

**H U G O   B O S S**

# Group Strategy

INVESTOR DAY 2016

Mark Langer, Chief Executive Officer

London, November 16, 2016



## 2016 – A year of change



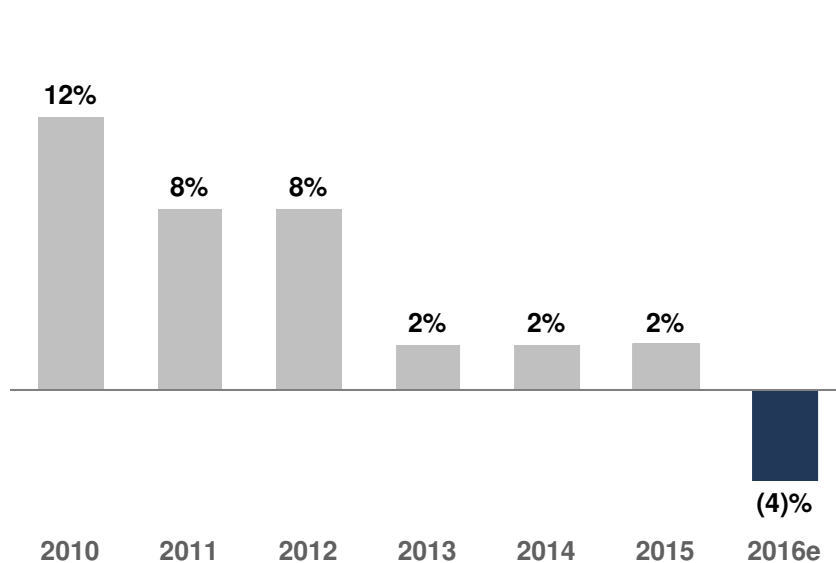
## HUGO BOSS has been impacted by some profound changes in the industry

- **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

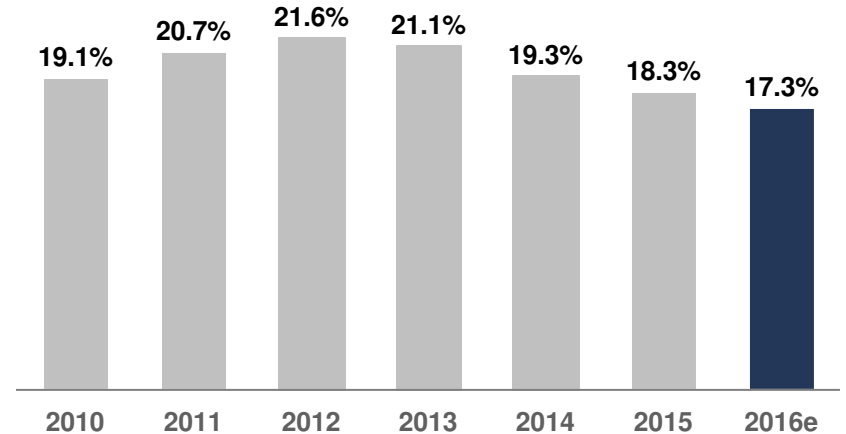


## These changes have affected financial performance across the market...

Luxury apparel market growth<sup>1</sup> (fx-adjusted)



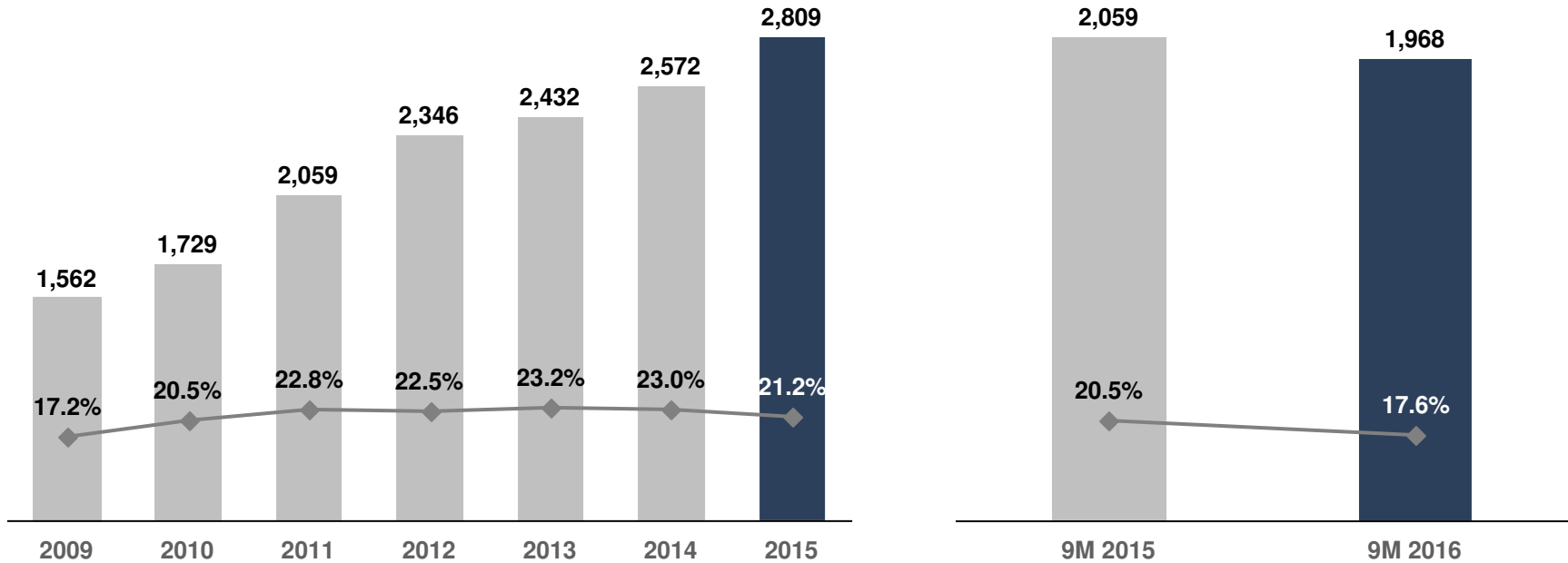
Mean adjusted EBITDA margin in premium and luxury apparel & footwear peer group<sup>2</sup>



<sup>1</sup> Source: Bain & Altagamma <sup>2</sup> 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

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- 2 **Consolidation of store network**  
Initiated program to close unprofitable stores

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- 3 **Restructuring of US wholesale business**  
Discontinued distribution formats not in line with brand positioning

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- 4 **Global price harmonization**  
Aligned global price levels more closely

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- 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

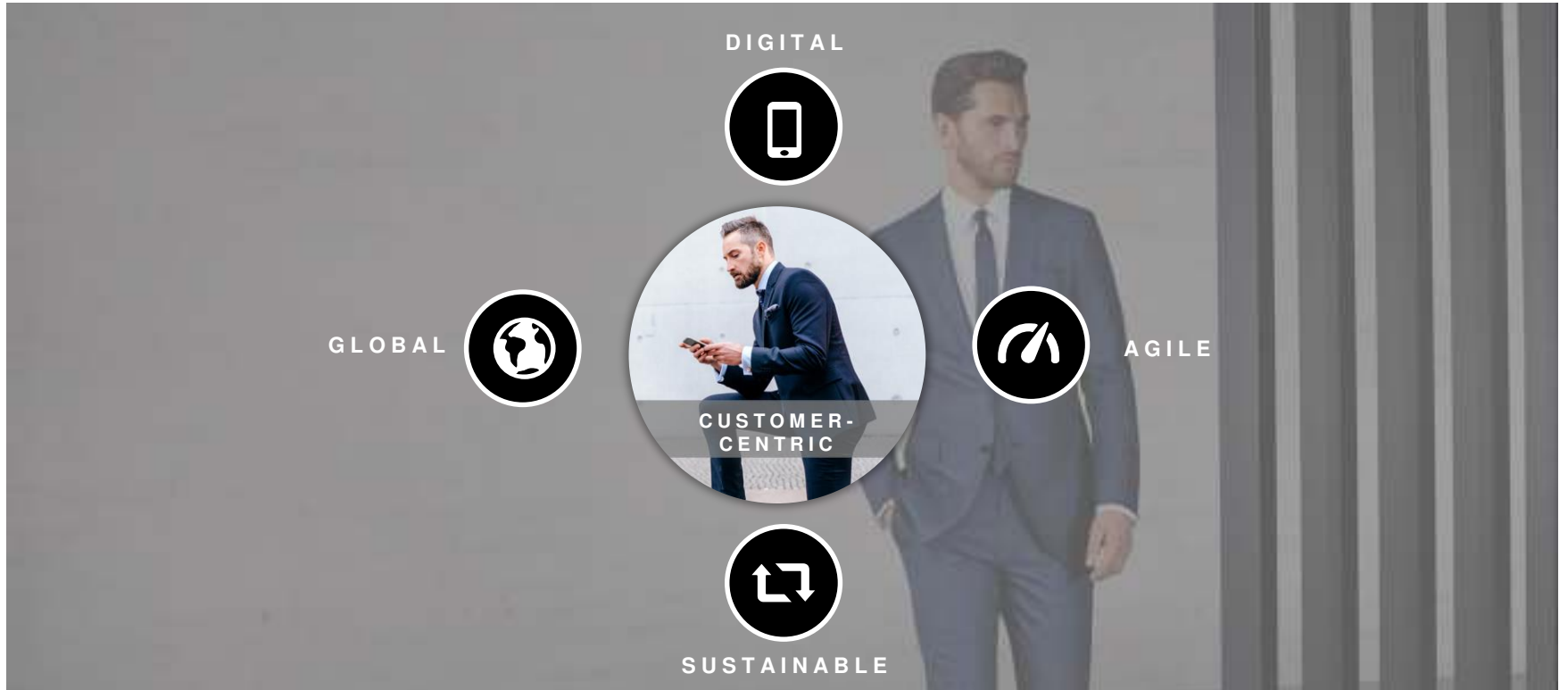
Be the most  
desirable premium  
fashion & lifestyle brand



## Corporate goals



## Strategic and operational framework



## Fields of action





## Customer feedback outlines our strengths...

“Ever since I have been working, the brand has been my loyal companion. I appreciate the **sharp business wear**”

“The essence of the brand is just great: **powerful but understated, reliable and pure elegance**”

“I associate the brand with people who are **successful** in their professional and private lives”

“For me as a woman, the brand has so much **more to offer** than just business wear”

“I love the **classic and timeless styles**”



## ...but also our weaknesses

“I have never been able to figure out **what the different brands stand for**”

“I buy HUGO BOSS only when I am in Europe as **the prices in China are significantly higher**”

“**BOSS is too mainstream** – my dad loves it, but it’s not something for me”

“HUGO BOSS is only relevant when I think of **buying a suit**”

“The brand has become **too expensive** for me”





## 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**



## Focus on two clearly positioned brands



TWO brands | TWO target customers | TWO brand identities

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

## Focus on two clearly positioned brands

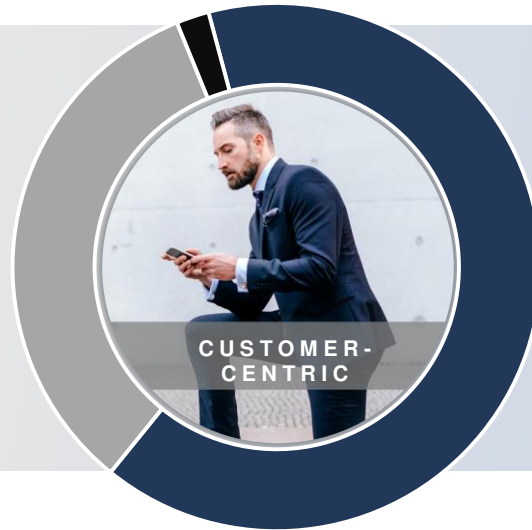




## Our distribution strategy places equal importance on all channels

### 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**

## New BOSS pricing architecture clears up historical imbalances

Maximum price difference between two markets

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**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

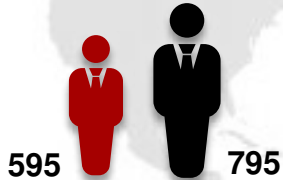
▶ The effect of BOSS price adjustments will be neutral on a global level

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)



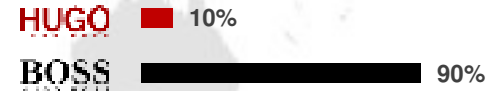
Euro Countries (in EUR)



China (in CNY)



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



▶ Average HUGO prices are around 30% below BOSS





## 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



INNOVATE THE  
WAY WE OPERATE

## Agility is the basis of innovation



**Establish flexible structures**

**Empower our people**

**Foster entrepreneurial thinking**

## Speed drives commercial success

**Replenish  
sold-out  
bestsellers  
in-season**

**Adjust collection  
content based on  
short-term trends**

**Become more  
flexible in our  
approach  
towards seasons**

**Demand-driven supply**  
Supplement the regular collection  
development process with a fast track concept  
which reduces the time to market to weeks  
rather than months

## 2016 – A year of change

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



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