



# Mondadori Group 1H14 Results

*Analysts' Conference Call*

31 July, 2014

# 1H14 Results: highlights

▲ **Revenues** down by -10.3% (-7.0% on a like-for-like basis due to the contribution, from 1/1/2014 of advertising sales to *Mediamond*)

▲ **Gross operating profit** (EBITDA) totalled **€14.9 million**, compared with -€5.3 million in 1H13, mainly due to growth in magazines (+50.3%) as well as the combined effect of actions on products and reductions in operating costs

▲ **Net financial position**: -€368.9 million, essentially in line with the level both in FY13 (-€363.2 million) and 1H13 (-€367.3 million) despite characteristic seasonality and including:

- restructuring costs of €14.6 million
- a capital increase of €31.2 million (completed on 18/6/2014)
- the seasonal nature of the retail and education businesses

▲ **Net financial position**: a **significant improvement** is foreseen by year end



# Key takeaways in 1H14

## Market

- ▲ **Books**
- ▲ the market continued to decline in 2Q14, largely due to weak consumer demand in particular in the large-scale retail and independent bookshop channels



## Magazines

- ▲ Italy and France: a permanently negative trend in both circulation and advertising



- ▲ International Network: a weakening in mature markets and a recovery, albeit uncertain, in emerging markets

- ▲ **Retail:** ongoing weakness in consumer demand



## Mondadori Group

- ▲ The trade segment saw a fall in the large-scale retail channel and due to a different publishing schedule (a more important publishing schedule in 2H14)
- ▲ Marked increase in profitability both in Italy and in France
  - ▲ in Italy:
    - better-than-market performance (as in 1Q); rise in circulation market share to 33.2% (32.6% in 1H13)
    - first positive effects from the integrated advertising offer of the *Mediamond JV*
  - ▲ in France: circulation performance better than the market
- ▲ Consolidation of the *Grazia Network* (23 editions)
- ▲ Acquisition of London-Boutiques.com, the first step in the creation of a global e-commerce platform

- ▲ Review of the network, with the development of new sales outlets and products
- ▲ Rebranding and multi-channel approach



# The market scenario

▲ The figures for the sectors in which the group operates continue to show signs of decline compared with the same period of 2013

	MARKET	MONDADORI
<b>ITALY</b>		
<b>Books</b>		
- bookstores	-5.0%	-7.0%
-FMCG	-15.0%	na
<b>Magazines</b>		
Advertising		
-print	-11.6%	-8.5%
-internet	-2.1%	12.8%
<b>Circulation</b>	-9.6%	-5.9%
<b>Add-on sales</b>	-14.3%	-19.8%
<b>France</b>		
Advertising		
-print	-9.4%	-11.0%
-Internet	na	51.1%
<b>Circulation (newsstands)</b>	-8.1%	-2.0%

Italy: for trade books, the source is Nielsen (June 2014). For magazines, the source is Nielsen (May 2014), Mondadori figures are like-for-like to the end of June

France: internal estimates to the end of May 2014 for newsstand circulation; source: *Kantar Media* (May 2014) for advertising. Figures are on a like-for-like basis.



# 1H14 Results: highlights

€ mio	1H14	1H13	Var.
<b>REVENUES</b>	549.2	612.3	-10.3%
Personnel costs	-117.4	-148.0	-20.7%
Cost of raw materials	-96.5	-80.3	20.2%
Costs of services	-316.7	-371.8	-14.8%
<b>Total operating costs</b>	<b>530.6</b>	<b>-600.1</b>	<b>-13.1</b>
Other income & expenses	-3.7	-17.5	nm
Adjustment for non recurring items	0.5	19.5	ns
EBITDA adj. for non recurring items	<b>15.4</b>	<b>14.2</b>	<b>8.5%</b>
<b>EBITDA</b>	<b>14.9</b>	<b>-5.3</b>	nm
Depreciation	-11.3	-12,4	nm
<b>EBIT</b>	<b>3.6</b>	<b>-17.7</b>	<b>nm</b>
Financial charges	-12,3	-10,5	nm
<b>Pre Tax Profit</b>	<b>-8.7</b>	<b>-28.2</b>	<b>nm</b>
Taxes	-1.1	2.1	nm
Minority Interests	-1.2	-1.0	nm
<b>Net profit</b>	<b>-11.0</b>	<b>-27.1</b>	<b>nm</b>

- **Revenues** -7.0% on a like-for-like basis (as a result of the contribution of the advertising sales business to *Mediamond*)
- **Personnel costs**: -10.9% as a result of the contribution of *Mediamond* and restructuring. Headcount now totals 3,213, a fall of 361 compared with 1H13 (-10.1%)
- **Cost of raw materials** (-4.4%) and **services** (-9.5%) net of the reclassification due to the change in paper supplies (centralised from 1 January)
- **Operating costs** were down by 13.1% or €70 million
- **Other income and charges** :
  - reduction in rents
  - capital gains from the sale of titles
  - business contribution to *Mediamond*,
  - lower non-recurring provisions
- **Financial charges**: rise due to new conditions following the renegotiation of credit lines (4Q13)



# 1H14 Results: by Division

## REVENUES

€ mio	1H14	1H13	Var.
Books	128.5	134.0	-4,1%
Magazine Italy	160.3	177.9	-9.9%
Magazine France	169.9	179.9	-4.0%
Advertising	5.8	76.8	nm
Retail	92.6	101.7	-8.9
Radio	5.9	6.8	-13.2%
Holding & Others	14.9	18.9	ns
<b>Gross Revenues</b>	<b>577.9</b>	<b>693.0</b>	<b>-16.6%</b>
Intercompany	-28.7	-80.7	nm
<b>Net Revenues</b>	<b>549.2</b>	<b>612.3</b>	<b>-10.3*</b>

## EBITDA

€ mio	1H14	1H13	Var. (€ mio)
Books	5.4	9.8	-4.4
Magazine Italy	11.0	3.6	7.4
Magazine France	15.3	13.9	1.4
Advertising	-1.9	-3.5	1.6
Retail	-5.5	-6.1	0.6
Radio	-2.7	-1.6	-1.1
Holding & Others	-6.7	-21.4	14.7
<b>Total</b>	<b>14.9</b>	<b>-5.3</b>	<b>20.2</b>

\*Excluding the contribution to *Mediamond* (consolidated at *equity*) of the advertising sales business, revenues were down by 7.0%



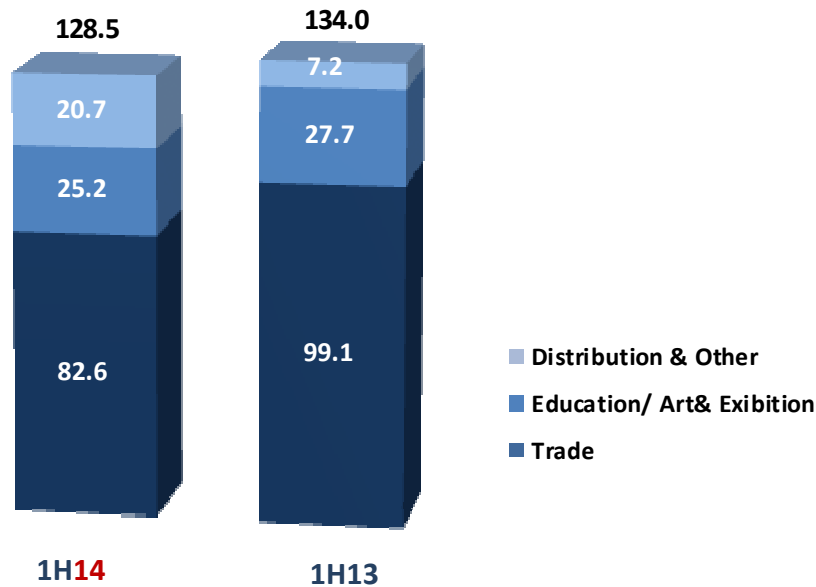
# The business areas in 1H14



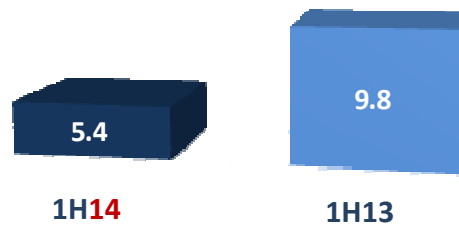
# Books: financial highlights

Revenues (€m)

-4.1%



EBITDA (€ mio)



Revenues in trade books were down due to:

- a further downturn in the market in the quarter (-8.0% in 2Q compared with -5.3% in 1Q14)
- a slowdown in the large-scale retail channel
- an imbalance in the publishing schedule in favour of 2H (1H13 best sellers included *Khaled Hosseini and Dan Brown*)



Leadership position confirmed:

- 25.5% market share (-0.5% compared with 1H13)
- 6 titles in the top 15 best sellers
- Launch of the Flipback® series (22 titles)
- Francesco Piccolo's *Il desiderio di essere come tutti*, won the prestigious Strega Prize



e-books:

- Market share confirmed at over 40%
- Revenues: +13%
- Over 7,000 digitalised titles

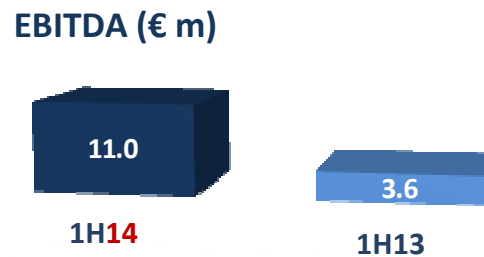
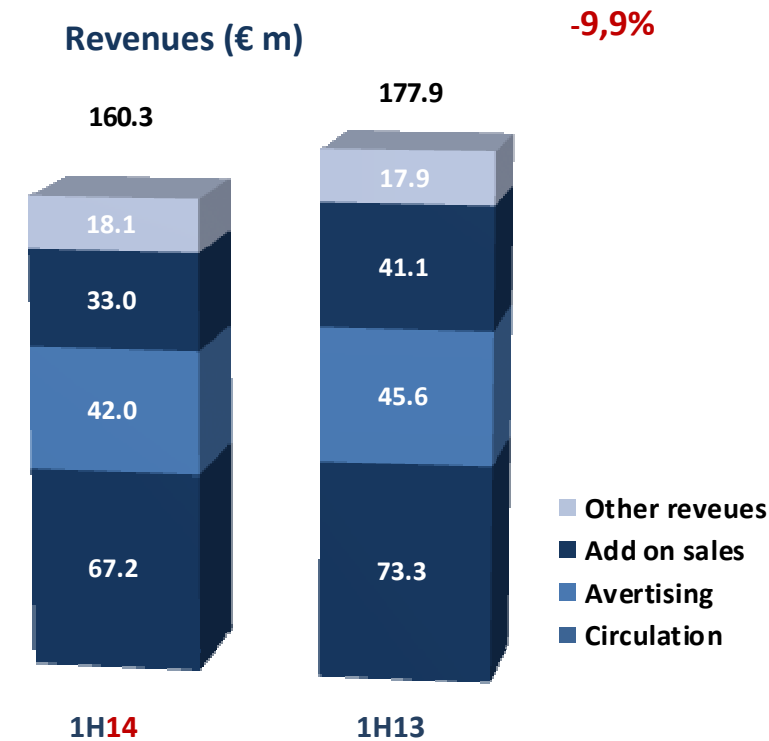


**A significant recovery is expected in 2H as the result of a publishing programme that features new titles from best-selling authors such as: Follett, Grisham, Cornwell, Littizzetto, Corona, Manfredi, Carofiglio, Camilleri and D'Avenia**





# Magazines Italy: financial h



## A marked improvement in EBITDA



Revenues from Mondadori titles (on a like-for-like basis) were better than the market in both circulation and advertising

- circulation: -5.9% vs -9.6% (market in May, internal data)
- advertising: -8.5% vs -11.6% (market in May, Nielsen)
- internet: +12.8% vs -2.1% (market in May, Nielsen)
- add-on sales: -19,8% vs -14.3% (market in May, internal data)



Better-than-market performance is attributable to:

- the launch of new titles (*Il mio papa*, new *Panorama*), the redesign of *Casafacile* and the move to weekly publication of *Starbene*
- focus on segments of leadership (fashion, wellbeing, cooking)
- rationalisation of the portfolio of titles (-11 compared with 1H13)



Circulation market share, in terms of value, 33.2% (32.6% in 1H13)



Mondadori Intl. Business: revenues +10% due to the growth in the *Grazia Network*

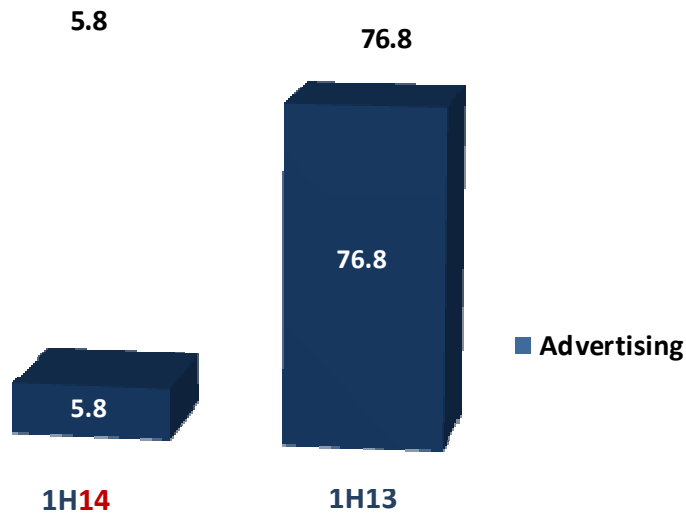


Digital: marked increase in the number of unique users

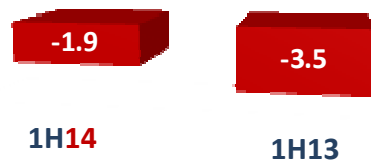


# Advertising: financial highlights

Revenues (€m)



EBITDA (€ m)



## Improvement in EBITDA

The figures shown are not like-for-like due to the contribution (in January 2014) of the business of the advertising sales company Mondadori Pubblicità to the JV Mediamond (50-50 Mondadori Pubblicità/Publitalia '80)

The revenues of the Mediamond JV (consolidated at equity) rose by 1.8%:

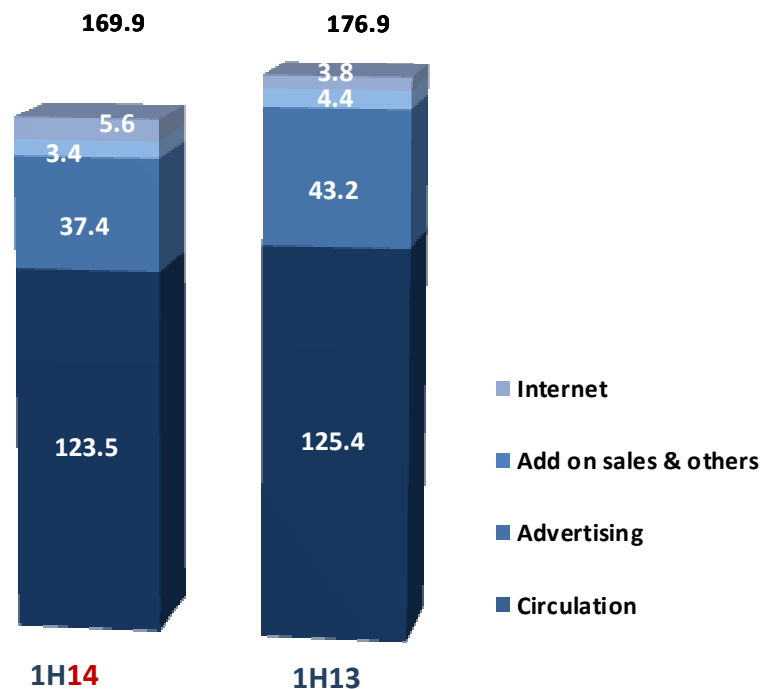
- AME brands (magazines + web), on a like-for-like basis, were down by -6.7%, specifically:
  - print -8.5%
  - internet +12.8%

EBITDA (€ m)



# Magazines France: financial highlights

## Revenues (€m)



## Improvement in EBITDA



Revenues -3.7% (on a like-for-like basis) of which:

- newsstand circulation: -2.0% vs -8.1% (market: source, internal data)
- advertising: -11.0% vs -9.4% (market, source, Kantar Media May)



Excellent performances by *Closer* (+10%) *Pleine Vie* (+11%) *Top Santé* (+15%)

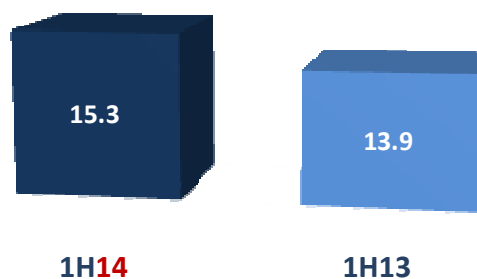


Attention to editorial quality through the restyling of *Grazia*, *Top Santé*, *Closer*, *Diapason*, *Modes & Travaux*, *Science & Vie* and *Top Santé*



Efforts to contain general expenses and industrial and personnel costs made it possible to record an improvement in profitability, despite a slight fall in revenues

## EBITDA (€ m)



Digital :

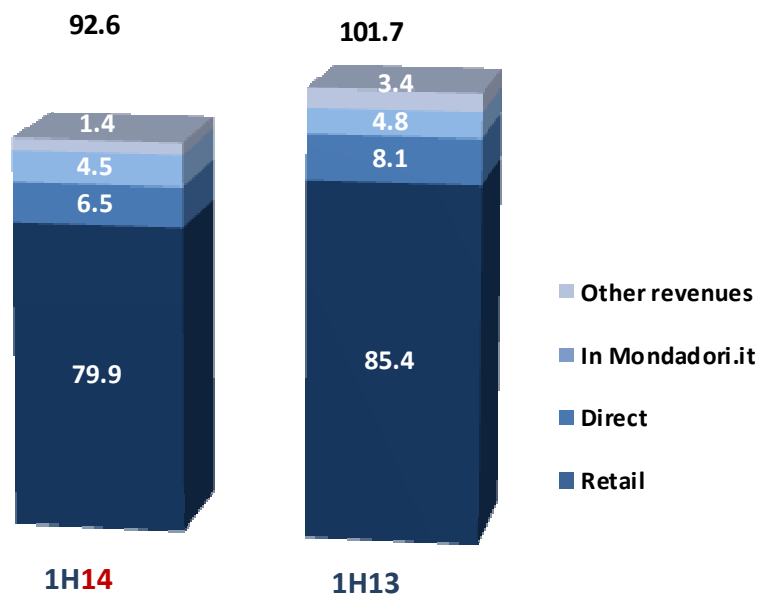
- digital copies: revenues +86%
- advertising: revenues +51.1% (10% of total advertising revenues)
- unique users reached 6.5m (+26%)



# Retail: financial highlights

Revenues (€m)

**-8.9%**



## Improvement in EBITDA

Revenues were impacted by the general stagnation in consumer spending (in particular book sales were down by -6.6%) as well as a slump in sales of consumer electronics.

The strategy, aimed to contrast the negative trend in the market, is focused on:

- a review of the chain of stores
- communication activities and an improvement in the offer
- innovation: the rebranding of logo, a multi-channel approach
- customer satisfaction
- further reductions in personnel costs (an extension to 20% of solidarity procedures at the Milan and Rimini sites)

EBITDA (€ m)



1H14

1H13



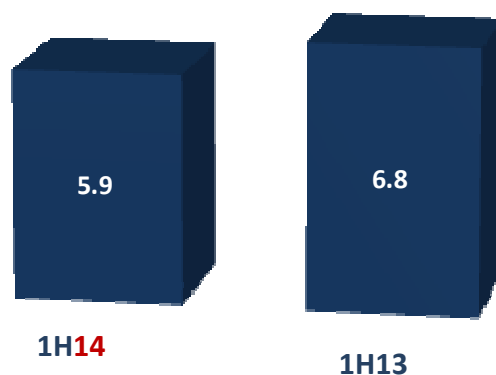
**2H14 will see 37 new openings and 19 closures of less profitable outlets**



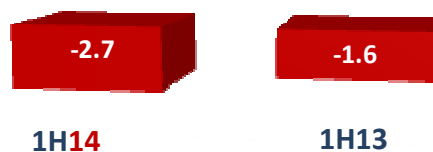
# Radio R101: financial highlights

Revenues (€m)

-13.2%



EBITDA (€ m)



The radio market experienced a turbulent phase in 2Q14 that had a negative impact of the performance of *R101* after a positive start to the year in 1Q14



During the period and after the presentation of the new *R101* format, efforts continues to build the audience through:

- the sponsorship of musical and sporting events (the *Rolling Stones'* concert, the American tour by Zuccherò, *Giro d'Italia*)
- the redesign and content review of the web site *ww.r101.it*. *Facebook* recorded a big increase in users (+50% vs FY13)
- from June a new TV channel, (66 on the digital terrestrial platform) dedicated to music videos and tracks selected by the station

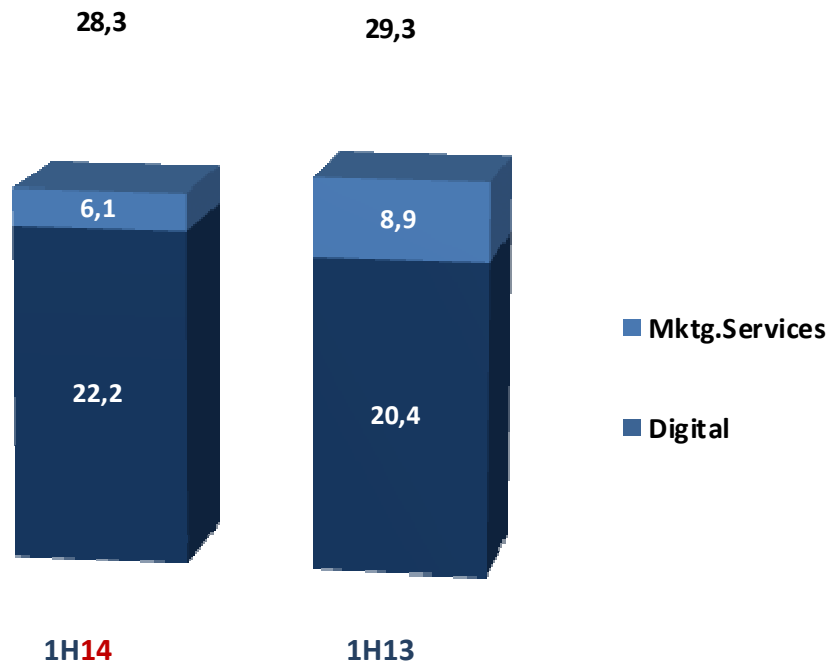


The launch of the TV platform, with a view to integration with the radio and other digital media, will make it possible to offer a wide-ranging entertainment system



# Digital: main results\*

Total turnover (€ mio)



▲ Total turnover was slightly down due to a reduction in revenues from marketing services (*Cemit*) while purely digital activities saw an increase of 9.2% compared with 1H13 as a result of:

- *e-books* (+13%)
- *Properties Italy*:
  - advertising revenues +12.8% (like-for-like) of which:
    - *Donna Moderna* (+8.4%)
    - *Grazia* (+55.9%)
  - marked increase in unique users :
    - *Donna Moderna Network* (+36%) to 16 million
    - *Grazia* (+33%) to 1.1 million
    - *Panorama* (+50%) to 4.0 million
- *Properties France*
  - advertising revenues (+51.1%)
  - revenues from *NaturaBuy* (+34%)
  - revenues from digital copies (+86%)
  - unique users rise to 6.5m (+26%)



\*Revenues and EBITDA are represented in the different businesses of the group and in the parent company

# Evolution of the net financial position 1H14 vs 1H13

€ mio	1H14	1H13
<b>Net Financial position</b>	<b>-363.2</b>	<b>-267.6</b>
EBITDA (net of restructuring and associates )	19.8	11.4
Total of NWC and funds	-18.1	-62.2
<b>Ordinary Cash Flow</b>	<b>1.7</b>	<b>-50.8</b>
Total investments	12.9	-5.2
<b>Operating Cash Flow</b>	<b>-11.2</b>	<b>-56.0</b>
Cash out for restructuring	-14.6	-21.6
<b>Total Cash Flow</b>	<b>-25.8</b>	<b>-77.6</b>
Financial income (charges)	-12.3	-10.6
Taxes and VAT credit	1.9	-17.2
NFP impacts (cash flow hedge & other)	-0.7	5.7
placement of shares (treasury and new)	31.2	0.0
Total Cash Flow	-5.7	-99.7
<b>Net Financial position (end of the period)</b>	<b>-368.9</b>	<b>-367.3</b>

- net financial position essentially stable since 1H13
- significant reduction in the absorption of working capital compared with 1H13
- recovery in investment (*London-Boutiques.com, Anobii* and other operating investments)
- capital increase aimed at strengthening the group's financial structure



# Outlook: FY14

-  In a market that continues to show few clear signs of improvement, the **positive trends** of the first six months - better than expected and the consequence of actions taken on the products, reorganisation and the reduction of costs, as well as the excellent performance of magazines both in Italy and in France – make it possible to predict a level of **EBITDA in FY14 higher than that of FY12**, confirming indications already made during the presentation of the 2013 Annual Report and in 1Q14
-  Also 2H14 will see the continuation of **management initiatives** aimed at improving the Group's organic capacity to generate financial resources and actions focused on the **sale/realisation of non-strategic assets** with a view to strengthening the assets and giving the company the necessary resources for investment
-  A **significant improvement** in the net financial position, compared with 2013, is expected

