

# Analyst Presentation

Third Quarter 2013





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## Highlights

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Financials

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Outlook 2013

# Highlights Q3 2013 ...

## ... Revenue and Profitability

- Revenues up 7.3% to €119.1m
- Like for like sales increase of 4.6%
- Gross profit margin + 340 bps points to 53.1%
- EBITDA of €1.2m
- EPS improved from €-0.22 to €-0.14

## ... Balance Sheet and CF Ratios Improved

- Op. WC ratio improved to 10.2% from 13.3%
- Equity ratio of 31.5%
- Positive FCF of €8.9m

## ... Store Management

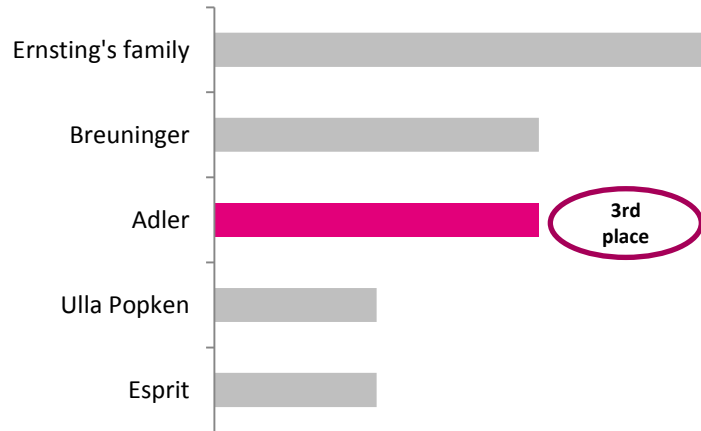
- New store opening in Mannheim-Vogelstang
- Two store closures due to profitability reasons
- Total of 168 stores as of End of September

## ... Top Shop Study 2013

- Confirmed brand awareness of 76%
- Top performance within the category “Customer Communication”
- Customer Card confirmed to enhance customer relationships

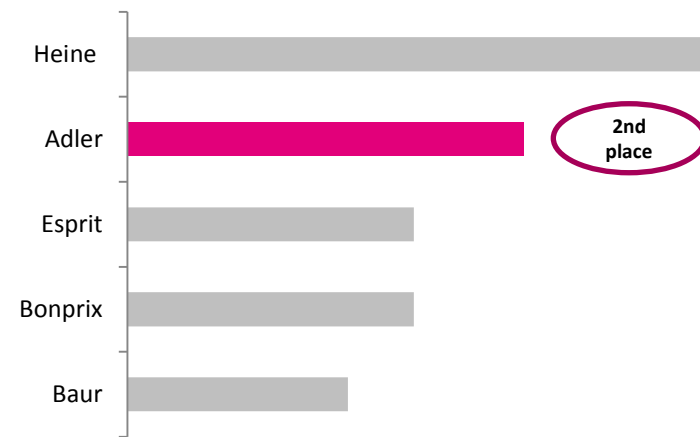
# ADLER Knows its Customer

## Category "Communication"



- **Tailored marketing well received by customers**
- Second place within the category
  - "Marketing" and („Macht gute Werbung“)
  - "Customer Contact" („Hält einen guten Kontakt zu seinen Kunden“)...
- ... and third place within the category
  - "Supplements" („Hat gut aufgemachte Prospekte/Anzeigen“)

## Category "Website"



- **E-shop is customized to customer needs**
- First place within the category
  - "Product information on the Homepage" („Die Homepage bietet informative Produktbeschreibungen“)...
- ... and second place within the category
  - "Styling advice" („Die Homepage bietet tolle Styling-Tipps“)

➢ ADLER needs to transform acquaintances into customers

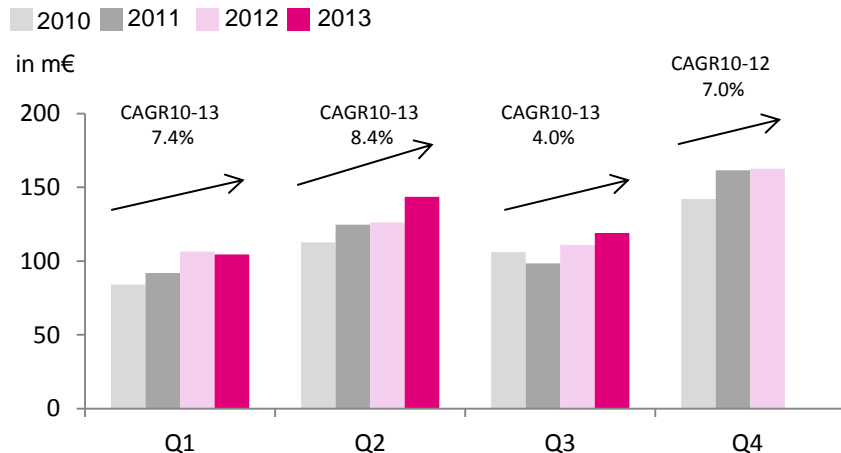
Source: Top Shops 2013

# Seasonality of ADLER's Business

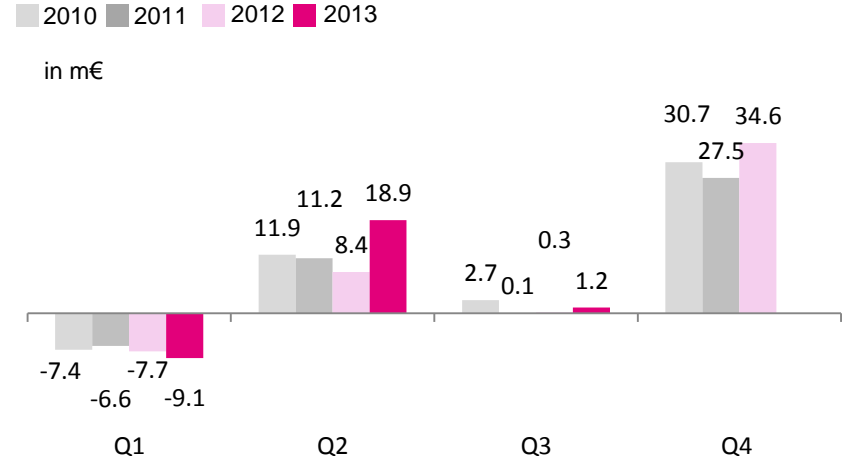
## Apparel Retailers Act in a Cyclical Business Environment

- Sales, profits and financing requirements of retailers in the apparel sector like ADLER are affected by seasonal fluctuations
- Goods receipt and financing requirements peak in Q1 and Q3
- Seasonal effects regularly cause negative earnings, increased inventories and an increase in trade payables in particular in the first quarter of the year

### Revenue

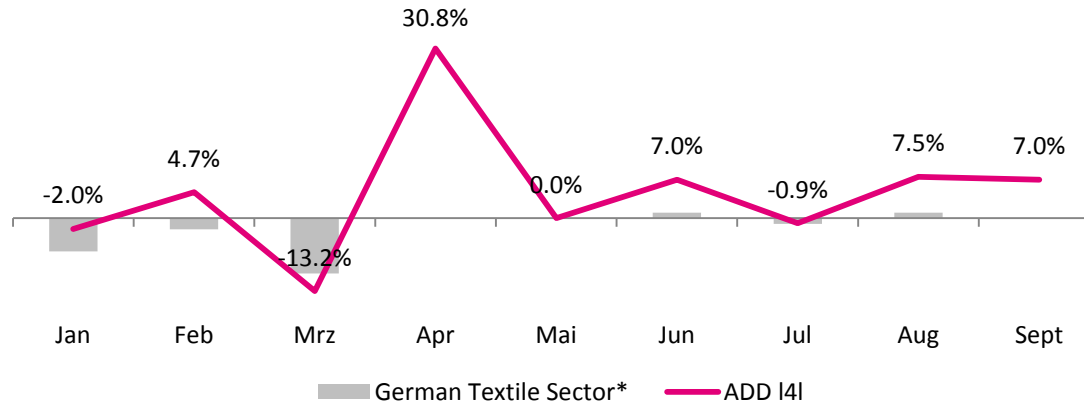


### EBITDA



# Ongoing Outperformance of the German Textile Sector

## ADLER like for like growth vs. German Textile Sector



### German Textile Sector

- Slight improvement in German textile sector to -2% after 9m 2013
- Improvement in textile sector revenues at the expense of lower margins (summer sale)
- Traffic still not showing any improvement

### ADLER

- ADLER like for like sales up 4.0% after 9m 2013
- No excessive discounts on top of summer sale improved gross profit margin
- Like for like growth largely achieved by increase in traffic and volumes

\* TW-Testclub



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**Financials**

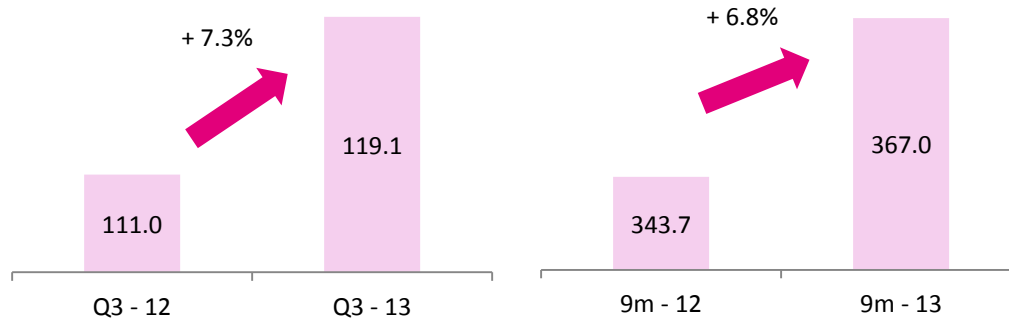
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Outlook 2013

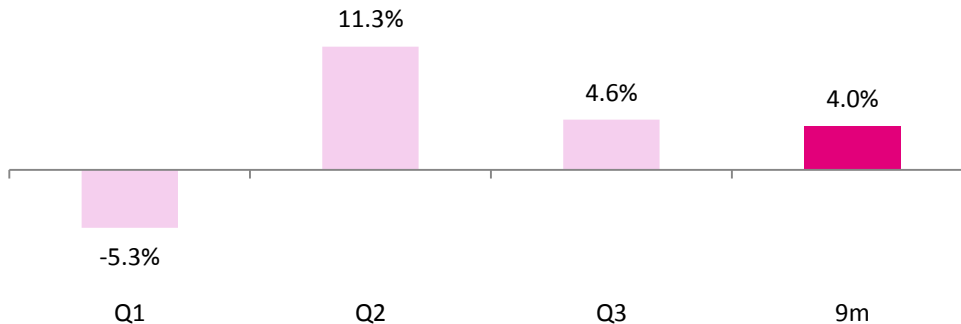
# Upward Trend in Sales Continues

## Q3 and 9m 2013 net sales

in m€



## Like for like sales trend 2013



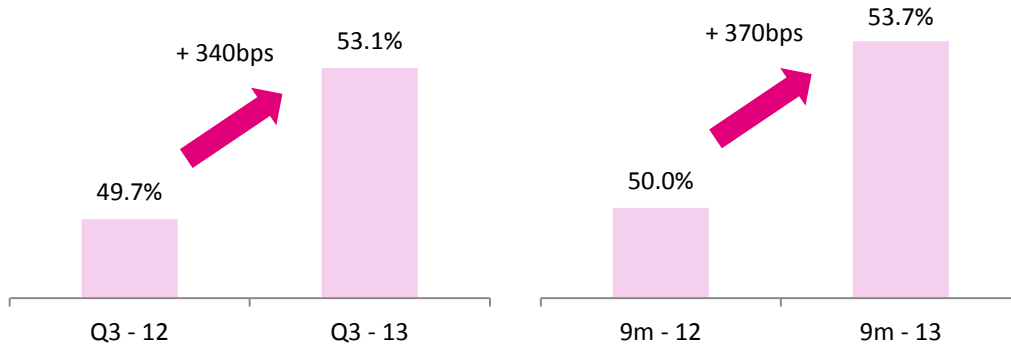
## Q3 2013

- Sales increase of 7.3% to €119.1m
- Like for like sales up 4.6%
- Key sales drivers
  1. Increase in customer traffic following targeted marketing initiatives
  2. Moderate price adjustments
  3. Satisfying development of spring/summer sale
  4. Nominal effect of ~€2.4m in Q3 2013 from smaller allowances for customer discounts



# Strong Gross Profit Margin Growth Continues in Q3 2013

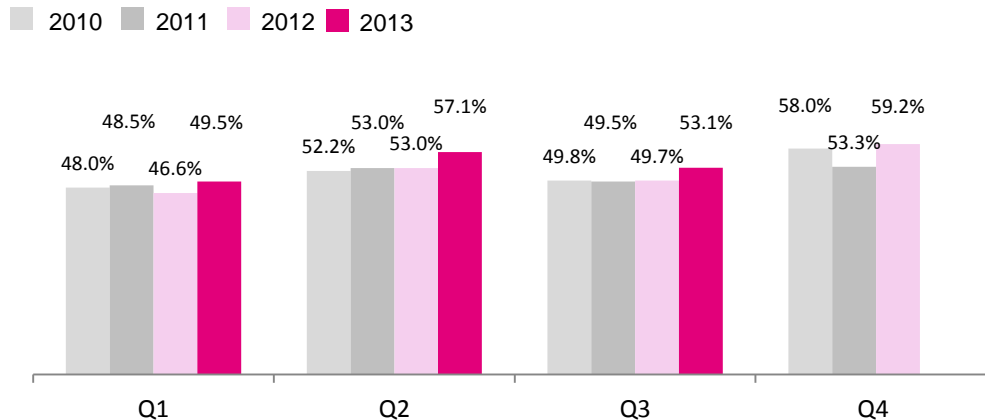
Q3 and 9m 2013 gross profit margin



Q3 2013

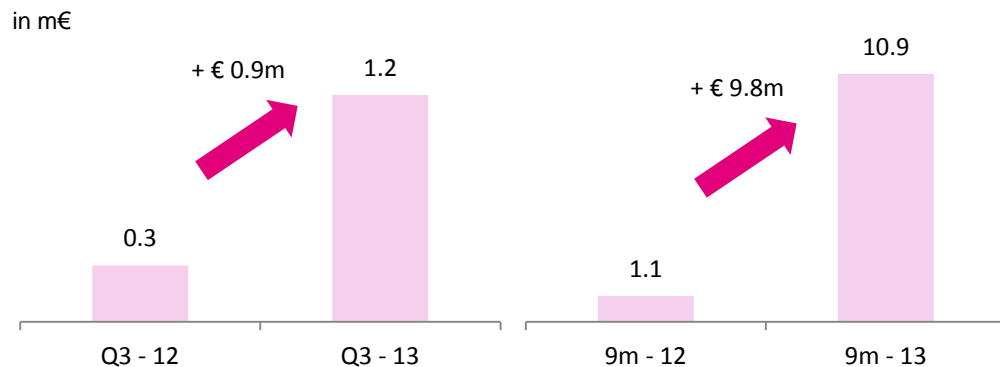
- **Gross profit margin increase of 340 bps to 53.1%**
- **Adjusted + 240 bps to 52.1%**
- **Key adjusted gross profit margin drivers**
  1. Satisfying development in summer sale
  2. Moderate price adjustments throughout the entire product range
  3. Increase in direct sourcing

Gross profit margin trend 2013

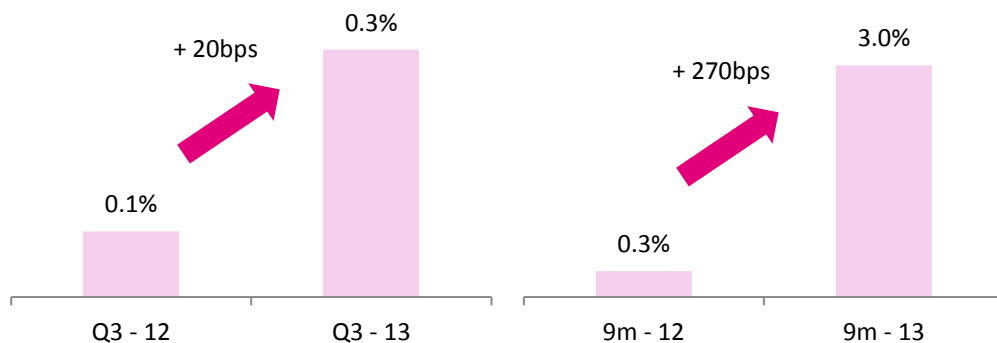


# Improvement in EBITDA and EBITDA Margin in Q3 2013

## Q3 and 9m 2013 EBITDA



## Q3 and 9m 2013 EBITDA margin



## Q3 2013

- **EBITDA increase by € 0.9m to €1.2m**
- Adjusted EBITDA € 1.6m below previous year due to cost pressure
- 9m 2013 EBITDA in line with previous year despite higher personnel and marketing expenses



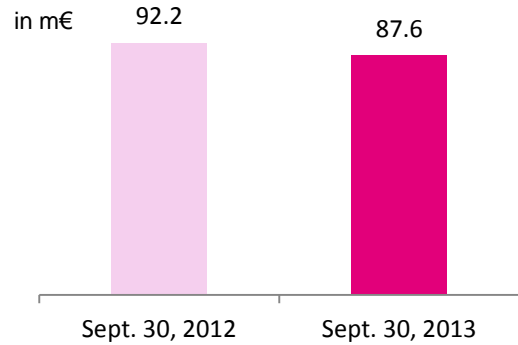
- Strong like for like sales
- Increase in gross profit margin



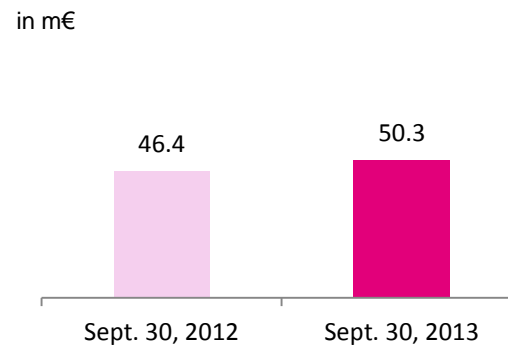
- Weak summer sale quarter
- Increase in personnel expenses due to expired bargain agreement
- Planned expansion of marketing activities
- Provisions in personnel and marketing

# Ongoing Improvement of Operating Working Capital

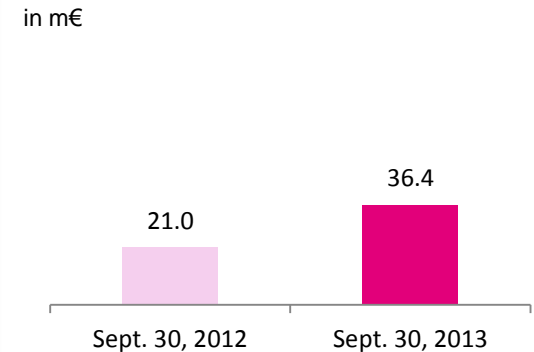
## Inventories



## Trade payables

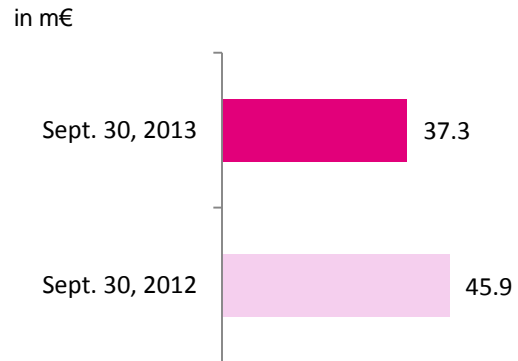


## Cash Position



Insignificant amount in trade receivables of < € 0.1m

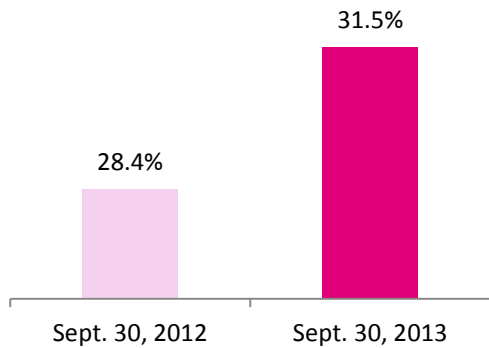
## Operating working capital



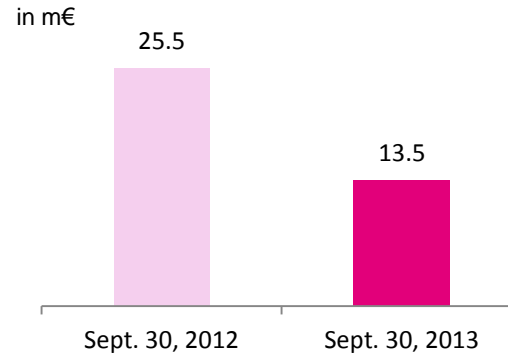
Operating working capital down from 13.3% to 10.2% of sales

# Healthy Balance Sheet

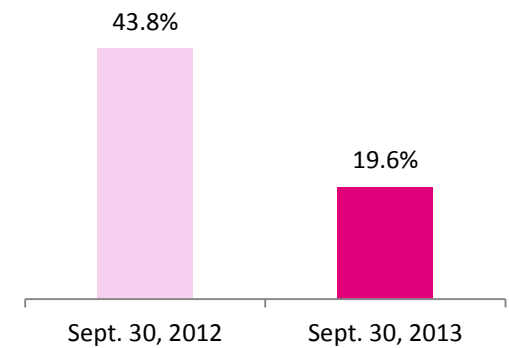
## Equity Ratio



## Net Debt (+) / Cash (-)



## Net Gearing\*



Improved equity ratio despite dividend payment of € 7m

Decrease in net debt due to better liquidity as well as lower financial liabilities from the customer card

Net Gearing below 20%

\* Net Debt to Equity



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# Outlook 2013 Confirmed

## Store Expansion

- Focus on profitability strategy
- Store expansion with up to ten openings
- Consolidation of store network
- Closing of unprofitable stores

## Revenue Guidance

- Revenue growth in the lower single-digit percentage range

## EBITDA Guidance

- EBITDA improvement in accordance to the revenue growth

# Financial Calender & Contact Details

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Fax: +49 6021 633-1417

eMail: [InvestorRelations@adler.de](mailto:InvestorRelations@adler.de)

Deutsches Eigenkapitalforum, Frankfurt

November 12<sup>th</sup> - 13<sup>th</sup>, 2013

Close Brothers Seydler Mid Cap Conference, Geneva

December 10 - 11<sup>th</sup>, 2013

Kepler Cheuvreux German Corporate Conference, Frankfurt

January 20 - 22<sup>nd</sup>, 2014

Annual Report 2013

March 20<sup>th</sup>, 2014

Report for the first quarter 2014

May 13<sup>th</sup>, 2014

# *Appendix*



## P&L First Nine Months 2013

	01.01.- 30.09.2013	01.01.- 30.09.2012	Relative change
<b>m€</b>			
<b>Revenue</b>	<b>367.0</b>	<b>343.7</b>	<b>6,8%</b>
Other operating income	4.7	5.3	-11,3%
Material expenses	-170.1	-171.9	-1,0%
<b>Gross profit margin</b>	<b>53.7%</b>	<b>50.0%</b>	
Personnel expenses	-69.2	-63.4	9,1%
<i>Personnel expenses in %</i>	<i>-18.9%</i>	<i>-18.5%</i>	
Other operating expenses	-121.5	-112.5	8,0%
<i>Other operating expenses in %</i>	<i>-33.1%</i>	<i>-32.7%</i>	
<b>EBITDA</b>	<b>10.9</b>	<b>1.1</b>	<b>890,9%</b>
<i>EBITDA margin</i>	<i>3.0%</i>	<i>0.3%</i>	
Depreciation and amortisation	-10.4	-11.0	-5,5%
<b>EBIT</b>	<b>0.5</b>	<b>-9.9</b>	<b>-105,1%</b>
Financial result	-3.2	-3.0	6,7%
<b>EBT</b>	<b>-2.7</b>	<b>-12.9</b>	<b>-79,1%</b>
Income taxes	0.3	1.9	-84,2%
<b>EAT</b>	<b>-2.4</b>	<b>-11.0</b>	<b>-78,2%</b>
<b>EPS</b>	<b>-0.13</b>	<b>-0.61</b>	<b>-78,7%</b>

## Asset and Liability Break-Down





k€	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
Property, plant and equipment	63.649	64.724	58.213
Intangible assets	7.695	5.896	5.435
Investment property	2.002	2.002	2.002
Inventories	87.641	78.168	92.165
Trade receivables	47	75	126
Other assets	10.290	9.388	13.669
Deferred tax assets	10.130	8.446	11.975
Cash and cash equivalents	36.409	42.111	20.969
Available for sale financial assets	267	257	263
<b>Total assets</b>	<b>218.131</b>	<b>211.067</b>	<b>204.818</b>

in k€	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
Amounts owed to credit institutions	0	1	0
Provisions	10.524	10.226	9.268
Financial liabilities	20.590	19.687	29.871
Finance lease obligations	46.001	48.701	42.247
Trade payables	50.342	33.771	46.437
Other liabilities	21.794	18.814	18.556
Deferred taxes and income tax liabilities	94	1.664	242
<b>Total liabilities</b>	<b>149.345</b>	<b>132.863</b>	<b>146.621</b>

## Cash Flow Statement

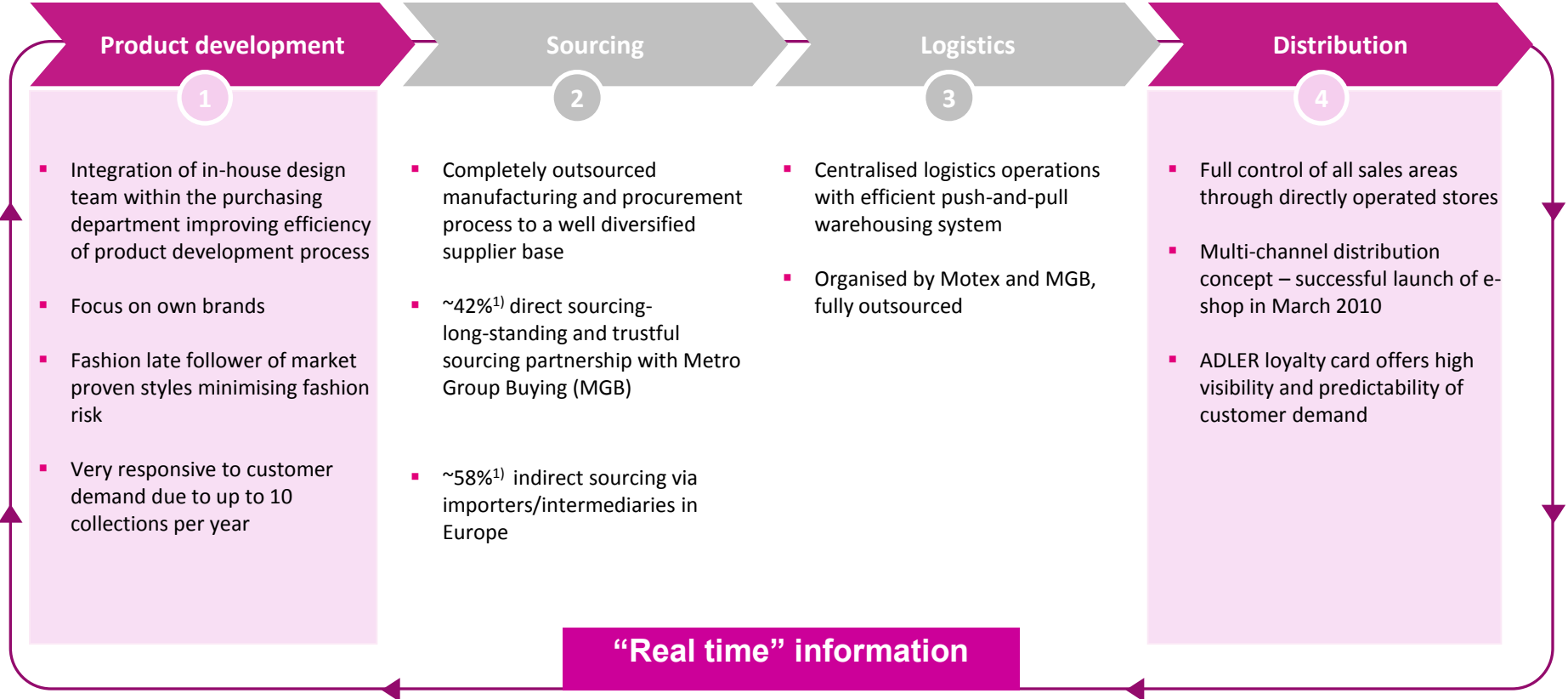
<b>k€</b>	<b>Sept. 30, 2013</b>	<b>Sept. 30, 2012</b>
<b>Net Profit</b>	<b>-2.697</b>	<b>-12.945</b>
Increase in inventories	-9.777	-20.020
Increase (-)/Decrease (+) of trade receivables and other receivables	-2.516	-4.104
Increase (+)/Decrease (-) of trade payables, other payables and other provisions	7.718	8.327
Other non-cash items	24.801	31.709
<b>Net cash flows from operating activities</b>	<b>17.529</b>	<b>2.967</b>
<b>Net cash flows from investing activities</b>	<b>-8.649</b>	<b>-8.082</b>
<b>Free cash flow</b>	<b>8.880</b>	<b>-5.115</b>
<b>Net cash flows from financing activities</b>	<b>-14.580</b>	<b>-13.940</b>
Thereof share buy back	0	-4.626
Thereof finance lease payments	-7.319	-9.118
<b>Net change in cash and cash equivalents</b>	<b>-5.701</b>	<b>-19.055</b>

# Retail Format of ADLER Stores

		Retail Formats	
		Selling Area	Characteristic
Retail park stores		1,600 to 2,800 sqm	<ul style="list-style-type: none"> <li>▪ Located next to super and hypermarkets as well as specialist markets</li> <li>▪ Optimal reach of “one-stop-shopping” customers</li> <li>▪ Strong focus in future expansion strategy</li> </ul>
Shopping centre stores		1,600 to 3,500 sqm	<ul style="list-style-type: none"> <li>▪ Located within shopping centres</li> <li>▪ Excellent opportunity to acquire new customers</li> </ul>
City stores		1,200 to 3,000 sqm	<ul style="list-style-type: none"> <li>▪ Selling area of city stores with focus on medium-sized cities</li> <li>▪ In the short run possibilities to take advantage of current high vacancy rates</li> </ul>
Stand alone stores		> 2,800 sqm	<ul style="list-style-type: none"> <li>▪ Often located in suburban areas</li> <li>▪ Highly accessible</li> <li>▪ High advertising efforts necessary</li> </ul>

# Lean and Vertically Fully Integrated Business Model

Full information control across the entire value chain



- **Efficient supply chain management – full information control over the entire value chain and high process standardisation**
- **Focus on core value added processes – product development and distribution**
- **Asset-light model with high scalability due to limited capex requirements**

1) Share of purchase volume 2012

# The ADLER Share

## Share Data

<b>ISIN</b>	DE000A1H8MU2
<b>Stock symbol</b>	A1H8MU
<b>First time listing</b>	June 22, 2011
<b>Issue price</b>	€10.00
<b>Class of shares</b>	No-par value bearer shares
<b>Transferred shares</b>	10,812,533
<b>Number of Shares</b>	18,510,000
<b>Subscribed capital</b>	€18,510,000
<b>Designated sponsors</b>	Kepler Cheuvreux, DZ Bank AG, Viscardi AG

## Shareholder Structure

