

9M2019 Results Presentation

14 November 2019

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


- 9M2019 in line with expectations:
 - Progressive growth in contribution from new services to RAI and activity with non-MNO customers confirmed at sound level
 - Profitability rising above 60%, also supported by cost control
 - Net Income up 5,6%

- Update on *refarming* process
 - Capacity awarded to national network operators through conversion of current rights: 2 MUXes (one macro-regionalized) and capacity equivalent to ½ MUX to RAI
 - Final MUX allocation depending on outcome of the auction on the remaining 2 MUXes
 - Negotiations with RAI approaching the last mile

- New Industrial Plan to be released right after the finalization of agreement on refarming

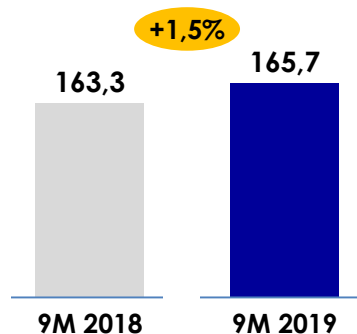
- 2019 outlook confirmed

9M2019 Financial Highlights

 % YoY growth

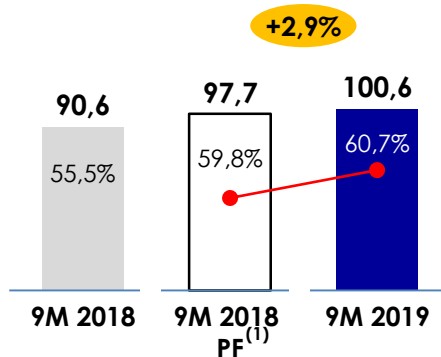
Mln Eur; %

Core Revenues

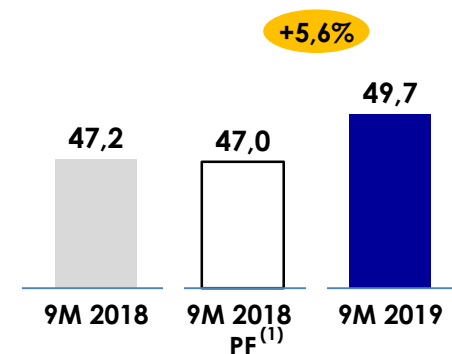


Adjusted EBITDA

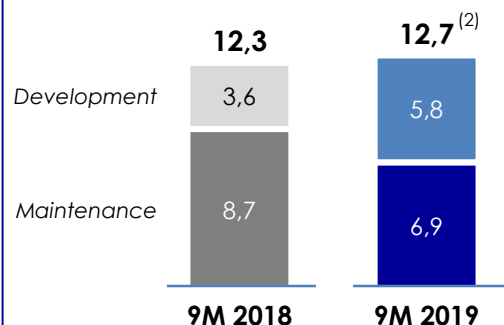
● Adjusted EBITDA margin



Net Income

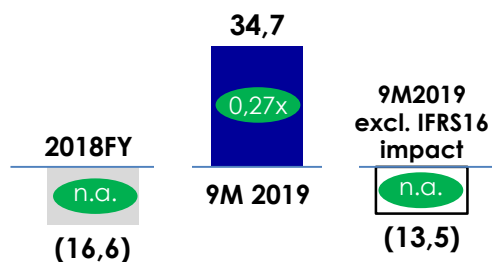


Capex

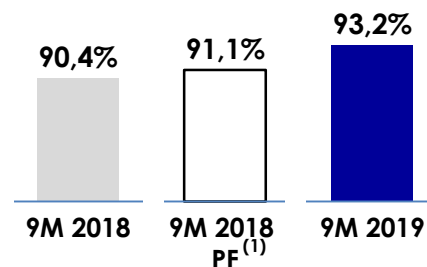


Net debt (Net Cash)

● Net Debt / 1-y rolling Adjusted EBITDA



Cash conversion⁽³⁾



1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

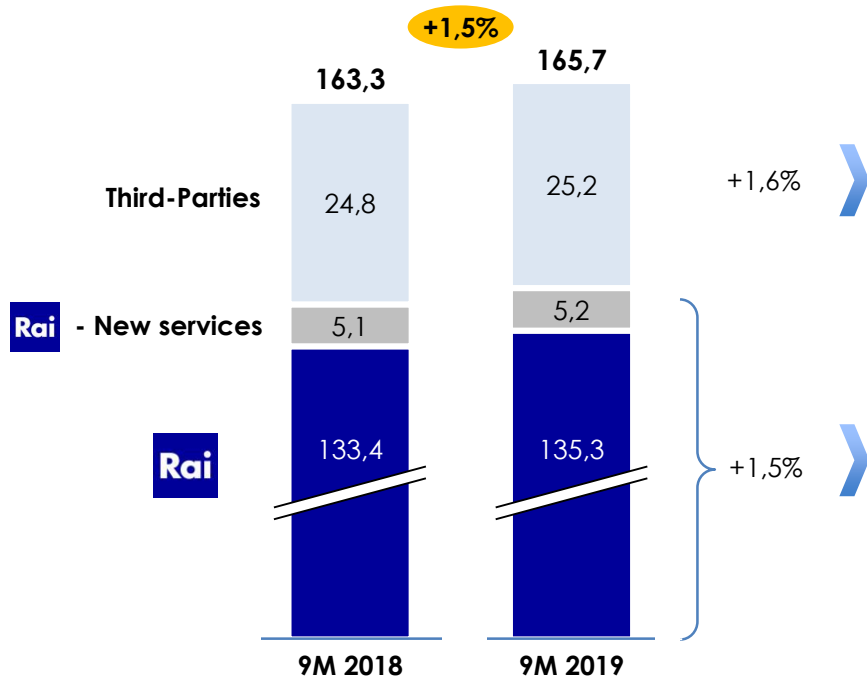
2) 9M2019 capex figure excluding capex related to IFRS-16 application, equal to € 0,3m

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

Core Revenues

% YoY growth

Mln Eur; %

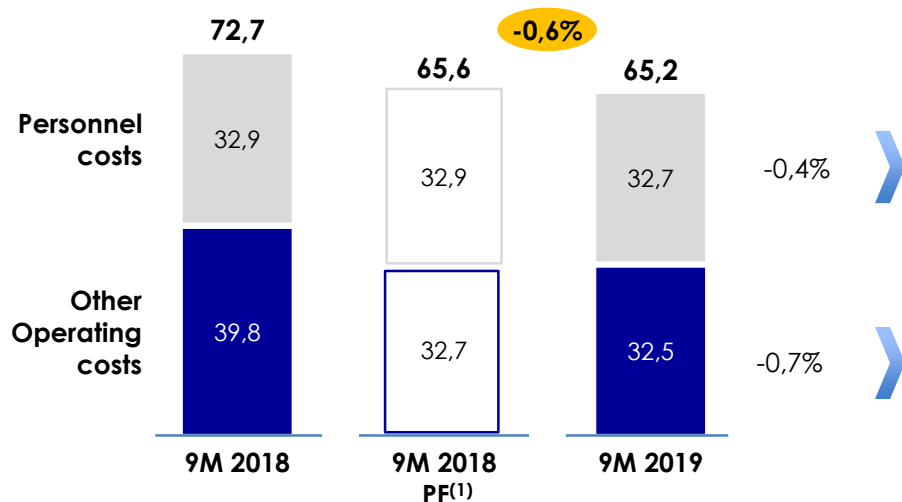


- 9M2019 Revenues from **Third Parties** up 1,6%, also benefitting from non-core items
- On a recurring basis, pressure from MNOs offset by rising activity in Transmission services and tower hosting with TV & radio broadcasters, FWAPs and corporates

9M2019 Revenues from **RAI** up 1,5% (2,0% excluding impact from *una tantum* components)

- Indexation to CPI on fixed-consideration
- Excluding *una tantum*, contribution from New Services up +20% supported by release of radio links frequencies and extension of DAB+ network

Mln Eur; %



Excluding capitalization, **personnel costs** up by approx. 2% with the same drivers reported in the first semester (new hirings as part of the early-retirement plan implemented in previous years and renewal of the collective agreement)

Excluding non-core items, **other operating costs** declined by 1,3% vs 9M2018PF, with savings on intercompany and local taxes more than offsetting higher maintenance and energy price

1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

<i>Eur.Mln., %</i>	3Q 2018	3Q 2018 PF ⁽¹⁾	3Q 2019	% YoY	9M 2018	9M 2018 PF ⁽¹⁾	9M 2019	% YoY
Core Revenues	54,3	54,3	55,3	1,9%	163,3	163,3	165,7	1,5%
Other Revenues & income	0,0	0,0	0,0		0,1	0,1	0,1	
Adj. EBITDA	31,4	33,9	34,9	3,2%	90,6	97,7	100,6	2,9%
% margin	57,9%	62,4%	63,2%		55,5%	59,8%	60,7%	
Non recurring costs	-0,2	-0,2	-0,1		-0,4	-0,4	-0,1	
EBITDA	31,2	33,7	34,8	3,4%	90,2	97,3	100,5	3,3%
% margin	57,6%	62,1%	63,0%		55,2%	59,6%	60,6%	
D&A ⁽²⁾	-8,2	-10,4	-10,7	2,6%	-24,4	-31,0	-30,1	-3,0%
Operating Profit (EBIT)	23,1	23,3	24,2	3,8%	65,8	66,3	70,4	6,2%
Net financial income (expenses)	-0,3	-0,6	-0,4	-30,7%	-1,0	-1,7	-1,0	-40,4%
Profit before income taxes	22,7	22,7	23,8	4,6%	64,8	64,6	69,4	7,5%
Income Taxes	-6,5	-6,5	-6,7	3,5%	-17,6	-17,5	-19,7	12,4%
% tax rate	28,4%	28,4%	28,1%		27,2%	27,2%	28,4%	
Net Income	16,3	16,3	17,1	5,1%	47,2	47,0	49,7	5,6%

- **9M2019 Net Income up 5,6% at € 49,7m driven by:**

- Strong adjusted EBITDA margin (at 60,7%, up 90bp vs. 9M18PF) and lower one-off expenses
- € 1,6m benefit on D&A from release of provision for risks and charges
- Reduction of financial expenses benefitting from early repayment of term loan
- Tax rate at 28,4% (2018 positively impacted by deferred taxes)

(1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

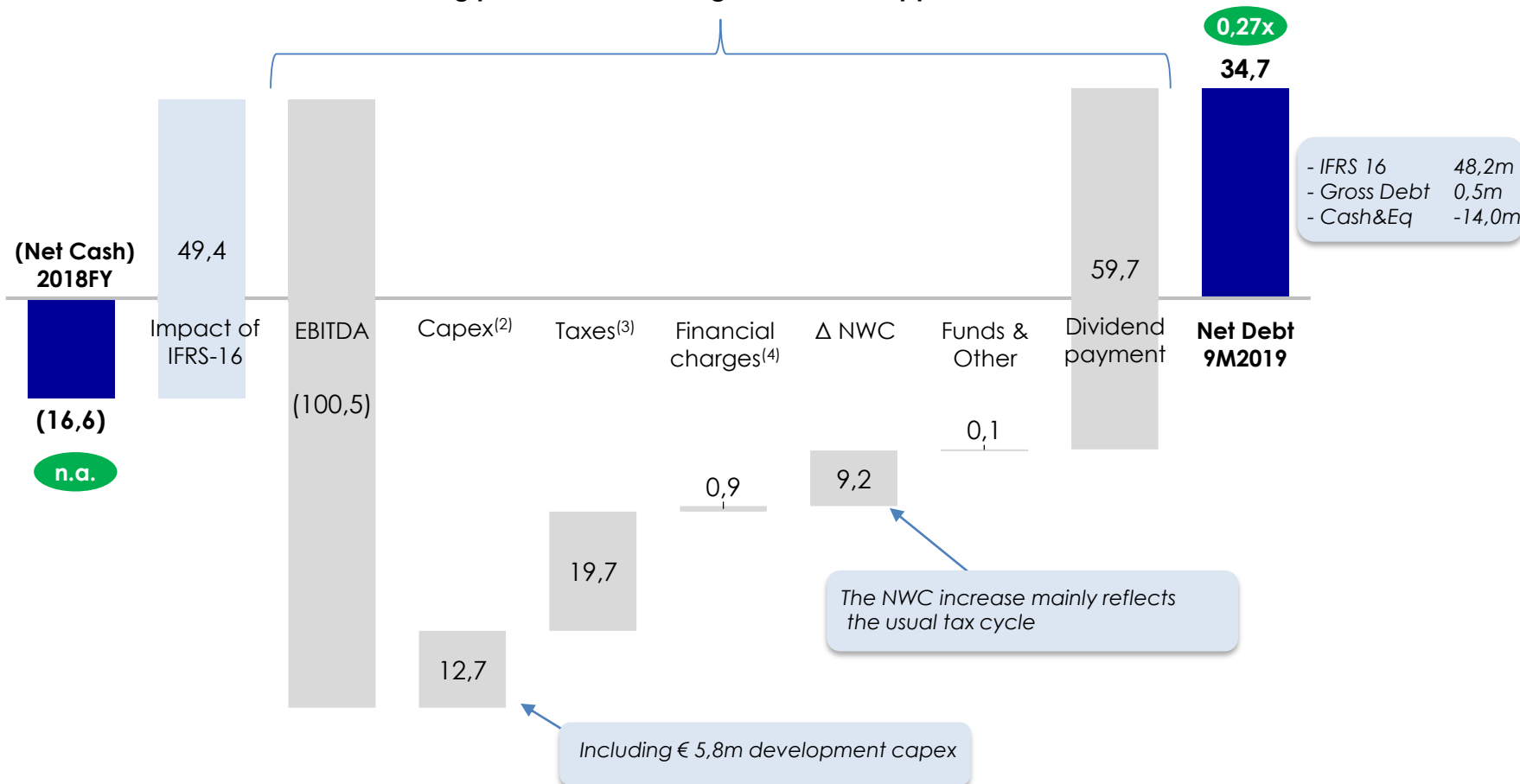
(2) Including provisions

Cash flow generation

Net Debt/ 1y rolling pro-forma⁽¹⁾ Adj. EBITDA

Mln Eur

Strong pre-dividend cash generation at approx. € 58m⁽⁵⁾



(1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

(2) 9M2019 capex figure excluding capex related to IFRS-16 application, equal to € 0,3m

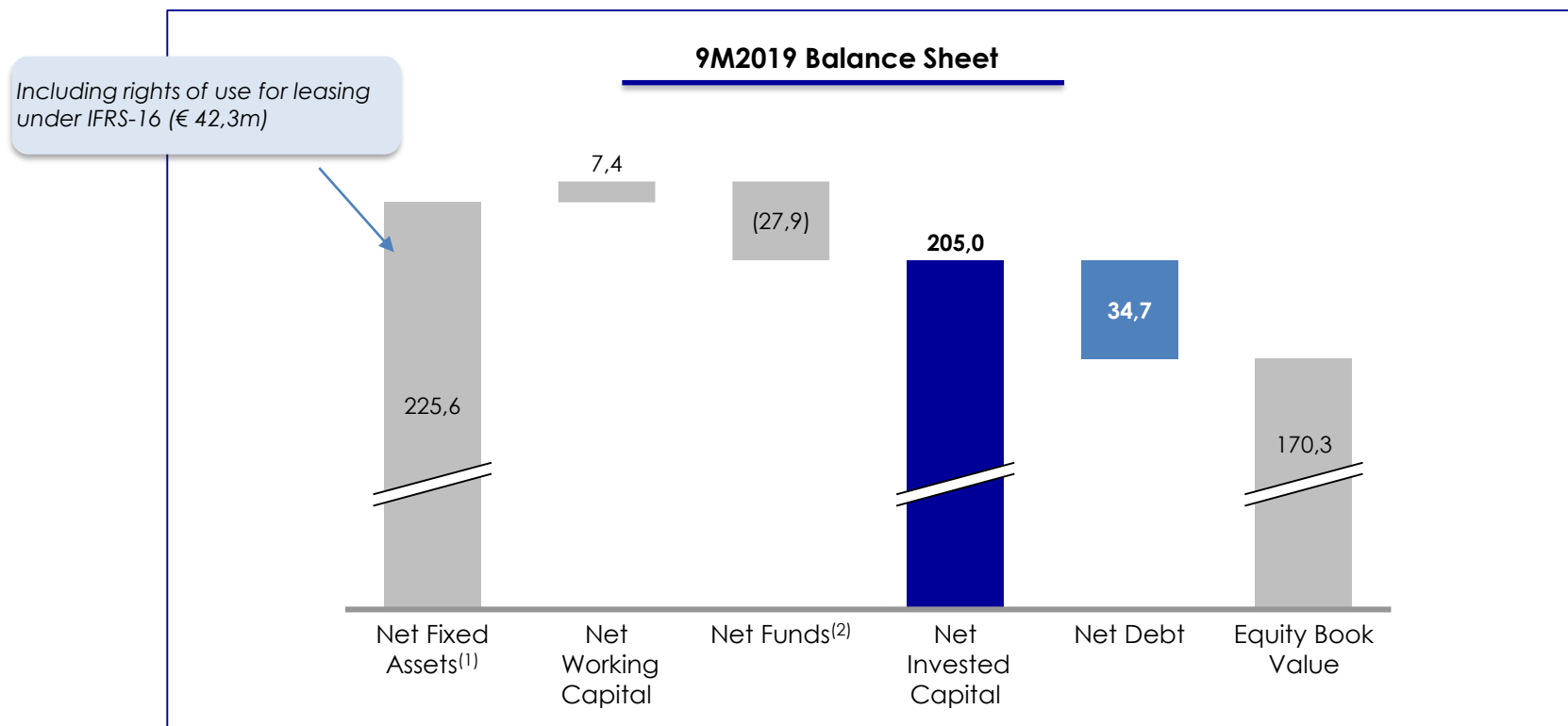
(3) P&L taxes

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

(5) Amount based on IFRS 16 accounting standard, consistently with the reported Net Debt figures

Balance sheet

Mln Eur



(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

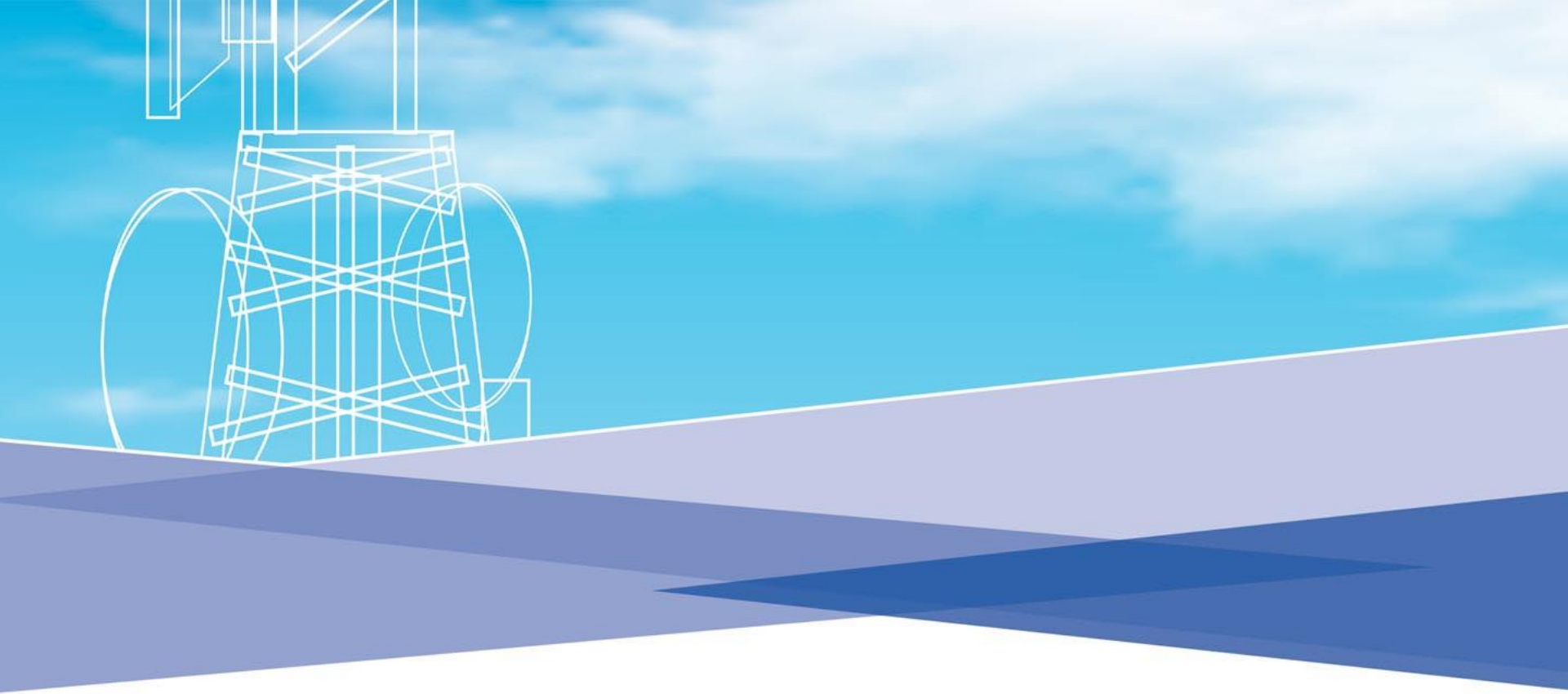
2019FY Outlook (pre-IFRS16) confirmed

- **2019 ADJUSTED EBITDA**

- Further organic growth

- **2019 CAPEX**

- Maintenance capex on core revenues ratio expected substantially in line with the 2018 figure, bringing the last 5-year average level at ca. 8%



Q&A Session

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Appendix



Detailed summary of Income Statement

(€m; %)	3Q18	3Q18PF ⁽¹⁾	3Q19	9M18	9M18PF ⁽¹⁾	9M19
Core revenues	54,3	54,3	55,3	163,3	163,3	165,7
Other revenues and income	0,0	0,0	0,0	0,1	0,1	0,1
Purchase of consumables	0,1	0,1	(0,2)	(0,6)	(0,6)	(0,8)
Cost of services	(12,5)	(10,1)	(10,0)	(37,3)	(30,2)	(30,1)
Personnel costs	(9,9)	(9,9)	(9,6)	(32,9)	(32,9)	(32,7)
Other costs	(0,7)	(0,7)	(0,6)	(2,4)	(2,4)	(1,7)
Opex	(23,1)	(20,6)	(20,5)	(73,1)	(66,0)	(65,3)
Depreciation, amortization and write-downs	(8,2)	(10,4)	(10,7)	(24,4)	(31,0)	(31,6)
Provisions	0,0	0,0	0,1	0,0	0,0	1,6
Operating profit (EBIT)	23,1	23,3	24,2	65,8	66,3	70,4
Net financial income (expenses)	(0,3)	(0,6)	(0,4)	(1,0)	(1,7)	(1,0)
Profit before income taxes	22,7	22,7	23,8	64,8	64,6	69,4
Income taxes	(6,5)	(6,5)	(6,7)	(17,6)	(17,5)	(19,7)
Net Income	16,3	16,3	17,1	47,2	47,0	49,7
EBITDA	31,2	33,7	34,8	90,2	97,3	100,5
EBITDA margin	57,6%	1,2%	63,0%	55,2%	59,6%	60,6%
Non recurring costs	(0,2)	(0,2)	(0,1)	(0,4)	(0,4)	(0,1)
Adjusted EBITDA	31,4	33,9	34,9	90,6	97,7	100,6
Adjusted EBITDA margin	57,9%	62,4%	63,2%	55,5%	59,8%	60,7%

1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

Summary of Balance Sheet

(€m)	2018FY	9M2019
Non current assets		
Tangible assets	180,9	169,5
Rights of use for leasing	0,0	42,3
Intangible assets	12,9	12,5
Financial assets, holdings and other non-current assets	1,3	1,3
Deferred tax assets	3,3	2,8
Total non-current assets	198,5	228,4
Current assets		
Inventories	0,9	0,9
Trade receivables	71,5	80,5
Other current receivables and assets	5,8	7,3
Current financial assets	0,1	0,2
Cash and cash equivalents	17,2	13,8
Current tax receivables	0,1	0,1
Total current assets	95,5	102,8
TOTAL ASSETS	294,0	331,1

(€m)	2018FY	9M2019
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,1	37,1
Retained earnings	59,5	49,0
Total shareholders' equity	180,8	170,3
Non-current liabilities		
Non-current financial liabilities	0,4	0,3
Non-current leasing liabilities	0,0	31,8
Employee benefits	15,1	14,8
Provisions for risks and charges	17,0	15,9
Other non-current liabilities	0,3	0,0
Deferred tax liabilities	0,0	0,0
Total non-current liabilities	32,8	62,8
Current liabilities		
Trade payables	45,6	45,9
Other debt and current liabilities	33,9	33,6
Current financial liabilities	0,3	0,2
Current leasing liabilities	0,0	16,4
Current tax payables	0,6	1,9
Total current liabilities	80,4	98,0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	294,0	331,1

Summary of Cash Flow Statement

(€m)	3Q2018	3Q2019	9M2018	9M2019
Profit before income taxes	22,7	23,8	64,8	69,4
Depreciation, amortization and write-downs	8,2	10,7	24,4	31,6
Provisions and (releases of) personnel and other funds	1,0	0,9	2,6	0,8
Net financial (income)/expenses	0,3	0,3	0,9	0,9
(Retained earnings)/Losses carried forward - Effect of IFRS adoption	0,0	0,0	(0,8)	0,0
Net operating CF before change in WC	32,2	35,7	91,8	102,7
Change in inventories	0,0	0,0	0,0	0,0
Change in trade receivables	(10,7)	(1,2)	(13,0)	(9,1)
Change in trade payables	3,0	3,5	0,1	0,3
Change in other assets	(0,3)	(1,3)	(1,0)	(1,5)
Change in other liabilities	1,7	3,6	6,1	3,6
Use of funds	(0,0)	(0,0)	(0,8)	(0,3)
Payment of employee benefits	(0,5)	(0,6)	(2,6)	(2,6)
Change in tax receivables and payables	0,3	0,0	0,3	0,2
Taxes paid	(19,4)	(22,2)	(19,4)	(22,2)
Net cash flow generated by operating activities	6,3	17,4	61,7	71,2
Investment in tangible assets	(4,6)	(5,1)	(11,5)	(12,0)
Disposals of tangible assets	0,0	0,0	0,0	0,0
Investment in intangible assets	(0,3)	(0,2)	(0,8)	(0,8)
Disposals of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	0,0	(0,0)	(1,0)	0,1
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,0	0,0	0,1	0,0
Business combination	0,0	0,0	0,0	0,0
Net cash flow generated by investment activities	(4,9)	(5,3)	(13,2)	(12,6)
(Decrease)/increase in medium/long-term loans	(45,0)	(0,0)	(60,1)	(0,1)
(Decrease)/increase in current financial liabilities	18,0	(0,4)	17,9	(0,7)
(Decrease)/increase in IFRS 16 financial liabilities	0,0	(0,2)	0,0	(1,2)
Change in current financial assets	0,2	(0,1)	0,0	(0,2)
Net Interest paid	(0,3)	0,0	(0,5)	(0,1)
Dividends paid	0,0	0,0	(55,1)	(59,7)
Net cash flow generated by financing activities	(27,1)	(0,6)	(97,8)	(61,9)
Change in cash and cash equivalent	(25,7)	11,5	(49,2)	(3,4)
Cash and cash equivalent (beginning of period)	32,4	2,3	55,9	17,2
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,0	0,0
Cash and cash equivalent (end of period)	6,7	13,8	6,7	13,8