

# 2016FY Results Presentation

Rome, 9<sup>th</sup> March 2017



## 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

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

# 2016 in a nutshell

## Broaden offer to RAI

- *New contracts signed, mainly related to HD development, MUX Francofono and cyclical events*
- *Ongoing negotiations for additional services, with focus on coverage extension*

## Increase # of managed MUX

- *Beauty contest: Rai Way's regional partners awarded with new frequencies*
- *Agreement with Norba Group*

## Increase towers' appeal for TLC customers

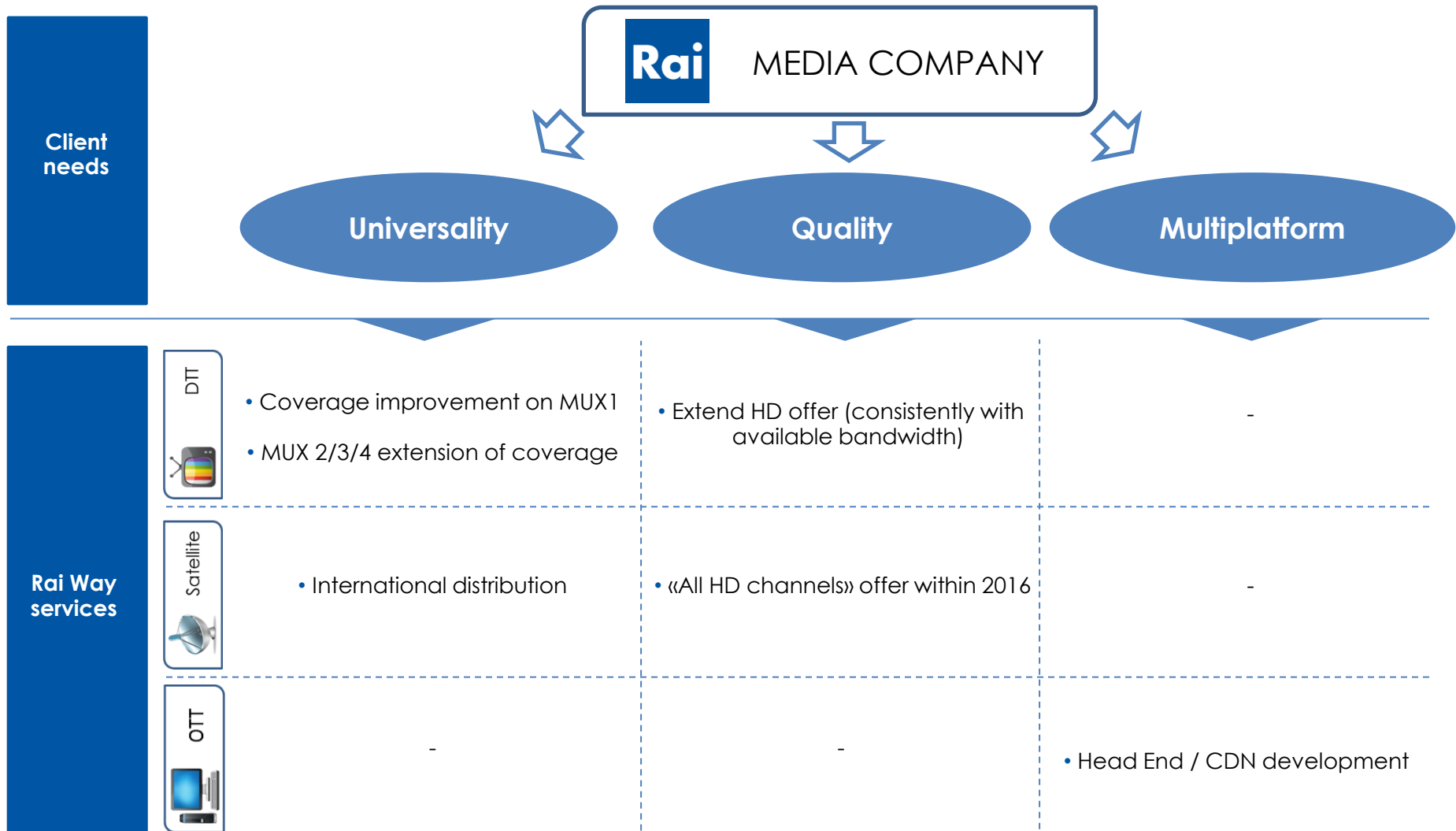
- *FWAP: New agreement with Eolo*
- *IoT: Rai Way joined LoRa Alliance*

## Increase operating efficiency

- *Voluntary layoff program ongoing*
- *Rationalization of intercompany expenses*
- *Maintenance capex already at long term target*



# Rai New services to RAI: matching client's needs



# Rai Update on main new initiatives for RAI

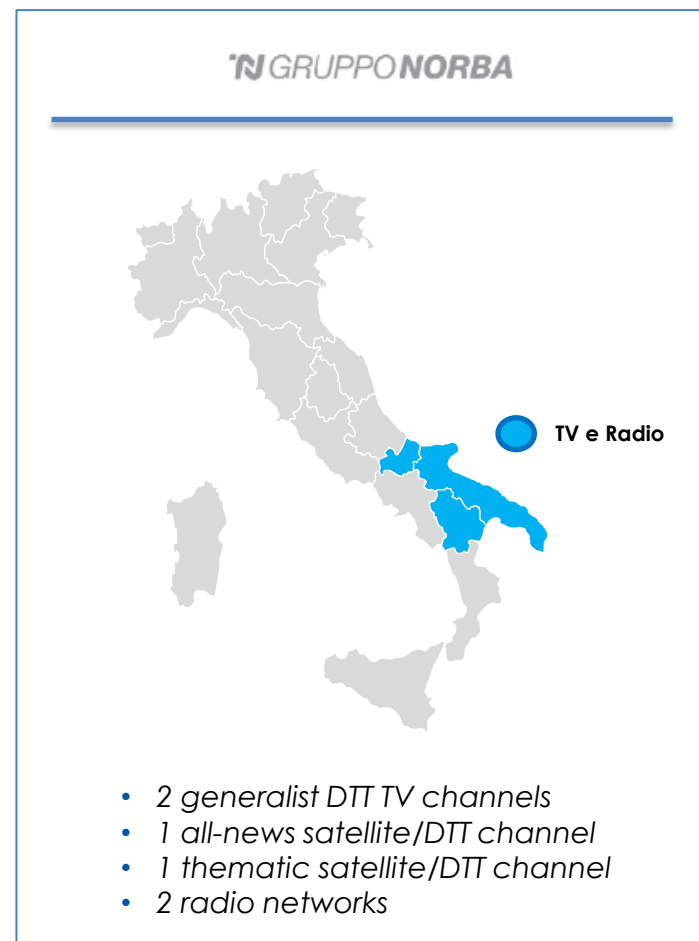
Finalized contracts	As of 29 Sept 2015*	<ul style="list-style-type: none"> <li>Contribution network upgrade</li> <li>RAI Sport HD</li> <li>Transmission services for Expo</li> <li>International distribution for RAI Com</li> </ul>
	New 2015	<ul style="list-style-type: none"> <li>Acquisition of 4<sup>th</sup> transponder</li> <li>Simulcrypt on satellite broadcasting platform</li> <li>RAI4 HD (on satellite platforms)</li> <li>International TV contribution for RIO 2016</li> </ul>
	New 2016	<ul style="list-style-type: none"> <li>RAI Sport 2 HD for RIO 2016</li> <li>Additional HD channels broadcasting on satellite platforms (full HD offer)</li> <li>MUX "Francofono" for Valle d'Aosta region</li> <li>Tidying up of frequencies for MUX1 (channel 25 only)</li> <li>Satellite contribution network (bandwidth provisioning)</li> <li>Transmission services for Euro Cup 2016</li> </ul>
Advanced negotiations	As of 29 Sept 2015*	<ul style="list-style-type: none"> <li>MUX "Francofono" for Valle d'Aosta region → finalized</li> <li>Tidying up of frequencies for MUX1 (channel 25 only)</li> </ul>
	New 2015	<ul style="list-style-type: none"> <li>Additional HD channels broadcasting on satellite platforms → finalized</li> <li>RAI Sport 2 HD for RIO 2016 → finalized</li> </ul>
	New 2016	<ul style="list-style-type: none"> <li>Head-end / CDN development</li> <li>SDH radio link spectrum redefinition (release 3,6-3,8 GHz band) → finalized</li> <li>MUX 2/3/4 extension of coverage</li> <li>Satellite contribution network (bandwidth provisioning) → finalized</li> <li>Tidying up of frequencies for MUX1 in Lombardia, Campania, Abruzzo and Basilicata</li> </ul>
To be negotiated	As of 29 Sept 2015*	<ul style="list-style-type: none"> <li>MUX 2/3/4 extension of coverage → in negotiation</li> <li>DAB+ roll-out to cover Milan-Trieste and Milan-Naples highways</li> <li>Satellite contribution network (bandwidth provisioning) → finalized</li> <li>SDH radio link spectrum redefinition (release 3,6-3,8 GHz band) → finalized</li> </ul>

Target unlevered IRR of at least 10% confirmed



# Agreement with Norba Group: mix of commercial and M&A activity

- Long-term agreement for the operation and maintenance of the TV and radio broadcasting network of the Norba Group signed in March 2017
- Norba Group, leader in the multi-media communication sector in the South of Italy, is the largest macro-regional operator in terms of audience
  - Service Contract to provide network operation and maintenance to Norba Group up to 2032
  - Acquisition of 30 broadcasting sites
  - Network maintenance activity on additional 41 sites
  - EV paid: ca. € 8,8m
  - EBITDA contribution: ca. € 1,1m pro-forma post-synergies (including ca. € 0,5m passive hosting cost reduction for Rai Way)
  - Implied multiple: 8,0x
- Deal in line with Industrial Plan drivers (increase number of managed MUX, participate market consolidation) and financial targets

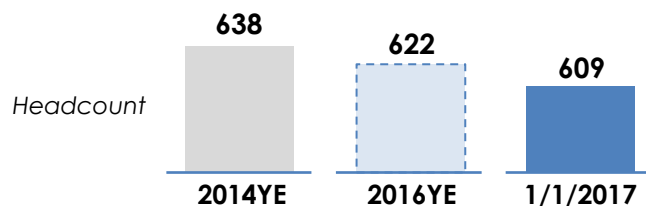




# Efficiencies

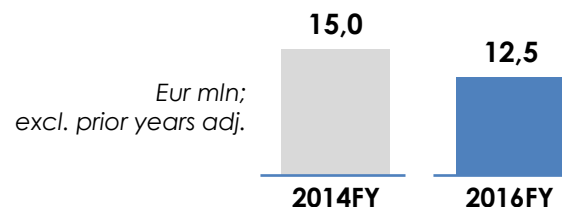
## Personnel

- Redesign of organizational model
- Voluntary layoff program launched
- Optimization of travel expenses and other non-core items



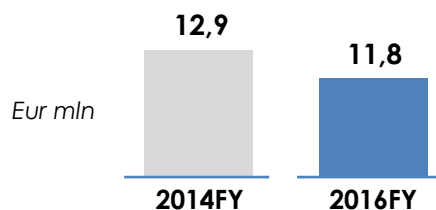
## Utilities

- Energy supply contract renewed in 2015
- Stable consumption despite introduction of new services



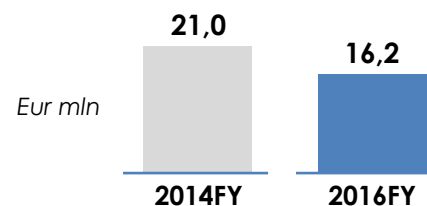
## Services rendered by RAI

- Insourcing of administrative activities
- Rationalization of real estate rents




## Maintenance capex

- Rationalization of capex spending related to active and passive infrastructure



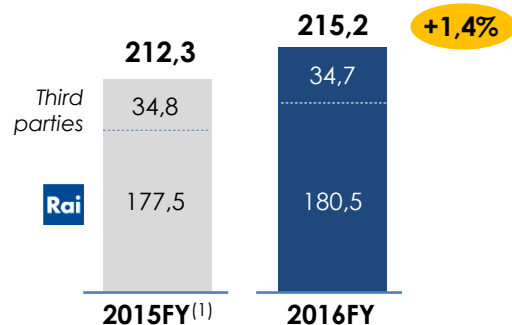


# 2016FY Financial Highlights

 % YoY growth

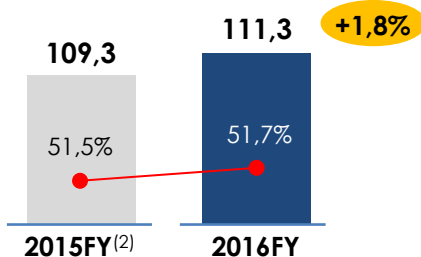
Mln Eur; %

## Core Revenues

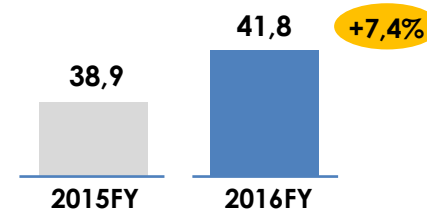


## Adjusted EBITDA

• Adjusted EBITDA margin

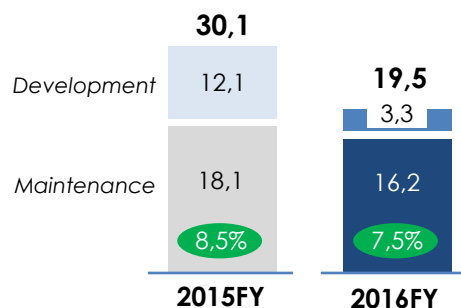


## Net Income



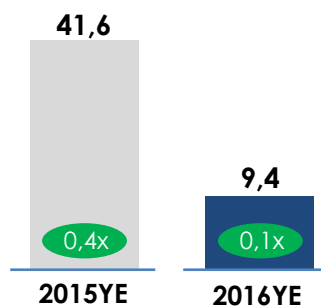
## Capex

● Maintenance capex / Revenues

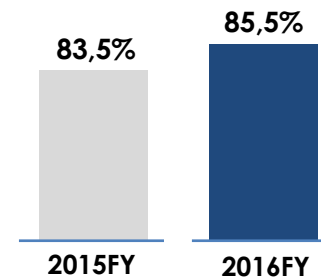


## Net debt

● Net Debt / Adjusted EBITDA



## Cash conversion<sup>(3)</sup>



**Dividend proposal of 15,37 €cent/share (pay-out ratio of 100% of Net Income), with a dividend yield<sup>(4)</sup> of 3,4%**

(1) 2015 "Core Revenues" breakdown adjusted to reflect the reallocation of 28k Eur from "Revenues from Third Parties" to "Revenues from Rai"  
 (2) "Adjusted EBITDA" in 2015 adjusted to reflect the reallocation of 28k Eur from "Revenues from Third Parties" to "Revenues from Rai", starting from 1st of January 2016, of "Reimbursement of expenses" and "Reversal of provisions", previously reported as "Other revenues", to Operating expenses and Provisions respectively. These adjustments are neutral at EBIT level

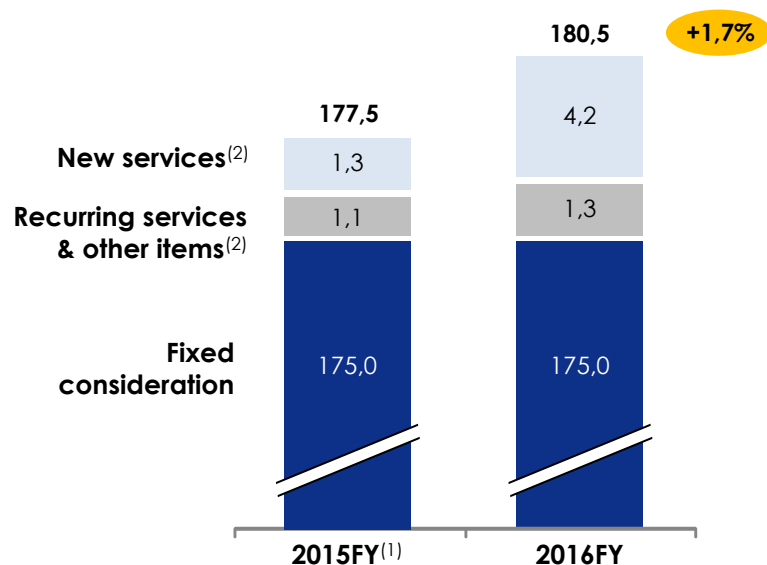
(3) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA

(4) Dividend yield based on market closing price of 08/03/2017 (4,506 €/share)

# Revenues from RAI

Eur Mln; %

## FY Revenues from RAI



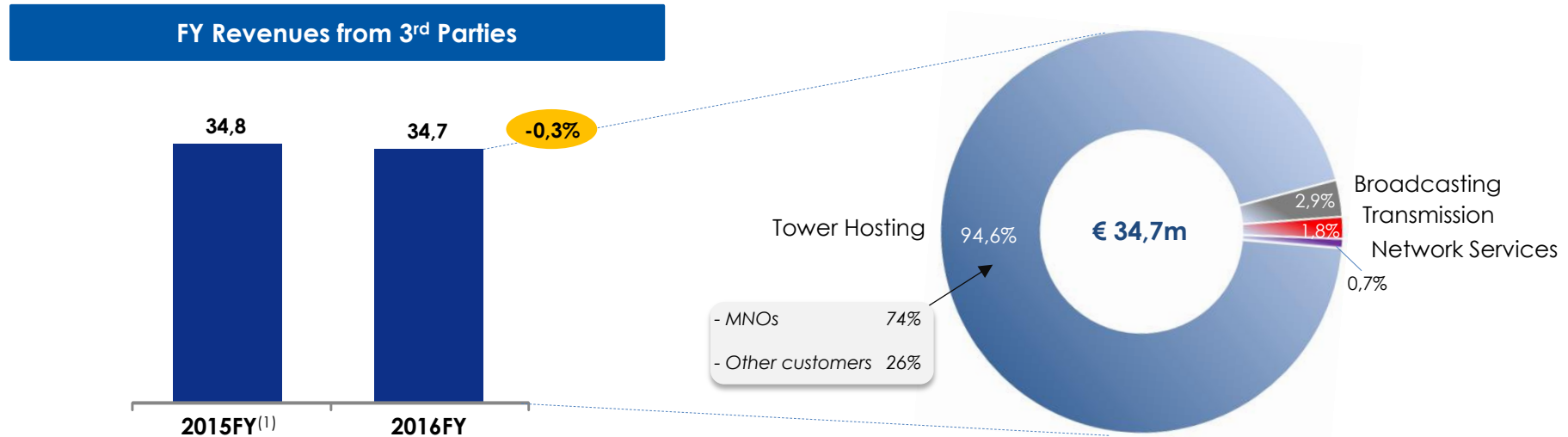
- No benefit from CPI
- Revenues from RAI up 1,7% driven by new initiatives:
  - ✓ Main contributors to revenues from New services include:
    - Upgrade of contribution network
    - MUX "Francofono"
    - Int'l distribution for Rai Com
  - ✓ One-off projects' contribution of approx. € 1m, mainly related to cyclical events (European Football Cup and Rio Olympic games)

(1) 2015 "Revenues from RAI" adjusted to reflect the reallocation of 28k Eur from "Revenues from Third Parties" to "Revenues from Rai"

(2) 2015 "Revenues from RAI" breakdown adjusted to reflect the reallocation of 98k € from "Recurring services" to "New services"

# Revenues from Third parties

Eur Mln; %

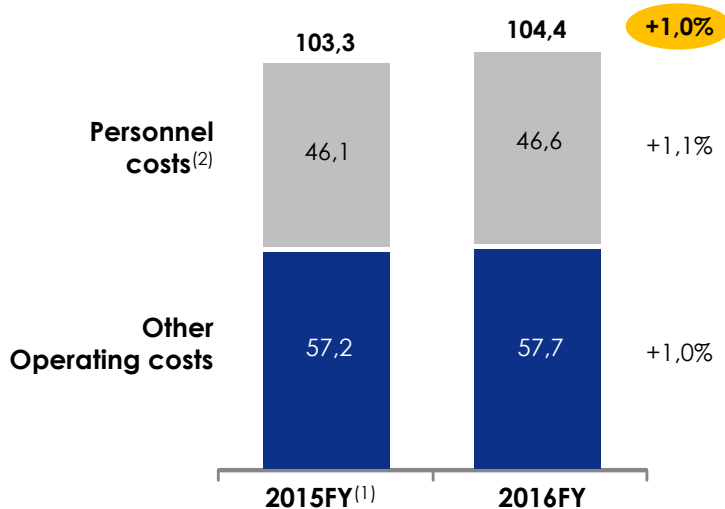


- Increasing volumes with FWAPs and broadcasters offsetting sites optimization operated by mobile operators and downscaling of one PA customer occurred in 2015

(1) 2015 "Revenues from Third Parties" adjusted to reflect the reallocation of 28k Eur from "Revenues from Third Parties" to "Revenues from Rai"

Eur Mln; %

## FY Opex (excluding one-offs)



- Excluding the impact of lower capitalization and different allocation of travel costs<sup>(2)</sup>, personnel costs declined 0,7% vs. 2015 driven by voluntary layoff program and optimization of non core items
- Other Operating costs increased by 1,0% vs. 2015, mainly driven by maintenance activity back at normal level
  - ✓ Adjusted by the lower level of prior years adjustments vs. 2015, Other Operating costs down by 0,8% thanks to efficiencies on utilities and services rendered by RAI offsetting costs related to new services

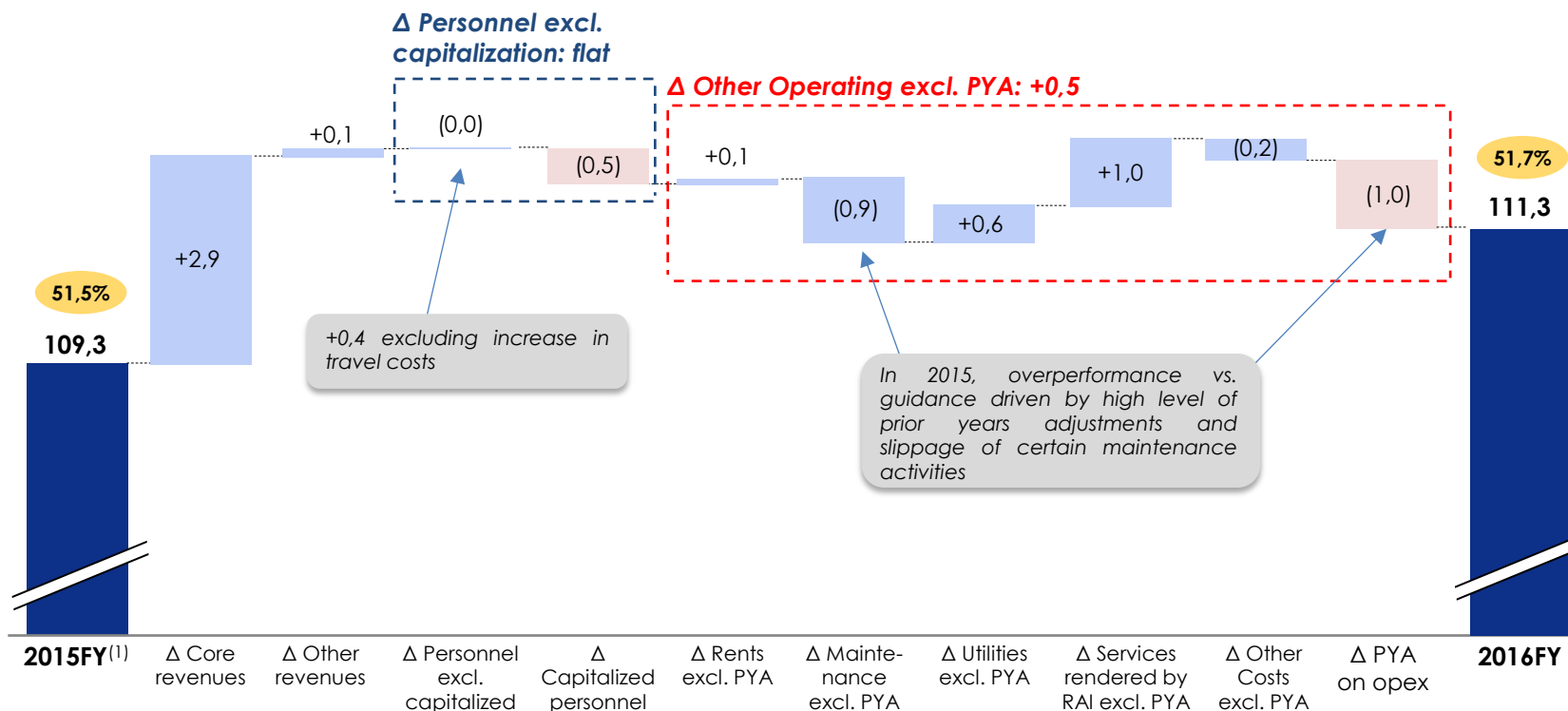
(1) 2015 Opex adjusted to reflect the reallocation, starting from 1<sup>st</sup> of January 2016, of "Reimbursement of expenses", previously reported as "Other revenues", to Operating expenses

(2) In 2016 travel costs allocated 50,7% to Personnel and 49,3% to Other operating costs. In 2015 travel costs allocated 40,9% to Personnel and 59,1% to Other operating costs

# Adjusted EBITDA evolution

Adjusted EBITDA margin

Eur Mln; %



(1) "Adjusted EBITDA" in 2015 adjusted to reflect the reallocation, starting from 1st of January 2016, of "Reimbursement of expenses" and "Reversal of provisions", previously reported as "Other revenues", to Operating expenses and Provisions respectively. These adjustments are neutral at EBIT level

## P&L

<i>Eur. Mln. %</i>	4Q 2015	4Q 2016	% YoY	FY 2015	FY 2016	% YoY
<b>Core Revenues</b>	<b>54,1</b>	<b>53,9</b>	<b>-0,3%</b>	<b>212,3</b>	<b>215,2</b>	<b>1,4%</b>
Other Revenues <sup>(1)</sup>	0,1	0,3		0,3	0,4	
Opex (excl. one-offs) <sup>(1)</sup>	-27,1	-29,4	8,5%	-103,3	-104,4	1,0%
<b>Adj. EBITDA<sup>(1)</sup></b>	<b>27,0</b>	<b>24,8</b>	<b>-8,2%</b>	<b>109,3</b>	<b>111,3</b>	<b>1,8%</b>
% margin	50,0%	46,1%		51,5%	51,7%	
One-offs	-1,5	-3,3		-1,6	-6,8	
<b>EBITDA<sup>(1)</sup></b>	<b>25,6</b>	<b>21,5</b>	<b>-15,8%</b>	<b>107,7</b>	<b>104,5</b>	<b>-3,0%</b>
% margin	47,3%	40,0%		50,7%	48,6%	
D&A <sup>(1,2)</sup>	-11,0	-6,7	-39,2%	-45,8	-38,9	-15,1%
<b>EBIT</b>	<b>14,6</b>	<b>14,8</b>	<b>1,9%</b>	<b>61,9</b>	<b>65,6</b>	<b>6,0%</b>
Net financial expenses	-1,3	-0,5	-62,7%	-2,9	-2,1	-27,2%
<b>Pre Tax Profit</b>	<b>13,2</b>	<b>14,3</b>	<b>8,4%</b>	<b>58,9</b>	<b>63,5</b>	<b>7,6%</b>
Taxes	-4,5	-5,1	13,7%	-20,0	-21,6	8,2%
% tax rate	33,8%	35,5%		33,9%	34,1%	
<b>Net Income</b>	<b>8,8</b>	<b>9,3</b>	<b>5,7%</b>	<b>38,9</b>	<b>41,8</b>	<b>7,4%</b>
EPS				0,1432	0,1537	

- One-off expenses of € 6,8m in 2016, mainly related to voluntary layoff incentive
  - Incentive related to the expected layoffs in 2017 already reported in 4Q16 (€ 3,2m)
- D&A declined by € 6,9m vs. 2015 driven by:
  - lower capex level vs. switch-off period
  - revision of accounting policy with extension of useful life of certain assets in line with market standard (ca. € 4,8m)
- 2016 tax rate at 34,1%
  - 4Q tax rate increase due to one-off impact on deferred taxes linked to 2017 reduction of IRES tax rate
- Net Income at € 41,8m, up 7,4% vs. 2015

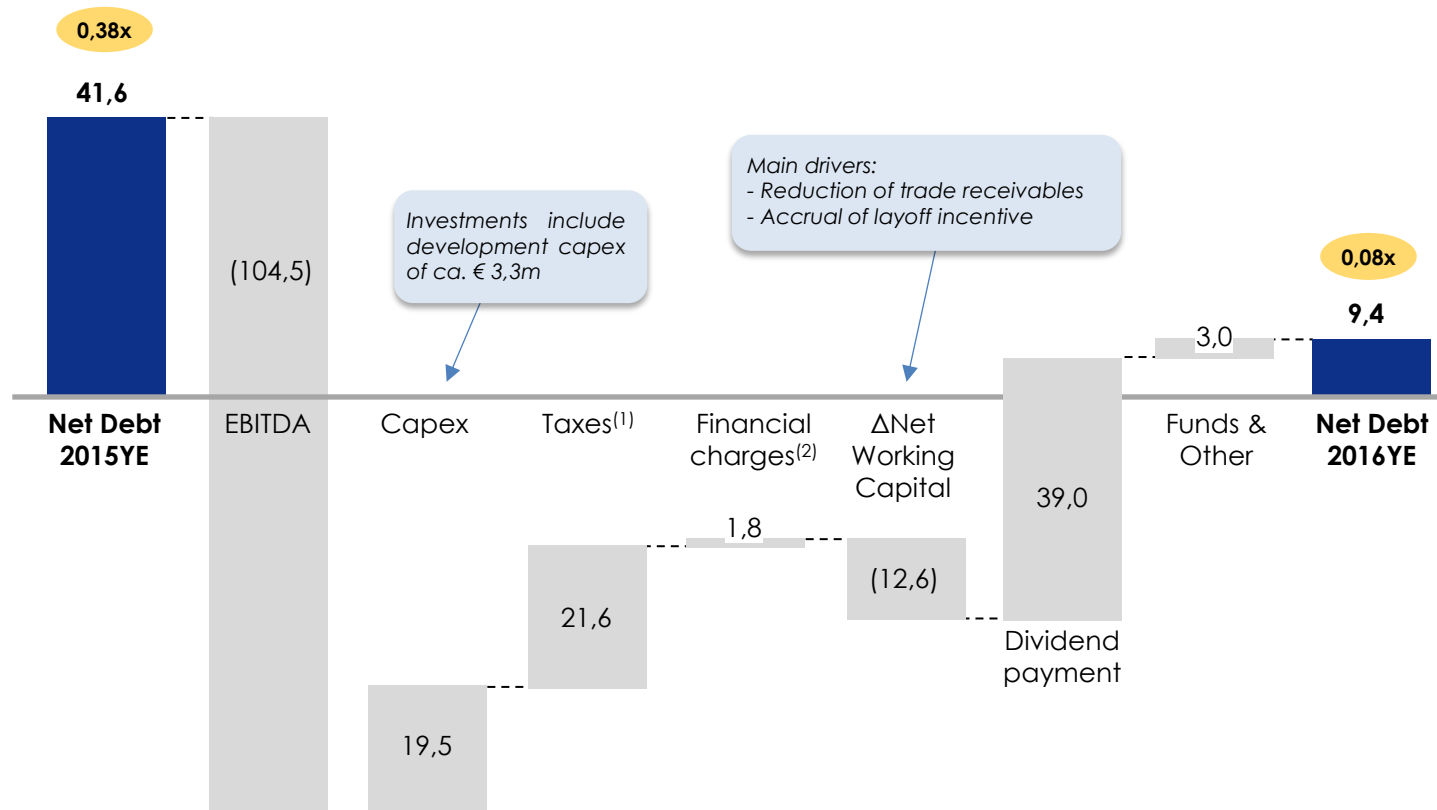
(1) "Other revenues", "Opex", "Adjusted EBITDA", "EBITDA" and "D&A" in 2015 adjusted to reflect the reallocation, starting from 1st of January 2016, of "Reimbursement of expenses" and "Reversal of provisions", previously reported as "Other revenues", to Operating expenses and Provisions respectively. These adjustments are neutral at EBIT level

(2) Including provisions

# Cash Flow generation

Net Debt/Adj. EBITDA

Eur Mln; %



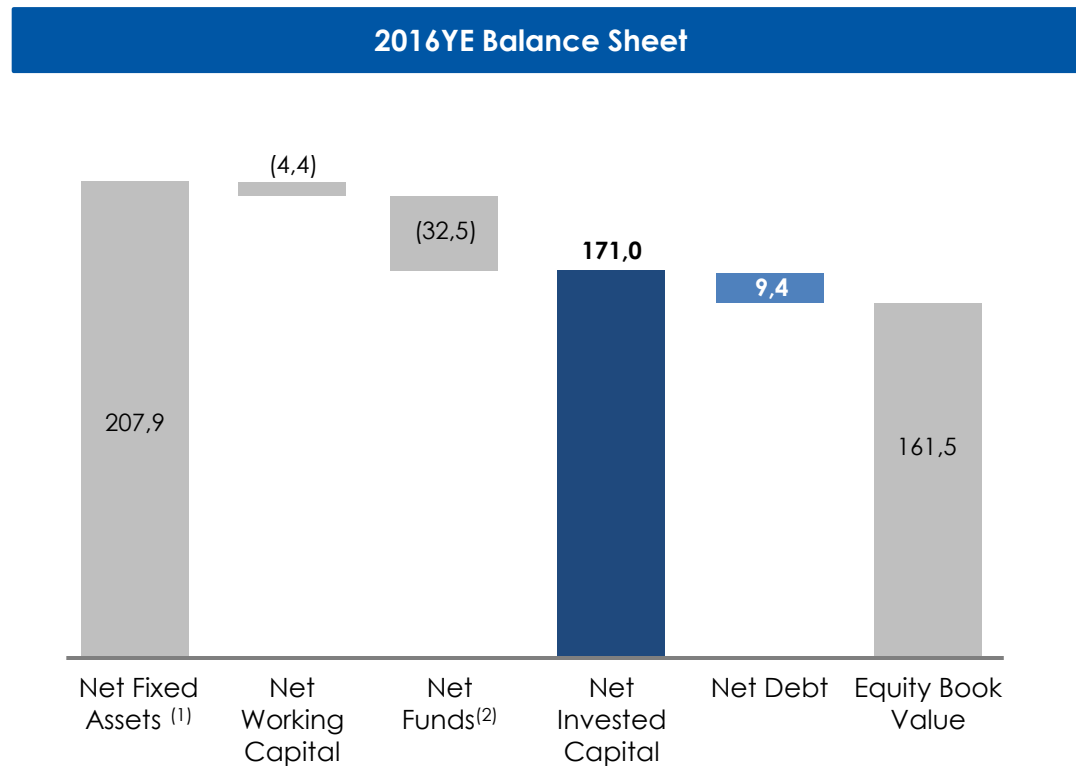
- 2016 cash generation pre-dividend payment of € 71,1m

(1) P&L taxes

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

# Balance Sheet

Eur Mln



(1) Including long-term financial items

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



- **ADJUSTED EBITDA**

- 2017 Adjusted EBITDA to continue in the growth trajectory of recent years

- **CAPEX**

- 2017 Maintenance capex to remain in line with long-term target

# Q&A session

The background of the slide features a tall, lattice-structured communication tower situated on a hill. The sun is positioned behind the tower, creating a bright, circular flare that illuminates the scene. The overall color palette is a soft, hazy blue, giving the image a serene and professional appearance. The tower's structure is intricate, with various antennas and equipment visible at different levels. The hill it sits on is covered in sparse vegetation, and the background shows more distant hills under a clear sky.

# Contacts

## **Rai Way** - Investor Relations



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## Upcoming events

<u>Date</u>	<u>Event</u>
28/04/2017	Shareholders' Meeting
11/05/2017	1Q17 results
27/07/2017	1H17 results
09/11/2017	3Q17 results

# Appendix



# Detailed summary of Income Statement

(€m; %)	4Q15	4Q16	FY15	FY16
<b>Core revenues</b>	<b>54.1</b>	<b>53.9</b>	<b>212.3</b>	<b>215.2</b>
Other revenues <sup>(1)</sup>	0.1	0.3	0.3	0.4
Purchase of consumables	(0.6)	(0.5)	(1.5)	(1.3)
Service costs <sup>(1)</sup>	(13.2)	(15.2)	(52.1)	(52.9)
Personnel costs	(13.8)	(16.0)	(47.6)	(53.2)
Other costs	(1.0)	(1.0)	(3.7)	(3.6)
<b>Opex</b>	<b>(28.5)</b>	<b>(32.7)</b>	<b>(104.9)</b>	<b>(111.1)</b>
Depreciation and amortization	(10.3)	(6.2)	(45.4)	(38.3)
Provisions <sup>(1)</sup>	(0.7)	(0.5)	(0.5)	(0.6)
<b>Net Operating profit</b>	<b>14.6</b>	<b>14.8</b>	<b>61.9</b>	<b>65.6</b>
Net Finance income (expenses)	(1.3)	(0.5)	(2.9)	(2.1)
<b>Profit before income taxes</b>	<b>13.2</b>	<b>14.3</b>	<b>58.9</b>	<b>63.5</b>
Income taxes	(4.5)	(5.1)	(20.0)	(21.6)
<b>Profit for the year</b>	<b>8.8</b>	<b>9.3</b>	<b>38.9</b>	<b>41.8</b>
<b>EBITDA</b>	<b>25.6</b>	<b>21.5</b>	<b>107.7</b>	<b>104.5</b>
EBITDA margin	47.3%	40.0%	50.7%	48.6%
Non recurring expenses	(1.5)	(3.3)	(1.6)	(6.8)
<b>Adjusted EBITDA</b>	<b>27.0</b>	<b>24.8</b>	<b>109.3</b>	<b>111.3</b>
Adjusted EBITDA margin	50.0%	46.1%	51.5%	51.7%

(1) 4Q2015 and 2015FY figures adjusted to reflect the reallocation, starting from 1<sup>st</sup> of January 2016, of "Reimbursement of expenses" and "Reversal of provisions", previously reported as "Other revenues", to Operating expenses and Provisions respectively. Adjustments are neutral at Net Operating profit level

# Summary of Balance Sheet

(€m)	2015FY	2016FY	(€m)	2015FY	2016FY
<b>Non current assets</b>			<b>Equity</b>		
Tangible assets	224,5	205,2	Share capital	70,2	70,2
Intangible assets	1,8	2,2	Legal reserves	8,1	10,1
Non-current financial assets	0,5	0,5	Other reserves	37,1	37,0
Non-current tax assets	4,5	5,0	Retained earnings	43,9	44,3
<b>Total non-current assets</b>	<b>231,3</b>	<b>212,8</b>	<b>Total equity</b>	<b>159,3</b>	<b>161,5</b>
<b>Current assets</b>			<b>Non-current liabilities</b>		
Inventories	1,0	0,9	Non-current financial liabilities	90,6	60,7
Trade receivables	70,3	67,0	Employee benefits	20,3	18,7
Other receivables and current assets	4,5	4,4	Provisions for risks and charges / Allowances	18,4	18,8
Current financial assets	0,3	0,2	Other non-current liabilities	0,0	0,0
Cash	78,9	81,3	Non-current tax liabilities	0,0	0,0
Tax assets	0,5	0,3	<b>Total non-current liabilities</b>	<b>129,3</b>	<b>98,2</b>
<b>Total current assets</b>	<b>155,5</b>	<b>154,1</b>	<b>Current liabilities</b>		
<b>TOTAL ASSETS</b>	<b>386,8</b>	<b>366,9</b>	Commercial debt	37,2	41,2
			Other debt and current liabilities	28,3	33,6
			Current financial liabilities	30,2	30,3
			Tax liabilities	2,5	2,2
			<b>Total current liabilities</b>	<b>98,3</b>	<b>107,2</b>
			<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>386,8</b>	<b>366,9</b>

# Summary of Cash Flow Statement

(€m)	4Q2015	4Q2016	FY2015	FY2016
<b>Earnings before taxes</b>	<b>13.2</b>	<b>14.3</b>	<b>58.9</b>	<b>63.5</b>
Depreciation and amortization	10.3	6.2	45.4	38.3
Provisions and others	5.2	1.5	3.9	3.4
Net financial Income	0.3	0.4	1.9	1.9
Other non-monetary items	0.0	0.0	0.0	0.0
<b>Net operating CF before change in WC</b>	<b>29.0</b>	<b>22.5</b>	<b>110.2</b>	<b>107.1</b>
Change in inventories	(0.0)	0.0	(0.1)	0.1
Change in accounts receivable	7.5	12.7	(4.1)	3.4
Change in accounts payable	1.3	3.0	1.2	4.0
Change in other assets	0.9	0.9	(0.1)	0.1
Change in other liabilities	(8.3)	6.7	1.2	3.3
Use of funds	(1.7)	(0.3)	(1.9)	(0.9)
Payment of employee benefits	(3.6)	(1.6)	(3.2)	(4.7)
Change in tax credit/liabilities	0.9	(15.7)	(0.2)	(1.0)
Taxes paid	(1.7)	(1.7)	(14.2)	(19.1)
<b>Net operating cash flow</b>	<b>24.3</b>	<b>26.5</b>	<b>88.9</b>	<b>92.2</b>
Investment in tangible assets	(14.9)	(10.7)	(28.6)	(18.7)
Sale of tangible assets	0.2	0.0	0.3	0.1
Investment in intangible assets	(1.3)	(0.5)	(1.6)	(0.8)
Sale of intangible assets	0.1	0.0	0.1	0.0
Financial lease cash-out	0.0	0.0	0.0	0.0
Financial lease cash-in	0.0	0.0	0.0	0.0
Change in other non-current assets	0.0	(0.1)	0.0	(0.0)
Change in non-current financial assets	0.0	0.1	0.1	0.1
Interest received	0.0	0.0	0.1	0.0
<b>Investing cash flow</b>	<b>(15.8)</b>	<b>(11.1)</b>	<b>(29.6)</b>	<b>(19.3)</b>
(Decrease)/increase in long-term debt	(0.0)	(0.1)	10.0	(30.2)
(Decrease)/increase in current liabilities	(0.4)	0.0	29.9	(0.3)
Change in current financial assets	0.1	0.2	0.4	0.1
Interest paid	(0.5)	(0.1)	(1.8)	(1.2)
Dividends paid	0.0	0.0	(33.6)	(39.0)
<b>Financing cash flow</b>	<b>(0.8)</b>	<b>(0.0)</b>	<b>5.0</b>	<b>(70.5)</b>
Change in cash and cash equivalent	7.7	15.4	64.3	2.4
Cash and cash eq (Beg. of Period)	71.2	65.9	14.7	78.9
Cash and cash eq (End of Period)	78.9	81.3	78.9	81.3