

# 1H2016 Results Presentation

Rome, 28<sup>th</sup> July 2016



## FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements regarding future events and the future results of Rai Way that are based on current expectations, estimates, forecasts, and projections about the industries in which Rai Way operates, as well as the beliefs and assumptions of Rai Way's management. In particular, certain statements with regard to management objectives, trends in results, margins, costs, rate of return and competition tend to be forward-looking in nature. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," and "estimates," variations of such words, and similar expressions, are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, Rai Way's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. They are neither statements of historical fact nor guarantees of future performance. Rai Way therefore cautions against relying on any of these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, the impact of competition, political, economic and regulatory developments in Italy. Any forward-looking statements made by or on behalf of Rai Way speak only as of the date they are made. Rai Way undertakes no obligation to update any forward-looking statements to reflect any changes in Rai Way's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

# Rai Way Participants

- Stefano Ciccotti, Chief Executive Officer
- Adalberto Pellegrino, Chief Financial Officer
- Giancarlo Benucci, Head of Investor Relations

# 1H2016 Financial Highlights

## Financial Highlights

<i>Eur. Mln. %</i>	2Q 2015	2Q 2016	% YoY	1H 2015	1H 2016	% YoY
<b>Core Revenues</b>	<b>52,6</b>	<b>53,9</b>	<b>2,5%</b>	<b>105,0</b>	<b>106,6</b>	<b>1,5%</b>
Other Revenues <sup>(1)</sup>	0,0	0,1		0,2	0,1	
<b>Adj. EBITDA<sup>(1)</sup></b>	<b>27,6</b>	<b>28,3</b>	<b>2,3%</b>	<b>53,7</b>	<b>55,6</b>	<b>3,6%</b>
% margin	52,5%	52,4%		51,1%	52,2%	
<b>Net Income</b>	<b>10,5</b>	<b>8,9</b>	<b>-14,8%</b>	<b>19,8</b>	<b>19,6</b>	<b>-0,8%</b>
<b>Capex</b>	<b>4,1</b>	<b>2,6</b>		<b>7,1</b>	<b>4,8</b>	
Maintenance	4,1	1,6		7,1	3,3	
% on core revenues	7,8%	3,0%		6,7%	3,1%	
Development	0,0	1,0		0,0	1,5	
Cash conversion <sup>(2)</sup>	85,2%	94,3%		86,9%	94,1%	
<b>Net Debt</b>				<b>41,6</b>	<b>29,9</b>	
Net Debt/1Y rolling Adj. EBITDA				0,38x	0,27x	

- 1H16 Core revenues at € 106,6m, up 1,5% vs. 1H15
- 1H16 Adjusted EBITDA at € 55,6m, up 3,6% vs. 1H15, with margin improvement driven by operating leverage and focus on cost optimization
- 1H16 Net Income at € 19,6m, broadly stable vs. 1H15 despite € 3,4m of one-off restructuring costs mainly related to voluntary layoff incentive, that will enhance future profitability
- Capex at € 4,8m (cash conversion at 94,1%), including € 1,5m related to development initiatives
- Net Debt at € 29,9m (after dividend payment in May 2016), with Net Debt/1Y rolling Adj. EBITDA at 0,27x

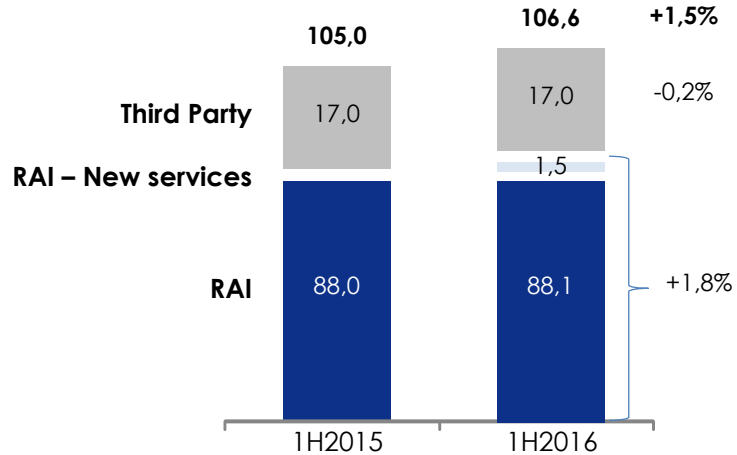
(1) "Other revenues" and "Adjusted EBITDA" in 2015 adjusted to reflect the reallocation, starting from 1<sup>st</sup> of January 2016, of "Reimbursement of expenses" and "Reversal of provisions", previously reported as "Other revenues", to Operating expenses and Provisions respectively

(2) Cash conversion= (Adj. EBITDA – Capex) / Adj. EBITDA

# Core Revenues

Eur Mln; %

## 1H Core Revenues



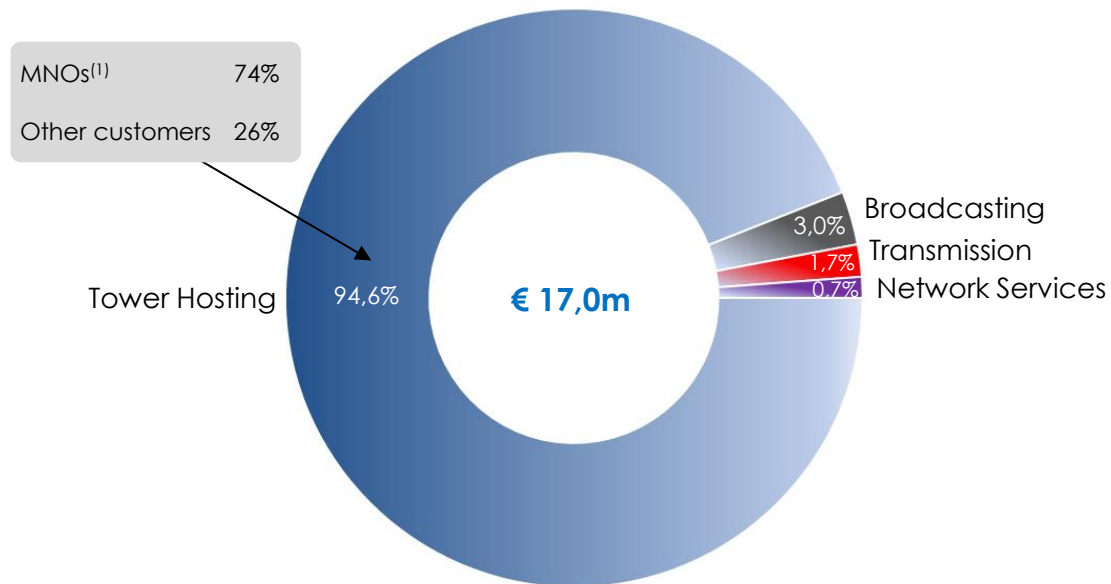
- Revenues from RAI up 1,8% driven by new initiatives
- Main contributors to revenues from New services include:
  - Upgrade of contribution network
  - MUX Francofono
  - Int'l distribution for Rai Com
  - Contribution services for Euro Cup 2016
- Third Party revenues broadly stable YoY, with growing activities with FWAP



# Third Party Revenues breakdown

Eur Mln; %

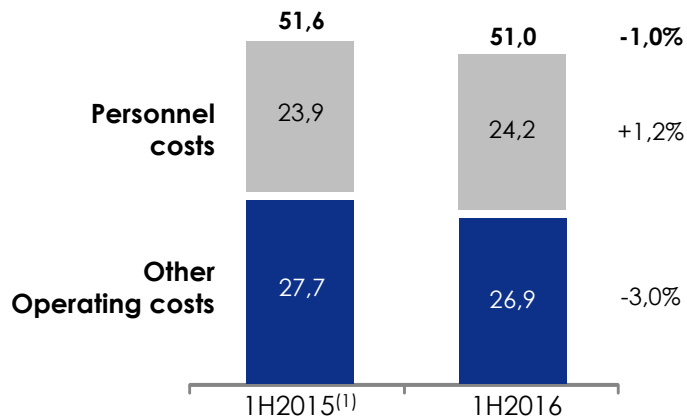
## 1H16 Third Party Revenues breakdown by service



(1) MNOs: Telecom Italia, Vodafone, Wind and H3G

*Eur Mln; %*

## 1H Opex (excluding non-recurring)



- Excluding the impact of capitalization and different allocation of travel costs<sup>(2)</sup>, personnel costs slightly below 1H15 level driven by optimization of non core items
- Other Operating costs declined by 3,0% vs. 1H15, mainly driven by maintenance and utilities
  - 2Q16 trend (+1,3% YoY) impacted by higher level of prior year adjustments reported in 2Q15

(1) 1H2015 Opex adjusted to reflect the reallocation, starting from 1<sup>st</sup> of January 2016, of "Reimbursement of expenses", previously reported as "Other revenues", to Operating expenses

(2) In 1H2016 travel costs allocated 41,4% to Personnel and 58,6% to Other operating costs. In 1H2015 travel costs allocated 32,3% to Personnel and 67,7% to Other operating costs



# From Adjusted EBITDA to Net Income

## P&L

<i>Eur Mln, %</i>	2Q 2015	2Q 2016	% YoY	1H 2015	1H 2016	% YoY
<b>Adj. EBITDA<sup>(1)</sup></b>	<b>27,6</b>	<b>28,3</b>	<b>2,3%</b>	<b>53,7</b>	<b>55,6</b>	<b>3,6%</b>
% margin	52,5%	52,4%		51,1%	52,2%	
One-off	-0,1	-3,4		-0,1	-3,4	
<b>EBITDA</b>	<b>27,5</b>	<b>24,8</b>	<b>-9,7%</b>	<b>53,6</b>	<b>52,2</b>	<b>-2,5%</b>
% margin	52,3%	46,0%		51,0%	49,0%	
D&A <sup>(1,2)</sup>	-11,4	-10,8	-4,9%	-23,1	-21,5	-7,1%
<b>EBIT</b>	<b>16,1</b>	<b>14,0</b>	<b>-13,1%</b>	<b>30,5</b>	<b>30,8</b>	<b>0,9%</b>
Financial expenses	-0,6	-0,5	-9,5%	-1,0	-1,1	4,4%
<b>Pre Tax Profit</b>	<b>15,5</b>	<b>13,5</b>	<b>-13,3%</b>	<b>29,4</b>	<b>29,7</b>	<b>0,8%</b>
Taxes	-5,1	-4,5	-10,2%	-9,6	-10,0	4,2%
% tax rate	32,6%	33,7%		32,8%	33,9%	
<b>Net Income</b>	<b>10,5</b>	<b>8,9</b>	<b>-14,8%</b>	<b>19,8</b>	<b>19,6</b>	<b>-0,8%</b>
EPS	0,0386	0,0329		0,0727	0,0721	

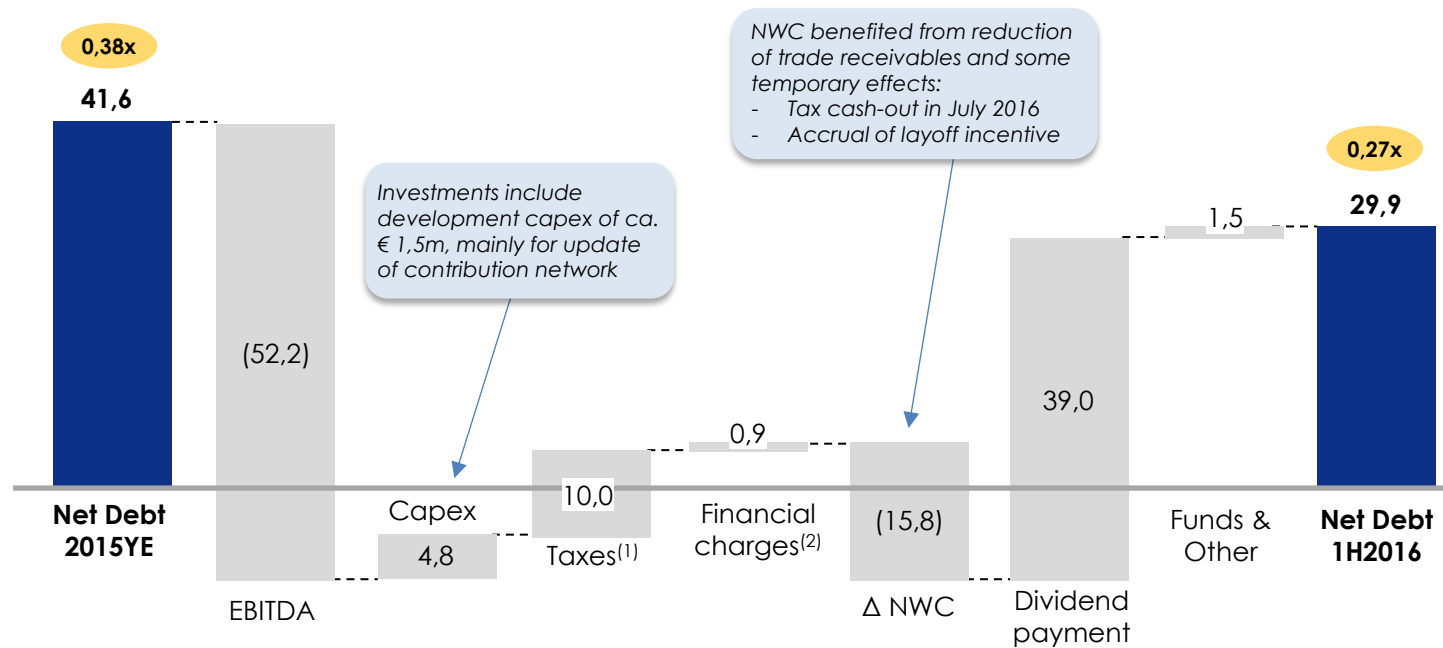
- 1H16 Adjusted EBITDA margin at 52,2% vs. 51,1% in 1H15
- One-off expenses of € 3,4m in 1H16, mainly related to voluntary layoff incentive, that will enhance future profitability
- Confirmed declining trend of D&A (€ -1,6m vs. 1H15)
- 1H16 tax rate at 33,9%
  - excluding the impact of deferred taxes, underlying equivalent tax rate stable at 32,7%
- 1H16 Net Income at € 19,6m, almost fully offsetting the impact of restructuring costs

(1) "Adjusted EBITDA" and "D&A" in 2015 adjusted to reflect the reallocation, starting from 1<sup>st</sup> of January 2016, of "Reversal of provisions", previously reported as "Other revenues", to Provisions

(2) Including provisions

# Cash Flow generation

*Eur Mln; %*



- 1H16 cash generation pre-dividend payment of 50,7m

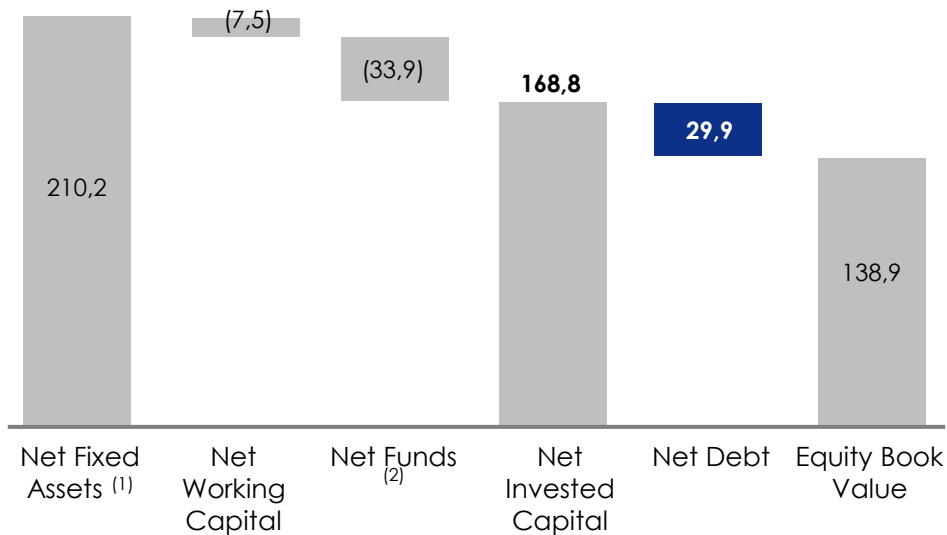
(1) P&L taxes

(2) P&L financial charges excluding interests on the employee benefit liability

# Balance Sheet

*Eur Mln*

## 1H16 Balance Sheet



- Conservative capital structure with € 29,9m Net Debt as of June 2016:

- 0,27x Net Debt/1y-rolling Adj. EBITDA
- 0,21x Net Debt/Equity book value

(1) Including long-term financial items

(2) Net funds include employee termination indemnities, provision for risks and deferred taxes

# 2016 Outlook confirmed

- **EBITDA**

- 2016 Adjusted EBITDA expected at ~ € 110m

- **Capex**

- 2016 Maintenance capex on revenues below 10%

# Q & A session



# Contacts

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## Upcoming events

<u>Date</u>	<u>Event</u>
09/11/2016	3Q16 results

# Appendix



# Detailed summary of Income Statement

(€m; %)	2Q15	2Q16	1H15	1H16
<b>Core revenues</b>	<b>52,6</b>	<b>53,9</b>	<b>105,0</b>	<b>106,6</b>
Other revenues <sup>(1)</sup>	0,0	0,1	0,2	0,1
Purchase of consumables	(0,3)	(0,4)	(0,6)	(0,6)
Service costs <sup>(1)</sup>	(12,4)	(12,5)	(25,4)	(24,5)
Personnel costs <sup>(1)</sup>	(11,5)	(15,4)	(23,9)	(27,5)
Other costs	(0,9)	(0,9)	(1,8)	(1,8)
<b>Opex</b>	<b>(25,1)</b>	<b>(29,2)</b>	<b>(51,7)</b>	<b>(54,5)</b>
Depreciation and amortization	(11,6)	(10,7)	(23,3)	(21,3)
Provisions <sup>(1)</sup>	0,2	(0,2)	0,2	(0,2)
<b>Net Operating profit</b>	<b>16,1</b>	<b>14,0</b>	<b>30,5</b>	<b>30,8</b>
Net Finance income	(0,6)	(0,5)	(1,0)	(1,1)
<b>Profit before income taxes</b>	<b>15,5</b>	<b>13,5</b>	<b>29,4</b>	<b>29,7</b>
Income taxes	(5,1)	(4,5)	(9,6)	(10,0)
<b>Profit for the year</b>	<b>10,5</b>	<b>8,9</b>	<b>19,8</b>	<b>19,6</b>
<b>EBITDA<sup>(1)</sup></b>	<b>27,5</b>	<b>24,8</b>	<b>53,6</b>	<b>52,2</b>
EBITDA margin	52,3%	46,0%	51,0%	49,0%
Non recurring expenses	-0,1	-3,4	-0,1	-3,4
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>27,6</b>	<b>28,3</b>	<b>53,7</b>	<b>55,6</b>
Adjusted EBITDA margin	52,5%	52,4%	51,1%	52,2%

(1) 2Q2015 and 1H2015 figures adjusted to reflect the reallocation, starting from 1<sup>st</sup> of January 2016, of "Reimbursement of expenses" and "Reversal of provisions", previously reported as "Other revenues", to Operating expenses and Provisions respectively. Adjustments are neutral at EBIT level



# Summary of Balance Sheet

(€m)	2015FY	1H2016
<b>Non current assets</b>		
Tangible assets	224,5	207,9
Intangible assets	1,8	1,9
Non-current financial assets	0,5	0,5
Non-current tax assets	4,5	4,5
<b>Total non-current assets</b>	<b>231,3</b>	<b>214,7</b>
<b>Current assets</b>		
Inventories	1,0	0,9
Trade receivables	70,3	67,4
Other receivables and current assets	4,5	5,3
Current financial assets	0,3	0,2
Cash	78,9	76,0
Tax assets	0,5	0,3
<b>Total current assets</b>	<b>155,5</b>	<b>150,2</b>
<b>TOTAL ASSETS</b>	<b>386,8</b>	<b>364,9</b>

(€m)	2015FY	1H2016
<b>Equity</b>		
Share capital	70,2	70,2
Legal reserves	8,1	10,1
Other reserves	37,1	37,0
Retained earnings	43,9	21,7
<b>Total equity</b>	<b>159,3</b>	<b>138,9</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	90,6	75,7
Employee benefits	20,3	20,1
Provisions for risks and charges / Allowances	18,4	18,3
Other non-current liabilities	0,0	0,0
Non-current tax liabilities	0,0	0,0
<b>Total non-current liabilities</b>	<b>129,3</b>	<b>114,2</b>
<b>Current liabilities</b>		
Commercial debt	37,2	35,0
Other debt and current liabilities	28,3	44,9
Current financial liabilities	30,2	30,3
Tax liabilities	2,5	1,6
<b>Total current liabilities</b>	<b>98,3</b>	<b>111,8</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>386,8</b>	<b>364,9</b>

# Summary of Cash Flow Statement

(€m)	2Q2015	2Q2016	1H2015	1H2016
<b>Earnings before taxes</b>	<b>15,5</b>	<b>13,5</b>	<b>29,4</b>	<b>29,7</b>
Depreciation and amortization	11,6	10,7	23,3	21,3
Provisions and others	(1,3)	0,8	(1,3)	1,3
Net financial Income	0,6	0,5	1,0	1,0
Other non-monetary items	0,0	0,0	0,0	0,0
<b>Net operating CF before change in WC</b>	<b>26,4</b>	<b>25,4</b>	<b>52,5</b>	<b>53,3</b>
Change in inventories	(0,1)	0,1	(0,1)	0,1
Change in accounts receivable	19,9	14,1	(1,2)	3,0
Change in accounts payable	(4,8)	0,5	(5,6)	(2,2)
Change in other assets	0,3	0,4	(0,7)	(0,9)
Change in other liabilities	(7,5)	(2,8)	2,0	8,2
Use of funds	(0,1)	(0,2)	(0,1)	(0,3)
Payment of employee benefits	0,8	(2,0)	0,5	(2,6)
Change in tax credit/liabilities	0,4	0,6	(0,5)	(1,2)
Taxes paid	(12,4)	(1,0)	(12,4)	(1,0)
<b>Net operating cash flow</b>	<b>22,8</b>	<b>35,0</b>	<b>34,3</b>	<b>56,3</b>
Investment in tangible assets	(4,0)	(2,5)	(6,9)	(4,5)
Sale of tangible assets	0,1	0,1	0,1	0,1
Investment in intangible assets	(0,1)	(0,2)	(0,1)	(0,2)
Sale of intangible assets	0,0	0,0	0,0	0,0
Financial lease cash-out	0,0	0,0	0,0	0,0
Financial lease cash-in	0,0	0,0	0,0	0,0
Change in other non-current assets	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,0	(0,0)	0,0	(0,0)
Interest received	0,0	0,0	0,1	0,0
<b>Investing cash flow</b>	<b>(4,0)</b>	<b>(2,6)</b>	<b>(6,9)</b>	<b>(4,7)</b>
(Decrease)/increase in long-term debt	(0,0)	(0,0)	25,0	(15,0)
(Decrease)/increase in current liabilities	0,3	(0,0)	15,0	(0,3)
Change in current financial assets	(0,3)	0,2	0,2	0,1
Interest paid	(0,5)	0,0	(0,9)	(0,4)
Dividends paid	(33,6)	(39,0)	(33,6)	(39,0)
<b>Financing cash flow</b>	<b>(34,0)</b>	<b>(38,8)</b>	<b>5,8</b>	<b>(54,6)</b>
Change in cash and cash equivalent	(15,1)	(6,3)	33,2	(3,0)
Cash and cash eq (Beg. of Period)	63,0	82,3	14,7	78,9
Cash and cash eq (End of Period)	47,8	76,0	47,8	76,0