

Analyst Presentation

First Half 2013



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ADLER
ALLES PASST



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Highlights

2

Financials

3

Outlook 2013

Highlights H1 2013 ...

... Revenue and Profitability

- Revenue of €247.8m
- Gross profit margin increase of 380 bps points up to 53.9%
- EBITDA of €9.8m
- EPS of €0.01

... Store Management

- New store opening in Hilden and Aalen
- Two stores closed due to profitability reasons
- 4 more store openings already fixed for 2013

... Online Shop Performance Improved

- Revenue in H1 2013 more than doubled
- Conversion rate increased
- Return rate of below 40%

... TV and Print Campaign Launched

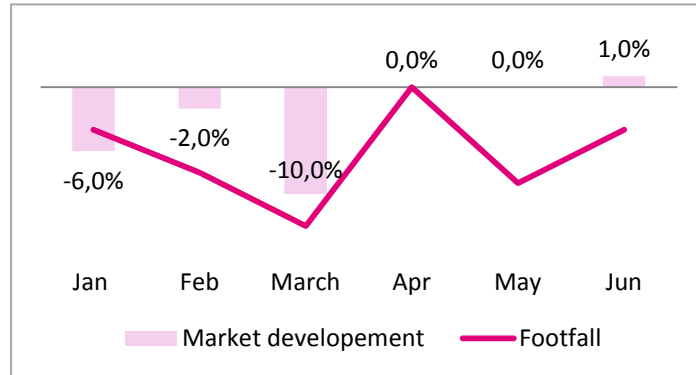
- TV advertisement on RTL and VOX
- Print promotions in yellow press
- Objective to increase frequency and image perception
- Frequency increase since campaign start

... Steilmann Group as New Anchor Shareholder

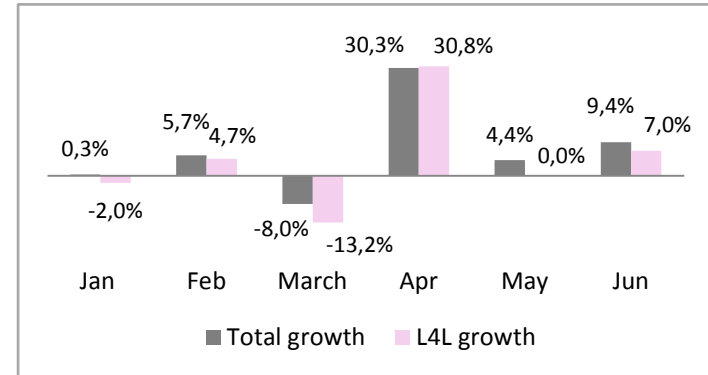
- Steilmann Group and Equinox (S&E Kapital GmbH) currently hold 58.7%
 - 49.96% acquired from bluO
 - 3.9% tendered for €6.29 per Adler share
 - 4.8% ADLER treasury shares
- Strategic considerations on joint procurement and merging the retail business
- Executive Board of both groups started to investigate cooperation potentials

Market Development In H1 2013

German Textile Market*



Adler Revenue Growth



German textile market development Q2 2013

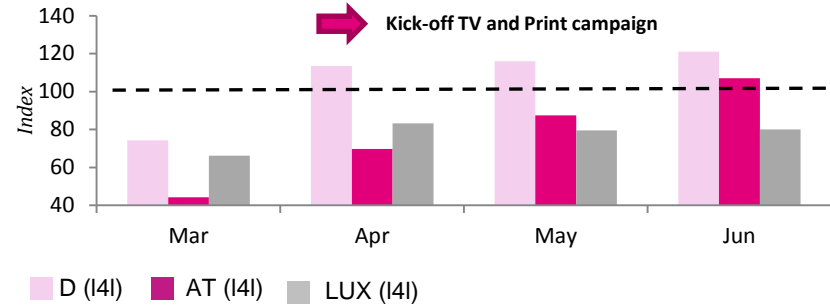
- German Textile Market negatively effected by inconsistent weather conditions
- High inventory level led to increased discount pressure within the market
- Ongoing lack of traffic
- Early start in summer sale supported revenues but burdened profitability

* TW-Testclub

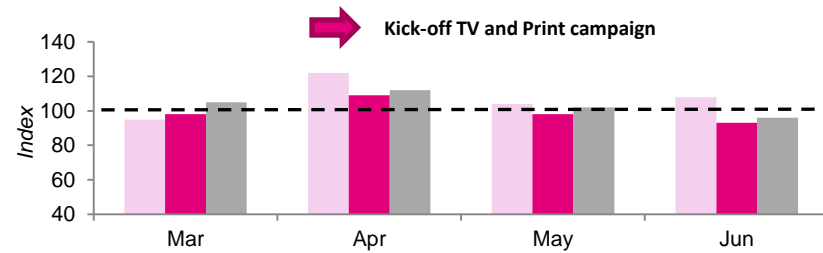
TV and Print Campaign



New Customer Development



Frequency Development



Market Research Results

- Increase in **brand awareness** by 300 bps to 89%
- **Aided advertising recall** up 1,500 bps to 48%
- Increase in **brand sympathy** and **willingness to buy**



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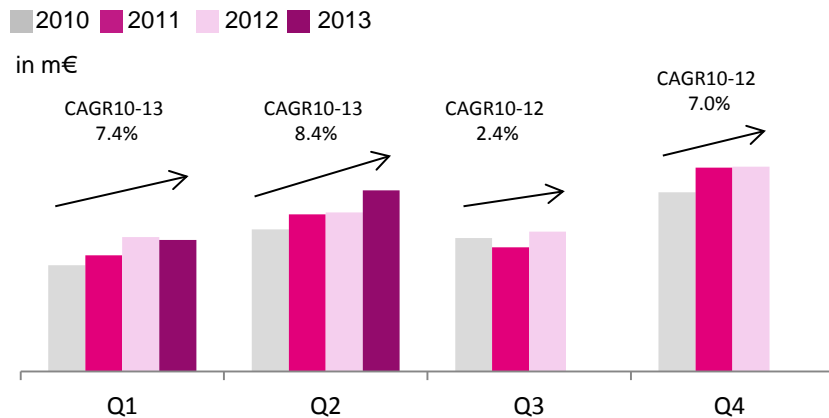
Outlook 2013

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
 - Strong sales and EBITDA in Q2 2013 despite unfavourable weather conditions and discount pressure from competitors
 - German textile sector revenues declined by 3% in H1 2013, Adler up 3.6% I-f-I
 - Ongoing lack of traffic in Q2 2013 within the German textile market

Revenue



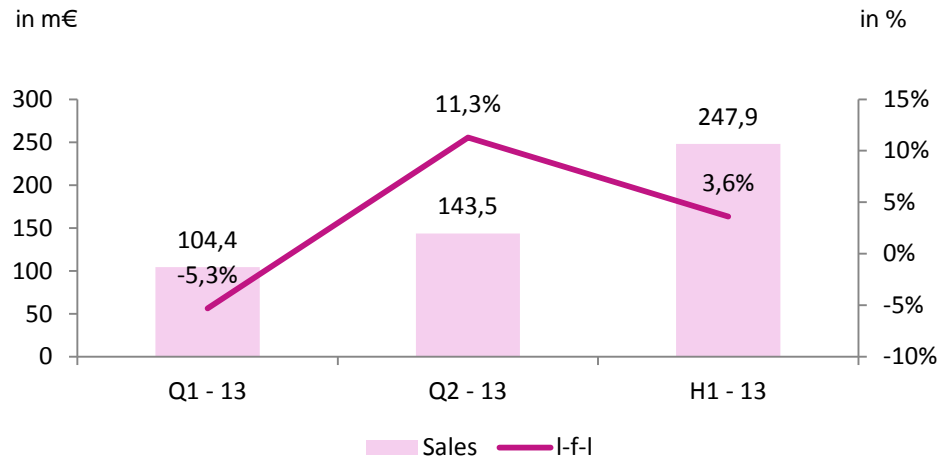
EBITDA



Increase in Nominal and I-f-I Sales in Q2 2013

Outperforming the German textile market in Q2 2013

Nominal and like for like sales Q2 2013



- Sales increase of 13.8% to €143.5m

- Like for like sales up 11.3%

- **Key sales drivers**

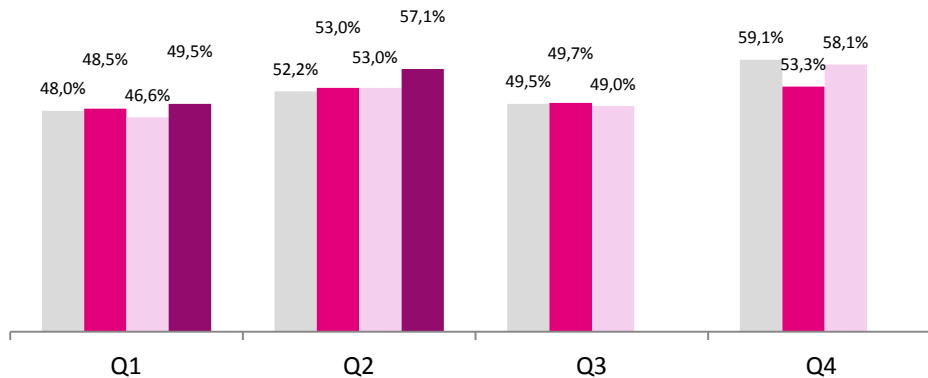
1. Increase in customer traffic following targeted marketing initiatives
2. Moderate price adjustments
3. High acceptance of spring/summer collection
4. Nominal effect of ~€5m in Q2 2013 from smaller allowances for customer discounts

Ongoing Positive Trend in Gross Profit Margin in Q2 2013

Strong increase in gross profit margin despite discount pressure from competitors

Gross Profit Margin

■ 2010 ■ 2011 ■ 2012 ■ 2013

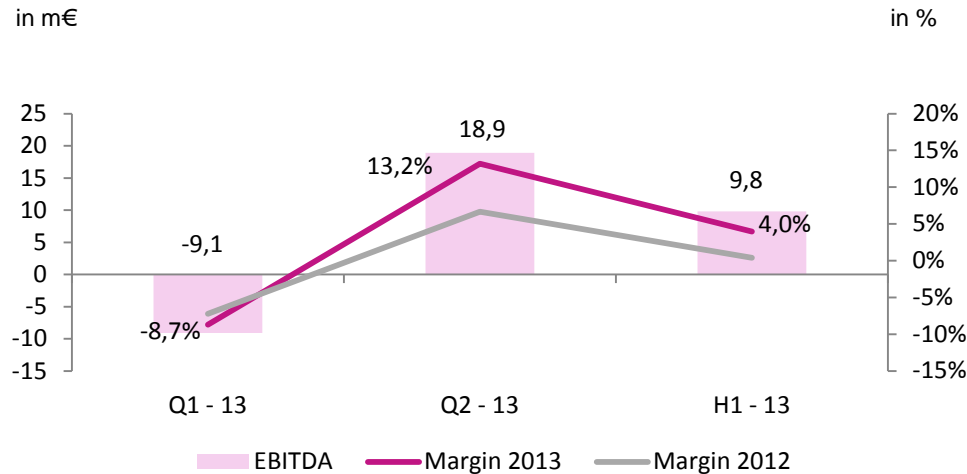


- Gross profit margin increase of 410 bps to 57.1% in Q2 2013
- Adjusted gross profit margin of 55.6%
- Key adjusted gross profit margin drivers
 1. No excessive discounts/mid season sale
 2. Moderate price adjustments throughout the entire product range
 3. Increase in direct sourcing
- Strategic projects to sustainably increase gross margin:
 - Increase the direct sourcing volume
 - Constant analysis of price structures in certain product groups, followed by moderate price adjustments
 - Conservative price discounts and no mid season sales

Improvement in EBITDA and EBITDA margin in Q2 2013

Positive top-line and gross margin trend supported EBITDA

EBITDA and EBITDA Margin



- EBITDA increase of 122% to €18.9m
- EBITDA margin doubled to 13.2%
 - Adjusted EBITDA margin up 340 bps to 10%
- Increase in EBITDA margin despite a) higher wages granted to employees and b) planned expansion of marketing activities
- Key EBITDA drivers
 1. Strong like for like sales
 2. Increase in gross profit margin

Profit and Loss Statement

k€	01.01.- 30.06.2013	01.01.- 30.06.2012
Revenue	247,840	232,638
Other operating income	2,918	3,670
Material expenses	-114,158	-116,084
Gross profit margin	53.9%	50.1%
Personnel expenses	-47,175	-43,739
<i>Personnel expenses in %</i>	<i>-19.0%</i>	<i>-18.8%</i>
Other operating expenses	-79,674	-75,633
<i>Other operating expenses in %</i>	<i>-32.1%</i>	<i>-32.5%</i>
EBITDA	9,751	852
<i>EBITDA margin</i>	<i>3.9%</i>	<i>0.4%</i>
Depreciation and amortisation	-6,926	-7,361
EBIT	2,825	-6,509
Financial result	-2,139	-2,021
EBT	686	-8,530
Income taxes	-518	1,475
EAT	169	-7,055
EPS in €	0.01	-0.39

- **Revenue increase of 6.5%** in H1
- **like-for-like revenue + 3.6%** in H1
- **Gross profit margin of 53.9%**, up by 380 bps
- Gross profit margin impact
 - *Accounting*
 - Effect from accounting of customer card provisions. Adjusted margin of 52.5% in H1
 - *Operative improvement*
 - Conservative price discounts in sales season and no mid season sales
 - Targeted price modifications within certain product groups
 - Increased direct sourcing
- **Other operating expenses** increased due to **higher marketing and personnel costs**
- **EBITDA of €9.8m** in H1
- Hidden reserve clause (Stille-Reserven-Klausel) **preserved tax loss carried-forward**
- **EPS of €0.01**

Cash Flow Statement

k€	01.01.- 30.06.2013	01.01.- 30.06.2012
Net profit	686	-8,530
Increase of inventories	9,689	209
Increase of trade payables, other payables and other provisions	-11,077	-6,967
Other non-cash items	14,655	20,472
Net cash flows from operating activities	13,953	5,185
Net cash flows from investing activities	-4,844	-5,280
Free cash flow	9,109	-95
Net cash flows from financing activities	-12,891	-10,589
Thereof dividend payment	-7,048	-
Thereof share buy back	-	-4,315
Thereof finance lease payments	-5,780	-6,144
Net change in cash and cash equivalents	-3,782	-10,685

- **Positive operating cash flow** of €14.0m
 - Positive net profit
 - Decrease in inventories
- **Cash outflows from investing activities** amounts €4.9m
- **Free cash flow of €9.1m**
- **Cash flow from financing activities** of €-12.9m in H1 2013
 - Dividend payment of €7.0m
 - Finance lease payments of €5.8m

Balance Sheet

k€	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2012
Property, plant and equipment	63,998	64,724	59,990
Inventories	68,479	78,168	72,661
Cash and cash equivalents	38,329	42,111	29,340
Total equity	71,335	78,204	63,121
Total liabilities	128,192	132,863	125,565
Total assets	199,527	211,067	188,686
Ratios			
Equity ratio	35.7%	37.1%	33.5%
Debt equity ratio	1.80	1.70	1.99
Working Capital in k€	40,107	44,472	42,345

- **Inventories** decreased by €9.9m due higher sales and less procurement
- **Cash and cash equivalents** increased by €9.0m, compared to Jun. 30, 2012
- **Dividend** payment primarily **reduced equity**
- **Equity ratio solid at 35.7%**
- **Liabilities decreased due to less** trade payables for new merchandise
- **Debt equity ratio improvement** compared to Jun. 30, 2012
- Continuous **working capital optimization**
 - Working capital per store of €237k

Balance Sheet - Liabilities Breakdown

k€	Jun. 30, 2013	Dec. 31, 2012	Jun. 30, 2012
Amounts owed to credit institutions	1	0	0
Provisions	10,621	10,227	7,545
Financial liabilities	19,917	19,686	26,424
Finance lease obligations	47,540	48,701	44,312
Trade payables	28,427	33,771	30,366
Other liabilities	21,574	18,814	16,912
Deferred taxes and income tax liabilities	113	1,664	4
Total liabilities	128,192	132,863	125,564

- **ADLER has no bank debt** - unleveraged
- Strong **equity ratio of 35.7%** ensures financial strength
- **Financial liabilities:** thereof €15.9m customer card provisions as of Jun. 30, 2013
 - €15.6m Dec. 31, 2012
 - €22.2m. Jun. 30, 2012
- **Finance lease obligations** decreased due to contract adjustments



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Outlook 2013

Outlook 2013 - unchanged

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

Adler Modemärkte AG

Industriestrasse Ost 1 – 7
D - 63808 Haibach

Phone: +49 6021 633-1828

Fax: +49 6021 633-1417

eMail: InvestorRelations@adler.de

Report for the third quarter 2013

November 7th, 2013

UniCredit GIC 2013, Munich

September 24th, 2013

Baader Investment Conference, Munich





September 25th, 2013

Deutsches Eigenkapitalforum, Frankfurt

November 12th, 2013

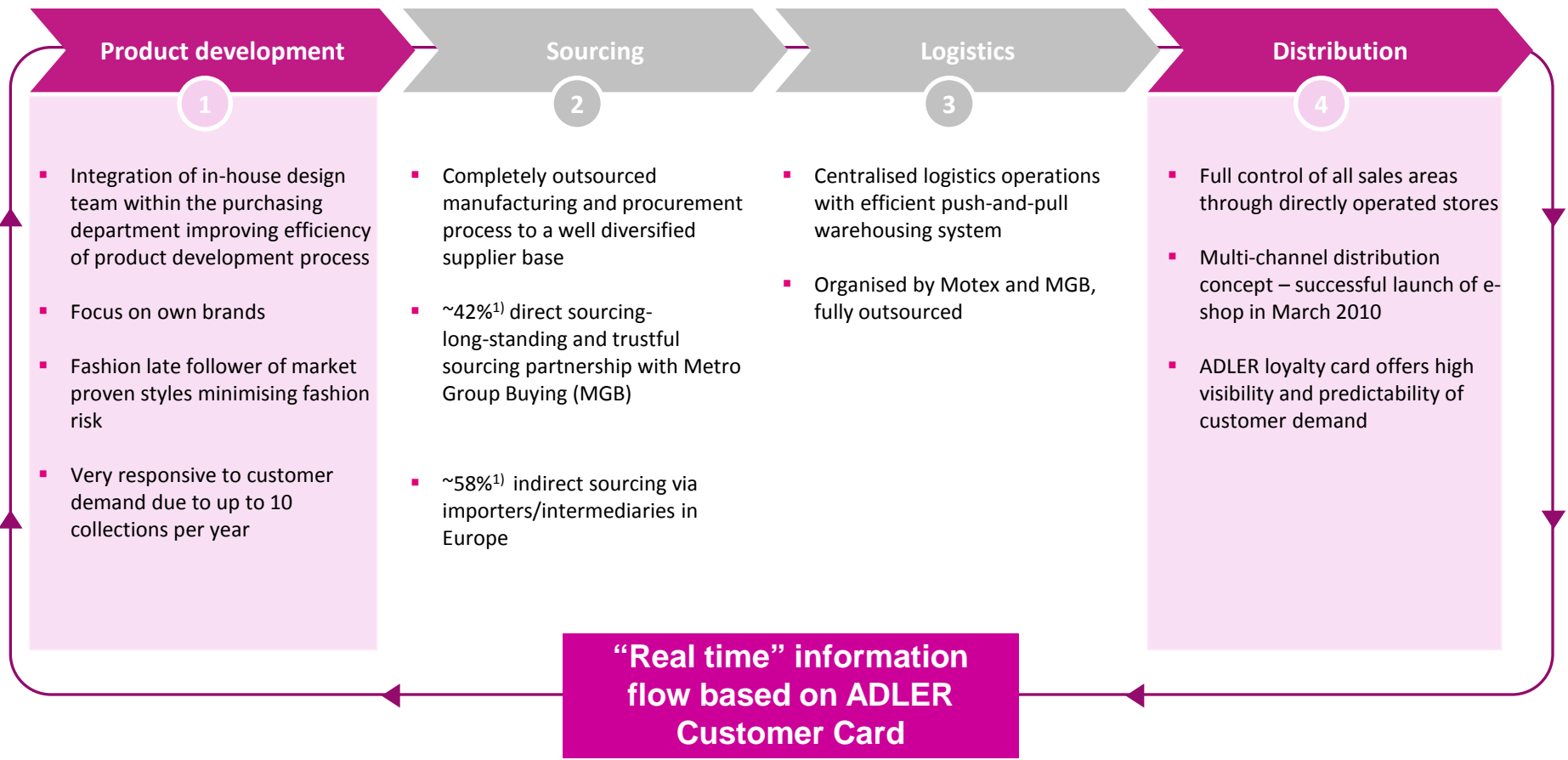
Appendix

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

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**

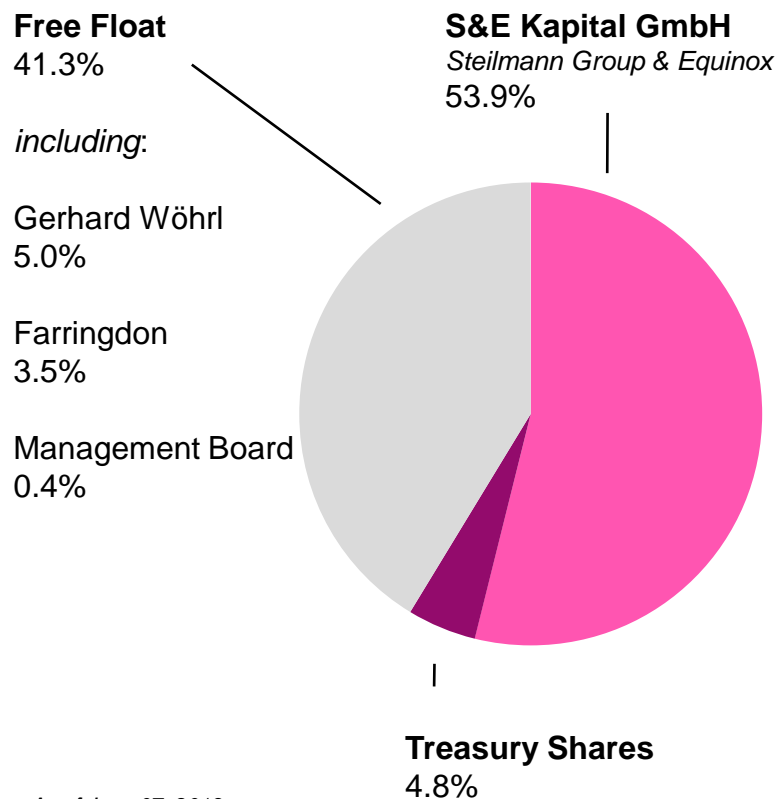
1) Share of purchase volume 2012

The ADLER Share

Share Data

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

Shareholder Structure



As of June 07, 2013