

# Analyst Presentation

Annual Report 2012  
— March 21, 2013 —



**ADLER**  
ALLES PASST



<b>1</b>	<b>Highlights</b>
2	Strategy
3	Financials
4	Outlook 2013

# Highlights 2012 ...

## ... Revenue and Profitability Increased

- Revenue increased by 6.2% to € 502.1 mio.
- Gross profit margin of 52.9%
- EBITDA of € 35.5 mio. plus 13.8%
- EPS of € 0.56

## ... 16 New Store Openings

- Market entry in Switzerland in October 2012
- 13 new stores in Germany and two in Austria
- Five Mom&Pop shop openings
- Net store network raised by 7 to 169 stores

## ... Optimizing the Sourcing Activity

- Sourcing activity in Asia increased
- Direct sourcing share of 42%
- Gross margin +1.4 percent points

## ... Collaboration with Tom Tailor Kids

- Concession based model
- Higher market visibility
- Introduced in 119 stores
- Kids revenue and gross margin increased

## ... Online Shop Performance Improved

- Relunched in Januar 2012
- More convenient order process and improved functionality
- Decreased return rate and increased conversion rate





## ... RFID Rollout Prepared

- Pilot project successfully completed in 7 pilot stores
- Integration in ADLER's stock management system
- Efficiency optimization proved

# 16 New Stores in 2012

## Adjusted Growth Strategy to Increase Profitability

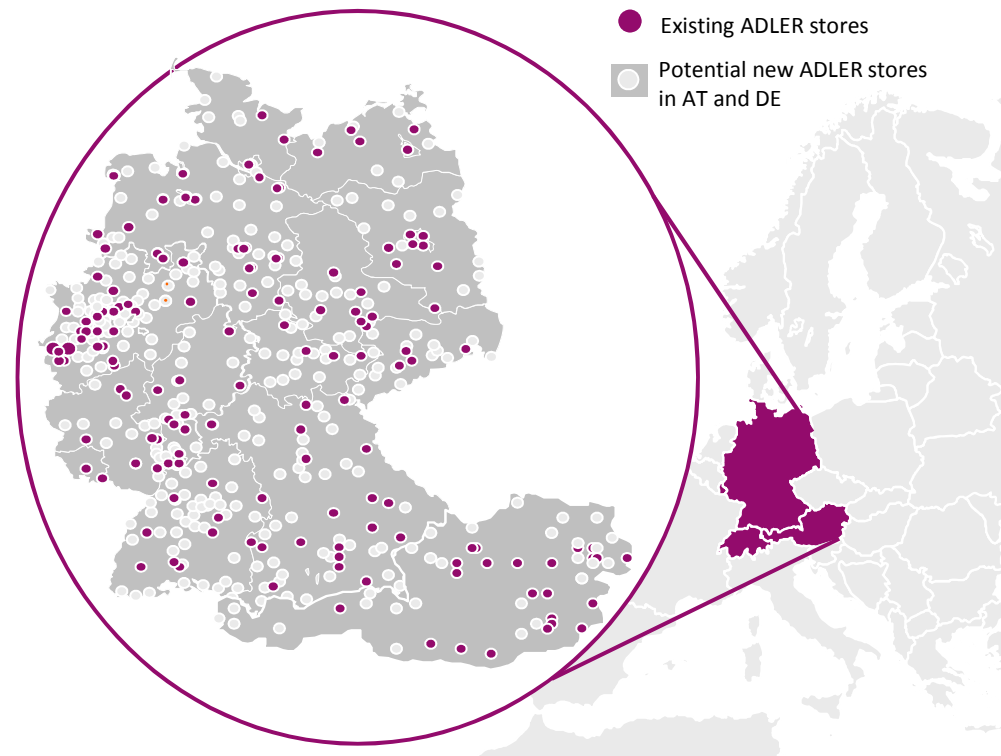
### Number of ADLER Stores Per Country

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

- 16 store openings in 2012. Thereof 13 in Germany, 2 in Austria and 1 in Switzerland
- 8 stores closed – thereof 5 Wehmeyer stores
- 1 Wehmeyer store sold

\* excl. online shop

### ADLER's Regional Presence And Expansion Potential



- ➔ Adjusted growth strategy launched in second half of 2012
- ➔ Analyzing existing store network performance to increase profitability

# Focus on Mom & Pop Shop Acquisitions

Braunschweig as M&P Shop



Braunschweig as ADLER Store



- Known revenue performance of the location
- Significant existing customer base
- Customers fit to ADLER`s target group
- Utilization of established customer cards
- No cannibalization effects with existing ADLER stores
- Transfer of experienced employees with longstanding customer relationships

Mom&Pop Shops  
in 2012

Peine

Waghäusel

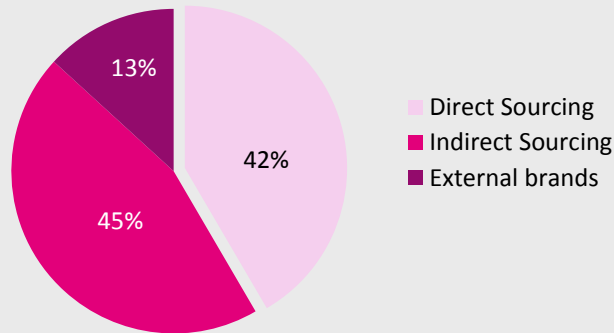
Raststatt

Schwäbisch Gmünd

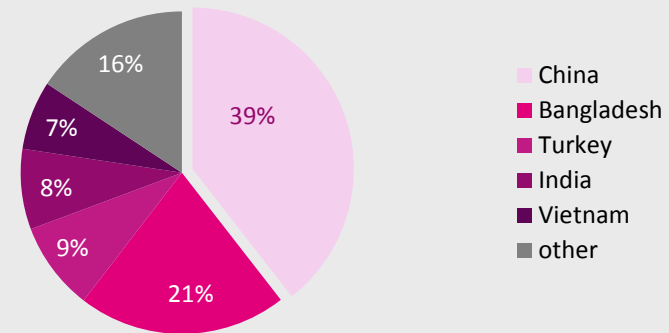
Papenburg

# Increasing Profitability by Optimizing Sourcing

Sourcing in % of revenues - 2012



Direct Sourcing per country - 2012



- Increasing direct sourcing in Asia
- Effective pooling of product line orders
- Strengthen high-margin product lines
- Empowering strategic partnerships
- Realization of economies of scale through better buying terms
- No airfreight to save logistic expenses
- Logistic improvements to increase NOS availability



**Increase gross profit margin**

# RFID – Radio-Frequency Identification

## Status

- System tests in 7 pilot markets successfully fulfilled
- Underling efficiency optimizations in pilot markets confirmed
- RFID Rollout planned in 2013

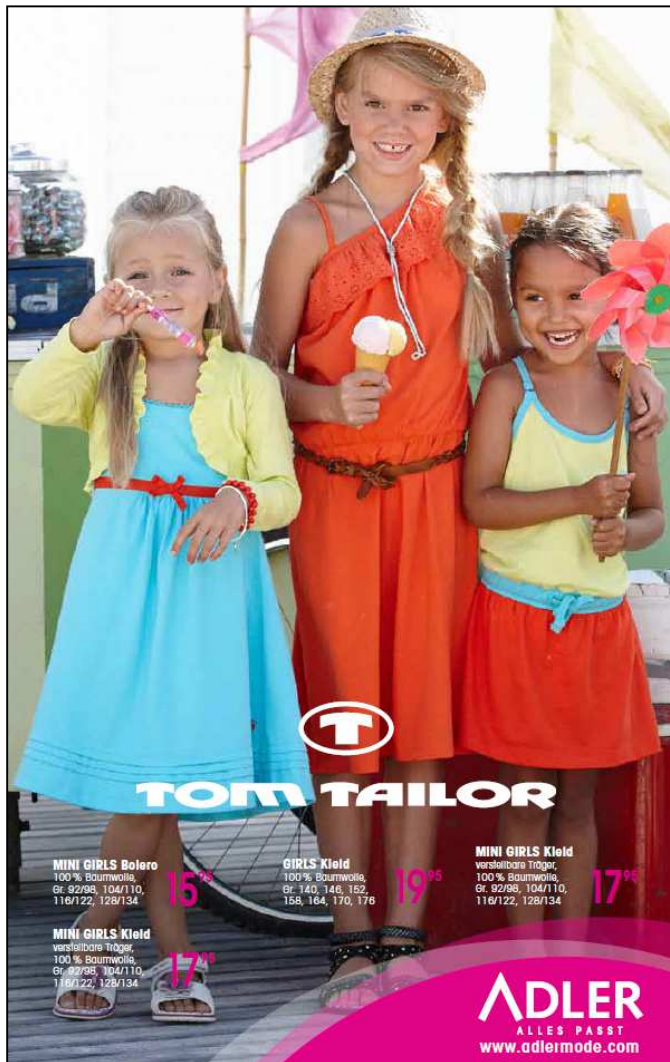
## Objective

- Optimization of the inventory management
- Improvement of sales by higher inventory turn rates and NOS availability – avoiding no out-of-shelf situations
- Avoid redundant work steps and lower the risk of incorrect deliveries
- Increasing customer satisfaction



Source: TAILORIT GmbH

## ADLER Collaborates With Tom Tailor Kids



- Tom Tailor manages ADLER kids business as concession based model
- Tom Tailor is in charge for product selection, stock and sales management, and visual merchandising
- Gross margin improvement
- Fixed gross margin
- No inventory and merchandise risk
- Less complexity and reduced administration costs
- Higher market visibility
- Cross sales potential

➔ Implemented in 119 stores

➔ Double digit sales growth



# Relaunch of The ADLER Online Shop



- More convenient order process for customers
- New, more transparent-structured and user-friendly design
- PayPal and Instant Transfer as additional payment options
- Further benefits:
  - Availability checks at the stores
  - Payment and return at the ADLER stores for loyalty card customers
  - New filter options for specific items by colour, style and price
  - ADLER brand search engine by entering individual sizes and circumstances of the waist and thigh prompts
- ADLER now on Facebook

➔ **Reduced rate of return**

➔ **Improved conversion rate**

# Share Buyback Program

## Overview

Resolution to acquire up to **1,586,000 shares** over the stock exchange

Maximum price per share **€ 10.00** (excluding incidental transaction charges)

### 1. Share buyback program

- The first share buyback started on January 17, 2012 and terminated on June 30, 2012
  - 762,161 acquired shares for Ø price per share of € 5.8

### 2. Share buyback program

- The second share buyback started on August 14, 2012 and terminated on December 31, 2012
  - 126,642 acquired shares for Ø price per share of € 4.65
  - Overall value €m 0.59 accounts 0.68% of the current share capital

## Potential Use

- **Mergers or acquisitions**
- **Strategic partnerships**
- **Employee participation program**
- **Satisfy obligations arising out of convertible bonds**

## Share buyback 1.1. – 31.12.2012

- **Acquired shares: 888,803**
- **Ø price per share: € 5.63**
- **purchase price: €m 5.0**
- **Share of the current share capital: 4.80%**



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# ADLER's Competitive Advantage ...

## ... Unique Brand Positioning

- Brand awareness of 76%
- Positioning in the value-for-money segment
- Focus on best ager customers

## ... Specialised Marketing

- Customer database with more than 6 million active customers
- 90% of revenues generated by ADLER customer card members
- Specialized mailing and supplement marketing activities

## ... Target Group 45+

- Leading German fashion retailer for customers aged 45+
- Marketing and retail strategy adjusted to the target group
- Target group has dominant share in consumption spending

## ... Product Portfolio

- ~ 90% of revenues generated by own brands
- Collection fashion grade pursues fashion follower approach
- Fittings are adjusted to the target group needs

# Unique Value Brand Position With Strong Target Group Focus 45+

## Brand Positioning of ADLER



Source: Company information

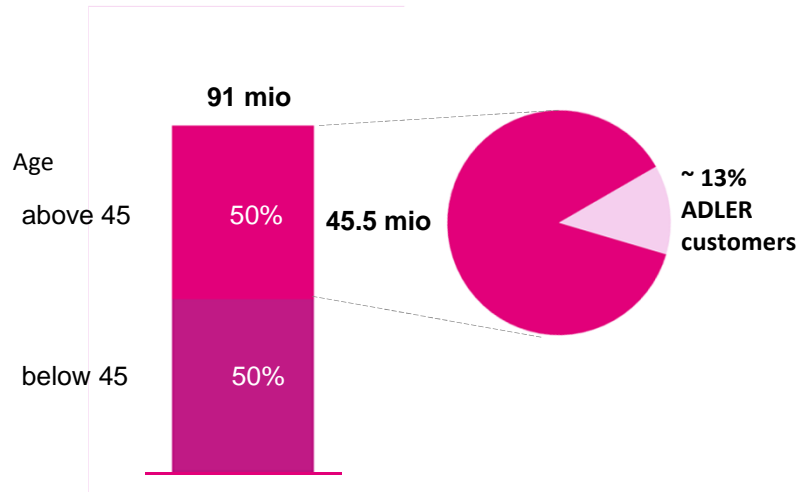
## Unique Brand Position

- Clear focus – only fashion retailer dedicated to target customers aged 45+;
- Outstanding value-for-money perception
- Fashion follower approach – conservative fashion grade management of market proven styles minimizing fashion risk
- Excellently positioned in the attractive fast growing value fashion segment and above the vulnerable discount segment

# We Know Our Customers: 90% of Revenues Generated by ADLER Customer Card Members

## Market Reach of approx. 13% in Target Group 45+

### ADLER Market Reach of D, AT & LUX Population



Source: Statistisches Bundesamt / Company information

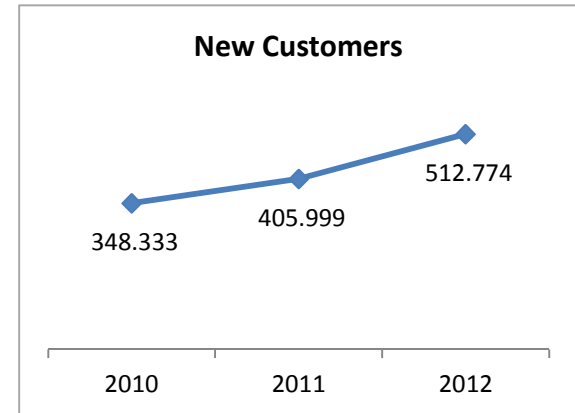
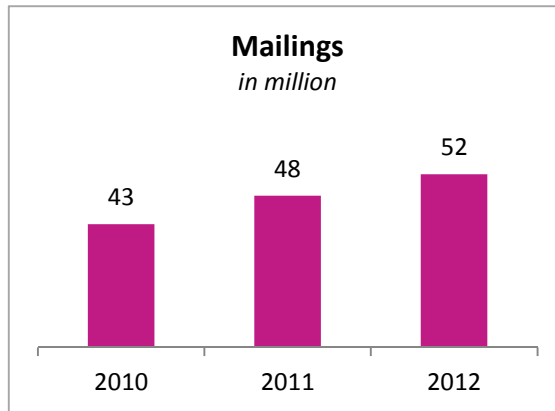
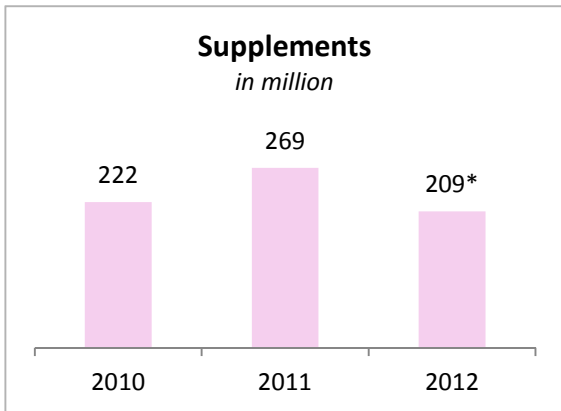
### ADLER Customer Card Members<sup>1)</sup>

Type of customer	Customers in million	Description
Without ADLER customer card	1.2 <sup>2)</sup>	Customers shopped without ADLER Customer Card
With ADLER customer card	3.6	Customers shopped with ADLER customer card generated <b>90%</b> of revenues in <b>2012</b>
Current customers	4.8	Total amount of customers shopped in ADLER stores in 2012
Previous customers with customer card	2.6	ADLER card customers shopped between <b>2009</b> and <b>2011</b> for the last time
Active customers with and without customer card	7.4	Total number of active ADLER customers including <b>6.2 million active customer card members</b>

- Customers aged 50+ account approx. 52% of total German consumption
- Active ADLER customer card members 6.2 million
- **Focused and efficient marketing opportunities:** loyalty card scheme allows exact market segmentation and a targeted marketing approach
- **High profitability of ADLER card customers:** high acceptance of ADLER customer card enables steering of customer frequency and cash flows

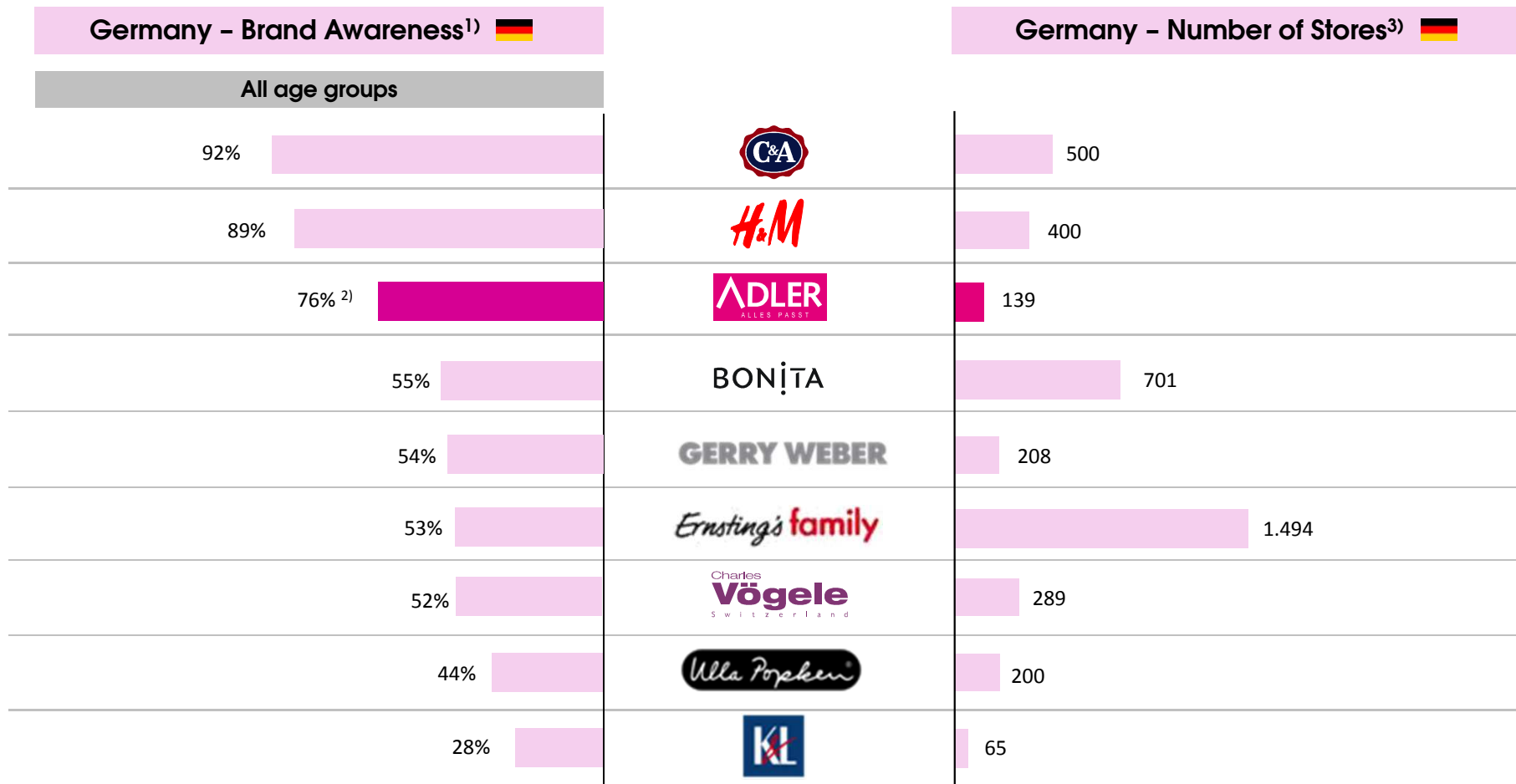
1) Customers shopped with ADLER customer card in respective period; 2) Based on company estimation

# Traditional Customer Oriented Marketing Campaign Tailored to 45+: “Mailfolder & Supplements”



\* adjusted

# Strong Brand Awareness: Basis For Store Network Expansion

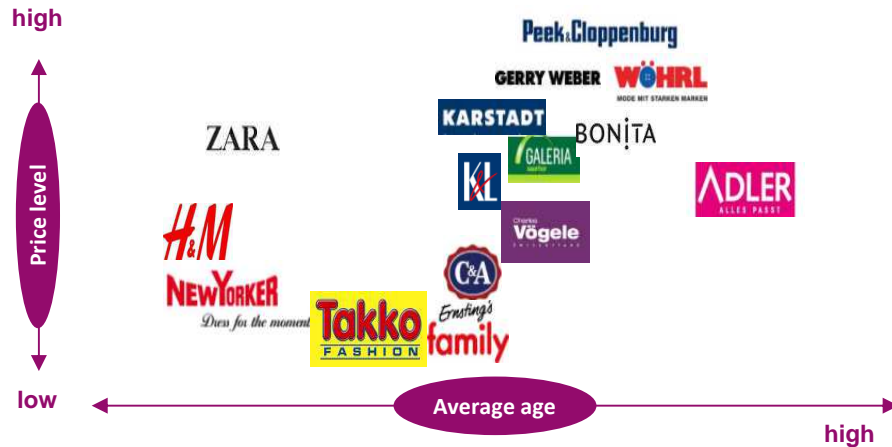


- Strong brand awareness of 76% among all age groups in Germany
- High brand recognition in relation to existing store network offers strong future sales potential

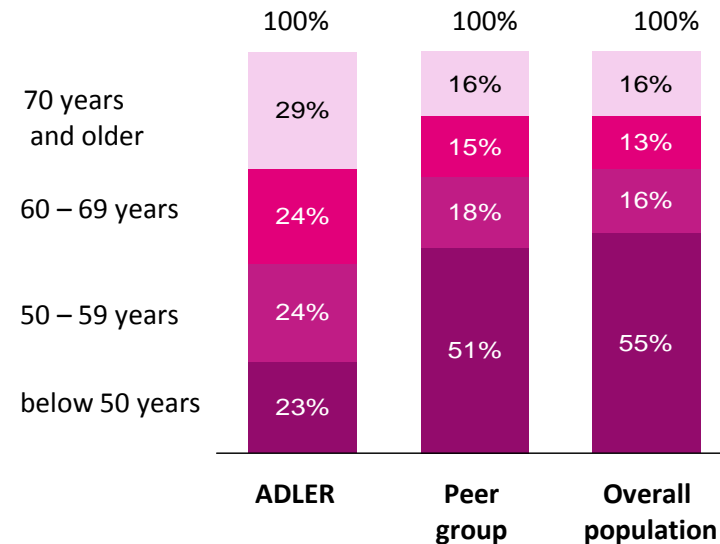
Sources: 1) Textilwirtschaft (Top Shops 2011); 2) 2009: 70%; 3) Company information



# Unique Value Brand Position With Strong Target Group Focus 45+



Source: Company information



Source: Company information; Axel Springer AG; OC&C-Analysis

➔ Unique position in the target group best agers

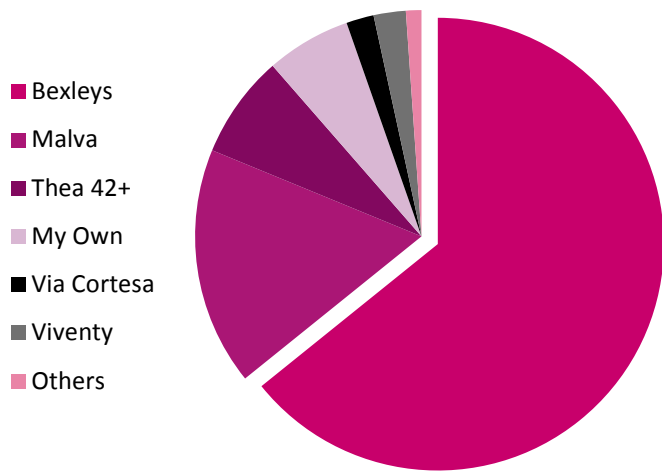
➔ Adler has older customers than competitors

- Outstanding **focus on best ager** in the value for money segment
- Only fashion retailer dedicated to **target customers aged 45+**
- **Average age of 60 years**
- **Demographic change** enables **high future potential** in the target market
- Customers aged 50+ are the most important customer group for clothing, footwear and jewellery, already accounting for 52% of total consumption, growing to c.59% in 2020 <sup>1)</sup>

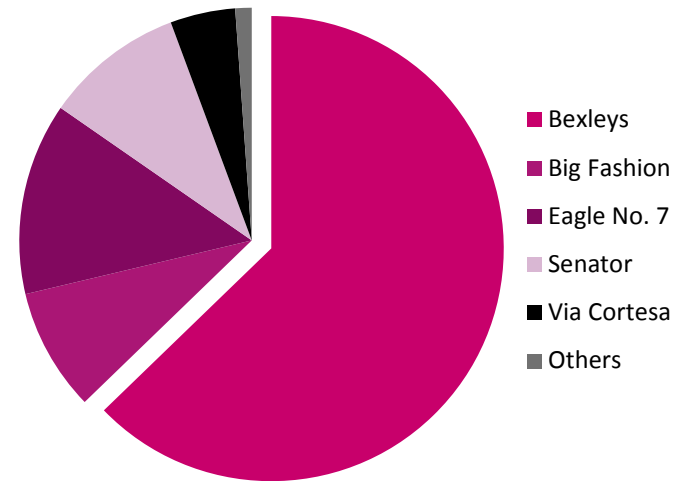
1) Agentur für Generationen-Marketing (June 2010); Roland Berger

Own brands represent approx. 90% of sales  
 „Bexleys“ archives more than 60% of own brand sales

Own Brands Revenue Contribution  
 Woman



Own Brands Revenue Contribution  
 Man





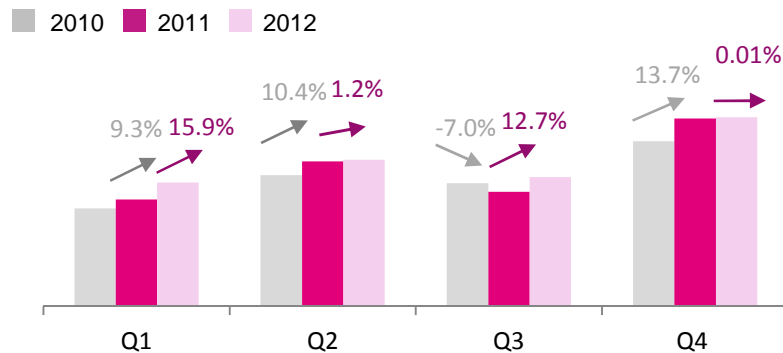
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# Seasonality of ADLER's Business

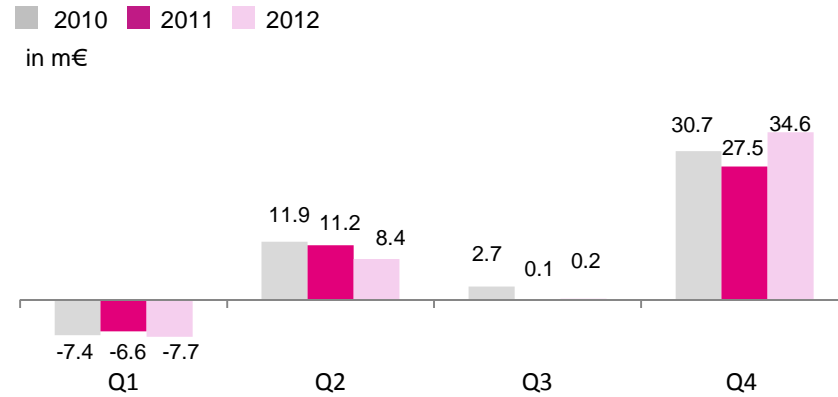
## Apparel Retailers Act in a Cyclical Business Environment

- 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
- Sales and EBITDA in 2012 influenced by bad weather conditions in April and December

**Revenue**



**EBITDA**



## Profit and Loss Statement

k€	01.01.- 31.12.2012	01.01.- 31.12.2011
<b>Revenue</b>	<b>506,083</b>	<b>476,590</b>
Other operating income	7,790	10,339
Material expenses	-238,205	-230,967
<b>Gross profit margin</b>	<b>52.9%</b>	<b>51.5%</b>
Personnel expenses	-85,399	-77,864
<i>Personnel expenses in %</i>	<i>-16.9%</i>	<i>-16.3%</i>
Other operating expenses	-154,786	-146,913
<i>Other operating expenses in %</i>	<i>-30.6%</i>	<i>-30.8%</i>
<b>EBITDA</b>	<b>35,483</b>	<b>31,185</b>
<i>EBITDA margin</i>	<i>7.0%</i>	<i>6.5%</i>
Depreciation and amortisation	-15,003	-14,804
<b>EBIT</b>	<b>20,480</b>	<b>16,382</b>
Financial result	-4,330	-3,498
<b>EBT</b>	<b>16,150</b>	<b>12,883</b>
Income taxes	-6,078	-4,381
<b>EAT</b>	<b>10,072</b>	<b>8,502</b>
EPS in €	<b>0.56</b>	<b>0.48</b>

- **Revenue growth of 6.2%**
  - Revenue growth resulted from the new store openings
  - Like-for-Like revenue fell by 2.5%
- **Gross profit margin of 52.9%, up by 1.4% points**
  - Restrictive offering of discount promotions for the winter and holiday business compared to 2011
  - Targeted price modifications within certain product groups helped to improve profitability
- **EBITDA of € 35.5 million, up 13.8%**
  - Improvement by € 4.3 mio. as first indicator for a sustainable profitability strategy
- **EBITDA margin of 7.0%**
- **EPS of 0.56 EUR**
  - Weighted average amount of 17,900,377 shares (2011: 0.48 EUR; 17,629,723 shares)

# Cash Flow Statement

k€	01.01.- 31.12.2012	01.01.- 31.12.2011
<b>Net Profit</b>	16,150	12,883
Increase of inventories	-4,640	-17,483
Increase (+)/Decrease (-) of trade payables, other payables and other provisions	4,608	-10,477
Other non-cash items	14,554	23,907
<b>Net cash flows from operating activities</b>	<b>30,672</b>	<b>8,830</b>
<b>Net cash flows from investing activities</b>	<b>-9,714</b>	<b>-13,211</b>
<b>Free cash flow</b>	<b>20,958</b>	<b>-4,381</b>
<b>Net cash flows from financing activities</b>	<b>-18,871</b>	<b>11,449</b>
Thereof finance lease payments	-13,608	-12,879
Thereof share buyback	-5,001	-
Thereof capital increase	-	26,500
<b>Net change in cash and cash equivalents</b>	<b>2,087</b>	<b>7,068</b>

- **Positive operating cash flow** of € 30.7 million
  - Significant increase (up € 21.8 million) due to higher operating profitability and less inventory purchase
- **Cash outflows from investing activities** amounts to € 9.7 million
  - Decrease of € 3.5 million compared to previous year due to less store openings
- **Free cash flow increase** by € 25.4 million up to € 21,0 million
- **Financing activities** of € -18.9 million in 2012
  - Finance lease payments of € 13.6 million
  - Share buyback programme (€ 5.0 million)
  - Cash flows from financing activities in 2011 includes the capital increase of € 26.5 million

## Balance Sheet

k€	Dec. 31, 2012	Dec. 31, 2011
Property, plant and equipment	64,724	50,654
Inventories	78,168	73,528
Cash and cash equivalents	42,111	40,024
Total equity	79,906	74,824
Total liabilities	130,544	112,570
<b>Total assets</b>	<b>210,450</b>	<b>187,394</b>
<b>Ratios</b>		
Equity ratio	38.0%	39.9%
Debt equity ratio	1.63	1.50
Working capital in k€	44,472	44,067

- **PPE** increased by € 14.0 million
  - Investments of € 29.5 million in PPE include
    - € 21.3 million for the prolongation of finance lease agreements
    - investments for 16 new store openings
- **Inventories** increased moderately by € 4.6 million
- **Cash and cash equivalents** increased by € 2.1 million
- **Equity ratio solid at 38.0%**
- **Liabilities increase is mainly affected** by finance lease prolongations
- Light debt equity ratio raise due to liability increase
- **Working capital** remains constant despite growth

## Balance Sheet - Liabilities Breakdown

in k€	Dec. 31, 2012	Dec. 31, 2011
Amounts owed to credit institutions	0	5
Provisions	7,907	7,812
Financial liabilities	19,687	19,109
Finance lease obligations	48,701	37,100
Trade payables	33,771	30,613
Other liabilities	18,814	17,603
Deferred taxes and income tax liabilities	1,664	327
<b>Total liabilities</b>	<b>130,544</b>	<b>112,570</b>

- **ADLER has no bank debts** - unleveraged
- Strong **equity ratio of 38.0%** ensures financial strength
- **Financial liabilities:** thereof € 15.6 million customer card provisions as of Dec. 31<sup>st</sup>, 2012 (€ 14.7 mio. in 2011)
- **Finance lease obligations** increased due to the **prolongation of finance lease agreements**





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# Outlook 2013

## 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

# TV-Campaign



## Financial Calender & Contact Details

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Report for the first quarter 2013

May 15<sup>th</sup>, 2013

Annual General Meeting

May 22<sup>nd</sup>, 2013

Report for the first half of 2013

August 8<sup>th</sup>, 2013

Report for the thrid quarter 2013

November 7<sup>th</sup>, 2013

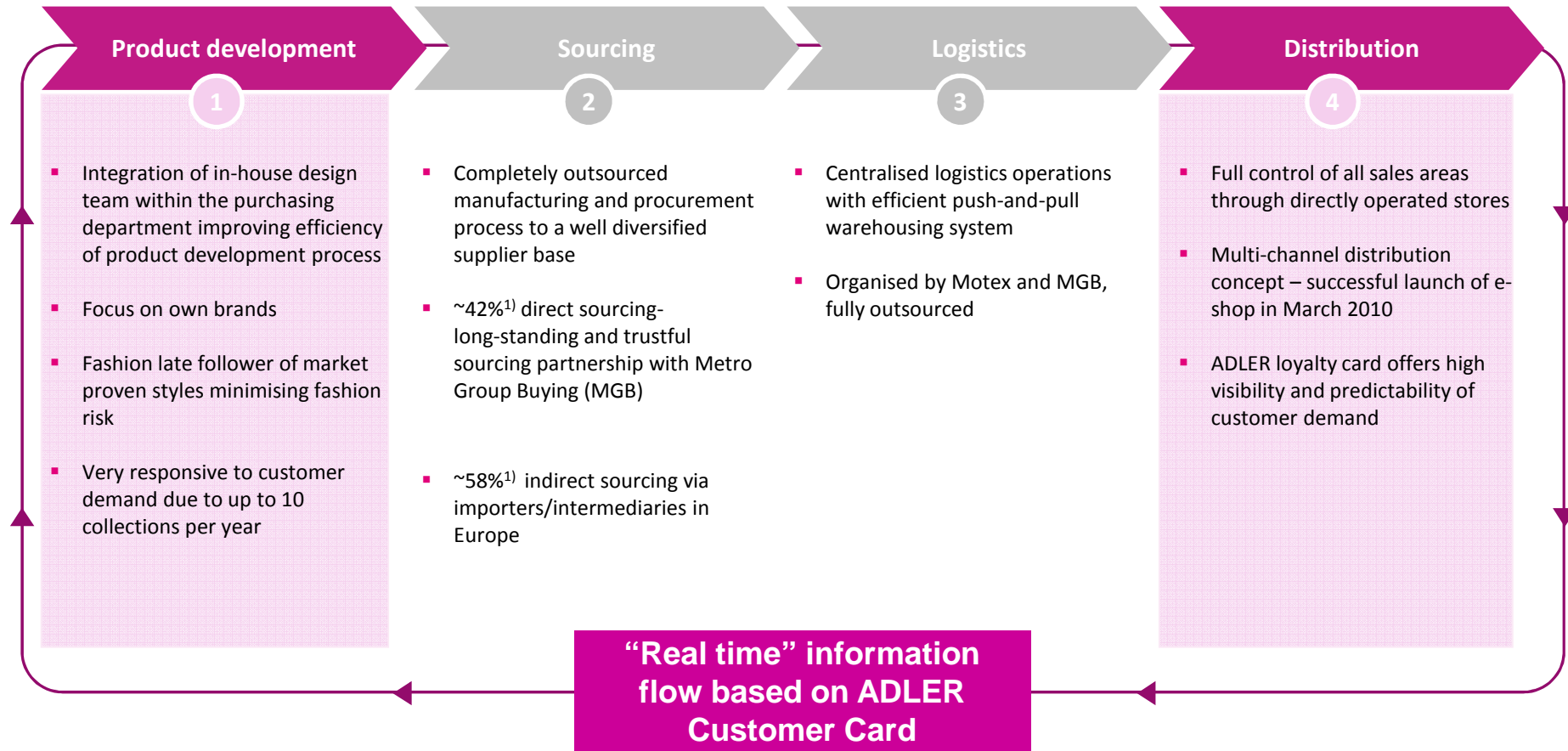
# *Appendix*

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

# 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

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

## Shareholder Structure

**Free Float**  
53.61%

*including:*

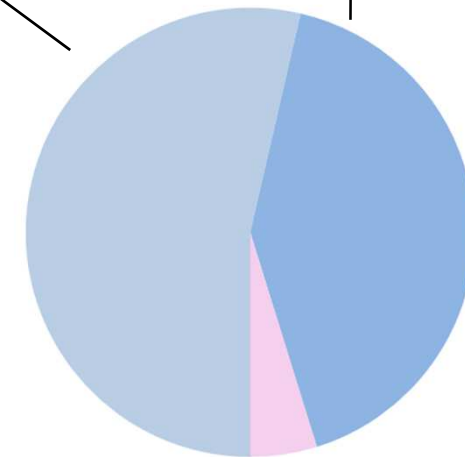
Dr. Dr. Peter Löw  
5.01%

Farrington  
3.47%

Gerhard Wöhrl  
3.10%

Management Board  
0.39%

**Cheverny Investments Limited**  
41.59%



**Treasury Shares**  
4.80%

*As of March 1, 2013*