



## Press Release: Meeting of the Board of Directors of RCS MediaGroup

### Results at 31 March 2020 approved<sup>1</sup>

**The first quarter of 2020 was marked by the Coronavirus health emergency, which impacted also on the Group's results**

**RCS is playing a pivotal role in chronicling this difficult moment, establishing itself as an authoritative player in daily paper and online information**

**Corriere della Sera is the leading Italian daily newspaper on newsstands and online with over 35 million average unique users in March 2020**

**Over 300 thousand online subscriptions, more than double versus March 2019**

**In the quarter, consolidated revenue amounted to € 171.3 million, while digital revenue accounts for approximately 20% of the total, with traffic and subscription numbers up sharply**

**A positive EBITDA of € 0.3 million, impacted by non-recurring expense of € 4.7 million, as a result of the allocation of provisions for early retirement schemes**

**Net financial debt of € 108.1 million, € -23.7 million versus end 2019**

**Milan, 11 May 2020** – The Board of Directors of RCS MediaGroup S.p.A., which met today under the chairmanship of Urbano Cairo, reviewed and approved the Interim Management Statement at 31 March 2020.

Income statement (€ millions)	31/03/2020	31/03/2019
Consolidated revenue	171.3	206.2
EBITDA	0.3	22.6
EBIT	-11.8	9.9
Net result	-6.1	4.9

Statement of financial position (€ millions)	31/03/2020	31/12/2019
Net financial debt <sup>1</sup>	108.1	131.8

<sup>1</sup> For the definitions of *EBITDA*, *EBIT*, *net financial debt* and *total net financial debt*, reference should be made to the section "Alternative performance measures" in this Press Release.



## **Group performance**

In the first months of 2020, the national and international landscape was swept by the spread of the Coronavirus and the ensuing restrictions for its containment adopted by the governments of all the countries involved; these restrictions have had a direct effect on the organization and timing of work, on the Group's activities and the general performance of the economy, in addition to the severe social impact, resulting in a context of general uncertainty.

As part of the activities relating to the organization of sporting events, the *Strade Bianche*, *Tirreno Adriatico* and *Milano Sanremo* cycling races, scheduled for the first quarter, and the *Milano Marathon* and *Giro d'Italia*, scheduled for the second quarter of 2020, were postponed. The subsidiary RCS Sport has worked to put these races back on the international 2020 cycling calendar. Specifically, the *Giro d'Italia* (3-25 October 2020), *Strade Bianche* (1 August 2020) *Milano Sanremo* (8 August 2020) and *Tirreno Adriatico* (7-14 September 2020) have already been rescheduled.

The circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* was affected by the suspension of "played" sport. The book sector too was impacted by the order to shut bookshops. Advertising sales of the RCS Group slowed down in March, due partly to the cancellation or postponement of a number of events (the *Civil Week* of *Buone Notizie* and the *Corriere Innovazione* events). RCS is currently developing the possibility to produce events in streaming mode (such as for a number of *Corriere Economia* forums or the first digital event of *L'Italia genera futuro*).

In this context, in the first three months of 2020, the Group continued to generate positive cash flows, reducing its net financial debt by € 23.7 million, and achieved a positive EBITDA of € 0.3 million, impacted by non-recurring expense of € 4.7 million, which refers to the allocation of provisions for early retirement schemes.

Group **consolidated net revenue** at 31 March 2020 amounted to € 171.3 million, down by € 34.9 million versus 31 March 2019, due mainly to the effects of the health emergency, in particular to the decline in advertising sales and circulation of sports newspapers and the postponement to the second half of the year of a number of sporting (€ -5.8 million) and non-sporting events scheduled in March. Digital revenue, which totaled approximately € 34.1 million, made for 19.9% of total revenue (18.4% at 31 March 2019).

**Advertising revenue** amounted to € 62.9 million (€ 77.8 million in the first three months of 2019), a performance caused mainly by the effects on the advertising market of the health emergency and the postponement of a number of sporting and non-sporting events. Total advertising sales from online media in the first three months of 2020 amounted to € 24.7 million, accounting for 39.3% (36.3% in first quarter 2019) of total advertising revenue. Specifically, in Spain, total advertising sales from online media accounted for over 52% of total net advertising revenue in the area (over 50% at 31 December 2019).

**Publishing revenue** amounted to € 88.4 million (€ 101.5 million in the first three months of 2019). In first quarter 2020, both Italian newspapers retained their circulation leadership in their respective market segments. The newsstand circulation of *La Gazzetta dello Sport* has been affected since March by the suspension of sporting activities worldwide and by the shuttering of bars and public



venues, which play a significant role in circulation. *Corriere della Sera*, on the other hand, managed to curb the decline in newsstand circulation to -4.3% versus first quarter 2019, then confirmed in April the newsstand sales reported in 2019 (*Internal Source*). In this emergency phase, *Corriere della Sera*, leveraging on its recognized authority and solid editorial positioning, was able to confirm the expected newsstand circulation and, above all, to accelerate the growth in digital development, which more than doubled the number of *corriere.it* subscriptions versus first quarter 2019. At end March, the total active customer base for *Corriere della Sera* (digital edition, membership and m-site) counted 302 thousand subscriptions, up by 120% versus the same period of 2019 and approximately 130 thousand more than at end December 2019. The main digital performance indicators confirm the top market position of RCS, with *corriere.it* and *gazzetta.it* reaching 35.4 million in March 2020 (leading Italian newspaper and a record of monthly unique users) and 16.5 million average monthly unique users (*Audiweb 2.0*). Specifically, in March *corriere.it* recorded 7.4 million average daily unique users versus 2.4 million in March 2019.

In Spain, the figures published by EGM (Estudio General de Medios: last update April 2020) continue to confirm Unidad Editorial's leadership in the daily newspapers segment; through its brands, the daily reaches approximately 2.4 million readers/day, approximately 200 thousand readers more than its main competitors. In first quarter 2020, *El Mundo* retained its position as second generalist title at national level for average copies sold at newsstands (*OJD*). *Marca* and *Expansion* retained their circulation leadership in their respective market segments at March 2020 (*OJD*).

In Spain as well, the main digital performance indicators confirm Unidad Editorial's top market position, with *elmundo.es*, *marca.com* and *expansion.com* reaching 27.4 million, 18.3 million and 9.5 million average monthly unique users respectively in March 2020 (*Comscore*). The *Marca Claro* portal, active in Latin America, recorded a significant growth in average monthly unique users (+58% versus the same period of 2019).

**Sundry revenue** amounted to € 20 million versus € 26.9 million in the first three months of 2019 (€ -6.9 million). The change is attributable to the trend of Advertising and Sport revenue (€ -3.7 million), due mainly to the postponement of sporting events in March (*Strade Bianche*, *Tirreno Adriatico* and *Milano Sanremo*), and to Unidad Editorial sundry revenue (€ -2.8 million), due mainly to the deconsolidation of Last Lap and the decrease in sports betting revenue (*Marca Apuestas*), as a result of the previously mentioned lack of sporting events in March.

**EBITDA** in the first three months of 2020 amounted to € 0.3 million versus € 22.6 million in first quarter 2019. Excluding non-recurring expense from the comparison (€ -4 million the total effect, amounting to € -4.7 million in the first three months of 2020 and € -0.7 million in the same period of 2019), the decrease would be € 18.3 million, attributable mainly to the effects of the health emergency. Non-recurring expense refers to the allocation of provisions for early retirement schemes. Moreover, the Group's seasonality factors generally impact on the results of the first and third quarters of the year.

In the first months of 2020, initiatives continued on maintaining and developing revenue. In Italy, the "*La Lettura*" app was launched on 13 February, followed on 29 February by a special issue on newsstands of *Sportweek* to mark the 20th anniversary of its first release; March saw the launch of the new *CheAutoCompro.it* website, followed on 7 April, a year after the debut of *economia.corriere.it* (website of the business-related section of *Corriere della Sera*) by "*Professionisti*", a new channel dedicated to professional associations, social security funds and VAT-registered self-employed professionals. March saw the publication of a number of add-on



products on the topic of Coronavirus, including: *50 domande sul coronavirus – Gli esperti rispondono* published by *Solferino*, *Virus la grande sfida* by Roberto Burioni and *Nel contagio* by Paolo Giordano. In Spain, *Marca Coches y motos* was unveiled on 21 February 2020, a new portal dedicated to the world of engines, followed on 15 March 2020 by *El Mundo*'s launch of a new editorial offer for the Sunday release; on 18 March 2020, *Expansión* launched its own digital pay model, as *El Mundo* did at end 2019 (freemium model).

The table below shows the trend of revenue and EBITDA in each business area.

(€ millions)	31/03/2020			31/03/2019		
	Revenue	EBITDA	% of revenue	Revenue	EBITDA	% of revenue
Newspapers Italy	86,7	(2,0)	(2,3)%	100,2	12,8	12,8%
Magazines Italy	16,5	(0,8)	(4,8)%	18,7	0,2	1,1%
Advertising and Sport	41,9	(0,5)	(1,2)%	53,1	1,9	3,6%
Unidad Editorial	56,2	3,5	6,2%	70,0	8,6	12,3%
Other Corporate Activities	8,9	0,1	1,1%	8,4	(0,9)	n.s.
Other and eliminations	(38,9)	-	n.s.	(44,2)	0,0	n.s.
<b>Consolidated</b>	<b>171,3</b>	<b>0,3</b>	<b>0,2%</b>	<b>206,2</b>	<b>22,6</b>	<b>11,0%</b>

In the quarter, focus continued on costs in general and on a constant commitment to efficiency, which produced in first quarter 2020 further benefits on operating costs of € 4.9 million, of which € 2.9 million in Italy and € 2 million in Spain.

As a first response measure to the health emergency, the Group has organized itself to be able to continue its activities safely and minimize the impact in terms of health and safety at work, implementing smart working and promoting distance agile work as much as possible. It has also gradually reviewed the organization of work in view of the volumes of activity and the impact on editorial products, newspapers and magazines resulting from the stop of sport, social and recreational activities that form part of its news. In this context, measures have been taken on all cost items, such as, for example, those aimed at containing bordereau and collaboration costs, especially for supplements, specials and local editions.

The analysis is conducted based on a cost/benefit logic with a "zero base" approach, covering all types of costs and business processes.

**EBIT** for the three months came to € -11.8 million (€ +9.9 million at 31 March 2019). The performance mainly reflects the above elements commenting on EBITDA, such as the effects of non-recurring expense (€ -4 million the total effect, amounting to € -4.7 million in the first three months of 2020 and € -0.7 million in the same period of 2019).

The **Group's net result** for the first three months of 2020 came to a loss of € 6.1 million (a profit of € 4.9 million at 31 March 2019), and reflects overall the above performance and the gain from the disposal of the Spanish subsidiary Last Lap (€ 5.8 million).

**Net financial debt** stood at € 108.1 million (€ 131.8 million at 31 December 2019), improving by € 23.7 million versus 31 December 2019, confirming the continued downward trend that had started in 2016, with an overall reduction of € 314.3 million versus 30 June 2016 (after distributing € 31.1



million in dividends in 2019), bringing financial debt to a quarter of the debt at 30 June 2016 (€ 422.4 million). The improvement achieved in first quarter 2020 is attributable mainly to the significant contribution from ordinary operations, which came to a positive € 24.1 million, and to the positive effect of the disposal of Last Lap (€ 4 million). This was offset by the outlays for capital expenditure made in the period (€ 4 million) and by the amount paid for net non-recurring expense (€ 0.4 million) (*Management Reporting*).

**Total net financial debt**, which also includes financial payables from leases pursuant to IFRS 16 (mainly property leases) of € 169.5 million at 31 March 2020, amounted to € 277.6 million.

### **Business outlook**

The Group's results for first quarter 2020 were impacted by the spread of the Coronavirus and the ensuing restrictions implemented by the public authorities of the countries involved to contain the contagion, mainly as a result of the decline in advertising sales and circulation of sports newspapers and the postponement to the second half of the year of a number of sporting and non-sporting events scheduled in March.

The continuing health emergency, and its severe social impact, is continuing to have repercussions on the organization and timing of work, on the Group's activities and on economic performance, resulting in a general context of great uncertainty.

In April and early May too, advertising sales are slowing down both in Italy and Spain, especially for print media.

As for the organization of sporting events, the *Milano Marathon* and the *Giro d'Italia*, initially scheduled for the second quarter of the year, were postponed. The subsidiary RCS Sport has worked to place these races, together with the "classics" not held in March, inside the 2020 international cycling calendar, starting from August.

The circulation of sports newspapers *La Gazzetta dello Sport* and *Marca* is being affected by the suspension of "played" sport.

In this context, the Group is continuing to keep its information offering "on", meeting the public's growing need to stay informed, ensuring a timely service to its readers and to all newsstands and points of sale. The daily editions of *Corriere della Sera* and *La Gazzetta dello Sport* in Italy, and of *El Mundo*, *Marca* and *Expansión* in Spain, our Group's magazines and web and social platforms are playing a pivotal role in informing and reporting on this difficult phase, focusing on their mission as a non-partisan, trustworthy public service, establishing themselves as authoritative players in daily paper and online information. Digital traffic figures are growing significantly, in particular for *corriere.it*, which recorded in March an average of 7.4 million unique daily users versus 2.4 million in March 2019 (*Audiweb 2.0*) and in March 35.4 million unique monthly users, the leading Italian newspaper. The total active customer base for *Corriere della Sera* too, which reached over 300 thousand subscribers, grew significantly, more than double versus March 2019.

The Group is monitoring developments on a daily basis to minimize the impacts in terms of health and safety in the workplace and on the operating and financial front, by defining and implementing flexible and timely action plans.

The developing situation, as well as the potential effects on the business outlook, are unforeseeable at this time - as they depend, inter alia, on the length of the health emergency, as well as on the public measures, including economic ones, implemented and to implement - and will be subject to constant monitoring in the further course of the year.

At any rate, the Group believes it has adequate management levers to counter the impacts of the health emergency in 2020 and thus confirm its medium-long term prospects.



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*Under paragraph 2, Article 154-bis of the Consolidated Finance Law (TUF), Roberto Bonalumi, in his capacity as Financial Reporting Manager, attests that the accounting information contained herein is consistent with the Company's document results, books and accounting records.*

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RCS MediaGroup is one of the leading multimedia publishing groups, operating primarily in Italy and Spain across all publishing areas, from newspapers to magazines, from digital to books, from TV to new media and training, as well as being one of the top players on the advertising sales market, organizing iconic events and renowned sporting formats such as the Giro d'Italia. The RCS Group publishes the daily newspapers *Corriere della Sera*, *La Gazzetta dello Sport*, *El Mundo*, *Marca* and *Expansion*, as well as numerous magazines, the most popular including *Oggi*, *Amica*, *Io Donna*, *7*, *Yo Dona* and *Telva*.

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## RCS MediaGroup Reclassified consolidated income statement

(Unaudited figures)

(€ millions)	31 March 2020	%	31 March 2019	%	Difference	Difference
	A		B		A-B	%
<b>Net revenue</b>	<b>171,3</b>	<b>100,0</b>	<b>206,2</b>	<b>100,0</b>	<b>(34,9)</b>	<b>(16,9%)</b>
<i>Publishing revenue</i>	88,4	51,6	101,5	49,2	(13,1)	(12,9%)
<i>Advertising revenue</i>	62,9	36,7	77,8	37,7	(14,9)	(19,2%)
<i>Sundry revenue (1)</i>	20,0	11,7	26,9	13,0	(6,9)	(25,7%)
Operating costs	(98,3)	(57,4)	(115,9)	(56,2)	17,6	15,2%
Personnel expense	(70,5)	(41,2)	(67,3)	(32,6)	(3,2)	(4,8%)
Provisions for risks	(0,4)	(0,2)	(0,7)	(0,3)	0,3	42,9%
(Write-down)/write-back of trade and sundry receivables	(1,3)	(0,8)	0,2	0,1	(1,5)	n.s.
Income (expense) from equity-accounted investees	(0,5)	(0,3)	0,1	0,0	(0,6)	n.s.
<b>EBITDA (2)</b>	<b>0,3</b>	<b>0,2</b>	<b>22,6</b>	<b>11,0</b>	<b>(22,3)</b>	<b>(98,7%)</b>
Amortization of intangible assets	(3,9)	(2,3)	(4,3)	(2,1)	0,4	
Depreciation of property, plant and equipment	(2,4)	(1,4)	(2,8)	(1,4)	0,4	
Amortization of rights of use on leased assets	(5,7)	(3,3)	(5,5)	(2,7)	(0,2)	
Depreciation of investment property	(0,1)	(0,1)	(0,1)	(0,0)	0,0	
Other (write-downs)/write-backs of fixed assets	0,0	0,0	0,0	0,0	0,0	
<b>EBIT (2)</b>	<b>(11,8)</b>	<b>(6,9)</b>	<b>9,9</b>	<b>4,8</b>	<b>(21,7)</b>	
Financial income (expense)	(3,2)	(1,9)	(3,9)	(1,9)	0,7	
Other income (expense) from financial assets/liabilities	5,8	3,4	0,0	0,0	5,8	
<b>Profit (loss) before tax</b>	<b>(9,2)</b>	<b>(5,4)</b>	<b>6,0</b>	<b>2,9</b>	<b>(15,2)</b>	
Income tax	3,0	1,8	(1,0)	(0,5)	4,0	
<b>Profit (loss) from continuing operations</b>	<b>(6,2)</b>	<b>(3,6)</b>	<b>5,0</b>	<b>2,4</b>	<b>(11,2)</b>	
Profit (loss) from assets held for sale and discontinued operatio	0,0	0,0	0,0	0,0	0,0	
<b>Profit (loss) before non-controlling interests</b>	<b>(6,2)</b>	<b>(3,6)</b>	<b>5,0</b>	<b>2,4</b>	<b>(11,2)</b>	
(Profit) loss pertaining to non-controlling interests	0,1	0,1	(0,1)	(0,0)	0,2	
<b>Profit (loss) for the period attributable to the owners of the parent</b>	<b>(6,1)</b>	<b>(3,6)</b>	<b>4,9</b>	<b>2,4</b>	<b>(11,0)</b>	

(1) Sundry revenue includes primarily revenue for television activities, the organization of events and exhibitions, sales of customer lists and boxed sets, and for betting activities in Spain.

(2) For the definitions of EBITDA and EBIT, reference should be made to the section "Alternative performance measures" in this Press Release.



## RCS MediaGroup

### Reclassified consolidated statement of financial position (1)

(Unaudited figures)

	31 March 2020	%	31 December 2019	%
(€ millions)				
Intangible fixed assets	360,5	65,3	363,3	61,8
Property, plant and equipment	60,4	10,9	62,5	10,6
Rights of use on leased assets	154,9	28,1	160,7	27,3
Investment property	19,4	3,5	19,5	3,3
Financial fixed assets and other assets	147,6	26,7	144,7	24,6
<b>Net fixed assets</b>	<b>742,8</b>	<b>134,6</b>	<b>750,7</b>	<b>127,7</b>
Inventory	22,8	4,1	23,3	4,0
Trade receivables	160,7	29,1	206,3	35,1
Trade payables	(187,3)	(33,9)	(198,7)	(33,8)
Other assets/liabilities	(43,9)	(8,0)	(55,7)	(9,5)
<b>Net working capital</b>	<b>(47,7)</b>	<b>(8,6)</b>	<b>(24,8)</b>	<b>(4,2)</b>
Provisions for risks and charges	(50,6)	(9,2)	(46,1)	(7,8)
Deferred tax liabilities	(53,1)	(9,6)	(52,5)	(8,9)
Employee benefits	(39,4)	(7,1)	(39,6)	(6,7)
<b>Net capital employed</b>	<b>552,0</b>	<b>100,0</b>	<b>587,7</b>	<b>100,0</b>
<b>Equity</b>	<b>274,4</b>	<b>49,7</b>	<b>280,6</b>	<b>47,7</b>
Non-current financial payables	98,1	17,8	82,9	14,1
Current financial payables	41,2	7,5	74,6	12,7
Current financial liabilities from derivatives	0,1	0,0	0,2	0,0
Non-current financial liabilities from derivatives	1,0	0,2	1,0	0,2
Financial assets recognized for derivatives	-	-	-	-
Cash and cash equivalents and current financial receivables	(32,3)	(5,9)	(26,9)	(4,6)
<b>Net financial debt (1)</b>	<b>108,1</b>	<b>19,6</b>	<b>131,8</b>	<b>22,4</b>
<b>Financial payables from leases pursuant to IFRS 16</b>	<b>169,5</b>	<b>30,7</b>	<b>175,3</b>	<b>29,8</b>
<b>Total financial sources</b>	<b>552,0</b>	<b>100,0</b>	<b>587,7</b>	<b>100,0</b>

(1) For the definition of Net Financial Debt, reference should be made to the section "Alternative Performance Measures" of this Press Release.



## **Alternative performance measures**

In order to provide a clearer picture of the financial performance of the RCS Group, besides of the conventional financial measures required by IFRS, a number of **alternative performance measures** are shown that should, however, not be considered substitutes of those adopted by IFRS. In accordance with CESR/05-178b recommendation published on 3 November 2005, the methods used for building the main alternative performance measures that Management considers useful for monitoring the Group's performance are shown below.

**EBITDA:** to be understood as earnings before interest, tax, amortization/depreciation and write-downs on non-current assets. It includes the share of profits and losses from equity-accounted investees, since associates and joint ventures held are considered operational with respect to the activities of the RCS Group. The measure is used by the RCS Group as a target to monitor internal management, and in public presentations (to financial analysts and investors). It serves as a unit of measurement to evaluate the operational performance of the RCS Group.

**EBITDA before non-recurring income/expense:** to be understood as EBITDA as specified above before components of income (positive and/or negative) deriving from events or transactions, the occurrence of which is non-recurring, or deriving from transactions or events that are unlikely to occur frequently in the normal course of business.

**EBIT:** to be understood as the Result before tax, gross of "Financial Income (Expense)" and "Other gains (losses) on financial assets/liabilities".

**Net Financial Position (or net financial debt):** this is a valid measure of the financial structure of the RCS Group. It is calculated as the result of current and non-current financial payables, net of cash and cash equivalents and current financial assets, as well as non-current financial assets from derivative instruments, excluding financial liabilities (current and non-current) from leases recognized in the financial statements pursuant to IFRS 16.

**Total Net Financial Position (or total net financial debt)** also includes the financial liabilities from leases recorded in the financial statements pursuant to IFRS 16.