

**H U G O   B O S S**

---

## **German Corporate Conference // Kepler Cheuvreux**

HUGO BOSS Company Presentation

Mark Langer, CFO

January 20, 2016

---

## Agenda

**Group strategy update**

**Omnichannel strategy**

**Financial outlook and summary**

## Agenda

**Group strategy update**

**Omnichannel strategy**

**Financial outlook and summary**

## Every element of Group strategy must contribute to turning these challenges into opportunities



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 underpenetrated markets

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

## Brand elevation aims to increase luxury share to 20% of BOSS sales by 2020



Elevate the BOSS core brand by engaging consumers emotionally



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



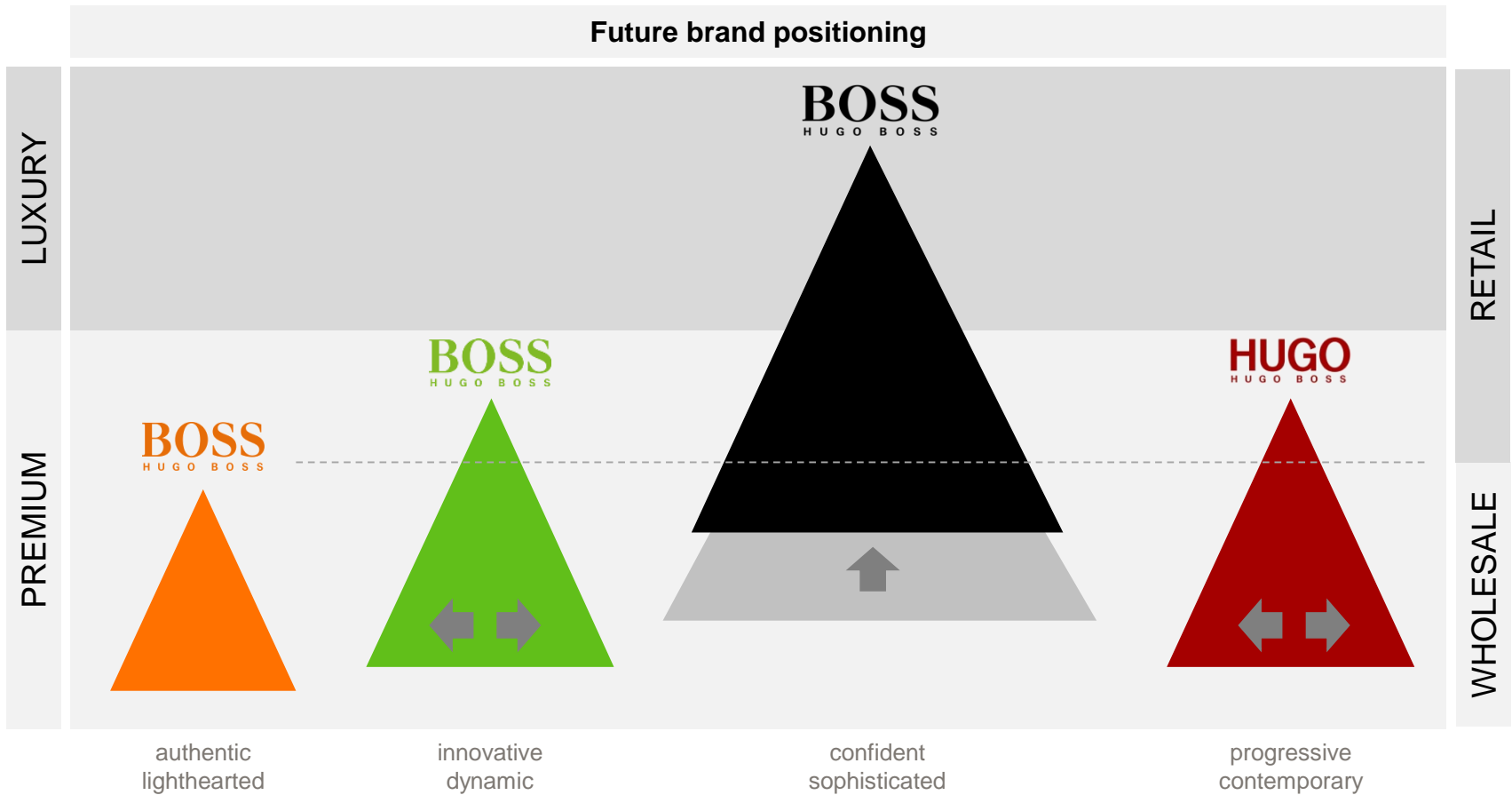
Build omnichannel to drive own retail online and offline



Exploit growth opportunities in underpenetrated markets










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

# An increasingly differentiated brand portfolio will support BOSS brand elevation



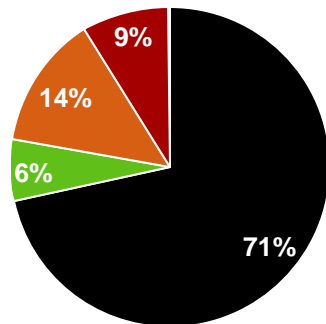
## The growing focus on BOSS in own retail supports increased basket sizes

- Increasing focus on BOSS core brand across menswear clothing, menswear sportswear and womenswear
- Demand-driven, gradual shift of offering towards more valuable, higher priced product
- Growing weight of BOSS Tailored and BOSS Made To Measure

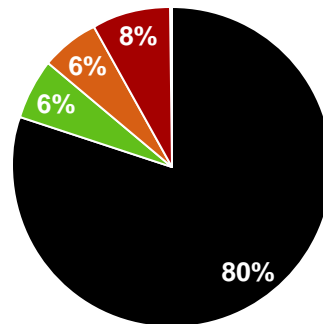
| Degree of company influence   | Trend in LFL components (DOS, YTD Sep 2015)   |
|---|---|
|  Traffic               |  |
|  Conversion rate       |  |
|  Units per transaction |  |
|  Average selling price |  |
| <b>Net sales</b>       |   |

### Space allocation by brand line (DOS)

As of December 31, 2013



By year-end 2016e










## The category migration process has been well received by wholesale partners in Europe

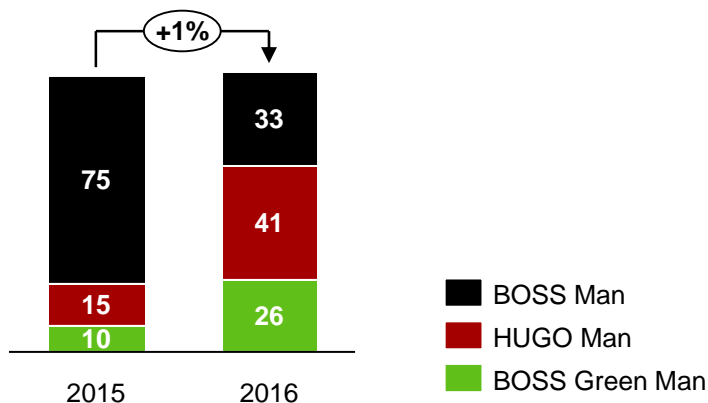
- Category migration process almost completed in Europe
- Distribution of BOSS core brand limited to shop-in-shops
- Substitution of BOSS core brand with HUGO and BOSS Green in category business

### Top 5 European wholesale markets 2015

|    |                |   |
|----|----------------|---|
| 1. | Germany        |  |
| 2. | United Kingdom |  |
| 3. | France         |  |
| 4. | Scandinavia    |  |
| 5. | Benelux        |  |

### Wholesale category business order book

(Top 8 EMEA WHS category customers, Spring/Summer 2015 vs. Spring/Summer 2016 // in %)



## Womenswear aims to account for at least 15% of Group sales by 2020



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 underpenetrated markets

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

**At least 75% of Group sales are to be generated through own retail by 2020**



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

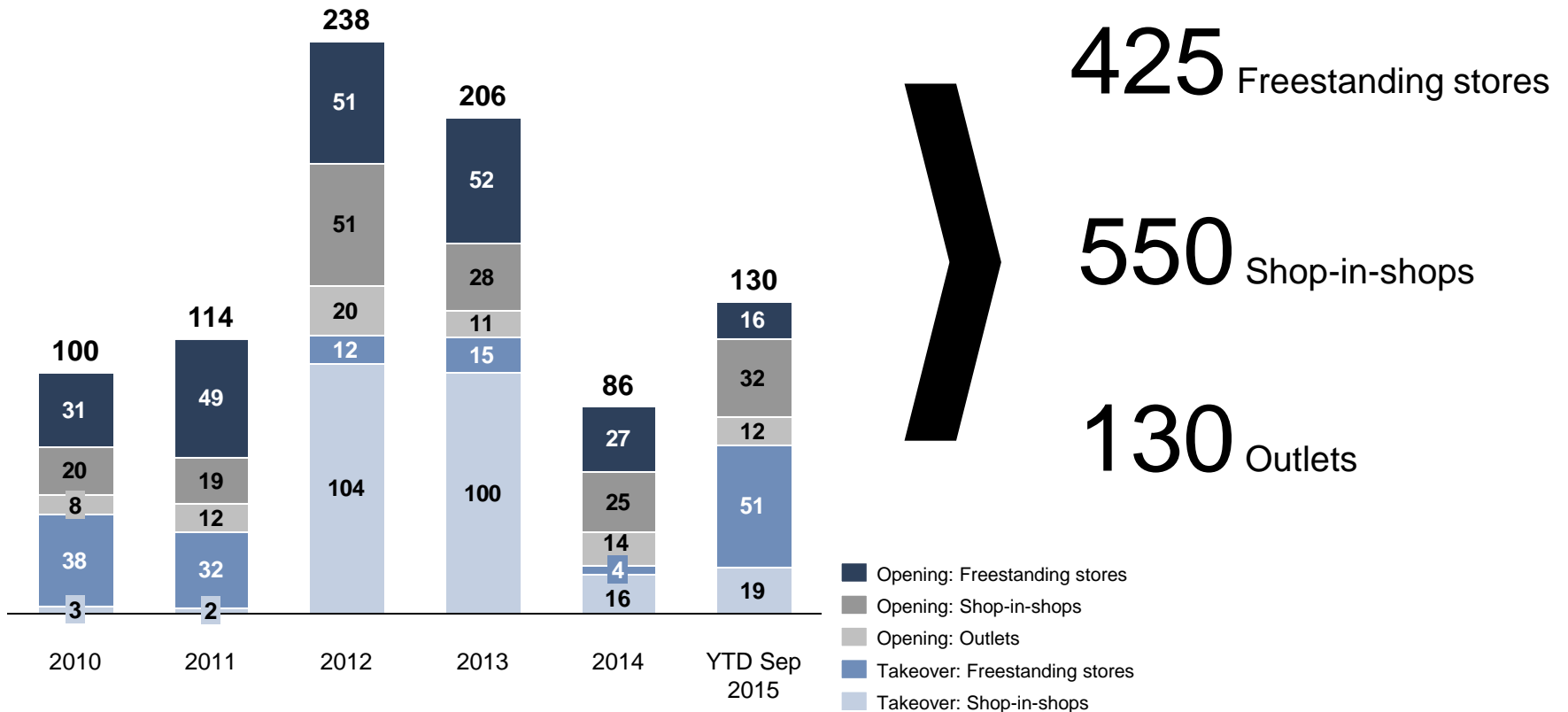


Exploit growth opportunities in underpenetrated markets

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

## New openings and takeovers have contributed to past retail expansion

Retail store expansion by format and type



## Store openings focus on key metropolitan areas



## Existing store network will be upgraded and optimized

Freestanding store network

- Potential to open between 10 and 15 new stores per annum

Renovations

- More than 100 renovations per annum, accounting for at least half of retail investment budget

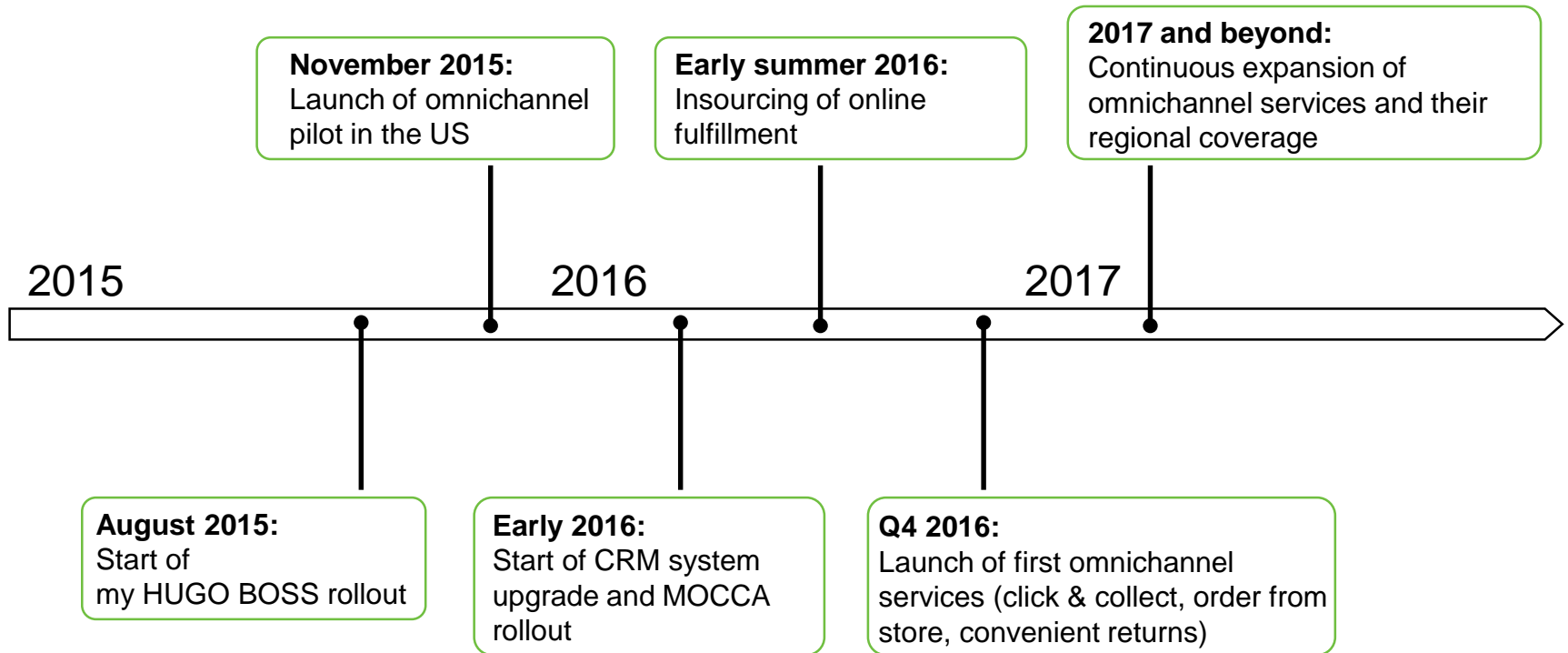
Shop-in-shop network

- Selective additional takeovers in department stores
- Ongoing consolidation of existing network

Franchise store takeovers

- Focus on smaller bolt-on acquisitions
- Takeovers in Russia and Malaysia planned in 2016

## Omnichannel is going to break the barriers between online and offline



Omnichannel will become increasingly important driver of retail sales growth online and offline

An accretive effect on the Group's margin development is expected after the investment phase in 2015 and 2016

## Underpenetrated markets are a source of long-term 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 underpenetrated markets

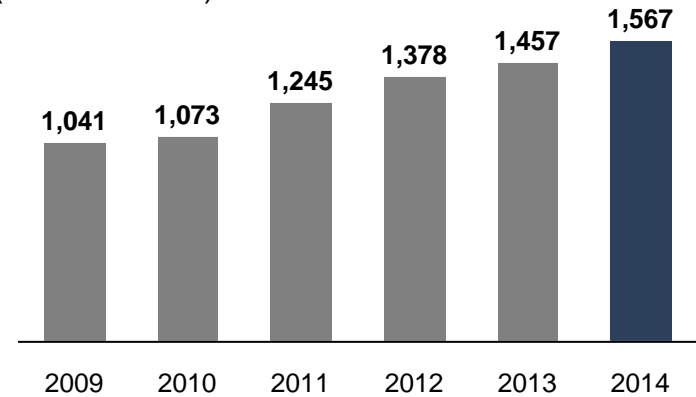
Further build the Group's operational strength to enable key strategy implementation



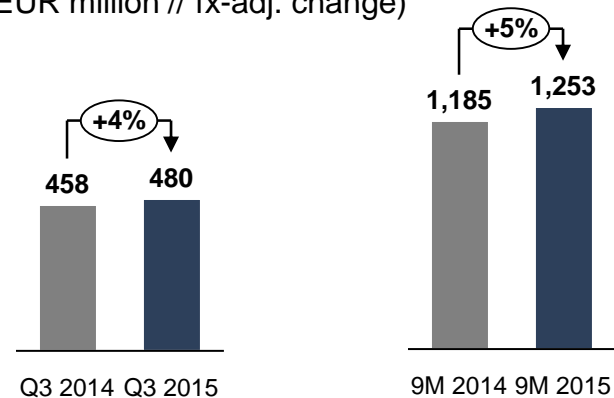
## Confident outlook for region Europe

- Good growth despite mixed market environment
- Continued transition to retail model business model builds on achievements in all areas of retail management
- Successful completion of category migration process supports uplift of BOSS brand perception at wholesale

**HUGO BOSS Europe sales development 2009-2014**  
(in EUR million)



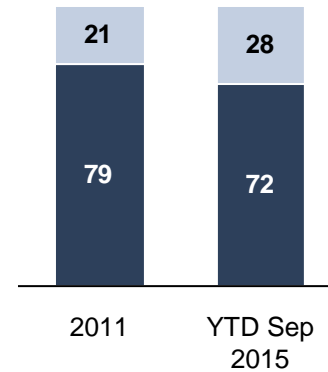
**HUGO BOSS Europe sales development 2015**  
(in EUR million // fx-adj. change)



## China remains the Group's biggest regional opportunity

- Increased focus on formalwear in merchandising and brand communication has sharpened brand perception and benefited sales
- Flagship openings and ongoing upgrade of ex-franchise stores contribute to quality of retail network
- Further steps planned to narrow price differences to other Asian markets in particular
- Cost efficiency improvements targeted in 2016

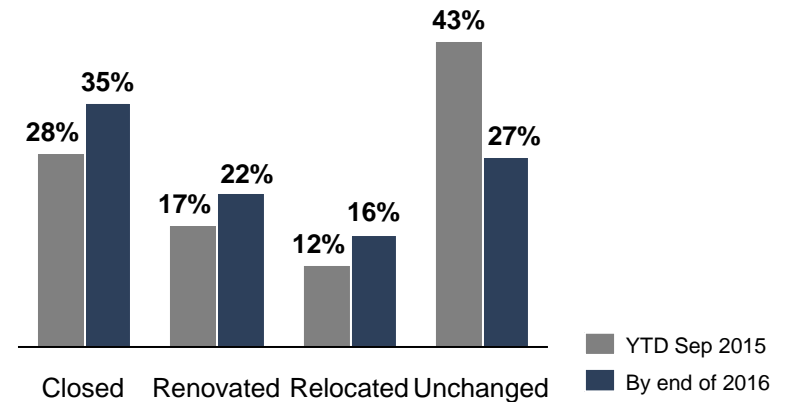
**China sales split**  
(in %)



**Global sales split**  
(in %)



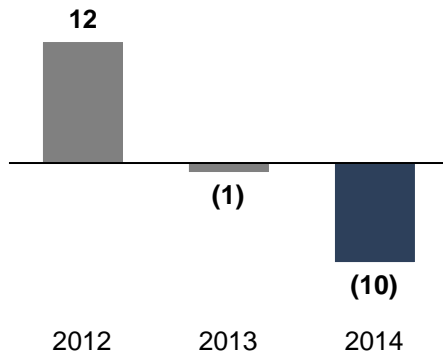
**Evolution of ex-franchise store base in China**  
(based on total of 69 stores taken over 2010 - 2015)



# The Chinese luxury apparel market is once more set to suffer a double-digit decline also in 2015

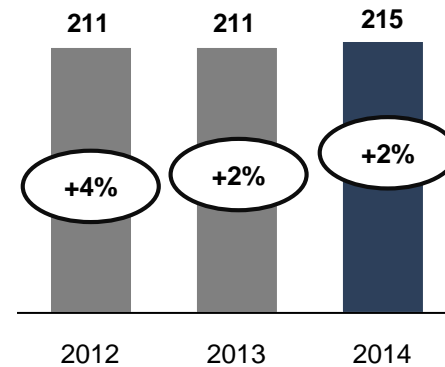
- Economic slowdown and stock market turbulence impacts local demand
- Hong Kong market undergoing structural change
- Robust sales growth with Chinese tourists in other Asian markets and Europe

**Chinese men's luxury apparel market (retail sales)**  
(change in %)

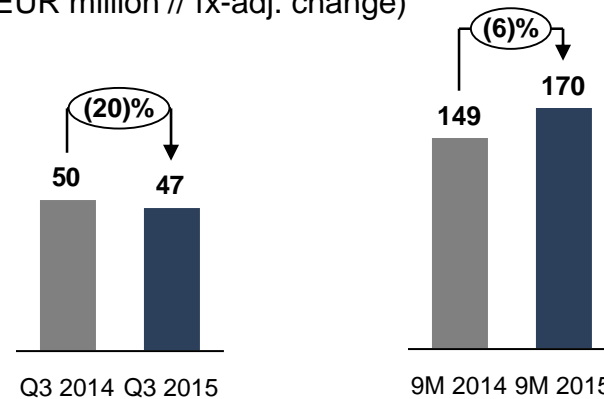


Source: Bain

**HUGO BOSS China sales development 2012-2014**  
(in EUR million // fx-adj. change)



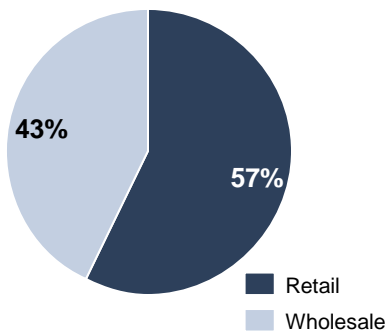
**HUGO BOSS China sales development 2015**  
(in EUR million // fx-adj. change)



## Performance in the US has deteriorated of late

- US business down 10% currency-adjusted in third quarter, down 2% year-to-date
- Weaker tourist business and restrained consumer spending trigger high levels of in-season promotional activity
- Traffic declines are affecting own retail performance

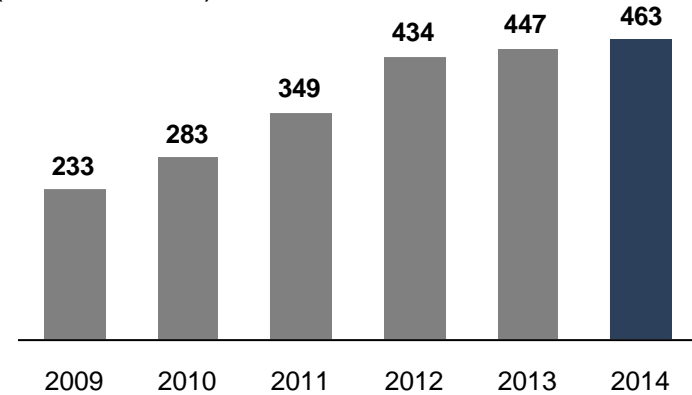
US sales mix by distribution channel (2014)



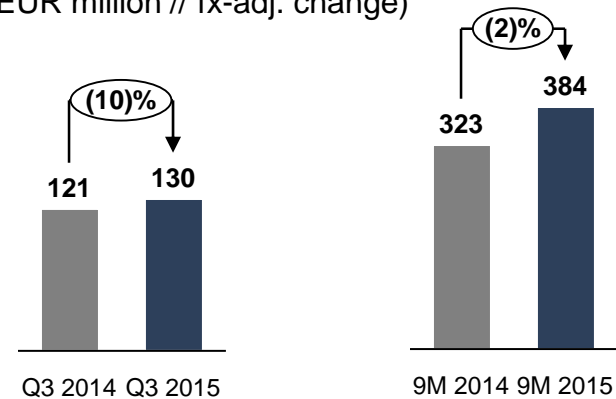
Top 5 US wholesale partners

|    |                |
|----|----------------|
| 1. | Nordstrom      |
| 2. | Bloomingdale's |
| 3. | Macy's         |
| 4. | Dillard's      |
| 5. | Saks           |

HUGO BOSS US sales development 2009-2014  
(in EUR million)



HUGO BOSS US sales development 2015  
(in EUR million // fx-adj. change)



## HUGO BOSS is seeking to elevate the quality of its brand presentation in US wholesale

Strong interest in assuming direct control of HUGO BOSS shop-in-shops at department store partners

- Upgrade of store concepts
- Optimization of merchandising assortment
- Improvement of service quality

Category migration strategy to be implemented in 2016

- Distribution of BOSS core brand to be limited to shop-in-shops
- HUGO and BOSS Green to substitute BOSS core brand offering in category spaces

Reduction of off-price business

- Brand presence in wholesale off-price channels to be further limited
- Own outlets primary channel to clear excess merchandise

Group willing to accept short-term negative sales impact in order to drive full-price sell-through and support brand equity

## Initiatives are under way to strengthen US retail execution and operations

Customer focus

- Key customer activation activities and intensified retail trainings to support traffic and conversion

Retail front-end

- New cash desk solution implemented, rollout of CRM system upgrade in early 2016

Omnichannel

- First Click & Collect pilots off to a promising start

Logistics

- Comprehensive overhaul of technical and IT infrastructure at Savannah distribution center ongoing

Merchandise planning

- Newly implemented Retail Merchandise Planning system adjusts key planning and buying processes to Group-wide standards

## Agenda

**Group strategy update**

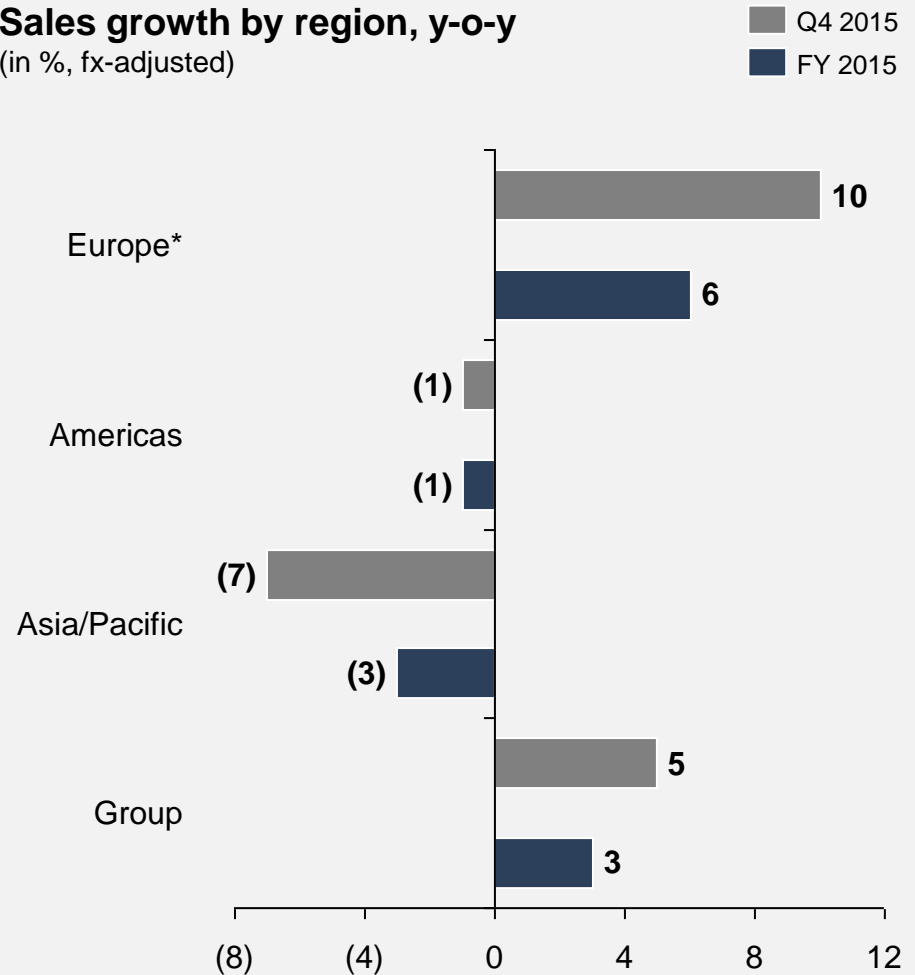
**Omnichannel strategy**

**Financial outlook and summary**

## Preliminary 2015 results reported last Friday

- Strong performance in Europe outweighs ongoing challenges in China and the US in the fourth quarter
- High levels of promotional activity, cautious customer spending and adverse weather conditions in many key markets affect top and bottom line development
- EBITDA growth of 1% in FY 2015 lower than expected

**Sales growth by region, y-o-y**  
(in %, fx-adjusted)



\*Incl. Middle East and Africa



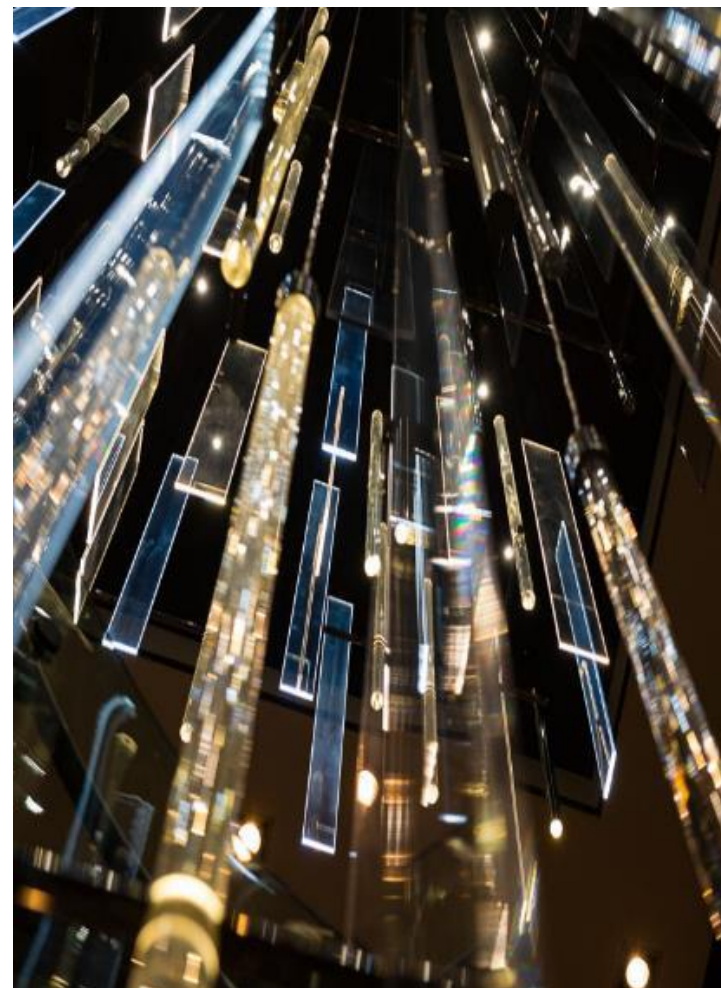
## ...but challenges in key markets and investments will weigh on financial performance in 2016

- Group sales improvement in 2016 is forecasted to remain below long-term target level of high-single-digit growth as a result of ongoing challenges in China and the US
- Investments in omnichannel and retail business model transformation will equip Group to turn industry changes into opportunities
- Lower capex and further improvement of working capital management will contribute to free cash flow increase in 2016
- Strong commitment to maintaining attractive dividend payout policy remains



## Investment in the key strategy pillars will support medium-term growth

- Rapid change in operating environment highlights the need to further invest in transformation to customer-centric business model
- Solid progress in key strategy areas overshadowed by ongoing challenges in China and the US
- Achievement of 2020 EBITDA margin target of 25% has become increasingly dependent on overall market recovery



**H U G O   B O S S**