



Lagardère

THIRD-QUARTER 2020 REVENUE



Impacts of the pandemic in third-quarter 2020 mitigated by the Lagardère group's diversified business base

Group revenue down 38.3%⁽¹⁾ in third-quarter 2020, to €1,188 million

Lagardère Publishing revenue up 6.0%⁽¹⁾ to €704 million, buoyed by the success of its publications and a market rebound

Lagardère Travel Retail revenue down 66.1%⁽¹⁾ to €393 million, owing to the slump in global air traffic

Paris, 5 November 2020, 8:00 a.m.

The Lagardère group saw a year-on-year revenue decline of 38.3%⁽¹⁾ in the third quarter of 2020, hit hard by the impacts of the pandemic on its Travel Retail business. This decline was partly countered by a 6.0%⁽¹⁾ rise in revenue for Lagardère Publishing over the same period, driven by the success of its publications.

- **Lagardère Publishing:** the 6.0% revenue increase was driven by a good performance in France, which benefited from advances in General Literature and Illustrated Books, and by vigorous business growth in the United States and the United Kingdom spurred by the success of a large number of best-selling titles and by upbeat trends in digital formats.
- **Lagardère Travel Retail:** following a slight upturn in trading observed as from the end of the second quarter through to mid-August, Lagardère Travel Retail was impacted by the second wave of Covid-19, reporting a 66.1%⁽¹⁾ drop in revenue in the third quarter. Tighter travel restrictions introduced as from the end of August 2020 hit trading in all of the division's regions with the exception of mainland China. Lagardère Travel Retail is continuing its efforts to cut costs in these uncertain times.

⁽¹⁾ On a like-for-like basis versus third-quarter 2019.

I. REVENUE

	Revenue (€m)		Change	
	30 September 2019 (9 months)	30 September 2020 (9 months)	on a consolidated basis	on a like-for-like basis
Lagardère Publishing	1,707	1,675	-1.9%	-2.8%
Lagardère Travel Retail	3,147	1,340	-57.4%	-58.8%
Other Activities*	208	164	-21.5%	-21.1%
Target scope	5,062	3,179	-37.2%	-38.3%
Non-retained scope**	187	97	-47.9%	-24.6%
LAGARDÈRE	5,249	3,276	-37.6%	-38.0%

	Revenue (€m)		Change	
	Q3 2019	Q3 2020	on a consolidated basis	on a like-for-like basis
Lagardère Publishing	663	704	+6.3%	+6.0%
Lagardère Travel Retail	1,152	393	-65.9%	-66.1%
Other Activities*	63	57	-9.7%	-9.6%
Target scope	1,878	1,154	-38.5%	-38.8%
Non-retained scope**	47	34	-27.7%	-14.4%
LAGARDÈRE	1,925	1,188	-38.3%	-38.3%

* Lagardère News (Paris Match, Le Journal du Dimanche, Europe 1, Virgin Radio, RFM and the Elle brand licence), the Entertainment businesses, and the Group Corporate function.

** Assets in the process of being sold at 30 September 2020. Lagardère Studios. Note that in 2019, "Other Activities" included TV Channels and other digital assets.

● Lagardère Publishing

Revenue for the nine months ended 30 September 2020 totalled €1,675 million, down 1.9% on a consolidated basis and down 2.8% like for like, largely eliminating the lag recorded in the first half of the year. Scope effects added €18 million to revenue and reflected the acquisition of Le Livre Scolaire, Blackrock Games and Short Books, while foreign exchange effects reduced revenue by €3 million.

The health crisis and associated lockdown restrictions put in place across the division's regions had a negative like-for-like impact of 8.3% in first-half 2020. **The rebound in trading observed in June was confirmed during the third quarter, which saw like-for-like revenue growth of 6.0%.**

Third-quarter 2020:

Revenue for the division totalled €704 million, up 6.3% on a consolidated basis and up 6.0% like for like. Scope effects added €12 million to revenue, while foreign exchange effects reduced revenue by €11 million.

The figures below are presented on a like-for-like basis.

France reported revenue growth of 4.8% on the back of advances in General Literature and Illustrated Books, which benefited from the release of Stephenie Meyer's *Midnight Sun* during the quarter. In contrast, Education was down as expected, with only one level of high school curriculum reform this year.

Business surged 19.2% in the United States, spurred by the release of Stephenie Meyer's *Midnight Sun* at Little, Brown Books for Young Readers in August and the latest title by Nicholas Sparks, *The Return*, at Grand Central Publishing in September. Several titles linked to the Black Lives Matter movement published by Perseus and Little, Brown Books for Young Readers, also enjoyed success. Digital formats continue to enjoy bullish growth.

The United Kingdom also saw robust revenue growth over the quarter, up 15.6% thanks to the release of *Midnight Sun* and to a good performance from General Literature, led by Robert Galbraith's *Troubled Blood*, released in September. Business in the United Kingdom also continued to benefit from strong momentum in digital sales.

Business in Spain/Latin America was down by 20.8%, hit hard by less extensive curriculum reform in Spain and Mexico, and by the impacts of the health crisis.

Partworks revenue was down 7.6% owing to a lighter release schedule in the first half of 2020 compared with a prior-year comparison basis that had benefited from numerous successful launches, notably in France.

E-books as a proportion of total Lagardère Publishing revenue continued to grow, representing 9.9% in the third quarter of 2020 versus 7.8% in third-quarter 2019, while downloadable audiobooks represented 3.7% of revenue compared to 2.9% one year earlier.

● Lagardère Travel Retail

Lagardère Travel Retail revenue for the nine months to 30 September 2020 totalled €1,340 million, down 57.4% on a consolidated basis and down 58.8% like for like, reflecting the impacts of the Covid-19 pandemic. The scope impact resulting mainly from the acquisition of International Duty Free (IDF) in Belgium added €51 million to revenue, while the foreign exchange effect reduced revenue by €8 million.

Third-quarter 2020:

Revenue for the division totalled €393 million, down 65.9% on a consolidated basis (down 66.1% like for like). The scope impact added €13 million to revenue, while the foreign exchange effect reduced revenue by €10 million.

In the third quarter, the different regions in which Lagardère Travel Retail operates were affected by government measures to restrict travel amid the pandemic's second wave. Airport points-of-sale were hit harder than other locations in which Lagardère Travel Retail operates, such as rail stations and town centres.

The figures below are presented on a like-for-like basis.

In France, the division reported a 71.3% fall in trading, due mainly to the measures restricting international air traffic. Non-airport trading declined to a lesser extent (down 53.6%), with rail traffic (mainly domestic) less affected by the travel restrictions.

Revenue for the EMEA region (excluding France) fell 61.0%. After increasing slightly at the start of the summer compared to second-quarter 2020, passenger traffic was down during August due to the introduction of more stringent travel restrictions in most countries in the region.

North America reported a 69.6% drop in revenue, as passenger traffic remained sluggish due to the lockdown measures put in place in various states to combat the pandemic.

Asia-Pacific revenue was down 66.8%, reflecting stark contrasts across the region. Australia and New Zealand (Pacific region) kept their borders closed during the period, resulting in virtually zero passenger traffic in these countries (revenue down 92.5%). This was partly countered by 35.6% revenue growth in mainland China spurred by increased domestic travel, new store openings and a good online and social media sales performance.

● Other Activities

Revenue for the nine months ended 30 September 2020 totalled €164 million, down 21.5% on a consolidated basis (down 21.1% like for like).

Third-quarter 2020:

Third-quarter 2020 revenue for Other Activities came in at €57 million, down 9.7% on a consolidated basis and down 9.6% like for like.

The figures below are presented on a like-for-like basis.

The third-quarter performance at Lagardère News⁽²⁾ (revenue down 8.7%) was mainly driven by the radio business, which reported 8.5% revenue growth thanks to advertising slots taken up by announcers during the summer.

⁽²⁾ *Paris Match*, *Le Journal du Dimanche*, Europe 1, Virgin Radio, RFM and the Elle brand licence.

In general however, advertisers have been cutting their press advertising budgets, which has taken a toll on the press (down 14.5%) and international licensing (down 28.5%) businesses.

Lagardère Live Entertainment revenue fell 58.7% as health measures severely restricted events at venues.

● Non-retained scope

Revenue for the non-retained scope in the first nine months of 2020 came in at €97 million, down 47.9% on a consolidated basis and down 24.6% like for like. The scope impact relating to the sale of TV Channels in September 2019 and of other digital assets had a negative €58 million impact on revenue.

Third-quarter 2020:

Third-quarter 2020 revenue for the non-retained scope came in at €34 million, down 27.7% on a consolidated basis (down 14.4% like for like).

Lagardère Studios saw its revenue decline 14.4% as a result of lower production activity levels in 2020 owing to Covid-19-related health measures.

II. KEY EVENTS SINCE 30 JULY 2020

17 August 2020: Lagardère SCA announced a new strategic roadmap to adjust to the impacts of the crisis and set up a stabilised and reinforced governance team to implement it. Arnaud Lagardère was re-appointed as Managing Partner for a period of four years, and a Management Board was set up.

31 August 2020: the Supervisory Board of Lagardère SCA co-opted Valérie Bernis as an independent member.

31 August 2020: the Managing Partners and Supervisory Board rejected the joint request by Amber Capital and Vivendi to call an extraordinary general meeting and initiated a dialogue with the shareholders.

14 October 2020: Lagardère SCA welcomed the decision announced by the President of the Paris Commercial Court (*Tribunal de Commerce de Paris*), rejecting the request by Amber Capital and Vivendi to call an extraordinary general meeting and reiterated its desire to engage in a dialogue with the shareholders. Amber Capital and Vivendi have appealed this decision.

15 October 2020: Sophie Stabile was appointed Chief Financial Officer of the Lagardère group.

30 October 2020: the Lagardère group finalised the sale of Lagardère Studios to Mediawan in accordance with the previously-announced terms and conditions.

4 November 2020: Michel Defer, an employee of the Lagardère Publishing division, joined the Supervisory Board of Lagardère SCA as an employee representative member, on appointment by the Group Employees' Committee.

III. COVID-19: OUTLOOK AND LIQUIDITY

In light of the uncertain economic environment due to the pandemic and particularly the difficulty in predicting the conditions in which air travel will resume, the Group confirms that it is withdrawing its recurring EBIT guidance published on 27 February 2020, which was suspended indefinitely on 25 March 2020.

The Company intends to pursue the shareholder dialogue initiated in late August 2020, around the shared aim of ensuring that the Group weathers this unprecedented crisis as well as possible and emerges from it strengthened.

● Lagardère Publishing

The sharp rebound in Lagardère Publishing sales that had been observed in June 2020 as lockdown measures were eased continued throughout the third quarter, albeit at a slightly more moderate pace. This momentum was driven by high-quality publications in the General Literature and Illustrated Books segments, despite a downturn in Education and Partworks, thereby confirming the resilience of Lagardère Publishing's business model. However, the Publishing business will be contending with an unfavourable prior-year comparison basis in fourth-quarter 2020, due to the absence of Asterix album releases (albums are only released every other year). The lockdown measures announced recently in several European countries will also affect sales in France and, to a lesser extent, the United Kingdom.

In light of envisaged cost reductions and a favourable revenue mix, Lagardère Publishing expects the adverse impact on full-year 2020 recurring EBIT to be in the region of 20% to 30% of the decrease in its revenue.

● Lagardère Travel Retail

The second wave of the Covid-19 pandemic has considerably dampened the modest gradual upturn at Lagardère Travel Retail observed at the start of the summer. Revenue in October 2020 is expected to be down around 65% year on year. Trading volumes for the last quarter of the year remain uncertain in light of travel restrictions recently being strengthened by governments as the pandemic spreads once again.

The division is continuing to implement cost cutting measures, with major impacts on rents and payroll costs in particular. These initiatives enable Lagardère Travel Retail to maintain the assumption of an adverse impact on full-year 2020 recurring EBIT in the region of 20% to 25% of the decrease in its 2020 revenue.

Liquidity

At 30 September 2020, the Group's liquidity stood at €1,387 million, comprising €837 million in cash and cash equivalents and an undrawn amount of €550 million on the €1,250 million renewable credit facility granted by a syndicate of the Group's banking partners. The decrease of €84 million compared to end-June 2020 mainly results from a €139 million reduction in outstanding commercial paper.

Note that the Group has been granted a waiver on the covenant (leverage ratio) applicable to its renewable credit facility in December 2020.

IV. APPENDICES

CHANGES IN SCOPE OF CONSOLIDATION AND EXCHANGE RATES

At 30 September 2020:

The difference between consolidated and like-for-like data is attributable to a €11 million negative foreign exchange effect resulting from the depreciation of the Polish zloty, Mexican peso and Czech koruna, as well as to a €10 million positive scope effect, breaking down as:

- a €69 million positive impact from acquisitions, carried out at Lagardère Travel Retail (acquisition of IDF representing a positive €47 million) and at Lagardère Publishing (mainly the acquisition of Le Livre Scolaire representing a positive €11 million and of Blackrock Games representing a positive €4 million);
- a €59 million negative impact from disposals, essentially TV Channels and digital activities within the scope of the Group's strategic refocusing.

Third-quarter 2020:

The difference between consolidated and like-for-like data is attributable to a €21 million negative foreign exchange effect resulting from the depreciation of the US dollar and, to a lesser extent, the Polish zloty, as well as to a €17 million positive scope effect, breaking down as:

- a €25 million positive impact from acquisitions, carried out mainly at Lagardère Travel Retail (acquisition of IDF representing a positive €13 million) and at Lagardère Publishing (acquisition of Le Livre Scolaire representing a positive €10 million and of Blackrock Games representing a positive €2 million);
- a €8 million negative impact from disposals, essentially TV Channels within the scope of the Group's strategic refocusing.

V. GLOSSARY

Lagardère uses alternative performance measures which serve as key indicators of the Group's operating and financial performance. These indicators are tracked by the Management Board in order to assess performance and manage the business, as well as by investors in order to monitor the Group's operating performance, along with the financial metrics defined by the IASB. These indicators are calculated based on accounting items taken from the consolidated financial statements prepared under IFRS and a reconciliation with those items is provided in this press release or in the Third-quarter 2020 Revenue presentation.

➤ **Like-for-like revenue**

Like-for-like revenue is used by the Group to analyse revenue trends excluding the impact of changes in the scope of consolidation and in exchange rates.

The like-for-like change in revenue is calculated by comparing:

- revenue for the period adjusted for companies consolidated for the first time during the period and revenue for the prior-year period adjusted for consolidated companies divested during the period;
- revenue for the prior-year period and revenue for the current period adjusted based on the exchange rates applicable in the prior-year period.

The scope of consolidation comprises all fully-consolidated entities. Additions to the scope of consolidation correspond to business combinations (acquired investments and businesses), and deconsolidations correspond to entities over which the Group has relinquished control (full or partial disposals of investments and businesses, such that the entities concerned are no longer included in the Group's financial statements using the full consolidation method).

The difference between consolidated and like-for-like figures is explained in section IV - Appendices of this press release.

➤ **Recurring EBIT (Group recurring EBIT)**

The Group's main performance indicator is recurring operating profit of fully consolidated companies (recurring EBIT), which is calculated as follows:

Profit before finance costs and tax

Excluding:

- Income (loss) from equity-accounted companies before impairment losses
- Gains (losses) on disposals of assets
- Impairment losses on goodwill, property, plant and equipment, intangible assets and investments in equity-accounted companies
- Net restructuring costs
- Items related to business combinations:
 - Acquisition-related expenses
 - Gains and losses resulting from purchase price adjustments and fair value adjustments due to changes in control
 - Amortisation of acquisition-related intangible assets
- Specific major disputes unrelated to the Group's operating performance
- Items related to leases and finance sub-leases:
 - Cancellation of fixed rental expense^{*} on concession agreements
 - Depreciation of right-of-use assets on concession agreements
 - Gains and losses on lease modifications under concession agreements

^{*} Cancellation of fixed rental expense is equal to the repayment of the lease liability, the associated change in working capital and interest paid in the statement of cash flows.

➤ Flow-through ratio

Flow through is calculated by dividing the change in recurring operating profit of fully-consolidated companies (recurring EBIT) by the change in revenue. This indicator is used by the Group in the context of the Covid-19 pandemic to measure the effect of the decline in revenue on recurring EBIT.

A live webcast of the third-quarter 2020 revenue presentation will be available today at 10:00 a.m. (CET) on the Group's website (www.lagardere.com).

The presentation slides will be made available at the start of the webcast.

A replay of the webcast will be available online later in the afternoon.

Created in 1992, Lagardère is an international group with operations in more than 40 countries worldwide. It employs over 30,000 people and generated revenue of €7,211 million in 2019. In 2018, the Group launched its strategic refocusing around two priority divisions: Lagardère Publishing (Book and e-Publishing, Mobile and Board games) and Lagardère Travel Retail (Travel Essentials, Duty Free & Fashion, Foodservice). The Group's operating assets also include Lagardère News and Lagardère Live Entertainment. Lagardère shares are listed on Euronext Paris.
www.lagardere.com

Important notice:

Some of the statements contained in this document are not historical facts but rather are statements of future expectations and other forward-looking statements that are based on management's beliefs. These statements reflect such views and assumptions prevailing as of the date of the statements and involve known and unknown risks and uncertainties that could cause future results, performance or future events to differ materially from those expressed or implied in such statements.

Please refer to the most recent Universal Registration Document filed in French by Lagardère SCA with the Autorité des marchés financiers for additional information in relation to such factors, risks and uncertainties.

Lagardère SCA has no intention and is under no obligation to update or review the forward-looking statements referred to above. Consequently Lagardère SCA accepts no liability for any consequences arising from the use of any of the above statements.

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