

**STRÖER**



# H1 2016 Presentation

11th August 2016 | Ströer SE & Co. KGaA

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# Agenda

01

## Key Developments

- Key Financials H1 2016
- M&A Overview

Udo Müller

02

## Operational Highlights

- Integration & Synergies
- Out of Home
- Content Group
- Local Sales
- National Sales
- Transaction Business

Christian Schmalzl

03

## Financials

- P&L H1 2016
- Ströer Digital
- Details on Digital
- Ströer OoH Germany
- Ströer OoH International
- FCF
- Financial Status & Leverage

Bernd Metzner

04

## Summary

- H1 2016
- Guidance Statement

Udo Müller

# Ströer SE & Co. KGaA: H1 2016 Results

€MM		H1 2016	H1 2015	▲
Revenues	Reported <sup>(1)</sup>	502.3	363.4	+38%
	Organic <sup>(2)</sup>	8.7%	8.4%	+0.3%pts
Operational EBITDA		114.6	78.4	+46%
Operational EBITDA margin		22.5%	21.2%	+1.4%pts
EBIT (adjusted) <sup>(3)</sup>		75.9	45.0	+69%
Net income (adjusted) <sup>(4)</sup>		60.6	33.8	+79%
Operating Cash Flow		83.4	38.5	>2 times
Capex <sup>(5)</sup>		45.6	38.3	+19%
		30 June 2016	30 June 2015	
Net Debt <sup>(6)</sup> / Leverage Ratio		363.9 / 1.5x	325.4/1.9x	

(1) According to IFRS 11

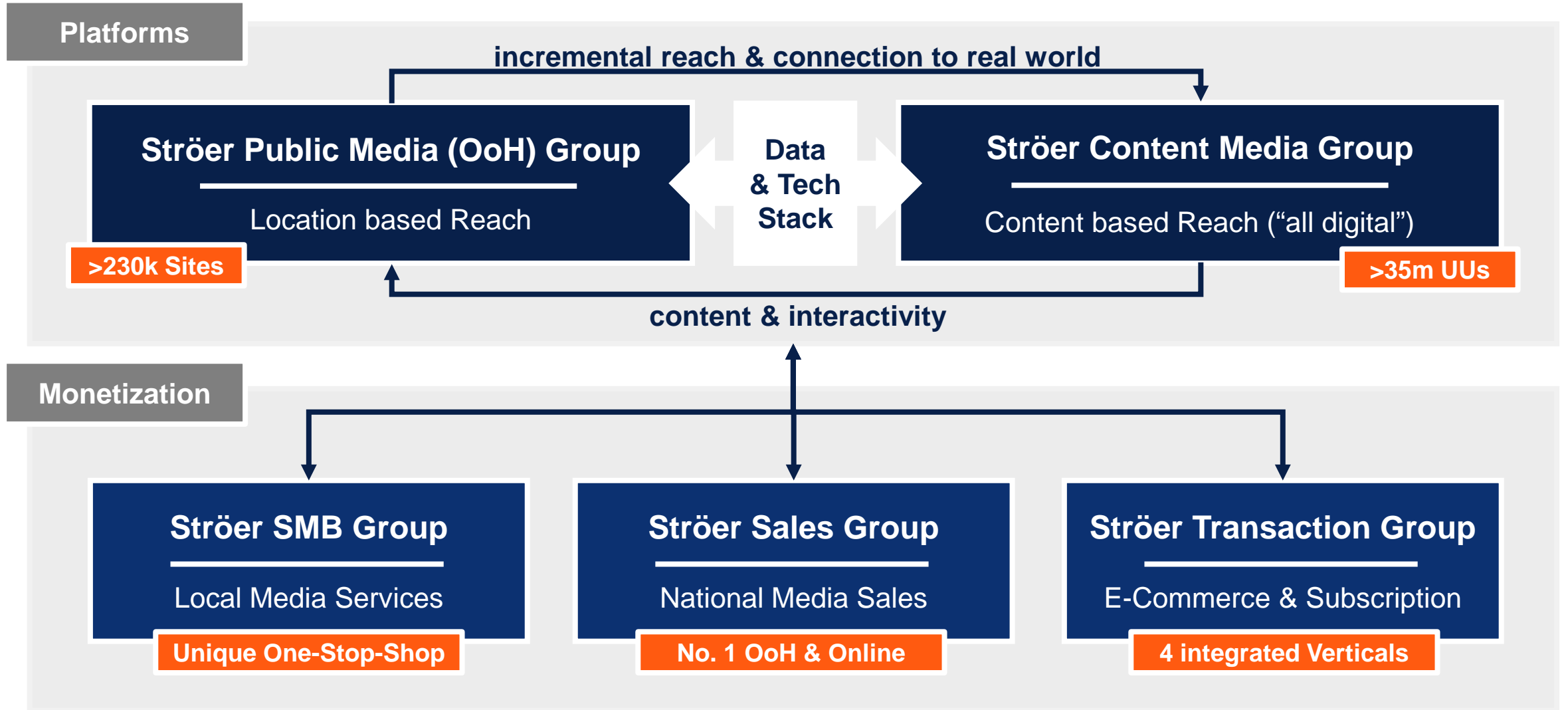
(2) Organic growth = excluding exchange rate effects and effects from the (de)consolidation and discontinuation of operations

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

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

(5) Cash paid for investments in PPE and intangible assets (6) Net debt = financial liabilities less cash (excl. hedge liabilities)

# Ströer Multi-Channel & Integrated Monetization Ecosystem

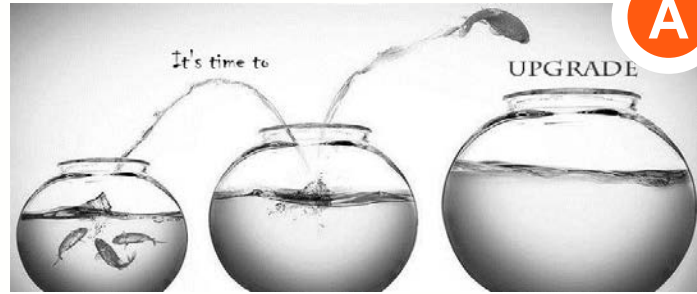


## All M&A Activities follow Three Clear Principles

1. Every target or new asset has a robust standalone case.
2. Every acquired asset needs to perform better with Ströer than in a standalone case based on our group synergies.
3. Every asset also delivers synergies or scale effects back to our group.



# M&A follow a consistent Strategy: Three Value Creation Approaches (1)



A

## Re-Positioning Cases

- Robust standalone case with strong cash-flow and high margin – but clear re-positioning potential
- *Examples:*



B

## Dynamic Growth Cases

- Structurally fast and sustainably growing business model with a still limited margin or investment case
- *Examples:*



C

## Consolidation Cases

- Individually interesting assets or products in a fragmented market segment with lack of USP or scale
- *Examples (consolidation into ...):*



# M&A follow a consistent Strategy: Three Value Creation Approaches (2)

A

## Re-Positioning Cases

- We stabilize and protect top line performance through strong group levers, media for equity and marketing/sales support
- We improve bottom-line massively through cost reduction and structural efficiency programs

B

## Dynamic Growth Cases

- We accelerate the underlying growth through three key elements
  1. capital / cash-flow
  2. management support
  3. tailor-made, selective group support packages

C

## Consolidation Cases

- We merge various assets and build one consolidated platform to drive market share and leverage structural synergies
- We focus primarily on tech alignment, overhead reduction and consolidation of salesforces

# Value Creation and concrete Results: T-Online

## Re-Positioning Case

1



- Substantial investment (55% of M&A budget '13-'16) on the basis of identified massive synergies via Ströer Group.
- Improving & protecting top line via No. 1 online sales group and vice versa strengthening market position of sales group.
- Improving bottom-line by >10m Euro (>25-30%) via performance publishing knowhow, tech platform and cost synergies

## First Results January to June 2016:

### Traffic

Combined traffic of mobile and desktop visits overall stable versus previous year developments



### Sales

Integration into Ströer sales organisation leads to eCPM improvement of overall >16% versus previous year



### Cost

Cost efficiency program (no staff restructuring!) led to already 8m Euro savings effective for 2016 after half a year





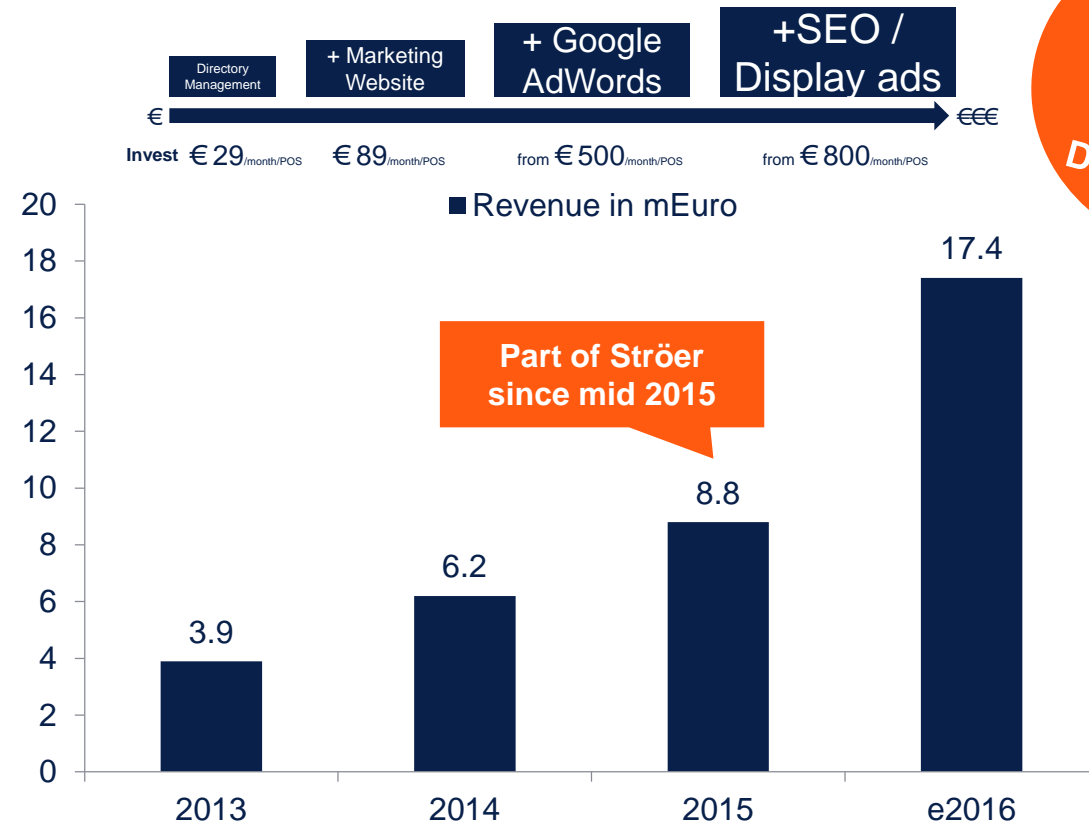
# Value Creation and concrete Results: RegioHelden

2

## Dynamic Growth Case



- Investment in early development phase of digital 360° advertising and marketing services sales house for SMBs (Websites, SEO, Google AdWords, local display ads & performance marketing)
- Strong synergies with local OoH sales organisation as well as tech and data stack of digital group
- Successful integration of OMNEA directory product kit in 2016



Accelerated Revenue Growth and Product Development

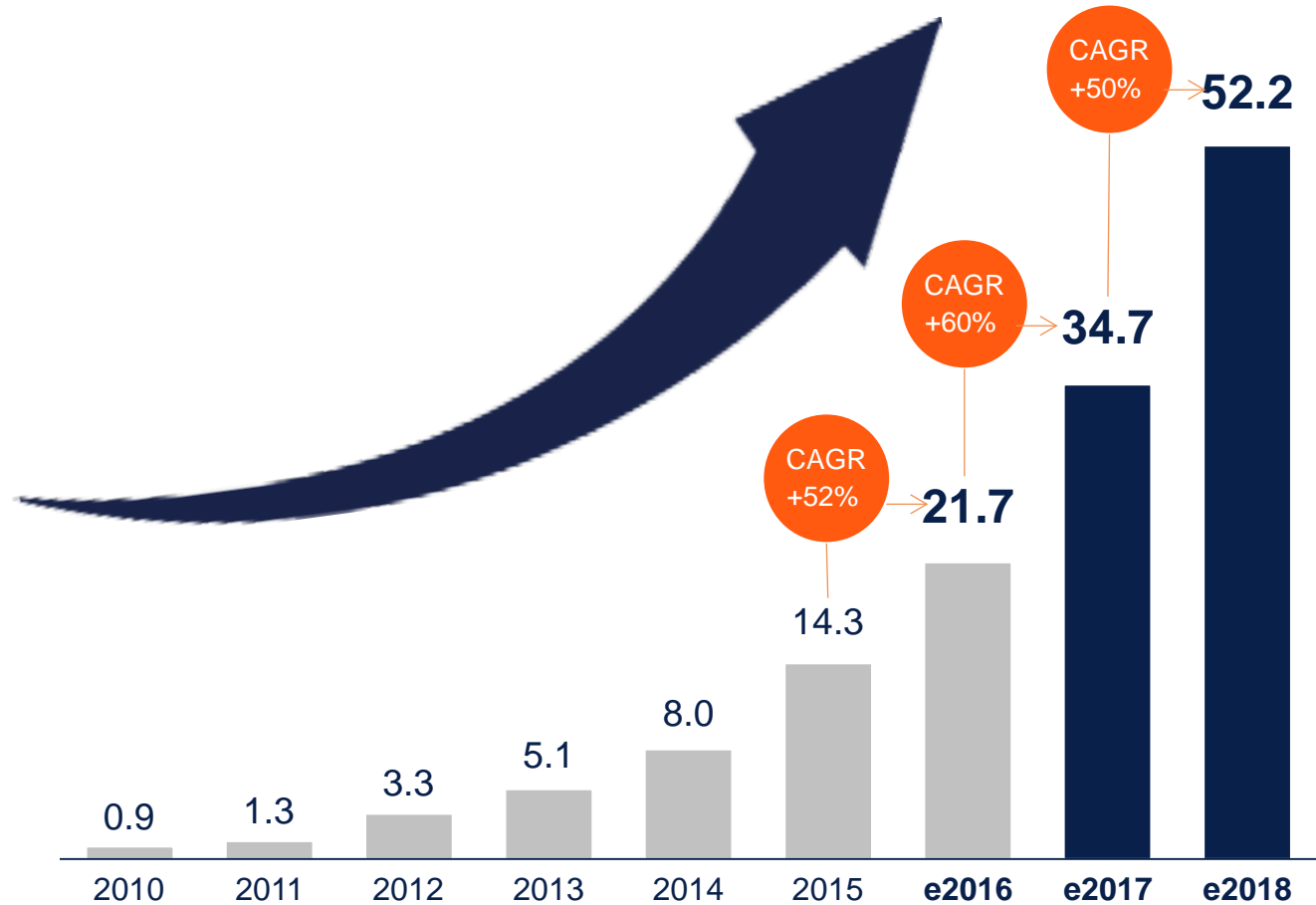
# Value Creation and concrete Results: Statista

3

## Dynamic Growth Case

statista 

- Strategic investment (10% of M&A budget '13 - '16) in a globally scalable business model
- Next generation content & subscription business
- Cash & management support for internationalization and growth acceleration
- Content support for publishing assets and statistics service for publishers of sales organisation
- Ytd growth exceeds plans!



# Value Creation and concrete Results: Ströer Mediabrands

## Consolidation Case

4

**STRÖER** media brands

- Investment in overall seven different assets in the area tech, entertainment and gaming throughout 2013 & 2014.
- Consolidation of relatively small portals into one group to leverage synergies via one tech platform, lean management structures and best-practice implementation.
- More than 6m Unique Users are furthermore monetized with higher eCPM via No. 1 online saleshouse

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**android**  
next

**gamona**

**SPIELAFFE**.DE

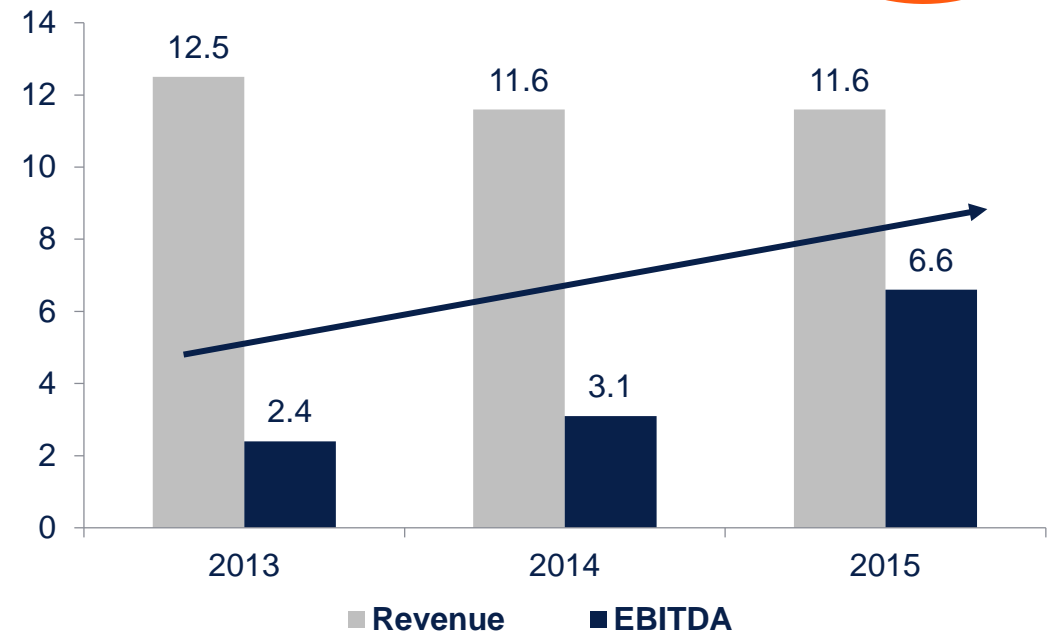
**spieletipps**

**tabtech**

**STRÖER** media brands

€ MM

EBITDA growth of >250%



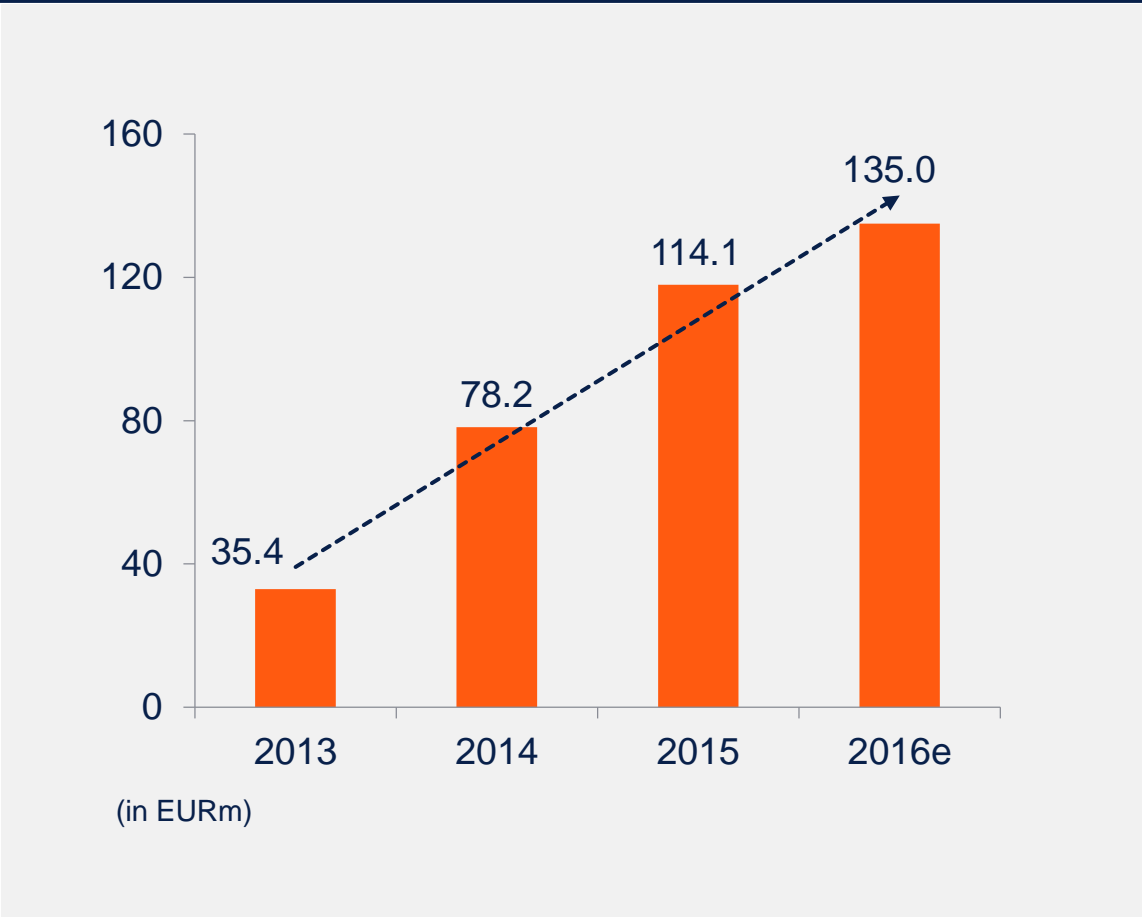
Purchase Price: ~20m  
3x EBITDA Multiple 2015

**Balanced structure of  
cash-contributing, EBITDA-focused  
more mature business models  
&  
fast growing, dynamic assets with  
sustainable perspective!**

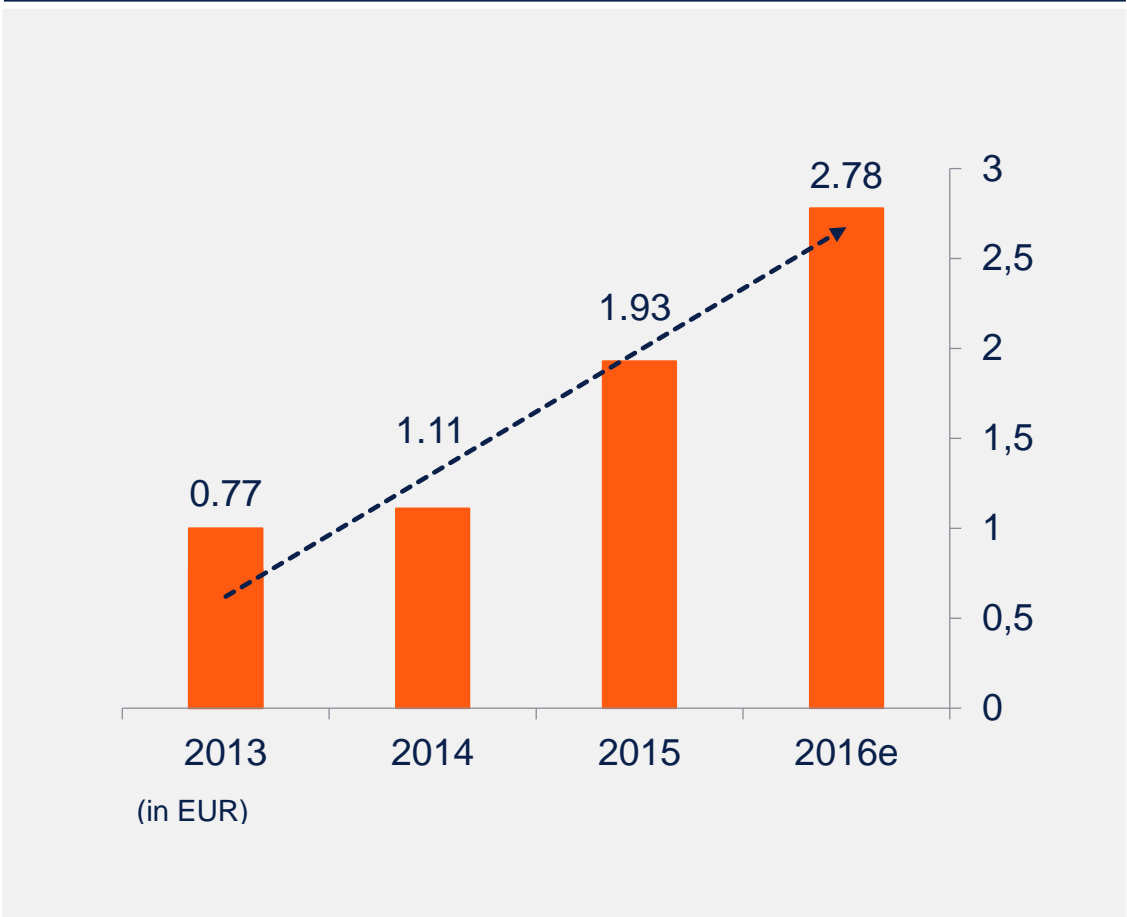


# Our M&A Strategy pays off: Significant KPI Improvements

**Free Cash Flow (before M&A)  
increased ~ 4 times since 2013**



**Adjusted EPS increased ~ 4 times since 2013**



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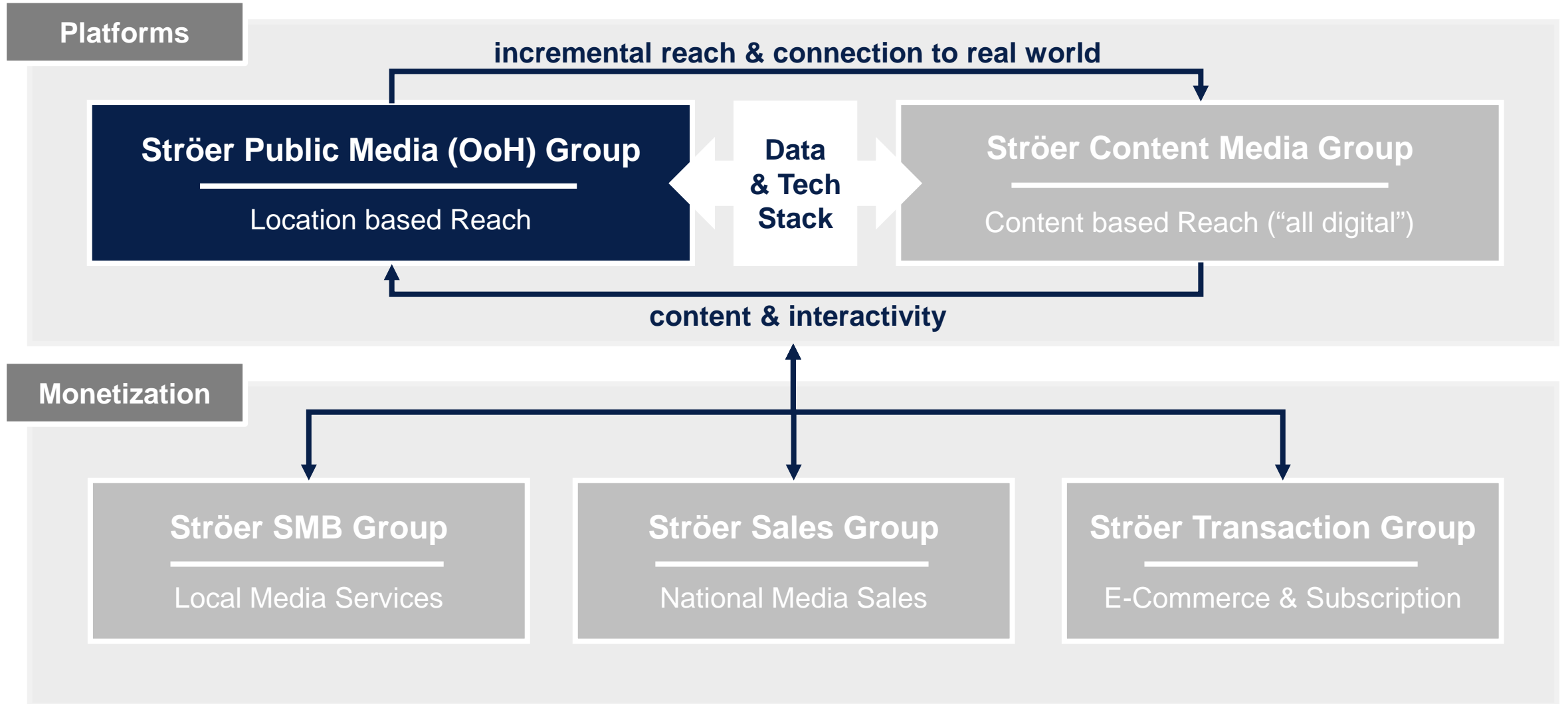
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# Ströer Multi-Channel & Integrated Monetization Ecosystem



# Pushing Existing Public Video Network (Indoor!) to the next Level

## First 100% Digital Underground Stations



Example Hamburg Jungfernstieg



Example Hamburg Königstrasse



### Portfolio Development



- Prolongation of strategic long-term contracts for public transportation system in top cities, e.g.  
Hamburg: >13 years (70 + 100 Screens)  
Munich: >15 years (150 + 90 Screens)
- Constant up-grading to more digital inventory e.g.  
Cologne: 87 + 31 Screens  
Stuttgart: 31 + 26 Screens

### Deutsche Bahn



- Investment programme of DB (“Zukunft Bahn”) allows great and smart opportunities to accelerate further digitization with limited funds
- Focus on the top suburban railway stations („S-Bahnhöfe“)
- Prototypes of fully digitized stations already visible in Hamburg (e.g. Jungfernstieg, Königstrasse)



# Next Steps Roadside Digitization – with excellent Market Feedback

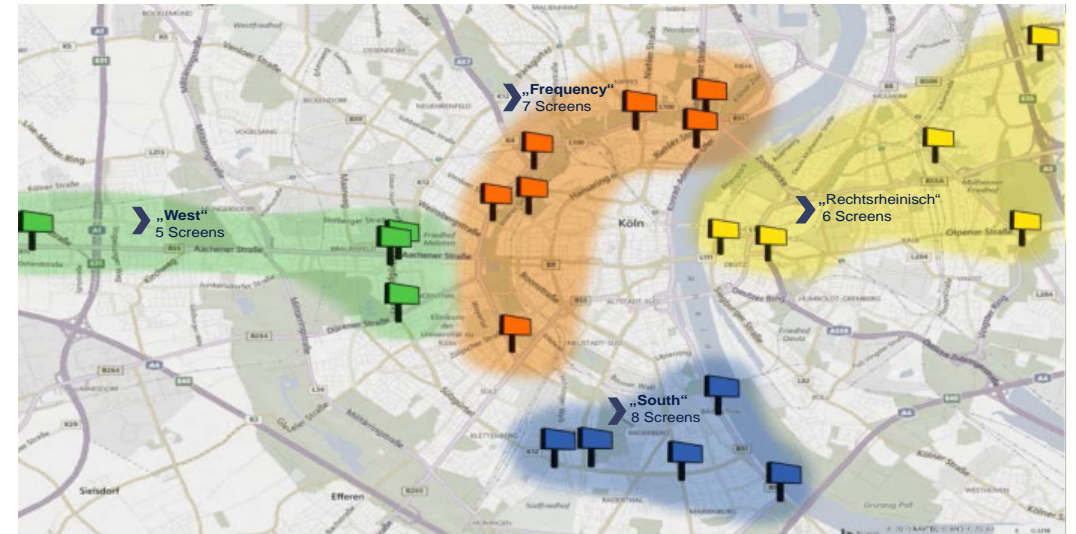
- Successful beta-test in Wuppertal around right locations, screen network coverage, content concept as well as marketing & sales strategy
- Consequent roll-out city-by-city and a clear bottom-up approach in line with revenue generation via local clients (SMBs: signage & campaigns)

## First German Top 5 City: Cologne

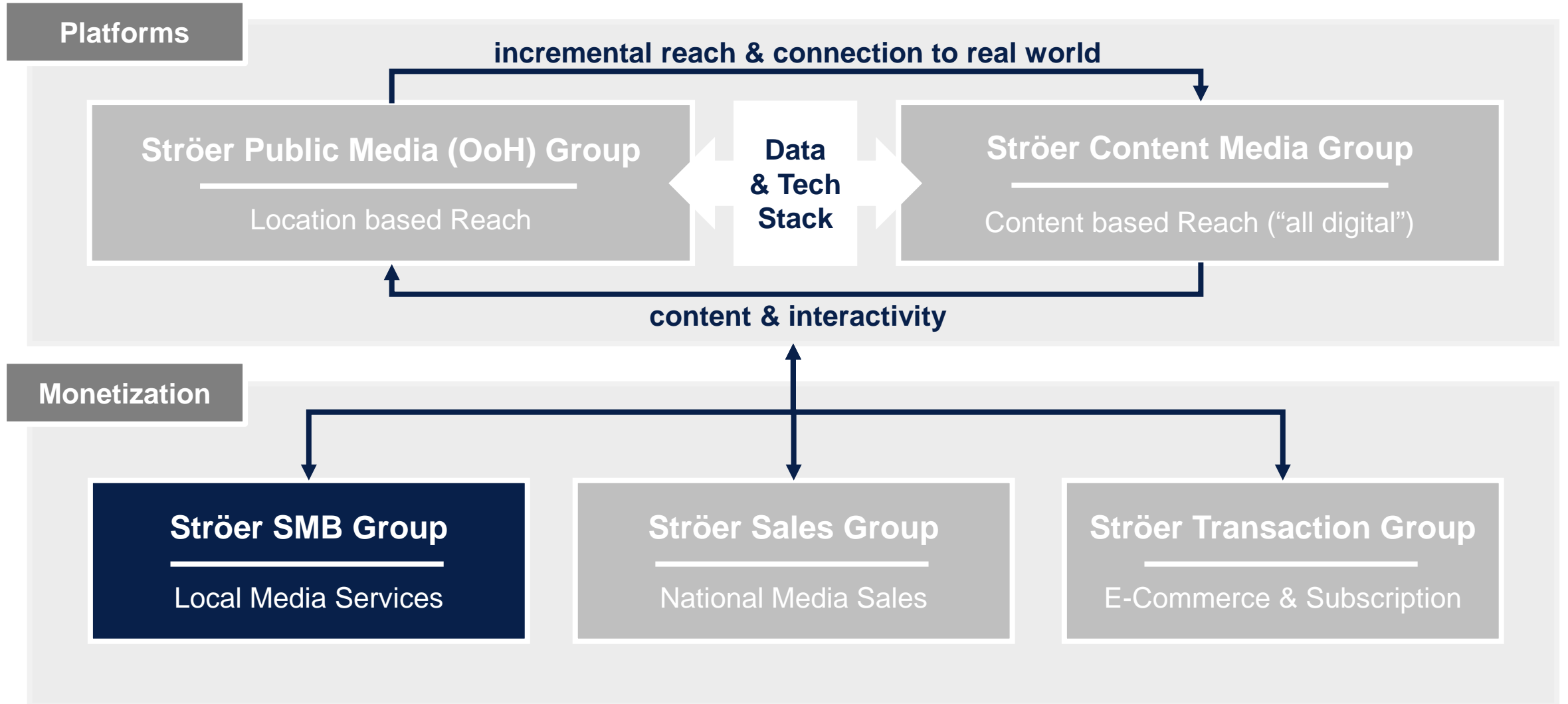


- Installation of 28 screens in absolute top locations for high visibility and maximum daily reach
- Smart mixture of advertising and local content (i.e. news, sports, weather)
- Order book: 2.4m Euro after 6 months
- 133 clients from targeted segments, e.g. service providers, fitness studios, car dealers, estate agents, medical practices, catering & event

## Current Roadside Screen Network – 4 Modules



# Ströer Multi-Channel & Integrated Monetization Ecosystem



# Local Sales Development: Growth Case fully on Track!



## Sales Force Development



- Headcount HY 2016 vs. FY 2015 up by +70 (+20%), 112 Hires
- Ahead of mid-term plan of ~800 FTEs by end of 2018
- Further 350 candidates in the final selection round/pipeline; scalable recruitment and training process



## Revenue Development



- Current order book OoH up by 58% vs. previous year
- Current order book Digital up by 65% vs. previous year
- Combined incremental revenues in order book (for 2016-2018) of roughly 15m vs. previous year

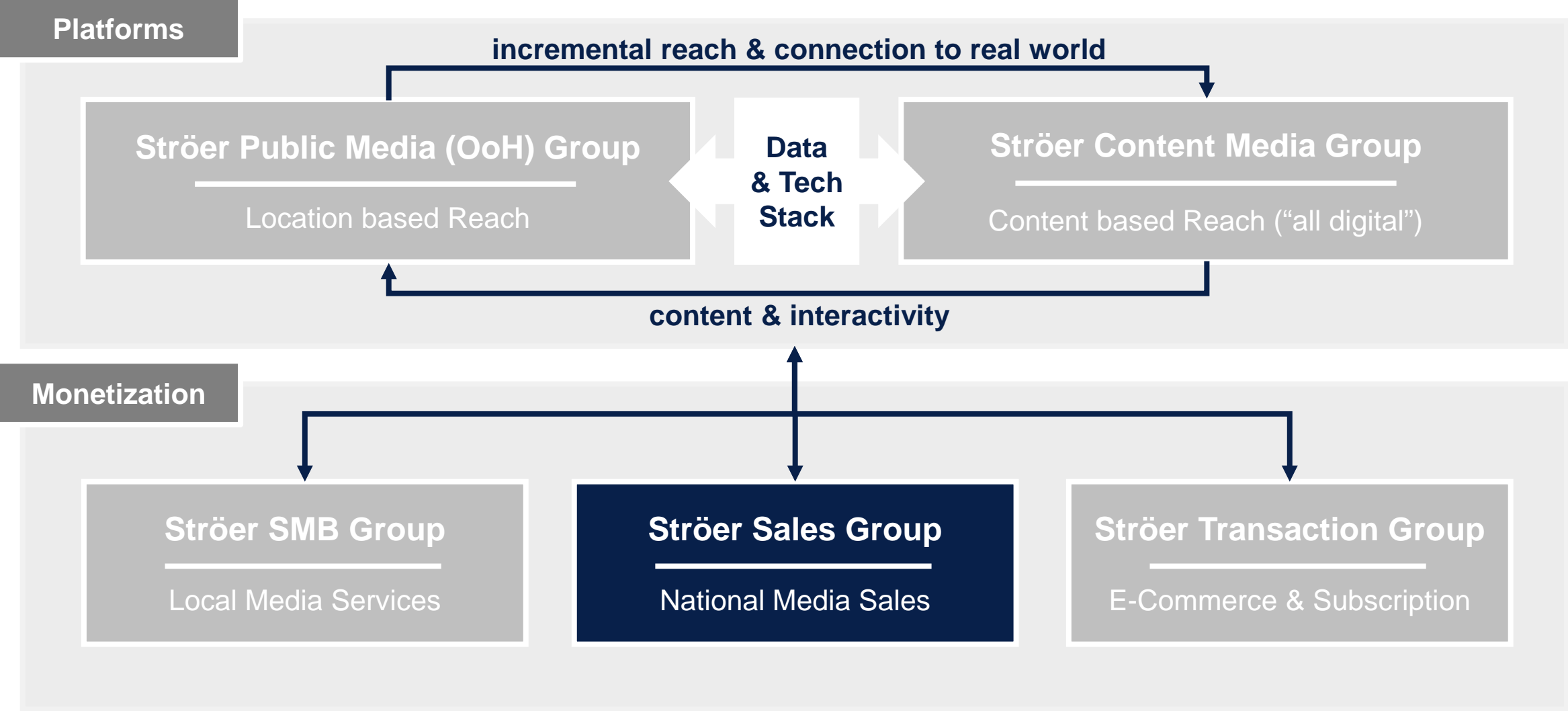


## Integrated Offering



- Integration of OMNEA (directories) in digital product suite completed
- 10 digital competence centres across GER in place to support growing number of tandem teams
- Share of combined offerings more than doubled from 9 to 21%

# Ströer Multi-Channel & Integrated Monetization Ecosystem

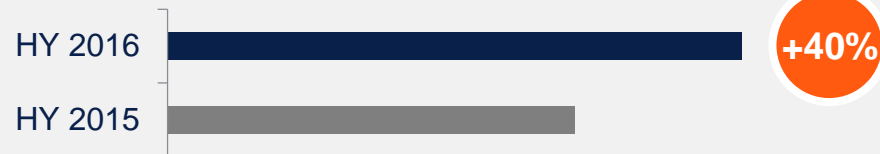


# OoH Sales: Growing Sales Impact & New Bizz Initiatives

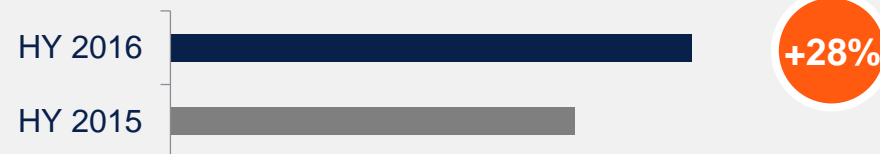
## Persistent & pro-active Handling of the Market

- Over 1,000 offers generated in Q2 2016 by the teams (650 in 2015)
- Customized offers for events (e.g. EM 2016) enable to place 200 offers at clients and realize approx. 5m Euro additional revenue
- Combined OoH & Online approach pushes direct client meetings significantly

- Volume of offers first six months



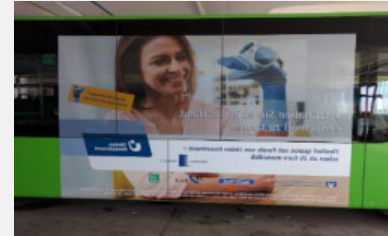
- Client meetings first six months



Access to historically weak OoH sectors

## Sector Initiative: Finance

Client interactions with >60% of all clients including workshops to discuss customized solutions and best practice in the sector



## Sector Initiative: FMCG, Food, Beverages

Focus on FMCG costumers leads to approx. 200 offerings with a total volume of over 43m Euro



# Programmatic Infrastructure drives Efficiency and Yield Optimization

## Programmatic Public Video



- Adserver based technology enables programmatic Public Video campaigns and drives yield optimization and efficiency
- First DSPs (Active Agent, Mediamath, AdForm) connected to collaborate with the big 5 agency networks from Q3 onwards

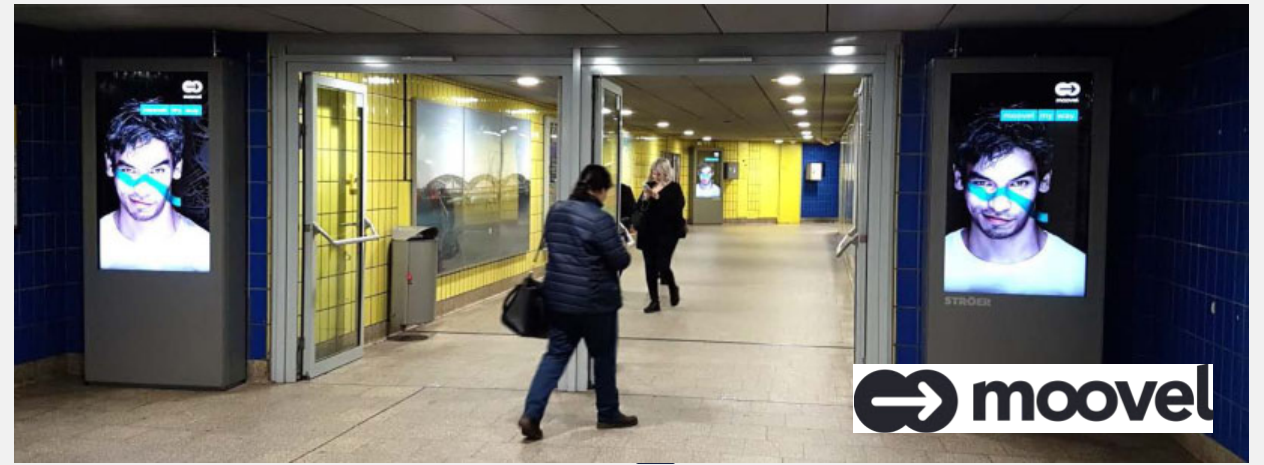
## Leveraging Proprietary Adserver Tech for PV



## Implementation of first Campaign(s)



- Successful launch of first programmatic campaign in Germany in Q2
- Close cooperation and technical delivery with Vivaki to create a fully scalable case and prototype for all agency networks
- Campaign communicating the new claim „moovel my way“; targeting based on weather conditions and selected target group criteria

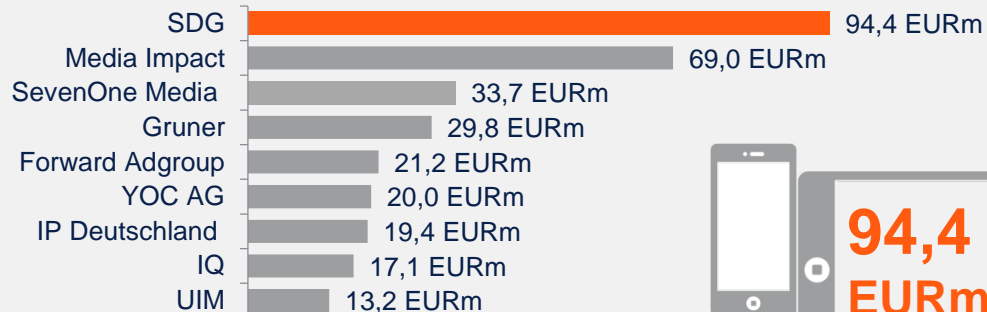


# Digital: Market Leadership and Launch of new Products and Services

## Clear German Market Leader in both Display & Mobile



**935,5  
EURm\***



**94,4  
EURm\***

## Roll out of new Products on ONE Platform



Roadblock Pilot: June 2016

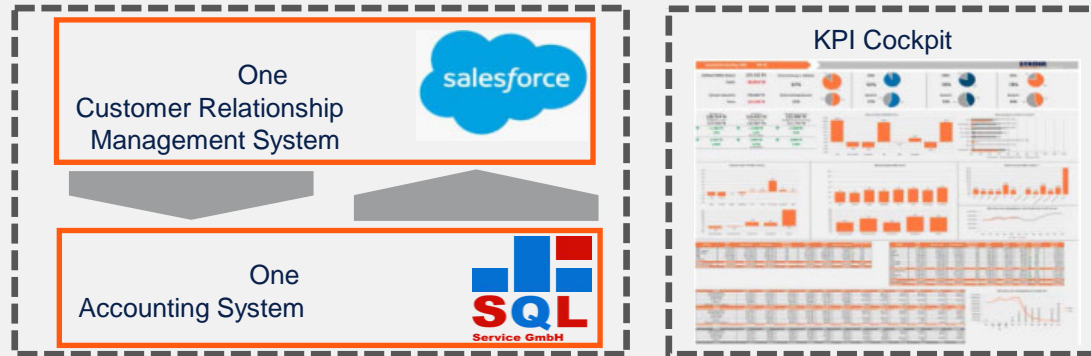


- New products to offer reach and quality products for advertisers e.g. Homepage Roadblock, First Contact
- Automatized yield optimization drives monetization for publishers by approx. 15%
- New cooperations and acquisitions enable new services to offer full range monetization (e.g. TWIAGO)
- DMP strategy and roll out from ONE tech are central enabler for further growth

\* Source: Nielsen Fully Year 2015 (excluding adScale, TubeOne)

# Integration: Operational Excellence and centralized Sales Activities

## ONE Infrastructure (Hardware / Software)



## ONE Sales Team offers Digital Portfolio



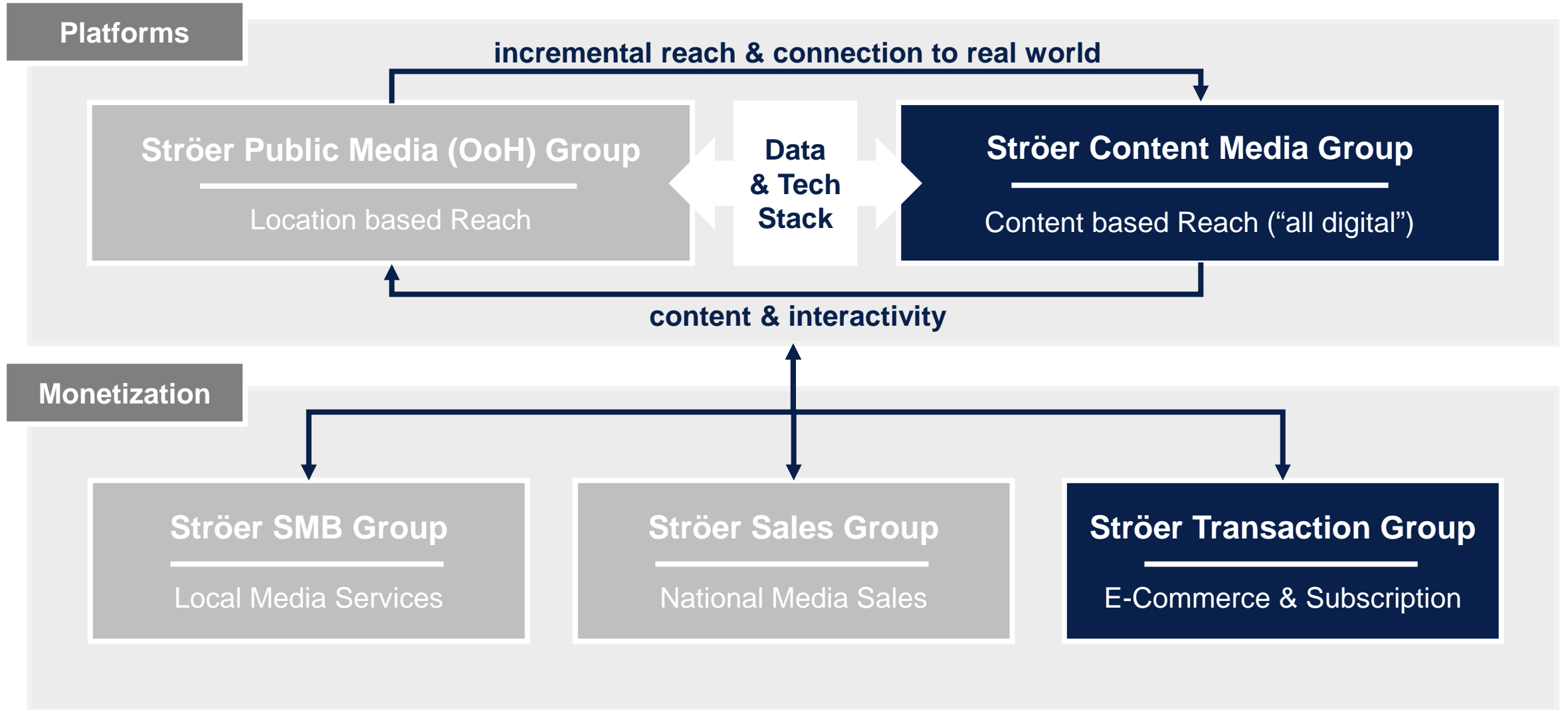
Examples of >800 exclusively marketed sites

- ONE Platform enables transparency and is key for redefining workstreams and processes
- ONE Team: Integration of companies (e.g. adscale) and units enabling integrated teams for know how transfer/lean structure
- ONE KPI system: Synchronized KPIs for the group
- ONE Service Desk: Salesforce as central CRM System and KPI-Cockpit improves customer satisfaction

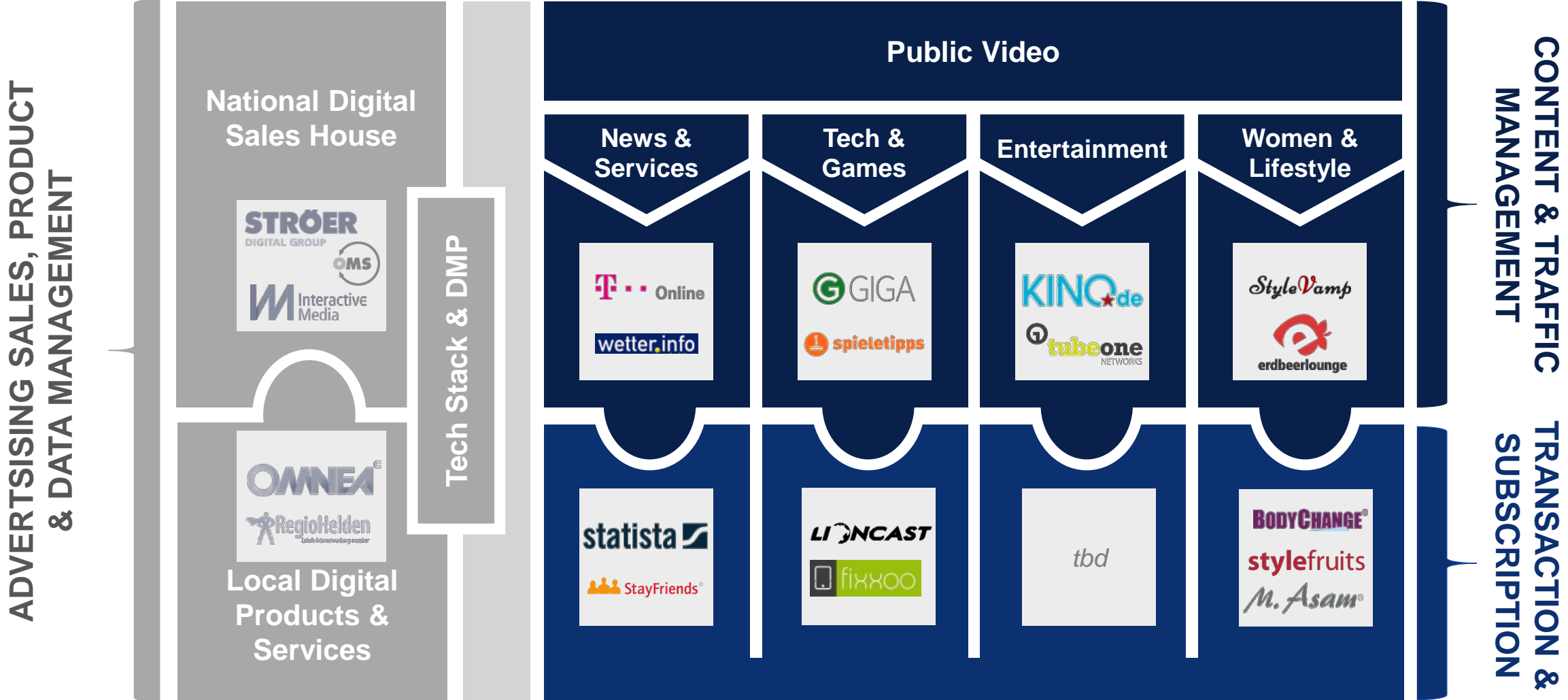
- Centralized and synchronized market activities (ONE face to the customer)
- Integrated sales services, marketing and research activities lead to cost reduction
- Strong publisher partnerships enable to extend 24 contracts and win 11 new publishers to round our channel portfolio.



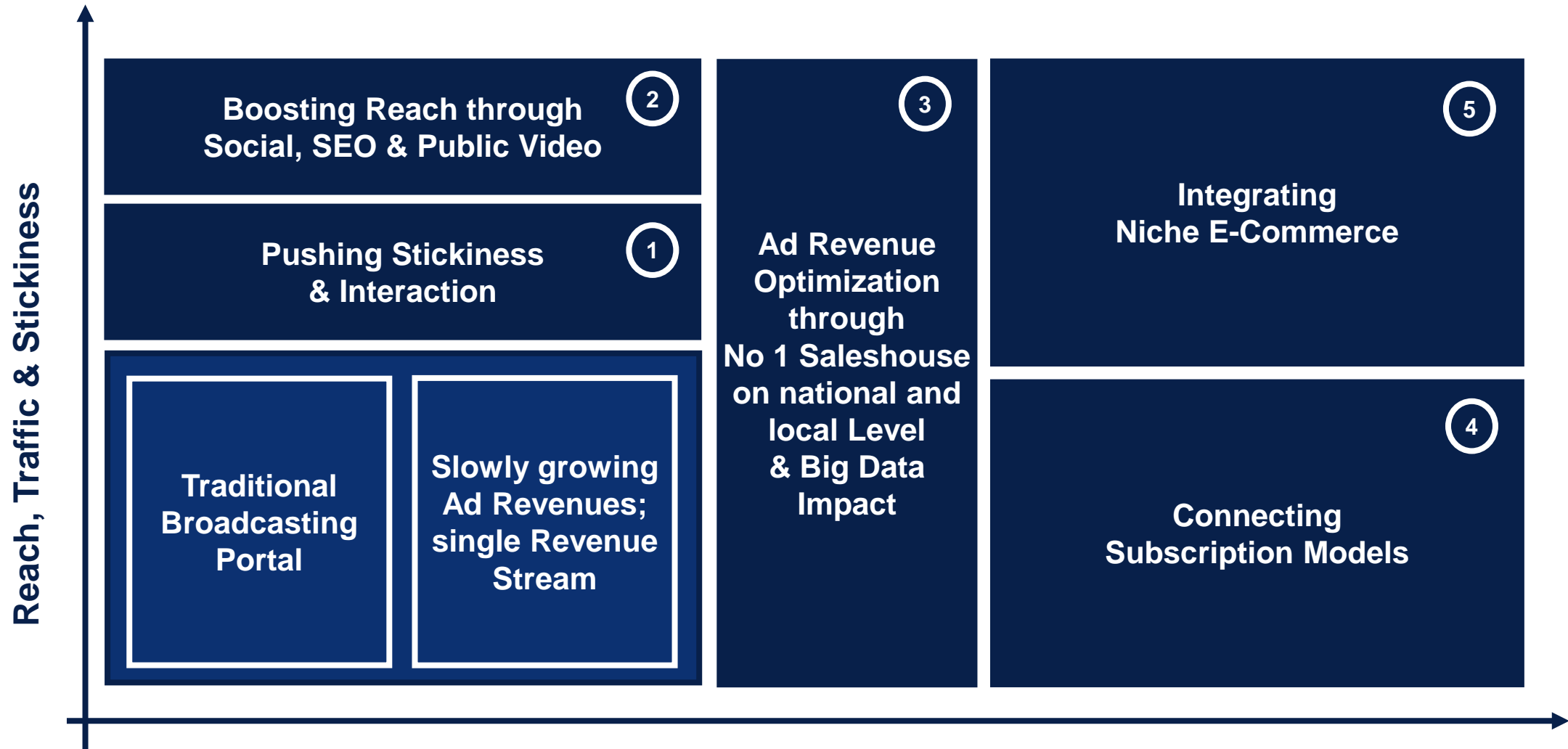
# Ströer Multi-Channel & Integrated Monetization Ecosystem



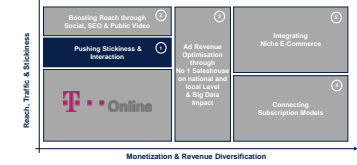
# Segment "Digital": Overall Structure & Units (exemplary Entities)



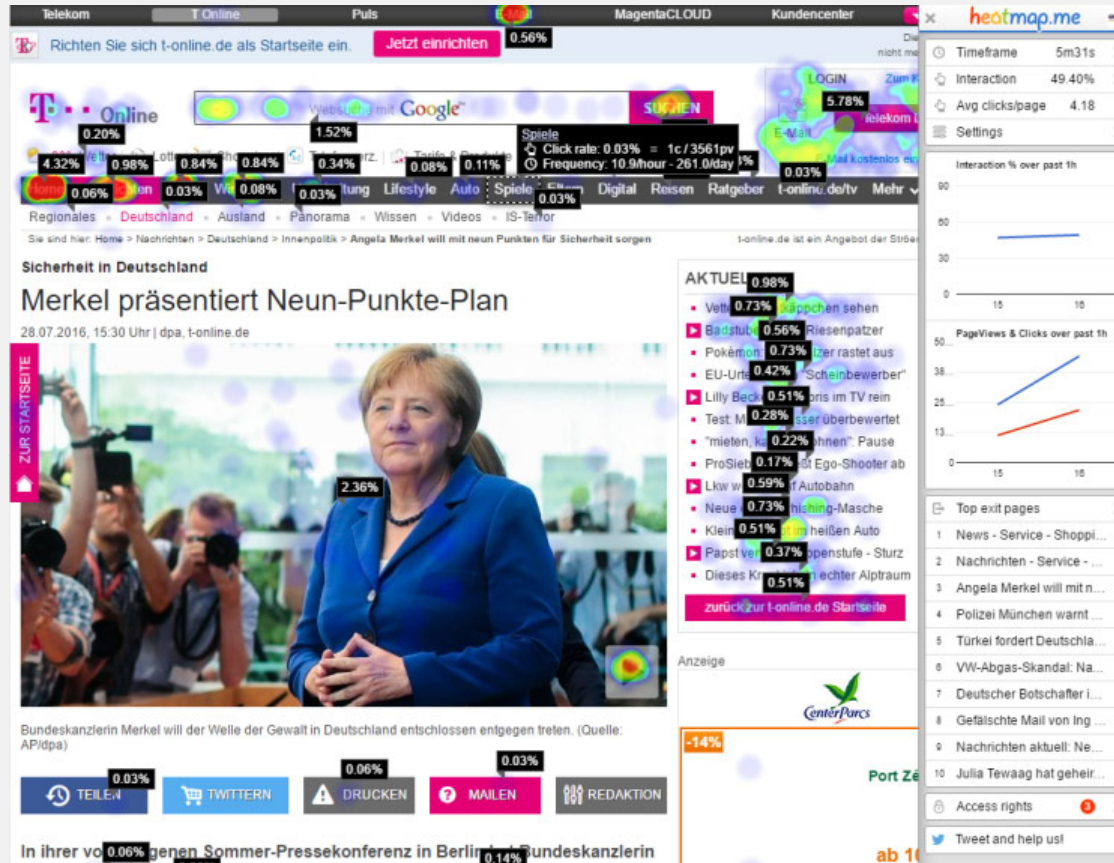
# Ströer Value Creation Model for Digital Content & Transaction



# T-Online: Leveraging Ströer Performance Publishing Suite



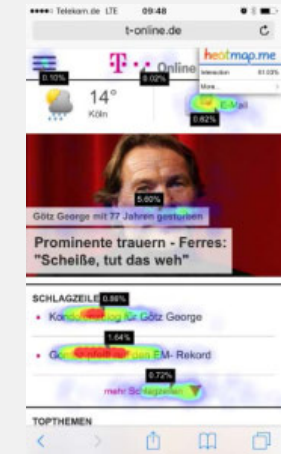
## Example: State of the Art real time Analytics Tools for T-Online



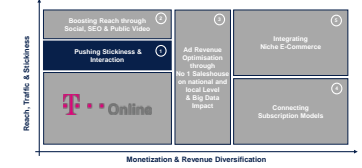
## Driving T-Online Stickiness



- Live tracking (clicks, bounce rates, page views etc.) on each page (desktop and mobile)
- Real time optimization of websites and elements incl. shopping modules
- Increase of user interaction rates and site stickiness beyond historic benchmarks
- Same & consistent tool for all assets: synergies and knowledge exchange



# Central Ströer Video Unit tripling historic Video Content



## Production Studio in Cologne supporting all Assets & Segments



Massive Quantitative & Qualitative Effects

## Launch in April 2016 1

- More than 600 videos created since launch in April
- Price per piece 35% below decentralised historic setup

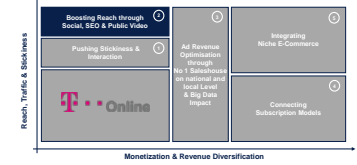
## Further Scalability 2

- Current output of more than 20 videos (short-format) per day
- Improved volume by Q4/2016: >40 videos per day

## 24/7 Real-time Output 3

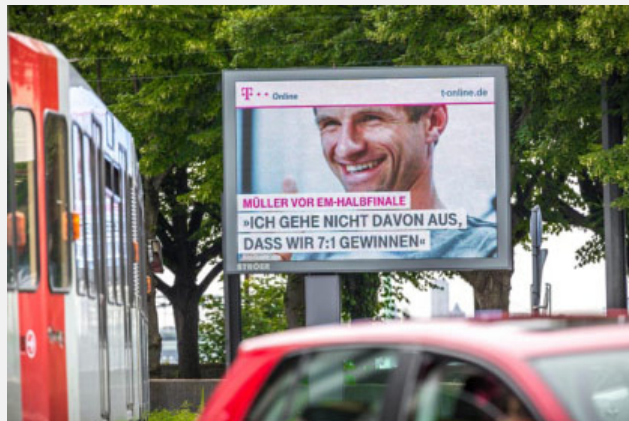
- Shift operations guarantee 24/7 output connected to performance analytics
- Fundamental traffic driver for news & service portal like T-Online

# T-Online: Smart Traffic Growth Hacking

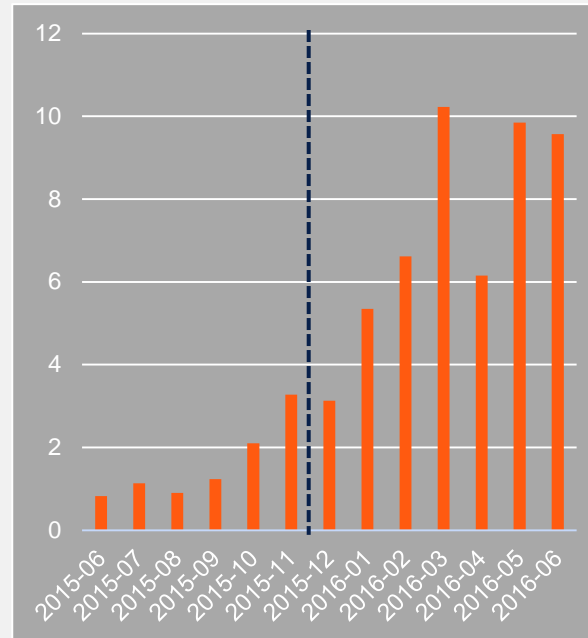


## Public Video 33m Uniques/month

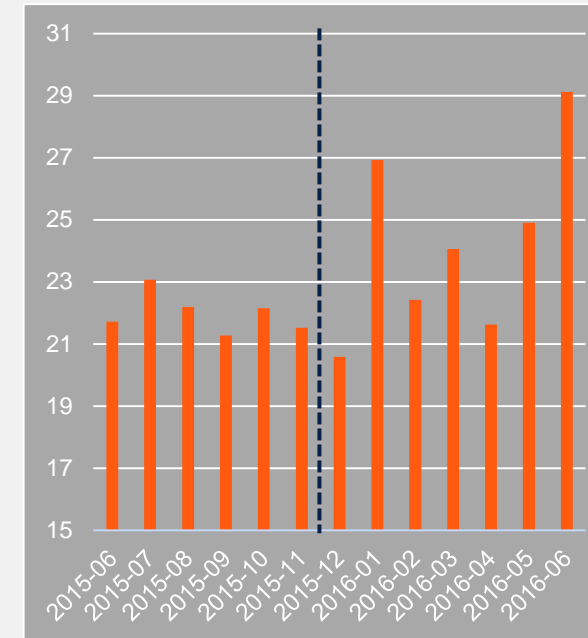
- T-Online content & brand presence since Q2/2016 on Public Video
- Massive marketing effect supporting homepage traffic



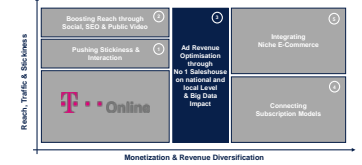
## Social-driven Visits (mio) 1.058% YoY growth



## SEO-driven Visits (mio) 34% YoY growth



# T-Online: Leveraging Ströer Sales Organisation & Power



## eCPM – eCPCs\*

Over the last six months, T-Online was able to increase the monetization of ad inventory significantly



**Video eCPM:**  
**+19%**



- PreRoll & MidRoll Ads, sold on a CPM basis
- Smarter packaging and bundling with group inventory and public video; direct deals with larger FMCG clients

**Web eCPM:**  
**+14%**



- Display Ads, sold on a CPM basis
- Integrating specialist interest inventory in existing Ströer channels; significant programmatic uplifts

**Mobile eCPM:**  
**+ 5%**



- Display Ads, sold on a CPM basis
- Growing share of “Multiscreen”-Deals: Bundling of Mobile and Web to push mobile CPMs

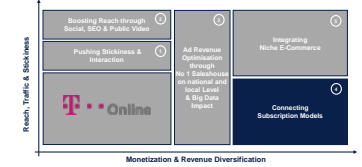
**Shopping eCPC:**  
**+20%**



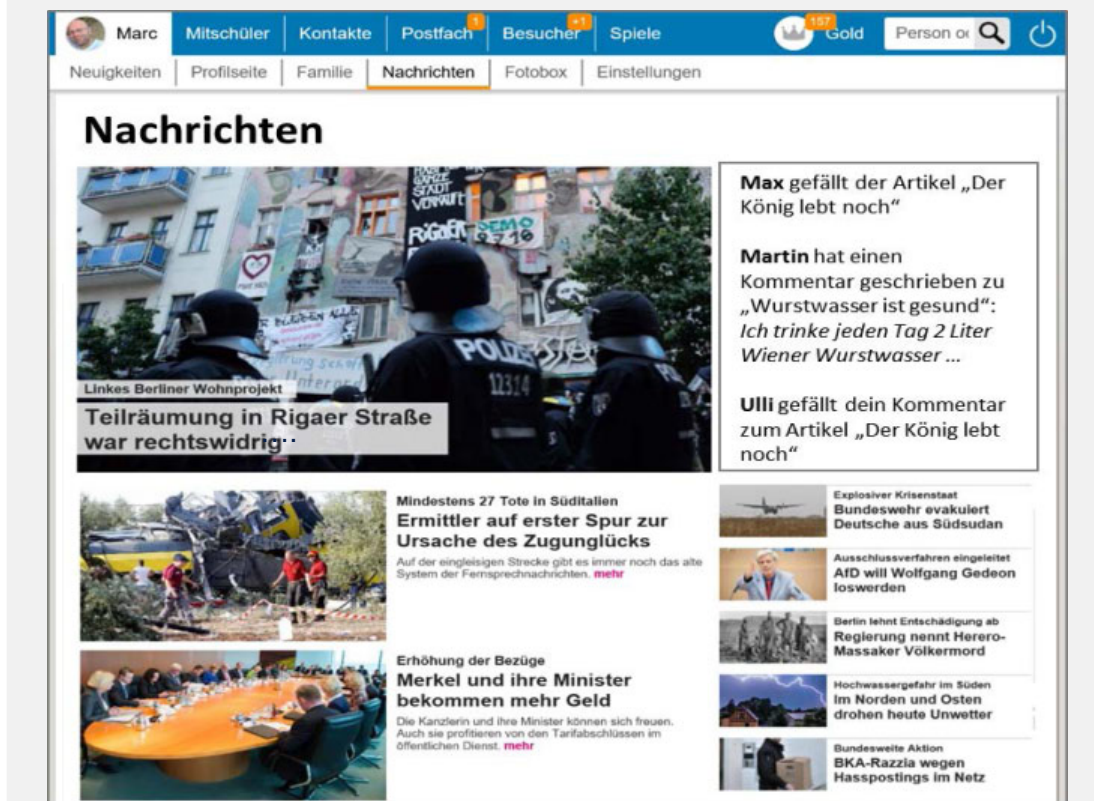
- Display Ads, sold on a CPC basis
- Leveraging Ströer direct client relationships as well as group benchmarks for improved client price negotiations

\* Comparing 1-6/2016 vs. previous year

# StayFriends becomes T-Online's Social Network

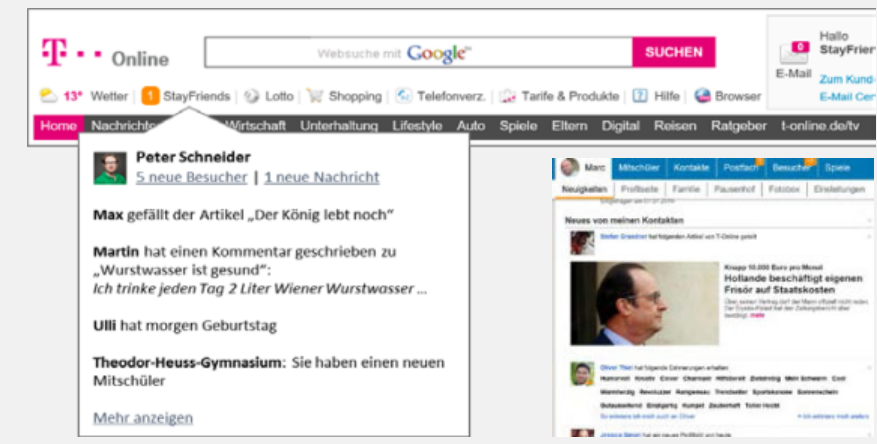


## Deep two-way Integration

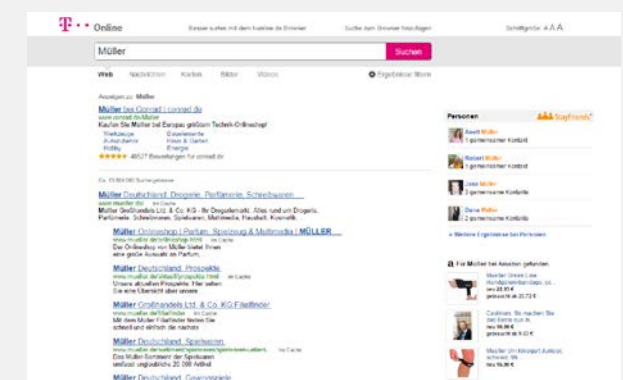


T-Online delivers content for StayFriends Newsfeed & gets backlinks from StayFriends

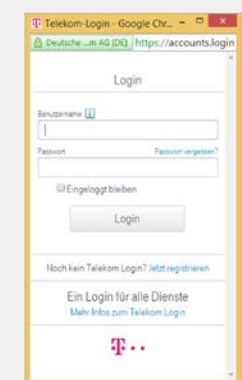
## SF becomes TOL Social Feed



## Value Adding Products



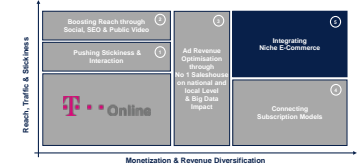
New Search Features like Friends & Connection Finder



Single Community Sign-on



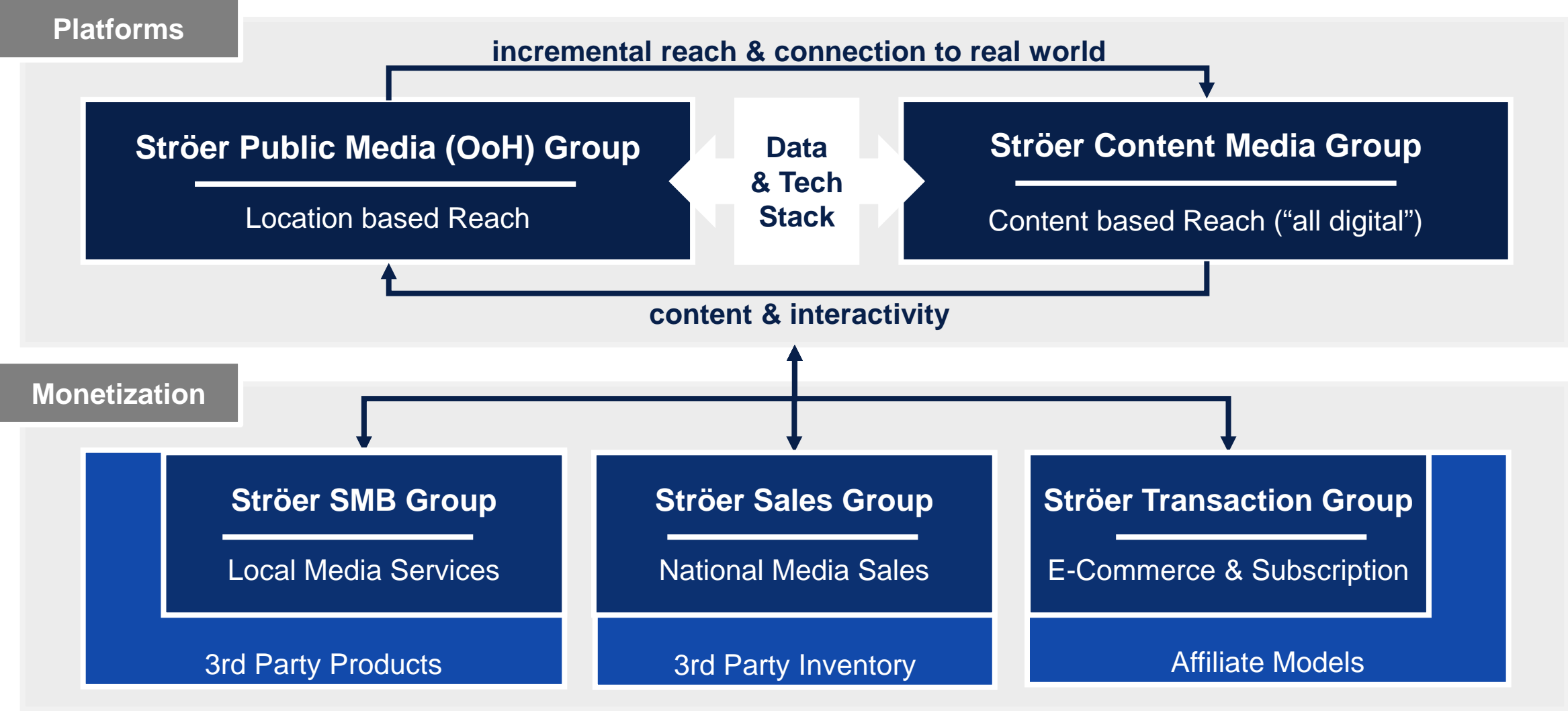
# (Re-)Launch of T-Online Shop in second Half 2016



## Online Shop for Electronics Products

- Assortment range of over 2,000 items
- Important data source for collecting user data
- Important accelerator for own niche e-commerce brands like FIXXO and Lioncast
- Nucleus of e-commerce extensions for other portals

# Ströer Multi-Channel & Integrated Monetization Ecosystem



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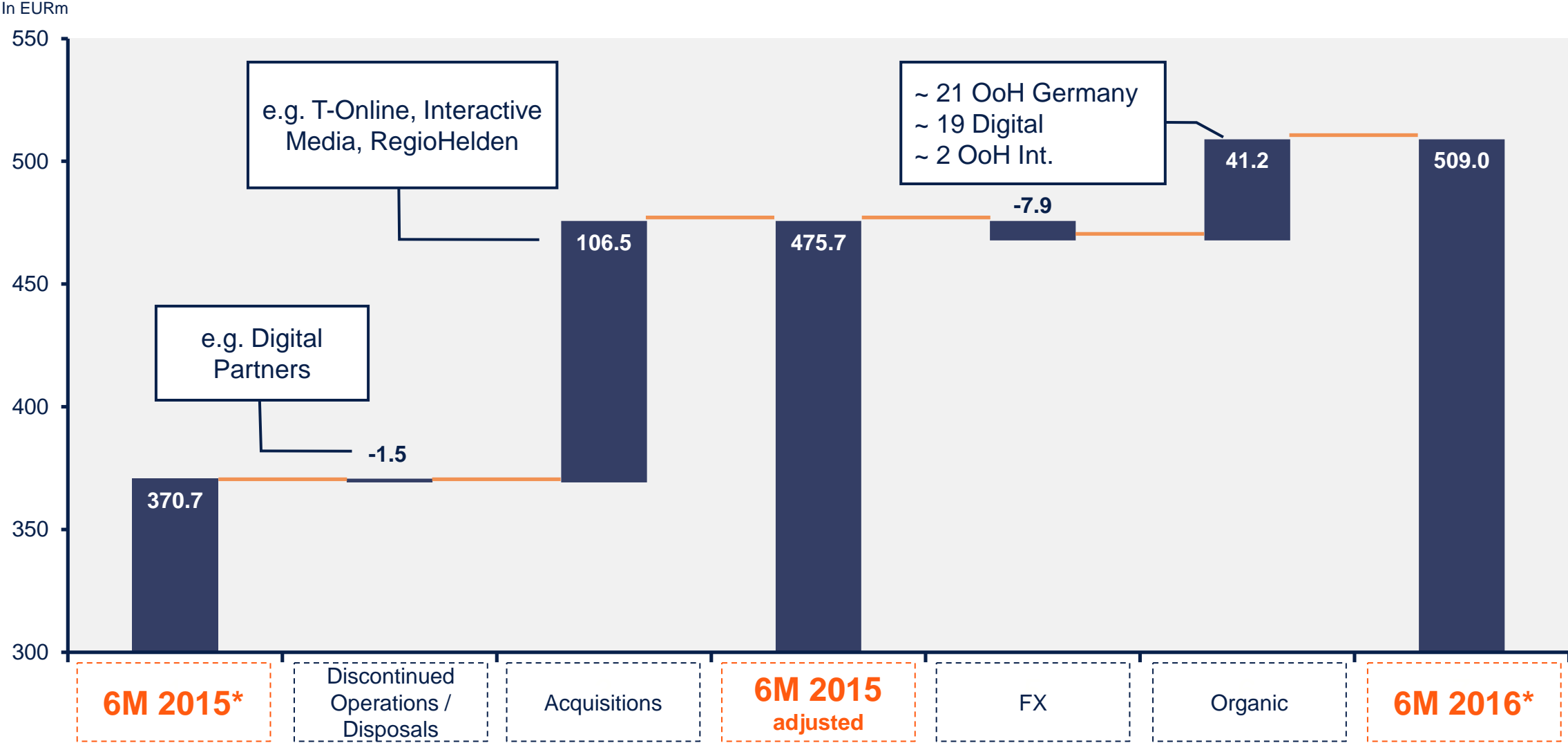
# Profit and Loss Statement 1-6 2016

EURm	1-6 2016	1-6 2015	▲ %	Analysis
<b>Revenues (reported) <sup>(1)</sup></b>	502.3	363.4	+38%	 Expansion driven by 8.7% organic growth and M&A
Adjustments (IFRS 11)	6.7	7.3	-8%	
<b>Revenues (Management View)</b>	509.0	370.7	+37%	
<b>Operational EBITDA</b>	114.6	78.4	+46%	 On track to deliver > 280 EURm for the FY 2016
Exceptionals	-10.9	-6.2	-77%	 Higher exceptionals from M&A and integrations
IFRS 11 adjustment	-2.0	-2.2	+8%	
<b>EBITDA</b>	101.7	70.0	+45%	
Depreciation & Amortisation	-65.0	-48.8	-33%	 Increase in D&A base on larger consolidation scope
<b>EBIT</b>	36.7	21.3	+72%	
Financial result	-5.1	-4.9	-3%	 Further optimization of financing structure
Tax result	-3.9	1.8	n.d.	
<b>Net Income</b>	27.7	18.2	+52%	
Adjustment <sup>(2)</sup>	32.9	15.6	~ 2 times	 Higher PPA-amortisation and exceptionals
<b>Net income (adjusted)</b>	60.6	33.8	+79%	 On track to deliver > 150 EURm for the FY 2016

(1) According to IFRS

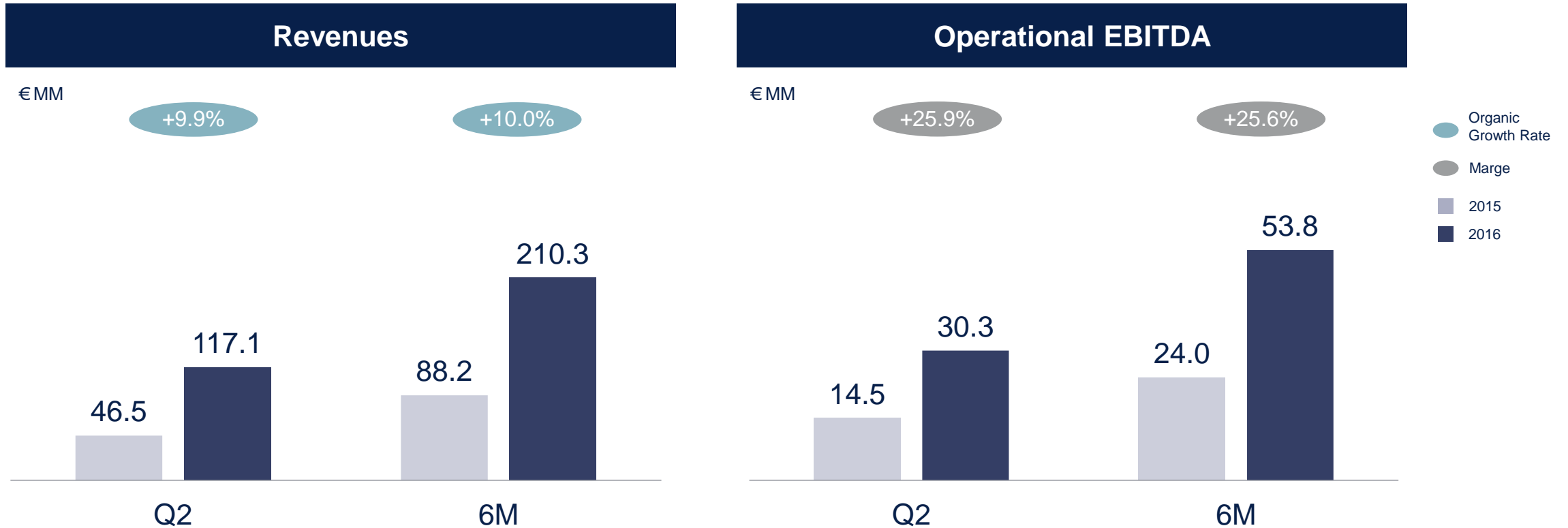
(2) Adjustment for exceptional items including adjustments of the financial result (+11.9 EURm), amortization of acquired advertising concessions & impairment losses on intangible assets (+ 27.2 EURm), Tax Adjustment (-6.3 EURm)

# Reported Organic Growth of 8.7 % in 1-6 2016



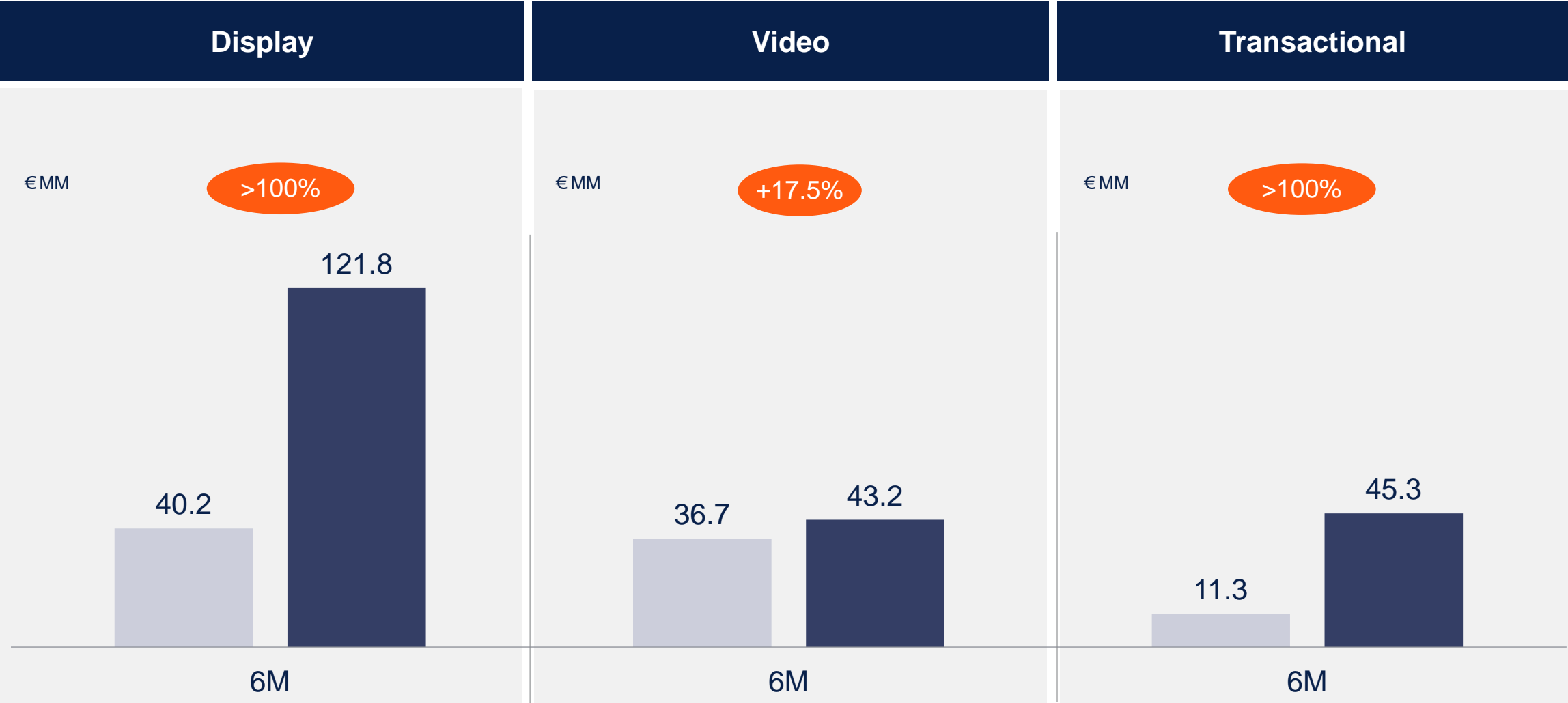
\*Revenues correspond to management accounting pre IFRS11

# Ströer Digital: Strong Profitable Growth



- Strong digital growth, both organically - especially video and transactions – and driven by scope effects
- Op. EBITDA more than doubled in line with revenues; investments in growth business models
- Ongoing integration and restructuring activities as well as continued portfolio optimization

# Details on Digital Segment Revenues: Product group development 1-6 2016

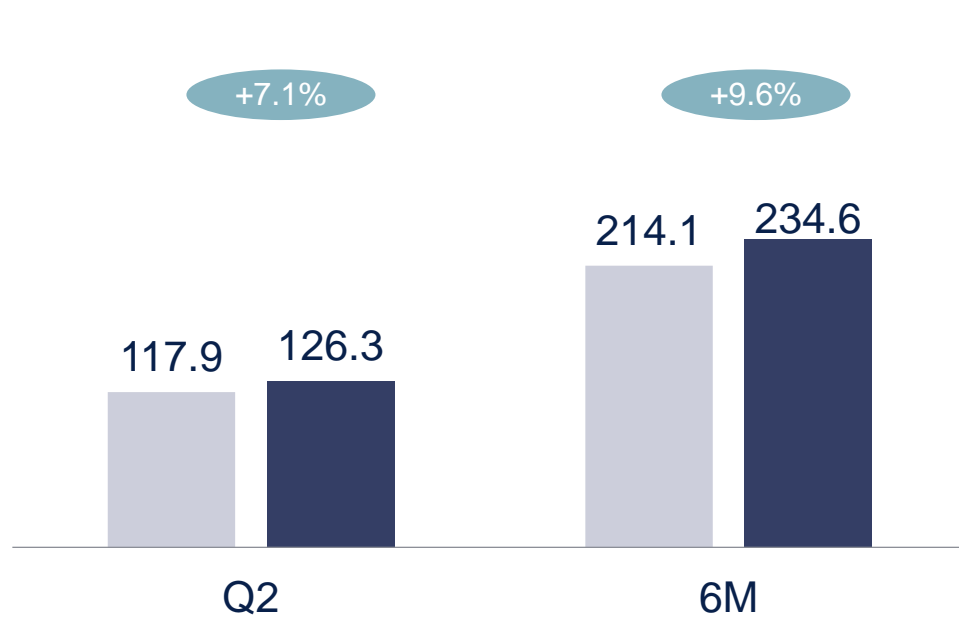


■ 2015 ■ 2016 ● Growth rate

# OoH Germany: Strong Overachievement

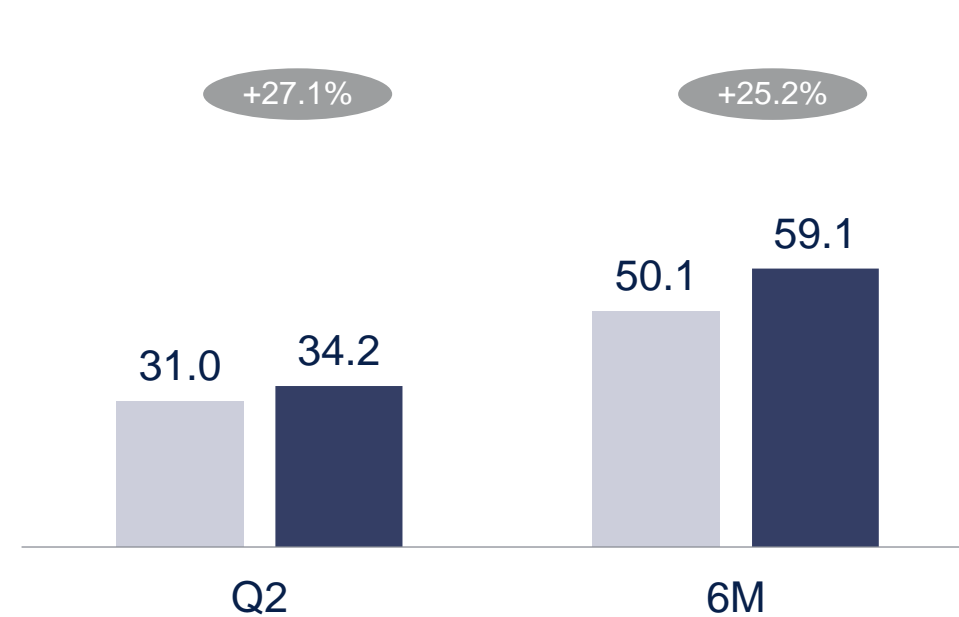
## Revenues

€MM



## Operational EBITDA

€MM

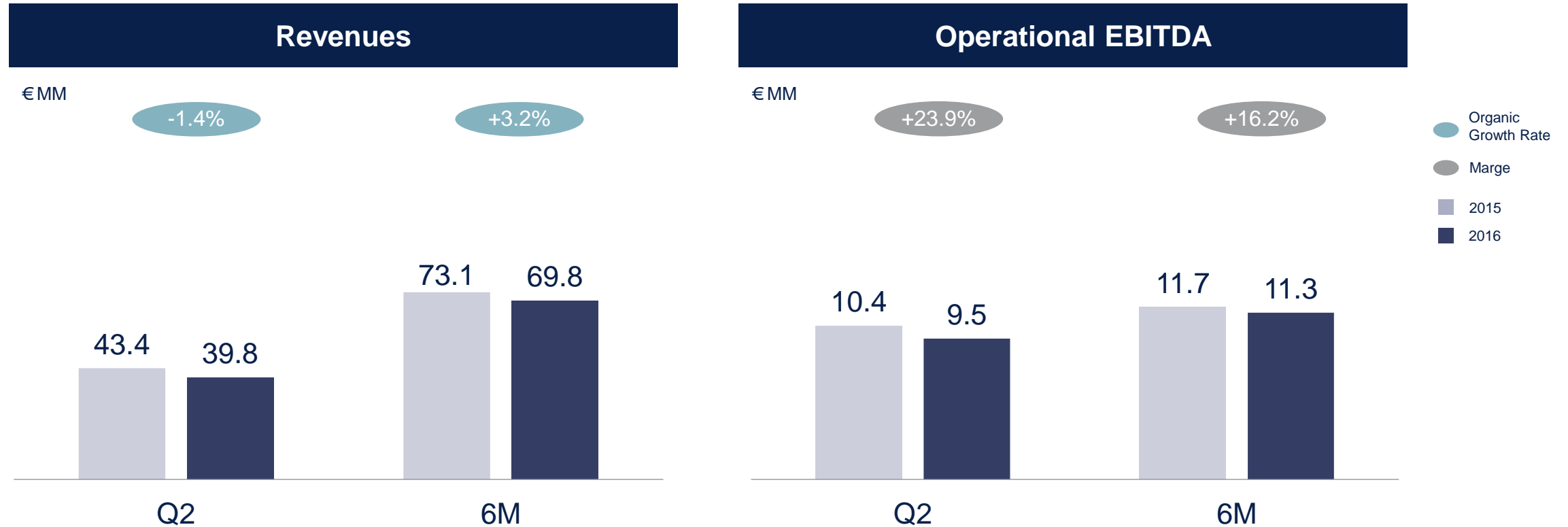


Organic Growth Rate  
Marge  
2015  
2016

- Above market revenue increase based on sustainingly strong national and regional sales performance
- Improvement of operational EBITDA in line with strong underlying revenue growth
- Substantial investments in further expansion of local sales force



# Ströer OoH International: Challenging Markets



- Q2 suffering from FX rate effects and PY comparables
- Soft OoH market dynamics in Poland and difficult overall economic environment in Turkey
- Improved cost base not sufficient to compensate revenue development

# Free Cash Flow Perspective 1-6 2016

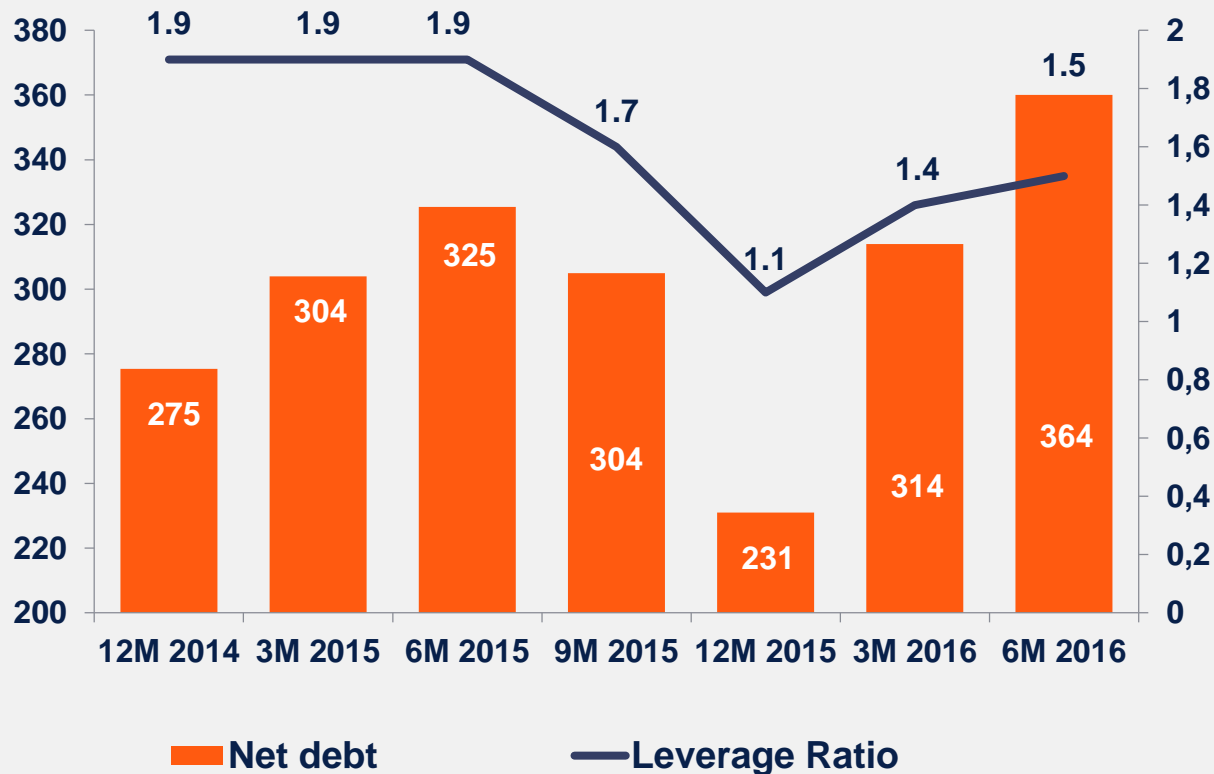
Free Cash Flow	H1 2016 EURm	H1 2015 EURm
<b>Op. EBITDA</b>	<b>114.6</b>	<b>78.4</b>
- Interest (paid)	-3.4	-5.2
- Tax (paid)	2.1	-5.7
-/+ WC	-7.6	-17.5
- Others	-22.3	-11.5
<b>Operating Cash Flow</b>	<b>83.4</b>	<b>38.5</b>
<b>Investments</b>	<b>-45.6</b>	<b>-38.3</b>
<b>Free Cash Flow (before M&amp;A)</b>	<b>37.8</b>	<b>0.2</b>

## Analysis

- Strong operational cash generation in line with increased operational performance
- Further reduced interest payments after successful refinancing in 2014 and 2015
- Higher exceptionals due to M&A and Integration efforts
- High investment level due to further digitalization in OoH, IT-infrastructure and various other projects

# Financial Status and Outlook

## Development Leverage Ratio



## Financial Status & Outlook

- Leverage Ratio could be reduced vs PY from 1.9 to 1.5 due to strong Cash Flow
- 106 mEUR M&A cash out in H1 2016 affect Net Debt and Leverage Ratio
- Free Cashflow before M&A of more than 135 mEUR in 2016 expected

## Long Term Financial Outlook

- Maintaining a solid financial profile with a target leverage ratio of 2.0 – 2.5 is a key element of our growth strategy
- Dividend pay-out ratio: 25 – 50%
- Acquisition strategy: smaller/larger bolt-on investments

# Agenda

## 01

### Key Developments

- Key Financials H1 2016
- M&A Overview

Udo Müller

## 02

### Operational Highlights

- Integration & Synergies
- Out of Home
- Content Group
- Local Sales
- National Sales
- Transaction Business

Christian Schmalzl

## 03

### Financials

- P&L H1 2016
- Ströer Digital
- Details on Digital
- Ströer OoH Germany
- Ströer OoH International
- FCF
- Financial Status & Leverage

Bernd Metzner

## 04

### Summary

- H1 2016
- Guidance Statement

Udo Müller

## Summary: Excellent First Half 2016

**Total revenue growth by 38% to 502.3 EURm**



**Operational EBITDA expanded by 46% to 114.6 EURm**



**Net Income (adjusted) almost doubled to 60.6 EURm**



**Operating Cash Flow more than doubled to 83.4 EURm**



**Leverage Ratio at 1.5 times operational EBITDA**



# Guidance Statement 2016: Confirmed

For 2016 we expect total revenue between 1.1 and 1.2 billion Euro and an operational EBITDA of more than 280 Million Euro