

**H U G O   B O S S**



## Mirabaud Roadshow

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GENEVA, SEPTEMBER 28, 2017

DENNIS WEBER – HEAD OF INVESTOR RELATIONS

## Second Quarter Results 2017

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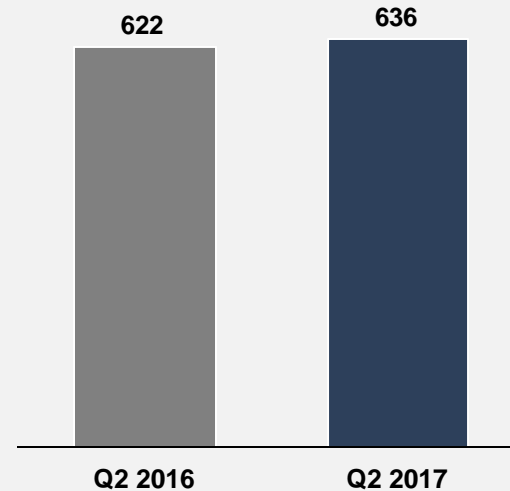
## HUGO BOSS records sales increase in the second quarter

- Brand repositioning reaches important milestones
- Comp store sales performance in own retail turns positive
- Robust growth in key markets UK and China

### Group Sales (in EUR million)

**+2 %**

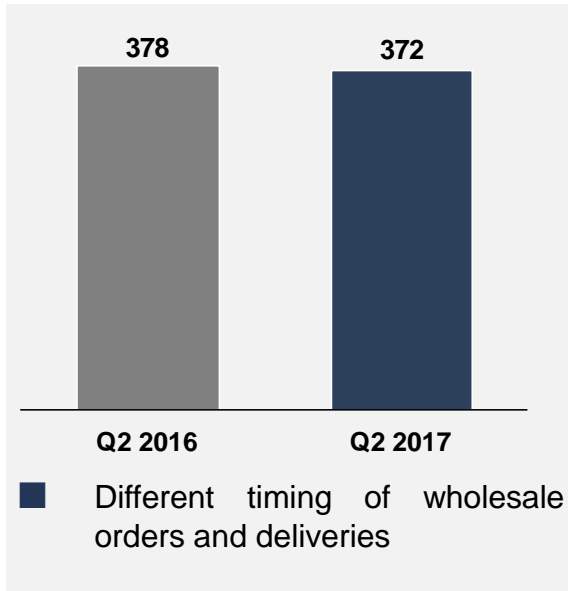
+3 % fx-adjusted



## The Americas and Asia/Pacific drive Group sales growth

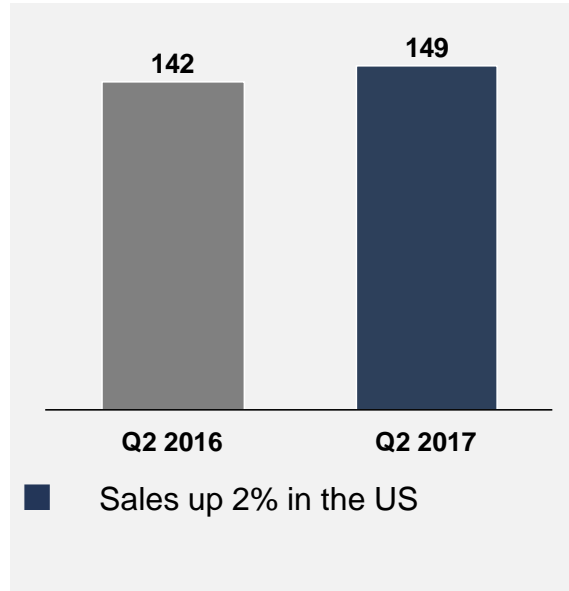
### HUGO BOSS Europe Sales\*

(2) %  
0 % fx-adjusted



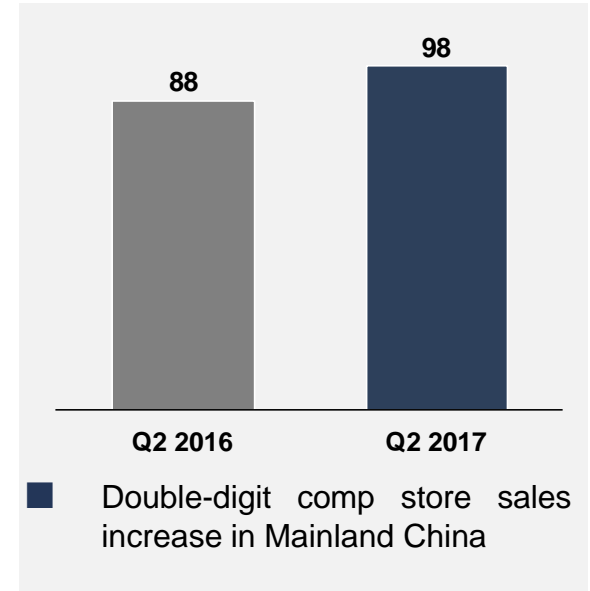
### HUGO BOSS Americas Sales\*

+5 %  
+3 % fx-adjusted



### HUGO BOSS APAC Sales\*

+11 %  
+10 % fx-adjusted

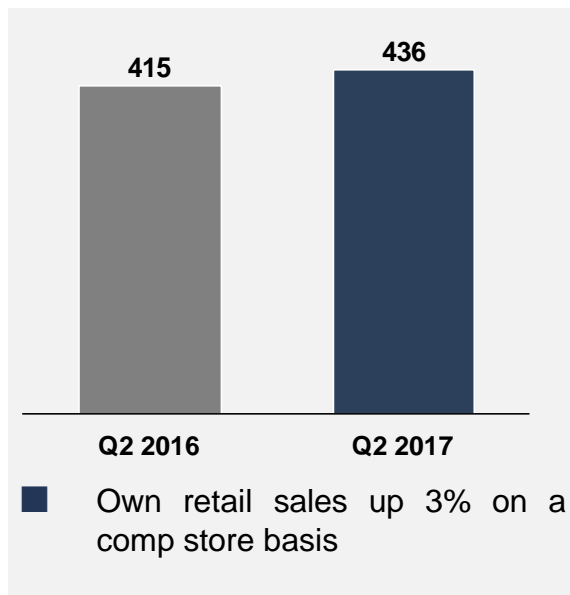


\*in EUR million.

## Like-for-like sales performance in own retail turns positive

### Retail Sales\*

+5 %  
+6 % fx-adjusted



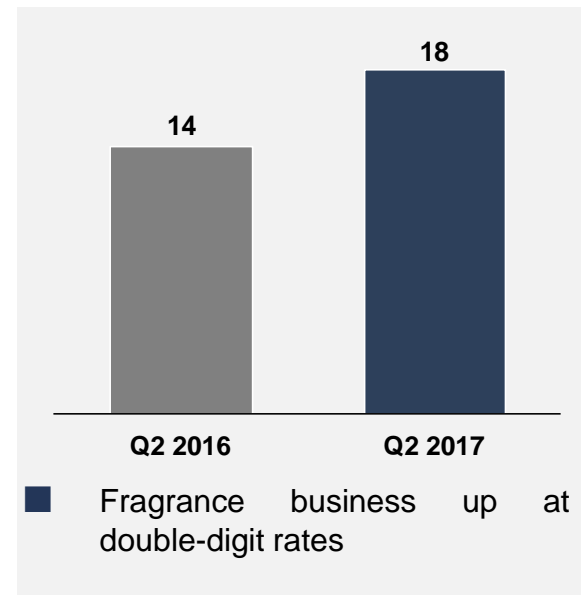
### Wholesale Sales\*

(6) %  
(6) % fx-adjusted



### License Sales\*

+27 %  
+27 % fx-adjusted



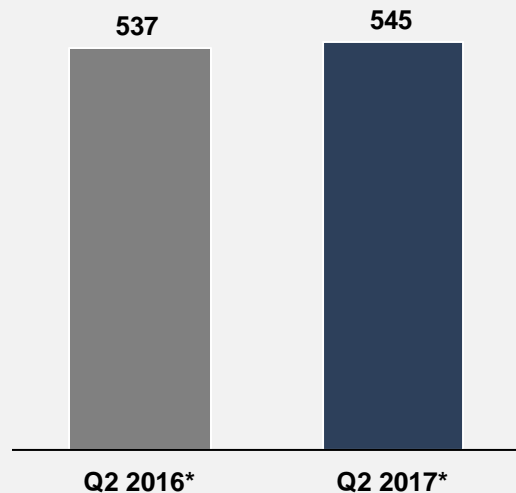
\*in EUR million.

## Sales up at BOSS and HUGO

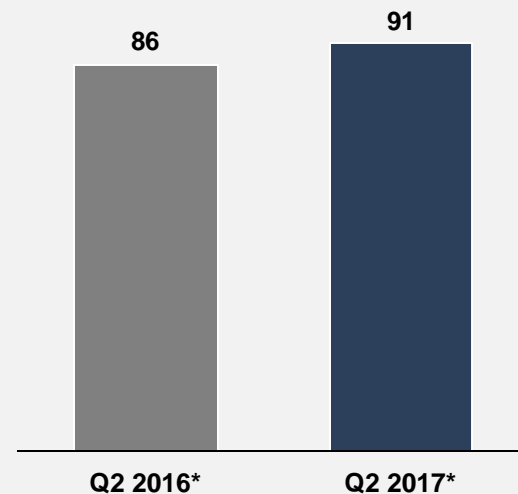
- Athleisure drives BOSS sales
- Growth at HUGO impacted by timing effects in wholesale
- Menswear outperforms womenswear

**BOSS**  
HUGO BOSS**+2 %**

+2 % fx-adjusted

**HUGO**  
HUGO BOSS**+6 %**

+6 % fx-adjusted



\*in EUR million.

· Mirabaud Roadshow Geneva

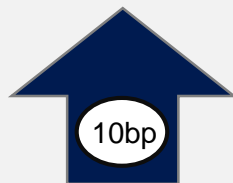
HUGO BOSS ©

September 2017

## Operating profit stable despite higher marketing expenses and investments in digital

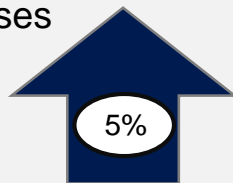
Gross margin

67.7 %



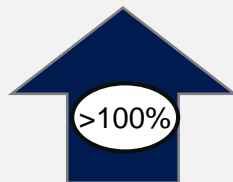
Administration expenses

69 EUR million



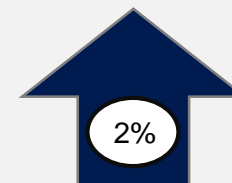
Special items

6 EUR million



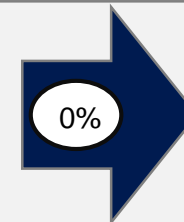
Selling & Distribution expenses

287 EUR million



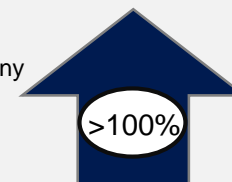
EBITDA (before special items)

108 EUR million



Net income attributable to equity holders of the parent company

58 EUR million





## Profitability in Asia/Pacific improves significantly

**Europe**  
(in %)

**(140) bp**

**Americas**  
(in %)

**+30 bp**

**Asia/Pacific**  
(in %)

**+340 bp**

**30.0**

**28.6**

**Q2 2016**

**Q2 2017**

**23.7**

**24.0**

**Q2 2016**

**Q2 2017**

**19.9**

**23.3**

**Q2 2016**

**Q2 2017**

## Sales and earnings increase in the first half year

### Group Sales (H1 2017)

1.287 Mio. EUR  +2%  
+2% fx-adjusted


### EBITDA (before special items)

205 Mio. EUR  +2%

### Net income attributable to equity holders of the parent company

106 Mio. EUR  >100%

### Sales by Region (H1 2017)

Europe  0%  
+2% fx-adjusted

Americas  +1%  
(2)% fx-adjusted

Asia/Pacific  +7%  
+5% fx-adjusted

## Group inventories continue to be tightly controlled

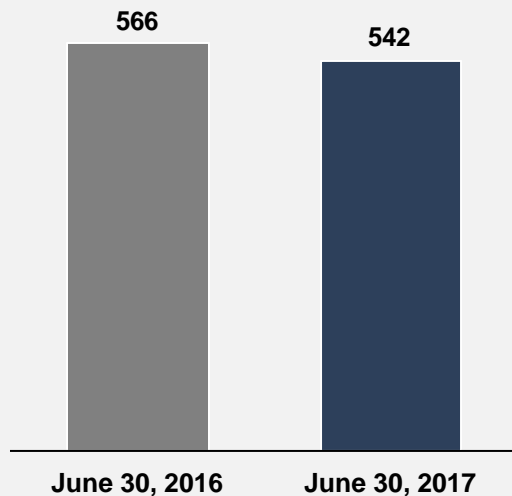
- Double-digit inventory declines in the Americas and Asia/Pacific
- Trade net working capital down 8% in currency-adjusted terms
- Working capital to sales ratio reaches lowest level since 2014

### Inventories

(in EUR million)

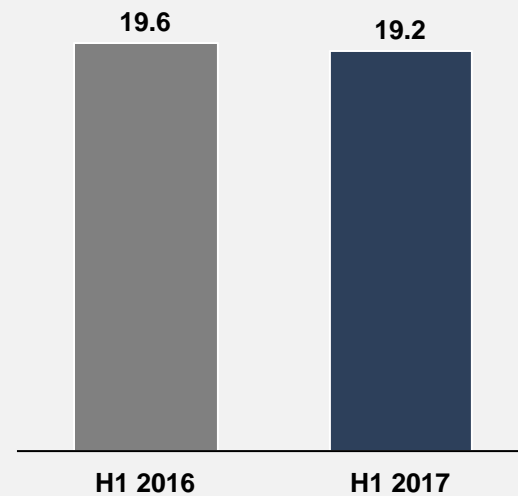
**(4) %**

(3) % fx-adjusted



### Average trade net working capital as percentage of sales (in %)

**(40) bp**

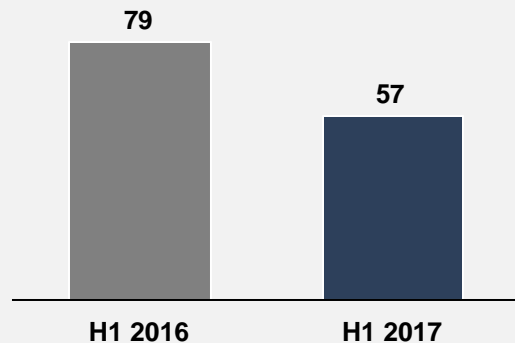


## Investment activity moderates compared to the prior year

### Capital expenditure

(in EUR million)

(28) %

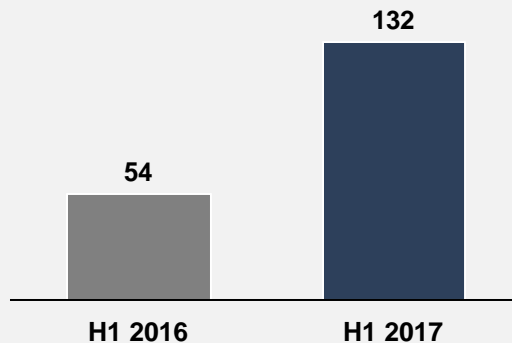


■ Own retail investments decline

### Free cash flow

(in EUR million)

>100 %

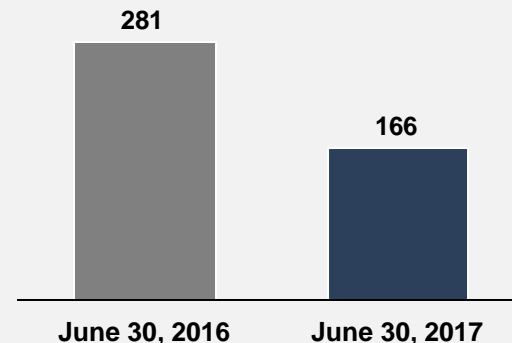


■ Higher net profit, lower working capital and investments

### Net financial liabilities

(in EUR million)

(41) %



■ Free cash flow improvement

## Group Strategy Update

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## Group strategy focuses on four fields of action



## Strategic Fields of Action



## Two brands: BOSS and HUGO

#THISISBOSS



TWO BRANDS

TWO TARGET CUSTOMERS

#IAMHUGO



TWO BRAND IDENTITIES




## Two personas give the BOSS and HUGO target customer a face

<b>BOSS</b> HUGO BOSS	<b>HUGO</b> HUGO BOSS
<p><b>38</b></p> <p><b>CONSULTANT</b></p> <p><b>MARRIED   TWO CHILDREN</b></p> <p><b>LONDON</b></p>	<p><b>29</b></p> <p><b>FOUNDER OF A START-UP</b></p> <p><b>SINGLE</b></p> <p><b>BERLIN</b></p>
<p><b>DEMANDING QUALITY SEEKER</b></p>	<p><b>OPEN-MINDED LIFE ENTHUSIAST</b></p>

## BOSS and HUGO customers have different attitudes towards fashion

BOSS

HUGO BOSS




Status-oriented, traditional, rational	ATTITUDE	Open-minded, individual, spontaneous
Classic, modern, sophisticated	STYLE	Fashion-forward, contemporary, progressive
Highest quality, personal assistance	EXPECTS	Latest fashion trends, urban atmosphere
Retail & department stores, online	SHOPPING	Online, mobile, retail & department stores

DEMANDING QUALITY SEEKER

OPEN-MINDED LIFE ENTHUSIAST

HUGO

HUGO BOSS



## Two competitive environments

Upper  
Premium



Premium



## BOSS and HUGO are distinct brands based on a common set of values

**BOSS**  
HUGO BOSS

**HUGO**  
HUGO BOSS

### EXCLUSIVE CHARACTERISTICS

MODERN DESIGN

EFFORTLESS LOOKS

SHARP TAILORING AND  
REFINED CASUALWEAR

PRODUCT EXCELLENCE

**TO BE DRESSED IMPECCABLY  
FOR EVERY OCCASION**

### SHARED VALUES & BENEFITS

INNOVATION

PREMIUM QUALITY AND  
PERFECT FIT

SUSTAINABILITY

TRUSTWORTHINESS

AUTHENTICITY

LIFESTYLE EXPERIENCES

### EXCLUSIVE CHARACTERISTICS

CONTEMPORARY DESIGN

PROGRESSIVE LOOKS

FASHION - FORWARD

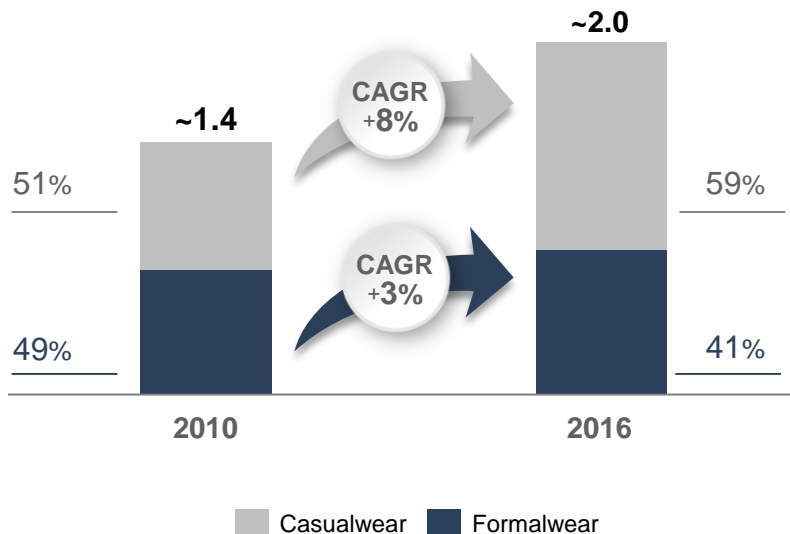
DESIGNER CLOTHES FOR AN  
AFFORDABLE PRICE

**TO BE DRESSED INDIVIDUALLY  
FOR EVERY OCCASION**

## BOSS: Upgrade of casualwear and new interpretation of formalwear

### Split of BOSS brand sales by segment

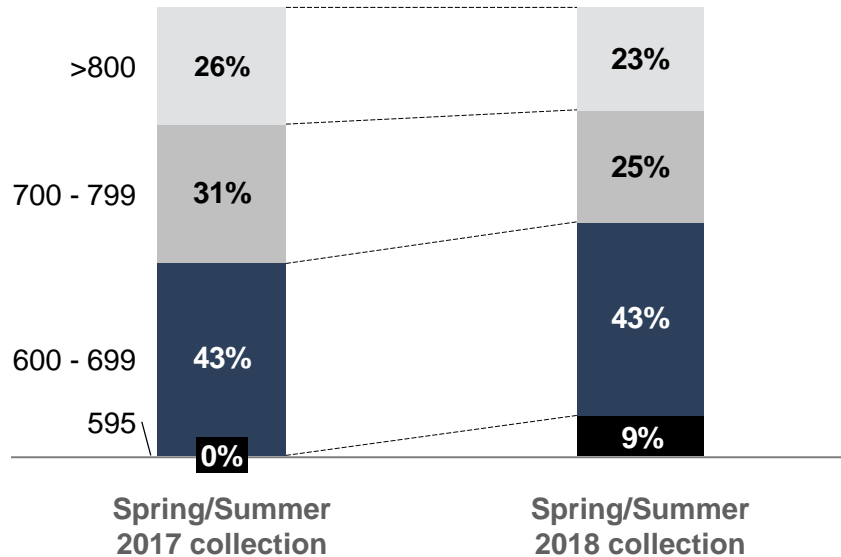
*In EUR billion*



## BOSS: Rebalanced offer takes advantage of BOSS core strength in upper premium

### Suit offer by price point

*Based on number of styles offered in France, in % of total*



## BOSS Menswear collection spans three wearing occasions

**BOSS**  
HUGO BOSS

BUSINESS

CASUAL

ATHLEISURE



DRESSED IMPECCABLY FOR EVERY OCCASION

## BOSS Womenswear collection consists of Business and Casual

**BOSS**  
HUGO BOSS

BUSINESS

CASUAL



DRESSED IMPECCABLY FOR EVERY OCCASION



## Business and Casual form HUGO Menswear...

BUSINESS

CASUAL

**HUGO**  
HUGO BOSS



GLOBALLY ENGAGED – ALWAYS CURIOUS – AUTHENTICALLY EXPRESSIVE

## ...and HUGO Womenswear collections

BUSINESS

CASUAL

**HUGO**  
HUGO BOSS



GLOBALLY ENGAGED – ALWAYS CURIOUS – AUTHENTICALLY EXPRESSIVE

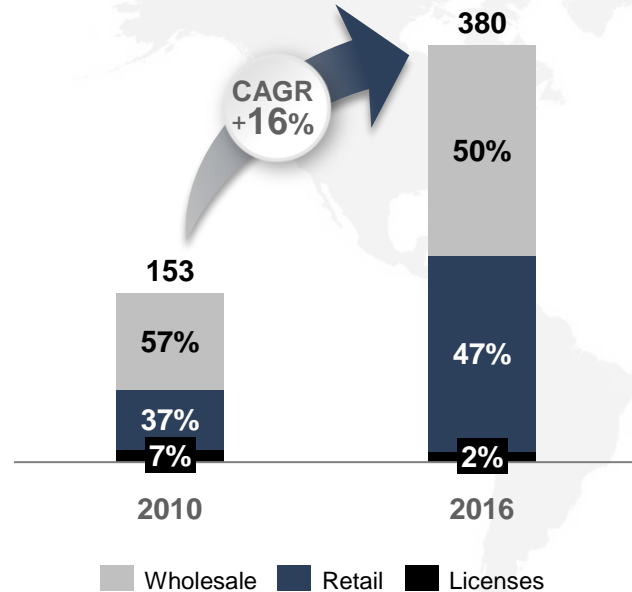
## HUGO: Refined brand positioning receives strong feedback



## HUGO has grown significantly above industry average in recent past

### HUGO sales split by channel

*In EUR million*



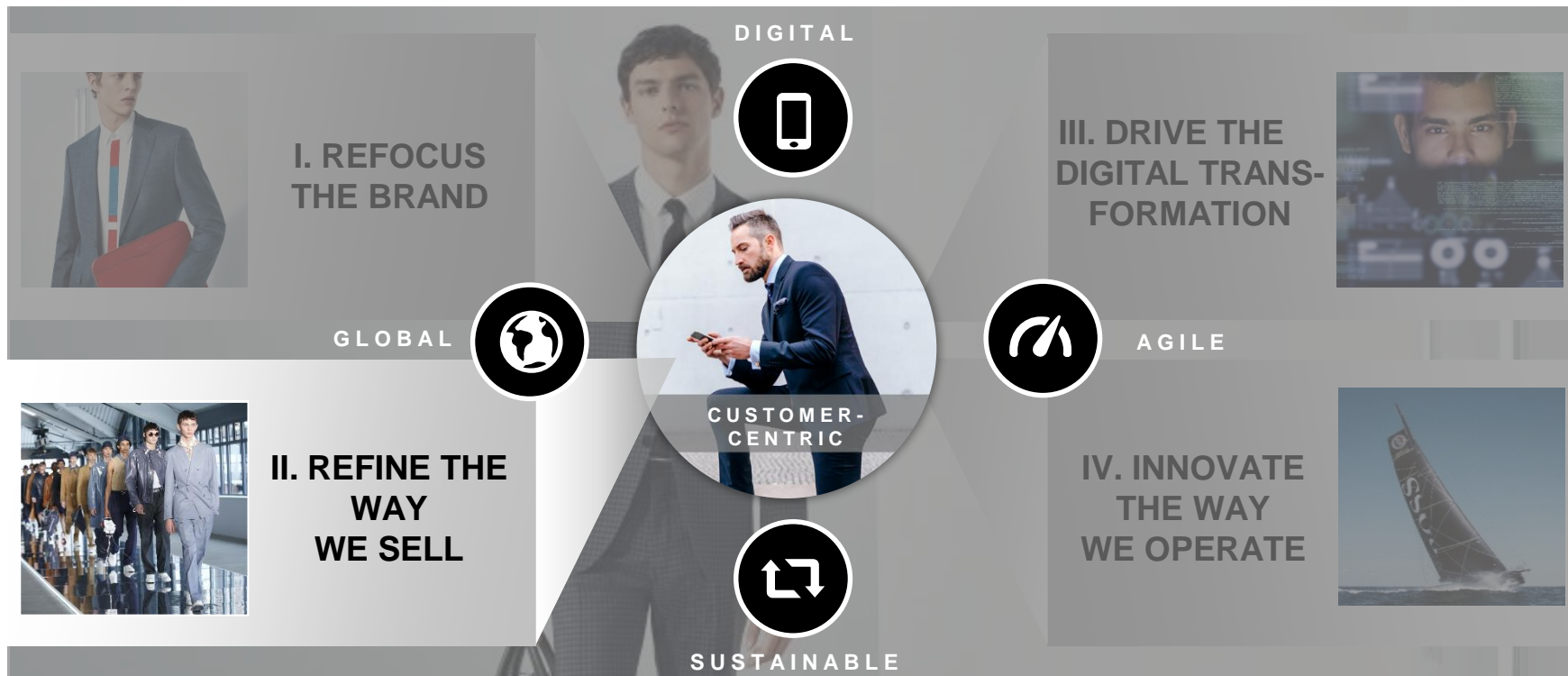
- Strong position in central European markets
- Short-term growth focus on other European markets
- Ambition to grow in the US and key Asian markets



## Full calendar of events to drive excitement around HUGO



## Strategic Fields of Action



## Three key distribution priorities

**1**

Increase own retail sales productivity

**2**

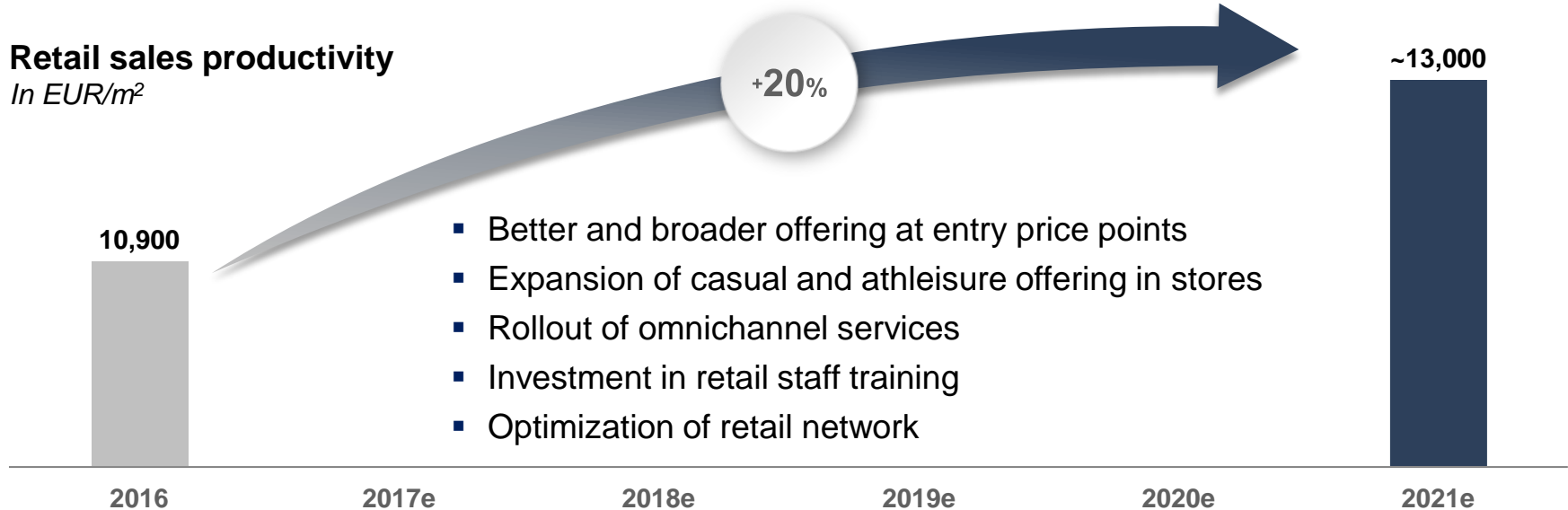
Exploit the full potential of online

**3**

Further integrate distribution across all channels

### Retail sales productivity

*In EUR/m<sup>2</sup>*



## Three key distribution priorities

1

Increase own retail sales productivity

2

Exploit the full potential of online

3

Further integrate distribution across all channels





## Three key distribution priorities

1

Increase own retail sales  
productivity

2

Exploit the full potential of online

3

Further integrate distribution  
across all channels

90

% of European retail business omnichannel-enabled

## Positive reaction from wholesale partners to new Spring/Summer 2018 collection



- Orders for athleisure wear up at double-digit rates
- 
- HUGO orders up solidly driven by double-digit increase in casualwear
- 
- Overall order book broadly stable y-o-y, outperforming the global wholesale market

## 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**

## Strategic Fields of Action



## Digital transformation comprises the entire value chain



**Product & collection  
development**



**Sourcing  
and production**



**Distribution  
and logistics**



**Own retail and  
wholesale distribution**

## Increasing use of virtual prototyping accelerates collection development

- Improved communication flow with suppliers
- Reduction of mock-ups and prototypes
- 100% of HUGO shirt, neckwear and knitwear offering digitalized





## Production facility in Izmir is developing into a “smart factory”



## Key elements of logistics infrastructure upgraded or renewed

European flat-packed goods  
distribution center  
**Filderstadt, Germany**

New construction  
completed in 2014



US distribution center  
**Midway (Georgia),  
United States**

SAP implementation  
completed in 2017



2014

2016

2017

European e-Com and  
B-pool distribution center  
**Wendlingen,  
Germany**

Refurbishment  
completed in 2016





## New store concepts create strong link between physical and digital retailing



Product and collection development | Sourcing and production | Distribution and logistics | Sales

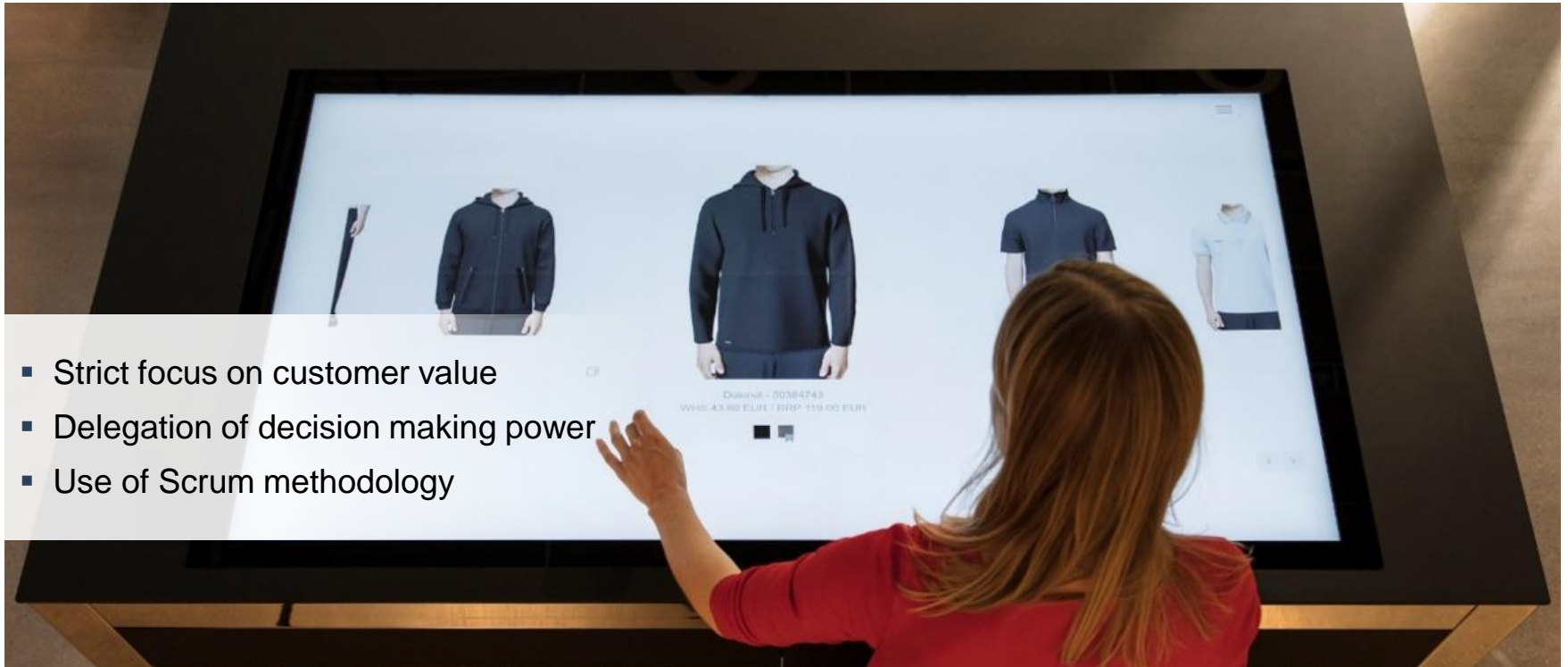
## HUGO digital showroom with full order functionality starting October 2017



## Strategic Fields of Action



## Digital showroom development demonstrates adoption of new ways of working



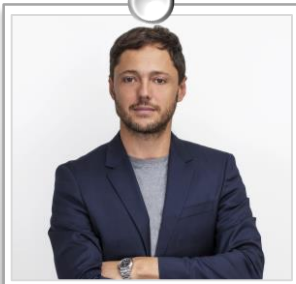
- Strict focus on customer value
- Delegation of decision making power
- Use of Scrum methodology

## Speed drives commercial success





## Senior management changes bring new expertise to the company



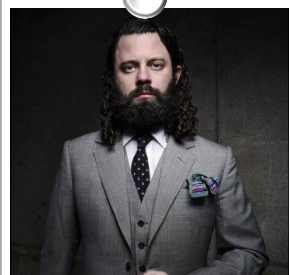
**Filippo Bernasconi**  
Director Brand & Creative Management  
Shoes and Leather  
(formerly at Bally)



**Tony Lucia**  
President and CEO, USA  
(G-Star, Escada)



**Linda Dauriz**  
Director Customer Experience & Corporate Development  
(McKinsey & Company)

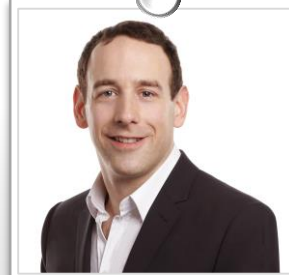


**Neil Melgaard-Lewty**  
Senior Head of Design  
Menswear Smart Casual  
(Tommy Hilfiger, MEXX)

**Dr. Marcus Meyer**  
Managing Director  
Central Markets  
(Navyboot, Geox)



**Richard Lloyd-Williams**  
Director of Digital Transformation  
(NET-A-PORTER)



## Yves Müller appointed Chief Financial Officer



**Responsibilities //** Controlling, Finance, Central Services,  
Investor Relations and IT

**2006 – 2017:** CFO at Tchibo

**1999 – 2006:** Head of group accounting and IT at Tchibo

**1994 – 1999:** Auditor at Arthur Andersen



## Financial and Operational Outlook

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## Group sales outlook confirmed

### 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



### Sales by region\*

#### Europe

Stable

#### Americas

Slight decline

#### Asia/Pacific

Slight increase

\* On a currency-adjusted basis

Mirabaud Roadshow Geneva

HUGO BOSS ©

September 2017

## Financial outlook remains largely unchanged

<b>Sales*</b>	Largely stable	Unch.
<b>Gross profit margin</b>	Slight increase	Unch.
<b>EBITDA before special items</b>	-3% to +3%	Unch.
<b>Consolidated net income</b>	Low double-digit percentage rate increase	Unch.
<b>Capital expenditure</b>	EUR 130 million to EUR 150 million	↘
<b>Free cash flow</b>	Increase to around EUR 250 million	↗

\* On a currency-adjusted basis.

## Disciplined cost management will support profitability

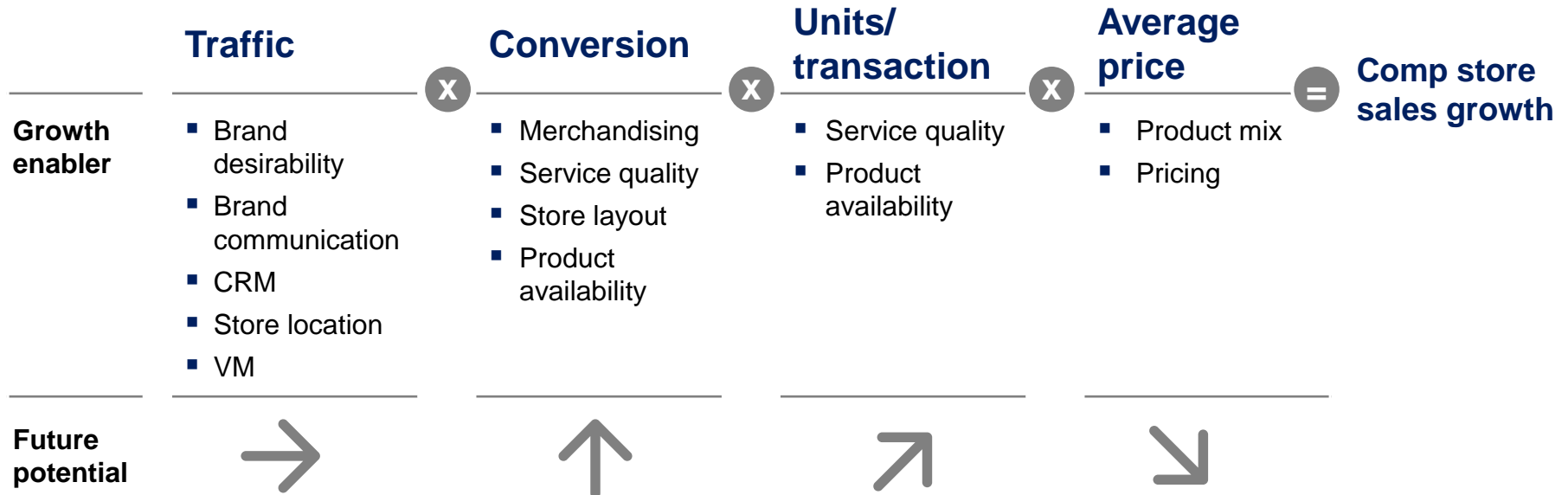
Key influencing factors on gross margin and major cost items, medium-term trend as a % sales

		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	→	↘	↗	→

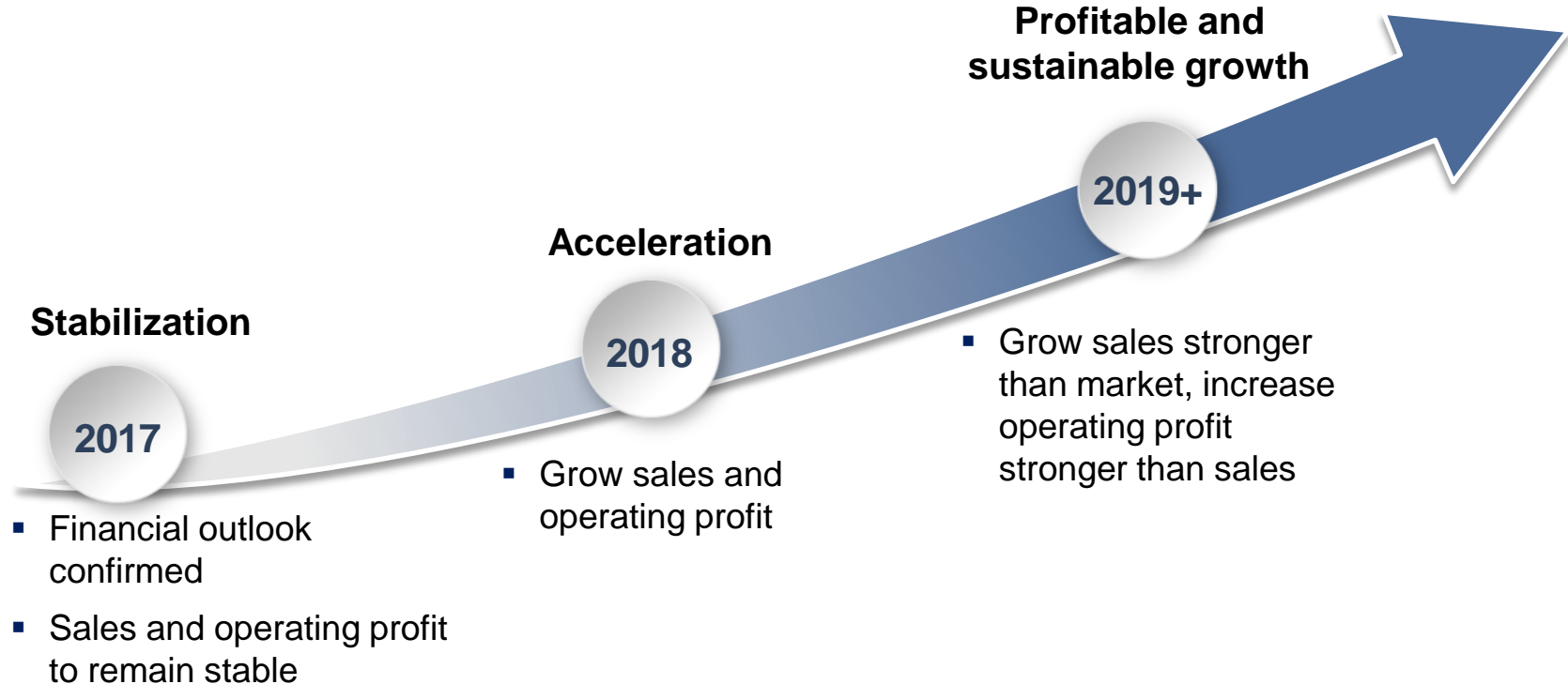
► Group confident to maintain current gross margin level and limit future cost inflation

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

## Adjustment of brand and merchandising strategy expected to increase sales volumes



## Strategy execution will drive profitable and sustainable growth



## HUGO BOSS will further strengthen its position in the premium apparel industry



BOSS and HUGO will outgrow their respective market segments

Refined strategy will elevate brand desirability and customer experience

Agility will become key feature of the operating model

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HUGO BOSS

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Backup

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## 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

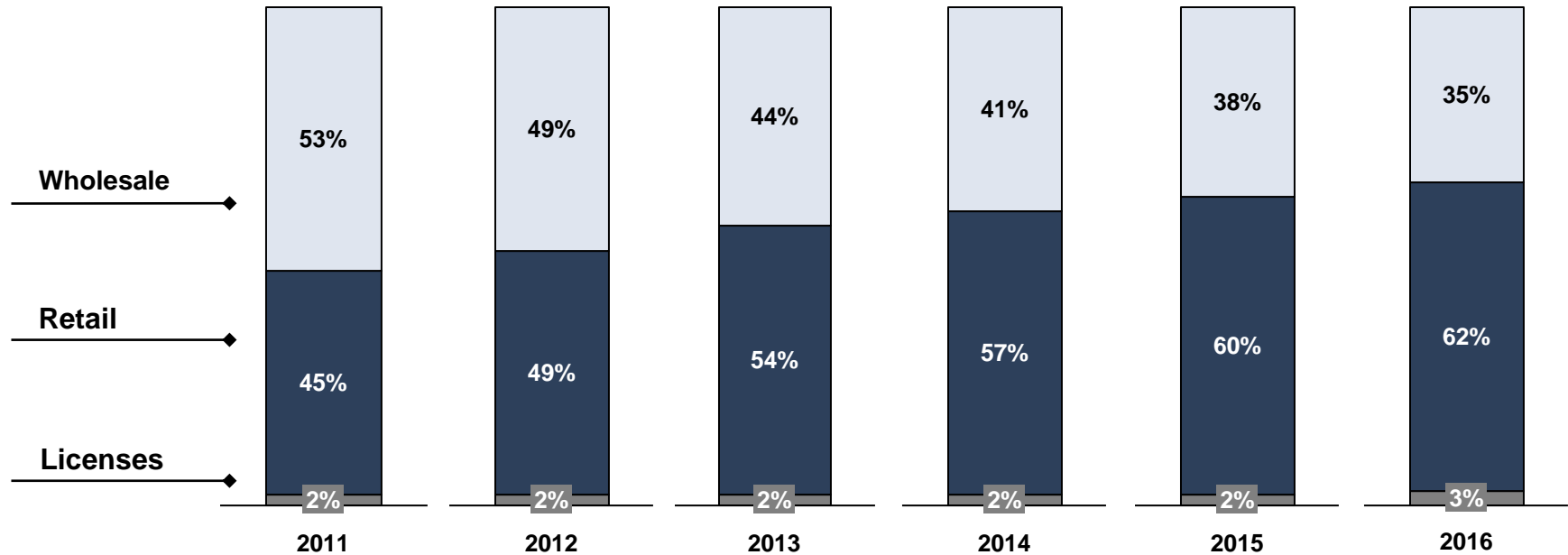
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HUGO BOSS ©

September 2017



## Sales by distribution channel

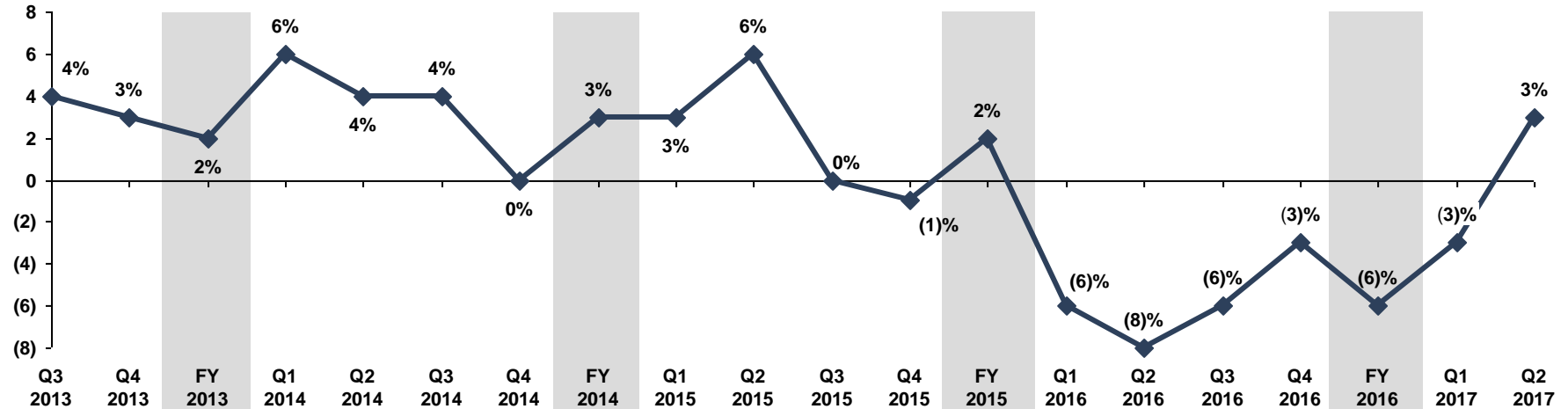


## Number of Group's own retail stores by region

As of 30/06/2017	Freestanding stores	Shop-in-Shops	Outlets	Total
Europe	189	344	63	<b>596</b>
Americas	93	105	49	<b>247</b>
Asia/Pacific	156	87	42	<b>285</b>
<b>Total</b>	<b>438</b>	<b>536</b>	<b>154</b>	<b>1,128</b>

## Retail comp stores sales

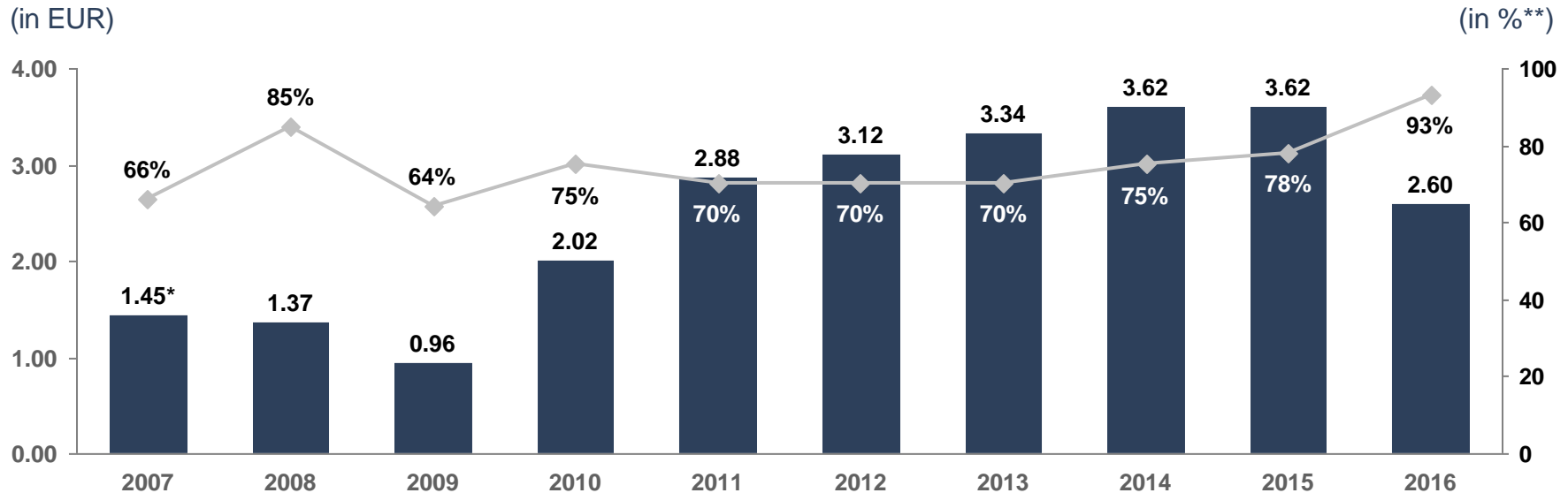
Retail I-f-I sales development\*



\*FX-adjusted

## Dividend policy

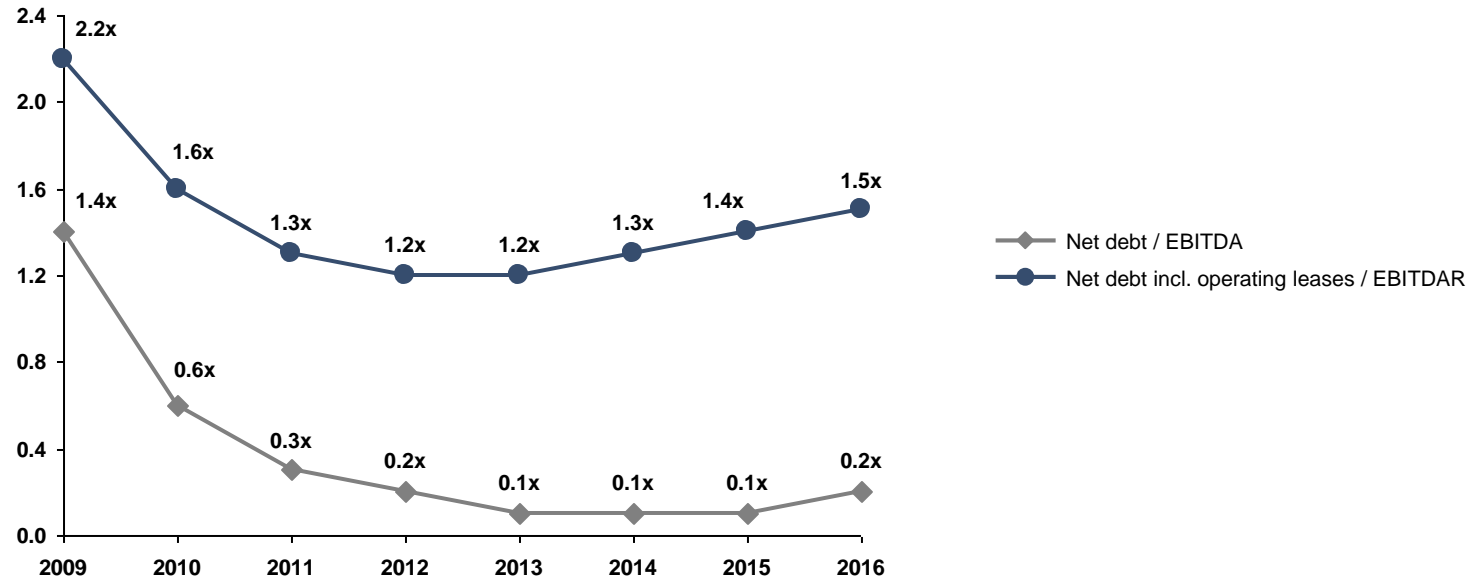
Dividend per share and payout ratio  
(in EUR)



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

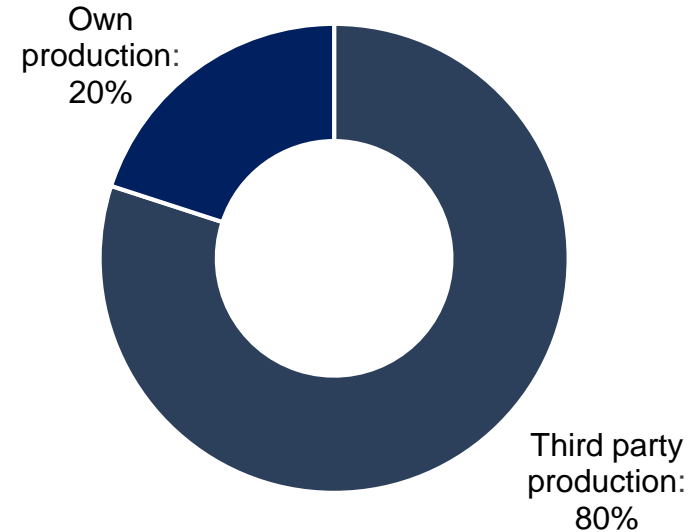
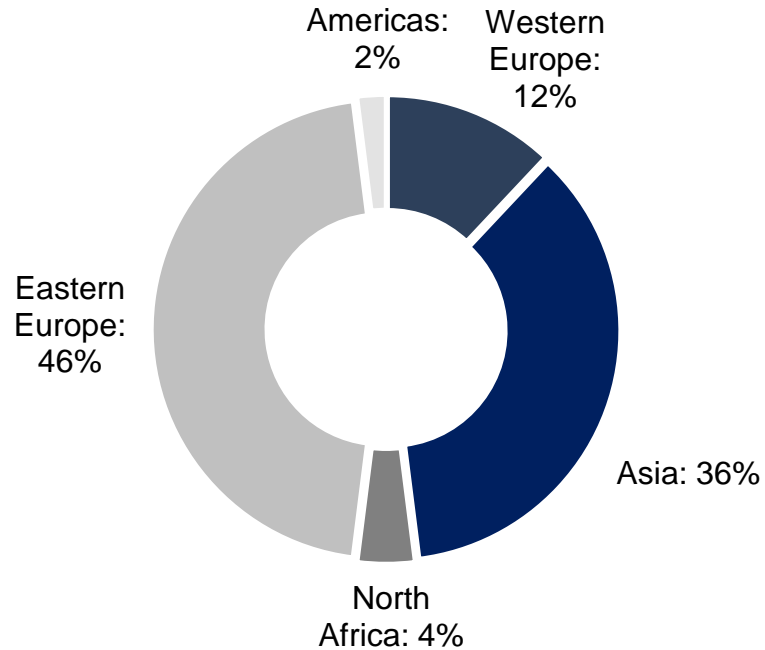
\* Excluding special dividend of €5.00 per share \*\* As a percentage of net income attributable to shareholders

## (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

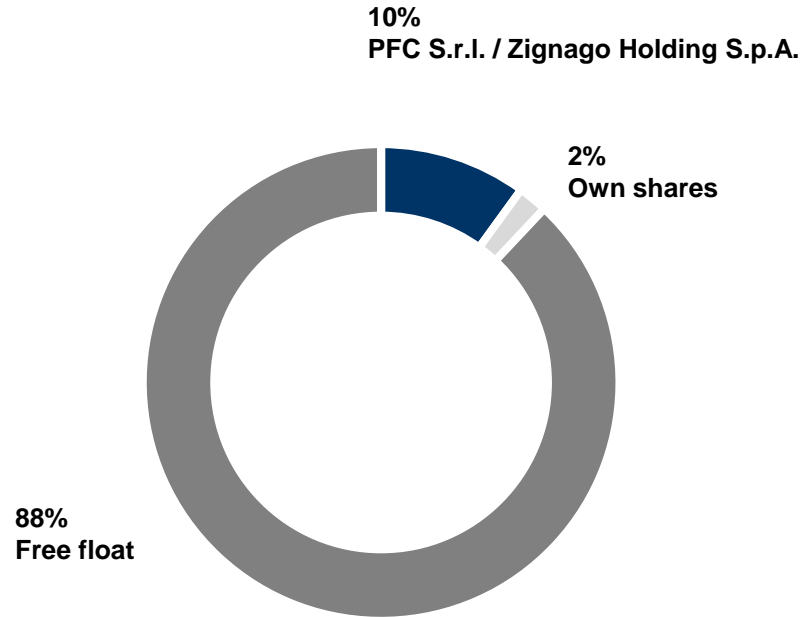
The HUGO BOSS AG share is covered by the following financial analysts:

Institution	Analyst
Aurel BGC	David Da Maia
Baader Bank	Volker Bosse
Bankhaus Lampe	Peter Steiner
Bank of America Merrill Lynch	Ashley Wallace
Barclays	Julian Easthope
Berenberg Bank	Zuzanna Pusz
Bloomberg Intelligence	Chris Chaviaras
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
Evercore ISI	Omar Saad
Exane BNP Paribas	Luca Solca
Goldman Sachs	Alberto D'Agnano
Hamburger Sparkasse	Christian Hamann

Institution	Analyst
Hauck & Aufhäuser	Christian Salis
HSBC	Antoine Belge
Intermonte	Daniele Alibrandi
Invest Securities	Peter Farren
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 Migliorini
Morgan Stanley	Elena Mariani
Nord LB	Wolfgang Vasterling
Oddo Seydler	Martin Decot
RBC	Piral Dadhania
Société Générale	Thierry Cota
UBS	Fred Speirs



## Shareholder structure\*



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

## Financial Calendar 2017/2018 and Investor Relations contact

Date	Event
November 2, 2017	Publication of the Third Quarter Results
March 8, 2018	Full Year Results 2017 & Press and Analysts' Conference
May 2, 2018	First Quarter Results 2018

### Investor Relations Contact

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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.



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