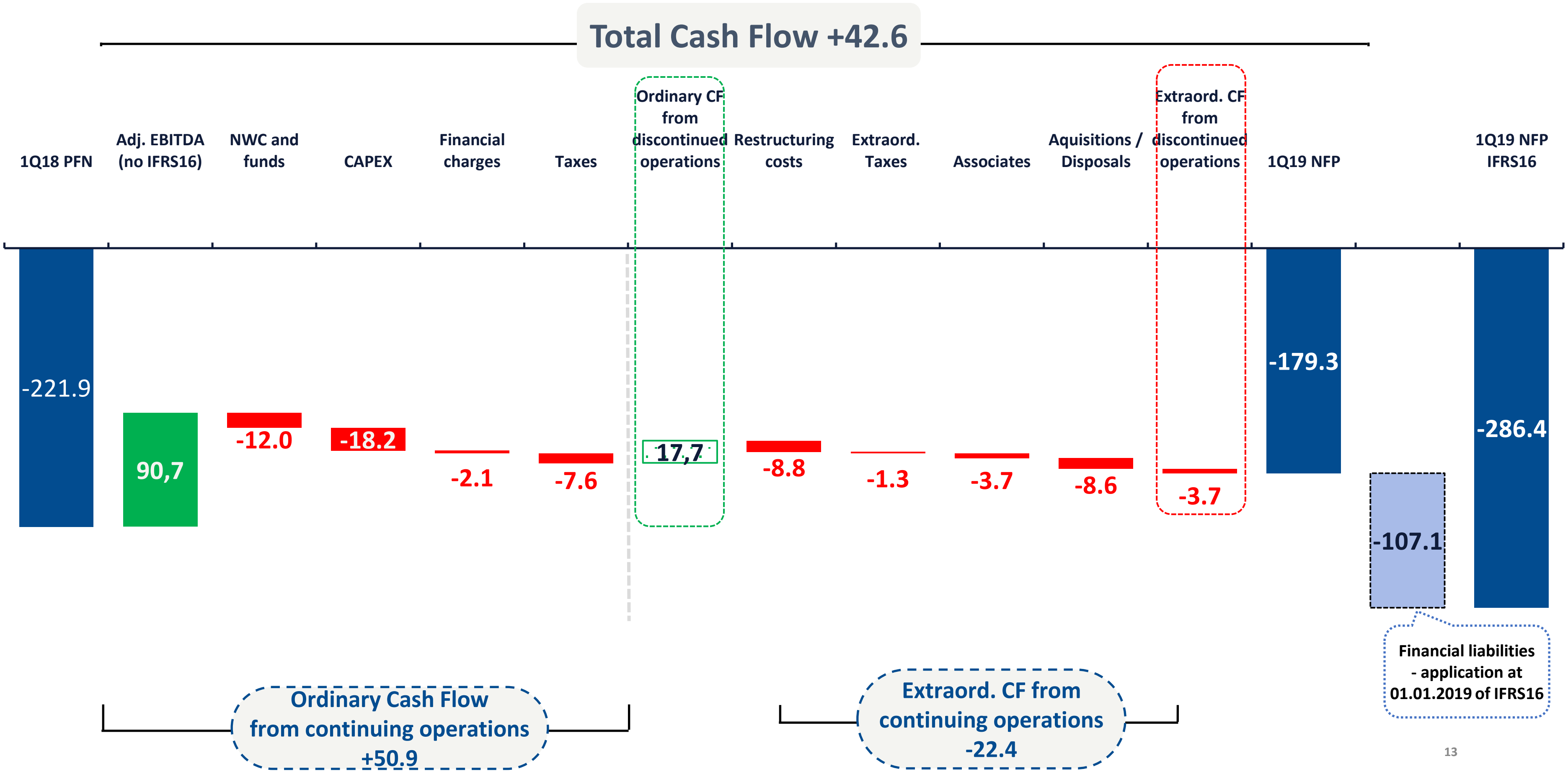
Group NFP



+42.6 € mn (lfl)

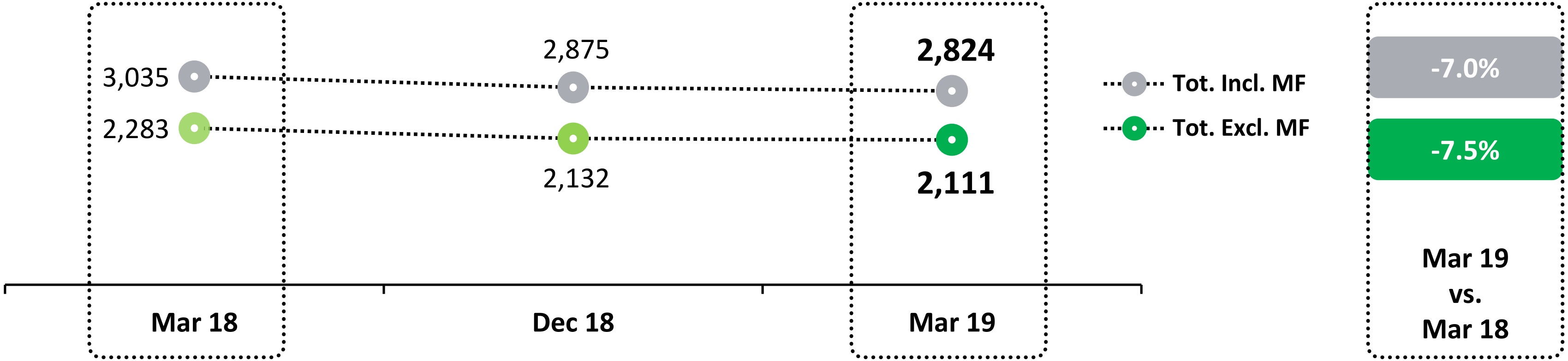
Cash Flow LTM 1Q19

€ mln

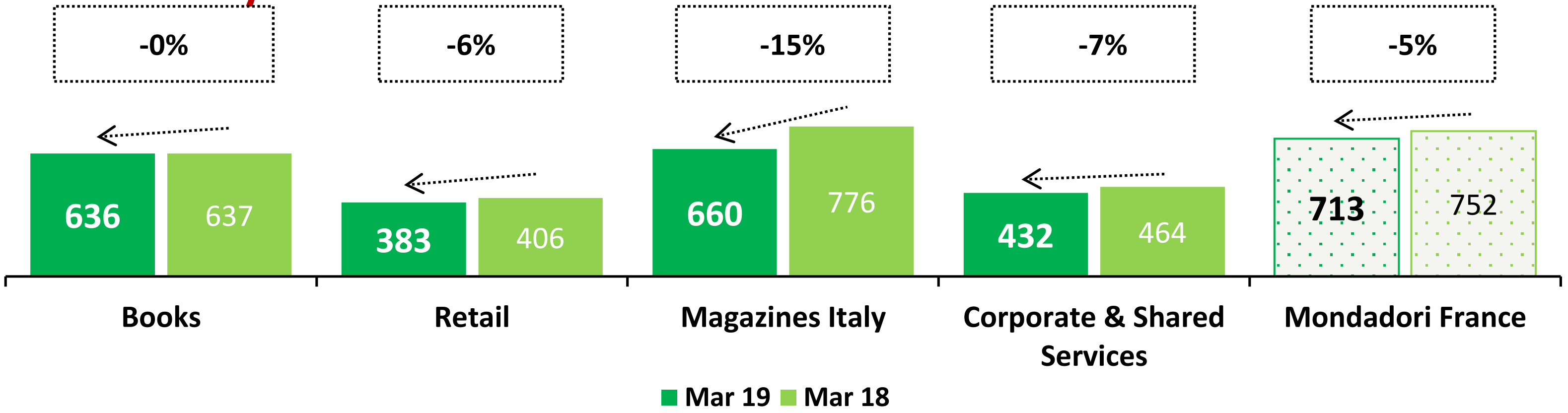


1Q19 Headcount Evolution

Group Headcount



Headcount by BU



GRUPPO MONDADORI

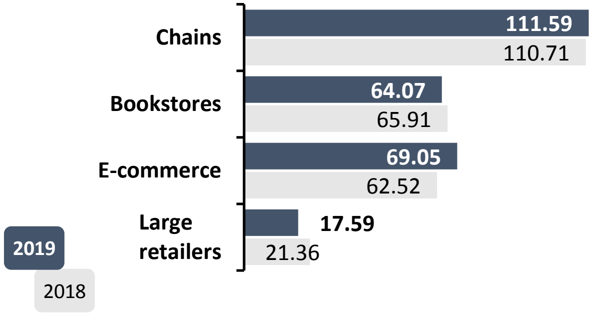
AGENDA

1Q19 Business – Trade Books

MONDADORI LIBRI

Trade Market – € 262.6 mln

+0.8%



Chains	+0.8%
Bookstores	-2.6%
E-commerce	+10.6%
Large retailers	-17.3%

Trade market shares

	2019	2018
GRUPPO MONDADORI	25.0%	27.7%
GeMS	10.7%	11.8%
GIUNTI	8.6%	8.9%
la Feltrinelli	5.6%	5.0%
NEWTON COMPTON EDITORI	1.7%	2.1%
DeAGOSTINI LIBRI	1.5%	1.6%
Altro	46.9%	42.9%

2 titles in first Top 10 sellers

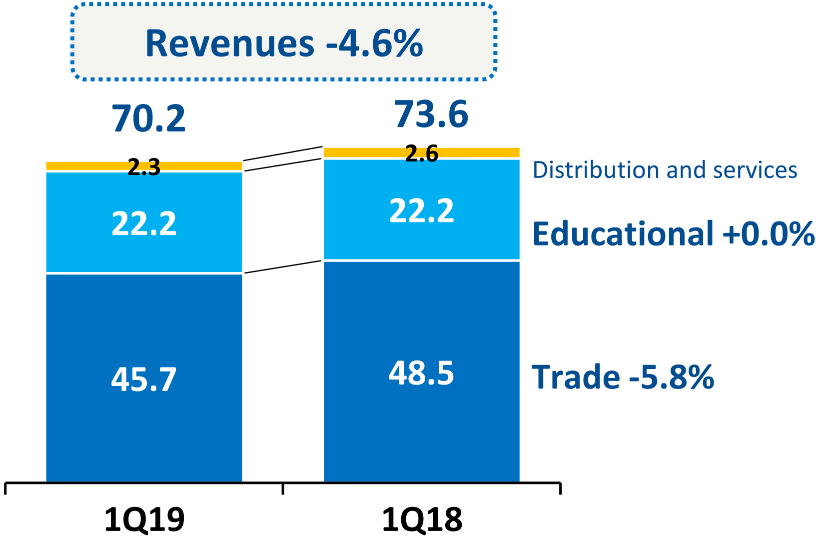
2

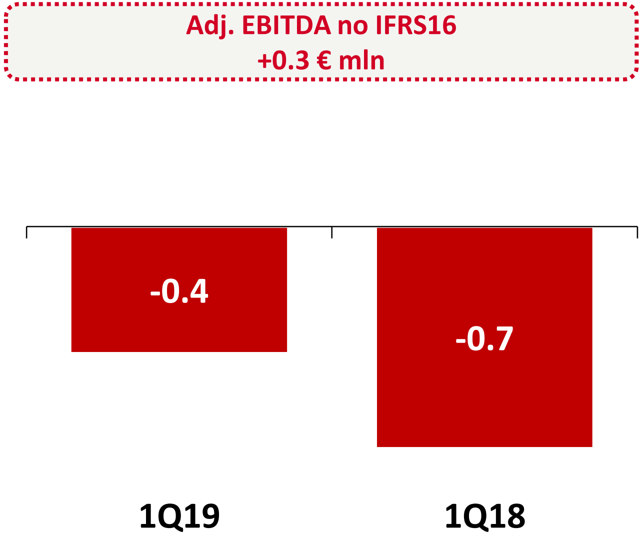
5

Source: GFK Mar. 2019 (sell-out market value data)

1Q19 Business – Books

€ mn





REVENUES

- **Trade:** -5.8% decrease versus 1Q18, as a result of the different scheduling of the publishing plan.
- **Educational:** in line versus 1Q18.

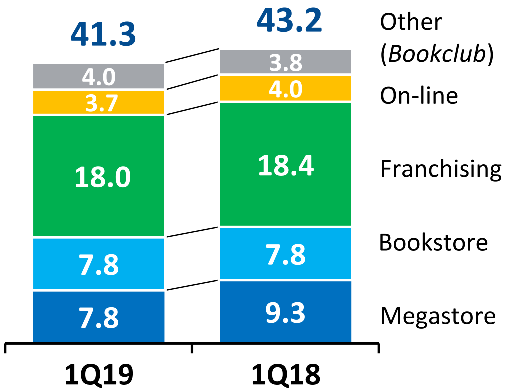
Adj. EBITDA

- Ongoing improvement in operations.

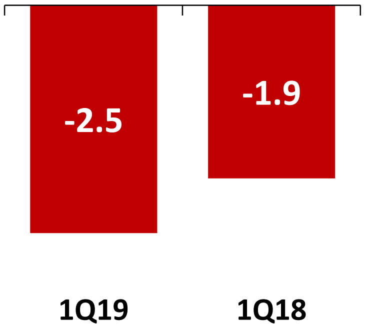
1Q19 Business – Retail

€ mn

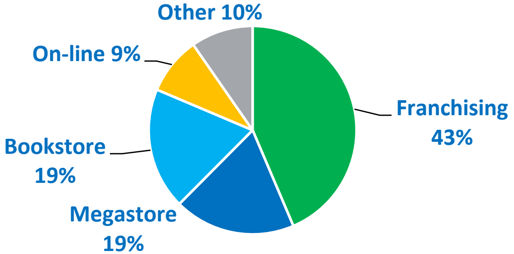
Revenues -4.4%

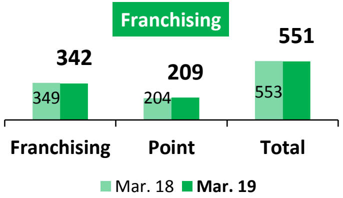


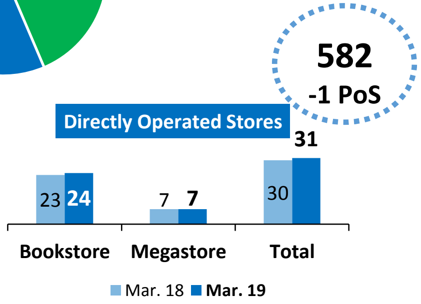
Adj. EBITDA no IFRS16 -0.6 € mn



Revenues by channel*

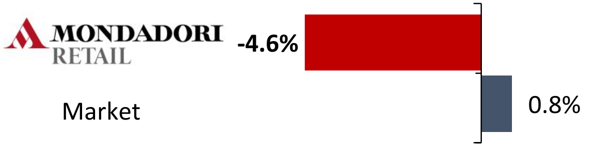






REVENUES	▶ **Megastore** -16.4% due to Consumer Electronics (-14.6% lfl) ▶ **Bookstores +0.6%** (-5.2% lfl) ▶ **Franchising** -1.7% (-3.1% lfl) ▶ **On-line** -7.5%
Adj. EBITDA	▶ The performance is due partly to the unfriendly schedule which, in 1° quarter 2019, did not include sales made during the Easter holidays.

81% revenues in Book market*



13.5% market share

Source: GFK Mar. 2019 (sell-out market value data)

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

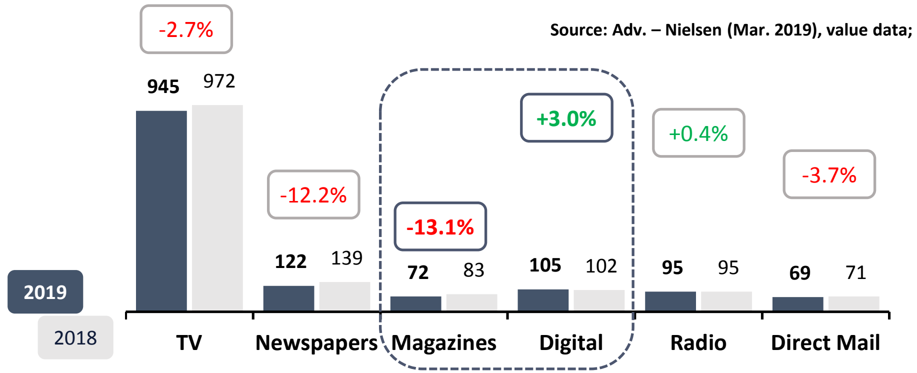
1Q19 Business – Magazines Italy

MONDADORI MAGAZINE

Adv. market – € 1,464 mn

-3.5%

Source: Adv. – Nielsen (Mar. 2019), value data;

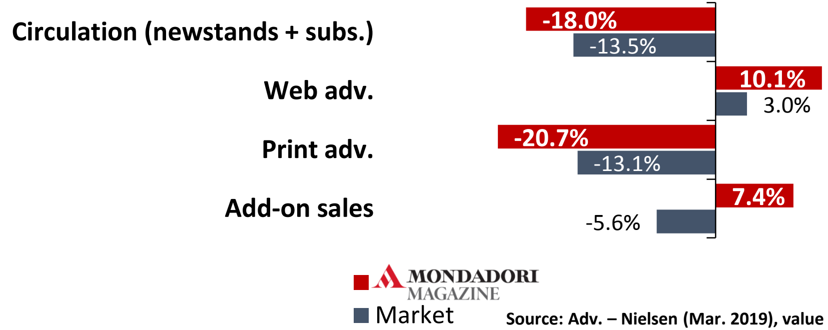


Circulation market shares

	2019	2018
MONDADORI MAGAZINE	28.4%	31.6%
CAIRO EDITORE	20.6%	19.5%
RCS	5.5%	4.6%
Casa Editrice Universo	12.3%	12.3%
HEARST magazines	5.2%	5.1%
CONDÉ NAST	3.0%	3.1%
Altri	25.1%	23.8%

29.2% (excl. Panorama in 1Q18)

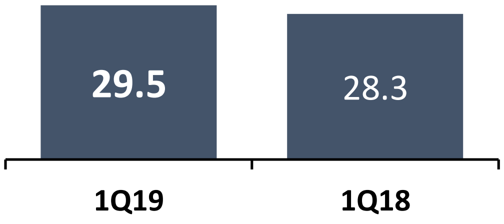
Source: circulation by value (newstands + subs. channels) – internal source (Feb. 2019)



Source: Adv. – Nielsen (Mar. 2019), value data;
Circulation by value (newstands + subs. channels) – internal source (Feb. 2019)

Web Total Audience (mn/month)

+4% yoy



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

1Q19 Business – Magazines Italy

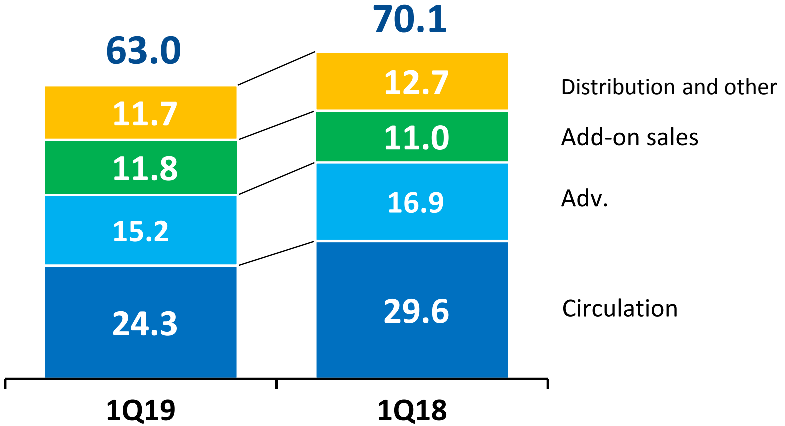
MONDADORI MAGAZINE

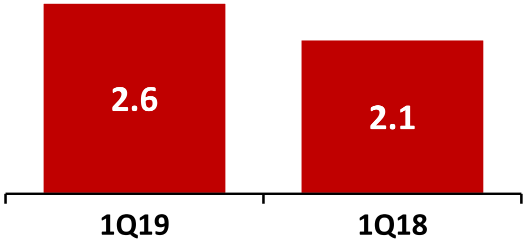
€ mn

Revenues -10.2%

-2.5% lfl

Adj. EBITDA no IFRS16 +0.5 € mln





REVENUES

- **Circulation revenues** -18.0% (-12.6% lfl)
- **Adv. revenues print + web** -10.0% (-6.5% lfl):
  - web +10%,
  - print -21% decrease (-15.8% lfl).
- **Distribution and other** -7.8%, contraction due to Inthera disposal.

Adj. EBITDA

- Increasing versus the same period of the prior year as a result of:
  - actions aimed at reducing operating and structural costs,
  - the ongoing improvement in the digital area and
  - Inthera S.p.A. and Panorama disposals.

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CONTINUING OPERATIONS SCOPE

REVENUES	Slight decrease
Adj. EBITDA	Single digit increase
Adj. result from continuing operations	In increase, expected in the *range* 30-35 € mn
Ordinary Cash Flow	≈ 45 € mn, creating sustainable conditions for a possible return in the future to the dividend

* Before IFRS 16 (Leasing) adoption

BACKUP

1Q19 P&L

€ mn

€mn	1Q19		1Q18		% change
NET REVENUE	**166.8**	***100.0%***	**177.7**	***100.0%***	***(6.1%)***
INDUSTRIAL COST OF PRODUCT	57.5	*34.5%*	58.9	*33.1%*	*(2.3%)*
VARIABLE PRODUCT COSTS	23.7	*14.2%*	27.0	*15.2%*	*(12.0%)*
OTHER VARIABLE COSTS	29.9	*17.9%*	32.8	*18.5%*	*(8.9%)*
STRUCTURAL COSTS	14.6	*8.8%*	15.0	*6.7%*	*(2.8%)*
EXTENDED LABOUR COST	39.4	*23.6%*	43.2	*24.3%*	*(9.0%)*
OTHER EXPENSE AND (INCOME)	(0.1)	*(0.1%)*	(0.2)	*(0.1%)*	*(60.0%)*
(ADJUSTED) EBITDA	**1.7**	***1.0%***	**1.0**	***0.6%***	***68.5%***
RESTRUCTURING COSTS	0.6	*0.3%*	3.2	*1.8%*	*(82.2%)*
NEGATIVE (POSITIVE) EXTRAORDINARY ITEMS	0.0	*0.0%*	0.1	*0.1%*	*(98.9%)*
EBITDA	**1.1**	***0.7%***	**(2.4)**	***(1.3%)***	***n.s.***
AMORTIZATION AND DEPRECIATION	4.7	*2.8%*	5.0	*2.8%*	*(5.8%)*
AMORTIZATION AND DEPRECIATION IFRS16	3.6	*2.2%*	3.5	*2.0%*	*2.8%*
EBIT	**(7.2)**	***(4.3%)***	**(10.9)**	***(6.2%)***	***33.7%***
FINANCIAL EXPENSE AND (INCOME)	(0.1)	*(0.1%)*	0.6	*0.3%*	*n.s.*
FINANCIAL EXPENSE IFRS16	0.3	*0.2%*	0.3	*0.1%*	*26.9%*
EXPENSE AND (INCOME) FROM INVESTMENTS	1.8	*1.1%*	2.8	*1.6%*	*(36.2%)*
EBT	**(9.2)**	***(5.5%)***	**(14.6)**	***(8.2%)***	***36.9%***
TAX EXPENSE AND (INCOME)	(1.4)	*(0.8%)*	(1.9)	*(1.1%)*	*(28.4%)*
NON-CONTROLLING INTERESTS	**0.5**	***0.3%***	**0.7**	***0.4%***	***(24.1%)***
RESULT FROM CONTINUING OPERATIONS	**(8.4)**	***(5.0%)***	**(13.4)**	***(7.6%)***	***37.4%***
RESULT FROM DISCONTINUED OPERATIONS	**4.9**	***3.0%***	**(0.1)**	***(0.1%)***	***n.s.***
NET RESULT	**(3.5)**	***(2.1%)***	**(13.6)**	***(7.6%)***	***74.5%***

(ADJUSTED) EBITDA EXCLUDING IFRS16	***(2.2)***	***(1.3%)***	***(2.8)***	***(1.6%)***	***19.1%***
EBITDA EXCLUDING IFRS16	***(2.8)***	***(1.7%)***	***(6.2)***	***(3.5%)***	***54.1%***
EBIT EXCLUDING IFRS16	***(7.6)***	***(4.5%)***	***(11.2)***	***(6.3%)***	***32.4%***
EBT EXCLUDING IFRS16	***(9.2)***	***(5.5%)***	***(14.6)***	***(8.2%)***	***36.9%***

1Q19 Balance Sheet

€ mn

	March 19	Dec. 18	March 18
Trade receivables	187.3	219.0	204.1
Inventory	134.7	122.3	131.5
Trade payables	(291.4)	(333.4)	(320.3)
Other assets (liabilities)	42.9	46.1	52.4
NWC	73.5	54.1	67.7
Intangible assets	227.6	226.7	228.1
Property, plant and equipment	18.2	19.1	22.2
Property, plant and equipment IFRS 16	107.0		0.0
Investments	31.4	32.3	36.9
NET FIXED ASSETS	384.3	278.2	287.3
Provisions and post-employment benefits	(96.9)	(103.3)	(100.9)
Assets/liabilities held for sale	94.2	89.1	299.8
NET INVESTED CAPITAL	**455.1**	**317.9**	**553.9**
Share capital	68.0	68.0	68.0
Reserves	74.8	251.1	247.4
Profit (loss) for the year	(3.5)	(177.1)	(13.6)
Share capital and reserves attributable to non-controlling interests (from ass	29.3	28.7	30.2
EQUITY	168.6	170.7	332.0
NET FINANCIAL POSITION	179.3	147.2	221.9
NET FINANCIAL POSITION IFRS 16	107.1		
TOTAL EQUITY	**455.0**	**317.9**	**553.9**

1Q19 NFP

€ mn

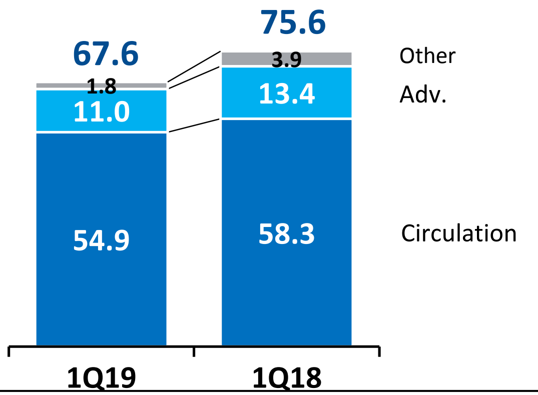
€mn	1Q 19 LTM	Dec. 18
NFP at beginning of period	**(221.9)**	**(189.2)**
Financial liabilities - application at 01.01.2019 of IFRS16	(110.8)	
Adjusted EBITDA IFRS16	3.7	
NFP at beginning of period IFRS 16	**(329.0)**	**(189.2)**
Adjusted EBITDA (no IFRS16)	90.7	90.1
Change in NWC and provisions	(12.0)	(3.8)
Capex	(18.2)	(20.0)
Cash flow from operations	60.6	66.3
Financial expense	(2.1)	(2.9)
Tax	(7.6)	(7.9)
Cash flow from ordinary operations assets held for sale	17.7	15.3
Cash flow from ordinary operations	**68.6**	**70.9**
Restructuring costs	(8.8)	(11.3)
Extraordinary tax amounts / prior years	(1.3)	(1.2)
Management of investments in associates	(3.7)	(3.5)
Acquisition/disposal of assets	(8.6)	(9.5)
Cash flow from extraordinary operations assets held for sale	(3.7)	(3.4)
Cash flow from non-ordinary operations	(26.1)	(28.9)
Total Cash Flow	42.6	42.0
NFP end of period	**(286.4)**	**(147.2)**
NFP end of period excl. IFRS 16	**(179.3)**	**(147.2)**

1Q19 Business – Magazines France (no IFRS 16)

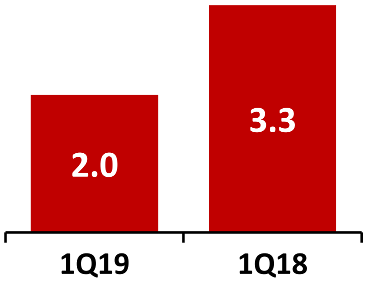
MONDADORI FRANCE

€ mn

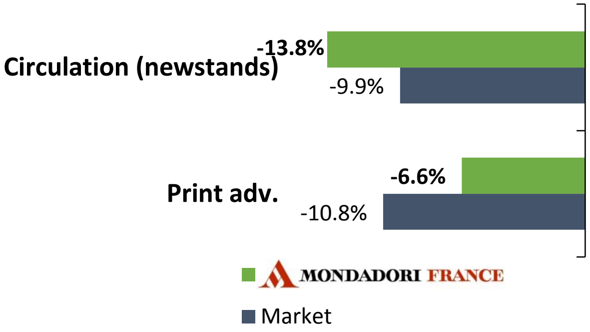
Revenues -10.6%



Adj. EBITDA -1.3 € mln



Mondadori vs market



Source: circulation – Mondadori France Feb. 2019, Adv. – Net Index Dec. 2018

Print adv market shares

	2019	2018
MONDADORI FRANCE	8.0%	9.0%
Lagardère	12.5%	11.6%
	8.3%	9.4%
LE FIGARO	6.0%	5.8%
	5.3%	4.7%
marie claire	4.2%	3.4%
altice	3.6%	3.6%
CONDÉ NAST	5.5%	5.7%
Bayard	1.9%	1.8%
Reworld Media	1.0%	1.3%
Other	43.7%	43.7%

REVENUES

- **Circulation revenues** (80% of the total) -5.9%:
  - newstands -7.1%,
  - subscriptions -4.6%.
- **Adv. revenues** -18.2% (*print+web*):
  - *print* (87% of the total adv. revenues) -17.3%.

Adj. EBITDA

- -1.3 € mn versus 1Q18

Source: Adv. – Kantar Media Feb. 2019

Mondadori France disposal

GRUPPO MONDADORI

Mondadori signed an agreement to sell its subsidiary Mondadori France S.A.S. to Reworld Media S.A..

- **Operation Structure:** disposal of the 100% of the stake held in Mondadori France
- **Disposal value:** €70mln + 5 earn-out, cash and debt free
- **Price payment:**
  - €50mn cash at the closing date
  - €10mn 24 months from the closing date
  - €10mn through issue of new Reworld Media S.A. shares
- **NFP Impact:** ≈65mln
- **P&L Impact:** *impairment* at 31/03/2019 equal to €194.3 mn (€200.1 mn at 31/12/18)

Glossary

GRUPPO MONDADORI

- **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.

Mondadori Group IR (disponibile su Google Play e App Store)

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