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HUGO BOSS Q3 2019 Analyst Conference Call

Third Quarter Results 2019

Conference Call on November 5, 2019



Transcript – Q&A Session

November 5, 2019

Please note that the transcript has been edited to enhance comprehensibility. Please also use the webcast replay to listen to the Q&A session on the day of earnings publication.

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Jürgen Kolb (Kepler Cheuvreux): First, on your initial findings on your conversion to the concession business with Zalando. Can you share some thoughts with us – what you've learned, what you've seen in terms of product demand, in terms of customer traffic, and so forth? Could you please also breakdown the e-com growth of 36% in the third quarter? How much was driven by the concession business, and how much was driven by .com?

Secondly, on the profit warning. We've heard the reasons for that. Maybe any conclusions that you want to put into your strategic outlook, or that you might want to change something regarding what you've outlined at your last Capital Markets Day? Or any internal adjustments that you might see as necessary in order to arrive at your mid-term targets?

Mark Langer (CEO): Let me start with the last one, and I think it's a very relevant point. Yes, we are clearly disappointed with our performance in the third quarter. But reviewing the elements of our strategic growth plan until 2022, i.e. the four growth drivers, we are very pleased that – despite the headwinds and maybe some glimpses in execution in some of the regions – we do see that we are on track and we even see an acceleration in e-com, in particular. At the same time, I can assure you there's a relentless focus on productivity improvements in catering and capturing the potential of Asian consumers in their home region, but also outside of that. We have tightened the screws when it comes to the cost management, and we already saw further results of the tight overhead cost management in Q3. I can assure you that we remain committed to that, not only in the fourth quarter, but also as we move into 2020.

We will provide you with more details on our update on the mid-term plan, also in terms of the timing for achieving certain important milestones. We confirmed our 15% EBIT mid-term target, but clearly there are a lot of questions on what does that mean in terms of a specific year. That's an important question we need to answer, and we will come back to this as part of our next Capital Markets Day.

Today we wanted to reassure that our growth drivers are healthy, and in place, and they're delivering. We are committed to making progress towards our mid-term profitability target.

A few words also on the e-com business. Honestly, the takeover of the athleisure and casualwear business on Zalando was an easier task than the initial start of the concession business with our formalwear on Zalando, because the casualwear business was already a well-established, strongly growing business on the wholesale side. As we gained experience and attraction with our own fulfilment, both partners were very happy as we had a very smooth transition from wholesale to retail concession in Q3. We were able to build on the momentum that we have established over the last two years with Zalando, and we have been able to accelerate that. I'm very happy that, with the expansion into more markets in which we now operate via the online concession model, we have seen the expected acceleration in our e-com business. We won't break down the overall growth rate of 36% between .com and concession, but – due to the expansion – the concession business grew stronger than our hugoboss.com on a comparable base. However, the .com business also benefited from the expansion into Scandinavia and Ireland in Q3. Plus, we have seen

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a significant improvement from the concession expansion, predominately Zalando. But there were also other partners, which contributed to growth in the third quarter.

Antoine Belge (HSBC): First, on the evolution of cost in Q3. I was a bit surprised by the magnitude of OpEx growth. Especially, as there were only two months between your Q2 publication in August and the profit warning in October. I understand that lower sales lead to less profit, but you basically downgraded your EBIT guidance by around 10 percentage points while your sales outlook was reduced by around 2 percentage points. Have there been any unexpected or incremental cost that you were not aware of in early August?

Secondly, on the various management changes. Can you please distinguish between those in which people have simply left the company versus those where you had to change something proactively?

Finally, you have mentioned the next Capital Markets Day: will it take place at the end of next year or possibly earlier, e.g. after you've published your full year 2019 results?

Mark Langer (CEO): We haven't sent a "save the date" yet, but we recognize that there are a lot of questions, and that we should come back to you rather in the first half of 2020. This is our plan, and we will share the timing for our next Capital Markets Day in due time. We'll first be in Paris in a few days for our 2019 analyst field trip. However, we recognize that there are many mid-term questions to be answered. A Capital Markets Day that we plan to host very likely in the first half of 2020 will address those questions.

On the management changes: you're right, an international group of our size will always have changes to top management positions. This was part of the prior year base. However, the change on the Executive Board, but also the major change in one of our largest markets, the U.S., were two major ones. They had an additional cost impact. First, it needs to be clear that we take decisive and quick measures to address areas where we are not happy with the performance. We see the need to flag those that have a certain impact on our cost development.

Regarding our overall cost development in Q3 – Yves already gave a lot of color to that – we remain focus on building brand desirability and investing into important marketing elements – be it partnerships, be it fashion events. Moreover, we have to recognize that our online concession expansion comes with an increase in selling and distribution expenses. As we convert this business from wholesale to retail, it's clearly an uplift on the top-line, but there are also concession fees coming along that we have to pay. At the same time, administrative expenses have been flat in Q3, despite a spike in restructuring charges due to the aforementioned management changes.

During our conference call three months ago, we highlighted that we were expecting a stronger recovery in the third quarter. We expected a better performance in Hong Kong, which was clearly affected by the demonstrations, and also in the North American market, which clearly developed below our initial expectations.

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Antoine Belge (HSBC): On the inventory valuation impact, which was negative last year and positive this year. Can you provide us with the negative impact from last year, and a reminder on the positive of this year?

Yves Müller (CFO): The positive inventory valuation effect was around 80 basis points in Q3. However, as I said during the presentation, regarding gross margin, we clearly expected more, yet we were not able to deliver on lower markdowns because of the promotional environment in the United States.

Antoine Belge (HSBC): Last year the gross margin was down more than 200 basis points in Q3. How big was the negative inventory valuation effect last year?

Yves Müller (CFO): Last year, the inventory valuation effect was in the same magnitude of around 80 basis points, but negative. The negative markdown effect was another 40 basis points, so altogether 120 basis points. This year, however, we couldn't revert this negative markdown effect.

Thomas Chauvet (Citi): First, Mark, on your media interview this morning. There were a few headlines that suggest that you're sticking to your mid-term EBIT margin of 15%, but you said, not by 2022 as initially planned. Can you perhaps elaborate on what you actually said? There were no such comments in your press release. Do you still think the EBIT margin increase will be balanced between gross margin improvement and cost efficiencies? Anything incremental on the cost you can extract in Q4?

Secondly, on what has changed since the CMD a year ago. You're blaming the macro in Q3, that's understandable, looking at the U.S. and Hong Kong. Do you think something has intensified also in the environment for premium apparel brands besides the macro, whether that's the commercial environment in retail, the endless pressure on traditional wholesale, the rising costs of doing business, or anything else?

Finally, housekeeping on the tax rate. Can you give us the euro million amount of the provision for the tax field audit that seems to drive your tax rate to 32%? Will that be all booked in Q4, and will there be no P&L impact next year?

Mark Langer (CEO): Let me start with the first two questions, and on the tax rate, I will hand over to Yves. Clearly, it was disappointing for all of us to revise our 2019 outlook - our first year delivering against our 2022 targets. However, based on what we have achieved in the first three quarters, and how the growth drivers that have been presented to you in details at the last Capital Markets Day have delivered over the last 9 to 12 months, I'm absolutely confident that our focus on the Asian/Pacific market, our focus on retail productivity rather than expansion, tapping the potential of HUGO in the contemporary fashion segment, and focusing on the online business is right today as it was 12 months ago. We clearly need to continue running a very tight cost base to prepare ourselves to the less supportive market environment. You're probably right that we as an upper premium player are less immune to some of these macroeconomic risks as pure luxury players might be. That's something we at HUGO BOSS have to stay true to our knitting. We are not a luxury group, we are upper premium, and maybe our segment is not able to weather these repercussions as some other players are able to do.

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However, an EBIT margin of 15% is and will remain our mid-term profitability target. I can assure you we'll do whatever it takes to deliver against this target. We understand that this has to be more precise. It was our 2022 target. We have become more vague on our timing, as we now classify the 15% EBIT margin as a "mid-term" target. I ask for your understanding that we will be more precise at our Capital Markets Day that I already mentioned earlier, which we expect to host in the first half of 2020.

Yves Müller (CFO): Regarding the tax implications: yes, we will book the expense resulting from the tax field audit in the fourth quarter. With that, we will arrive at an overall tax rate for full year 2019 of around 32%. Going forward, despite living in times of uncertainties, and while you never know what's happening regarding new fiscal policies, we're expecting to return to a tax rate of around 26% in the years to come.

Piral Dadhania (RBC): First, on current trading. Are you able to give any color as to what you've been seeing in October and early November? I would argue that perhaps the weather trends have normalized a bit, and perhaps the ability to sell autumn/winter products at full price may have improved in some of your key markets.

Secondly, on the e-commerce development in the North American market. I appreciate e-commerce was strong at the group level, some of which was impacted by concessions and expansion. However, can you help us understanding the online versus off-line evolution of the retail channel in North America, and whether you're seeing any divergent trends there?

Mark Langer (CEO): Let's start with the e-com question. Yes, the North American market is more advanced. We see also many of our brick-and-mortar partners very successfully converting their customers from brick-and-mortar to online. We see strong growth of our own .com platform, we see strong growth with our partners that operate hybrid models, and, even though we haven't seen any recent takeovers in North America, we see strong growth in our online concession business in the market. Consumers' shopping behavior is moving globally, and it's moving probably the fastest in the North American market. Unfortunately, and this is true both in the physical world and in digital, it's a highly promotional market in both channels. Promotions quickly spread across all sales channels. Our focus on protecting full price business has a price to pay, as we have seen in our third quarter performance in North America.

On current trading, I would ask for your understanding, it's too early to comment on the fourth quarter in detail, but the trading we have seen especially in retail in the first couple of weeks, reassures us that the revised guidance will be delivered. That's our commitment to the market. What we're seeing in terms of trading trends, both on the retail and on the wholesale side, confirms that we will be able to deliver against the revised guidance.

Thierry Cota (Société Générale): I'd like to come back to retail sales. Can you quantify for us the space effect that you expect as a percentage of retail sales in Q4 and in H1 2020, including online of course? Also, in this context, what kind of OpEx inflation do you see in Q4 and early next year?

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Given the level of rebates you see this year and you saw last year, do you think that we're currently at a fair level given the brand, given the environment and the market it is operating in? Or do you expect an improvement going forward, which would help boosting the improvement of the gross margin?

Mark Langer (CEO): We expect the like-for-like momentum by region to stay broadly stable also in the fourth quarter. However, we expect non like-for-like trends to accelerate with the renovations. Regarding our store on the Champs-Élysées, there was an impact on the third quarter, as the store was partially closed for a couple of months. Without giving you the exact number, the non like-for-like part of our retail business is clearly expected to accelerate in Q4. However, we will not give you a quarterly guidance on the non like-for-like part our retail business, but we expect this to be accretive.

Clearly, there's a related increase in cost – be it concession fees when it comes to the full year effect from our new digital concessions, be it our brick-and-mortar store network, where, with the opening of new or renovated stores, additional depreciation will kick in. But giving the sales momentum, we believe that the expansion of our non like-for-like business will be EBIT accretive in the fourth quarter. That will deliver the acceleration and improvement in EBIT in the fourth quarter.

Regarding rebates, we guided for a flat gross margin development in Q4. We believe that, as we drive our full price business and as we become better retailers, on a mid-term, a better management of TPR should support gross margin improvement. But we don't expect a short-term impact. However, it's one part of the building blocks on which we will provide more details as part of our road to the 15% EBIT margin target at our next Capital Markets Day. Therefore, in the mid-term, you're right: it will be one of the building blocks to achieve the higher structural profitability.

Jaina Mistry (Deutsche Bank): First, on 2020. I appreciate it might be too early for you to comment on this, but full year 2020 consensus has margin expansion of 50 basis points or EBIT of EUR 358 million. Are you happy with consensus at this level?

Secondly, on the store modernization program. How many stores were shut for refurbishment in Q3? Do you expect more stores to be shut in Q4?

Mark Langer (CEO): We will not be able to comment on consensus or on expectation for 2020 now. All eyes are now on delivering on our revised guidance for 2019, which includes delivering against an EBIT improvement in Q4, to deliver on the EUR 330 million to EUR 340 million for the full year. We will provide you with more details on our top-line and EBIT expectation for 2020 as part of our full year results presentation in early March.

Yves Müller (CFO): In Q3 2019, we had eight store openings and four store closures. In addition, for Q4 we expect 10 openings and 2 closures. Besides that, we renovated 10 stores in Q3.

Philipp Frey (M.M. Warburg): I still try to get my head around the increase in selling expenses in Q3. Looking at the EUR 27 million selling expense increase, you

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outlined mid-single-digit higher marketing expense, which means EUR 22 million left to explain. Then, you have around EUR 5 million probably from a 2% from currency effect, and you have an increase obviously from higher online concession fees, etc., and cost of your online business. However, this could be hardly more than EUR 4 million. So you arrive somewhere around EUR 13 million underlying cost increase, for a retail network that's just increased 1% in size. Is there something special due to the ramp-ups or the relocation of your Metzingen outlet, some special cost? How much of this increase was underlying?

Yves Müller (CFO): During my presentation, I explained the increase of 7% or EUR 24 million in operating expenses. We concluded there is a mid-single-digit million euro amount due to FX, a mid-single-digit million euro amount due to management changes and a mid-single-digit million euro amount due to higher marketing expenses. Besides this, there is a low double-digit million euro amount related to higher retail costs. You have to be aware of the fact that Q3 saw several projects, e.g. the conversion of our Zalando business in August. The cost incurred, whereas related sales only started to kick in mid-August. Secondly, we expanded hugoboss.com to four additional countries. It's the same logic: the cost incurred completely in Q3, and the sales came in not before mid-August. Moreover, there was a special impact from the wind-down of our Metzingen outlet, as we had, among other things, higher personnel costs due to the transition period. Overall, this had a low single-digit million euro impact in Q3.

Philipp Frey (M.M. Warburg): So, you're saying that there is a significant one-time portion in your increase in retail cost, is that fair to say?

Yves Müller (CFO): From our perspective, these costs are still operational. In the old terminology, I would not call them "one-offs" because they're still operational. However, if you would assume a kind of run rate, yes, there were some extraordinary items in Q3.

Philipp Frey (M.M. Warburg): In your presentation, it looks as if cost savings in Q3 have amounted to a mid-single-digit euro million amount. Is that fair to say? Regarding your EUR 160 million cost saving target for 2022, what sequence in the development of these cost savings should we expect?

Yves Müller (CFO): If you look at the administration costs: we could not have lowered the administration costs, if we would not have savings out of the efficiency program. A mid-single-digit million euros saving contributed to our results in Q3.

Philipp Frey (M.M. Warburg): Is it fair to say that this is going to pick up in 2020?

Yves Müller (CFO): We are clearly working on improving our profitability and the efficiency program and cost savings are one big part of this.

Melanie Flouquet (JP Morgan): First, on retail sales trends. If I go back, the Americas didn't really deteriorate this quarter, but Europe did deteriorate, or was the same on a much easier comp base. Would it be fair to remark that the markdown pressure was high across markets rather than being only U.S. driven? What was the

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pressure in Europe related to? Were there any disruptions from stores or anything we should be aware of?

Secondly, clearly Americas has been under a lot of pressure overall, not only on the wholesale side, but also you have a big exposure to outlets in this market. You have a low profitability now in this market. Is now the time to take much tougher action on this market and reset it? It is probably too early to say given that you have just changed your local management, but still is there anything you can share with us on this subject?

Finally, on the concession takeover, there was only a 1% contribution of non like-for-like in Q3. Is it fair to assume that there will be more than three times of an impact in Q4, given you're consolidating the whole of Zalando now, plus the recent large store re-openings?

Mark Langer (CEO): You're right, that regarding the non like-for-like part of our e-com business, growth is predominately coming from the concession takeovers. Zalando is the largest, but not the only one as we pursue multiple other opportunities. Some of them will only kick in in Q4, as they were not part of the base in Q3. So we do expect an increase from what's often called "space expansion", which is not actually true when we talk about digital concessions, but it's the non like-for-like part of our retail business. However, we will not quantify that any further, but say that we expect an acceleration versus the trend we saw in the third quarter.

Regarding North America, I want to give credit also to the current management team, because during the last two to three years, they've taken decisive measures to discontinue third party off-price distribution that was part of our business until 2016. In addition, the local management has pushed strongly for upgrading and renovating stores in this difficult market – I mentioned three major renovation projects in the U.S. that will be completed in Q4. However, we have to take it to the next level. Clearly, we have to up our game in terms of our retail operations. We have to regain lost market share when it comes to major department stores. Their business model is changing rapidly and we have to follow them. It is a market where we have still relied too much on the formalwear business. The North American business has not benefited from our strong growth in casualwear, both at BOSS and HUGO, as did Asia and Europe.

Stephan Born brings particular expertise with him, as he has driven the outperformance in Europe, delivering in the U.K. and in Scandinavia by very aggressively and successfully tapping the growth potential for BOSS in the casualwear segment. For me, he is living proof to our ability to be a very strong if not a leading player in men's casualwear and we expect him, together with his team, to tap this enormous opportunity in the U.S. market.

We have a clear plan on what to focus on and what needs to be done to rebuild the U.S. business. However, you're right: it has to happen probably without or with only very limited support from the underlying market, and then has to be driven quarter after quarter by sequential improvement. We will provide you with updates on the performance, and more details to our plans in North America as part of our Capital

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Markets Day. Clearly, the underperformance of our North American business has taken central attention from local management, but also from us as the Managing Board, as our mid-term success is very much depending on turning around the situation in the U.S. I can assure you we are highly committed to achieve that.

Yves Müller (CFO): On retail trends in Europe: in Q3, we saw Europe improve at a mid-single-digit rate, but it was different among the individual markets. We saw a very good development in the U.K., which was even up double-digit. On the other hand, there were two markets where we saw a negative development, France and Germany. This was also due to the renovations we did, especially those of big stores, such as that on the Champs-Élysées, which was re-opened on October 5. Besides that, the temporary wind-down of our Metzingen outlet also hurt our retail sales development in Q3.

Melanie Flouquet (JP Morgan): But the comps were relatively easy, right? Last year, notably September was very warm, and you didn't see the fall/winter season arriving until very late. So the reason why you were not accelerating on the easier comps is the renovations?

Yves Müller (CFO): Yes. That was, in fact, because of tremendous efforts that we did in terms of investing into our business. Talking about current trends, we are very satisfied with the trading since the beginning of the fourth quarter, especially in Europe.

Melanie Flouquet (JP Morgan): You're very satisfied with the trends in Europe since the beginning of the fourth quarter?

Yves Müller (CFO): Yes. That's what I said.

Elena Mariani (Morgan Stanley): First, going back to the gross margin development, I wanted to better understand the implied guidance for the fourth quarter, which would mean approximately 20 basis points of improvement just to get to a flattish gross margin for full year 2019. Can you help us understand what the underlying moving parts are? You've mentioned that you would expect to be more promotional in the U.S. market, but at the same time, in theory, you should have a stronger benefit from the e-concessions, given that you're going to have three full months under these new agreements. So what are the moving parts, because I wanted to better understand how much of these improvements in Q4 could be carried forward into 2020, given that the benefits from the e-concessions are going to be in there for at least another half year in 2020?

Secondly, going back to your EBIT margin target for the mid-term. You seem to be absolutely convinced that you're going to get to 15%. I understand that timing is now a little bit unclear, but what gives you confidence on this 15%? Do you expect to go back also to the 5% to 7% sales CAGR that you were planning for last year? Or would you see perhaps a low single-digit sales growth CAGR as more feasible, and therefore, to get to the 15% EBIT margin, you would need to be more aggressive on the cost side? What are the underlying parts that you see moving, given that you remain committed to these targets? Also, is there something structural that you could

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see happening in your business, for example, the discontinuation of womenswear, a rethinking of the design approach, or a stronger store network rationalization?

Yves Müller (CFO): On gross margin development: we expect Q4 gross margin to remain broadly stable. One moving part will be the growing share of our retail business, as the e-concession part is expected to grow in particular. Therefore, we expect to see a positive channel mix effect. On the other hand, we rather stay conservative when it comes to markdown management, especially in the U.S. So overall, we expect gross margin to be flattish in Q4.

Elena Mariani (Morgan Stanley): They're compensating each other, but what would be the positive effect from the positive channel mix and e-concessions?

Yves Müller (CFO): We do not provide any further details on Q4 at this stage.

Mark Langer (CEO): Regarding the second part of your question. The confidence that we also confirmed today is clearly coming from the very tangible and positive results we see at the four strategic growth drivers, i.e. the ones that we discussed with you as a part of our Capital Markets Day 2018. We are particularly pleased with the progress we see with our Chinese consumers, be it those in Mainland China, but also those traveling abroad. We are tapping much better than the past into this growth potential. Especially in light of the repatriation of consumption, the BOSS brand, in particular, is outperforming many competitive brands in Mainland China, with double-digit like-for-like improvements. Besides this, China is and will remain our most profitable market in structural terms. Therefore, the growth in China we are now starting to tap into, is clearly accretive not only from a top-line, but even more importantly, in terms of structural profitability.

Second, our strong focus on sales productivity improvements, which is demonstrated by rolling out the new, highly performing BOSS store concept, by focusing on our collection and merchandising processes to allocate budget and spaces in our stores to drive sales densities, is one of the most important drivers in terms of structural profitability improvement. Nothing contributes as much to improving structural profitability as like-for-like improvements in our existing store network. In both elements, we do see progress, and we are confident that also in the mid-term, they will deliver as well.

On online, we gained a lot of confidence over the last nine months that we are able to grow this important sub-segment of our own retail business, with the infrastructure that we have built, and with the competencies we have on the operational side. Coming from a small base, already many parts of our online business – be it online concessions or our .com business, are accretive to our overall retail business.

Finally, for HUGO, we continue to see strong demand in the contemporary segment of the premium market. We've seen a strong acceleration in growth in Q3 to 6%. HUGO already today provides an important profit contribution to the overall group, and will contribute with disproportional sales growth also in the years to come, to drive absolute and relative profitability.

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Add to that continuous strong focus on OpEx leverage via tight cost management, not only in Q4, but also for the outer years. We have the elements in place to improve sustainable structural profitability to a level of 15% in the mid-term. We will provide you with more details around our growth drivers and on the timing when to achieve this objective at our next Capital Markets Day. But there are no other measures that we are currently contemplating. We remain committed to deliver and execute on the strategy we presented to you almost a year ago.

Elena Mariani (Morgan Stanley): Just to summarize, given that all these elements were already there in your last year's business plan, you would argue that you can still get there without any other big changes or transformations in your business model.

Mark Langer (CEO): With the exception that we have removed the target year of 2022.

Volker Bosse (Baader Bank): First, on the Americas: you're running through tough times for three or four years now. Business is still declining, so it seems that there are also structural problems. How do you see the brand perception of BOSS differing between the U.S. versus China? Are there more challenges with regard to brand perception than initially expected?

Secondly, on the online business. I am curious to get an indication about the time schedule for the international rollout of hugoboss.com, first, and the international rollout of your Zalando concession business going forward. Germany is fully on-boarded now at Zalando, but more markets are to come, right?

Mark Langer (CEO): Yes. There are, and Yves will take the question on the hugoboss.com rollout, and on Zalando. Let me answer your question on the Americas first. There's a strong substance, especially for the BOSS brand, because we have a long heritage in that market. But you're right that some off-equity distribution that we entertained is still resonating in terms of brand perception. And this is not only in own retail distribution, where we still have to further improve the quality of distribution, particularly to focus on the right factory outlets to operate, as this will also in the future be a market where factory outlets will play an important role. However, we have to ensure that also our factory outlets, important ones like Woodbury Common, will have first-class execution. The new outlet here in Metzingen is a global benchmark for all of our global outlet operations, this also includes the U.S., but there's still work to be done.

One part, which is more difficult for us to control, and we've taken already in the last three years' measures to cut off-distribution at wholesale partners that we saw diluting brand equity, is the continuous high level of promotional activity – that is simply a fact in the U.S. market. It's not a HUGO BOSS specific factor, but it clearly limits our ability to achieve a high percentage of sales at full price, relative to other markets.

Taking all these factors together, you're right in your assessment that we see stronger brand equity scores for BOSS in Europe and China. However, it is not so much about comparing BOSS brand equity score between the U.S. and China, but rather about how we score relative to important peers in the U.S. market. Our performance versus those of our key competitors in the U.S. is relatively good. However, we are not

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happy at all with our current financial performance. There is a strong base, as reflected in an extremely high brand awareness. There are already first measures implemented in terms of discontinuation of certain off-strategy distribution, and investment into high-class and modern stores. But this can only be the base to establish a profitable business, which is able to also weather storms and slowdowns like those we have experienced now. There will always be temporary slowdowns in domestic or international demands, but we are not happy with the underlying structural profitability, and this needs to be addressed with the new local management team.

Yves Müller (CFO): On online, next year we will add markets like Canada and Mexico to our .com business. Regarding Zalando and our expansion to international markets, we are now trading on Zalando in Germany, Austria, Switzerland, Benelux, Italy and France. We are not trading on Zalando in the U.K. for the time being because of the Brexit uncertainties, and not in Spain because of some other factors. In Q1 2020, we will add Scandinavia to our Zalando business.