

# 2014 ANNUAL RESULTS

Charles  
**Vögele**  
Switzerland



# PROGRESS IN A CHALLENGING MARKET ENVIRONMENT

## **Successful start to spring season, Negative market growth in autumn**

- Clothing market performed well in first half of 2014
- Unusually warm autumn hampered 4th quarter sales
- Goal of breaking even at EBIT level achieved
- Only just failed to stop decline in like-for-like sales
- Consolidated loss reduced again

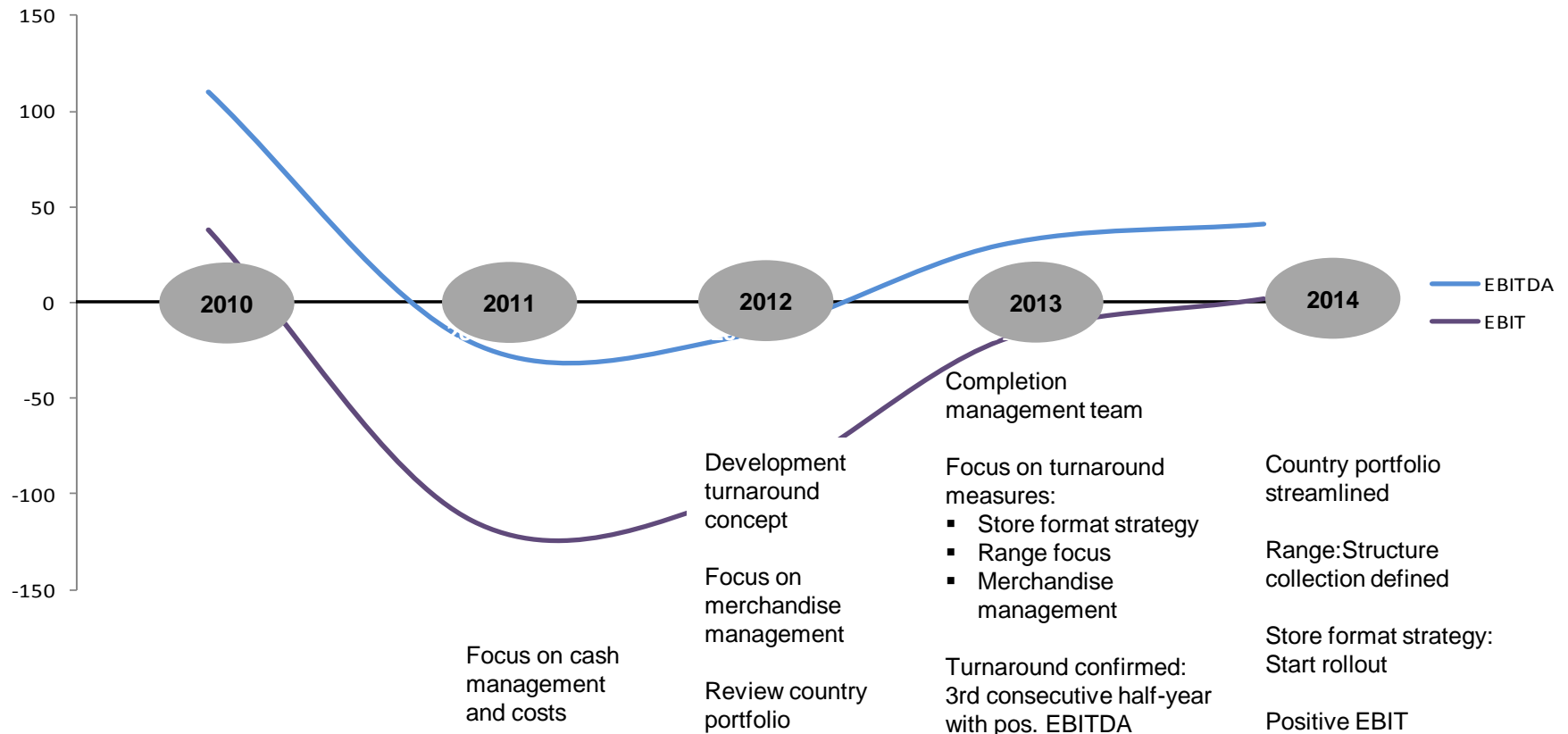
## **Operational focus on turnaround measures**

- Sharpening the collection focus
- Planning and implementation of store format strategy
- Improving merchandise management/availability



# CHARLES VÖGELE WELL ON TRACK

## Overview development EBITDA/EBIT 2010 - 2014



## KEY FIGURES 2014

### **Breakeven operating result , Consolidated loss reduced again**

- Gross sales reduced by -4.5% (CHF -51 million) to CHF 1'076 million, or -1.1% after adjusting for currency and floorspace (like-for-like)
- Better quality sales: gross profit margin above previous year at 67% (PY: 65.8%)
- Operating expenses reduced by CHF 30 million to CHF 563 million
- Positive EBITDA of CHF 41 million (PY: CHF 30\* million)
- Breakeven EBIT of CHF 2 million (PY: CHF -20\* million)
- Consolidated loss reduced again to CHF -11 million (PY: CHF -30\* million)

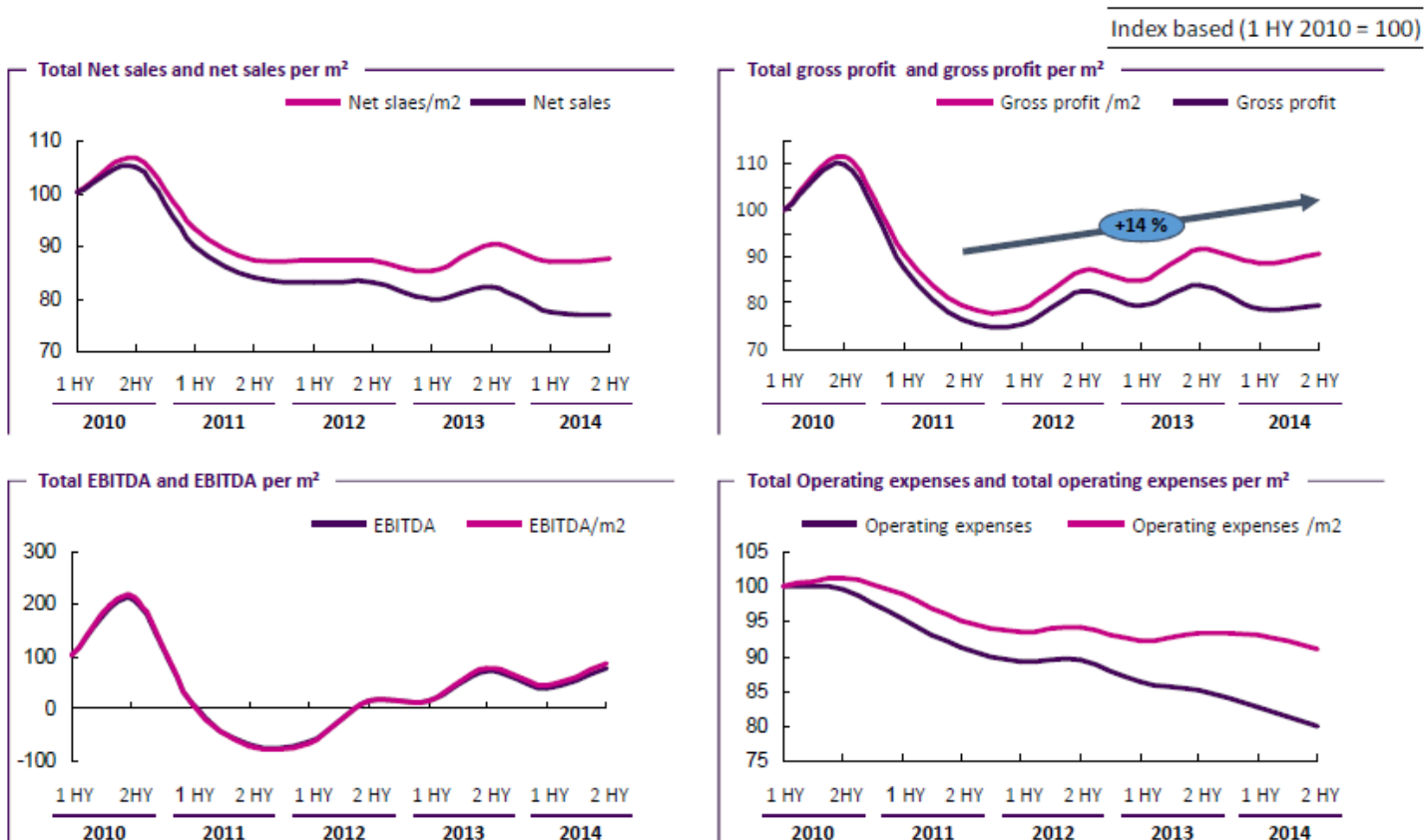
\* Prior year figures adjusted to Swiss GAAP FER for purposes of comparison





# KEY FIGURES 2014

## Turnaround in gross profit and EBITDA confirmed (CHF m)



- Streamlining the portfolio
- Stable floorspace productivity
- L-f-I reduction in sales in 2nd half-year
- Rise in profit margin
- Cost trend has further reduced break-even point
- Fourth consecutive half-year with positive EBITDA

# KEY PILLARS OF TURNAROUND CONCEPT

## MANAGEMENT AND ORGANIZATION

- Group Management complete
- Management structure and organization stabilized
- Focus on daily business and core projects

## IMPROVING PERFORMANCE

- Sales quality
- Availability of goods
- Streamlining country/store portfolio
- More focused marketing activities
- Cost efficiency

## GET CLOSER TO THE MARKET

- Range: Styles defined
- Sales floors: Development of store format strategy
- Market: Focus on core Swiss market

# INCOME STATEMENT

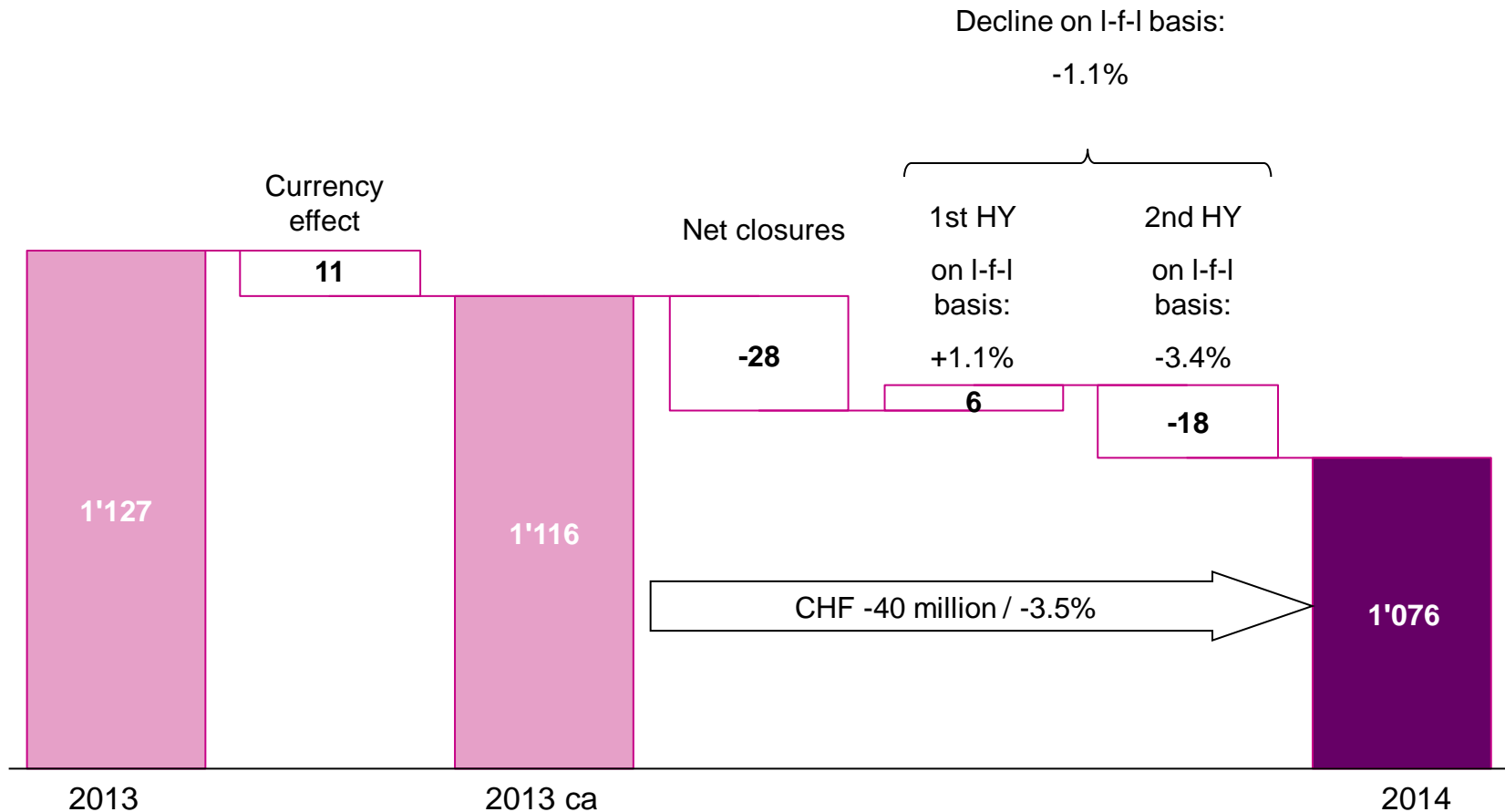
(CHF million)	2014	2013*	△	△ in %
Gross sales	1'076	1'127	(51)	(5%)
Net sales	901	947	(46)	(5%)
Gross profit	604	623	(19)	(3%)
as % of net sales	67.0%	65.8%		
Total operating expenses	(563)	(593)	+30	+5%
as % of net sales	62.5%	62.6%		
EBITDA	41	5	+11	
as % of net sales	4.6%	3.2%		
EBIT	2	(15)	+22	
as % of net sales	0.2%	-2.1%		
Net profit/(loss)	(11)	(30)	+19	

\* Prior year figures adjusted to Swiss GAAP FER for purposes of comparison



# CONSOLIDATED GROSS SALES (in CHF million)

## Like-for-like sales decline in 2nd half-year





# NEGATIVE MARKET GROWTH FROM OCTOBER

**SPIEGEL ONLINE WIRTSCHAFT** Login | Registrierung

Suche Kurse

Politik | Wirtschaft | Panorama | Sport | Kultur | Netzwelt | Wissenschaft | Gesundheit | einestages | Karriere | Uni | Reise | Auto | Stil

Nachrichten > Wirtschaft > Staat & Soziales > Einzelhandel > Deutscher Einzelhandel verzeichnet Umsatzrückgang

**Größtes Minus seit 2007: Umsatz des Einzelhandels bricht massiv ein**



Passanten mit Einkaufstüten in Hamburg: Konsumklima eingetrübt

Der Umsatz des deutschen Einzelhandels ist im September um mehr als drei Prozent zurückgegangen - so stark wie seit sieben Jahren nicht mehr. Besonders Textilien, Schuhe und Lederwaren blieben in den Geschäften liegen.

## (Noch) keine Lust auf Winterbekleidung

Bis auf die Kinderkonfektion liegen alle Werte des Umsatzvergleichs vom Oktober 2014 im negativen Bereich. Lag es am für den Herbst zu warmen Wetter? Die Swiss Fashion

Minus von 9,3 Prozent am stärksten verloren. Im Vergleich der Oktober 2014 wärmster seiner Art seit Beginn in die Annalen ein

Textil-Revue 21. 11. 2014

UNTERNEHMEN & MÄRKTE

MAUE UMSÄTZE | 05.11.2014

## Der Textilhandel kommt ins Schwitzen

Alle schimpfen übers Wetter - vor allem der Textilhandel. Aus gutem Grund. Der Herbst ist bislang zu warm, und deswegen haben die Kunden keine Lust, dicke Winterjacken zu kaufen.

NEWSTICKER

10:58

## Mehr als 40% der Shopping-Center in der Schweiz mit rückläufigem Umsatz

Zürich (awp) - Die Schweizer Einkaufszentren kämpfen zu einem guten Teil mit sinkenden Umsätzen. Mehr als 40% aller Center in der

Freitag, 31. Oktober 2014

## Käufer meiden Kleidung Einzelhandel erlebt Umsatz-Schock

Überraschend stark gehen im September die Umsätze der Geschäfte in Deutschland zurück. Im Vergleich zum Vormonat brechen die Verkäufe so stark ein wie seit Jahren nicht. Besonders der Umsatz mit Textilien, Bekleidung, Schuhen und Lederwaren schrumpft.

N-TV, 31. 10. 2014

Nach Insolvenz niederländischer Mutter

## Auch deutsche Mexx-Töchter sind pleite

Stand: 23.12.2014 11:31 Uhr

Tagesschau.de

## Die Schweiz hat lieber die Sonne genossen

Nachdem sich der August 2014 von seiner besseren Seite gezeigt hat, kam mit dem September die Kehrtwende. Nun wollten die Schweizerinnen und Schweizer lieber die Sonne genießen, als schon an Herbst-/Wintermode

diese Sortimentsgruppe den Vorjahresumsatz von plus 18 Prozent halten. Besonders bedenklich hingegen der Vergleich der Zahlen im Bereich Young Fashion/Jeans (Damen, Herren, Kinder).

Textil-Revue 17. 10. 2014

# GROSS PROFIT

## Sales quality improved

- Gross profit down by CHF -19 million to CHF 604 million (PY: CHF 623 million)
  - Fall in volume, currency influence: CHF -30 million
  - Positive margin effect: CHF 11 million

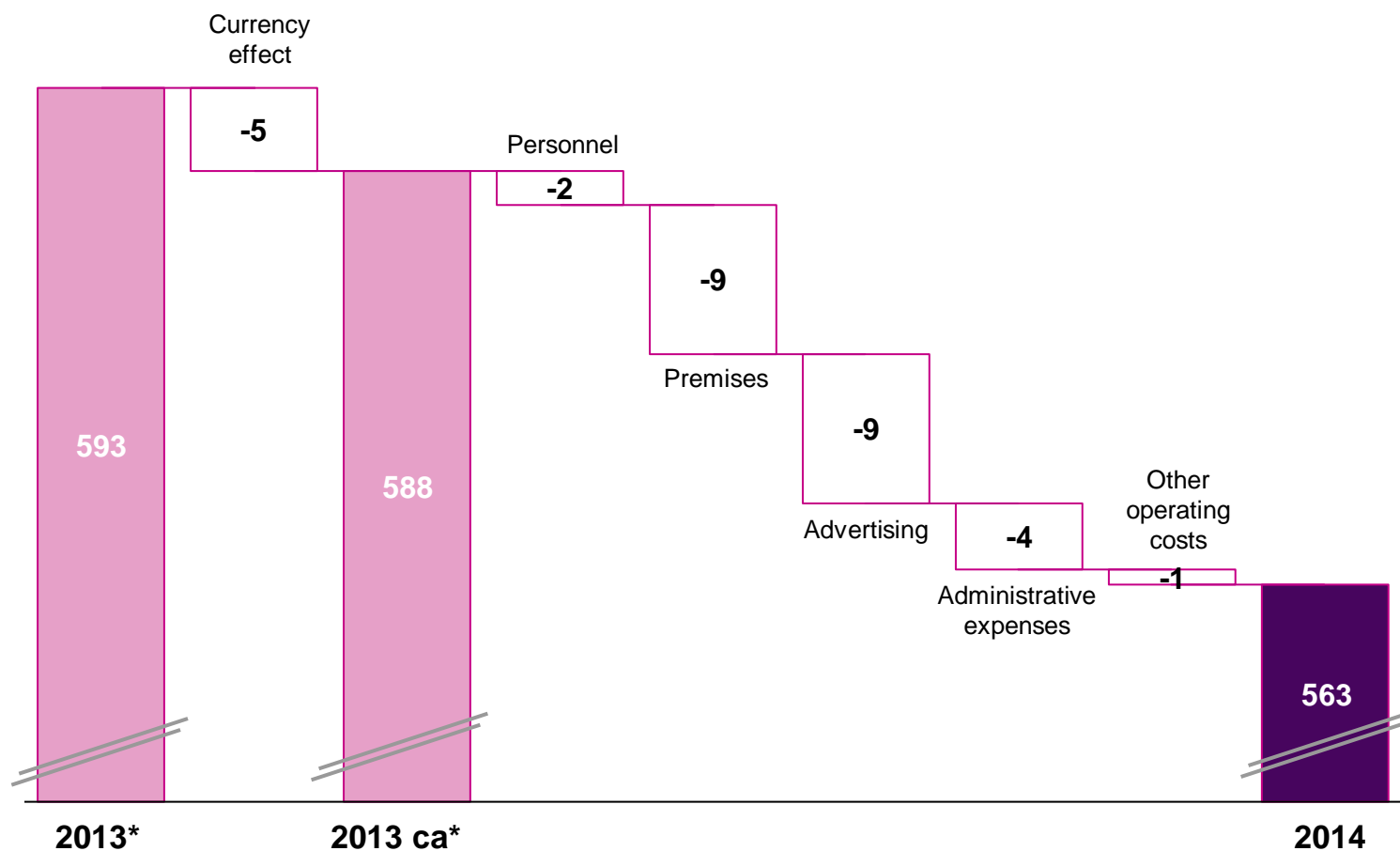
## Influencing factors:

- Streamlining of floorspace (Ø -4%)
- Further reduction in discounted sales rate
- Decline in sales in 2nd half-year
- Positive currency effect



## OPERATING COSTS (in CHF million)

CHF 25 million saving after currency influences



\* Prior year figures adjusted to Swiss GAAP FER for purposes of comparison

# REGIONAL PERFORMANCES

## Three out of four regions with positive EBITDA

### Region Switzerland

(CHF million)	2014	2013*
Gross sales	344	355
Net sales	309	321
EBITDA	47	49
EBIT	30	33
Store portfolio at 1 January	168	170
<i>Net change</i>	(1)	(2)
Store portfolio at 31 Dec	167	168

### Region Germany

	2014	2013*
Gross sales	356	363
Net sales	290	296
EBITDA	20	20
EBIT	9	0
Store portfolio at 1 January	281	291
<i>Net change</i>	1	(10)
Store portfolio at 31 Dec	282	281

### Region Benelux

	2014	2013*
Gross sales	139	148
Net sales	112	120
EBITDA	(6)	(5)
EBIT	(8)	(6)
Store portfolio at 1 January	141	148
<i>Net change</i>	(2)	(7)
Store portfolio at 31 Dec	139	141

### Region CEE

(CHF million)	2014	2013*
Gross sales	237	261
Nettoumsatz	190	210
EBITDA	5	0
EBIT	0	(5)
Store portfolio at 1 January	191	203
<i>Net change</i>	(16)	(12)
Store portfolio at 31 Dec	175	191

### Group's headquarter and consolidation

	2014	2013*
Gross sales	0	0
Net sales	0	0
EBITDA	(25)	(34)
EBIT	(29)	(42)
Store portfolio at 1 January		
<i>Net change</i>		
Store portfolio at 31 Dec		

### Group

	2014	2013*
Gross sales	1076	1127
Net sales	901	947
EBITDA	41	30
EBIT	2	(20)
Store portfolio at 1 January	781	812
<i>Net change</i>	(18)	(31)
Store portfolio at 31 Dec	763	781

# OVERVIEW OF EBIT TO NET PROFIT

## Improved net result

(CHF million)	2014	2013*	△
EBIT	2	(20)	+22
as % of net sales	0.2%	-2.1%	
Financial expenses	(10)	(11)	+1
Exchange losses	(1)	4	(5)
Tax expenses	(2)	(3)	+1
Net profit/(loss)	(11)	(30)	+19
as % of net sales	-1.2%	-3.1%	

- Lower interest expense and optimized cash management
- Realized currency losses
- Tax adjustment in previous year

\* Prior year figures adjusted to Swiss GAAP FER for purposes of comparison





# INVESTMENTS

## Increased investment in store portfolio

(CHF million)	2014	2013	△
Store openings	3.3	1.4	+1.9
Refurbishments/renovations	10.7	4.9	+5.8
Other	2.6	1.4	+1.2
Total regions	16.6	7.7	+8.9
Group infrastructure	3.6	3.5	+0.1
Divestment	(4.7)	(0.5)	(4.2)
Total Group, net	15.5	10.7	+4.8



# FREE CASH FLOW

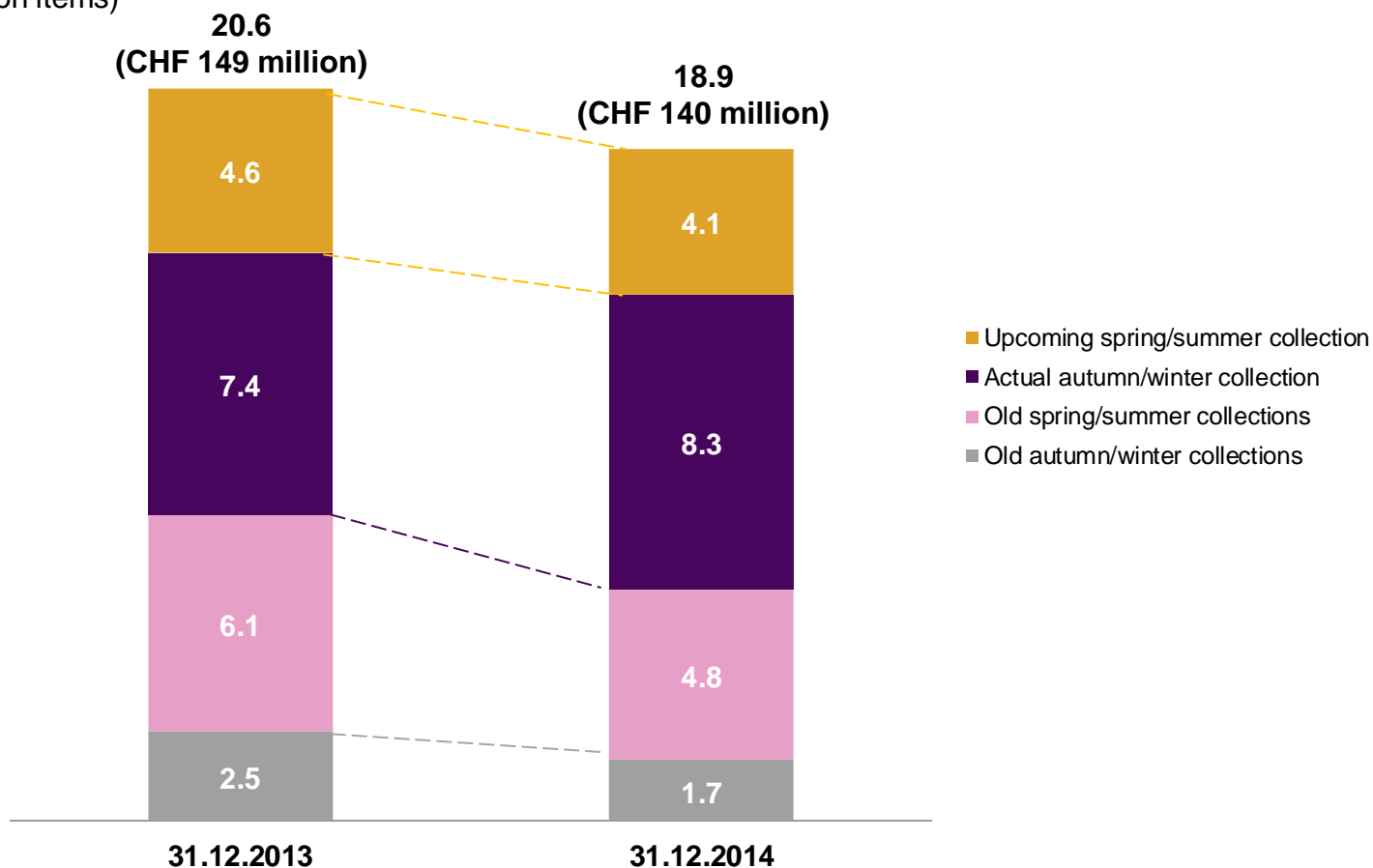
(CHF million)	2014	2013*	△
<b>EBITDA</b>	<b>41</b>	<b>30</b>	<b>+11</b>
Change in net working capital	2	17	(15)
Net financial & tax expenses	(14)	(9)	(5)
<b>Cash flow from operating activities</b>	<b>29</b>	<b>38</b>	<b>(9)</b>
Cash flow from investing activities	(16)	(11)	(5)
<b>Free Cash Flow</b>	<b>13</b>	<b>27</b>	<b>(14)</b>
Cash flow from financing activities	14	(44)	+58
<b>Net change in cash &amp; cash equivalents</b>	<b>27</b>	<b>(17)</b>	<b>+44</b>

\* Prior year figures adjusted to Swiss GAAP FER for purposes of comparison

# INVENTORIES

## Improved inventory structure

Inventory (million items)



# KEY BALANCE SHEET FIGURES

## Net debt reduced

(CHF million)	30.12.2014	31.12.2013*	△
Cash and cash equivalents	97	70	+27
Inventories	140	149	(9)
Tangible assets	215	235	(20)
Net debt	77	89	(12)
Total assets	473	483	(10)
Shareholders' equity	155	166	(11)
Equity ratio	33%	34%	(1%)

\* Prior year figures adjusted to Swiss GAAP FER for purposes of comparison





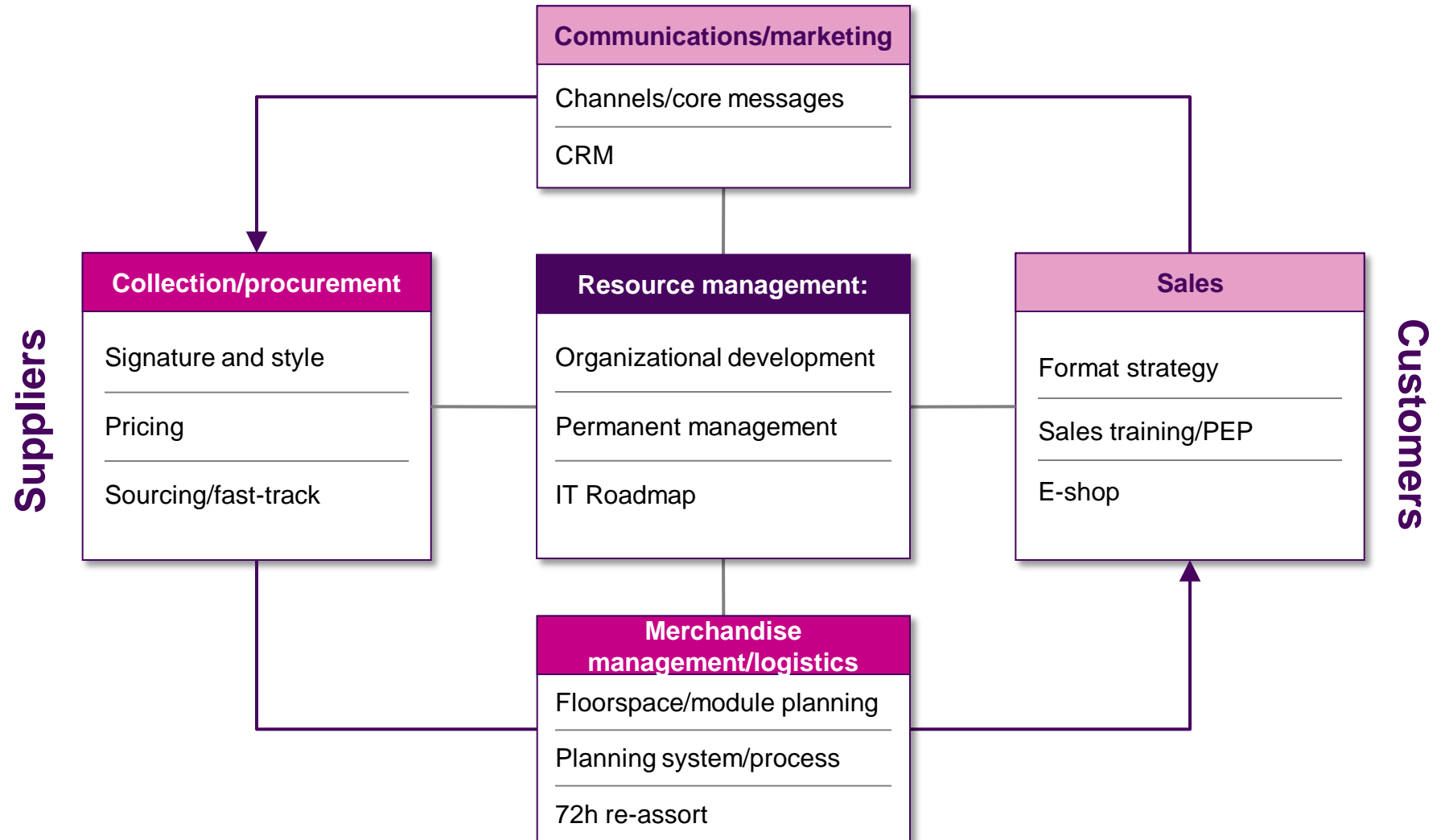
## OUTLOOK FOR 2015



We are the leading Swiss fashion retailer, offering highest quality in the mid-price sector. We are known for our up-to-date, reliable range and friendly service.



# CORE THEMES 2015



# CORE THEME

## SIGNATURE & STYLE

### PROCESS

- Clear definition of Classic and Modern styles
- Develop a clear colour palette
- Increase focus on outfits
- Initial focus on womenswear (knits and blouses)
- Integration of VP style

### GOALS

- Optimize collection structure
- Correct range weaknesses
- Reduce complexity of range
- Target group-focused modernization
- Develop collections more suitable for store display



# CORE THEME

## SIGNATURE & STYLE

### Style

#### Modern



#### Classic



Casual

Formal

Occasion



# CORE THEME

## SIGNATURE & STYLE

### OUTFIT COMPETENCE

*Passende Teile*  
ZUM KOMBINIEREN



### MODERNIZATION

*Leichte Polydaunen*  
WOHLIG WARM IN DEN FRÜHLING

Leichte Polydaunenjacken liegen nicht nur im Trend, sie sind vor allem sehr praktisch. Federleicht zu tragen – auch in der Tasche – sind sie die sportlich funktionelle Antwort auf frühlingshafte Temperaturschwankungen.



Weste

**49<sup>95</sup>**

statt 59-95  
zum Wenden,  
leichte Polydaune,  
mit Kapuze,  
beidseitig mit  
Taschen

Titelangebot:  
Jacke

**59<sup>95</sup>**

statt 99-95  
zum Wenden,  
leichte Polydaune,  
beidseitig mit  
Taschen

# CORE THEME

## *FLOOR PLANNING & MERCHANDISE MANAGEMENT*

### PROCESS

- Floorspace-based merchandise management
- Continue measures initiated in 2013, e.g. improved discounting, greater closeness to market and process efficiency in marketing.

### GOALS

- Increase merchandise availability to suit floorspace and customers
- Develop regional merchandise management
- Use regional approach to reduce proportion of discounted sales





# CORE THEME

## STORE FORMAT STRATEGY

### PROCESS

- Use central levers
- Carry out pilots
- Focus on scalability
- Identify and execute quick wins
- Roll-out the target format

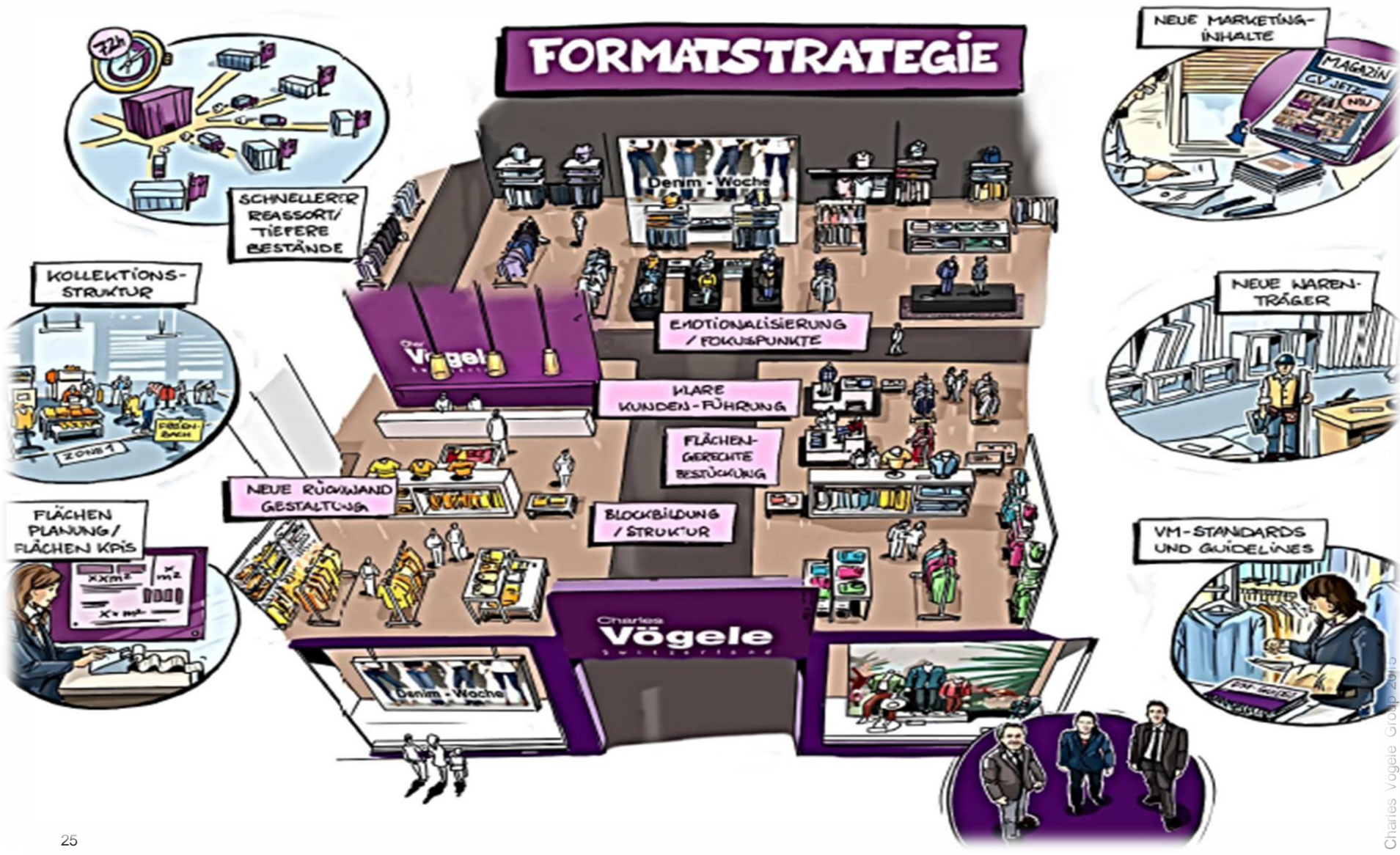
### GOALS

- Rising sales and gross profit
- Lower inventories
- Greater customer focus
- Develop collections closer to the market
- Improve planning/merchandise management process
- Better range perception
- Positive brand effects



# STORE FORMAT STRATEGY AN OVERVIEW

Charles  
**Vögele**  
Switzerland



# STORE FORMAT STRATEGY LEVERS

## Main levers for optimizing the shop floor

### CURRENT:

Floor layout, modules (illustrative)



## Central levers for improvement

### 1 Process

Clear management of floorspace

### 2 Highlights

Focal points for reference

### 3 Customers guidance

Simpler orientation

### 4 Structure

Display racks arranged in blocks

### 5 Emotionalization

Modernized presentation of goods

### 6 Range

Items to suit floorspace better



# STORE FORMAT STRATEGY

## IMPROVE LOOK OF SHOP FLOORS

### Implement format strategy

#### Before



#### After conversion



- ✓ Clear display blocks for different target groups
- ✓ Range modules to suit floorspace
- ✓ Greater core skill at showing whole outfits

# STORE FORMAT STRATEGY

## IMPROVE LOOK OF SHOP FLOORS

### Implement format strategy

#### Before



#### After conversion



- ✓ Selective block colour schemes
- ✓ New back wall design
- ✓ Highlight areas/ focal points
- ✓ New store structure and VM elements



# STORE FORMAT STRATEGY *IMPRESSIONS*



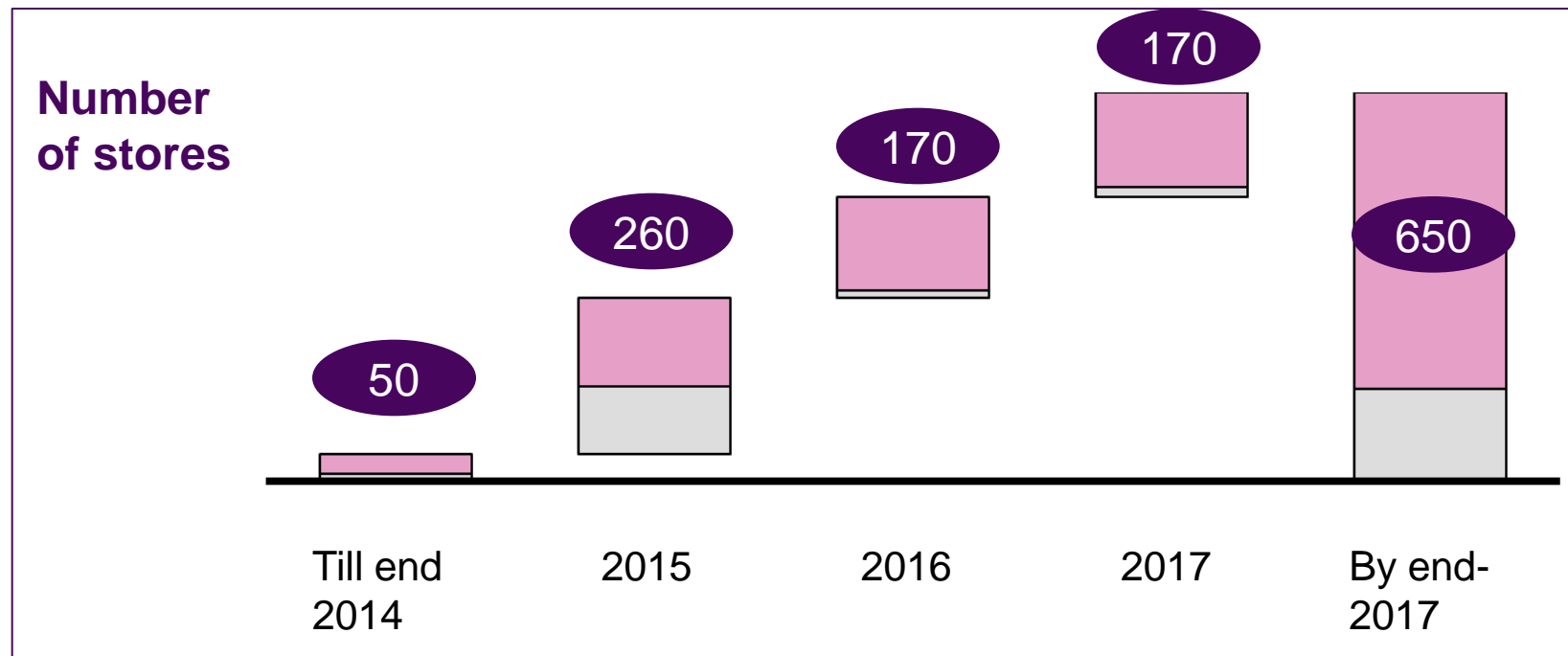
# STORE FORMAT STRATEGY *IMPRESSIONS*



# STORE FORMAT STRATEGY ROLL-OUT

## Rollout planning 2014-17, all SOs

■ EU ■ CH



Focus on Switzerland

Focus on Eurozone

# STORE FORMAT STRATEGY

## SWISS EXAMPLES

TOWN	STORE	TOWN	STORE
<b>Aarau</b>	Telli-Einkaufszentrum, Bahnhofstrasse 23	<b>Langenthal</b>	St. Urbanstrasse 3
<b>Basel</b>	Münchensteinstrasse 200 / Dreispitz Mparc	<b>Lyss</b>	Steinweg 10 / Lyssbachpark
<b>Biel</b>	Nidaugasse 8	<b>Mels</b>	Pizol-Center
<b>Breitenbach</b>	Wydenmatten	<b>Oftringen</b>	Perry-Center
<b>Conthey</b>	Rue des Rottes 15 / Forum des Alpes	<b>Schlieren</b>	Uitikonerstrasse 9 / Zürcherstrasse 6 / Lilie-Zentrum
<b>Dietlikon</b>	Industriestrasse 32 / Erlenweg	<b>Spreitenbach</b>	Shopping-Center
<b>Egerkingen</b>	Hausimollstrasse 1 / GÄUPARK	<b>Stans</b>	Länderpark
<b>Emmenbrücke</b>	Emmen-Center	<b>Wettingen</b>	Landstrasse 99 / Center Passage
<b>Fribourg</b>	Avenue de la Gare 22	<b>Zurich</b>	Baslerstrasse 50 / Letzipark Zürich
<b>Hinwil</b>	Wässeristrasse 55	<b>Zurich-Oerlikon</b>	Hofwiesenstrasse 350 / Zentrum Neumarkt



# CORE THEME

## MARKETING: CHANNELS/CORE MESSAGES

### PROCESS

- Carry out media mix tests
- Take greater account of local needs
- Review advertising presence (signature)
- Prepare campaign to communicate implementation of format strategy

### GOALS

- More efficient media planning
- Adjust marketing activities to local circumstances
- Optimize magazine content



# CORE THEME

## MARKETING: OPTIMIZE MAGAZINE

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## CORE THEME

### MARKETING: ANNIVERSARY CAMPAIGN



**MACHEN SIE SICH SCHÖN FÜR DIE KREUZFAHRT  
MIT CHARLES VÖGELE.**

**WIR VERLOSEN ALLE 6 WOCHEN 60 KREUZFAHRTEN**

(5 Verlosungen von März bis September 2015).

Mitmachen in jeder Filiale oder über [www.charles-voegele.ch](http://www.charles-voegele.ch)

## CORE THEME

### RELAUNCH E-SHOP

#### PROCESS

- Technical improvements
- Modernize front-end to increase appeal
- Improve performance
- Design and execute omni-channel strategy

#### GOALS

- Reposition online shop
- Improvements in presentation, processes and technology
- Efficient processes and cost optimized system support





# CORE THEME

## RELAUNCH E-SHOP

[Mein Bereich](#) • [Filialen](#) • [Kontakt](#) • [Hilfe](#) • [Fashioncard](#)[Aut / Deutsch](#)[MERKLISTE \(3\)](#)[WARENKORB \(0\)](#)[DAMEN](#)[HERREN](#)[KINDER](#)[TEENS](#)[MARKEN](#)[% SALE](#)

Der neue Online Shop ist da - Eröffnungsangebote bis zu -60%

[PRODUKTE ZEIGEN +](#)

ENDLICH FRÜHLING!

# HIT THE ROAD

Die sportlichsten Outfits  
für Unterwegs!

[FÜR DAMEN](#)[FÜR HERREN](#)

# -70%

auf alle Bootleg Jeans

[ZUM ANGEBOT!](#)

SALE



WINTERJACKEN  
BIS ZU -50%

# CONSEQUENCES OF WEAK EURO

## Financial implications

- Reduced margins in Eurozone (around 2/3 of net sales)
- Cost reductions can provide some mitigation
- Greater price pressure in Switzerland

## Consequences

- Opportunities in mid-price segment
- Implement range and format initiatives forcefully
- Sourcing more attractive in Eurozone

## Supporting measures

- Direct support from suppliers
- Active sourcing in Eurozone
- Additional cost measures initiated
- Consistently pass on procurement advantages



# OUTLOOK FOR 2015

- Focus on rollout and communication of store format strategy
- Stop decline in sales (like for like)
- Positive operating earnings before interest, taxes, depreciation and amortization (EBITDA)





# THANK YOU VERY MUCH

Charles  
**Vögele**  
S w i t z e r l a n d





- Annual Shareholders' Meeting, 2014 annual financial statements 29.04.2015
- Media and analysts conference, 2015 half-year financial statements 25.08.2015

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