

GERRY WEBER  
INTERNATIONAL AG

# / Equity Story

October 2020



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# GERRY WEBER

INTERNATIONAL AG





# / Agenda

1. Executive Summary
2. Company Overview
3. Market & Competition Overview
4. Key Investment Highlights
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# / EXECUTIVE SUMMARY (1/2)

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STRONG BRAND NAME WITH THREE DIVERSIFIED BRANDS

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ATTRACTIVE AND GROWING MARKET SEGMENT

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FOCUSED PRODUCT STRATEGY

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OMNI-CHANNEL GO-TO-MARKET

5

LEAN AND FLEXIBLE COST STRUCTURE

6

STRONG AND EXPERIENCED MANAGEMENT TEAM

7

SIGNIFICANT DELEVERAGING OF CAPITAL STRUCTURE





# / EXECUTIVE SUMMARY (2/2)

A vertically integrated fashion and lifestyle group operating in the modern classic and modern woman mainstream fashion segments

## Key Facts and Figures



Founded in 1973, GERRY WEBER International AG has become **one of the best-known globally operating fashion and lifestyle companies**



**Vertically integrated fashion and lifestyle group** operating in the modern classic mainstream and the modern woman fashion segments of the women's apparel market in Germany



Three brands serve a broad target group of women in the best age segment: **GERRY WEBER, TAIFUN** and **SAMOON**. The brands are established in the German and other European women's apparel markets as well as in Russia and the Middle East



Fully integrated **omni-channel distribution** model via **wholesale** and own **retail channels**, as well as the **E-Commerce** channel, comprising of the online shop and cooperation with third-party online marketplaces



All three brands stand for **high-quality and trend-oriented** fashion as well as accessories for the **discerning and fashionable** customer. Each brand emphasizes the wearer's individual style in its own unique way



GERRY WEBER offers a broad product range, including amongst others **trousers, dresses, skirts, jackets, coats, t-shirts, knitwear, blouses, blazers, and accessories**



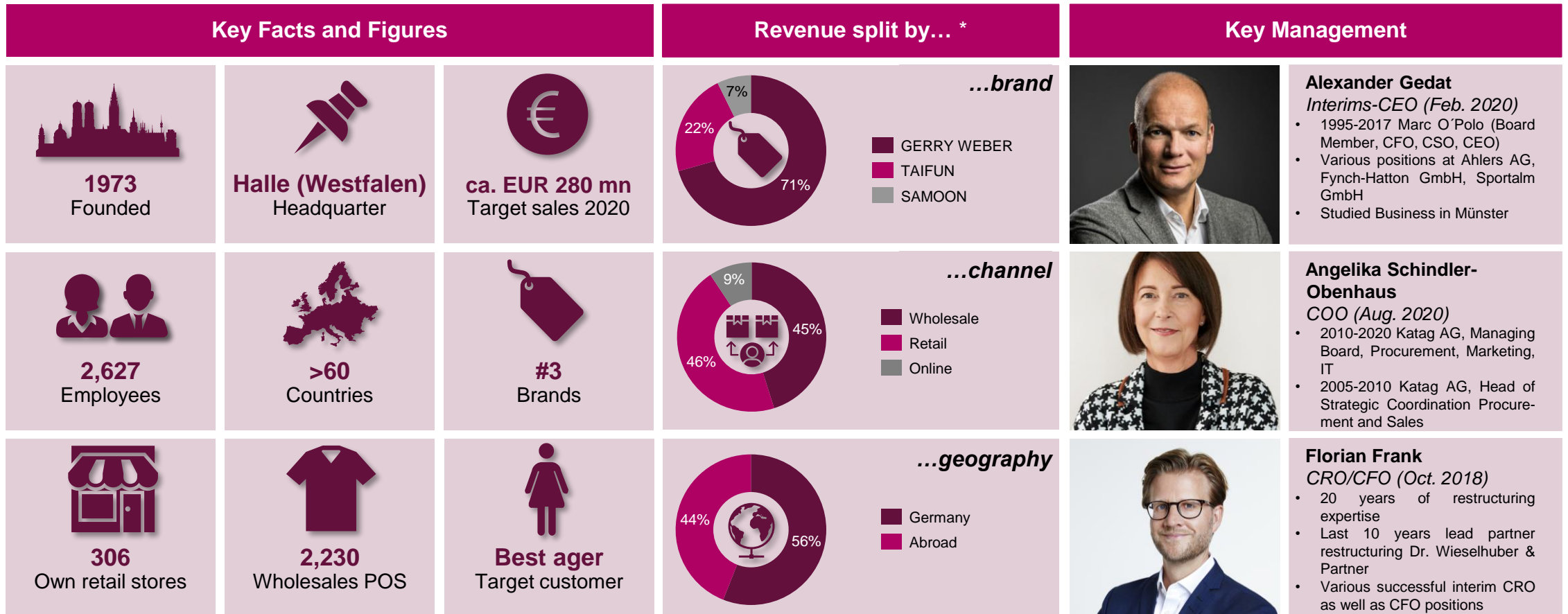
Strong international footprint with **2,818 points of sales (POS)** worldwide as of June 30, 2020, including 588 POS within the company's own retail segment and 2,230 POS within the wholesale segment in more than **60 countries**



A leading fashion retailer in the growing demographic **sub-segment of "best age women"**, with limited competition of the same scale and high brand recognition

# / COMPANY OVERVIEW

Our key investment highlights



# / RESTRUCTURING & STRATEGIC REPOSITIONING

Causes for crisis identified and turnaround measures in progress following the successful completion of insolvency proceedings as of early 2020



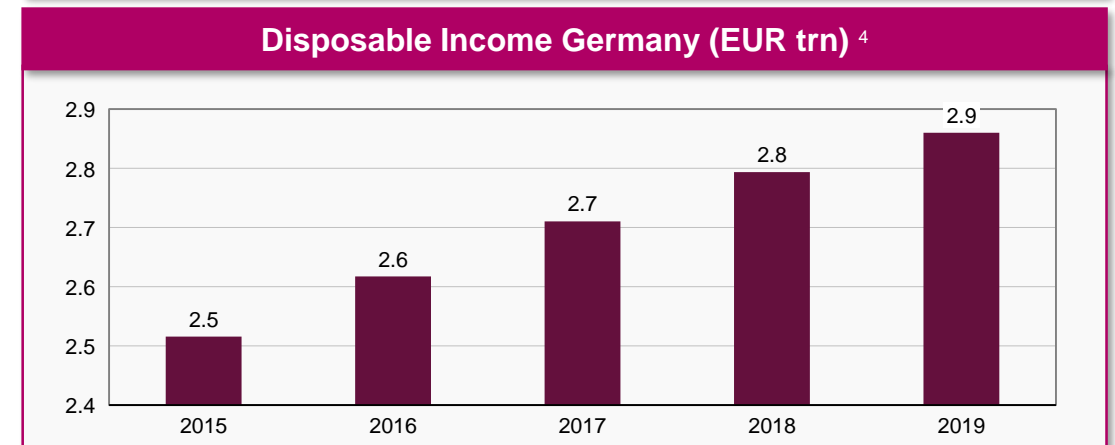
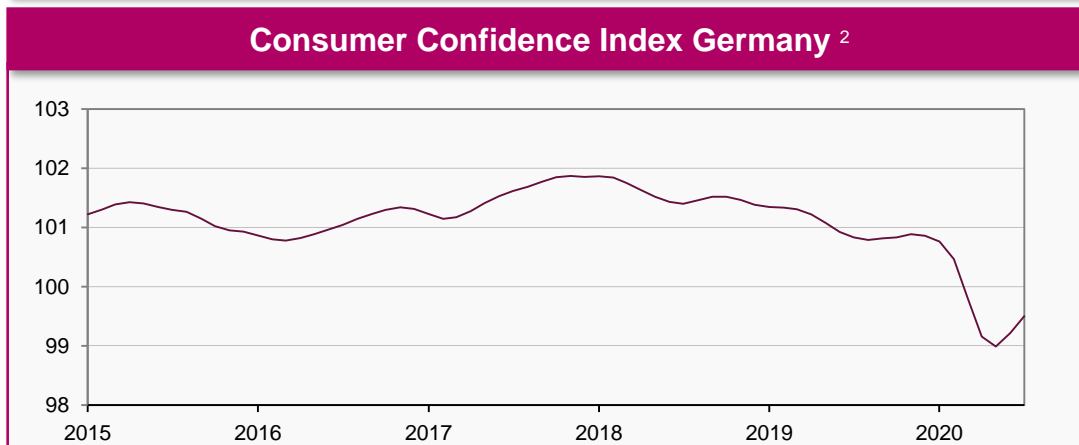
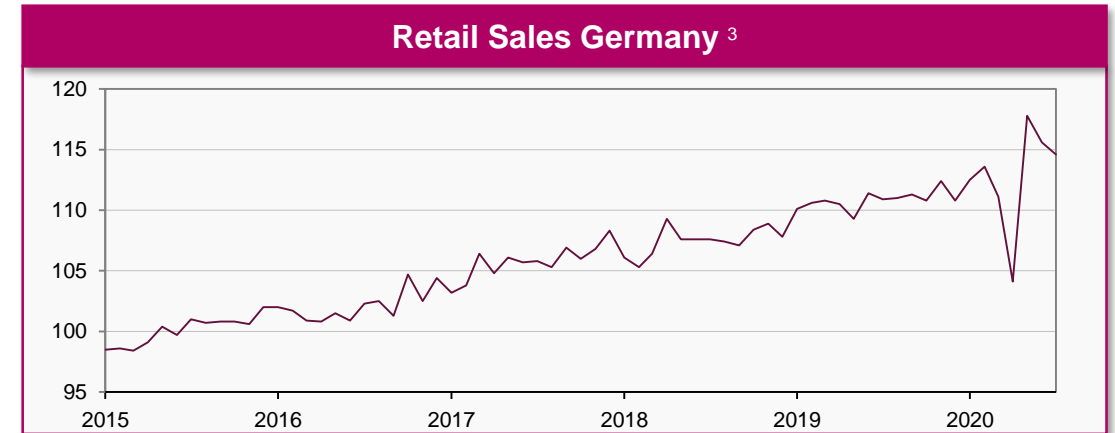
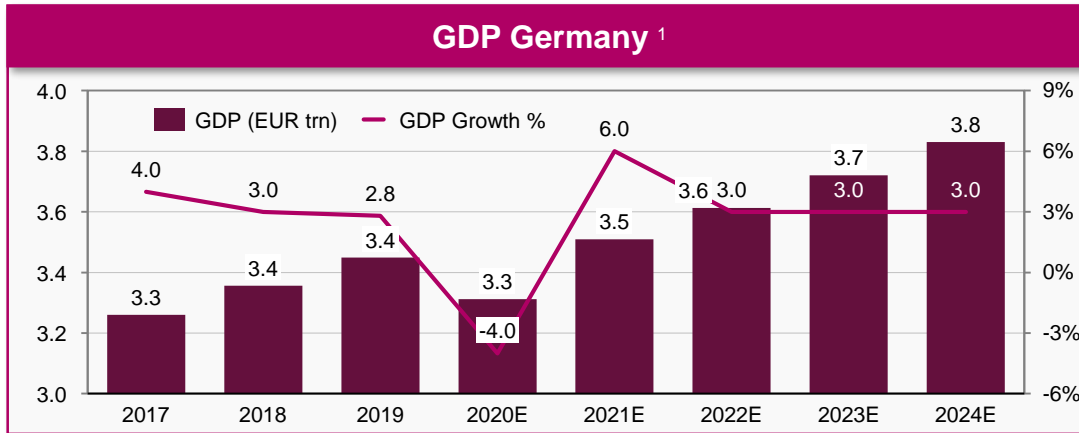


# / MARKET & COMPETITION OVERVIEW



# / MARKET & COMPETITION OVERVIEW

Strong German macroeconomic data suggests consistent and durable growth



# / MARKET & COMPETITION OVERVIEW

## Trends and drivers of the fashion market

### Key trends affecting the German fashion market

#### Structural Changes

- **Already ongoing structural changes** in sales and distribution channels have been accelerated by the restrictions due to COVID-19
- **Online sellers will gain further market shares**
- **Diminishing traffic in pedestrian zones** continues to pressure well-established players in the fashion market
- **Low growth** in demand and **high market competition** will continue to be a driving factor of the German fashion market

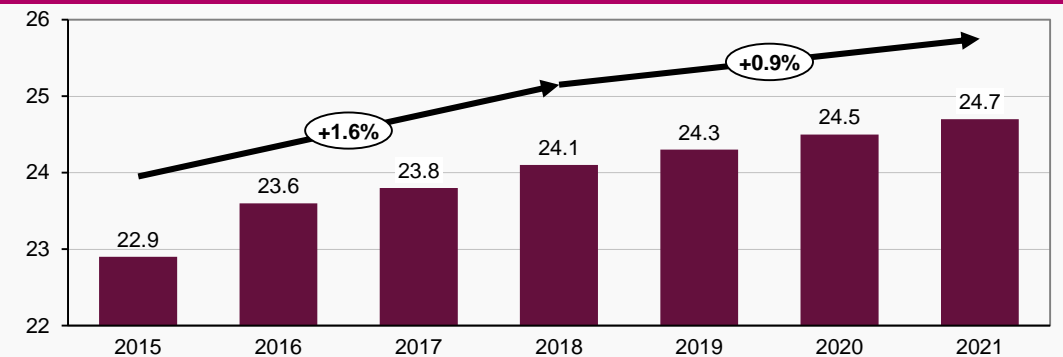
#### Demographic Changes

- GERRY WEBER USP**
- Over 60-year-olds will **grow by a number of 4 mn people** until 2025
  - Both the **young and middle-aged age groups will decline**

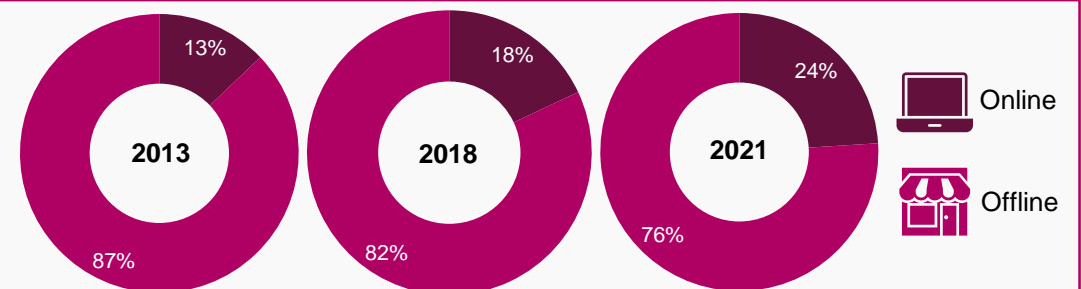
#### Market Changes

- GERRY WEBER USP**
- **Factory-outlets** become more popular and show growth potentials
  - **Authenticity** has been identified as most important fashion brand attribute relevant to consumers
  - **Growth will be mainly driven by volume**, as prices are expected to remain relatively flat following COVID-19
  - **Faster change** in trends and **lower brand loyalty** on average are expected for the fashion industry in the future

### Germany – Female fashion market size (EUR bn)



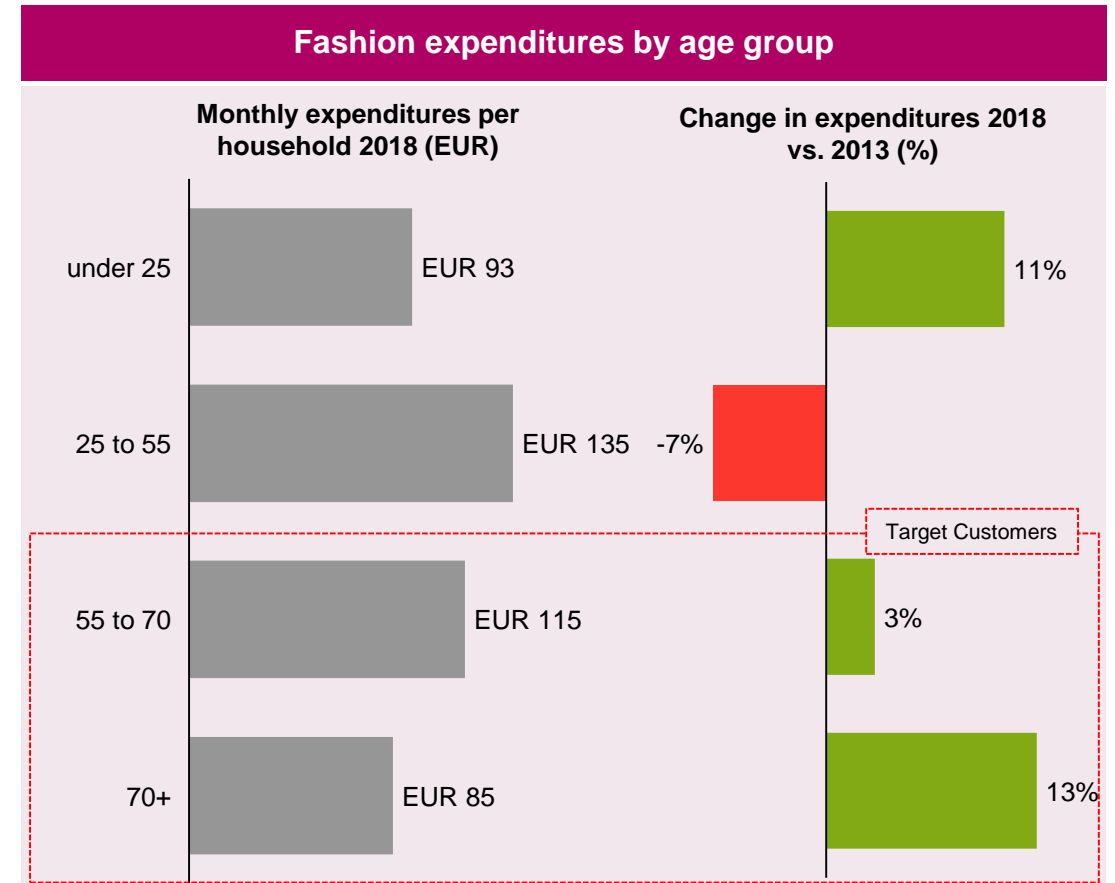
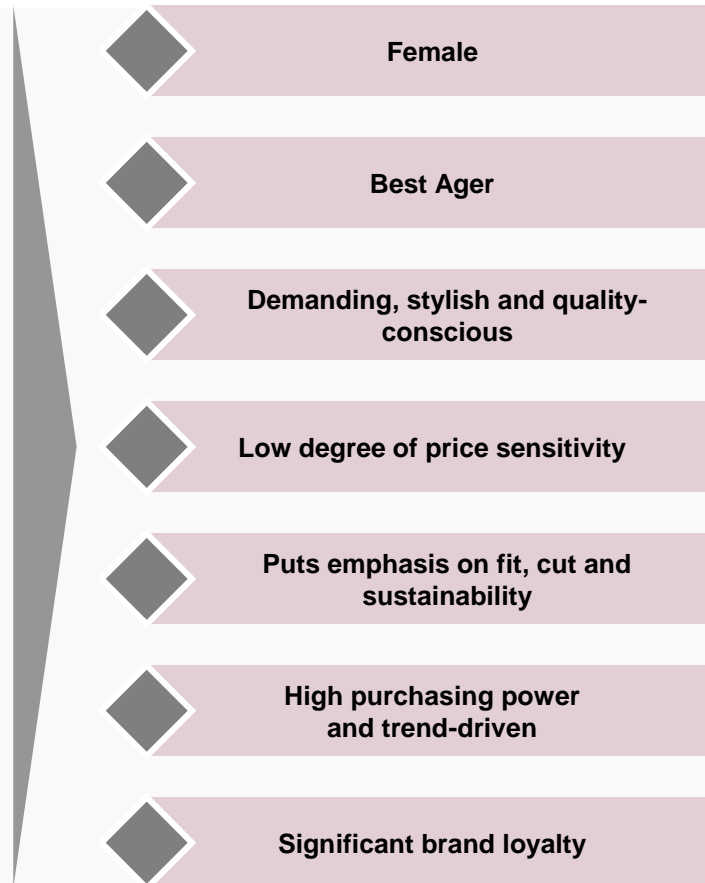
### Online penetration of clothing retail sector in Germany





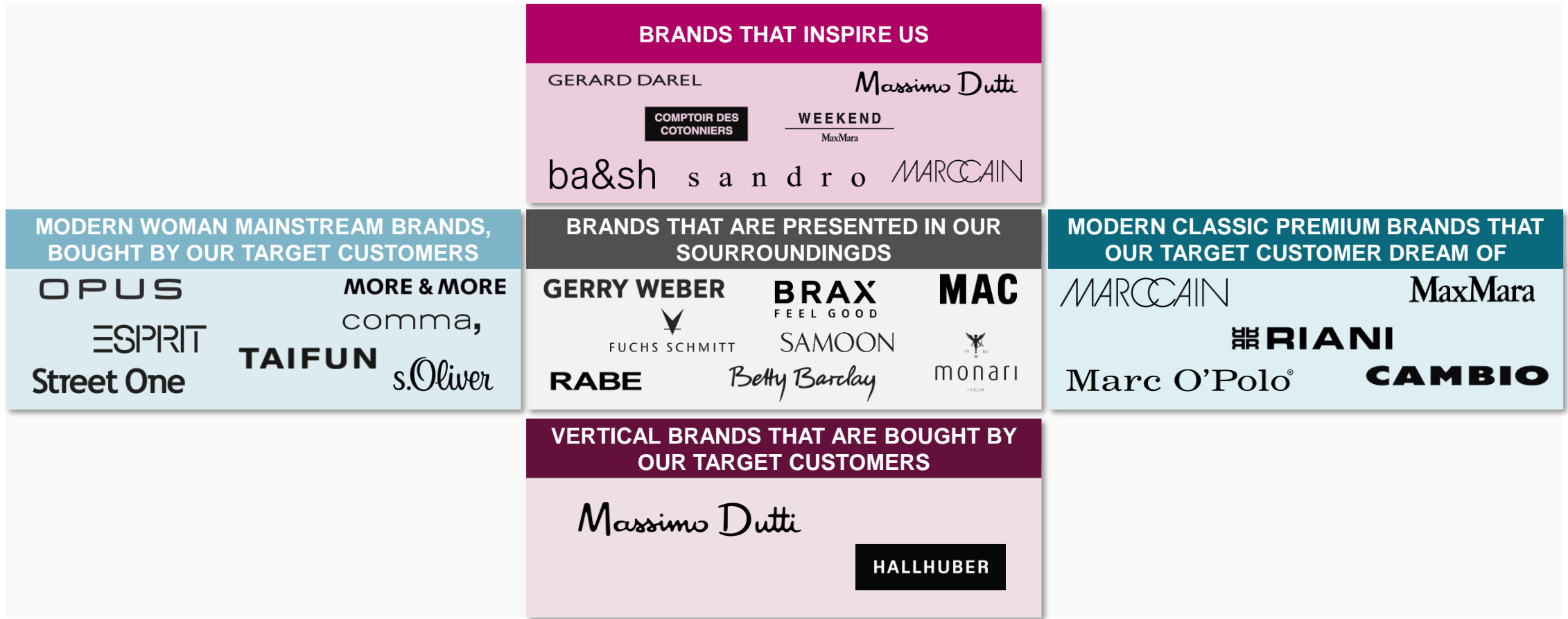
# / MARKET & COMPETITION OVERVIEW

Key facts and statistics surrounding our target customer



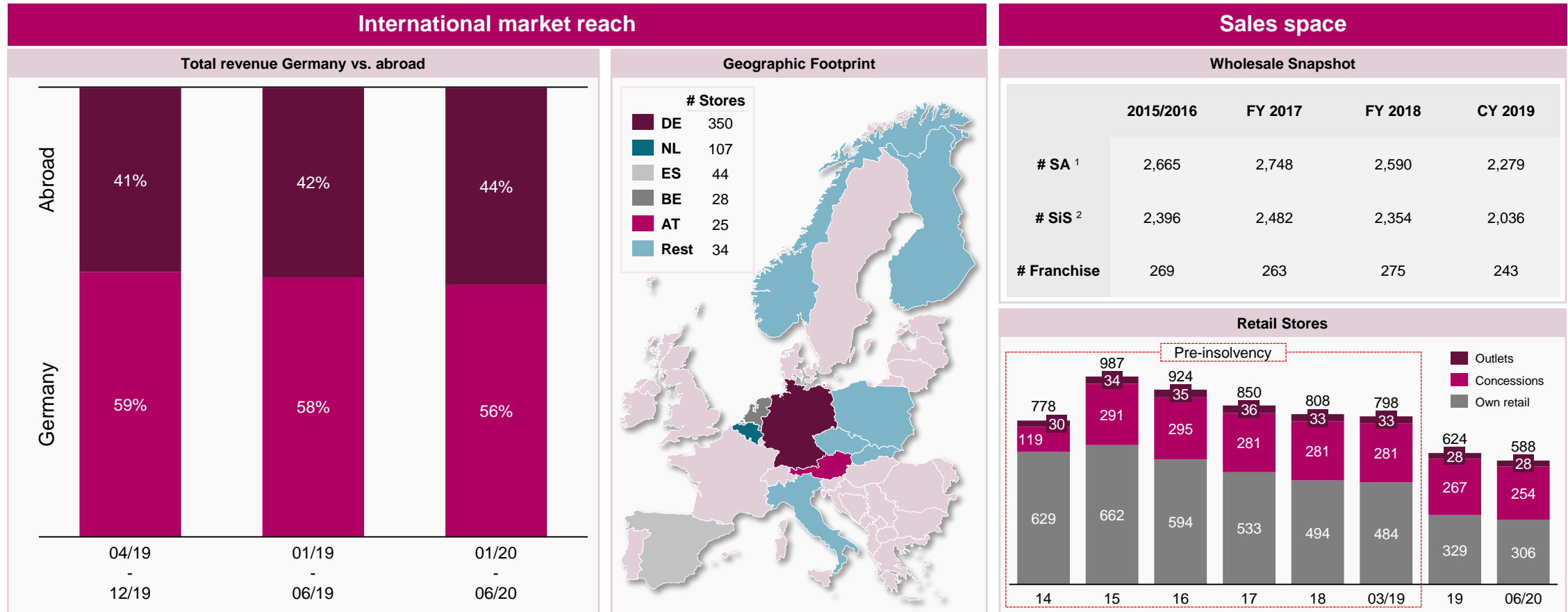
# / MARKET & COMPETITION OVERVIEW

Competitive landscape surrounding the GERRY WEBER Group



# / MARKET & COMPETITION OVERVIEW

## GERRY WEBER'S footprint





# / KEY INVESTMENT HIGHLIGHTS



# / KEY INVESTMENT HIGHLIGHTS

## KEY STRENGTHS

1

### Strong brand name with 3 diversified brands



Strong brand name in Germany and internationally with an affluent customer base covering a broad spectrum of the female population in the best age years with 3 brands

2

### Attractive and growing market segment



Clear target group of best-age women segment, with great growth potential in demand for the coming years

3

### Focused product strategy driven by KPIs



Quality fashion, accessories and lifestyle products for demanding, stylish and quality-conscious customers

4

### Omni-channel go-to-market



Global footprint of the GERRY WEBER brands through its wholesale POS network, a strong and competitive own retail presence across Europe and a growing E-Commerce offering

5

### Lean and flexible cost structure



Significant cost reductions in staff expenses and other operating expenses achieved by adjusting overhead structures to efficiency targets

6

### Strong and experienced management team








Strong and experienced top management as well as second and third level management with long standing track-record in the fashion industry

# / STRONG BRAND NAME WITH 3 DIVERSIFIED BRANDS

1

Exciting, modern and irresistibly feminine – three powerful fashion brands for a vivacious lifestyle

	<b>GERRY WEBER</b>	<b>TAIFUN</b>	<b>SAMOON</b>
 <b>CUSTOMER</b>	<b>50+ years</b> Silver ager	<b>40 + years</b> Modern women	<b>40 + years</b> Self-confident plus size women
 <b>FOCUS</b>	<b>Business and Lifestyle</b>	<b>Feminine smart casual look</b>	<b>Modern plus size fashion</b>
 <b>POSITIONING</b>	<b>Category leader</b> Modern classic mainstream	<b>Modern women mainstream</b>	<b>Online brand</b> Modern woman mainstream
 <b>FASHION STYLE</b>	<b>Feminine fashion for real women</b>	<b>Modern women's fashion</b>	<b>Plus size collection</b>
 <b>STANDS FOR</b>	<b>Purpose, Attitude, Feminine</b>	<b>Contemporary, Dressy, Urban</b>	<b>Confident, Contemporary, Positive</b>

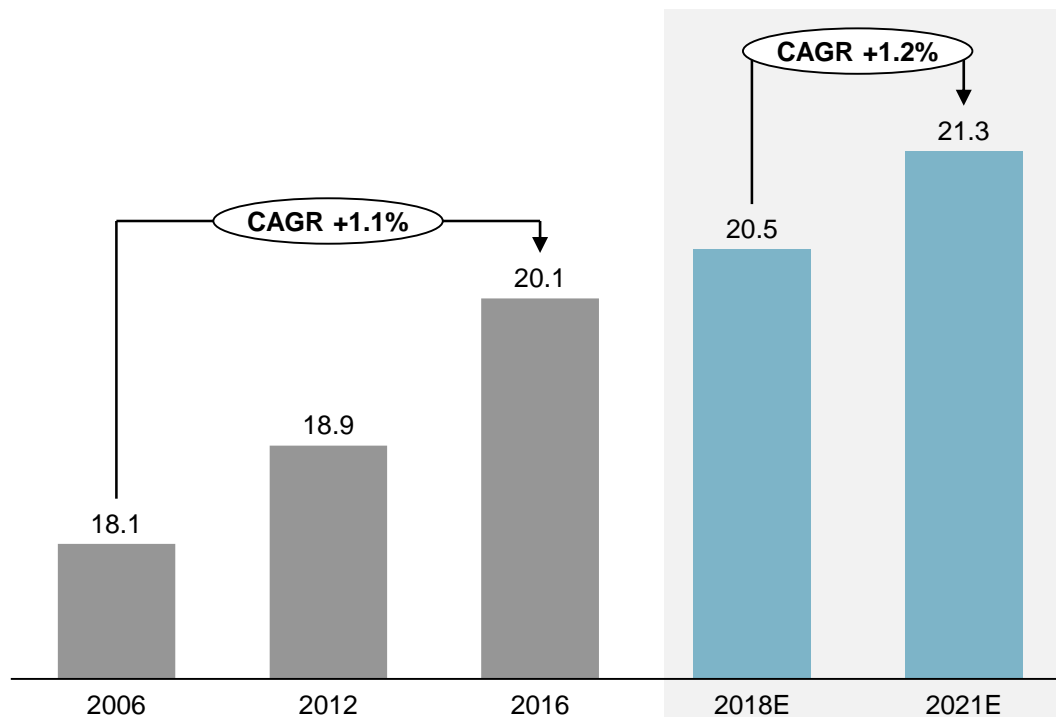


# / ATTRACTIVE AND GROWING MARKET SEGMENT

2

Our clear focus on our target group will benefit from favourable demographic trends

German women's outerwear fashion market (EUR bn)



Demographic Change in the German Market\* (mn People)

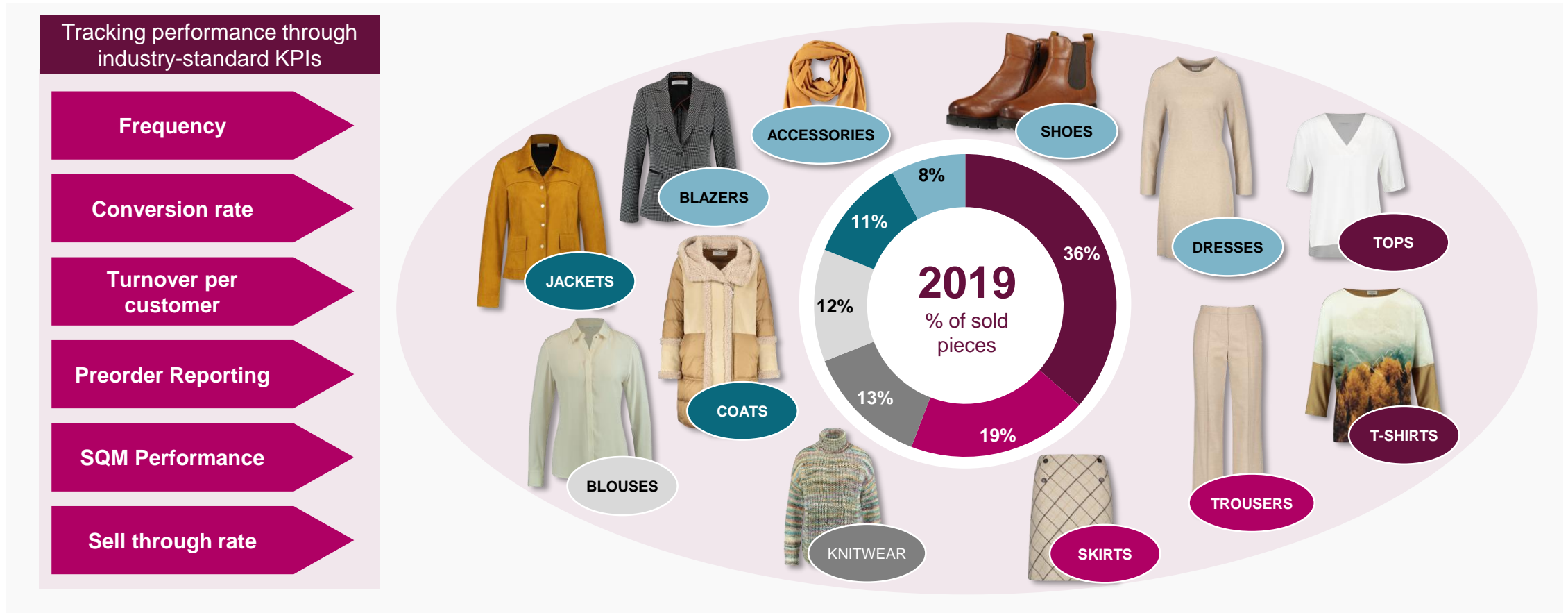


German market is growing and GERRY WEBER's segment is growing even faster within the German market

# / FOCUSED PRODUCT STRATEGY DRIVEN BY KPI'S

3

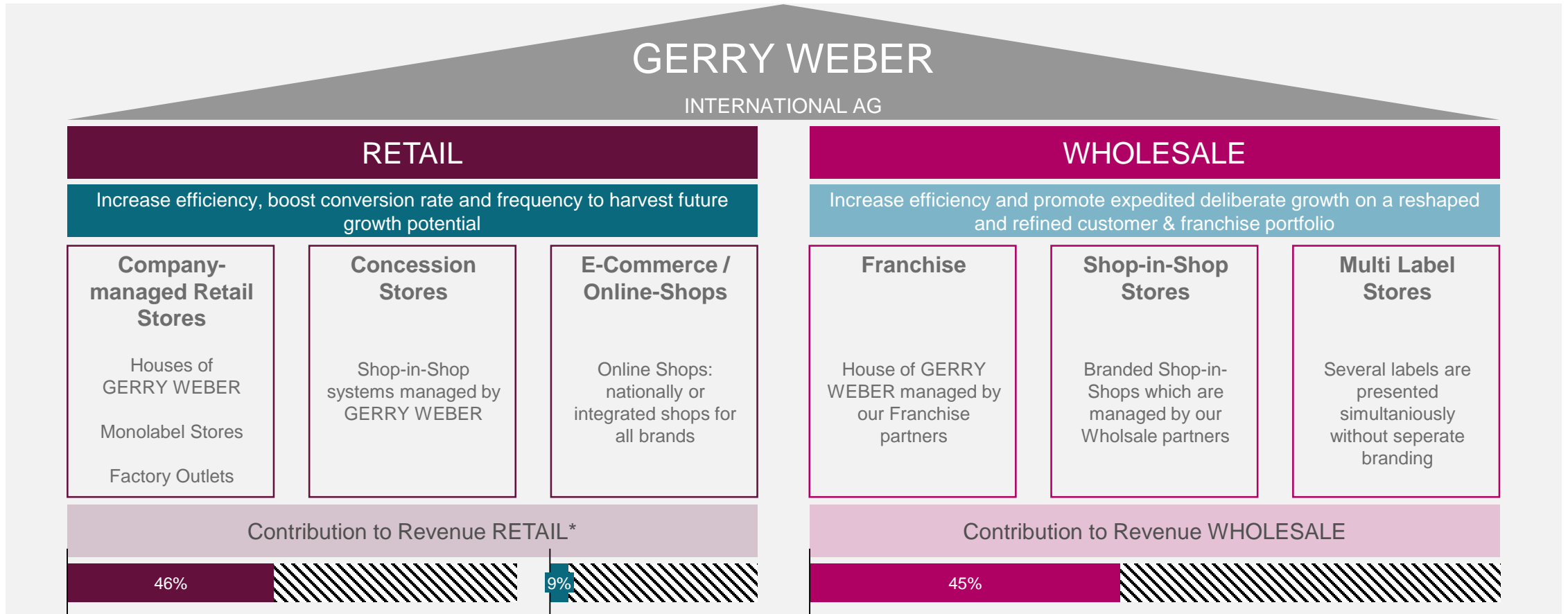
Customer oriented collections are driven by retail needs and fast collection adjustments



# / OMNI-CHANNEL GO-TO-MARKET

4

Diverse distribution channels will provide a seamless customer experience





# / LEAN AND FLEXIBLE COST STRUCTURE

5

Post restructuring cost structure provides highly efficient environment for long-term growth

## Key restructuring measures



**Consolidation of POS portfolio** by imposing minimum profitability requirements



New setup for **online shops** and improvement of **logistic services**



**Overhead reduction** and process improvement by establishing **process simplicity**



Implementation of **in-store ordering**, **click-and-collect** as well as **click-and-pay**



**Rent renegotiations** to mitigate COVID-19 effects and provide for a stable growth environment



Focus on expansion of cooperation with **third party E-Commerce** marketplaces



Utilization of **Multi Channel Distribution** potentials after expanding CRM capabilities and media mix adjustments



Substantiation of target group and **process optimization** by merger of product teams

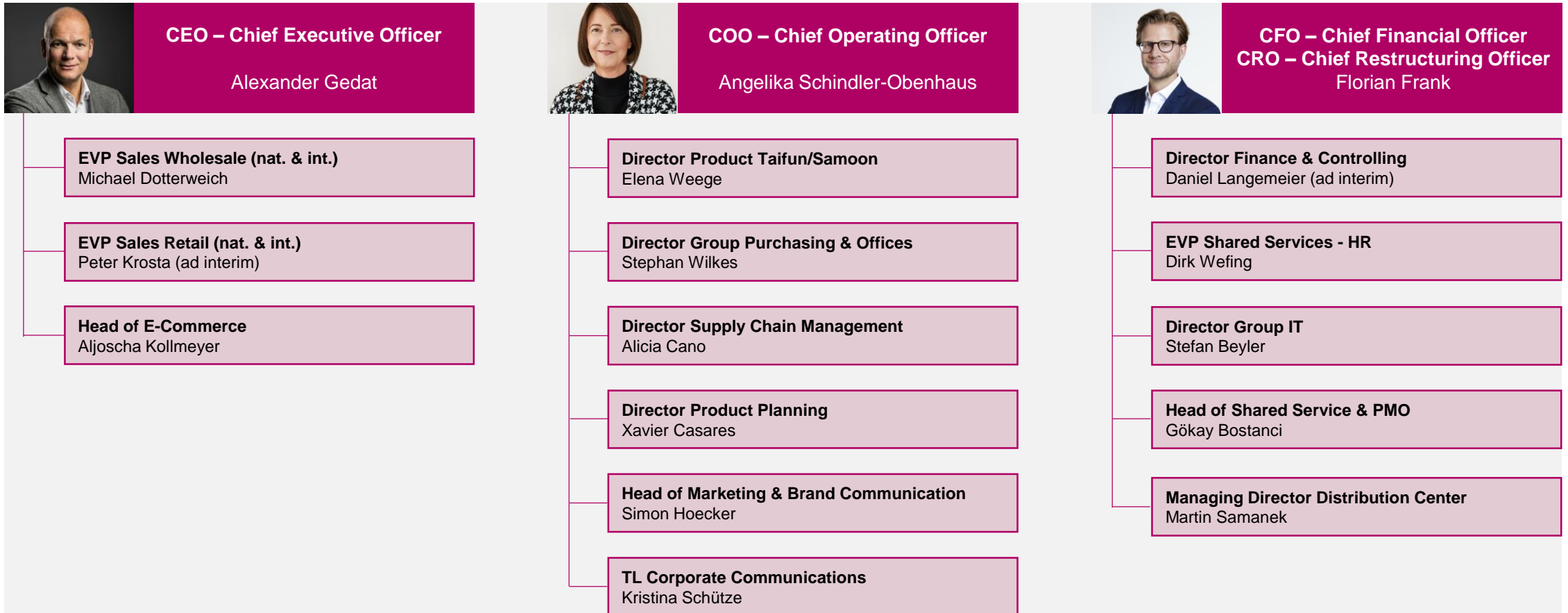


**Successful debt restructuring** in accordance with the insolvency plan, followed by a readjustment in response to COVID-19 conditions

# / STRONG AND EXPERIENCED MANAGEMENT TEAM

6

Company's management is fully aligned with shareholders through a forthcoming ESOP and MIP



# / FINANCIALS

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# / FINANCIALS

## Income Statement highlights

Income Statement in '000 EUR	30.06.2020	30.06.2019
Revenue	① 140,541	247,743
Changes in inventories	-800	-30,392
Cost of materials	-58,093	-76,025
<b>Gross Profit</b>	<b>② 81,648</b>	<b>141,326</b>
Other Operating income	5,658	34,001
Personnel expenses	③ -50,500	-63,802
Other operating expenses	-37,859	-77,081
<b>EBITDA</b>	<b>-1,053</b>	<b>34,444</b>
Depreciation/Amortisation	-26,283	-157,313
<b>Operating Income</b>	<b>④ -27,336</b>	<b>-122,869</b>
Income FVM of financial liabilities	0	1
Interest income	1	431
Expenses FVM of financial assets	-1,500	0
Incidental bank charges	-186	-432
Financial expenses	-5,314	-6,172
<b>Net Income Before Taxes</b>	<b>⑤ -34,335</b>	<b>-129,041</b>

Taxes FY	-920	-826
Deferred Taxes	1,076	-14,189
Net Income After Taxes from Cont. Operations	-34,179	-144,056
Income/Expense from Disc Operations	0	-101,332
<b>Net Income consolidated</b>	<b>-34,179</b>	<b>-245,388</b>

### Comparison 1H20' vs 1H19' in EUR mn

- ① **Revenue** decline due to COVID-19 effects and store closures
- ② **Gross profit margin** climbs to 58% vs 57% for 1H19' due to reduced cost of materials and lower changes in inventories, despite store closures and COVID-19
- ③ Successful restructuring in **personnel expenses** by EUR 13.3 mn brings noticeable relief
- ④ Significant improvement in **operating profit**
- ⑤ Successful restructuring resulting in significant **decrease in net losses**

# / FINANCIALS

## Balance Sheet highlights

Assets '000 EUR	30.06.2020	31.12.2019	Liabilities '000 EUR	30.06.2020	31.12.2019
Intangible assets	18,313	20,136	Subscribed capital	② 1,220	1,025
Right of Use Assets	222,619	236,024	Capital reserve	685	10
Property, plant and equipment	75,824	80,474	Retained Earnings	122	103
Financial assets	228	221	Exchange Differences	-2,435	-2,054
Deferred tax assets (current)	1,855	2,083	Accumulated profits	88,159	122,358
<b>Non-current assets</b>	<b>318,839</b>	<b>338,938</b>	<b>Total Equity</b>	<b>③ 87,751</b>	<b>121,442</b>
Inventories	63,317	65,065	Tax accruals	251	64
Trade receivables	20,342	14,715	Provisions for Personnel	11,511	7,090
Other current assets	23,789	33,696	Other provisions	20,549	31,552
Income Tax Claims	855	1,324	<b>Provisions</b>	<b>32,311</b>	<b>38,706</b>
Cash and cash equivalents	① 90,782	126,929	Financial liabilities	30,162	74,187
<b>Current assets</b>	<b>199,085</b>	<b>241,729</b>	Trade Payables	17,867	14,090
			Liabilities from rights to use	39,610	42,953
			Other Current Liabilities	10,959	11,609
			<b>Payables</b>	<b>98,598</b>	<b>142,839</b>
			<b>Total current Liabilities</b>	<b>130,909</b>	<b>181,545</b>
			Provisions for Personnel	127	163
			Other Provisions	4,189	4,069
			Financial liabilities	107,221	73,622
			Liabilities from rights to use	184,105	194,901
			Deferred tax liabilities	3,622	4,925
			<b>Total Non-current Liabilities</b>	<b>299,264</b>	<b>277,680</b>
<b>Total Assets</b>	<b>517,924</b>	<b>580,667</b>	<b>Total Liabilities &amp; SH Equity</b>	<b>517,924</b>	<b>580,667</b>

### Comparison 1H20' vs FY 2019 in EUR mn

① Strong liquidity position to ensure successful business turnaround

② Subscribed capital GERRY WEBER International increased to EUR 1.2 mn following capital increase and subscription of new shares by JP Morgan Securities PLC

③ GERRY WEBER book equity post restructuring of EUR 87.8 mn

As part of the restructuring, a total of EUR 15.3 mn for social plan and severance obligations, store closures and other expected costs is included in current personnel and other provision

# / FINANCIALS

## Cash Flow highlights

Consolidated Cash Flow in '000 EUR	30.06.2020	30.06.2019
Operating result from continuing operations	-27,335	-122,869
Operating result from discontinued operations	0	-111,600
Depreciation/amortisation	26,283	247,213
Non-cash expenses and income	1,625	0
Loss from disposal of fixed assets and assets held for sale	138	930
Decrease in inventories	1,748	33,488
Decrease/increase in trade receivables	-5,627	4,158
Decrease/increase in other assets	8,407	-27,317
Decrease in provisions	-6,498	-11,990
Increase in trade payables	3,777	41,719
Increase in other liabilities	741	11,822
Income tax refunds/payments	-264	-43
Interest received	0	432
Incidental bank charges	-186	-432
Interest paid	① -786	-2,560
<b>Cash from operating activities</b>	<b>2,023</b>	<b>62,951</b>
Cash outflow for investments in property, plan, equipment and tangible assets	-1,979	-3,251
<b>Cash from investing activities</b>	<b>-1,979</b>	<b>-3,251</b>
<b>Free Cash Flow</b>	<b>② 44</b>	<b>59,700</b>

Proceeds from capital increase	195	0
Repayment of insolvency liabilities	-10,879	0
Repayment of loans from the plan sponsors	-11,762	0
Repayment of liabilities relating to rights of use	-21,864	-21,134
<b>Cash from financing activities</b>	<b>-44,310</b>	<b>-21,134</b>
Cash and cash equivalents at the beginning of the fiscal year	126,929	55,996
Cash and cash equivalents at the end of the fiscal year	82,282	94,866
Exchange rate-related changes	-381	304
<b>Net change in cash and cash equivalents</b>	<b>-44,266</b>	<b>38,566</b>

### Comparison 1H20' vs 1H19' in EUR mn

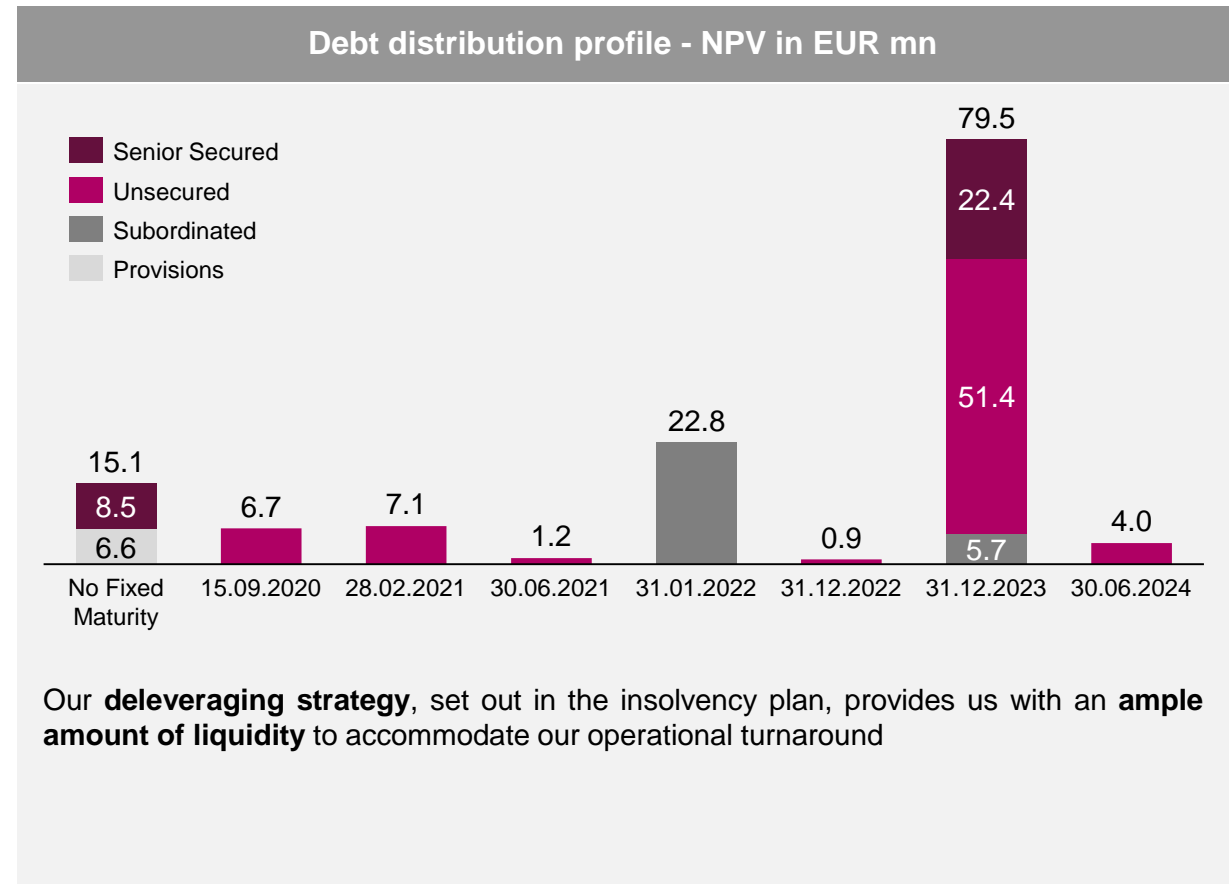
- ① Positive operating cash flow even during the COVID-19 pandemic and the company insolvency proceedings
- ② Positive free cash flow throughout these very challenging times

# / CAPITAL STRUCTURE IN DETAIL

Fully funded business plan with significant execution leeway

Debt Waterfall			
	EUR mn	Seniority	Pricing
Cash	-90.8*	-	-
Revolving Credit Facility	8.5 <sup>1</sup>	Senior Secured	4% / 8% <sup>2</sup>
Term Loans	22.4	Senior Secured	12% / 8% <sup>3</sup>
Net Senior Debt (cash)	-59.9		
Straight Bonds	38.5	Unsecured	4% p.a.
Convertible Bonds	1.8	Unsecured	3% p.a.
Insolvency Cash Quota	12.4 <sup>4</sup>	Unsecured	-
GWR Quota	7.2 <sup>4</sup>	Unsecured	-
Excess Liquidity Quota	11.5 <sup>4</sup>	Unsecured	-
Net Unsecured Debt	11.4		-
Additional quota	28.5**	Subordinated	-
Provisions and Adjustments	6.6	Provisions	-
<b>Net Debt</b>	<b>46.5</b>		

<sup>1</sup> Full amount available EUR 17,500,000  
<sup>2</sup> 4% p.a. commitment fee. 8% p.a. cash interest on drawn amounts  
<sup>3</sup> 12% p.a. of which up to 8% p.a. may be capitalized (PIK)  
<sup>4</sup> All cash quota given as PV, discounted at a rate of 4.5% annually compounding on an Act/365 Basis





# / OUTLOOK



# / OUTLOOK

Based on the IDW S6 opinion, GERRY WEBER is looking to achieve the following key milestones by the end of 2023

Annual revenues of around **EUR 394 mn**

A gross profit of around **EUR 239 mn**

An EBITDA margin of approx. **7.7 %**

A **positive free cash flow**, resulting in a leverage (net debt/adjusted EBITDA) below 3x in 2023



On the basis of the above performance targets, GERRY WEBER should be able to successfully refinance outstanding debt at that time and be in position to start paying out dividends\*