

Consumer, Brands & Retail

31st January 2019

CECONOMY

- Consumer, Brands & Retail
- E-Commerce

NEUTRAL

Fair Value	EUR5,6(+40%)
Share price	EUR4.00
EPS 3Y Cagr	-12.1%

A captain is finally at the helm

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Without a stable CEO since Oct and CFO since end-December 2018, Ceconomy has finally announced that it has found a new CEO (Mr. Jörn Werner) and CFO (Ms Karin Sonnenmoser). Both will take their position as of 1st March. Note that Mr. Ferran Reverter will remain CEO of Media-Saturn-Holding.

A new CEO with a strong profile in digital transformation

In view of its previous leading positions at Conrad Electronics (a Ceconomy's German competitor) and at Auto-Teile-Unger (a German auto repair shops and car specialists), we view Mr. Jörn Werner as a business model reformer. He is a proven expert in the digital transformation of business models. As a reminder, he was CEO of Conrad Electronics from 2012 to 2015 and CEO of Auto-Teile-Unger from 2015 to 2018, two groups for which he engaged a transformation fuelled by digital development.

A new CFO who could be used to streamline the cost structure

Despite some of Mr. Jörn Werner's cost initiatives at Auto-Teile-Unger (i.e. streamlining of structures at the ATU headquarters, renegotiations to lower rents), we believe the impetus to implement cost-saving measures will come from the CFO. As former CFO of lighting manufacturer Zumtobel (which had to faced declining sales), from 2014 to 2018, she could be used to cut costs.

A busy agenda for the new top management...

The new top management will have to deal with a certain number of strategic issues upon arrival: 1/ setting up a new strategic plan focused on cost saving measures and digital transformation; 2/ reaching an agreement to buy the Kellerhals family's stake in Media-Saturn-Holding; 3/ negotiating with the unions and store owners to ensure their support in the upcoming reorganisation of the business; 4/ clarifying the M&A strategy (several existing minority stakes in European competitors, recent discussions with a competitor in Turkey, the future of Ceconomy's Swedish business); and the ERA partnership which is still frozen.

...with cost measures as the top priority

The presence of a new captain at the helm will necessarily reassure in the short term and provide relief for the stock, even if the market might have hoped for a tandem with a very (or even exclusively) restructuring-based profile and a very strong track-record in cost cutting. The presentation of the new management's business plan will be the next focus of investors, who already have demanding expectations regarding cost measures. Indeed, huge upside remains in procurement centralization, streamlining of structures, store network rationalization, store downsizing, rents renegotiations, geographic portfolio rationalization, ERA partnership. Top line growth levers (i.e. catching up on e-commerce, services and adjusting the product mix) will only be addressed later and their impact on Ceconomy's figures will not be immediate.

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Market Data

Bloomberg / Reuters	CEC GR/CECG.DE
Market Cap.	EUR1,427m
E.V.	EUR1.110m
Free Float	50,1
Avg. Daily volume (6m)	1 752
12m high / low	11.6 / 3.0
Ytd Perf.	27.1%

EURM	09/17	09/18e	09/19e	09/20e
Sales	22,156	21,418	21,433	21,544
% Change		-3.3%	0.1%	0.5%
EBITDA	1,458	1,378	1,356	1,354
% Change		-5.5%	-1.6%	-0.2%
EBIT	471.0	419.0	394.3	388.8
% Change		-11.0%	-5.9%	-1.4%
Net Income	202.7	55.8	151.6	149.2
% Change		-72.4%		-1.6%
ROE	NM	NM	NM	NM

	09/17	09/18e	09/19e	09/20e
EV/Sales	0.1x	0.0x	0.0x	0.0x
EV/EBITDA	0.8x	0.5x	0.5x	0.5x
EV/EBIT	2.4x	1.8x	1.7x	1.7x
EPS	0.62	0.29	0.43	0.42
% change		-53.0%	47.1%	-1.6%
P/E	6.4x	13.7x	9.3x	9.5x
Div Yield	6.5%	NM	4.7%	5.2%

Next Catalyst:

Q1 2018/19 results in 8th February

Last FV Change:

2018-12-20. *The short-term fog has not dissipated*

Last Reports:

2018-07-25. *Let the Storm Pass*

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BUY ratings 55,2%

NEUTRAL ratings 38,3%

SELL ratings 6,6%

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