

Adler Modemärkte AG

9M-2019 results

ADLER continues on its successful track and delivers on its promises

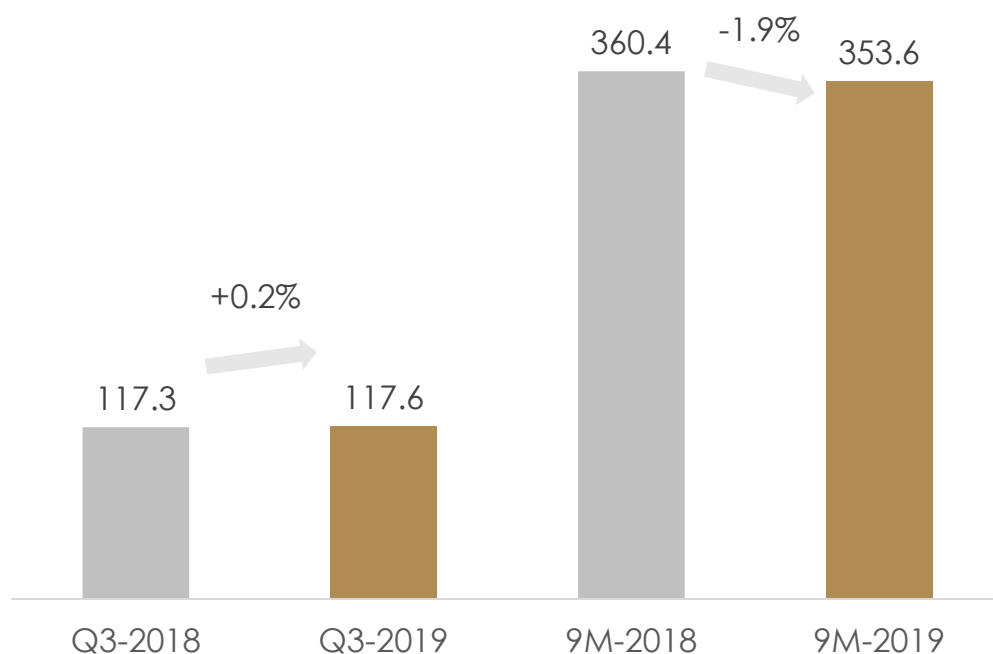
- > Thomas Freude | CEO
- > Karsten Odemann | CFO
- > Carmine Petraglia | CCO

Highlights 9M-2019

- > Positive development in Q3 2019 with revenue at €117.6 million (previous year: €117.3 million) and like-for-like growth of 1.9%
- > Nine months revenue at €353.6 million (previous year: €360.4 million) – like-for-like in line with market development; impact from shop closures almost compensated
- > EBITDA of €33.4 million on previous year's level (9M-2018: €33.7 million) – EBIT turnaround to €0.2 million (9M-2018: €-1.2 million)
- > Strong cash position at €46.1 million as of 30 September 2019
- > Substantially improved free cash flow in 9M-2019 (€22.8 million) compared to 9M-2018 (€15.7 million)
- > Store optimisation programme more successful than anticipated

Revenue turnaround in Q3-2019 – like-for-like +1.9%

> Revenue in m€



> Revenue reached €353.6 million in 9M-2019, quarter by quarter improvement in 2019:

- > -3.3% in Q1-2019
- > -2.6% in Q2-2019
- > +0.2% in Q3-2019

> Like-for-like revenue:

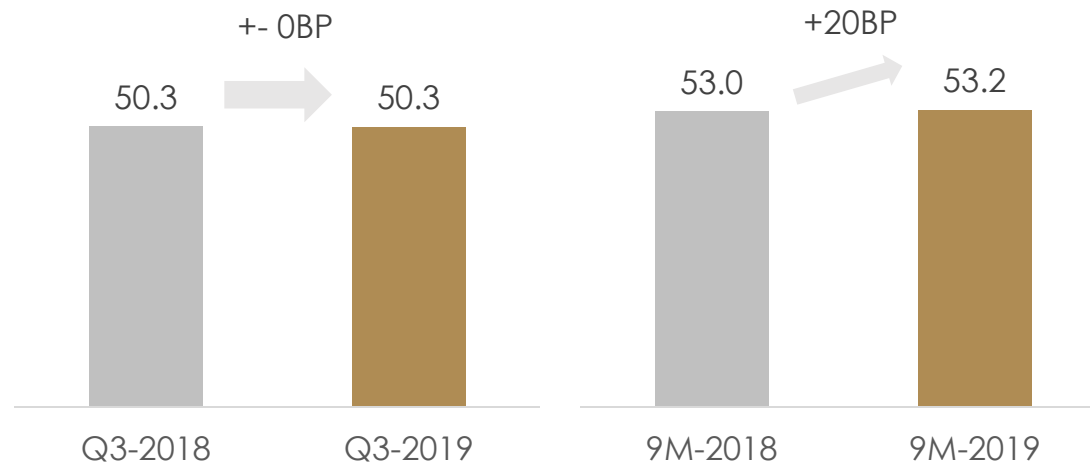
- > -2.5% in Q1-2019
- > -1.0% in Q2-2019
- > +1.9% in Q3-2019

> Revenue development in line with expectations

> Negative impact of shop optimisation programme almost compensated

9M gross margin at 53.2% despite substantial reduction of inventories

> Gross margin in %



> Cost of materials disproportionately down 2.3% to €165.6 million in 9M-2019 (9M-2018: €169.4 million)

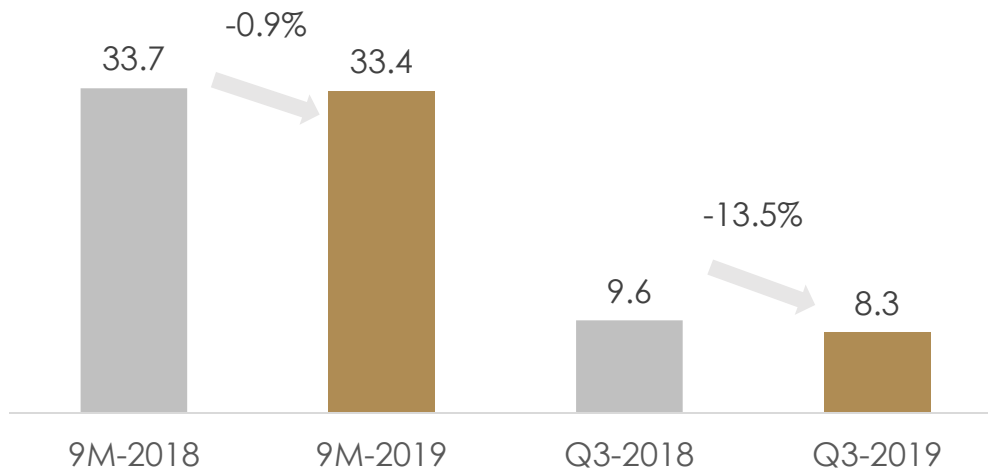
- > More efficient purchasing
- > Lower level of inventory discrepancies
- > Positive effect from change of warehousing service partner

> Further improvement of gross profit margin expected in Q4-2019 through:

- > Further optimisation of inventory management and increase of share of merchandise directly sourced

EBITDA impacted by one-offs and higher marketing expenses with expected positive impacts in Q4-2019

> EBITDA



- > Personnel costs slightly higher despite positive impacts from restructuring due to transformation costs related to the ADLER “Strategy 2020” and tariff increases
- > Significant savings realised in 9M-2019 compared to 9M-2018:
 - > Freight, transport and warehousing costs substantially reduced
 - > Other expenses decreased by €0.3 million
- > Marketing costs increased by €0.9 million, positive revenue impacts expected in Q4
- > Consulting fees and administrative expenses decreased by €2.5 million
- > One-off effects (€3.0 million) due to:
 - > Restructuring costs
 - > Store closures
- > Comparable operating EBITDA relatively stable at €36.3 million (9M-2018: €37.1 million)

Summary of key P&L figures

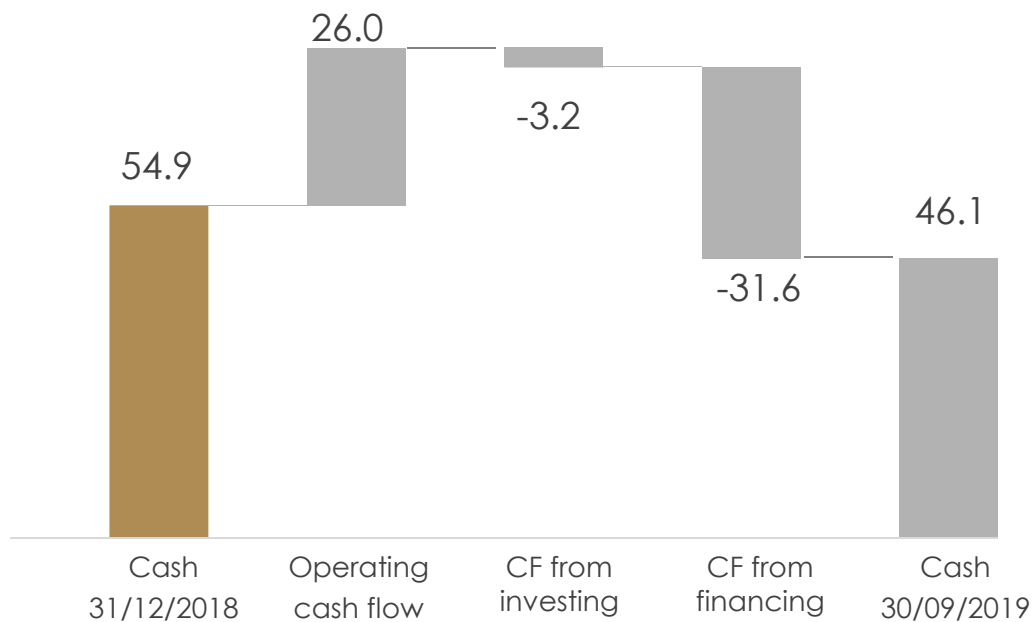
in m€	9M-2018	9M-2019	Q3-2018	Q3-2019
Revenue	360.4	353.6	117.3	117.6
Gross profit	191.0	188.1	59.0	59.1
Gross profit margin in %	53.0%	53.2%	50.3%	50.3%
EBITDA	33.7	33.4	9.6	8.3
Adjusted EBITDA	37.1	36.3	10.3	8.8
EBIT	-1.2	0.2	-1.9	-2.8
Consolidated net profit	-12.6	-9.6	-5.0	-5.1

Continued high balance sheet quality

in m€	30 Sept. 2018	31 Dec. 2018	30 Sept. 2019
Total assets	439.4	411.3	395.6
Inventories	92.7	78.7	84.0
Trade receivables	0.3	0.0	0.3
Equity	46.7	59.7	49.9
Equity ratio	10.6%	14.5%	12.6%
Trade payables	51.9	25.1	33.0

Focus on efficient working capital management and free cash flow generation bears fruits

- > Cash position as of 30 Sept. 2019 in €m



- > Working capital reduced from €53.6 million to €51.2 million after 9 months
- > Free cash flow reached €22.8 million, significantly above previous year's level of €15.7 million
- > Further cash flow improvements expected in Q4-2019 based on stronger operating performance

- > Equity ratio as of 30 Sept. 2019
 - > 12.6 % as reported
 - > 37.8 % prior to IFRS 16

- > Our high liquidity and sound balance sheet structure provide a solid financial foundation in order to easily finance substantial investments within the framework of our "Strategy 2020" on our own.

Store optimisation programme even more successful than anticipated

- > Optimisation programme fully **on track**
- > **Four closures** already finalised after 9 months 2019 (Worms, Herne, Neumünster, Wörgl); additional two closures planned in Q4-2019 (Peine, München)
- > Re-negotiations of lending contracts with substantial positive impact
 - > Earnings turnaround at one location (Frankfurt/Oder) – potential for additional success stories
- > Full-year one-off effects of €8-10 million
- > New store **openings** in attractive locations with attractive revenue potential and high profitability as well as optimised “look and feel”
 - > Freiburg (re-opening May 2019)
 - > Fohnsdorf (Austria, August 2019)
 - > Zell am See (Austria, September 2019)
 - > Leipzig-Seehausen (re-opening September 2019)
- > Moderate organic growth through additional store openings in the quarters to come



Next phase of ADLER “Strategy 2020” to be addressed

> **Strategic focus on:**

> Marketing:

- > More digital, more individual
- > Customer attraction through events & improved marketing mix
- > Substantially improved utilisation of CRM data of our loyalty card holders

> Sourcing & products

- > Reduction of sourcing volume, logistics costs - focus on improved inventory management
- > Establish fully digital value chain for all major products
- > Stronger focus on sustainable products and sourcing process

> Sales

- > Customer first - focus on customer needs
- > Focus on own and store specific brands – share of strategic brands (e.g. Tom Tailor, Cecil etc.) down to 15%
- > Store optimisation programme to be continued

> Digitalisation

- > Investments of €3 – 4 million in IT and digitalisation projects p.a. (e.g. product information management, product allocation, roll-out Tory robot)

> E-commerce activities

- > Strategy upgrade with new online shop system, establishment of new online partners, better utilisation of ADLER app
- > Target 2023: More than triple the e-commerce revenue (2018: €9.6 million)

On track for FY-2019 – Revenue turnaround and further earnings improvements expected for 2020

Revenue	Gross profit margin	Operating EBITDA*
Slightly < €500 million	Slight improvement	€27 – 30 million
EBITDA incl. one-offs**	Free cash flow	Liquidity
€18 – 21 million	Slight increase	on last year's level

Revenue turnaround and further earnings improvements targeted for 2020 based on accelerating success of ADLER “Strategy 2020”

* EBITDA (incl. IFRS 16): 2019e: €73 – 78 million

** EBITDA (incl. IFRS 16): 2019e: €64 – 69 million

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Q&A

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