PRESS RELEASE

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Ahlers reports positive results for first nine months. Full-year forecast confirmed.

- Q3 earnings before taxes (June to August 2019) increase noticeably to EUR 2.2 million (previous year: EUR 0.9 million).
- Q3 revenues down 5.1 percent as expected, especially due to the discontinuation of activities; nine-month revenues also 5.0 percent below previous year
- Own Retail revenues up 4.9 percent; e-commerce revenues up 16.5 percent
- Consolidated earnings for the first nine months of 2018/19 doubled to EUR 0.4 million
- Equity ratio rises sharply to 59 percent (previous year: 51 percent)

"After the first nine months of fiscal 2018/19, our business performance is at the upper end of our plans. Especially the third quarter from June to August shows that we have initiated the right steps," said CEO Dr. Stella A. Ahlers at the presentation of the figures for the first nine months of 2018/19. "Our set of efficiency-enhancing measures is taking effect and costs have been reduced significantly. Although we have lost revenues because of the discontinuation of activities, costs have been reduced much more strongly, which means higher earnings at the bottom line. At the same time, we are reducing the complexity of corporate processes, which allows us to manage our business more efficiently. Pre-sales for the next spring/summer season 2020 are showing an upward trend. These developments encourage us to pursue the course we have taken with determination. Our Baldessarini, Pierre Cardin and Pioneer brands must return to profitable growth. That remains our top priority."

Earnings improve noticeably in Q3 2019

The Group's Q3 revenues dropped by 5.1 percent or EUR 2.9 million to EUR 54.3 million, primarily due to the discontinuation of activities. At 51.9 percent, the gross profit margin was on a par with the previous year (52.1 percent). At the same time, operating expenses were reduced by EUR 8.5 percent (EUR 2.4 million) thanks to the cost-saving effects of the efficiency-enhancing measures and reduced extraordinary expenses. These savings clearly exceeded the revenue effect on gross profit. As a result, Q3 earnings before taxes more than doubled to EUR 2.2 million (previous year: EUR 0.9 million). Consolidated earnings after taxes also rose by an impressive EUR 1.5 million to EUR 2.1 million.

Nine-month figures within target range

The nine-month period showed a similar trend as the third quarter. Revenues in the first nine months of 2018/19 declined by 5.0 percent or EUR 8.4 million to EUR 159.6 million, mainly due to the deliberate discontinuation of activities (previous year: EUR 168.0 million). Nine-month revenues in Germany and Western Europe were down by 6.2 percent each. Sales revenues in the Eastern Europe/Other region increased by a moderate 0.6 percent.

The revenues generated by the company's own Retail segment increased by 4.9 percent, especially after the takeover of Russian stores by Ahlers RUS. Own Retail revenues thus accounted for 14.9 percent of total revenues (previous year: 13.7 percent). Like-for-like revenues were down by a moderate 1.1 percent on the prior year period. E-commerce revenues rose by an impressive 16.5 percent in the nine-month period. The sale of denims of all brands was also encouraging. Most importantly, Baldessarini's denim sales rose by 3.7 percent.

Consolidated earnings doubled thanks to cost-cutting measures

The company was able to reduce its operating expenses by 6.5 percent (EUR 5.5 million) in the reporting period. This was mainly due to reduced personnel and marketing expenses for discontinued activities as well as lower spending on consulting and temporary labour. The reversal of provisions that had been established in the previous year but were no longer needed led to positive one-time effects of EUR 0.2 million in the reporting period (previous year: EUR -0.4 million). At EUR 0.5 million, financial expenses were slightly below the previous year's figure (EUR 0.6 million) due to a strong reduction in borrowings. On balance, cost savings outweighed the 7.1 percent decline in gross profit to EUR 79.5 million. As a result, consolidated earnings after taxes doubled at a low level to EUR 0.4 million.

Strong increase in equity ratio and operating cash flow

Net working capital was reduced by EUR 25.1 million or 24.1 percent to EUR 78.9 million in the first nine months of fiscal 2018/19 (previous year: EUR 104.0 million). This was one of the main reasons of the strong increase in operating cash flow, which was clearly positive at EUR 3.1 million (previous year: EUR -11.0 million). The sale of works of art generated an additional EUR 7.2 million, which was used to repay financial liabilities. Between the reporting dates, net financial liabilities declined by EUR 25.7 million or 55 percent to EUR 21.4 million (previous year: EUR 47.1 million). The equity ratio stood at 59.0 percent on the reporting date (previous year: 51,1 percent). This is well above the industry average and the highest equity ratio for Ahlers in the past ten years. "Over the past months we implemented our set of measures with great determination and improved our balance sheet structure. The set of measures aimed at increasing earnings and efficiency has largely been completed. Our priority now is to achieve profitable growth," said CFO Dr. Karsten Kölsch.

Forecast confirmed – declining revenues and greatly improved consolidated earnings in 2018/19; balance sheet structures further strengthened, as reflected in equity ratio of approx. 60 percent

The Management Board has confirmed the full-year forecast, according to which Group sales revenues are likely to decline at a medium single-digit percentage rate. Due to earlier deliveries in the third quarter, the full-year trend is expected to be below the nine-month rate. Consolidated earnings after taxes are likely to improve by a high double-digit percentage but should still be negative in 2018/19, which will be a year of transition. Free cash flow before financing activities should be clearly positive and net liabilities should be reduced noticeably, as was already the case as of the Q3 reporting date. With an improved balance sheet structure, the equity ratio should increase to about 60 percent. The company plans to return to profit in 2020 when all measures initiated will take effect.

Summary of Ahlers Group figures:

		Q1-Q3 2018/19	Q1-Q3 2017/18	Change
Sales revenues	EUR million	159.6	168.0	-5.0%
EBIT	EUR million	1.0	1.0	0.0%
Consolidated net income	EUR million	0.4	0.2	100.0%
Net Working Capital*	EUR million	78.9	104.0	-24.1%
Cashflow from operating activities	EUR million	3.1	-11.0	n.a.
Equity ratio	in %	59.0	51.1	7.9 PP
Employees at reporting date		1,924	2,154	-230

*Inventories, trade receivables and trade payables

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