

## Corporate News

## **CECONOMY ends challenging fiscal year with a strong performance and enters the further transformation with self-confidence and a clear strategy**

- Sales of 20.8 €bn only slightly below previous year (-1.8%<sup>1</sup>), despite several weeks of COVID-19-related store closures
- Adjusted EBIT<sup>2</sup> excl. associates in financial year 2019/20 at 236 €m - above adjusted outlook
- Dynamic growth in online business generating 20.2% of sales; six million new online customers in FY 2019/20
- Slight sales growth<sup>1</sup> and adjusted EBIT<sup>2</sup> between 320 and 370 €m expected for FY 2020/21 - provided COVID-19 development does not worsen
- Strategy update: The goal is to transform the company into the largest omnichannel platform in the European Consumer Electronics market and to tap new attractive growth opportunities
- CEO Dr Bernhard Düttmann: "We faced unprecedented challenges in financial year 2019/20. We are emerging from this experience stronger and with a clear strategy for the coming years"

**Düsseldorf, 15 December 2020** - CECONOMY AG ("CECONOMY") has presented its results for fiscal year 2019/20. At the end of the year, CECONOMY achieved sales of approximately 20.8 €bn, a decrease of 1.8%<sup>1</sup> yoy despite more than six weeks of COVID-19-related store closures. With an adjusted EBIT<sup>2</sup> excluding associates of 236 €m, earnings were significantly higher than the outlook updated due to the COVID-19 development.

"This year has been very challenging. We have seen what we can achieve, and we will emerge stronger from this experience. We have shown a strong start to the financial year, then coped well with the situation of store closures, and now we have set up a clear strategy for the future

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development of the company," says Dr Bernhard Düttmann, CEO of CECONOMY AG. "We are no longer at the beginning of the transformation, we are right in the middle of it. We are determined to improve continuously and to use our strength to take advantage of growth opportunities."

CECONOMY also benefits from increased demand for certain products due to the pandemic development. The demand for technical equipment for working, learning and living at home remains noticeably high even after the end of the first lockdown.

### **Successful use of online dynamics beyond the phase of store closures**

The shortfalls in the stationary business were partly compensated by a strong online business. Online sales<sup>3</sup> rose by 44.1% to 4.2 €bn and accounted for 20.2% of total sales (FY 2018/19: 13.7%). The online dynamics have been unbroken since the beginning of the COVID-19 pandemic and continued beyond the phase of the store re-openings. In the month of April 2020 alone, year-on-year growth was around 200%. Overall, CECONOMY recorded more than six million new customers registered in the MediaMarkt and Saturn webshops in financial year 2019/20. At the same time, the number of stationary visitors increased rapidly again following the temporary store closures in March and April 2020 but remained below the previous year's level overall.

"We took the right measures early on to get through these challenging times successfully. At the end of the year we can see that we have set the right impulses before the pandemic for the sustainable development of the company," says Karin Sonnenmoser, CFO of CECONOMY.

### **Services & Solutions with a lot of potential**

As a result of the temporary store closures and the continuing reluctance of customers to visit city centres even after stores have reopened due to COVID-19, sales<sup>3</sup> in the Services & Solutions business decreased by 7.6% to 1.1 €bn in the last financial year (FY 2018/19: 1.2 €bn).

Demand at the Smartbars in the stores remained high, partly due to new services offered. Among other things, over 600,000 repairs were carried out there directly on site in the past fiscal year. Demand for warranty extensions was also particularly encouraging. All in all, Services & Solutions

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thus remains a key source of potential for CECONOMY.

### **Strategy Update: The goal is Europe's biggest omnichannel platform**

The company has further developed its strategy and already implemented the first initiatives. "We are focusing on growth, quality and speed," explains Ferran Reverter, CEO of MediaMarktSaturn. "We will further strengthen our core business, significantly expand our online activities and tap into new income pools. We invest in the advisory skills of our people and will offer personalized products and services based on customer insights. Fast and reliable, across all channels. Our goal is clear: we will build the biggest omnichannel platform in Europe."

### **Creating an efficient organization and structure**

The basis of an efficient organizational structure is the "Operating Model" presented in August 2020. The new target organization is intended to simplify the standardization of processes and increase efficiency in the country organizations. In addition, regional country clusters will be formed and certain countries will be merged organizationally. The stores will be relieved of administrative tasks in order to focus their capacities even stronger on customers. The aim is to use the new organizational structure as a basis for further growth.

### **Expanding the core business: Building a unique value proposition**

The company wants to further strengthen its market position and offer customers an omnichannel experience both in the webshop and in the stores. The stationary business will remain the backbone of the organization and will be more closely aligned to different customer needs. Four central store concepts will be introduced. The portfolio will continue to focus on the "core" stores with a future average store size of 1,750 sqm. Significantly smaller are the "Smart" stores with an area of 70-500 sqm, where the focus is on fast moving products. The shop-in-shops in turn enable access to new customer groups. Flagship or experience stores convey the brand promise and enable customers to experience the latest technologies. They are strongly oriented towards customer experience and are designed as showrooms for technological innovations. Examples include the "Xperion" store in Cologne or the "Tech Village" in Milan Certosa.

An optimized supply chain, standardized supplier terms and conditions, centralized purchasing and

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continuous improvements in logistics represent further key areas. Customers benefit from higher product availability and faster delivery times. A central logistics centre is to be established in Göttingen to implement these measures.

Another lever is optimized category management. In future, the selection of products is to be geared even more closely to consumer wishes, thereby reducing the number of SKUs in the stores by around 30% by financial year 2022/23 and increasing the availability of the top 300 products to 97%. New categories, such as Health & Wellness, and further growth in categories such as Urban Mobility and Smart Home will expand the range of products offered to customers. The private labels sales share across all channels is also to be increased to around 5% in financial year 2022/23 (FY 2019/20: 2%).

### **Accelerating growth path: Tapping into additional offerings and services**

The core business is to be further expanded and new growth opportunities systematically developed. Relationships with business customers and manufacturers will become more important in the future. The company has set up a separate business unit with a central B2B sales team that offers its services to small and medium-sized companies with proactive account management.

Growth potential is also offered by the marketplace model launched in July 2020, which is gradually opening the company's own sales channels to external providers. In the medium term, more than 1 million products are to be made available to customers. This will increase customer traffic on the company's own channels. The marketing of advertising space on the company's own channels also offers attractive opportunities in terms of the dynamic online market. Customer loyalty will be further strengthened by the relaunch of the club program.

"Our strategy shows that we have worked hard to improve our company. We are already seeing the first successes of individual measures and are optimistic about their further implementation. We want to use our very good starting position and grow stronger than the market. We want to become the first choice," Dr Bernhard Düttmann continued.

### **Outlook for the next fiscal year and mid-term ambition**

For financial year 2020/21, the company expects an adjusted EBIT<sup>4</sup> excluding associates of between 320 €m and 370 €m, with slight growth in total sales<sup>1</sup>. The achievement of the outlook also depends

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on the further course of the COVID-19 pandemic and is based on the assumption that there will be no further prolonged and extensive store closures, supply chain failures or a deterioration of consumer confidence.

CECONOMY also intends to grow faster than the market. In the medium term, total sales<sup>5</sup> - through the implementation of the strategic initiatives - are expected to rise to over 22 €bn by financial year 2022/23. In addition, an increase in the adjusted EBIT margin<sup>6</sup> in the range of 2.5 - 2.7% is the focus of the mid-term ambition. At the same time, the expansion of online activities should lead to an increase in the online sales share of up to 30%. The success of the strategic initiatives is measured on an ongoing basis using various key figures.

### **Successful start into the Christmas quarter despite COVID-19 development**

Business before and during the Black Friday period and the pre-Christmas period continued to develop very well in 2020 thanks to the stretching out of the Christmas business and successful campaigns from October onwards including Singles Day and Black November. Sales momentum in October and November remained strong and even accelerated compared with the fourth quarter, despite individual lockdown measures in various countries.

The KfW loan applied for at the end of March 2020, which has not been used at any time, is being held back by the company as insurance for the further course of the pandemic. No dividend payment is permitted for the duration of the credit facility.

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<sup>1</sup>Adj. for currency & portfolio change effects.

<sup>2</sup>Adj. for portfolio changes and excl. non-recurring effects in connection with (1) the Reorganization & Efficiency program, (2) COVID-19-related store closures and (3) the introduction of the new Operating Model.

<sup>3</sup>Excl. Greek MediaMarkt business (portfolio adjustment).

<sup>4</sup>Adj. for portfolio changes and excl. non-recurring effects in connection with (1) COVID-19-related store closures and (2) the introduction of the new Operating Model.

<sup>5</sup>Adj. for portfolio change effects.

<sup>6</sup>Adj. for portfolio changes, excl. non-recurring effects and associates.

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### **About CECONOMY**

CECONOMY AG simplifies life in the digital world. The company is the European leader for concepts and brands in consumer electronics. The companies in the CECONOMY portfolio have billions of consumer contacts per year and offer products, services and solutions that make life in the digital world as easy and pleasant as possible. They create added value for customers and investors alike.

### **Contact**

CECONOMY AG  
Kaistr. 3  
40221 Düsseldorf, Germany

### **Communications & Public Policy**

Telephone +49 (0)151 5822-4202  
Email [Presse@ceconomy.de](mailto:Presse@ceconomy.de)

### **Investor Relations**

Telephone +49 (0) 211-5408-7222  
Email [IR@ceconomy.de](mailto:IR@ceconomy.de)