

## Press Release

## CECONOMY grows slightly and confirms outlook

- Currency and portfolio adjusted sales of €4.6 billion up 0.2 per cent year-on-year; online business (+1.7 per cent) and Services & Solutions (–8.4 per cent) influenced by a high comparative basis
- Implementation of reorganization and efficiency program fully on schedule, agreement on job reductions reached with the works councils
- Adjusted EBIT<sup>1</sup> excluding Fnac Darty €15 million below the previous year at €–45 million, adjusted EBITDA excluding Fnac Darty at €10 million (€–16 million year-on-year)
- CEO Jörn Werner: “The transformation of our business model is and remains material to sustain and expand our market leading position. We must strictly align the company to the customers’ needs”

**Düsseldorf, 13 August 2019** – CECONOMY AG (“CECONOMY”) is making progress with its reorganization and efficiency program and is on track with its sales and earnings for the third quarter of 2018/19. It is thus on course to achieve its targets for the full year. Adjusted for currency and portfolio effects, sales in the months of April to June amounted to around €4.6 billion. This was slightly (+0.2 per cent) higher than in the previous year despite the high basis for comparison due to the World Cup last year. This is primarily due to successful VAT campaigns in Germany and Italy and the shift of the Easter business to April. The dynamics of cost savings were further intensified. The decline in the gross margin could not be fully offset, however, therefore adjusted EBIT excluding Fnac Darty was €–45 million, €15 million lower than last year. Adjusted EBITDA excluding Fnac Darty decreased by €16 million to €10 million.

“The transformation of our business model is and remains material to sustain and expand our market leading position. We must strictly align the company and all of its processes to the customers’ needs. We are laying the foundation for this by implementing the reorganization and

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<sup>1</sup> EBIT/DA adjusted for expenses in connection with the reorganization and efficiency program and management changes

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efficiency program, which can start after the successful completion of the negotiations with the works councils in July. At the same time, we are working on a clear plan for the future – and on the goals we thereby want to achieve. As announced, we will present our program and the according measures at the turn of the year,” says Jörn Werner, CEO of CECONOMY AG.

### **Germany with good operating performance, Italy continues to grow strongly**

The individual regions present a mixed picture. In **DACH**, currency and portfolio adjusted sales in the third quarter rose by 0.4 per cent, driven especially by a successful VAT campaign in Germany. In **Western and Southern Europe**, currency and portfolio adjusted sales were up 1.3 per cent year-on-year. The positive development in Italy played an important role in this. In **Eastern Europe**, Turkey continued to perform solidly although the strong sales growth slowed somewhat. Currency and portfolio adjusted sales in Eastern Europe declined by 2.5 per cent.

CECONOMY achieved sales of €594 million in the third quarter (share of sales: 13.0 per cent) with its **Online Business**. The recent strong growth in this business segment has thus slowed to +1.7 per cent. This is due in particular to the high comparative basis from the strong mobile communications campaign “Tarifsensation” last year as well as an extension of delivery costs to other product categories. The pick-up option has been very well received; in the third quarter, nearly half (46 per cent) of all online orders were picked up at the store.

**Services & Solutions** sales declined by 8.4 per cent in the third quarter to €338 million (share of sales: 7.4 per cent) in accordance with the comparable definition according to the accounting standard IAS 18. Here, too, the high basis for comparison due to the strong mobile communications campaign in Germany in the previous year was one of the main reasons for this development. Business with warranty extensions was positive, due to an improved offer.

The Group’s gross margin fell by 1.6 percentage points to 18.7 per cent in the third quarter. Besides intense competition, this was due to a high basis for comparison – driven by positive non-recurring effects in the previous year – and declining revenue from Services & Solutions. On the other hand, lower personnel costs, which are partly attributable to an optimization of personnel deployment in the stores, particularly in Germany, had a positive effect on earnings.

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In the third quarter, further expenses of €80 million were incurred in the reported EBIT in connection with the reorganization and efficiency program. Reported **earnings before taxes** increased from €–184 million to €–113 million. This is mainly attributable to the impairment of the stake in METRO AG in the previous year. In addition, there was a gain from the sale of the remaining 5.4 per cent stake in METRO AG completed in June. The **profit or loss for the period** improved from €–90 million to €–62 million. **Earnings per share** rose from €–0.32 in the previous year to €–0.13.

### **Outlook for financial year 2018/19 confirmed**

“In the third quarter we continued to make progress and initiated structural changes. Thus, we further strengthened our balance sheet through the inflow of liquid funds with the sale of the remaining 5.4 per cent stake in METRO AG. In addition, we found a sustainable solution for our Greek MediaMarkt business in the beginning of July. We counter the ongoing margin pressure with our active cost management, which continued to gain momentum in this quarter. Overall, we are confident to achieve our full-year targets,” says Karin Sonnenmoser, CFO of CECONOMY AG.

For financial year 2018/19, CECONOMY expects a slight growth in total sales compared with the previous year. The company expects net working capital to decline moderately. CECONOMY expects both EBITDA and EBIT to decline slightly, excluding the earnings contributions from the investment in Fnac Darty. In addition, EBITDA and EBIT will also include the share of the profit or loss for the period generated by Fnac Darty. On the basis of the results published, CECONOMY expects this investment to make a contribution to earnings of around €22 million 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 focuses on the optimization and restructuring of central functions and administrative units especially in Germany as well as on business activities of the Group are not included. Expenses for top management changes in the first quarter of 2018/19 are also not included.

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### **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.

### **Media contact**

Simone Fuchs  
Head of Communications, Public Policy & Sustainability  
0049 (151) 1511-4790  
simone.fuchs@ceconomy.de