STRÖER

Q2 2018

August 9, 2018 | Ströer SE & Co. KGaA

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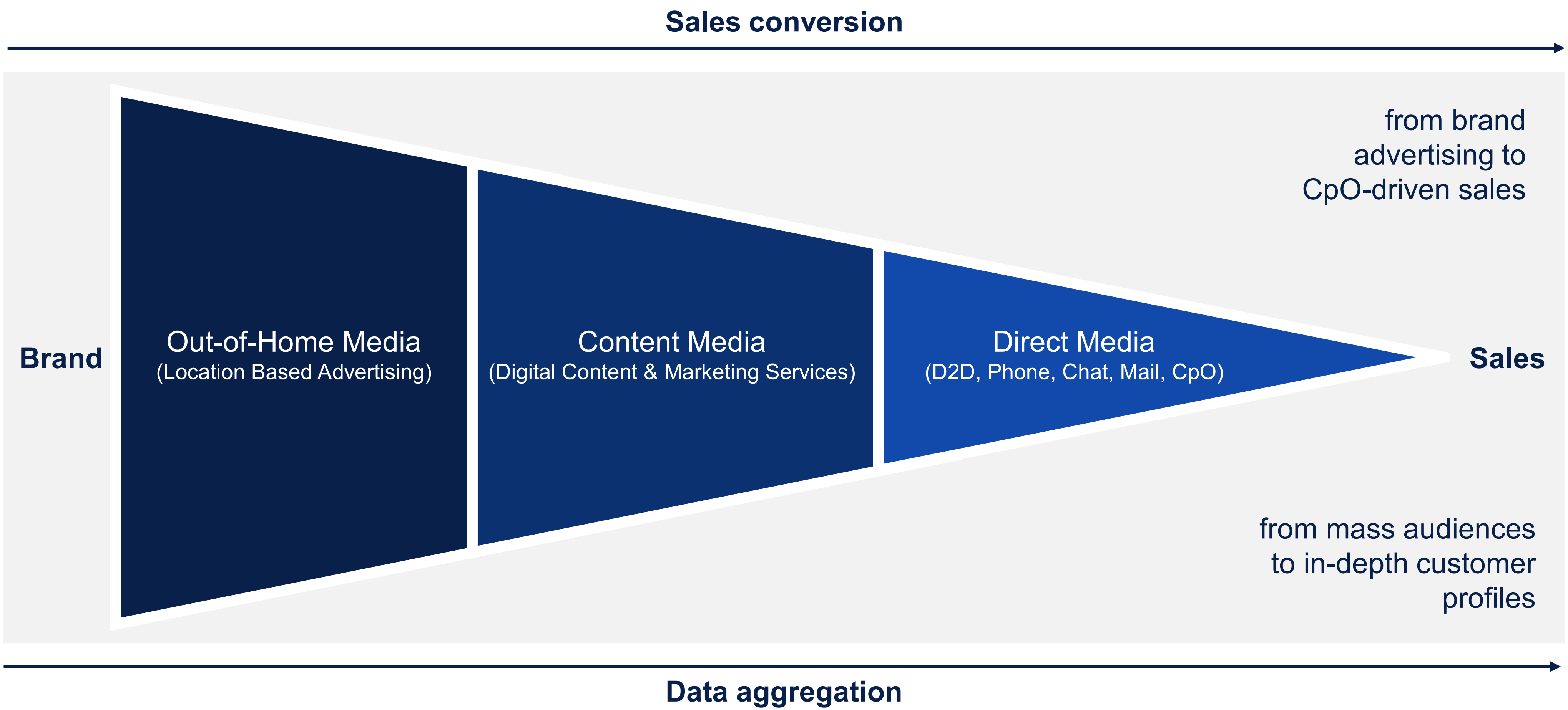
Q2 2018

Results 6M 2018

m€		6M 2018	6M 2017 (pro forma)[1]	▲
Revenues	Reported	741.5	597.4	+24%
	Organic[2]	7.8%	7.6%	+0.2%pts
Operational EBITDA		242.2	216.7	+12%
EBIT (adjusted)[3]		107.4	91.8	+17%
EBIT (adjusted) margin		14.5%	15.4%	-0.9%pts
Net income (adjusted)[3]		75.5	62.4	+21%
Operating cash flow		158.6	157.9	+0%
Capex		64.0	60.7	+5%
		30 Jun 2018	**31 Dec 2017**	
Net Debt[4] / Leverage Ratio[5]		611.5 / 1.8x	463.3 / 1.4x	

(1) Retroactive application of IFRS 16 and elimination of prior IFRS 11 adjustment
(2) Excluding exchange rate effects and effects from (de)consolidation and discontinuation of operations
(3) Adjusted for exceptional items and additional other reconciling factors in D&A (PPA related amortization and impairment losses), in financial result and in income taxes (applying a normalized tax rate of 15.8%)
(4) Financial liabilities less cash, excl. IFRS 16 lease obligations and elimination of prior IFRS 11 adjustment
(5) Net debt divided by Op. EBITDA of last 12 month (adjusted for IFRS 16)

Integrated Brand-Performance-Sales Funnel gaining Traction



Tech Blue Chips use OoH to extend Business into Real-world Space

NETFLIX

Investing $300 million in
Regency Outdoor Advertising

NEWS

Netflix Puts Out $300 Million Offer to Buy Regular Old Billboard Company: Report

Rhett Jones
4/06/18 10:35am · Filed to: NETFLIX

55.7K 36 4

Photo: Wikimedia Commons

Netflix raised eyebrows with the $140 million budget it handed over to Martin Scorsese recently, but according to a Reuters report, it's looking to pay out a lot more for some billboard real estate. The move could be seen as an escalation of its cold war with Hollywood.

Take one look at Regency Outdoor Advertising's website; it's more than clear that this is an old-school company. But in an age of product placement, micro-targeting, and auto-playing video ads, billboards are still an effective way to get your brand name out in front of a captive audience. Netflix loves billboards and Reuters claims it's competing against other unnamed bidders to take over the Los Angeles-based billboard company. Netflix declined to comment to Reuters on its reported offer of "more than $300 million" bid. We've requested confirmation from Netflix, which declined to comment, and Regency Outdoor Advertising, which did not immediately respond.

Alibaba

Investing $2.23 billion in
Focus Media

BRIEF

Alibaba invests $2.23B in outdoor digital advertising company

AUTHOR
Erica Sweeney

PUBLISHED
July 20, 2018

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Dive Brief:

- Chinese e-commerce giant Alibaba is investing $2.23 billion for a stake in Focus Media, an outdoor digital advertising company based in Shanghai, according to company filings reported in TechCrunch.
- Focus Media says its advertising platform reaches 200 million middle-class consumers across 300 cities in China and plans to expand that reach to 500 million consumers in 500 cities.
- The investment is part of Alibaba's "New Retail" marketing strategy that combines key elements of online shopping, including fast delivery, easy payments and streamlined browsing, to the customer service offered in physical stores, per TechCrunch. Consumers could see a product advertised on a Focus Media display and use QR codes, which are highly popular in China, to scan the ad to access details about locating it in a brick-and-mortar store, for example.

Google

Offering do-it-yourself services
in digital out of home market

BRIEF

Google is selling billboard ads programmatically through DoubleClick

AUTHOR
David Kirkpatrick

PUBLISHED
Nov. 2, 2015

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Dive Brief:

- Google is shaking up outdoor advertising by testing programmatic billboard sales via DoubleClick.
- The billboard ads will be served using data signals for relevance based on location and time of day.
- Some of the data signals taken into account include audience, weather, travel information, sporting events and scores.

MARKETING DIVE

Want news like this in your inbox?

Our free newsletter will keep you up-to-speed on the latest marketing news & trends. From social media

We stay on Track with our organic long-term OoH Growth Initiatives

1. **CAPEX: Continuous investment in digitization of inventory (i.e. roadside) and smart city pilot projects**

2. **OPEX: Accelerated investment in both regional and local sales force to leverage long-term SMB potential**

Trusted Partner for Clients for Direct Marketing in the digital Age

Customer demands

- Customers looking for partners with integrated services along their value chain
- They prefer to have a trusted partner with digital expertise and track-record to support them in navigating the CRM digitization

Ströer's supply

Build and operate the best direct marketing platform for each of our customers combining technology and human excellence

Human capital

Hiring, training and retaining agents at high standards

Technology

Provide best solution through integration of existing solutions, proprietary develop-ments, acquisitions

Data and analytics

Collecting, aggregating and analyzing data for best decision making

Deep knowledge and understanding of excellent customer experience

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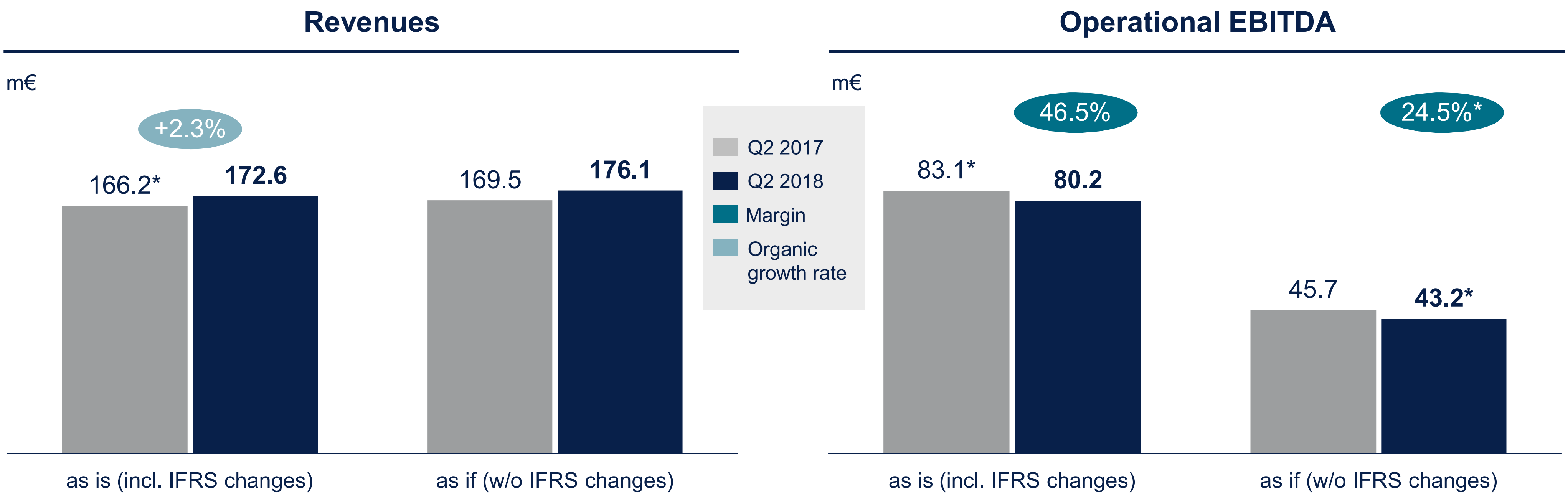
Outlook

OoH Media: Sustainable Growth Performance in challenging Markets

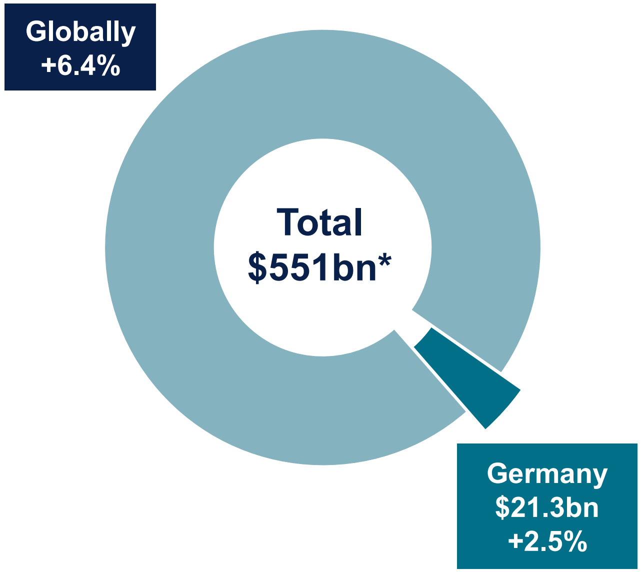


- Sustainable growth in Germany supported by local and regional sales initiatives
- Op. EBITDA affected by further investments into organic growth opportunities and Turkey operations
- Smaller bold on acquisitions in OoH Media (e.g. UAM Group) in line with expectations

*Pro forma

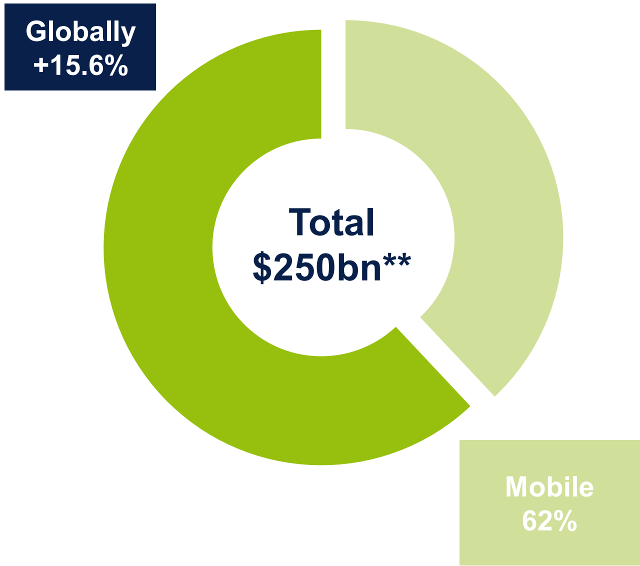
Magna Global: OoH is only growing traditional Media

Global Advertising Market 2018



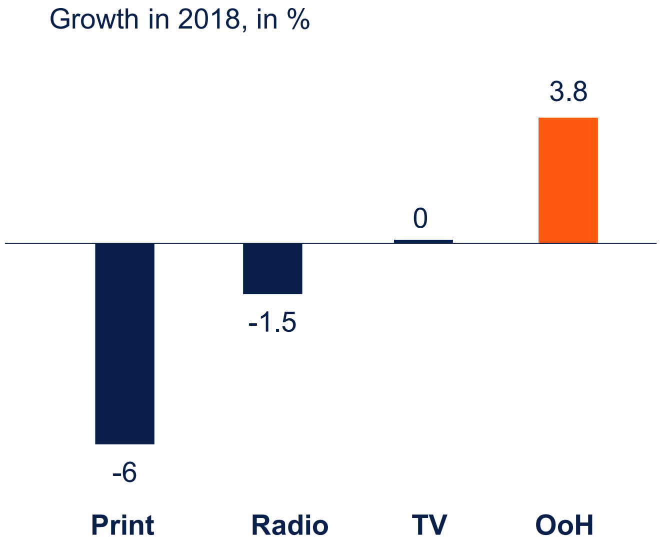
- MAGNA forecasts media owners' net advertising revenues (NAR) to grow by +6.4% to $551bn in 2018 in the 70 countries – the strongest growth rate since 2010

Digital Media will reach $250bn



- Digital ad sales will grow by +15.6% in 2018 to reach $250bn (45% of global ad revenues)

Only OoH with growth in 2018



- The only "traditional" media category to show growth in 2018 will be OoH (+3.8%, $33.5bn). OoH does benefit from cyclical events but the main driver remains the roll out of digital OoH inventory

Source: MAGNA Advertising Forecasts, June 2018 update; *net media owners advertising revenues (NAR) **Global Digital advertising sales (display, video, search, social)

Out-of-Home Media – Success Cases Q2

Red Bull
Eye-catching reach

AXE 'You're gold'
Reaching GenZ

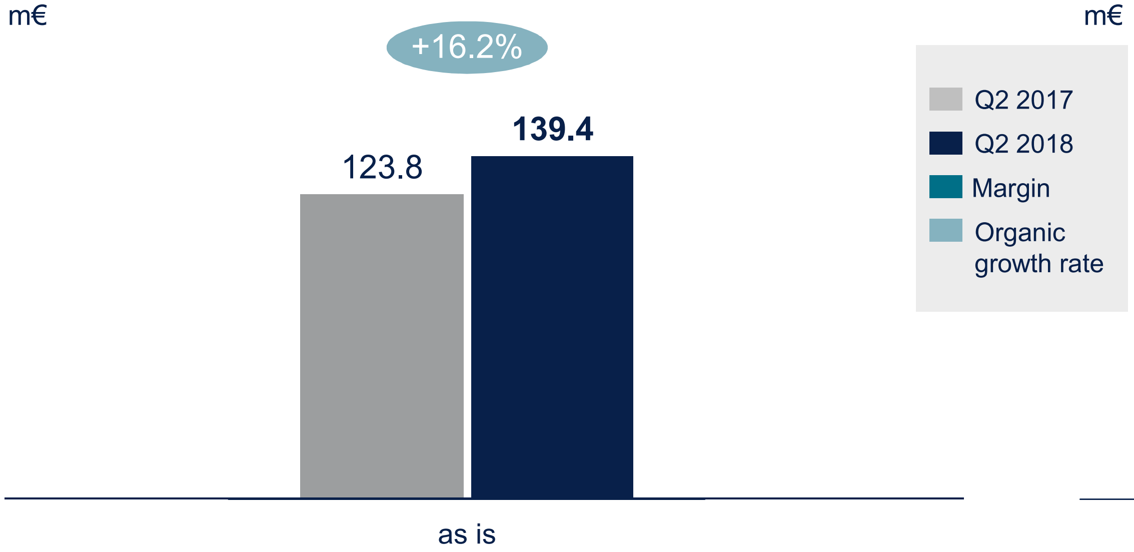
'Dieselfuchs'
Local Hero Communication

Out-of-Home Media – Summary

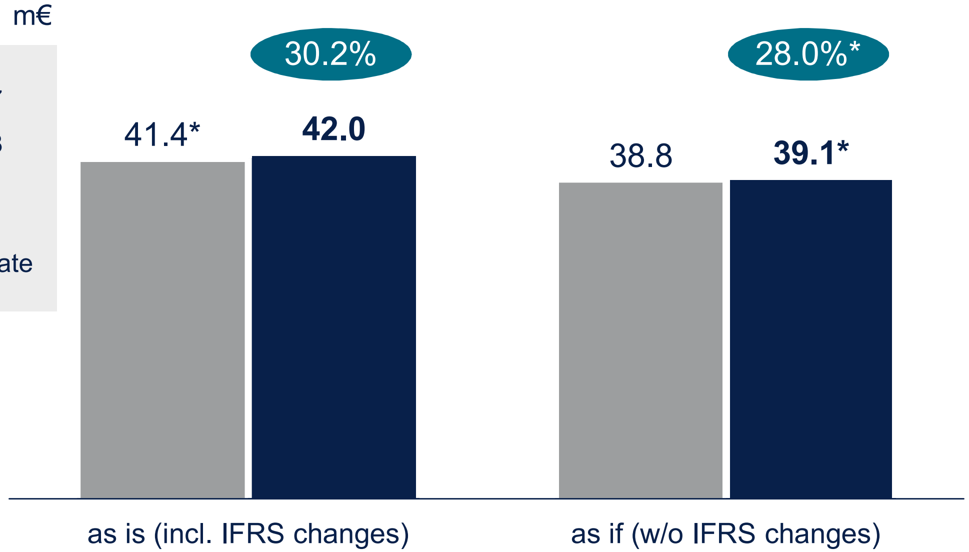
1. Strong position in structurally growing OoH market with high market entry barriers
2. Leading in digital OoH already today and improving position with further digitization of inventory
3. Accelerated rollout plan for constantly growing regional and local sales force
4. Smart and integrated solutions to link OoH inventory into POS, Event-, Direct- and Online-Media
5. Strong partner for development of smart cities and environmental infrastructure solutions in a broader strategic context

Content Media: Strong organic Growth continues in Q2 2018

Revenues



Operational EBITDA



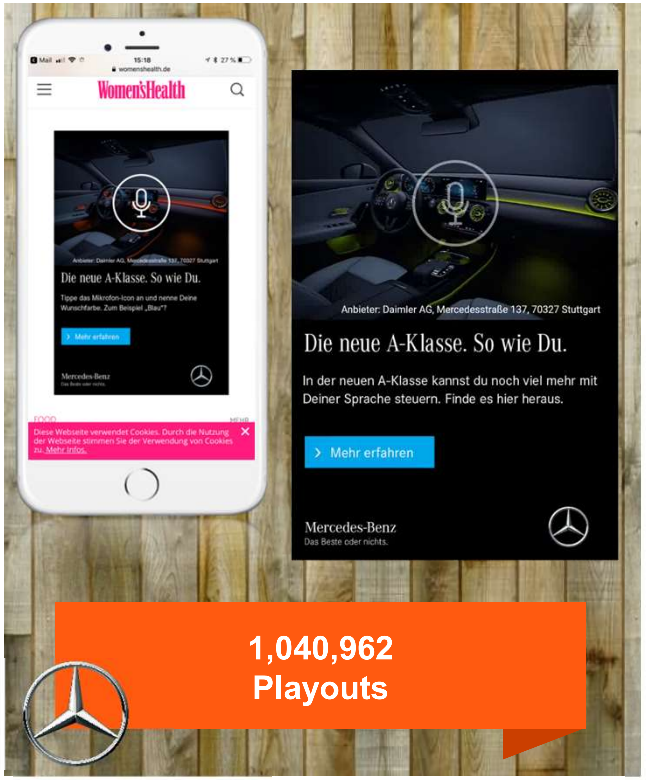
- Strong organic growth in both newly acquired and established content media assets, all product groups positively effected
- No material impact of General Data Protection Regulation adoption
- Op. EBITDA margin affect by unfavorable product mix and ramp up costs for watson.de, our new online portal for millennials

*Pro forma

Content Media – Success Cases Q2

Watson
Launching a new GenZ portal

Mercedes
New voice ad for Mercedes



Food retailer
Drive to Store with Mobile

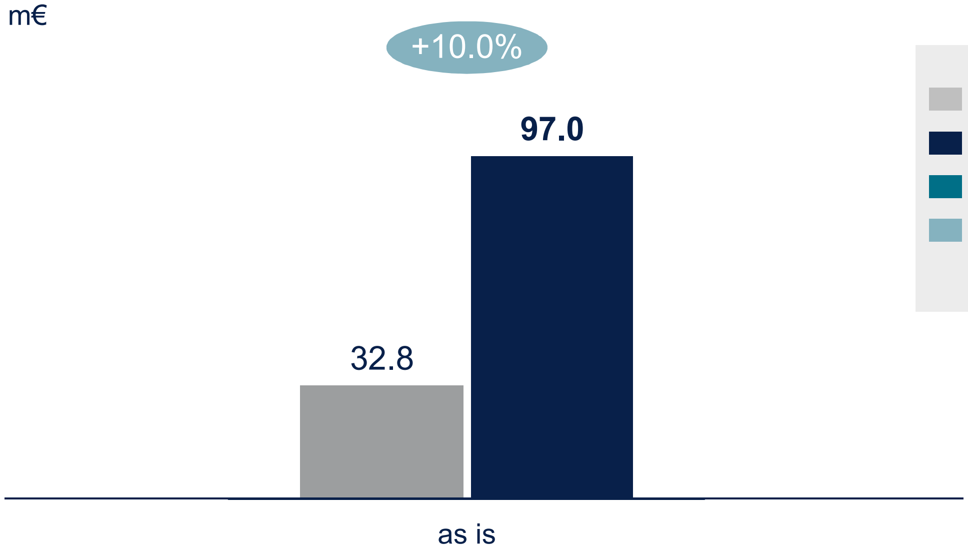
*campaign measurement with Locarta

Content Media – Summary

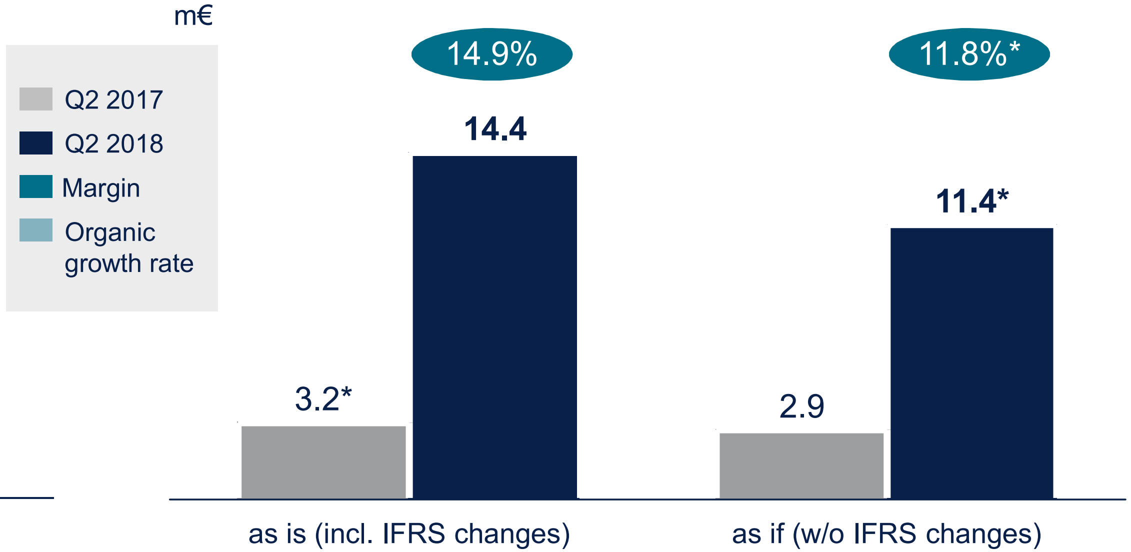
1. GAFA challenge opens up opportunities for further German market consolidation
2. Strong backbone of highly profitable owned assets across all relevant target groups
3. Sustainable and broad range of exclusive 3rd party inventory – with further growth potential
4. Successful launch of Watson Portal for Generation Z becoming #2 in just one quarter
5. Proprietary tech stack with measurable results and clear path for GDPR compliant data solutions

Direct Media: Profitable Growth backed by new Businesses

Revenues



Operational EBITDA



- Direct Media strongly above PY driven by acquired business in Dialog Marketing and strong organic growth
- First time consolidation of DV-COM and D+S 360 for a full quarter
- Segment's profitability target state of 17% Operational EBITDA margin confirmed

*Pro forma

Key Driver for Direct Media: A great overall Costumer Experience

The great experience

Factors between human and technology

80% Efficiency

78% Easy payment

78% Knowledgeable service

77% Convenience

77% Friendly service

73% Up-to-date technology

68% Human interaction

If there are problems

Customers quickly turn away from preferred brands

32% after one bad experience

48% after several bad experiences

If the service is excellent

Up to **16%** higher price

Higher brand loyalty

More access to customer data

Happy, motivated employee

What that means

- Customers have expectations that are different than expected.
- Customers generate sales, employees generate customer experience.
- Technology does not solve any experience problems. It just paves the way.

Close the expectation gap

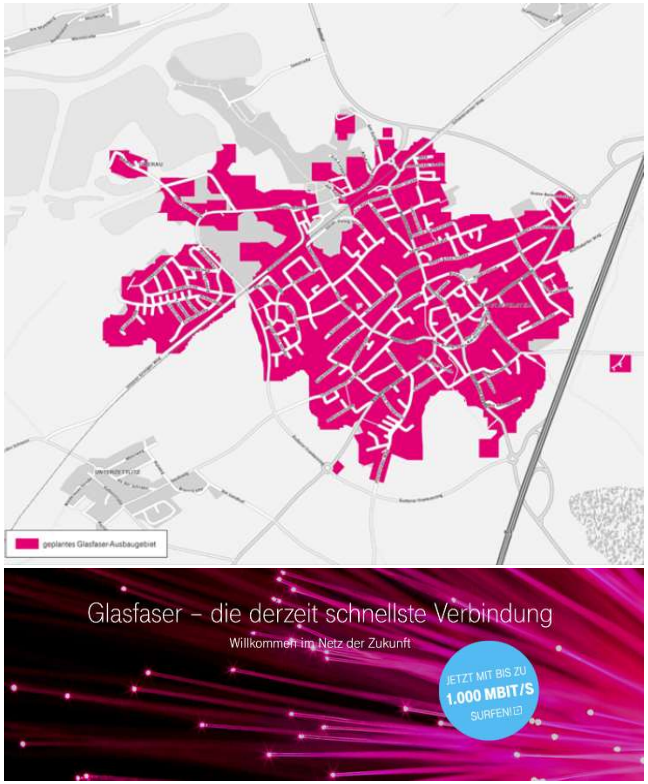
There's a mismatch between customer expectations and how employees deliver

- **75%** want more human interaction in the future, not less
- **71%** employees have a significant impact on experience
- **57%** can be influenced by an attractive design at the time of purchase
- **8%** prefer brands with a social media presence
- **3%** are interested in celebrity brand ambassadors

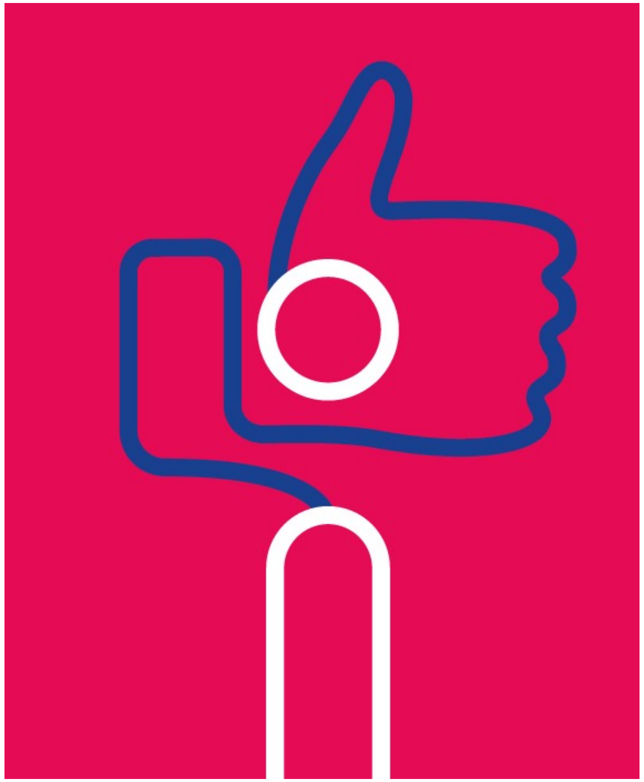
Source: PwC Future of Customer Experience Survey 2017/18

Direct Media – Success Cases Q2

Telekom industrial zones
Hyperlocal direct marketing



Innogy
Integrated campaigns



IQOS
Sales promotion and OoH

Direct Media – Summary

1. Growing clients demand is driving growth for the business segment in combination with higher expectations toward integration of tech and data
2. Significant relevance after one year into the business and excellent position for further growth and margin oriented market consolidation
3. Huge potential for integrated Ströer group solutions with clients already being leveraged
4. Consolidation of all agents and direct channels on one tech and campaign management platform driving margin improvements as well as quality and flexibility for clients
5. On-going investment in future technology infrastructure and IT capabilities for Direct Media: organically but also via complimentary assets like optimise-it

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Q2 2018

Changes in Financial Reporting – Recap

1. New Segment Structure as of 1 January 2018
2. Application of IFRS 16
3. Elimination of IFRS 11 Adjustment

IFRS 16: Implications at Ströer Group in Q2 2018

Impact of IFRS 16 on Ströer KPIs in Q2 2018

m€	Q2 2018		Impact
Revenues	404.9	→	No changes
Operational EBITDA	132.3	↑	Increase by +46.8 m€ (elimination of operating lease expenses)
D&A	-89.2	↑	Increase by -44.2 m€
EBIT (adjusted)	63.7	↑	Increase by +2.7 m€ (as operating lease expenses are replaced by depreciation and interest)
Financial result	-9.0	↑	Increase by -6.4 m€
Net Income (adjusted)	46.3	↓ / →	Decrease by -3.2 m€ (timing effect due to higher interest during first years, neutral over time)
Free Cash Flow (before M&A)	51.1	↑	Increase by +33.8 m€ (reclassification of lease liability repayments in Financing Cash Flow)
Liabilities	1,896.1	↑	Thereof 1.1 bn€ IFRS 16 lease obligations (capitalized future operating lease payments)

Comment

- Scope at Ströer Group: >16,000 leasing contracts
- Main P&L effects: increase in EBITDA and EBIT, long-term neutral to Net Income
- Strongest effects in OoH Media
- Additional 1.1 bn€ liabilities have no impact on our leverage ratio definition of our lenders

IFRS 16: Financial Reporting

Consolidated Financial Statements

	Q2 2018		Q2 2017	
	incl. IFRS changes	w/o IFRS changes	incl. IFRS changes	w/o IFRS changes
Quarterly Statement	✓	✓*/✗	✓*/✗	✓
Presentation on Q2 2018 Statement	✓	✓	✓	✓

Comment

- In our quarterly statement no adoption of IFRS 16 retrospectively for 2017 (so called modified retrospective approach)
- For better transparency, like-for-like comparison of our financials before and after IFRS changes depicted in this presentation

*Only for main KPIs

Profit and Loss Statement Q2 2018

m€	Q2 2018	Q2 2017*	▲ %	Analysis
Revenues (reported)	404.9	316.2	+28%	Expansion driven by 8.7% organic growth and M&A
Operational EBITDA	132.3	122.1	+8%	Op. EBITDA above PY
Exceptional items	-5.9	-5.4	-9%	
EBITDA	126.4	116.7	+8%	
Depreciation & Amortization	-89.2	-80.0	-12%	Increased IFRS 16 items
EBIT	37.2	36.6	+1%	
Financial result	-9.0	-9.0	+0%	
Tax result	-4.4	-2.2	-99%	
Net Income	23.7	25.4	-7%	
Adjustment(1)	22.6	16.6	+36%	
Net Income (adjusted)	46.3	41.9	+10%	Performance slightly ahead of Op. EBITDA growth

*Pro forma (retroactive application of IFRS 16 and elimination of prior IFRS 11 adjustment)
(1) Adjustment for exceptional items, including adjustments of financial result, amortization of acquired advertising concessions (PPA) & impairment losses on intangible assets

Free Cash Flow Perspective Q2 2018

m€	Q2 2018	Q2 2017*
Op. EBITDA	**132.3**	**122.1**
- Exceptional items	-5.9	-5.4
EBITDA	**126.4**	**116.7**
- Interest	-8.9	-9.3
- Tax	-38.3	-11.6
-/+ WC	+5.3	+5.2
- Others	-3.6	-2.0
Operating Cash Flow	**80.9**	**98.9**
Investments (before M&A)	**-29.8**	**-29.7**
Free Cash Flow (before M&A)	**51.1**	**69.2**
Lease liability repayments**	-33.8	-26.2
FCF w/o IFRS 16 (before M&A)	**17.3**	**43.0**

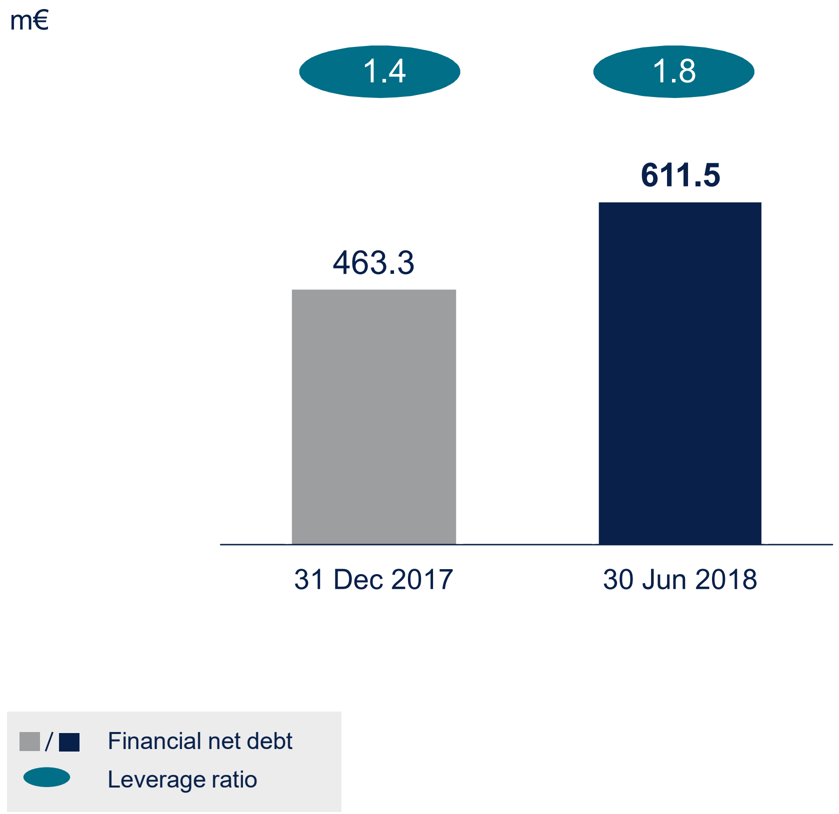
Explanation of IFRS 16-Effects

- Leasing expenses no longer operational cash out in full
- Individual leasing instalments divided into an interest and a repayment portion
- Lease repayments no longer included in cash flow from operating activities, now reported in cash flow from financing activities
- Cash flow from investing activities remains unaffected by IFRS 16

*Pro forma (retroactive application of IFRS 16 and elimination of prior IFRS 11 adjustment)
**Part of cash flow from financing activities

Bank Leverage Ratio far below Target Level

Leverage Ratio Development*



Comment

- IFRS 16 leads to a paradigm shift in lease accounting but has no impact on our bank definition of the financial leverage of our lenders` banks
- From now on, use of leverage ratio definition based on our facility agreement as our solvency KPI ("Bank Leverage Ratio")
- Bank Leverage Ratio amounts to 1.8 as of 30st June 2018 and is far below target level of 2.5

*Net debt and Op. EBITDA (LTM) adjusted for IFRS 16 (no application of prior IFRS 11 adjustment)

Profit and Loss Statement Q2 2018 – As If
(Before Application of IFRS 11 and IFRS 16)

m€	Q2 2018*	Q2 2017	▲ %	Analysis
Revenues (reported)[1]	404.9	316.2	+28%	Expansion driven by 8.7% organic growth and M&A
Adjustments (IFRS 11)	3.4	3.2	+5%	
Revenues (Management View)	408.2	319.4	+28%	
Operational EBITDA	86.9	80.3	+8%	Op. EBITDA above PY
Exceptional items	-6.5	-5.9	-10%	
IFRS 11 adjustment	-1.4	-1.2	-18%	
EBITDA	79.0	73.2	+8%	
Depreciation & Amortization	-45.1	-40.8	-10%	Impairment BodyChange
EBIT	33.9	32.4	+5%	
Financial result	-2.6	-2.1	-24%	
Tax result	-5.7	-4.0	-43%	
Net Income	25.6	26.3	-3%	
Adjustment[2]	24.8	19.2	+29%	
Net Income (adjusted)	50.3	45.5	+11%	Performance slightly ahead of Op. EBITDA growth

*Pro forma (no application of IFRS 11 and 16), calculation only for transition period 2018
(1) According to IFRS
(2) Adjustment for exceptional items, including adjustments of financial result, amortization of acquired advertising concessions (PPA) & impairment losses on intangible assets, tax adjustment

Free Cash Flow Perspective Q2 2018 – As If
(Before Application of IFRS 11 and IFRS 16)

m€	Q2 2018*	Q2 2017
Op. EBITDA	**86.9**	**80.3**
- Exceptional items	-6.5	-5.9
- IFRS 11 adjustment	-1.4	-1.2
EBITDA	**79.0**	**73.2**
- Interest	-2.4	-2.3
- Tax	-38.3	-11.6
-/+ WC	+12.4	+15.5
- Others	-3.6	-2.0
Operating Cash Flow	**47.1**	**72.7**
Investments (before M&A)	**-29.8**	**-29.7**
Free Cash Flow (before M&A)	**17.3**	**43.0**

Analysis

- High one-time tax payment in Q2 2018 due to procedural changes of Fiscal Tax Authorities, which lead to anticipation of prepayments; this will relieve 2019 and 2020
- Like in previous year strong Working Capital contribution to Operating Cash Flow
- Investments according to plan into internal growth opportunities

*Pro forma (no application of IFRS 11 and 16), calculation only for transition period 2018

Guidance Statement 2018: Reconfirmed

For 2018 we expect total revenues of around 1.6 billion Euro and an Operational EBITDA of around 375 Million Euro*

*w/o IFRS changes

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Q2 2018

Outlook for Q3: Next Quarterly Results on November 13

1. **Similar to development of the last 22 quarters: solid business across the entire group with expected growth for 2018 in line with annual guidance**

2. **Overall challenging OoH Media business despite robust regional and local sales development**

3. **Content Media segment consistently on track regarding top line growth, market share development as well as consolidation and integration processes with successful launch of new assets**

4. **Direct Media on track and in line with expectations – significant group synergies, cost cutting opportunities post merger and investments in new technologies**

Financial Calendar 2018

Q1	Q2	Q3	Q4

- **February 22, 2018**
  Press release for preliminary figures 2017
- **March 27, 2018**
  Publication annual financial report and proposal of dividend for 2017
- **April 27, 2018**
  Ströer Capital Markets Day (London)
- **May 15, 2018**
  Publication quarterly statement (call-date Q1)
- **May 30, 2018**
  Annual General Meeting
- **August 09, 2018**
  Publication half-yearly financial report
  (call-date Q2)
- **November 13, 2018**
  Publication quarterly statement
  (call-date Q3)


STRÖER

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