

# Adler Modemärkte AG

## Q3-2020 results

Upswing in Q3 as expected – Liquidity secured despite new COVID-19 restrictions in Q4

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

# Q3 with upswing in demand and positive EBITDA – focus on solid liquidity despite new COVID-19 restrictions in Q4

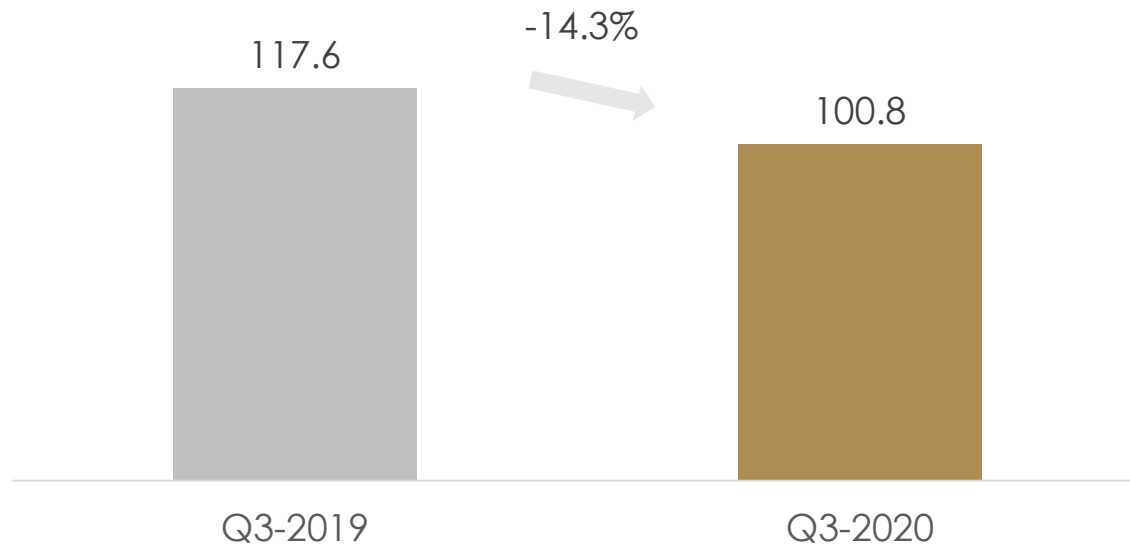
- Business severely impacted by COVID-19 crisis
- Gap to previous year closing in Q3-2020: revenues -14% compared to -40% in H1-2020
- Strong improvement in online activities
- Positive EBITDA in Q3 of € 0.5 million
- Liquidity with € 24.8 million still solid thanks to securing a forward-looking syndicated loan

## **Immediate reaction on new restrictions in Q4 – „New ADLER“ will support growth until 2023**

- Following a positive trend at the beginning of the quarter, Q4 will be affected severely again by new COVID-19 related restrictions
- Uncertainties regarding customer behavior
- Additional measures enable sound liquidity at year end
- "New ADLER" strategy will pave the way to return to profitable growth until 2023
- Targets for 2023: revenue up to € 560 million, EBITDA return to pre-crisis level

# Revenue gap to previous year closing in Q3-2020 as anticipated

Revenue in m €

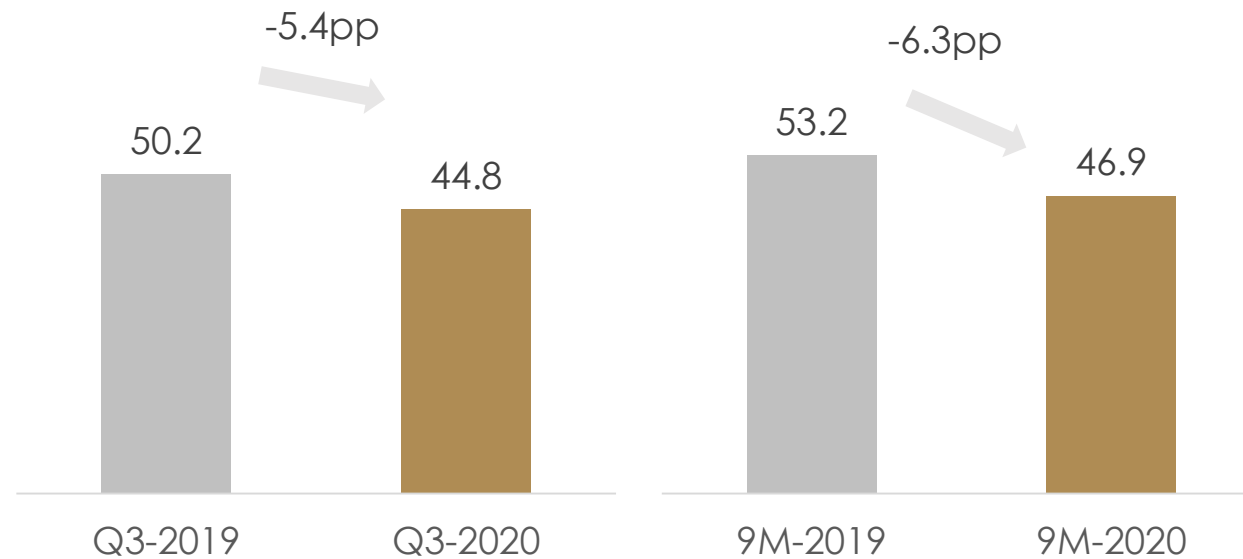


## Comments

- Revenue decreased to € 238.9 million in 9M-2020, pick up of demand as anticipated in Q3:
  - -14.3% in Q3-2020
  - -52.5% in Q2-2020
  - -26.3% in Q1-2020
  
- Dynamic growth in online sales: Q3: +21% (August: +>50% vs. industry: +7%)
  
- Like-for-like decline in Q3-2020: -13.8 %
  
- Shop optimisation programme continues in 2020:
  - Three closures (Heilbronn, Marl and Neunkirchen)
  - One new opening (Schwäbisch Hall) in 9M-2020; additional opening (Hessen-Center) in October
  - Successful re-negotiations of rental contracts

# Gross profit margin decline to normalize working capital position after lockdown

Gross margin in %

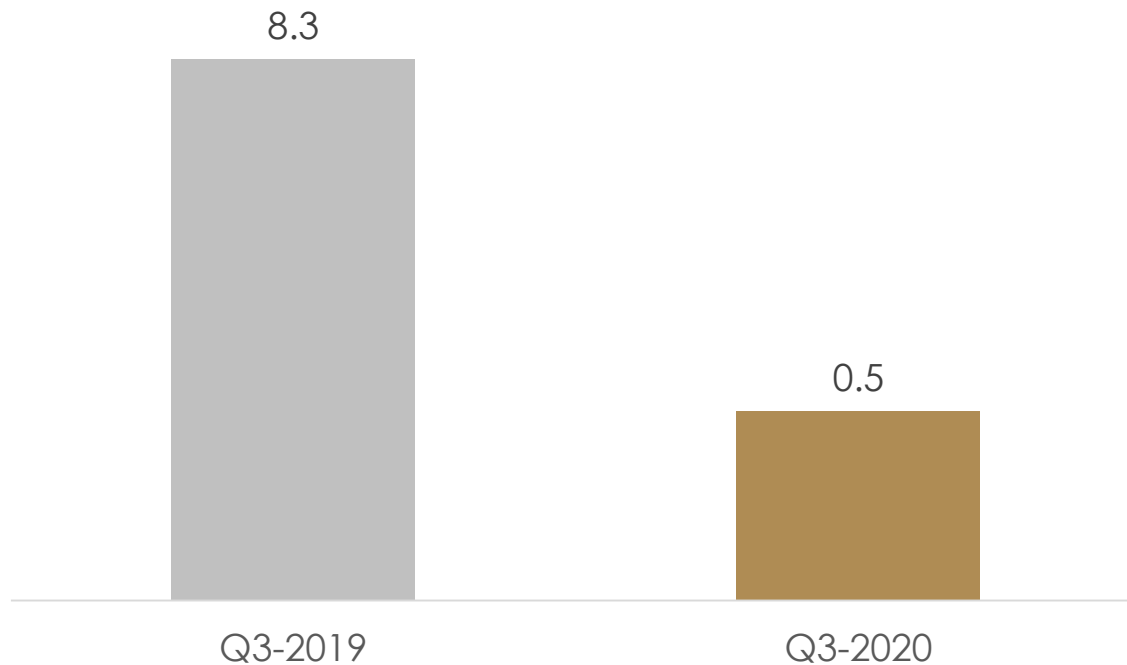


## Comments

- Gross Margin affected by discounts to increase frequencies after lockdown and to substantially reduce working capital
- Substantial investments to optimize inventory structures will bear fruit in coming quarters

# Positive EBITDA in Q3

## EBITDA



## Comments

- High cost efficiency and flexibility enables ADLER to post positive EBITDA in Q3
- Nine months results still negative despite cost savings initiatives:
  - Cost of materials down by €38.6 million to € 126.9 million
  - Personal costs -21% to € 59.1 million based on headcount reduction and usage of short time work
  - Marketing costs down almost €4 million due to COVID-19 related spending freeze
  - Substantial reductions in all other cost items realized (€-7.7 million)
  - Earnings include transformation costs of € 3.0 million (9M-2019: € 2.7 million) in connection with ADLER's strategic realignment

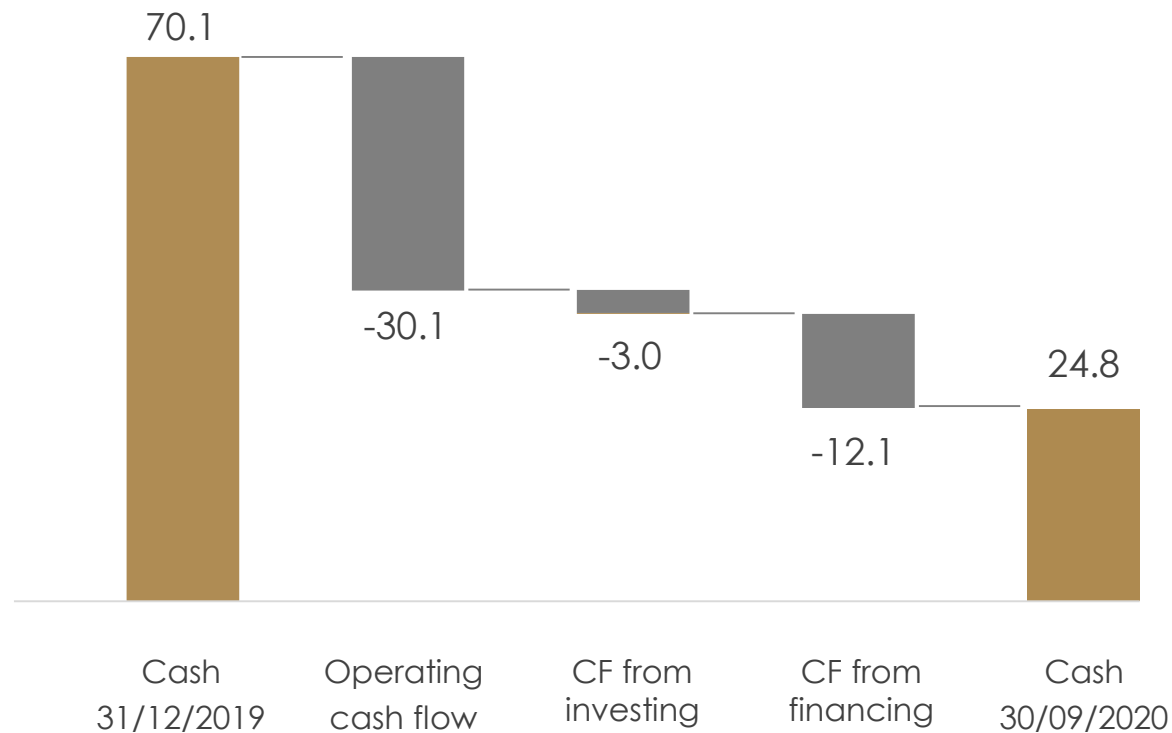
## Summary of key P&L figures

in m €	9M-2019	9M-2020	Q3-2019	Q3-2020
Revenue	353.6	238.9	117.6	100.8
Gross profit	188.1	112.0	59.1	45.2
Gross profit margin in %	53.2%	46.9%	50.2%	44.8%
EBITDA	33.3	-19.2	8.3	0.5
EBIT	-0.7	-58.6	-3.1	-10.4
Consolidated net profit	-10.3	-63.0	-5.4	-13.5

- 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 already in H1-2020 for some ADLER stores

# Solid cash position due to financing commitments of €69 million which provide long-term stability for ADLER

Cash position in m€



## Comments

- Solid cash position of €24.8 million
- Long-term financing commitments of €69 million provide stability for ADLER's operations
- Utilisation of funds from syndicated loan in the amount of € 20.5 million as at 30 September 2020
- Working capital at €47.1 million below year end 2019 (€47.5 million) and 30 September 2019 (€51.2 million)
- Free cash flow after 9 months with €-33.1 million significantly below previous year (€ 25.7 million)

# ADLER management has reacted immediately on new COVID-19 restrictions – “liquidity is king”


- Positive business trend continued until 20 October, very convincing gross margin development
- Swing in political sentiment with strong impact on revenue development: “Stay at home“ impact
  - Most pronounced in Germany
- ADLER management with immediate reaction – number of efficiency and structural measures initiated to support stability far into 2021 – lessons learned from 1st lockdown
- Focus on:
  - Fund raising
    - Utilization of Tranche B with €24.5 million from syndicated loan on 29 October and Tranche C with €~9 million in Q1-21
  - Cost reduction and cost prevention
    - Extended use of short-time working
    - Reduction of sourcing volume
    - Reduction of mailing costs (even stronger shift towards digital)
  - Shifting of investments and costs
    - Deferral of rentals (strong commitment from landlords)
    - Change in terms of payments
    - Postponements of site renovations and projects



# Additional challenges due to new restrictions in Q4 – solid liquidity expected for YE 2020

- Uncertainties regarding customer behavior and therefore Q4 performance due to new COVID-19 restrictions
- Convincing development until ~21 October
- FY 2020: Revenues substantially below previous year and severe net loss expected
- Solid liquidity position anticipated on 31 December 2020 even before positive impacts from additional measures
- Biggest impacts from these measures and use of Tranche C (€9 million) of syndicated loan in Q1-2021
- Management still expects pronounced rebound of operating activities in 2021...
  - ...if COVID-19 situation normalizes during the year

# Continued focus on "New ADLER" strategy – measures will bring back Company on a sustainable growth track



**01**

## ADLER COMMUNITY


Establishment of the new ADLER community as a stationary and digital platform



**02**

## MASSIVE ONLINE Growth


Massive expansion of online sales, far beyond the previously targeted 30 millions



**03**

## DIGITAZATION OF PURCHASING


Digitization across the entire value chain based on an intelligent CRM-system



**04**

## WORKING CAPITAL OPTIMIZATION

Substantial improvement of cashflow and working capital



**05**

## STREAMLINING OF HQ AND PROCESSES

Streamlining of organization and processes to generate significant cost savings



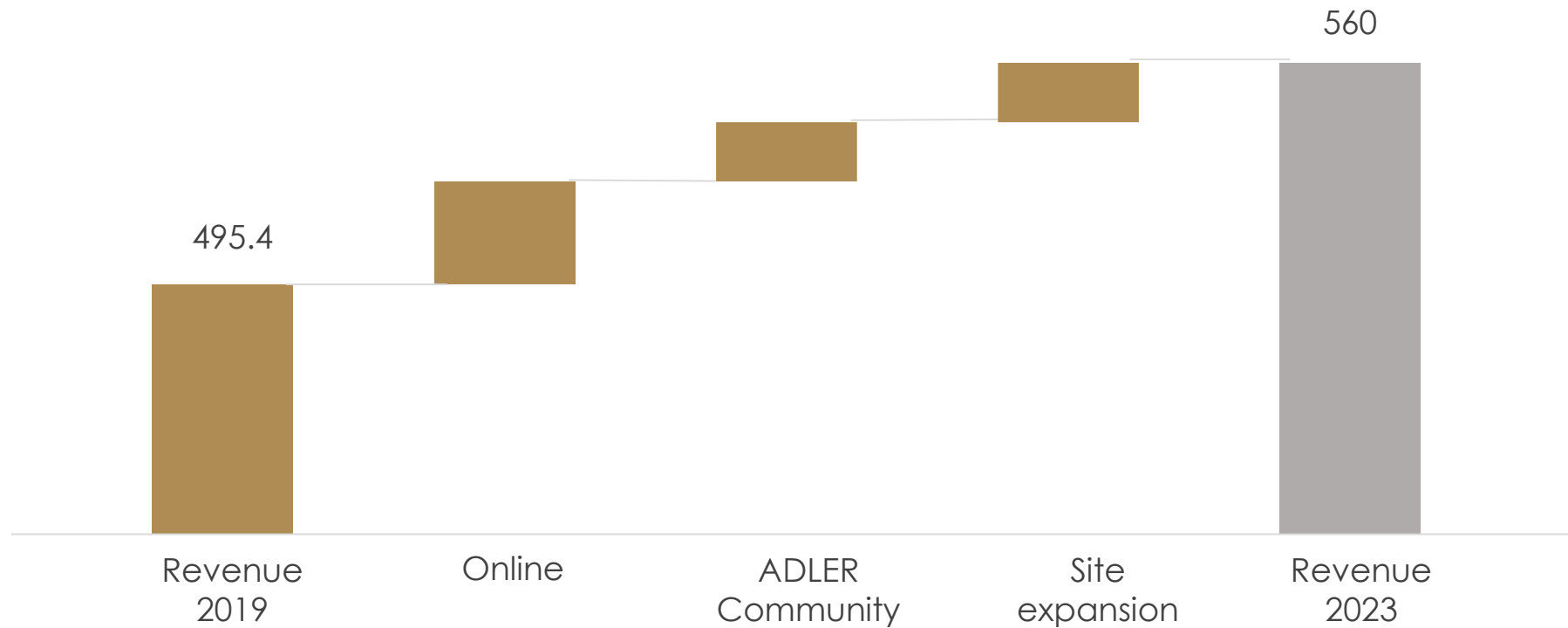
**06**

## SITE OPTIMIZATION PROGRAM

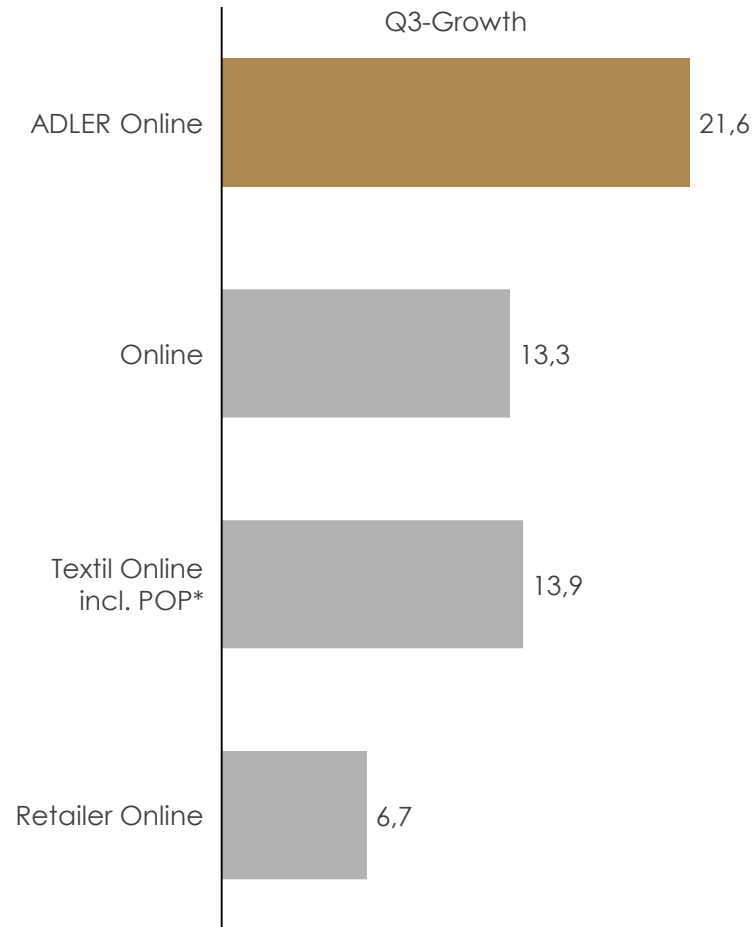
Consistent continuation of the successfully established store optimization program and continued expansion

# We initiate numerous measures for stationary growth and focus on dynamic online growth

> Revenues in € million



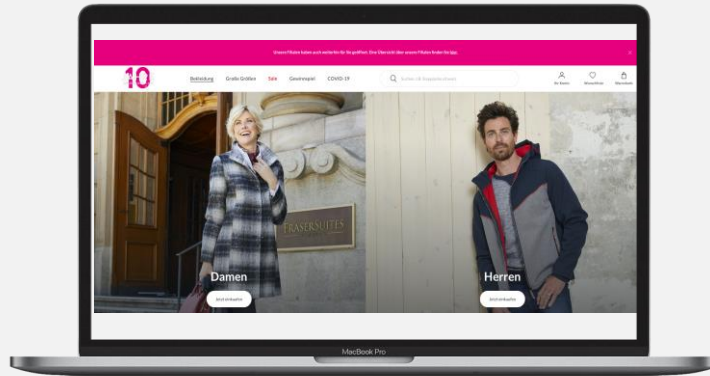
# Online activities in 2020 with substantial outperformance of industry in Q3 and after 9 months, even though...



## Comments

- Q3 online net revenue increased by 21,6%; nine month up almost 20%
- Clear outperformance of industry in Q3: Online business in Germany +13% and online revenues of retailer +7%
- Significant growth in platform revenue: FY target of +100% already achieved in October
  - New platforms launched with Limango, Wundercurves and Mirapodo in October
- FY 2020 net revenue: expected growth of approx. +20%
- Return rate down from almost 50% in 2019 to actually 46%, continued future reduction targeted

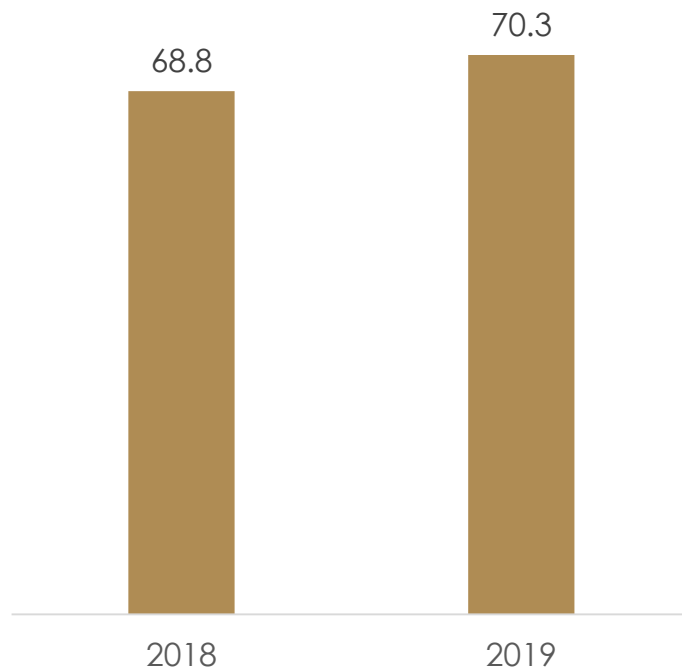
## ...new online store only started on 6 October and before first New ADLER online initiatives were launched



- Successful relaunch of ADLER Online Shop ahead of planned launch date
  - New initiatives supported by strong marketing push (e.g. social media & TV)
  - Boost in site visits and size of shopping basket
- 
- New ADLER activities to support additional online growth from 2021 onwards:
    - Continuous improvement and further development of adlermode.com (e.g. OMS exchange, new omnichannel services, online only assortments)
    - Roll-out of internationalization (summer 2021)
    - Additional expansion on platforms and significant improvement in performance
    - Approach of new customer and customer groups with new offerings
    - Establish new online theme stores and cooperations

# Profitability target 2023: at least return to pre-crisis levels

EBITDA in € million



Our optimism is based on:

- Targeted sales growth until 2023
  - Online sale should approach break-even point by 2023
- Efficiency gains through digitalisation of the entire value chain
- Efficient working capital management
- Streamlining of organisation and processes
  - E.g.: Reduction of the personnel-cost ratio by 200 BP by 2023
- Site-efficiency programm

# Adler Modemärkte AG

## 9M-2020 results

### Q&A

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## Financial Calendar (preliminary) + Contact

# Save the date

- ▶ **Report on the first nine months 2020**  
5 November 2020
- ▶ **Eigenkapitalforum**  
16 & 17 November 2020
- ▶ **Report on the full year 2020**  
11 March 2021
- ▶ **Report on the first quarter 2021**  
11 May 2021
- ▶ **Report on the first half 2021**  
5 August 2021
- ▶ **Report on the first nine months 2021**  
4 November 2021

### Disclaimer on Forward-Looking Statements

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