

# Kepler Cheuvreux German Corporate Conference 2017

Frankfurt, January 18, 2017  
Mark Langer, CEO



## Fields of action





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



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## 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

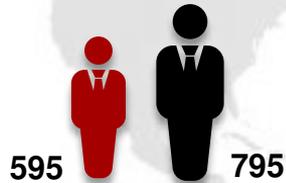


Refocus the brand | Refine the way we sell | Drive the digital transformation | Innovate the way we operate

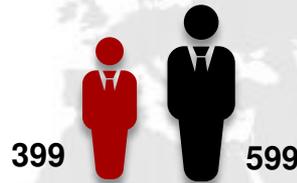
## Attractive pricing will contribute to the expansion of HUGO across all regions

### Entry price point for suits

#### United States (in USD)



#### Euro Countries (in EUR)



#### China (in CNY)



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



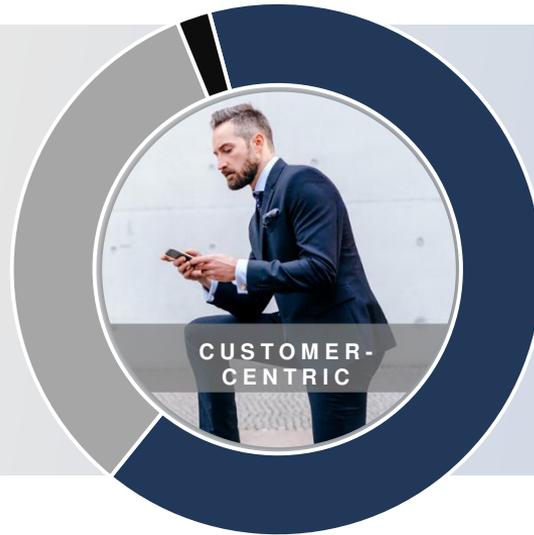
▶ Average HUGO prices are around 30% below BOSS



## 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

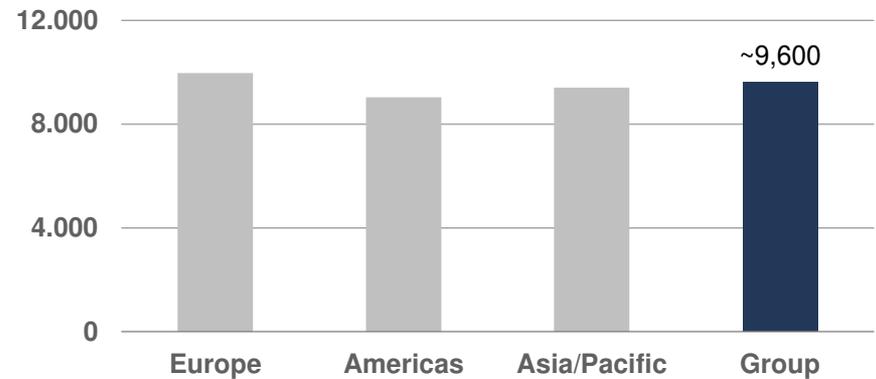
► **The pace of expansion in retail space will moderate significantly compared to historic levels**

## Increasing sales productivity the key focus of retail management

**Sales productivity by retail format, FY 2015**  
(in EUR/m<sup>2</sup>)

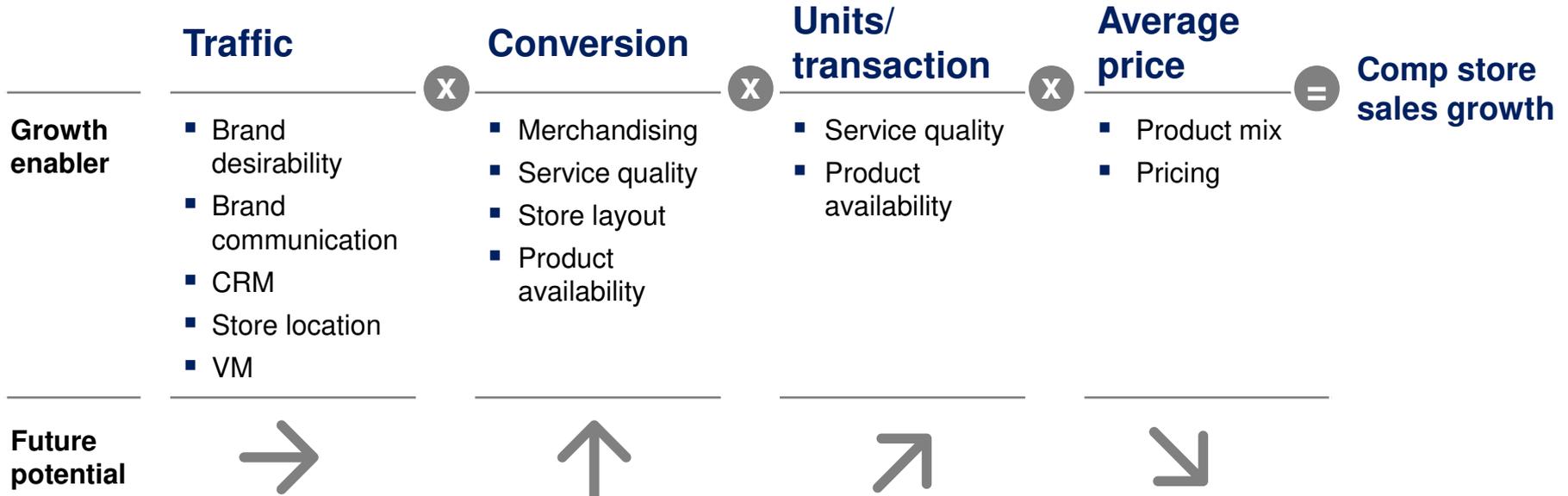


**Sales productivity by region, FY 2015**  
(in EUR/m<sup>2</sup>)



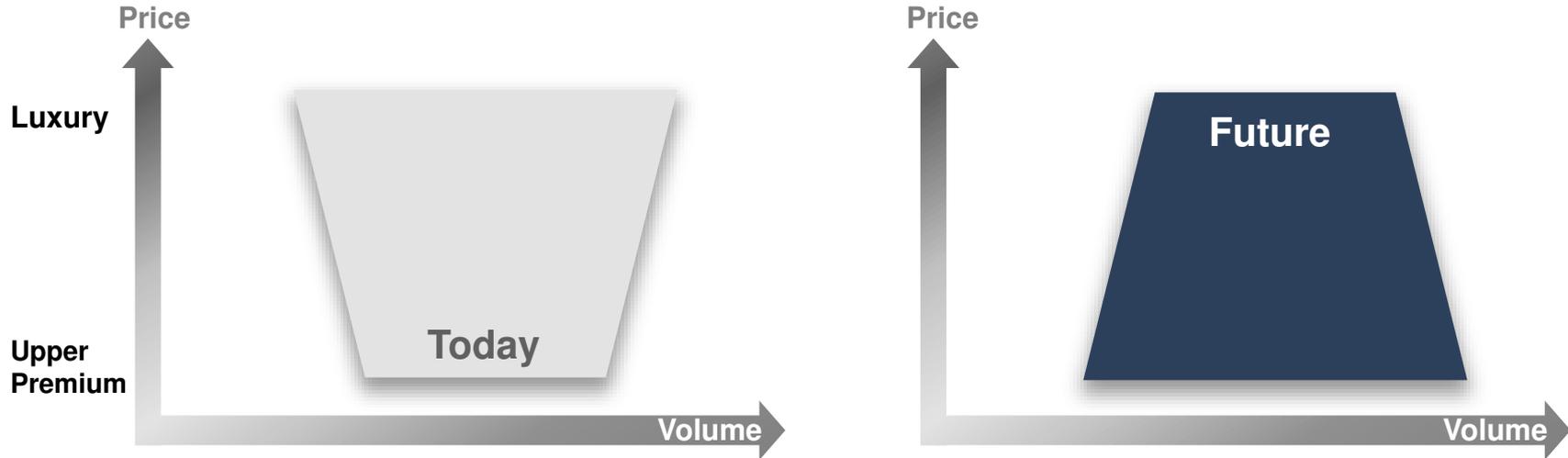
► **Target of increasing the Group's sales productivity by 20% over the next few years**

# 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

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

## ...and different wearing occasions

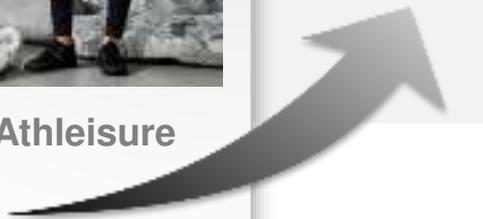
To be added to the product range



Smart casual



Athleisure



In-store today



Business



Womenswear



S&A

## New BOSS pricing architecture clears up historical imbalances

Maximum price difference between two markets

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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**



# 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

## Wrap-Up

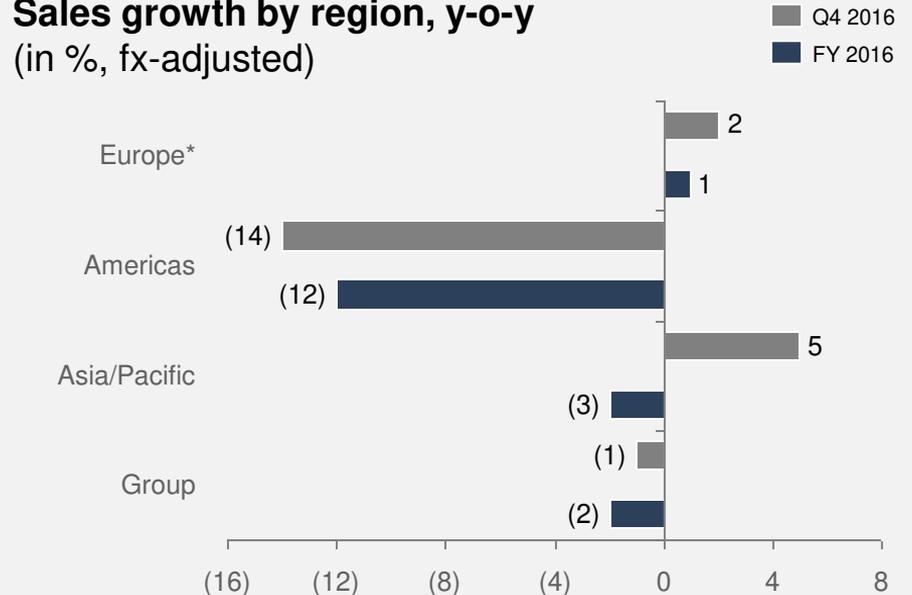
# Financial & Operational Outlook



## Preliminary results 2016 reported in January

- Retail comp store sales in Mainland China up by around 20%
- Q4 sales in Europe increase mainly due to robust growth in the UK, Germany also positive
- Full year operating profit (EBITDA before special items) expected to reach the upper end of guidance range (decline between 17% and 23%)

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



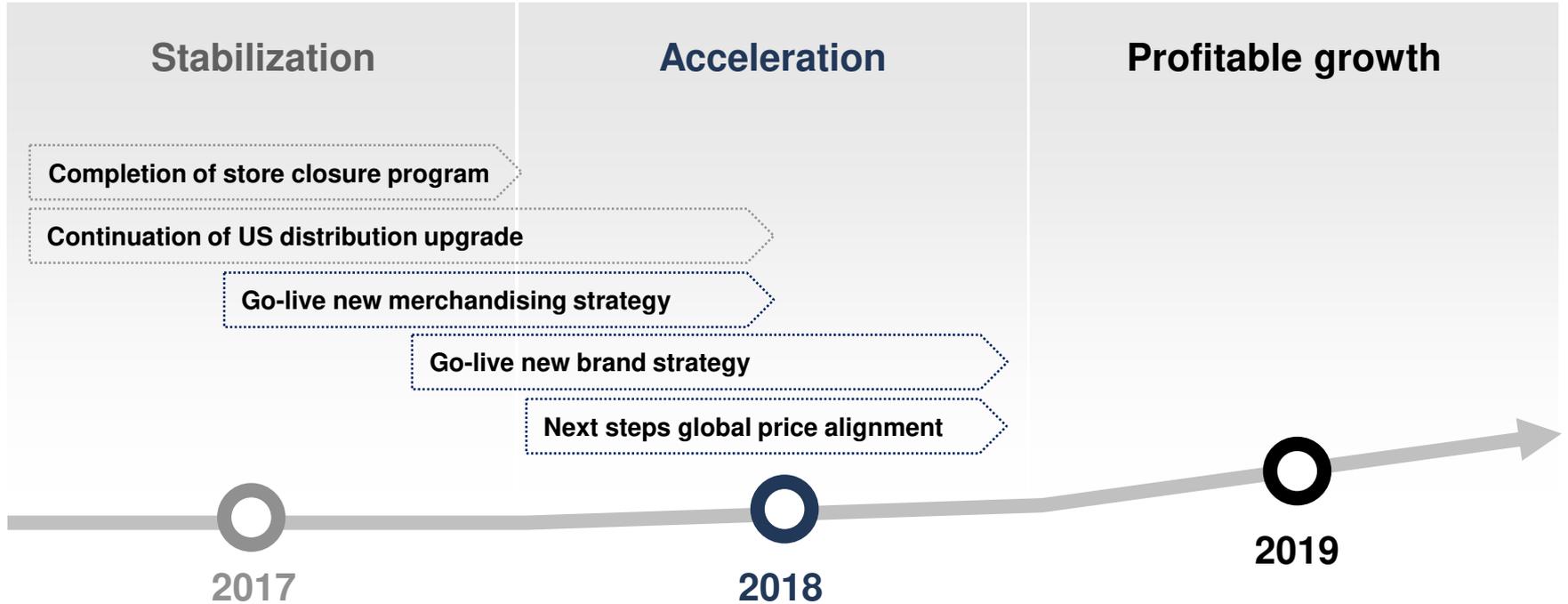
\*Incl. Middle East and Africa

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

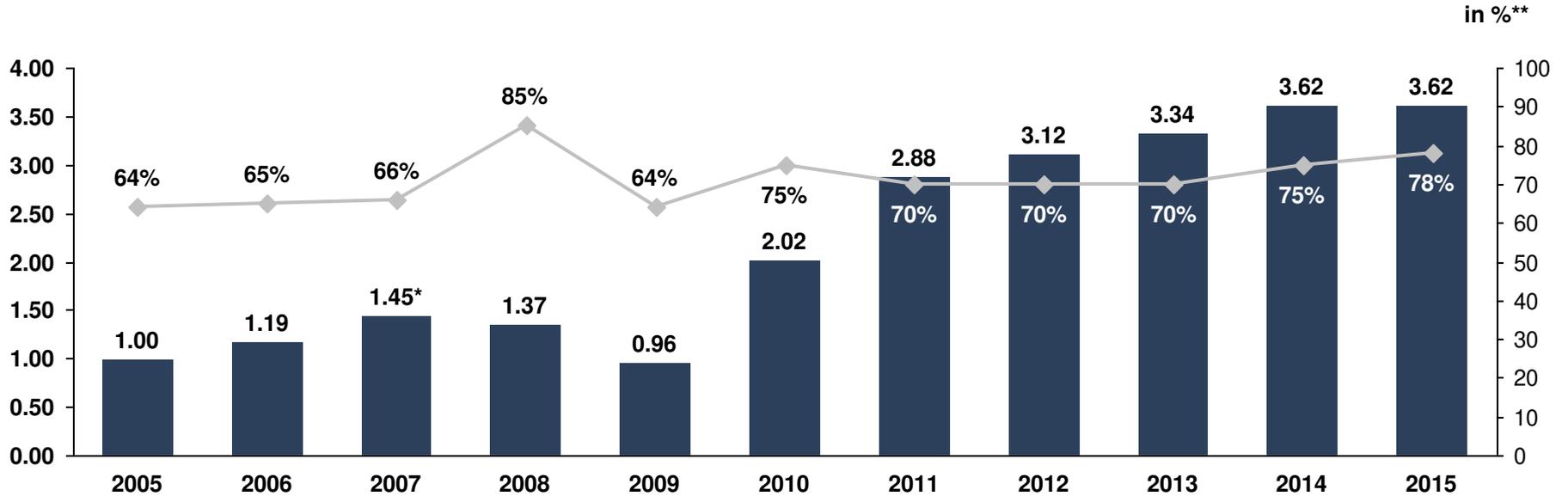


► **Low- to mid-single-digit retail comp store sales growth needed to expand operating margin**

## 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

