

CECONOMY

**Results
Presentation**

Jörn Werner
Karin Sonnenmoser

**Q3/9M
2018/19**

Düsseldorf, 13 August 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.

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Strategic Update

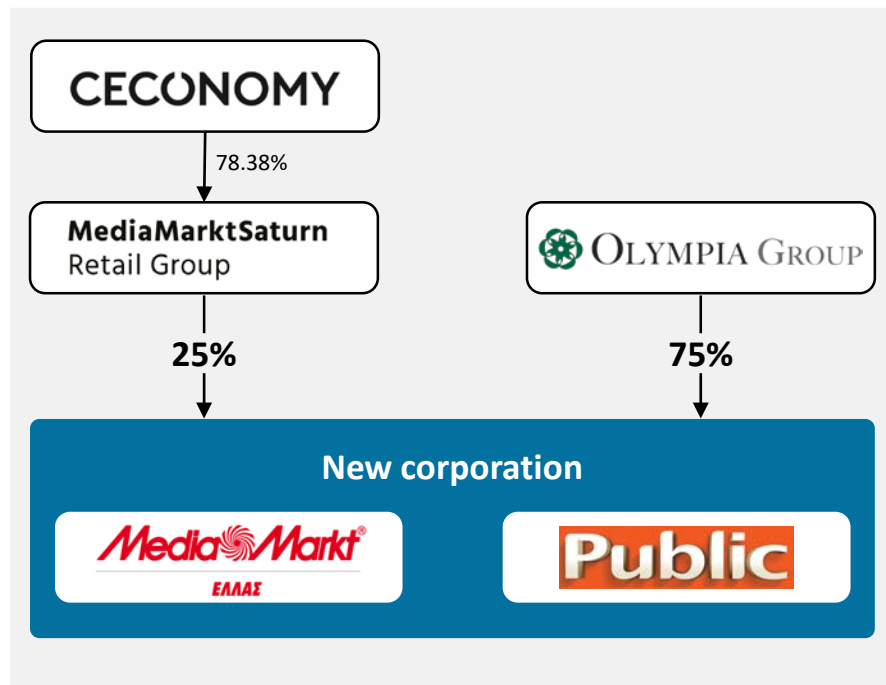
01

Highlights

Jörn Werner, CEO

CECONOMY's majority shareholding MediaMarktSaturn and Olympia Group create a new company with a 25%/75% shareholding in Greece

Target structure



Highlights

- CECONOMY's majority shareholding MediaMarktSaturn and Olympia Group have signed a deal to create a new company in Greece and Cyprus
- Transfer of entire Greek MediaMarkt retail business as contribution in kind
- Olympia to contribute Greek CE and entertainment retailer Public covering the Greek & Cypriot market
- Continuation of MediaMarkt and Public store network under their respective brands
- Timing of closing depending on merger control clearance, most likely in FY 2019/20

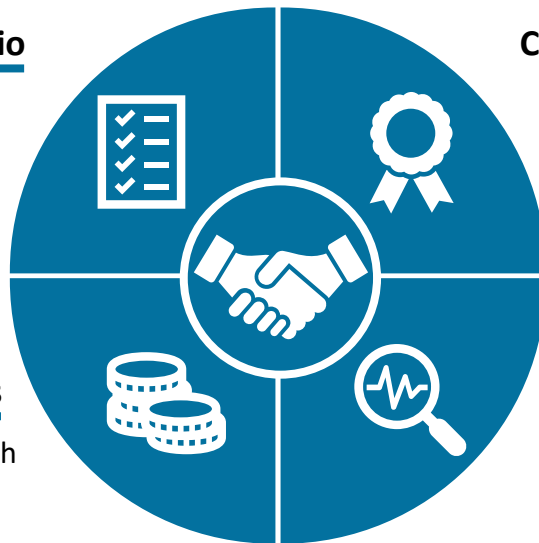
We have found a sustainable solution for our Greek MediaMarket activities and gain an immediate scale advantage

Further optimizing CECONOMY's portfolio

- In line with “Lead or Leave” principle
- Eliminating operational losses

Combining strengths to unlock synergies

- Optimizing assortment and supplier approach
- Optimizing costs from systems alignment



Closing the gap to the market leader

- With an estimated share of c. 14%¹ at eye level with the market leader
- Enabling future-oriented positioning in the Greek & Cypriot market

Participating in a solid business case

- Business plan with positive contribution
- Preferred option with minimized funding requirement

¹ Indicative shares based on publicly available information and own estimates based on own market intelligence.

Solid results in Q3, despite facing a lower gross margin which was partly compensated by operational cost savings



Slight **fx-adjusted sales growth** despite strong World Cup campaigns in PY



Germany again with **sound operational performance** and **stabilization in Spain**



Dynamics in **operational cost savings** accelerated



Online and Services & Solutions growth impacted by strong GSM campaigns in PY



Weak performance in the Netherlands and Poland ongoing



Lower **gross margin**

Q3 performance supports achievement of full-year targets

+0.2%

fx-adjusted

**Positive
sales development in
DACH and W.&S. Europe**

-628 €m

in 9M

**Change in NWC
-646 €m
lower than PY**

10 €m

**Adj. EBITDA*
excl. Fnac Darty
-16 €m below PY**

-45 €m

**Adj. EBIT*
excl. Fnac Darty
-15 €m below PY**

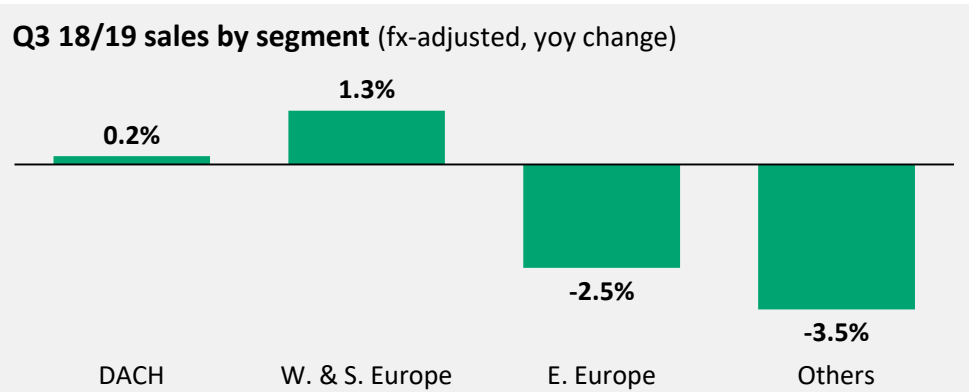
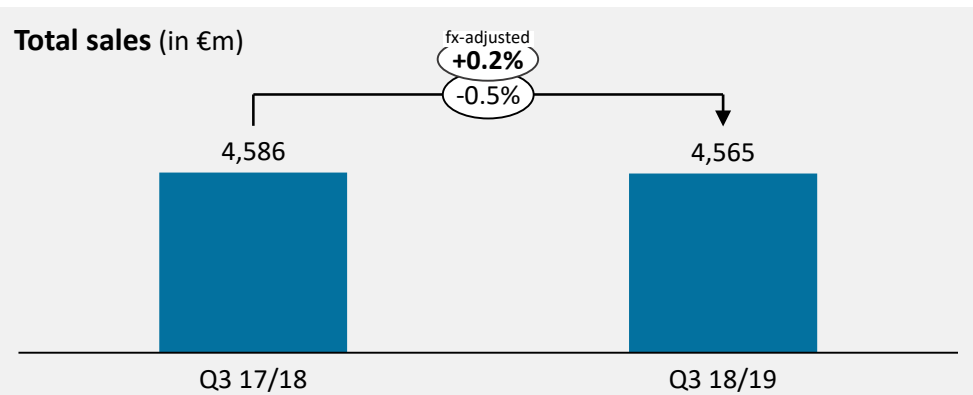
*Adjusted EBIT/DA excl. expenses in connection with the reorganization and efficiency program and management changes.
Note: Change in Net Working Capital (NWC) acc. to Cash Flow Statement. PY = prior year.

02

Financial Performance

Karin Sonnenmoser, CFO

Slight sales increase driven by DACH and Western & Southern Europe



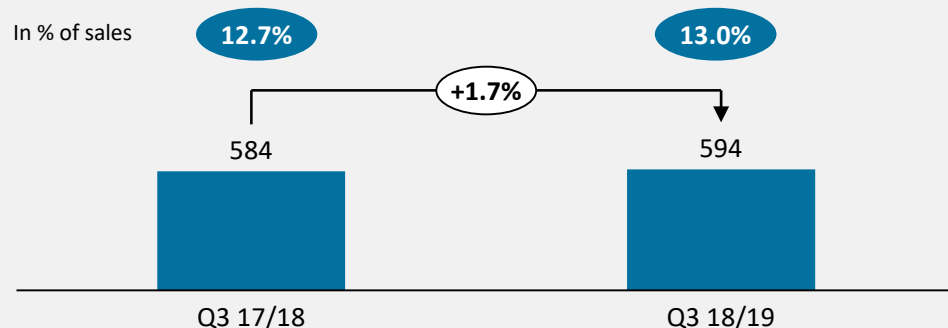
Highlights

- Overall **market share gains** per 9M
- **DACH:** Successful VAT campaign in Germany and Easter business offset strong World Cup campaigns in PY; Switzerland impacted by store closure in previous quarter
- **Western & Southern Europe:** Italy benefited from solid Online business and strong campaigns; Netherlands still impacted by competitive environment
- **Eastern Europe:** Ongoing sales decline in Poland; Turkey with solid growth
- **Others:** Lower sales in Sweden

Online and Services & Solutions impacted by strong campaigns in PY

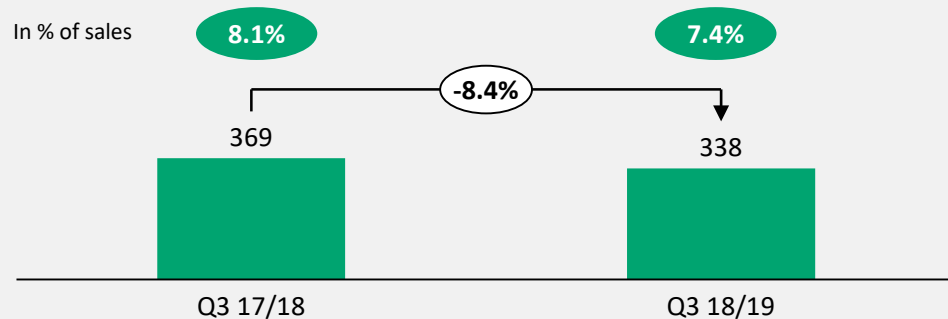
Online Sales (in €m)

In % of sales



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

In % of sales

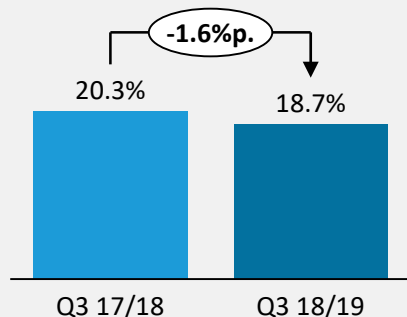


Highlights

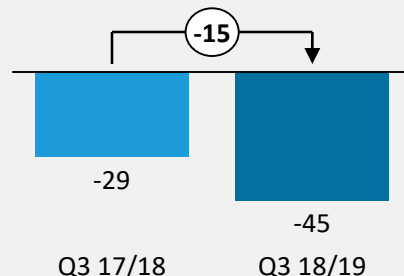
- **Slower online growth**, esp. in Germany, mainly due to strong GSM mobile campaigns in PY and reduced free shipping offers
- Online LTM accounted for **13.6% of total sales** vs. 11.7% in the prior-year period
- **Higher pick-up rate** in Q3 at around 46% vs. 40% in the prior-year period
- **Decline in Services & Solutions** especially due to strong GSM mobile campaign in PY
- Services & Solutions LTM accounted for **7.0% of total sales** vs. 6.8% in the prior-year period
- Services & Solutions sales **impacted by application of IFRS 15** (c. -60 €m)

Lower gross margin and high level of non-recurring items in PY partly compensated by positive operational cost development

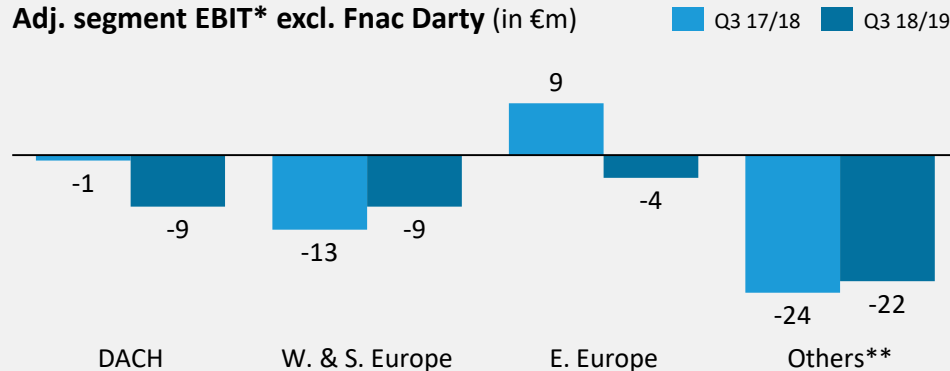
Gross margin



Adj. EBIT* excl. Fnac Darty (in €m)



Adj. segment EBIT* excl. Fnac Darty (in €m)



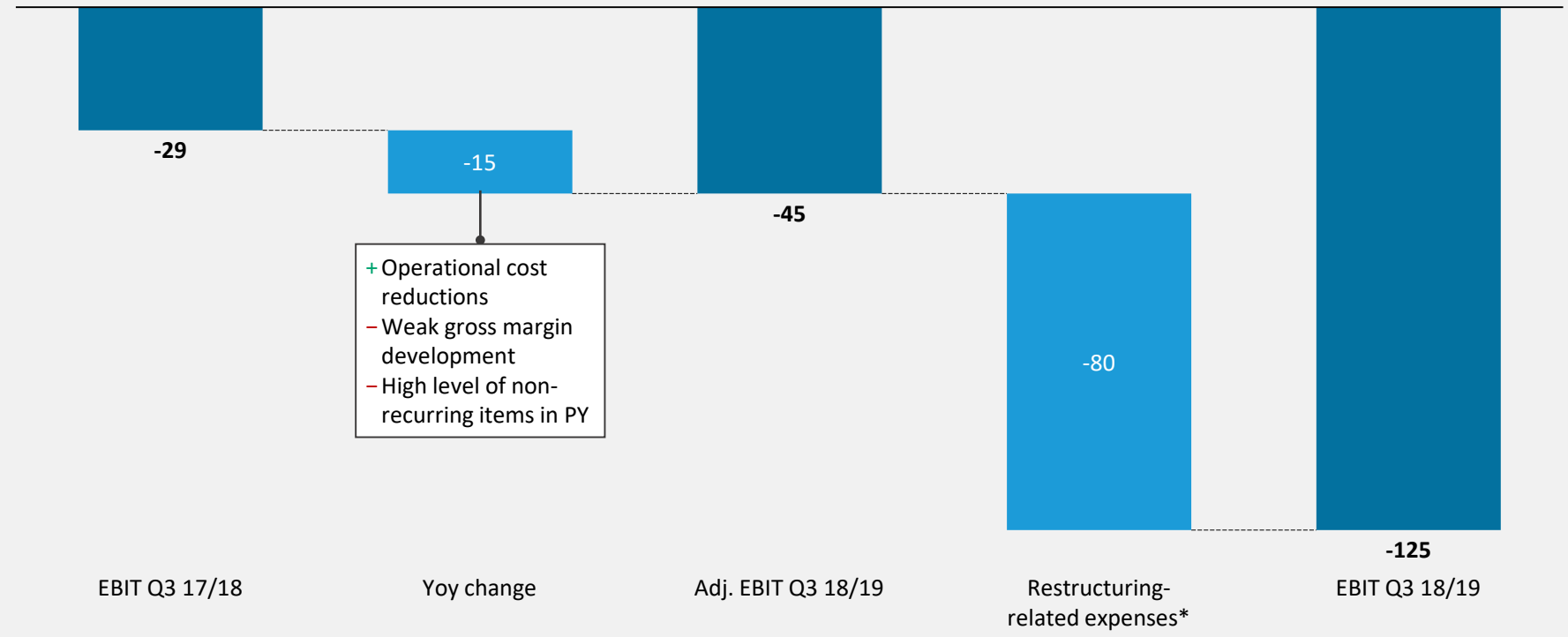
*Adjusted EBIT excl. expenses in connection with the reorganization and efficiency program and management changes. **Others: Including consolidation.

Highlights

- **DACH:** EBIT excl. non-recurring items in Germany above PY, supported especially by optimization of store personnel deployment
- **Western & Southern Europe:** Higher earnings in Spain, Netherlands could not reduce its earnings shortfall from H1
- **Eastern Europe:** Ongoing decline in Poland, Turkey impacted by high comps in PY
- **Others:** Lower CECONOMY HQ expenses, earnings in Sweden broadly on PY's level
- Positive effect from higher recognized income for mobile contracts (IFRS 15), but **level of non-recurring items significantly below PY level**

Adjusted EBIT below PY as expected; 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 negatively impacted by restructuring-related expenses, partly offset by positive impact from METRO transaction

€m	Q3 17/18	Q3 18/19	Change
EBITDA	26	-69	-95
EBIT	-30	-126	-95
Net financial result	-154	12	166
Earnings before taxes	-184	-113	70
Income taxes	93	51	-42
Tax rate	50.8%	45.4%	-5.4%p.
Profit or loss for the period	-90	-62	29
Non-controlling interest	13	-14	-27
Net result	-104	-48	55
EPS (€)	-0.32	-0.13	0.18

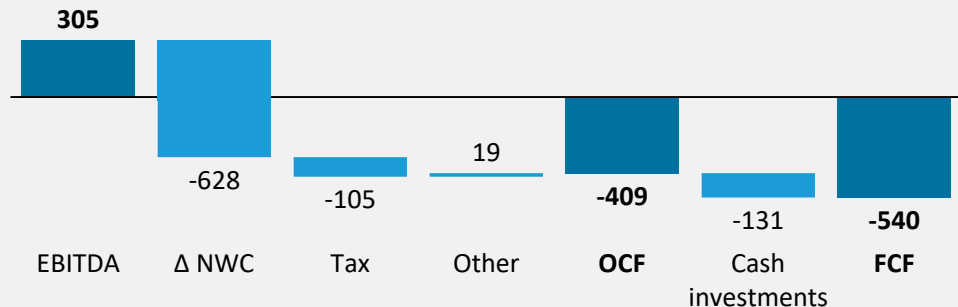
Note: Reported EBIT/DA incl. Fnac Darty and incl. expenses in connection with the reorganization and efficiency program and management changes.

Highlights

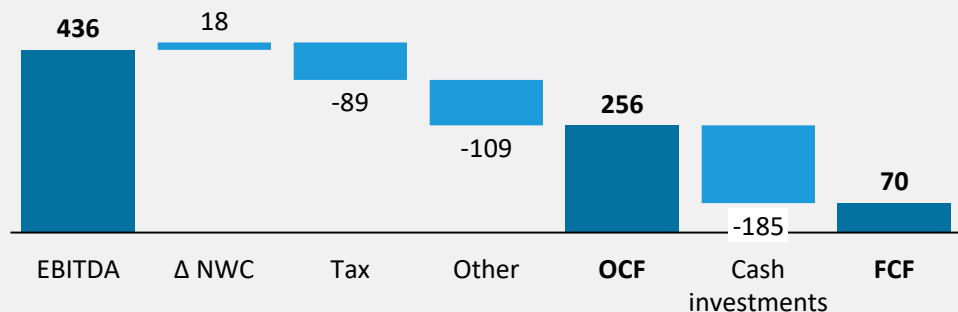
- Reported EBIT impacted by **80 €m restructuring-related expenses**
- **Net financial result** with positive impact from transaction of 5.4% METRO stake; PY mainly impacted by impairment of METRO AG stake
- **Tax rate** in 9M 18/19 at 32.2%; PY impacted by METRO AG impairment; further improvement compared to H1 18/19 especially due to additional tax groups in Germany

Free Cash Flow impacted by expected NWC outflow mainly due to high starting point on 30 September 2018 and active cash management

9M 18/19: Free Cash Flow (in €m)



9M 17/18: Free Cash Flow (in €m)



Note: Cash investments and FCF for 9M 17/18 were restated to exclude investments in money market funds from cash investments.

Highlights

- **Change in NWC** –646 €m lower than PY, mainly driven by anticipated decline in trade payables due to a high starting point on 30 September 2018, the discontinuation of temporary payment term extensions and the planned early payment of invoices
- **Cash taxes** in PY impacted by high tax refund
- **Other OCF** mainly driven by reorganisation and efficiency program-related positions and the settlement of receivables in connection with the Russia transaction
- **Cash investments** declined by –54 €m yoy due to lower modernization investments and more selective expansion strategy

03

Outlook

Karin Sonnenmoser, CFO

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	c. 22
Net Working Capital		Moderate decline

Included non-recurring effects such as:

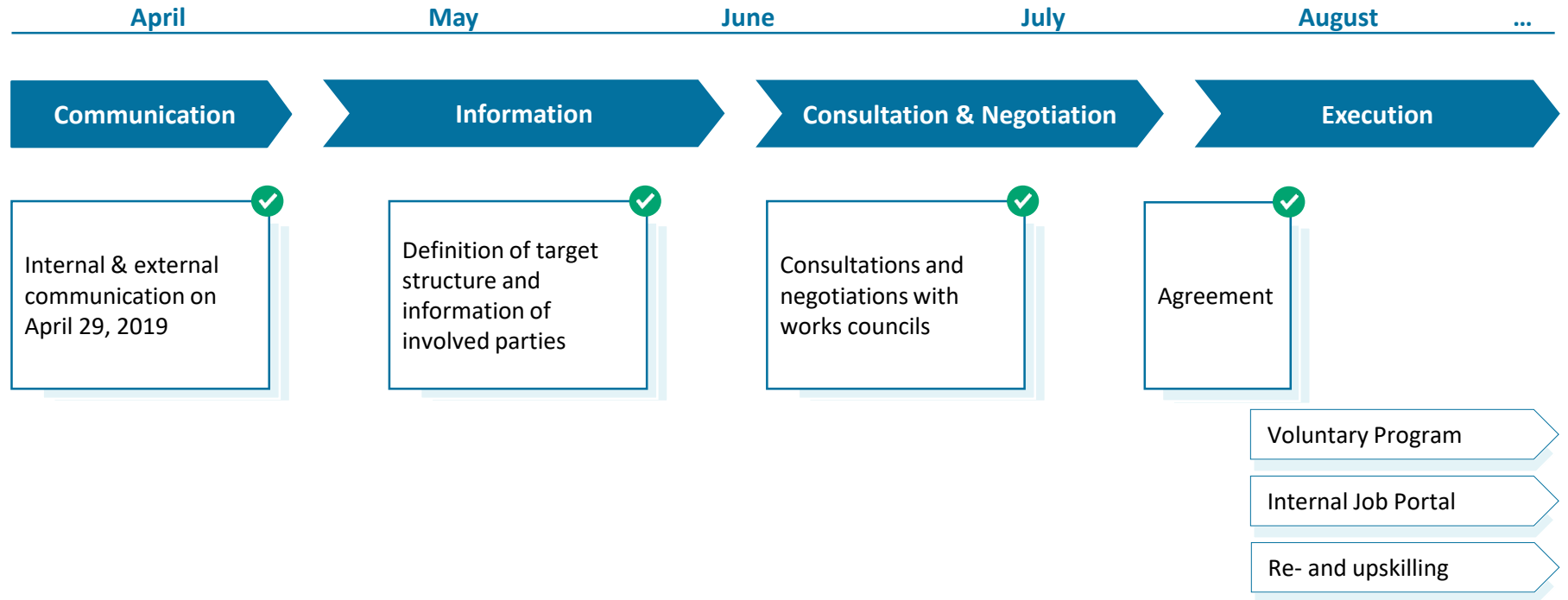
- Re-assessment of inventory costs
- Valuation of gift card liabilities
- Pension income

04

Strategic Update

Jörn Werner, CEO

The Reorganization and Efficiency Program is on track, we have reached an agreement and are now executing the next steps



We have made progress regarding the streamlining of central functions and the optimization of our operational entities portfolio

Reorganization & Efficiency Program






Central Functions

- One function responsible for CECO & MMSRG
- Completed management team with right mindset and skills
- First reductions of indirect spend and personnel
- Centralisation of support functions
- Headcount reduction across all entities (c. 600 FTEs planned)
- Enable fast decision-making through reduction of layers and process improvements



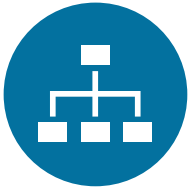
Portfolio

- Sustainable solution with Public in Greece 
- Closure of streaming platform 
- Termination of business activities 
- Completed review of smaller portfolio companies

The recent developments emphasize the importance of executing the transformation and setting the course for the future



Fixing the basics



Simplifying the corporate structure



Transforming the business with a customer-centric approach

Q&A



Joern Werner
Chief Executive Officer



Karin Sonnenmoser
Chief Financial Officer

CONTACT

CECONOMY AG **Investor Relations**

Benrather Strasse 18-20
40213 Düsseldorf
Germany

Tel.: +49 (211) 5408-7222

Email: IR@ceconomy.de

<https://www.ceconomy.de/en/investor-relations/>

Store network

	31/03/2019	Openings	Closures	30/06/2019
Germany	432	0	-1	431
Austria	52	0	0	52
Switzerland	26	0	0	26
Hungary	25	7	0	32
DACH	535	7	-1	541
Belgium	28	0	0	28
Greece	12	0	0	12
Italy	116	1	0	117
Luxembourg	2	0	0	2
Netherlands	49	0	0	49
Portugal	10	0	0	10
Spain	87	0	0	87
Western/S. Europe	304	1	0	305
Poland	89	1	0	90
Turkey	71	2	0	73
Eastern Europe	160	3	0	163
Sweden	28	0	0	28
Others	28	0	0	28
CECONOMY	1,027	11	-1	1,037

Highlights

- **Selective expansion** with 11 openings: 2 stores in Turkey and 1 each in Italy and Poland + 7 Shop-in-Shops with Tesco in Hungary
- **1 store closure** in Germany
- **Average store size** reduced by c. -1.2% since March 2019 to 2,656 sqm, mainly due to openings of Shop-in-Shops and small-area store formats as well as 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 ¹	30/06/2018	Change	30/09/2018	30/06/2019 ²	Change
Inventories	2,449	2,819	371	2,480	2,802	322
Trade receivables	497	545	48	613	493	-120
Receivables due from suppliers	1,197	1,102	-95	1,239	1,157	-82
Receivables from credit cards	66	57	-9	71	77	5
Advance payments on inventories	0	0	0	0	0	0
Trade payables	-4,817	-5,151	-333	-5,277	-4,794	483
Liabilities to customers	-129	-32	97	-45	-13	33
Deferred revenues from vouchers and customer loyalty programmes	-63	-144	-81	-137	-148	-11
Provisions for customer loyalty programmes and rights of return	-19	-17	2	-23	-19	4
Prepayments received on orders	-39	-38	1	-46	-59	-13
Net Working Capital	-858	-857	1	-1.125	-505	620

¹ Balance sheet figures were adjusted for discontinued operations to enable comparison.

² Balance sheet figures for the current period do not include the assets and liabilities of the disposal group. The resulting effect for net working capital amounted to -15 €m.

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

Q4/FY 2018/19 trading statement

24 October 2019

FY 2018/19 results

17 December 2019

Upcoming events

Roadshow Frankfurt

14 August 2019

Commerzbank Sector Conference (IR only)

29 August 2019

Roadshow US & GS Global Retailing Conference

3-5 September 2019

Roadshow Paris

11–12 September 2019

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