

CECONOMY

# Investor Presentation

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May 2019

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# Agenda

01

**CECONOMY at a glance**

02

**Q2 18/19 Trading & Outlook**

03

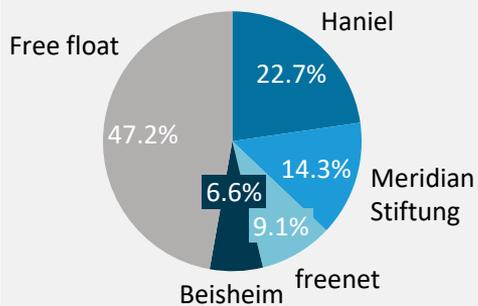
**Strategic Update**

# CECONOMY at a glance

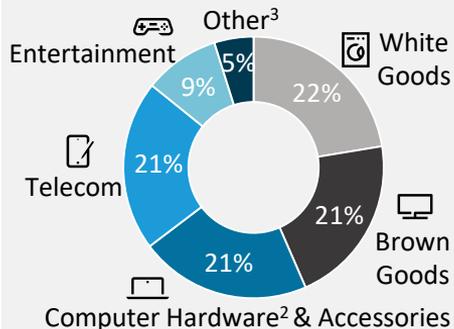
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# CECONOMY at a glance

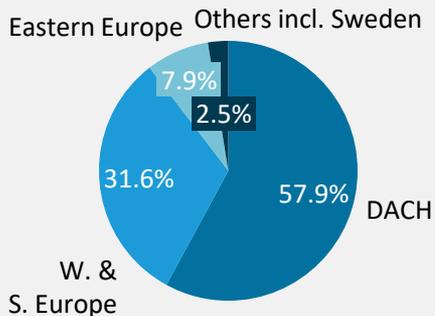
## Shareholder structure<sup>1</sup>



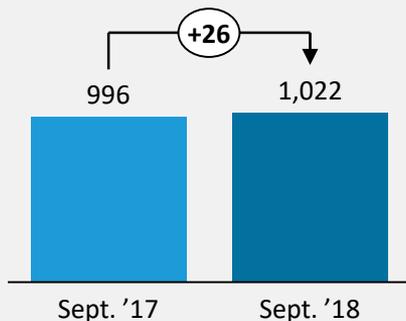
## Product category breakdown



## Sales per segment



## Number of stores

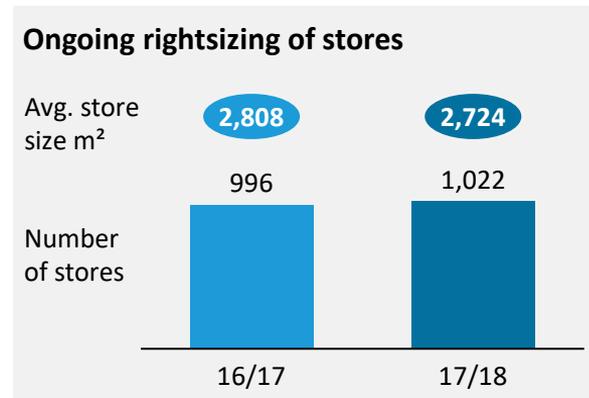
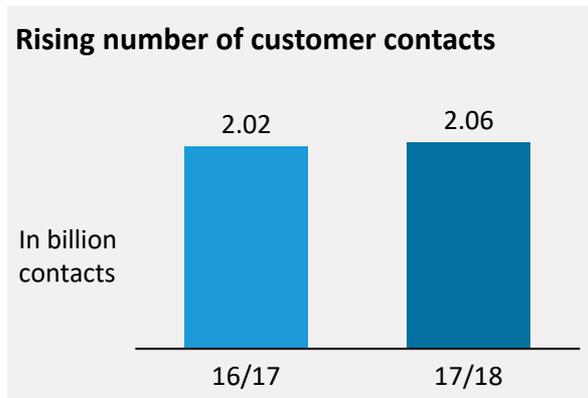
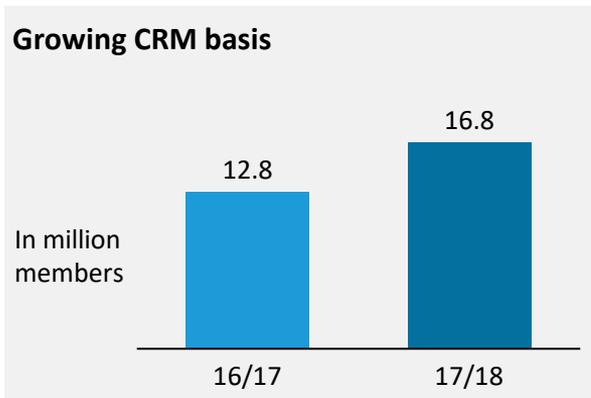
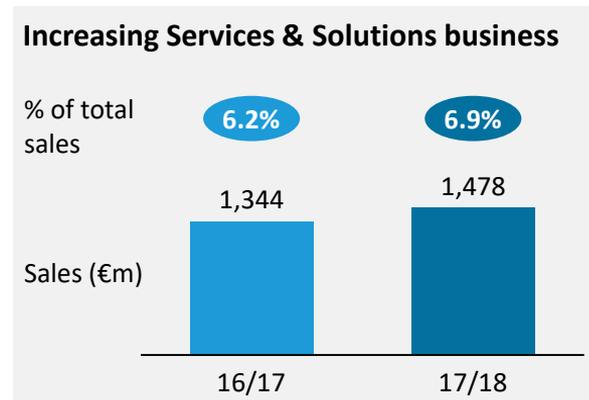
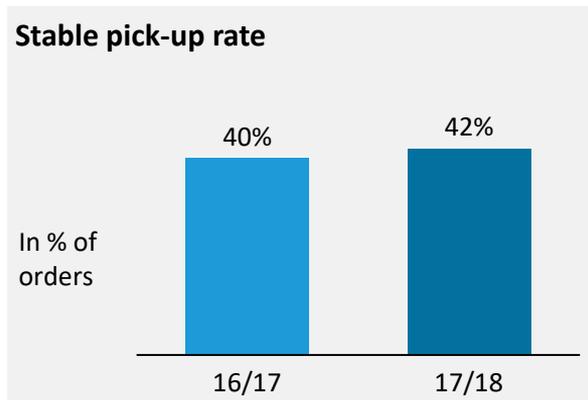
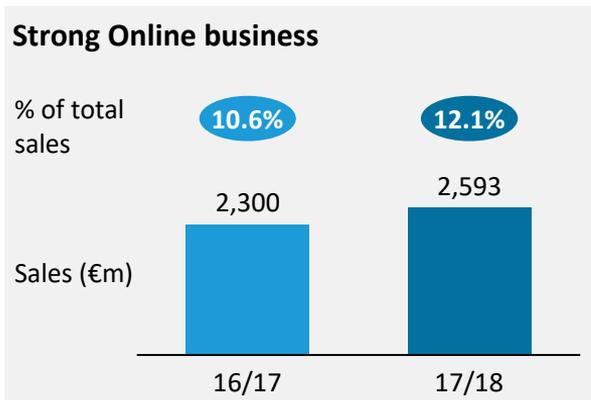


## Highlights

- Europe's largest Consumer Electronics platform
- 21.4 €bn of sales, 650 €m EBITDA in FY 17/18
- >2.5 €bn online sales and 1.4 €bn Services & Solutions sales in FY 17/18
- Leading position in 8 out of 14 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%)

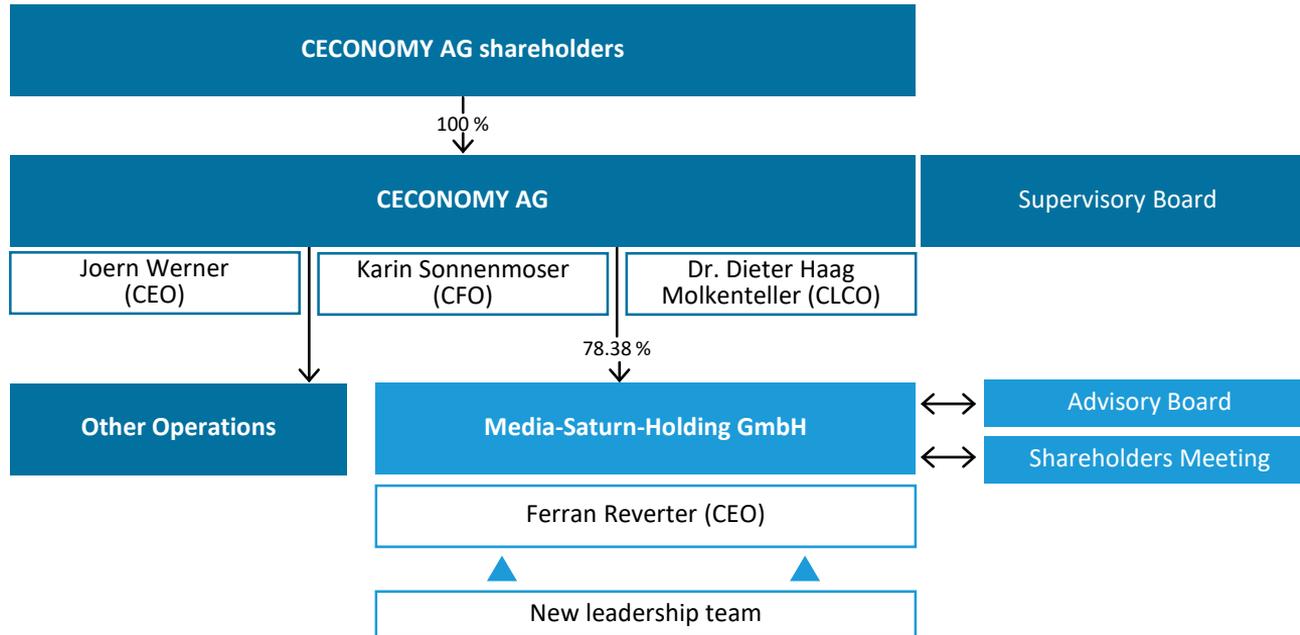
<sup>1</sup>Calculated on the basis of the number of voting rights in disclosures pursuant to section 40 para. 1 sentence 1 WpHG; <sup>2</sup>Telecommunication devices such as iPads without SIM card included; <sup>3</sup>Includes in essence Photo&Office equipment.

# Solid progress in the Online and Services & Solutions business



Note: Business figures represent the continuing operations of CECONOMY, i.e. excl. the Russian MediaMarkt business. CRM data for Poland not included due to change to new CRM IT platform.

# Personnel changes at CECONOMY concluded – new CEO and CFO started on 1 March 2019



# 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**

# Mid-term targets

**Sales<sup>1</sup>**



>3% CAGR

**EBITDA margin**



direction 5%

**Tax rate**



direction 40%

**Investments<sup>2</sup>**



1.5% of sales

**FCF conversion<sup>3</sup>**



60-70%

**Dividend pay-out ratio<sup>4</sup>**



45-55%

<sup>1</sup> At constant currency before portfolio effects. CAGR = Compound Annual Growth Rate. <sup>2</sup> Cash investments. <sup>3</sup> Free Cash Flow conversion defined as EBITDA less cash investments plus/minus changes in net working capital divided by EBITDA; EBITDA adjusted for investment in Fnac Darty stake. <sup>4</sup> % of EPS.

# Q2 18/19 Trading

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# Good operational progress as the transformation gets underway

**+** Overall market share gains

**+** Germany with sound performance

**+** Active management of operational costs

**-** Shift of Easter business into Q3

**-** Weak performance in the Netherlands and Spain

**-** First expenses related to reorganization & efficiency program weighed on reported earnings

# Solid financial performance in Q2 2018/19

**-1.1%**

fx-adjusted

**Sales impacted by  
shift of Easter  
business**

**-295 €m**

in H1

**Change in NWC  
-224 €m  
lower than PY**

**80 €m**

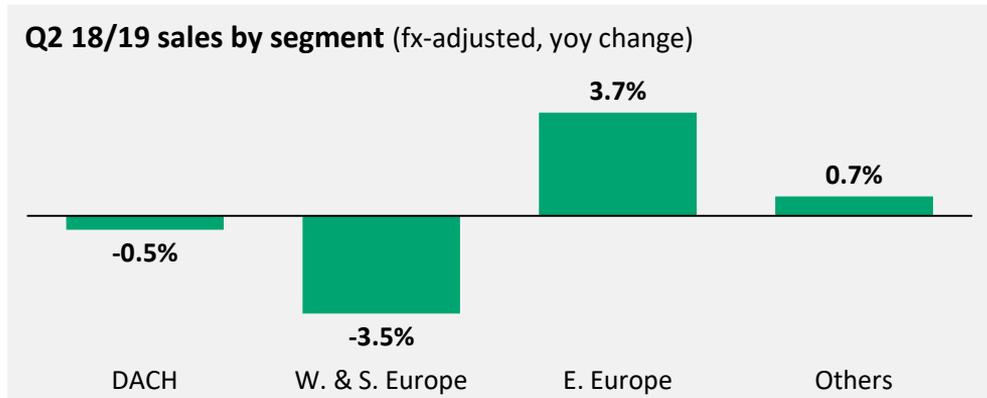
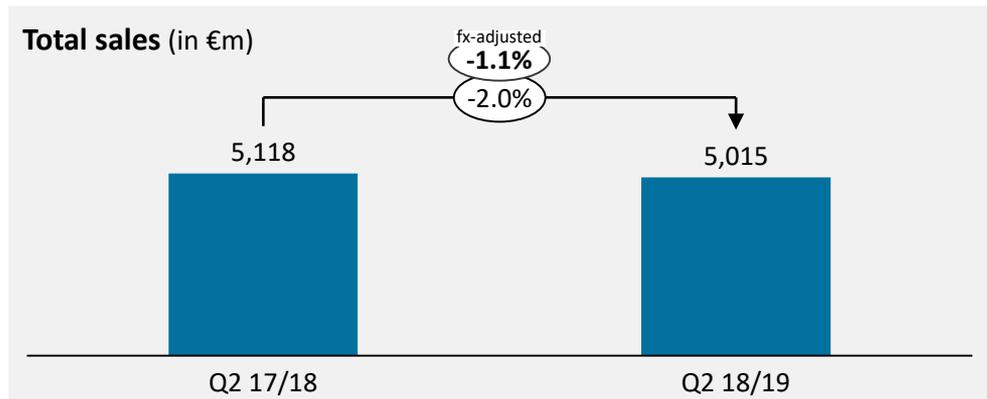
**Adj. EBITDA\*  
excl. Fnac Darty  
-2 €m below PY**

**24 €m**

**Adj. EBIT\*  
excl. Fnac Darty  
-1 €m below PY**

\*Adjusted EBIT/DA excl. expenses in connection with the reorganization and efficiency program and management changes.  
Note: Change in Net Working Capital (NWC) acc. to Cash Flow Statement. PY = prior year.

# Q2 sales affected by negative calendar effects and weak performance in Western & Southern Europe



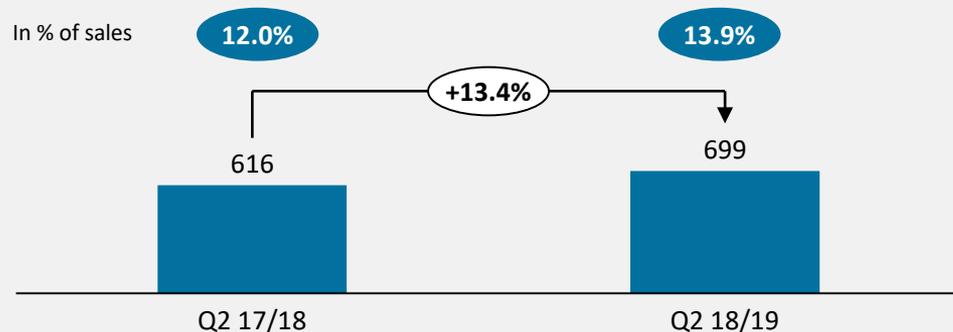
## Highlights

- Overall market share gains
- **DACH:** Germany on PY level despite shift of Easter business, partly compensated by successful marketing campaigns; Austria and Switzerland also impacted by negative calendar effects
- **Western & Southern Europe:** Weak development in the Netherlands and Spain
- **Eastern Europe:** Sales uplift in Turkey also driven by expansion and inflation; Poland still impacted by competitive environment
- **Others:** Slight decline in Sweden offset by slight growth in smaller operating businesses

# Online again with double-digit growth, but slower growth in Services & Solutions business

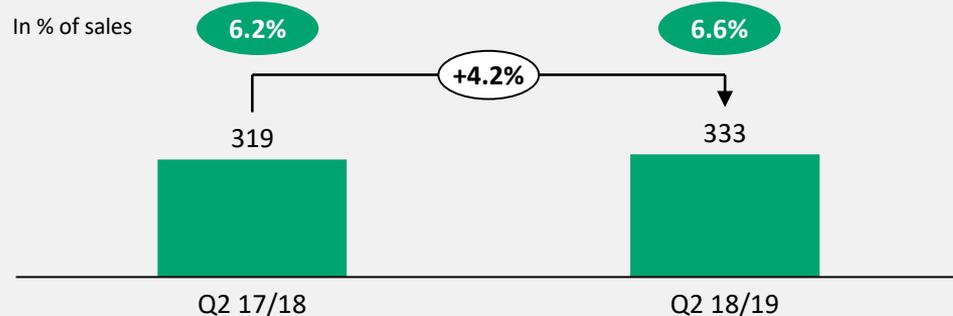
## Online Sales (in €m)

In % of sales



## Services & Solutions sales acc. to IAS 18 (in €m)

In % of sales

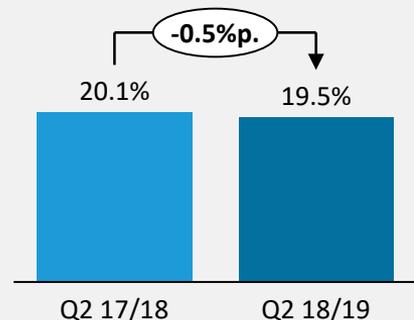


## Highlights

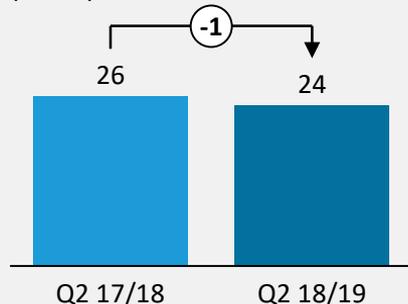
- Online growth driven by both pick-up and e-Commerce
- Online LTM accounted for **13.5% of total sales** vs. 11.2% in the prior-year period
- **Higher pick-up rate** in Q2 at around 44% vs. 40% in the prior-year period
- **Solid demand** for repair services
- Services & Solutions LTM accounted for **7.1% of total sales** vs. 6.5% in the prior-year period
- Services & Solutions sales **impacted by application of IFRS 15** (c. -50 €m)

# Adjusted EBIT\* on PY level: negative sales and margin-related effects fully offset by active operational cost management

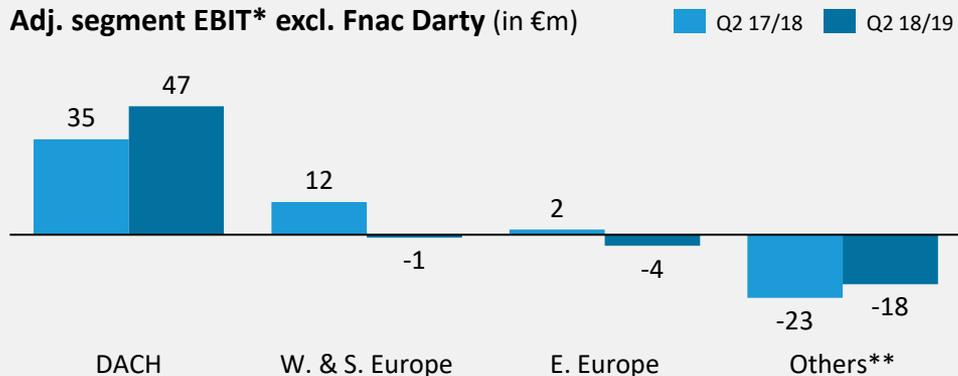
Gross margin



Adj. EBIT\* excl. Fnac Darty (in €m)



Adj. segment EBIT\* excl. Fnac Darty (in €m)



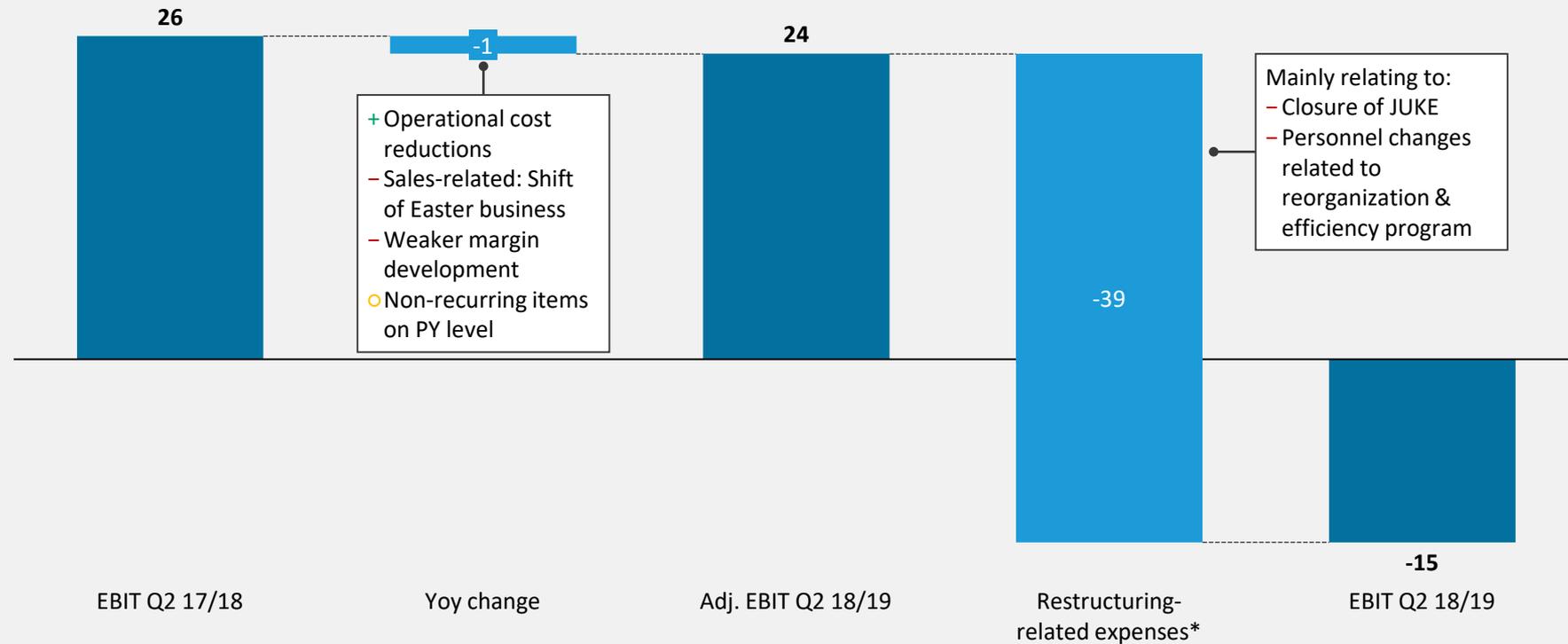
## Highlights

- **DACH:** Earnings increase in Germany despite non-recurring items in PY, supported especially by ongoing in-store efficiency measures
- **Western & Southern Europe:** Higher earnings in Italy, lower earnings in Netherlands and Spain
- **Eastern Europe:** Sales- and margin-related decline in Poland, earnings in Turkey on PY level
- **Others:** Lower CECONOMY HQ expenses, stable earnings development in Sweden
- Positive effects from higher recognized income for mobile contracts (IFRS 15) and settlement of further damage claims, but overall **level of non-recurring items on PY level**

\*Adjusted EBIT excl. expenses in connection with the reorganization and efficiency program and management changes. \*\*Others: Including consolidation.

# Operational performance on PY level, but restructuring-related expenses weigh on reported earnings

EBIT excl. Fnac Darty (in €m)



\*Expenses in connection with the reorganization and efficiency program in EBIT.

# EPS above prior year despite lower EBIT/DA and higher share count

€m	Q2 17/18	Q2 18/19	Change
EBITDA	103	83	-20
EBIT	46	19	-28
Net financial result	-109	14	123
Earnings before taxes	-63	33	96
Income taxes	16	-13	-29
Tax rate	25.5%	40.3%	14.8%p.
Profit or loss for the period	-47	20	66
Non-controlling interest	15	-5	-20
Net result	-62	25	87
EPS (€)	-0.19	0.07	0.26

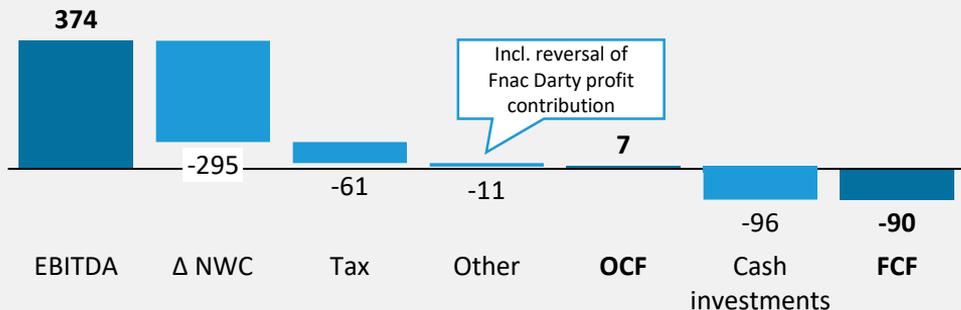
Note: Reported EBIT/DA incl. Fnac Darty and incl. expenses in connection with the reorganization and efficiency program and management changes.

## Highlights

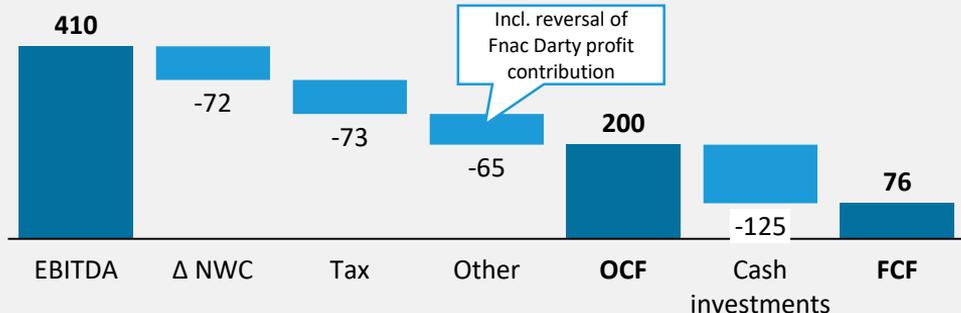
- Reported EBIT impacted by **39 €m restructuring-related expenses** (o/w 8 €m not included in EBITDA related to JUKE impairment)
- **34 €m (+13 €m yoy)** profit share from **Fnac Darty's H2 2018 net income**
- **Net financial result** in prior year mainly impacted by impairment of METRO AG stake
- **Tax rate** in H1 18/19 at 37.7%; prior year's rate impacted by METRO AG impairment
- **Adjusted EPS** excl. restructuring-related expenses at 0.14€

# Higher NWC outflow weighed on Free Cash Flow

## H1 2018/19: Free Cash Flow (in €m)



## H1 2017/18: Free Cash Flow (in €m)



## Highlights

- **Change in NWC** –224 €m lower than prior year, mainly driven by lower increase in trade payables (high starting point on 30 Sept. 2018) and increased receivables due from suppliers
- **Lower cash taxes** driven by tax optimization in FY 17/18
- **Other OCF** benefited from settlement of receivables in connection with Russia transaction
- **Cash investments** declined by –29 €m yoy due to lower modernization investments and more selective expansion activity

# Our underlying assumptions for FY 18/19 are still valid

Underlying  
assumptions  
for 18/19  
still valid



- Q2 performance supports **achievement of full-year targets**
- **Headwinds** from positive non-recurring effects in previous full year
- **Positive impacts from centralization and excellence** to become visible gradually

Transfor-  
mation  
ongoing



- Implementation of **Reorganization & Efficiency Program** has started
- **Restructuring-related expenses** weigh on reported earnings in FY 18/19
- **Only smaller benefits** from the Program to come through in FY 18/19

# Outlook for FY 18/19 confirmed

- Adjusted for exchange rate effects and before portfolio changes
- Excludes expenses in connection with the reorganization and efficiency program
- Excludes expenses for already announced management changes in top management

€m	FY 17/18	FY 18/19
Total sales	21,418	Slight increase
EBITDA (excl. Fnac Darty)	630	Slight decline
EBIT (excl. Fnac Darty)	399	Slight decline
Fnac Darty profit share	21	Mid double-digit €m amount (based on consensus estimate)
Net Working Capital		Moderate decline

Included non-recurring effects such as:

- Re-assessment of inventory costs
- Valuation of gift card liabilities
- Pension income

# Strategic Update

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# 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 trusted partner of suppliers

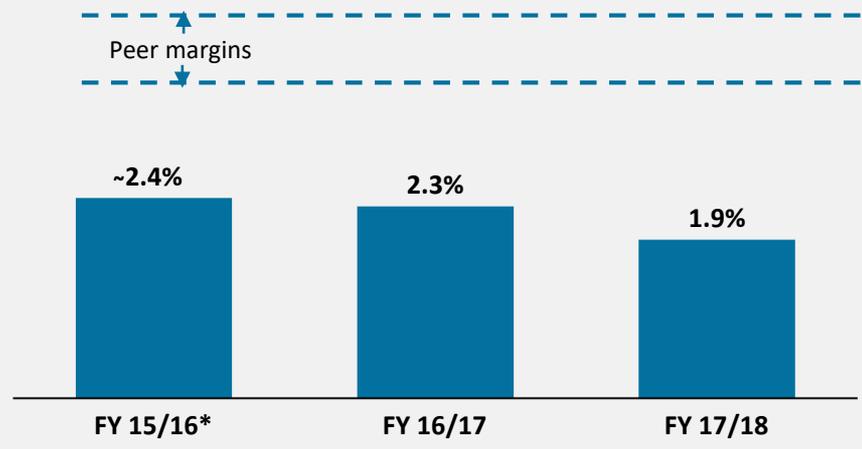


- Digital opens up new product categories
- Ageing population is increasingly seeking technical support
  - Connectivity and product complexity drive rising demand for Services & Solutions

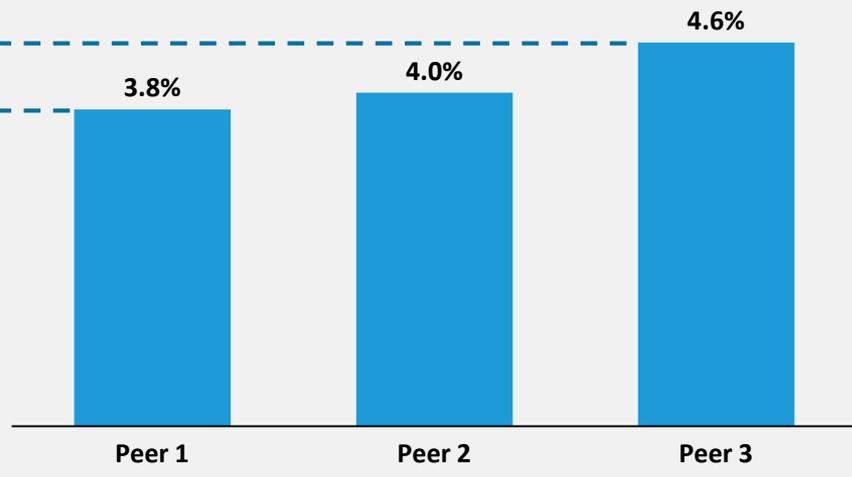
# We have not fully utilized our potential and our performance has been disappointing in recent years

## CECONOMY's EBIT margin development

(before special items, excl. Fnac Darty and Russia)



## Peers' EBIT margin (last FY)



**We need to increase our efficiency and profitability**

\*Unaudited pro-forma figure for FY 15/16 excluding Russia.

# We need to become a more agile organization – our current structures and processes slow down execution

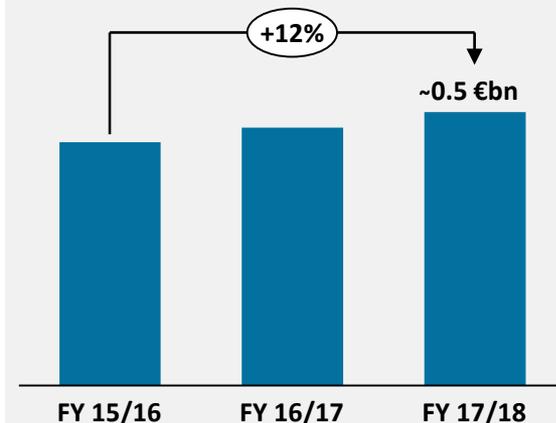
Complex structures and redundant functions

Unclear roles and responsibilities

Non-standardized processes

Limited resources for future investments

Group administrative expenses<sup>1</sup> in Germany



We need to streamline processes, enable faster decision-making and ultimately reduce costs

<sup>1</sup> Before cost allocation to other P&L line items.

# We have identified four strategic initiatives – short-term, we focus on reducing complexity and costs



DIGITAL  
GROWTH

ONGOING



SERVICES &  
SOLUTIONS

ONGOING



CATEGORY &  
SUPPLY CHAIN  
MANAGEMENT

GRADUAL PROGRESS



ORGANIZATION &  
COST STRUCTURE

SHORT TERM

*Reorganization & Efficiency Program*

# Our program focuses on two pillars: reorganizing central functions and optimizing the operational entities portfolio



## Reorganization & Efficiency Program (expected duration up to 18 months)

### Central Functions



Reorganization of central functions at  
CECONOMY and MediaMarktSaturn Retail Group  
and the country organizations (primarily Germany)

### Portfolio



Review of non-core portfolio companies  
and associates

<sup>1</sup> thereof around 90% from Germany

# We streamline processes and functions and review our venture portfolio



## Central Functions

### Processes



- Standardized processes across the group
- Tailoring and streamlining of all process-oriented tasks

### Responsibilities



- Establishing a lean management organisation
- Centralisation of support functions along with elimination of redundancies
- One function responsible for CECO & MMSRG

### Cost reduction



- Fewer administrative tasks
- Reduction of indirect spend
- Headcount reduction across all entities

## Portfolio

### Venture activities and associates



- **Closure** of streaming platform JUKE
- **Termination** of business activities of Retail Media Group
- **Review of strategic options**, including sale, closure or JV for selected activities and associated companies

JUKE

RMG

FLIP4NEW



# Examples: Reorganization of central functions and related administrative functions in Germany



- **Stronger control and improved transparency** by shifting financial steering and controlling functions various sub-entities to Media-Saturn-Holding
- **Combining standardized tasks**, e.g. invoice control or dunning services, and shifting them to the **Shared Service Center** of MediaMarktSaturn Germany
- **Re- and up-skilling of existing and new employees** in software engineering to replace external consultants
- Move to one **common IT platform**
- **Merger of operational MediaMarkt and Saturn teams to lift in-house synergies**, e.g. regarding the operation and development of the webshops
- **Repositioning of marketing activities** to cope with required changes in the marketing mix (more online, less offline)
- **Bundling of purchases of indirect spend**, resulting in reduction in consultancy costs, travel expenses, etc.

**CECONOMY**

**MediaMarktSaturn**  
Retail Group

**MediaMarktSaturn**  
Deutschland

**MediaMarktSaturn**  
Technology

**POWER  
SERVICE**

**REDBLUE**

**IMTRON**

A MediaMarktSaturn Retail Group Company

**& Other Entities**

# We aim at streamlining the group's processes, structures and business activities, and at reducing costs



**Sustainable savings run-rate in FY 20/21 expected**



**Opposite effect in the low double-digit €m from build-up of new personnel, e.g. in supply chain**



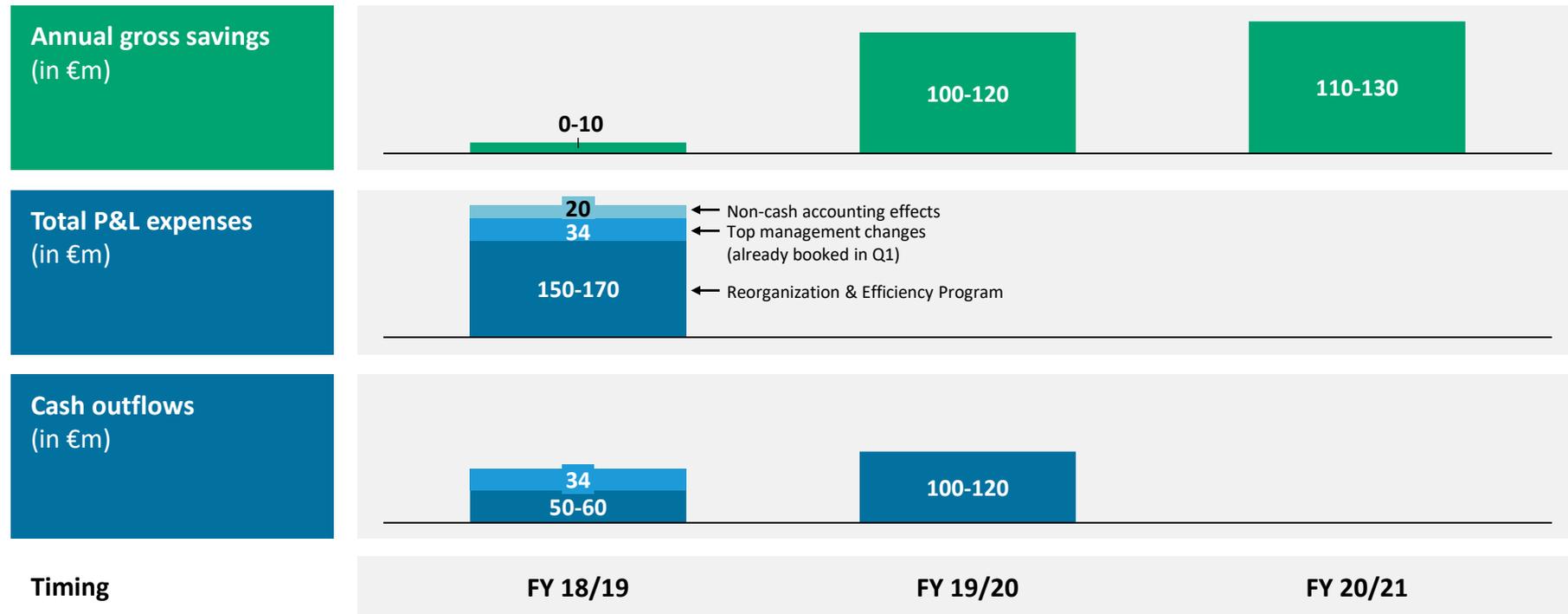
**Pay-back period of <1.5 years for program related expenses<sup>1</sup> booked in FY 18/19**



**Additional non-cash accounting effects of c. 20 €m in FY 18/19 expected**

<sup>1</sup> Excluding 34 €m of expenses booked already in Q1 18/19 related to top management changes and excluding additional non-cash accounting effects of 20 €m.

# Total expenses to only weigh on FY 18/19 reported earnings, benefits to kick-in from next fiscal year



# Short-term, we focus on reducing complexity and costs – but we also continuously work on the other three initiatives



**DIGITAL  
GROWTH**

**ONGOING**



**SERVICES &  
SOLUTIONS**

**ONGOING**



**CATEGORY &  
SUPPLY CHAIN  
MANAGEMENT**

**GRADUAL PROGRESS**



**ORGANIZATION &  
COST STRUCTURE**

**SHORT TERM**

*Reorganization & Efficiency Program*

# We accelerate our Digital Growth and Services & Solutions efforts to become the partner of choice for our customers at all touchpoints



## Digital Growth



Full **multi-channel integration** of online, mobile and store



Refocus **marketing investments** and **leverage data analytics**



Optimize **user experience** and **customer journey** to improve conversion



Push **relevant online services** to improve margins

## Services & Solutions



Full roll-out of **SmartBars** including core services: Ready2Use, screen protection and in-store repairs



Improved **insurances & warranties proposition** in Germany: new proposition, new partners, smart billing solution



Drive **recurring revenue models** through own billing platform for e.g. security software



Ramp-up **at-home tech support**

# We also centralize our business, improving our Category and Supply Chain Management, but the full roll-out will take time



## Pricing



Developed a **central pricing** strategy using advanced data analytics and AI



Implementation in **Germany by summer**



Full **roll-out to other countries** once Germany is up and running

## Category Management



**Buying** in Spain, Italy, Poland and the Netherlands already highly centralized



**First progress** in terms of buying and forecasting & replenishment planning in Germany



**Full ramp-up in Germany** by the end of next year



Full ramp-up of **space & assortment planning** thereafter

## Supply Chain



**Piloting first central warehouse**, testing processes with three major suppliers



Finalizing **roll-out of SAP** system

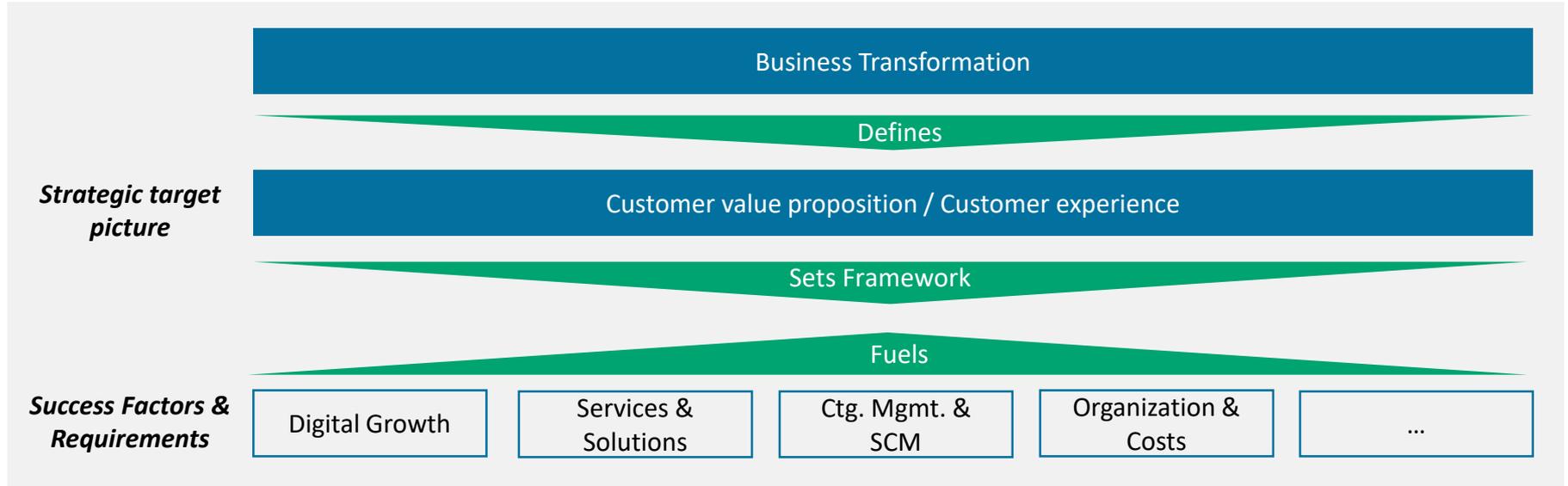


**Continue ramp-up of central platform** for supply to go live in September



Establish **central warehouses** in further countries

# Business transformation of overriding importance for ongoing initiatives



- Kick-off of overarching business **transformation process** to set the missing strategic target picture
- Implement customer-centric approach by **taking customer perspective**

# We transform our business model and lift promised potentials



**This company has a great potential that has not been fully utilized.**

**We fix the basics and lay the foundation for a sustainable future.**

**We focus on one thing:  
THE CUSTOMER.**

Back-up

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# Net Working Capital

€m	30/09/2017	31/03/2018	Change	30/09/2018	31/03/2019	Change
Inventories	2,449	2,838	390	2,480	2,909	429
Trade receivables	497	514	18	613	506	-107
Receivables due from suppliers	1,197	1,116	-81	1,239	1,240	0
Receivables from credit cards	66	64	-2	71	70	1
Advance payments on inventories	0	0	0	0	0	0
Trade payables	-4,817	-5,055	-238	-5,277	-5,346	-69
Liabilities to customers	-129	-123	5	-45	-12	33
Deferred revenues from vouchers and customer loyalty programmes	-63	-77	-14	-137	-159	-21
Provisions for customer loyalty programmes and rights of return	-19	-17	2	-23	-17	6
Prepayments received on orders	-39	-37	2	-46	-44	2
<b>Net Working Capital</b>	<b>-858</b>	<b>-777</b>	<b>81</b>	<b>-1,125</b>	<b>-853</b>	<b>272</b>

Note: Balance sheet figures were adjusted for discontinued operations to enable comparison.

# IFRS 9 and 15 accounting changes



## IFRS 9

### Financial Instruments

Effective: 1 Oct. 2018

- The IFRS 9 accounting change will reduce the impairment requirement for the receivables portfolio
- According to an impact analysis no material impact expected



## IFRS 15

### Revenue from Contracts with Customers

Effective: 1 Oct. 2018

- IFRS 15 related changes in the sales allocation on the basis of standalone selling prices are mainly applicable to Telco related package deals
- As a result a low triple-digit €m shift from Services & Solutions to product sales is expected
- Comparable figures according to IAS18 will be provided on a quarterly basis

## Financial Impact<sup>1</sup>

**Not material**

## Financial Impact<sup>2</sup>

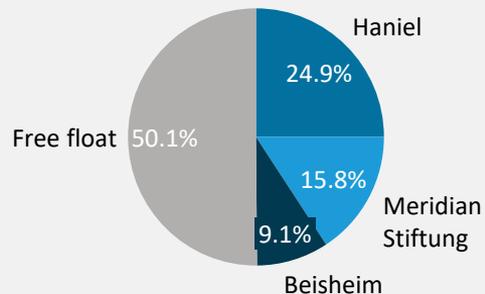
**Product sales:**  
Low triple-digit €m

**Service sales:**  
Low triple-digit €m

<sup>1</sup>Preliminary and unaudited impact analysis as of 31 Dec. 2017; <sup>2</sup>Preliminary and unaudited impact analysis as of 30 Sep. 2017.

# CECONOMY's new shareholder structure

## Pre-transaction structure based on voting rights\*

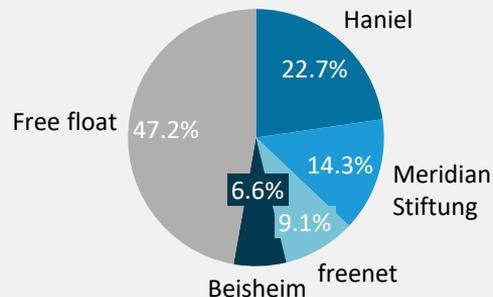


Beisheim reported 23,615,334 voting rights to METRO Wholesale & Food Specialist AG (now METRO AG) on 12 July 2017

Shareholder	Number of voting rights	% of voting rights	Date of publication
Haniel	81,015,280	24.99%	13 May 2015
Meridian Stiftung	51,117,363	15.77%	02 June 2017
Beisheim	29,493,970	9.10%	12 August 2013
<b>Total</b>	<b>324,109,563</b>		

In addition: 2,677,966 non-voting preference shares outstanding

## Post-transaction structure based on voting rights\*

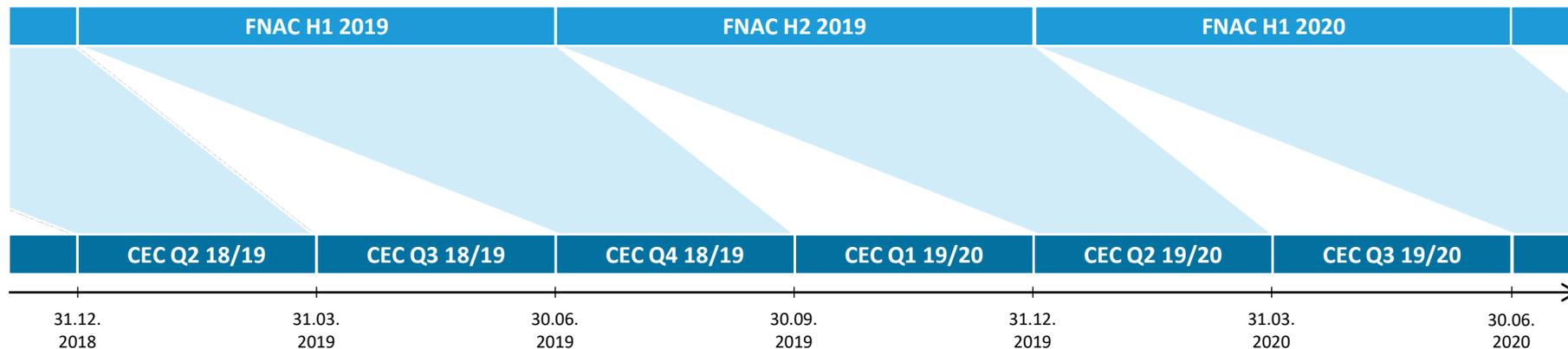


Shareholder	Number of voting rights	% of voting rights*	Date of publication
Haniel	81,015,280	22.71%	13 May 2015
Meridian Stiftung	51,117,363	14.33%	16 July 2018
freenet	32,633,555	9.15%	12 July 2018
Beisheim	23,615,334	6.62%	18 July 2018
<b>Total</b>	<b>356,743,118</b>		

In addition: 2,677,966 non-voting preference shares outstanding

\* Calculated on the basis of the number of voting rights in disclosures pursuant to section 40 para. 1 sentence 1 WpHG

# Fnac Darty consolidation



- Our c.24% stake in Fnac Darty is accounted for as **“Investment accounted for using the equity method”** on the balance sheet
- The share of Fnac Darty’s **net income** will be reported **in our EBITDA and EBIT**
- Due to Fnac Darty’s **semi-annual reporting of net income**, we will report our earnings share semi-annually **in Q2 and Q4**
- Our share of **dividends**, should there be any dividends, will be recognised **earnings-neutral** in our cash flow statement

# Store network

	31/12/2018	Openings	Closures	31/03/2019
Germany	433	0	-1	432
Austria	52	0	0	52
Switzerland	27	0	-1	26
Hungary	24	1	0	25
<b>DACH</b>	<b>536</b>	<b>1</b>	<b>-2</b>	<b>535</b>
Belgium	28	0	0	28
Greece	12	0	0	12
Italy	116	0	0	116
Luxembourg	2	0	0	2
Netherlands	49	0	0	49
Portugal	10	0	0	10
Spain	87	0	0	87
<b>Western/S. Europe</b>	<b>304</b>	<b>0</b>	<b>0</b>	<b>304</b>
Poland	89	1	-1	89
Turkey	71	0	0	71
<b>Eastern Europe</b>	<b>160</b>	<b>1</b>	<b>-1</b>	<b>160</b>
Sweden	28	0	0	28
<b>Others</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>28</b>
<b>CECONOMY</b>	<b>1,028</b>	<b>2</b>	<b>-3</b>	<b>1,027</b>

## Highlights

- **Selective expansion** with 2 openings: 1 store in Poland and 1 shop-in-shop with Tesco in Hungary
- **3 store closures** in Germany, Switzerland and Poland
- **Average store size** reduced by c. -0.5% since December 2018 to 2,688 sqm, mainly due to openings of small-area store formats and further store rightsizings
- **Low double-digit number of net openings** excl. Shop-in-Shops for FY 18/19 expected

# Sales & number of stores by country

	Sales (€m)		Number of Stores			
	FY 16/17	FY 17/18	FY 16/17	Openings	Closures	FY 17/18
Germany	10,556	10,340	429	5	-2	432
Austria	1,169	1,161	50	2	0	52
Switzerland	635	569	27	1	-1	27
Hungary	302	340	24	0	0	24
<b>DACH</b>	<b>12,662</b>	<b>12,410</b>	<b>530</b>	<b>8</b>	<b>-3</b>	<b>535</b>
Belgium	686	701	28	1	0	29
Greece	187	186	12	0	0	12
Italy <sup>1</sup>	2,064	2,096	116	1	-2	115
Luxembourg	63	65	2	0	0	2
Netherlands	1,590	1,581	49	0	0	49
Portugal	133	146	10	0	0	10
Spain	1,967	2,002	83	2	0	85
<b>Western/S. Europe<sup>1</sup></b>	<b>6,691</b>	<b>6,777</b>	<b>300</b>	<b>4</b>	<b>-2</b>	<b>302</b>
Poland	1,033	1,037	86	3	-3	86
Turkey	666	651	53	18	0	71
<b>Eastern Europe</b>	<b>1,699</b>	<b>1,689</b>	<b>139</b>	<b>21</b>	<b>-3</b>	<b>157</b>
Sweden	474	462	27	1	0	28
<b>Others</b>	<b>553</b>	<b>542</b>	<b>27</b>	<b>1</b>	<b>0</b>	<b>28</b>
<b>CECONOMY<sup>1</sup></b>	<b>21,605</b>	<b>21,418</b>	<b>996</b>	<b>34</b>	<b>8</b>	<b>1,022</b>

Note: All figures shown from continued operations. <sup>1</sup> Sales figures for Italy for 2016/17 and 2017/18 were restated to present revenues related to extended warranties on a net basis.

# Financial calendar and events

## Financial calendar

Q3 2018/19 results	13 August 2019
Q4/FY 2018/19 trading statement	24 October 2019
FY 2018/19 results	17 December 2019

## Upcoming events

Roadshow Paris	23 May 2019
Roadshow London	28 & 29 May 2019
dbAccess Berlin Conference	05 June 2019
Exane BNP Paribas European CEO Conference	13 June 2019

**CECONOMY**