

Press Release

CECONOMY closes first quarter with good results

- Currency- and portfolio-adjusted sales down by –0.5 per cent to €6.8 billion
- Reported EBIT increased by €84 million to €319 million; adjusted EBIT¹ rose by €20 million to €289 million
- Online sales² (+4.3 per cent) with solid growth, strong demand for Services & Solutions³ (+10.0 per cent)
- CEO Dr Bernhard Düttmann: “We completed Black Friday both successfully and profitably. In addition, Services & Solutions posted higher income and personnel expenditures and indirect spend in Germany declined. We were thus able to noticeably improve our earnings in the first quarter.”

Düsseldorf, 7 February 2020 – CECONOMY AG (“CECONOMY”) has built the foundations for a sound full year with a good first quarter. Sales in the months October to December reached around €6.8 billion, a slight year-on-year decline of –0.5 per cent adjusted for currency and portfolio effects. A positive contribution came from the successful campaign days surrounding Black Friday. This was partly offset by pull-forward effects and the correspondingly weaker Christmas business, as well as shifts in other campaigns.

Reported EBIT, amongst others including earnings effects in connection with the reorganization and efficiency program of around €30 million, rose by €84 million to €319 million. Also, guidance-relevant adjusted EBIT improved by €20 million to €289 million.

“We completed Black Friday both successfully and profitably. In addition, Services & Solutions posted higher income and personnel expenditures and indirect spend in Germany declined. We were thus able to noticeably improve our earnings in the first quarter, despite intense

¹ Adjusted for portfolio changes, earnings effects from associates as well as non-recurring earnings effects in connection with the reorganization and efficiency program; including the effect from the adoption of IFRS 16

^{2, 3} Online and Services & Solutions adjusted for the Greek Media Markt business

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competition and the weak market environment, especially in Southern Europe. We are well on our way to delivering on our promise and transforming the company. This means that we are focusing on our core business and aligning our business model to the needs of our customers,” said Dr Bernhard Düttmann, CEO of CECONOMY AG.

Black Friday supports sales, Online and Services & Solutions with a good performance

Sales in the regions showed a mixed picture. At –0.2 per cent, **DACH** was almost at the level of the previous year. Although Germany developed very strongly around Black Friday, corresponding full-forward effects had a counteracting effect on the Christmas business. In addition, the announcement of an upcoming product release for game consoles led to a significant decline in sales in the Entertainment segment. Austria was clearly positive. In **Western and Southern Europe**, the absence of a strong-selling VAT campaign in the prior year’s quarter in Spain and the weak consumer climate led to a currency- and portfolio-adjusted sales decline of –2.9 per cent. By contrast, **Eastern Europe** saw currency- and portfolio-adjusted sales rise by 11.3 per cent thanks to strong growth in Turkey. Sales in Poland were again down slightly.

Online sales increased by a solid 4.3 per cent in the first quarter. As in the previous year, online sales exceeded the billion-euro mark at €1,043 million (share of sales: 15.4 per cent). The strong Black Friday was the main contributor to this development. The pick-up option continues to gain popularity: In the first quarter, nearly half (47 per cent) of all online orders were picked up at the stores. **Services & Solutions** business performed particularly well. It improved by 10.0 per cent to €373 million. Services & Solutions thus accounted for 5.5 per cent of total sales. The solid performance of Smartbar services such as screen protection or in-store repairs, as well as the brokerage of extended warranties, in particular, supported this development.

Significant increase in profit in Germany, other regions show a mixed picture

At 18.3 per cent, the gross margin was –0.1 percentage points below the prior-year quarter (Q1 2018/19: –0.6 percentage points). “Thanks to the good development of Services & Solutions, we recorded a slightly improved trend in the gross margin compared to the previous quarters,” explained Karin Sonnenmoser, CFO of CECONOMY AG.

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As with sales, EBIT also developed differently in the various regions. In **DACH**, Germany in particular achieved a significant increase in earnings, while earnings were stable in the other countries of the DACH region. In **Western and Southern Europe** the highly competitive environment and a weak consumer climate had a negative impact. **Eastern Europe** recorded a decline in earnings due to the continuing weakness of income in Poland. In Turkey, earnings developed positively, driven by sales.

Earnings before taxes increased significantly in the first quarter 2019/20 from €235 million to €327 million, while **profit for the period** improved from €147 million to €222 million. **Earnings per share** amounted to €0.47 (Q1 2018/19: €0.30).

Outlook for financial year 2019/20 confirmed

“All in all, we have created a solid basis for a successful full year in a weaker market environment,” said Sonnenmoser.

For financial year 2019/20 CECONOMY expects a slight increase in total sales adjusted for exchange rate effects compared to the previous year and an EBIT between €445 million and €475 million, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect between €5 million to €15 million due to the introduction of IFRS 16. The segment DACH will contribute to the resulting growth, while the segments Western/Southern Europe and Eastern Europe will remain at the previous year's level.

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About CECONOMY

CECONOMY AG empowers life in the digital world. It is leading for concepts and brands in the field of consumer electronics. The companies in the current CECONOMY portfolio have billions of consumer contacts per year and provide products, services and solutions that make life in the digital world easy and enjoyable, creating value for consumers and shareholders alike.

Media Contact

Simone Fuchs
Head of Communications, Public Policy & Sustainability
0049 (151) 1511-4790
simone.fuchs@ceconomy.de