

RTL GROUP S.A.

[Bloomberg Ticker: RRTL:GR] [Reuters Ticker: RRTL.DE]
Listed on Frankfurt and Luxembourg Stock Exchanges

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Media | Broadcasting

VRS Research Team | www.vrs.gr

Valuation

Target Price: €51.60
Current Price: €44.02
Upside Potential: +17%

Market Data

Market Cap.	€6,760
Shares Out.	153.57mn
1 Year Return	-10.53%
Average Daily Volume	174,715
52 Week Range	€40.18–€52.90
Beta 52Wks	1.05
Standard Deviation	24.96%

Price Volume



Volume (Shrs. in K), EUR

Investment Case

RTL Group is one of the most resilient stories in the European TV broadcasting industry with continuously evolving business orientation. Despite its significant position, either no.1 or no.2, in eight European countries, RTL is less dependent on TV advertising revenue (less than 45 per cent) than most of its rivals. In the case of RTL, content with 20 per cent and growing share of group revenues and more importantly the fast pace growing digital business streams (succeeding the targets earlier than the plan) have allowed the group to present a more stable revenue trend than its peers. RTL offers investors exposure to content through Fremantle, as it is the largest European producer and one of the largest global producers of entertainment content. With RTL's dividend yield near the 10 per cent level, we feel that the stock is attractively priced.

Financial Performance 9M

RTL released its 9M results, reporting a flattish top line compared to the previous year and in line with the consensus estimates. Broadcast segment was in-line with €953mn, Digital (MPN & SPotX) stood at €117mn and finally the Content division (Fremantle) was up +4% in 3Q at €397mn. Fremantle pipeline looks promising and RTL raised its full-year guidance for the Content division to +10-12%, when previously stood up at +4%-7%. RTL no longer provides country details for its broadcast revenue performance but it gave country net advertising market estimates for 9M. Germany stood at -3% to -4% with audience share in main target at 28.2% from 27.4% for 9M 2018. Group's guidance for FY19 remained the same with revenue growth pointed at +2.5% to +5.0% implying group revenue of €6,668-6,830mn excluding any FX effects, while EBITA figures were confirmed at -2.5% to -5.0% (before restructuring costs), implying group EBITA at €1,112-1,142mn reflecting higher investments into programming and VOD services.

Valuation Results

To derive our target price of €51.60 we have incorporated two different valuation methods: a FCF Model (€40.1-€67.9) and a Residual Income Valuation Model (€41.1-€68.9). We also use a Peer Multiples Valuation Model to robust our estimates and we find significant upside potential for the stock.

(in € mn)	TURNOVER	EBITA	EBIT	EBT	EAT	NET DEBT	FCF	CFO	P/E (x)	P/BV (x)	EV/EBITA (x)	EPS
2018	6,505	1,171	1,076	1,071	668	472	695	1,014	10.7	2.4	7.3	4.42
2019E	6,682	1,102	1,153	1,109	699	515	670	1,022	10.0	2.1	7.1	4.41
2020E	6,841	1,123	1,110	1,101	698	599	663	1,067	9.5	2.0	6.9	4.55
2021E	6,999	1,135	1,133	1,124	713	655	661	1,085	9.3	1.9	6.8	4.62

* All projected growth rates are nominal and projected profitability is based on reported figures. The company guides on organic growth and adjusted profitability figures.

Please see important disclosure and disclaimer statements at the end of this report.

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Business Description

Business Segments

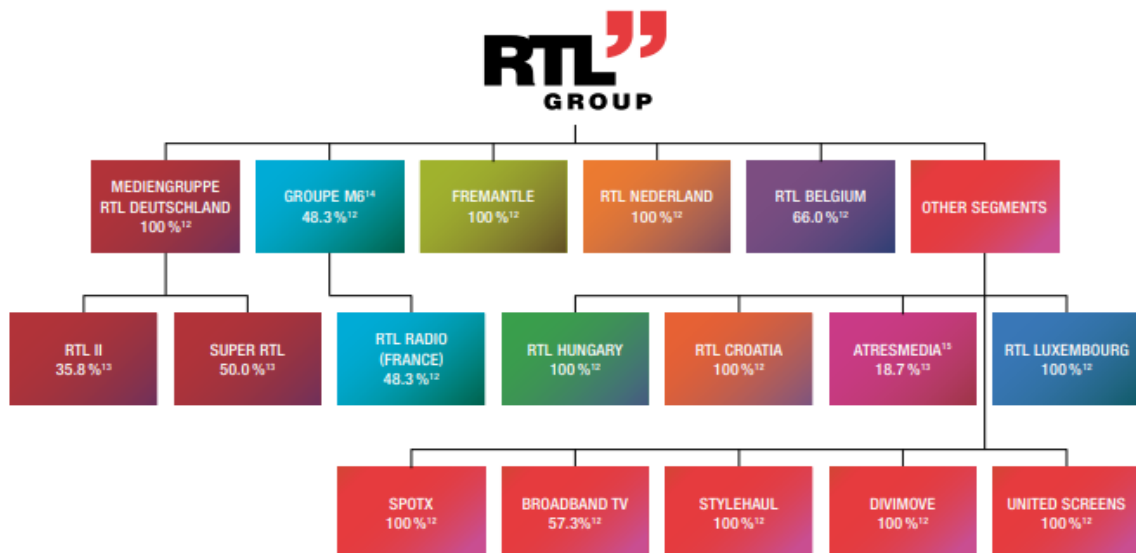
Leading European TV broadcaster

RTL Group is a leader across broadcast, content and digital, with interests in 67 television channels, eight video-on-demand platforms and 30 radio stations. RTL Group also produces content throughout the world and owns several rapidly growing digital video businesses. The television portfolio of Europe’s largest broadcaster includes RTL Television in Germany, M6 in France, the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia, Hungary and Antena 3 in Spain. RTL Group’s families of TV channels are either the number one or number two in eight European countries. The Group’s flagship radio station is RTL in France, and it also owns or has interests in other stations in France, Germany, Belgium, Spain and Luxembourg. By the end of 9M 2019, RTL Group had passed 1.4mn paying subscribers, combining the subscriber bases of TV Now Premium in Germany and Videoland in the Netherlands, up 50% year on year. Other VOD platforms are the advertising financed services 6play in France, RTL Play in Belgium and Croatia, RTL Most in Hungary, RTL XL in the Netherlands, and Atresplayer in Spain. RTL Group’s radio stations reach millions of listeners each day and the Group’s flagship radio station is RTL Radio in France, whereas it also owns or has interests in stations in Germany (including 104.6 RTL, Antenne Bayern), Belgium (Bel RTL, Radio Contact), Spain (Onda Cero, Europa FM, Melodía FM) and Luxembourg (RTL Radio Lëtzebuerg, Eldorado).

Fremantle, one of the largest content players

RTL Group’s content business, Fremantle, is one of the world’s largest creators, producers and distributors of scripted and unscripted content. Fremantle has an international network of production teams, companies and labels in over 30 countries, producing over 12,700 hours of original programming and distributing over 20,000 hours of content worldwide.

RTL Group has become the leading European media company in online video and is ranked among the top global players in this segment. Since 2013, RTL Group has made key investments in several multi-platform networks (MPNs) such as Broadband TV, Divimove and United Screens. During 2019, RTL Group combined Divimove and United Screens to build a stronger digital video group. RTL Group has also invested in advertising technology, in the form of video ad serving platform SpotX in the US and monetization platform Smartclip in Europe. RTL Group’s intention to integrate SpotX with Smartclip is currently on-hold. Upon completion, it will create an integrated ad-tech company to launch the platform across the Group’s operations and to scale it up with further acquisitions and partnerships – most recently with the acquisition of the video technology company – Yospace. Bertelsmann is the majority shareholder of RTL Group with 75.1%. Groupe M6 and Atresmedia are themselves listed companies, with the shares being traded on the stock exchanges of Paris and Madrid respectively.



SWOT Analysis

Strengths:

RTL has established a strong presence around the world. With its well balanced and diversified portfolio of services, we believe that RTL, is well positioned in the sector, will manage to create new revenue sources as consumers move faster to new media platforms. On the other hand, the necessary investments will continue to affect profits, which will only show mild to little progress in the period through 2020-2021.

Weaknesses:

One main weakness in our view is the fact that TV and radio advertising is sold on a regional basis and as such synergies between countries is quite limited. This is a condition that is not expected to change in future. Content rights are also typically sold and commissioned on a regional basis. Furthermore, TV advertising markets are all at different stages of downturn or recovery, and each one has its own unique regulatory structure.

Established market positions

Opportunities:

We see content as one of the most attractive media subsectors in which to invest. We believe that the different distribution platforms and the variety of digital channels and devices (from TV to computer, smartphone, console, connected TV, tablets and most recently speakers) should lead to an increase in the demand and value placed on premium content. Fremantle is uniquely positioned to gain from this evolution.

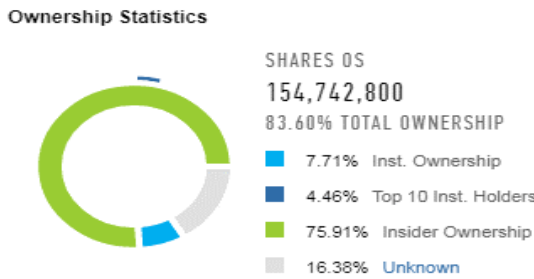
Threats:

The intensifying competition especially in retail segments could put pressure on margins and further limit pricing flexibility. The globalization of the media industry can decrease the value and the benefits from the existing synergies and could force for creation of new synergies in contents, advertising and technology with other foreign groups, in order to optimize resources and diversify risks.



Shares and Shareholder's Structure

Majority owned by Bertelsmann



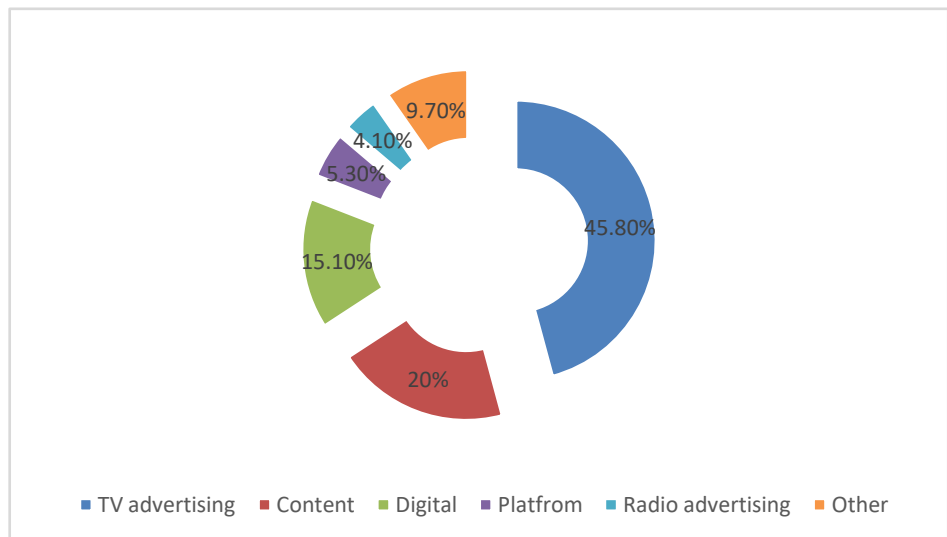
SHORT INTEREST	FLOAT	INST. OWNERSHIP
-- DAYS / --% FLOAT	24.1%	32.0% OF FLOAT

ADR Ratio	1:0.10
Combined %OS	7.71

RTL's share capital consists of 154.8 mn voting ordinary shares. Bertelsmann owns 75.1 per cent of the ordinary shares with voting rights. The remaining 24.1 per cent of ordinary share is free float since treasury shares count for the 0.8 per cent of the ordinary shares. Top institutional holders appear to be Schroder Investment Management Ltd with 0.9 per cent, Norges Bank Investment Management with 0.8 per cent, Vanguard Group Inc. 0.7 per cent, Blackrock Fund Advisors with 0.6% and APG Asset Management NV with 0.5 per cent.

Dividend Play through Revenue Diversification

RTL is well-diversified



A highly competitive and challenging external environment but revenue streams well-balanced

RTL operates in a highly competitive market environment especially in the TV and Content sectors. On the other hand, revenues are balanced with TV advertising accounting for 45.8% of RTL Group's total revenue. Content represented 20% with greater exposure to fast-growing digital revenue streams and finally higher margin platform revenue further improve the mix, making RTL Group one of the most diversified media groups. This balanced revenue mix is also reflected on RTL's dividend policy. The Group's pay out in dividend policy has changed into a more favorable one. At least 80 per cent of the Group's adjusted net result will be distributed as dividend once per year, which gives us reasons to believe that a €4.0 dividend is sustainable for the future, as it is the case for the periods 2015-2018. Given their track record and our EPS expectations, which are above €4.5 for the period 2020-2022, we feel comfortable that the company will easily meet our DPS expectations. RTL Group will continue to focus on cash conversion and targets levels not below 85 to 90 per cent.

Financial Analysis

Growth Analysis

RTL Group	2014	2015	2016	2017	2018
Turnover	5,808	6,029	6,237	6,373	6,505
Growth (%)	-0.3%	3.8%	3.4%	2.2%	2.1%
Gross Income	1,619	1,660	1,647	1,660	1,682
Growth (%)	-19.6%	2.5%	-0.8%	0.8%	1.3%
Gross Margin (%)	27.88	27.53	26.41	26.05	25.86
EBIT	1,047	1,175	1,197	1,246	1,076
Growth (%)	-12.9%	-2.2%	-0.4%	3.7%	-10.5%
EBIT Margin (%)	18.0%	19.5%	19.2%	19.6%	16.5%
EBITDA	1,355	1,368	1,411	1,464	1,380
Growth (%)	2.0%	1.0%	3.1%	3.8%	-5.7%
EBITDA Margin (%)	23.3%	21.7%	22.0%	23.0%	21.2%
Net Income	652	789	720	739	668
Growth (%)	-25.1%	-9.3%	-17.2%	-15.1%	-23.2%
Net Margin (%)	11.2%	13.1%	11.5%	11.6%	10.3%

All figures in millions of Euro.

Source: Factset, VRS.

Stability and margin pressure

The RTL Group in the last five years has achieved an organic sales 5Y CAGR (FY2014-FY2018) of 2.29 per cent with key drivers being the steady upward trend in Content and Digital. Digital revenue from €295 mn in 2014 has reached €985 mn in 2018 and platform revenues from €225 in 2014 mn to €343 mn in 2018, respectively. Online video views from 37 bn in 2014 have skyrocketed to 497 bn in 2018, giving an idea for the future trends. During this period, and despite the impairment of €105 mn, there is a slight downtrend in the Groups' margins, both operationally and bottom line, with EBITDA margin drifting lower of 20 per cent and net margin moving slowly to 10 per cent.

Weak stock performance only partly offset by dividend payments

During the last 5 years, the Group has paid a cumulatively dividend of €21.50 (not taking into account the time value of the dividends) to its shareholders. At the same time, the stock performance was rather weak, as the market capitalization of the Group from €12.2 bn on the 31th of December 2014 had dropped to €7.2 bn at the 2018, posting a 40% decrease in the share price. If we assume the €4.00 dividend for the 2019 and the current price of the stock, the shareholders' returns remain on the negative side at -13% compared to the 2014. This result gives us second thoughts over the long-term investment opportunities in the RTL Group.

Geographical diversification continues

In FY2018, RTL Group's revenue was well diversified with 45.8 per cent from TV advertising, 20.0 per cent from content, 15.1 per cent from digital activities, 5.3 per cent from platform revenue, 4.1 per cent from radio advertising and 9.7 per cent from other revenue. In contrast to some competitors, RTL Group only recognizes pure digital businesses as digital revenue and does not consider e-commerce, home shopping or platform revenue as digital revenue. Revenue from e-commerce and home shopping are included in "other revenue". Germany continues to decline as a percentage in the revenue mix, while the Netherlands and the USA are picking up.

Revenue Projections per Segment

Revenue is highly dependent on RTL Deutschland

RTL Group	2018	2019e	2020e	2021e	2022e
Total revenue	6,505	6,682	6,841	6,999	7,108
y-o-y change	2.1%	2.7%	2.4%	2.3%	1.6%
RTL Deutschland	2,226	2,181	2,177	2,183	2,172
y-o-y change	-2.8%	-2.0%	-0.2%	0.3%	-0.5%
% Turnover	34.2%	32.6%	31.8%	31.2%	30.6%
Groupe M6	1,483	1,447	1,520	1,530	1,530
y-o-y change	-1.3%	-2.4%	5.0%	0.7%	0.0%
% Turnover	22.8%	21.7%	22.2%	21.9%	21.5%
FremantleMedia	1,592	1,783	1,871	1,951	2,049
y-o-y change	8.2%	12.0%	4.9%	4.3%	5.0%
% Turnover	24.5%	26.7%	27.3%	27.9%	28.8%
RTL Nederland	508	497	492	486	481
y-o-y change	6.5%	-2.2%	-1.0%	-1.2%	-1.0%
% Turnover	7.8%	7.4%	7.2%	6.9%	6.8%
RTL Belgium	186	180	180	178	176
y-o-y change	-2.6%	-3.2%	0.0%	-1.1%	-1.0%
% Turnover	2.9%	2.7%	2.6%	2.5%	2.5%
Other segments	753	835	862	932	965
y-o-y change	11.4%	10.9%	3.2%	8.1%	3.5%
% Turnover	11.6%	12.5%	12.6%	13.3%	13.6%
Elimination	-243	-241	-261	-261	-265

Source: Factset, VRS.
All figures in millions of Euro.

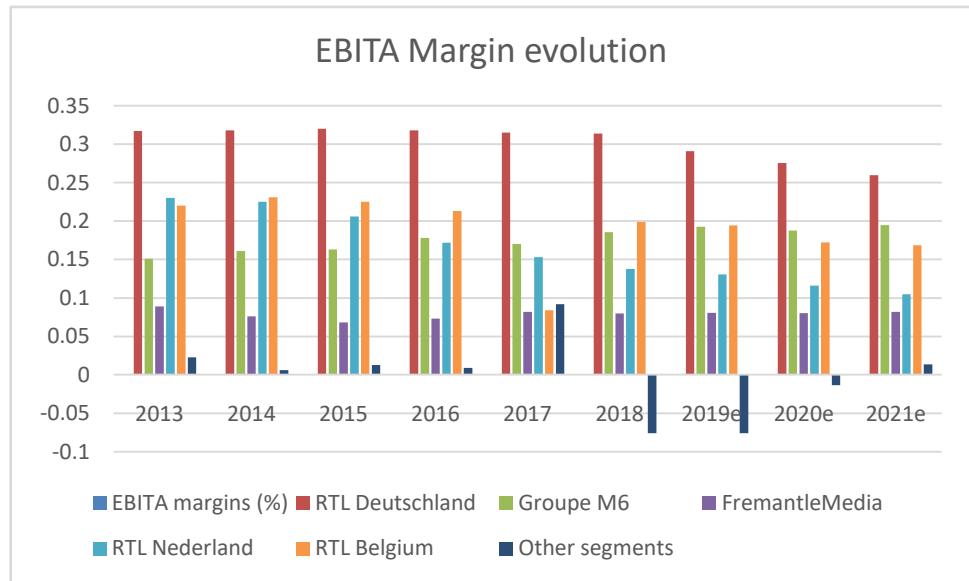
Growth potential digital properties and Fremantle not to be hurt by competition

In FY2020 and FY2021, we expect a nominal growth rate of 2.38% and 2.31%, respectively, mainly driven by Fremantle, Broadband TV, SpotX and M6. We remain skeptical about the RTL Deutschland and its ability to maintain a positive growth in the next couple of years given the outlook and the guidance of the Group. Overall, in the absence of any potential unfavorable macro trends, we assume some pressure in most of its broadcasting assets, since we believe that the advertising revenues to remain under some pressure for the years to come, but at the same time, we expect all of its digital properties and Fremantle to grow both revenues and earnings.

Taking into account the above, and turning our focus in EBITA instead of EBITDA as the Group has already proposed, we think that the EBITA figures will remain quite close to 2019 figures and they will not suffer any significant drop from current levels. Although the guidance is subject to change in March, during last year RTL Group guided for a three-year €350 mn capex plan to support its expansion in its Video on Demand offering. The Group has guided for a very limited negative impact on group EBITA and maintained its FCF/EBITA target of around 90% to 100%. Although we estimate that the EBITA for RTL Deutschland will move to lower levels for 2020-2021, posting above 5% y-o-y declines, Group M6 will continue to deliver. Fremantle will start to contribute more and other segments negative numbers will turn positive in 2021. Overall, EBITA will post a 1.90% increase this year and a 1.07% growth next year.

We remain optimistic that the RTL Group's diversified revenue streams will continue to work in favor of the entity and they will also enhance their capabilities. So despite assuming falling earnings in most of the broadcasting services, the digital assets and Fremantle will do the trick in order for the Group to achieve its goals and also to sustain its attractive dividend policy.

Profitability Margin Analysis



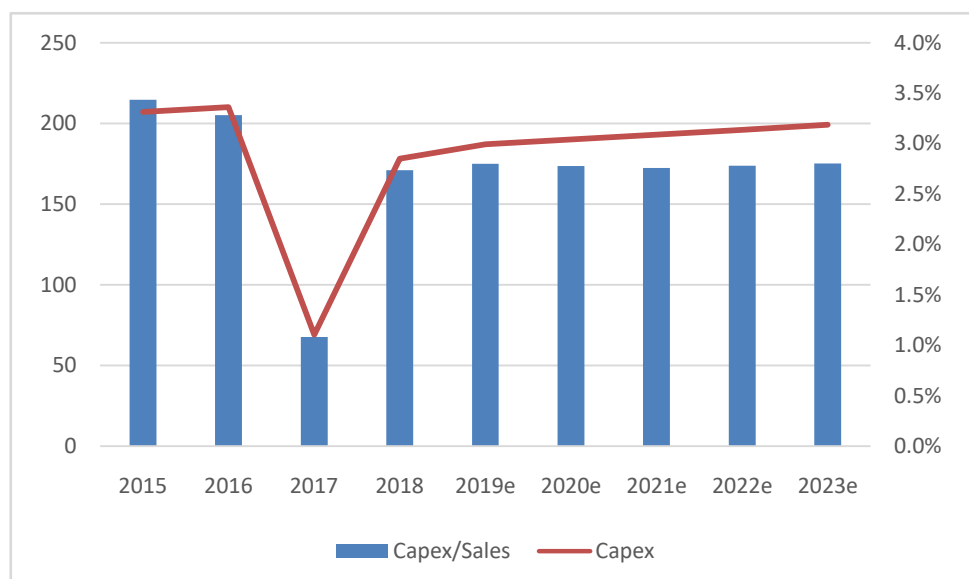
Declining EBITA margin on broadcasting

Although we do expect a small decline in EBITA margin, since the company could potentially and partly offset the negative impacts of broadcasting from digital, it is important to highlight that if RTL Deutschland and Groupe M6 face higher direct pressures, our estimates will not materialize. We have projected a small decline in EBITA margin (reported) from 16.5 per cent in 2019 to 16.2 per cent in 2021 and rather stable for the 2022-2023 period.

In the FY2020-FY2023 period, we estimate that the company will achieve some improvements in EBIT margin by optimizing efficiency and increasing prices taking also advantage of the higher demand from the Chinese market after the currently ongoing stock adjustments.

In the Fremantle segment, we estimate that the positive impact coming from increasing market and sales will significantly affect the Group’s total numbers. We have projected a slightly increasing EBITA margin (reported) around 8.2% for our forecasted period.

Capital Expenditures



A capex of €1bn for the period 2019-2023 is projected as the existing business will require investments. Capital expenditures in FY2018 were €178mn and we expect them to gradually grow at €199mn by FY2023. The ratio of CAPEX to sales is estimated to remain relatively stable in the projected period which is in line with our projected normal growth rates in the future.

Valuation

WACC (Weighted Average Cost of Capital)

Risk Free Rate	1.50%
Beta	1.05
Equity Risk Premium	6.50%
Cost of Equity	8.33%
Cost of Debt	2.50%
Tax Rate	25.00%
After-Tax Cost of Debt	1.88%
Debt/(Debt+Equity)	20.00%
WACC	7.04%

We have used the average risk free rate (RF) used in Germany for the period 2015-2019 and until 2018 the average risk free rate remained relatively stable at approximately 1.6 percent. The risk free rate is a theoretical rate of return of an investment with zero risk. As of 2019, the risk free rate in Germany was 1.5 per cent. Beta has been calculated using daily returns of RTL and DAX (2014-2019). The equity risk premium has been derived from Damodaran tables (December 2019). We have used a target Debt to Capital of 20 per cent taking into account the repayment schedule of RTL's loans. Our assumptions lead to a 7.04 per cent WACC.

Terminal Growth Rate

At the end of the 5-year period, we have estimated zero terminal sales growth rate assuming stable EBITA margins at 16%. Our assumption is lower than our projected 1.2 per cent 5Y Revenue CAGR (FY2020-FY2024) and more conservative compared to the historic 5Y 2.3 per cent sales CAGR (FY2015-FY2019E).

Valuation Results

We have incorporated three different approaches in order to value RTL's shares: a FCF Model, a Residual Income Valuation Model and a Peer Multiples Model. Our Free Cash Flows to the Firm model produces a target price of €51.70 implying a 17.4% upside potential from the current price of RTL.

	2020E	2021E	2022E	2023E	2024E	L-Term
EBIT	1,110	1,133	1,133	1,130	1,142	1,142
OCF	857	852	848	849	841	841
FCFF	670	662	655	653	642	642
WACC	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%
Discount Factor	0.93	0.87	0.82	0.76	0.71	0.67
PV of Cash Flow	618	572	533	489	457	427
PV of Residual Value						6,069
EV	8,738					
% Residual Value	56%					
Less: Net Debt (incl. Pension Liability)	799					
Value of Firm (€ mn)	7,939					
# of Shares (mn)	153.57					

FCFF model is more dependent on long term assumptions

Value of Share (€)	51.70
Current Price (€)	44.02
Upside Potential	17.4%

The terminal value represents the 56% of the implied enterprise value of our model. Performing sensitivity checks on our key long term assumptions to test the robustness of our results, we find that the implied target price of our model is not highly volatile to our key long term assumptions (WACC and Terminal Growth Rate). The target price range provided by our sensitivity analysis is between €40.1 and €67.9.

To address this volatility issue and further limit the implied target price range of our FCF model, we have incorporated a Residual Income Valuation Model. The terminal value represents a very similar portion (57%) of the implied equity value compared to the FCF model (56%). Our sensitivity analysis on our Residual Income Valuation Model provides a target price range between €41.1 and €68.9.

Residual Income is less sensitive to long term assumptions providing a narrower target price range

	2020	2021	2022	2023	2024	L-Term
Net Income	698	713	718	723	725	
Cost of Equity	8.33%	8.33%	8.33%	8.33%	8.33%	
Beginning Equity	3,494	18,476	19,960	21,362	22,802	
Residual Income	407	388	361	336	310	
PV of RI	380	339	294	256	220	
Residual Value						4,402
PV of Residual Value						2,928
PV of total RI (2020+)	4,471					
Beginning Equity	3,494					
Value of Equity(€ mn)	7,911					
# of Shares (mn)	153.57					
Value of Share(€)	51.51					
Current Price(€)	44.02					
Upside Potential	17.0%					

RTL seems to be significantly undervalued compared to peers implying a significant upside potential

In order to set our target price, we assign 50% weighting in each methodology of DCF and Residual Income. Since two methodologies offer almost identical target, the average price derived is €51.60 and offers a 17.2 per cent upside potential.

While we continue to prefer our DCF and Residual Income methodologies to value the RTL Group shares, we also perform a valuation by using a Peer Multiple Valuation in order to cross-check our findings. We have created a pool of peers and we have used 3 different current and forward looking multiples: EV/EBITA, EV/Sales, EV/EBIT. Our results indicate that RTL is significantly undervalued compared to its peers. The median target price range provided by our Peer Multiples Valuation model is between €52.4 and €56.5 when EV/EBITA is applied, €53.5 and €56.6 when EV/Sales is applied and finally €66.2 and €67.9 when EV/EBIT is applied.

Company	EV/EBITA			EV/Sales			EV/EBIT		
	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
RTL Group	7.3	7.1	6.9	1.3	1.2	1.1	7.3	7.0	6.9
ProSiebenSat1	11.6	7.8	7.1	1.5	1.5	1.4	17.0	9.2	8.4
Television Francaise	7.8	6.9	6.3	0.7	0.7	0.7	7.8	7.0	6.5
Mediaset	58.2	10.9	10.8	1.5	1.6	1.5	67.5	11.3	10.0
Modern Times Group	-	-	9.7	1.8	1.6	1.6	-	-	16.8
NRJ Group	7.6	7.7	7.3	1.0	0.9	0.8	11.4	12.7	10.3
Median	9.7	7.8	7.3	1.5	1.5	1.4	14.2	10.3	10.0
Average	10.3	8.3	8.2	1.3	1.3	1.2	15.9	10.1	10.4

Segment Projections (1)

RTL Group	2014	2015	2016	2017	2018	2019e	2020e	2021e
Total revenue	5,808	6,029	6,237	6,373	6,505	6,682	6,841	6,999
y-o-y change	-1.4%	3.8%	3.4%	2.2%	2.1%	2.7%	2.4%	2.3%
RTL Deutschland	2,047	2,140	2,214	2,289	2,226	2,181	2,177	2,183
y-o-y change	4.7%	4.5%	3.5%	3.4%	-2.8%	-2.0%	-0.2%	0.3%
% Turnover	35.2%	35.5%	35.5%	35.9%	34.2%	32.6%	31.8%	31.2%
Groupe M6	1,295	1,254	1,447	1,503	1,483	1,447	1,520	1,530
y-o-y change	-5.7%	-3.2%	15.4%	3.9%	-1.3%	-2.4%	5.0%	0.7%
% Turnover	22.3%	20.8%	23.2%	23.6%	22.8%	21.7%	22.2%	21.9%
FremantleMedia	1,486	1,524	1,500	1,472	1,592	1,783	1,871	1,951
y-o-y change	-2.6%	2.6%	-1.6%	-1.9%	8.2%	12.0%	4.9%	4.3%
% Turnover	25.6%	25.3%	24.1%	23.1%	24.5%	26.7%	27.3%	27.9%
RTL Nederland	457	490	495	477	508	497	492	486
y-o-y change	2.0%	7.2%	1.0%	-3.6%	6.5%	-2.2%	-1.0%	-1.2%
% Turnover	7.9%	8.1%	7.9%	7.5%	7.8%	7.4%	7.2%	6.9%
RTL Belgium	199	200	202	191	186	180	180	178
y-o-y change	-4.8%	0.5%	1.0%	-5.4%	-2.6%	-3.2%	0.0%	-1.1%
% Turnover	3.4%	3.3%	3.2%	3.0%	2.9%	2.7%	2.6%	2.5%
Other segments	360	478	580	676	753	835	862	932
y-o-y change	3.2%	32.8%	21.3%	16.6%	11.4%	10.9%	3.2%	8.1%
% Turnover	6.2%	7.9%	9.3%	10.6%	11.6%	12.5%	12.6%	13.3%
Elimination	-202	-225	-201	-235	-243	-241	-261	-261

Source: Factset, VRS.

All figures in millions of Euro.

RTL Group	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITA	1,152	1,175	1,205	1,248	1,171	1,102	1,123	1,135
RTL Deutschland	650	684	705	722	715	650	614	581
% Turnover	11.2%	11.3%	11.3%	11.3%	11.0%	9.7%	9.0%	8.3%
y-o-y change	6.5%	1.4%	-0.4%	0.2%	-3.0%	-11.5%	-7.7%	-7.5%
Groupe M6	209	205	257	255	275	281	287	294
% Turnover	3.6%	3.4%	4.1%	4.0%	4.2%	4.2%	4.2%	4.2%
y-o-y change	2.4%	-5.5%	21.2%	-2.9%	5.7%	-0.7%	0.0%	0.0%
FremantleMedia	113	103	110	120	127	144	150	160
% Turnover	1.9%	1.7%	1.8%	1.9%	2.0%	2.2%	2.2%	2.3%
y-o-y change	-15.8%	-12.2%	3.2%	6.8%	3.7%	10.4%	1.7%	4.3%
RTL Nederland	103	101	85	73	70	60	58	59
% Turnover	1.8%	1.7%	1.4%	1.1%	1.1%	0.9%	0.9%	0.9%
y-o-y change	1.4%	-5.5%	-18.6%	-16.0%	-6.1%	-16.4%	-5.6%	0.0%
RTL Belgium	46	45	43	16	37	35	31	30
% Turnover	0.8%	0.7%	0.7%	0.3%	0.6%	0.5%	0.5%	0.4%
y-o-y change	1.4%	-5.8%	-7.6%	-63.6%	126.6%	-7.9%	-13.5%	-5.4%
Other segments	2	6	5	62	-53	-68	-17	11
% Turnover	0.0%	0.1%	0.1%	1.0%	-0.8%	-1.0%	-0.2%	0.2%
y-o-y change	-74.7%	189.0%	-19.4%	1113.5%	-183.7%	24.9%	-75.6%	-163.2%
Reported EBITA	1,152	1,175	1,205	1,248	1,171	1,102	1,123	1,135

Source: Factset, VRS.

All figures in millions of Euro.

Segment Projections (2)

RTL Group	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITA margins								
RTL Deutschland	31.80%	32.00%	31.80%	31.50%	32.12%	29.80%	28.20%	26.61%
Groupe M6	16.10%	16.30%	17.80%	17.00%	18.54%	19.40%	18.90%	19.21%
FremantleMedia	7.60%	6.80%	7.30%	8.20%	7.98%	8.08%	8.02%	8.20%
RTL Nederland	22.50%	20.60%	17.20%	15.30%	13.78%	12.10%	11.82%	12.24%
RTL Belgium	23.10%	22.50%	21.30%	8.40%	19.89%	19.44%	17.22%	16.85%
Other segments	0.60%	1.30%	0.90%	9.20%	-7.04%	-8.14%	-1.97%	1.18%
o/w Croatia	-	2.90%	5.30%	2.50%	2.20%	2.10%	1.96%	1.92%
o/w Hungary	-1.00%	21.00%	11.50%	15.50%	11.20%	12.20%	11.11%	9.32%
o/w MCNs	-48.80%	-21.30%	-10.30%	-5.00%	-11.20%	-6.93%	-0.81%	1.65%
o/w broadbandTV	-	-14.00%	-5.40%	-2.40%	-1.40%	0.00%	0.32%	1.95%
o/w StyleHaul	-	-30.00%	-19.00%	-12.50%	-48.40%	-39.47%	-	-
o/w divimove	-	-	-	-	-	-31.25%	-5.88%	0.00%
o/w United Screens	-	-	-	-	-	-37.50%	-11.76%	0.00%
o/w spotX	8.00%	13.00%	18.80%	19.10%	4.50%	-3.33%	0.00%	2.73%
o/w Other	5.50%	5.70%	8.60%	0.00%	1.00%	0.97%	0.97%	0.97%
EBITA margin	19.80%	19.50%	18.80%	19.60%	18.00%	16.49%	16.42%	16.22%

Source: Factset, VRS.

Historical Data

Revenue	2011	2012	2013	2014	2015	2016	2017	2018
Total revenue	5,765	5,998	5,889	5,808	6,029	6,237	6,373	6,505
Mediengruppe RTL Deutschland	1,909	1,979	2,001	2,044	2,135	2,211	2,315	2,219
Groupe M6	1,414	1,378	1,374	1,289	1,244	1,277	1,493	1,476
FremantleMedia	1,263	1,554	1,371	1,341	1,360	1,352	1,303	1,414
Other Segments	291	269	308	317	437	540	597	703
RTL Nederland	491	431	455	457	488	495	475	508
RTL Belgium	215	209	208	197	199	200	190	185

All figures in millions of Euro

Operating Income	2011	2012	2013	2014	2015	2016	2017	2018
Total	1,222	979	1,104	1,002	1,119	1,130	1,183	1,076
Mediengruppe RTL Deutschland	529	582	604	615	649	662	681	713
Groupe M6	238	217	190	207	198	246	245	282
FremantleMedia	136	127	137	85	111	109	119	129
RTL Nederland	240	97	103	104	103	91	74	77
RTL Belgium	46	45	46	47	45	43	16	37
Other Segments	3	-119	-5	-77	-11	-26	48	-162

All figures in millions of Euro

Assets	2011	2012	2013	2014	2015	2016	2017	2018
Total	6,244	6,236	7,691	7,871	8,317	8,458	8,106	8,520
FremantleMedia	1,689	1,763	1,758	1,698	1,920	1,964	1,952	2,087
Mediengruppe RTL Deutschland	1,518	1,536	1,555	1,636	1,615	1,699	1,736	1,728
Groupe M6	1,486	1,476	1,443	1,483	1,514	1,573	1,781	1,718
Other Segments	858	749	694	909	1,010	1,130	1,098	1,068
Other Assets	-	-	502	483	642	597	349	573
Cash & Cash Equivalents	-	-	574	483	449	433	265	422
RTL Nederland	342	361	397	395	430	411	416	404
Deferred Tax Assets	-	-	392	395	370	317	295	333
RTL Belgium	172	172	167	165	168	171	166	163
Income Tax Receivable	-	-	42	56	34	19	48	24

All figures in millions of Euro

Capital Expenditures	2011	2012	2013	2014	2015	2016	2017	2018
Total	341	202	234	460	275	336	298	240
Groupe M6	93	117	122	121	145	172	161	136
Other Segments	107	20	38	243	45	65	61	39
FremantleMedia	53	30	26	32	46	24	26	24
RTL Nederland	51	13	29	12	13	13	28	22
Mediengruppe RTL Deutschland	26	16	14	43	20	56	20	12
RTL Belgium	6	4	2	6	4	4	2	7

All figures in millions of Euro

Depreciation Expense	2011	2012	2013	2014	2015	2016	2017	2018
Total	175	186	194	206	202	218	230	224
Groupe M6	87	107	119	122	125	141	140	132
Other Segments	27	22	19	18	22	23	33	33
FremantleMedia	22	22	19	35	22	19	20	20
RTL Nederland	10	7	9	7	10	11	14	20
Mediengruppe RTL Deutschland	20	19	19	16	14	15	18	15
RTL Belgium	5	5	5	4	5	5	5	4

Source: Factset, VRS.

All figures in millions of Euro

Ratio Analysis

Profitability (%)	2014	2015	2016	2017	2018
Gross Margin	27.88	27.53	26.41	26.05	25.86
SG&A to Sales	8.83	8.83	8.65	8.78	8.79
Operating Margin	17.74	17.66	16.50	16.42	15.93
Pretax Margin	16.79	18.34	17.83	18.19	15.48
Net Margin	11.24	13.09	11.54	11.60	10.27
Free Cash Flow Margin	14.29	14.12	15.38	13.57	12.30
Return on Assets (%)	8.49	9.79	8.60	9.00	8.14
Return on Equity (%)	21.81	27.29	23.88	24.49	22.25
Return on Common Equity	21.81	27.29	23.88	24.49	22.25
Return on Total Capital	24.12	23.88	22.62	23.78	23.85
Return on Invested Capital	18.55	23.11	20.36	20.76	18.73
Cash Flow Return on Invested Capital	26.00	28.35	30.94	28.37	24.14

Valuation (x)	2014	2015	2016	2017	2018
Price/Sales	2.09	1.96	1.72	1.62	1.10
Price/Earnings	18.62	14.99	14.87	13.94	10.73
Price/Book Value	4.30	4.01	3.48	3.48	2.35
Price/Cash Flow	13.28	12.23	9.79	10.20	8.33
Price/Free Cash Flow	14.64	13.91	11.17	11.91	8.96
Dividend Yield (%)	3.76	3.31	4.88	5.07	7.28
Enterprise Value/EBIT	13.12	12.56	11.42	10.81	8.28
Enterprise Value/EBITDA	10.95	10.56	9.43	8.86	6.81
Enterprise Value/Sales	2.33	2.22	1.89	1.78	1.32
Total Debt/Enterprise Value	0.08	0.08	0.09	0.07	0.10

Per Share	2014	2015	2016	2017	2018
Sales per Share	37.82	39.25	40.62	41.50	42.36
EBIT (Operating Income) per Share	6.71	6.93	6.70	6.81	6.75
EPS (recurring)	4.77	5.06	4.74	4.93	4.79
EPS (diluted)	4.25	5.14	4.69	4.81	4.35
Dividends per Share	5.50	4.00	4.00	4.00	4.00
Dividend Payout Ratio (%)	122	79	88	90	91
Book Value per Share	18.42	19.23	20.04	19.26	19.85
Cash Flow per Share	5.96	6.30	7.12	6.58	5.61
Free Cash Flow per Share	5.40	5.54	6.25	5.63	5.21
Diluted Shares Outstanding	153.58	153.59	153.56	153.55	153.55
Basic Shares Outstanding	153.58	153.59	153.56	153.55	153.55
Total Shares Outstanding	153.61	153.58	153.53	153.54	153.52

Asset Turnover Analysis (x)	2014	2015	2016	2017	2018
Cash & ST Investments	10.99	12.94	14.14	18.26	18.94
Receivables	3.51	3.37	3.20	3.40	3.41
Inventories	4.15	4.05	4.01	4.02	3.99
Current Assets	1.75	1.75	1.72	1.83	1.82
Fixed Assets	17.36	17.50	19.43	19.85	19.02
Total Assets	0.75	0.75	0.75	0.78	0.79

Source: Factset, VRS.

Ratio Analysis (continued)

DuPont Analysis	2014	2015	2016	2017	2018
Asset Turnover (x)	0.75	0.75	0.75	0.78	0.79
x Pretax Margin (%)	16.79	18.34	17.83	18.19	15.48
= Pretax Return on Assets (%)	12.67	13.72	13.29	14.11	12.26
x Tax Rate Complement (1-Tax Rate)	70.46	72.88	67.36	66.78	72.39
= Return on Assets (%)	8.49	9.79	8.60	9.00	8.14
x Equity Multiplier (Assets/Equity)	2.57	2.79	2.77	2.72	2.74
= Return on Equity (%)	21.81	27.29	23.88	24.49	22.25
x Earnings Retention (1-Payout)	30.00	50.39	27.51	29.31	21.85
= Reinvestment Rate (%)	-11.56	3.39	3.52	4.11	1.83
Note: EBIT Return on Assets (%)	13.39	13.21	12.30	12.74	12.62
Note: Interest as % Assets	0.31	0.31	0.25	0.26	0.26
Receivables Turnover (x)	3.51	3.37	3.20	3.40	3.41
Inventory Turnover (x)	4.15	4.05	4.01	4.02	3.99
Payables Turnover (x)	3.08	3.07	3.05	3.15	3.34
Asset Turnover (x)	0.75	0.75	0.75	0.78	0.79
Working Capital Turnover (x)	148.92	70.93	51.98	37.71	16.02
Operating Cycle (Days)	2014	2015	2016	2017	2018
Days of Inventory on Hand	87.96	90.02	90.93	90.88	91.53
+ Days of Sales Outstanding	103.98	108.46	113.94	107.27	106.95
= Operating Cycle	191.94	198.48	204.87	198.15	198.48
- Days of Payables Outstanding	118.40	118.92	119.51	115.78	109.43
= Net Operating Cycle	73.54	79.55	85.37	82.38	89.05
Liquidity (%)	2014	2015	2016	2017	2018
Current Ratio	1.01	1.02	1.03	1.05	1.12
Quick Ratio	0.69	0.71	0.70	0.68	0.75
Cash Ratio	0.15	0.13	0.12	0.08	0.12
Cash & ST Inv/Current Assets (%)	14.71	12.44	11.86	7.96	11.03
CFO/Current Liabilities (%)	28.21	27.47	30.97	31.96	25.18
Coverage (x)					
Net Debt/EBITDA	0.50	0.54	0.46	0.43	0.37
Net Debt/(EBITDA-Capex)	0.59	0.65	0.58	0.53	0.46
Total Debt/EBITDA	0.89	0.89	0.81	0.64	0.71
EBIT/Interest Expense (Int. Coverage)	42.92	40.95	49.01	49.83	47.09
EBITDA/Interest Expense	51.46	48.72	59.39	60.78	57.27
Fixed-charge Coverage Ratio	42.92	40.95	49.01	49.83	47.09
CFO/Interest Expense	38.13	37.23	52.10	48.10	39.14
Cash Dividend Coverage Ratio	1.01	1.55	1.92	1.79	1.64
LT Debt/EBITDA	0.42	0.41	0.41	0.45	0.45
Net Debt/FFO	0.62	0.64	0.49	0.50	0.47
LT Debt/FFO	0.52	0.49	0.44	0.52	0.56
FCF/Total Debt	0.75	0.75	0.95	1.06	0.89
CFO/Total Debt	0.83	0.86	1.08	1.24	0.96
Leverage (%)	2014	2015	2016	2017	2018
LT Debt/Total Equity	18.42	17.74	16.80	19.21	18.41
LT Debt/Total Capital	13.25	12.83	12.65	15.06	14.23
LT Debt/Total Assets	6.66	6.31	6.13	7.10	6.66
Total Debt/Total Assets	14.12	13.59	11.98	10.19	10.61
Net Debt/Total Equity	21.95	23.02	18.75	18.60	15.49
Total Debt/Equity	39.02	38.22	32.82	27.56	29.34
Net Debt/Total Capital	15.79	16.65	14.12	14.58	11.98
Total Debt/Total Capital	28.07	27.65	24.71	21.61	22.68

Source: Factset, VRS. All figures in millions of Euro except per share items.

Ratio Analysis (continued)

Altman Z score	2014	2015	2016	2017	2018
(Working Capital	39.0	85.0	120.0	169.0	406.0
/ Total Assets)	7819.0	8306.0	8429.0	7998.0	8423.0
=1.2*X1	0.0	0.0	0.0	0.0	0.1
+ (Retained Earnings	2712.0	2805.0	2890.0	2916.0	2963.0
/ Total Assets)	7819.0	8306.0	8429.0	7998.0	8423.0
=1.4*X2	0.5	0.5	0.5	0.5	0.5
+ (EBIT	1030.1	1064.7	1029.2	1046.4	1036.0
/ Total Assets)	7819.0	8306.0	8429.0	7998.0	8423.0
=3.3*X3	0.4	0.4	0.4	0.4	0.4
+ (Market Value of Equity	12246.8	11926.4	10793.3	10381.6	7228.6
/ Total Liabilities)	4543.0	4897.0	4877.0	4574.0	4870.0
=0.6*X4	1.6	1.5	1.3	1.4	0.9
+ (Revenue	5808.0	6029.0	6237.0	6373.0	6505.0
/ Total Assets)	7819.0	8306.0	8429.0	7998.0	8423.0
=0.999*X5	0.7	0.7	0.7	0.8	0.8
Z-Score	3.29	3.09	2.97	3.13	2.62

Source: Factset, VRS.

Stock Price / Volume

Period 23 January 2015 – 22 January 2020 | Stock Price in € (Euro) | Period as day/month/year



Source: Factset.

Notes

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- (4) It ensures a single EU rulebook while reducing administrative burdens on smaller and medium-sized issuers where possible.

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