

STRÖER



Company Presentation Q2 2018

September 2018 | Ströer SE & Co. KGaA



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Financial Update

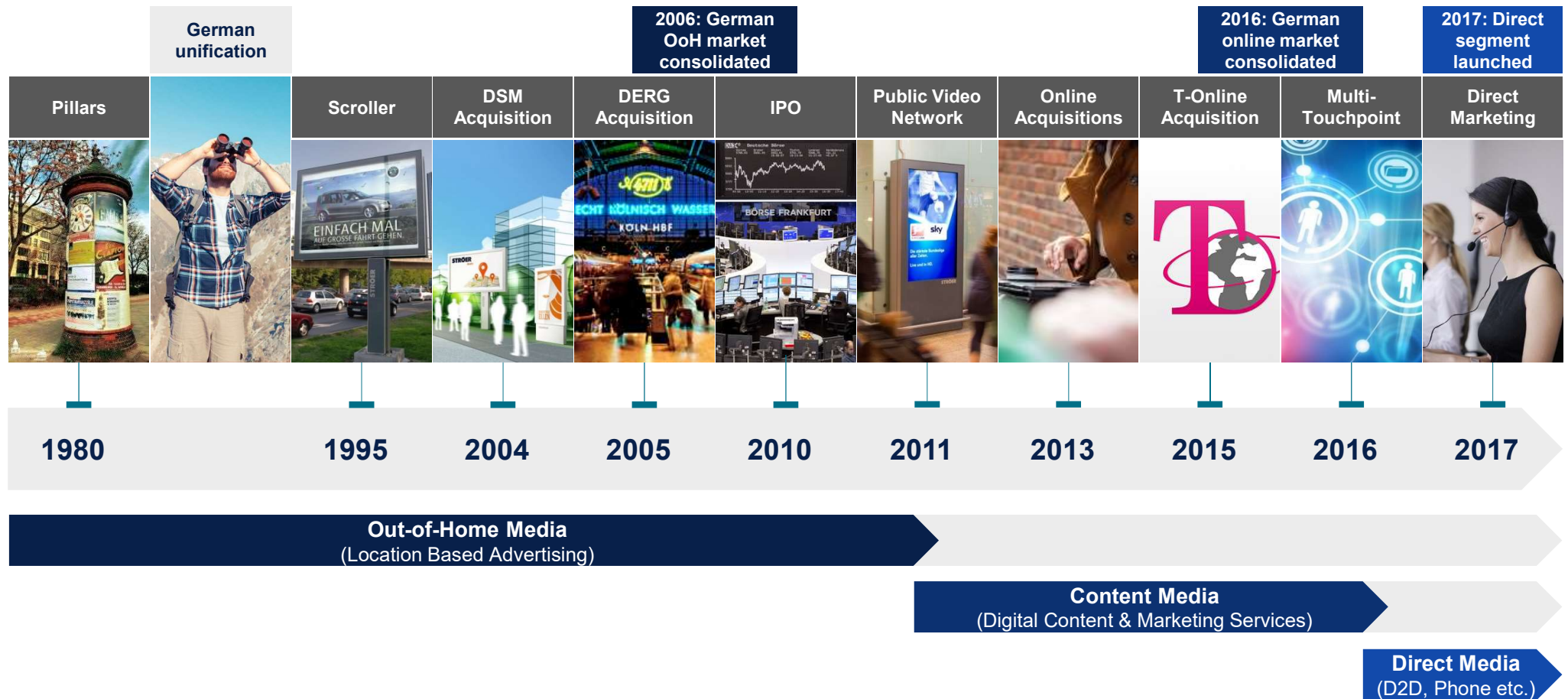
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Appendix



**“The most customer-centric,
multi-channel media company
in/from Germany.”**

Milestones of Ströer's strategic Development



Ströer – The leading digital multi channel media company



13.000 employees



1,6 bn € sales*



#2 in the callcenter ranking



More than 100 locations



134 Mio. direct customer contacts



300.000 advertising mediums



50,65 Mio. unique users**



5 Bill. video views***



Source: *entire year 2018 (Outlook), ** AGOF digital facts 2018-05 (16+ years old), users of mobile and/or stationary offers (in the last 3 months)
***per month/own research– from Dec 2017

Robust & Sustainable Growth Drivers in all Key Segments

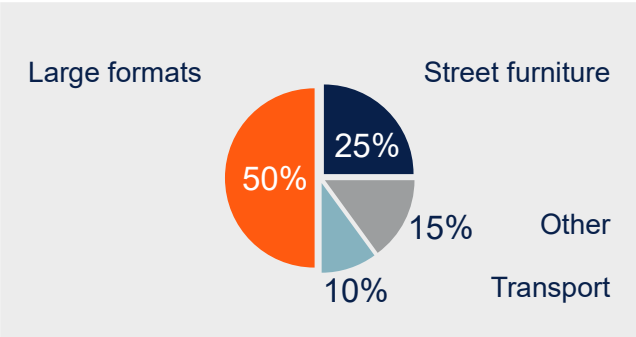
Out-of-Home Media (Location Based Advertising)	Content Media (Digital Content & Marketing Services)	Direct Media (D2D, Phone, Chat, Mail, CpO)
Key logics:		
<ol style="list-style-type: none"> 1. Slightly growing and robust portfolio market share with growing audience through urbanization and mobility 2. 54%* of revenues coming from local and regional business (vs. 46% national ad market) 3. Digitization is driving both inventory value, monetization potential and yield optimization 	<ol style="list-style-type: none"> 1. Meanwhile strong market position amongst German players and consolidation opportunities beyond 30%** market share 2. 51%*** of revenues coming from direct client relationships and direct programmatic sources 3. Strong & highly profitable own assets in combination with 345**** of the top 700 German websites 	<ol style="list-style-type: none"> 1. Growing clients' demand to manage & drive direct consumer contacts when GAFA is more and more controlling access channels 2. Market fragmentation and lack of professionalization & scale is offering strategic opportunities 3. Massive digitisation opportunities in combination with group synergies & 360° sales channels

* 12M/2017; ** Source OVK: 12M/2017; *** 12M/2017; **** Source AGOF: 12M/2017

Estimated Product Split in New Segment Structure for 2018

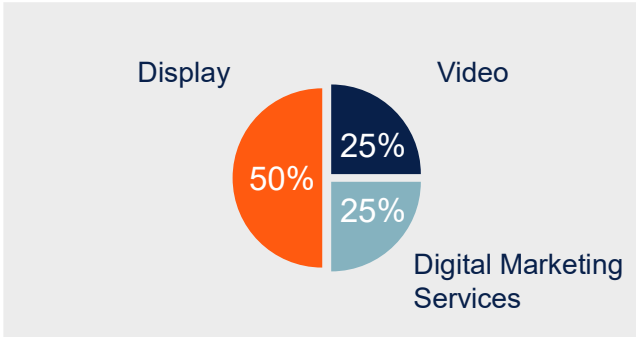
OoH Media

Revenues: ~ 700 m€*



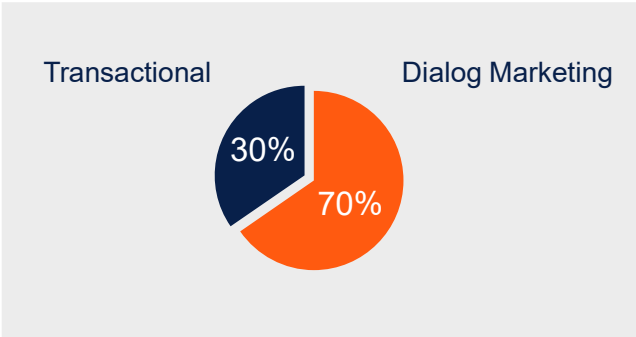
Content Media

Revenues: ~ 500 to 550 m€*



Direct Media

Revenues: ~ 350 to 400 m€*

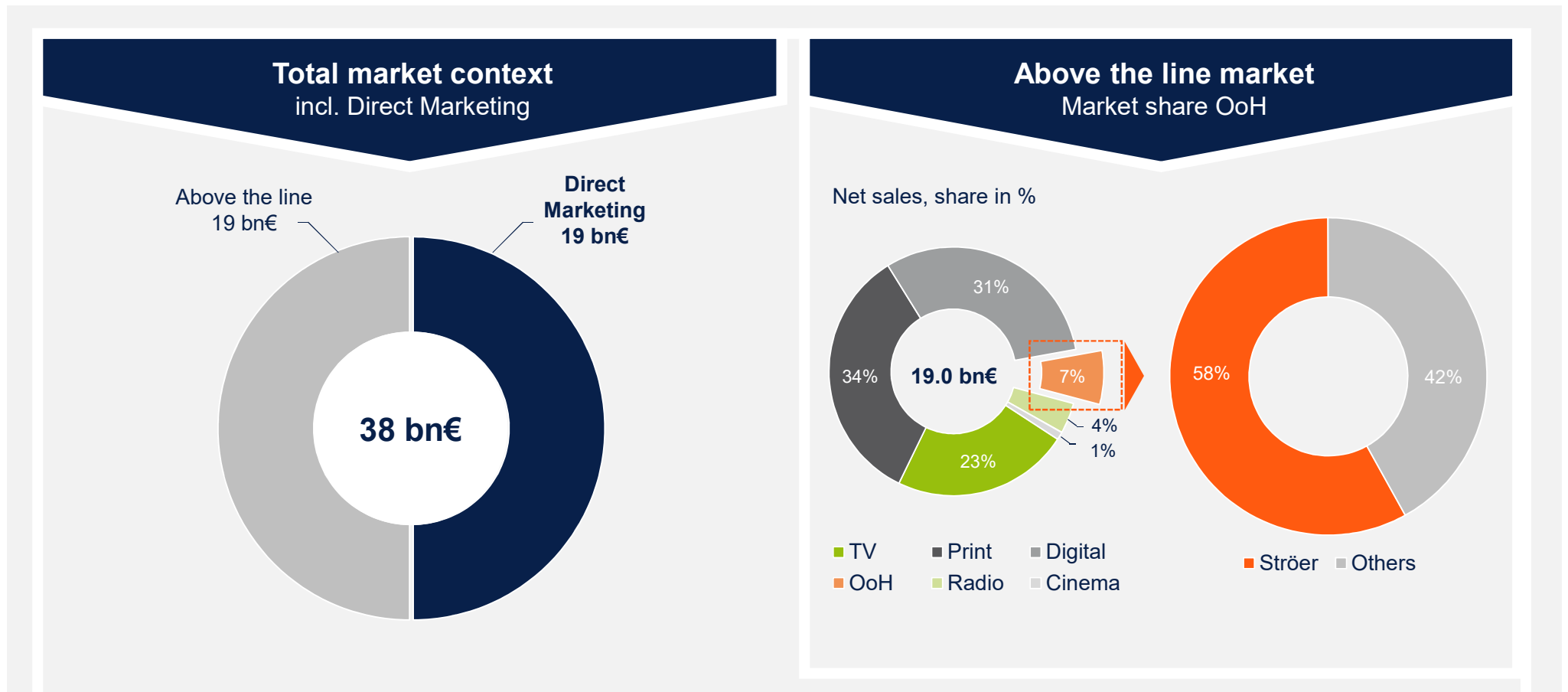


* Expected revenue split per segment w/o group consolidation and before IFRS changes



- public media | #1 OOH provider | posters | train stations | transport | Street | Giant Posters | long-term advertising | 300,000 advertising spaces | street furniture | geomarketing | wide reach | high contact frequency

Out-of-Home : A leading position



Sources: Total market, net sales – ZAW, PWC, Statista; Direct Marketing – Deutsche Post Dialogmonitor, Genesys, Statista

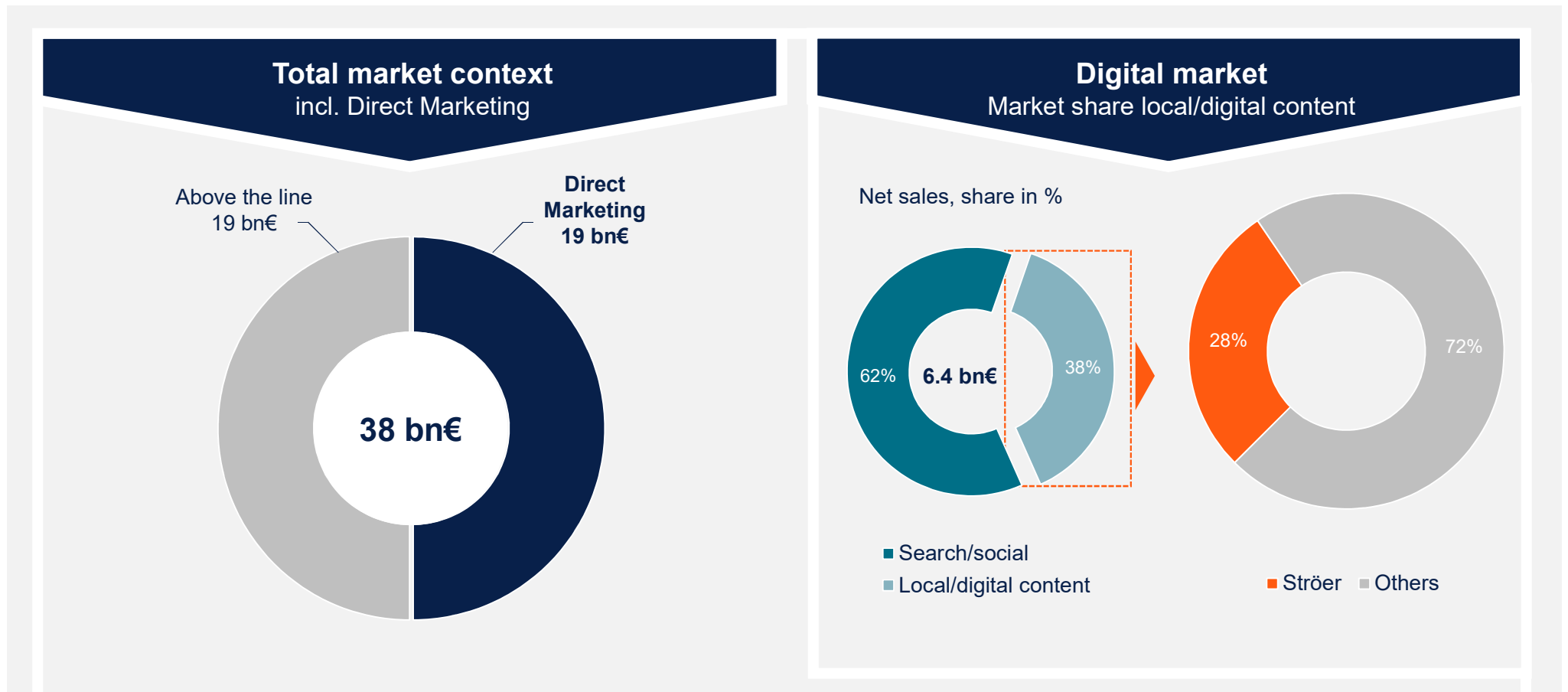


CONTENT MEDIA

- online advertising | digital publishing | displays | video | public video | mobile | #1 quality marketer | #1 news portal | native advertising | programmatic advertising | data | influencer marketing | t-online.de | Ströer media brands | 53 million unique users*

*AGOF e.V. / daily digital facts 1 February 2018 / period: January 2018

Content Media: A strong Base Platform



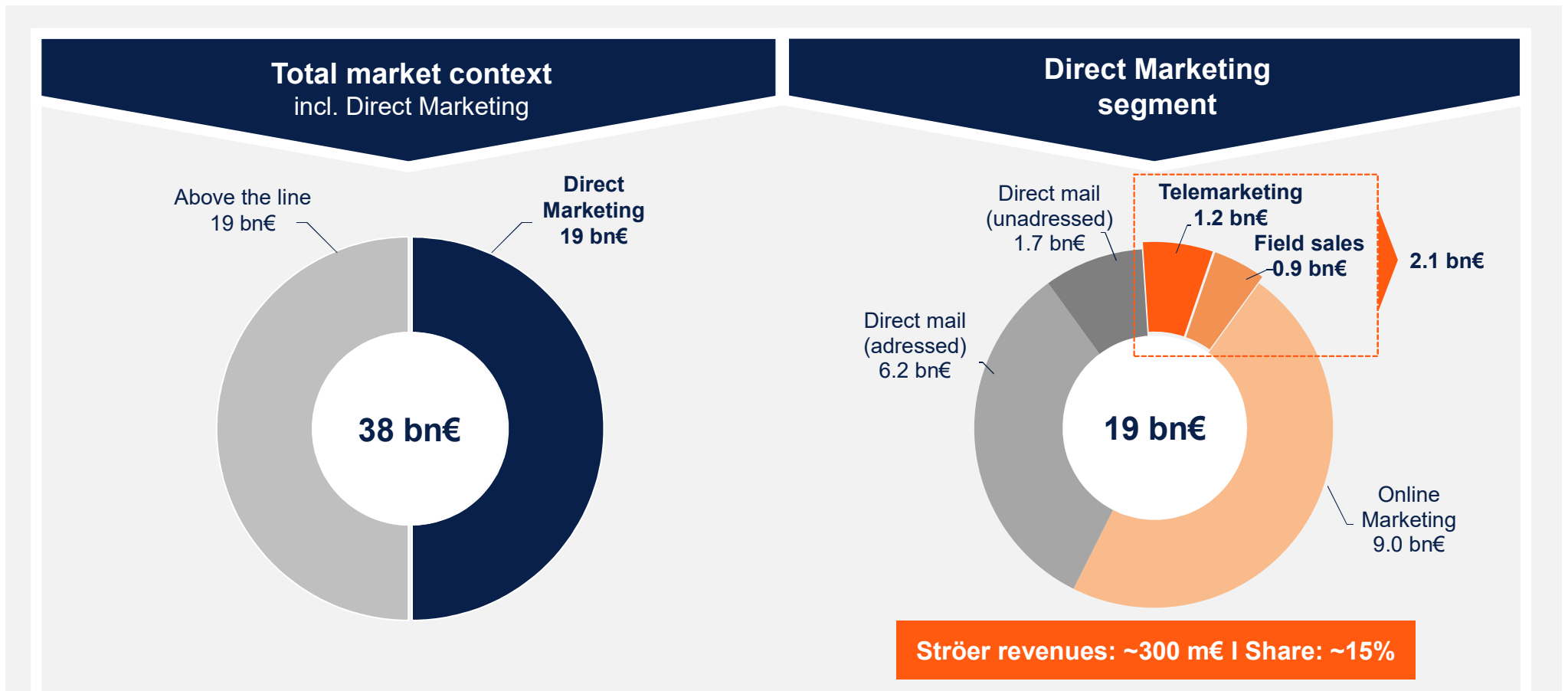
Sources: Total market, net sales – ZAW, PWC, Statista; Direct Marketing – Deutsche Post Dialogmonitor, Genesys, Statista



DIRECT MEDIA

- **dialogue marketing** | telemarketing | market-oriented sales force | chat | non-voice | dialogue media platform | omni-channel solutions | **customer dialogue** | transaction | 360° range of services | quality | **performance-based sales**

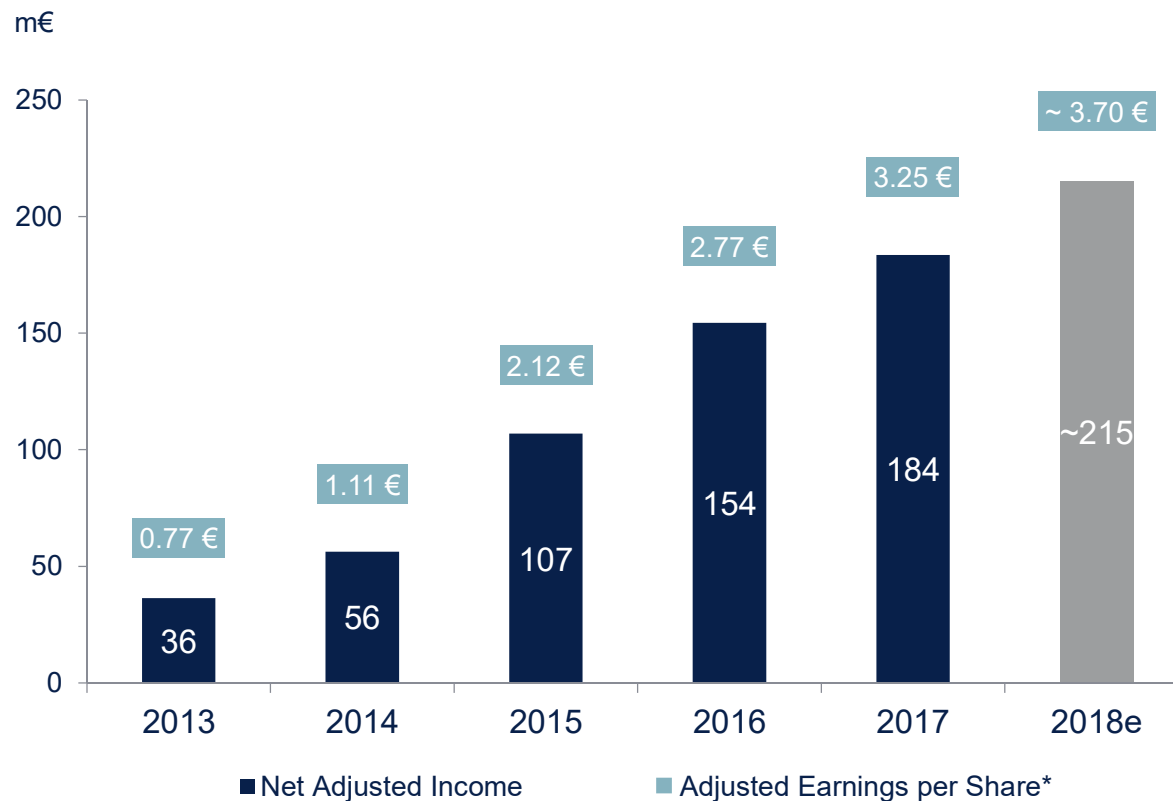
Direct Marketing opens up new strategic Business Segment



Sources: Total market, net sales – ZAW, PWC, Statista; Direct Marketing – Deutsche Post Dialogmonitor, Genesys, Statista

Adjusted Earnings per Share Development since 2013

Net Adjusted Income & Adjusted Earnings per Share*



Comment

- Adj. EPS quintupled from 2013 to 2018
- Strong underlying operational performance
- Value accretive acquisitions for shareholders
- Financial expenses significantly reduced

Note: Financials for 2013-2017 actuals, 2018 Guidance (before IFRS changes)
*After minorities

Capture new Business Segments: Ströer's general Strategy



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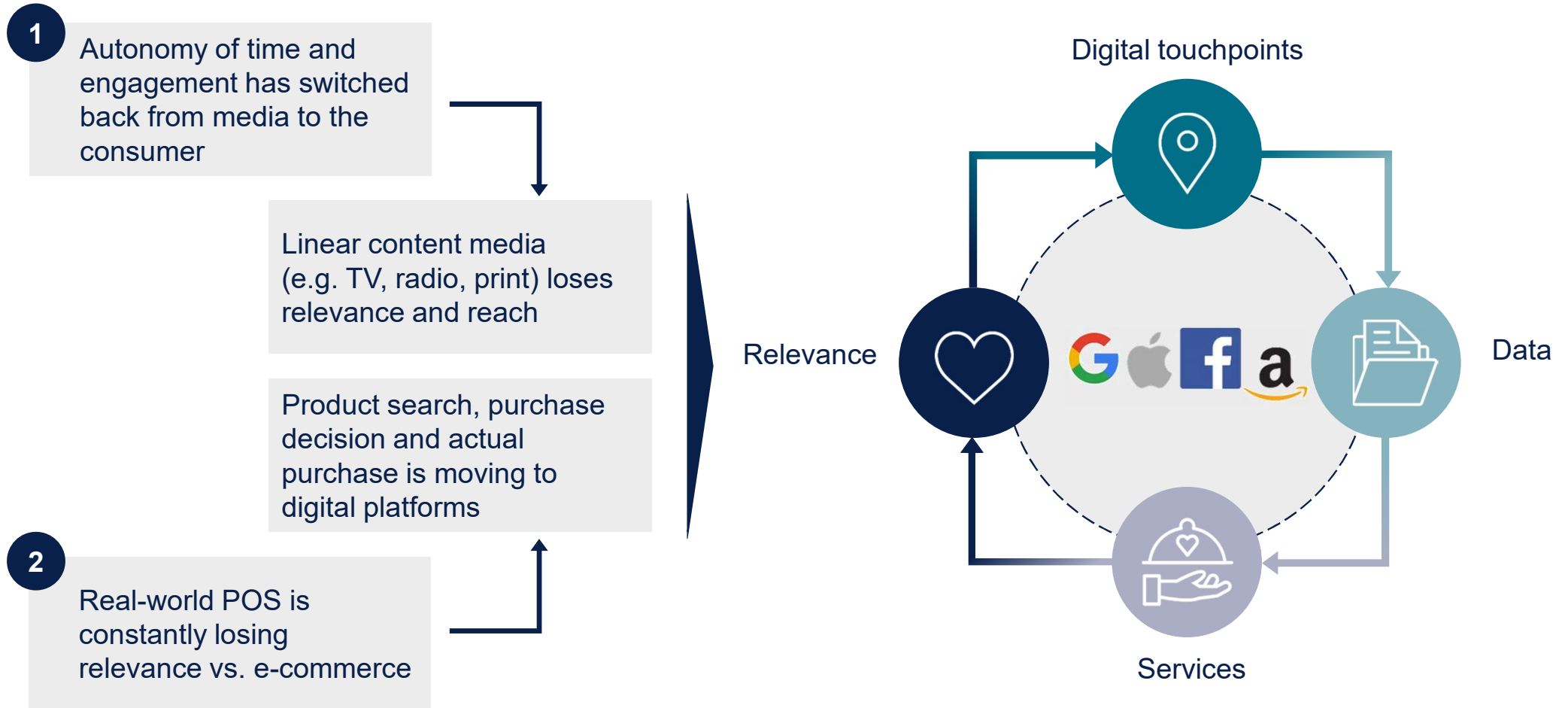
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We listen to our Customers: Their Challenges in the Age of GAFA



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

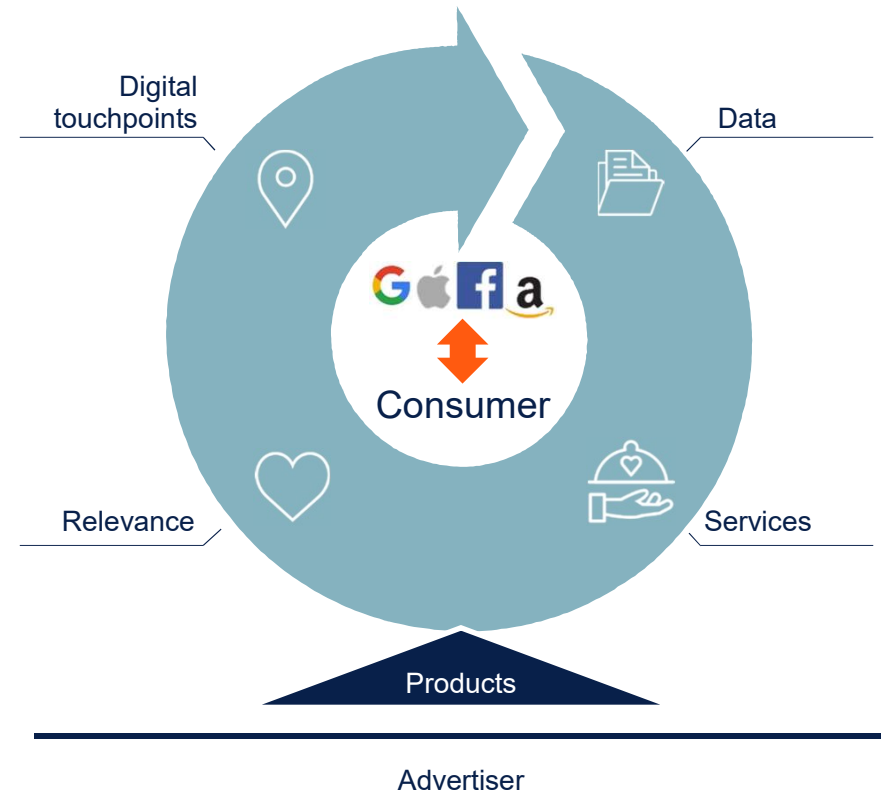
Linear and one way



Value-chain disruption

Data/platform driven CRM business model

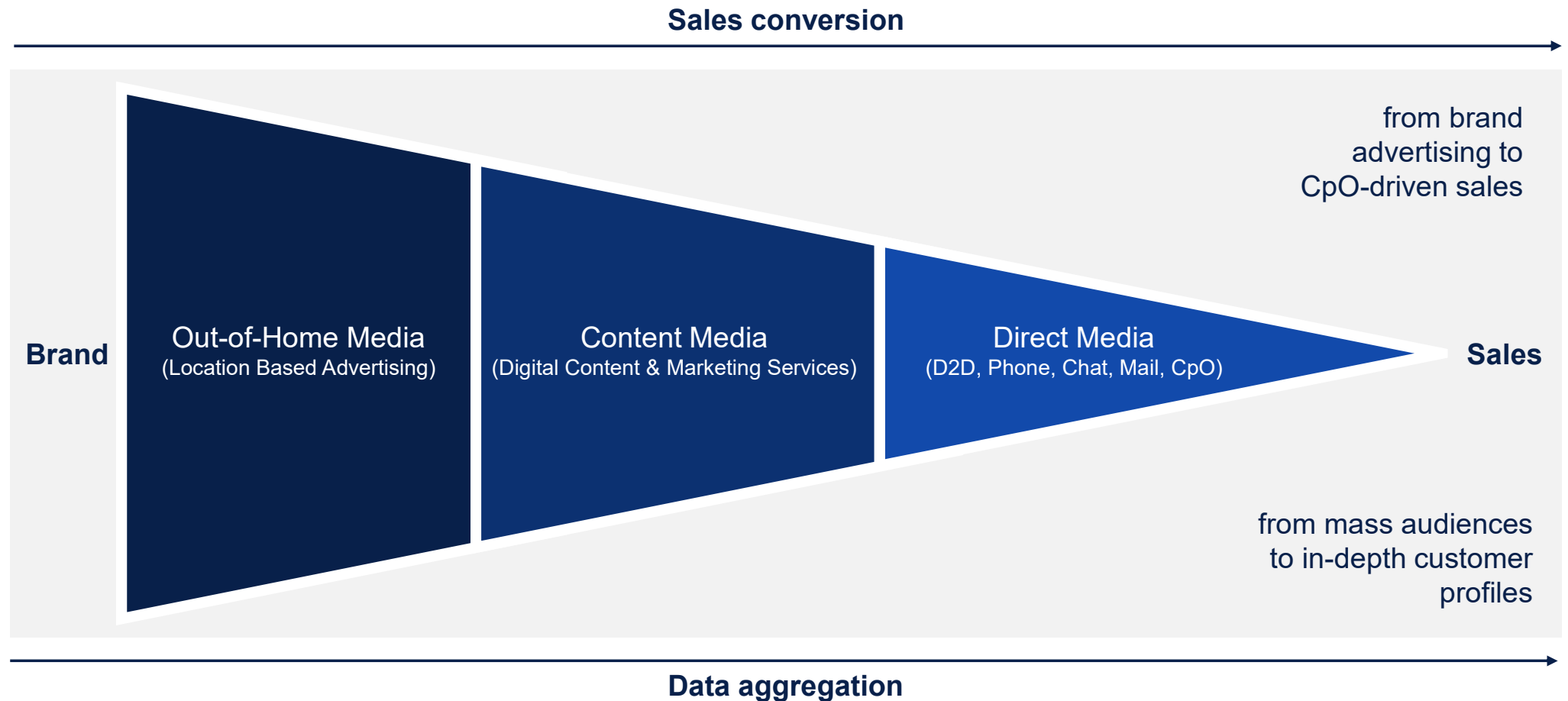
Two way and continuous



What's
next



Complementing integrated Brand-Performance-Sales Funnel



Top Clients – Overall enhanced Opportunities



● High ◐ Medium ◑ Low

📺 OoH Media 📺 Content Media 📞 Direct Media ⚙️ Integrated

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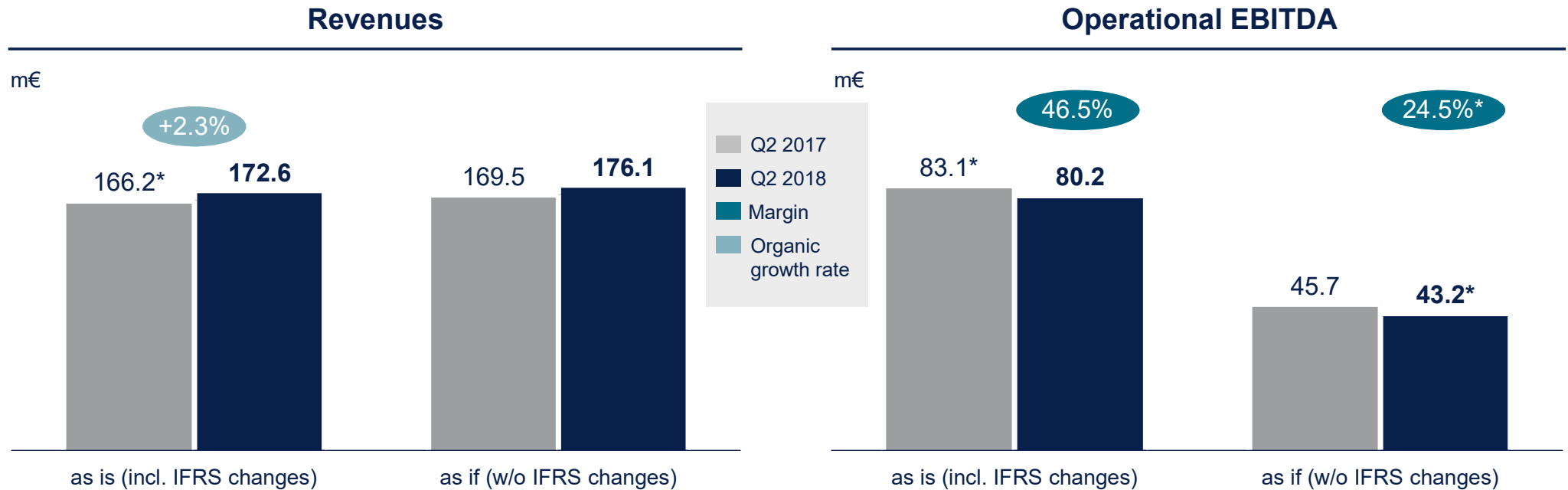
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OoH Media: Sustainable Growth Performance in challenging Markets



- 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

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 · 95.7K 36 4



Photo: Wikimedia Commons

Netflix raised eyebrows with the \$440 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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in POST
SHARE
TWEET

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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in POST
SHARE
TWEET

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

Out-of-Home Media – Success Cases Q2

Red Bull
Eye-catching reach



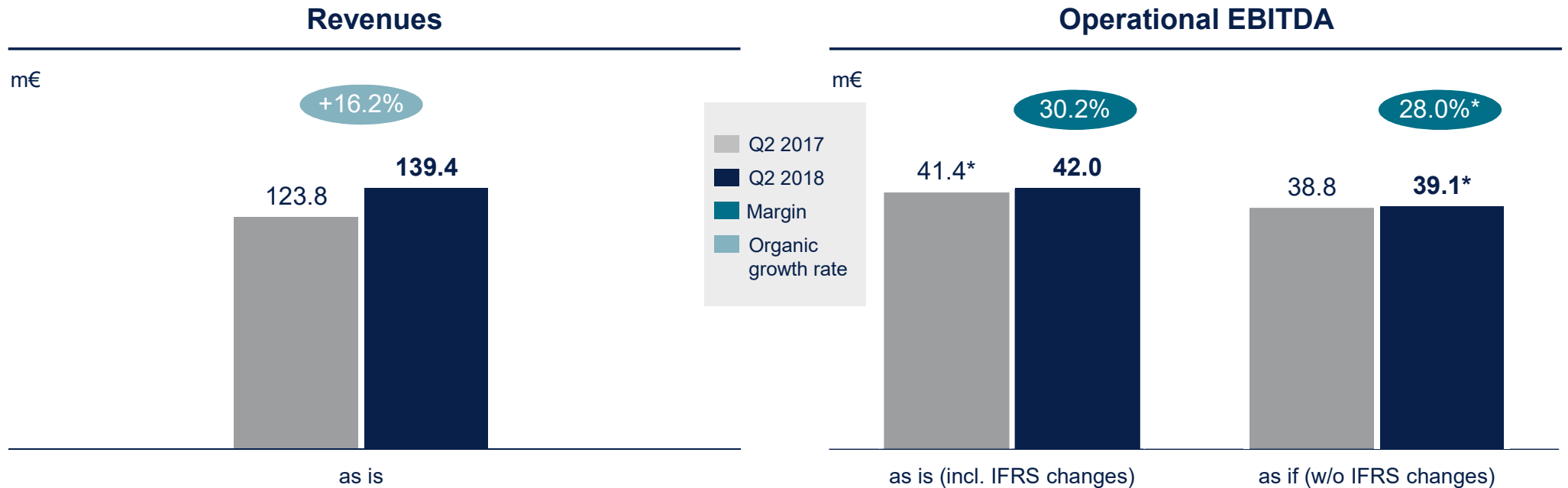
AXE 'You're gold'
Reaching GenZ



'Dieselfuchs'
Local Hero Communication



Content Media: Strong organic Growth continues in Q2 2018



- 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

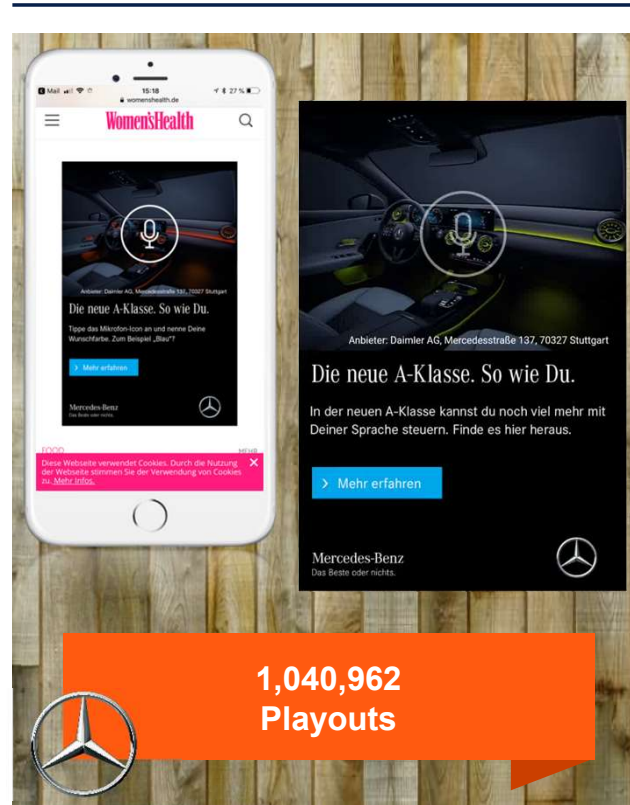
Watson

Launching a new GenZ portal



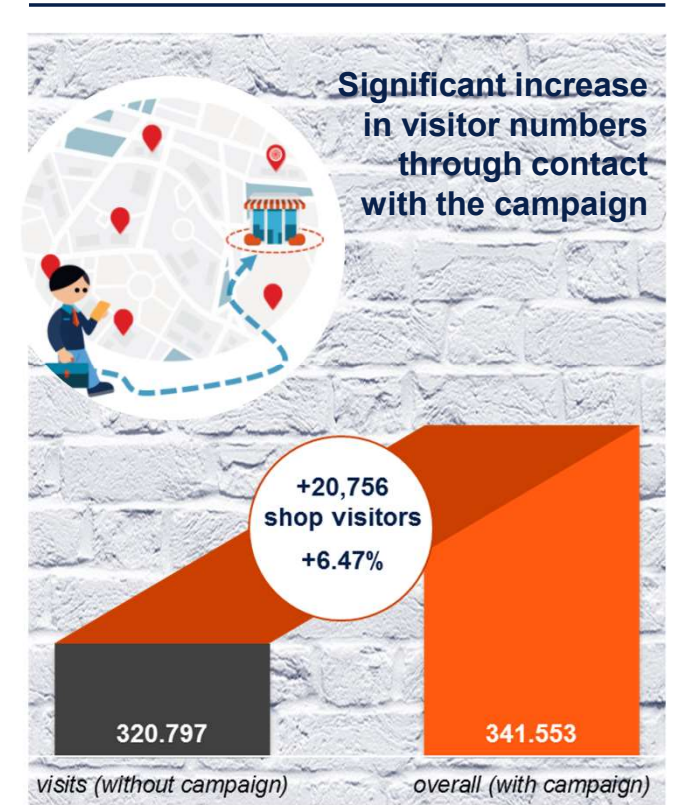
Mercedes

New voice ad for Mercedes



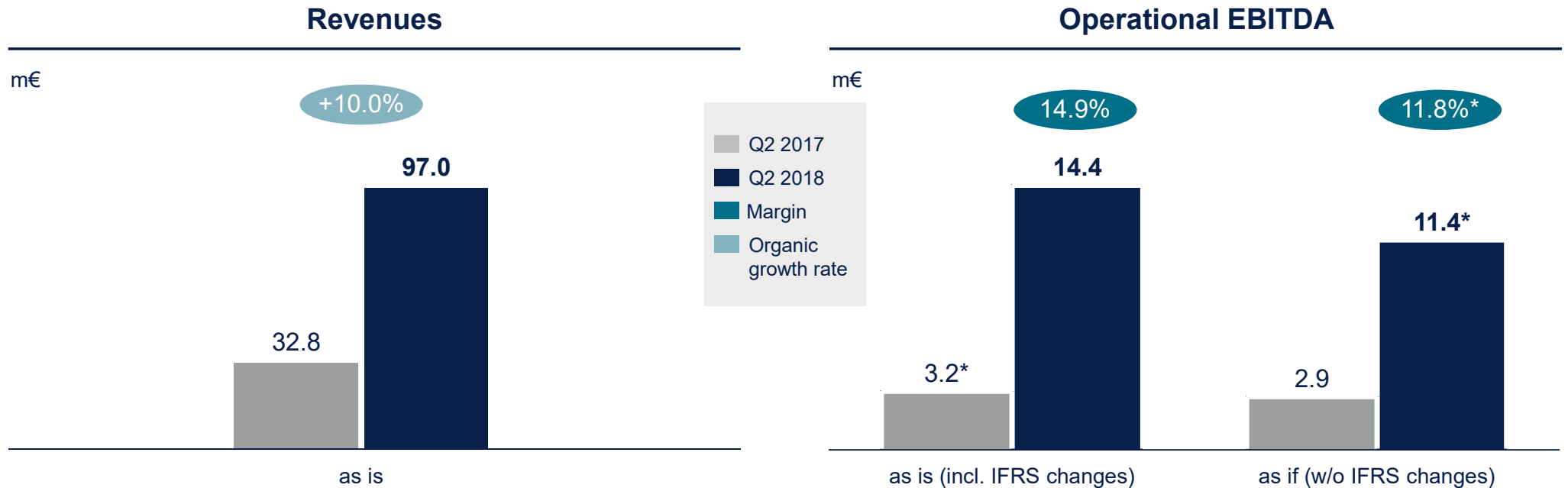
Food retailer

Drive to Store with Mobile



*campaign measurement with Locarta

Direct Media: Profitable Growth backed by new Businesses

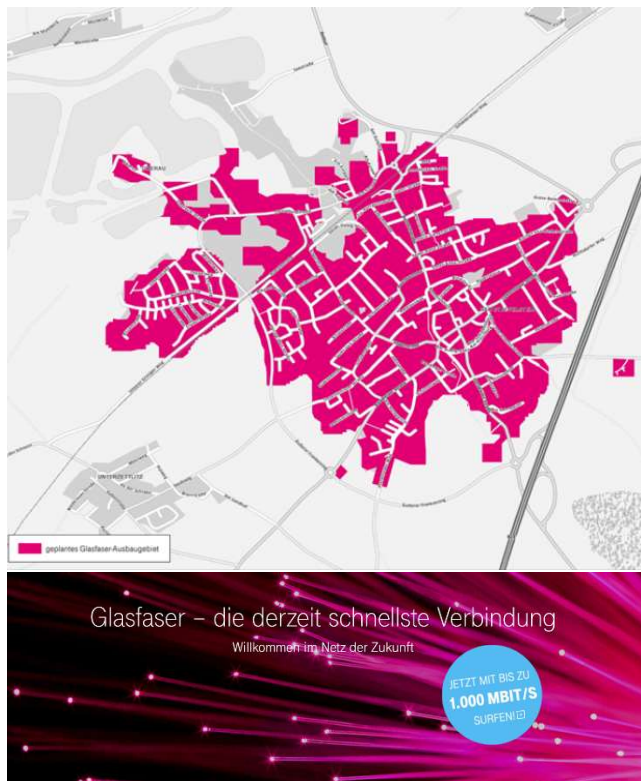


- Direct Media strongly above PY driven by acquired business in Dialog Marketing and strong organic growth
- First time consolidation of DV-COM and D+S 360 for a full quarter
- Segment's profitability target state of 17% Operational EBITDA margin confirmed

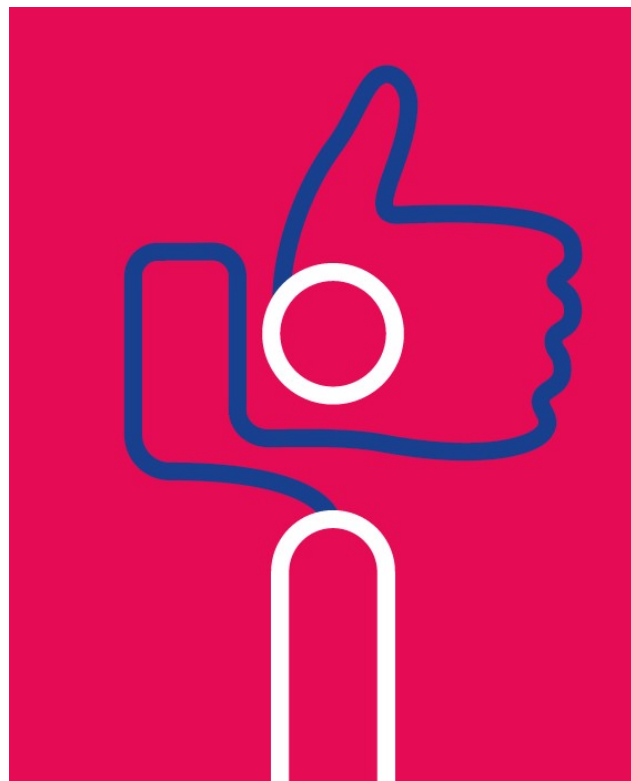
*Pro forma

Direct Media – Success Cases Q2

Telekom industrial zones
Hyperlocal direct marketing



Innogy
Integrated campaigns



IQOS
Sales promotion and OoH



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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)

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

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

**Part of cash flow from financing activities

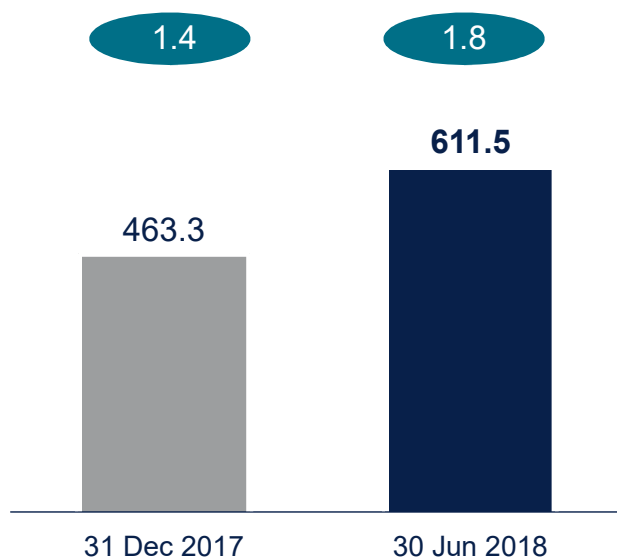
Explanation of IFRS 16-Effects

- 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 1.8 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

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 letters are slightly transparent, allowing the person's hands and the background pattern to be visible through them.

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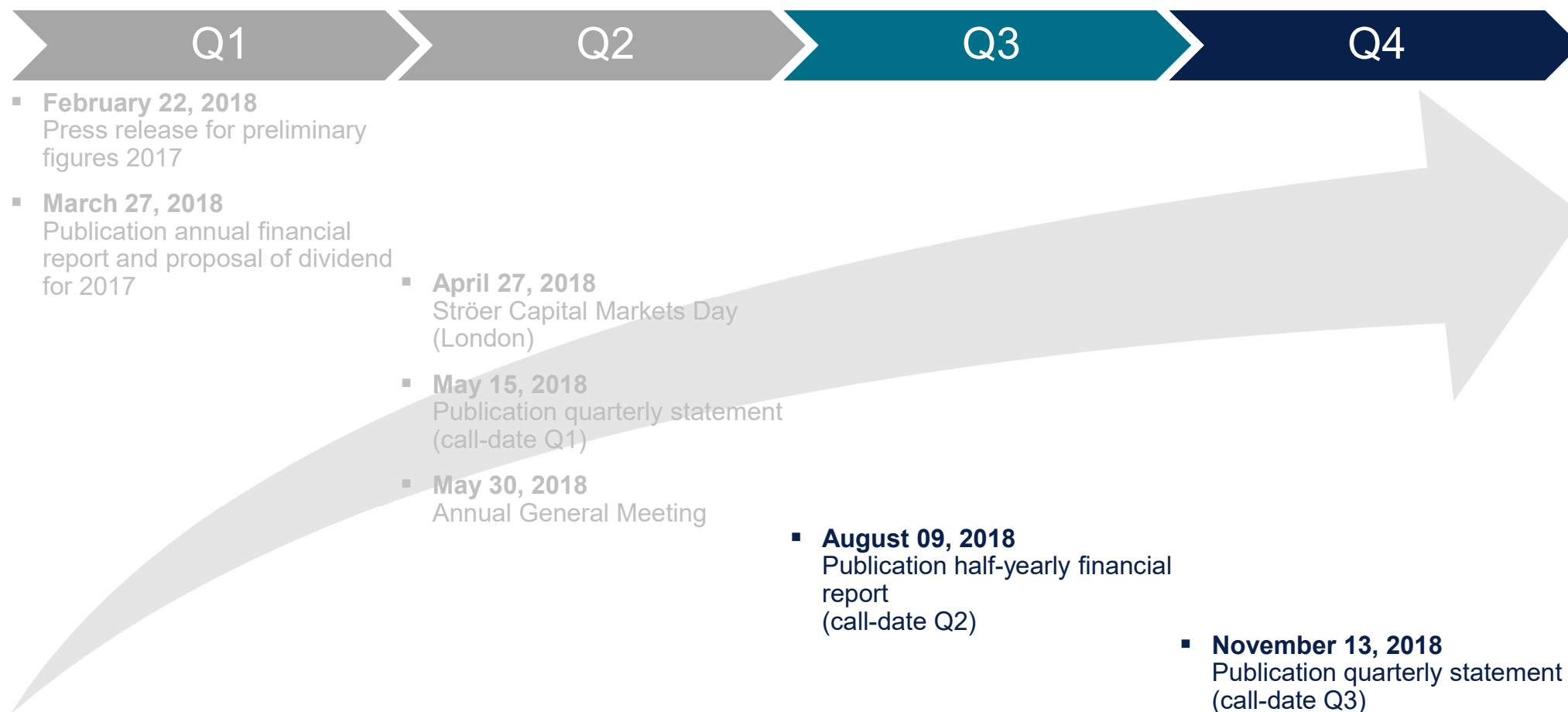
Financial Update

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Appendix



Financial Calendar 2018



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

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