HUGO BOSS

Transcript – Q&A Session

March 13, 2025

Please note that the transcript has been edited to enhance comprehensibility. Please also use the webcast replay to listen to the Q&A session on the day of earnings publication.

Susy Tibaldi (UBS): You mentioned that current trends are weaker than the lower end of your guidance, around -2%. Could you provide more color by region, particularly in key European markets like Germany and the UK? Have you observed any softening trends since the start of the year? Some markets, like the U.S., seem to be weakening – are there any others lagging?

Secondly, on gross margin, you expect noticeable support, aiming for over 62%. Can you walk us through the key factors driving this? What are your FX assumptions, and how do you account for the potential risk of increased promotions if overall trends remain soft?

Yves Müller (CFO/COO of HUGO BOSS): Regarding current trends, we stated during our presentation that we are trending below the low end of our guidance. In the first two months of trading, we are seeing a mid-single-digit decline, primarily driven by the U.S. and China. Several factors are at play. The macroeconomic environment and geopolitical uncertainties are dampening consumer sentiment, leading to reduced store traffic, especially in shopping malls across the U.S. and China. Additionally, there is a calendar effect, with one fewer trading day compared to last year and Easter falling later, shifting some wholesale deliveries from Q1 into Q2.

On gross margin, key drivers include continued sourcing efficiencies, which contributed nearly 200 basis points in 2024 and will remain a positive factor in 2025. Additionally, we are further reducing our air freight usage, targeting a high single-digit share. FX impact is expected to be neutral, and promotional activity, which was already elevated in 2024, is assumed to remain stable, making it neutral year-over-year.

Susy Tibaldi (UBS): Can you provide more insight into trends specifically in Germany and the UK?

Yves Müller (CFO/COO of HUGO BOSS): The trends we see are broadly consistent across regions. However, Germany and the UK are performing slightly better than the U.S. and China.

Manjari Dhar (RBC Capital Markets): Could you provide an update on the wholesale forward order book and any feedback from your wholesale partners, particularly regarding the upcoming David Beckham capsule?

Secondly, on the new loyalty program launched in the UK and Germany, do you have any KPIs to share on spending behavior differences between loyalty and non-loyalty customers?

Yves Müller (CFO/COO of HUGO BOSS): Looking at brick-and-mortar wholesale, we ended 2024 with an 8% increase, reinforcing our position in the multi-brand environment and confirming that we are gaining market share. Throughout 2024, our order books were up in the high single-digit range, and we successfully delivered on those pre-orders. Looking ahead, our order books continue to support our business, up around mid-single-digit for upcoming collections.

Daniel Grieder (CEO of HUGO BOSS): Regarding our loyalty program, HUGO BOSS XP, in the markets where we launched it, we increased our loyal customer base by 25%. More importantly, spending among members of our loyalty program rose by 50–75%, demonstrating strong engagement. And for 2025, we plan to expand the program to additional markets.

Frederick Wild (Jefferies): What factors determine the low versus high end of your guidance?

Also, a broader question on capital allocation: are you considering adding another business to your portfolio, or looking at share buybacks?

Yves Müller (CFO/COO of HUGO BOSS): It has been a challenging start to the year, but as of now, we feel our guidance appropriately reflects current conditions. If trends improve, we could move toward the higher end, but it's too early to call.

On capital allocation, we generated nearly EUR 500 million in free cash flow in 2024, or around EUR 250 million when excluding IFRS 16, significantly improving our net debt position. We closed the year with just EUR 78 million in net financial debt, effectively making us almost debt-free. This financial strength allows us to maintain a progressive dividend policy, even as net income declined by 17%. Additionally, given our investments in recent years as part of "CLAIM 5" and our Company's successful transformation, we believe our share price remains undervalued. A share buyback is a possibility for 2025, though we will assess the situation as the year progresses.

Daniel Grieder (CEO of HUGO BOSS): In terms of M&A, our strategy remains unchanged. As outlined in "CLAIM 5," we see tremendous organic growth potential across our existing businesses. The expansion of Boss Black, Boss Orange, Boss Green, and Boss Camel continues to strengthen our market presence. There are significant opportunities in womenswear, shoes, and accessories, and we are focused on capitalizing on them. While we remain open to opportunistic M&A, our primary focus is on maximizing organic growth within our current brand portfolio.

Jürgen Kolb (Kepler Cheuvreux): First, on store numbers: I noticed that you increased the number of freestanding stores in 2024 by about 11. Is this trend expected to continue in 2025, or will there be a different approach?

Second, you mentioned collections, specifically womenswear. BOSS Womenswear has remained at about 7% of group sales for quite some time. Do you anticipate any significant growth in this segment in the near future? Are there specific drivers within the collection that could push this share higher, or should we expect it to grow at the same pace as the rest of the business? At HUGO, for example, the share of sales increased with HUGO Blue. Is there a similar initiative in place for BOSS Womenswear?

Daniel Grieder (CEO of HUGO BOSS): Let me start with the store portfolio. In 2024, we have actually grown our portfolio by a net 11 new locations to approximately 500 freestanding stores. Our approach remains consistent: we will continue to open stores where we see strong opportunities and close underperforming ones. This balanced approach will keep our overall store count stable. Additionally, we are exploring more franchise opportunities due to strong demand from partners, which could slightly shift our business mix.

Now, regarding BOSS Womenswear: yes, we see significant opportunities in this segment. We started a complete transformation of our collections three years ago, and we are seeing positive results. In 2024, womenswear grew by 3%, with particular success in the U.S., where we gained space in key department stores. The introduction of BOSS Orange has also performed well. However, I want to emphasize that womenswear in general is not an easy business. We are committed to building it sustainably, ensuring quality before scaling up. We prefer to refine our approach rather than rushing into rapid expansion. That said, we remain confident that BOSS Womenswear will be a major growth opportunity for us in the future.

Michael Kuhn (Deutsche Bank): First, on HUGO Blue: you mentioned that it now represents a high single-digit percentage of total HUGO sales, and overall, HUGO was up 5%. That suggests HUGO Red may have been slightly down. Was that due to overall market trends, or was there some cannibalization between Blue and Red? Also, did this impact profitability?

Secondly, regarding brick-and-mortar retail, where you saw trends improving in Q4. What assumptions have you built into your 2025 guidance for retail, and how do different like-for-like sales scenarios impact profitability?

Daniel Grieder (CEO of HUGO BOSS): On HUGO Blue, we are very pleased with its performance. It has quickly grown to represent 8–10% of total HUGO revenues while attracting a younger customer base. We are expanding it carefully to ensure sustainable growth across all regions, from the U.S. to Europe and Asia. Regarding HUGO Red, we adjusted the collection slightly in response to evolving demand. We've seen increasing interest in modern tailored wear, so we've refined our assortment to be less denim-heavy. This shift was necessary to avoid internal cannibalization between HUGO Blue and HUGO Red. That said, we see strong performance in Germany, Austria, and Switzerland, especially in menswear, and we will continue executing our strategy without major changes.

Yves Müller (CFO/COO of HUGO BOSS): On retail, we were quite satisfied with our Q4 performance, where brick-and-mortar retail posted 2% growth. For 2025, we assume around stable brick-and-mortar retail sales compared to 2024. This assumption is factored into our guidance.

Michael Kuhn (Deutsche Bank): One final question: since you are now in the final year of "CLAIM 5," do you plan to host a Capital Markets Day soon?

Daniel Grieder (CEO of HUGO BOSS): Yes, we are planning a Capital Markets Day for the second half of the year.

Louise Singlehurst (Goldman Sachs): Can you help us think about traffic versus conversion. Obviously, it's very clear across brands, that overall traffic was weak last year, but you had very good conversion. Is that true across all regions? Anything specific to highlight? And in terms of the full-year 2025 outlook, can you help us understand your assumptions for the traffic-conversion relationship?

Secondly, can you please talk about the contribution from space? Within that, what is the opportunity for new space in wholesale?

Finally, any comments on ASP mix? Is there an opportunity to adjust the ASP mix, maybe even lowering it slightly to drive higher volumes?

Yves Müller (CFO/COO of HUGO BOSS): To clarify, our guidance is purely based on volume. We have not incorporated any price increases within our guidance. And in terms of space, to keep it simple, we expect it to be around stable overall. So, in essence, this is all based on a like-for-like assumption.

Regarding retail performance, there was a clear pattern last year: traffic was down, but conversion and sales per transactions were up. These factors balanced out, leading to the retail performance we achieved. For 2025, our assumptions remain consistent with this trend, meaning we expect traffic to be slightly weaker, but conversion and average transaction value to remain supportive.

Louise Singlehurst (Goldman Sachs): Just to clarify on wholesale expansion: presumably, there is some level of wholesale network expansion, particularly in Latin America and other key markets. Is that fair to assume?

Yves Müller (CFO/COO of HUGO BOSS): Yes, but I wouldn't assume a significant space-driven effect on wholesale overall. However, it is worth mentioning that within our wholesale segment, we currently operate approximately 390 franchised mono-brand stores. In 2024, we added between 30 and 40 new franchise stores, and for 2025, we plan to add another 20 to 30 stores. While this is a growth area, it's not something that will have a massive impact on wholesale space contribution overall. That said, we will continue to invest in franchise partnerships, especially in emerging markets.

Andreas Riemann (Oddo BHF): Regarding the retail POS numbers, I noticed that in the Americas, the number of retail POS increased by around 120 locations. Can you provide more details on this development? And is it fair to assume that space should at least be a positive contributor to growth in the Americas?

Secondly, on growth more broadly: I understand that the current environment makes growth difficult, but at some point, you will likely need to push for more expansion. Looking at the current product range – BOSS, HUGO, formalwear, casualwear – where do you see the biggest opportunity to extend the offer or introduce new product categories?

Daniel Grieder (CEO of HUGO BOSS): In terms of distribution opportunities, we see potential across all regions. However, our approach remains highly selective: we are not looking to expand into discount-driven distribution channels. Instead, we focus on carefully growing our presence through shop-in-shop concepts, particularly in the U.S.

market, across all brands and product categories, including BOSS and HUGO, men's and women's collections. That said, we are not in a rush. We have a long-term vision for building our brand, and we don't want to expand for the sake of expansion. We are committed to maintaining quality and protecting our selective distribution strategy. At the same time, our brands are performing well across all brand lines, which is also reflected in a solid wholesale order book. To add to that, our recent product initiatives have been very successful. For example, the new Bodywear launch in menswear, featuring David Beckham, has started off very strong. Additionally, we see great opportunities in categories like footwear, where we are focusing on hero products - such as the 'Gary' shoe, which is available in multiple styles and premium materials. This product is gaining market share not just in retail but also in wholesale. Another strong performer is BOSS performance tailoring, which has continued to be a key asset since its launch. So, across all brands and product lines, we see ongoing opportunities for growth. Some categories are scaling up more quickly than others, but overall, there is still a lot of product-driven growth potential ahead.