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Quarterly Statement as of September 30, 2019

Axel Springer SE
Investor Relations

November 6, 2019

Axel Springer invests in accelerated growth

Axel Springer consistently continues to implement growth and investment strategy / Organic revenues in difficult market environment at previous year's level (+0.2 percent) / Organic revenues in Classifieds Media increase by 4.4 percent despite challenging economic environment

In the first nine months of 2019, Axel Springer consistently continued to implement its long-term growth and investment strategy. Regardless of short-term economic developments, the company invests in activities and strategic areas that offer long-term growth. Once the takeover offer, which still requires regulatory approvals, has been completed, Axel Springer will have a strong partner in KKR at its side in the future that supports this strategy.

Despite weaker than expected revenue development, the company invested in existing activities in the first nine months of the year and also strengthened its position through complementary acquisitions, particularly in Classifieds Media. In an increasingly challenging macroeconomic environment, total revenues remained stable with an

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organic growth rate – i.e. adjusted for consolidation and currency effects – of 0.2 percent. Revenues from digital activities increased organically by 6.1 percent and significantly expanded their share of total revenues from 69.2 percent in the prior-year period to 73.4 percent.

Dr. Mathias Döpfner, Chief Executive Officer of Axel Springer SE: "We are now setting an even stronger course for long-term growth. Our goal: We want to be the global market leader for digital journalism and digital classifieds. With KKR as our partner after the takeover offer is completed, we will therefore concentrate on accelerating our growth and investment strategy."

Group earnings affected by significant consolidation effects and announced restructuring measures

As Group, Axel Springer generated revenues of EUR 2,263.7 million in the first nine months of the year, down by 2.7 percent on the prior-year period (EUR 2,326.0 million). These figures were influenced by significant consolidation effects resulting from the divestments of the @Leisure Group in June 2019 and aufeminin last year. Adjusted for consolidation and currency effects, revenues remained at the level of the previous year (+0.2 percent). EBITDA adjusted for special effects in the reporting period was EUR 439.8 million, down by 18.8 percent on the prior-year figure (EUR 541.4 million). This decrease was partially due to consolidation effects. Excluding consolidation and currency effects, adjusted EBITDA decreased by 15.1 percent. The main reason for the decrease was the provisions that had to be built up as the result of the announced extensive restructuring measures in the News Media National subsegment. The adjusted EBITDA margin for the group was 19.4 percent, 3.8 percentage points below the level of the previous year. Adjusted EBIT declined to EUR 280.9 million and was 27.6 percent lower than in the prior-year period (EUR 387.9 million). The larger decline compared to adjusted EBITDA resulted from higher depreciation, amortization and impairments and is also partially attributable to consolidation effects. Excluding consolidation and currency effects, adjusted EBIT decreased by 23.0 percent. This organic decline was also mainly caused by provisions for the announced restructuring measures. The adjusted EBIT margin at 12.4 percent was below the prior-year level (16.7 percent).

Adjusted net income also decreased significantly by 32.0 percent to EUR 174.5 million (PY: EUR 256.7 million). Due to higher minority interests, adjusted earnings per share decreased by 37.7 percent to EUR 1.30 (PY: EUR 2.08). Organically, adjusted earnings per share were 32.5 percent down on the prior-year figure. The reported net income amounted to EUR 134.1 million (PY: EUR 247.4 million) and was also influenced by special effects, including long-term payment programs based on the Axel Springer share price, as well as expenses relating to the KKR takeover offer. This was partially offset by income from the divestment of the @Leisure Group. Reported earnings per share reached EUR 1.00 compared to EUR 2.11 in the prior year.

Planned partnership with KKR intended to support long-term growth strategy

On June 12, 2019, Axel Springer announced the conclusion of an agreement on a planned strategic partnership with the private equity company KKR. The partnership is intended to support Axel Springer's long-term growth and investment strategy. The voluntary public tender offer made by KKR to Axel Springer's shareholders was and is supported by the company's Executive Board and Supervisory Board. When the acceptance period ended, the acceptance rate was 27.8 percent of all the outstanding shares of Axel Springer SE, reaching the minimum acceptance threshold of 20 percent. The final acceptance rate, once the second acceptance period ended, was 42.5 percent according to the announcement by KKR on August 26, 2019. The completion of the transaction is still subject to regulatory approvals by the relevant authorities. The participants currently assume that the transaction will be completed in the fourth quarter of 2019 or the first quarter of 2020 at the latest.

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Following the acquisitions of Studydrive, PersonalMarkt Services (PSMG) and Appcast in StepStone, one of the subsegments of Classifieds Media and CeleraOne in the News Media segment during the first half of the year, Axel Springer also continued to invest in additional digital competences in the third quarter. The complete takeover of MeilleursAgents by the AVIV Group in September 2019 for EUR 201 million also continued the Group's growth strategy in Classifieds Media. This acquisition of the leading provider for online real estate valuations in France is a valuable addition to Axel Springer's range of French real estate portals, SeLoger and Logic-Immo.

Axel Springer also agreed to take over the remaining shares of 45 percent from the minority shareholders of the Immowelt Group for approx. EUR 360 million in October 2019. The purchase price took the liquidity available in the company into consideration. The transaction is based on a company value (cash / debt free) of approx. EUR 700 million.

The merger of the two US companies Insider Inc. and eMarketer, announced in June 2019, should provide B2B customers with an even more comprehensive analytical view of the digital transformation of different industries from the start of 2020.

Axel Springer employed an average of 16,094 employees in the reporting period (PY: 16,367).

Group forecast for the year

In view of the sale of its 51 percent majority stake in the @Leisure Group at the beginning of June 2019, Axel Springer had previously adjusted the forecast for the current fiscal year in its quarterly statement as of March 31, 2019. Furthermore, on June 12, 2019, against the background of the announced takeover offer, the company communicated the decision of the Executive Board to implement its growth strategy including the planned investments for the financial year 2019 despite a slower than planned revenue development due to macroeconomic developments, especially in Jobs Classifieds. This, together with the digital tax that has been adopted in the meantime in France, resulted in a further partial adjustment of the revenue and earnings growth forecast for the current year at Group level and in the Classifieds Media segment. Axel Springer also announced on September 30, 2019, that the Executive Board had decided on extensive restructuring measures for the News Media National subsegment. As a result of these measures and lower-than-expected revenues from activities in the News Media and Classifieds Media segments, the forecast for the financial year 2019 has been adjusted again (see Axel Springer SE press release on September 30, 2019: here). Axel Springer continues to maintain this forecast as adjusted on September 30, 2019.

Solid Group financing

Axel Springer extended the term of its credit lines at the beginning of July 2019 and therefore continues to have access to long-term credit lines amounting to EUR 1,500.0 million, drawdowns of which are due for repayment in July 2024 (previously July 2023). As of September 30, 2019, Axel Springer had drawn down EUR 187.5 million of this. Promissory notes amounted to EUR 704.5 million on this date. Short-term capital requirements are also covered by money market loans and a Commercial Paper Programme with a maximum volume of EUR 750 million, of which EUR 140 million and EUR 400 million had been drawn down respectively as of the reporting date. The Group's net debt increased to EUR 1,651.7 million during the reporting period from EUR 1,249.2 million at the end of 2018.

During the reporting period, cash flow from operating activities at Axel Springer amounted to EUR 320.4 million (PY: EUR 382.4 million). Free cash flow amounted to EUR 140.6 million (PY: EUR 220.9 million); excluding the effects from headquarter real estate transactions, it amounted to EUR 213.9 million (PY: EUR 280.3 million). This was primarily the result of shifts in payments based on due date effects and changes in working capital. Cash flow from investing activities amounted to EUR -455.5 million (PY: EUR -53.7 million) and, alongside investments in intangible assets and property, plant and equipment (EUR 178.6 million), it consisted primarily of payments for the acquisition of MeilleursAgents (EUR 201.1 million) and Appcast (EUR 71.6 million) and the increase in shares held in Purplebricks (EUR 49.2 million). This was offset by the receipt of the purchase price of EUR 185.5 million less cash and cash equivalents of EUR 41.6 million from the divestment of the @Leisure Group. Cash flow from financing activities of EUR -9.8 million (PY: EUR -319.8 million) was mostly due to the payment of dividends to shareholders of Axel Springer SE and a net increase of financial liabilities.

The consolidated balance sheet was EUR 6,531.5 million, and therefore slightly higher than at the end of 2018 (EUR 6,479.0 million). The equity ratio decreased slightly from 44.5 percent to 43.1 percent.

Classifieds Media affected by difficult market environment

Axel Springer recorded moderate growth in the Classifieds Media segment in the first nine months of 2019 in the midst of a challenging macroeconomic environment. Revenues rose by 1.3 percent from EUR 890.2 million in the prior-year period to EUR 901.5 million; Classifieds Media revenues increased organically by 4.4 percent. StepStone organically increased revenues by 5.0 percent. The AVIV Group's revenues grew organically by 3.1 percent, mainly due to the performance of SeLoger and Immowelt.

The adjusted EBITDA of Classifieds Media decreased by 2.7 percent to EUR 344.0 million (PY: EUR 353.5 million). Organically, adjusted EBITDA for the entire segment increased slightly by 1.1 percent. This includes a number of negative consolidation effects, particularly the deconsolidation of the majority stake in the @Leisure Group and negative earnings contributions from hybrid agents activities. Investments in marketing, products and technology of StepStone and the AVIV Group also had an impact. With an adjusted EBITDA margin of 38.2 percent, the Classifieds Media segment was below the level of the previous year (39.7 percent). In the Classifieds Media segment, adjusted EBIT declined by 5.7 percent from EUR 295.6 million to EUR 278.8 million; organically it decreased by 1.5 percent.

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News Media impacted by extensive provisions for planned restructuring measures

News Media revenues decreased by 5.7 percent to EUR 1,027.7 million due to market-related declines in the print business and consolidation effects (PY: EUR 1,089.6 million). Organically, revenues declined by 4.9 percent. It should be noted here that BILD für ALLE delivered a major contribution to revenues in the first half of 2018 and that there was no special edition in 2019. The digital offers, BILDplus and WELTplus, had more than 550,000 paying subscribers together in the third quarter. UPDAY also performed well and was consistently profitable in the reporting period.

At EUR 79.8 million, the adjusted segment EBITDA was 51.7 percent down on the previous year (PY: EUR 165.1 million). Alongside the downturn in revenue development, this was particularly the result of provisions for the announced extensive restructuring measures in the News Media National subsegment. However, this was flanked by planned growth investments of more than EUR 100 million over a period of three years in the future of the BILD and WELT brands, with video, sports and paid content. Consolidation and currency effects played a subordinate role. The organic decline in adjusted EBITDA amounted to 50.3 percent. In the News Media segment, adjusted EBIT declined by 73.4 percent from EUR 113.3 million to EUR 30.2 million; organically it decreased by 72.0 percent.

At EUR 300.7 million, revenues in Marketing Media were 2.0 percent down on the prior-year level owing to consolidation effects following the sale of aufeminin last year (PY: EUR 306.8 million). Including consolidation and currency effects, the segment achieved a marked increase in revenues of 9.8 percent. This significant organic growth was driven by the strong performance of idealo and the AWIN Group during the reporting period.

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At EUR 71.5 million, the adjusted EBITDA of Marketing Media exceeded the prior-year figure by 14.0 percent (PY: EUR 62.7 million). Organically, it increased by 22.6 percent. The segment's adjusted EBITDA margin of 23.8 percent was also a significant improvement on the previous year (PY: 20.4 percent). Adjusted EBIT in the Marketing Media segment rose by 17.7 percent from EUR 45.2 million to EUR 53.1 million; organically, it exceeded the prior-year figure by 30.5 percent.

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About Axel Springer

Axel Springer is a media and technology company active in more than 40 countries. By providing information across its diverse media brands (among others BILD, WELT, BUSINESS INSIDER, POLITICO Europe) and classifieds portals (StepStone and AVIV Group) Axel Springer SE empowers people to make free decisions for their lives. Today, the transformation from a traditional print media company to Europe’s leading digital publisher has been successfully accomplished. The next goal has been identified: Axel Springer wants to become global market leader in digital journalism and digital classifieds through accelerated growth. The company is headquartered in Berlin and employs more than 16,000 people worldwide.