GRUPPO MONDADORI

PRESS RELEASE

Board of Directors approves results as at 30 June 2023

REVENUES UP AND ADJUSTED EBITDA +38.8%

- **Consolidated net revenue € 362.4 million versus € 355.1 million at 30 June 2022**
- **Adjusted EBITDA: € 38.2 million, +38.8% compared to € 27.6 million in H1 2022**
- **Group net result at € 12.2 million, up by € 9.5 million compared to the result as at 30 June 2022**
- **Solid cash generation confirmed with LTM Ordinary Cash Flow increased to € 63.6 million**
- **Net Financial Position excluding IFRS 16 as at 30 June 2023 of € -215.2 million (€ -205.7 million of 30 June 2022)**
- **IFRS 16 Net Financial Position of € -285.5 million, stable compared to € -285.1 million as at 30 June 2022**
- **Group's ability to self-finance its external growth policy is confirmed**

OUTLOOK FY 2023

- **Single-digit growth of revenue**
- **Adjusted EBITDA increased high single-digit/low double-digit, with margins expected to range between 16% and 17%**
- **Net profit up by around 20%**
- **Ordinary Cash Flow expected to be between € 65 and 70 million, an increase of up to 15%**
- **Group net financial debt (IFRS 16) expected at 1.0x Adjusted EBITDA at the end of 2023**

Segrate, 1 August 2023 - Today, the meeting of the Board of Directors of Arnoldo Mondadori Editore S.p.A., chaired by Marina Berlusconi, reviewed and approved the Half-Year Report at 30 June 2023 presented by CEO Antonio Porro.

"The first six months of the current year show a general growth in revenues assisted by the excellent performance of our core businesses, which are outperforming estimates made at the beginning of the year", underlined **Antonio Porro, CEO of Mondadori Group**. *"Careful operational management has also allowed us to increase overall profitability and cash flow generation. The result is an improvement in financial performance and a strengthening of the Group's capital which, together with the favourable trend in the prices of the main production factors, have created the conditions for an upward revision of the targets for the 2023 financial year"*, concluded Porro.

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PERFORMANCE AT 30 JUNE 2023

Consolidated net revenue for the first half of 2023 amounted to € 362.4 million, compared to € 355.1 million in the previous year, an increase of 2.1%. Like-for-like, organic revenue growth came to 2.7%.

Adjusted EBITDA for the first half of 2023 **was € 38.2 million, an increase of almost € 11 million** on the € 27.6 million recorded for the first half of 2022.

Netting the results for the two half-years in question of the reliefs and contributions paid, the growth recorded by Group's EBITDA would exceed € 14 million.

All business areas contributed to the result, especially the Trade *BOOKS* Area, due in particular to the effect of the consolidation of the results of the recently acquired companies, among other factors, and the Educational *BOOKS* Area, which benefited from a favourable timing effect compared to last year. These results were achieved despite the increases in the cost of raw materials and the rates charged for printing and logistics services in the first part of the year compared to the previous year.

Group EBITDA for the first six months of 2023 amounted to € 40.3 million, compared to € 26.8 million in the corresponding period of 2022, an improvement of approximately € 14 million, attributable to the favourable dynamics of the aforementioned operations and the recognition in the current year, in the *MEDIA* Area, of the net capital gain resulting from the sale of the publications Grazia and Icon (and the related international network) amounting to approximately € 2.8 million.

Thanks to the positive performance of all business areas, the Mondadori Group's **EBIT** for the first half of 2023, **positive for € 14 million**, showed an improvement of € 10.7 million compared to 2022, despite the booking of approximately € 3 million in depreciation/amortisation resulting from the greater investments made in the last 12 months, the consolidation of new companies and the accounting effects of the PPA (Purchase Price Allocation) process.

Neutralising the extraordinary components and the impact of the PPA process related to the companies acquired in the last 12 months (amounting to € 2.5 million in the half-year under review), **Adjusted EBIT** would **amount to € 14.4 million**, up by more than € 8 million compared to the same period of 2022.

Financial expense grew by approximately € 0.5 million as a result of the higher cost of debt.

The **consolidated result before tax was positive at € 12.3 million**, an improvement of about € 12 million compared to € 0.5 million in the first half of 2022. The € 1.7 million improvement in the profits of investee companies contributed to this performance, particularly as a result of the update in the fair value measurement of the investment in the company A.L.I. and the recognition of a capital gain, net of the negative result of the first four months, of € 0.4 million from the sale of the residual investment in SEE, the publishing company of Il Giornale, which took place in April 2023.

As at 30 June 2023, the Group's **net profit**, after minority interests, came to € 12.2 million, **a significant improvement** of approximately € 9 million on the € 2.8 million recorded in the first half of 2022.

The tax burden for the period is positive by € 0.1 million (€ 1.8 million as at 30 June 2022) due to higher income, such as capital gains, taxed to a lesser extent.

The **Net Financial Position excluding IFRS 16** as at 30 June 2023, which as usual reflects the seasonal nature of the school textbooks business, came to € -215.2 million (net debt), a slight increase compared with the € -205.7 million of 30 June 2022, due to the cash-out related to acquisitions made during the last twelve months and the € 29 million distribution of dividends to the shareholders.

The **IFRS 16 Net Financial Position at 30 June 2023 stood at € -285.5 million** from € -285.1 million at 30 June 2022, including an IFRS 16 component of € -70.3 million.

Cash flow from ordinary operations in the last 12 months, after cash-out for financial expenses and taxes, amounted to € 63.6 million, **and allows the Group to continue strengthening its financial structure.**

At 30 June 2023, the **extraordinary cash flow** of the previous 12 months was negative by € 48 million, mainly due to the effect of the net balance of acquisitions and divestments for approximately € 31 million and cash-out for approximately € 5 million for restructuring costs.

LTM Free Cash Flow at 30 June 2023 was positive for € 15.8 million, **confirming the Group's capacity to finance its growth policy by external lines.**

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PERFORMANCE OF BUSINESS AREAS

Trade *BOOKS* AREA

In the first half of 2023, after the consolidation experienced in 2022, there was a new growth phase in the book market, which increased in value by 2.7%, with a substantial stability in volume (source: GFK).

In this context, the Mondadori Group's publishers recorded growth of 5.7% in the period under review, thanks in particular to the sales of new titles published at the beginning of the year. Thanks to these results, the Mondadori Group has consolidated its national leadership position, with a market share that in June 2023 was 27.4%, showing an improvement on June 2022 (26.6%).

The **Trade** component recorded **revenues in the first half of 2023 of € 175.5 million**, having grown by around **18%** on the previous year (+4% on a like-for-like basis).

The **Adjusted EBITDA of the Trade Books Area**, amounted to € 26.2 million in the first half of 2023: net of reliefs relating to Electa's museum activities, amounting to € 6.4 million, which had benefited the first half of 2022, the **area recorded growth of 32%** (€ 6.4 million), largely attributable to the contribution of the newly acquired companies.

Educational *BOOKS* AREA

School textbook publishing experiences a typical seasonal performance that sees sales squeezed in the second half of the year following the adoption campaign: as a result, the relating market shares for 2023 are unavailable at this time.

In the first six months of 2023, the **school textbooks business recorded overall revenues of € 57.9 million** (€ 49.6 million in the corresponding period of 2022), an increase of 16.8% which is not representative of the real performance as mostly due to an early supply to top accounts compared to last year.

Adjusted EBITDA of the Educational *BOOKS* Area in the first half of 2023 was positive and stood at € 2.3 million, a clear improvement compared to the € -2.4 million loss recorded in the first half of 2022, mainly due to the different timing of revenues linked to some supplies.

RETAIL AREA

In the first six months, the **Retail Area posted revenue of € 83.9 million, up by € 6.3 million (+8.1%)** versus the same period of the prior year.

Thanks to this **overperformance driven by the excellent performance of physical stores**, Mondadori Retail's market share stood at 12.4% (up 0.7% compared to 30 June 2022) and almost reached the 20% threshold of the physical channel.

The ongoing development and renovation of existing stores and the focus on the core business of books have enabled the Mondadori Store network **to consolidate its role in the market**, as demonstrated by the solid growth in revenue from Books (€ +5.5 million, +9.1%) which is **over 80% of the total**.

An analysis of sales in the physical channel shows a **further increase in revenues from directly-managed bookstores** (+17.3% compared to the same period in the previous year) and **franchisee bookstores** (+6.1% compared to the first half of the previous year); and, at the same time, a decline in the Online and Bookclub channels.

The *RETAIL* Area has a **positive and significantly growing Adjusted EBITDA of € 4.2 million, a value that has almost tripled compared to the figure for the first six months of 2022** (up by € 2.8 million).

MEDIA AREA

In the first half of 2023, the Mondadori Group retained its position as **Italy's top multimedia publisher**:
• in print with 13 titles and 9 million readers;
• on the web with 12 brands and approximately 28.7 million average unique users per month;
• in social media with a fan base of over 86 million and around 100 profiles.

In the magazine segment, Mondadori Group's market share (in terms of circulation) stood at 20.5%, up slightly – with a like-for-like portfolio of titles – versus the figure in the same period of 2022 (20.0% in May 2022), due to improved performance on that of the reference market.

In the first half of 2023, **the *MEDIA* Area recorded revenue of € 68.7 million, a reduction of approximately 30% on the same period of the previous year.** On a like-for-like basis (thus excluding the effect of the deconsolidation of the titles sold at the beginning of 2023 and of Press-di's distribution activities), this reduction is smaller by around 8% and **shows different trends in the two digital and print components**. **In particular, on a like-for-like basis, digital activities, which account for over a third of total revenues in the area, recorded a growth in advertising revenues of around 14%**; traditional print activities were down by approximately 17%, in particular due to the significant contraction in joint sales recorded in the period.

Adjusted EBITDA for the *MEDIA* Area came to € 9 million, having grown by approximately 16% compared with the first half of 2022, mainly due to traditional businesses. In the print area in particular, the increase is mostly due to the recognition of a contribution to offset the costs incurred by the publisher for the distribution of periodicals (€ 2.8 million), which made it possible to offset the greater industrial costs, especially paper, and the contraction of the margin from the sale of add-ons; in the digital area, Adjusted EBITDA was substantially stable compared to the same half of the previous year, despite the higher costs incurred for the launch of new initiatives related to the influencer marketing segment, thanks to higher advertising revenues.

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OUTLOOK FOR THE YEAR

As already announced to the market on 29 June 2023, given the more favourable evolution compared to previous estimates of both the business during the first half of the year and the prices of the main production factors – the Group has revised its forecasts for 2023 upwards.

Currently, the estimates predict:

- **<u>Income Statement</u>**

• Single-digit revenue growth;

• High single-digit/low double-digit growth in Adjusted EBITDA, with **margins expected to range between 16% and 17%**;

• **approximately 20% growth in the net result**, despite the higher amortisation/depreciation deriving from both the increasing investment policy implemented by the Group and the effects of the Purchase Price Allocation process related to the recently-acquired companies, thanks to the operational improvement and the positive effects of the sale of the investment in Il Giornale.

- **<u>Cash Flow and Net Financial Position</u>**

• Ordinary Cash Flow is expected to fall within a range of € 65 to 70 million, showing **growth of up to 15%** on the 2022 figure (which had come to approximately € 60 million net of the one-off impact of derivative instruments related to rate risk hedging).

• the Group's net financial debt (IFRS 16) is confirmed to come in, at end FY 2023, as 1.0x adjusted EBITDA, down from 1.3x at end 2022.

The solid financial and equity position that characterises the Mondadori Group allows it to continue to pursue the **virtuous development path** started some years ago, characterised by the constant recourse to M&As whereby the Mondadori Group seeks to seize opportunities for growth through external lines, mainly in the book and digital businesses.

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The presentation of the results at 30 June 2023, approved today by the Board of Directors, is available on 1Info (www.1info.it), on www.borsaitaliana.it and on www.gruppomondadori.it (Investors section). A Q&A session will be held in conference call mode at 4.00 pm for the financial community, attended by the CEO of the Mondadori Group, Antonio Porro, and the CFO, Alessandro Franzosi. Journalists will be able to follow the meeting in listening mode only, by connecting to the following phone number +39.02.8020927 or via web at: https://hditalia.choruscall.com/?calltype=2&info=company.
The Financial Reporting Manager - Alessandro Franzosi - hereby declares, pursuant to Article 154 bis, paragraph 2, of the Consolidated Finance Law, that the accounting information contained herein corresponds to the Company's records, books and accounting entries.

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Annexes:
1. Consolidated Balance Sheet
2. Consolidated Income Statement
3. Consolidated Income Statement - II quarter
4. Group cash flow
5. Glossary of terms and alternative performance measures used.

Media Relations
pressoffice@mondadori.it
+39 02 7542.3159

Investor Relations
invrel@mondadori.it
+39 02 7542.2632

Annex 1

Consolidated Balance Sheet

(Euro/millions)	1H 2023	1H 2022	% chg.
Trade receivables	158.6	142.0	11.6%
Inventory	177.1	158.7	11.6%
Trade payables	229.9	206.9	11.1%
Other assets (liabilities)	(9.4)	4.9	n.s.
Net working capital continuing operations	**96.4**	**98.8**	**(2.4)%**
Discontinued or discontinuing assets (liabilities)	—	(1.7)	(100.0)%
Net Working Capital	**96.4**	**97.1**	**(0.8)%**
Intangible assets	386.1	352.0	9.7%
Property, plant and equipment	31.4	16.4	92.0%
Investments	14.0	27.9	(49.9)%
Net fixed assets with no rights of use IFRS 16	**431.5**	**396.3**	**8.9%**
Assets from right of use IFRS 16	67.1	75.2	(10.7)%
Net fixed assets with rights of use IFRS 16	**498.7**	**471.5**	**5.8%**
Provisions for risks	40.5	45.4	(10.9)%
Post-employment benefits	28.4	28.5	(0.1)%
Provisions	**68.9**	**73.9**	**(6.7)%**
Net invested capital	**526.1**	**494.7**	**6.3%**
Share capital	68.0	68.0	— %
Reserves	159.7	137.0	16.6%
Profit (loss) for the period	12.2	2.8	337.3%
Group equity	**239.9**	**207.7**	**15.5%**
Non-controlling interests' equity	0.7	1.9	(61.1)%
Equity	**240.6**	**209.6**	**14.8%**
Net financial position no IFRS 16	215.2	205.8	4.6%
Net financial position IFRS 16	70.3	79.3	(11.4)%
Net financial position	**285.5**	**285.1**	**0.1%**
Sources	**526.1**	**494.7**	**6.3%**

Annex 2

Consolidated Income Statement

(Euro/millions)	1H 2023		1H 2022		Chg. %
Revenue	**362.4**		**355.1**		***2.1%***
Industrial product cost	113.7	31.4%	112.3	31.6%	*1.2%*
Variable product costs	45.1	12.4%	46.3	13.0%	*(2.6%)*
Other variable costs	64.0	17.7%	74.0	20.8%	*(13.4%)*
Structural costs	29.7	8.2%	29.3	8.2%	*1.6%*
Extended labour cost	72.5	20.0%	73.7	20.8%	*(1.7%)*
Other expense (income)	(0.9)	(0.2%)	(8.0)	(2.3%)	*n.s.*
Adjusted EBITDA	**38.2**	**10.6%**	**27.6**	**7.8%**	***38.8%***
Restructuring costs	0.3	0.1%	0.5	0.1%	*(42.0%)*
Extraordinary expense (income)	(2.4)	(0.7%)	0.3	0.1%	*n.s.*
EBITDA	**40.3**	**11.1%**	**26.8**	**7.5%**	***50.8%***
Amortization and depreciation	19.1	5.3%	16.5	4.7%	*15.3%*
Amortization and depreciation IFRS 16	7.3	2.0%	7.0	2.0%	*4.8%*
EBIT	**14.0**	**3.9%**	**3.2**	**0.9%**	***333.0%***
Financial expense (income)	2.5	0.7%	1.8	0.5%	*42.5%*
Financial expense IFRS 16	1.0	0.3%	1.1	0.3%	*(14.5%)*
Financial expense (income) from securities valuation	(1.8)	(0.5%)	(0.1)	0.0%	*n.s.*
EBT	**12.3**	**3.4%**	**0.5**	**0.1%**	***n.s.***
Tax expense (income)	(0.1)	0.0%	(1.8)	(0.5%)	*n.s.*
Minorities	0.1	0.0%	(0.6)	(0.2%)	*n.s.*
Group net result	**12.2**	**3.4%**	**2.8**	**0.8%**	***337.6%***

Annex 3

Consolidated Income Statement - II quarter

(Euro/millions)	Q2 2023		Q2 2022		*Var. %*
Revenue	**202.4**		**202.0**		***0.2%***
Industrial product cost	57.5	28.4%	62.6	31.0%	*(8.2%)*
Variable product costs	24.1	11.9%	24.9	12.3%	*(3.2%)*
Other variable costs	35.0	17.3%	39.8	19.7%	*(12.0%)*
Structural costs	15.3	7.6%	16.7	8.3%	*(8.4%)*
Extended labour cost	36.5	18.0%	37.0	18.3%	*(1.4%)*
Other expense (income)	0.2	0.1%	(7.6)	(3.8%)	*n.s.*
Adjusted EBITDA	**33.8**	**16.7%**	**28.6**	**14.2%**	***18.1%***
Restructuring costs	0.1	0.0%	0.3	0.2%	*(74.5%)*
Extraordinary expense (income)	(1.9)	(0.9%)	0.9	0.5%	*n.s.*
EBITDA	**35.7**	**17.6%**	**27.4**	**13.6%**	***30.0%***
Amortization and depreciation	9.9	4.9%	8.5	4.2%	*16.3%*
Amortization and depreciation IFRS 16	3.6	1.8%	3.5	1.7%	*3.4%*
EBIT	**22.2**	**11.0%**	**15.5**	**7.6%**	***43.6%***
Financial expense (income)	1.7	0.8%	1.0	0.5%	*75.2%*
Financial expense IFRS 16	0.6	0.3%	0.5	0.3%	*4.7%*
Financial expense (income) from securities valuation	(1.2)	(0.6%)	(1.0)	(0.5%)	*n.s.*
EBT	**21.1**	**10.4%**	**14.9**	**7.4%**	***41.8%***
Tax expense (income)	3.5	1.7%	1.3	0.6%	*n.s.*
Minorities	0.2	0.1%	(0.6)	(0.3%)	*n.s.*
Group net result	**17.4**	**8.6%**	**14.2**	**7.0%**	***22.8%***

Annex 4

Group cash flow

(Euro/millions)	LTM 2023	FY 2022
Initial NFP IFRS 16	**(285.1)**	**(179.1)**
Financial liabilities application of IFRS 16	(79.3)	(84.3)
Initial NFP No IFRS 16	**(205.8)**	**(94.8)**
Adjusted EBITDA (No IFRS 16)	131.1	120.9
NWC and provisions	(4.9)	6.3
CAPEX no IFRS 16	(40.5)	(41.7)
Cash flow from operations	**85.7**	**85.5**
Financial income (expense) no ifrs 16	(4.7)	(4.1)
Tax	(17.5)	(21.6)
Cash flow from ordinary operations	**63.6**	**59.7**
Restructuring costs	(4.7)	(8.8)
Share capital increase/dividents from associates	(2.9)	(1.0)
M&A	(31.1)	(42.6)
Other income and expenditure	(9.1)	(7.3)
Cash Flow from extraordinary operations	**(47.8)**	**(59.6)**
Free cash flow	**15.8**	**0.2**
Dividends	(28.7)	(22.2)
Tot. cash flow	**(12.9)**	**(11.5)**
Net financial position no IFRS 16	**(215.2)**	**(106.0)**
IFRS Effects in the period	9.0	13.1
Final net financial position	**(285.8)**	**(177.4)**

Annex 5

Glossary of terms and alternative performance measures used

This document, in addition to the statements and conventional financial measures required by IFRS, presents a number of reclassified statements and alternative performance measures, in order to provide a better understanding of the operating and financial performance of the Group. These statements and measures should not be considered as a replacement of those required by IFRS. With regard to these figures, in accordance with the recommendations contained in CONSOB Communication no. 6064293 of 28 July 2006, and in CONSOB Communication no. 0092543 of 3 December 2015, as well as with the 2015/1415 ESMA guidelines on alternative performance measures ("Non-GAAP Measures"), explanations are given on the criteria adopted in their preparation and the relevant notes to the items appearing in the mandatory statements.
Specifically, the alternative measures used include:
Gross Operating Profit (EBITDA): net result for the period before income tax, other financial income and expense, amortization, depreciation and write-downs of fixed assets.
The Group also provides information on the percentage of EBITDA on net sales. EBITDA measured by the Group allows operating results to be compared with those of other companies, net of any effects from financial and tax items, and of depreciation and amortization, which may vary from company to company for reasons unrelated to general operating performance.
Adjusted gross operating profit (adjusted EBITDA): gross operating profit as explained above, net of income and expense of a non-ordinary nature such as:

- income and expense from restructuring, reorganization and business combinations;
- clearly identified income and expense not directly related to the ordinary course of business;
- any income and expense from non-ordinary events and transactions as set out in CONSOB Communication DEM6064293 of 28/07/2006.

With regard to adjusted EBITDA in the first half of 2022, the following items were excluded from EBITDA:

- Restructuring costs for a total amount of € 0.5 million, included in "Cost of personnel" in the income statement;
- expense of a non-ordinary nature for a total of € 0.3 million, included in "Sundry expense (income)" and "Cost of services".

With regard to adjusted EBITDA in first half of 2023, the following items were excluded from EBITDA:

- restructuring costs for a total amount of € 0.3 million, included in "Cost of personnel" in the income statement;
- income of a non-ordinary nature for a total of € 2.4 million, included in "Sundry expense (income)" and "Cost of services".

(Euro/thousands)	1H23	1H22
Gross Operating Profit - EBITDA (as shown in the financial statements)	**40,347**	**26,754**
Restructuring costs under "Cost of personnel"	279	481
Income of a non-ordinary nature included in "Sundry expense (income)" and "Cost of services"	(2,382)	320
Adjusted Gross Operating Profit - Adjusted EBITDA (as shown in the Directors' Report on Operations)	**38,244**	**27,555**

Operating result (EBIT): net result for the period before income tax, and other financial income and expense.
Adjusted operating profit (EBIT Adjusted): this is represented by the operating result, as defined above, excluding non-ordinary income and expense, as defined previously, depreciation and amortization deriving from the company purchase price allocation and the impairment of intangible assets.
Operating profit (EBT): EBT or consolidated income before tax is the net result for the period before income tax.
Net invested capital: the algebraic sum of Fixed Capital, which includes non-current assets and non-current liabilities (net of non-current financial liabilities included in the Net Financial Position) and Net Working Capital, which includes current assets (net of cash and cash equivalents and current financial assets included in the Net Financial Position), and current liabilities (net of current financial liabilities included in the Net Financial Position).
Cash flow from operations: adjusted EBITDA, as explained above, plus or minus the decrease/(increase) in working capital in the period, minus capital expenditure (CAPEX/Investment).
Cash flow from ordinary operations: cash flow from operations as explained above, net of financial expense, tax paid in the period, and income/expense from investments in associates.
Cash flow from non-ordinary operations: cash flow generated/used in transactions that are not considered ordinary, such as company restructuring and reorganization, share capital transactions and acquisitions/disposals.
Free Cash Flow: the sum of cash flow from ordinary and non-ordinary operations in the reporting period (excluding payment of dividends, if any).
Total Cash Flow: the sum of cash flow from ordinary and non-ordinary operations in the reporting period (including payment of dividends, if any).