



NOVEMBER 2018

# ANALYST & INVESTOR PRESENTATION

Q3 2018

**T O M T A I L O R** GROUP

## Q3 2018 AT A GLANCE



- Group's Q3 performance negatively impacted by adverse weather conditions and BONITA
- Brand TOM TAILOR consistently continues to outpace the (weak) market – grows 1.9% (normalized for closures from RESET program) with growing Gross Margin (+2.6%pts)
- BONITA's performance below expectations: sales -16.7% (normalized for closures from RESET program), Gross Margin down -6.9%pts
- **TT Wholesale** again the main growth driver (+7.3% on normalized basis). Growth driven esp. by internationalization (esp. Russia, newer growth markets, Benelux)
- **TT Retail** started off well into July. Weak traffic due to unusual weather in Sept. affected all retail markets negatively, but esp. largest market Germany with negative lfl sales
- Given weak consumer sentiment in Q3, we refocused **eCom** on tech build & profitability vs. growth: sales +4%, but EBITDA +85% vs. Q2
- All channels (incl. BONITA) saw increasing inventories due to slower than planned sales
- **BONITA's** performance impacted negatively by three main factors:
  - 1) sales drop due to unusual weather conditions
  - 2) resulting pressure to clear leftover stock at lower prices/ margins (same for TT)
  - 3) transformation projects not yet delivering planned impact (e.g., store refurbishments)
- Transformation of BONITA will take longer; re-assessing all options to create shareholder value
- TT brand's EBITDA in Q3 at PY level; Group's Q3 & 9mth EBITDA now below PY



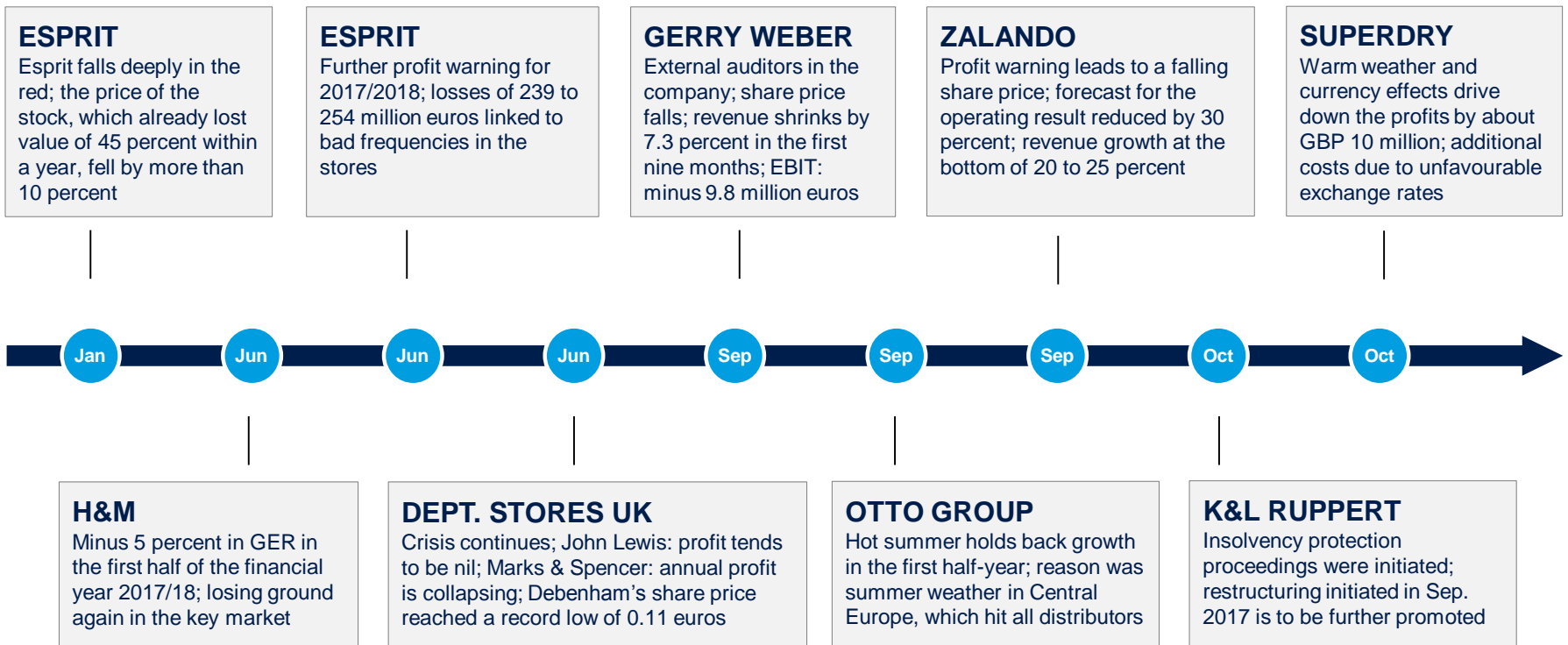


# BUSINESS HIGHLIGHTS Q3 2018

# Q3 2018:

## A TOUGH SUMMER FOR THE INDUSTRY

*Selected profit warnings of fashion industry companies in 2018*



Even blue chips in other industries giving warnings (BMW, Daimler, Ceconomy, Hawesko, ...)

Source: Textilwirtschaft

# Q3 2018:

## TT GROUP FORCED TO UPDATE FY GUIDANCE IN SEPTEMBER

Critical market  
“D/A/CH”  
suffered Q3

### Group’s 2018 profits >75% driven by D/A/CH region

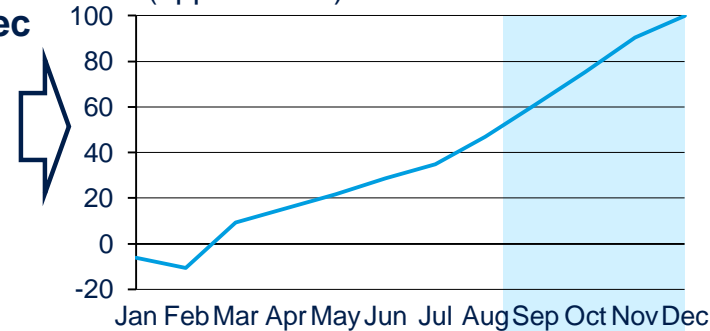
- Weak market in “Germanics” in Q3; hitting TTG over-proportionally
- German market alone shrank ~5-6% in Q3
- Whole German market in “discount mode” since end-August

Q3-4 with  
heavy weight  
on 2018 profits

### Group 2018 results depend ~65% on Sept–Dec

- ~65% of annual profits generated in last 4 months of the year
- Sept. & Oct. are “full price” months usually generating the majority of these profits

EBITDA ramp-up across the year  
(approx. in %)



Mid Sept. –  
update  
unavoidable

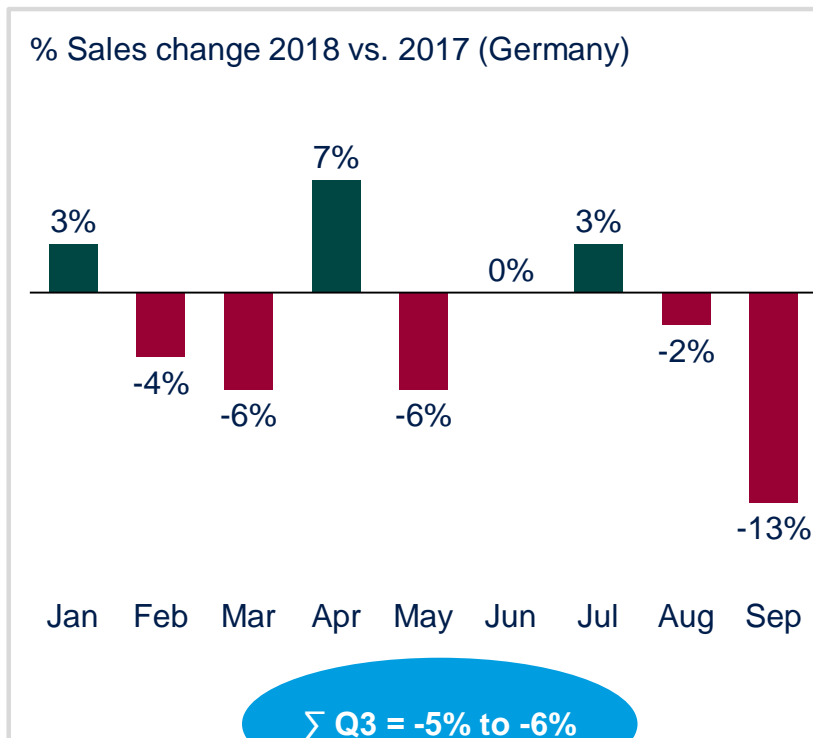
### Combination of events triggered warning

- Weak Aug/Sept. ‘18 a strong drag on FY results
- BONITA’s negative trend accelerating in Sept. (see next pages)
- Forecast updates in Sept. indicating no opportunity to compensate in Oct-Dec.

# MARKET:

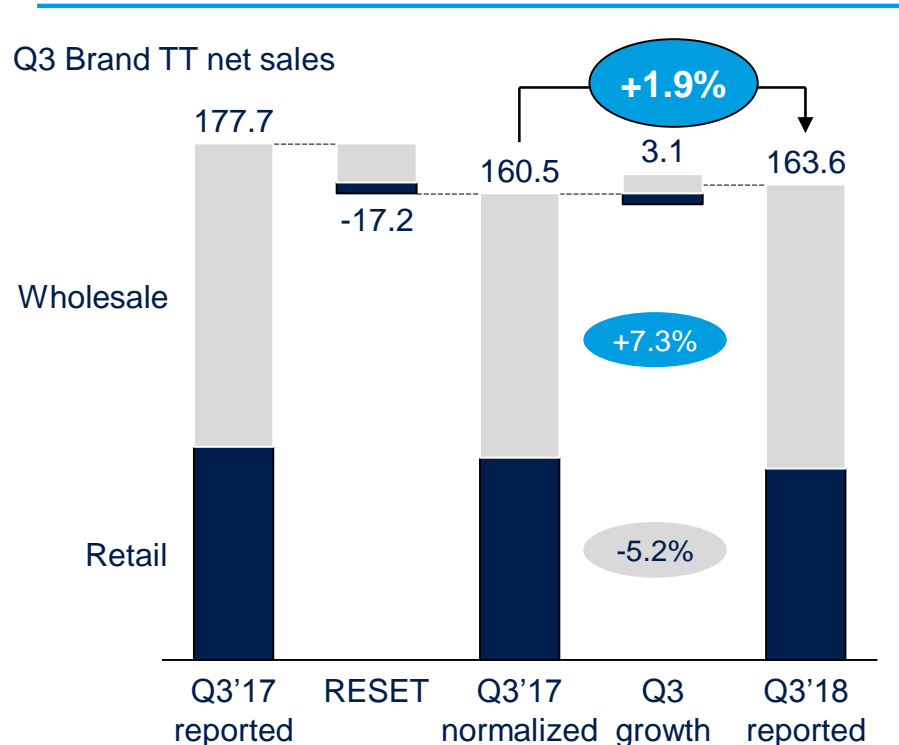
## Q3 MARKET DECLINES ~5-6% – TT BRAND GROWS 1.9%

### Market: Q3'18 shrank ~5-6% vs. '17



$\Sigma$  9M = -3%

### TT Brand grows +1.9% on normalized basis

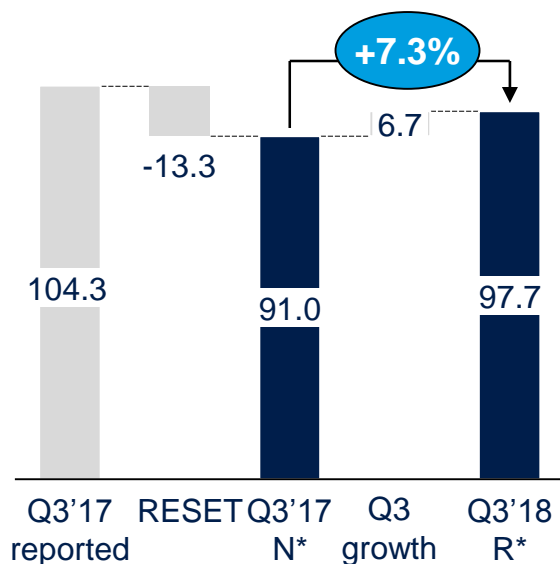


Sources: TW, Commerzbank

# TOM TAILOR WHOLESALE: Q3 GROWTH DRIVEN BY INTERNATIONALIZATION

## Q3 WHS growth of 7.3%

Q3 WHS net sales (normalized)



### WHS Q3 growth driven esp. by...

1. **Russia** (>29% yoy) due strong online WHS growth, Franchise store expansion, and strong multi-brand dept. store sales
2. **International “growth markets”** (~25% growth yoy), esp. Nordics/ Baltics, Greece, and Spain
3. **Benelux** (~1.2% growth yoy) due to strong re-order business

### WHS Sales in “core markets” stable against market headwinds

- On a normalized basis, Germany flat in Q3 (sales normalized for RESET effects (esp. Kids licensing))
- Austria performing above plan, slight growth

**Gross profit / margin increased +3.6%pts in WHS**

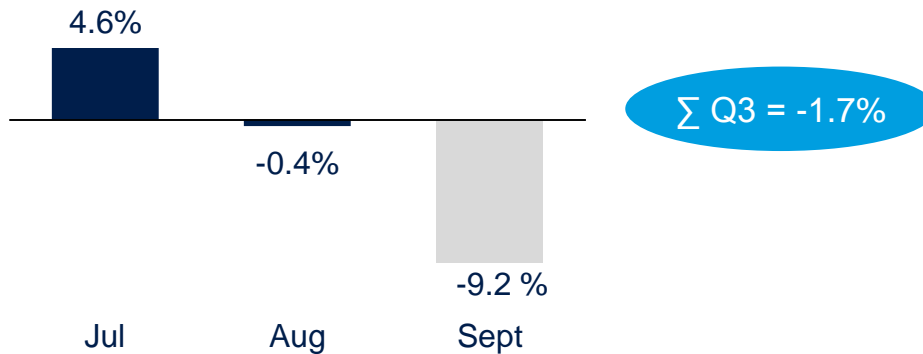
\*Normalized (including RESET- Effects)

\*\*Reported

# TOM TAILOR RETAIL: Q3 RELATIVELY SOLID UNTIL SEPTEMBER

## Q3 lfl fullprice store sales<sup>1</sup> solid outside Germany

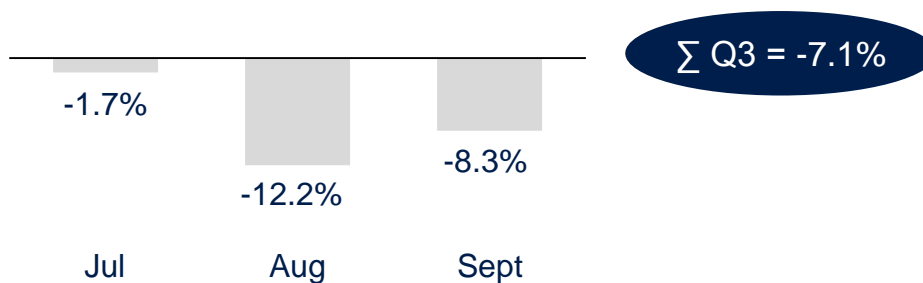
Q3 Retail net sales like-for-like growth in % – excl. Germany



## Global TT Retail (~63% of fullprice) solid in Q3

- July with positive lfl in all countries
- August still strong in Austria
- Sept. negative lfl in all countries except Romania, Bulgaria, Serbia

Q3 Retail net sales like-for-like growth in %: Germany only



## German stores (~37% of fullprice) lfl negative due to...

- Negative market traffic esp. in August & Sept.
- RESET effects (esp. Kids licensing)

**TT Outlets focused on gross profit in 9mth, thus, negative lfl sales planned**

1. Before RESET normalizations



# ECOM Q3: MAIN FOCUS ON CONTINUED TECH BUILD & EFFICIENCY

## Q3 focus on building tech features; lower spend

### Reduced online marketing spend due to market weakness

- Weak market, profit warnings from some customers (e.g., Zalando)
- Efficiency focus in Performance-Marketing (-10%pts vs. Q2)

### Focus on enhancing D2C / eShops

- User-Experience enhancements (Visual Merchandising, Images, User-Flows)
- Progress in Personalization (On-Site Segments, Email tests)
- Continued work on system reliability, speed, ...

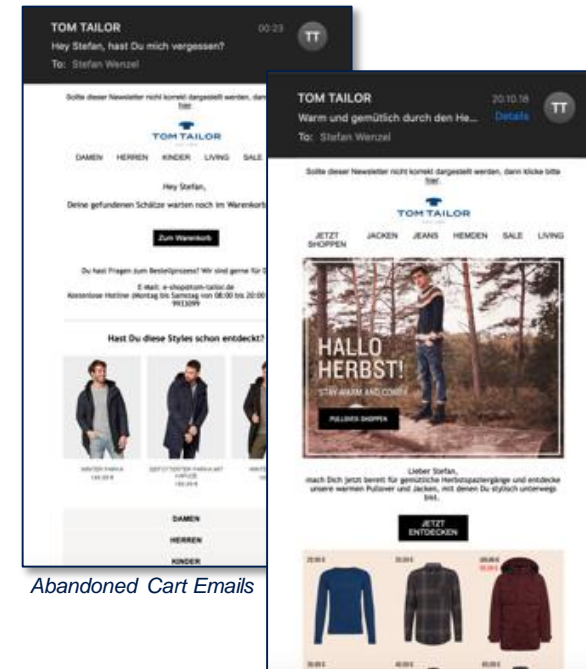
### B2B / Marketplaces

- Marketing tests to drive top-line velocity
- Sales decline vs. PY; EBITDA growth +85% vs. Q2'18

## Enhancements since Q2 (examples)



Social content for commerce:  
**Integrated Instagram-Shop**



Abandoned Cart Emails

Personalized Emails

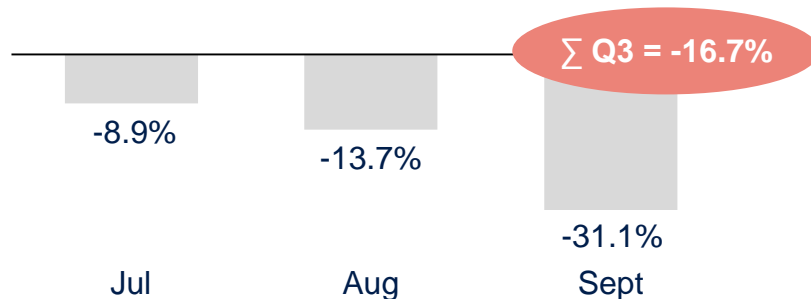
CRM:  
**Improved personal content & automation**

# BONITA:

## Q3 MORE THAN DISAPPOINTING IN ALL ASPECTS

### Q3 with declining Sales each month

Q3 sales change yoy in % – bricks & mortar



Q3 gross margin (GM%) change vs. PY in %pts



eCom – Q3 order value change yoy in %



### Jul/Aug: focused on reducing Q1/2 leftover stock

- Inventory build-up in Q1/Q2 (+6.0% vs LY) triggered aggressive clearance sale in Q3
- Sold units grew 3% yoy, but avg. sales price declined -14%
- Impact: yoy fall in GM% by 6.9%pts vs. PY

### Sept: heavily impacted by weather changes

- Lower sales of (more expensive) autumn product due to warm weather; lower gross margin %
- GM% also lower due to invest in new collection quality (Sept. 1<sup>st</sup> month with new handwriting)
- Total GM -11%pts vs. PY in August
- (Fixed) Cost not adjusted to lower gross profit

# BONITA: NO QUICK TURNAROUND IN SIGHT MANY CORRECTIVE MEASURES IN LAST 24 MONTHS

## Corrective measures tested 2017/18

Product	Marketing	Stores
<ul style="list-style-type: none"> <li>Range breadth reduction</li> <li>Design modernization</li> </ul>	<ul style="list-style-type: none"> <li>TV ads 2016</li> <li>Celebrity collaboration</li> <li>CRM ramp-up (started)</li> </ul>	<ul style="list-style-type: none"> <li>Closure of unprofitable stores</li> <li>Store concept modernization</li> </ul>
Cost	Sales/channels	Processes
<ul style="list-style-type: none"> <li>Excess stock clearance</li> <li>HQ re-sizing (2016/17)</li> <li>Supplier consolidation (sourcing)</li> </ul>	<ul style="list-style-type: none"> <li>Expansion (started): concessions in WHS, eCom outlet,</li> <li>Staff training</li> </ul>	<ul style="list-style-type: none"> <li><i>Assortment planning</i></li> <li><i>Buying/merchand.</i></li> <li><i>Markdown optimization</i></li> </ul>

WIP

*More measures being started / impact still tbc*

- Product mix optimization, product sizing optimization, shop window & VM optimization, ...*

## Still a lot more work to do

### Tough segment headwinds

- “Classic Mainstream” segment in Germany with growth CAGR of -7% since 2014\*
- Traditional competitors struggling or insolvent (GW, Biba, Basler, ...)

### Store closures & cost adjustments not sufficient to restore profitability

- Despite store reduction from >1.100 to 772

### Corrective measures didn't yield sustainable like-for-like sales growth, yet

- Continued erosion of traffic & sales/sqm
- eCom the only consistently growing channel

**Now re-assessing all options for BONITA to create shareholder value**

\*Hachmeister & Partner data from Oct. 2018





**BE BOLD IN THE COLD**

**KEY FINANCIALS Q3 2018**

# KEY FINANCIALS TAKEAWAYS Q3



## TT Group:

- Sales for TT Brand above PY but more than offset due to negative BONITA Sales as a result of the extreme weather conditions in the DACH
- EBITDA overall declined vs. PY with BONITA shortfall but remains positive



## TT Brand

- TT Brand consistently growing over the last quarters with a growth of 1.9% in depressed markets
- Continued GM expansion with better discount management and sourcing projects
- EBITDA on PY levels as a result of higher marketing and eCom spendings

## BONITA

- Sales, GM and EBITDA decline as a result of various unfavourable developments



## Inventory

- Inventory build up vs PY due to lower than expected (internal) sales in Q3

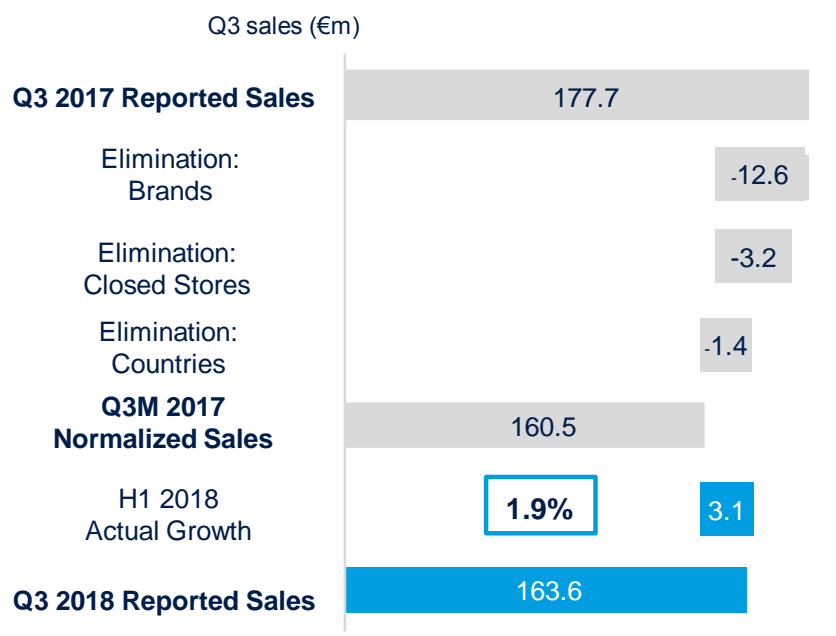
## Cash Flow

- Negative CF driven by increased CAPEX (plan), higher NWC (mainly inventory) and lower EBITDA (mainly BONITA)

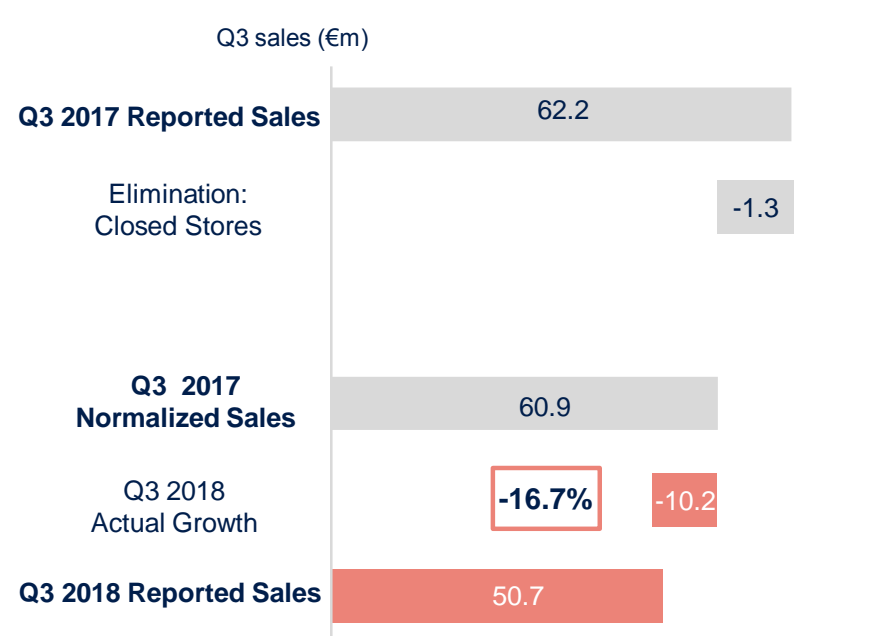


# TOM TAILOR & BONITA BRANDS: NORMALIZED NET SALES Q3 2018

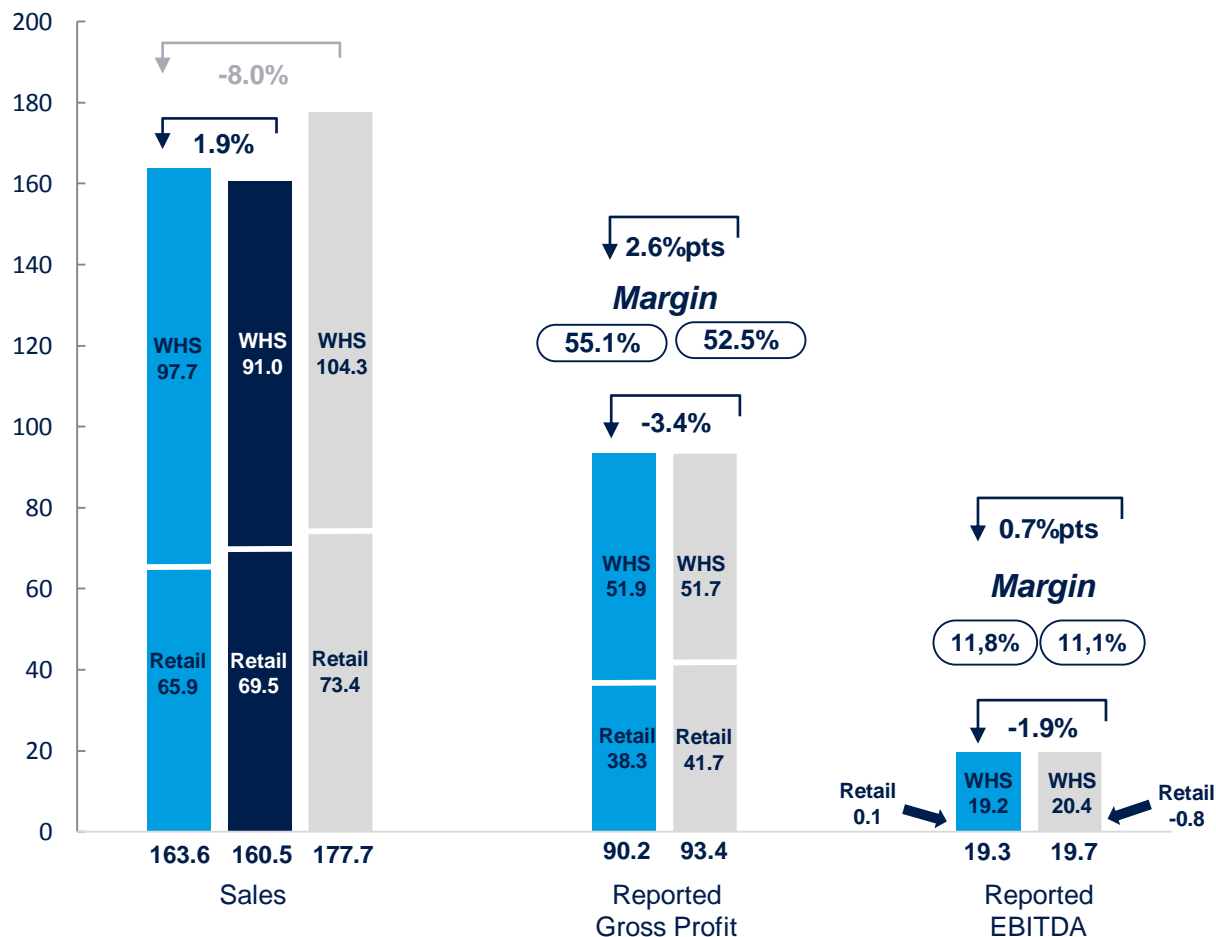
## Q3 TOM TAILOR BRAND normalized



## Q3 BONITA normalized



# TOM TAILOR BRAND: Q3 CONTINUED GROWTH IN DIFFICULT ENVIRONMENT



## Comments

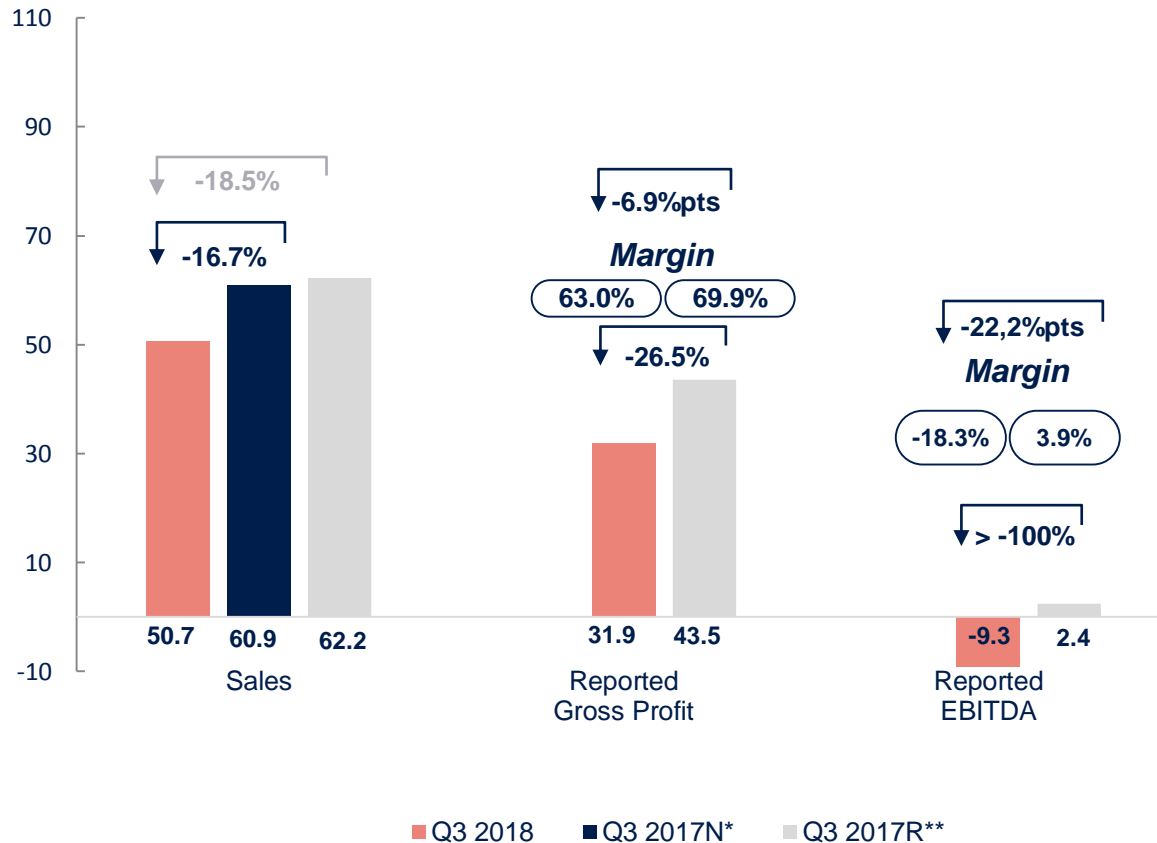
- The TT Brand grew by 1.9% vs. normalized base 2017 with international WHS being the key growth driver
- Retail impacted by overall environment in DACH
- Continued Gross Margin expansion due to improved discount management and better sourcing to 55.1%
- RESET savings fully realized according to original plan
- Incremental spendings into Marketing and eCom neutralizing savings
- EBITDA similar to PY level

\*Normalized (including RESET- Effects)

\*\*Reported

■ Q3 2018   ■ Q3 2017\*   ■ Q3 2017R\*\*

# BONITA BRAND: Q3 UNDERPERFORMING



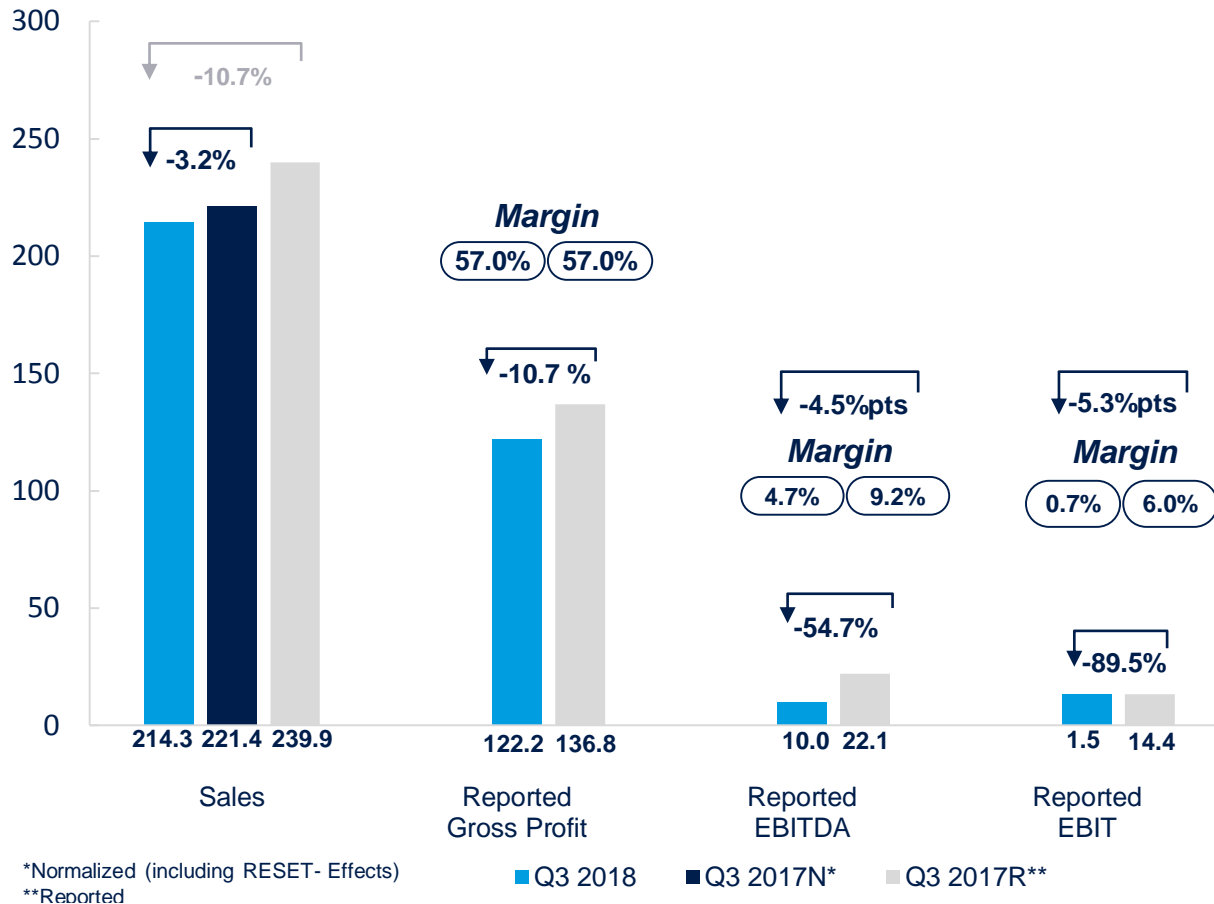
\*Normalized (including RESET- Effects)  
\*\*Reported

## Comments

- After a satisfactory Q2 for BONITA Q3 was heavily impacted by the extreme weather this summer
- Majority of BONITA sales (80%) are in Germany thus having a bigger negative sales impact
- Negative GM development driven by heavy discounting in the German market and invest into new higher cost collection
- Cost base not yet adjusted to lower sales levels
- EBITDA significantly lower than last year impacting the overall TT Group numbers

# TOM TAILOR GROUP:

## Q3 POSITIVE EBITDA DESPITE NEGATIVE MARKET ENVIRONMENT



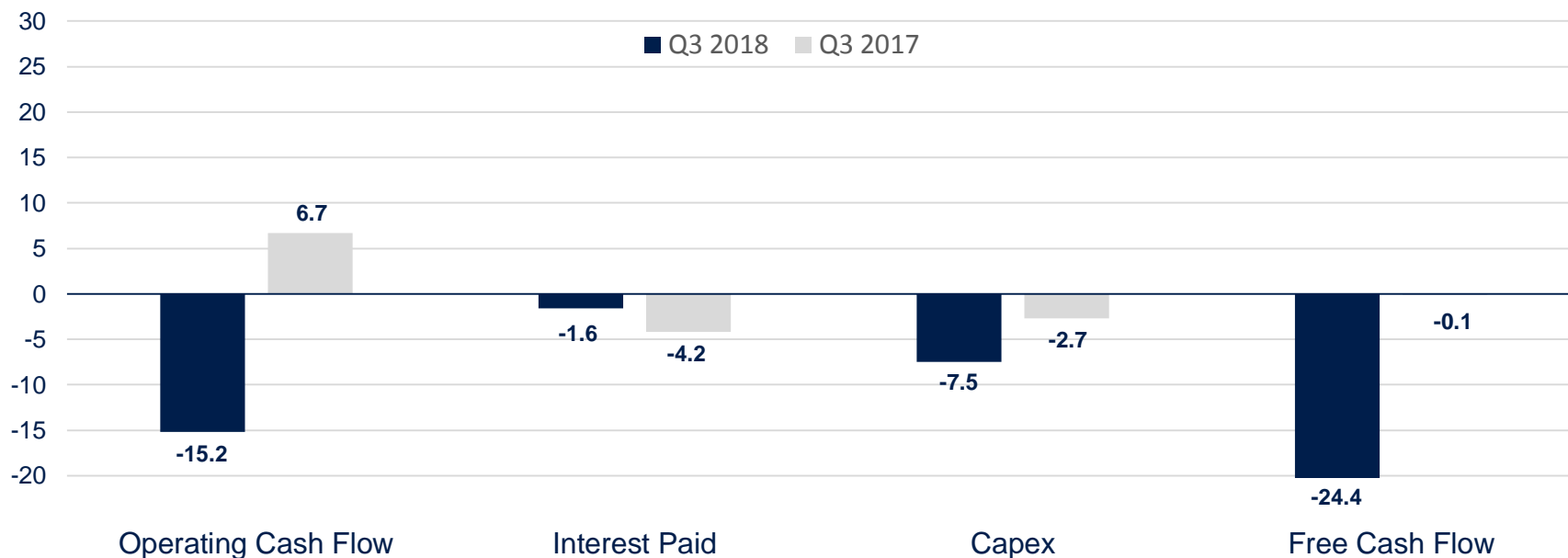
### Comments

- TT Group sales heavily impacted by lower BONITA sales performance
- TT Group margins on PY level but absolute GP down vs PY  
EBITDA shortfall due to BONITA
- Despite very challenging markets TT Groups show positive EBITDA and EBIT numbers

# TOM TAILOR GROUP:

## Q3 OPERATING CASH FLOW SIGNIFICANTLY BELOW PRIOR YEAR

### Cash Flow development Q3 2017 – Q3 2018 [€ m]

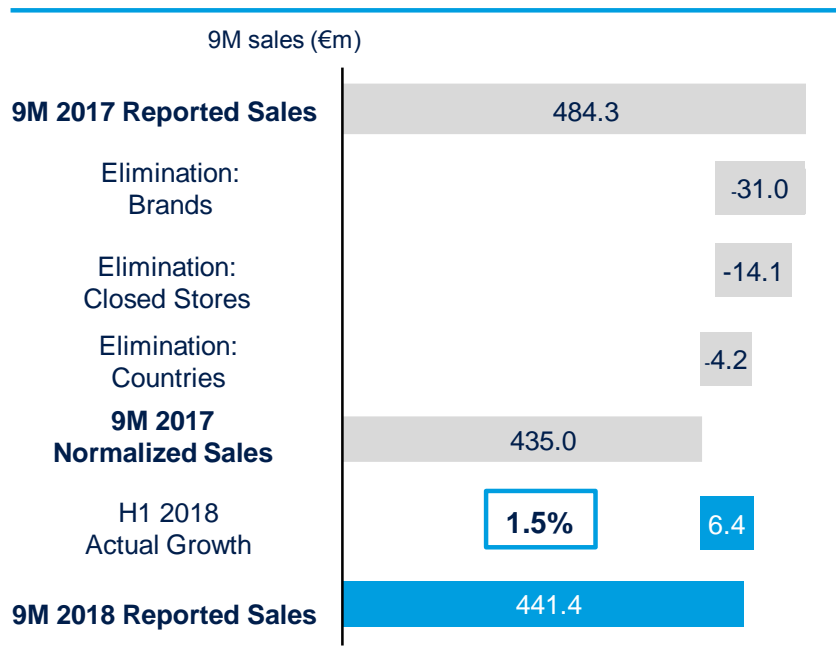


- OCF € 21.9m below PY due to lower EBITDA and increase of net working capital
- Higher net working capital driven by inventory increase of € 13.5m compared to 30 June 2018
- Scheduled increase of capex partly compensated by lower interest payments

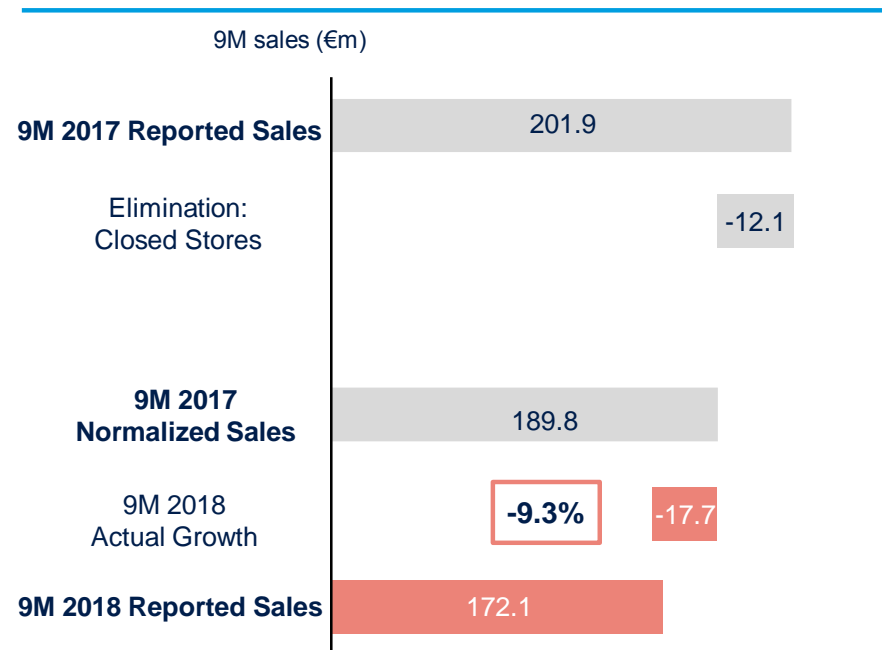


# TOM TAILOR & BONITA BRANDS: NORMALIZED NET SALES 9M 2018

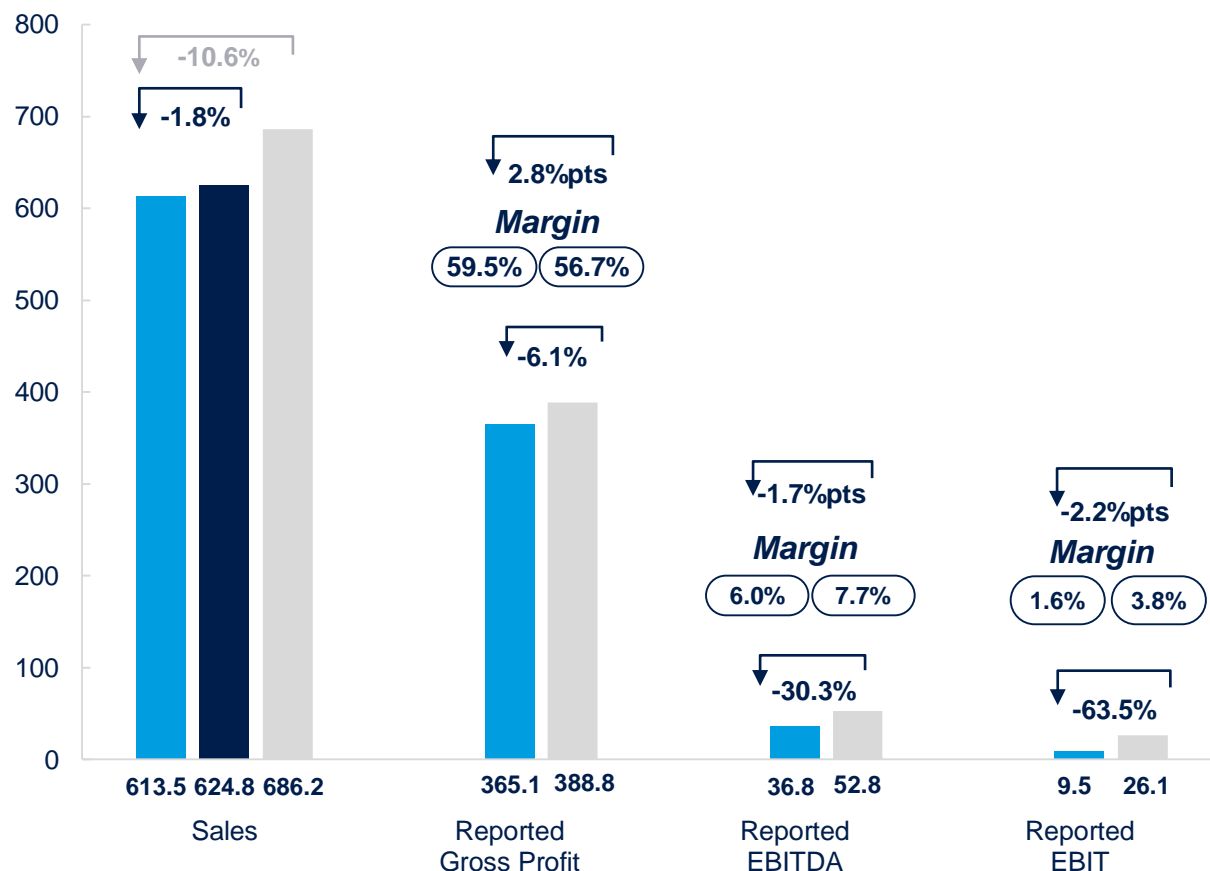
## 9M TOM TAILOR BRAND normalized



## 9M BONITA normalized



# TOM TAILOR GROUP: WEATHER CONDITIONS IN Q3 STOPPED GROUP DEVELOPMENT 2018



\*Normalized (including RESET- Effects)  
\*\*Reported

■ 9M 2018   ■ 9M 2017N\*   ■ 9M 2017R\*\*

## Comments

- TT Group YTD sales performance show continued sales growth for the TT brand (+1,5%) but overall declining sales due to performance of BONITA (-9,3%)
- Positive GM development of 2,8%pts vs. PY confirmed
- EBITDA and EBIT shortfall resulting from BONITA

## 2018 ADJUSTED GUIDANCE

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**Group sales**

Slight decrease compared  
to previous year:  
€840.0m - €860.0m

**Reported EBITDA margin**

Slight decrease:  
7.5% - 8.5%



OUTLOOK

# OUTLOOK 2019-21 NEEDS TO BE DIFFERENTIATED

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## TOM TAILOR brand


### Strategic priorities remain unchanged

- Grow existing healthy core
- Professionalize for profit (systems, processes)
- Expand into adjacencies next to core

Outpace market growth (topline)

Profit grows faster than topline

2021  
vs. 2018



Sales grow CAGR low-  
to mid-single digit

EBITDA 11-13%

## BONITA brand

### Longer transformation, some heavy lifting, but similar priorities as before

- Grow in “new” channels (eCom, concessions)
- Modernization of product, stores, CI
- Consumer (re-)activation (CRM, online, VM)
- Operational excellence

Essentially, flat sales development (vs. 2018)

Profitability to be restored, but below TT brand



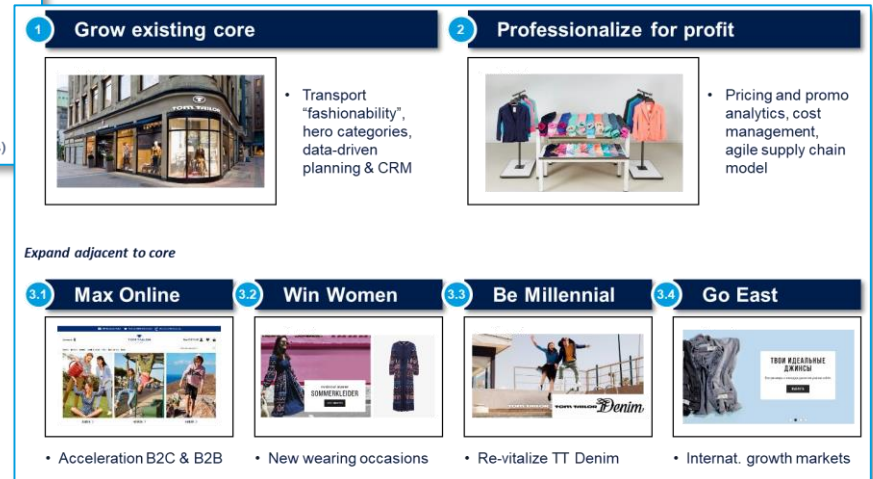
Sales flat

EBITDA 4-6%



# OUTLOOK: DETAILS TO BE SHARED IN MAY 2019

## TOM TAILOR brand



TT brand capital markets day planned for May 2019 – deep dive on strategic prios



# SUMMARY

# KEY TAKEAWAYS Q3 2018



- TT Brand healthy: sales continue to grow against a very weak market trend
- Main driver for TT's growth continues to be internationalization (esp. in WHS)
- eCom's Q3 focus adjusted to market environment: prioritize tech build & profitability
- Overall mid-term eCom expectations unchanged – solid double digit CAGR '19-'21
- BONITA continues to drag Group's performance down – no quick turnaround expected
- Management continuing BONITA transformation (with more moderate sales expectations), but also revisiting all options to create shareholder value
- TT brand's strategic growth plans 2019-21 unchanged: plan to outgrow market sales; profits to outgrow sales



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# SAY YES

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**TOM TAILOR**

EST. 1962



# FINANCIAL CALENDAR

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## Financial Calendar 2018/2019

## Events

**November 15, 2018**

Roadshow Paris

**November 16, 2018**

Roadshow Zurich

**November 19, 2018**

Roadshow London

**November 26, 2018**

German Equity Forum, Frankfurt

**December 3, 2018**

Berenberg Conference, Pennyhill

**March 21, 2019**

Publication Full Year Results 2018



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