

STRÖER

Q1 2018

May 15, 2018 | Ströer SE & Co. KGaA



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Outlook

Results Q1 2018

m€		Q1 2018	Q1 2017 (pro forma) ⁽¹⁾	▲
Revenues	Reported	336.6	281.2	+20%
	Organic ⁽²⁾	6.8%	8.8%	-2.0%pts
Operational EBITDA		109.8	94.7	+16%
Operational EBITDA margin		32.6%	33.7%	-1.1%pts
EBIT (adjusted) ⁽³⁾		43.7	33.1	+32%
Net income (adjusted) ⁽³⁾		29.2	20.5	+42%
Operating cash flow		77.7	59.0	+32%
Capex		34.2	31.0	+10%
		31 Mar 2018	31 Dec 2017	
Net Debt ⁽⁴⁾ / Leverage Ratio ⁽⁵⁾		533.6 / 1.6x	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)

Our Targets for 2018: Unchanged KPIs & Sustainable Performance

Key KPIs	Guidance 2018 w/o IFRS changes	Guidance 2018 incl. expected IFRS 11/16 effect
1 Total Revenues	~ 1.6 bn€	~ 1.6 bn€
2 Organic Growth	mid to high single digit	mid to high single digit
3 Op. EBITDA	~ 375 m€	~ 535 m€
4 Free Cash Flow*	~ 175 m€	~ 310 m€
5 Net Income Adj.	~ 215 m€	~ 200 m€

*before M&A

Consumer Access for Advertisers has changed dramatically

Traditional value-chain business model

Linear and one way



Consumer Access for Advertisers has changed dramatically

Traditional value-chain business model

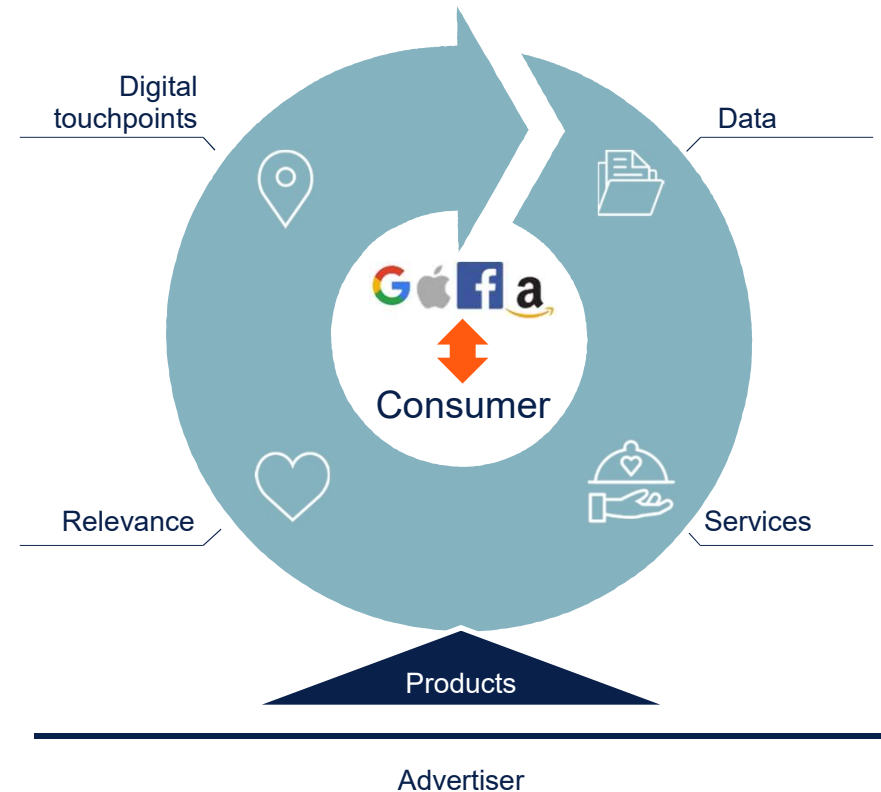
Linear and one way



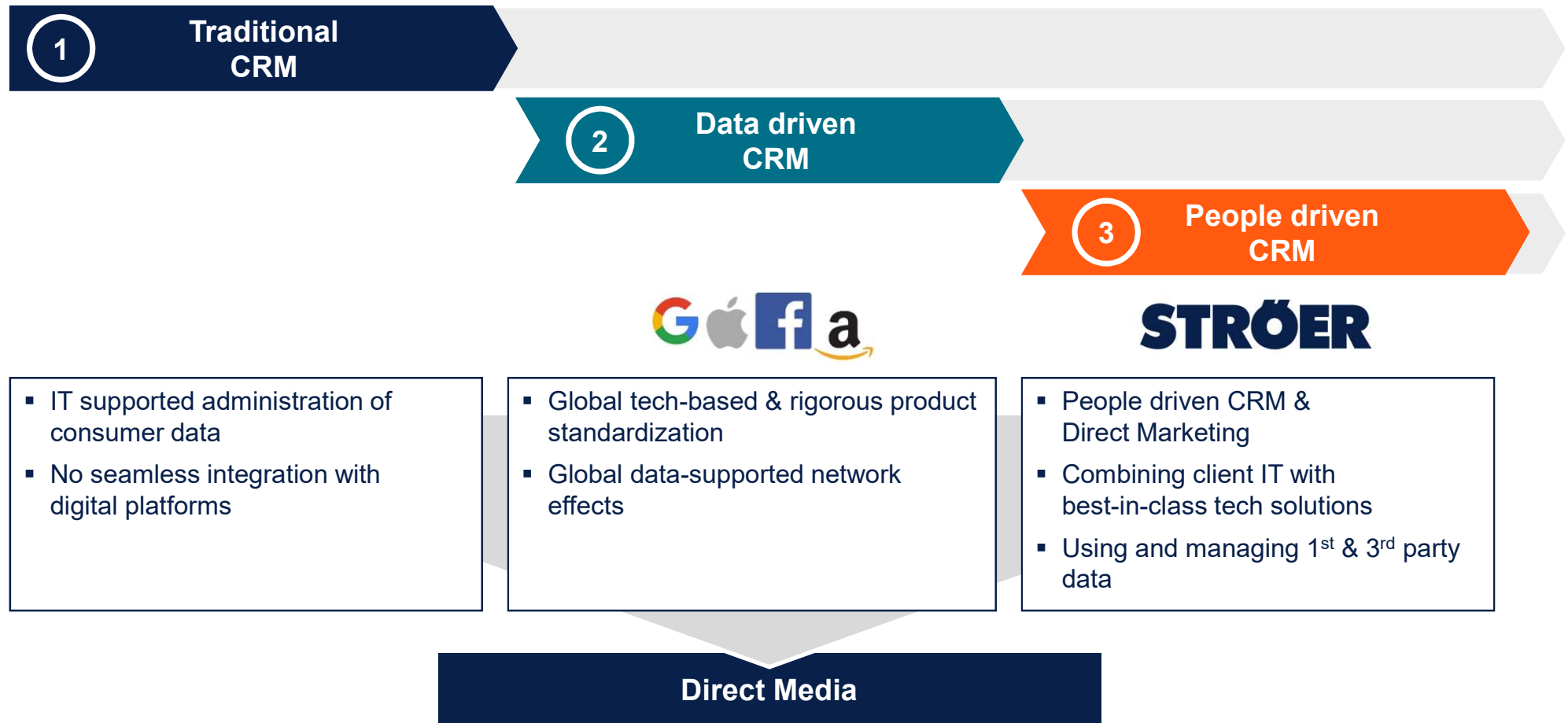
Value-chain disruption

Data/platform driven CRM business model

Two way and continuous



Clients have a growing Demand for alternative CRM Models

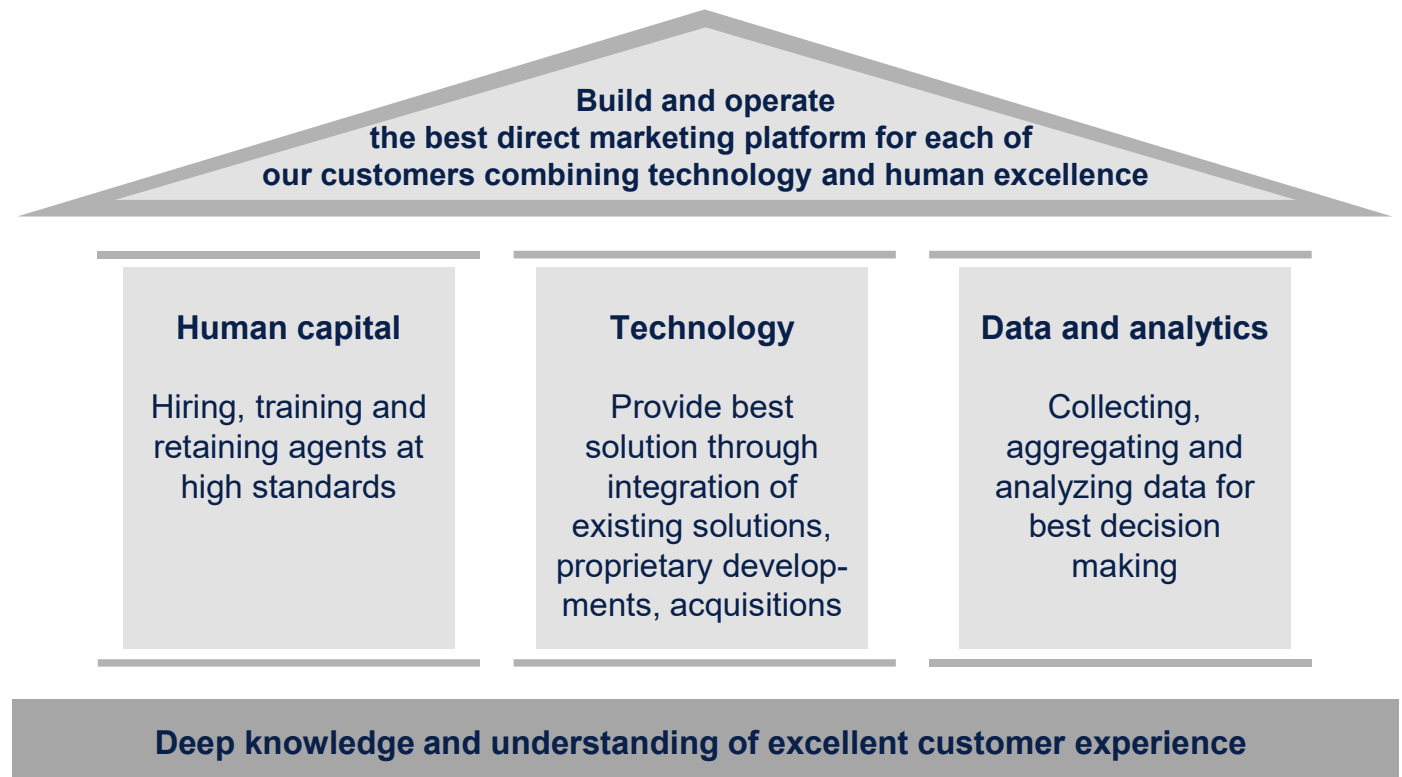


Trusted Partner to operate Direct Marketing in the digital Age

Customer demands

- Many customers struggle to master the trend of digitization due to lack of knowledge
- They are hesitant to invest in people and technology to ramp-up capabilities in fear of complexity and potential damage
- They prefer to have a trusted partner to support them in navigating the CRM digitization

Ströer's supply



Ströer – Already a strong Player in Direct Marketing



141 locations
in Germany

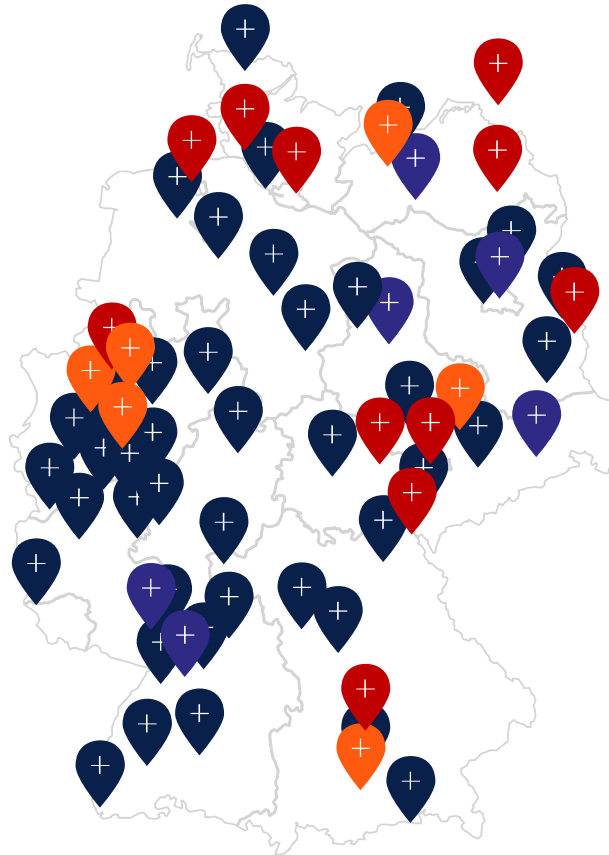
213

#2 in call center
ranking



Sales
focus

Avedo



DV-COM
als vollqualifizierte Mitarbeiter

RANGER



~ 300 m€*
revenue



Client
diversification



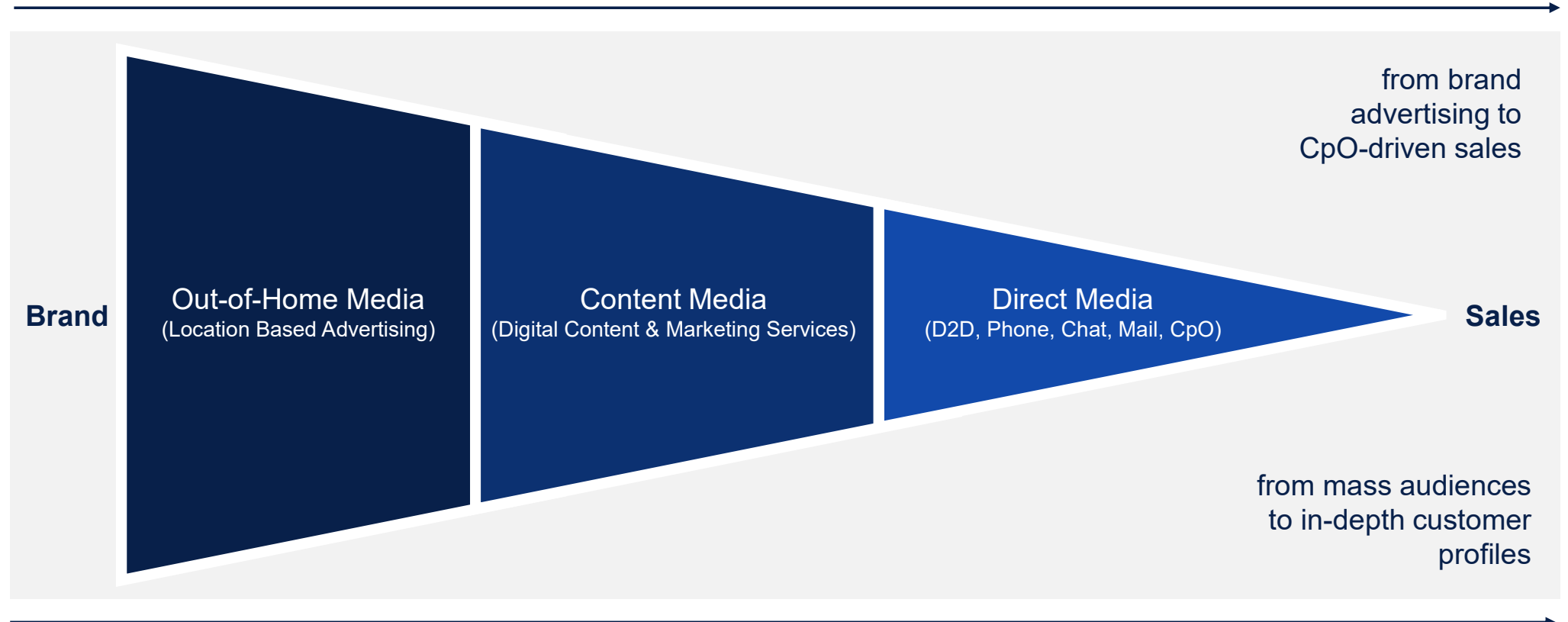
Synergies in
client access & costs

D+S360
IHR INNOVATIVER PARTNER
FÜR 360° KUNDENSERVICE

*Full 12 month annualized

Complementing integrated Brand-Performance-Sales Funnel

Sales conversion



Data aggregation

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Out-of-Home Media – Summary

Location Based Advertising

- 1** Strong position in structurally growing market
- 2** Strong in digital OoH already today
- 3** Clear digitization path and rollout plan for further leverage of existing assets
- 4** Smart and integrated solutions towards POS/online
- 5** Strong partner for development of smart cities and environments

Out-of-Home Media – Success Cases Q1

Location Based Advertising

ALDI



First image campaign focused on OoH as a new channel in the media mix

In order to react to the massive advertising impact and to differentiate oneself from the competition, ALDI set new impulses with OoH in the media mix for the first time in 2015. Since then, the spending have almost tripled – focus lies on quality goods and image-building measures.

Jägermeister



Broadcasting Social Media on Public Video

The best Jägermeister Facebook Posts were presented via Public Video to the mobile, purchase-strong target group of OoH. The high reach of PV created an excellent opportunity to broadcast the social media content. Maximum attention was achieved by the linking of both media outlets.

Haribo



Welcome back Out-of-Home HARIBO

HARIBO has not booked any OOH in recent years. Their media spending are strongly focused on TV – OoH did not appear in the mix over the last 2 years (Nielsen). In 2018, HARIBO starts a huge OoH campaign. With four motifs in golden design, the eye-catching posters attract the attention of consumers in 40 major cities.

Sources: Nielsen Media Research, advertising spending Out-of-Home Aldi Essen, Aldi Essen/Mülheim and Aldi Mülheim, 2015 vs. 2017, incl. billboard, transport media and ambient media

Content Media – Summary

Digital Content & Marketing Services

- 1** GAFA challenge opens up opportunities for further German market consolidation
- 2** Strong backbone of highly profitable owned assets
- 3** Sustainable & broad range of exclusive 3rd party inventory – with further growth potential
- 4** Strong product development team to embrace constant market changes (tech + content)
- 5** Proprietary tech stack with measurable results and clear path for GDPR compliant unique data solutions

Content Media – Success Cases Q1

Digital Content & Marketing Services

Subway



Communication of the 'Fit Five' offer to the target group of sporty women aged 20-39y
 Ployt of attention-grabbing advertising material in the Ströer Mobile Portfolio to the defined target group. The mobile campaign triggered 11,359 additional visits to the Subway stores. Users who came in contact with the ad have visited Subway stores 16.92% more frequently*.

About You



With a strong focus on performance and online About You booked their first OOH campaign
 Convincing tandem dates led to an OOH standby deal campaign in March 2018. The creation is based on the online presence and successfully combines internet & outernet.

Audi



A unique mobile HTML5 implementation, which previously did not exist at Ströer
 No simple swiping over the display or shaking the phone. We use the microphone to interact with the advertising media, because: The campaign is about the great aerodynamics of the Audi A5 Coupe. With use of the microphone we have the campaign-related link to the TV spots.

*Campaign measurement with Locarta; period: May – August .2017

Direct Media – Summary

D2D, Phone, Chat, Mail, CpO

1 Quickly reached significant relevant size and excellent position for further consolidation with Ströer Direct Media being No.2 in revenue in the market segment

2 Huge potential for integrated solutions with clients already being leveraged

3 Synergetic potential in the combined usage of resources between all our operation Direct Media centers already being leveraged

4 By using bespoke technology future synergies will be exploited

5 Currently looking to further consolidate industry segments

Direct Media – Success Cases Q1

D2D, Phone, Chat, Mail, CpO

Toom Baumarkt



Excellent customer service as an integral part of a growth strategy

Toom Baumarkt is one of the leading companies in the DIY store branch. Its economic success has prompted the outsourcing of all customer services. D+S 360°, a part of Ströer Dialog Group developed an appropriate BPO concept.

HRS



Strengthening the customer service of HRS

HRS is a hotel booking portal for business and private travelers. With around 80 million users per year, HRS is an effective international distribution channel for the tourism industry. Avedo, a part of Ströer Dialog Group supports its customers with performant inbound services in 1st and 2nd level.

Check24



Expansion in the financial sector

The business model: CHECK24 is Germany's largest comparison portal. With the Slogan "Here I check everything" they offer price comparisons of various product groups. Avedo, a part of Ströer Dialog Group, takes over active inbound and outbound telephony for customers who are interested in a loan agreement.

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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 Q1 2018

Impact of IFRS 16 on Ströer KPIs in Q1 2018

m€	Q1 2018		Impact
Revenues	336.6	→	No changes
Operational EBITDA	109.8	↑	Increase by +45.8 m€ (elimination of operating lease expenses)
D&A	-81.3	↑	Increase by -42.5 m€
EBIT (adjusted)	43.7	↑	Increase by +3.3 m€ (as operating lease expenses are replaced by depreciation and interest)
Financial result	-9.1	↑	Increase by -6.7 m€
Net Income (adjusted)	29.2	↓ / →	Decrease by -2.8 m€ (timing effect due to higher interest during first years, neutral over time)
Free Cash Flow (before M&A)	43.5	↑	Increase by +59.2 m€ (reclassification of lease liability repayments in Financing Cash Flow)
Liabilities	1,815.1	↑	Increase by +1.1 bn€ (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
- Update on estimated FY-Effect at Q2 release August 9th 2018

IFRS 16: Financial Reporting

Consolidated Financial Statements

	Q1 2018		Q1 2017	
	incl. IFRS changes	w/o IFRS changes	incl. IFRS changes	w/o IFRS changes
Quarterly Statement	✓	✓*/✗	✓*/✗	✓
Presentation on Q1 2018 Statement	✓	✓	✓	✓



*Only for main KPIs

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

Profit and Loss Statement Q1 2018

m€	Q1 2018	Q1 2017*	▲ %	Analysis
Revenues (reported)	336.6	281.2	+20%	↑ Organic and non-organic growth
Operational EBITDA	109.8	94.7	+16%	↑ Op. EBITDA performance in line with revenue growth
Exceptional items	-7.7	-4.4	-74%	↘ Restructuring and deconsolidation of business
EBITDA	102.1	90.2	+13%	
Depreciation & Amortization	-81.3	-77.7	-5%	→ Increased IFRS 16 items
EBIT	20.8	12.5	+66%	
Financial result	-9.1	-8.2	-11%	
Tax result	-1.9	-0.8	<-100%	
Net Income	9.7	3.5	>+100%	↑ Strong increase compensating negative IFRS 16 effect
Adjustment ⁽¹⁾	19.5	17.0	+14%	
Net Income (adjusted)	29.2	20.5	+42%	

*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 Q1 2018

m€	Q1 2018	Q1 2017*
Op. EBITDA	109.8	94.7
- Exceptional items	-7.7	-4.4
EBITDA	102.1	90.2
- Interest	-7.2	-7.6
- Tax	-3.2	-4.0
-/+ WC	-10.2	-9.3
- Others	-3.9	-10.3
Operating Cash Flow	77.7	59.0
Investments (before M&A)	-34.2	-31.0
Free Cash Flow (before M&A)	43.5	28.0
Lease liability repayments**	-59.2	-51.4
FCF w/o IFRS 16 (before M&A)	-15.8	-23.4

*Pro forma (retroactive application of IFRS 16 and elimination of prior IFRS 11 adjustment)

**Part of cash flow from financing activities

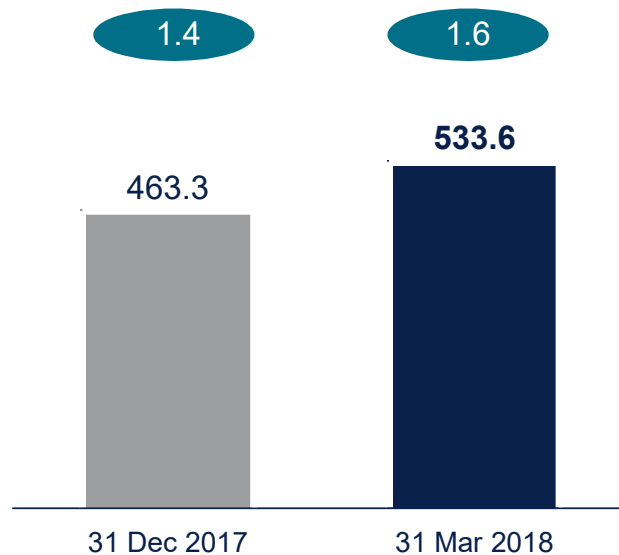
Explanation of IFRS 16-Effects

- 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

Bank Leverage Ratio far below Target Level

Leverage Ratio Development*

m€








■ / ■ Financial net debt
● Leverage ratio

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 1.6 as of 31st Mar 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 Q1 2018 – As If (Before Application of IFRS 11 and IFRS 16)

m€	Q1 2018*	Q1 2017	▲ %	Analysis
Revenues (reported)⁽¹⁾	336.6	281.2	+20%	 Organic and non-organic growth
Adjustments (IFRS 11)	2.6	3.3	-20%	
Revenues (Management View)	339.2	284.5	+19%	
Operational EBITDA	64.9	55.6	+17%	 Op. EBITDA performance in line with revenue growth
Exceptional items	-7.7	-4.8	-59%	 Restructuring and deconsolidation of business
IFRS 11 adjustment	-0.9	-1.2	+26%	
EBITDA	56.4	49.5	+14%	
Depreciation & Amortization	-38.9	-40.2	+3%	 Stable D&A
EBIT	17.5	9.3	+88%	
Financial result	-2.5	-1.5	-64%	
Tax result	-2.5	-0.8	<-100%	
Net Income	12.5	7.0	+80%	
Adjustment ⁽²⁾	20.1	17.7	+13%	
Net Income (adjusted)	32.6	24.7	+32%	 Strong growth – adjusted and non-adjusted

*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 Q1 2018 – As If (Before Application of IFRS 11 and IFRS 16)

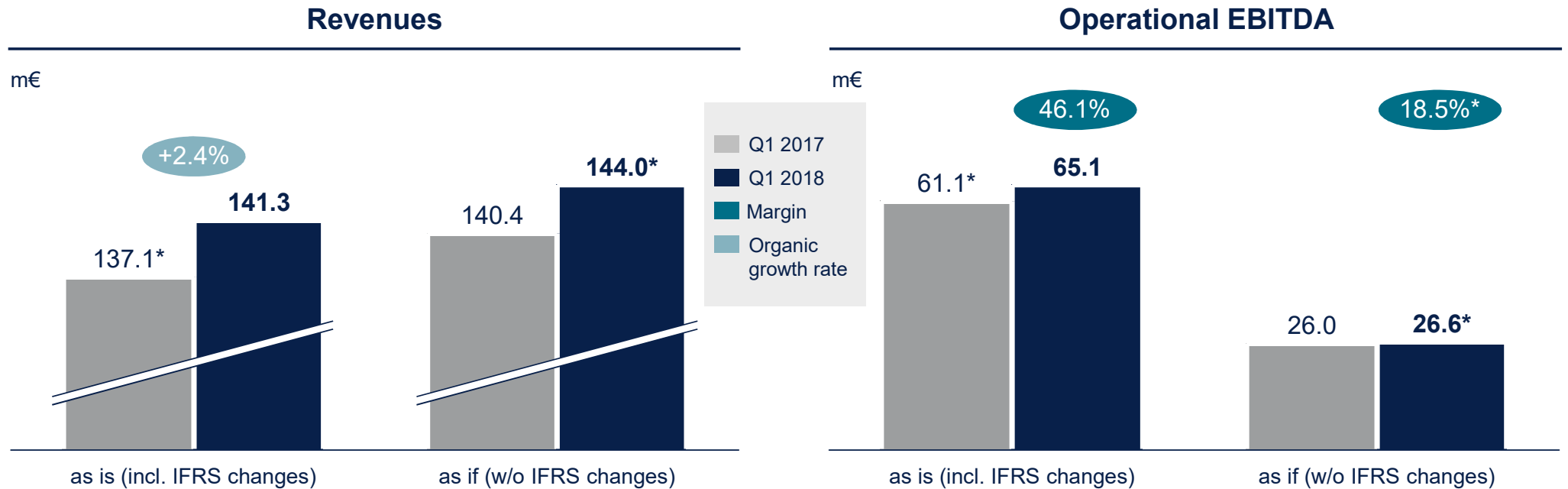
m€	Q1 2018*	Q1 2017
Op. EBITDA	64.9	55.6
- Exceptional items	-7.7	-4.8
- IFRS 11 adjustment	-0.9	-1.2
EBITDA	56.4	49.5
- Interest	-0.6	-0.9
- Tax	-3.2	-4.0
-/+ WC	-30.3	-26.7
- Others	-3.9	-10.3
Operating Cash Flow	18.4	7.6
Investments (before M&A)	-34.2	-31.0
Free Cash Flow (before M&A)	-15.8	-23.4

Analysis

- Free Cash Flow (before M&A) by 8 m€ better than previous year and according to plan
- Low interest payments based on solid debt financing structure
- Low taxes of 3 m€ not representative for the next quarters
- Working Capital increase in line with previous year and will be reversed in next quarters
- Investments according to plan and lower Capex expected in next quarters

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

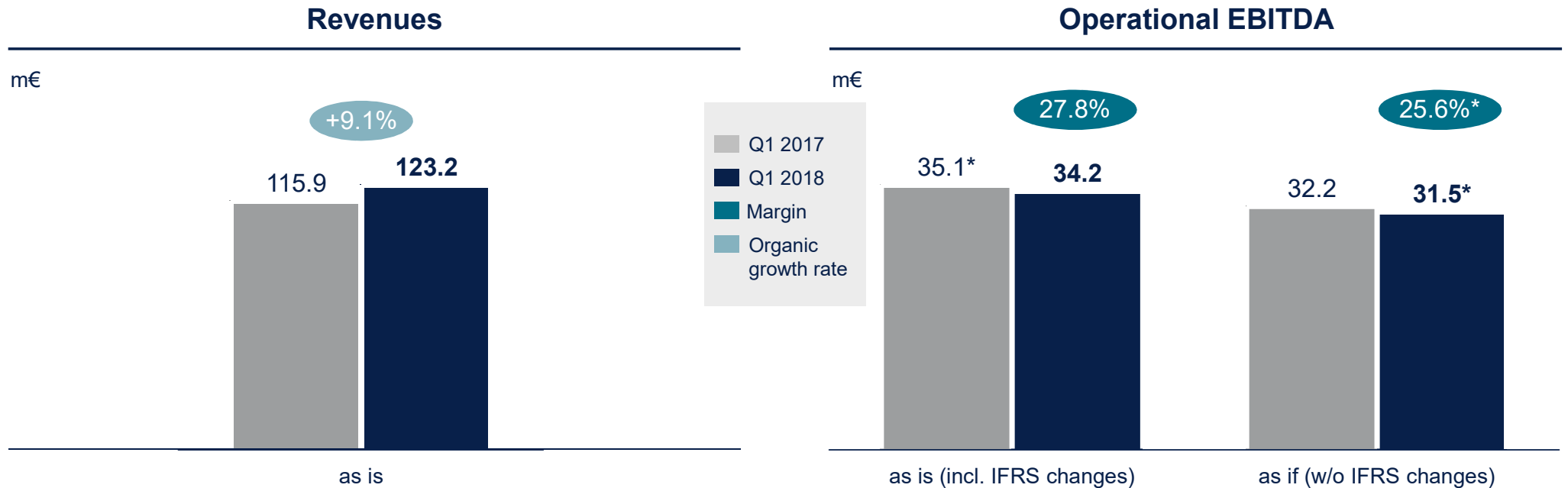
OoH Media: Profitable Growth in Q1 2018 against strong 2017



- Growth in Germany supported by expansion of local sales initiatives and by acquisitions
- Op. EBITDA in line with revenue growth resulting in stable margins; huge impact of IFRS 16 application on OoH Media's Op. EBITDA
- Smaller bold on acquisitions in OoH Media (e.g. UAM Group) in line with expectations

*Pro forma

Content Media: Strong organic Growth in Q1 2018

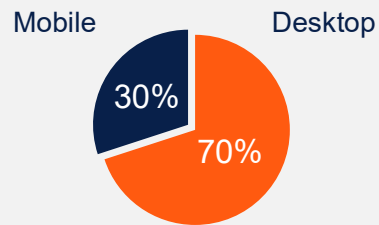


- Strong organic growth in both newly acquired and established content media assets
- Subscription services with stronger growth rates than traditional ad sales
- Op. EBITDA margin affect by unfavorable product mix and ramp up costs for watson.de, our new online portal for millennials

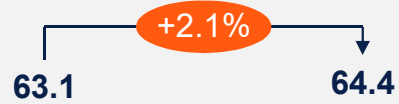
*Pro forma

Content Media: Product Group Development Q1 2018

Display



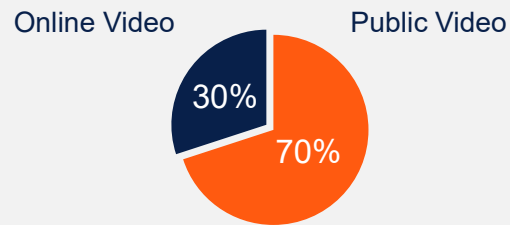
m€



Q1 2017

Q1 2018

Video



m€



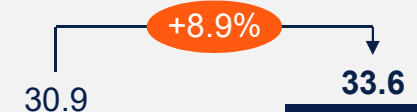
Q1 2017

Q1 2018

Digital Marketing Services

- Subscription services (Statista)
- Local digital services (RegioHelden)
- Search Engine Marketing services (SEM)

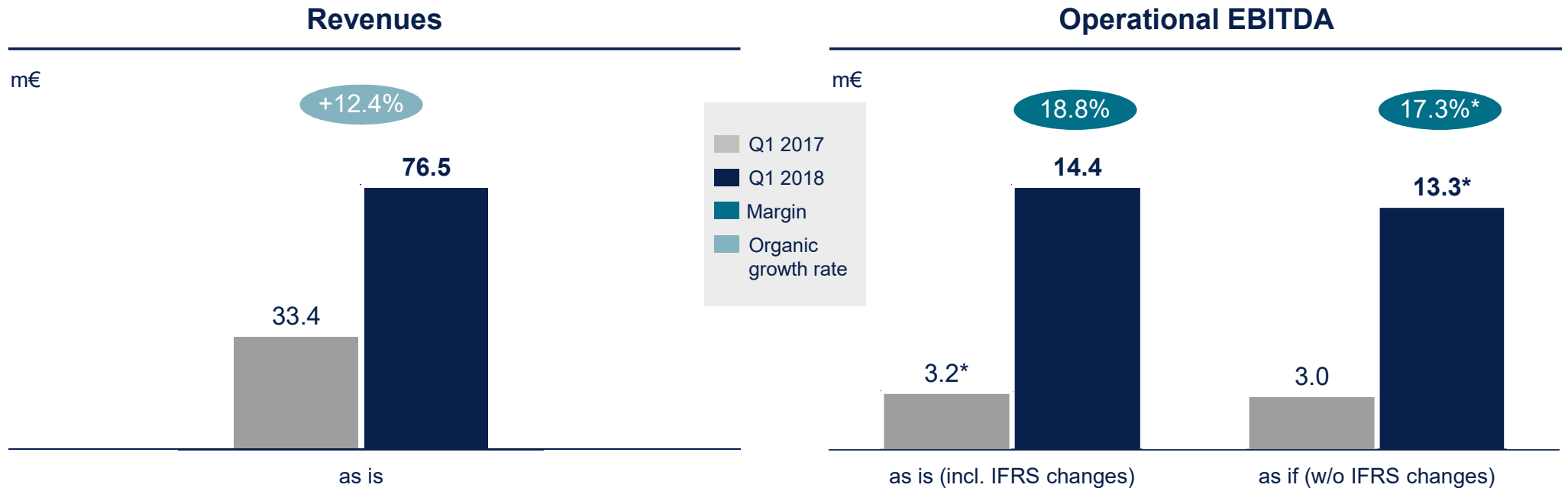
m€



Q1 2017

Q1 2018

Direct Media: Profitable Growth backed by new Businesses



- Direct Media strongly above PY driven by acquired business in Dialog Marketing and strong organic growth
- High adj. EBIT margin (16.0%) of Direct Media accretive to Group adj. EBIT margin
- Material integration efforts started around Dialog Marketing subsegment

*Pro forma

**Vitalsana, Stylefruits and T-Online Shop

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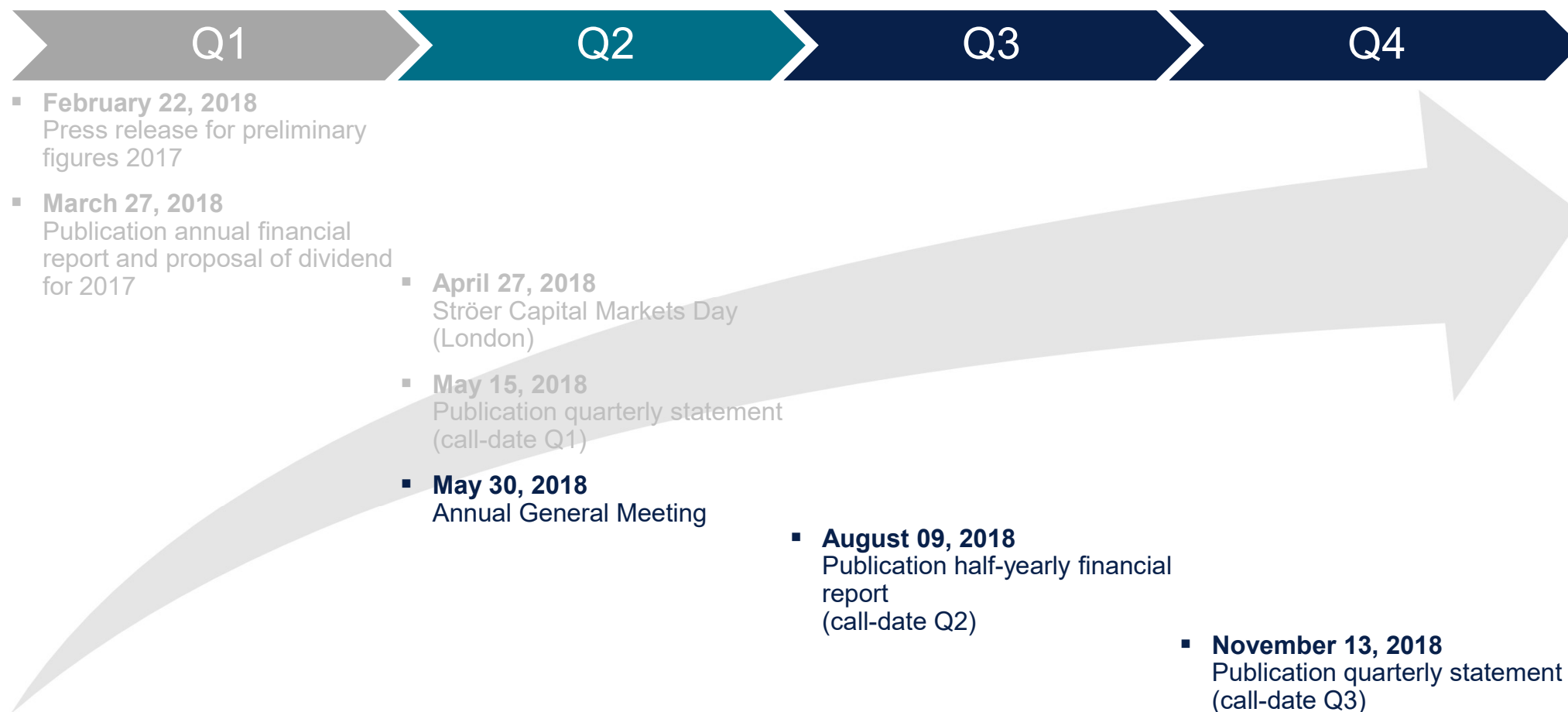
04

Outlook

Outlook for Q2: Next Quarterly Results on August 9

1. **Similar to development of the last fifteen months: solid business across the entire group with expected growth for 2018 in line with annual guidance**
2. **Robust development of OoH Media business primarily fueled by regional sales and extended local sales**
3. **Content Media segment consistently on track regarding top line growth, market share development as well as consolidation and integration processes**
4. **Dialog Media on track and in line with expectations – significant group synergies, cost cutting opportunities post merger**

Financial Calendar 2018



A person wearing a dark blue suit and tie is shown from the chest up, with their hands clasped in front of them. The background is a dark blue color with a repeating pattern of small, white, stylized human figures. Overlaid on the center of the image is the word "STRÖER" in large, bold, white, sans-serif capital letters. The letter 'O' has a circular cutout, through which the person's hands are visible.

STRÖER

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