

Press Release

Hamburg, 01 October 2020

Half-time summary for the Otto Group: online retail boom

During the pandemic, a fundamental change in consumer behaviour is triggering clear shifts in assortments and shopping channels. In the first half of the Otto Group's 2020/21 financial year, online retail saw a strong rise in revenues – especially in the Living and Consumer Electronics segments.

The Otto Group can look back on a successful first six months of the 2020/21 financial year (to 28 February). Following a sharp fall in revenues in March caused by the Corona lockdown at the beginning of the new financial year, business has clearly bounced back as the year has progressed. Thanks in particular to the strong rise in online demand for Furniture and Consumer Electronics, as well as for parcel services as a result of the Corona pandemic, in the first half of its financial year global revenues at the international retail and services group climbed approximately 12 percent on a comparable basis. In Germany, comparable revenues even saw growth of almost 14 percent. The main driver of this jump in revenues was e-commerce, which reported like-for-like growth of around 20 percent in Germany as well as in the Otto Group's global activities. By contrast, demand in the Fashion Retail segment slid in the first months of the financial year in particular, burdening those Group companies focused on this sector.

“The Corona pandemic is catalysing fundamental developments”, says Alexander Birken, Chairman of the Otto Group Executive Board and CEO. “For many years now, online retail has been growing much faster than over-the-counter retail. The Corona pandemic has massively accelerated this shift, with many customers now purchasing much more frequently online.”

A close look at the focus companies¹ within the Otto Group reveals the differing impacts of the Corona pandemic.

¹ In line with its focused growth strategy, the Otto Group makes targeted investments in Group companies with particularly promising growth and earnings potential.

- The single company **OTTO** reports outstanding revenue development particularly in its assortment focus Furniture and Consumer Electronics, taking sales income over 25 percent higher. Additionally, OTTO acquired more than a million new customers and drove the development of its online platform forward successfully: over 500 new retailers and brands have already signed up this year to operate on the otto.de platform. Thanks to the automated registration procedure, the number of cooperations is climbing at a fierce pace. OTTO will probably even exceed its target of taking around 1,000 partners live on the platform in the 2020/21 financial year. Further, OTTO is setting up its own payments company, which will employ some 150 staff.
- The **Mytoys** Group focused on young families reports enormous growth, boosting revenues by over 28 percent for the period. In particular, home childcare during the lockdown sparked very strong demand for Mytoys products; happily, the explosive growth in online retail is also continuing after over-the-counter stores have reopened.
- The successful start-up **About You**, whose revenues are no longer included in the Otto Group's consolidated financial statements, continued to enjoy unfettered growth in the first six months of the financial year. The company increased sales by around 65 percent and is now heading towards the 1 billion euro revenue milestone for the full year.
- At **Bonprix** and **Witt** the picture is different. In March and April both company groups suffered from Fashion consumer reticence. In markets such as USA and Russia, the Corona crisis also had a much more severe impact on revenues. Both companies report a single-digit percentage fall in revenues for the six-month period, even though they already returned to growth from May onwards. Bonprix and Witt assume that this positive trend will continue until the end of the financial year.
- The US lifestyle retailer **Crate and Barrel**, Chicago, has completed a huge shift towards online business. To date, Crate and Barrel has generated around half its revenues through over-the-counter retail. Although the lockdown caused a massive slide on the revenue side, the company has succeeded in raising its online sales by

approximately 59 percent at the same time. At the half-year mark, Crate and Barrel reports overall revenue growth of a good 3 percent.

- The **Hermes Group** is benefitting from the strong e-commerce growth trend, raising revenues by almost 31 percent. This very rapid growth requires further investments particularly in package distribution in the workforce and infrastructure and is to be driven further in Germany and the UK in partnership with Advent International.
- The internationally active financial services provider **EOS** intentionally ramped down investments in portfolios of receivables given the difficult business environment, which led to a revenue decline of around 9 percent. Thanks to active cost management EOS nevertheless continues to operate very profitably.

The heterogenous effects of the pandemic have impacted earnings on differing levels. The generally very strong growth is naturally positive, with high costs for hygiene measures and the difficult environment for the textile business weighing against this, a sector that has traditionally generated higher margins than other assortments. “Overall, we are satisfied with the development and are reporting satisfying earnings”, says Alexander Birken. The Otto Group will continue to invest as planned in the expansion of the otto.de platform, its logistics infrastructure and the digital transformation of the Group companies in order to further expand the Otto Group’s position as Germany’s second-largest online retailer.

Cautiously optimistic outlook

“I am proud of how we have mastered the challenges so far, and express my warmest thanks to all our employees for this”, says Alexander Birken. Even if revenue growth so far is clearly above forecasts, given the rebound in the number of Corona cases globally and the uncertain further economic development of the world’s markets, the Group’s outlook for the full financial year remains cautiously optimistic. “In the current financial year we expect that the Otto Group will reach its revenue targets and possibly even exceed them. Thanks to this good starting position we can now move increasingly to seize the opportunities that the current environment offers. At the same time we are staying flexible and focusing thoroughly on profitability in all business areas, to make sure we are well equipped to cope with any setbacks.”

The Otto Group

Founded in Germany in 1949, today the Otto Group is a globally active retail and services group with around 52,000 employees in 30 major company groups and does business in over 30 countries in Europe, North and South America, and Asia. Its business activities are grouped into three segments: Multichannel Retail, Financial Services, and Service. In the 2019/20 financial year (to 29 February) the Otto Group generated revenues of around 14.3 billion euros. With online revenues of approximately 8.1 billion euros, the Otto Group is one of the world's largest online retailers. The Group's particular strength is its broad market presence and differentiated product and service offers to diverse customer target groups in almost all of the world's relevant economic regions. Numerous strategic partnerships and joint ventures provide the Otto Group with excellent opportunities to transfer know-how and leverage areas of synergy potential. Group companies demonstrate a high degree of corporate responsibility and willingness to collaborate with one another; at the same time this guarantees flexibility, customer proximity and optimal target-group appeal in their respective national markets.

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