HUGO BOSS

Full Year Results 2024

March 13, 2025

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Christian Stöhr (SVP Investor Relations): Good morning everyone, and welcome to our full-year 2024 financial results presentation, hosted by Daniel Grieder, CEO of HUGO BOSS, and Yves Müller, CFO and COO.

Today's conference call will be divided into three parts. Daniel will kick off by highlighting some of our key strategic achievements in 2024. Afterwards, Yves will present our financial performance in the last fiscal year, before Daniel provides details on our full-year 2025 outlook. As always, we will conclude with a Q&A session, where we will be happy to answer your questions.

Before I hand over to Daniel, allow me to remind you that all revenue-related growth rates will be discussed on a currency-adjusted basis unless otherwise specified. I would also like to remind you that during the Q&A session, we kindly ask you to limit your questions to a maximum of two. So, let's get started and over to you, Daniel.

Daniel Grieder (CEO): Thank you, Christian, and good morning everyone. Thanks for joining our call today. Since the beginning of our "CLAIM 5" journey in 2021, we have achieved significant milestones across our strategic priorities. And I am pleased to report that our growth trajectory continued in 2024. We increased Group sales to a record level of 4.3 billion euros, while EBIT amounted to 361 million euros – despite a difficult market environment and a sharp industry slowdown over the course of the year.

When we presented our initial outlook for fiscal year 2024, we and most likely also you, were somewhat more optimistic about the opportunities that 2024 would bring. At HUGO BOSS, we were fully committed to making further progress towards our mid-term financial ambition.

However, over the course of the year, we had to learn that both the world and our industry were being impacted by numerous macroeconomic and geopolitical challenges. First and foremost, this included ongoing elevated inflation levels and living costs, which weighed on consumer confidence. Geopolitical tensions and key election outcomes added further volatility and put consumer demand under pressure in many markets around the globe.

Against this backdrop, I am satisfied how we ended 2024. We achieved our financial targets as adjusted in July and continued our successful "CLAIM 5" journey. For more than three years, we have strengthened brand momentum and achieved above-market growth. Reaching

4.3 billion euros in sales is yet another milestone along this path. It underscores the strength of "CLAIM 5" and the great potential of our brands.

The enhanced relevance of BOSS and HUGO is most evident in our greater presence on social media. Since the launch of "CLAIM 5," we have generated more than 130 billion impressions across all channels and over 3 billion engagements. Our "social first" approach enabled us to add over 11 million new followers. And within our quarterly brand heat index, BOSS consistently ranks among the top brands.

I am therefore convinced that, today, we are operating from a position of strength – both from a financial and a strategic perspective. Over the last several years, we have constantly invested in our brands, products, distribution, digital capabilities, and logistics.

These upfront investments formed the basis for our operational and financial performance as part of "CLAIM 5." And they will continue to drive us forward, providing an important foundation for long-term profitable growth.

In response to the intensifying external challenges and industry headwinds, we adjusted our game plan and adapted to the evolving market environment. We prioritized strategically relevant initiatives and focused more on customer centricity. This enabled us to exploit our global growth opportunities despite all external factors.

With a strong commitment to protecting profitability, we also placed emphasis on increasing cost efficiency across all business areas including operations, marketing, sales, and administration. We will elaborate on these efficiency measures later on, but first let's take a closer look at some of our most important initiatives, all designed to inspire customers around the world.

Welcoming the global icon David Beckham to our BOSS family was certainly a key moment in 2024, fueling brand awareness and driving brand engagement. Importantly, this multi-year partnership goes beyond any of our previous collaborations – both in terms of duration and impact.

After his debut in our Fall/Winter 2024 campaign, the recent launch of our BOSS ONE underwear campaign has attracted attention, generating 3 billion impressions in only one month. Following this success, we look forward to the first capsule collection co-created by David to drop later this year.

Our global brand campaigns and marketing events, such as our BOSS Fashion Show in Milan and the HUGO X Formula 1 event in Miami, drove additional excitement throughout the year. Importantly, we also made strong progress in driving marketing effectiveness: with our latest BOSS brand campaign, for example, we were able to more than double the level of engagement on social media as compared to last year's campaign. And during our Fashion Show in Milan, we reached over 40 million views, making it the most successful fashion show in our history.

As in previous years, we remained committed to delivering exceptional products with a superior price-value proposition. We sharpened our brands' 24/7 lifestyle positioning and further leveraged the potential of our brand lines, including our exclusive assortment under BOSS Camel. The launch of HUGO BLUE marked another important milestone in this direction, expanding our denimwear offering to a new generation of consumers.

Our commitment to continuously improving the customer experience and providing a superior brand experience at all points of contact was just as evident in 2024. With the launch of our next-level loyalty program, HUGO BOSS XP, we are strengthening the connection with our most valuable customers and deepening their loyalty.

In 2024 alone, this enabled us to grow our member base by 25%, surpassing ten million registered BOSS and HUGO customers for the first time. Moving forward, HUGO BOSS XP will play an important role in further expanding customer relationships, both online and offline. The rollout to further important markets is planned for later this year.

Besides investing in key strategic initiatives and capitalizing on our growth opportunities, we took decisive action to improve cost efficiency. We further enhanced our digital capabilities and capitalized on artificial intelligence – the driving forces behind our vision of being the leading premium tech-driven fashion platform worldwide. We also leveraged our organizational and operational platform and thereby limited expense growth over the course of the year.

In this context, in 2024, we further streamlined our global sourcing activities and unlocked productivity gains across key business functions. This translated into meaningful gross margin support, which helped us to more than offset various external headwinds.

In addition, we stepped-up our financial discipline, driving efficiencies across our cost base. These actions enabled us to notably limit operating expense growth in the second half of the year. With underlying OpEx broadly stable in H2, we have made important progress in unlocking productivity gains.

Yves will give you more detailed information on our various cost efficiency measures in just a moment. However, let me take this opportunity to emphasize that we will continue to maintain our cost discipline in the future. We are fully determined to further improve our profitability in the years to come, to capitalize on our organizational strength and leverage the great potential of our Company. Our commitment to generating sustainable, profitable growth has never been stronger. But before we turn to the future, I want to hand over to you, Yves, for a financial review of 2024.

Thank you, Daniel, and also from my side, a warm welcome to all of you. Over the next 10 minutes, I will walk you through our operational and financial performance for 2024.

Yves Müller (CFO/COO): Let's begin by taking a closer look at our top- and bottom-line performance in 2024. While the global market environment deteriorated throughout the year, we delivered solid top-line improvements. This development is a direct consequence of the continued execution of our "CLAIM 5" strategy and the enhanced brand relevance of BOSS and HUGO. Overall, Group sales grew by 3%, reaching a new record of 4.3 billion euros.

At the same time, and as Daniel already alluded to, we took decisive action to enhance cost efficiency. In doing so, we limited the increase in operating expenses in the second half of the year and yielded meaningful bottom-line support. As a result, EBIT in 2024 amounted to 361 million euros with the EBIT margin adding up to 8.4%. This is all the more remarkable when considering that our EBIT development was negatively impacted by a year-on-year swing in non-cash impairment charges of around 50 million euros. These impairments were related to the overall challenging market environment in brick-and-mortar retail.

Consequently, and despite the difficult market environment, we successfully achieved our full-year 2024 sales and earnings targets, which we adjusted back in July to reflect evolving macro conditions. Now, let's dive deeper into our top-line performance.

We started 2024 on a positive note, delivering 6% revenue growth in the first quarter. However, our business performance over the course of the year was impacted by muted consumer demand across most markets, leading to an overall slowdown in industry growth. This was particularly evident over the summer months and our performance in Q2 and Q3.

Supported by the ongoing successful execution of our strategic initiatives, we were able to accelerate our sales growth again in the second half, culminating in an increase of 6% in Q4.

Bolstered by a successful holiday season, the fourth quarter saw broad-based growth across both brands, all channels, and most regions. Notably, our brick-and-mortar retail business returned to growth, closing the quarter with a 2% increase. This was further complemented by an acceleration in brick-and-mortar wholesale and in digital, both recorded double-digit growth in Q4.

From a regional perspective, both the Americas and EMEA delivered robust revenue improvements, up 13% and 6%, respectively. Meanwhile in Asia/Pacific, business performance remained muted, dragged down by the difficult market environment in China.

When we look at our full-year 2024 performance, both BOSS and HUGO drove revenue improvements, reflecting the disciplined execution of key brand and product initiatives.

Sales for both BOSS Menswear and BOSS Womenswear increased by 3%, fueled by our brand campaigns and major brand moments such as the BOSS Fashion Show in Milan. At HUGO, sales even expanded by 5%, supported by the successful launch of HUGO Blue.

Let's move on to our regional performance, starting with the Americas, where we maintained our growth trajectory in 2024, with all markets contributing. Notably, in the U.S., our single-largest market, revenues were up high single digit, driven by broad-based improvements across all touchpoints. As a result, the Americas outperformed our two other regions, delivering 8% growth for the year.

In EMEA, revenues increased by 3%. This development was led by solid improvements in Germany, while sales in France and the UK remained modestly below prior-year levels. On a positive note, momentum in emerging markets, including Eastern Europe and the Middle East, remained strong throughout 2024, posting double-digit growth.

In contrast, sales in Asia/Pacific declined 2% year over year. While we recorded high single-digit growth in Southeast Asia & Pacific, supported by robust momentum in Japan, sales in China were down low-teens, reflecting muted local demand. Speaking about China, let me remind you once again that our exposure to the market is rather limited, accounting for around 5% of Group sales. However, this limited share does not mean we are unaffected by the situation on ground.

To conclude on our top-line review, let's take a quick look at our distribution channels. We have always emphasized the strength of our omnichannel strategy. In this context, 2024 has once again confirmed our approach and highlighted the benefits of having a strong presence in both mono-brand and multi-brand environments.

The performance in 2024 was particularly robust in brick-and-mortar wholesale and digital, while revenues in brick-and-mortar retail remained on par with the prior-year level. Within retail, an increase in sales per transaction was offset by a decline in store traffic, first and foremost in key retail markets such as China and the UK.

By contrast, our brick-and-mortar wholesale business delivered 8% growth, reflecting robust demand for BOSS and HUGO. This enabled both brands to further enhance visibility and penetration at key department stores while also expanding our global franchise network in emerging markets.

Lastly, our digital business continued its growth trajectory, with sales up 6%, fueled by improvements at both hugoboss.com and digital sales generated with partners. As a result, digital now accounts for 20% of Group sales, underscoring its pivotal role in our omnichannel strategy and cementing its position as a key engine of future growth.

Let's now shift our focus to profit and loss, starting with the gross margin.

I am pleased to report that our gross margin improved by 30 basis points, reaching 61.8% in 2024. This achievement was supported by a successful fourth quarter, where gross margin expanded by 90 basis points to 62.4%, making Q4 our strongest quarterly performance from a gross margin perspective.

This positive development is a clear testament to the successes of our strategic efforts to drive sourcing efficiencies. By leveraging our operational platform built in prior years, we are increasingly realizing economies of scale, resulting in a gross margin tailwind of more than 200 basis points in 2024.

These structural improvements were partially offset by external headwinds including adverse channel and regional mix effects, FX impacts, and an overall promotional environment. Our ability to deliver gross margin expansion despite these challenges speaks to the resilience and effectiveness of our operational strategy.

Moving over to operating expenses, I am pleased to report that our rigorous focus on driving cost efficiencies, led to a substantial reduction in OpEx growth during the second half of 2024.

In particular, we placed a strong focus on maximizing marketing effectiveness, optimizing our retail cost structure, and enhancing productivity within our global sales and admin functions by prioritizing spending in strategically relevant areas.

As a result, underlying operating expenses in the second half – excluding the year-on-year impact of around 50 million euros in retail-related impairment charges – were up only 1% compared to the prior-year period. This compares to the 6% increase during the first six months.

On a reported basis, operating expenses grew 6% in 2024. While administration expenses remained broadly stable year over year, we recorded a 7% increase in selling and marketing expenses. The latter reflects higher retail expenses due to inflationary pressures, expansion-related costs, and the higher retail-related impairments.

At the same time, marketing investments came in slightly below the prior-year level. This reflects our focus on marketing effectiveness by prioritizing high-impact brand initiatives. As a result, marketing investments amounted to 7.2% of Group sales, aligning with our target range of 7 to 8%.

Thanks to our enhanced focus on cost efficiency, the decrease in EBIT was limited to 12%, bringing EBIT to 361 million euros. Consequently, our EBIT margin stood at 8.4%, reflecting a decline of 140 basis points. On the other hand, EBITDA increased by 3% to 775 million euros, resulting in an increase of 10 basis points in EBITDA margin to a level of 18.0%.

Finally, net income after minorities declined 17% to 213 million euros, resulting in earnings per share of 3 euros and 9 cents.

Now, let's turn to the balance sheet, starting with trade net working capital. I am pleased to report a 9% improvement in trade net working capital on a currency-adjusted basis, driven by the efficient management of trade receivables and trade payables.

At the same time, inventories remained broadly in line with the prior year. An increase in goods in transit towards year-end was compensated by lower inventory on hand compared to the prior year, reflecting our prudent inventory management. As a result, inventories as a percentage of Group sales declined by 50 basis points to 24.9%, reinforcing our ongoing focus on optimizing inventory levels. Consequently, trade net working capital as a percentage of sales improved to 19.6%.

Thanks to the working capital improvements and our focus on CapEx efficiency, with investments down 4% year over year, we significantly accelerated cash-flow generation in 2024. Overall, free cash flow reached 497 million euros, marking a substantial increase compared to the prior year. This development was supported by a strong fourth quarter performance and is clear evidence of the highly cash-generative nature of our business model.

Looking ahead, we remain confident in our ability to continue generating significant free cash flows in 2025 and beyond. And while tailwinds from trade net working capital are expected to be somewhat lower than last year due to an expected gradual normalization of trade payables, we still anticipate robust free cash flow generation in 2025.

Given our sound financial position and our confidence in the long-term growth prospects of HUGO BOSS, we are pleased to propose a dividend of 1 euro and 40 cents per share for fiscal year 2024. This represents an increase of 5 cents versus the prior year and underscores our commitment towards a progressive dividend. Consequently, at 45%, the payout ratio is at the upper end of our target range of 30 to 50%.

This, ladies and gentlemen, concludes my financial review of fiscal year 2024. Let me therefore hand you back to Daniel for some remarks on our 2025 guidance.

Daniel Grieder (CEO): Thank you, Yves. The key elements of our top- and bottom-line guidance were already disclosed in this morning's press release. Let me take this opportunity to put things into context.

As we enter 2025, the final year of our "CLAIM 5" journey, our commitment to driving profitability is stronger than ever. The solid foundation we've built over the past years gives us the confidence to deliver, but we are also fully aware of the external challenges ahead. As macroeconomic and geopolitical uncertainties are expected to remain elevated, we closely monitor future market developments.

Therefore, just like in the second half of 2024, we will continue to focus on what we can control: leveraging the strength of our brands, seizing our growth opportunities, and ensuring that our strategic investments remain backed by a relentless focus on cost efficiency.

So let's take a closer look at our top- and bottom-line expectations for fiscal year 2025. Altogether, and considering that macro headwinds will continue to stay elevated for the time being, we expect Group sales in 2025 to be broadly in line with the prior year, ranging between 4.2 and 4.4 billion euros.

At the same time, we anticipate robust profitability improvements, as we expect EBIT in 2025 to grow between 5% and 22% to a level of between 380 and 440 million euros. This, in turn, will drive an EBIT margin improvement to a level of between 9.0% and 10.0%, supported by our ongoing focus on driving additional sourcing and cost efficiencies.

Given the highly uncertain global landscape, we approach 2025 with a cautious yet realistic top-line assessment. The road ahead comes with several challenges that all pose tangible risk to consumer sentiment in 2025. From an uncertain recovery in China to macroeconomic pressure in key markets such as the U.S., alongside persistent geopolitical tensions and global trade uncertainties.

Therefore, while our strong Q4 performance is encouraging, it cannot be seen as an indicator for Q1. The first quarter faces a particularly tough comparison base, and is currently characterized by a further weakening of consumer confidence in key markets such as the U.S. and China. As a result, we expect a muted first-quarter performance, trending somewhat below our full-year top-line guidance range.

In terms of our regional performance, in 2024 we expect sales in EMEA to remain broadly on the prior-year level. In particular, we anticipate political instability to continue to weigh on consumer sentiment in key European markets. At the same time, we remain optimistic in further expanding our footprint in the emerging markets, which remains a priority for 2025.

For the Americas, we anticipate low single-digit growth in 2025. Following strong growth in recent years, driven by the successful implementation of our brands' 24/7 lifestyle images, we now expect some degree of normalization, especially in the U.S. market. This is mainly due to currently softer consumer sentiment, and the potential impact of policy shifts under the newly elected government, which calls for caution.

Finally, in the Asia/Pacific region, we anticipate a moderate decline in sales. While Southeast Asia & Pacific is set to continue its growth trajectory in 2025, we expect our business in China to continue facing headwinds due to lingering uncertainties around the country's economic recovery.

Having said this, ladies and gentlemen, let me be very clear in saying that we remain confident in the strength of our two brands and our general ambition to keep delivering high quality top-line growth. With a range of exciting brand and product initiatives, we will continue to inspire our customers in 2025. In addition to the upcoming capsule collection with David Beckham, these include a further push of our core assortment and footwear business, as well as an exciting activation of our license business later this year. So stay tuned!

Irrespective of the macroeconomic uncertainties and potential implications on top-line growth, we remain confident in our ability to drive bottom-line expansion in 2025. Our path to profitability improvements is built on two key levers: expanding our gross margin and driving further cost efficiency.

In 2025, we anticipate noticeable support from our gross margin, for which we expect further improvements. In particular, we will continue to leverage greater economies of scale in sourcing and reduce our airfreight usage even more. These initiatives will remain key contributors to our gross margin expansion, while external headwinds including FX volatility may persist. Overall, we are confident in surpassing the 62% threshold for our gross margin over the course of this year.

On the cost side, we will maintain our strong focus on driving cost efficiency. In particular in brick-and-mortar retail, we will keep optimizing our store network, closely aligning rent-to-sales and pay-to-sales ratios with evolving traffic trends. We will also continue to tightly control admin costs with a careful assessment of non-business critical projects and services. Last but not least, we will continue to improve our effectiveness in marketing, strongly focusing on investments that drive engagement and loyalty to our brands.

Altogether, these efforts will drive a targeted EBIT margin increase, expected to reach between 9.0% and 10.0% in 2025.

Ladies and gentlemen, before we move to the Q&A, let me conclude by saying that at HUGO BOSS, we remain fundamentally convinced about our long-term growth potential and we will continue to take advantage of future growth opportunities. As the macroeconomic environment remains volatile, we stay vigilant with regard to external factors, and we will not drive top-line growth at the expense of profitability.

With ongoing financial discipline and a robust organizational setup, we are confident of structurally improving our EBIT margin in the long run. In 2025 and beyond, we remain focused on leveraging the potential of our Company and driving long-term shareholder value.

And with this, we are now very happy to take your questions.