C&M ANALYSES

Lagardère

Information Memorandum

September 2018

Contact: M: 06 59 14 05 28 - Email: contact@cm-analyses.com

Notice

This document, which is personal to the recipient, is provided for information purposes only. Recipient in determining whether they wish to get a same kind of memorandum for its project and entering in an contractual agreement with C&M Analyses, represented by Thierry FOGUE.

This document and any further information or opinions made available to you, must be held in confidence. This document must not be copied, reproduced, distributed or passed, in whole or in part, to any other person at any time without the prior consent of C&M Analyses.

This document does not mean to be comprehensive and is based on annual reports.

Financials are presented according to IFRS. While this document has been prepared in good faith no representative or warranty, express or implied, is or will be given or accepted by C&M Analyses or its respective representatives as to the accuracy, completeness or fairness of any information contained in this document an no responsibility or liability whatsoever is accepted for the accuracy or sufficiency thereof or for errors, omissions or misstatements negligent or otherwise, relating there to, in particular, but without limitation, no representation or warranty, expressed or implied, is or will be given or accepted as to the achievement or reasonableness of, and no reliance may be placed for any purpose on the accuracy or completeness of, any estimates, targets projections or forecasts and nothing in this document should be relied upon as a promise or representation as to the future of Lagardère. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these estimates, targets, projections or forecasts, such as, but not limited to the ability to achieve cost savings, exposure to fluctuations in exchange rates for foreign currencies, inflation and adverse economic conditions. In all cases, we advise recipients to do not use only this document for investment purpose. He should conduct their own investigation on analysis the information included in this document. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. C&M Analyses has any obligation to update or otherwise revise this information note or to correct any inaccuracies herein which may indicated, speak as of date hereof.

Nothing in this document constitutes investment advice and any recommendations that may be contained herein have not based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. No responsibility is accepted by C&M Analyses.

C&M ANALYSES

An exceptional strategic opportunity

Transaction perimeter

Lagardère

Scope of transaction

Travel retail	Publishing	Active	Sport
Rev: €3.4Bn	Rev: €2.3Bn	Rev: €0.9Bn	Rev: €0.5Bn

The opportunity

1. Acquisition of 100% of Lagardère together with a long-term distribution with many actors
2. Extension of a distribution agreement to also cover the digital universe
3. An international content publisher for all media with a strong position in France, the UK and in the USA

Key investment highlights

1

- The US and Europe's population and economy are large
- Healthy economic fundamentals
- Unparalleled historical growth

2

- Growth potential in digital products and services
- Stable and prudently supervised media sector
- Travel retail offers a growth potential as middle class emerges in many countries

4

- Adaptability to market changes expected in the coming years
- Strong market position of Hachette Live: #1 in France
- Experienced management team with proven track record

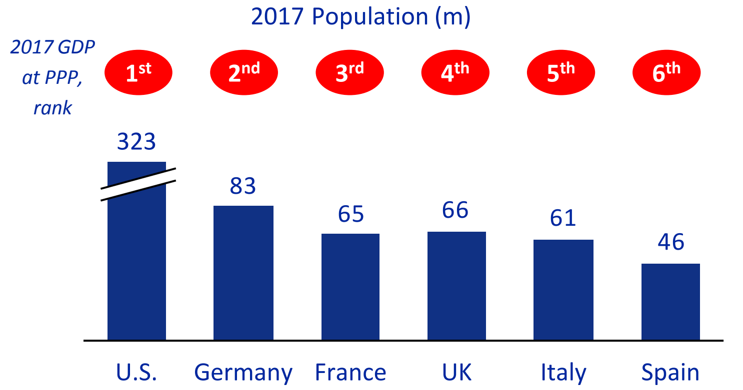
3

- Innovative company focusing its acquisitions on digital technology
- Main markets: France, the US and the UK

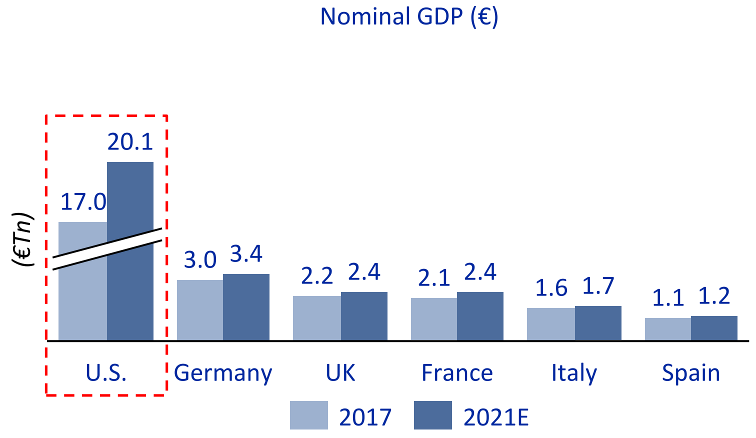
Table of contents

NorAm and Europe present large and attractive economies…

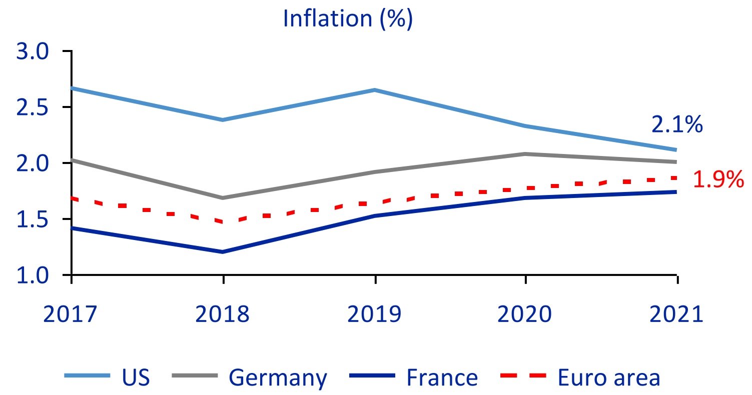
A sizeable market in Europe and NorAm…



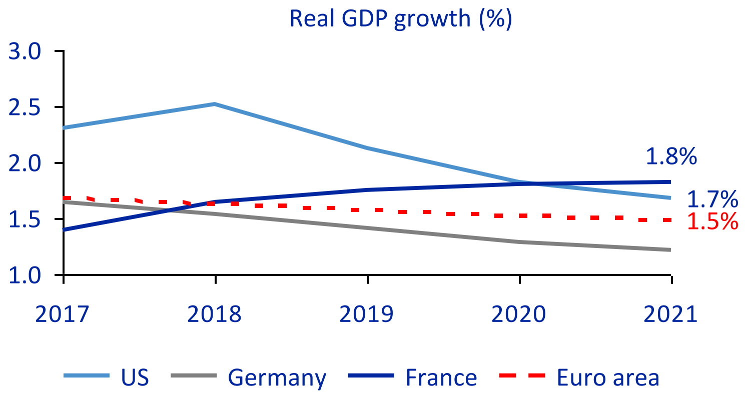
…with the U.S. the largest economy



Healthy economic fundamentals…



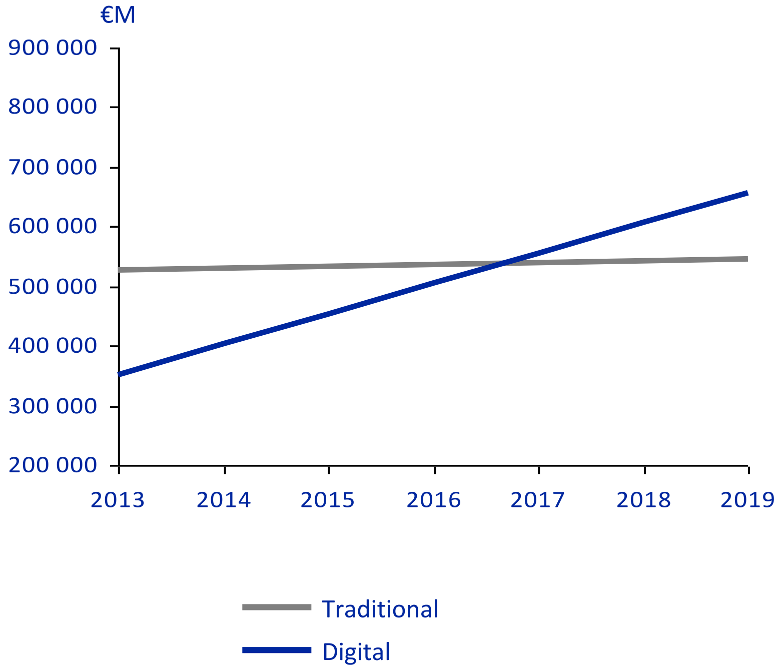
… with satisfactory underlying growth



Source: C&M Analyses, from IMF data as of April 2017

… where Media shows a continuous shift from traditional to digital products and services

Consumer spending: traditional(2) vs digital(1)



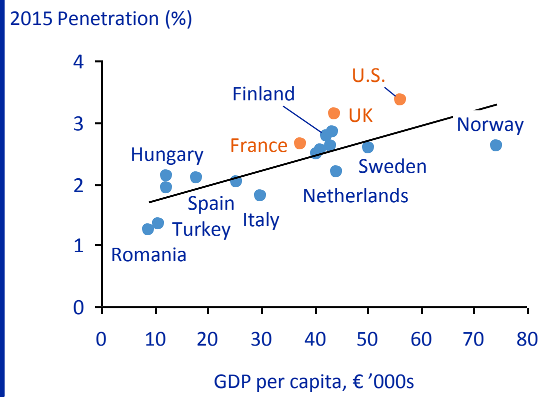
Market driven by Television and Internet

- Media revenues driven by digital adoption
  - Shift from publishing business to video and Internet business
- Focus on the middle classes…
  - Young people adopt rapidly digital behaviours and therefore more open to digital spending
- … But pushing new technology too hard could isolate odder consumers
- A need for understanding how local markets are impacted by the changing leap
- This development creates opportunities for new entrants and traditional players
- Netflix and Verizon: among the top technology-driven platforms

1. Digital consists of spending on broadband, OTT transactional digital video, OTT subscription digital video, digital recorded music downloads, digital recorded music-streaming subscriptions, magazine and newspaper digital circulation, e-books. 2, Traditional consists of spending on pay TV subscriptions, transactional video on demand through TV subscription providers, physical home video sales and rentals, public-service TV and radio broadcasting, physical recorded music festivals, magazine print.
Source: McKinsey & Company – 2013 to 2015, C&M Analysis – projection,

Still growth potential in Media and Travel Retail

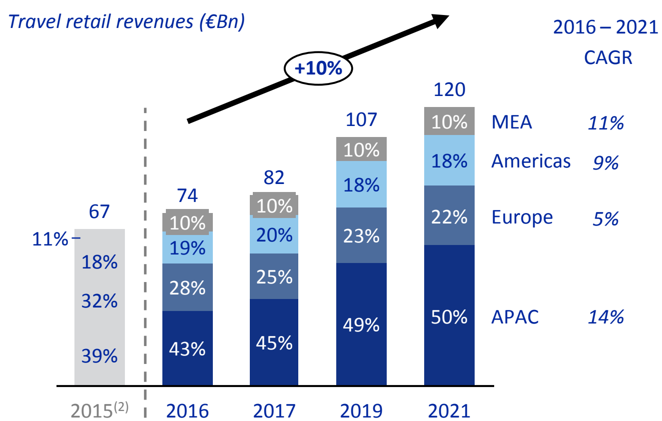
Entertainment and Media[1]



Factors supporting growth potential

- Internet access development: new services proposed by network players
- Increase in the number of mobiles and tablets sold with new applications : demographics make a difference in ownership
- Strong regulatory framework
- Change in behaviour: consumers want more content faster, easier and cheaper

Travel retail



- An increase in the numbers of travellers, specially from Asia Pacific : china is the largest source of outbound tourists
- Emerging middle class in many countries
- Increase in the level of investments in order to optimize the capacity and quality of outlets
- A continuous differentiated product offering such as cigarettes, Skincare and women's fragrances

Source: C&M Analyses. (1) Data from IMF and PwC Global Entertainment and Media Outlook 2016. (2) Data from Fung Business Intelligence Centre - 2015

Table of contents

C&M ANALYSES

Lagardère in a nutshell

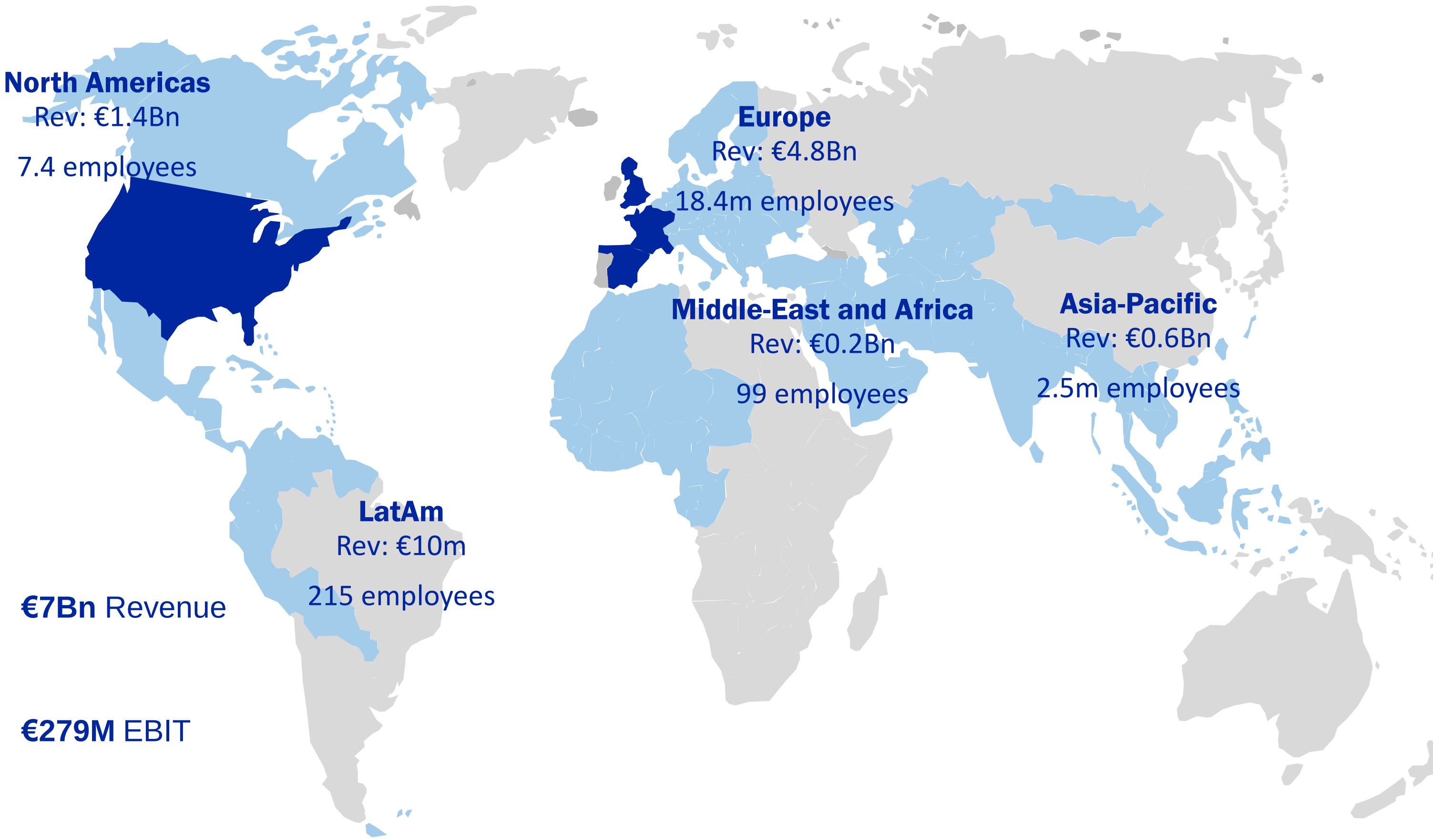
- Lagardère strengths its presence in the North Hemisphere, With a strong interest in digital businesses
- Media innovation is in the Lagardère DNA
- Lagardère aims to excel in digital era by delivering the best client experience
- 4 business divisions with key competitive advantages
- Strong exposure in France, the UK and the U.S.

Lagardère

- Main brands: Hachette, Relay, Elle, Lagardère Sports
- Presence in~40 countries with €7bn in revenue in 2017
- Market capitalization of €3bn(1)
- 10 distribution facilities, 4100 stores, 13 French titles, 80 editions

(1) Market capitalization as of July, 2nd 2018,
Source: Lagardère, Boursorama

Lagardère – a global position with a strong presence in the North Hemisphere



€7Bn Revenue

€279M EBIT

28.6m employees

Main countries

Source: Management

C&M ANALYSES

The Group is facing with rapid changes in customers' consumption habits

	<=12	2013	2014	2015	2016
	(1) Creation of a Sports division in 2007		JV with SAVE – Airest (food service)		
	(2) Growing importance of the Travel Retail business, mainly through acquisitions	(1) Sales of interests in Airbus Group, Canal+ and Aumary groups	(1) 5 acquisitions in Publishing, Services and Active markets (2) 2 disposals o/w 10 magazine publishing title(France)	(1) Disposal of magazine distribution activities	(1) Acquisition of Perseus Book and Neon Play (2) Sale of 51% YenPress, Harlequin, Press distribution businesses
Investment rationale	• (1) External growth allowing a first expertise in marketing of sports rights • (2) Leveraging on footprint in services (ADR Retail's acquisition in 2012)	• Repositioning of Lagardère's businesses in Media	• (1) Customers' base acquisition, mainly in Europe and North America	• (1) Starting of the reduction of its exposure in press market, mainly in the U.S., Switzerland and in Spain	• (1) customer base acquisition • **(2)** Many press businesses were dispensed, highlighting the capacity of the Management to face with a changing environment

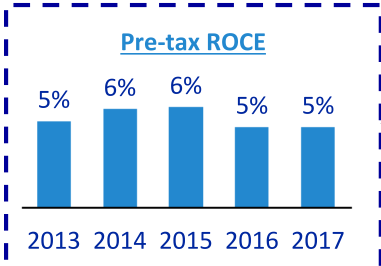
Source: Management

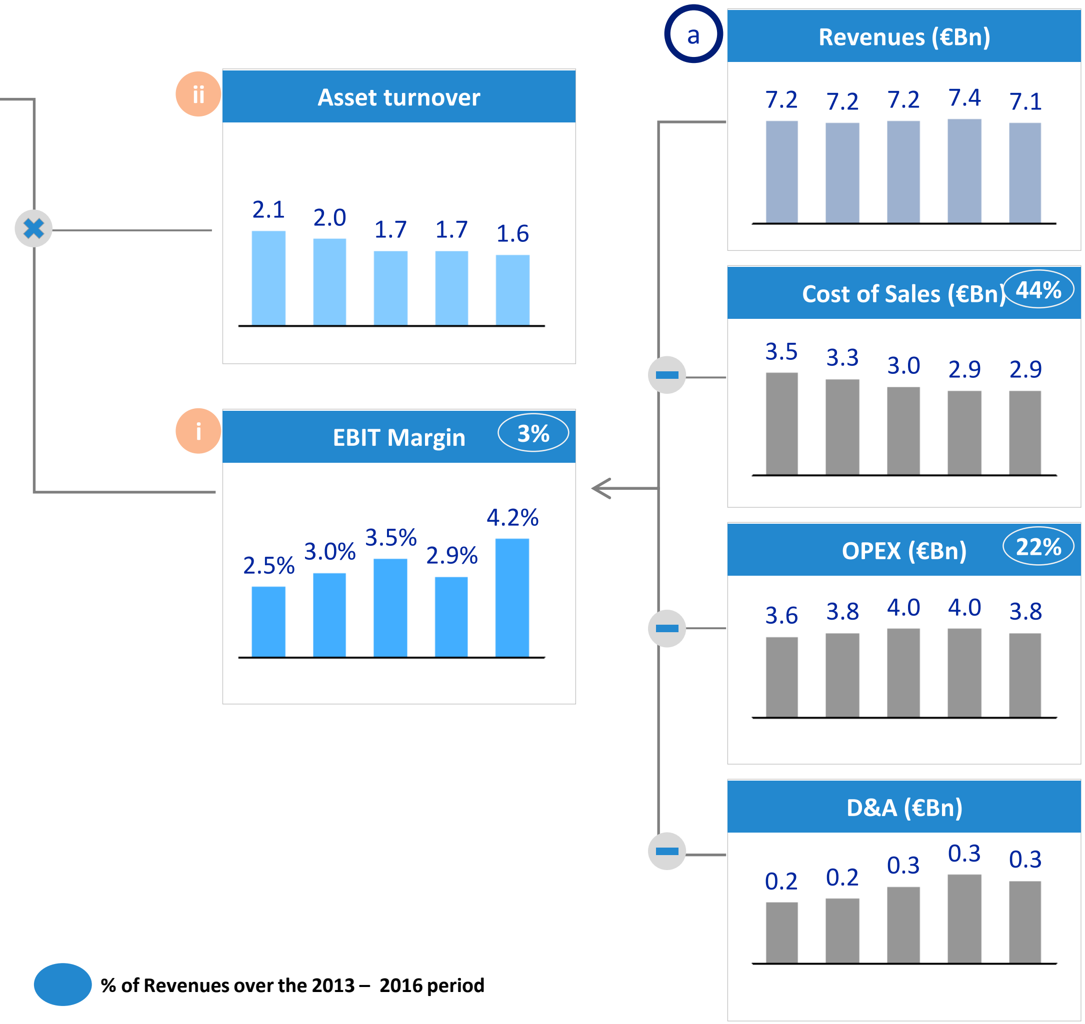
C&M ANALYSES

Table of contents

C&M ANALYSES

On average ~5% Pre-tax ROCE over the last 5 years





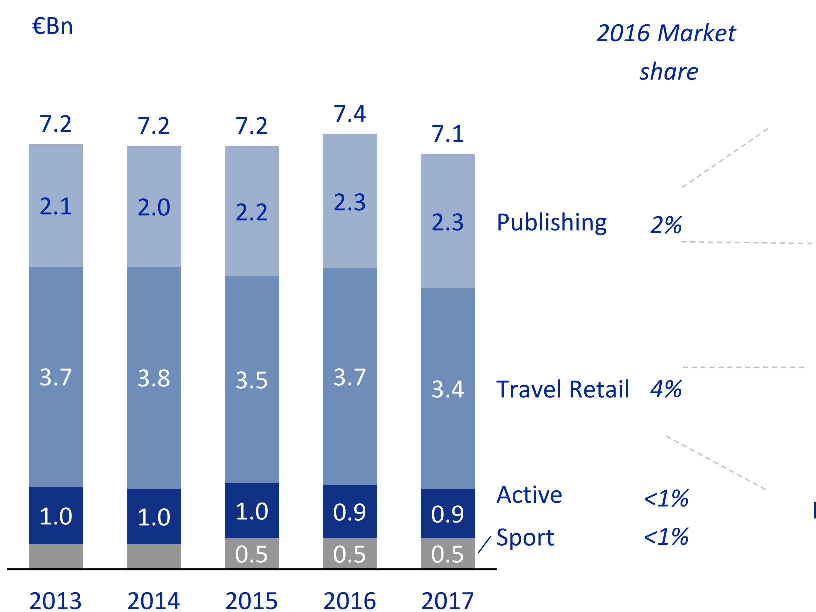
On average 5% Pre-tax ROCE

- i Lagardère has been profitable over the last 5 years with on average 3% EBIT margin limited by market conditions
- Sales' growth is driven by Publishing and Sport businesses
- Decrease in cost of sales thanks to a limited exposure to the traditional market
- ii Decrease in asset turnover due to several disposals of magazine distribution activities

Source: C&M Analyses, from Management

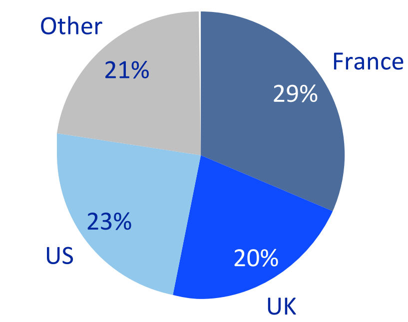
Strong dependence on French, British and American markets

Sales : Stable growth in all segment
Main activities : Publishing and Travel retail



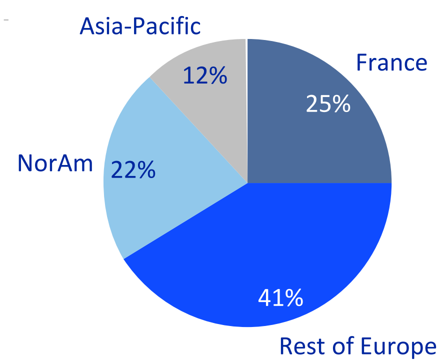
More than 60% of turnover registered in France, in the UK and the US

Zoom on main activities of the Group



2017 Sales: €2.3Bn

- Reduction of Lagardère exposure in Press activities
- Strong position of Hachette Livre worldwide: #1 in France, #4 in the US



2016 Sales: €3.7Bn

- Leading company in Europe with 23% of its turnover in France
- 3 main segments: Travel Essentials, Duty & Fashion, Foodservice

Source: C&M Analyses, from Management

4

C&M ANALYSES

Publishing is the most contributor in profitability with €239M EBITDA

Line of Business	2017 Revenue	Market share[(1)]	2017 EBITDA	Cash-Flow Contrib.	Description
Publishing	Sales: € 2.3Bn *13-17 CAGR: 2.3%*	0.7%	€239M		▪ World's trade book publisher for the general public and educational markets: #1 in France, #2 in the UK, #3 in Spain, #4 in the US ▪ Main product: Hachette Livre ▪ Presence throughout the entire book publishing/distribution value chain
Travel Retail	Sales: €3.4Bn *13-17 CAGR: -2.3%*	5%	€202M		▪ Lagardère is moving up its development by expanding its commercial offering and accelerating its external growth ▪ Disposal of the distribution activities is finished
Active	Sales: €0.9Bn *13-17 CAGR: -3.3%*	0.1%	€85M		▪ Sales impacted by the declining market in Magazine. *Elle* was the only product that registered a slightly growth ▪ More than 76% of revenues were generated in France
Sports	Sales: €0.5Bn *13-17 CAGR: 5%*	0.1%	€100M		▪ The growing and more profitable (20% margin) business of Lagardère ▪ 65% of business were generated by Marketing rights (44%) and TV rights (21%)
Total	Sales: €7.1Bn *13-17 CAGR: -0.6%*	**0.3%**	**€624M**		▪ **Sales around €7.3Bn over the last 5 years with on average 8% EBITDA margin** ▪ **Decrease in market share reflecting the disposal of activities and a difficulty to react quickly in a changing market habits**

Cash Contrib. Limited → Strong

Note: 2017 EBITDA is estimated for each segment due to the missed details of D&A in the 2017 Lagardère's financial results. (1) The figures of market share are estimated.

Source: Management

C&M ANALYSES

SWOT Analysis

Strengthens

- #3 global player in book publishing
- Strong positions in trade retail in transit zones
- Expertise known in sports rights and international football marketing

Weaknesses

- Strong exposition to the advertising market, which is correlated with economic conditions
- Dependence on the sporting calendar and literacy successes

Opportunities

- Nordic area including Denmark, Finland, Norway AND Sweden shows a dynamic digital region with pockets of opportunities

Threats

- Decrease in sales of magazines due to digital development, in France and abroad
- Strong exposure to economic conditions
- Decrease in station attendance due to emerging means for travelling

Source: C&M Analyses

Table of contents

C&M ANALYSES

Conservative assumptions for the business plan

Market & Top Line

- **We expect media and Travel retail markets to grow respectively at c.8% and 10% p.a.**
  - Market penetration rate: 2% in Media and 0.1% in Travel Retail
  - 50% of Media market were concentrated in Active including Broadband, TV and digital advertising and Magazine Publishing
  - 4% nominal GDP growth driven by a fast adoption of digital technology (IMF)
- **Overall market share slightly decreased by 8b.p. to 0,3%, resulting in a top line growth of 2% p.a.**
  - As we believe Lagardère would underperform its total addressable market's growth, market share assumptions are in line with the stagnation in revenues since 2013
  - Acquisitions could be the main source of growth in Publishing and Sport & Entertainment businesses

Profitability

- **EBITDA margin is at c.8% by 2021** (macro-assumption)
  - We assume a conservative EBITDA margin per line of business
  - No detail on the evolution of the operating costs per line of business
- **Pre-tax ROCE at 5.4% by 2021**
  - Increase in NOPAT from €194M in 2017 to €227M in 20121
  - On average asset turnover at 1.7

Financial Structure

- **Solid financial structure**
  - Decrease in gearing from 0.73 in 2016 to 0.5 by 2021
  - Net Debt to EBITDA ratio stands at 2.2 by 2021

Others

- **We exclude production transferred to inventories**
- **We compute D&A per line of business and we maintain the Capex to assets ratio at 6%**

Source: C&M Analyses, from Management

Business Plan Overview

Financial statements M€	2015	2016	2017	2018	2019	2020	2021	CAGR
				YR0	YR1	YR2	YR3	
Revenue	**7 193**	**7 391**	**7 069**	**7 353**	**7 685**	**7 422**	**7 757**	**2.4%**
Total Market share	*0.5%*	*0.4%*	***0.3%***	***0.3%***	***0.3%***	***0.3%***	***0.3%***	
o/w Publishing	2 206	2 264	2 289	2 364	2 478	2 502	2 550	6.2%
o/w Travel Retail	3 510	3 695	3 412	3 637	3 804	3 519	3 732	6%
o/w Active	962	915	872	856	885	879	926	1.2%
o/w Sport & Entertain.	515	517	496	496	519	523	550	7%
Other income from Matra Man.	263	268	262	262	262	262	262	
Gross Profit	**4 554**	**4 865**	**4 433**	**4 600**	**4 796**	**4 641**	**4 839**	
EBITDA	**606**	**636**	**624**	**633**	**667**	**657**	**685**	
Margin (%)	8.1%	8.3%	8,8%	8,6%	8,7%	8,9%	8,8%	
EBIT	**253**	**214**	**296**	**307**	**330**	**335**	**346**	
Working Capital	(156)	(52)	(96)	(100)	(104)	(101)	(105)	
Non-current Assets	4 827	4 490	4 306	4 290	4 286	4 293	4 310	
Capital employed	**4 671**	**4 438**	**4 210**	**4 190**	**4 181**	**4 192**	**4 205**	
ROCE (after tax)	**3.8%**	**3.1%**	**4,6%**	**4,8%**	**5,2%**	**5,2%**	**5,4%**	
ROE	**4.1%**	**2.3%**	**8,0%**	**7,0%**	**7,0%**	**6,5%**	**6,3%**	

Source: C&M Analyses

C&M ANALYSES

Appendix

Business Plan per line of business
Publishing

INPUTS		2013	2014	2015	2016	2017	2018	2019	2020	2021
Volumes & Key ratio drivers										
Revenues		2 093	2 004	2 206	2 264	2 289	2 364	2 478	2 502	2 550
Growth			*-4,3%*	*10,1%*	*2,6%*	*1,1%*	*3,3%*	*4,8%*	*1,0%*	*1,9%*
EBITDA margin	% Sales	11,8%	10,9%	10,3%	10,6%	10,4%	10,5%	10,5%	10,5%	10,5%
D&A ratio	% Sales	1,1%	1,2%	1,2%	1,3%	1,2%	1,2%	1,2%	1,2%	1,2%
Amortization ratio		0,1%	0,1%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%

OUTPUTS (RATIOS)	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROFITABILITY									
Gross margin									
EBITDA margin	11,8%	10,9%	10,3%	10,6%	10,4%	10,5%	10,5%	10,5%	10,5%
EBIT margin	**10,4%**	**8,5%**	**8,6%**	**8,7%**	**8,8%**	**8,8%**	**8,8%**	**8,9%**	**8,8%**

Technical P&L ACCOUNT	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	2 093	2 004	2 206	2 264	2 289	2 364	2 478	2 502	2 550
Other revenues	42	9	10	12	10	10	10	10	10
Total income from ordinary activities	**2 135**	**2 013**	**2 216**	**2 276**	**2 299**	**2 374**	**2 488**	**2 512**	**2 560**
EBITDA	**247**	**219**	**228**	**241**	**239**	**248**	**259**	**262**	**267**
D&A other than on acquisition related intangible assets	(24)	(24)	(27)	(30)	(28)	(29)	(30)	(31)	(31)
Amortization of acquisition related intangible assets	(2)	(3)	(4)	(5)	(7)	(4)	(4)	(4)	(4)
Restructuring costs	(3)	(21)	(8)	(10)	(2)	(7)	(6)	(5)	(6)
EBIT	**218**	**171**	**189**	**196**	**202**	**208**	**219**	**222**	**225**
Check	-	-	-	-					

Source: C&M Analyses forecast

Business Plan per line of business
Travel retail

INPUTS		2013	2014	2015	2016	2017	2018	2019	2020	2021
Volumes & Key ratio drivers										
Revenues		3 745	3 814	3 510	3 695	3 412	3 637	3 804	3 519	3 732
Growth			*1,8%*	*-8,0%*	*5,3%*	*-7,7%*	*6,6%*	*4,6%*	*-7,5%*	*6,0%*
EBITDA margin	% Sales	4,3%	3,6%	5,4%	5,8%	5,9%	5,7%	5,7%	5,8%	5,8%
D&A ratio	% Sales	1,8%	2,0%	2,4%	2,8%	2,6%	2,6%	2,6%	2,6%	2,6%
Amortization ratio		0,4%	1,0%	1,3%	1,9%	1,2%	1,2%	1,2%	1,2%	1,2%

OUTPUTS (RATIOS)	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROFITABILITY									
Gross margin									
EBITDA margin	4,3%	3,6%	5,4%	5,8%	5,9%	5,7%	5,7%	5,8%	5,8%
EBIT margin	**1,9%**	**0,1%**	**1,1%**	**0,2%**	**1,3%**	**1,4%**	**1,5%**	**1,6%**	**1,5%**

Technical P&L ACCOUNT	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues	3 745	3 814	3 510	3 695	3 412	3 637	3 804	3 519	3 732
Other revenues	132	143	132	140	138	138	138	138	138
Total income from ordinary activities	**3 877**	**3 957**	**3 642**	**3 835**	**3 550**	**3 775**	**3 943**	**3 657**	**3 870**
EBITDA	**161**	**136**	**188**	**214**	**202**	**207**	**218**	**204**	**216**
D&A other than on acquisition related intangible assets	(67)	(78)	(84)	(105)	(89)	(95)	(100)	(92)	(98)
Amortization of acquisition related intangible assets	(14)	(39)	(47)	(72)	(60)	(43)	(45)	(41)	(44)
Restructuring costs	(10)	(16)	(19)	(29)	(9)	(19)	(19)	(16)	(18)
EBIT	**70**	**3**	**38**	**8**	**44**	**50**	**55**	**55**	**57**
Check	-	-	-	-					

Source: C&M Analyses forecast

THANK YOU !

Thierry FOGUE

Financial consultant

M : 06 59 14 05 28

E-mail: Thierry.fogue@cm-analyses.com