

# HUGO BOSS

Press release

HUGO BOSS First Quarter Results 2015

## **HUGO BOSS expects accelerated growth in the further course of the year**

- **First quarter Group sales increase by 9% in euro terms and by 3% in local currencies**
- **Own retail comp store sales grow 3% on a currency-adjusted basis**
- **EBITDA before special items remains stable year-over-year**
- **Management reconfirms full-year sales and profit forecast**

**Metzingen, May 6, 2015.** HUGO BOSS has remained on its growth path in the first quarter of 2015. Despite the challenging market conditions, the Company was able to increase sales once again. Solid comp store sales growth was generated in the Group's own retail business. Operating profit remained stable. HUGO BOSS expects sales and profit growth to accelerate compared to the first quarter as the year progresses and thus confirms its positive outlook for the full year.

"The apparel industry is currently feeling the effects of strong consumer restraint in Europe in particular. HUGO BOSS coped well with this difficult environment," says Claus-Dietrich Lahrs, CEO of HUGO BOSS AG. "The strength of our brand as well as the shopping experience in our own retail stores make all the difference. We are therefore continuing to strongly invest in brand presentation this year. We are convinced that we will return to stronger growth in the next few quarters."

## **Growth in all regions**

HUGO BOSS Group sales came to EUR 668 million in the first quarter of 2015, up 9% on the prior year (Q1 2014: EUR 613 million). Exchange rate effects, above all the appreciation of the US dollar, positively influenced growth in euro terms. After currency adjustment, HUGO BOSS reported a 3% increase in sales. This performance was underpinned by all regions. Sales in Europe rose by 3%. The core markets in Great Britain and Germany, where HUGO BOSS clearly decoupled from overall market development, yielded above-average growth. In the Americas, sales were up 2% on the prior year in the first quarter in local currencies. The US market expanded by 4%. Adjusted for currency effects, sales in Asia/Pacific were up 1% on the previous year. In China, the macroeconomic slowdown as well as the difficult industry environment exerted pressure on business. Sales in this market decreased by 3% after currency adjustment. On the other hand, Australia and Japan in particular performed well.

The Group's own retail business (including outlets and online business) achieved a 6% increase in sales in local currencies in the first quarter. Comp store sales development accelerated compared to the end of 2014 and amounted to 3% after currency adjustment. Online grew by 14% on a currency-adjusted basis, supported by the successful relaunch of hugoboss.com. The outlet business contributed disproportionately to own retail growth, too, increasing sales at a double-digit rate. The Group had a total of 1,060 own stores at the end of the first quarter (December 31, 2014: 1,041).

In line with full year expectations for 2015, currency-adjusted wholesale sales were 2% down on the prior year in the first quarter. In addition to the generally challenging market conditions, last year's takeovers of spaces previously managed by wholesale partners negatively impacted sales development in this distribution channel.

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Menswear sales climbed by 2% in local currencies in the first quarter, whereas womenswear registered a 4% increase in currency-adjusted terms. The core BOSS brand, which is being overseen by Artistic Director Jason Wu, even posted double-digit growth.

The Group's gross margin increased by 10 basis points to 65.5% (Q1 2014: 65.4%). Positive effects from the disproportionately strong growth of the Group's own retail business were partially offset by negative inventory valuation effects. Operating expense development was negatively affected by currency translation effects, retail cost increases related to the expansion of the Group's own retail network in particular as well as higher marketing expenses. Accordingly, EBITDA before special items was stable compared with the prior year quarter, coming to EUR 132 million (Q1 2014: EUR 131 million). At 19.7%, the adjusted EBITDA margin was 170 basis points down on the prior year's figure.

## **Investments almost double**

Trade net working capital amounted to EUR 566 million at the end of the first quarter, up 23% on the prior year (March 31, 2014: EUR 461 million). In currency-adjusted terms, the increase amounted to 9%. This primarily reflected a rise in inventories of 25% in the reporting currency and of 12% in currency-adjusted terms. At EUR 40 million, capital expenditure was well up on the prior year (Q1 2014: EUR 21 million). In addition to the takeover of the previous franchise business in South Korea, this was due to increased retail investments and the relocation of a showroom in New York City. Consequently, free cash flow declined, causing net debt to rise by EUR 16 million over the prior year to EUR 43 million (March 31, 2014: EUR 27 million).

## **2015 outlook reconfirmed**

The HUGO BOSS Group's management expects sales and profit growth to accelerate in the further course of the year, underpinned in particular by the Group's own retail business. Against this backdrop, the Company reconfirms its

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guidance that sales will grow at a mid-single-digit rate after currency adjustment in 2015. All regions should contribute to the achievement of this goal. Growth in its own retail business should again outpace the Group average. Retail comp store sales are expected to rise in the low-single digits. In addition to the opening of around 50 new stores, takeovers will contribute to further growth in this distribution channel. Revenues in the wholesale channel will decline slightly particularly as a result of sales shifts caused by takeovers. EBITDA before special items is expected to rise by between 5% and 7% in the reporting currency. Capital expenditure should come to between EUR 200 million and EUR 220 million. A further improvement in profit compared to the first quarter as the year progresses and the positive effects expected in the second half of the year from strict inventory management will support strong free cash flow development over the year as a whole.

## **Further information**

The First Quarter Report 2015 is available for downloading from the corporate website at [group.hugoboss.com](http://group.hugoboss.com)

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## Consolidated Income Statement

(in EUR million)			
	Jan. - March 2015	Jan. - March 2014	Change in %
<b>Sales</b>	<b>667.5</b>	<b>612.6</b>	<b>9</b>
Cost of sales	(230.6)	(212.0)	(9)
<b>Gross profit</b>	<b>436.9</b>	<b>400.6</b>	<b>9</b>
In % of sales	65.5	65.4	10 bp
Selling and distribution expenses	(264.3)	(232.5)	(14)
Administration expenses	(68.4)	(60.9)	(12)
Other operating income and expenses	(1.4)	1.5	> (100)
<b>Operating result (EBIT)</b>	<b>102.8</b>	<b>108.7</b>	<b>(5)</b>
In % of sales	15.4	17.7	(230) bp
Net interest income/expenses	(0.9)	(0.6)	(50)
Other financial items	(3.7)	(2.1)	(76)
<b>Financial result</b>	<b>(4.6)</b>	<b>(2.7)</b>	<b>(70)</b>
<b>Earnings before taxes</b>	<b>98.2</b>	<b>106.0</b>	<b>(7)</b>
Income taxes	(22.6)	(24.4)	7
<b>Net income</b>	<b>75.6</b>	<b>81.6</b>	<b>(7)</b>
Attributable to:			
Equity holders of the parent company	75.6	80.7	(6)
Non-controlling interests	0.0	0.9	(99)
<b>Earnings per share (EUR)<sup>1</sup></b>	<b>1.10</b>	<b>1.17</b>	<b>(6)</b>

<sup>1</sup> Basic and diluted earnings per share.

## EBITDA and Special Items

(in EUR million)			
	Jan. - March 2015	Jan. - March 2014	Change in %
<b>EBITDA before special items</b>	<b>131.5</b>	<b>131.3</b>	<b>0</b>
In % of sales	19.7	21.4	(170) bp
Special items	(1.4)	1.5	> (100)

## Sales by Region and Channel

(in EUR million)				
	Jan. - March 2015	Jan. - March 2014	Change in %	Change in % currency-adjusted
Europe	409.7	394.7	4	3
Americas	143.2	118.7	21	2
Asia/Pacific	100.9	86.3	17	1
Licenses	13.7	12.9	6	6
<b>TOTAL</b>	<b>667.5</b>	<b>612.6</b>	<b>9</b>	<b>3</b>
Group's own retail business	370.1	322.6	15	6
Wholesale	283.7	277.1	2	(2)

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## Consolidated Balance Sheet

(in EUR million)

	March 31, 2015	March 31, 2014	December 31, 2014
<b>Assets</b>			
Intangible assets	161.3	136.4	148.0
Property, plant and equipment	405.6	367.9	383.3
Deferred tax assets	110.1	81.0	100.4
Non-current financial assets	22.4	16.0	19.7
Non-current tax receivables	1.2	1.7	1.2
Other non-current assets	8.3	4.0	7.7
<b>Non-current assets</b>	<b>708.9</b>	<b>607.0</b>	<b>660.3</b>
Inventories	539.3	430.4	507.4
Trade receivables	244.0	231.0	250.5
Current tax receivables	17.0	11.9	8.3
Current financial assets	15.8	18.5	22.5
Other current assets	104.1	88.1	83.1
Cash and cash equivalents	132.3	138.4	128.6
Assets held for sale	1.3	0.0	1.1
<b>Current assets</b>	<b>1,053.8</b>	<b>918.3</b>	<b>1,001.5</b>
<b>TOTAL</b>	<b>1,762.7</b>	<b>1,525.3</b>	<b>1,661.8</b>
<b>Equity and Liabilities</b>			
Subscribed capital	70.4	70.4	70.4
Own shares	(42.3)	(42.3)	(42.3)
Capital reserve	0.4	0.4	0.4
Retained earnings	864.7	782.0	801.3
Accumulated other comprehensive income	61.6	(14.4)	14.6
<b>Equity attributable to equity holders of the parent company</b>	<b>954.8</b>	<b>796.1</b>	<b>844.4</b>
Non-controlling interests	(0.5)	26.5	(0.5)
<b>Group equity</b>	<b>954.3</b>	<b>822.6</b>	<b>843.9</b>
Non-current provisions	91.7	54.4	70.6
Non-current financial liabilities	154.2	154.1	153.6
Deferred tax liabilities	8.7	16.4	10.1
Other non-current liabilities	44.3	30.6	37.9
<b>Non-current liabilities</b>	<b>298.9</b>	<b>255.5</b>	<b>272.2</b>
Current provisions	102.0	88.8	115.7
Current financial liabilities	30.4	15.3	18.2
Income tax payables	54.2	59.6	59.9
Trade payables	217.8	200.1	255.0
Other current liabilities	105.1	83.4	96.9
<b>Current liabilities</b>	<b>509.5</b>	<b>447.2</b>	<b>545.7</b>
<b>TOTAL</b>	<b>1,762.7</b>	<b>1,525.3</b>	<b>1,661.8</b>