



# **9M 2019 RESULTS PRESENTATION**

October 29, 2019

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- 1** 9M2019 key highlights
- 2** 9M2019 Group results
- 3** 9M2019 results by business unit
- 4** Summary

# 1 9M2019 Key highlights

# 9M 2019 Key Highlights

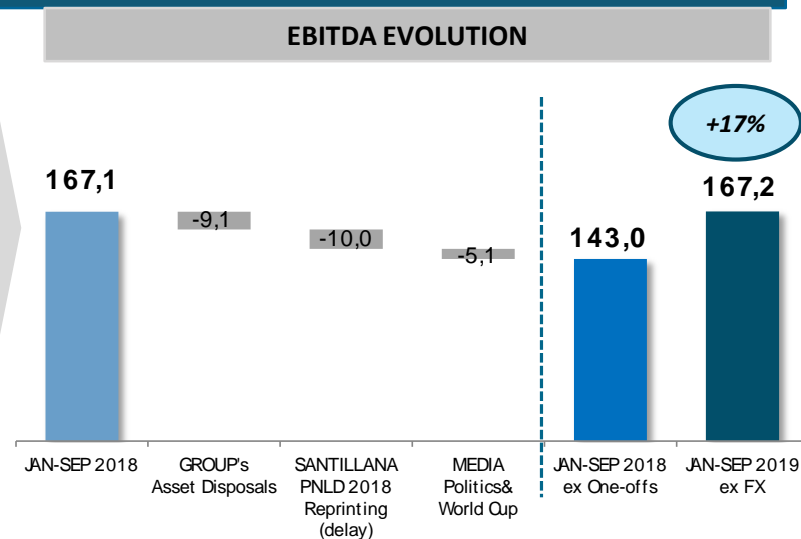
## KEY BUSINESS HIGHLIGHTS

- 1 Agreement reached to sell Media Capital, following company's roadmap focused on deleveraging, profitable growth and value creation. Media Capital accounted as a discontinued activity
- 2 3Q EBITDA increased by €20 Mn (+33%). Businesses performed in line with expectations and according to seasonality
  - **Santillana:** campaigns performed in line with expectations with focus on transformation and subscription models growth and Spain performing strongly on the back of novelties. Strong visibility for 4Q supported by Brazil public sales contracts already closed
  - **Radio:** Operating improvement both in Spain and Latam
  - **Press:** Positive operational performance on the back of advertising growth and circulation margins improvement

## 9M RESULTS COMPARISON AFFECTED BY SEASONALITY AND ONE OFFS

### Temporary and permanent effects impacting 9M results

- **Extraordinary Assets disposals** in 2Q2018 (Santillana USA & real estate) and 3Q 2019 (Media). Net impact of €9Mn
- **Reposition Public sales in Brazil taking** place in 2Q and 3Q 2018
- **World Cup and politics (elections)** impacting positively Spain and Colombia



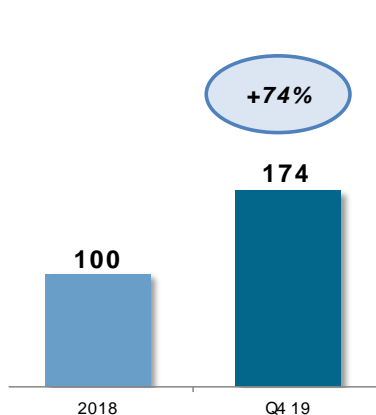
*9M Operating performance in line with expectations and according to seasonality of business*

# Strong visibility for 4Q

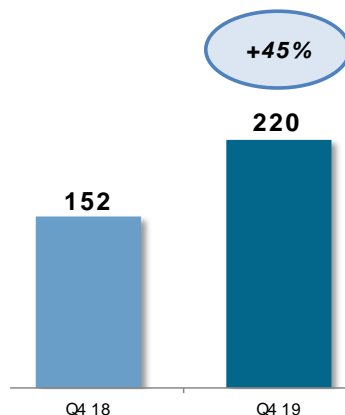
**STRONG PERFORMANCE EXPECTED IN 4Q**

## 1 Santillana: Public sales orders in Brazil already closed

### Repositions (BRL, millions)



### New order PNLD



	PNLD 2019 F2	PNLD 2016 F2	
Market Share	32,5%	16,5%	2,0x
Books (Million)	26,1	13,2	2,0x
Revenues BRL (Million)	220,8	102,7	2,1x

**This strong performance will drive Santillana organic EBITDA growth of double digit for the full year**

## 2 Media to continue with operating profit improvement

**Strong visibility for 4Q supported by Santillana**

## ON TRACK TO MEET FY2019 OUTLOOK

### Education

- Positive evolution supported by Spain (novelties) and Brazil (2018 PNLD F1 renewals and 2019 PNLD F2 being medium year cycle)
- Stronger 2H on the back of Spain and Brazil

### Radio

- Advertising growth outperforming market, leveraging on product offering and audience shares, despite extraordinary events related to world cup and politics (elections) contributing positively in 2018
- Operating improvement both in Spain and Latam

### Press

- Digital growth benefiting from advertising market growth and creation of a Private Market Place
- Transition to a variable cost structure with margin enhancement supported by efficiencies on the legacy business & digital growth

### FX

- Negative impact expected, mainly from BRZ and ARG (bellow 2018 negative impact)

### FCF

- Recurrent FCF\* in line with or above 2018: Improving along the quarters, likely to be negative in 1H
- Deferred payment to 3i (non-recurrent) amounting €36.5 million by end of February

**9M results consistent with FY2019 outlook with strong EBITDA and CASHFLOW expected in 4Q**

\* Assumes 100% of Brazil's 2019 PNLD collection in line with 100% collection in 2018

## 2 9M 2019 Group results

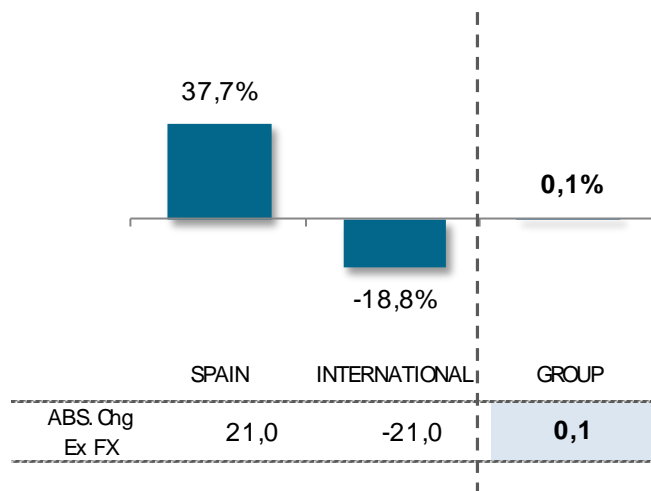


# 9M 2019 Operating Overview

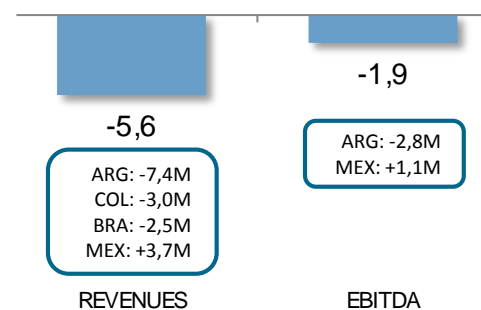
€ Millions	JAN-SEP 2019	Var. 19/18 on constant ccy		Var. 19/18		Ex. Temporary Effects&One-offs on constant ccy
<b>REVENUES</b>	<b>797</b>	<b>-2,5%</b>	<b>-20,8</b>	<b>-3,2%</b>	<b>-26,4</b>	<b>+1,6%<sup>(*)</sup></b>
<b>EXPENSES</b>	<b>632</b>	<b>-3,2%</b>	<b>-20,9</b>	<b>-3,7%</b>	<b>-24,6</b>	<b>-1,8%</b>
<b>EBITDA</b>	<b>165</b>	<b>0,1%</b>	<b>0,1</b>	<b>-1,1%</b>	<b>-1,8</b>	<b>+16,9%</b>
<i>EBITDA Margin</i>	<i>20,7%</i>	<i>0,5%</i>		<i>0,4%</i>		
<b>EBIT</b>	<b>101</b>	<b>-1,5%</b>	<b>-1,6</b>	<b>-3,3%</b>	<b>-3,4</b>	
<i>EBIT Margin</i>	<i>12,6%</i>	<i>0,1%</i>		<i>0,0%</i>		

**EBITDA Variation (%) at constant currency**

■ Var Local Currency



**FX Effect (m€)**



Note: EBITDA includes provisions in 2019 (18.8Mn) and 2018 (22.3Mn)

The impact of Mediapro's ruling in 2019 & the IFRS16 estimated effect (in 2018) have been adjusted for a comparable basis.

(\*) Significant perimeter effect due to the closing or disposal of non core or non profitable businesses (Prisa Video, Music and Santillana US) amounting 20M€.

# 9M 2019 Operating Overview – Net Profit

€ Millions	2019	2018	% Chg.		2019	2018	% Chg.
<b>Reported Results</b>							
<b>1 Reported EBIT</b>	<b>49,6</b>	<b>98,6</b>	<b>(49,7)</b>		<b>49,6</b>	<b>98,6</b>	<b>(49,7)</b>
EBIT Margin	6,2%	12,0%					
<b>2 Financial Result</b>	<b>(61,4)</b>	<b>(62,2)</b>	<b>1,2</b>		<b>(61,4)</b>	<b>(62,2)</b>	<b>1,2</b>
Interests on debt	(44,2)	(37,2)	(18,8)				
Other financial results	(17,3)	(25,0)	30,8				
<b>Result from associates</b>	<b>1,1</b>	<b>3,1</b>	<b>(62,8)</b>				
<b>Profit before tax</b>	<b>(10,7)</b>	<b>39,5</b>	<b>—</b>				
Income tax expense	29,6	32,1	(7,9)				
<b>Results from discontinued activities</b>	<b>(69,9)</b>	<b>12,7</b>	<b>—</b>				
<b>3 Minority interest</b>	<b>0,3</b>	<b>23,1</b>	<b>(98,6)</b>		<b>0,3</b>	<b>23,1</b>	<b>(98,6)</b>
<b>Net Profit</b>	<b>(110,4)</b>	<b>(3,0)</b>	<b>—</b>		<b>(110,4)</b>	<b>(3,0)</b>	<b>—</b>
MCimpairment	(76,4)		---				
Mediapro ruling *	(40,8)		---				
IFRS16		(3,9)	100,0				
<b>Comparable Net Profit</b>	<b>6,8</b>	<b>(6,9)</b>	<b>—</b>		<b>6,8</b>	<b>(6,9)</b>	<b>—</b>

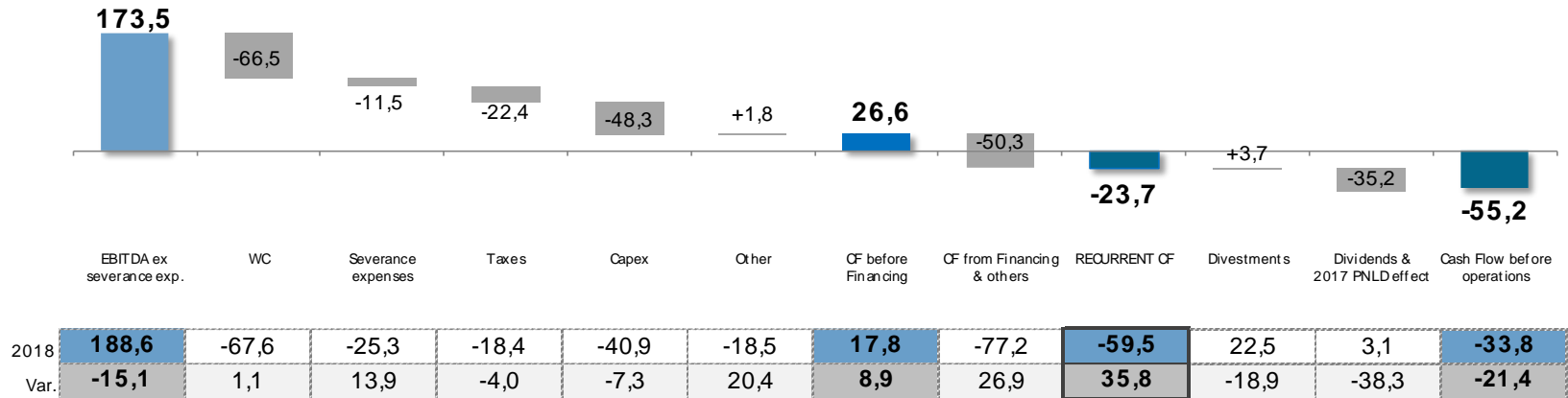
€ Millions	2019	2018	% Chg.
<b>Mediapro ruling &amp; IFRS16 impact</b>			
<b>1 Reported EBIT</b>	<b>49,6</b>	<b>98,6</b>	<b>(49,7)</b>
Mediapro Ruling	51,0		
IFRS16 Effect		5,4	
<b>Comparable EBIT</b>	<b>100,6</b>	<b>104,0</b>	<b>(3,3)</b>
<b>2 Reported Financial Result</b>	<b>(61,4)</b>	<b>(62,2)</b>	<b>1,2</b>
IFRS16 Effect		(9,3)	
<b>Comparable Financial Result</b>	<b>(61,4)</b>	<b>(71,5)</b>	<b>14,1</b>
<b>3 Reported Minority Interest</b>	<b>0,3</b>	<b>23,1</b>	<b>(98,6)</b>
Mediapro Ruling	10,2		
<b>Comparable Minority interest</b>	<b>10,5</b>	<b>23,1</b>	<b>(54,4)</b>

**Reported Net result affected by extraordinary provision related to Mediapro negative ruling & by Mediacapital discontinuity**

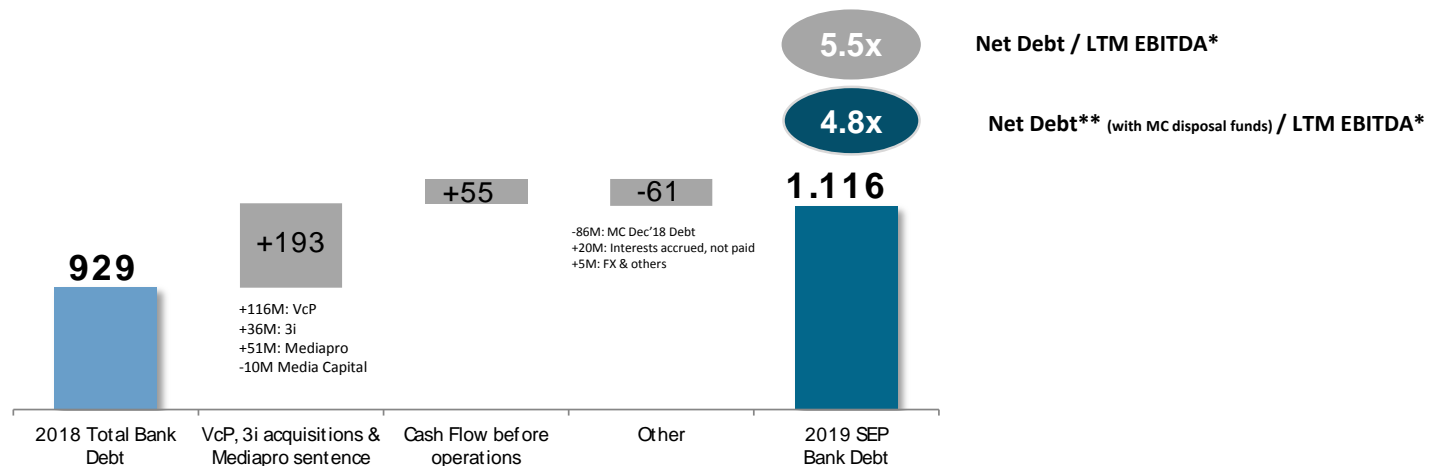
\* According to the global integration methodology, AVS's minority shareholder amounts up to 20% of the company's net result thus its shareholding stake. In this respect, if the company could not recover the credit recognized after the registration of the ruling of Mediapro as of March 31, 2019 –by either the generation of new revenue or new contributions made by the shareholders- the "result attributed to the dominant company" would be reduced in an amount of approximately 10 million euros

# 9M 2019 Operating Overview – Cash Flow Generation

## Cash Flow Generation (Mn€)



## Net Bank Debt Evolution (Mn€)



**Cashflow generation in the period conditioned by temporary effects and business seasonality**

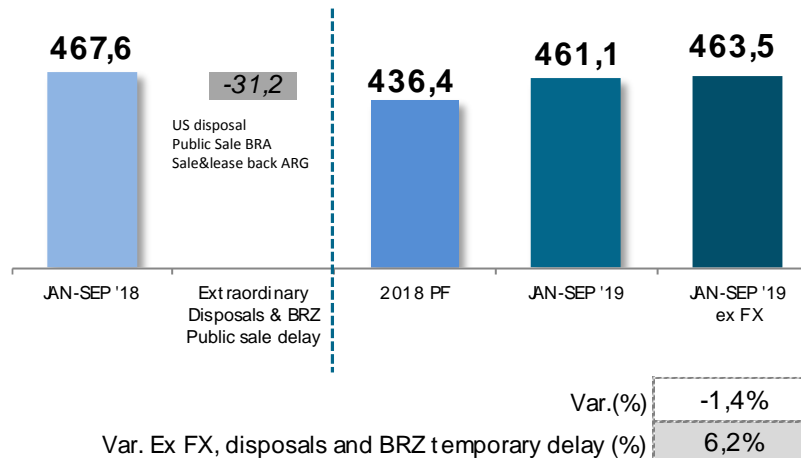
\*Excludes IFRS16 effect & redundancies. (LTM EBITDA €202Mn)

\*\* Includes Media Capital disposal funds

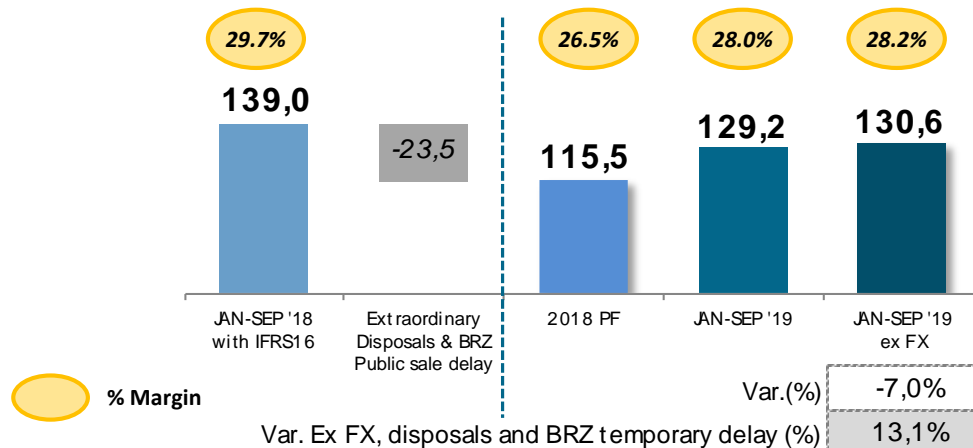
## **3** 9M 2019 results by business unit

# 9M 2019 Operating Overview – Santillana

## Revenue evolution (Mn€)



## Comparable EBITDA evolution (Mn€)

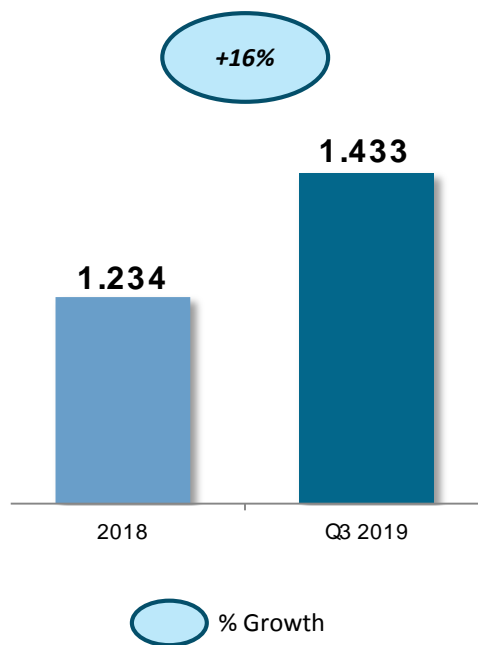


**9M evolution according to plan but conditioned by seasonal and one off impacts. Strong evolution expected in 4Q on the back of i) BRZ public sales repositions ii) BRZ public sales new order**

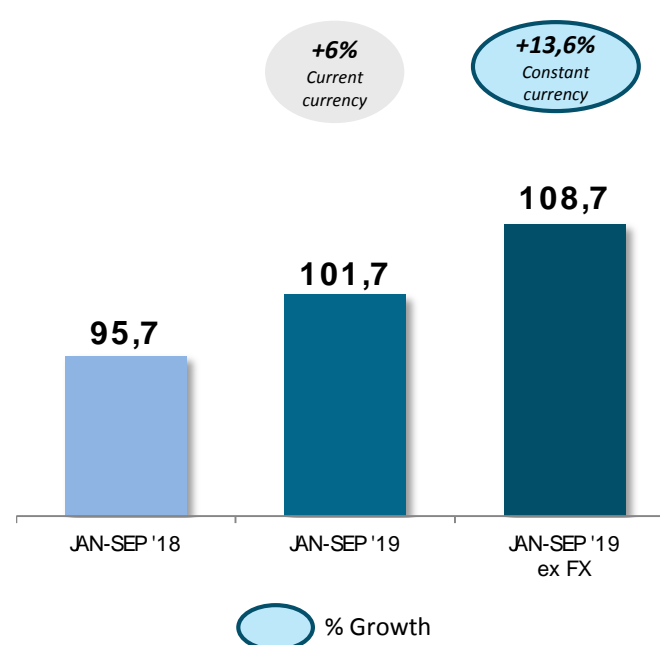
Note: EBITDA includes provisions in 2019 and 2018. The IFRS16 effect has been adjusted in 2018 figures for a comparable basis.

## Learning systems

**Learning systems**  
Number of Students (000's)



**Revenues Evolution**  
(m€)



***Outstanding performance of subscription models based on Learning systems***

## Learning systems

**Key Focus on subscription models based on Learning systems**

### Key Benefits of subscription models

**High visibility of earnings:** long term contracts of 3-4 years with schools

**Increased average ARPU per student** (Higher vs. traditional)

**Higher profitability** (>80% gross margin)

**Higher contact and Knowledge of final client** (86% renewal rate)

**Fully invested digital platform with high growth potential**

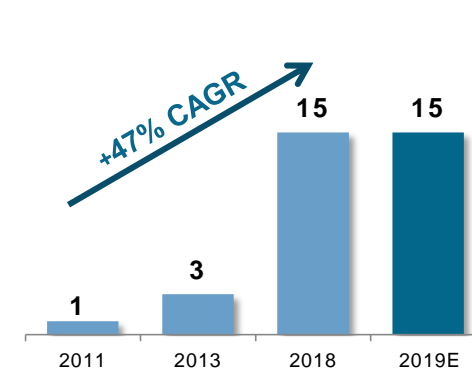
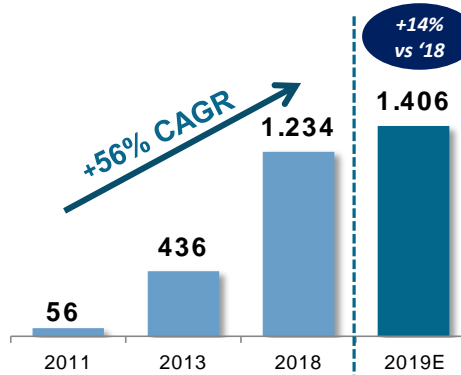
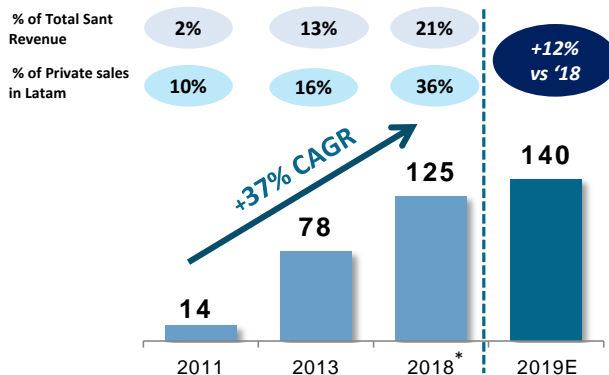


### Evolution of subscription models (Learning systems)

Revenue (€Mn)

# Students (000's)

Footprint # Countries

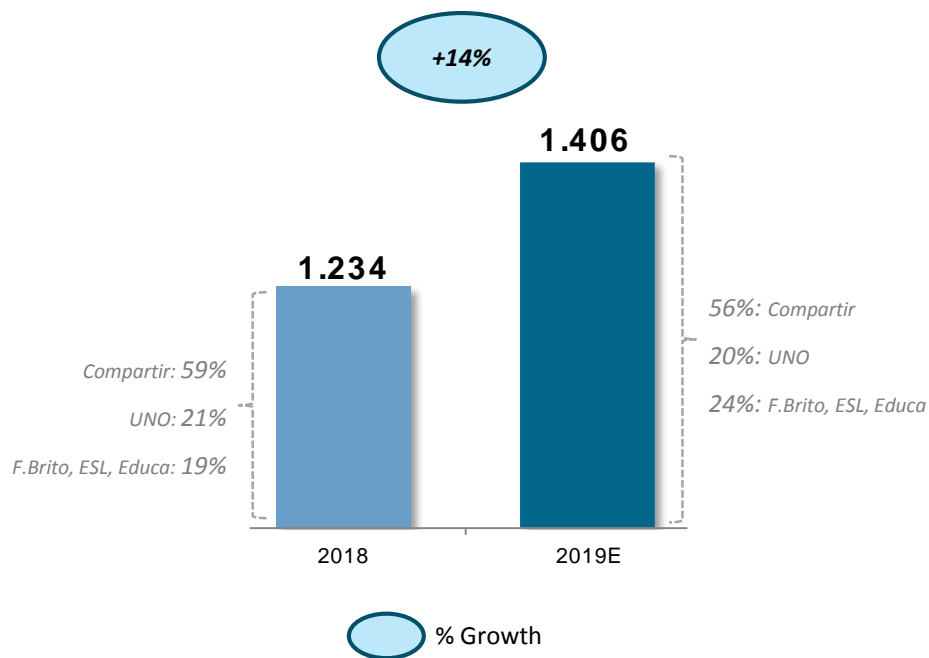


**Proven and scalable model with potential to continue growing and generate value**

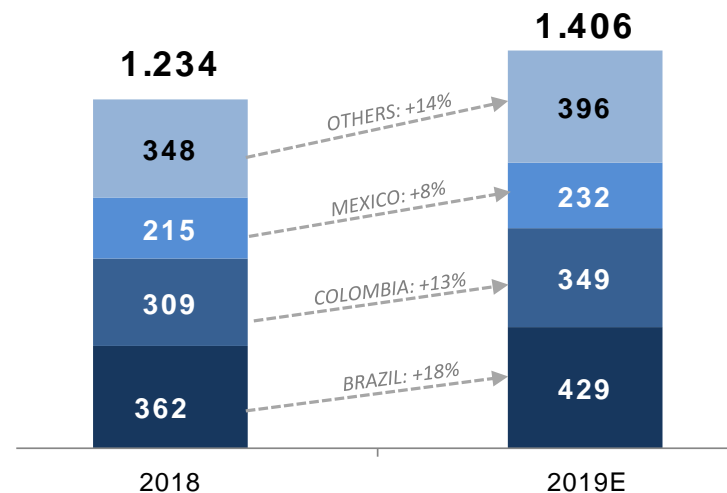
\* 2018 Figure excludes digital revenue other than pure learning systems amounting 9 Mn€. Including them, total digital initiatives amounted 134 Mn€

## Learning systems

**Learning systems**  
Number of Students (000's)



**Students evolution 18/19E**  
by country (000's)

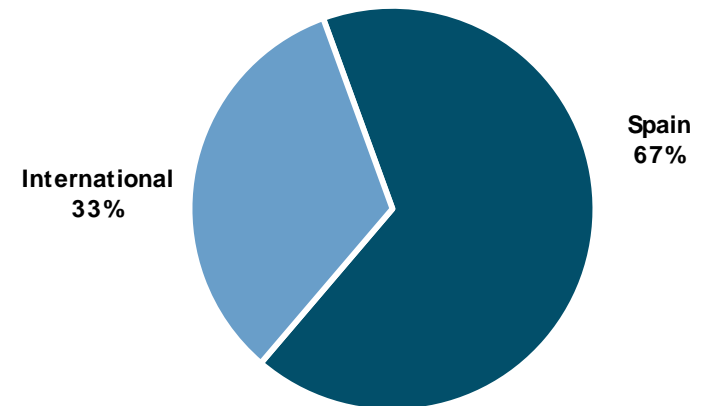
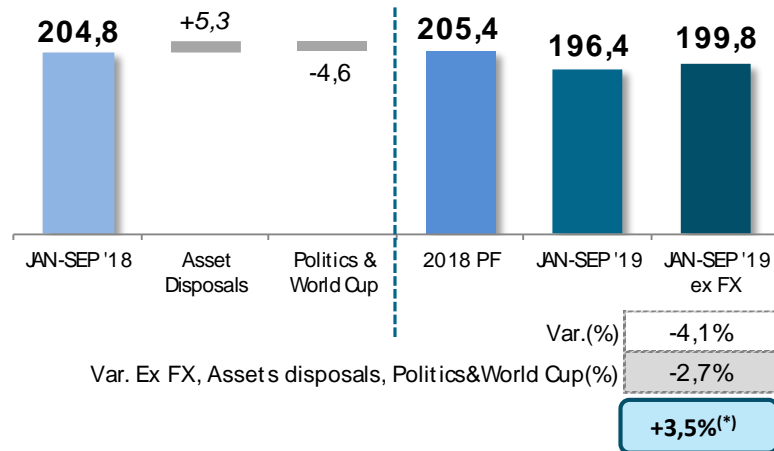


***Strong performance of subscription models based on Learning systems***

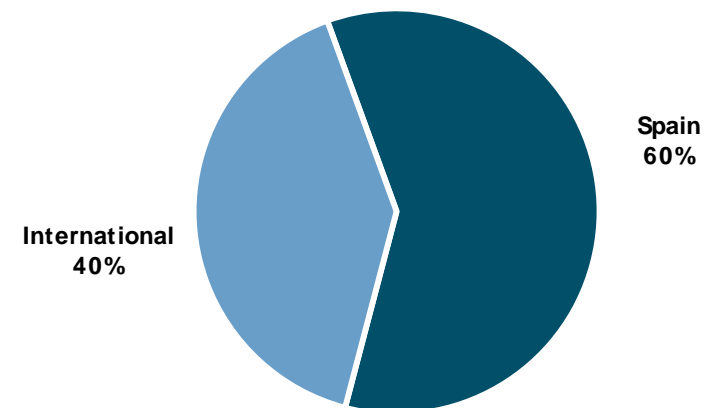
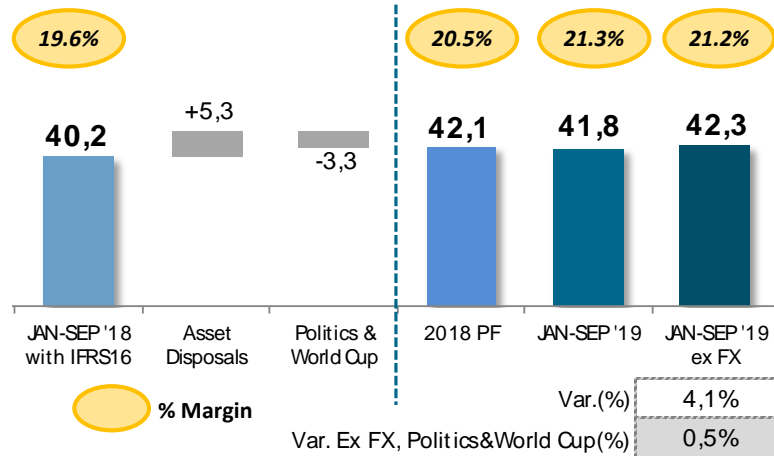


# 9M 2019 Operating Overview – Radio

## Revenue Evolution (Mn€)



## Comparable EBITDA Evolution (Mn€)



**Operational improvement despite World Cup and politics (elections) positive impacts in 2018, assets disposals in 2019 and difficult advertising environment in Latam**

Note: EBITDA includes provisions in 2019 and 2018. The estimated IFRS16 effect has been adjusted in 2018 figures for a comparable basis.

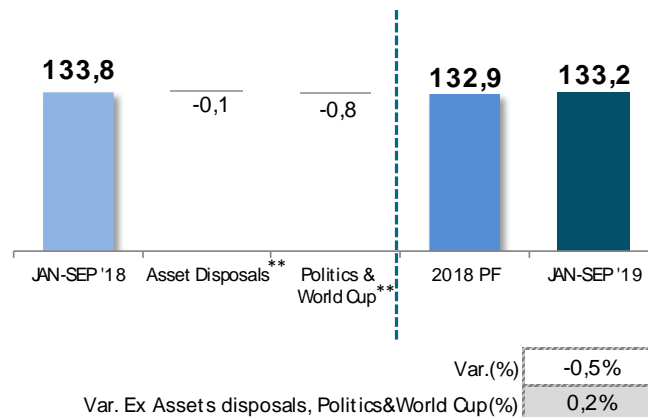
(\*) Significant perimeter effect in Revenue: closing/disposal of Music business in 2018: Excluding this effect: +3,5% growth of Revenue at constant currency. Low impact in EBITDA

# 9M 2019 Operating Overview – Radio Spain & Radio LatAm

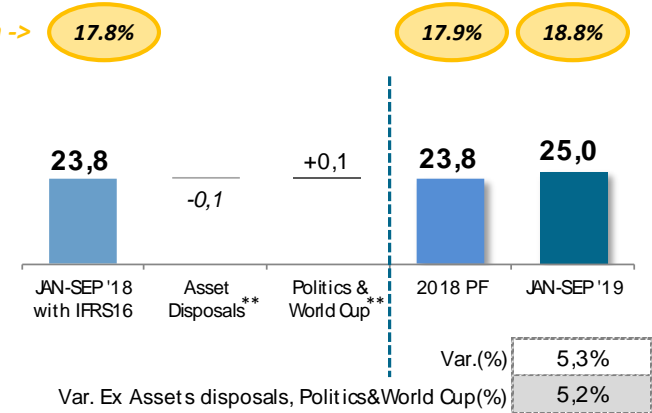
## Radio Spain



Revenue evolution (Mn€) \*



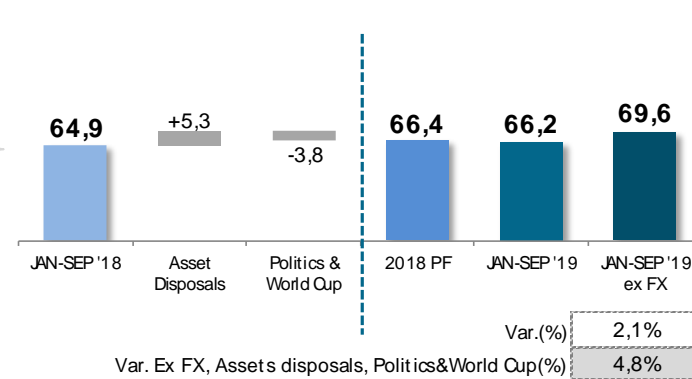
Comparable EBITDA evolution (Mn€) \*



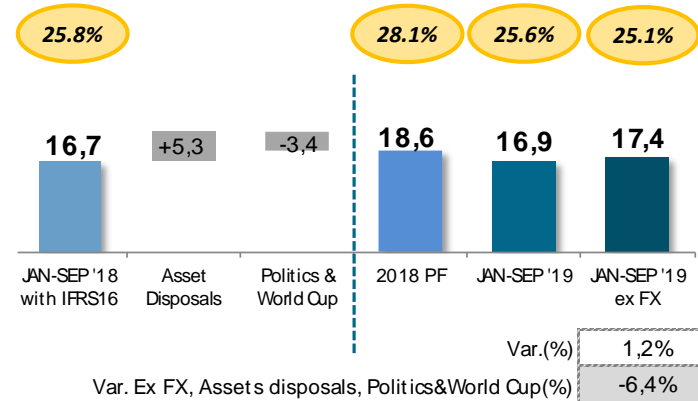
## Radio Latam



Revenue evolution (Mn€)



Comparable EBITDA evolution (Mn€)



**Margins improvement in Spain supported by good advertising performance with LatAm comparison mainly affected by the positive impact of Colombian elections and World Cup in 2018 and a difficult advertising environment**

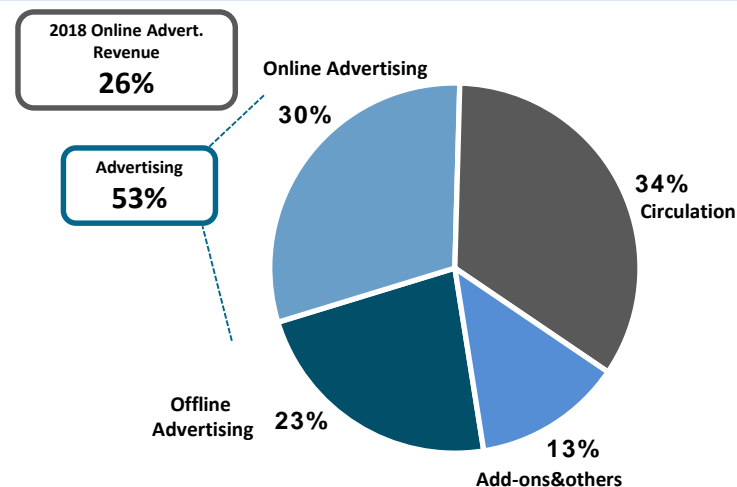
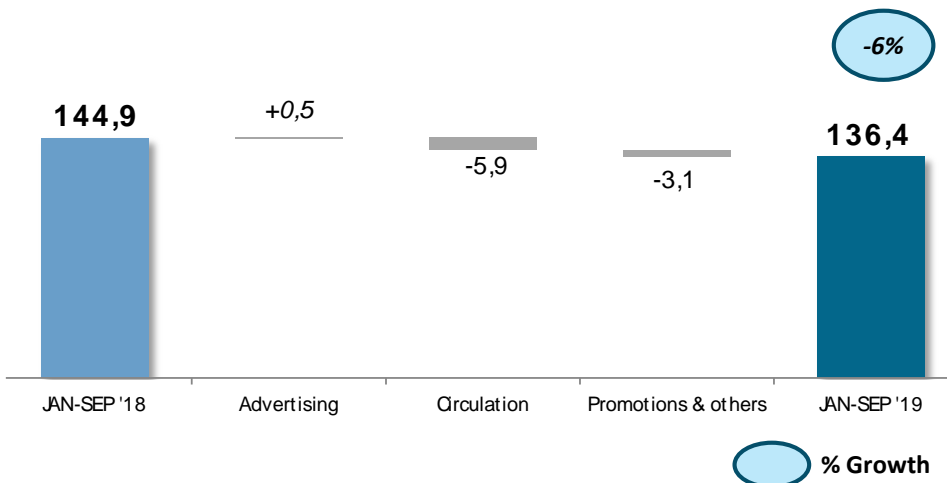
Note: EBITDA includes provisions in 2019 and 2018. The estimated IFRS16 effect has been adjusted in 2018 figures for a comparable basis.

\* Spain figures exclude Music and others.

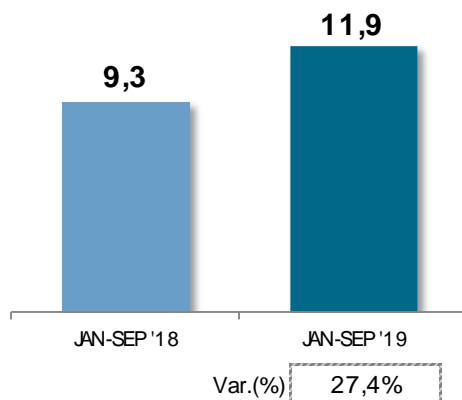
\*\* Assets disposals, Politics (elections) and World Cup net impact 2019/2018

# 9M 2019 Operating Overview – Press (1)

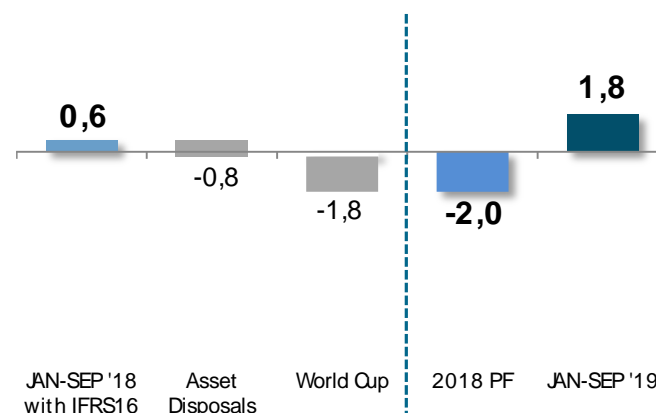
## Revenue evolution (Mn€)



## Circulation Margin Improvement (Mn€)



## Comparable EBITDA evolution (Mn€)



**Operating improvement due to advertising growth and improved circulation margins despite World Cup & assets disposals in 2018**

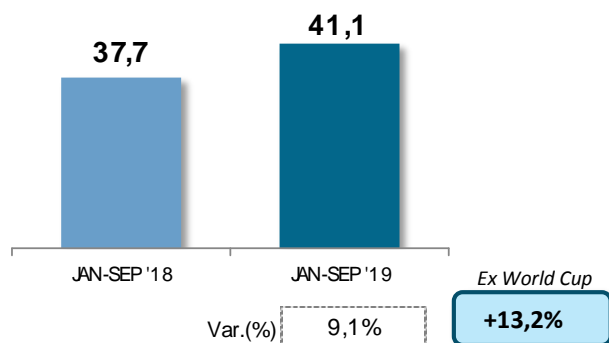
Note: EBITDA includes provisions in 2019 and 2018. The estimated IFRS16 effect has been adjusted in 2018 figures for a comparable basis.

(1) Press excluding PBS & IT.

# 9M 2019 Operating Overview – Press (1)

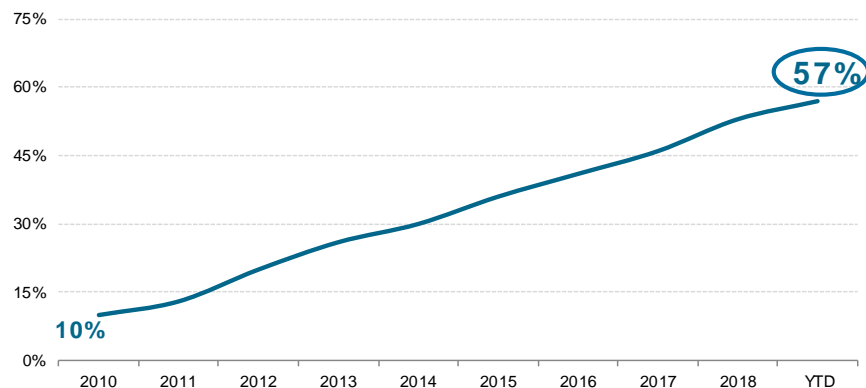
## Online Advertising Revenue evolution (Mn€)

\*Includes events



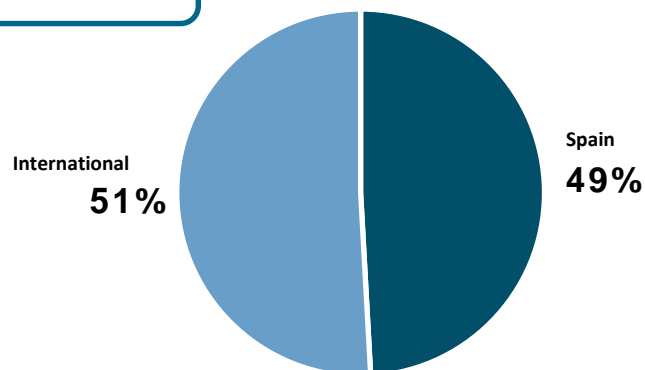
## Online Advertising Contribution

\*Includes events



## Worldwide Audience El País.com (YTD)

**84M** Unique Browsers



## Spain Digital Audience

Ranking	PC+Mobile Spain (Avg Jan-Sep'19)	Unique Users (M)
1	YOUTUBE.COM	32,3
2	GOOGLE.COM	32,3
3	FACEBOOK.COM	29,6
4	ANDROID.COM	25,9
5	INSTAGRAM.COM	25,3
6	<b>ELPAIS.COM</b>	<b>20,7</b>
7	ELMUNDO.ES	20,3

Spain figures: unique users (Pc+mobile). Source: Comscore

**Progress towards a growing and scalable digital model with online advertising representing already 57% of total advertising**

Note: EBITDA includes provisions in 2019 and 2018. The estimated IFRS16 effect has been adjusted in 2018 figures for a comparable basis.

(1) Press excluding PBS & IT.

## 4 Summary

## 2019 9M Summary

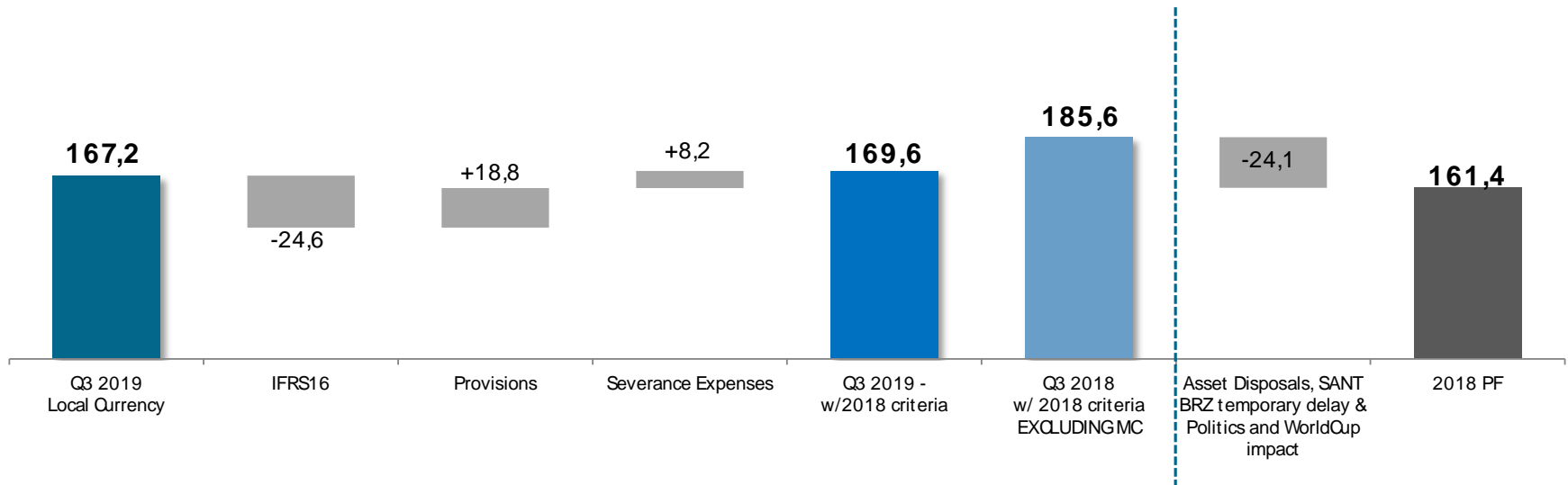
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- 1 Agreement reached to sell Media Capital
- 2 9M results in line with expectations and according to seasonality of the business
- 3 Management keeps focus on delivery
- 4 Strong EBITDA and cashflow generation expected in 4Q with supported visibility especially in Santillana
- 5 Company confirms FY19 Outlook

# Appendix

# Group EBITDA bridge between 2018 reporting and 2019 reporting

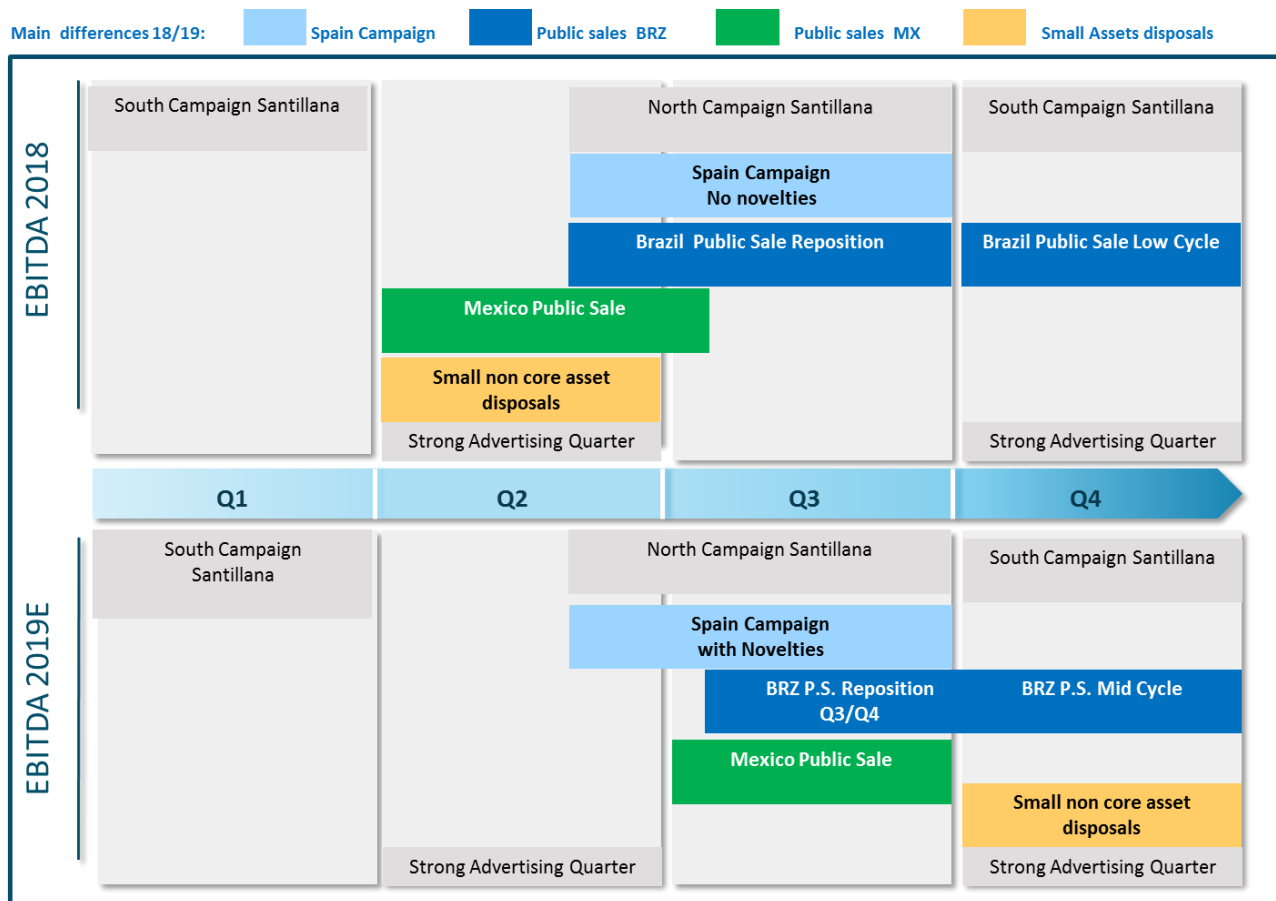
## 3Q Group EBITDA bridge (Mn€)





# EBITDA seasonality 2018/2019

*Seasonality of business results in EBITDA fluctuations across the quarters. Despite following every year a similar patron, temporary effects may occur which make comparison non homogenous*



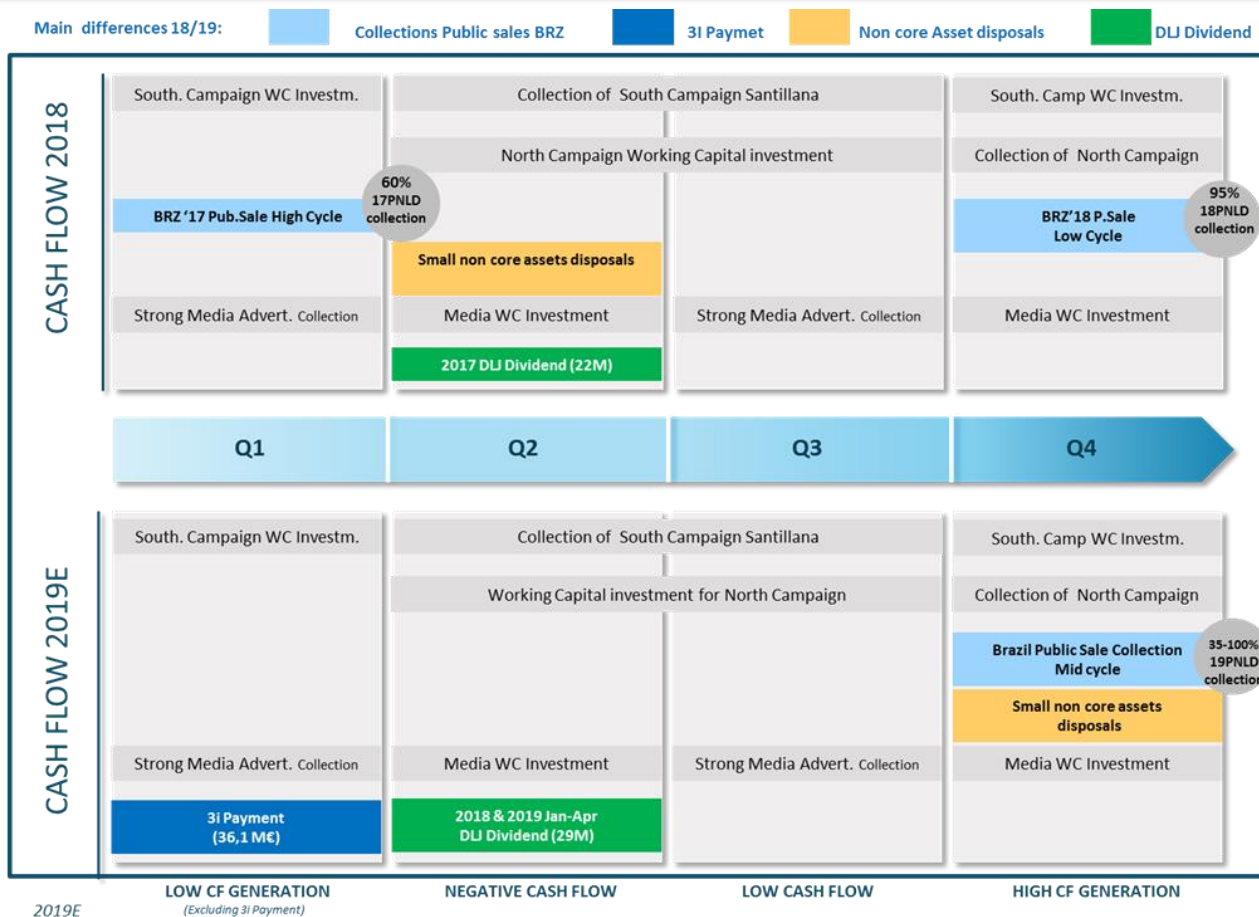
**STRONG EBITDA GENERATION EXPECTED IN SECOND SEMESTER OFFSETING A FIRST HALF CONDITIONED BY TEMPORARY EFFECTS**

**Consistent with 2019 Outlook**

*In 2H2019, public sales in BRZ (repositions and medium cycle), public sales in MX, expected Media business performance and expected non core assets disposals, will more than offset first half temporary effects (reposition of public sales in BRZ and MX public sales), and the lack of non core asset disposals in first half*

# Cashflow seasonality 2018/2019

**Cashflow follows revenue seasonality with collections taking place in the following quarter. Despite following every year a similar pattern, temporary effects may occur which make comparison non homogenous**



**STRONG CASHFLOW GENERATION EXPECTED IN SECOND SEMESTER OFFSETING A FIRST HALF CONDITIONED BY TEMPORARY EFFECTS**  
**Consistent with 2019 Outlook**

*In 2H2019, public sales in BRZ (repositions and medium cycle), public sales in MX, expected Media business performance and expected non core assets disposals, will more than offset first half temporary effects (reposition of public sales in BRZ and MX public sales), and the lack of non core asset disposals in first half*