

**H U G O   B O S S**

---

# **Investor Day 2014**

## **Group Strategy**

Claus-Dietrich Lahrs, CEO  
Paris, November 19, 2014

---

## Agenda

---

**Review of past performance**

---

---

**Growth strategy 2020**

---

---

**Summary and outlook**

---

## Agenda

**Review of past performance**

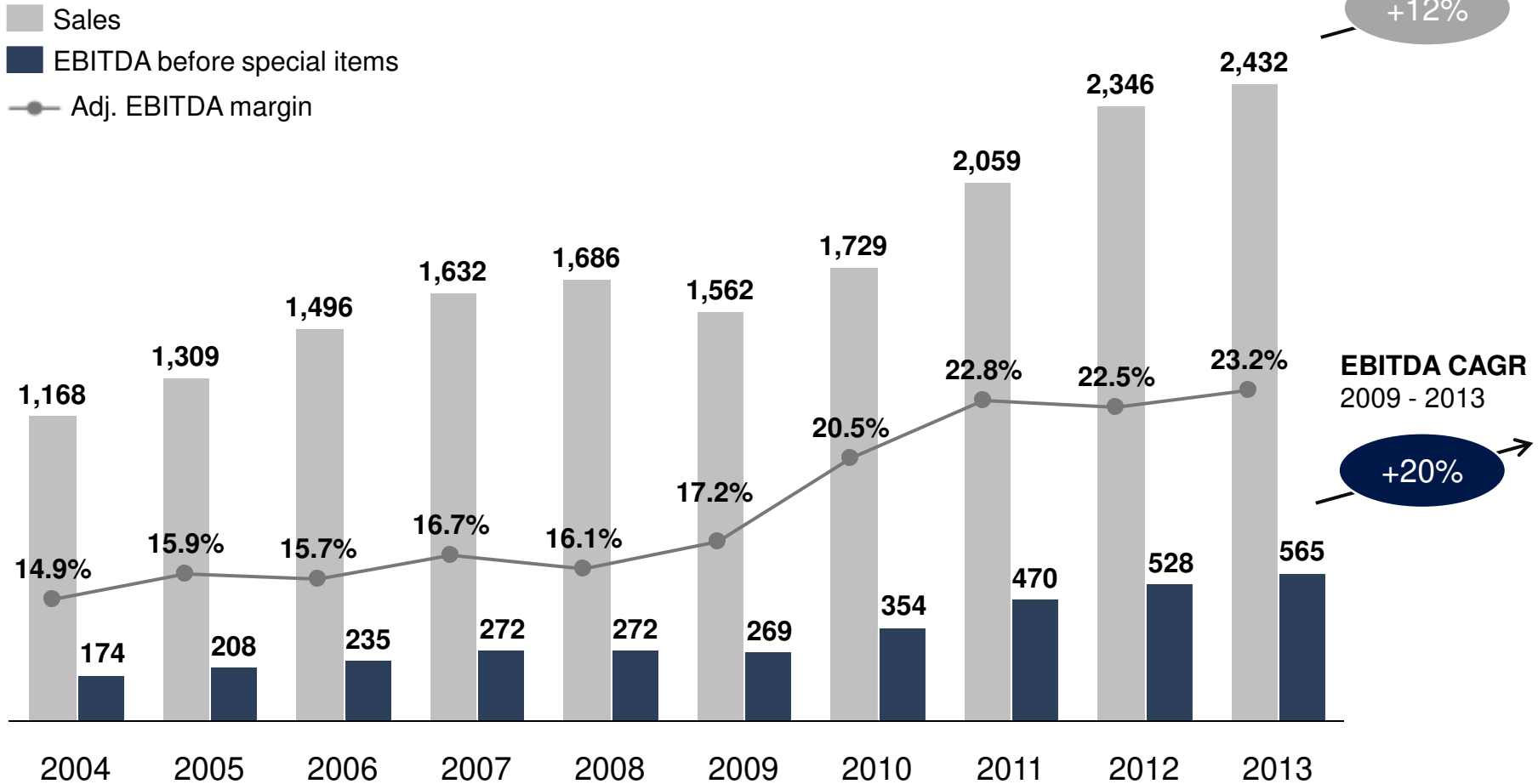
**Growth strategy 2020**

**Summary and outlook**

# HUGO BOSS has recorded strong financial performance

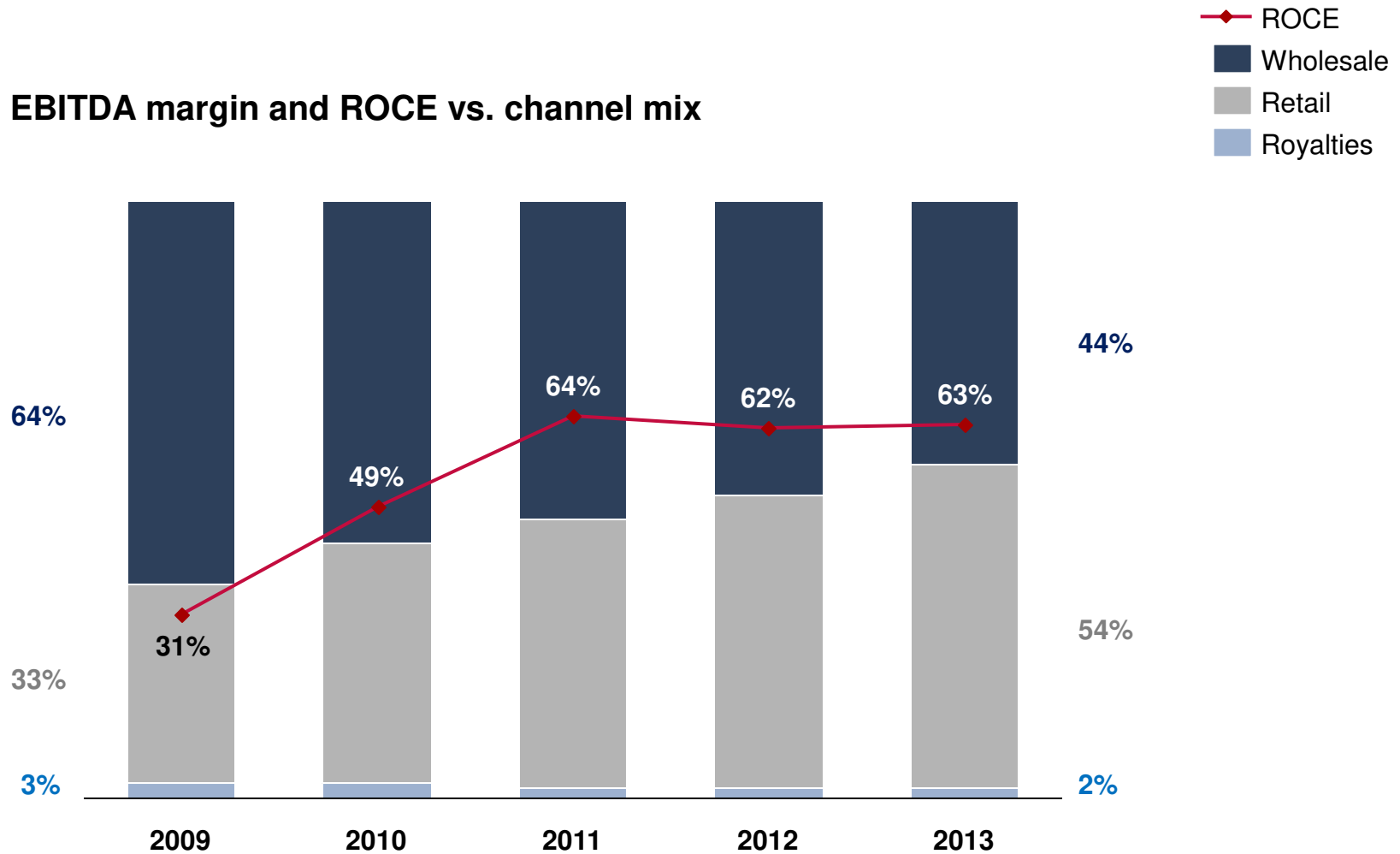
## Sales and EBITDA before special items

(in EUR million)



## Capital returns have grown despite higher retail share

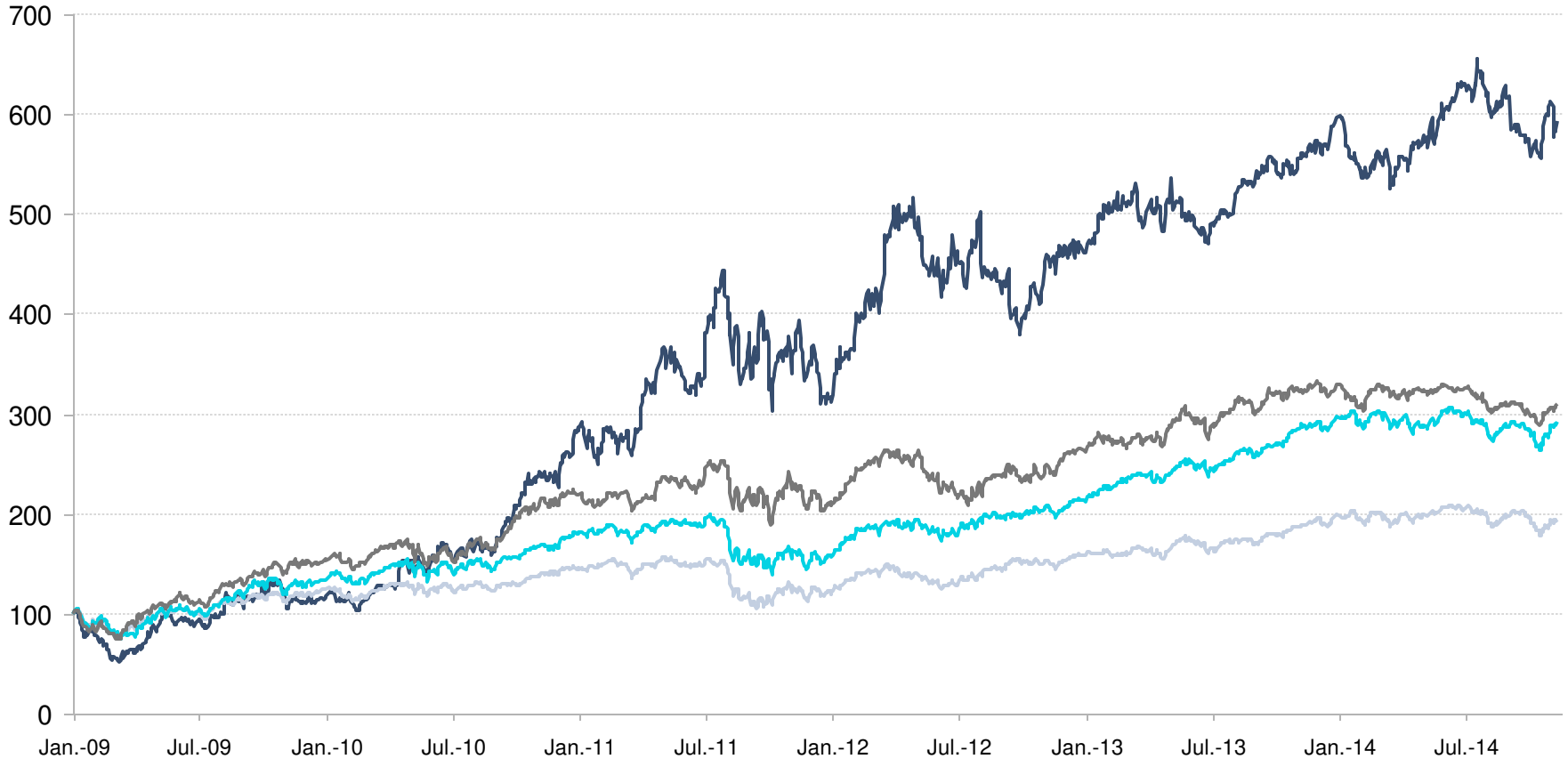
### EBITDA margin and ROCE vs. channel mix



# HUGO BOSS share has outperformed benchmark indices

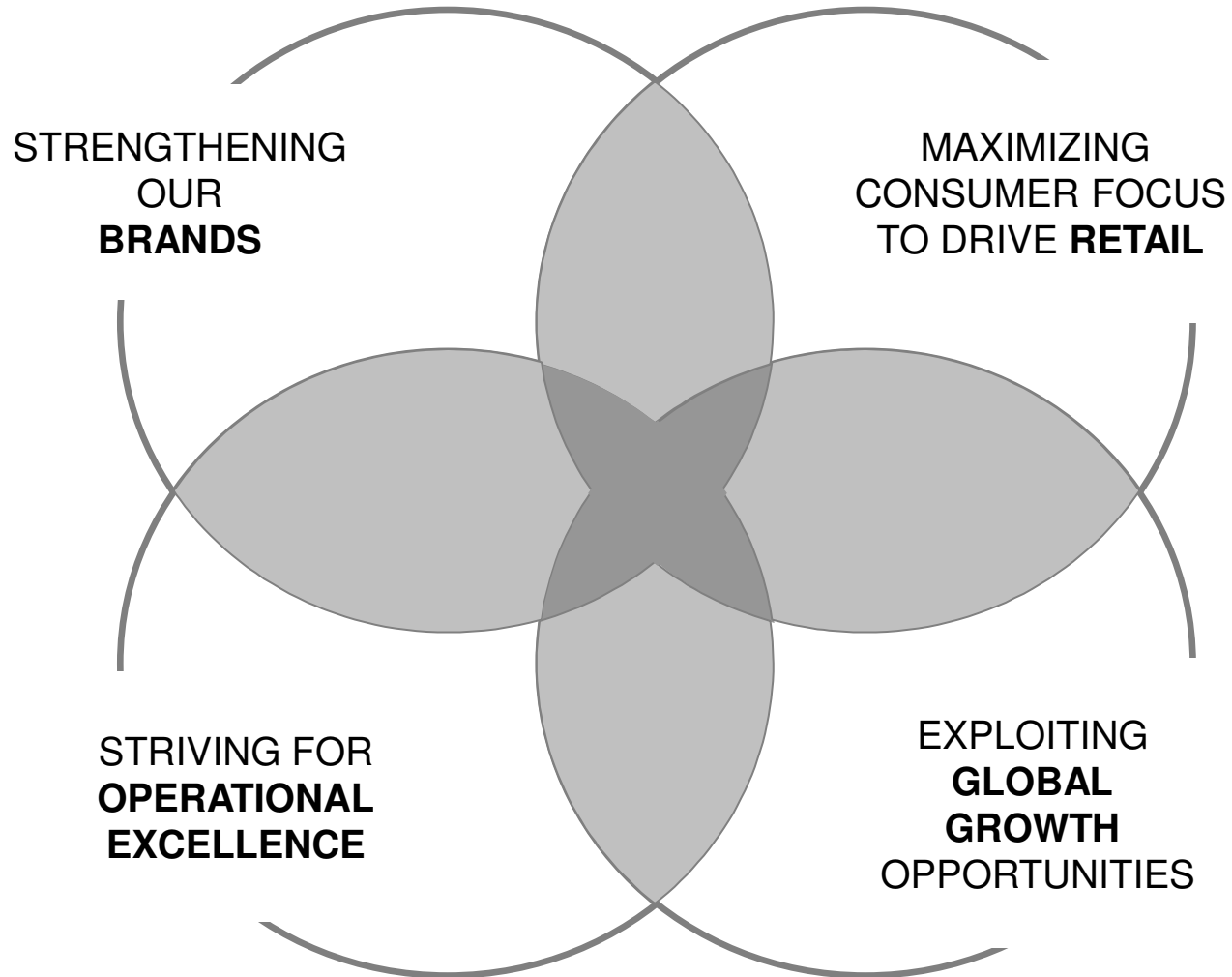
— HUGO BOSS	+ 493%
— DAX	+ 94%
— MDAX	+ 191%
— MSCI World Textiles & Apparel	+ 210%

## Share price development vs. major peer indices



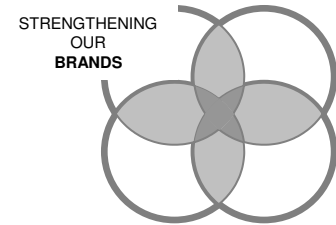
December 31, 2008 = 100

## 2010 plan implemented successfully

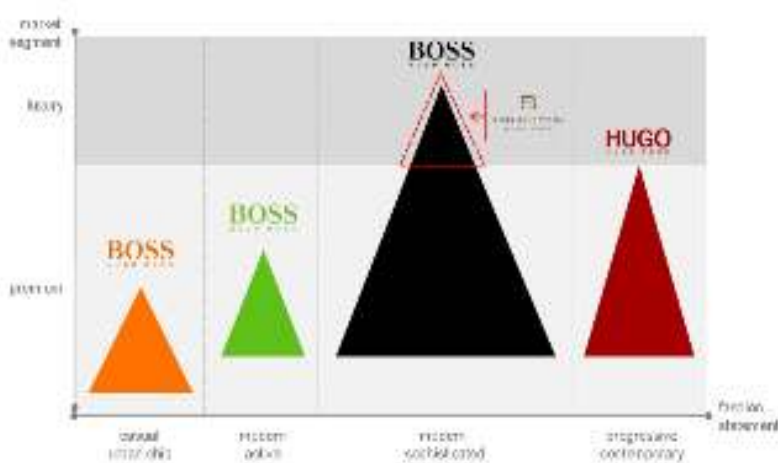




# 2010 plan implemented successfully



## Streamlined Brand Portfolio

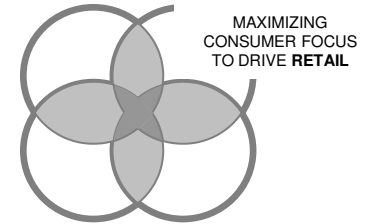


- ✓ Clearly differentiated brand portfolio
- ✓ Expanded luxury offering strengthens BOSS core brand
- ✓ Premium sportswear differentiates HUGO BOSS from competitors

## Intensified Focus On Womenswear

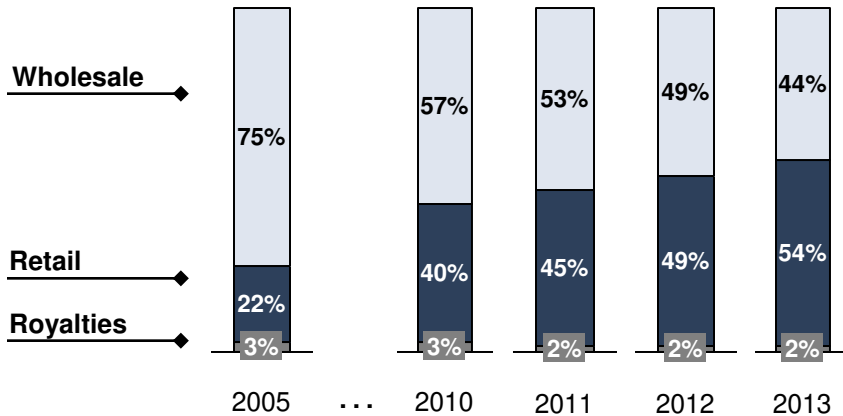


- ✓ Feminine interpretation of modern business has established unique brand proposition
- ✓ Strong consumer demand drives double-digit sales growth and increased space allocation in own retail



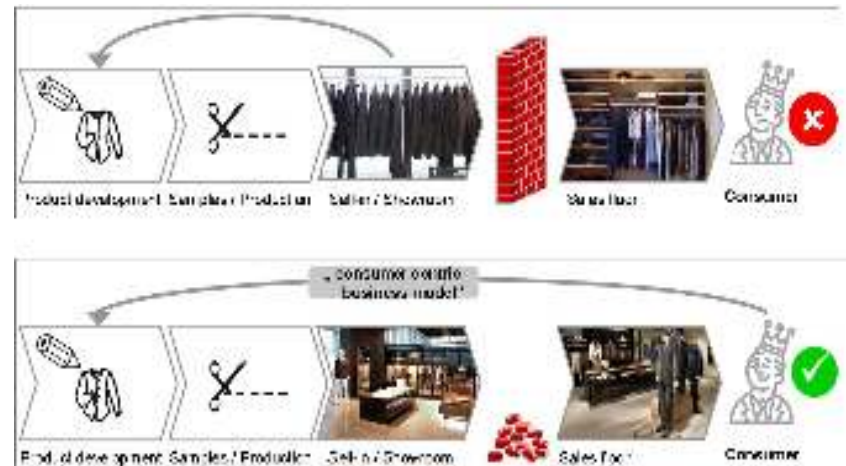
# 2010 plan implemented successfully

## Retail Is The Leading Growth Driver

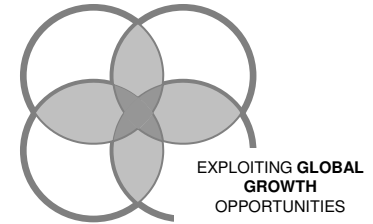


- ✓ Retail surpassed wholesale in share of net sales
- ✓ Rapid store expansion including more than 230 shop-in-shop takeovers
- ✓ Solid sales productivity improvements

## Consumer-Centric Development Processes

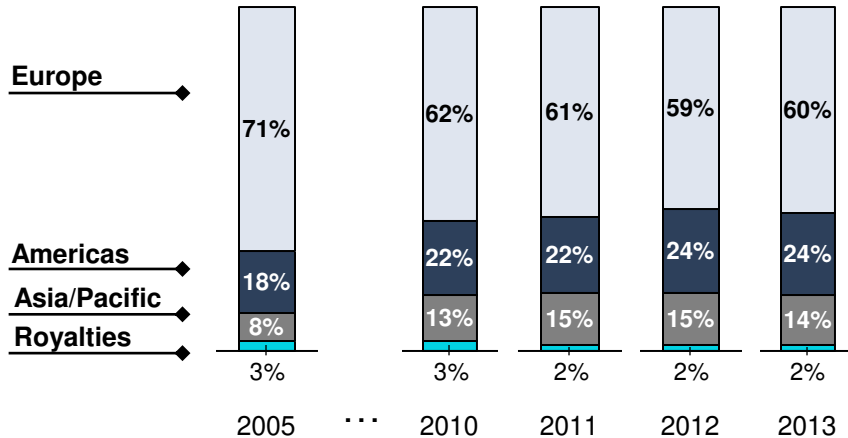


- ✓ Lead time reduction enables deep insights into consumer behavior and demand trends
- ✓ Consumer-centric collection development process established



## 2010 plan implemented successfully

### Non-European Sales Catching Up



- ✓ Non-European markets have outperformed during the last years
- ✓ Strong retail presence in APAC established
- ✓ Further investments in key EMEA region

### Strong Global Brand Image



- ✓ Strong global brand image supported by successful brand ambassadors and flagship openings
- ✓ Powerful brand perception in Asia established
- ✓ Consistent global brand presentation

## 2010 plan implemented successfully



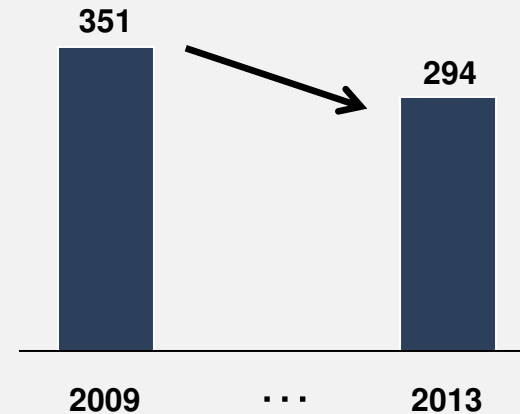
### State-Of-The-Art Logistics Infrastructure



- ✓ Flawless migration to new flat packed goods distribution center completed
- ✓ Reduction of time-to-market and handling costs

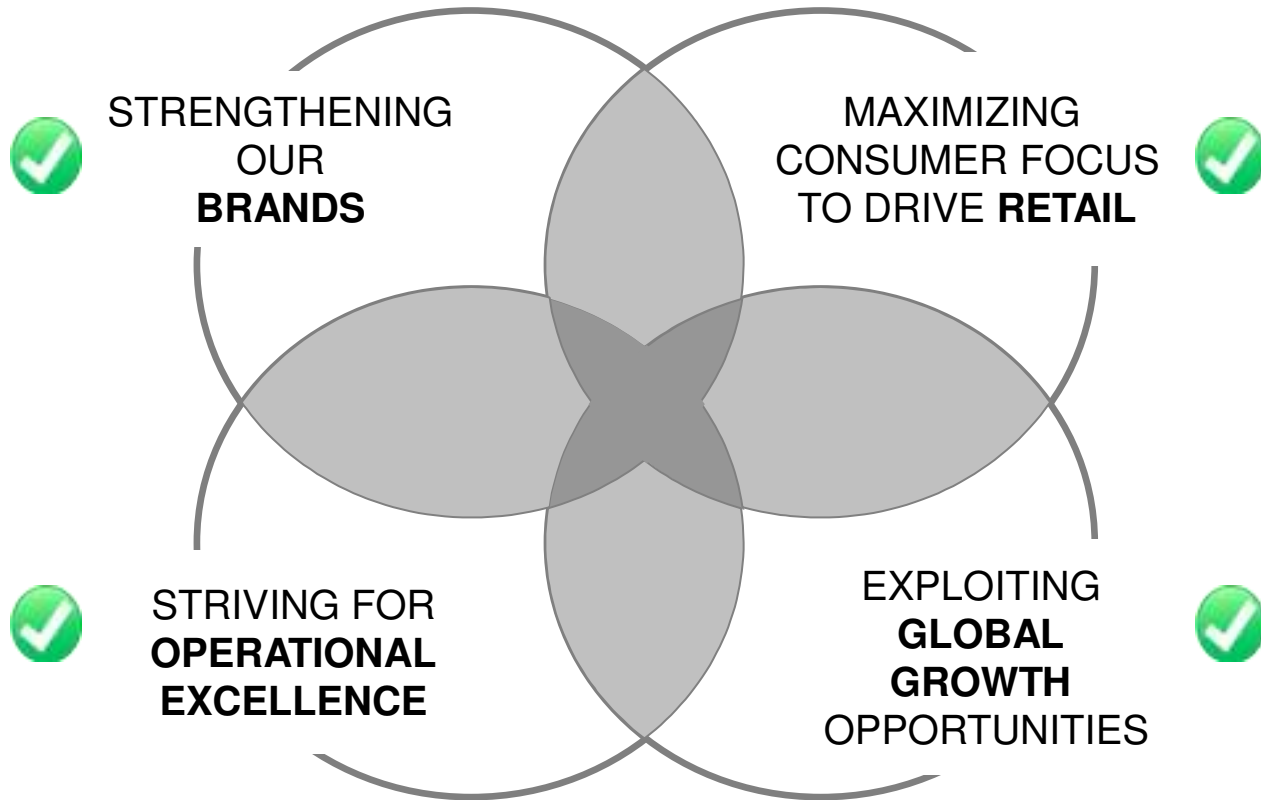
### Ongoing Consolidation of Supplier Portfolio

#### Number of finished goods suppliers



- ✓ Number of supplier partners constantly reduced
- ✓ Reflects focus on cost-of-goods optimization as well as highest quality demands

## 2010 plan implemented successfully



HUGO BOSS HAS PAVED THE WAY FOR CONQUERING NEW FRONTIERS

## Agenda

**Review of past performance**

**Growth strategy 2020**

**Summary and outlook**

## Group strategy has to take evolving market fundamentals into account

### CONSUMER



- Consumers have become global
- Consumer sophistication is growing
- Demand is becoming more polarized
- More balanced growth between men's and women's
- Shoes & accessories fastest expanding segment

### DISTRIBUTION



- Traditional wholesale formats under pressure
- Importance of mono-brand constantly rising
- The price of prime retail space has risen sharply
- Online penetration is increasing steadily
- Importance of travel retail is rising

### INDUSTRY AND ECONOMY



- Recovery in Europe slower and longer than expected
- US economy back to solid growth
- Emerging markets suffer from economic setbacks
- Industry growth in China has contracted sharply
- Industry consolidation is accelerating

## Growth strategy 2020 to drive further profitable growth



Elevate the BOSS core brand by engaging consumers emotionally



Leverage the brand's potential in womenswear and shoes & accessories



Build omni channel to drive own retail online and offline



Exploit growth opportunities in underpenetrated markets

Further build the Group's operational strength to enable key strategy implementation



## Growth strategy 2020 to drive further profitable growth



Elevate the BOSS core brand by engaging consumers emotionally



Leverage the brand's potential in womenswear and shoes & accessories



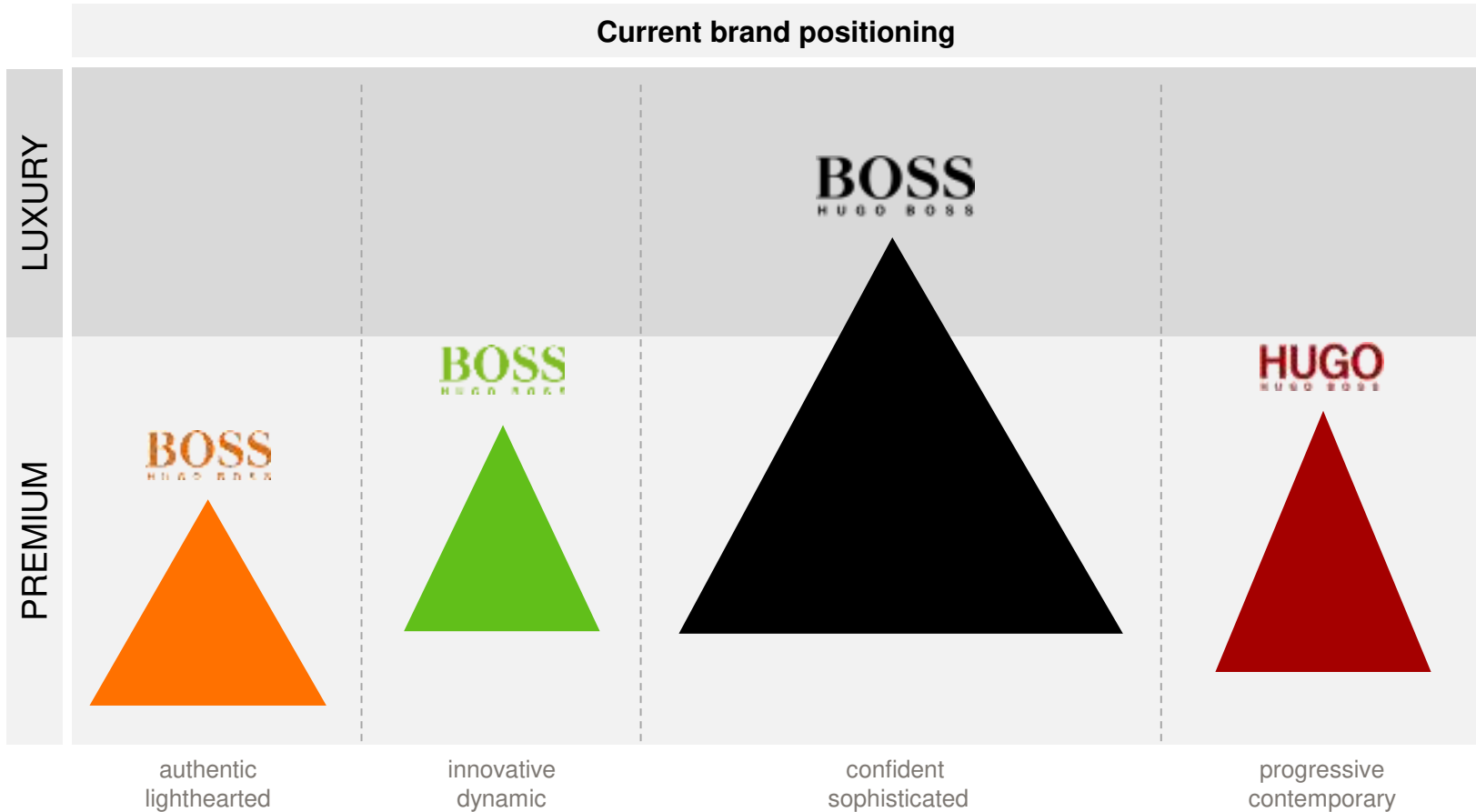
Build omni channel to drive own retail online and offline



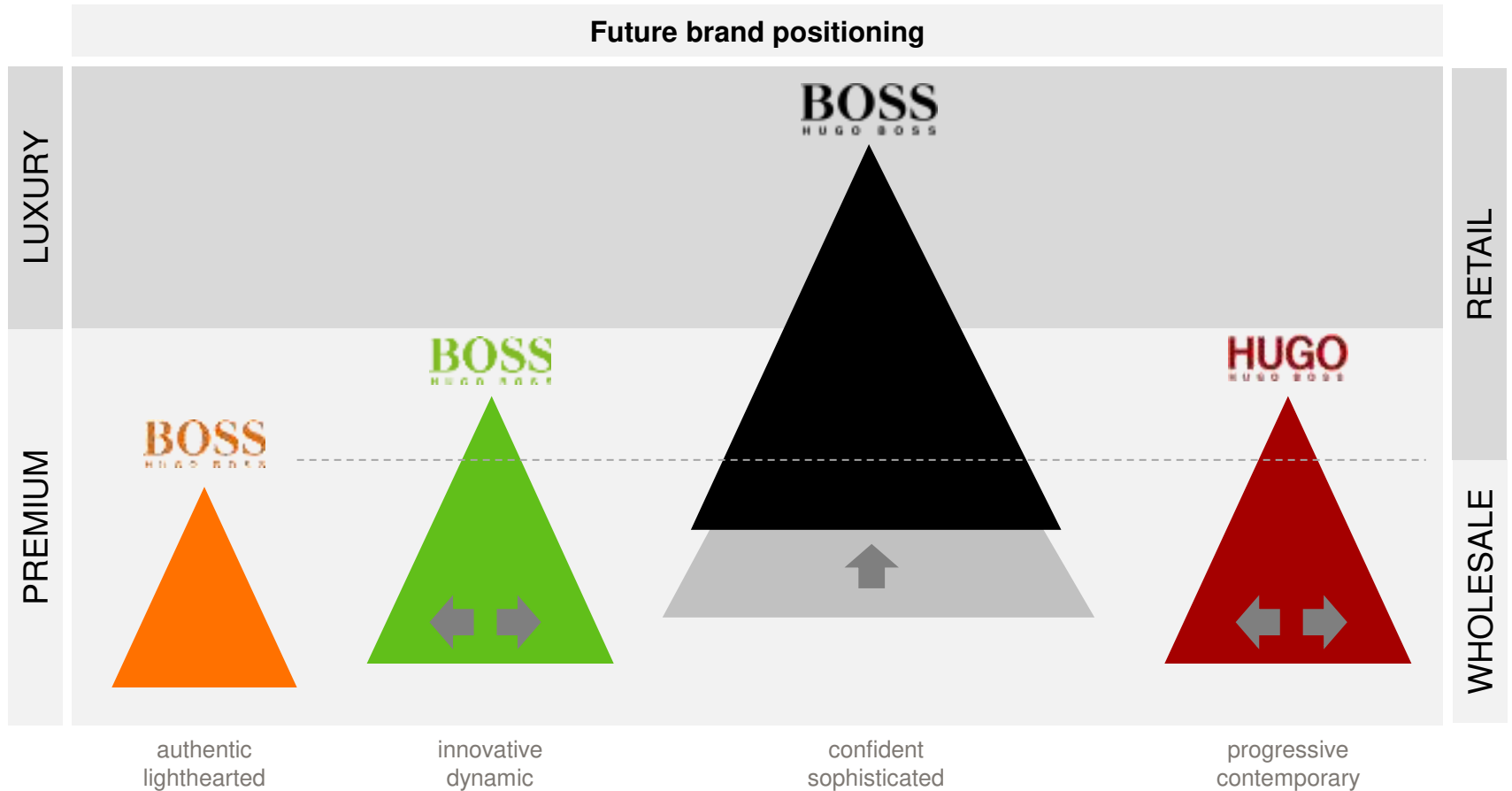
Exploit growth opportunities in underpenetrated markets

Further build the Group's operational strength to enable key strategy implementation

## Current portfolio reflects historical multi-brand philosophy



# Increasingly differentiated portfolio to support BOSS brand elevation



## Product, distribution and communication uplift drives brand elevation



Brand personality

- Sophisticated, elegant, confident

Target market

- Expanding luxury segment to account for 20% of brand sales by 2020

Product

- Refined modern luxury

Distribution

- Sole focus on own stores and shop-in-shops

Communication

- Absolute focus of the Group's brand communication activities

## BOSS luxury offering strengthened across clothing and sportswear

**BOSS**  
HUGO BOSS

TAILORED

- Builds on strong brand heritage
- Focus on unique fits, high-quality materials and exquisite styles



**BOSS**  
HUGO BOSS

MADE TO MEASURE

- Showcases high-end tailoring expertise
- Seven new locations bring Made To Measure store count to 22



**BOSS**  
HUGO BOSS

- Sportswear to be more closely integrated with clothing offering
- Attractive growth opportunities in outerwear



## BOSS distribution strategy to become even more retail focused

### RETAIL

Own stores to increasingly focus on BOSS core brand exclusively



### WHOLESALE

Presence of BOSS core brand to become limited to shop-in-shops

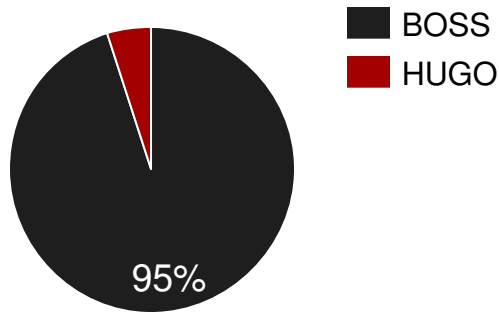


Concession business to be expanded further

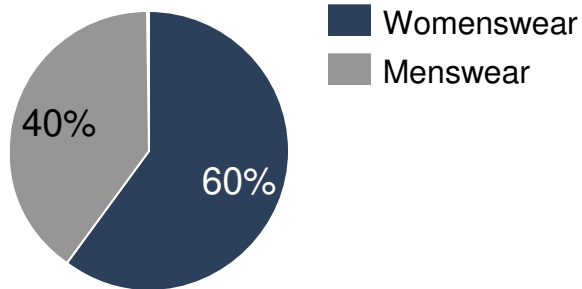


## Media activities center on BOSS brand

2014e media budget split by brand



2014e media budget split by gender line



Communication drives brand purpose of “inspiring people towards success”, building on the brand’s strong tailoring heritage in menswear and womenswear

## New York Fashion Week presence elevates BOSS brand to the next level



Fall/Winter 2014 collection presentation,  
February 2014



Spring/Summer 2015 collection presentation,  
September 2014



# BOSS brand upgrade has resonated strongly with the fashion press

WWD USA January 2014



Harper's Bazaar UK September 2014



LOVE UK August 2014



VOGUE Germany July 2014



W Magazine USA August 2014



VOGUE Japan August 2014



## Fashion and sports icons engage consumers emotionally online and offline

**HUGO BOSS**  
13. October @

Congratulations to the MERCEDES AMG PETRONAS #F1 Team on winning the 2014 FIA Formula 1 World Constructors Championship #boss Nico Rosberg Lewis Hamilton



**HUGO BOSS**  
26. Oktober @

„If good conduct makes a man, it makes me the #ManOfToday“ - Gerard Butler



▶ Attractive brand content expands brand reach beyond paid media

## Growth strategy 2020 to drive further profitable growth



Elevate the BOSS core brand by engaging consumers emotionally



Leverage the brand's potential in womenswear and shoes & accessories



Build omni channel to drive own retail online and offline

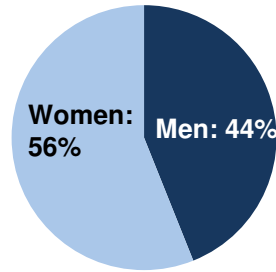


Exploit growth opportunities in underpenetrated markets

Further build the Group's operational strength to enable key strategy implementation

# HUGO BOSS underpenetrated in structurally attractive womenswear market

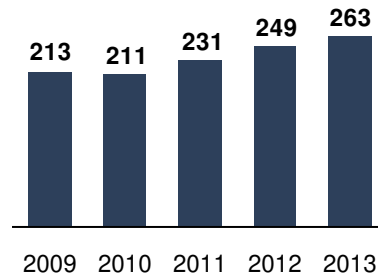
**HUGO BOSS  
relevant market 2013**



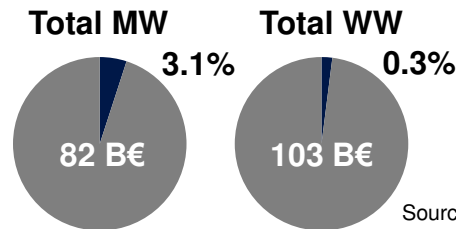
## Characteristics of the womenswear market

- Even more fragmented than menswear
- Lower levels of brand loyalty compared to menswear
- Lower barriers to entry compared to menswear
- Tough competition in shoes & accessories in particular
- Clothing segment less crowded
- Above average profitability, in particular in shoes & accessories

**HUGO BOSS  
womenswear  
sales 2009 – 2013  
(in EUR million)**



**HUGO BOSS  
market share 2013**



Source: Euromonitor

Attractive market characteristics warrant increased strategic focus to gain market share

## Jason Wu has raised the BOSS Womenswear profile

Unique design signature



Impressive fashion shows

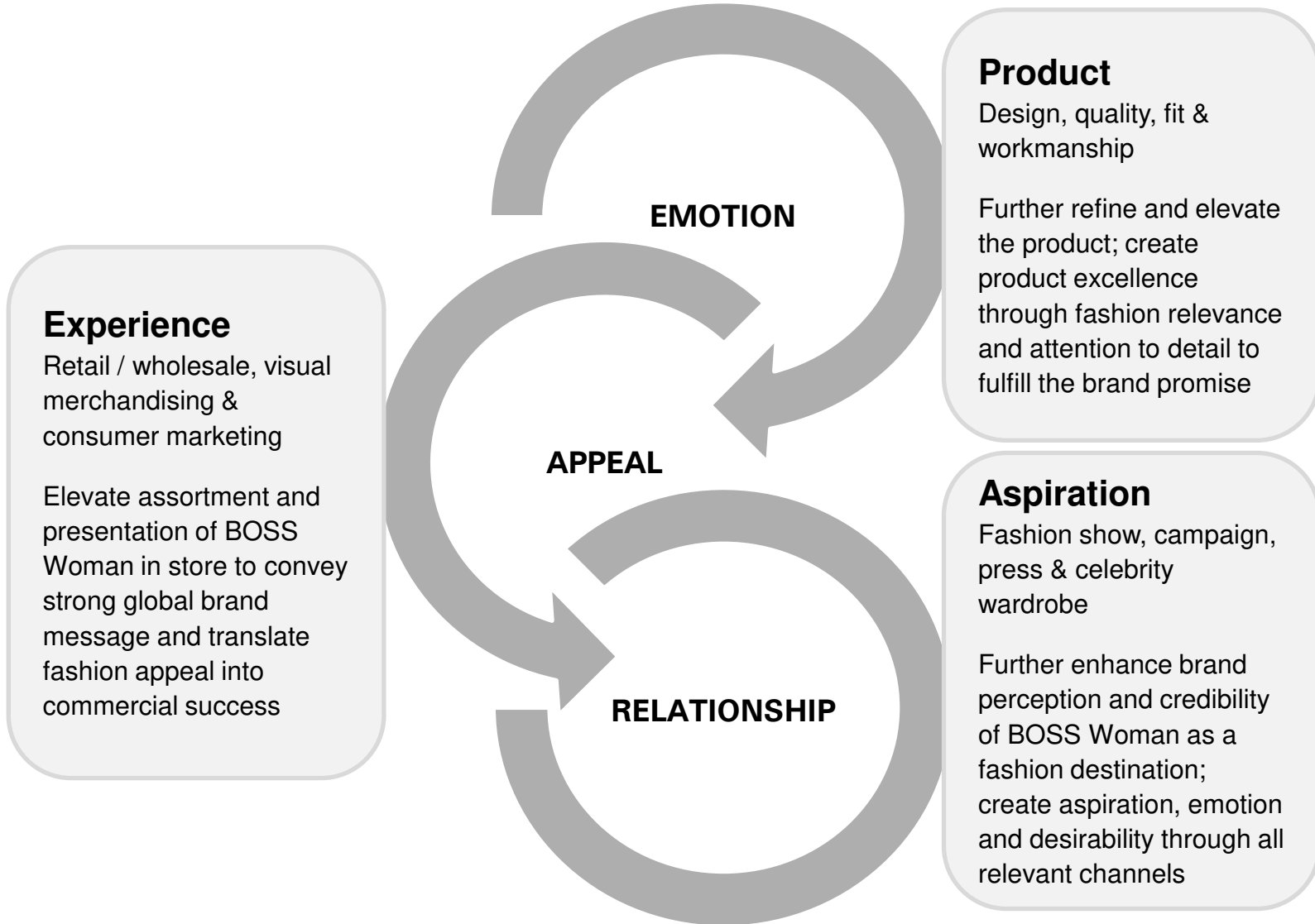


Strong editorial coverage



Step change in brand awareness and recognition as well as double-digit growth in 2014  
strong foundation for expanding womenswear to at least 15% of Group sales in 2020

## Three elements to drive womenswear growth



### Experience

Retail / wholesale, visual merchandising & consumer marketing

Elevate assortment and presentation of BOSS Woman in store to convey strong global brand message and translate fashion appeal into commercial success

### Product

Design, quality, fit & workmanship

Further refine and elevate the product; create product excellence through fashion relevance and attention to detail to fulfill the brand promise

### Aspiration

Fashion show, campaign, press & celebrity wardrobe

Further enhance brand perception and credibility of BOSS Woman as a fashion destination; create aspiration, emotion and desirability through all relevant channels

EMOTION

APPEAL

RELATIONSHIP

## Fashion upgrade and detailed refinement to heighten emotional appeal

### Product: Design, quality, fit & workmanship

- Upgrade of fashion level and product refinement based on strong creative direction by Jason Wu
- Strengthening of emotional appeal and relevance to create desirability
- Expansion of shoes & accessories offering to sharpen brand DNA and establish stronger link between collections



## Elevation of in-store brand presentation

**Experience: Retail / wholesale, visual merchandising & consumer marketing**

- Global implementation of look concept under way
- Strong focus on retail staff training
- Development of dedicated womenswear store concept
- 27 ambassador stores to lead expansion of S&A offering





## Added credibility turns BOSS into a fashion destination

**Aspiration: Fashion show, campaign, press & celebrity wardrobe**

- Focus on celebrity dressing to create desirability
- Fashion show, campaigns and PR to communicate unmistakable brand DNA across all channels
- Fashion credibility to benefit from close link between fashion show and commercial collection



## Growth strategy 2020 to drive further profitable growth



Elevate the BOSS core brand by engaging consumers emotionally



Leverage the brand's potential in womenswear and shoes & accessories



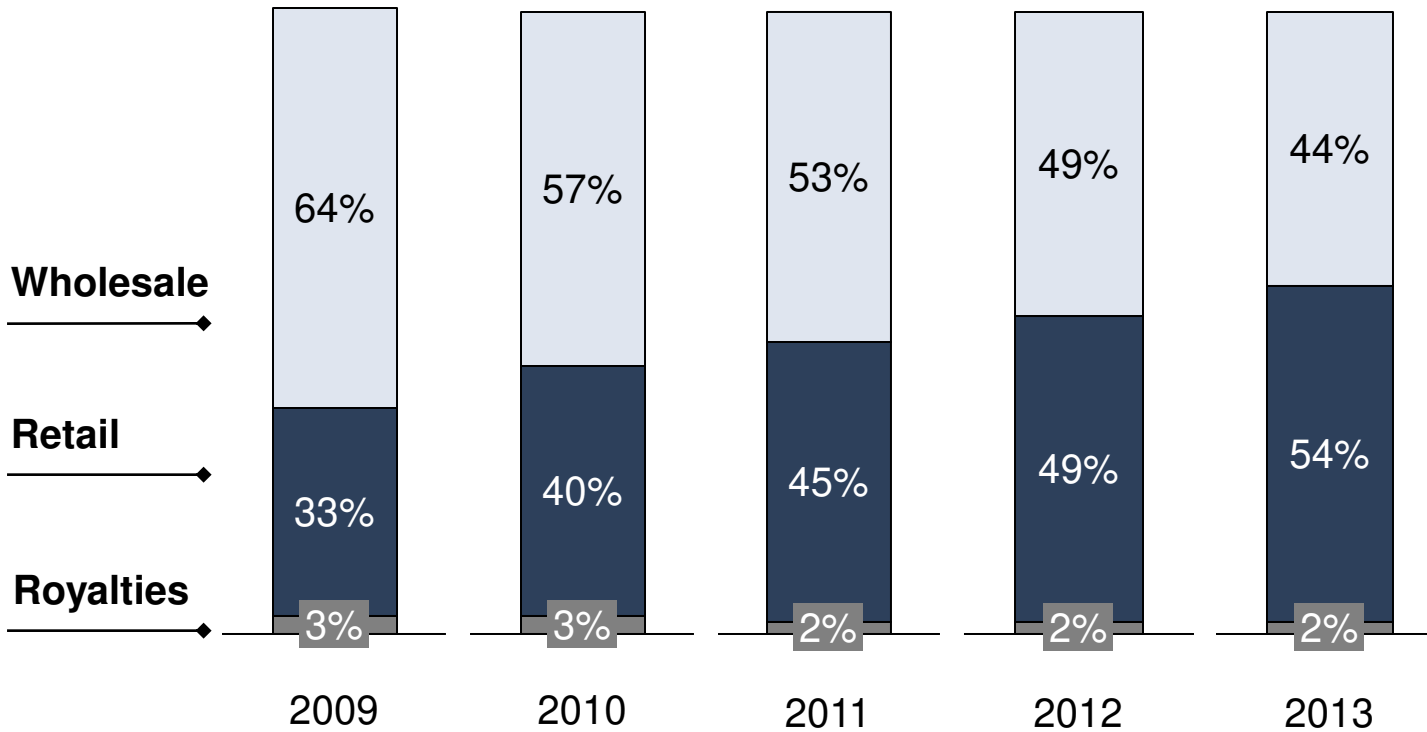
Build omni channel to drive own retail online and offline



Exploit growth opportunities in underpenetrated markets

Further build the Group's operational strength to enable key strategy implementation

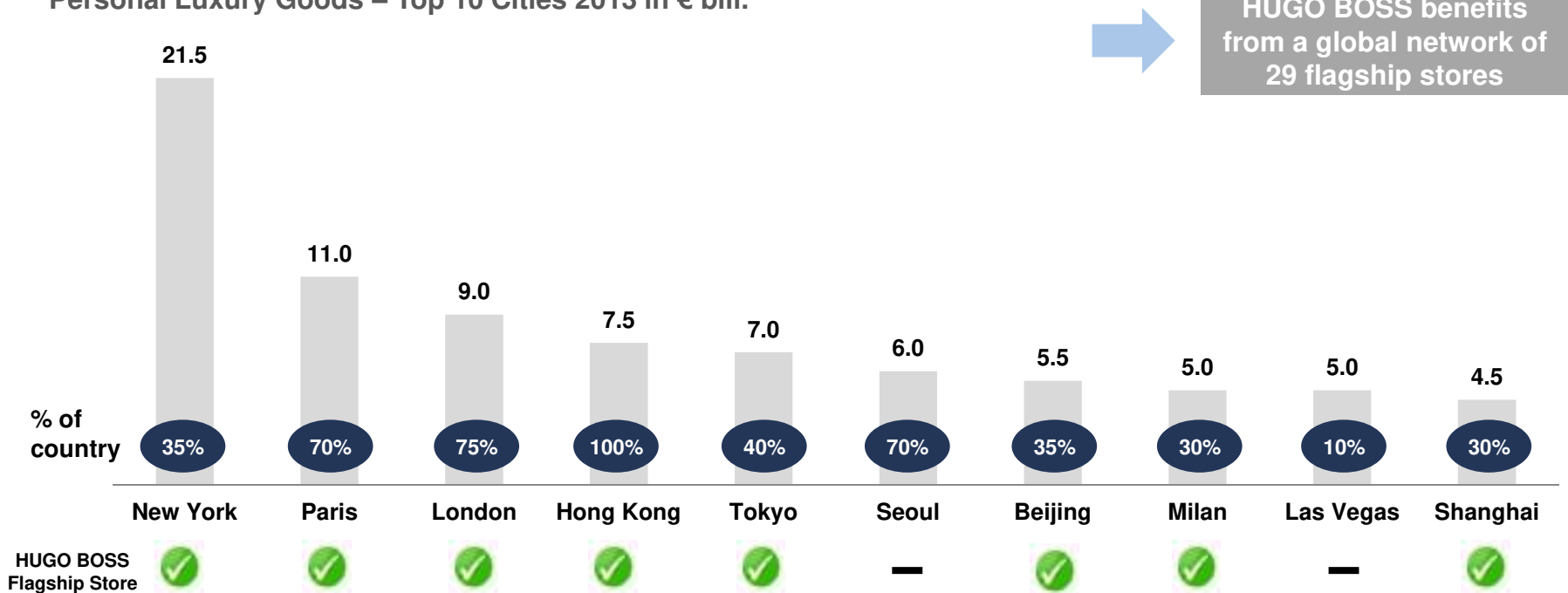
## Retail business share to grow to at least 75% by 2020



Mid-single-digit increases in LFL sales, new openings and takeovers to drive retail growth

# The importance of metropolitan retail areas is going to set to continue rising

Personal Luxury Goods – Top 10 Cities 2013 in € bill.



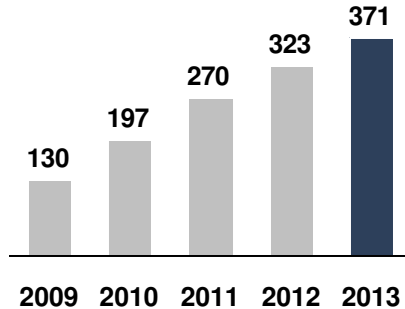
HUGO BOSS benefits from a global network of 29 flagship stores

Source: Altgamma 2013 – Worldwide Markets Monitor

Future retail expansion to concentrate on penetrating key metropolitan areas more deeply

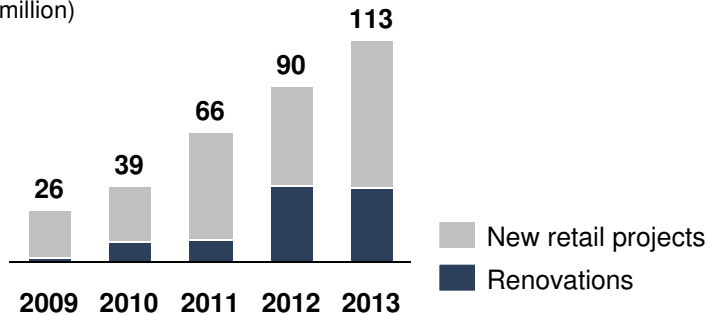
## Quality upgrade of retail store portfolio

Number of freestanding stores



Pace of freestanding store expansion to moderate gradually

Own retail investments  
(in EUR million)



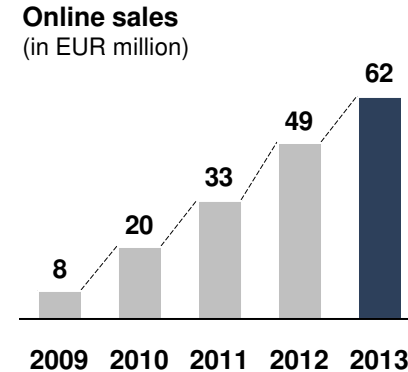
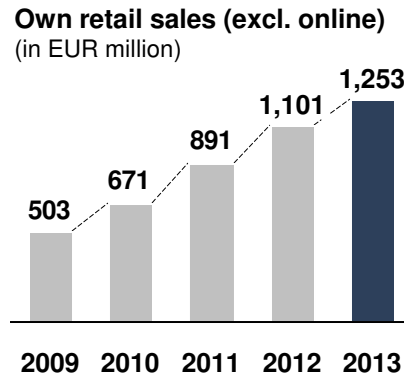
Performance-enhancing refurbishments gaining importance



Store expansion projects provide attractive opportunities

# Target to create seamless shopping and brand experience across channels

Transforming historically separate distribution channels...



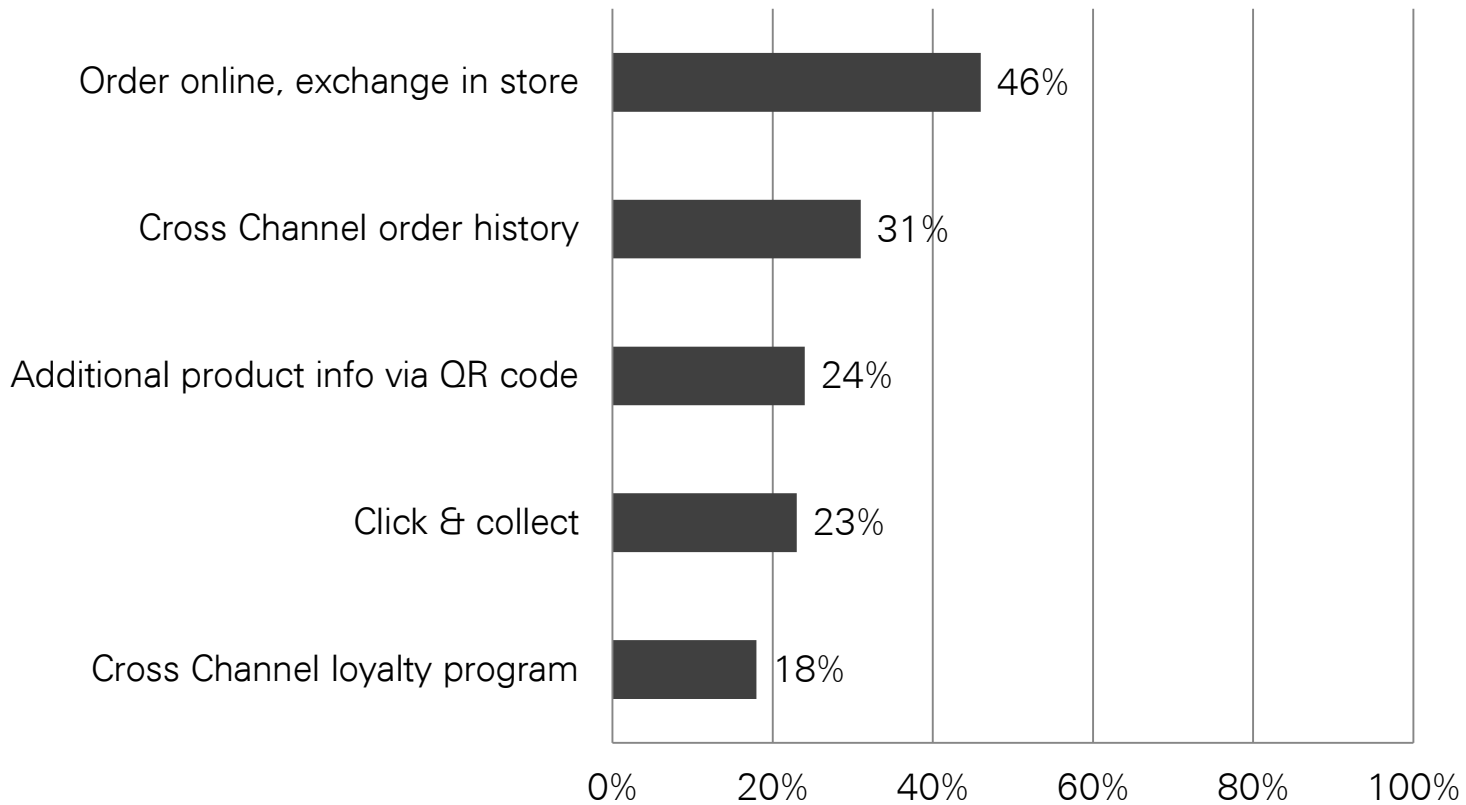
...into a unified brand experience



Omni channel approach will drive retail sales online and, even more so, offline

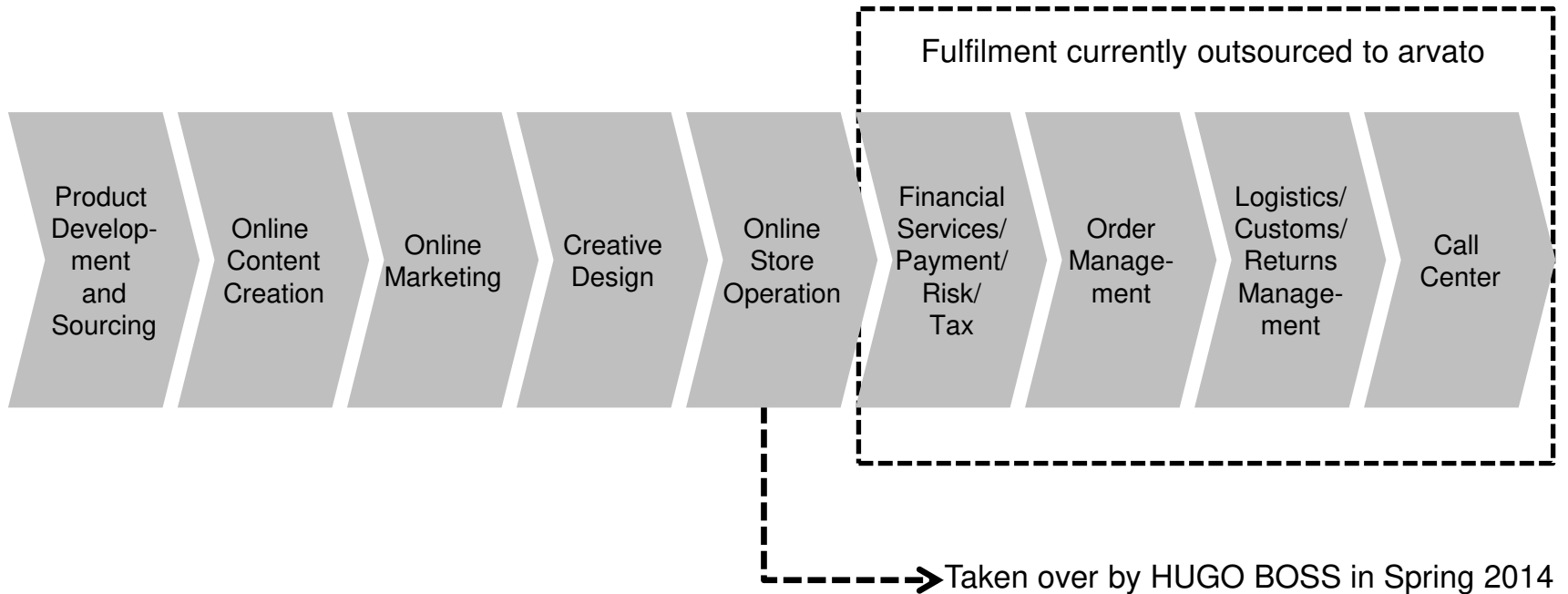
## Consumers expect close integration of “online” and “offline”

### DESIRED OMNICHANNEL SERVICES



Source: ECC Study 2013 – Cross-Channel Purchase of Branded Goods, N=904 surveys

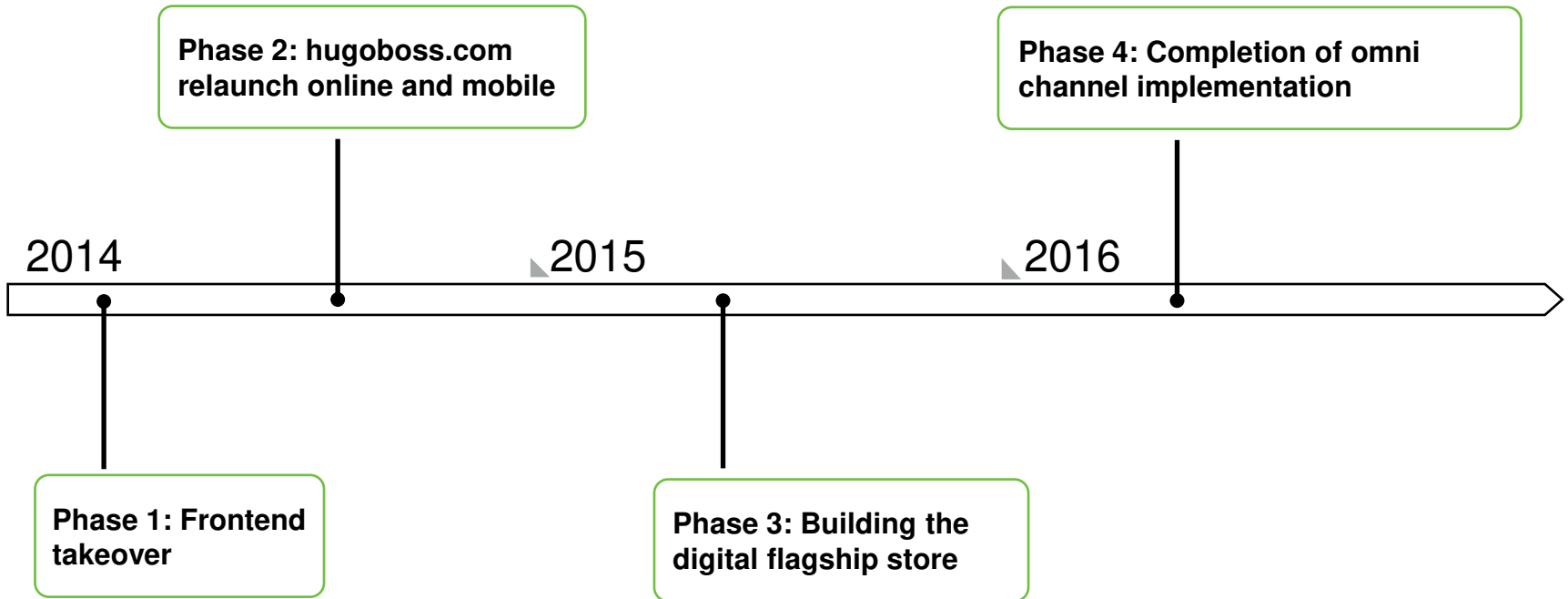
## e-Commerce value chain needs to change to satisfy consumer expectations



Group committed to fully controlling key elements of e-Commerce value chain going forward



## Omni channel model geared to the demands of today's consumer



Implementation of omni channel business model already under way

## Balanced approach to building the business with online specialists

- Close cooperation in creative design process ensures high quality of brand presentation
- Focus on brand lines other than BOSS core brand
- Wide reach and different consumer demographics provide access to new brand audience

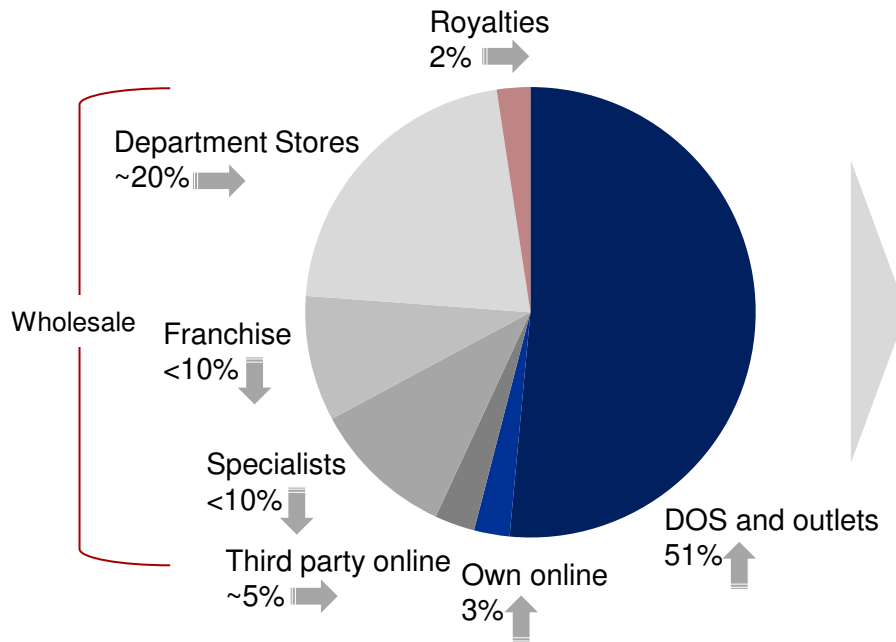


- BOSS Orange to launch on TMALL.com by end of November
- Increases brand visibility based on TMALL's reach of almost 200 million consumers per month
- Drives brand awareness among younger audience
- Exploits brand potential in China outside of metropolitan areas
- Platform to communicate brand heritage and authority

Targeted expansion with online specialists effectively supplements own online distribution

## Composition of wholesale business to change visibly

### 2013 sales by distribution channel



- Continued gains in share at leading department store partners
- Further shop-in-shop takeovers from department store partners
- Selective takeovers of mono-brand franchise operations
- Business with owner-operated specialist stores to shrink
- Targeted expansion with online specialists

Overall wholesale sales expected to develop stable to slightly negative over coming years

## Growth strategy 2020 to drive further profitable growth



Elevate the BOSS core brand by engaging consumers emotionally



Leverage the brand's potential in womenswear and shoes & accessories



Build omni channel to drive own retail online and offline

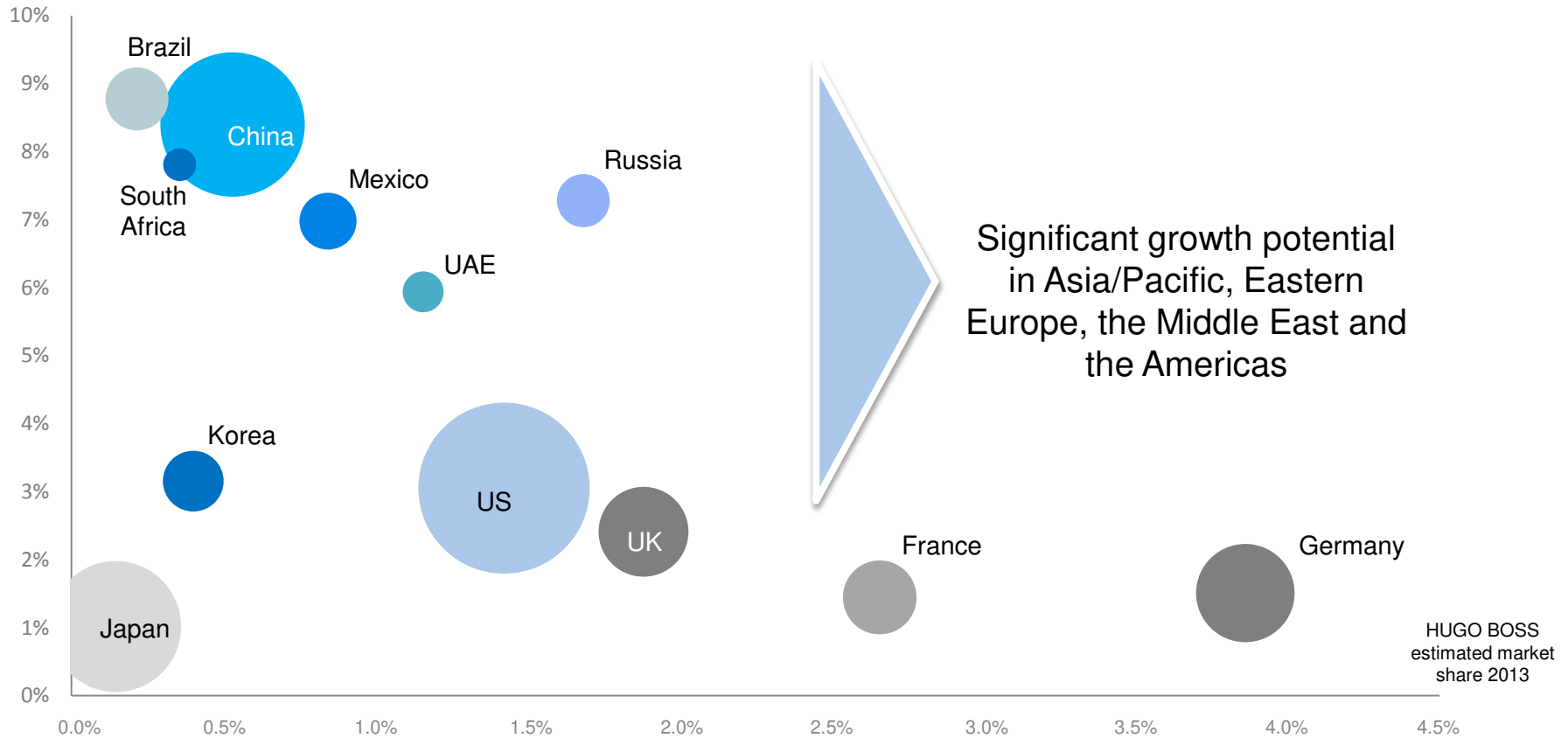


Exploit growth opportunities in underpenetrated markets

Further build the Group's operational strength to enable key strategy implementation

# Focus on gaining share in strongly growing, underpenetrated markets

Expected average nominal market growth 2013 - 2020



Significant growth potential in Asia/Pacific, Eastern Europe, the Middle East and the Americas

Source: Euromonitor  
Volume of bubbles represents overall market size

## Business model transformation provides further opportunities in Europe

- Ongoing transformation from wholesale to retail provides growth opportunities despite bleak macro outlook
- Retail expertise constantly improving
- Increased focus on Eastern Europe and the Middle East



BOSS Store Zurich, Bahnhofstrasse

## Growth levers across the portfolio offer upside in the Americas

- Transformation of leadership team has unleashed new creative energy
- Important retail-related process improvements under way
- Luxury and womenswear offer tremendous growth opportunities



BOSS Store Washington DC, City Center

## China and other Asian markets a source of strong medium-term growth

- Strong progress made in building a platform for future growth in China
- Market challenges expected to persist for foreseeable future
- More regional markets to be controlled directly



BOSS Store Osaka, Shinsaibashi



## Growth strategy 2020 to drive further profitable growth



Elevate the BOSS core brand by engaging consumers emotionally



Leverage the brand's potential in womenswear and shoes & accessories



Build omni channel to drive own retail online and offline



Exploit growth opportunities in underpenetrated markets

Further build the Group's operational strength to enable key strategy implementation

## New retail merchandise planning (RMP) tool currently being rolled out

Purpose

- Implementing a systems-based planning process taking an integrated view of sales, margin and stock levels, supporting all phases of the merchandise cycle

Main operational benefits

- Supports detailed pre-season budgeting based on expected demand
- Allows close and flexible in-season monitoring of performance versus plan

Main financial benefits

- Higher sales
- Lower inventories

Timing of rollout

- 2014 / 2015



## Retail assortment planning (RAP) tool to generate visible financial benefits

Purpose

- Implementing an end-to-end, SAP-based assortment planning approach led by retail, based on individual store capacities, location characteristics and product lifecycles

Main operational benefits

- Store cluster-specific planning improves fit of merchandise offering and product availability
- Joint process involving retail and creative teams ensures consumer-centric collection development

Main financial benefits

- Improved full-price sales supporting margins
- Higher inventory turns

Timing of rollout

- Starting with Fall 2016 collection development



The  
right product



at the  
right price



at the  
right time



in the  
right quantity



at the  
right place

+

+

+

+

## Agenda

**Review of past performance**

**Growth strategy 2020**

**Summary and outlook**

## HUGO BOSS well equipped to turn opportunities into profitable growth

- Successful execution of 2010 plan has laid a strong foundation for robust future growth
- Key initiatives defined to capitalize on multi-faceted growth opportunities even in an overall challenging macro and industry environment
- Group confident of medium-term financial performance:
  - Group sales to rise at a high-single digit rate on average per annum, outperforming overall market growth
  - Adjusted EBITDA margin to reach 25%



**Thank you for your attention!**

**H U G O   B O S S**