

# CHIEF EXECUTIVE'S REPORT

2020 was a year of both unprecedented challenge and major achievements for RTL Group. We reacted promptly to the worldwide spread of the coronavirus disease, **placing the highest priority on the health of our employees** and on protecting our businesses.

The full-year results for 2020 show that **we managed to strike the right balance** between implementing cost and cash-flow countermeasures, maintaining our market positions and investing in the future of our businesses, in particular in streaming and advertising technology.

Thomas  
RABE

CHIEF EXECUTIVE OFFICER  
RTL GROUP







To keep the management teams across the Group informed during the Covid-19 pandemic, Thomas Rabe held a number of virtual management meetings.



The RTL Group Management Committee successfully steered the Group through unprecedented times. From left to right: Björn Bauer, CFO RTL Group, Elmar Heggen, Deputy CEO and COO RTL Group, Jennifer Mullin, CEO Fremantle, Thomas Rabe, CEO RTL Group, Bernd Reichart, CEO RTL Deutschland, and Nicolas de Tavernost, Chairman of the Executive Board of Groupe M6

## ACHIEVING VALUE FOR THE PUBLIC

At the beginning of March 2020, we registered the first cancellations of advertising bookings, as well as postponements of productions. This trend accelerated with the introduction of wide-ranging lockdown measures across Europe in later March. At this time, we moved to compulsory working-from-home measures, with very few exceptions.

Despite these challenges, our TV channels, radio stations, streaming services and websites continued to operate without interruption, registering significantly higher reach and usage. Throughout the year, RTL provided information and entertainment to millions of people who faced extraordinary disruption to their daily lives. The strong ratings of our news shows and information magazines demonstrated again: when it matters, people turn to TV. And they could rely on the dedication and professionalism of our news teams who covered the crisis from all angles with live broadcasts, specials and documentaries.

I am also pleased we have been running many initiatives such as awareness campaigns for social-distancing measures, thank you messages for the daily heroes of this unique crisis, and economic support for those businesses

hardest hit by it. For example, RTL Nederland offered free advertising to small and medium companies when the country re-opened in May 2020. And the Ad Alliance 'click & collect' campaign in Germany has encouraged consumers to support local retailers and restaurants by buying things online and picking them up.

All employees showed great team spirit and solidarity – physically distant, but in a way closer than ever and cooperating even more. Together, in our response, we were able to confirm the relevance of media, and to contribute to society in a meaningful way.

## DEMONSTRATING RESILIENCE

Following a sharp decline in the second quarter of 2020, we saw a strong rebound in TV advertising in the second half of the year. In the important fourth quarter, TV advertising revenue across the Group was up 2.8 per cent year on year. The pandemic has shown that there is no substitute for TV when it comes to brand building, storytelling in a brand-safe environment and for achieving high reach in a short period of time.



Our full-year revenue decreased by 9.5 per cent to €6.0 billion. With programme cost savings at our broadcasting businesses and production cost savings at Fremantle, we succeeded in offsetting more than 70 per cent of the total revenue decline, on a comparable basis. We did so without cutting into the substance of our businesses or reducing investments in our streaming services. This is reflected in an Adjusted EBITA margin of 14.2 per cent, a net profit of €625 million and an operating cash conversion rate of more than 100 per cent. We continued to outperform our commercial competitors on audience ratings, and grew the number of paying subscribers for our streaming services by 52 per cent. All this demonstrates the resilience of our businesses, and the strength of our management teams, who had to operate under immense pressure, in particular in the months from March to July 2020.

**"WE MANAGED TO STRIKE THE RIGHT BALANCE BETWEEN IMPLEMENTING COST AND CASH FLOW COUNTERMEASURES, MAINTAINING OUR MARKET POSITIONS AND INVESTING IN THE FUTURE OF OUR BUSINESSES."**

— THOMAS RABE

RTL Group ended the year 2020 with net cash of €236 million, and our strong balance sheet has allowed us to return to our stated dividend policy. The proposed dividend of €3.00 per share represents a dividend yield of 8.9 per cent, based on the average share price in 2020.

## CORE STRENGTHENING THE PORTFOLIO

RTL Group's three-priority strategy – core, growth, alliances & partnerships – has remained unchanged. I am very pleased to report that we have made major progress in all three priorities.

We strengthened our portfolio with the full acquisition of RTL Belgium and we recently signed a definitive agreement with Disney to fully acquire Super RTL in Germany. We sold non-core businesses, unlocking significant shareholder value. The disposals of BroadbandTV and iGraal generated capital gains of €158 million in 2020. In February 2021, we announced the sale of our US ad-tech company SpotX to Magnite for US-\$560 million in cash and 14.0 million shares of Magnite stock. Based on the closing price of Magnite stock as of 4 February 2021, the agreement implied an enterprise value for SpotX of US-\$1.17 billion. All disposals are fully in line with our strategy to concentrate on growing our European digital businesses and our global content business, Fremantle.

## GROWTH BOOSTING RTL'S STREAMING SERVICES

We confirm our mid-term targets for the streaming services TV Now in Germany and Videoland in the Netherlands to grow their total number of paying subscribers to between 5 and 7 million, to grow streaming revenue to at least €500 million and to break even by 2025. To reach these goals, our annual content spend in TV Now and Videoland will increase to around €350 million in 2025. The growth in paying subscribers, viewing time and streaming revenue in 2020 is in line with these targets.

## GROWTH TAPPING INTO ADDRESSABLE TV

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In last year's report, I announced we had started a review of our brand architecture, taking into account how profoundly our competitive landscape has changed over the past five to ten years. As this report is published, we are working on implementing a comprehensive redesign and repositioning of the RTL brand. We will sustainably strengthen RTL as the leading European entertainment brand and harmonise the brand architecture across the entire RTL Group – from the corporate brands to the channel and format brands, and across all digital platforms. The focus is on 'one RTL' brand that stands for positive entertainment and independent journalism, as well as inspiration, energy and attitude.

We have planned the roll-out of this transformational project for the second half of 2021, starting with RTL Group and RTL Deutschland, and then gradually across the other European RTL families of channels. As part of the plan, TV Now will become RTL+, a clear statement of our ambition to build national streaming champions.

Strong partnerships are vital for this strategy. In November 2020, Deutsche Telekom and our largest business unit, RTL Deutschland, announced they would extend their cooperation. We integrated our streaming service TV Now Premium within Deutsche Telekom's TV offer, Magenta TV – and have already seen a positive effect on our subscriber numbers as a result. Both companies have also agreed to increase cooperation in advertising technology, advertising sales and content, with a special focus on addressable TV.

Addressable TV (ATV) advertising is one of the biggest growth opportunities for European broadcasters. ATV enables advertisers to continue to make the most of TV for what it has always been best at – creating brand awareness with massive audience reach in a high-quality, brand-safe environment. At the same time, advertisers can use new data-driven capabilities to target audience segments that are more likely to generate a specific business impact and, ultimately, measure that impact. In essence, ATV will grow available inventory, attract new advertisers – for example local and regional advertisers – and achieve higher CPMs (Cost Per Mille).

In Germany alone, the market for addressable TV advertising is expected to grow to more than €500 million by 2025 – with RTL Deutschland taking approximately €200 million of this market.

Advertising technology remains a strategic priority for RTL Group. To transform our business successfully, two factors are particularly important. One is higher reach, in both linear and non-linear TV. The second is better monetisation of our reach, through targeting and personalisation – and this requires state-of-the-art advertising technology and data management. With our European ad-tech companies Smartclip and Yospace, we have made significant progress in building an open European ad-tech platform and tapping into the high-growth market of addressable TV advertising.

**"I EXPRESSED MY CONVICTION THAT PARTNERSHIPS ARE MORE IMPORTANT THAN EVER, ESPECIALLY AFTER THE CORONAVIRUS PANDEMIC."**

— THOMAS RABE



Throughout the pandemic, our audiences could rely on the dedication and professionalism of our news teams who covered the crisis from all angles.

## GROWTH EXPANDING OUR GLOBAL CONTENT BUSINESS

Another growth driver for our business is the rising demand for fresh, exclusive content from both broadcasters and streaming services. 2020 was a challenging year for Fremantle, our global content business, as it had to stop or postpone around 200 productions in spring. By the end of 2020, Fremantle had resumed more than 90 per cent of these productions, and we are confident the company will return to pre-pandemic levels in a short space of time.

Fremantle delivered a total of 54 dramas from 15 territories in 2020 – compared to 53 from 14 territories in 2019. With productions such as *The New Pope* (Sky Italia), *The Investigation* (TV2 in Denmark, HBO in the US, BBC Two in the UK, TV Now in Germany), *We Are Who We Are* (HBO, Sky Italia) and *Deutschland 89* (Amazon Prime), Fremantle has become one of the leading global producers of international scripted series.

Fremantle launched its first high-end documentary – *Expedition Arktis* – which will be rolled out internationally in 2021, and also created one of the most-watched shows globally on Netflix in 2020, *Too Hot To Handle*. All this demonstrates the thriving creative diversity across Fremantle's global footprint – a solid foundation to continue to grow Fremantle, both organically and through targeted acquisitions.

## ALLIANCES & PARTNERSHIPS CONSOLIDATION AND NATIONAL CHAMPIONS

Throughout 2020, I expressed my conviction that partnerships are more important than ever, especially after the coronavirus pandemic.

Our Ad Alliance in Germany reaches nearly 99 per cent of all households. The Bertelsmann Content Alliance in Germany comprises seven Bertelsmann content businesses that invest a total of more than €2 billion in content every year. In 2020, we created a Bertelsmann Content Alliance in the UK and at the beginning of 2021, RTL Deutschland and Gruner + Jahr started a process of exploring closer collaboration.

We believe that there is a strong case for in-country consolidation in the European media industry, in particular in TV. We at RTL will continue to review options for such consolidation and the creation of national champions to compete with the US tech platforms.