

**H U G O   B O S S**

## **HUGO BOSS Company Handout**

Dennis Weber, CFA, Head of Investor Relations  
Milan, October 1, 2015

## **Agenda**

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**Financial Review First Half Year 2015**

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**Strategic Outlook 2015 and beyond**

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**Financial Outlook 2015**

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## Agenda

**Financial Review First Half Year 2015**

**Strategic Outlook 2015 and beyond**

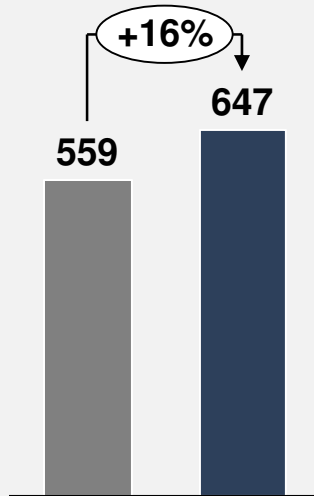
**Financial Outlook 2015**

# HUGO BOSS grows top and bottom line due to strong development in Q2

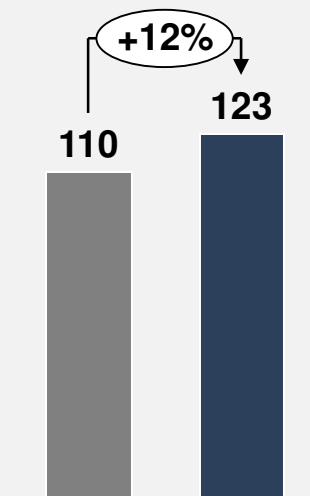
## Second quarter results

**Sales**  
(in EUR million)

**EBITDA before special items**  
(in EUR million)



**Q2 2014 Q2 2015**  
(+7% fx-adjusted)

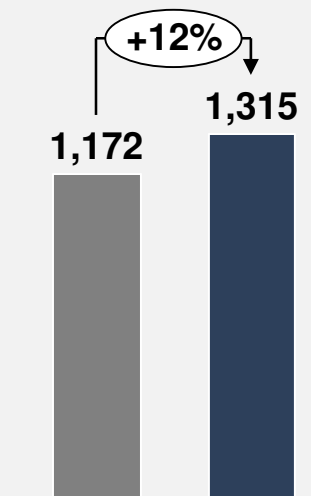


**Q2 2014 Q2 2015**

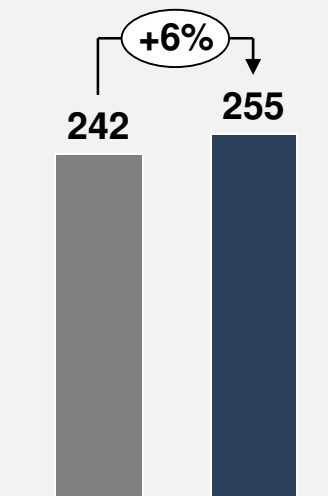
## First half year results

**Sales**  
(in EUR million)

**EBITDA before special items**  
(in EUR million)

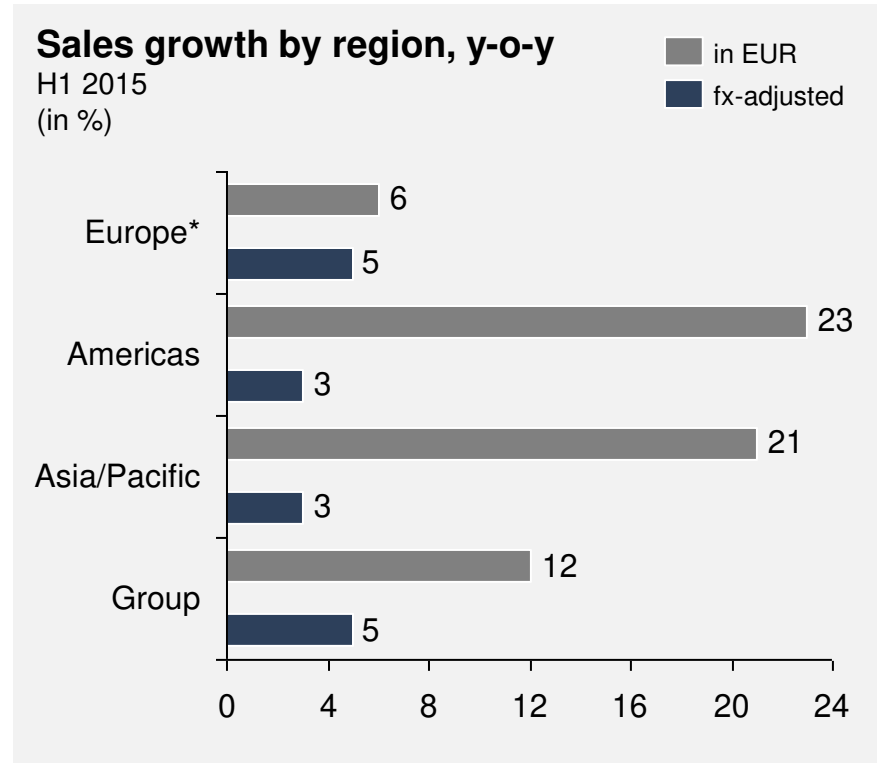
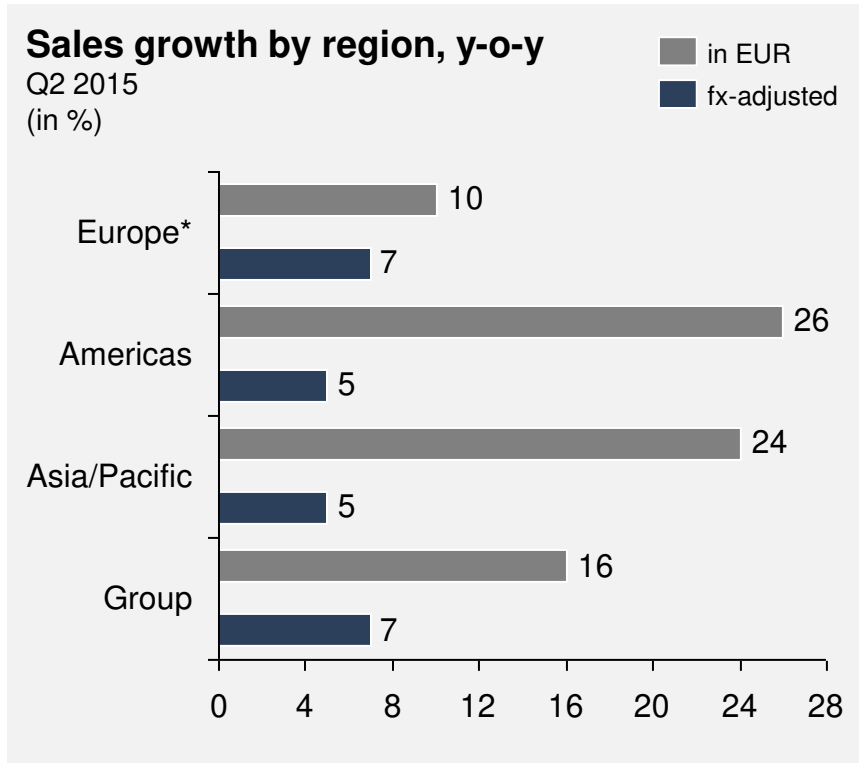


**H1 2014 H1 2015**  
(+5% fx-adjusted)



**H1 2014 H1 2015**

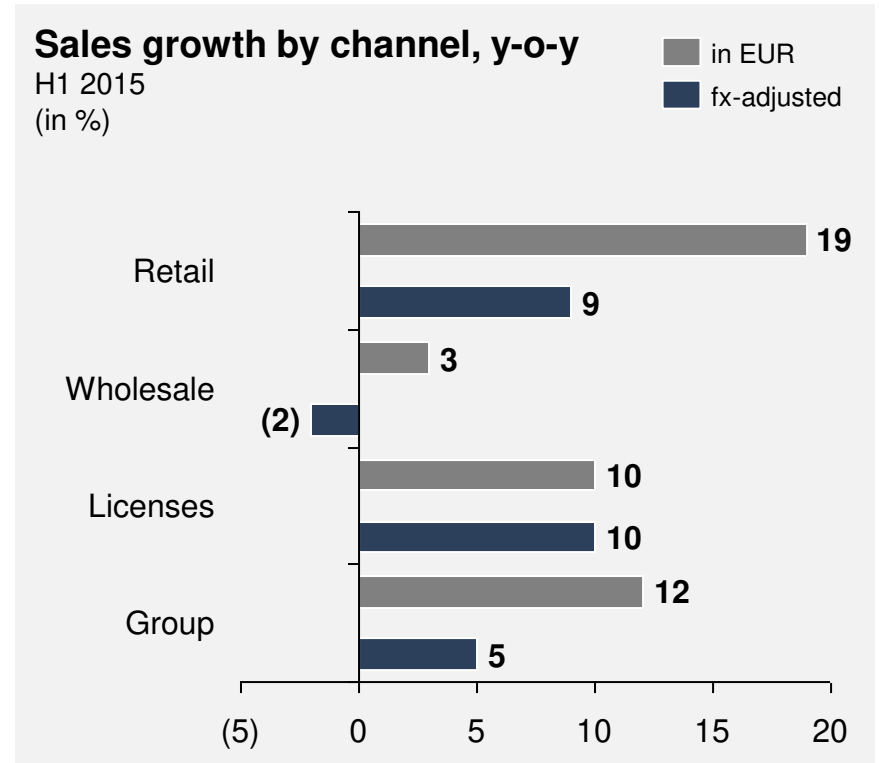
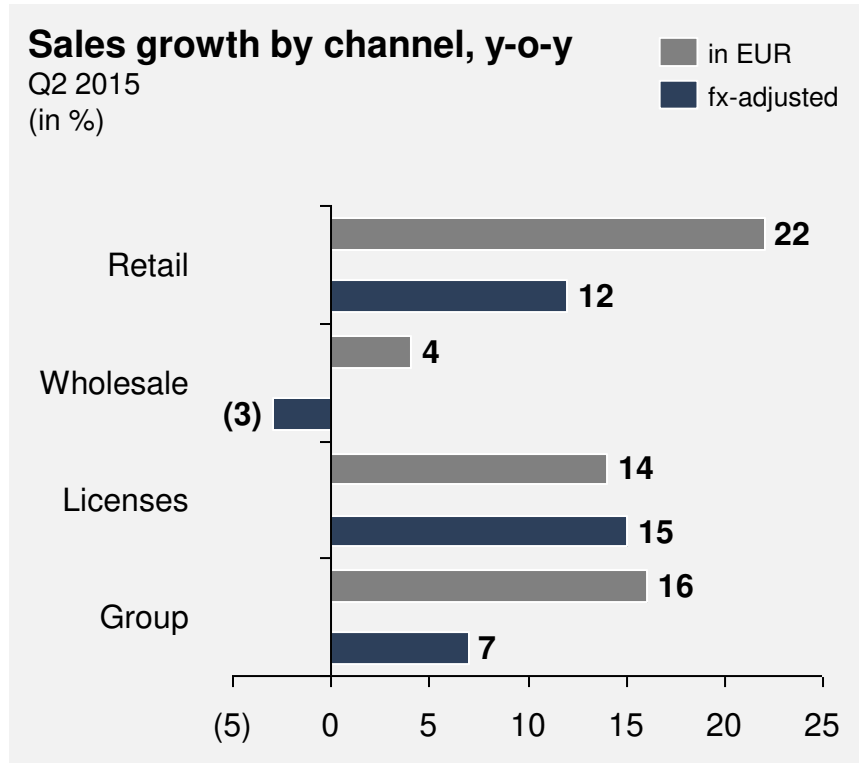
## Sales momentum improves across all regions in second quarter



- Growth accelerates across almost all markets in **Europe** in the second quarter
- Key US market up 2% currency-adjusted in H1, trails performance of rest of region **Americas**
- Strong performance in Australia and Japan as well as takeovers drive growth in **Asia/Pacific**

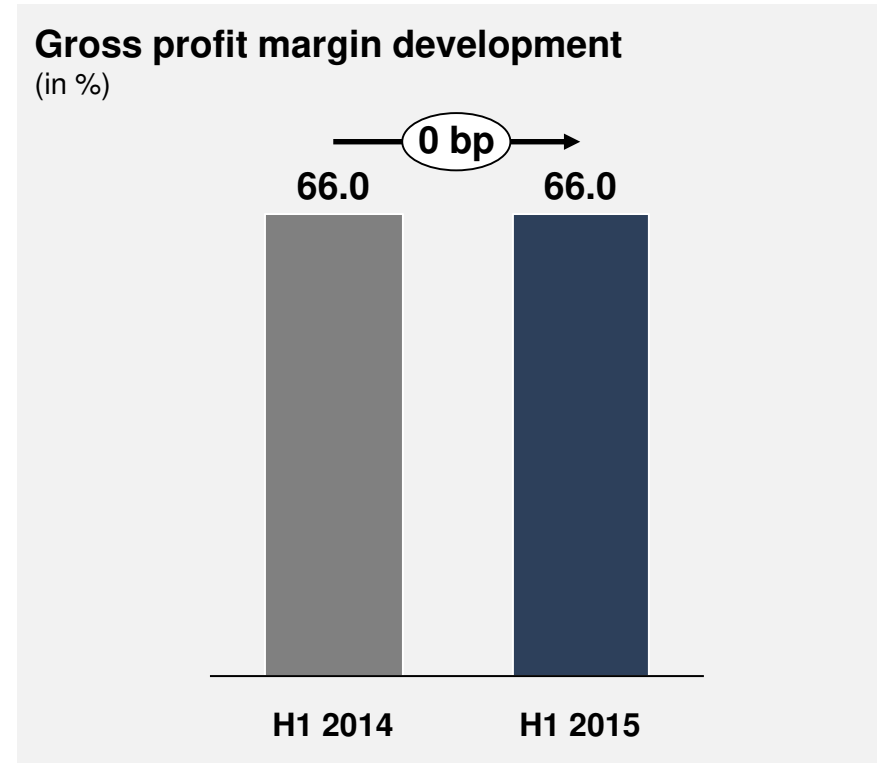
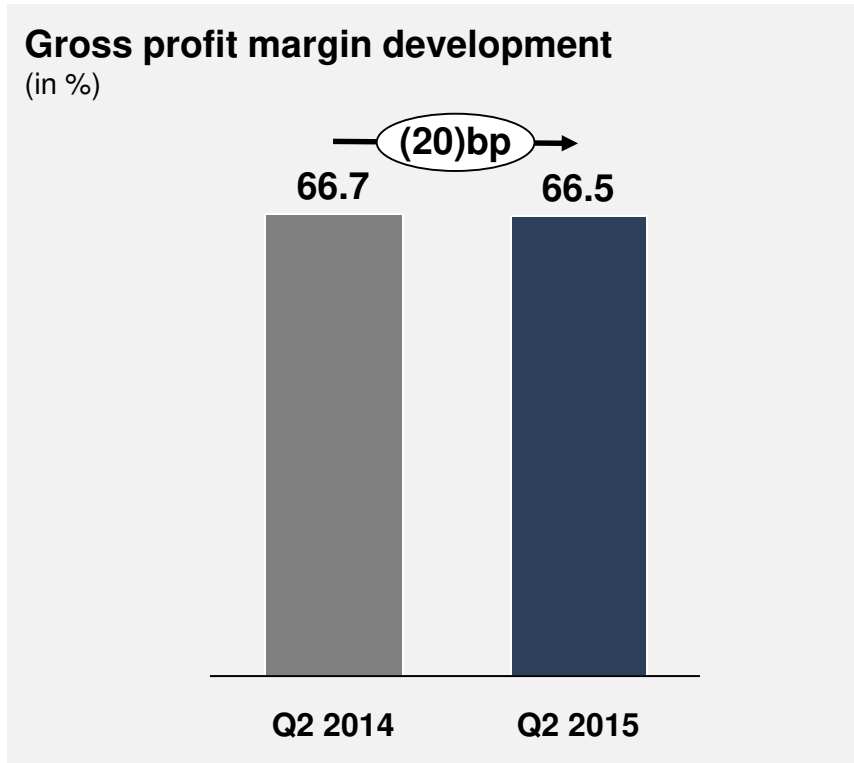
\*Incl. Middle East and Africa

## Like-for-like growth acceleration drives robust retail sales increase in Q2



- Improved comp store sales growth of 6% in Q2 (H1: 5%) contributes to **retail** sales increase
- **Wholesale** affected by takeover-related sales shifts
- Eyewear and watches support strong development of **license business**

## Gross profit margin remains stable in first half year



- Positive distribution channel mix supports margin development in the first half year
- Rebates increase in the second quarter
- Negative inventory valuation effect moderates in the second quarter



## Solid increase of adjusted Group EBITDA despite double-digit cost growth

in EUR million	H1 2015	H1 2014	Change in %
<b>Sales</b>	<b>1,314.6</b>	<b>1,171.5</b>	<b>12</b>
<b>Gross profit</b>	<b>867.3</b>	<b>773.6</b>	<b>12</b>
In % of sales	66.0	66.0	0 bp
Selling and distribution expenses	(532.2)	(460.4)	(16)
Administration expenses	(138.0)	(120.8)	(14)
Other operating income and expenses	0.1	(0.8)	
<b>Operating result (EBIT)</b>	<b>197.2</b>	<b>191.6</b>	<b>3</b>
In % of sales	15.0	16.4	(140) bp
<b>Financial result</b>	<b>(7.3)</b>	<b>(4.0)</b>	<b>(83)</b>
<b>Earnings before taxes</b>	<b>189.9</b>	<b>187.6</b>	<b>1</b>
Income taxes	(43.7)	(43.2)	(1)
<b>Net income</b>	<b>146.2</b>	<b>144.4</b>	<b>1</b>
Attributable to:			
Equity holders of the parent company	146.1	143.2	2
<b>Earnings per share (EUR)*</b>	<b>2.12</b>	<b>2.07</b>	<b>2</b>
<b>EBITDA before special items</b>	<b>254.8</b>	<b>241.5</b>	<b>6</b>
In % of sales	19.4	20.6	(120) bp
Special items	0.1	(0.8)	

- Currency translation effects impact overall operating expense development
- Selling and distribution expenses grow due to marketing and retail upgrades and expansion
- Administration expense increase reflects ongoing business model transformation
- Only stable gross margin development and cost growth weigh on EBITDA margin development

\*Basic and diluted earnings per share

## Currency translation effects distort regional profitability development

### Segment profit

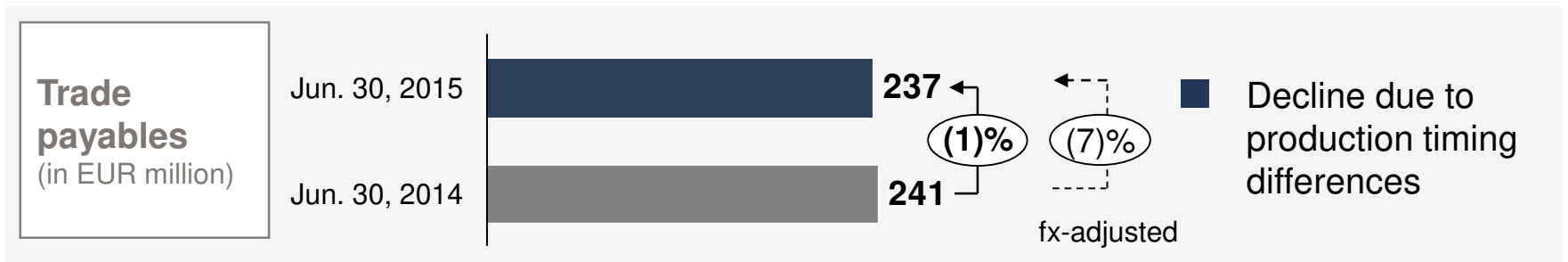
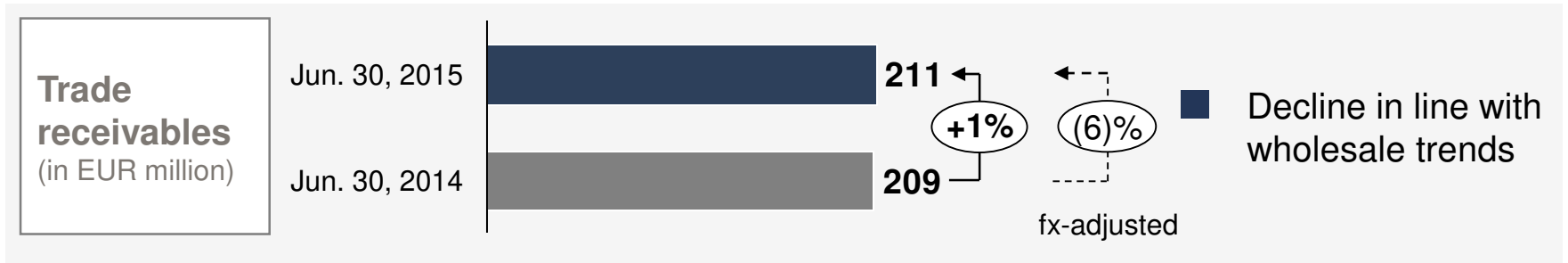
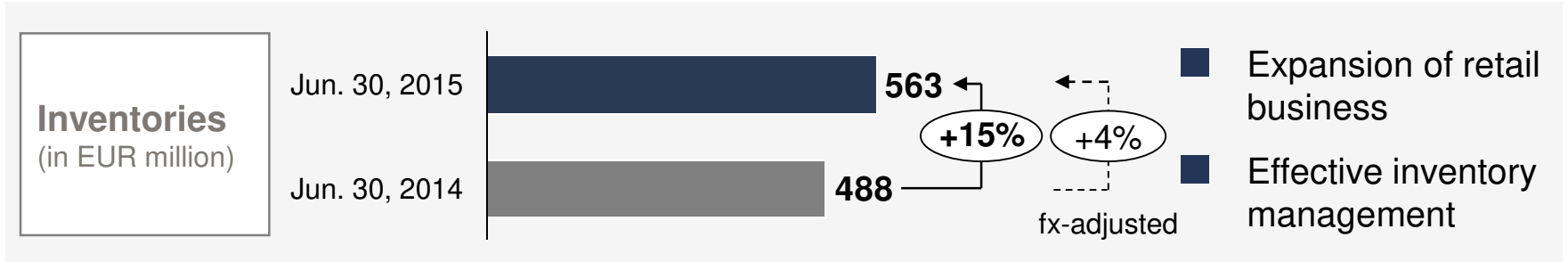
in EUR million

	H1 2015	In % of sales	H1 2014	In % of sales	Change in %
Europe*	244.1	31.6	243.0	33.5	0
Americas	81.6	25.9	61.3	24.0	33
Asia/Pacific	53.4	26.8	50.0	30.3	7
Licenses	21.9	80.2	20.4	82.5	7
<b>Segment profit operating segments</b>	<b>401.0</b>	<b>30.5</b>	<b>374.7</b>	<b>32.0</b>	<b>7</b>
<b>Corporate units/consolidation</b>	<b>(146.2)</b>		<b>(133.2)</b>		<b>(10)</b>
<b>EBITDA before special items</b>	<b>254.8</b>	<b>19.4</b>	<b>241.5</b>	<b>20.6</b>	<b>6</b>

- Margin decline in **Europe** due to currency effects and higher selling and distribution expenses
- Positive currency translation effects more than offset higher rebates in the **Americas**
- Mixed sales trends, takeovers and higher selling and distribution expenses impact margins in **Asia/Pacific**

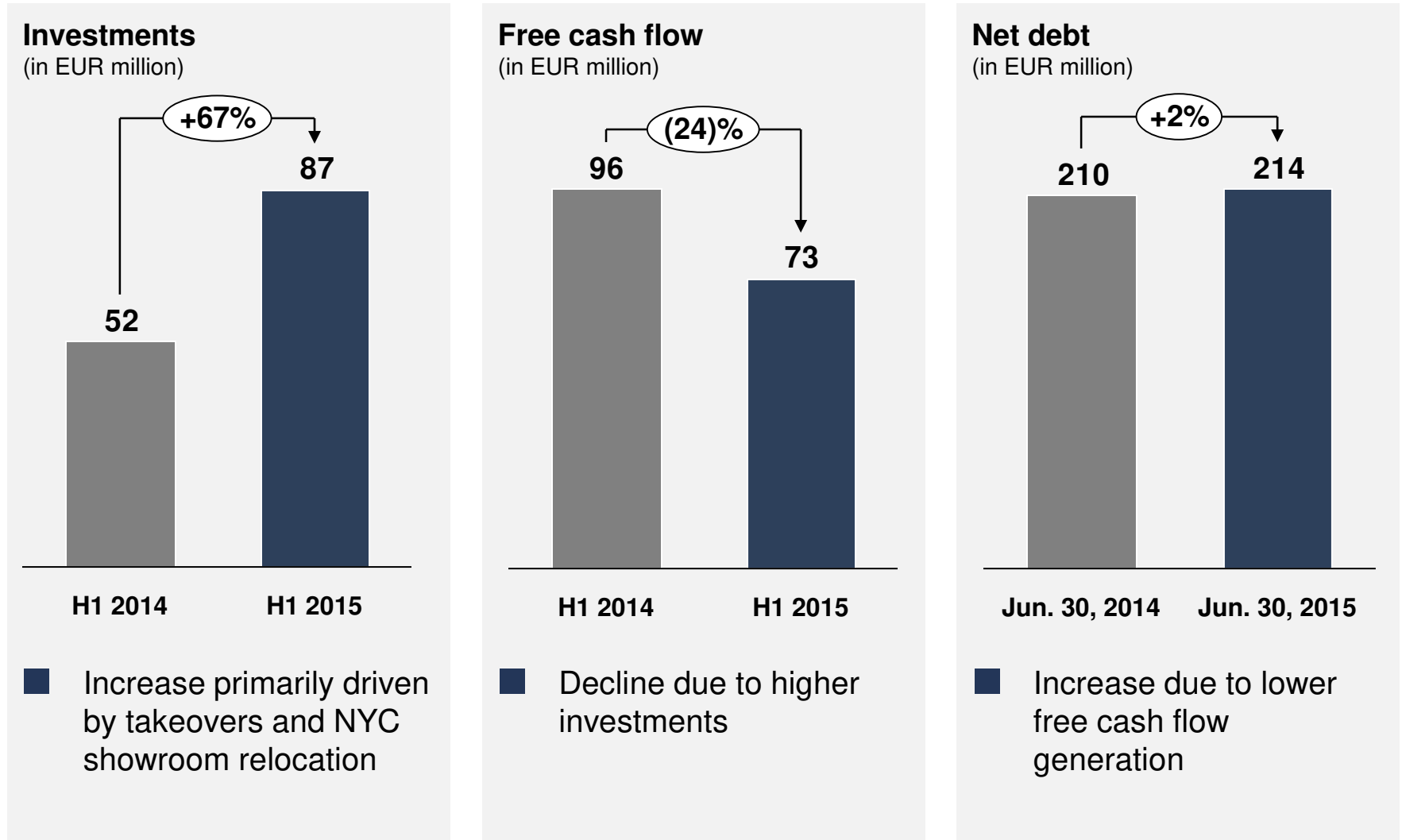
\*Incl. Middle East and Africa

## Inventory growth moderates significantly compared to previous quarters



Trade net working capital up 18% to EUR 537 million, up 5% currency-adjusted

## Free cash flow declines due to higher capital expenditures



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**Strategic Outlook 2015 and beyond**

**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



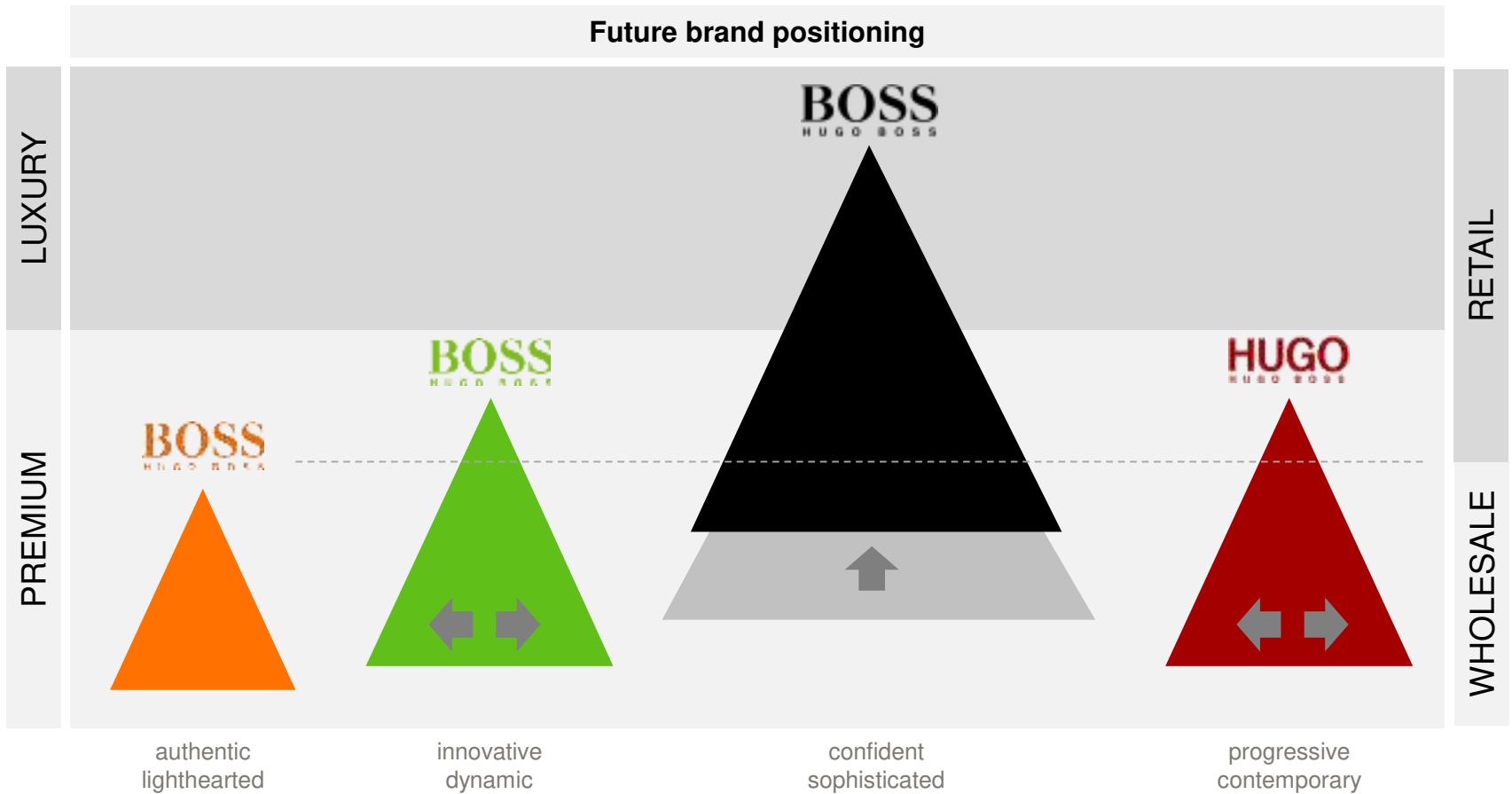
Build omnichannel to drive own retail online and offline



Exploit growth opportunities in under-penetrated markets

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

# BOSS brand elevation upgrades the offering and drives retail sales growth



## HUGO and BOSS Green to substitute 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 in European wholesale progressing as planned

- HUGO and BOSS Green substitute BOSS Menswear in multi-brand category spaces in wholesale
- Migration process completed in Germany, roll-out in rest of Europe ongoing
- Retailer feedback and order intake in line with original expectations



BOSS Store Frankfurt, Börsenstraße

## Double-digit growth of BOSS Womenswear partly offset by other brands



BOSS Womenswear sales up 12% currency-adjusted in H1, overall womenswear +5%

## Iconic BOSS Bespoke Bag launches with Fall/Winter 2015 collection



Launch reflects importance of S&A in defining brand identity and driving brand desirability

## Continuous expansion and upgrade of retail store portfolio

### Number of own retail stores as of June 30, 2015

(December 31, 2014: 1,041)

<b>TOTAL</b>	<b>1,088 (+47)</b>
Total selling space	147,000 sqm (+4%)
Openings	86
thereof takeovers	51
Closings	39

<b>Europe*</b>	<b>603 (+8)</b>
Openings	31
thereof takeovers	6
Closings	23

<b>Americas</b>	<b>204 (0)</b>
Openings	5
thereof takeovers	1
Closings	5

<b>Asia/Pacific</b>	<b>281 (+39)</b>
Openings	50
thereof takeovers	44
Closings	11

\*Incl. Middle East and Africa

## Takeovers remain important part of retail expansion

### South Korea

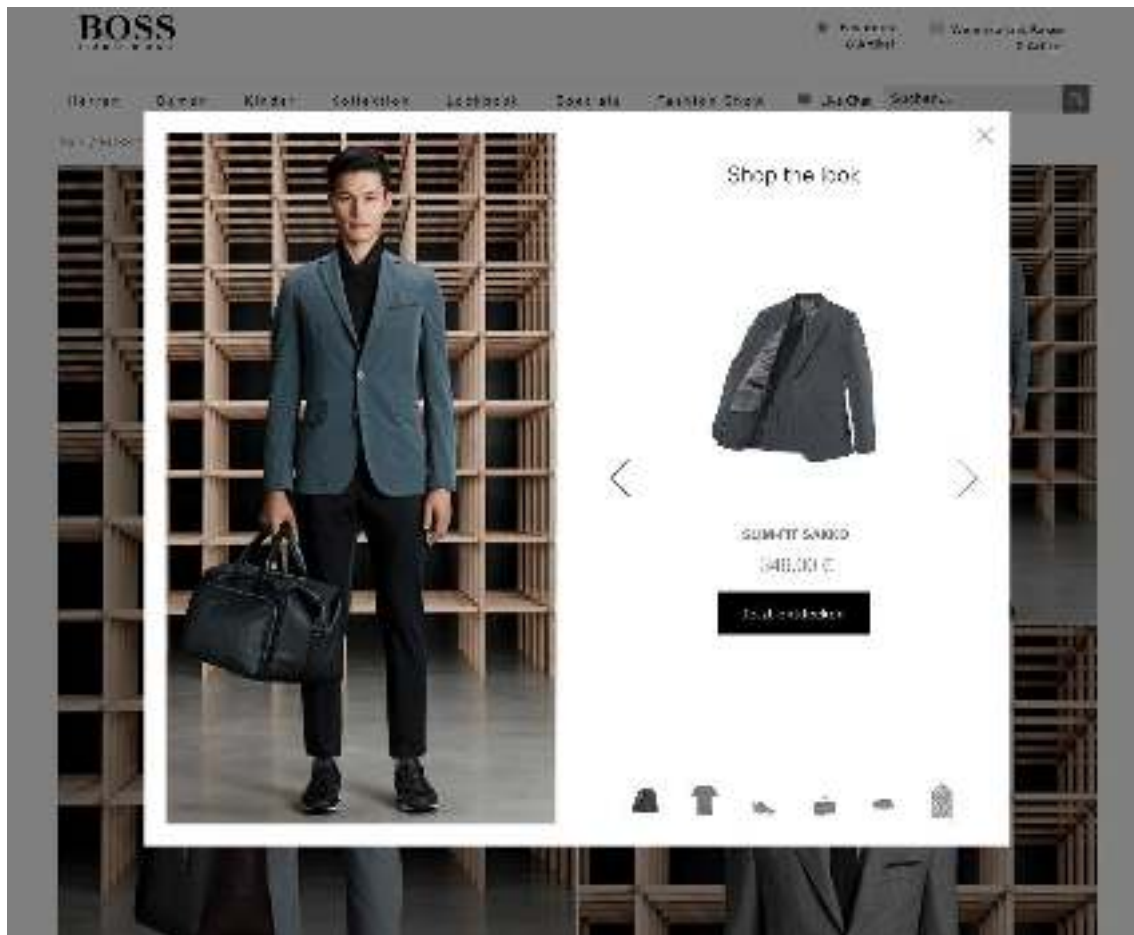
- Key fashion and trend-setting market in Southeast Asia
- Takeover effective March 1, 2015
- 17 freestanding stores
- Direct management of 6 duty free stores to tap full potential of travel retail business

### China

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

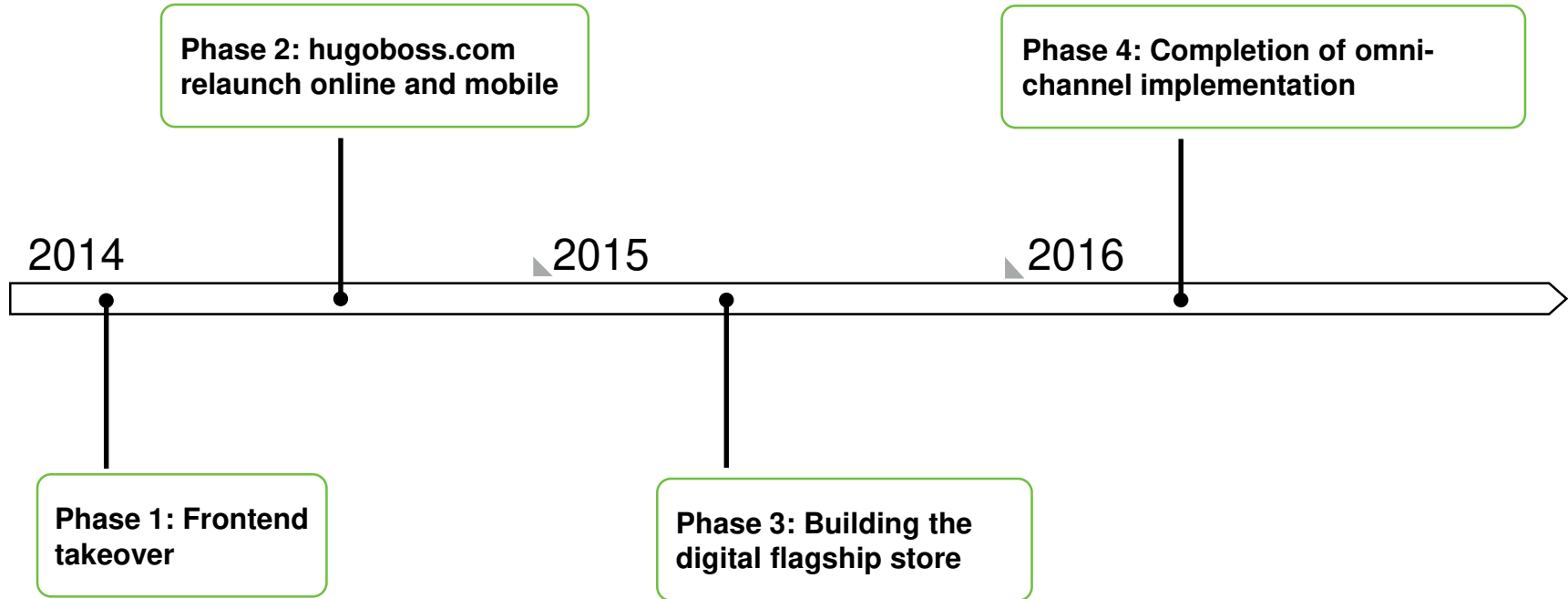
Stronger brand presentation in Asia/Pacific to drive brand perception and sales

## Online sales growth acceleration reflects progress on road to omnichannel



▶ Online sales up 34% currency-adjusted in the second quarter, +23% in H1

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



Insourcing of online fulfillment in H1 2016 key prerequisite for implementation of omnichannel services in H2 2016 and beyond

## 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 / 2016
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



## Region Europe to lead the Group's growth in 2015

### Europe\*



- Ongoing strength in the UK, other major markets improved in Q2
- Tourism adds to pick up of domestic demand

### Americas



- Promotional environment warrants cautious approach to US wholesale business
- Retail improvements under way

### Asia/Pacific



- Good momentum in Australia and Japan
- Focus on brand and retail management to partly offset market decline in China

\*Incl. Middle East and Africa

## New flat-packed goods distribution center operational since 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 in August

### Outlook 2015

Sales growth (currency-adjusted)

Mid-single-digit rate

Growth of  
EBITDA before special items

5% - 7%

Capex

EUR 220 million – EUR 240 million

Own retail network

Around 65 openings (excl. takeovers)

## Focus on long-term growth irrespective of current market challenges

- Solid first half year performance in a tough market environment
- Good progress made in strategic focus areas
- HUGO BOSS committed to invest in long-term growth



BOSS Store Düsseldorf, Breidenbacher Hof

**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\*



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

**61%**

Germany:	17%	(of Group Sales)
Great Britain:	10%	
France:	7%	
Benelux:	6%	
Other:	21%	



**Americas**

**23%**

U.S.:	18%
Canada:	3%
Central & South America:	2%



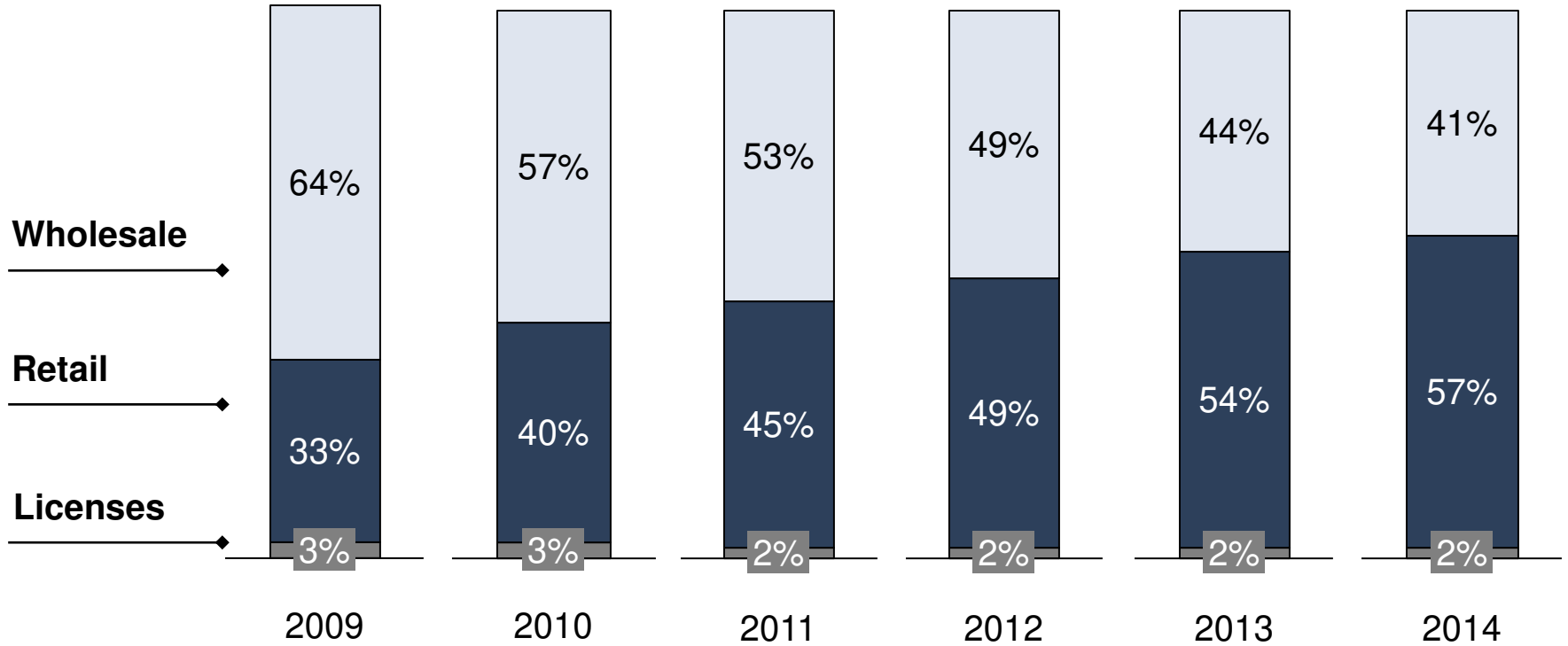
**Asia/Pacific**

**14%**

China:	8%
Oceania:	2%
Japan:	1%
Other:	3%

\*+2% Licenses

## Sales by distribution channel

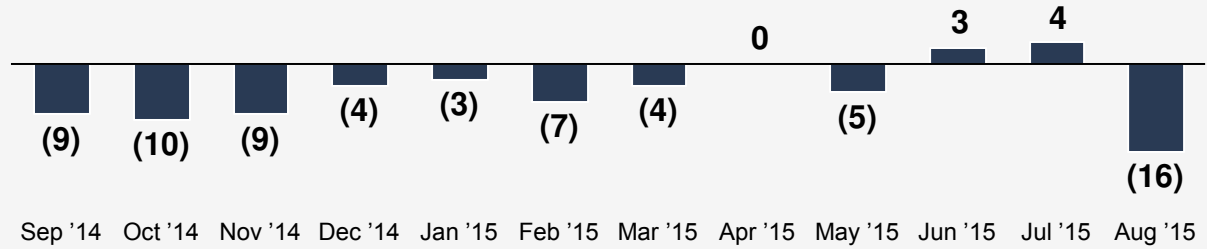


Retail to account for at least 75% of Group sales by 2020

## Key market data

### German apparel market

Retail sales growth  
(in %)\*



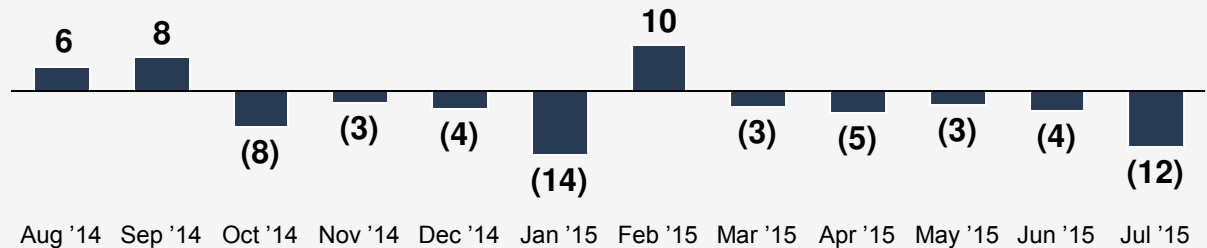
### Chinese men's luxury apparel market

Retail sales growth  
(in %)\*\*



### Hong Kong Clothing & Footwear market

Retail sales growth  
(in %)\*\*\*



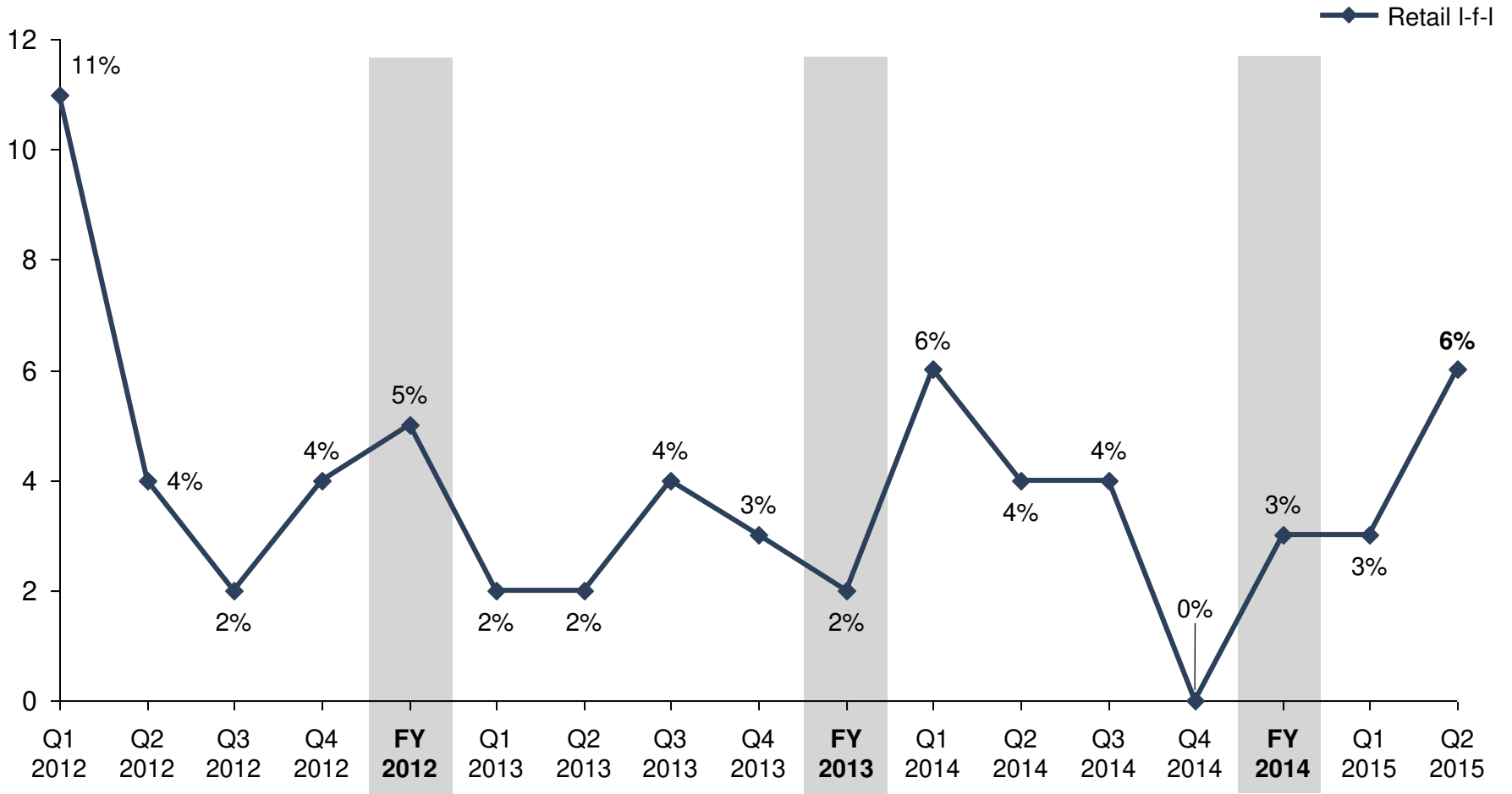
\*Source: TextilWirtschaft, based on TW-Testclub Panel

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

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

# Retail comp stores sales growth

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



\*fx-adjusted

## Income statement

in EUR million

	Q2 2015	Q2 2014	Change in %	H1 2015	H1 2014	Change in %
<b>Sales</b>	<b>647.1</b>	<b>558.9</b>	<b>16</b>	<b>1,314.6</b>	<b>1,171.5</b>	<b>12</b>
Cost of sales	(216.7)	(185.8)	(17)	(447.3)	(397.9)	(12)
<b>Gross profit</b>	<b>430.4</b>	<b>373.1</b>	<b>15</b>	<b>867.3</b>	<b>773.6</b>	<b>12</b>
In % of sales	66.5	66.7	(20) bp	66.0	66.0	0 bp
Selling and distribution expenses	(268.0)	(227.9)	(18)	(532.2)	(460.4)	(16)
Administration expenses	(69.6)	(60.0)	(16)	(138.0)	(120.8)	(14)
Other operating income and expenses	1.6	(2.3)		0.1	(0.8)	
<b>Operating result (EBIT)</b>	<b>94.4</b>	<b>82.9</b>	<b>14</b>	<b>197.2</b>	<b>191.6</b>	<b>3</b>
In % of sales	14.6	14.8	(20) bp	15.0	16.4	(140) bp
Net interest income/expense	(2.9)	(1.5)	(93)	(3.8)	(2.0)	(90)
Other financial items	0.3	0.1	> 100	(3.5)	(2.0)	(75)
<b>Financial result</b>	<b>(2.6)</b>	<b>(1.4)</b>	<b>(86)</b>	<b>(7.3)</b>	<b>(4.0)</b>	<b>(83)</b>
<b>Earnings before taxes</b>	<b>91.8</b>	<b>81.5</b>	<b>13</b>	<b>189.9</b>	<b>187.6</b>	<b>1</b>
Income taxes	(21.1)	(18.7)	(13)	(43.7)	(43.2)	(1)
<b>Net income</b>	<b>70.7</b>	<b>62.8</b>	<b>13</b>	<b>146.2</b>	<b>144.4</b>	<b>1</b>
Attributable to:						
Equity holders of the parent company	70.6	62.5	13	146.1	143.2	2
Non-controlling interests	0.1	0.3	(67)	0.1	1.2	(92)
<b>Earnings per share (EUR)*</b>	<b>1.02</b>	<b>0.90</b>	<b>13</b>	<b>2.12</b>	<b>2.07</b>	<b>2</b>
<b>EBITDA before special items</b>	<b>123.3</b>	<b>110.2</b>	<b>12</b>	<b>254.8</b>	<b>241.5</b>	<b>6</b>
In % of sales	19.1	19.7	(60) bp	19.4	20.6	(120) bp
Special items	1.6	(2.3)		0.1	(0.8)	

\*Basic and diluted earnings per share

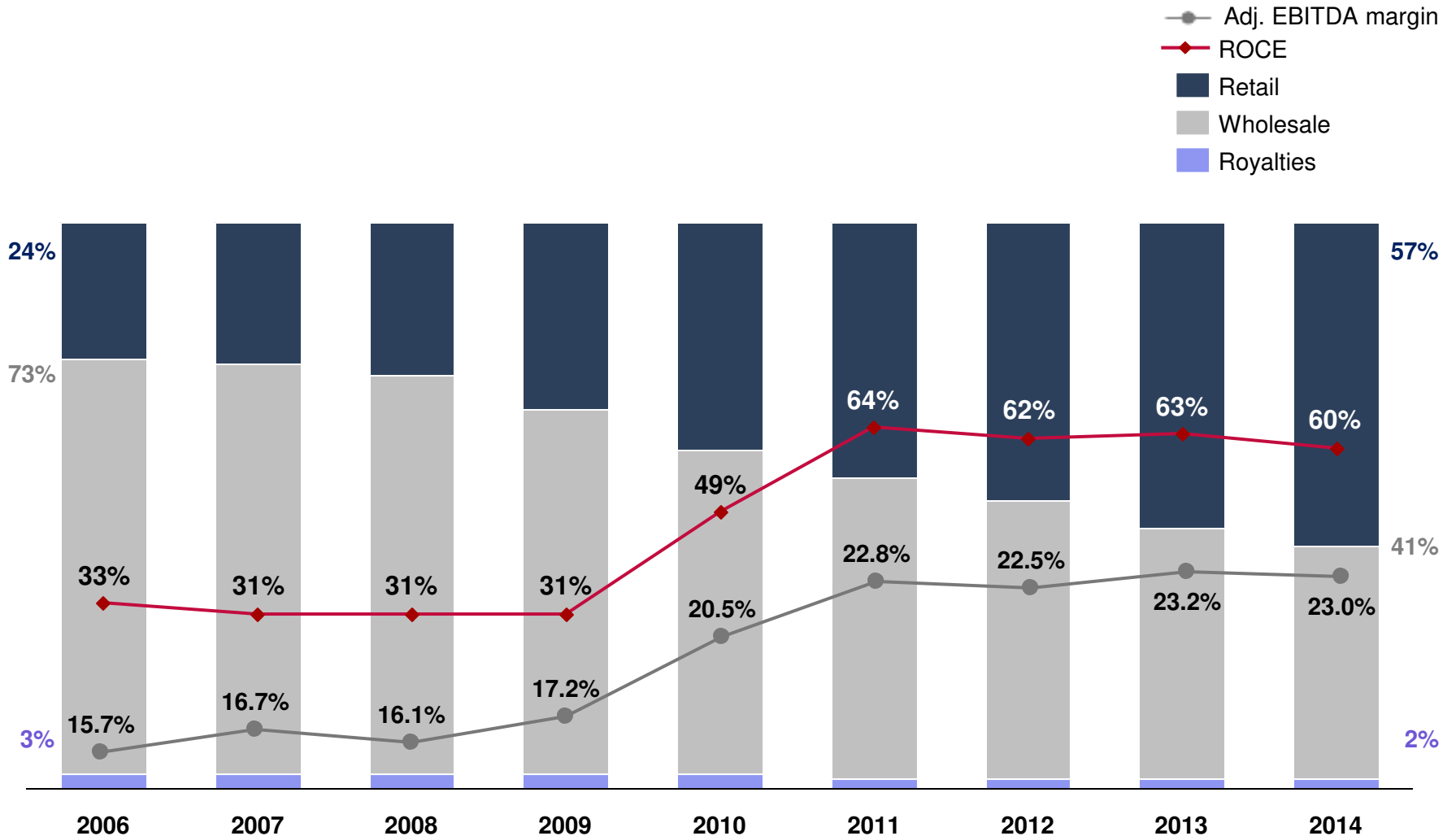
## 5-Year Overview

in EUR million	2014	2013	2012	2011	2010	2009
<b>Earnings Position</b>						
Sales	2,571.6	2,432.1	2,345.9	2,058.8	1,729.4	1,561.9
Gross profit	1,699.1	1,579.6	1,444.1	1,252.0	1,022.4	836.2
EBITDA	571.5	561.4	523.9	468.0	340.1	226.5
EBITDA before special items	590.8	564.7	528.1	469.5	353.7	269.2
EBIT	448.7	456.2	432.0	394.6	267.9	157.4
Net income attributable to equity holders of the parent company	333.3	329.0	306.5	284.9	188.9	105.5
<b>Financial Position and Dividend</b>						
Free cash flow	268.4	230.0	220.6	194.9	246.3	299.5
Net debt	35.7	57.0	130.4	149.1	201.1	379.1
Capital expenditures	134.7	185.3	165.8	108.5	55.6	48.3
Depreciation/amortization	122.8	105.3	91.9	73.4	72.2	69.1
Dividend	249.8	230.5	215.3	199.1	139.7	66.6
<b>Asset and Liability Structure</b>						
Total assets	1,661.8	1,501.3	1,577.2	1,419.6	1,342.8	1,065.4
Shareholders' equity	843.9	740.3	631.6	517.3	361.2	205.5
Trade net working capital	503.0	431.8	408.5	399.6	322.7	295.6
Non-current assets	660.3	611.5	587.7	503.2	454.5	435.0
<b>Key Ratios</b>						
Gross profit margin in %	66.1	64.9	61.6	60.8	59.1	53.5
Adjusted EBITDA margin in %*	23.0	23.2	22.5	22.8	20.5	17.2
Total leverage**	0.1	0.1	0.2	0.3	0.6	1.4
Equity ratio in %	50.8	49.3	40.0	36.4	26.9	19.3

\*EBITDA before special items/Sales

\*\*Net financial liabilities/EBITDA before special items

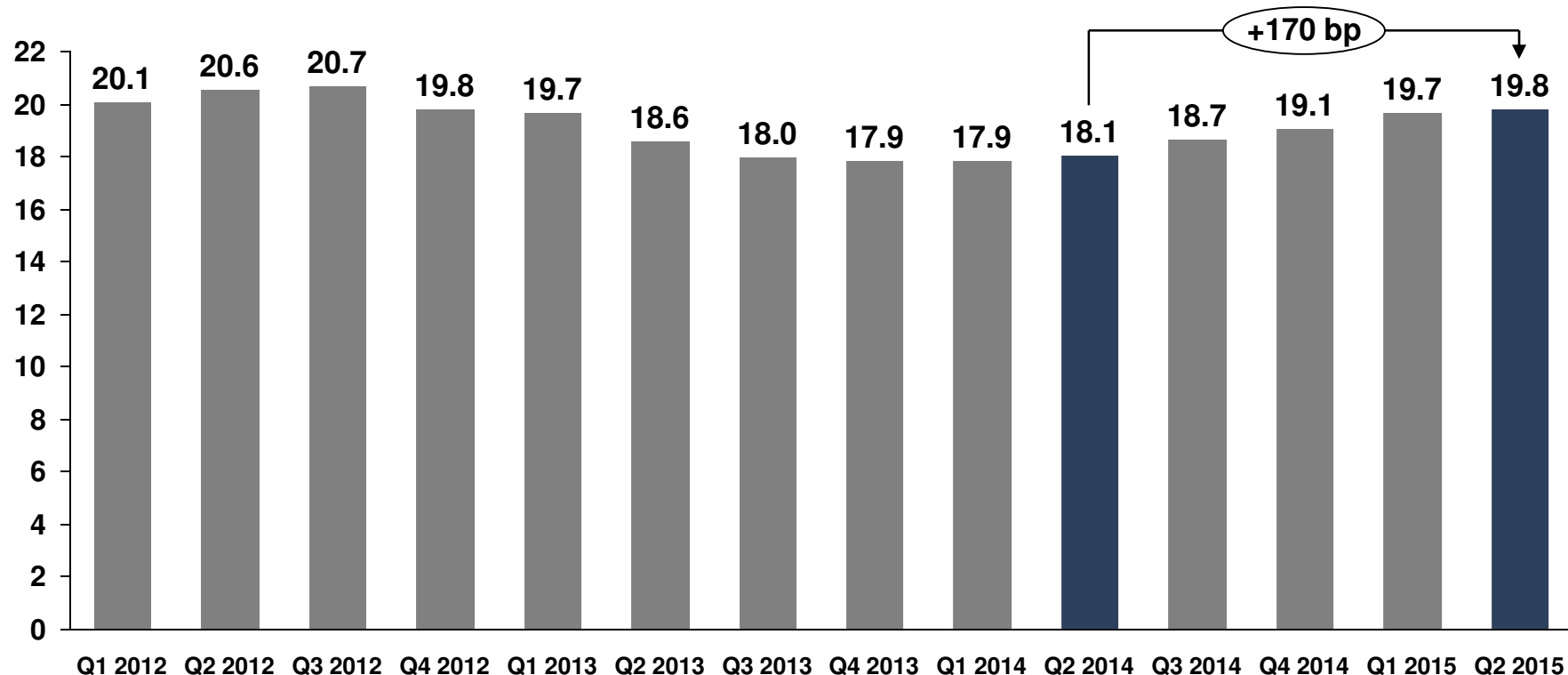
## EBITDA margin and ROCE vs. channel mix



## Trade net working capital

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

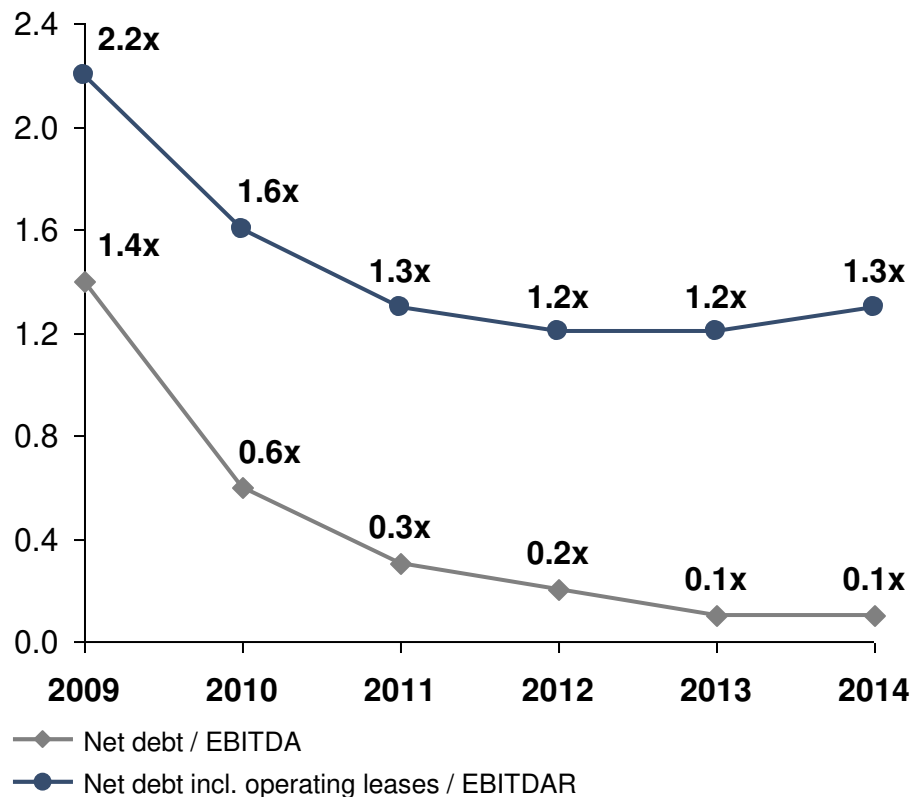
(in %)



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

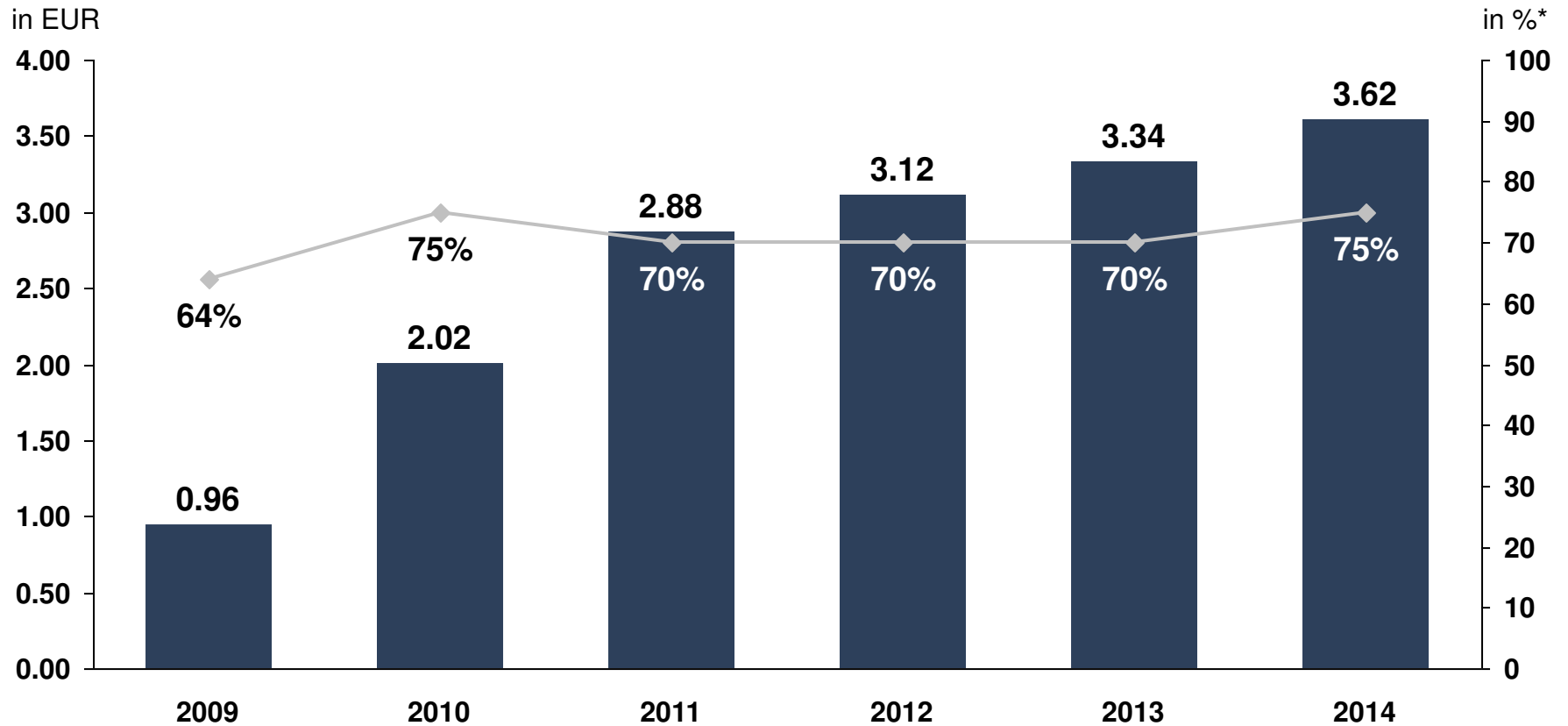


## Adjusted financial leverage



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

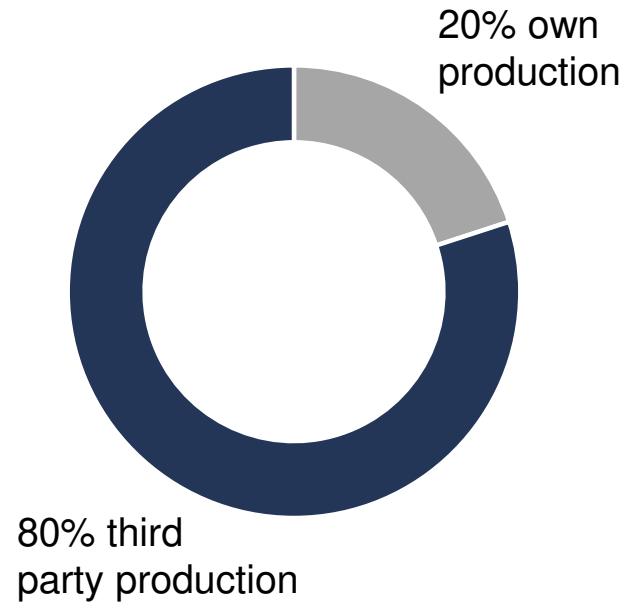
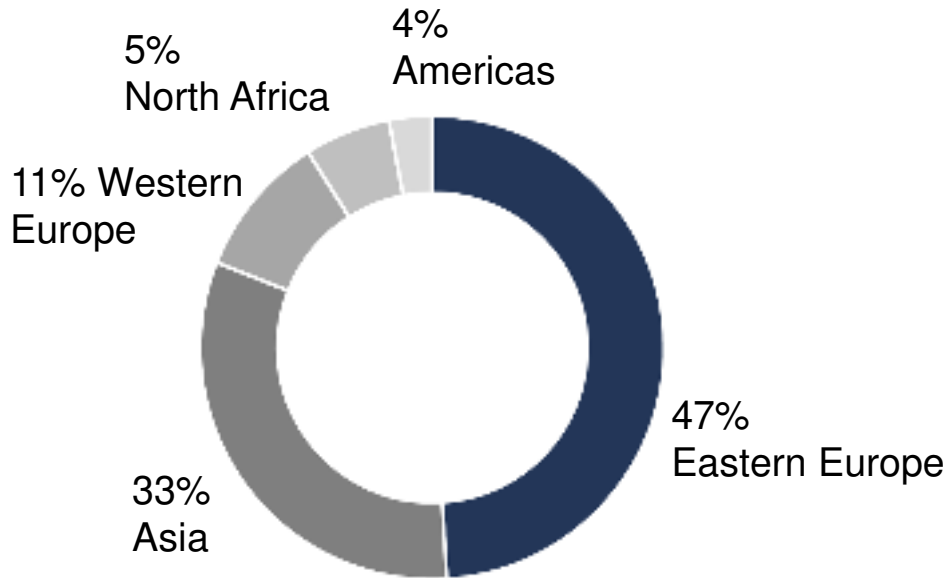
## Dividend and payout ratio



Dividend in line with distribution policy of 60% to 80% payout of consolidated net profit

\*As a percentage of net profit attributable to the shareholders of the parent company

## Sourcing and production structure 2014\*



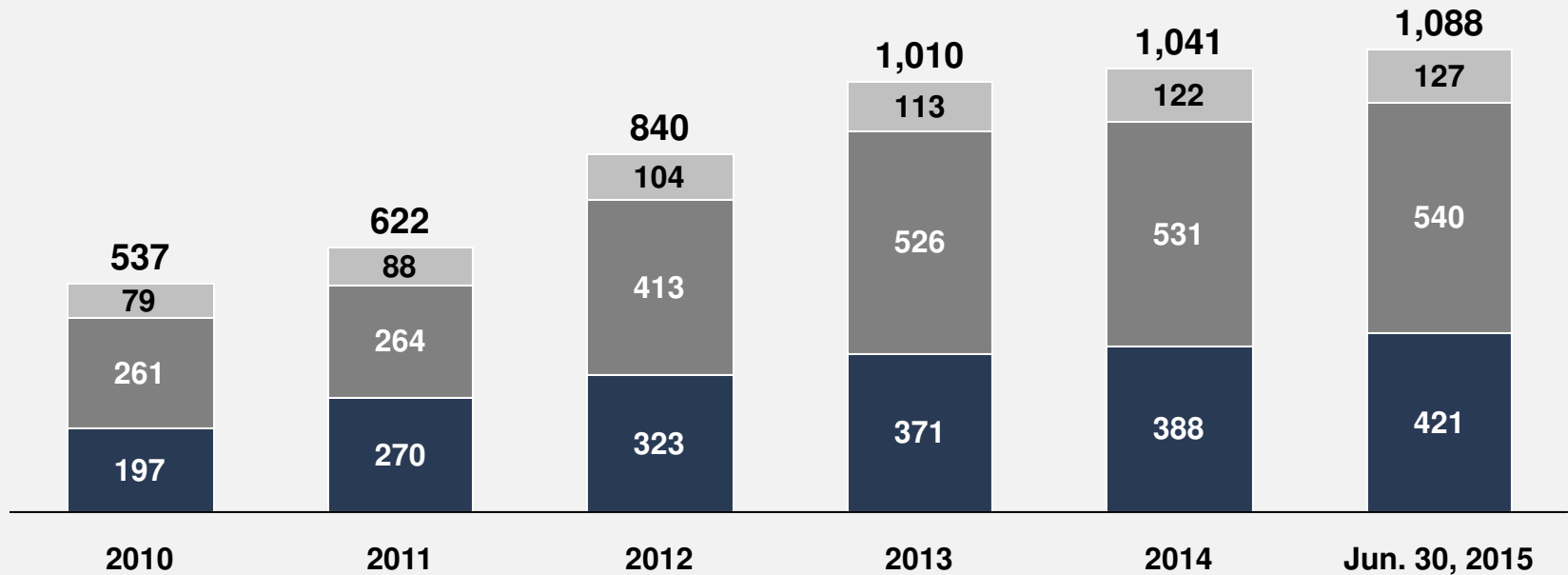
\*Percentage based on value of procurement volumes

## Retail network

### Number of own retail stores

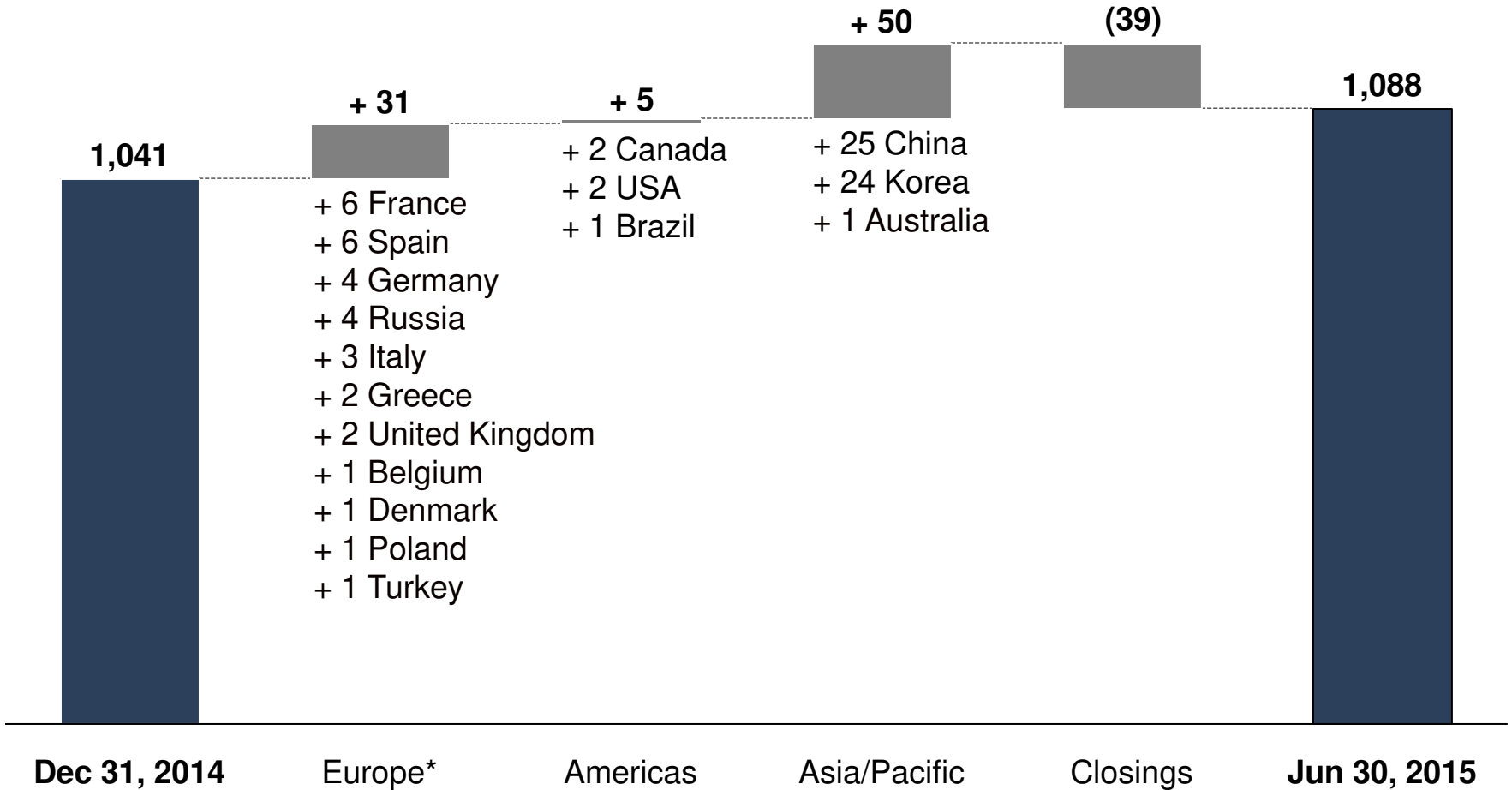
as of December 31

- Outlets
- Shop-in-Shops
- Freestanding stores



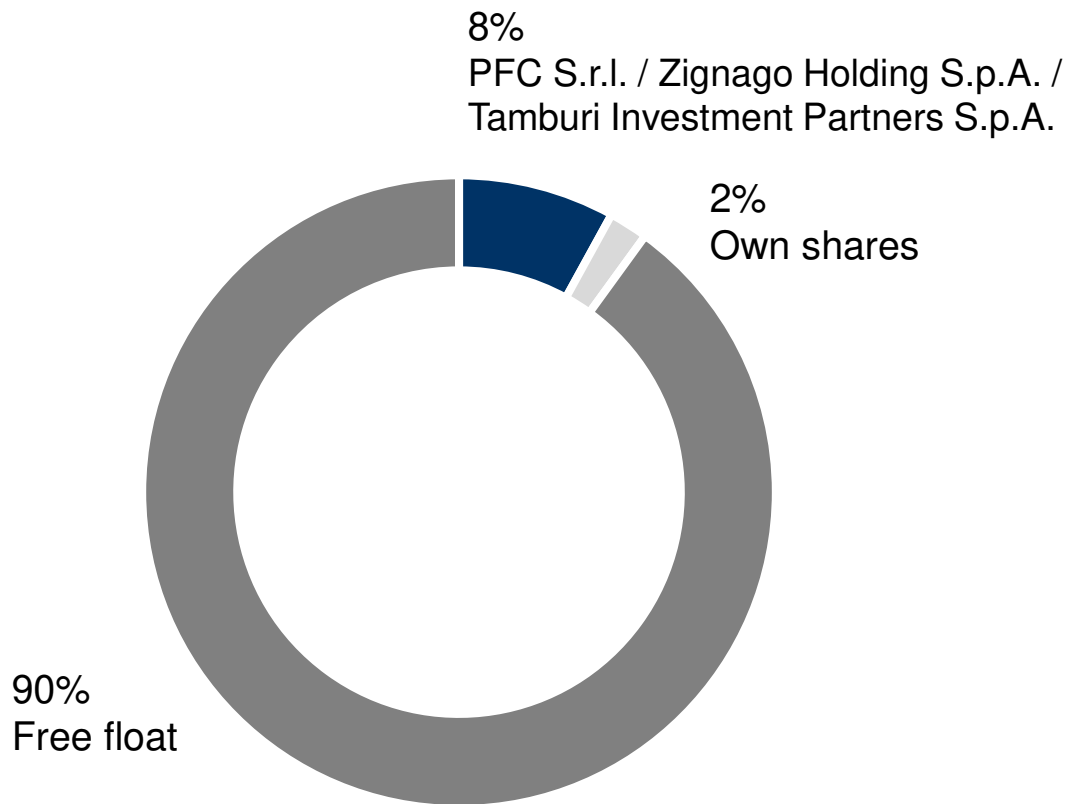
## Retail network (continued)

### Number of own retail stores



\*Europe incl. Middle East and Africa

## Shareholder structure\*



\*Source: Share register, voting rights notifications

## Financial calendar 2015

Date	Event
November 3, 2015	Nine Months Results
November 24, 2015	Investor Day, Metzingen, Germany

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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**