



1H2022 Results Presentation

27 July 2022



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- **Aldo Mancino**, Chief Executive Officer
- **Adalberto Pellegrino**, Chief Financial Officer
- **Giancarlo Benucci**, Chief Corporate Development Officer

Key messages on 1H2022

FINANCIAL RESULTS

- **Top-line up 7%** driven by:
 - CPI-link
 - *Refarming*-related step-up in RAI contract
 - Tangible contribution from new regional MUXes, leading to a double-digit growth of third-party revenues in 2Q
- **Adj. EBITDA up 11,9%**, with headwinds from electricity prices offset by tight cost control and one-off benefits on opex
- **Development capex stable vs. 2021**, with activities for third-party (regional MUXes and new services) rebalancing progressively lower investments for RAI network upgrade

OPERATING

- **Refarming for RAI**: frequencies released, new multiplexes operational, equipment replacement to DVB-T2 under completion
- **Regional networks** activated in all the 7 areas awarded to Rai Way with almost full capacity utilization
- Framework agreement signed with **Iliad** and advanced negotiations for contract renewal with most relevant **MNO client**
- Procurement procedures started for **Edge Data Centers and CDN projects**

OUTLOOK

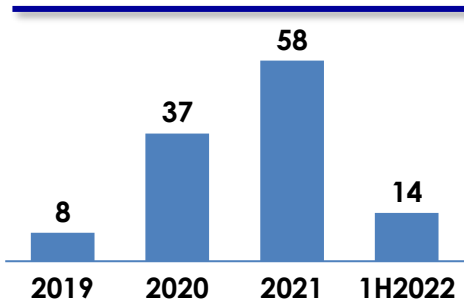
- Target for **Adjusted EBITDA growth in 2022 still achievable** although more challenging following the relentless surge in electricity prices; energy headwind **reversal in 2023 through CPI-link**

Rai Way post-refarming broadcast network configuration

National DTT networks for Rai

	<u>N. sites</u>	<u>Population Coverage</u>	<u>Technical features</u>
MUX MR	~2.000	~99%	T2-ready, MPEG4/HEVC
MAX NAZ A	~1.000	>95%	T2-ready, MPEG4/HEVC
MUX NAZ B	~1.000	>95%	T2-ready, MPEG4/HEVC

Capex breakdown

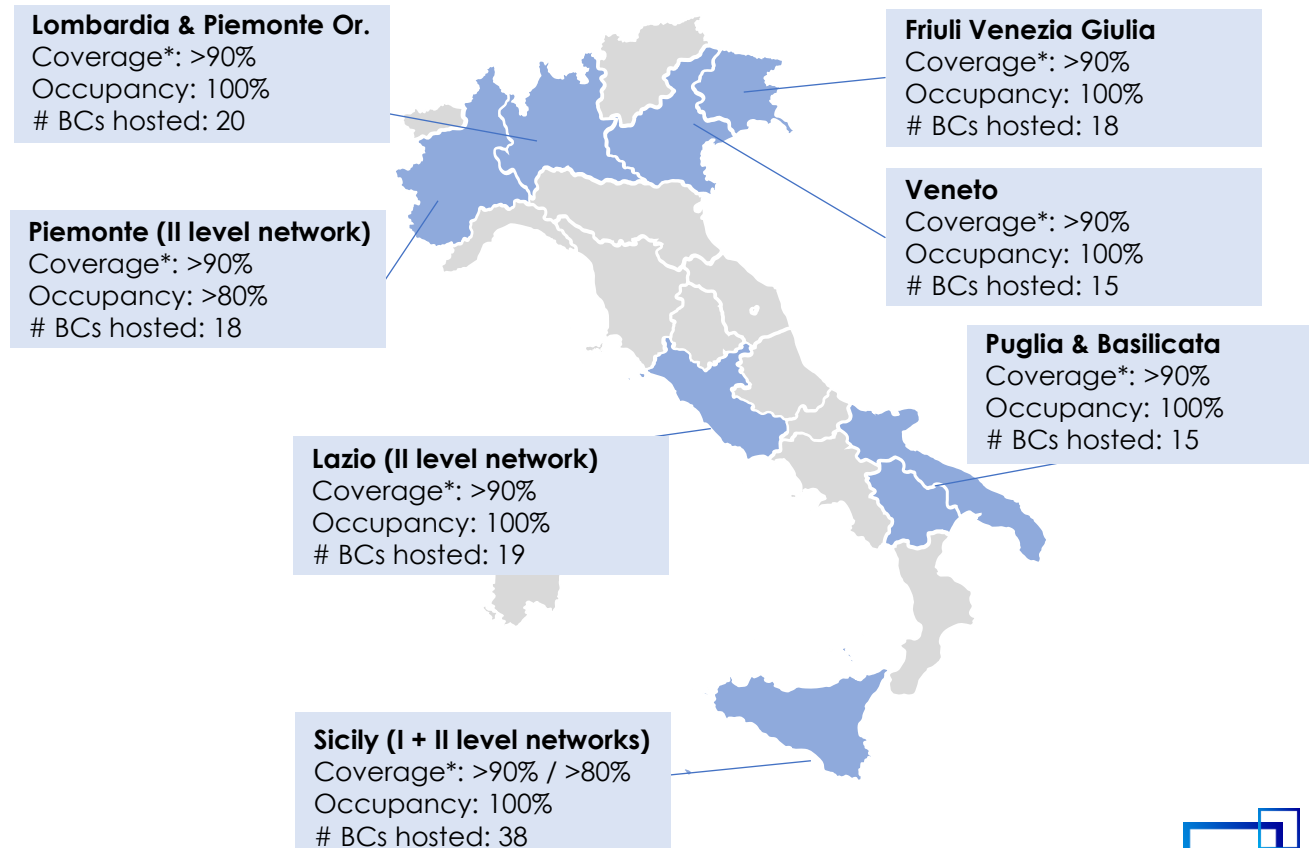


Residual capex to complete equipment upgrade to DVB-T2:

- 100% of sites already upgraded on main MUX (MR)
- 80% on other MUXes (A and B)

Regional networks

- T2-ready networks, MPEG4/HEVC; average capacity available: Max: ~22 Mbps (DVB-T) – Max: ~40 Mbps (DVB-T2)
- DVB-T2 capacity fully allocated



* Coverage of the population in the reference area

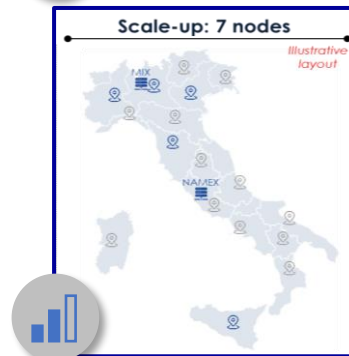
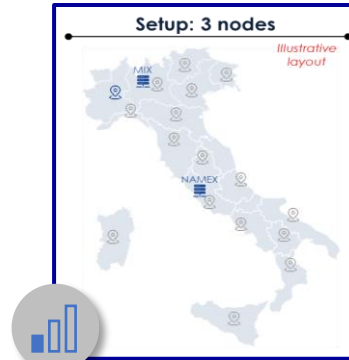
Edge Data Centers: procurement started for construction of the first set of assets



- **First set of 5 edge DC:**
 - 1,6 MW of distributed capacity
 - ANSI TIA 942 rating 3/UPTIME Tier III
 - Ca. 25m capex
 - Assets availability expected by end of 2023
- Final design activities already started on additional 4 EDCs
- **Full capacity deployed by 2025** (ca. 15 edge sites for ~3MW)
- Assets **entirely built in company-owned sites**
- EDCs fully interconnected through Rai Way's upgraded backbone



Distributed national architecture



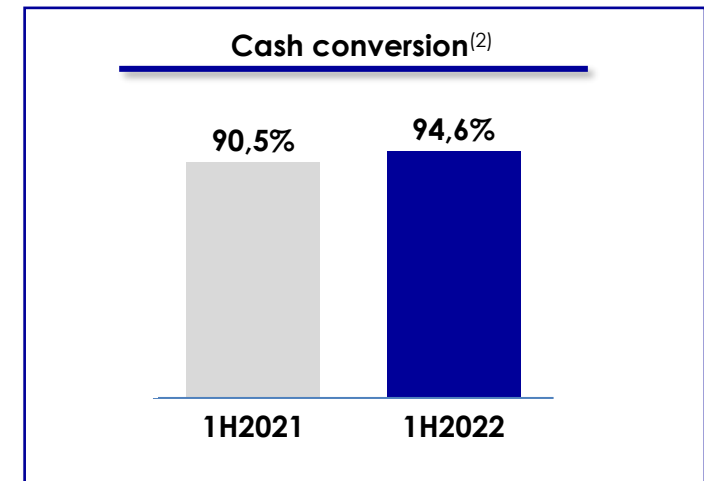
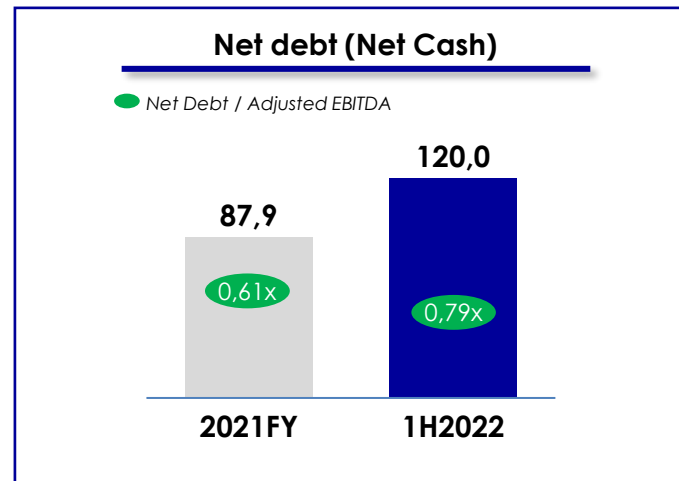
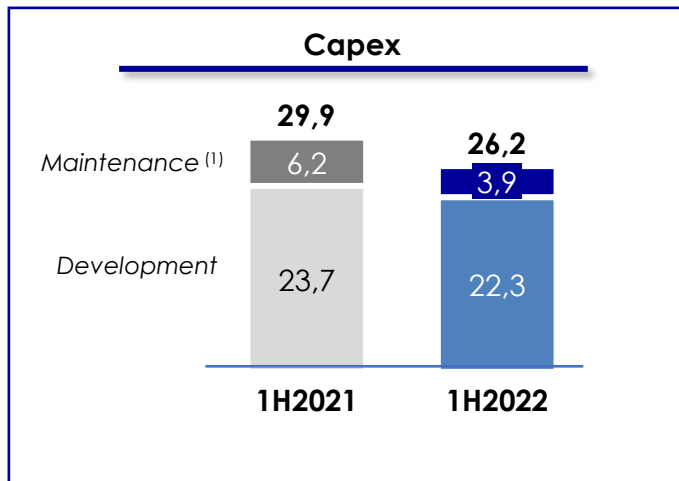
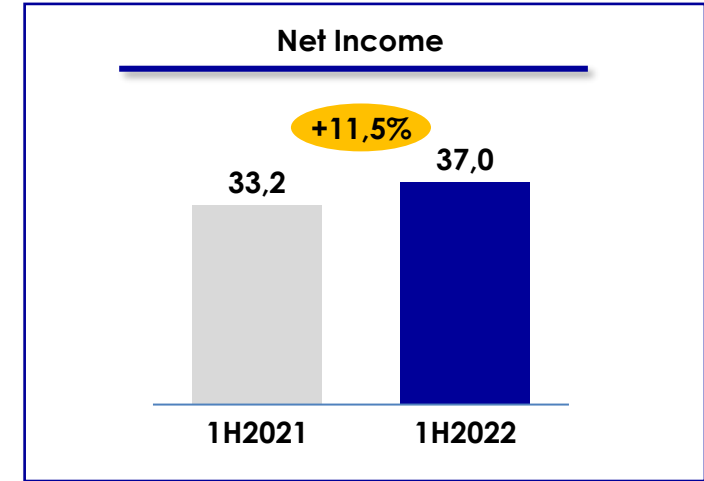
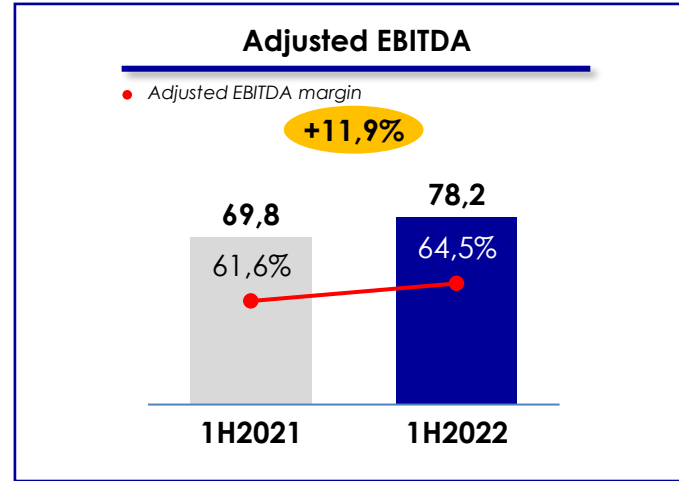
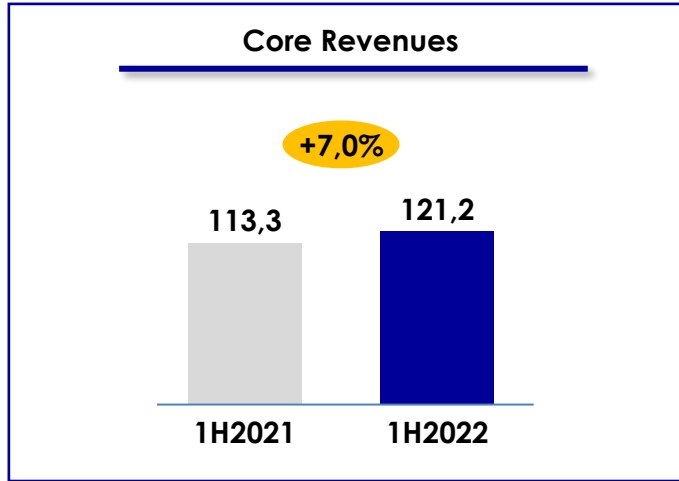
Network capillarity

- Procurement procedure started to secure equipment, systems and services for the implementation and operation of the Edge CDN
- First **ready-to-service Edge CDN** (scale-up configuration) available **by end of 2023**
- Further capillarization of number of nodes to improve service quality for ultra-HD and linear distribution
- **Synergies** with Backbone and Edge DCs projects
- Project **set-up capex expected at around € 20m** (target configuration), out of which up to € 10m to be invested by 2023



1H2022 Financial highlights

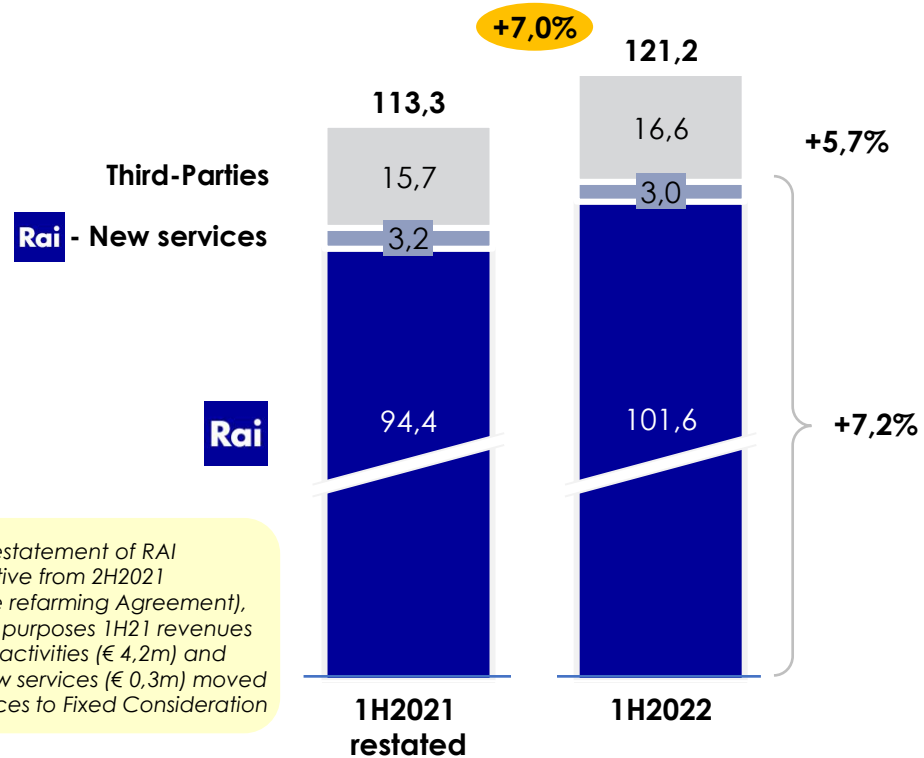
Mln Eur; % % YoY growth



1) Maintenance capex excluding component related to IFRS-16 leasing
 2) Cash conversion = (Adj. EBITDA - Leases - Maintenance Capex) / (Adj. EBITDA - Leases). Leases estimated as sum of leasing right of use depreciation (excl. dismantling) + financial charges on leasing contracts

Core Revenues

Mln Eur; % % YoY growth

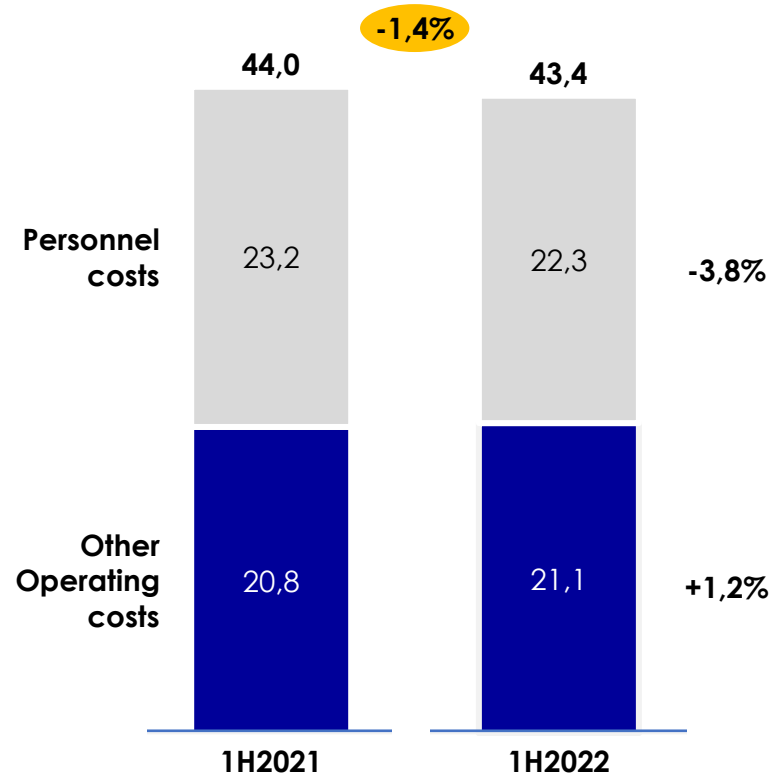


Following the restatement of RAI revenues effective from 2H2021 (included in the refarming Agreement), for comparison purposes 1H21 revenues from refarming activities (€ 4,2m) and Reclassified new services (€ 0,3m) moved from New Services to Fixed Consideration



- **RAI Fixed Consideration up 7,7%** driven by *refarming*-related step-up and CPI
- **Third-party revenues up 5,7% (double-digit growth in 2Q)** supported by rising contribution from **new regional MUXes business**
 - As for other customers, relatively stable performance net of one-off items and expiration of certain lower-margin no-hospitality services

Mln Eur; % ● % YoY growth



Headwinds from electricity prices mitigated through cost control and non-recurring benefits

- Excluding non-core impacts, **underlying personnel cost relatively flat** reflecting stable headcount
- Excluding benefits from non-recurring items, other operating costs up 4,4% in 1H (+12% in 2Q) entirely due to **higher electricity prices**. In particular, 2Q performance driven by:
 - +€ 2,2m higher energy bill, despite material lower consumption (-14%)
 - +€ 0,2m for additional satellite capacity related to *refarming*
 - tight cost control on other items (-6% vs 2Q21)

<i>Eur Mln., %</i>	2Q2021	2Q2022	% YoY	1H2021	1H2022	% YoY
Core Revenues	56,8	61,1	7,5%	113,3	121,2	7,0%
Other Revenues & income	0,4	0,3		0,5	0,3	
Adj. EBITDA	35,6	38,6	8,5%	69,8	78,2	11,9%
<i>% margin</i>	62,6%	63,2%		61,6%	64,5%	
Non recurring costs	0,0	0,0		0,0	0,0	
EBITDA	35,6	38,6	8,5%	69,8	78,2	11,9%
<i>% margin</i>	62,6%	63,2%		61,6%	64,5%	
D&A ⁽¹⁾	-12,2	-12,9	5,4%	-24,1	-25,7	6,4%
Operating Profit (EBIT)	23,4	25,8	10,1%	45,7	52,5	14,9%
Net financial income (expenses)	-0,4	-0,4	10,8%	-0,7	-0,9	20,8%
Profit before Income taxes	23,0	25,4	10,1%	45,0	51,6	14,8%
Income Taxes	-6,7	-7,2	7,3%	-11,8	-14,6	24,0%
<i>% tax rate</i>	29,0%	28,2%		26,3%	28,4%	
Net Income	16,3	18,2	11,3%	33,2	37,0	11,5%

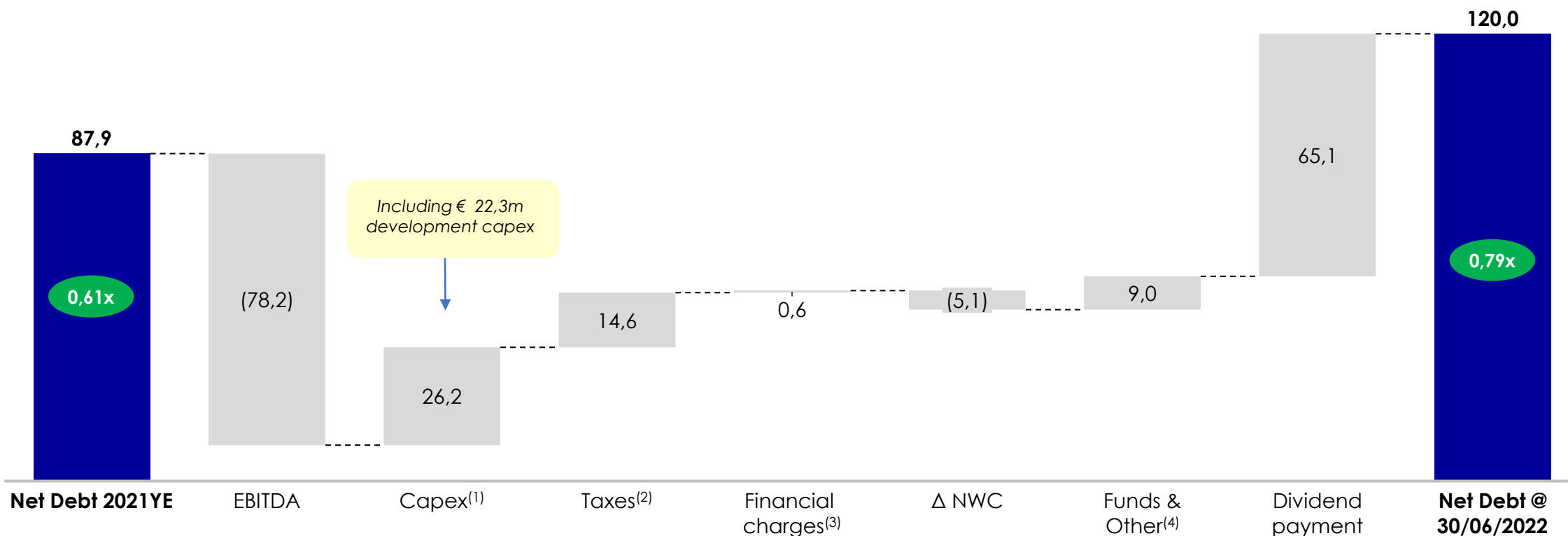
- **1H2022 Net Income up by 11,5% at € 37,0m as a result of:**
 - Higher top-line
 - Profitability up 285bps, with margin close to 65%
 - Higher D&A following investment activity
 - Tax rate back to normal level (1H21 benefitting from one-off tax relief)

1) Including provisions

Net Debt bridge

Mln Eur ● Net Debt/ 1y rolling Adj. EBITDA

IFRS-16 Debt	36,8m
Gross Debt	101,5m
Cash&Eq ⁽⁵⁾	-18,2m



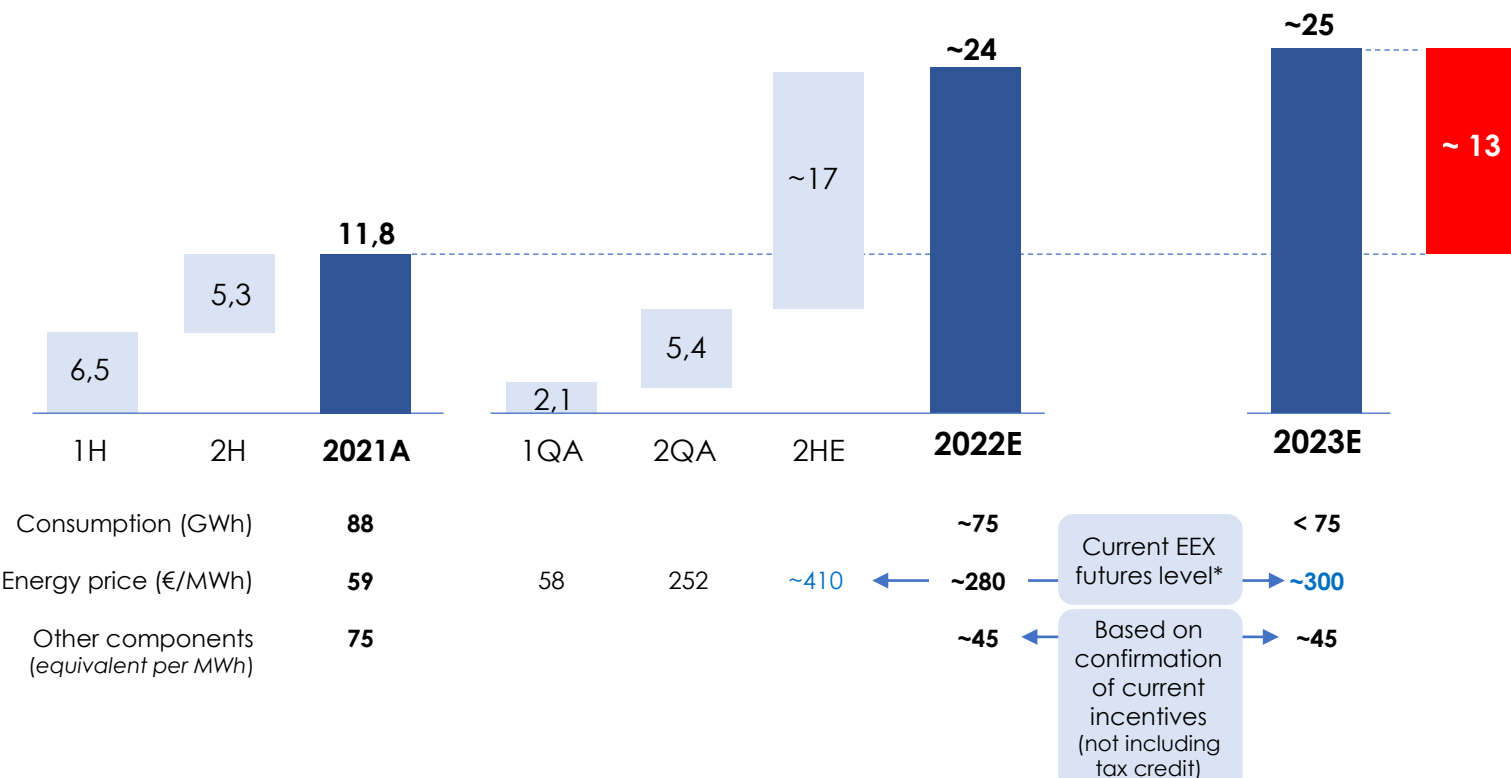
1H2022 recurring FCFE⁽⁶⁾ at ca. € 54m

1) Excluding component related to IFRS-16 leasing; 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 – P&L Taxes – Recurring Maintenance Capex. Leases estimated as sum of leasing right of use depreciation (excl. dismantling) + financial charges on leasing contracts

Electricity prices vs CPI escalator protection

ILLUSTRATIVE PURPOSE ONLY

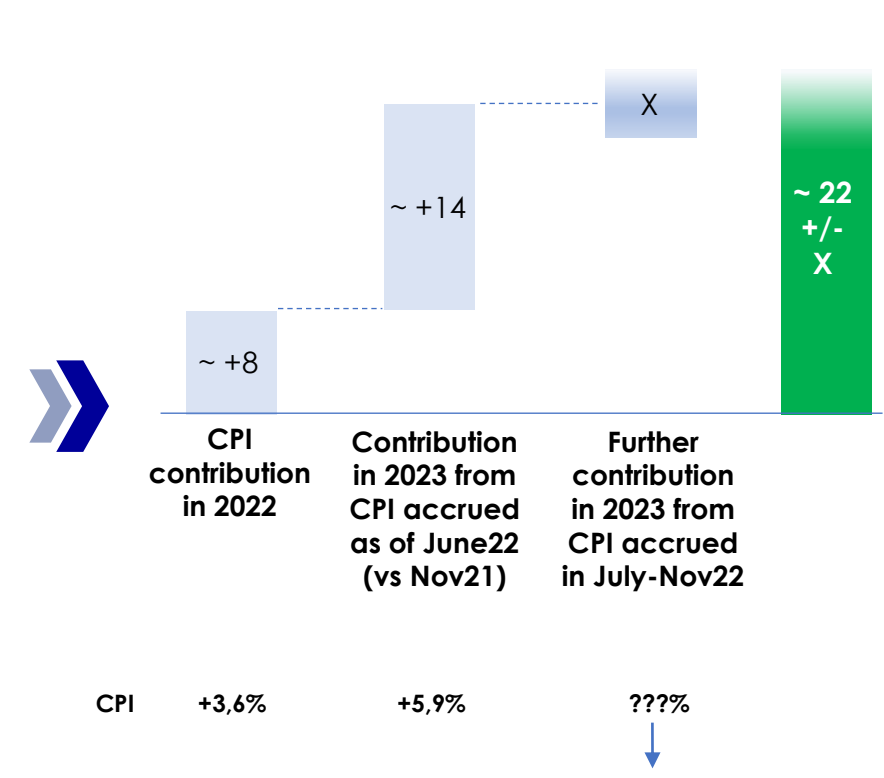
Simulation on Impact of electricity prices



Total electricity price sensitivity

- +/- 10 €/MWh resulting in:
 - /+ 0,35m electricity cost in 2H22
 - /+ 0,70m electricity cost in 2023

CPI contribution to revenues



* Source: European Energy Exchange website; data as of 22/7/2022

REVENUES

- Mid-single-digit revenue growth driven by investments in *refarming*, both for RAI and third parties, and CPI

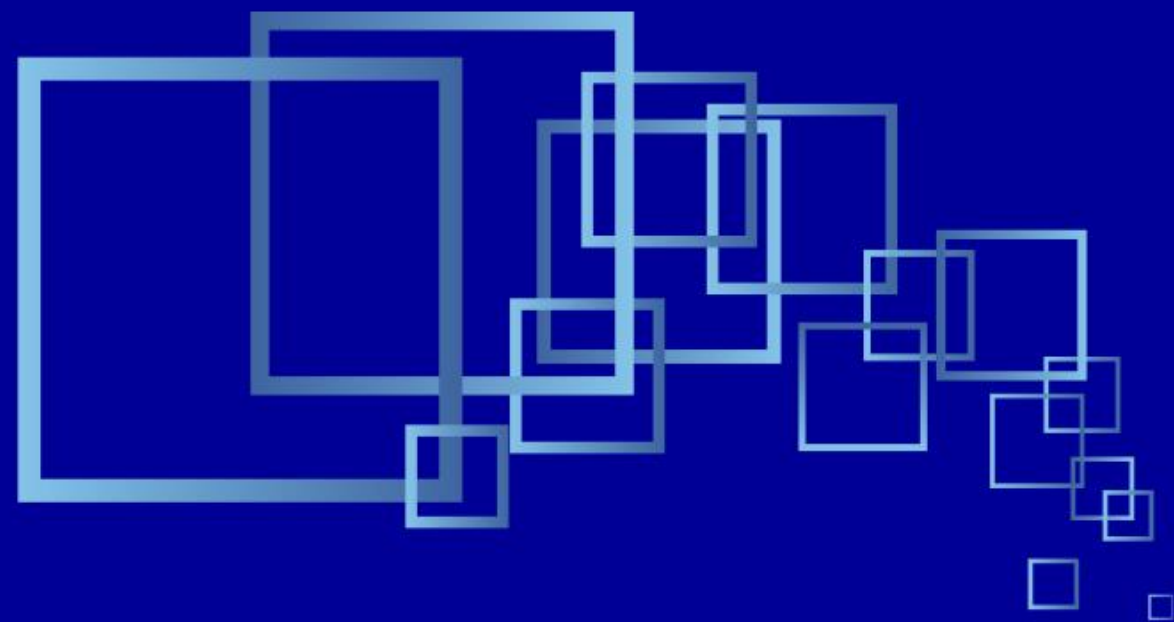
ADJUSTED EBITDA

- Adjusted EBITDA expected to grow, although limited by the current level of power futures for the rest of the year
 - *More tangible growth in case of normalization of electricity prices*
 - *Reversal of 2022 headwind next year thanks to CPI-link (due to energy impact on inflation)*

CAPEX

- Maintenance Capex in line with Industrial Plan figure for 2022
- Development capex up vs 2021 to reflect completion of *refarming* activities and deployment of new services

Q&A session



- Investor Relations



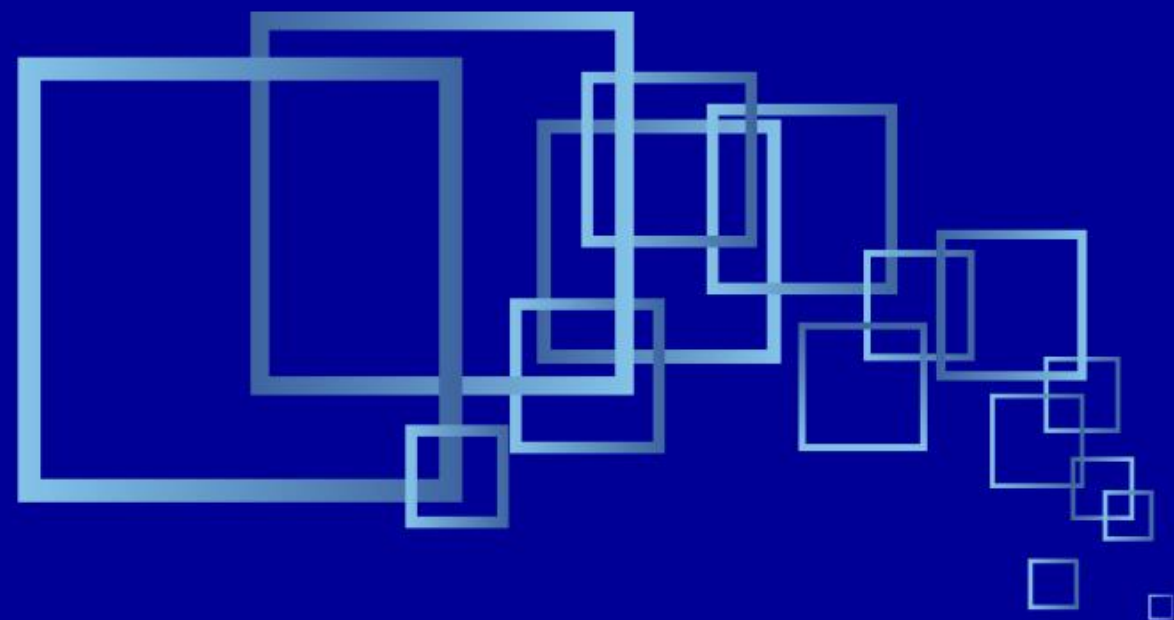
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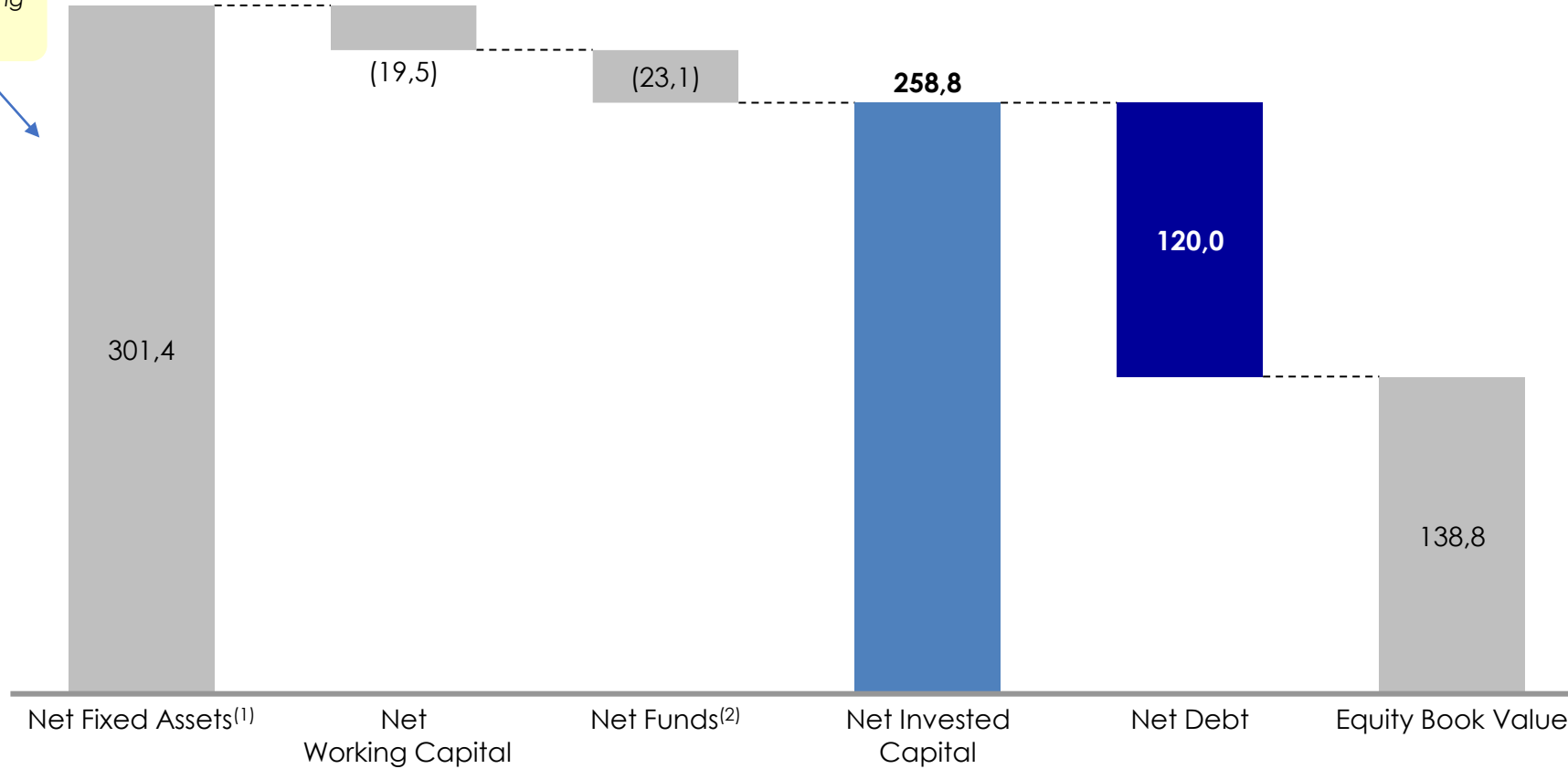
Appendix



Balance sheet

Mln Eur

Including rights of use for leasing under IFRS-16 (€ 32,4 m)



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; %)	2Q21	2Q22	1H21	1H22
Core revenues	56,8	61,1	113,3	121,2
Other revenues and income	0,4	0,3	0,5	0,3
Purchase of consumables	(0,3)	(0,2)	(0,7)	(0,6)
Cost of services ¹	(9,3)	(10,8)	(18,8)	(19,2)
Personnel costs ¹	(11,3)	(11,1)	(23,2)	(22,3)
Other costs	(0,8)	(0,7)	(1,4)	(1,3)
Opex	(21,7)	(22,8)	(44,0)	(43,4)
Depreciation, amortization and write-downs	(12,2)	(12,9)	(24,2)	(25,7)
Provisions	(0,0)	0,0	0,1	0,0
Operating profit (EBIT)	23,4	25,8	45,7	52,5
Net financial income (expenses)	(0,4)	(0,4)	(0,7)	(0,9)
Profit before income taxes	23,0	25,4	45,0	51,6
Income taxes	(6,7)	(7,2)	(11,8)	(14,6)
Net Income	16,3	18,2	33,2	37,0
EBITDA	35,6	38,6	69,8	78,2
EBITDA margin	62,6%	63,2%	61,6%	64,5%
Non recurring costs	-	-	-	-
Adjusted EBITDA	35,6	38,6	69,8	78,2
Adjusted EBITDA margin	62,6%	63,2%	61,6%	64,5%

1) 1H2021 expenses amounting to c. € 64k reclassified from personnel costs to service costs

Summary of Balance Sheet

(€m)	2021FY	1H2022
Non current assets		
Tangible assets	244,5	251,5
Rights of use for leasing	31,5	32,4
Intangible assets	17,2	15,9
Financial assets, holdings and other non-current assets	1,4	1,6
Deferred tax assets	3,0	2,1
Total non-current assets	297,7	303,5
Current assets		
Inventories	0,8	0,8
Trade receivables	67,8	68,3
Other current receivables and assets	3,9	2,1
Current financial assets	0,5	0,5
Cash and cash equivalents	17,2	17,7
Current tax receivables	0,1	0,1
Total current assets	90,4	89,6
TOTAL ASSETS	388,0	393,1

(€m)	2021FY	1H2022
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,3	37,7
Retained earnings	64,4	36,9
Treasury shares	(20,0)	(20,0)
Total shareholders' equity	165,9	138,8
Non-current liabilities		
Non-current financial liabilities	69,0	101,0
Non-current leasing liabilities	21,4	22,3
Employee benefits	12,3	10,5
Provisions for risks and charges	17,2	14,7
Total non-current liabilities	119,9	148,6
Current liabilities		
Trade payables	51,7	39,7
Other debt and current liabilities	35,2	50,4
Current financial liabilities	0,2	0,5
Current leasing liabilities	15,1	14,4
Current tax payables	0,1	0,7
Total current liabilities	102,2	105,7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	388,0	393,1

Summary of Cash Flow Statement

(€m)	2Q2021	2Q2022	1H2021	1H2022
Profit before income taxes	23,0	25,4	45,0	51,6
Depreciation, amortization and write-downs	12,2	12,9	24,2	25,7
Provisions and (releases of) personnel and other funds	0,9	(1,0)	1,7	(0,6)
Net financial (income)/expenses	0,3	0,4	0,6	0,8
Other non-cash items	0,1	0,1	0,1	0,2
Net operating CF before change in WC	36,5	37,7	71,6	77,7
Change in inventories	0,0	0,0	0,0	0,0
Change in trade receivables	12,4	7,6	(2,6)	(0,5)
Change in trade payables	(6,6)	(5,1)	(5,3)	(12,3)
Change in other assets	1,3	0,7	(0,4)	1,8
Change in other liabilities	(6,5)	(3,4)	(0,9)	3,4
Use of funds	(0,1)	(0,8)	(0,1)	(0,9)
Payment of employee benefits	(0,7)	(0,7)	(1,8)	(1,7)
Change in tax receivables and payables	(0,0)	(0,0)	(0,0)	(0,1)
Taxes paid	(0,7)	(1,7)	(0,7)	(1,7)
Net cash flow generated by operating activities	35,7	34,3	59,9	65,9
Investment in tangible assets	(15,1)	(16,4)	(28,1)	(25,5)
Disposals of tangible assets	0,0	0,0	0,2	0,0
Investment in intangible assets	(0,7)	(0,6)	(0,8)	(0,7)
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	0,0	0,1	0,1
Business combination	(1,0)	-	(1,0)	-
Net cash flow generated by investment activities	(16,8)	(16,9)	(29,6)	(26,1)
(Decrease)/increase in medium/long-term loans	40,9	32,0	40,9	32,0
(Decrease)/increase in current financial liabilities	0,2	0,2	0,0	0,2
(Decrease)/increase in IFRS 16 financial liabilities	(3,8)	(2,3)	(5,3)	(5,7)
Change in current financial assets	(0,1)	(0,1)	(0,1)	(0,2)
Net Interest paid	(0,3)	(0,3)	(0,4)	(0,5)
Dividends paid	(63,9)	(65,1)	(63,9)	(65,1)
Net cash flow generated by financing activities	(27,0)	(35,7)	(28,7)	(39,3)
Change in cash and cash equivalent	(8,2)	(18,3)	1,7	0,5
Cash and cash equivalent (beginning of period)	13,9	36,0	4,1	17,2
Cash and cash equivalent (end of period)	5,7	17,7	5,7	17,7