

H U G O B O S S

Investor Meeting Presentation

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Milan Luxury Access Day • Morgan Stanley • December 01, 2016



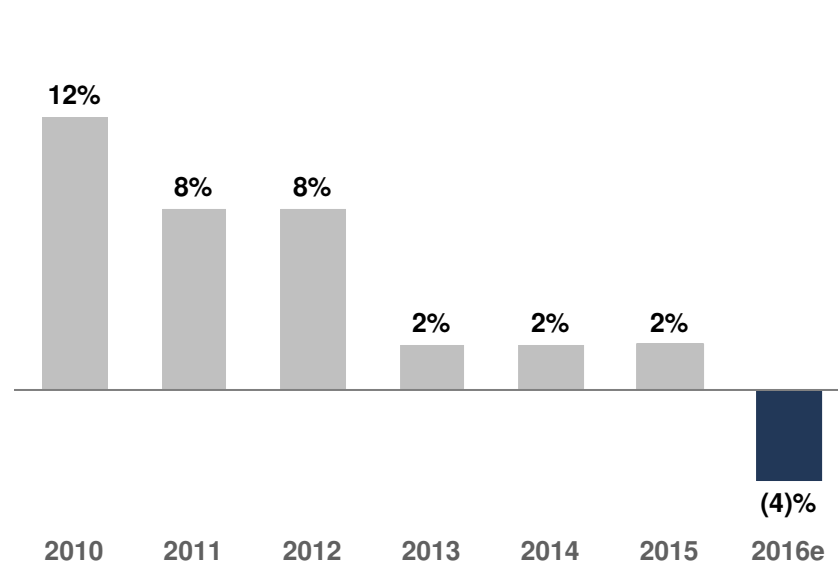
HUGO BOSS has been impacted by some profound changes in the industry

- **Premium and luxury apparel markets** have weakened in all regions
- **Global price transparency** has rendered large price imbalances unsustainable
- **Changing customer behavior** requires adjustments to the route to market
- **Growing importance of e-commerce** provides challenges and opportunities

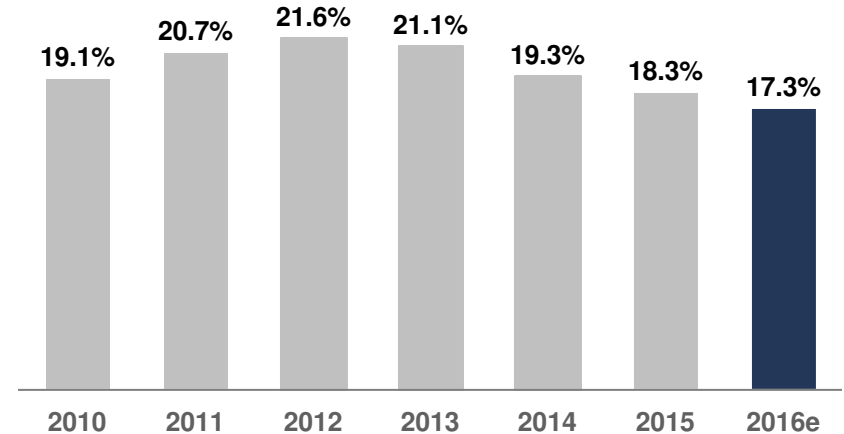


These changes have affected financial performance across the market...

Luxury apparel market growth¹ (fx-adjusted)



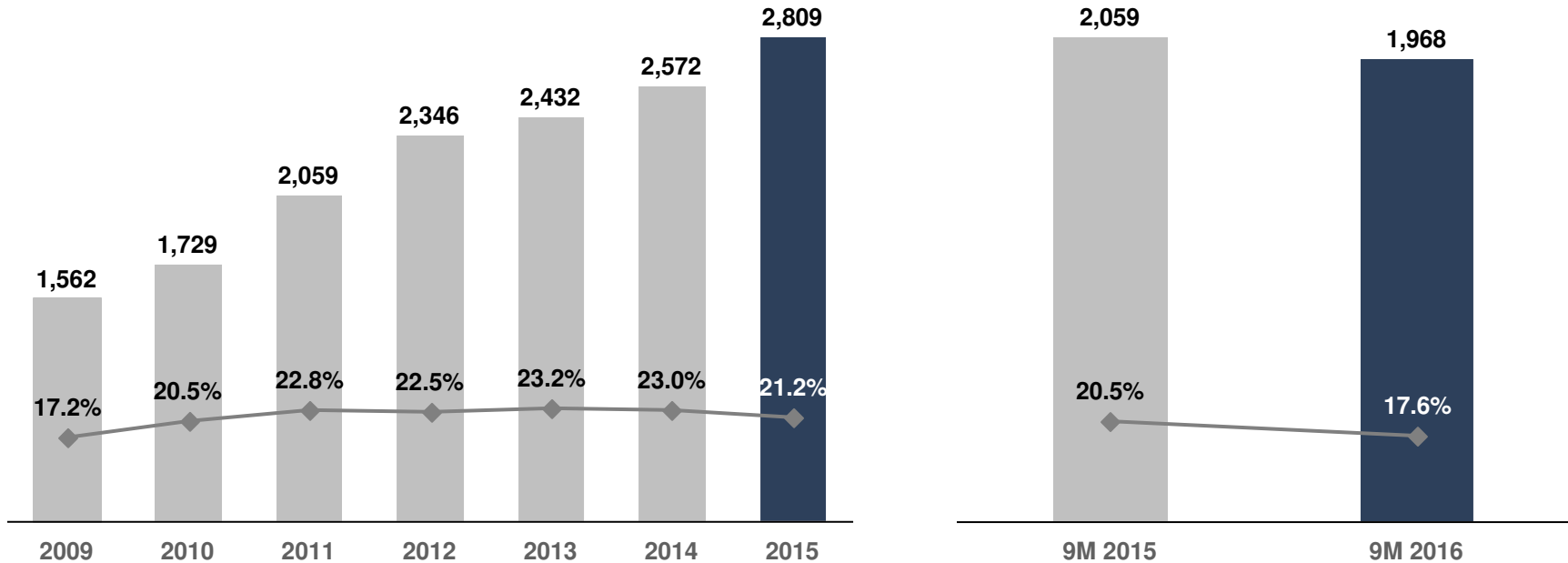
Mean adjusted EBITDA margin in premium and luxury apparel & footwear peer group²



¹ Source: Bain & Altagamma ² Peers include Brunello Cucinelli, Burberry, Ralph Lauren, Prada, PVH, Ted Baker and Tod's. Source: Bloomberg

...and the Group's financial performance has also deteriorated

Sales (in EUR million), **adj. EBITDA margin** (in %)



In addition to these industry pressures HUGO BOSS faces four key challenges

Current brand positioning is unclear

Go-to-market approaches differ by market

Current business model neglects the potential of digital

Organizational inertia affects the speed of decision-making and key operational processes



HUGO BOSS has taken immediate actions



- 1 Cost savings**
Reduced operating expense growth and investments significantly
- 2 Consolidation of store network**
Initiated program to close unprofitable stores
- 3 Restructuring of US wholesale business**
Discontinued distribution formats not in line with brand positioning
- 4 Global price harmonization**
Aligned global price levels more closely
- 5 Digitization of business model**
Insourced online fulfillment, redesigned online store and launched mobile app

Overall objective

The return to
profitable and
sustainable growth



Vision

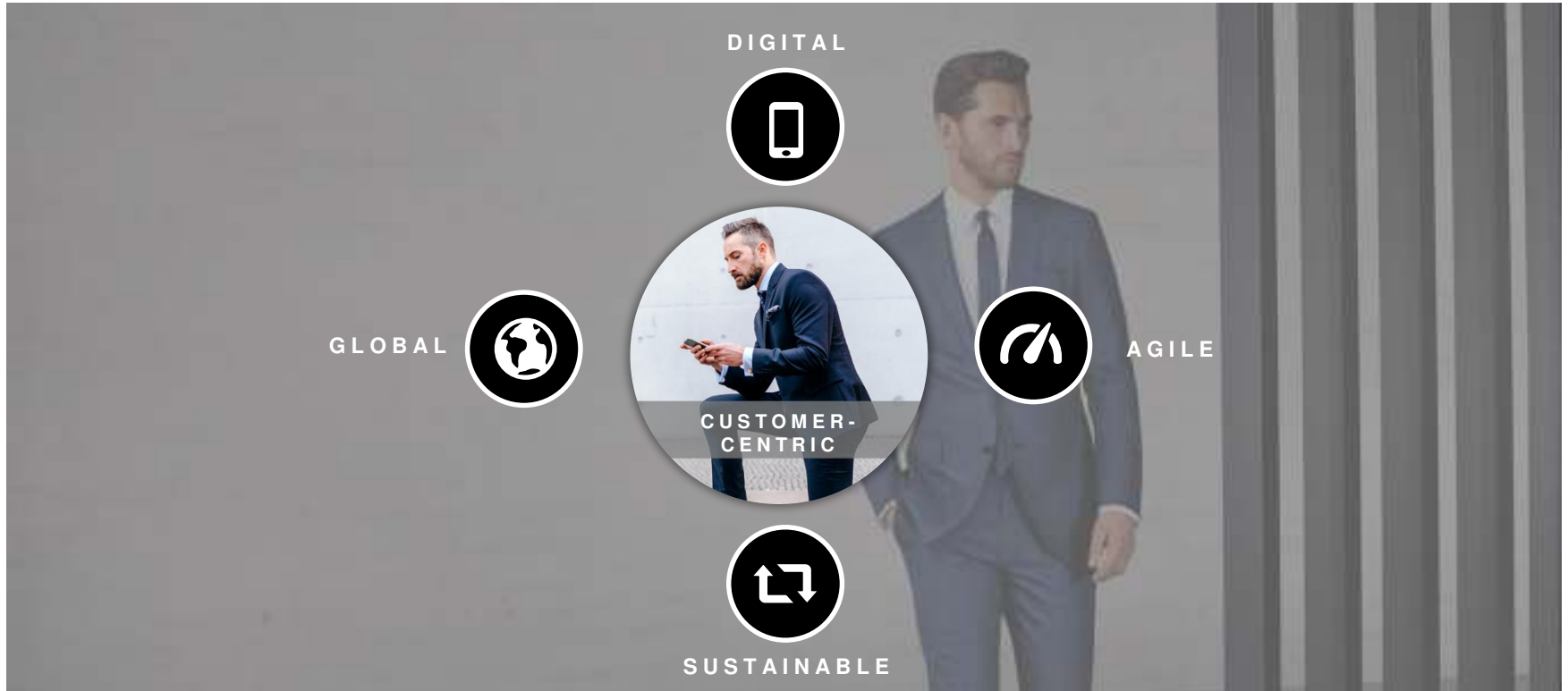
Be the most
desirable premium
fashion & lifestyle brand



Corporate goals



Strategic and operational framework



Fields of action





What has made our current brand positioning unclear?



Brand's DNA diluted
by an over-ambitious push into
the luxury segment and neglect of
the core menswear business



**Brand lines miss clear
positioning and
differentiation**



**Pricing strategy
inconsistent between markets
and regions**



Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

From a product & distribution-led brand portfolio to a customer-centric approach

Fashion level

A large variety of customers with different expectations, needs and shopping behavior

Extravagant

Edgy

Fashionable

Modern

Classic



Formal

Business

Business
Casual

Smart
Casual

Casual

Athleisure

Occasion

Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

From a product & distribution-led brand portfolio to a customer-centric approach

Fashion level

Focus on **2** strategically relevant customer segments

Extravagant

Edgy

Fashionable

Modern

Classic

Open-Minded Life Enthusiast

Demanding Quality Seeker

Formal

Business

Business
Casual

Smart
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Occasion

Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

Demanding Quality Seeker



Attitude	Status-oriented, traditional, rational
Style	Classic, modern, sophisticated
Expectations	Top quality, personal assistance
Shopping	Retail & department stores, online
Purchase frequency	Low - Medium
Price per unit	High

Open-Minded Life Enthusiast



Attitude	Open-minded, individual, spontaneous
Style	Fashionable, progressive, contemporary
Expectations	Latest fashion trends, urban atmosphere
Shopping	Online, mobile, retail & department stores
Purchase frequency	High
Price per unit	Medium

Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

Focus on two clearly positioned brands



TWO brands | TWO brand identities | TWO target customers

Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

Focus on two clearly positioned brands



Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

Two competitive environments

Upper
Premium



Premium



Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

BOSS: Impeccably dressed whatever the occasion



BUSINESS



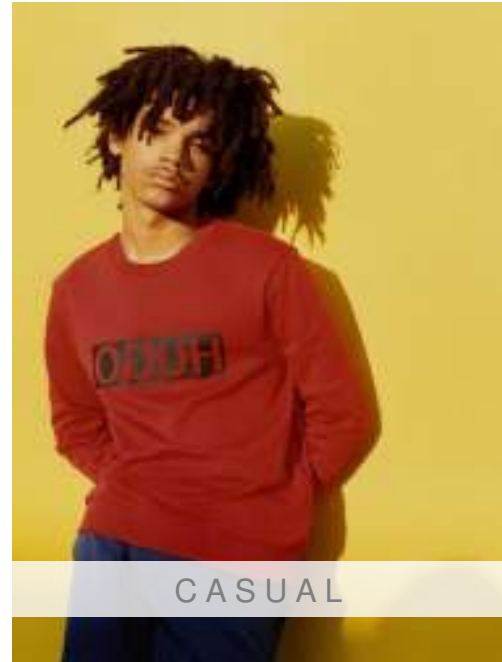
SMART CASUAL



ATHLEISURE

Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

HUGO: Designer clothes at an affordable price

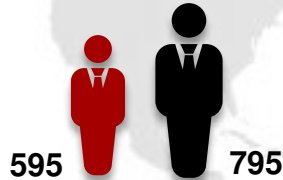


Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

Attractive pricing will contribute to the expansion of HUGO across all regions

Entry price point for suits

United States (in USD)



Euro Countries (in EUR)



China (in CNY)



Global sales share by brand,
FY 2015 (in %)

HUGO

10%

BOSS

90%

► Average HUGO prices are around 30% below BOSS



Our distribution strategy places equal importance on all channels

Wholesale

- Both brands
- Focus on strengthening the core
- Grow online, consolidate offline where necessary



Retail

- Both brands
- Focus on strengthening the core
- Grow online and integrate with offline

► **Our distribution strategy is solely focused on serving the needs of our customers**

Ongoing evolution of the store network



Openings

- Selective white space opportunities
- Relocations
- First HUGO pilot stores



Takeovers

- No further major franchise acquisitions planned
- Selective shop-in-shop takeovers in department stores



Renovations

- Renovation of around 100 retail points-of-sale per year



Closures

- Closure of 20 underperforming stores worldwide progressing as planned
- Rightsizing of Chinese store base completed
- Selected shop-in-shop closures/return to partners
- Rental contracts extended on a case-by-case basis

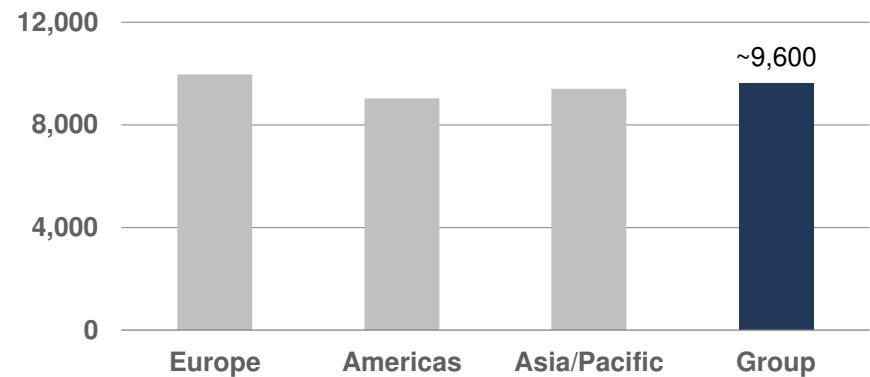
► **The pace of expansion in retail space will moderate significantly compared to historic levels**

Increasing sales productivity the key focus of retail management

Sales productivity by retail format, FY 2015
(in EUR/m²)

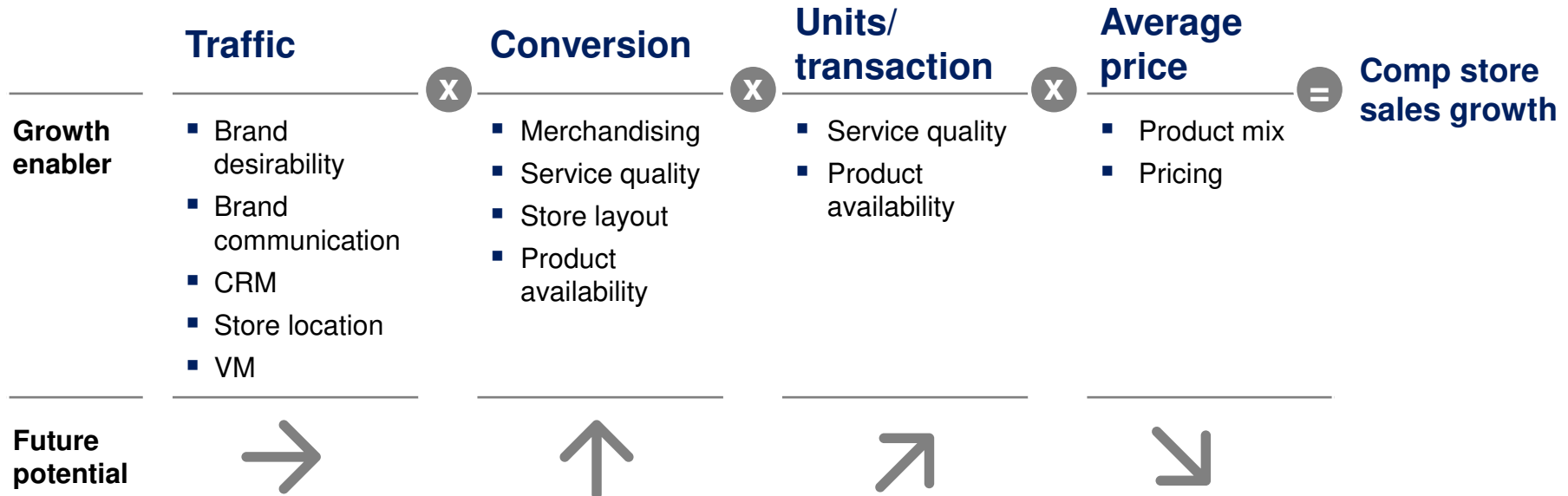


Sales productivity by region, FY 2015
(in EUR/m²)



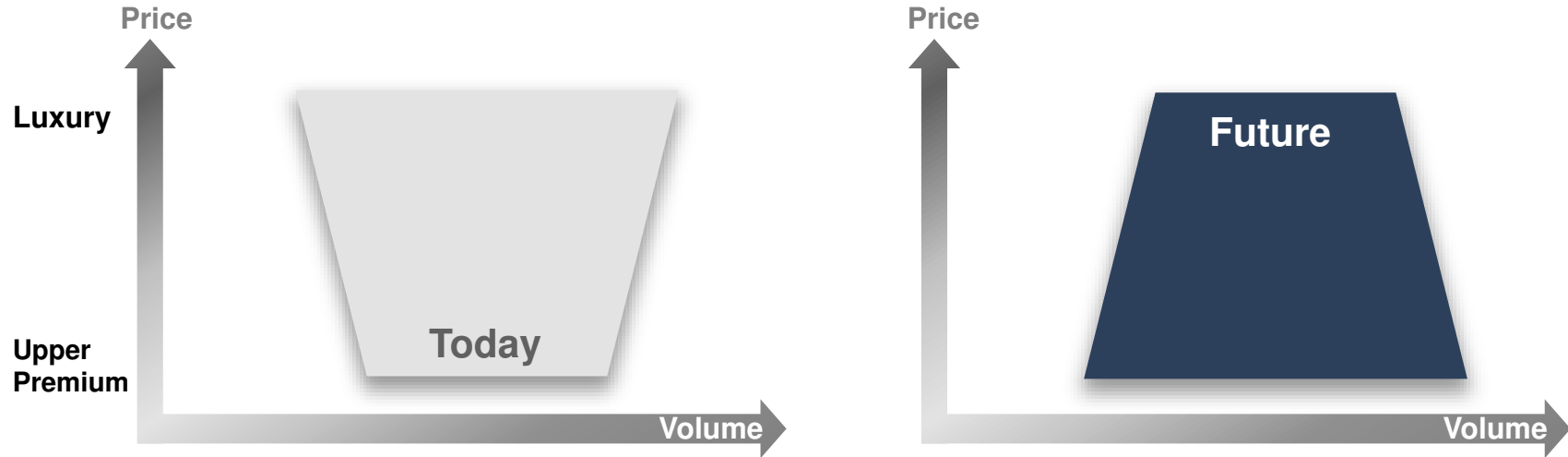
► **Target of increasing the Group's sales productivity by 20% over the next few years**

Adjustment of brand and merchandising strategy expected to increase sales volumes



In-store merchandising changes will better balance offerings across price points...

Illustration of composition of product assortment in directly operated stores



- Offering of traffic-driving premium price points to be broadened
- Breadth of luxury offerings to be reduced
- Selected high-end luxury products to support desirability of brand through halo effect on rest of product range

...and different wearing occasions

To be added to the product range



Smart casual



Athleisure

In-store today



Business



Womenswear



S&A

New BOSS pricing architecture clears up historical imbalances

Maximum
price difference
between
two markets
30%
by end of 2018

Americas →

- ▶ BOSS prices to remain virtually unchanged
- ▶ Around 20% above European levels

Europe ↗

- ▶ Single-digit % increase overall
- ▶ All Euro countries fully aligned

Asia ↘

- ▶ Mid-teens % decline overall
- ▶ Max. 30% above European levels

▶ **The effect of BOSS price adjustments will be neutral on a global level**



DRIVE THE DIGITAL TRANSFORMATION

The Group's digital roadmap

Enable the cultural transformation

Set the foundations

- Takeover of website frontend management
- Insourcing of European online fulfilment
- hugoboss.com and app (re)launches
- Omnichannel pilots

Improve performance

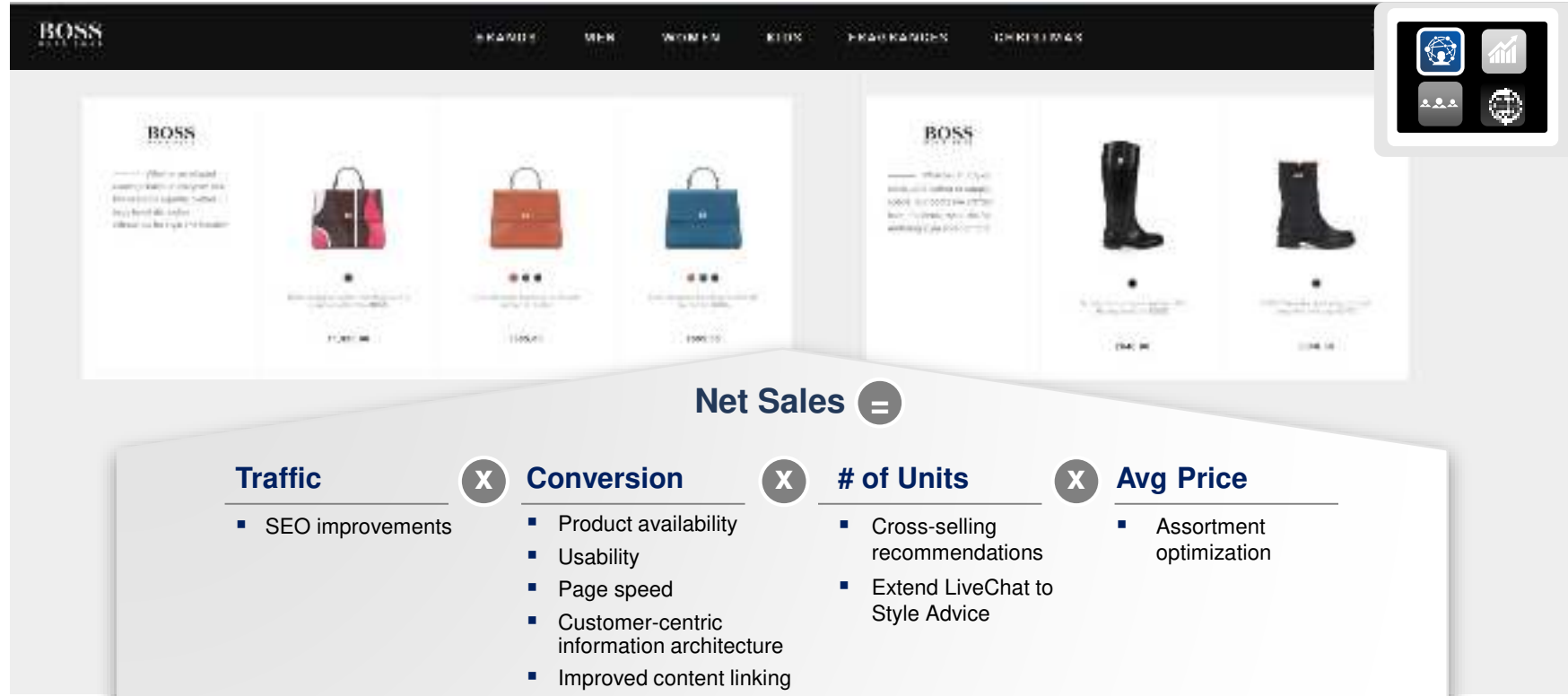
- Rollout of omnichannel services
- Commercial optimization of hugoboss.com and app

Develop the model

- Digitization of existing business model
- Addition of new business models

Nov 2016

2017 will be about the commercial optimization of our website





INNOVATE THE
WAY WE OPERATE

Agility is the basis of innovation



Establish flexible structures

Empower our people

Foster entrepreneurial thinking

Speed drives commercial success



Wrap-Up

Financial & Operational Outlook



HUGO BOSS continues to be focused on profitable and sustainable growth



► **Low- to mid-single-digit retail comp store sales growth needed to expand operating margin**

Disciplined cost management will support profitability

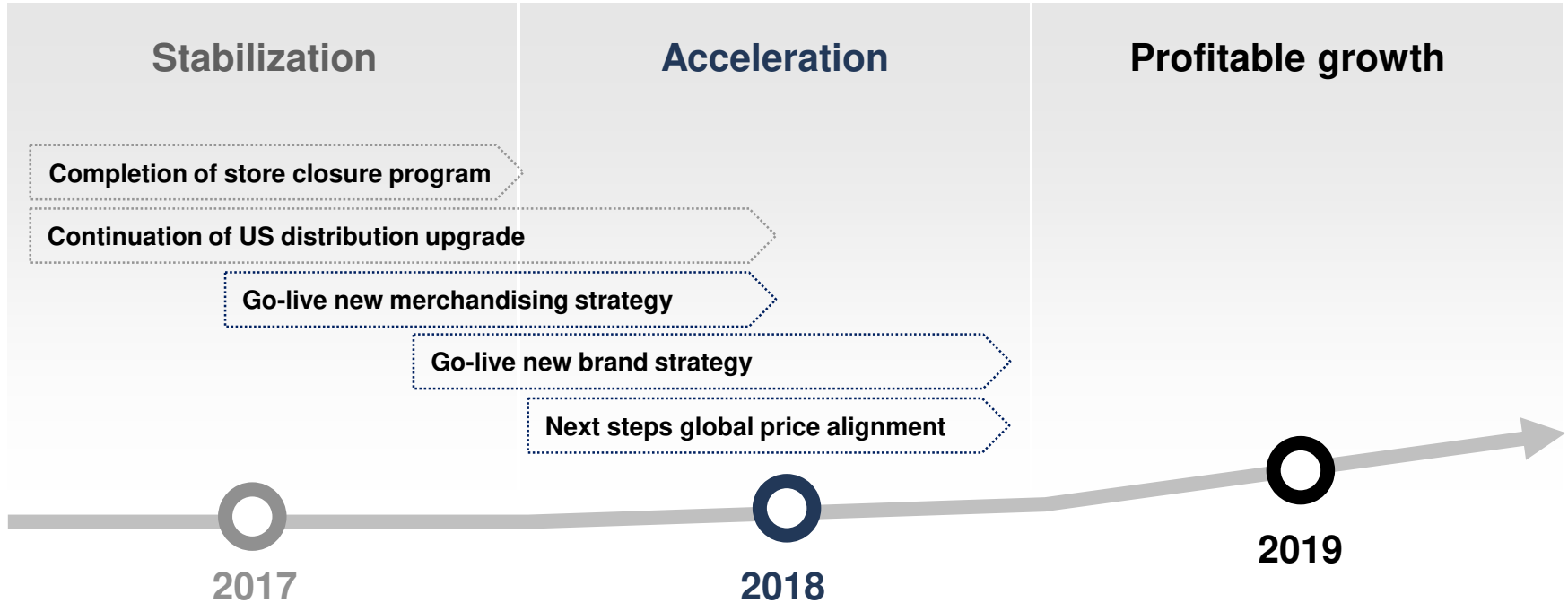
Key influencing factors on gross margin and major cost items, medium-term trend as a % sales

		OPEX		
	Gross profit margin	Retail costs	Marketing & CX ¹	G&A
↑	<ul style="list-style-type: none"> Channel mix Reduction of rebates Reduction of collection complexity 	<ul style="list-style-type: none"> Wage cost inflation 	<ul style="list-style-type: none"> Brand investments Growing share of online CX investments 	<ul style="list-style-type: none"> IT and digital Wage cost inflation
↓	<ul style="list-style-type: none"> Quality investments 	<ul style="list-style-type: none"> Easing rent pressures Growing share of online 	<ul style="list-style-type: none"> Increased effectiveness 	<ul style="list-style-type: none"> Reduction of organizational complexity Strict overhead cost management
Future trend	→	↘	↗	→

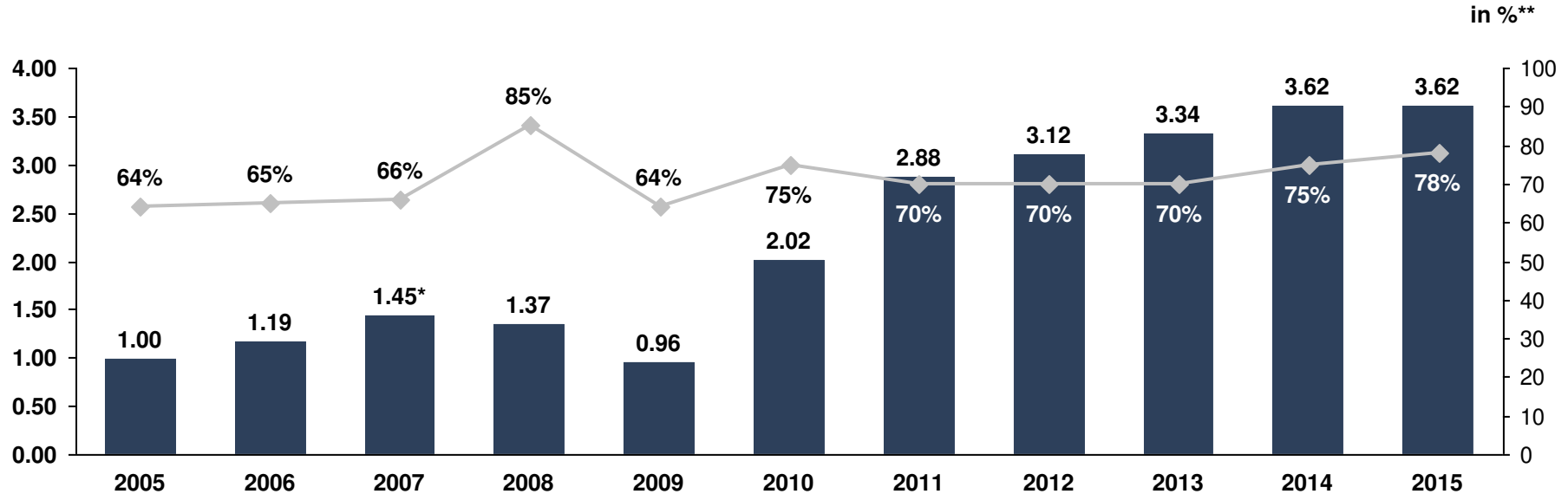
► Group confident to maintain current gross margin level and limit future cost inflation

¹ CX = Customer Experience

Our return path to profitable and sustainable growth



Continuously strong free cash flow generation supports shareholder returns



► Group reconfirms dividend policy of paying out between 60% and 80% of net income

*Excluding special dividend of €5.00 per share **As a percentage of net income attributable to shareholders

HUGO BOSS reconfirms sales and profit outlook for 2016

Outlook 2016

Sales (currency adjusted)	Stable or decline by up to 3%
Gross margin	Stable
EBITDA before special items	Decrease between 17% and 23%
Capex	EUR 160 million to EUR 180 million
Free cash flow	Stable

- Wholesale sales decline of up to 10% to weigh on Group sales performance
- Greater benefit from cost savings supports earnings and free cash flow outlook



2016 – A year of change

Strategic adjustments gear
HUGO BOSS towards the
return to profitable and
sustainable growth



Financial Calender 2017

Date	Event
March 9, 2017	Press and Analysts' Conference
May 3, 2017	Publication of the First Quarter Results
May 23, 2017	Annual Shareholders' Meeting
August 2, 2017	Publication of the First Half Year Report
November 2, 2017	Publication of the Nine Months Results

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Forward looking statements contain risks

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