

Analyst Presentation

Third Quarter 2013





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Highlights

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Financials

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Outlook 2013

Highlights Q3 2013 ...

... Revenue and Profitability

- Revenues up 7.3% to €119.1m
- Like for like sales increase of 4.6%
- Gross profit margin + 340 bps points to 53.1%
- EBITDA of €1.2m
- EPS improved from €-0.22 to €-0.14

... Balance Sheet and CF Ratios Improved

- Op. WC ratio improved to 10.2% from 13.3%
- Equity ratio of 31.5%
- Positive FCF of €8.9m

... Store Management

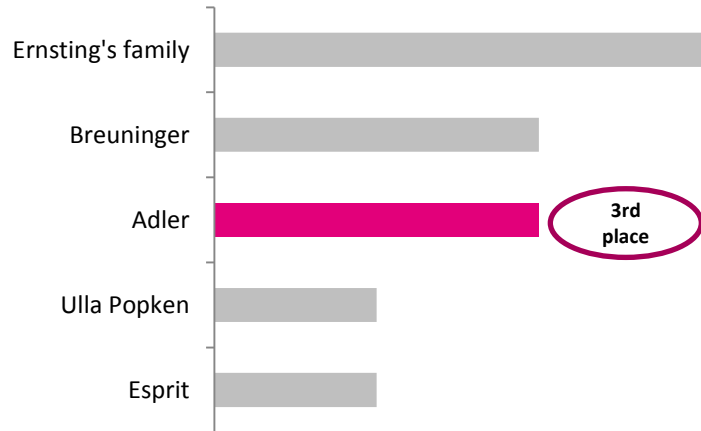
- New store opening in Mannheim-Vogelstang
- Two store closures due to profitability reasons
- Total of 168 stores as of End of September

... Top Shop Study 2013

- Confirmed brand awareness of 76%
- Top performance within the category “Customer Communication”
- Customer Card confirmed to enhance customer relationships

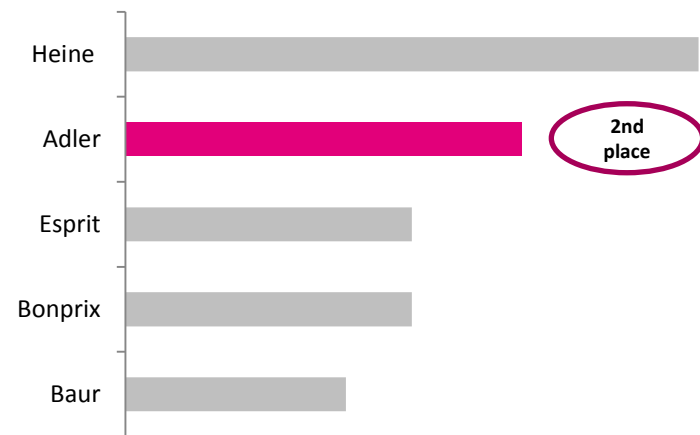
ADLER Knows its Customer

Category "Communication"



- **Tailored marketing well received by customers**
- Second place within the category
 - "Marketing" and („Macht gute Werbung“)
 - "Customer Contact" („Hält einen guten Kontakt zu seinen Kunden“)...
- ... and third place within the category
 - "Supplements" („Hat gut aufgemachte Prospekte/Anzeigen“)

Category "Website"



- **E-shop is customized to customer needs**
- First place within the category
 - "Product information on the Homepage" („Die Homepage bietet informative Produktbeschreibungen“)...
- ... and second place within the category
 - "Styling advice" („Die Homepage bietet tolle Styling-Tipps“)

➢ **ADLER needs to transform acquaintances into customers**

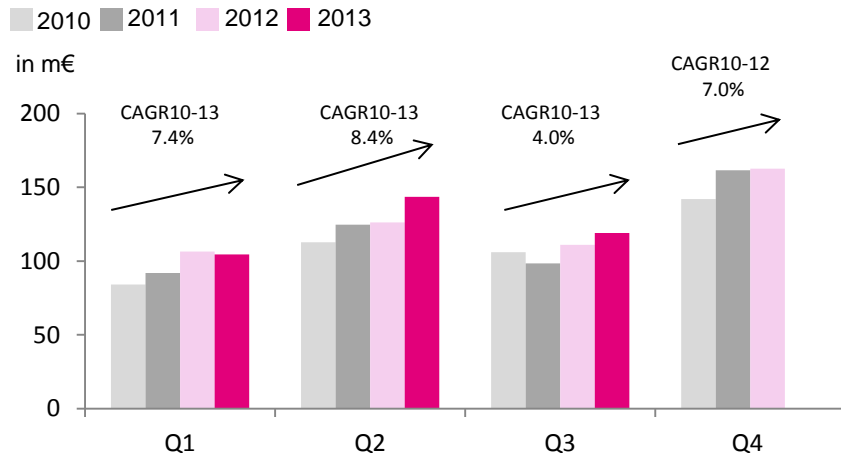
Source: Top Shops 2013

Seasonality of ADLER's Business

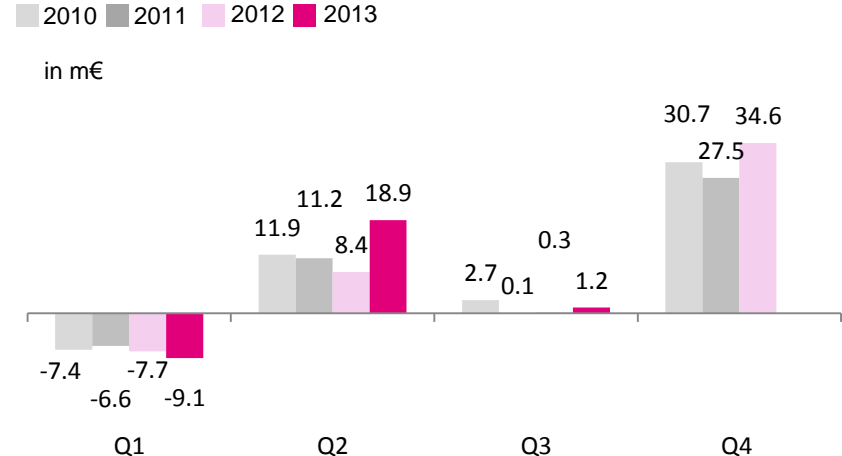
Apparel Retailers Act in a Cyclical Business Environment

- 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

Revenue

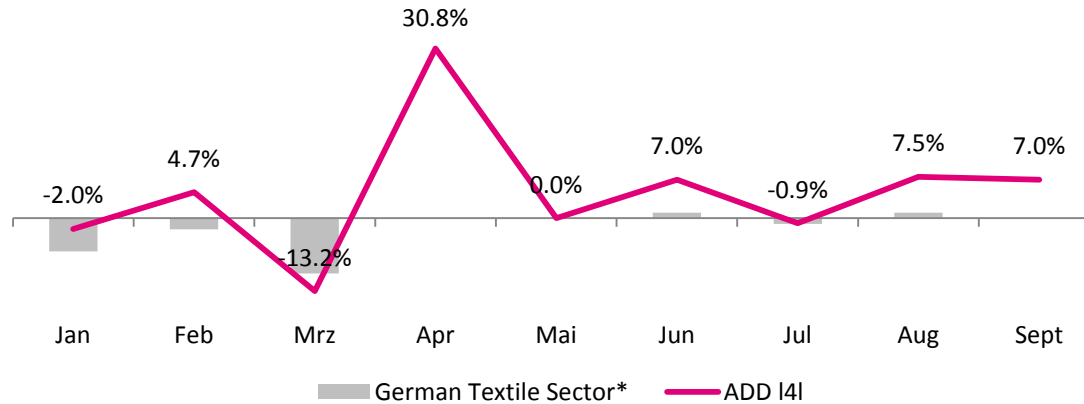


EBITDA



Ongoing Outperformance of the German Textile Sector

ADLER like for like growth vs. German Textile Sector



German Textile Sector

- Slight improvement in German textile sector to -2% after 9m 2013
- Improvement in textile sector revenues at the expense of lower margins (summer sale)
- Traffic still not showing any improvement

ADLER

- ADLER like for like sales up 4.0% after 9m 2013
- No excessive discounts on top of summer sale improved gross profit margin
- Like for like growth largely achieved by increase in traffic and volumes

* TW-Testclub



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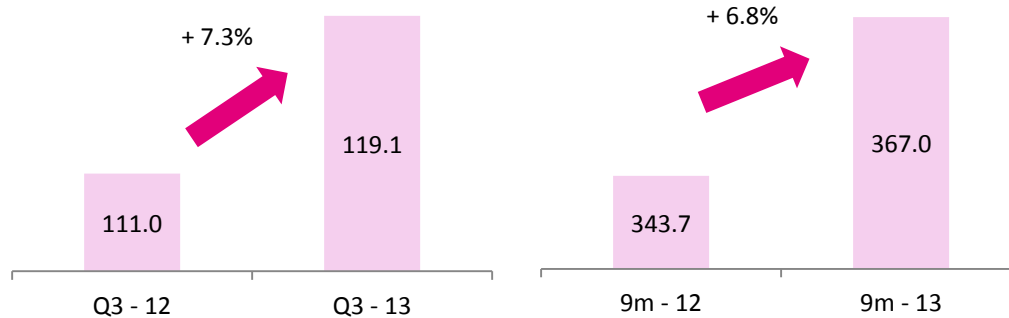
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Outlook 2013

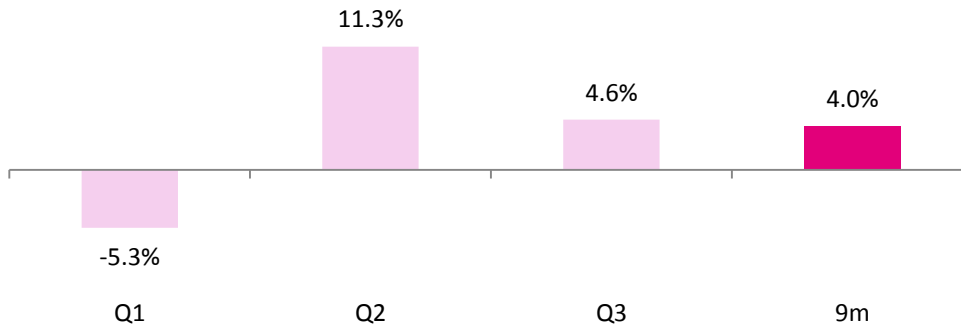
Upward Trend in Sales Continues

Q3 and 9m 2013 net sales

in m€



Like for like sales trend 2013

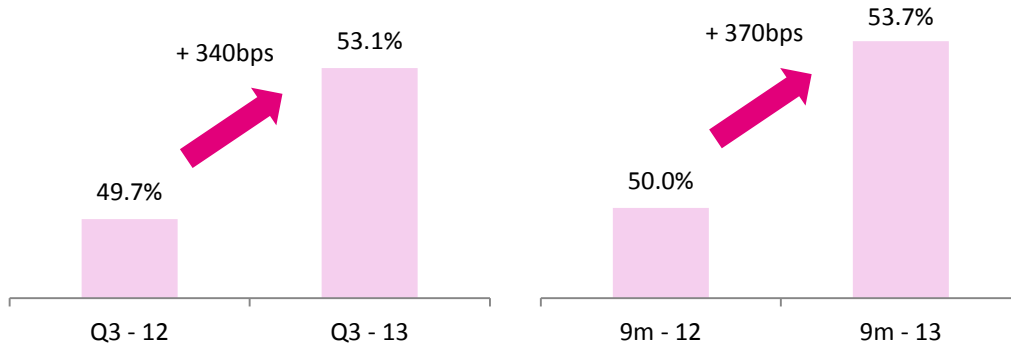


Q3 2013

- Sales increase of 7.3% to €119.1m
- Like for like sales up 4.6%
- Key sales drivers
 1. Increase in customer traffic following targeted marketing initiatives
 2. Moderate price adjustments
 3. Satisfying development of spring/summer sale
 4. Nominal effect of ~€2.4m in Q3 2013 from smaller allowances for customer discounts

Strong Gross Profit Margin Growth Continues in Q3 2013

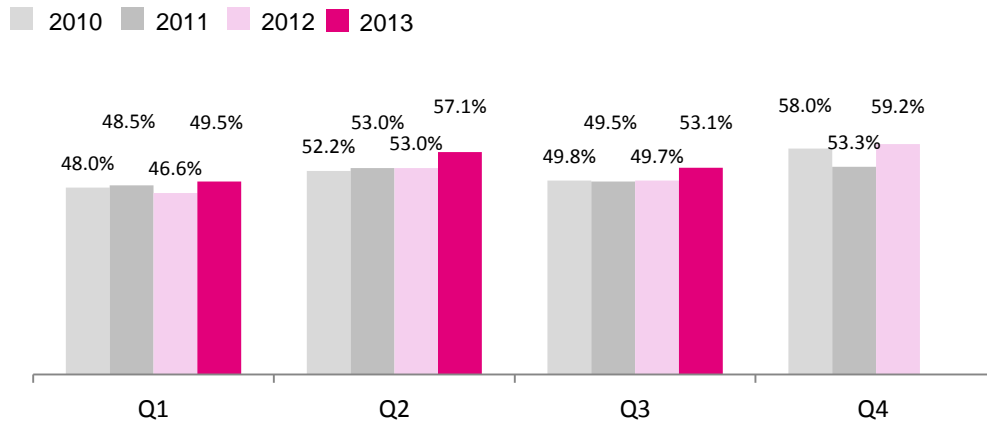
Q3 and 9m 2013 gross profit margin



Q3 2013

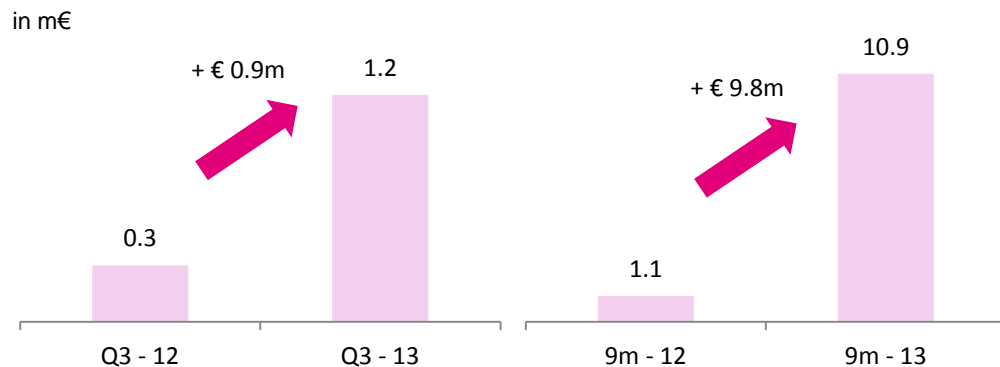
- **Gross profit margin increase of 340 bps to 53.1%**
- **Adjusted + 240 bps to 52.1%**
- **Key adjusted gross profit margin drivers**
 1. Satisfying development in summer sale
 2. Moderate price adjustments throughout the entire product range
 3. Increase in direct sourcing

Gross profit margin trend 2013

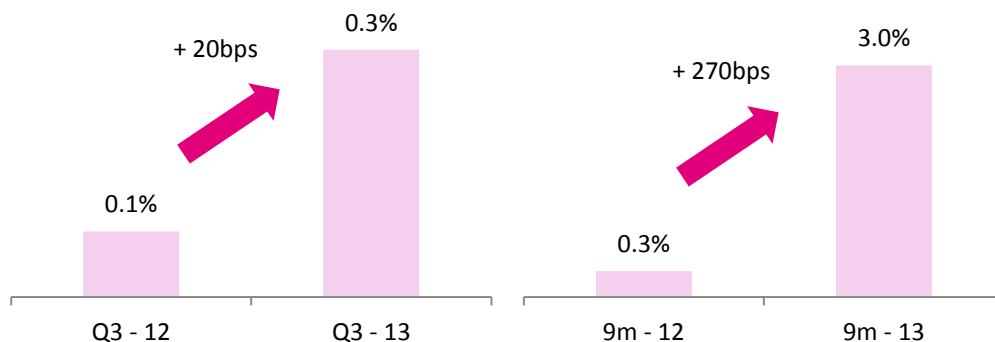


Improvement in EBITDA and EBITDA Margin in Q3 2013

Q3 and 9m 2013 EBITDA



Q3 and 9m 2013 EBITDA margin



Q3 2013

- **EBITDA increase by € 0.9m to €1.2m**
- Adjusted EBITDA € 1.6m below previous year due to cost pressure
- 9m 2013 EBITDA in line with previous year despite higher personnel and marketing expenses



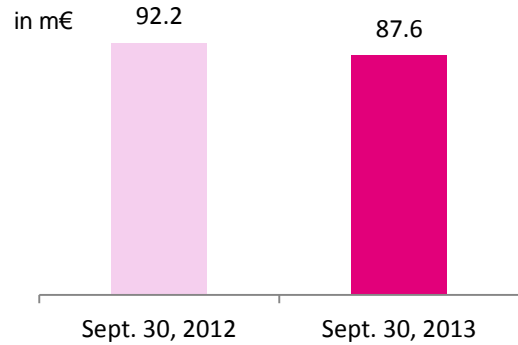
- Strong like for like sales
- Increase in gross profit margin



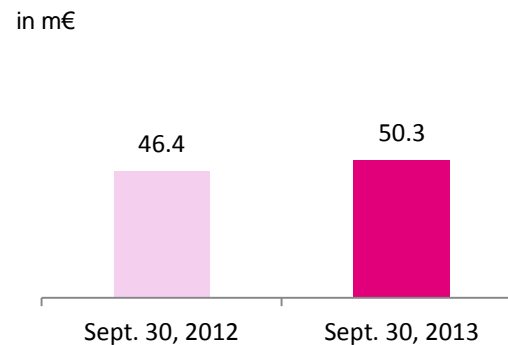
- Weak summer sale quarter
- Increase in personnel expenses due to expired bargain agreement
- Planned expansion of marketing activities
- Provisions in personnel and marketing

Ongoing Improvement of Operating Working Capital

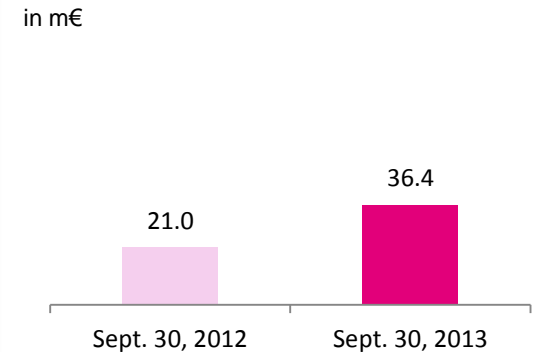
Inventories



Trade payables

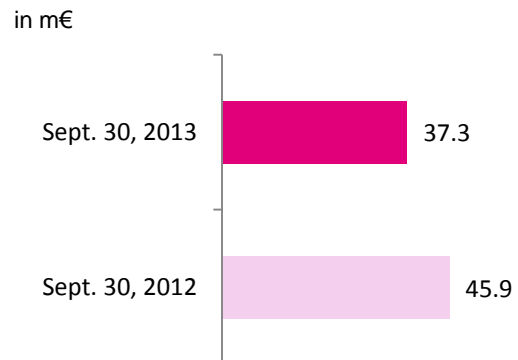


Cash Position



Insignificant amount in trade receivables of < € 0.1m

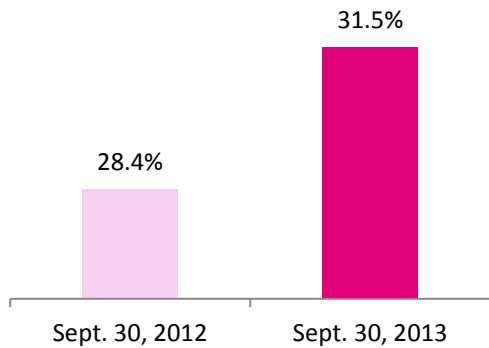
Operating working capital



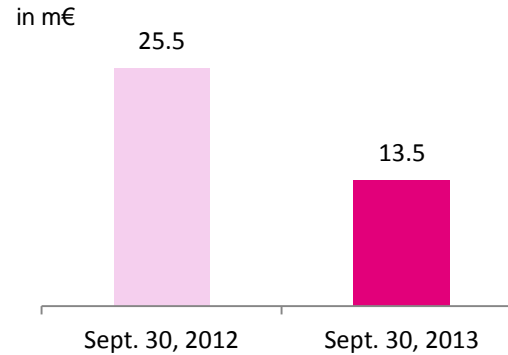
Operating working capital down from 13.3% to 10.2% of sales

Healthy Balance Sheet

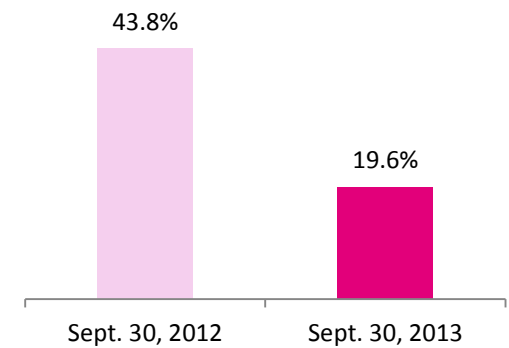
Equity Ratio



Net Debt (+) / Cash (-)



Net Gearing*



Improved equity ratio despite dividend payment of € 7m

Decrease in net debt due to better liquidity as well as lower financial liabilities from the customer card

Net Gearing below 20%

* Net Debt to Equity



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Outlook 2013 Confirmed

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

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eMail: InvestorRelations@adler.de

Deutsches Eigenkapitalforum, Frankfurt

November 12th - 13th, 2013

Close Brothers Seydler Mid Cap Conference, Geneva

December 10 - 11th, 2013

Kepler Cheuvreux German Corporate Conference, Frankfurt

January 20 - 22nd, 2014

Annual Report 2013

March 20th, 2014

Report for the first quarter 2014

May 13th, 2014

Appendix

P&L First Nine Months 2013

	01.01.- 30.09.2013	01.01.- 30.09.2012	Relative change
m€			
Revenue	367.0	343.7	6,8%
Other operating income	4.7	5.3	-11,3%
Material expenses	-170.1	-171.9	-1,0%
Gross profit margin	53.7%	50.0%	
Personnel expenses	-69.2	-63.4	9,1%
<i>Personnel expenses in %</i>	<i>-18.9%</i>	<i>-18.5%</i>	
Other operating expenses	-121.5	-112.5	8,0%
<i>Other operating expenses in %</i>	<i>-33.1%</i>	<i>-32.7%</i>	
EBITDA	10.9	1.1	890,9%
<i>EBITDA margin</i>	<i>3.0%</i>	<i>0.3%</i>	
Depreciation and amortisation	-10.4	-11.0	-5,5%
EBIT	0.5	-9.9	-105,1%
Financial result	-3.2	-3.0	6,7%
EBT	-2.7	-12.9	-79,1%
Income taxes	0.3	1.9	-84,2%
EAT	-2.4	-11.0	-78,2%
EPS	-0.13	-0.61	-78,7%

Asset and Liability Break-Down





k€	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
Property, plant and equipment	63.649	64.724	58.213
Intangible assets	7.695	5.896	5.435
Investment property	2.002	2.002	2.002
Inventories	87.641	78.168	92.165
Trade receivables	47	75	126
Other assets	10.290	9.388	13.669
Deferred tax assets	10.130	8.446	11.975
Cash and cash equivalents	36.409	42.111	20.969
Available for sale financial assets	267	257	263
Total assets	218.131	211.067	204.818

in k€	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
Amounts owed to credit institutions	0	1	0
Provisions	10.524	10.226	9.268
Financial liabilities	20.590	19.687	29.871
Finance lease obligations	46.001	48.701	42.247
Trade payables	50.342	33.771	46.437
Other liabilities	21.794	18.814	18.556
Deferred taxes and income tax liabilities	94	1.664	242
Total liabilities	149.345	132.863	146.621

Cash Flow Statement

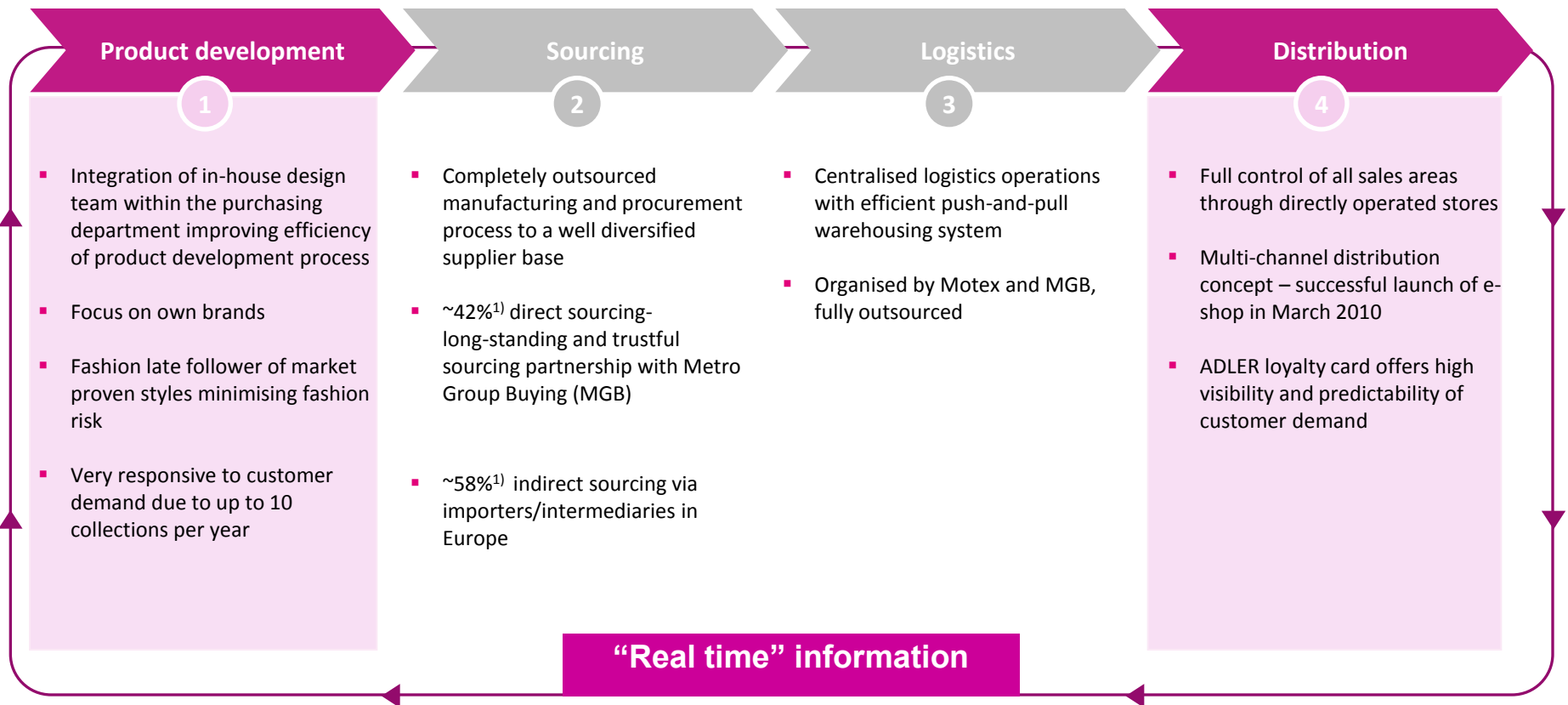
k€	Sept. 30, 2013	Sept. 30, 2012
Net Profit	-2.697	-12.945
Increase in inventories	-9.777	-20.020
Increase (-)/Decrease (+) of trade receivables and other receivables	-2.516	-4.104
Increase (+)/Decrease (-) of trade payables, other payables and other provisions	7.718	8.327
Other non-cash items	24.801	31.709
Net cash flows from operating activities	17.529	2.967
Net cash flows from investing activities	-8.649	-8.082
Free cash flow	8.880	-5.115
Net cash flows from financing activities	-14.580	-13.940
Thereof share buy back	0	-4.626
Thereof finance lease payments	-7.319	-9.118
Net change in cash and cash equivalents	-5.701	-19.055

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

