



Mondadori Group

9M14 Results

Conference Call

November 13, 2014

Agenda



9M14 Highlights



Market Trends



9M14 Results



Business Areas



FY 2014 Outlook



9M14 Highlights

- ▲ **Revenues** down by 7.7% (**-4.8% like-for-like** due to the spin-off of advertising activities to the joint venture *Mediamond*, effective as of January, 1st 2014)
- ▲ **EBITDA** amounted to **€36 million** compared with €8.9 million in 9M13: the Magazine business (Italy & France) contributed the most (over 50%) to this increase thanks to the combined effect of greater efficiency - deriving from actions on products and reductions in operating costs – and of lower restructuring costs
- ▲ **Net Financial Position: -€327.4** million, recording a significant improvement towards 9M13 (-€376.9 million) and FY2013 (-€363.2 million). Cash generation in the last 12 months was positive for €49.5 million, result of an ordinary cash flow of €9.8 million and an extraordinary one of €39.7 million (mainly related to the capital increase finalized in June). In the first 9 months of the year, despite the characteristic seasonality, the ordinary cash flow was negative for €8.6 million (-€82.5 million in 9M13) whereas the extraordinary activities generated €44.4 million (including the share capital proceeds)



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9M14 Market Trends

The sectors in which the Group operates have started to show gradually less marked declines compared to the same period of 2013



■ Mercato

Books

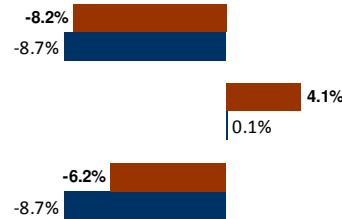
- o Bookstores
- o Large-scale retailers



- ⚠ Decline in the market due to the general stagnation in consumer spending (in particular in the large-scale retail channel), although at a lower extent towards 1H14 trend (in 3Q -0.9% vs -8% in 2Q)
- ⚠ Market share, excluding the large retail channel, at **26%**

Magazines

- Advertising
- o Print
- o Web
- Circulation

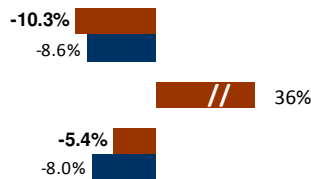


- ⚠ Negative performance of circulation and advertising markets in the Magazine business, even at a lower rate towards 1H14
- ⚠ Mondadori have registered performance better than the reference markets both in the circulation and the advertising collection; market share increased at **32.2%** (+1.7 b.p. vs 9M13). In the advertising business, first positive effects from the integrated commercial offer of *JV Mediamond*



Magazines

- Advertising
- o Print
- o Web
- Circulation



- ⚠ Negative performance of circulation and advertising markets in the Magazine business
- ⚠ Circulation performance of Mondadori France better than the reference market

Italy: Trade Books – Nielsen, value data (Sept. 2014). Magazines – for advertising, Nielsen (Sept. 2014); for circulation, value data, internal estimates (Aug. 2014)

France: for circulation, internal estimates (Aug. 2014), value data; for advertising, internal estimates on *Kantar Media* data (Aug. 2014)



Mondadori figures are on a like-for-like basis as at September 30, 2014

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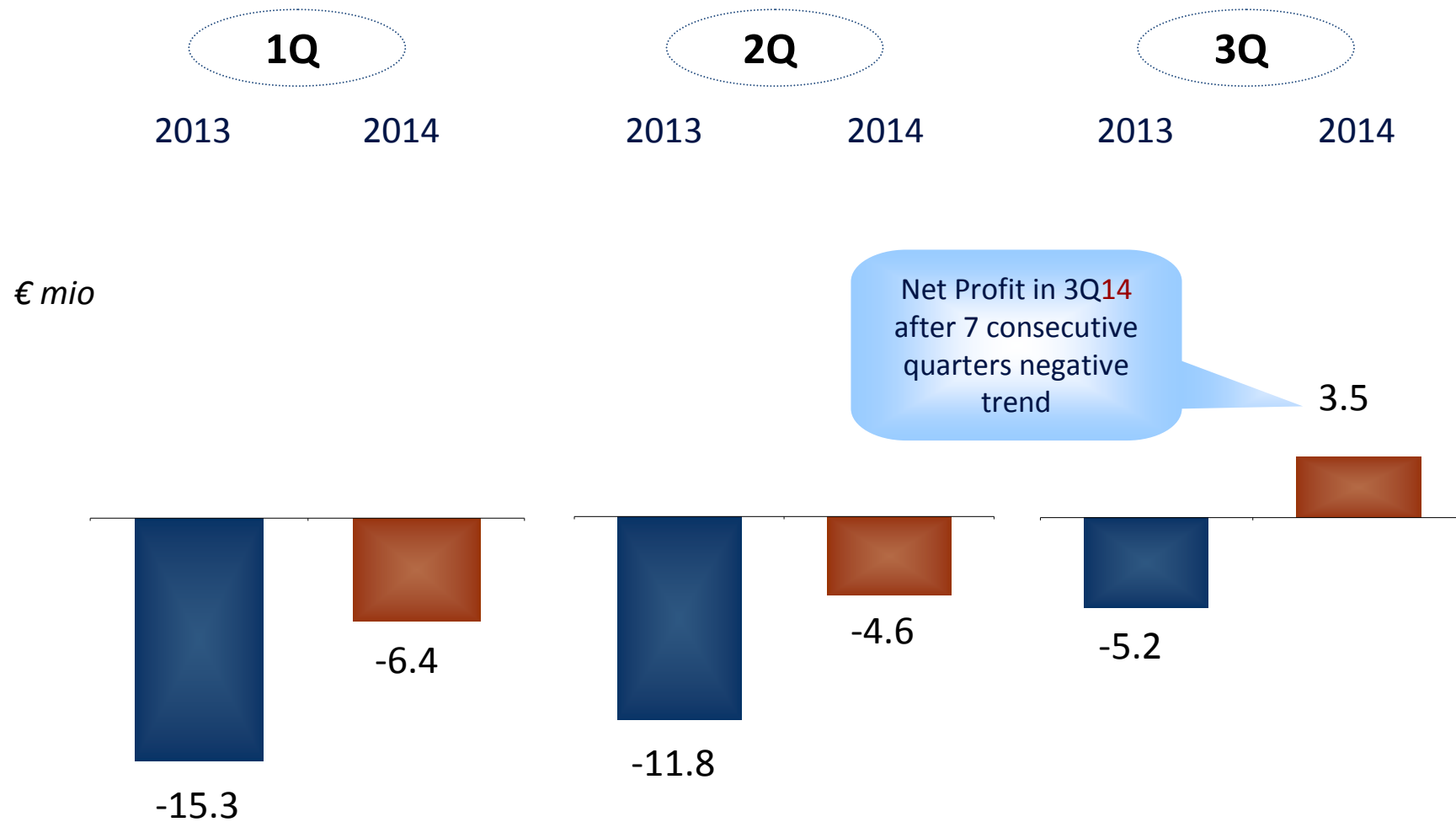
9M14 Results

€ mio	9M14	% on Rev.	9M13	% on Rev.	Var.
Revenues	859.6		931.2		-7.7%
Personnel Costs	-169.9	-19.8%	-206.1	-22.1%	-17.6%
Costs of raw materials	-151.4	-17.6%	-128.7	-13.8%	17.6%
Costs of services	-480.9	-55.9%	-553.4	-59.4%	-13.1%
Total Operating Costs	-802.3	-93.3%	-888.2	-95.4%	-9.7%
Other income & expenses	-21.4	-2.5%	-34.2	-3.7%	-37.4%
<i>Adjustments for non recurring items</i>	<i>-3.4</i>	<i>-0.4%</i>	<i>-27.3</i>	<i>-2.9%</i>	<i>n.s.</i>
<i>EBITDA adj. For non recurring items</i>	<i>39.4</i>	<i>4.6%</i>	<i>36.2</i>	<i>3.9%</i>	<i>8.8%</i>
EBITDA	36.0	4.2%	8.9	1.0%	Nm
D&A	-17.2	-2.0%	-18.5	-2.0%	-6.6%
EBIT	18.8	2.2%	-9.6	-1.0%	Nm
Net Financials	-17.8	-2.1%	-16.6	-1.8%	7.2%
Pre-Tax Profit	1.0	0.1%	-26.2	-2.8%	Nm
Taxes	-6.5	-0.8%	-4.4	-0.5%	47.7%
Minority Interests	-2.0	-0.2%	-1.7	-0.2%	17.6%
Net Profit	-7.5	-0.9%	-32.3	-3.5%	Nm

- **Revenues** -4.8% on a like-for-like basis (net of the spin-off of the advertising business to *Mediamond*)
- **Personnel costs**: -8.1% (on a like-for-like basis and net of the restructuring costs). Employees totalled 3,194 people, down by 242 units vs FY 2013 (-7%)
- **Costs of raw materials** (+4.3%) and **services** (-10.3%) net of the reclassification due to the change in paper supplies and to the increase in third publisher distribution activities
- **Total Operating Costs** down by approx. €86 million
- **Other income & expenses** declining driven by:
 - reduction in rental leases
 - capital gains from the sale of titles and business contribution
 - lower provisions
- **Financial charges**: rise due to the new conditions following the renegotiation of credit lines finalized in 4Q13, only partially compensated by the lower average indebtedness in the period



2013-2014 Quarterly Net Profit

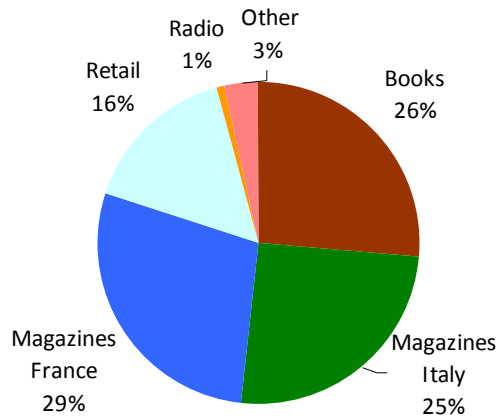


9M14 Results by Business Area

REVENUES

€ mio	9M14	9M13	Var.
Books	238.9	234.2	2.0%
Magazines Italy	227.5	253.1	-10.1%
Advertising	7.6	105.1	nm
Magazines France	254.2	262.9	-3.3%
Retail	144.9	153.4	-5.5%
Radio	7.8	8.9	-12.4%
Holding & Other	21.3	26.2	-18.7%
Intercompany	-42.6	-112.6	nm
Revenues	859.6	931.2	-7.7%

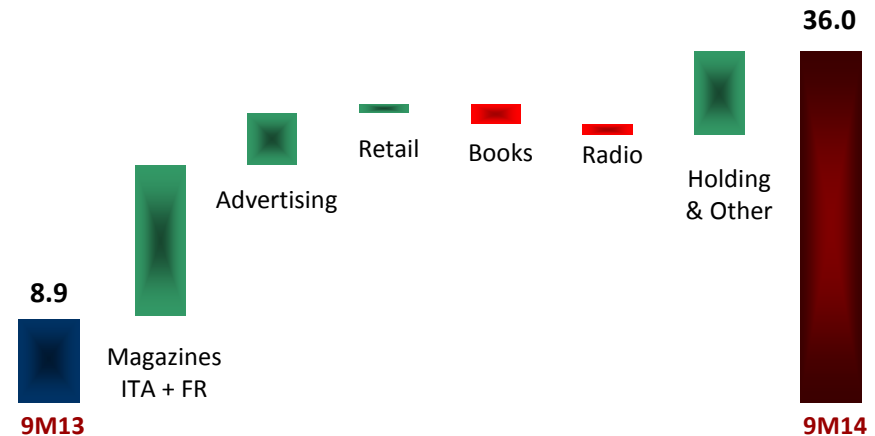
On a like-for-like basis, revenues would be down by **4.8%**



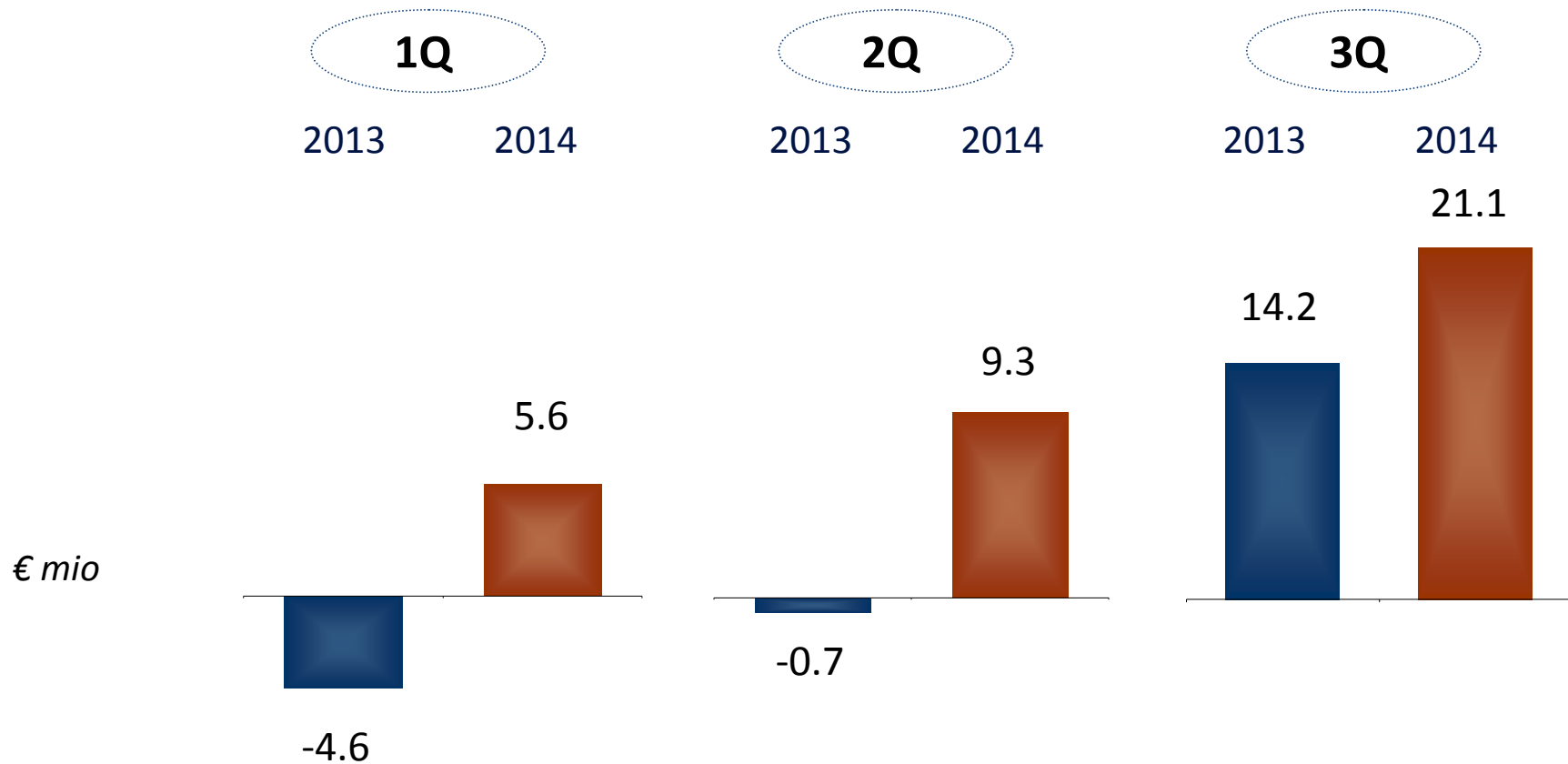
EBITDA

€ mio	9M14	9M13	Var. (€ mio)
Books	35.8	39.0	-3.2
Magazines Italy	4.2	-9.7	13.9
Advertising	-3.8	-9.1	5.3
Magazines France	22.3	21.8	0.5
Retail	-6.0	-6.8	0.8
Radio	-4.2	-3.1	-1.1
Holding & Other	-12.3	-23.2	10.9
EBITDA	36.0	8.9	27.1

Marginality 4.2% 1.0%



2013-2014 Quarterly EBITDA

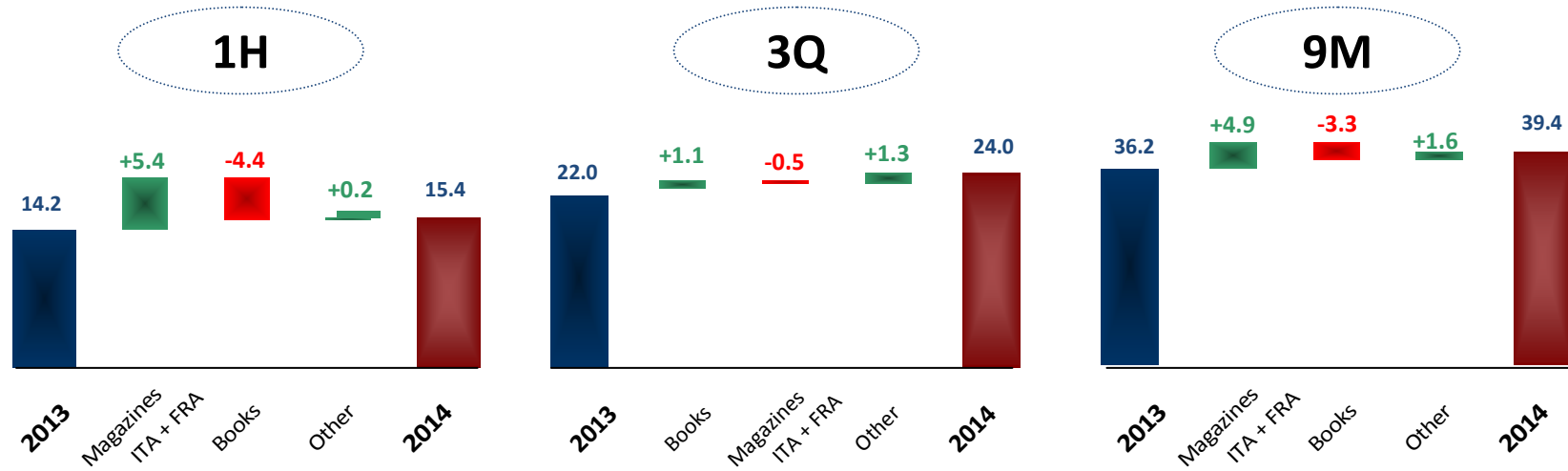


Quarter	2013	2014
Marginality % on Revenue	<i>nm</i>	2.1%
	<i>nm</i>	3.3%
	4.5%	6.8%



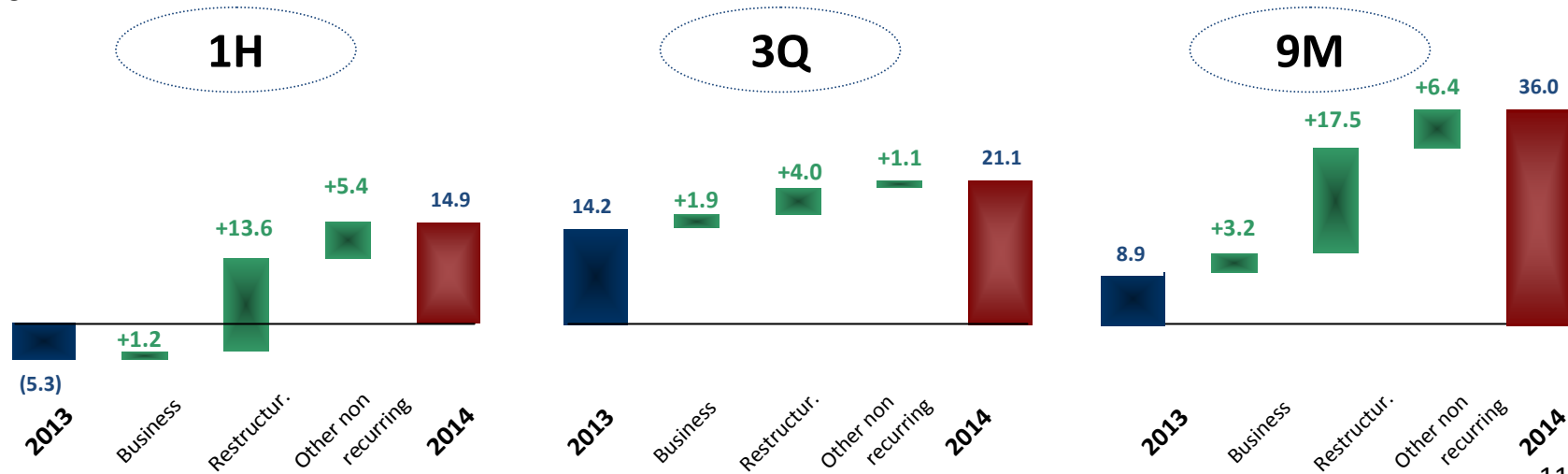
9M14 EBITDA

EBITDA before non recurring items



REPORTED EBITDA

€ mio



9M14 Net Financial Position Evolution

€ mio	9M14	9M13	LTM14
Net Financial Position (start of the period)	-363.2	-267.6	-376.9
EBITDA before non recurring items	39.4	36.2	52.3
Associates	-4.7	-4.1	-10.1
NWC and Funds	-15.3	-85.1	7.7
Investments	-7.4	-3.0	-7.2
Operating Cash Flow	12.0	-56.0	42.7
Net financial charges	-17.8	-16.7	-25.4
Taxes	-2.8	-9.8	-7.5
Ordinary Cash Flow	-8.6	-82.5	9.8
VAT credit cash-in	15.2	0.7	23.0
Cash-out for restructuring	-16.3	-26.5	-27.6
Acquisitions/Disposals	14.4	-1.0	13.2
Treasury & new shares placement	31.1	0.0	31.1
Extraordinary Cash Flow	44.4	-26.8	39.7
Total Cash Flow	35.8	-109.3	49.5
Net Financial Position (end of the period)	-327.4	-376.9	-327.4

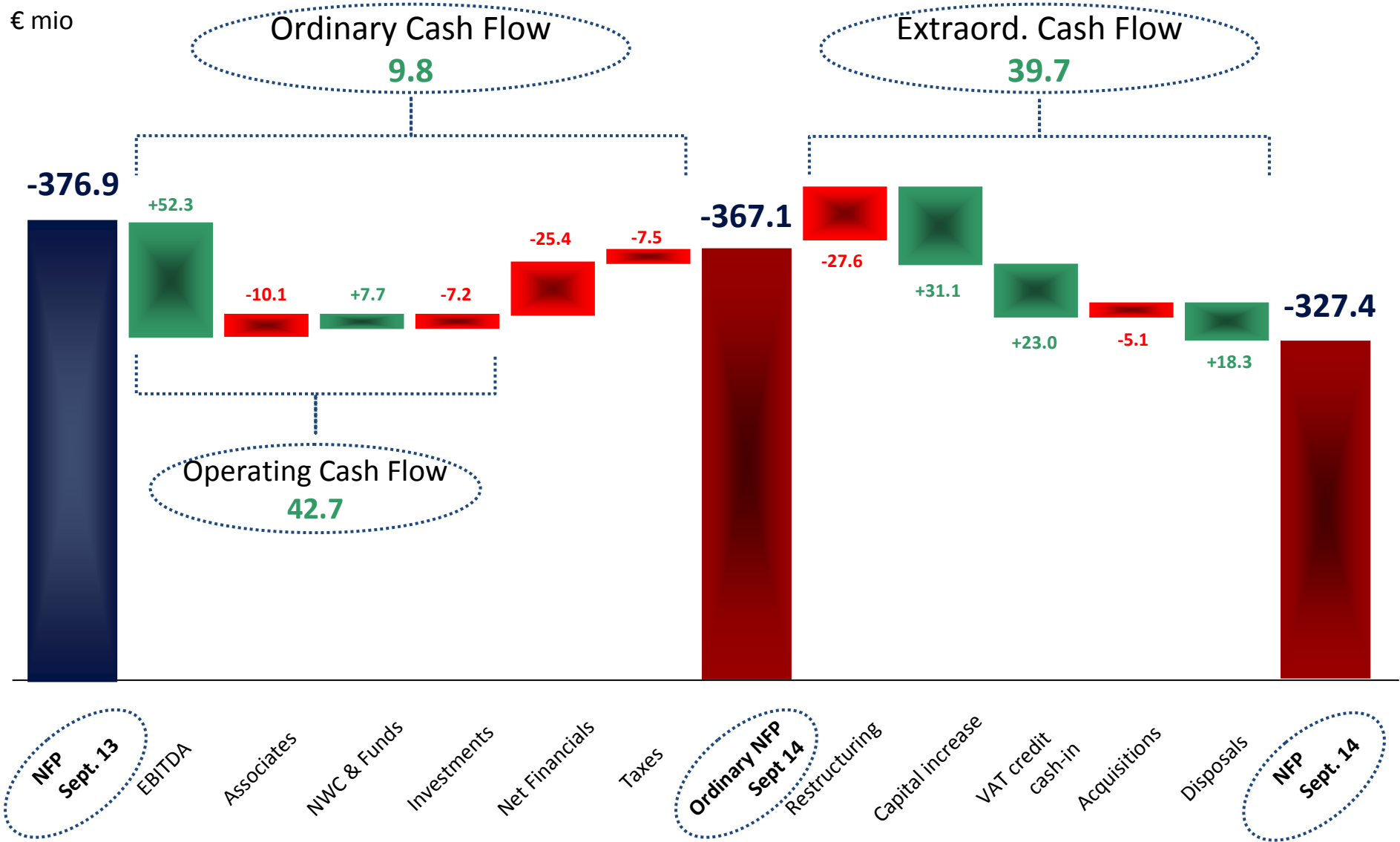
Significant improvement in Net Financial Position:

- o in the last 12 months, the **ordinary cash flow** was positive for €9.8 million also for the NWC optimization;
- o the first 9 months of the year, characterized by typical business seasonality, recorded an **ordinary cash flow** negative for €8.6 million (-€82.5 million in 9M13) and a positive cash flow from **extraordinary items** of €44.4 million, of which €31.1 million from the capital increase finalized in June and aimed at strengthening the Group financial structure; the extraordinary item “Acquisitions /Disposals” includes the effects of the spin-off to *Mediamond* and a down-payment, of €12 million, related to an asset disposal which is expected to be completed within the end of the year

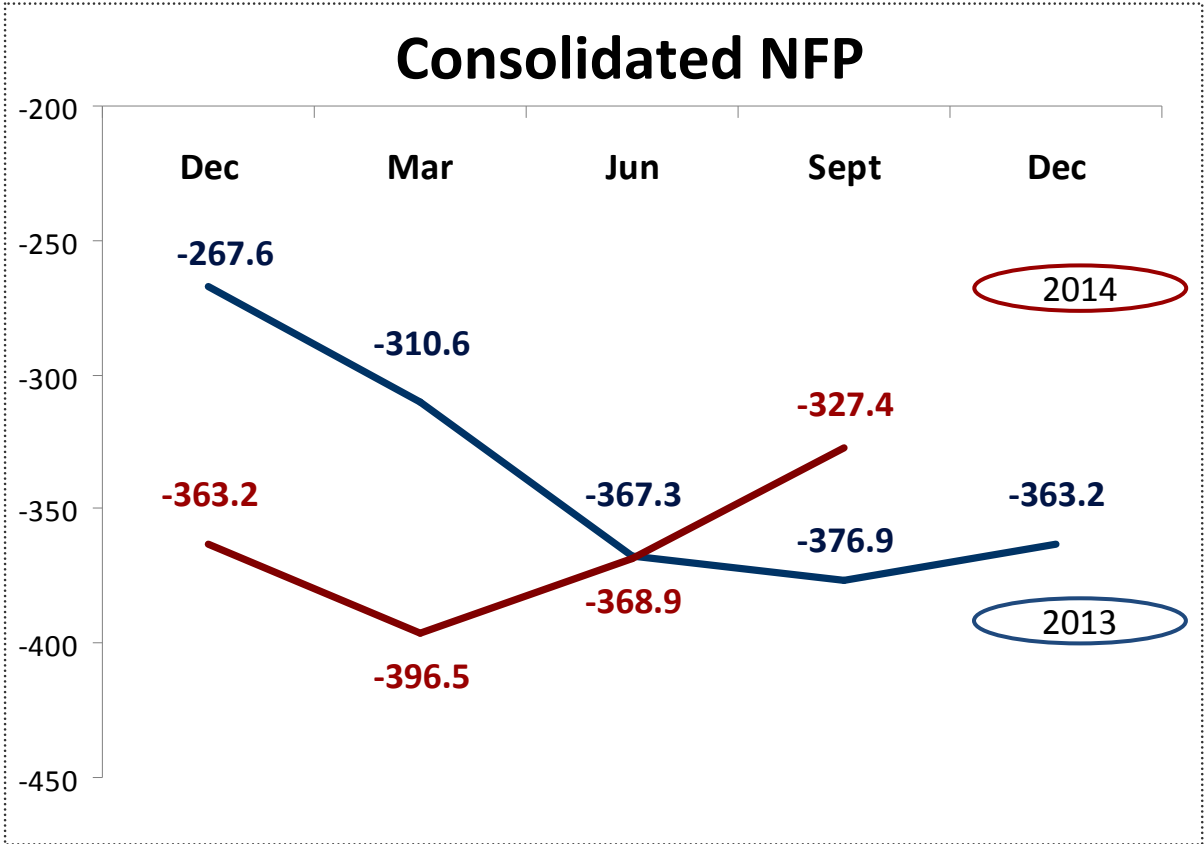


Cash Flow LTM at September 30, 2014

€ mio



Net Financial Position Evolution

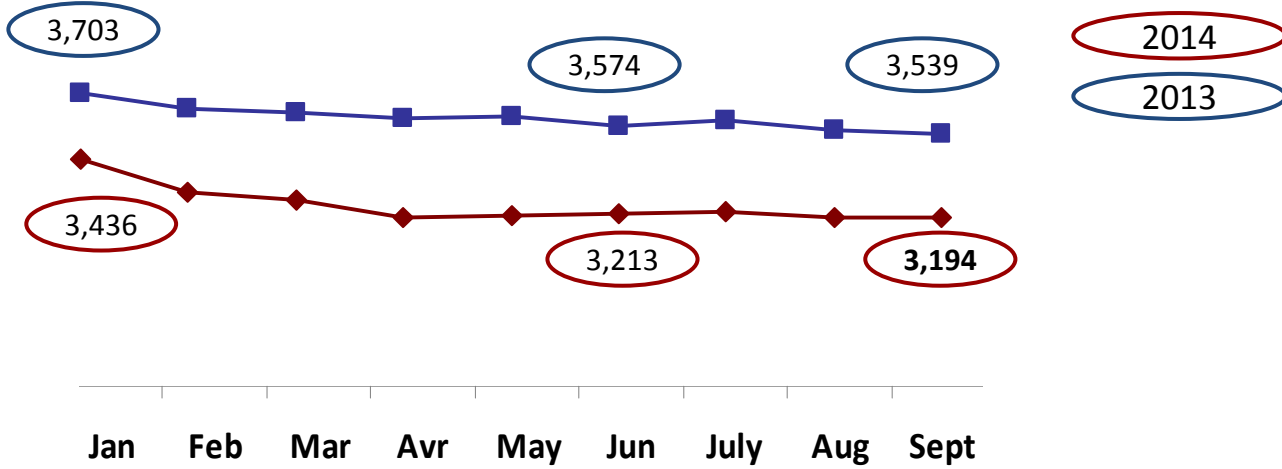


+ €35.8 million vs Dec. 2013
 + €49.5 million vs Sept. 2013

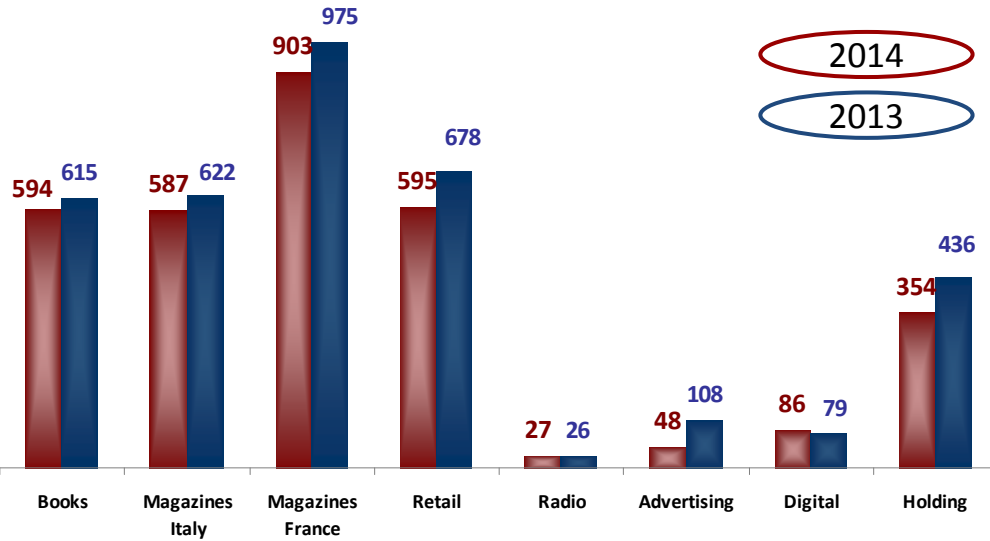


Headcount at September 30, 2014

Headcount Evolution



Headcount by Business Area



	9M2014	9M2013	Delta
Books	594	615	(21)
Magazines Italy	587	622	(35)
Advertising	48	108	(60)
Magazines France	903	975	(72)
Retail	595	678	(83)
Radio	27	26	1
Digital	86	79	7
Holding	354	436	(82)
Totale	3,194	3,539	(345)



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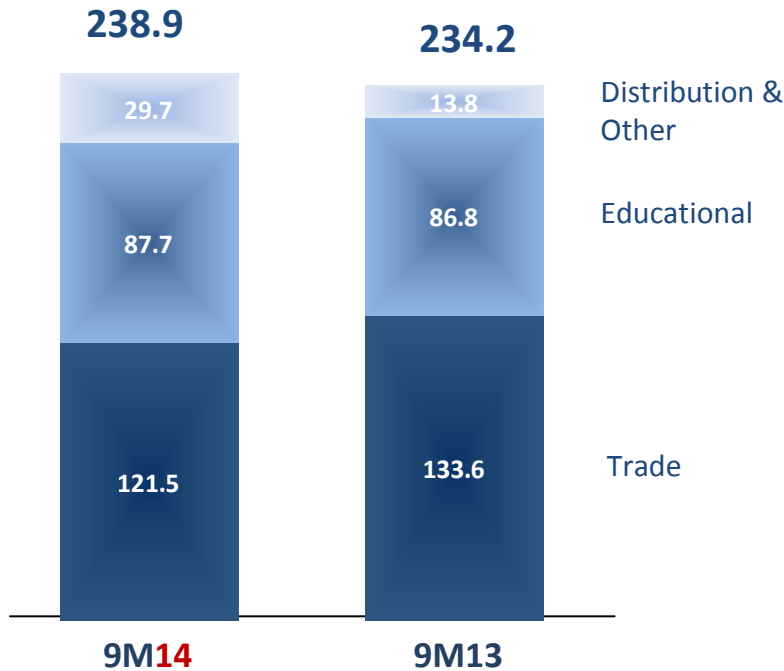
 FY 2014 Outlook



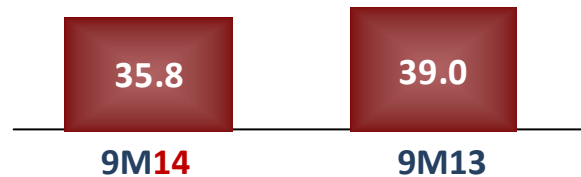
Books: highlights

Revenues (€ mio)

+2.0%



EBITDA (€ mio)



Libri Trade:

- higher than market decrease due to a different publishing schedule compared with 2013
- overall **leadership** position confirmed (26% market share*): 11 of the 25 best selling titles
- launch of the most significant part of the year's publishing programme with the publication of the new Ken Follett novel "*I giorni dell'eternità*" (120,000 copies sold in just two weeks)
- market share in e-books stable at around 40%, with an offer of 8,000 digital titles



Libri Educational:

rise in revenues due to increased adoptions in primary schools and the performance of the museum business



Growth in revenues from third-party **distribution**



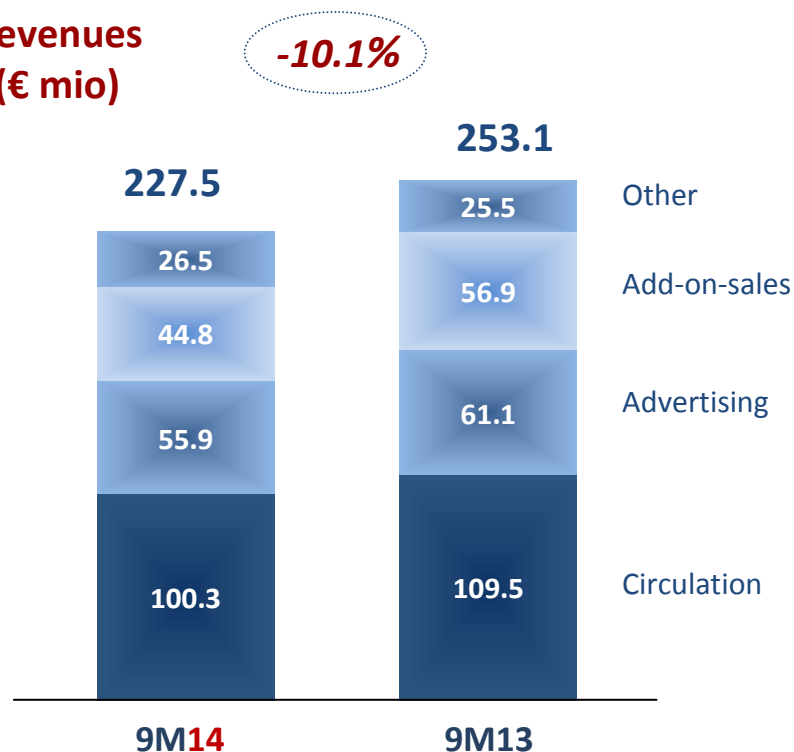
EBITDA down as a result of the different mix in sales; over 10% growth in the *Educational* area



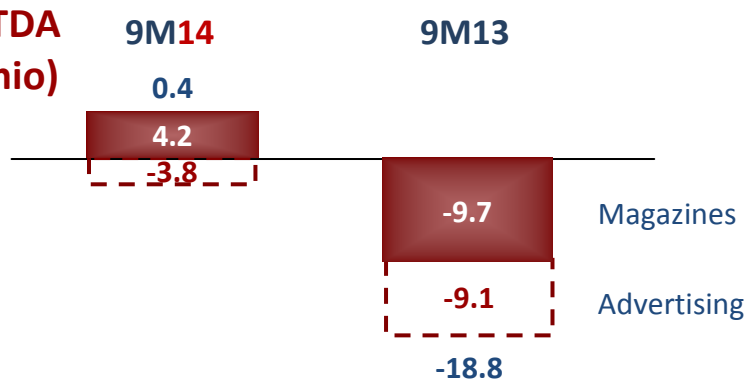
* Source: Nielsen, value data excluding large retail channel (Sept. 2014)

Magazines Italy: highlights

Revenues (€ mio)



EBITDA (€ mio)



▲ The **revenues** of Mondadori titles (-8.7% on a like-for-like basis*) show **better-than-market circulation** due to the optimisation of the portfolio and the editorial quality of the titles with:

- new launches (*Il mio papa*)
- focus on leadership segments (fashion, well-being and cooking)

Despite a fall in add-on sales compared with 9M13, an increase in profitability was recorded

Circulation market share – in terms of value - of **32.2%**, an increase on the 30.5% in 9M13 (internal data, August)

▲ Also the **performance of advertising sales was better-than-market**: Mondadori brands recorded advertising revenues (web + print) that were down 7% on the previous year

▲ **Mondadori International Business**: revenues up by 6% due to the expansion of the *Grazia Network*, now present in 23 countries (monthly sales of more than 10 million copies, 17 million readers, 16 million monthly unique users)

▲ **Digital**: marked increase in the audience for *Grazia* (+49%), *Donna Moderna* (+34%) and *Panorama* (+9.5%)

▲ **Significant improvement in EBITDA** as a result of actions taken on the product and the structural reduction of industrial, editorial and organisational costs, in addition to lower restructuring charges compared with 9M13

(+€19.2 million including the positive effects of the reorganisation of the advertising activities)

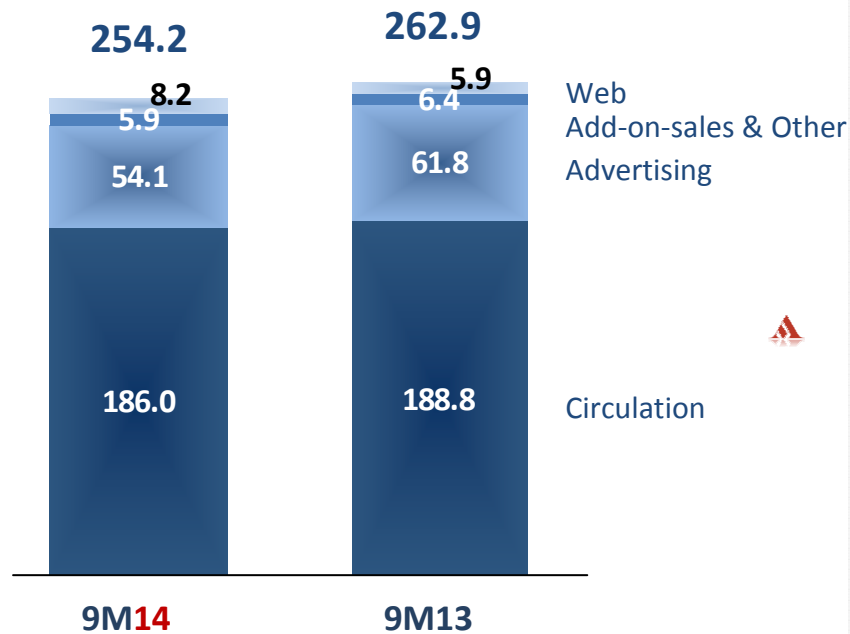


* In 9M14 portfolio 10 titles less than in 9M13

Magazines France: highlights

Revenues
(€ mio)

-3.3%



Revenues down by **-2.3%** (on a like-for-like basis*) of which:

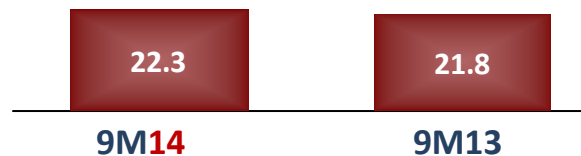
- newsstand circulation: -5.4% vs -8.0% (internal data, August); positive performances by *Top Santé* (+19%), *Pleine Vie* (+10%) and *Closer* (+6%)
- advertising: -10.3% vs. -8.6% (internal estimates on *Kantar Media* data, August)



Digital: +37% on a like-for-like basis*

- revenues from digital copies +79%
- revenues from digital advertising +36%, which now account for 10% of total advertising revenues
- audience: unique users website¹ of 6.6 million (+26%) and mobile² 1.7 million (+77%)

EBITDA
(€ mio)



Improved EBITDA as a result of the positive performance of some titles, as well as the rationalisation of structures and reductions in editorial and industrial costs



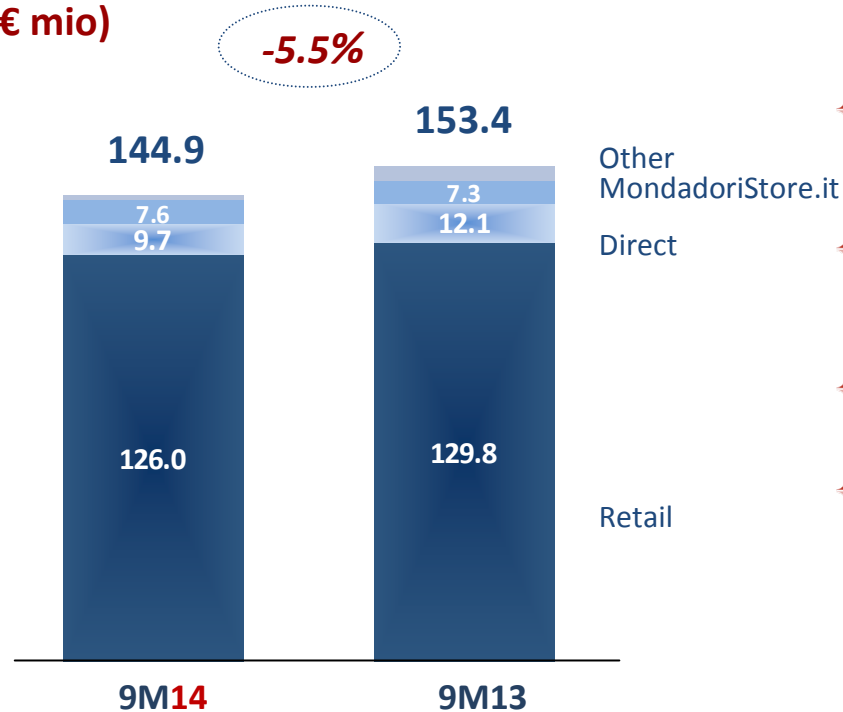
* In 9M14 portfolio 1 title less than in 9M13

¹ Source: Nielsen, Aug.

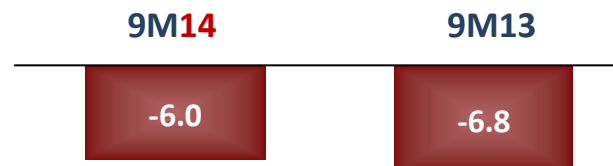
² Source: Nielsen, Jul.

Retail: highlights

Revenues (€ mio)



EBITDA (€ mio)



Mondadori Retail's **market share** in the **Books** category rose from 13.4% to **14.7%** due to a better-than-market performance of around 9 b.p.



Revenues continued however to suffer the effects of the stagnation in consumer spending, in particular for consumer electronics



Revenues from **online** sales on the *MondadoriStore.it* website were up by around 4%



The **strategy**, aiming to face the negative trend in the market, is focused on:

- ongoing reorganisation of operating processes and staffing structures
- a reconfiguration of the network of stores
- activities to improve the commercial proposal

MondadoriStore was recently awarded **Italy's 2014-2015 Insegna dell'Anno** (Retailer of the Year) in the Bookstore category

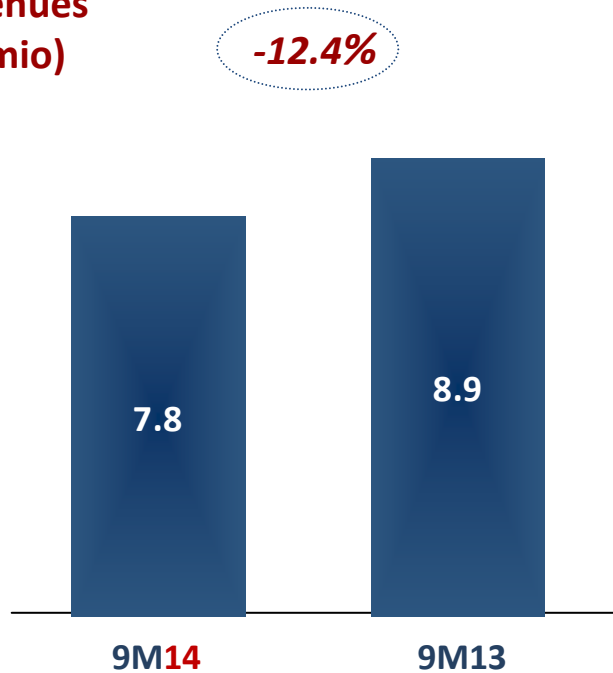


Improved EBITDA as a result of a reduction in fixed costs following the rationalisation of sales and store structures



Radio R101: highlights

Revenues (€ mio)



EBITDA (€ mio)



After the positive start in Q1, the radio market was affected by the negative trend in the advertising market, in particular in the period June-August, which had an impact on the **performance** of R101



Actions continued also in the third quarter to reinforce the audience through:

- sponsorships of musical and sporting events
- the redesign of the look and content of the www.r101.it website (the Facebook account recorded a 20% increase in users – 90,000 new fans in 3Q14)
- a new television channel (66 on digital terrestrial) dedicated to broadcasting music videos and tracks selected by the radio station



The launch of the **television platform** integrated with the radio and other digital supports, will make it possible to offer a wide-ranging entertainment system

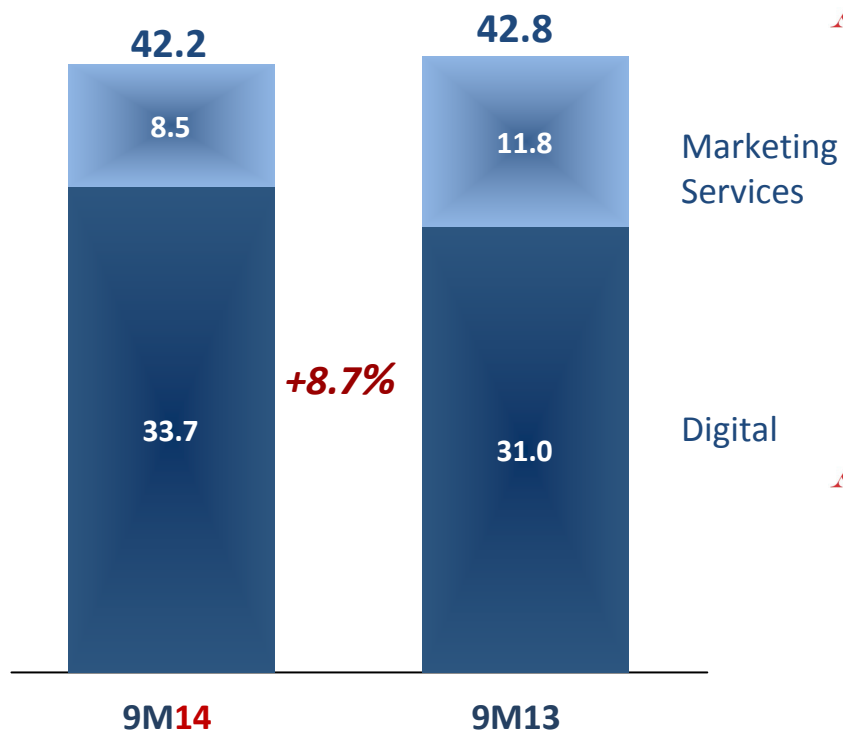


EBITDA down in 9M14 as a result of the fall in advertising revenues and of higher costs incurred in communication for the re-launch of the station



Digital: highlights *

Revenues (€ mio)



The *Digital* area saw a growth in revenues from purely digital activities - aimed at the more extensive **enhancement of the Group's editorial content** - of **8.7%** while revenues from *Marketing Services (Cemit)* were down compared with 9M13

Italian Properties

Advertising revenues: +4.1% (like-for-like) of which:

- *Grazia* (+34.9%)
- *Donna Moderna* (+1.1%)

Audience: strong increase in traffic data

- *Grazia* (+49%)
- *Donna Moderna* (+34%)
- *Panorama* (+9.5%)

French Properties

- Advertising revenues: +36% (omogeneo)
- Revenues from *NaturaBuy*: +26%
- Revenues from digital copies : +79%
- Unique users website¹ of 6.6 million (+26%) and mobile² 1.7 million (+77%)

The acquisition of *London-Boutiques.com* aimed at the creation of the global e-commerce platform **Graziashop.com**, launched on **11 November**



*Revenues are represented in the different Business Areas and in the Parent company

¹ Source: Nielsen, Aug.

² Source: Nielsen, Jul.

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FY 2014 Outlook

-  In a market that continues to be characterized by signs of weakness, although less marked than in the first half of the year, the **actions taken by the Group** – regarding the strategic rationalisation of the business portfolio, along with the constant commitment to reducing both operating and structural costs, as well as the excellent performance recorded by the Magazine Area, in Italy and France – have enabled the Group to improve during the year its **capacity to generate financial resources**
-  In view of the current context and the above-mentioned actions, which will continue also in the last quarter of the year, for the full year 2014, it is reasonable to confirm the forecast already announced of **an EBITDA for the Group higher than that of 2012**, and of a consolidated net result at breakeven
-  In line with the trend recorded in the first nine months of the year, it is expected by year end **a significant improvement** in the Group's **Net Financial Position** compared with 2013





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