

# Ströer Out-of-Home Media AG

Company Presentation

July 5 2012, Paris

# Underlying market trends supportive of outdoor performance

Structural growth fully intact driven by DIGITALISATION

## Structural winners



ONLINE



OOH



TV



RADIO

## Structural loser



PRINT

but temporarily impacted twofold by...

company dynamics

**STRÖER**

out of home media

ramp-up mode for  
future growth

cautious approach by  
national customers

market dynamics



soft advertising  
market

social media  
hype



Fragmentation prevents efficient mass communication





Print is compensated by tablets and smartphones



TV is compensated by video on demand



Radio is compensated by webstreaming

A large billboard stands in a field of dry grass and shrubs under a blue sky with scattered white clouds. The billboard is white and features the word 'STRÖER' in large, bold, dark blue letters. Below it, the phrase 'out of home media' is written in a smaller, orange font. The billboard is supported by three wooden posts.

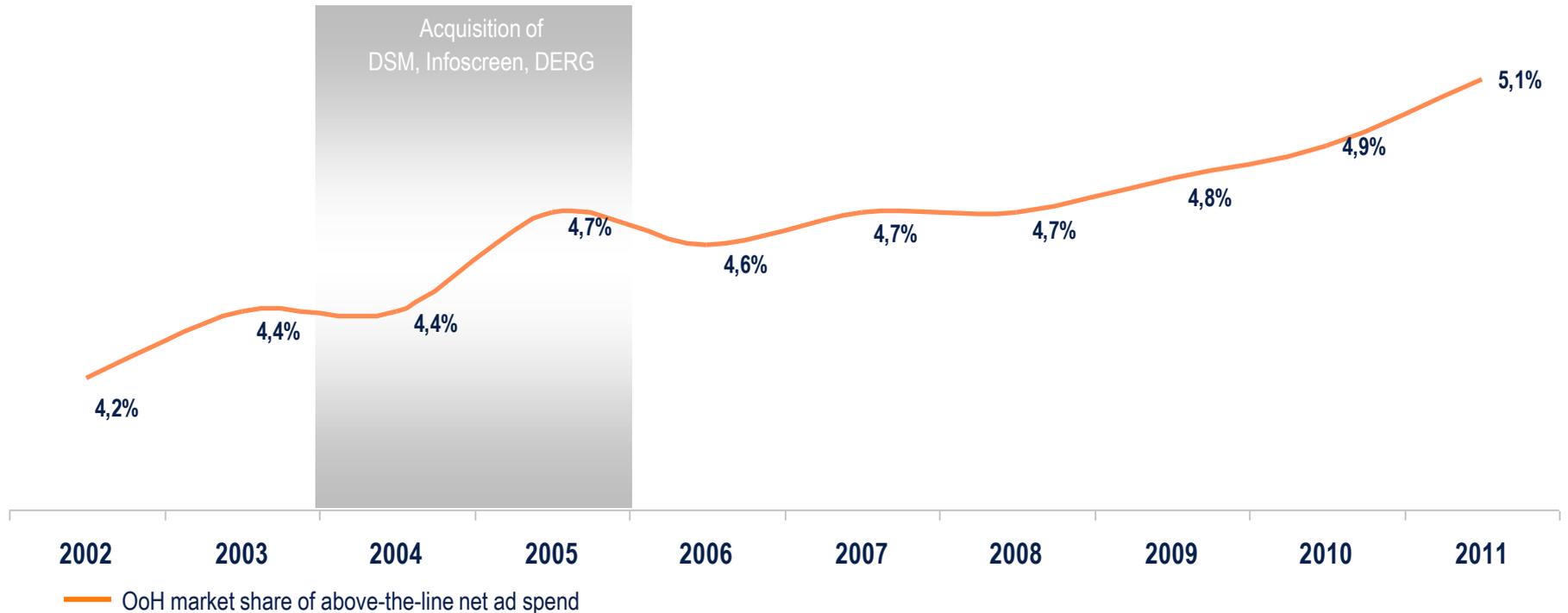
**STRÖER**

out of home media

Outdoor is the only mass medium with consistently large images

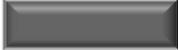
# OoH ad share in Germany has been increasing steadily (Net ad spend - ZAW)

Development of OoH market share of ad spend in % over time



Source: ZAW; May 2012

# In combination with search ads outdoor is the most efficient medium in terms of sales impact per € invested in advertising

				Efficiency ratio Impact / media spend	ROI
TV spots		Share of media spend	 41%	0.8	3 €
		Share of ad impact	 33%		
Outdoor		Share of media spend	 3.4%	5.0	19 €
		Share of ad impact	 17%		
Print		Share of media spend	 48%	0.5	2 €
		Share of ad impact	 25%		
Online		Share of media spend	 9.4%	2.6	10 €
		Share of ad impact	 24%		

Source: media gency Trommsdorff+Drüner, Berlin 2012, Volkswagen study

# # 1 player in underpenetrated and attractive growth markets



#1 in GERMANY  
Europe's largest ad. market



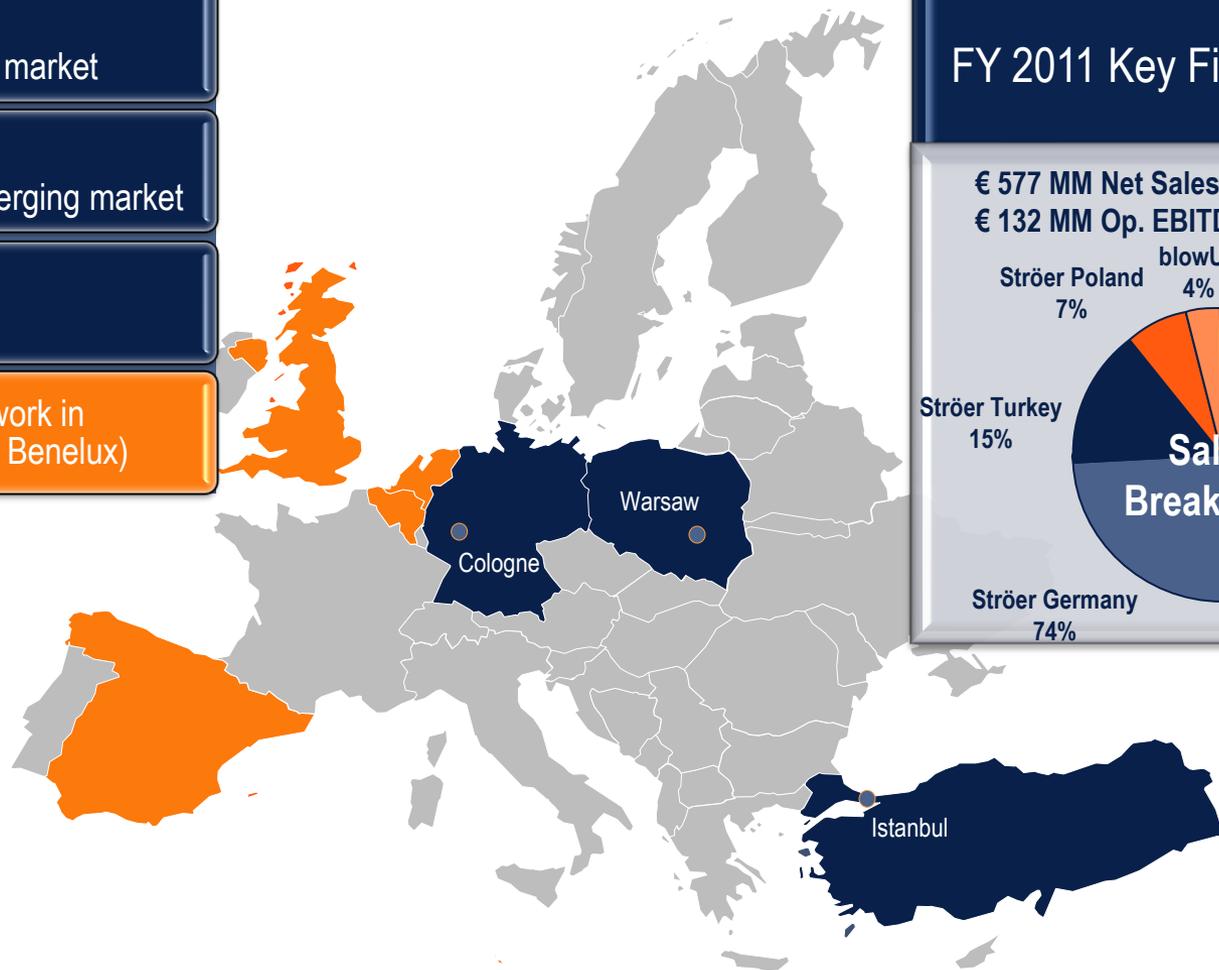
#1 in TURKEY  
Europe's largest emerging market



#1 in POLAND  
Largest CEE market



#1 Giant Poster network in EUROPE (D, UK, E, Benelux)



- Core markets
- blowUP media
- Regional HQ

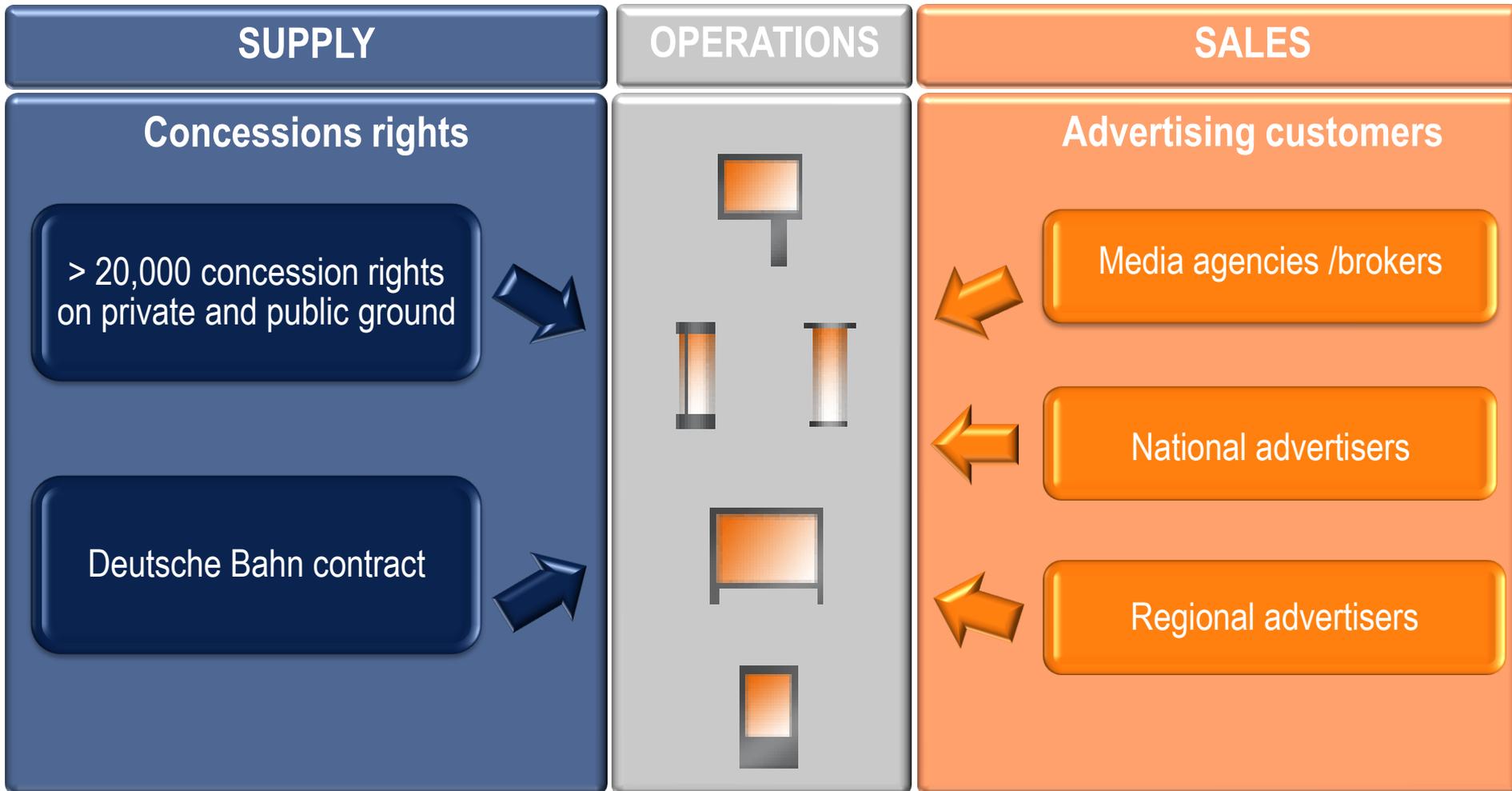
## FY 2011 Key Financials

€ 577 MM Net Sales (+9%)  
€ 132 MM Op. EBITDA (+4%)



~90% of revenues from markets where we are at least double the size of no. 2

# Ströer's source of business in a nutshell



# Ströer's well-diversified product portfolio - Billboards



Traditional Billboard



Mega Light

## Billboards

2011 Revenue:

€302 MM

52% share

- large ad format (> 9m<sup>2</sup>)
- located at arterial roads or in inner city areas
- premium focus
- incl. giant posters

● = margin intensity

◐ = capex intensity



Premium Billboard



blowUP

# Ströer's well-diversified product portfolio – Street Furniture



City-Light-Poster



City-Light-Column

## Street Furniture

2011 Revenue:

€151 MM

26% share

- small ad format (~ 2m<sup>2</sup> - 4m<sup>2</sup>)
- located in city centers
- partly built-in structures (e.g. bus stops)

● = margin intensity

● = capex intensity



City-Light-Poster at bus shelter



Traditional Column

# Ströer's well-diversified product portfolio - Transport



Station Media



Infoscreen

## Transport

2011 Revenue:

€89 MM

15% share

- Ads attached to public transport vehicles
- Traditional & digital ads at transport hubs

 = margin intensity  
 = capex intensity



Train/ Bus



Out-of-Home Channel

# Medium-term growth drivers for OoH and Ströer

GDP / ad market growth

Underpenetrated OoH

Large-scale product launches

Implementation of audience measurement system

Strong ad concession portfolio



# Outdoor 2025



**Global market share of outdoor**



**Digital share**



**Number of outdoor locations**



**Substantial increase in quality of locations**



**Substantial decrease in time-to-market**



**New creative & innovative ad concepts**



**New customers**



- Mixed market environment dominated by short booking behavior and very low visibility
- Group organic growth at -2.9 % in a generally lower weighted quarter
- Regional sales development in Germany and Turkey ahead of national businesses
- German street furniture sales with low single digit growth in Q1
- Margin mainly impacted by unfavorable sales mix and contract ramp-up costs in Istanbul
- Slight improvement in reported EPS due to positive exchange rate development
- Strengthening of German contract portfolio with tender win in Braunschweig & Salzgitter



# Group financials at a glance:

## Soft revenue and profit generation in low-visibility markets

€ MM	Q1 2012	Q1 2011	Change
<b>Revenue</b>	<b>118.6</b>	<b>122.9</b>	<b>-3.5%</b>
<b>Organic growth <sup>(1)</sup></b>	<b>-2.9%</b>	<b>9.7%</b>	
<b>Operational EBITDA</b>	<b>9.3</b>	<b>16.2</b>	<b>-42.6%</b>
<b>Net adjusted income <sup>(2)</sup></b>	<b>-6.2</b>	<b>-1.2</b>	<b>&lt;-100%</b>
<b>Investments <sup>(3)</sup></b>	<b>8.0</b>	<b>12.0</b>	<b>-33.2%</b>
<b>Free cash flow <sup>(4)</sup></b>	<b>-23.9</b>	<b>-22.0</b>	<b>-8.5%</b>
	31.03.2012	31.03.2011	Change
<b>Net debt <sup>(5)</sup></b>	<b>332.3</b>	<b>347.8</b>	<b>-4.5%</b>
<b>Leverage ratio</b>	<b>2.7x</b>	<b>2.7x</b>	<b>-3.3%</b>

Notes: (1) Organic growth = excluding exchange rate effects and effects from the (de)consolidation and discontinuation of operations; (2) Operational EBIT net of the financial result adjusted for exceptional items, amortization of acquired intangible advertising concessions and the normalized tax expense (32.5% tax rate); (3) Cash flows from investing activities excluding M&A; (4) Free cash flow = cash flows from operating activities less cash flows from investing activities; (5) Net debt = financial liabilities less cash (excl. hedge liabilities)



## Market & Portfolio

# Ad market experts citing a mixed picture in German media\*



**“TV is currently gaining market share relative to other segments..., mainly due to a more aggressive deal strategy by large TV marketing companies.”**

**“Up to now, customers have almost been a little overcautious with budget increases.”**

**“The index is likely to be at around 95 in the first few months [of 2012]. ... Budgets are flat or falling. Growth [in one segment] is being generated by shifting spending from other segments.”**

**“Despite a slight increase in budgets in the second half of the year, the trend will reverse somewhat so that posters will clearly remain at the prior-year market share. Print/radio will continue to lose out slightly.”**



**“The picture in Q1 will probably reflect the entire year.”**

**“[We are currently seeing] realignments within spending strategies in individual advertising budgets.”**

\* The quotes were obtained from executives and top managers of leading national and international media agencies and consulting companies and are thus from third-party sources, which are independent from Ströer. The quotes do not necessarily form the basis of or reflect the opinion of Ströer. Ströer has neither commissioned nor requested the content contained in the quotes nor does Ströer accept responsibility for the content, or accuracy thereof, or liability therefrom.



# Financials

# Ströer Group Q1 2012 P&L management view

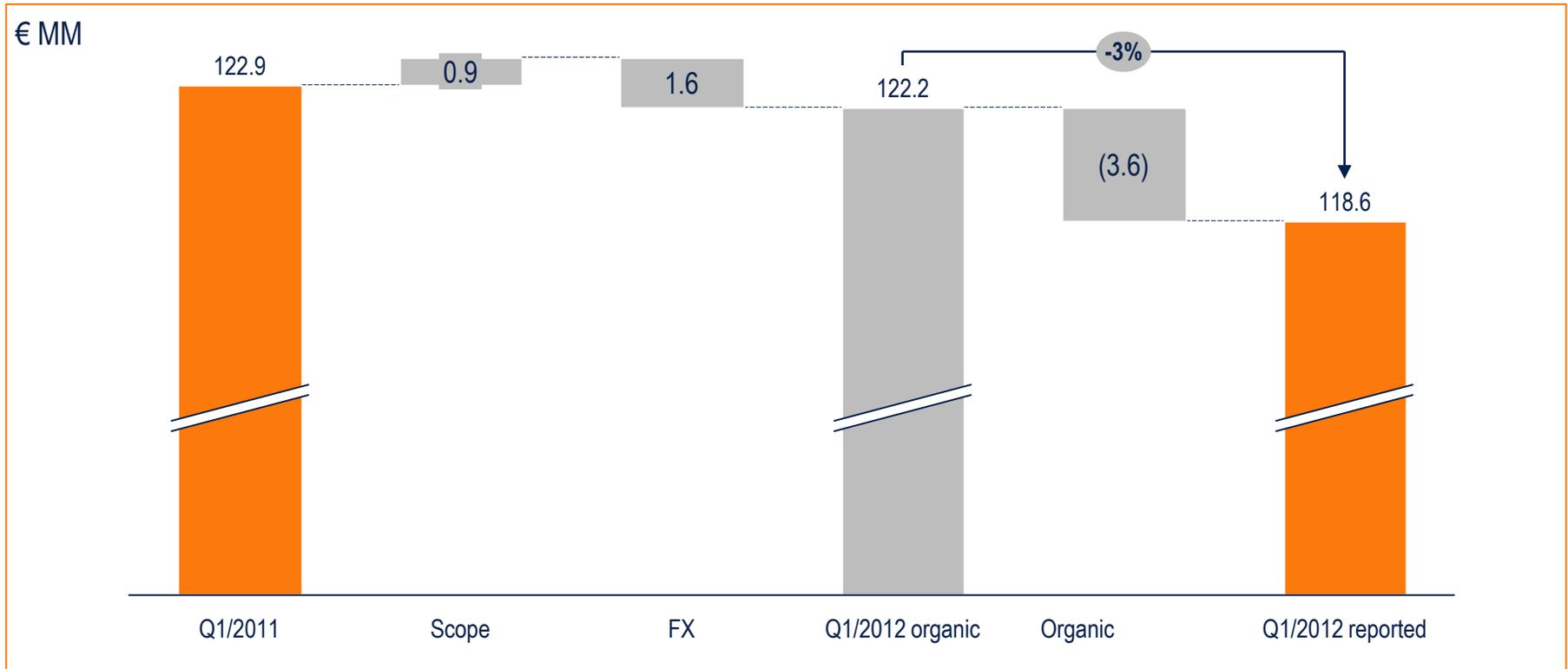
## High prior year comparables dampen start into 2012



€ MM	Q1 2012	Q1 2011	Change
<b>Revenue</b>	<b>118.6</b>	<b>122.9</b>	<b>-3%</b>
Direct costs	-73.9	-71.6	-3%
SG&A	-36.3	-36.1	0%
Other operating result	0.9	1.0	-14%
<b>Operational EBITDA</b>	<b>9.3</b>	<b>16.2</b>	<b>-43%</b>
<i>Margin %</i>	7.8	13.2	
Depreciation	-9.1	-8.9	-3%
Amortisation	-7.1	-7.0	-2%
Exceptional items	-0.8	-1.0	+20%
<b>EBIT</b>	<b>-7.8</b>	<b>-0.7</b>	<b>&lt;-100%</b>
Net financial result	-4.0	-9.8	+59%
Income taxes	5.6	3.9	+46%
<b>Net income</b>	<b>-6.2</b>	<b>-6.7</b>	<b>+8%</b>
<b>Net adjusted income</b>	<b>-6.2</b>	<b>-1.2</b>	<b>&lt;-100%</b>



# Group organic revenue growth bridge: Without scope and FX effects revenue trails € 3.6m behind last year

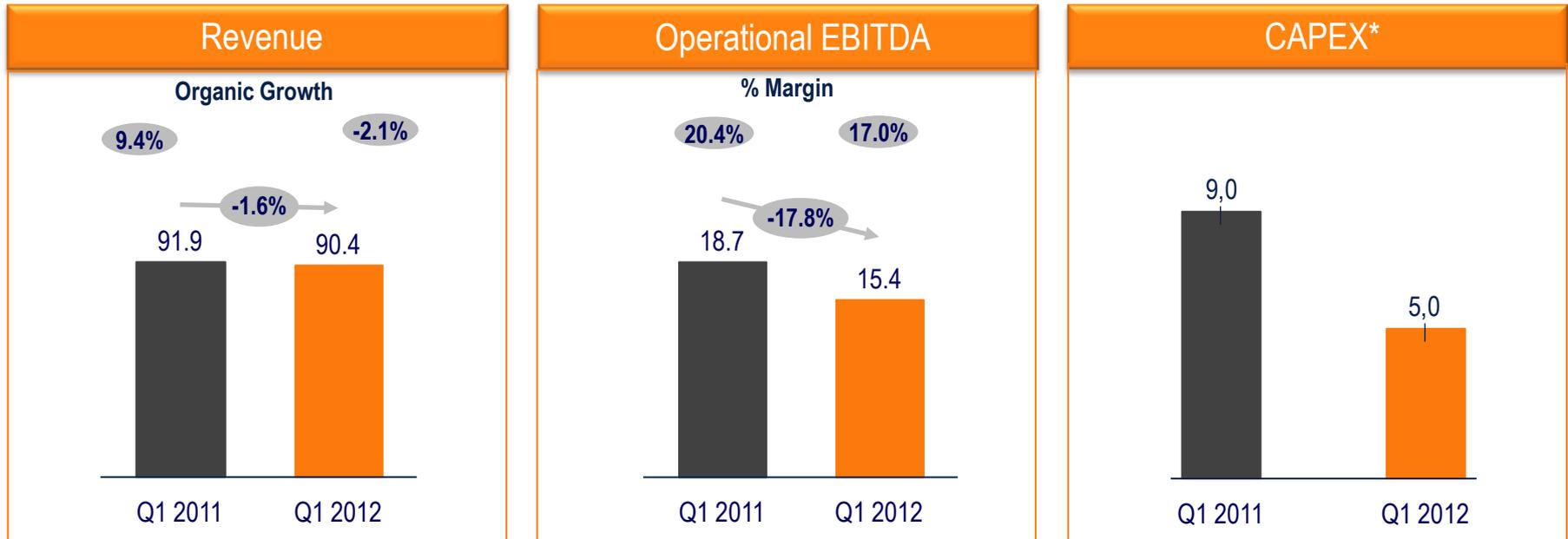


- Germany (€ -1.9m) and Turkey (€ -0.9m) were main contributors to change in organic revenue
- Scope effects relate to ECE flatmedia in Germany and small bolt-on take-over in Turkey
- Ströer Poland with positive organic growth not sufficient to offset adverse sentiment in giant posters

# Ströer Germany: Moderate revenue decline as result of cautious client bookings



€ MM



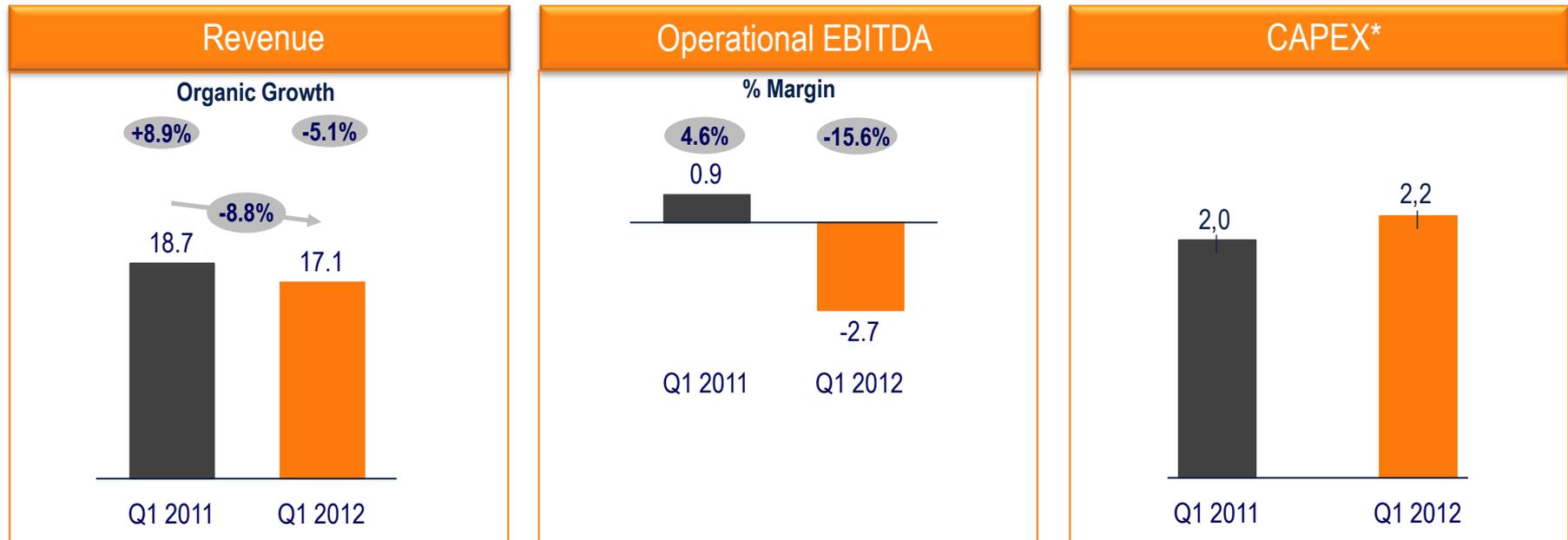
- Higher volume from growth projects cannot mitigate revenue decline in other business lines
- Regional trading outperforms business with national clients impacting the sales mix
- Change in volume and less attractive mix of sales main driver for shortfall in operational Ebitda

\* w/o acquisitions

# Ströer Turkey: Softer business with key accounts plus Istanbul ramp-up effects



€ MM



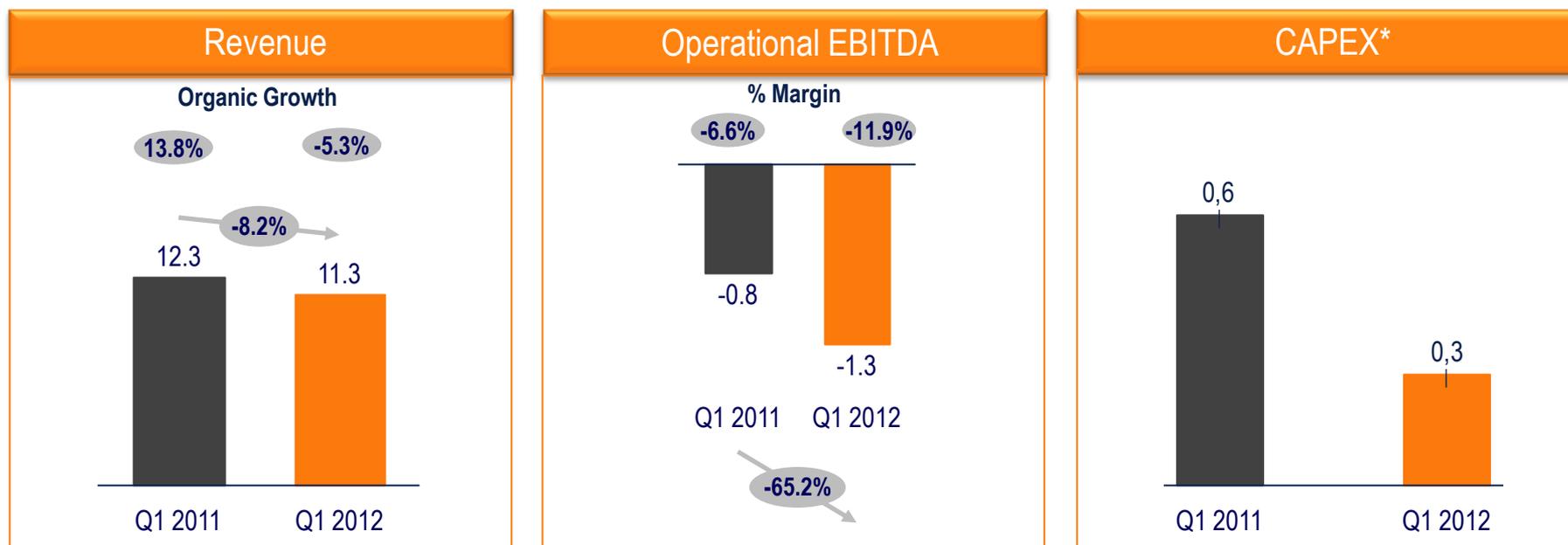
- Flat organic revenue development when adjusting for 3rd party sales contracts terminated last year
- Physical roll-out of new Istanbul inventory gradually underway but not yet commissioned
- Margins mainly affected by incremental Istanbul BB rent payments and rent inflation adjustments

\* w/o acquisitions

# Ströer Rest of Europe\*:

## Positive sentiment in Poland while Giant Posters deliver slow start

€ MM



- Polish sales performance ahead of market trend leading to margin improvements
- blowUP's top- and bottom line impacted by fewer cross-border campaign business
- Limited upside from mega sport events (Olympics, Euro football championship)

\* blowUP Media Group and Ströer Poland

\*\* w/o acquisitions



# Group cash flow and cash position: Development of free cash flow comparable to last year

€ MM

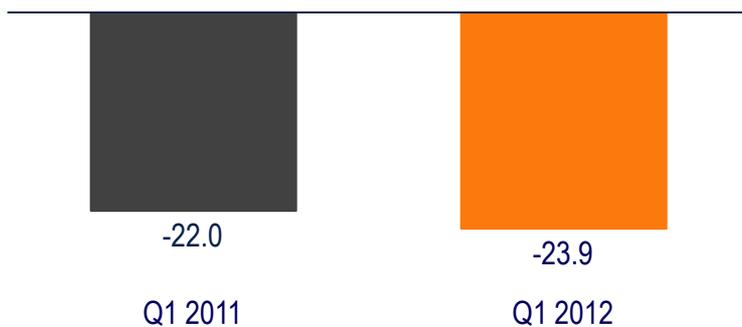
## Cash flow from operations



## Cash flows from investing activities



## Free cash flow



## Comments

- Declining operational cash flow mirrors movement in underlying profit development
- Investing cash flow down on last year given lower cash-out for new inventory
- Free cash flow development similar to last year
- Cash balance runs at €115m allowing 2.7x financial leverage (Q1 PY: 2.7x)

The current media market remains soft and difficult to predict as the sentiment and booking behavior of our national clients is still very short term and volatile. In this challenging environment, Ströer's management expects an organic revenue decline in the range of a mid or even high single digit percentage rate for Q2 2012, depending on the level of bookings in the remainder of this quarter. This is caused by lower trading especially in Germany, while our Turkish operations may achieve a similar underlying revenue performance as reported in the second quarter of last year.

Irrespective of the current difficulties in our trading environment, we are still convinced that our outstanding market position and quality product offering will give us the strength to benefit from the ongoing structural change in the media markets.

**STRÖER**

**out of home media**

# Disclaimer

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