

LUDWIG BECK



SEIT 1861

CORPORATE QUARTERLY REPORT

for the 1st quarter of the Fiscal Year 2020
for the period from January 1 – March 31, 2020

LUDWIG BECK – Significant decline in sales and earnings in the first quarter of 2020 due to COVID-19 shutdown

Munich, April 23, 2020 – The Munich Fashion Group LUDWIG BECK (ISIN DE 0005199905) ended the first quarter of 2020 with a significant sales decline of 22.6% due to the officially ordered closing of the shops on March 18, 2020, as a result of the development of the COVID-19 pandemic.

Economic environment and development in retail

The COVID-19 pandemic plunged the German economy into a recession again after this danger seemed to have been averted in 2019. Production had recovered significantly at the beginning of 2020. Incoming orders in the industry also indicated a subdued upward trend. The global economy stabilized and the easing of trade disputes between the United States and China made the prospects for the German export economy appear favourable. However, the COVID-19 pandemic that hit Germany in mid-February with massive cuts from exit restrictions and decommissioning of all public life changed this trend massively and eventually led to changes in household consumption.

The stationary retail has been particularly affected by the nationwide shutdown. Since March 18, 2020, all fashion companies in Bavaria have had to close their brick-and-mortar points of sale and were therefore faced with a 100 percent loss of sales. Other federal states followed this approach in the following days.

The closure of the department stores is still in effect. There will be a loosening in Bavaria from April 27, 2020, however, only for shops of less than 800 sqm.

The drop in sales in stationary fashion retail was 60% in March (source: TextilWirtschaft). Already in February, the effects of the COVID-19 pandemic were reflected in the sales, on the one hand by a slump in the tourist numbers and their resulting purchasing power and on the other hand by a more cautious consumption behaviour by private households. In the last week of February, the textile industry reported a drop in sales of minus 16%. Overall, the first quarter ended with a decrease of 26%, according to the TW-Testclub.

GENERAL PRESENTATION OF FIGURES IN THE INTERIM REPORT

All sums and figures in the text and the tables were calculated exactly and then rounded to €m. The percentages in the text and the tables were determined using the exact (not the rounded) values.

As of April 30, 2019, the Group had sold the shares in the WORMLAND division (“discontinued operations”). The following report mainly deals with the continued operations in the previous year’s figures.

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CONSOLIDATED EARNINGS SITUATION

Development of sales

With its continued operations, the LUDWIG BECK Group generated gross sales of € 15.4 million (previous year: € 19.9 million). Due to the closure of the stores from March 18, 2020, LUDWIG BECK lost sales in both the textile and non-textile segments. The Group generated sales of € 10.5 million (previous year: € 14.3 million) with the textile segment. In the non-textile segment, which also includes the online beauty shop, sales of € 4.9 million (previous year: € 5.6 million) were generated.

Development of profitability

The net gross profit at Group level deteriorated by € 1.8 million and amounted to € 5.8 million (previous year: € 7.7 million). The net gross profit margin decreased from 45.8% to 45.1%. In terms of operating expenses, a total of € 0.4 million in savings was made against other operating income, mainly in the area of personnel expenses.

The operating result (EBIT) was € -1.5 million and thus significantly below the previous year (€ -0.1 million).

As in the previous year, the financial result of the continuing business divisions for the first quarter was € -0.6 million.

With earnings before taxes of € -2.1 million (previous year: € -0.7 million) and deferred tax income of € 0.8 million (previous year: € 0.3 million), the result after taxes was € -1.4 million (previous year: € -0.4 million).

For the WORMLAND division, which was discontinued in the 2019 financial year, the result as of March 31, 2019, was € -2.1 million.

CAPITAL STRUCTURE

Balance sheet structure

The total assets of the LUDWIG BECK Group as of March 31, 2020, amounted to € 182.6 million and thus slightly exceeded total assets as of December 31, 2019, of € 177.2 million.

Among the long-term assets, in addition to the usage rights to be recognized for rental contracts, the property at Munich's Marienplatz was still one of the main items. This is accounted for at over € 70 million. Overall, non-current assets amounted to € 160.6 million (previous year: € 161.7 million).

Current assets rose from € 15.5 million (December 31, 2019) to € 21.9 million. There was a seasonal increase of inventories from € 12.3 million (December 31, 2019) by € 2.5 million to € 14.8 million. Cash and cash equivalents were € 3.5 million (December 31, 2019: € 0.6 million).

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FINANCIAL SITUATION

Balance sheet structure

As of March 31, 2020, the LUDWIG BECK Group had equity of € 60.2 million (December 31, 2019: € 61.6 million). With total assets of € 182.6 million (December 31, 2019: € 177.2 million), the equity ratio was 33.0% (December 31, 2019: 34.8%).

Long-term liabilities decreased mainly due to the reduction in financial liabilities by € 1.1 million and amounted to € 92.3 million (December 31, 2019: € 93.5 million).

Current liabilities rose from € 22.1 million (December 31, 2019) to € 30.0 million. In addition to the negative result in the first quarter of the current financial year, the reason for this development was the reduction in long-term liabilities, the financing of the seasonal increase in inventories and the expansion in bank balances. The Group's total liabilities as of March 31, 2020, were € 122.3 million (December 31, 2019: € 115.6 million).

Cash flow

Cash flow from operating activities after the first three months of 2020 was € -5.1 million (previous year: € -3.4 million). Cash flow from investing activities was € -0.4 million, unchanged vis-à-vis last year's quarter. Cash flow from financing activities was € 8.3 million (previous year: € 3.4 million).

EMPLOYEES

In the first three months of the 2020 financial year, the number of employees declined slightly, mainly due to the COVID-19 pandemic, to 405 (without trainees) in accordance with Section 267 (5) HGB (previous year: 411). As of March 31, the LUDWIG BECK Group employed 43 trainees (previous year: 44).

FORECAST REPORT

General economic conditions, development in retail, and at LUDWIG BECK

Due to the current negative effects of the COVID-19 crisis, the management of LUDWIG BECK does not currently see itself in a position to make a reliable forecast for sales and earnings for the 2020 financial year. The extent to which LUDWIG BECK's sales and earnings situation could be negatively impacted by the lack of customers, supplier bottlenecks or possible official orders cannot be estimated at this stage. It is not yet clear to what extent the current official measures will be retained or whether the year will return to a "normal" course after the end of the nationwide shutdown.

Nevertheless, governments, international organizations, and economic researchers constantly try to predict economic developments as precisely as possible using various assumptions. While the forecast of gross domestic product (GDP) for 2020 by the Federal Government and the EU Commission in January was still 1.1%, the Institute for Macroeconomics and Business Cycle Research (IMK) expects GDP to decline by -4%.

A survey by the Boston Consulting Group (BCG) shows that executives in the fashion and sporting goods industry expect sales to decline by 20 to 25%. Earnings before interest, taxes, depreciation, and amortization (EBITDA) is even forecast to decline by 35 to 40%. It is also assumed that the impact on sales and earnings will be felt for between three and twelve

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months. From today's perspective, it cannot be predicted whether sales will return to pre-crisis levels.

KEY FIGURES OF THE GROUP

in €m	01/01/2020	01/01/2019
	03/31/2020	03/31/2019
PROFIT AND LOSS ACCOUNT		
Sales (gross)	15.4	19.9
Value Added Tax	-2.5	-3.2
Sales (net)	12.9	16.7
Gross profit	5.8	7.7
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	0.0	1.4
Earnings before interest and taxes (EBIT)	-1.5	-0.1
Earnings before taxes (EBT)	-2.1	-0.7
Earnings after taxes from continued operations	-1.4	-0.4
Earnings after taxes from discontinued operations	0.0	-2.1
Earnings after taxes	-1.4	-2.5
CASH FLOW		
Cash flow from operating activities	-5.1	-3.4
Cash flow from investing activities	-0.4	-0.4
Cash flow from financing activities	8.3	3.4
EMPLOYEES		
Number of employees (average, excluding trainees)	405	411
Number of trainees (average)	43	44
Personnel expenses (in €m)	3.8	4.1
SHARE		
Number of shares (in m)	3.70	3.70
Earnings per share, undiluted and diluted (in €)	-0.37	-0.67

BALANCE-SHEET

	03/31/2020	12/31/2019
BALANCE SHEET		
Long-term assets	160.6	161.7
Short-term assets	21.9	15.5
Equity	60.2	61.6
Long-term liabilities	92.3	93.5
Short-term liabilities	30.0	22.1
Balance sheet total	182.6	177.2
Capex	-0.4	-0.4
Equity ratio (in %)	33.0	34.8

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SEGMENT REPORTING

	Textile		Non-textile		Group	
	€m	%	€m	%	€m	%
Gross sales	10.5	119.0	4.9	119.0	15.4	119.0
<i>previous year</i>	14.3	119.0	5.6	119.0	19.9	119.0
VAT	-1.7	19.0	-0.8	19.0	-2.5	19.0
<i>previous year</i>	-2.3	19.0	-0.9	19.0	-3.2	19.0
Net sales	8.8	100.0	4.1	100.0	12.9	100.0
<i>previous year</i>	12.0	100.0	4.7	100.0	16.7	100.0
Material expenses*	-5.1	57.7	-2.5	61.3	-7.6	58.8
<i>previous year</i>	-6.6	54.9	-2.7	57.4	-9.3	55.6
Gross profit	3.7	42.3	1.6	38.7	5.3	41.2
<i>previous year</i>	5.4	45.1	2.0	42.6	7.4	44.4
Personnel expenses	-1.0	10.9	-0.7	16.3	-1.6	12.6
<i>previous year</i>	-1.1	8.8	-0.8	16.0	-1.8	10.9
Imputed occupancy costs	-2.6	29.6	-0.5	13.2	-3.2	24.4
<i>previous year</i>	-2.6	21.6	-0.6	12.3	-3.2	19.0
Imputed interest costs	-0.2	2.4	-0.1	2.7	-0.3	2.5
<i>previous year</i>	-0.2	1.8	-1.1	23.2	-1.3	7.8
Profit of the segment	0.0	-0.5	0.3	6.4	0.2	1.7
<i>previous year</i>	1.6	12.9	-0.4	-8.9	1.1	6.8

* excluding rebates, discounts etc. on the cost of goods

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