

# 9M2015 Results Presentation

Rome, 4<sup>th</sup> November 2015



## 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

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

# 9M2015 Financial Highlights

## Financial Highlights

<i>Eur Mln, %</i>	3Q 2014	3Q 2015	% YoY	9M 2014 PF	9M 2015	% YoY
<b>Core Revenues</b>	<b>51,7</b>	<b>53,2</b>	<b>3,0%</b>	<b>155,2</b>	<b>158,3</b>	<b>2,0%</b>
Other Revenues	1,4	0,1		2,9	0,6	
<b>Adjusted EBITDA</b>	<b>27,2</b>	<b>28,6</b>	<b>4,8%</b>	<b>80,4</b>	<b>82,5</b>	<b>2,6%</b>
% margin	52,7%	53,6%		51,8%	52,1%	
<b>Net Income</b>	<b>8,9</b>	<b>10,4</b>	<b>16,7%</b>	<b>26,9</b>	<b>30,2</b>	<b>12,2%</b>
<b>Capex<sup>(1)</sup></b>	<b>4,9</b>	<b>6,9</b>		<b>11,4</b>	<b>14,0</b>	
. Maintenance	4,9	2,0		11,4	9,1	
% on core revenues	9,5%	3,8%		7,3%	5,7%	
. Development	0,0	4,9		0,0	4,9	
Cash conversion <sup>(2)</sup>	82,0%	92,9%		85,9%	89,0%	
<b>Net Debt<sup>(3)</sup></b>				<b>65,5</b>	<b>49,6</b>	
Net Debt/1Y rolling Adj. EBITDA				0,62x	0,46x	
				<b>2014FY PF</b>	<b>9M 2015</b>	

In 9M2014, Pro Forma figures assume the impact of the new service contracts with RAI as effective from 1<sup>st</sup> January 2014

- 9M15 Core revenues at € 158,3m, up 2,0% vs. 9M14
- 9M15 Adjusted EBITDA at € 82,5m, with EBITDA margin of 52,1% (vs. 51,8% in 9M14, despite lower level of Other Revenues)
- 9M15 Net Income at € 30,2m, up 12,2% vs. 9M14
- Investments at € 14,0m, including € 4,9m development capex for new services to RAI (cash conversion at 89,0%)
- Net Debt at € 49,6m, with Net Debt/1Y rolling Adj. EBITDA at 0,46x

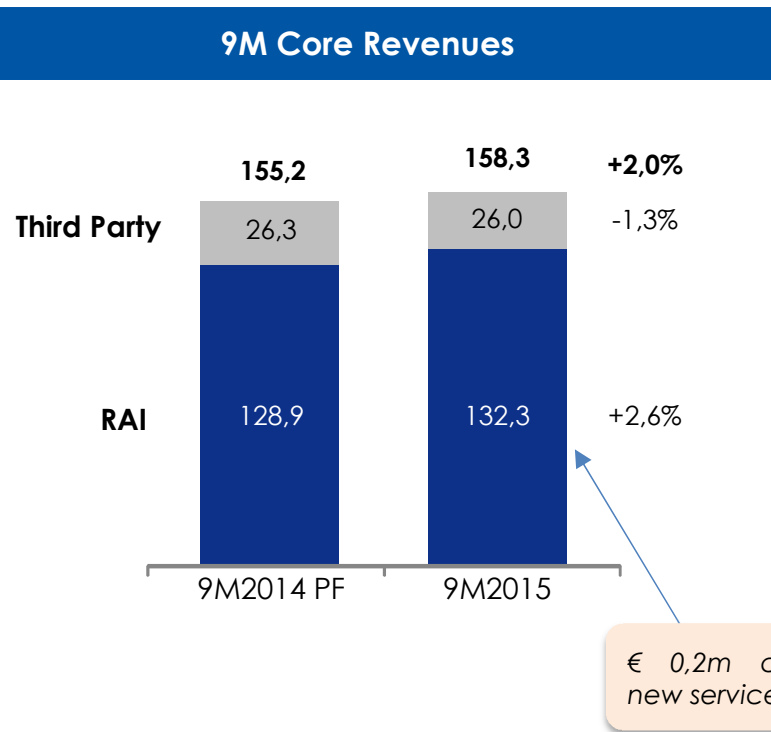
(1) 9M14 Capex includes investments in tangible and intangible assets and financial lease cash-out, representing network capex according to the old service agreement with RAI (being treated as a financial lease)

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

(3) 2014FY PF Net debt consists of the Net Financial Position (determined in compliance with paragraph 127 of the recommendations contained in the document prepared by ESMA, no. 319 of 2013, implementing Regulation 2004/809/EC) excluding the current financial receivables relating to the financial leasing with RAI

# Core Revenues

Eur Mln; %

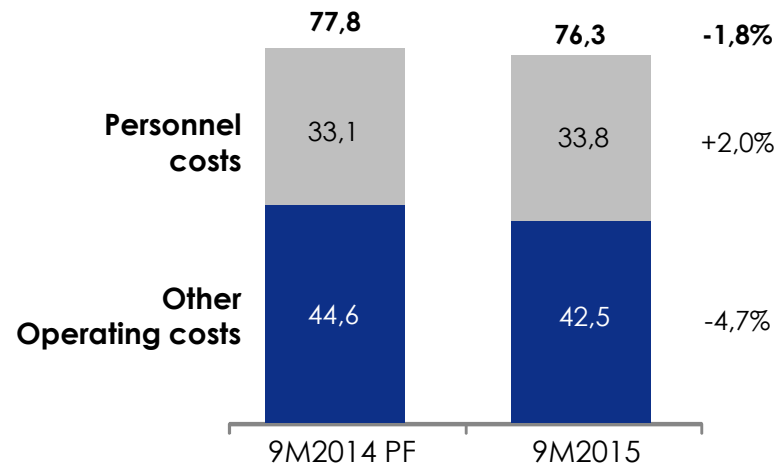


- Revenues from RAI driven by the step-up in the fixed consideration included in the service contract (from € 171m in 2014 to € 175m in 2015, on a yearly basis) and first contribution from new initiatives
- 9M15 Third Party performance impacted by lower Tower Rental revenues, mainly from non-MNO customers, and lower Network Services revenues
  - Improvement vs. previous quarters mainly driven by recovery of one lost broadcasting customer

# Opex

Eur Mln; %

## 9M Opex (excluding non-recurring)



- Personnel costs up 2,0% vs. 9M14 driven by completion of organizational structure after IPO
- Other Operating costs declined by 4,7% vs. 9M14, mainly driven by utilities and maintenance

# From Adjusted EBITDA to Net Income

## P&L

<i>Eur Mln, %</i>	3Q 2014	3Q 2015	% YoY	9M 2014 PF	9M 2015	% YoY
<b>Adj. EBITDA</b>	<b>27,2</b>	<b>28,6</b>	<b>4,8%</b>	<b>80,4</b>	<b>82,5</b>	<b>2,6%</b>
% margin	52,7%	53,6%		51,8%	52,1%	
One-off	0,0	0,0		0,0	-0,1	
<b>EBITDA</b>	<b>27,2</b>	<b>28,6</b>	<b>4,8%</b>	<b>80,4</b>	<b>82,4</b>	<b>2,4%</b>
% margin	52,7%	53,6%		51,8%	52,0%	
D&A <sup>(1)</sup>	-12,8	-11,7		-37,6	-35,1	
<b>EBIT</b>	<b>14,5</b>	<b>16,8</b>	<b>16,2%</b>	<b>42,8</b>	<b>47,3</b>	<b>10,5%</b>
Financial expenses	-0,6	-0,6		-1,4	-1,6	
<b>Pre Tax Profit</b>	<b>13,9</b>	<b>16,3</b>	<b>17,0%</b>	<b>41,4</b>	<b>45,7</b>	<b>10,5%</b>
Taxes	-5,0	-5,9		-14,5	-15,5	
% tax rate	35,9%	36,1%		35,0%	34,0%	
<b>Net Income</b>	<b>8,9</b>	<b>10,4</b>	<b>16,7%</b>	<b>26,9</b>	<b>30,2</b>	<b>12,2%</b>
EPS <sup>(2)</sup>	0,0328	0,0382		0,0989	0,1110	

- 9M15 EBITDA at € 82,4m, up 2,4% vs. 9M14, with a margin of 52,0%
- 9M15 EBITDA including non recurring expenses of € 0,1m
- Declining D&A (€ -2,5m vs. 9M14) mainly resulting from reduction of Capex vs. "switch-off period"
- 9M15 Net Income at € 30,2m, up 12,2% vs. 9M14

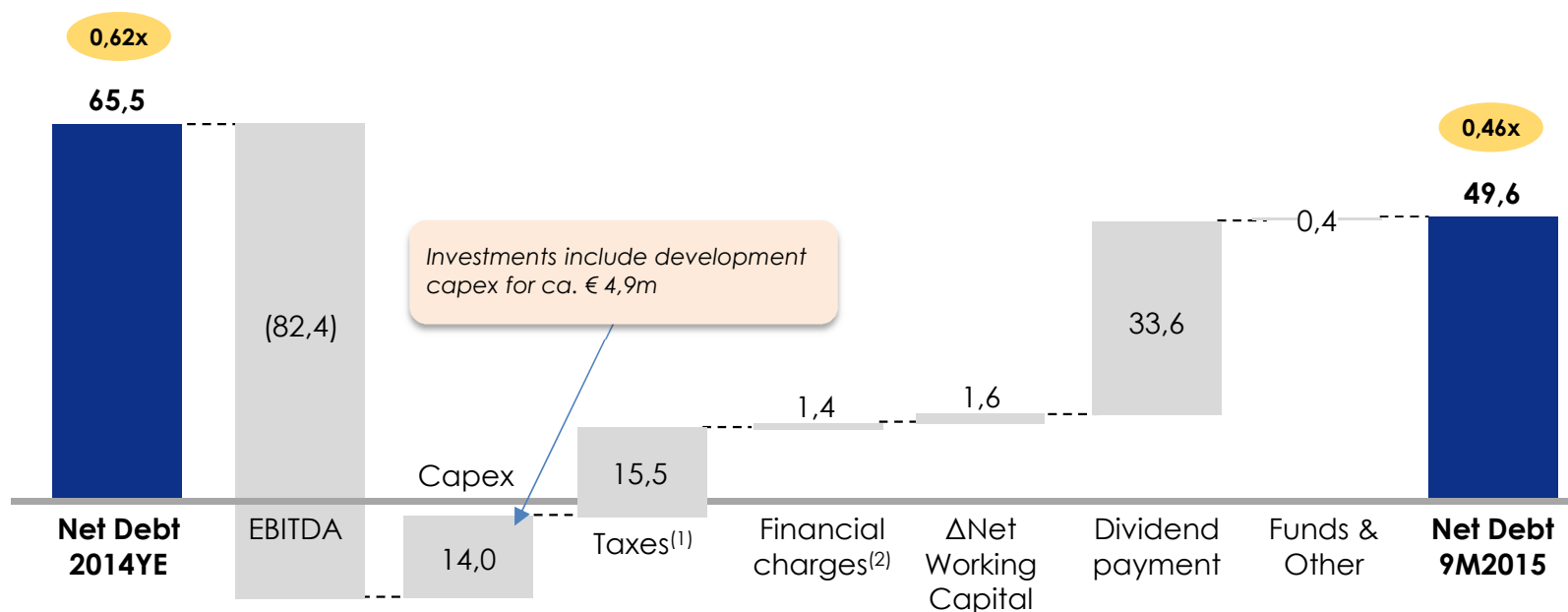
(1) Including provisions

(2) 3Q214 and 9M14 PF EPS calculated on 2014YE number of shares

# Cash Flow generation

Net Debt/1y rolling Adj. EBITDA

Eur Mln; %



- 9M15 cash generation pre-dividend payment of ca. € 49m
- Capex level reflects typical distribution of maintenance activities throughout the year

(1) P&L taxes

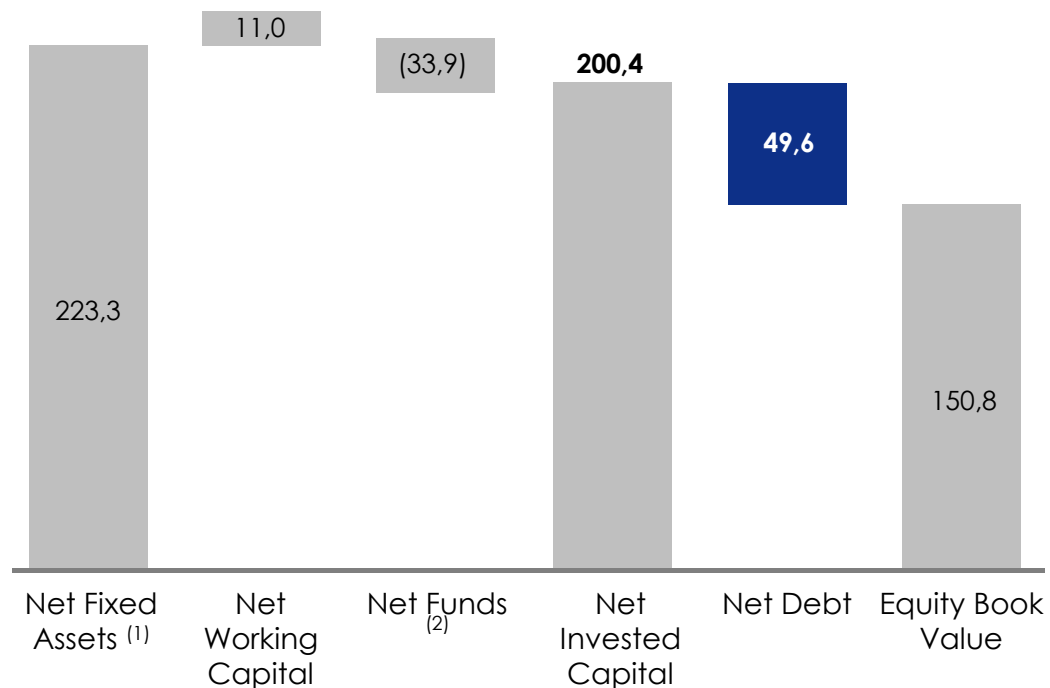
(2) P&L financial charges excluding interests on the employee benefit liability



# Balance Sheet

Eur Mln

## 9M2015 Balance Sheet



- Conservative capital structure with € 49,6m Net Debt as of September 2015:

- 0,46x Net Debt/1y-rolling Adj. EBITDA
- 0,33x Net Debt/Equity book value

(1) Including long-term financial items

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

# 2015 Outlook confirmed

- **EBITDA**

- 2015 EBITDA expected to increase by ~ € 2m compared to 2014 level

- **Capex**

- 2015 Capex expected at ~ € 40m, including maintenance and first tranche of development capex for new services to RAI

- **Net Debt**

- 2015YE Net Debt targeted at ~ € 50m

# Q & A session



# Contacts

## **Rai Way** - Investor Relations



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# Appendix

The background of the slide features a faded, light blue image of a tall communication tower situated on a hill. The sun is shining from behind the tower, creating a bright, circular flare effect. The overall aesthetic is clean and modern, with a focus on technology and infrastructure.

# Detailed summary of Income Statement

(€m; %)	3Q14	3Q15	9M14	9M14 PF	9M15
<b>Core revenues</b>	<b>51.7</b>	<b>53.2</b>	<b>115.1</b>	<b>155.2</b>	<b>158.3</b>
Other revenues	1.4	0.1	2.9	2.9	0.6
Purchase of consumables	(0.4)	(0.3)	(1.2)	(1.2)	(0.9)
Service costs	(14.9)	(13.7)	(42.8)	(41.2)	(39.1)
Personnel costs	(10.0)	(9.9)	(33.1)	(33.1)	(33.8)
Other costs	(0.6)	(0.8)	(2.2)	(2.2)	(2.7)
<b>Opex</b>	<b>(25.8)</b>	<b>(24.7)</b>	<b>(79.3)</b>	<b>(77.8)</b>	<b>(76.5)</b>
Depreciation and amortization	(12.8)	(11.7)	(13.0)	(37.6)	(35.1)
Provisions	0.0	0.0	0.0	0.0	0.0
<b>Net Operating profit</b>	<b>14.5</b>	<b>16.8</b>	<b>25.7</b>	<b>42.8</b>	<b>47.3</b>
Net Finance income	(0.6)	(0.6)	2.6	(1.4)	(1.6)
<b>Profit before income taxes</b>	<b>13.9</b>	<b>16.3</b>	<b>28.3</b>	<b>41.4</b>	<b>45.7</b>
Income taxes	(5.0)	(5.9)	(10.4)	(14.5)	(15.5)
<b>Profit for the year</b>	<b>8.9</b>	<b>10.4</b>	<b>17.9</b>	<b>26.9</b>	<b>30.2</b>
<b>EBITDA</b>	<b>27.2</b>	<b>28.6</b>	<b>38.7</b>	<b>80.4</b>	<b>82.4</b>
EBITDA margin	52.7%	53.6%	33.6%	51.8%	52.0%
Non recurring expenses	0.0	0.0	0.0	0.0	-0.1
<b>Adjusted EBITDA</b>	<b>27.2</b>	<b>28.6</b>	<b>38.7</b>	<b>80.4</b>	<b>82.5</b>
Adjusted EBITDA margin	52.7%	53.6%	33.6%	51.8%	52.1%

# Summary of Balance Sheet

(€m)	2014FY	9M2015
<b>Non current assets</b>		
Tangible assets	243.1	222.1
Intangible assets	0.6	0.7
Non-current financial assets	0.6	0.5
Non-current tax assets	5.4	4.8
<b>Total non-current assets</b>	<b>249.8</b>	<b>228.1</b>
<b>Current assets</b>		
Inventories	0.9	1.0
Trade receivables	64.4	75.9
Other receivables and current assets	4.4	5.4
Current financial assets	0.7	0.4
Cash	14.7	71.2
Tax assets	0.3	0.3
<b>Total current assets</b>	<b>85.3</b>	<b>154.2</b>
<b>TOTAL ASSETS</b>	<b>335.1</b>	<b>382.3</b>

(€m)	2014FY	9M2015
<b>Equity</b>		
Share capital	70.2	70.2
Legal reserves	6.9	8.1
Other reserves	37.1	37.1
Retained earnings	39.6	35.4
<b>Total equity</b>	<b>153.8</b>	<b>150.8</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	80.6	90.6
Employee benefits	21.3	20.6
Provisions for risks and charges / Allowances	18.6	18.1
Other non-current liabilities	0.0	0.0
Non-current tax liabilities	0.0	0.0
<b>Total non-current liabilities</b>	<b>120.5</b>	<b>129.4</b>
<b>Current liabilities</b>		
Commercial debt	36.0	35.9
Other debt and current liabilities	21.7	33.1
Current financial liabilities	0.3	30.6
Tax liabilities	2.9	2.5
<b>Total current liabilities</b>	<b>60.8</b>	<b>102.2</b>
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>335.1</b>	<b>382.3</b>

# Summary of Cash Flow Statement

(€m)	3Q2014	3Q2015	9M2014	9M2015
<b>Earnings before taxes</b>	<b>13.9</b>	<b>16.3</b>	<b>28.3</b>	<b>45.7</b>
Depreciation and amortization	12.8	11.7	13.0	35.1
Provisions and others	(0.3)	0.0	(0.4)	(1.2)
Net financial Income	0.6	0.6	(2.5)	1.6
Other non-monetary items	0.4	0.0	(0.2)	0.0
<b>Net operating CF before change in WC</b>	<b>27.4</b>	<b>28.6</b>	<b>38.2</b>	<b>81.1</b>
Change in inventories	(0.0)	0.0	0.0	(0.1)
Change in accounts receivable	(11.6)	(10.4)	(20.6)	(11.6)
Change in accounts payable	2.9	5.5	(43.2)	(0.1)
Change in other assets	7.8	(0.2)	(0.9)	(1.0)
Change in other liabilities	7.0	7.5	8.8	9.5
Use of funds	(0.1)	(0.1)	(0.2)	(0.2)
Payment of employee benefits	(0.5)	(0.1)	(1.8)	0.4
Change in tax credit/liabilities	0.1	(0.6)	(0.8)	(1.1)
Taxes paid	(0.1)	0.0	(5.3)	(12.4)
<b>Net operating cash flow</b>	<b>32.9</b>	<b>30.3</b>	<b>(25.8)</b>	<b>64.6</b>
Investment in tangible assets	(4.7)	(6.8)	(4.7)	(13.7)
Sale of tangible assets	0.0	0.0	0.0	0.1
Investment in intangible assets	(0.2)	(0.2)	(0.2)	(0.3)
Sale of intangible assets	0.0	0.0	0.0	0.0
Financial lease cash-out <sup>(1)</sup>	0.0	0.0	(6.4)	0.0
Financial lease cash-in	0.0	0.0	31.1	0.0
Change in non-current financial assets	(0.1)	0.0	(0.1)	0.0
Interest received	0.2	0.0	4.1	0.1
<b>Investing cash flow</b>	<b>(4.9)</b>	<b>(6.9)</b>	<b>23.7</b>	<b>(13.8)</b>
(Decrease)/increase in long-term debt	0.0	(14.9)	(0.1)	10.1
(Decrease)/increase in current liabilities	(27.4)	15.3	14.5	30.3
Change in current financial assets	0.0	0.1	0.0	0.3
Interest paid	(0.6)	(0.5)	(1.1)	(1.3)
Dividends paid	0.0	0.0	(11.2)	(33.6)
<b>Financing cash flow</b>	<b>(28.0)</b>	<b>0.0</b>	<b>2.1</b>	<b>5.8</b>
Change in cash and cash equivalent	(0.0)	23.4	0.0	56.6
Cash and cash eq (Beg. of Period) <sup>(2)</sup>	0.0	47.8	0.0	14.7
Cash and cash eq (End of Period) <sup>(2)</sup>	0.0	71.2	0.0	71.2

(1) In 9M2014, financial lease cash-out represents network capex, due to the old service agreement with RAI being treated as a financial lease  
(2) In 3Q2014 and 9M2014, cash-pooling agreement with RAI