GERRY WEBER
INTERNATIONAL AG

Corporate News

GERRY WEBER rebuilds business model from scratch and launches comprehensive Performance Programme for sustainable profitable growth

- Performance Programme for sustainable growth with focus on go-to-market strategy, leaner structures and digitisation
- New business model for faster and more flexible market approach
- Consolidated revenues and EBIT decline in H1 2017/18, but the completed FIT4GROWTH programme has noticeable effect on earnings in Q2
- Forecast for current financial year 2017/18 revised to reflect extraordinary charges resulting from the Performance Programme: Expected revenues of EUR 830 to 840 million and expected EBIT of EUR -10 to 0 million

(Halle/Westphalia, 13 June 2018) In the context of the new Performance Programme for sustainable profitable growth, GERRY WEBER International AG will modify its business model. The Performance Programme for sustainable profitable growth comprises a total of eight sub-projects – Product Development, Procurement, Retail, Wholesale, Logistics, IT, Support and Digital – and takes a consistent vertical process approach. Going forward, the organisation will be geared to the go-to-market model, place the customer centre-stage and respond quickly and flexibly to short-term developments and fashion trends. Besides this modernisation, the Performance Programme includes the ongoing digitisation and the streamlining of the corporate structures.

“The modification of our business model is a revolution for GERRY WEBER,” says CEO Ralf Weber. “We will change the way we think and work from scratch for even greater vertical integration and full concentration on the consumer. We will become faster, more modern and more flexible at the same time. This is the core of our Performance Programme. This also comprises a comprehensive set of measures to not only grow but to also increase our profitability. The cuts that are necessary to steer GERRY WEBER back on the road to success are not easy, especially for a traditional family-run company like ours. But the results for the first half of 2017/18 have shown that we must take fundamental and effective counter-measures in spite of the positive effects of the completed FIT4GROWTH programme. It remains our objective to return to sustainable growth – in both revenues and earnings.”

Product Development, Procurement, Retail and Wholesale

The new programme is consistent with the strategy of the GERRY WEBER Group and places the customer centre-stage. To achieve this, the company will change the business model to a go-to-market approach characterised by strict vertical integration. As a result, all processes will be accelerated significantly from the core and the collections will be matched more effectively to the current season and to current requirements. GERRY WEBER will thus create collections that are ideally tailored to trends and customers' needs. This calls for far-reaching changes in product development, into which comprehensive data analyses and market research will be incorporated in the future. In this context, the partnerships with strategic suppliers will be expanded. By taking these steps, GERRY WEBER will improve its merchandise management and reduce the discounts granted and will thus significantly increase the productivity per square metre in both the Retail segment and the Wholesale segment. At the same time, the organisation will be focused on the GERRY WEBER core brands. The Performance Programme is the logical continuation of GERRY WEBER's strategy of modernising the brand profiles and increasing the attractiveness of its online and physical brand presentation. This will also entail considerable marketing expenses, especially consumer marketing measures, in order to increase the footfall.

Digital, IT, Logistics, Support

“Digital first” is the new motto for all activities of the GERRY WEBER Group. This primarily means pursuing a comprehensive omni-channel strategy to integrate all distribution channels. At the same time, all processes will continue to be digitised and the GERRY WEBER Group's IT will be optimised. Online growth has already reached a high level but will be pushed ahead further – e.g. by expanding the cross-channel business such as in-store ordering, click & collect, etc. In this context, “digital” also means that the GERRY WEBER core brand, in particular, will be presented to consumers in a more modern way, that customers will be addressed more effectively and customer satisfaction on the whole will be increased. For this purpose, the customer retention programmes will be expanded considerably. The investments in digitisation and IT will lay the foundation for a modern organisation and growth.

Moreover, the GERRY WEBER Group will become leaner and focus on its core competencies. This will entail operating and personnel cost savings in the amount of EUR 13 to 15 million in product development, procurement, logistics and finance. Over the next two years, it is therefore planned to cut about 140 to 150 full-time positions at the headquarters and in logistics; these job cuts will be implemented in a socially compatible manner.

Internationally, the Group will focus on large and profitable growth markets in order to expand its activities in these markets selectively.

To implement the measures of the Performance Programme in a consistent and target-oriented manner, implementation will follow the multi-project office approach, which is characterised by effective interface management and efficient project management.

The measures to be implemented as part of the Performance Programme are aimed at six strategic and operational levers: GERRY WEBER is to become more desirable, more demand-oriented and more agile, more emotional, more productive, more focused and leaner. By implementing these measures, the company aims to increase its sales revenues significantly and more strongly than the market in the next three to five years, to save total costs in the medium double-digit million range and thus to generate additional potential of up to EUR 35 to 40 million p.a. for its operating result (EBIT) within the next three to five years.

Performance in H1 and Q2 2017/18

In the first half of 2017/18, GERRY WEBER International AG generated consolidated revenues of EUR 404.7 million. This represents a decline by 5.4% on the previous year's EUR 427.8 million. In the first quarter alone, revenues dropped by as much as 9.3%, which means that the decline in revenues slowed down to 1.7% in the second quarter, resulting in consolidated second-quarter revenues of EUR 214.9 million (previous year: EUR 218.6 million). The slowdown is attributable to the continued positive business trend at HALLHUBER, the announced shift in deliveries to our Wholesale partners to the second quarter and the increasingly positive effects of the measures implemented in the context of the FIT4GROWTH programme, which was completed at the end of the financial year 2016/17.

The GERRY WEBER Core Retail segment, i.e. revenues generated by GERRY WEBER, TAIFUN and SAMOON at our own points of sale, declined by 14.2% to EUR 165.0 million in the first half of 2017/18 (H1 previous year: EUR 192.3 million). The segment continues to be influenced by the store closures implemented as part of the FIT4GROWTH programme; as had been expected, there were a total of company-managed stores of 835 at the end of the first half of the year (previous year: 886).

At EUR 135.4 million, sales revenues in the GERRY WEBER Core Wholesale segment were down by 5% on the previous year in the first half of 2017/18. In the second quarter, however, revenues increased by 2.6% to EUR 85.2 million (Q2 previous year: EUR 83.1 million) as a result of the shift in deliveries.

As had been expected, HALLHUBER's sales revenues showed a very positive trend year-on-year and picked up by a strong 12.2% to EUR 104.3 million in the first half of 2017/18. This revenue growth is attributable to an expansion-related increase in the number of POS.

In addition, comparable revenues rose by 8.0%. HALLHUBER thus again outperformed the German fashion retail sector.

The online business of all brands of the GERRY WEBER Group continued to show a positive trend. Online revenues of the Core brands (GERRY WEBER, TAIFUN, SAMOON and talkabout) were up by 9.4% on the first half of 2016/17 and amounted to EUR 14.9 million. HALLHUBER's revenues picked up by as much as 61% to EUR 14.6 million during the same period.

The headcount of the GERRY WEBER Group declined from 6,938 on 30 April 2017 to EUR 6,595 on 30 April 2017, primarily due to the closure of stores. This includes the increase in HALLHUBER's headcount to 2,052 (previous year: 2,005). The Group's personnel expenses were reduced as planned by 4.1% to EUR 90.9 million (H1 2016/17: EUR 94.8 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) dropped by 11.8% from EUR 28.9 million in the prior year period to EUR 25.5 million in the first half of 2017/18, which was primarily influenced by the sharp decline in earnings in the first three months. In the second quarter alone, EBITDA picked up by 32.3% to EUR 17.6 million due to the increasingly positive effects of FIT4GROWTH (Q2 previous year: EUR 13.3 million). The operating result (EBIT) declined by 46.7% to EUR 3.2 million in the first half of the financial year (H1 previous year: EUR 6.0 million). Here, too, the situation improved from quarter to quarter, primarily because of the cost savings achieved in the context of the completed FIT4GROWTH programme: in the second quarter alone, EBIT more than tripled (+252.6%) and reached EUR 6.7 million (Q2 previous year: EUR 1.9 million).

Outlook on the financial year 2017/18

In the current financial year 2017/18, the measures that are associated with the Performance Programme for sustainable profitable growth will lead to higher-than-expected extraordinary charges of roughly EUR 15 million and to a shift in revenues to the next financial year. Moreover, sales revenues in the GERRY WEBER Retail segment will be slightly lower than expected in the current financial year

Against this background, the Managing Board of GERRY WEBER International AG has revised the forecast for the financial year 2017/18. The company now projects revenues of EUR 830 million to EUR 840 million (previously EUR 870 million to EUR 890 million) and consolidated earnings before interest and taxes (EBIT) of EUR -10 million to EUR 0 million for the current financial year (previously EUR 10 million to EUR 20 million).

Based on the Performance Programme, the company aims to increase its sales revenues significantly and more strongly than the market in the next three to five years and to save total costs in the medium double-digit million range. As a result, the company hopes to generate additional potential of up to EUR 35 to 40 million p.a. for its operating result (EBIT) within the next three to five years.

Key figures of the GERRY WEBER Group:

	H1 2017/18	H1 2016/17	Change in % / PP
Sales revenues (in EUR million)	404.7	427.8	*-5.4*
EBITDA (in EUR million)	25.5	28.9	*-11.8*
EBITDA margin (in %)	6.3 %	6.8 %	*-0.5 PP*
EBIT (in EUR million)	3.2	6.0	*-46.7*
EBIT margin (in %)	0.8 %	1.4 %	*-0.6 PP*
Net income for the period (in EUR million)	0.1	1.7	*-94.1*
Earnings per share (in EUR)	0.00	0.04	*n/a*
Equity ratio (in %)	53.2	52.3*	*+0.9 PP*
Net financial debt (in EUR million)	202.3	192.5*	*5.1*
Staff number (annual average)	6,595	6,938	*-4.9*

*) as of 31 October 2017

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

	GERRY WEBER Group
Sales revenues (in EUR million)	830 to 840 (previously 870 to 890)
EBIT (in EUR million)	-10 to 0 (previously 10 to 20)

The H1 financial report 2017/18 will be published as announced on 14 June 2018 on the company´s websites.

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