



## **Analyst Presentation on the full-year results 2016**

*“Ongoing focus on improved profitability  
and Free Cash Flow in 2017”*

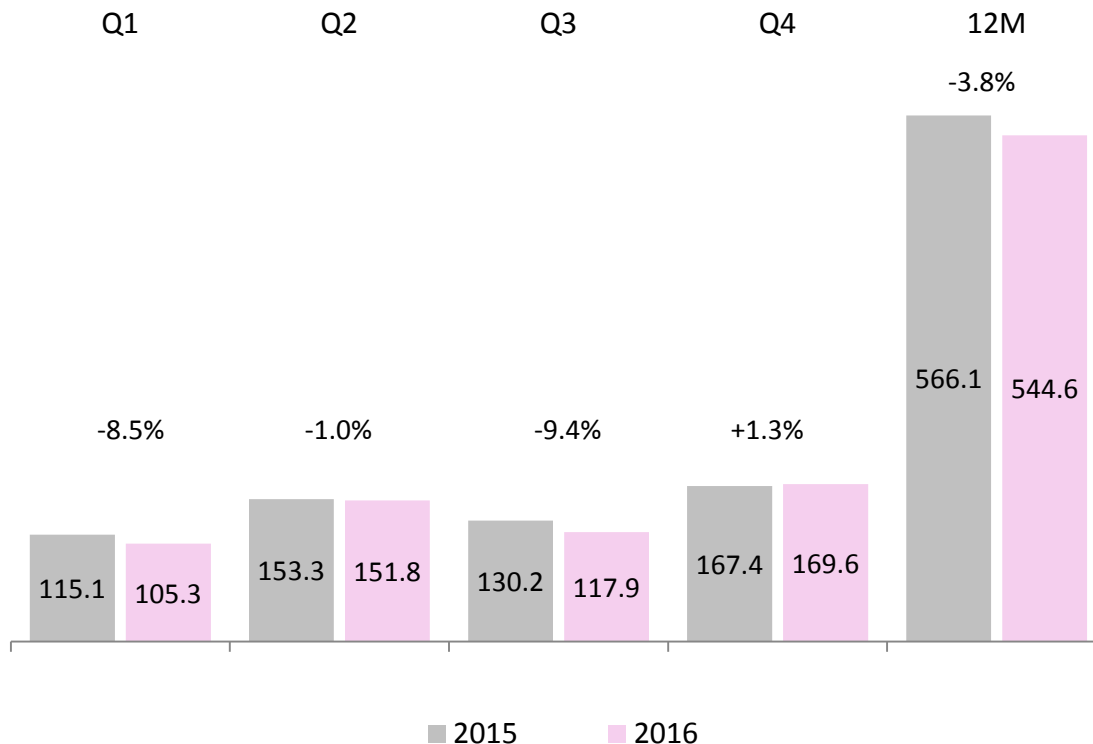
Frankfurt, 16 March 2017

- Revenue decline of 3.8% to € 544.6 million in difficult market environment, but solid Q4-2016 (+1.3%)
- Cost cutting- and efficiency programme bear fruits:
  - Cost savings of appr. €10 million realised in 2016, Full
  - EBITDA in Q4 at €31.0 million, FY EBITDA at €23.3 million
  - Free cash flow substantially improved from €2.9 million in 2015 to €11.4 million in 2016
- Substantial earnings improvement expected in 2017 despite demanding market environment – ongoing focus on liquidity and cash flow



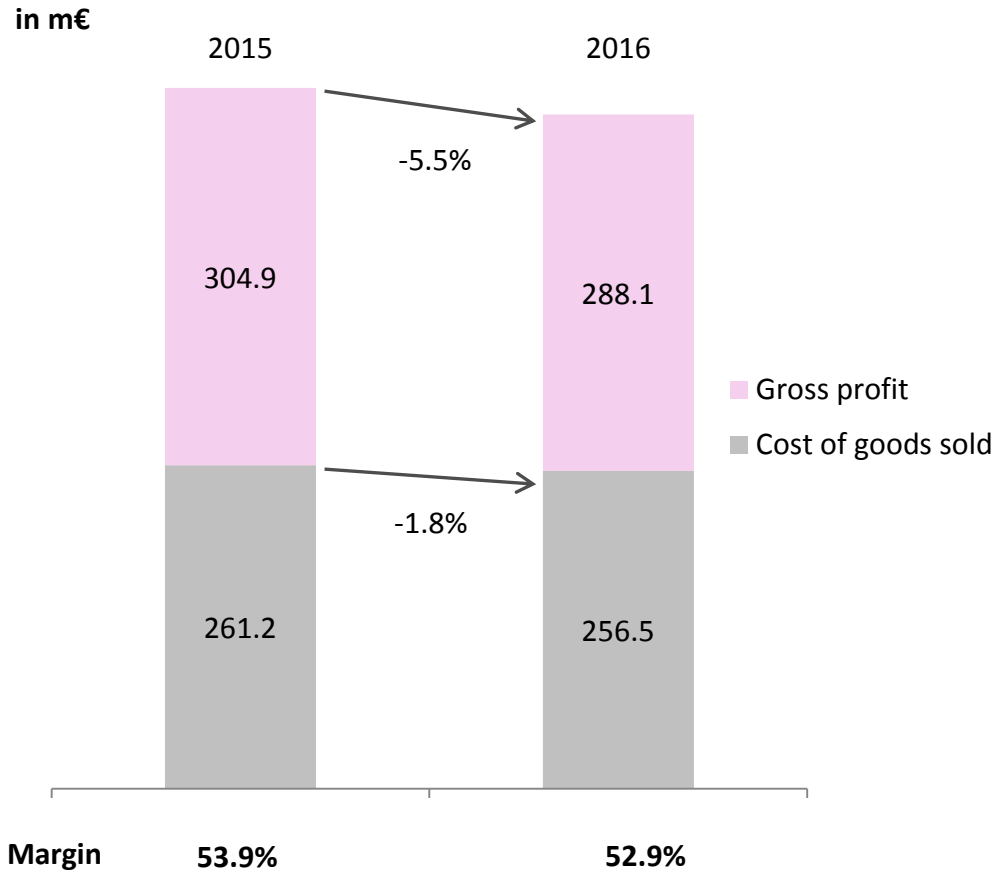
# Solid Q4 revenues – FY results affected by weak development of textile industry

Revenue in m€



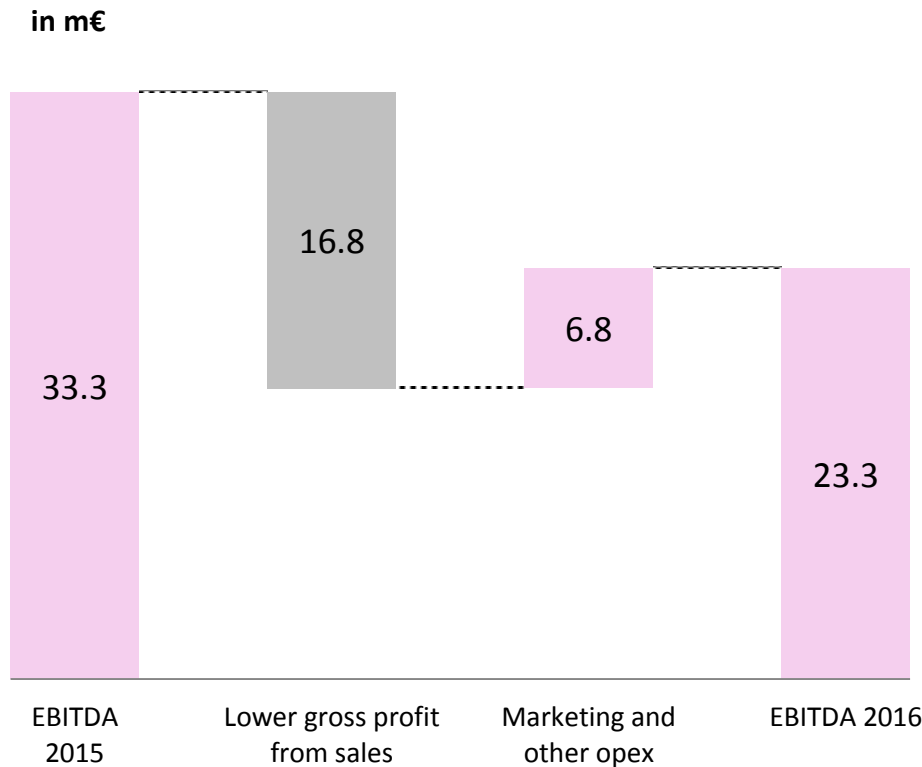
- Q4 with solid development due to more favorable weather conditions
- Newly opened stores (€ 6.6 million) almost offset decline in revenue attributable to the closure of stores (€ 8.4 million)
- Product range optimisation at ADLER Orange stores and associated clearance sales led to a € 1.9 million decline in revenue
- On a like-for-like basis, revenue for the 2016 financial year declined by 4.6 %
- Online revenues up 34.4% as against 2015 to €8.9 million

# Gross profit margin declines



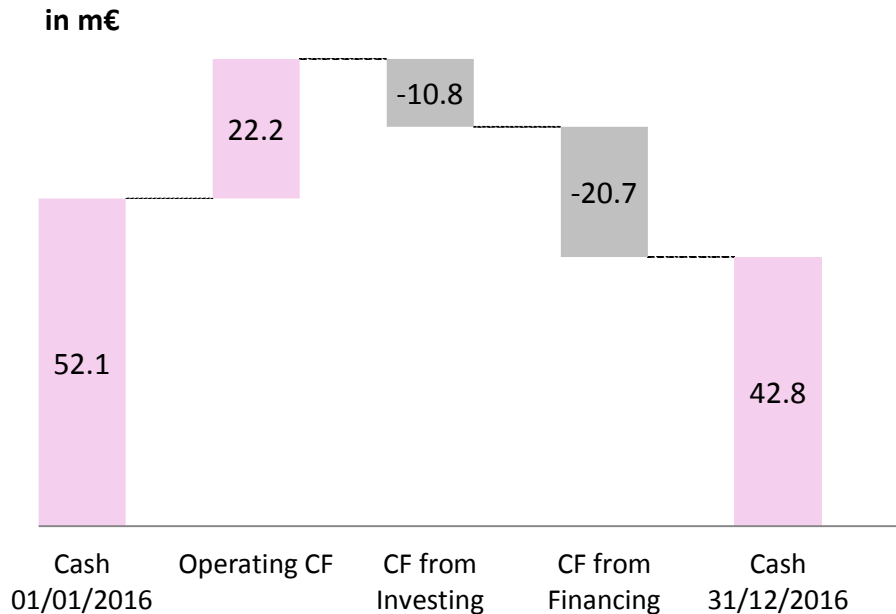
- Decline in ADLER Group's cost of materials less pronounced than the decrease in revenue
- Gross margin at 57.0 % in Q4 (Q4-2015: 56.6% ) due to growing impact of cost efficiency measures
- Company will work to further optimise its inventory management system and continuously increase share of that is directly sourced

# EBITDA of €23.3 million significantly above the range of € 14 to 17 million targeted in October 2016

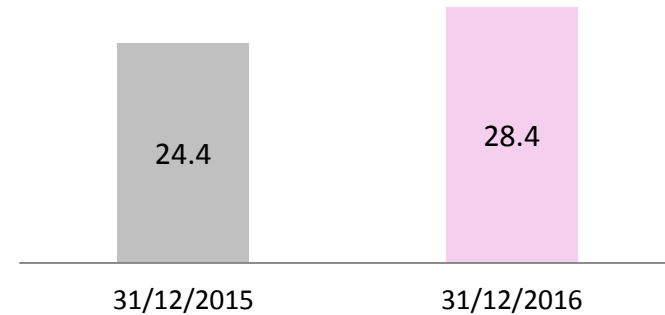


- Efficiency and cost-saving measures increasingly bear fruit: cost savings of €xx million realised in 2016
- Personnel expenses on prior-year level in spite wage and salary increases, primarily due to staff reduction
- Other operating expenses decreased by 3.8 % to €171.2 million (2015: €178.0 million)
- Marketing outlays decreased by €8.4 million year on year
- Expenditures for maintenance and modernisation measures as well as administrative expenses each declined by €0.6 million.
- Positive net result of €0.4 million for FY2016, following a negative result of €-18.3 million after 9M-2016

## Cash flows



## Net debt\*



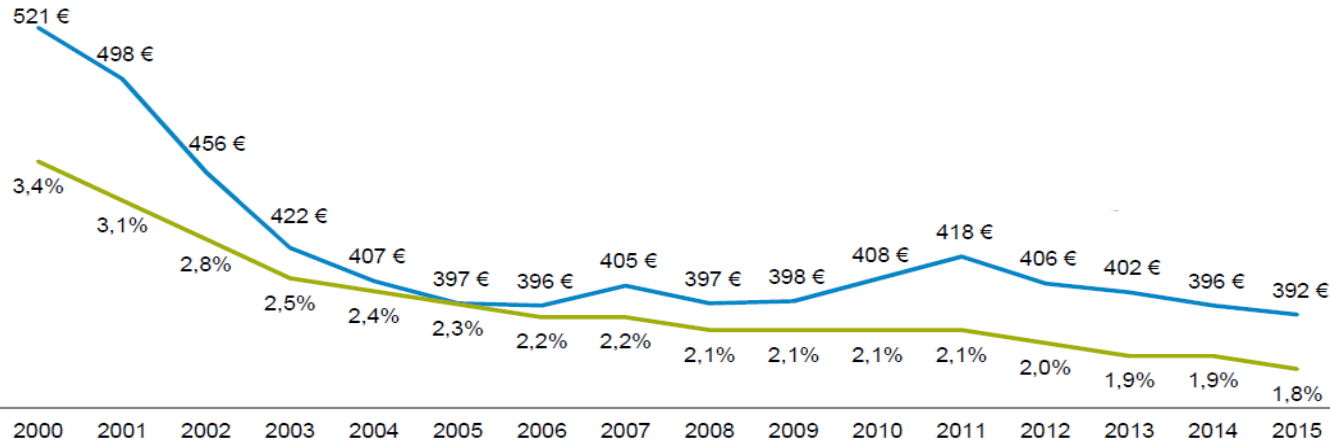
- Cash flows from operating activities improved from €19.5 million in 2015 by 13.8% to €22.2 million
- Free cash flow increased from € 2.9 million in 2015 to € 11.4 million in 2016 due to cost-cutting programme, reduction of modernisation measures and lack of company acquisitions
- Cautious investment policy: investments declined from €21.6 million to €13.3 million

- Decrease in cash and cash equivalents to €42.8 million (2015: €52.1 million)
- Decrease in finance lease obligations from €56.3 million to €52.2 million
- Decrease of liabilities from customer card by €0.8 million
- Net debt decreased substantially in the fourth quarter 2016 (9M-2016: €61.5 million)

Including liabilities from customer card, pension provisions, finance lease liabilities ex assets held for sale, cash, other financial liabilities

in m€	31 Dec. 2016	31 Dec. 2015
Total assets	222.6	243.4
Inventories	75.4	81.3
Trade receivables	0.6	1.9
Cash position	42.8	52.1
Equity	95.3	104.9
Equity ratio	42.8%	43.1%
Trade payables	25.3	32.0

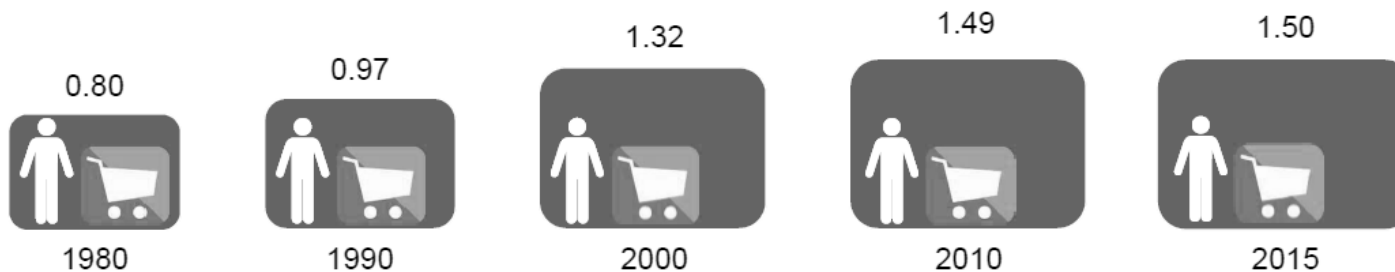
- In 2015, spendings on clothes were lower than ever before – in absolute as well as relative terms



Absolut spendings on clothes per head in 2015

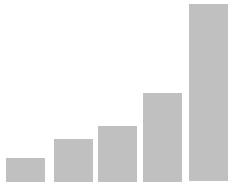
Spendings as percentage of net household income

- At the same time, retail space per head is growing constantly





# Revenues generated with ADLER online-shop expected to grow substantially in 2017ff



- Revenue: CAGR of 28.3% in the last three years (2016: €8.9 million)
- Approx. 9.4 million visitors in 2016



- 170,000 buying clients in 2016
- Average size of shopping cart increases constantly (2016: €80.7)



- 9 direct eCommerce employees
- > 70 employees work indirectly for service providers for ADLER eCommerce



- Constantly 6,500 items online
- Meanwhile 42% of customers reached via mobile devices

## Targets:

- Significant revenue growth expected in 2017
- 10% of company sales attributable to online-shop by 2020

## Rigorous screening of all operating activities

- Marketing + Visual Merchandising
- Investments + technical facilities (maintenance)
- Merchandise management (freight, transport, RFID)
- Buildings & external cleaning fees
- Personnel
- IT
- Other operating expenses
- Price specials
- Procurement planning process
- Business organisation

**Cost savings of appr. €10 million already realised in 2016;  
full impact expected in 2017ff of approx. €10 million:**

### Cost of goods sold

- Reduction of purchase volumina; flexibility via higher „Open to Buy“
- ⇒ Improvement of gross profit margin of up to 2%-points

### Personnel expenses

- Process improvements in the markets incl. staff reduction
- Termination of collective bargaining agreement
- ⇒ Cost savings of at least € 6.0 million

### Marketing expenses

- Optimisation of action chain with clear focus on increased customer frequency
- ⇒ Marketing budget for 2017 on same level as 2016 (€45.0 million; additional savings possible)

### Other operating expenses

- Fewer modernisation measures
- Only one store opening in 2017
- ⇒ additional cost saving potential of at least €2.0million

# Forecast FY 2017: EBITDA improvement to €27-30 million

Revenue	↘	revenue slightly below prior-year level
Revenue generated online	↗	Significant increase
Gross profit margin	↗	Slight increase
Personnel expenses	↗	Slight decrease
Transport and logistics costs	↘	Slight increase
EBITDA	↗	€27-30 million
Free Cash Flow	→	At least level with 2016
Expansion	→	1 store opening in 2017

# Equity story still intact: ADLER Modemärkte is well positioned to face short-term challenges and lift mid- to long-term potentials

## Assets

- Growing target group 45+
- Very loyal customer base (90% of sales generated via customer card)
- Customer knowledge comparable to online retailers
- Lean and integrated business model
- Solid network of 180 stores at attractive locations
- Sound balance sheet to finance future growth

## Potential

- Numerous internal and external growth opportunities
  - New client wins & development of existing customers
  - M&A
  - Online-shop expansion
- Significant cost efficiency and profitability improvements
  - Optimisation of marketing spend
  - Introduction of new planning system
  - Restructuring of sales department



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Report on the first quarter 2017

Annual General Meeting, Aschaffenburg

Report on the first half 2017

Report on the first nine months 2017

German Equity Forum, Frankfurt

11 May 2017

24 May 2017

3 August 2017

9 November 2017

27-29 November 2017