CECONOMY aims to become a customer-centric service platform with ambitious targets for 2025/26

FY 2021/22 ‘s adj. EBIT set to double to over €500 m in FY 2025/26 with FCF of c. €200 m

Düsseldorf, June 2, 2023 – At its Capital Markets Day today in Cologne, CECONOMY AG (“CECONOMY”) will unveil the key drivers of its strategy to become a customer-centric service platform and present its new mid-term financial targets. Aligned with this strategic approach, the company is switching towards a more profitable and cash generative business model. It plans more than €500 m adjusted EBIT by FY 2025/26 (more than double vs FY 2021/22) as well as to steadily increase of lease-adjusted free cash flow to about €200 m in FY 2025/26.

CECONOMY’s strategic plan is rooted in its unique position as the largest consumer electronics retailer in Europe with nine leading positions out of eleven markets and with above two billion annual customer interactions and a more efficient organization resulting from the far-reaching transformation carried out since 2021. The five building blocks of CECONOMY’s retail service platform approach are now:

▪ A retail core moving towards omnichannel excellence focusing on the Customer Experience
▪ Growth and new capabilities of the Services & Solutions business
▪ Acceleration of the marketplace
▪ Private label development
▪ Scaling up of Retail Media

Dr Karsten Wildberger, CEO of CECONOMY: "In the mid-term, the market for consumer electronics provides us with exciting strategic growth opportunities. The cornerstone of our new strategy is the Customer Experience. We are stepping away from CECONOMY and MediaMarktSaturn’s traditional product-centric identities as a retailer. We are committed to becoming a customer-centric service platform, seamlessly integrating sustainability into all aspects of our operations, ensuring superior customer services and experiences in an environmentally conscious way."

1. Retail core: Moving towards omnichannel excellence
CECONOMY’s strategy has the customer at its core, and customer needs are changing rapidly and fundamentally. With over two billion annual touchpoints, the Group aims to refine the Customer Experience and raise service levels to foster customer loyalty. The new loyalty programs
MyMediaMarkt and MySaturn will be rolled out in eight further countries by FY 2024/25. At the heart of CECONOMY’s strategy sits the transformation of its consumer app into a holistic experience hub. This should result in an online sales share of 30% by FY 2025/26.

MediaMarkt and Saturn stores remain key assets. CECONOMY is continuing to overhaul its store portfolio with 30% of stores already modernized and plans to reach 90% by FY 2025/26. Developing new store formats (Lighthouse Experience Centers, Xpress and Smart stores) are key to answer customers’ evolving needs. Furthermore, the Group aims to further reduce location cost1 by FY 2025/26 and increase the productivity of retail space by as much as 10% by FY 2025/26.

Developing a customer-centric product offering and branching out into adjacent and emerging categories, such as e-mobility, AR/VR, fitness and smart home will further enhance the company’s competitive edge. Alongside this, CECONOMY is boosting the share of sustainable and energy-efficient products in its assortment through its “BetterWay” logo.

2. Growth and new capabilities of the Services & Solutions business
Services & Solutions is a key pillar in CECONOMY’s business model. The Group provides services spanning the entire product life cycle, forming a circular economy value chain. The “trade-in”2 proposition resonates strongly with customers with an anticipated 250,000 trade-in products expected already in FY 2023/24. The planned expansion of CECONOMY’s offerings, which includes subscription services for extended warranties and software licenses, both online and in-store, will lead to dynamic income development. Subscription services should enable the Group to secure attractive recurring income and foster long-term relationships with customers. These initiatives will result in a c. €200 m increase in operational Services & Solutions income3 by FY 2025/26 vs FY 2021/22 representing c. 5.5% of Group sales and will strongly enhance the Group’s profitability.

Launch of myMediaMarkt Plus in Germany
This autumn, the Group will launch a comprehensive and customer friendly proposition in Germany called myMediaMarkt Plus. This full care proposition is designed to provide customers with important extra value and ‘peace of mind’ – all for a monthly fee. This means customers can get all their electronic devices repaired at MediaMarkt, no matter where they were originally purchased. In addition, myMediaMarkt Plus members will enjoy around-the-clock tech support and expert advice.

3. Acceleration of the marketplace
From the customer’s perspective, the marketplace offers a wide assortment, while also serving as a new income stream, and optimizing working capital by not holding stock. Today, the marketplace is already live in Germany, Austria and Spain with future roll out in at least two more countries soon.

1 Rental costs & IFRS 16 depreciations, occupancy costs, location depreciations
2 Trade-in allows customers to trade in their used devices in exchange for a gift card or discount
3 Operational Services & Solutions includes e.g. Retail Media, Marketplace commissions & fees, deliveries
4 Source: industry experts
5 Net debt incl. IFRS16 leases
Coupled with the onboarding of more sellers, this should translate into €750 m GMV (gross merchandise value) as of FY 2025/26.

4. **Private label development**
CECONOMY’s ambition is to further develop the share of its private label products to over 5% of Group sales by FY 2025/26, driven by an optimized assortment, seamless integration into data-driven category management and well-orchestrated logistics. Private label products offer customers attractive alternatives with high value-for-money and contribute positively to the Group’s profitability.

5. **Scaling up of Retail Media**
As an omnichannel retailer CECONOMY wants to leverage customers’ data to take a significant share of the fast-growing Retail Media market which is expected to at least double in size towards €25 bn\(^4\) by 2026. The Group offers state-of-the-art media products with highly measurable and scalable results for our industry partners. The further roll-out of our product offering in our international markets as well as the launch of new self-service marketing platform should see our income soar nearly tenfold by FY 2025/26 to around €45 m, bolstering the Group’s profitability.

These five initiatives are underpinned by a robust omnichannel supply chain infrastructure and a cutting-edge technology stack. Both are vital in delivering exceptional customer experiences, ensuring competitive delivery promises, and maintaining our appeal as a retail platform for suppliers.

**Strengthened commitment to people and environment**
Sustainability is embedded in CECONOMY’s organizational DNA. It encompasses management responsibilities, cultural transformation, the introduction of new services, product categories, efficiency measures, and regulatory frameworks within each function. In line with this commitment, the Group has signed the European Union’s Sustainable Consumption Pledge and is in the process of applying for the Science Based Target initiative. By next year, the target is to achieve net-zero emissions for scope 1 and 2. Scope 3 – encompassing upstream and downstream activities such as suppliers’ operations – will be reduced by at least 33 percent until 2033. CECONOMY offers the most sustainable range of consumer electronics products in Europe and is pioneering circular business at a large scale, from trade-in offerings to refurbished products. Beyond that, the group’s social responsibility extends not only to the employees and communities, but also includes active engagements with suppliers.

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\(^4\) Source: industry experts
\(^5\) Net debt incl. IFRS16 leases
Financial outlook and mid-term ambition
With its refined strategy, CECONOMY releases the following mid-term targets. They do not indicate any changes from the guidance for FY 2022/23.

Dr Kai-Ulrich Deissner, CFO of CECONOMY: “With our key pledges and initiated actions such as our implemented efficiency program, we are fully committed to growing our business profitably while continuously placing special attention on cost discipline and strengthened liquidity. We have a clear vision for our future and we are ready to deliver.”

Key financial mid-term targets for FY 2025/26
- Net sales slightly above market growth and adjusted EBIT of more than €500m
- Gross margin to increase to about 20%
- Adjusted OPEX ratio to remain stable at about 18% of sales
- Cash investments to reach roughly €300m per year
- Lease adjusted free cash flow to steadily grow to about €200m by FY 2025/26
- Net debt to adj. EBITDA below 2.5x

Useful information
CECONOMY will provide further detail on its strategy’s main drivers during the Capital Markets Day held today from 10:00AM in Cologne. The event will be broadcast live on https://www.ceconomy.de/en/investor-relations/capital-markets-day-2023/. A recording will be available via the same link shortly afterwards.

About CECONOMY
CECONOMY AG makes it easier to live in the digital world. It is the leading company in Europe for concepts and brands in the consumer electronics sector. The companies in the CECONOMY portfolio have billions of consumer contacts each year and offer products, services and solutions that make living in the digital world as easy and enjoyable as possible. This helps them create added value for customers and for investors.

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