PRESS RELEASE

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Q1 2018/19 - Highlights

- Q1 2018/19: EBIT before one-time effects up by 18 percent to EUR 3.3 million (previous year: EUR 2.8 million) as the set of measures aimed at increasing earnings and efficiency takes effect
- Rising jeans sales of Baldessarini, Pierre Cardin and Pioneer but sales of suits and jackets remain slow
- At 2.8 percent, the drop in Group sales revenues is lower than expected and is at the upper end of the projected range thanks to earlier delivery of the spring/summer 2019 merchandise
- Equity ratio of 54.3 percent and improved operating cash flow reflect solid financial position
- Full-year forecast confirmed: consolidated earnings expected to improve noticeably although revenues decline at medium single-digit percentage rate

Q1 2018/19 sees pleasant increase in jeans sales and declining sales of suits and jackets

The business situation returned to normal in the first three months of the fiscal year 2018/19. Revenues exceeded the trend projected for the year 2018/19 (decline at medium single-digit percentage rate). Although sales of suits and jackets continued to stabilise as in the fourth quarter of the previous year, they were down by EUR 1.6 million on the previous year´s period. While the pleasant increase in jeans sales of Baldessarini, Pierre Cardin and Pioneer (+3.4 percent) had an opposite effect, it did not fully compensate the decline. The stable stock sales also had a positive effect in a further shrinking market. The 2.8 percent decline in Group revenues to EUR 59.0 million (previous year: EUR 60.7 million) was at the upper end of the expectations and was influenced by the earlier delivery of the spring/summer collection. Towards the end of the first half of 2018/19, revenues are likely to approach the trend anticipated for the full year.

Growth in own Retail segment and e-commerce

The revenues generated by the company's own Retail segment increased by 9.7 percent in the reporting period, mainly because of the takeover of Russian stores by Ahlers RUS. Own Retail revenues thus accounted for 12.9 percent of total revenues (previous year: 11.4 percent). Like-for-like revenues declined by a slight 1.6 percent. E-commerce revenues rose by an impressive 17.4 percent in Q1 2018/19.

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Increased earnings thanks to influence of the measures aimed at increasing earnings and efficiency

At 52.4 percent, the gross profit margin for the first three months of the fiscal year 2018/19 was on a par with the previous year (52.6 percent). Due to the influence of the efficiency measures operating expenses, which comprise personnel expenses, the balance of operating expenses and income as well as write-downs, declined by EUR 1.5 million or 5.2 percent from EUR 29.1 million to EUR 27.6 million which more than offset the revenues-related decline in gross profit. Thus, EBIT before one-time effects rose by EUR 0.5 million or 17.9 percent from EUR 2.8 million to EUR 3.3 million in the reporting period. Consolidated earnings after taxes increased by EUR 0.1 million or 5.0 percent from EUR 2.0 million to EUR 2.1 million in the first quarter of 2018/19. Dr. Stella A. Ahlers, CEO of Ahlers AG, on the development of the first quarter 2018/19: „ All measures of the earnings and efficiency enhancing programme launched in September 2018 have been initiated. Most of them have been contractually agreed and will largely take effect in the course of the year. This means that the programme has largely been completed and has begun to take effect already in the first quarter resulting in reduced complexity and lower expenses."

More compact balance sheet with solid structure and reduced net working capital

At EUR 174.9 million, Ahlers' total assets on February 28, 2019 were clearly lower than in the previous year (EUR -17.8 million; previous year: EUR 192.7 million). This was mainly due to lower trade receivables which were down by EUR 12.7 million due to the signing of a factoring agreement for the sale of trade receivables. Total receivables even dropped by as much as EUR 16.5 million (i.e. by an additional EUR 3.8 million beyond the factoring effect). Together with inventories more or less on a par with the previous year and lower trade payables (EUR -2.7 million), net working capital (balance of inventories, trade receivables and trade payables) declined by a strong EUR 13.4 million or 13.2 percent from EUR 101.8 million to EUR 88.4 million. The cash released was used to reduce net liabilities by 15.7 percent or EUR 6.3 million to EUR 34.2 million. The equity ratio stayed at a high level of 54.3 percent as at February 28, 2019, which slightly exceeded the previous year's 54.0 percent.

Full-year forecast confirmed – greatly improved consolidated earnings despite declining revenues at medium single-digit percentage rate

The Management Board confirms the forecast 2018/19 of a medium single-digit percentage reduction in Group sales revenues which was published in the annual report. Consolidated earnings after taxes are likely to grow at a high double-digit percentage rate but still be negative in 2018/19. The balance sheet structure should tend to improve. Dr. Stella A. Ahlers: „The recently started business year will be a year of transformation for Ahlers. Nevertheless the first three months of the current fiscal year confirm our conviction that innovation, digitisation and efficiency are the right responses to the current challenges of our industry. The company aims to return to profit in 2020 when all measures initiated will take effect."

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Summary of Ahlers Group figures:

		Q1 2018/19	Q1 2017/18	Change
Sales revenues	EUR million	59.0	60.7	-2.8%
EBIT before one-time effects	EUR million	3.3	2.8	17.9%
Consolidated net income	EUR million	2.1	2.0	5.0%
Net Working Capital*	EUR million	88.4	101.8	-13.2%
Cashflow from operating activities	EUR million	-4.8	-9.2	47.8%
Equity ratio	%	54.3	54.0	0.3 PP

*Inventories, trade receivables and trade payables

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