1H2024 Results Presentation

1 August 2024

Way
to go

Rai Way

Disclaimer

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.

Speakers

Roberto Cecatto, Chief Executive Officer

Adalberto Pellegrino, Chief Financial Officer

Giancarlo Benucci, Chief Corporate Development Officer

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Key messages

Financial Results – First-half trend in line with expectations:

- **Total Revenues up 1,2% vs 1H2024**, with underlying Third-Party performance at +4% supported by CPI, regional frequencies and hosting services to FWA and radio broadcasters
- **Adjusted EBITDA up 3,0% with profitability improvement of 120bps at 68%,** benefiting from i) higher level of capitalized personnel and ii) other costs rationalization more than offsetting higher energy bill (+25% in the 2Q due to lack of incentives)
- **Development Capex at € 12,2m**, more than half deployed on diversification projects

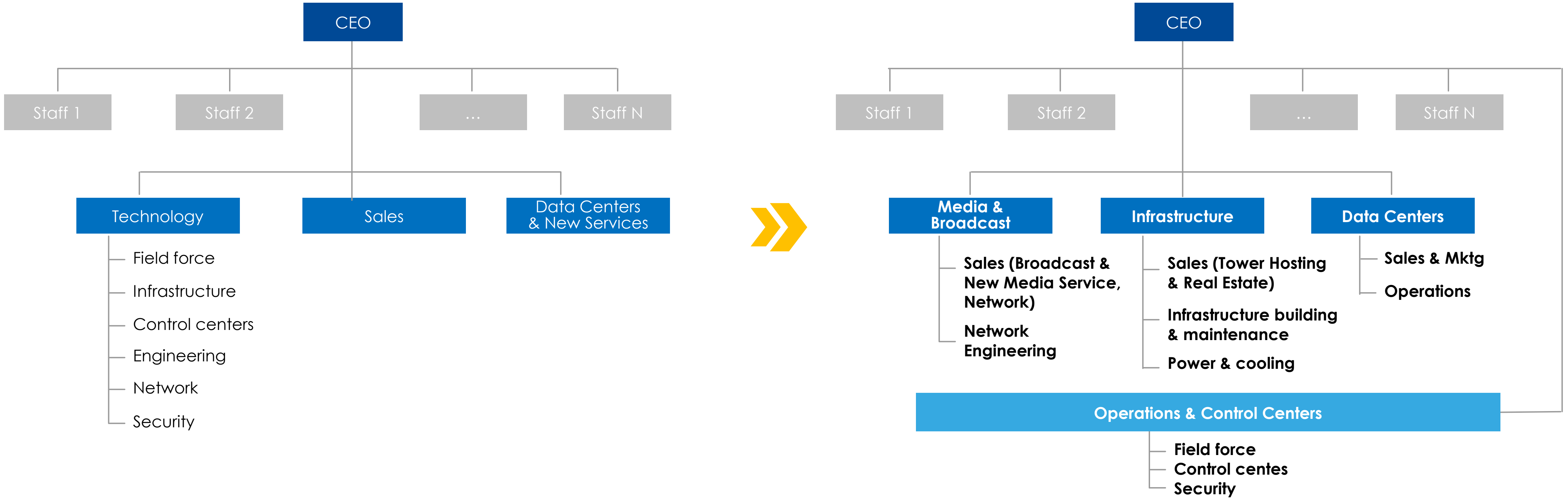
Operations – Relentless focus on Industrial Plan execution:

Traditional business	Diversification	Enablers
○ **Design activities on DAB network extension underway**	○ **First 5 Edge DCs completed** and ready for commercialization ○ Commercial **partnership** with **Oracle** finalized ○ **Edge CDN functional trials started**	○ **New, more business-oriented organization**

Outlook – FY guidance for Adjusted EBITDA growth over 2023 confirmed

FOCUS ON: New organisational structure

From functional… …to divisional organisation



- More (new) business oriented
- Specific revenue and management levers allocated to different divisions
- Cross-functional operations to support all businesses

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FOCUS ON: first 5 new edge DCs completed

TURIN

- 118 sqm data hall
- 39 racks
- Up to 280 kW IT load

MILAN

- 230 sqm data hall
- 60 racks
- Up to 450 kW IT load

VENICE

- 118 sqm data hall
- 32 racks
- Up to 204 kW IT load

GENOA

- 105 sqm data hall
- 32 racks
- Up to 204 kW IT load

FLORENCE

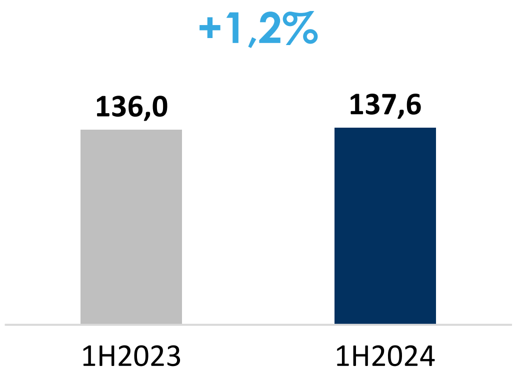
- 185 sqm data hall
- 60 racks
- Up to 432 kW IT load

- **747 sqm data hall**
- **249 racks**
- **1.6 MW** IT load
- Coverage of Northern Italy
- **Commercial partnership** with Oracle signed

- Edge DCs regions to follow: Puglia, Sicilia, Emilia Romagna, Campania

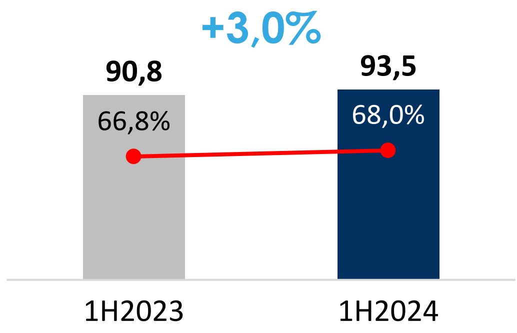
1H2024 Financial highlights

Core revenues (€m)

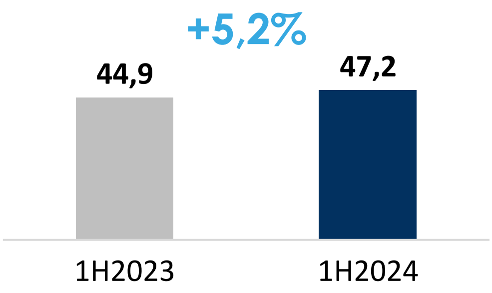


Adjusted EBITDA (€m)

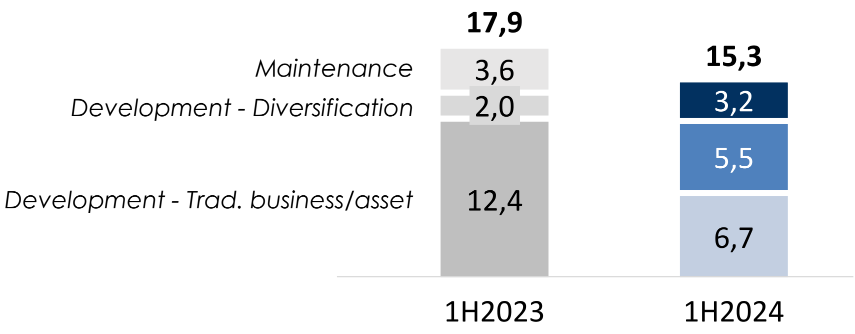
Adjusted EBITDA margin



Net Income (€m)

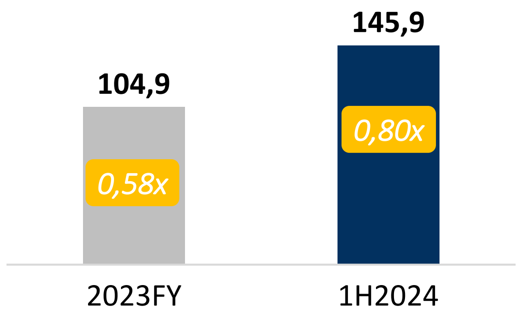


Capex[1] (€m)

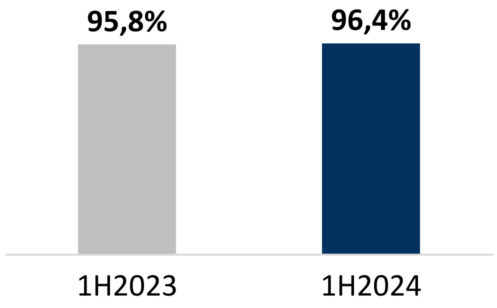


Net Debt (Cash) (€m)

Net Debt/Adjusted EBITDA

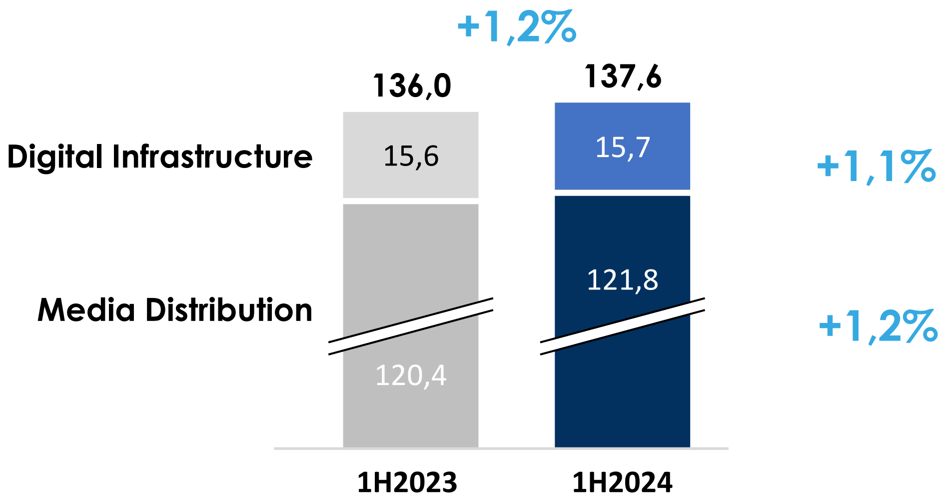


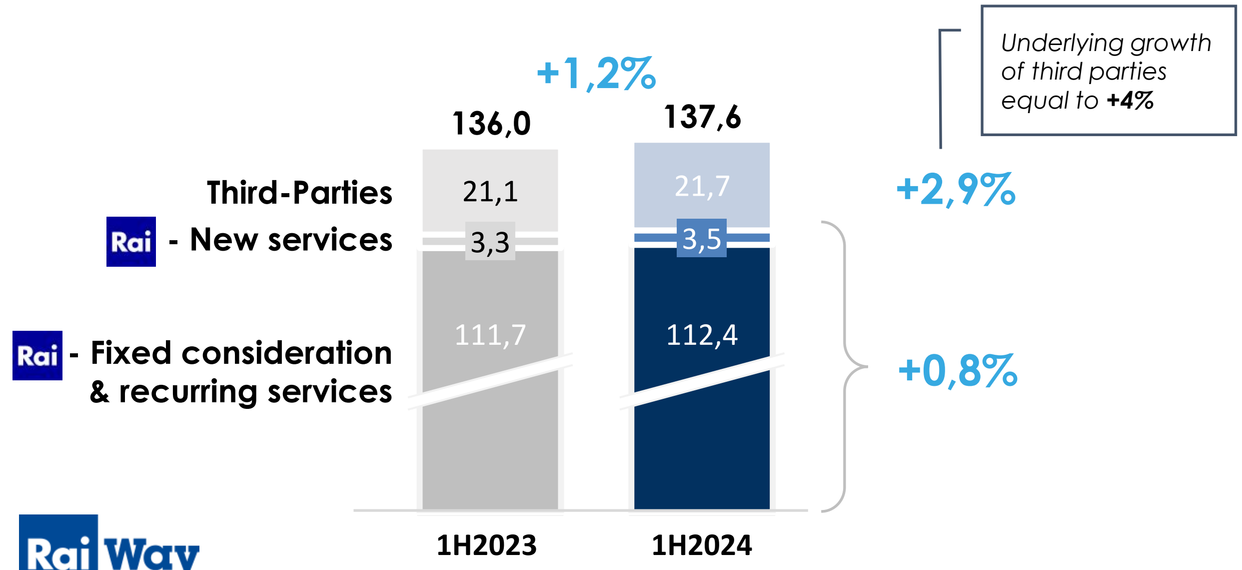
Cash Conversion[2]



1) Excluding component related to IFRS-16 leasing; Development capex include € 0,1 million related to CDN project, reported under IFRS-16 financial liabilities in the financial statements
2) Cash conversion = (Adj. EBITDA after Leases – Maintenance Capex) / Adj. EBITDA after Leases. Leases estimated as sum of leasing right of use depreciation (excl. dismantling) + financial charges on leasing contracts

Core revenues





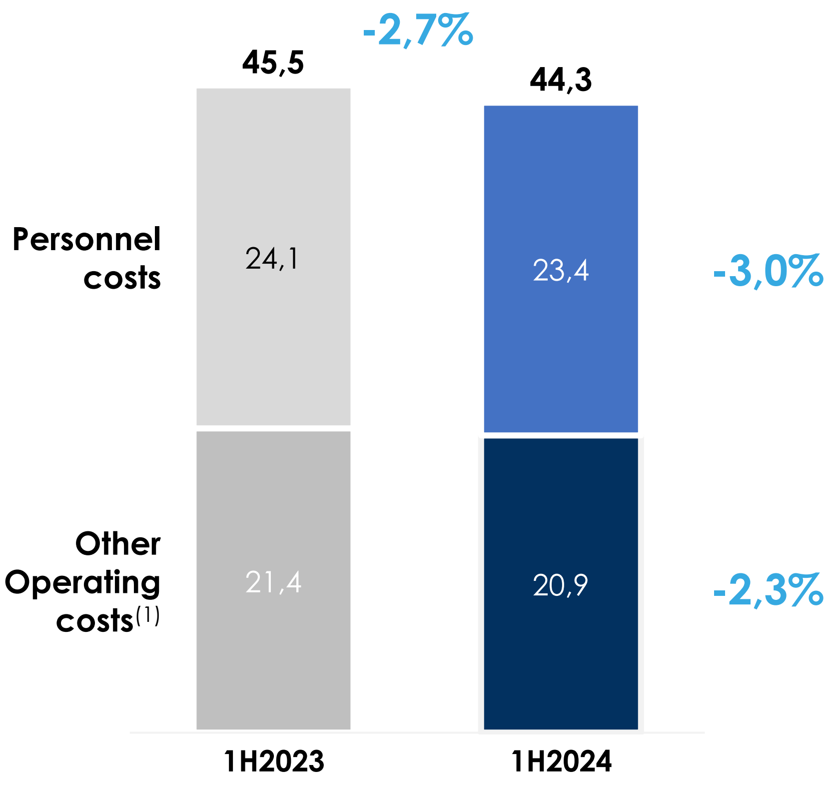
Media Distribution up 1,2% reflecting:

- CPI-link
- new services to RAI (+7,2%), driven by improvement of DTT networks coverage
- contractual step-up in regional broadcasting networks contribution (+10,7%)

Underlying Digital Infrastructures performance +3% (excluding non-core and residual refarming impacts), supported by:

- CPI
- mid-to-high single-digit growth of FWAPs and radio broadcasters in Tower Hosting

Opex (excluding non recurring)



- **Personnel cost broadly flat YoY** when excluding higher level of capitalization compared to 1H23 (€ +0.8m)
- **Other Operating costs down 2,3%:**
  - **Energy bill up 6,9%** in 1H (+25,1% in 2Q) following **lack of incentives** reported in 1H23

	2024			2023			
	1Q	2Q	1H	1Q	2Q	1H	2H
Raw energy[2] price (€/MWh)	101	111	106	160	124	142	126
Tax credit impact (€/MWh)	-	-	-	-40	-34	-37	-
Other tariff components (equivalent per MWh)	92	97	95	90	77	83	66
Total price (equivalent per MWh)	**194**	**208**	**201**	**209**	**167**	**188**	**193**
Consumption (GWh)	**16,6**	**16,8**	**33,4**	**16,6**	**16,6**	**33,3**	**34,1**
Energy bill (€ mln)	**3,2**	**3,5**	**6,7**	**3,5**	**2,8**	**6,3**	**6,6**
Delta %	*-7,6%*	*25,1%*	***6,9%***				

  - **Rationalization of Other costs (-6% or € -1m)** across different lines (fiber rental thanks to switch to proprietary backbone, intercompany services internalization, …)
- **Start-up costs** related to diversification initiatives in 1H24 of ca. € 0,9m, mainly on personnel

1) Other Operating Costs net of tax credits related to electricity expenses reported in 1H2023
2) Average raw energy price paid (€/MWh) Including spread and green energy option

P&L

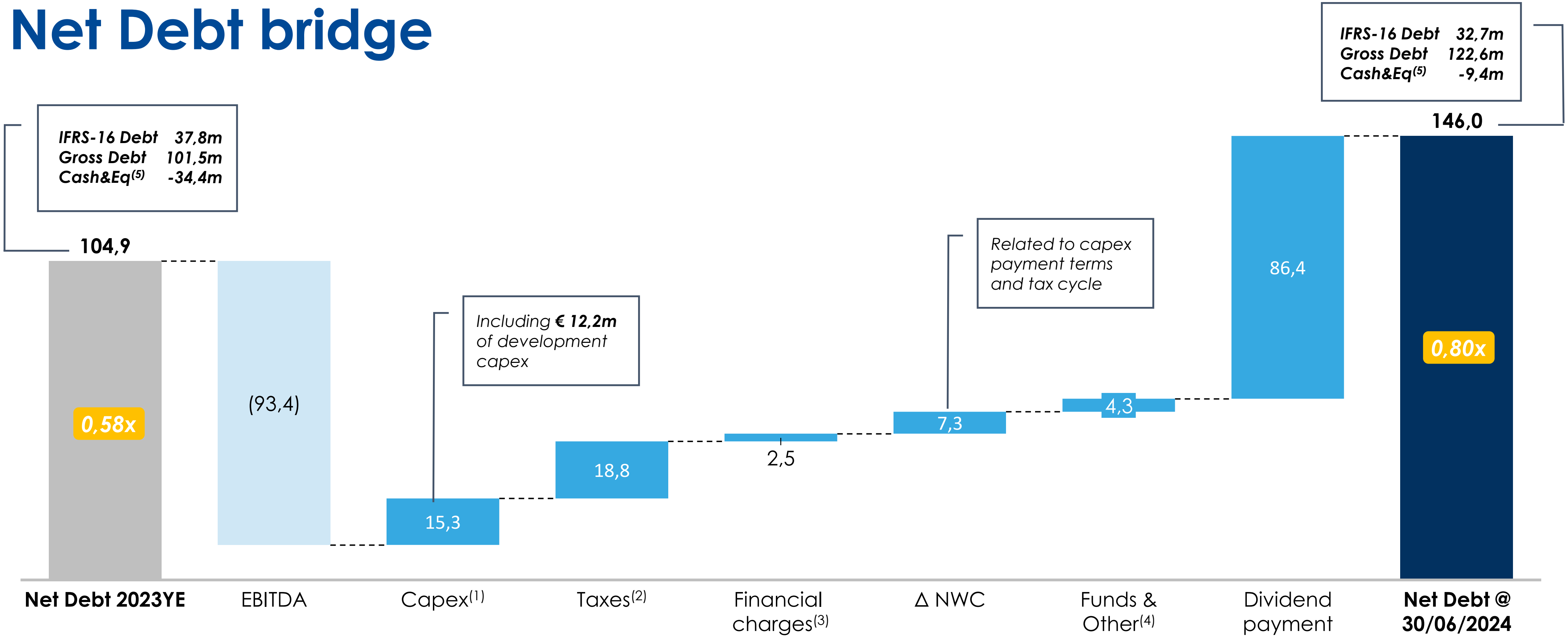
Eur Mln, %	2Q2023	2Q2024	% YoY	1H2023	1H2024	% YoY
Core Revenues	**68,1**	**68,7**	**0,8%**	**136,0**	**137,6**	**1,2%**
Other Revenues & income [1]	0,0	0,1		0,3	0,3	
Adj. EBITDA	**46,3**	**46,7**	**0,8%**	**90,8**	**93,5**	**3,0%**
% margin	*68,0%*	*68,0%*		*66,8%*	*68,0%*	
Non recurring costs	-3,6	-0,1		-3,6	-0,2	
EBITDA	**42,7**	**46,6**	**9,1%**	**87,2**	**93,3**	**7,1%**
% margin	*62,7%*	*67,8%*		*64,1%*	*67,8%*	
D&A [2]	-11,6	-12,7	9,5%	-22,7	-24,6	8,5%
Operating Profit (EBIT)	**31,1**	**33,9**	**9,0%**	**64,5**	**68,8**	**6,6%**
Net financial income (expenses)	-1,0	-1,5	42,6%	-1,8	-2,9	63,2%
Profit before Income taxes	**30,1**	**32,4**	**7,8%**	**62,7**	**65,9**	**5,0%**
Income Taxes	-8,7	-9,1	4,6%	-17,9	-18,8	4,9%
% tax rate	*29,0%*	*28,1%*		*28,5%*	*28,5%*	
Net Income	**21,4**	**23,3**	**9,1%**	**44,9**	**47,1**	**5,1%**

1H24 Net Income up by 5,2% at € 47,2m:

- Higher Adj. EBITDA (+3,0%) and profitability (+120bps at 68%)
  - When excluding impacts from energy tariffs and personnel capitalization, higher growth in 2Q vs 1Q
- Higher D&A as a result of the investment activity
- Financial charges reflecting higher interest rates
- Stable tax rate back

1) 1H23 Other Revenues and income net of tax credit related to electricity expenses
2) Including provisions

Net Debt bridge



1H2024 recurring FCFE[6] at ca. € 64m

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 (excl. IFRS-16 component) – P&L Taxes (adjusted to exclude benefits from non-recurring opex) – Recurring Maintenance Capex. Leases estimated as sum of leasing right of use depreciation (excl. dismantling) + financial charges on leasing contracts; X,Xx Net Debt/LTM Adjusted EBITDA

Updated outlook for 2024

Outlook based on current level of power futures for 2024[1]

Adjusted EBITDA	**Growth of Adjusted EBITDA vs 2023, despite new infra costs and lack of energy tax credits** **Growth further supported by i) non-recurring items and ii) better cost management performance more than offsetting higher energy tariffs**	• CPI-link (+0,7% for RAI contract) • Rising contribution from New Services to RAI and broadcasting services to regional broadcasters • Higher expected energy tariff due to lack of tax credits[1] • Costs related to new infrastructure/services, broadly offset by lower other opex
Capex	**Maintenance capex in line with 2023 level** **Development capex in line with 2023 level**	• Compared to previous indications, Maintenance now expected in line with 2023 due to deferral of certain activities to next year • Large majority of development capex devoted to diversification and other Third-Party / internal projects

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1) Average level of raw energy price for 2H2024 (excluding spread, green energy option and effect of tax credits) assumed at ca. 105-110€/MWh

Q&A Session

Contacts

Andrea Moretti, Head of Investor Relations

+39 335 530 1205
+39 06 331 70391

andreadanilo.moretti@raiway.it
investor.relations@raiway.it

www.raiway.it / Investors

Appendix

Summary of Balance Sheet as at 30 June 2024

(€m)	2023FY	1H2024
Non current assets		
Tangible assets	297,4	294,4
Rights of use for leasing	33,0	30,4
Intangible assets	24,7	23,9
Financial assets, holdings and other non-current assets	0,9	0,9
Deferred tax assets	2,9	2,1
Total non-current assets	**359,0**	**351,7**
Current assets		
Inventories	0,8	0,8
Trade receivables	74,8	74,4
Other current receivables and assets	1,4	3,7
Current financial assets	0,3	0,1
Cash and cash equivalents	34,1	9,2
Current tax receivables	0,1	0,1
Total current assets	**111,3**	**88,3**
TOTAL ASSETS	**470,3**	**440,0**

(€m)	2023FY	1H2024
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,7	37,1
Retained earnings	86,7	47,7
Treasury shares	(20,0)	(19,3)
Total shareholders' equity	**188,7**	**149,7**
Non-current liabilities		
Non-current financial liabilities	100,4	100,5
Non-current leasing liabilities	17,5	15,8
Employee benefits	8,9	8,7
Provisions for risks and charges	17,9	16,0
Other non-current liabilities	0,3	0,3
Total non-current liabilities	**145,0**	**141,2**
Current liabilities		
Trade payables	65,0	41,6
Other debt and current liabilities	48,9	64,0
Current financial liabilities	1,1	22,1
Current leasing liabilities	20,2	16,9
Current tax payables	1,4	4,5
Total current liabilities	**136,6**	**149,1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**470,3**	**440,0**

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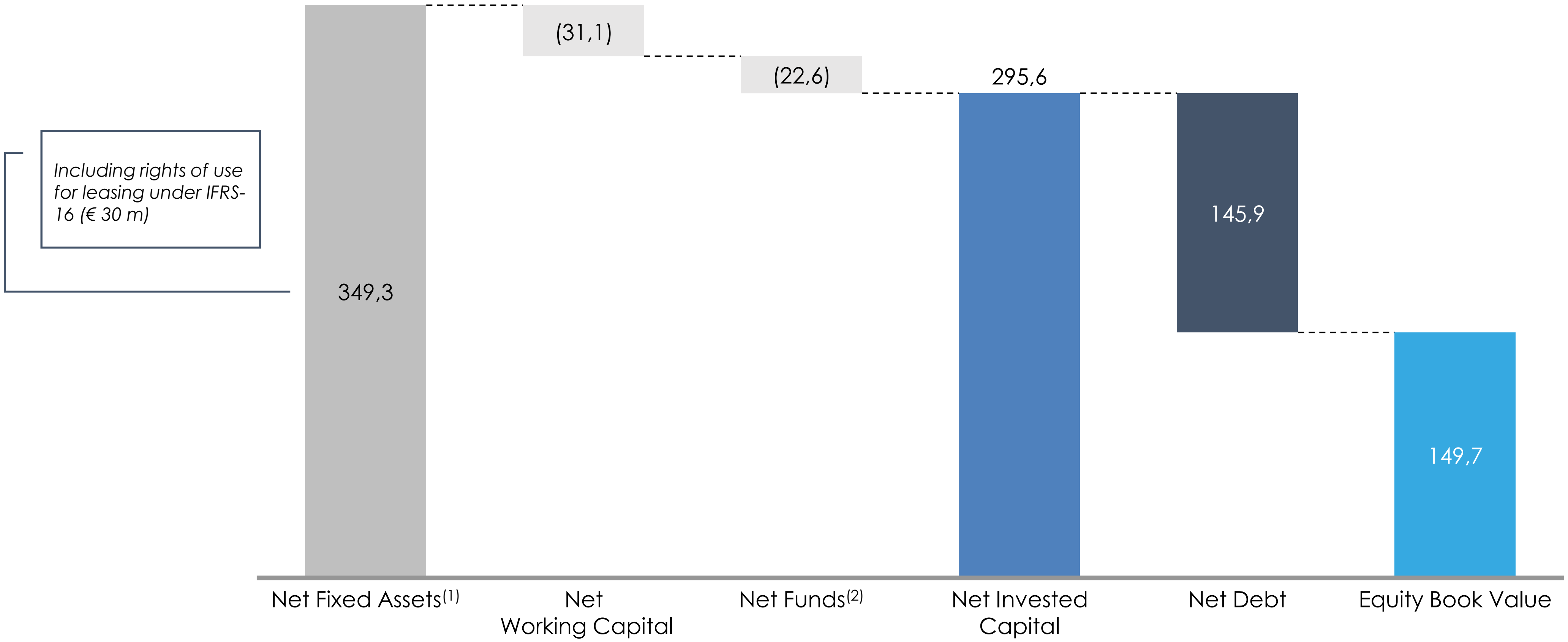
Detailed summary of 1H2024 Income Statement

(€m; %)	2Q23	2Q24	1H23	1H24
Core revenues	**68,1**	**68,7**	**136,0**	**137,6**
Other revenues and income[1]	0,6	0,1	1,5	0,3
Purchase of consumables	(0,3)	(0,3)	(0,6)	(0,6)
Cost of services	(9,9)	(9,6)	(20,8)	(19,1)
Personnel costs	(15,0)	(11,8)	(27,5)	(23,5)
Other costs	(0,8)	(0,6)	(1,4)	(1,2)
Opex	**(26,0)**	**(22,2)**	**(50,4)**	**(44,5)**
Depreciation, amortization and write-downs	(11,6)	(12,7)	(22,7)	(24,6)
Operating profit (EBIT)	**31,1**	**33,9**	**64,5**	**68,8**
Net financial income (expenses)	(1,0)	(1,5)	(1,8)	(2,9)
Profit before income taxes	**30,1**	**32,5**	**62,7**	**65,9**
Income taxes	(8,7)	(9,1)	(17,9)	(18,8)
Net Income	**21,4**	**23,4**	**44,9**	**47,2**
EBITDA	**42,7**	**46,6**	**87,2**	**93,4**
EBITDA margin	*62,7%*	*67,9%*	*64,1%*	*67,9%*
Non recurring costs	(3,6)	(0,1)	(3,6)	(0,2)
Adjusted EBITDA	**46,3**	**46,7**	**90,8**	**93,5**
Adjusted EBITDA margin	*68,0%*	*68,0%*	*66,8%*	*68,0%*

1) 1H23 Other Revenues and income include tax credits related to electricity expenses

Balance Sheet as at 30 June 2024



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

Summary of 1H2024 Cash Flow Statement

(€m)	2Q2023	2Q2024	1H2023	1H2024
Profit before income taxes	**30,1**	**32,5**	**62,7**	**65,9**
Depreciation, amortization and write-downs	11,6	12,7	22,7	24,6
Provisions and (releases of) personnel and other funds	0,9	(0,9)	1,8	0,2
Net financial (income)/expenses	1,0	1,4	1,7	2,8
Other non-cash items	0,2	0,1	0,2	0,1
Net operating CF before change in WC	**43,7**	**45,8**	**89,1**	**93,5**
Change in inventories	-	-	0,0	-
Change in trade receivables	9,4	9,7	(9,3)	0,1
Change in trade payables	(5,7)	(3,4)	(15,7)	(23,4)
Change in other assets	1,0	(0,3)	(1,2)	(2,3)
Change in other liabilities	(3,9)	(7,2)	3,9	0,3
Use of funds	(0,2)	(0,5)	(0,4)	(1,0)
Payment of employee benefits	(0,8)	(0,3)	(1,3)	(1,2)
Change in tax receivables and payables	(2,2)	(0,0)	(2,2)	(0,0)
Net cash flow generated by operating activities	**41,3**	**43,8**	**63,0**	**66,1**
Investment in tangible assets	(7,6)	(8,2)	(12,4)	(13,2)
Investment in intangible assets	(1,5)	(1,8)	(2,8)	(2,0)
Change in other non-current assets	0,0	0,0	0,0	0,0
Net cash flow generated by investment activities	**(9,1)**	**(10,0)**	**(15,2)**	**(15,2)**
(Decrease)/increase in current financial liabilities	4,7	19,9	4,7	19,9
(Decrease)/increase in IFRS 16 financial liabilities	(5,3)	(4,6)	(7,8)	(8,0)
Change in current financial assets	(0,2)	0,0	0,0	0,1
Net Interest paid	(0,8)	(1,3)	(0,9)	(1,4)
Dividends paid	(73,5)	(86,4)	(73,7)	(86,4)
Net cash flow generated by financing activities	**(75,1)**	**(72,4)**	**(77,7)**	**(75,7)**
Change in cash and cash equivalent	**(43,0)**	**(38,5)**	**(29,8)**	**(24,9)**
Cash and cash equivalent (beginning of period)	48,3	47,7	35,2	34,1
Cash and cash equivalent (end of period)	5,4	9,2	5,4	9,2

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2024-27 Industrial Plan Pillars

		Media Distribution	Digital Infrastructure	Other assets
Operational	Traditional Businesses / assets	• **Network provider** (Rai) • **Broadcasting** (regional BCs & others) • **Transmission** • **Network services**	• **Tower hosting** • **Connectivity**	• **Land portfolio**
		Growth opportunities	Growth opportunities	
			Valorization of internal assets	Valorization of internal assets
		Operating Efficiency improvements	Operating Efficiency improvements	
	Diversification areas	• **Edge CDN**	• **Hyperscale DC** • **Edge DCs**	
		Widening role in media value chain		
			Digital Infrastructure expansion	
Fin.		External growth & capital structure improvement	External growth & capital structure improvement	External growth & capital structure improvement

Enhance Rai Way positioning as media distribution services and digital infra provider

1) Strengthening traditional businesses/assets, by:

- **1.a)** Taking advantage of selected **growth opportunities**, mainly related to network coverage extension
- **1.b) Increasing value of internal asset** currently not used to full potential:
- **1.c) Improving operational efficiency**, through:
  - Operating model evolution
  - Real Estate footprint optimization

2) Widening our role in the Media Value Chain, capturing rising demand for IP content distribution

3) Expanding digital infrastructure, completing roll-out and marketing the Data Center network to support digital transition

4) Speeding up strategy and improving capital structure through **external growth:**

- Achieving synergies and reduction of time-to-market
- Enhancing Shareholders' return

2024–2027 Capital allocation

2027 Target

Organic development investments[1]

Traditional Businesses / assets

~€ 98 Mln Development Capex

~6,5% recurring *maintenance capex on sales level*

- Revenues growth doubling CPI contribution
- Adj. EBITDA +€24m vs '23 (+13%, CAGR +3,2%), with ca. 150bps margin improvement
- Rec. FCFE generation at ~€130 Mln in 2027, +15% vs. 2023

Diversification areas

~€ 138 Mln Development Capex[2]

Negligible *maintenance capex during plan period*

- 2027 Revenues contribution > € 10 Mln
- Marginal contribution to 2027 EBITDA and Rec. FCFE
- Run-rate EBITDA contribution expected > € 15m, with sizeable scalability opportunities

Dividends paid to shareholders

100% Payout ratio

~€ 350M distributed in 2024-27

- Distribution of >25% of market cap[3] over the 4 years Plan horizon

Growth through acquisitions

~1,4x 2027 Net Debt/ EBITDA[4]

Organic capital structure

- Availability of resources to finance external growth targeting:
  - industrial synergies
  - diversification acceleration
- Improve capital structure

1. Excluding cost of capitalized personnel. 2. Including development of CDN, 10 edge DC for ca. 3MW and first data hall of the hyperscale DC for 4,4MW (half of Module1) 3. Based on market closing price on 22/03/2024 (4,8 €/share) 4. Post IFRS-16

New Industrial Plan addresses key levers to unlock Rai Way's full pontential, while preserving its distinctive features…

Pillars of Rai Way's equity story

Revenue predictability granted by strong backlog

Protection from macro headwinds

Best-in-class profitability

Record cash generation compared to industry levels

Generous dividend payout

Growth and capital deployment opportunities

2024-27 Industrial Plan: addressed value levers

Industrial Plan pillars

Strengthening traditional business	Cash generation enhancement
Value-creating diversification	• Returns • Growth profile • Long term sustainability
External growth	• Size • Synergies • Capital structure

Full awareness of key levers

Commitment to execution to unlock relevant Shareholders' value

ABC Traditional business/assets

ABC Diversification areas

New Core revenues breakdown

	Media Distribution	Digital Infrastructure	Other
	• RAI Service contract (fixed consideration & new services) • Broadcasting (regional Muxes, DAB networks & other clients) • Transmission • Network services • CDN	• Tower Hosting • Connectivity • Edge data centers • Hyperscale data center	• Land valorization (solar energy production, leases, …)
2023 revenues	**240,9**	**31,0**	**-**