

# HUGO BOSS

Preliminary Results 2017

Metzingen, January 16, 2018

## **HUGO BOSS increases pace of growth and achieves its annual targets**

### **Q4 2017**

- **Currency-adjusted Group sales up 5% in the fourth quarter**
- **Retail comp store sales up 7% on prior year**
- **Online sales up by 42%**

### **Fiscal year 2017**

- **Currency-adjusted sales up 3%**
- **EBITDA before special items on prior year level on a preliminary basis**
- **Final results to be published on March 8, 2018**

“We achieved our goals for 2017”, comments **Mark Langer, Chief Executive Officer of HUGO BOSS AG**. “The final quarter was particularly pleasing. The strong development in own retail shows that we are on the right path with the changes we are making to our collections and stores. With the current Spring/Summer collection which has just been launched in the stores, the re-alignment of BOSS and HUGO is now fully visible for the first time. We strive to carry the momentum gained in the last months into 2018. Our online business is now on track, too, and will make a sustainable contribution toward the growth of the company.”

Sales dynamic of HUGO BOSS showed further improvement in the fourth quarter. Based on preliminary figures, Group sales grew by 5% in local currencies to EUR 735 million (Q4 2016: EUR 725 million). The growth was mostly due to strong sales development in the Group’s own retail business, which grew by 7% on a comp store basis. The double-digit growth seen in the U.S. was encouraging.

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Great Britain and China also continued the upward trend. The Group's own online business grew significantly with a double-digit percentage growth rate, while sales in the wholesale channel declined as expected.

On a preliminary, non-audited basis, HUGO BOSS recorded sales of EUR 2,733 million in the full year. In the reporting currency, this corresponds to an increase of 1% on the prior year. Adjusted for currency effects, this was an increase of 3%. Subject to the completion of year-end closing procedures, the Group expects that EBITDA before special items will be largely the same in 2017 as in the previous year (2016: EUR 493 million) and therefore in line with the forecast. The increase in sales was balanced by investments in repositioning the BOSS and HUGO brands, the digital transformation of the business model and negative currency effects.

HUGO BOSS expects a one-off, non-cash tax expense of around EUR 12 million in the fiscal year 2017 in connection with the tax reform adopted in the United States. This results from the revaluation of deferred tax assets.

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## Q4 sales development by segment

	in EUR million	Change in %	Change in % currency-adjusted
Europe	 423	→ 0	↗ +1
Americas	 168	↗ +3	↗ +11
Asia/Pacific	 119	↗ +3	↗ +10
Licenses	 25	↗ +5	↗ +5
<b>Group</b>	 <b>735</b>	↗ <b>+1</b>	↗ <b>+5</b>

- Sales in **Europe** increased slightly in the fourth quarter of 2017. Growth in the Group's own retail business compensated for the decline in wholesale sales. In Great Britain, HUGO BOSS benefited from solid local demand in particular and recorded a currency-adjusted sales increase of 9%. Business with tourists also continued to grow. Sales in Germany and France fell by 2% and 7% respectively due to declines in the wholesale channel. However, sales in the Group's own retail business in Germany remained stable, while France recorded a slight increase. Sales rose by 4% in the Benelux countries.
- In the **Americas**, HUGO BOSS benefited from a significantly improved sales dynamic in own retail. In the U.S., comp store growth was in the double digits. Overall, sales increased by 7% in the U.S. The Group also recorded double-digit sales growth in Canada and Latin America.
- The **Asia/Pacific** region continued to benefit from growth in the Chinese market. Sales in mainland China were up at a double-digit rate on a comp store basis. Business in Hong Kong and Macau also developed positively. Overall, sales rose by 10% in China. Thanks to strong business with tourists, sales in Japan also grew by a double-digit percentage rate.

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## Q4 sales development by channel

		in EUR million	Change in %	Change in % currency-adjusted
Group's own retail business		514	↗ + 4	↗ + 9
Wholesale		196	↘ (6)	↘ (3)
Licenses		25	↗ + 5	↗ + 5
<b>Group</b>		<b>735</b>	<b>↗ + 1</b>	<b>↗ + 5</b>

- Sales in the **Group's own retail business** (including outlets and online stores) grew significantly in the fourth quarter.
  - On a comp store and currency-adjusted basis, sales growth accelerated to 7%, with stores, shop-in-shops and the online business in particular performing more favorably than the outlet business. All regions contributed to growth. In Europe and the Asia/Pacific region, sales grew by a mid and high single-digit percentage respectively on a comp store and currency-adjusted basis. In the Americas, sales grew by a double-digit percentage rate.
  - Overall, sales in the Group's own retail business in Europe increased by 5% to EUR 279 million (Q4 2016: EUR 269 million). Sales in the Americas amounted to EUR 125 million (Q4 2016: EUR 116 million), which is equivalent to a currency-adjusted increase of 16%. In Asia/Pacific, sales also grew by 10% in local currencies to EUR 110 million (Q4 2016: EUR 108 million).
  - Sales in freestanding stores and shops-in-shops rose by 8% over the prior year on a currency-adjusted basis. Outlet sales were up 5%. HUGO BOSS achieved a significant sales increase of 42% in its online business, which was predominantly due to improvements in the user-friendliness of the hugoboss.com website and the assortment.
- The **wholesale business** recorded a decline in sales according to expectations for the full year.
  - At EUR 144 million, fourth quarter wholesale sales in Europe were 5% lower than in the prior year (Q4 2016: EUR 152 million). In the Americas, sales fell slightly by 1% on a currency-adjusted basis to EUR 43 million (Q4 2016:

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EUR 47 million). The Asia/Pacific region recorded a currency-adjusted increase in sales of 16% to EUR 9 million (Q4 2016: EUR 8 million).

- Sales in the **license business** continued to develop positively, rising by 5% to EUR 25 million particularly as a result of higher license income for fragrances (Q4 2016: EUR 24 million).

## Q4 sales development by brand and gender

	in EUR million	Change in %	Change in % currency-adjusted
<b>BOSS</b> <sup>1</sup> <small>HUGO BOSS</small>	636	↗ + 2	↗ + 6
<b>HUGO</b> <small>HUGO BOSS</small>	99	↘ (4)	↘ (2)
<b>Group</b>	735	↗ + 1	↗ + 5

<sup>1</sup> Including BOSS Green and BOSS Orange.

- The **BOSS** core brand benefited in the fourth quarter from double-digit sales growth in the athleisure offering in particular, which in 2017 was still sold under the BOSS Green brand line. Businesswear sales also rose in currency-adjusted terms, while casualwear sales remained stable.
- At **HUGO**, double-digit growth in casualwear could not make up for declines in businesswear. The decline in sales was largely caused by changes in the distribution strategy as part of the brand's realignment.
- **Menswear** sales increased by 6% and benefited from growth in the businesswear and athleisurewear of BOSS.
- **Womenswear** sales declined by 3%. Growth from HUGO was not enough to compensate sales declines recorded by BOSS.

## Sales development for the full year

A tabular presentation of the sales development in the fiscal year 2017 is attached to this report as an annex.

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## **Outlook**

The Group will publish its final results for 2017 and its financial outlook for the year 2018 on March 8, and will discuss it at the press and analysts conferences. On the day before, the Supervisory Board will resolve upon the dividend proposal for the fiscal year 2017.

If you have any questions, please contact:

Dr. Hjördis Kettenbach  
Head of Corporate Communications  
Phone: +49 7123 94-83377  
Fax: +49 7123 94-80237

Dennis Weber  
Head of Investor Relations  
Phone: +49 7123 94-86267  
Fax: +49 7123 94-886267

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**SALES FIGURES**

for Q4 2017 and fiscal year 2017

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## Sales figures – Q4 2017

	<b>Q4 2017</b>	Q4 2016	Change in %	Change in % <sup>1</sup>
<b>Net sales (in EUR million)</b>	<b>735</b>	<b>725</b>	<b>1</b>	<b>5</b>
<b>Net sales by segments</b>				
Europe incl. Middle East and Africa	423	422	0	1
Americas	168	163	3	11
Asia/Pacific	119	116	3	10
Licenses	25	24	5	5
<b>Net sales by distribution channel</b>				
Group's own retail business	514	494	4	9 <sup>2</sup>
Wholesale	196	207	(6)	(3)
Licenses	25	24	5	5
<b>Net sales by brand</b>				
BOSS	636	622	2	6
HUGO	99	103	(4)	(2)
<b>Net sales by gender</b>				
Menswear	660	646	2	6
Womenswear	75	79	(2)	(3)

<sup>1</sup> currency-adjusted.

<sup>2</sup> on a comp store basis 7%.

## Sales figures – fiscal year 2017

	<b>Jan. - Dec. 2017</b>	Jan. - Dec. 2016	Change in %	Change in % <sup>1</sup>
<b>Net sales (in EUR million)</b>	<b>2,733</b>	<b>2,693</b>	<b>1</b>	<b>3</b>
<b>Net sales by segments</b>				
Europe incl. Middle East and Africa	1,681	1,660	1	2
Americas	577	582	(1)	1
Asia/Pacific	396	382	4	6
Licenses	79	69	14	14
<b>Net sales by distribution channel</b>				
Group's own retail business	1,732	1,677	3	5 <sup>2</sup>
Wholesale	922	947	(3)	(2)
Licenses	79	69	14	14
<b>Net sales by brand</b>				
BOSS	2,336	2,313	1	3
HUGO	397	380	4	5
<b>Net sales by gender</b>				
Menswear	2,440	2,394	2	4
Womenswear	293	299	(2)	(2)

<sup>1</sup> currency-adjusted.

<sup>2</sup> on a comp store basis 3%.