



PRESS RELEASE

UNIEURO S.P.A.: EXCELLENT RESULTS IN THE FIRST NINE MONTHS OF 2018/19, DRIVEN BY GROWTH ACTIONS AND BLACK FRIDAY

- **Record revenues of €1,527.3 million, up 15.0% compared to €1,328.4 million in the first nine months of 2017/18**
- **Adjusted EBITDA¹ of €43.7 million, up 9.9% compared to €39.7 million in the first nine months of 2017/18**
- **Adjusted net income² of €21.0 million, up 9.2% compared to €19.2 million in the first nine months of 2017/18**
- **Exceptionally good cash generation, even thanks to the success of Black Friday campaign: Adjusted levered free cash flow³ of €55.1 million and positive net financial position of €13.0 million**
- **Optimism on the results of the whole financial year in light of the reassuring business trend in December**

Forlì, 10 January 2019 – The Board of Directors of Unieuro S.p.A. (MTA: UNIR), the largest omnichannel distributor of consumer electronics and household appliances by number of stores in Italy, met today to examine and approve the Interim Financial Report as at 30 November 2018.

Unieuro's first nine months of financial year 2018/19 closed with very positive results. Thanks to the internal and external growth actions undertaken, revenues reached new record levels for the period, posting a growth of 15%, over €1.5 billion, while Adjusted EBITDA¹ and Adjusted Net Income² respectively grew to €43.7 million (up 9.9%) and to €21.0 million (up 9.2%). Cash generation, temporarily favoured by the strong incoming flows connected to Black Friday, has translated in an Adjusted levered free cash flow³ of €55.1 million, allowing the Company to close November with a net cash surplus of €13.0 million.

¹ Adjusted EBITDA is EBITDA adjusted for: (i) non-recurring expenses/(income) and (ii) the impact from the adjustment of revenues for extended warranty services net of related estimated future costs to provide the assistance service, as a result of the change in the business model for directly managed assistance services.

² The Adjusted Net Income for the period is calculated as the Net Income (Loss) for the period adjusted by (i) the adjustments incorporated in the Consolidated Adjusted EBITDA, (ii) the adjustments of the non-recurring depreciation, amortization and write downs, (iii) the adjustments of the non-recurring financial expenses/ (income) and (iv) the theoretical tax impact of these adjustments.

³ Adjusted Levered Free Cash Flow is defined as cash flow generated/absorbed by operating activities net of investment activities adjusted for non-recurring investments and other non-recurring operating flows and including adjustments for non-recurring expenses (income) and net of their non-cash component and the related tax impact.



Giancarlo Nicosanti Monterastelli, Chief Executive Officer of Unieuro, stated: *“In a European retail scenario dominated by uncertainty and dotted with crisis situations, Unieuro closed the first nine months of the financial year with record revenues and cash flows and growing profits, thereby proving that its business model is successful and the development actions undertaken effective, including the strategic entrance into the Mass Merchandisers segment.”*

“Optimism and concreteness underpin our managerial actions and, while adopting a prudential approach, we believe that the financial year ending in February will bring again satisfaction to our shareholders. The robust business results for the month of December, although recorded after the strongest Black Friday ever, are reassuring and allow us to look to the immediate future with serenity.”

Revenues at 30 November 2018⁴

In the period March-November 2018, Unieuro achieved Revenues⁴ of €1,527.3 million, up 15.0% compared to €1,328.4 million in the same period of the previous financial year, posting an increase of €198.9 million.

In addition to the contribution of external and internal growth measures, revenues benefited from the growing significance of Black Friday as a commercial event in the Italian market, which led to a further increase in turnover of the entire sector in November. Thanks to “Black Roc Friday”, the longest promotional campaign dedicated to the Black Friday in the history of Unieuro, between 12 and 26 November 2018 the Company recorded a significant increase in revenues compared to the same period in 2017, reaching record levels in all sales channels, both physical and digital.

The contribution of acquisitions should be added to this, as they impacted the scope of operations in light of the opening of eight former Cerioni/Euronics stores between December 2017 and January 2018 and the opening of thirteen new stores starting from September 2018, the result of the acquisition of the business units of DPS/Trony and Galimberti/Euronics companies.

Finally, a positive contribution came from the strong rise in online revenues, as well as from new projects being executed in the Mass Merchandisers channel, which led to an increase in the number of affiliated stores.

⁴ From 1 March 2018, the Group applied IFRS 15 retroactively with the cumulative effect at the date of the first time adoption (i.e. 1 March 2018). Therefore the information relating to the comparison period has not been restated, in other words it is presented in accordance with IAS 18, IAS 11 and the related interpretations; for more details, please refer to note 2.5.1 Changes in the accounting standards of the Condensed Half-Year Consolidated Financial Statements approved on 14 November 2018.



The evolution of **like-for-like sales**⁵ – i.e. the comparison of sales for nine months of 2018/19 with those in the same period last year based on the same scope of operations - – was a positive **5.1%**. Excluding from the scope of analysis sales outlets adjacent to newly opened stores, and therefore not included in the like-for-like computation, like-for-like sales recorded an even stronger growth of 7.6.

It should be noted that, starting from the first half of 2018/19, the method for calculating like-for-like revenues was reformulated based on the method adopted by the main players in the reference market for the purpose of providing a better representation of the business performance within the same scope of operations.

Revenues⁴ by sales channel

<i>(In millions of Euro and as a percentage of revenues)</i>	Period ended				Change	
	30 November 2018		30 November 2017 ⁶		Δ	%
		%		%		
<i>Retail</i>	1,064.2	69.7%	930.8	70.1%	133.4	14.3%
<i>Online</i>	173.2	11.3%	128.7	9.7%	44.5	34.6%
<i>Indirect⁷</i>	170.5	11.2%	154.9	11.7%	15.6	10.1%
<i>B2B</i>	95.7	6.3%	96.4	7.3%	(0.7)	(0.7%)
<i>Travel</i>	23.8	1.6%	17.6	1.3%	6.2	34.9%
Total revenues by channel	1,527.3	100.0%	1,328.4	100.0%	198.9	15.0%

The retail channel (69.7% of total sales) - which at 30 November 2018 totalled 226 directly operated stores located in areas deemed commercially strategic and characterised by different sizes in terms of surface area - recorded an increase of 14.3% in sales equal to €1,064.2 million, mainly due to the increase in the number of stores (eighteen additional stores compared to 30 November 2017) and higher sales of the pre-existing network, which also benefited from an increase in traffic.

⁵ Like-for-like sales growth is calculated including: (i) the retail and travel stores operating for at least an entire financial year at the closing date of the reference period, excluding sales outlets affected by significant business discontinuity (e.g. temporary closures and large-scale refurbishments) and (ii) the entire online direct channel. It must be noted that the previous calculation method of like-for-like sales growth did not include the whole online channel.

⁶ For the purpose of better representation, supplies of goods to an ongoing customer operating in the consumer electronics market without using the Unieuro brand was reclassified from the indirect channel to the B2B channel.

⁷ The Indirect channel, which was previously referred to as the Wholesale channel, includes turnover made with respect to the network of affiliated stores and revenues produced in the large-scale retail chain, through partnerships with major industry operators.



The online channel (11.3% of total sales) generated €173.2 million in revenues (up 34.6%), an increase of €44.5 million over the first nine months of the previous financial year. This positive performance is attributable to the success of commercial initiatives, among which Black Roc Friday stands out, as well as good results in the growth strategy for high-margin product categories, in particular large household appliances and TV-sets, and to the constant release of new features and improvements for the unieuro.it platform - also aimed at increasing the company's presence in the important mobile segment - essential for retaining customer loyalty and attracting new customers at the same time. The subsidiary Monclick S.r.l. also positively contributed, making revenues of € 34,0 million in the nine-month period. Net of Monclick contribution, the organic growth of Unieuro's web activities was 30.5%.

The Indirect channel⁶ (11.2% of total sales) - previously referred to as Wholesale channel, which includes sales to the network of affiliated stores and revenues generated in the segment of mass merchandisers through partnerships with leading industry operators, for a total of 274 stores - recorded revenues of €170.5 million, up 10.1% compared to €154.9 million in the first nine months of the previous financial year. The new affiliation agreements signed during the period led to an increase of three units in the number of stores with respect to 30 November 2017, to which the positive effect of the commercial strategy adopted by the Group should be added.

The **Business-to-Business channel**⁶ (6.3% of total sales) - which caters to business customers, including foreign customers, operating in sectors other than that of Unieuro, such as hotels and banks, as well as operators purchasing electronic products to be distributed to their regular customers or employees for loyalty points, prize contests, or incentive plans (referred to as B2B2C segment) - recorded sales of €95.7 million, substantially in line with the same period of the previous financial year. The contribution of the subsidiary Monclick was €11.1 million.

Finally, the **Travel channel** (1.6% of total sales) - consisting of 12 directly operated stores located at some of the main public transport hubs such as airports, railway and subway stations - recorded a growth in revenues of 34.9%, reaching €23.8 million, also thanks to the opening of the former DPS/Trony store located inside the Milan San Babila subway station in October 2018.

Revenues⁴ by product category⁸

⁸ The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.

<i>(In millions of Euro and as a percentage of consolidated revenues)</i>	Period ended				Change	
	30 November 2018		30 November 2017 ⁹		Δ	%
		%		%		
Grey	728.8	47.7%	624.5	47.0%	104.3	16.7%
White	398.7	26.1%	362.9	27.3%	35.7	9.8%
Brown	267.0	17.5%	226.9	17.1%	40.1	17.7%
Services	62.3	4.1%	48.3	3.6%	13.9	28.8%
Other products	70.6	4.6%	65.7	4.9%	4.9	7.4%
Total consolidated revenues by category	1,527.3	100.0%	1,328.4	100.0%	198.9	15.0%

The category of **Grey goods** (47.7% of total sales) - i.e. photo cameras, video cameras, smartphones, tablets, desktop and laptop computers, monitors, printers, telephony accessories and all wearable technology products – generated revenues of € 728.8 million, an increase of 16.7% compared to € 624.5 million in the first nine months of the previous year thanks to the positive trend in the Telephony segment, which benefited from a mix shift to top-of-the-range products and from the good performance of some new models.

The category of **White goods** - which accounted for 26.1% of sales and comprises major domestic appliances (MDA), such as washing machines, dryers, refrigerators or freezers and stoves, small domestic appliances (SDA), such as vacuum cleaners, kettles, coffee machines, as well as the air conditioning segment - generated revenues of €398.7 million, a growth of 9.8% compared to €362.9 million in the previous financial year, thanks to the success of the continuous strategy of focusing on high-margin categories, in which Unieuro confirmed its market leadership.

The category of **Brown goods** (17.5% of total sales) - which includes television sets and related accessories, audio devices, smart TV devices and car accessories, as well as data storage devices - during the period under review achieved a significant increase in revenues, reaching €267.0 million (up 17.7% compared to €226.9 million in the same period of the previous financial year), benefiting from the growing success of high-end television sets, in particular ultraHD and OLED TVs, the good performance of the audio sector and the driving effect of the 2018 FIFA World Cup.

The **Other Products** category (4.6% of total sales), which includes sales in the entertainment sector and other products not included in the consumer electronics market,

⁹ The segmentation of sales by product category takes place on the basis of the classification adopted by the main sector experts. Note therefore that the classification of revenues by category is revised periodically in order to guarantee the comparability of Group data with market data.



such as hoverboards or bicycles, recorded revenues of €70.6 million, an increase of 7.4% compared to the first nine months of the previous financial year, especially thanks to the good performance of gaming consoles.

Finally, the category of **Services** (4.1% of total sales) recorded the best growth, increasing revenues by 28.8%, reaching €62.3 million, thanks to the expansion of the sales network and Unieuro's continuous focus on providing services to its customers, in particular with reference to warranty extensions and consumer credit.

Adjusted EBITDA¹

<i>(In millions and as a percentage of revenues)</i>	Period ended						Change	
	30 November 2018			30 November 2017			Δ	%
	Adjusted amounts	%	Adjustments ¹⁰	Adjusted amounts	%	Adjustments		
Revenue	1,527.3			1,328.4			198.9	15.0%
Sales revenues	1,527.3			1,328.4			198.9	15.0%
Purchase of goods and Change in inventories	(1,191.5)	(78.0%)	0.0	(1,032.2)	(77.7%)	2.7	(159.3)	15.4%
Lease and rental expense	(52.8)	(3.5%)	0.9	(46.1)	(3.5%)	0.7	(6.7)	14.4%
Marketing costs	(37.0)	(2.4%)	1.1	(38.4)	(2.9%)	1.9	1.4	(3.7%)
Logistics costs	(38.7)	(2.5%)	1.5	(30.8)	(2.3%)	1.1	(7.9)	25.6%
Other costs	(43.9)	(2.9%)	3.5	(36.3)	(2.7%)	6.8	(7.6)	20.9%
Personnel costs	(122.6)	(8.0%)	2.4	(107.9)	(8.1%)	4.7	(14.7)	13.7%
Other operating income and costs	(3.4)	(0.2%)	(0.1)	(1.9)	(0.1%)	(0.0)	(1.5)	81.8%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	6.2	0.4%	6.2	4.9	0.4%	4.9	1.3	27.5%
Consolidated Adjusted EBITDA	43.7	2.9%	15.5	39.7	3.0%	22.6	4.0	9.9%

¹⁰ The item "Adjustments" includes both non-recurring income/(expenses) and the adjustment for the change in the business model for warranties, which was posted in the item "Change in business model for directly managed assistance services." Thus, the adjustment is aimed at reflecting, for each year concerned, the estimated profit from the sale of extended warranty services already sold (and collected) starting with the change in the business model, as if Unieuro had always operated using the current business model. Specifically, the estimate of the profit was reflected in revenues, which were held in suspense in other current liabilities, to be deferred until those years in which the conditions for their recognition are met, net of future costs for performing the extended warranty service, which were projected by the Group on the basis of historical information on the nature, frequency and cost of assistance work.



During the first nine months of 2018/2019, the expansion of business volume - both in the physical network, which increased by nineteen stores, and online - led the **Adjusted EBITDA¹** of Unieuro to grow by 9.9%, reaching €43.7 million (2.9% of sales), compared to €39.7 million for the corresponding period of the previous financial year.

Profitability was influenced by the typical seasonal factors of the consumer electronics market, awaiting the last quarter of the year, traditionally the strongest in terms of margins.

Adjusted Net Income²

<i>(In millions and as a percentage of revenues)</i>	Period ended						Change	
	30 November 2018			30 November 2017			Δ	%
	Adjusted amounts	%	Adjustments	Adjusted amounts	%	Adjustments		
Consolidated Adjusted EBITDA	43.7	2.9%	15.5	39.7	3.0%	22.6	4.0	9.9%
Amortisation, depreciation and write-downs of non-current assets	(18.6)	(1.2%)	0.3	(14.6)	(1.1%)	0.0	(4.0)	27.7%
Financial income and expenses	(3.2)	(0.2%)	(1.5)	(3.8)	(0.3%)	0.0	0.5	(14.4%)
Income taxes ¹¹	(0.9)	(0.1%)	(1.3)	(2.2)	(0.2%)	(2.0)	1.3	(61.0%)
Adjusted Consolidated Profit/Loss for the Period	21.0	1.4%	13.0	19.2	1.4%	20.7	1.8	9.2%

Unieuro's **Adjusted Net Income²** in the first nine months of the current financial year was €21.0 million (representing 1.4% of sales), compared to €19.2 million achieved in the same period of 2017/18.

Profits benefited from an increase in operating margin given by Adjusted EBITDA¹ and from lower net financial charges and tax savings, partially offset by an increase in depreciation resulting from investments related to acquisitions.

¹¹ The tax impacts of the adjustments were calculated using the theoretical rate deemed appropriate of 8.7%, which incorporates IRES at 4.8% (obtained by reducing taxable IRES income by 80% due to the ability to use past tax losses) and IRAP at 3.9%.



Investments

In the first nine months of 2018/19, Unieuro's cash out related to investments was €29.2 million, including capex and acquisitions.

Paid **Capex** amounted to €23.3 million, compared to €30.8 million for the corresponding period of the previous financial year. In the third quarter alone, investments amounting to €14.9 million were made.

Ordinary capex paid in the first nine months of the fiscal year amounted to €16.7 million and was attributable to actions for the expansion and renewal of the network of directly operated stores, which led to 3 new openings, 3 closures and 4 refurbishments and 2 relocations during the period. New hardware systems, software and licenses were purchased, also in light of new GDPR and telematics fee rules. Finally, development costs for pre-existing applications incurred, with a view to digitizing shops and improving online platforms on an ongoing basis.

The remaining €6.6 million of capex, of a non-recurring type, mainly refer to the construction of the new logistics hub in Piacenza (€4.1 million out of a total planned investment of approximately €11 million), which was opened on 12 October and led to a substantial doubling of Unieuro's logistical capacity, as well as to the re-launch of the acquired stores.

External growth through **acquisitions** absorbed €5.9 million, fully paid up during the period and relating to the purchase of the business units of the company DPS Group S.r.l. in bankruptcy, which cost €3.4 million, and of the company Galimberti S.p.A., which cost €2.5 million. In the first nine months of 2017/18, the value of acquisitions amounted to €14.5 million and included the portion paid for the acquisition of Monclick S.r.l. and of the business units of Andreoli S.p.A. and Cerioni S.p.A..

Net Financial Debt

Thanks to the company's extremely favorable financial performance, at 30 November 2018 Unieuro recorded a **positive net cash** position of **€13.0 million** (compared to a net financial debt of €4.5 million at 28 February 2018).

More specifically, in the nine-month period operating activities generated €66.5 million (€47.6 million in the corresponding period last year), which were only partially offset by the dividend pay-out in June (€20.0 million) and the investments described above (€29.2 million in total).



The **Adjusted Levered Free Cash Flow**³, an indicator deemed by Unieuro to be more appropriate to measure cash flow generation, stood at €55.1 million in the first nine months of the current financial year, compared to €37.3 million generated in the corresponding period of 2017/18.

Among the factors that contributed to the excellent performance, the good performance of revenues in the Black Friday period should be noted, which led to a partial misalignment of cash inflows (receipts from customers) and outflows (extended payments to suppliers), the latter occurring in the fourth quarter of the financial year.

* * *

Other Resolutions of the Board of Directors

Dividend Policy updated: dividend payout in a lump sum

In light of the market's positive response to the whole dividend payout for financial year 2017/18 in June, the Board of Directors of Unieuro resolved to adopt such approach also for the current year and for those to come.

Provided that all legal and factual conditions¹², as set forth in the Dividend Policy approved by the Board of Directors Meeting dated 1 March 2017, are met, dividend payout shall take place, tentatively, in the month of June, following the end of the relevant Financial Year.

The company's Dividend Policy, amended as illustrated above, shall remain unchanged in respect of all other provisions, including that regarding the amount of the ex-dividend, which shall continue to be proposed to the Shareholders' Meeting in an amount not less than 50% of Adjusted Net Income².

Unieuro S.p.A. has chosen to use the "eMarket SDIR" and "eMarket STORAGE" platforms managed by Spafid Connect S.p.A., with offices at Foro Buonaparte 10, Milan, for the transmission, storage and filing of Regulatory Information made public.

¹² As per the Company's Dividend Policy, any dividend declarations shall be contingent upon, inter alia: "the ability to generate distributable profits and reserves, which in turn depends on a series of factors that are not foreseeable and partly outside the control of the Company, such as Unieuro's future economic trend, the occurrence of adverse contingencies- which are not predictable at the moment, and the general trend of the economy and of the industry in which the Company operates."



Mr Italo Valenti, the manager responsible for preparing the company's accounting documents, hereby declares that, pursuant to and in accordance with Article 154-bis, paragraph 2, of Legislative Decree No. 58 of 1998, the information contained in this press release matches the Company's documentation, books and accounting records.

Unieuro S.p.A.

Listed on the STAR segment of the Italian Stock Exchange, Unieuro is now the largest omnichannel distributor of consumer electronics and household appliances with a widespread network of about 500 stores throughout the country, including direct stores (about 230) and affiliated stores (about 270), its digital platform unieuro.it as well as the e-tailer Monclick. The Company is headquartered in Forlì and has a logistics hub in Piacenza. It has about 4,600 employees and revenues that approached € 1.9 billion for the fiscal year ended 28 February 2018.

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Summary tables:

Income Statement

(millions of Euro)

	9M 18/19	%	9M 17/18	%
Sales	1,527.3		1,328.4	
Sales	1,527.3		1,328.4	
Purchase of goods - Change in Inventory	(1,191.5)	(78.0%)	(1,034.9)	(77.9%)
Rental Costs	(53.7)	(3.5%)	(46.8)	(3.5%)
Marketing costs	(38.1)	(2.5%)	(40.2)	(3.0%)
Logistic costs	(40.2)	(2.6%)	(31.9)	(2.4%)
Other costs	(47.4)	(3.1%)	(43.1)	(3.2%)
Personnel costs	(125.1)	(8.2%)	(112.5)	(8.5%)
Other operating costs and income	(3.3)	(0.2%)	(1.8)	(0.1%)
EBITDA Reported	28.2	1.8%	17.1	1.3%
<i>Adjustments</i>	9.3	0.6%	17.8	1.3%
<i>Change in Business Model</i>	6.2	0.4%	4.9	0.4%
Adjusted EBITDA	43.7	2.9%	39.7	3.0%
D&A	(18.6)	(1.2%)	(14.6)	(1.1%)
Financial Income - Expenses	(3.2)	(0.2%)	(3.8)	(0.3%)
Adjusted Profit before Tax	21.8	1.4%	21.4	1.6%
Taxes	0.5	0.0%	(0.2)	(0.0%)
<i>Fiscal impact of non-recurring items</i>	(1.3)	(0.1%)	(2.0)	(0.1%)
Adjusted Net Income	21.0	1.4%	19.2	1.4%
<i>Adjustments</i>	(8.1)	(0.5%)	(17.8)	(1.3%)
<i>Change in Business Model</i>	(6.2)	(0.4%)	(4.9)	(0.4%)
<i>Fiscal impact of non-recurring items</i>	1.3	0.1%	2.0	0.1%
Net Income Reported	7.9	0.5%	(1.5)	(0.1%)



Balance Sheet

(millions of Euro)

	30 Nov. 2018	28 Feb. 2018
Trade Receivables	71.1	39.6
Inventory	441.1	313.5
Trade Payables	(584.5)	(411.5)
Operating Working Capital	(72.3)	(58.4)
Current Tax Assets	2.5	3.1
Current Assets	20.7	16.2
Current Liabilities	(192.6)	(163.4)
Short Term Provisions	(2.7)	(3.0)
Net Working Capital	(244.4)	(205.4)
Tangible and Intangible Assets	112.4	99.9
Net Deferred Tax Assets and Liabilities	26.9	27.7
Goodwill	178.0	174.8
Other Long Term Assets and Liabilities	(16.5)	(15.2)
Total Invested Capital	56.4	81.7
Net financial Debt	13.0	(4.5)
Equity	(69.4)	(77.2)
Total Sources	(56.4)	(81.7)

Cash Flow Statement

(millions of Euro)

	9M 18/19	9M 17/18
Reported EBITDA	28.2	17.1
Taxes Paid	(0.7)	-
Interests Paid	(2.1)	(5.3)
Change in NWC	40.4	35.0
Change in Other Assets and Liabilities	0.8	0.9
Reported Operating Cash Flow	66.5	47.6
Purchase of Tangible Assets	(19.2)	(21.8)
Purchase of Intangible Assets	(4.1)	(9.0)
Acquisitions	(5.9)	(14.5)
Monclick NFP 01.06.2017	-	0.2
Levered Free Cash Flow	37.3	2.5
Adjustments	5.3	13.0
Non recurring investments	12.6	21.7
Adjusted Levered Free Cash Flow	55.1	37.3
Adjustments	(5.3)	(13.0)
Non recurring investments	(12.6)	(21.7)
Dividend/Change in Shareholders Debt	(20.0)	(20.0)
Monclick Acquisition Debt	-	(11.7)
Other Changes	0.3	1.5
Δ Net Financial Position	17.5	(27.6)