Press Release

ProSiebenSat.1 increases revenues to over EUR 4.1 billion in 2019 and drives transformation to diversified digital group

<u>**Figures 2019**</u>

- **Full-year Group revenues grow by 3% to EUR 4,135 million**
- **Non-TV core advertising business with double-digit revenue growth of 12%, representing 52% of Group revenues**
- **Growth drivers: revenues up 38% in digital and smart advertising business, 18% at Red Arrow Studios and 16% in NuCom Group**
- **Streaming platform Joyn closes 2019 with over 7 million total monthly active users and more than 6.5 million apps installed**
- **Adjusted EBITDA of EUR 872 million (-14%) reflects investments in the future of the business recognized as expense and a challenging TV advertising market**
- **Net income increases by 65% to EUR 412 million, adjusted net income decreases by EUR 154 million to EUR 387 million**
- **Free cash flow before M&A improves by 39% to EUR 339 million**
- **Executive Committee proposes dividend of EUR 0.85 per share**

<u>**Outlook 2020**</u>

- **ProSiebenSat.1 teams up with General Atlantic to sign an agreement for the acquisition of The Meet Group Inc in order to create a leading global player in the online dating segment**
- **ProSiebenSat.1 continues to invest additionally in local content, innovative advertising products and growth of NuCom Group in 2020**
- **The Group aims to rise revenues to EUR 4.3 billion (+/- EUR 100 million) and to achieve adjusted EBITDA of around EUR 870 million (+EUR 30 million/-EUR 70 million); development largely dependent on total Entertainment advertising revenues and further program investments**

Munich, March 5, 2020. Max Conze, CEO of ProSiebenSat.1 Media SE: "The transformation of ProSiebenSat.1 into a diversified digital group is making good progress. Despite an industry in transition and a tough TV advertising market, we were able to increase our revenues by 3%. At the same time, more than half of last year's revenues came from non-TV core advertising business. We continue to advance strongly in digital and smart advertising with a 38% increase in revenues. The double-digit growth rates at Red Arrow Studios and NuCom Group also prove that we are setting the right priorities. In the TV business, our focus on local content continues to increase its impact and our digital reach keeps growing, also thanks to the strong launch of the streaming platform Joyn. Our 2019 performance demonstrates that it was the right decision to invest in future initiatives, and we will consistently continue to pursue this path: We want to grow sustainably and thus create additional value. We can be proud of what we have achieved so far, and we thank our excellent ProSiebenSat.1 team, who day in and day out translate our transformation strategy into operating business."

Development of the Group

ProSiebenSat.1 Group concluded the 2019 financial year largely in line with its expectations: Despite the demanding development in the TV advertising business, the Group increased its revenues by 3% to EUR 4,135 million (previous year: EUR 4,009 million); the organic [(1)] increase was 2%.

In the **Entertainment** segment, the Group further accelerated growth in the digital and smart advertising business with an increase of 38%, to which the Addressable TV business and the advertising-financed streaming platform Joyn were also contributing. The focus on this area of growth has already partly offset the decline of 5% in TV core advertising revenues, which reflected the weaker macroeconomic environment. Furthermore, the deconsolidations of the video-on-demand portal maxdome and the online fitness provider 7NXT also had an impact. Overall, external revenues in the Entertainment segment declined by 4% to EUR 2,518 million (previous year: EUR 2,626 million). Organically, external revenues declined by 2%.

Revenue growth in the other business units however more than offset this development. The **Content Production & Global Sales** segment (Red Arrow Studios) saw double-digit growth in its external revenues also in the full-year, rising clearly by 18% to EUR 652 million (previous year: EUR 552 million). Organic growth was 13%. Digital studio Studio71 generated high growth rates, with the global production and distribution business also continuing its revenue increase, especially in the USA and Germany.

NuCom Group's **Commerce** business also continued its growth with a plus of 16%, generating external revenues of EUR 965 million (previous year: EUR 831 million). Organic growth was 8%. While the initial consolidations of the US online matchmaking service eharmony and of Aroundhome, an online broker for products and services related to the home, had a positive impact, online beauty provider Flaconi recorded considerable organic growth.

Thanks to substantial growth in the digital and smart advertising business, at Red Arrow Studios and NuCom Group, the Group's non-TV core advertising business rose by 12% in total, thus increasing its share in ProSiebenSat.1 Group's revenues to 52% (previous year: 48%).

As expected, the Group's adjusted EBITDA decreased in the full-year and was down by 14% to EUR 872 million (previous year: EUR 1,013 million). This reflects the Group's decision to continue investing in the future of the Entertainment business and NuCom Group's growth as announced. Furthermore, lower TV core advertising revenues had an impact on adjusted EBITDA. Adjusted net income essentially reflects the development in adjusted EBITDA as well as investments in Joyn and, as expected, declined by 28% or EUR 154 million to EUR 387 million (previous year: EUR 541 million). EBITDA of the Group however rose by 47% to EUR 838 million (previous year: EUR 570 million), with net income growing by 65% to EUR 412 million (previous year: EUR 250 million). This was mainly due to lower reconciling items than in the previous year. Also, free cash flow before M&A improved by 39% to EUR 339 million (previous year: EUR 244 million).

In 2019, ProSiebenSat.1 expanded its focus on local content and launched more than 160 new local formats. At 28.2% (viewers 14 - 49 years), the audience market share was the best since 2015, while digital viewing time increased by 30%. Moreover, the launch of the streaming platform Joyn was an important step in expanding the Group's digital reach. By the end of 2019, Joyn already recorded more than 7 million total monthly active users across all devices. In order to monetize the linear and digital reach more strongly, the Group's Addressable TV offer is playing an increasingly important role – last year, ProSiebenSat.1 already aired more than 800 campaigns here.

ProSiebenSat.1 is again focusing on these priorities this year. The Group will work even more platform-independently in the Entertainment business, thus strengthening the production of its own local and live content and its digital distribution. At the same time, the number of Addressable TV campaigns is expected to double compared to 2019, with the adtech joint venture d-force playing a central role. In the Commerce business, ProSiebenSat.1 and General Atlantic teamed up to sign an agreement for the acquisition of the US online dating and social entertainment provider The Meet Group. The goal is to create a leading global player in the online dating segment by combining Parship Group with The Meet Group (see own press release).

Dividend Proposal

Since financial year 2018, ProSiebenSat.1 Media SE has pursued a dividend policy of distributing around 50% of adjusted net income to the shareholders as a dividend. The Group will use cash inflows exceeding the dividend distribution primarily for investments in organic and inorganic growth. In line with the distribution policy, the Executive Committee is advising the Supervisory Board to propose a dividend of around 50% of adjusted net income or EUR 0.85 per share (previous year: EUR 1.19) to the Annual General Meeting for financial year 2019. This corresponds to a dividend yield of around 6% (previous year: 8%) of the closing price of the ProSiebenSat.1 Media SE share at the end of 2019.

Outlook

Rainer Beaujean, CFO of ProSiebenSat.1 Media SE: "We closed the 2019 financial year as recently expected. It was important for us to again increase our Group revenues and further expand the share of our non-TV core advertising business. In 2020, we aim to continue our revenue growth and to stabilize our adjusted EBITDA. The development of our Entertainment advertising revenues will play a decisive role in this regard. However, this outlook does not take into account the positive effects of the transaction with The Meet Group as well as the possible effects that a further propagation of the corona virus could have on advertising customers' investment decisions."

ProSiebenSat.1 Group pursues a clear strategy aiming at sustainable and profitable growth. As Germany's macroeconomic development remains uncertain in financial year 2020, the Group has decided to provide ranges for its revenue and adjusted EBITDA outlook that take this environment into account. Overall, the Group aims at further growth in full-year 2020 – on the basis of constant exchange rates (2) and without portfolio changes – and at increasing Group revenues to EUR 4.2 billion to EUR 4.4 billion. In the base case scenario, the Group expects year-on-year revenue growth to around EUR 4.3 billion (previous year: EUR 4.13 billion). An important factor for the development of the Group's revenues is the Entertainment segment, in which ProSiebenSat.1 Group expects revenues for the full-year in the base case scenario to be on previous year's level. This expectation is based on the assumption of a slight decline in total Entertainment advertising revenues, with the Company anticipating a decline in TV core advertising revenues, to be partly offset by the growing digital and smart advertising business, and an increase in distribution revenues amongst others. Based on discussions that the Group has had with advertising customers about their readiness to invest, the Company also expects a weak start and better development in the second half of the year in the TV advertising business. In the Content Production & Global Sales (Red Arrow Studios) and Commerce (NuCom Group) segments, the Group is aiming for further revenue growth in the low-double-digit percentage range respectively.

On the basis of constant exchange rates and without portfolio changes, the Group is targeting adjusted EBITDA of around EUR 870 million in the base case scenario (range: EUR 800 million to EUR 900 million) in full-year 2020 (previous year: EUR 872 million). This assumption of around EUR 870 million is likewise based on stable Entertainment revenues compared to 2019. The upper and lower end of the outlined range particularly depends on the development of total Entertainment advertising revenues – a combination of declining TV core advertising revenues and a growing digital and smart advertising business. Furthermore, the predicted adjusted EBITDA range reflects different assumptions regarding the composition of Group revenues as well as the Company's decision to invest an additional up to around EUR 50 million in local content in 2020 compared to 2019. For the upper and lower range of total Entertainment advertising revenues, the Group expects, compared with the base case scenario, variability of -3% and +2% in 2020 compared to the previous year. In financial year 2019, the focus on local content already paid off with increasing audience market shares and growing digital view time. This development is expected to continue in 2020. A considerable earnings increase is expected in the Commerce segment, while the Company is targeting a stable development in the Content Production & Global Sales segment.

On the one hand, in the full-year, the Group's adjusted net income will reflect the development of adjusted EBITDA. On the other hand, as a result of higher depreciation effects and potentially slightly increasing investments in Joyn, the joint streaming platform with Discovery, which are recognized at equity, the Group's adjusted net income may decline in the double-digit million-euro range. Moreover, the Group assumes that free cash flow before M&A in the full-year will be significantly determined by the development of adjusted EBITDA and increased expenditures for the construction of the new campus at the premises in Unterföhring. As tax refunds for 2019 as significant one-time item are not applying in 2020, the Group expects an overall decline in free cash flow before M&A in at least a double-digit million-euro range compared to the previous year (previous year: EUR 339 million).

At the end of 2019, stable gross financial debt of EUR 3.2 billion compared with cash of EUR 950 million. The Group therefore closed 2019 with a leverage ratio (the ratio of the Group’s net financial debt to its LTM adjusted EBITDA) of 2.6x, and thus slightly above the upper end of the target range of 1.5 to 2.5x. The leverage ratio – depending on business performance and not including any portfolio changes – may likewise be slightly above the upper end of this target range at the end of 2020.

The Group has also decided to measure the mid-term financial success of the Group much more consistently. Therefore, P7S1 ROCE (return on capital employed) was introduced as a new key figure for the entire Group from financial year 2020 onwards. In financial year 2020, we are targeting a figure of over 10% (previous year: 16%).

The long-term targets for the entire Group are summarized as follows:

- ProSiebenSat.1 Group has set itself the target of further diversifying its revenues. The digital and smart advertising business’ share in Entertainment revenues is to reach 25% in the mid-term (2019: 9%), and the digital business’ share in Group revenues (before portfolio changes) is to increase to over 50% (2019: 34%).
- ProSiebenSat.1 also continues to aim for a leverage ratio of between 1.5 and 2.5x. As M&A activities cannot be precisely predicted, they can also temporarily affect the leverage ratio both positively and negatively.
- The Group is increasingly concentrating on continually growing value, which ought to be reflected in an improved P7S1 ROCE. For the Group as a whole, this key figure is expected to exceed 15% again in the mid-term. In the short term, P7S1 ROCE may be below this figure, like in 2020, for example, because of strategic investments.
- All these targets reflect the Group’s strategy of expanding ProSiebenSat.1 into a diversified digital company.
- The Group’s dividend policy of distributing 50% of adjusted net income as a dividend is to be maintained in order to let the shareholders participate in the sustained success of the corporate strategy every year.

(1) Organic = adjusted for portfolio and currency effects

(2) The main currency besides the euro remains the US dollar, which had a share in revenues and costs of 13% and 16%, respectively, in the previous year. These are essentially translation effects. The EUR/USD exchange rate was around USD 1.1196 to the euro in 2019.

Further key figures can be found on our Group website at ProSiebenSat1.com. The presentation and the Annual Report for the 2019 financial year will also be available there from March 5, 2020, 7.30 a.m.

Key figures for the ProSiebenSat.1 Group in EUR m

	2019	2018	Change in %
Revenues	**4,135**	4,009	3%
Total costs	**-3,592**	-3,710	-3%
Operating costs[(1)]	**-3,297**	-3,027	9%
Adjusted EBITDA[(2)]	**872**	1,013	-14%
Adjusted EBITDA margin (in %)	**21.1%**	25.3%	-4.2 pp
EBITDA	**838**	570	47%
Reconciling items	**-34**	-443	-92%
Operating result (EBIT)	**578**	348	66%
Financial result	**-6**	-4	41%
Net income	**412**	250	65%
Net income attributable to shareholders of ProSiebenSat.1 Media SE	**413**	248	66%
Net income attributable to non-controlling interests	**-1**	1	~
Adjusted net income[(3)]	**387**	541	-28%
Adjusted earnings per share (in EUR)	**1.71**	2.36	
Free cash flow [(4)]	**207**	-78	~
Free cash flow before M&A [(5)]	**339**	244	39%
Cash flow from operating activities	**1,603**	1,459	10%

Key figures for the ProSiebenSat.1 Group in EUR m

	Dec. 31, 2019	Dec. 31, 2018
Equity	**1,288**	1,070
Equity ratio (in %)	**19.5%**	16.5%
Cash and cash equivalents	**950**	1,031
Net financial debt[(6)]	**2,245**	2,163
Leverage ratio[(7)]	**2.6x**	2.1x

Segment key figures for the ProSiebenSat.1 Group in EUR m

	2019	2018	Change in %
Entertainment			
Revenues	**2,585**	2,718	-5%
External revenues	**2,518**	2,626	-4%
Adjusted EBITDA[(2)]	**726**	881	-18%
Content Production & Global Sales			
Revenues	**730**	608	20%
External revenues	**652**	552	18%
Adjusted EBITDA[(2)]	**48**	31	57%
Commerce			
Revenues	**965**	831	16%
External revenues	**965**	831	16%
Adjusted EBITDA[(2)]	**98**	103	-4%

(1) Total costs excl. D&A and expense adjustments. (2) EBITDA before reconciling items. (3) Net income attributable to shareholders of ProSiebenSat.1 Media SE before the effects of purchase price allocations and additional reconciling items. These include valuation effects on financial investments, put options, and earn-out liabilities recognized in the other financial result item, as well as ineffectiveness from financial derivatives and valuation effects on the Group Share Plans. (4) After M&A; total cash and cash equivalents generated in operating business less the balance of cash used and generated in the context of investing activities. (5) Free cash flow adjusted for cash used and generated by M&A transactions (excl. transaction costs) related to majority acquisitions that are carried out and planned and the purchase and sale of investments accounted for using the equity method. (6) As of December 31, 2019, the definition of ProSiebenSat.1 Group's net financial debt does not include lease liabilities according to IFRS 16 in the amount of EUR 171 million (previous year: EUR 155 million). In addition, it does not include real estate liabilities in the amount of EUR 48 million (previous year: EUR 22 million). (7) Ratio of net financial debt to adjusted EBITDA in the last twelve months.

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