

# Analyst Presentation

First Quarter 2014

1

**Highlights**

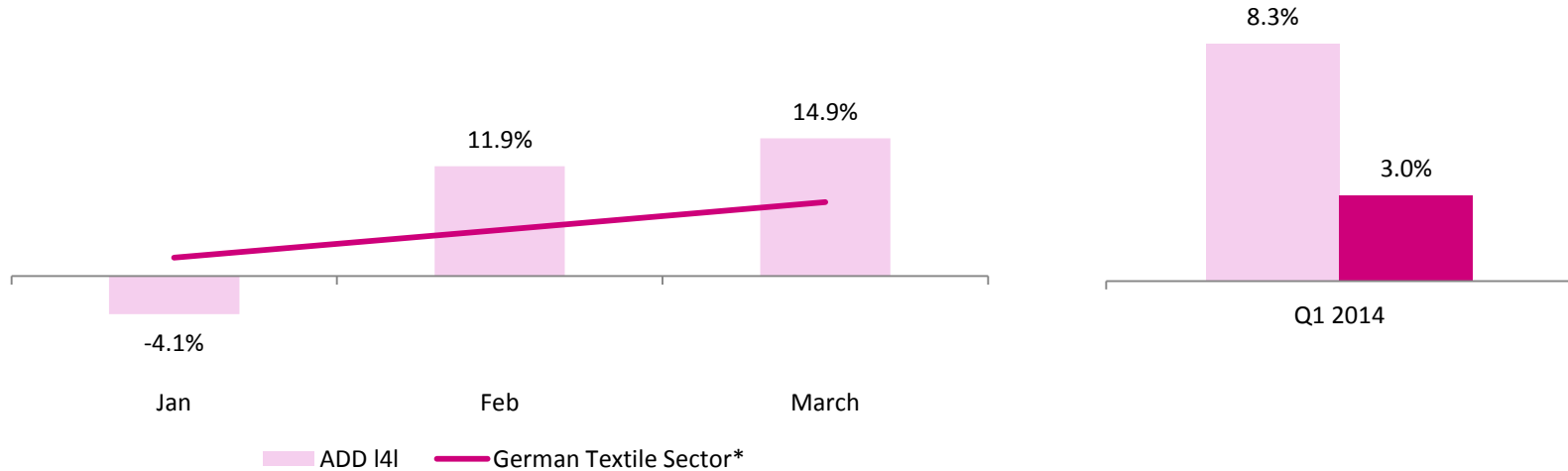
2

Financials

3

Outlook 2014

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



### German Textile Sector

- Sales and footfall in German Textile Sector up
- Sales + 3% in Q1 2014 (-6% in Q1 2013)

### ADLER

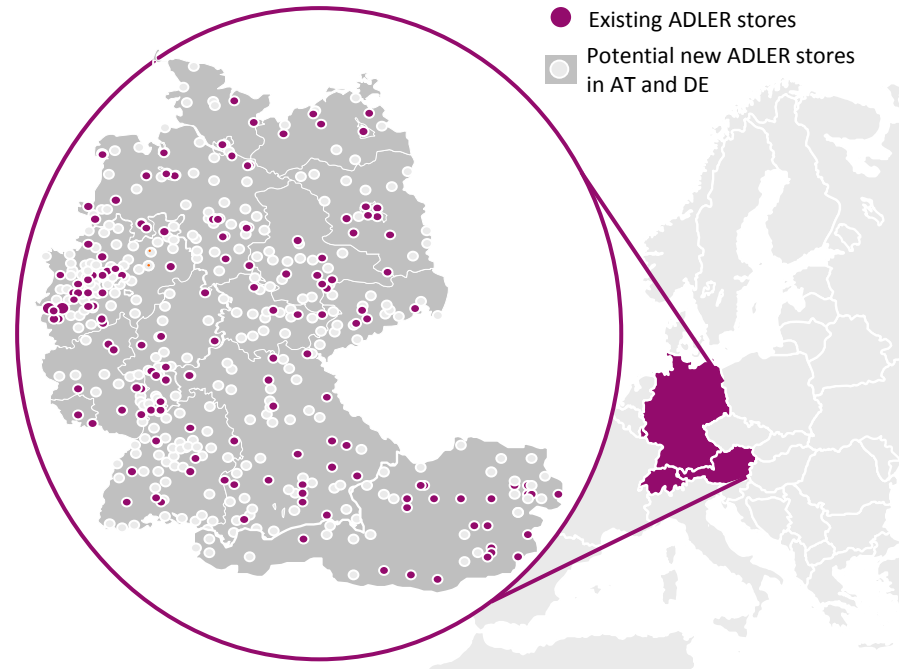
- ADLER again outperformed the German Textile Sector in Q1 2014 with like for like sales of 8.3% and was able to catch up on the negative like for like growth of 5.3% in Q1 2013
- Drivers: increase in number of customers, conversion rate and average ticket per customer, new image campaign

\* TW-Testclub

## Number of ADLER Stores Per Country

Country	Market entry	Number of stores*						
		2008	2009	2010	2011	2012	2013	Q1 2014
Germany	1948	103	104	107	132	139	143	142
Austria	1987	16	17	26	28	27	25	23
Luxembourg	1981	2	2	2	2	2	2	2
Switzerland	2012					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>168</b>
Organic openings		6	3	8	13	11	5	0
Acquired (M&P)				7	18	5	1	0
Closings/sold		9	1	3	3	9	4	3
<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>

## ADLER's Regional Presence And Expansion Potential

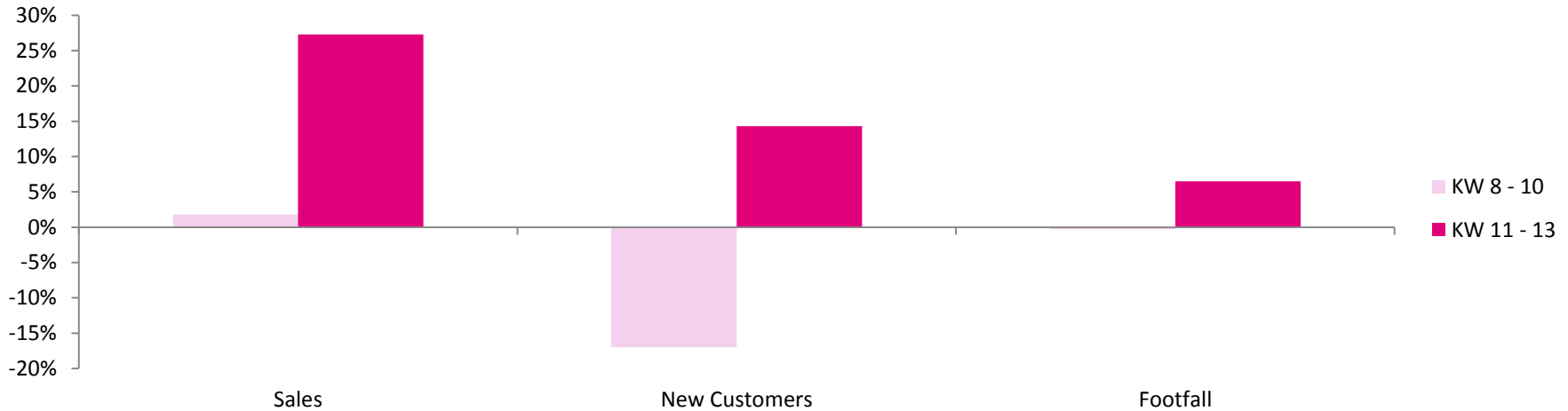


## Highlights

- Three store closures in Q1 2014: Huerth, Graz-Liebenau and Innsbruck (both Austria)
- Store portfolio consolidation almost finished – two additional closures planned for 2014
- Four store refurbishments finished in Q1 2014: Wels, Salzgitter, Oberhausen and Bremen

\* excl. online shop

## Improved KPIs after start of the new image and marketing campaign\*



Very good spot. Improves your image by pulling you out of the "grandma corner"!



Congratulations on your new TV campaign. ADLER was not a highly sympathetic brand, at least until now!



\* ADLER Germany; KW 8 – 10 without new campaign; KW 11 start of new campaign

## Status

Implementation of RFID technology and – tags in all ADLER stores finalised in April 2014 – total implementation cost of ~EUR8m from 2012 to 2014

## Objective

- Optimization of the inventory management
- Improvement of sales by higher inventory turn rates and NOS availability – avoiding out-of-shelf situations
- Avoiding redundant work steps and lower the risk of incorrect deliveries
- Substitute for additional security tag
- Increasing customer satisfaction

## Expected Effect on Financials

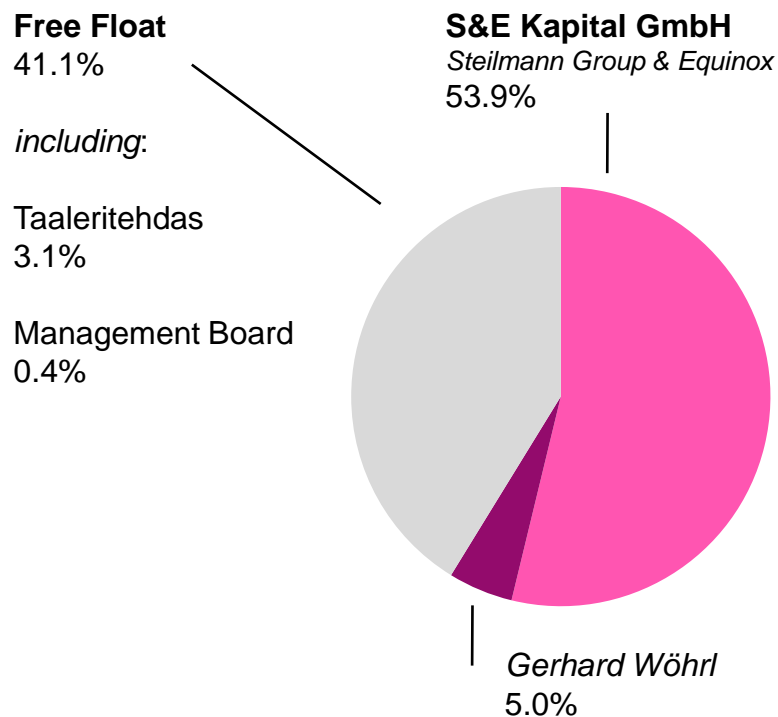
- Increase in like for like sales of up to 2.5% by eliminating out of stock risk and improving the sales process
- Further optimization of gross margin due to better sell through rates and decrease in inventory differences
- EBITDA improvement of up to €4.5m
- ROI expected as of 2015



## 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

## Shareholder Structure



As of January 14, 2014



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2 **Financials**

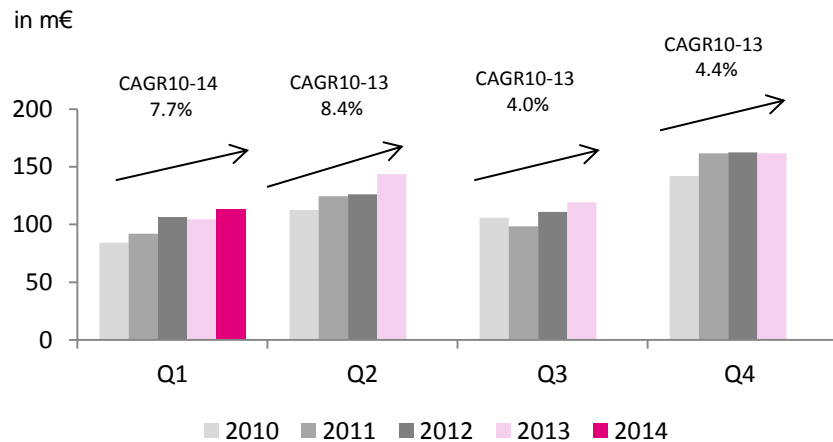
3 Outlook 2014



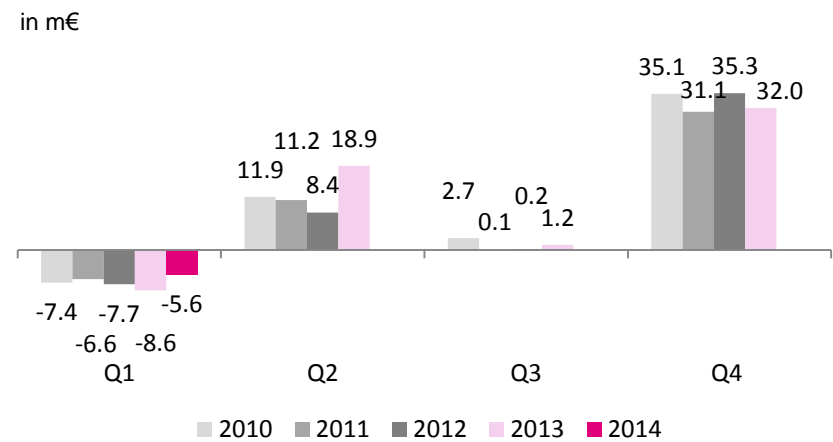
## Apparel Retailers Act in a Cyclical Business Environment

- 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

### Revenue

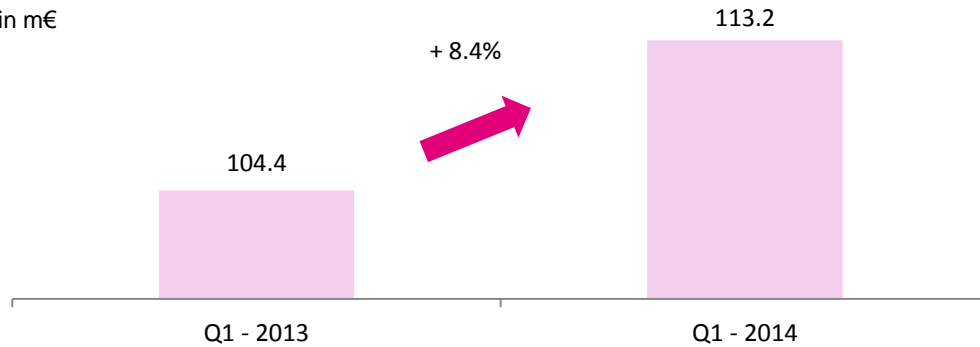


### EBITDA



## Q1 2014 Sales Trend

in m€

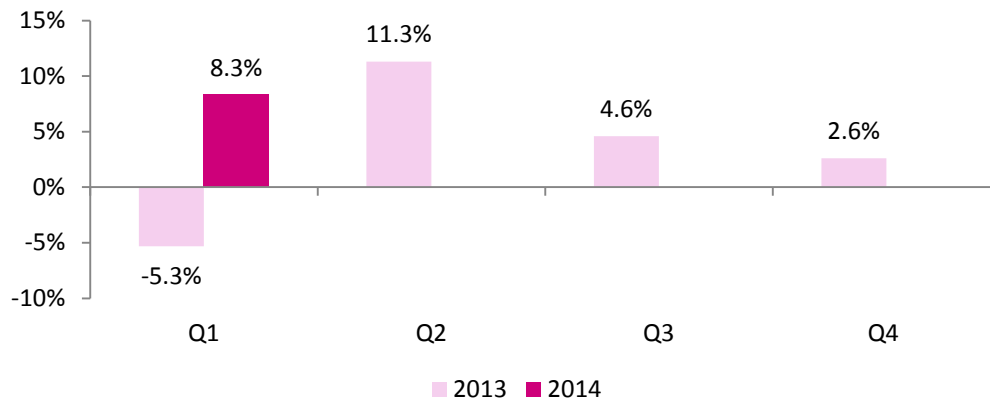


## Q1 2014

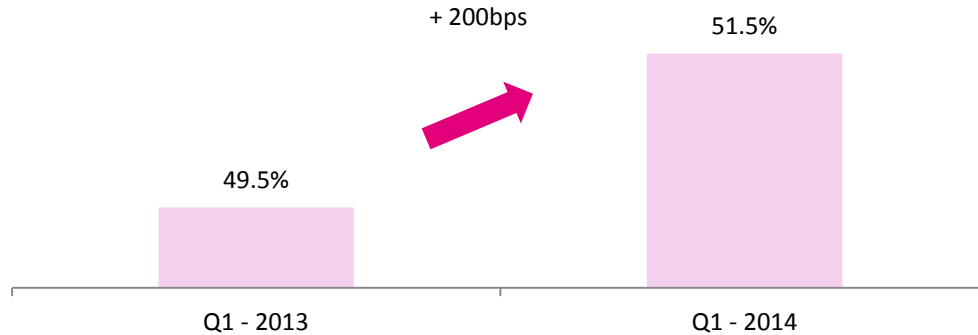
- Sales increase of 8.4% to €113.2m
- Like for like sales up 8.3%
- Key sales drivers

1. Positive sales trend in fall/winter collection despite unseasonable warmth
2. Good start of spring/summer collection due to due favorable weather
3. Start of the new brand- and image campaign in March

## Positive Like for Like Trend Continues in Q1 2014



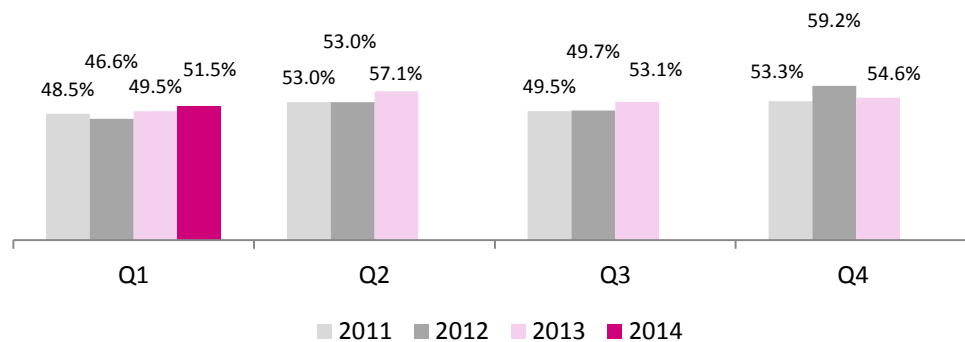
## Q1 2014 Gross Profit Margin



## Q1 2014

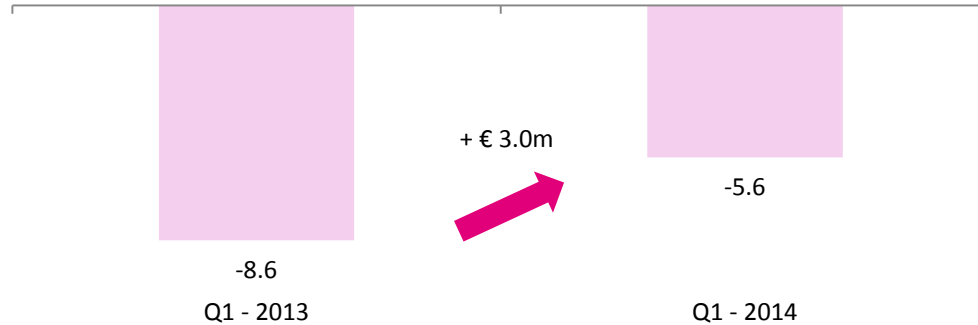
- Gross profit margin increase of 200 bps to 51.5%
- Key gross profit margin drivers
  1. No inventory pressure from fall/winter collection
  2. Good sell off of high margin products
  3. Favourable start into the spring/summer season
  4. Ongoing improvement in sourcing, supply chain and inventory management

## Gross Profit Margin Trend

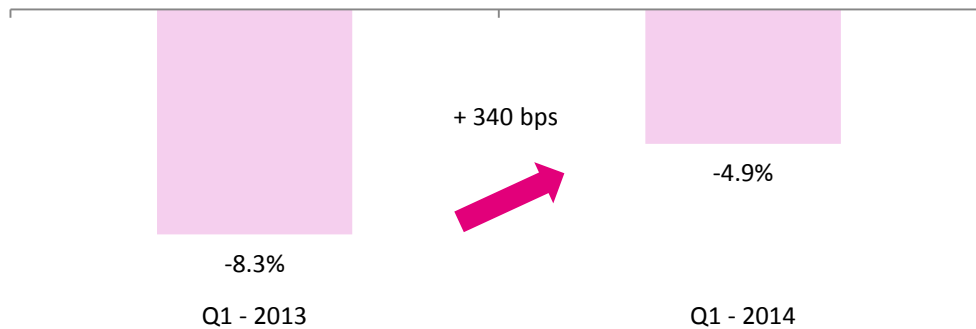


## Q1 2014 EBITDA

in m€



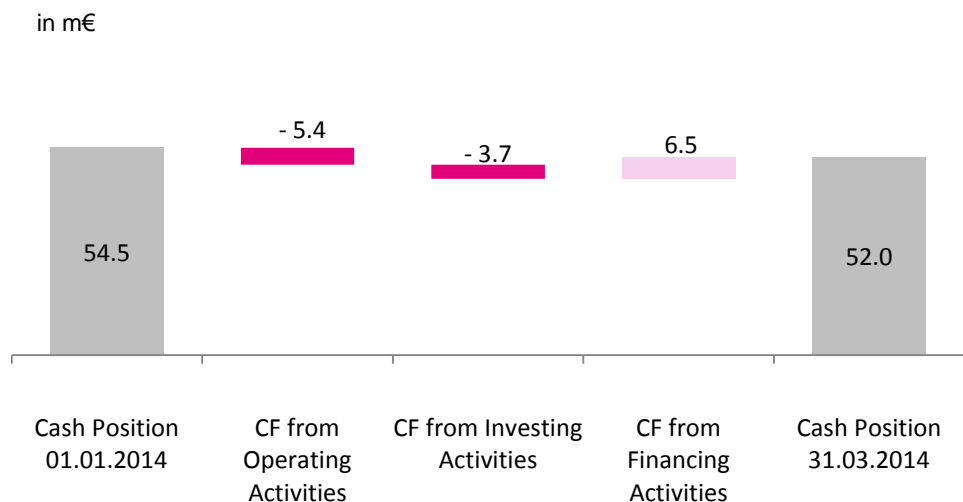
## Q1 2014 EBITDA Margin



## Q1 2014

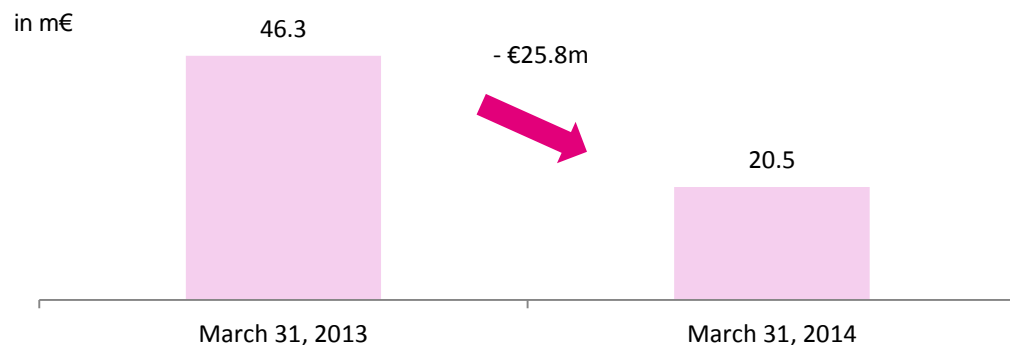
- EBITDA improvement of €3.0m to €-5.6m
- EBITDA margin up 340bps to -4.9%
- Key EBITDA margin drivers
  1. Strong gross margin growth
  2. Disproportionally lower growth mainly in
    - personnel expenses due to negative base effect in Q1 2013 and
    - rental expenses due to favorable prolongation of lease contracts

## Cash Flow Net Debt Improvement



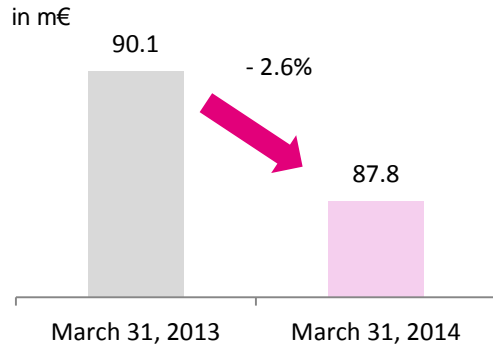
- Increase in free cash flow from €-14.2m to €-9.1m
- Improvement of CF from operating activities from €-11.9m to €-5.4m
- Higher cash outflow from investing activities of €1.4m compared to Q1 2013 due to refurbishment program
- €6.5m positive CF from financing activities due to proceeds of ~ €8.9m from sale of treasury shares
- Improvement in Net Debt position of €25.8m

## Positive Trend in Net Debt \* Continues

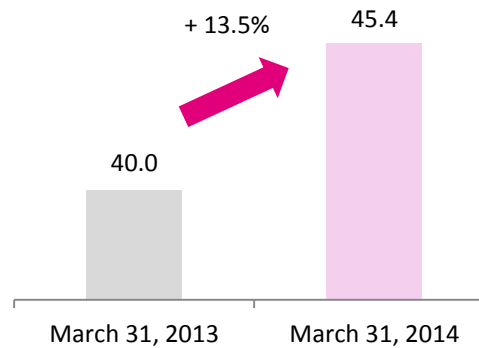


\* Including pension provisions, financial liabilities, finance lease liabilities ex assets held for sale, cash

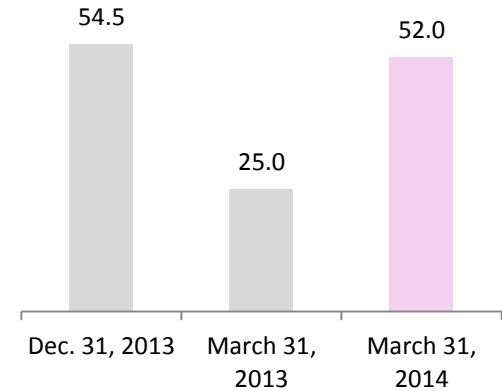
## Inventories



## Trade Payables

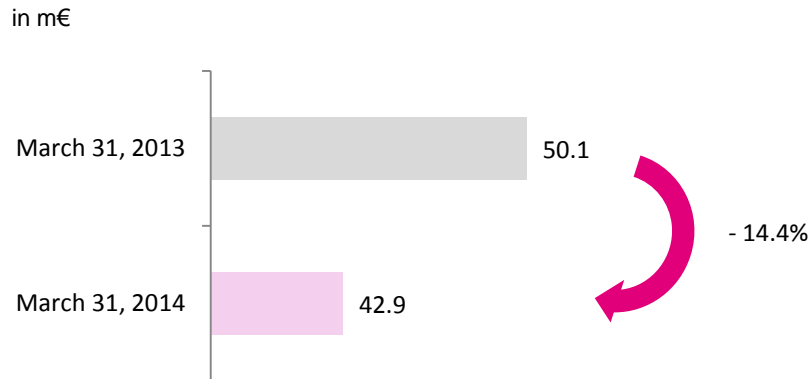


## Cash Position



Insignificant amount in trade receivables of < € 0.5m

## Operating Working Capital



- Ongoing improvement in inventory management
- Trade payables and cash position positively effected by shift of due date
- Working capital ratio improved from 48.0% in Q1 2013 to 37.9% in Q1 2014\*

\*higher due to seasonal influences, start of new spring/summer collection



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## Guidance

Sales		Low single digit
Gross profit margin		Slight increase
Personnel expenses		Negotiations over collective bargain agreement concluded
Transport and logistics costs		Slight increase
EBITDA		In line with sales growth
Expansion		5 – 10 new stores Additional store closures

## Operational Outlook

Revitalization of brand image	Implementation of RFID technology in all stores
Up to 20 refurbishments	Acquisition of Mom & Pop shops



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Annual General Meeting

May 14<sup>th</sup>, 2014

Report for the first half 2014

August 7<sup>th</sup>, 2014

Report for the third quarter 2014

November 13<sup>th</sup>, 2014

Deutsches Eigenkapitalforum 2014

November 24<sup>th</sup> - 26<sup>th</sup>, 2014

***Thank you  
for your attention***