9M2023 Results Presentation

14 November 2023

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Rai Way participants

- **Roberto Cecatto**, Chief Executive Officer
- **Adalberto Pellegrino**, Chief Financial Officer
- **Giancarlo Benucci**, Chief Corporate Development Officer

Key messages

9M23 FINANCIAL RESULTS

- Strong 9M23 performance:
  - **Revenues** up 10.7% (or **ca. +12% excluding non-recurring effects**) benefitting from **CPI-link** and rising contribution of **regional refarming**
  - Adjusted EBITDA up 19.6%, supported by top-line growth, material **reduction in electricity prices** in 3Q23 vs 3Q22 and **cost control** on other opex; 3Q23 **profitability at the record level of 70%**
  - Development capex at € 19.7m, with lower component related to refarming vs 9M22 (€ 7.7m vs 30.2m, including both RAI and regional networks); investment in **diversification initiatives expected to accelerate** following support from new Board
  - **Recurring FCFE** above € 90m, almost reaching the level generated in the entire 2022

OPERATING UPDATE

- Assessment of **diversification initiatives** completed: **support from the new Board** to execution
- **Debt refinancing finalized** in October

OUTLOOK

- **Adjusted EBITDA guidance** for 2023 **raised**
- **New Industrial Plan** under development, **release** expected in **1H24**

New infra & services projects: progress update

Activity progress: 0% >>> 100%

Project estimated capex

Rai Way

Edge CDN

Network architecture design → Selection & prioritization of edge locations to host cache → Procedure to select tech partner / Agreement to access TLC Access Network → Roll-out

~15m in the next 3y

- Technological partner awarded
- Testing in 1H2024; first ready-to-service Edge CDN from 2H2024
- Further "capillarization" based on clients' performance requirements

Edge data Centers (>3 MW)

5 Major (1,6 MW) *(Milan, Turin, Venice, Florence, Genova)*

RW sites selection → Concept design → Final design → Working plan & construction

- Progressive assets availability from end of 2023

Other Major

RW sites selection → Concept design → Final design → Working plan & construction

- Construction of EDC in Rome awarded
- Other locations: alternative sites to increase size identified

Other Medium & Small EDC

RW sites selection → Concept design → Final design → Working plan & construction

- Concept design done; roll-out based on edge services demand uptake

~70m

Hyperscale data center

TIER-IV scalable DC up to ca. 35 MW IT load, with 4 modules of ~9 MW each

Sites pre-selection (proprietary areas) → Feasibility study → Concept design → Permitting & final design → Construction

~12m /MW

- Authorization phase ongoing
- First module construction time (once authorized): 12-18 months

~€6m

Capex spent as of 9M23

~€33m

Capex already committed (signed contracts) as of 9M23

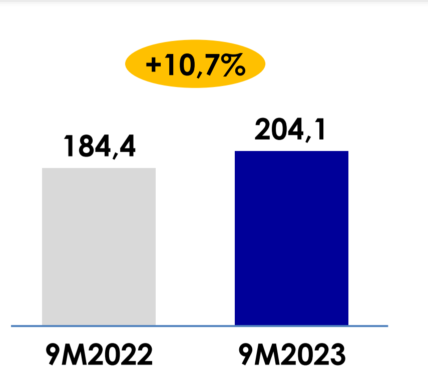
>10%

Estimated unlevered projects IRR

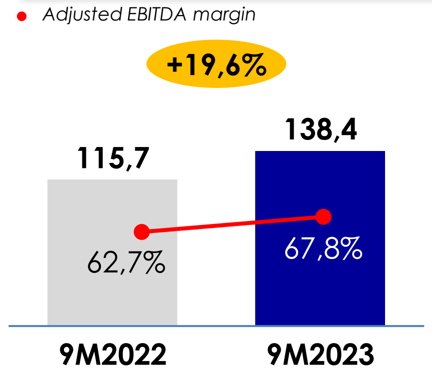
9M2023 Financial highlights

Mln Eur; % % YoY growth

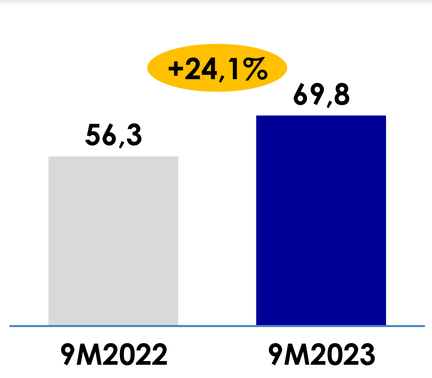
Core Revenues



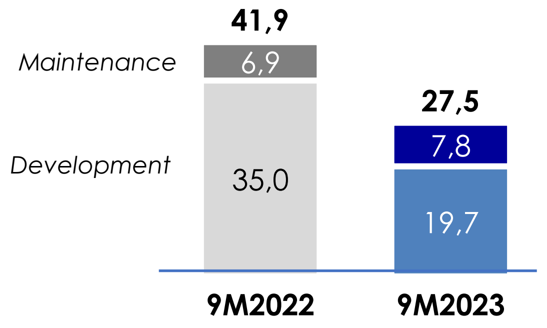
Adjusted EBITDA



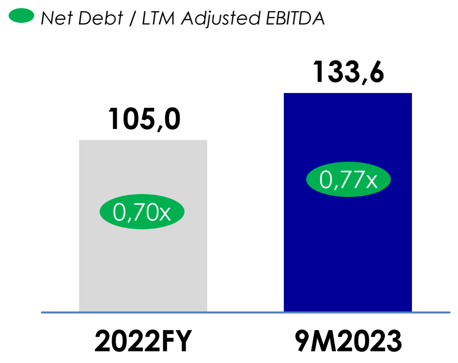
Net Income



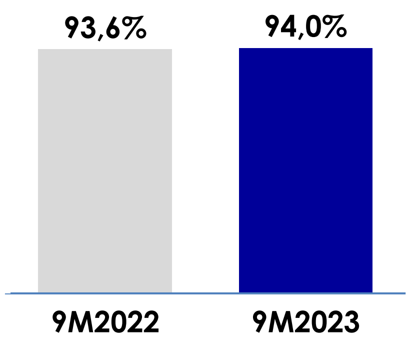
Capex[1]



Net debt (Net Cash)



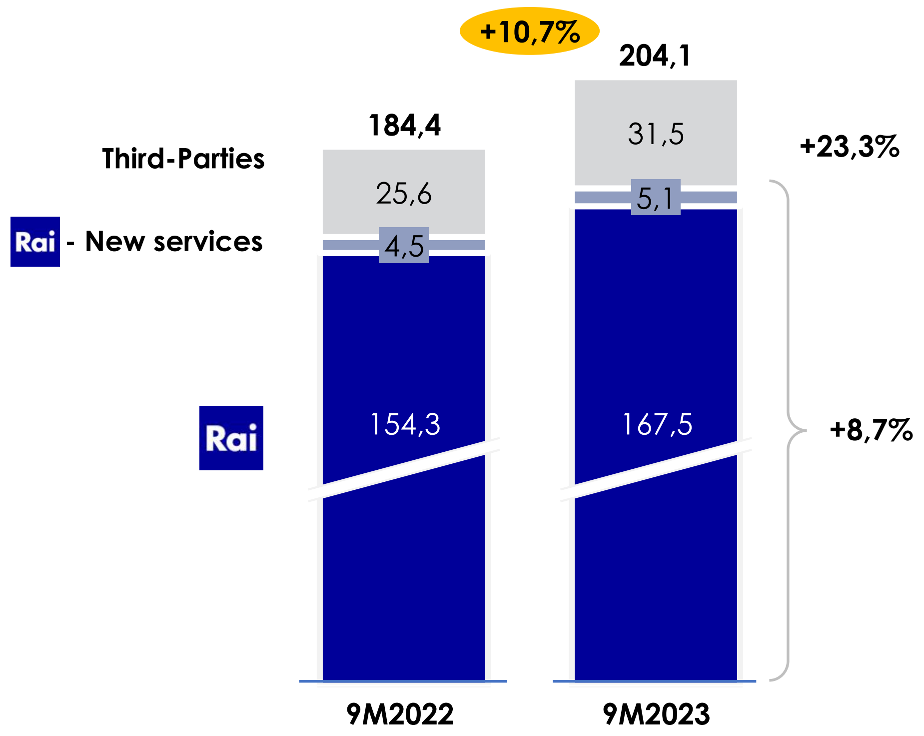
Cash conversion[2]



1) Capex excluding component related to IFRS-16 leasing. Development capex figure include € 2,8 million related to fiber IRU, reported under IFRS-16 financial liabilities in the financial statements
2) Cash conversion = (Adj. EBITDA after Leases – Maintenance Capex) / Adj. EBITDA after Leases. Leases estimated as sum of leasing right of use depreciation (excl. dismantling) + financial charges on leasing contracts

Core Revenues

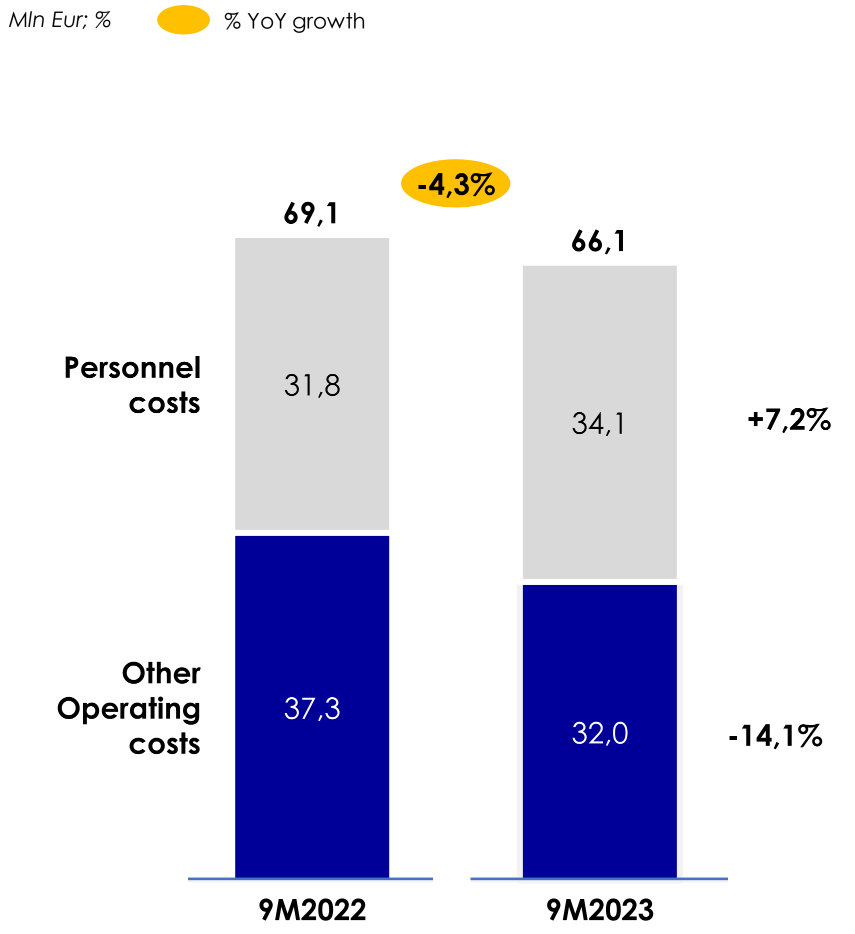
Mln Eur; % % YoY growth



- Excluding non-recurring impacts (e.g. termination of a minor radio service in 3Q22), **RAI fixed consideration** up in line with **CPI**
- **New services to RAI up 11,8%** driven by inflation and a number of small-size projects (e.g. DAB coverage extension, signals transport, …)

- **New regional MUXes business** boosting **Third-party revenues up 23.3%**
  - As for other customers, growth confirmed above 9% supported by contract escalator and good performance of FWAPs and radio broadcasters

Opex (excluding non-recurring)



- Excluding non-core components, **Personnel cost up approx. 4%**
- Approx **14% reduction** of **Other Operating costs:**
  - **9M energy bill down 42% vs. 2022** as a result of sharp **price decline** (especially compared to 3Q22) and **consumption efficiency** (-12%)
  - underlying trend of **other cost items up** 6,6% (or **approx. 4%** net of the expenses related to a government-sponsored project to be covered by funds reported under other income)

	1H22	1H23	Δ	3Q22	3Q23	Δ	9M22	9M23	Δ
Total price *(equivalent per MWh)*	196	188	-4%	459	189	-59%	283	188	-33%
Consumption *(GWh)*	38,6	33,4	-14%	19,0	17,2	-10%	57,7	50,6	-12%
Energy bill *(€ mln)*	7,6	6,3	-17%	8,7	3,3	-63%	16,3	9,5	-42%

1) Average raw energy price paid (€/MWh) Including spread and green energy option (1Q22: ~58; 2Q22: ~252; 1H22: 153; 1Q23: ~160; 2Q23: ~124; 1H23: 142)
2) 1Q22 benefitting from raw energy price fixed at 2021 level

P&L

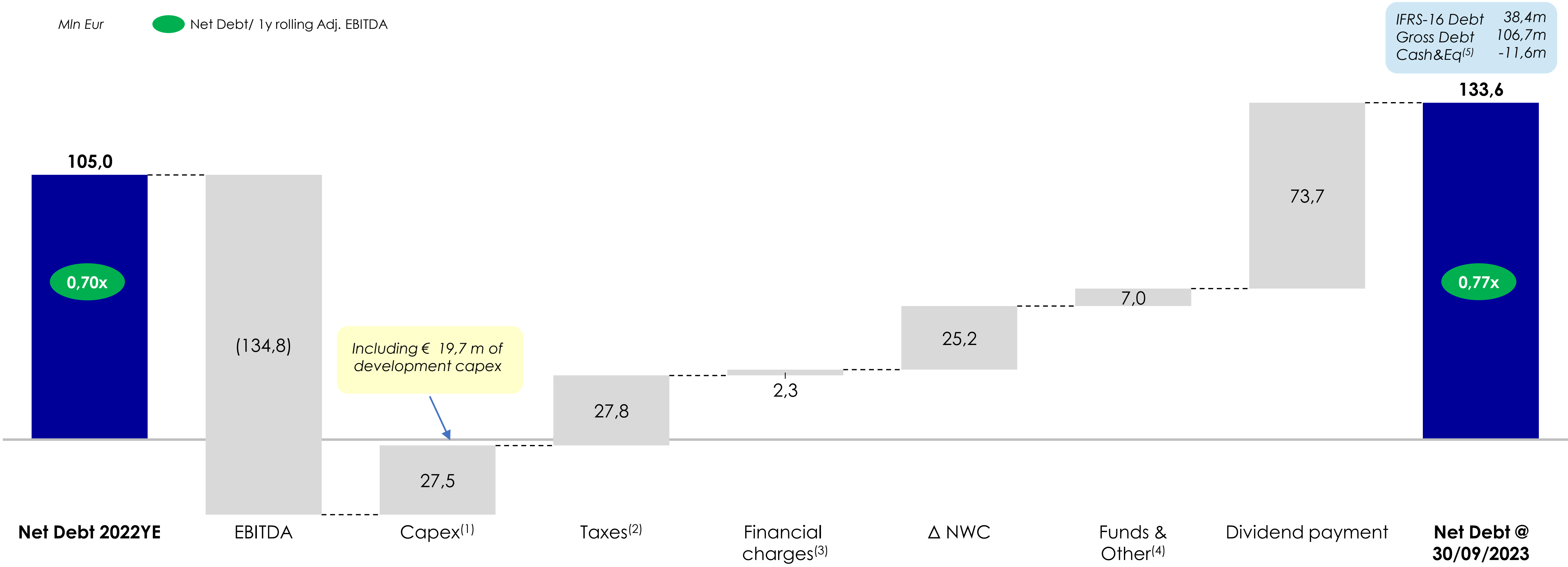
Eur Mln, %	3Q2022	3Q2023	% YoY	9M2022	9M2023	% YoY
Core Revenues	**63,2**	**68,2**	**7,9%**	**184,4**	**204,1**	**10,7%**
Other Revenues & income [1]	0,1	0,1		0,4	0,4	
Adj. EBITDA	**37,5**	**47,6**	**27,0%**	**115,7**	**138,4**	**19,6%**
% margin	*59,4%*	*69,9%*		*62,7%*	*67,8%*	
Non recurring costs	0,0	0,0		0,0	-3,6	
EBITDA	**37,5**	**47,6**	**27,0%**	**115,7**	**134,8**	**16,5%**
% margin	*59,4%*	*69,9%*		*62,7%*	*66,0%*	
D&A [2]	-10,2	-11,6	14,3%	-35,8	-34,3	-4,4%
Operating Profit (EBIT)	**27,3**	**36,0**	**31,7%**	**79,8**	**100,5**	**25,9%**
Net financial income (expenses)	-0,5	-1,2	144,2%	-1,3	-2,9	118,1%
Profit before Income taxes	**26,9**	**34,8**	**29,7%**	**78,5**	**97,6**	**24,3%**
Income Taxes	-7,6	-9,9	30,2%	-22,2	-27,8	24,8%
% tax rate	*28,3%*	*28,4%*		*28,3%*	*28,5%*	
Net Income	**19,3**	**24,9**	**29,5%**	**56,3**	**69,8**	**24,1%**

9M2023 Net Income up by 24,1% at € 69,8m despite €3,6m non-recurring costs:

- Significantly higher EBITDA and profitability (ca 70% in the 3Q23)
- Lower D&A as net effect of the termination of the useful life of DVB-T equipment (in 3Q22) and investment activity
- Financial charges up reflecting higher net debt and rising interest rates
- Stable tax rate

1) Other Revenues and income net of tax credit related to electricity expenses Including provisions; 2) including provisions

Net Debt bridge



9M2023 recurring FCFE[6] at ca. € 91m

1) Excluding component related to IFRS-16 leasing; development capex include € 2,8 million related to fiber IRU, reported under IFRS-16 financial liabilities in the financial statements
2) P&L taxes
3) P&L financial charges excluding interests on employee benefit liability and interests on leasing contracts;
4) including renewal of leasing contracts and interests on leasing contracts;
5) Including current financial assets
6) Recurring FCFE = Adj. EBITDA – Leases – Net Financial Charges (excl. IFRS-16 component) – P&L Taxes (adjusted to exclude benefits from non-recurring opex) – Recurring Maintenance Capex. Leases estimated as sum of leasing right of use depreciation (excl. dismantling) + financial charges on leasing contracts

Debt refinancing

- Amount: **€ 185m** (vs previous € 170m), of which € 143m Term loan (with **bullet** repayment at maturity) + € 42m Revolving
- Term Loan to be drawn as needed upon borrower's request (€ 101m drawn as of today)
- Tenor: **3 years**
- Interest: **Euribor (0 floor) + 1,10%**
- Commitment fee: 35% of the spread
- One-off fees: 27,5bps upfront fee; 7,5bps coordination fee
- Covenant: **Net Debt / EBITDA ≤ 3,0x**
- Lenders: BPER Banca S.p.A., Cassa Depositi e Prestiti S.p.A., Mediobanca S.p.A., UniCredit S.p.A.

Cash generation and available debt to finance development initiatives

2023 Adjusted EBITDA guidance raised

- Outlook based on recent levels of power futures for the rest of 2023[1]

Adjusted EBITDA	***Growth rate now expected in the «high-teens area»***	- CPI-link - Rising contribution from regional refarming - Lower energy prices[1] and lower consumption - Start-up costs related to new infrastructure/services
Capex	• ***Maintenance capex broadly stable vs 2022*** • ***Development capex below vs 2022, with different RAI-3rd Parties mix***	- New infra roll-out (mainly edge & CDN) - Backbone upgrade completion - Residual refarming investments (both RAI & regional)

Following support from the Board, investments in diversification initiatives to accelerate in coming quarters

1) Average level of raw energy price for FY2023 (excluding spread, green energy option and effect of tax credits) assumed at ca. 130 €/MWh

Q&A session

Contacts

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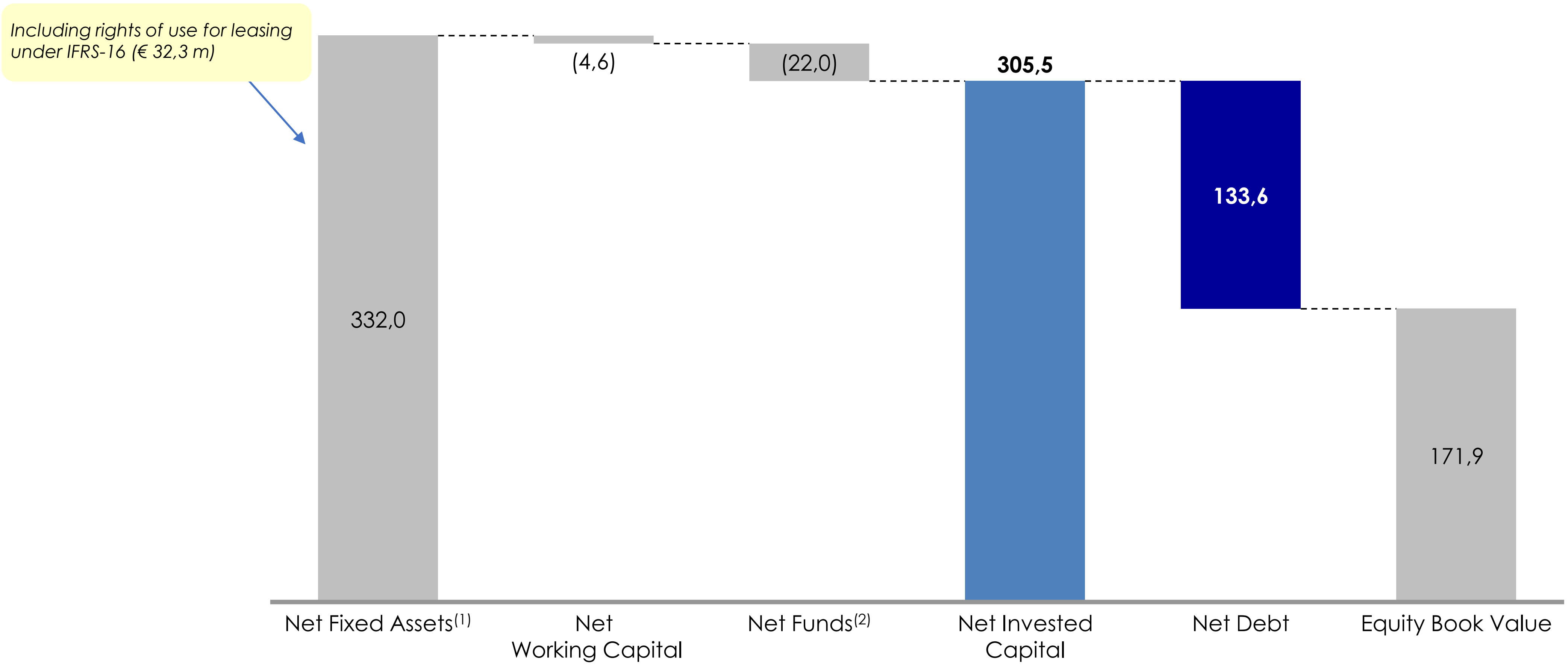
Appendix

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

Detailed summary of Income Statement

(€m; %)	3Q22	3Q23	9M22	9M23
Core revenues	**63,2**	**68,2**	**184,4**	**204,1**
Other revenues and income [1]	1,5	0,1	1,8	1,6
Purchase of consumables	(0,4)	(0,3)	(1,0)	(0,9)
Cost of services	(16,5)	(9,6)	(35,7)	(30,4)
Personnel costs	(9,5)	(10,0)	(31,8)	(37,5)
Other costs	(0,6)	(0,7)	(1,9)	(2,1)
Opex	**(27,1)**	**(20,6)**	**(70,5)**	**(71,0)**
Depreciation, amortization and write-downs	(10,2)	(11,6)	(35,9)	(34,3)
Provisions	-	-	0,0	-
Operating profit (EBIT)	**27,3**	**36,0**	**79,8**	**100,5**
Net financial income (expenses)	(0,5)	(1,2)	(1,3)	(2,9)
Profit before income taxes	**26,9**	**34,8**	**78,5**	**97,6**
Income taxes	(7,6)	(9,9)	(22,2)	(27,8)
Net Income	**19,3**	**24,9**	**56,3**	**69,8**

EBITDA	**37,5**	**47,6**	**115,7**	**134,8**
EBITDA margin	*59,4%*	*69,9%*	*62,7%*	*66,0%*
Non recurring costs	-	-	-	(3,6)
Adjusted EBITDA	**37,5**	**47,6**	**115,7**	**138,4**
Adjusted EBITDA margin	*59,4%*	*69,9%*	*62,7%*	*67,8%*

1) Other Revenues and income include tax credits related to electricity expenses

Summary of Balance Sheet

(€m)	2022FY	9M2023
Non current assets		
Tangible assets	280,8	278,5
Rights of use for leasing	33,4	32,3
Intangible assets	19,5	20,6
Financial assets, holdings and other non-current assets	0,9	0,9
Deferred tax assets	1,8	2,1
Total non-current assets	**336,4**	**334,5**
Current assets		
Inventories	0,8	0,8
Trade receivables	66,2	80,2
Other current receivables and assets	2,5	3,8
Current financial assets	1,5	0,8
Cash and cash equivalents	35,2	10,7
Current tax receivables	0,1	0,1
Total current assets	**106,2**	**96,4**
TOTAL ASSETS	**442,6**	**430,9**

(€m)	2022FY	9M2023
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	38,2	37,8
Retained earnings	73,7	69,9
Treasury shares	(20,0)	(20,0)
Total shareholders' equity	**176,2**	**171,9**
Non-current liabilities		
Non-current leasing liabilities	22,6	21,0
Employee benefits	10,0	10,0
Provisions for risks and charges	15,1	14,1
Other non-current liabilities	0,3	0,3
Total non-current liabilities	**48,0**	**45,4**
Current liabilities		
Trade payables	60,5	36,8
Other debt and current liabilities	38,5	49,9
Current financial liabilities	101,5	106,7
Current leasing liabilities	17,6	17,4
Current tax payables	0,4	2,8
Total current liabilities	**218,4**	**213,6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**442,6**	**430,9**

Summary of Cash Flow Statement

(€m)	3Q2022	3Q2023	9M2022	9M2023
Profit before income taxes	**26,9**	**34,8**	**78,5**	**97,6**
Depreciation, amortization and write-downs	10,2	11,6	35,9	34,3
Provisions and (releases of) personnel and other funds	0,9	(0,8)	0,3	1,1
Net financial (income)/expenses	0,4	1,1	1,2	2,8
Other non-cash items	0,1	0,1	0,2	0,4
Net operating CF before change in WC	**38,4**	**47,0**	**116,1**	**136,1**
Change in inventories	0,0	-	0,0	0,0
Change in trade receivables	(9,1)	(5,0)	(9,6)	(14,3)
Change in trade payables	4,1	(8,1)	(8,1)	(23,7)
Change in other assets	(1,4)	(0,1)	0,4	(1,3)
Change in other liabilities	4,8	(15,8)	8,2	(11,9)
Use of funds	(0,1)	(0,3)	(0,9)	(0,6)
Payment of employee benefits	(0,6)	(0,4)	(2,3)	(1,7)
Change in tax receivables and payables	(0,1)	(0,0)	(0,1)	(2,2)
Taxes paid	(21,3)	-	(22,9)	-
Net cash flow generated by operating activities	**14,9**	**17,3**	**80,7**	**80,3**
Investment in tangible assets	(15,2)	(7,9)	(40,7)	(20,3)
Disposals of tangible assets	(0,0)	-	0,0	-
Investment in intangible assets	(0,5)	(1,6)	(1,2)	(4,3)
Disposals of intangible assets	(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	-	0,1	-
Net cash flow generated by investment activities	**(15,6)**	**(9,5)**	**(41,7)**	**(24,7)**
(Decrease)/increase in medium/long-term loans	-	-	32,0	-
(Decrease)/increase in current financial liabilities	0,1	(1,0)	0,3	3,7
(Decrease)/increase in IFRS 16 financial liabilities	(1,1)	(1,0)	(6,9)	(8,8)
Change in current financial assets	(0,1)	(0,4)	(0,3)	(0,4)
Net Interest paid	(0,2)	(0,1)	(0,7)	(1,0)
Dividends paid	(0,0)	-	(65,1)	(73,7)
Net cash flow generated by financing activities	**(1,3)**	**(2,4)**	**(40,7)**	**(80,1)**
Change in cash and cash equivalent	**(2,1)**	**5,4**	**(1,6)**	**(24,5)**
Cash and cash equivalent (beginning of period)	17,7	5,4	17,2	35,2
Cash and cash equivalent (end of period)	15,6	10,7	15,6	10,7