GRUPPO MONDADORI

1Q20 Results

Investors Presentation

Ernesto Mauri – CEO
Oddone Pozzi – CFO

Segrate, 14 May 2020

GRUPPO MONDADORI

AGENDA

1. **1Q 2020 Highlights**
2. 1Q 2020 Results
3. 1Q 2020 Business
4. FY 2020 Outlook

1Q20 Highlights

February YTD results in line with FY guidance

Covid-19 effects: bookshops closed from 12th March; Amazon's supplies suspension from 20th March; museums closed from 8th March; ≈13% kiosks closed during the lockdown period

March YOY performance impacted by Covid-19 effects

March YTD Revenues: -18.9% vs. PY (-17.1% lfl)

March YTD Adjusted Ebitda (IFRS 16): -4.8 € mn vs. PY

LTM Ordinary Cash generation at 45.8 € mn (48.5 € mn at December 2019)

Labour and operating costs reduction plan

Covid-19 actions

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Safety

Internal crisis committee established

Smart-working for almost all the employees

Company anti contagion protocol published and made available to the entire company population

Supply of all necessary personal protective equipment in a sanitized work environment

Costs

Operating costs reduction plan

Use of outstanding holidays and of the procedures for social safety nets

Reduction of the variable remuneration of Group Management for 2020

1Q20 Highlights (IFRS 16)

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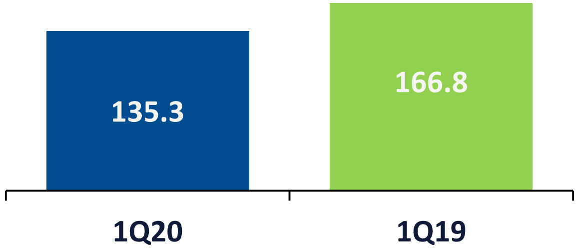
€ mn

Revenues

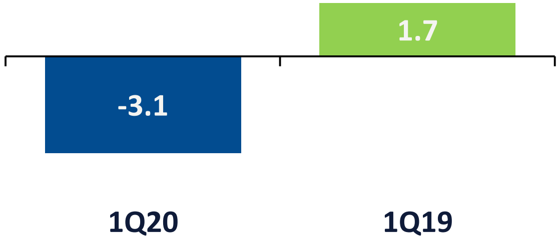
(18.9%)

-17.1% lfl



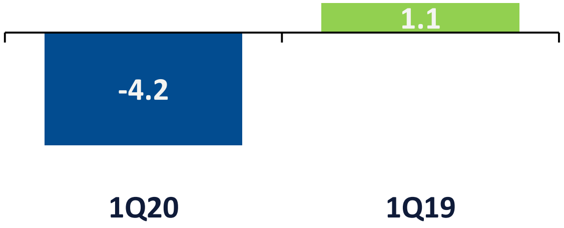
Adj. EBITDA

-4.8 € mn



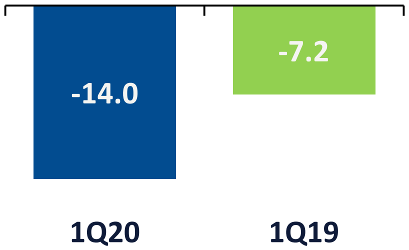
Rep. EBITDA

-5.3 € mn



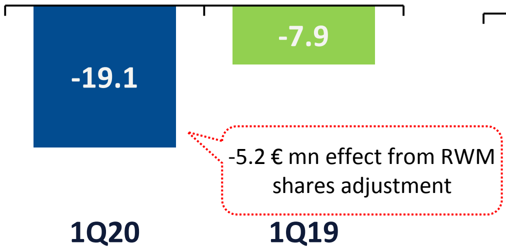
EBIT

-6.8 € mn



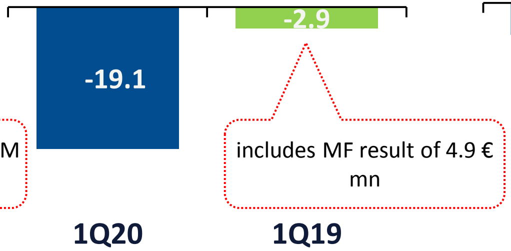
Result from continuing operations

11.2 € mn



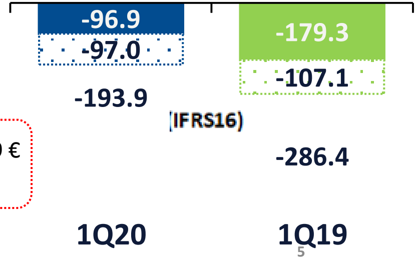
Consolidated Net Result

-16.2 € mn



NFP

+92.5 € mn



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1Q20 Revenues and Adj. EBITDA by Business Area

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€ mn

Revenues

	1Q 20	1Q 19	Var. %
Books	58.2	70.2	***(17.1%)***
Retail	31.1	41.3	***(24.8%)***
Media	50.6	63.0	***(19.6%)***
Corporate & Shared Services	11.1	9.5	***17.7%***
Intercompany	(15.7)	*(17.2)*	*(8.7%)*
Total	**135.3**	**166.8**	***(18.9%)***

-14.8% lfl

-17.1% lfl

Adj. EBITDA

	1Q 20	1Q 19	Var.
Books	(4.5)	(0.2)	***(4.4)***
Retail	(1.2)	(0.5)	***(0.8)***
Media	2.0	2.6	***(0.6)***
Corporate & Shared Services	0.0	(0.3)	***0.3***
Intercompany	*0.7*	*0.0*	***0.7***
Total	**(3.1)**	**1.7**	***(4.8)***

1Q20 Rep. EBITDA and EBIT by Business Area

€ mn

Rep. EBITDA

	1Q 20	1Q 19	Var.
Books	(5.2)	(0.3)	***(4.9)***
Retail	(1.3)	(0.6)	***(0.8)***
Media	1.8	2.3	***(0.5)***
Corporate & Shared Services	(0.1)	(0.3)	***0.2***
Intercompany	0.7	*0.0*	***0.7***
Total	**(4.2)**	**1.1**	***(5.3)***

EBIT

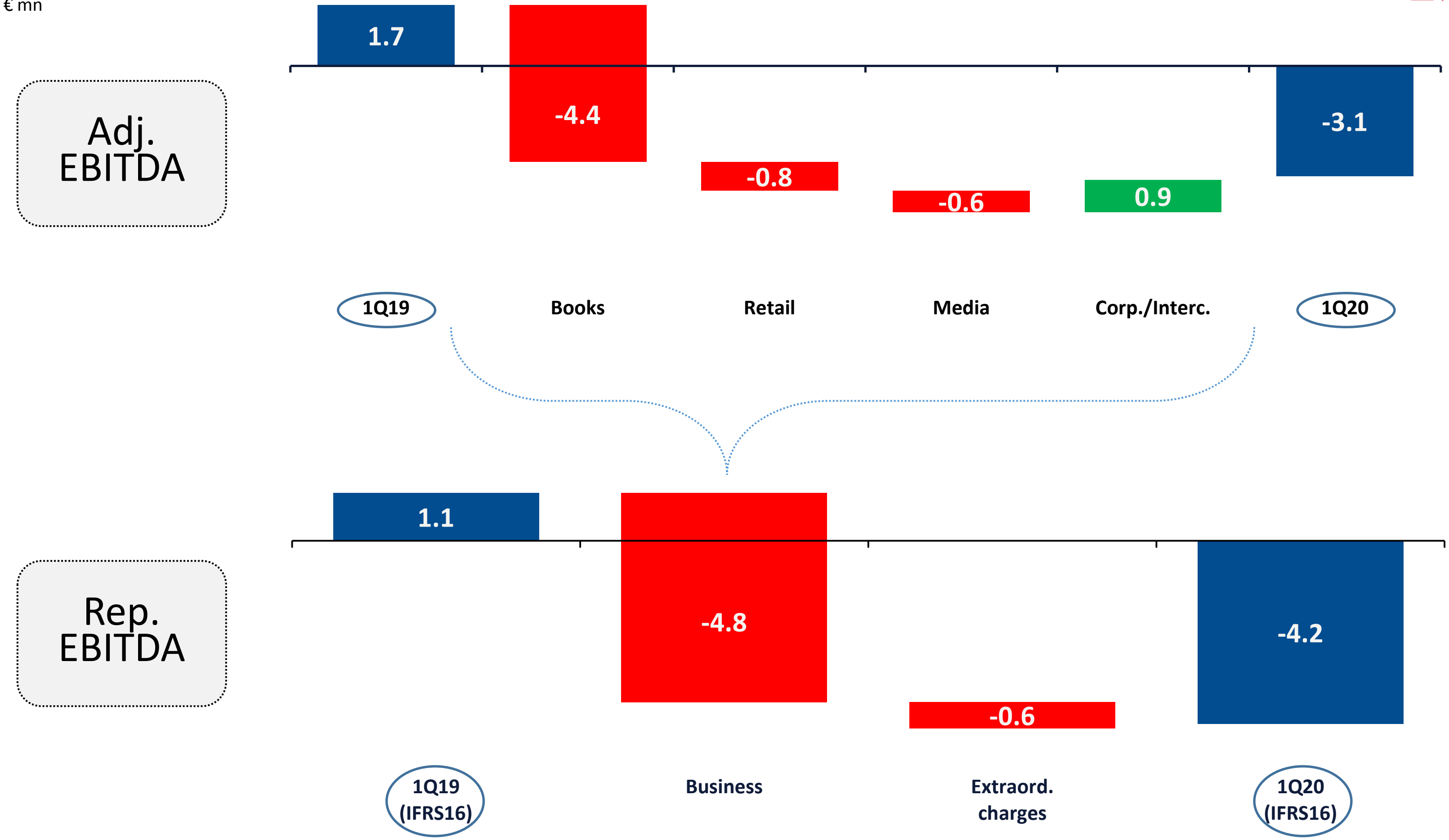
	1Q 20	1Q 19	Var.
Books	(8.3)	(2.8)	***(5.5)***
Retail	(3.8)	(3.2)	***(0.6)***
Media	0.1	1.0	***(1.1)***
Corporate & Shared Services	(2.5)	(2.3)	***(0.2)***
Intercompany	*0.7*	*0.0*	***0.7***
Total	**(14.0)**	**(7.2)**	***(6.8)***

Education area investments

0.7€ mn related to TV Sorrisi e Canzoni amortization

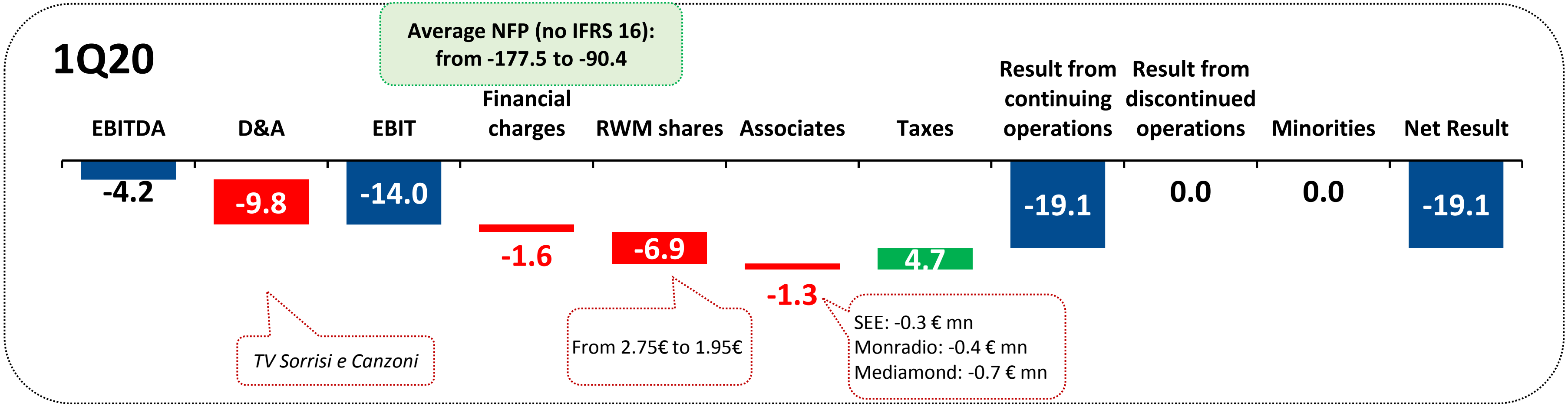
1Q20 EBITDA evolution

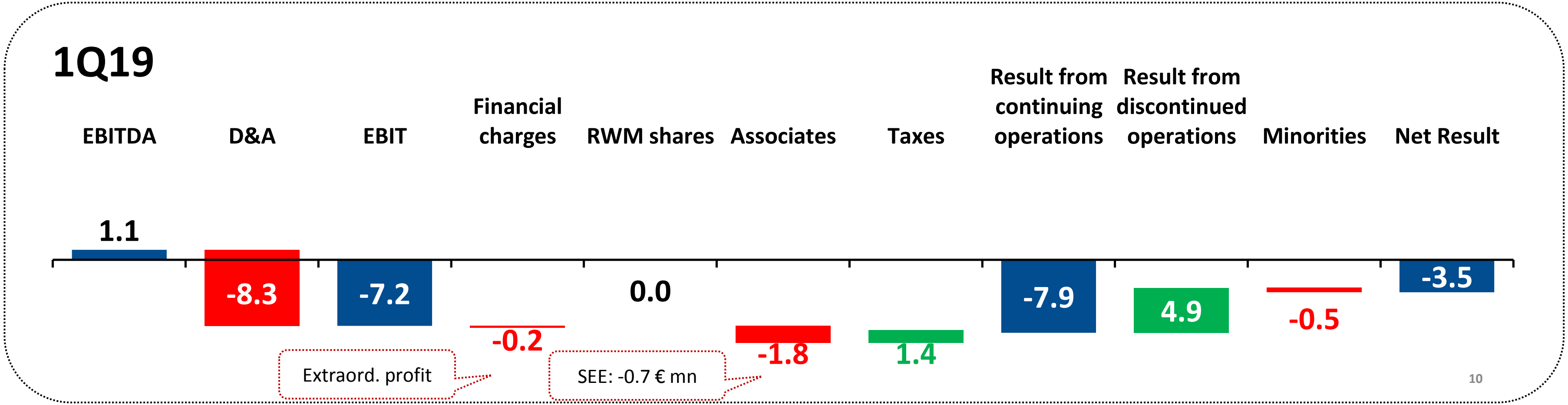
€ mn



1Q20 from EBITDA to Net Result (IFRS 16)

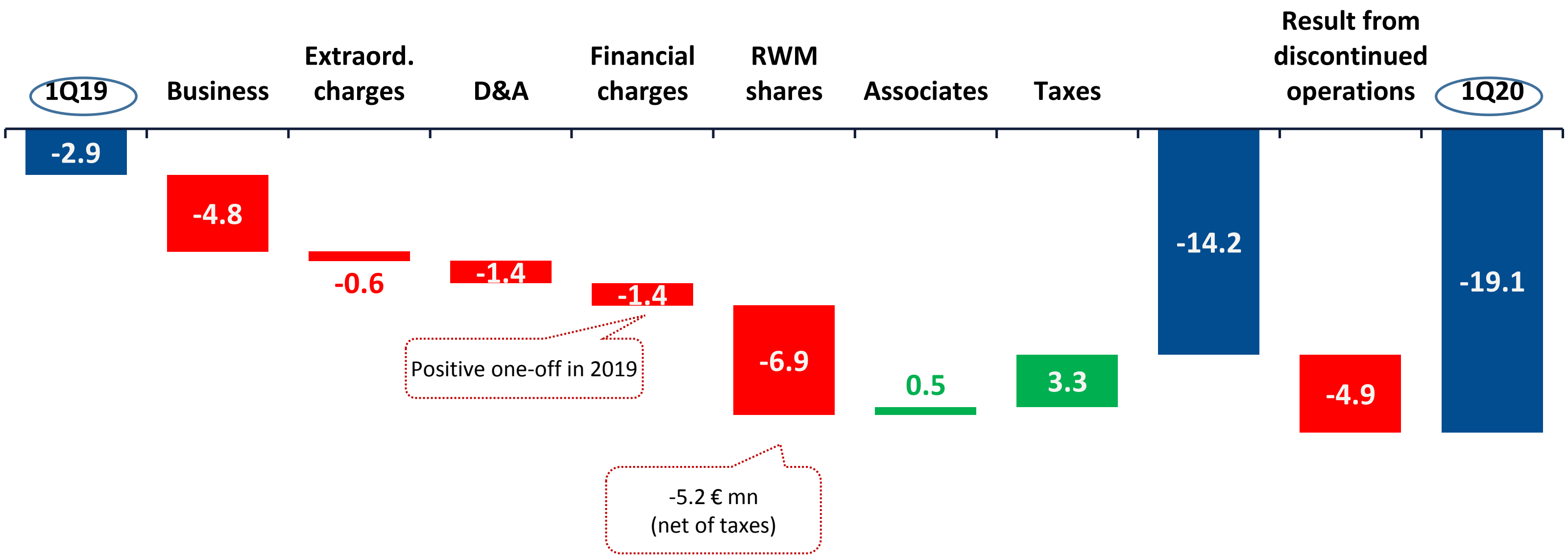
€ mn





1Q20 Net Result evolution

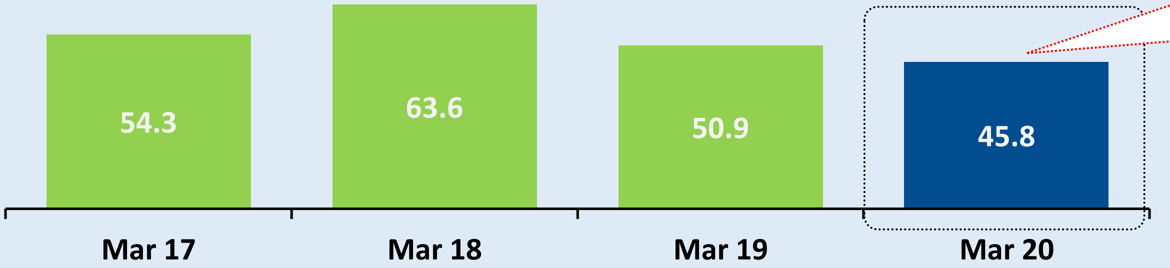
€ mn



1Q20 LTM Cash Flow

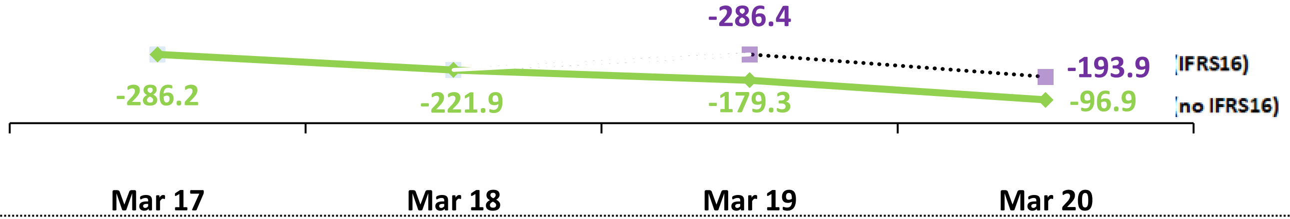
€ mn

Positive cash generation from business confirmed



Ordinary Cash Flow = Operating Cash Flow net of taxes and financial charges (excl. Mondadori France)

- No proceeds from DoS and museums
- Paybles and receivables overdue in line with March 2019

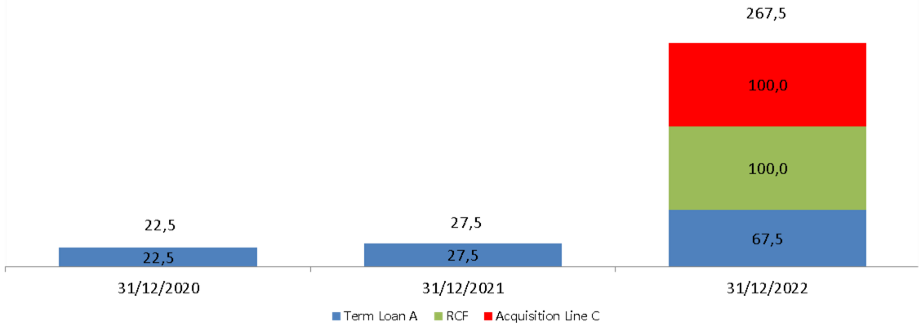


+62.8 from MF disposal

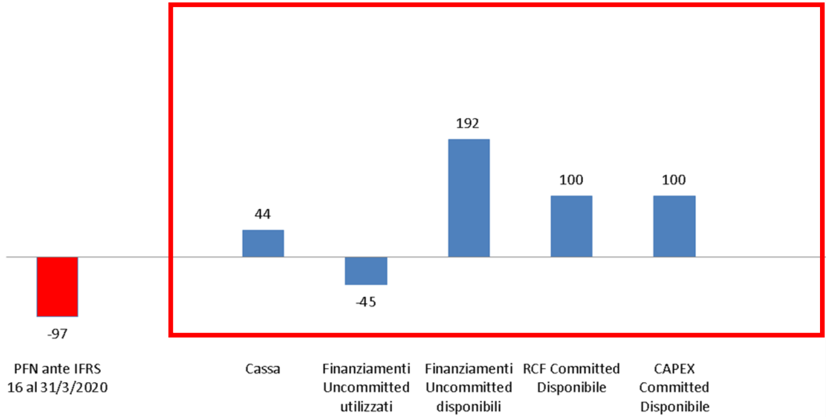
Liquidity and Debt Maturity Profile

€ mn

Credit institutions' pool		
		Not utilized
Term Loan A	117.5	-
Term Loan B	-	-
RCF	100.0	100.0
Acquisition Line C	100.0	100.0
Total	**317.5**	**200.0**



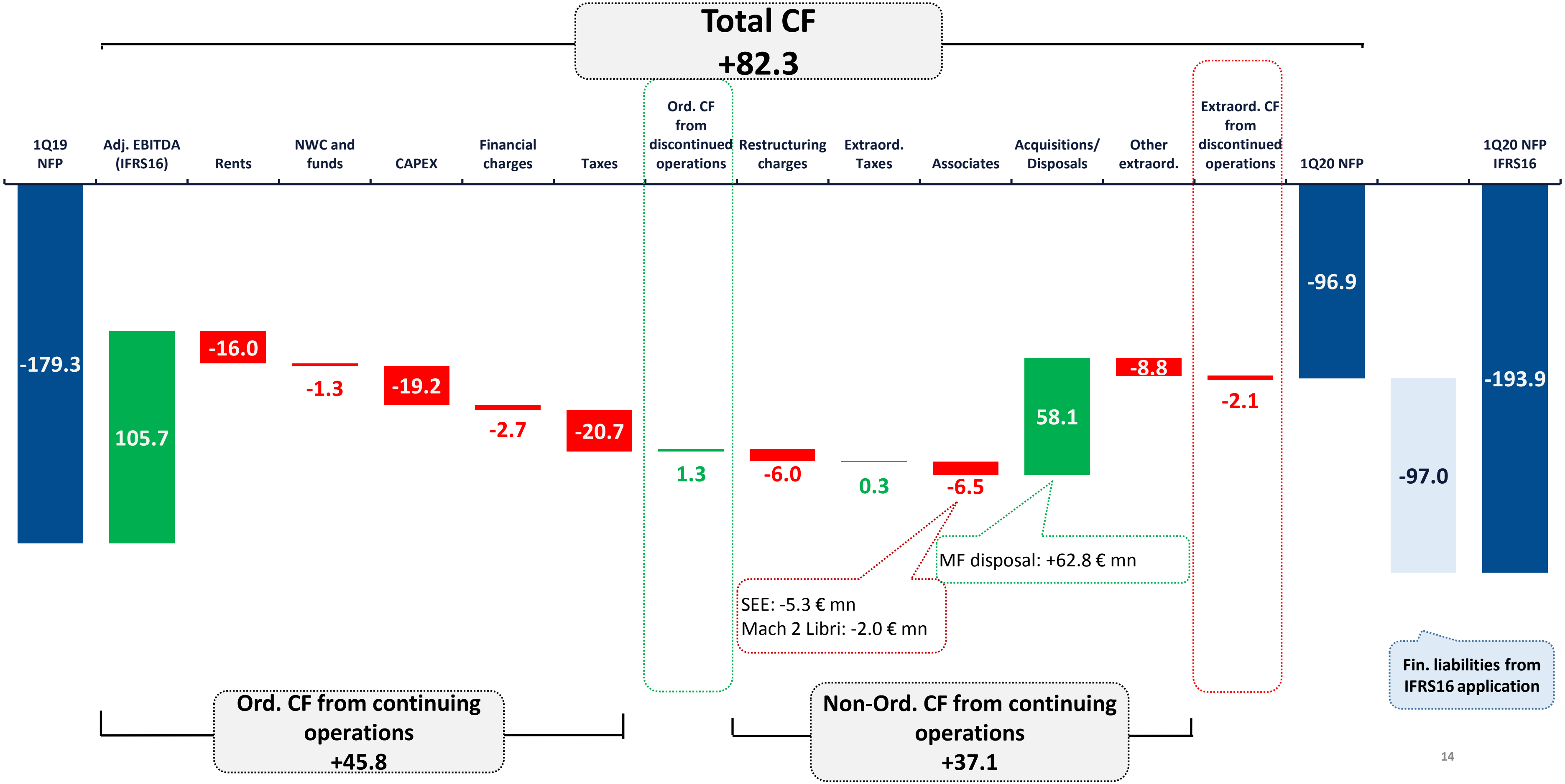
Average duration of committed credit lines: 2.5 ys.
Term Loan utilized: 117.5 mn (1.08% cost)



Credit lines available

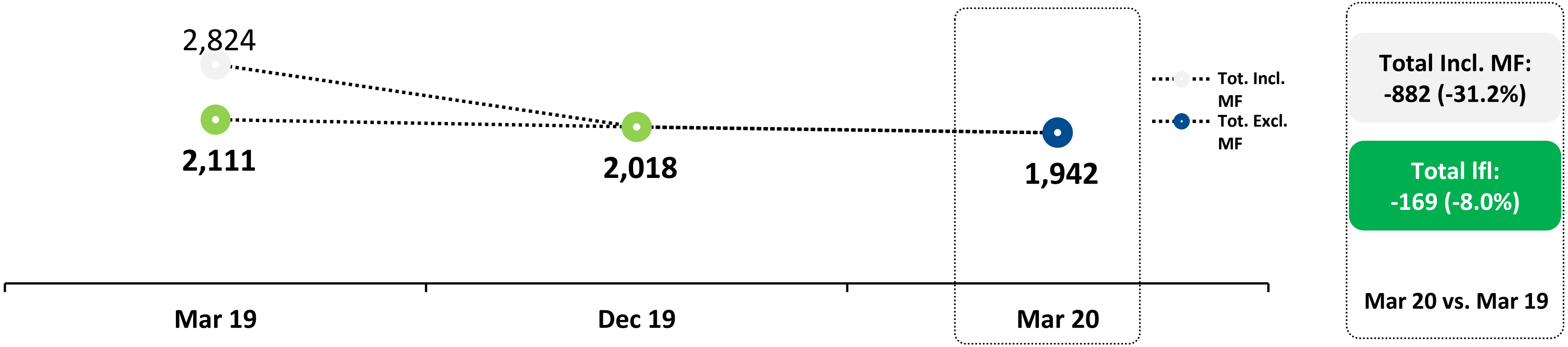
1Q20 LTM Cash Flow

€ mn

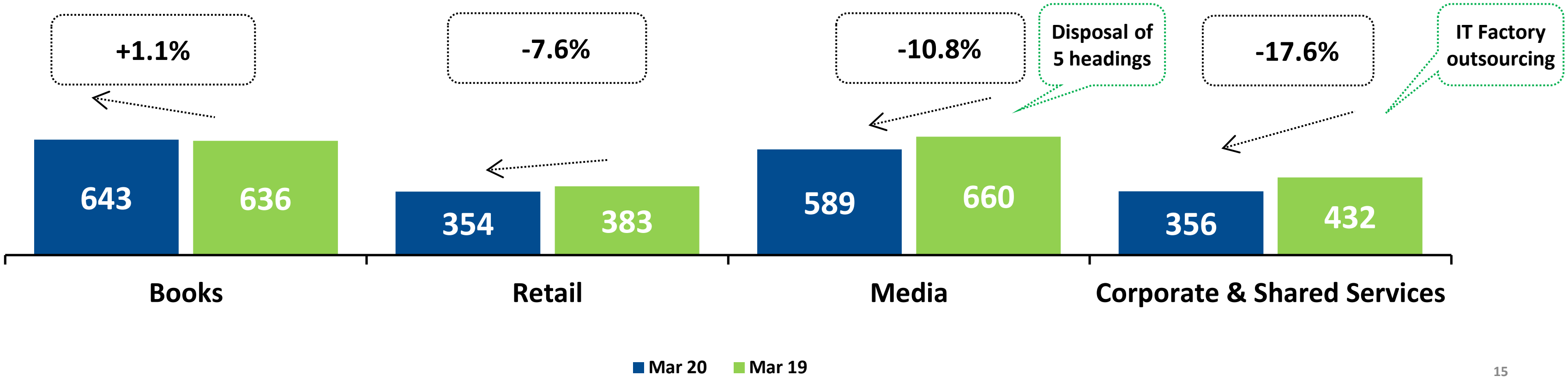


1Q20 Headcount evolution

Group Headcount



BU Headcount



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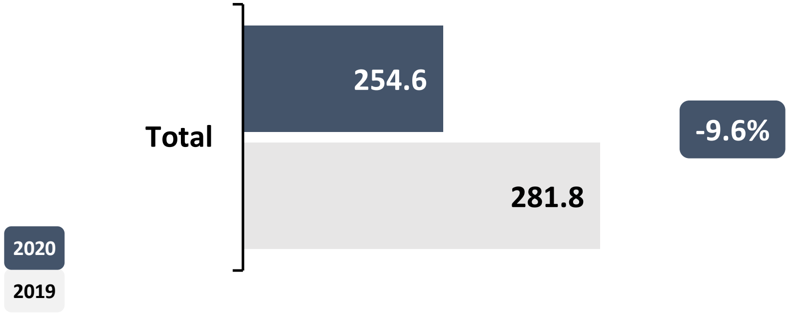
Trade Books Market

MONDADORI LIBRI

1Q20 market value ≈300 € mn



1Q20 market shares

	2020	2019		2020	2019
GRUPPO MONDADORI	23.4%	24.1%			
GEMS	10.0%	10.1%	Sellerio	1.5%	1.5%
GIUNTI	8.1%	8.4%	DeAGOSTINI LIBRI	1.5%	1.5%
la Feltrinelli	5.0%	5.3%	Others	50.4%	49.0%

4 titles in Top10 sellers 2020*

3

5

8

9

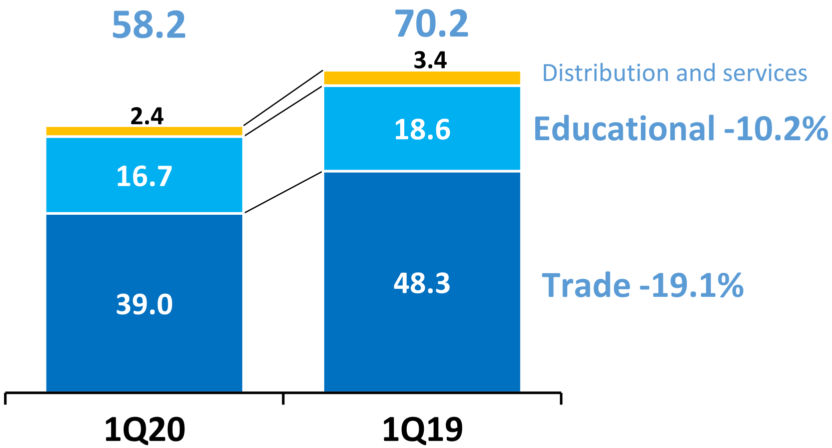
Source: GFK Mar. 2020 (sell-out market value data)

*At March 2020

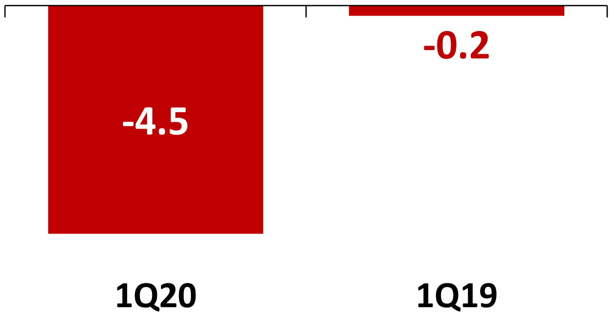
1Q20 BU – Books

€ mn

Revenues -17.1%



Adj. EBITDA -4.3 € mn



REVENUES

- **Bookshops closed from 12th March**
- **Amazon's supplies suspension from 20th March**
- **Museums closed from 8th March**
- **Trade:** -19.1% yoy mainly due to Covid-19 effects
- **Educational:** -10.2% yoy mainly due to Covid-19 effects

Adj. EBITDA

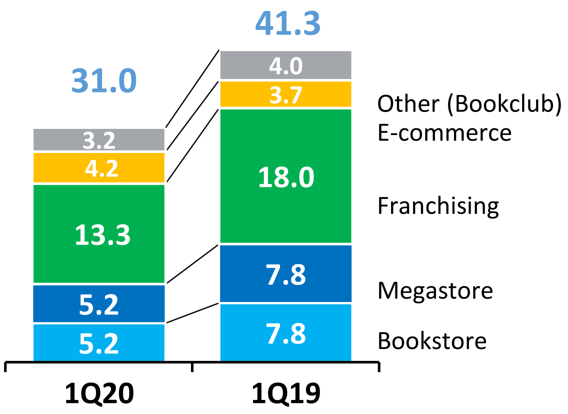
- **EBITDA adjusted** at -4.5 € mn. vs. -0.2 € mn. in 1Q19
- **EBITDA reported** at a -5.2 € mn. vs. a -0.3 € mn. in 1Q19
- **EBIT** aTt-8.3 € mn. vs. a -2.8 € mn. In 1Q19

1Q20 BU – Retail

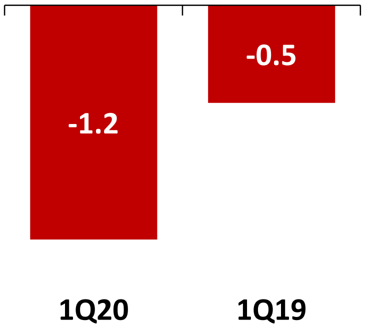
MONDADORI RETAIL

€ mn

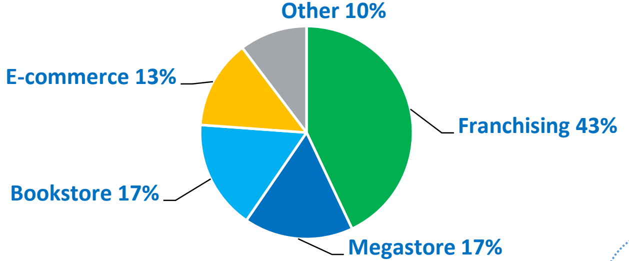
Revenues -24.8%

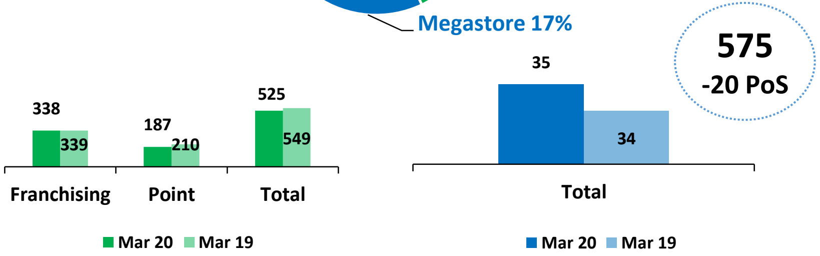


EBITDA Adj. -0.7 € mn



Revenues by channel





REVENUES

- **Bookshops closed from 12th March**
- **Revenues in March 2020:** -65.8% (-6.7 € mn.) yoy
- **Book**: -22.9% contraction
- **Extra-Book**: in decline
- **E-commerce: +13.5% (≈ +130% in March 2020)**

Adj. EBITDA

- **EBITDA adjusted**: -0,7 € mn. yoy
- Limited effects thanks to careful cost management

≈80% of revenues comes from books

Mondadori Retail market share ≈11%

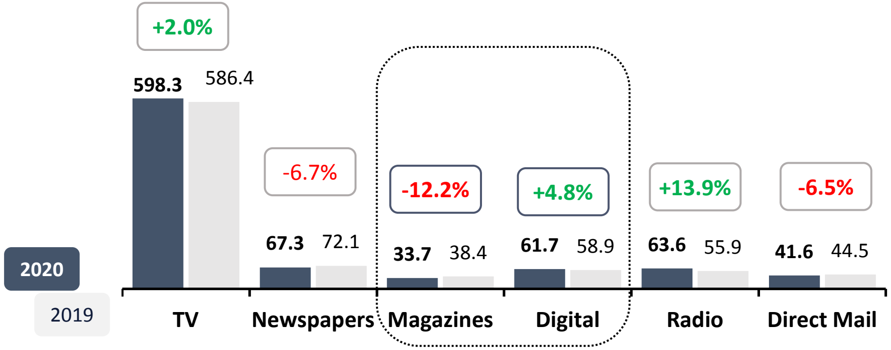
Adv. and Circulation Markets

MONDADORI MEDIA

1Q20 Adv. market value ≈900 € mn

+0.8%

Source: Adv. – Nielsen (Feb 2020), value data



1Q20 Circulation market shares

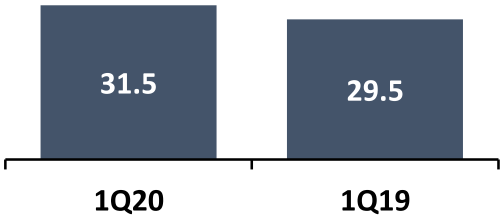
	2020	2019
MONDADORI MAGAZINE	23.3%	28.4%
CAIRO EDITORE	22.0%	20.6%
RCS	5.8%	5.5%
Casa Editrice Universo	12.9%	12.2%
HEARST magazines	5.1%	5.2%
CONDÉ NAST	3.0%	2.9%
Altri	27.9%	25.2%

25.3% (excl. 5 headings disposed)

Source: Press-di (Feb.2020), value data

Mondadori web unique audience (mn/month)

+7% YoY



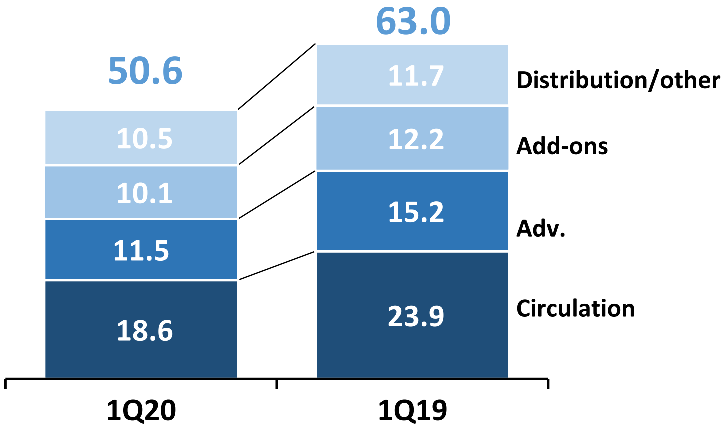
Source: comScore (average data Jan.-Mar. 2020)

1Q20 BU – Media

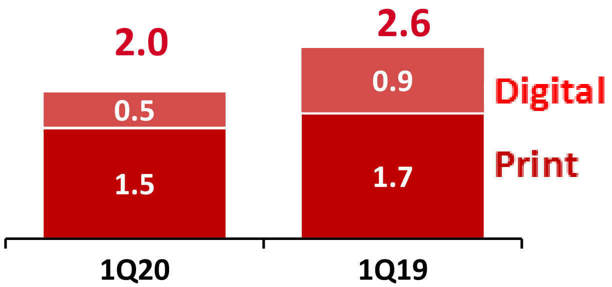
€ mn

Revenues -19.6%

14.8% lfl



Adj. EBITDA -0.6 € mn



REVENUES

- **≈13% kiosks closed during the lockdown period**
- **Circulation revenues:** ≈-23% (-5.3 € mn.) yoy, performance affected both by the disposal of the five titles and by the COVID-19 impact
- **Adv. revenues:** ≈-24% (-3.7 € mln.), ≈-20% (-3.0 € mn.) lfl
- **Distribution & other:** -10.0% (-9.9% lfl)

Adj. EBITDA

- **Adj. EBITDA** down slightly (-0.6 € mn.), thanks to the **effective measures to contain operating costs**
- **EBIT** at a -0.1 € mn. vs. 1.0 € mn. In 1Q19

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FY20 guidance

Given the poor visibility of the possible range of scenarios produced by the effects of COVID-19, macroeconomic and sector estimates predict downturns in the Group's relevant markets that are clearly unmeasurable at this time.

For this reason, as things stand, the elements that contribute to the development of forecasts for the year remain highly uncertain: in particular, how the pandemic evolves and how demand reacts amid the potential materialization of a severe recession.

This highly unstable backdrop does not allow for the development of a new and reliable guidance.

In order to mitigate the effects of the current economic juncture, the Group has implemented measures to reduce costs and select investments and has prepared for recovery, providing adequate safety standards consistent with regulatory guidance.

The Group has also started an analysis of the organization models and processes to make the most of the current experiences and use them to gain ongoing benefits in terms of efficiency of a number of adopted and planned solutions (e.g. digitization, computerization and smart working most of all).

BACKUP

1Q20 P&L (IFRS 16)

€ mn

Electa's disagreement

	2020		2019		% chg.
REVENUE	**135,3**		**166,8**		***(18,9%)***
INDUSTRIAL PRODUCT COST	44,5	*32,9%*	56,9	*34,1%*	*(21,7%)*
VARIABLE PRODUCT COSTS	19,2	*14,2%*	23,7	*14,2%*	*(19,1%)*
OTHER VARIABLE COSTS (INCL. LOGISTICS)	27,0	*19,9%*	30,6	*18,4%*	*(11,9%)*
STRUCTURAL COSTS	12,0	*8,9%*	14,6	*8,7%*	*(17,8%)*
EXTENDED LABOUR COST *	35,9	*26,5%*	39,4	*23,6%*	*(8,8%)*
OTHER EXPENSE (INCOME)	(0,1)	*(0,1%)*	(0,1)	*(0,1%)*	*2,8%*
ADJUSTED EBITDA	**(3,1)**	***(2,3%)***	**1,7**	***1,0%***	***n.s.***
RESTRUCTURING COSTS	0,6	*0,4%*	0,6	*0,3%*	*(4,2%)*
EXTRAORDINARY EXPENSE (INCOME)	0,6	*0,4%*	0,0	*0,0%*	*n.s.*
EBITDA	**(4,2)**	***(3,1%)***	**1,1**	***0,7%***	***n.s.***
AMORTIZATION AND DEPRECIATION	6,1	*4,5%*	4,7	*2,8%*	*27,8%*
AMORTIZATION AND DEPRECIATION IFRS 16	3,7	*2,7%*	3,6	*2,2%*	*1,9%*
EBIT	**(14,0)**	***(10,4%)***	**(7,2)**	***(4,3%)***	***93,4%***
FINANCIAL EXPENSE AND (INCOME)	0,9	*0,7%*	(0,1)	*(0,1%)*	*n.s.*
FINANCIAL EXPENSE IFRS 16	0,7	*0,5%*	0,3	*0,2%*	*n.s.*
FINANCIAL EXPENSE (INCOME) FROM SECURITIES VALUATION	6,9	*5,1%*	0,0	*0,0%*	*n.s.*
EXPENSE AND (INCOME) FROM INVESTMENTS	1,3	*0,9%*	1,8	*1,1%*	*(28,4%)*
EBT	**(23,8)**	***(17,6%)***	**(9,2)**	***(5,5%)***	***n.s.***
TAX EXPENSE (INCOME)	(4,7)	*(3,5%)*	(1,4)	*(0,8%)*	*n.s.*
RESULT FROM CONTINUING OPERATIONS	**(19,1)**	***(14,1%)***	**(7,9)**	***(4,7%)***	***n.s.***
RESULT FROM DISCONTINUED OR DISCONTINUING OPERATIONS	**0,0**	***0,0%***	**(4,9)**	***(3,0%)***	***(100,0%)***
NET RESULT FOR THE PERIOD (GROUP AND NON-CONTROLLING INTERESTS)	**(19,1)**	***(14,1%)***	**(2,9)**	***(1,7%)***	***n.s.***
NON-CONTROLLING INTERESTS	**(0,0)**	***(0,0%)***	**0,5**	***0,3%***	***n.s.***
GROUP INTERESTS	**(19,1)**	***(14,1%)***	**(3,5)**	***(2,1%)***	***n.s.***
(ADJUSTED) EBITDA EXCLUDING IFRS 16	**(7,1)**	***(5,3%)***	**(2,2)**	***(1,3%)***	***n.s.***

1Q 20 Balance Sheet (IFRS 16)

€ mn

	2020	2019	% chg.
TRADE RECEIVABLES	173,0	192,3	*(10,0%)*
INVENTORY	131,8	134,7	*(2,1%)*
TRADE PAYABLES	231,6	235,7	*(1,7%)*
OTHER ASSETS (LIABILITIES)	(5,9)	(20,6)	*(71,4%)*
NET WORKING CAPITAL CONTINUING OPERATIONS	**67,3**	**70,7**	***(4,8%)***
DISCONTINUED OR DISCONTINUING ASSETS (LIABILITIES)	0,0	94,3	*(100,0%)*
NET WORKING CAPITAL	**67,3**	**165,0**	***(59,2%)***
INTANGIBLE ASSETS	220,4	227,6	*(3,1%)*
PROPERTY, PLANT AND EQUIPMENT	17,6	18,2	*(3,7%)*
INVESTMENTS	25,9	31,4	*(17,5%)*
NET FIXED ASSETS WITH NO RIGHTS OF USE IFRS 16	**263,9**	**277,2**	***(4,8%)***
ASSETS FROM RIGHTS OF USE IFRS 16	94,6	107,0	*(11,7%)*
NET FIXED ASSETS WITH RIGHTS OF USE IFRS 16	**358,4**	**384,2**	***(6,7%)***
PROVISIONS FOR RISKS	47,1	59,2	*(20,4%)*
POST-EMPLOYMENT BENEFITS	32,7	35,0	*(6,6%)*
PROVISIONS	**79,8**	**94,2**	***(15,3%)***
NET INVESTED CAPITAL	**345,9**	**455,0**	***(24,0%)***
SHARE CAPITAL	68,0	68,0	*0,0%*
RESERVES	103,0	74,8	*37,8%*
PROFIT (LOSS) FOR THE PERIOD	(19,1)	(3,5)	*n.s.*
GROUP EQUITY	**151,9**	**139,3**	***9,1%***
NON-CONTROLLING INTERESTS' EQUITY	0,1	29,3	*(99,8%)*
EQUITY	**152,0**	**168,6**	***(9,8%)***
NET FINANCIAL POSITION NO IFRS 16	96,9	179,3	*(46,0%)*
NET FINANCIAL POSITION IFRS 16	97,0	107,1	*(9,4%)*
NET FINANCIAL POSITION	**193,9**	**286,4**	***(32,3%)***
SOURCES	**345,9**	**455,0**	***(24,0%)***

1Q 20 NFP (IFRS 16)

€ mn

	MARCH 2020	DEC. 2019
INITIAL NFP IFRS 16	**(284,3)**	**(255,9)**
FINANCIAL LIABILITIES APPLICATION 01.01.2019 IFRS 16	(105,0)	(107,9)
INITIAL NFP NO IFRS 16	**(179,3)**	**(148,0)**
ADJUSTED EBITDA (NO IFRS 16)	89,7	94,5
NWC AND PROVISIONS	(1,3)	(5,4)
CAPEX NO IFRS 16	(19,2)	(18,4)
CASH FLOW FROM OPERATIONS	**69,2**	**70,8**
FINANCIAL INCOME (EXPENSE) NO IFRS 16	(2,7)	(1,6)
TAX	(20,7)	(20,729)
CASH FLOW FROM ORDINARY OPERATIONS CONTINUING OPERATIONS	**45,8**	**48,427**
CF FROM ORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	1,3	1,8
CASH FLOW FROM ORDINARY OPERATIONS	**47,1**	**50,3**
RESTRUCTURING COSTS	(6,0)	(5,4)
EXTRAORDINARY TAX	0,3	0,5
SHARE CAPITAL INCREASE/DIVIDENDS NON CONTROLLING INTERESTS AND ASSOCIA	(6,5)	(7,4)
PURCHASE OF ASSETS	(0,4)	(0,1)
DISPOSAL OF ASSETS	58,5	58,5
OTHER INCOME AND EXPENDITURE	(8,8)	(1,6)
CF EXTRAORDINARY OPERATIONS DISCONTINUED OR DISCONTINUING OPERATIONS	(2,1)	(3,0)
CASH FLOW FROM EXTRAORDINARY OPERATIONS	**35,1**	**41,5**
TOTAL CASH FLOW	**82,3**	**91,8**
NET FINANCIAL POSITION NO IFRS 16	**(96,9)**	**(56,2)**
IFRS 16 EFFECTS IN THE PERIOD	**8,1**	**12,8**
FINAL NET FINANCIAL POSITION	**(193,9)**	**(151,3)**

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).

- **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.

- **Non ord. 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

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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