

STRÖER



H1 2016 Presentation

11th August 2016 | Ströer SE & Co. KGaA

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Agenda

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Key Developments

- Key Financials H1 2016
- M&A Overview

Udo Müller

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

Christian Schmalzl

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

Bernd Metzner

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Summary

- H1 2016
- Guidance Statement

Udo Müller

Ströer SE & Co. KGaA: H1 2016 Results

€MM		H1 2016	H1 2015	▲
Revenues	Reported ⁽¹⁾	502.3	363.4	+38%
	Organic ⁽²⁾	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) ⁽³⁾		75.9	45.0	+69%
Net income (adjusted) ⁽⁴⁾		60.6	33.8	+79%
Operating Cash Flow		83.4	38.5	>2 times
Capex ⁽⁵⁾		45.6	38.3	+19%
		30 June 2016	30 June 2015	
Net Debt ⁽⁶⁾ / Leverage Ratio		363.9 / 1.5x	325.4/1.9x	

(1) According to IFRS 11

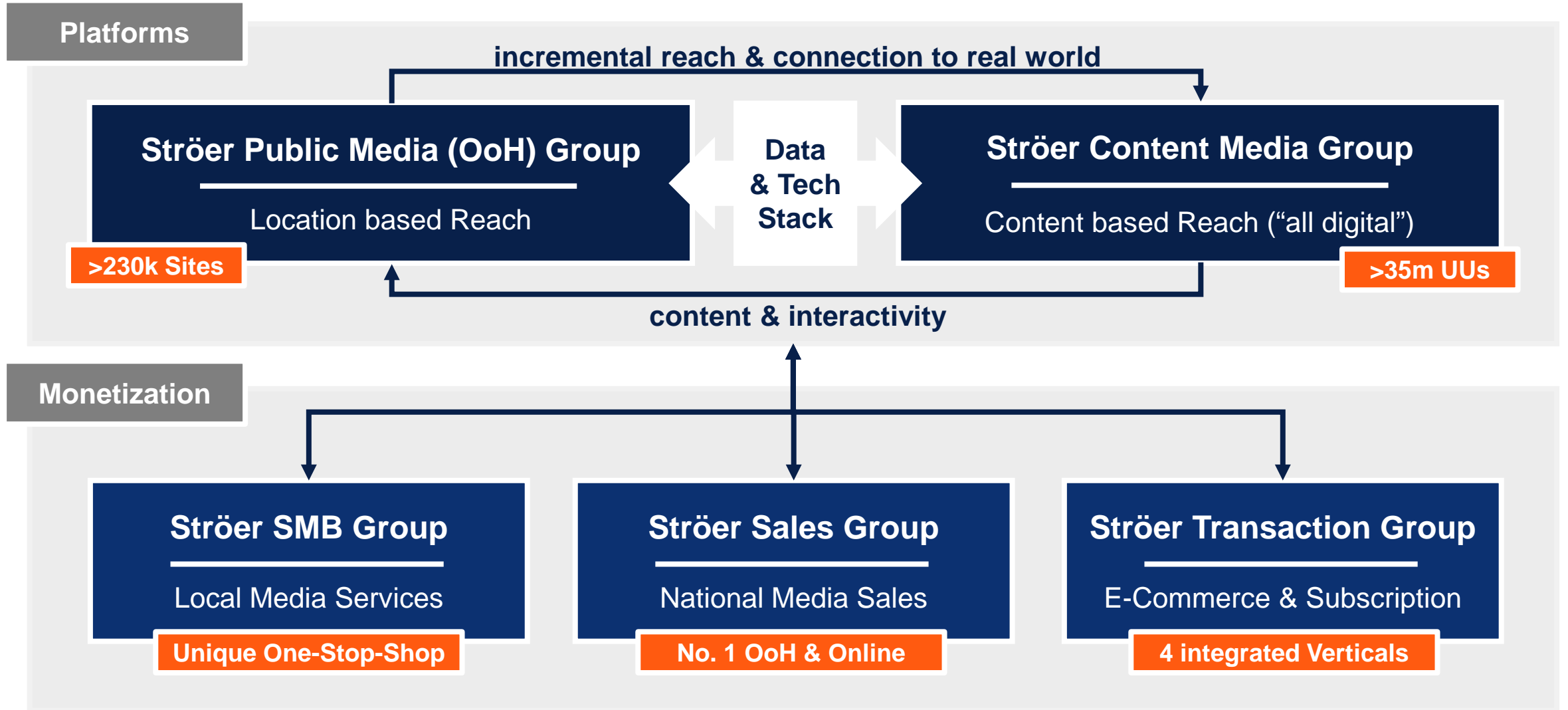
(2) Organic growth = excluding exchange rate effects and effects from the (de)consolidation and discontinuation of operations

(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

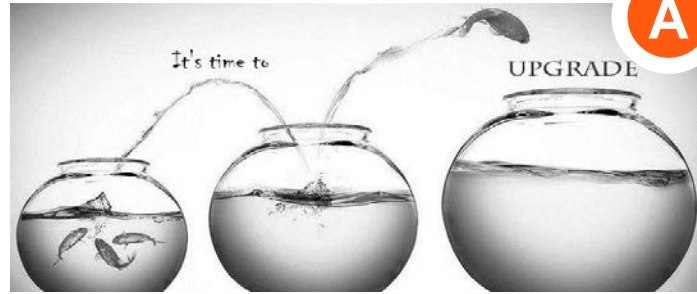


All M&A Activities follow Three Clear Principles

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



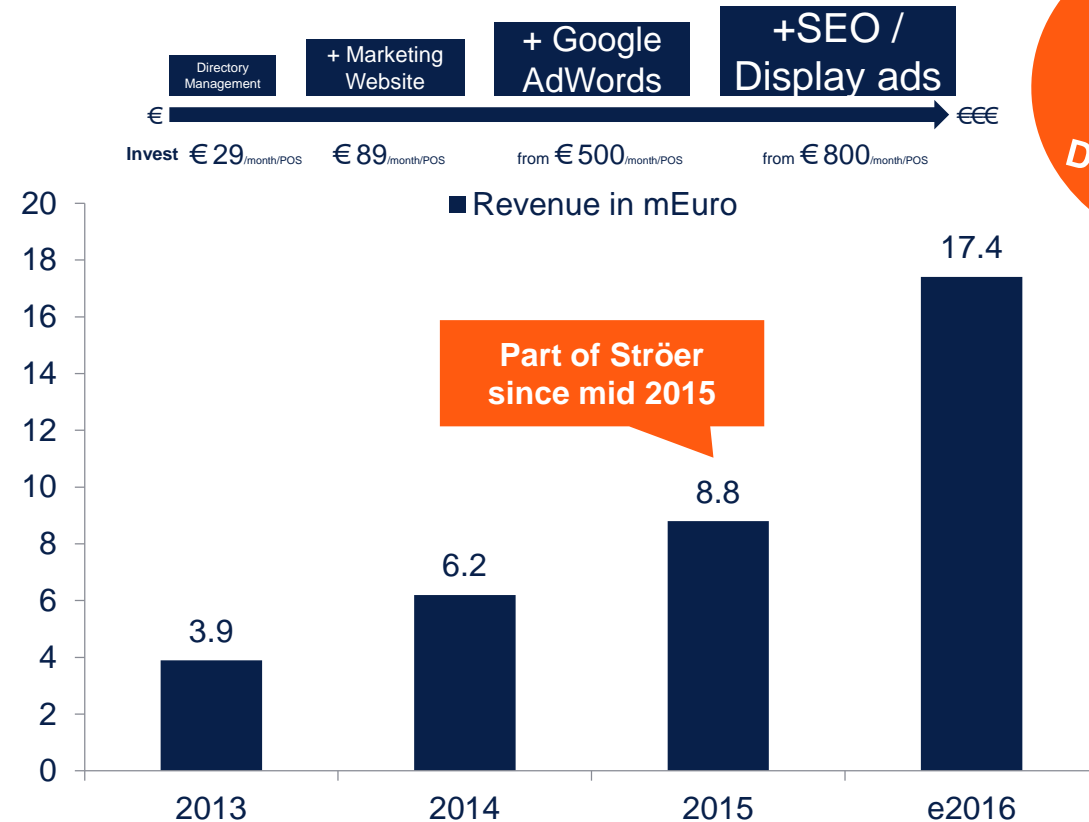
Value Creation and concrete Results: RegioHelden

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

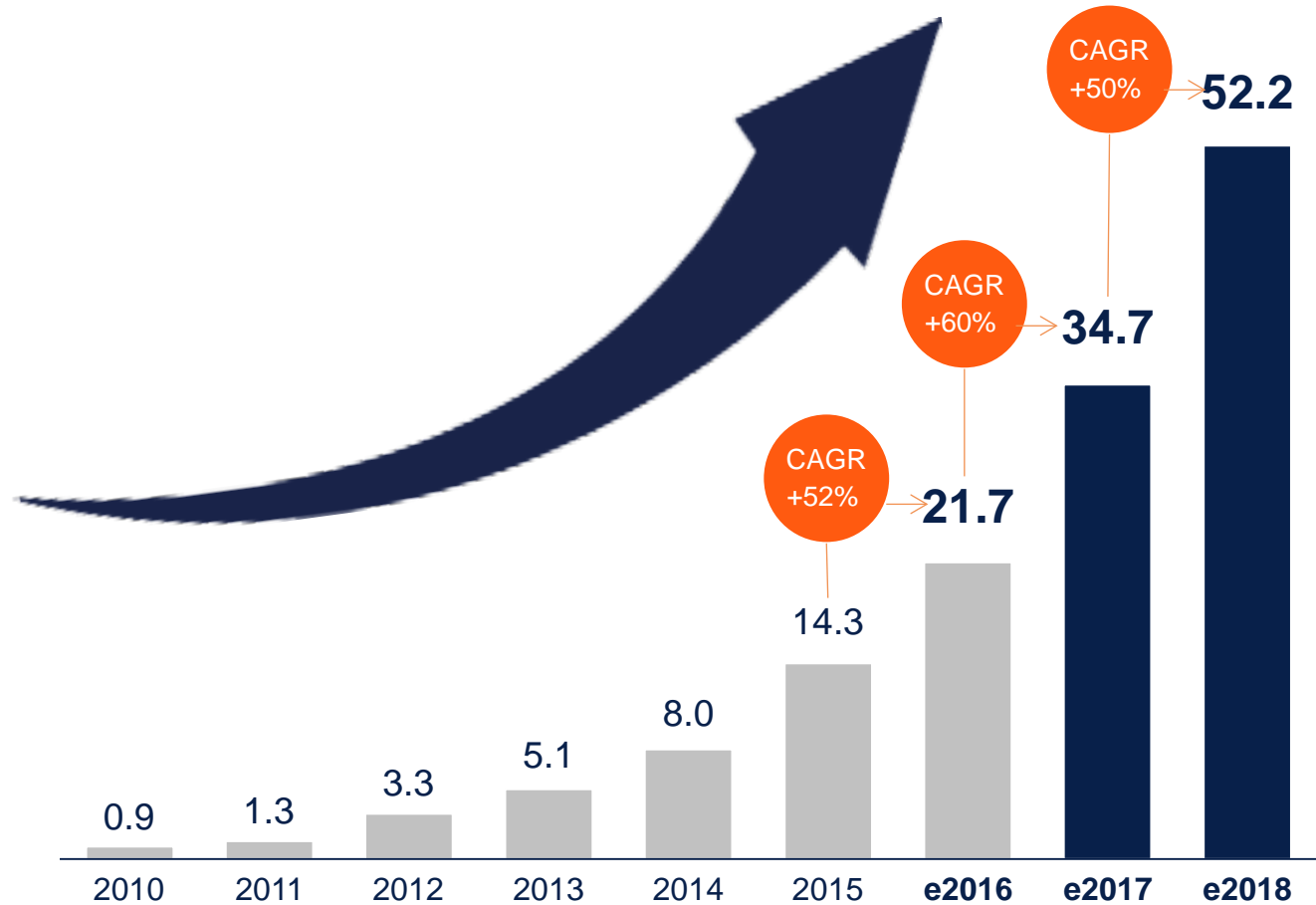
Value Creation and concrete Results: Statista

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

G GIGA

KINO★de

android
next

gamona

SPIELAFFE.DE

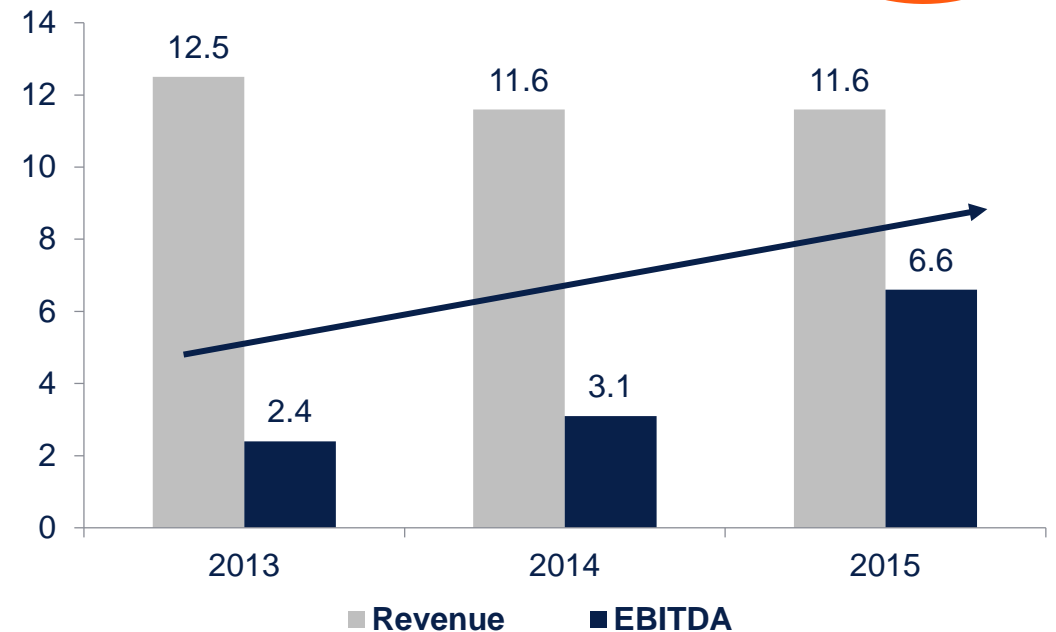
spieletipps

tabtech

STRÖER media brands

€ MM

EBITDA growth of >250%



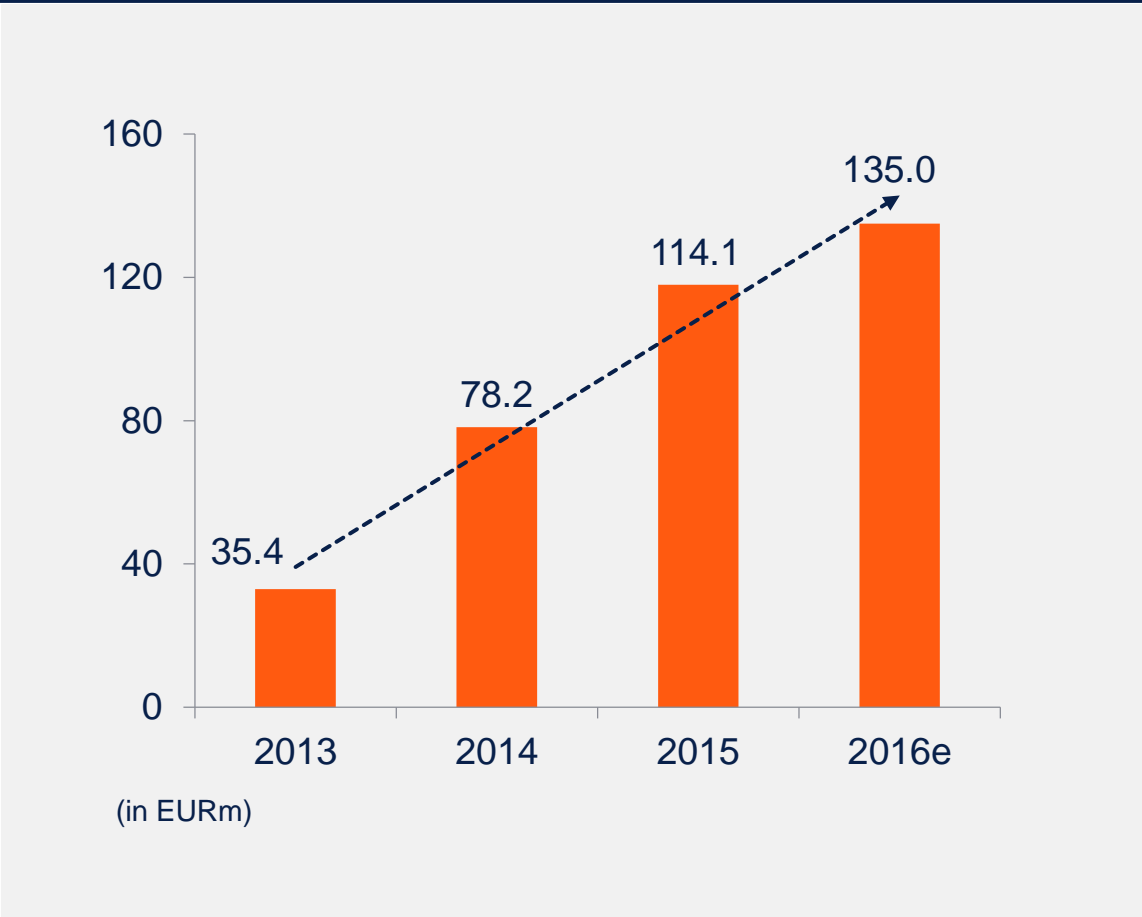
Purchase Price: ~20m
3x EBITDA Multiple 2015

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

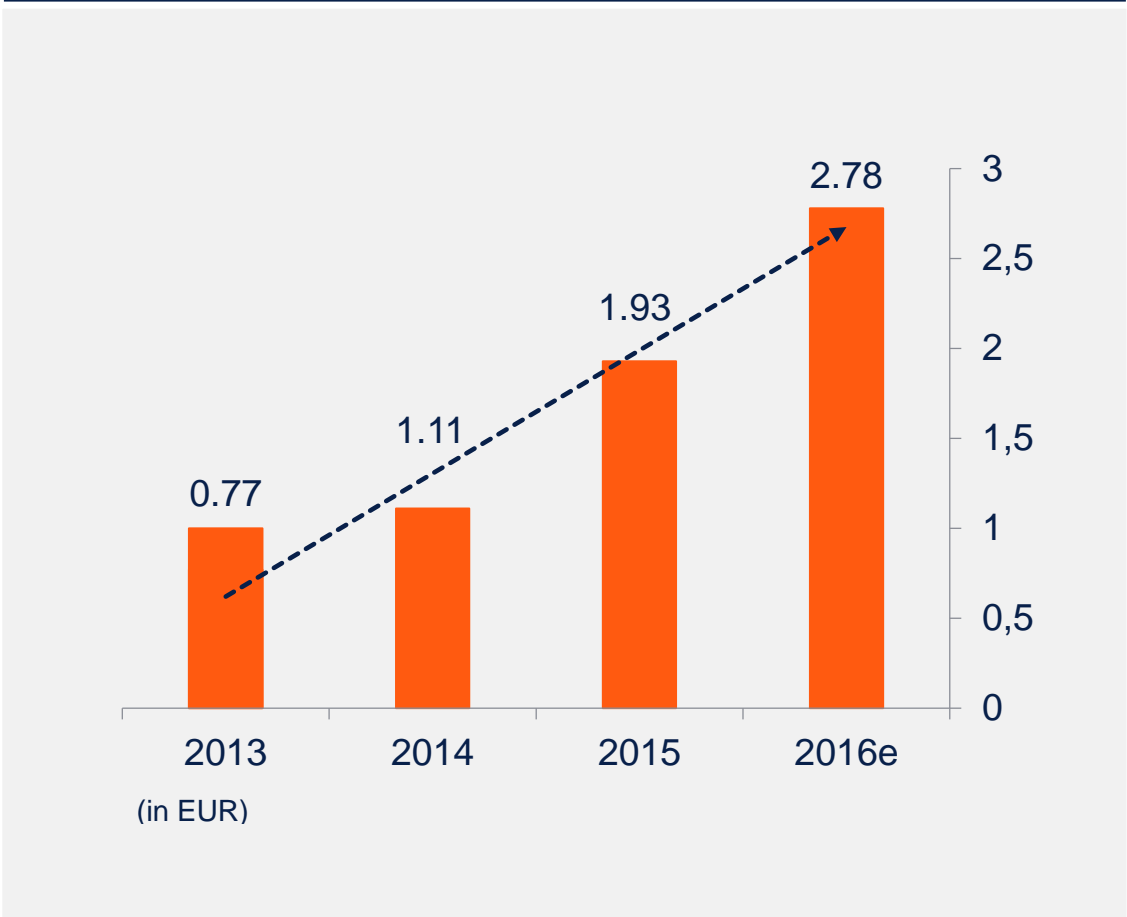


Our M&A Strategy pays off: Significant KPI Improvements

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



Adjusted EPS increased ~ 4 times since 2013



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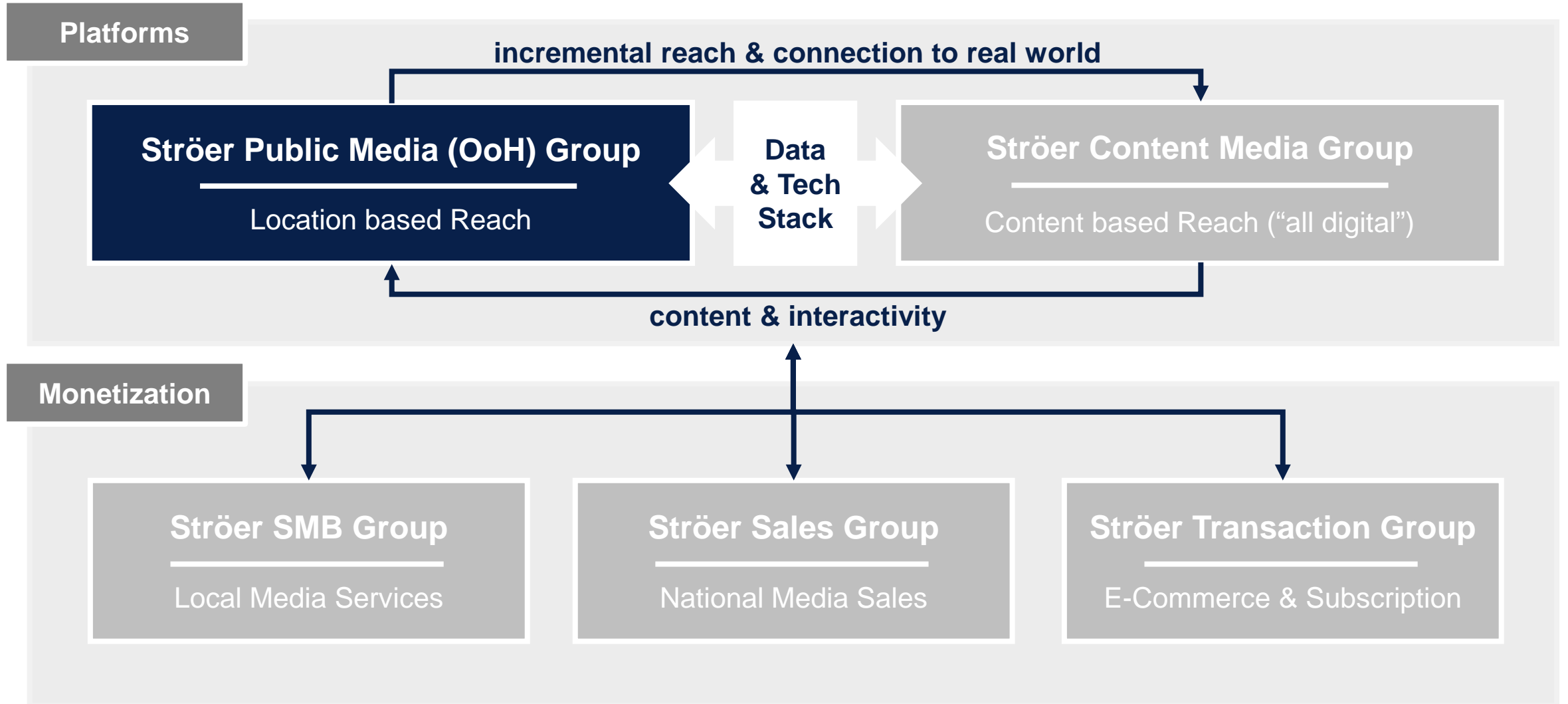
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Ströer Multi-Channel & Integrated Monetization Ecosystem



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

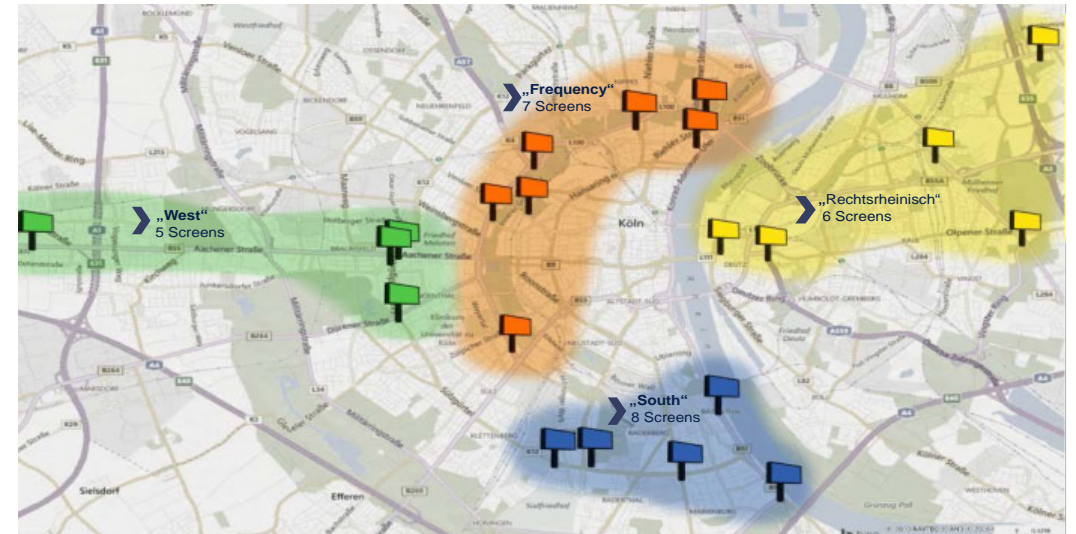
- Successful beta-test in Wuppertal around right locations, screen network coverage, content concept as well as marketing & sales strategy
- Consequent roll-out city-by-city and a clear bottom-up approach in line with revenue generation via local clients (SMBs: signage & campaigns)

First German Top 5 City: Cologne

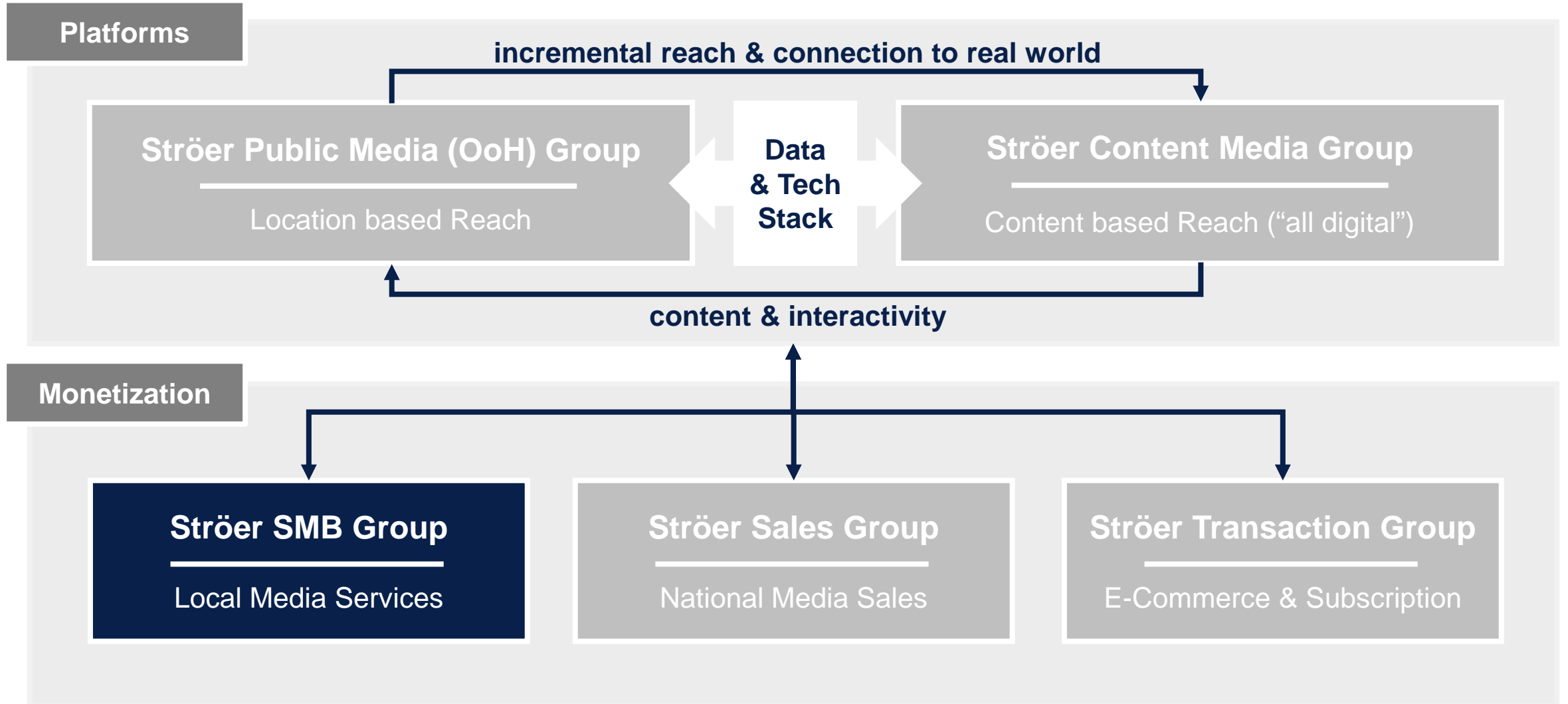


- Installation of 28 screens in absolute top locations for high visibility and maximum daily reach
- Smart mixture of advertising and local content (i.e. news, sports, weather)
- Order book: 2.4m Euro after 6 months
- 133 clients from targeted segments, e.g. service providers, fitness studios, car dealers,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

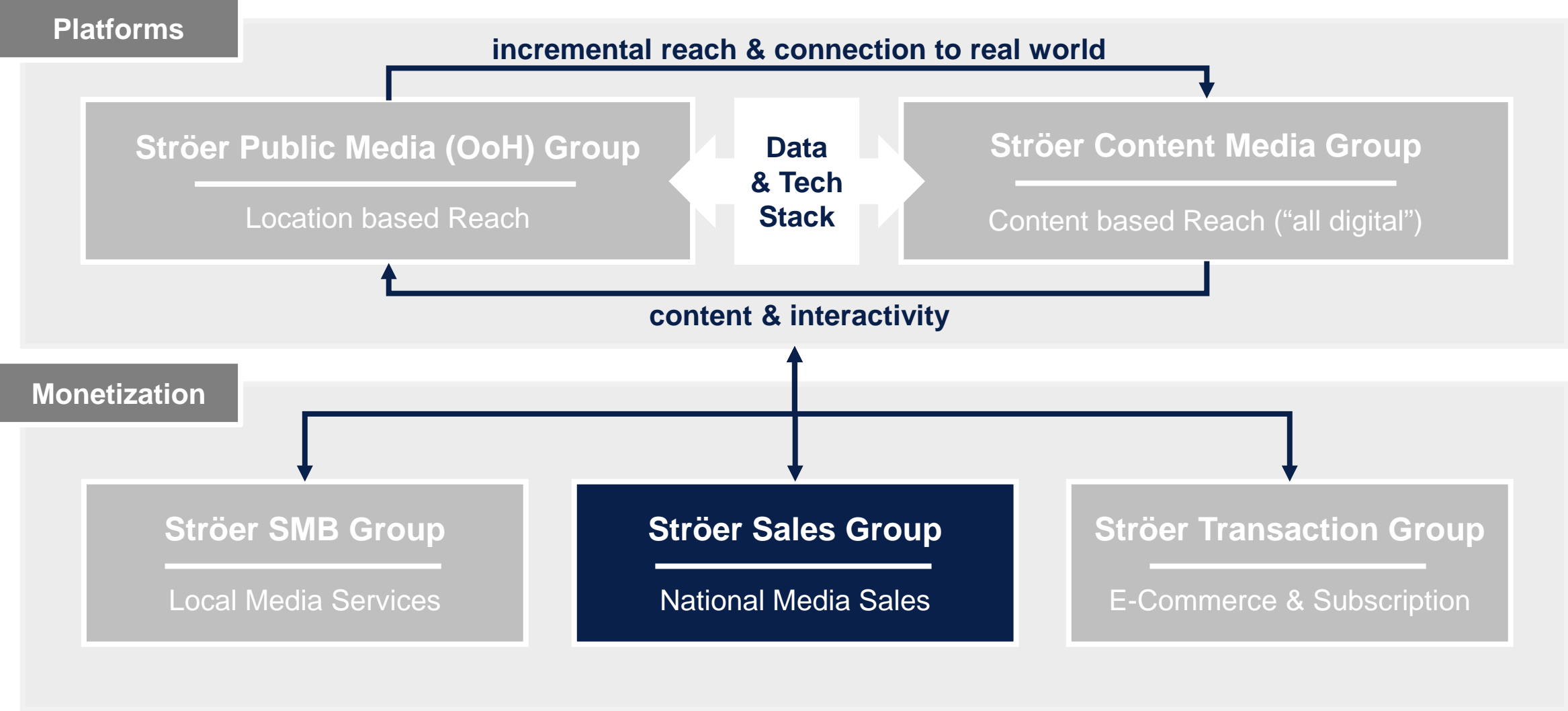


Integrated Offering



- 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

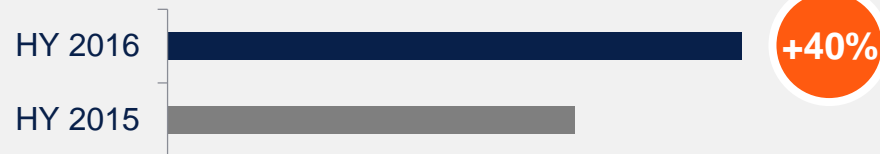


OoH Sales: Growing Sales Impact & New Bizz Initiatives

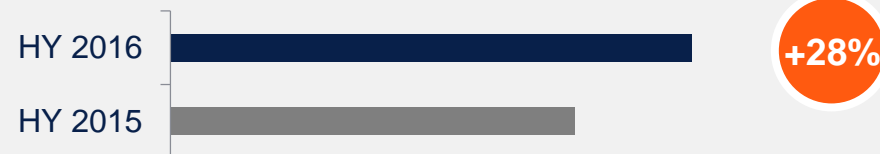
Persistent & pro-active Handling of the Market

- 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



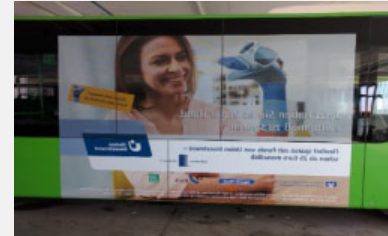
- Client meetings first six months



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

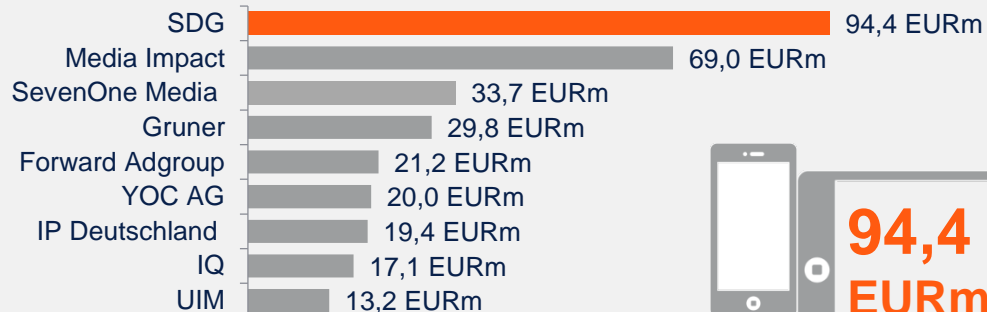


Digital: Market Leadership and Launch of new Products and Services

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

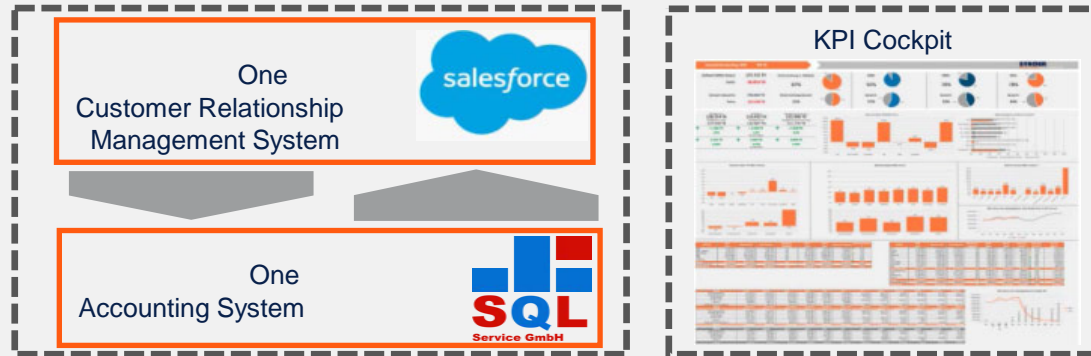


- New products to offer reach and quality products for advertisers e.g. Homepage Roadblock, First Contact
- Automatized yield optimization drives monetization for publishers by approx. 15%
- New cooperations and acquisitions enable new services to offer full range monetization (e.g. TWIAGO)
- DMP strategy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

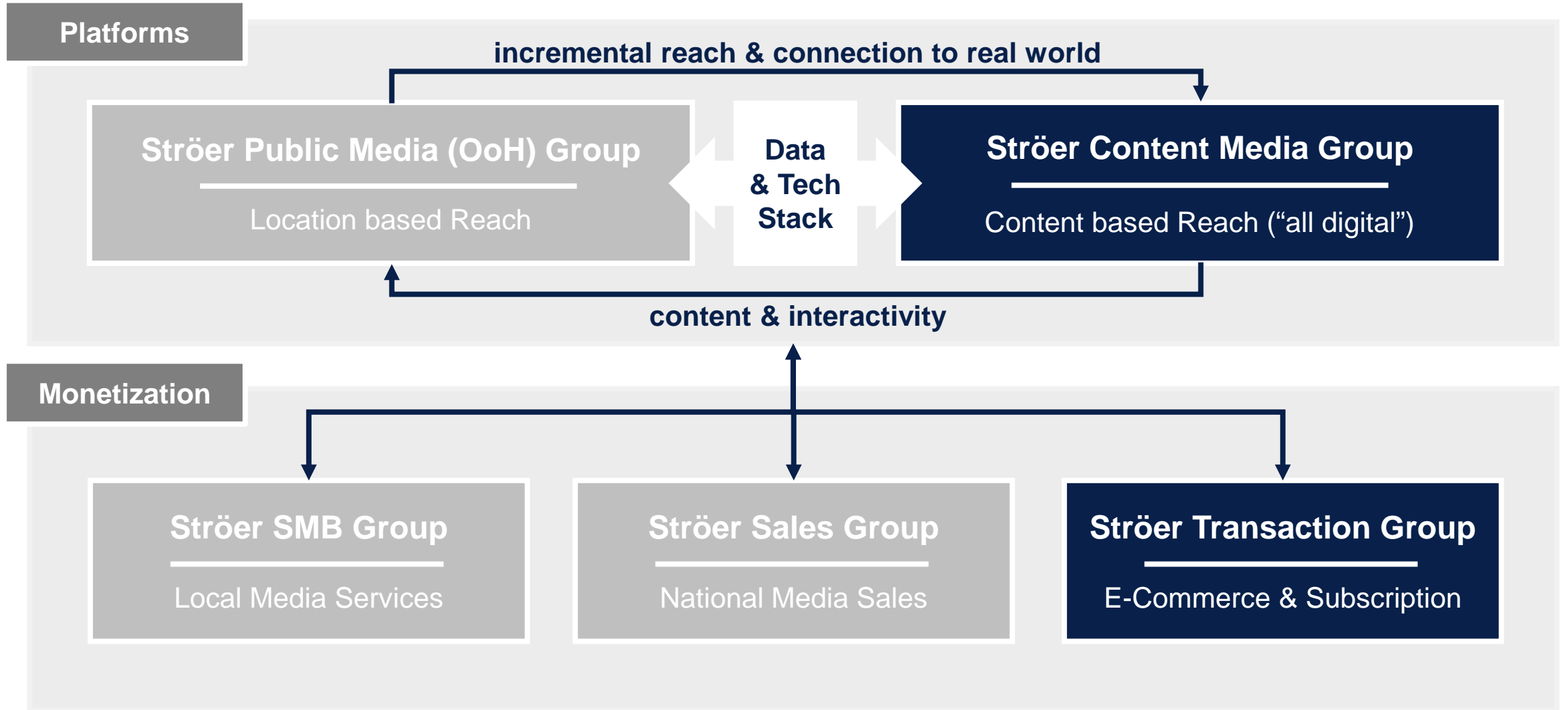


Examples of >800 exclusively marketed sites

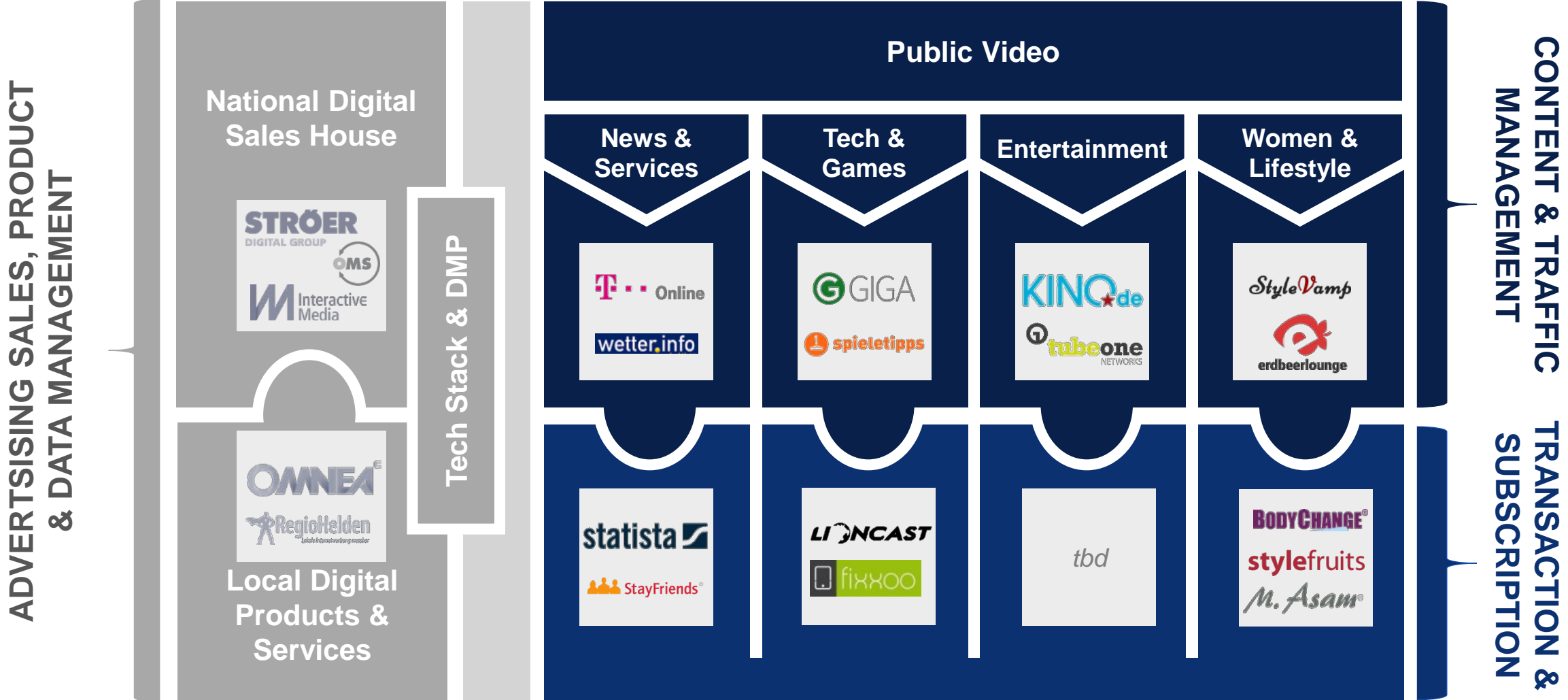
- ONE Platform enables transparency and is key for redefining workstreams and processes
- ONE Team: Integration of companies (e.g. adscale) and units enabling integrated teams for know how transfer/lean structure
- ONE KPI system: Synchronized KPIs for the group
- ONE Service Desk: Salesforce as central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

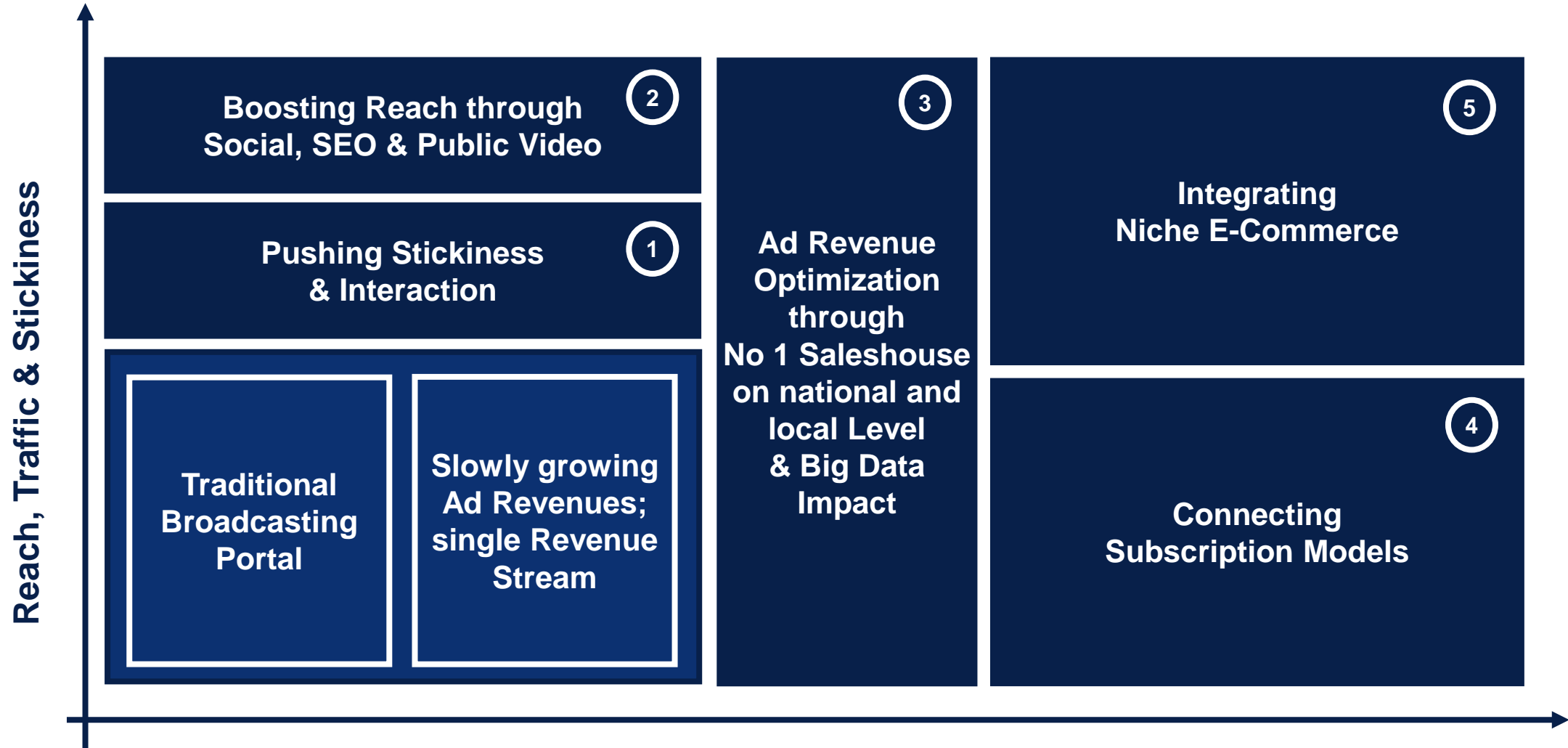
Ströer Multi-Channel & Integrated Monetization Ecosystem



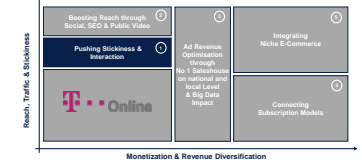
Segment "Digital": Overall Structure & Units (exemplary Entities)



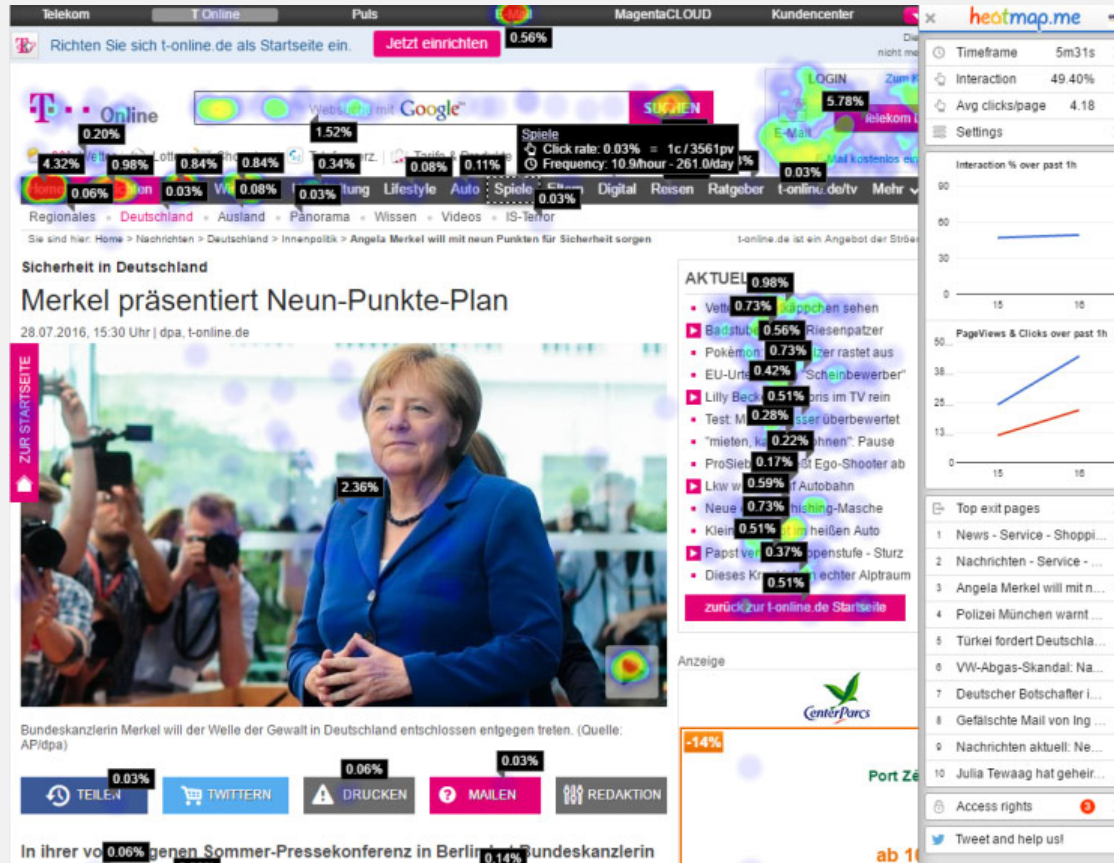
Ströer Value Creation Model for Digital Content & Transaction



T-Online: Leveraging Ströer Performance Publishing Suite



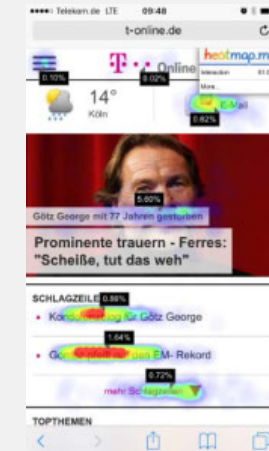
Example: State of the Art real time Analytics Tools for T-Online



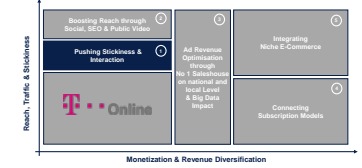
Driving T-Online Stickiness



- 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

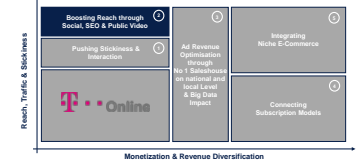
Further Scalability 2

- 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

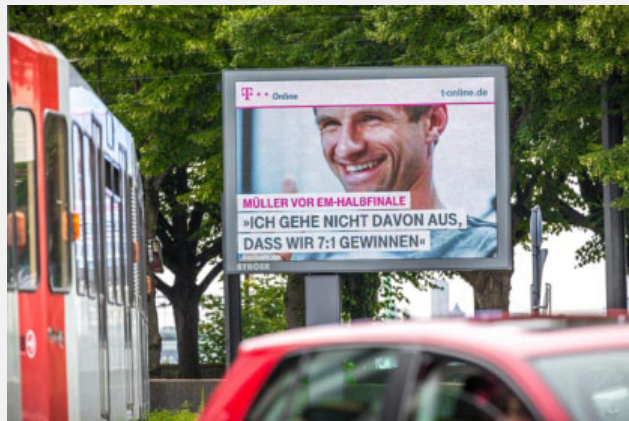
- Shift operations guarantee 24/7 output connected to performance analytics
- Fundamental traffic driver for news & service portal like T-Online

T-Online: Smart Traffic Growth Hacking

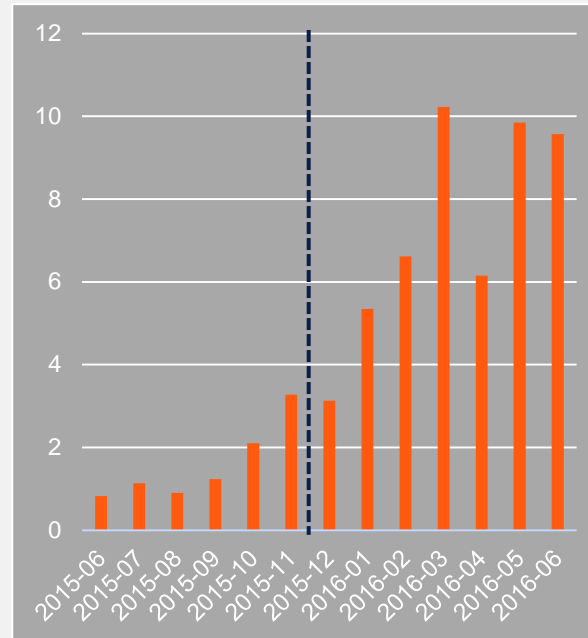


Public Video 33m Uniques/month

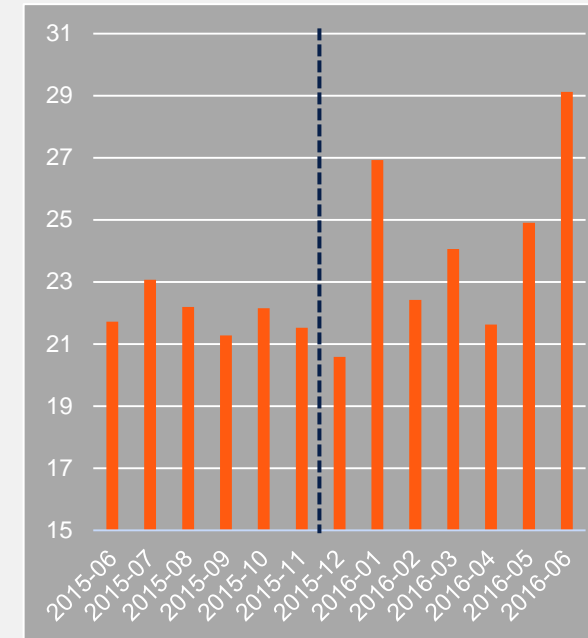
- T-Online content & brand presence since Q2/2016 on Public Video
- Massive marketing effect supporting homepage traffic



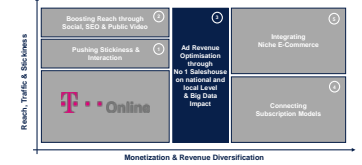
Social-driven Visits (mio) 1.058% YoY growth



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

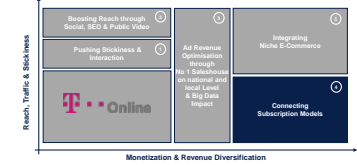
Shopping eCPC:
+20%



- 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



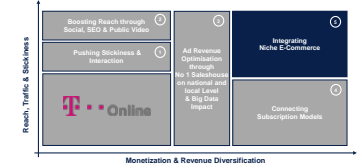
Value Adding Products

New Search Features like Friends & Connection Finder

Single Community Sign-on



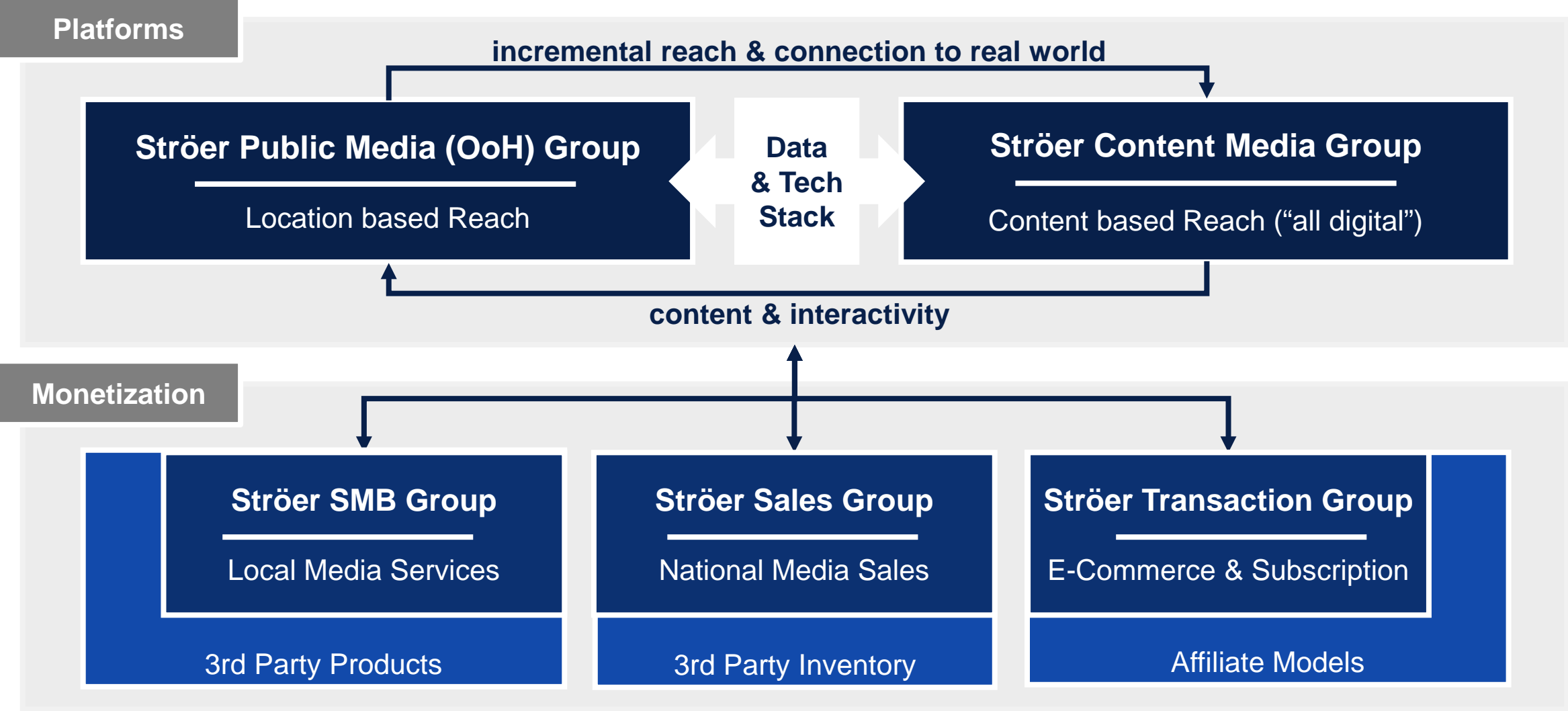
(Re-)Launch of T-Online Shop in second Half 2016



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

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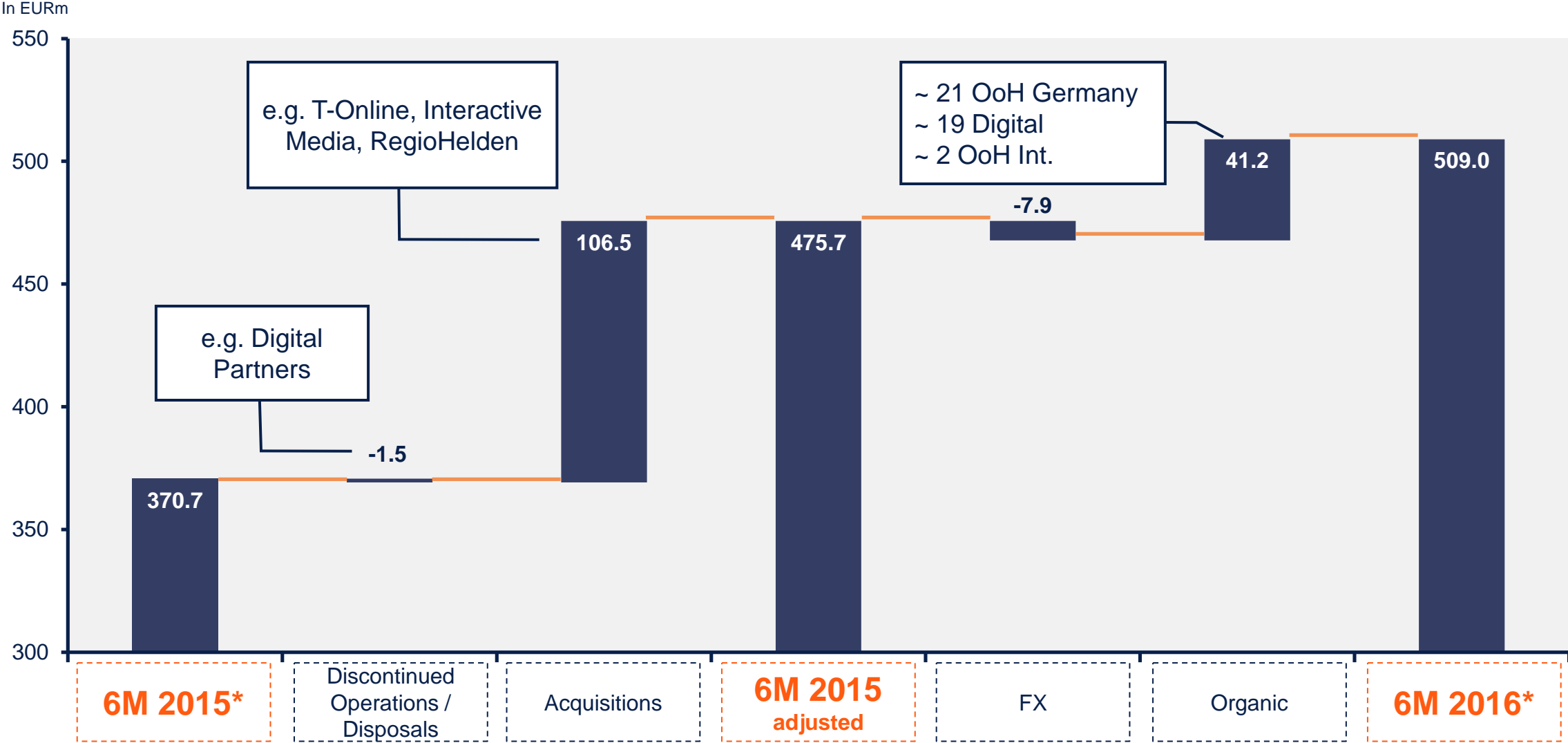
Profit and Loss Statement 1-6 2016

EURm	1-6 2016	1-6 2015	▲ %	Analysis
Revenues (reported) ⁽¹⁾	502.3	363.4	+38%	 Expansion driven by 8.7% organic growth and M&A
Adjustments (IFRS 11)	6.7	7.3	-8%	
Revenues (Management View)	509.0	370.7	+37%	
Operational EBITDA	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%	
EBITDA	101.7	70.0	+45%	
Depreciation & Amortisation	-65.0	-48.8	-33%	 Increase in D&A base on larger consolidation scope
EBIT	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.	
Net Income	27.7	18.2	+52%	
Adjustment ⁽²⁾	32.9	15.6	~ 2 times	 Higher PPA-amortisation and exceptionals
Net income (adjusted)	60.6	33.8	+79%	 On track to deliver > 150 EURm for the FY 2016

(1) According to IFRS

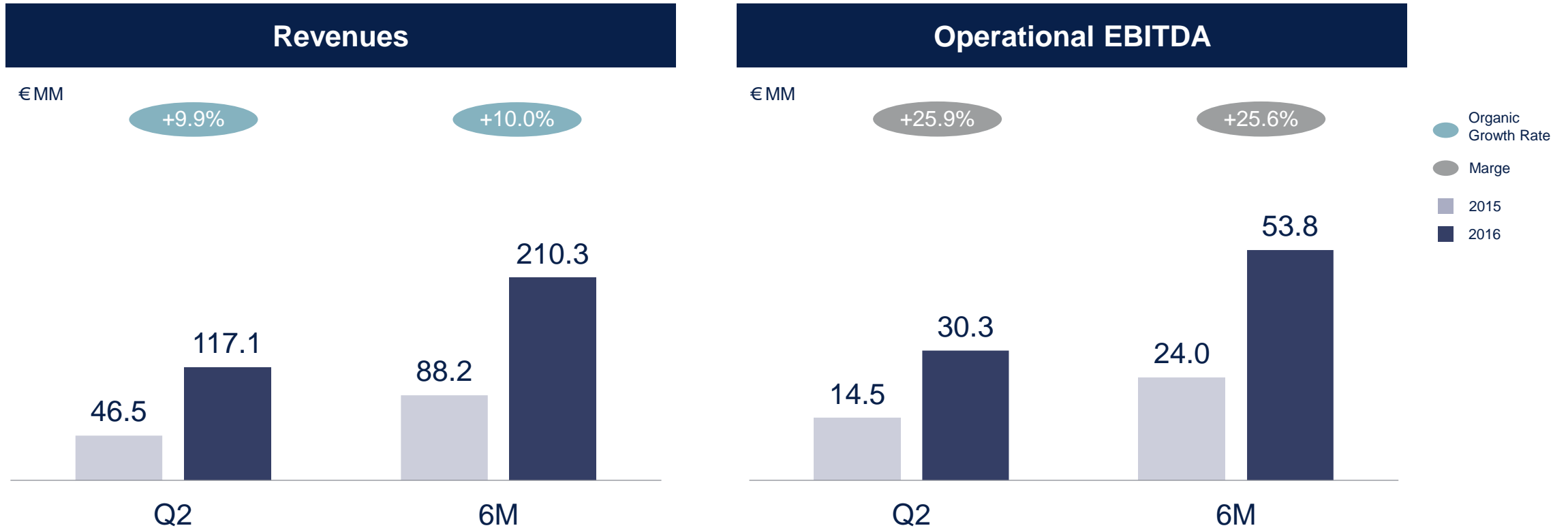
(2) Adjustment for exceptional items including adjustments of the financial result (+11.9 EURm), amortization of acquired advertising concessions & impairment losses on intangible assets (+ 27.2 EURm), Tax Adjustment (-6.3 EURm)

Reported Organic Growth of 8.7 % in 1-6 2016



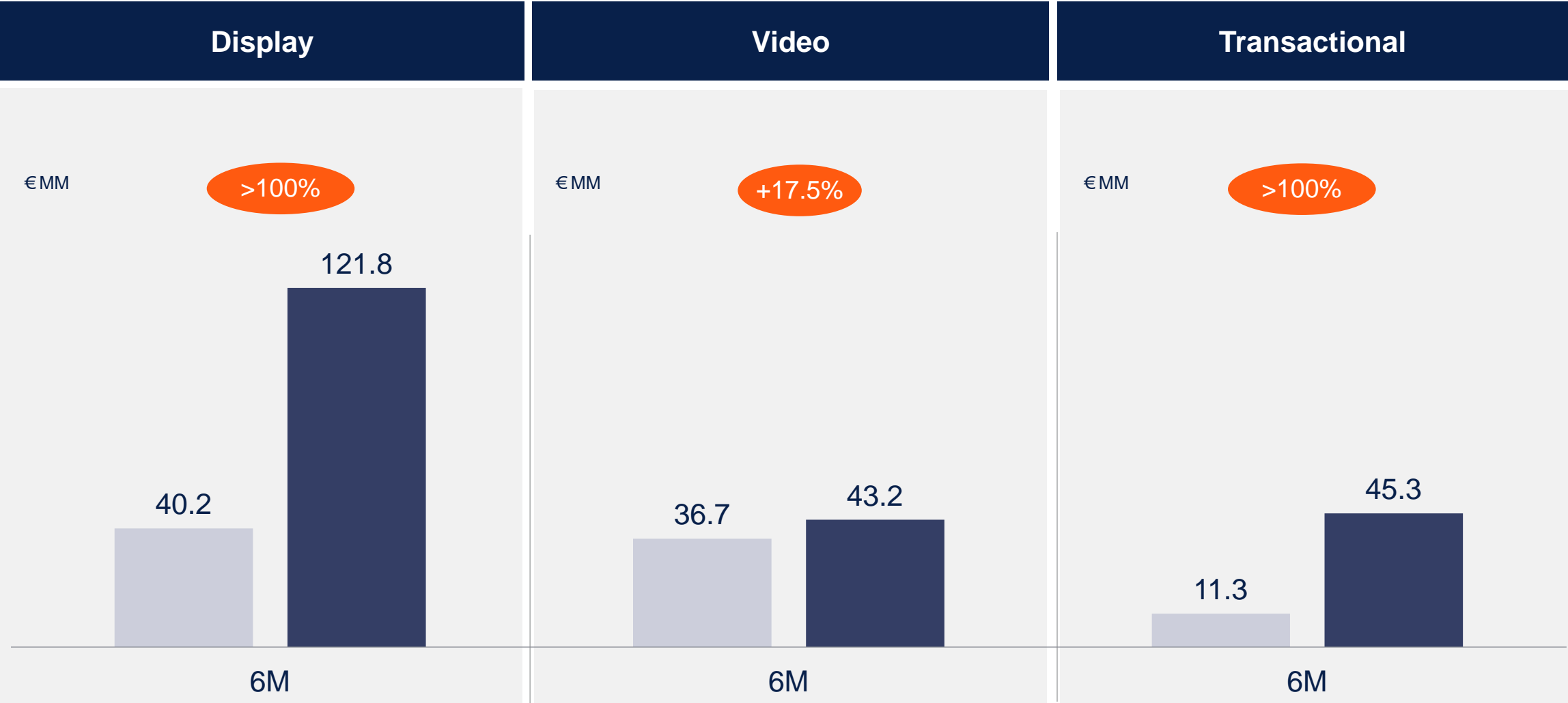
*Revenues correspond to management accounting pre IFRS11

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

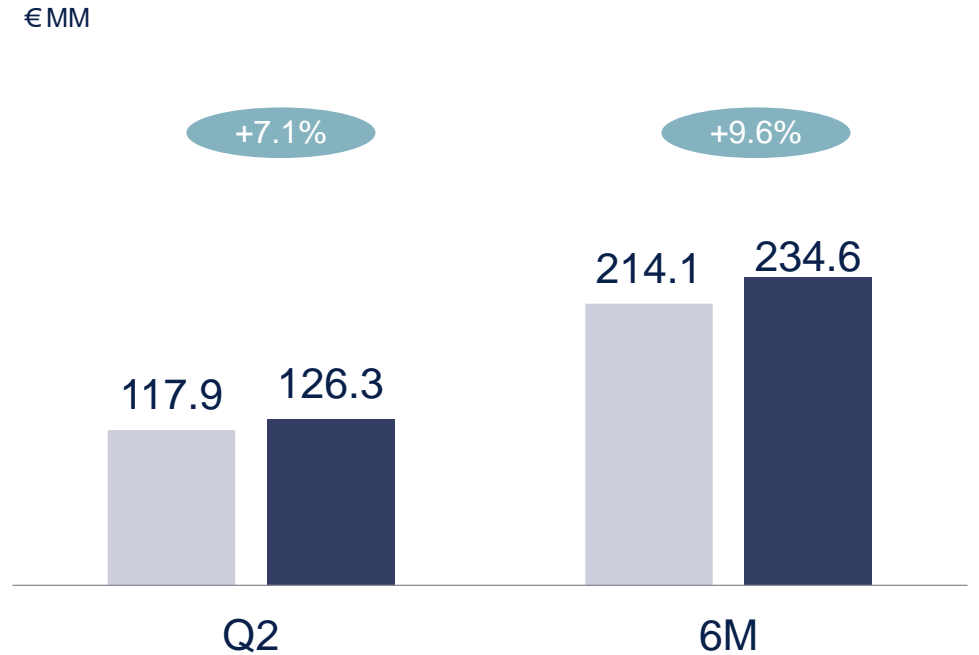
Details on Digital Segment Revenues: Product group development 1-6 2016



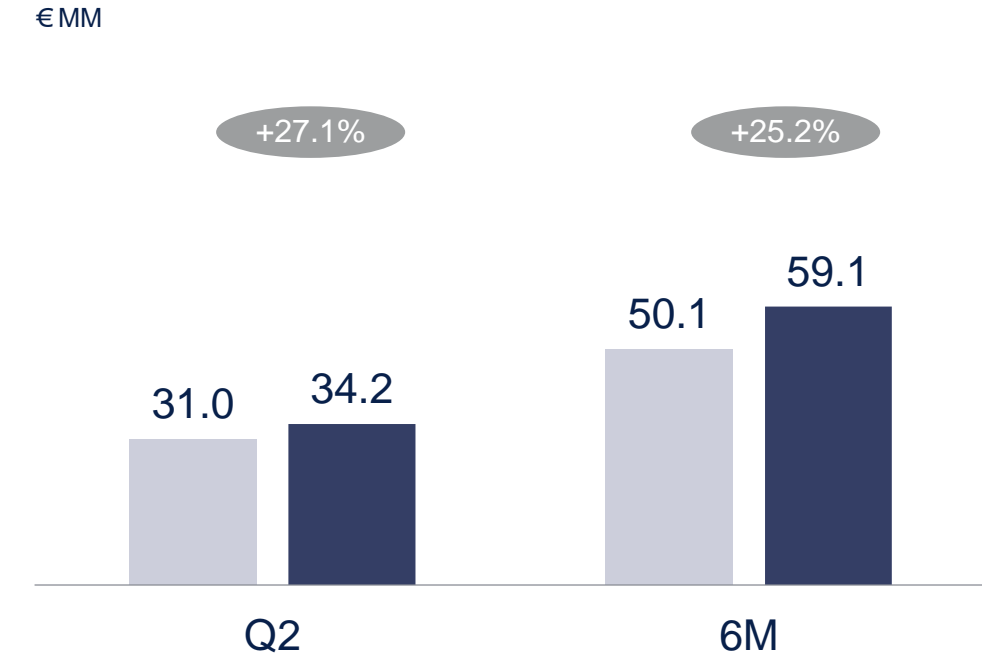
■ 2015 ■ 2016 ● Growth rate

OoH Germany: Strong Overachievement

Revenues



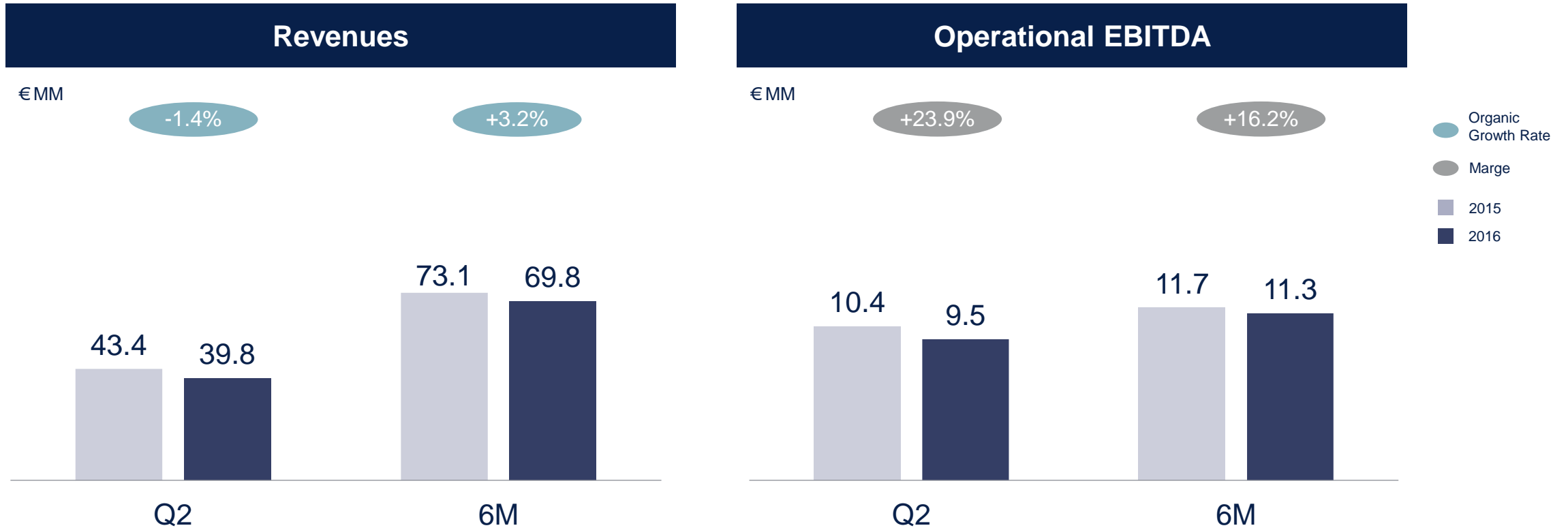
Operational EBITDA



- 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

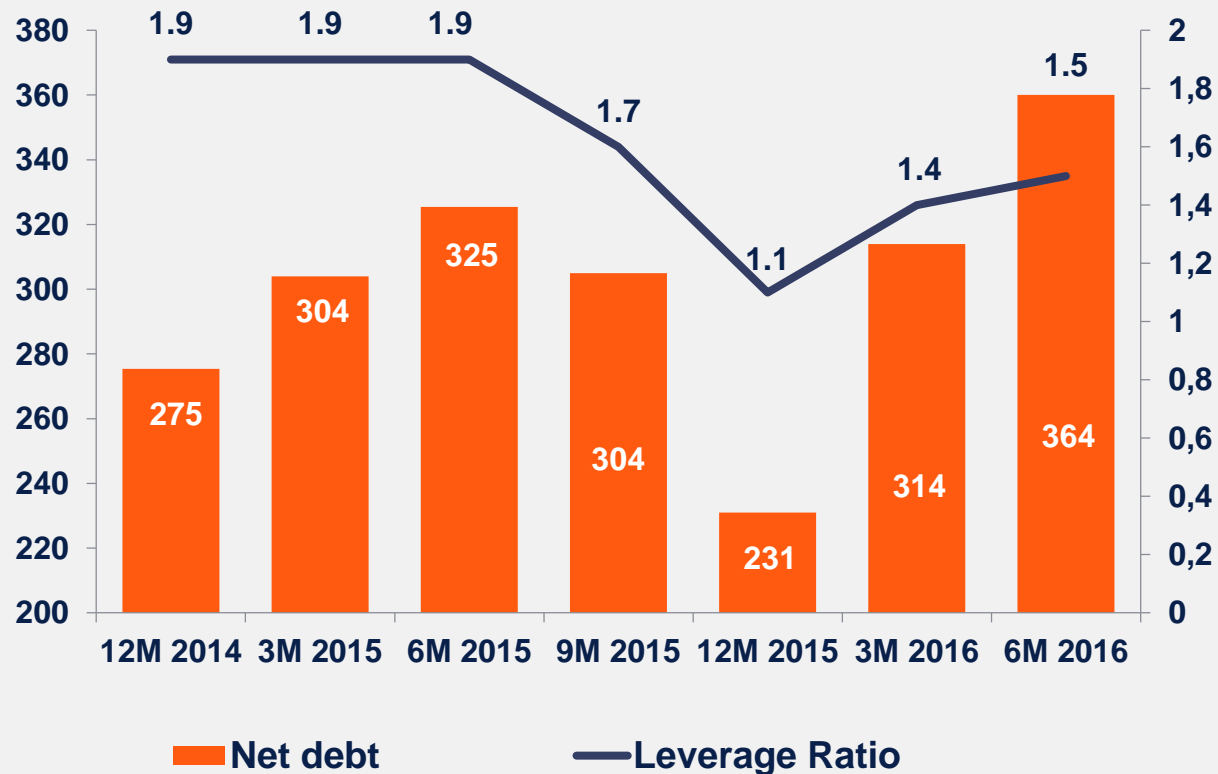
Free Cash Flow	H1 2016 EURm	H1 2015 EURm
Op. EBITDA	114.6	78.4
- Interest (paid)	-3.4	-5.2
- Tax (paid)	2.1	-5.7
-/+ WC	-7.6	-17.5
- Others	-22.3	-11.5
Operating Cash Flow	83.4	38.5
Investments	-45.6	-38.3
Free Cash Flow (before M&A)	37.8	0.2

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