HUGO BOSS

Transcript – Q&A Session

May 6, 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.

Manjari Dhar (RBC Capital Markets): First, could you comment on top-line trends in April and quantify the impacts from the later Easter timing and the wholesale delivery shift?

Second, on OpEx: given the strong cost control in Q1, how do you expect the OpEx components to trend over the rest of the year, especially considering tougher comps in H2?

Ivica Maric (EVP Business Operations at HUGO BOSS): As in the past, we won't comment on monthly performance in detail. We already flagged a soft February, followed by improvements in March across all channels, supported in particular by increased deliveries to customers, both offline and online. April remained volatile, but overall trading continues in line with our guidance.

On cost control, the flat development in Q1 reflects structural discipline rather than one-offs or short-term effects. We remain focused on sustainable cost efficiencies across marketing, sales, and administration, which support our 2025 profitability goals. Immediate savings came from measures like travel reductions, while more structural initiatives, such as payroll and CapEx efficiencies, will increasingly support our cost base in H2. We are confident in maintaining the overall Q1 trend through the rest of the year despite the more challenging comparison base.

Jürgen Kolb (Kepler Cheuvreux): First, on the U.S., regarding potential tariff-related price increases, would you consider leading the market or rather follow American peers?

Second, also on the U.S., in light of current challenges, is BOSS potentially outperforming peers and gaining market share?

Daniel Grieder (CEO of HUGO BOSS): The situation in the US remains under pressure. Foot traffic in shopping malls and outlet centers is down significantly, by 20% to 30% for the sector. These are general market observations, not specific to HUGO BOSS, but they illustrate the broader environment. And there's also a noticeable decline in tourism. In terms of tariffs, we are evaluating price increases as one of several strategic options. However, any decision will be made carefully to maintain our brands' price-value positioning and protect consumer loyalty. We'll act based on broader market conditions, not rush into anything.

Despite the softer macro environment since the start of the year, driven by recession concerns, tariffs, and other uncertainties, our brand momentum remains strong. The U.S. became our largest market in 2023, and we've consistently gained market share with both BOSS and HUGO. Strong campaigns, such as the one with David Beckham, are helping fuel this momentum.

Grace Smalley (Morgan Stanley): First, could you provide an update on your wholesale order books? Are you observing any shifts in customer behavior from your wholesale partners as they approach fall/winter 2025?

Second, regarding gross margin: within your reiterated guidance for 2025, how are you expecting gross margin to evolve, especially in terms of promotions, given that Q1 still saw some headwinds? Previously, you had anticipated a rather neutral full-year impact from promotions. Has that assumption changed?

Christian Stöhr (SVP Investor Relations at HUGO BOSS): Starting with wholesale, there's no major update beyond what we already shared during our full-year 2024 results back in March. We continue to see solid order intake for the 2025 seasons, which reinforces the support we're getting from our wholesale partners and reflects our strengthened presence in the channel. Importantly, we haven't seen any major cancellations to date, so nothing that would raise concern or signal a significant change in behavior. To clarify, this order book outlook includes both brick-and-mortar wholesale and our digital wholesale business, where we also work closely with successful partners. Overall, what we see in the books makes us reasonably optimistic about the wholesale channel for fiscal year 2025.

Ivica Maric (EVP Business Operations at HUGO BOSS): We remain confident in our ability to further improve gross margin in 2025. This will primarily be driven by continued sourcing efficiencies and enhanced ship mode optimization. Over the last few years, we've significantly reduced our reliance on air freight. Even during periods of disruption, like the Red Sea conflict or the political tensions in Bangladesh, we managed to bring down our air shipment share meaningfully. Last year, these supply chain challenges created some headwinds, particularly from mid-year onward. Although the Red Sea crisis began late in 2023, rerouting of vessels only fully materialized around March 2024, leading to extended lead times and increased shipping costs. These effects were absorbed to a certain extent in 2024, but we've adjusted our planning for the remainder of the year. Assuming no further disruptions, this should create tailwinds, especially in H2, with lower rates for both air and sea freight materializing.

Promotional activity remained elevated at the end of last year, and that trend has largely continued in Q1. We assume this higher level of promotional intensity will persist through the remainder of 2025, and that's fully baked into our gross margin guidance. So, while promotions will likely stay at an elevated level, the anticipated gross margin improvement will primarily stem from sourcing efficiencies and the tailwind from our shipping optimization efforts.

Thomas Chauvet (Citi): First, on the U.S. tariffs and inventory: you mentioned a 5% inventory increase due to goods in-transit. Are these primarily spring/summer products, or are you also seeing early fall shipments? And if I understand correctly, much of this inventory reached the U.S. in early April, before the 10% tariff took effect. Does that mean you won't need to consider price increases until this inventory is depleted?

Secondly, on the David Beckham partnership. How does it differ from past celebrity collaborations beyond his involvement in design? You've mentioned strong sell-through. Do you have medium-term sales contribution targets, or is this more about brand image? And finally, do you have plans to launch a similar campaign with a female celebrity for your womenswear line?

Daniel Grieder (CEO of HUGO BOSS): On the David Beckham partnership: this has been an exceptionally strong and successful partnership so far. Beckham isn't just a major figure in Europe, he resonates globally, including in key markets like Asia. What makes this partnership unique is not just his involvement in design, but his broad appeal across genders, generations, and regions. On performance, the campaign has exceeded our expectations so far. On social media, the campaign outperformed previous benchmarks, and in terms of sales, we saw more than 20% increase in bodywear sales in the month after launch. But it's not just about bodywear, there's been a clear halo effect on other product categories, especially the BOSS ONE suit. In our campaign film, Beckham starts off in the suit before transitioning to the underwear, helping us drive higher average basket sizes and reinforcing the premium image of the brand. So, the partnership delivers across all dimensions: brand image, engagement, and commercial results. As for womenswear, we are indeed looking for a similarly powerful female ambassador. For now, we're focused on maximizing the impact of the Beckham campaign, which already includes female talent in its broader messaging. But yes, we're keeping our eyes open for the right fit, someone with the same kind of authenticity, influence, and global appeal as Beckham. That's a high bar, but we're confident we'll get there in time.

Ivica Maric (EVP Business Operations at HUGO BOSS): The increase in inventories, particularly regarding goods in transit, is mainly due to extended lead times. Because of the Red Sea situation, vessels have to reroute around South Africa, which naturally lengthens shipping times, especially to Europe, and this is compounded by our continued reduction in air shipments. So, this is not a sign of overstocking, but rather a reflection of goods still in transit. As for the U.S., yes, we made a concerted effort to bring in as much inventory as possible before the end of Q1, ahead of the 10% tariff implementation. This inventory consists primarily of spring/summer product, with some early fall merchandise as well. Fall and mainly winter collections are still in transit. Looking ahead, we feel comfortable with our current inventory position, even with tariffs in place. We have enough flexibility to reroute goods and shift production if necessary to avoid unfavorable cost impacts in the U.S. Particularly for winter merchandise, we're actively working to replace some China-origin production with sourcing from other regions to limit our exposure to tariffs.

Susy Tibaldi (UBS): First, on wholesale: can you help us understand the magnitude of the timing effects in Q1 versus Q2? If we assume that H1 will be around plus mid-single digits, that would imply double-digit growth in Q2. Could you clarify the math, or should we consider that the replenishment business is seeing different trends?

Second, on gross margin and the promotional environment: are you seeing more promotions globally, or is this more specific to the U.S., given the risk of competitors building a lot of inventory? And on FX, considering your sourcing footprint, should we expect the weaker U.S. dollar to be favorable for gross margin in 2025?

Christian Stöhr (SVP Investor Relations at HUGO BOSS): On promotions: as already indicated, we saw a similar level of promotional activity in Q1 compared to what we observed in Q4. This is particularly noticeable in the multibrand environment, and it's affecting markets like Europe and the U.S. Our wholesale exposure in Asia/Pacific remains relatively limited, so the trends we are observing are mainly in our largest regions. This promotional activity has been consistent, and we haven't seen significant changes from Q4 to Q1.

On wholesale delivery shifts: in March, we successfully increased deliveries to partners both online and offline. While we still anticipate a minor delivery shift into Q2, it's not as pronounced as we initially expected back in March and as such you should not overemphasize. Please bear in mind that any comment on our wholesale order intake always refers to our online and offline wholesale businesses.

Ivica Maric (EVP Business Operations at HUGO BOSS): On exchange rate effects: it's difficult to predict with certainty where we will end the year, but based on current exchange rates, you are correct that the weaker U.S. dollar is likely to provide some tailwind for us from a pure sourcing perspective. However, there are also some negative effects from other currencies, like the Canadian dollar, Chinese renminbi, and Mexican peso, which impact our top line. So, while there will be some positive impact from the U.S. dollar, we don't expect a substantial overall positive impact on gross margin from currencies for the remainder of the year.

Adrien Duverger (Goldman Sachs): First, could you comment on the performance you've seen from different consumer clusters by nationality, and what has changed versus Q4? What have been the biggest surprises so far this year?

Second, on your wholesale network, I know you've been expanding it lately. Could you elaborate on whether the expansion is more about extending your footprint or if you're seeing more opportunities to take additional shelf space due to the brand strength? I'd imagine the David Beckham campaign would help in gaining additional space too.

Christian Stöhr (SVP Investor Relations at HUGO BOSS): On wholesale: over the past three years, since we introduced "CLAIM 5," we've made significant progress in gaining additional visibility and space in our wholesale network. This includes both our partners in Europe and in the U.S., where we've increased the number of brand lines and broadened our presence across multiple channels. This shift has helped position BOSS and HUGO as true 24/7 lifestyle brands. Looking ahead, while the contribution from space might level off somewhat, we still see opportunities to gain more space, particularly in key markets like the U.S. market. Also, we still see potential with our monobrand franchise business model, especially in emerging markets, where it's a very promising model for growth. So, wholesale continues to be a strong business for us. And while our wholesale presence has grown significantly in the last couple of years, we've maintained a disciplined and controlled distribution strategy, balancing it with our important retail channel.

Daniel Grieder (CEO of HUGO BOSS): Adding to that, we've indeed gained market share by strategically enhancing our brand lines, particularly with the 24/7 lifestyle concept, which has been very successful. This has allowed us to grow in department stores across brand lines. We've seen strong expansion in the U.S., with notable growth in space for both BOSS and HUGO, not just for men but also for women. Additionally, as part of the David Beckham campaign, we've opened pop-up stores with the bodywear line, which drove sales and provided temporary but valuable extra space. Over the past three years, we've maintained a deliberate balance between our retail and wholesale channels. Notably, wholesale has gained strength and become increasingly important, particularly over the last two years. We've achieved this growth while maintaining a disciplined and tightly controlled distribution strategy, ensuring both profitability and brand integrity.

Christian Stöhr (SVP Investor Relations at HUGO BOSS): On performance by consumer cluster: we've observed that the Chinese consumer is still showing some softness, particularly in the domestic Chinese market, and this trend has continued into 2025. In the U.S., we've seen fewer international tourists coming in, although we have still noticed U.S. tourists traveling to Europe. In terms of Q1 performance, there haven't been major shifts compared to last year, although the Chinese consumer continues to be weaker, and European consumers are showing some resilience, particularly in Southern and Western European markets. As for the European cluster, there's been slightly less European spending overseas, but with the approaching summer season, we expect European travel to pick up. However, Q1 is not typically the most important quarter for European tourists.

Ivica Maric (EVP Business Operations at HUGO BOSS): Overall, the share of tourists hasn't changed significantly compared to last year. The only exception to this is the U.S. market, where tourism has been declining for obvious reasons.