



## PRESS RELEASE

### UNIEURO S.P.A.: ACCELERATION IN RESULTS IN THE FIRST QUARTER 2019/2020, DRIVEN BY ACQUISITIONS, SHOP-IN-SHOPS AND E-COMMERCE

- Revenues at €495.3 million, up 18.3% compared to €418.6 million in the first quarter of the previous year
- Consolidation of former Pistone, DPS and Galimberti stores. *Unieuro by Iper* shops and online sales the main contributors to growth
- Adjusted EBITDA<sup>1</sup> at €3.2 million, more than double the figure of €1.4 million in the first quarter of the previous year
- Cash absorption<sup>2</sup> of €39.7 million in the quarter, in light of normal seasonal trends in the industry

Forlì, 10 July 2019 – The Board of Directors of Unieuro S.p.A. (MTA: UNIR), the Italian leader in the retail market of consumer electronics and household appliances, met today to examine and approve the Interim Financial Report as at 31 May 2019.

The economic and financial data for the first time incorporate the adoption of the new accounting standard IFRS 16, which came into effect on 1 January 2019. To enable a full comparability with the same period last year, the Company is presenting management figures<sup>3</sup> and providing comments in accordance with the previous accounting standard IAS 17 and related Interpretations.

Unieuro reported growing results in the first quarter of financial year 2019/20, as always not particularly significant due to the seasonal nature of the business. Revenues stood at €495.3 million, up 18.3% from last year, while Adjusted EBITDA<sup>1</sup> more than doubled, standing at €3.2 million. The growth actions undertaken positively influenced the results for the period and led to an expansion of the network of Unieuro direct and indirect stores and digital activities.

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<sup>1</sup> 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.

<sup>2</sup> Cash generation/absorption measured by Adjusted Levered Free Cash Flow, which is defined as consolidated cash flow generated/absorbed by operating activities net of investing activities adjusted for non-recurring investments and other non-recurring operating flows, including non-recurring corrections to charges/(income), their non-monetary component and related tax impact.

<sup>3</sup> For detailed information concerning the impacts of IFRS 16 on Income Statement and Balance Sheet, please see paragraph “Changes in Accounting Principles” of this press release and the Interim Financial Report as at 31 May 2019.



**Giancarlo Nicosanti Monterastelli**, Chief Executive Officer of Unieuro stated: *“The new financial year started in the best possible way, recording a double-digit performance at a time of the year seasonally non-relevant in terms of sales and profitability.”*

*“The great commercial success of the reopening of the former Pistone stores under the Unieuro brand, which took place in record time, has strongly contributed to this result and once again confirms that the right approach of the company’s growth strategy and passion and commitment of our people are the engines of our business success.”*

### **Q1 2019/20 Revenues**

In the quarter that ended on 31 May 2019, Unieuro achieved **Revenues** of €495.3 million, an increase of 18.3% compared to €418.6 million in the same period of the previous year.

The increase of €76.6 million, in addition to the good business performance, in particular online, is attributable to the external and internal growth actions implemented by the Company. The acquisitions made involved a significant expansion of the network of stores, with 14 new stores from the former DPS and former Galimberti networks opened in the second half of 2018/19 and 12 former Pistone stores opened in March 2019. The partnership signed with Finiper, which marked the arrival of Unieuro in the large-scale retail distribution sector, also led to the opening of a further 18 shop-in-shops in as many hypermarkets, compared to the two pilot shops operating in the first quarter of 2018/19.

The evolution of like-for-like<sup>4</sup> revenues was a positive 3.6%. 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 4.7%.

### **Revenues by sales channel**

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<sup>4</sup> Like-for-like sales growth is calculated including: (i) retail and travel stores that have been operating for at least one entire fiscal year at the closing date of the reference period, excluding stores affected by significant business discontinuity (e.g. temporary closures and large-scale refurbishments) and (ii) the entire online direct channel.

	(In millions of Euro and as a percentage of revenues)				Change	
	Period ended					
	31 May 2019	%	31 May 2018	%	Δ	%
<i>Retail</i>	347.2	70.1%	290.4	69.4%	56.7	19.5%
<i>Online</i>	50.7	10.2%	43.9	10.5%	6.8	15.4%
<i>Indirect</i>	59.9	12.1%	41.7	10.0%	18.2	43.5%
<i>B2B</i>	29.0	5.9%	37.0	8.8%	(8.0)	(21.6%)
<i>Travel</i>	8.5	1.7%	5.6	1.3%	3.0	53.3%
<b>Total revenues by channel</b>	<b>495.3</b>	<b>100.0%</b>	<b>418.6</b>	<b>100.0%</b>	<b>76.6</b>	<b>18.3%</b>

The **Retail channel** (70.1% of total revenues) - composed by 237 directly operated stores located in areas deemed commercially strategic and characterised by different sizes in terms of surface area - pulled off a growth of 19.5%, standing at €347.2 million, compared to €290.4 million in the same quarter of the previous year, mainly due to the increase in the network of direct stores compared to 31 May 2018, which benefited of the consolidation of the former Pistone stores and the incremental contribution of acquisitions and new openings completed in the past twelve months.

The **Online channel** generated €50.7 million in revenues, reporting a growth of 15.4% compared to €43.9 million in the same period of the previous year. Behind this performance, once again double-digit, lies the omnichannel strategy of Unieuro, which assigns the role of pick-up point to physical stores for the benefit of web customers. The continuous innovation linked to the incessant release of new features and platform improvements, attention to content and effectiveness of digital communication campaigns have further strengthened the company's competitive advantage.

The **Indirect channel** (12.1% of total revenues) - 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 277 stores - reported revenues of €59.9 million, up 43.5% compared to €41.7 million in the previous year. Growth was driven by the sector of large-scale retailers, with the opening of "*Unieuro by Iper*" shop-in-shops within the hypermarkets "*Iper, La grande I*", as part of the partnership formalised on 10 January 2019.

The **Business-to-Business channel** (5.9% of total revenues) - 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 to employees for loyalty points, prize contests, or incentive plans (referred to as B2B2C segment) - reported sales of €29 million, down 21.6% compared to the first quarter of the previous year in light of changing conditions in the market environment.

Lastly, the **Travel channel** - made up of 12 directly operated stores located at main public transport hubs such as airports and railway or metro stations - reported a growth of 53.3% standing at €8.5 million, mainly thanks to the contribution of the former DPS / Trony store located at the Milan San Babila underground station, opened in October 2018.

### **Revenues by product category**

<i>(In millions of Euro and as a percentage of consolidated revenues)</i>	Period ended				Change	
	31 May 2019		31 May 2018		Δ	%
		%		%		
Grey	243.0	49.1%	205.6	49.1%	37.4	18.2%
White	130.6	26.4%	103.9	24.8%	26.6	25.6%
Brown	80.0	16.2%	74.6	17.8%	5.4	7.2%
Other products	19.5	3.9%	16.3	3.9%	3.3	20.3%
Services	22.2	4.5%	18.2	4.4%	3.9	21.6%
<b>Total consolidated revenues by category</b>	<b>495.3</b>	<b>100.0%</b>	<b>418.6</b>	<b>100.0%</b>	<b>76.6</b>	<b>18.3%</b>

The **category of Grey Goods** - i.e. phones, tablets, information technology, accessories for phones, cameras and all wearable technology products - retained its percentage of total revenues unchanged at 49.1%, generating revenues of €243 million, up 18.2% compared to €205.6 million in the first quarter of the previous year thanks to the positive performance of the Telephony segment, which benefited from a mix shift to top-of-the-range products, and from the positive performance of laptop PC sales.

The **category of White Goods** - representing 26.4% of sales and comprising 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 €130.6 million, up 25.6% compared to €103.9 million in the previous year, thanks to the success of the vacuum cleaner sector and the increased penetration of dryers and dishwashers. Unieuro's strategy of focusing on categories with higher margins resulted in an excellent performance in the category, confirming the Company's market leadership.

The **category of Brown Goods** (16.2% of revenues) - which include television sets and related accessories, audio devices, smart TV devices and car accessories, as well as storage devices - reported an increase of 7.2% in consolidated revenues, reaching €80 million. While underperforming total revenue growth, the category benefitted from the growing success of high-end televisions, in particular ultraHD and OLED TVs.



The **Other products** category (3.9% of total revenues) - which include sales in the entertainment sector and sales of other products not included in the consumer electronics market, such as hoverboards and bicycles - reported an increase in consolidated revenues of €19.5 million (up 20.3%).

Lastly, a growth of 21.6% at €22.2 million was noted in the **category of Services** (4.5% of total revenues), thanks to the expansion of the sales network and to Unieuro's continuous focus on the provision of services to its customers, in particular the warranty extension service and commissions for the customers' signature of new consumer credit agreements.

### **Adjusted EBITDA<sup>1</sup>**

	Period ended						Change	
	31 May 2019			31 May 2018			Δ	%
	Adjusted amounts	%	Adjustments	Adjusted amounts	%	Adjustments		
<i>(In millions and as a percentage of revenues)</i>								
Revenue	495.3			418.6			76.6	18.3%
<b>Sales revenues</b>	<b>495.3</b>			<b>418.6</b>			<b>76.6</b>	<b>18.3%</b>
Purchase of goods and Change in inventories	(386.2)	(78.0%)	0.0	(324.0)	(77.4%)	0.0	(62.3)	19.2%
Lease and rental expense	(19.4)	(3.9%)	0.4	(17.8)	(4.3%)	0.1	(1.6)	8.8%
Marketing costs	(12.4)	(2.5%)	1.1	(11.7)	(2.8%)	0.1	(0.6)	5.5%
Logistics costs	(13.7)	(2.8%)	0.7	(10.7)	(2.6%)	0.1	(3.0)	28.0%
Other costs	(15.4)	(3.1%)	1.5	(13.7)	(3.3%)	0.6	(1.7)	12.8%
Personnel expenses	(46.1)	(9.3%)	0.6	(40.4)	(9.7%)	1.2	(5.7)	14.1%
Other operating income and costs	(0.7)	(0.1%)	(0.0)	(0.5)	(0.1%)	(0.1)	(0.2)	43.7%
Revenues from the sale of warranty extensions netted of future estimated service cost - business model's change related to direct assistance services	1.9	0.4%	1.9	1.5	0.4%	1.5	0.4	26.1%
<b>Consolidated Adjusted EBITDA</b>	<b>3.2</b>	<b>0.7%</b>	<b>6.3</b>	<b>1.4</b>	<b>0.3%</b>	<b>3.4</b>	<b>1.9</b>	<b>136.8%</b>

During first quarter 2019/20, Unieuro's **Adjusted EBITDA<sup>1</sup>** more than doubled, standing at €3.2 million compared to €1.4 million in the corresponding period of the previous year. The



Adjusted EBITDA margin<sup>5</sup> was 0.7%, also a strong progress compared to the previous 0.3%, although profitability of the period is generally less significant because influenced by seasonal phenomena that are typical of the consumer electronics market.

Notably, the sector records stronger revenues and costs of purchasing goods at the end of each financial year, while operating costs show a steadier trend due to the presence of the fixed cost component (personnel, rentals and overheads), which have a uniform distribution throughout the financial year.

The growth actions undertaken positively affected the quarter's profitability and led to an expansion of Unieuro's network of direct and indirect stores and digital business. In detail, the strong performance in terms of revenues and greater operating leverage led to a reduction in the incidence of personnel, rent and marketing costs, as well as Other costs (utilities, maintenance, general costs of sales), more than offsetting the trend of the gross margin and the increase in logistical costs, mainly due to the increased volumes sold and to the growing weight of home deliveries from online orders.

### **Adjusted Net Income<sup>6</sup>**

The effects of business seasonality are also reflected in the company's **Net Adjusted Income** that was negative for €3.9 million in the first quarter 2019/20 (loss of € 4.9 million in the corresponding period of the previous year), with a negative impact on revenues of 0.8% (negative 1.2% in the first quarter ended at 31 May 2018). This improvement is mainly attributable to the increase in Adjusted EBITDA and savings on net financial charges partially offset by the increase in depreciation and amortisation.

### **Investments**

Investments in the quarter amounted to €23.7 million, including capex and acquisitions.

**Capex** amounted to €6.3 million (compared to €6.7 million in the first quarter of 2018/19), out of which €2.9 million were ordinary investments, mainly attributable to actions on the network of direct stores and investments in information technology, and €3.4 million were non-recurrent and concerned the Sicilian stores integration.

External growth through **acquisitions** had an impact of €17.4 million and materialised in the acquisition of the entire share capital of Carini Retail S.r.l., the owner of the above-

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<sup>5</sup> Adj. EBITDA margin is calculated as Consolidated Adj. EBITDA divided by Total Revenues.

<sup>6</sup> Adjusted Net Income is calculated as Net Income adjusted for (i) any corrections incorporated in adjusted EBITDA and (ii) the theoretical tax impact of such adjustments.



mentioned 12 Sicilian stores formerly owned by Pistone S.p.A.. The portion actually paid to the seller when the contract was finalised on 1 March 2019 was €6 million.

### **Net Financial Position**

At 31 May 2019, Unieuro's net financial position was a negative €39.1 million (a positive €20.5 million at 28 February 2019), being affected by seasonal business trends as described above, which in the first half of the year results in a significant capital absorption, compared with a second half marked by a strong cash generation. The impact of investments, in particular with reference to the purchase of the former Piston / Expert stores, which weighed for €17.4 million, was considerable.

The company's **Adjusted Levered Free Cash Flow<sup>2</sup>**, the indicator that the Company considers to be the most appropriate for measuring cash generation since it does not take into account non-recurring cash collection and disbursements, absorbed €39.7 million in the quarter under review, up 6.5% compared to €37.3 million in the same period of the previous year.

### **Changes in Accounting Principles**

As of 1 January 2019, the new accounting standard IFRS 16 has been in force. It has introduced a single method for the accounting of leases in the lessee's statements, according to which the lessee should recognise an asset that represents the right to use the underlying property and a liability that reflects the obligation to pay the lease fee.

For Unieuro, which adopted the principle as of 1 March 2019, the contracts that fall within the scope thereof mainly concern the rental of shops, head offices, warehouses and cars.

The effects of the adoption of IFRS 16 on Unieuro's Income Statement, Balance Sheet and Cash Flow Statement are explained in the Interim Financial Report as at 31 May 2019.

The new accounting standard had no impact on the Company's cash flow.

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**Unieuro S.p.A.**

*Unieuro is the Italian leader in the distribution of consumer electronics and household appliances, thanks to an omnichannel approach that integrates directly operated stores (about 250), affiliated stores (about 270) and the unieuro.it digital platform. The company is based in Forlì, has a central logistics hub in Piacenza and has a staff of about 5,000 employees. Listed on the STAR segment of the Italian Stock Exchange since 2017, Unieuro reported revenues of €2.1 billion in the fiscal year ended at 28 February 2019.*

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## Summary tables:

### **Income statement**

(in millions of Euro, without considering the application of IFRS 16)

	Q1 19/20 no IFRS16	%	Q1 18/19	%
Sales	495.3		418.6	
<b>Sales</b>	<b>495.3</b>		<b>418.6</b>	
Purchase of goods - Change in Inventory	(386.3)	(78.0%)	(324.0)	(77.4%)
Rental Costs	(19.8)	(4.0%)	(17.9)	(4.3%)
Marketing costs	(13.5)	(2.7%)	(11.8)	(2.8%)
Logistic costs	(14.4)	(2.9%)	(10.8)	(2.6%)
Other costs	(16.9)	(3.4%)	(14.2)	(3.4%)
Personnel costs	(46.7)	(9.4%)	(41.7)	(10.0%)
Other operating costs and income	(0.7)	(0.1%)	(0.4)	(0.1%)
<b>EBITDA Reported</b>	<b>(3.0)</b>	<b>(0.6%)</b>	<b>(2.0)</b>	<b>(0.5%)</b>
<i>Adjustments</i>	4.3	0.9%	1.8	0.4%
<i>Change in Business Model</i>	1.9	0.4%	1.5	0.4%
<b>Adjusted EBITDA</b>	<b>3.2</b>	<b>0.7%</b>	<b>1.4</b>	<b>0.3%</b>
D&A	(7.1)	(1.4%)	(6.1)	(1.5%)
Financial Income - Expenses	(0.7)	(0.2%)	(0.8)	(0.2%)
<b>Adjusted Profit before Tax</b>	<b>(4.6)</b>	<b>(0.9%)</b>	<b>(5.6)</b>	<b>(1.3%)</b>
Taxes	1.2	0.2%	0.9	0.2%
<i>Fiscal impact of non-recurring items</i>	(0.5)	(0.1%)	(0.3)	(0.1%)
<b>Adjusted Net Income</b>	<b>(3.9)</b>	<b>(0.8%)</b>	<b>(4.9)</b>	<b>(1.2%)</b>
<i>Adjustments</i>	(4.3)	(0.9%)	(1.8)	(0.4%)
<i>D&amp;A non-recurring</i>	0.0	--	--	--
<i>Non-recurring financial (expenses)/income</i>	0.0	--	0.0	--
<i>Change in Business Model</i>	(1.9)	(0.4%)	(1.5)	(0.4%)
<i>Fiscal impact of non-recurring items</i>	0.5	0.1%	0.3	0.1%
<b>Net Income Reported</b>	<b>(9.7)</b>	<b>(2.0%)</b>	<b>(8.0)</b>	<b>(1.9%)</b>



## Balance sheet

(in Millions of Euro, without considering the application of IFRS 16)

	31 May 2019 no IFRS16	28 Feb. 2019
Trade Receivables	37.0	41.3
Inventory	453.4	362.3
Trade Payables	(526.3)	(468.5)
<b>Operating Working Capital</b>	<b>(35.9)</b>	<b>(64.8)</b>
Current Tax Assets	2.0	2.1
Current Assets	23.8	19.8
Current Liabilities	(190.8)	(190.3)
Short Term Provisions	(1.4)	(1.3)
<b>Net Working Capital</b>	<b>(202.3)</b>	<b>(234.6)</b>
Tangible and Intangible Assets	115.0	113.3
Net Deferred Tax Assets and Liabilities	31.6	31.5
Goodwill	195.2	178.0
Other Long Term Assets and Liabilities	(18.6)	(17.7)
<b>Total Invested Capital</b>	<b>120.9</b>	<b>70.4</b>
<b>Net financial Debt</b>	<b>(39.1)</b>	<b>20.5</b>
<b>Equity</b>	<b>(81.8)</b>	<b>(90.9)</b>
<b>Total Sources</b>	<b>(120.9)</b>	<b>(70.4)</b>

## Cashflow statement

(in Millions of Euro, without considering the application of IFRS 16):

	Q1 19/20 no IFRS16	Q1 18/19
<b>Reported EBITDA</b>	<b>(3.0)</b>	<b>(2.0)</b>
Taxes Paid	-	-
Interests Paid	(0.4)	(0.4)
Change in NWC	(32.0)	(30.7)
Change in Other Assets and Liabilities	0.5	0.5
<b>Reported Operating Cash Flow</b>	<b>(34.9)</b>	<b>(32.6)</b>
Purchase of Tangible Assets	(5.3)	(5.4)
Purchase of Intangible Assets	(1.0)	(1.3)
Change in capex payables	(0.5)	0.0
Acquisitions	(6.5)	-
<b>Levered Free Cash Flow</b>	<b>(48.3)</b>	<b>(39.3)</b>
Cash effect of adjustments	2.1	0.6
Non recurring investments	6.5	2.2
Other non recurring cash flows	-	(0.8)
<b>Adjusted Levered Free Cash Flow</b>	<b>(39.7)</b>	<b>(37.3)</b>
Cash effect of adjustments	(2.1)	0.2
Non recurring investments	(6.5)	(2.2)
Dividend/Change in Shareholders Debt	-	-
Acquisition Debt	(10.9)	-
Other Changes	(0.5)	(0.5)
<b>Δ Net Financial Position</b>	<b>(59.6)</b>	<b>(39.8)</b>