

# Analyst Presentation

Annual Report 2014

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**Highlights**

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Financials 2014

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Outlook 2015

## Cornerstones 2014

New Image Campaign

Area-wide launch of RFID technology

Store refurbishments

Store portfolio consolidation

Modernization of assortment

Promotion of E-Commerce business

Optimization in procurement and purchasing

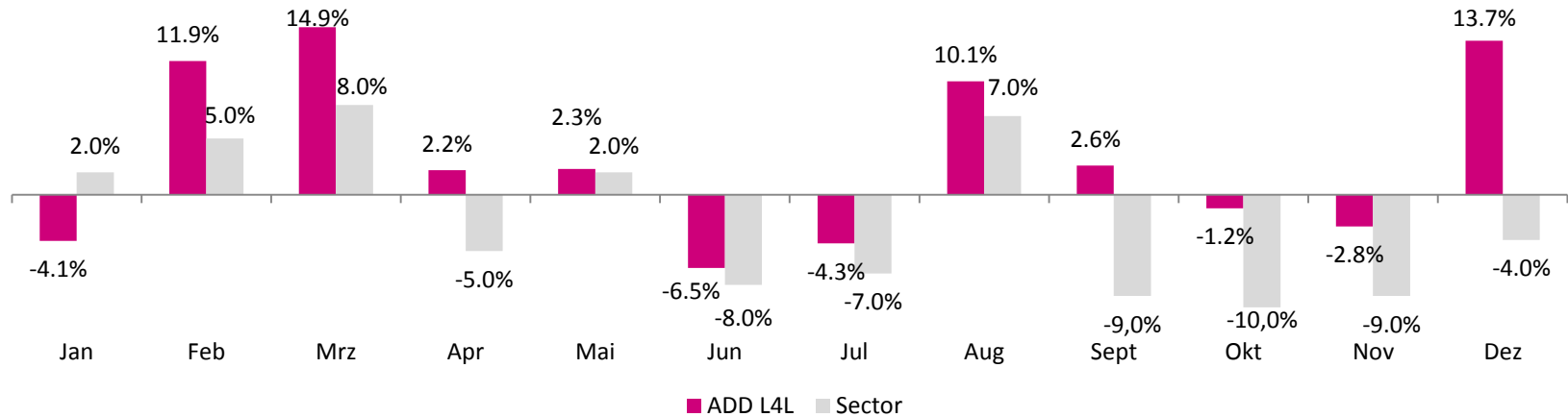
## P&L Highlights

- Adjusted sales up 2% to € 535.3m
- **Like for like sales up 3.0%**, outperforming German apparel sector by 6.0%
- High **gross profit margin of 54.6%** despite unfavorable market conditions
- Adjusted **EBITDA increase by 6.2%** to € 41.5m due to excellent cost control
- Adjusted **EBITDA margin up 30bps**
- ESP of € 0.77 after € 1.05 due to higher income tax and sale of treasury shares

## Balance Sheet Highlights

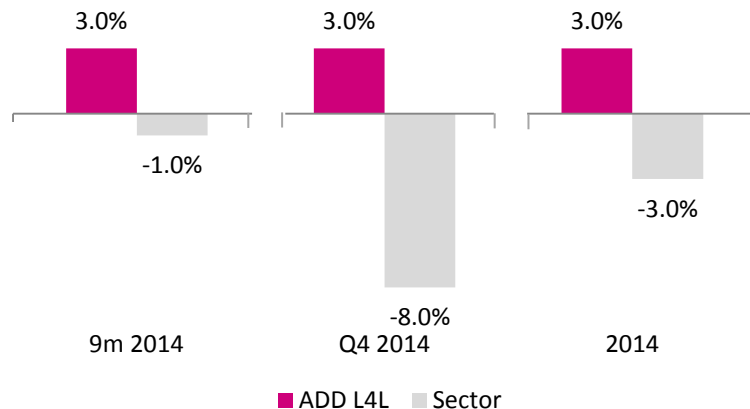
- High **free cash flow of € 25.0m**
- **Liquidity further increased** to € 69.7m, ensuring room for maneuver
- **Net debt at historic low** of € 4.6m
- Strong **equity ratio of 43.3%**
- Improvement of **WC ratio to 8.2%** (LTM)

## ADLER Like for Like Growth vs. German Textile Sector\*



\* TW-Testclub

## ADLER Quarterly Like for Like Comparison



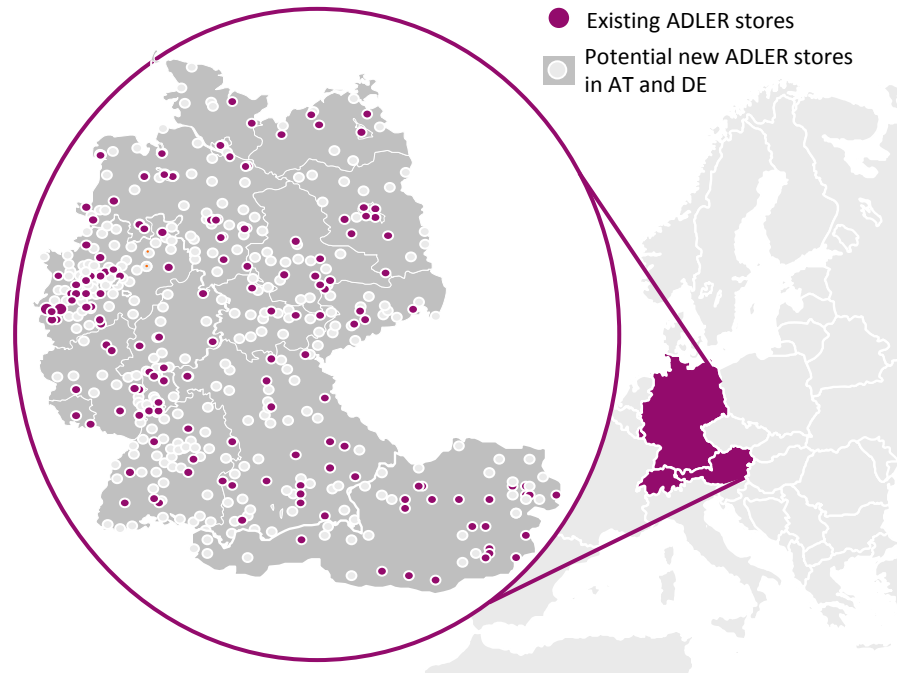
## Ongoing Positive Like for Like Performance

- With 3% like for like growth in Q4, ADLER outperformed the German apparel sector by > 10%
- Supported by promotions in December, which pushed like for like sales by 13.7%, despite high previous year growth of 11.9%
- ADLER showed a like for like growth in three out of four quarters, leading to a like for like increase of 3% in FY2014

## Number of ADLER Stores Per Country

Country	Market entry	Number of stores*							
		2008	2009	2010	2011	2012	2013	2014	YTD
Germany	1948	103	104	107	132	139	143	145	154
Austria	1987	16	17	26	28	27	25	22	22
Luxembourg	1981	2	2	2	2	2	2	2	2
Switzerland	2012					1	1	1	1
<b>Total Group</b>		<b>121</b>	<b>123</b>	<b>135</b>	<b>162</b>	<b>169</b>	<b>171</b>	<b>170</b>	<b>179</b>
<b>Organic openings</b>		<b>6</b>	<b>3</b>	<b>8</b>	<b>13</b>	<b>11</b>	<b>5</b>	<b>4</b>	<b>0</b>
<b>Acquired (M&amp;P)</b>				<b>7</b>	<b>18</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>10</b>
<b>Closings/sold</b>		<b>9</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>1</b>
<b>Net change</b>		<b>-3</b>	<b>2</b>	<b>12</b>	<b>28</b>	<b>7</b>	<b>2</b>	<b>-1</b>	<b>9</b>

## ADLER's Regional Presence And Expansion Potential



\* excl. online shop

## Further Growth Through Organic openings and Acquisitions

- 4 new store openings, 5 store closures in 2014
- 5 – 10 organic store openings p.a. going forward
- Potential acquisitions of mom&pop shops and smaller retail chains
- **Further growth of net store base expected as of 2015**
- Up to 15 refurbishments p.a. in 2015/2016



## Key Facts Kressner

- Long-standing retail company, founded in 1976
- 9 stores in Hesse, North-Rhine Westphalia, Rhineland Palatinate, Saxony and Thuringia with a total selling space of 20.000 sqm
- Basic fashion degree, mainly in mid-price segment
- Predominantly multi label retailing

## Transaction and Integration

- Deal closed on January 12, 2015
- Acquisition of 100% of Bekleidungshaus Kressner GmbH & Co. KG, as well as managing general partner Kressner GmbH from REWE Beteiligungs-Holding National GmbH and the Sanktjohanser family
- Take-over of all 9 stores, 1 store sold to Steilmann Boecker, 7 stores to maintain in ADLER portfolio
- Reflagging as of spring/summer season 2015



## Numerous Advantages of Kressner Acquisition

- **High similarity** to ADLER concerning fashion degree, customer age, customer card sales (70%) and location
- Mainly located in white spot areas, keeping **cannibalisation at a minimum**
- Selling space of > 2.000 sqm offers **large potential in sales and earnings**
- Customer card database of approximately **100.000 customers**
- Highly **favourable lease agreements**, on average below ADLER's already comparably low lease per sqm
- Often located near REWE stores, leading to **higher traffic and potential new customer generation**
- **Positive EBITDA** already expected in **2016**



Kressner Store in Gotha



Kressner Store in Bischofswerda



Kressner Store in Wirges

## Inventory Robots On the Starting Blocks

- Process enhancement base on implementation of RFID technology
- First test with Pal-Robotics in ADLER store in Erfurt
- Cooperation with MetraLabs on prototype - testing phase starting in Q2 - 2015
- Stock taking of selling- and warehouse space within ADLER stores

- More time available for customer service by employees
- Potential sales increase through higher assortment availability







1 Highlights

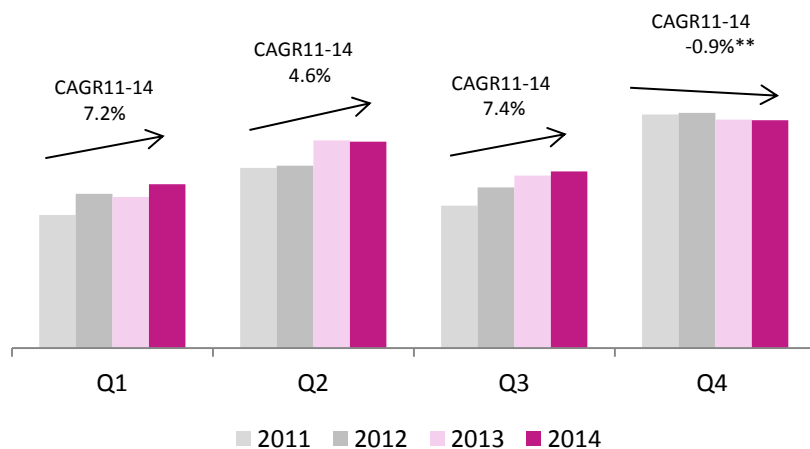
2 **Financials 2014**

3 Outlook 2015

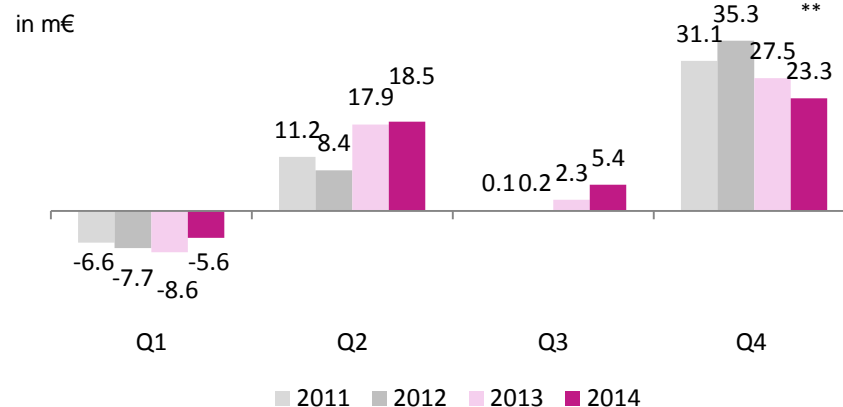
## Positive Trend in Sales and Profitability

- Sales increased by 1.3% to €535.3m, an **adjusted sales growth of 2% and 3% like for like**
- Reported gross profit margin decreased by 110bps, adjusted decrease by 60bps due to promotions in Q4-2014
- EBITDA of €41.5m down by 3.3% reported, up 6.1% adjusted
- **EBITDA margin** slightly decreased by 30bps reported, **adjusted margin up 30bps to 7.8%**
- **Decrease in opex** by €1.4m or 70bps in % of sales
- EPS down by 27% to €0.77 due to high previous year base concerning customer card and higher number of attributable shares in 2014 due to sale of treasury stocks

### Sales Trend\*



### EBITDA Trend\*

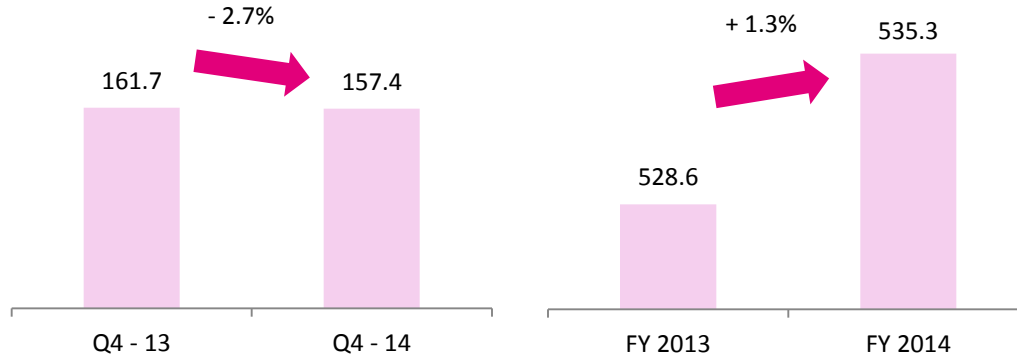


\*Adjusted 2013

\*\* Years 2011/2012 positively effected by customer card

## Q4 and FY 2014

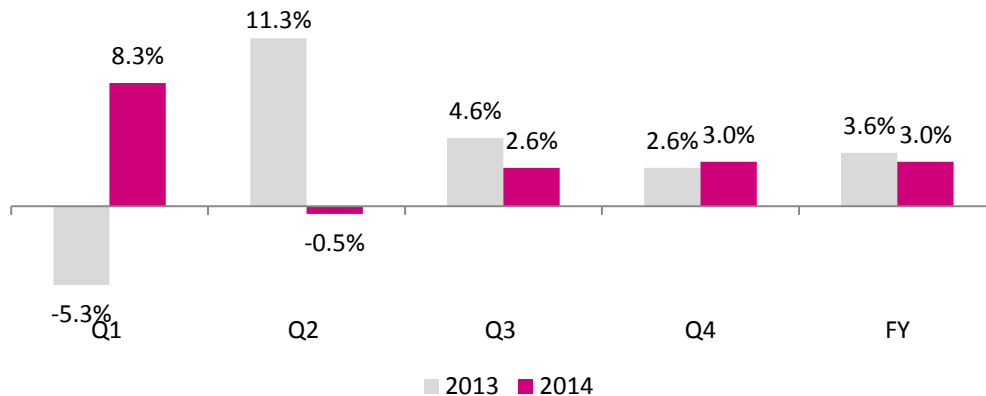
in m€



## FY 2014

- Increase in sales by 1.3% to €535.3m
- **Adjusted increase of 2.0%**
- Like for like sales up 3.0%
- **Ongoing growth in a shrinking German Apparel sector**
- 2014 increase in sales predominantly volume driven

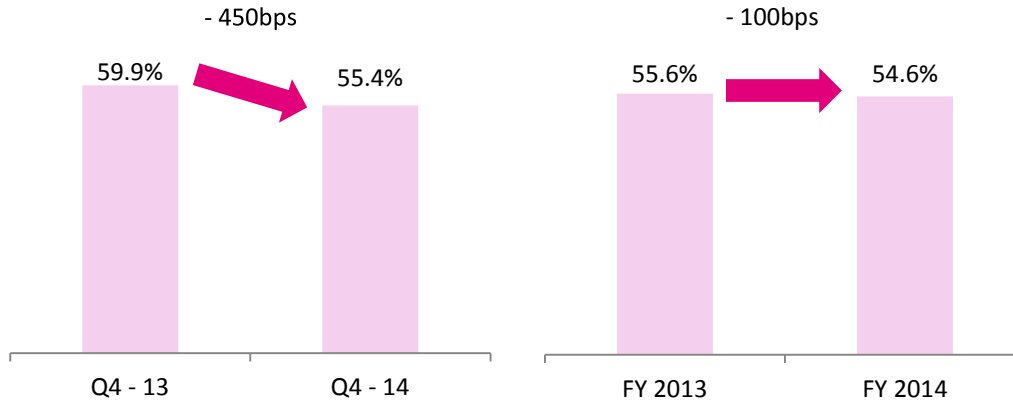
## Largely Outperforming a Strong Previous Year



## FY 2014

- Strong FY 2013 largely outperformed despite unfavorable market conditions
- Main reasons for outperformance
- New Image Campaign
- RFID Rollout
- Assortment and marketing measures well received by customers

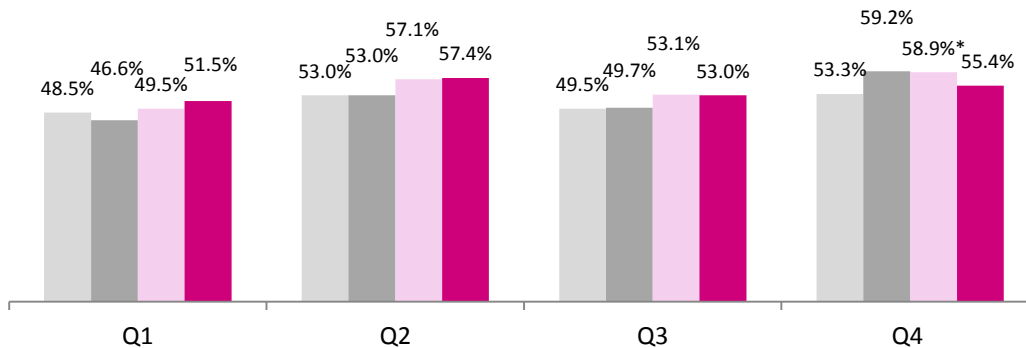
## Q4 and FY 2014 gross profit margin



## FY 2014

- **High gross profit margin of 54.6%**
- Decrease of 50bps on an adjusted basis of 55.1% in FY2013
- Promotions in Q4 2014 slightly burdened positive gross margin development throughout 2014
- Fresh start into 2015 due to successful inventory cleaning

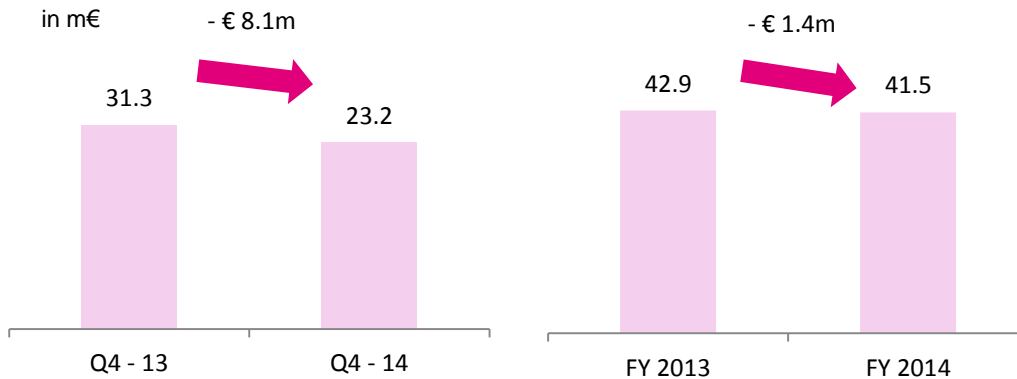
## Gross profit margin trend



\*Adjusted 2013



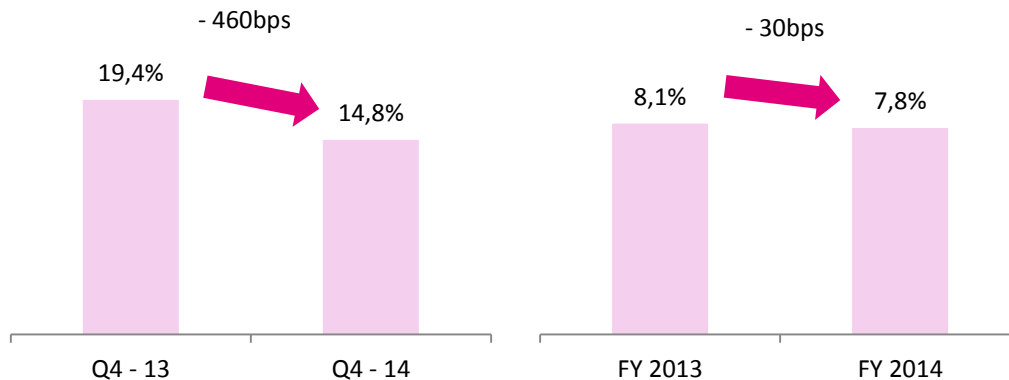
## Q4 and FY 2014 EBITDA



## FY 2014

- Slight decline of € 1.4m to an EBITDA of € 41.5m
- **Adjusted increase of € 2.4m or 6.2%**
- EBITDA margin slightly down by 30bps
- **Margin increase of 30bps on an adjusted basis**

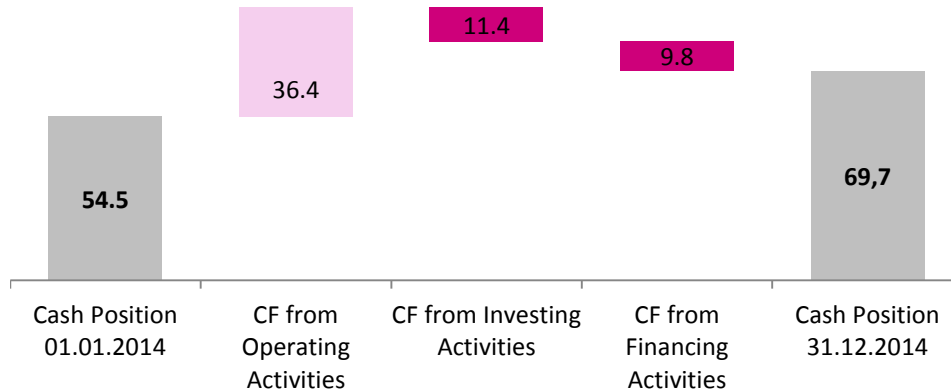
## Q4 and FY 2014 EBITDA margin



Operating EBITDA trend supported by **declining opex** base of € 1.4m from € 166.5m in FY 2013 to € 165.1m in FY 2014

## Cash Flow

in m€

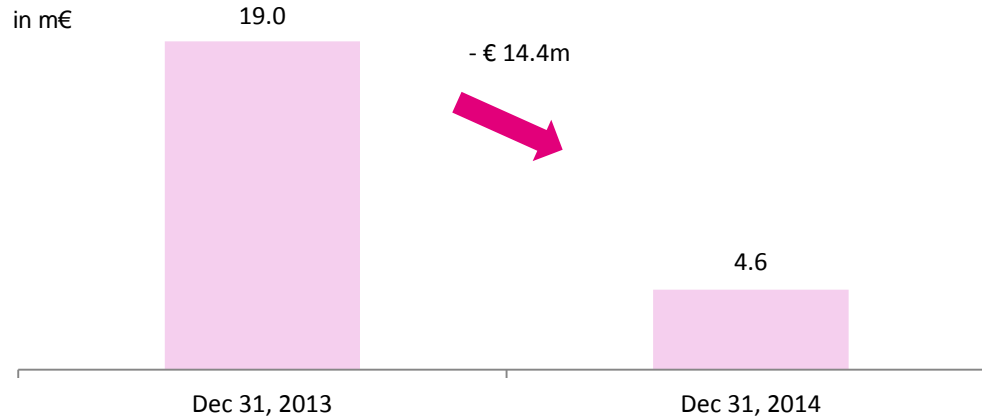


- Free cash flow of € 25.0m under previous year level mainly due to higher investments and tax payments
- Lower net income FY 2014 leading to slightly lower CF from operating activities of € 4.5m to € 36.4m
- Cash outflow from investing activities of € 11.4m: increase by € 2.2m due to higher refurbishment activities
- Cash outflow from financing activities of € 9.8m: decrease by € 9.6m due to placement of treasury shares of € 8.9m
- **Increase in cash position by € 15.2m from € 54.5m to € 69.7m End of 2014**



**Equipped with the liquidity necessary to further support profitable growth**

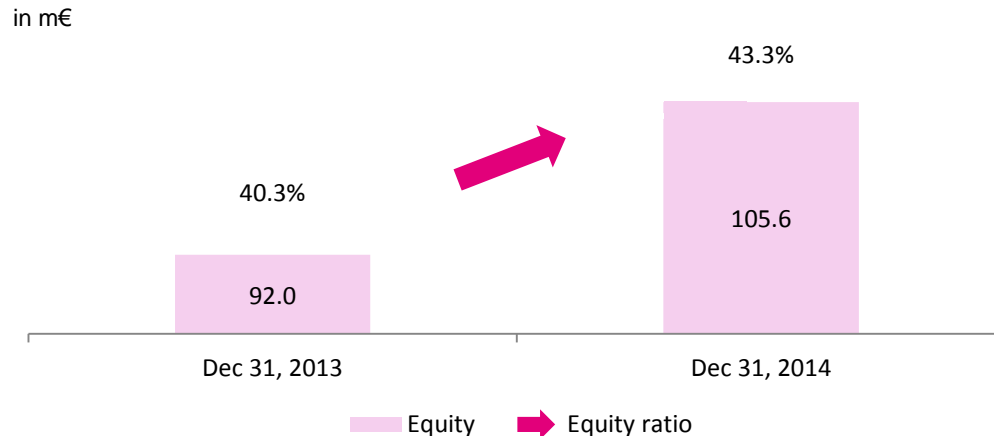
## Low Net Debt \* and ...



- Strong decrease in net debt position by € 14.4m to € 4.6m
- Net cash position almost accomplished even after taking finance lease obligations into account

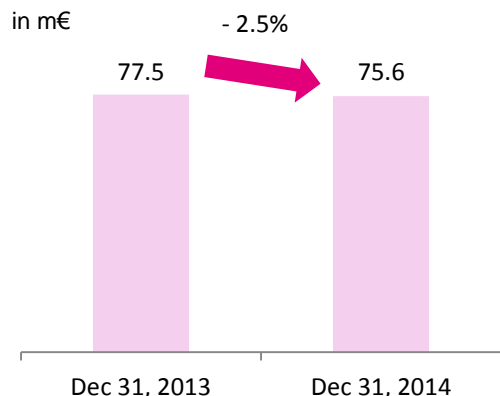
\* Including pension provisions, financial liabilities, finance lease liabilities ex assets held for sale, cash

## ...strong in Equity Position

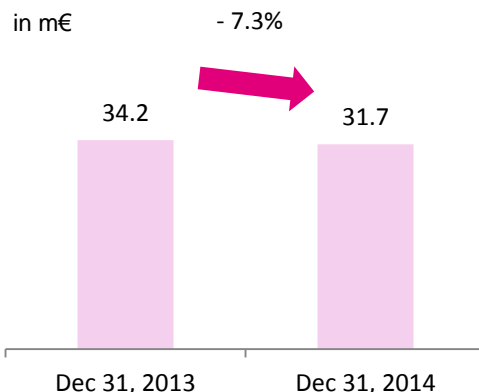


- Noticeable increase in equity of € 13.6m to € 105.6m as well as equity ratio of 300bps to 43.3%

## Inventories



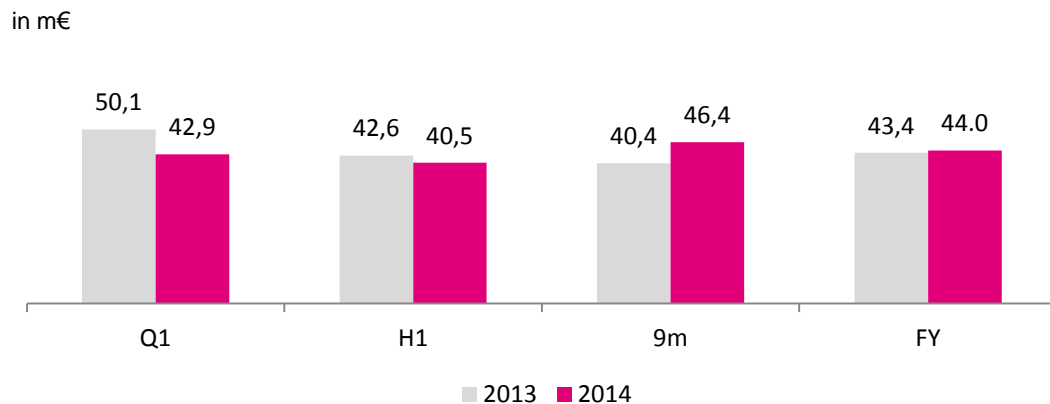
## Trade Payables



- Decrease in inventories by 2.5%
- Clean start into 2015 possible due to inventory cleaning in Q4 2014
- Trade payables down 7.3%

Insignificant amount in trade receivables of < € 0.2m

## Operating Working Capital



- Working Capital slightly increased by € 0.6m driven by lower accounts payable
- Improvement of WC ratio of 8.2%\* December 2014 compared to 8.3%\* December 2013

\*based on LTM





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## Guidance

Sales		Mid single digit
Gross profit margin		Slight increase
Personnel expenses		Slight increase
Transport and logistics costs		Slight increase
EBITDA		Stable to slightly negative due to integration cost
Expansion		5 – 10 new stores Additional store closures

***Thank you  
for your attention***