

# 1H2019 Results Presentation

30 July 2019

## 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

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- Aldo Mancino, Chief Executive Officer
- Adalberto Pellegrino, Chief Financial Officer
- Giancarlo Benucci, Head of Corporate Development & IR

# Key messages

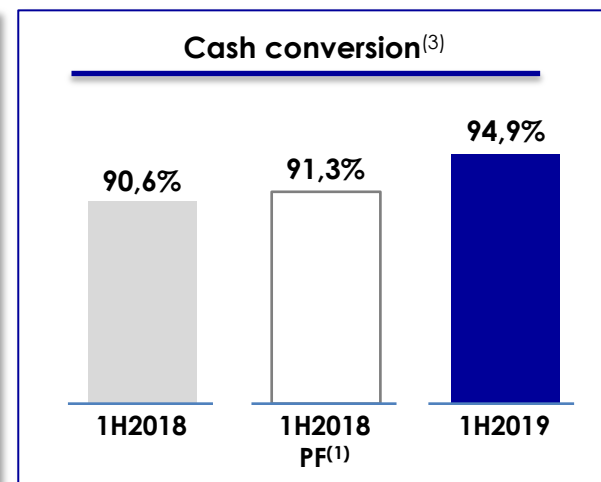
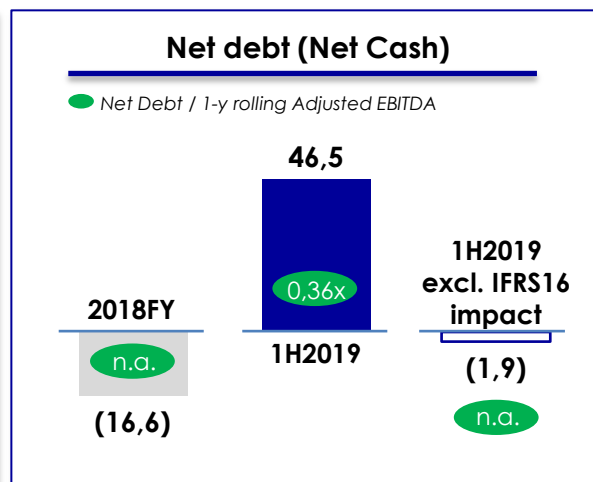
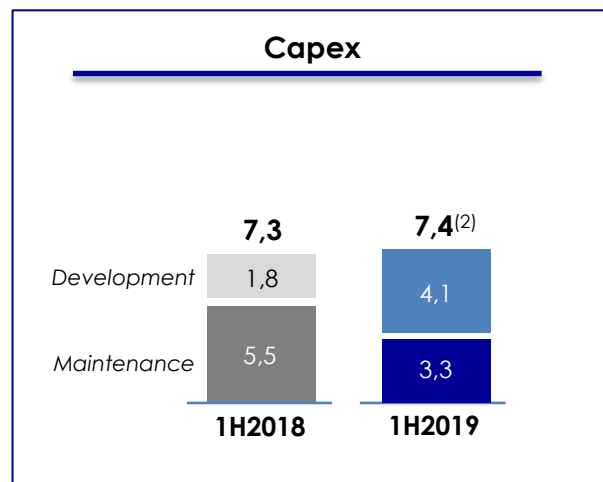
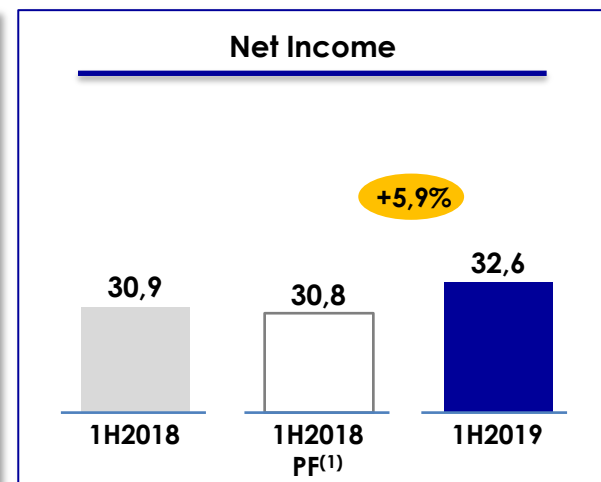
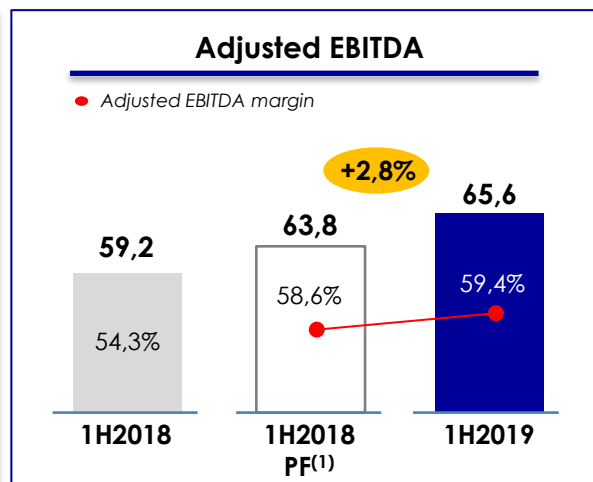
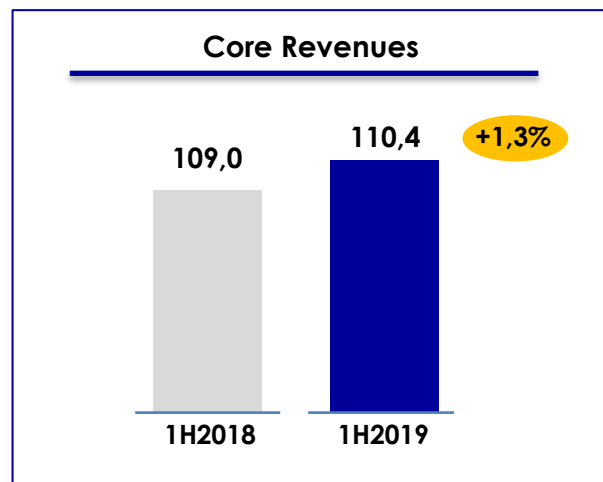
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- 1H2019 positive on all metrics even considering *una tantum* component on new services recorded in 2018:
  - Top-line growth supported by CPI and Third Parties
  - Adjusted EBITDA solidly growing at +2,8% with profitability above 59%
  - Further improvement in Net Income, up 5,9%
  
- Update on *refarming* process
  - Roadmap released: transitory period and process deadline confirmed
  
- Negotiations with RAI on new network configuration ongoing
  
- Double-digit growth in activity with Third Party customers different from MNOs
  
- 2019 outlook confirmed

# 1H2019 Financial Highlights

 % YoY growth

Mln Eur; %



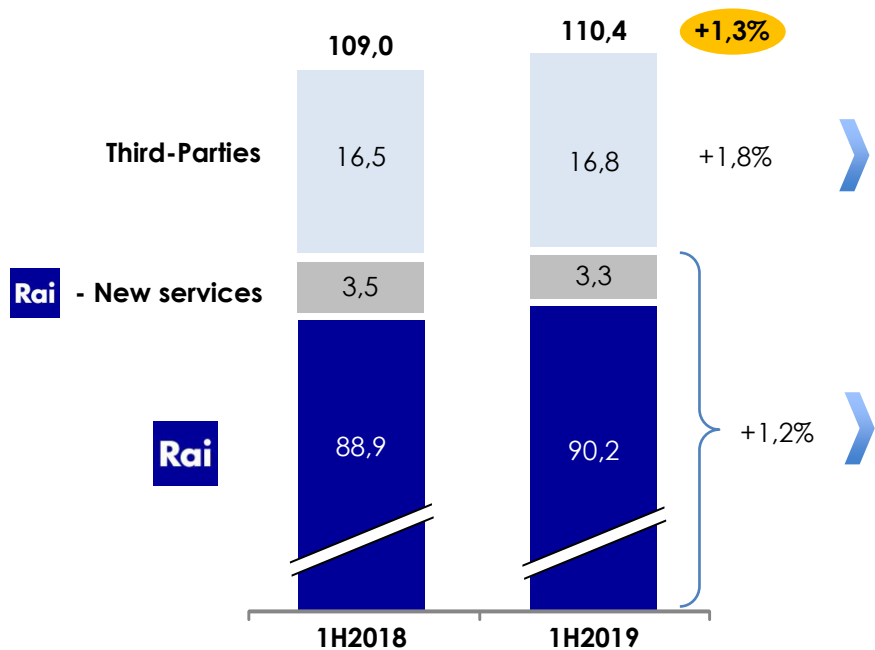
1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

2) 1H2019 capex figure excluding capex related to IFRS-16 application, equal to € 0,3m

3) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA

# Core Revenues

Mln Eur; %



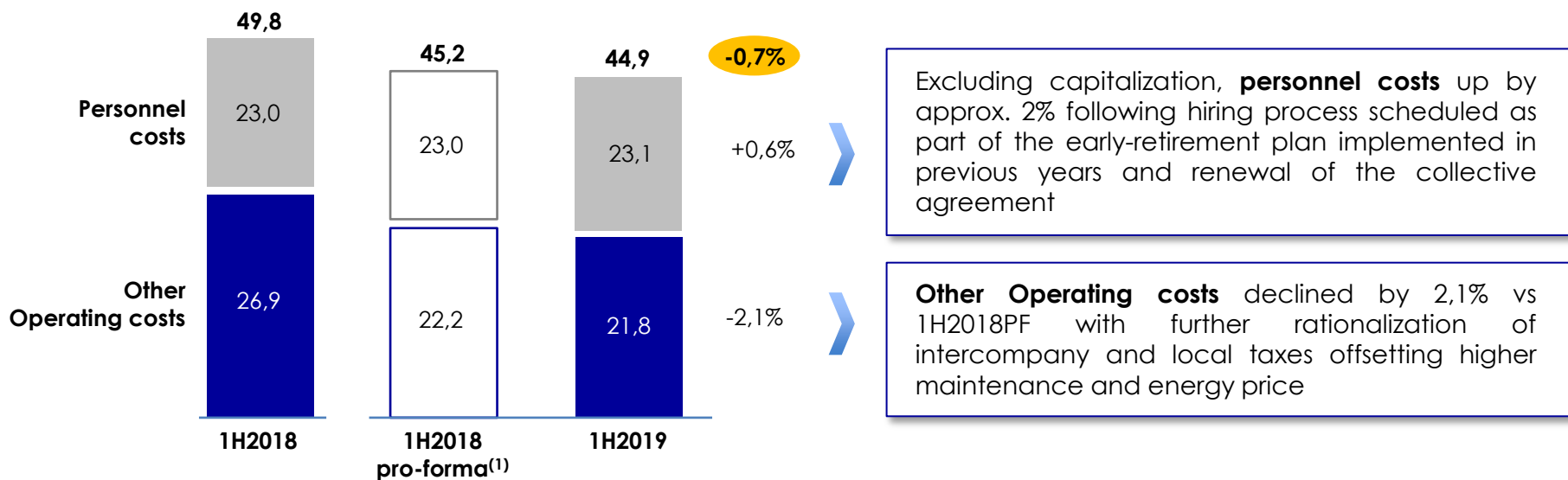
Revenues from **Third Parties** rose 1,8% (+0,8% excluding non-core items) with pressure from MNOs more than offset by double-digit growth on other customers driven by:

- Tower hosting services to broadcasters and FWAPs
- Transmission services

1H19 Revenues from **RAI** up 1,2% (+2,0% excluding impact from *una tantum* components):

- Indexation to CPI on fixed-consideration
- Excluding *una tantum*, contribution from New Services progressively up supported by release of radio links and extension of DAB+ network

Mln Eur; %



1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

<i>Eur Mln. %</i>	2Q 2018	2Q2018 PF <sup>(1)</sup>	2Q 2019	% YoY	1H 2018	1H2018 PF <sup>(1)</sup>	1H 2019	% YoY
<b>Core Revenues</b>	<b>54,9</b>	<b>54,9</b>	<b>55,4</b>	<b>0,8%</b>	<b>109,0</b>	<b>109,0</b>	<b>110,4</b>	<b>1,3%</b>
Other Revenues & income	0,0	0,0	0,0		0,0	0,0	0,1	
<b>Adj. EBITDA</b>	<b>29,5</b>	<b>31,8</b>	<b>32,8</b>	<b>3,0%</b>	<b>59,2</b>	<b>63,8</b>	<b>65,6</b>	<b>2,8%</b>
% margin	53,7%	57,9%	59,2%		54,3%	58,6%	59,4%	
Non recurring costs	0,0	0,0	0,0		-0,3	-0,3	0,0	
<b>EBITDA</b>	<b>29,5</b>	<b>31,8</b>	<b>32,8</b>	<b>3,0%</b>	<b>58,9</b>	<b>63,6</b>	<b>65,6</b>	<b>3,2%</b>
% margin	53,7%	57,9%	59,2%		54,1%	58,3%	59,4%	
D&A <sup>(2)</sup>	-8,2	-10,4	-9,0	-13,4%	-16,2	-20,6	-19,4	-5,8%
<b>Operating Profit (EBIT)</b>	<b>21,4</b>	<b>21,4</b>	<b>23,8</b>	<b>11,0%</b>	<b>42,8</b>	<b>43,0</b>	<b>46,2</b>	<b>7,5%</b>
Net financial income (expenses)	-0,3	-0,6	-0,3	-54,7%	-0,7	-1,2	-0,6	-45,2%
<b>Profit before Income taxes</b>	<b>21,0</b>	<b>20,9</b>	<b>23,5</b>	<b>12,8%</b>	<b>42,1</b>	<b>41,9</b>	<b>45,6</b>	<b>9,0%</b>
Income Taxes	-5,0	-4,9	-6,6	34,4%	-11,1	-11,1	-13,0	17,5%
% tax rate	23,6%	23,6%	28,1%		26,5%	26,5%	28,5%	
<b>Net Income</b>	<b>16,1</b>	<b>15,9</b>	<b>16,9</b>	<b>6,1%</b>	<b>30,9</b>	<b>30,8</b>	<b>32,6</b>	<b>5,9%</b>

- **1H19 Net Income up 5,9% at € 32,6m driven by:**

- Further improvement in profitability, with margin up 80bp vs. 1H18PF at 59,4%
- No one-off expenses
- € 1,5m benefit on D&A from release of provision for risks and charges
- Tax rate at 28,5% (2018 positively impacted by deferred taxes)

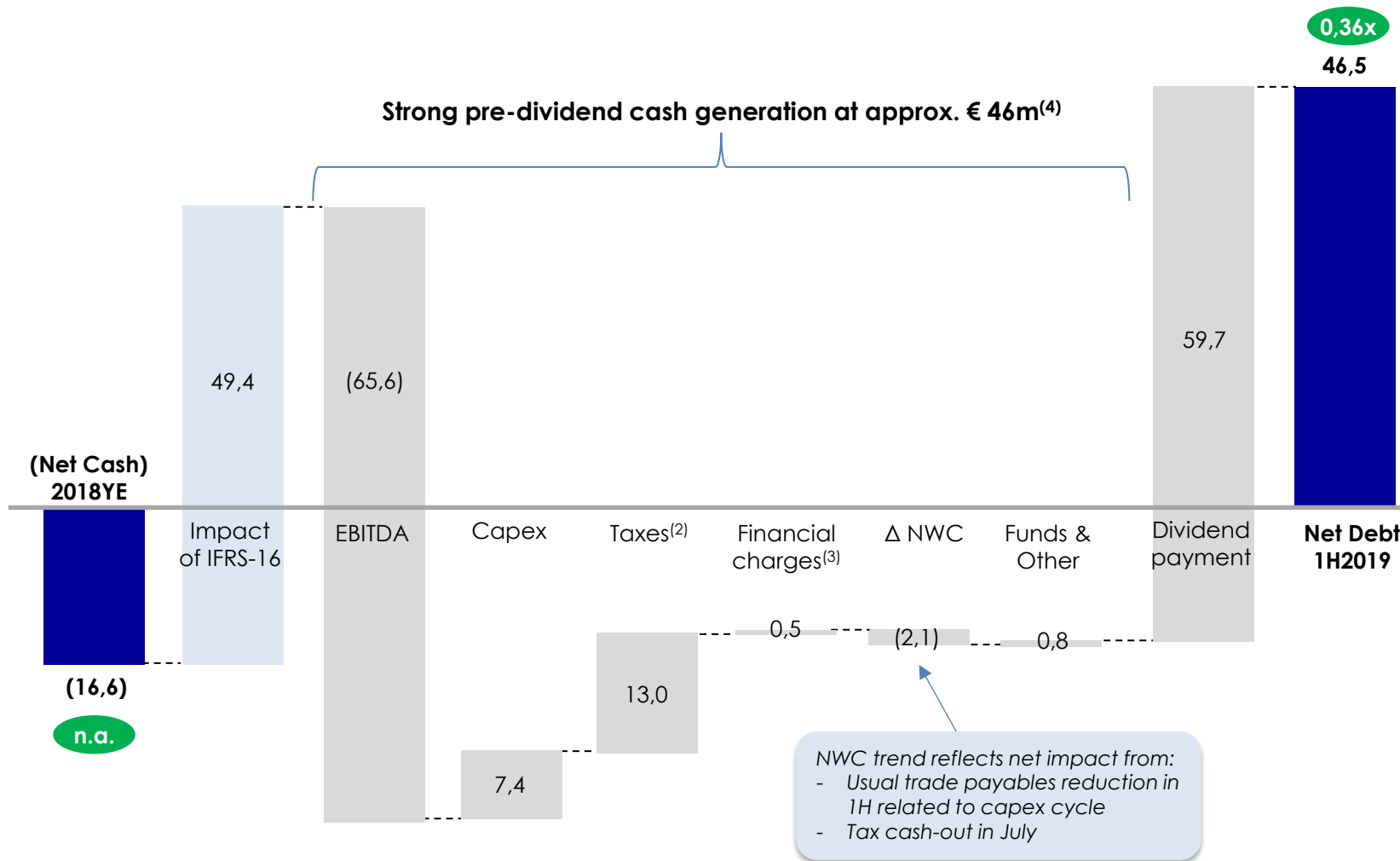
(1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

(2) Including provisions



# Cash flow generation

Mln Eur



(1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

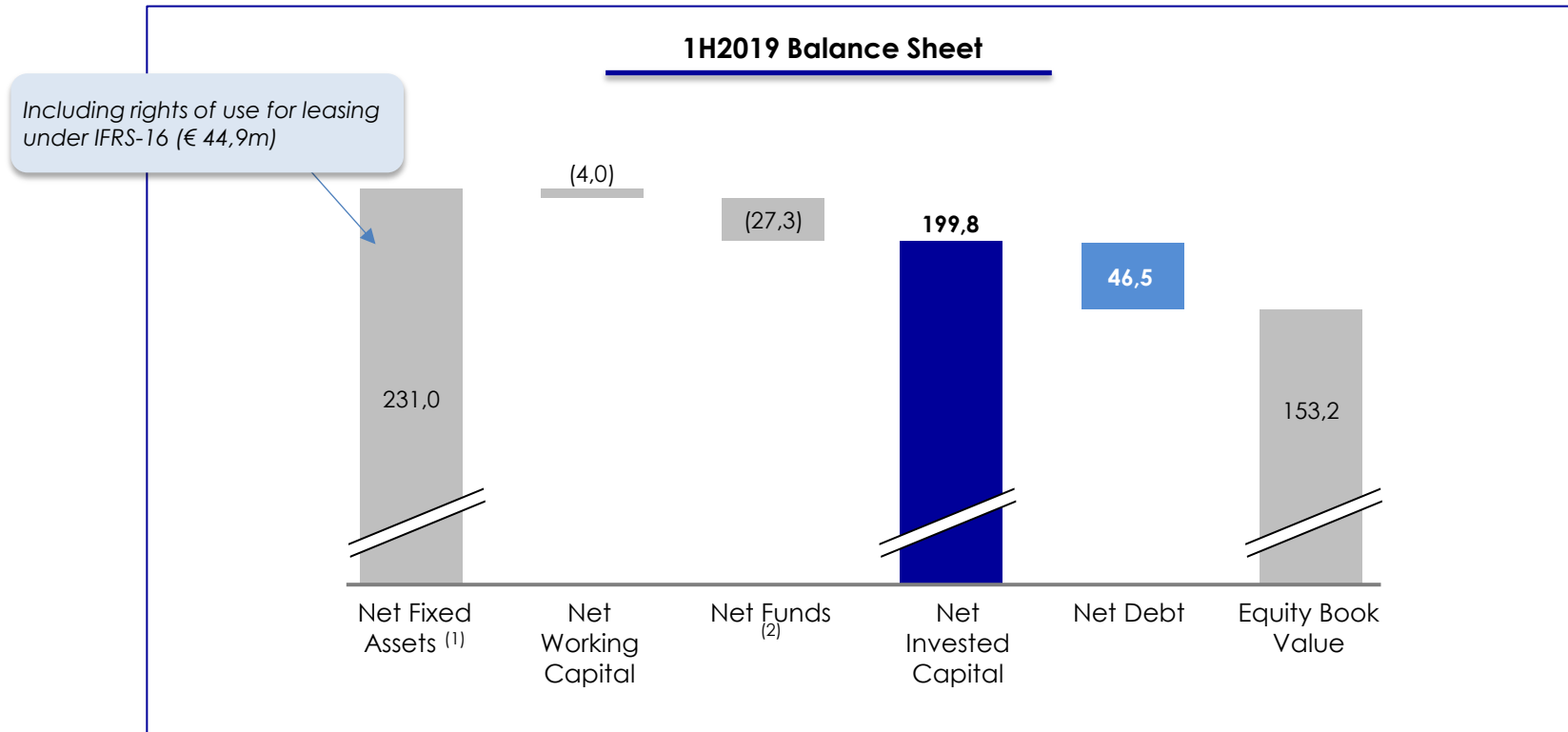
(2) P&L taxes

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

(4) Amount based on IFRS 16 accounting standard, consistently with the reported Net Debt figures

# Balance sheet

Mln Eur



(1) Including long-term financial items and the rights of use for leasing introduced from 2019 with the application of IFRS 16

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

# 2019FY Outlook (pre-IFRS16) confirmed

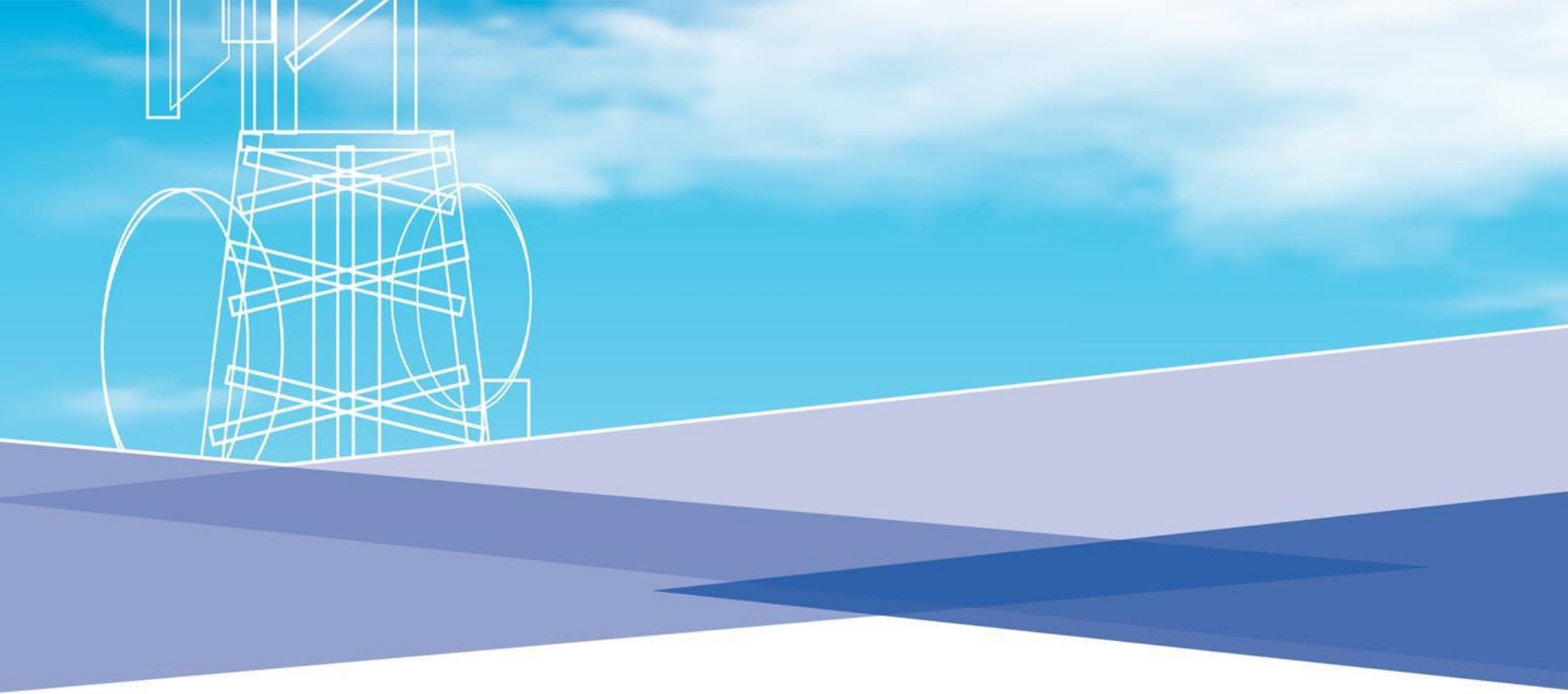
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- **2019 ADJUSTED EBITDA**

- Further organic growth

- **2019 CAPEX**

- Maintenance capex on core revenues ratio expected substantially in line with the 2018 figure, bringing the last 5-year average level at ca. 8%



# Q&A Session

# Contacts

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## Upcoming events

<u>Date</u>	<u>Event</u>
14/11/2019	3Q2019 results

# Appendix



# Detailed summary of Income Statement

(€m; %)	2Q18	2Q18PF <sup>(1)</sup>	2Q19	1H18	1H18PF <sup>(1)</sup>	1H19
<b>Core revenues</b>	<b>54,9</b>	<b>54,9</b>	<b>55,4</b>	<b>109,0</b>	<b>109,0</b>	<b>110,4</b>
Other revenues and income	0,0	0,0	0,0	0,0	0,0	0,1
Purchase of consumables	(0,3)	(0,3)	(0,3)	(0,6)	(0,6)	(0,6)
Cost of services	(12,9)	(10,6)	(10,6)	(24,8)	(20,2)	(20,0)
Personnel costs	(11,3)	(11,3)	(11,1)	(23,0)	(23,0)	(23,1)
Other costs	(0,9)	(0,9)	(0,6)	(1,7)	(1,7)	(1,1)
<b>Opex</b>	<b>(25,4)</b>	<b>(23,2)</b>	<b>(22,6)</b>	<b>(50,1)</b>	<b>(45,4)</b>	<b>(44,9)</b>
Depreciation, amortization and write-downs	(8,2)	(10,4)	(10,5)	(16,2)	(20,6)	(20,9)
Provisions	0,0	0,0	1,5	0,0	0,0	1,5
<b>Operating profit (EBIT)</b>	<b>21,4</b>	<b>21,4</b>	<b>23,8</b>	<b>42,8</b>	<b>43,0</b>	<b>46,2</b>
Net financial income (expenses)	(0,3)	(0,6)	(0,3)	(0,7)	(1,2)	(0,6)
<b>Profit before income taxes</b>	<b>21,0</b>	<b>20,9</b>	<b>23,5</b>	<b>42,1</b>	<b>41,9</b>	<b>45,6</b>
Income taxes	(5,0)	(4,9)	(6,6)	(11,1)	(11,1)	(13,0)
<b>Net Income</b>	<b>16,1</b>	<b>15,9</b>	<b>16,9</b>	<b>30,9</b>	<b>30,8</b>	<b>32,6</b>
<b>EBITDA</b>	<b>29,5</b>	<b>31,8</b>	<b>32,8</b>	<b>58,9</b>	<b>63,6</b>	<b>65,6</b>
<i>EBITDA margin</i>	<i>53,7%</i>	<i>57,9%</i>	<i>59,2%</i>	<i>54,1%</i>	<i>58,3%</i>	<i>59,4%</i>
Non recurring costs	0,0	0,0	0,0	(0,3)	(0,3)	0,0
<b>Adjusted EBITDA</b>	<b>29,5</b>	<b>31,8</b>	<b>32,8</b>	<b>59,2</b>	<b>63,8</b>	<b>65,6</b>
<i>Adjusted EBITDA margin</i>	<i>53,7%</i>	<i>57,9%</i>	<i>59,2%</i>	<i>54,3%</i>	<i>58,6%</i>	<i>59,4%</i>

# Summary of Balance Sheet

(€m)	2018FY	1H2019
<b>Non current assets</b>		
Tangible assets	180,9	172,2
Rights of use for leasing	0,0	44,9
Intangible assets	12,9	12,7
Financial assets, holdings and other non-current assets	1,3	1,3
Deferred tax assets	3,3	3,2
<b>Total non-current assets</b>	<b>198,5</b>	<b>234,2</b>
<b>Current assets</b>		
Inventories	0,9	0,9
Trade receivables	71,5	79,3
Other current receivables and assets	5,8	6,0
Current financial assets	0,1	0,2
Cash and cash equivalents	17,2	2,3
Current tax receivables	0,1	0,1
<b>Total current assets</b>	<b>95,5</b>	<b>88,7</b>
<b>TOTAL ASSETS</b>	<b>294,0</b>	<b>322,8</b>

(€m)	2018FY	1H2019
<b>Shareholders' Equity</b>		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,1	37,1
Retained earnings	59,5	31,9
<b>Total shareholders' equity</b>	<b>180,8</b>	<b>153,2</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	0,4	0,3
Non-current leasing liabilities	0,0	34,7
Employee benefits	15,1	14,9
Provisions for risks and charges	17,0	15,5
Other non-current liabilities	0,3	0,0
Deferred tax liabilities	0,0	0,0
<b>Total non-current liabilities</b>	<b>32,8</b>	<b>65,5</b>
<b>Current liabilities</b>		
Trade payables	45,6	42,4
Other debt and current liabilities	33,9	44,8
Current financial liabilities	0,3	0,2
Current leasing liabilities	0,0	13,7
Current tax payables	0,6	3,0
<b>Total current liabilities</b>	<b>80,4</b>	<b>104,1</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>294,0</b>	<b>322,8</b>



# Summary of Cash Flow Statement

(€m)	2Q2018	2Q2019	1H2018	1H2019
<b>Profit before income taxes</b>	<b>21,0</b>	<b>23,5</b>	<b>42,1</b>	<b>45,6</b>
Depreciation, amortization and write-downs	8,2	10,5	16,2	20,9
Provisions and (releases of) personnel and other funds	1,0	(0,7)	1,5	(0,1)
Net financial (income)/expenses	0,3	0,2	0,6	0,5
(Retained earnings)/Losses carried forward and other non-monetary items	0,0	0,0	(0,8)	0,0
<b>Net operating CF before change in WC</b>	<b>30,4</b>	<b>33,6</b>	<b>59,6</b>	<b>67,0</b>
Change in inventories	0,0	(0,0)	0,0	0,0
Change in trade receivables	(1,4)	6,8	(2,3)	(7,9)
Change in trade payables	0,1	(3,1)	(2,9)	(3,2)
Change in other assets	0,7	(0,6)	(0,6)	(0,2)
Change in other liabilities	(2,8)	(6,2)	4,4	0,0
Use of funds	(0,7)	(0,3)	(0,7)	(0,3)
Payment of employee benefits	(1,6)	(1,4)	(2,0)	(2,0)
Change in tax receivables and payables	0,0	0,2	0,0	0,2
Taxes paid	0,0	0,0	0,0	0,0
<b>Net cash flow generated by operating activities</b>	<b>24,8</b>	<b>29,0</b>	<b>55,5</b>	<b>53,7</b>
Investment in tangible assets	(6,1)	(4,2)	(6,9)	(6,8)
Disposals of tangible assets	(0,0)	0,0	0,0	0,0
Investment in intangible assets	(0,4)	(0,5)	(0,5)	(0,6)
Disposals of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	(1,0)	0,1	(1,0)	0,1
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,0	(0,0)	0,0	0,0
Business combination	0,0	0,0	0,0	0,0
<b>Net cash flow generated by investment activities</b>	<b>(7,4)</b>	<b>(4,7)</b>	<b>(8,2)</b>	<b>(7,3)</b>
(Decrease)/increase in medium/long-term loans	(0,1)	(0,1)	(15,1)	(0,1)
(Decrease)/increase in current financial liabilities	0,1	(0,1)	(0,1)	(0,4)
(Decrease)/increase in IFRS 16 financial liabilities	0,0	0,8	0,0	(0,9)
Change in current financial assets	0,0	(0,0)	(0,2)	(0,1)
Net Interest paid	(0,0)	(0,1)	(0,3)	(0,1)
Dividends paid	(55,1)	(59,7)	(55,1)	(59,7)
<b>Net cash flow generated by financing activities</b>	<b>(55,0)</b>	<b>(59,2)</b>	<b>(70,7)</b>	<b>(61,3)</b>
<b>Change in cash and cash equivalent</b>	<b>(37,7)</b>	<b>(34,9)</b>	<b>(23,5)</b>	<b>(14,9)</b>
Cash and cash equivalent (beginning of period)	70,1	37,2	55,9	17,2
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,0	0,0
Cash and cash equivalent (end of period)	32,4	2,3	32,4	2,3