

# Adler Modemärkte AG

## 6M 2020 results

Consistent actions and strategic improvements  
to withstand COVID-19

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

# Highlights – Improvements in demand and substantially better EBITDA expected in H2-2020

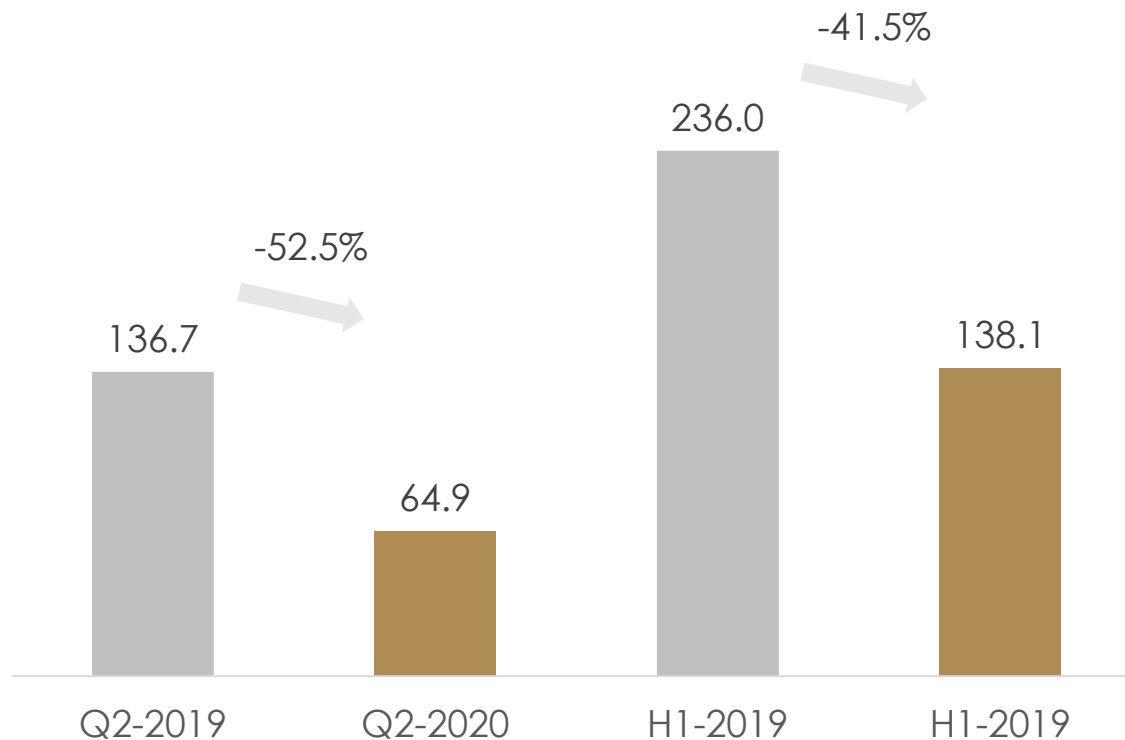
- > Operational development massively impacted by COVID-19 crisis
  - > Closure of all 171 stores for more than six weeks – recovery hampered by consumer restraint
- > Like-for-like revenue decline of –40 %
- > Earnings clearly negative despite extensive cost adjustment measures
- > Solid liquidity of € 44.4 million thanks to securing a forward-looking syndicated loan

## **Strategy and outlook**

- > Comprehensive measures initiated to return to profitable growth
- > Focus on cost efficiency, securing liquidity and cash flow as well as on generating substantial sales potential
- > Successive improvements in demand and significantly better EBITDA expected for H2
- > Significant turnaround expected from 2021 onwards

# Revenue decline in 6M-2020 – Covid-19 related closure of all stores with massive impacts

> Revenue in m €



> Revenues decreased to € 138.1 million in H1 2020:

- > -52.5% in Q2 2020
- > -26.3% in Q1 2020

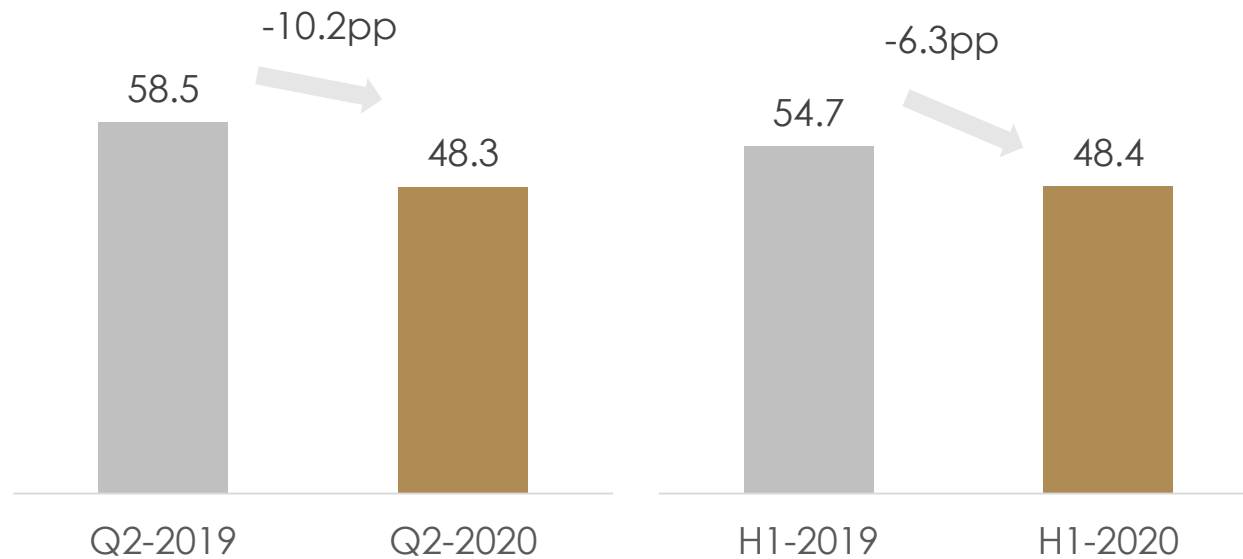
> Like-for-like decline in H1: 40.1 %

> Shop optimisation programme continues in 2020:

- > Two closures (Marl and Neunkirchen) and
- > One new opening (Schwäbisch Hall)
- > Refurbishment of Kassel

# First gross profit margin decline in H1 since 2016 unavoidable

> Gross margin in %



> Cost of materials down by €35.7 million from € 107.0 million to € 71.3 million in H1-2020

> Margin drop due to discounts made to increase frequencies and to improve working capital after re-opening of stores

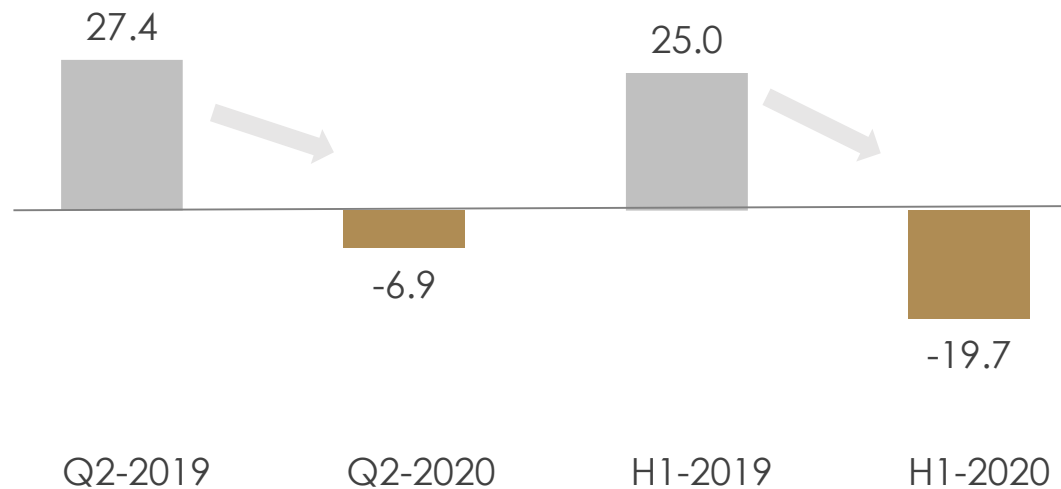
> Decline after four yoy increases in a row:

H1 2016	H1 2017	H1 2018	H1 2019	H1 2020
52.6%	52.9%	54.3%	54.7%	48.4%

> Cautious confidence for pick-up of gross profit margin due to expectations of a successive growing demand in H2-2020

# EBITDA in H1-2020 heavily affected by COVID-19 impacts

## > EBITDA



- > Dramatic earnings drop despite immediate initiation of significant cost saving measures:
  - > Personnel expenses down 22% to € 39.5 million due to the introduction of short-time work and staff reductions
  - > Earnings include transformation costs of € 1.9 million (unchanged) in connection with ADLER's strategic realignment.
  - > Marketing freeze resulted in a decrease of marketing costs by € 2.8 million
  - > Consulting fees and administrative expenses down € 2.3 million
  - > Substantial reductions in all other cost items realized

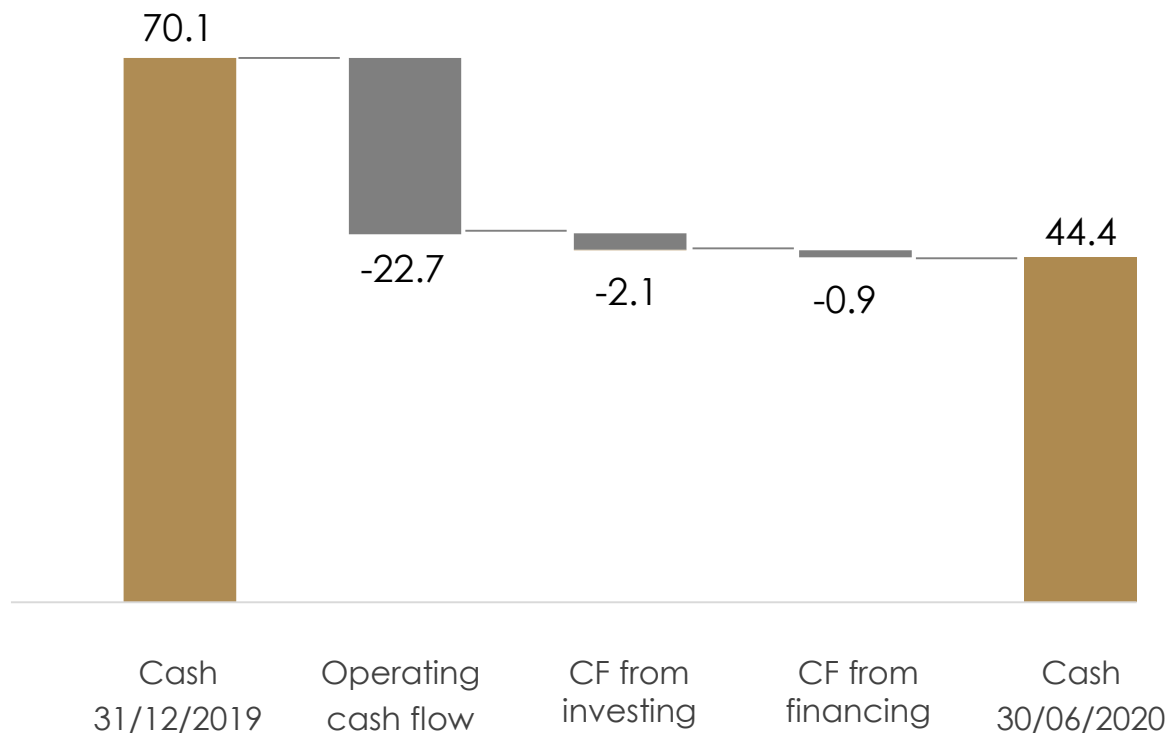
## Summary of key P&L figures

in m €	H1 2019	H1 2020	Q2 2019	Q2 2020
Revenue	236.0	138.1	136.7	64.9
Gross profit	129.0	66.8	80.0	31.3
Gross profit margin in %	54.7%	48.4%	58.5%	48.3%
EBITDA	25.0	-19.7	27.4	-6.9
EBIT	2.4	-48.2	16.2	-24.1
Consolidated net profit	-4.9	-49.4	8.6	-26.8

- > Due to possible negative future impacts from COVID-19 impairments of non-current assets in the amount of € -5.8 million had to be recognized for some ADLER stores

# Solid cash position - financing commitments of €69 million provide long-term stability for ADLER's operations

> Cash position in m€



> Solid cash position of €44.4 million

> Long-term financing commitments of €69 million provide stability for ADLER's operations. These consist of:

- > a cash line of € 15 million,
- > an amortising loan of € 45 million and
- > a bullet loan of € 9 million

> Utilisation of funds from syndicated loan in the amount of € 20.5 million in Q2-2020

> Continued focus on efficient net working capital management

> Free cash flow after 6 months with €-24.8 million significantly below previous year (€ 22.5 million)

## Summary of key balance sheet figures

in m €	31 Dec. 2019	30 June 2020
Total assets	409.4	380.7
Inventories	73.4	78.1
Trade receivables	0.1	0.2
Equity	66.1	16.6
Equity ratio	16.1%	4.4%
Trade payables	26.0	35.1

- > Equity ratio in parent company continues to be solid at >40 %
- > Clear management focus on sustainable improvement of equity ratio
- > Non-current financial liabilities increased to € 22.0 million (31 December 2019: € 1.6 million) due to drawings under the syndicated loan agreement



# Strategic review to make ADLER stronger after the crisis – Raise substantial **revenue potential**

## > **Establish the new ADLER community as a digital platform for our customers**

- > Value added for 9 million customer card holders
- > Integration of clients and cooperation partners in a new and unique ADLER world
- > Significant revenue potential by expanding the range of services and data-driven marketing strategy (customer journey)

## > **Massive expansion of online activities well above the targeted €30 million**

- > Efficient exploitation of the customer data of 9 million customer card holders
- > Development of new customer groups e.g. through cooperations with compatible business models
- > Launch of new business models and establishment of a market place business
- > To boost Internationalization

## > **Digitization across the entire value chain based on an intelligent CRM system**

- > Better attract customer needs through detailed categorization of ADLER clients in seven different personas. Transform CRM knowledge into purchasing processes and collection development by implementing artificial intelligence.

# Strategic review to make ADLER stronger after the crisis – Ensure **higher cost efficiency** and **financial stability**

## > **Streamline organization and processes to generate substantial cost savings**

- > Focus on efficient structures at ADLER's headquarters

## > **Consistent continuation of the successfully established store optimisation program**

- > Further reduce real estate costs
- > Adjust branch portfolio by addressing options to integrate possible cooperation partners
- > Further expand in attractive locations including options of more flexible investments

## > **Substantial improvement of cash flow and working capital**

- > Based on substantial earnings growth by raising revenue and cost efficiency potentials
- > Based on substantially improved working capital
  - > Artificial intelligence tools to improve structures and processes of the value chain from procurement and logistics to the store level
  - > Use of CRM data
  - > Improved collaboration with suppliers and landlords

# Guidance 2020: Successive improvement of demand and significantly better EBITDA expected for H2-2020

- > On 18 March 2020, Adler Modemärkte AG concluded that COVID-19 will make it impossible to achieve the original guidance for 2020 with targeted revenues of €~495 million and EBITDA of €66 to 69 million
- > ADLER is facing continued difficulties in planning the second half of the year due to high uncertainties in connection with the COVID-19 pandemic
- > If the situation does not deteriorate further, the Executive Board is targeting:
  - > a sales level for the months July to December that will probably not quite reach the comparable prior-year figure. The share of revenues compared to 2019 is expected to gradually increase until the end of the year.
  - > an EBITDA for the second half of 2020 which is expected to be significantly better than the result of the first half year
  - > that from today's perspective no further comparable one-off burdens are expected to arise in 2020.
  - > substantial restructuring costs for the scheduled efficiency measures, e.g. headquarters
  - > a significantly negative after-tax result in view of the weak performance in the first six months of 2020.
  - > a continued focus on securing liquidity and cash flow as well as on a significant improvement of equity.

# Adler Modemärkte AG

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### Q&A

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## Financial Calendar + Contact

# Save the date

- ▶ **Report on the first half year**  
6 August 2020
- ▶ **Annual General Meeting**  
Postponed to beginning of October 2020 (virtual meeting)
- ▶ **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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