



**Inter Media and Communication S.p.A**

**Financial year ended June 30<sup>th</sup> 2018 Results Presentation**

**29<sup>th</sup> October 2018**

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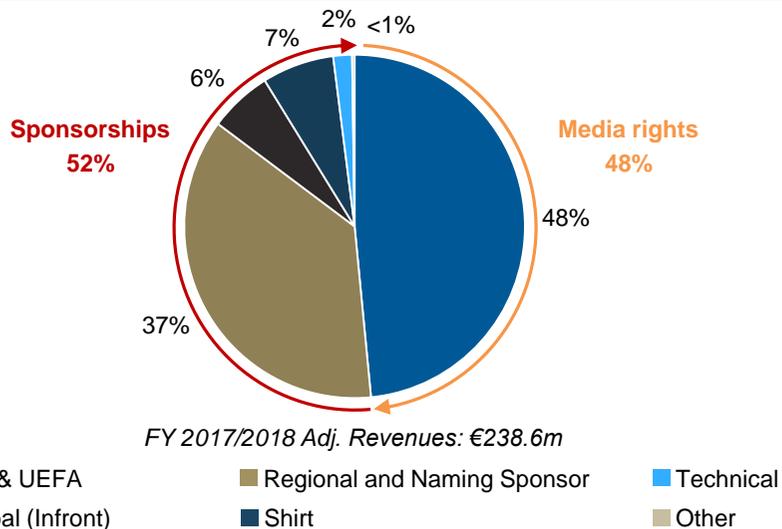


# Overview of Inter MediaCo

## Inter MediaCo at a Glance

- **Sole manager and operator** of the **media, broadcast and sponsorship** businesses of **Inter**
- Formed in 2014 in connection with the contribution by Inter of its media, broadcast and sponsorship rights business, its historical media archives and the material IP rights relating to the Inter brand
- MediaCo main revenues lines are divided into **Media rights** and **Sponsorships**
  - Media rights for Serie A (centrally managed by Lega Serie A on three-year cycle contracts) and for European competitions (centrally managed by UEFA on three-year cycle contracts)
  - Long term sponsors include Pirelli (jersey sponsor since 1995/96 season) and Nike (technical sponsor since 1998/99 season)
  - Naming Rights

## FY 2017/18 Adjusted Revenues<sup>1</sup> Breakdown



## Inter TeamCo – An Iconic Franchise

- One of the **leading European football clubs**, with a history dating back to 1908
- Only club to have **played every season in Serie A** since the league's inception in 1929 and the only **never been relegated**
  - **Won 30 domestic trophies** (including 18 Serie A championships, 7 TIM Cup titles and 5 Supercoppa TIM titles), 3 UEFA Champions League titles, 3 UEFA Cup titles, 2 Intercontinental Cups and 1 FIFA Club World Cup
  - First Italian team to complete the **“Continental Treble”** by winning the titles in Serie A, TIM Cup and UCL all in the same season in 2010
- During the sporting season 2017/18, Inter was the **1<sup>st</sup> club in Italy and 10<sup>th</sup> placed club in Europe** in terms of average attendance
- Returned to **UEFA Champions League for the 2018/19 season**

## Honours



<sup>1</sup> Adjusted revenue is the aggregate revenue that MediaCo reports on its income statement (the “Revenue<sup>2</sup>”) and the receivables associated with Inter’s broadcasting rights the “Indirect Media Revenue” MediaCo reports on its balance sheet. <sup>2</sup> Revenue includes the revenue that MediaCo receives from Inter TV and from licensing Inter’s archive content rights (the “Direct Media Revenue”), the revenue MediaCo receives from sponsorship agreements and other income

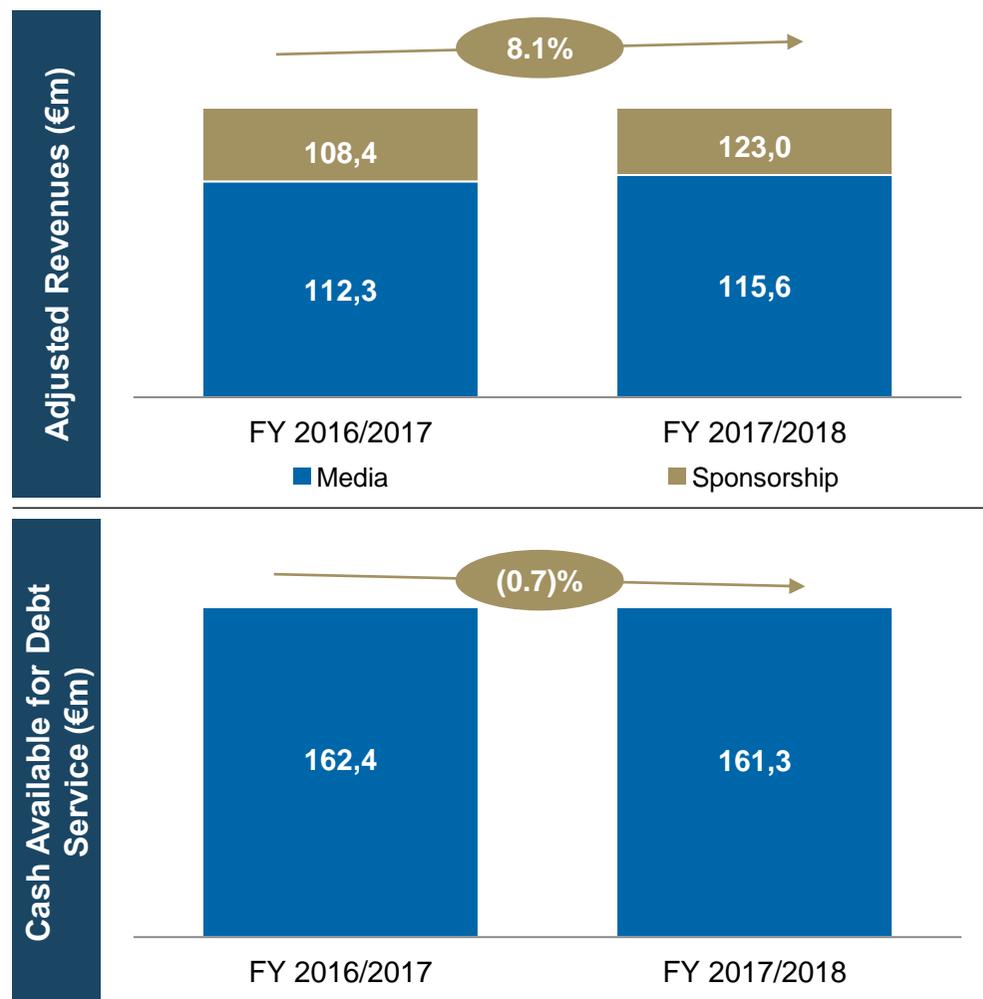


# Key Financial Highlights

## Key Highlights

- Total Adjusted Revenue of €238.6m, an increase of €17.9m (+8.1%) from FY2016/17
  - **Sponsorship:** Increase in Sponsorship Revenue of €14.1m (+13%), driven by growth in the fee from shirt sponsor (as a result of sporting performance in the 2017/18 season) and regional and naming right sponsorship packages. This more than offset the reduction in the technical sponsorship fee related to prior years' sporting performance
  - **Media Revenues:** Increase in adjusted media revenue of €3.3m driven by growth in Serie A Indirect Revenues as a result of sporting performance and an advance payment relating to the season 2018/19. This more than offset negative impact from non-participation in the UEFA Europa League ("UEL") in the current season (- €7.1m)
- Cash Available for Debt Service in line with prior fiscal year (€161.3m vs. €162.4m), with growth in Adjusted Revenues offset by increase in working capital movements driven by:
  - Collection timing of Asian sponsorship contracts
  - Different timing year-on-year relating to certain sponsorship contracts

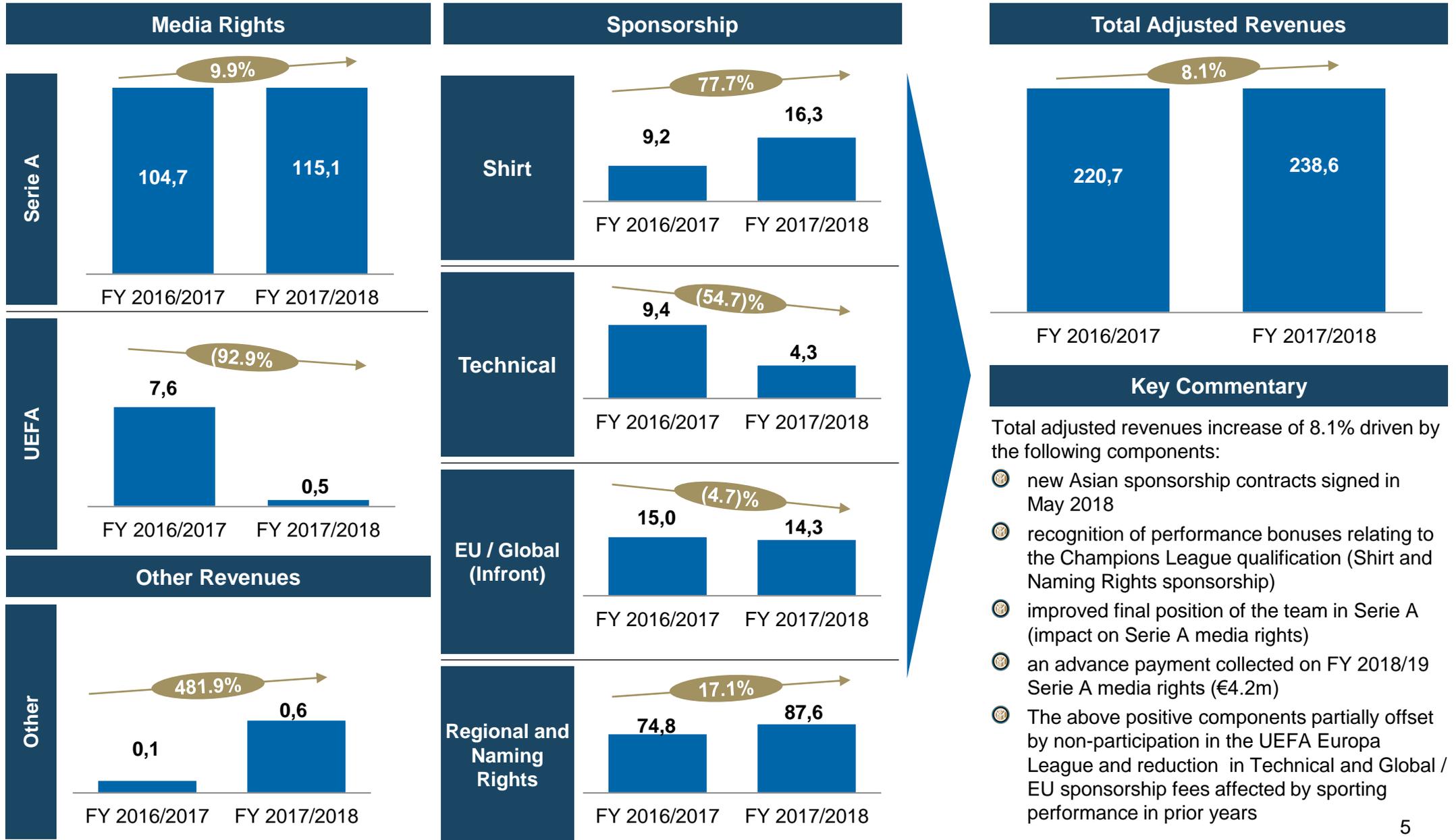
## Key Financials





# Revenue Breakdown Evolution

(€m)





# Key Operating Performance Highlights

## Already impacting results of FY ended 30 June 2018

## Impact on Performance of FY ending 30 June 2019

### Media Revenues

- Launch of the **Media House** in the first months of the year, which is a strategic project to improve media revenues and increase fan engagement through compelling content creation
  - **Rebranding of Inter TV** is part of the Media House project
- **Higher Serie A Media Rights** due to **improved sporting performance** and advance payment on **new 2018-21 deal**

- **Qualification to UCL 2018/19** which enables us to collect **higher UEFA Indirect Media Revenues**
- **Domestic Serie A broadcasting rights** for 2018/21 seasons **sold to Sky and Perform for €973m** per year (**+€30m** per year) plus performance bonus
- **International Serie A broadcasting rights** for 2018/21 seasons **sold to IMG for €371m** per year (**+€91m** per year)

### Sponsorship Revenues

- **Growth of the sponsorship portfolio**, with new sponsorship agreement signed with primary partners such as Bwin, Volvo, Konami and other Asian corporate brands and marketing agencies
- **Higher contractual bonuses** accrued based on 1<sup>st</sup> team performance (3<sup>rd</sup> position in the Serie A at the end of first half of the season)

- **Dedicated in-house team** for marketing and negotiations of **sponsorship** replaced Infront on 1 July 2018. **Eight new deals** already signed and effective 1 July 2018
- **Qualification to UCL 2018/2019 increases payments** under many of **our existing contracts**, including the contracts with Nike and Pirelli

### TeamCo Update

- The team finished the Italian Serie A championship in 4<sup>th</sup> place, achieving **direct qualification to the Group Stages of the 2018/19 UEFA Champions League**. Currently **3<sup>rd</sup> in Serie A table** and **2<sup>nd</sup> in UCL Group Stage**
- During the sporting season 2017/18, average home game attendance has been 57,535, putting Inter as the **1<sup>st</sup> club in Italy and among the top ten clubs in Europe**. **Positive trend confirmed** in the first matches of current season



# Appendix





# Current Trading vs. Contracted Revenues

(€m)

		FY2017/18	Contracted FY2018/19	Highlights	Contract Expiration
TV / Media Rights	Serie A + Direct Media Revenues	115.1	86.8 <sup>2</sup>	● Serie A audio-visual rights managed centrally by Lega Nazionale Professionisti Serie A	June 2021
			10.4 <sup>3</sup>	● Exclusive commercialization of Inter Milan archive rights in Italy managed by Infront	2021
			3.2 <sup>4</sup>	● Inter TV: distribution of the Club Channel in Italy (Sky platform) and abroad (since 1 July 2018 new contract with IMG for China and other foreign countries) and a number of technical services / sales to broadcasters	IMG: June 2021
	UEFA Competitions (UCL and UEL)	0.5 <sup>5</sup>	40.6 <sup>5</sup>	● Rights managed centrally by UEFA	June 2021
Sponsorships	Pirelli	16.3	10.5	● Shirt sponsor for last 22 years renewed through 2021	June 2021
	Nike	4.3	10.0	● Technical sponsor partner for last 19 years	June 2024
	Training Kit and Training Center	23.6 <sup>1</sup>	8.7 <sup>6</sup>	● Multi-year contract with Suning with an annual base fee of €16.5m of which 53% belongs to MediaCo	June 2020
	Other Sponsors	78.2	80.5 <sup>7</sup>	● Other sponsors of MediaCo (i.e. global deals managed in-house and regional deals with corporate brands and marketing agencies)	2019 – 2024
Other	Miscellaneous	0.6	-	● Mainly write-off of a commercial liability from prior year	n/a
<b>Total Revenues</b>		<b>238,6</b>	<b>250.7</b>		

<sup>1</sup> Fixed fee of €12.5m (i.e. Pro-rata value of the €16.5m annual contract excluding 47% attributed to TeamCo starting from the Issue Date (21 December 2017)) + €11.1m contractual bonuses accrued based on 1st team performance. <sup>2</sup> Even if Inter finishes at the bottom of the Serie A league table in season 2018/2019, its revenue received from Serie A broadcasting rights would be approx. €74m, grossed up to €86.8m adjusted revenue in line with the effective average VAT rate of the past three seasons. <sup>3</sup> €10m in accordance with Infront Archive minimum guarantee and €0.4m for RAI Archive Rights to be recognized in FY 2019. <sup>4</sup> Only reflects contracted revenue to date from IMG for distribution in China and other foreign countries and from LNP for a number of technical services and sales to broadcasters. <sup>5</sup> Minimum Guaranteed amount recognized by UEFA for participation to UCL Group Stage. <sup>6</sup> 53% of the €16.5m sponsorship base fee (with remaining 47% assigned to TeamCo, representing the portion of the contract relating to the naming rights of the training center, which will then be assigned to New Youth Training Center ("NewCo") upon its incorporation. <sup>7</sup> This mainly includes €10.3m contracted to date with various Global sponsors, €10.0m each contracted with two Asian brands (FullShare and Lvmama) and €25.0m each contracted with two agencies for marketing and negotiating sponsorship agreements in Asia (Beijing Yixinshijie and Imedia)



# Summary Cash Flow

For the fiscal year ended June, 30

	2017	2018
<b>(In Millions of €)</b>		
<b>Adjusted Revenue</b>		
<b>Sponsorship Revenue</b>		
Shirt	9.2	16.3
Technical	9.4	4.3
Infront	15.0	14.3
Regional and Naming Rights	74.8	87.6
<b>Direct Media Revenue</b>	14.7	14.4
<b>Other Income</b>	0.1	0.6
<b>Revenue</b>	<b>123.1</b>	<b>137.4</b>
<b>Indirect Media Revenue</b>		
Serie A Indirect Media Revenue	90.0	100.7
UEFA Indirect Media Revenue	7.6	0.5
<b>Adjusted Revenue</b>	<b>220.7</b>	<b>238.6</b>
<b>Cash Inflow</b>		
Change in Current operating assets	(38.1)	(54.6)
Change in Non current operating assets	(0.6)	(0.4)
<b>Cash Inflow</b>	<b>182.0</b>	<b>183.5</b>
<b>Cash Outflow</b>		
Personnel Costs	(2.7)	(2.9)
Cost of Services	(6.9)	(9.6)
Other Costs	(0.5)	(0.9)
Income Taxes	(26.9)	(24.4)
Change in Current operating liabilities	19.4	13.8
Change in Non current operating liabilities	(2.0)	(1.5)
<b>Cash Outflow</b>	<b>(19.6)</b>	<b>(25.5)</b>
Exclusion cash outflow for Service Agreement (incl. VAT)	-	3.2
<b>Cash Avail. for Debt Service</b>	<b>162.4</b>	<b>161.3</b>

	€m	CFADS
<b>Net Total MediaCo Debt</b>	<b>272.9</b>	<b>1.7x</b>
LTM Jun-18 CFADS		161.3

## Key Comments

- In the fiscal year ended June 30, 2018, our Cash Available for Debt Service remained in line with prior fiscal year at around €162m
- The growth in Adjusted Revenues previously described has been offset by the increase in working capital movements driven by:
  - Collection timing of Asian Sponsorship contracts
  - Different timing year on year relating to certain sponsorship contracts (e.g. in the fiscal year ended 30 June 2017 we also collected the last installment of the former shirt sponsorship contract relating to the 2015/16 season)
- Excluding the cash outflow for the Service Agreement in place with TeamCo, which is not included in the definition of Cash Available for Debt Service, in the fiscal year ended 30 June 2018 total cash outflows amounted to € 22.3m which is €2.7m (+13.8%) higher than prior year
  - This increase has been mainly driven by higher payments for the corporate tax due to growing results of the business (this refers to IRAP only, as IRES is offset in the tax group consolidation regime by prior year losses carried forward by TeamCo)



# Income Statement

For the fiscal year ended June, 30

	2017	2018
<b>(In Millions of €)</b>		
<b>Adjusted Revenue</b>		
<b>Revenue</b>		
Revenue	123.0	136.9
Other Income	0.1	0.6
<b>Total Revenue</b>	<b>123.1</b>	<b>137.4</b>
<b>Operating Costs</b>		
Personnel Costs	2.7	2.9
Cost of Services	6.9	9.6
Other operating costs	1.3	0.9
Accruals for Risks	-	0.2
Depreciation and Amortization	18.1	18.2
<b>Total Operating Costs</b>	<b>29.0</b>	<b>31.8</b>
<b>Operating Profit</b>	<b>94.1</b>	<b>105.6</b>
<b>Net Financial Expenses</b>	<b>(16.3)</b>	<b>(15.6)</b>
<b>Profit Before Tax</b>	<b>77.8</b>	<b>90.0</b>
<b>Income Taxes</b>	<b>(26.9)</b>	<b>(24.4)</b>
<b>Profit for the Period</b>	<b>50.9</b>	<b>65.6</b>



# Cash Flow Statement

For the fiscal year ended June, 30

	2017	2018
<b>(In Millions of €)</b>		
<b>Adjusted Revenue</b>		
Profit for the period	50.9	65.6
Current taxes	27.3	26.4
Net financial expenses	16.3	15.6
<b>Profit for the period before taxes and interest</b>	<b>94.5</b>	<b>107.6</b>
Depreciation and Amortization	18.1	18.2
Employee severance indemnities	0.0	0.0
Accrual for risks	-	0.2
Deferred tax assets and liabilities	(0.4)	(2.0)
<b>Cash flow from operating activities before changes in working capital</b>	<b>112.3</b>	<b>124.0</b>
Increase in trade and other receivables	(44.8)	(52.3)
Increase / (Decrease) in trade and other payables	2.5	0.6
Other variations in net working capital	(0.9)	(3.3)
<b>Cash flow from operating activities after changes in Net Working Capital</b>	<b>69.2</b>	<b>69.1</b>
Taxes paid	(1.8)	(6.7)
Interest and other financial expenses paid	(14.2)	(16.7)
<b>A. Cash flow from operating activities</b>	<b>53.2</b>	<b>45.7</b>
Investments in Intangible Assets	(0.1)	(0.1)
Investments in Property, Plant and Equipment	(0.0)	(0.1)
<b>B. Cash flow from investing activities</b>	<b>(0.1)</b>	<b>(0.1)</b>
New Finance (Senior Secured Notes 2022)	-	300.0
Transaction fees paid for new finance	-	(8.7)
Repayment of bank loans	(12.0)	(208.0)
Intercompany loans	(27.2)	(112.5)
Debt service account	(0.3)	11.4
Capital / Dividend distributions	(5.2)	(28.3)
<b>C. Cash flow from financing activities</b>	<b>(44.7)</b>	<b>(46.1)</b>
<b>Increase / (Decrease) cash and cash equivalents (A+B+C)</b>	<b>8.4</b>	<b>(0.5)</b>
<b>Cash at bank and on hand at the beginning of the period</b>	<b>0.6</b>	<b>9.0</b>
<b>Cash at bank and on hand at the end of the period</b>	<b>9.0</b>	<b>8.5</b>



# Update on Inflows from Asia

## Update On Inflows From Asia

(In Millions of €) Adjusted Revenue	Fiscal Year ended 30 June 2017		Fiscal Year ended 30 June 2018	
	Annual Value	Collected to date	Annual Value	Collected to date
Naming rights and sponsorship agreement <sup>1</sup>	19.1	19.1	23.6	12.5
Naming rights and sponsorship agreement – co- branding	25.0	2.5	-	-
Other sponsorship agreements	30.8	30.8	64.1	11.8
<b>Total</b>	<b>74.9</b>	<b>52.4</b>	<b>87.7</b>	<b>24.3</b>

## Key Commentary

- Total collections to the date of this document amount to €76.7m out of a total value of €162.6m
- With regard to the fiscal year ended 30 June 2017 the only outstanding amount (€22.5m) relate to the € 25m co-branding addendum. We have agreed a revised payment schedule with the counterparty and we expect to clear this by the end of the calendar year.
- With regard to fiscal year ended 30 June 2018 we have already collected all the €12.5m fee relating to the Naming Rights contract (plus €4m collected by TeamCO) plus an amount of €11.8m relating to the contracts with Full Share, Lvmama, SWM and Konami. We have agreed a payment schedule with all counterparties to ensure we clear this as soon as possible.