

A long-exposure photograph of a city highway at night. The foreground shows multiple lanes of traffic with light trails from cars, creating streaks of white, blue, and red. In the background, several tall skyscrapers are illuminated with various lights, including blue and white. The sky is dark. The overall scene is a vibrant urban nightscape.

**STRÖER**

**Q3 2017**

November 10, 2017 | Ströer SE & Co. KGaA



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# Results 9M 2017

EURm		9M 2017	9M 2016	▲
Revenues	Reported <sup>(1)</sup>	909.5	765.7	+19%
	Organic <sup>(2)</sup>	8.5%	7.4%	+1.1%pts
Operational EBITDA		208.9	177.8	+18%
Operational EBITDA margin		22.7%	22.9%	-0.2%pts
EBIT (adjusted) <sup>(3)</sup>		133.0	113.0	+18%
Net income (adjusted) <sup>(4)</sup>		107.1	89.3	+20%
Operating cash flow		127.5	124.1	+3%
Capex <sup>(5)</sup>		87.1	71.7	+22%
		<b>30 Sep 2017</b>	<b>30 Sep 2016</b>	
Net Debt <sup>(6)</sup> / Leverage Ratio		541.2 / 1.72	405.6 / 1.53	

(1) According to IFRS 11

(2) Organic growth = excluding exchange rate effects and effects from the (de)consolidation and discontinuation of operations

(3) EBIT adjusted for exceptional items, amortization of acquired advertising concessions and impairment losses on intangible assets (Joint ventures are consolidated proportional)

(4) EBIT (adj.) net of the financial result adjusted for exceptional items and the normalized tax expense (15.8% tax rate in 2016 and 2017)

(5) Cash paid for investments in PPE and intangible assets and cash received for disposals of PPE and intangible assets

(6) Net debt = financial liabilities less cash (excl. hedge liabilities)

# Our Targets for 2017: Unchanged KPIs & Sustainable Performance

## Our KPIs and Guidance Statements

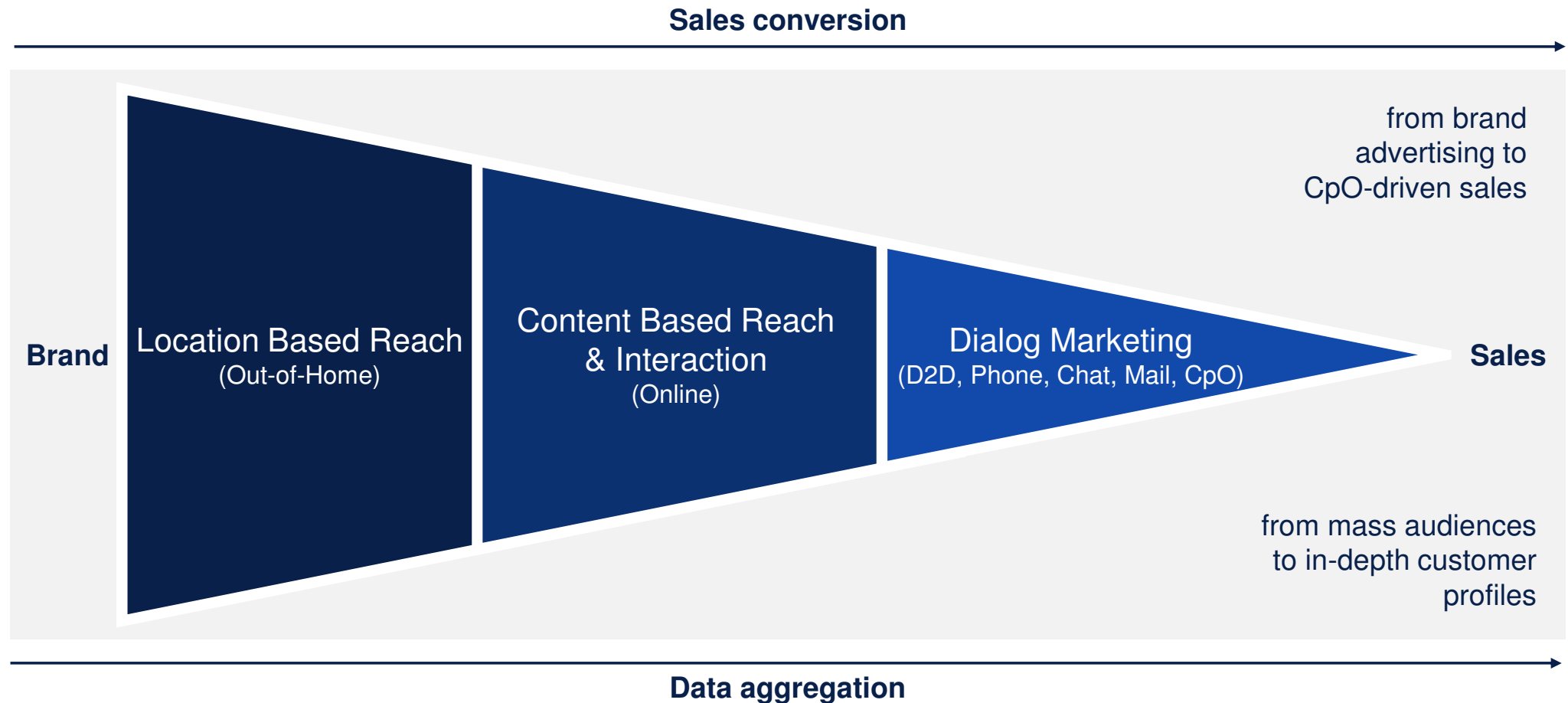
1	Total Revenues	~ 1.3 bn€
2	Organic Growth	mid to high single digit
3	EBITDA	320 to 330 m€
4	Free Cash Flow	~ 145 m€
5	Net Income Adj.	> 175 m€

# Ströer Group's Key Performance Indicators – Guidance 2018\*

Key KPIs		Guidance 2017	Guidance 2018
1	Total Revenues	~ 1.3 bn€	~ 1.5 bn€
2	Organic Growth	mid to high single digit	mid to high single digit
3	EBITDA	320 - 330 m€	~ 370 m€

\* Before application of IFRS 11 and IFRS 16

# Complementing Integrated Brand-Performance-Sales Funnel



# Robust & Sustainable Growth Drivers in all Key Segments

Location Based Reach (Out-of-Home)	Content Based Reach & Interaction (Online)	Dialog Marketing (D2D, Phone, Chat, Mail, CpO)
Key logics:		
<ol style="list-style-type: none"> <li>1. Slightly growing and robust portfolio market share with growing audience through urbanization and mobility</li> <li>2. 53%* of revenues coming from local and regional business (vs. 47% national ad market)</li> <li>3. Digitization is driving both inventory value, monetization potential and yield optimization</li> </ol>	<ol style="list-style-type: none"> <li>1. Meanwhile dominant market leader amongst German players and consolidation opportunities beyond 30%** market share</li> <li>2. 49%*** of revenues coming from direct client relationships and direct programmatic sources</li> <li>3. Strong &amp; highly profitable own assets in combination with 344**** of the top 700 German websites</li> </ol>	<ol style="list-style-type: none"> <li>1. Growing clients' demand to manage &amp; drive direct consumer contacts when GAFA is more and more controlling access channels</li> <li>2. Market fragmentation and lack of professionalization &amp; scale is offering strategic opportunities</li> <li>3. Massive digitisation opportunities in combination with group synergies &amp; 360° sales channels</li> </ol>

\* 9M/2017; \*\* Source OVK: 9M/2017; \*\*\* 9M/2017; \*\*\*\* Source AGOF: 9M/2017

# Clear Strategic Focus: Investing in Our Core Capabilities

## Do's



1

Accelerate digitization of location based reach inventory

2

Leverage growing local sales force

3

Strengthen dialog & performance marketing

4

Integrated & dovetailed product portfolio, no stand alone solutions

## Don'ts



1

OoH international in competitive market

2

e-Commerce beyond our core business

3

Unsustainable arbitrage & pure intermediate models

4

Stand-alone or pure international adtech investments



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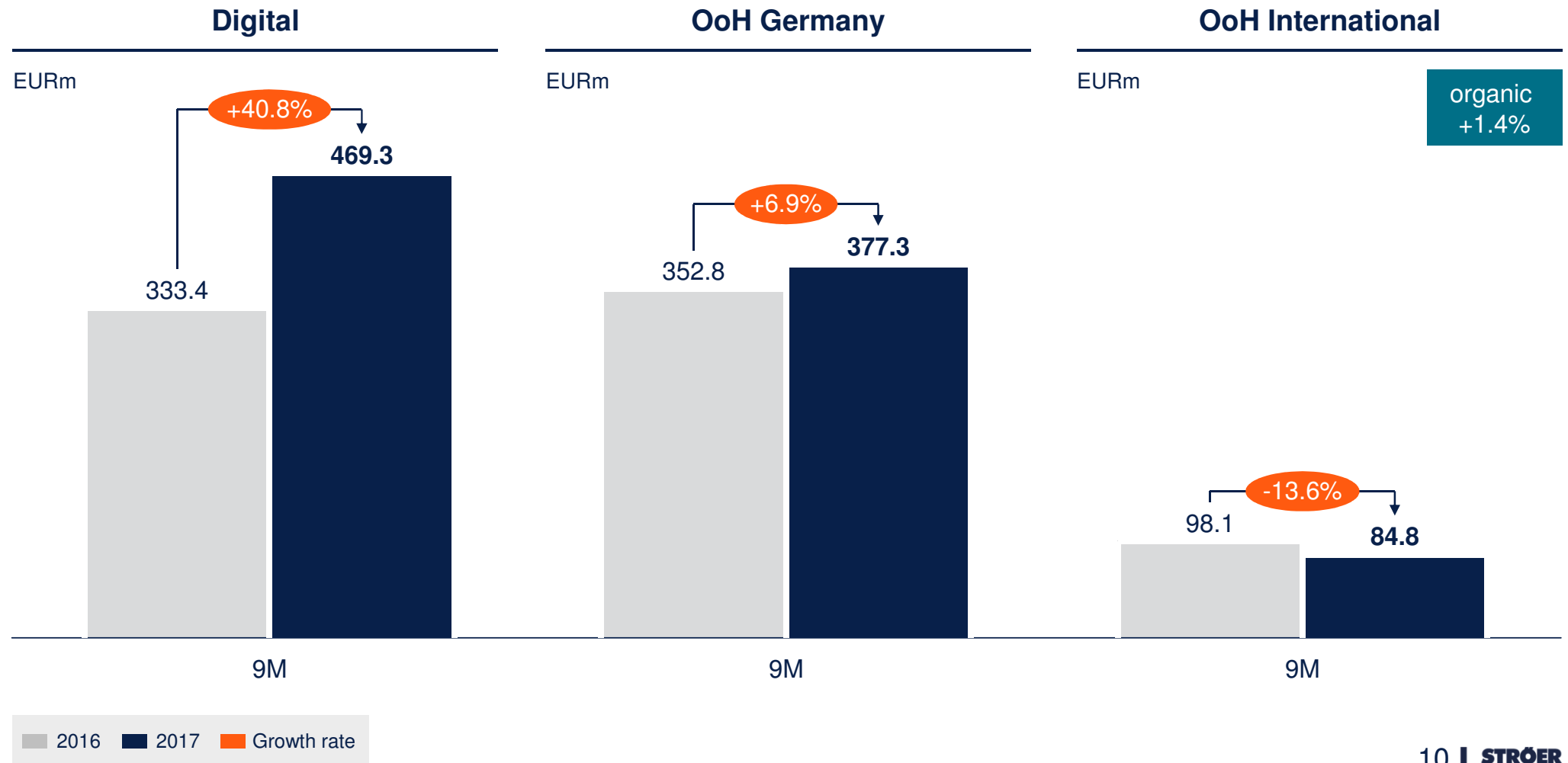
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# 9M 2017: Segment Perspective – Ongoing Growth in Core Segments

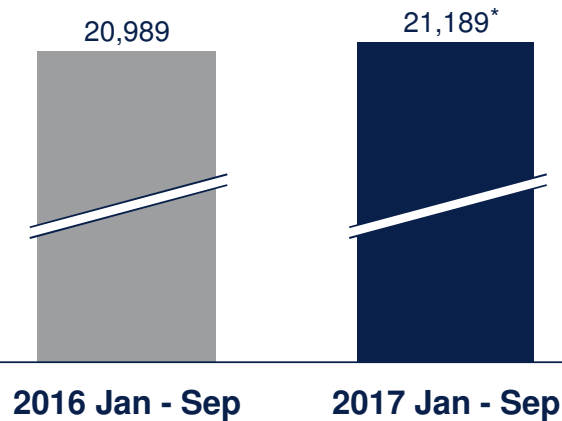


# Ströer Outperforming OoH & Total Ad Market

## Advertising market

**+1%**  
gross

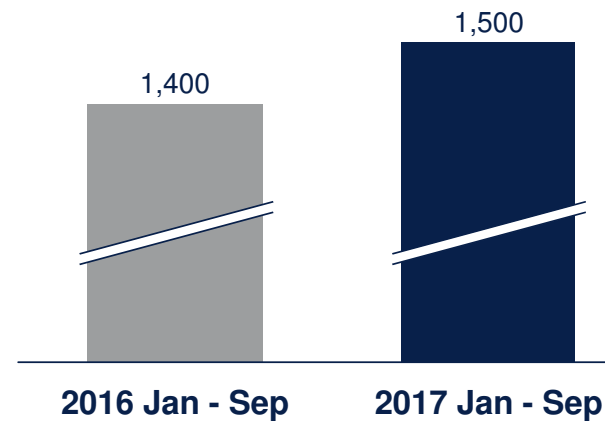
EURbn



## OoH market\*\*

**+7%**  
gross

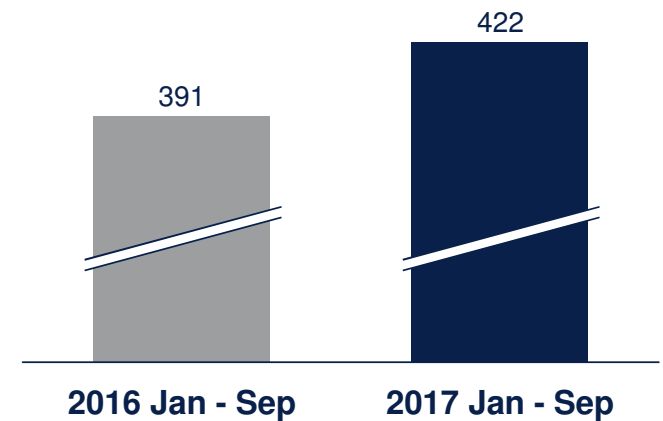
EURbn



## Ströer location based reach (OoH)

**+8%**  
net

EURm



Source: Nielsen Media Research, \*Forecast 2017; \*\*OoH market: Billboard, At-Retail-Media, Transport Media and Ambient Media, PV

# Strong New Business Development in Out-of-Home

## Lidl



### Major newspaper advertiser turns to OoH to quickly spread broad brand campaign

Very attention grabbing Heidi Klum collection  
City-Light-Poster and Mega-Light

## Zillertal Tourism



### Winter Wonderland and virtual reality application attract attention

Big Banner, Station Tower, Mega Ground Poster  
and several event locations in five top stations during  
a campaign period of five weeks

## Spotify



### Digital unicorns using OoH to build reach in wider audiences

Public Video, City-Light-Poster and BlowUp Media

## mobile.de

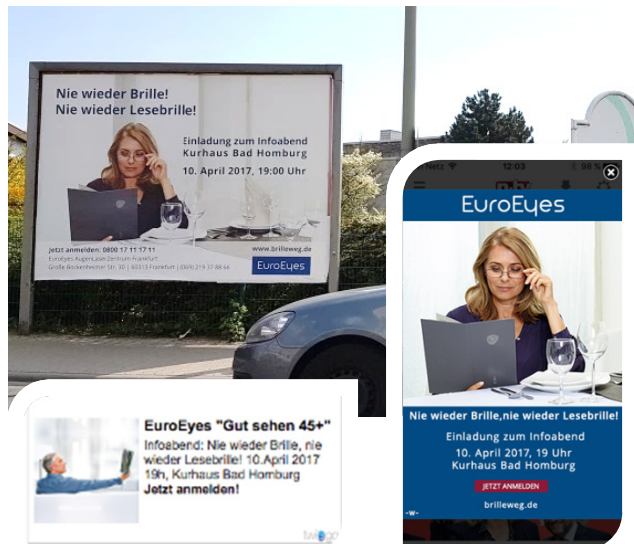


Very performance oriented advertiser with no footprint in OoH suddenly using OoH to leverage new targets



# Continuous & On-going Regional and Local Sales Growth

## EuroEyes



### Perfect view with EuroEyes – thanks to OoH and online

Germany's largest eye clinic and eye laser center EuroEyes hosted an information event. Commuters were targeted with billboards and Mega-Lights. In addition, the target group was addressed with in-app display and native advertising.

## Zeppelin Rental



### Strategic consolidation of the client

Billboards and advertising pillars were carefully planned around construction companies and sites to gain the attention of developers and construction firms. The OoH flight was enhanced with precise in-app-targeting around Zeppelins key accounts and specialist trade fairs.

## SWB Group



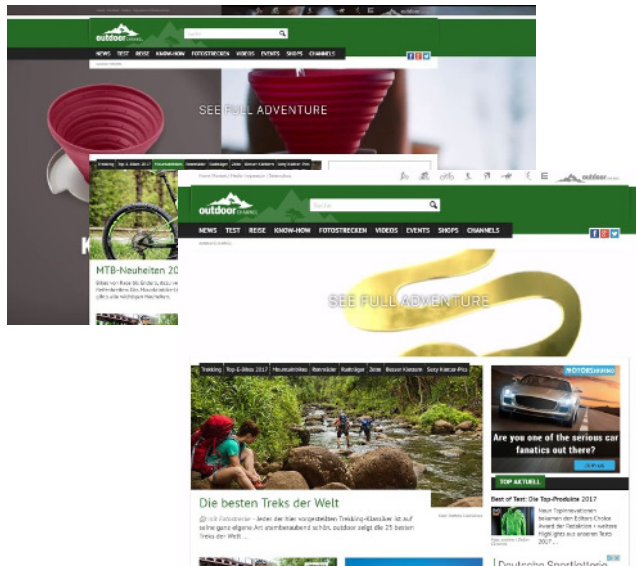
### Enhancing the local connection with creative OoH and online ads

Bremen-based SWB Group, a public utility company with products and services for electricity and heat, improved its advertising presence by combining creative ideas with the new premium portfolio to form a successful campaign.



# Integrated Concepts & Offers

## Tchibo



### Placement of non-food campaign in affine environments

Coffee-maker on the way: exclusive impact video takeover with call-to-action in full screen across entire Outdoorchannel

## Beiersdorf



### Target group optimization via flexible and broad video network

Using the large coverage and several targeting possibilities of the video network (incl. influencers) for effective increase in reaching target groups to make up for low-performing pre-roll campaigns. Benchmark of 75% was exceeded.

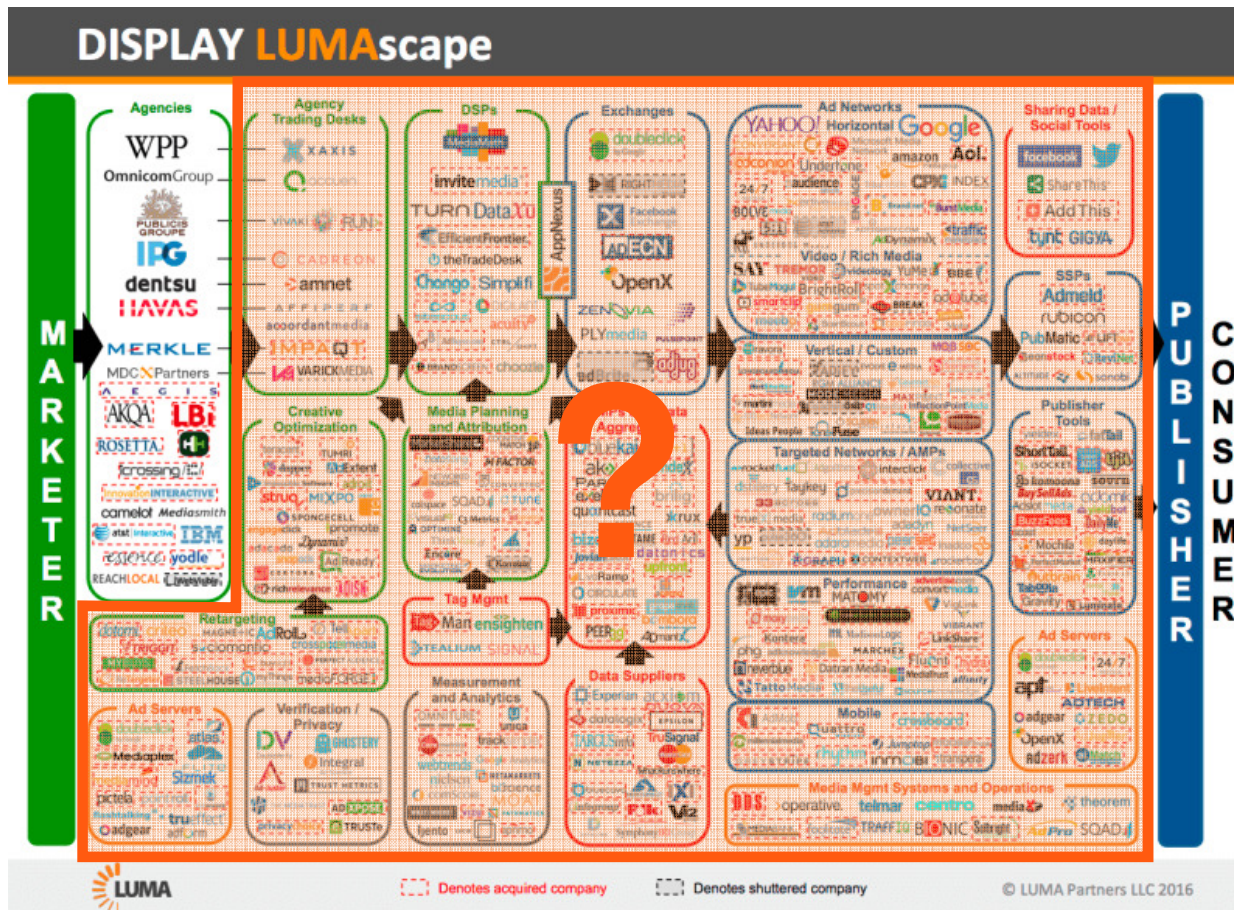
## IAA



### IAA-Trends live on Ströer screens

Camera teams of Infoscreen and Content Fleet recorded trends and topics during IAA and broadcasted them with minimal delay on Ströer Public Video screens in Frankfurt. Additionally, push notifications were distributed via Bitplaces – Geofencing around screens in close proximity.

## ePrivacy: The Market is Developing the Way We Expected It



- Even if ePrivacy rules and execution are unclear: best prepared to win market share when pure intermediate business gets under growing pressure
- Strong direct client access via industry key accounts will ensure best access to potentially changing budget allocation
- Investment in own/integrated tech and proprietary 1<sup>st</sup> party data (including co-operations) ensures maximum independence from 3<sup>rd</sup> party tracking
- Focus on owned and operated inventory (ca. 35-40%) in combination with exclusive 1<sup>st</sup> party premium inventory where Ströer acts as outsourced marketing sales department



# Largest Digital Media Brand: Official Kick-Off for t-online.de in Berlin

## Newsroom opening



- Official opening of the t-online.de newsroom in Berlin
- From here, editorial staff concentrates on strengthening the brand t-online on all channels and platforms and making it a leading journalistic voice

## t-online.de – 47 mio. UU



- Content shared on t-online.de reaches 80% of German online users
- T-online's Multi-screen/Multi-touchpoint concept reaches approx. 47 million users a month across Germany

## Multi-screen/ Multi-touchpoint concept



- With this development, we successively realize the vision of fully integrated, multi-media storytelling across all devices (desktop, mobile, tablets), channels (websites, apps, social media) and media (online, Public Video)

# Desktop & Mobile Relaunch of t-online.de



More user-centered through reduction to the essentials



New forms of advertising

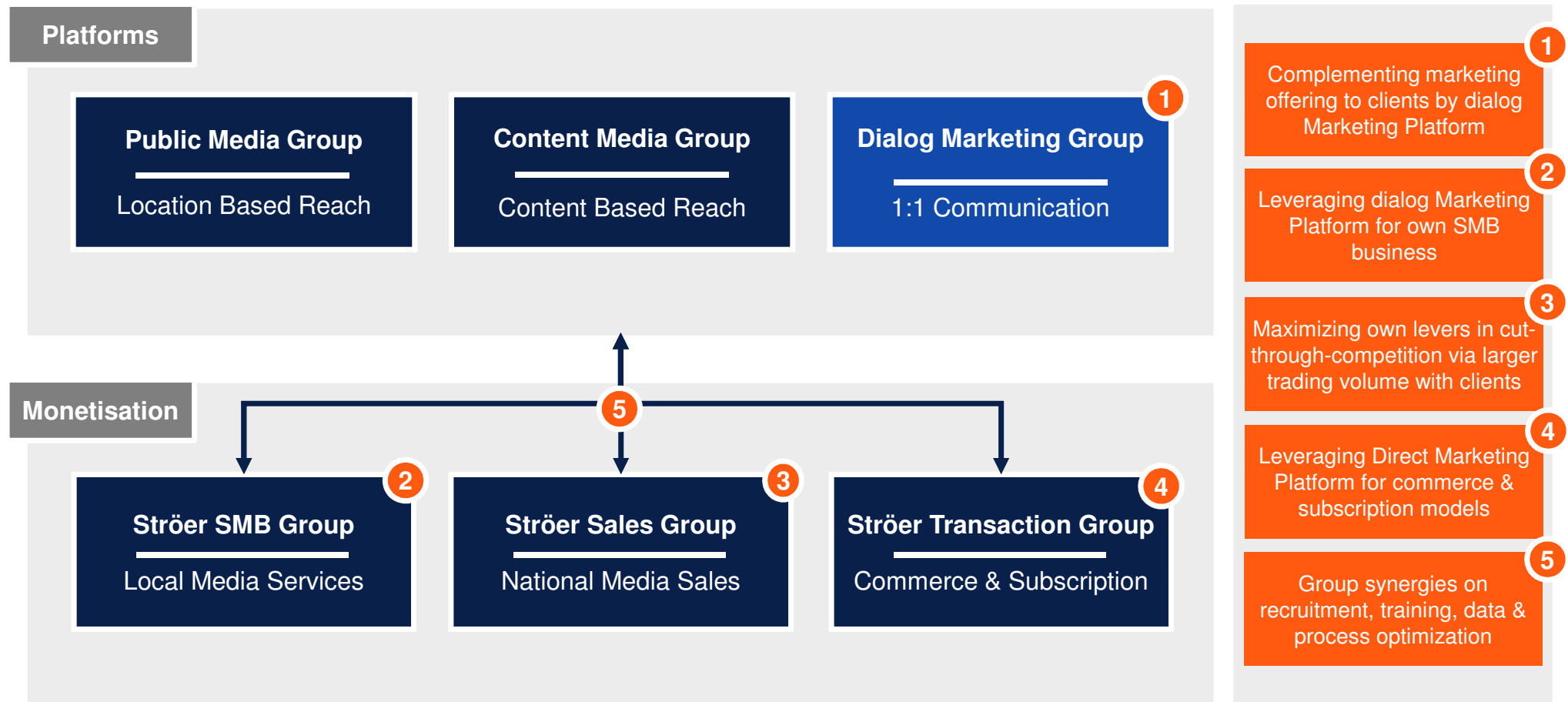


Number of visits +8% vs. pre-relaunch



Double-digit improvement rates at page loading speed

# New Dialog Marketing Segment: Integration Process Fully on Track





# Strong Internal Synergies: Example Recruitment Funnel



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# Profit and Loss Statement Q3 2017

EURm	Q3 2017	Q3 2016	▲ %	Analysis
<b>Revenues (reported)<sup>(1)</sup></b>	312.1	263.3	+19%	↑ Expansion driven by 10.1% organic growth and M&A
Adjustments (IFRS 11)	3.2	3.1	+3%	
<b>Revenues (Management View)</b>	315.4	266.4	+18%	
<b>Operational EBITDA</b>	73.0	62.4	+17%	↑ Op. EBITDA performance overall in line with growth
Exceptionals	-5.5	-5.4	-2%	→ On PY level; material M&A and integration expenses
IFRS 11 adjustment	-1.2	-1.0	-14%	
<b>EBITDA</b>	66.4	56.0	+18%	
Depreciation & Amortization	-41.0	-41.8	+2%	→ Stable D&A
<b>EBIT</b>	25.3	14.2	+79%	
Financial result	-2.5	-2.5	-3%	
Tax result	-3.6	-1.3	<-100%	
<b>Net Income</b>	19.2	10.4	+85%	
Adjustment <sup>(2)</sup>	17.8	17.6	+1%	
<b>Net income (adjusted)</b>	37.0	28.0	+32%	↑ Strong growth – adjusted and non-adjusted

(1) According to IFRS

(2) Adjustment for exceptional items (+6.1 EURm) including adjustments of the financial result, amortization of acquired advertising concessions & impairment losses on intangible assets (+ 14.3 EURm), Tax Adjustment (-2.7 EURm)

# Profit and Loss Statement 9M 2017

EURm	9M 2017	9M 2016	▲ %	Analysis
<b>Revenues (reported)<sup>(1)</sup></b>	909.5	765.7	+19%	↑ Expansion driven by 8.5% organic growth and M&A
Adjustments (IFRS 11)	9.7	9.8	-1%	
<b>Revenues (Management View)</b>	919.3	775.5	+19%	
<b>Operational EBITDA</b>	208.9	177.8	+18%	↑ Op. EBITDA performance overall in line with growth
Exceptionals	-16.3	-16.3	0%	→ On PY level; material M&A and integration expenses
IFRS 11 adjustment	-3.6	-3.1	-17%	
<b>EBITDA</b>	189.1	158.4	+19%	
Depreciation & Amortization	-121.7	-110.2	-10%	→ Larger consolidation scope and PPA depreciations
<b>EBIT</b>	67.4	48.2	+40%	
Financial result	-6.1	-7.5	+19%	
Tax result	-8.5	-4.4	-94%	
<b>Net Income</b>	52.7	36.2	+45%	
Adjustment <sup>(2)</sup>	54.4	53.1	+3%	
<b>Net income (adjusted)</b>	107.1	89.3	+20%	↑ Growing Net Income – adjusted and non-adjusted

(1) According to IFRS

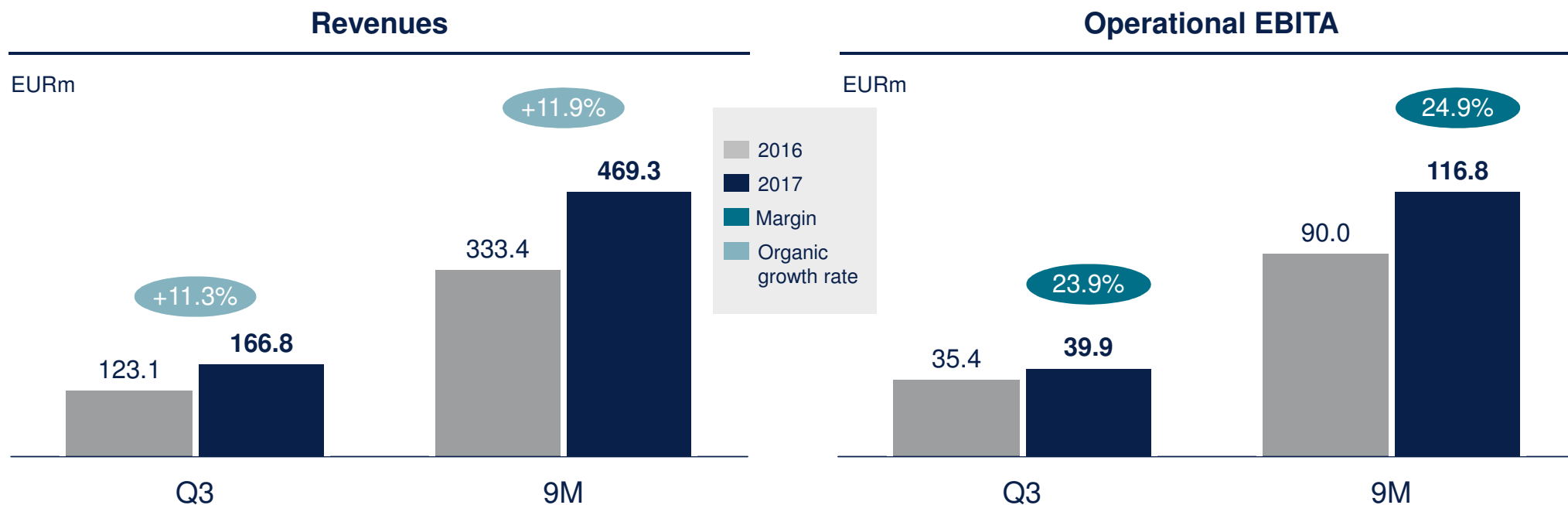
(2) Adjustment for exceptional items (+16.7 EURm) including adjustments of the financial result, amortization of acquired advertising concessions & impairment losses on intangible assets (+ 47.3 EURm), Tax Adjustment (-9.6 EURm)

# Overview on Growth Rates 9M 2017

	Group	Digital	OoH Germany	OoH International
<b>YTD Reported Growth</b>	+18.5%	+40.8%	+6.9%	-13.6%
<b>YTD Organic Growth</b> → including organic growth of 12M M&A	+8.5%	+11.9%	+6.9%	+1.4%
<b>YTD Organic Growth</b> → w/o revenues of 12M M&A	+8.1%	+11.5%	+6.9%	+3.3%



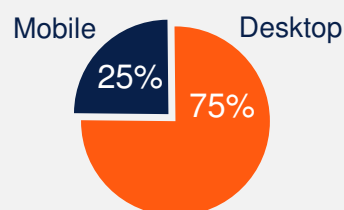
# Digital: Continuously Strong Profitable Growth in 9M 2017



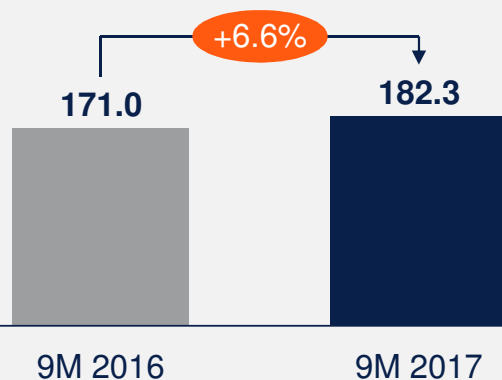
- Strong digital growth, both organically as well as scope effects
- Increase in revenues and EBITDA was strongly driven by our transactional services
- Ongoing integration efforts around the group (e.g. unifying digital sales houses and combining office space)

# Digital Segment Revenues: Product Group Development 9M 2017

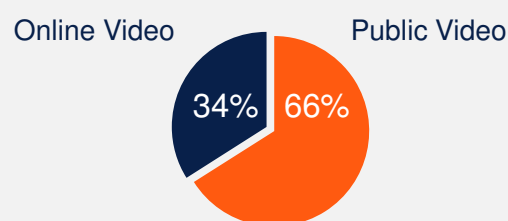
## Display



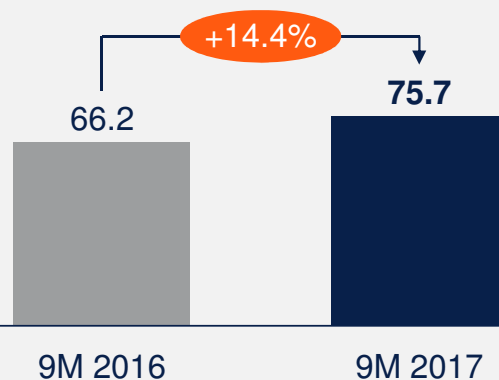
EURm



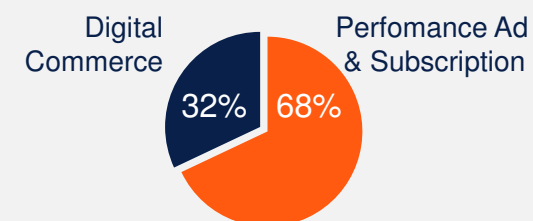
## Video



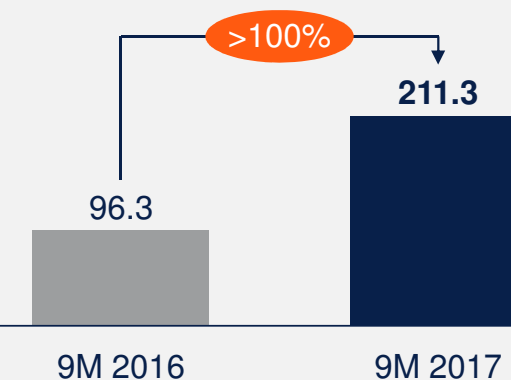
EURm



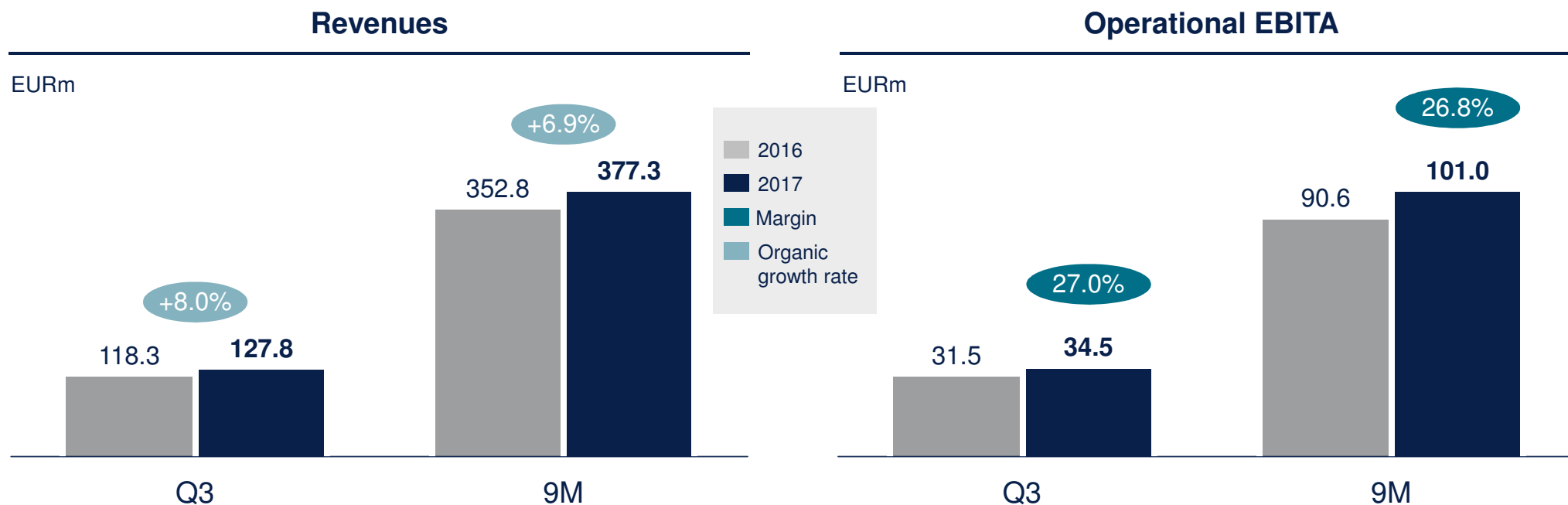
## Transactional



EURm



# OoH Germany: Sustainable Growth Performance in 2017

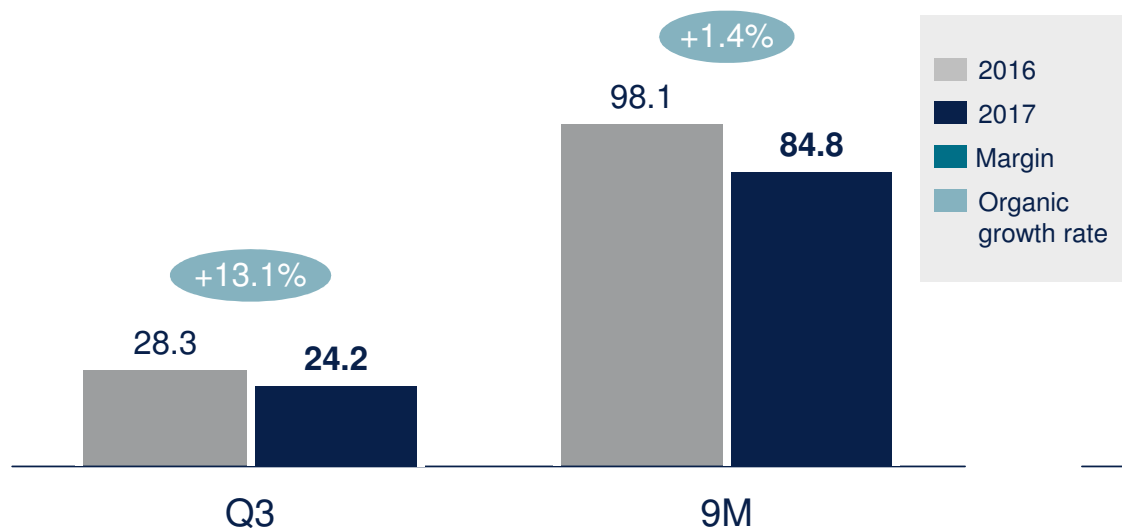


- Another quarter with significant ad market outperformance with an organic growth of 8.0%
- Growth in revenues driven by robust demand by regional and local sales initiatives supported by national sales
- Slight Operational EBITDA margin improvement benefitting from high drop through rate

# OoH International: Top Performance in Challenging Market Environment

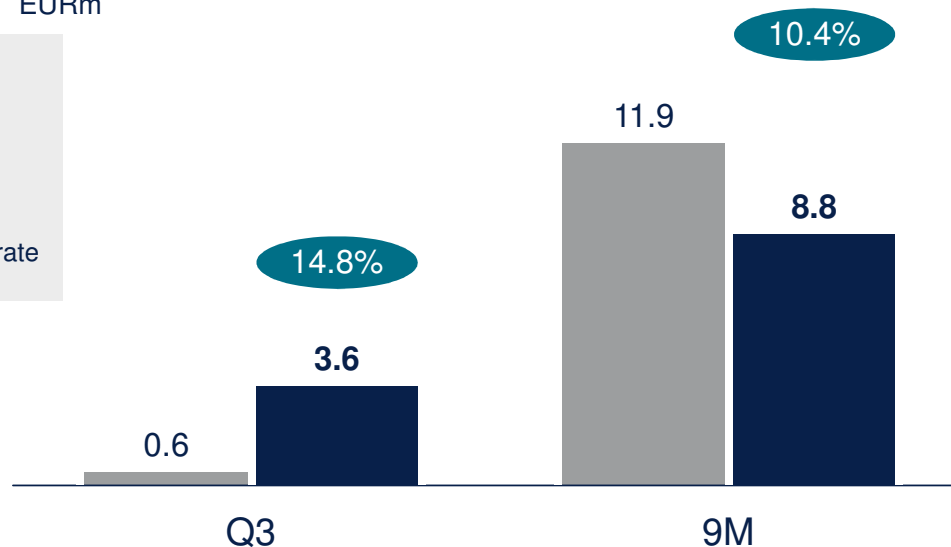
## Revenues

EURm



## Operational EBITA

EURm



- Strong Q3 with 3.6 m EBITDA contribution
- 9M still suffering from soft Turkish economy and ad market as well as negative fx effects; disposal of non-profitable Istanbul contract
- Ongoing growth of international blowUP business

# Free Cash Flow Perspective Q3 2017

EURm	Q3 2017	Q3 2016
<b>Op. EBITDA</b>	<b>73.0</b>	<b>62.4</b>
- Interest (paid)	-0.9	-1.5
-/+ Tax (paid/received)	-5.8	-10.4
-/+ WC	-9.9	-0.3
- Others	-9.3	-9.4
<b>Operating Cash Flow</b>	<b>47.1</b>	<b>40.7</b>
<b>Investments (before M&amp;A)</b>	<b>-26.4</b>	<b>-29.0</b>
<b>Free Cash Flow (before M&amp;A)</b>	<b>20.7</b>	<b>11.8</b>

## Analysis

- Low interest payments based on solid debt financing structure
- Phasing effects for taxes and working capital
- Lower, but sustainable high investments in digitalization, software and other intangibles
- On track to deliver free cash flow guidance of “around 145”



# Successful 350 m€ Promissory Note Issuance in October

- Strong investor interest for Ströer Promissory Note ('Schuldschein')
- Significant oversubscription
- Increased deal volume to 350 m€ (after announced volume of 150 m€)



Make use of excellent market conditions and log-in low rate environment



Extent maturity profile by issuing tenors of up to 7 years



Further diversify lender base via a broad variety of domestic and international investors participating



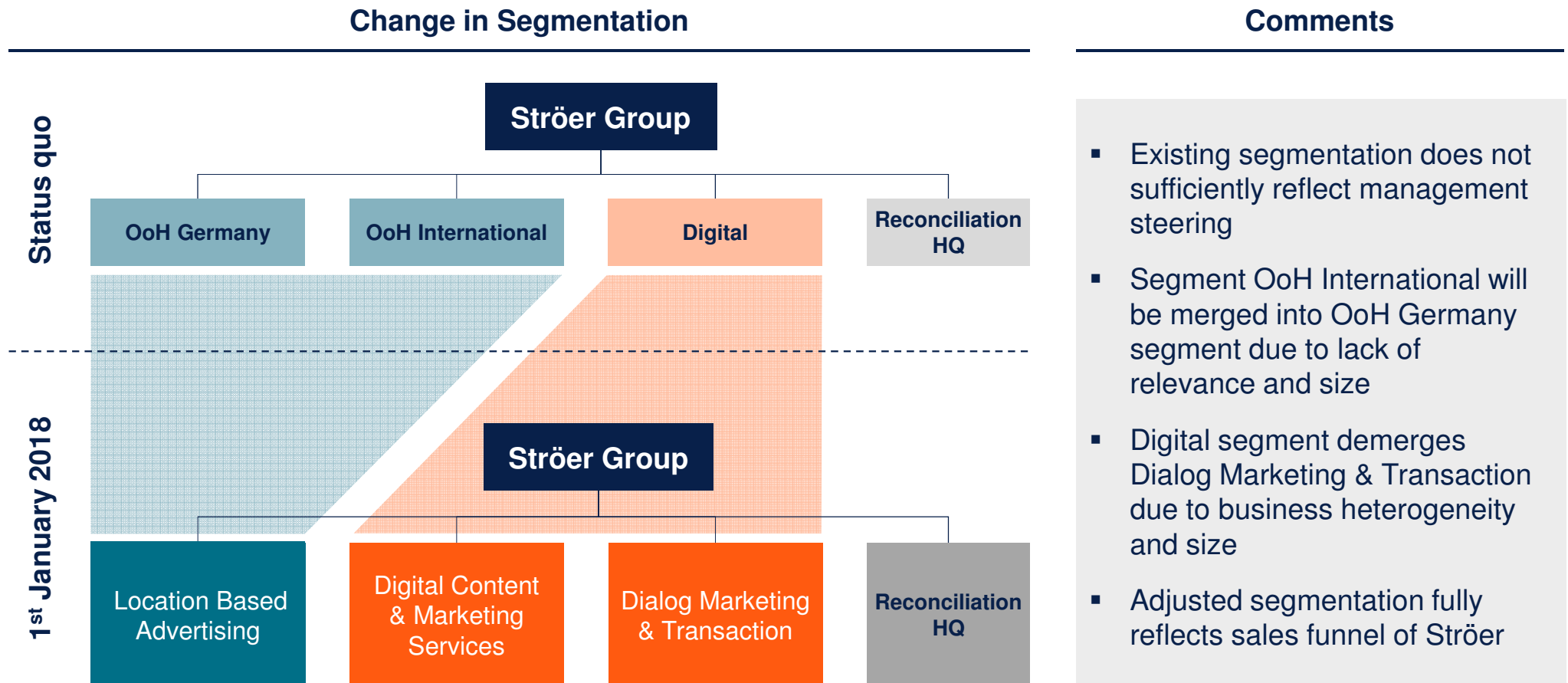
Annual savings of around 1 m€



Proceeds were used to repay the existing drawing of the syndicated loan facility

**HSBC, Landesbank Baden-Württemberg and UniCredit acted as Joint Arranger on this transaction**

# 1<sup>st</sup> January 2018: Adjusted Segmentation to Reflect New Reality



# **(Upcoming) Changes in Financial Reporting**

## **1st January 2016**

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- Differentiated organic growth presentation
- Introduction of product groups in the digital segment

## **1st January 2017**

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- Outline of cash flow presentation
- Further break down of product groups in the digital segment

## **1st January 2018 (planned)**

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- Introduction of refined segmentation reflecting changing scope of the group
- Introduction of IFRS 16 and elimination of IFRS 11-adjustment

# Ströer To Apply IFRS 16 From 2018 Onwards

## IFRS 16 framework

- Replaces the previous standard IAS 17 – Leases
- Can come effective earliest 1<sup>st</sup> January 2018

### Application at Ströer

- Advertising contracts with private and public lessors need to be classified as „leases“ in the future
- Capitalisation of the „right of use“ by recognizing present value of the future lease payments as intangible assets
- Recognition of the obligation to make future lease payments as financial liabilities

## Comments

- Ströer among the first companies applying IFRS 16 – early adopter
- Effects higher than originally anticipated (since also public contracts are affected and new contracts in existence)
- Ströer using chance of IFRS 16 application to eliminate previous IFRS 11 adjustments as well

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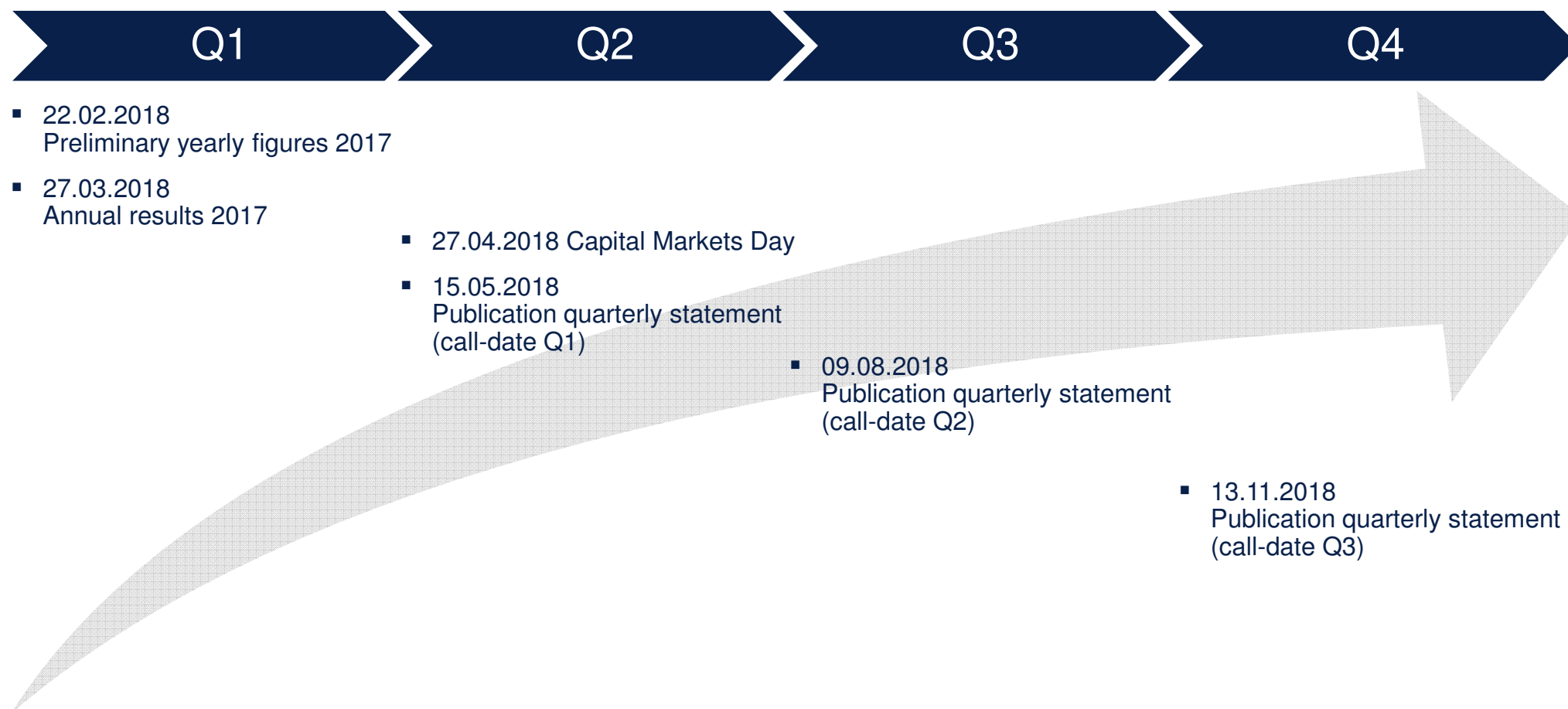


## Outlook for Q4: Annual Results 2017 on March 27

- 
1. **Similar to development of the last nine months: solid & robust business across the entire group with expected growth for Q4 fully in line with annual guidance**
  2. **Strong momentum for OoH Germany fueled by both national sales and extended local salesforce activities – similar to Q3**
  3. **Digital segment consistently on growth track regarding top line growth, market share development as well as consolidation and integration processes**
  4. **OoH International still with challenging macro environment but under control and without substantial group impact**



# Financial Calendar 2018



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