

# Adler Modemärkte AG

## 3M-2020 results

Getting prepared to withstand COVID-19 impacts

- > Thomas Freude | CEO
- > Karsten Odemann | CFO
- > Carmine Petraglia | CCO

# Highlights 3M-2020 – COVID-19 will change the world as we know it

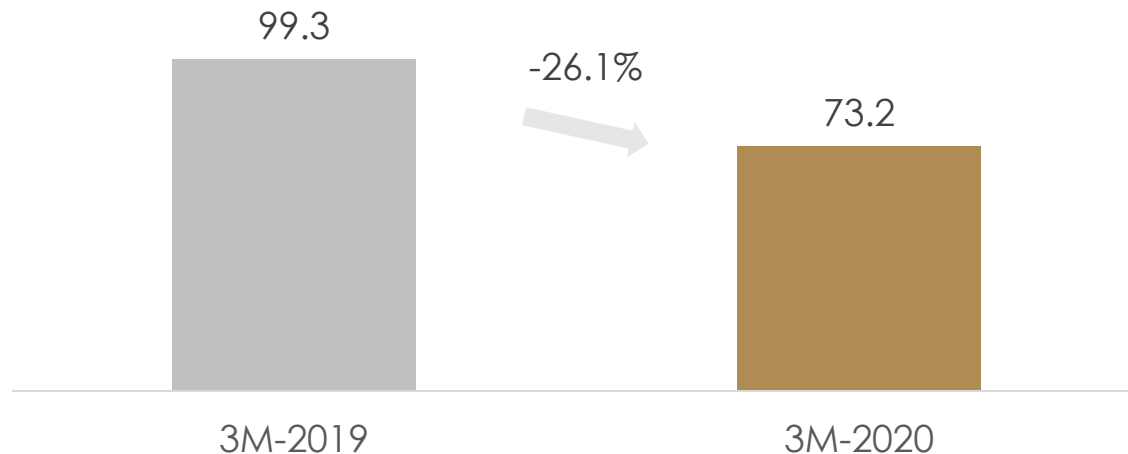
- > Operating development massively impacted by COVID-19 pandemic
- > All 171 stores closed from mid March
- > Like-for-like revenue decline of 23.7% better than retail fashion industry (-26%)
- > Gross margin down only by 0.9 BP to 48.5% due to high cost flexibility
- > EBITDA in traditionally weakest quarter of the year dropped to €-12.8 million
  
- > Immediate initiation of strategic measures to withstand COVID-19 crisis:
  - > Secure liquidity:
    - Focus on cost flexibility, optimisation of working capital
  - > Restart business:
    - Re-opening of stores starting on April 20
  - > Strategy upgrade in preparation



**“We are convinced that ADLER will be stronger and more resilient than ever after the crisis”**

# Revenue decline in 3M-2020 – like-for-like performance better than industry average again

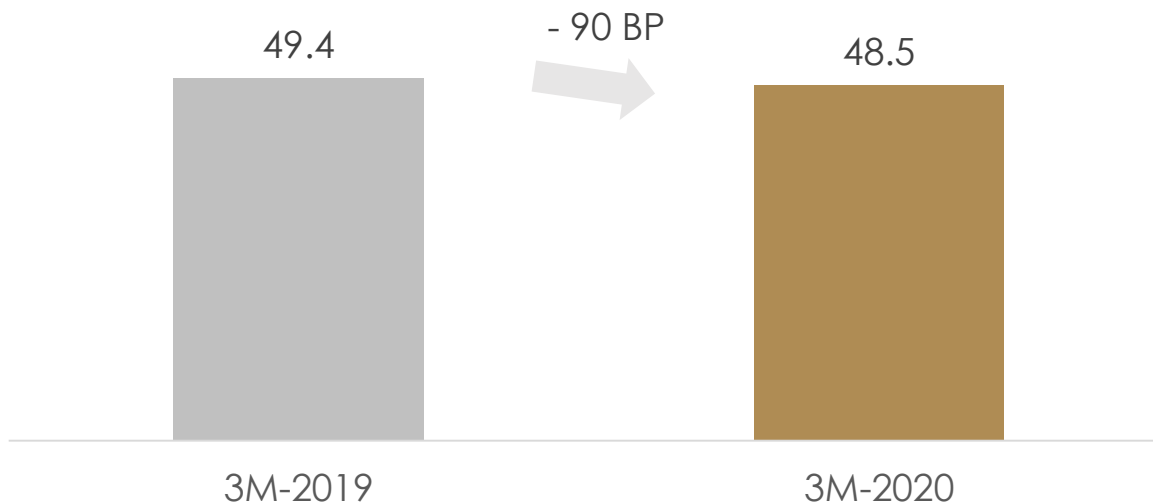
> Revenue in m€



- > Revenue reached €73.2 million in 3M-2020, heavily impacted by store closures from mid March 2020
- > Solid and expected start into the year until first half of March
- > Like-for-like revenue development of -23.7% better than textile retail industry (-26.0%)
- > Shop optimisation programme continues in 2020:
  - > Two closures (Marl und Neunkirchen) and
  - > One new opening (Schwäbisch Hall)

## 3M-2020 gross margin relatively stable at 48.5%

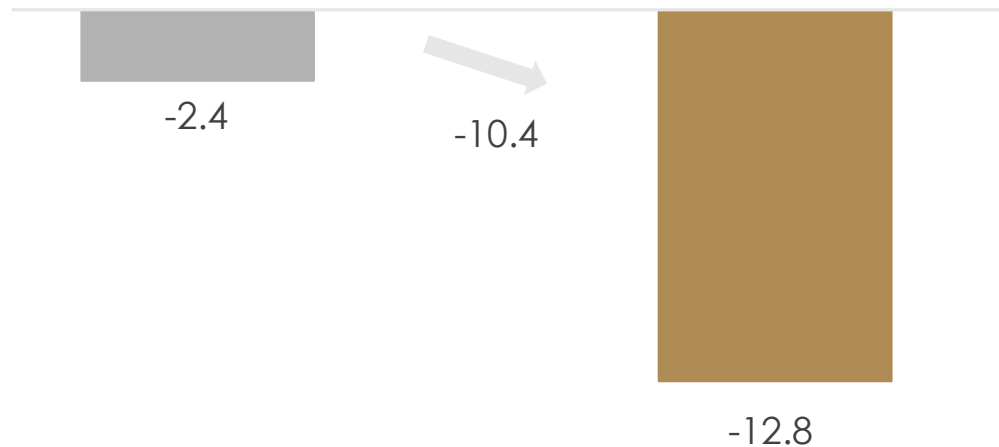
> Gross margin in %



- > Cost of materials significantly down by 25.0% to €37.7 million in 3M-2020 (3M-2019: € 50.3 million)
- > Relatively flexible adaption to decreasing sales
- > More efficient purchasing
- > Optimisation of inventory management

# EBITDA down despite positive effects from strict cost control

> EBITDA in m€



- > Personnel costs down from €25.2 million to €23.6 million due to
  - > short time work and
  - > staff reductions partly already effectuated in 2019
- > Other expenses decreased by €1.0 million
- > Marketing costs decreased to €9.9 million (3M-2020: €10.7 million) as marketing spending was strictly downsized as a result of the COVID-19 situation
  - > More pronounced impacts from Q2 onwards
- > Q1 traditionally weakest quarter of the year due to typical seasonal patterns (spring and summer collection orders)

## Summary of key P&L figures

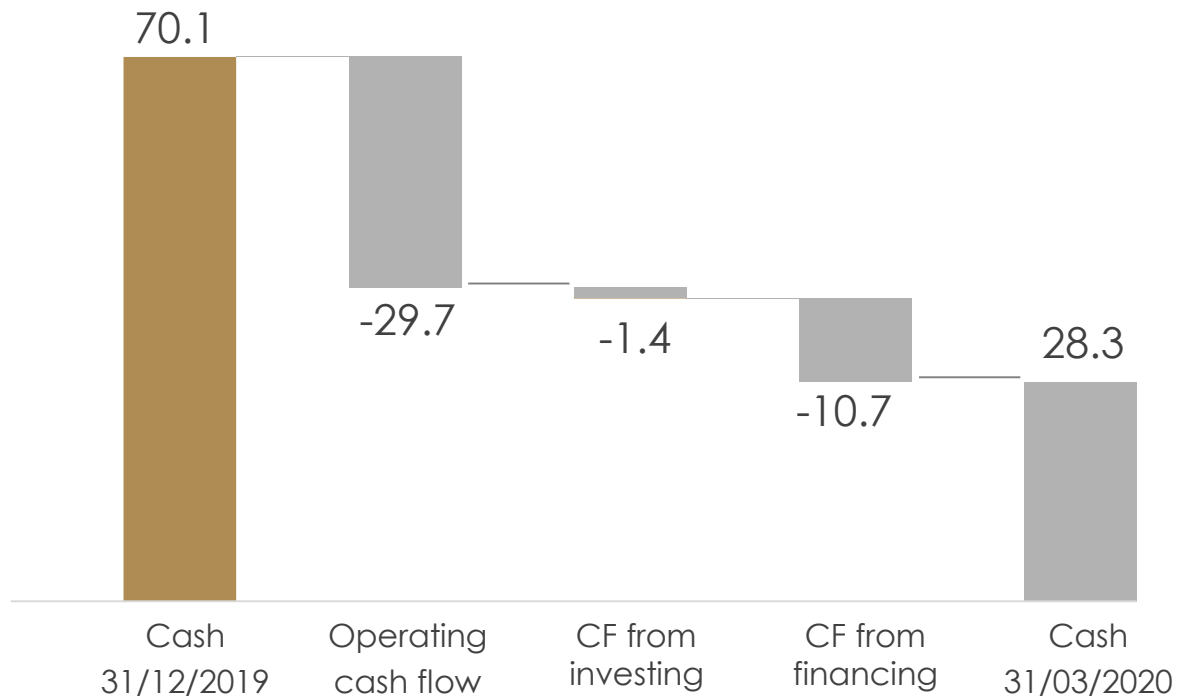
in m€	3M-2019	3M-2020
Revenue	99.3	73.2
Gross profit	49.1	35.5
Gross profit margin in %	49.4%	48.5%
EBITDA	-2.4	-12.8
EBIT	-13.8	-24.1
Consolidated net profit	-13.5	-22.6

## Summary of key balance figures

in m€	31 March 2019	31 Dec. 2019	31 March 2020
Total assets	393.2	409.4	384.3
Inventories	91.0	73.4	87.0
Trade receivables	0.4	0.1	0.3
Equity	48.0	66.1	43.3
Equity ratio	11.8%	16.1%	11.3%
Trade payables	30.5	26.0	31.6

# Liquidity due to restrictive cash management above last year

> Cash position as of 31 March 2020 in €m



- > Working capital reduced to €55.7 million from €60.9 million at March 31, 2019 due to efficient inventory control
  - > Increase from Dec. 31, 2019 (€47.5 million) was due to typical seasonality regarding orders for the spring and summer collections
- > Free cash flow with €-31.1 million below previous year's level of €-17.4 million
- > Liquidity with €28.3 million nevertheless above last year's level (31 March 2019: €25.3 million)



# Measures taken to withstand COVID-19 impacts

## Phase 1: Secure liquidity and financial stability

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- > Majority of ADLER employees in stores and headquarter were on short time work since mid March
- > Highest possible cost efficiency on all levels (e.g. material costs, other costs, marketing costs)
- > Extremely strict working capital management: e.g. close cooperation with all value chain partners, re-negotiation of payment terms, cancellation of orders & order postponements
- > Consistent usage of opportunities to postpone tax payments, social contributions etc.
- > Very constructive discussions with shop owners regarding lending costs
- > Strengthening of online activities (revenues +26% in 3M-2020) and social media activities
- > Advanced discussions with house banks and public authorities to secure additional financial leeway to stabilise its operations and to sustainably finance the ADLER Group

# Measures taken to withstand COVID-19 impacts

## Phase 2: Welcome back activities after re-opening of stores

- > Re-opening of majority of 142 German stores starting April 20 with limited space of 800 square meters
- > Opportunities to start sales in all facilities with full space in first half of May
- > Austria allowed to open the 24 ADLER retail stores from May 2
- > Luxembourg (3 stores) and Switzerland (2 stores) to follow until May 11
- > ADLER is taking all necessary precautions and hygiene measures to offer its customers and staff the best level of protection possible
  
- > Special marketing campaign already started. Focus on:
  - > Direct mailing
  - > Radio advertisements
  - > Supplements
  - > Incentives for ADLER loyalty card holders
- > Massively supported by ADLER online shop and social media activities
  
- > Limited impacts from re-openings for Q2 expected due to customer reluctance and lack of consumer confidence

# Store optimisation programme will be implemented consistently

- > **Five closures of unprofitable stores in 2018 and another eight in 2019**
- > **Two closures of unprofitable stores already in 3M-2020:**
  - > Marl und Neunkirchen
- > Further closure of up to three stores planned for 2020
- > Re-negotiations of lending contracts intensified
  
- > New **openings** of four stores in attractive locations with attractive revenue potential and high profitability as well as optimised “look and feel” realized in 2019
- > **One new opening in 3M-2020** (Schwäbisch Hall)
- > Redirection of our most frequented store Kassel with latest visual marketing-concept, will be re-opened on May 28
  
- > Additional store openings planned for 2020 and the following years
  - > Focus on white spots in Germany and Austria
  - > Substantial potential in Switzerland



# Measures to be taken following the crisis

## Phase 3: Potentials to make ADLER stronger and more resilient

- > The market environment will look totally different after the COVID-19 crisis
- > Huge potentials for ADLER call for comprehensive strategic measures including:
  - > Critical assessment of all structures and processes
  - > Further optimisation of working capital by streamlining and risk reduction along the whole value chain
  - > Extended services for Adler loyalty card members
  - > Additional steps to further optimise of store concept
  - > Speed up e-commerce activities substantially
- ➔ **“We are convinced that ADLER will be stronger and more resilient than ever after the crisis”**

# Guidance 2020 withdrawn due to COVID-19 impacts

Outlook 2020: like for like turnaround in revenues and at least stable profitability



Revenue	Gross profit margin	EBITDA incl. one-offs
Reported: stable – l-f-l: slight improvement	Slight improvement	€66–69 million
One-offs	Free cash flow	Liquidity
€-5 to -6 million	At least stable	On last year's level

Substantial revenue and earnings potential for 2023

- > On 18 March 2020, Adler Modemärkte AG concluded that COVID-19 will make it impossible to achieve the original guidance for 2020.
- > Group revenues and EBITDA in 2020 will be substantially lower than originally forecasted.
- > Q2 (most probably) will be the most difficult quarter of the year
- > Since it is not possible to quantify the COVID-19 impacts, the management board refrains from issuing a new forecast for the 2020 financial year
- > ADLER is committed to keep the highest transparency levels and will update on any changes as soon as possible

## Financial Calendar + Contact

# Save the date

- ▶ **Report on the first three months**  
5 May 2020
- ▶ **Annual General Meeting**  
Postponed from 6 May 2020 (new date to be announced)
- ▶ **Report on the first half year**  
6 August 2020
- ▶ **Report on the first nine months**  
5 November 2020

### Disclaimer on Forward-Looking Statements

This presentation contains forward-looking statements regarding Adler Modemärkte AG, its subsidiaries and affiliates, and the economic environment. All of these statements are based on assumptions that the management made on the basis of the knowledge and information available to it at the time this report was prepared. If these assumptions do not or only partially hold true, or if additional risks arise, actual business performance may deviate from the expected business performance. Therefore, no specific responsibility is taken for any forward-looking statements made in this presentation.

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## 3M-2020 results

### Q&A

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