

# FY 2018 RESULTS

Conference Call, March 20<sup>th</sup> 2019



# Disclaimer

This presentation contains certain forward-looking statements that reflect the Company's management's current views with respect to future events and financial and operational performance of the Company and its subsidiaries. These forward-looking statements are based on Italiaonline S.p.A.'s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Italiaonline S.p.A. to control or estimate precisely, including changes in the regulatory environment, future market developments, fluctuations in the price, and other risks. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this presentation. Italiaonline S.p.A. does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation. The information contained in this presentation does not purport to be comprehensive and has not been independently verified by any independent third party.

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Pursuant to art. 154-bis, paragraph 2, of the Italian Unified Financial Act of February 24, 1998, the executive in charge of preparing the corporate accounting documents at Italiaonline S.p.A., Gabriella Fabotti, declares that the accounting information contained herein correspond to document results, books and accounting records.

## Accounting standard IFRS 15 – IFRS 16

Starting from 01 January 2018 entered into effect the IFRS 15 - Revenue from Contracts with Customers and Amendments and IFRS 9, furthermore Italiaonline decided to early adopt IFRS 16 - Leases – from 01 January 2018 (instead of 01 January 2019). The IFRS 15 hadn't a relevant impact on revenues and EBITDA in FY 2018. The IFRS 16 on the FY 2018 results had a positive impact on EBITDA of about € 8.5 million. In addition the introduction of IFRS 16, according to which all rents have to be treated as depreciation, implies the recognition in the statement of financial positions of a financial liability, against the value in use of leased assets, which at 31 December 2018 amounted to € 34 million.

**FY 2017 revenues** commented in this presentation are a pro forma figure **€ 338.5 m** (€335.9 m reported figure). The 2016 account receivables related to the subsidiary Consodata amounting to € 3.2 million had been written down entirely in terms of EBITDA and not of revenues to take into consideration the application of the accounting standard IFRS 5 (assets available for sale). In 2017 Consodata has been reinstated within the Group perimeter but a better assessment of the working capital revealed inconsistencies of € 2.5 million relating to Revenues of previous years, which have been deducted from the 2017 reported Revenues in compliance with the accounting standards. As a consequence of the above, for the purposes of a homogeneous representation of the business, the amount of the inconsistencies in the pro forma has been correctly and recovered in 2017 Revenues.

# Financial Results



# Normalised Results

Starting this year, we have decided to highlight a “*normalised*” view of EBITDA and consequently of EBIT and Net Result, in order to isolate some normalised items and give more evidence to the effective profitability of our business. That will allow us to more clearly describe you our strategies and objectives for future years

- ✓ The EBITDA *normalised* figures commented in this presentation are calculated as follows:
  - i) 2017-2018 EBITDA net of normalised items\* mainly due to both the releases of accruals prudentially posted in the previous years for the restructuring process, following the merger between Italiaonline and former Seat PG, and positive outcome of some previous litigation
  - iii) EBITDA 2017 includes IFRS 16 effects in order to be comparable with 2018
- ✓ The EBIT *normalised* figures include EBITDA normalised effects and do not include restructuring and non-recurring costs
- ✓ Net Result *normalised* figures include the EBIT normalised effects

\* Items not considered representative of the standard business operations and not to be considered for the purposes of a like-for-like comparison

# 2018 Results | Reported and normalised figures

€ millions	FY 2017	FY 2018	YoY % Change
Revenue	338.5	324.8	(4.1)%
of which Digital revenue	228.0	244.4	7.2%
EBITDA	67.7	73.3	8.3%
<i>Ebitda margin</i>	20.0%	22.6%	+2.6 p.p.
<b>EBITDA normalised</b>	<b>67.1</b>	<b>56.1</b>	<b>(16.4)%</b>
<b><i>Ebitda normalised margin</i></b>	<b>19.8%</b>	<b>17.3%</b>	<b>(2.5) p.p.</b>
EBIT	27.8	(3.4)	n.m.
EBIT normalised	23.3	12.5	(46.5)%
<i>Ebit normalised margin</i>	6.9%	3.8%	(3.1) p.p.
Net Result	26.4	(8.7)	n.m.
Net Result normalised	21.9	7.1	(67.4)%

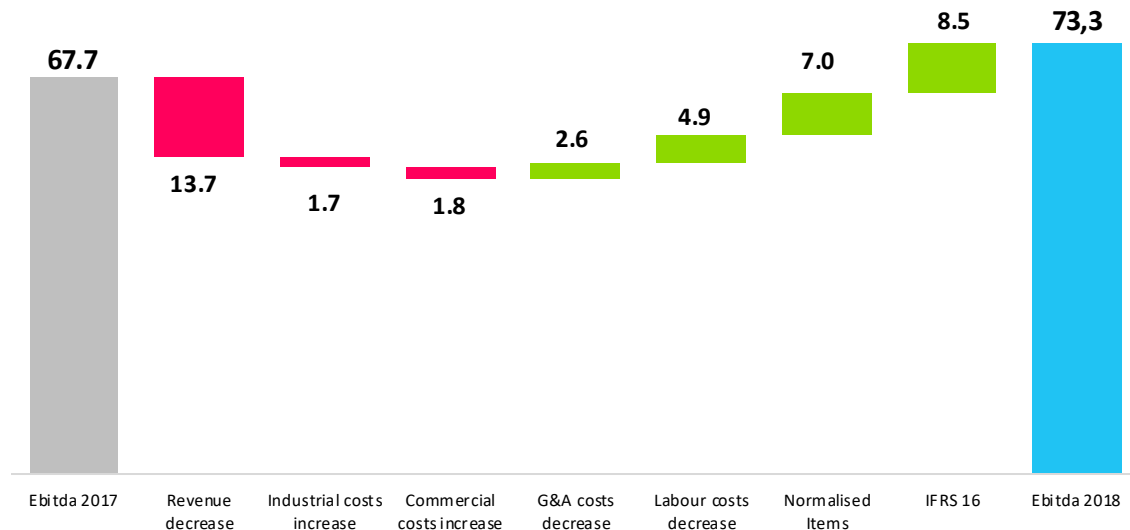
## HIGHLIGHTS

- 2018 Revenue -4.1% YoY (-10% in 2017)
- Digital Revenue + 7.2% YoY
- 2018 EBITDA at €73.3m (+8.3% YoY), the figure benefits from the adoption of IFRS 16 for €8.5 m
- The EBITDA normalised figures (as described at slide 4) are net of positive effects mainly due to releases of accruals prudentially posted in the previous years and consider IFR16 effects for 2017
- EBIT 2018 is affected by €33m restructuring and other related non-recurring costs (o/w €27m due to agreement with Union Trades)
- EBIT normalized 2017 and 2018 do not include restructuring and non-recurring costs

1) See slide n. 2

# EBITDA Bridge 2018 vs 2017

€m



## HIGHLIGHTS

- The evolution of the 2018 EBITDA mainly reflects the decrease in revenue, while the increase in industrial and commercial costs was substantially offset by lower G&A and personnel costs
- The improvement of 2018 reported figure has been driven by increase in normalised items and IFRS 16 impacts

# 2018 Results | Strong Cash Flow generation

€m	2017	2018
<b>EBITDA</b>	<b>67.7</b>	<b>73.3</b>
Decrease (increase) in operating working capital	11.7	(2.3)
Capex	(26.3)	(21.1)
Other changes and movements	(1.9)	(6.1)
<b>Operating FCF</b>	<b>51.2</b>	<b>43.8</b>
Payment of income taxes	(0.8)	(0.0)
<b>Unlevered FCF</b>	<b>50.4</b>	<b>43.8</b>
EBITDA cash conversion	74.4%	59.8%
<b>EBITDA normalised cash conversion</b>	<b>75.1%</b>	<b>78.1%</b>
Payment of non-recurring and restructuring costs	(20.6)	(13.5)
Dividend distribution	(80.0)	(0.2)
Payments IFRS 16	0.0	(7.6)
Other movements	3.2	4.1
<b>Net cash flow</b>	<b>(47.1)</b>	<b>26.6</b>
Cash holdings EoP	74.5	101.0
<b>Net financial position</b>	<b>72.9</b>	<b>67.0</b>
-o/w IFRS 16 Financial liabilities	0.0	34.1
-o/w Other Net Financial Liabilities/ (Assets)	1.5	(0.1)

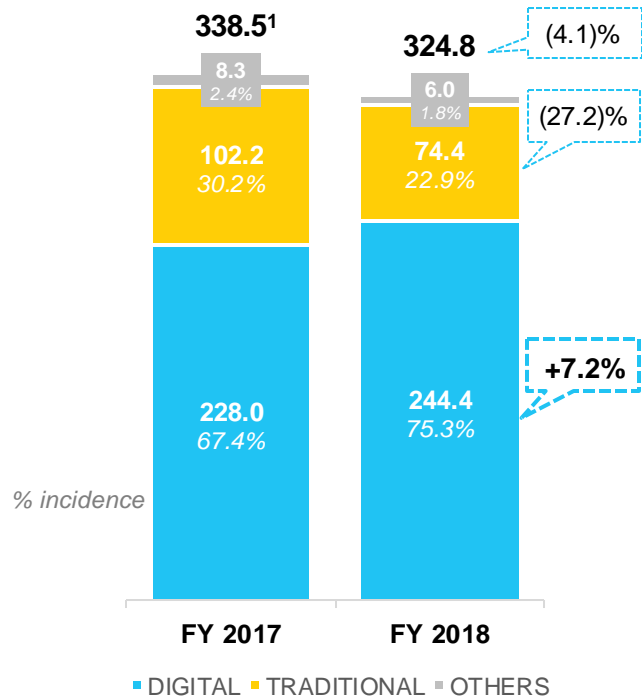
## HIGHLIGHTS

- The evolution of Operating FCF reflects a negative change in NWC, partially offset by Capex reduction
- The Cash Conversion of normalised EBITDA improved 3 p.p vs 2017
- 2017 Net cash flow has been impacted by the extraordinary dividend distribution
- 2018 Cash Holdings improved by +36% YoY
- 2018 NFP includes the Effects of IFRS 16 adoption since January 2018

# FY 2018 Revenue Overview

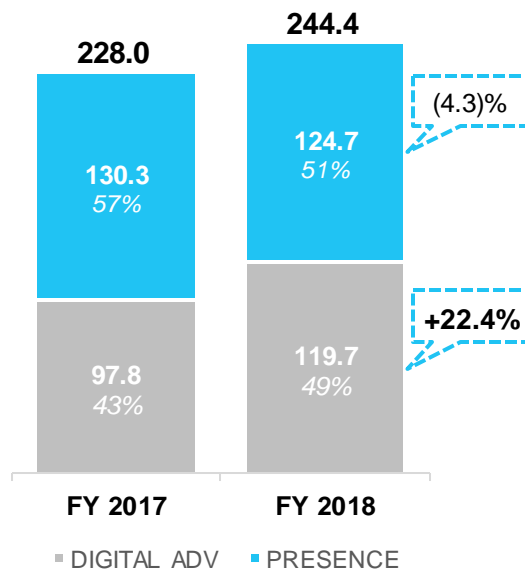
€ m

## TOTAL REVENUE

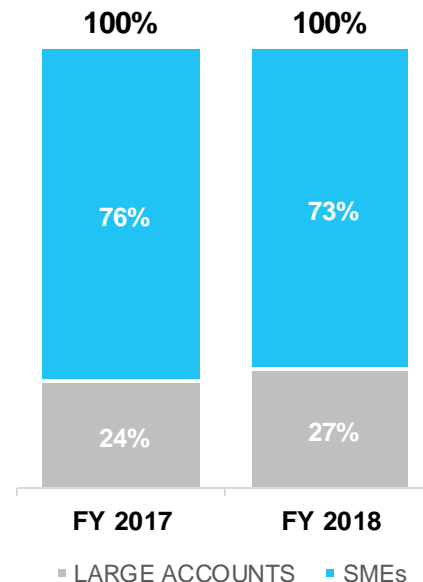


## DIGITAL REVENUE

### BY PRODUCT



### BY CUSTOMER

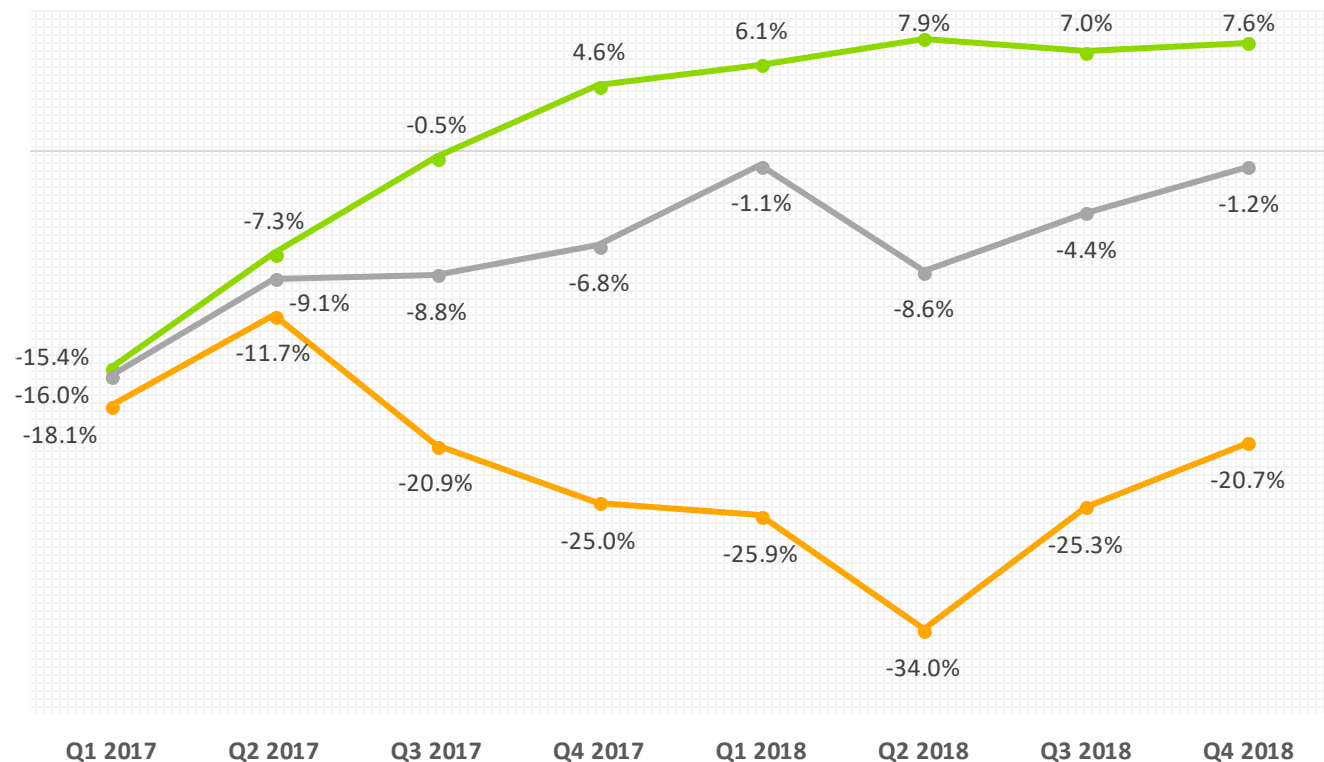


(1) See slide n. 2

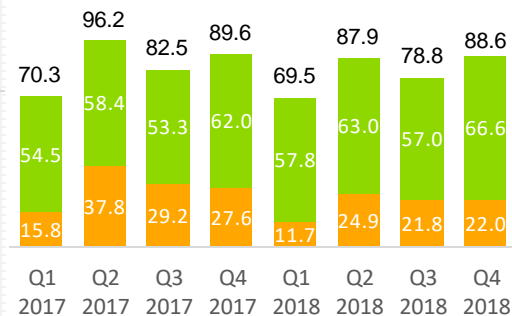


# Revenue by quarter | Digital growth boosts Total Revenues trend

YoY %



Revenues, € Million



Total

FY 2018  
-4.1% YoY

Digital

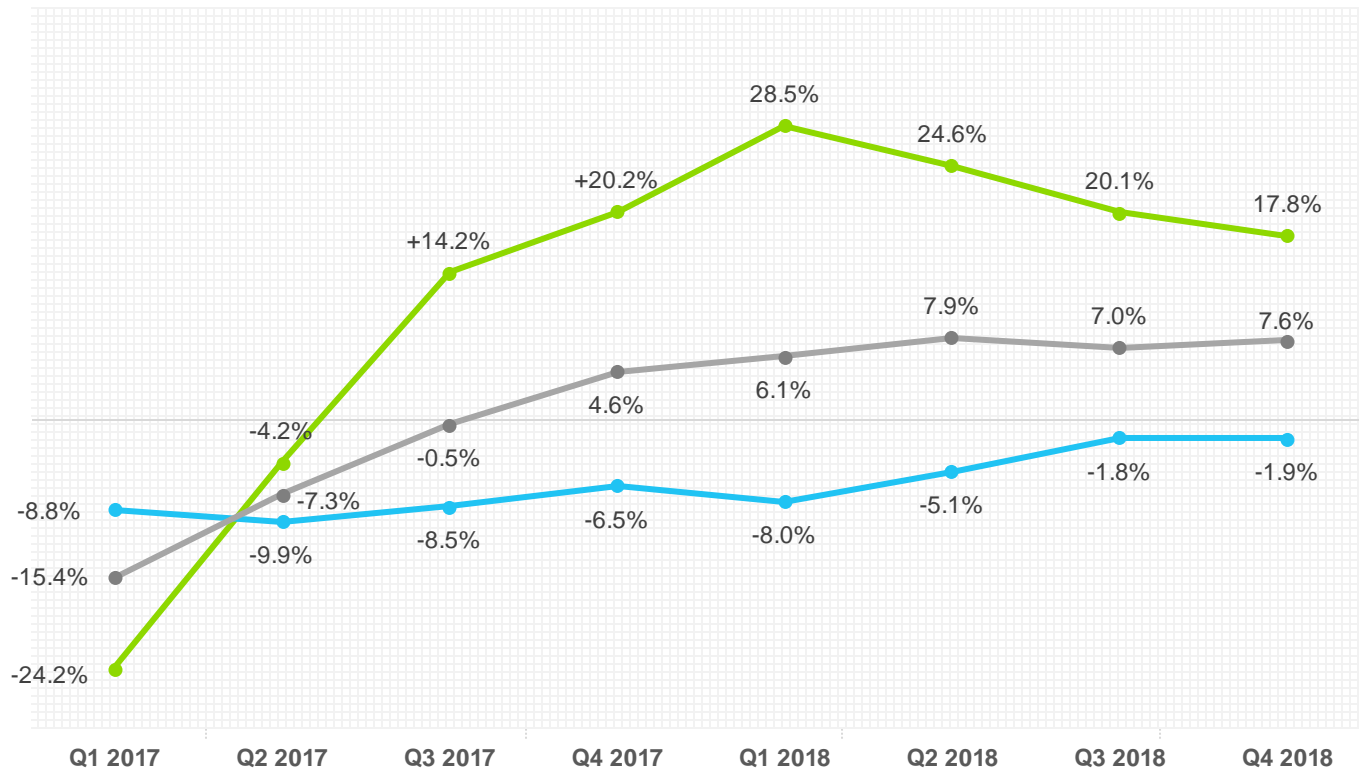
FY 2018  
+7.2% YoY

Traditional  
& Others

FY 2018  
-27.2% YoY

# Digital Revenue Trend by quarter

YoY %



(1) Source: Nielsen, Jan.-Dec. 2018 data, total web advertising estimates (including search and social)

## Digital Advertising:

grew at double-digit rates throughout 2018, **over-performing** the Italian advertising **market** (+8%)<sup>1</sup>

## Presence:

strong trend improvement in Q3'18 and Q4'18 thanks to new offering

## Total Digital:

high single-digit growth rates in each quarter of 2018

# 2016 - 2018 KPIs | Business Customers

iOL | Connect

iOL | Website

iOL | Audience

iOL | Advertising

SMEs

Active customers ('000)\*

(10.3)% YoY

252.0

226.0

FY 2017

FY 2018

Large Accounts

Active customers

+5.4% YoY

663.0

699.0

FY 2017

FY 2018

SMEs

Churn rate

(0.8) pp YoY

19.7%

18.9%

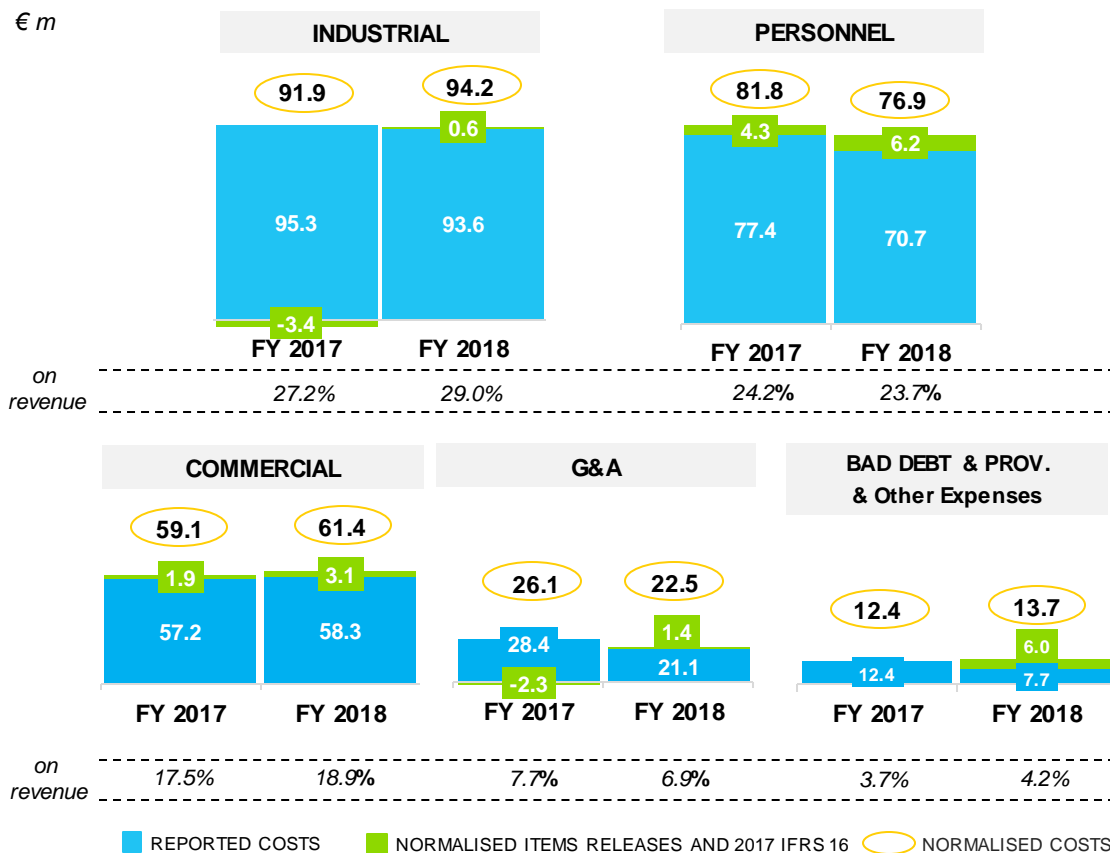
FY 2017

FY 2018

- The SMEs active customer base reduction has been partially off set by the increase in average ARPA, thanks to successful up selling strategies
- Reduction in Churn Rate is due to the improvement of product offering for SMEs
- In 2018, 37% of customers signed contracts with automatic renewal (called "Facile")
- The increase of Large accounts Active customers is attributable both to the recent signed partnerships and enriched offering on IOL properties

# 2018 Operating costs analysis | normalised view

€ m



## HIGHLIGHTS

- The charts show the **normalised costs** with the evidence of the break down between reported costs and normalised items
- The increase in Industrial costs incidence is due to changes in digital revenue mix towards products with a lower profitability (i.e IOL Audience)
- The incidence of personnel costs was flat while the absolute value decreased thanks to the to first effects of re-organization process
- The increase in Commercial costs incidence is due to investment aimed to support the orders acquisition in 2018
- G&A reduced thanks to efficiencies carried out in the last year (i.e. reduction in IT costs and costs for debt collection)
- Bad Debt & provision about 4% on revenue

# Workforce and Sales network evolution



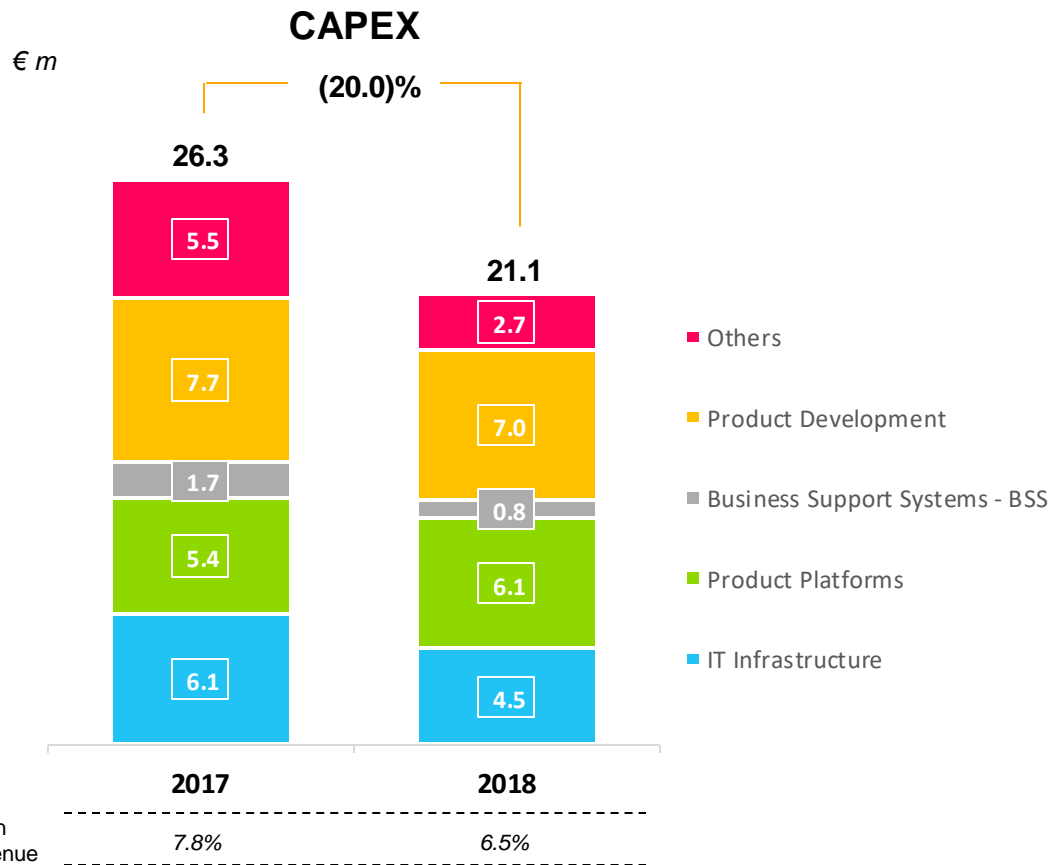
Workforce & Sales Network		
#	2017	2018
Workforce*	1,830	1,675
Agents	776	664
Agencies**	63	55

\* o/w in CIGS n 243 in 2017 and 293 in 2018. Workforce (including 11 Board Directors) n. at the end of the year.

\*\*SME commercial active agencies



# 2018 Capex reduced vs 2017



## HIGHLIGHTS

- In 2018 Capex was € 5.2 m lower than 2017 with a 1.3 pp reduction in incidence on revenue due to:
  - i) 2017 Open Exchanges licenses and new datacenter set up
  - ii) 2018 including IT project “*changing IOL*”
- Lower IT Infrastructure Capex:
- Increase in investment to improve Product Platforms
- Decrease in development costs including R&D
- Decrease in Others mainly due to real estate adaptation work and commercial support investments made in 2017

# Business Highlights



# FY 2018 Business highlights



- Enriched **SMEs** product **offering**:



PagineGialle  
**CASA**

**iOL**

| Audience

- New **digital advertising** partnerships to strengthen leadership on the Italian market
- Italiaonline confirmed to be the **Italian leading internet company** | Audiweb 2.0 Dec 2018<sup>(1)</sup>



- **Agreement** with Trade Unions reached on July 2<sup>nd</sup> for 262 voluntary severances packages and about 40 re-trained headcounts
- Start-up of the new **Digital Factory** division to insource web presence and website production



- New **CEO** appointed on 06 December 2018

(1) Source: Audiweb Database, powered by Nielsen, November 2018 | Google, Facebook and Microsoft are not in Audiweb Database | Note: TDA – Total Digital Audience | DAUs – Daily Active Users



# PG Casa | a successful digital marketplace for home services



**NEW WEBSITE LAUNCHED IN JUNE 2018 BECAME THE # 2 MARKETPLACE FOR HOME SERVICES IN ITALY \* ... AND STILL GROWING**

## YEAR 2018 KPIs



**350k PRICE QUOTES**  
**>80% IN H2 2018**

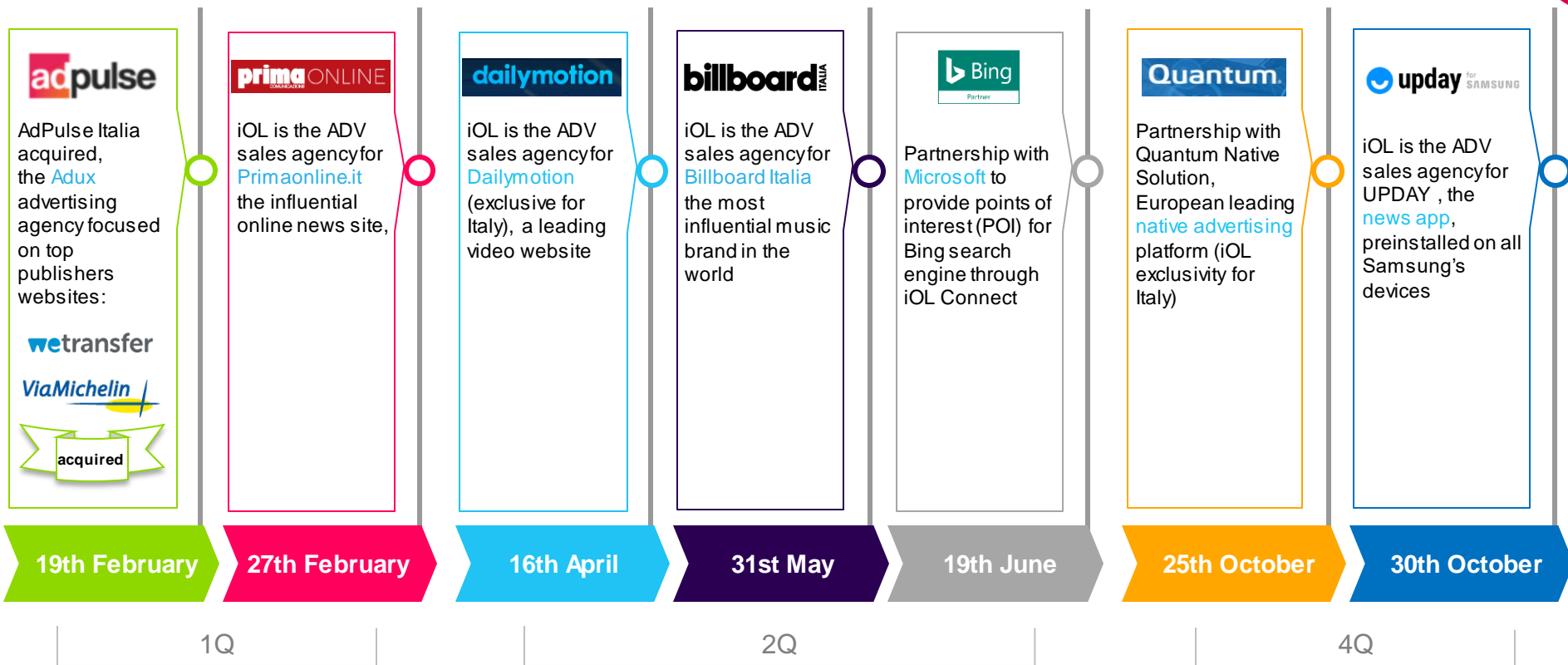


**11.6 m SESSIONS**  
**18.6 m PVs**

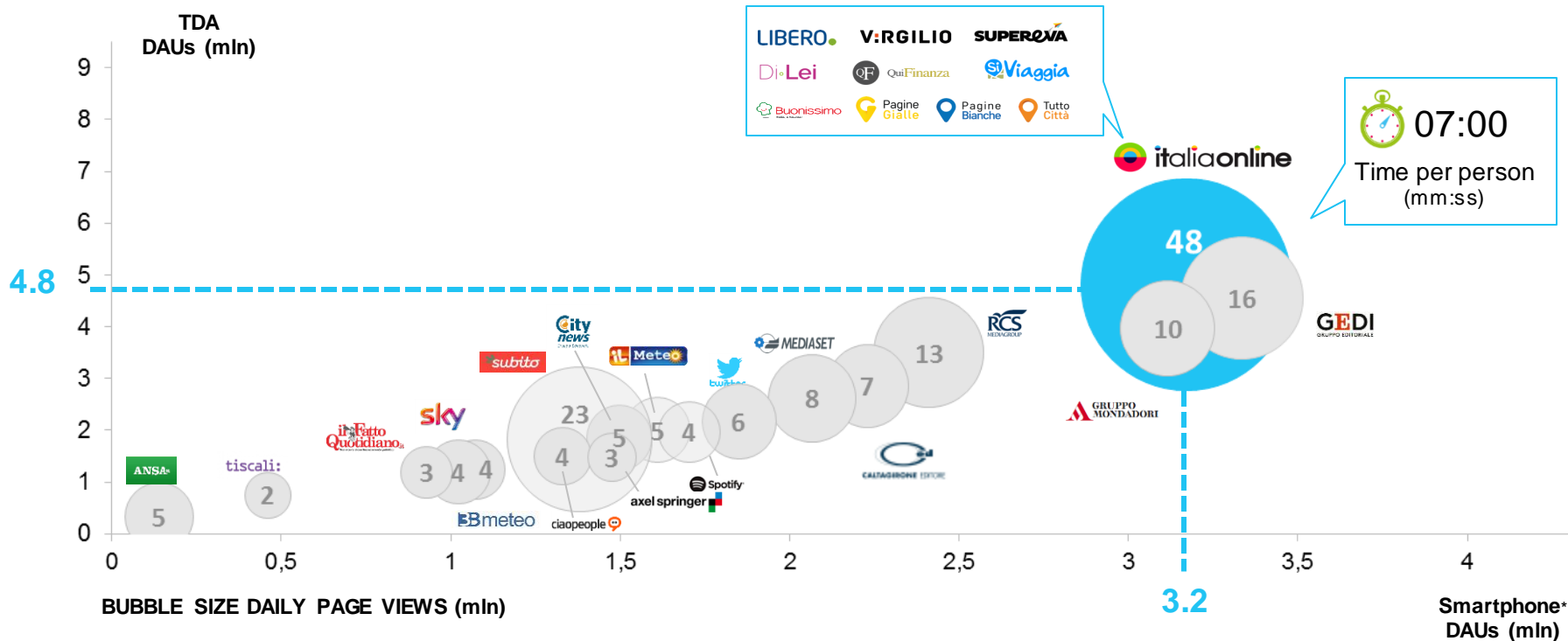


**9% CONVERSION RATE\*\***

# 2018 acquisitions and partnerships to improve digital advertising



# Italiaonline properties: top market audience

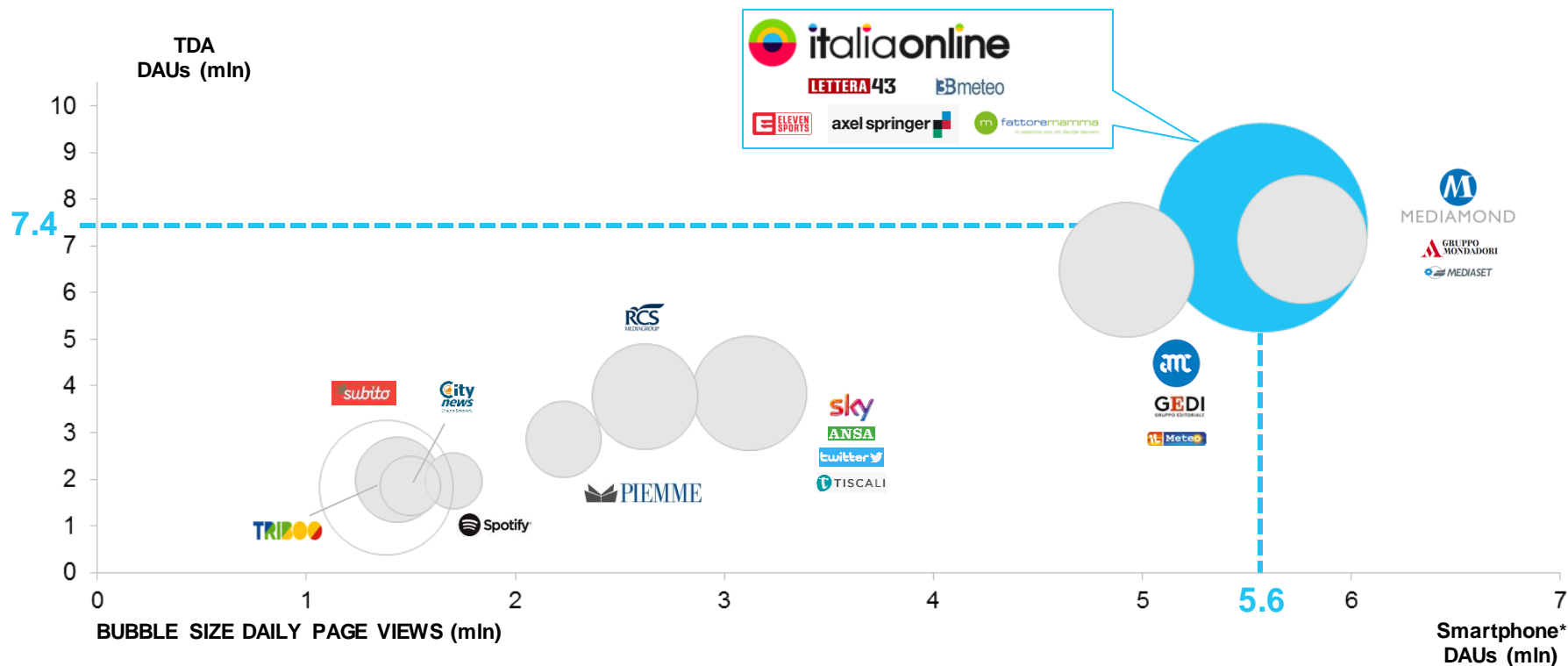


Source: Audiweb Database, powered by Nielsen, December 2018 | Google, Facebook and Microsoft are not in Audiweb Database

Note: TDA – Total Digital Audience | DAUs – Daily Active Users

\* New Audiweb 2.0 survey: "mobile" data split between smartphone and tablet audience

# IOL Advertising: the leading Italian Sales House



Source: Audiweb DB, Powered by Nielsen | Unique Audience (mln), PVs (bln) - Daily data, Top Ten Custom Property (December 2018)

\*New Audiweb 2.0 survey: "mobile" data split between smartphone and tablet audience

# KPIs | Market Reach | IOL Digital Properties KPIs

LIBERO.

VIRGILIO

Pagine  
Gialle

SUPERQVA

SiViaggia

QF

Buonissimo  
Italia, a tavola

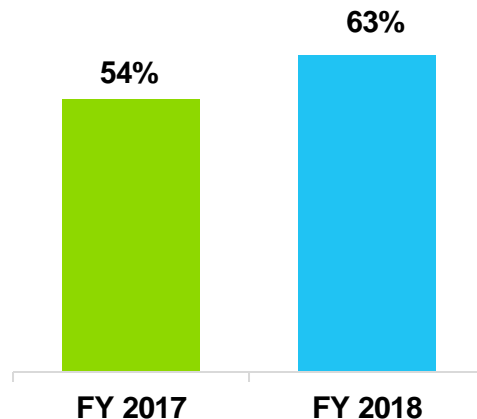
DiLei

Pagine  
Bianche

Tutto  
Città

italiaonline

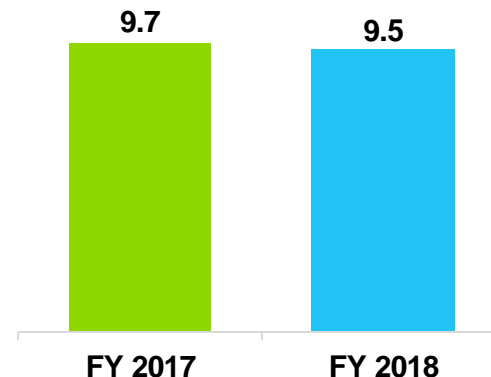
TOT Market Reach\*



LIBERO.

VIRGILIO

Email Accounts (mln)\*\*



italiaonline

March 20, 2019

\* 2017: Audiweb 1.0 and 2018: Audiweb 2.0, figure are not comparable

\*\* 90 days active account, Libero and Virgilio Mail (31 Dec.)

# Reorganization Plan | accelerate digital transformation



Agreement with trade unions\* reached on July 2<sup>th</sup> 2018 relating the Company reorganization plan



- 262 voluntary severances packages
- ~40 re-trained headcounts
- Reinvestment in the Turin site trough the creation of a "Digital Factory" to insource web production activities and costs



- Total restructuring cost is €37m

\*CIGS = Extraordinary Wage Guarantee Fund approved for a period of 6-months

# Guidelines 2019–2021



# 2019 - 2021 guidelines

## Revenue

DIGITAL REVENUE CAGR 2018 - 2021  $[+4.5\% \div +5.5\%]$

CONSOLIDATED REVENUE CAGR 2018 - 2021  $[-1\% \div +1\%]$

## EBITDA

2021 EBITDA normalised  $17\% \div 20\%$

## CAPEX

CAPEX at about  $6.5\% \div 8\%$  of revenue

## Cash Generation

2019 – 2021 EBITDA Cash Conversion<sup>1)</sup>  $60\% \div 65\%$

BP as approved by the BOD of March 19<sup>th</sup> 2019

1) EBITDA Cash Conversion:  $\text{Unl FCF} / \text{EBITDA}$  |  $\text{Unl FCF} = \text{Operating FCF (EBITDA-Capex} + \Delta\text{NWC)} - \text{adjusted taxes paid}$ .



# Closing Remarks



**New Business Plan 2020 -2022 by H1 2019 Results approval**



**Launched at the beginning of 2019 : 7 “Projects Transforming iOL”**

# Q&A

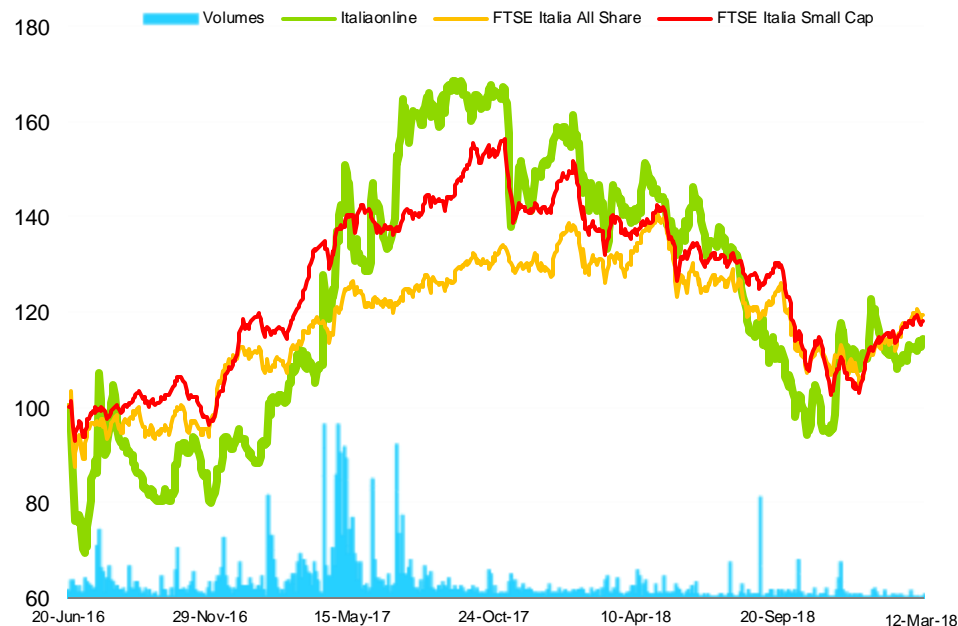


# Appendix



# Italiaonline Share

## iOL versus indices: June 20, 2016 – March 12, 2019

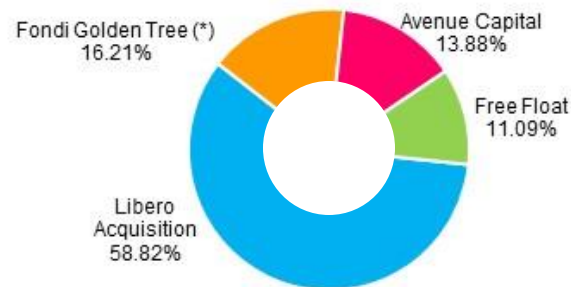


Source: Thomson Reuters EIKON



March 20, 2019

## Shareholders structure



(\*) GoldenTree Asset Management Lux S.à r.l., GoldenTree SG Partners L.P., GT NM L.P. e San Bernardino County Employees Retirement Association

## Share data as of March 12, 2019

MARKET	MTA
NOSH Ord (€mln)	114.8
PRICE (€)	2.34
MKT CAP Ord (€mln)	268.0
PERFORMANCE (YTD)	3.8%
RELATIVE PERF.vs FTSE Italia All Share (YTD)	-8.6%
AVG DAILY VOLUMES YTD (€)	23,268
Saving Share: NOSH 6.803   Closing Price (€) 460   Market Cap (€ mln) 3.1	

Italiaonline S.p.A. company subject to the direction and coordination activity of Libero Acquisition S.à r.l.

# FY 2018 | Group Profit & Loss

(In millions of Euro)	FY 2018	FY 2017	Change	
			mln	%
<b>Revenues from sales and services</b>	<b>324.8</b>	<b>335.9</b>	<b>(11.2)</b>	<b>(3.3)%</b>
Costs*	(243.8)	(258.0)	14.3	5.5%
<b>Gross operating profit (GOP)</b>	<b>81.0</b>	<b>77.9</b>	<b>3.1</b>	<b>4.0%</b>
<i>as % of revenues</i>	24.9%	23.2%		
Bad debt, risk provisions and others	(7.7)	(10.2)	2.5	24.9%
<b>EBITDA</b>	<b>73.3</b>	<b>67.7</b>	<b>5.6</b>	<b>8.3%</b>
<i>as % of revenues</i>	22.6%	20.1%		
Operating D&A and write-down	(38.0)	(30.7)	(7.3)	(23.9)%
Non operating D&A and write-down	(5.6)	(5.2)	(0.4)	(7.4)%
Non-recurring and restructuring costs, net	(33.1)	(4.0)	(29.1)	n.s.
<b>EBIT</b>	<b>(3.4)</b>	<b>27.8</b>	<b>(31.2)</b>	<b>n.s.</b>
<i>as % of revenues</i>	(1.1)%	8.3%		
Net financial income	1.9	0.7	1.2	n.s.
Impairment losses on financial assets and losses on the disposal of equity investments	1.2	0.0	1.2	n.s.
<b>Profit (Loss) before income taxes</b>	<b>(0.3)</b>	<b>28.4</b>	<b>(28.7)</b>	<b>n.s.</b>
Income taxes	(8.5)	(2.0)	(6.4)	n.s.
<b>Profit (Loss) for the period</b>	<b>(8.7)</b>	<b>26.4</b>	<b>(35.2)</b>	<b>n.s.</b>
of which pertaining to the Group	(8.7)	26.4	(35.2)	n.s.
of which non-controlling interest	0.0	0.0	0.0	n.s.

(\*) Less costs charged to non-controlling interests and shown in the IFRS financial statements under "Other income"

# FY 2018 | Group Cash flow statement

(In millions of Euro)	FY 2018	FY 2017	Change	
			mln	%
<b>EBITDA</b>	<b>73.3</b>	<b>67.7</b>	<b>5.6</b>	<b>8.3%</b>
Decrease (increase) in operating working capital	(2.3)	11.7	(14.1)	n.s.
Capital expenditure	(21.1)	(26.3)	5.3	20.0%
Other changes and movements*	(6.1)	(1.9)	(4.1)	n.s.
<b>Operating FREE CASH FLOW</b>	<b>43.8</b>	<b>51.2</b>	<b>(7.3)</b>	<b>(14.3)%</b>
Payment of income taxes	(0.0)	(0.8)	0.8	96.2%
<b>Unlevered FREE CASH FLOW</b>	<b>43.8</b>	<b>50.4</b>	<b>(6.5)</b>	<b>(13.0)%</b>
Collection of interest and financial expense, net	0.3	0.4	(0.1)	(30.2)%
Payment of non-recurring and restructuring costs	(13.5)	(20.6)	7.1	34.4%
Dividend distribution	(0.2)	(80.0)	79.8	99.7%
Disposal of the investment in 11880 Solutions AG	3.4	0.0	3.4	n.s.
Share buy back	(0.1)	0.0	(0.1)	n.s.
IFRS 16 effect	(41.7)	0.0	(41.7)	n.s.
Other movements	2.0	0.7	1.3	n.s.
<b>Change in NET FINANCIAL POSITION</b>	<b>(6.0)</b>	<b>(49.2)</b>	<b>43.2</b>	<b>87.9%</b>

(\*) The change related to non-current operating liabilities does not include the non - monetary effects arising from actuarial gains and losses recognised in equity

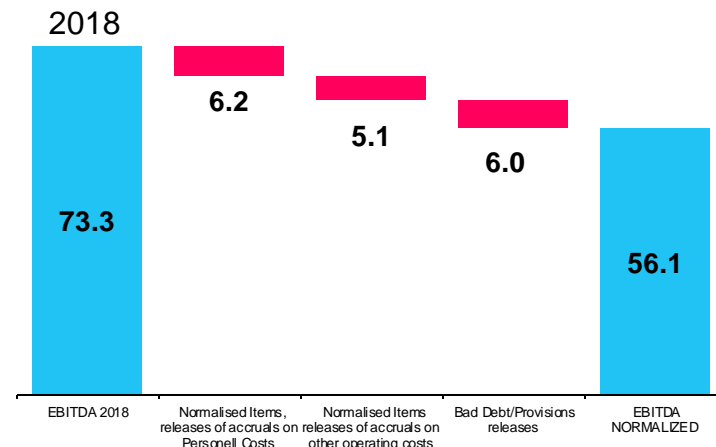
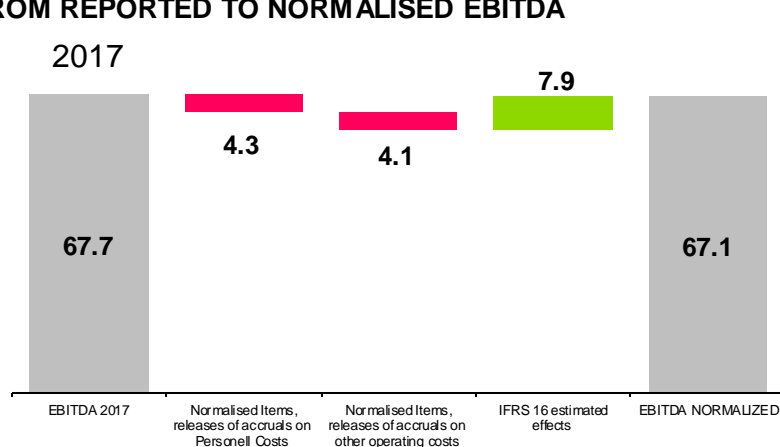
# FY 2018 | Group Balance Sheet

<i>(In millions of Euro)</i>	31/12/2018	31/12/2017	Change
Goodwill & marketing related intangible assets	267.5	272.5	(5.0)
Other non-current assets*	92.9	73.4	19.4
Non-current liabilities	(52.3)	(50.4)	(1.9)
Working capital	(62.6)	(52.8)	(9.7)
Net non-current assets held for sale and discontinued operations	0.0	0.0	0.0
<b>Net invested capital</b>	<b>245.5</b>	<b>242.6</b>	<b>2.9</b>
Equity of the Group	312.5	315.6	(3.1)
Non-controlling interests	0.0	0.0	0.0
<b>Total equity (A)</b>	<b>312.5</b>	<b>315.6</b>	<b>(3.1)</b>
Current financial assets, cash and cash equivalent	101.1	75.1	26.0
Current financial liabilities	(8.6)	(2.2)	(6.5)
Non-current financial liabilities	(25.5)	0.0	(25.5)
<b>Net financial position (B)</b>	<b>67.0</b>	<b>72.9</b>	<b>(6.0)</b>
<b>Total (A-B)</b>	<b>245.5</b>	<b>242.6</b>	<b>2.9</b>

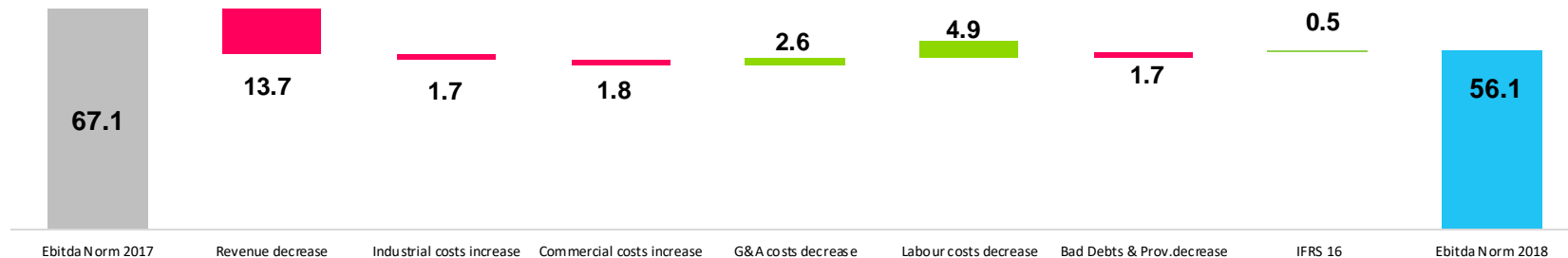
(\*) This item includes non –current financial assets.

# Reported vs normalised Figures

€m FROM REPORTED TO NORMALISED EBITDA

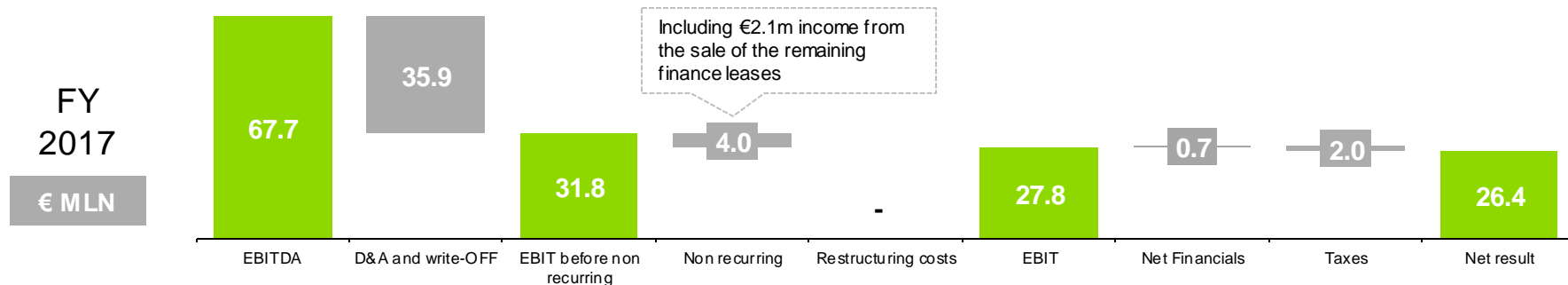
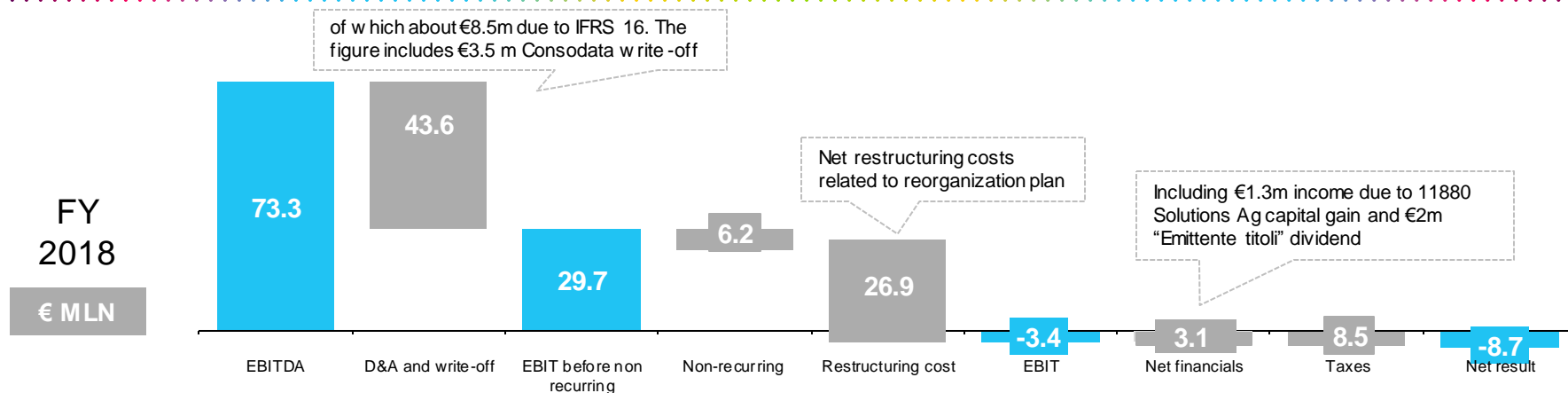


## BRIDGE 2017 vs 2018 NORMALISED

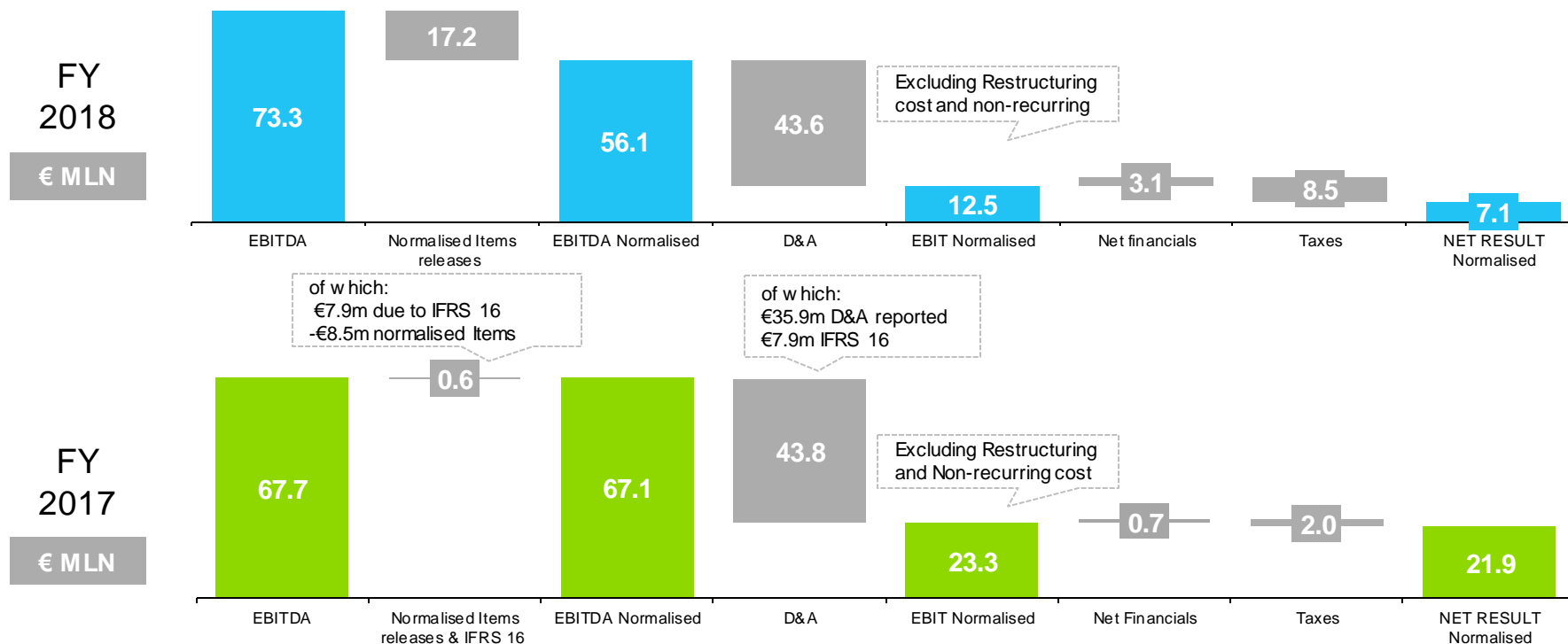




# FY 2018 | From EBITDA to Net Result reported

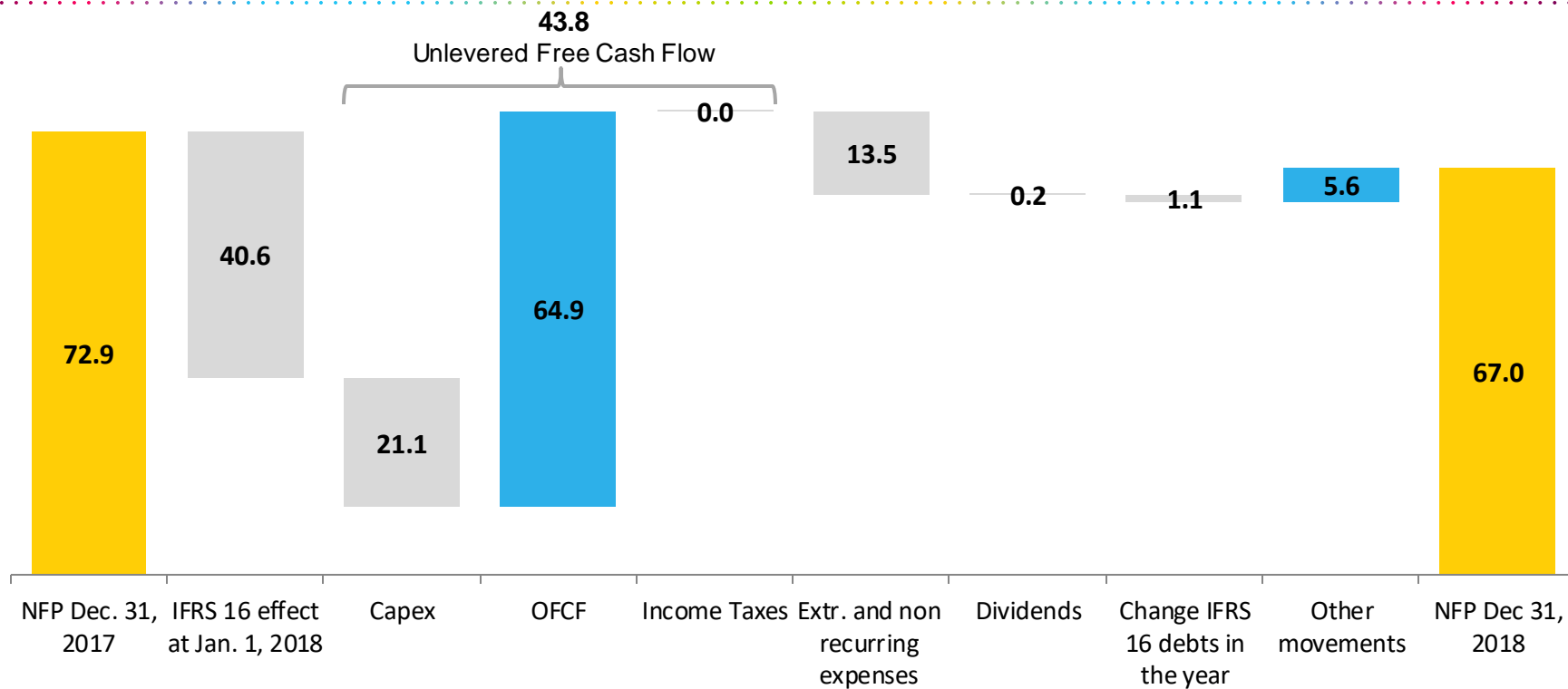


# FY 2018 | From EBITDA to Net Result normalised



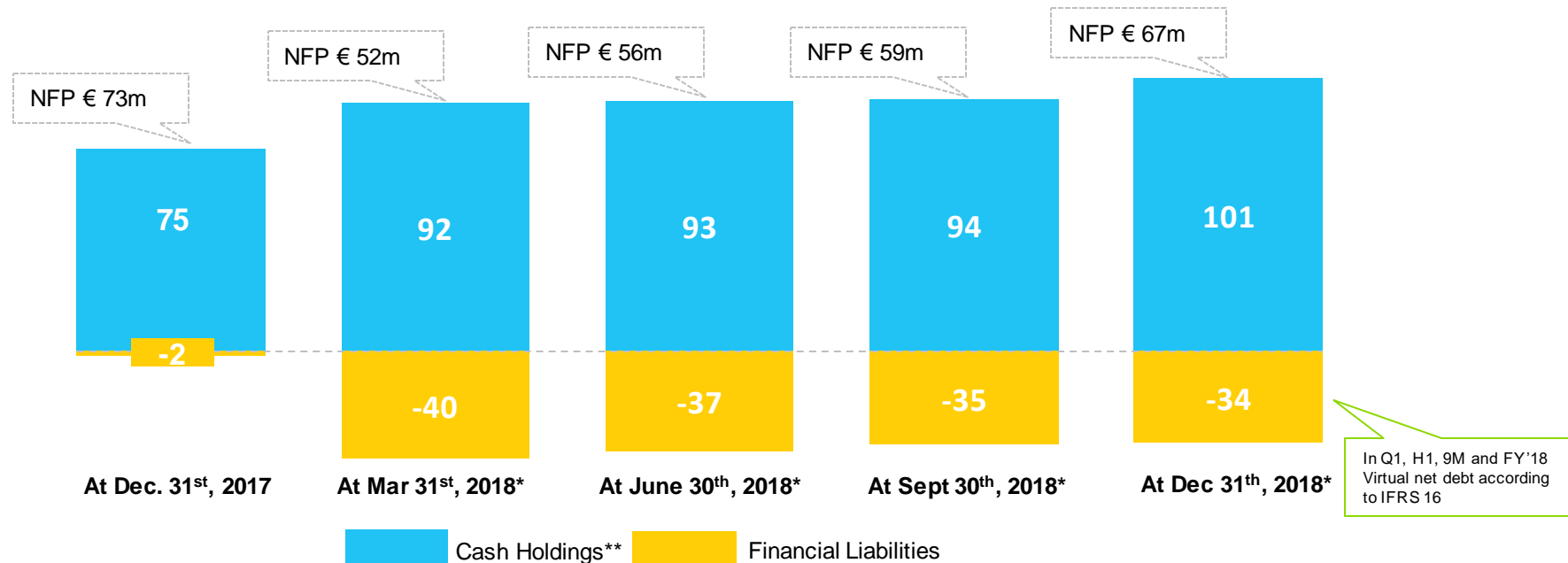
# FY 2018 | Change in Net Financial Position

€ m



# FY 2018 | Positive NFP good cash generation

€ m



\*NFP at 31 December 2018 is bank debt free. The introduction of IFRS 16, from 1<sup>st</sup> January 2018, implies the accounting of all rents NPV as asset and financial liabilities (virtual net debt at 31 December 2018 according to IFRS 16 equal to €34 million)

\*\* Includes Cash and Current financial receivables from third parties

# Tax Rate

(euro 000)	2018	2017
<b>EBT</b>	<b>(282.0)</b>	<b>28,442</b>
Current Income Taxes	(233)	<b>(1,357)</b>
Provision (reversal) of deferred tax assets	(9,386)	(4,975)
(Provision) reversal of deferred tax liabilities	1,755	1,639
Income taxes referred to prevoius year	(588)	<b>2,668</b>
<b>TOTAL TAXES</b>	<b>(8,452)</b>	<b>(2,025)</b>
<b>% on EBT</b>	<i>nm</i>	7.1%

The release of deferred tax assets and liabilities, mainly attributable to Italiaonline S.p.A., refers in particular to changes in provisions for risks and the portion of interest expense recovered in current year.

# Tax assets update



Tax Assets



Tax assets as of 31 December 2018 about €812m



Generated by previous  
Company losses

Generated from non-deducted interest expenses  
(accumulated by SEAT)



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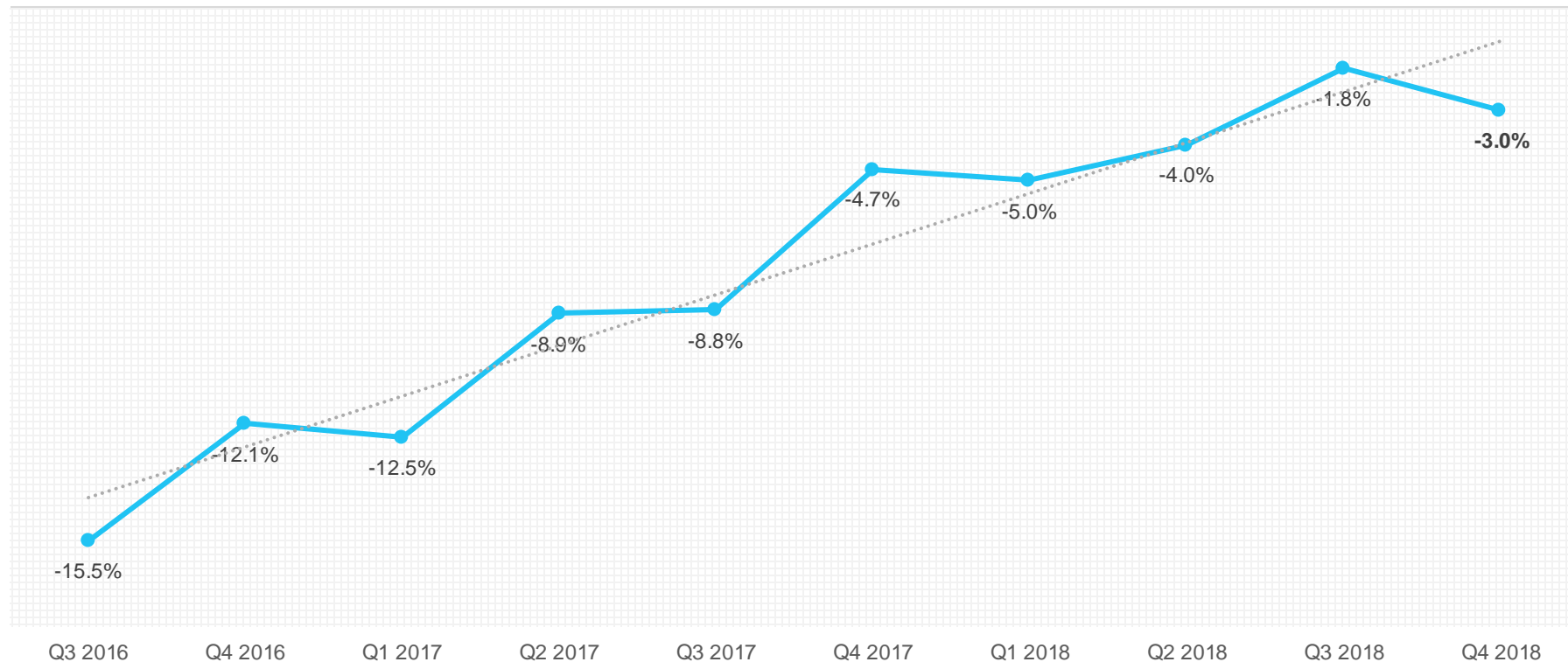
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# 2018 SME Sales trend improved vs 2017

YoY %



# 2018 Results | NWC

€m	2017	2018
<b>Oper. NWC</b>	<b>(45.5)</b>	<b>(35.7)</b>
<b>Current Operating Assets</b>	<b>170.2</b>	<b>165.0</b>
<i>Trade receivables, net</i>	137.8	129.6
<i>Other operating asset</i>	32.4	35.4
<b>Current Operating Liabilities</b>	<b>(215.7)</b>	<b>(200.7)</b>
<i>Trade payables</i>	(101.1)	(91.3)
<i>Current reserve for operating risks and charges</i>	(17.2)	(14.7)
<i>Other operating payables</i>	(97.3)	(94.7)
<b>Non Operat. NWC</b>	<b>(7.3)</b>	<b>(26.9)</b>
<b>Non Operating current Assets</b>	16.2	15.4
<b>Non Operating current Liabilities</b>	(23.5)	(42.3)
<b>NWC</b>	<b>(52.8)</b>	<b>(62.6)</b>

## HIGHLIGHTS

- Trade receivables evolution reflects the revenue reduction in the period
- Other Operating Liabilities in 2017 include the IFRS 15 and 16 opening effects (€7m); for this reason, the difference between the Operating NWC 2018 and 2017 does not correspond to the value indicated in the cash flow
- The evolution of the 2018 Non Operating current Liabilities mainly reflects the provision for restructuring costs