CECONOMY

Press Release

After a good start into the second quarter, COVID-19 weighs on business, but drives strong online growth

- **Sales and EBIT developed according to plan in the first two months of the quarter; significant decline in the quarter as a whole due to COVID-19 in March**
- **Total sales down 6.6% on a currency and portfolio-adjusted basis, at around €4.6 billion; adjusted EBIT[1] down €157 million to €–131 million**
- **Pure Internet sales nearly doubled in March (+98%)**
- **92% of the stores Group-wide already reopened to date; short-term cost and liquidity measures implemented**
- **CEO Dr Bernhard Düttmann: "2020 remains an exceptional and challenging year as the severity and duration of the crisis are unknown. Nonetheless, it also presents an opportunity to accelerate the Company's transformation."**

Düsseldorf, 14 May 2020 – CECONOMY achieved solid currency- and portfolio-adjusted growth in total sales of +3.7% in January and February 2020. However, due to the interruption of the stationary business as a result of store closures in connection with COVID-19 since mid-March, currency and portfolio-adjusted sales for the second quarter declined by 6.6% overall and amounted to around €4.6 billion. At the same time, CECONOMY managed to nearly double its pure Internet sales in March by posting a 98% increase thanks to early reallocation of resources and concentration of sales activities on the online channel. Total sales adjusted for currency and portfolio effects declined by 3.1% in the first half of the year, supported by an initially expected sales growth until the end of February (+0.9% after currency and portfolio adjustments).

Despite a development in line with expectations in the months of January and February, guidance-relevant adjusted EBIT also declined in the second quarter by €157 million year-on-year to €–131

[1] Adjusted for portfolio changes, earnings effects from associates as well as non-recurring earnings effects in connection with the reorganization and efficiency program; including the effect from the adoption of IFRS 16

million. This is mainly due to the negative sales and margin development resulting from the store closures in connection with COVID-19 in March. On the other hand, initial savings from the recently initiated cost measures in connection with the pandemic had a positive effect. Furthermore, the savings from the reorganization and efficiency program continued to take effect, supporting earnings in the quarter. After developing according to plan in the first five months, adjusted earnings in the first half-year amounted to €159 million, €136 million below the same period of the previous year.

Reopening phase in full progress, cost and liquidity measures implemented

While at times around 87% of all stores had to close in March, CECONOMY has now been able to reopen almost all stores. This currently applies to 92% of the stores Group-wide. "After we were able to noticeably improve our earnings in the first quarter, the second quarter was severely affected by the drastic development of the COVID-19 pandemic and the associated store closures. The reopening phase of the stationary business is an important step towards normality for us, while protecting the health of customers and employees remains our top priority. 2020 remains an exceptional and challenging year as the severity and duration of the crisis are unknown. Nonetheless, it also presents an opportunity to accelerate the Company's transformation," said Dr Bernhard Düttmann, CEO of CECONOMY AG.

In order to mitigate the impact of the COVID-19 pandemic on earnings and liquidity, CECONOMY had previously taken comprehensive short-term measures. These included the introduction of short-time work, deferral of tax payments, suspension of rental payments and investments, and a voluntary waiver of salaries by the Management Board, senior managers and employees of the Group.

"At the same time, we increased our existing loan agreements as a precautionary measure with the conclusion of the new syndicated loan and thereby ensured the Company's financial flexibility in these unpredictable times," said Karin Sonnenmoser, CFO of CECONOMY AG.

Closures slow down stationary sales, online sales record strong growth, Services & Solutions on previous year's level

Second quarter sales in the regions showed a mixed picture, which is also due to the different extent and heterogeneous start of the temporary store closures in connection with COVID-19 in the various countries. Sales in the **DACH** region adjusted for currency and portfolio effects were 6.0% below last year's figure. This was due to the extensive store closures in Germany, Austria and Switzerland in March. Hungary continued to develop strongly. The store closures in **Western and Southern Europe** in Italy and Spain in March had a significant negative impact on sales in the second quarter. In contrast, business in the Netherlands remained stable. Overall, sales adjusted for currency and portfolio effects decreased by 8.7%. **Eastern Europe** remained nearly stable at –0.2% adjusted for currency effects. Turkey achieved solid double-digit growth despite store closures at the end of March. In Poland, sales continued to decline as a consequence of the early store closures, while the first two months of the quarter initially showed a trend improvement.

The **online business** benefited from the reallocation of resources and the concentration of sales activities on the online channel in the last weeks of the quarter. Pure online sales excluding pick-up and shipment-from-store increased by 98% in March and even accelerated further in April by posting an increase of around 300%. Compared to the previous year, online sales in the second quarter increased by 22.9% (excluding MediaMarkt Greece: 23.7%) to €859 million and contributed 18.6% to total sales. The **Services & Solutions** business initially recorded double-digit growth in January and February. For the second quarter as a whole, Services & Solutions sales remained nearly stable with –1.0% (excluding MediaMarkt Greece: –0.4%) at €279 million, which equates to 6.0% of total sales. The brokerage of extended warranties and insurance policies developed positively, while the other Services & Solutions categories, such as repairs at the Smartbars, were impacted by the store closures in March.

Earnings influenced by sales and margin development

The gross margin for the quarter as a whole declined by 2.3 percentage points following a trend improvement in January and February. This was mainly due to sales channel and product mix effects and higher delivery costs resulting from the strong growth in online business in March, as well as lower income from Services & Solutions in March than in the previous months of the year.

Adjusted EBIT developed differently in the various regions in the second quarter, as did sales. In the **DACH** segment, adjusted earnings decreased by €100 million to €–53 million. In Germany, adjusted earnings declined sharply due to the negative sales and margin development in March in connection with COVID-19. This was offset by lower material and personnel costs and initial savings from the measures taken to mitigate the effects of COVID-19, although short-time work in Germany and Austria will not affect earnings until April. Earnings also fell slightly in Austria, while earnings developed slightly positively compared to the previous year in Switzerland and Hungary. **Western and Southern Europe** recorded a decline in adjusted earnings of €34 million to €–33 million. This development was sales and margin-related in Spain and Italy due to COVID-19. Earnings also continued to decline in the Netherlands. In **Eastern Europe**, EBIT fell by €20 million to €–24 million, caused by a continuing earnings weakness in Poland, which exacerbated further in March due to the corona pandemic.

Reported EBIT in the second quarter was negatively impacted by an impairment of the investment in Fnac Darty S.A. of around €268 million. **Earnings before taxes** deteriorated from €33 million in the previous year to €–391 million, while the **profit for the period** fell from €20 million to €–309 million. **Earnings per share** came in at €–0.81 (Q2 2018/19: €0.08).

Outlook for the full year

CECONOMY initially withdrew its outlook for the current financial year on 18 March 2020 due to the effects of COVID-19 on the operating business. However, in view of the current uncertainties, particularly with regard to the further course of the corona pandemic and the associated duration of the closures of the stationary stores as well as the duration of the start-up phase and customer behaviour after reopening, the effects on the Company's business for the full year 2019/20 can only be predicted to a limited extent at present.

CECONOMY

Press Release

Against this backdrop, for financial year 2019/20 CECONOMY now expects a decline in total sales adjusted for exchange rate effects compared to the previous year. In addition, CECONOMY expects EBIT to decline significantly, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect between €5 million to €15 million due to the introduction of IFRS 16. The outlook is adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019 are not included.

About CECONOMY

CECONOMY AG empowers life in the digital world. It is leading for concepts and brands in the field of consumer electronics. The companies in the current CECONOMY portfolio have billions of consumer contacts per year and provide products, services and solutions that make life in the digital world easy and enjoyable, creating value for consumers and shareholders alike.

Press contact

Dr Lutz Golsch
+49 173 6517710
lutz.golsch@ceconomy.de