

LUDWIG BECK



SEIT 1861

CONSOLIDATED QUARTERLY REPORT

for the First Nine Months of the Fiscal Year
for the Period from January 1 to September 30, 2023

LUDWIG BECK - Slight increase in sales compared to previous year in the third quarter of 2023

Munich, October 19, 2023 – Munich-based fashion group LUDWIG BECK (ISIN DE 0005199905) was able to carry the trend of the positive first half-year into the third quarter, at least in part, even though the prolonged summer weather at the end of the first nine months of 2023 caused a slight drop in sales.

General economic conditions and retail trade development

While weak consumer sentiment due to the war in Ukraine and high inflation rates primarily affected the stationary retail trade and the fashion industry in the first half of the year, the prolonged summer additionally impacted fashion retail in the third quarter. This had an adverse impact on demand for the current autumn/winter merchandise. As a result, the sector finished the quarter with a two percent drop in sales for the first time since 2021. Online retail saw a drop in apparel sales of -17.5 % in the third quarter.

BASIC PRESENTATION OF THE FIGURES IN THE INTERIM REPORT

All totals and figures in the text and tables were calculated exactly and then rounded to € million. The percentages in the text and tables were calculated based on precise (not rounded) figures. This may lead to summation-related rounding differences.

CONSOLIDATED EARNINGS SITUATION

Development of sales

Despite of the adverse conditions in the third quarter, LUDWIG BECK at least kept the previous year's level and ended the quarter on par with 2022. Although LUDWIG BECK was also affected by customers' restraint with regard to the autumn/winter merchandise, this was largely offset by strong traditional costumes sales. In online retail, LUDWIG BECK further increased its sales compared to the previous year. Sales in the fashion segment more than doubled in the third quarter.

LUDWIG BECK generated gross sales of € 59.6m in the first nine months of the fiscal year 2023 (previous year: € 56.4m). In the third quarter, LUDWIG BECK achieved gross sales of € 22.6m at group level (previous year: € 22.4m).

Earnings situation

The development of gross sales in the first nine months of 2023 led to an increase in gross profit from € 23.1m in the previous year to € 24.5m. The gross profit margin remained at the previous year's level of 48.9%.

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Other operating income amounted to € 3.0m (previous year: € 3.1m). The previous year was positively influenced by € 0.6m from the bridging aid IV.

Earnings before interest and taxes (EBIT) excluding exceptional effects amounted to € 1.1m after the first nine months (previous year: € 1.0m). At the end of 2021, LUDWIG BECK sold its real estate holdings in Hanover, which dated back to its participation in WORMLAND. This involved two properties. The buyer of the property in Karmarschstraße in Hanover was not in a position to pay the purchase price for the property by the end of September 2023 owing to the massive changes on the interest and real estate market. Thus, LUDWIG BECK has now withdrawn from the purchase contract and the property was again recognized in the balance sheet under fixed assets. The corresponding derecognition of the receivable led to a correction of the former book profit in the amount of € 1.2m. Including this exceptional effect, EBIT in the actual nine-month period amounted to € -0.1m.

Due to higher credit line utilization and rising interest rates, the financial result deteriorated by € 0.2m to € -1.8m (previous year: € -1.6m). Earnings before taxes (EBT) was € -1.9m (previous year: € -0.6m).

Earnings after tax (EAT) amounted to € -1.1m (previous year: € -0.1m).

ASSET SITUATION

Balance sheet structure

As of September 30, 2023, the balance sheet total of the LUDWIG BECK Group amounted to € 170.2m (December 31, 2022: € 168.6m).

The rights of use for rental agreements to be recognised (€ 56.7m) as well as the property at Munich's Marienplatz with a balance sheet value of approximately € 70m continued to be the main items under long-term assets. Deferred tax assets, which had to be recognised mainly due to the losses caused by the COVID-19 pandemic, amounted to € 4.7m (December 31, 2022: € 3.5m). The company assumes that the deferred tax assets on losses carried forward will be used up in the future by positive results.

The property in Karmarschstraße in Hanover was recognised under long-term assets with a carrying amount of € 3.1m as of September 30, 2023.

In total, long-term assets amounted to € 151.7m (December 31, 2022: € 149.9m).

At € 18.5m, short-term assets were at the same level as of December 31, 2022. At the end of last year, they amounted to € 18.7m. Inventories increased from € 11.8m (December 31, 2022) to € 15.8m as scheduled for seasonal factors. The derecognition of the receivable established for the sale of the property in Karmarschstraße in Hanover had an opposite effect. It amounted to € 4.3m before the adjustment.

Cash and cash equivalents totalled € 0.4m (December 31, 2022: € 0.5m).

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FINANCIAL SITUATION

Balance sheet structure

As of September 30, 2023, the LUDWIG BECK Group's equity stood at € 64.0m (December 31, 2022: € 65.3m). The equity ratio amounted to 37.6 % (December 31, 2022: 38.8 %).

Non-current liabilities decreased by € 13.3m and amounted to € 68.7m (December 31, 2022: € 82.0m). Current liabilities showed an opposite trend, rising from € 21.2m to € 37.5m. The reasons for this are, on the one hand, the current repayments of medium-term loans, and on the other hand, payments and optimizations regarding rental leasing. Thus, in order to secure the future earnings situation, LUDWIG BECK redeemed the leasehold area in the basement of the flagship store by paying a one-off amount of € 8.0m. This reduced the company's liabilities by more than € 8m for the remaining leasehold period. In order to optimize the financing structure, the company plans to convert part of the short-term lines into medium and long-term lines.

The Group's total liabilities as of September 30, 2023, were € 106.2m (December 31, 2022: € 103.2m).

Cash flows

Cash flow from operating activities after the first nine months of 2023 was € -1.1m (previous year: € 0.2m).

Cash flow from investing activities amounted to € -2.7m (previous year: € -1.6m). The investments are mainly investments in the flagship store at Munich's Marienplatz.

Cash flow from financing activities was € 3.8m (previous year: € 1.5m).

EMPLOYEES

Due to the further normalisation of business operations, the number of employees excluding apprentices in accordance with Section 267 (5) HGB rose from 378 to 403 in the first nine months of the fiscal year 2023. Vacant positions were gradually filled with new employees in order to ensure LUDWIG BECK's customer orientation.

On average, the LUDWIG BECK Group employed 35 apprentices in the current fiscal year (previous year: 42).

FORECAST REPORT

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

The German economy is treading water and will slip into a mild recession by the end of 2023, according to forecasts by ifo Institute and the German Institute for Economic Research (DIW). Gross domestic product (GDP) is expected to fall by 0.4 percentage points.

Consumers' income expectations and propensity to buy stabilised and recorded a marginal increase. However, the propensity to save continues to rise in September to a value of 8 points (previous month: 7.5 points). As a result, the consumer climate index will fall by 0.9 points to

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-26.5 points, according to the GfK panel. Consumers remain uncertain and are suffering from inflation due to high food and energy prices as a result of the war in Ukraine. However, inflation is now declining slightly or stabilising. Consumers' income expectations have improved slightly due to higher wage settlements. However, propensity to buy and willingness to consume remain limited.

The retail sector is the most important force in domestic economy and the third largest economic sector. The retail labour market is currently undergoing a period of upheaval, employees' fears of losing their own jobs are increasing as a result. The number of fashion insolvencies rose dramatically compared to the previous year. Thus, a positive contribution to the overall economy and an improvement in the consumer climate is not expected until 2024.

At this point in time, LUDWIG BECK is still within its earnings forecast for 2023. As the fourth quarter is the strongest sales quarter of the year for the fashion house, it will be decisive for the results of the traditional Munich company.

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GROUP KEY FIGURES

in € mn	01.01.2023	01.01.2022
	30.09.2023	30.09.2022
RESULT		
Gross sales	59.6	56.4
Value added tax (VAT)	-9.5	-9.0
Net sales	50.1	47.4
Gross profit	24.5	23.2
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	4.8	5.8
Earnings before interest and taxes (EBIT)	-0.1	1.0
Earnings before taxes (EBT)	-1.9	-0.6
Earnings after taxes (EAT)	-1.1	-0.1
CASHFLOW		
Cash flow from operating activities	-1.1	0.2
Cash flow from investing activities	-2.7	-1.6
Cash flow from financing activities	3.8	1.5
EMPLOYEES		
Number of employees (average without apprentices)	403	378
Number of apprentices (average)	35	42
Personnel expenses in €m	12.3	11.6
SHARE		
Number of shares in million	3.70	3.70
Earnings per share basic and diluted (in €)	-0.31	-0.03

BALANCE SHEET

in € mn	30.09.2023	31.12.2022
BALANCE SHEET		
Long-term assets	151.7	149.9
Short-term assets	18.5	18.7
Shareholders' equity	64.0	65.3
Long-term liabilities	68.7	82.0
Short-term liabilities	37.5	21.2
Balance sheet total	170.2	168.6
Investments in fixed assets	2.7	2.4
Equity ratio in %	37.6	38.8

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SEGMENT PRESENTATION

	Textile		Non-textile		Group	
	€m	%	€m	%	€m	%
Gross sales	44.6	119.0	15.1	119.0	59.6	119.0
<i>Previous year</i>	41.7	119.0	14.7	119.0	56.4	119.0
Value added tax (VAT)	-7.1	19.0	-2.4	19.0	-9.5	19.0
<i>Previous year</i>	-6.7	19.0	-2.3	19.0	-9.0	19.0
Net sales	37.5	100.0	12.7	100.0	50.1	100.0
<i>Previous year</i>	35.1	100.0	12.4	100.0	47.4	100.0
Cost of sales*	-19.3	51.4	-7.2	57.0	-26.5	52.8
<i>Previous year</i>	-18.3	52.1	-7.0	56.3	-25.2	53.2
Gross profit	18.2	48.6	5.4	43.0	23.6	47.2
<i>Previous year</i>	16.8	47.9	5.4	43.7	22.2	46.8
Personnel expenses of sales	-3.4	9.0	-2.2	17.0	-5.5	11.0
<i>Previous year</i>	-3.2	9.0	-1.9	15.7	-5.1	10.8
Calculatory occupancy costs	-7.2	19.2	-1.6	12.9	-8.8	17.7
<i>Previous year</i>	-7.3	20.9	-1.6	12.6	-8.9	18.7
Calculatory interest	-0.6	1.6	-0.3	2.5	-0.9	1.8
<i>Previous year</i>	-0.5	1.6	-0.3	2.4	-0.8	1.8
Segment result	7.0	18.7	1.3	10.5	8.3	16.6
<i>Previous year</i>	5.8	16.4	1.6	13.1	7.4	15.5

* excluding discounts, rebates, etc. on cost of sales

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