CECONOMY

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Press release

# CECONOMY reports earnings at previous year's level in second quarter of 2018/19

- Adjusted EBIT[1] of €24 million at previous year's level (€–1 million); expenses in connection with the reorganization and efficiency program of €–39 million included in reported EBIT; adjusted EBITDA of €80 million (Q2 2017/18: €82 million)
- Currency and portfolio adjusted sales down (–1.1 per cent); online business remains very positive (+13.4 per cent), Services & Solutions grows by +4.2 per cent
- CEO Jörn Werner: "We are continuing to develop our overall strategic positioning at full speed – with a focus on the customer and the customer experience."

Düsseldorf, 21 May 2019 – CECONOMY AG ("CECONOMY") achieved operational progress in the second quarter, while the Group continues to drive forward its transformation process as planned. From January to March currency and portfolio adjusted sales declined slightly (–1.1 per cent) to €5.0 billion year-on-year. One reason for this are unfavourable calendar effects, more specifically the shift of the strong pre-Easter sales week to the third quarter. Furthermore, business in Western and Southern Europe declined significantly due to the challenging market situation. At the Group earnings level, however, the company succeeded in offsetting the decline in sales by achieving greater cost efficiency. Adjusted EBIT excluding Fnac Darty was stable at €24 million while adjusted EBITDA excluding Fnac Darty was €80 million, almost reaching the previous year's level.

"CECONOMY is undergoing a profound transformation that is also influencing its business development. We have already managed to achieve operational improvements in certain countries, such as Germany and Italy. With the reorganization and efficiency program announced at the end of April, we now have a clear concept in place on how we can simplify structures, reduce costs and gain momentum. But we still have to answer the question of how we intend to conduct our activities in a digitalised world and a radically changed environment in

[1] EBIT/DA in each case adjusted for expenses in connection with the reorganization and efficiency program and excluding the earnings contribution from Fnac Darty.

the future. For this reason, we are continuing to develop CECONOMY's overall strategic positioning at full speed – with a focus on the customer and the customer experience. This will enable us to take advantage of our leading market position and leverage our enormous potential", says Jörn Werner, CEO of CECONOMY.

Sales in Germany stable, Turkey continues to grow on a currency and portfolio adjusted basis

In the DACH and Western and Southern European regions in particular, the sales trend was characterised by the shift of the Easter business from the month of March in 2018 into the month of April in 2019. In the DACH region, currency and portfolio adjusted sales in the second quarter declined by –0.5 per cent to €2.9 billion. Sales in Switzerland declined while Germany remained stable. Better product availability and improved assortment definition as well as impulses from successful marketing campaigns contributed to this. CECONOMY achieved sales of €1.6 billion in Western and Southern Europe. Due to the challenging market situation in the region, currency and portfolio adjusted sales declined significantly by –3.5 per cent. In Eastern Europe, Turkey continued its solid development, so that currency and portfolio adjusted sales in the region rose strongly by 3.7 per cent to €367 million in total.

In the second quarter of 2018/19, online business grew by 13.4 per cent to €699 million, which equates to a 13.9 per cent share of sales (Q2 2017/18: 12.0 per cent). The pick-up option – i.e. in-store collection of goods ordered online – which was very well received by customers also contributed to this. The pick-up rate in the second quarter was around 44 per cent. The services business also continues to grow. Based on the comparable definition of IAS 18 accounting standard, Services & Solutions sales rose by 4.2 per cent to €333 million and accounted for 6.6 per cent of total sales.

Solid result in Germany, declining gross margin

The adjusted EBIT excluding Fnac Darty from January to March of €24 million was roughly at last year's level (€–1 million) – despite the negative sales development and the declining gross margin (–0.5 percentage points to 19.5 per cent). Adjusted EBITDA excluding Fnac Darty was also almost at the previous year's level of €80 million (Q2 2017/18: €82 million). This was mainly a result of higher cost efficiency and active location portfolio management. Germany in particular showed a solid earnings performance before expenses related to the reorganization and efficiency program. Adjusted EBIT/DA decreased significantly in Western and Southern Europe. Italy developed positively as a result of the successful restructuring and repositioning initiated in the previous year.

The investment in Fnac Darty contributed a total of €34 million to CECONOMY's EBIT/DA in the second quarter (Q2 2017/18: €21 million). As announced, reported EBIT includes expenses of €39 million in connection with the reorganization and efficiency program. Expenses amounted to €31 million in reported EBITDA. The reason for this difference are non-cash impairments in connection with the closure of JUKE.

In the second quarter of 2018/19, reported earnings before taxes increased from €–63 million to €33 million. This is mainly attributable to the impairment of the stake in METRO AG in the previous year. The result for the period – including expenses in connection with the reorganization and efficiency program, the earnings share of Fnac Darty and the receipt of the METRO AG dividend – also rose from €–47 million to €20 million in the second quarter. This resulted in earnings per share of €0.07 (Q2 2017/18: €–0.19).

Outlook for financial year 2018/19 confirmed

"The business development in the second quarter was in line with our expectations. Following the challenging financial year 2017/18, there are initial positive signals from the German market. The growth in our online business is also quite pleasing but could not fully compensate for the decline in the stationary business. A challenging second half of the year with a high comparison basis due to non-recurring items in the previous year lies ahead of us. With our focus on sales growth and active cost management, we confirm our outlook for the full year, however", says CFO Karin Sonnenmoser.

For 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 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. 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 euro range in financial year 2018/19.

The outlook is adjusted for exchange rate effects and before portfolio changes. Expenses in connection with the reorganization and efficiency program announced on 29 April 2019 which relates to the optimisation and restructuring of processes and structures at administrative and central units, especially in Germany, and to business activities of the Group are not included. Expenses for management changes in top management in the first quarter of 2018/19 are also not included.

About CECONOMY

CECONOMY AG empowers life in the digital world. It is leading for 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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