

CECONOMY



INVESTOR PRESENTATION

August/September 2020

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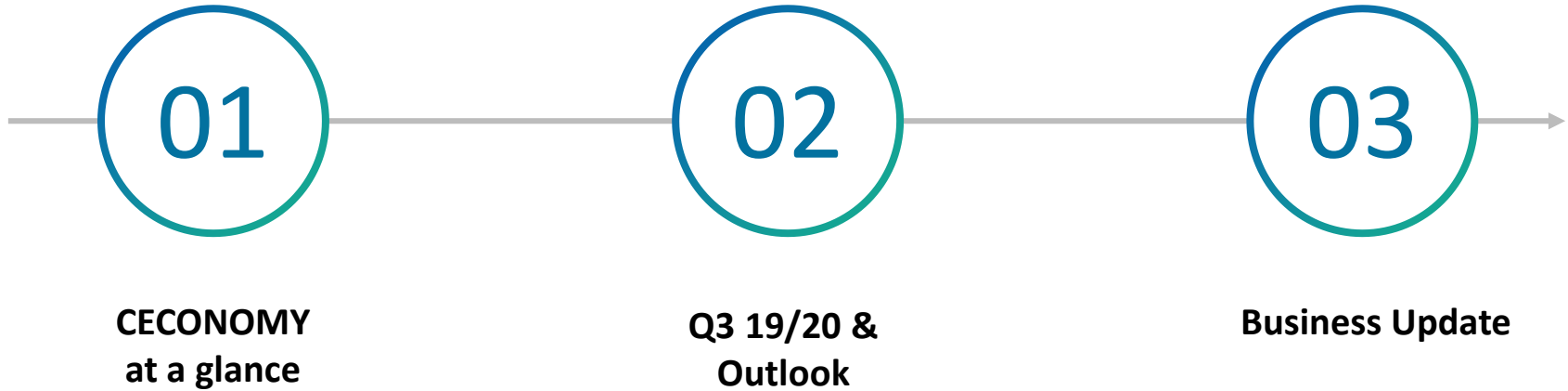
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All numbers shown are as reported, unless otherwise stated. All amounts are stated in million euros (€ million) unless otherwise indicated. Amounts below €0.5 million are rounded and reported as 0. Rounding differences may occur.

Agenda

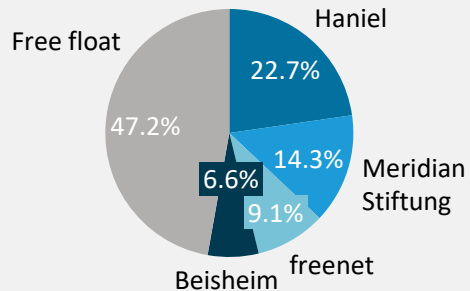


CECONOMY at a glance

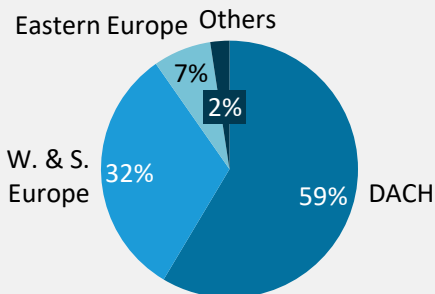
CECONOMY is Europe's largest Consumer Electronics platform

Shareholder structure

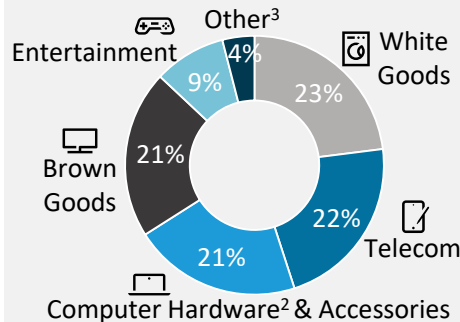
(based on ordinary shares¹)



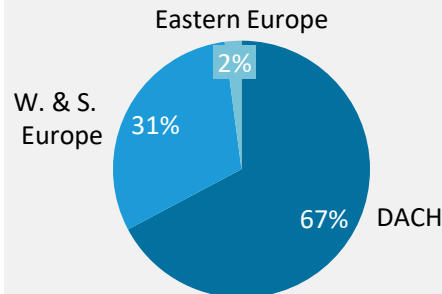
Sales per segment



Product category breakdown



EBIT per segment (excl. Others)



Highlights

- Europe's largest Consumer Electronics platform
- 21.5 €bn of sales, c. 402 €m EBIT in FY 18/19
- >2.9 €bn online sales and 1.5 €bn Services & Solutions sales in FY 18/19
- Leading position in 7 out of 13 countries
- 2 strong brands: MediaMarkt and Saturn
- Multi-channel 1,000+ store network
- Solid financial framework
- Minority investments in Fnac Darty (c. 24%) and M.video (c. 15%)

¹Calculated on the basis of the number of voting rights disclosed pursuant to section 40 para. 1 sentence 1 WpHG. ²Telecommunication devices such as iPads without SIM card included. ³Includes in essence Photo&Office equipment.

We have a strong set of assets and operate in an attractive market

CECONOMY

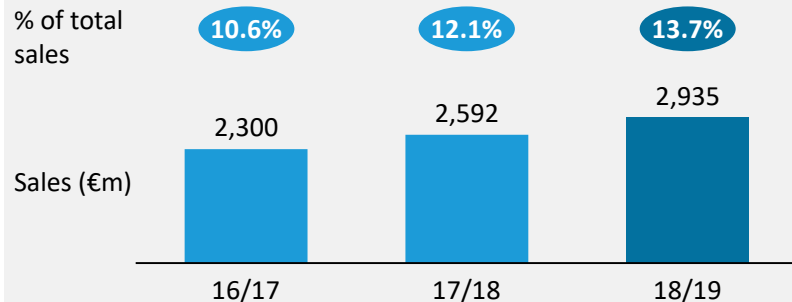
- Leading multi-channel player for Consumer Electronics
- Differentiated value proposition with Services & Solutions offering
- Large customer base
- Trusted brands
- Strong and reliable partner of suppliers



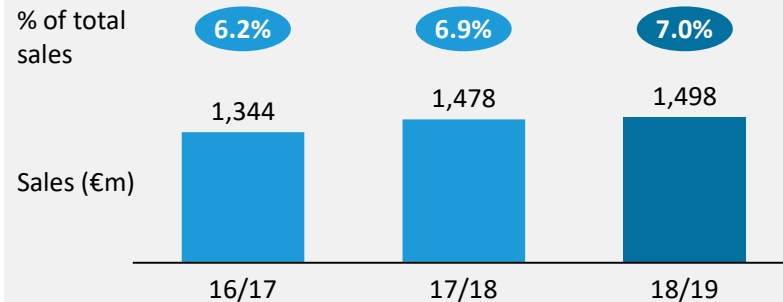
- Digital opens up new product categories
- Ageing population is increasingly seeking technical support
- Connectivity and product complexity drive rising demand for Services & Solutions

Ongoing progress in the Online and Services & Solutions business

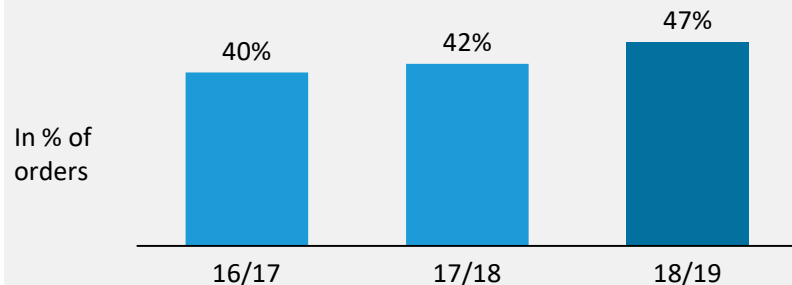
Strong Online business



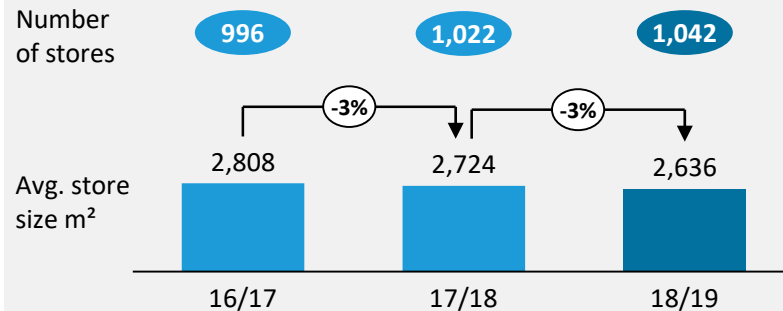
Increasing Services & Solutions business



Growing pick-up rate



Ongoing rightsizing of stores



Note: Business figures represent the continuing operations of CECONOMY, i.e. excl. the Russian MediaMarkt business.

Our full focus is on the ongoing execution of our four strategic initiatives...



**OMNI-
CHANNEL**



**SERVICES &
SOLUTIONS**



**CATEGORY &
SUPPLY CHAIN
MANAGEMENT**



**ORGANIZATION &
COST STRUCTURE**

...and we continued to make noticeable progress in many areas



OMNI-CHANNEL

- ✓ **3m new online customers since March**, also driven by increased online marketing
- ✓ **Launch of marketplace** in July with good initial momentum
- ✓ **Store traffic recovering** step by step (pickup back to >40%)
- ✓ **Efficiency improvements in stores** through employee app
- ✓ **Re-branding** in Austria and Luxembourg



SERVICES & SOLUTIONS

- ✓ **Sales recovery** to previous year levels in June, also driven by improved attachment measures in stores and online
- ✓ **Launch monthly subscriptions** with warranty extension G+ in German online channel
- ✓ **Aftersales & repair IT platform roll-out completed** in Germany and progressing in Austria



CATEGORY & SUPPLY CHAIN MANAGEMENT

- ✓ **Introduction of standardized assortment** and supplier framework for each country
- ✓ **Strong increase in centralized procurement** (now >95% centralized on country level)
- ✓ Launch of new **product category pilots**
- ✓ **Continued enhancements in logistics** leading to improved customer experience



ORGANIZATION & COST STRUCTURES

- ✓ **Continued focus on flexibilization of costs**, e.g. turnover rents
- ✓ **New operating model** blueprint and roadmap defined

Why invest in CECONOMY?

#1

**CECONOMY IS THE
LEADER IN
MULTI-CHANNEL
AND SCALE**

#2

**CECONOMY HAS A
STRONG
FINANCIAL PROFILE**

#3

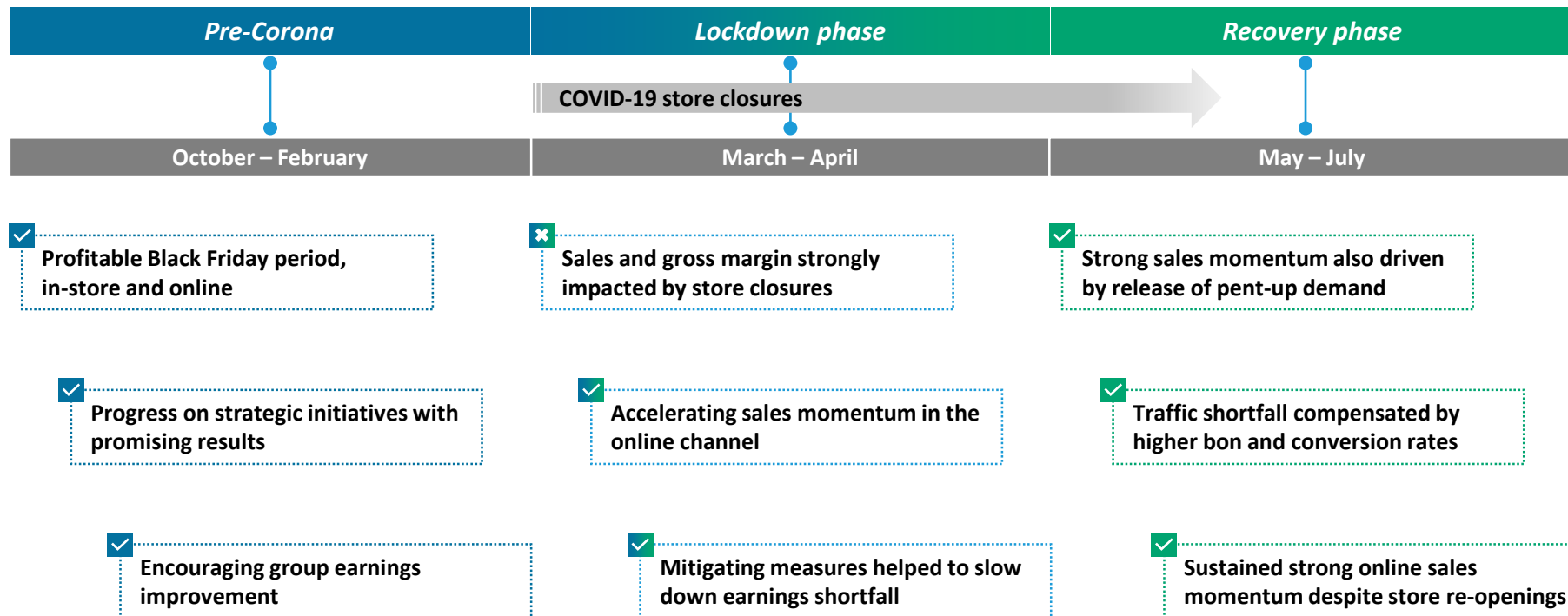
**CECONOMY HAS
THE POTENTIAL TO
INCREASE
MARGINS AND
FREE CASH FLOW
GENERATION**

#4

**CECONOMY HAS
THE POTENTIAL TO
LEAD THE RETAIL
CONSOLIDATION
AND
TRANSFORMATION
IN THE FUTURE**

Q3 19/20 & Outlook

CECONOMY has successfully navigated through this challenging time...



CECONOMY's Q3 19/20 in a nutshell



Strong sales recovery following easing of COVID-19 restrictions



COVID-19 induced channel shift and lower Services & Solutions income weigh on gross margin



Online business with ongoing strong performance despite store reopenings through May and June



Stock age structure still negatively influenced by store closures from March to May



Better than expected result despite extraordinary impact from COVID-19 thanks to pro-active, ruthless execution of contingency measures

The excellent business recovery is already reflected in the third quarter results, which were above expectations



A large blue circle containing the text **-8.4%**. A blue arrow points downwards from the bottom center of the circle to the text below.

-8.4%

Sales change yoy
adjusted for fx-effects and
portfolio changes



A large blue circle containing the text **-45 €m**. A blue arrow points downwards from the bottom center of the circle to the text below.

-45 €m

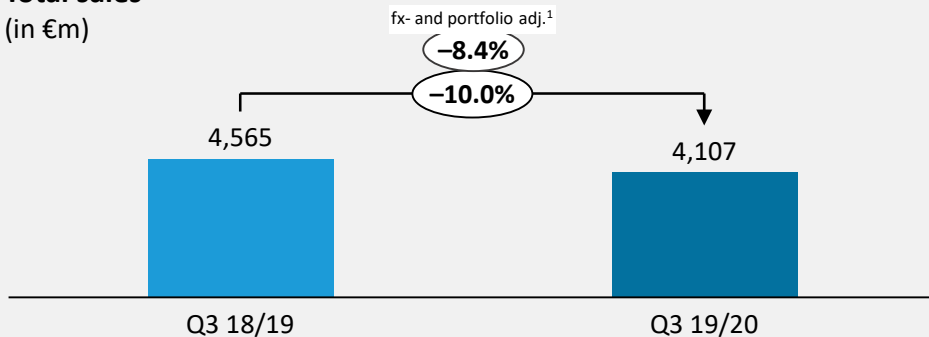
Adj. EBIT^{1,2}
excl. associates
on prior year's level

¹Adjusted EBIT before non-recurring effects. ²Incl. IFRS 16.

Negative sales development exclusively related to COVID-19 lockdowns

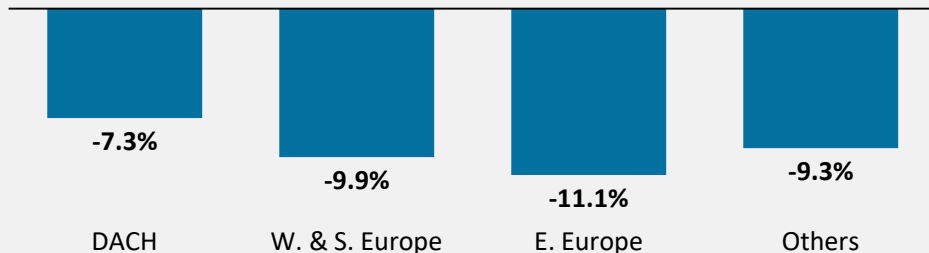
Q3

Total sales
(in €m)



Sales by segment

(fx- and portfolio adj.¹, yoy change)

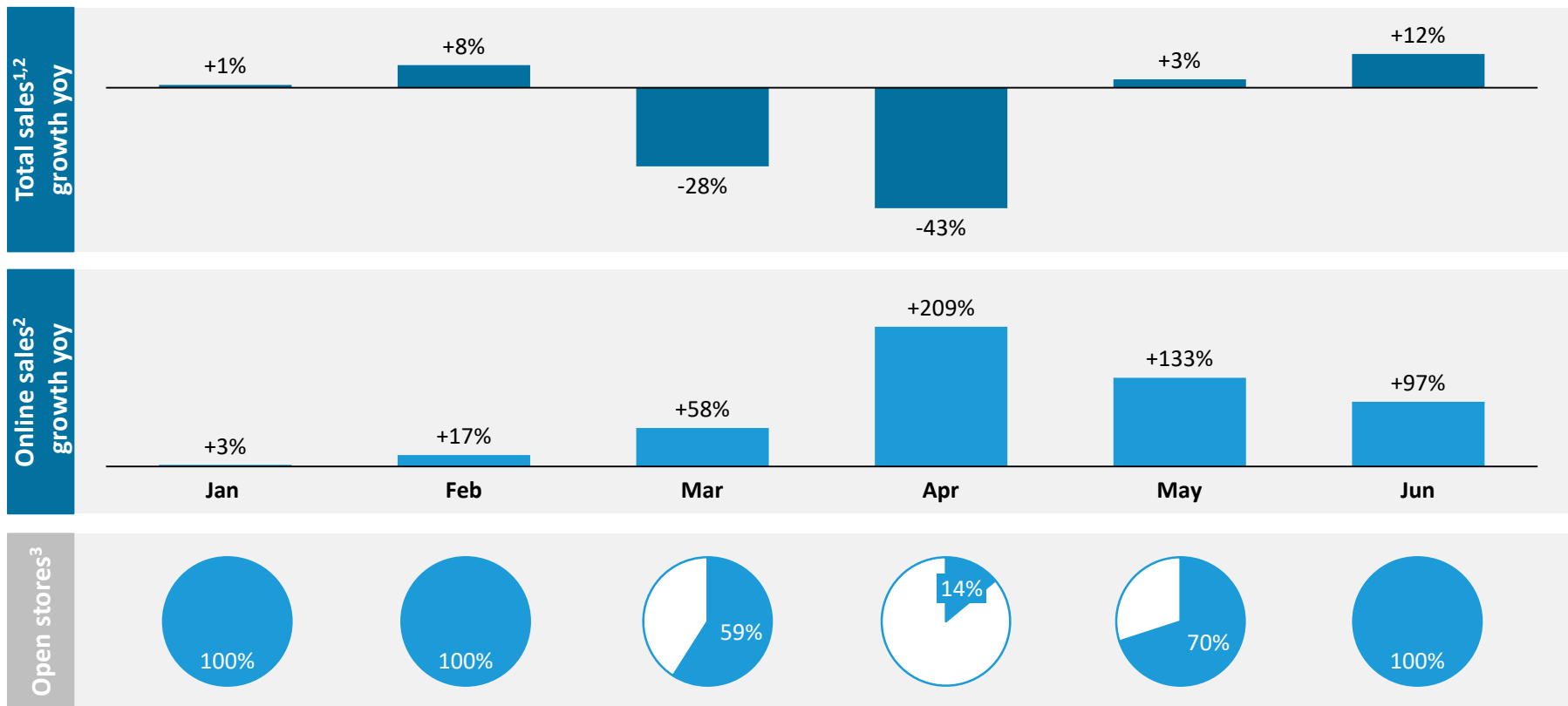


¹Excl. Greek MediaMarkt business (portfolio adjustment).

Q3 Highlights

- **Fx- and portfolio adjusted¹ sales excl. iBood** at -8.1%
- **DACH:** Germany, Austria and Switzerland impacted by store closures in April followed by noticeable sales recovery in May/June
- **Western & Southern Europe:** Italy and Spain faced sharp decline due to store closures in April and restrictions in May; Netherlands recorded a strong increase in sales
- **Eastern Europe:** Turkey and Poland impacted by store closures in April and May, recovery in June
- **Others:** Positive sales momentum in Sweden, segment decline due to disposal of iBood

Group sales rebounded in May and gained momentum in June after COVID-19 induced headwinds in March and April

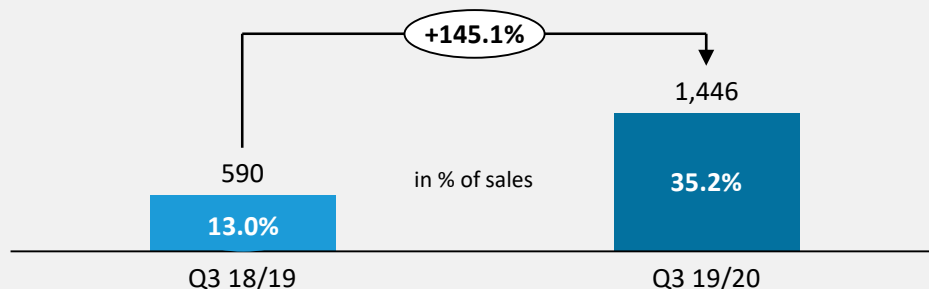


¹Sales adjusted for currency and portfolio change effects. ²Excluding Greek MediaMarkt business (portfolio adjustment). ³Monthly average.

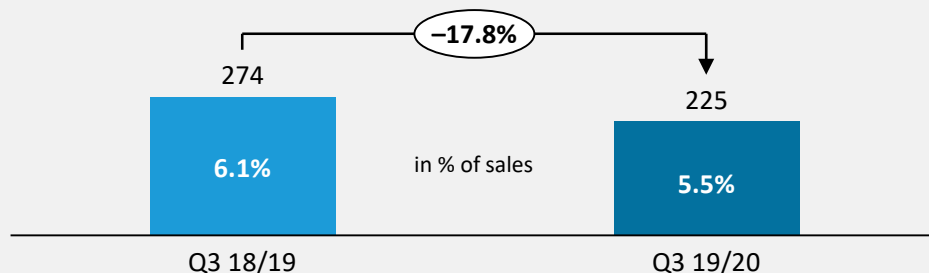
Strong online sales momentum, while Services & Solutions business was mainly impacted by store closures

Q3

Online sales¹
(in €m)



Services & Solutions sales¹
(in €m)



¹Excl. Greek MediaMarkt business (portfolio adjustment).

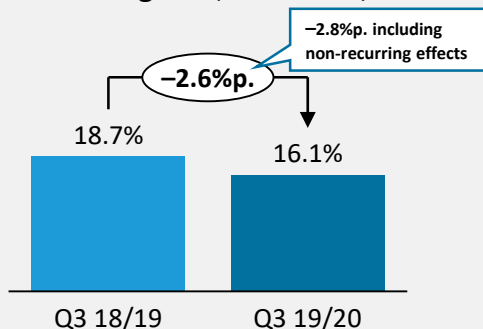
Q3 Highlights

- Online¹ growth +153.1% excl. iBood
- Strong online performance continued, despite gradual reopenings
- Almost 3 million new online customers recorded in our webshops since March
- Pick-up rate at 32% vs. 46% in PY, pick-up rate also recovering (back to >40% in June)
- Services & Solutions business impacted by store closures, lower traffic thereafter and lower service attachment rate online
- Services & Solutions sales recovered to prior year's level in June

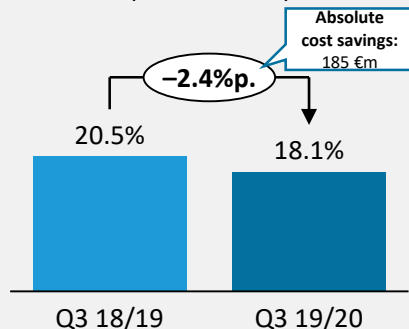
COVID-19 related cost reductions compensated lower gross margin

Q3

Gross margin^{1,2} (in % of sales)



OPEX^{1,2,3} (in % of sales)

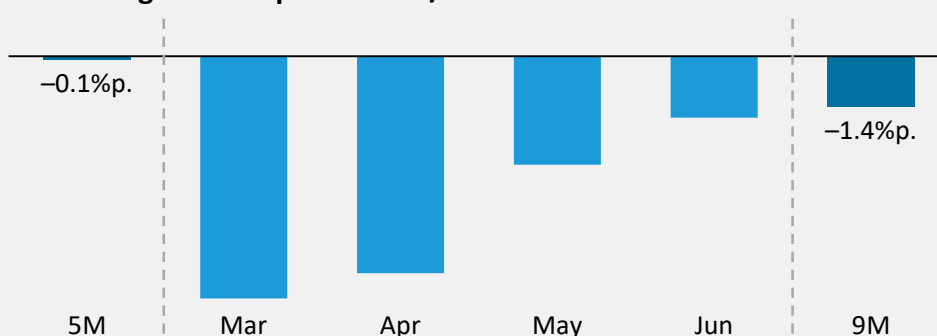


Q3 Highlights

- **Gross margin** impacted by COVID-19 induced channel and product mix effects, higher delivery costs, lower Services & Solutions income and stock-related effects
- **Gross margin with monthly trend improvement** in May and June
- **OPEX reduction** due to successful contingency measures: lower personnel expenses mostly due to short-time work, lower advertising and location costs
- **Ongoing operational cost savings**, also in connection with Reorganization & Efficiency Program

9M

Gross margin development^{1,2} 19/20 vs. PY

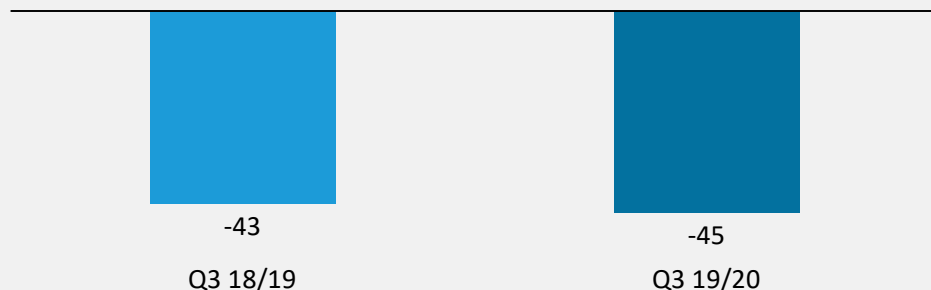


¹Excl. non-recurring effects. ²Adjusted for portfolio changes. ³Sum of SG&A expenses and Other operating expenses.

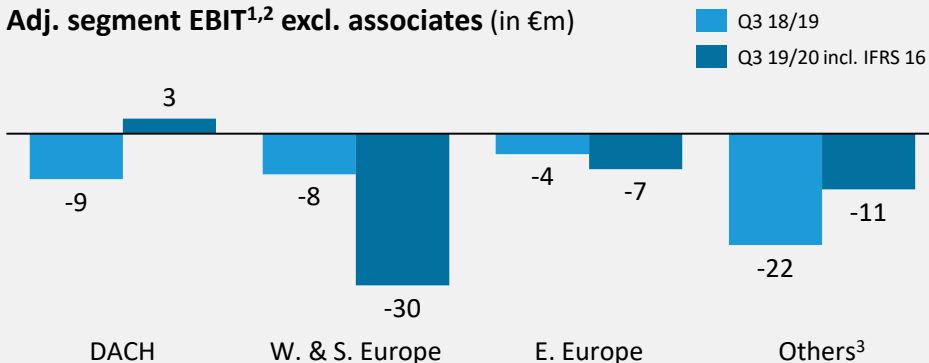
Adjusted EBIT on prior year's level despite COVID-19 impact on business

Q3

Adj. EBIT^{1,2} excl. associates (in €m)



Adj. segment EBIT^{1,2} excl. associates (in €m)



¹Excl. non-recurring effects. ²Adjusted for portfolio changes. ³Incl. consolidation.

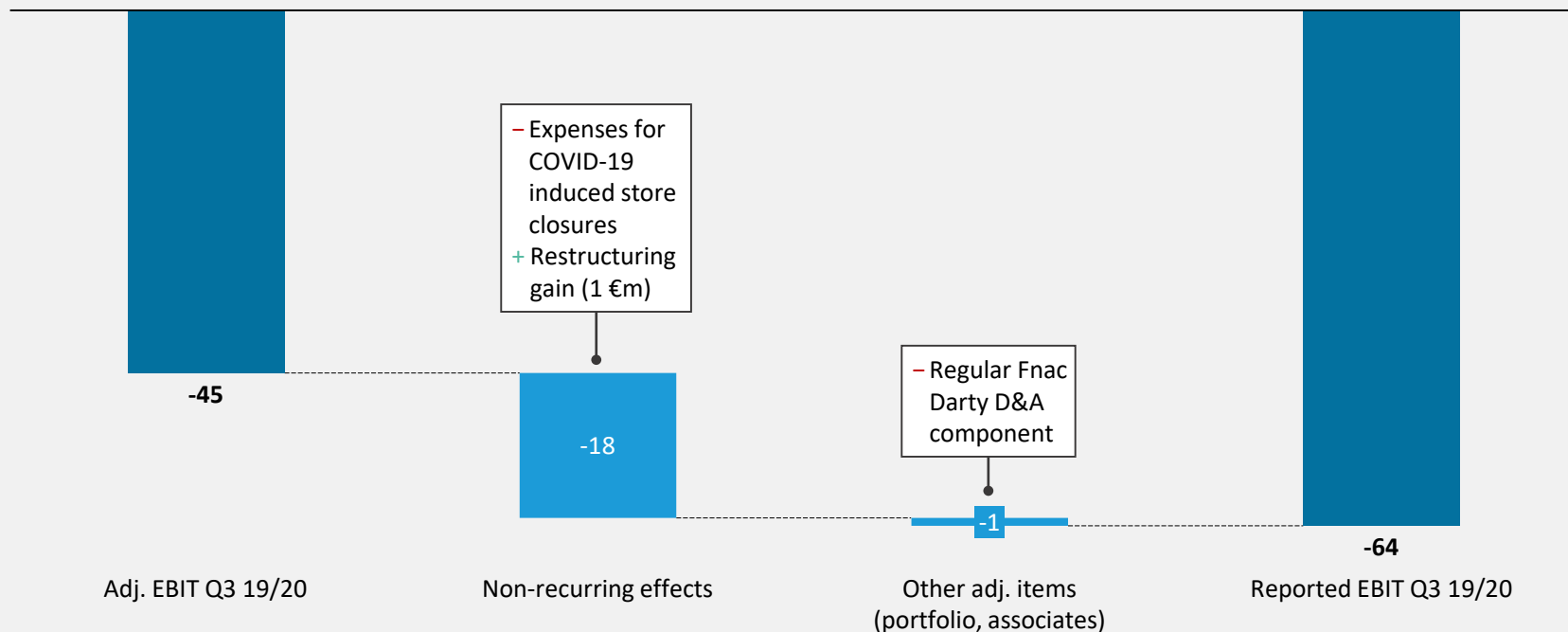
Q3 Highlights

- **Adj. EBIT on prior-year's level**, driven by COVID-19 related cost measures and sales recovery in May and June
- **DACH**: Solid performance in Germany mainly driven by COVID-related cost reductions; EBIT in other countries broadly on prior year's level
- **W. & S. Europe**: Significant sales- and margin-related decline in Spain and Italy; Netherlands with slight earnings increase
- **Eastern Europe**: Lower earnings in Poland; stable result in Turkey despite COVID-19 induced sales disruption
- **Others**: Earnings increase in Sweden and lower CECONOMY HQ expenses

Expenses related to COVID-19 induced permanent store closures impacted reported EBIT

Q3

Adj. EBIT^{1,2} excl. associates to reported EBIT (in €m)



¹Excl. non-recurring effects. ²Adjusted for portfolio changes.

EPS impacted by higher taxes despite higher year-on-year earnings

€m	Q3 2018/19	Q3 2019/20	Change
EBITDA	-69	154	223
EBIT	-126	-64	61
Net financial result	12	-13	-25
Earnings before taxes	-113	-77	36
Income taxes	51	-54	-105
Profit or loss for the period	-62	-131	-69
Non-controlling interest	-14	-27	-13
Net result	-48	-104	-56
EPS (in €)	-0.13	-0.29	-0.16

Note: From continuing operations and based on reported figures; EBIT/DA in CY incl. IFRS 16 effect.

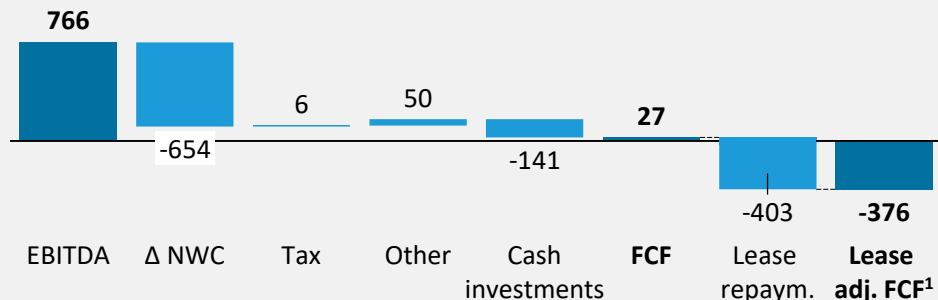
Q3 Highlights

- **Reported EBITDA** includes c. 133 €m IFRS 16 effect
- **Reported EBIT** includes c. 1 €m IFRS 16 effect
- **Net financial result** in prior year benefited from sales of 5.4% METRO AG stake
- **Tax rate** in 9M 19/20 at -54.5%; negative tax rate essentially due to Fnac Darty impairment in Q2 19/20
- **EPS** declined by -0.16 € yoy due to higher taxes as a result of integral tax approach, despite higher earnings

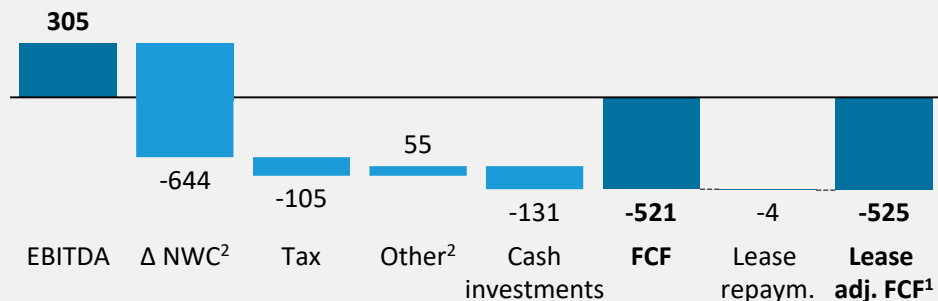
Adjusted Free Cash Flow improved year-on-year

9M

2019/20: Free Cash Flow (in €m)



2018/19: Free Cash Flow (in €m)



¹Lease adjusted free cash flow subtracts the repayment of lease liabilities for better FCF comparability under IFRS 16. ²Prior-year adjustments due to changes in presentation and definition.

9M Highlights

- **Adj. Free Cash Flow improved by 149 €m yoy**
- **Change in NWC broadly stable:** Comparatively lower increase in inventories and a comparatively higher reduction in receivables from suppliers compensated for significantly lower trade liabilities
- **Tax refunds** relating to cash tax prepayments in the previous year led to a cash inflow; also, comparatively fewer tax prepayments as a reaction to COVID-19 were made
- **Increase in cash investments** due to cash-effective investment into the joint venture in Greece; modernization and expansion investments below prior year

Underlying assumptions for remainder of FY 19/20

Based on the preliminary **business development** in 9M 19/20 and the **current insights**, the outlook for FY 19/20 was specified on 16 July 2020

Assuming **no further COVID-19 related restrictions** in the remaining months of FY 19/20

Sales momentum from June continued in July, **but expected to soften over the course of Q4**, due to potential phasing-out of catch-up effects and prevailing macroeconomic uncertainties

Trailing COVID-19 related headwinds expected in Q4, regarding supplier income and partial reduction of aged overstock

Outlook for FY 19/20

- Adjusted for portfolio changes
- Excluding non-recurring earnings effects in connection with (1) the reorganization and efficiency program announced on 29 April 2019, (2) COVID-19 related store closures and (3) the introduction of the New Operating Model

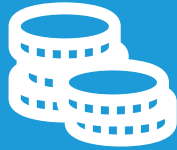
	FY 19/20 incl. IFRS 16	thereof IFRS 16 effect
Fx-adjusted sales	Slight decline	
EBIT (excl. associates)	165 – 185 €m	5 – 15 €m

Business Update

CECONOMY has adopted a successful pro-active crisis management approach to mitigate COVID-19 impacts



Ensuring a safe environment for employees and customers



Implementing comprehensive cost and liquidity measures



Preparing for the reopening and a strong commercial comeback

We have managed to react to the crisis early and have taken bold immediate measures to protect our people and business

Starting point

- **We have managed to react to the crisis early**
 - Early indications from our suppliers/partners in Asia
 - Leverage of early insights from Italy (HQ in Milan)
 - Establishment of internal task force already in January

Bold immediate measures



Comprehensive measures to ensure health and safety of our employees and customers (in stores and HQs)



>30k employees in short-time work



Suspension of rental payments for closed stores



Reduction of investments (stores)



Extension of payment terms with suppliers



Suspension of brick & mortar marketing



Deferral of tax payments

We have implemented structural improvements to our business model during COVID-19 that will continue to bring benefits long-term

Structural improvements

to cope with immediate challenges from COVID-19 and to accelerate change

Costs



Flexibilization of our fixed costs
(e.g. rent, logistics costs)

Supply chain



Adaption of our supply chain
to tremendous omnichannel
growth (backbone, last mile)

Marketing



Strong shift towards digital
marketing and targeted
below-the-line communication

IT



Accelerated implementation of
“one inventory” and new
capability “ship from store”

We also learnt key lessons for the next phase of our transformation



**We demonstrated
that we can react
fast to
fundamentally
changing
conditions**



**An agile group-
wide contingency
approach proved
highly effective
and successful**



**Embedding a more
central approach
and agility in the
organization to
accelerate the
transformation**

Our New Operating Model will introduce standardized organization and operations across all countries & stores



New Operating Model

HQ & Country functions



- Introduction of group-wide standardized organization and operations across all countries
- Central definition and roll-out of operational strategy including core concepts
- Clusters of countries



Leaner structures and consistent, faster processes

Store organization



- Implementation of new store organization
- Transfer administrative tasks from stores to the countries and HQ
- Higher degree of centralized processes, more customer focus in stores



Ensure maximum customer orientation and a consistent customer experience with an efficient organization

We will establish unified structures with clear responsibilities...



Clear responsibilities

Clear responsibilities for strategic guidelines, standard design and execution of activities



Unified structures

Identical organizational design of management structure in countries and for stores



Customer focused

Customer oriented central structures – leaner, clearer accountability and faster



Harmonized HQ and country functions

Managing
Director
Commercial

(General)
Managing
Director Sales

Managing
Director
Finance

Examples of country clusters



BeNeLux



Iberia



...and empower store employees as well as free up resources to offer outstanding customer service



Efficient organization

Standardized, unified structures and clearly defined responsibilities to fully focus on the customer



Passion for customer

Omni-channel and service-oriented perspective through a dedicated employee training program

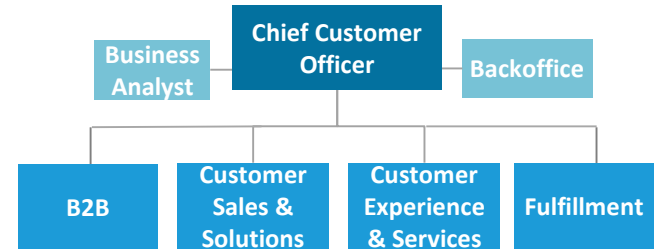


Store productivity

Digital tools for the improvement of service quality and efficiency



New store leadership structure



Store productivity tools



We will further optimize our store network, which remains a key element of our omni-channel approach

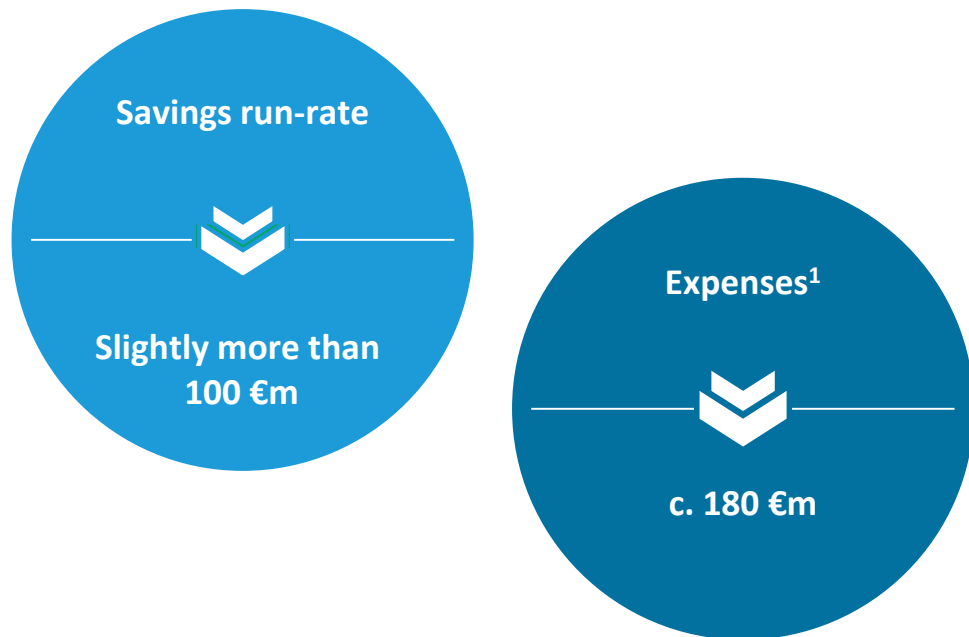


Optimization of store network

- 14 stores across Europe to be permanently closed in response to COVID-19 impacts
- Further potential closure of loss-making stores subject to further monitoring of the store network
- Continue right-sizing of stores
- Continued flexibilization of rental costs



Our goal is to achieve savings of slightly more than 100 €m per year towards an improved cost base



Program expected to run for 24 – 36 months, majority of savings in FY 22/23 expected



Significant part of expenses expected to still become earnings effective in FY 19/20



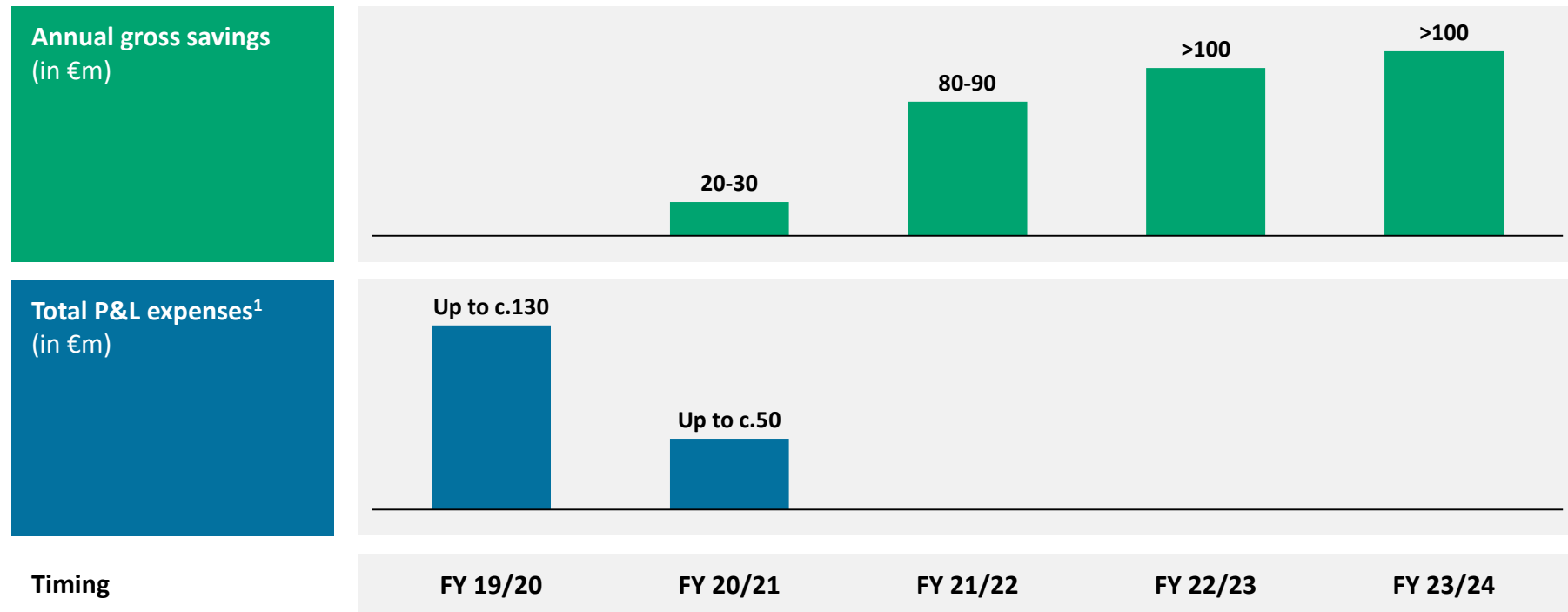
Cash pay-back period of <1.75 years



A total of up to 3,500 FTEs expected to be reduced, primarily outside Germany

¹Includes c.5 €m non-cash accounting effects.

Phasing of expenses and savings for the New Operating Model and the further optimization of our store network



¹Includes c.5 €m non-cash accounting effects.

The New Operating Model is the fundament for the next phase of our transformation



Key take-aways



**We are confident regarding the long-term prospects for us
as the market leader for CE products in Europe**

Back-up

CECONOMY has increased its financial flexibility by safeguarding and expanding access to substantial back-up lines

1.7 €bn RCF

KFW
& banking consortium



Ensures **access to additional liquidity** in an unprecedented time



Sufficient back-up even for **potentially longer lock-down and a possible second wave**

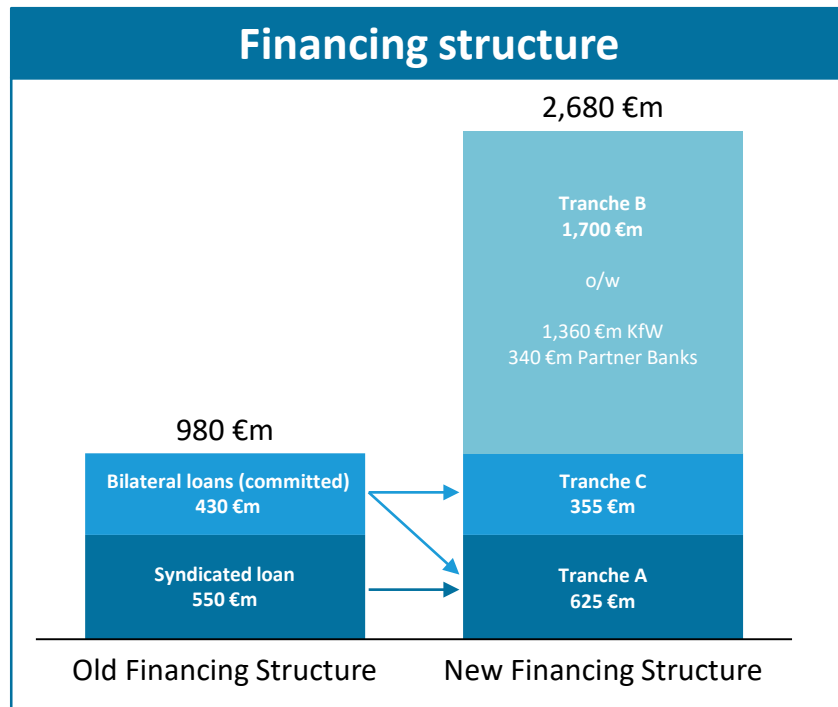


Mitigation of current COVID-19 impact



Underpins our continued prudent financial policy

New syndicated loan of 1,700 €m complements our existing credit lines



New syndicated loan **complements** existing committed credit facilities of 980 €m



Existing bilateral loans and syndicated loan will be rolled into Tranche A and C



One condition is that CECONOMY **suspends dividend payments** for the duration of Tranche B



Maturities:

Tranche B
Tranche C
Tranche A

December 2021¹
June 2022²
January 2024

¹1-year extension option at KfW's discretion. ²Automatically extends by one year if tranche B is extended.

IFRS 16 effects on EBITDA and EBIT

	IFRS 16 effect in EBITDA	IFRS 16 effect in EBITDA
€m	Q3 19/20	9M 19/20
DACH	80	241
Western/Southern Europe	40	129
Eastern Europe	12	36
Others ¹	2	9
Total	134	415

	IFRS 16 effect in EBIT	IFRS 16 effect in EBIT
€m	Q3 19/20	9M 19/20
DACH	1	3
Western/Southern Europe	0	1
Eastern Europe	2	4
Others ¹	-1	-2
Total	1	7

¹Including consolidation.

Store network as of 30 June 2020

	31/03/2020	Openings	Closures	30/06/2020
Germany	428	–	2	426
Austria	52	–	–	52
Switzerland	26	–	–	26
Hungary	32	–	–	32
DACH	538	–	2	536
Belgium	27	–	–	27
Italy	116	1	–	117
Luxembourg	2	–	–	2
Netherlands	50	–	–	50
Portugal	10	–	–	10
Spain	88	–	–	88
Western/S. Europe	293	1	–	294
Poland	88	–	–	88
Turkey	78	–	–	78
Eastern Europe	166	–	–	166
Sweden	28	–	–	28
Others	28	–	–	28
CECONOMY	1,025	1	2	1,024

Q3 Highlights

- **1 store opening** in Italy and **2 store closures** in Germany
- **Average store size at 2,608 sqm** at the end of June 2020

Net Working Capital¹

€m	30/09/2018	30/06/2019	Change	30/09/2019	30/06/2020	Change
Inventories	2,480	2,802	322	2,548	2,780	232
Trade receivables and similar claims	610	530	−80	455	467	12
Receivables due from suppliers	1,241	1,157	−83	1,295	970	−325
Trade liabilities and similar liabilities	−5,745	−5,270	476	−5,321	−4,557	763
Net Working Capital	−1,415	−781	634	−1,023	−340	683

¹Prior-year adjustments due to changes in presentation and definition.

Financial calendar and events

Financial calendar

Q4/FY 2019/20 trading statement

23 October 2020

FY 2019/20 results

15 December 2020

Events

Virtual Roadshow KeplerCheuvreux

1 September 2020

Virtual Roadshow Paris, Bryan Garnier

2 September 2020

Commerzbank Corporate Conference, Frankfurt

3 September 2020

Baader Investment Conference, Munich

21 September 2020

9th German Corporate Conference 2020, Munich

23 September 2020

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