

RCS MediaGroup

Business Plan 2016-2018



Agenda

Starting point and context

- Market trends
- RCS positioning

How to succeed in the near future: RCS Plan 2016-2018

- Objectives and key actions
- Financial projections

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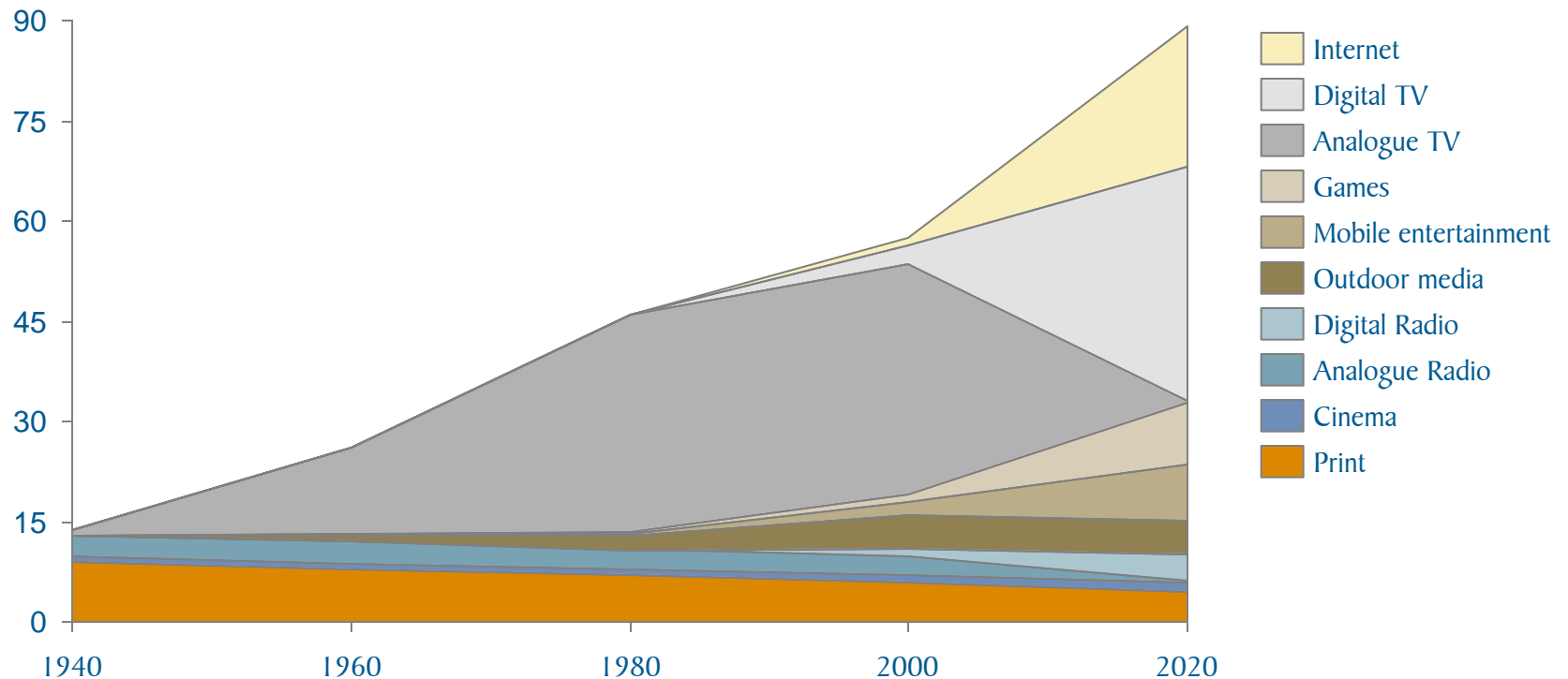
Editorial market: the basis for competition is significantly shifting



Overall media consumption is continuing to increase

Media consumption by different media types (number of hours per week)

Nr. of hours per week spent per media type



...but print consumption structurally declining

Increase in media consumption mainly driven by time spent online

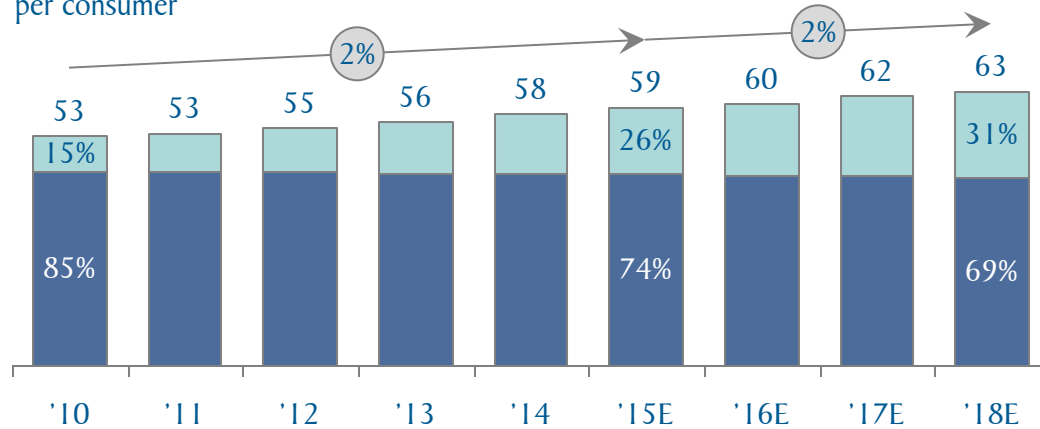
Geo-
graphy

Media usage
(2010-2018E, Hours per week per consumer)

CAGR
'10-'15E

CAGR
'15E-'18E

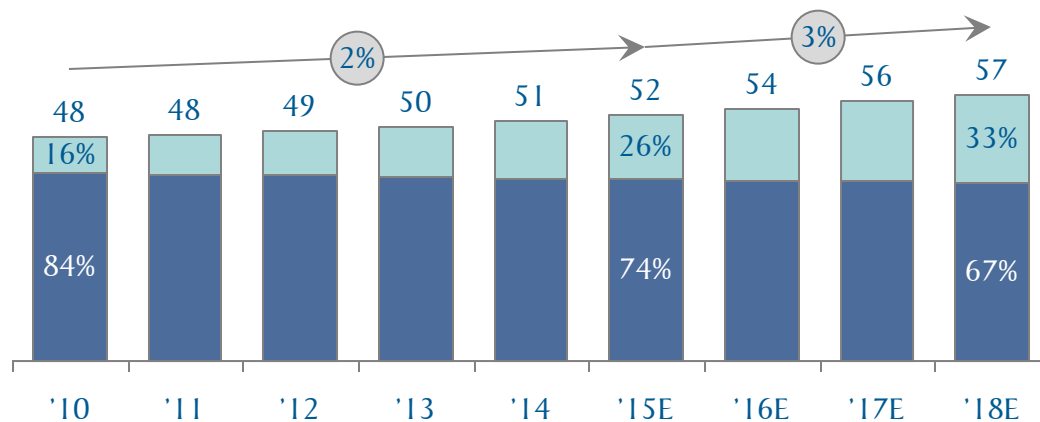
Hours per week
per consumer



Italy

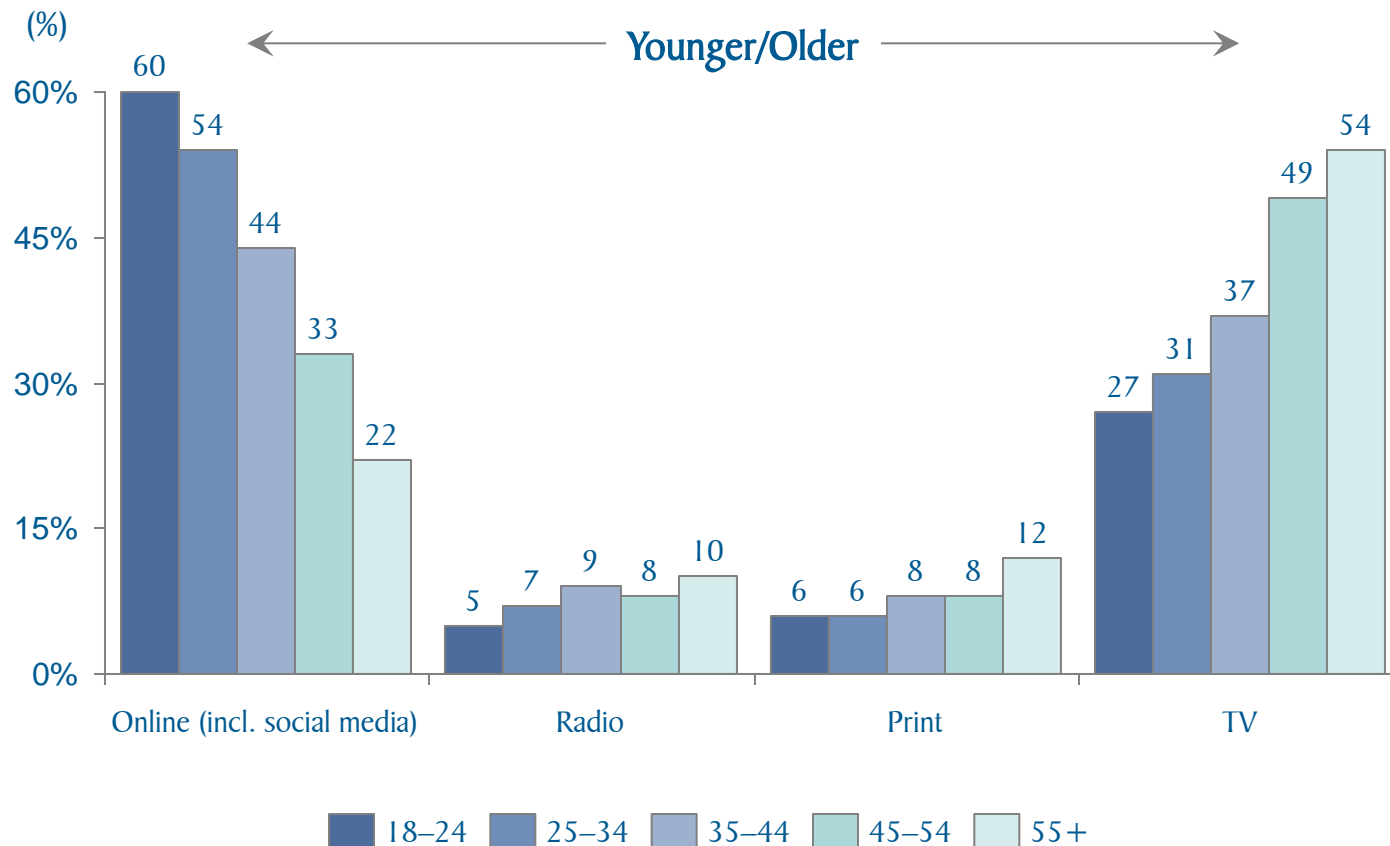


Spain



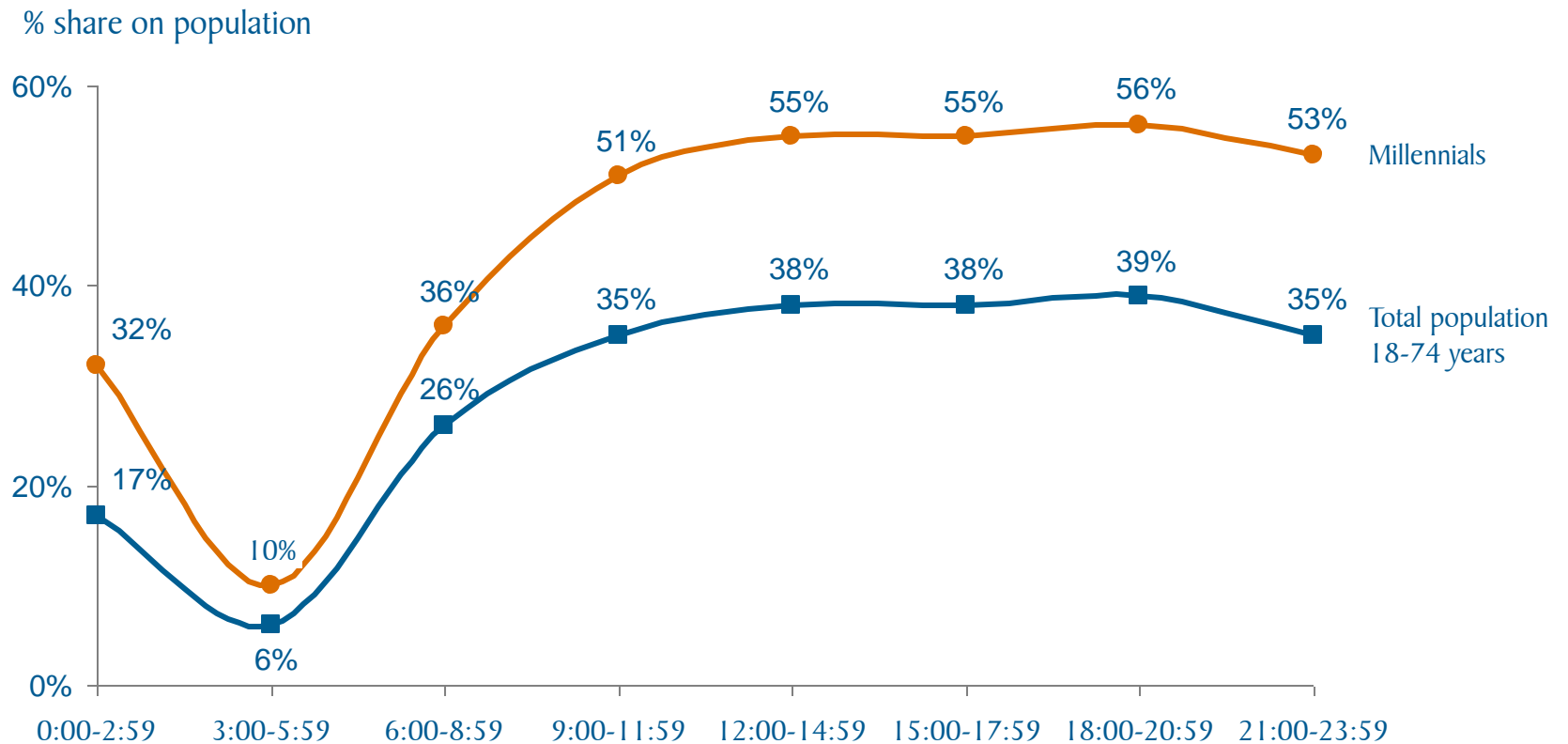
This transition to the digital ecosystem as source of content is particularly evident for younger segments

Main source of news across age groups



Audience is "always on" and demands a 24/7 interaction online, and this is even more evident for younger generations

Access to internet in the average day by time band (% on population, Italy)



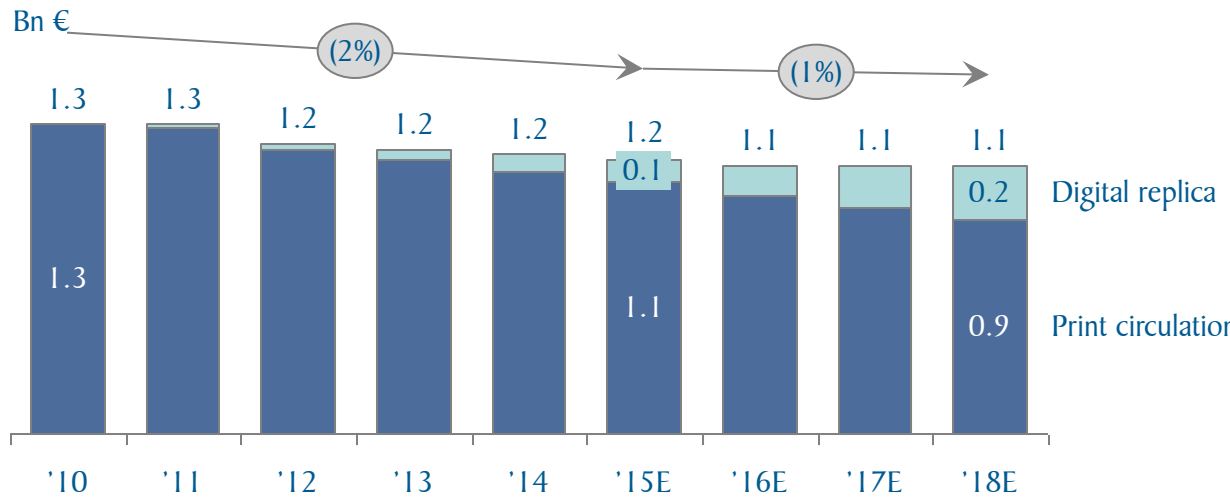
Structural decline in print translates into decreasing circulation; this decline is only partially offset by paid circulation from Digital editions

Geo-
graphy

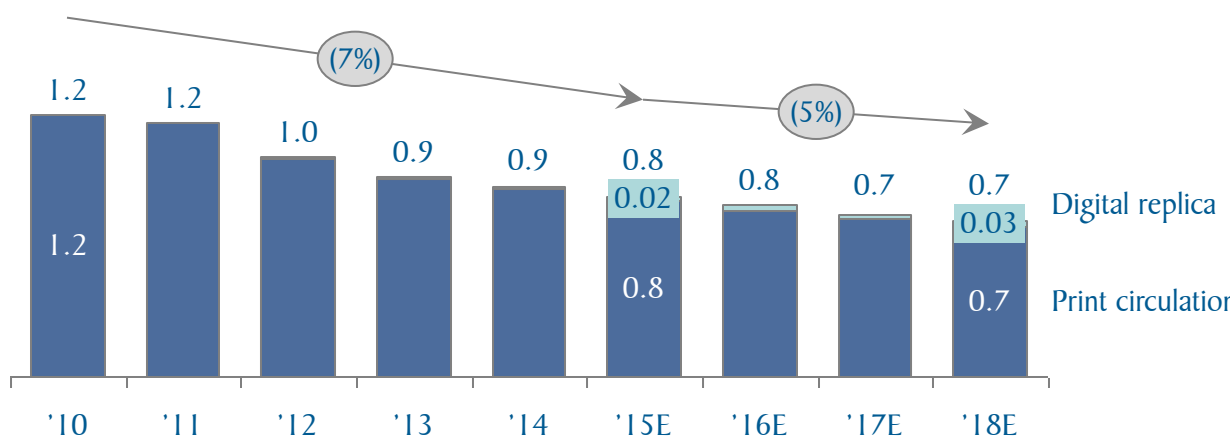
Newspapers circulation market (2010-2018E, Bn€)

CAGR
'10-'15E

CAGR
'15E-'18E



Digital replica	n.a.	33%
Print circulation	(4%)	(5%)



Digital replica	n.a.	16%
Print circulation	(8%)	(5%)

ATL budgets are shifting to Digital...

Geo-
graphy

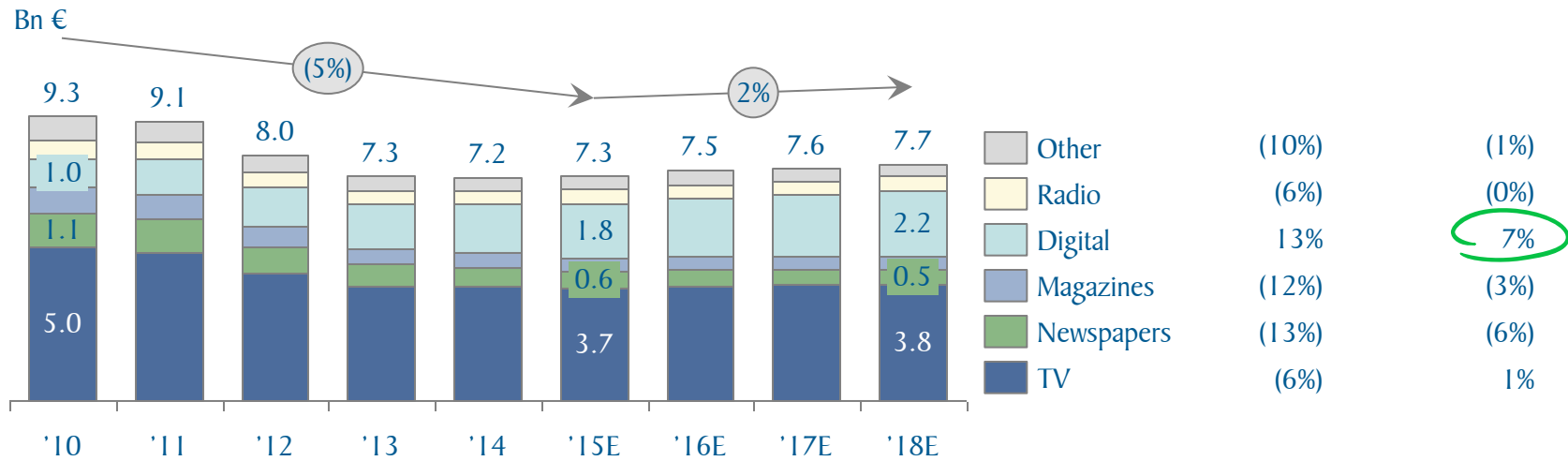
ATL Advertising Investments (2010-2018E, Bn€)

CAGR
'10-'15E

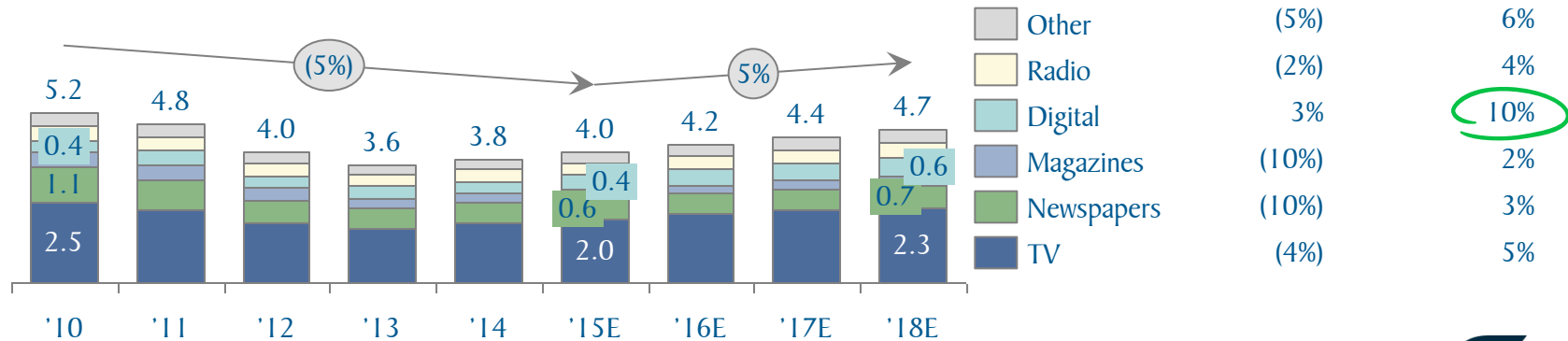
CAGR
'15E-'18E



Italy



Spain



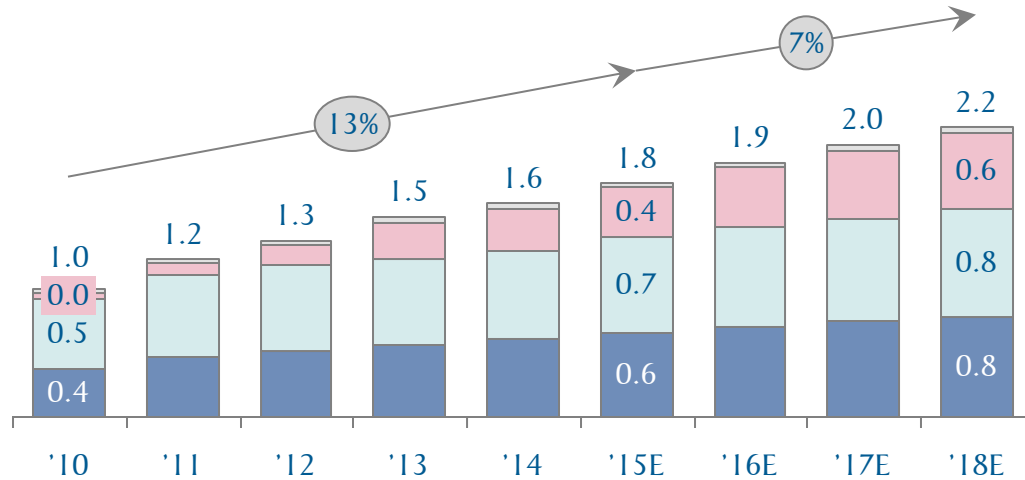
...and in Digital the focus is shifting from Display towards Video, Mobile and Social

Geo-
graphy

ATL Advertising Investments – Focus on Digital (2010-2018E, Bn€)

CAGR
'10-'15E

CAGR
'15E-'18E



Category	CAGR '10-'15E	CAGR '15E-'18E
Other	3%	6%
Video	50%	15%
Display	7%	4%
Search	12%	6%

Italy

Of which Mobile



Category	CAGR '10-'15E	CAGR '15E-'18E
Total Mobile	56%	19%

Of which Social



Category	CAGR '10-'15E	CAGR '15E-'18E
Total Social	66%	19%

Next to a challenging ATL market, there is a large market of BTL/ B2B marketing and communication solutions growing and increasingly digital

ATL vs. BTL market in Italy (Bn €, data and estimates)



	Description and examples	Expected trend
<p>~7 Bn€</p>	<p>Above-the-line</p> <ul style="list-style-type: none"> • Traditional (TV, newspapers, radio, etc.) • Digital (display, search, ...) 	<ul style="list-style-type: none"> — "Traditional" to decrease + Specific digital segments to increase
<p>~8-9 Bn€</p>	<p>Below-the-line</p> <ul style="list-style-type: none"> • Customer & Audience analytics • Direct marketing • Web marketing (SEM, SEO,..) • Content marketing • Social media management and digital PR • Development of apps, mini-sites, .. • Lead generation • Events • Sponsorships • Promotions • 	<ul style="list-style-type: none"> ▬ Overall expected to remain stable + Digital and innovative services to increase

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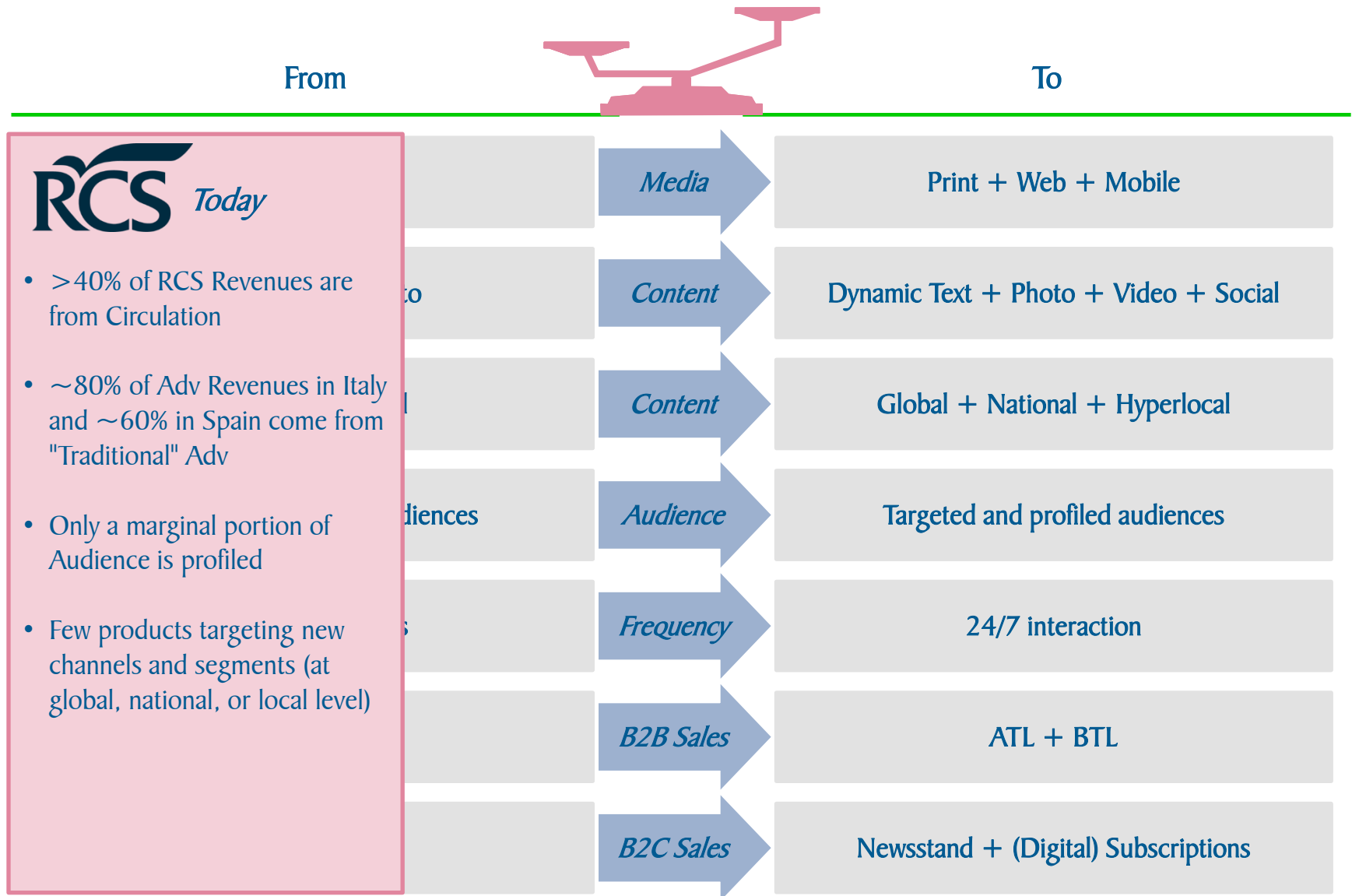
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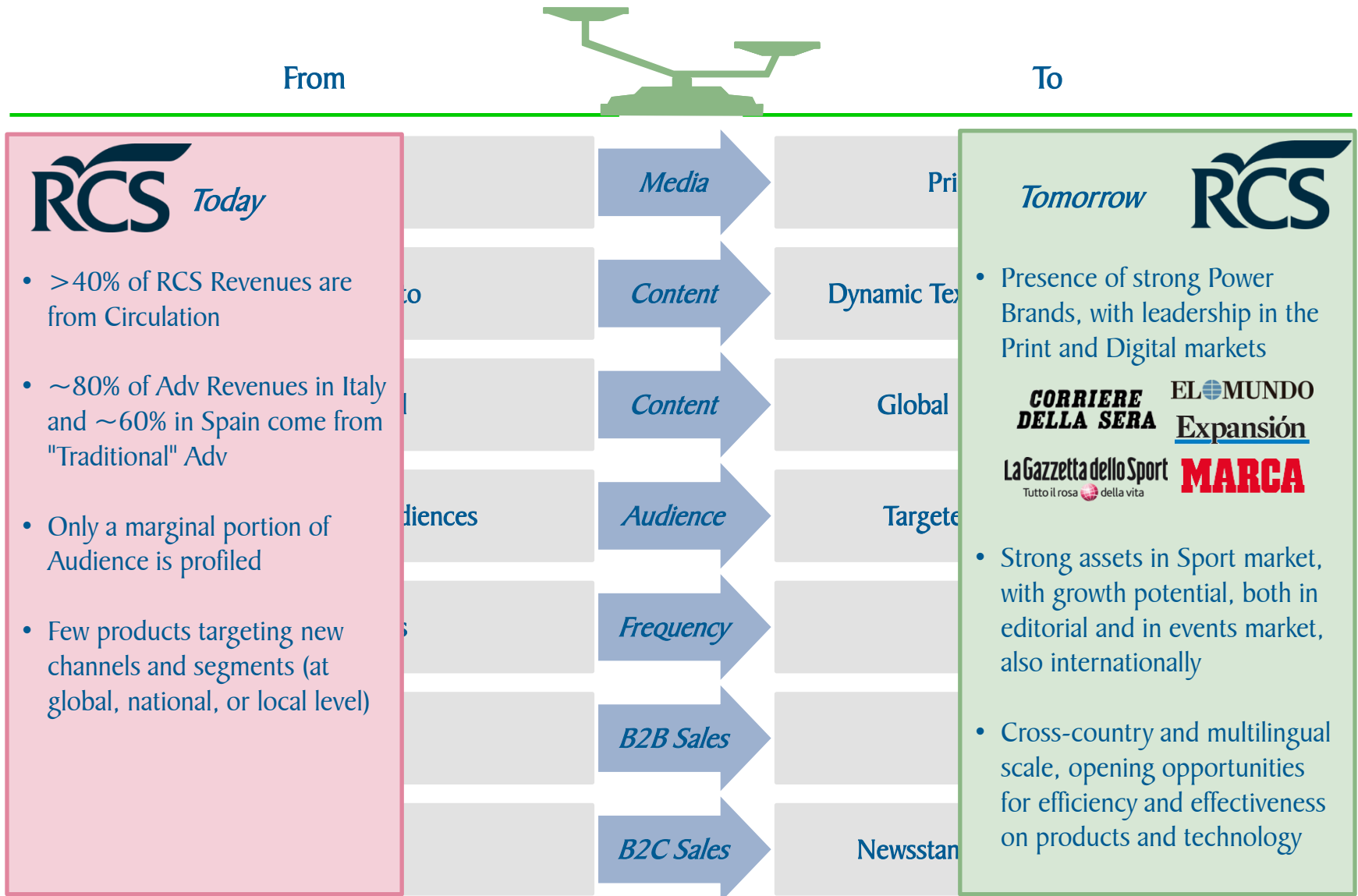
How to succeed in the near future: RCS Plan 2016-2018

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So far RCS still shifted towards the "wrong side" of the scale



RCS has the opportunity to build a future on the "right side" of the scale



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RCS Business Plan 2016-2018 is geared towards 3 objectives

1 > Ensure **sustainable economics** going forward

2 > Value RCS assets, managing the **business transformation**

3 > Set strong foundations for **future growth**

To achieve these objectives, there are 8 fundamental actions to focus on

- 
- ① Persistently **reduce costs**, protecting products' investments & quality
 - ② **Stabilize revenues** and margins of Print+Web+Mobile editorial products
 - ③ Selectively **invest** in high-potential areas
 - ④ Exploit scale to **optimize technological platforms**
 - ⑤ **Optimize the value chain** by leading the print industry consolidation process
 - ⑥ **Dismiss** non-core/ low value assets
 - ⑦ **Simplify the organization**, focusing on capabilities, accountability & execution
 - ⑧ Continuously **monitor the Plan's** execution via shared KPIs in order to swiftly adapt to a changing environment

Action 1: Persistently reduce costs, protecting products' investments & quality

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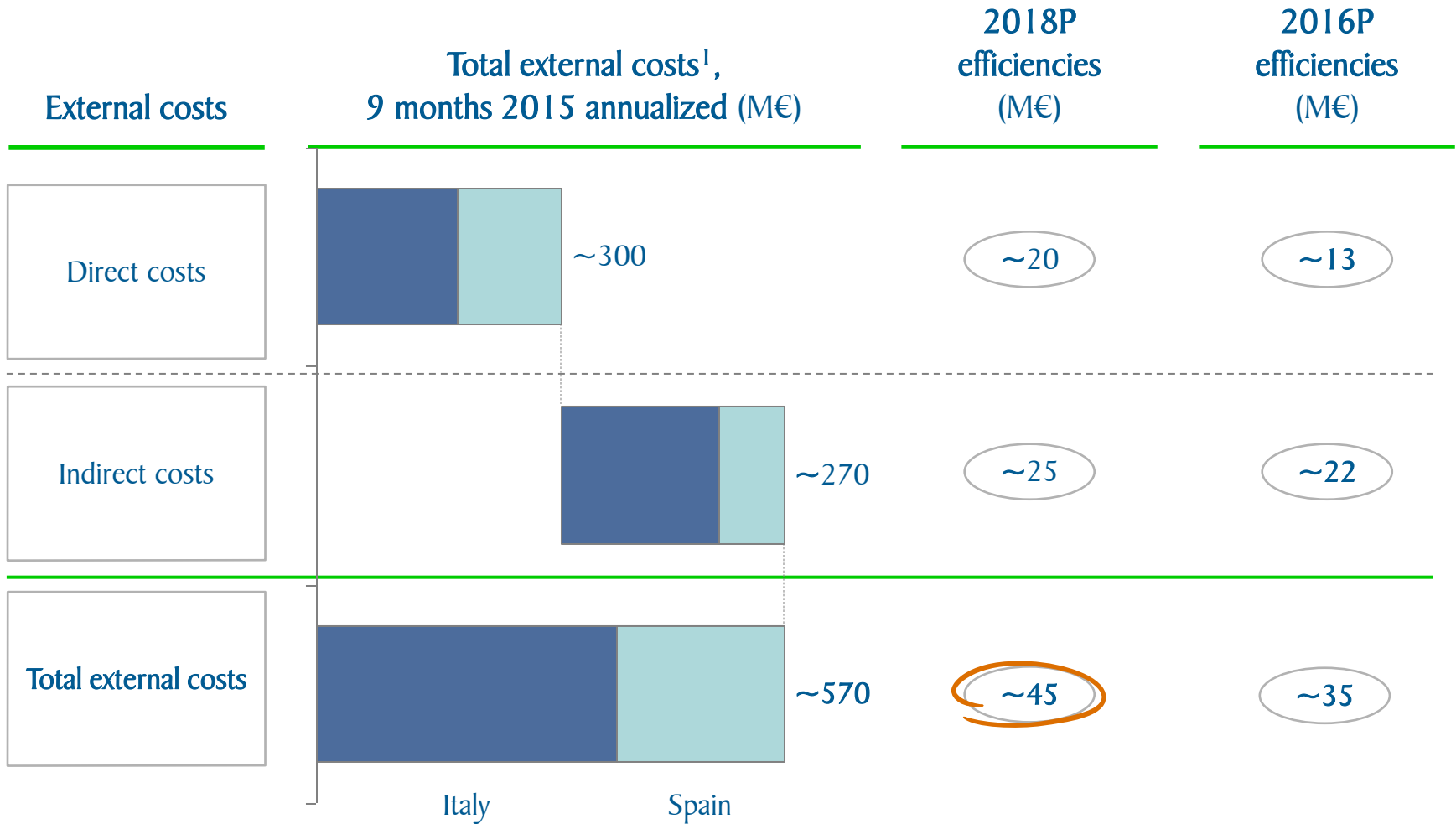
Persistently reduce costs, protecting products' investments & quality, mainly through 3 initiatives

- A** **External costs**
 - Direct costs (Physical production, Publishing & Editing, Logistic services)
 - Indirect costs (General services, Marketing & Sales services, IT & Telecom, Professional services)

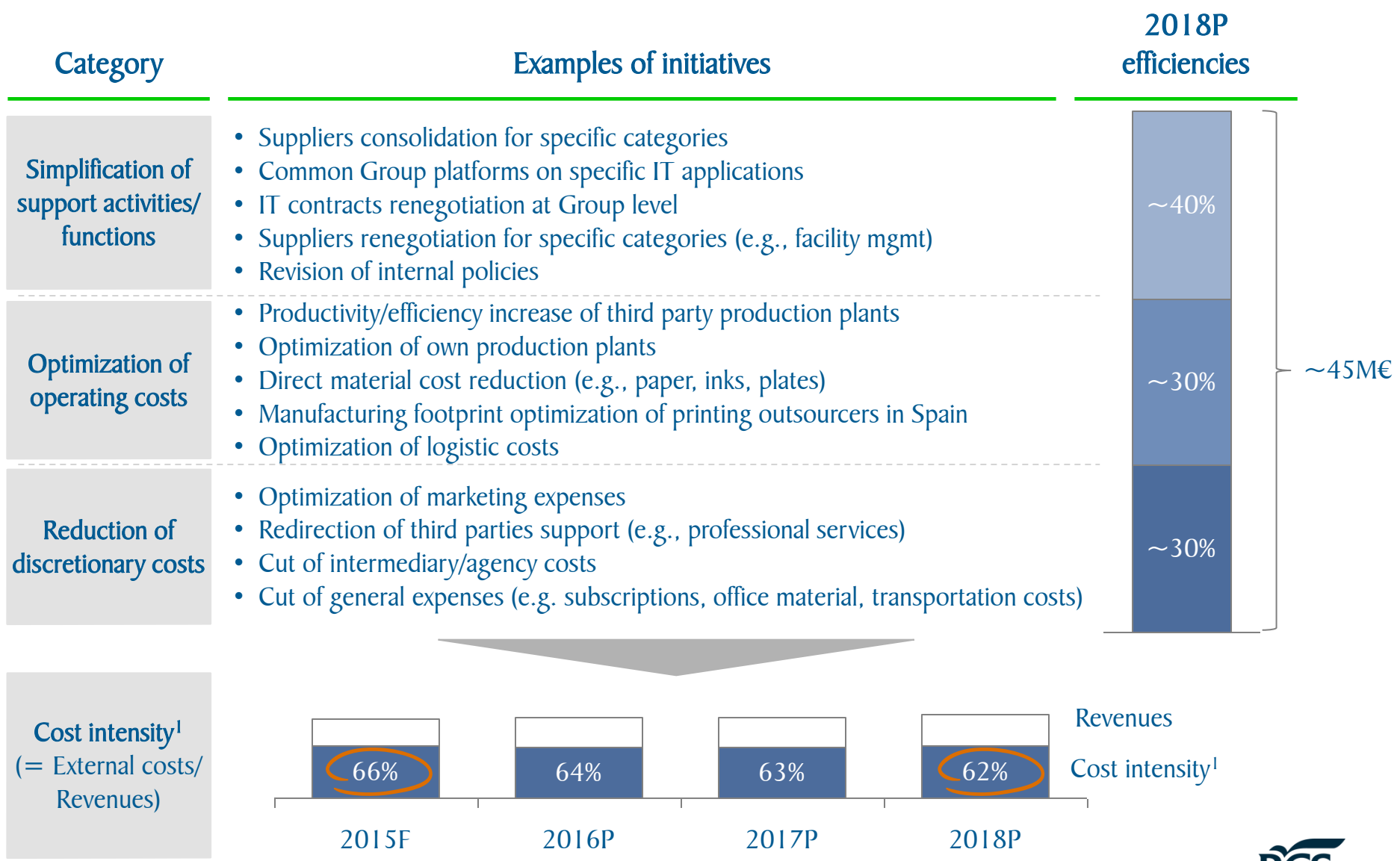
- B** **Labor costs**
 - Right-sizing of corporate/ support functions also through integration of Italy & Spain
 - Lean model on product costs (content creation, prepress, print, logistics)

- C** **Print consolidation**
 - *See Action 5 - Optimize the value chain by leading print industry consolidation process*

A External costs: identified initiatives to reduce external costs by ~45M€

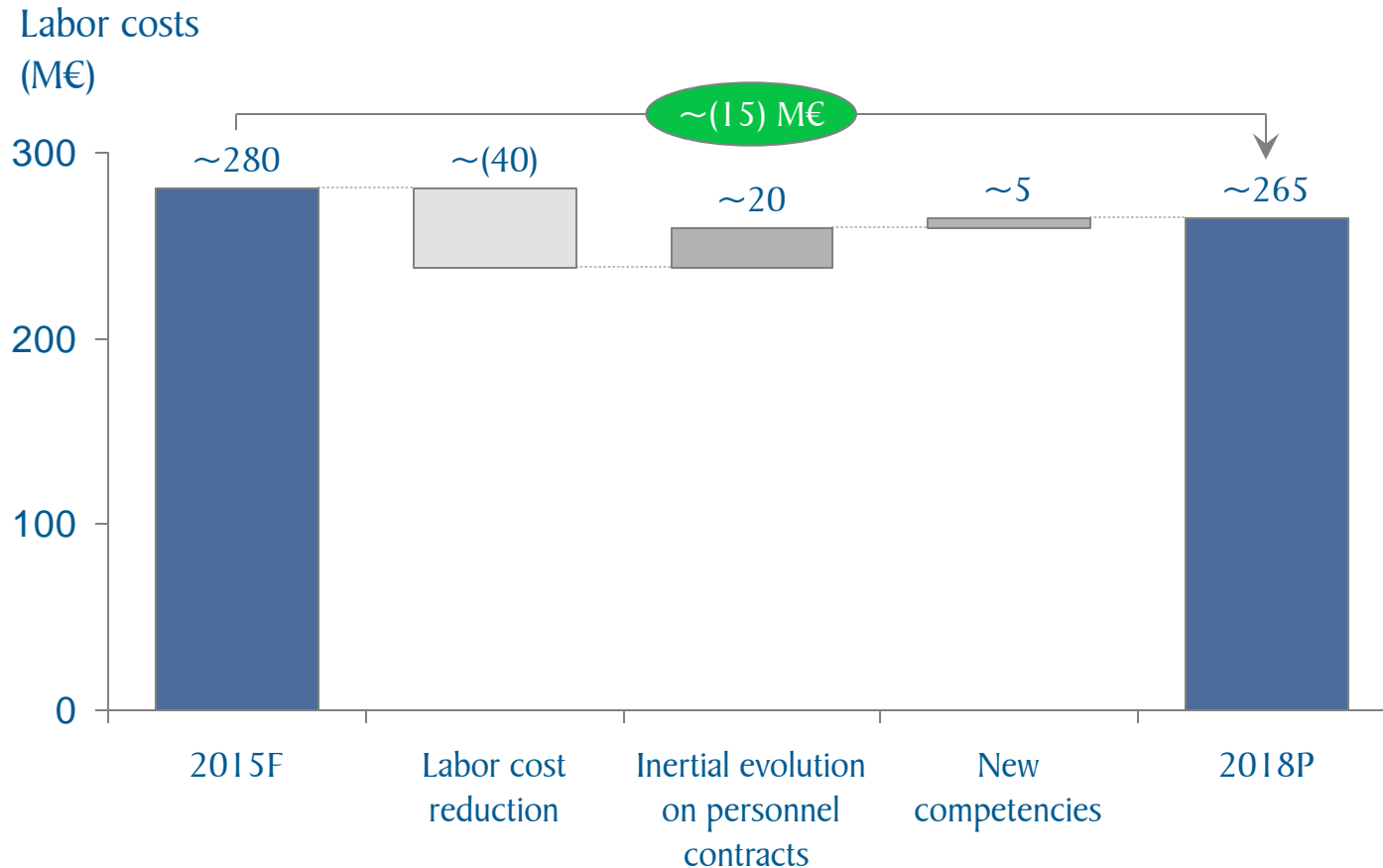


A External costs: key initiatives underpinning cost reduction so that external costs decrease to 62% of revenues in 2018P (vs. 66% in 2015F)



B Labor costs: identified initiatives to reduce running labor costs by ~15M€

Key Plan impacts on running labor cost (2015F - 2018P, M€)



Running Labor cost/ Revenues



Action 2: Stabilize revenues and margins of Print+Web+Mobile editorial products

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Key initiatives to stabilize revenues and margins of editorial products

- A** **New verticalities**
 - Launch new paid verticalities for Corriere della Sera
 - Launch/develop new products "mobile-first" for Millennials
 - Foster cross-fertilization across countries
 - ...

- B** **Local editions**
 - Optimize print Local editions
 - Launch digital Hyperlocal editions
 - ...

- C** **Subscriptions**
 - Push on subscriptions and ARPU¹ on Print & Digital editions
 - Reduce churn

- D** **Price**
 - Introduce selected paywall on companion websites
 - Review and optimize pricing strategy on Print editions

A New verticalities: New paid products to target RCS audience - the example of Corriere della Sera with "La Lettura"

- Selected examples-

laLettura

Topic

Launch¹

Overview

Reading
July 2015

- B2C product sold on top of Corriere since mid 2015
 - Free product since 2011
- Key success factors:
 - Higher quality
 - Discretionary purchase
 - Communication

Revenues
2016P
(M€)

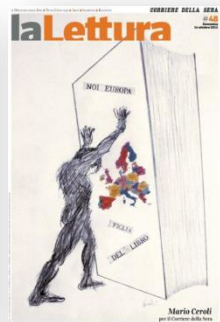
~2 - 2.5 M€

EBITDA-CapEx
2016P
(M€)

~0.5 - 1 M€

EBITDA-CapEx/
Revenues
2016P
(%)

~25 - 35%



B Local editions: Optimize local editions and launch a new hyperlocal digital platform

- Selected examples-

Optimization of existing local editions

Today 9 local editions for Corriere della Sera

- 7 newspapers: Veneto, Mezzogiorno, Campania, Puglia, Firenze, Bologna, Trentino Alto Adige
- 2 editions (i.e. with desks at Corriere): Bergamo, Brescia

Review and optimization of current operating model

Impact on EBITDA-CapEx 2018P (M€)

~5 M€

Launch of a "hyperlocal" digital platform

There is an opportunity to become a reference point on digital for local news

- A highly relevant service for local communities
- Need to focus on new, different, more engaging types of news

"Light" model, only via web & mobile

Content by bloggers and registered users

Coverage of 25-30 cities in Italy

Impact on EBITDA-CapEx 2018P (M€)

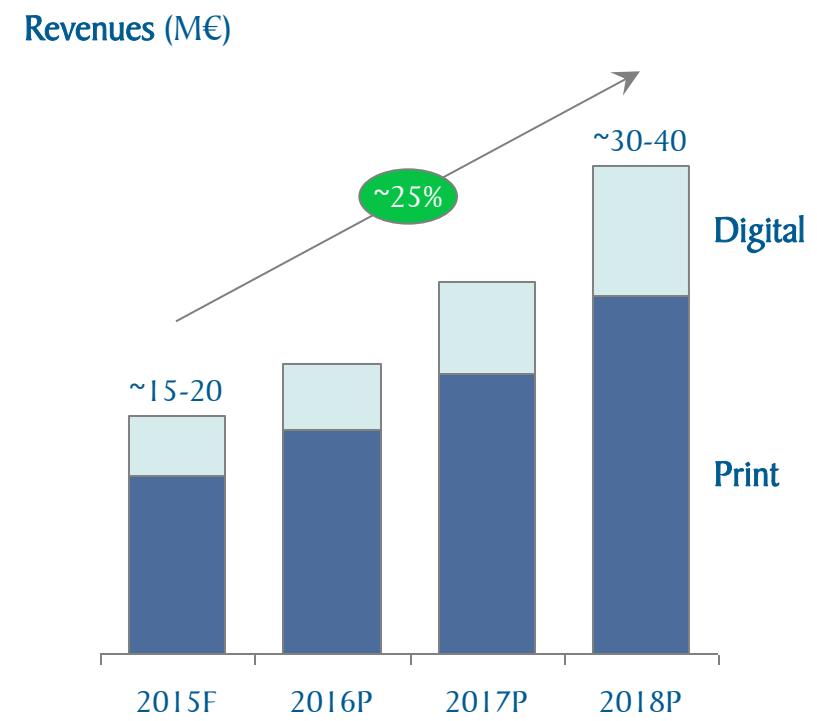
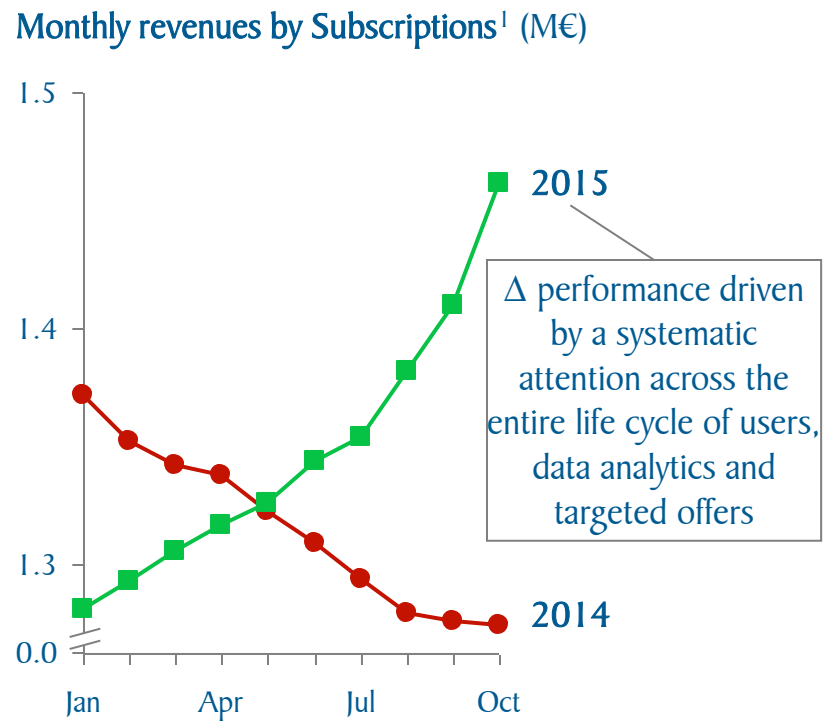
1 + M€

© Subscriptions: Following the 2015 trend in the Spanish market, subscriptions projected to increase going forward

- Selected examples-

Recent trends in Subscriptions 

Subscriptions: Business Plan projections 



D Price: Introduce a Membership mechanism on companion websites to increase revenues, build loyalty and profile audience

- Selected examples-

Set up of a "metered Paywall" on Corriere della Sera

CORRIERE DELLA SERA*it*

Launch: by the end of January

New streams of predictable revenue

- By converting readers to customers RCS can transition closer to a subscription-based model

Build loyalty with the audience

- The Membership mechanism enables RCS to build a stronger relationship with loyal readers

Monetization through profiling

- Readers that get to the Membership will need to register, driving a source of high quality profiling data

Impact on
EBITDA-CapEx
2018P
(M€)

~4 M€

Action 3: Selectively invest in high-potential areas

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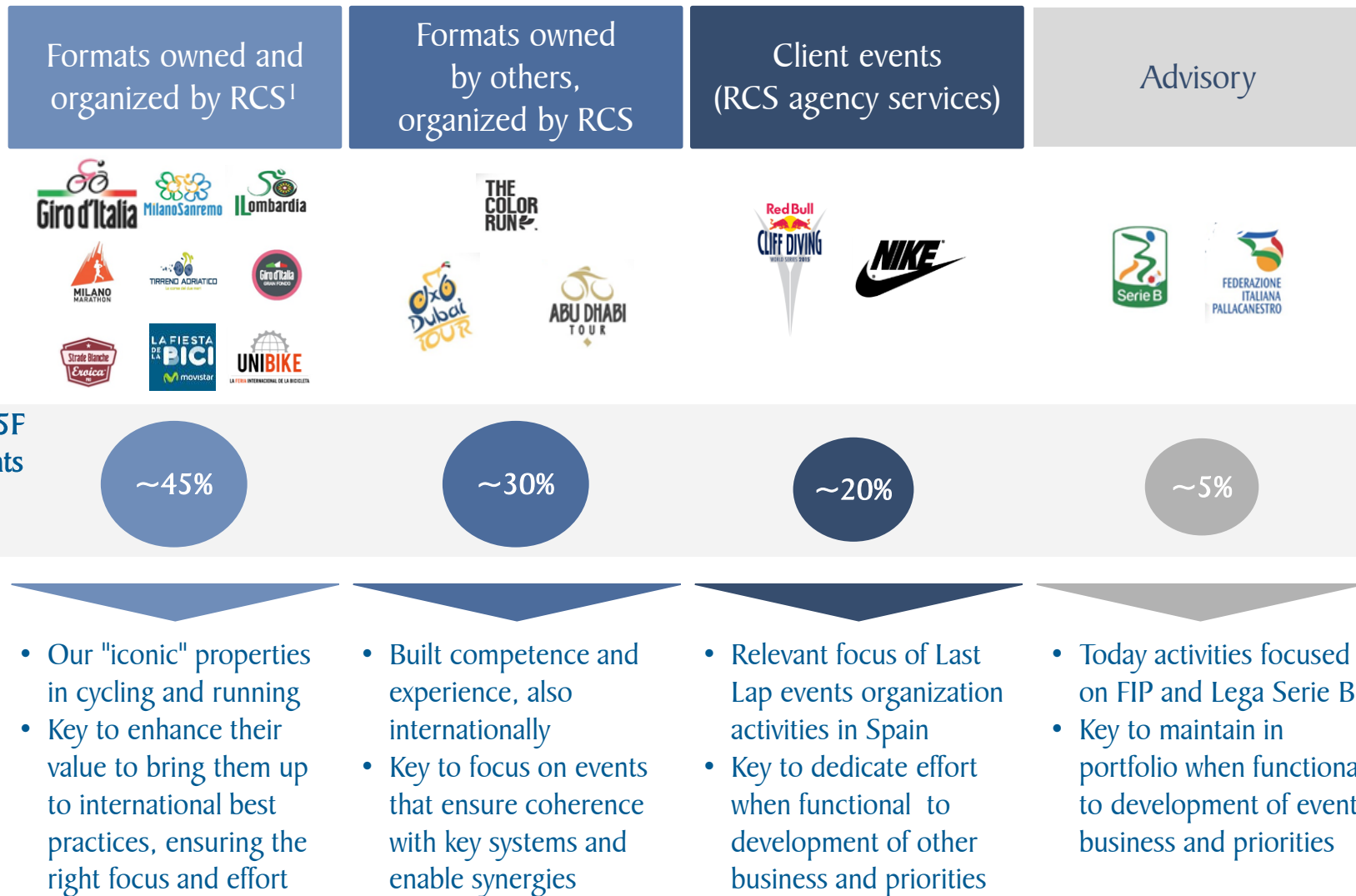
Selectively invest in high-potential areas

- A** International Sport events and formats
 - Push Sport events and formats, building on our "Iconic" properties, Professional events, Mass events
 - Develop "systems" of events

- B** International audience
 - Expand in Spanish-speaking markets, with a Marca-branded digital product
 - Leverage content from RCS power brands in Sport

- C** Data-centric transformation
 - Leverage Data to improve current revenue streams and create new ones
 - Focus on 4 areas: Online Adv, Subscriptions for Print and Digital, B2B Marketing Services, Product improvements/ new product development

A International Sport events and formats: The current portfolio of Sport events, managed by RCS Sport and Last Lap



%² of 2015F Sport Events Revenues (~75 M€)

~45%

~30%

~20%

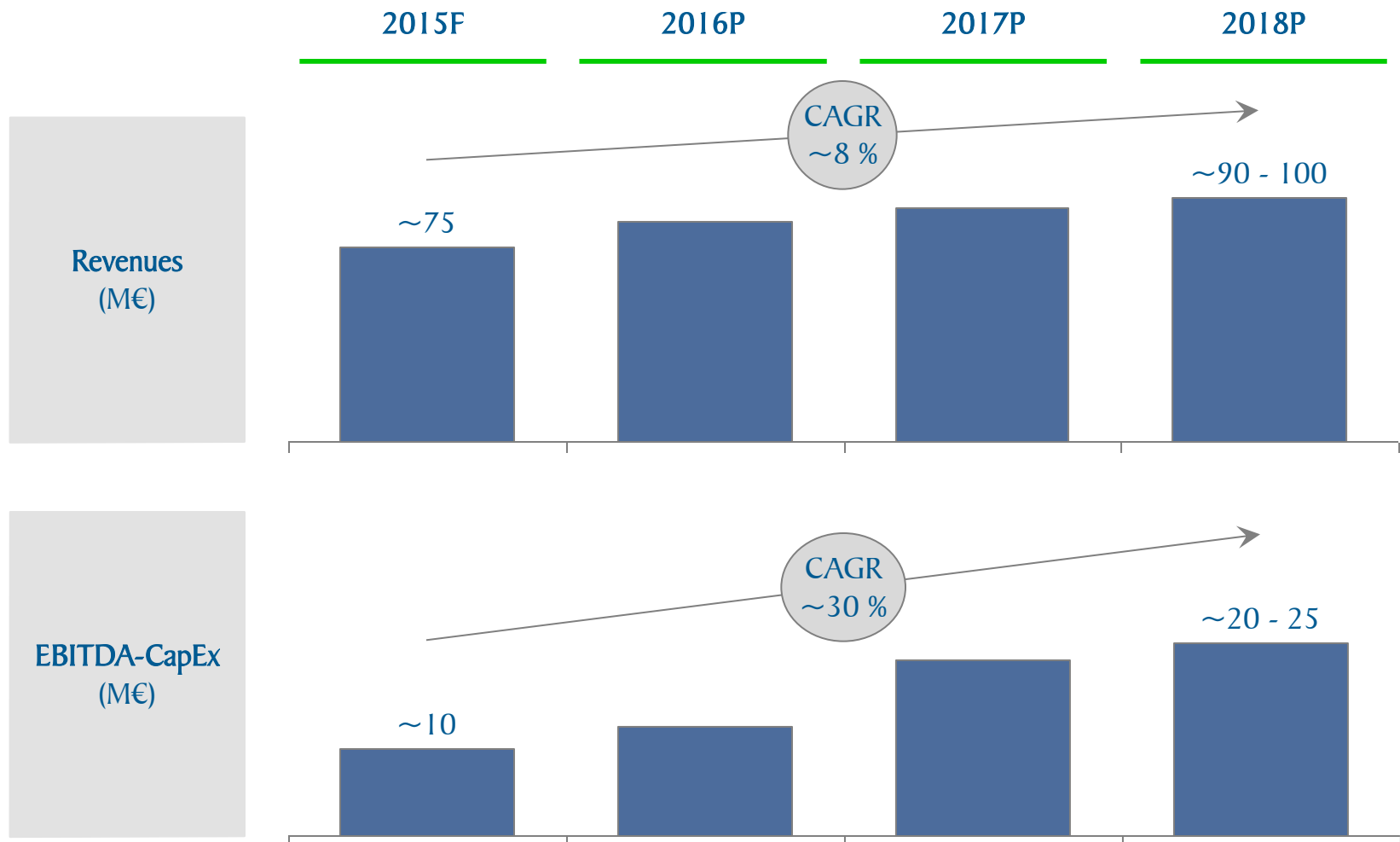
~5%

A International Sport events and formats: 3 key areas of opportunities for RCS, to be assessed with a "bifocal approach" in terms of timing and resources



A International Sport events and formats: Summary of the Plan

Economic impact of the International Sport events and formats initiative

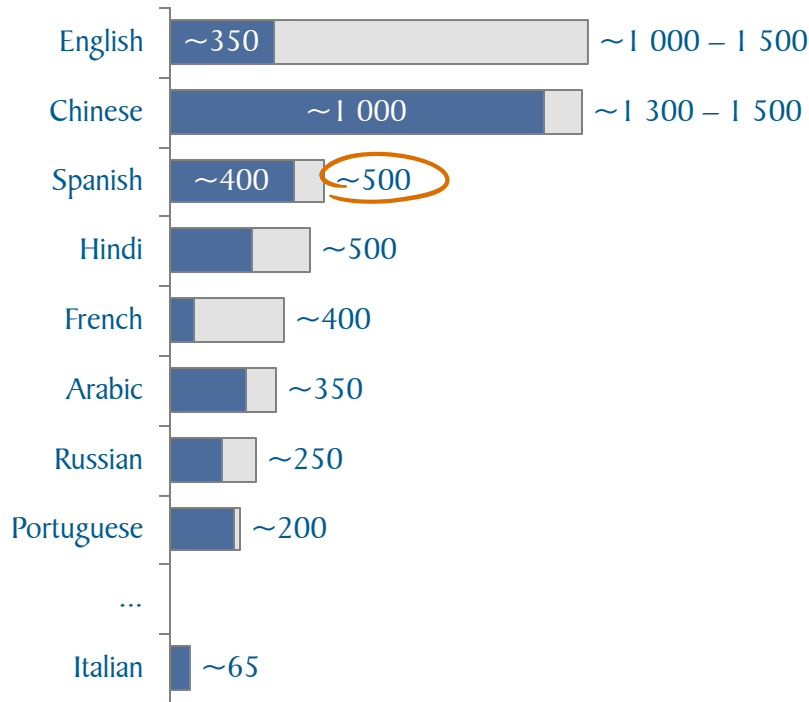


B International audience: The Spanish speaking market represents a sizeable opportunity for RCS international expansion

~500 M people speak Spanish worldwide...

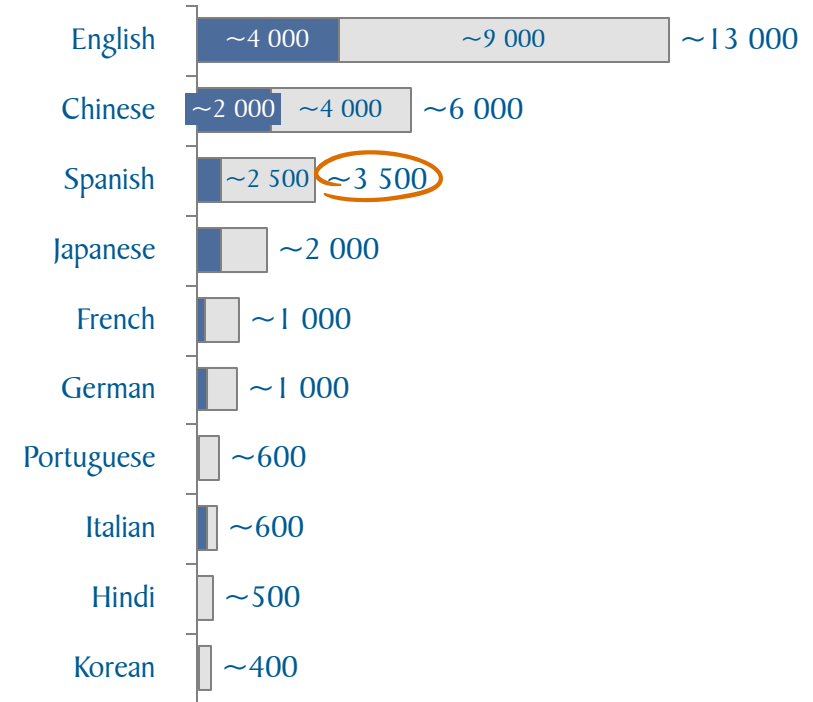
...translating into a large "Spanish-speaking" business

Number of Native and Non-native speakers¹ by top languages (M)



■ Native speakers
 ■ Non-native speakers (est.)

Online Video Adv Spend (M\$), Top 10 countries, 2015E-2020E



■ Market Size 2015E
 ■ Absolute Growth 2015E-2020E

B International audience: The attractiveness of RCS brands to Spanish speaking audiences comes from these important assets

Value of Marca brand and Marca+Gazzetta contents to Spanish speaking audiences



Recognized power of Marca brand to international audience

World class reference sites covering Spanish La Liga and Italian Serie A (Marca and Gazzetta)

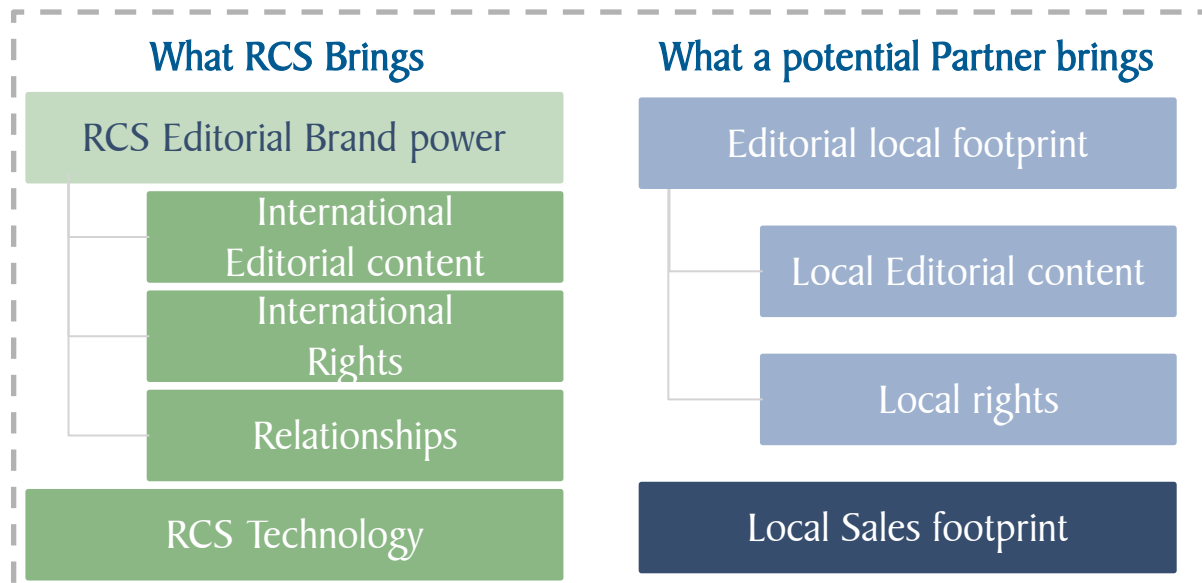
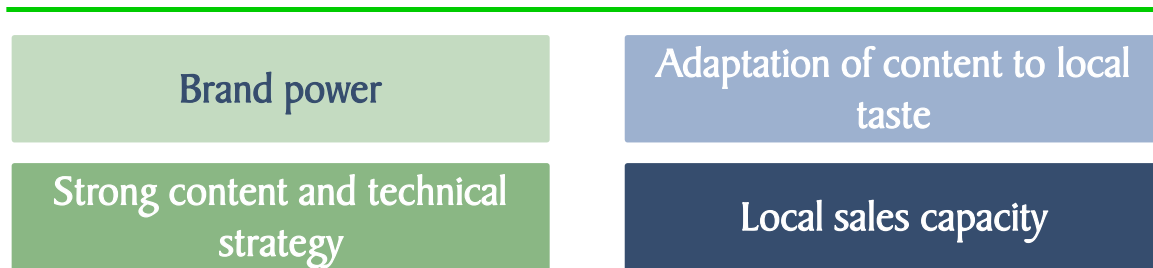
Direct information from stars playing in La Liga and Serie A

Attractiveness to fans in Latin countries where many players come from



B International audience: RCS has competitive advantage in Spanish speaking countries; a local support/partner would complement RCS strengths

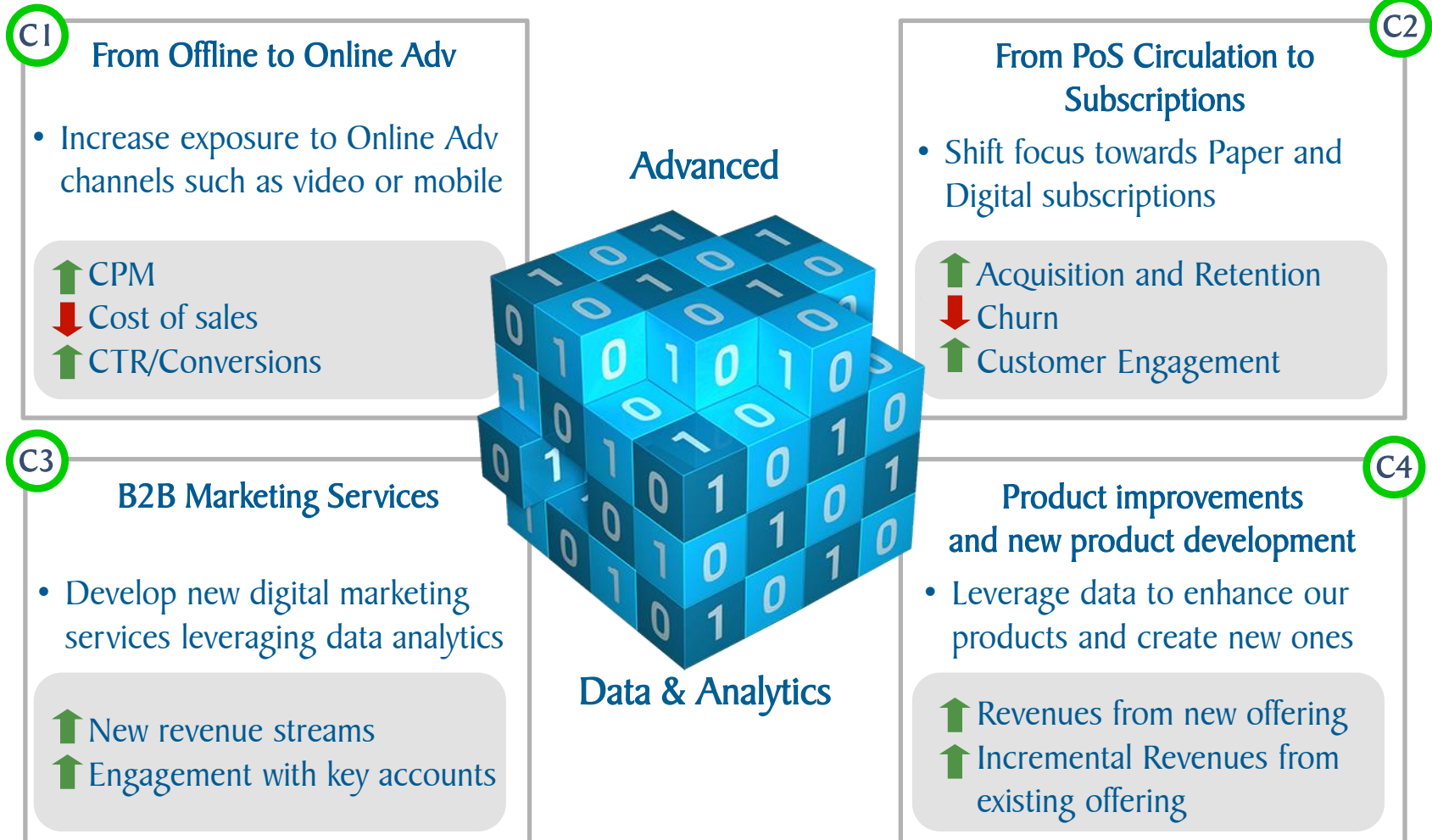
What is needed to succeed



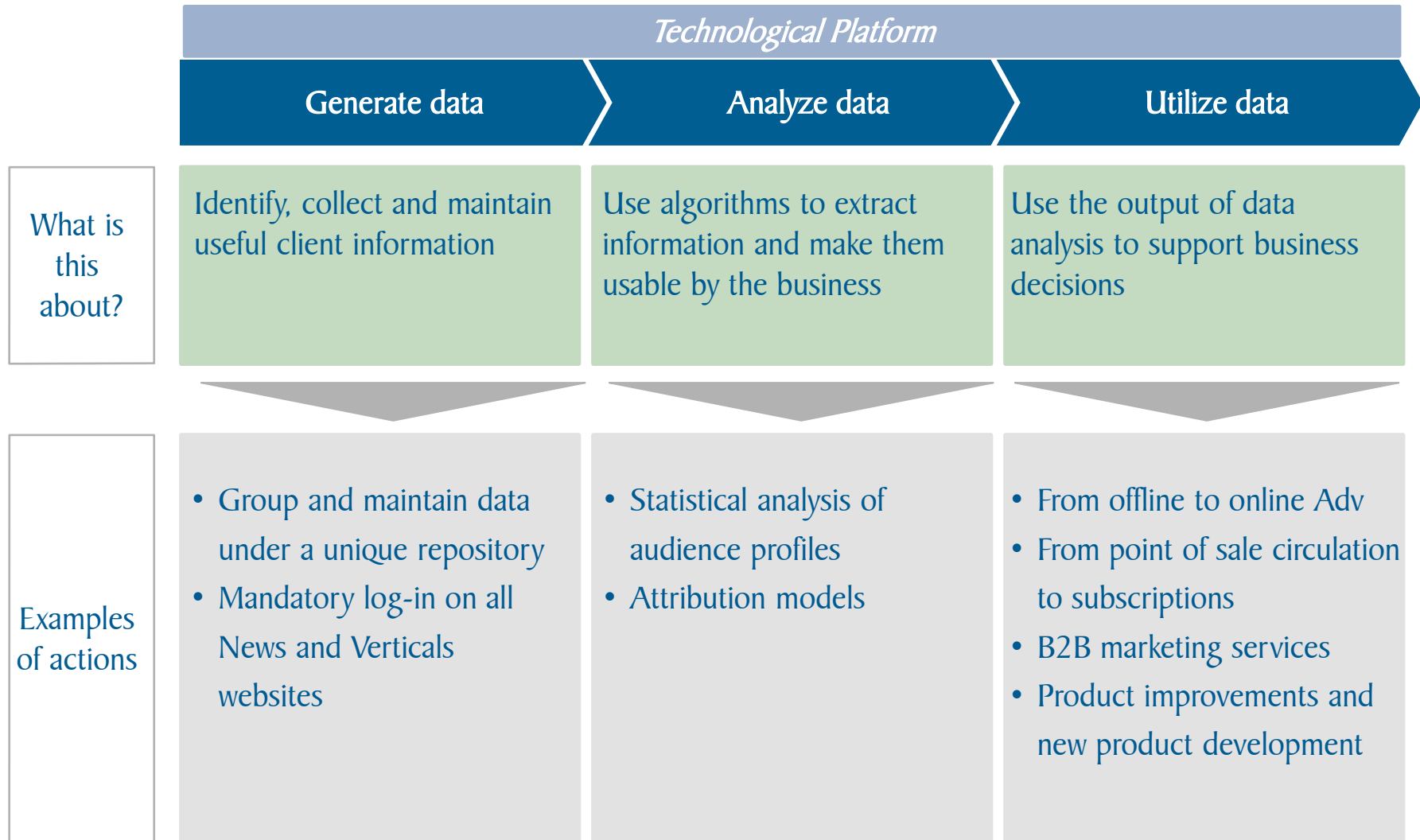
Impact on EBITDA-CapEx 2018P (M€)

~8 M€

C Data-centric transformation: 4 clear opportunities to put a transformation in practice



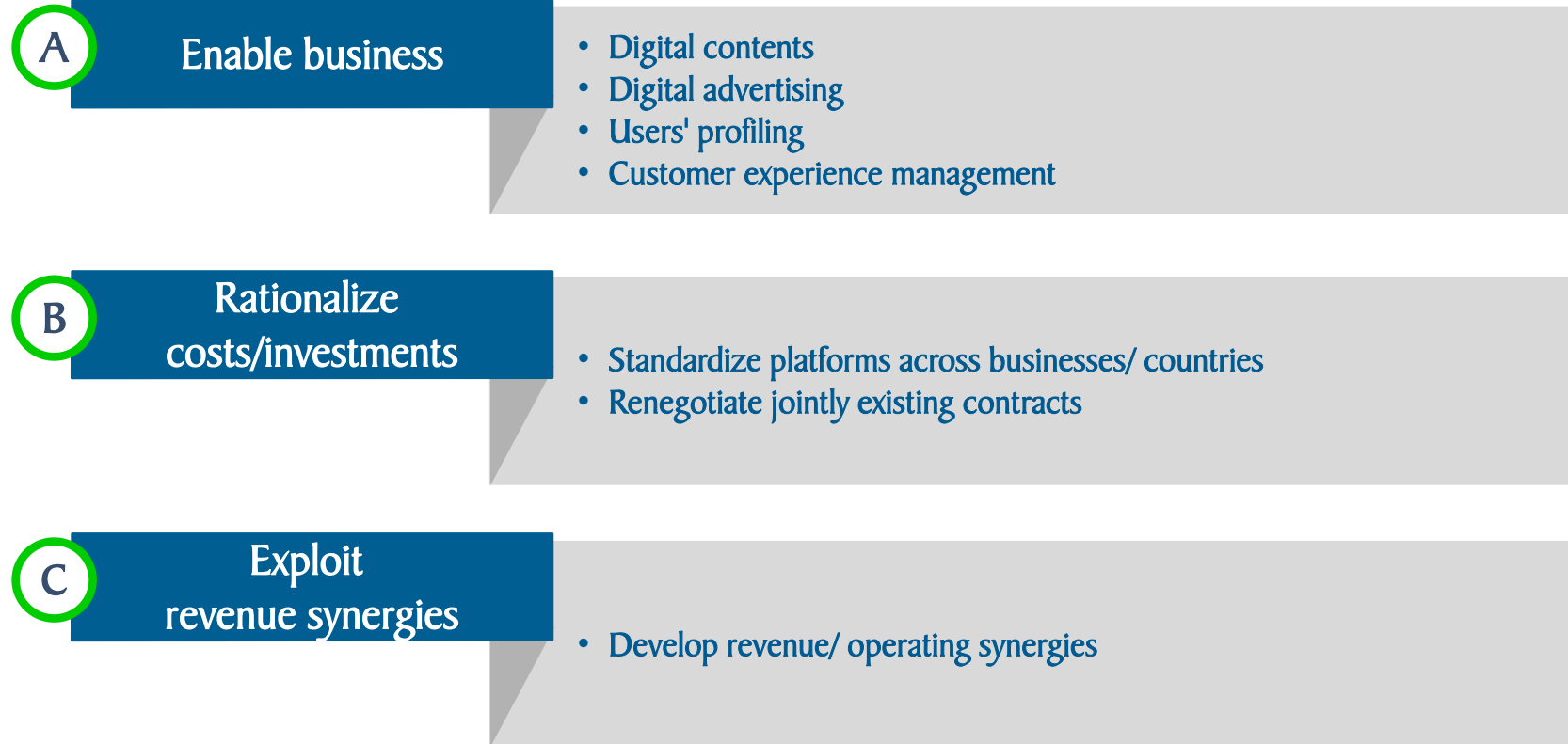
③ Data-centric transformation: Build around new capabilities to generate, analyze and utilize data



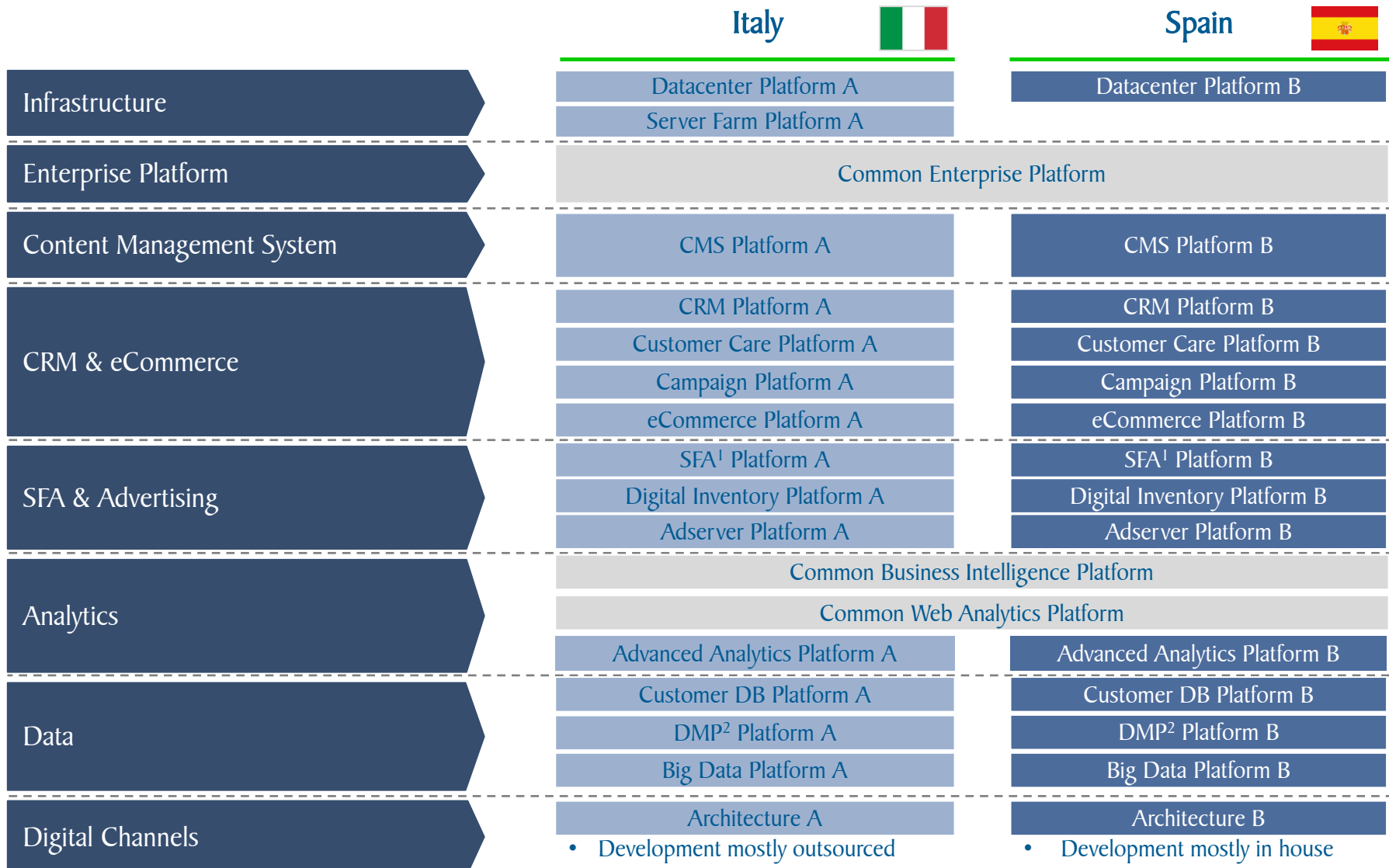
Action 4: Exploit scale to optimize technological platforms

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Exploit scale to optimize technological platforms



The current architecture, based on different standards per country, does not fully exploit potential synergies

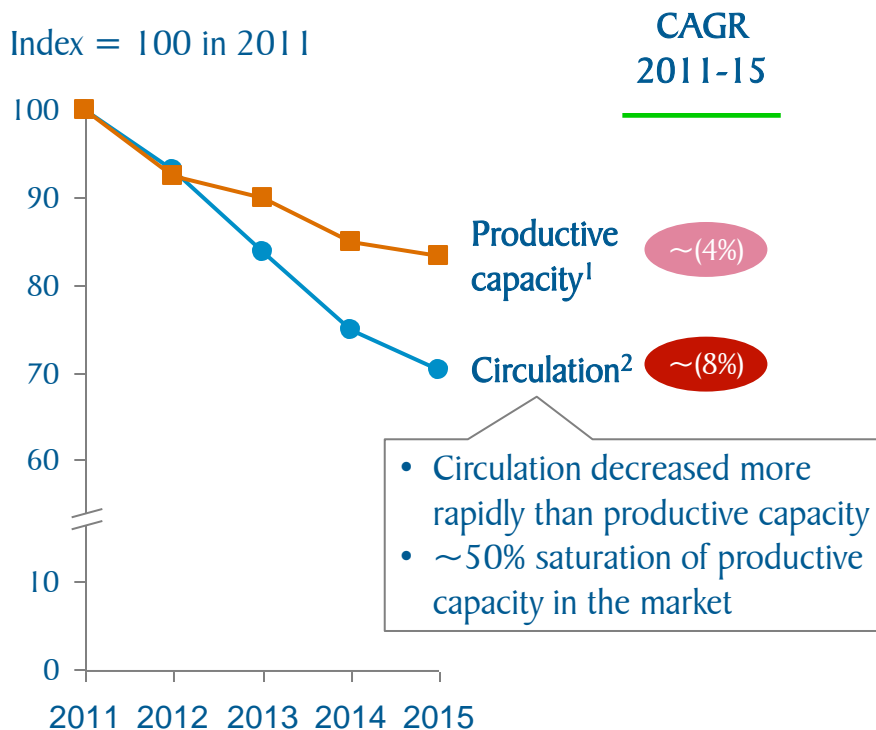


Action 5: Optimize the value chain by leading the print industry consolidation process

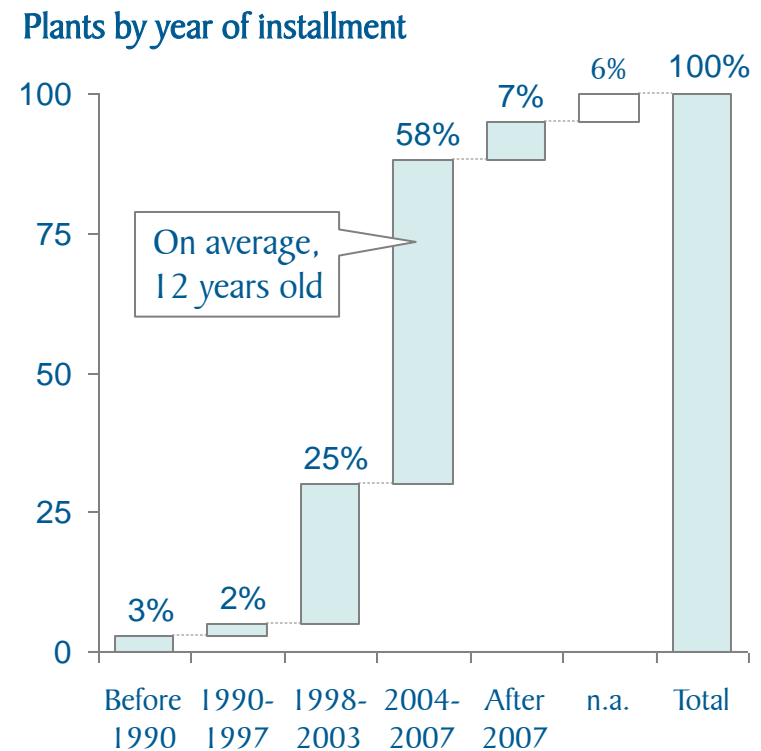
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There is excess of capacity in the Italian market, with outdated plants requiring investments

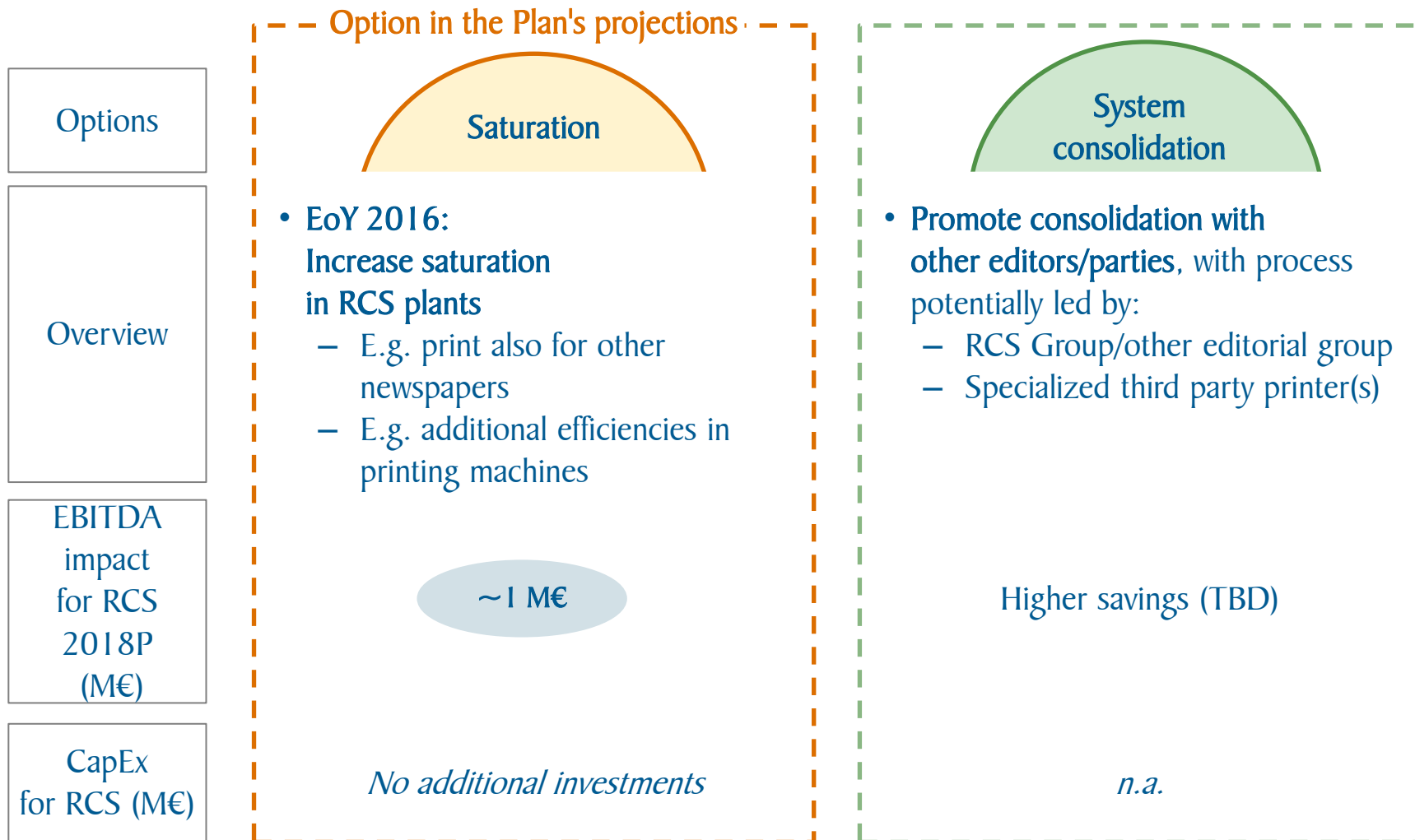
Circulation and Productive capacity in the Italian market

Printing plants in the Italian market

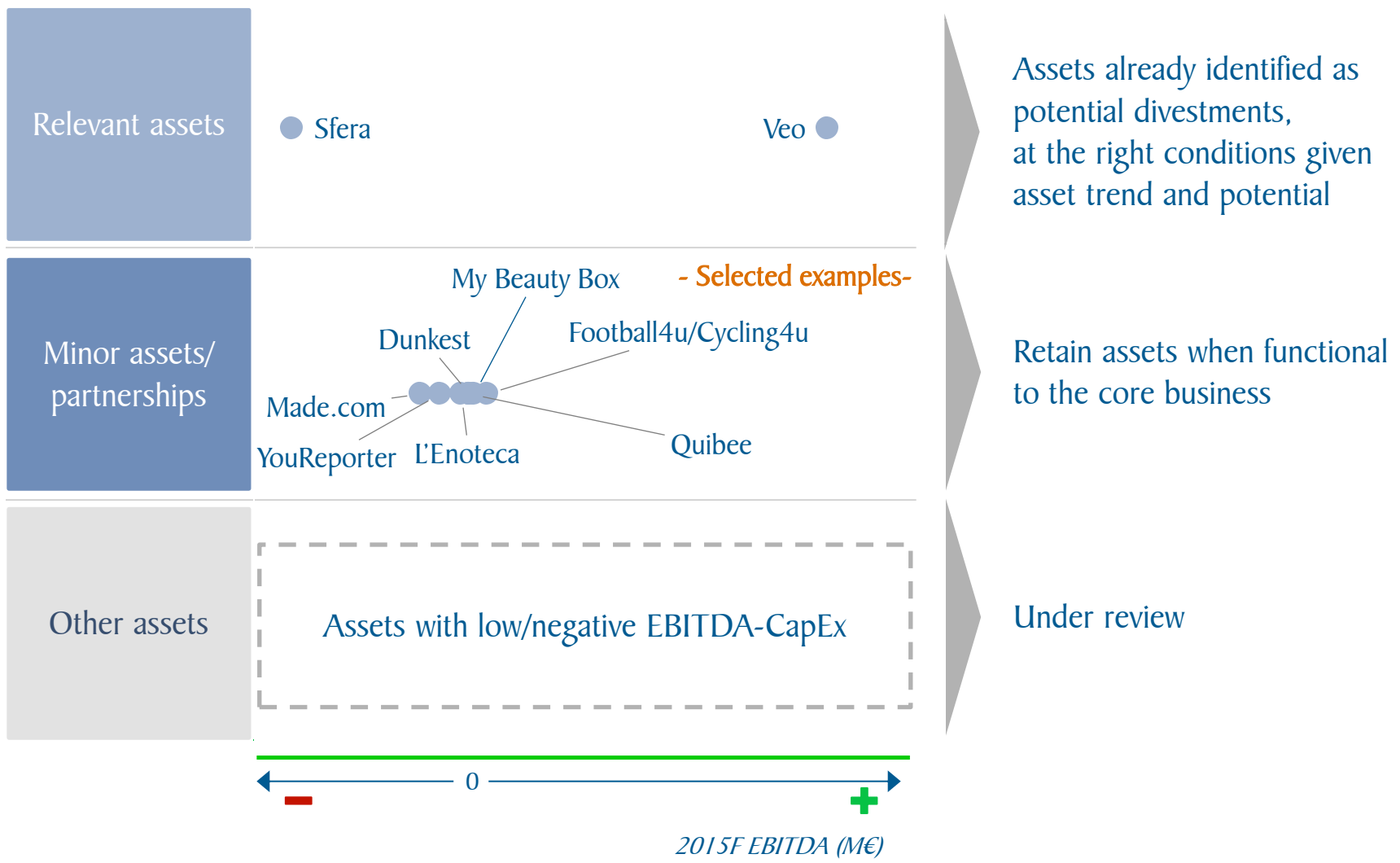
Two options to optimize RCS printing cost in Italy



Action 6: Dismiss non-core/ low value assets

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Three categories of assets included in RCS portfolio review



Action 7: Simplify the organization, focusing on capabilities, accountability & execution

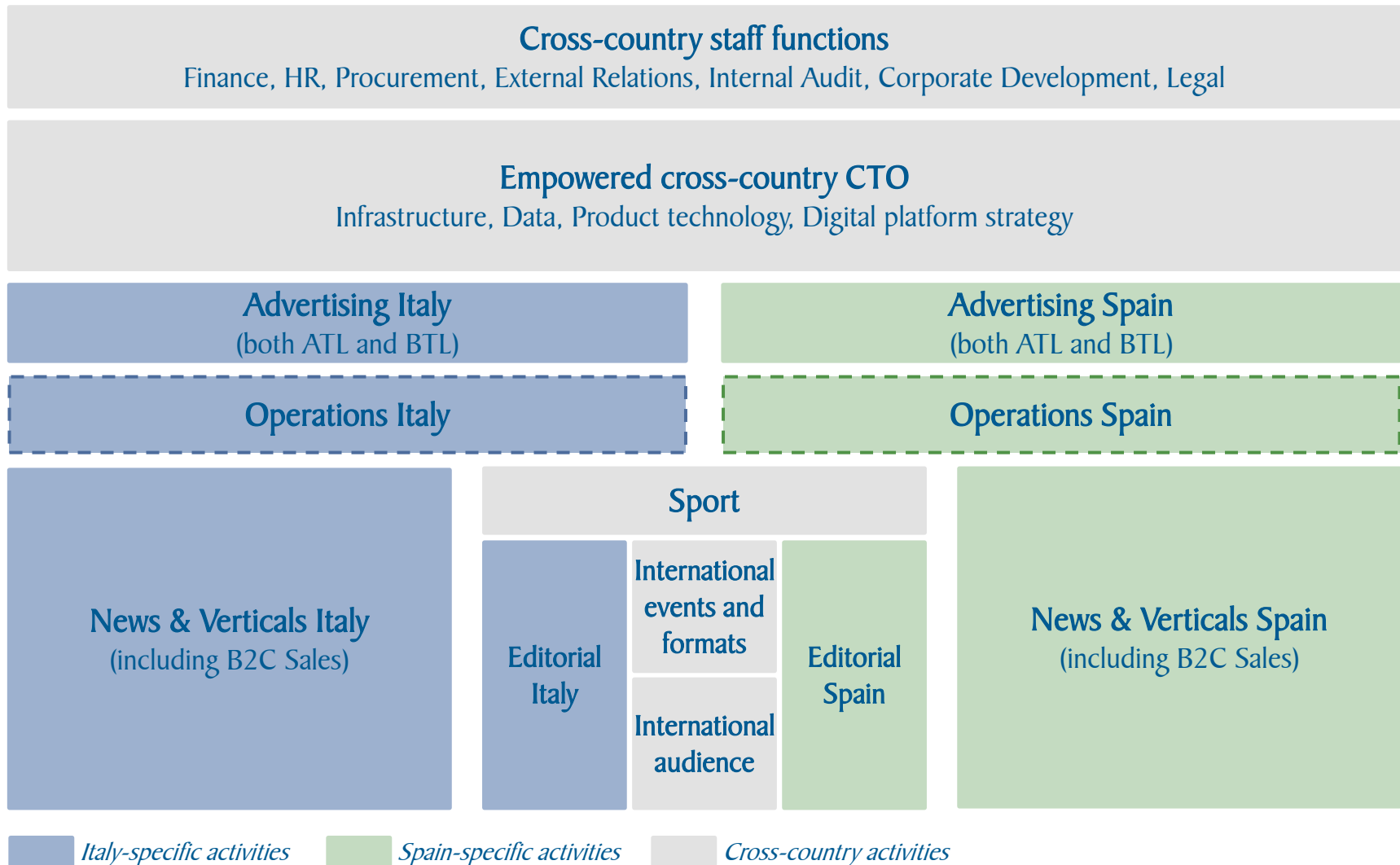
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The new organizational setup has been designed to ensure accountability of key decisions and execution of the overall Plan

Guiding principles

- I. Focus senior management and teams on Business Plan's key actions
- II. Facilitate synergies on Sport across Italy & Spain, on both revenues and costs
- III. Focus on execution of planned discontinuities
- IV. Facilitate cost-synergies across Italy & Spain
- V. Ensure transformation enablers (platforms, capabilities mix), also nurturing young talents already present in RCS Group organization

A new organizational set-up for RCS Group to be implemented by January 2016



Notes:

Unidad Editorial CEO to retain solid or dotted lines on Spanish activities
 Specific aggregation and reporting lines to be communicated in coming weeks
 Procurement also providing Operations guidelines/ framework agreements

Action 8: Continuously monitor the Plan's execution via shared KPIs in order to swiftly adapt to a changing environment

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Action 8: Continuously monitor the Plan's execution via shared KPIs in order to swiftly adapt to a changing environment

Key principles

The Plan will be continuously internally monitored with a set of KPIs, providing:

Transparency

On actions performed and results achieved

Accountability

With KPIs consistent to Plan's objectives

Timeliness

To react promptly to changing conditions

Examples (illustrative)



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How to succeed in the near future: RCS Plan 2016-2018

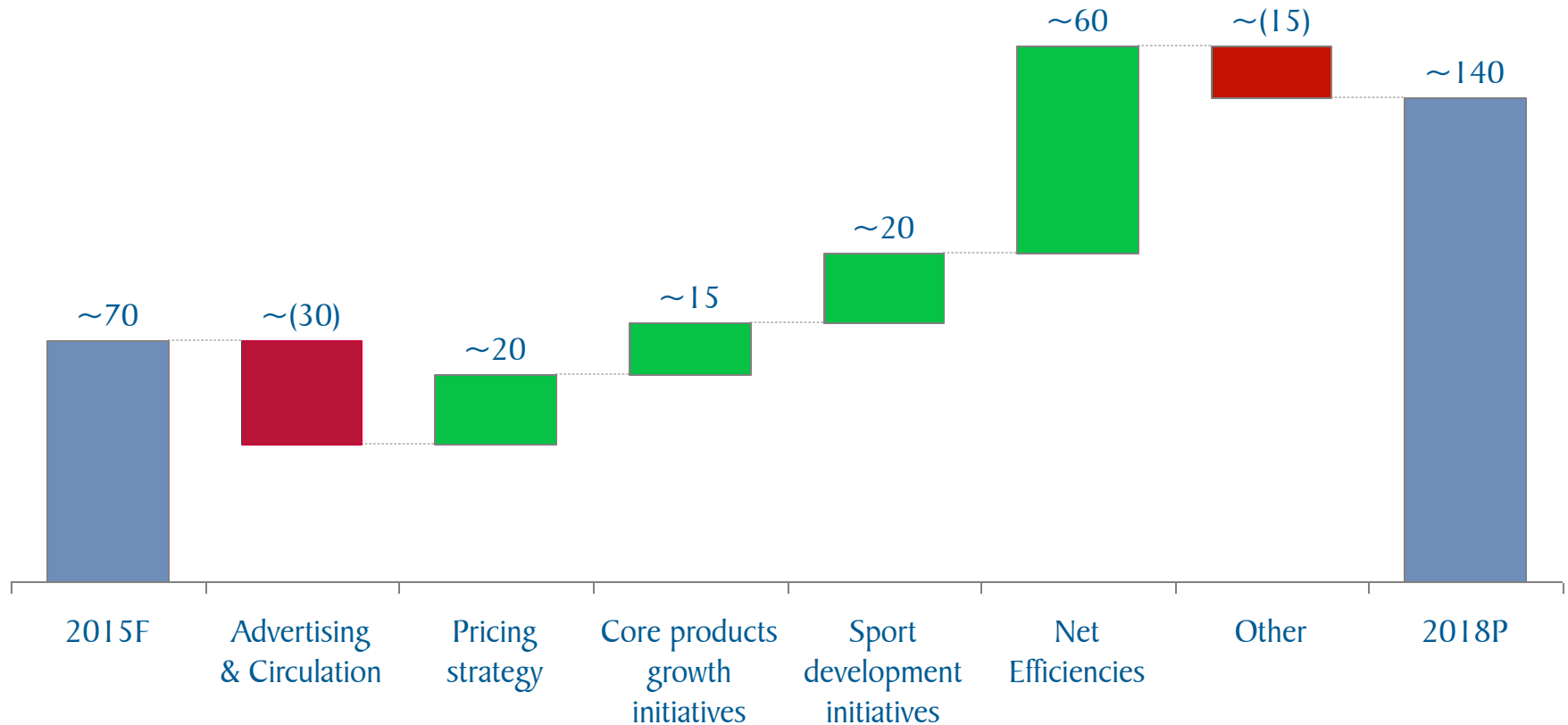
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Business Plan 2016-2018: projected economics to ensure a sustainable financial structure

	Plan Target	Year 1 (2016P)
Revenues	+1.5% (CAGR 2015F - 2018P)	Flat
Net Efficiencies	~60 M€ (2018P vs. 2015F)	~40 - 45 M€
EBITDA % excl. Non Recurring	~13% (2018P)	~10%
Net Result	Solidly positive	Slightly positive
Net Cash Flow	3 years cumulative 95-100 M€	Break even
Debt Ratio	~2x	~4x

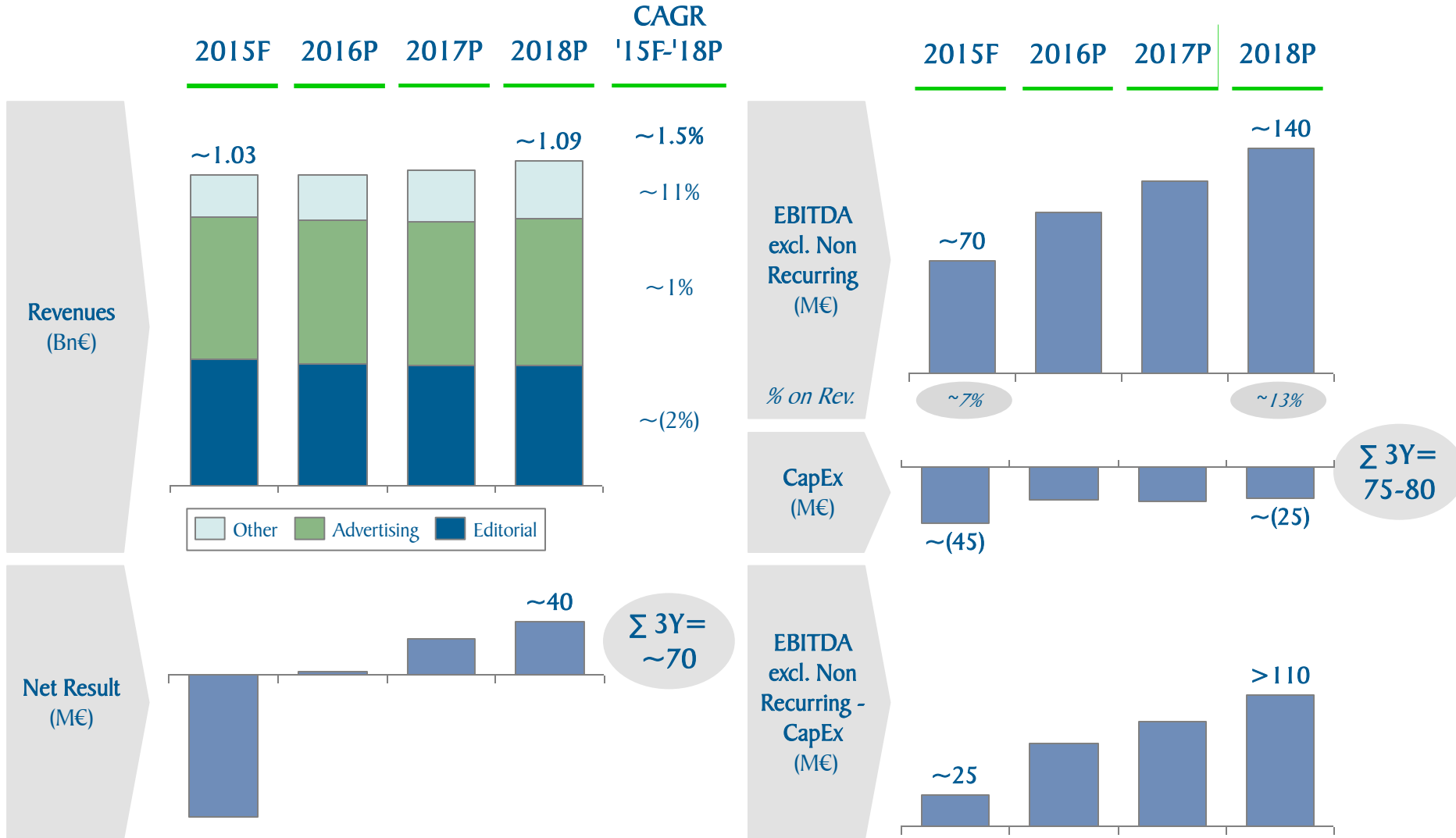
EBITDA Variance 2015F - 2018P

Variance of EBITDA excl. Non Recurring items (2015F - 2018P, M€)

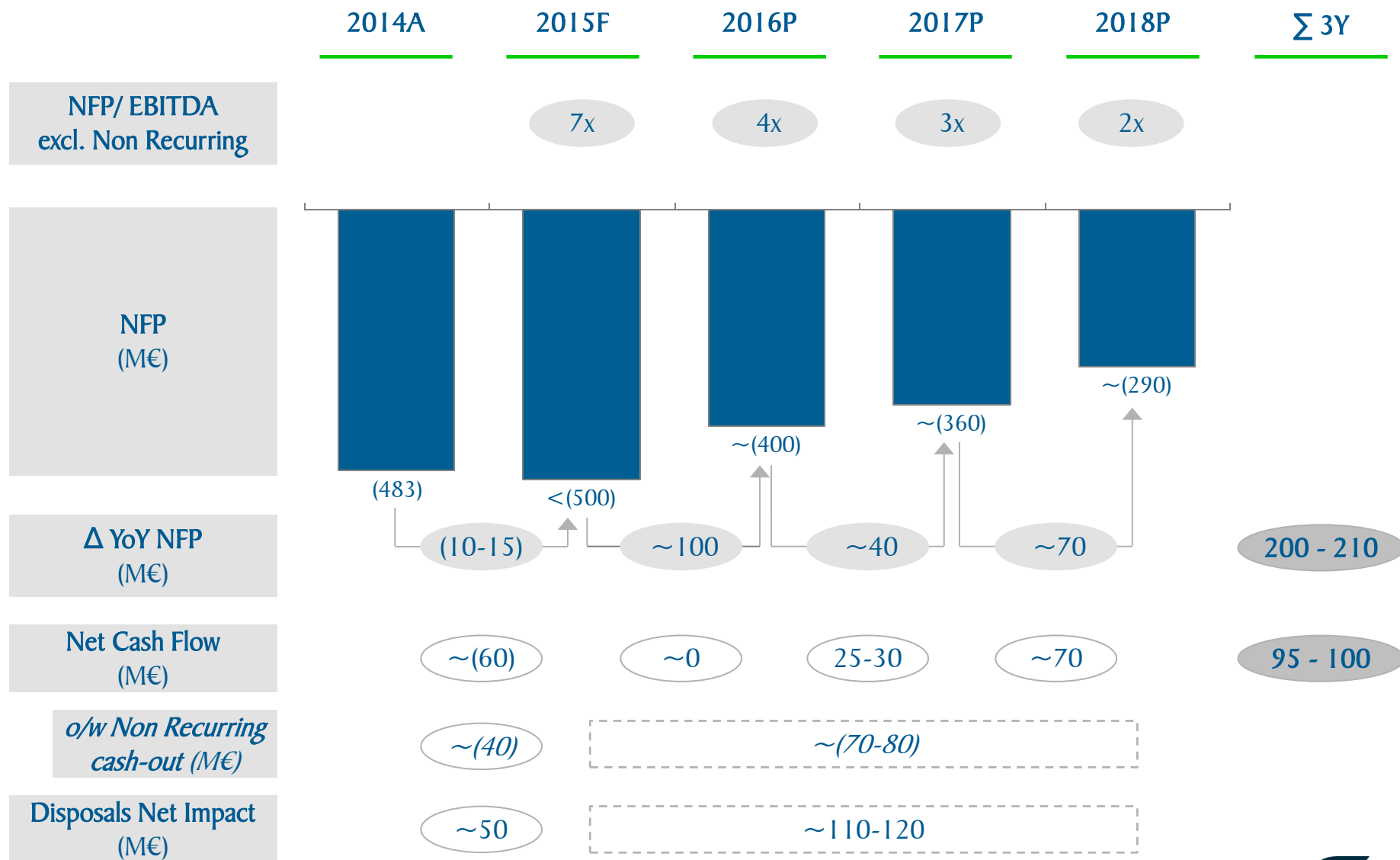


KPIs Business Plan 2016-2018

P&L key highlights (current perimeter)



Net Financial Position: evolution 2015F - 2018P



Disclaimer

This presentation contains management preliminary estimates and forward-looking statements, including information related to RCS MediaGroup projected financial performance and the expected development of the publishing industry, in particular in the newspaper, magazine, book and new media segments. These statements are based on estimates and assumptions made by management of the company and are believed to be reasonable, as of this date, though by their nature future estimates are uncertain and subject to variations due to possible changes in the market. Actual results or experience could differ materially from the information contained herein.

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