

# CECONOMY

## Results Presentation FY 2016/17

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Dusseldorf, 19 December 2017



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# Overview



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Highlights

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Performance

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Outlook

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# 01

## Highlights

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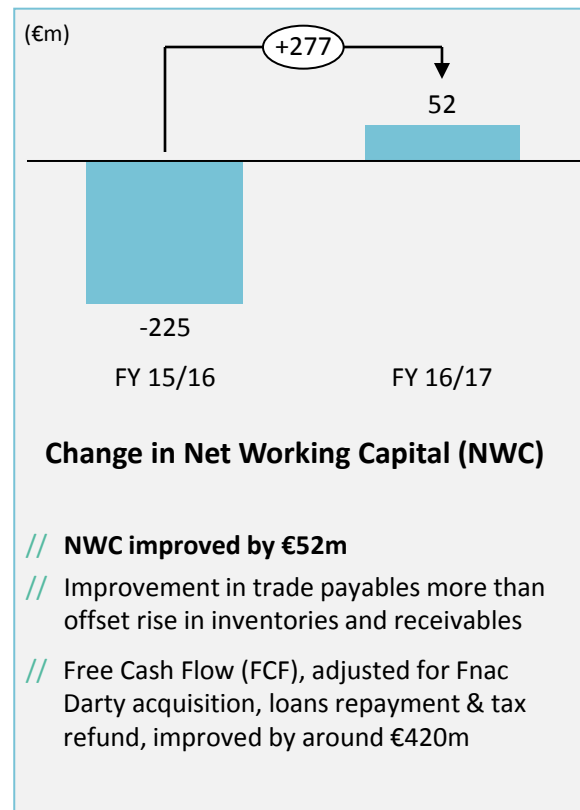
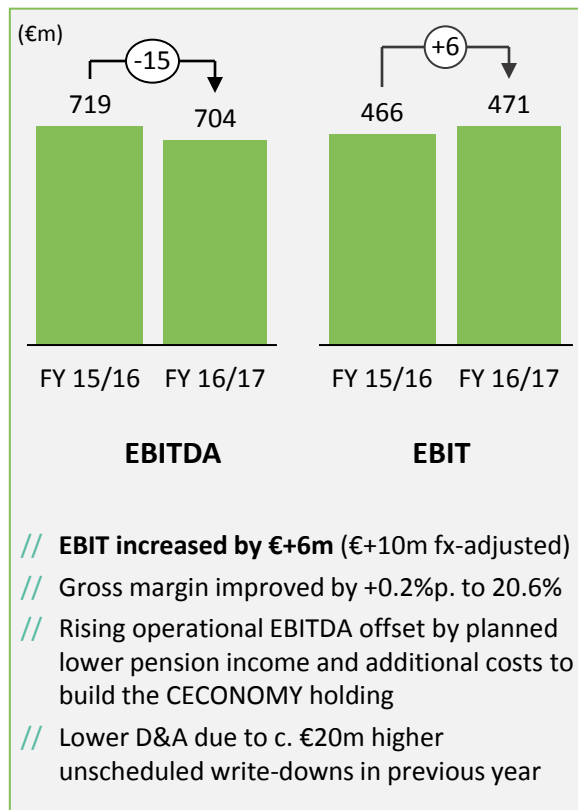
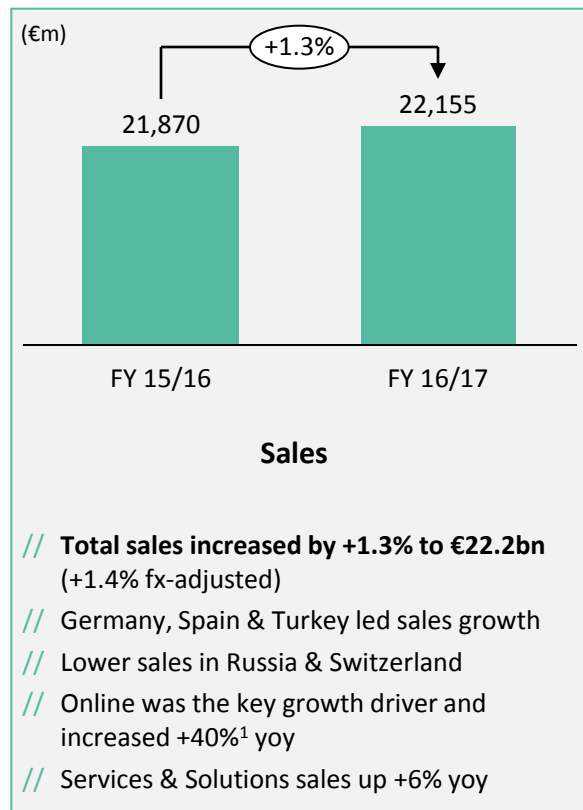
Pieter Haas, CEO

# CECONOMY achieved all targets in FY 2016/17

€m	FY 2015/16	Outlook (fx-adjusted)	FY 2016/17 (fx-adjusted)	Achieved
Total sales	21,870	Slight increase	+1.4%	✓
LfL sales growth	+0.1%	Slight increase	+1.9%	✓
EBIT before special items	466	Slight increase	+10	✓
Investments <sup>1</sup>	406	300 – 350	319	✓
Pay-out ratio (in % of EPS)	n.a.	45 – 55%	45%	✓

<sup>1</sup> Investments according to the segment report.

# CECONOMY delivered solid sales growth, a slight increase in EBIT and an improvement in NWC



Note: NWC = Net Working Capital acc. to Cash Flow Statement. <sup>1</sup>+23% yoy growth including pure player.

# Strategic highlights in FY 2016/17



Largest shareholder of Fnac Darty following acquisition of our c. 24% stake



Successful turnaround to profitability in Turkey; restructuring of redcoon completed



>6m customer contacts daily; customer programmes with >14.5m members internationally



Online/mobile sales > €2.4bn



Roll-out of smart bars and at home service via RTS and DTB



Opening of Shop-in-Shop Solutions in Belgium, Hungary and Russia



# CECONOMY was rewarded across all value drivers



## Online/Mobile/Store

- // MediaMarkt - Germany's best retailers (DE)
- // MediaMarkt.de - Germany's best online retailers (DE)



## Services & Solutions

- // Customer Service Excellence Award – MAPIC (ES)
- // Champions of Service (IT)



## Customer Data/CRM

- // E-Mail-Award 2017: GOLD "Europe's first behavioural-based customer program. In real-time" (AT)



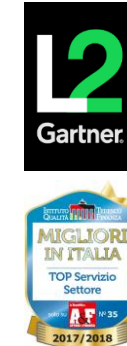
## Digital & technology leadership

- // MediaMarkt Germany- "No. 3 in L2's Digital IQ Index ranking: Retail Europe 2017" (DE)



## People transformation

- // Top Employer 2017 (AT)
- // HR Ambassador Award (BE)





# 02

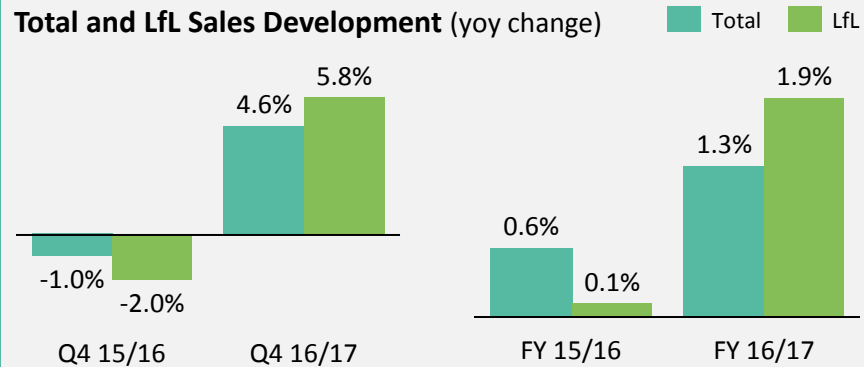
## Performance

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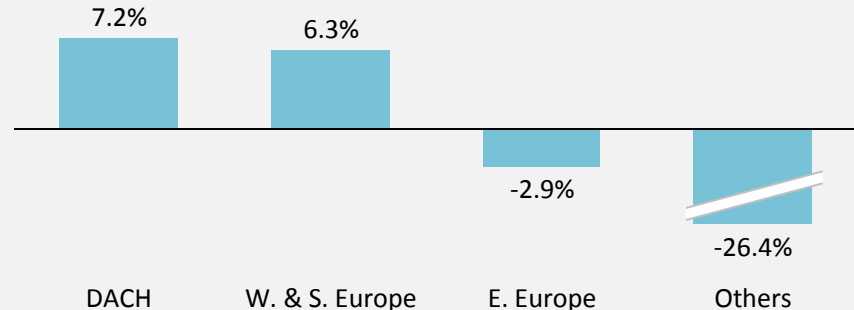
Mark Frese, CFO

# Improved sales growth rates, primarily driven by DACH region

**Total and LfL Sales Development (yoy change)**



**Total sales growth in Q4 16/17 by segment (yoy change)**

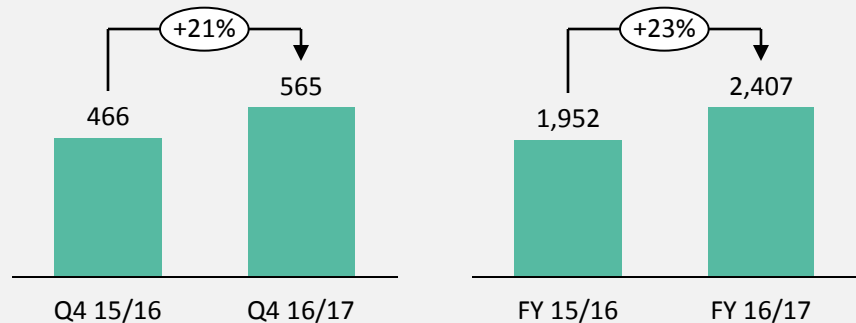


## Highlights

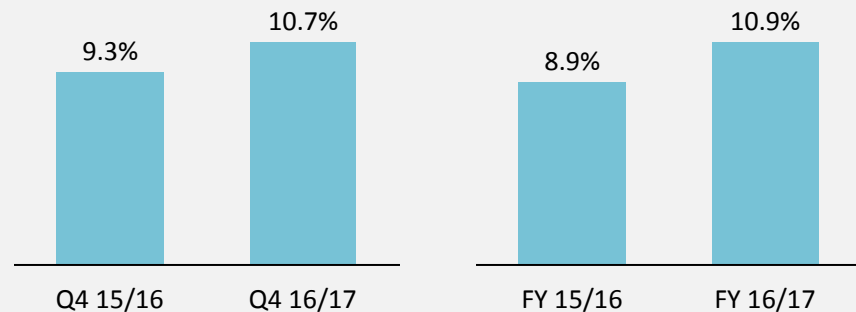
- // Strong sales growth in Q4 2016/17, supported by a favourable comparison base and investments to strengthen our position in selected markets
- // Sales also supported by new product launches in the mobile phone and entertainment segment
- // Strong sales growth particularly in Germany and first signs of recovery in Switzerland in Q4 2016/17
- // Spain, Italy and the Netherlands led in terms of sales growth in Western & Southern Europe in Q4 2016/17
- // Further sales decline in Russia, offset by continued sales growth in Turkey on an fx-adjusted basis
- // Lower 'Others' mainly driven by the closure of redcoon country operations

# Online was the key growth driver and represented 11% of total sales

Online Sales (in €m)



Online Sales (% of total sales)



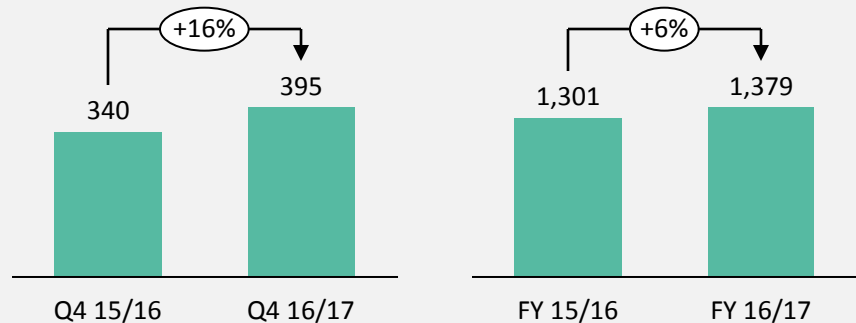
<sup>1</sup> Online incl. pure player visits per day based on 365 days per year.

## Highlights

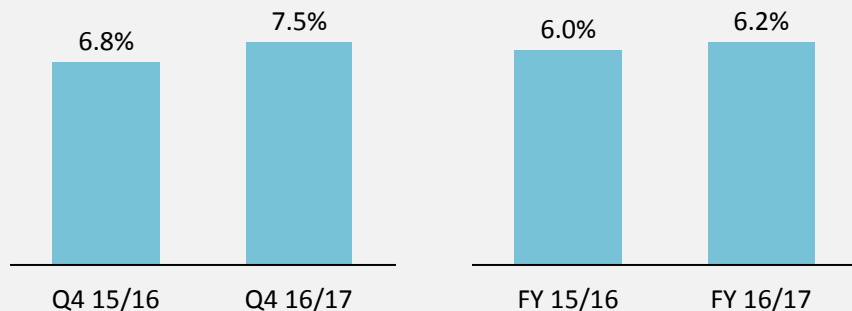
- // Online generated sales of MediaMarkt and Saturn grew by +39% in Q4 2016/17 or +21% including pure player (e.g. redcoon), respectively
- // Online now represents 10.9% of total sales vs. 8.9% one year ago
- // Pick-up rate slightly higher at 44% in Q4; for the full-year, pick-up rate remained high at 42%
- // Online assortment further expanded to c. 350k SKUs from c. 280k SKUs one year ago
- // Daily website visits<sup>1</sup> increased by +0.4m to 3.6m daily website visits in FY 2016/17

# Rising demand for Services & Solutions, accounting for 6.2% of total sales

**Services & Solutions Sales** (in €m)



**Services & Solutions Sales** (% of total sales)

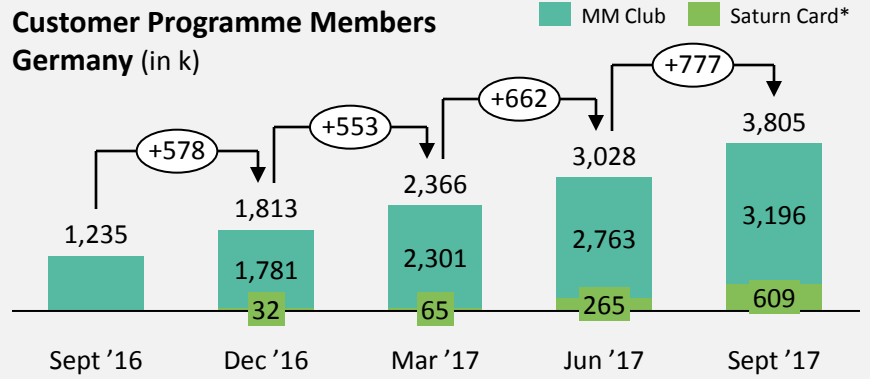


## Highlights

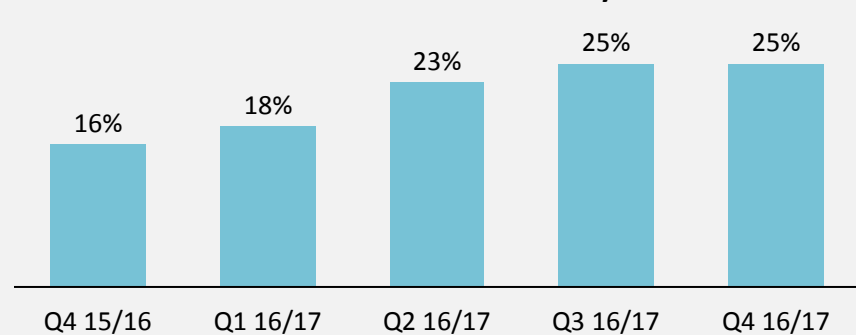
- // Services & Solutions sales increased +16% year-on-year in Q4 2016/17, largely driven by mobile and financing services
- // Over the last 12 months, Services & Solutions were up +6%, accounting for 6.2% of total sales vs. 6.0% one year ago
- // Continued roll-out of service “smart bars” to now 642 stores (+77 stores in Q4 2016/17)
- // At home consultation and installation service of Deutsche Technikberatung (DTB) now already offered at more than 200 stores in Germany

# MediaMarkt Club and Saturn Card continue to grow strongly

**Customer Programme Members Germany (in k)**



**Sales Penetration MediaMarkt Club Germany**

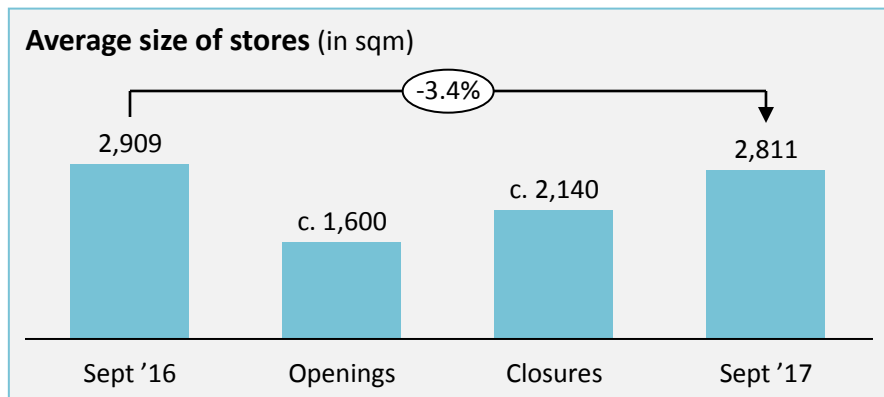
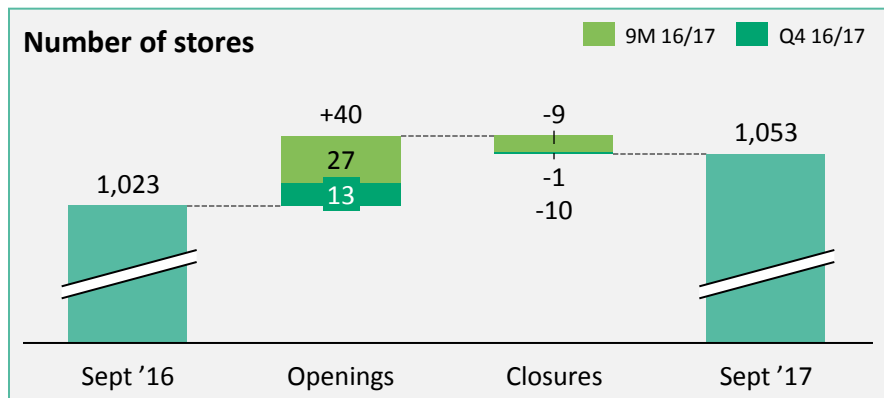


\*Nov 16-Apr 17: Saturn Card pilot running with 14 pilot stores; nation-wide roll-out of Saturn Card on 29 May 2017.

## Highlights

- // Linear growth of MediaMarkt Club Germany continues with around 1m new members every 6 months, now counting 3.2m members 18 months after launch
- // Successful launch of Saturn Card in Germany with more than 600k members after 4 months; Austria launched the Saturn Card in September
- // All customer programmes counted more than 14.5m members in total internationally
- // Our customer programmes also allowed us to focus our advertising budget, which helped to lower marketing spend in FY 2016/17

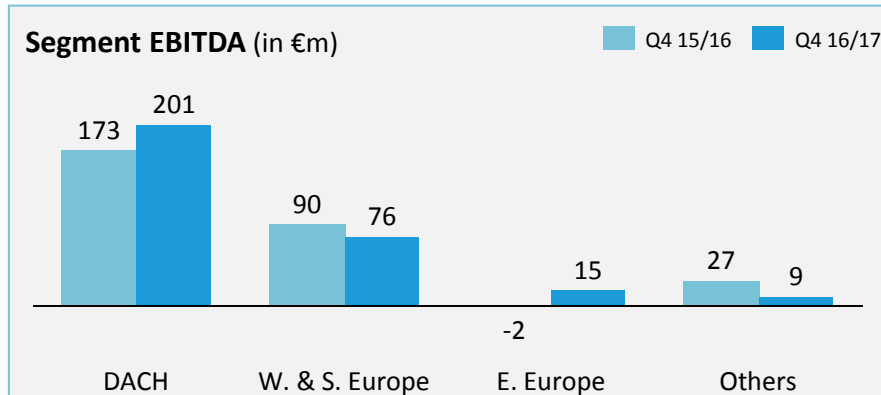
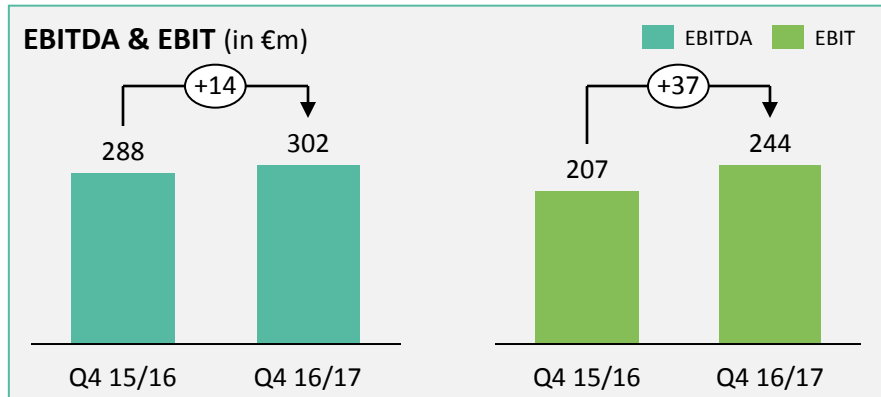
# Continued reduction in average store size



## Highlights

- // Selective store expansion continued with 13 openings and 1 closure in Q4 2016/17
- // Average store size further reduced by -3.4% over the last 12 months to now 2,811sqm due to openings of smaller formats and store rightsizings
- // Low to mid double-digit number of net openings in FY 2017/18 planned, excluding Shop-in-Shop solutions
- // 84 additional Shop-in-Shop solutions in Russian METRO Cash & Carry stores opened in October and November 2017; in total, 89 Shop-in-Shop solutions now live in Russia

# Solid increase in profitability in Q4 2016/17



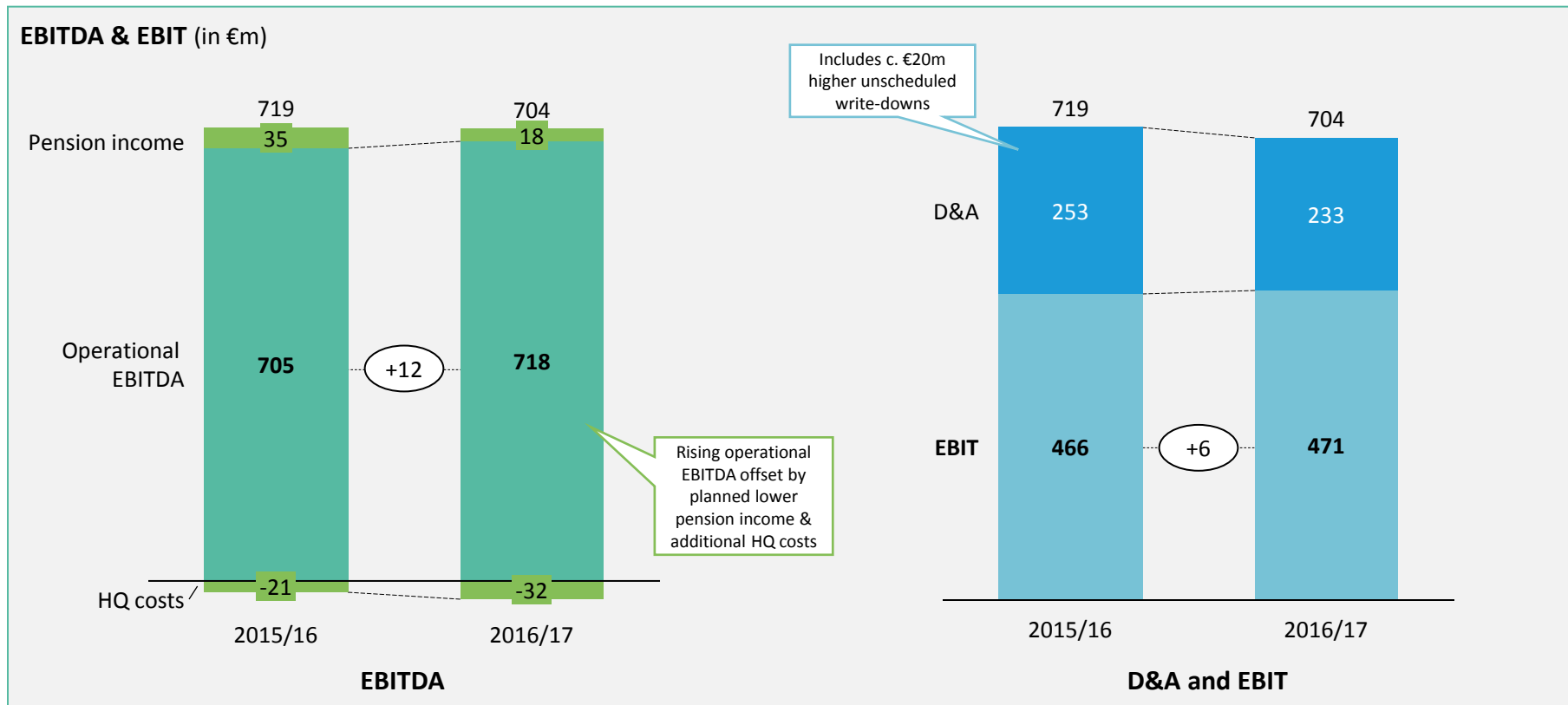
Note: All figures before special items with the exception of sales and gross profit.

## Highlights

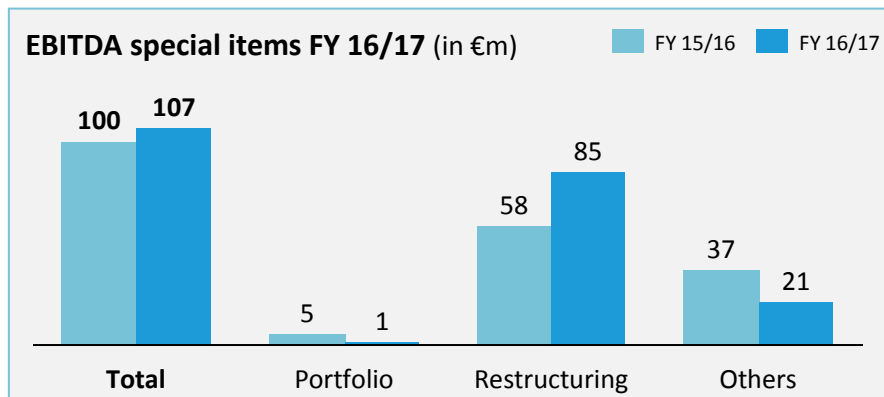
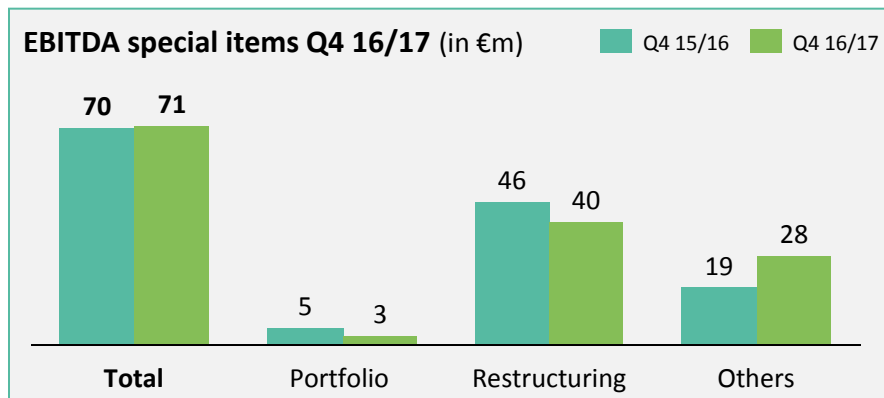
- // Substantial improvement in gross margin of +0.8%p. to 22.6% in Q4 2016/17
- // Considerable earnings uplift in Germany supported by additional later income
- // Positive development in the Netherlands helped by sales and margin improvements, but not sufficient to compensate lower earnings in Italy
- // Improvements in Eastern Europe mainly driven by stabilisation in Russia
- // Decline in 'Others' due to planned lower pension income and additional expenses for the formation of a listed holding company



# Rising operational EBITDA offset by planned lower pension income and additional expenses for the formation of a listed holding company



# Special items broadly in line with prior year



## Highlights

- // EBITDA special items were broadly flat in Q4 2016/17
- // In FY 2016/17, EBITDA special items amounted to €107m, equivalent to a slight increase of €7m yoy
- // Main items: restructuring in Russia, completed restructuring of redcoon and charges for a group-wide efficiency improvement programme
- // D&A special items amounted to €31m in FY 2016/17 as a result of restructuring measures and impairments, mainly in Russia and Germany
- // No further exceptional restructurings planned in FY 2017/18, but mid double-digit m€ cash flow impact from FY 2016/17 special items

# Significant improvement in EPS

€m	FY 15/16	FY 16/17	Change
<b>EBITDA</b>	<b>719</b>	<b>704</b>	<b>-15</b>
margin (%)	3.3%	3.2%	-0.1%p.
<b>EBIT</b>	<b>466</b>	<b>471</b>	<b>+6</b>
margin (%)	2.1%	2.1%	0.0%p.
Net financial result	-22	-26	-4
<b>Earnings before taxes</b>	<b>444</b>	<b>446</b>	<b>+2</b>
Income taxes	-217	-197	-20
Tax rate (in %)	48.8%	44.1%	-4.7%p.
<b>Profit or loss for the period</b>	<b>227</b>	<b>249</b>	<b>+22</b>
Non-controlling interest	75	60	-15
<b>Net income</b>	<b>152</b>	<b>189</b>	<b>+37</b>
Number of shares (m)	326.8	326.8	0.0%
<b>EPS from cont. operations (€)</b>	<b>0.47</b>	<b>0.58</b>	<b>+0.11</b>
<b>Dividend proposal (€ per ord. sh.)</b>	<b>n.a.</b>	<b>0.26</b>	<b>n.a.</b>
Pay-out ratio (in % of EPS)	n.a.	45%	n.a.

## Highlights

Minor decline in net financial result due to unscheduled impairment on financial assets, while interest expenses were slightly reduced

Income taxes reduced by €20m, mainly driven by lower actual taxes outside of Germany

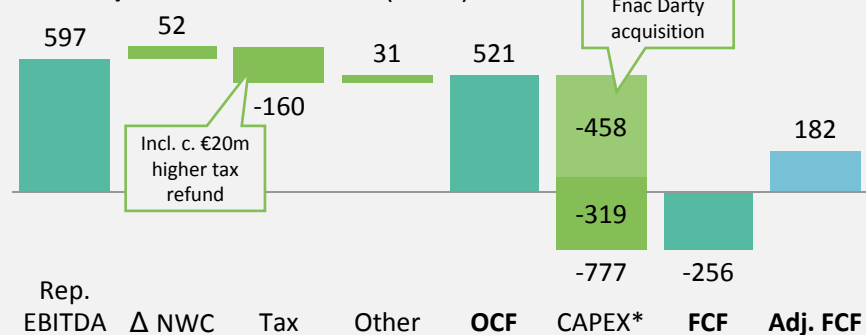
Higher minorities in previous year due to one-off restructuring effects; this year's minorities impacted by shifts in entities' profit contributions

As a result, EPS improved strongly by €+0.11 to €0.58

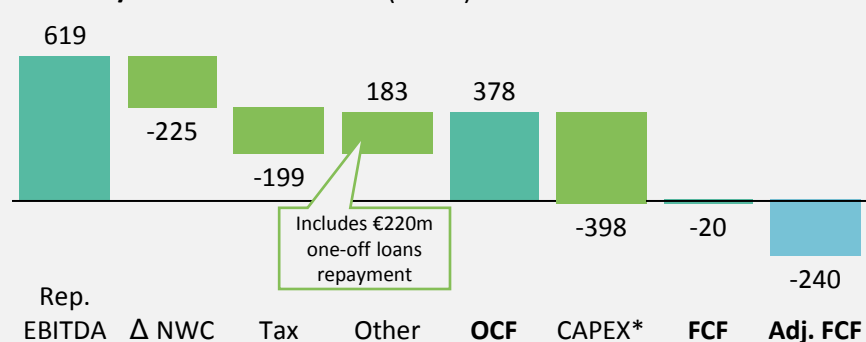
Dividend proposal of €0.26 per ordinary share, equivalent to a pay-out ratio of 45%

# Underlying Free Cash Flow improved by around €420m

## FY 2016/17: Free Cash Flow (in €m)



## FY 2015/16: Free Cash Flow (in €m)



## Highlights

- // Free Cash Flow adjusted for loans repayment granted to METRO support fund, acquisition of Fnac Darty stake and tax refund improved by c. €420m
- // NWC improvement driven by strong rise in payables, which more than compensated higher inventories and receivables
- // Lower cash tax payments due to lower actual taxes and a c. €20m higher tax refund
- // Other OCF in previous year positively impacted by €220m one-off loans repayment
- // Excluding the acquisition of the Fnac Darty stake, CAPEX decreased by €79m, mainly due to absence of previous year's investments in Digital Shelf Labels

Note: Reported EBITDA. \* CAPEX = Acquisitions, investments in property, plant and equipment and other investments as per cash flow statement.

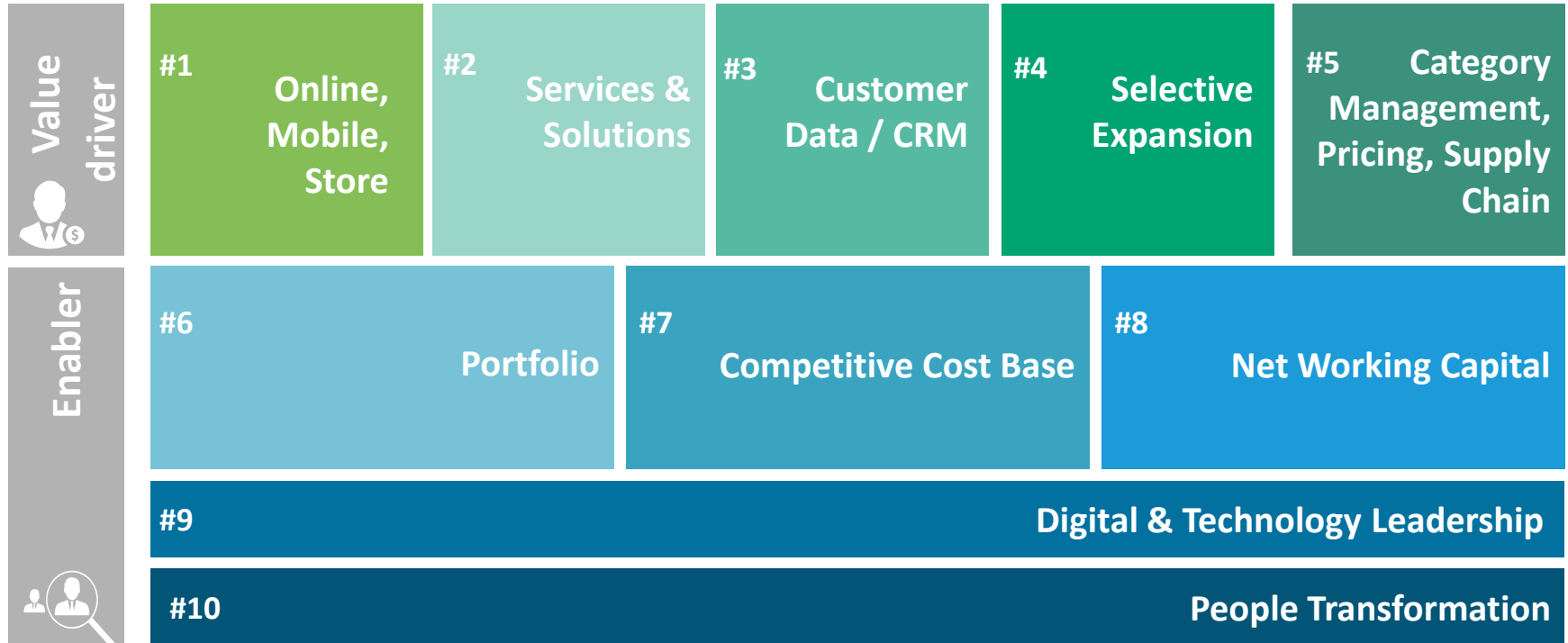
# 03

## Outlook

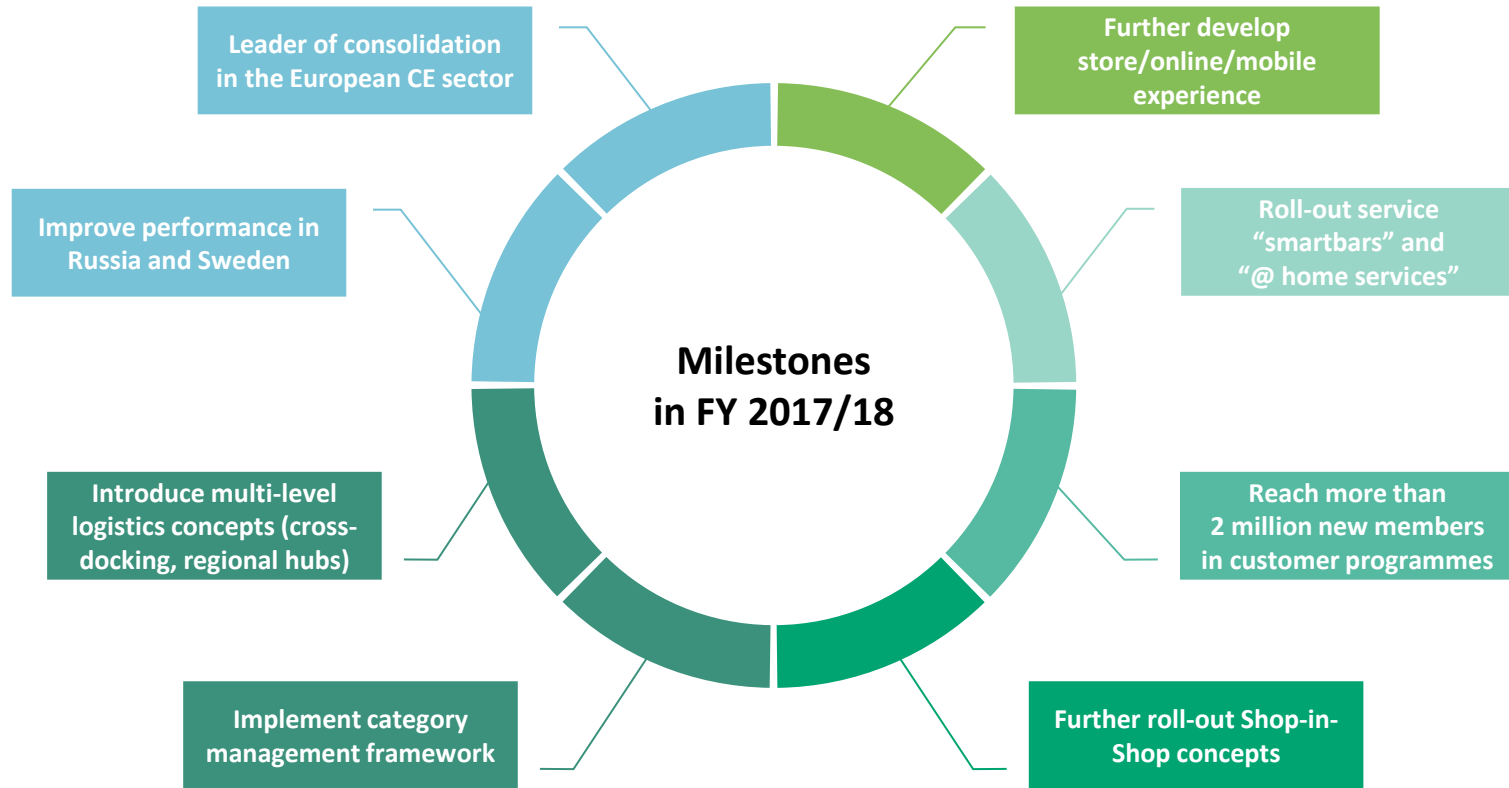
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Pieter Haas, CEO  
Mark Frese, CFO

# CECONOMY's plans show a clear and strong value creation potential



# What we plan to do in FY 2017/18





# Outlook

The outlook is adjusted for currency effects and portfolio changes.

	FY 2016/17 <sup>1</sup>	FY 2017/18
€m		
Total sales	22,155	Slight increase <sup>2</sup>
EBITDA (excl. Fnac Darty)	704	At least mid single-digit % growth
EBIT (excl. Fnac Darty)	471	At least mid single-digit % growth
Fnac Darty profit share (consensus)	n.a.	Low to mid double-digit €m amount

<sup>1</sup> EBITDA & EBIT in FY 2016/17 before special items. EBITDA & EBIT in FY 2017/18 as reported. <sup>2</sup> Correspondingly, a slight improvement in NWC compared with the previous year is expected.



# Independent and ready for the future

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- // CECONOMY became independent and is the largest Consumer Electronics platform in Europe
- // CECONOMY achieved all targets in FY 2016/17
- // CECONOMY's plans show a clear and strong value creation potential

# Q&A



**Pieter Haas, CEO**

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**Mark Frese, CFO**

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# CONTACT

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

# Sales & number of stores by country

	Sales (€m)	
	FY 2015/16	FY 2016/17
Germany	10,273	10,556
Austria	1,139	1,169
Switzerland	674	635
Hungary	272	302
<b>DACH</b>	<b>12,358</b>	<b>12,662</b>
Belgium	681	686
Greece	189	187
Italy	2,096	2,087
Luxembourg	58	63
Netherlands	1,567	1,590
Portugal	124	133
Spain	1,894	1,967
<b>Western &amp; Southern Europe</b>	<b>6,609</b>	<b>6,714</b>
Poland	1,004	1,033
Russia	566	526
Turkey	612	666
<b>Eastern Europe</b>	<b>2,181</b>	<b>2,226</b>
Sweden	503	474
<b>Others (incl. Sweden)</b>	<b>722</b>	<b>553</b>
<b>CECONOMY</b>	<b>21,870</b>	<b>22,155</b>

	Number of Stores			
	FY 2015/16	Openings	Closures	FY 2016/17
	424	5	-	429
	49	1	-	50
	28	-	-1	27
	22	2	-	24
	<b>523</b>	<b>8</b>	<b>-1</b>	<b>530</b>
	23	7	-2	28
	11	1	-	12
	111	5	-	116
	2	-	-	2
	49	-	-	49
	9	1	-	10
	79	4	-	83
	<b>284</b>	<b>18</b>	<b>-2</b>	<b>300</b>
	83	3	-	86
	61	1	-5	57
	45	10	-2	53
	<b>189</b>	<b>14</b>	<b>-7</b>	<b>196</b>
	27	-	-	27
	<b>27</b>	<b>-</b>	<b>-</b>	<b>27</b>
	<b>1,023</b>	<b>40</b>	<b>-10</b>	<b>1,053</b>

# EBITDA to EPS

€m	Q4 2015/16	Q4 2016/17	FY 2015/16	FY 2016/17
<b>EBITDA</b>	<b>288</b>	<b>302</b>	<b>719</b>	<b>704</b>
<i>EBITDA margin (%)</i>	5.7%	5.7%	3.3%	3.2%
DACH	173	201	493	539
Western & Southern Europe	90	76	230	169
Eastern Europe	-2	15	9	34
Others	27	9	-12	-38
<b>EBIT</b>	<b>207</b>	<b>244</b>	<b>466</b>	<b>471</b>
<i>EBIT margin (%)</i>	4.1%	4.6%	2.1%	2.1%
DACH	127	169	359	421
Western & Southern Europe	72	57	158	91
Eastern Europe	-21	9	-35	3
Others	28	8	-16	-44
<b>Net financial result</b>	<b>-10</b>	<b>-14</b>	<b>-22</b>	<b>-26</b>
<b>Earnings before taxes</b>	<b>197</b>	<b>229</b>	<b>444</b>	<b>446</b>
Income taxes	-109	-84	-217	-197
Tax rate (%)	55.3%	36.5%	48.8%	44.1%
<b>Profit or loss for the period</b>	<b>88</b>	<b>146</b>	<b>227</b>	<b>249</b>
attributable to non-controlling interest	36	27	75	60
attributable to shareholders of CECONOMY AG	52	119	152	189
<b>EPS (in Euro)</b>	<b>0.16</b>	<b>0.36</b>	<b>0.47</b>	<b>0.58</b>

# Balance sheet movements

€m	30/09/2016*	30/06/2017	30/09/2017
<b>Non-current assets</b>	<b>1,774</b>	<b>1,614</b>	<b>2,144</b>
Intangible assets	592	624	631
Property, plant and equipment	881	840	858
Investment accounted for using the equity method	5	4	458
Other financial and non-financial assets	296	145	197
<b>Current assets</b>	<b>23,178</b>	<b>23,441</b>	<b>6,136</b>
Inventories	2,393	2,893	2,553
Trade receivables	324	419	498
Cash and cash equivalents	661	746	861
Other financial and non-financial assets	1,550	1,445	2,224
Assets held for sale	18,250	17,938	0
<b>Assets</b>	<b>24,952</b>	<b>25,054</b>	<b>8,280</b>

Fnac Darty stake

Includes 1% stake of new METRO AG and 6.61% stake of METRO Properties

Includes 9% stake of new METRO AG

€m	30/09/2016*	30/06/2017	30/09/2017
<b>Equity</b>	<b>5,332</b>	<b>-445</b>	<b>666</b>
<b>Non-current liabilities</b>	<b>902</b>	<b>1,098</b>	<b>1,062</b>
Provisions	818	753	691
Borrowings	16	266	278
Other financial and non-financial liabilities	68	79	93
<b>Current liabilities</b>	<b>18,718</b>	<b>24,401</b>	<b>6,551</b>
Trade payables	4,494	4,835	4,929
Provisions	165	157	199
Borrowings	2	8	266
Other financial and non-financial liabilities	1,154	7,035	1,157
Liabilities related to assets held for sale	12,903	12,366	0
<b>Equity and liabilities</b>	<b>24,952</b>	<b>25,054</b>	<b>8,280</b>

Includes IFRIC 17 liability

Includes promissory note ("Schuldschein")

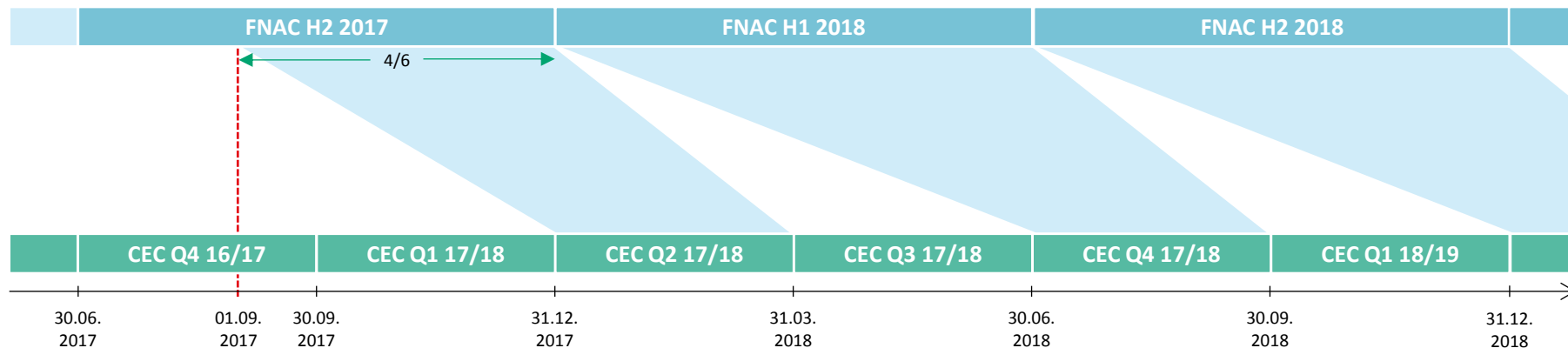
Includes commercial paper

Includes IFRIC 17 liability

\* Adjusted view which represents only CECONOMY balance sheet as of 30/09/2016.



# Fnac Darty consolidation



// Our 24.33% stake in Fnac Darty is accounted for as “**Investment accounted for using the equity method**” on the balance sheet

// The share of Fnac Darty’s **net income** will be reported **in our EBITDA and EBIT**

// Due to Fnac Darty’s **semi-annual reporting of net income**, we will report our earnings share semi-annually **in Q2 and Q4**

— **First-time consolidation:** in our Q2 17/18, we will recognize our earnings share of  $\frac{4}{6} \times$  Fnac Darty’s full H2 net income (Sep-Dec), because 01 September 2017 is the date of first consolidation

// Our share of **dividends**, should there be any dividends, will be recognised **earnings-neutral** in our cash flow statement

# Upcoming events

Q1 2017/18 results	Friday, 9 February 2018
AGM 2018	Wednesday, 14 February 2018
Q2/H1 2017/18 results	Thursday, 17 May 2018
Q3/9M 2017/18 results	Tuesday, 14 August 2018
FY 2017/18 results	Wednesday, 19 December 2018

# CECONOMY

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