

Press release

Q1 2018/19: CECONOMY reports growth in sales and stabilised earnings

- // Currency and portfolio adjusted sales up 2.8 per cent in the first quarter; all regions contributed to sales growth; online sales up 28.0 per cent to €1.0 billion
- // Earnings (EBITDA*) up €18 million year-on-year; EBIT* at €269 million (up €15 million compared with last year); before expenses for management changes, which impacted earnings with €34 million

Duesseldorf, 8 February 2019 – Following the challenging development in 2017/18, CECONOMY AG (“CECONOMY”) stabilised its business in the first quarter of the new financial year 2018/19. Currency and portfolio adjusted sales increased by 2.8 per cent year-on-year from October to December. The main drivers were high Black Friday sales and significant growth in the strategically important Online and Services & Solutions business. Earnings (EBITDA) in the first quarter – excluding the investment in Fnac Darty and the costs for management changes at CECONOMY and MediaMarktSaturn – rose by €18 million year-on-year. EBIT also adjusted for these effects improved by €15 million to €269 million in Q1 2018/19. Changes on the first and second management level of CECONOMY and MediaMarktSaturn resulted in expenses of €34 million, which impacted the reported EBITDA and EBIT.

“We increased our sales and gained market share in the first quarter. The improved steering of the activities around Black Friday also enabled us to fully compensate for the weaker development in October and stabilise our earnings. For the year as a whole, however, we continue to assume that the transformation and reorganisation of our activities will burden our performance,” said Dr. Bernhard Duettmann, CFO of CECONOMY AG: “In the coming months, we will continue to consistently implement our strategic initiatives and reduce our costs. The management team of MediaMarktSaturn is currently working on a comprehensive package of measures for this purpose, which we will present at the latest when we publish our Q2 results on 21 May.”

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Sales rise in all regions, CECONOMY gains market share

From October to December, CECONOMY's sales increased by 1.7 per cent to €6.9 billion (previous year: €6.8 billion) on a reported basis compared to the previous year. The successful Black Friday promotions in November in particular contributed to this positive development. The overall market share for the group increased by around 30 basis points.

Following a currency and portfolio adjusted decline in sales in the **DACH** region in the past financial year 2017/18, first quarter sales were up 2.7 per cent to €4.1 billion. Currency and portfolio adjusted sales in **Western and Southern Europe** were up 3.7 per cent year-on-year. Adjusted for currency effects and portfolio changes, business in **Eastern Europe** grew slightly by 0.2 per cent. On a reported basis, business declined by 10.9 per cent. This was due in particular to the sharp devaluation of the Turkish lira.

Development of Group sales¹

	Sales (€ million)		Change (%)	as % of total sales
	Q1 2017/18	Q1 2018/19		
Total sales	6,761	6,879	1.7	
Online/Mobile	787	1,007	28.0	14.6
Services & Solutions (according to IAS 18)	393	425	8.2	6.2
Services & Solutions (according to IFRS 15)	–	342	–	–

¹ Figures represent the continued activities of CECONOMY.

The online business as well as Services & Solutions were again the drivers of CECONOMY's sales growth. For instance, the **online business** grew by 28.0 per cent in the first quarter compared to the same period of the previous year and, with a total of €1,007 million, exceeded the one billion euro mark for the first time in a single quarter. The share of online business in total sales is thus 14.6 per cent (Q1 2017/18: 11.6 per cent). The reasons for this clearly positive development are higher visitor numbers and a better conversion rate, especially on the campaign days that pertained to Black Friday. Demand for **Services & Solutions** also remained strong. According to the definition of the old IAS 18 accounting standard, Services & Solutions sales rose year-on-year by 8.2 per cent to €425 million (previous year: €393 million). Insurance brokerage and repair services in particular developed positively.

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Stabilisation of earnings also attributable to one-off effects

In the first three months of financial year 2018/19, CECONOMY achieved an **EBITDA** of €326 million (€18 million higher than the previous year) – excluding the investment in Fnac Darty S.A. and the costs of management changes at CECONOMY and MediaMarktSaturn. **EBIT** excluding the aforementioned effects amounted to €269 million and was thus €15 million higher than in the same quarter of the previous year. About half of the stabilisation of the underlying earnings is attributable to operating progress – in addition to Black Friday, lower personnel and location costs in particular. The other half resulted from one-off effects such as the implementation of new accounting standards and the realisation of claims for damages. At 18.4 per cent, the gross margin was below the level of the prior-year quarter (0.6 percentage points).

Due to expenses of €34 million for management changes at CECONOMY and at the Holding and country level of MediaMarktSaturn, reported EBITDA for the first quarter decreased by €17 million to €291 million (previous year: €308 million). Reported EBIT decreased by €19 million to €234 million (previous year: €253 million).

Development of Group earnings¹

€ million	Q1 2017/18	Q1 2018/19	Change
Gross profit	1,285	1,265	-19
<i>Gross margin in %</i>	<i>19.0 %</i>	<i>18.4 %</i>	<i>-0.6 %p.</i>
EBITDA	308	291	-17
EBITDA excl. Fnac Darty	308	292	-17
<i>EBITDA margin² excl. Fnac Darty</i>	<i>4.5 %</i>	<i>4.2 %</i>	<i>-0.3 %p.</i>
EBIT	253	234	-19
EBIT excl. Fnac Darty	254	235	-18
<i>EBIT margin² excl. Fnac Darty</i>	<i>3.7 %</i>	<i>3.4 %</i>	<i>-0.3 %p.</i>
EPS (in €)	0.32	0.30	-0.02

¹ Figures represent the continued activities of CECONOMY.

² Ratio of EBIT or EBITDA to total sales.

Outlook confirmed

Against the background of the results for the first quarter, CECONOMY confirms its outlook for financial year 2018/19: For the financial year 2018/19 CECONOMY expects a slight increase in total sales compared to the previous year. The Company expects net working capital to decline

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moderately. Both in terms of EBITDA and EBIT, CECONOMY expects a slight decline, not taking into account the earnings contributions from the investment in Fnac Darty S.A. The segments DACH and particularly Eastern Europe will contribute to this decline, while the segment Western & Southern Europe will develop slightly positive. The comparative previous-year figures for 2017/18 are €630 million EBITDA and €399 million EBIT. In addition, EBITDA and EBIT will also include the share of the profit or loss for the period for Fnac Darty S.A. Based on current analyst estimates, CECONOMY expects this investment to make a contribution to earnings in the mid double-digit million € range in financial year 2018/19.

The outlook is adjusted for exchange rate effects and before portfolio changes. Still to be specified expenses in connection with the reorganisation and optimisation of structures and business processes at administrative and central units are not included. Expenses for already announced management changes in top management are also not included.

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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