

**H U G O   B O S S**

# Analysts' Conference 2017

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Metzingen – March 9, 2017

Mark Langer	Chief Executive Officer
Ingo Wilts	Chief Brand Officer
Bernd Hake	Chief Sales Officer



Mark Langer

Chief Executive Officer





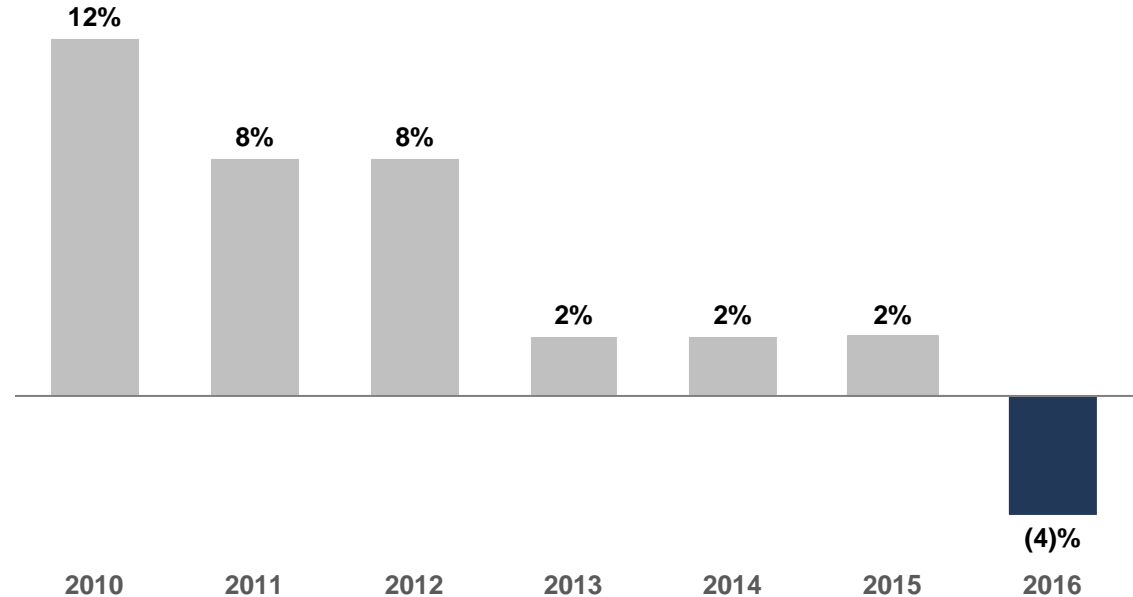
## 2016 – A year of change



## Industry under pressure in 2016

- Overall positive consumption climate does not support industry sales
- Apparel is losing share of consumers' wallet
- High level of promotions

### Luxury apparel market growth\* (FX-adjusted)



\* Source: Bain & Altagamma

## Company-specific challenges clearly identified

Brand positioning unclear

Go-to-market approaches different by market

Potential of digital underutilized

Speed of decision-making and key operational processes slowed by organizational inertia



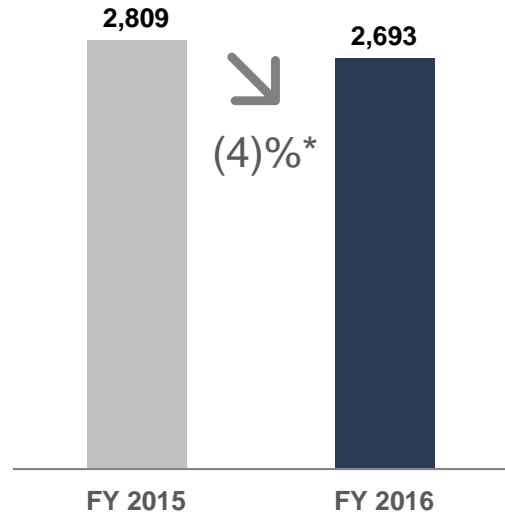
## HUGO BOSS responded swiftly to challenges



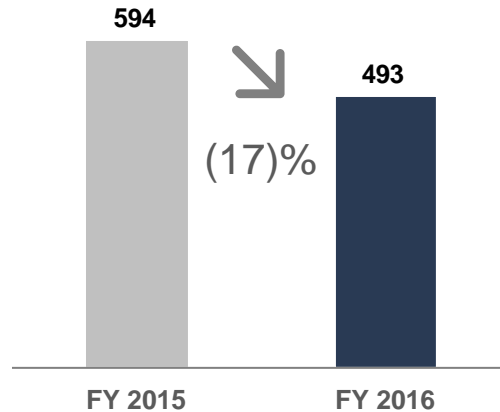
- 1 Comprehensive **cost savings** achieved
- 2 Optimization of **store network** initiated
- 3 **Off-price business** in the US largely **discontinued**
- 4 **Global prices harmonized** further
- 5 Foundation built for future growth in **digital**

## Strong free cash flow generation despite earnings decline

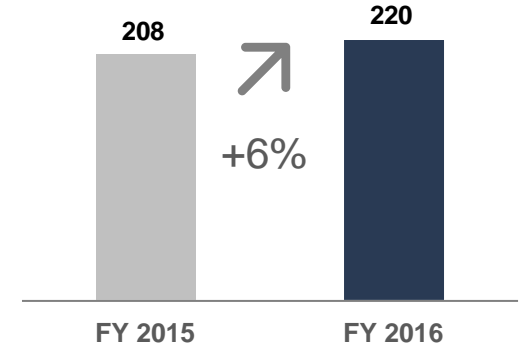
Sales  
(in EUR million)



EBITDA before special items  
(in EUR million)



Free cash flow  
(in EUR million)



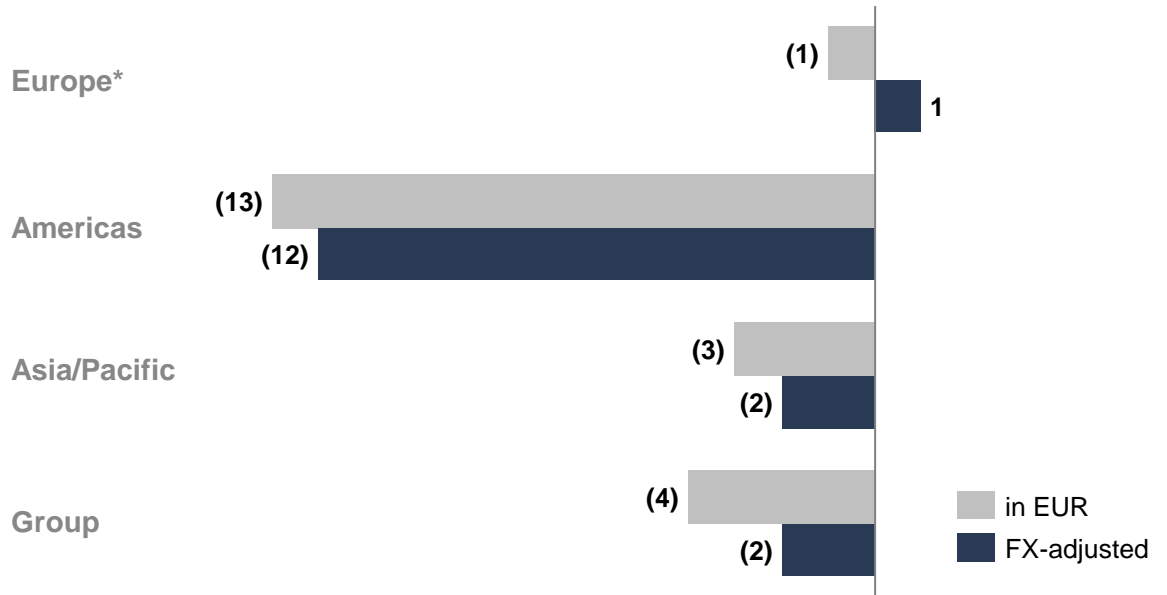
\* (2)% FX-adjusted



## Europe records positive sales performance in 2016

- 8% sales growth in the UK supports increase in Europe
- Decline in the US pressures sales in the Americas
- Sales momentum in China accelerates throughout the year

Sales by region y-o-y  
(in %)

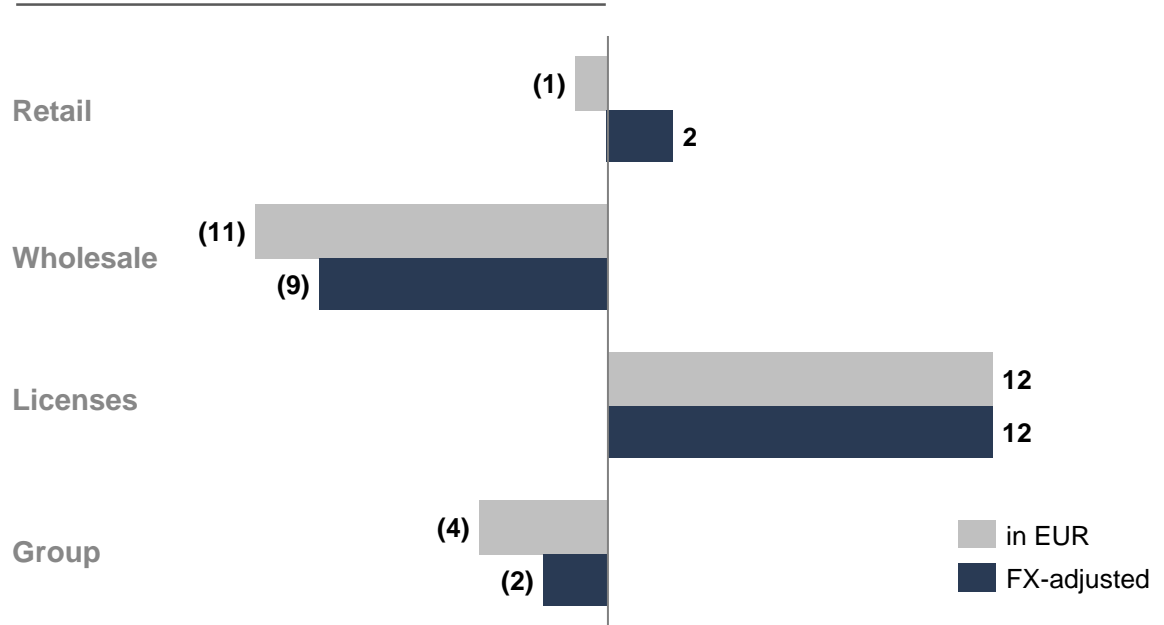


\* Incl. Middle East and Africa

## Growth in own retail does not fully offset sales decline in wholesale

- Retail expansion more than offsets currency-adjusted comp store sales decline of 6%
- Decline in wholesale business mainly attributable to distribution changes in the US
- Robust growth in license business

Sales by channel y-o-y  
(in %)



## Group profitability suffers from operating deleverage

Gross profit margin

66.0%



0<sub>bp</sub>

Selling & Distribution expenses

1,176 EUR million



3%

Administration expenses

272 EUR million



3%

EBITDA (before special items)

493 EUR million



(17)%

Special items

67 EUR million



>100%

Net income

194 EUR million

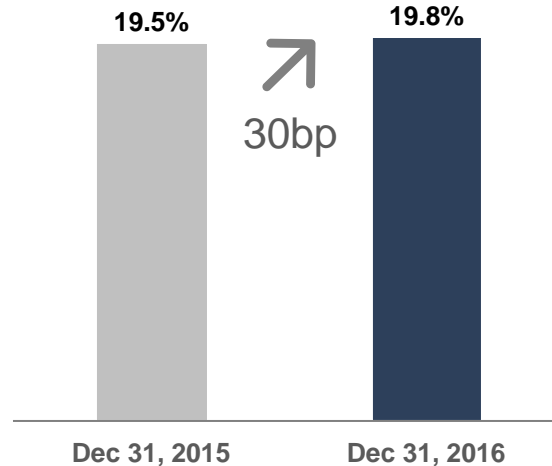


(39)%

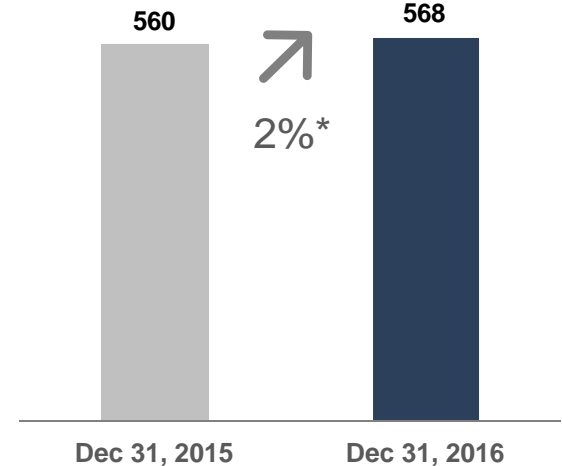
## Tight grip on working capital management despite sales decline

- Working capital almost stable in relation to sales
- Inventory position in the US and China improves significantly over the course of the year
- Group's inventory position clean heading into 2017

Average trade net working capital  
(as a percentage of sales)



Inventories  
(in EUR million)

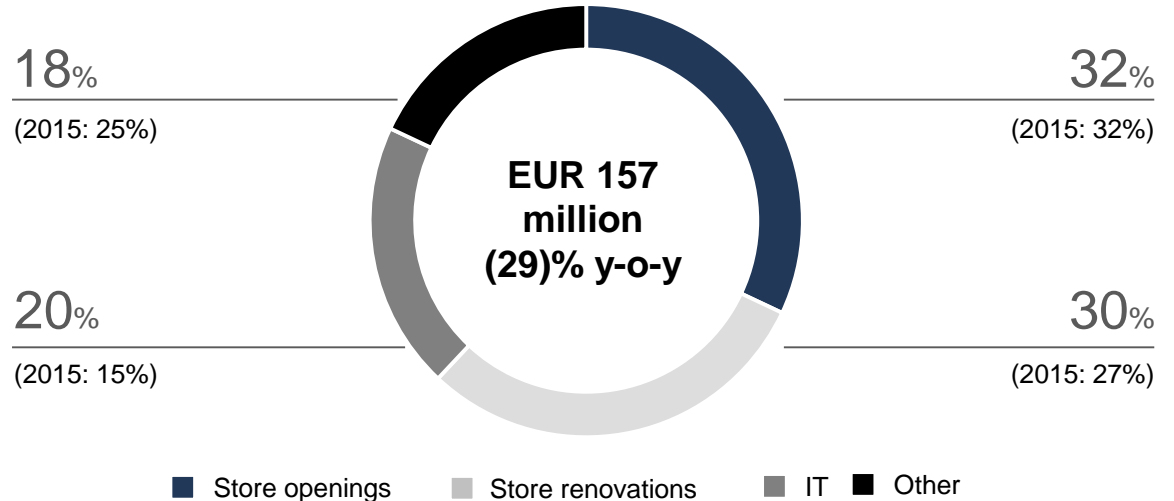


\* 1% FX-adjusted

## Investments focus on own retail and IT

- Investments decrease due to slow down of retail expansion and non-recurrence of prior year one-time projects
- Two thirds of budget spent on store expansion and refurbishments
- IT investments underscore focus on digitizing the business model

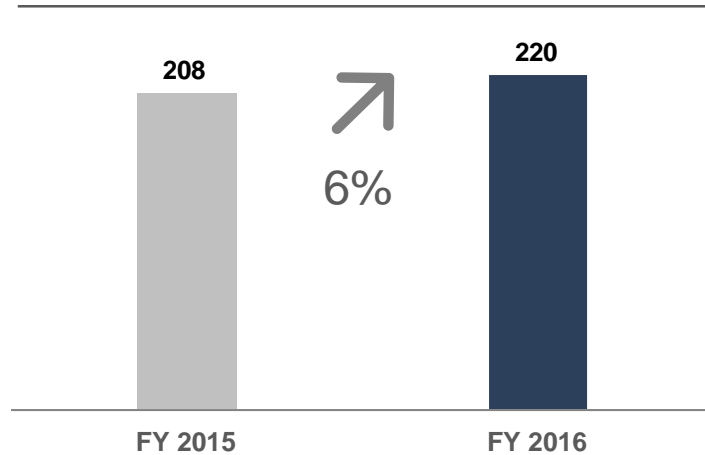
HUGO BOSS Investments by area 2016  
(in %)





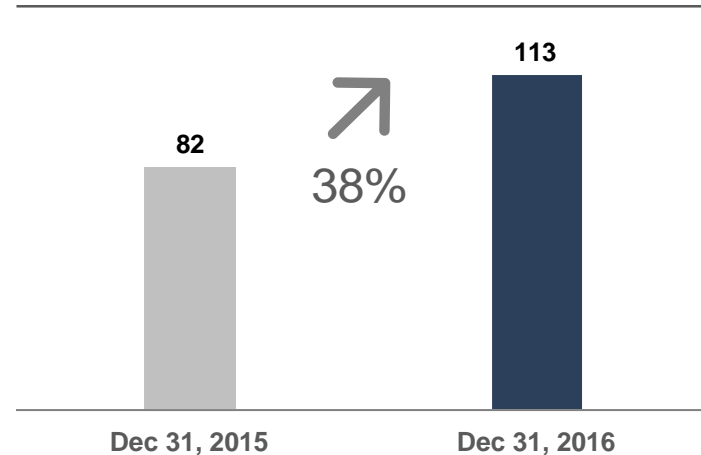
## Strong free cash flow generation despite earnings decline

Free cash flow  
(in EUR million)



- Lower investments more than offset earnings shortfall

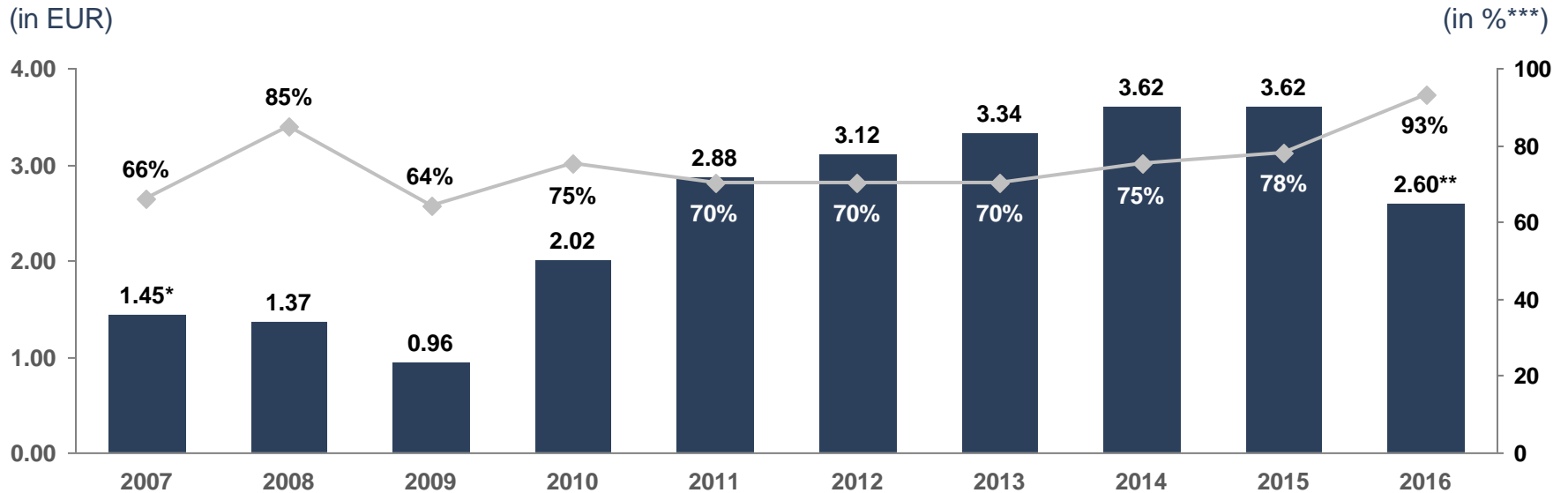
Net debt  
(in EUR million)



- Net debt increases on low levels
- Equity ratio amounts to almost 50%

## One-time nature of financial year 2016 warrants exception from dividend policy

Dividend per share and payout ratio  
(in EUR)



► Dividend policy of paying out between 60% and 80% of consolidated net income reconfirmed

\* Excluding special dividend of €5.00 per share \*\* Proposal for fiscal year 2016 \*\*\* As a percentage of net income attributable to shareholders

## Further building brand desirability will drive the Group's long-term success



## Group strategy focuses on four fields of action



# Ingo Wilts

Chief Brand Officer





## Focus on two clearly positioned brands

**BOSS**  
HUGO BOSS



**HUGO**  
HUGO BOSS



## BOSS dresses the demanding customer for all occasions



BUSINESS



CASUAL



ATHLEISURE

June 2017:

Sell in of the collection to wholesale partners



January 2018:

Spring / Summer collection 2018 in stores



## New York Fashion Show showcases the elements fundamental to BOSS



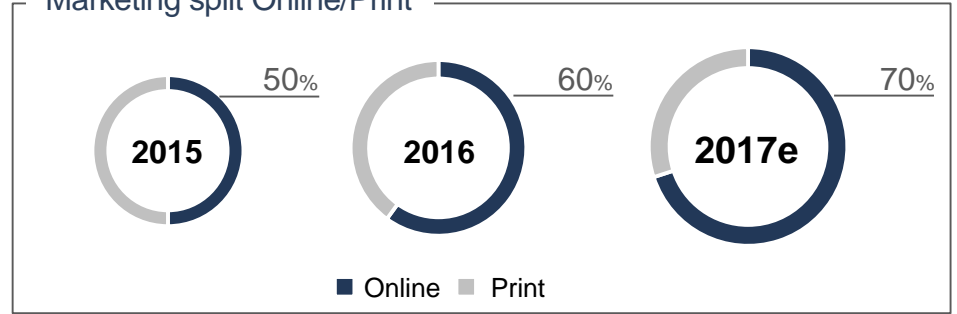
#NYCFASHIONSHOWFALL/WINTER2017



## Marketing strategy prioritizes digital and menswear



Marketing split Online/Print



Marketing split Menswear/Womenswear





## Womenswear continues to be an important part of the BOSS business





## HUGO represents an exciting long-term growth opportunity



CASUAL



BUSINESS



# Bernd Hake

Chief Sales Officer



## Wholesale partners welcome clarity and consistency of refined brand positioning



- Positive overall feedback from wholesale partners on refined brand strategy
- 
- Order intake for Fall/Winter 2017 in line with expectations, positive momentum in casualwear
- 
- Group committed to align global selling prices further

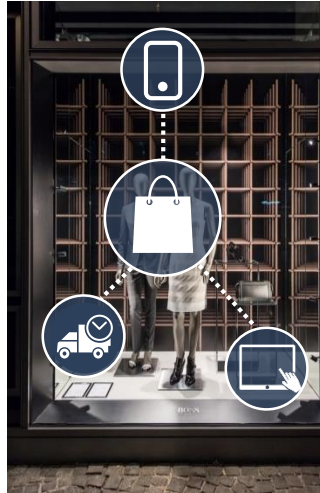
## Target to increase own retail sales productivity by 20% in the next five years



Better and broader offering at entry price points



Expansion of casual and athleisure offering in stores



Rollout of omnichannel services



Investment in retail staff training



Optimization of retail network



## Store renovations will upgrade own retail network



### Openings

- 10-15 freestanding store openings will strengthen the network
- First HUGO pilot stores planned for 2018



### Closures

- Remaining circa 15 store closures to be completed by the end of the year
- Some additional store closures based on expiration of rental contract



### Renovations

- Renovations to account for the bulk of retail investments

► **Own retail selling space will remain largely stable in 2017**

## Online and physical retailing are becoming one



## Improvement of online business a key priority in 2017

The screenshot shows the Hugo Boss website interface. At the top, the BOSS logo is on the left, and navigation links for BRANDS, NEW IN, MEN, WOMEN, FEATURES, GIFTS, and FRAGRANCES are in the center. On the right, there are icons for search, chat, location, user profile, heart, and shopping bag. The main banner features a man in sunglasses with the text "SPRING/SUMMER 2017" and "WHO WILL YOU BE NEXT?". Below this are two buttons: "For men" and "For women".

Three callout boxes highlight key areas:

- Mobile:** A box showing a smartphone, a pen, and a notebook, labeled "Mobile".
- Service:** A chat window titled "Chat with us" with a form asking for a name and a question, labeled "Service".
- Merchandising:** A grid of clothing items with prices, labeled "Merchandising".

A fourth callout box, labeled "Content", shows a man in a jacket with the text "Khaki colour" and a plus sign icon.



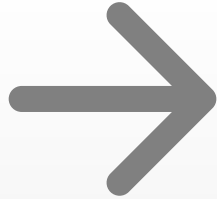
# Mark Langer

Chief Executive Officer



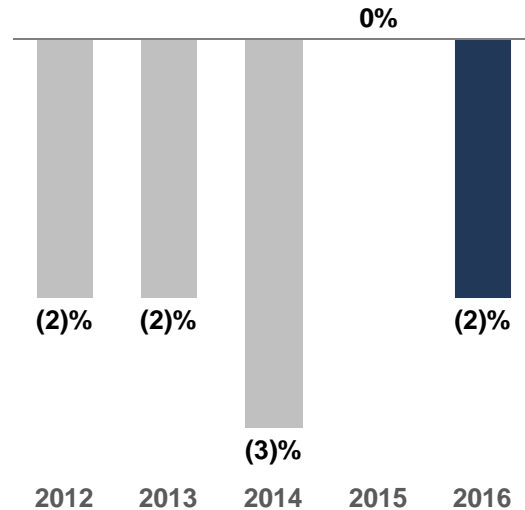
## European business to weather industry storms

### Europe

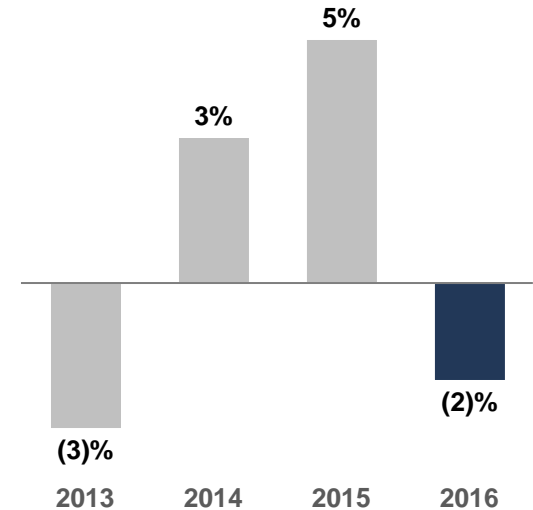


- Broadly stable sales expected in Europe
- Tough market environment to weigh on sales performance in Germany
- UK to continue growing solidly in 2017

German apparel sales y-o-y (in %)



UK branded menswear apparel sales y-o-y\*\* (in %)



\*Source: Kantar \*\* Source: Textilwirtschaft

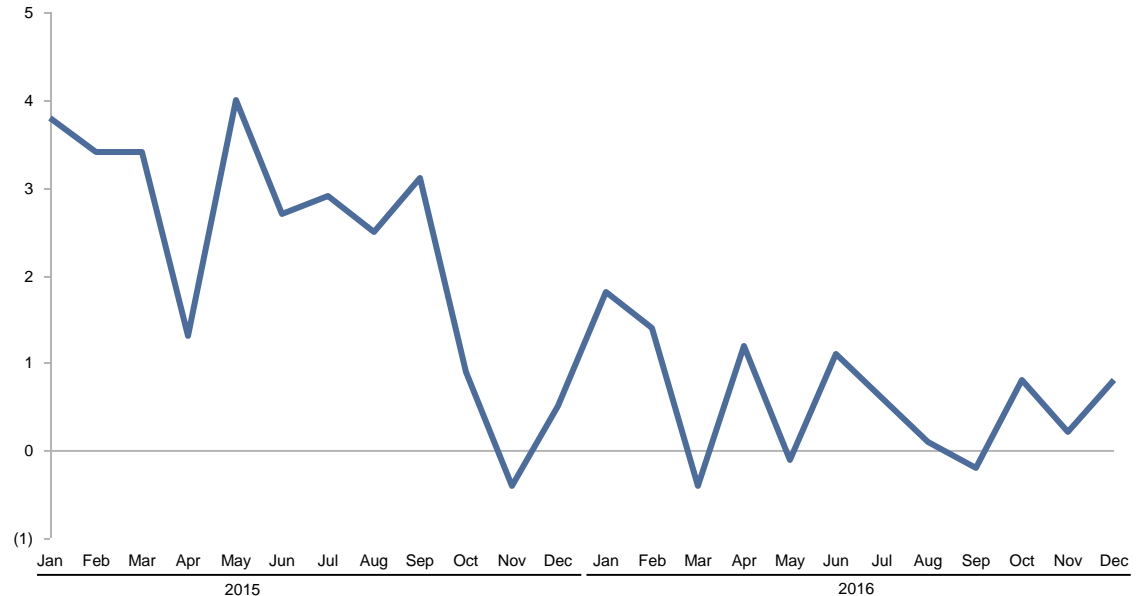
## Step-by-step improvements targeted in the Americas

### Americas



- Slight sales decline forecasted in the Americas
- Distribution changes in wholesale and footfall declines to affect US performance
- Solid growth expected in Canada and Brazil

Personal consumption expenditures for clothing  
y-o-y (in %)\*



\*Source: US Bureau of Economic Analysis

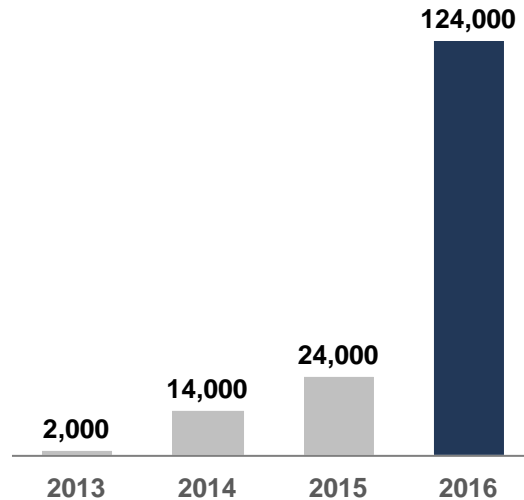
## Growth in China to drive sales increases in Asia/Pacific

### Asia/Pacific

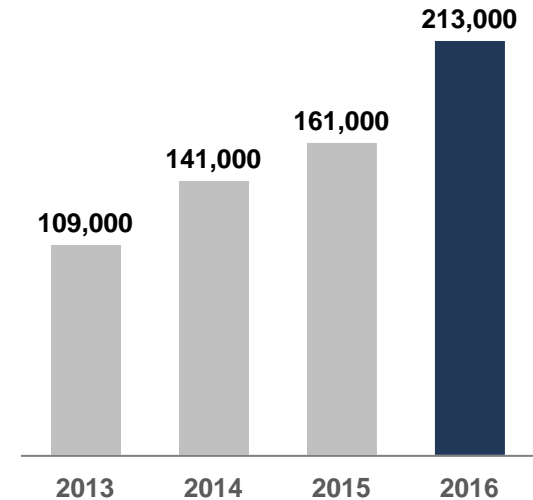


- Slight sales increase expected in Asia/Pacific
- Successful digital communication an important driver of robust growth in China
- Continued declines projected in Hong Kong and Macau

WeChat follower



Weibo follower



## Group sales to remain largely stable in 2017

### Sales by region\*



Europe Stable →

Americas Slight decline ↘

Asia/  
Pacific Slight increase ↗

### Sales by channel\*



Retail Increase of up to mid single-digit percentage rate, comp store sales -3% to +3% ↗

Wholesale Decline at a low to mid single-digit percentage rate ↘

Licenses Solid growth ↗

\* On a currency-adjusted basis

## Financial outlook expects stabilization of operational performance in 2017



<b>Sales*</b>	Largely stable	→
<b>Gross margin</b>	Slight increase	↗
<b>EBITDA before special items</b>	-3% to +3%	→
<b>Net income</b>	Low double-digit percentage rate increase	↗
<b>Capex</b>	EUR 150 million to EUR 170 million	→
<b>Free cash flow</b>	Largely stable	→

\* On a currency-adjusted basis



## 2017 - A year of stabilization and strategy implementation





# Q&A

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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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