PRESS RELEASE

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Completed set of earnings and efficiency increasing measures is bearing fruit, as reflected in major cost savings and significantly improved consolidated earnings in the fiscal year 2018/19. Successful financial consolidation with debt cut by half. Very solid balance sheet structure as evidenced by equity ratio of 57 percent. Return to profitability (EBIT before and after one-time effects) expected for current fiscal year.

- Performance in Q4 2018/19 in line with expectations
- Sales revenues in 2018/19 (-7.2 percent) influenced by discontinued activities and moderate suit and jacket sales
- Consolidated earnings before income taxes significantly improved (+58 percent), but still negative (EUR -3.0 million) in 2018/19, which was a year of transition
- Set of earnings and efficiency increasing measures helps reduce operating expenses by 8.2 percent
- Strong increase in cash flow from operating activities
- Very solid balance sheet structure continues to improve, as testified by sharp rise in equity ratio to 57 percent (previous year: 53 percent), decline in net working capital and 50 percent reduction in liabilities

“We have completed our set of measures aimed at increasing earnings and efficiency. Thanks to tangible cost savings and more efficient processes, we have been able to improve our result for 2018/19 significantly,” said Dr. Stella Ahlers at the presentation of the balance sheet for the fiscal year 2018/19. “If everything continues according to plan, we will return to profit in terms of EBIT before and after one-time effects and thus conclude the transformation phase of the previous year.”

Group revenues influenced by discontinued activities and declining sales of suits and outdoor jackets

In the fiscal year 2018/19, the Group’s revenues were mainly influenced by two major factors. The discontinuation of sales of Jupiter jackets as well as Pierre Cardin and Pioneer ladies’ trousers sent sales revenues falling as expected by a total of EUR 6.0 million. Moreover, the general trend towards casualisation continued in the past fiscal year, again resulting in declining sales of suits, blazers and outdoor jackets (effect on revenues: EUR -4.6 million). The other operations were unable to defy the declining market trend and decreased by EUR 5.5 million. Between them, these factors sent Group sales revenues in the fiscal year 2018/19 falling by EUR 16.1 million or 7.2 percent to EUR 207.0 million.

Stable denim sales at Baldessarini, Pierre Cardin and Pioneer

Sales of jeans and trousers of the Baldessarini, Pioneer and Pierre Cardin brands remained stable (-0.4 percent).

E-commerce revenues rise sharply; own Retail revenues grow thanks to Ahlers RUS

The e-commerce has high strategic priority at Ahlers. In the fiscal year 2018/19, e-commerce revenues increased by an impressive 12.7 percent. Growing by 14.8 percent, revenues generated on marketplaces made a particularly strong contribution. Sales revenues of the Group's own physical retail shops increased by 3.0 percent in the fiscal year 2018/19, mainly due to the full-year consolidation of the Russian subsidiary, Ahlers RUS. As a result, own Retail revenues as a percentage of total revenues rose from 14.0 percent to 15.4 percent.

Set of earnings-increasing measures taking effect – much lower operating expenses

The programme of earnings and efficiency increasing measures increasingly took effect in the course of the fiscal year. Personnel expenses declined by a noticeable EUR 3.8 million or 7.5 percent to EUR 46.9 million in the year under review (previous year: EUR 50.7 million). The balance of other operating expenses and income declined even more strongly by EUR 4.7 million or 8.5 percent to EUR 50.7 million (previous year: EUR 55.4 million). Total operating expenses before one-time effects, which comprise personnel expenses, the balance of other operating expenses and income as well as lower write-downs, declined by EUR 9.1 million or 8.2 percent in the fiscal year 2018/19. The decline in operating expenses almost offset the revenue effect on gross profit. As a result, EBIT before one-time effects, at EUR -2.4 million, was more or less on a par with the previous year (EUR -2.0 million).

Absence of one-time effects leads to greatly improved earnings

One-time effects in 2019 were zero, as extraordinary expenses and extraordinary income balanced each other out, whereas in the previous year an amount of EUR 4.4 million (-100 percent) had been set aside for the set of earnings and efficiency increasing measures. In the fiscal year 2018/19, this led to a 63 percent improvement in EBIT after one-time effects to EUR -2.4 million (previous year: EUR -6.4 million). Consolidated earnings before taxes rose by EUR 4.1 million or 57.7 percent to EUR -3,0 million (previous year: EUR -7.1 million). Consolidated earnings after income taxes increased by EUR 3.3 million or 47.1 percent to EUR -3,7 million (previous year: EUR -7.0 million).

Net financial liabilities down by half; cash flow picks up; equity ratio climbs to 57 percent

The sharp drop in net working capital by EUR 12.8 million or 16.5 percent (balance of inventories, trade receivables and trade payables) led to a significantly lower tie-up of cash and cash equivalents in the fiscal year 2018/19. The sale of non-operating assets released additional liquidity, which was used to repay financial liabilities. Net financial liabilities (balance of non-current and current financial liabilities less cash and cash equivalents) dropped by a strong EUR 15.9 million to EUR 12.5 million (previous year: EUR 28.4 million) between the balance sheet dates and were thus reduced by half. The equity ratio climbed to 57.4 percent (previous year: 53.1 percent) The reduction in net working capital and the marked improvement in consolidated earnings were the main reasons for the higher cash flow from operating activities. At EUR 10.7 million, the latter was up EUR 1.1 million on the previous year's already very high level of EUR 9.6 million (+11.5 percent).

Continuing operations expected to grow in fiscal 2019/20

Revenues from continuing activities should increase at a low single-digit percentage rate and largely offset the expected decline in revenues from discontinued operations (EUR -8.7 million) over the full fiscal year. Accordingly, the Management Board expects Group sales revenues to remain stable at best, but more likely to decline slightly in the fiscal year 2019/20, which has just begun. Growth should be driven primarily by the Premium segment, which comprises the Baldessarini, Pierre Cardin and Otto Kern brands.

Significantly higher consolidated earnings projected for 2019/20, with EBIT expected to be positive before and after one-time effects

Consolidated earnings in the fiscal year 2019/20 should continue to improve significantly compared to the two previous years. "The completed set of earnings and efficiency increasing measures should lead to a noticeable reduction in personnel expenses, and the balance of other operating expenses and income is also expected to decline. As a result, operating expenses should drop sharply," said CFO Dr. Karsten Kölsch. Extraordinary expenses and income should largely offset each other in the fiscal year 2019/20 and remain of minor importance. The Management Board expects to return to profit in terms of EBIT before and after one-time effects and hence to conclude the transformation phase of the previous year.

Summary of Ahlers Group figures:

		2018/19	2017/18	Change
Sales	EUR million	207,0	223,1	-7,2%
EBIT	EUR million	-2,4	-6,4	62,5%
Earnings before income taxes	EUR million	-3,0	-7,1	57,7%
Net income	EUR million	-3,7	-7,0	47,1%
Net Working Capital*	EUR million	64,7	77,5	-16,5%
Cash flow from operating activities	EUR million	10,7	9,6	11,5%
Net financial liabilities	EUR million	12,5	28,4	-56,0%
Equity ratio	in %	57,4	53,1	4,3 PP
Employees (30.11.)		1.929	2.145	-10,1%

*Inventories, trade receivables and trade payables

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