

CECONOMY AG

# CECONOMY

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## **CECONOMY AG: Preliminary results in the third quarter above expectations; update of the outlook for financial year 2019/20**

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### **Preliminary business development in the third quarter 2019/20**

Following the extensive store closures throughout Europe to contain the spread of the coronavirus ("COVID-19"), which had a noticeable impact on the business of CECONOMY AG ("CECONOMY") in March and April, the company recorded significant growth again as a result of the gradual reopening of stores in May and June. This gradual business recovery is already reflected in the preliminary results for the third quarter 2019/20, which are above previous expectations.

Based on preliminary results, CECONOMY expects sales adjusted for currency effects and portfolio changes to decline by approx. 8.4 per cent in the third quarter 2019/20. This sales development is to be understood exclusively as a direct effect of the COVID-19 pandemic, which has severely affected CECONOMY's stationary business due to the closure of the majority of its stores in April. The strong growth of the online business could only partially offset the loss of stationary sales in April. As a result, the individual month of April posted a sales decline adjusted for currency effects and portfolio changes of around 43 per cent year-on-year. With the gradual reopening of stores in all countries except Turkey in May, CECONOMY again returned to positive growth in sales adjusted for currency effects and portfolio changes of around 3 per cent despite restrictions such as floor space, which even accelerated further in June to around 12 per cent.

Furthermore, for the third quarter 2019/20 CECONOMY expects adjusted Group EBIT to be at the same level as last year (comparative previous-year figure: €-43 million), not taking into account the earnings effects from companies accounted for using the equity method. Earnings were positively impacted in particular by savings from the initiated COVID-19 cost measures as well as the sales growth in May and June. This was offset by the negative sales development of the stationary business due to the corona-related closures in April coupled with a negative margin development for the quarter as a whole, which is mainly attributable to channel and product mix effects, higher delivery costs resulting from the strong growth in the online business and lower income from Services & Solutions, whereby a monthly trend improvement in the gross margin was recorded. In view of various uncertainties, particularly with regard to the further developments of the COVID-19 pandemic and the duration of the start-up phase and customer behaviour after reopening, CECONOMY had previously expected a decline in adjusted Group EBIT for the third quarter of 2019/20.

### **Outlook for financial year 2019/20**

Based on the preliminary business development of the first nine months as well as the current state of knowledge, the Management Board of CECONOMY can now further specify the most relevant key figures for financial year 2019/20. The forecast is based on the assumption that there will be no further restrictions due to the COVID-19 pandemic in the remaining months of the financial year that will impact the business once again. Based on the recovery during the third quarter, for full year 2019/20 CECONOMY now expects only a slight decline of total sales adjusted for currency effects compared to the previous year. In addition, CECONOMY expects an EBIT for financial year 2019/20 between €165 million and €185 million, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect of between €5 million and €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.

Overall, CECONOMY is continuously reassessing the situation surrounding the COVID-19 pandemic and is pushing ahead with the further development and implementation of strategic initiatives and centralization measures.

All figures and statements reported herein are preliminary and unaudited. Full financial disclosure of the results for the third quarter 2019/20 will be published on 13 August 2020 at 07:00 am CEST.

Financial ratios: Further background regarding the financial ratios referred to may be found on pages 52 to 55 of the annual report for financial year 2018/19 published on the company's homepage, accessible via the following link:

[https://www.ceconomy.de/media/ceconomy\\_annual\\_report\\_2018\\_19.pdf](https://www.ceconomy.de/media/ceconomy_annual_report_2018_19.pdf)

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