

9M2018 Results Presentation

13 November 2018

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

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

Key messages

- Solid performance driven by:
 - Top-line supported by CPI and New Services for Rai
 - Adjusted EBITDA solidly growing with profitability above 55%
 - Further improvement in Net Income

- Refarming process ongoing
 - Roadmap released by MiSE and tender for 5G frequencies concluded
 - “TV 4.0” working group - established by MiSE to harmonize and coordinate the refarming activities - dealing with the criticalities raised by AGCOM in the PNAF 2018

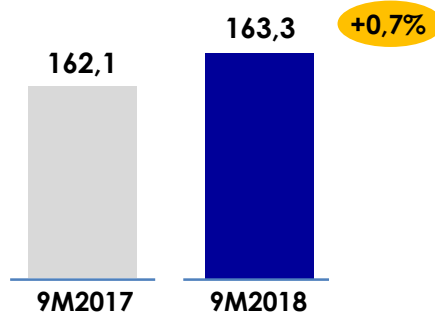
- 2018 outlook confirmed

9M2018 Financial Highlights

% YoY growth

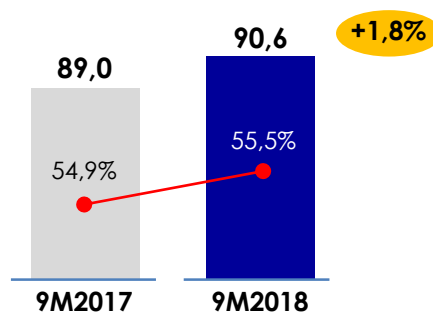
Mln Eur; %

Core Revenues

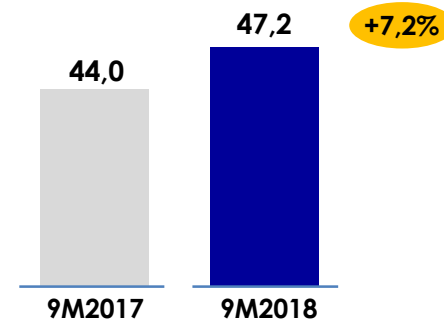


Adjusted EBITDA

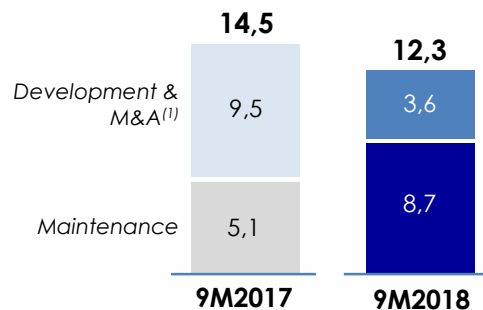
• Adjusted EBITDA margin



Net Income

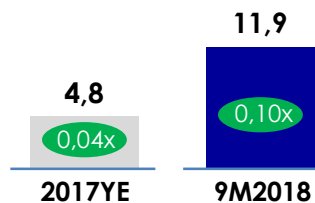


Capex

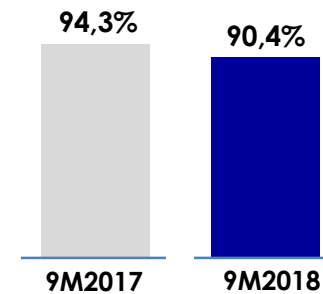


Net Debt

• Net Debt / 1-y rolling Adjusted EBITDA



Cash conversion⁽²⁾



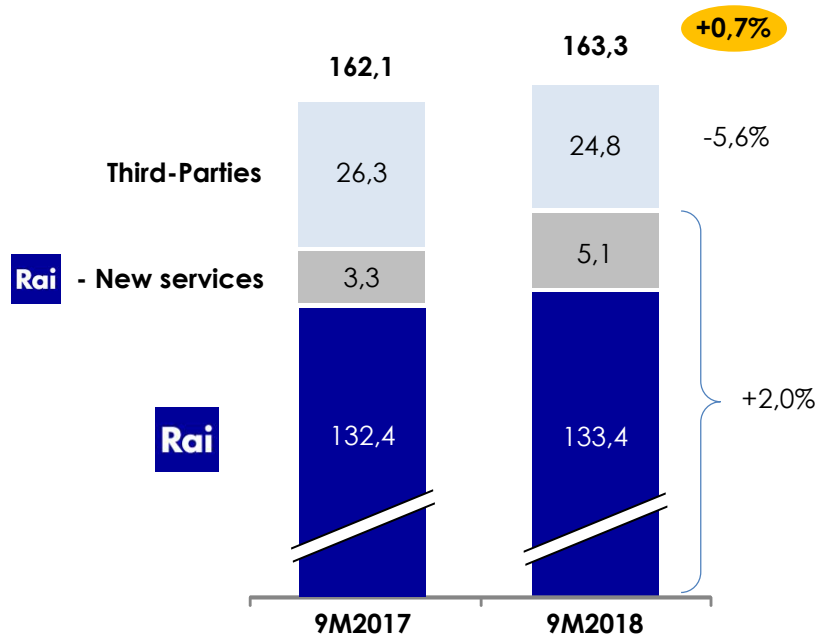
1) M&A capex = equity acquired

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

Core Revenues

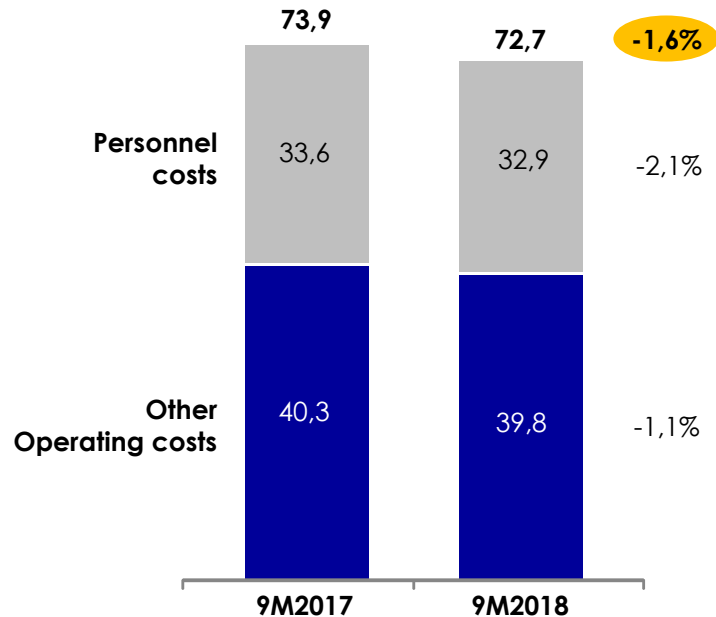
% YoY growth

Mln Eur; %



- Revenues from RAI up 2,0% supported by CPI and new services:
 - ✓ First contribution from activities related to spectrum refarming
- Revenues from Third-Party customers down 5,6% (-4,6% excluding non-core items):
 - ✓ Volumes optimization by MNO customers
 - ✓ Mid-single digit growth from other customers

Mln Eur; %



- Personnel costs down 2,1% vs. 9M2017 driven by reduction of average headcount and variable components of wages
 - 3Q18 performance impacted by stabilization of headcount and different accruals of certain items throughout the quarters
- Other Operating costs benefitted from further efficiencies on Rents, Intercompany expenses and other initiatives, more than offsetting higher energy price

<u>Eur Min. %</u>	3Q 2017	3Q 2018	% YoY	9M 2017	9M 2018	% YoY
Core Revenues	54,1	54,3	0,4%	162,1	163,3	0,7%
Other Revenues & income	0,7	0,0		0,8	0,1	
Adj. EBITDA	32,2	31,4	-2,4%	89,0	90,6	1,8%
% margin	59,6%	57,9%		54,9%	55,5%	
One-offs	0,2	-0,2		-0,5	-0,4	
EBITDA	32,4	31,2	-3,4%	88,5	90,2	1,9%
% margin	59,9%	57,6%		54,6%	55,2%	
D&A ⁽¹⁾	-8,5	-8,2	-3,4%	-24,9	-24,4	-2,3%
EBIT	23,9	23,1	-3,5%	63,6	65,8	3,5%
Net financial expenses	-0,4	-0,3	-19,7%	-1,3	-1,0	-18,6%
Pre Tax Profit	23,5	22,7	-3,2%	62,3	64,8	4,0%
Taxes	-6,8	-6,5	-4,7%	-18,3	-17,6	-3,6%
% tax rate	28,9%	28,4%		29,3%	27,2%	
Net Income	16,7	16,3	-2,6%	44,0	47,2	7,2%

• **9M18 Net Income up 7,2% at € 47,2m driven by:**

- Higher Adj. EBITDA, with further improvement in profitability (up vs. 9M17 at 55,5%) despite lower level of "Other revenues & income"
- Lower D&A and Net financial expenses
- Lower tax rate, with comparison favorably impacted by deferred taxes

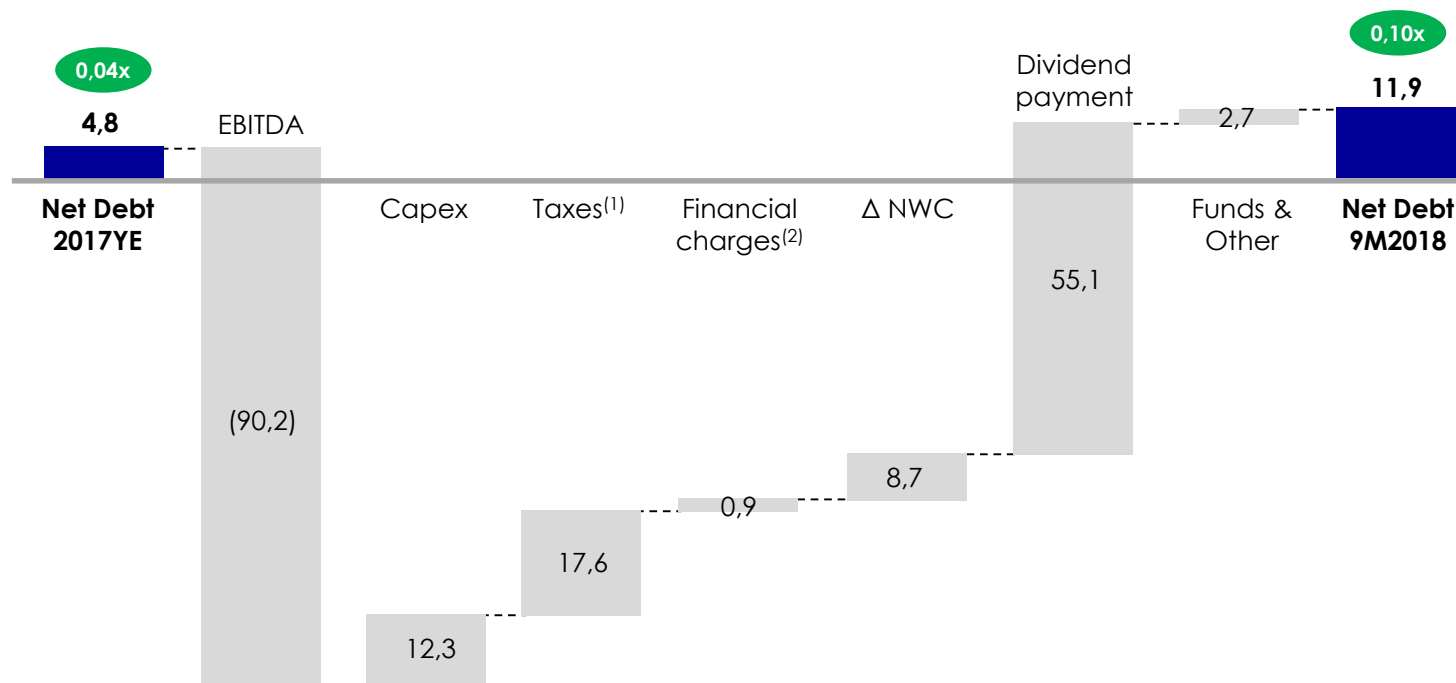
• **3Q EBITDA comparison negatively impacted by:**

- Lower level of "Other revenues & income" due to non-recurring items reported in 2017
- Different accruals of certain items of personnel costs throughout the quarters
- One-off expenses

Cash flow generation

Net Debt/ 1y rolling Adj. EBITDA

Mln Eur

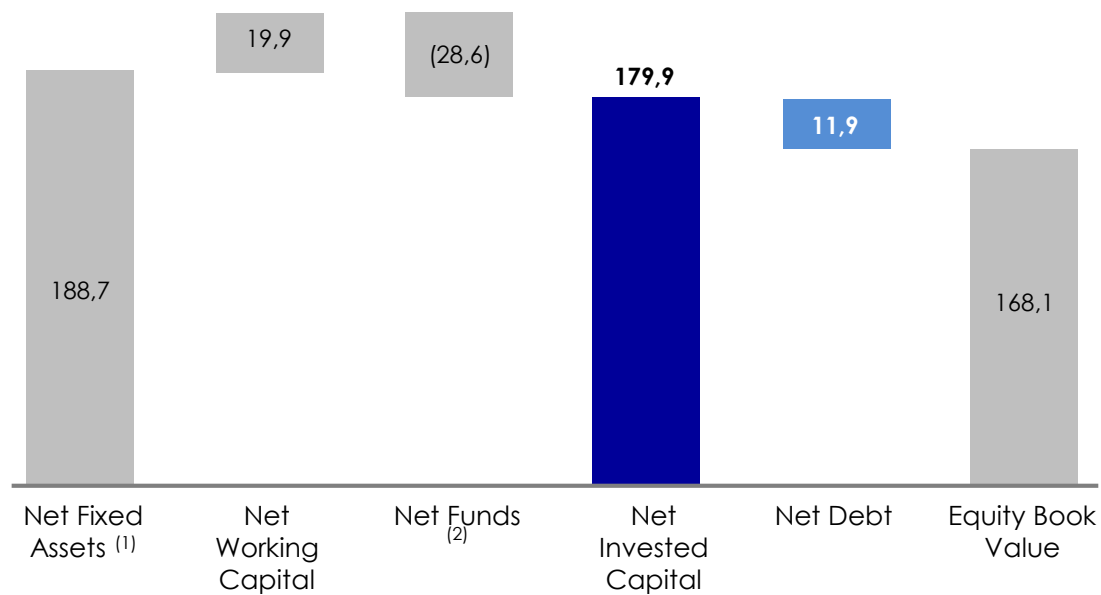


- Higher maintenance capex vs 2017 in line with FY guidance
- 3Q18 NWC trend driven by tax cash-out in July and temporary build up of trade receivables

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

Balance sheet

Mln Eur



(1) Including long-term financial items

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

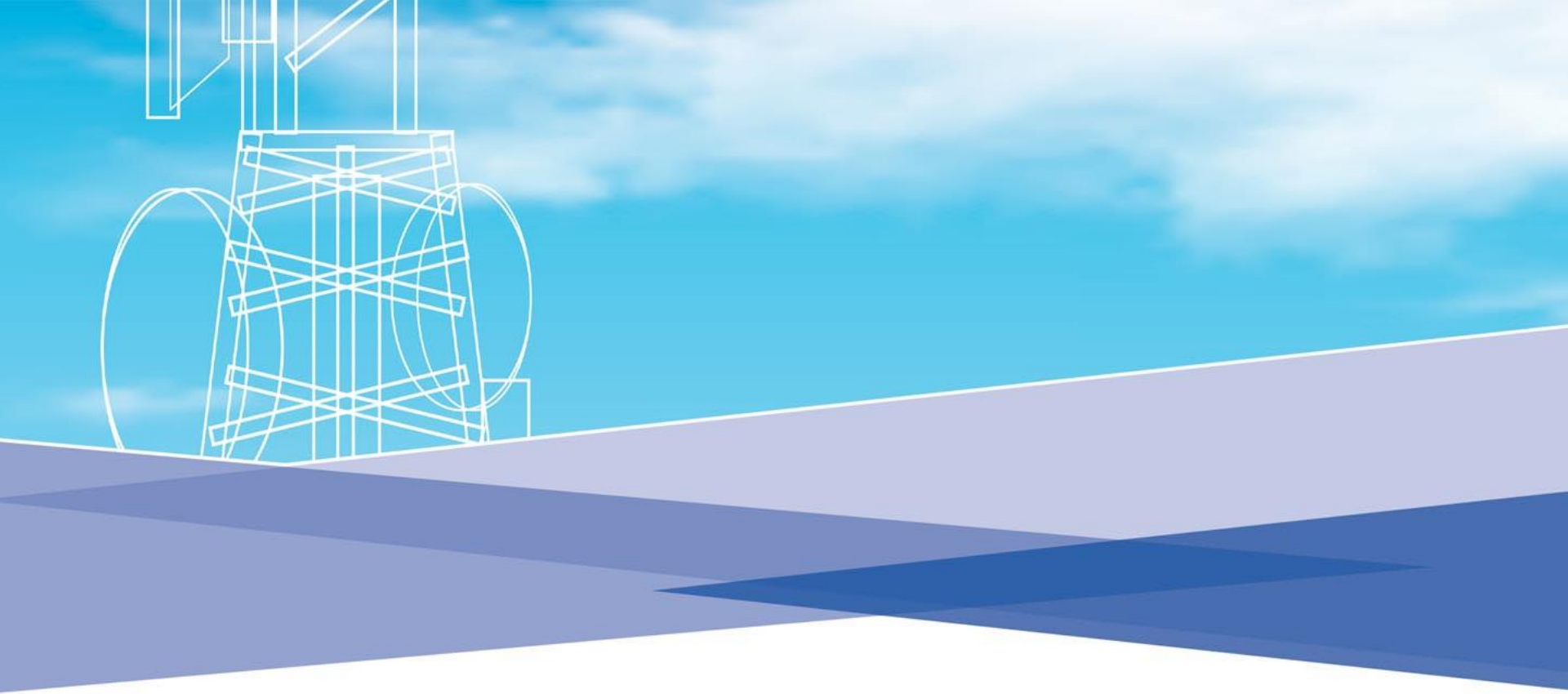
2018FY Outlook confirmed

- **ADJUSTED EBITDA**

- 2018 Adjusted EBITDA to keep growing organically

- **CAPEX**

- 2018 maintenance capex expected in the range of 9% of core revenues; going forward, the average level of 8,5% of core revenues is confirmed



Q&A Session

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Appendix



Detailed summary of Income Statement

(€m; %)	3Q17	3Q18	9M17	9M18
Core revenues	54,1	54,3	162,1	163,3
Other revenues and income	0,7	0,0	0,8	0,1
Purchase of consumables	(0,2)	0,1	(0,8)	(0,6)
Service costs	(12,2)	(12,5)	(37,1)	(37,3)
Personnel costs	(9,3)	(9,9)	(33,8)	(32,9)
Other costs	(0,8)	(0,7)	(2,7)	(2,4)
Opex	(22,5)	(23,1)	(74,4)	(73,1)
Depreciation and amortization	(8,5)	(8,2)	(24,9)	(24,4)
Provisions	0,0	0,0	0,0	0,0
Net Operating profit	23,9	23,1	63,6	65,8
Net Finance income (expenses)	(0,4)	(0,3)	(1,3)	(1,0)
Profit before income taxes	23,5	22,7	62,3	64,8
Income taxes	(6,8)	(6,5)	(18,3)	(17,6)
Profit for the year	16,7	16,3	44,0	47,2
EBITDA	32,4	31,2	88,5	90,2
<i>EBITDA margin</i>	59,9%	57,6%	54,6%	55,2%
Non recurring expenses	0,2	(0,2)	(0,5)	(0,4)
Adjusted EBITDA	32,2	31,4	89,0	90,6
<i>Adjusted EBITDA margin</i>	59,6%	57,9%	54,9%	55,5%

Summary of Balance Sheet

(€m)	2017FY	9M2018
Non current assets		
Tangible assets	188,7	176,6
Intangible assets	11,2	11,1
Financial assets, holdings and other non-current assets	0,4	1,3
Non-current tax assets	2,2	3,0
Total non-current assets	202,4	192,0
Current assets		
Inventories	0,9	0,9
Trade receivables	72,0	85,0
Other receivables and current assets	5,4	6,3
Current financial assets	0,1	0,1
Cash	55,9	6,7
Current tax assets	0,0	0,1
Total current assets	134,3	99,1
TOTAL ASSETS	336,7	291,1

(€m)	2017FY	9M2018
Equity		
Share capital	70,2	70,2
Legal reserves	12,2	14,0
Other reserves	37,0	37,1
Retained earnings	57,0	46,8
Total equity	176,4	168,1
Non-current liabilities		
Non-current financial liabilities	30,6	0,5
Employee benefits	16,4	15,4
Provisions for risks and charges / Allowances	16,0	16,3
Other non-current liabilities	0,0	0,3
Non-current tax liabilities	0,0	0,0
Total non-current liabilities	63,0	32,5
Current liabilities		
Commercial debt	37,7	37,8
Other debt and current liabilities	28,9	32,7
Current financial liabilities	30,3	18,2
Current tax liabilities	0,4	1,9
Total current liabilities	97,3	90,6
TOTAL NET EQUITY AND LIABILITIES	336,7	291,1

Summary of Cash Flow Statement

(€m)	3Q2017	3Q2018	9M2017	9M2018
Earnings before taxes	23,5	22,7	62,3	64,8
Depreciation and amortization	8,5	8,2	24,9	24,4
Provisions and others	0,4	1,0	1,0	2,6
Net financial Income	0,4	0,3	1,1	0,9
Other non-monetary items	0,0	0,0	0,0	(0,8)
Net operating CF before change in WC	32,8	32,2	89,4	91,8
Change in inventories	0,0	0,0	0,0	0,0
Change in accounts receivable	(6,5)	(10,7)	(12,4)	(13,0)
Change in accounts payable	4,5	3,0	(2,8)	0,1
Change in other assets	(0,4)	(0,3)	(2,0)	(1,0)
Change in other liabilities	1,3	2,3	3,5	6,1
Use of funds	(0,2)	(0,0)	(0,8)	(0,8)
Payment of employee benefits	(1,1)	(0,5)	(2,8)	(2,6)
Change in tax credit/liabilities	(0,9)	(0,3)	(0,9)	0,3
Taxes paid	0,0	(19,4)	(21,1)	(19,4)
Net operating cash flow	29,5	6,3	50,2	61,7
Investment in tangible assets	(2,2)	(4,6)	(6,8)	(11,5)
Sale of tangible assets	0,0	0,0	0,1	0,0
Investment in intangible assets	(0,0)	(0,3)	(0,3)	(0,8)
Sale of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	(0,0)	0,0	0,0	(1,0)
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,0	0,0	0,0	0,1
Interest received	0,0	0,0	0,1	0,0
Companies consolidation	0,0	0,0	(7,4)	0,0
Investing cash flow	(2,1)	(4,9)	(14,3)	(13,2)
(Decrease)/increase in medium/long-term debt	(15,0)	(45,0)	(30,1)	(60,1)
(Decrease)/increase in current financial liabilities	(12,4)	18,0	(0,2)	17,9
Change in current financial assets	0,2	0,2	0,1	0,0
Interest paid	(0,5)	(0,3)	(0,9)	(0,5)
Dividends paid	0,0	0,0	(41,8)	(55,1)
Financing cash flow	(27,7)	(27,1)	(73,0)	(97,8)
Change in cash and cash equivalent	(0,3)	(25,7)	(37,1)	(49,2)
Cash and cash equivalent (beginning of period)	45,0	32,4	81,3	55,9
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,4	0,0
Cash and cash equivalent (end of period)	44,6	6,7	44,6	6,7