

CECONOMY

We empower life in the digital world

CECONOMY

“Road(show) to Independence”

June/July 2017

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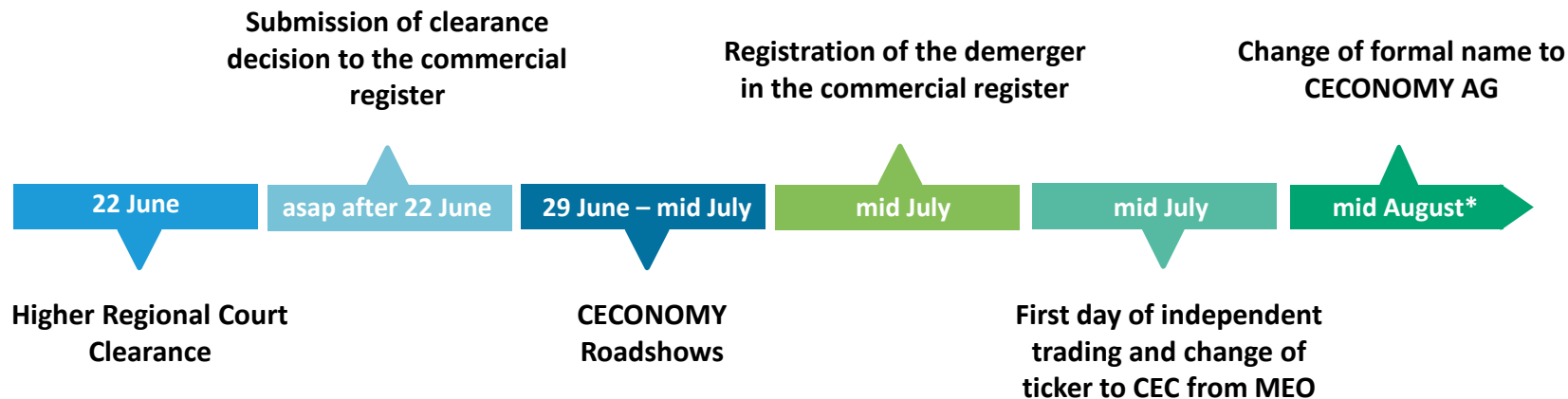
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Creating a focused “Consumer Electronics platform”



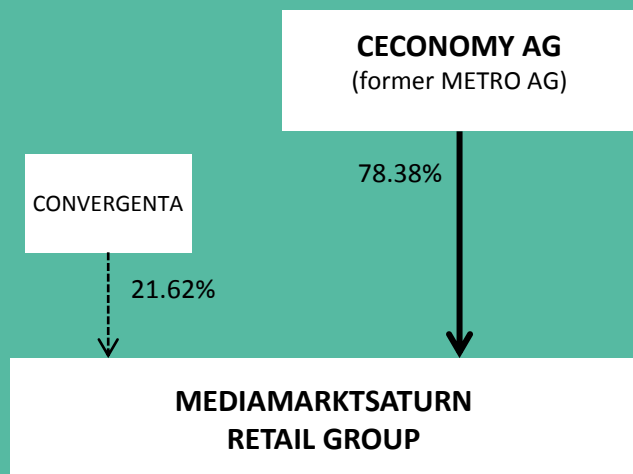
Demerger of METRO GROUP to be completed mid-July



Higher Regional Court in Duesseldorf ruled that actions for rescission or annulment raised by few shareholders are **unfounded** and **do not preclude the demerger implementation** (= “Freigabe”)

Registration is expected to be performed shortly since all legal counter-arguments have been ruled out by the Higher Regional Court

UPDATE ON THE CORPORATE GOVERNANCE SITUATION OF MEDIAMARKTSATURN RETAIL GROUP



STATUS UPDATE “MMS MINORITY SHAREHOLDER KELLERHALS”

- // **CECONOMY has full strategic freedom.** Mr. Kellerhals is an ordinary shareholder with only a negligible number of shares in CECONOMY
- // **CECONOMY controls MediaMarktSaturn Retail Group.** We can strategically and operationally act based on the clear governance that has been confirmed by multiple court decisions also by the Federal Court of Justice (*Bundesgerichtshof*)
- // Latest move of Kellerhals through his negligible shareholding in METRO AG is an **attempt to disrupt a major structural transaction of its fellow shareholder**, i.e. the ongoing demerger, through legal action at the level of METRO/CECONOMY

➤ **Relationship between CECONOMY and the minority shareholder of MMS Retail Group is considered as shattered with irreconcilable differences by both parties. We continue to assess possible solutions.**

CECONOMY point of departure

- // Largest Consumer Electronics player in Europe
- // €22bn of sales and >€700m of EBITDA
- // €2bn online sales and >€1.3bn of sales in services and solutions
- // 2 strong brands: MediaMarkt and Saturn
- // Leading market position in 9 European countries
- // 1,000+ store network, fully multi-channel enabled and digitalised
- // 65,000 employees across Europe
- // Net cash in excess of €700m
- // Investment grade rating confirmed: Baa3/Stable (Moody's), BBB-/Stable (Scope)

€22bn

Sales

€719m

EBITDA

€2bn

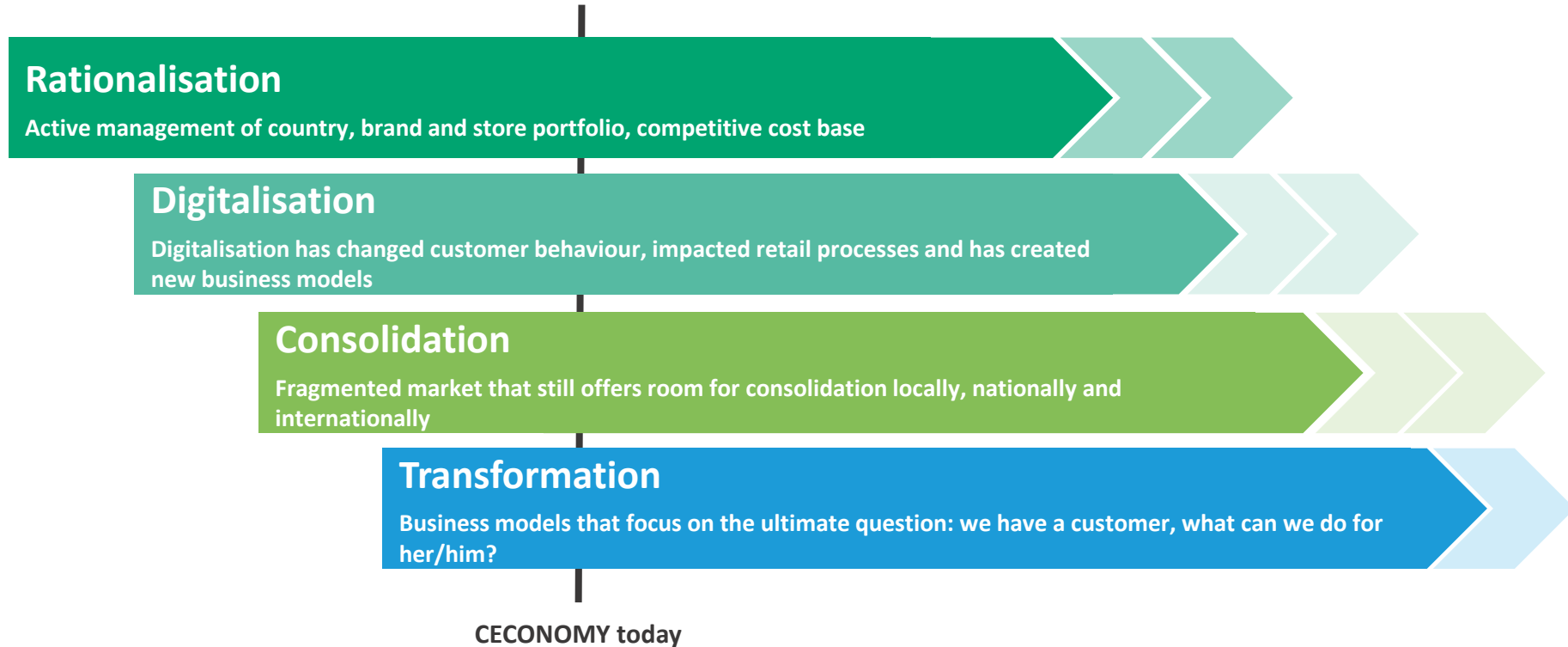
Online Sales

€1.3bn

Services & Solutions Sales

Note: All figures before special items and based on 2015/16 results

CECONOMY is ready for independence and well progressing in the different change phases in the Consumer Electronics space

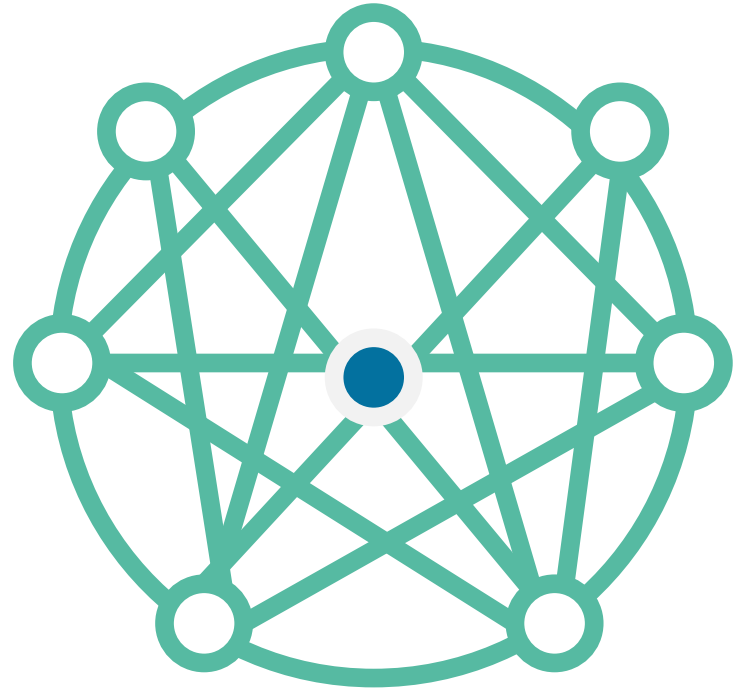


CECONOMY is a Consumer Electronics platform

CECONOMY acts as a **platform** that brings together various **businesses, concepts, formats** and **brands** active in the **area of Consumer Electronics**

All these activities are based on a **customer community monetisation business model**

Our goal is to increase the **relevance of our businesses, concepts, formats and brands** by **providing solutions** that empower and **support people** in their day-to-day digital life









CECONOMY's overall mid-term ambitions

CORE METRICS

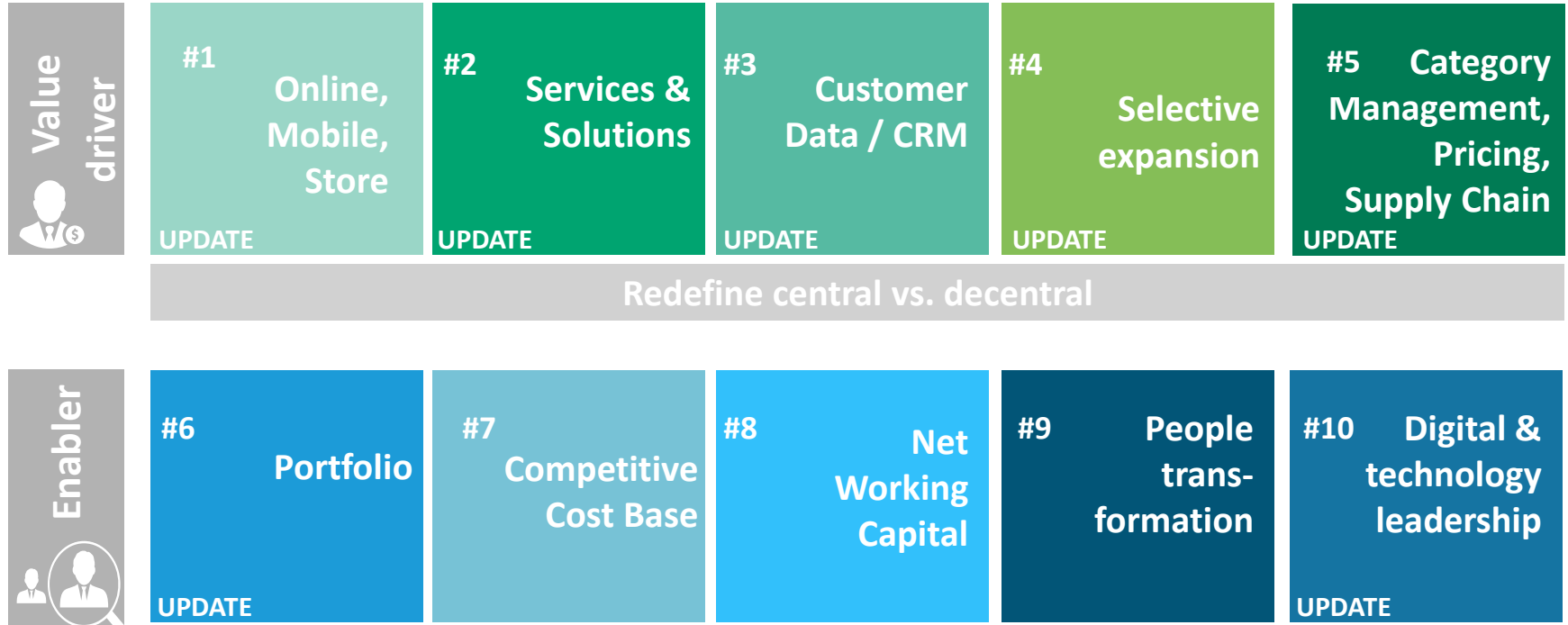
2015/16

MID-TERM AMBITIONS

Sales ¹	€22bn		> 3% CAGR
EBITDA Margin ²	3.3%		direction 5%
Tax Rate ²	49%		direction 40%
Investments ³	1.5% ⁶ of sales (2.0% of sales incl. DSL)		1.5% of sales
FCF Conversion ⁴	44%		60 – 70%
Dividend	N.M.		45 – 55% % of EPS ⁵

¹ At constant currency before portfolio effects. CAGR = Compound Annual Growth Rate. ² Before special items. ³ Cash investments. ⁴ Free Cash Flow conversion defined as EBITDA less cash investments plus/minus changes in net working capital divided by EBITDA; 2015/16 EBITDA before special items, based on reported segment investments and adjusted for changes in net working capital. ⁵ Reported earnings per share. ⁶ Adjusted for one-time investment in Digital Shelf Labels (DSLs).

Key value drivers and enablers



Why invest in CECONOMY?

#1

CECONOMY LEADS THE CONSOLIDATION AND TRANSFORMATION IN A DYNAMIC RETAIL CATEGORY

#2

CECONOMY IS THE LEADER IN MULTI-CHANNEL AND SCALE

#3

CECONOMY HAS A STRONG FINANCIAL PROFILE

#4

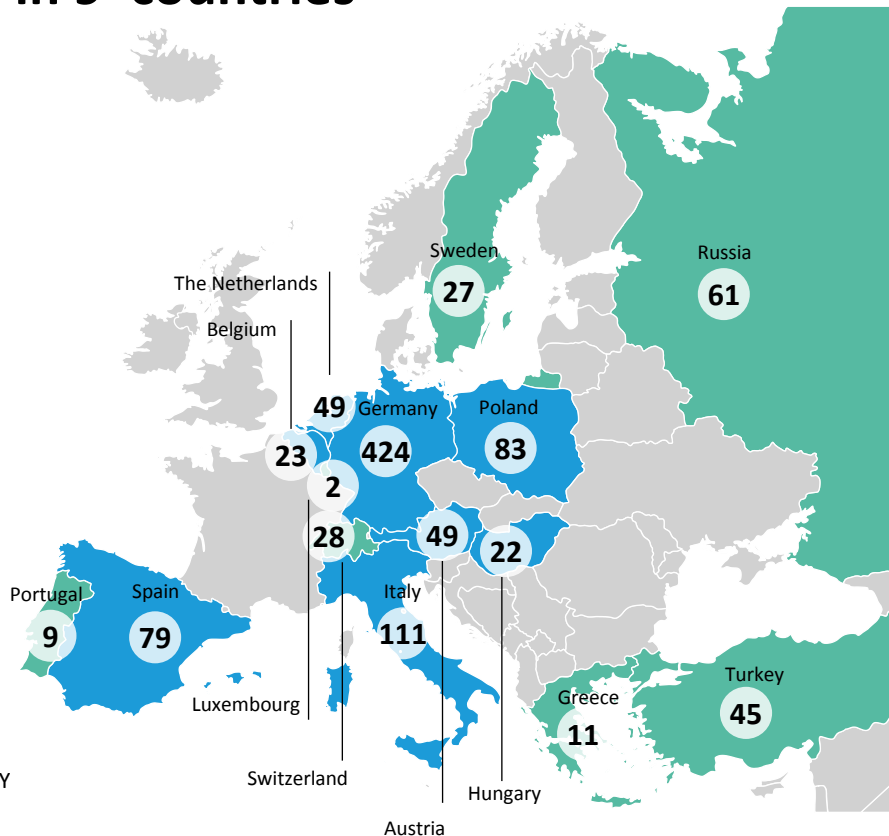
CECONOMY HAS THE POTENTIAL TO INCREASE MARGINS AND FREE CASH FLOW GENERATION

//

CECONOMY Point of Departure

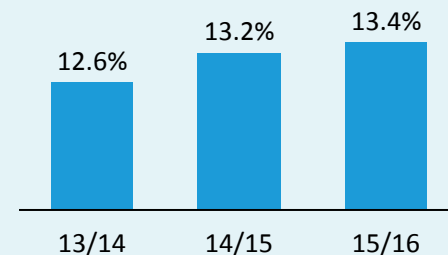
The largest Consumer Electronics Player in Europe with #1 positions in 9 countries

**DIVERSIFIED EXPOSURE
WITH 1,023 STORES &
WEBSHOPS ACROSS 15 COUNTRIES IN EUROPE**



- #1 market position of CECONOMY
- Other market position of CECONOMY
- # of stores

FACT BOX Market shares

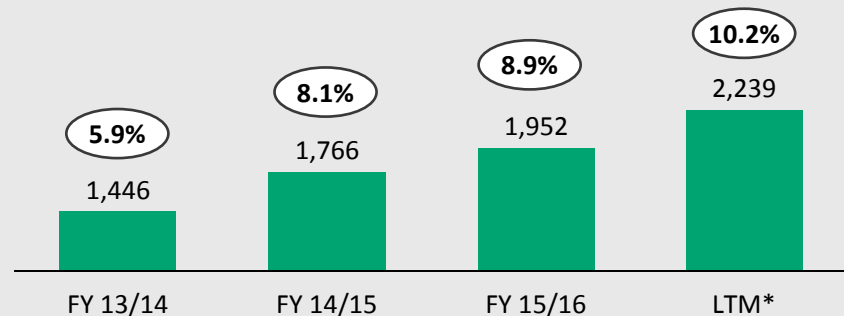


**CECONOMY is
leading in Europe at
an all-time high
market share**

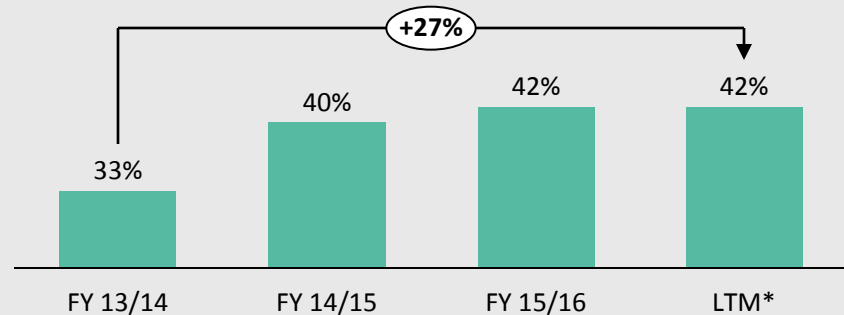
Source: Overview of store network (FY 15/16A); Own METRO analysis based on market research data by GfK. Panel data for consumer electronics based on retail panel as of September 2016.

One of the leading multi-channel players in Europe

Online Generated Sales (in € million & total sales share)



Pick-up rate (in % of online orders)



*LTM = Last 12 months up to March 2017.

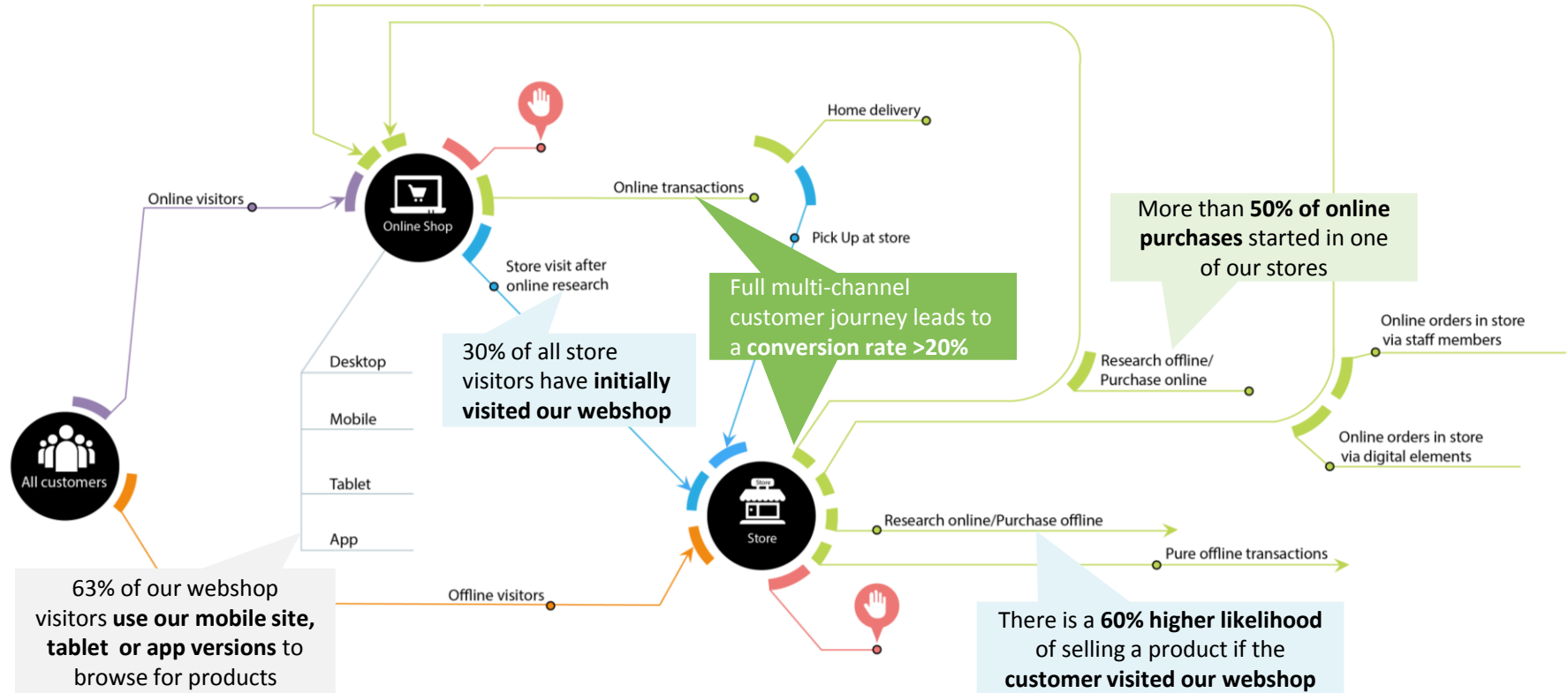
CECONOMY's multi-channel offering

- // Total online sales of more than EUR **2.2 billion LTM**
- // Around **300,000 SKUs online**
- // Best-in-class integration of **store/online/mobile** channels
- // **3.2 million online visitors** per day (FY 15/16)
- // Wide range of delivery services, including **express and same-day delivery**
- // Unmatched **pick-up option** (> 40% of online orders)
- // Product **in-store availability** can be checked online



CECONOMY focuses on a winning multi-channel model with further strong growth prospects

Multi-channel offering is a clear USP for CECONOMY – Customers act “multi-channel” & channels benefit each other

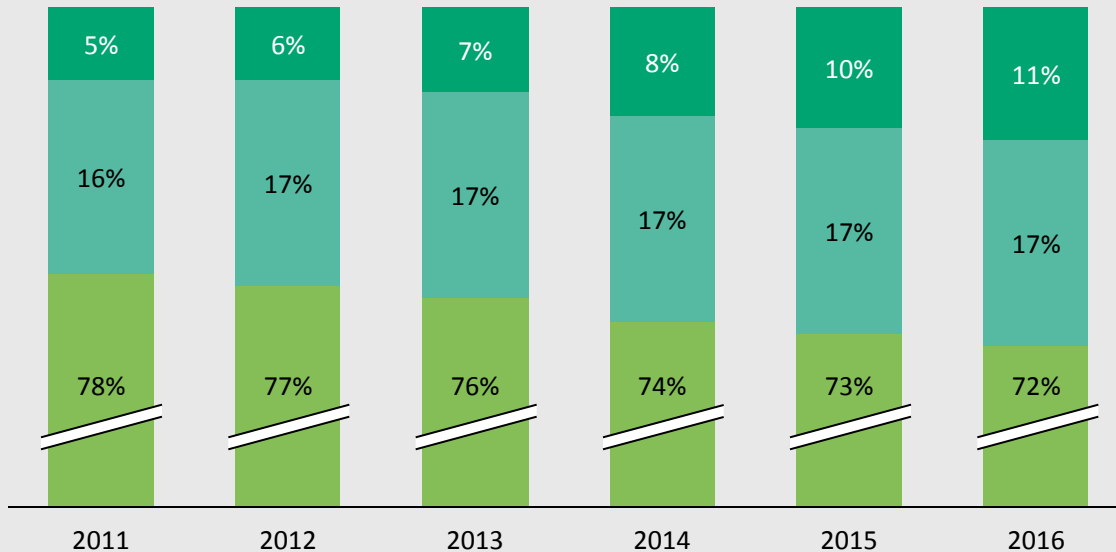


Source: EHI / MMS Market Research / Google Analytics / Store Counter. Numbers from: MediaMarkt Germany / April 2017 – based on all customers = 1,000.

Multi-channel is the winning model

Where do German consumers buy CE products?

Sales share in Germany (in %)



**Multi-channel offering
with increasing relevance
for consumers**

Source: GfK Handelspanel in BVT Fakten 2017.

The store network is an asset again and integral part of CECONOMY's multi-channel and services strategy

Advantages of CECONOMY's strong physical presence



Offering customers **tangible product experiences**



Showroom for exclusive and high-end products offering suppliers **visibility of brands**



Instant in-store repairs of mobile devices



Personal contact and **personalised customer service**



Delivery hubs & pick-up places/return points for online orders

FACT BOX

Store visitors (FY 15/16)

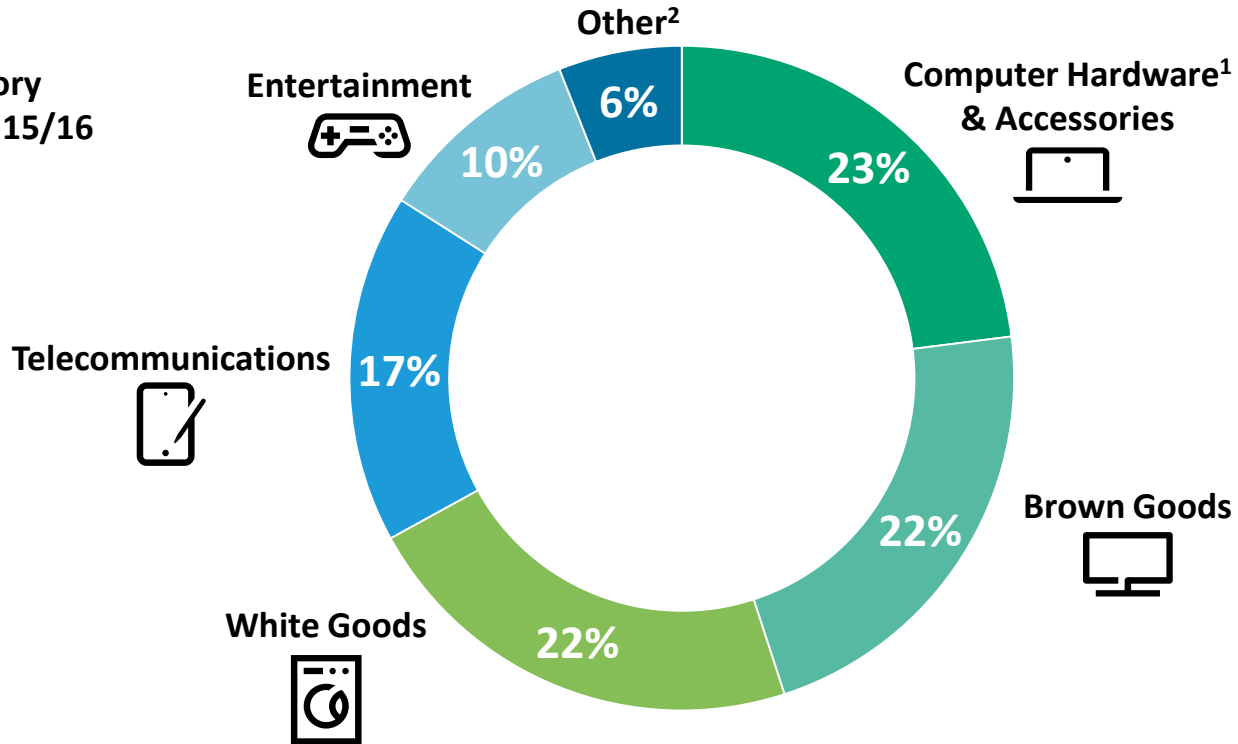
2.6m per day



**Stores are an asset
and a sustainable
part of the business
model**

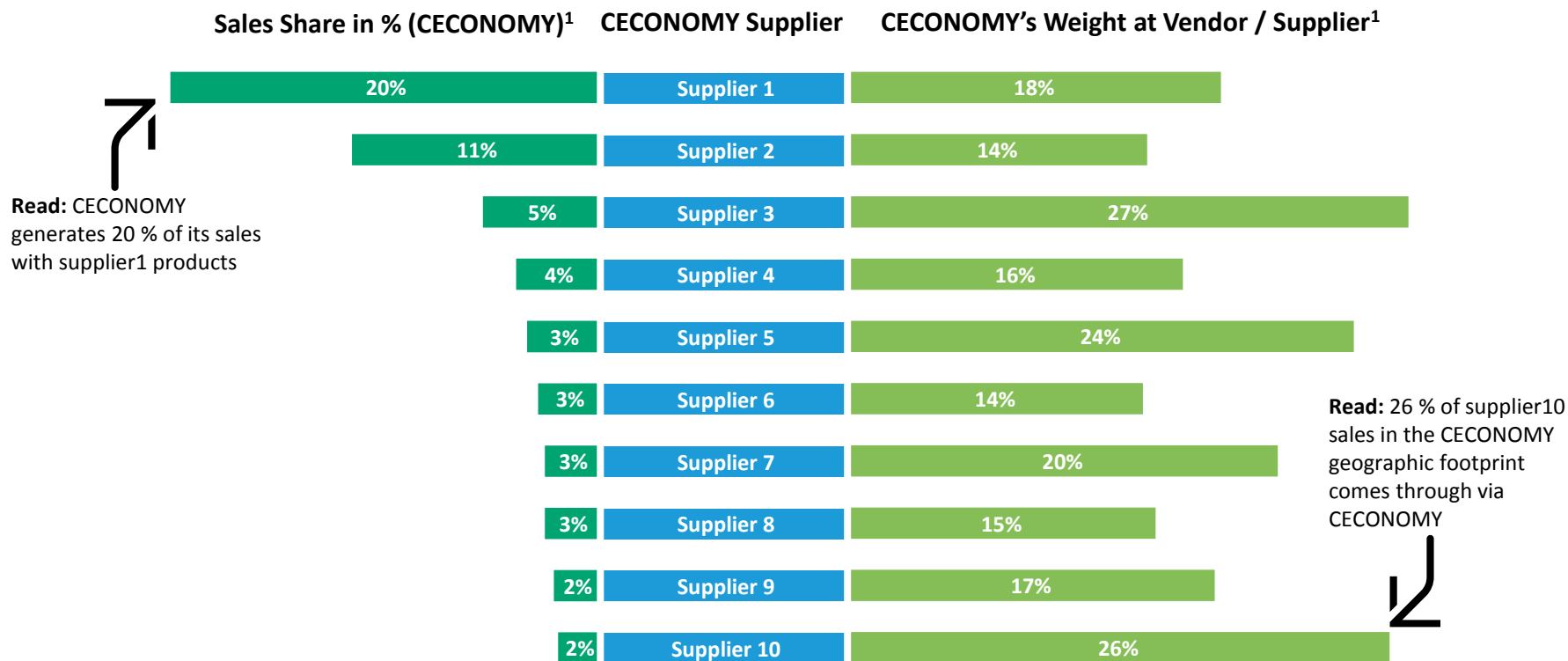
CECONOMY offers the full CE assortment, reflecting a truly “connected world”

Product Category
Breakdown FY 15/16



¹ Telecommunication devices such as iPads without SIM card included; ² Includes in essence Photo & Office equipment.

CECONOMY is highly relevant to its suppliers and a strategic partner of choice



Source: Key figures TOP 10 Manufacturers (own METRO analysis based on GfK, total in retail (excl. entertainment) FY15/16. ¹ Within CECONOMY's geographic footprint.

CECONOMY focuses on a full range of services & solutions along the customer journey

(PRE-)BUY

- // Consumer credit and leasing
- // Insurance
- // Extended warranties
- // Care plans
- // @home advice

SET-UP & USE

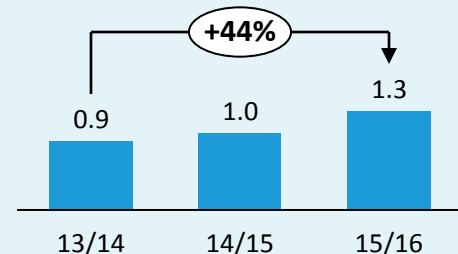
- // Personalised products
- // Customer advisory & training
- // Delivery
- // Set-up & installation
- // Digital content
- // 3rd party services: energy, connectivity, digital content

REPAIR

- // Refurbishment
- // In-warranty repairs (in-store, remote, at home)
- // Repairs not covered by insurance or warranty
- // Asset recovery and recycling

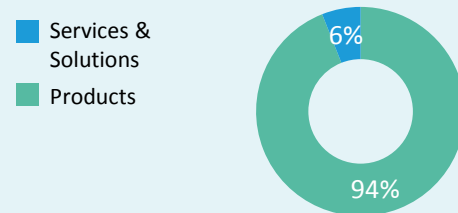
FACT BOX

Services & Solutions Sales
(in €m, FY 2015/16)



FACT BOX

% of sales (FY 15/16)



CECONOMY has an already large and valued base of >13 million loyal members* in 8 countries



>13m

loyalty club/card members across all countries

Ø 42%

of all purchases are **done by loyalty members** across those 8 countries**

2.6m

MediaMarkt Club members in Germany

2.2m

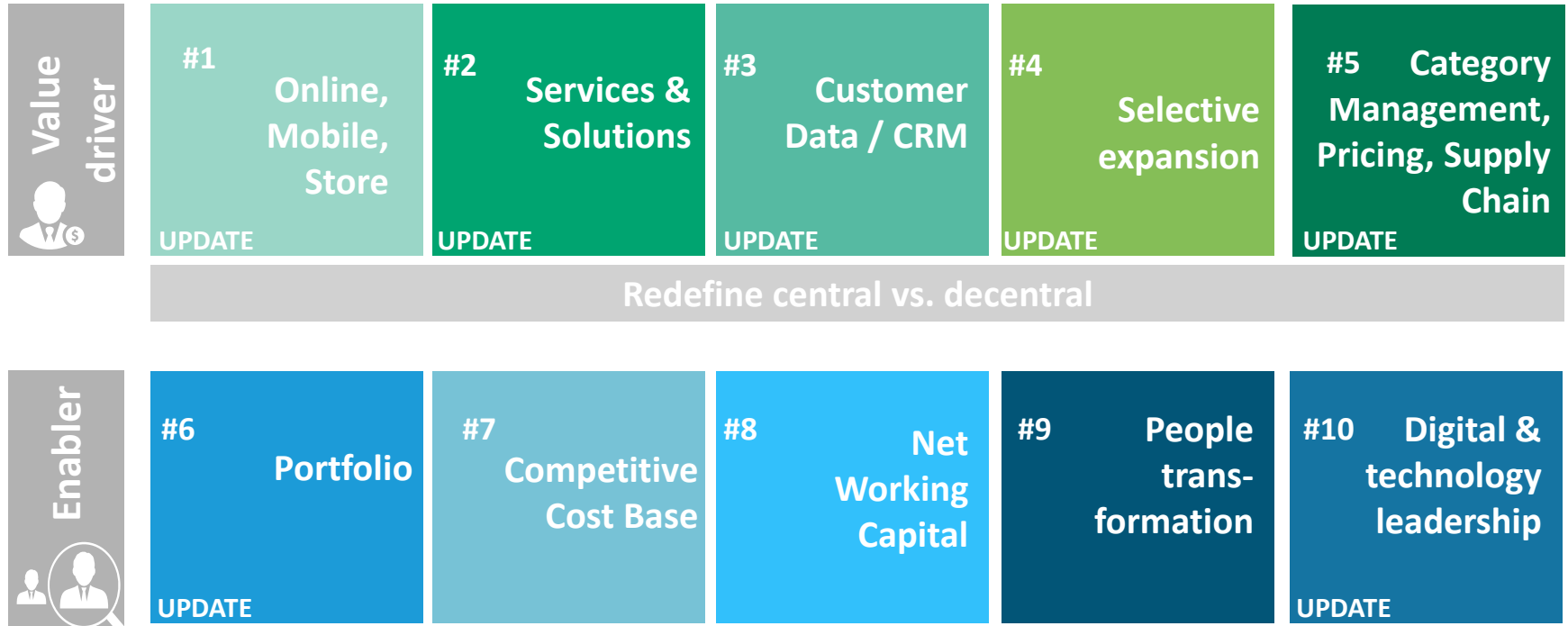
transactions per months are done by loyalty members across those 8 countries

* Base: May 2017. ** Germany with a revenue penetration of 25% (official launch of Club only in February 2016).

//

CECONOMY Targets, Value Drivers & Enablers

Key value drivers and enablers



Key initiatives to further grow online/mobile/store

Assortment

- // Expansion of online CE assortment from currently c. 300k SKUs to **1m SKUs**
- // **Dropshipment** initiatives to increase assortment without capital locked

Usability

- // Optimising every single customer contact and **drive (micro-) conversions** onsite
- // Reducing page load times and continuous improvement

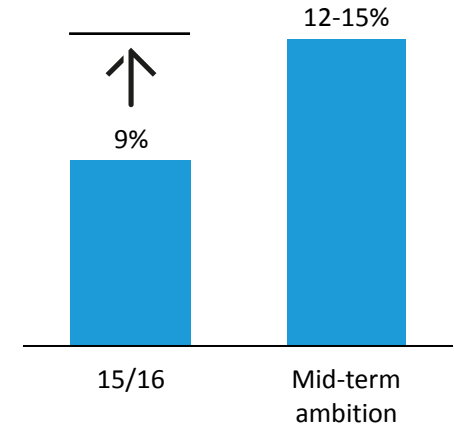
Availability

- // Making **assortment available at all touchpoints** with full multi-channel capabilities (digital shelf extensions)
- // Optimising access to stock across stores, warehouses, suppliers

Price

- // Optimise **pricing strategy** by e.g. introducing automated lifecycle pricing to ensure timely and effective price management
- // Using price optimisation algorithms

Online Sales¹
(% of total sales)



Initiatives have been identified and are currently implemented to reach mid-term ambition of 12-15% online sales target

¹ Including pick-up.

Increased services penetration will also drive CECONOMY's sales and margin targets

In-store services

- // Full roll-out of in-store service and repair **"smart bars"** (> 510 already in place)
- // **Additional services** to be added: e.g. trade in, personalisation of products

At-home and remote services

- // Full roll-out of Deutsche Technikberatung (DTB) **at-home consultation and installation services across Germany** by end of next year
- // Build up of **remote service capabilities** (call centre including social web care, chat, messenger) to offer 24/7 seamless support

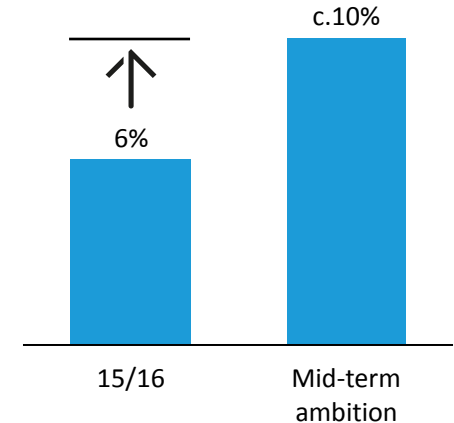
Subscription models

- // Expanding trial of **subscription model "always on"** providing unlimited support and protection against failure of mobile devices (75,000 contracts sold in the Netherlands in 1st year)

Services processes

- // **Reducing turn-around times** through implementation of new service software
- // Central **cloud contact centre solution** for contact management with customers

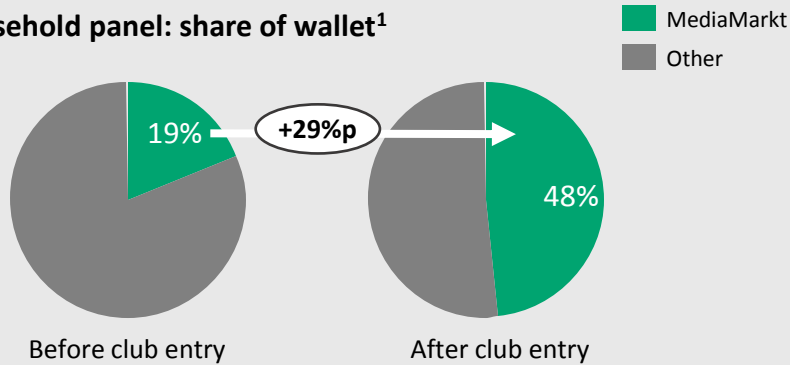
Services & Solutions Sales (% of total sales)



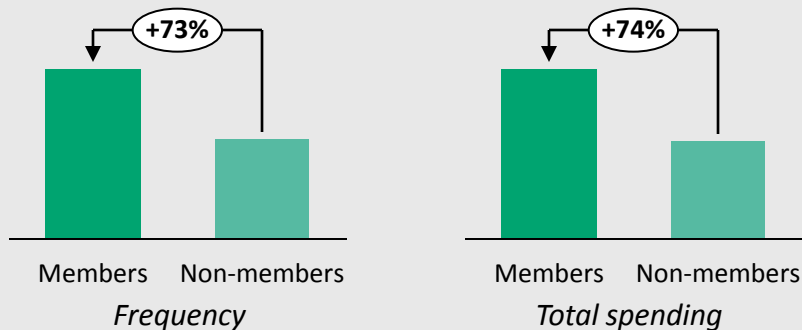
Relentless focus on strengthening service value proposition – in-store, remote & at home of customers

CECONOMY gathers relevant data from its loyalty members driving additional sales and efficiencies

Household panel: share of wallet¹



Frequency and total spending per member*



Leveraging CRM potentials

Loyalty effect:

- // MediaMarkt Club and Saturn Card loyalty programs implemented to capture customer data in exchange for benefits
- // Positive impact on frequency, sales and share-of-wallet of CRM members through rewarding loyal behaviour

Up- and cross selling:

- // Increased relevancy through offers based on individual customer profile and buying behaviour

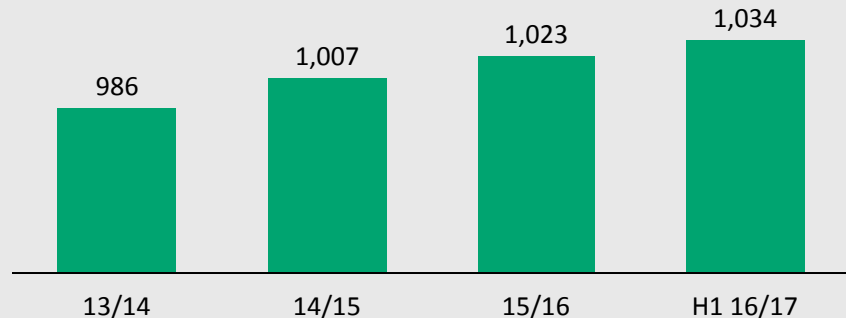
Marketing efficiency:

- // Re-allocation of marketing spending into CRM channels
- // Optimisation of response and costs based on customer data

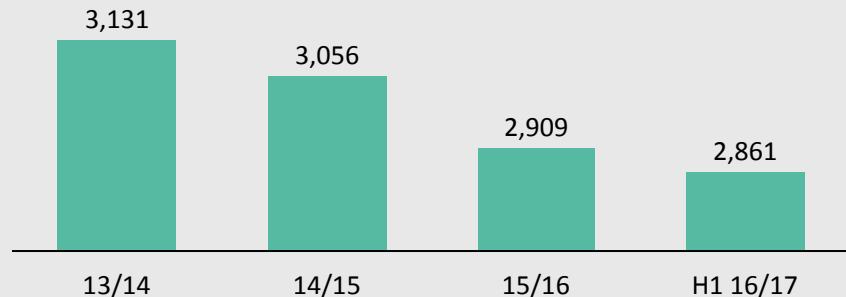
*Base: Members: 12 months average of members with 1+ year Club membership, 05/17, DE ; Non-members: Market research, basis 12 months ¹ Source: External "Diary Study" (1454 participants, 6591 scans; 12.2015-04.2017)

CECONOMY also continues selective store expansion contributing to the overall sales growth target

Number of stores



Average size of stores (in square meters)



Formats and measures

// Roll-out especially of smaller store formats such as **proximity and shop-in-shop concepts**

// Focus on smaller formats leads to **reduced store size** but still access to full assortment via multi-channel offering

// **Consolidation:** Opportunities in core countries to acquire existing profitable competitor outlets and integrate them into the MediaMarkt and Saturn store network

// Modest growth in **number of stores** expected, excluding roll-out of shop-in-shop

➤ **Ongoing expansion, yet at a lower pace and with smaller formats**

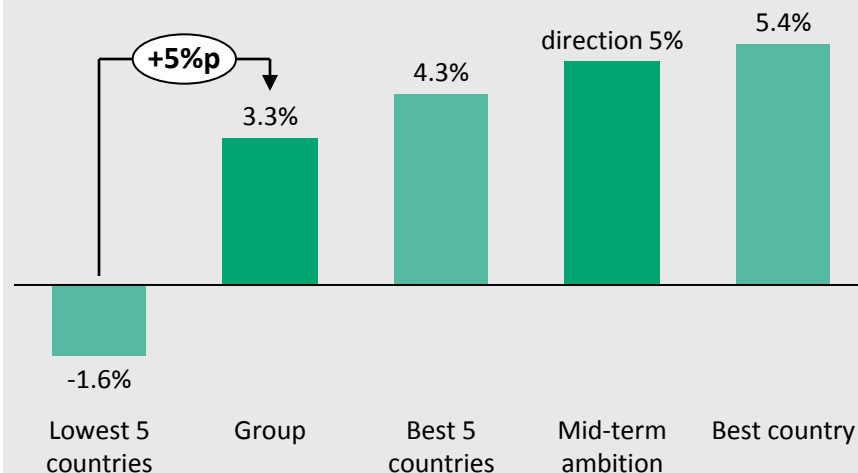
Significant potential to increase margins by either improving or exiting “question-mark” countries

Core Peers (Listed)
EBITDA Margin^{1,2} (LTM)



➤ Peer LTM margins range from 3.9-6.2%

CECONOMY
EBITDA Margin² (FY 2015/16)



➤ EBITDA margin to improve towards 5%

¹ Company filings for LTM data as of Nov. 2016, numbers calendarised to September year end. ² EBITDA before special items.

Restructuring of redcoon almost completed; full-fledge restructuring plan to reach break-even in Russia and Sweden initiated

redcoon



Closure of operations in Austria, Spain, Portugal and Benelux in 2016



Closure of operations in Italy decided



Full integration of redcoon Germany and Poland into country organisation



Harmonisation of redcoon and MediaMarkt back-end in Germany and Poland

Russia



Centralisation of pricing, procurement and category management



Rightsizing of stores and **renegotiations** of rental contracts



Reduction of headquarter & store costs



Expansion of shop-in-shop concept

Sweden



Strong push on **online and services & solutions**



Rightsizing of stores



Cost measures & back-end optimisation, esp. in supply chain

Turnaround of MediaMarkt Turkey well on track

Operational improvements



End-to-end **centralised pricing**



Completely **centralised procurement and category management** across all categories



Optimisation of stock via **centralised demand planning**



Sizable reduction in-store headcount despite portfolio growth



Significant **increases in service attach rate and online sales**

Store restructuring & focused expansion



Restructuring of 34 stores completed, resulting in 9 closings and 25 downsizings



Dedicated **expansion strategy** with 5 new store openings per March 2017



Highly **flexible lease agreements** for new stores



Roll-out of **operational excellence measures** (e.g. new incentive schemes for service personnel)



Positive EBIT contribution from Turkey by year-end expected

New category management initiatives aim offering the right range and assortment at the right price

Optimisation opportunities in the area of assortment building

- // **Aligning brand and price structure** to market situation and customer demands
- // Providing the **right level of entry price products**
- // Ensuring **full distribution of top selling products** across all stores/channels
- // Transferring high performing online SKUs to offline stores and vice versa
- // Providing the foundation for **state-of-the-art inventory management and demand planning**
- // Creating freedom for store staff to **focus on selling the right products**, services and content to our customers

 **Initiatives also provide the foundation for additional efficiencies in purchasing, supply chain and operations**

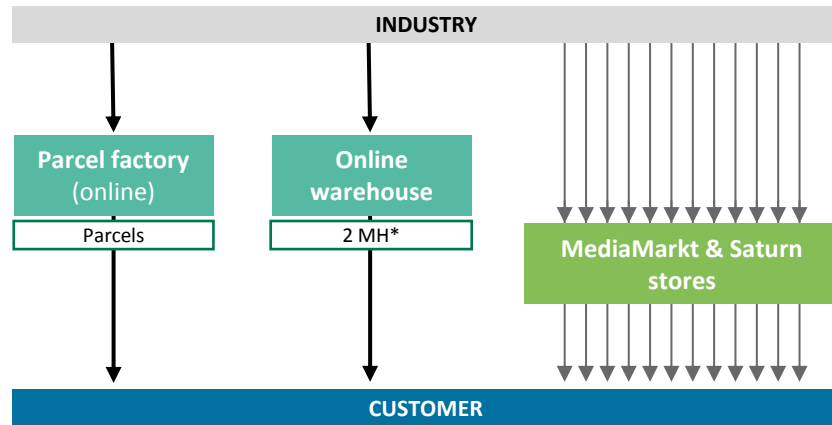


BENEFITS

- // Increased availability of goods in stores
 - // Improved stock positions
 - // Increased sales
 - // Reduced lost sales
-

Centralisation of supply chain processes from predominantly direct store delivery to a more central and regional structure

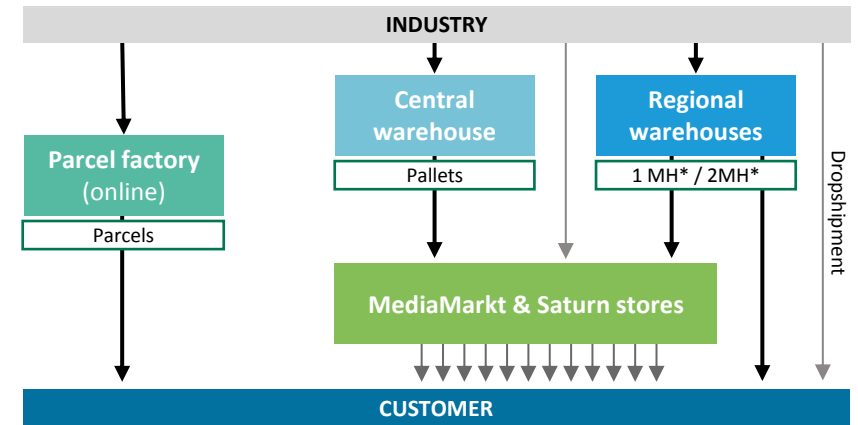
Product flows and logistics locations: Today



// Direct delivery to more than 400 individual stores in Germany

// High coordinating efforts for suppliers and higher operational costs

Product flows and logistics locations: Target picture



// New central warehouse and regional structure for MediaMarktSaturn Germany

// One central inventory for both brands

// Efficient automated store replenishment

*1 MH = 1 man handling, 2MH = 2man handling.

End-to-end supply chain set-up including centralisation of procurement and systems infrastructure offers great value potential

Optimisation levers

1	Product availability	
2	Product inventory & stock structure	
3	Process costs	
4	External storage area	
5	Service quality (deliveries)	
6	Transport costs	
7	Purchasing conditions	

Roadmap to achieve target picture

- // Solution based on 3 interlinked pillars (**procurement, logistics infrastructure and systems infrastructure**)
- // **2 regional warehouses** recently piloted in Northern Germany, especially for larger items such as white goods that are typically not picked up in store by customers
- // Current focus on development of **systems infrastructure** (including central SAP-ERP)
- // First **central warehouse** planned for 2018
- // Gradual set-up of **additional regional warehouses** thereafter

Strategic pillars of growth and profitability are heavily dependent on technology and/or information (systems)

Technological requirements

- // **Scalable order management solution** for full speed online initiatives
- // **Advancement of BI infrastructure** to leverage customer data and drive CRM initiatives
- // Set-up of **advanced analytics capabilities** for dynamic pricing implementation
- // Tech backbone for central inventory, logistics and procurement







Continuous investment required to sustain value creation and additional efficiency gains

- // **Investment into catalysing transformation**
- // Continuous investment into **new technology** (e.g. new tools) **and analytics capabilities** (e.g. experts, software, data)
- // **Sustainable build-up of excellent digital/tech team**
- // **Efficiency gains against current IT** spending baseline
- // **Additional efficiency gains in current process costs** (e.g. deployment of robotic process automation (RPA))



CECONOMY will strongly push digital & technology capabilities to create sustainable return

Overall mid-term ambitions

CORE METRICS	2015/16	MID-TERM AMBITIONS	COMMENTARY
Sales ¹	€22bn	 > 3% CAGR	Moderate market growth expected Further increase in market shares in core markets Online, multi-channel, CRM and services as main drivers
EBITDA Margin ²	3.3%	 direction 5%	Growing sales to support EBITDA margin development Additional improvements from Portfolio Optimisation, Category Management and Supply Chain Initiatives
Tax Rate ²	49%	 direction 40%	Reduction in non-tax deductible special items Profitability improvement of underperforming countries
Investments ³	1.5% ⁶ of sales (2.0% of sales incl. DSL)	 1.5% of sales	Well-invested state-of-the-art asset base Low amount of maintenance investments
FCF Conversion ⁴	44%	 60 – 70%	Tight control of Net Working Capital Sustainable positive Free Cash Flow generation
Dividend	N.M.	 45 – 55% % of EPS ⁵	Normalised payout ratio of 45–55% targeted Higher or lower depending on profitability investment opportunities

¹ At constant currency before portfolio effects. CAGR = Compound Annual Growth Rate. ² Before special items. ³ Cash investments. ⁴ Free Cash Flow conversion defined as EBITDA less cash investments plus/minus changes in net working capital divided by EBITDA; 2015/16 EBITDA before special items, based on reported segment investments and adjusted for changes in net working capital. ⁵ Reported earnings per share. ⁶ Adjusted for one-time investment in Digital Shelf Labels (DSLs).

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