

# **MODERN TIMES GROUP**

## **CAPITAL MARKETS DAY 2013**

### **CREATING LONG-TERM SHAREHOLDER VALUE**

**Mathias Hermansson**  
**CHIEF FINANCIAL OFFICER**



## **MATHIAS HERMANSSON**

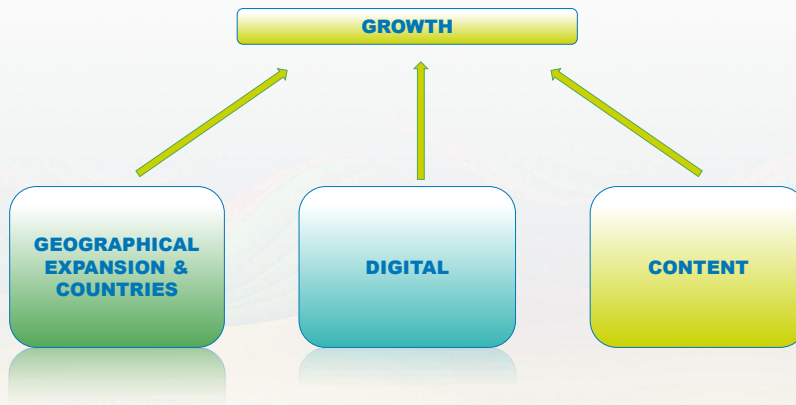
### **JOINED MTG IN 1999**

Appointed as Chief Financial Officer of MTG in March 2006  
Served as Group Financial Controller between 2001 and 2006  
Has held various senior financial positions at Viasat Broadcasting,  
MTG Radio and former MTG subsidiary CDON Group AB  
Previously served as Finance Director at former subsidiary Metro  
International S.A.'s North American operations  
Joined MTG in 1999 as a management trainee after working for  
Unilever in Sweden

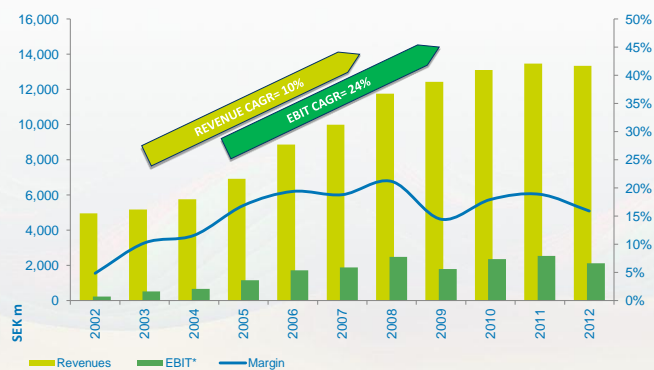
Favourite app: Fischer-Price Puppy Play  
Best lap: Match Race sailing pre-starts...



## OUR CORNER STONES TO VALUE CREATION



## LONG TERM GROWTH STORY



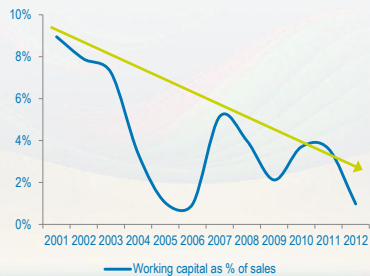
Total EBIT excluding discontinued operations and one-offs



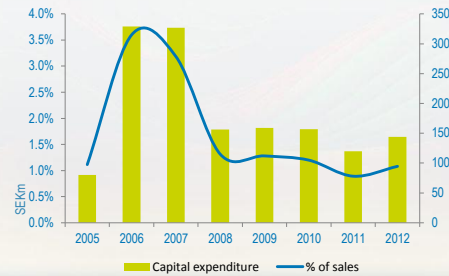
## ASSET LIGHT AND STRONG WORKING CAPITAL MANAGEMENT...

Tight Program Inventory control & management  
Continued seasonality within calendar years  
Asset light business model with a low Capex as percentage of revenue.  
Capex focused on Digital

WORKING CAPITAL AS % OF SALES

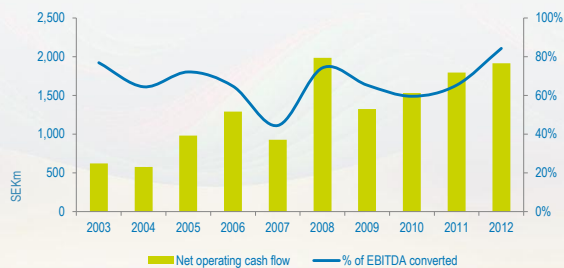


CAPEX DEVELOPMENT



## ...RESULTING IN A HIGHLY CASH GENERATIVE BUSINESS

Continued high cash generation & conversion  
All time high cash conversion 2012  
Enables us to  
Make cost efficient larger commitments  
Invest in several key areas simultaneously  
Deliver strong returns to Shareholders

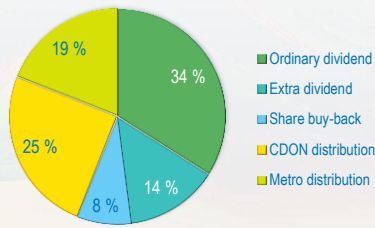


## BALANCING INVESTMENTS WITH SHAREHOLDER RETURN

Distributed a value of over SEK 8.1bn in dividends and share distributions

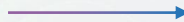
Commitment to distribute at least 30% of recurring net profit as annual ordinary dividend

DISTRIBUTED VALUE OF SEK 8.1BN SINCE 2006



## SIGNIFICANT VALUE CREATION LAST 10 YEARS

Sales +10 CAGR
EBIT +24% CAGR
Average ROCE 25%
Total dividend SEK 8.1 bn
<u>Total Return</u> OMXSB 12% STOXX Europe 600: 7% STOXX Europe 600 Media: 5%



Top of the European Broadcasting industry



## UNIQUE POSITION ENABLES COMPETITIVE ADVANTAGE

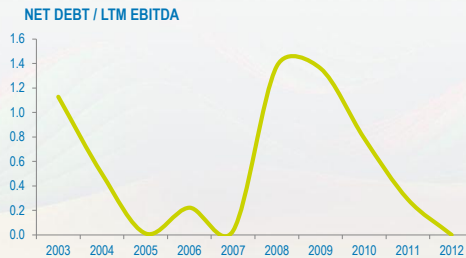
LONG TERM  
SHAREHOLDER BASE

STRONG BALANCE SHEET



ENABLES LONG TERM  
STRATEGY

Strong and long term  
shareholder structure with  
16 of our top 50 largest  
shareholders holds > 50%  
of the capital & 68% of  
votes and has been with  
us for the last 5 years



## SIGNIFICANT INVESTMENTS IN 2012 & 2013 TO DRIVE LONG TERM VALUE CREATION

INVESTMENTS OF 1 800 MSEK =  
13% OF 2012 SALES

GEOGRAPHICAL  
EXPANSION

DIGITAL

CONTENT

...OF WHICH 1 250 MSEK  
IN ORGANIC GROWTH

...OF WHICH 550 MSEK  
IN M&A ACTIVITIES



## RESEARCH AND CONSUMER DRIVEN APPROACH ORGANIC INVESTMENTS IN SPORTS CONTENT

### Regular monitoring of sports opportunities & interests rankings

Existing rights  
New rights

### Market & consumer research for major sports rights

Subscribers dynamics in DTH, 3rd party networks and Viaplay  
Price elasticity among existing and new customers  
Churn effects

### Scenario modelling

Outcomes of buying all or parts of the sport right  
Outcomes of different competitor actions  
Model scenarios based on past experiences

### Building the case:

Building a thorough business case  
Monetization of the rights through Free/Pay/Online business models  
Incremental revenue opportunities



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## SYSTEMATIC CONTENT ACQUISITION PROCESS ORGANIC INVESTMENTS IN US & LOCAL CONTENT

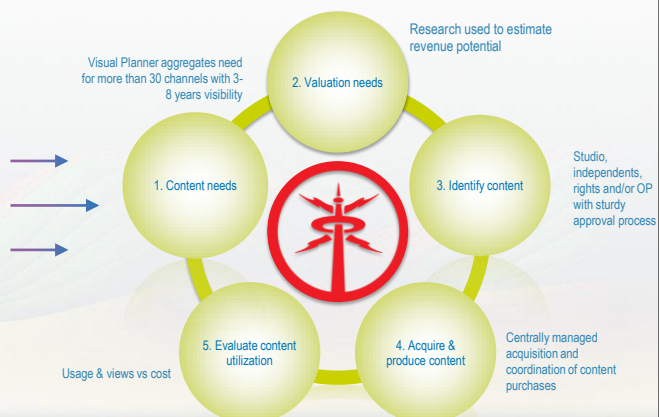
Free-TV Scandinavia

Pay-TV Nordic

Online

Free-TV Emerging Markets

Pay-TV Emerging Markets



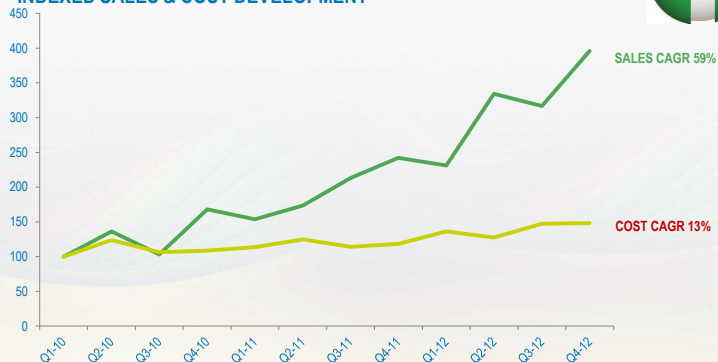
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## EXTENSIVE EXPERIENCE IN NEW BUSINESS LAUNCHES... ORGANIC GROWTH THROUGH GREEN FIELD LAUNCH IN GHANA



## ...RESULTING IN SUCCESSFUL EXECUTION ORGANIC GROWTH THROUGH GREEN FIELD LAUNCH IN GHANA

INDEXED SALES & COST DEVELOPMENT





## SIGNIFICANT INVESTMENTS IN 2012 & 2013 TO DRIVE LONG TERM VALUE CREATION

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GEOGRAPHICAL  
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...OF WHICH 1 250 MSEK  
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...OF WHICH 550 MSEK  
IN M&A ACTIVITIES



## A DISCIPLINED APPROACH TO M&A INTEGRATED PART OF OUR BUSINESS

SCREENING

EXECUTION

INTEGRATION

Rooted in **strategy**

Based on the corner stones:

**Geographical expansion**  
(in-market consolidation)

**Digital** (people, tech,  
capabilities)

**Content** (key themes)

**Disciplined execution model**

**Clear responsibilities** and decision  
making

**Systematic control of valuation**  
**levels**

Continuous preparedness to **walk-**  
**away**

PMI as **key value driver**

**Focus** on maintaining and increasing  
**strengths of target**

**Tailored integration** planning

Realistic view on synergies and timing

**Day 1 & 100 day plans**





## SCREENING TO INTEGRATION

### WIDE SCREENING PROCESS TO FIND INVESTMENTS



## EXECUTION

### DISCIPLINED TRANSACTION PROCESS



# EXECUTION

## UNDERSTANDING VALUE VS. PRICE

Aggregated TV ad markets in MTG's CEE territories (2012 vs peak year 2008)



# EXECUTION

## IMPACT OF STRENGTHENED M&A CAPABILITIES

Number of M&A transactions per year



# INTEGRATION

WHERE MOST VALUE SITS...

EV / EBITDA multiples of key transactions 2012

Price at acquisition  
based on 2011 (LTM)

Delivery 2012 (CY)

Expected 2013 (CY+1)

**11.0x**

Competitive price

**8.2x**

Delivering the plan

**<5.5x**

Significant value

MTG currently at 8.7x EV / 2013e EBITDA



## SIGNIFICANT INVESTMENTS IN 2012 & 2013 TO DRIVE LONG TERM VALUE CREATION

INVESTMENTS OF 1 800 MSEK =  
13% OF 2012 SALES

**GEOGRAPHICAL  
EXPANSION**  
300 MSEK

**DIGITAL**  
670 MSEK

**CONTENT**  
830 MSEK



## INVESTING FOR THE FUTURE



- Expect continued strong cash generation
- Accelerated investments in mainly M&A initiatives
- Systematic and research driven investment approach
- Proven track record in value creation

Commitment to balance shareholder return with re-investments in  
Countries, Digital & Content



# THANK YOU

