

Results
Presentation

Dr Bernhard Duettmann

Q1
2018/19

Duesseldorf, 08 February 2019

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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

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Outlook

01

Overview

Stabilization of earnings supported by better managed Black Friday, but transformation ongoing



Sound sales momentum with market share gains



Improved steering of Black Friday period resulting in higher November and December earnings which fully compensated weaker October earnings



Improved Net Working Capital position



Weaker earnings in October were still impacting Q1 results



Expenses related to top management changes weighed on reported earnings

Solid performance in Q1 across all major financial indicators

+2.8%

fx-adjusted

**Positive sales
development
over all segments**

+1,097 €m

vs. September

**Change in NWC
–120 €m lower
than PY, but
better than
expected**

326 €m

**EBITDA*
+18 €m above PY**

269 €m

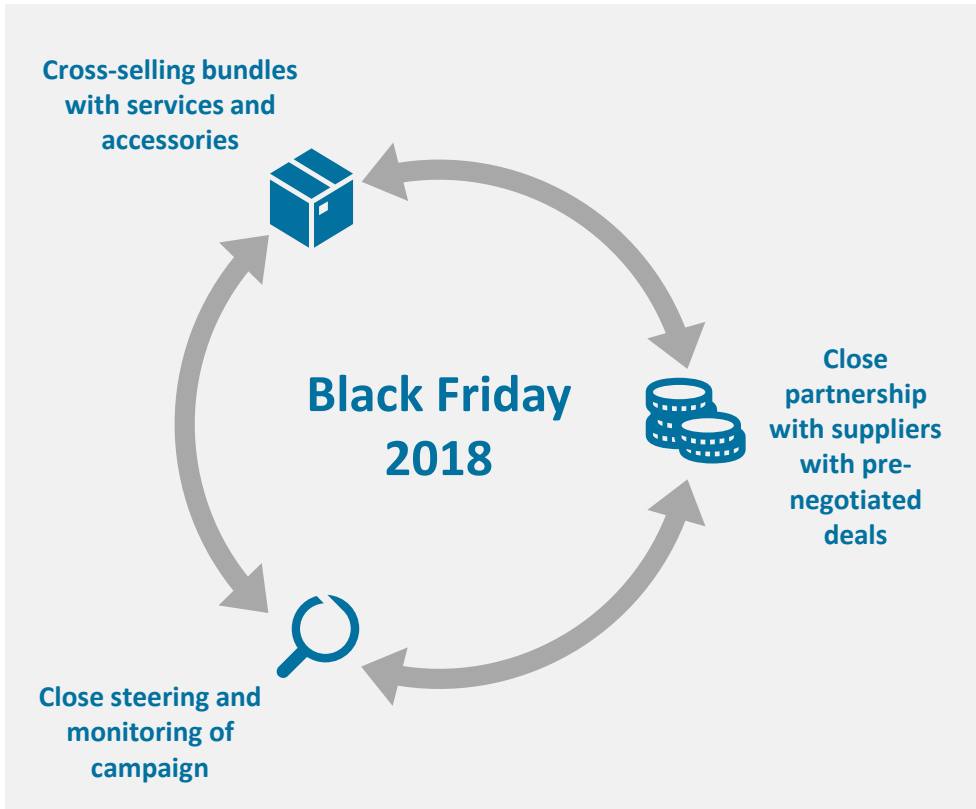
**EBIT*
+15 €m above PY**

*EBIT/DA excl. Fnac Darty and excl. expenses for restructuring and management changes.
Note: Change in Net Working Capital (NWC) acc. to Cash Flow Statement. PY = prior year.

02

Business & Financial Review

Black Friday with better results due to better planning and steering

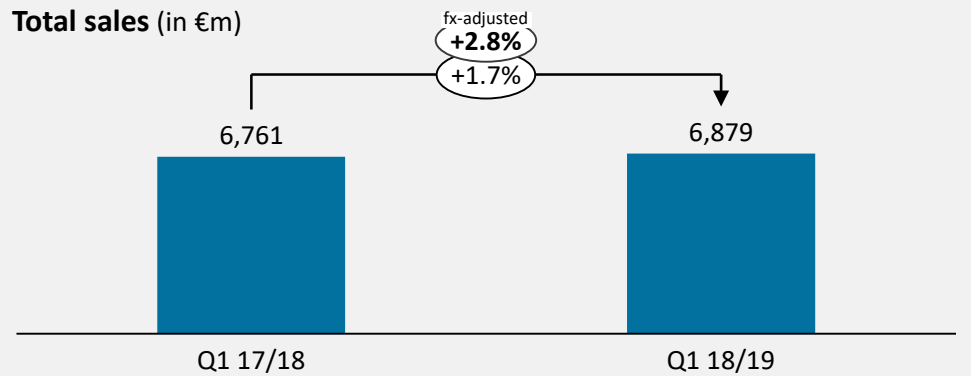


Highlights

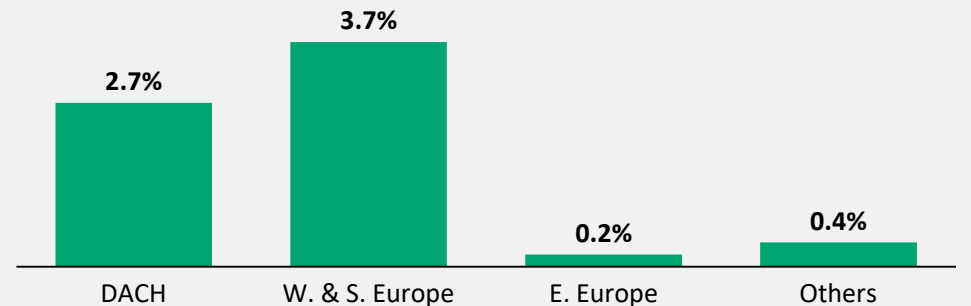
- **Record sales day on Black Friday**, particularly in Germany
- **Double-digit brick & mortar sales growth** and substantial increase in **online order** volume
- **Centrally initiated activity planning** and active **best practice sharing** by country organization
- **Early negotiations with strategic suppliers** contributed most to margin improvement
- **Improved steering** of pre- and post-campaign period

Successful Black Friday campaigns fully compensated expected lower sales in December

Total sales (in €m)



Q1 18/19 sales by segment (fx-adjusted, yoy change)



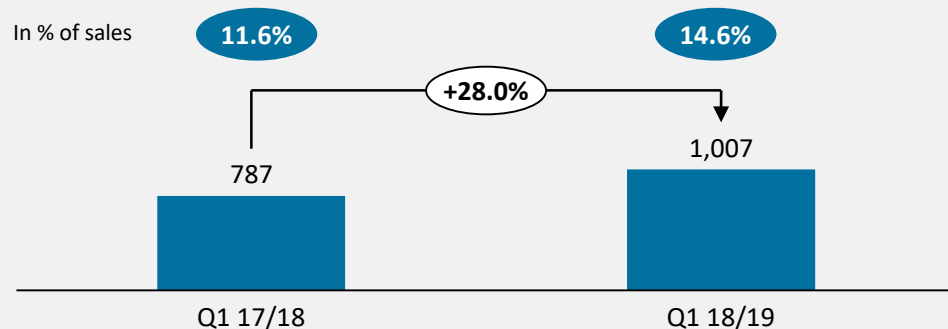
Highlights

- Overall market share gains
- **DACH:** Positive development in Germany driven mainly by Black Friday; stabilization of sales in Switzerland
- **Western & Southern Europe:** Strong growth in Spain and Italy supported by Black Friday and pre-campaigns in October
- **Eastern Europe:** Sales uplift in Turkey mainly driven by expansion; Poland mainly impacted by competitive market environment
- **Others:** Stable development in Sweden

Online and Services & Solutions business with strong growth rates

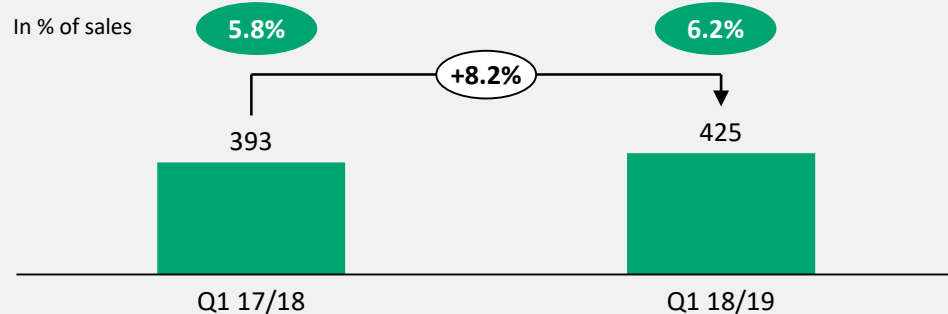
Online Sales (in €m)

In % of sales



Services & Solutions sales excl. IFRS 15 (in €m)

In % of sales

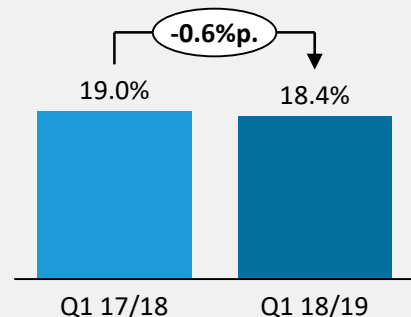


Highlights

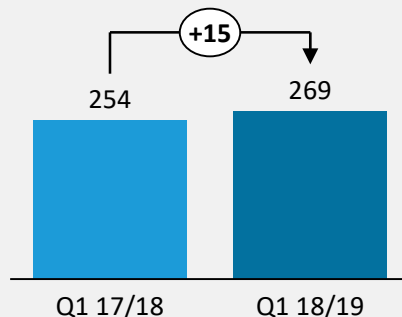
- Online sales increased with **accelerated growth rate** supported by Black Friday sales
- Online LTM accounted for **13.1% of total sales** vs. 11.1% in the prior-year period
- **Slightly higher pick-up rate** at around 43% vs. 42% in the prior-year period
- **Solid demand** for insurances and repair services
- Services & Solutions LTM accounted for **7.0% of total sales** vs. 6.3% in the prior-year period
- Services & Solutions sales **impacted by first-time application of IFRS 15** (c. –80 €m)

Earnings excl. expenses for management changes supported by operational improvements and positive one-off items

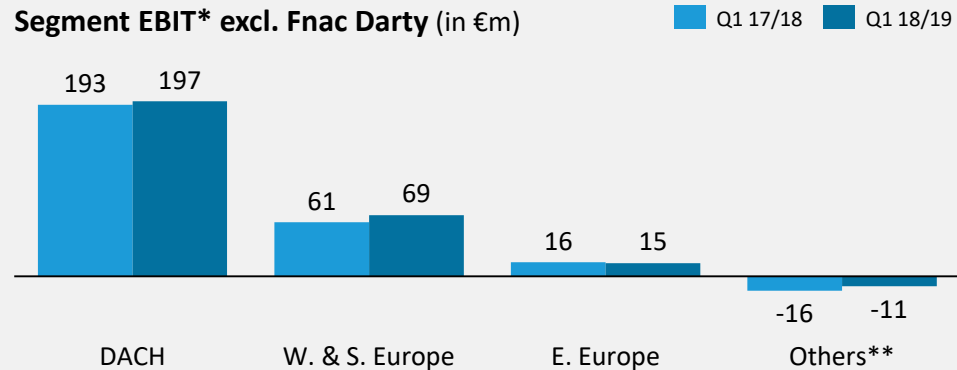
Gross margin



EBIT* excl. Fnac Darty (in €m)



Segment EBIT* excl. Fnac Darty (in €m)



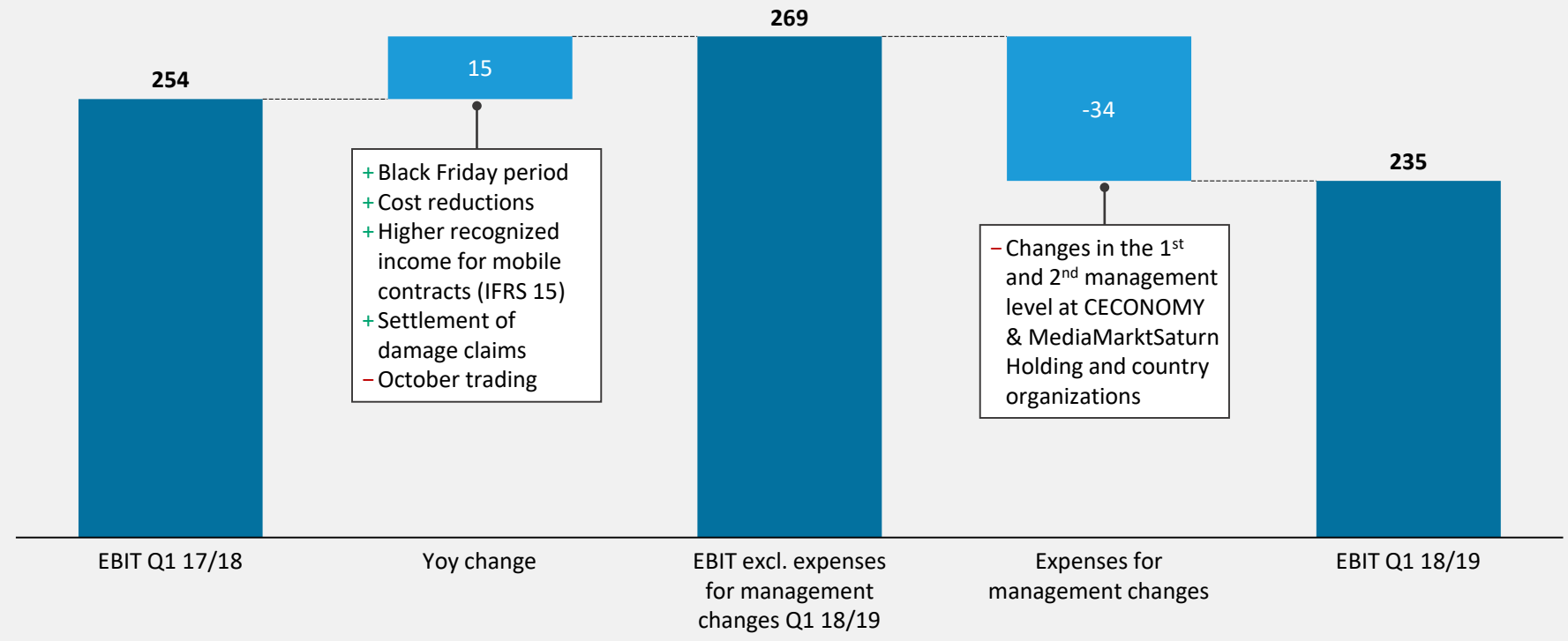
*EBIT excl. expenses for restructuring and management changes. **Others: Including consolidation.

Highlights

- **DACH:** Better managed Black Friday and cost reductions overcompensated weaker earnings in October
- **Western & Southern Europe:** Higher earnings in Italy mainly driven by sales growth and lower location and personnel costs
- **Eastern Europe:** Poland benefited from positive non-recurring items that largely compensated decline in Turkey
- **Others:** Stabilization of earnings in Sweden
- Positive effects from higher recognized income for mobile contracts (IFRS 15) and settlement of damage claims

Operational gains, but higher expenses for top management changes

EBIT excl. Fnac Darty (in €m)



EPS almost on par with prior year despite lower EBIT/DA and higher share count

€m	Q1 2017/18	Q1 2018/19	Change
EBITDA	308	291	-17
EBIT	253	234	-19
Net financial result	2	1	-1
Earnings before taxes	255	235	-20
Income taxes	-116	-88	28
Tax rate	45.3%	37.4%	-7.9%p.
Profit or loss for the period	140	147	7
Non-controlling interest	35	40	4
Net result	104	107	3
EPS (in €)	0.32	0.30	-0.02

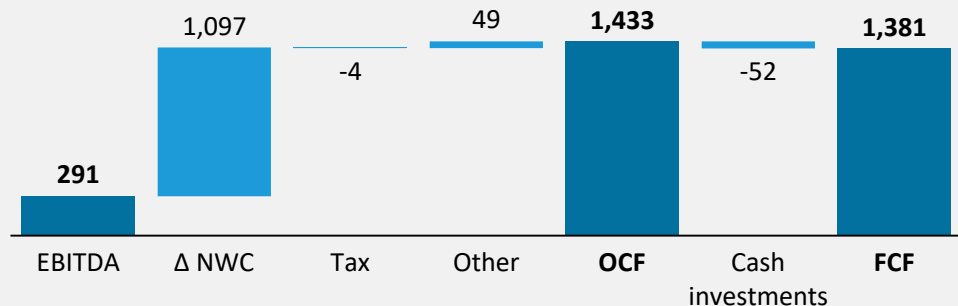
Note: Reported EBIT/DA incl. Fnac Darty and expenses for restructuring and management changes.

Highlights

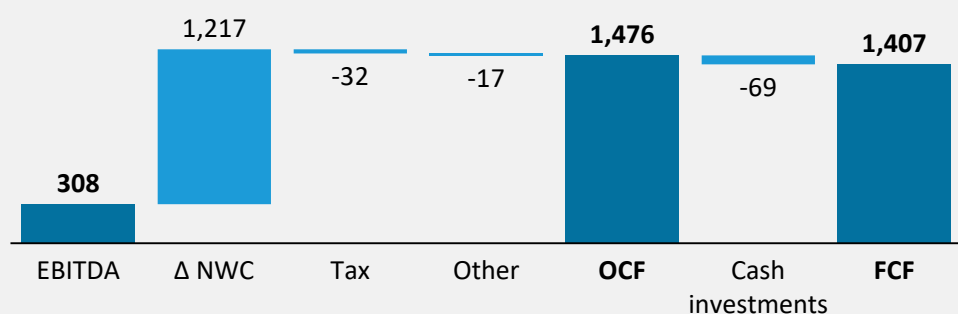
- **Reported earnings** impacted by expenses for restructuring and management changes
- High tax rate in prior year mainly due to tax risk provisions at the level of Media-Saturn-Holding; **decline in tax rate** also influenced by tax optimization implemented in prior year
- **Reported EPS** almost on par with prior year despite lower EBIT/DA and higher share count
- **EPS** excluding expenses for management changes at 0.37 €

Free Cash Flow broadly in line with prior year's level

Q1 2018/19: Free Cash Flow (in €m)



Q1 2017/18: Free Cash Flow (in €m)



Highlights

- **Lower change in NWC** mainly driven by lower rise in trade payables due to active cash management, but high positive impact from stock reduction
- **Lower cash taxes** driven by tax optimization in FY 17/18
- **Other OCF** mainly benefited from lower trade tax receivables
- **Cash investments** declined by -17 €m yoy also due to more selective expansion and modernization activities

03

Status of Transformation

Full focus on the implementation and acceleration of our strategic initiatives



**DIGITAL
GROWTH**

ONGOING



**SERVICES &
SOLUTIONS**

ONGOING



**CATEGORY &
SUPPLY CHAIN
MANAGEMENT**

GRADUAL PROGRESS



**ORGANIZATION &
COST STRUCTURE**

SHORT TERM

Personnel changes at CECONOMY successfully concluded – new CEO and CFO start on 1 March 2019



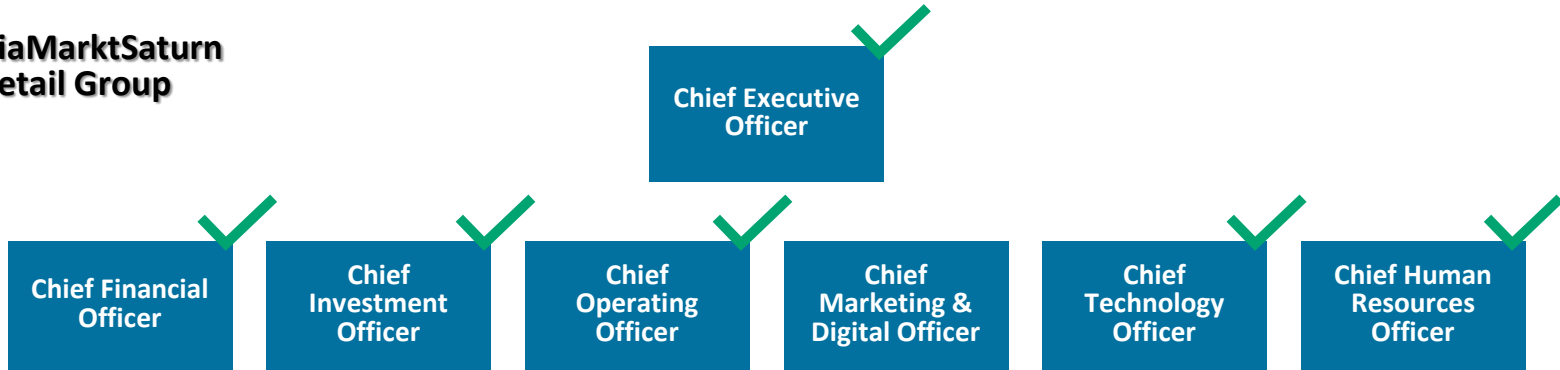
CEO
Joern Werner



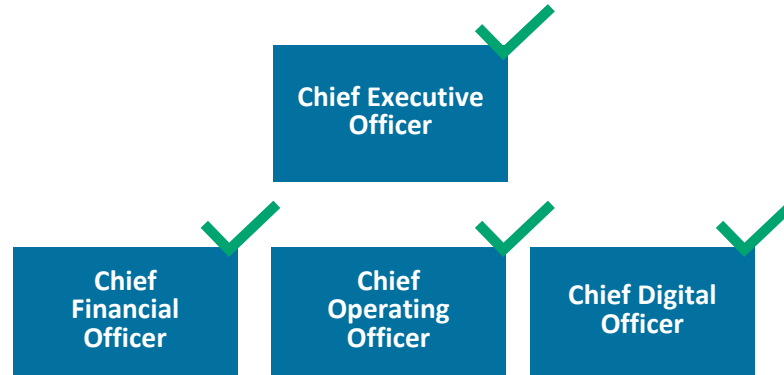
CFO
Karin Sonnenmoser

New leadership teams also at MediaMarktSaturn implemented

MediaMarktSaturn Retail Group

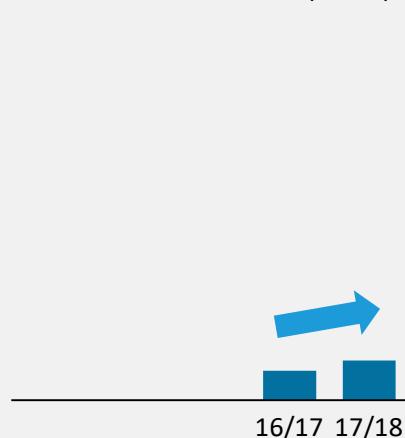


MediaMarktSaturn Germany

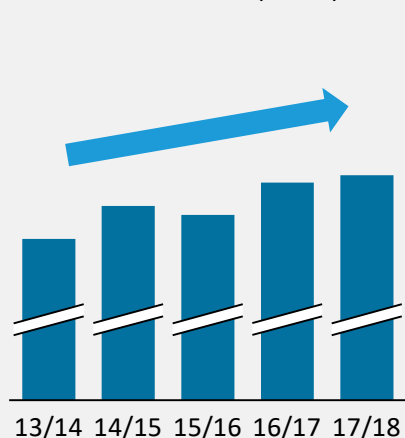


Cost analysis of selected CECONOMY entities

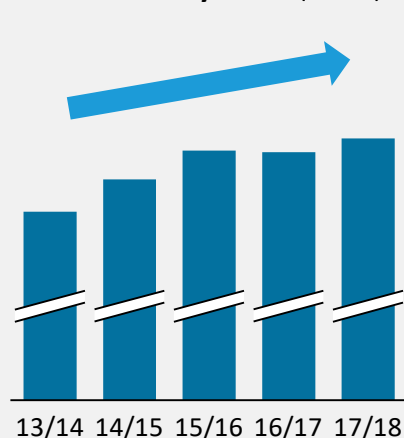
CECONOMY HQ Costs (in €m)



MMSRG HQ Costs (in €m)

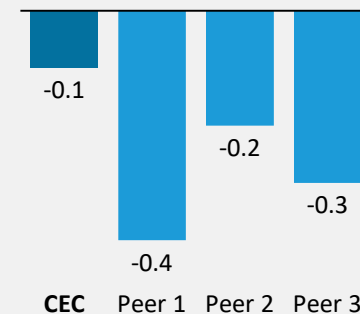


MMS Germany Costs (in €m)



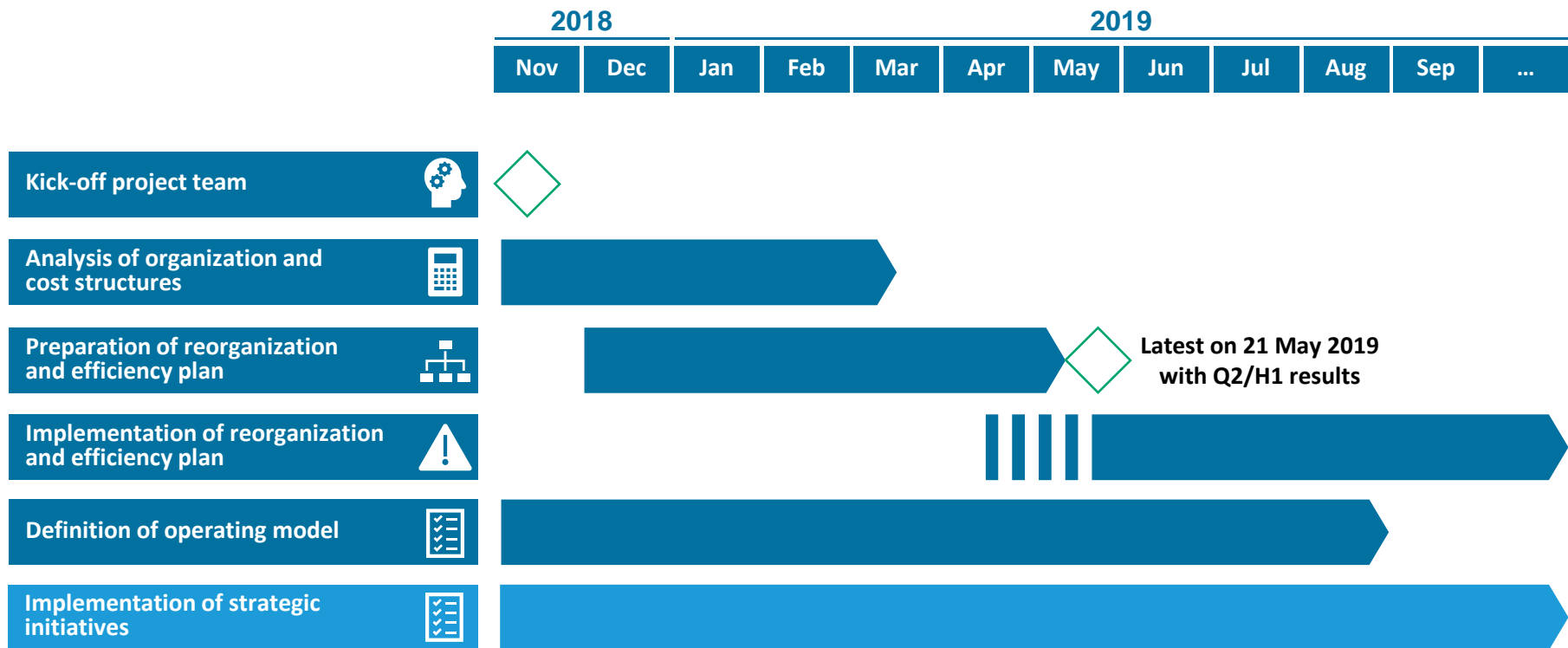
SG&A to Sales Ratio

(Δ Last fiscal year vs. prior year in %p.)



Our cost structures need to be improved

We have initiated a reorganization and optimization program to establish lean and faster structures



04

Outlook

CECONOMY manoeuvres through a transition year in FY 18/19

Underlying assumptions for 18/19 still valid



- Solid Q1 **supports achievement of full-year targets**
- **Headwinds** from positive non-recurring effects in previous full year
- **Positive impacts from strategic initiatives** to become visible only gradually

Year of transition



- **Reorganization and optimization program** initiated
- Transformation will require **initial investments**
- Full level of **restructuring-related expenses** still to be determined

Outlook for FY 18/19 confirmed

- Adjusted for exchange rate effects and before portfolio changes
- Excludes expenses in connection with the restructuring and optimization of structures and business processes
- 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



Dr Bernhard Duettmann, CFO

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Store network

	30/09/2018	Openings	Closures	31/12/2018
Germany	432	1	0	433
Austria	52	0	0	52
Switzerland	27	0	0	27
Hungary	24	0	0	24
DACH	535	1	0	536
Belgium	29	0	-1	28
Greece	12	0	0	12
Italy	115	1	0	116
Luxembourg	2	0	0	2
Netherlands	49	0	0	49
Portugal	10	0	0	10
Spain	85	2	0	87
Western/S. Europe	302	3	-1	304
Poland	86	3	0	89
Turkey	71	1	-1	71
Eastern Europe	157	4	-1	160
Sweden	28	0	0	28
Others	28	0	0	28
CECONOMY	1,022	8	-2	1,028

Highlights

- **Selective expansion** with 8 openings: 2 in Spain and 1 each in Germany, Italy, Poland and Turkey + 2 shop-in-shops pilots with Carrefour in Poland
- **1 store closure** in Turkey and Belgium
- **Average store size** reduced by c. -1% since September 2018 to 2,703 sqm, mainly due to openings of small-area store formats
- **Low double-digit number of net openings** excl. Shop-in-Shops for FY 18/19 expected

Net Working Capital

€m	30/09/2017	31/12/2017	Change	30/09/2018	31/12/2018	Change
Inventories	2,449	3,380	932	2,480	3,229	749
Trade receivables	497	560	63	613	572	-42
Receivables due from suppliers	1,197	1,765	568	1,239	1,789	550
Receivables from credit cards	66	106	40	71	71	0
Advance payments on inventories	0	0	0	0	0	0
Trade payables	-4,817	-7,601	-2,784	-5,277	-7,624	-2,347
Liabilities to customers	-129	-137	-8	-45	-10	35
Deferred revenues from vouchers and customer loyalty programmes	-63	-74	-11	-137	-177	-40
Provisions for customer loyalty programmes and rights of return	-19	-29	-10	-23	-25	-1
Prepayments received on orders	-39	-43	-4	-46	-49	-3
Net Working Capital	-858	-2,072	-1,214	-1,125	-2,223	-1,098

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 Impact¹

Not material

Financial Impact²

Product sales:
Low triple-digit €m

Service sales:
Low triple-digit €m

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

Financial calendar and events

Financial calendar

Annual General Meeting	13 February 2019
Q2 2018/19 results	21 May 2019
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 (IR only)	19 February 2019
Roadshow London (IR only)	20 February 2019

CECONOMY

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