



**TOM TAILOR** GROUP

MAY 2018

# ANALYST & INVESTOR PRESENTATION

Q1 2018

**TOM TAILOR** GROUP

# SUMMARY Q1 2018



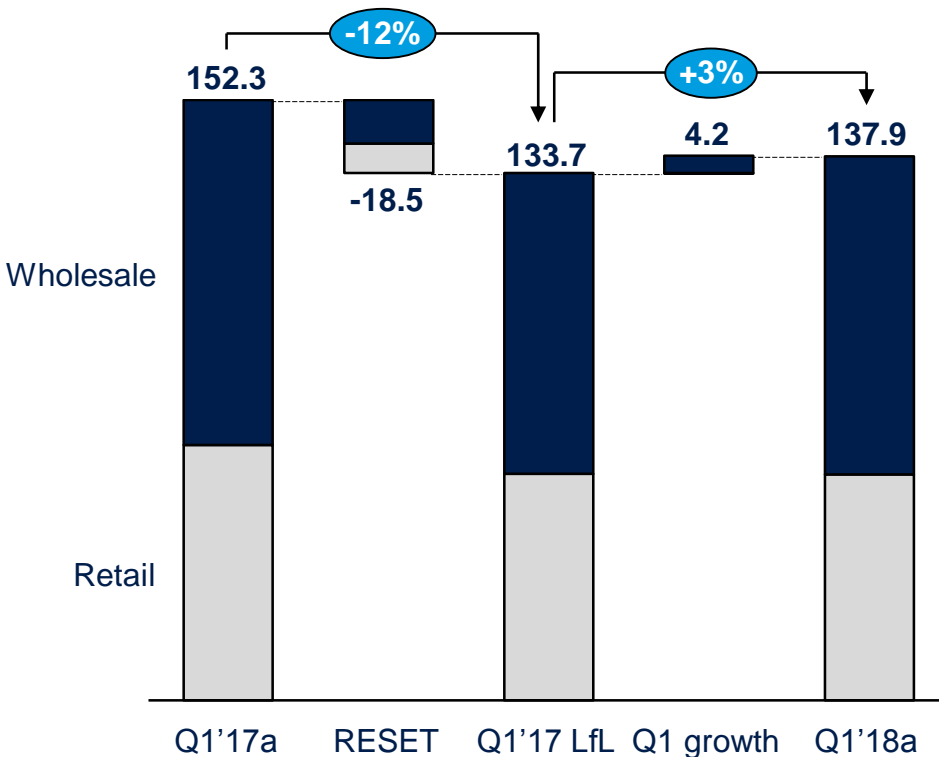
- **TOM TAILOR BRANDS grows sales ~3% LfL** despite strong market headwinds
  - **BONITA's** Q1 sales performance not satisfactory: LfL sales -14%
- 
- After **accounting for RESET closure effects**, TOM TAILOR BRANDS grew sales ~3%; driven by strong Wholesale (+5.8%); TT Retail LfL sales essentially flat (-0.4% vs. PY)
  - Thus, **TT outpaces market**; e.g., German market shrank -4% vs. Q1'17
  - Apart from RESET effects, TT sales impacted by **technical problems in new eShop**: sales -20% vs. PY; problems largely fixed; back on growth path in April
  - TT overall sales grew in most markets outside Germany; incl. RESET sales dipped 9%
- 
- **BONITA's** sales decline largely due to **internal operational mistakes**: product mix in Q1 geared towards spring (not winter), not enough stylistic freshness, too many basics
  - Countermeasures taken: April trading LfL > +11%; gross margin >25% above PY
- 
- **TT Group's financial performance** impacted by extremely weak BONITA performance
  - Group EBITDA below Q1'17, but still positive with €4.1m
  - **No change to overall financial guidance for FY 2018**



# BUSINESS HIGHLIGHTS Q1 2018



# TOM TAILOR BRANDS: LFL SALES GREW ~3% DESPITE RESET EFFECTS



## Main RESET effects

- TT store closures (-55 stores)
- Kids out-licensing
- Brand / division closures (e.g., Contemp)
- Country exits (e.g., France, Asia)

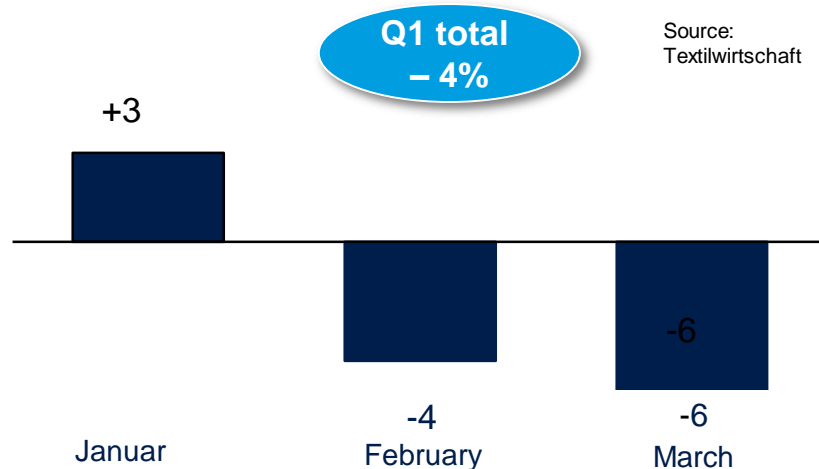
## Main Q1 growth driver (despite RESET effects): TT Wholesale

- Russia (WHS +17%)
- Netherlands (WHS +14%)
- Classical export, e.g., to Baltics/Nordics/UK, Greece, India (+10%)
- Germany (WHS) growing (after RESET normalization)
- Retail flat (-0.4%) like-for-like after RESET

# TOTAL MARKET: Q1 SALES DECLINING ~4%

## Germany: Q1 market shrank -4% vs. PY

Sales % change vs. PY (Germany)



### Main drivers:

- Strong traffic decline in bricks-and-mortar retail
- Record-high influenza wave in Germany
- Unusually cold weather across multiple markets

## Traffic decline across competitors / channels

Selected examples: Shop visitors % change vs. Q1'17



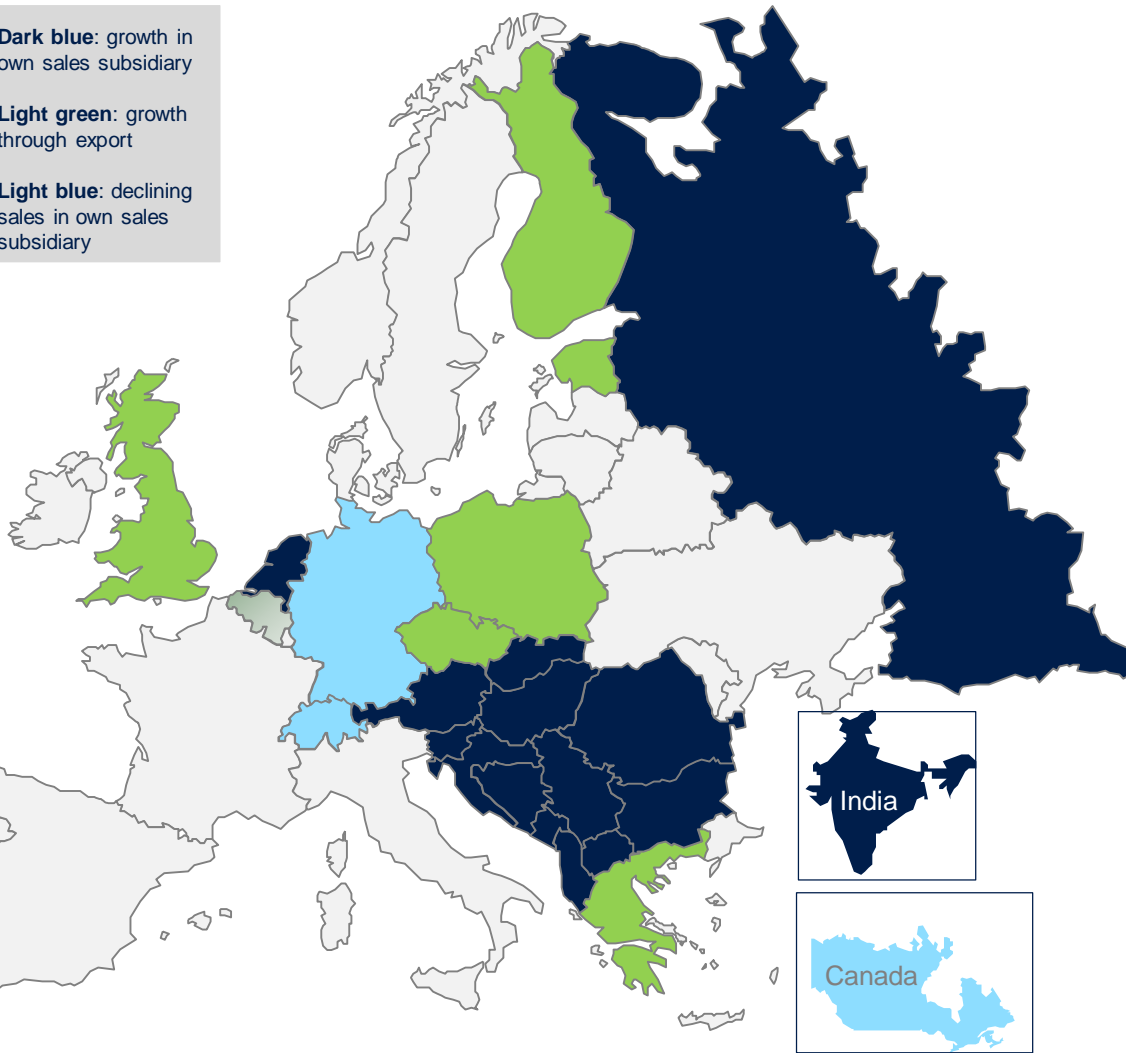
**TOM TAILOR BRANDS grew LfL in declining market**

# TOM TAILOR: GROWTH MARKETS CONTINUE TO DELIVER

**Dark blue:** growth in own sales subsidiary

**Light green:** growth through export

**Light blue:** declining sales in own sales subsidiary



## Two core markets shrank Q1

- Germany (Retail): driven by overall market trend
- Switzerland: mid-term market consolidation

## Growth markets w/ own sales subsidiaries developing well

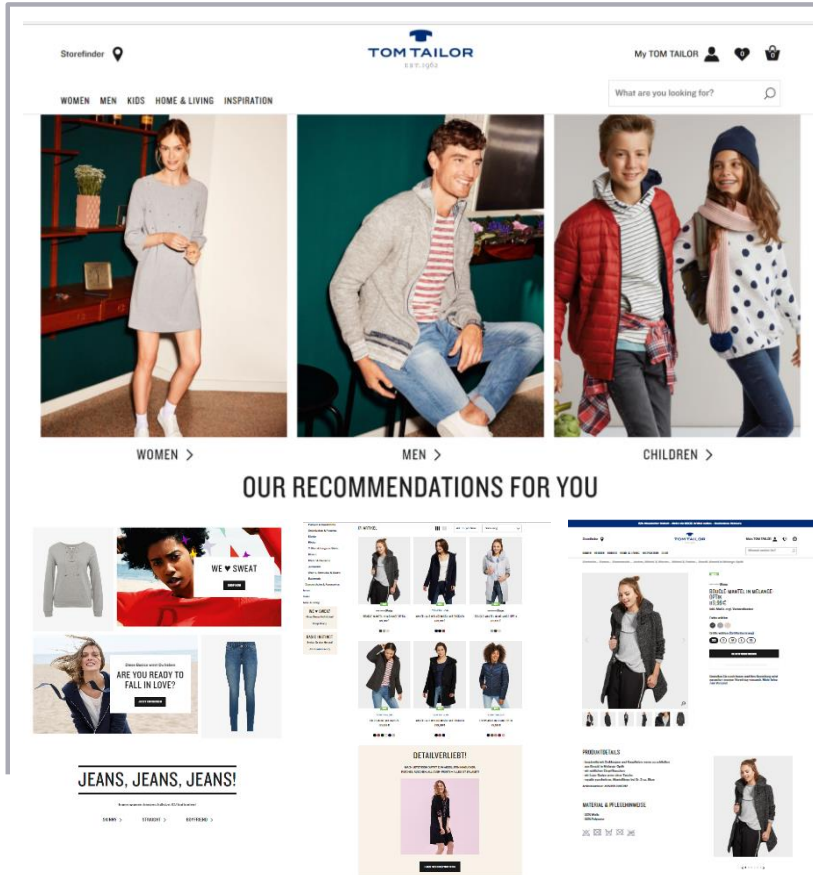
- Russia (esp. WHS in Q1)
- Benelux & SEE growing (pos. LfL)
- Austria w/ positive LfL in Retail

## Export (WHS) markets largely positive

- Positive trend in Nordics/UK/ Baltics & Central / South Europe
- India JV in strong ramp-up phase
- Canada still in RESET phase

# ECOM RECOVERY: AFTER „POST GO LIVE“ ISSUES

All-new TT & BONITA e-Shops went live Q4'17



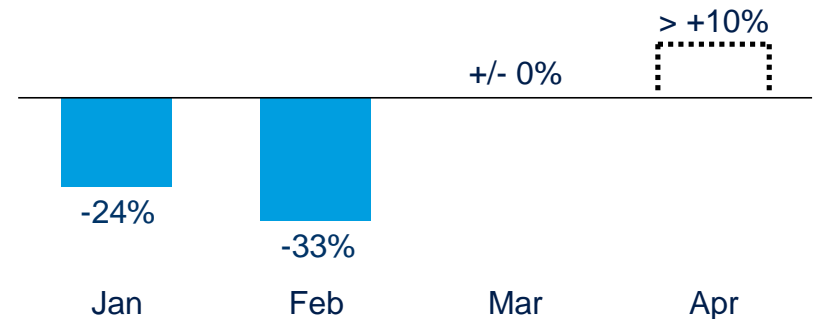
Quick recovery after Go Live issues

## Right step, but severe teething issues

- Phased upgrade of user experience (Photo quality, content, speed, mobile, personalization)
- Post Go Live, some severe techn. issues

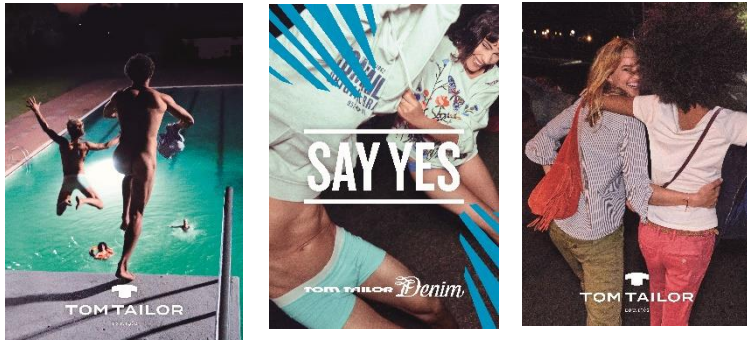
## New leader/team quickly drove recovery

- eShop Gross Order Value % Chg vs. PY: > +10%



# BRAND EQUITY TOM TAILOR: CONTINUED TARGETED MARKETING INVESTS

## Q1: “SAY YES - Happy Moments” campaign



TOM TAILOR Happy Moments campaign in TV and online



Revolverheld x TOM TAILOR Denim collection launched at Berlin Fashion Week

### March: “Happy Moments” campaign drove traffic

- Effective TV spot: “The happiest moments happen naked – or in bottoms from TOM TAILOR”
- 360° campaign with TV, online, POS & CRM
- High reach in social media: >3.9m views
- Traffic in own channels rose: +11% pts, in eCom and German retail stores vs. February 2018
- Pants revenues grew 40% pts. (eCom) & 25% pts. (retail), resp. vs. February 2018

### 2<sup>nd</sup> celebrity collab launched: Revolverheld band collection for TOM TAILOR Denim

- Two capsule collections in 2018
- Launch via concert during Berlin Fashion week – positive feedback from media & key accounts
- Sell-in of 1st collection outperformed Naomi capsules



# BONITA: INTERNAL MISTAKES HAMPERING Q1

## Operational mistakes in Q1

### Q1 net sales LfL -14% vs. PY; -22% total

- RESET full-year effects: BONITA Men (60) and BONITA Women store closures (80)
- Best performing channel concessions w/ -2%

### Market weakness boosted by internal mistakes

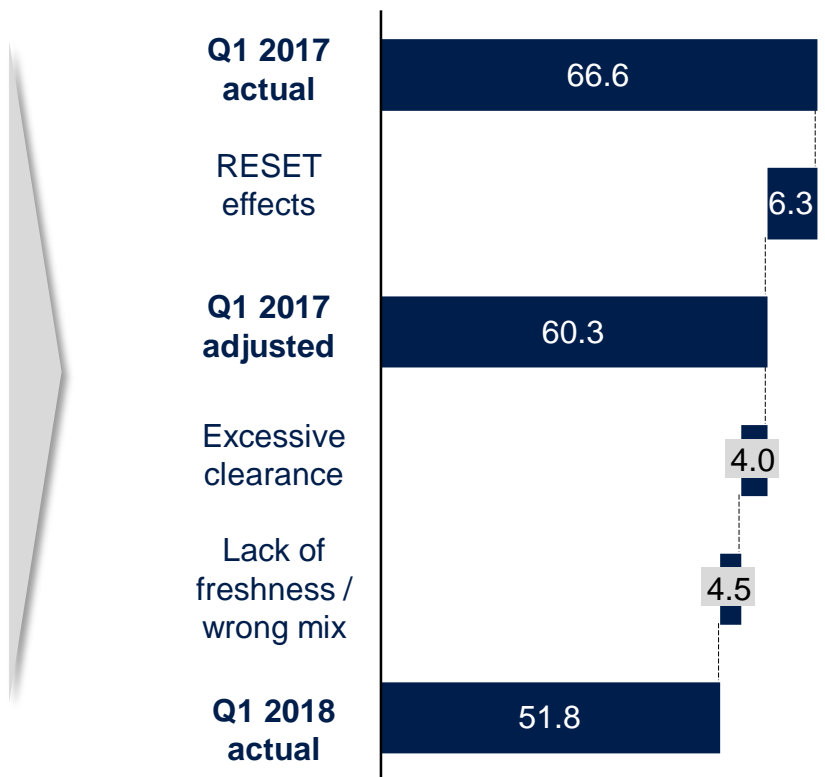
- Excessive clearance of Q4'17 leftover goods
- Collection balance: lacking freshness, too many basics (“never out of stock” articles)
- Product mix: too high share of summer styles

### New leadership team took immediate action

- Clearance & NOS sales reduced
- Share of fresh collection increased
- Sales performance improvement project (“CR40”)

## Q1 sales drop driven by RESET & mistakes

Q1 net sales (€m)



# BONITA: STICKING TO OUR PLAN

## Strategy unchanged / accelerated

### Modernization

- Product: “Franziska Knuppe” capsules’ weekly sell-through rate min. 2-4%pts higher than main collection’s
- Stores: Refurbished stores’s LfL sales >4.5%pts higher than avg. (Refurb. wave 1 Jan-Mar; wave 2 started April)

### Sales channel expansion

- WHS concession space keeps expanding; LfL stronger than in own stores
- eCom – still a largely untapped opportunity; to benefit from TT setup

### Consumer (Re-) Activation

- Q1 Marketing activities mainly focused on activating Franzi capsules (print & CRM mailings)

### Operational excellence (esp. in Sales)

- Strong focus on improving in-store performance (e.g., training)



**April trading: +11% sales and gross profit > +25%**



# FINANCIAL FIGURES Q1 2018



# KEY FINANCIAL TAKEAWAYS Q1 2018

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- TT Group sales with TOM TAILOR BRANDS sales increase offset by BONITA sales shortfall
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- Continued Gross Margin increase to 57.3% but absolute Gross Profit shortfall due to BONITA
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- Further full year OPEX savings from RESET reducing BONITA shortfall resulting into a positive EBITDA
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- Guidance confirmed for 2018
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- Note: LfL reporting now included with normalized sales for 2017 (excludes RESET effect)

# TOM TAILOR & BONITA BRANDS: NET SALES NORMALIZATION

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Additional reporting with “normalized sales 2017”  
to allow for a like-for-like comparison

## TOM TAILOR divestitures 2017

|             |                   |                   |
|-------------|-------------------|-------------------|
| • Brands    | Q1: €10.8m        | FY: €35.4m        |
| • Countries | Q1: €1.8m         | FY: €4.7m         |
| • Stores    | Q1: €5.9m         | FY: €16.2m        |
| • Total TT  | Q1: <b>€18.5m</b> | FY: <b>€56.3m</b> |

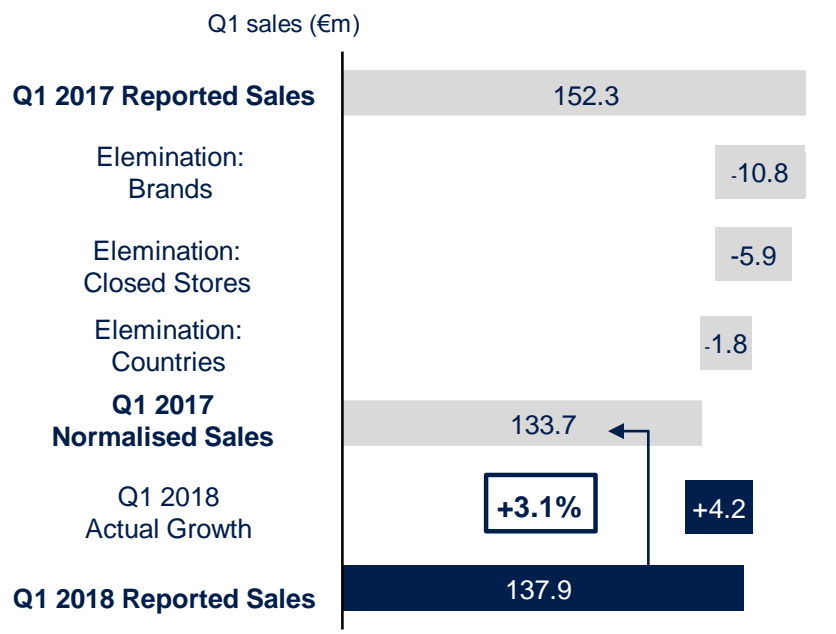
## BONITA divestitures 2017

|                |                  |                   |
|----------------|------------------|-------------------|
| • Brands       | Q1: €2.4m        | FY: €4.0m         |
| • Stores       | Q1: €3.9m        | FY: €8.7m         |
| • Total BONITA | Q1: <b>€6.3m</b> | FY: <b>€12.7m</b> |

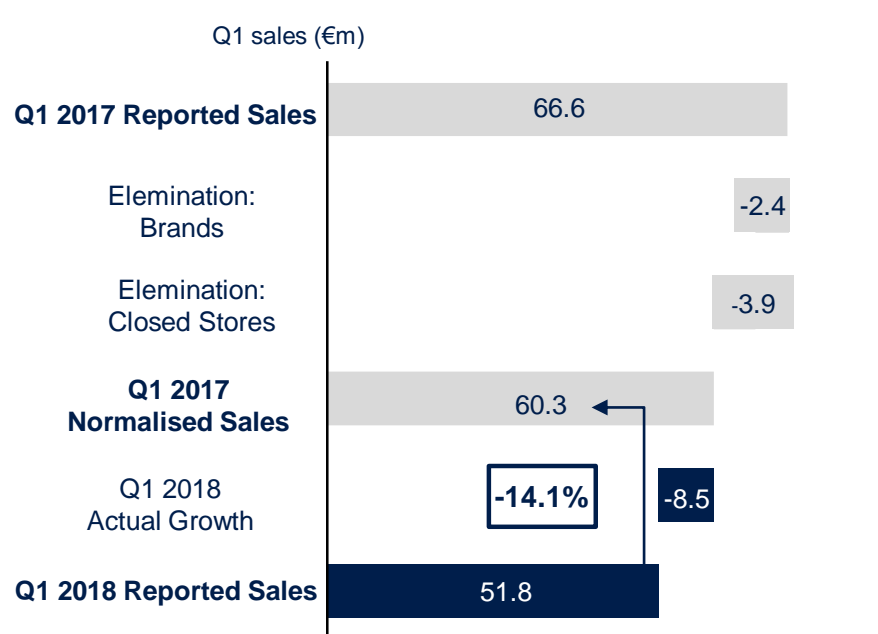
|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| <b>Total TT Group</b> | Q1: <b>€24.9m</b> | FY: <b>€69.0m</b> |
|-----------------------|-------------------|-------------------|

# TOM TAILOR & BONITA BRANDS: NORMALIZED NET SALES Q1 2018

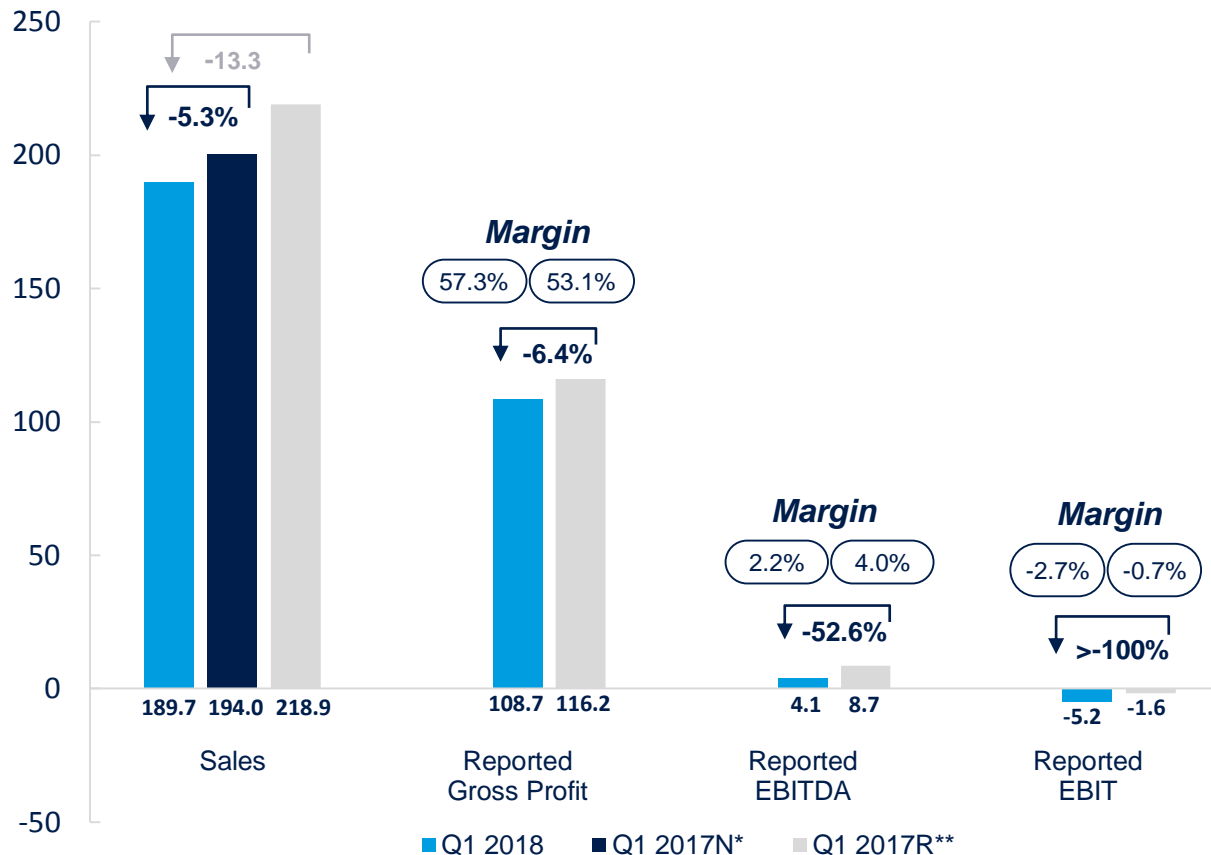
## Q1 TOM TAILOR BRANDS normalized



## Q1 BONITA normalized



# TOM TAILOR GROUP: RESULTS IMPACTED BY BONITA

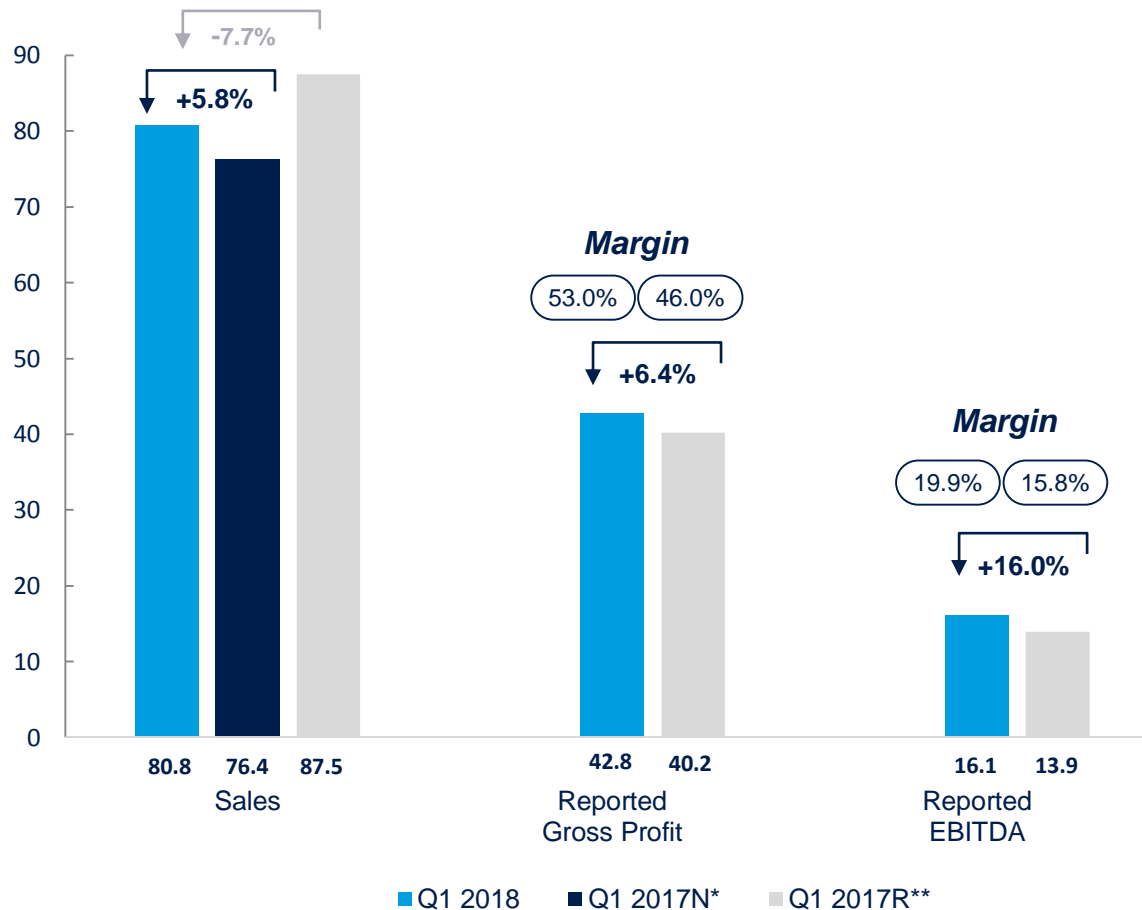


\*Normalized (including RESET- Effects)  
\*\*Reported

## Comments

- TOM TAILOR BRANDS in WHS and Retail continues to grow very profitable
- TOM TAILOR eCom now with solid growth after two declining months due to bug-fixing of new web platform
- Gross margin growth to 57.3%
- BONITA impacting Sales/Gross Profit and EBITDA in absolute terms
- BONITA measures initiated with good results in April (>7% Sales vs. PY)

# TOM TAILOR WHOLESALE: AGAIN A GROWTH DRIVER OF THE GROUP



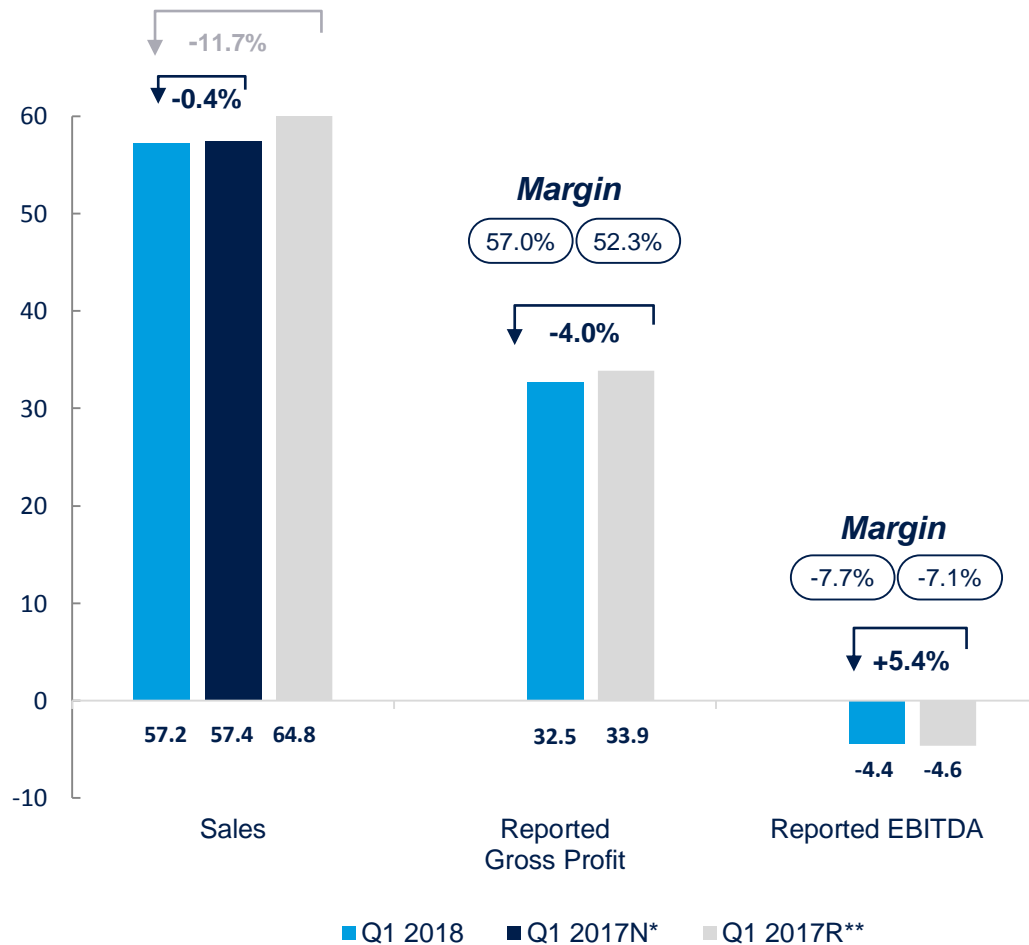
\*Normalized (including RESET- Effects)  
\*\*Reported

## Comments

- TT WHS continues strong growth gross margin and profit performance
- LfL growth of 5.8%
- Growth in all countries confirming the TT brands concept and sales approach
- Continued Gross Margin increase to 53.0% due to improved pricing and better sourcing
- EBITDA increase absolute and margin wise confirming the cash generator role of WHS



# TOM TAILOR RETAIL: SALES FLAT IN DIFFICULT MARKETS

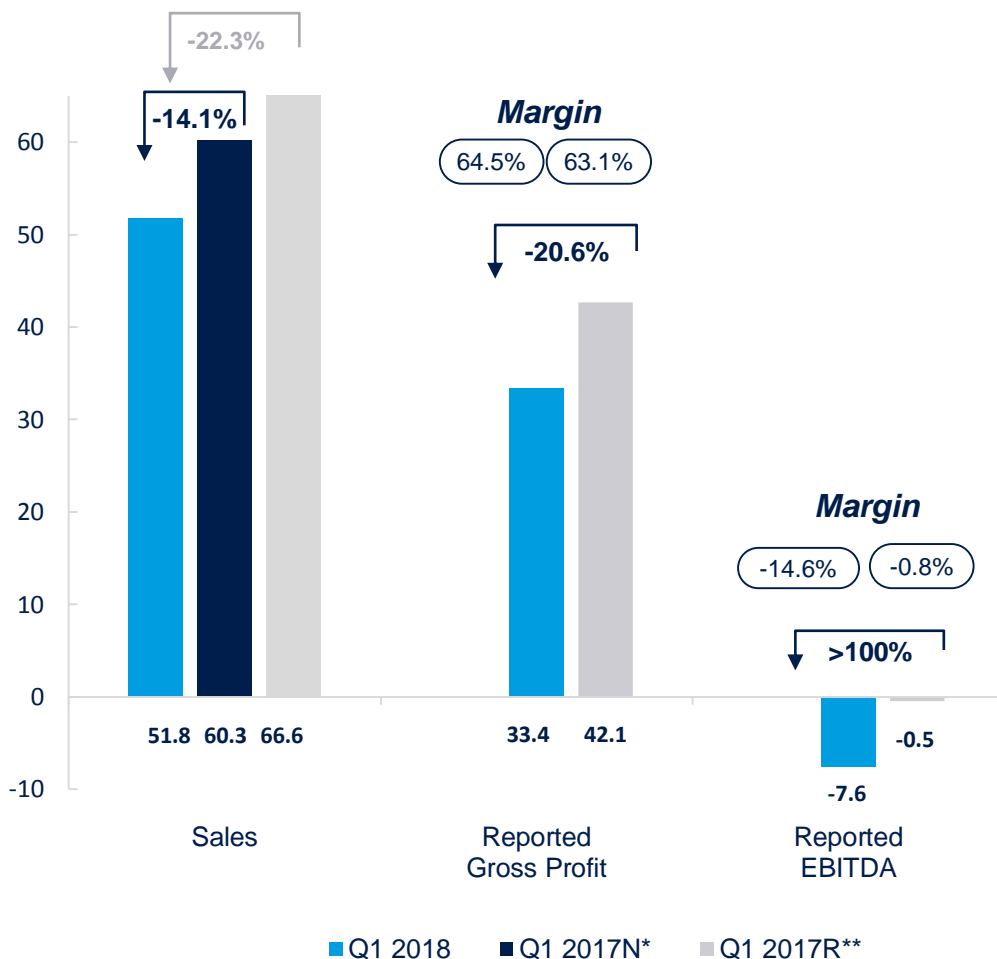


\*Normalized (including RESET- Effects)  
\*\*Reported

## Comments

- TT Retail managed to resist overall negative market trend in Q1
  - Austria, SEE growing LfL
  - Germany LfL sales negative, but gross profit up (absolute); same in international outlets
  - Russia growing through store expansion
- Pricing project and sourcing projects push up gross margin to 57.0%
- EBITDA includes approx 10 low performing stores with approx €-2.0m losses which will be closed overtime

# BONITA: TRANSFORMATION LASTS ON SCHEDULE



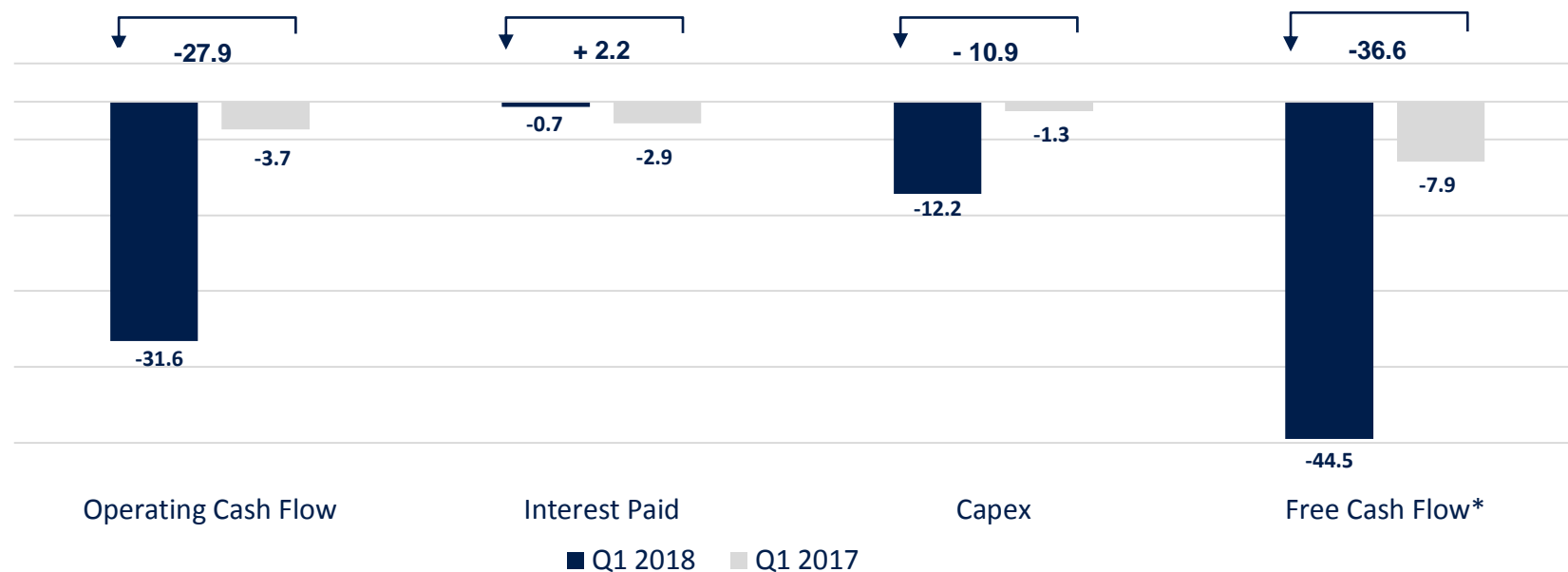
\*Normalized (including RESET- Effects)  
\*\*Reported

## Comments

- Operational challenges strongly impact the BONITA sales performance
  - Excessive clearance in Q1 of Q4'17 leftover goods
  - Product mix: too high share of summer styles
  - Collection balance: too much NOS vs. fresh collection
- Further store closures down to approx 650 stores planned (sales of €3.0m in Q1 with lower performance than PY)
- Improved Gross Margin due to improved pricing and sourcing projects and further OPEX savings could not offset sales shortfall
- Measures in place to recover in Q2

# TOM TAILOR GROUP: OPERATING CF IMPACTED BY SAP START UP BUGS

Cash Flow development Q1 2017 – Q1 2018 [€ m]



- Operating CF mainly impacted by SAP launch challenges which have all be solved meanwhile e.g.
  - invoices could not be printed in SAP resulting into increased receivables as customers did not pay
  - Payables advanced to avoid delivery issues as documents could not be retrieved immediately from SAP
- Interest down due to lower Net Debt, CAPEX in line with guidance

Free Cash Flow before redemptions

# 2018: SALES DECREASE WITH EBITDA MARGIN IMPROVEMENT / GUIDANCE CONFIRMED

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|                               |   |
|-------------------------------|---|
| <b>Group sales</b>            | Slight decrease compared to previous year   |
| <b>Gross profit margin</b>    | Moderate increase compared to previous year |
| <b>Reported EBITDA</b>        | Moderate increase compared to previous year |
| <b>Reported EBITDA margin</b> | >10%  |



# OUTLOOK



# PRIORITIES FOR THE UPCOMING MONTHS

## BONITA



## TT PRODUCT PUSH



## TT RETAIL (Germany)



## GROWTH HUBS



## BRAND EQUITY



## “SIMPLE NUMBERS”



# FOCUS UNTIL 2020: GROWING BOTTOM LINE

2017

- RESET – **refocus the company** on its healthy core (“cut the profit drainers”)
- **Lay the foundation** for healthy growth (e.g., IT, org, setup, incentives, talent)

2018 / 19

- Build a “**healthy & balanced portfolio**” to master industry volatility
  - Grow **eCom** @ >20% CAGR & expand omi-channel capabilities
  - **TT Internationalization**: Grow Russia & prepare 2019 country portfolio expansion
  - **TT Own channels**: Improve **space productivity** in WHS concessions & own retail
  - **TT Product**: Further expand **TT Denim & Women** division’s distribution footprint
  - **Marketing**: Boost invest by ~2x to rebuild brand equity & consumer engagement
  - **BONITA**: Modernize, expand sales channels, (re-)activate consumers
- “Shrink to grow sustainably”: Full-year effect of 2017 RESET closures / exits

2019 &  
beyond

- Continue 2018’s strategic direction (“healthy & balanced portfolio”) & **expand portfolio**
  - **Product**: Broaden wearing occasions & price point coverage
  - **Internationalization**: Enter selected markets through own setup or licensing model

**Target >12% EBITDA margin, Close to €1B sales in 2020**



# SUMMARY





# KEY TAKEAWAYS Q1 2018



- TT Brand's sales continues to grow & gain market share
- TT eCom: after teething problems, new eShop starts to deliver against plan
- BONITA product mix & sales issues addressed, April with ~11% growth, May strong
- Gross Margin increase due to improved pricing/markdown mgmt & sourcing
- Continued OPEX savings due to full year RESET savings
- Continued investment into brand equity building, e.g., through design collabs
- Continued investment into talent bench, org. professionalization & store look/feel
- **2018 Guidance confirmed**
- Additional growth projects initiated to secure 2020 target achievement

# DISCLAIMER

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This document contains forward-looking statements, which are based on the current estimates and assumptions by the management of TOM TAILOR Holding SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by TOM TAILOR Holding SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside TOM TAILOR Holding SE's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. TOM TAILOR Holding SE neither plans nor undertakes to update any forward-looking statements.

# FINANCIAL CALENDAR

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## Financial Calendar 2017/18

## Events

Nov 13, 2018

Publication quarterly statement (call-date Q3)

Aug 08, 2018

Publication half-yearly financial report

May 30, 2018

Annual General Meeting



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