

1H18 Results

Investors Presentation

Ernesto Mauri – CEO

Oddone Pozzi – CFO

Segrate, 31 July 2018

AGENDA

- 1. 1H 2018 Highlights**
- 2. 1H 2018 Results**
- 3. 1H 2018 Business**
- 4. FY 2018 Outlook**

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.

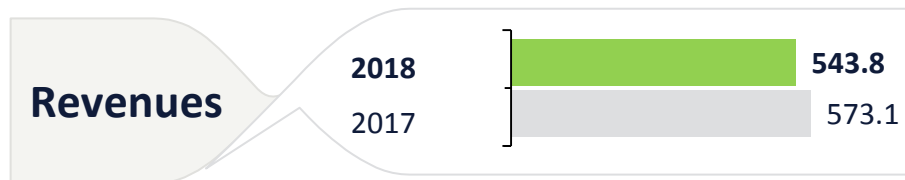
Beginning from 2018, the result generated by associates (consolidated at equity), previously classified in adjusted EBITDA, is shown under EBIT; for consistency, 2017 has been reclassified accordingly.

1H18 Highlights

€ mn

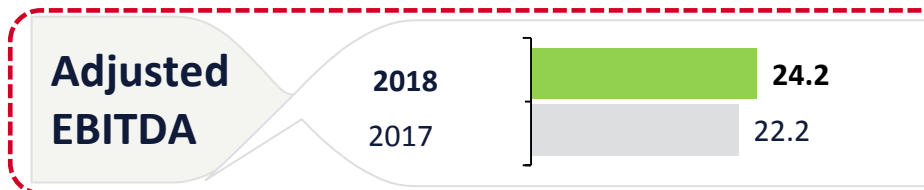
1H18

2Q18



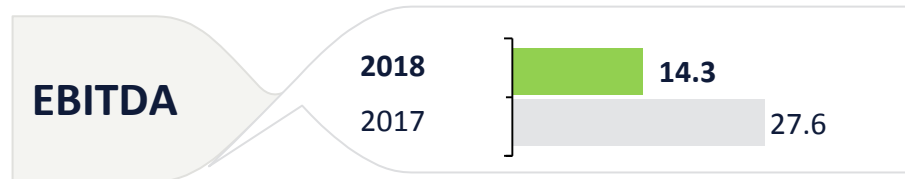
-5.1%

-3.7%



+2.0 € mn

+5.5 € mn



-13.3 € mn
(due to:
less positive not ord.
components, and more
restructuring costs)

-8.0 € mn



-16.9 € mn

-12.4 € mn

AGENDA

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1H18/2Q18 Revenues and Adjusted EBITDA by Business Area

€ mn

Revenues

	1H2018	1H2017	Var. %	2Q2018	2Q2017	Var. %
Books	178.5	171.6	4.0%	105.1	99.0	6.2%
Retail	83.1	84.7	(1.9%)	39.8	41.8	(4.7%)
Magazines Italy	147.5	165.7	(11.0%)	77.4	84.5	(8.4%)
Magazines France	152.9	164.9	(7.3%)	77.3	84.2	(8.2%)
Corporate & Shared Services	17.4	13.0	33.6%	8.6	5.5	57.2%
Intercompany	(35.5)	(26.8)	32.8%	(17.8)	(13.4)	32.4%
Total	543.8	573.1	(5.1%)	290.4	301.5	(3.7%)

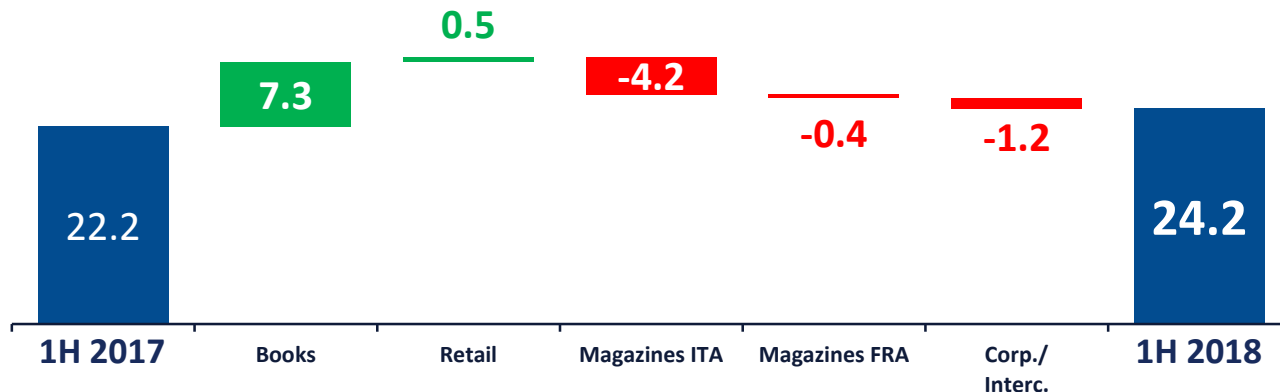
ADJ. EBITDA

	1H2018	1H2017	Var.	2Q2018	2Q2017	Var.
Books	13.3	6.0	7.3	14.1	8.8	5.2
Retail	(3.2)	(3.7)	0.5	(1.3)	(1.7)	0.3
Magazines Italy	6.8	11.0	(4.2)	4.7	4.5	0.2
Magazines France	12.1	12.5	(0.4)	8.8	8.9	(0.1)
Corporate & Shared Services	(4.1)	(3.7)	(0.4)	(2.0)	(1.9)	(0.2)
Intercompany	(0.7)	0.2	(0.9)	(0.5)	(0.5)	0.1
Total	24.2	22.2	2.0	23.7	18.2	5.5

1H18 EBITDA evolution

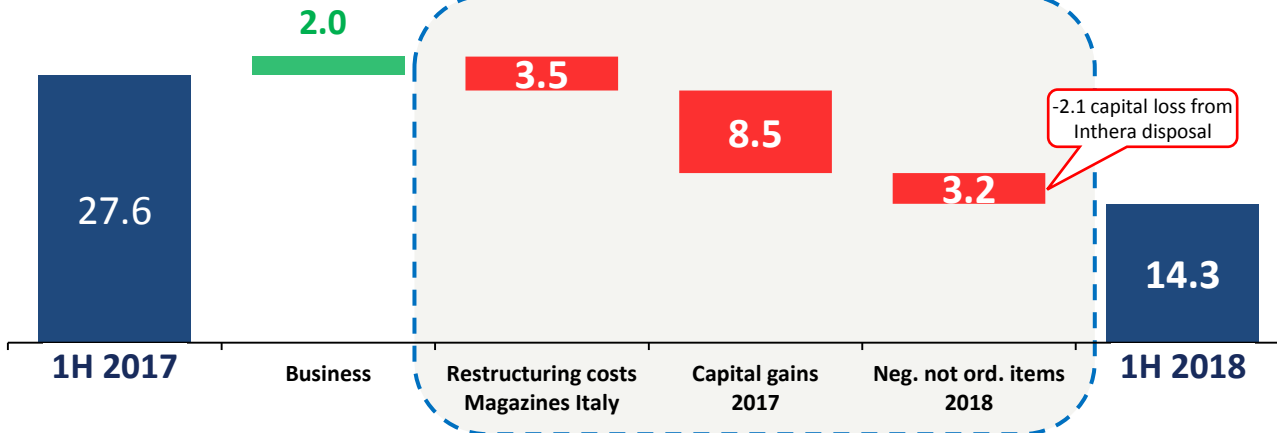
€ mn

Adj.
EBITDA



+9%

Reported
EBITDA



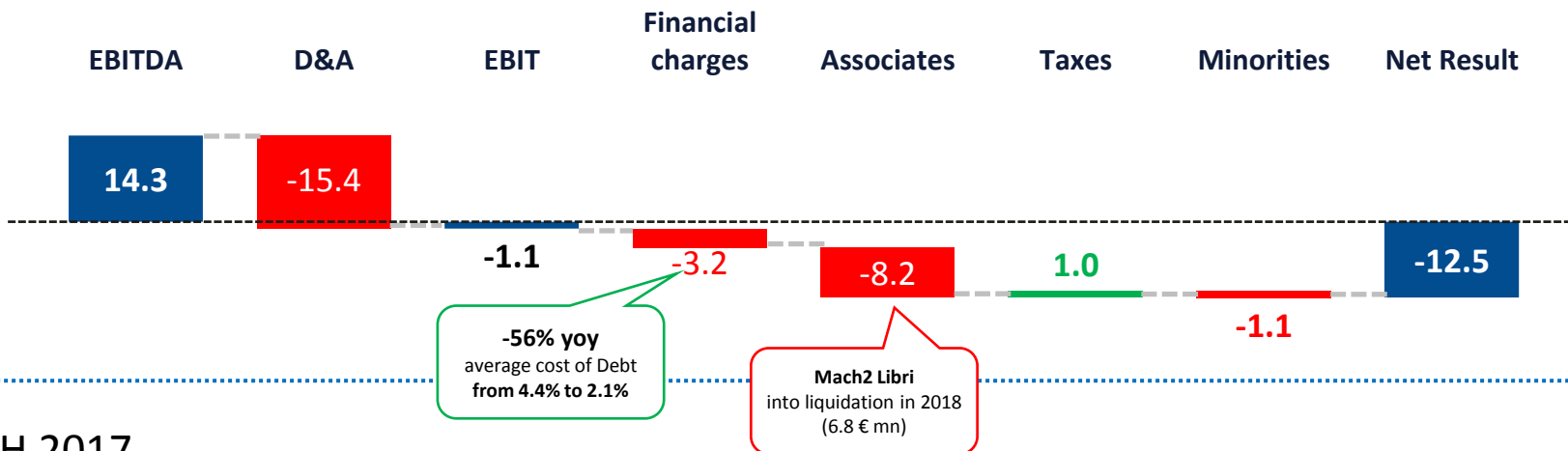
-2.1 capital loss from Inthera disposal

If anything, in 2017 more than 70% of restructuring costs in 2H

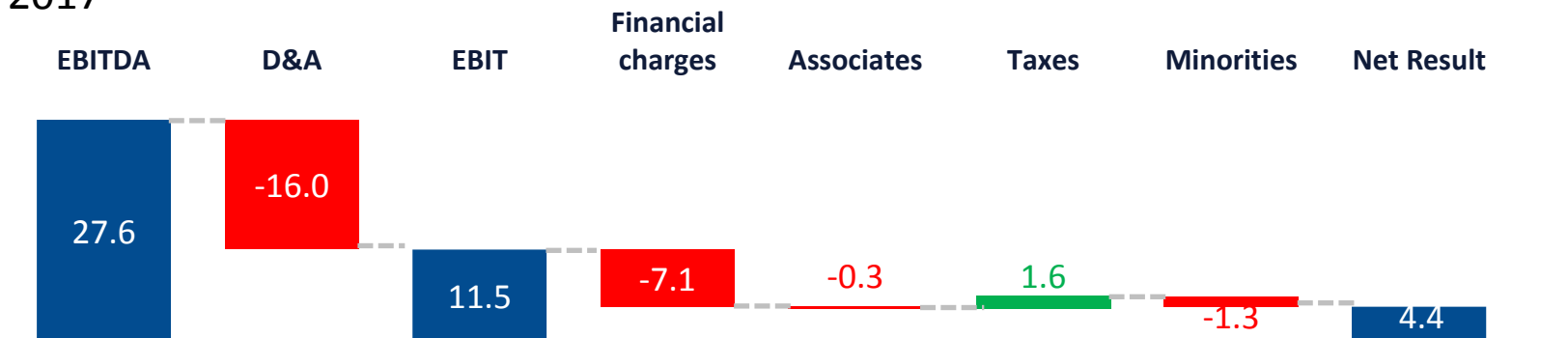
1H18 from EBITDA to Net Result

€ mn

1H 2018



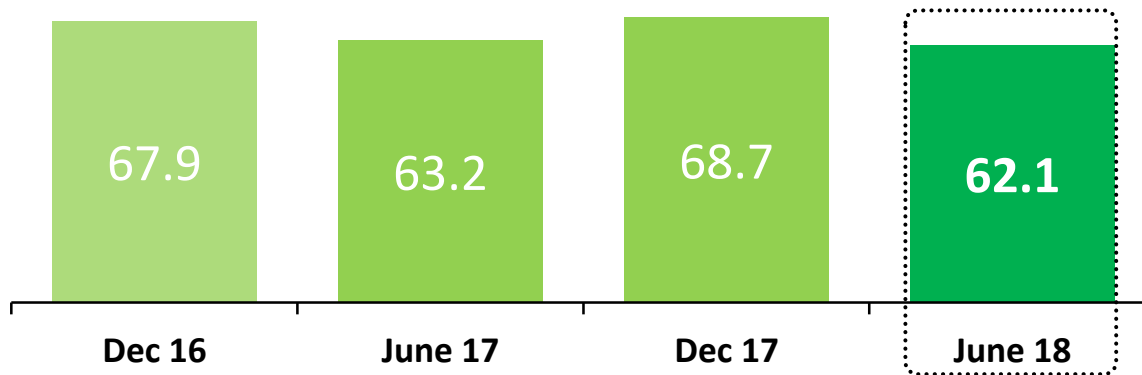
1H 2017



1H18 LTM Cash Flow

€ mn

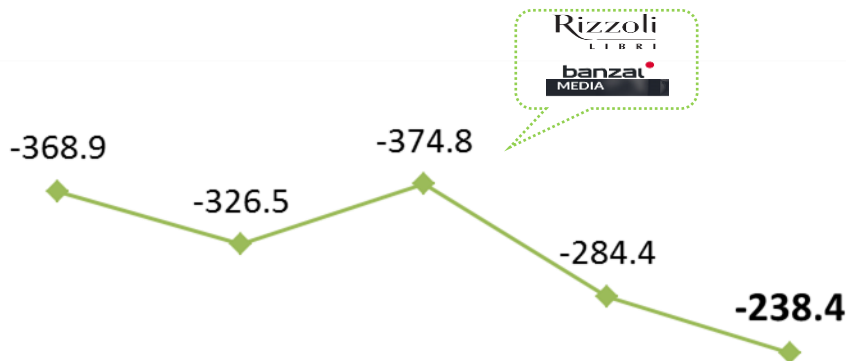
Positive cash generation from business confirmed



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

Group NFP

June 14 June 15 June 16 June 17 June 18



More than 16% reduction

2017

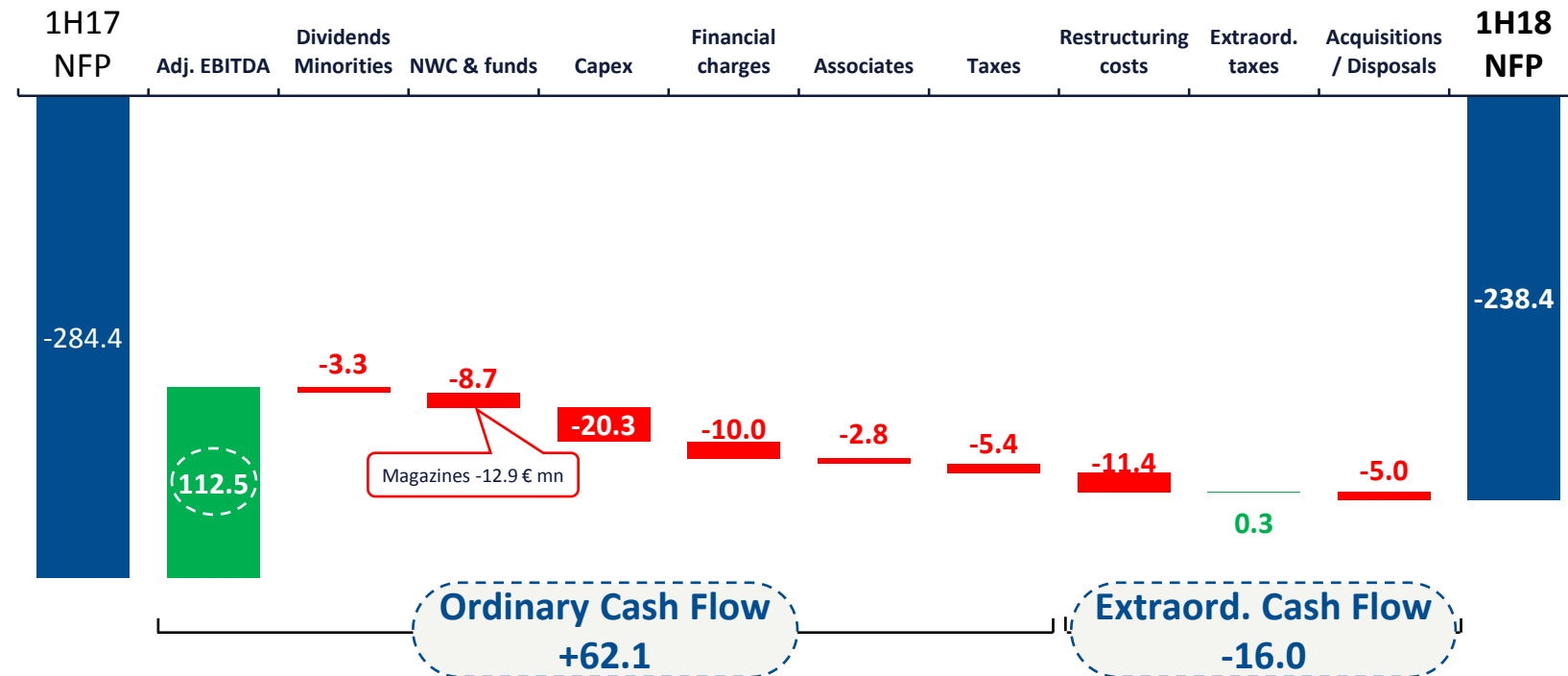
-46.0 € mn

2018

1H18 LTM Cash Flow

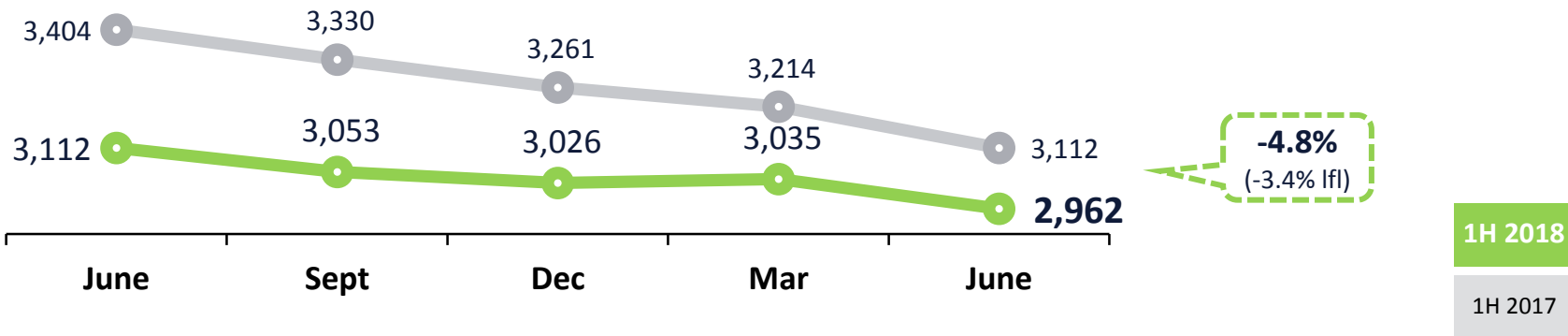
€ mn

Total Cash Flow
+46.0

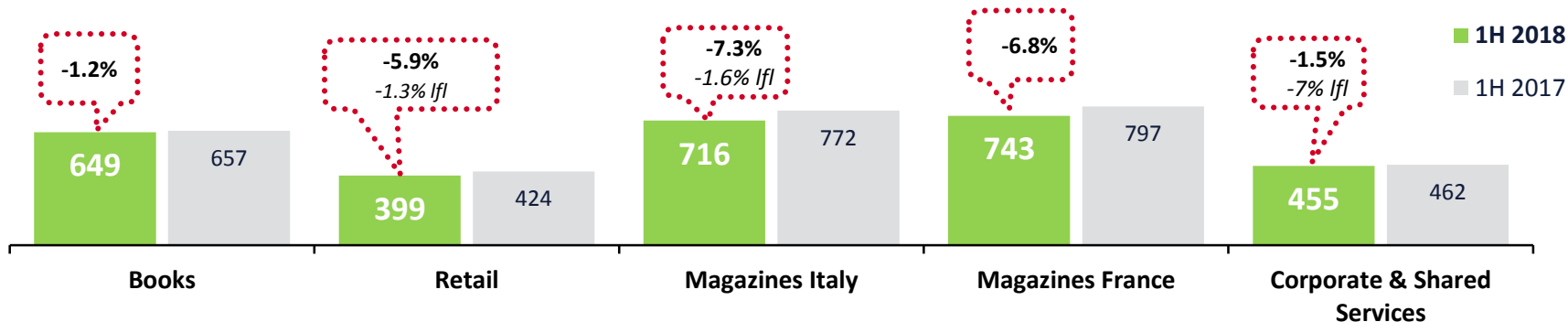


1H18 Headcount evolution

Group Headcount



Headcount by BU



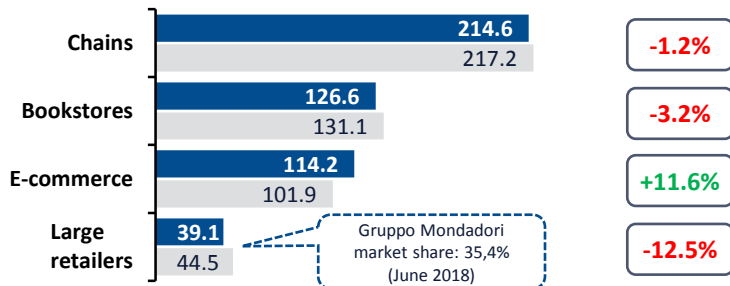
AGENDA

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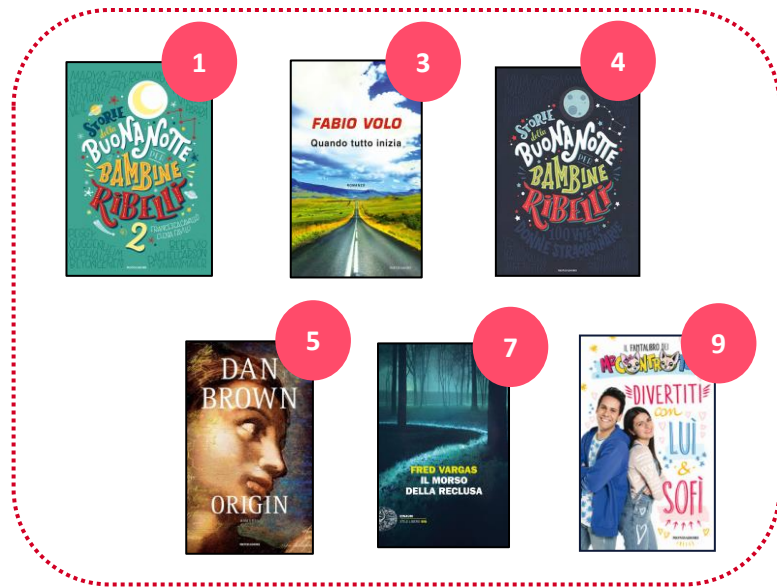
1H18 Business – Trade Books

Trade Market – € 494.4 mn

-0.1%



6 titles in first 10 Top sellers



Trade market shares

GRUPPO MONDADORI

27.8%

29.3%

GMS

9.4%

10.7%



NEWTON
COMPTON
EDITORI

1.9%

2.3%

GIUNTI

8.6%

7.9%

DEAGOSTINI LIBRI

1.7%

1.5%

la Feltrinelli



5.1%

4.8%

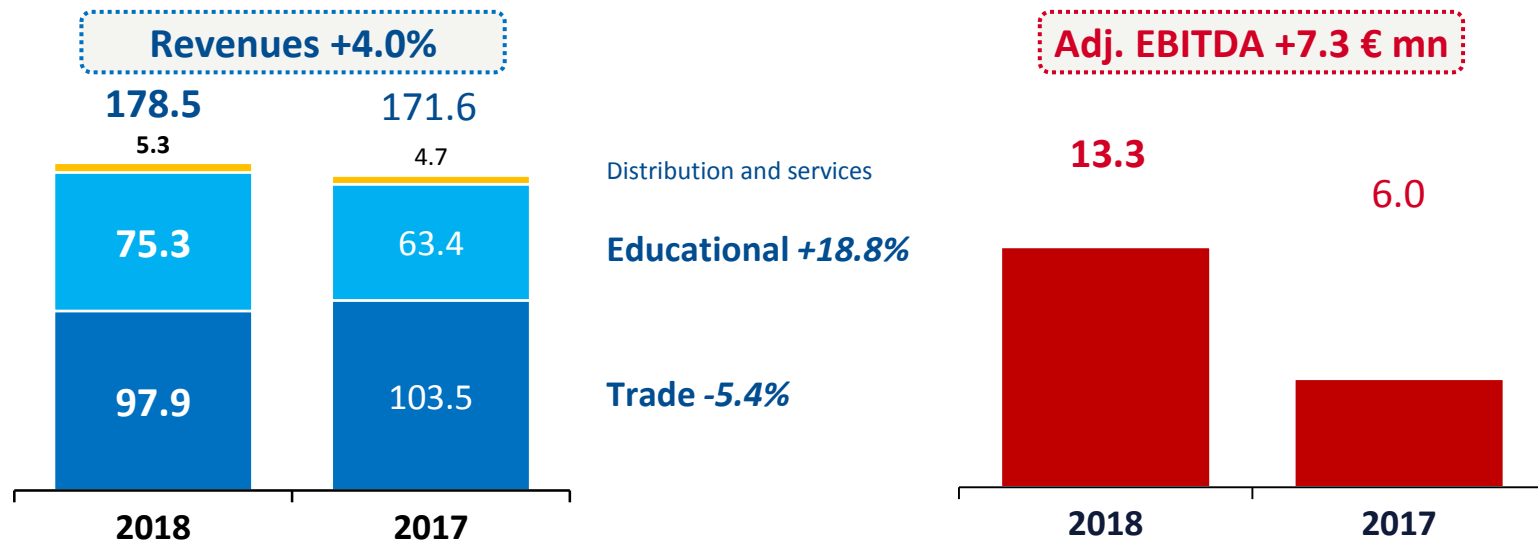
Other

45.6%

43.5%

1H18 Business – Books

€ mn



REVENUES

- ▶ **Trade:** ongoing strategy of new titles selective production and management of the related print runs, aimed at profitability increase;
- ▶ **Increase in Educational segment** in both sectors:
 - in the scholastic business (partly due to a different timing of revenues to large clients);
 - in the activities of museum management and organization.

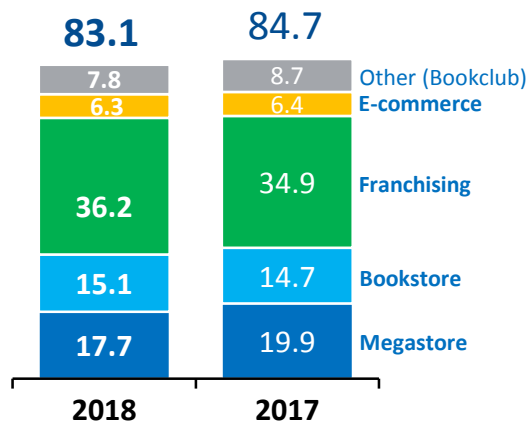
ADJ. EBITDA

- ▶ **Relevant improvement** thanks to operative efficiencies and a different timing of revenues to large clients in the Scholastic business

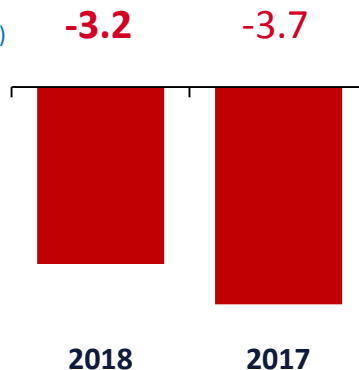
1H18 Business – Retail

€ mn

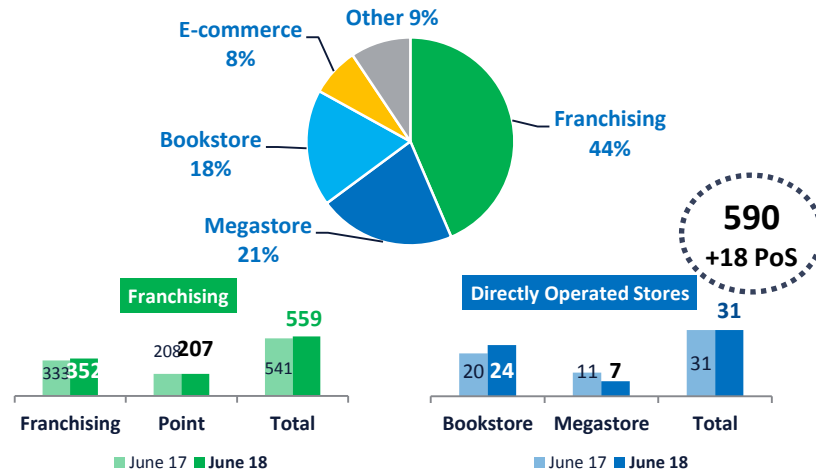
Revenues -1.9%



Adj. EBITDA +0.5 € mn



Revenues by channel*



REVENUES

- ▶ **Directly-managed Bookstores +2.3%** (-1.4% lfl), **Book +4.1%**;
- ▶ **Franchised bookstores +3.6%** (+2.0% lfl);
- ▶ **Megastores -11.0%** due to Consumer Electronics performance and Palermo/S. Pietro all'Orto stores closures, **Book +1.1%**;
- ▶ **On-line -1.0%**.

ADJ. EBITDA

- ▶ **Improvement** thanks to the result of the razionalization project of the directly-managed stores

80% revenues in Book market*



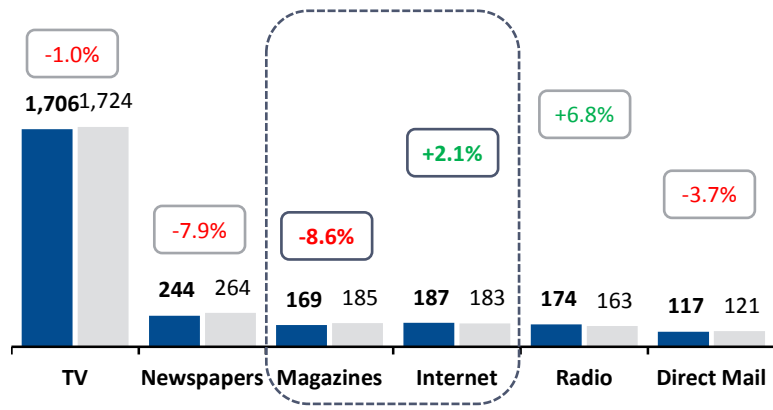
14.1% market share

1H18 Business – Magazines Italy

Adv. market – € 2.7 bn

-1.4%

Circulation market shares



2018

2017

MONDADORI
MAGAZINE

31.4%

31.7%

CAIRO EDITORE

19.6%

19.0%

HEARST magazines

5.3%

5.3%

RCS

5.3%

4.8%

CONDÉ NAST

3.4%

3.4%

CASA EDITRICE UNIVERSO

11.6%

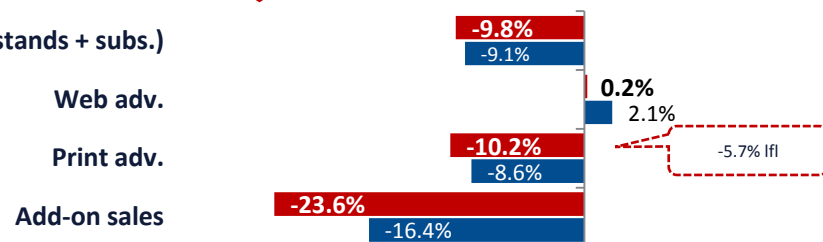
11.4%

Other

23.4%

24.4%

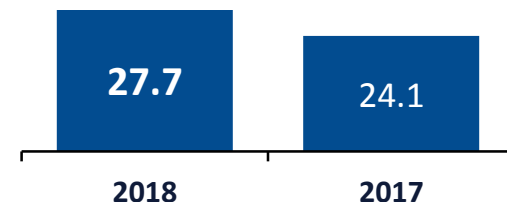
Circulation (newstands + subs.)



MONDADORI
MAGAZINE
Market

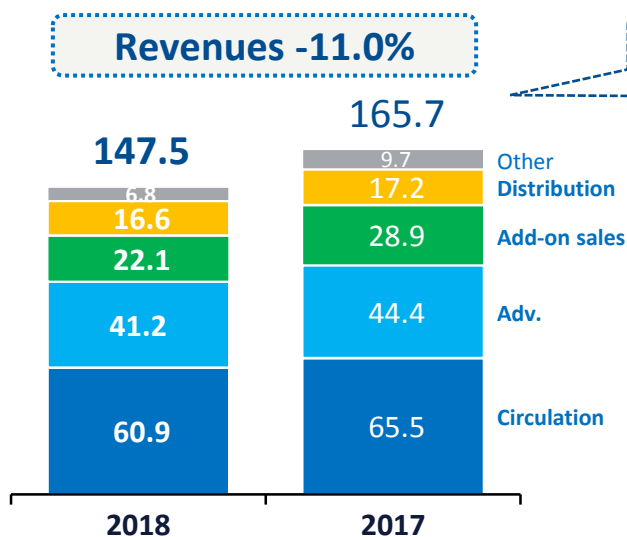
Web Total Audience (mn/month)

+15% yoy



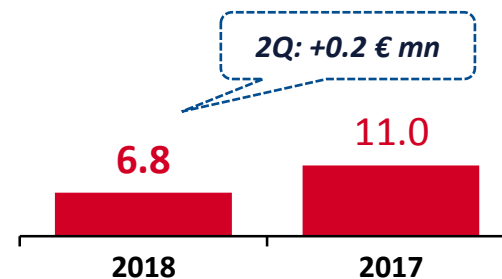
1H18 Business – Magazines Italy

€ mn



2Q lfl: -6.7%
in line with FY17

Adj. EBITDA -4.2 € mn



2Q: +0.2 € mn

REVENUES

- ▶ **Circulation revenues** -7.1%;
- ▶ **Adv. revenues** -7.1% (print + web):
 - stable web (**digital at 30%** of total adv. collection),
 - print lfl better than the reference market;
- ▶ **Distribution and revenues towards third publishers** -3.4%, lower contraction vs. market thanks to the continuous commitment in the development of third parties portfolio.

ADJ. EBITDA

- ▶ **2H18**: decrease vs 1H17 due to negative performance in 1H;
- ▶ **2Q18**: stable vs 2Q17;
- ▶ **Digital Ebitda**: 1+ € mn increase vs. 1H17.

Efficiencies Plan – 2H 2018

2H 2018
savings

2H 2018
print contraction

2H 2018
vs. 2H 2017

1. Portfolio review

+ 2.0 € mn

2. Labour cost reduction

+ 1.5 € mn

3. Other costs reduction
(editorial & adv.)

+ 1.5 € mn

= 5 € mn

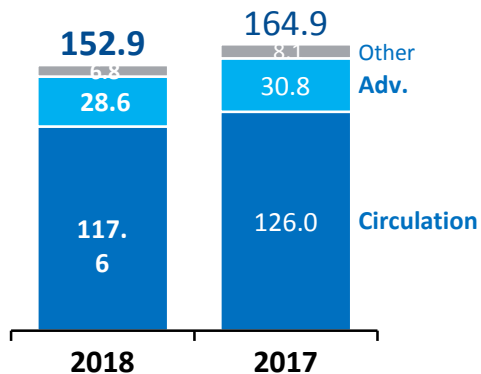
- 2 € mn

+ 3 € mn

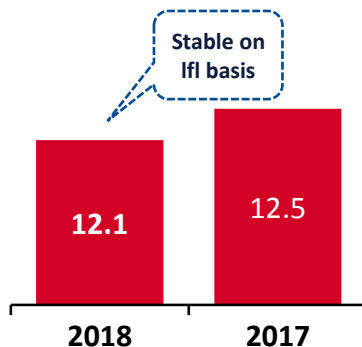
1H18 Business – Magazines France

€ mn

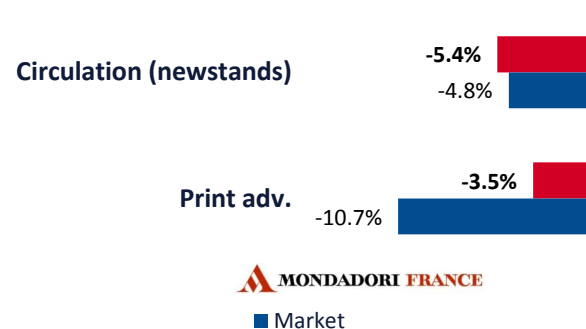
Revenues -7.3%



Adj. EBITDA -0.4 € mn

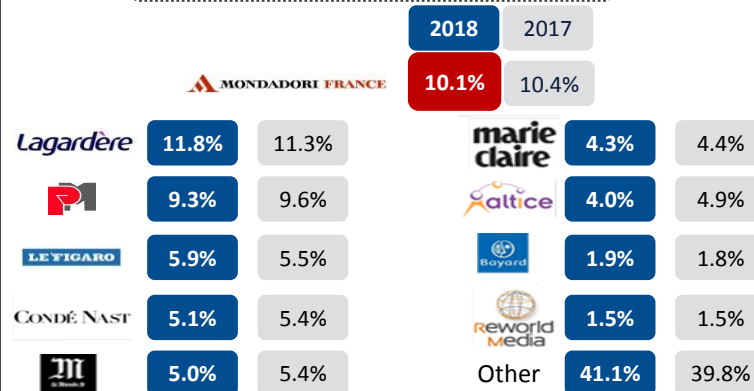


Mondadori vs market



Source: Circulation – Mondadori France (May 2018), Adv. – NetIndex (Apr. 2018)

Print adv. market shares



REVENUES

- ▶ Circulation revenues (77% of the total) decreasing -6.7%:
 - newstands -7.7%,
 - subscriptions -5.7%.
- ▶ Adv. revenues (print+web) decreasing -7.3%:
 - print advertising (87% of the total adv. revenues) -5.6%, performance better than the market.
- ▶ Digital revenues -1.4% yoy

ADJ. EBITDA

- ▶ Excluding NaturaBuy (company sold in May 2017), **stable result** thanks to:
 - Industrial costs control
 - Advertising and Digital teams reorganization
 - Positive digital EBITDA

AGENDA

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LIKE-FOR-LIKE

2018 TARGETS CONFIRMED

REVENUES

Slight decrease yoy

Adj. EBITDA

Stable

Net Result

2H 18: relevant increase vs. 2H 17
FY 2018: ca. 7 € mn decrease due to less
positive not ord. components

Ordinary Cash Flow

55/60 € mn

BACKUP

1H18 Profit & Loss

€ mn

€ millions	1° Half 2018	Percentage on revenue	1° Half 2017	Percentage on revenue	Var. %
Revenue from sales and services	543.8	100.0%	573.1	100.0%	-5.1%
Cost of sold items	144.7	26.6%	151.0	26.3%	-4.2%
Variable costs	217.9	40.1%	231.6	40.4%	-5.9%
Fixed costs	43.8	8.0%	48.9	8.5%	-10.5%
Cost of personnel	113.3	20.8%	119.5	20.8%	-5.1%
Adjusted EBITDA	24.2	4.4%	22.2	3.9%	9.0%
Restructuring costs	6.4		2.9		n.s.
Negative/(positive) not ordinary items	3.5		-8.2		n.s.
EBITDA	14.3	2.6%	27.6	4.8%	-48.1%
Amortization, depreciation and impairment	15.4	2.8%	16.0	2.8%	-4.0%
EBIT	-1.1	-0.2%	11.5	2.0%	n.s.
Net financial costs (income)	3.2	0.6%	7.1	1.2%	-55.6%
Result - associates (income)	8.2	1.5%	0.3	0.0%	n.s.
Costs (income) from other investments	0.0	0.0%	0.0	0.0%	n.s.
Result before taxes for the period	-12.4	-2.3%	4.1	0.7%	n.s.
Income taxes	-1.0	-0.2%	-1.6	-0.3%	-34.9%
Result attributable to non-controlling interests	1.1	0.2%	1.3	0.2%	-17.2%
Net result	-12.5	-2.3%	4.4	0.8%	n.s.

2Q18 Profit & Loss

€ mn

€ millions	2° Quarter 2018	Percentage on revenue	2° Quarter 2017	Percentage on revenue	Var. %
Revenue from sales and services	290.4	100.0%	301.5	100.0%	-3.7%
Cost of sold items	75.7	26.0%	79.0	26.2%	-4.3%
Variable costs	112.1	38.6%	120.5	40.0%	-7.0%
Fixed costs	23.3	8.0%	25.0	8.3%	-6.7%
Cost of personnel	55.7	19.2%	58.8	19.5%	-5.3%
Adjusted EBITDA	23.7	8.2%	18.2	6.0%	30.2%
Restructuring costs	3.0		1.4		n.s.
Negative/(positive) not ordinary items	3.4		-8.5		n.s.
EBITDA	17.3	6.0%	25.2	8.4%	-31.5%
Amortization, depreciation and impairment	7.7	2.7%	8.1	2.7%	-4.4%
EBIT	9.6	3.3%	17.2	5.7%	-44.3%
Net financial costs (income)	1.7	0.6%	3.7	1.2%	-54.8%
Result - associates (income)	5.4	1.9%	-0.2	-0.1%	n.s.
Costs (income) from other investments	0.0	0.0%	0.0	0.0%	n.s.
Result before taxes for the period	2.5	0.9%	13.6	4.5%	-81.7%
Income taxes	1.1	0.4%	-0.6	-0.2%	n.s.
Result attributable to non-controlling interests	0.4	0.1%	0.7	0.2%	-49.1%
Net result	1.1	0.4%	13.5	4.5%	-92.0%

1H18 Balance Sheet

€ mn

	June 18	Dec. 17	June 17
Trade receivables	266.4	298.0	268.8
Inventory	146.4	127.6	160.5
Trade payables	(385.6)	(416.3)	(407.9)
Other assets (liabilities)	16.2	(12.1)	24.3
NWC	43.4	-2.8	45.7
Intangible assets	590.6	593.0	602.3
Property, plant and equipment	25.1	26.9	28.7
Investments	36.8	38.0	41.6
NET FIXED ASSETS	652.5	657.9	672.5
Provisions and post-employment benefits	(122.6)	(120.6)	(111.0)
NET INVESTED CAPITAL	573.3	534.6	607.2
Share capital	68.0	68.0	68.0
Reserves	248.8	217.4	218.9
Profit (loss) for the period	(12.5)	30.4	4.4
Share capital and reserves attributable to non-controlling interests	30.6	29.5	31.5
EQUITY	334.9	345.3	322.9
NET FINANCIAL POSITION (DEBT)	238.4	189.2	284.4
TOTAL EQUITY	573.3	534.6	607.2

1H18 Net Financial Position

€ mn

LTM (€mn)	June 18	Dec. 17
NFP beginning of period	(284.4)	(263.6)
Adjusted EBITDA	112.5	110.5
Dividends minorities	(3.3)	(3.3)
Change in NWC + provisions	(8.7)	4.2
CAPEX	(20.3)	(19.3)
Cash flow from operations	80.3	92.2
Financial costs	(10.0)	(14.0)
Management of investments in associates	(2.8)	(1.8)
Taxes	(5.4)	(7.6)
Ordinary cash flow from operations	62.1	68.7
Restructuring costs	(11.4)	(13.8)
Extraordinary tax amounts / prior years	0.3	6.8
Acquisition/disposal of assets	(5.0)	12.7
Cash flow from extraordinary operations	(16.0)	5.7
Total Cash Flow	46.0	74.4
NFP end of period	(238.4)	(189.2)

1H18/2Q18 Reported EBITDA by Business Area

€ mn

Rep. EBITDA	1H2018	1H2017	Var.	2Q2018	2Q2017	Var.
Books	12.5	5.6	6.9	13.5	8.7	4.8
Retail	(3.5)	(5.0)	1.5	(1.4)	(2.1)	0.6
Magazines Italy	(0.1)	10.8	(10.9)	0.7	4.3	(3.6)
Magazines France	10.8	15.7	(4.9)	7.6	12.7	(5.1)
Corporate & Shared Services	(4.7)	0.3	(5.0)	(2.5)	2.1	(4.7)
Intercompany	(0.7)	0.2	(0.9)	(0.5)	(0.5)	0.1
Total	14.3	27.6	(13.3)	17.3	25.2	(8.0)

- ▶ **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.

Next event

8 November 2018

Interim Report at 30 September 2018

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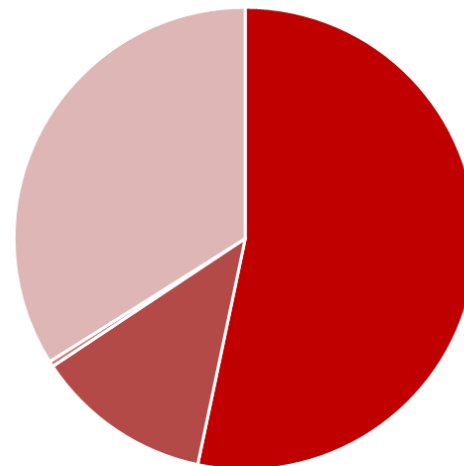
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SHAREHOLDING



■ FININVEST S.p.A. 53.3%

■ Silchester International Investors 12.4%

■ Treasury shares 0.4%

■ Floating 33.9%

Source: Consob, Mondadori



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



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Forward-looking Statements

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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.

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