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CECONOMY expects earnings to grow again after stabilisation

- Sales in financial year 2018/19 rose slightly, as expected, to €21.5 billion
- Earnings¹ at previous year's level due to cost savings, in particular – as well as higher income from Services & Solutions and positive sales development
- Reorganization and efficiency program fully on track; presentation of the strategy update on 26 March 2020
- CEO Dr Bernhard Düttmann: **“2018/19 was a year of stabilisation. We attended to the fundamentals and laid the groundwork for the future. Now it is up to us to successfully complete our strategy process and actually implement the strategy.”**

Düsseldorf, 17 December 2019 – CECONOMY AG (“CECONOMY”) successfully consolidated its business in the past financial year 2018/19 and achieved initial operational progress. The Company achieved its sales targets and slightly exceeded its earnings forecast. The reorganization and efficiency program aimed at streamlining the central and administrative functions in Germany is fully on track. CECONOMY expects to see an improvement in profitability in the new financial year.

For 2019/20 the Company expects a slight increase in total sales adjusted for exchange rate effects compared to the previous year and – not taking into account the earnings effects from companies accounted for using the equity method – an EBIT between €445 million and €475 million. This is expected to include a positive effect between €5 million to €15 million due to the introduction of the new accounting standard IFRS 16.²

“2018/19 was a year of stabilisation. We streamlined our processes, standardised structures

¹ EBIT/DA each adjusted for expenses in connection with the reorganization and efficiency program and management changes.

² The outlook is adjusted for portfolio changes. Non-recurring earnings effects in connection with the reorganization and efficiency program announced on 29 April 2019 are not included.

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and began to set the course for the future. By standardising our service portfolio, adding new service offerings and redesigning our warranty services, we have laid the foundation for an expanded service concept. We have also developed a training concept for our employees and are thus aligning our business model much more consistently with the needs of our customers than before,” says Dr Bernhard Düttmann, CEO of CECONOMY AG: “Now it is up to us to successfully complete our strategy process and actually implement the strategy.” CECONOMY will present its strategy update on 26 March 2020.

Sales in the DACH region increased by +1.1%

In the past financial year, the Company generated total sales of €21.5 billion, and thus adjusted for currency effects and portfolio changes an increase of +0.8%. This was mainly due to successful Black Friday activities in 2018 and other strong marketing campaigns. As expected, the DACH, Western and Southern Europe and Eastern Europe regions contributed to the sales increase. Sales growth was particularly strong in the important **DACH** region (+1.1% adjusted for currency and portfolio change effects).

Sales development in financial year 2018/19

	Sales (€ million)		Change FY 2018/19	Currency effects FY 2018/19	Sales adjusted for currency effects and portfolio changes
	FY 2017/18	FY 2018/19			FY 2018/19
Total	21,418	21,455	0.2%	-0.6%	0.8%
DACH	12,410	12,565	1.2%	0.1%	1.1%
Western/Southern Europe	6,777	6,807	0.4%	0.0%	0.4%
Eastern Europe	1,689	1,567	-7.2%	-7.4%	0.2%
Others	542	516	-4.7%	-3.0%	-1.7%

Note: All figures in the previous year are from continuing operations only.

Online sales increased by +13.2% year-on-year to €2.9 billion, or 13.7% of total sales (after 12.1% in the previous year). The pick-up rate – i.e. the share of online orders that were picked up at the store – was also significantly higher than in the previous year at 47% (financial year 2017/18: 42%). This once again shows the importance of the stores.

Services & Solutions sales increased by +1.3% compared to the previous year, accounting for 7.0% of total sales (previous year: 6.9%). While warranty extensions and repair services are

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increasingly demanded for, the mobile communications business was characterised by a high basis for comparison due to the GSM campaign “Tarifsensation” in the previous year. This campaign was not repeated in 2018/19.

MediaMarktSaturn with operational progress

“We achieved a lot this past financial year, and today we are a different, more efficient company than we were a year ago. Our business has developed particularly well in important countries such as Germany, Spain and Italy. At the same time, we have set the course for the further development of our strategic initiatives,” says Ferran Reverter, CEO of MediaMarktSaturn. To further expand its online business, the company has launched a new, significantly improved web shop front-end in Germany. The roll-out into other countries is planned for next year.

As part of the digitalisation of the stores, the employees of MediaMarktSaturn stores will be equipped with smartphones and a specially developed app. This will provide them with all the information they need to advise customers better and more individually. In addition, the company has started the ramp-up for a new logistics centre in Germany and in the Netherlands.

Significant increase in profit for the period

Adjusted for expenses for the reorganization and efficiency program and management changes, earnings remained at the previous year’s level (**EBIT** of €423 million, compared to €419 million in financial year 2017/18; **EBITDA** of €650 million, compared to €650 million in financial year 2017/18). This figure also includes Fnac Darty’s earnings contribution of €21 million. Lower personnel expenses in particular had a positive impact, due in part to the optimisation of staff deployment in the stores. In addition, there were lower advertising and location costs, a higher income from Services & Solutions as well as improved planning and steering of promotional days around Black Friday 2018. The reported gross margin of the Group amounted to 19.3% in financial year 2018/19, a year-on-year decline of –0.8 percentage points; excluding non-recurring effects, the decline amounted to –0.6 percentage points.

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EBIT/DA in financial year 2018/19

(€ million)	EBITDA			EBIT		
	EBITDA as reported	Expenses for the reorganization and efficiency program & management changes	Adjusted EBITDA	EBIT as reported	Expenses for the reorganization and efficiency program & management changes	Adjusted EBIT
Total¹	465	186	650	224	200	423
DACH	304	140	444	168	152	320
Western/Southern Europe	206	17	223	129	17	146
Eastern Europe	26	2	28	7	2	10
Others	-71	27	-44	-81	28	-52

¹ Incl. consolidation

In financial year 2018/19, reported EBIT included **expenses** of €190 million in connection with the reorganization and efficiency program and management changes – and were thus below the planned range of €204 to €224 million. In view of the expected savings of €110 to €130 million, around €20 million instead of the originally planned €0 to €10 million have already been realised in the financial year. **Net profit for the period** from continuing operations rose from €87 million to €158 million. **Earnings per share** amounted to €0.34.

“We resolved important portfolio issues in financial year 2018/19. We sold our stake of around nine percent in METRO AG and founded a new joint venture with the investment company Olympia in which we placed our activities in Greece. By implementing the reorganization and efficiency program, we have also re-established cost discipline within the company. In the future, we will continue to consistently focus on competitive costs and efficient structures,” says Karin Sonnenmoser, CFO of CECONOMY AG.

In order to strengthen equity and in light of the expenses in connection with the reorganization and efficiency program as well as with regards to upcoming investments, to consistently align the business model with customer needs and to create the associated central structures, the Management Board and the Supervisory Board have decided not to foresee any dividend distribution at the next General Meeting.

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About CECONOMY

CECONOMY AG empowers life in the digital world. It is the leading European platform for companies, 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.

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