



## TO OUR SHAREHOLDERS

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# GOALS AND STRATEGY

The Düsseldorf-based CECONOMY AG is the leading European platform for companies, concepts and brands in the field of consumer electronics (CE). CECONOMY Group companies offer consumers guidance and solutions for gaining maximum benefit from the opportunities offered by innovative technologies. CECONOMY develops new concepts and business models that provide key added value for consumers and create new economic potential for the Company and its shareholders.

CECONOMY is active in an industry that is currently undergoing great upheaval. It is determined by four major market developments and five customer trends.

## MARKET TRENDS

### // STREAMLINING

Increasing number of channels, strong price pressure and good transparency are making competition fiercer.

### // DIGITALISATION

The increasingly digital world is changing customers' behaviour, influencing retail processes and opening up new business opportunities. The boundaries between bricks-and-mortar business, online including mobile retail are increasingly disappearing.

### // CONSOLIDATION

The CE industry in Europe is a fragmented market offering scope for consolidation at regional, national and international level.

### // TRANSFORMATION

The fundamental changes in the CE industry are opening up new opportunities and scope for new business models. Focus is always on the customers, and the key question is: What can we do for these customers?

## CUSTOMER TRENDS



### // GOOD TRANSPARENCY

Customers are better informed and more knowledgeable than ever before.

### // INCREASED COMPETITION

Nowadays, competition is fiercer than it has ever been as all market players make use of all channels to try and win over the same customers.



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### // GROWING COMPLEXITY OF PRODUCTS AND SERVICES

Customers are benefiting from limitless choice and are increasingly adopting a new approach to using products, by borrowing, renting or sharing them, for example. In light of the growing complexity and diversity of the products and services on offer, customers are simultaneously increasingly demanding clarity and support in their search for the right solution.

### // INCREASING CONVENIENCE

Customers demand simple, fast and consistent processes from start to finish of their shopping experience. Customers don't just want products nowadays; they expect solutions. They want support and personalised treatment in each and every channel.

### // NEW TECHNOLOGIES

Digital technologies are reinforcing these trends and allowing customers to discover and examine what is new and to shop in a multitude of channels promising outstanding performance.

As this transformation evolves, it is creating huge potential for us and for our brands and formats. CECONOMY is operating successfully within these change processes and is playing a leading role in shaping them. They form the basis from which we derive our strategy and targets.

## OUR STRATEGY

We empower life in the digital world – as Europe's leading CE platform, we develop solutions that make everyday life easier for consumers in the digital world.

With more than six million customer contacts every day, we know exactly what we are talking about and what people want in the digital world. After all, this world is only really smart if it actually works. Most consumers have long since stopped seeing consumer electronics just as leisure accessories or useful gadgets, and now view them as essential for life.



### // RIGOROUS CUSTOMER ORIENTATION

Our customers' needs and expectations form the starting point for all our strategic considerations. We assure complete customer orientation by examining customers' needs and behaviours, expanding our multi-channel activities, particularly in our core business within the framework of MediaMarktSaturn Retail Group, and steadily growing our portfolio of services.

### // EXPERTISE IN DESIGNING SOLUTIONS

It's no longer just about buying a product and switching it on – it has to be connected to WiFi or integrated into the smart home. We offer solutions regardless of the contact interface chosen by a customer. Our services are available everywhere – at our stores, online, mobile or even at home.

One major element of this strategy is the market launch of the DTB Deutsche Technikberatung GmbH in Germany, which we plan to have implemented in full by the end of 2018.



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Numerous projects in other countries show the effect our service approach has when put into practice.

In **Germany**, we plan to launch our StartKlar (ready to go) service by mid-2018 that will enable customers to take their purchases – especially mobile end appliances – away from the stores already fully set up and ready to go.

In the **Netherlands**, we want to expand the “Always on” model, which guarantees unlimited support for mobile appliance malfunctions.

In **Spain**, we are turning the stores into experience and service centres for customers. We are further improving our digital store concept where the provision of advice plays a key role, and are offering customer training schemes.

In **Belgium**, we are collaborating with the startup Parcify on next-working day delivery by bicycle courier and installation of goods ordered online that weigh less than 30 kilograms.

To make sure our solutions work we must make sure the design of our in-house processes is commensurate with modern-day requirements.

### // COMPREHENSIVE DIGITALISATION

Comprehensive digitalisation of proprietary business models is crucial in optimising retail for the digital world. CECONOMY has already reshaped its processes for key areas of its operations, such as pricing. For example, digital price tags, which we have introduced across the board at MediaMarktSaturn Retail Group, enable us to control online and offline prices dynamically. In doing so, we are also driving digitalisation and transformation in the industry.

We are centralising functions, particularly procurement, category management and supply chain. In addition, we are reviewing our locations in all the regions, renegotiating lease agreements and adjusting the retail area.

A significant portion of the savings from this programme will be invested in optimising our IT systems.

## OUR MEDIUM-TERM GOALS

On the basis of the 2015/16 financial year, we have defined clear growth targets, including:

Average **sales growth** of more than 3 per cent. In the medium term, we want online business to account for as much as 15 per cent and services & solutions for around 10 per cent of sales.

An increase to around 5 per cent in the **EBITDA margin**, based on EBITDA of 3.3 per cent of sales in financial year 2015/16.

Annual **cash investments** equivalent to around 1.5 per cent of sales, resulting in cash flow conversion of 60 to 70 per cent.

A reduction in the **tax rate** towards 40 per cent, starting from 49 per cent in the 2015/16 financial year.

A **dividend payout** ratio of 45 to 55 per cent of the earnings per share. Depending on future economic performance and the profitability of investment projects, future dividend payments could be both higher and lower.



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## CORNERSTONES OF OUR STRATEGY

### 5 VALUE DRIVERS FOR CONTINUED GROWTH



**ONLINE-MOBILE-STORES**

We make it possible for our customers to combine the products and services of our brick-and-mortar stores with those of our mobile and online channels as they see fit.



**SERVICES & SOLUTIONS**

We are continuously developing our services portfolio further. A key driver here is the expansion of "smart bars" for service and repairs in the markets at our stores.



**CUSTOMER DATA/  
CUSTOMER RELATIONSHIP  
MANAGEMENT**

Customers are the focal point of our business model. This will enable customised communication tailored to individual interests as part of our more than six million customer contacts every day.



**SELECTIVE EXPANSION**

The changed market and customer needs also require an adjustment of our expansion strategy and our locations portfolio. Alternative formats such as shop-in-shop solutions at Tesco or METRO Cash & Carry as well as smaller retail areas supplement our existing locations and enable even more optimal coverage.



**SUPPLY CHAIN,  
CATEGORY MANAGEMENT,  
PRICING**

The changed market conditions require re-determination as to which processes we can manage better centrally or decentrally.

### 5 BASIC CONDITIONS FOR OUR SUCCESS



**PORTFOLIO**

We actively embrace challenge and optimise our country and location portfolio if necessary.



**COMPETITIVE COST  
BASIS**

We continuously review the development of our costs and always target a competitive cost position.



**NET WORKING CAPITAL**

We optimise our net working capital – for example by managing inventories with discipline and continuously improving our category management.



**CULTURAL  
TRANSFORMATION**

We continuously develop our 65,000 employees further in order to offer our customers a unique buying and service experience at all times.



**DIGITAL & TECHNOLOGY  
LEADERSHIP**

We are more than a retail company. We are a technology platform for companies, concepts and brands that is driving digitalisation.



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## FIT FOR THE FUTURE

- // We plan to continue growing, to drive digitalisation and transformation in retail and to play a leading role in consolidating the European market.
  
- // We want to steadily expand our multi-channel activities and continually grow our portfolio of services.

- // Our financial standing is healthy.
  
- // We have the potential to increase our margins and our free cash flow.

