GERRY WEBER
INTERNATIONAL AG

## Corporate News

# GERRY WEBER confirms preliminary results for the financial year 2016/17 and launches performance programme to improve profitability

- Group revenues (EUR 880.9 million) and EBIT (EUR 10.3 million) in line with forecast
- Extraordinary effects of EUR 9.6 million from the realignment programme FIT4GROWTH weigh on the Group's EBIT
- FIT4GROWTH provides good basis for a subsequent performance programme
- Earnings projections for FY 2017/18 at prior year level

(Halle/Westphalia, 27 February 2018) The preliminary figures for the past financial year 2016/17 published by GERRY WEBER International AG at the end of January 2018 were confirmed at today's annual accounts press conference. For FY 2016/17 (1 November 2016 to 31 October 2017), GERRY WEBER International AG posted sales revenues of EUR 880.9 million (previous year: EUR 900.8 million) and earnings before interest and taxes (EBIT reported) of EUR 10.3 million (previous year: EUR 13.8 million). This means that GERRY WEBER International AG reached the revenue and earnings targets defined in January 2017 for the fiscal year 2016/17.

**Sales performance in 2016/17**

Although another 68 stores were closed (previous year: 75 store closures), consolidated revenues of the GERRY WEBER Group declined only by a moderate 2.2% to EUR 880.9 million.

The GERRY WEBER Core brands (GERRY WEBER, TAIFUN, SAMOON and talkabout) contributed EUR 686.6 million (previous year: EUR 717.6 million) to the Group's revenues. The 4.4% decline is primarily attributable to the drop in revenues of the GERRY WEBER Core Retail segment, which was due to both the above-mentioned store closures and the 1.9% decline in like-for-like revenues to EUR 392.6 million (previous year: EUR 419.2 million). The reduction in like-for-like revenues is thus in line with the market average. Like-for-like revenues of the German fashion retail sector were down by approx. 2% on the prior year period in GERRY WEBER's fiscal year. Accounting for 63.3% of total revenues, Germany is the most important output market of the GERRY WEBER Group.

The GERRY WEBER Core Wholesale segment contributed EUR 294.0 million (previous year: EUR 298.4 million) to the Group's total revenues. CEO Ralf Weber comments: "The moderate decline by only 1.5% compared to the previous year clearly reflects the success of the measures implemented in the context of the FIT4GROWTH programme as well as the increasing attractiveness of our new collections."

In the past fiscal year, sales revenues were again driven by HALLHUBER, the Munich-based subsidiary, whose revenues increased by 6.1% to EUR 194.3 million (previous year: EUR 183.2 million) as a result of the expansion.

The online activities of all brands of the GERRY WEBER Group showed a positive trend. While online revenues of the Core brands (GERRY WEBER, TAIFUN, SAMOON and talkabout) increased by 12.9% to EUR 31.5 million, HALLHUBER boosted its revenues by as much as 14.2% to EUR 20.1 million in the past fiscal year.

**Earnings performance in 2016/17**

Lower revenues of the GERRY WEBER Core Retail segment and investments in the collections of our Core brands, GERRY WEBER, TAIFUN and SAMOON, temporarily weighed on the Group's gross profit margin, which dropped from 60.4% in the previous year to 58.6% in 2016/17. The cost savings achieved as a result of the implementation of the FIT4GROWTH realignment programme failed to offset the decline in gross profit.

Launched in early 2016 and completed with effect from 31 October 2017, the programme resulted in cost savings of roughly EUR 30 million with regard to personnel and operating expenses. Personnel expenses declined from EUR 202.7 million to EUR 192.0 million and other operating expenses even dropped from EUR 308.7 million to EUR 279.3 million in the fiscal year 2016/17. This means that we exceeded our cost savings target of EUR 20 million to EUR 25 million set in the context of the FIT4GROWTH programme.

After deduction of operating expenses, the Group's earnings before interest, taxes, depreciation and amortisation (Group EBITDA reported) amounted to EUR 58.2 million (previous year: EUR 77.3 million). Adjusted for the extraordinary effects of EUR 6.2 million resulting from the FIT4GROWTH programme, the Group's EBITDA stood at EUR 64.4 million (previous year: EUR 71.6 million).

The decline in Core revenues, the still low profitability of HALLHUBER's revenues and, most importantly, the extraordinary charges arising from the FIT4GROWTH programme had an adverse impact on the profitability of the GERRY WEBER Group. After deduction of depreciation/amortisation of EUR 47.9 million, consolidated earnings before interest and taxes (EBIT reported) amounted to EUR 10.3 million (previous year: EUR 13.8 million). Adjusted for the extraordinary effects and extraordinary write-downs relating to the

FIT4GROWTH programme, consolidated EBIT stood at EUR 19.9 million (previous year: EUR 23.1 million).

Extraordinary charges resulting from FIT4GROWTH totalled EUR 9.6 million in FY 2016/17; this amount includes cash expenses of EUR 6.2 million as well as extraordinary write-downs in conjunction with the store closures of EUR 3.4 million.

After deduction of taxes, the GERRY WEBER Group posted a consolidated net loss of EUR 0.8 million for the fiscal year 2016/17 (previous year: net profit of EUR 0.5 million). Accordingly, earnings per share declined to EUR -0.02 (previous year: EUR 0.01). Against the background of the planned investments, especially in the digitalisation of the business model, and the potential burdens resulting from the performance programme aimed at improving the company's profitability the Managing Board and the Supervisory Board have decided to propose to the Annual General Meeting to carry the full accumulated profits forward to new account.

**Performance programme and outlook on the fiscal year 2017/18**

The FIT4GROWTH realignment programme announced in February 2016 was completed at the end of the fiscal year 2016/17. Nearly all targets and objectives set for the fiscal year were reached. Apart from the financial targets, these primarily comprise the optimisation of the Retail operations and the related 143 store closures, the cost savings achieved and the strengthening of the relationships with our Wholesale partners. The young talkabout brand and the newly introduced partnership schemes have met with great customer acceptance. In addition, HALLHUBER continued its controlled growth and opened 55 new points of sale.

Although diverse measures were implemented and considerable cost savings were achieved, the GERRY WEBER Group has been unable to improve its profitability. Against this background, the Managing Board and the Supervisory Board decided to initiate further measures aimed at achieving a sustainable improvement in profitability.

The forward-looking measures planned by the company will primarily be implemented in the areas of procurement, product development and product range design; besides this, the company will continue to implement the measures aimed at modernising the brands with great determination. The measures, whose details yet need to be defined, will result in further extraordinary effects in FY 2017/18, which will weigh on the GERRY WEBER Group's EBIT. In addition, we will continue to invest in the digitalisation of our value chain and the optimisation of our distribution channels.

In spite of the continued difficult and constantly changing market environment and the declining sales revenues generated by physical fashion stores, the Managing Board of GERRY WEBER International AG expects to generate almost stable Group revenues of EUR

870 million to EUR 890 million in the fiscal year 2017/18. The extraordinary charges expected to result from the performance programme yet to be defined and the investments in the digitalisation of our business model will weigh on the Group's bottom line. Consequently, the Managing Board projects consolidated EBIT (reported) of between EUR 10.0 million and EUR 20.0 million for the fiscal year 2017/18.

CEO Ralf Weber explains: "Thanks to our strong brands, the company's innovation capacity and financial strength, and its ability to adapt to changing requirements, we will lead GERRY WEBER back to sustainable profitable growth and vigorously implement all measures that are necessary to achieve this goal. We will effectively seize the opportunities that arise in the context of the digitalisation drive and our proven capacity to establish new, innovative brands and will continue the GERRY WEBER success story, which already spans more than 40 years."

**Key figures of the GERRY WEBER Group:**

| | 2016/17 | 2015/16 | Change in % |
|---|---|---|---|
| Sales revenues (in EUR millions) | 880.9 | 900.8 | *-2.2* |
| EBITDA (in EUR million) | 58.2 | 77.3 | *-24.7* |
| EBITDA margin (in %) | 6.6 % | 8.6 % | *-2.0 percentage points* |
| EBIT (reported) (in EUR millions) | 10.3 | 13.8 | *-25.5* |
| EBIT (adjusted) (in EUR millions) | 19.9 | 23.1 | *-23.2* |
| EBIT margin (in %) | 1.2 % | 1.5 % | *-0.3 percentage points* |
| Annual net loss/ profit (in EUR millions) | -0.8 | 0.5 | |
| Earnings per share (in Euro) | -0.02 | 0.01 | *-300.0 %* |
| Equity ratio (in %) | 52.3 | 49.6 | *+2.7 percentage points* |

| | | | |
|---|---|---|---|
| net debt (in EUR millions) | 192.5 | 204.1 | *-5.7* |
| Headcount (annual average) | 6,921 | 7,022 | *-1.4* |

**Forecast of the GERRY WEBER Group for the finial year 2017/18:**

| | GERRY WEBER Group |
|---|---|
| Sales revenues (in EUR millions) | EUR 870 - 890 milllion |
| EBITDA (in EUR millions) | 55 - 68 |
| EBIT (in EUR millions) | 10 - 20 |

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**GERRY WEBER International AG**


Investor Relations Contact:
Claudia Kellert
Head of Investor Relations
Tel: +49 (0)5201 185 8422
E-mail: claudia.kellert@gerryweber.com

Press Contact:
Cornelia Brüning-Harbrecht
Head of Corporate Communications
Tel: +49 (0)5201 185 320
E-mail: cornelia.bruening-harbrecht@gerryweber.com