

1H2024 Results Presentation

1 August 2024

Way
to go

Rai Way

Disclaimer

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.

Speakers



Roberto Cecatto, Chief Executive Officer



Adalberto Pellegrino, Chief Financial Officer



Giancarlo Benucci, Chief Corporate Development Officer

Key messages

Financial Results – First-half trend in line with expectations:

- **Total Revenues up 1,2% vs 1H2024**, with underlying Third-Party performance at +4% supported by CPI, regional frequencies and hosting services to FWA and radio broadcasters
- **Adjusted EBITDA up 3,0% with profitability improvement of 120bps at 68%**, benefiting from i) higher level of capitalized personnel and ii) other costs rationalization more than offsetting higher energy bill (+25% in the 2Q due to lack of incentives)
- **Development Capex at € 12,2m**, more than half deployed on diversification projects

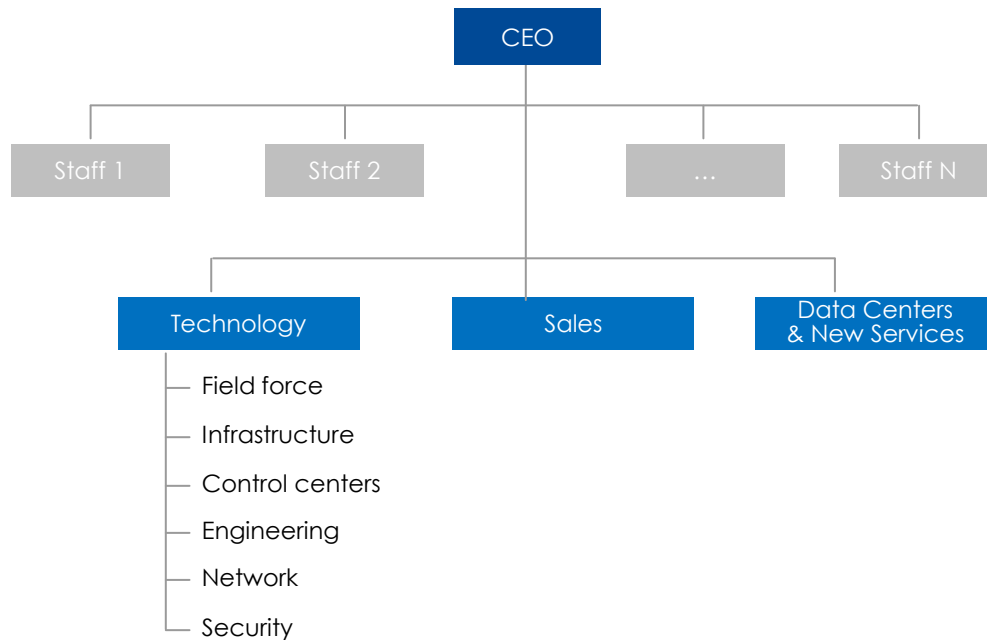
Operations – Relentless focus on Industrial Plan execution:

Traditional business	Diversification	Enablers
<ul style="list-style-type: none">○ Design activities on DAB network extension underway	<ul style="list-style-type: none">○ First 5 Edge DCs completed and ready for commercialization○ Commercial partnership with Oracle finalized○ Edge CDN functional trials started	<ul style="list-style-type: none">○ New, more business-oriented organization

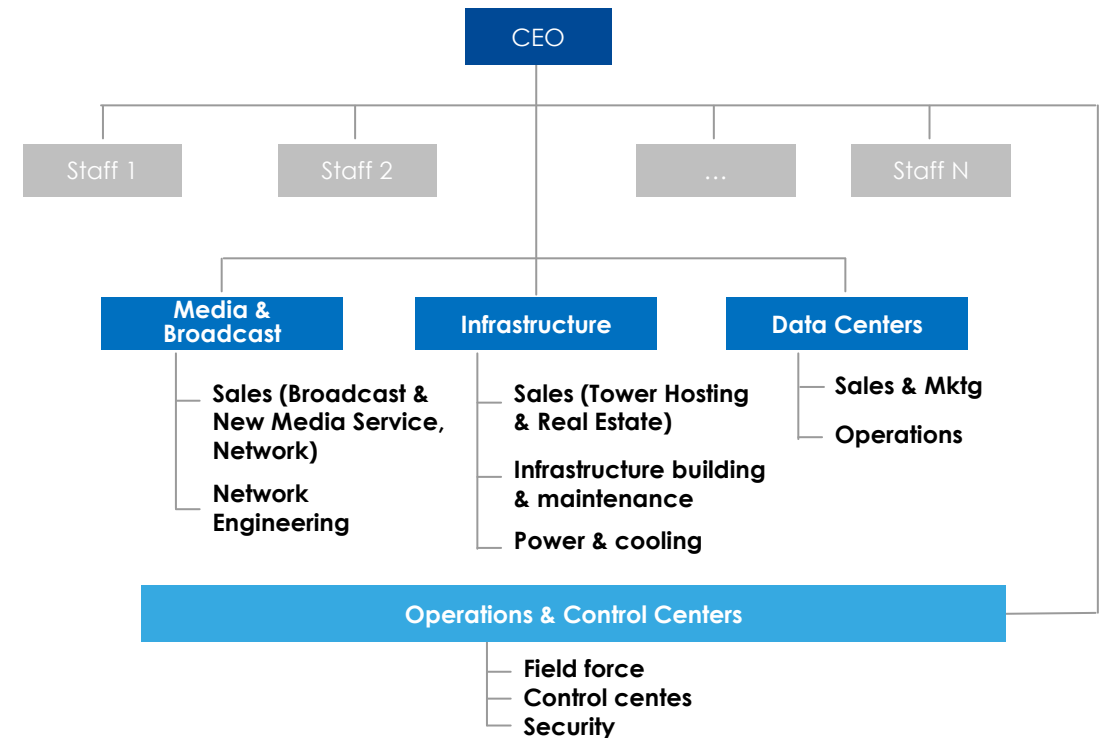
Outlook – FY guidance for Adjusted EBITDA growth over 2023 confirmed

FOCUS ON: New organisational structure

From functional...



...to divisional organisation



- More (new) business oriented
- Specific revenue and management levers allocated to different divisions
- Cross-functional operations to support all businesses

FOCUS ON: first 5 new edge DCs completed



TURIN

- 118 sqm data hall
- 39 racks
- Up to 280 kW IT load



MILAN

- 230 sqm data hall
- 60 racks
- Up to 450 kW IT load



VENICE

- 118 sqm data hall
- 32 racks
- Up to 204 kW IT load




GENOA

- 105 sqm data hall
- 32 racks
- Up to 204 kW IT load



FLORENCE

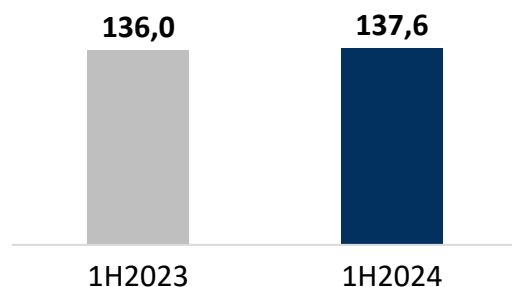
- 185 sqm data hall
- 60 racks
- Up to 432 kW IT load

- **747 sqm data hall**
 - **249 racks**
 - **1.6 MW IT load**
 - Coverage of Northern Italy
 - **Commercial partnership** with Oracle signed
- 
- Edge DCs regions to follow: Puglia, Sicilia, Emilia Romagna, Campania

1 H2024 Financial highlights

Core revenues (€m)

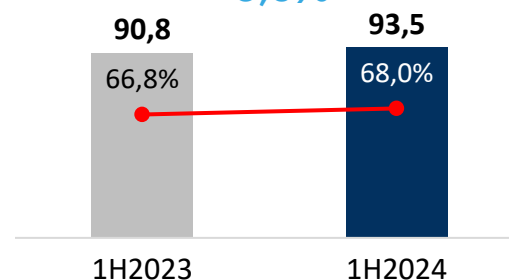
+1,2%



Adjusted EBITDA (€m)

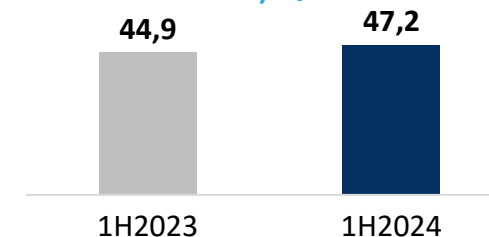
Adjusted EBITDA margin

+3,0%

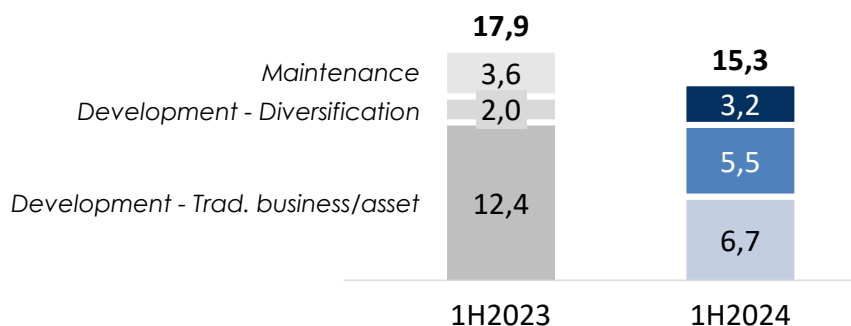


Net Income (€m)

+5,2%

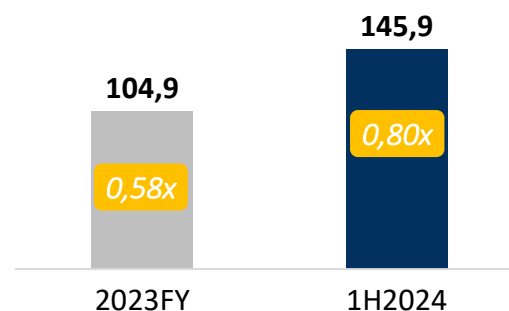


Capex¹ (€m)

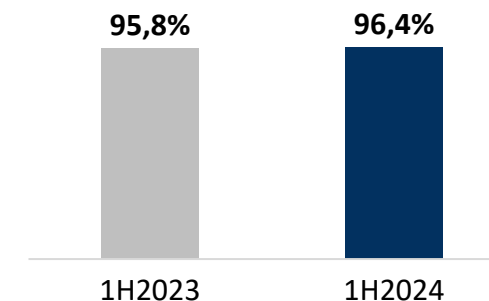


Net Debt (Cash) (€m)

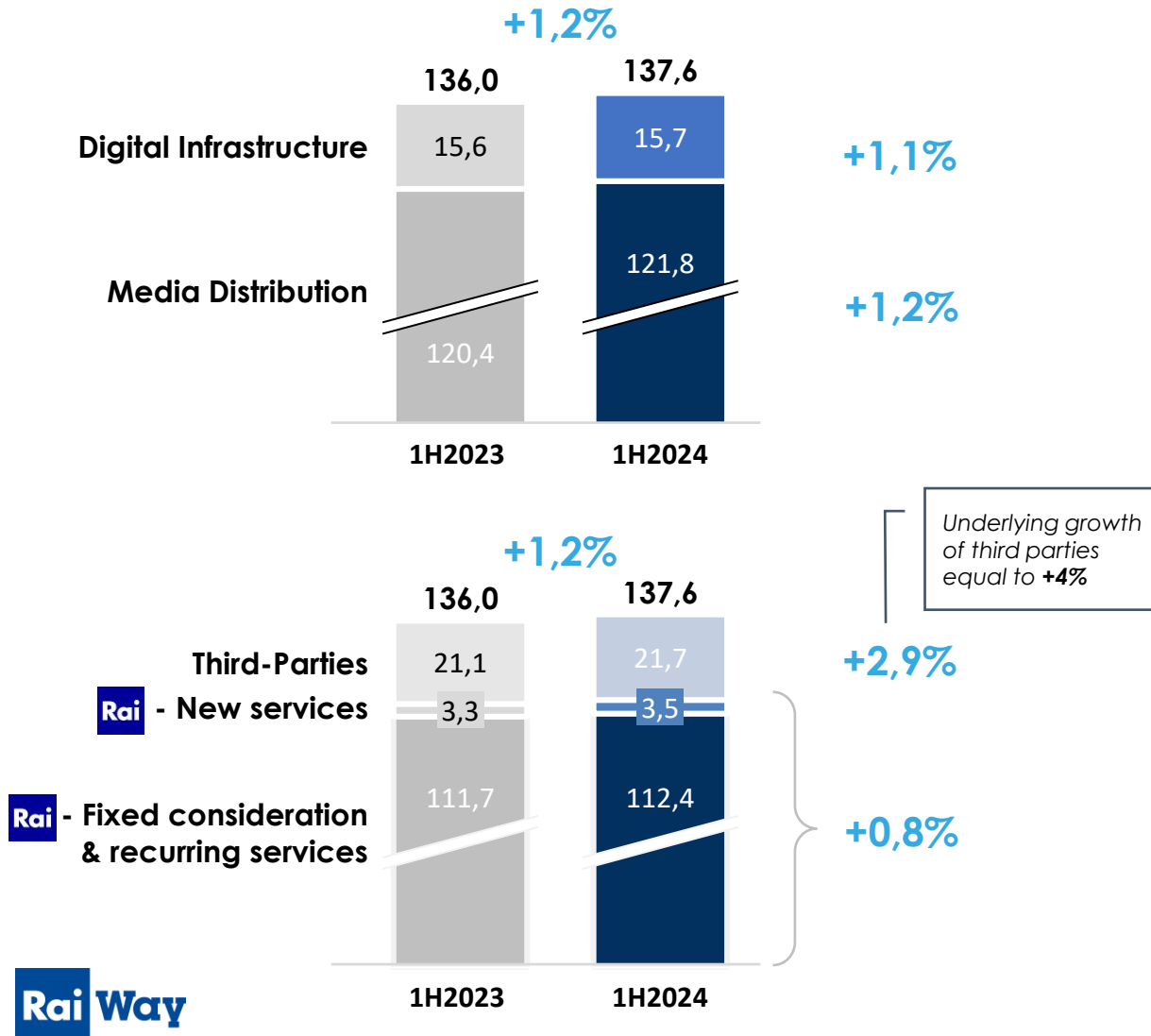
Net Debt/Adjusted EBITDA



Cash Conversion²



Core revenues



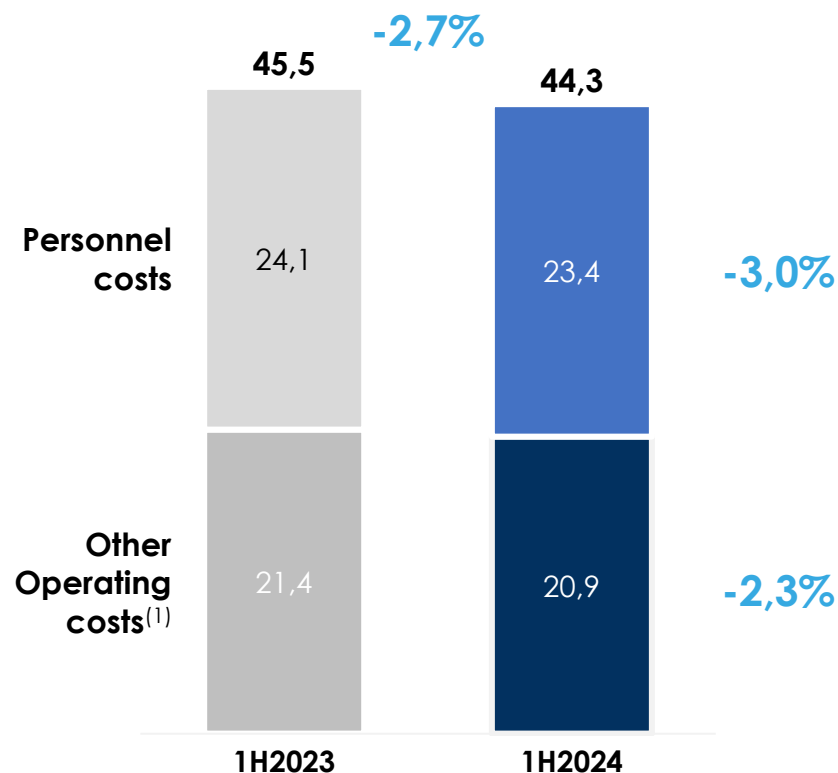
Media Distribution up 1,2% reflecting:

- CPI-link
- new services to RAI (+7,2%), driven by improvement of DTT networks coverage
- contractual step-up in regional broadcasting networks contribution (+10,7%)

Underlying Digital Infrastructures performance +3% (excluding non-core and residual refarming impacts), supported by:

- CPI
- mid-to-high single-digit growth of FWAPs and radio broadcasters in Tower Hosting

Opex (excluding non recurring)



- **Personnel cost broadly flat YoY** when excluding higher level of capitalization compared to 1H23 (€ +0.8m)

- **Other Operating costs down 2,3%:**

- **Energy bill up 6,9%** in 1H (+25,1% in 2Q) following **lack of incentives** reported in 1H23

	2024			2023			
	1Q	2Q	1H	1Q	2Q	1H	2H
Raw energy ⁽²⁾ price (€/MWh)	101	111	106	160	124	142	126
Tax credit impact (€/MWh)	-	-	-	-40	-34	-37	-
Other tariff components (equivalent per MWh)	92	97	95	90	77	83	66
Total price (equivalent per MWh)	194	208	201	209	167	188	193
Consumption (GWh)	16,6	16,8	33,4	16,6	16,6	33,3	34,1
Energy bill (€ mn)	3,2	3,5	6,7	3,5	2,8	6,3	6,6
Delta %	-7,6%	25,1%	6,9%				

- **Rationalization of Other costs (-6% or € -1m)** across different lines (fiber rental thanks to switch to proprietary backbone, intercompany services internalization, ...)

- **Start-up costs** related to diversification initiatives in 1H24 of ca. € 0,9m, mainly on personnel

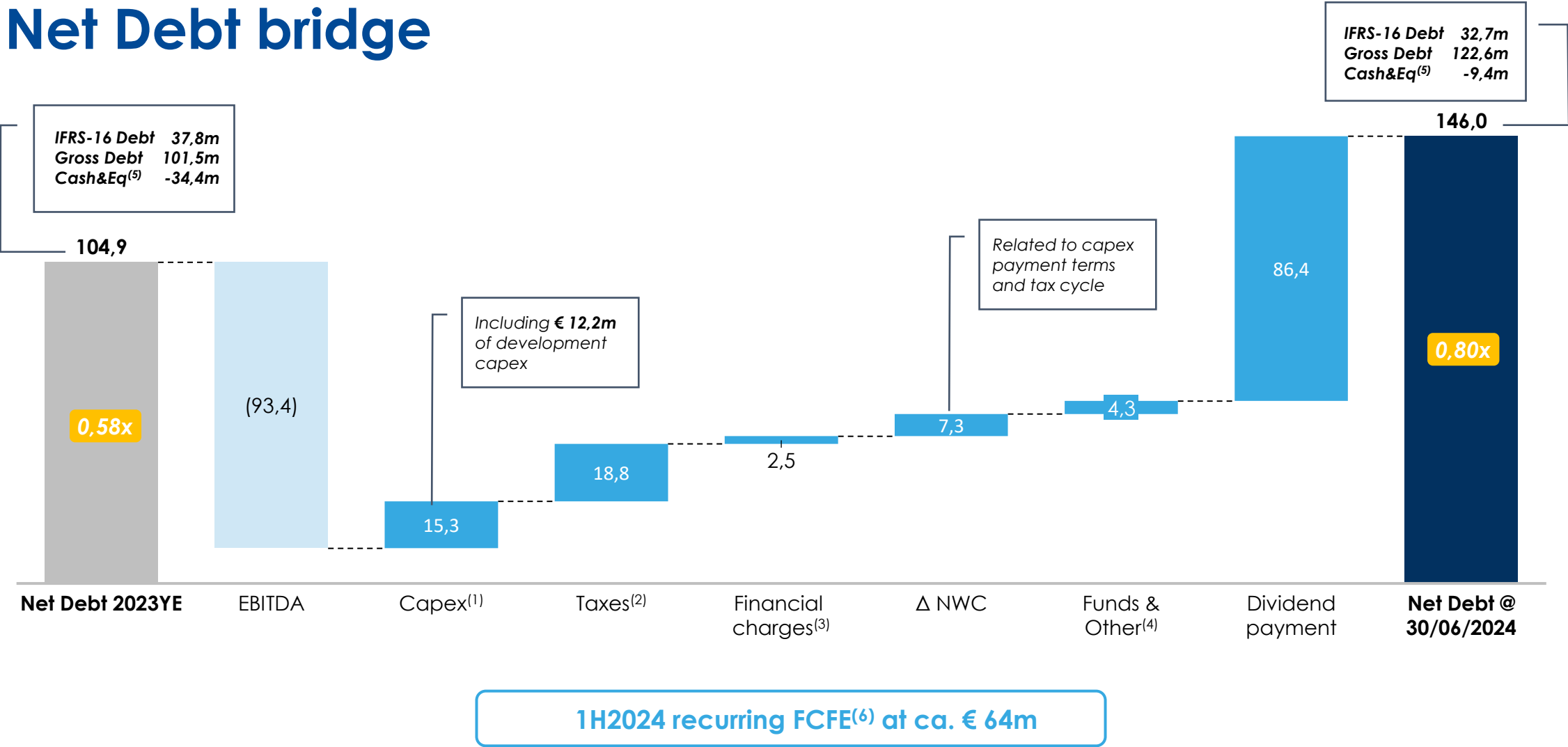
P&L

<i>Eur Mln, %</i>	2Q2023	2Q2024	% YoY	1H2023	1H2024	% YoY
Core Revenues	68,1	68,7	0,8%	136,0	137,6	1,2%
Other Revenues & income ¹⁾	0,0	0,1		0,3	0,3	
Adj. EBITDA	46,3	46,7	0,8%	90,8	93,5	3,0%
% margin	68,0%	68,0%		66,8%	68,0%	
Non recurring costs	-3,6	-0,1		-3,6	-0,2	
EBITDA	42,7	46,6	9,1%	87,2	93,3	7,1%
% margin	62,7%	67,8%		64,1%	67,8%	
D&A ²⁾	-11,6	-12,7	9,5%	-22,7	-24,6	8,5%
Operating Profit (EBIT)	31,1	33,9	9,0%	64,5	68,8	6,6%
Net financial income (expenses)	-1,0	-1,5	42,6%	-1,8	-2,9	63,2%
Profit before Income taxes	30,1	32,4	7,8%	62,7	65,9	5,0%
Income Taxes	-8,7	-9,1	4,6%	-17,9	-18,8	4,9%
% tax rate	29,0%	28,1%		28,5%	28,5%	
Net Income	21,4	23,3	9,1%	44,9	47,1	5,1%

1H24 Net Income up by 5,2% at € 47,2m:

- Higher Adj. EBITDA (+3,0%) and profitability (+120bps at 68%)
 - When excluding impacts from energy tariffs and personnel capitalization, higher growth in 2Q vs 1Q
- Higher D&A as a result of the investment activity
- Financial charges reflecting higher interest rates
- Stable tax rate back

Net Debt bridge



Updated outlook for 2024

Outlook based on current level of power futures for 2024¹

Adjusted EBITDA



Growth of Adjusted EBITDA vs 2023, despite new infra costs and lack of energy tax credits

Growth further supported by i) non-recurring items and ii) better cost management performance more than offsetting higher energy tariffs

- CPI-link (+0,7% for RAI contract)
- Rising contribution from New Services to RAI and broadcasting services to regional broadcasters
- Higher expected energy tariff due to lack of tax credits¹
- Costs related to new infrastructure/services, broadly offset by lower other opex

Capex



Maintenance capex in line with 2023 level

Development capex in line with 2023 level

- Compared to previous indications, Maintenance now expected in line with 2023 due to deferral of certain activities to next year
- Large majority of development capex devoted to diversification and other Third-Party / internal projects

Q&A Session

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Appendix

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Summary of Balance Sheet as at 30 June 2024

(€m)	2023FY	1H2024
Non current assets		
Tangible assets	297,4	294,4
Rights of use for leasing	33,0	30,4
Intangible assets	24,7	23,9
Financial assets, holdings and other non-current assets	0,9	0,9
Deferred tax assets	2,9	2,1
Total non-current assets	359,0	351,7
Current assets		
Inventories	0,8	0,8
Trade receivables	74,8	74,4
Other current receivables and assets	1,4	3,7
Current financial assets	0,3	0,1
Cash and cash equivalents	34,1	9,2
Current tax receivables	0,1	0,1
Total current assets	111,3	88,3
TOTAL ASSETS	470,3	440,0

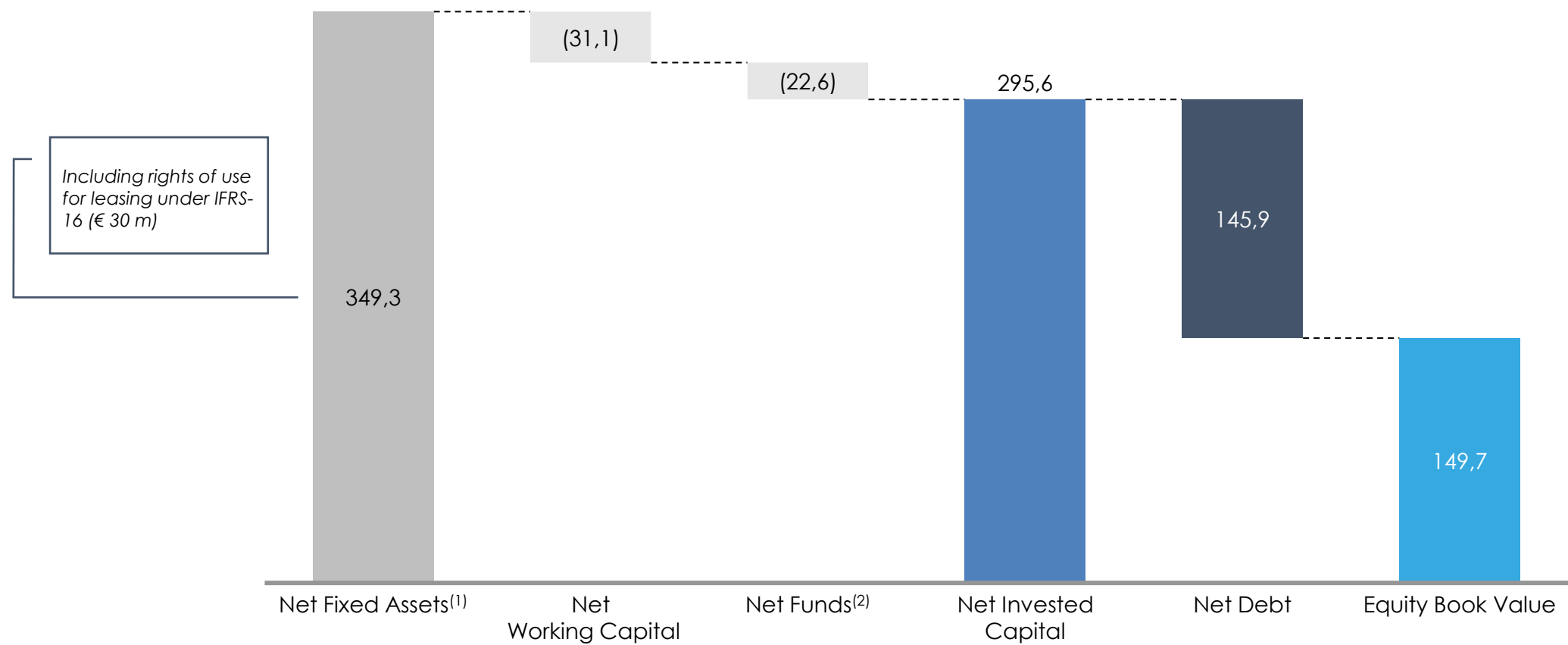
(€m)	2023FY	1H2024
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,7	37,1
Retained earnings	86,7	47,7
Treasury shares	(20,0)	(19,3)
Total shareholders' equity	188,7	149,7
Non-current liabilities		
Non-current financial liabilities	100,4	100,5
Non-current leasing liabilities	17,5	15,8
Employee benefits	8,9	8,7
Provisions for risks and charges	17,9	16,0
Other non-current liabilities	0,3	0,3
Total non-current liabilities	145,0	141,2
Current liabilities		
Trade payables	65,0	41,6
Other debt and current liabilities	48,9	64,0
Current financial liabilities	1,1	22,1
Current leasing liabilities	20,2	16,9
Current tax payables	1,4	4,5
Total current liabilities	136,6	149,1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	470,3	440,0

Detailed summary of 1H2024 Income Statement

(€m; %)	2Q23	2Q24	1H23	1H24
Core revenues	68,1	68,7	136,0	137,6
Other revenues and income ¹	0,6	0,1	1,5	0,3
Purchase of consumables	(0,3)	(0,3)	(0,6)	(0,6)
Cost of services	(9,9)	(9,6)	(20,8)	(19,1)
Personnel costs	(15,0)	(11,8)	(27,5)	(23,5)
Other costs	(0,8)	(0,6)	(1,4)	(1,2)
Opex	(26,0)	(22,2)	(50,4)	(44,5)
Depreciation, amortization and write-downs	(11,6)	(12,7)	(22,7)	(24,6)
Operating profit (EBIT)	31,1	33,9	64,5	68,8
Net financial income (expenses)	(1,0)	(1,5)	(1,8)	(2,9)
Profit before income taxes	30,1	32,5	62,7	65,9
Income taxes	(8,7)	(9,1)	(17,9)	(18,8)
Net Income	21,4	23,4	44,9	47,2

EBITDA	42,7	46,6	87,2	93,4
EBITDA margin	62,7%	67,9%	64,1%	67,9%
Non recurring costs	(3,6)	(0,1)	(3,6)	(0,2)
Adjusted EBITDA	46,3	46,7	90,8	93,5
Adjusted EBITDA margin	68,0%	68,0%	66,8%	68,0%

Balance Sheet as at 30 June 2024

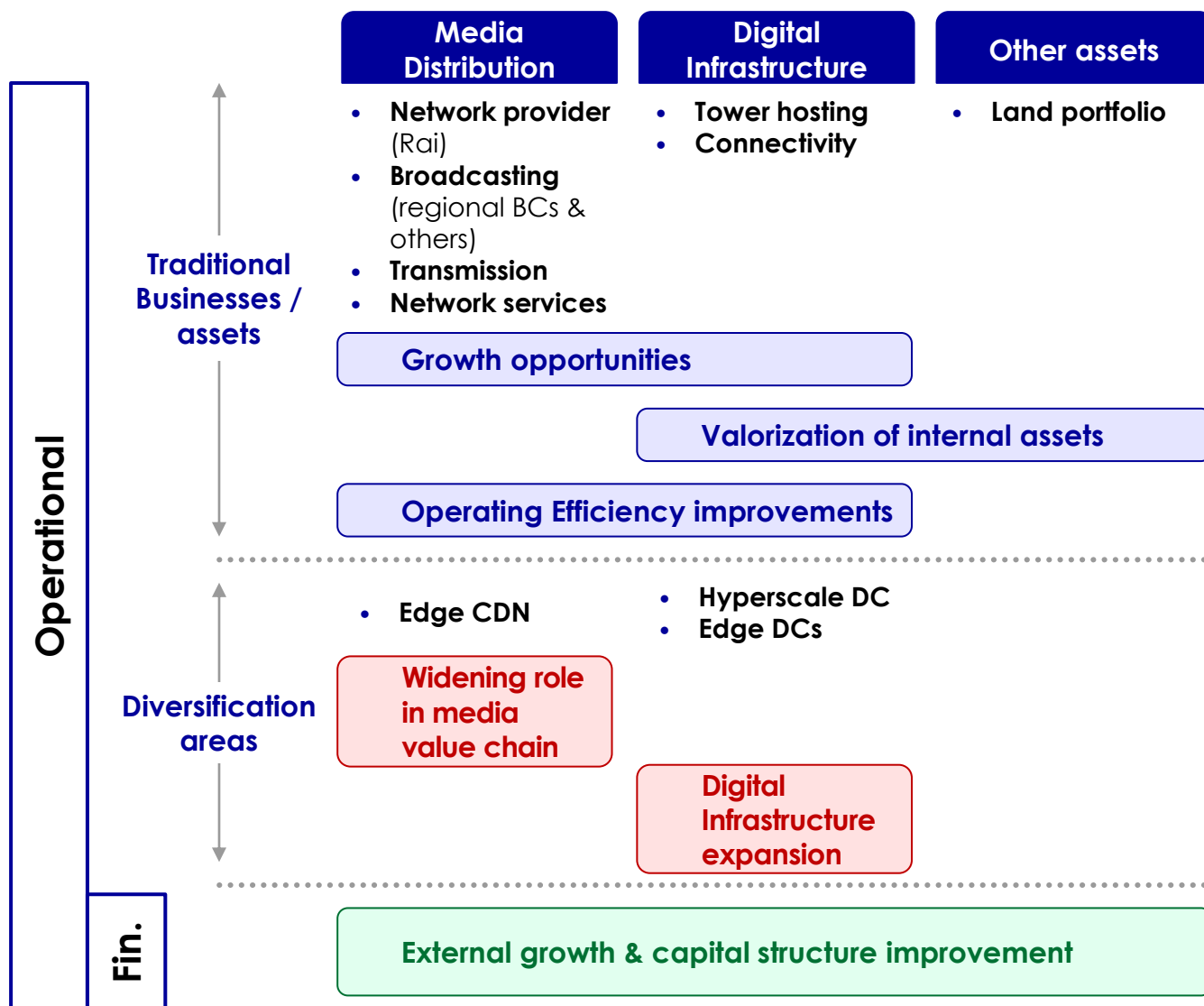


1) Including long-term financial items and the rights of use for leasing introduced from 2019 with the application of IFRS 16
2) Net funds include employee termination indemnities, provision for risks and deferred taxes

Summary of 1H2024 Cash Flow Statement

(€m)	2Q2023	2Q2024	1H2023	1H2024
Profit before income taxes	30,1	32,5	62,7	65,9
Depreciation, amortization and write-downs	11,6	12,7	22,7	24,6
Provisions and (releases of) personnel and other funds	0,9	(0,9)	1,8	0,2
Net financial (income)/expenses	1,0	1,4	1,7	2,8
Other non-cash items	0,2	0,1	0,2	0,1
Net operating CF before change in WC	43,7	45,8	89,1	93,5
Change in inventories	-	-	0,0	-
Change in trade receivables	9,4	9,7	(9,3)	0,1
Change in trade payables	(5,7)	(3,4)	(15,7)	(23,4)
Change in other assets	1,0	(0,3)	(1,2)	(2,3)
Change in other liabilities	(3,9)	(7,2)	3,9	0,3
Use of funds	(0,2)	(0,5)	(0,4)	(1,0)
Payment of employee benefits	(0,8)	(0,3)	(1,3)	(1,2)
Change in tax receivables and payables	(2,2)	(0,0)	(2,2)	(0,0)
Net cash flow generated by operating activities	41,3	43,8	63,0	66,1
Investment in tangible assets	(7,6)	(8,2)	(12,4)	(13,2)
Investment in intangible assets	(1,5)	(1,8)	(2,8)	(2,0)
Change in other non-current assets	0,0	0,0	0,0	0,0
Net cash flow generated by investment activities	(9,1)	(10,0)	(15,2)	(15,2)
(Decrease)/increase in current financial liabilities	4,7	19,9	4,7	19,9
(Decrease)/increase in IFRS 16 financial liabilities	(5,3)	(4,6)	(7,8)	(8,0)
Change in current financial assets	(0,2)	0,0	0,0	0,1
Net Interest paid	(0,8)	(1,3)	(0,9)	(1,4)
Dividends paid	(73,5)	(86,4)	(73,7)	(86,4)
Net cash flow generated by financing activities	(75,1)	(72,4)	(77,7)	(75,7)
Change in cash and cash equivalent	(43,0)	(38,5)	(29,8)	(24,9)
Cash and cash equivalent (beginning of period)	48,3	47,7	35,2	34,1
Cash and cash equivalent (end of period)	5,4	9,2	5,4	9,2

2024-27 Industrial Plan Pillars



Enhance Rai Way positioning as media distribution services and digital infra provider

1) Strengthening traditional businesses/assets, by:

- 1.a) Taking advantage of selected **growth opportunities**, mainly related to network coverage extension
- 1.b) **Increasing value of internal asset** currently not used to full potential:
- 1.c) **Improving operational efficiency**, through:
 - Operating model evolution
 - Real Estate footprint optimization

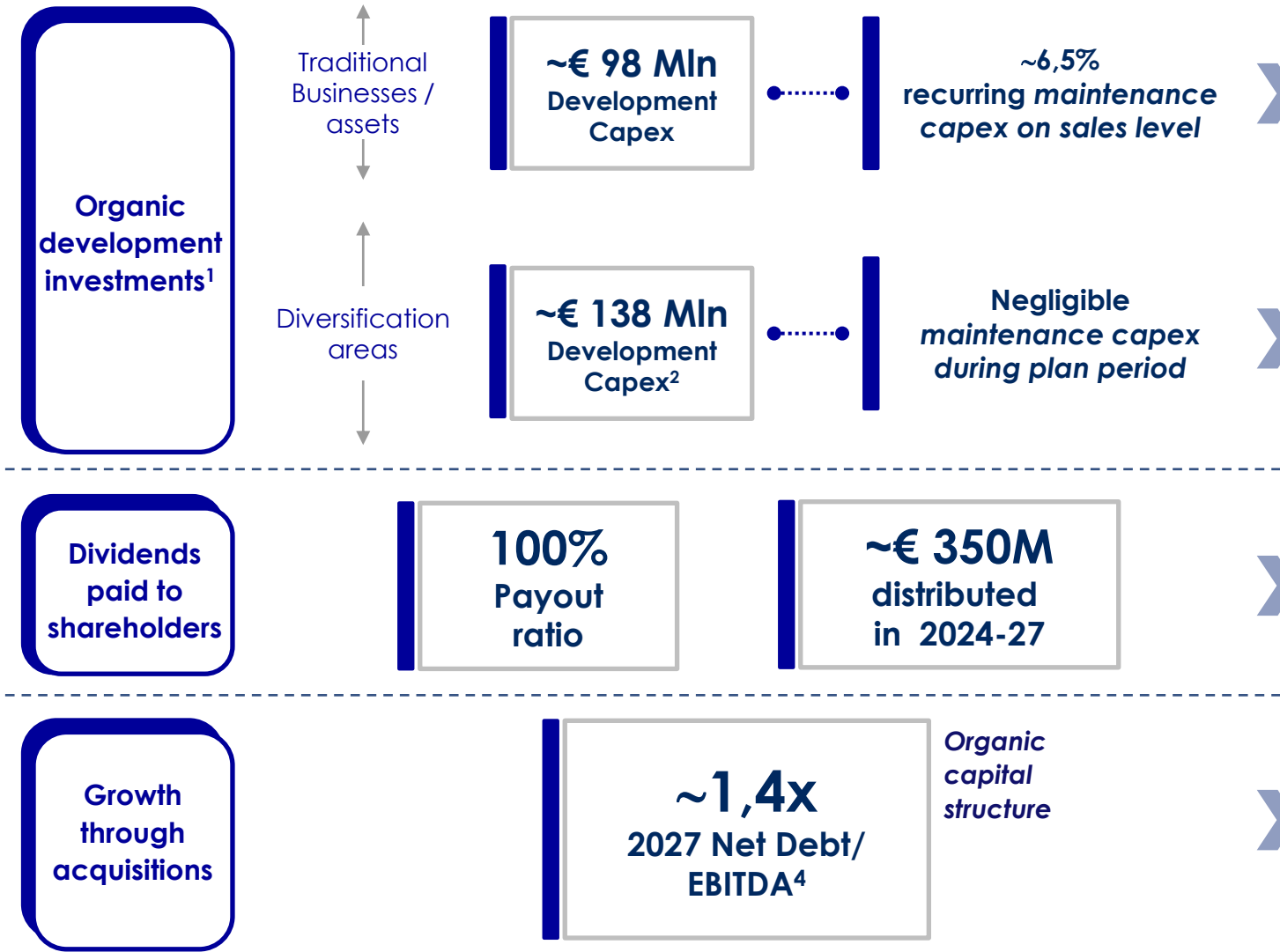
2) **Widening our role in the Media Value Chain**, capturing rising demand for IP content distribution

3) **Expanding digital infrastructure**, completing roll-out and marketing the Data Center network to support digital transition

4) **Speeding up strategy and improving capital structure** through **external growth**:

- Achieving synergies and reduction of time-to-market
- Enhancing Shareholders' return

2024–2027 Capital allocation



2027 Target

- Revenues growth doubling CPI contribution
- Adj. EBITDA +€24m vs '23 (+13%, CAGR +3,2%), with ca. 150bps margin improvement
- Rec. FCFE generation at ~€130 Mln in 2027, +15% vs. 2023

- 2027 Revenues contribution > € 10 Mln
- Marginal contribution to 2027 EBITDA and Rec. FCFE
- Run-rate EBITDA contribution expected > € 15m, with sizeable scalability opportunities

- Distribution of >25% of market cap³ over the 4 years Plan horizon

- Availability of resources to finance external growth targeting:
 - industrial synergies
 - diversification acceleration
- Improve capital structure

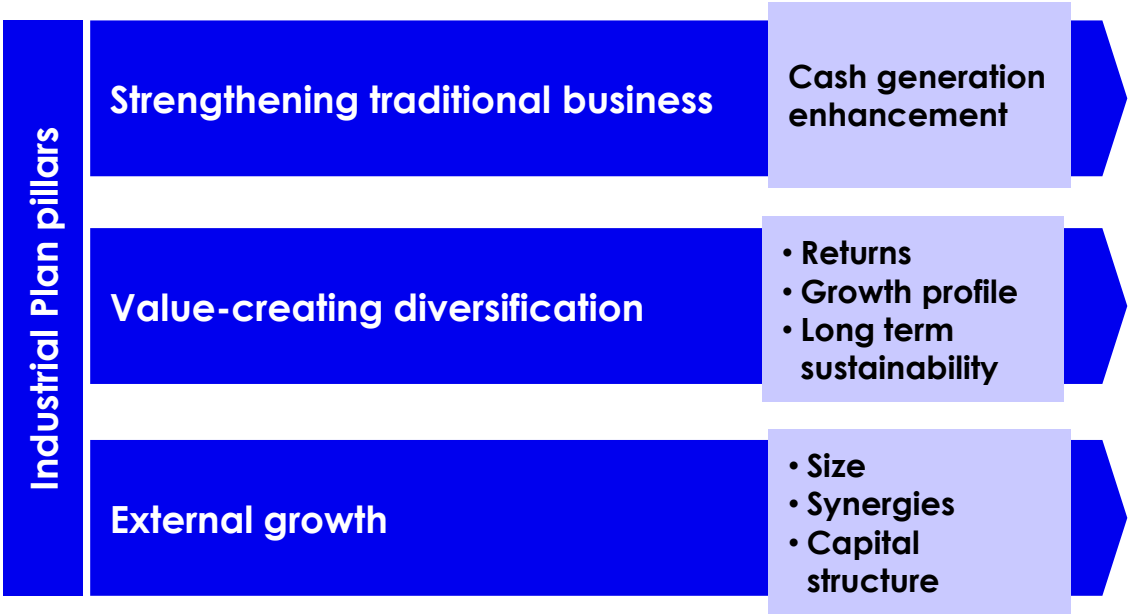
1. Excluding cost of capitalized personnel. 2. Including development of CDN, 10 edge DC for ca. 3MW and first data hall of the hyperscale DC for 4,4MW (half of Module1) 3. Based on market closing price on 22/03/2024 (4,8 €/share) 4. Post IFRS-16

New Industrial Plan addresses key levers to unlock Rai Way’s full pontential, while preserving its distinctive features...

Pillars of Rai Way’s equity story



2024-27 Industrial Plan: addressed value levers



Full awareness of key levers

Commitment to execution to unlock relevant Shareholders’ value

New Core revenues breakdown

