

**H U G O   B O S S**

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## **ROADSHOW LONDON // KeplerCheuvreux**

HUGO BOSS Company Handout

London, May 13, 2015

Mark Langer, CFO | Dennis Weber, Head of Investor Relations

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## Agenda

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**Financial Review First Quarter 2015**

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**Strategic Outlook 2015**

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**Financial Outlook 2015**

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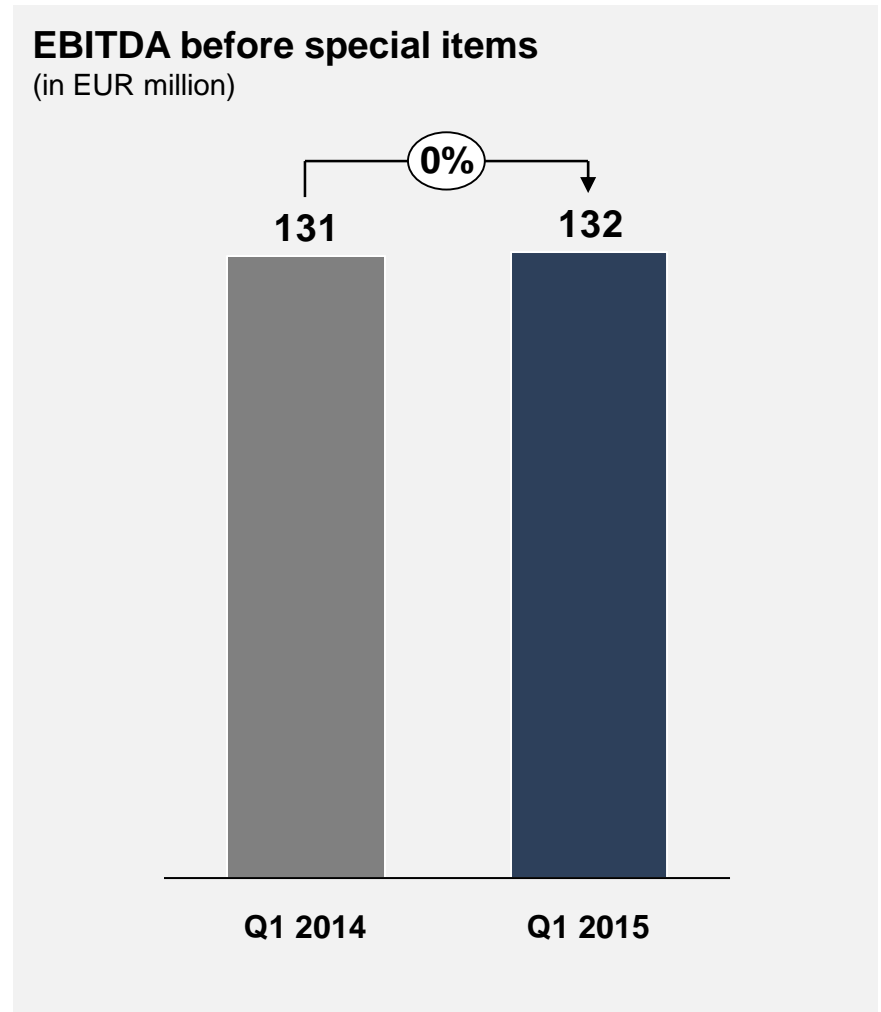
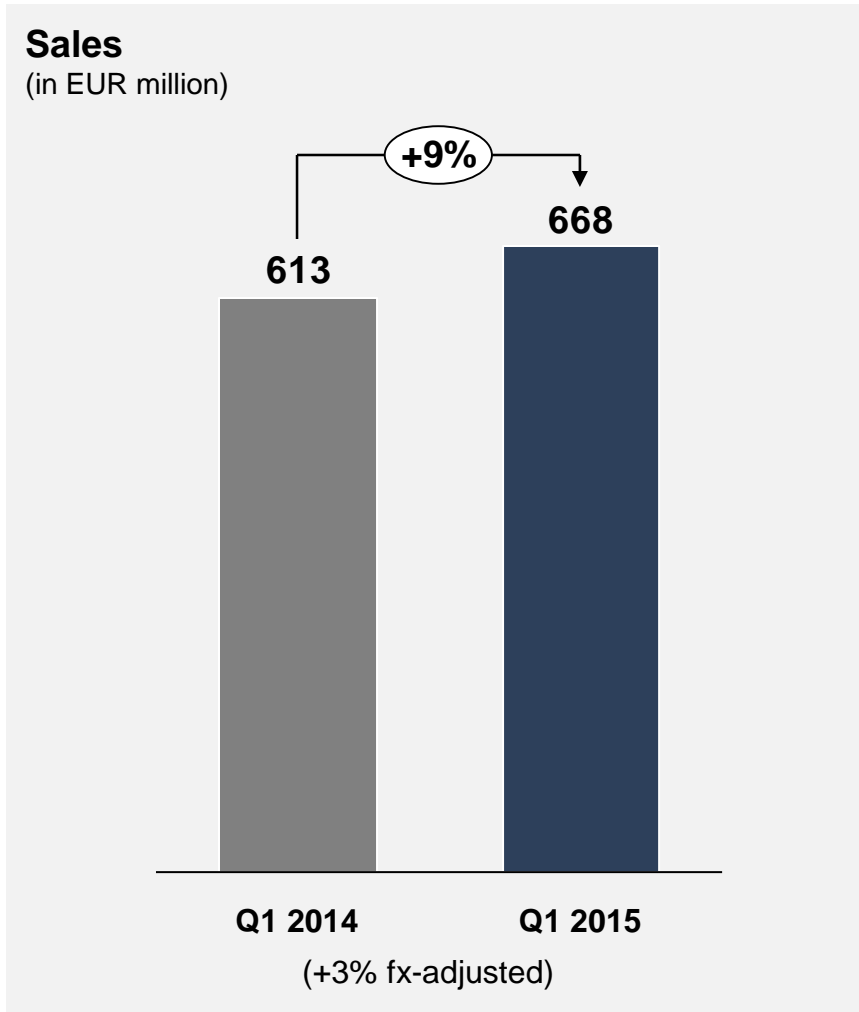
## Agenda

**Financial Review First Quarter 2015**

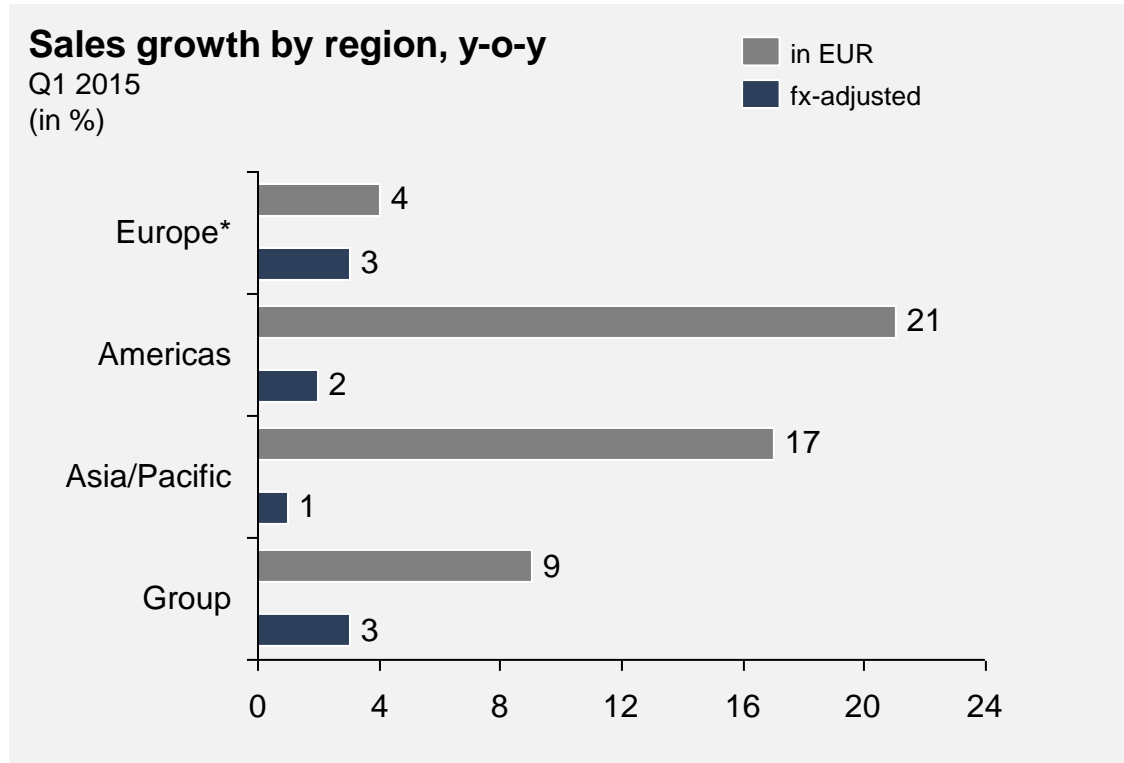
**Strategic Outlook 2015**

**Financial Outlook 2015**

## HUGO BOSS grows top line whereas operating profit remains stable



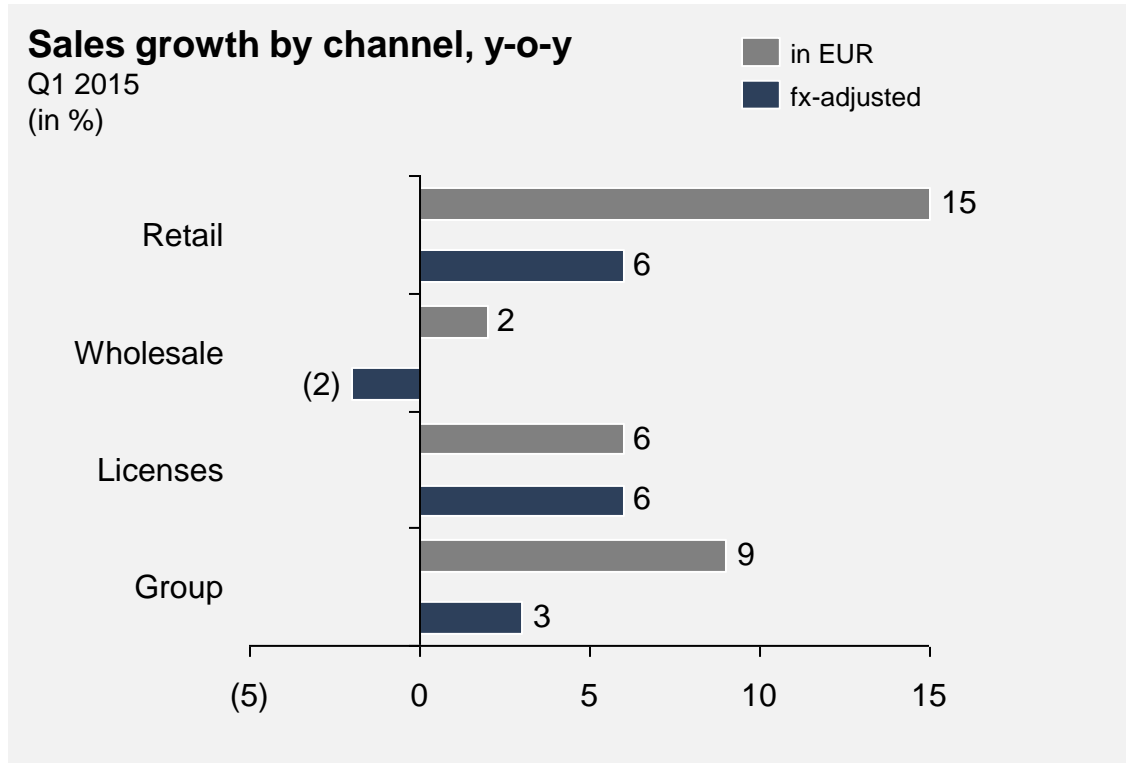
## All three regions contribute to Group sales growth



- UK and Germany strongest growing major markets in **Europe**
- US market up 4% currency-adjusted, exceeding overall growth in the **Americas**
- Australia and Japan drive growth in **Asia/Pacific**, sales in China decline 3% currency-adjusted

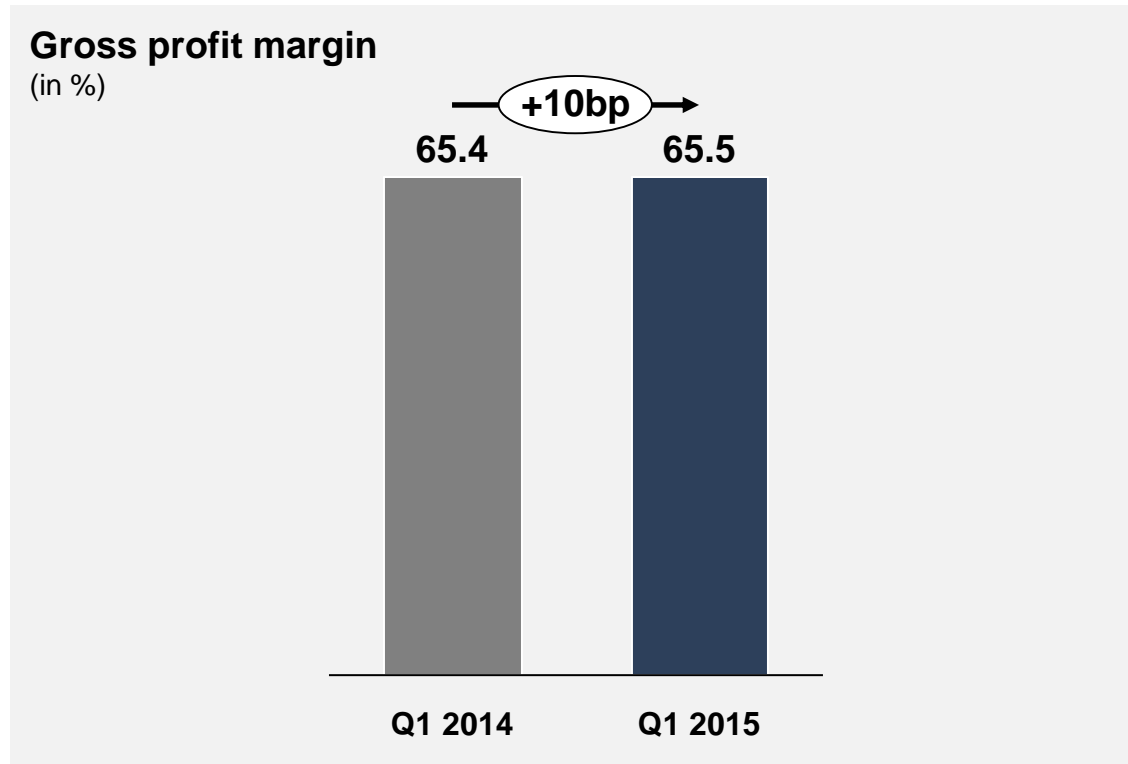
\*Incl. Middle East and Africa

## Like-for-like growth acceleration drives solid retail sales development



- Improved comp store sales growth of 3% contributes to **retail** sales increase
- Cautious ordering and takeover effects impact **wholesale** performance
- Eyewear and watches support strong development of **license business**

## Gross profit margin improves moderately



- Tough comparison base
- Positive distribution channel mix partly offset by negative inventory valuation effects
- Neutral impact from rebate management



## Group EBITDA remains stable compared to the prior year

in EUR million	Q1 2015	Q1 2014	Change in %
<b>Sales</b>	<b>667.5</b>	<b>612.6</b>	<b>9</b>
<b>Gross profit</b>	<b>436.9</b>	<b>400.6</b>	<b>9</b>
In % of sales	65.5	65.4	10 bp
Selling and distribution expenses	(264.3)	(232.5)	(14)
Administration expenses	(68.4)	(60.9)	(12)
Other operating income and expenses	(1.4)	1.5	>(100)
<b>Operating result (EBIT)</b>	<b>102.8</b>	<b>108.7</b>	<b>(5)</b>
In % of sales	15.4	17.7	(230) bp
<b>Financial result</b>	<b>(4.6)</b>	<b>(2.7)</b>	<b>(70)</b>
<b>Earnings before taxes</b>	<b>98.2</b>	<b>106.0</b>	<b>(7)</b>
Income taxes	(22.6)	(24.4)	7
<b>Net income</b>	<b>75.6</b>	<b>81.6</b>	<b>(7)</b>
Attributable to:			
Equity holders of the parent company	75.6	80.7	(6)
<b>Earnings per share (EUR)*</b>	<b>1.10</b>	<b>1.17</b>	<b>(6)</b>
<b>EBITDA before special items</b>	<b>131.5</b>	<b>131.3</b>	<b>0</b>
In % of sales	19.7	21.4	(170) bp

- Currency translation effects impact operating expense development
- Retail and marketing expenses grow at double-digit rates
- Special items and higher depreciation charges weigh on EBIT
- Net financial result impacted by negative currency effects

\*Basic and diluted earnings per share

## Currency translation effects distort regional profitability development

### Segment profit

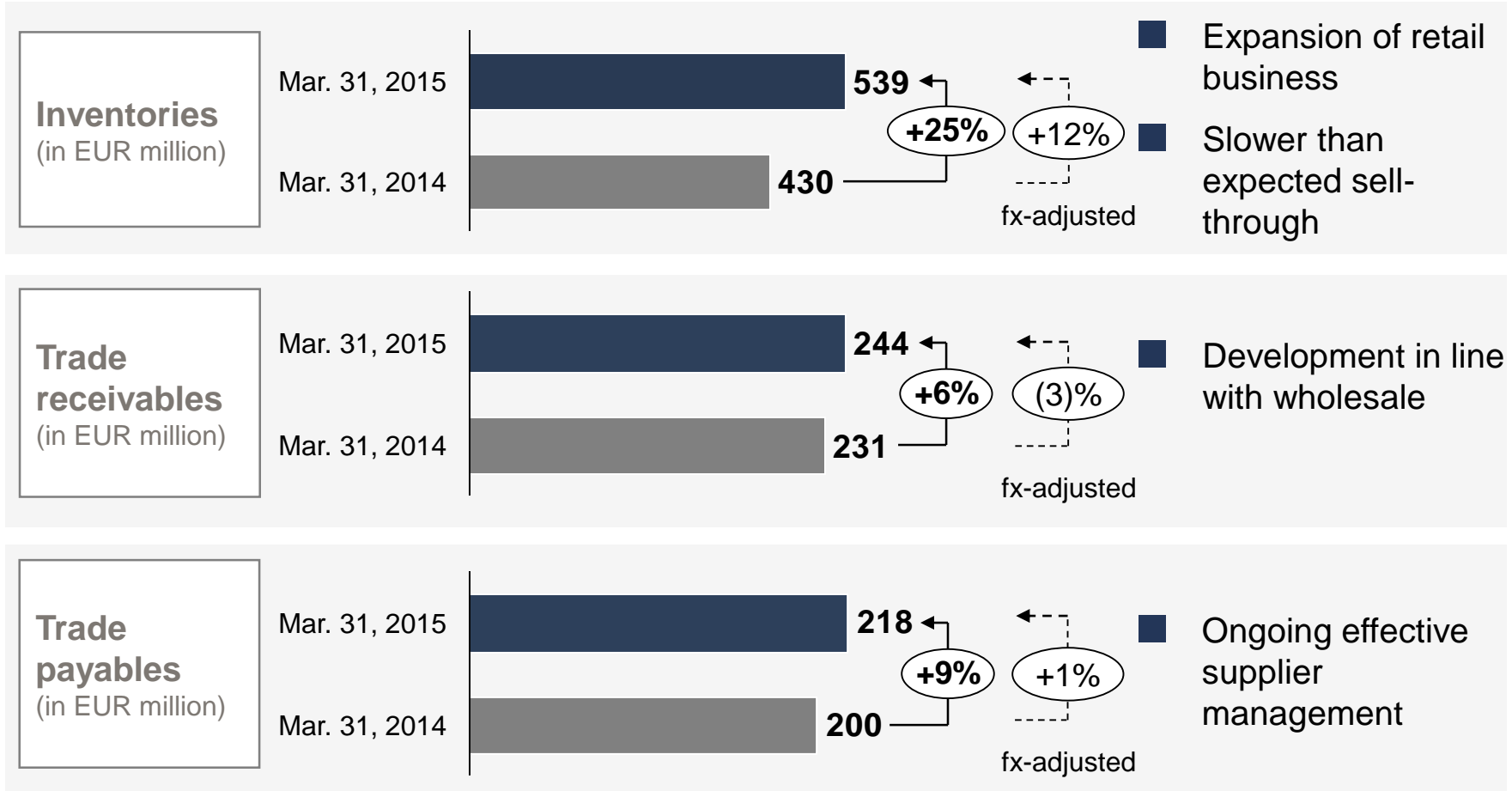
in EUR million

	Q1 2015	in % of sales	Q1 2014	in % of sales	Change in %
Europe*	131.3	32.0	136.6	34.6	(4)
Americas	32.1	22.4	25.0	21.0	28
Asia/Pacific	31.2	31.0	26.5	30.7	18
Licenses	10.7	78.0	10.7	82.8	0
<b>Segment profit operating segments</b>	<b>205.3</b>	<b>30.8</b>	<b>198.8</b>	<b>32.5</b>	<b>3</b>
<b>Corporate units/consolidation</b>	<b>(73.8)</b>		<b>(67.5)</b>		<b>(9)</b>
<b>EBITDA before special items</b>	<b>131.5</b>	<b>19.7</b>	<b>131.3</b>	<b>21.4</b>	<b>0</b>

- Margin decline in **Europe** due to adverse currency effects and higher selling and distribution expenses
- Margin improvement in the **Americas** due to positive currency translation effects
- Positive currency effects in **Asia/Pacific** partly offset by higher retail expenses

\*Incl. Middle East and Africa

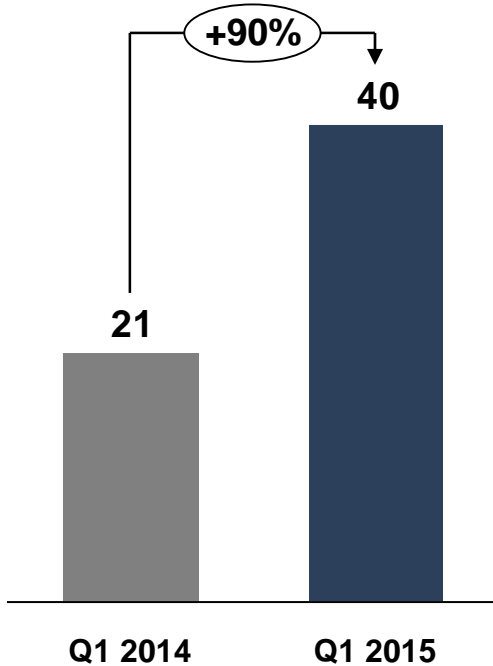
## Increase of trade net working capital mainly due to higher inventories



Trade net working capital up 23% to EUR 566 million, up 9% on a currency-adjusted basis

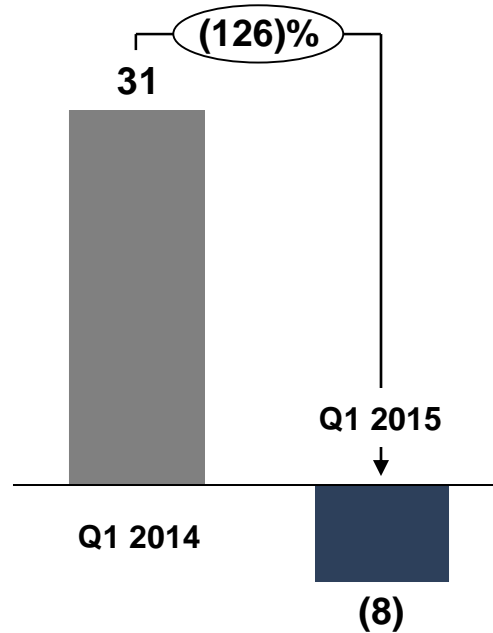
## Higher investments affect free cash flow development

**Investments**  
(in EUR million)



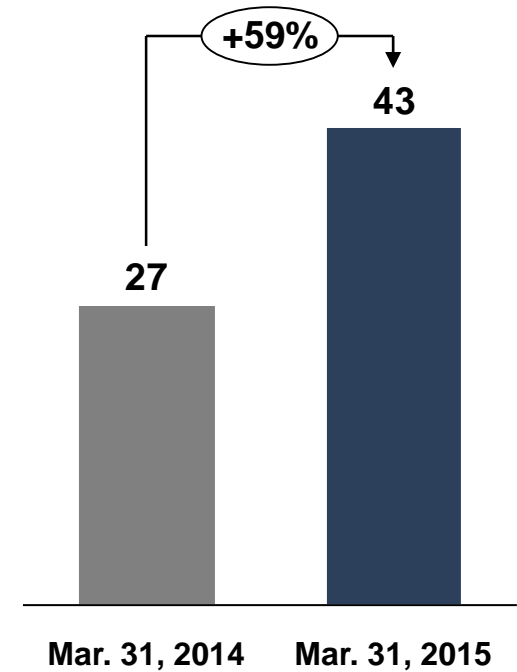
■ Increase primarily driven by higher retail investments

**Free cash flow**  
(in EUR million)



■ Decline due to lower profits and higher investments

**Net debt**  
(in EUR million)



■ Increase due to negative free cash flow development

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**Strategic Outlook 2015**

**Financial Outlook 2015**

## Growth strategy 2020 defines 2015 priorities



Elevate the BOSS core brand by engaging consumers emotionally



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



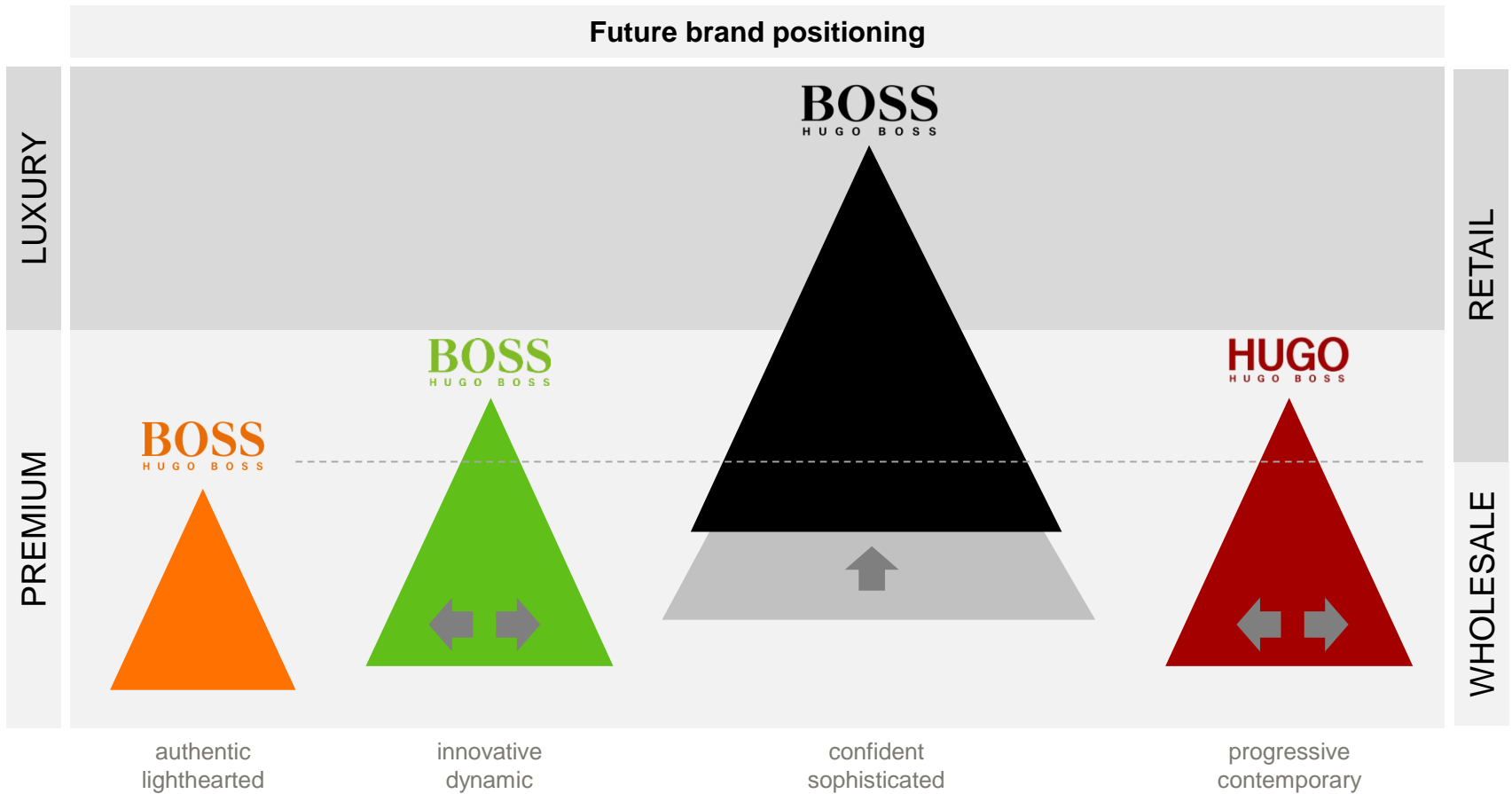
Build omnichannel to drive own retail online and offline



Exploit growth opportunities in under-penetrated markets

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

# Increasingly differentiated portfolio to support BOSS brand elevation



# HUGO and BOSS Green to replace BOSS in category business

## RETAIL

Own stores to increasingly focus on BOSS core brand exclusively



## WHOLESALE

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



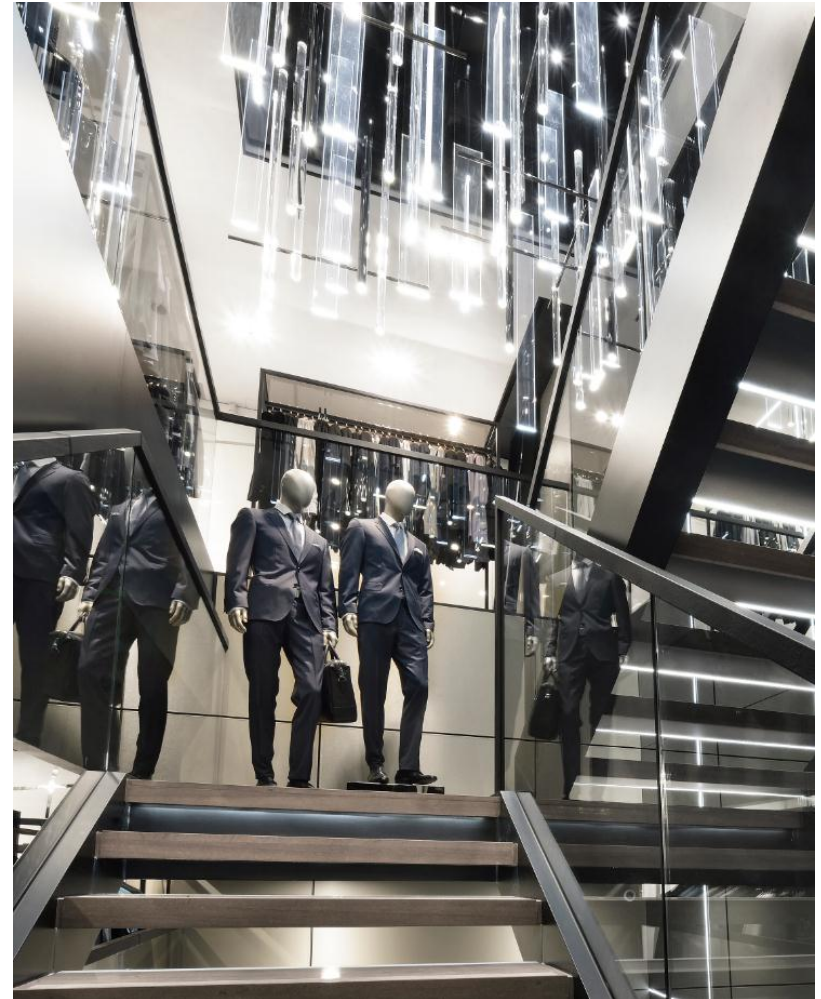
Category business focused on HUGO and BOSS Green





## Category migration one important lever to narrow global price gaps

- Euro devaluation has widened global price gaps most recently
- BOSS brand elevation in Europe and the Americas as well as collection upgrades in China will narrow global price gaps
- Further gradual refinements of global pricing architecture to be implemented in the medium- and long-term



BOSS Store Hong Kong, Canton Road

## BOSS Womenswear maintains strong momentum



BOSS Womenswear sales up 11% currency-adjusted in the first quarter

## Continuous expansion and upgrade of retail store portfolio

### Number of own retail stores as of March 31, 2015

(December 31, 2014: 1,041)

<b>TOTAL</b>	<b>1,060 (+19)</b>
Openings	49
thereof takeovers	28
Closings	30

<b>Europe*</b>	<b>596 (+1)</b>
Openings	22
thereof takeovers	5
Closings	21

<b>Americas</b>	<b>201 (-3)</b>
Openings	1
thereof takeovers	-
Closings	4

<b>Asia/Pacific</b>	<b>263 (+21)</b>
Openings	26
thereof takeovers	23
Closings	5

\*Incl. Middle East and Africa

## Takeovers remain important part of retail expansion

### South Korea

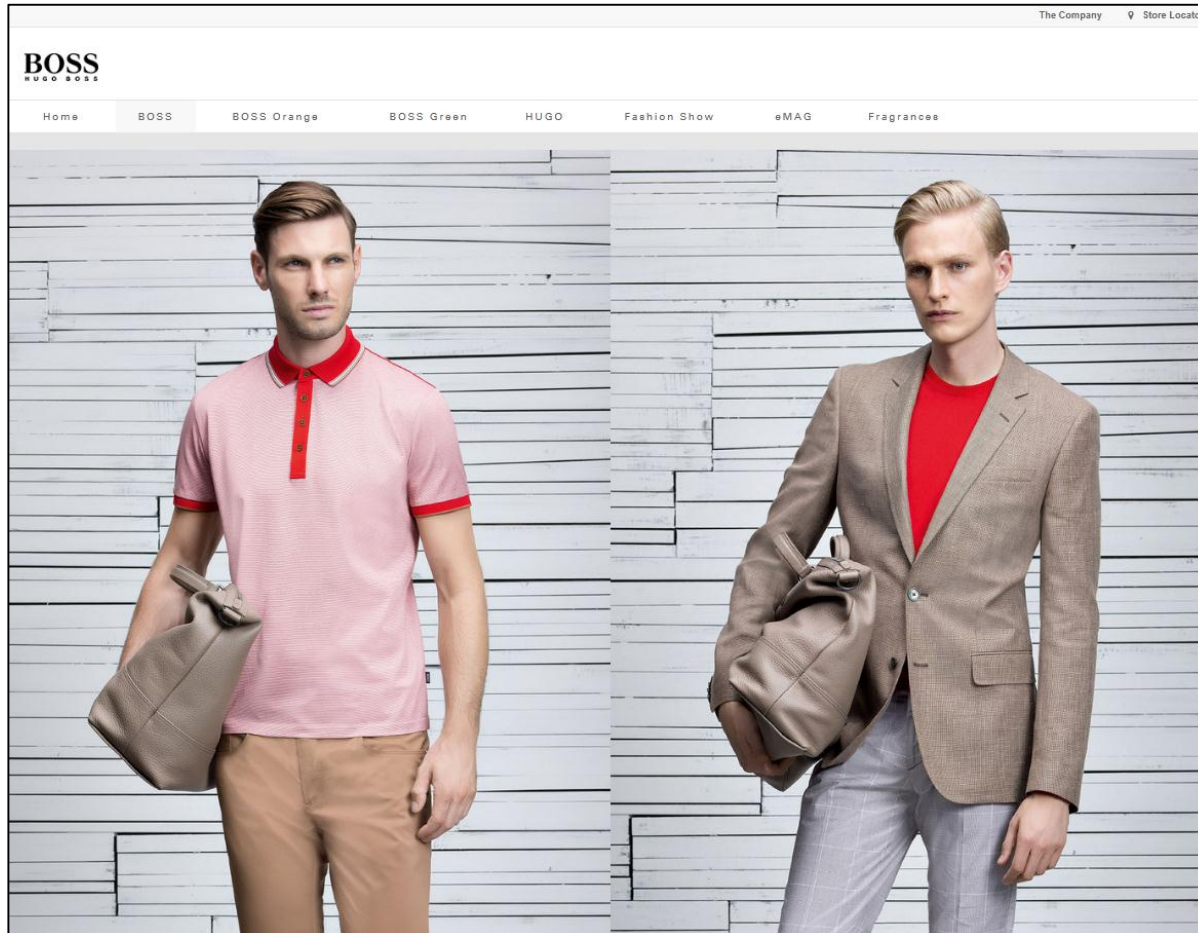
- Key fashion and trend-setting market in Southeast Asia
- Takeover effective March 1, 2015
- 17 freestanding stores
- Direct management of 6 duty free stores to tap full potential of travel retail business

### China

- Takeover of last remaining franchise partner allows full brand control and simplifies distribution structure
- Takeover effective April 1, 2015
- 21 freestanding stores

▶ Stronger brand presentation in Asia/Pacific to drive brand perception and sales

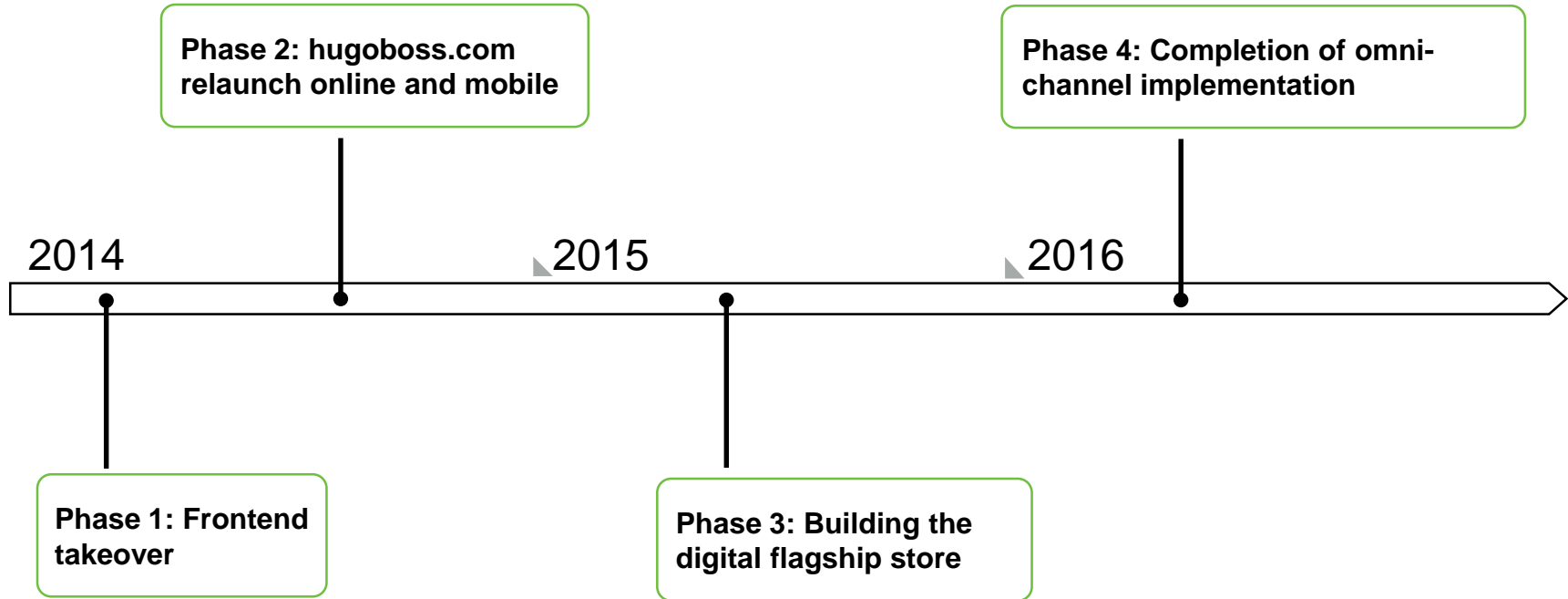
## Momentum in online business accelerates



▶ Online sales up 14% currency-adjusted in the first quarter



## Omnichannel model geared to the demands of today's consumer



Implementation of omnichannel business model under way

## Key digital initiatives defined

Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of Demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	Done
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven CRM measures	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

## Mixed regional outlook

### Europe\*



- Challenging market environment persists
- Group outperforms overall market

### Americas



- Promotional retail environment continues
- Improving retail execution
- Upgrade of logistical infrastructure

### Asia/Pacific



- Good momentum in Australia and Japan
- Chinese market remains challenging

\*Incl. Middle East and Africa



## New flat-packed goods distribution center operational since July 2014



## Launch of new systems refines retail management

	Retail Merchandise Planning	Retail Assortment Planning
Purpose	<ul style="list-style-type: none"> <li>■ Systems-based planning process based on sales, margins and stock levels</li> </ul>	<ul style="list-style-type: none"> <li>■ SAP-based assortment planning approach based on store capacity, location characteristics and product lifecycles</li> </ul>
Main operational benefits	<ul style="list-style-type: none"> <li>■ Detailed pre-season budgeting based on expected demand</li> <li>■ Flexible in-season monitoring of performance versus plan</li> </ul>	<ul style="list-style-type: none"> <li>■ Improved fit of merchandise offering and product availability</li> <li>■ Consumer-centric collection development</li> </ul>
Main financial benefits	<ul style="list-style-type: none"> <li>■ Higher sales</li> <li>■ Lower inventories</li> </ul>	<ul style="list-style-type: none"> <li>■ Improved full-price sales supporting margins</li> <li>■ Higher inventory turns</li> </ul>
Timing of rollout	<ul style="list-style-type: none"> <li>■ Completion in 2015</li> </ul>	<ul style="list-style-type: none"> <li>■ Starting with Fall 2016 collection development</li> </ul>

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## 2015 financial outlook reconfirmed

### Outlook 2015

Sales growth (currency-adjusted)

Mid-single-digit rate

Growth of  
EBITDA before special items

5% - 7%

Capex

EUR 200 million – EUR 220 million

Own retail network

Around 50 openings (excl. takeovers)

## HUGO BOSS to be one of the winning brands in a tough environment

- Apparel industry in tough competition for share of consumer's wallet
- Maximization of emotional brand appeal a key focus
- Retail excellence and omnichannel to increasingly differentiate HUGO BOSS from competitors



BOSS Store Tokyo, Omotesando

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**BACKUP**

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## Brand portfolio

**BOSS**  
HUGO BOSS

**BOSS**  
HUGO BOSS

**72%\*** of Group sales  
modern / sophisticated



**8%\*** of Group sales  
modern / active



**BOSS**  
HUGO BOSS

**HUGO**  
HUGO BOSS

**10%\*** of Group sales  
casual / urban chic



**10%\*** of Group sales  
progressive / contemporary



\*as of FY 2014



## Sales by region 2014

### Share of Group sales\*



**Asia/Pacific**

14%



**Europe** (incl. Middle East and Africa)

23%



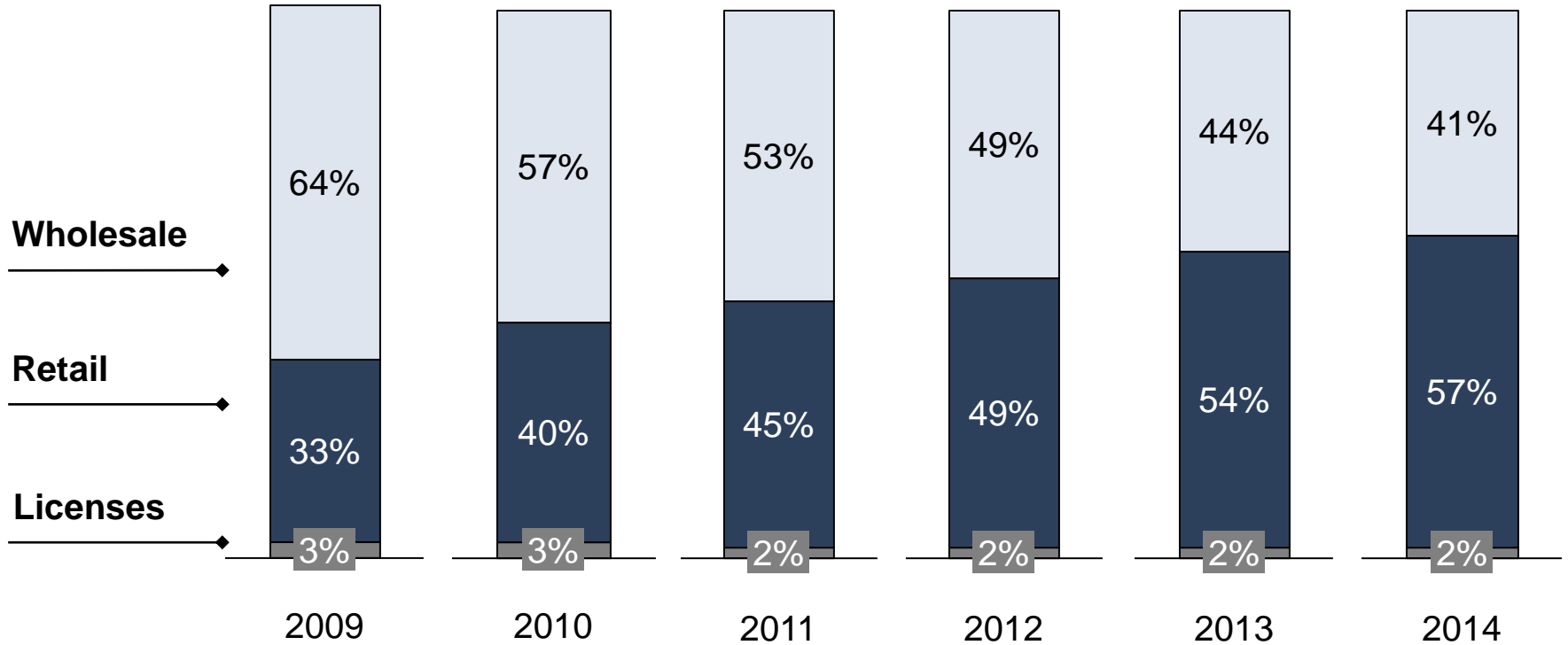
**Americas**

61%

\*+2% Licenses



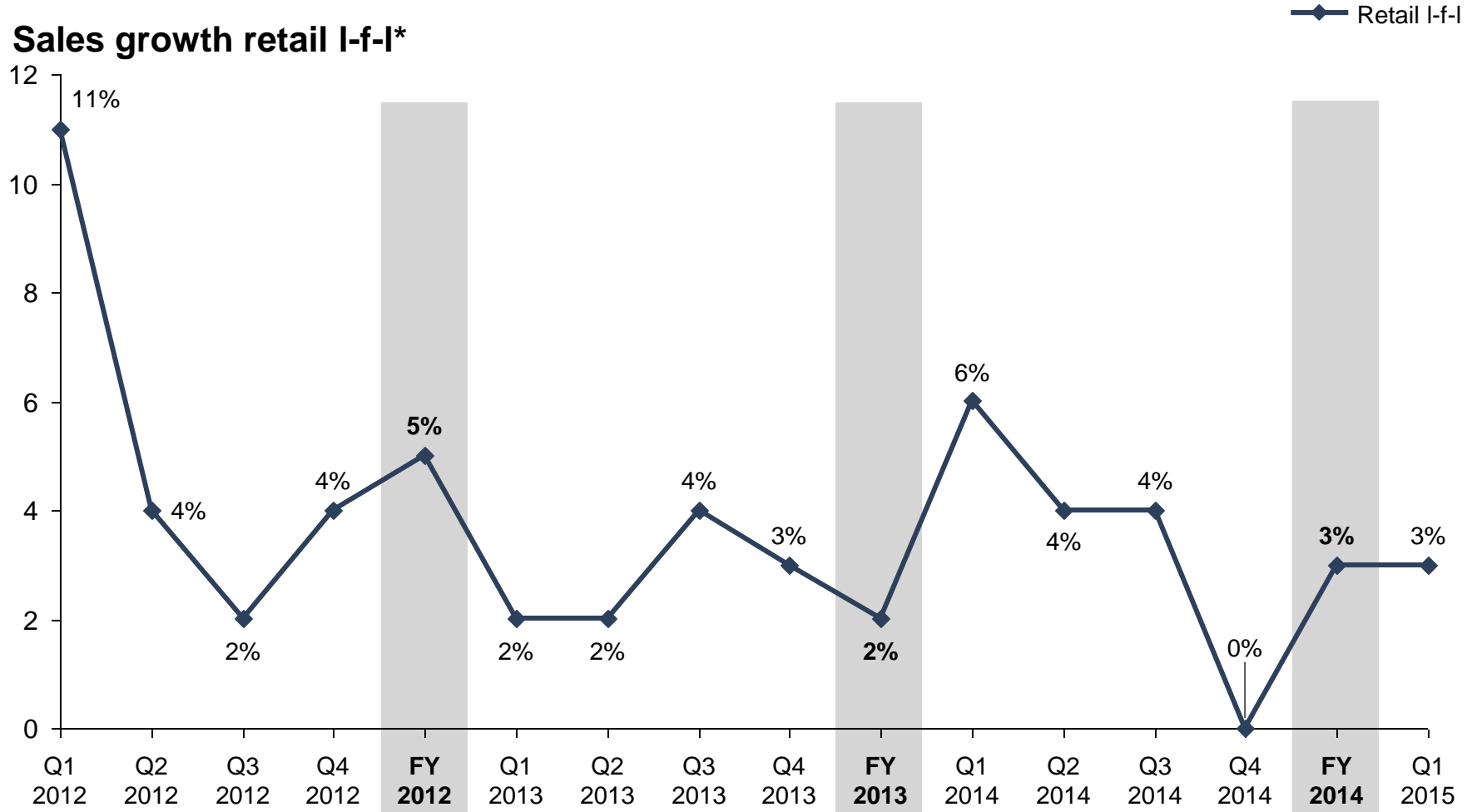
## Sales by distribution channel



Retail to account for at least 75% of Group sales by 2020

# Retail comp stores sales growth

Sales growth retail I-f-I\*



\*fx-adjusted

## Income statement

in EUR million

	Q1 2015	Q1 2014	Change in %	2014	2013	Change in %
<b>Sales</b>	<b>667.5</b>	<b>612.6</b>	<b>9</b>	<b>2,571.6</b>	<b>2,432.1</b>	<b>6</b>
Cost of sales	(230.6)	(212.0)	(9)	(872.5)	(852.5)	(2)
<b>Gross profit</b>	<b>436.9</b>	<b>400.6</b>	<b>9</b>	<b>1,699.1</b>	<b>1,579.6</b>	<b>8</b>
In % of sales	65.5	65.4	10 bp	66.1	64.9	120 bp
Selling and distribution expenses	(264.3)	(232.5)	(14)	(994.9)	(891.6)	(12)
Administration expenses	(68.4)	(60.9)	(12)	(236.2)	(228.5)	(3)
Other operating income and expenses	(1.4)	1.5	>(100)	(19.3)	(3.3)	>(100)
<b>Operating result (EBIT)</b>	<b>102.8</b>	<b>108.7</b>	<b>(5)</b>	<b>448.7</b>	<b>456.2</b>	<b>(2)</b>
In % of sales	15.4	17.7	(230) bp	17.4	18.7	(130) bp
Net interest income/expense	(0.9)	(0.6)	(50)	(4.5)	(14.4)	69
Other financial items	(3.7)	(2.1)	(76)	(7.1)	(8.3)	14
<b>Financial result</b>	<b>(4.6)</b>	<b>(2.7)</b>	<b>(70)</b>	<b>(11.6)</b>	<b>(22.7)</b>	<b>49</b>
<b>Earnings before taxes</b>	<b>98.2</b>	<b>106.0</b>	<b>(7)</b>	<b>437.1</b>	<b>433.5</b>	<b>1</b>
Income taxes	(22.6)	(24.4)	7	(102.6)	(100.1)	(2)
<b>Net income</b>	<b>75.6</b>	<b>81.6</b>	<b>(7)</b>	<b>334.5</b>	<b>333.4</b>	<b>0</b>
Attributable to:						
Equity holders of the parent company	75.6	80.7	(6)	333.3	329.0	1
Non-controlling interests	0.0	0.9	(99)	1.2	4.4	(73)
<b>Earnings per share (EUR)*</b>	<b>1.10</b>	<b>1.17</b>	<b>(6)</b>	<b>4.83</b>	<b>4.77</b>	<b>1</b>
<b>EBITDA before special items</b>	<b>131.5</b>	<b>131.3</b>	<b>0</b>	<b>590.8</b>	<b>564.7</b>	<b>5</b>
In % of sales	19.7	21.4	(170) bp	23.0	23.2	(20) bp
Special items	(1.4)	1.5	>(100)	(19.3)	(3.3)	>(100)

\*Basic and diluted earnings per share

## 5-Year Overview

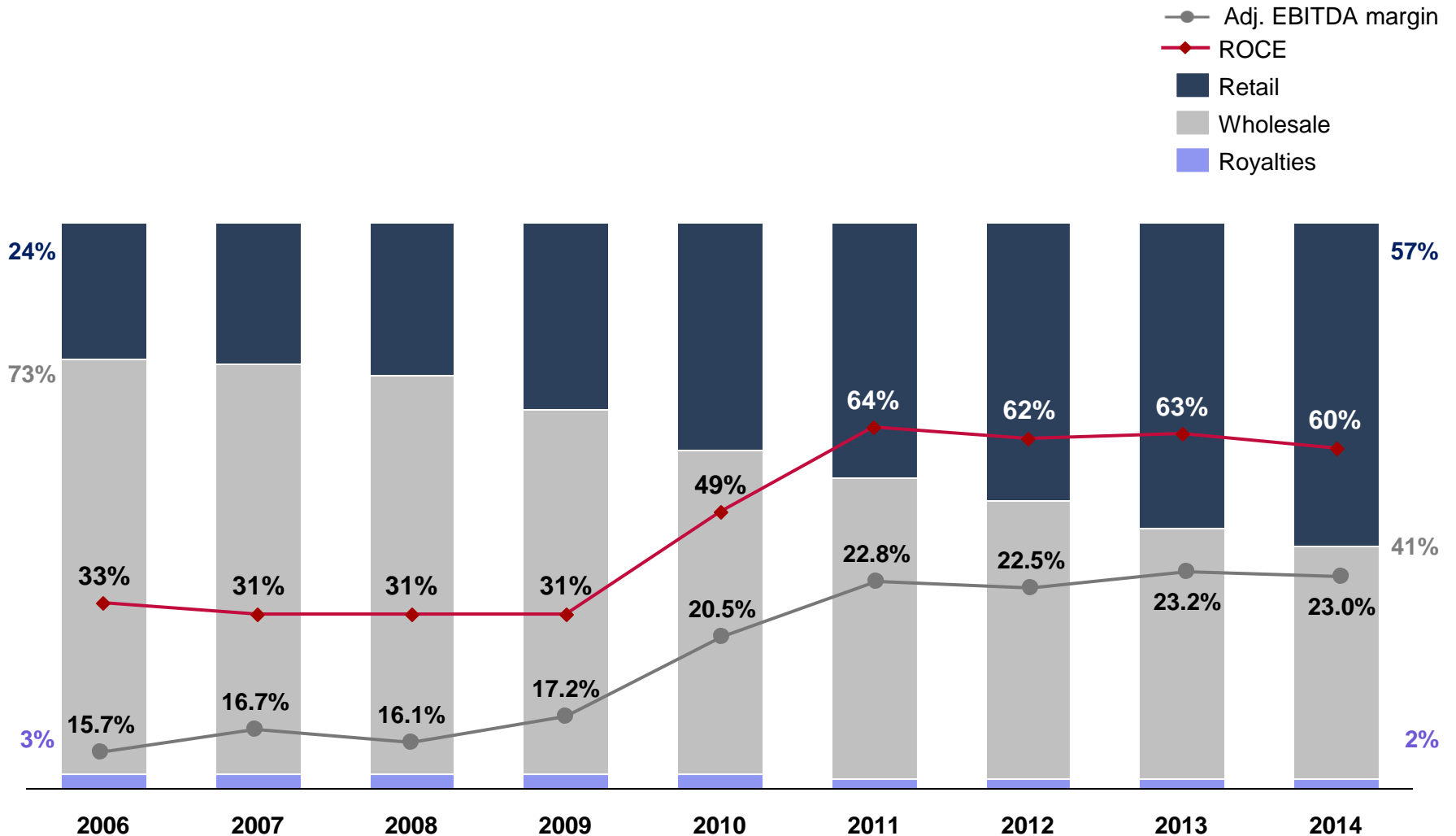
in EUR million	2014	2013	2012	2011	2010
<b>Earnings Position</b>					
Sales	2,571.6	2,432.1	2,345.9	2,058.8	1,729.4
Gross profit	1,699.1	1,579.6	1,444.1	1,252.0	1,022.4
EBITDA	571.5	561.4	523.9	468.0	340.1
EBITDA before special items	590.8	564.7	528.1	469.5	353.7
EBIT	448.7	456.2	432.0	394.6	267.9
Net income attributable to equity holders of the parent company	333.3	329.0	306.5	284.9	188.9
<b>Financial Position and Dividend</b>					
Free cash flow	268.4	230.0	220.6	194.9	246.3
Net debt	35.7	57.0	130.4	149.1	201.1
Capital expenditures	134.7	185.3	165.8	108.5	55.6
Depreciation/amortization	122.8	105.3	91.9	73.4	72.2
Dividend*	249.8	230.5	215.3	199.1	139.7
<b>Asset and Liability Structure</b>					
Total assets	1,661.8	1,501.3	1,577.2	1,419.6	1,342.8
Shareholders' equity	843.9	740.3	631.6	517.3	361.2
Trade net working capital	503.0	431.8	408.5	399.6	322.7
Non-current assets	660.3	611.5	587.7	503.2	454.5
<b>Key Ratios</b>					
Gross profit margin in %	66.1	64.9	61.6	60.8	59.1
Adjusted EBITDA margin in %**	23.0	23.2	22.5	22.8	20.5
Total leverage***	0.1	0.1	0.2	0.3	0.6
Equity ratio in %	50.8	49.3	40.0	36.4	26.9

\* Based on dividend proposal

\*\*EBITDA before special items/Sales

\*\*\*Net financial liabilities/EBITDA before special items and expenses for the stock appreciation rights program

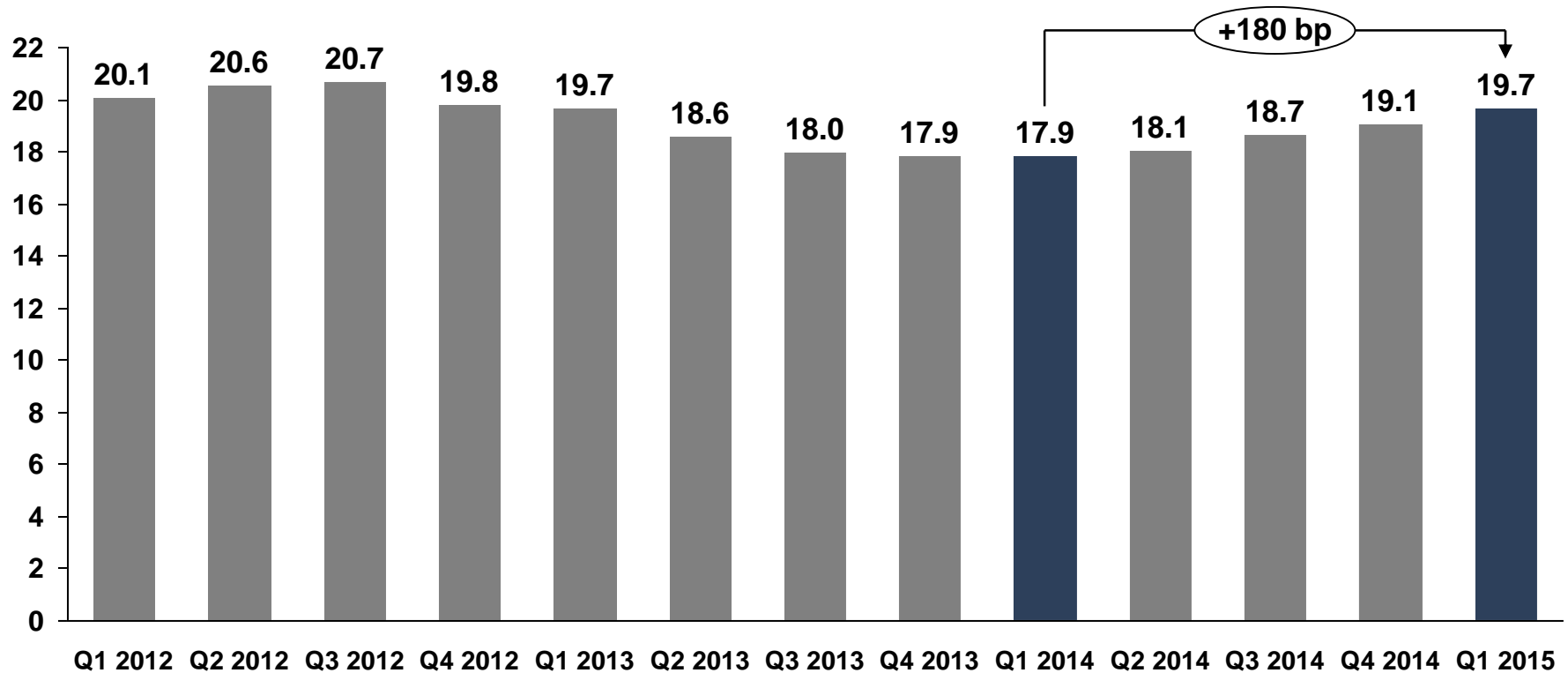
## EBITDA margin and ROCE vs. channel mix



## Trade net working capital

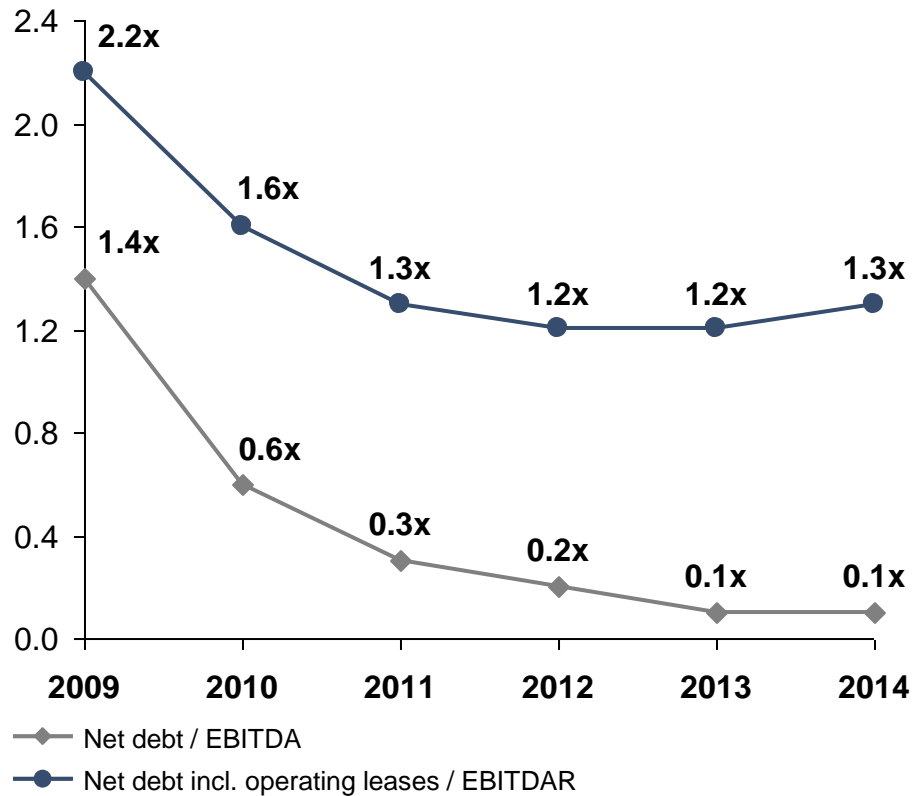
### Average trade net working capital as a percentage of sales by quarter\*

(in %)



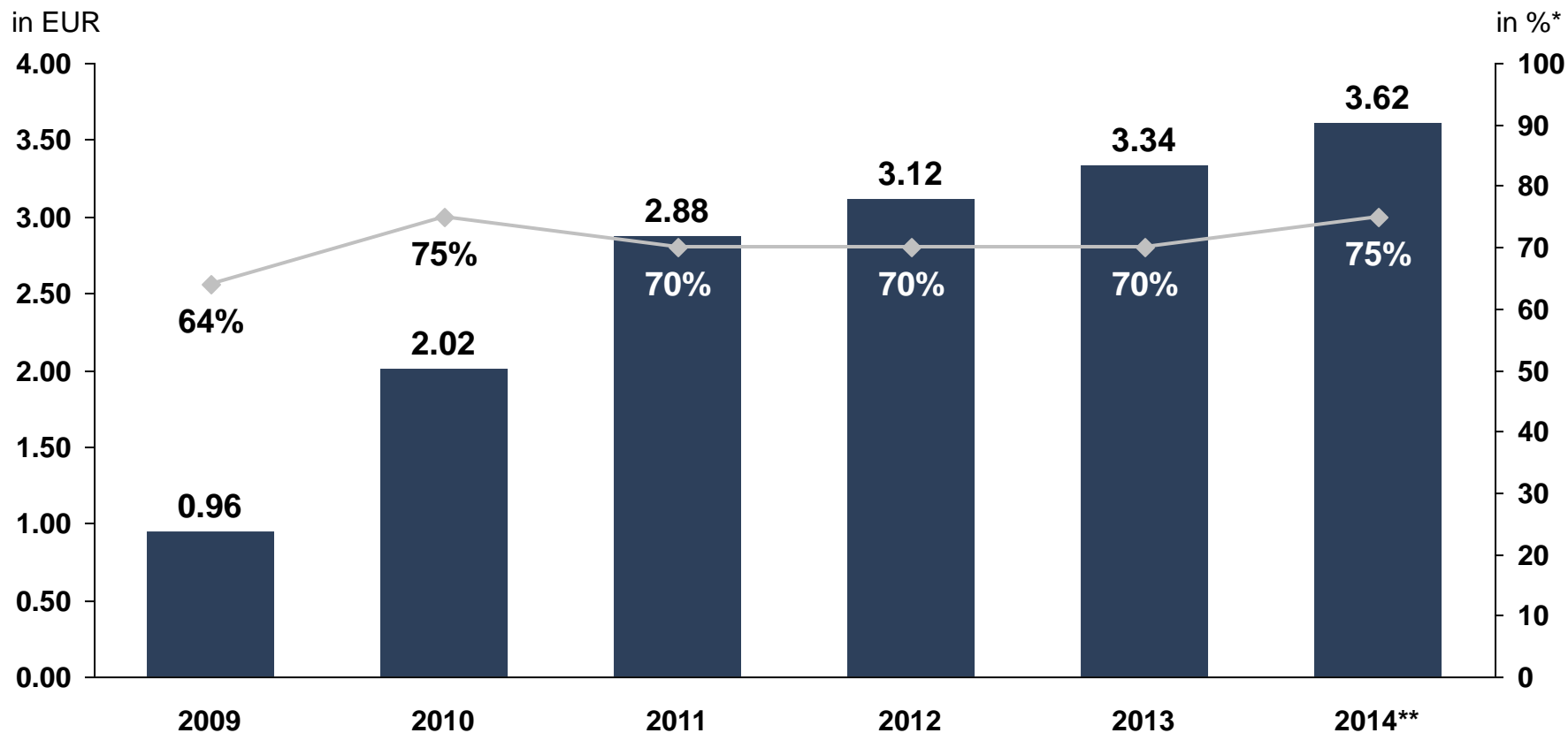
\*Certain amounts shown here do not correspond to the figures published in prior years and reflect adjustments made

## Adjusted financial leverage



Operating leases = Future committed operating lease obligations capitalized according to S&P methodology  
 EBITDAR = EBITDA + minimum rents + contingent rents

## Dividend and payout ratio

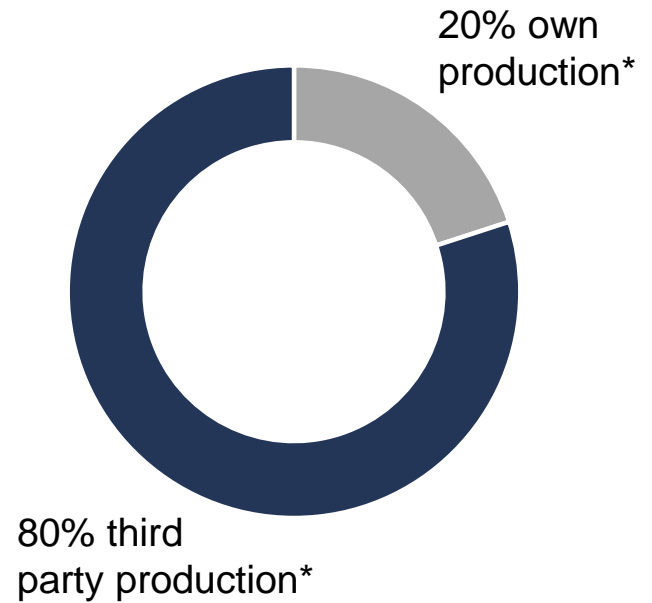
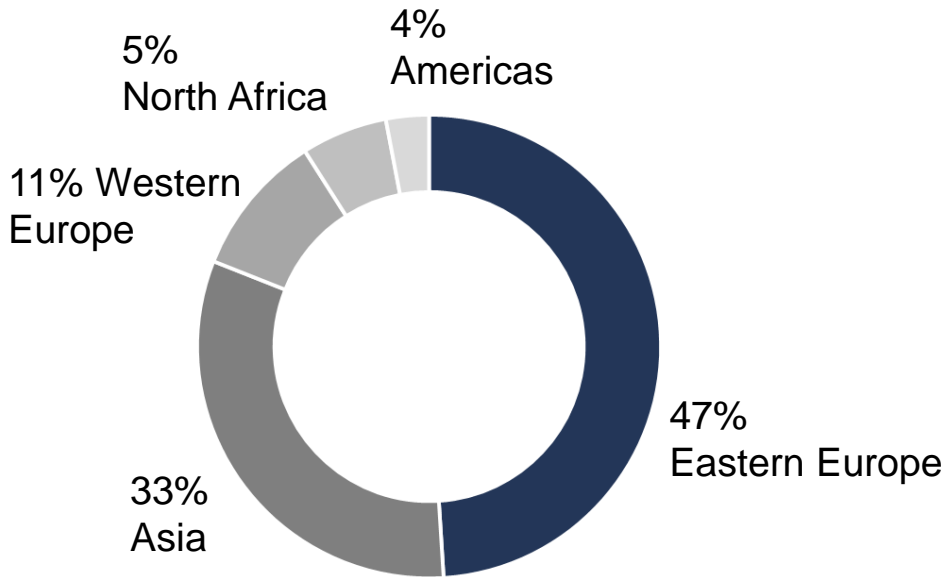


Proposal in line with dividend policy of 60% to 80% payout of consolidated net profit

\*As a percentage of net profit attributable to the shareholders of the parent company // \*\*2014: Dividend proposal



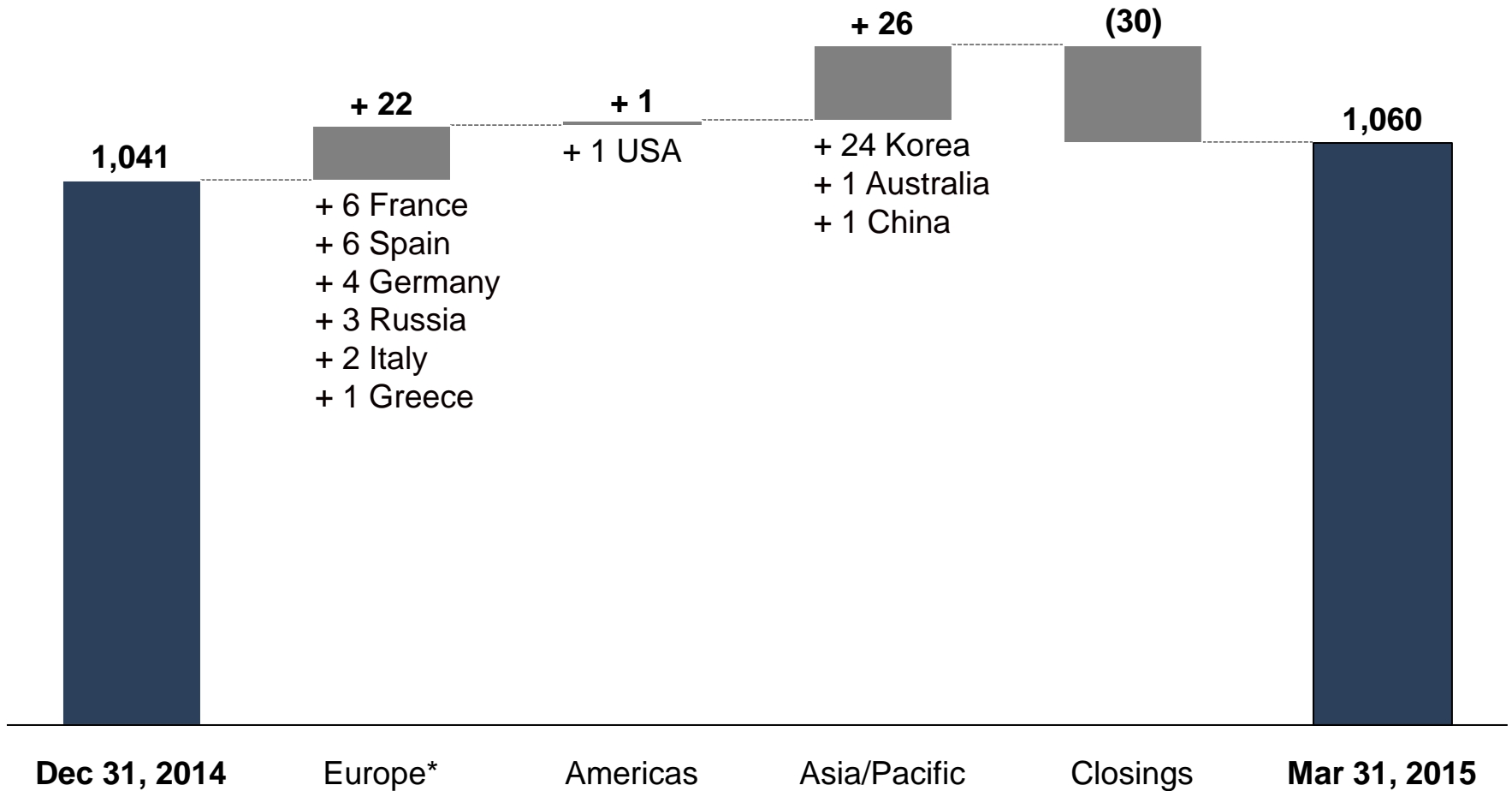
## Sourcing and production structure 2014



\*Percentage based on procurement volumes

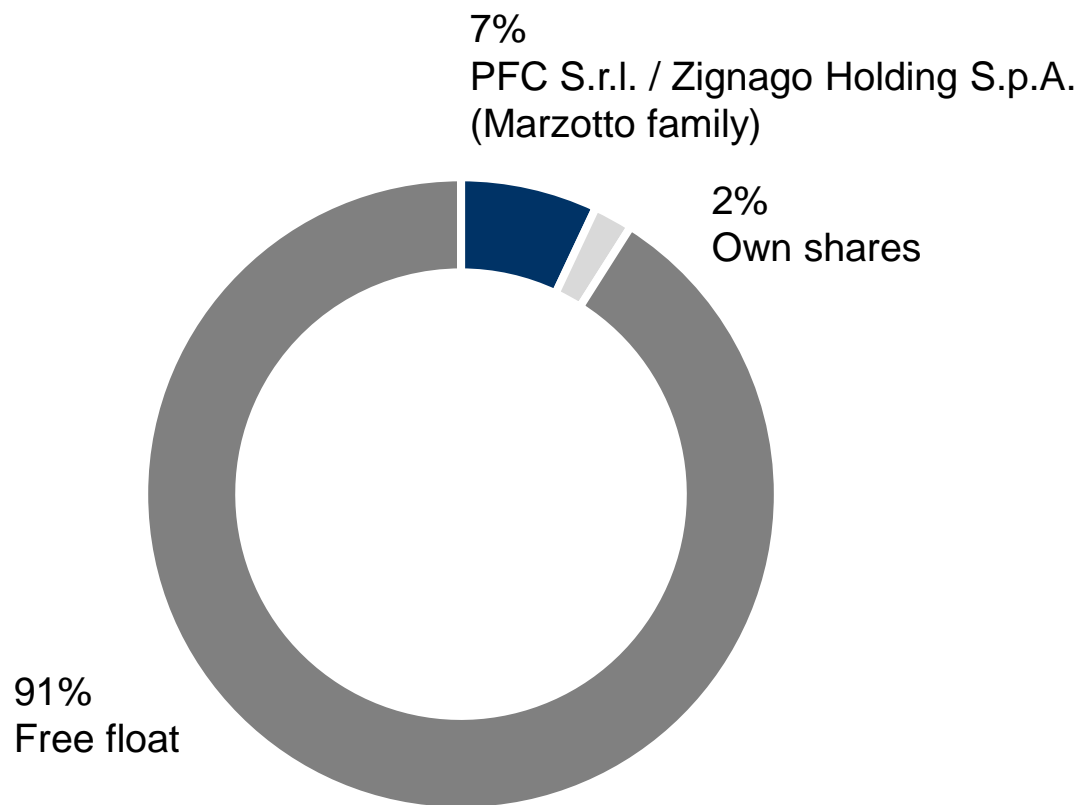
## Retail network

### Number of own retail stores



\*Europe incl. Middle East and Africa

## Shareholder structure\*



\*Based on ad-hoc announcement dated March 16, 2015

## Financial calendar 2015

Date	Event
May 12, 2015	Annual Shareholders' Meeting
August 4, 2015	First Half Year Results
November 3, 2015	Nine Months Results
November 24, 2015	Investor Day

## Investor Relations contact

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## **Forward looking statements contain risks**

This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate ", "assume ", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should", and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

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