

Press Release Q3 2019/20

CECONOMY proves its ability to act during the Corona crisis and is back on track – strong dynamics in the online business continue

- Adjusted EBIT¹ in the third quarter of 2019/20 at prior-year's level despite COVID-19 impact thanks to a fast and efficient response to the crisis
- Sales recovered in May (+3 per cent) with further upswing in June (+12 per cent) after easing of COVID-19 restrictions; positive sales trend continued in July
- Online business with uninterrupted strong momentum continues; nearly three million new customer registrations in MediaMarkt and Saturn webshops since March
- Outlook for the full year 2019/20 based on preliminary figures specified
- CECONOMY and MediaMarktSaturn create organizational basis to accelerate the transformation
- CEO Dr Bernhard Düttmann: "After the end of the store closures, we quickly regained a foothold in May. Thanks to the noticeable recovery in sales and comprehensive mitigation measures, we were able to close the quarter better than expected. This was also largely due to the success of our online business, which accounted for more than a third of total sales in the third quarter."

Düsseldorf, 13 August 2020 – CECONOMY AG ("CECONOMY") closed the third quarter of 2019/20 with a better than expected result. While business development in April was still characterised by massive Coronavirus related restrictions ("COVID-19"), sales recovered strongly in May and June. The Company reacted immediately and consistently to the crisis and was quickly back on track after

¹ Adjusted for portfolio changes, earnings effects from associates as well as non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019 and COVID-19 related store closures; including the effect from the adoption of IFRS 16

Press Release Q3 2019/20

the gradual re-opening of the stores. The measures introduced in the third quarter made a significant contribution to fully offsetting the negative impact on earnings caused by the COVID-19 related sales and margin declines, particularly through cost reduction measures.

“After the end of the store closures, we quickly regained a foothold in May. Thanks to the noticeable recovery in sales and comprehensive mitigation measures, we were able to close the quarter better than expected. This was also largely due to the success of our online business, which accounted for more than a third of total sales in the third quarter,” said Dr Bernhard Düttmann, CEO of CECONOMY AG. “We further strengthened our position in the online business with nearly three million new customers that we have welcomed to our webshops since March. On this strong basis, we will further accelerate the expansion of our online sales channels and forge ahead with the digitalisation of our business model. With the recent launch of our marketplace, we can now offer our customers in Germany even more product variety in our webshops.”

Positive sales momentum in May and June, quarterly result better than expected

Sales dropped by 8.4 per cent on a currency- and portfolio-adjusted basis in the third quarter to around €4.1 billion. The sales decline in the third quarter reflects the effects of the Corona crisis and is exclusively related to the COVID-19 lockdowns in April and partly in May. With the gradual reopening of the stores sales returned to a growth path in May, which even further accelerated in June. Sales in Germany, Austria, Switzerland and Italy recorded strong growth in May and June, while the Netherlands and Sweden showed a clearly positive development over the entire quarter. The positive sales trend from June continued in July, in particular thanks to the VAT reduction in Germany and continued strong demand for home office, home schooling and home entertainment products.

Besides the positive sales development in May and June, rapidly introduced cost reduction measures contributed significantly to the fact, that CECONOMY's achieved an adjusted EBIT in the third quarter of €-45 million at the previous year's level (Q3 2018/19: €-43 million). Savings from the reorganization and efficiency program also had a positive effect on earnings. Adjusted EBIT was negatively impacted by the decline in sales in the stationary business due to the store closures in April in combination with a lower gross margin for the full quarter. Overall, however, a trend

Press Release Q3 2019/20

improvement in the gross margin on a monthly basis was seen in the course of the quarter. Germany achieved a solid increase in earnings, particularly as a result of the COVID-19 related cost reduction measures, while Spain and Italy recorded a decline in earnings due to the negative COVID-19 effects on sales and margins.

Growth in online business accelerated in third quarter due to the crisis, Services & Solutions sales recovered in June

In the third quarter of 2019/20, CECONOMY recorded extremely strong growth of around 143 per cent in its online business (excluding MediaMarkt Greece: 145 per cent). Overall, online sales increased to €1.4 billion, raising their share of total sales to 35.2 per cent. The sustained high level of online growth continued despite the gradual reopening of the stores, even in countries that were not affected by the closure of the stationary business. In the third quarter, one third (32 per cent) of all online orders were picked up at the stores. As the stores reopened, the pick-up rate also increased again and was at around 43 per cent in June.

Services & Solutions sales reported a decrease in sales of around 19 per cent (excluding MediaMarkt Greece: –18 per cent) to €225 million in the third quarter. This division thus reached 5.5 per cent of total sales. The COVID-19 related store closures and the subsequent lower customer frequency, since many services are used for purchases in the stationary retail trade and especially at the Smartbars, were the main reasons for the decrease. Towards the end of the quarter, Services & Solutions sales began to recover, with the result that sales in June were already back at the previous year's level.

“We have an extraordinary third quarter behind us, which we concluded with a robust business performance despite the enormously challenging conditions. The uninterrupted strong momentum in our online business is very gratifying, especially considering that more than 90 per cent of our stores reopened in mid-May. It is also encouraging that Services & Solutions sales in June already returned to the previous year’s level and that the pick-up option has recently been accepted much more frequently again. On the basis of the business development to date and the information available, we were finally able to specify our outlook for financial year 2019/20,” said Karin Sonnenmoser, CFO of CECONOMY AG.

Press Release Q3 2019/20

More detailed outlook for the full year 2019/20

On the basis of the preliminary business development of the first nine months and the current state of knowledge, CECONOMY specified the outlook for financial year 2019/20 on 16 July 2020. The forecast is based on the assumption that there will be no further restrictions due to the COVID-19 pandemic in the remaining months of the financial year that will impact the business once again. Based on the recovery during the third quarter, for the full year CECONOMY now expects only a slight decline of total sales adjusted for currency effects compared to the previous year. In addition, CECONOMY expects an EBIT between €165 million and €185 million, not taking into account the earnings effects from companies accounted for using the equity method. This is expected to include a positive effect of between €5 million and €15 million due to the adoption of IFRS 16. The outlook is adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019, COVID-19 related store closures as well as the introduction of the Operating Model are not included.

Positive sales development in June reflected in the liquidity situation

The positive sales development in June also helped to ease the company's liquidity situation. The additional credit line of €1.7 billion, which CECONOMY concluded in mid-May with Kreditanstalt für Wiederaufbau (KfW) and partner banks within the framework of a new syndicated loan agreement to create additional financial flexibility, has not been used at any time. All in all, CECONOMY is well positioned in this unpredictable period thanks to its current credit facilities totalling €2.68 billion.

CECONOMY and MediaMarktSaturn create organizational basis to accelerate the transformation

CECONOMY and MediaMarktSaturn introduce a group-wide harmonized organizational structure ("Operating Model") in order to create important structural prerequisites for accelerating the transformation process. The new Operating Model also takes into account the ongoing centralization of processes. It focuses on unified management structures and standardized procedures. This applies both to the administrative functions in the country organizations and to the store organizations. It also enables employees to focus on the customer experience to the greatest extent possible. Details of the new Operating Model can be found in the press release dated 12 August 2020: <https://www.ceconomy.de/en/press/>.

Press Release Q3 2019/20

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.

Press contact

Dr Lutz Golsch
+49 173 6517710
lutz.golsch@ceconomy.de