



**TRANSCRIPTION
CONFERENCE CALL ON 1Q18 RESULTS**

10 May 2018

vocento



LUIS ENRÍQUEZ

Hello and many thanks for participating in this conference call on our 1Q18 results. The results are fully in line with the guidance we announced at the end of last year for 2018.

In terms of the overall advertising performance of Vocento, we have been in line with the market, decreasing by slightly more than 2.5%. This performance was impacted by seasonality, because of the timing of Easter last year, but it is generally within expectations, as we said in our outlook for 2018. We expect advertising to perform in line with 2017, with the same mix and the same trend.

At Vocento, local advertising is holding up well, increasing by more than 1%. National advertising is having a more difficult time. Over the course of the year we expect digital advertising to improve, supported by the execution of initiatives such as Local Digital Kit, and at the regional newspapers by all the investment we are making at the group level in data and real-time bidding, etc. We expect to see some improvement in results over the course of the year.

In terms of circulation, in our guidance we said that there would be a slowdown in the rate of decline, more or less in line with the last four months of 2017, and this is what we have seen. We expect more of a slowdown for the rest of the year, at these sorts of level.

In 1Q we managed to defend our margin on circulation revenues, which is very important for us. Nevertheless, our capacity to generate margin is beginning to reach its limit, so we do not expect this to be possible throughout the year. In any case, we are highly focused on maintaining the traditional business and it continues to be a major driver of earnings. We will continue to retain a high level of critical mass of readers and we have no intention to desist from developing the business for the future.

At the EBITDA level, the contribution of Madrid Fusión was very positive, after the first event under Vocento ownership. Not only was the result positive in itself, but it also exceeded expectations and it has led to a very positive outlook for its sister event, the Congreso de Gastronomía in San Sebastián, which will take place in 4Q. We intend to explore possibilities for internationalisation and geographical expansion in this new part of our core business, and to develop other conferences and events of industry verticals. Things are looking good after the first congress, with all the contacts we have made and opportunities we have identified. If we already had high expectations when we made the acquisition, they are even higher now. We think we are moving in a very positive direction with this business.

Combined with the contribution of Classifieds, and with what may look like cost cuts but are in reality measures to improve revenues, plus the printing agreement with Prisa, we have been able to improve comparable EBITDA by 4.5%. The improvement in



reported EBITDA, as well as in comparable EBITDA, is also a reflection of a lower investment in restructuring this year, which has more or less been fully completed in 1Q.

With all this, debt declined by more than we expected. This was supported by a very good performance in working capital, so it should be noted that for the rest of the year the performance of debt and cash generation will be at levels that are more similar to what we have achieved in recent years.

Our diversification continues to progress in line with our plan. The four newspapers which have introduced ON+ now have a total of 15,000 subscribers, which is very important for our future. We will continue to launch ON+ at other regional newspapers, with two or three launches planned for 2018. As we have said on other occasions, this will have a negative impact on advertising generation, especially on rotation, real-time bidding and internal advertising. This is already discounted in a strategy that will protect our brands with readers and give value to our content, rather than dilute it with too much volume, which we think would be a problem for brands as important as our brands are in their regions.

I look forward to answering your questions in the Q&A, but for now I leave you with Joaquín to discuss the financial details.

JOAQUÍN VALENCIA

Many thanks Luis. I will start by commenting on each of the business lines and going into a little more detail.

Firstly, turning to the performance of the regional business, in 1Q18 the comparable EBITDA margin was in line with the previous year. In absolute terms, the decrease in advertising revenues and in the margin on circulation was practically offset by cost efficiencies, especially by savings in personnel expenses. The performance was fully in line with last year.

At ABC, EBITDA remained stable, improving by a few thousand euros, with the fall in advertising revenues offset by an improvement in the margin on circulation and in other items, such as personnel, the margin on promotions, and a higher printing margin at Rotomadrid. All these achievements reflect the business decisions that we have been making, such as the implementation of the Oro card at ABC, the printing agreement with Prisa. All of this is beginning to deliver. ABC is reinforcing its competitive position in Madrid, where it is number two and successfully defending its market share.



Luis has already spoken a bit about diversification and specifically about gastronomy. We are very satisfied with the performance of the business, as the fair in January was a major success in terms of audience numbers and media repercussion. When we carried out the acquisition in July last year, we mentioned that EBITDA in 2016 was 500,000 euros, and that in three years our plan was to increase it to one million euros. We are now well ahead of this plan and exceeding targets. So we are very happy with the performance. It has an impact not only on the business area, but also on advertising revenues at ABC and Regional, apart from the 900,000 euros in EBITDA.

In terms of the contribution of the various businesses to group EBITDA, there has been a slight decline at the press, with decreases in circulation and advertising offset by savings in the cost of circulation and in personnel and other expenses, respectively.

In audiovisual, EBITDA has decreased slightly because of content distribution. This was practically offset by increased profitability at Classifieds, where the comparable EBITDA margin increased from 5.8% to just over 10%, which is a very satisfactory performance.

Finally, the consolidation by the group of the diversified businesses, especially of gastronomy, has led to comparable EBITDA increasing in 1Q18.

When it comes to debt, as Luis said earlier, this quarter we generated 12.2 million euros of ordinary cashflow, which was helped by a very strong performance in working capital. Some receivables moved from the end of 2017 to the first quarter, which explains some of this very good performance, but we are still pleased by the result.

This generation of cash, coupled with lower compensation payments, led to debt falling below 50 million euros, with financial debt now around 1x EBITDA.

We invested a little more in capex in 1Q18 than in 1Q17, mainly because of an investment in Rotomadrid, which was connected to the printing agreement with Prisa. But in overall terms, capex is in line with last year's level, at around 10 million euros.

Moving to the P&L, I have just a couple of comments to make. In 1Q18, we began to apply IFRS 15, on revenue from contracts with customers, so that revenues from newspaper sales, with the cost of supplies at Beralán, are now recorded at net rather than at gross. This does not impact group EBITDA, but it does reduce revenues and the costs of supplies.

Coming to the numbers themselves, there has been a low single digit fall in total revenues, and an improvement in costs which led to the improvement in comparable EBITDA that Luis has already mentioned. Financial expenses fell significantly, because of the lower level of debt and the lower cost of debt, plus lower restructuring expenses. As a consequence of all of this, the net losses for the quarter were reduced by more than half.

And with that we will open the conference call to your questions.

Q&A SESSION

FERNANDO CORDERO – BANCO SANTANDER

Hello, I have two questions, the first related to capex in 1Q. There was a clear increase and I wanted to know the reason for this. Was it seasonal? Should we expect an impact on the full-year capex? And secondly, a question more about the sector. With the slowdown we are seeing in circulation declines, at Vocento and others, do you think this could also result in a slower pace of consolidation in the sector?

J.V.: Many thanks Fernando. You are right, there has been an increase in capex, from 2.3 million euros to 2.8 million euros in the quarter. This is a one-off because of the printing investment at Rotomadrid following the contract with Prisa. In general terms, for the full year, we should maintain capex at more or less the same level as usual, i.e. around 10 million euros, so there should not be a significant increase in full-year capex.

L.E.: Turning to circulation and its possible impact on corporate deals. Firstly, circulation decreases are slowing down at Vocento, partly because we have completed a long process of cleaning up our circulation. We intend to defend our profitable circulation, i.e. that circulation that the market demands, and this is not impacted by bilateral negotiations, asset swaps, shared distribution of newspapers, or such like. So our circulation data reflects market demand. At our competitors, the situation is different, because their circulation numbers still include artificial block sales agreements, combined distribution with other newspapers, and even distribution in territories where it is impossible for them to obtain a reasonable return.

At Vocento, what I can say is that any variation in circulation, starting from the first quarter last year, responds to the normal conditions of sales. Our competitors will sooner or later have to decide to clean up their circulation numbers and you will observe this in their performance.

Having said this, I do not think that it is the performance of circulation that has prevented corporate deals. It is more a question of differences between the shareholders of the publications, I do not think it is related to circulation and I do not see circulation as a cause for this.

F.C.: Very clear, thanks Luis.

ÍÑIGO EGUSQUIZA – KEPLER

Hello Luis, Joaquín and Javier, thanks for answering my questions. I have two: the first is about advertising. You spoke a little about what you expect for the year, but I don't know if you can share with us some information about the performance in April, especially because of the seasonal impact from Easter. I expect that April would have been a bit better than the first quarter. And how has May begun? Could you give us some more colour?

And for full-year guidance, you said that you expect a similar advertising performance as in 2017. Can you give us any indication about what we can expect at the comparable EBITDA level, or for free cash flow? It was fairly strong in the first quarter because of the working capital issue. Those are my two questions.

Many thanks.

L.E.: Thank you Iñigo. Turning first to advertising, we expect a performance in line with last year, as we have said before, and we have seen nothing in the 1Q that would make us change our opinion. As you said, in April there was a positive impact from the timing of Easter, so April has increased the average advertising performance for the first four months of the year. May is looking good, remembering that we expect a performance this year similar to last year, and in the 1Q we were a bit below that at -2.6%, so we think advertising in the coming months will take us back to the performance of last year, and we are seeing this happen now. We are also expecting an increased contribution from online advertising as a result of the projects and operations that are underway, basically based on data. So what we expected to see last year is what we have in fact been seeing so far.

Moving to your second question, we expect that cash flow will remain in line with what we have always said is the free cash flow generation capacity of the group, i.e. in a range of 15 to 20 million euros. In the last two to three years you are right, we have performed a little better, so we will have to see. But we believe that with the projects we have underway, cash flow should continue in this region. And what I have said about recurring EBITDA also applies to cash flow.

L.E.: Okay, thanks.

L.E.: Many thanks to you all.