

## Otto Group on strong growth track

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Following several years of consistent reshaping of the company portfolio and a successful turnaround, the retail and services group sees itself in a position to once again set clear standards in the market and to grow much more strongly. "We have set ourselves the aspirational goal of leading the Otto Group back onto a track of strong and sustained growth", states Alexander Birken, the new CEO of the Otto Group. Until the 2022/23 financial year, the revenue target for the major global online retailer and service provider is 17 billion euros on a like-for-like basis, with continued good profitability.

### Focused growth strategy

The Otto Group Executive Board has developed a focused growth strategy to achieve this. The Group will target its investment towards Group companies which are trusted to achieve especially good performance and high growth in business

models recognised as having future potential.

For example, the online retailer OTTO will be developed into an e-commerce platform with a significantly larger range of products and services as well as intelligent customer advice services. Similarly ambitious are the goals for the start-up Collins with its About You platform, which is being developed with a view to reaching the billion-euro revenue mark. In the area of vertical brands, the Otto Group has big plans for the international fashion retailer Bonprix, the Witt Group with its 50+ target group in 17 countries, and the highly popular brands of Crate and Barrel, the US furniture and lifestyle specialist.

Other focus companies with high investment and growth expectations, from the Executive Board's perspective, are Hermes Europe in the Service business segment, the EOS Group in the Financial Services segment, as well as Project A and Eventures in the Corporate Ventures market area. "In all of these markets, we will set standards in future with our focus companies regarding innovation, customer relevance and commercial success", emphasises Birken.

### Greater openness towards market partners

Another pillar of the future strategy is opening up the Otto Group ecosystem. "We will network in a focused and intelligent way with partners outside our company", says Alexander Birken regarding the strategic

direction. These could be brands, retailers and influencers, start-ups and scientists, as well as strategic financial partners. “We can imagine of granting a share more than before in selected, strong-growth Group companies”, announces Birken.

## Cultural changes

A third and vital driver of future success for the Otto Group, in the view of the Executive Board, is cultural change within the group of companies. The ‘Kulturwandel 4.0’ process launched last year is bearing first fruit. Thousands of colleagues worked together to jointly determine the Otto Group status quo, and created a new purpose based on the core principle of ‘Together we push the limits’. Beyond these beginnings of community, Alexander Birken is demanding significantly intensified networking across all Group companies and hierarchies to achieve even greater synergies.

## Clearly improved profitability in 2016/17 financial year

The ambitious plans of the Otto Group are backed by the results of the previous financial year. “With our return to positive annual net earnings, we have achieved a major success”, emphasised Petra Scharner-Wolff, Otto Group Chief Financial Officer during the presentation of the results, “and this creates the foundation for strong investment, powerful growth and more jobs.”

Thanks to a good sales performance the Otto Group considerably improved its operational profitability and concluded the past financial year 2016/17 (28 February) with a clearly positive result on all levels. Revenues increased by 3.4 per cent to 12.512 billion euros, which on a like-for-like basis corresponds to a growth of 5 per cent or around 600 million euros. Earnings before

interest, taxes, depreciation and amortisation (EBITDA), which shows the result from the operational business, are reported at 730 million euros – the highest level for many years. Earnings before interest and taxes (EBIT) rose by more than 100 million euros to 365 million euros. Despite balance-sheet burdens from the successfully divested retail activities of the French 3SI Group, annual net earnings of 41 million euros were achieved.

Once again, e-commerce was the principal growth driver. Revenue from the Otto Group’s over 100 online shops worldwide grew by around 10 per cent on a like-for-like basis and amounted to nearly 7 billion euros. In Germany, online sales also grew by just under 10 per cent to around 5 billion euros. These figures reaffirm the Otto Group’s position as the number 2 German online retailer and one of the world’s leading players in online retail.

## Headcount rises

In the past financial year the number of employees in the Otto Group increased from around 49,600 to approximately 49,750 full-time equivalent jobs (FTE); in Germany the FTE figure increased by some 800 to reach 26,650.

## All segments on growth track and profitable

In all three segments – Multichannel Retail, Financial Services and Services – the Otto Group successfully increased revenues and achieved a positive net result (EBIT). In Multichannel Retail, revenues grew by 2.4 per cent to 9.819 billion euros, the equivalent of 5 per cent growth on a like-for-like basis. An EBIT of 146 million euros was achieved. The Financial Services segment raised revenues by 8 per cent to 732 million euros and achieved very substantial EBIT of 297 million euros. The EOS Group, which dominates this

segment within the Otto Group, increased revenues by 10.9 per cent to 645 million euros. In the Service segment, external sales increased by 6.7 per cent to 1.961 billion euros, achieving EBIT of 6 million euros. The Hermes Group, the leading company in this Otto Group business segment, raised external sales by 4.9 per cent to 1.574 billion euros. Adjusted for exchange-rate fluctuations, the Hermes Group in fact grew by 11.3 per cent.

The Otto Group's three largest retail companies, OTTO, Bonprix, and Crate and Barrel, have developed very successfully. These activities alone increased their combined revenues by 384 million euros. OTTO grew by 6.3 per cent to 2.724 billion euros, thanks in part to a very successful Furniture and Living assortment. The international fashion retailer Bonprix increased revenues by 5.6 per cent to 1.512 billion euros, while the North American lifestyle retailer Crate and Barrel raised revenues by 10.7 per cent to just under 1.475 billion euros.

The Mytoys Group, with its brands Mytoys, Mirapodo, Ambellis, Yomonda and Limango, saw revenue climb by nearly 10 per cent to reach 556 million euros. The Witt Group revenues were steady at the previous year's level at 757 million euros with high profitability, while the Baur Group saw a slight decline in revenue of 2.4 per cent to 667 million euros. The Schwab Group also reported declining revenues in the amount of 6 per cent to 203 million euros. The Heine Group reported a revenue fall of over 23 per cent to 282 million euros, which was due primarily to the disposal of Alba Moda at the start of the 2016/17 financial year. At Sportscheck, revenues declined by just under 8.8 per cent to 291 million euros. The Manufactum Group increased revenues by over 3 per cent to 92 million euros, while Frankonia grew by 7.2 per cent to 136 million

euros. Collins developed once again extremely successfully with its business concepts About You and Edited. The Otto Group's own start-up grew well above plan and succeeded in more than doubling revenues to reach 135 million euros.

### **Stable development at Group's smaller foreign companies**

Many of the Otto Group's smaller international companies reported satisfactory stable development, despite challenging business environments in some cases. Due to the persistently tough macroeconomic situation, Otto Group Russia reduced the expected decline in revenues to 6.2 per cent and achieved 244 million euros. The Otto Japan Group reported a slight drop in revenue on a Yen basis of 2.7 per cent, but thanks to a beneficial exchange rate development in euros this represented a growth of 8.4 per cent to 158 million euros. The British Freemans Grattan Holdings exceeded the previous year's revenue figure in local currency by more than 6 per cent and increased its customer base significantly. Due to the sharp devaluation of the British pound following the Brexit decision, a drop in revenue of 7.2 per cent to 219 million euros was reported on a euro basis.

### **Successful divestment process in France**

The French 3SI Group successfully realised the announced disposal of its retail activities. The buyers will continue activities with the workforce they have taken over. The service segment of the 3SI Group with Mondial Relay (logistics), Girard Agediss and Dispeo (fulfilment) developed successfully overall. Mondial Relay and Girard Agediss are operationally managed by the Hermes Group; and several market players have submitted

purchase offers for Dispeo, so that a disposal of this activity remains a possibility.

Source: [Otto Group](#)

