

**H U G O   B O S S**

# Investor Meeting Presentation

---

- Roadshow Scandinavia
- Goldman Sachs • March 14/15, 2017 •

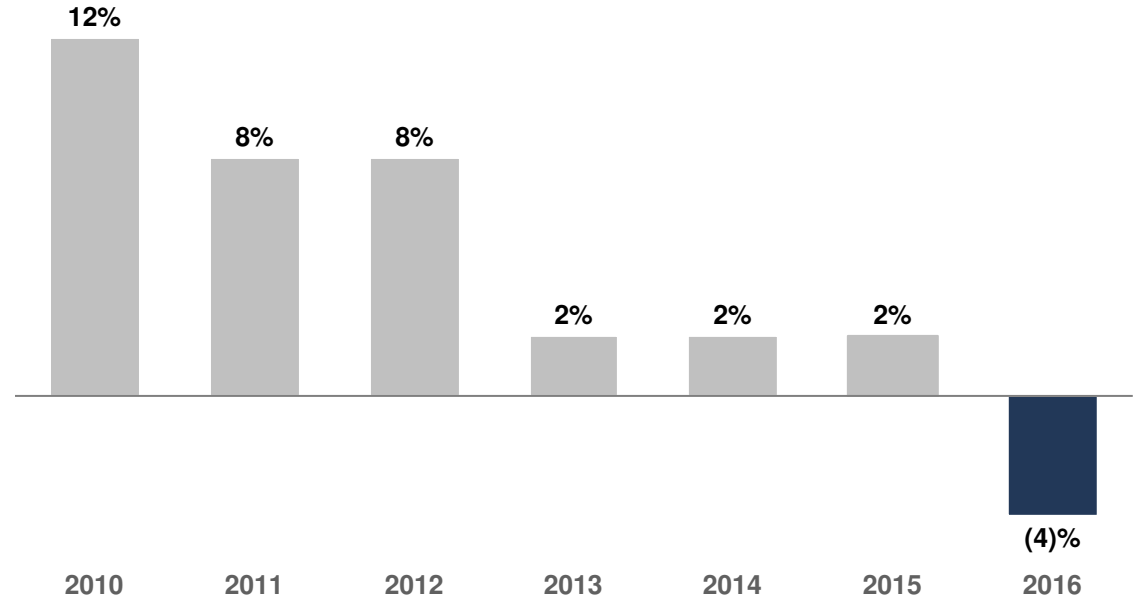
Dennis Weber, Head of Investor Relations  
Frank Böhme, Manager Investor Relations



## Industry under pressure in 2016

- Overall positive consumption climate does not support industry sales
- Apparel is losing share of consumers' wallet
- High level of promotions

Luxury apparel market growth\*  
(FX-adjusted)



\* Source: Bain & Altagamma

## Company-specific challenges clearly identified

Brand positioning  
unclear

Go-to-market approaches  
different by market

Potential of digital underutilized

Speed of decision-making and  
key operational processes  
slowed by organizational inertia



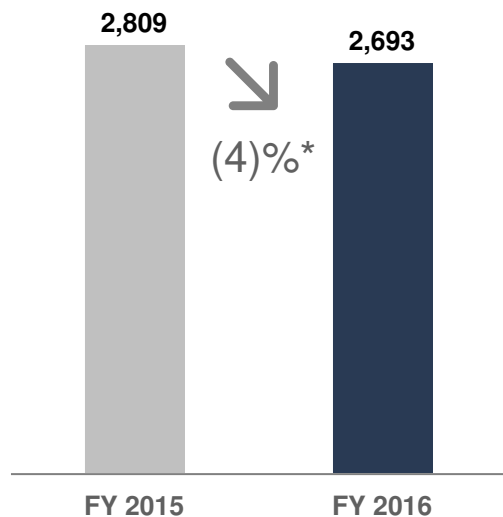
## HUGO BOSS responded swiftly to challenges



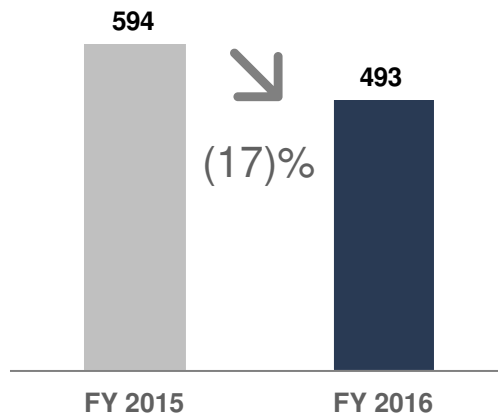
- 1 Comprehensive **cost savings** achieved
- 2 Optimization of **store network** initiated
- 3 Off-price **business** in the US largely **discontinued**
- 4 Global prices **harmonized** further
- 5 Foundation built for future growth in **digital**

## Strong free cash flow generation despite earnings decline

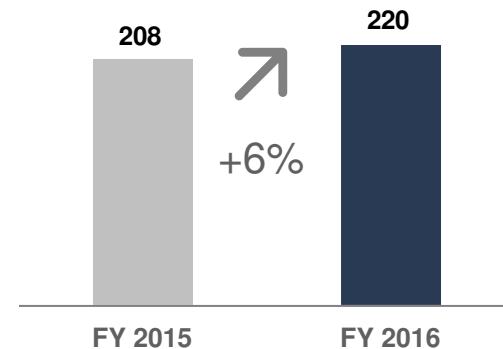
Sales  
(in EUR million)



EBITDA before special items  
(in EUR million)



Free cash flow  
(in EUR million)

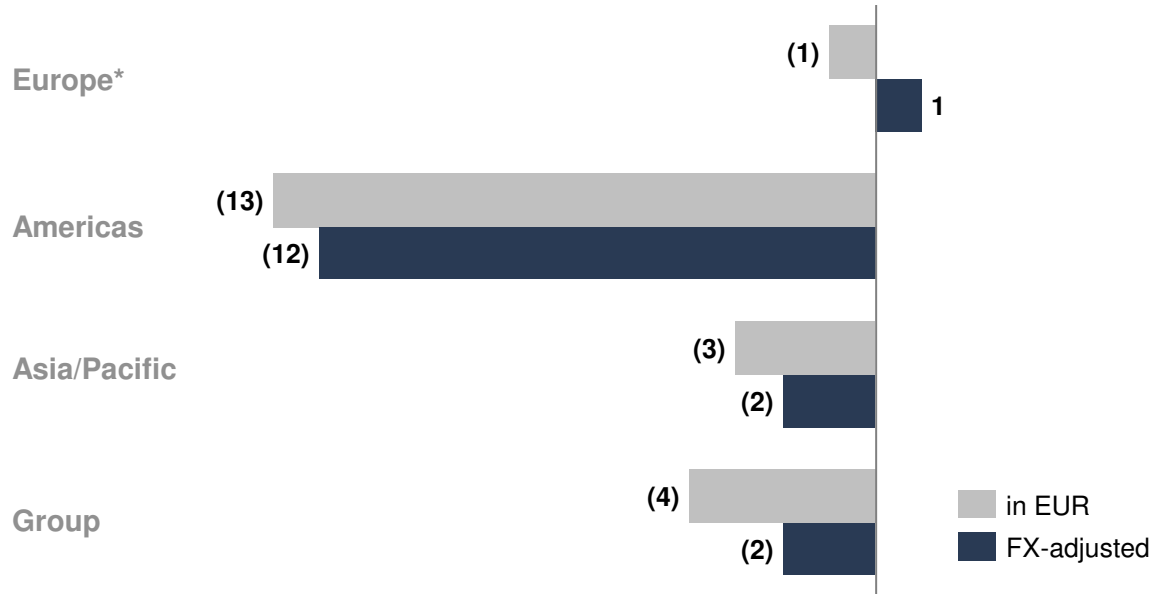


\* (2)% FX-adjusted

## Europe records positive sales performance in 2016

- 8% sales growth in the UK supports increase in Europe
- Decline in the US pressures sales in the Americas
- Sales momentum in China accelerates throughout the year

### Sales by region y-o-y (in %)

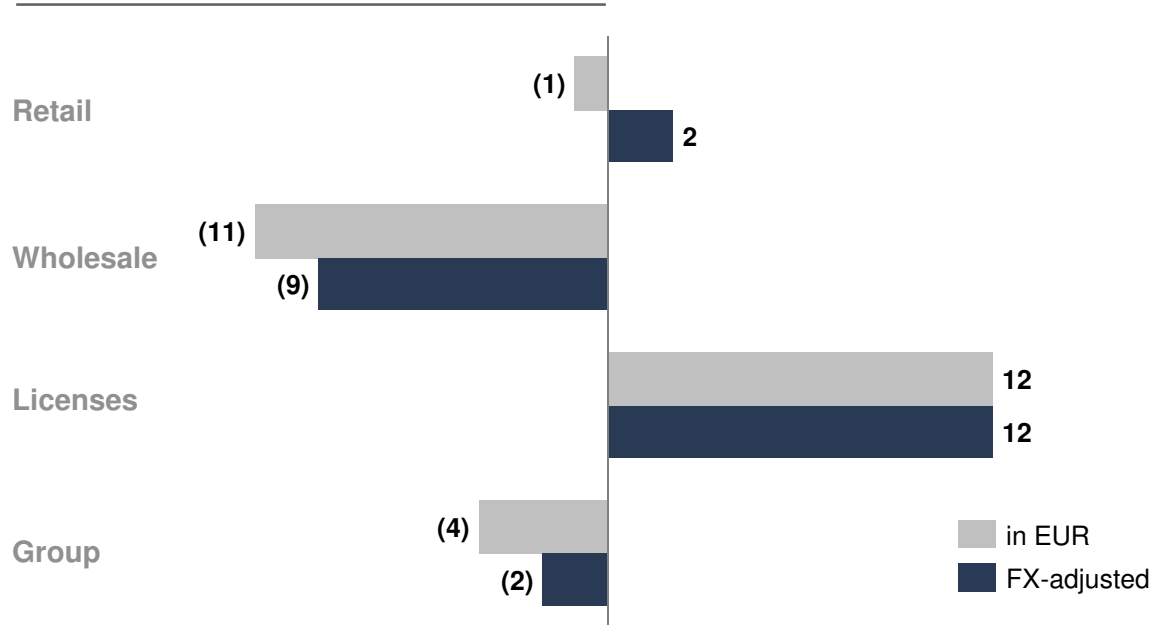


\* Incl. Middle East and Africa

## Growth in own retail does not fully offset sales decline in wholesale

- Retail expansion more than offsets currency-adjusted comp store sales decline of 6%
- Decline in wholesale business mainly attributable to distribution changes in the US
- Robust growth in license business

Sales by channel y-o-y  
(in %)





## Group profitability suffers from operating deleverage

Gross profit margin

66.0 %



0<sub>bp</sub>

Selling & Distribution expenses

1,176 EUR million



3%

Administration expenses

272 EUR million



3%

EBITDA (before special items)

493 EUR million



(17)%

Special items

67 EUR million



>100%

Net income

194 EUR million



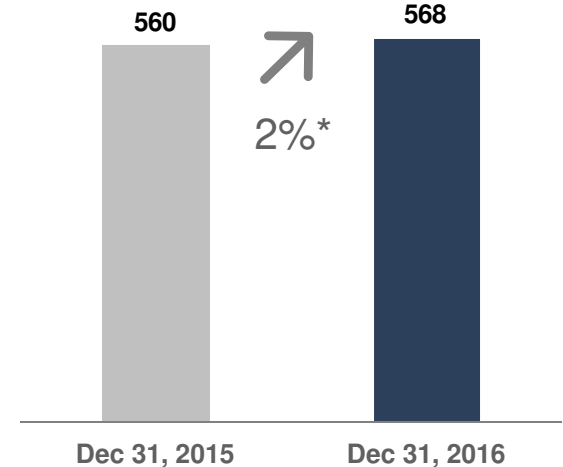
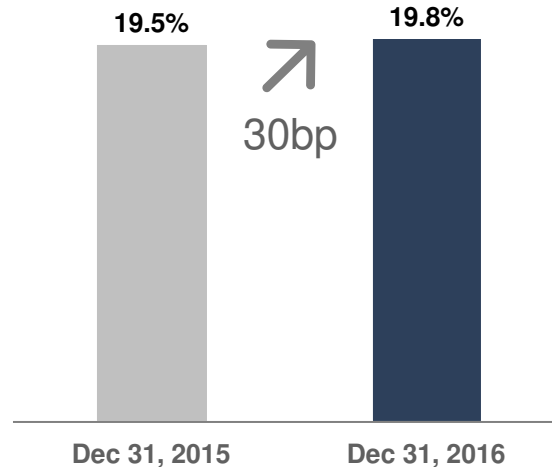
(39)%

## Tight grip on working capital management despite sales decline

- Working capital almost stable in relation to sales
- Inventory position in the US and China improves significantly over the course of the year
- Group's inventory position clean heading into 2017

Average trade net working capital  
(as a percentage of sales)

Inventories  
(in EUR million)

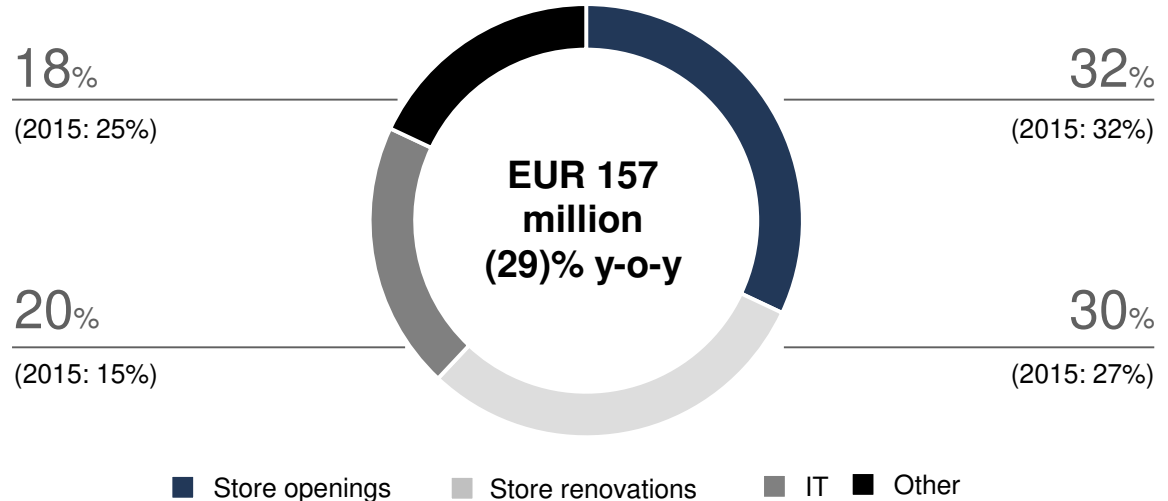


\* 1% FX-adjusted

## Investments focus on own retail and IT

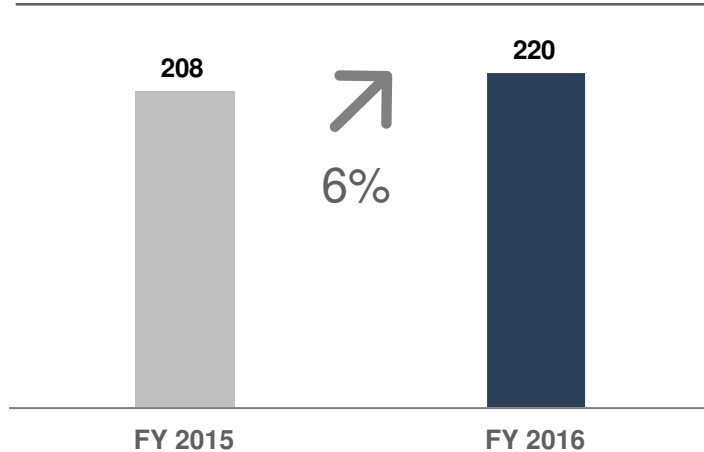
- Investments decrease due to slow down of retail expansion and non-recurrence of prior year one-time projects
- Two thirds of budget spent on store expansion and refurbishments
- IT investments underscore focus on digitizing the business model

### HUGO BOSS Investments by area 2016 (in %)



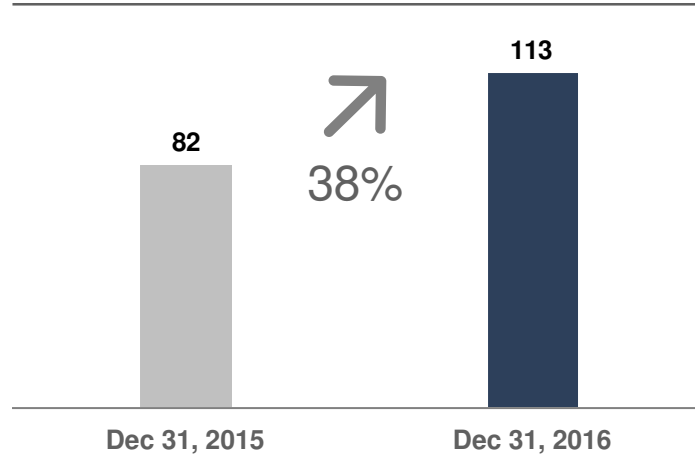
## Strong free cash flow generation despite earnings decline

Free cash flow  
(in EUR million)



- Lower investments more than offset earnings shortfall

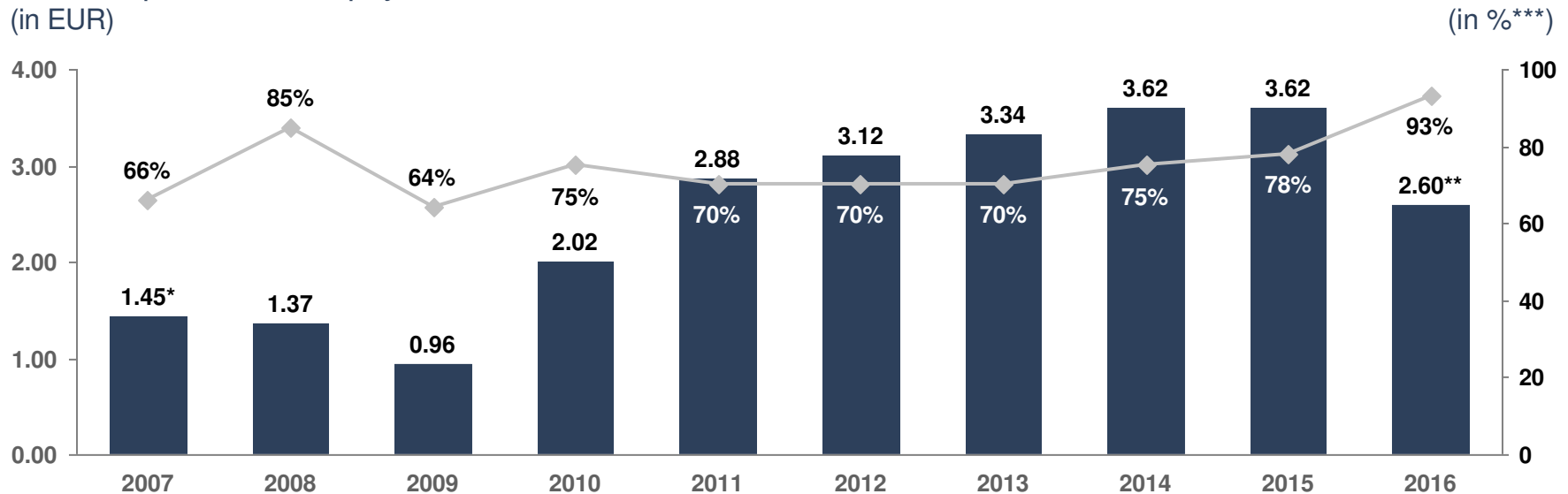
Net debt  
(in EUR million)



- Net debt increases on low levels
- Equity ratio amounts to almost 50%

## One-time nature of financial year 2016 warrants exception from dividend policy

Dividend per share and payout ratio  
(in EUR)



► Dividend policy of paying out between 60% and 80% of consolidated net income reconfirmed

\* Excluding special dividend of €5.00 per share \*\* Proposal for fiscal year 2016 \*\*\* As a percentage of net income attributable to shareholders

## Group strategy focuses on four fields of action





## Focus on two clearly positioned brands

**BOSS**  
HUGO BOSS



**HUGO**  
HUGO BOSS





## Two strong brands with distinctive cores



<b>Brand values</b>	Top quality, sharp tailoring, clear designs
<b>Brand message &amp; USP</b>	BOSS offers confident business wear and refined casual wear for sophisticated customers who want to be impeccably dressed for every situation
<b>Brand personality</b>	Successful, confident, sophisticated, reliable, responsible, authentic, dynamic, quality-oriented
<b>Pricing</b>	Upper premium



<b>Brand values</b>	Progressive & contemporary design, expressive fashion statement
<b>Brand message &amp; USP</b>	HUGO offers designer clothes at an affordable price which give the wearer a 24-hour look
<b>Brand personality</b>	Spontaneous, individual, contemporary, trend-oriented, creative, fashion-forward, experimental
<b>Pricing</b>	Premium

## BOSS dresses the demanding customer for all occasions



BUSINESS



CASUAL



ATHLEISURE

**June 2017:**  
Sell in of the collection to wholesale partners

**January 2018:**  
Spring / Summer collection 2018 in stores

## New York Fashion Show showcases the elements fundamental to BOSS



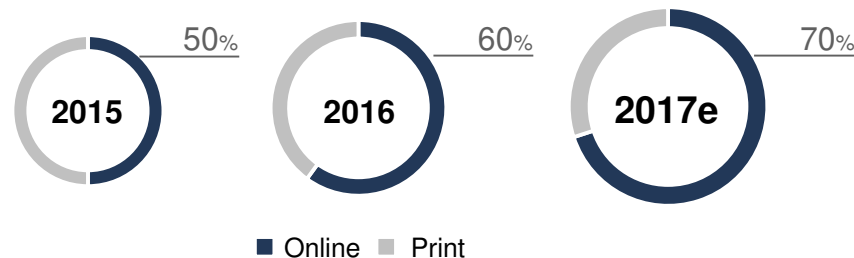
#NYCFASHIONSHOWFALL/WINTER2017



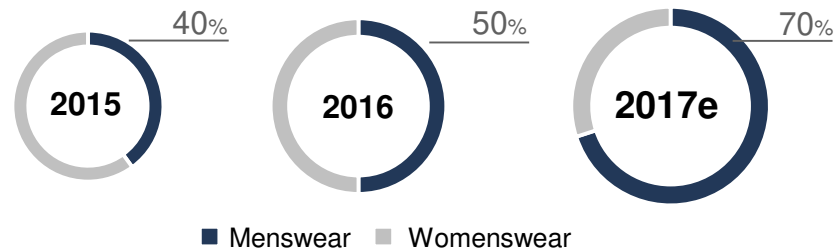
## Marketing strategy prioritizes digital and menswear



Marketing split Online/Print



Marketing split Menswear/Womenswear



## Womenswear continues to be an important part of the BOSS business



## HUGO represents an exciting long-term growth opportunity



CASUAL



BUSINESS



## Two competitive environments

Upper  
Premium



Premium

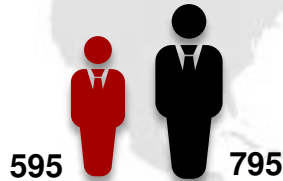




## Attractive pricing will contribute to the expansion of HUGO across all regions

### Entry price point for suits

#### United States (in USD)



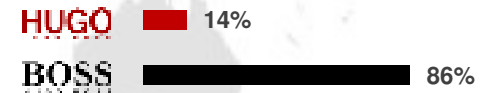
#### Euro Countries (in EUR)



#### China (in CNY)



Global sales share by brand,  
FY 2016 (in %)



► Average HUGO prices are around 30% below BOSS





## Wholesale partners welcome clarity and consistency of refined brand positioning



- Positive overall feedback from wholesale partners on refined brand strategy
- 
- Order intake for Fall/Winter 2017 in line with expectations, positive momentum in casualwear
- 
- Group committed to align global selling prices further

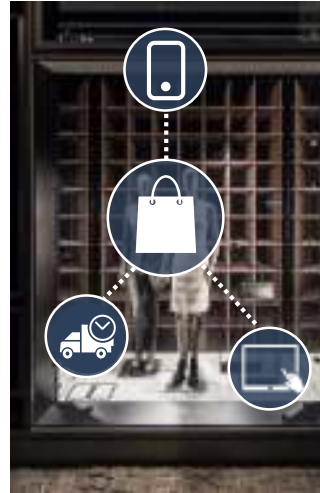
## Target to increase own retail sales productivity by 20% in the next five years



**Better and broader offering at entry price points**



**Expansion of casual and athleisure offering in stores**



**Rollout of omnichannel services**



**Investment in retail staff training**



**Optimization of retail network**

## Store renovations will upgrade own retail network



### Openings

- 10-15 freestanding store openings will strengthen the network
- First HUGO pilot stores planned for 2018



### Closures

- Remaining circa 15 store closures to be completed by the end of the year
- Some additional store closures based on expiration of rental contract



### Renovations

- Renovations to account for the bulk of retail investments

► **Own retail selling space will remain largely stable in 2017**

## 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**



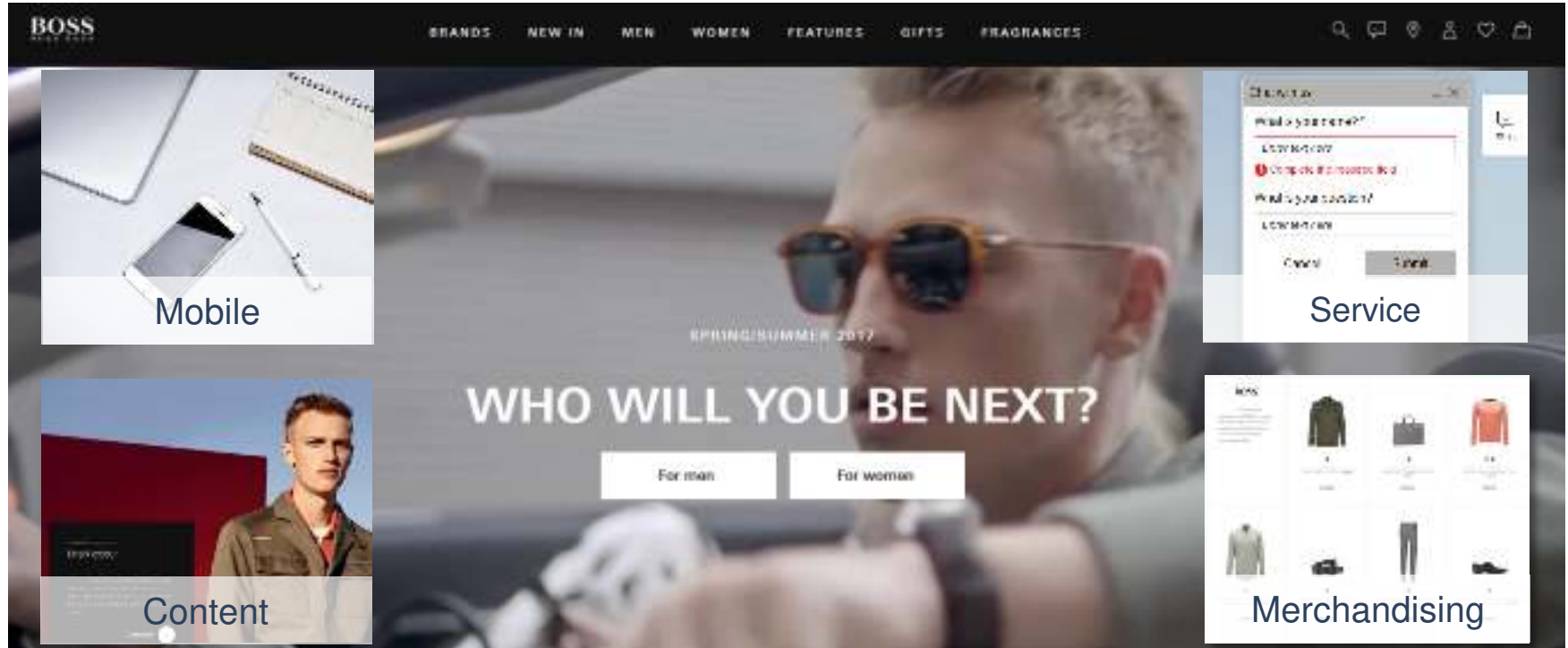


# DRIVE THE DIGITAL TRANSFORMATION

## Online and physical retailing are becoming one



## Improvement of online business a key priority in 2017





## 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





# Financial & Operational Outlook

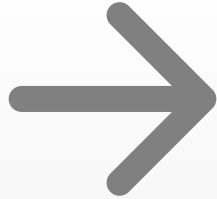
## HUGO BOSS continues to be focused on profitable and sustainable growth



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

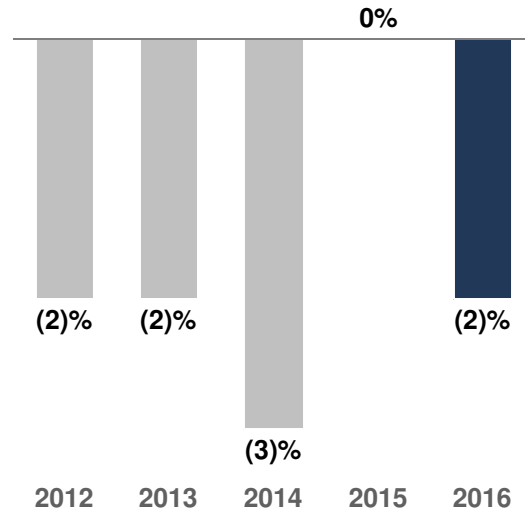
## European business to weather industry storms

### Europe

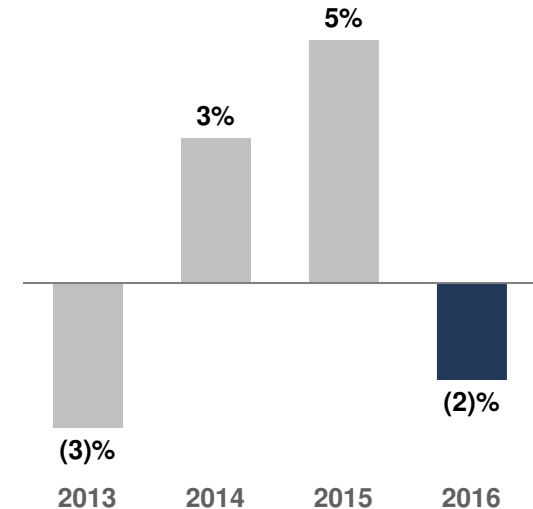


- Broadly stable sales expected in Europe
- Tough market environment to weigh on sales performance in Germany
- UK to continue growing solidly in 2017

German apparel sales y-o-y  
(in %)



UK branded menswear  
apparel sales y-o-y\*\* (in %)



\* Source: Kantar \*\* Source: Textilwirtschaft

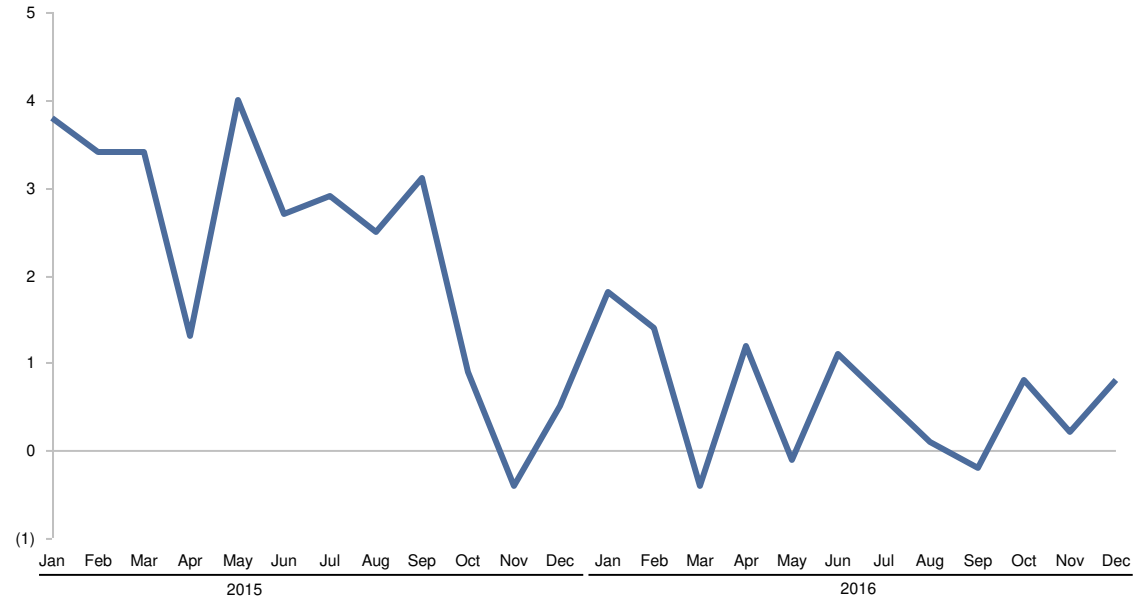
## Step-by-step improvements targeted in the Americas

### Americas



- Slight sales decline forecasted in the Americas
- Distribution changes in wholesale and footfall declines to affect US performance
- Solid growth expected in Canada and Brazil

### Personal consumption expenditures for clothing y-o-y (in %)\*



\*Source: US Bureau of Economic Analysis



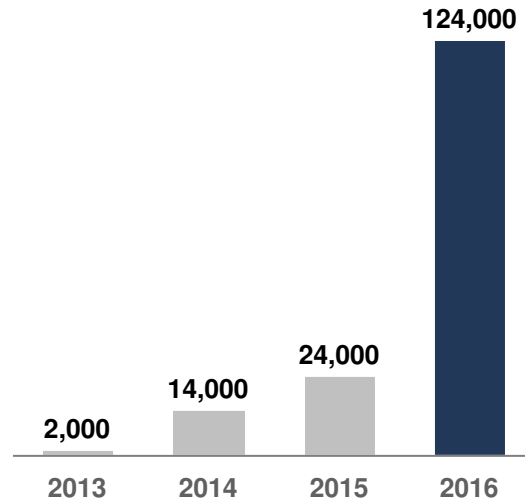
## Growth in China to drive sales increases in Asia/Pacific

### Asia/Pacific

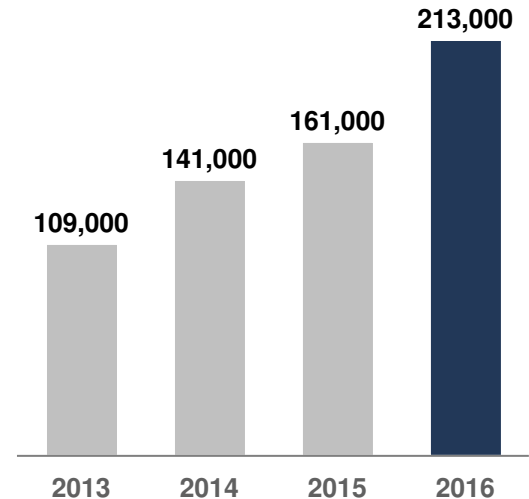


- Slight sales increase expected in Asia/Pacific
- Successful digital communication an important driver of robust growth in China
- Continued declines projected in Hong Kong and Macau

WeChat follower



Weibo follower



## Group sales to remain largely stable in 2017

### Sales by region\*



**Europe**

Stable



**Americas**

Slight  
decline



**Asia/  
Pacific**

Slight  
increase



### Sales by channel\*



**Retail**

Increase of up to mid  
single-digit percentage  
rate, comp store  
sales -3% to +3%



**Wholesale**

Decline at a low  
to mid single-digit  
percentage rate



**Licenses**

Solid  
growth



\* On a currency-adjusted basis

## Financial outlook expects stabilization of operational performance in 2017


**Sales\***

Largely stable


**Gross margin**

Slight increase


**EBITDA  
before special items**

-3% to +3%


**Net income**

 Low double-digit  
percentage rate increase

**Capex**

 EUR 150 million to  
EUR 170 million

**Free cash flow**

Largely stable



\* On a currency-adjusted basis

## Disciplined cost management will support profitability

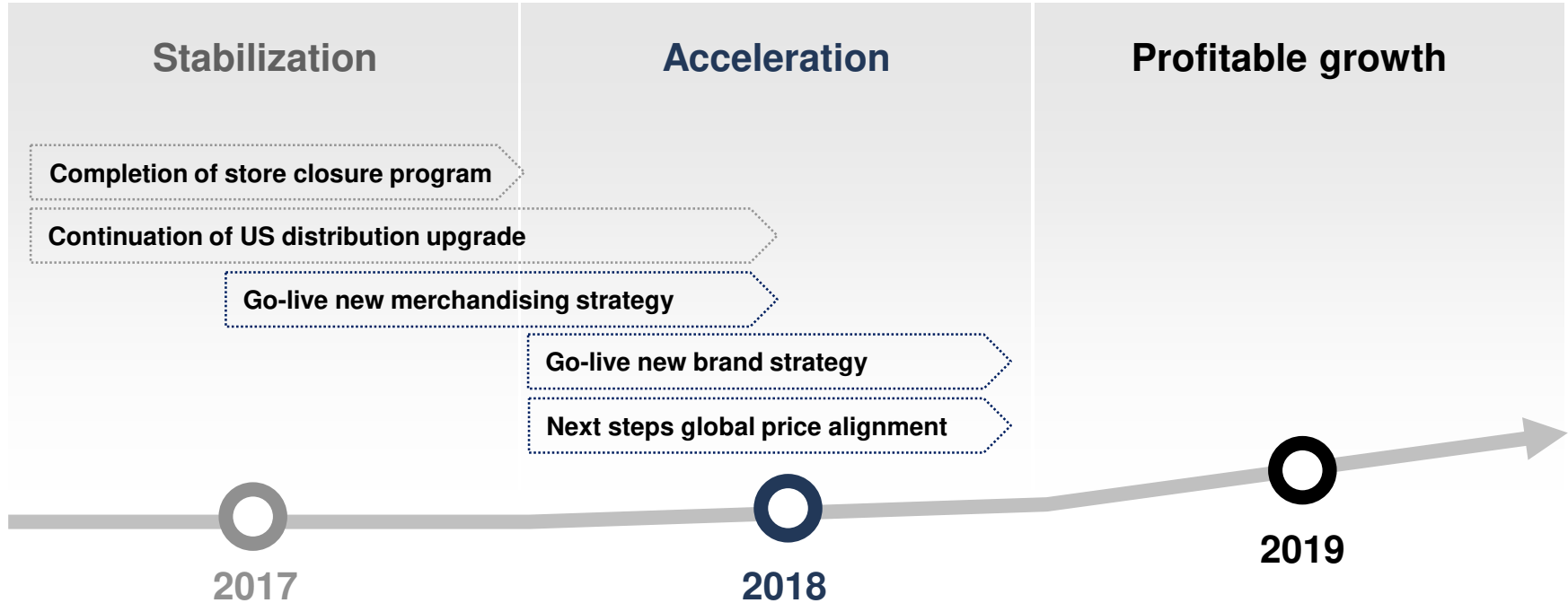
Key influencing factors on gross margin and major cost items, medium-term trend as a % sales

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

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

<sup>1</sup> CX = Customer Experience

## Our return path to profitable and sustainable growth



## 2017 - A year of stabilization and strategy implementation







## Sales by region and major markets

Share of Group sales\*



### Europe

(incl. Middle East/Africa)

**61%**

Germany:	17%
Great Britain:	12%
France:	6%
Benelux:	5%
Other:	21%



### Americas

**22%**

U.S.:	16%
Canada:	3%
Central &	
South America:	2%
Other:	1%



### Asia/Pacific

**14%**

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

\* As of 2016, +3% Licenses



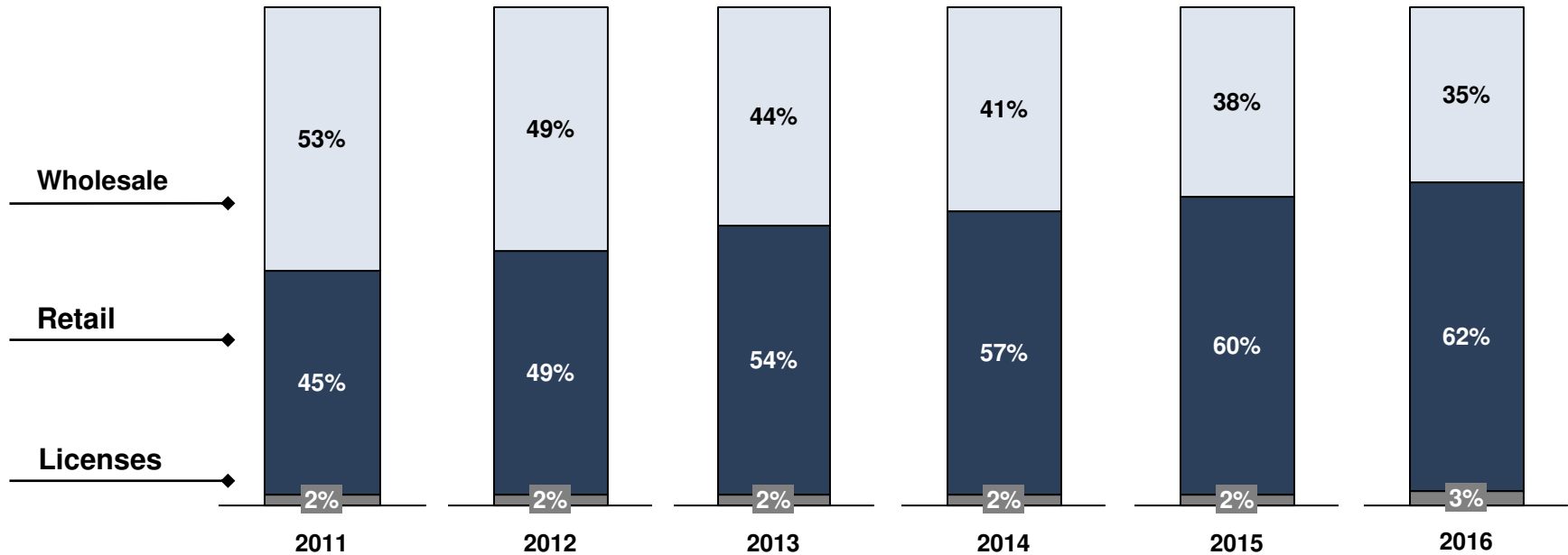
## Full Year Results 2016 – Segment profit

### Segment profit

In EUR million	FY 2016	In % of sales	FY 2015	In % of sales	Change in %
Europe*	519	30.2	535	31.8	(3)
Americas	133	22.9	187	28.0	(29)
Asia/Pacific	80	20.8	100	25.5	(20)
Licenses	59	85.3	52	83.1	15
<b>Segment profit operating segments</b>	<b>791</b>	<b>29.5</b>	<b>874</b>	<b>31.1</b>	<b>(10)</b>
<b>Corporate units/consolidation</b>	<b>(297)</b>		<b>(280)</b>		<b>0</b>
<b>EBITDA before special items</b>	<b>493</b>	<b>18.3</b>	<b>594</b>	<b>21.2</b>	<b>(17)</b>

\*Incl. Middle East and Africa

## Sales by distribution channel



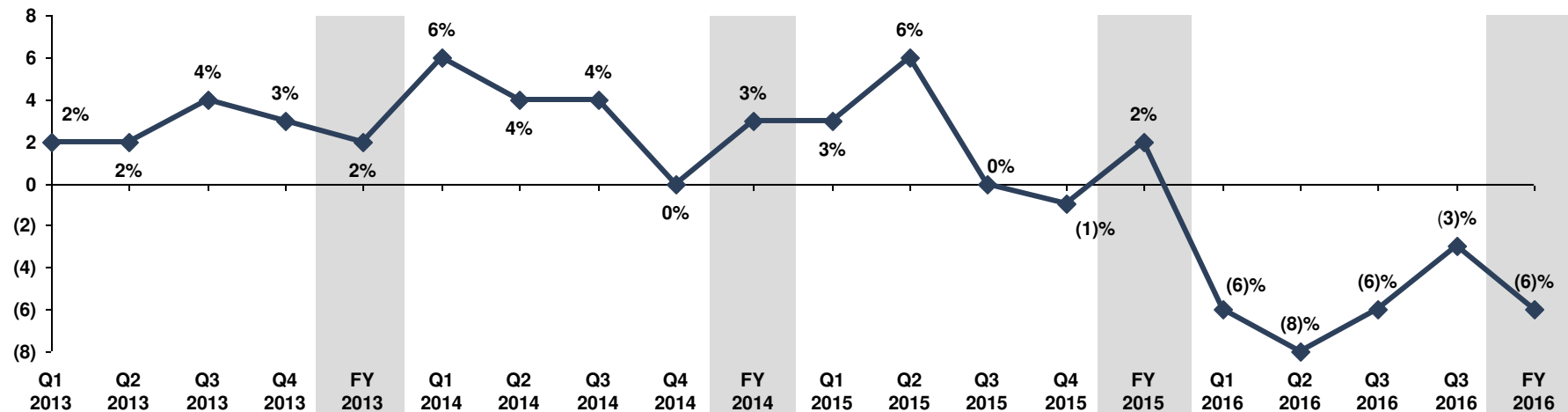
## Number of Group's own retail stores by region

As of 31/12/2016	Freestanding stores	Shop-in-Shops	Outlets	Total
Europe	191	354	63	<b>608</b>
Americas	94	89	49	<b>232</b>
Asia/Pacific	157	90	37	<b>284</b>
Total	<b>442</b>	<b>533</b>	<b>149</b>	<b>1,124</b>

► Low single-digit contribution from new space expected in 2017

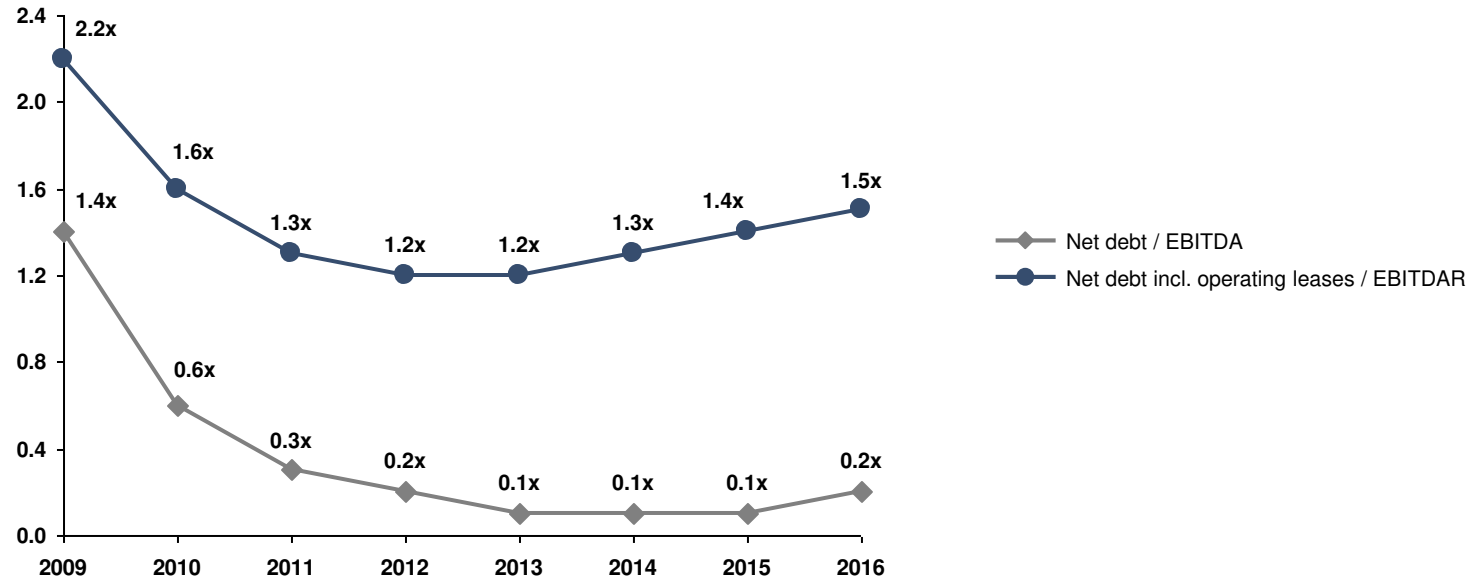
## Retail comp stores sales

### Retail I-f-I sales development\*



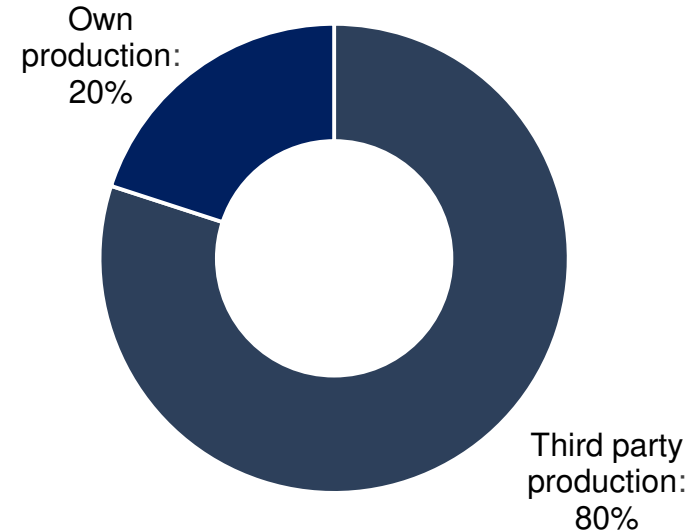
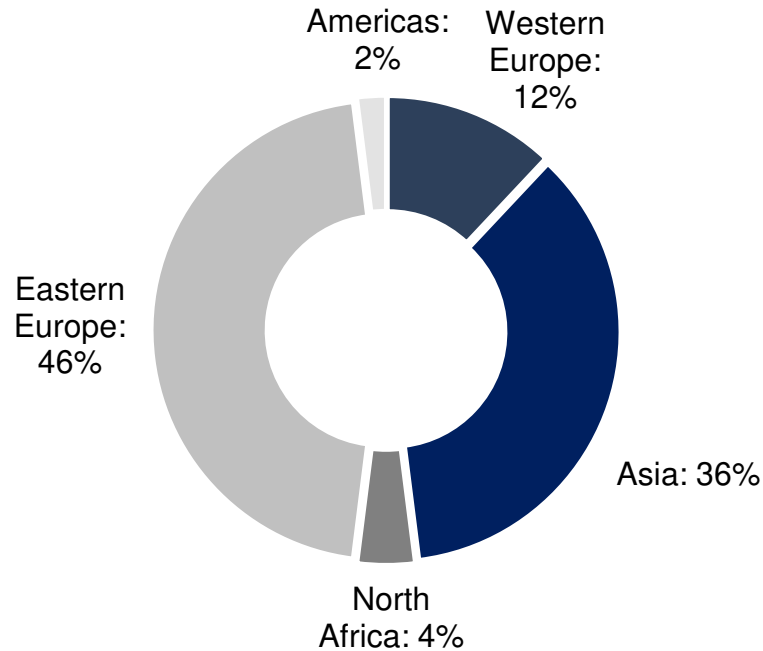
\*FX-adjusted

## (Adjusted) financial leverage



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

## Sourcing and production structure\*



\*As of 2016, in value terms

## Multi-Year overview

In EUR million	2016	2015	2014	2013	2012	2011
Sales	2,692.8	2,808.7	2,571.6	2,432.1	2,345.9	2,058.8
Gross profit	1,777.5	1,852.8	1,699.1	1,579.6	1,444.1	1,252.0
EBITDA	432.7	589.9	571.5	561.4	523.9	468.0
EBITDA before special items	493.1	594.1	590.8	564.7	528.1	469.5
EBIT	263.5	447.7	448.7	456.2	432.0	394.6
Net income	193.6	319.4	333.3	329.0	306.5	284.9
Free cash flow	220.2	207.6	268.4	230.0	220.6	194.9
Net debt	113.2	82.2	35.7	57.0	130.4	149.1
Capex	156.8	220.3	134.7	185.3	165.8	108.5
Depreciation/amortization	169.2	142.1	122.8	105.3	91.9	73.4
Dividend	179.4***	249.8	249.8	230.5	215.3	199.1
Total assets	1,798.6	1,800.3	1,661.8	1,501.3	1,577.2	1,419.6
Shareholders equity	887.6	955.7	843.9	740.3	631.6	517.3
Trade net working capital	524.4	527.6	503.0	431.8	408.5	399.6
Non-current assets	751.7	764.6	660.3	611.5	587.7	503.2
Gross profit margin in %	66.0	66.0	66.1	64.9	61.6	60.8
Adjusted EBITDA margin in %*	18.3	21.2	23.0	23.2	22.5	22.8
Total leverage**	0.2	0.1	0.1	0.1	0.2	0.3
Equity ratio in %	49.3	53.1	50.8	49.3	40.0	36.4

\*EBITDA before special items/Sales \*\*Net financial liabilities/EBITDA before special items \*\*\*Dividend proposal

## Analyst coverage

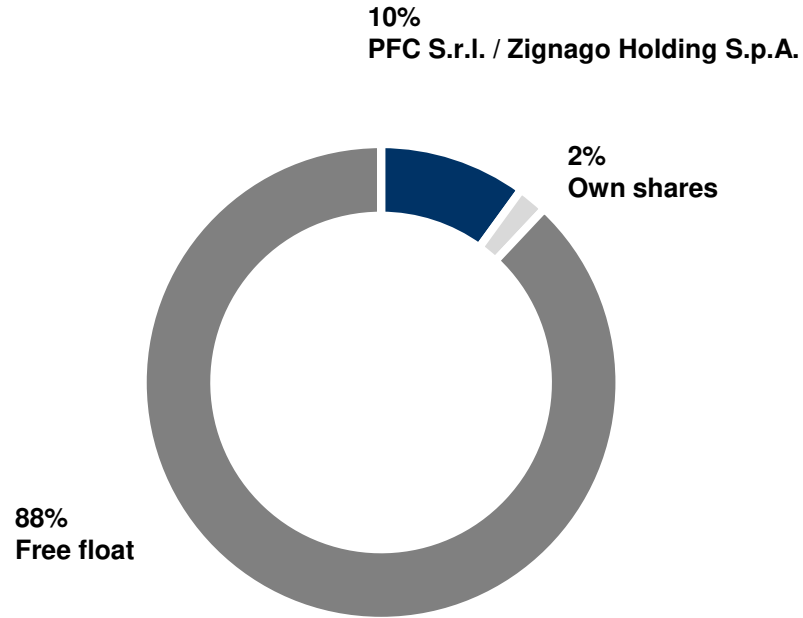
The HUGO BOSS AG share is covered by the following financial analysts:

Institution	Analyst
Aurel BGC	David Da Maia
Baader Bank	Volker Bosse
Bankhaus Lampe	Peter Steiner
Bank of America Merrill Lynch	Sherri Malek
Barclays	Julian Easthope
Berenberg Bank	Zuzanna Pusz
Bryan Garnier	Cédric Rossi
Citigroup	Thomas Chauvet
Commerzbank	Andreas Riemann
Credit Suisse	Guillaume Gauville
Deutsche Bank	Warwick Okines
DZ Bank	Herbert Sturm
Equita	Fabio Fazzari
Equinet	Mark Josefson
Exane BNP Paribas	Luca Solca
Goldman Sachs	Richard Edwards
Hamburger Sparkasse	Christian Hamann

Institution	Analyst
Hauck & Aufhäuser	Christian Salis
HSBC	Antoine Belge
Intermonte	Daniele Alibrandi
Invest Securities	Peter Farren
Jefferies	Charmaine Yap
J.P. Morgan	Melanie Flouquet
Kepler Cheuvreux	Jürgen Kolb
LBBW	Thomas Hofmann
M.M. Warburg	Jörg Philipp Frey
Macquarie	Andreas Inderst
MainFirst	John Guy
Mirabaud Securities	Alessandro Miglioni
Morgan Stanley	Elena Mariani
Nord LB	Wolfgang Vasterling
Oddo Seydler	Martin Decot
RBC	Richard Chamberlain
Société Générale	Thierry Cota
UBS	Fred Speirs



## Shareholder structure\*



\*Source: Share register, voting rights notifications (as of March 2017)

## Financial Calendar 2017 and Investor Relations contact

Date	Event
May 3, 2017	Publication of the First Quarter Results
May 23, 2017	Annual Shareholders' Meeting
August 2, 2017	HUGO BOSS Investor Day 2017
August 2, 2017	Publication of the First Half Year Report
November 2, 2017	Publication of the Nine Months Results

## Investor Relations Contact

**Dennis Weber, CFA**  
**Head of Investor Relations**

Phone: +49 (0) 7123 94 - 86267  
E-Mail: [Dennis\\_Weber@hugoboss.com](mailto:Dennis_Weber@hugoboss.com)

**Frank Böhme**  
**Investor Relations Manager**

Phone: +49 (0) 7123 94 - 87581  
E-Mail: [Frank\\_Boehme@hugoboss.com](mailto:Frank_Boehme@hugoboss.com)



## 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**