

**H U G O   B O S S**

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## **ROADSHOW DUBLIN // HAUCK & AUFHÄUSER**

HUGO BOSS Company Handout  
Dublin, March 27, 2015  
Dennis Weber, Head of Investor Relations

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## **Agenda**

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**Strategic review 2014**

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**Financial performance 2014**

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**Outlook 2015 and beyond**

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## Agenda

**Strategic review 2014**

**Financial performance 2014**

**Outlook 2015 and beyond**

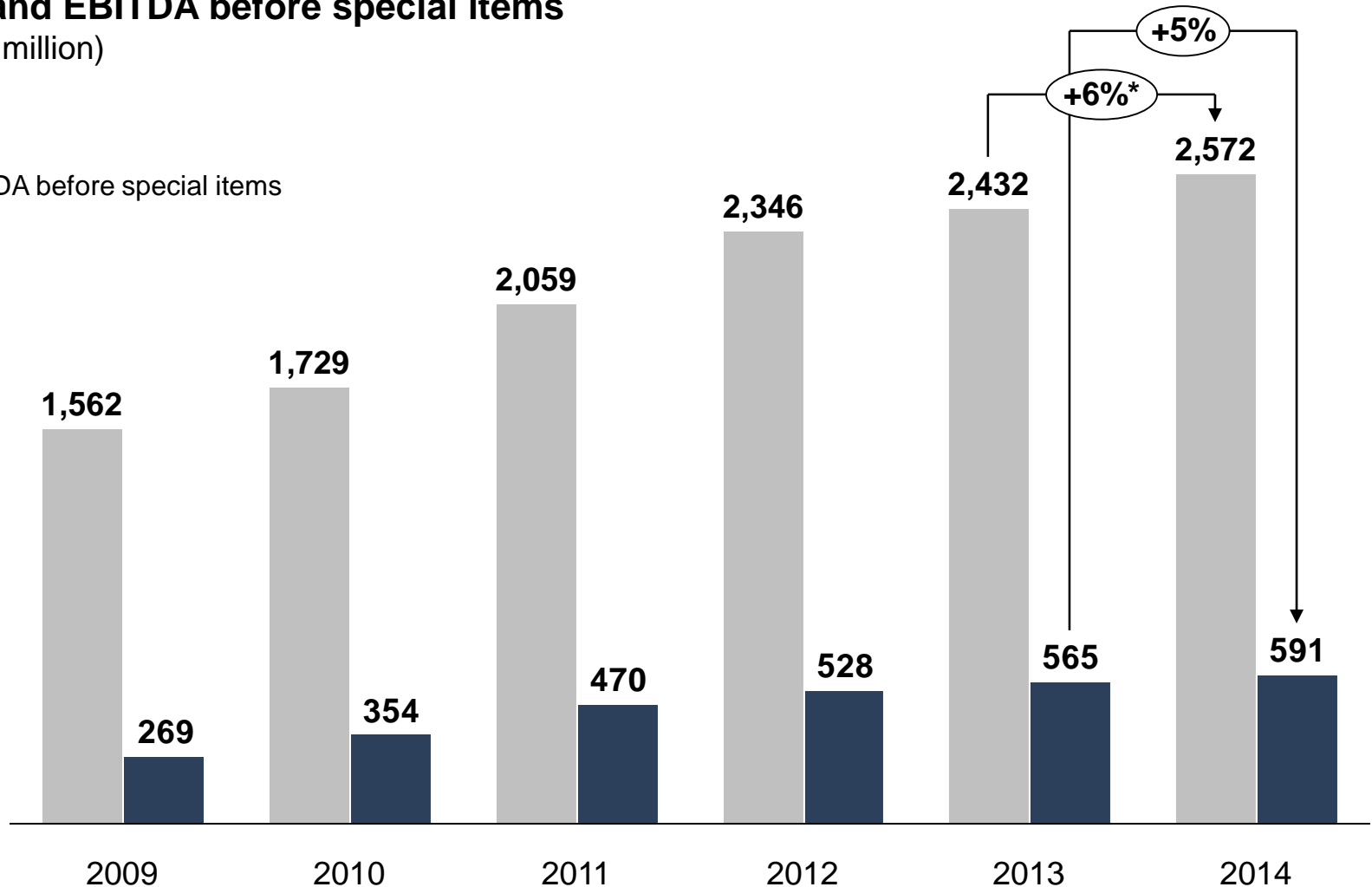
## HUGO BOSS achieves solid sales and profit growth in 2014

### Sales and EBITDA before special items

(in EUR million)

■ Sales

■ EBITDA before special items

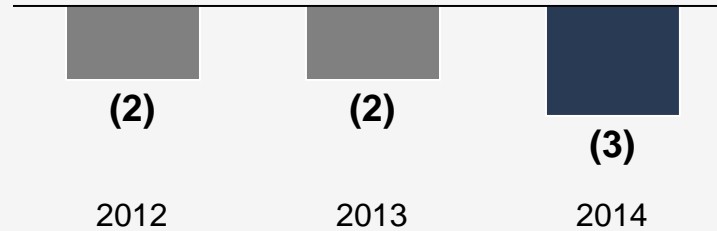


\*+6% fx-adjusted

## Market environment more difficult than expected

### German apparel market, y-o-y

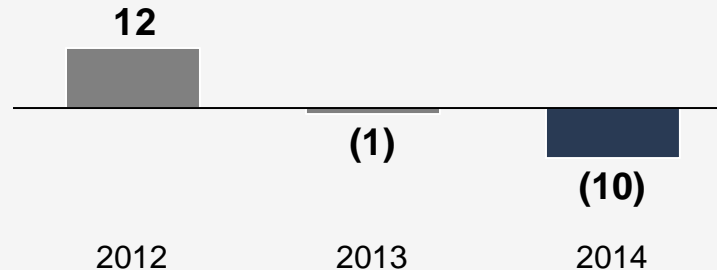
Retail sales development (in %)\*



- Lower consumer spending for apparel
- Unfavorable weather conditions

### Chinese men's luxury apparel market, y-o-y

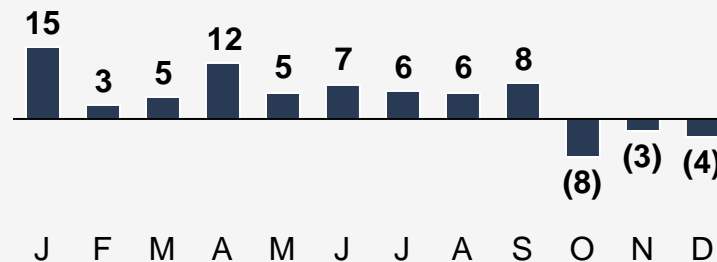
Retail sales development (in %)\*\*



- Anti-corruption campaign reducing luxury gifting
- General economic slowdown

### Hong Kong Clothing & Footwear market, 2014

Monthly retail sales development (in %)\*\*



- Slowdown in Chinese tourism
- Impact of political demonstrations

\*Source: TextilWirtschaft, based on TW-Testclub Panel

\*\*Source: Bain & Company, 2014 China Luxury Market Study

\*\*\*Source: Hong Kong Census and Statistics Department

## Globally balanced footprint secures solid growth

### Currency-adjusted sales development

FY 2014

(in %)

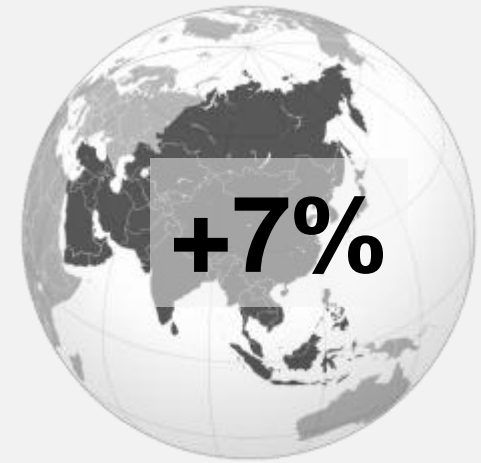
Europe



Americas



Asia/Pacific



Strength in core European markets shields the Group from economic turbulence elsewhere

## Retail expansion continues

### Number of own retail stores as of December 31, 2014

(December 31, 2013: 1,010)

<b>TOTAL</b>	<b>1,041 (+31)</b>
Total selling space	140,000 sqm (+4%)
Openings	86
thereof takeovers	20
Closings	55

<b>Europe*</b>	<b>595 (+19)</b>
Openings	43
thereof takeovers	5
Closings	24

<b>Americas</b>	<b>204 (+4)</b>
Openings	10
thereof takeovers	-
Closings	6

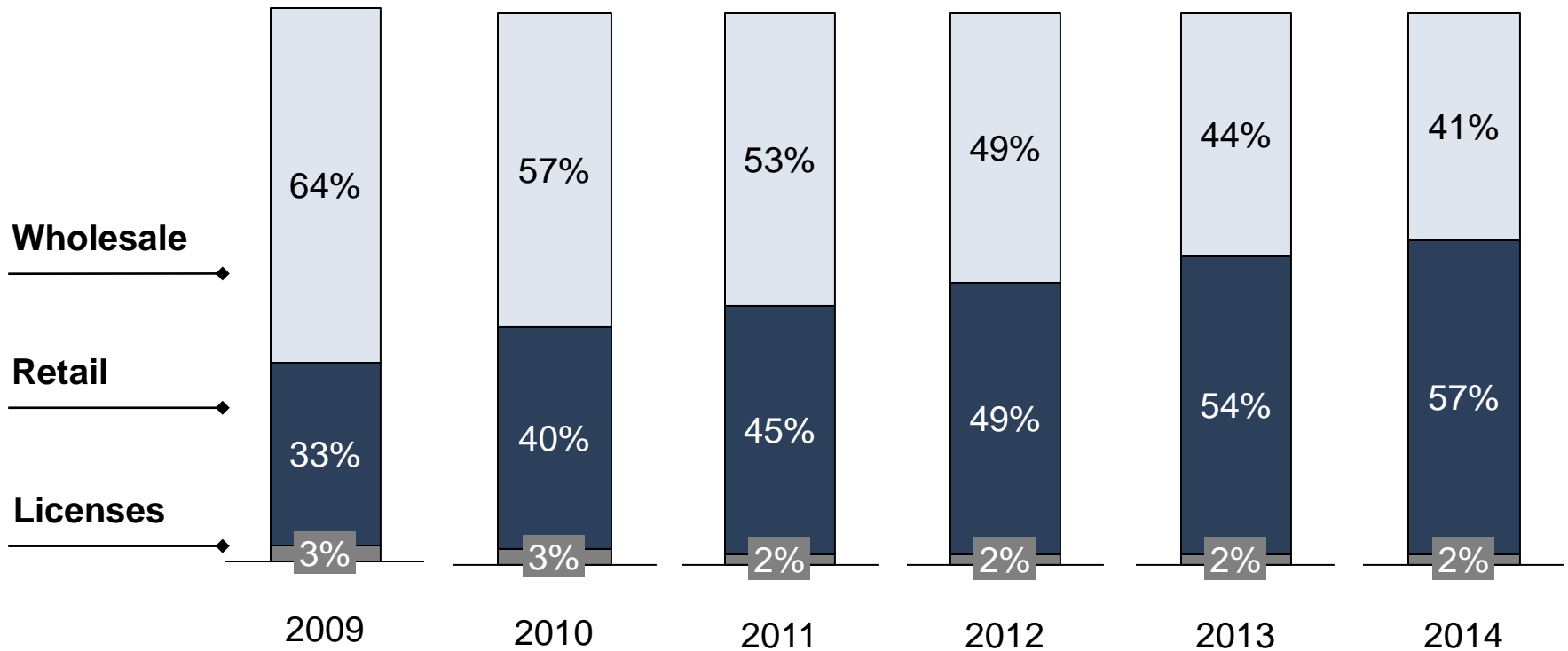
<b>Asia/Pacific</b>	<b>242 (+8)</b>
Openings	33
thereof takeovers	15
Closings	25

\*Incl. Middle East and Africa



# Expansion and productivity improvements drive expansion of retail share

## Sales by distribution channel



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

## HUGO BOSS has reached a new level in womenswear



BOSS Womenswear sales up 18% currency-adjusted, overall womenswear business +11%

## HUGO BOSS wins important brand rankings in Germany and China

### Germany



- HUGO BOSS named „Best Fashion Brand“
- Independent study conducted by market research institute GfK
- Based on commercial success and emotional appeal
- Sample: 1,000 Germany-based consumers

### China



- HUGO BOSS named „Best Fashion Label for Men“
- Independent study conducted by The Hurun Research Institute
- Most important ranking in the Chinese luxury goods market
- Sample: 376 mainland Chinese individuals with a personal wealth of at least RMB 10 million

## New flat-packed goods distribution center in Germany fully operational



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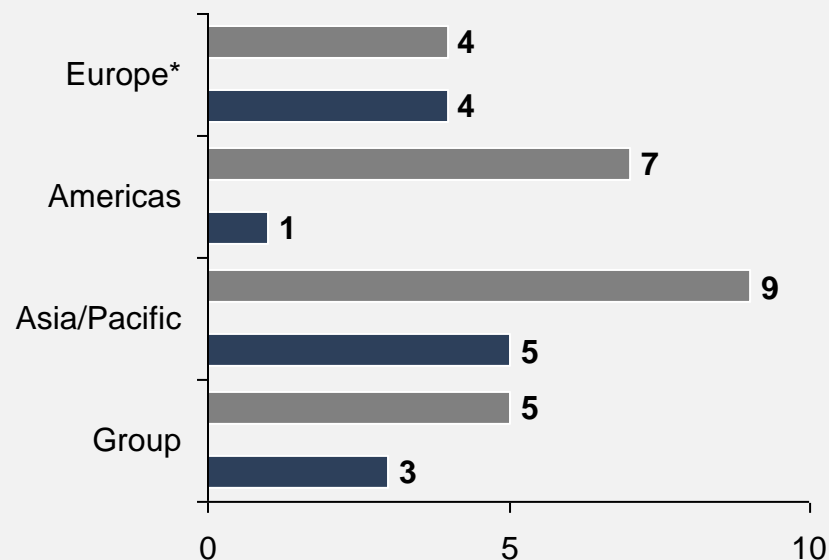
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## All regions contribute to Group sales growth in 2014

### Sales growth by region, y-o-y

Q4 2014  
(in %)

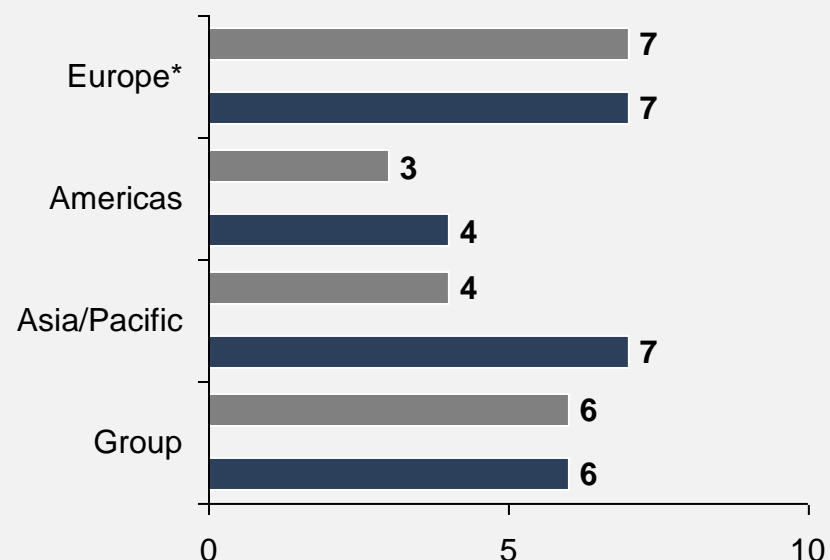
■ in EUR  
■ fx-adjusted



### Sales growth by region, y-o-y

FY 2014  
(in %)

■ in EUR  
■ fx-adjusted



- UK remains **Europe's** fastest growing market, up 16% currency-adjusted in 2014
- Double-digit growth in own retail more than offsets decline in wholesale in the **Americas**
- Growth in **Asia/Pacific** driven by strong performance in Oceania and Japan

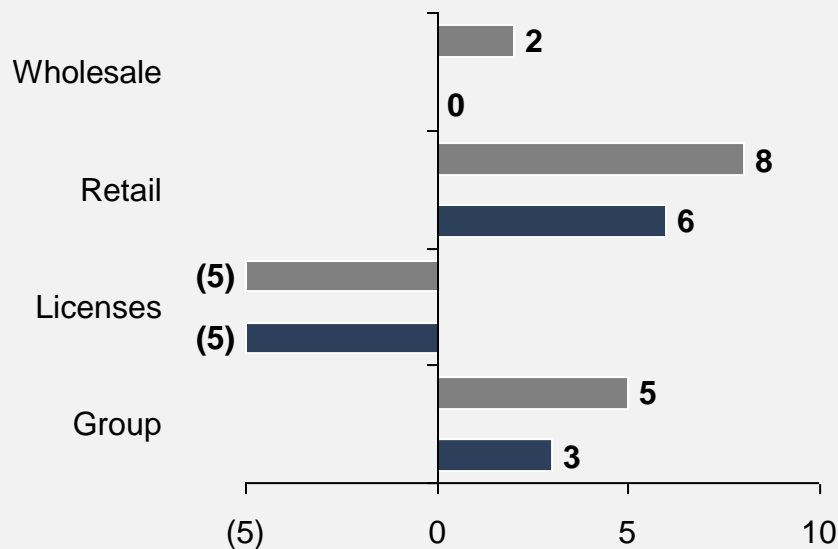
\*Incl. Middle East and Africa

## Retail continues to drive Group sales increases

### Sales growth by channel, y-o-y

Q4 2014  
(in %)

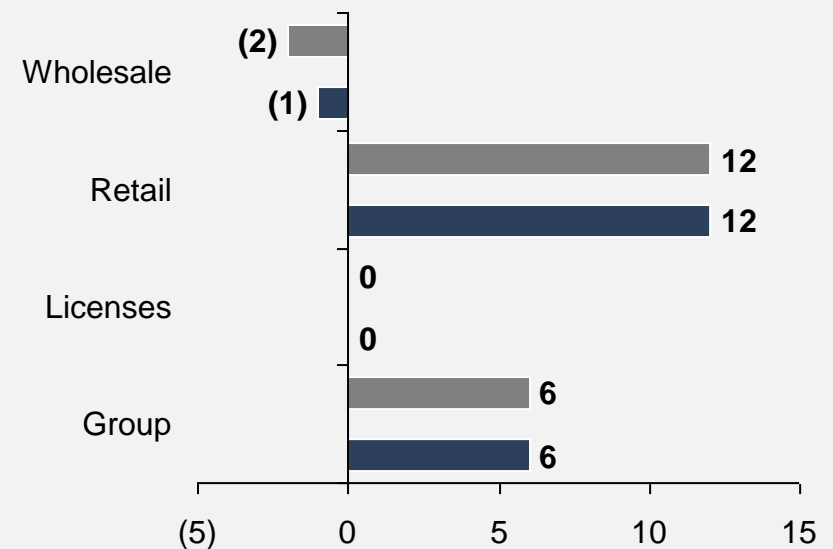
■ in EUR  
■ fx-adjusted



### Sales growth by channel, y-o-y

FY 2014  
(in %)

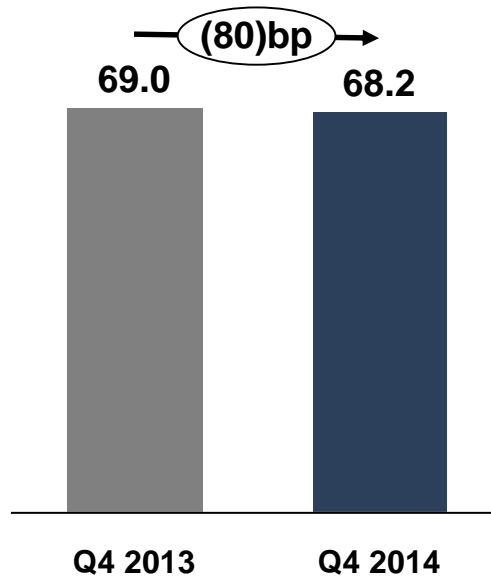
■ in EUR  
■ fx-adjusted



- **Wholesale** performance affected by takeovers and industry consolidation
- Growth in **own retail** supported by store expansion and comp store sales growth of 3% (Q4: 0%)
- Weaker fragrance business offsets improvements in watches and eyewear in **license business**

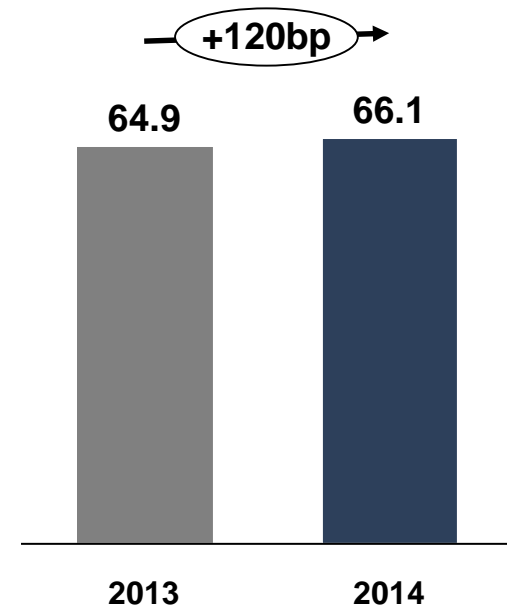
## Robust full year gross profit margin improvement

### Fourth quarter



- Strong comparison base
- Above-average growth of outlet channel
- Moderate increase of rebates

### Full year



- Positive distribution channel mix
- Lower rebates



## EBITDA grows despite higher operating expenses

in EUR million

	2014	2013	Change in %
<b>Sales</b>	<b>2,571.6</b>	<b>2,432.1</b>	<b>6</b>
<b>Gross profit</b>	<b>1,699.1</b>	<b>1,579.6</b>	<b>8</b>
In % of sales	66.1	64.9	120 bp
Selling and distribution expenses	(994.9)	(891.6)	(12)
Administration expenses	(236.2)	(228.5)	(3)
Other operating income and expenses	(19.3)	(3.3)	>(100)
<b>Operating result (EBIT)</b>	<b>448.7</b>	<b>456.2</b>	<b>(2)</b>
In % of sales	17.4	18.7	(130) bp
<b>Financial result</b>	<b>(11.6)</b>	<b>(22.7)</b>	<b>49</b>
<b>Earnings before taxes</b>	<b>437.1</b>	<b>433.5</b>	<b>1</b>
Income taxes	(102.6)	(100.1)	(2)
<b>Net income</b>	<b>334.5</b>	<b>333.4</b>	<b>0</b>
Attributable to:			
Equity holders of the parent company	333.3	329.0	1
<b>Earnings per share (EUR)*</b>	<b>4.83</b>	<b>4.77</b>	<b>1</b>
<b>EBITDA before special items</b>	<b>590.8</b>	<b>564.7</b>	<b>5</b>
In % of sales	23.0	23.2	(20) bp
Special items	(19.3)	(3.3)	>(100)

- Own retail expansion main driver of higher **selling and distribution expenses**
- **Marketing expenditures** increase by 60 basis points to 6.3% of sales
- Moderate increase in **administration costs** demonstrates tight overhead cost management
- **Other operating expenses** linked to distribution changes and consolidation of production facilities
- Improved **financial result** due to reduction of debt and lower interest rates

\*Basic and diluted earnings per share

## Region Europe records solid margin improvement

### Segment profit

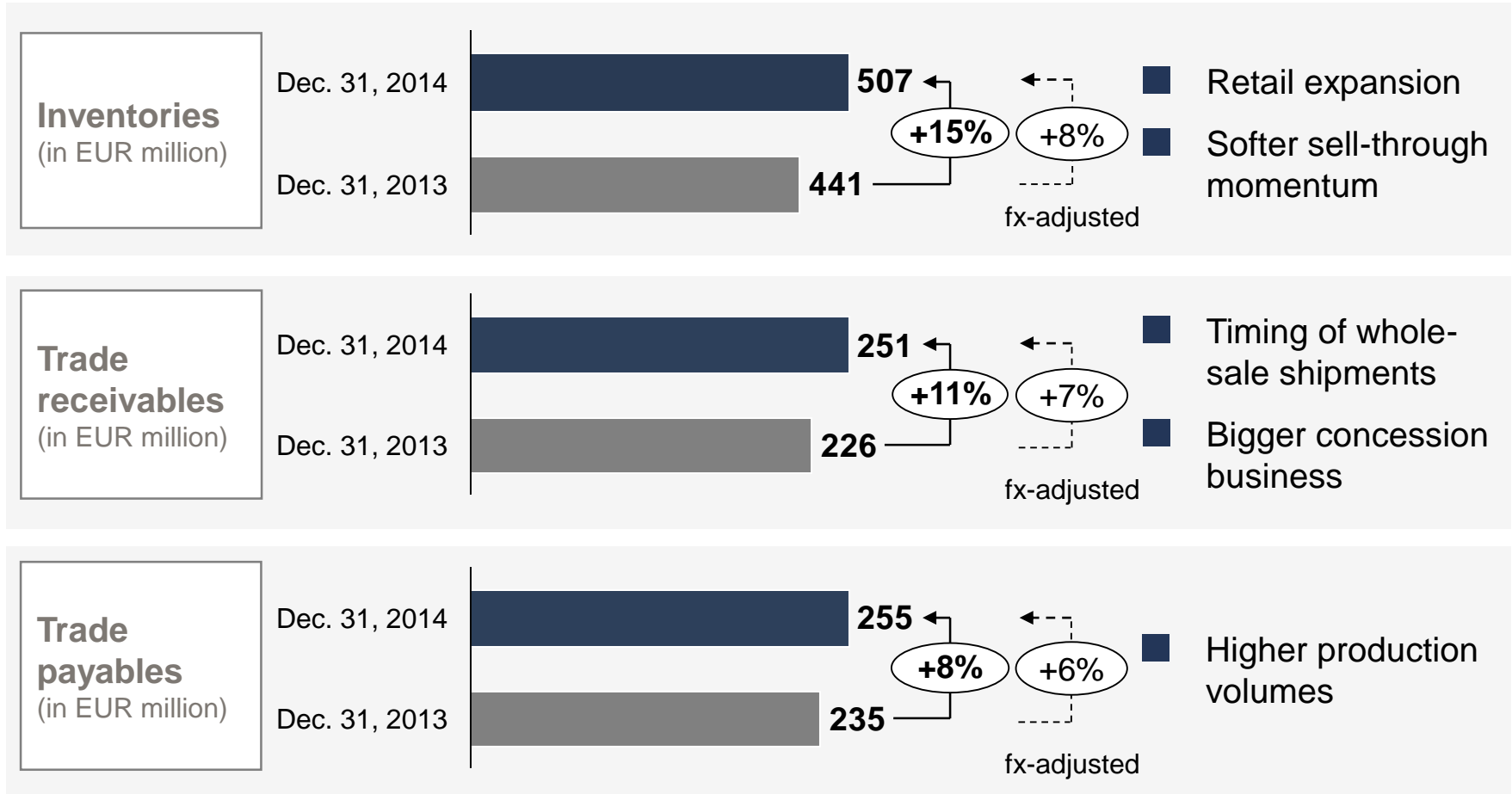
in EUR million

	2014	In % of sales	2013	In % of sales	Change in %
Europe*	536.1	34.2	490.2	33.6	9
Americas	151.1	25.8	152.0	26.7	(1)
Asia/Pacific	112.2	31.1	117.3	33.8	(4)
Licenses	49.1	85.2	49.3	85.2	0
<b>Segment profit operating segments</b>	<b>848.5</b>	<b>33.0</b>	<b>808.8</b>	<b>33.3</b>	<b>5</b>
<b>Corporate units/consolidation</b>	<b>(257.7)</b>		<b>(244.1)</b>		<b>(6)</b>
<b>EBITDA before special items</b>	<b>590.8</b>	<b>23.0</b>	<b>564.7</b>	<b>23.2</b>	<b>5</b>

- Healthy top line growth and better gross margin support operating margin increase in **Europe**
- Higher operating expenses outweigh gross margin improvement in the **Americas**
- Mixed comp store sales performance and cost increases cause operating deleverage in **Asia/Pacific**

\*Incl. Middle East and Africa

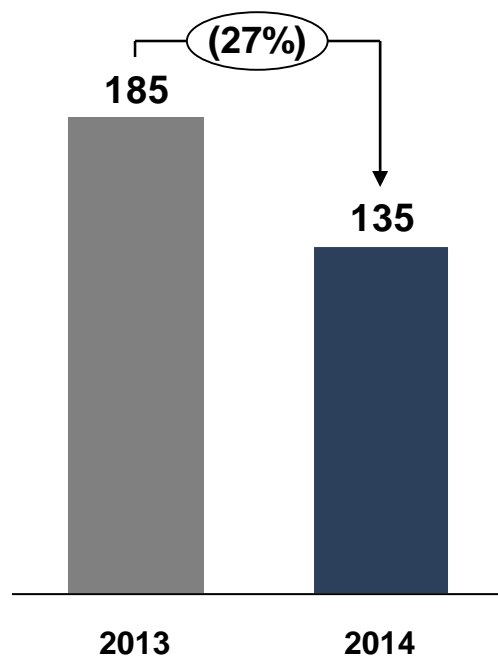
## Trade net working capital increases despite moderation of inventory growth



Trade net working capital up 16% to EUR 503 million

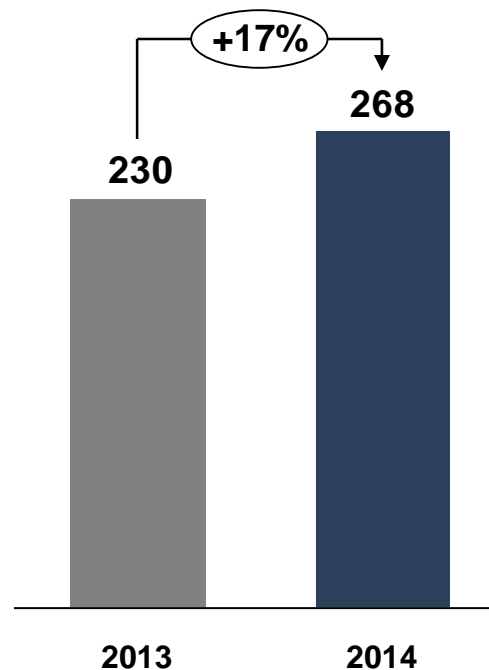
## Robust free cash flow growth

### Investments (in EUR million)



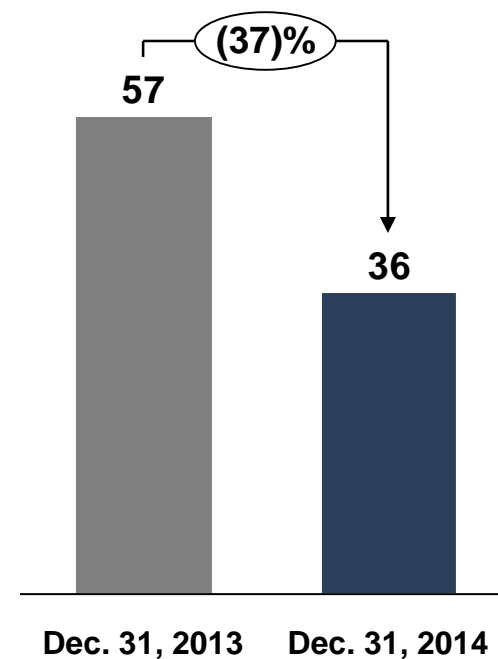
■ Non-recurrence of prior year distribution center investments

### Free cash flow (in EUR million)



■ Increase mainly due to lower investments

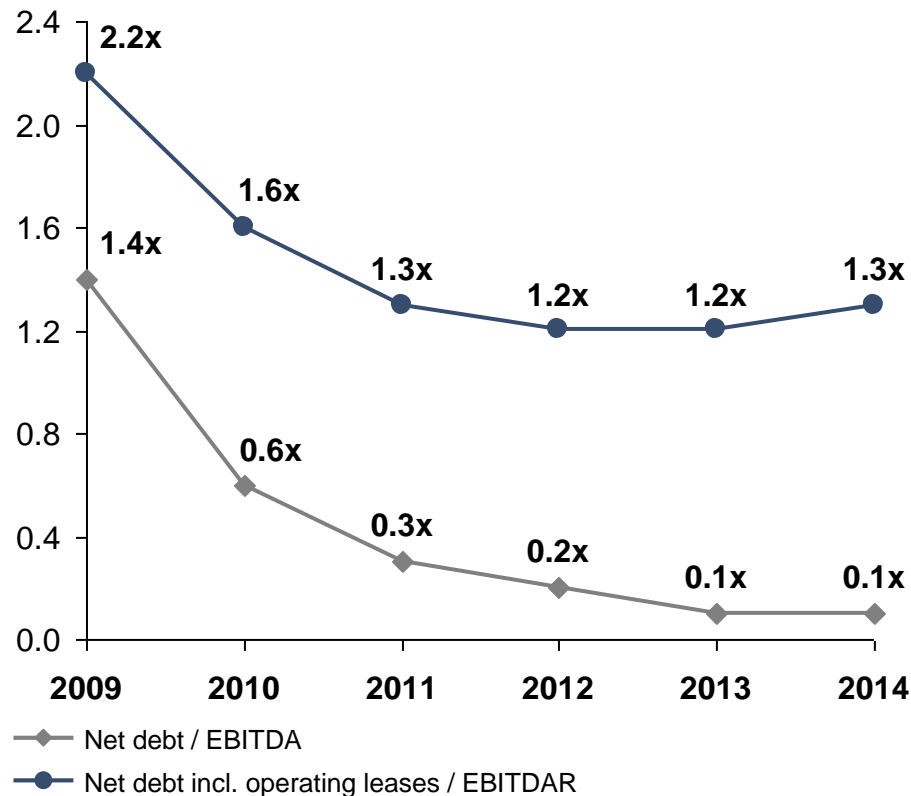
### Net debt (in EUR million)



■ Increase of FCF supports net debt reduction

## Adjusted financial leverage has remained broadly stable over the last years

### (Adjusted) financial leverage

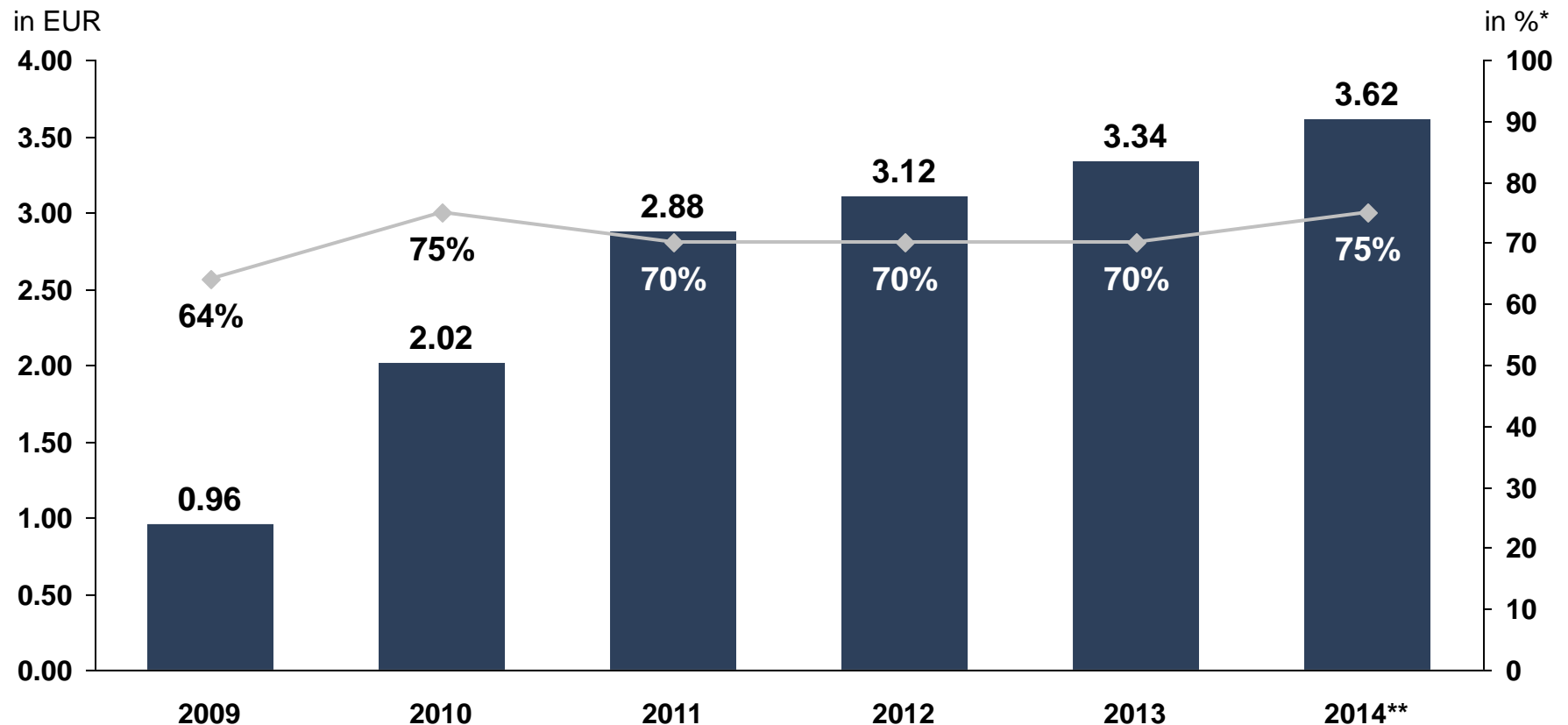


- Adjusted financial leverage reflects profitability improvements offset by higher operating lease obligations
- Management comfortable with current levels of above one

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

## Proposed dividend increases payout ratio to 75%

### 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

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## 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 omnichannel to drive own retail online and offline

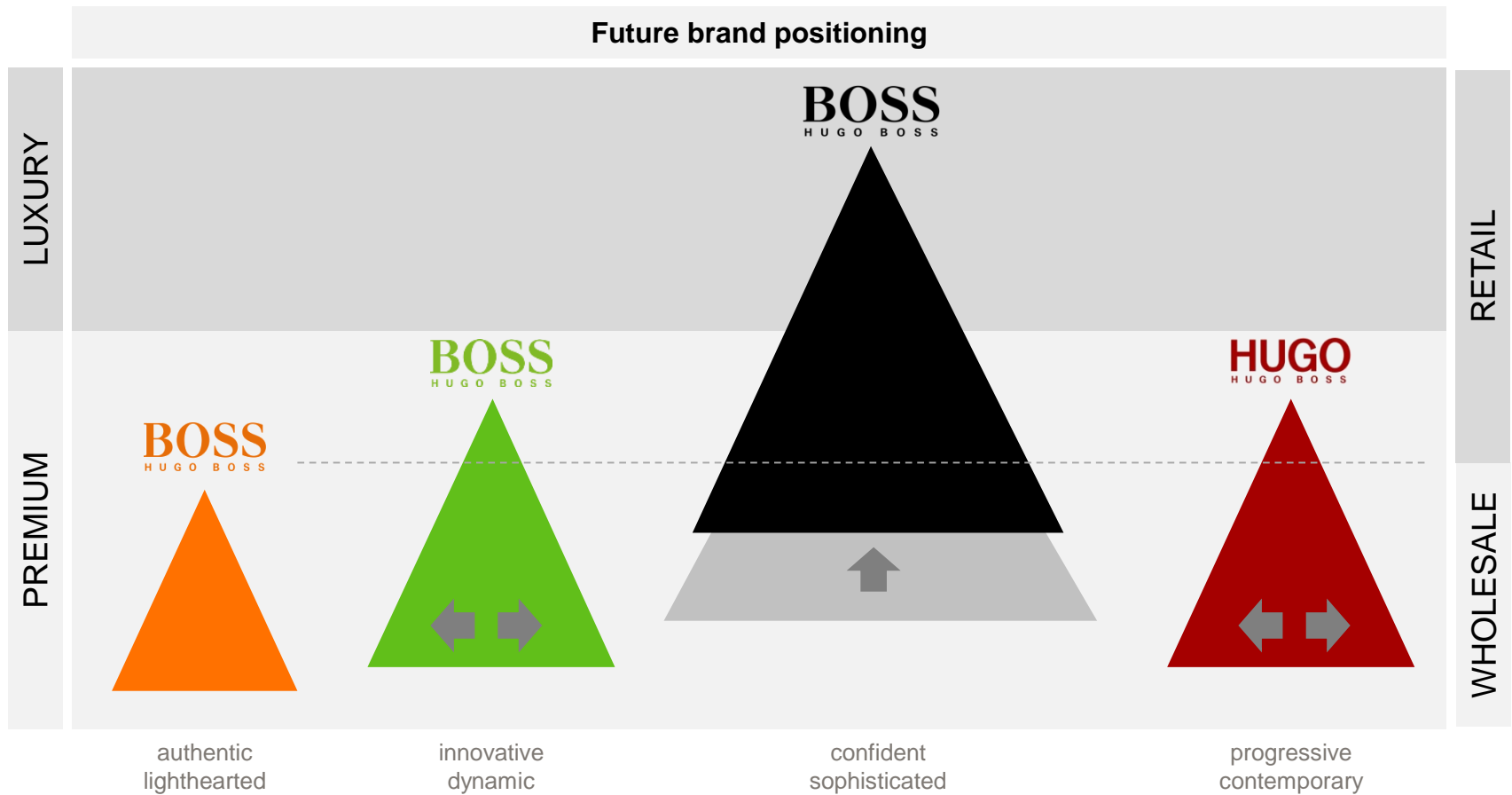


Exploit growth opportunities in under-penetrated markets

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



# Increasingly nuanced portfolio to support BOSS brand elevation



## HUGO and BOSS Green to replace BOSS in category business

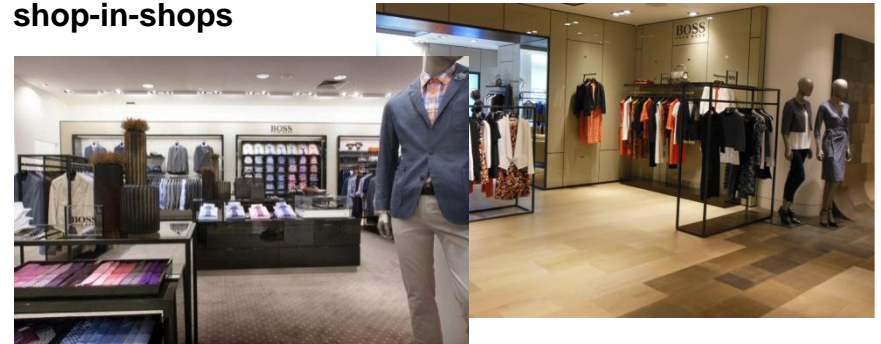
### RETAIL

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



## Coming collections reflect product elevation in BOSS Womenswear





## BOSS campaign builds brand's credibility as a fashion destination



## New openings and takeovers to contribute to retail expansion

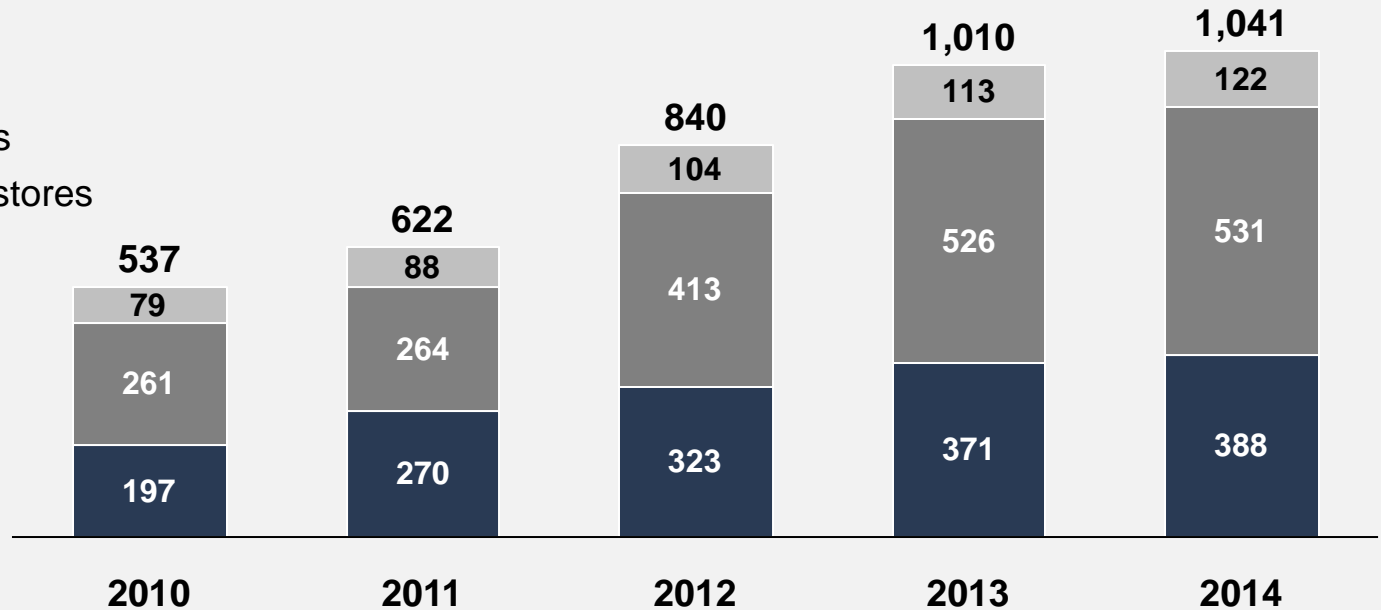
### Number of own retail stores

as of December 31

Outlets

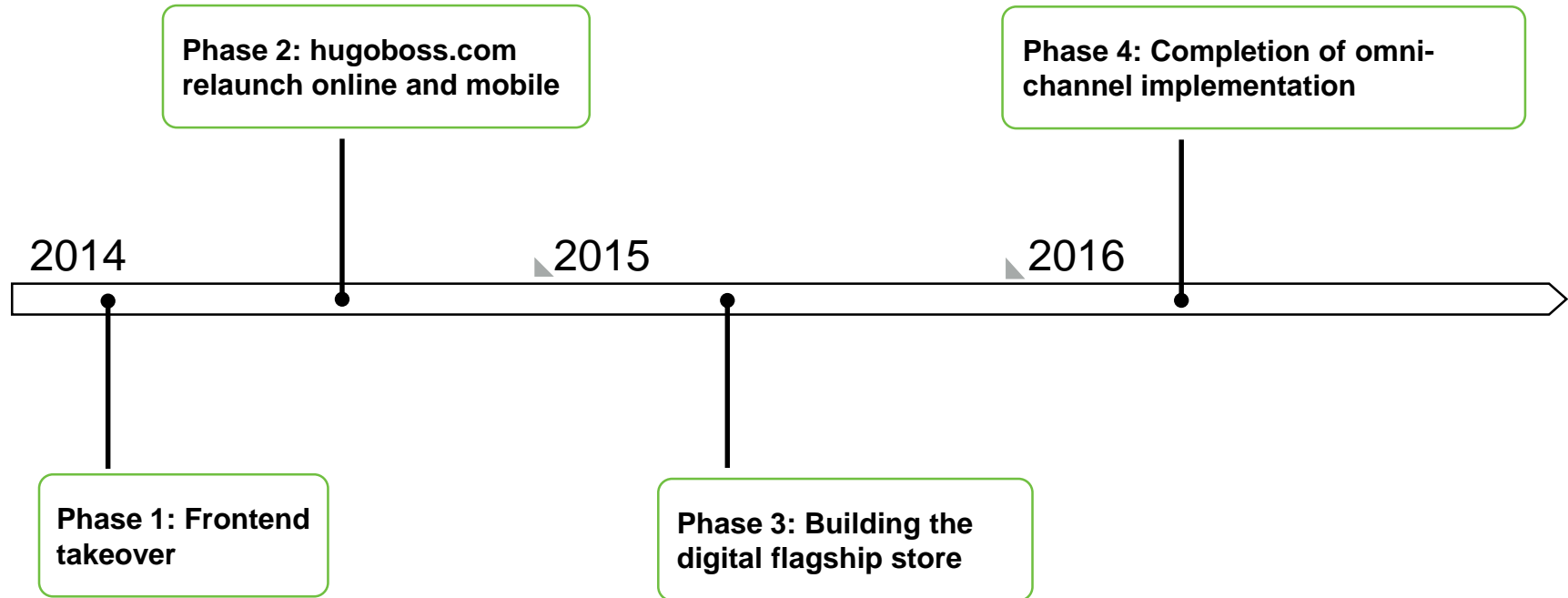
Shop-in-Shops

Freestanding stores



- Around 50 new openings planned in 2015
- Takeovers of franchise stores and shop-in-shops to further add to store count
- Growing importance of renovations

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

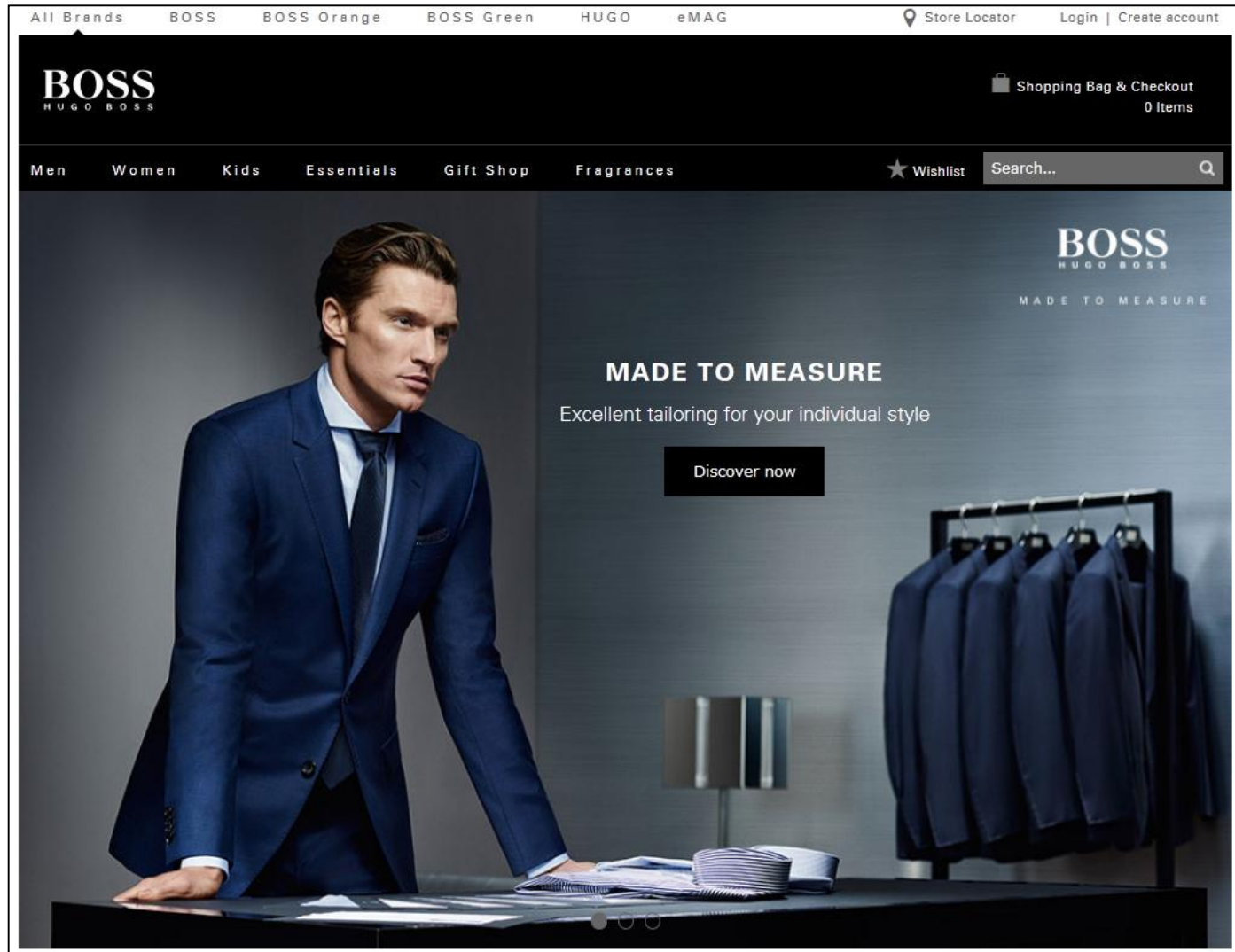


Implementation of omnichannel business model under way

## 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

## Takeover of frontend has upgraded overall look and feel





# Merger of online store and brand website drives traffic

Before

Two different gateways  
for eCom store and  
brand website

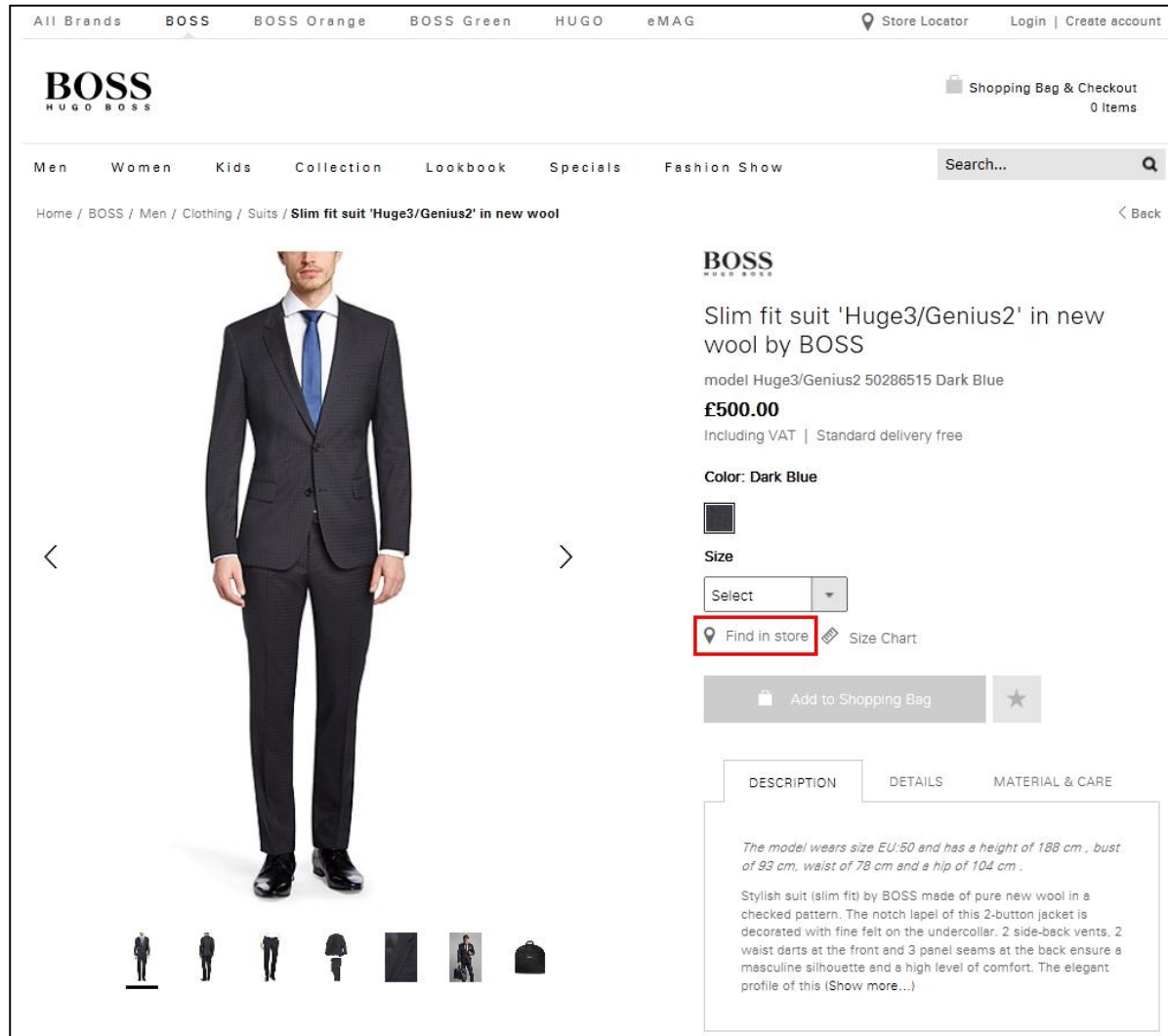


Today

Seamless integration of  
content and commerce



## In-store availability feature introduced



- Provides real-time store inventory information
- Enables search for product in other stores
- Locates closest store in relation to customer's IP address or GPS position

## Further improvement of retail execution to support solid growth in Europe

- Tough industry environment and weak customer footfall in many markets
- Focus on improving in-store experience as well as customer service and relationship management
- Underpenetrated categories and markets offer attractive opportunities



BOSS Store Zurich, Bahnhofstrasse

## Brand control key for success in the Americas

- Promotional market environment set to continue for foreseeable future
- Important retail-related process improvements under way
- Focus on upgrade of brand presentation in US wholesale business



BOSS Store Washington DC, City Center

## Strategic progress in China adds to strength of other markets in Asia

- Growing momentum in formalwear to support further share gains in China despite ongoing market weakness
- Confident outlook for Australia and Japan
- Direct control of trendsetting South Korean market to improve market position



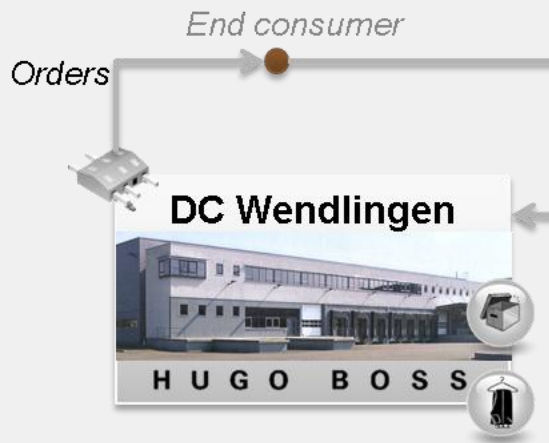
BOSS Store Osaka, Shinsaibashi



## B2C distribution center builds foundation for omnichannel

### B2C Warehouse Wendlingen, Germany

- Former flat-packed goods facility to serve as a B2C distribution center going forward

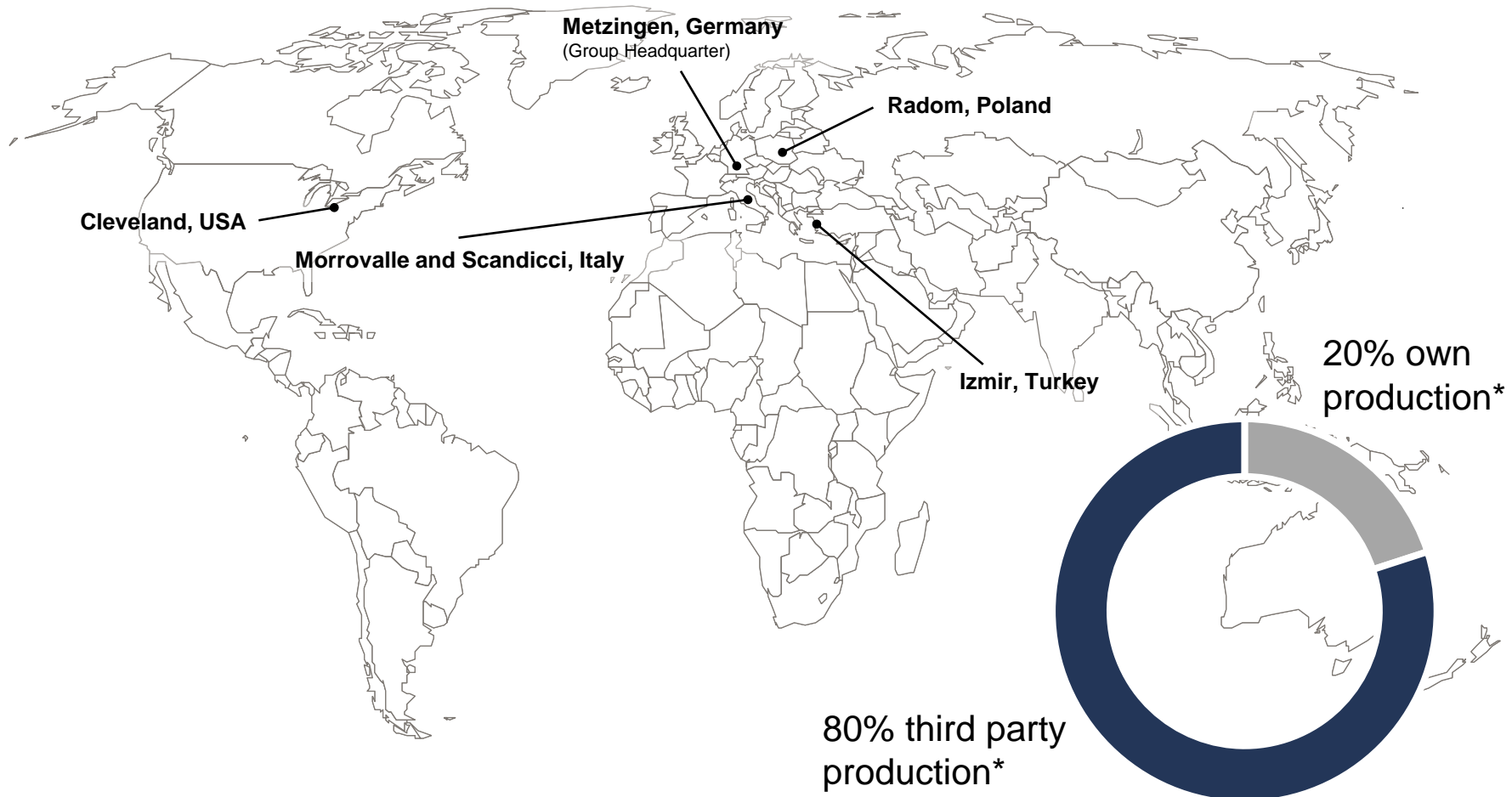


- Key tasks: Storage, packing, return handling, product refurbishment
- Handling of product returns from all European markets and sales channels
- Remodeling currently under way

## Launch of new systems refines retail management

	Retail Merchandise Planning	Retail Assortment Planning
<b>Purpose</b>	<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>
<b>Main operational benefits</b>	<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>
<b>Main financial benefits</b>	<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>
<b>Timing of rollout</b>	<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>

## Consolidation of own production network drives operational efficiency



\*Percentage based on procurement volumes



## Solid growth of sales and operating profit expected in 2015

### 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)

## Clear growth plan in place to overcome external challenges

- Group has coped well with market weakness in 2014
- Multi-faceted opportunities provide numerous levers for long-term growth
- Another year of solid financial performance and important strategic progress ahead



BOSS Store Osaka, Shinsaibashi

**BACKUP**

## 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\*



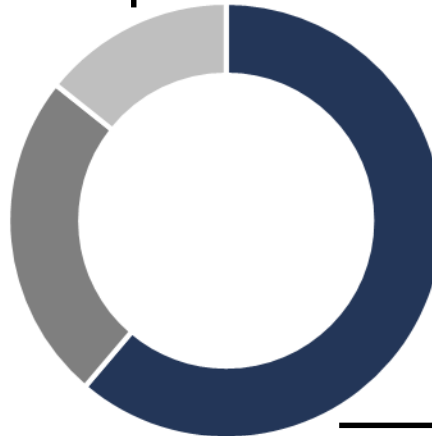
**Asia/Pacific**

14%

23%



**Americas**



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

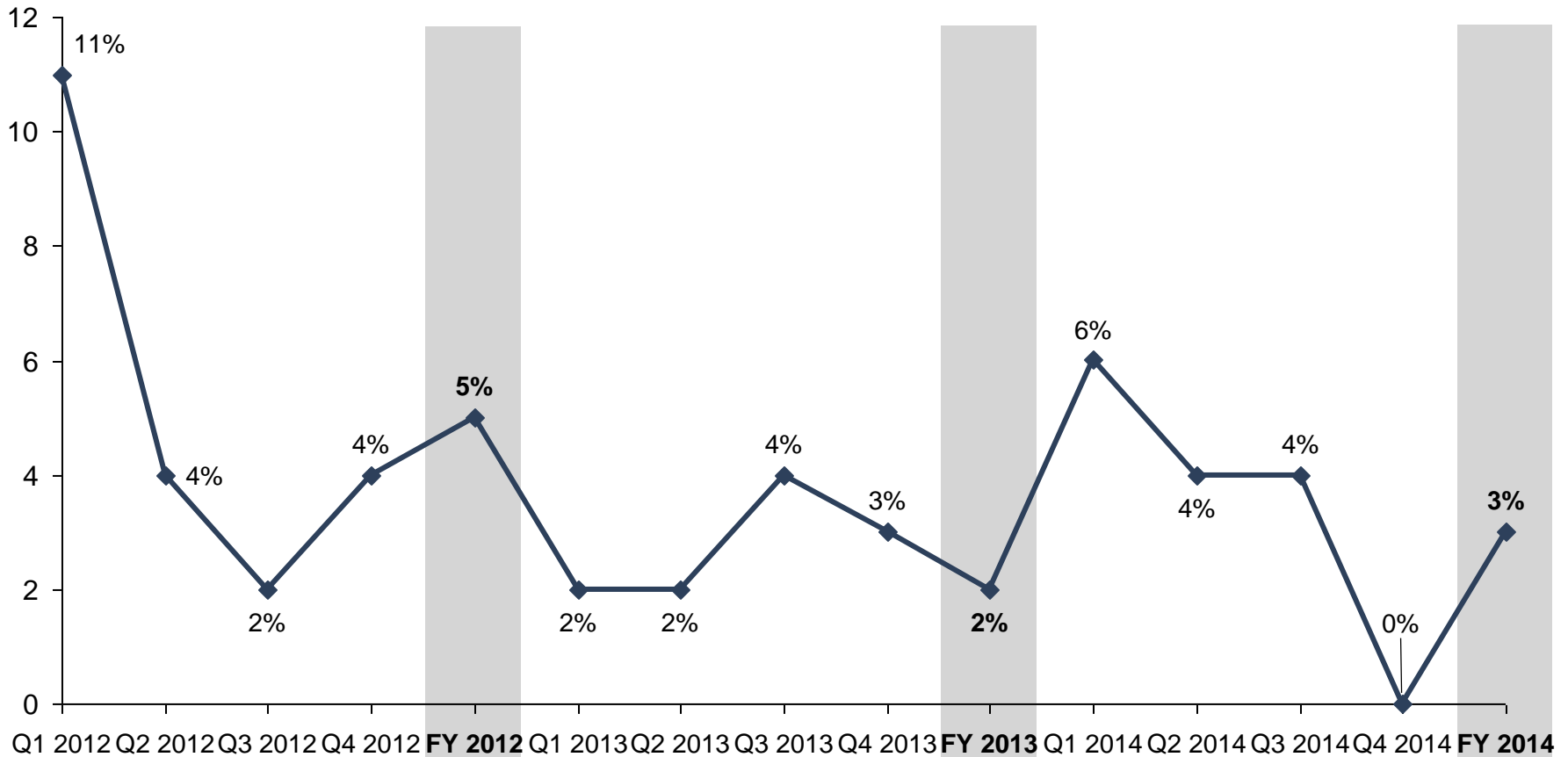
61%

\*+2% Licenses

# Retail comp stores sales growth

## Sales growth retail I-f-I\*

—◆— Retail I-f-I



\*fx-adjusted

# Income statement

in EUR million

	Q4 2014	Q4 2013	Change in %	2014	2013	Change in %
<b>Sales</b>	<b>683.6</b>	<b>649.0</b>	<b>5</b>	<b>2,571.6</b>	<b>2,432.1</b>	<b>6</b>
Cost of sales	(217.3)	(200.9)	(8)	(872.5)	(852.5)	(2)
<b>Gross profit</b>	<b>466.3</b>	<b>448.1</b>	<b>4</b>	<b>1,699.1</b>	<b>1,579.6</b>	<b>8</b>
In % of sales	68.2	69.0	(80) bp	66.1	64.9	120 bp
Selling and distribution expenses	(289.0)	(264.5)	(9)	(994.9)	(891.6)	(12)
Administration expenses	(56.3)	(64.9)	13	(236.2)	(228.5)	(3)
Other operating income and expenses	(15.9)	0.1	>(100)	(19.3)	(3.3)	>(100)
<b>Operating result (EBIT)</b>	<b>105.1</b>	<b>118.8</b>	<b>(12)</b>	<b>448.7</b>	<b>456.2</b>	<b>(2)</b>
In % of sales	15.4	18.3	(290) bp	17.4	18.7	(130) bp
Net interest income/expense	(1.1)	(6.9)	84	(4.5)	(14.4)	69
Other financial items	(3.4)	(0.1)	>(100)	(7.1)	(8.3)	14
<b>Financial result</b>	<b>(4.5)</b>	<b>(7.0)</b>	<b>36</b>	<b>(11.6)</b>	<b>(22.7)</b>	<b>49</b>
<b>Earnings before taxes</b>	<b>100.6</b>	<b>111.8</b>	<b>(10)</b>	<b>437.1</b>	<b>433.5</b>	<b>1</b>
Income taxes	(25.3)	(26.1)	3	(102.6)	(100.1)	(2)
<b>Net income</b>	<b>75.3</b>	<b>85.7</b>	<b>(12)</b>	<b>334.5</b>	<b>333.4</b>	<b>0</b>
Attributable to:						
Equity holders of the parent company	75.3	84.4	(11)	333.3	329.0	1
Non-controlling interests	0	1.3	(100)	1.2	4.4	(73)
<b>Earnings per share (EUR)*</b>	<b>1.09</b>	<b>1.22</b>	<b>(11)</b>	<b>4.83</b>	<b>4.77</b>	<b>1</b>
<b>EBITDA before special items</b>	<b>167.4</b>	<b>157.3</b>	<b>6</b>	<b>590.8</b>	<b>564.7</b>	<b>5</b>
In % of sales	24.5	24.2	30 bp	23.0	23.2	(20) bp
Special items	(15.9)	0.1	>(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

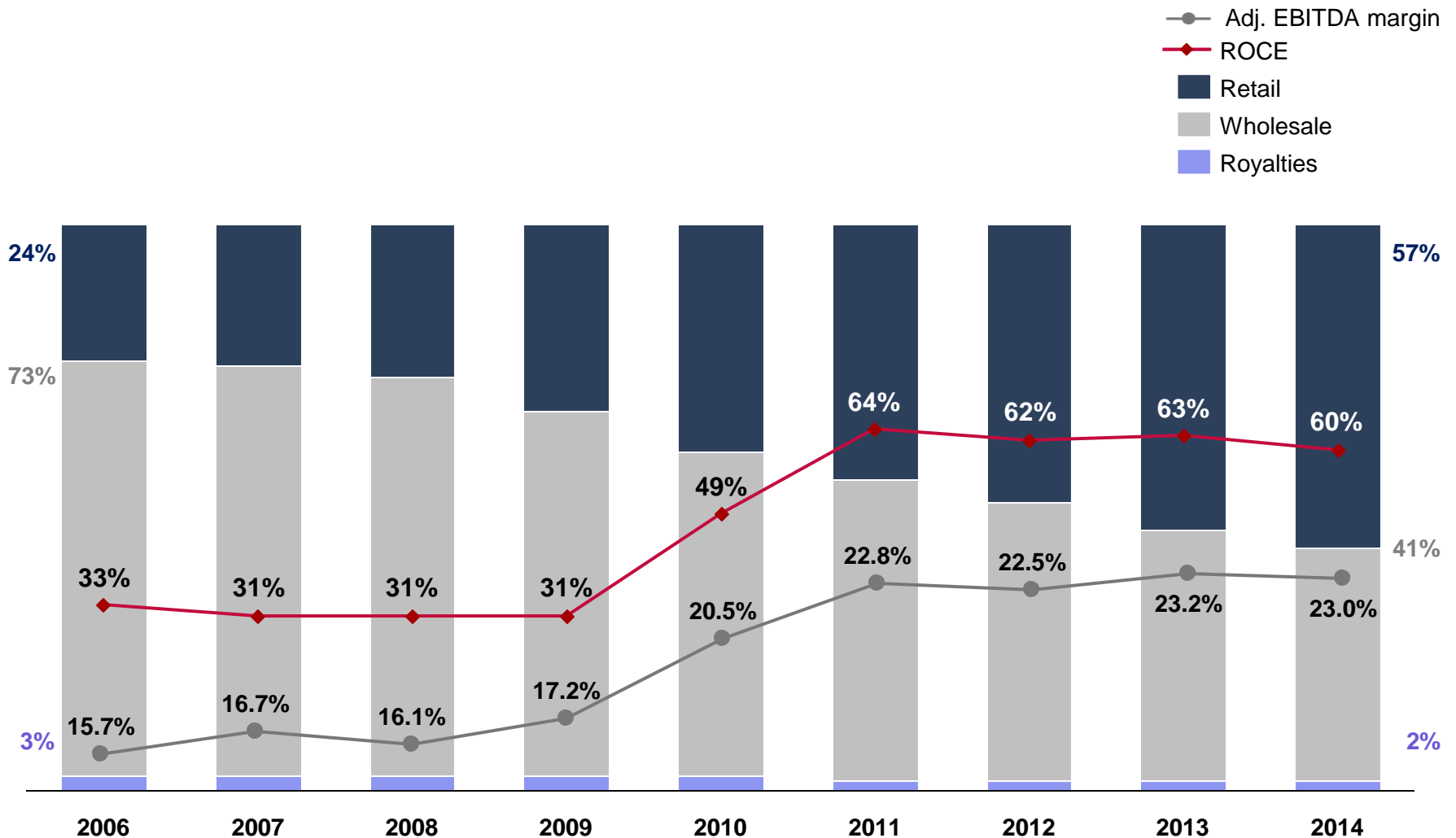
\* Based on dividend proposal

\*\*EBITDA before special items/Sales

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



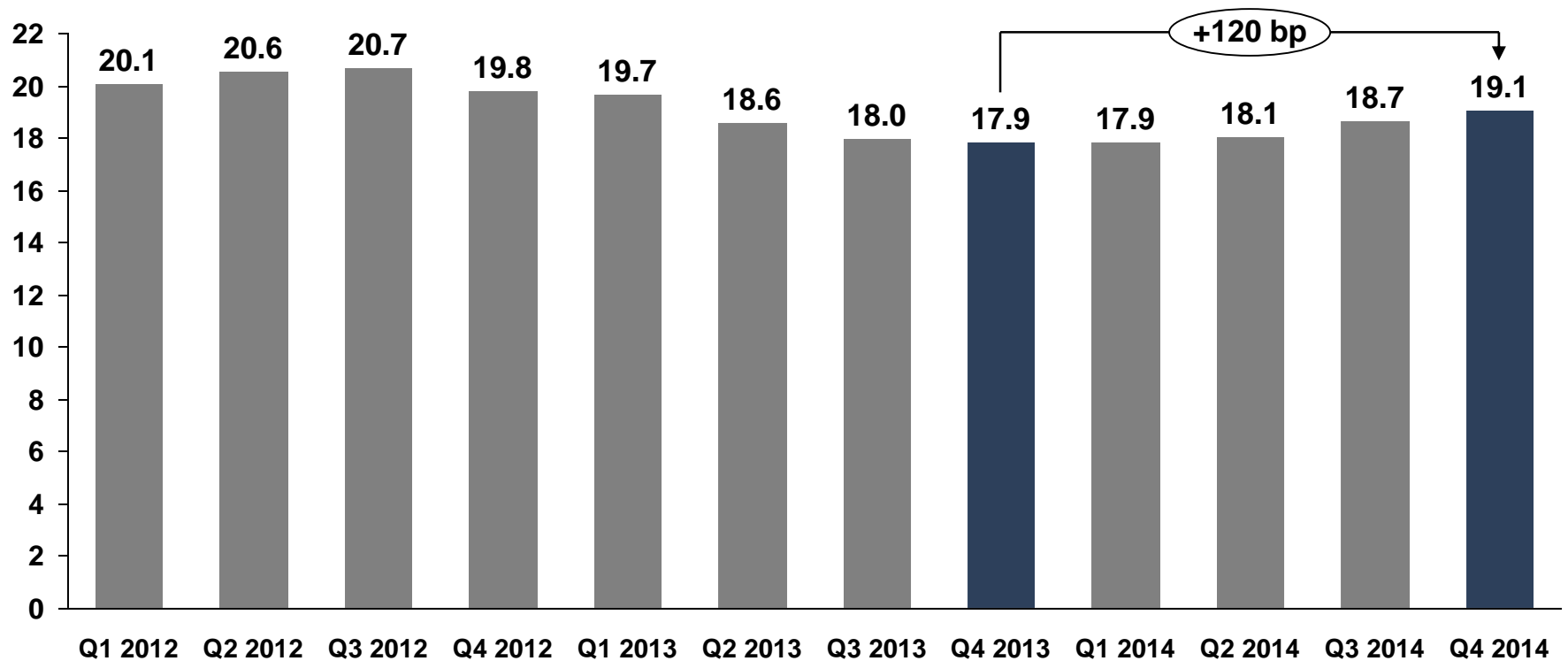
## EBITDA margin and ROCE vs. channel mix



## Trade net working capital

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

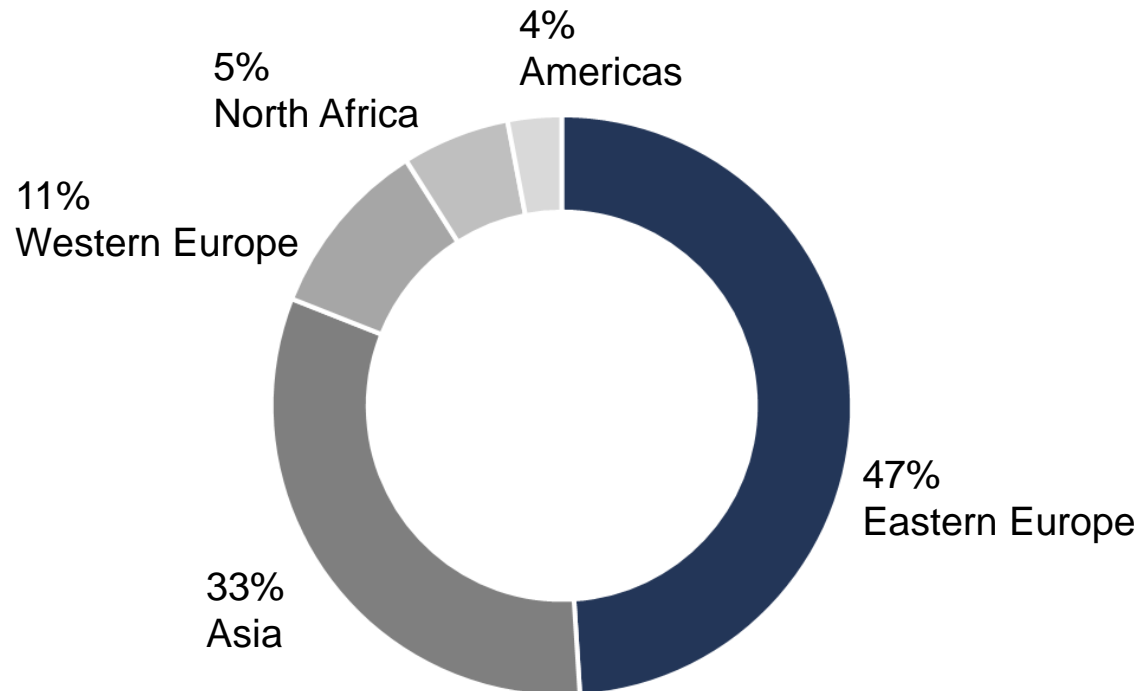
(in %)



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

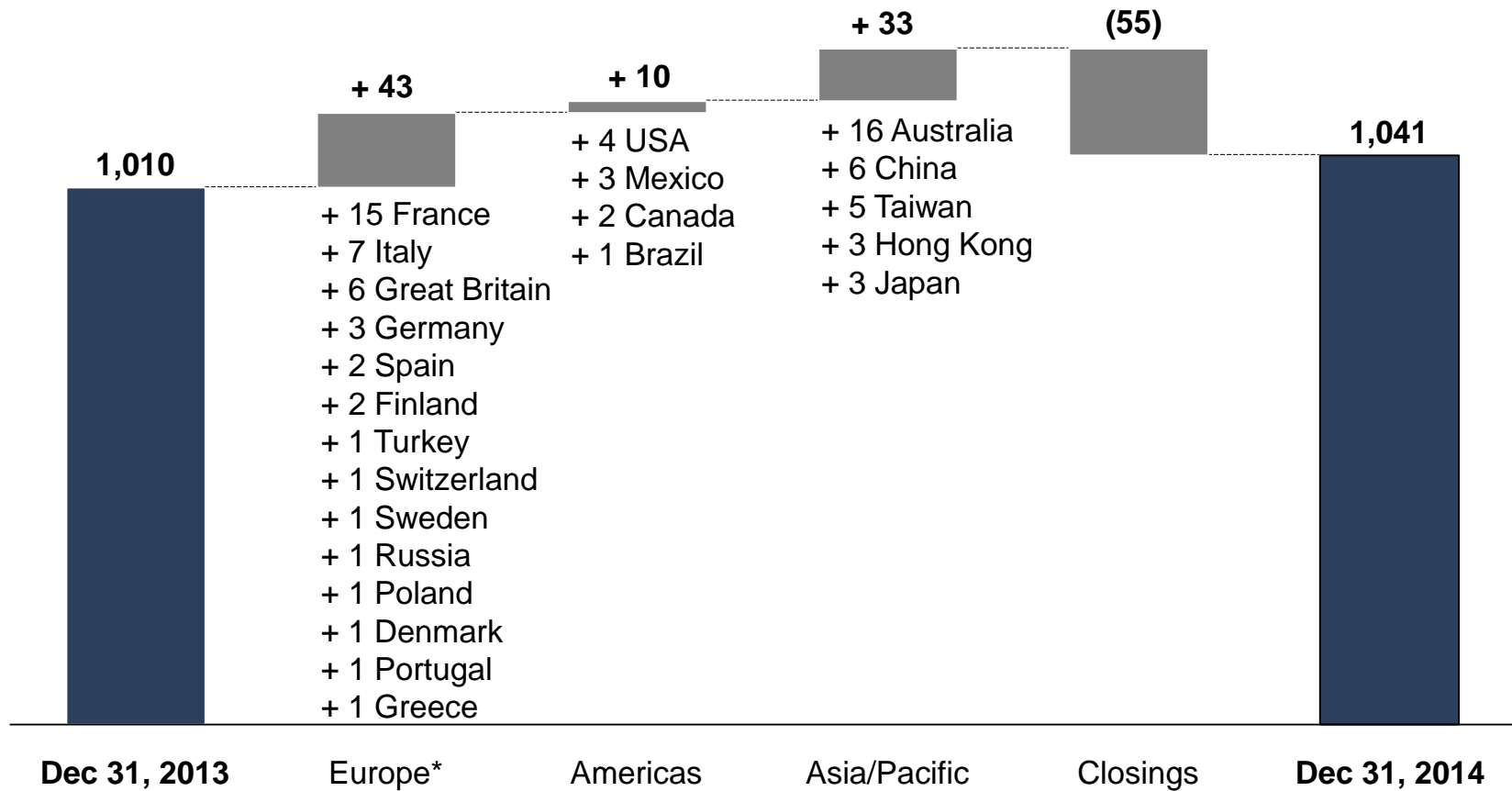
## Sourcing structure

### Regional split of sourcing and production volume 2014



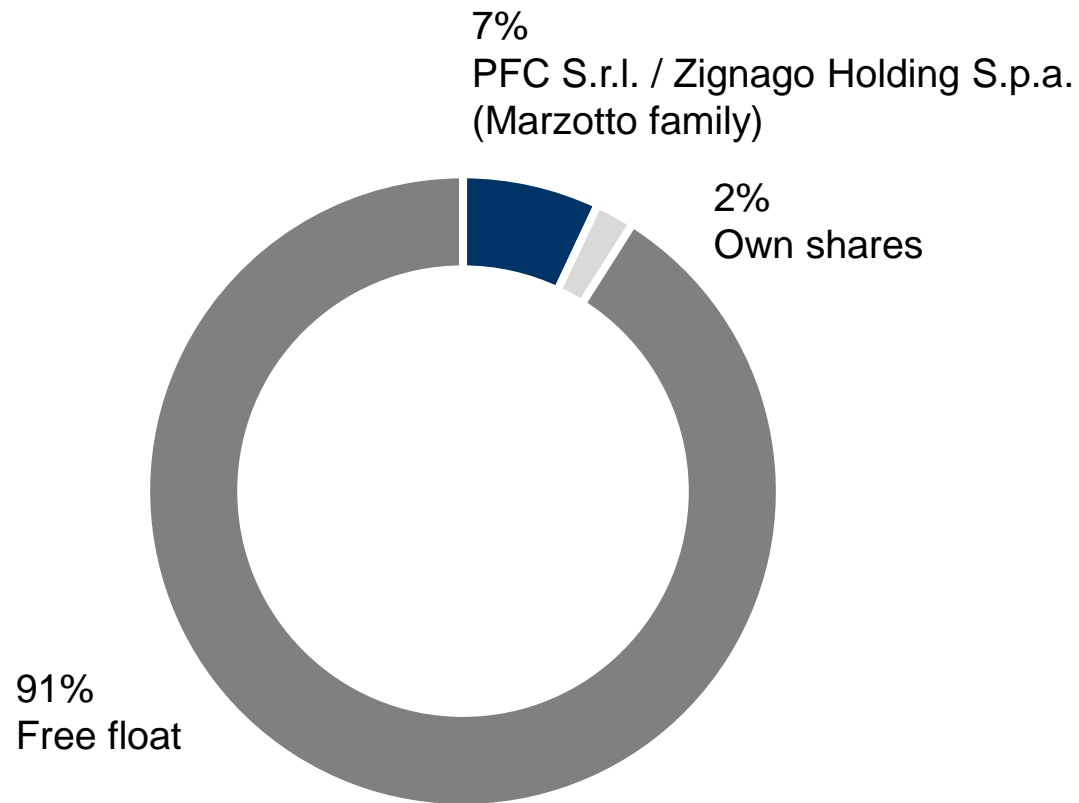
## Retail network

### 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 6, 2015	First Quarter Results
May 12, 2015	Annual Shareholders' Meeting
August 4, 2015	First Half Year Results
November 3, 2015	Nine Months Results

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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.



**H U G O   B O S S**