

CONFERENCE CALL TRANSCRIPTION

13TH NOVEMBER DE 2024

MANUEL MIRAT

Hello, good morning everyone. As you know, I just joined the company on 1 November, and what I am doing first of all is a diagnosis, based mainly on a perimeter, cost structure and team analysis.

We have already put in place an efficiency plan that ends on 31 December this year, which I will go into in detail later on. In parallel, I am going to start working on a Strategic Plan for the company for the next 3 years with the objective of being able to offer a vision of the company in the first quarter of 2025. I think you all need to bear in mind that 2024 has been and is being a year of transition. I am totally focused on 2025. And as a focus, an absolute focus on revenue generation.

I will hand over to Joaquín and Iñaki who will give you details of the results for the first nine months of the year and thank you very much.

IÑAKI ARECHABALETA

Good morning everyone and thank you for being present at this results communication, in a year that is proving to be very complex. In this sense, revenues are very affected by the fall mainly in press and print, 8.5M explained in 75% by the fall in revenues from the public sector and with flat digital advertising. On the other hand, what is happening is that diversification revenues continue to grow as in previous years.

EBITDA is quite affected by these effects and some others, specifically the traditional business is affected by the fall in advertising, by the decline in printing activity and by various cyclical effects and indemnities. In addition, we are also suffering some negative effects in the diversification businesses, due to the impact in Digital Services of the delays and complexity in the administrative authorisations of the NextGen Funds and the reduction in budgets in the second half of the year for our Agency clients. These ongoing effects through to year-end have led us to revise down our EBITDA target to a range of €11-15M. Notably, in this year-on-year decline, we estimate that the cyclical effects amount to around €11M. In this adverse environment, the company has urgently implemented an Efficiency Plan whose savings are estimated at around €10M.

Finally, cash generation and debt are a consequence of EBITDA for the period. And to give details of all this, I will pass the floor to our CFO, Joaquín Valencia.

JOAQUÍN VALENCIA

Thank you very much Iñaki. Well, I will go into more detail on the issues that Iñaki summarised a moment ago, because it is a year of shadows and lights. But we need to go a little deeper to understand the results. Firstly, in terms of our advertising performance, we also compare it with the market. Obviously we can't be satisfied with the way it has gone these nine months. In our segments we are down 2.9%, compared to a market that is flat. When comparing a little bit as we have done, we have to make a couple of clarifications. Firstly, the worse performance of the offline advertising market for vocento paper, against the market is largely due, as Iñaki explained, to the fall in revenues from the public sector, and this is also related to our greater

presence and local exposure, local advertising, and everything that affects it, such as the electoral processes we have had in the first half of the year.

As for the comparison of online digital advertising, which in the ratio that we have provided we compared badly, +5.0% market against +1.8% for us, well, again we also understand that in that +5.0% market there are a lot of segments where we are not present, for example, outdoor, connected TV, influencers. If we compare 'pears with pears', the segments where we are, it would really be 2.0% of the market against 1.8% for us. In other words, we are doing worse, but not as bad. Then there are some shadows and lights. Let's see, what is working really well is our copy sales. Both in print and digital, that part of the business that continues to do well. The paper margin improved €1.7M and the digital margin improved €1.0M. In print, the strategy has always been to maintain the margin, the margin of print and digital readers. This €1.7M improvement is not going to be sustainable in the long term either. But clearly until the end of the year, we will continue to improve. On the digital advertising margin there we improved in revenue by 17%, part of that is because of the number of subscribers which is up 14% and part of that is because of the improvement in the average Arpu which is also improving. So that part of the business continues to perform relatively well.

On the diversification business, just to go through them a little bit quickly. There you have to talk about Agencies for a moment and you have to talk about Digital Services for a moment. The fall in Agencies is really a reduction due to reductions in client budgets and we believe that it is attributable to totally cyclical factors, in the sense that we believe that they are recoverable next year.

On the other hand, the Digital Services business is a business that is being damaged by the continuous delays in administrative approvals of projects, with the new calls for proposals for grants. This impacts conversion rates and customer renewal rates and the profitability of the business. So it is business that is being damaged.

It comes a little bit to the EBITDA evolution. Because what is the EBITDA evolution if we compare 2023-24 a fall of €11.7M you have to try to go in a little bit to see a little bit the different effects.

In terms of advertising, we could comment on the fall in institutional advertising, essentially in print. And we believe that a large part of this fall is cyclical, i.e. a large part of it can be recovered in successive years.

The fall in printing is mainly due to a loss of business with customers because we have abandoned certain activities and products in our plants, we have closed certain lines of activity, both in Rotomadrid and in Comeco Gráfico Norte, and this has an impact on the profitability of the business. And we also have higher severance payments in this segment.

In Other Income and Expenses, which we see also falling, here there are several exceptional one-off items in 2023 that have not been repeated in 2024, for example, we had an income from Gelt for media for equity of €0.7M, for example. So there are individual items that have affected this chapter.

In the diversification part I have already explained, there is a part that is cyclical, Agencies, Gastronomy and there is a part that is less cyclical which is the Digital Services part. Finally, the worsening in Structure, €3.7M, very significant, there we have €2.5M which are higher indemnities, and there is €1.1M which are one-offs, for example €0.8M in consultancies, which

are things that are not structural to the business. But there are things that are structural to the business. But to summarise, EBITDA is down €11.7M, of which €9M or so we think is associated with cyclical effects, and the rest up to €11.7M is mainly explained by Printing and Digital Services.

As for the P&L for the year, the bottom line variation is a net result attributable to parent company of €-27M, a deviation of €11.3M compared to the previous year. This deviation is similar to that of EBITDA, i.e. we are dragging the EBITDA deviation down. The P&L includes, as we mentioned in the previous Conference Call the positive impacts to date of the Constitutional Court ruling on Royal Decree Law 3/2016, this impacts the tax line, the financial expenses line, it also includes an impairment in the second quarter of €3.5M related to the Goodwill of Las Provincias. With regard to goodwill and other items, it should be noted that as a result of all the initiatives that are underway as we have mentioned, the review of the perimeter, the review of operations, at the end of the year there could be additional impacts below EBITDA, if any.

Regarding the change in debt and cash generation, we ended the quarter with €40.8m of debt, ex-IFRS debt, compared to €15.1m at the end of last year, last December. The evolution of ordinary cash excluding extraordinary items, which is €-16M, is very similar to last year, despite the decline in EBITDA, and this was partly due to the very good evolution of working capital. This improvement in working capital evolution will slow down somewhat in the fourth quarter because it also depends on the timing of certain items.

With all this evolution, as Iñaki has commented, and already in an analysis of the full year 2024, this has led us to revise our target for the year to a range of €11-15M before the impact of the Efficiency Plan that will start to be implemented now. This implies that we revise our target from July by €10M. Of that €10M can be considered as cyclical, for the reasons I have already mentioned, €5M, related to institutional advertising, to the decrease in the Agencies, recoverable, or to the extraordinary costs in the Structure area. So, if we now look at the full year, these extra €5M that we have added in this last review, plus the ones we had in the review we did in July, the total cyclical effects for the full year would be about €11M. Just to put it in context with a total EBITDA for 2023 of €34.5M to put the cyclical effects in context, so we had a normal year 2023, for example.

I think I'm going to leave it here and we'll open the Conference Call for questions.

Q&A

JUAN PEÑA RUIZ – GVC GAESCO

J.P.: Good morning everybody, can you hear me well?

J.V.: Yes, Juan, thank you.

J.P.: How are you? Good morning, I wanted to ask you a couple of questions, first of all, with regard to the financial part, if this whole situation you are going through, does it affect any kind of debt covenant you have? If you have any fixed debt ratio, or any kind of cyclical problem that may arise, or any kind of penalty that you may have with a bank.

And secondly, given the market, what are you seeing that can be done to alleviate this situation? That is to say, we are seeing that the market is doing worse than expected. What possible measures are you beginning to see that can be taken to resolve this situation, to attack the market a little or to avoid having to suffer these impacts so much, a little more on the more commercial side?

And then, finally, Manuel said at the beginning that the timing is that in the first quarter of the year this new business vision of the company will be somewhat clarified. I understand that this Strategic Plan will be presented to the market with all the plans that are in place, but before that we are not going to have any kind of vision for 2025, right? Just to confirm that we will not have any kind of vision of 2025 until the first quarter of the year.

Thank you very much.

J.V.: Thank you very much Juan, if you like, I'll take the first question in relation to the financial covenants. Obviously, Vocento's policy has always been, and also with the banks and the market, maximum transparency. We have been talking to the banks since the previous Conference Call about the situation, and also about the foreseeable situation at the end of the year, and we have been talking to them about a waiver of the covenants at the end of the year. Obviously, including the effect of the Restructuring Plan, we are going to be at a very low EBITDA and with a financial debt that is not excessive, but considerable. So logically, without a waiver, we would be able to get through the end of the year, and we have already obtained this waiver from the banks.

L.A.: Juan, it's Iñaki. On the commercial side, obviously in the last few months we have significantly increased all our commercial pressure on the market, creating new products, new offers for advertisers, new events to seek new revenue. And then we have focused on two points. On the one hand, very important commercial activity and contact with public bodies, given the deficit we have accumulated to date, to try to recover between now and the end of the year, and we have also set special bonuses for agencies and central offices in the last four months of the year, seeking special objectives in this four-month period. However, the results, as we are seeing, and from everything we are seeing, are certainly not as good as we expected. And that is in the short term. And logically, in the long term and for the coming years, what is being reviewed is our entire commercial structure, our entire way of organising ourselves and even all our offers.

M.M.: And Juan, this is Manuel, in relation to your question, right, it will be in the first quarter of the year when we communicate the company's roadmap to the market, which I prefer to give it with a breadth and solvency that will require a certain amount of time, and that is why I prefer to do it in the first quarter of the year 2025.

J.P.: Well, thank you very much to all three of you

L.A.: Very well then, thank you very much for your attendance, and that concludes this Conference Call. Thank you very much.