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CECONOMY and Convergenta reorganize their shareholdings in MediaMarktSaturn to unlock significant value creation potential

- CECONOMY to acquire 21.62% stake in MediaMarktSaturn from Convergenta by way of contribution-in-kind
- Convergenta will roll up and become anchor shareholder of CECONOMY
- Unlocking value creation potential leads to EPS accretive transaction from year 1
- Solution permits simplification of corporate structure, enabling full focus on operational business
- Tailored financing via mix of new shares and convertible bonds as well as limited cash
- Transaction subject to approval by CECONOMY shareholders at AGM in February 2021; existing anchor shareholders support the transaction

Düsseldorf, 14 December 2020 – CECONOMY AG ("CECONOMY") and Convergenta Invest GmbH ("Convergenta"), an investment company owned by the Kellerhals family, have agreed on the reorganization of their shareholdings in Media-Saturn-Holding GmbH ("MediaMarktSaturn") in order to simplify the ownership structure and thereby unlock significant value creation potential. After intensive discussions, an agreement in this regard was signed today. On that basis, CECONOMY will acquire the entire 21.62% minority stake in MediaMarktSaturn held by Convergenta. In return, Convergenta swaps its stake in MediaMarktSaturn for a shareholding in CECONOMY and will thereby become a new anchor shareholder. CECONOMY's consideration will comprise a mixture of new ordinary shares and convertible bonds, as well as a limited amount of cash.

"The reorganization of the shareholding enables us to fully focus on our core operations and strategy implementation", says Bernhard Düttmann, CEO of CECONOMY. "We can simplify the governance structure of MediaMarktSaturn and optimize decision-making processes. At the same time, we unlock a significant value creation potential. We will be delighted to welcome the Kellerhals family as a main shareholder of CECONOMY after approval by our shareholders at the Annual General Meeting."

Investor News

Simplifying the corporate governance and unifying shareholding

With the simplified corporate structure, MediaMarktSaturn becomes a wholly-owned subsidiary of CECONOMY and Convergenta will be a regular shareholder of CECONOMY alike the existing CECONOMY shareholders. This does not only reduce complexity and improve processes, but also demonstrates the common interests of all shareholders to participate in the further successful development of the CECONOMY group. Post-closing, Convergenta will hold an approximately 25.9% stake in CECONOMY, which could be increased further via conversion of the new convertible bonds. Convergenta's intention is to be a long-term shareholder with a stake of up to 29.9%. The major part of the CECONOMY shares received by Convergenta will be subject to a lock-up period of six months from the date of closing, at the latest until 31 December 2021.

“Following constructive discussions with CECONOMY, we look forward to becoming an anchor shareholder of the company. With our significant stake in the group's parent company, we will remain closely associated with MediaMarktSaturn. In the medium term, we aim to promote the transformation of the company and support its sustainable development through representation on the Supervisory Board. We are pursuing ambitious goals and will create sustainable added value for all shareholders, employees and customers of the CECONOMY group”, says Jürgen Kellerhals.

Unlocking significant value creation potential leads to EPS accretion from year one

Following the transaction, a further integration of MediaMarktSaturn shall be pursued in order to establish a tax unity, unlocking significant value creation potential. The largest part of this value creation potential will come from existing tax-loss carry-forwards at CECONOMY level with a total amount of around 1.2 €bn (for corporate and trade tax each), which will become useable in this new structure. In addition, there will be further tax optimization potential through deductibility of CECONOMY holding costs and minor cost savings at holding levels. On that basis, the company expects the transaction to be EPS accretive from year one on a fully diluted basis.

Key contributing factors are tax savings from the use of tax-loss carry-forwards and structural optimization, leading to estimated average tax savings of around 50 €m per annum over the next three years. Depending on the future development of earnings, the tax benefits will even increase in subsequent years. In total, the value potential from tax-loss carry-forwards amounts to around 360 €m. In addition, the company targets annual cost savings at holding levels of around 4 €m. Finally, with MediaMarktSaturn as a wholly-owned subsidiary, CECONOMY will recognize Convergenta's share of net income in the majority shareholder's profit or loss, which is estimated to be more than 50 €m per annum. There will be limited one-off implementation and financing costs to achieve those effects.

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Tailored financing via mix of shares and convertible bonds as well as limited cash

The total consideration to be paid by CECONOMY for the 21.62% stake in MediaMarktSaturn will be 125.8m new CECONOMY ordinary shares plus convertible bonds in the nominal amount of 151 €m (issue price: 160 €m) with a term of five years and a 30% conversion premium initially convertible into up to around 27.9m CECONOMY ordinary shares, as well as a cash payment of 130 €m to be paid in two tranches, of which 80 €m will be payable upon closing, the remainder at the latest by end of 2023. Based on the 3-months VWAP of the CECONOMY shares of 4.17 €, the total consideration adds up to around 815 €m.

“The structure is designed to limit the cash-out and debt, thereby complying with our conservative financing strategy”, says Karin Sonnenmoser, CFO of CECONOMY. “The solution demonstrates Convergenta’s belief in our strategy and earnings improvement potential.”

Clear process involving CECONOMY shareholders

The capital increase with a contribution-in-kind and issuance of the convertible bonds, both excluding statutory subscription rights of CECONOMY’s existing shareholders, will be put to vote at the CECONOMY Annual General Meeting on 17 February 2021. The existing CECONOMY anchor shareholders, namely Haniel, Meridian Stiftung, freenet and Beisheim have separately expressed vis-à-vis the company that they will support the transaction. Subject to approval from CECONOMY’s shareholders and the detailed legal process inter alia regarding the registration of the capital increase, closing is expected at the earliest by end of Q1 2021.

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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.

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