2020-2023 Industrial Plan: «Broadening horizons»

FY 2019 results and 2020-23 Industrial Plan Conference Call | 13th march 2020

DISCLAIMER

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.

Considering the uncertainties related to the current extraordinary health emergency and, in particular, to its duration and intensity and to the effectiveness of the containment measures, the scenarios and targets included in the 2020-2023 Industrial Plan as well as the outlook for 2020 do not include any impact deriving from the spread of COVID-19

Rai Way participants

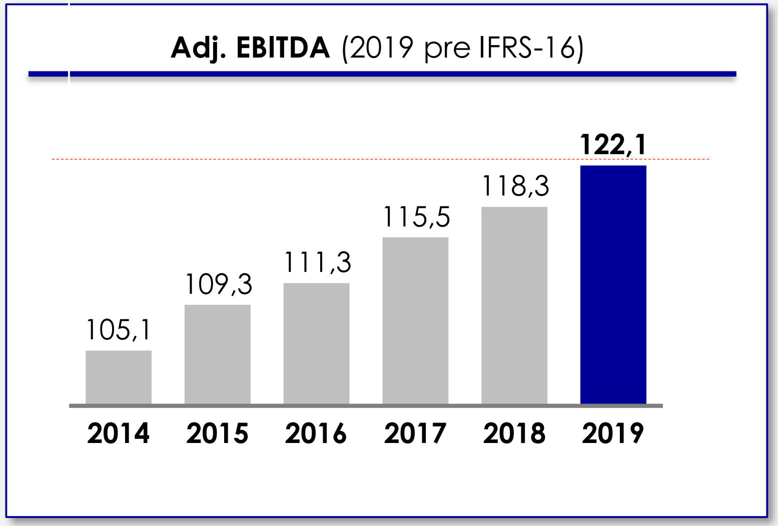
- Aldo Mancino, Chief Executive Officer
- Adalberto Pellegrino, Chief Financial Officer
- Giancarlo Benucci, Head of Corporate Development & IR

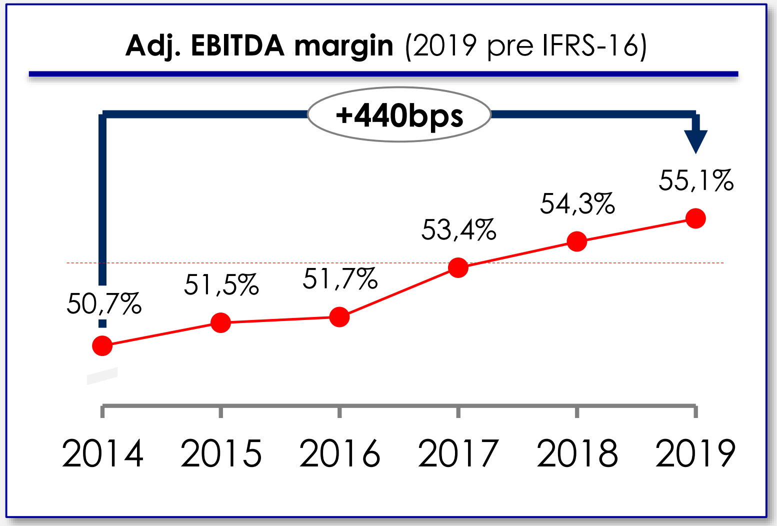
Agenda

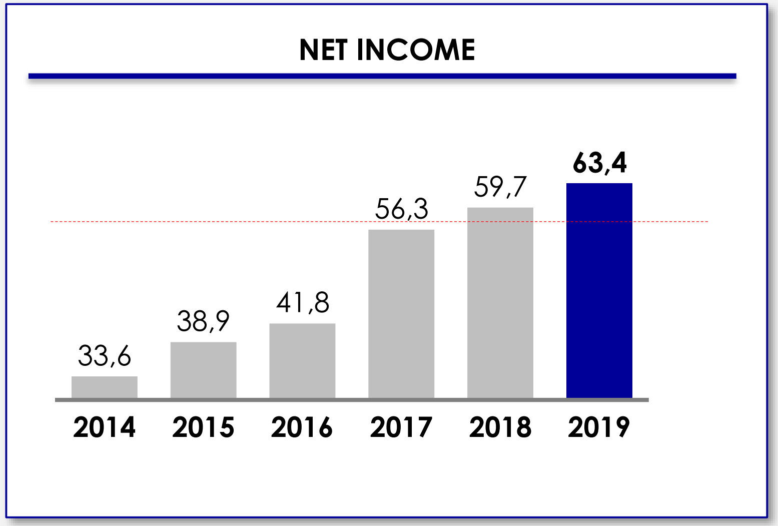
1. **2019FY Results**
2. 2020-23 Industrial Plan

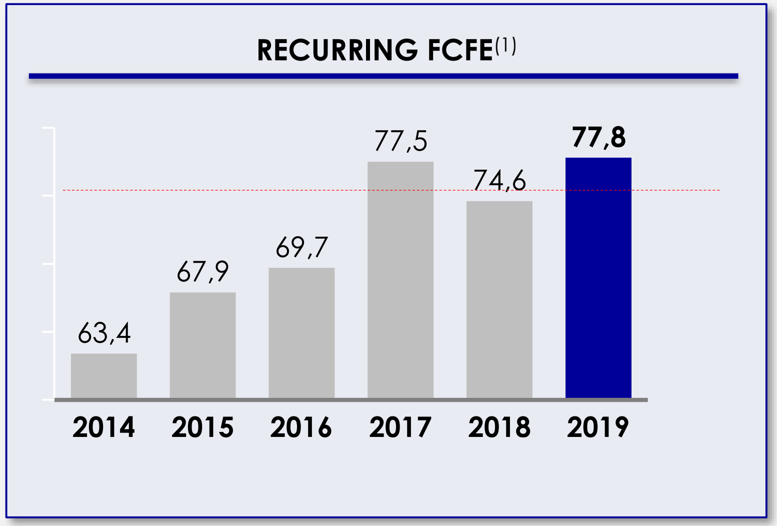
Fifth year of sequential growth

2015-19 Industrial Plan target for 2019









Target on recurring cash generation exceeded

1) Recurring FCFE = Adj. EBITDA – Net Financial Charges – P&L Taxes – Recurring Maintenance Capex. All figures adjusted to deduct rents impacted by IFRS-16 from cash generation

Key messages on 2019

- **Agreement** with RAI on ***refarming*** finalized, with full process de-risking
  - Definition of upgrade investments and remuneration and Service Contract renewal for the second seven-year period (until 30 June 2028) provides high visibility on revenues and cash flow

- Results in line with expectations, recording the **highest recurring cash generation ever** exceeding the target of the 2015-19 Industrial Plan
  - EBITDA improvement supported by CPI-link, New Services for Rai and cost control
  - Further improvement in Net Income, up 6,4% YoY
  - Development capex to support future growth
  - 23,29 €/cent dividend proposed to the AGM, equal to 100% *pay-out* and 5,7% dividend yield(1)

- **2020 guidance** reflects initial contribution from growth initiatives, driving **further EBITDA improvement**

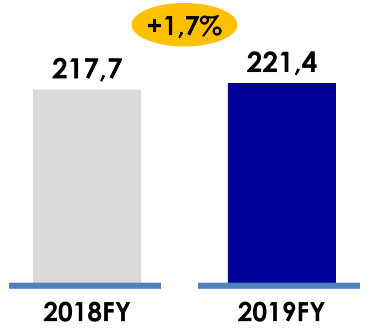
1) *Dividend yield based on market closing price on 12/03/2020 (4,09 €/share)*

2019FY Financial Highlights

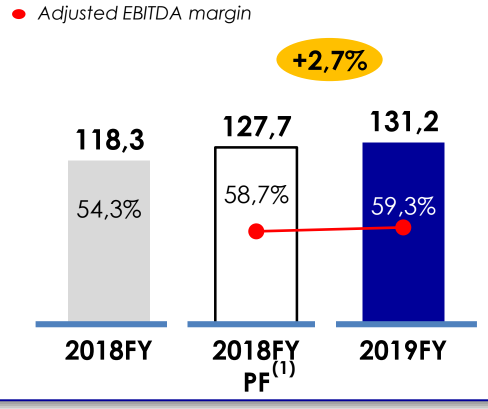
Mln Eur; %

% YoY growth

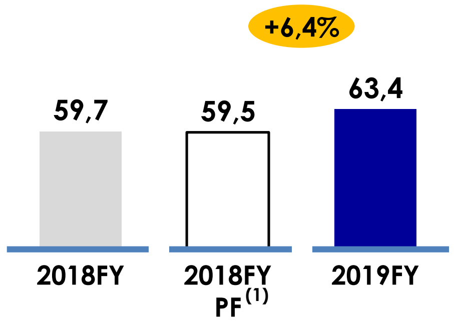
Core Revenues



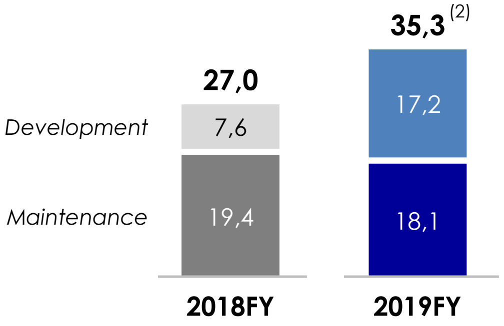
Adjusted EBITDA



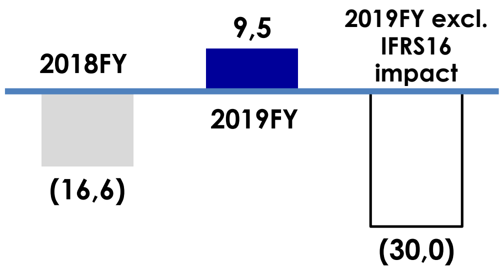
Net Income



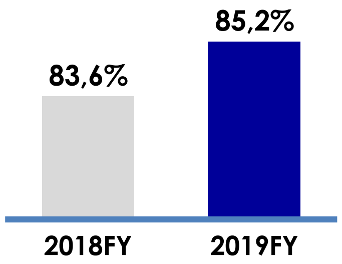
Capex



Net debt (Net Cash)



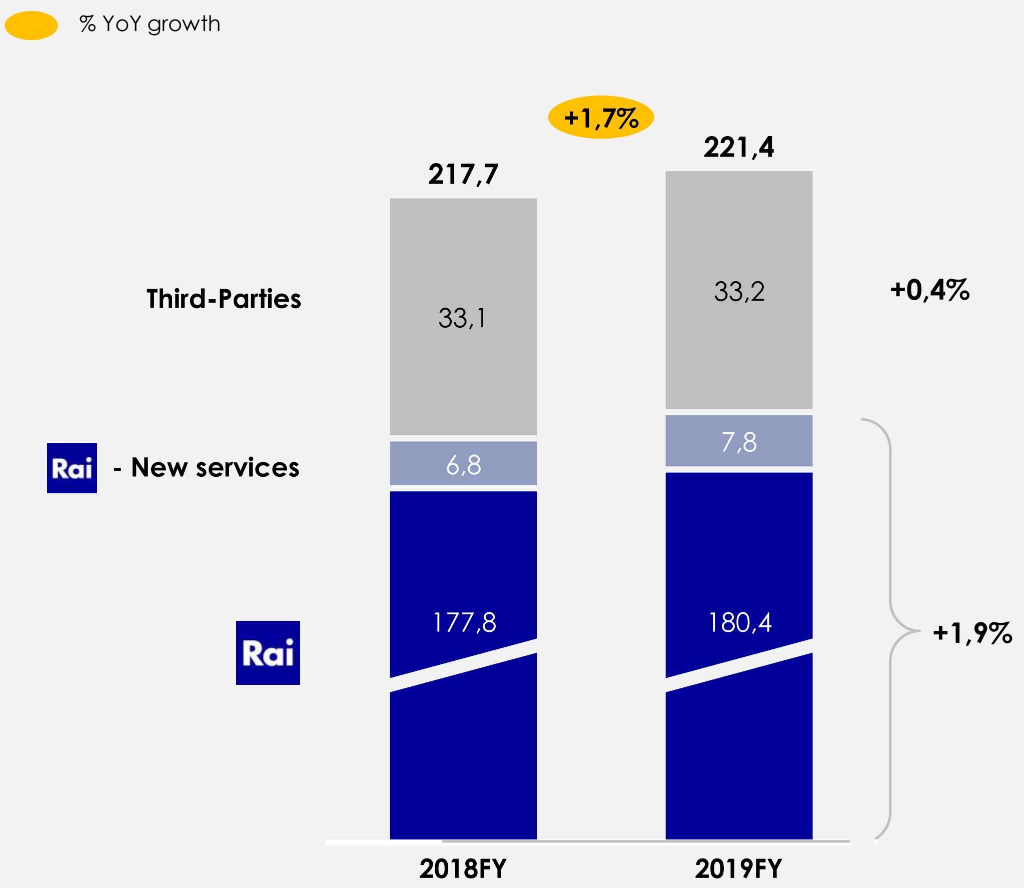
Cash conversion[3]



1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.
2) 2019 capex figure excluding capex related to IFRS-16 application, equal to € 1,2m
3) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA. 2019 figures before IFRS-16 impact

Core revenues

Mln Eur; %



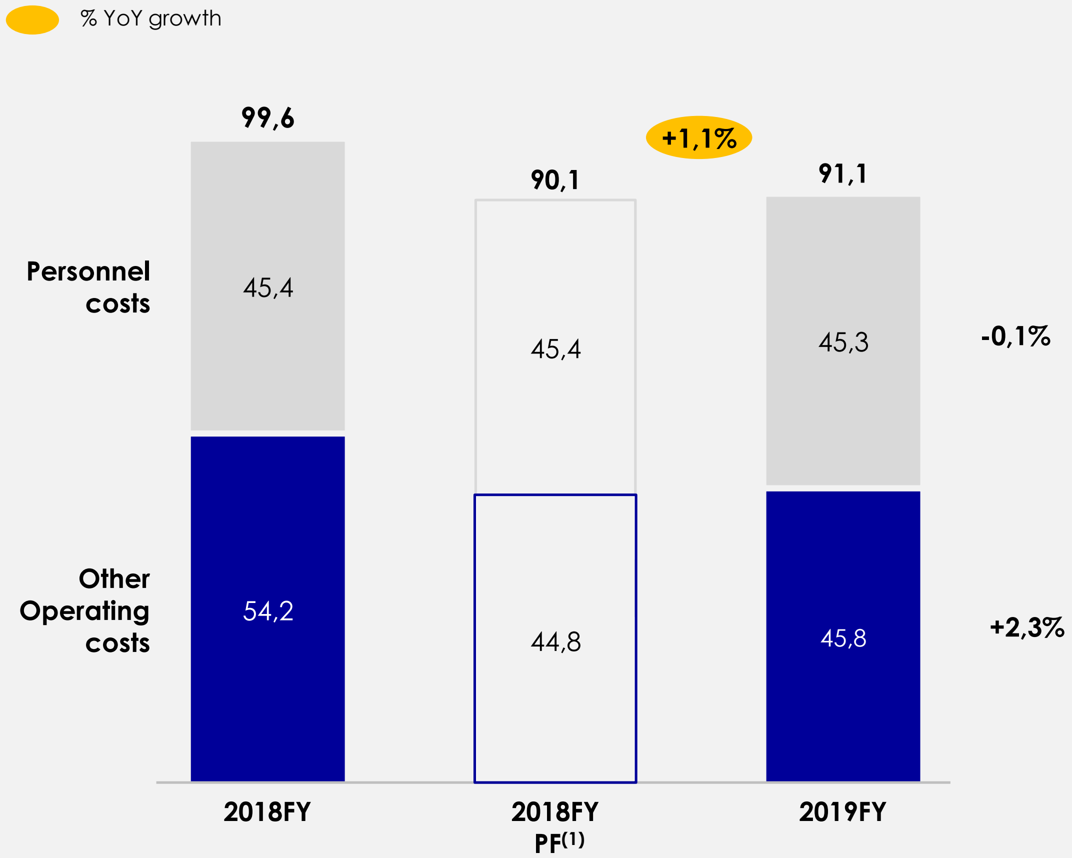
- Revenues from **Third Parties** broadly in line with prior year figure
- Good performance on Transmission services and Hosting of TV&radio broadcasters, FWAPs and corporates offset pressure from MNOs

Revenues from **RAI** up 1,9%, reflecting:

- Indexation to CPI on fixed-consideration
- € 1m higher contribution from New Services driven by release of 3.6-3.8 GHz radio links frequencies and extension of DAB+ network
- First recurring contribution from *refarming* project (related to MUX coverage extension)

Opex (excluding one-offs)

Mln Eur; %



Excluding capitalization, **personnel costs** up by approx. 3% following new hirings as part of the early-retirement plan implemented in previous years and renewal of collective agreement

Excluding non-core items, **other operating costs** increased by 1,5% vs 2018PF driven by higher maintenance and energy price and savings on local taxes

- 4Q comparison influenced by the low level recorded in 2018

(1) *Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.*

P&L

Eur Mln, %	4Q 2018	4Q2018 PF(1)	4Q 2019	% YoY	2018 FY	2018FY PF(1)	2019 FY	% YoY
Core Revenues	**54,5**	**54,5**	**55,7**	**2,2%**	**217,7**	**217,7**	**221,4**	**1,7%**
Other Revenues & income	0,1	0,1	0,9		0,1	0,1	0,9	
Adj. EBITDA	**27,7**	**30,0**	**30,6**	**2,0%**	**118,3**	**127,7**	**131,2**	**2,7%**
% margin	*50,8%*	*55,1%*	*55,0%*		*54,3%*	*58,7%*	*59,3%*	
Non recurring costs	-0,7	-0,7	0,0		-1,2	-1,2	-0,1	
EBITDA	**26,9**	**29,3**	**30,6**	**4,5%**	**117,1**	**126,6**	**131,1**	**3,6%**
% margin	*49,4%*	*53,8%*	*55,0%*		*53,8%*	*58,1%*	*59,2%*	
D&A(2)	-9,0	-11,2	-10,9	-2,7%	-33,3	-42,4	-41,0	-3,4%
Operating Profit (EBIT)	**18,0**	**18,1**	**19,7**	**9,0%**	**83,8**	**84,1**	**90,1**	**7,1%**
Net financial income (expenses	-0,2	-0,4	-0,2	-37,6%	-1,2	-1,9	-1,3	-32,8%
Profit before Income taxes	**17,7**	**17,7**	**19,4**	**10,0%**	**82,5**	**82,3**	**88,8**	**8,0%**
Income Taxes	-5,2	-5,2	-5,8	11,0%	-22,8	-22,7	-25,5	12,0%
% tax rate	*29,3%*	*29,4%*	*29,6%*		*27,6%*	*27,6%*	*28,7%*	
Net Income	**12,6**	**12,5**	**13,7**	**9,5%**	**59,7**	**59,5**	**63,4**	**6,4%**

- **2019 Net Income up 6,4% at € 63,4m driven by:**
  - Underlying Adjusted EBITDA growth
  - Better contribution from non recurring items (higher other revenues, lower one-off expenses, € 1,6m benefit on D&A from release of provision for risks and charges)
  - Reduction of financial expenses benefitting from early repayment of term loan
  - Tax rate at 28,7% (2018 positively impacted by deferred taxes)

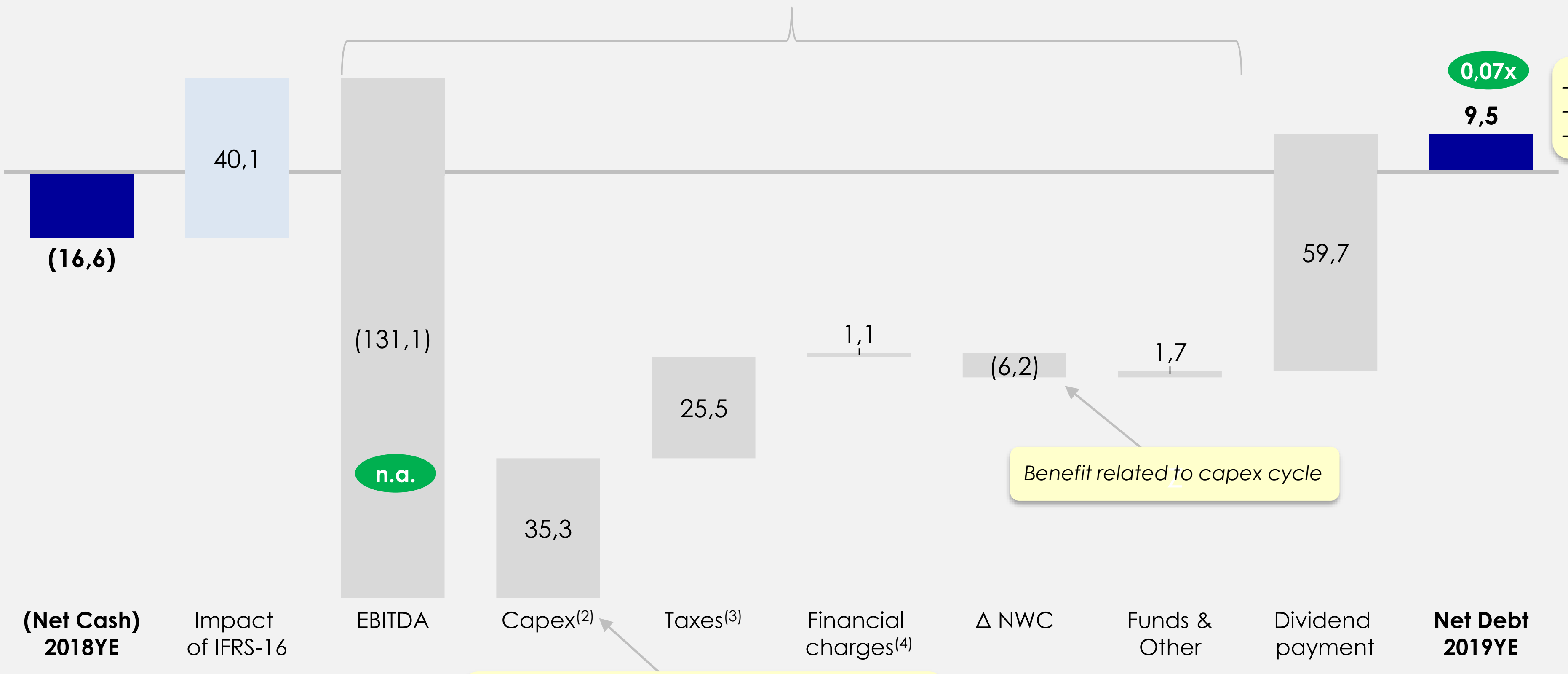
(1) *Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.*
(2) *Including provisions*

Cash flow generation

Mln Eur

Net Debt/ 1y rolling pro-forma[1] Adj. EBITDA

Strong pre-dividend cash generation at approx. € 74m



- IFRS 16 39,5m
- Gross Debt 0,4m
- Cash&Eq -30,4m

Benefit related to capex cycle

Including € 17,2m development capex, mainly related to start of MUX coverage extension and radio links frequencies release

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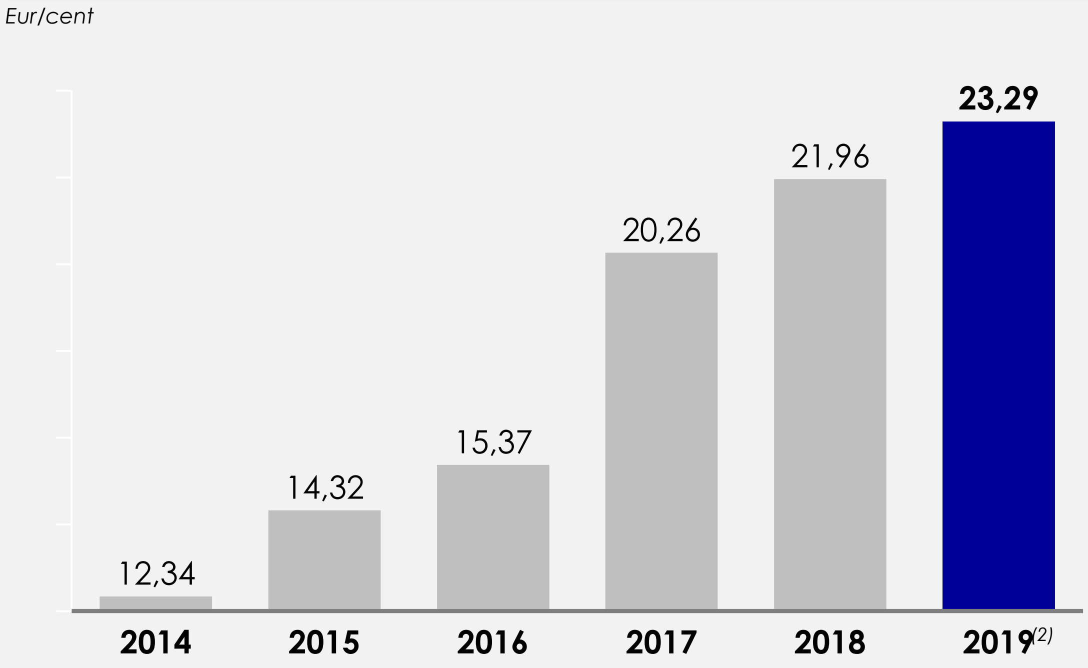
(2) 2019FY capex figure excluding capex related to IFRS-16 application, equal to € 1,2m
(3) P&L taxes
(4) P&L financial charges excluding interests on the employee benefit liability

Dividend proposal

- Dividend proposal of 23,29 €cent/share (pay-out ratio of 100% of Net Income), with a dividend yield(1) of 5,7%
- Including the proposed dividend for 2019, approx. € 293 million (36% of the IPO Market Cap.) distributed to Shareholders since listing

DIVIDEND PER SHARE



(1) Dividend yield based on market closing price on 12/03/2020 (4,09 €/share)
(2) Dividend proposal

Guidance 2020

- **ADJUSTED EBITDA**
  - Further organic **growth** of **Adjusted EBITDA**
    - Revenues growth driven by *refarming*
    - Operating costs increase related to implementation of new services (that will bring benefits in following years)

- **CAPEX**
  - **Maintenance capex on core revenues** ratio expected substantially **in line with the 2019** figure
  - **Rising Development capex**, mainly related to *refarming* process

The outlook does NOT include potential impacts from COVID-19

Agenda

1. 2019FY Results
2. **2020-23 Industrial Plan: Broadening horizons**

2020-2023 Industrial Plan's goals: broadening horizons

STRENGTHENING OF THE CORE BUSINESS

Strengthen the Core Business through the coverage of new technologies / platforms, the offer of new services and the evolution of the operating model in terms of *digital transformation*:

- ✓ Improving long-term positioning in the media industry
- ✓ Introducing innovations in asset management
- ✓ Pursuing operational efficiency (on costs and maintenance capex)

EXPANSION OF THE INFRASTRUCTURE MANAGED

Pursue expansion by external lines in infrastructures ensuring:

- ✓ scale (and competitiveness in a market under progressive consolidation)
- ✓ synergies
- ✓ diversification
- ✓ optimization of capital structure

OPTIONALITIES FOR INNOVATIVE USES OF EXISTING INFRASTRUCTURE

Monitor any optionality for innovative uses of the existing infrastructure

Capital allocation strategy

Target 2023

Organic investments

more than € 200Mln Development Capex

+17% EBITDA vs. 2019

~6% *maintenance capex/ sales*

Margin+300bps

- ✓ Recurring FCFE approaching € 100 Mln, up 25% vs. 2019

Shareholders' remuneration

100% Payout ratio[1]

\+

Additional buyback[2] from distributable reserves

- ✓ Approx. 25% of the market cap[3] across the plan

External growth

Organic capital structure

~1x Net Debt/ EBITDA[4]

- ✓ Availability of resources to finance external growth

1) With possibility to convert it into a mix of dividends and buy-backs depending on market and sector conditions
2) In the limit of distributable reserves. Shares buyback proposal's details will be subject to market conditions
3) Based on Rai Way stock price of 4,09 €
4) Net Debt, including IFRS-16 impact

Agenda

1. 2019FY Results
2. **2020-23 Industrial Plan: Broadening horizons**
   - **Market trends and key initiatives**

Main market trends

Main dynamics

Media

- **Refarming** process
- Evolution of **consumer habits**, with growing diffusion of OTT platforms
- **Technological changes** in the TV production chain (eg. IP, 4K)

Telco

- Development of **fixed** (fiber, IP) and **mobile networks** (5G)
- **High investments and returns under pressure** push telco operators to **partnerships and cost optimization**
- **IoT services ecosystem development,** with increasing needs **for latency/local computing**

Towers

- **Progressive** captive assets **spin-off** and evolution of **TowerCo's role** with expansion on adjacent businesses
- **Assets consolidation**

Opportunities for Rai Way

- **DTT networks upgrade in the context of refarming,** with **further extension of the DAB radio network**
- **Role on new media distribution platforms**
- **Support roll-out of telco** networks in rural areas and **enable new services** in view of 5G (eg. hospitality 5G devices, DAS, edge data centers)
- **Synergies** from **assets consolidation**

Challenges for Rai Way

- **Rebalancing of distribution platforms' relative weight**
- **Increasingly competitive MNOs hospitality** market (focus on cost optimization, site-sharing agreements, availability of assets open to the market)

Main market trends – media platforms

Market evidence

- **Video contents consumption** (3h 43m of global average daily viewing time in 2018[1]) **constantly increasing**
- **Growth** driven by **on-demand and mobile devices** consumption (~26% of total consumption in 2018[1]), particularly by new generations, **both non DTT-based**

Linear TV, however, still remains the **reference platform**, with a not steep rebalancing curve

Strong and substantially **stable audience**[2], confirms **DTT as the medium with the highest reach**

~10 mln average daily audience[2]

~85% TV advertising revenues on DTT[3]

Broadcasters' **advertising collection** highly **focused on the traditional platform**

Peculiarity of the Italian market, mainly Free-To-Air[4]

~73% FTA in Italy[4] vs. **~25%** in US

1 Source: Ampere Analysis
2 Despite improved broadband coverage and the growing popularity of OTT platforms, Management analysis on Auditel data
3 Expected CAGR 2018-2023 +0,3%, sources: PWC - Entertainment & Media Outlook in Italy 2019-2023, Nielsen
4 Penetration in terms of "prevailing" platform. Source: IHS Markit

Main market trends – media platforms

The **rebalancing will continue** ...

... but in the long term it is foreseeable a **coexistence of platforms** with a hybrid approach, based on the **polarization fruition - type of content**

TV set remains the preferred device (when available)

Linear and on-demand fruition will be complementary depending on the content type

DTT remains the **most efficient solution for delivering linear content to a wide audience**

Obligations of universality and coverage[1] of the public service

~99% news and generalistic contents

~95% other contents

1 Deriving from the status of Public Service Broadcaster under the service contract with the Italian State

2020-2023 Industrial Plan's key initiatives

STRENGTHENING OF THE CORE BUSINESS

EXPANSION OF THE INFRASTRUCTURE MANAGED

OPTIONALITIES FOR INNOVATIVE USES OF EXISTING INFRASTRUCTURE

Leadership in the media / broadcasting value chain

Protection of the tower business

Digital & Agile Transformation and evolution of the asset management system

Enabling factors
Enhanced connectivity:
- Sites (FttT)
- Backbone

Leadership in the media/broadcasting value chain

Extension of broadcasting services on traditional platforms and evolution towards content distribution on OTT/IP platforms

RAI broadcasting platforms

- Refarming DTT
- DAB radio network
- Satellite network

3rd parties broadcasting platforms

- Refarming DTT
- DAB radio network

New platforms (Rai and 3rd parties)

- Content Delivery Network (CDN)
- Multiplatform contribution (IP, 5G)

Activities mainly configured as technology and services business on third party infrastructures

RAI broadcasting platforms – Development of services

Refarming

From…

	Band	Equip.	Sites	Standard
MUX1	VHF/UHF	~2k		
MUX2				DVB-T
MUX3	UHF	~400	~2k	MPEG-4 / MPEG2
MUX4				
MUX5		N.r.		

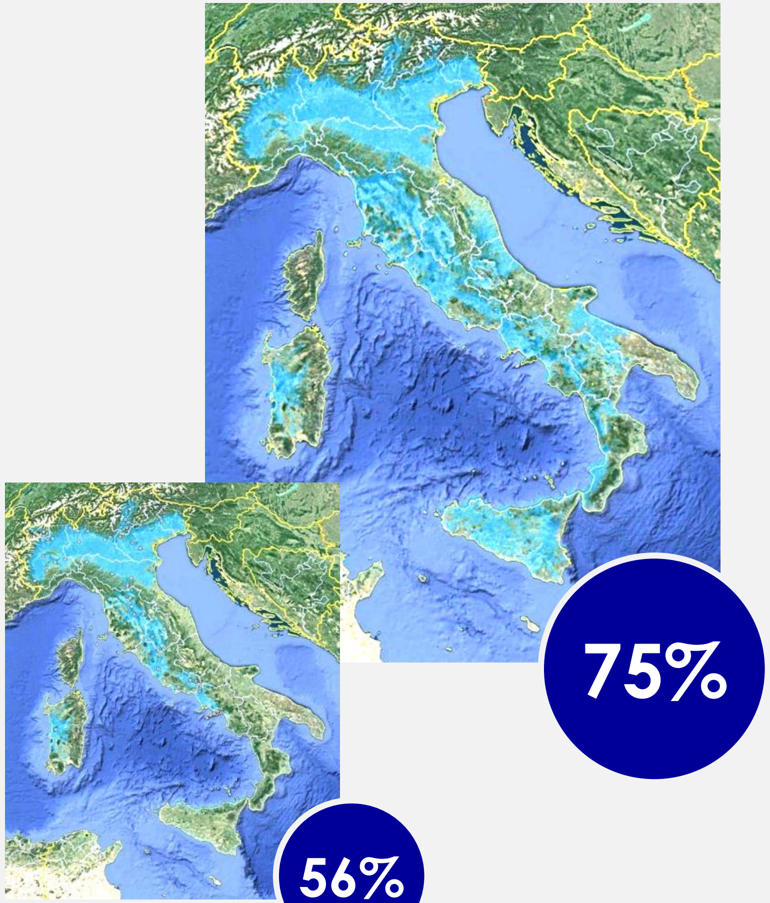
New UHF T2 macroreg. MUX | Coverage extension on nat. MUXes | T2 upgrade on national MUXes

…to…

	Band	Equip.	Sites	Standard
MUX MR		~2k		
MUXA	UHF	~1k	~2k	DVB-T2 HEVC
MUXB				

DAB coverage extension

Population coverage %



As of 31/12/2019

Satellite offer development

- DTH broadcasting **reconfiguration** with **transponder and head-end transition** in DVB-S / DVB-S2
- The new configuration will allow to receive **new channels, even in 4k, from satellite**

Third parties broadcasting platforms – Local TV refarming

Reference context

- **Release of all frequencies** currently in use **by local operators**
- **Awarding of two MUXes** (I and II level) **for the diffusion of local networks** to network operators through tenders and subsequent selection of FMSAs through **beauty contest**
- **New configuration makes the local TV market potentially more sustainable** (no network duplication, affordable transmission capacity) **yet with high differentiation in the regions' attractiveness**

Roadmap

2020	2021	2022
1H 2020 Launch phase of the frequency allocation tenders		**June 2022** Refarming completion

Approach

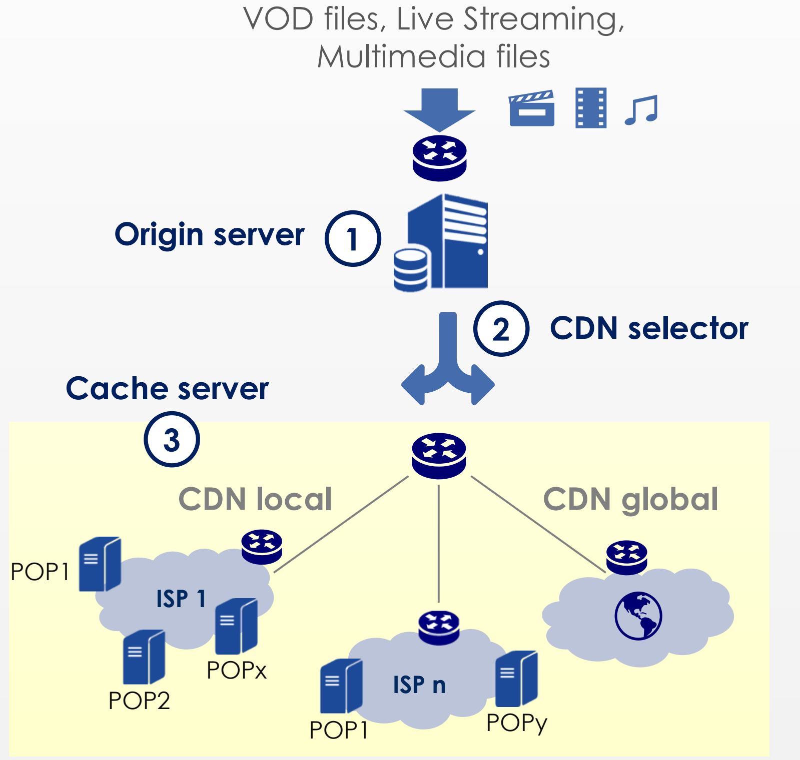
- **Prioritization of geographical areas by size/market risk**

Content Delivery Network (CDN)

System of connected servers to provide multimedia contents, reducing traffic and improving QoS[1] and QoE[2] for Content Service Providers and end users

CDN Basic architecture

Rai Way perimeter



1. **Holds the multimedia contents** to be displayed to users
2. Sort traffic between **multiple CDNs** for **effective traffic** management
3. Store **Web contents close to users**

Opportunities for Rai Way

Extend the positioning in the **distribution of video contents on IP platforms**, implementing a **"local" CDN** (greater capillarity of the servers), **carrier-neutral** (through Italian ISPs), **ensuring high QoS and QoE**

Leveraging on Rai Way fiber backbone infrastructure, video expertise, relationship with broadcasters and presence on the territory

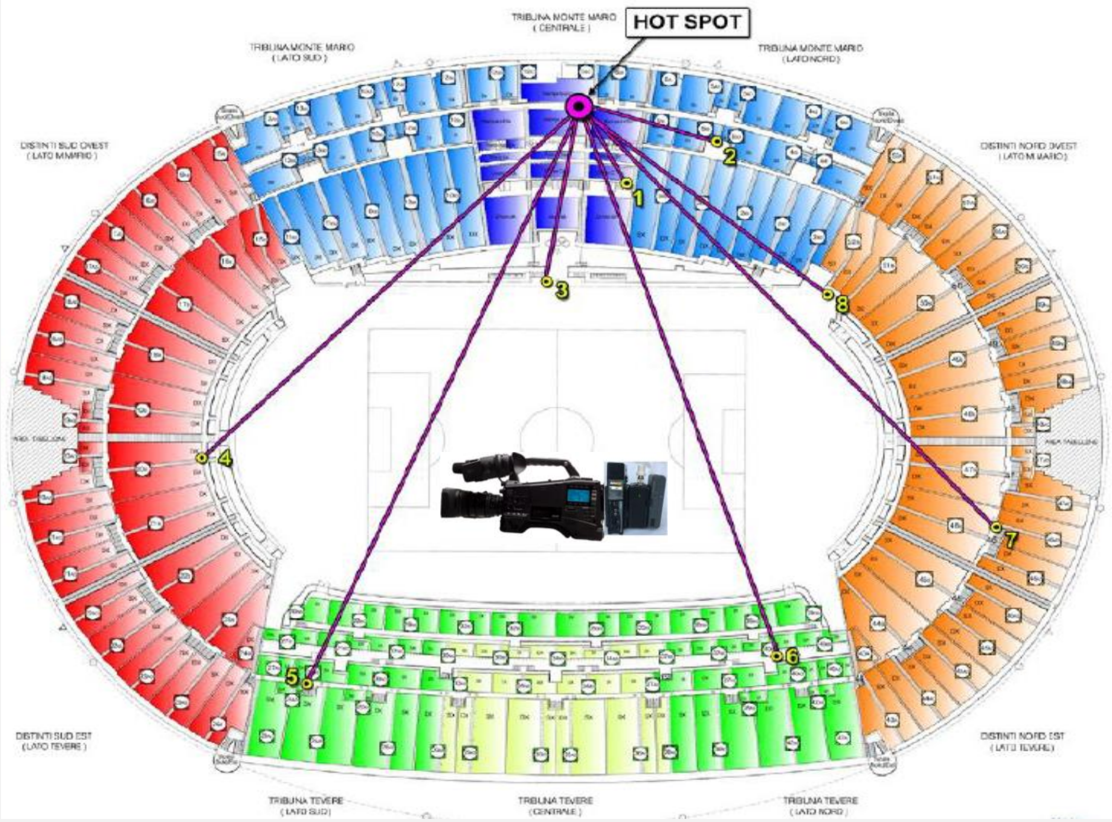
Enabling new B2B content transmission services

Value proposition:
quality of service and carrier-neutrality for content providers, backbone decongestion for ISPs

1 Quality of Service
2 Quality of Experience

Multiplatform contribution - Rai Way Wi-Fi Hot Spot for the Olympic Stadium in Rome

Wireless extension of the Rai Way contribution network with guaranteed reliability and video quality thanks to dedicated frequencies (not sharing cellular data network)



Protection of the tower business widening range of services

IMPROVED VALUE PROPOSITION OF THE TRADITIONAL OFFER

- Improved **pricing** competitiveness vs. **contract duration** extension
- **Offer widening** with services enabled by new networks' architectures and growing latency/local processing requirements

Edge Data Center

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FttT

- Retention / upselling of backhauling services for MNOs and attraction of new FWAP customers
- Implementation of new services (eg. Edge Datacenter, DAS, …)
- Possible synergies with broadcast distribution network

DAS

- Agreements with venue owners of points of interest near Rai Way towers
- Focus on venues with high video/broadcasting component events

VOLUME EXPANSION

- 4G / 5G roll-out in rural areas
- Leverage the growth of the fixed wireless segment, also for the entry into the traditional telco market
- Opportunities with public administrations and corporates (eg. mission critical networks)

(Tower) Edge Data Center

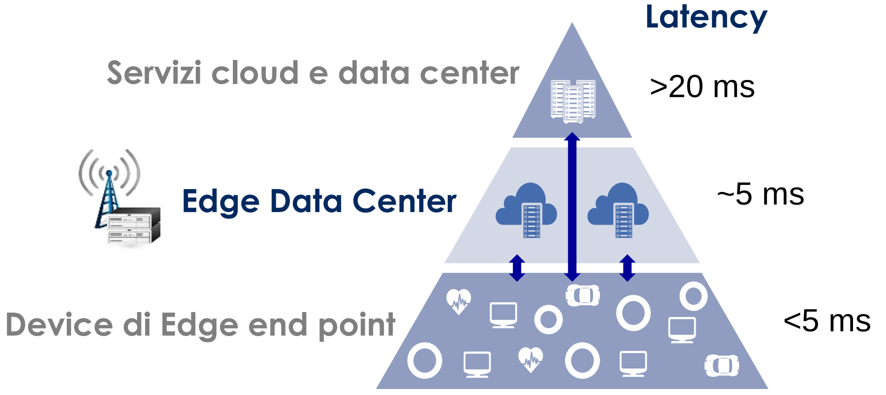
Distributed computing nodes equipped with data storage, data processing (also in real time) and connection to data centers/louds and/or other edge computers

Growth driven by the need of:

- **Low latency**(<10ms for "real-time analytics“ applications)
- **Local processing to avoid saturation of backbone infrastructure**

Global Edge Computing market expected 2019-24 CAGR

+34%
p.a.



Tower Edge Data Center is a frontier business addressing a fast growing reference market

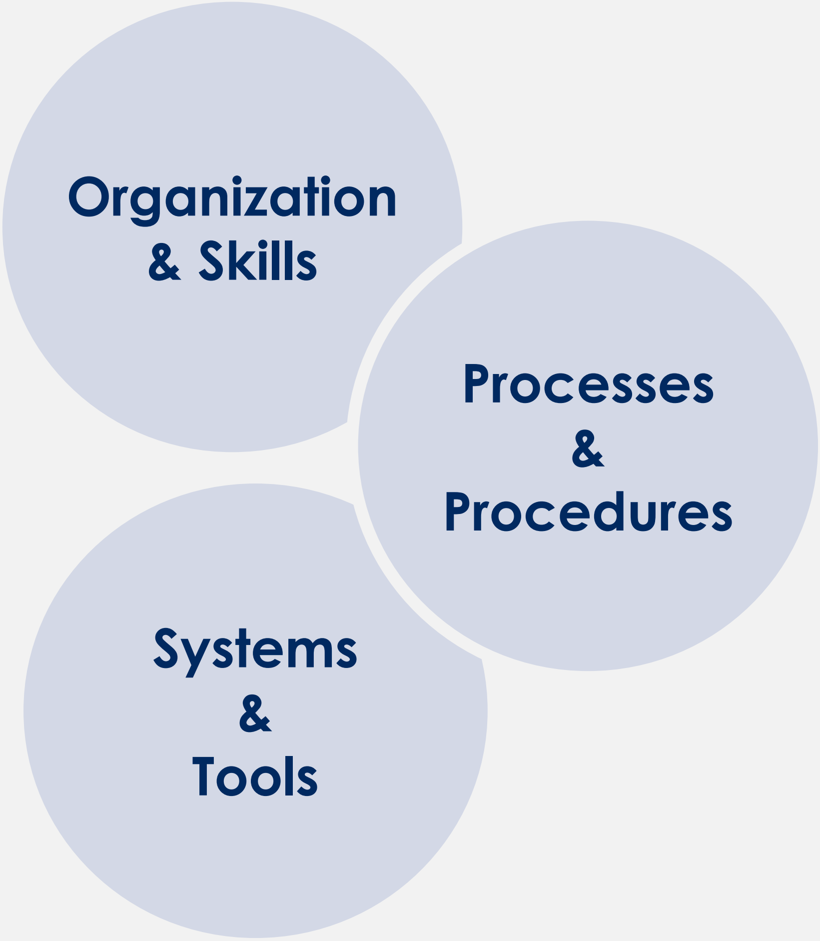
Opportunity for Rai Way

- **Infrastructural carrier-neutral operator (colocation & hosting) for MNOs and service providers**
  1. **Retention** and **up-selling** for **MNO customers**, following network virtualization and introduction of low-latency 5G services
  2. Hosting of **service providers**, widening customer portfolio
- **Good fit** with Rai Way asset footprint, offering **high coverage** of Italian territory and **available space**
  - Tower connectivity upgrade required
- Start from priority sites i) covering main Italian districts and ii) with MNO customers presence
- Potential **extension** of number of edge sites to increase coverage in case of **positive market take-up**

Source: Press, Market Research World

Digital transformation and "future proof" operating model

Areas of impact



Digital Transformation Pillars

- New **integrated platform** to support corporate processes
- Evolution of the **asset management and control model** and **data management** with gradual **tech integration**
- Development of **active and passive infrastructure monitoring systems**, through a distributed architecture of sensors and technologies
- Evolution of the **Field Operations** model
- **CRM platform** to support business processes
- Upgrading/reskilling of competences (digital & soft skills), **agile and simplified solutions** for processes and organizations

2020-2023 Industrial Plan's key initiatives

STRENGTHENING OF THE CORE BUSINESS

EXPANSION OF THE INFRASTRUCTURE MANAGED

OPTIONALITIES FOR INNOVATIVE USES OF EXISTING INFRASTRUCTURE

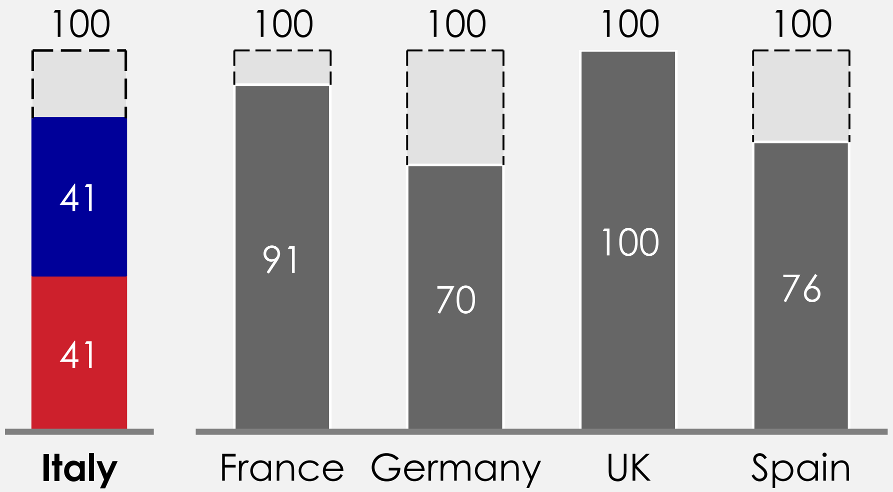
Main areas of interest		Industrial rationale
	Broadcasting Towers	▪ Scale / size ▪ Synergies
	Colocation Data Center (infrastructure)	▪ Diversification

Broadcasting towers market

Main areas of optimization

Italian vs. European market

Market share of Europe's leading broadcast tower operators
(% on total broadcast towers)



High concentration of the broadcast towers sector in the main EU countries compared to Italy

Industrial rationale

- **Synergies on costs** related to the **operating model and the management and maintenance of the technical infrastructure, freeing up** resources to investment in innovation and diversification

Operations rationalization

Transport network optimization

Asset consolidation

- **Increase in dimensional scale**
- **Expansion of customers portfolio**
- Promoting a possible **rationalization of the broadcasting infrastructures** with consequent **improvement of the landscape and environmental impact**

Source: TowerExchange; management analysis

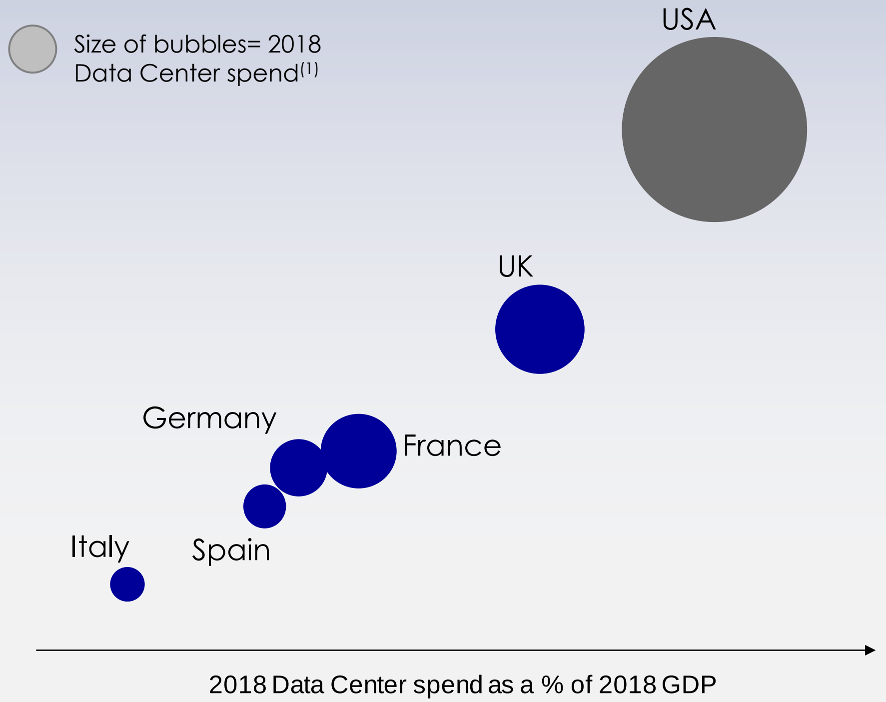
Colocation Data Center: Italian market overview

DEMAND: FAST GROWING REFERENCE MARKET

- **Data consumpt. and storage**
- **OTT**
- **Global Cloud Service providers**
- **Corporate IT externali-zation** (also through hybrid cloud)
- **Public Admin.** (DC rational. and cloud migration)
- **GDPR**

Expected double-digit demand growth p.a. (on average)

SUPPLY: CAPACITY INCREASING, BUT STILL LIMITED AND FRAGMENTED



- **Cloud (mainly from global players and domestic TLC/ICT players) representing main driver of capacity demand**
- **Fragmented supply-side, with limited assets' number and quality (vs. demand outlook)**
- **Relatively early-stage italian market (both on supply and demand) may lead to temporary unbalance**
- **In more advanced markets, trend towards outsourcing / externalization of infrastructural component**

1 Source: Digital Realty presentation, October 2019, based on 2018 data center spend per Synergy Research Group.

Colocation Data Center: approach

Domestic market dynamics influence possible entry strategy

Target customers

- **Secure occupation and growth:**
  - **Cloud providers**
  - **Telco**
  - **PA**

Asset features

- **Tier-4**
- **Located in Industrial / financial districts**
- **Modular target power**
- **Energy and coolling efficiency**

Entry options

1) MAKE

- Pre-agreement with anchor tenant
- Opportunity to leverage on proprietary asset/land in the Rome area

2) BUY

- Top-tier Independent asset
- Asset spun-off from anchor tenant

Clear value proposition for customers/partner: independent, high-reliable and carrier-neutral operator; integration with Edge Data Center network to address low-latency requirements; synergies with OTT video customers

2020-2023 Industrial Plan's key initiatives

STRENGTHENING OF THE CORE BUSINESS

EXPANSION OF THE INFRASTRUCTURE MANAGED

OPTIONALITIES FOR INNOVATIVE USES OF EXISTING INFRASTRUCTURE

Focus on innovative services running on the existing infrastructure still not mature due to lack of technical/ regulatory standardization

5G XCAST

Drones

5G Broadcasting

Agenda

1 2019FY Results

2 **2020-23 Industrial Plan: Broadening horizons**

– **Sustainability**

Rai Way's commitment to sustainability: 2020-2023 ESG goals

Environment, health and safety

Energy Efficiency

- Reduction in consumption from new transmission systems connected to Refarming

Reinforcing mgnt systems

- Maintaining ISO 14001
- Achieving ISO 45001

Waste reduction

- Ecological days for employees

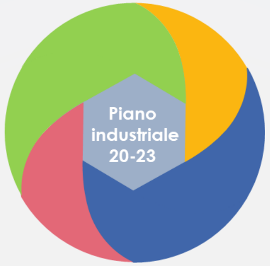
Social

People development

- Smart working
- E-learning/ webinar training

Community development

- Support in the transition to the new DTT transmission standard
- Caring initiatives involving employees



Innovation

Digital transformation

- New IT platforms to support business and operations
- Digital skills and culture development
- Digital Learning Hub/Academy creation
- Open innovation and partnerships with universities

Governance

Incentive for ESG

- ESG criteria in variable remuneration policies
- Sustainability committees

ESG in the purchasing process

Management of whistleblowing

Privacy and data security culture

Agenda

1. 2019FY Results
2. **2020-23 Industrial Plan: Broadening horizons**
   - **Key financials**

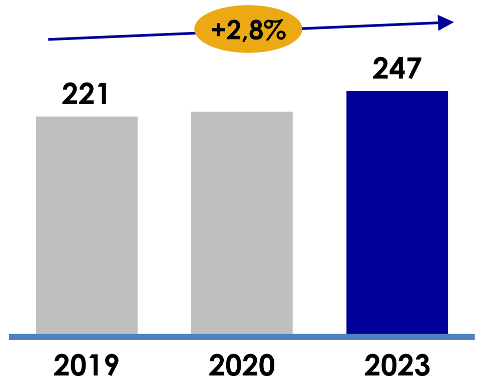
2020-2023 financial highlights[1,2]

Mln Eur

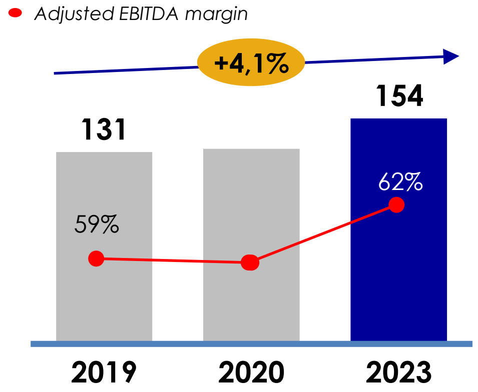
% CAGR 2019-2023

Figures based on a refarming scenario with 3 MUXes managed for RAI

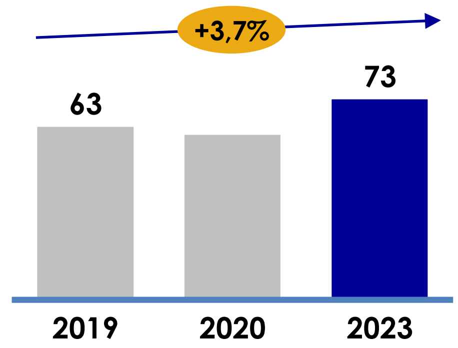
Core Revenues



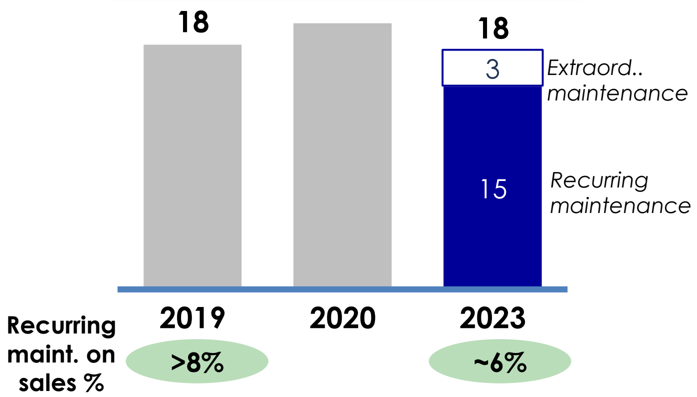
Adjusted EBITDA (post-IFRS16)



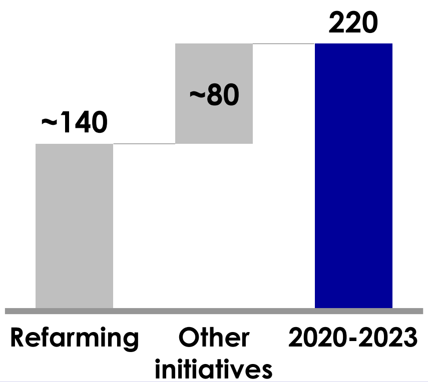
Net Income



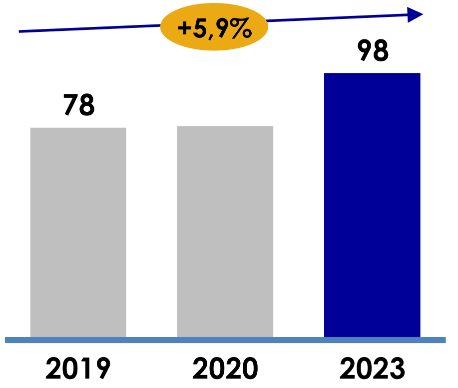
Maintenance Capex[3]



2020-23 cumulated Development Capex

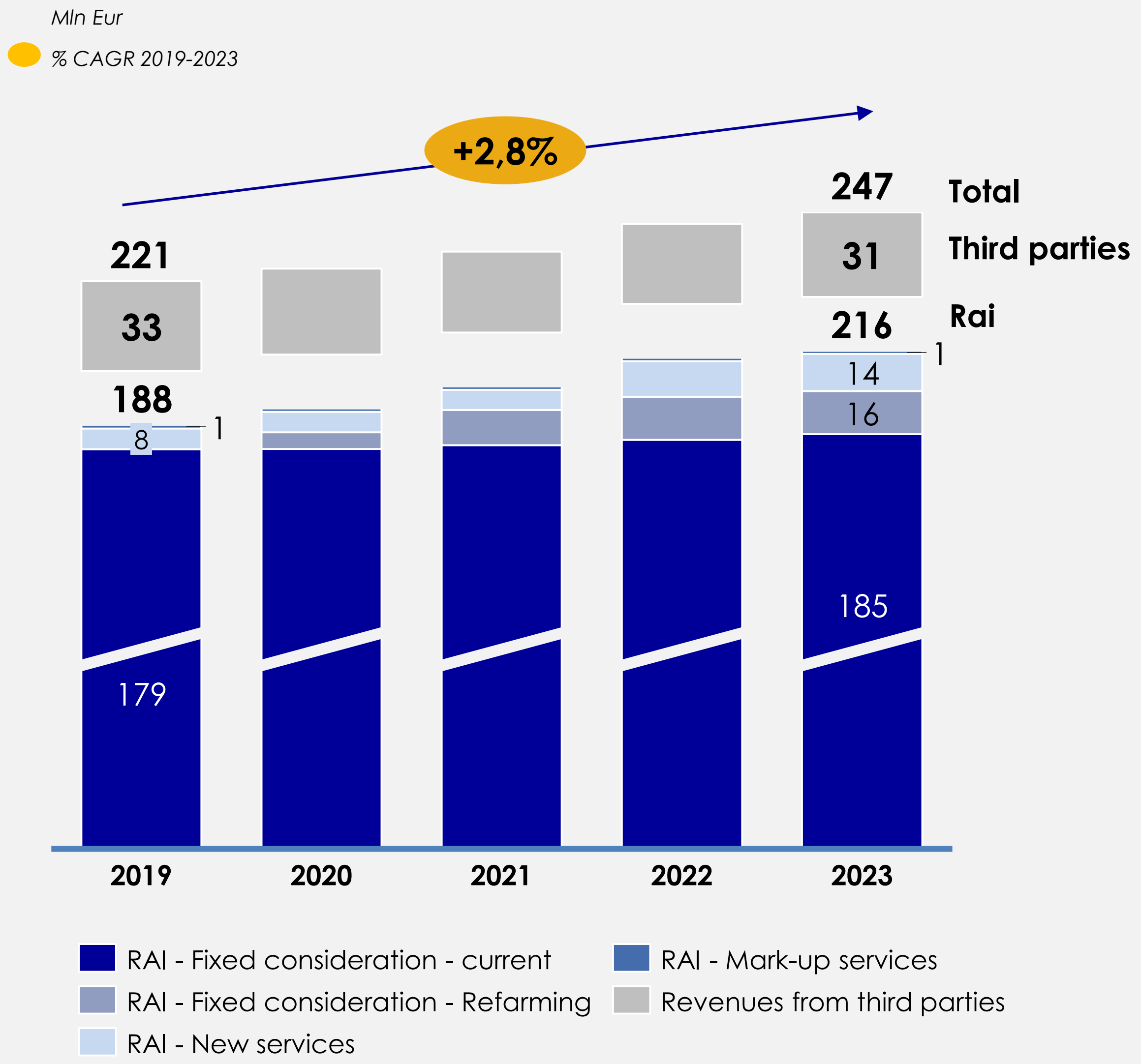


Recurring FCFE[4]



1) On organic basis; 2) Based on CPI assumptions of: 0,1% in 2019, 0,8% in 2020, 1,1% in 2021 and 2022, with impact on the following year; 3) Excluding non-cash component related to IFRS-16 Leasing 4) Recurring FCFE = Adjusted EBITDA – Net Financial Charges – P&L Taxes – Recurring Maintenance Capex. All figures adjusted to deduct rents impacted by IFRS-16 from the calculation of cash generation

Core revenues



RAI

- **Refarming** (full impact from 1/7/21)
- **Addition. new services** (CDN, DAB, connect…)

THIRD PARTIES

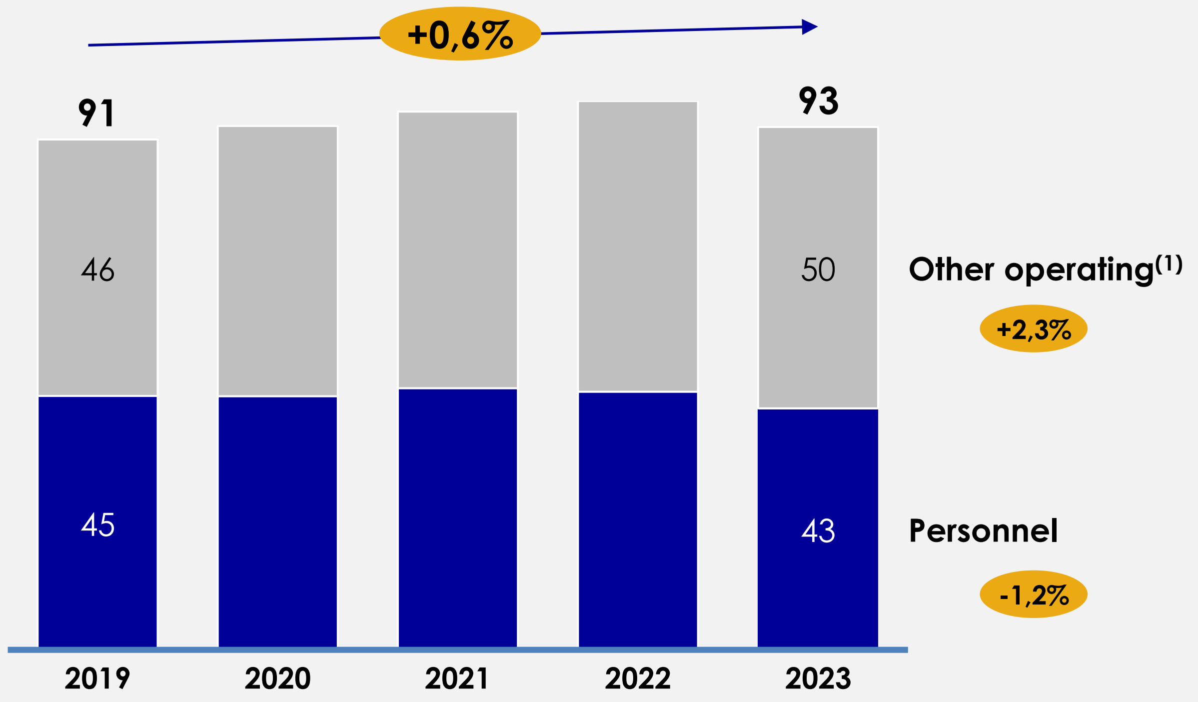
- **Retention / volume-oriented pricing scheme**
- **Innovat. services** (pushed by 5G)
- **Volume growth on non-MNOs**

Revenues from Third Parties to bottom out during plan period, with customer mix more balanced

Operating costs[1]

Mln Eur

% CAGR 2019-2023



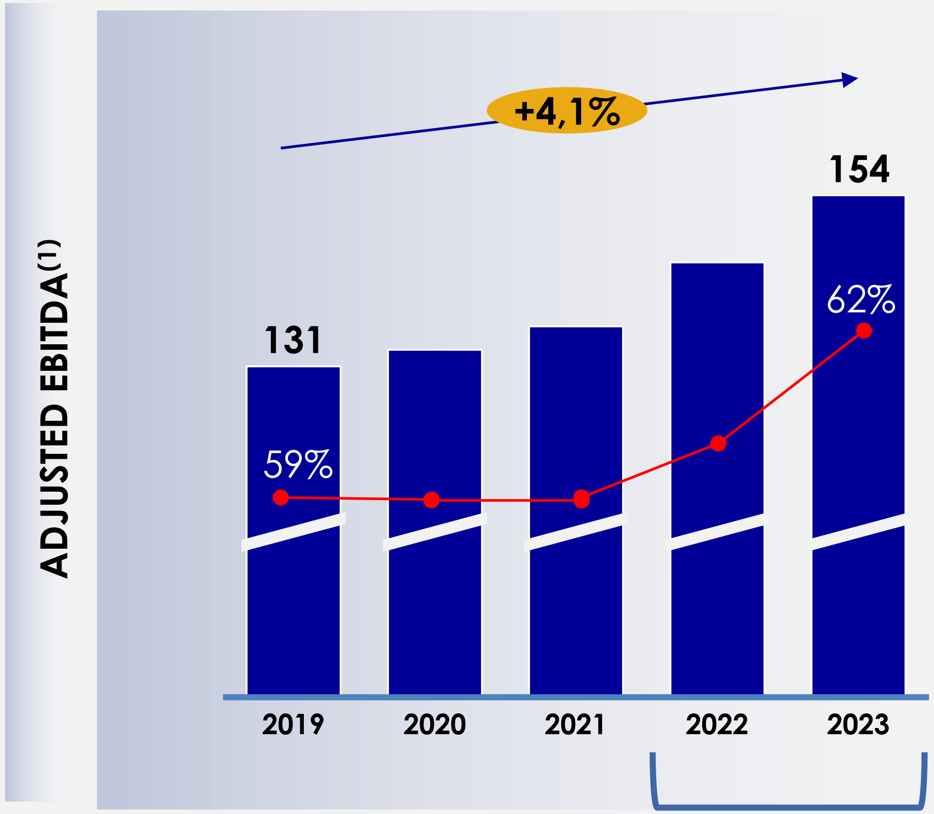
Continuous efficiency initiatives to offset emerging costs related to new services

1) Post IFRS-16

Adjusted EBITDA[1] and Net Income

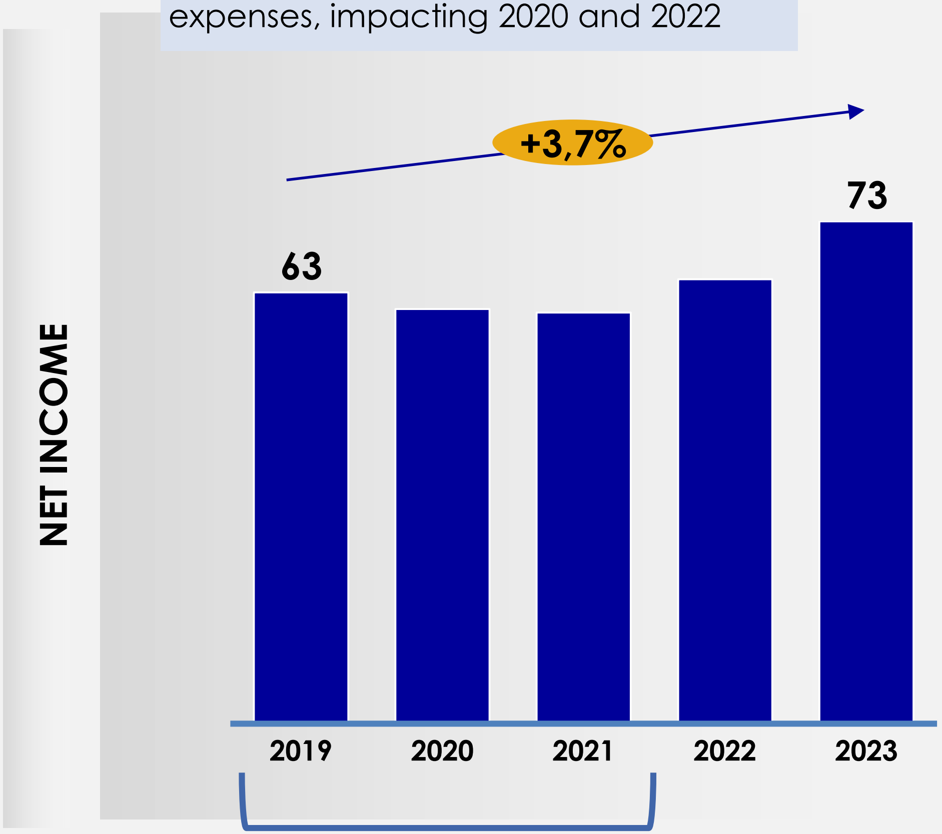
Mln Eur

% CAGR 2019-2023



Acceleration of growth in 2022-23 driven by refarming (impact on rev and opex) and digital transformation

Ca. € 3,5m total cumulated one-off expenses, impacting 2020 and 2022



From debt-financed investment plan

D&A

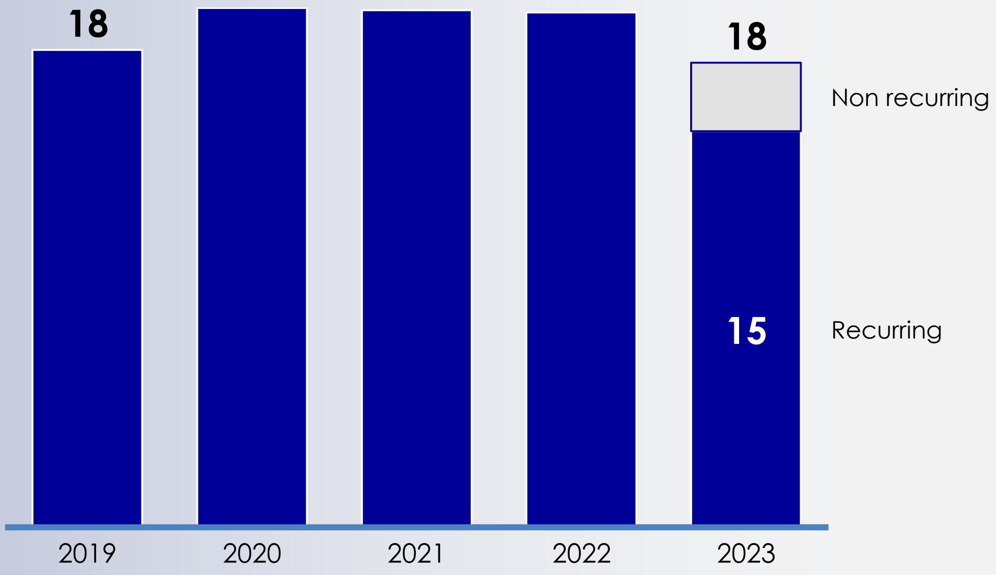
Finan. charges

1) Post IFRS-16

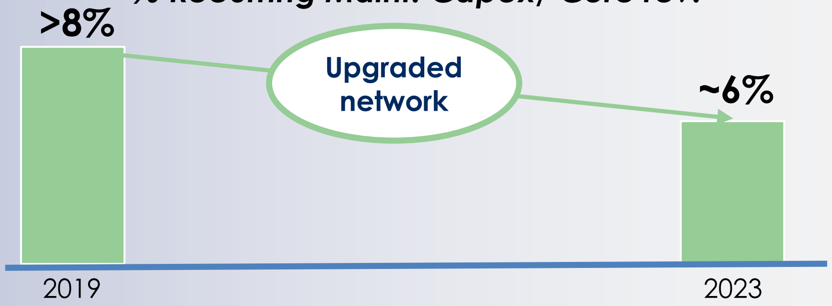
Investments

Mln Eur

MAINTENANCE[1]

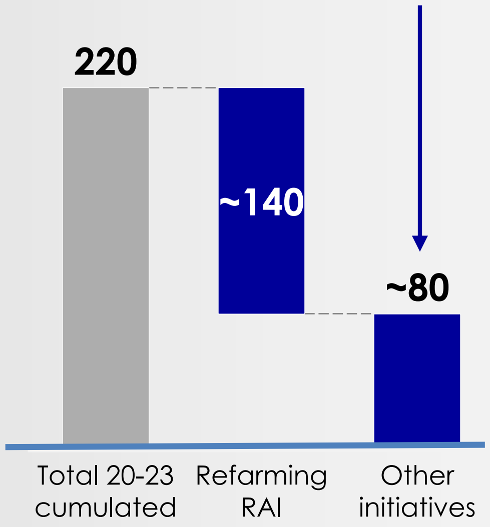


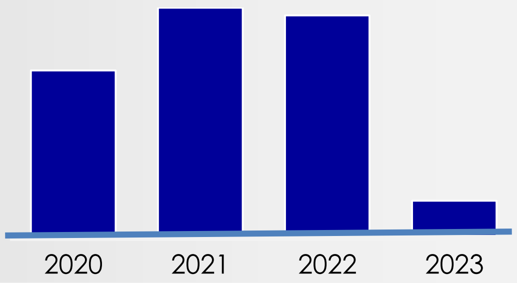
% Recurring Maint. Capex/ Core rev.



DEVELOPMENT

Including: CDN, connectivity upgrade, new telco services (FttT, edge data center, DAS), digital transformation and regional refarming

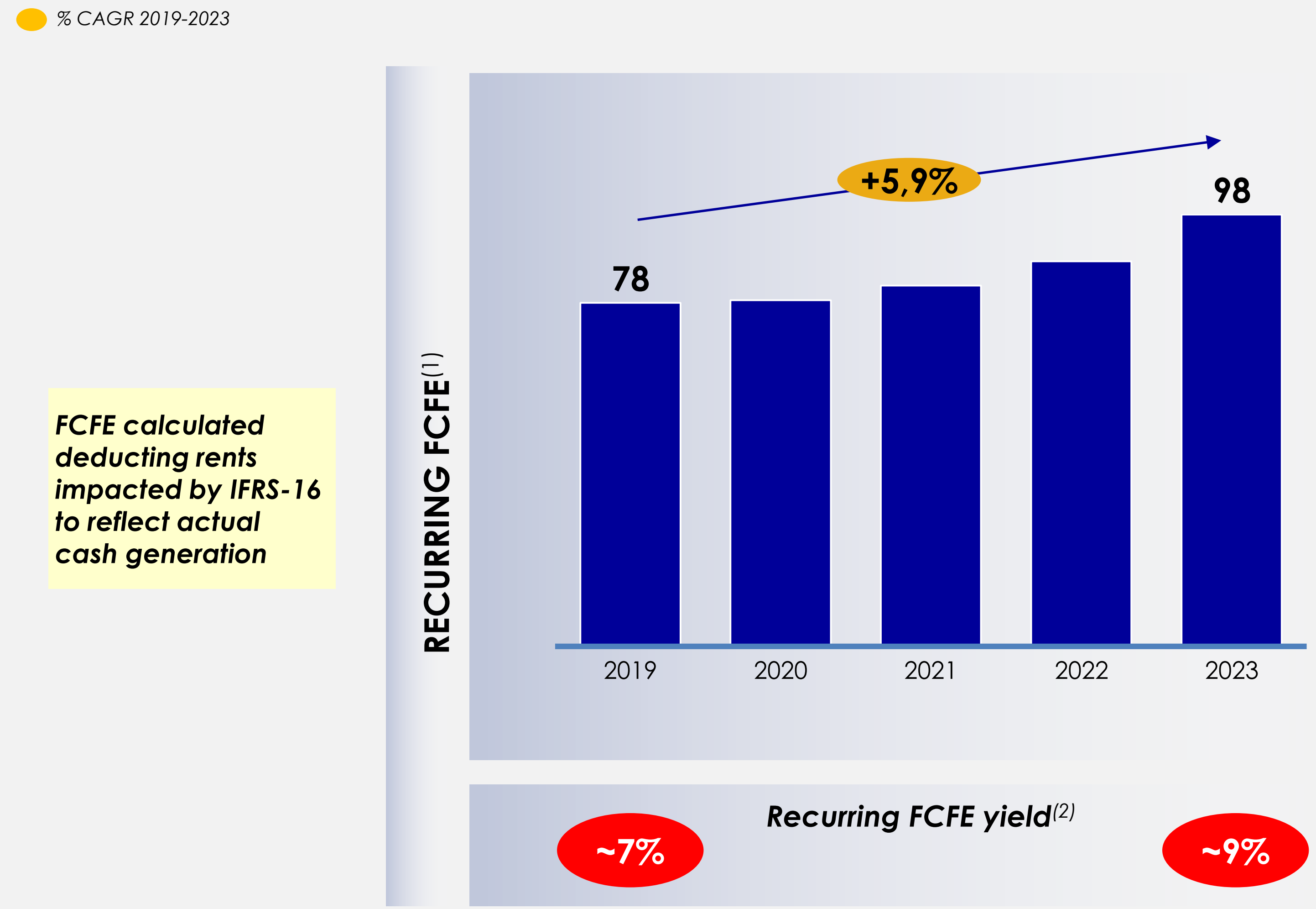


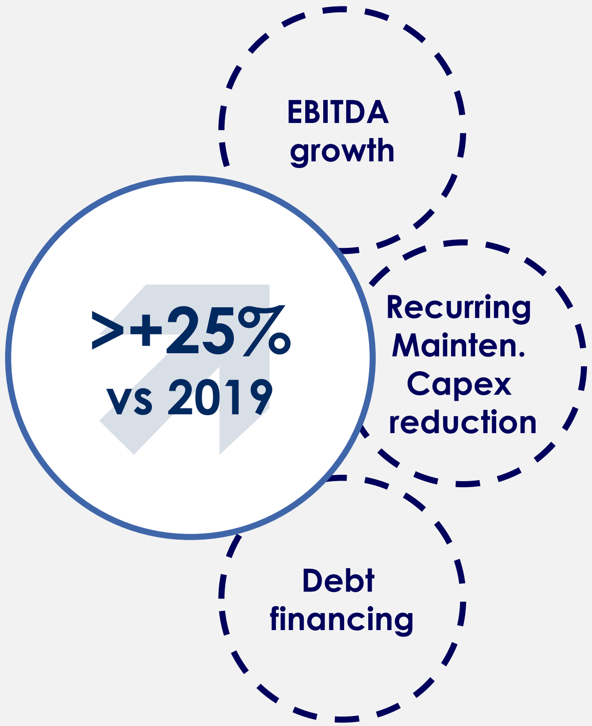


1) Excluding non-cash component related to IFRS-16 Leasing

Cash generation

FCFE calculated deducting rents impacted by IFRS-16 to reflect actual cash generation





(1) Recurring FCFE = Adj. EBITDA – Net Financial Charges – P&L Taxes – Recurring Maintenance Capex. All figures adjusted to deduct rents impacted by IFRS-16 from the calculation of cash generation

(2) Based on Rai Way shares market closing price of 12/03/2020 (4,09 €/share)

Capital allocation

ORGANIC GROWTH

220 Mln developm. capex » **+20 Mln recurring FCFE generation**

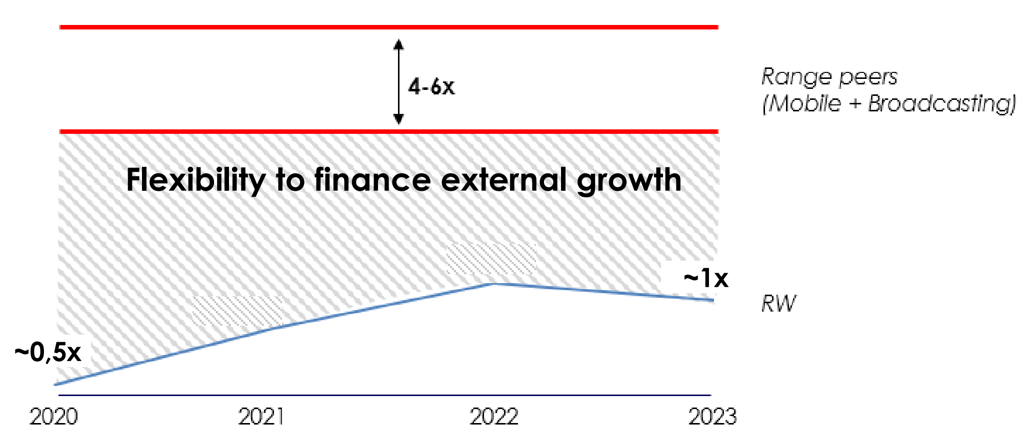
SHAREHOLDERS' REMUNERATION

100% Payout ratio (or partly buyback) — ***>5% Yield[1]*** + **Additional buyback** from distributable reserves » **~270 Mln** (~25% of mkt cap[1])

- Continuity in the **dividend policy of 100% of Net Income**, with possibility to convert it into a **mix of dividends and buy-backs** depending on market and sector conditions
- On top, implementation of an additional **buy-back plan** out from **distributable reserves** (at least € 20 Mln, equal to 7% of floating[2])

EXTERNAL GROWTH

- **External growth** in **infrastructures** pursuing:
  - scale (and competitiveness in a market under progressive consolidation)
  - synergies
  - diversification
  - optimization of capital structure
- Business visibility and **organic evolution of financial leverage**[3] – kept at around 1x NFP/EBITDA during the plan period – allows **availability of resources to finance external growth**



(1) Based on RW share price of 4,09 and assuming distribution entirely through dividends
(2) Floating does not include stakes >5%
3) Net Debt/Adj. EBITDA. Net Debt including impact from IFRS-16

Q&A session

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Annexes

Broadcasting - Recap on the refarming process

2019 Budget Law and the subsequent evolution of the regulatory framework by the competent authorities(1) reshaped the refarming process and the DTT network configuration:

CURRENT CONFIGURATION

- National MUX: 20
  - 19 UHF
  - 1 UHF/VHF regionalized (Rai MUX1)
- Transmission standard: DVB T

NEW CONFIGURATION

- National MUX: 12 UHF(2)
  - 10 assigned through conversion of current RoU of frequencies (0,5 conversion ratio), of which 1 UHF to Rai to be regionalized
  - 2 to be auctioned (in 4 slots of ½ MUX each)
  - Transmission standard: DVB T2
- 10 years concession period on frequencies

- Most of the process milestones set by the 2019 Budget Law have been completed:

2019

- ✓ **New PNAF** (AGCOM)
- ✓ **Conversion and awarding criteria** (AGCOM)
- ✓ **Roadmap** (MISE)
- ✓ **Capacity awarding to network operators** (MISE)

2020

- **Auction criteria** (AGCOM)
- **Auction for additional capacity (4 slots of ½ MUX)** (MISE)

Sept. 2021

- **Switch al MPEG4**

30 June 2022

- **Switch a DVB-T2**

Transitory period(3)

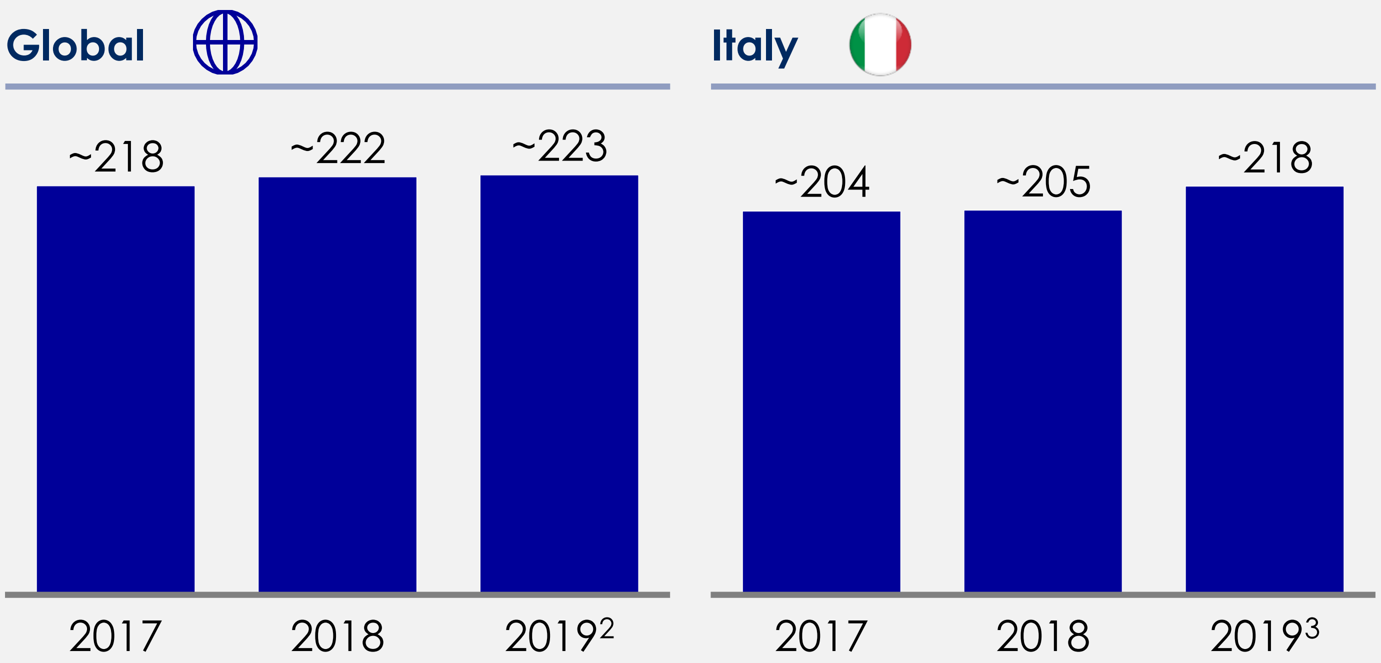
(1) Ministry of Economic Development (MISE), Authority for Communications (AGCOM); (2) One of them partially using also VHF frequencies
(3) Transitory period anticipated to Jan 2020 – Dec 2021 for network operators using channels 50, 51, 52 and 53

Broadcasting - Evolution of consumer habits

Consumers are watching more and more video content…

- The **consumption of video** content (time of use) **has been constantly increasing** for years
- Italy follows the same trend, with an **average number of minutes per day** (~218) **close to the global average**
- Growth is expected to show the **same trend for the coming years as well**

Video content viewing time (minutes/day)(1)

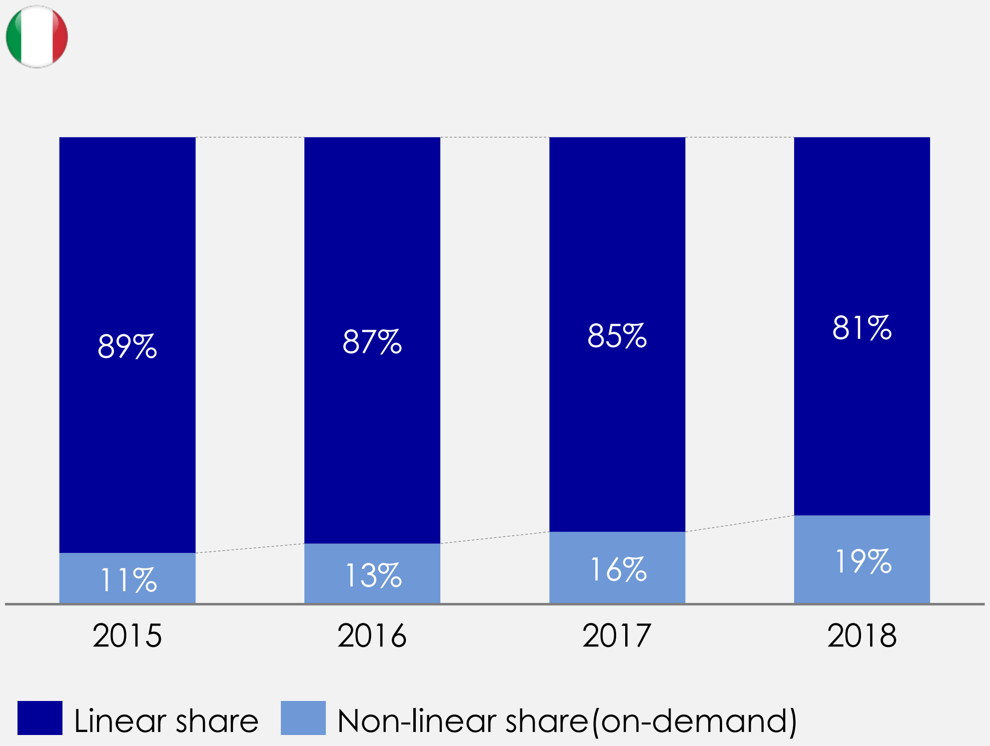


(1) Source: Ampere Analysis; based on interviews carried out in 22 main countries around the world (e.g. USA, UK, France, Italy, Germany, Brazil, Australia, etc.) through the question "how many minutes a day on average during the week do you use to watch video content and on which devices?"; the data refers to Q3 of each year shown where not otherwise specified
(2) Based on 1Q 2019
(3) Based on 3Q 2019

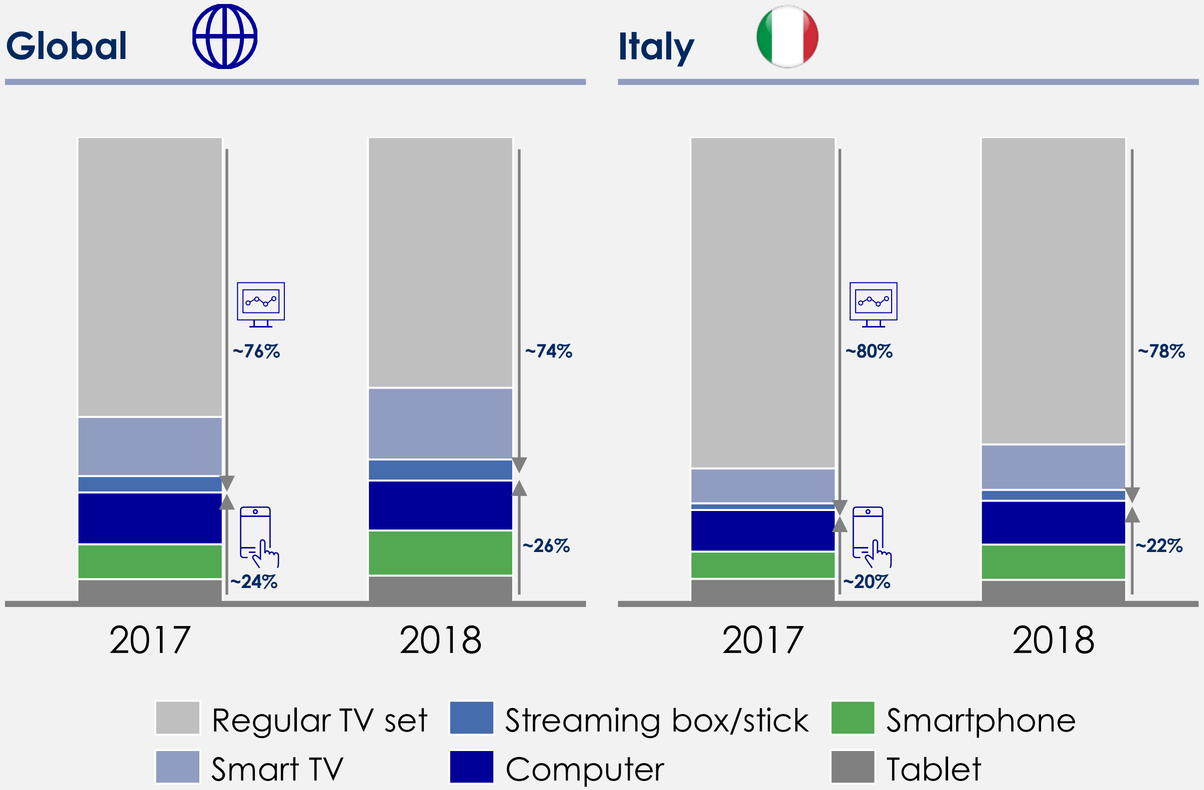
Broadcasting - Evolution of consumer habits

...global growth driven by on-demand and mobile device use...but linear TV still remains the reference platform with share >80%...

Linear vs. non-linear video consumption in Italy(1)



Video consumption per device (minutes/day)(2)



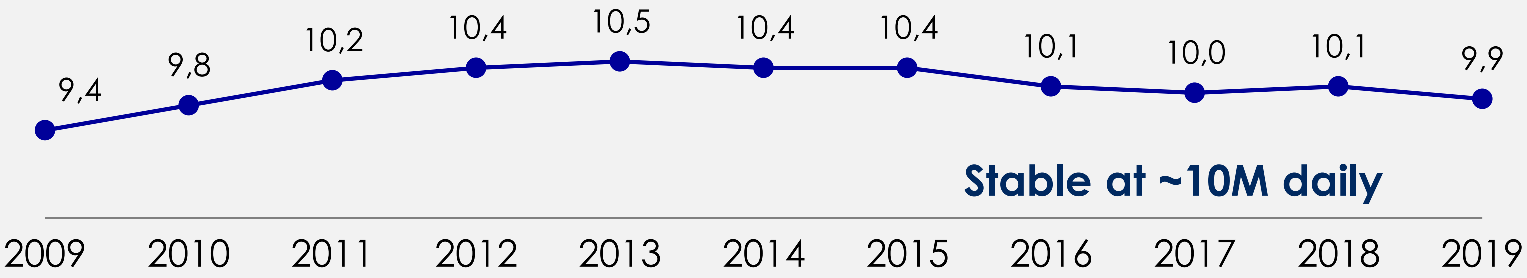
(1) Source: IHS Markit; ERGO Digital Trends 2019
(2) Source: Ampere Analysis; based on interviews carried out in 22 main countries around the world (e.g. USA, UK, France, Italy, Germany, Brazil, Australia, etc.) through the question "how many minutes a day on average during the week do you use to watch video content and on which devices?"; the data refers to Q3 of each year shown where not otherwise specified

Broadcasting - Evolution of consumer habits

… supported in Italy by a high audience (despite improved broadband coverage and the growing diffusion of OTT platforms)…

Linear TV audience in Italy on the average day

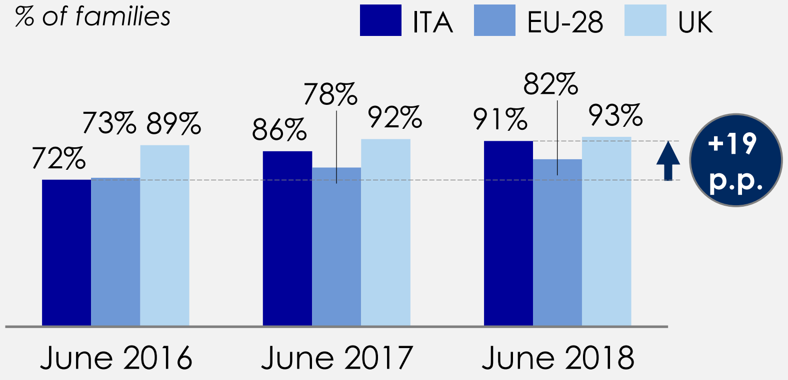
Mln of viewers throughout the day (02:00 – 02:00)



- **The DTT audience has shown resilience** in the past years, also thanks to the wider offer of Free To Air (FTA) thematic channels and despite:
  - Broadband coverage in Italy has reached EU levels
  - The OTT market (e.g. Netflix, DAZN, Amazon) has also registered an explosion in Italy (+248% from 2017 to 2019)
- **The DTT remains the mean with the highest reach**: you watch traditional TV for less time, but you keep on watching it

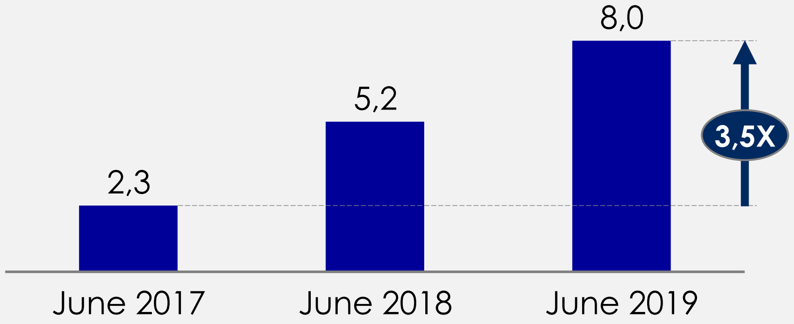
Broadband coverage (vel. ≥ 30mpbs)

% of families



OTT(1) service subscriptions, Italy

Mln of active subscriptions



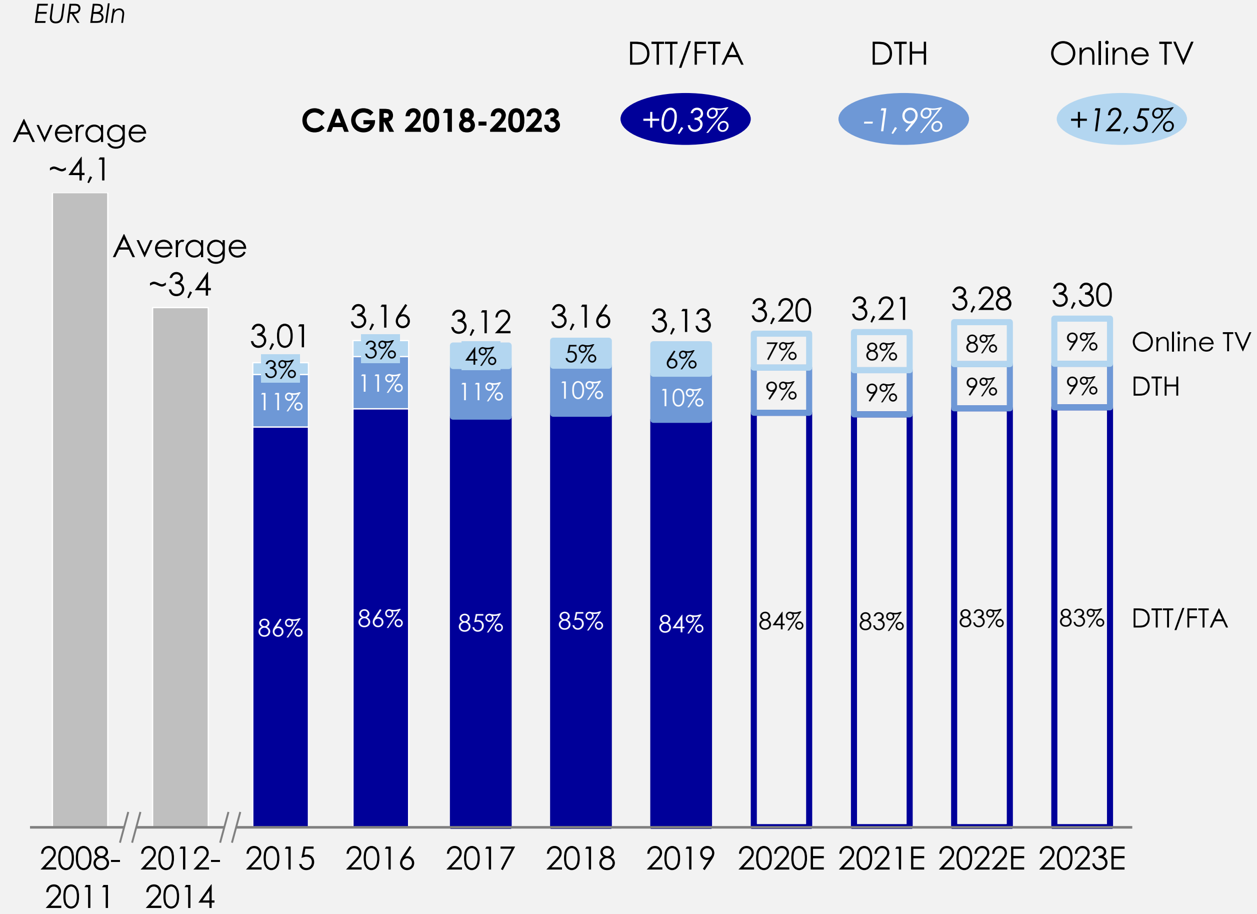
(1) All services (Netflix, Amazon Prime,…)

Sources: Management analysis based on Auditel figures, European Commission DESI report 2019, I-Com Rapporto ORES October 2019

Broadcasting - Evolution of consumer habits

… from advertising revenues…

Breakdown of TV advertising sales in Italy



- Considering that **DTT accounts for about 85% of TV**[(1)] **advertising revenues**, it is unlikely that national broadcasters will choose to move to other platforms (e.g. OTT), whose advertising revenues will remain complementary

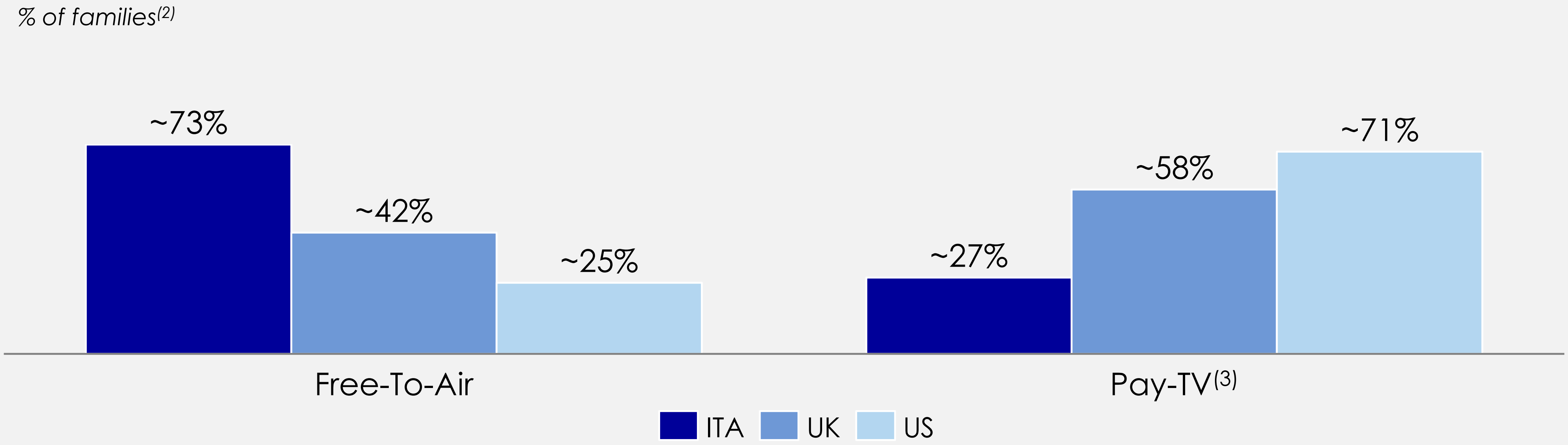
- **Advertising revenues in the FTA segment** are expected to remain broadly **stable between 2019 and 2023**, thanks to expanding overall revenues

Sources: PWC - Entertainment & Media Outlook in Italy 2019-2023, Nielsen, RAI
(1) Equal to 60.9% of total revenues in 2018 (EUR 6.23 bn, excluding Search & social component (Amazon, Google, other search engines and social networks)

Broadcasting - Evolution of consumer habits

… and the peculiarity of the Italian market

Comparison in terms of penetration of the different "prevailing" platform(1), 2018



The Italian market is mainly Free-to-air, dominated by two main national players (RAI and Mediaset) and difficult to be eroded by other platforms, especially if "pay"

(1) If there is more than one platform in the family, it is considered to be the most widely used one
(2) % calculated on a number of households equal to 25,3 mln (Italy), 27,6 mln (UK), 128 mln (US)
(3) Includes cable, DTH and IPTV
Source IHS Markit

Broadcasting - Evolution of consumer habits

What to expect going forward?

The **TV set** remains the **preferred device to use** compared to mobile devices, when available.

Linear and on-demand use will be **complementary** depending on the **type of content**

From a technological point of view, **DTT remains the most efficient solution** for the transmission of **linear content** to a **wide audience**

> **There will be no replacement, but a stratification of models**. A slice of the audience will continue to have the TV not connected, and will continue to watch it as now. [...] In the long run I foresee a very strong polarization between live events and on-demand content
>
> *Italian TV broadcaster Senior Manager, 2019*

The DTT will not disappear, but a coexistence of platforms through a hybrid approach, based on the polarization of the "way of fruition - type of content" is foreseeable

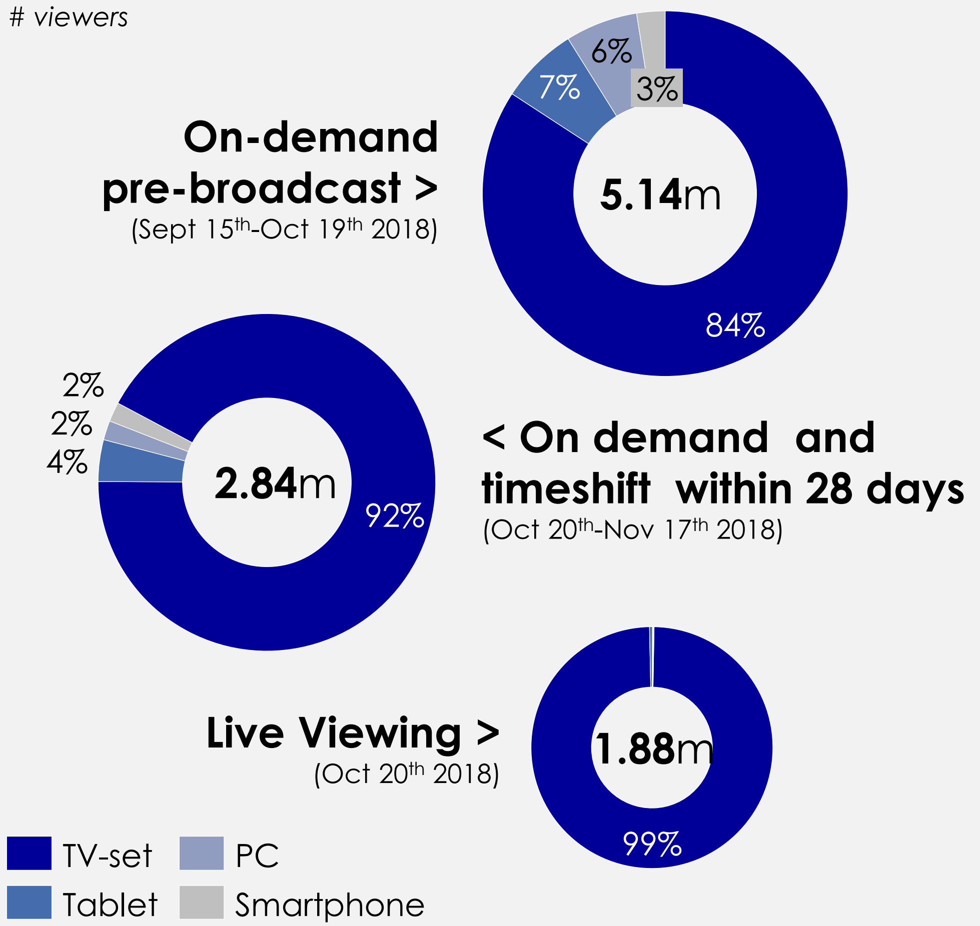
Broadcasting - Evolution of consumer habits

TV set remains the preferred mode of use over mobile devices, when available

Case study: TV series in UK

- An examination of how to enjoy episode 6 of the English TV series "Killing Eve" broadcast live on BBC1 and also made available on-demand (pre and post live broadcast) shows that in both cases, the **TV set was the preferred solution** for viewers.
- When available (e.g. at home), **the television is the device that provides the best viewing experience** even in on-demand mode. The convenience of smartphones and tablets is appreciated when you're away from home or on the move

BBC1 - Killing Eve ep. 6 : Viewing mode



(1) Source: BARB, The Viewing Report May 2019

Broadcasting - Evolution of consumer habits

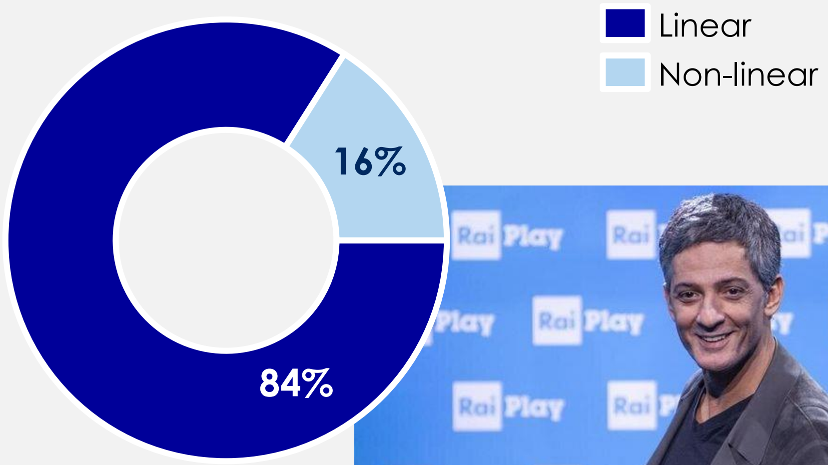
Polarization of platforms according to content type

Case study: Fiorello on RAI Play

- On 13 November 2019, the first episode of Fiorello's show « Viva RAI Play», distributed **exclusively** on the RAI Play platform, recorded **84% of views in linear mode**.
- In the future, it is foreseeable a **polarization of fruition mode** with "**on-demand**" preferred for **non-live and deferrable content** (mainly TV series and movies) while "**linear**" will remain the reference mode **for live and non-deferrable events (e.g. entertainment, sports and news)**

Viva Rai Play: Fruition mode on OTT platform

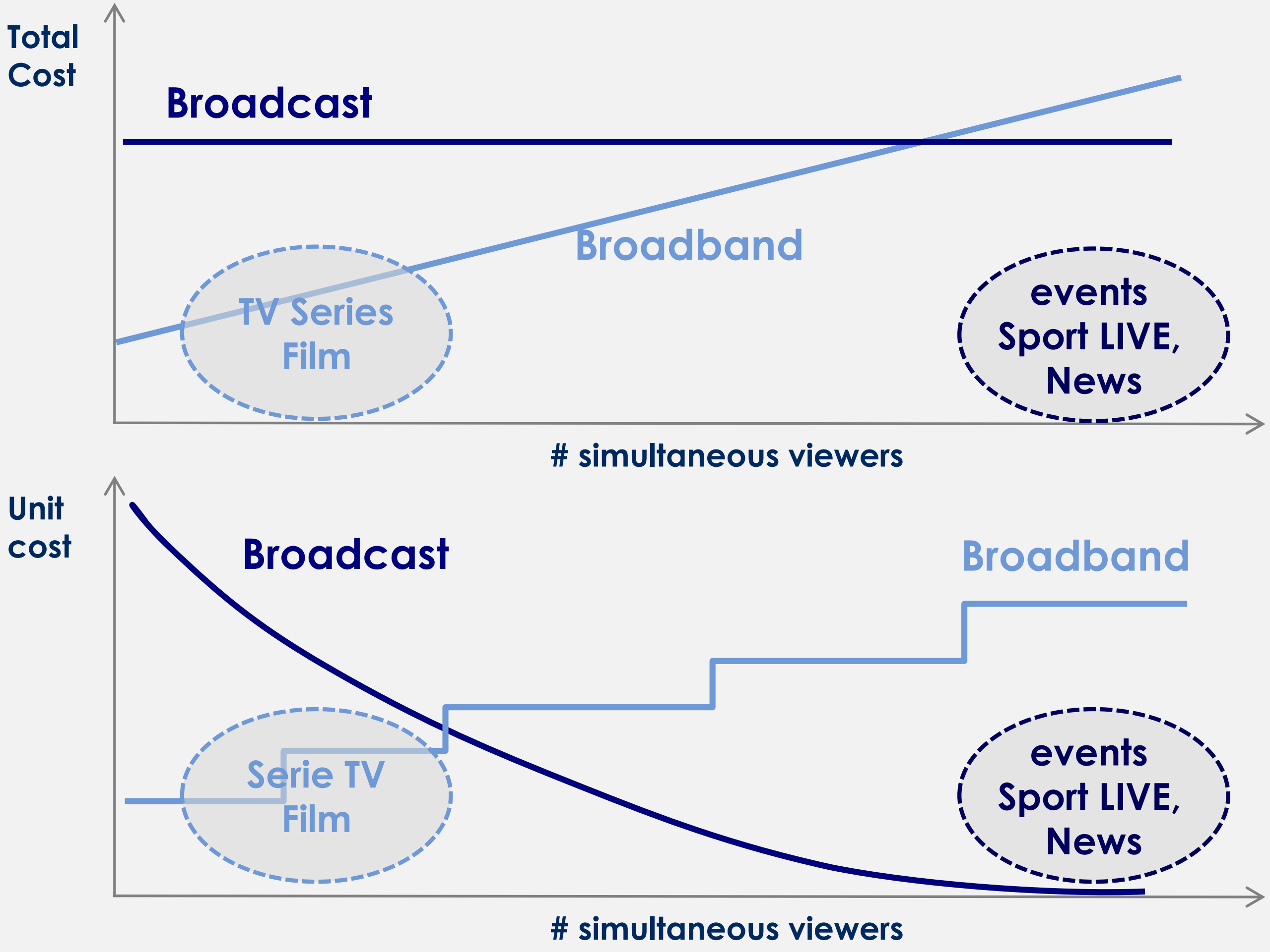
Show on 13 November 2019 exclusively on Rai Play



Digital Television - Evolution of consumer habits

From a technological point of view, DTT remains the most efficient solution for the transmission of linear content to a wide audience

- In terms of cost and spectrum, traditional **terrestrial (DTT) and satellite (DTH) broadcast technologies are efficient** in delivering **linear content to many viewers**. Efficiency is maximised when such events are non-deferrable.
- In case of provision of non-linear and deferrable content - **such as the consumption of on-demand video content** whose viewing is not simultaneous and usually distributed over long periods of time - the use of **Internet protocols** (eg. IPTV, OTT) **is the most suitable solution**
- Transferring the offer of non-deferrable linear content of a traditional broadcaster (currently on DTT) entirely on an IP platform would **entail prohibitive costs** with current standards:
  - **For broadcasters**, on the basis of a consumer **pricing model**
  - **For telco**, in terms of strengthening its **backbone**

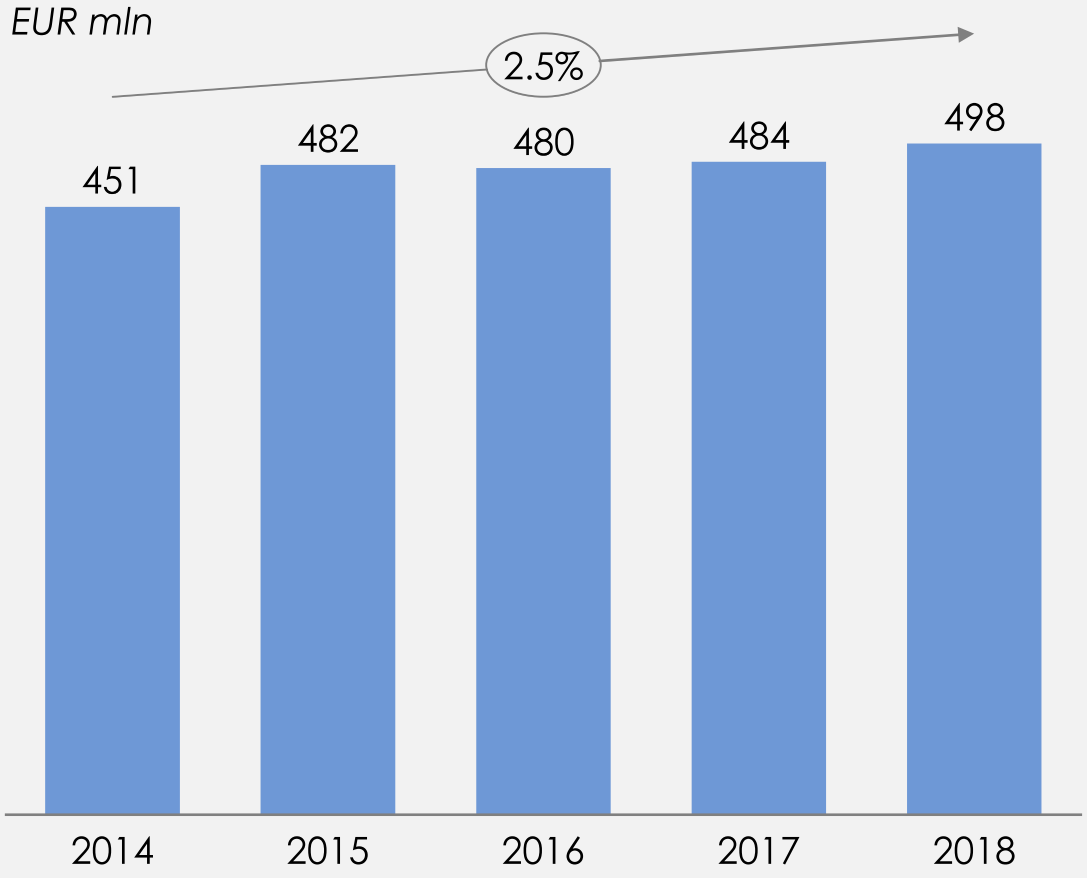


Source: Ericsson, 2016, Hybrid media & TV delivery using Mobile Broadband combined with terrestrial/satellite TV

Broadcasting - Radio

FM radio remains a mainstream platform, evolving towards digital

Advertising sales Radio in Italy



Digital evolution is at an advanced level for domestic use...

- ~50% of Italian households have devices capable of receiving FM Radio signal
- Production/distribution of domestic FM equipment is decreasing
- Most national broadcasters transmit online and on DTT
- National and international online aggregator offerings are growing rapidly (TuneIn, FM World)

... while it is still to be implemented for mobile use

- Limited DAB car radio penetration: mandatory installation from 2020
- Slow renewal rate of the car fleet (~ 37M of vehicles in Italy; ~ 2M of new vehicles sold per year)

Source: AGCOM; Confindustria Radio TV

Broadcasting - Evolution of the TV production chain

Technological changes in the media/broadcasting supply chain

Challenges		Main drivers
Introduction of new standards/forms (4K,HDR,8k)	»	▪ SDI broadcasting infrastructure no longer adapted to the bitrates required by new formats (3 Gbps vs. >12Gbps) ▪ Scalability vs. new technological standards
Evolution to IP/Ethernet ecosystem	»	▪ Optimized performance (100Gbps) and costs (use of standard off-the-shelf commercial products) vs. SDI ▪ Sharing further performance improvements (low-latency and jitter, time sensitive) achieved in Enterprise applications ▪ Interoperability guaranteed by industry-standards (eg. SMPTE ST 2110) ▪ Compatibility with existing broadcasting standards (eg. SDI, HD-SDI, ...)
Virtualization (SDN, cloud-based applications)	»	▪ Flexible and dynamic network configuration management ▪ Remote use of resources and processes to reduce time-to-market, travel and personnel costs

Sources: Broadcast transition from SDI to IP – Arista, Sony IP live production system, management analysis

Towers – Main market trends

Evolution of the role of TowerCo TLC in Italy

Captive TLC

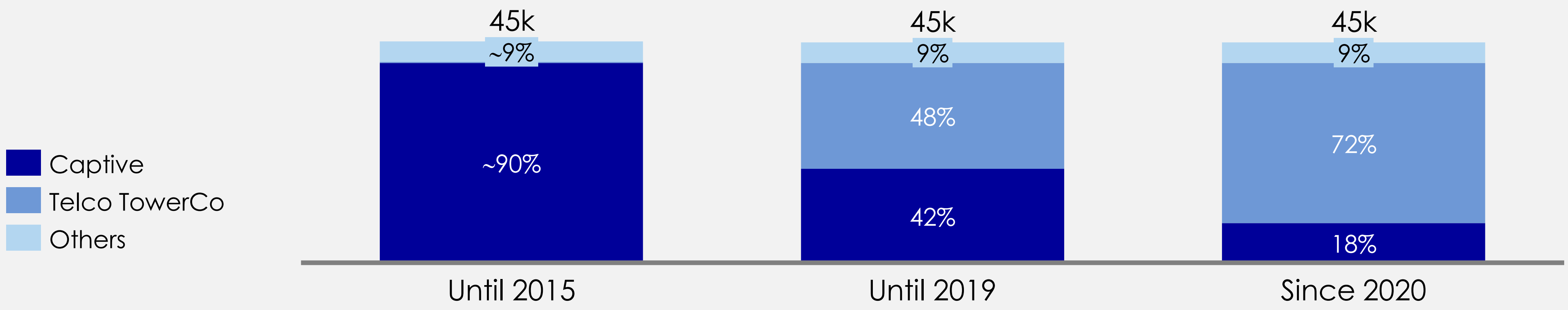
- Towers substantially owned by Telco
- Co-tenancy limited

TowerCo 1.0

- Separation from Telco
- Partial market consolidation in TowerCO

TowerCo 2.0

- From built-to-suite to proactive investment
- Objective: infrastructure sharing



Role	▪ Hosting providers	▪ Infrastructure Providers
Offer	▪ Real-estate	▪ Real-estate ▪ Active equipment sharing (Das and Small Cell)

Source: AgCom, management analysis

Multiplatform contribution – Transmission services

Improvement of the current positioning on the transmission services market through a diversified offer capable of meeting the needs of broadcasters

Reference market needs

- **High quality standards** for high value, high budget productions (typically entertainment content and sporting events)
- **High flexibility and cost-effectiveness** for "best effort" productions (typically information content)
- **Maximizing the value** of content
- Enabling **streaming services on DTT channel** (HbbTV)

Services

- **Point-to-point contribution** services
- **Signal monitoring and control** services

Services evolution

- **Value-added broadcast services** (4k broadcasting, remote production)
- **Mobile interconnection** platforms (IP, wi-fi hotspot, 5G)
- Platforms for **content exchange** (news exchange, event repository)
- Signal **Hybridization Platform**

Market segments

National Broadcasters

New market segments

International Broadcasters

Local Broadcasters

Networks

Satellite

Radio links

Fiber optic

IP

5G

Platforms: partnerships with industry leaders

Infrastructure monitoring systems

Evolution of site management system

Software solution for monitoring the quality levels of network services...

...integrated with **probes, sensors, equipment and systems** for E2E management of the "site"

- **Distributed architecture** integrating sensors and technologies (e.g., IoT, Big Data, Artificial Intelligence)

- **Supervision and control of equipment**
- **Acquisition of data** from probes and sensors of different technologies that will allow monitoring of the environment, metal infrastructure...

Benefits

- Rationalisation and centralisation of **control systems**
- Efficiency of **corrective actions** (predictive maintenance)
- Improved **fault detection process**
- **Network performance** evaluation

Detailed summary of Income Statement

(€m; %)	4Q18	4Q18PF	4Q19	FY18	FY18PF	FY19
Core revenues	**54,5**	**54,5**	**55,7**	**217,7**	**217,7**	**221,4**
Other revenues and income	0,1	0,1	0,9	0,1	0,1	0,9
Purchase of consumables	(0,4)	(0,4)	(0,4)	(1,0)	(1,0)	(1,2)
Cost of services	(13,0)	(10,6)	(12,1)	(50,3)	(40,9)	(42,2)
Personnel costs	(13,2)	(13,2)	(12,6)	(46,1)	(46,1)	(45,3)
Other costs	(1,1)	(1,1)	(0,9)	(3,4)	(3,4)	(2,6)
Opex	**(27,6)**	**(25,3)**	**(25,9)**	**(100,8)**	**(91,3)**	**(91,3)**
Depreciation, amortization and write-downs	(8,9)	(11,2)	(10,8)	(33,3)	(42,4)	(42,4)
Provisions	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	1,5
Operating profit (EBIT)	**18,0**	**18,1**	**19,7**	**83,8**	**84,1**	**90,1**
Net financial income (expenses)	(0,2)	(0,4)	(0,2)	(1,2)	(1,9)	(1,3)
Profit before income taxes	**17,7**	**17,7**	**19,4**	**82,5**	**82,3**	**88,8**
Income taxes	(5,2)	(5,2)	(5,8)	(22,8)	(22,7)	(25,5)
Net Income	**12,6**	**12,5**	**13,7**	**59,7**	**59,5**	**63,4**

EBITDA	**26,9**	**29,3**	**30,6**	**117,1**	**126,6**	**131,1**
EBITDA margin	*49,4%*	*(1,5%)*	*55,0%*	*53,8%*	*58,1%*	*59,2%*
Non recurring costs	(0,7)	(0,7)	(0,0)	(1,2)	(1,2)	(0,1)
Adjusted EBITDA	**27,7**	**30,0**	**30,6**	**118,3**	**127,7**	**131,2**
Adjusted EBITDA margin	*50,8%*	*55,1%*	*55,0%*	*54,3%*	*58,7%*	*59,3%*

Summary of Balance Sheet

(€m)	2018FY	2019FY
Non current assets		
Tangible assets	180,9	177,6
Rights of use for leasing	0,0	36,2
Intangible assets	12,9	14,3
Financial assets, holdings and other non-current assets	1,3	1,3
Deferred tax assets	3,3	2,7
Total non-current assets	**198,5**	**232,1**
Current assets		
Inventories	0,9	0,9
Trade receivables	71,5	74,8
Other current receivables and assets	5,8	5,0
Current financial assets	0,1	0,3
Cash and cash equivalents	17,2	30,2
Current tax receivables	0,1	0,1
Total current assets	**95,5**	**111,2**
TOTAL ASSETS	**294,0**	**343,3**

(€m)	2018FY	2019FY
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,1	37,1
Retained earnings	59,5	62,9
Total shareholders' equity	**180,8**	**184,2**
Non-current liabilities		
Non-current financial liabilities	0,4	0,3
Non-current leasing liabilities	0,0	26,3
Employee benefits	15,1	14,4
Provisions for risks and charges	17,0	15,9
Other non-current liabilities	0,3	0,0
Deferred tax liabilities	0,0	0,0
Total non-current liabilities	**32,8**	**56,9**
Current liabilities		
Trade payables	45,6	54,3
Other debt and current liabilities	33,9	34,1
Current financial liabilities	0,3	0,2
Current leasing liabilities	0,0	13,3
Current tax payables	0,6	0,4
Total current liabilities	**80,4**	**102,3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**294,0**	**343,3**

Summary of Cash Flow Statement

(€m)	4Q2018	4Q2019	FY2018	FY2019
Profit before income taxes	**17,7**	**19,4**	**82,5**	**88,8**
Depreciation, amortization and write-downs	8,9	10,8	33,3	42,4
Provisions and (releases of) personnel and other funds	1,4	1,5	4,0	2,4
Net financial (income)/expenses	0,2	0,2	1,0	1,0
(Retained earnings)/Losses carried forward - Effect of IFRS adoption	0,0	0,0	(0,8)	0,0
Net operating CF before change in WC	**28,2**	**31,9**	**120,0**	**134,7**
Change in inventories	0,0	0,0	0,0	0,0
Change in trade receivables	13,1	5,5	0,2	(3,6)
Change in trade payables	7,8	8,4	7,9	8,7
Change in other assets	0,5	2,3	(0,4)	0,8
Change in other liabilities	(3,4)	(4,3)	2,7	(0,7)
Use of funds	(0,1)	(0,9)	(0,9)	(1,2)
Payment of employee benefits	(0,6)	(0,7)	(3,2)	(3,3)
Change in tax receivables and payables	0,0	(0,0)	0,3	0,2
Taxes paid	(2,3)	(2,4)	(21,6)	(24,6)
Net cash flow generated by operating activities	**43,3**	**39,8**	**105,0**	**111,0**
Investment in tangible assets	(12,5)	(20,3)	(24,0)	(32,3)
Disposals of tangible assets	0,1	0,1	0,1	0,2
Investment in intangible assets	(2,2)	(2,3)	(3,0)	(3,0)
Disposals of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	0,0	(0,0)	(1,0)	0,1
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,0	0,0	0,1	0,0
Business combination	0,0	0,0	0,0	0,0
Net cash flow generated by investment activities	**(14,6)**	**(22,5)**	**(27,8)**	**(35,1)**
(Decrease)/increase in medium/long-term loans	(0,1)	(0,1)	(60,2)	(0,2)
(Decrease)/increase in current financial liabilities	(17,9)	(0,1)	(0,0)	(0,8)
(Decrease)/increase in IFRS 16 financial liabilities	0,0	(0,7)	0,0	(1,8)
Change in current financial assets	0,1	(0,1)	0,1	(0,2)
Net Interest paid	(0,2)	(0,1)	(0,7)	(0,2)
Dividends paid	0,0	0,0	(55,1)	(59,7)
Net cash flow generated by financing activities	**(18,2)**	**(1,0)**	**(115,9)**	**(62,9)**
Change in cash and cash equivalent	**10,5**	**16,4**	**(38,7)**	**13,0**
Cash and cash equivalent (beginning of period)	6,7	13,8	55,9	17,2
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,0	0,0
Cash and cash equivalent (end of period)	17,2	30,2	17,2	30,2