

CECONOMY

CECONOMY AG “Equity Story”

Roadshow Presentation,
September 2017



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CECONOMY's point of departure: Europe's largest CE 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.

We are the

No. 1

in Europe



22 bn. € sales

719 m€ EBITDA



2 bn. € online sales

1.3 bn€ services & solutions sales



65,000

employees across Europe



Present in

15 countries



6 million

daily customer contacts



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



Independent and ready for the future







- // Demerger of METRO GROUP became effective on 12 July 2017
- // Start as the largest Consumer Electronics platform in Europe
- // Independent trading of CECONOMY (ticker: CEC) on the Stock Exchange from 13 July 2017
- // Renaming to CECONOMY AG on 11 August 2017

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).

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

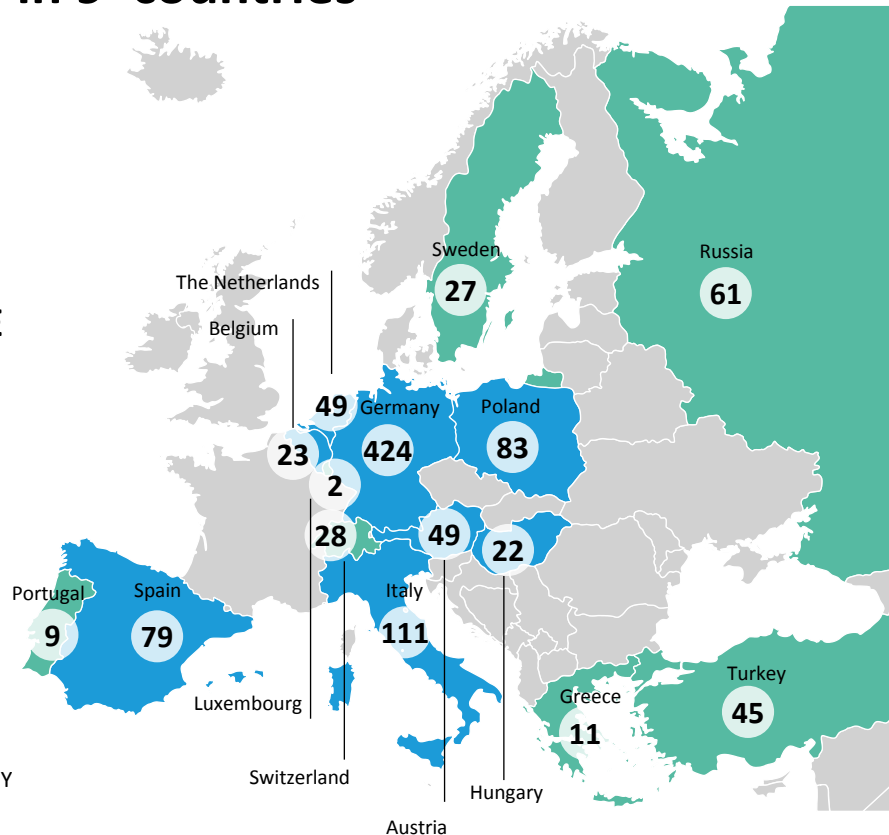
CECONOMY HAS THE POTENTIAL TO INCREASE MARGINS AND FREE CASH FLOW GENERATION

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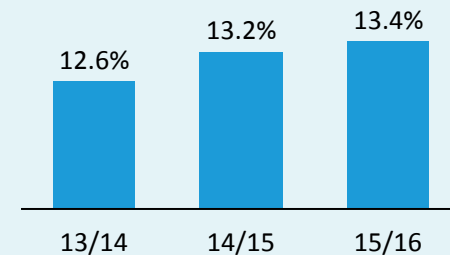
CECONOMY Point of Departure

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**



FACT BOX Market shares



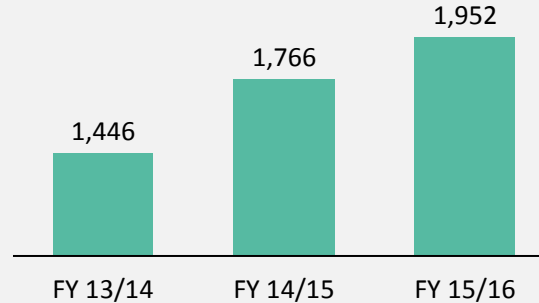
**CECONOMY is
leading in Europe at
an all-time high
market share**

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

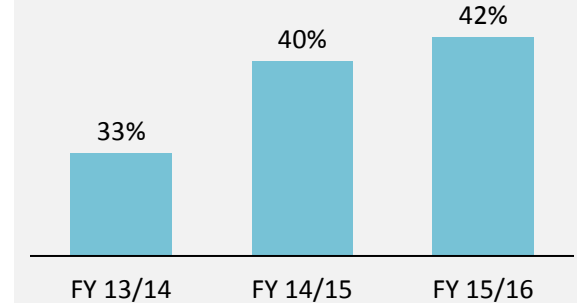
One of the leading multi-channel players in Europe



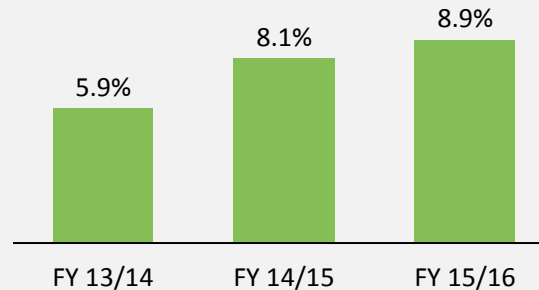
Online Sales (in € million)



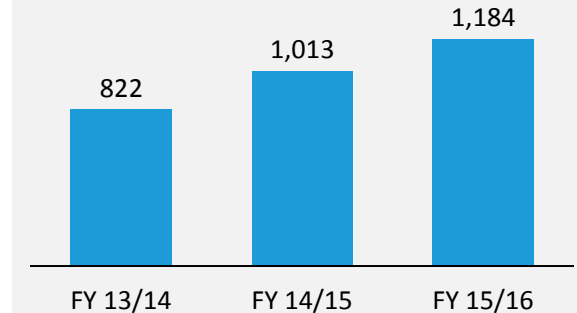
Pick-up rate (in % of online orders)



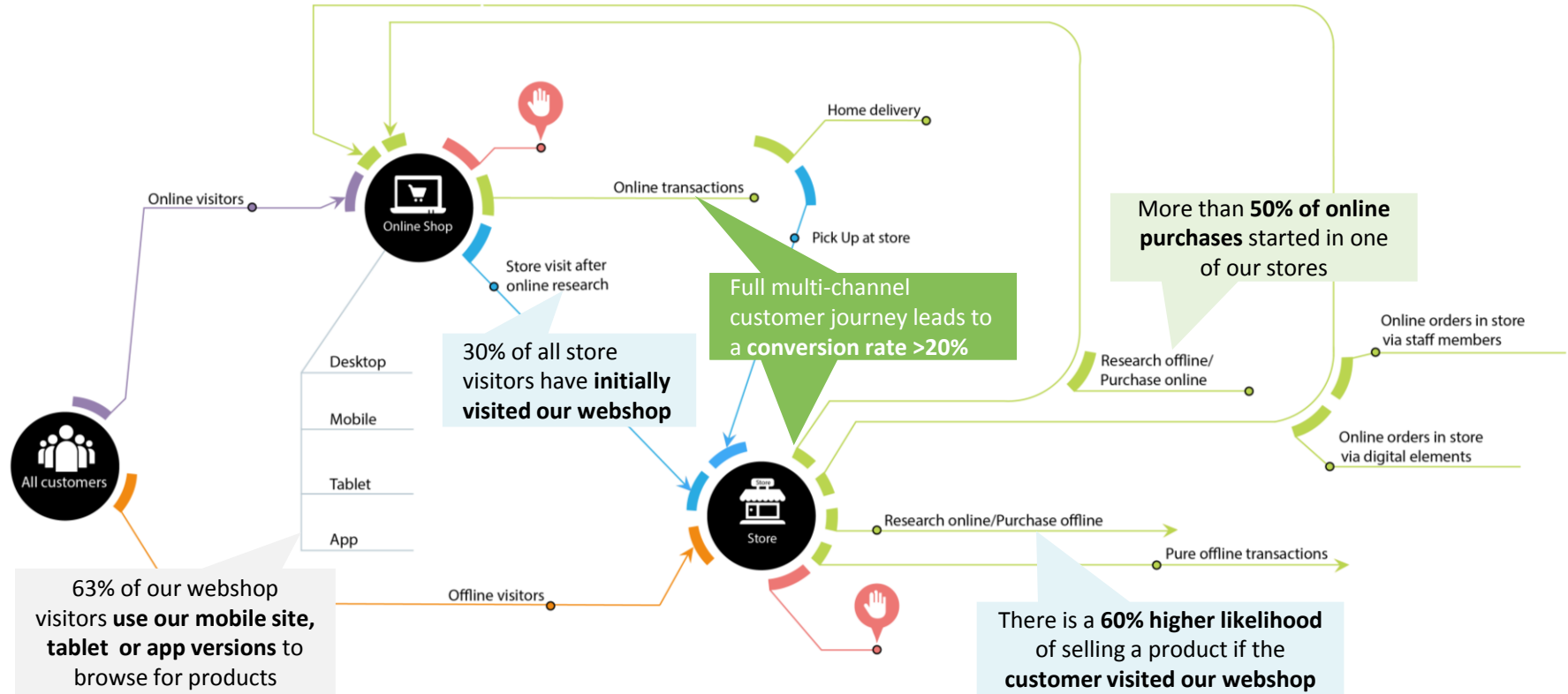
Online Sales Share (in %)



Online Visitors (in m)



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

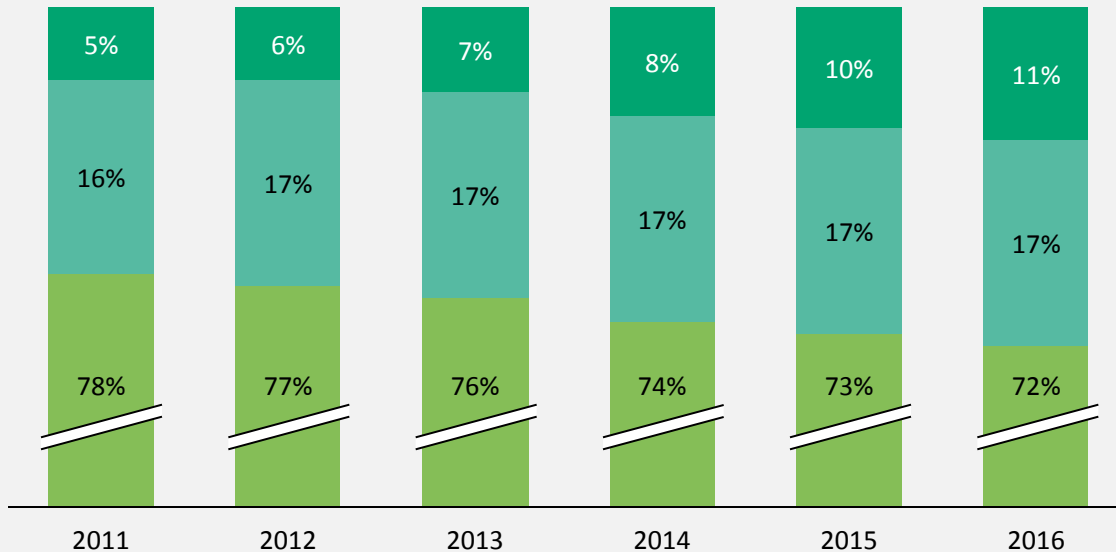


Source: EHI / MMS Market Research / Google Analytics / Store Counter. Numbers from: MediaMarkt Germany / April 2017 – based on all customers = 1,000.

Multi-channel is the winning model

Where do German consumers buy CE products?

Sales share in Germany (in %)



- Online business of brick&mortar retailers
- Online Pure Player
- Brick&mortar shops - convenience & specialised (w/o online business)



**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

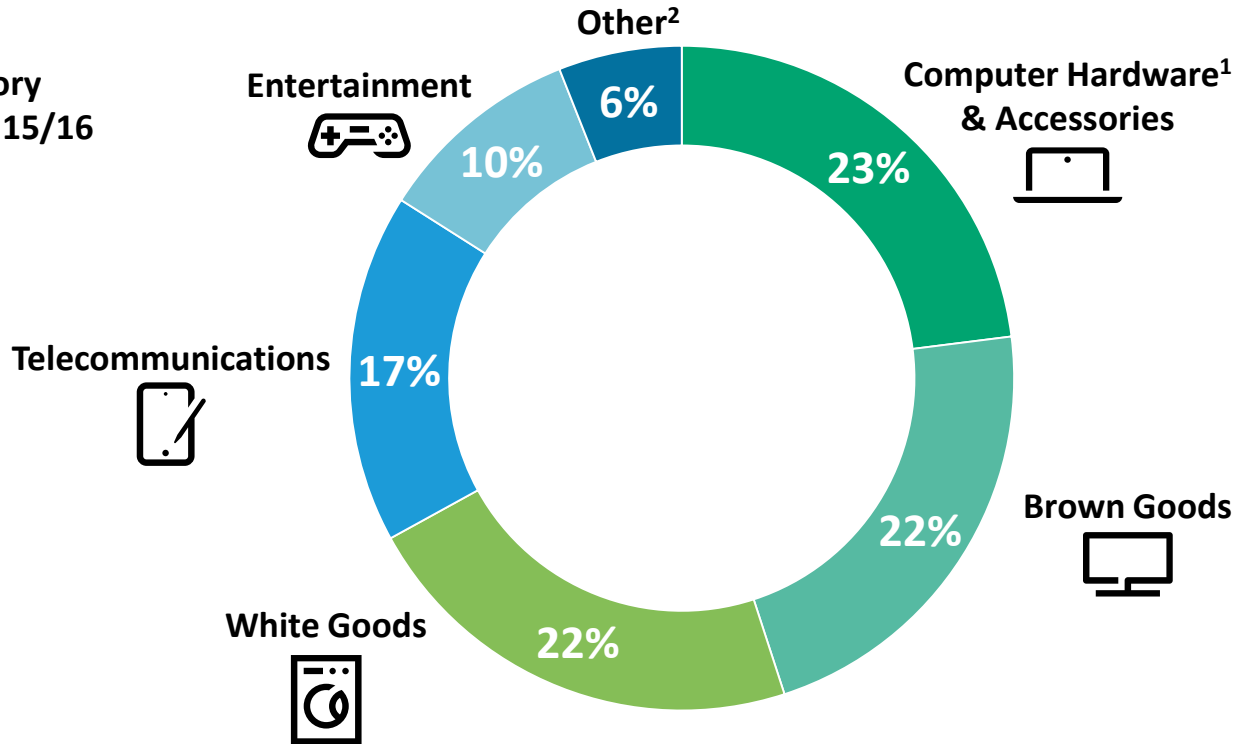
Advantages of CECONOMY's strong physical presence

- // 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



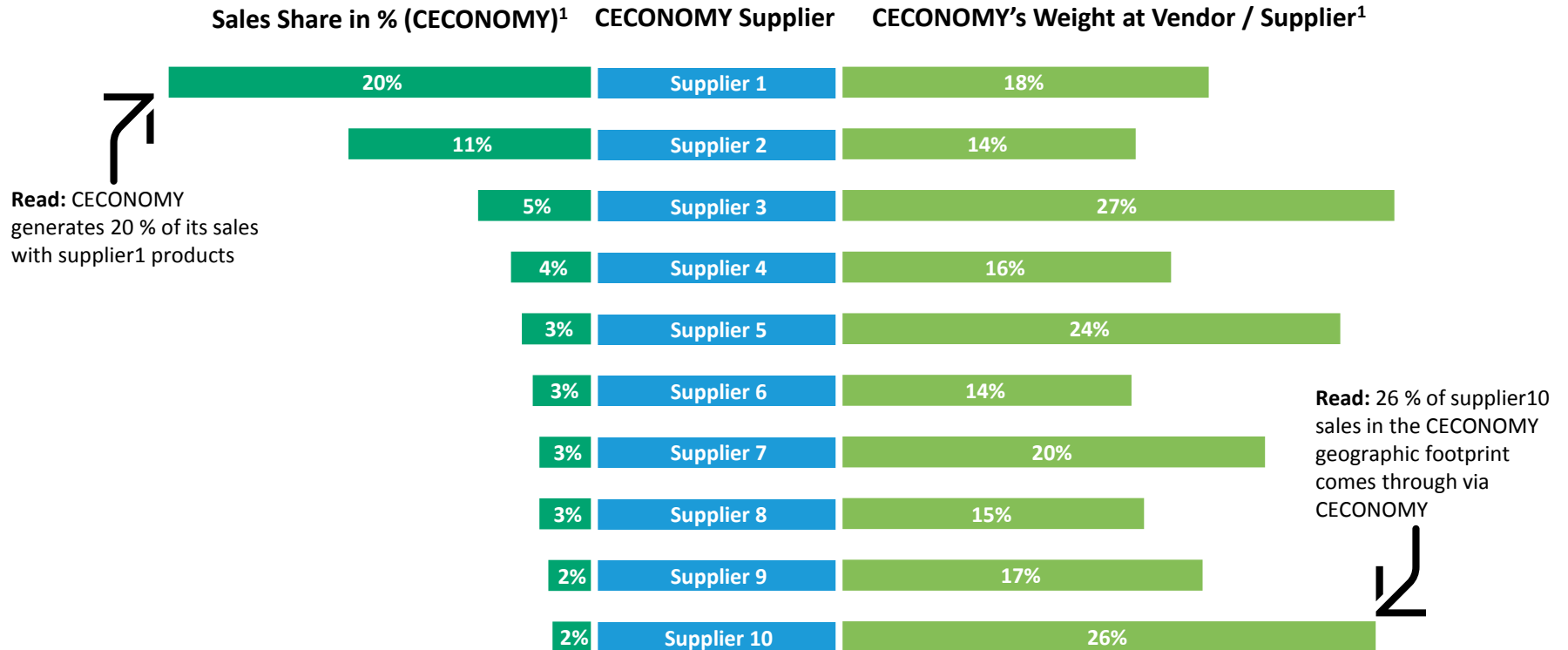
CECONOMY offers the full CE assortment, reflecting a truly “connected world”

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

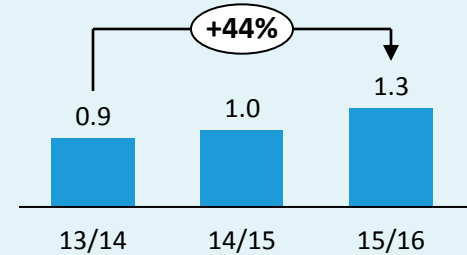
- // Personalised products
- // Customer advisory & training
- // Delivery
- // Set-up & installation
- // Digital content
- // 3rd party services: energy, connectivity, digital content

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

25%

of all sales in Germany are generated by German MediaMarkt Club members



3.0m

loyalty members in Germany

265k

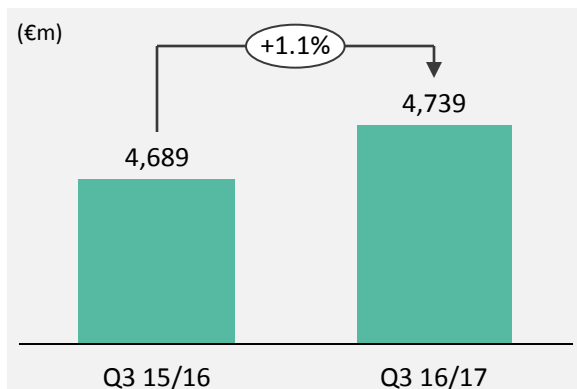
Saturn Card holders in just 4 weeks after nation-wide roll-out

* Base: June 2017.

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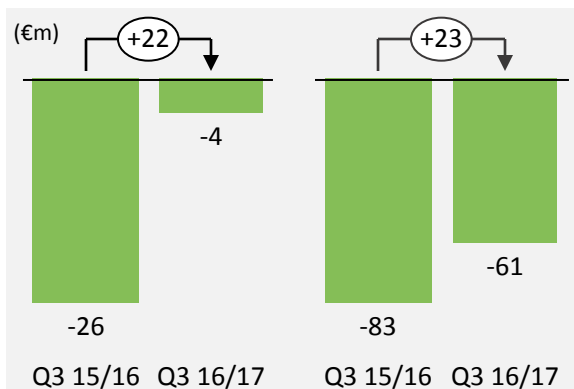
CECONOMY Q3 2016/17

Solid sales and EBITDA/EBIT performance, slightly higher NWC outflow



Sales

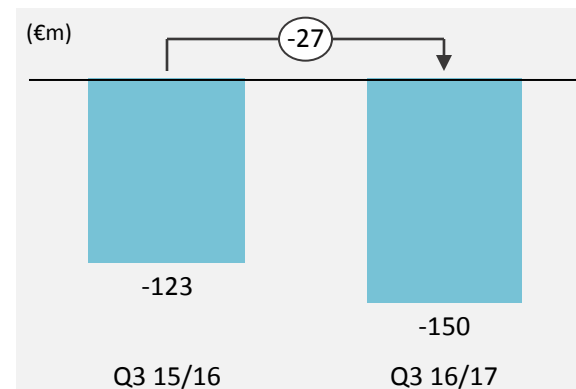
- // Total sales supported by strong like-for-like sales of +2.7%
- // Germany, Spain & Turkey lead sales growth
- // Lower sales in Italy, Switzerland & Russia
- // Online sales again key driver with +16%
- // Services & solutions sales up 2%



EBITDA

EBIT

- // Gross margin improved by 0.7%p.
- // Higher profitability thanks to strong online growth, tight cost control and focused marketing spend
- // Leading countries Germany & Spain with positive development also in Turkey
- // Declines in Italy & Russia



Change in Net Working Capital

- // Higher receivables due to growth in commission business led to slight worsening of change in net working capital in Q3
- // Over 9-months period, however, in total €200m lower net working capital outflow, mainly driven by rise in trade payables and lower trade receivables

Note: EBITDA/EBIT before special items. NWC = Net Working Capital acc. to Cash Flow Statement.

CECONOMY acquired 24% stake in FNAC DARTY to gain exposure to attractive French market

Acquisition of 24% stake in FNAC DARTY

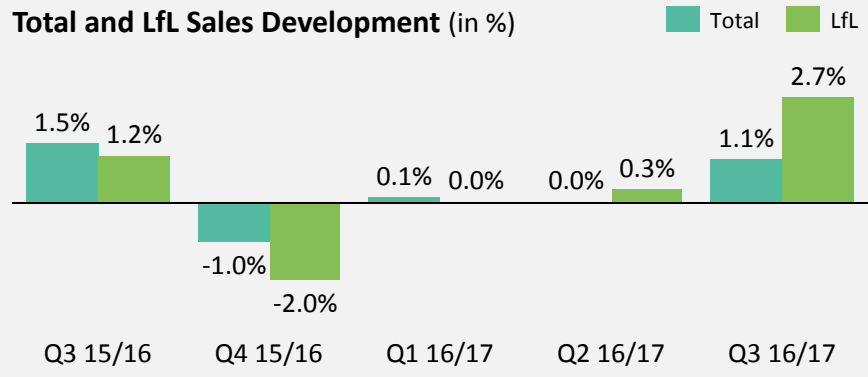
- // Acquisition of approx. 24% stake of FNAC DARTY S.A. from Artémis S.A., becoming **largest shareholder**
- // **Financial investment** to gain exposure to **attractive French market**
- // First **strategic move** as an independent company delivering on our ambition to further strengthen our position as the leading European Consumer Electronics platform
- // **Transaction** concluded on 24 August 2017

M&A activities are an integral part of CECONOMY's strategy

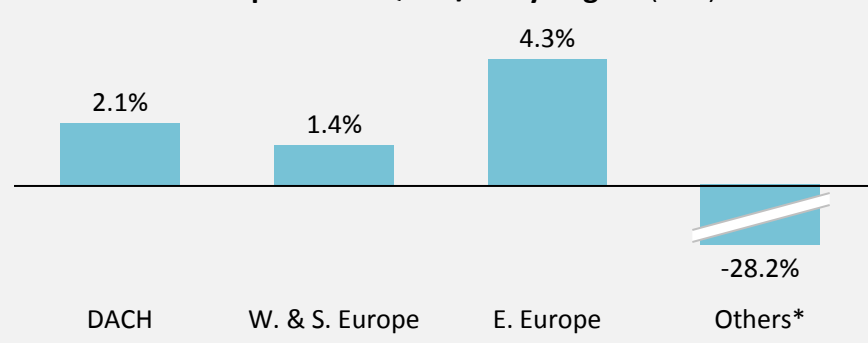
- // CECONOMY is constantly considering **add-on acquisitions and broader European opportunities** to strengthen its position
- // CECONOMY has the **required freedom of action** to execute these M&A activities
- // There are **no restrictions from agreements with the Media-Saturn minority shareholder** to partly or fully acquire companies of any size outside Germany
- // The **articles of association** of Media-Saturn-Holding form the **legal basis** for this. Other shareholder agreements do not provide otherwise

Solid overall sales performance supported by strong like-for-like sales

Total and LfL Sales Development (in %)



Total Sales Development in Q3 16/17 by Region (in %)



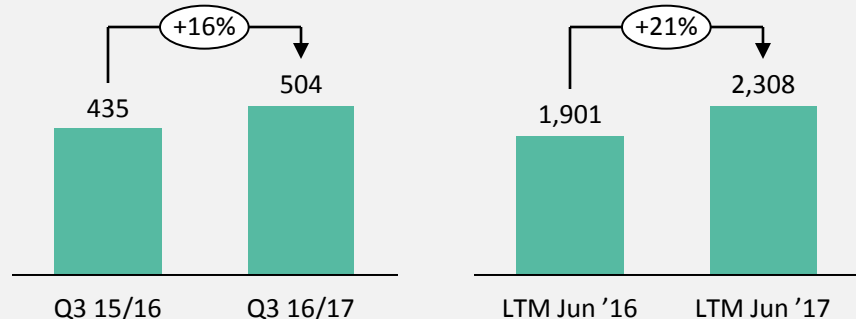
*Others: Including discontinued country operations.

Highlights

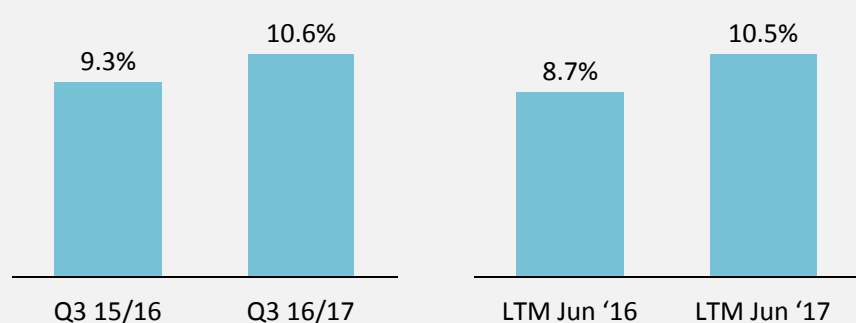
- // Strong growth in Germany (+1.3% and +5.8% LfL excl. redcoon, respectively) driven by increased demand for white goods, mobile phones and TV receivers
- // Strong marketing campaigns and continued sales push for services & solutions positively affected sales growth in Spain
- // Sustained sales growth in Turkey driven by overall strong demand for CE products and optimised assortments fully compensated decline in Russia
- // Sales decline in Switzerland and Italy mainly due to decreasing store traffic
- // Lower "Others" mainly driven by closure of redcoon country operations in Benelux, Austria and Iberia in autumn 2016

Online has been once again among the key sales drivers

Online Sales (in €m)



Online Sales (% of total sales)

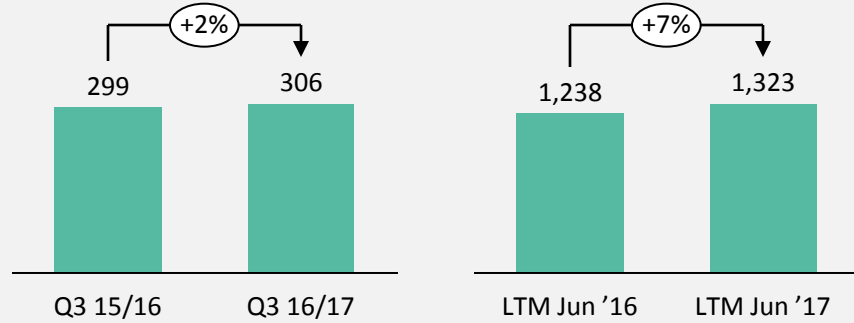


Highlights

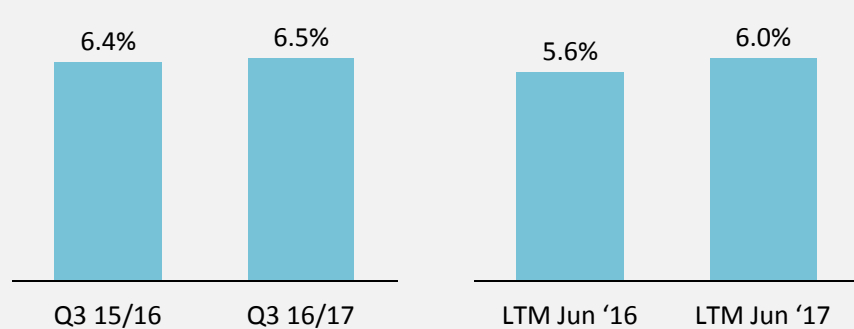
- // Online generated sales of MediaMarkt and Saturn rose by 33% year-on-year or 16% year-on-year incl. redcoon, respectively
- // Online sales accounted for 10.6% of total sales
- // Pick-up rate remained high at around 41%
- // Positive impact of 5-year MediaMarkt webshop anniversary campaign in Germany
- // Double-digit % increase in the number of website visitors
- // Online assortment expanded to c. 330k SKUs from around 300k SKUs at the end of last quarter

Roll-out of “smart bars” supporting growth in services & solutions

Services & Solutions Sales (in €m)



Services & Solutions Sales (% of total sales)

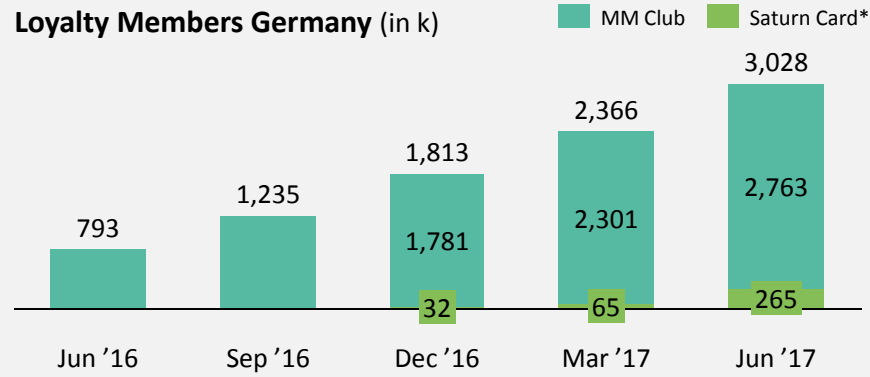


Highlights

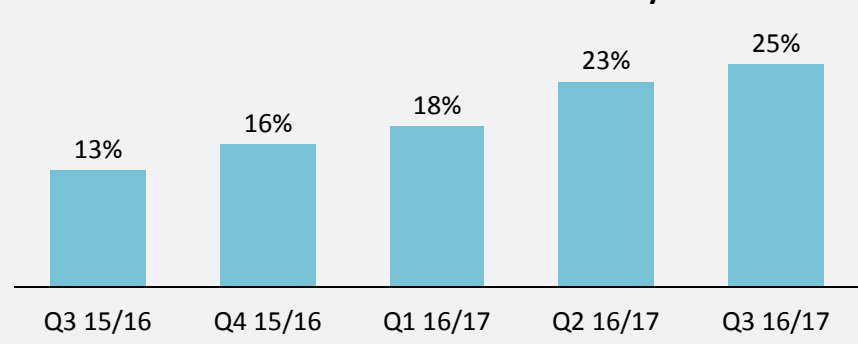
- // Services & solutions sales up 2% year-on-year in Q3 and up 7% over the last 12 months
- // Services & solutions sales accounted for 6.5% of total sales
- // Service “smart bars” now already implemented in 565 stores (+55 vs. March), with many “smart bars” however still in ramp-up phase
- // DTB roll-out plan on track: DTB service now offered at 118 MediaMarkt and Saturn stores in Germany
- // ZIR service software to strengthen after-sales service business implemented in 5 countries
- // Additional sales generated through customer care team/customer support hotline

Sustained growth in the number of loyalty program members

Loyalty Members Germany (in k)



Revenue Penetration MediaMarkt Club Germany

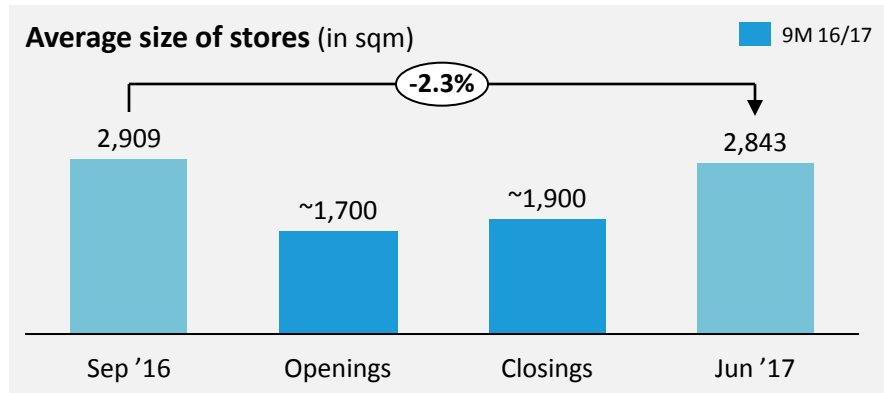
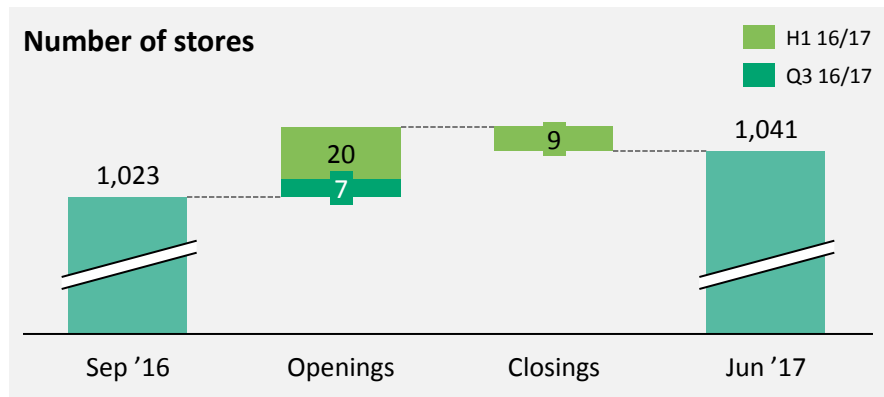


*Nov 16-Apr 17: Saturn Card pilot running with 14 pilot stores; nation-wide roll-out of Saturn Card on 29 May 2017.

Highlights

- // >13m members already enrolled in loyalty programs across 8 countries
- // German MediaMarkt Club continues strong growth in number of members, counting c. 2.8m in June 2017 vs. c. 2.3m in March 2017
- // 25% of sales are generated by MediaMarkt Club members in Germany in Q3 2016/17
- // Nation-wide launch of Saturn Card in Germany at the end of May with already around 200k additional Saturn Card holders in just 4 weeks
- // Thalia, European book store chain and e-reader provider as first new retail partner for Retail Media Group network

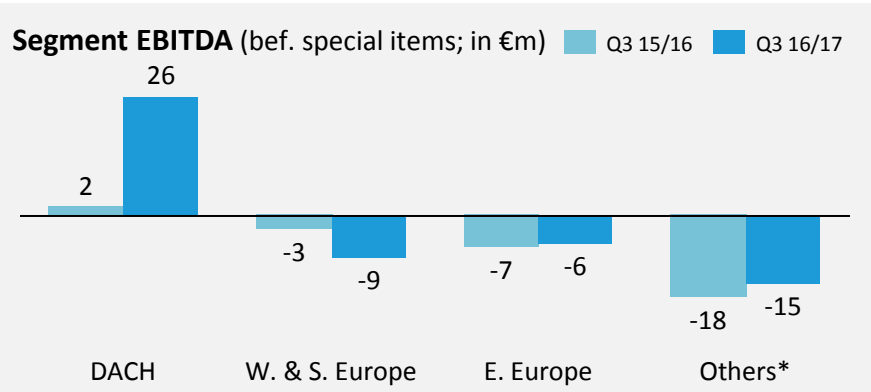
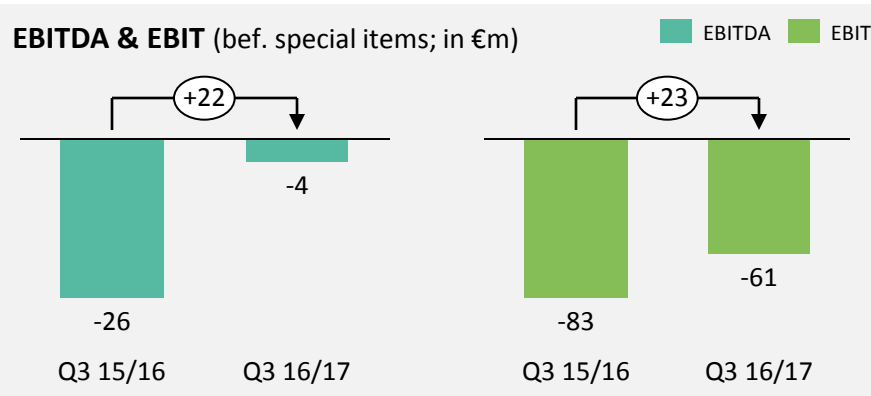
Opening of smaller stores leading to continued reduction in avg. store size



Highlights

- // Selective store expansion with 7 openings and no closures in Q3 2016/17
- // Out of this, 4 MediaMarkt stores were opened at MAKRO in Belgium
- // Additional openings in Spain, Turkey and Greece
- // Average store size further reduced by 2.3% since September 2016 due to rightsizing of stores and opening of smaller store formats
- // MediaMarkt to open 84 shop-in-shop solutions in METRO Cash & Carry stores in Russia in October 2017
- // Size of shop-in-shop solutions to range between c. 350 sqm and c. 1,000 sqm with limited CAPEX requirements

Solid EBITDA/EBIT development particularly in DACH region



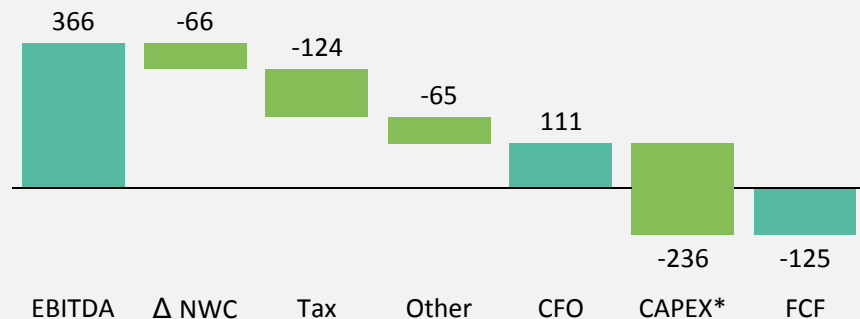
*Others: Includes CECONOMY AG headquarter and discontinued country operations.

Highlights

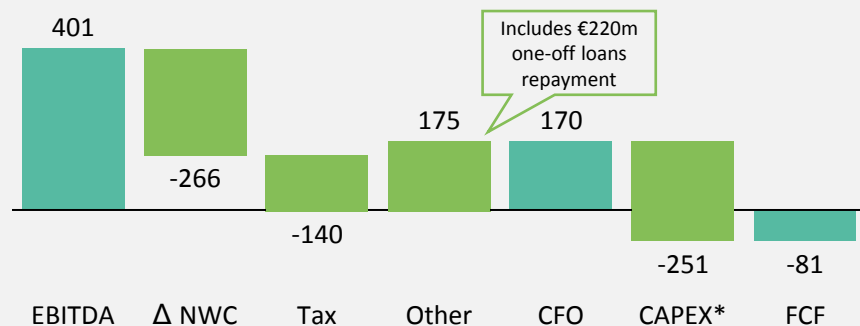
- // Higher profitability mainly due to strong online growth and a marked improvement in the gross margin of 0.7%p.
- // Increase also supported by tight cost control and focused marketing spend
- // Positive development in Spain helped by increase in services & solutions, but did not fully compensate EBITDA decline in Italy
- // Slight decline in Russia was more than compensated by higher earnings in Turkey
- // EBITDA special items of €28m (+€12m yoy) resulting from restructuring efforts in Russia, redcoon restructuring in Germany and remaining closure in Italy as well as group-wide efficiency improvement project

Free Cash Flow improved excluding repayment of loans granted to METRO support fund

9M 2016/17: Free Cash Flow (in €m)



9M 2015/16: Free Cash Flow (in €m)



Highlights

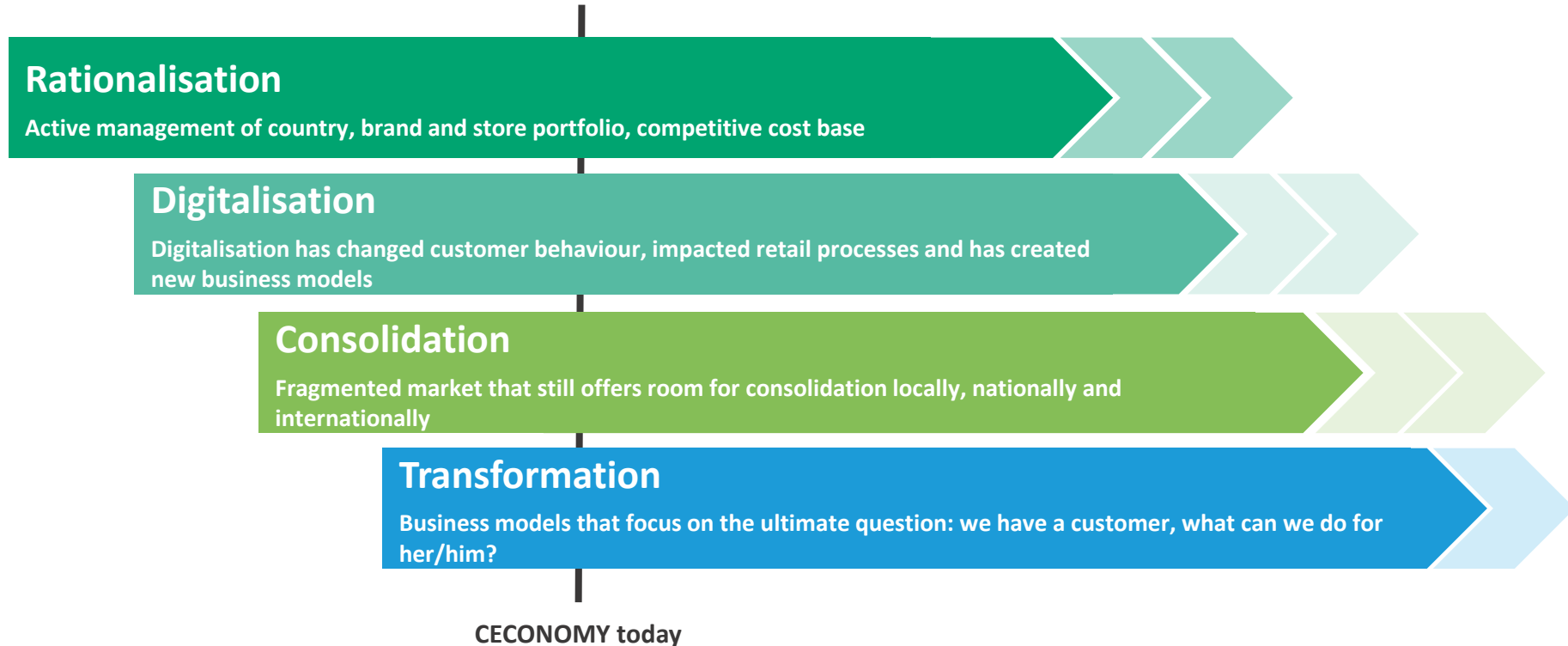
- // €200m lower net working capital outflow in 9M 2016/17 mainly driven by rise in trade payables mainly driven by rise in trade payables and lower trade receivables
- // Lower cash tax payments mainly driven by decrease of withholding taxes and broadly in line with reduction of reported pre-tax profit
- // Other Cash Flow from Operations (CFO) in previous year positively impacted by €220m one-off repayment of loans granted to METRO support fund
- // Slight reduction in CAPEX due to absence of previous year's investments in Digital Shelf Labels and RTS acquisition
- // Reported Free Cash Flow (FCF) €44m lower than previous year, but adjusted for one-off repayment of loans improvement of €176m

* Acquisitions, investments in property, plant and equipment and other investments as per cash flow statement.

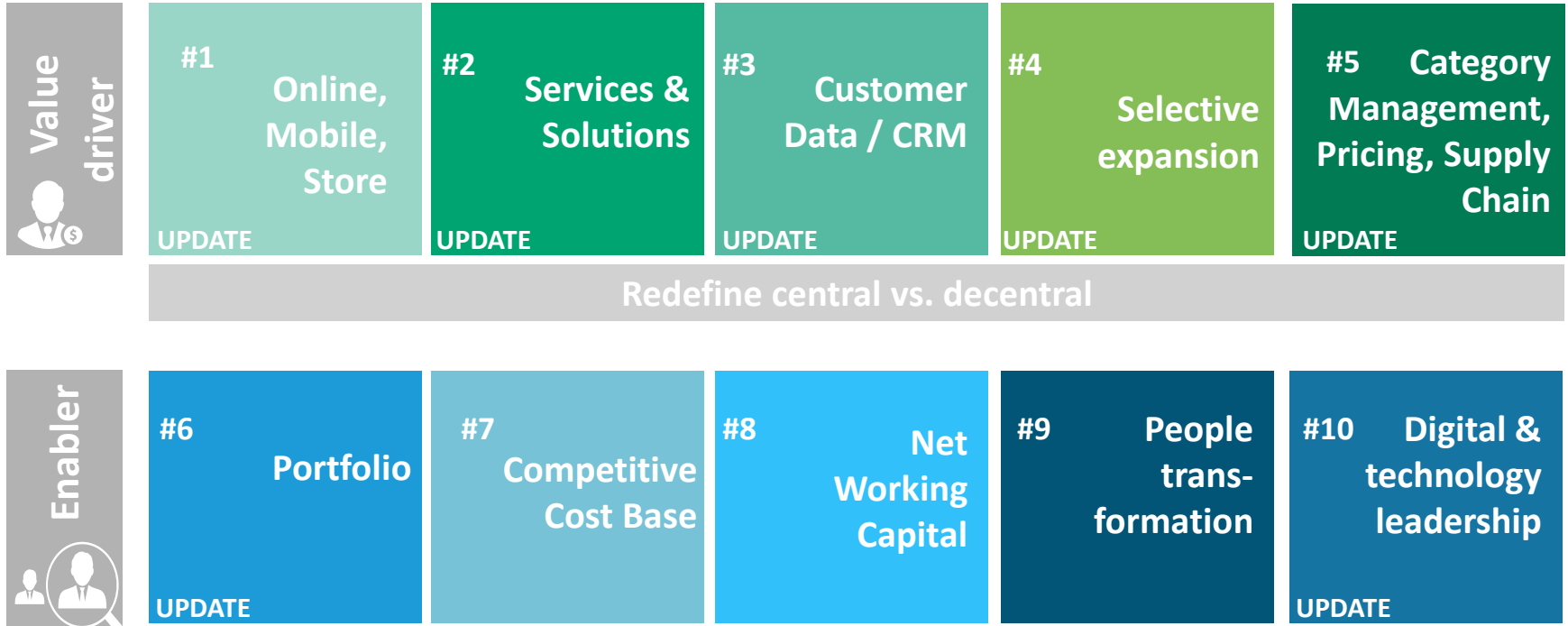
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CECONOMY Targets, Value Drivers & Enablers

CECONOMY is well progressing in the different change phases in the Consumer Electronics space



Key value drivers and enablers



Key initiatives to further grow online/mobile/store

Assortment

- // Expansion of online CE assortment from currently c. 340k 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

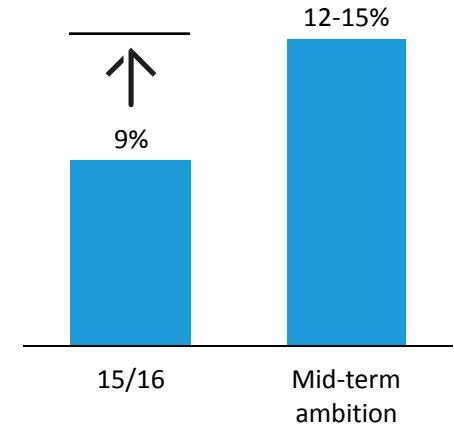
Availability

- // 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"** (565 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

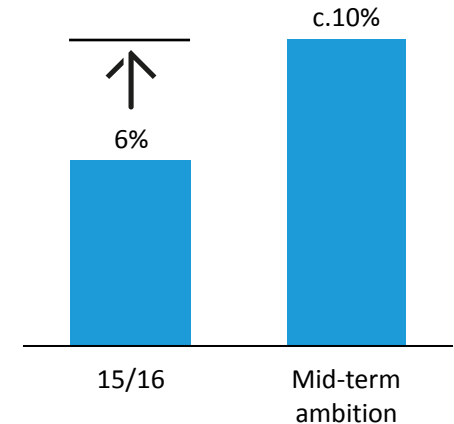
Subscription models

- // 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

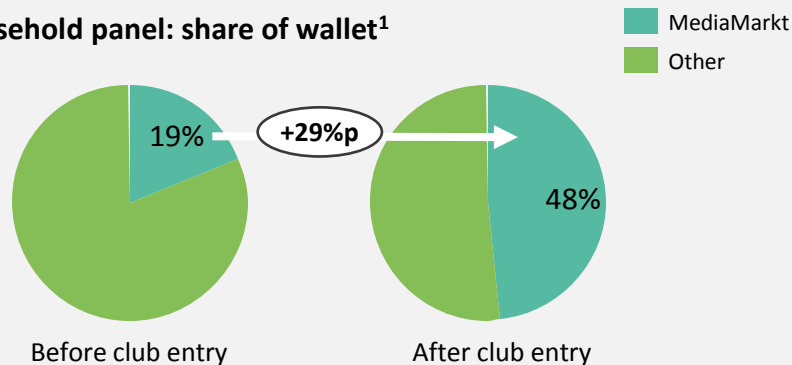
Services & Solutions Sales (% of total sales)



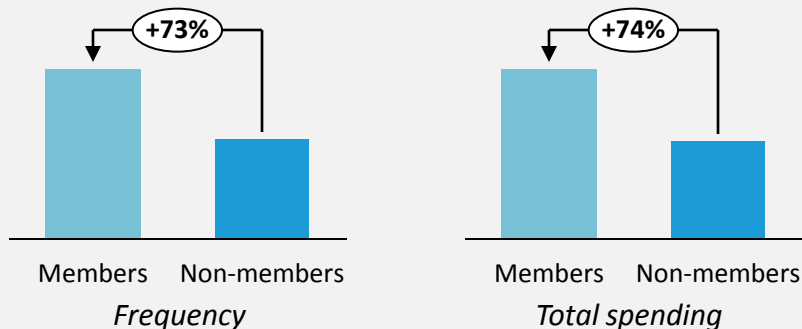
Relentless focus on strengthening service value proposition – in-store, remote & at home of customers

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

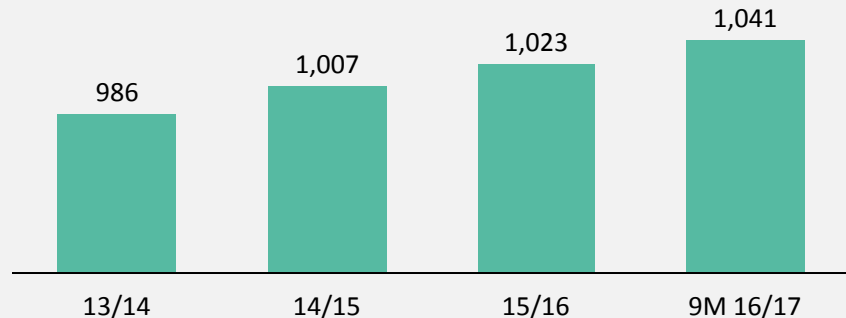
Marketing efficiency:

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

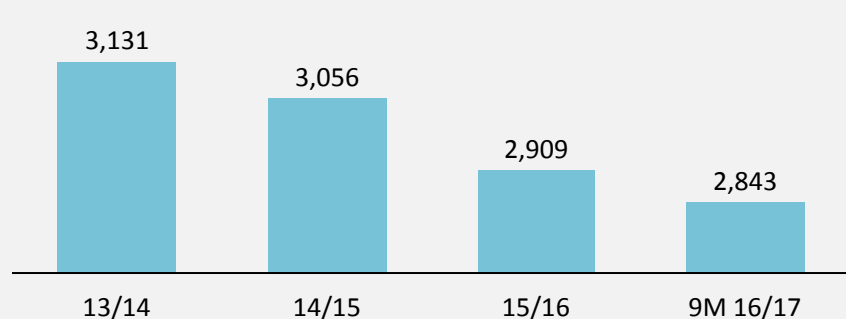
*Base: Members: 12 months average of members with 1+ year Club membership, 05/17, DE ; Non-members: Market research, basis 12 months ¹ Source: External "Diary Study" (1454 participants, 6591 scans; 12.2015-04.2017)

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

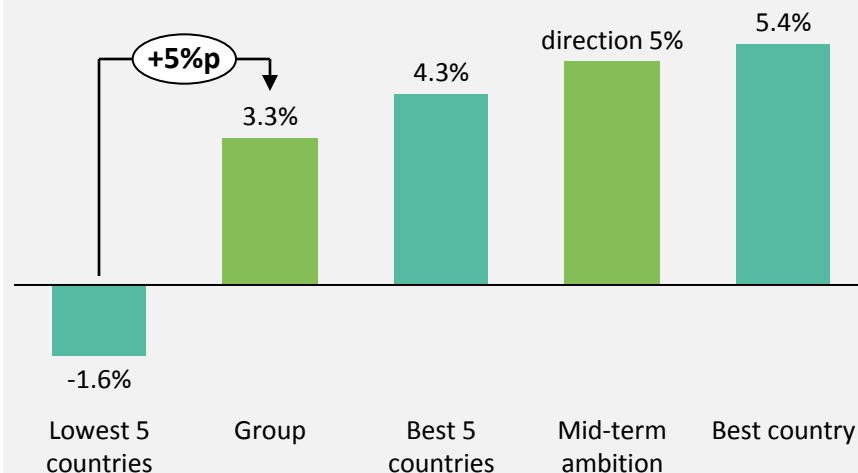
Significant potential to increase margins by either improving or exiting “question-mark” countries

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 in 2017



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**

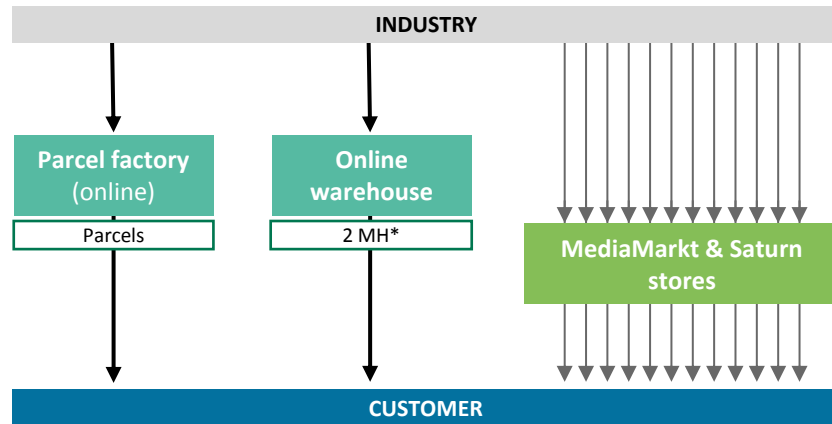


BENEFITS

- // 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

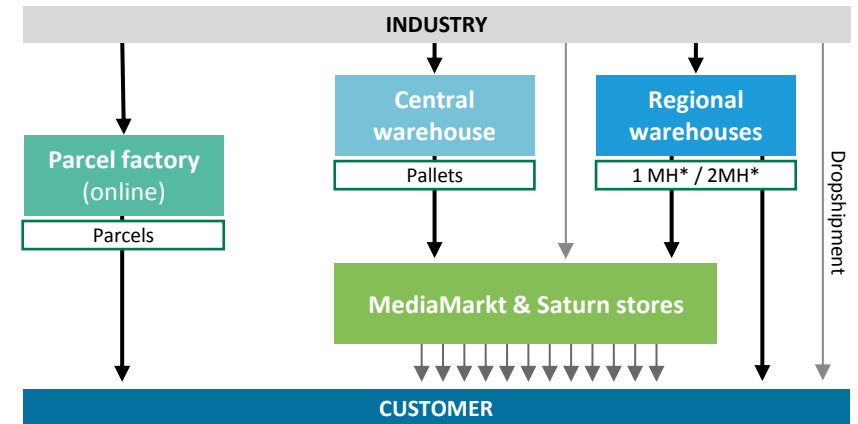
Product flows and logistics locations: Today



// 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).

//

Images

Smart Bars



In-store experience areas



Pick-up points for online orders



Digital shelf labels



CECONOMY

We empower life in the digital world