First Quarter 2026 Results

May 5, 2026

– The spoken word shall prevail. –
Yves Müller (CFO/COO)
Christian Stöhr (SVP Investor Relations)

Christian Stöhr (SVP Investor Relations): Good morning, ladies and gentlemen, and welcome to our first quarter 2026 results presentation. Hosting our conference call today is Yves Müller, CFO and COO of HUGO BOSS.

Before we begin, please be reminded that all revenue growth rates will be discussed on a currency-adjusted basis unless stated otherwise. In addition, starting with Q1, we have adjusted our sales reporting structure: BOSS Menswear and BOSS Womenswear are now reported jointly under BOSS, while digital sales are included within retail and wholesale. As usual, during the Q&A session, we kindly ask you to limit your questions to two, allowing for an efficient discussion. And with that, let me hand over to Yves.

Yves Müller (CFO/COO): Thank you Christian, and a warm welcome from Metzingen, ladies and gentlemen. Thank you for joining us today to discuss our first-quarter results. As outlined in our release this morning, Q1 marked the first full quarter of execution under CLAIM 5 TOUCHDOWN, following its introduction at the end of last year. As such, the first quarter was shaped by implementation – translating strategic priorities into concrete actions across brands, distribution, and operations.

Accordingly, our focus in the quarter was on disciplined execution. We implemented targeted top-line measures to strengthen brand equity, continued to advance sourcing efficiencies, and maintained rigorous cost control across the organization. These actions represent the first concrete outcomes of our realignment and are already translating into structural progress, particularly in gross margin and cash generation, which I will come back to shortly.

Overall, we are pleased with the progress made in Q1. At the same time, we recognize that there is more work ahead and we remain cautious on the near-term visibility given a highly volatile macroeconomic and geopolitical environment. Let me now walk you through the quarter in more detail.

Under CLAIM 5 TOUCHDOWN, 2026 is designed as a year of deliberate realignment, rather than a year of chasing volume. In the first quarter, we made progress across all three pillars: brand, distribution, and operational excellence. This included refining product assortments, reinforcing our focus on full-price execution, and taking targeted steps to optimize our distribution footprint. As part of this process, we closed a net 15 freestanding stores globally, largely through expiring leases.

As expected, these deliberate actions were reflected in our first-quarter performance. Group sales declined by 6%, driven by the intentional quality focus embedded in CLAIM 5 TOUCHDOWN, alongside continued muted consumer sentiment. EBIT amounted to 35 million euros, reflecting the planned impact of our strategic measures, partly offset by solid gross margin expansion and rigorous cost management.

While these actions have a temporary impact on our top- and bottom-line performance, they represent important building blocks in strengthening the fundamentals of the business and laying the foundation for improved profitability over time.

Beyond these deliberate actions, the external environment also remained demanding in the first quarter. Consumer sentiment was subdued across most key markets, with continued pressure on traffic levels. Over the course of the quarter, conditions became more challenging, driven by geopolitical developments in the Middle East.

In this context, let me briefly put our exposure to the Middle East into perspective. The region accounts for around 3% of Group revenues and is served through a limited and well-defined store network, primarily in the UAE and Qatar. The Middle East is also a high-quality and very profitable business for us, reflecting an upper-premium store portfolio, a favorable channel mix and disciplined cost structures.

From March onwards, store traffic in the region declined sharply, leading to meaningful disruption to overall retail activity and weighing on regional demand. As a result, developments in the Middle East reduced Group sales by roughly one percentage point in the first quarter.

In addition to these direct effects, developments in the Middle East also contributed to increased uncertainty more broadly. In particular, we observed early signs of a softening in consumer sentiment in selected markets, alongside some moderation in international travel flows, which began to affect demand outside the Middle East towards the end of the quarter. Against this backdrop, we actively steered the business, while remaining fully committed to our strategic priorities within CLAIM 5 TOUCHDOWN.

With that, let me turn to our first-quarter performance, starting with our brands. At BOSS, revenues declined by 3%, reflecting the challenging market environment as well as deliberate strategic actions. Menswear performed comparatively better, supported by continued strong demand in casualwear and athleisure, underlining the relevance of our 24/7 lifestyle positioning. This resilience was particularly evident at BOSS Green and BOSS Camel, both of which recorded growth in the first quarter.

Womenswear, by contrast, was more affected by intentional assortment streamlining and targeted distribution refinement – measures fully aligned with our strategic priorities and aimed at strengthening brand positioning and long-term profitability.

Turning to HUGO, revenues declined by 21%, reflecting the continued strategic repositioning of the brand. During the quarter, we further advanced the streamlining of HUGO's product architecture into one overarching brand line, creating a clearer, more focused brand proposition and a more consistent market presence.

While these measures continue to weigh on volumes in the near term, they represent fundamental steps to strengthen brand relevance, operational effectiveness, and scalability over time.

Speaking about our brands, let me be emphasize once more: investing in powerful brand moments remains a core pillar of our strategy. While marketing investments were below the prior-year level in Q1, primarily due to phasing effects, marketing spend amounted to 7.3% of Group sales, fully in line with our CLAIM 5 TOUCHDOWN target range of around 7% of sales. Also for the full year, we continue to expect marketing investments as a percentage of sales to remain broadly in line with last year's level.

In the first quarter, our brand investments focused on key initiatives such as the BOSS Fashion Show in Milan, which ranked among the top-10 most engaging brands during Milan Fashion Week, the launch of our Spring/Summer 2026 collections, and the third BOSS by BECKHAM drop. Together, these moments generated strong social media engagement and brand visibility. Importantly, these initiatives are designed to drive long-term equity and relevance, rather than prioritizing short-term volume.

From a regional perspective, revenues in EMEA declined by 8%, reflecting targeted measures to enhance distribution quality as well as muted consumer sentiment across several key markets, particularly the UK. Despite a solid start to the year, revenues in the Middle East declined by a low double-digit rate in Q1, reflecting a sharp decline in store traffic in March following geopolitical developments, which also weighed on overall EMEA performance.

In the Americas, revenues declined by 5%, largely reflecting deliberate CLAIM 5 TOUCHDOWN measures in the U.S. market aimed at improving distribution quality across both wholesale and retail channels. As a result, reported revenues were intentionally impacted in the quarter. In addition, developments around Saks weighed on our U.S. concession business. Importantly, underlying performance in our U.S. brick-and-mortar retail business remained resilient, with comparable store sales up modestly in the quarter. Outside the U.S., Latin America saw a slight normalization following a period of strong growth.

In Asia/Pacific, revenues increased by 1%, marking a return to growth. This was supported by renewed growth in China, aided by a successful Chinese New Year as well as early progress in strengthening brand positioning and enhancing relevance in the market. Modest growth in Southeast Asia and Pacific, particularly in Japan, also supported our regional performance.

Turning to our channels. In retail, which includes brick-and-mortar and self-managed digital, revenues declined by 3%, also impacted by a negative space effect. On a comparable store basis, brick-and-mortar sales declined by 2%, reflecting lower traffic and our deliberate focus on full-price execution, partly offset by a higher average basket size. Retail performance was also impacted by developments in the Middle East. Self-managed digital, on the other side, declined by 5%, reflecting our continued prioritization of full-price sales in support of brand equity and margin quality.

In wholesale, revenues declined by 10%, reflecting our ongoing focus on enhancing distribution quality through greater channel selectivity, a more curated assortment, and a stronger emphasis on strategic partnerships. Performance was also influenced by more cautious order behavior in the current environment, as well as the known delivery timing shift of around 20 million euros into Q4 2025, which had supported our wholesale business in the final quarter of last year.

Turning to profitability, Q1 delivered a notable improvement in gross margin. Gross margin increased by 110 basis points to 62.5%, primarily driven by additional sourcing efficiencies – including a further reduction in the airfreight share – as well as improved pricing associated with the Spring/Summer 2026 collection. A slightly more favorable channel mix provided additional support during the quarter.

Importantly, this performance demonstrates that the structural margin improvements we have been driving over recent years remain firmly intact, even in a lower-volume environment.

Turning to costs and earnings, we maintained strict cost discipline in the first quarter. Operating expenses declined by 4%, supported by lower marketing spending due to phasing effects, ongoing efficiency improvements, and further optimization of our retail cost structures, including rent renegotiations and productivity measures across our store network. As expected in a lower-revenue environment, operating expenses deleveraged as a percentage of sales.

As a result, EBIT amounted to 35 million euros, corresponding to an EBIT margin of 3.9%, while earnings per share totaled 24 cents. Overall, this performance is fully aligned with CLAIM 5 TOUCHDOWN and our full-year 2026 outlook.

Let me now turn to cash flow and working capital. Building on the meaningful inventory reduction achieved at the end of 2025, inventory developed more moderately in Q1, in line with expectations. Year over year, inventories declined by 13% on a currency-adjusted basis, reflecting prudent buying, more focused assortments, and targeted inventory optimization measures.

As a result, inventories stood at 22% of Group sales at the end of March, while trade net working capital declined by 10% currency-adjusted. At the same time, capital expenditure remained at 3.2% of sales, continuing its normalization and remaining fully aligned with our mid-term targets.

Supported by both the improvement in working capital and continued CapEx discipline, free cash flow before leases improved by nearly 100 million euros year-over-year, amounting to 33 million euros.

Let me conclude with a brief look at the remainder of the year. 2026 continues to be a deliberate year of realignment under CLAIM 5 TOUCHDOWN. Following our first-quarter performance, we reaffirm our full-year outlook.

We continue to expect currency-adjusted Group sales to decline mid- to high-single digits, reflecting targeted brand and channel measures. Currency effects are anticipated to remain a moderate headwind for reported sales.

We likewise confirm our EBIT outlook of 300 million to 350 million euros. Gross margin expansion and continued cost discipline are expected to support profitability, while operating expenses are anticipated to deleverage due to lower revenues.

At the same time, we expect macroeconomic and geopolitical volatility to remain elevated, with heightened uncertainty related to developments in the Middle East. In this context, we remain vigilant and continue to closely monitor both direct effects and broader implications for consumer sentiment, international travel flows, and overall trading conditions. Against this backdrop, we maintain a clear focus on operational delivery and the strategic priorities set under CLAIM 5 TOUCHDOWN. We will continue to prioritize profitability, cash generation, inventory discipline and flexibility over short-term growth.

Ladies and gentlemen, let me close with three takeaways:

First, the execution of CLAIM 5 TOUCHDOWN is firmly underway. 2026 is a year focused on strengthening the fundamentals of the business and elevating its quality, rather than pursuing growth at any cost. In this context, we have made initial progress in sharpening brand focus, enhancing distribution quality, and structurally strengthening the earnings profile of the business, marking an important milestone in delivering our strategy through 2026 and beyond.

Second, Q1 delivered solid underlying performance. Gross margin improved, cost discipline remained intact, and cash generation strengthened – despite intentional top-line effects from our strategic measures.

Third, based on our Q1 performance, we reaffirm our full-year outlook for 2026. While the external environment remains demanding and volatile, we are confident in our strategic direction and our ability to translate execution into stronger brand equity, improved profitability, and long-term value creation.

With that, thank you for your attention. We are now happy to take your questions.

Christian Stöhr (SVP Investor Relations): Okay, everyone, that completes today's conference call. Rest assured, we will follow up with anyone who did not have the opportunity to ask a question today. Also, in case you have any open topics, please feel free to contact the Investor Relations team. Thank you for your participation and good-bye.