Results Presentation

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CECONOMY

Q2/H1 2018/19

Düsseldorf, 21 May 2019

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Agenda

01 Highlights

02 Financial Performance

03 Outlook

04 Strategic Update

01
Highlights

Jörn Werner, CEO

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.

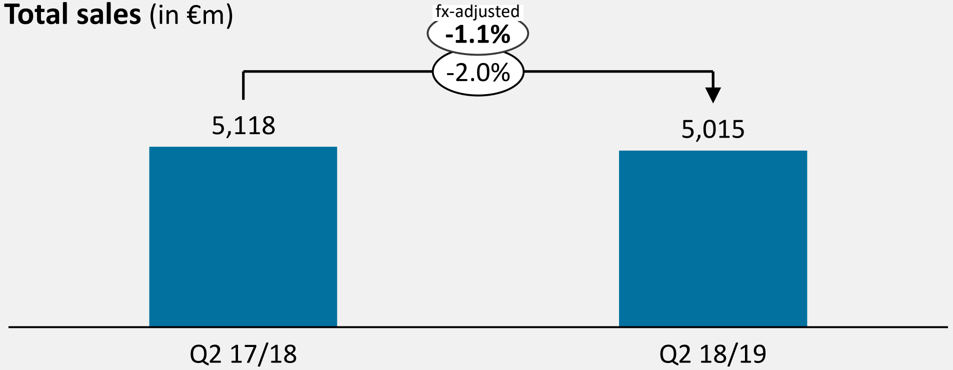
02

Financial Performance

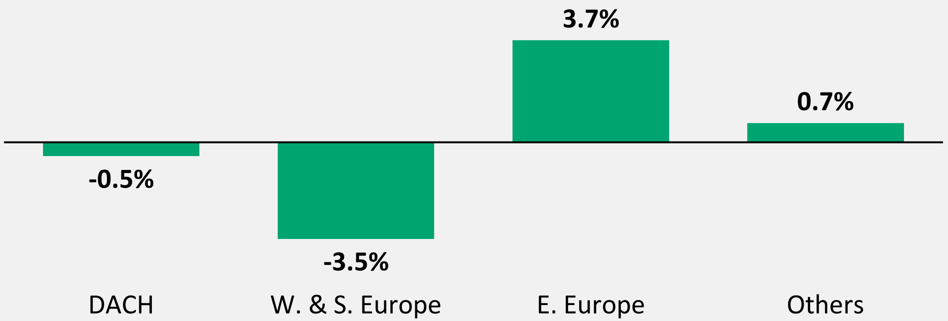
Karin Sonnenmoser, CFO

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

Total sales (in €m)



Q2 18/19 sales by segment (fx-adjusted, yoy change)

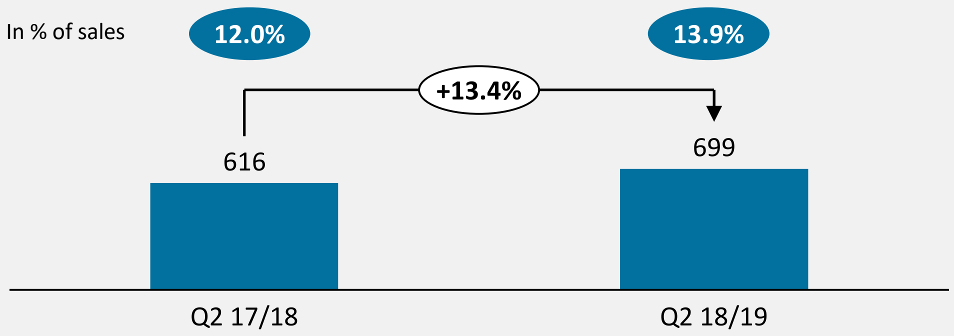


Highlights

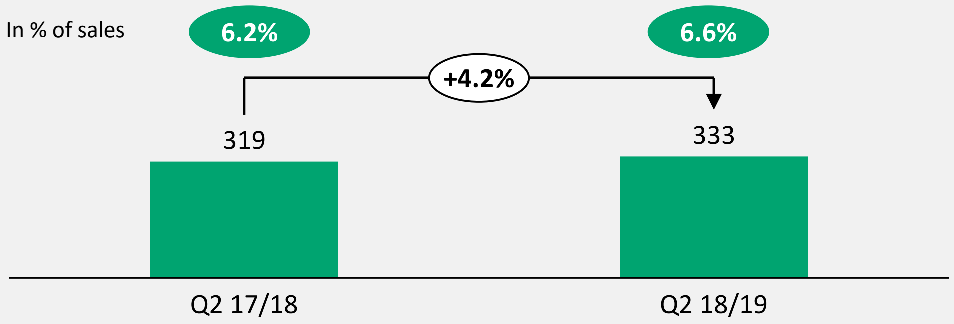
- Overall **market share gains**
- **DACH:** Germany on PY level despite shift of Easter business, partly compensated by successful marketing campaigns; Austria and Switzerland also impacted by negative calendar effects
- **Western & Southern Europe:** Weak development in the Netherlands and Spain
- **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)



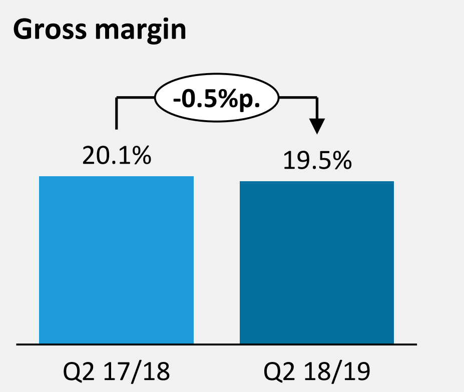
Services & Solutions sales acc. to IAS 18 (in €m)

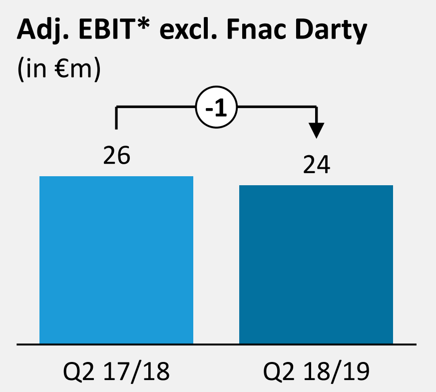


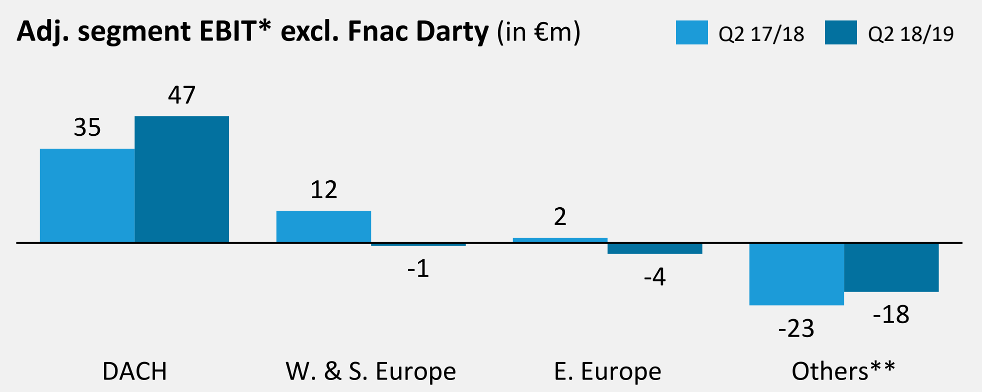
Highlights

- 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







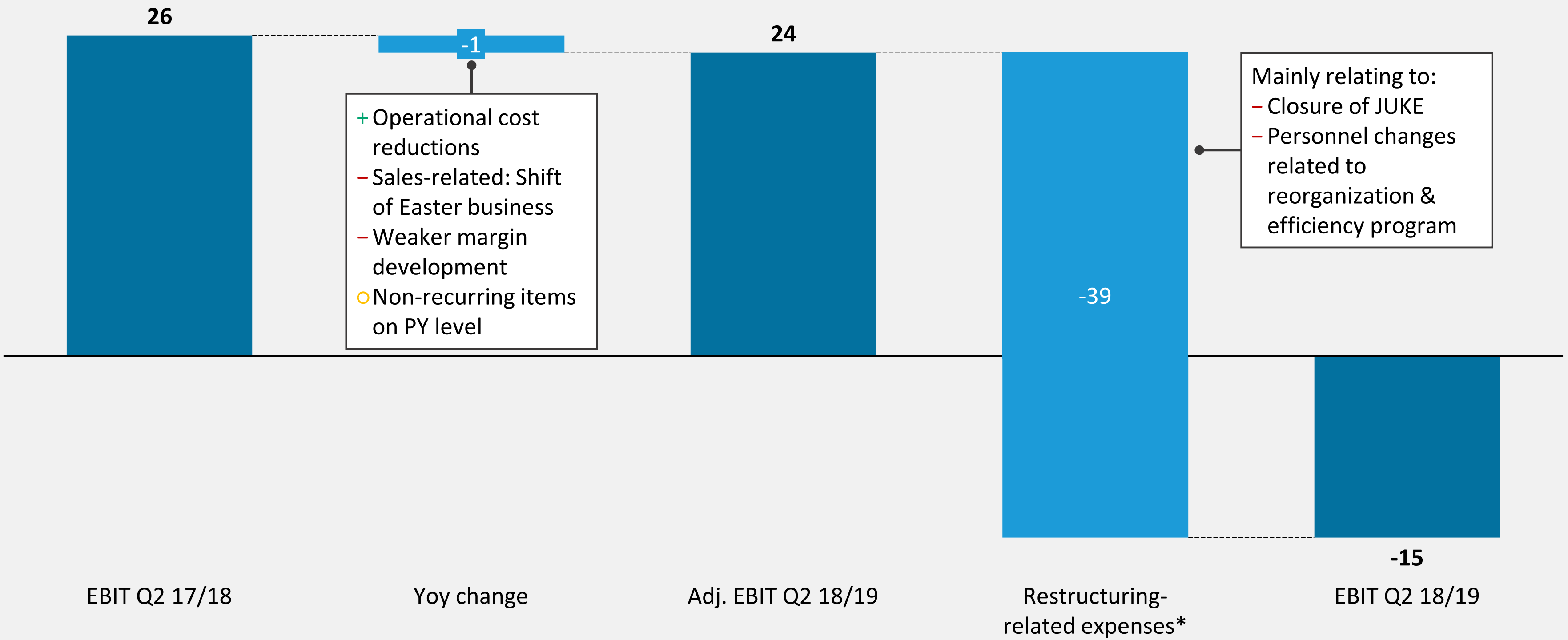
Highlights

- **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**

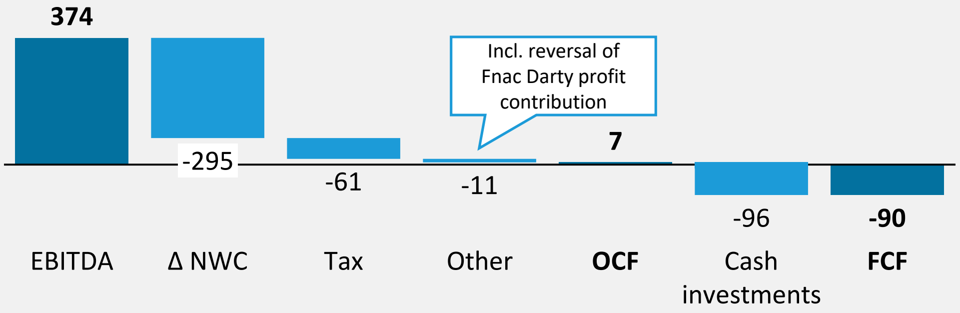
Highlights

- 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€

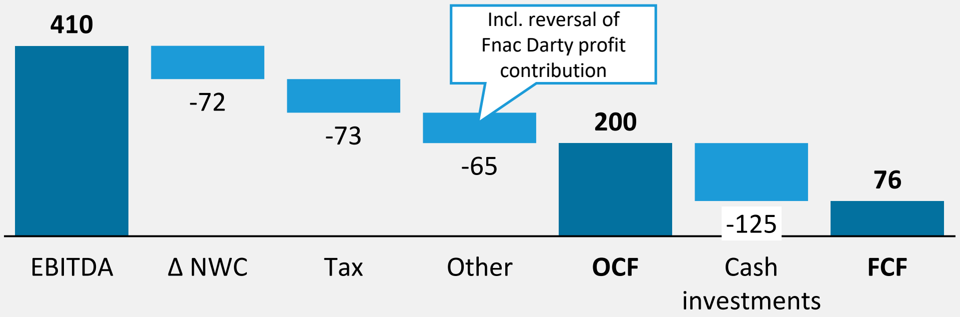
Note: Reported EBIT/DA incl. Fnac Darty and incl. expenses in connection with the reorganization and efficiency program and management changes.

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

03
Outlook

Karin Sonnenmoser, CFO

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

04

Strategic Update

Jörn Werner, CEO

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

DIGITAL GROWTH	SERVICES & SOLUTIONS	CATEGORY & SUPPLY CHAIN MANAGEMENT	ORGANIZATION & COST STRUCTURE
ONGOING	ONGOING	GRADUAL PROGRESS	SHORT TERM
			Reorganization & Efficiency Program

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

Savings run-rate

110-130 €m

Expenses[1]

150-170 €m

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[1] booked in FY 18/19

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

[1] 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.

We 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

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

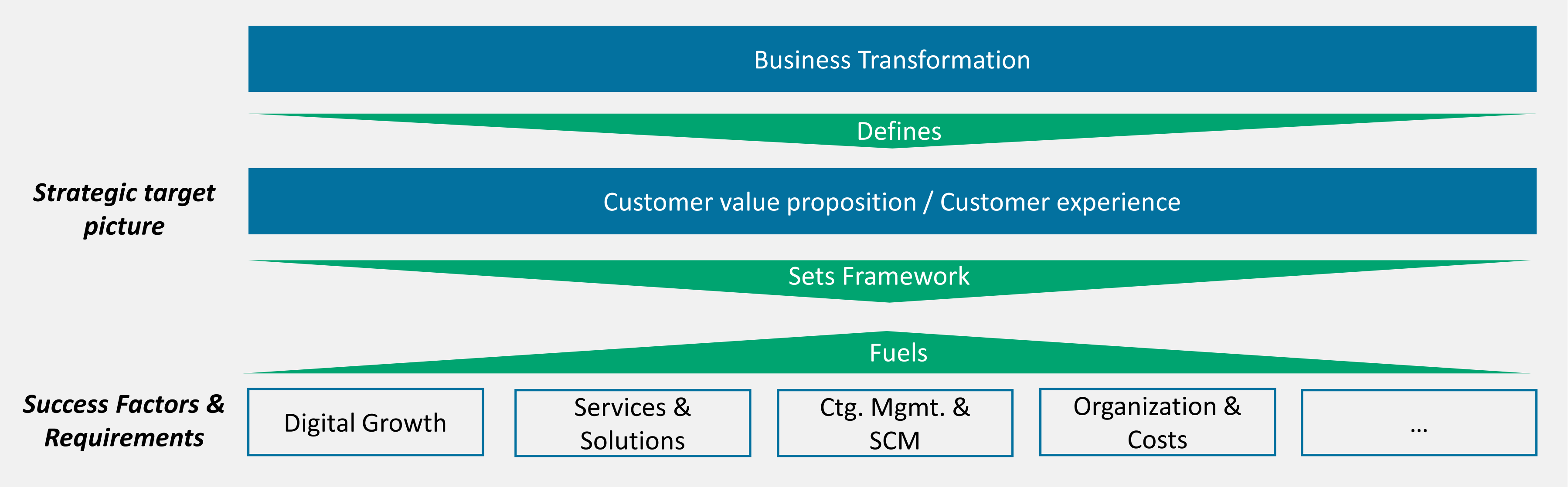
Digital Growth

- ✓ 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**

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**

Q&A

Joern Werner
Chief Executive Officer

Karin Sonnenmoser
Chief Financial Officer

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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
DACH	**536**	**1**	**–2**	**535**
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
Western/S. Europe	**304**	**0**	**0**	**304**
Poland	89	1	–1	89
Turkey	71	0	0	71
Eastern Europe	**160**	**1**	**–1**	**160**
Sweden	28	0	0	28
Others	**28**	0	0	**28**
CECONOMY	**1,028**	**2**	**–3**	**1,027**

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

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
Net Working Capital	**–858**	**–777**	**81**	**–1,125**	**–853**	**272**

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

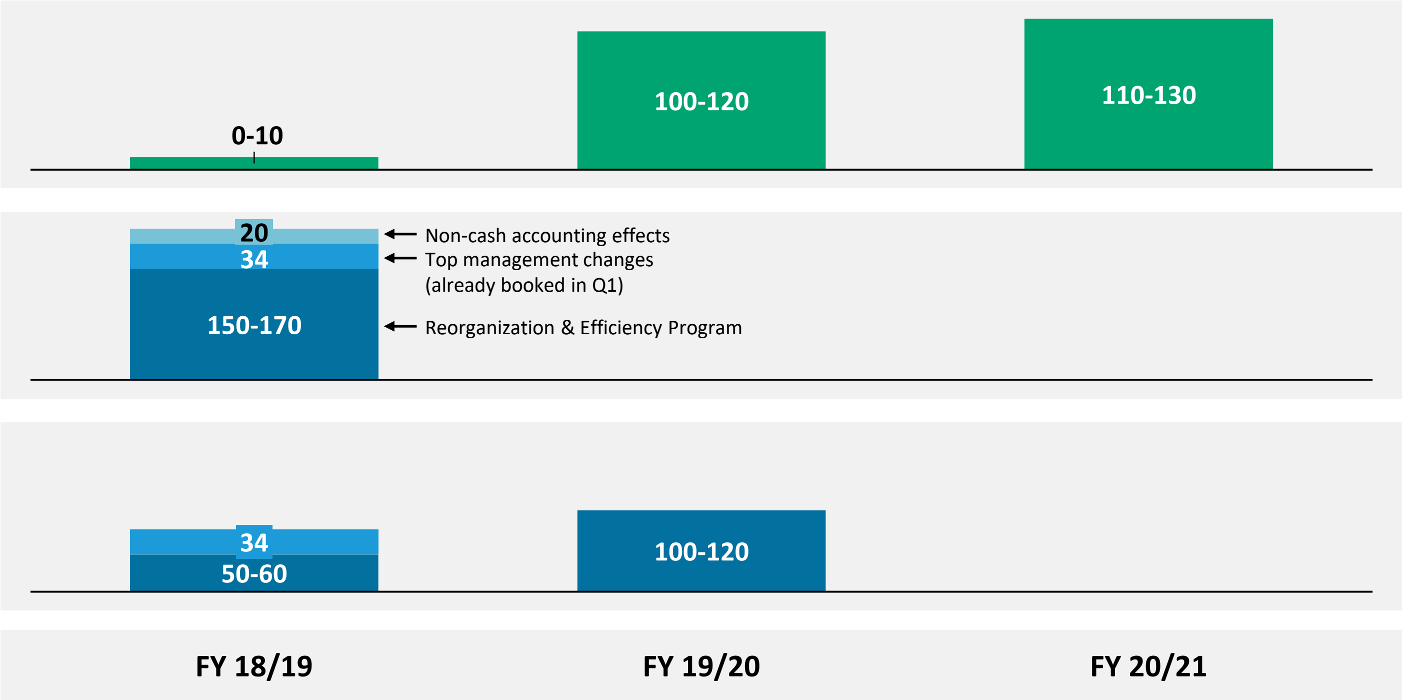
Reorganization & Efficiency program: Total expenses to only weigh on FY 18/19 reported earnings, benefits to kick-in from next fiscal year

Annual gross savings
(in €m)

Total P&L expenses
(in €m)

Cash outflows
(in €m)

Timing



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

Financial Impact[1]

Not material

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[2]

Product sales: Low triple-digit €m

Service sales: Low triple-digit €m

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

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

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