Press Release

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HUGO BOSS PRESENTS UPDATE ON “CLAIM 5” – 2025 SALES AMBITION RAISED TO EUR 5 BILLION

Strategic progress since introduction of “CLAIM 5”:

- BOSS and HUGO with significant market share gains, driven by acceleration in top-line growth following comprehensive branding refresh
- Strong improvement in brand value, reflecting surge in global brand relevance
- 24/7 lifestyle image successfully fostered by leveraging all brand lines
- Launch of Digital Campus significantly enhances data analytics capabilities
- Best-in-class omnichannel experience leads to broad-based momentum globally
- Strong initial progress in establishing state-of-the-art operations platform

New 2025 financial ambition:

- Sales target raised to EUR 5 billion by 2025 (+11% CAGR vs. 2022)
- EBIT now set to reach at least EUR 600 million (EBIT margin of at least 12%)
- Higher gross margin to more than offset additional business investments
- Cumulative free cash flow of around EUR 2.5 billion targeted between 2021 and 2025

"With ‘CLAIM 5,’ we have introduced the right strategy at the right time. Thanks to the dedication and passion of our teams, we celebrated an impressive comeback and delivered exceptional results. This will enable us to reach our mid-term financial ambition of EUR 4 billion already this year, two years ahead of plan," says Daniel Grieder, Chief Executive Officer of HUGO BOSS. "And we have everything needed to continue our success story. That is why today we are increasing our top- and bottom-line ambition. We aim to achieve revenues of EUR 5 billion and an EBIT margin of at least 12% by 2025."

HUGO BOSS today is providing an update on its ‘CLAIM 5’ growth strategy and its 2025 financial ambition. Two years after introducing ‘CLAIM 5,’ the Company looks back on significant progress achieved across all five strategic priorities. Driven by the powerful and rigorous strategy execution and supported by its bold branding refresh initiated in early 2022, momentum for both BOSS and HUGO has since accelerated sharply. In doing so, both brands have strongly expanded market shares worldwide and made significant progress in increasing brand relevance.
Consequently, HUGO BOSS is raising its 2025 top- and bottom-line ambition. While it aims to achieve its previous mid-term sales target of EUR 4 billion already this year, HUGO BOSS is now confident of generating revenues of around EUR 5 billion by 2025. This represents a strong compound average growth rate (CAGR) of +11% compared to fiscal year 2022 (2022: EUR 3.7 billion), thus well above the anticipated industry growth. The superior top-line ambition is coupled with significant improvements in EBIT, which is forecast to grow to a level of at least EUR 600 million by 2025 (prior target: around EUR 480 million), representing a strong CAGR of at least 21% compared to fiscal year 2022. Consequently, HUGO BOSS now targets an EBIT margin of at least 12% by 2025 (prior: around 12%). The increased EBIT margin target reflects the Company's updated gross margin projections, exceeding initial expectations. The latter is now anticipated to range between 62% and 64% until 2025 (prior: 60% to 62%), reflecting the ongoing strong surge in brand momentum as well as additional efficiency gains to be realized in operations.

To deliver on its 2025 financial targets, HUGO BOSS will continue to invest into its business and rigorously execute its “CLAIM 5” strategy. In this context, the Company is committed to making further progress along its five strategic claims, to leverage global growth opportunities and drive significant top- and bottom-line improvements through 2025 and beyond.

CLAIM 1 – “Boost Brands”: Building on strong momentum to further drive brand relevance

Following the successful branding refresh, HUGO BOSS will now build on the stellar brand momentum of BOSS and HUGO to further anchor its position in the consumers’ minds and drive brand power in the coming years. This is directly linked to the Company’s ambition to become one of the top 100 global brands. To further increase brand relevance, particularly among the younger audience, HUGO BOSS will continue to pursue and develop its two-brand strategy. Also in the years to come, this will be supported by two clearly distinguishable marketing strategies for BOSS and HUGO aimed at activating consumers across all touchpoints and maximizing consumer impact. In this context, the Company will continue its successful digital-first marketing strategy, supported by star-studded campaigns, strong collaborations, and unique brand events. HUGO BOSS will therefore continue to keep its marketing investments at a level between 7% and 8% of Group sales until 2025 (2022: 7.9%). Consequently, by 2025 the Company is now targeting sales of around EUR 3.5 billion for BOSS Menswear (prior: EUR 2.6 billion), around EUR 500 million for BOSS Womenswear (prior: EUR 400 million), and around EUR 1 billion for HUGO (prior: EUR 800 million).
CLAIM 2 – “Product is Key”: Fostering 24/7 lifestyle image by leveraging brand lines

HUGO BOSS will continue to put strong emphasis on further enhancing both brands’ 24/7 lifestyle images, ensuring that its customers are perfectly dressed for every occasion. To live up to this target, the Company will continue to fully exploit the potential of its BOSS Black, BOSS Orange, and BOSS Green brand lines for the Menswear collection, and leverage the exclusive BOSS Camel line introduced in late 2022. Further building on these successes, BOSS is reintroducing its Orange line to Womenswear while also introducing the Camel line. Products ranging from high-end tailoring to smart casual and active lifestyles will therefore from now on be part of both BOSS Menswear and BOSS Womenswear. In addition, with the upcoming launch of the HUGO BLUE brand line in early 2024, HUGO BOSS will explicitly seize opportunities in denimwear to further win over the Gen Z and young-minded consumers. Both brands, BOSS and HUGO, will continue to maintain their superior price-value proposition, thus fostering their unique positioning in the premium / affordable luxury segment.

CLAIM 3 – “Lead in Digital”: Capitalizing on data-driven insights to drive efficiencies

Leveraging the full potential of digitalization will remain a key driver to deliver on the Company’s vision of becoming the leading premium tech-driven fashion platform worldwide. Over the past two years, HUGO BOSS achieved strong progress in further digitalizing important business activities – from digital trend detection and product creation to AI-enabled pricing and innovative experiences in the metaverse – thereby laying the foundation for further initiatives. The HUGO BOSS Digital Campus, physically inaugurated in Porto, Portugal, this year, is at the heart of the Company’s digital journey as it significantly expands its data analytics capabilities. By capitalizing on data-driven insights, the Digital Campus will further drive meaningful insights and efficiencies along the value chain, while also supporting the goal of creating a seamless customer experience across all consumer touchpoints.

CLAIM 4 – “Drive Omnichannel”: Leveraging high-quality channel mix to drive growth

Over the past two years, HUGO BOSS has made substantial progress in translating its regained brand power into all consumer touchpoints and providing its customers with a best-in-class omnichannel experience. Going forward, the Company will continue to fully leverage its high-quality channel mix on a global scale. Against this backdrop, HUGO BOSS aims to increase revenues in brick-and-mortar retail to more than EUR 2.5 billion by 2025 (prior: around EUR 2 billion). In this context, the Company is targeting store productivity improvements of at least 3% per year, supported by investments of now up to EUR 600 million (prior: EUR 500 million) between 2021 and 2025 to modernize, further
optimize, and selectively expand its global retail footprint. The latter includes the further rollout of the latest and more digitalized BOSS and HUGO store concepts as well as growing the Company’s full-price store network to around 500 points of sale by 2025 (2022: 470). At the same time, HUGO BOSS will continue to build on its regained strength in brick-and-mortar wholesale, where both its brands successfully increased visibility and market presence at key European and U.S. department stores. To take its business in emerging markets to the next level, HUGO BOSS will further strengthen its global franchise business by increasing the total number of full-price franchise stores from 300 to around 500 over the coming years. Overall, the Company is now targeting brick-and-mortar wholesale sales of around EUR 13 billion by 2025 (prior: around EUR 1 billion). The digital business is expected to continue its double-digit growth trajectory in the years to come, with digital sales still expected to mount up to more than EUR 1 billion by 2025. In this regard, HUGO BOSS will focus on further driving traffic and conversion at its digital flagship hugoboss.com while, at the same time, fostering growth with its digital partners. The license business is also still expected to contribute up to EUR 200 million to Group revenues by 2025.

From a regional perspective, HUGO BOSS will continue to drive its broad-based momentum across all geographies, thereby further increasing market shares by 2025. The Company remains committed to fully exploiting its strong momentum in EMEA, where sales are forecast to grow at a mid to high-single-digit CAGR (2022–2025) to a level of more than EUR 2.8 billion, with strong contributions expected from both key markets and important growth markets such as the Middle East. In the Americas, revenues are projected to grow at a high single-digit CAGR (2022–2025), mounting up to around EUR 1 billion by 2025. In particular, the Company will continue the successful push of its 24/7 brand image in the important U.S. market, where it recorded exceptionally strong momentum over the past two years. In Asia/Pacific, revenues are set to grow at a low double-digit CAGR (2022–2025) with the region’s revenue share to expand from currently 13% to around 20% by 2025, implying a revenue level of around EUR 1 billion. In this regard, unleashing the brands’ full potential in China will continue to be of particular importance. In addition, HUGO BOSS is equally committed to leveraging its full potential across South East Asia & Pacific.

CLAIM 5 – “Organize for Growth”: Establishing strong operations platform for future growth

Over the past two years, HUGO BOSS has successfully transformed its operating model to a platform approach and implemented a streamlined, brand-led organizational setup that enables profitable growth and ensures rigorous strategy execution at a global level. In order to foster growth and further drive efficiencies going forward, the Company will step up investments into its supply chain. HUGO BOSS has recently launched its important Digital
Twin initiative, aimed at enabling smart decision-making through a tech-driven business operations platform and being a key enabler to meeting consumer demand even better in the future. While further increasing the stability and transparency of its global supply chain, the Digital Twin will positively contribute to the Company’s future growth, profitability, and sustainability ambitions. At the same time, HUGO BOSS is expanding its global logistic capacities by around 40% as well as continuing its nearshoring initiatives by bringing production even closer to EMEA and the Americas.

**Sustainability efforts further intensified for a planet free of waste and pollution**

Sustainability continues to be at the heart of “CLAIM 5” – a cause that is essential to the Company’s corporate responsibility and ongoing business activities. HUGO BOSS will therefore further intensify its efforts in this important area, focusing primarily on making its contribution to a planet free of waste and pollution. As part of its sustainability strategy, HUGO BOSS will, among other things, strongly increase its circularity initiatives, leverage nature-positive materials, fight microplastic, and keep pushing towards zero emissions.

“Our ‘CLAIM 5’ strategy provides us with a strong foundation for the sustainable, long-term success of HUGO BOSS,” says Daniel Grieder, CEO of HUGO BOSS. “Thanks to our powerful organizational setup, our unwavering commitment to sustainability, and our highly motivated and passionate teams worldwide, we are all the more confident of driving significant top- and bottom-line improvements also in the coming years.”

**Ongoing rigorous execution of “CLAIM 5” to drive sustainable shareholder value creation**

With its compelling “CLAIM 5” strategy, HUGO BOSS has set the course to further lead the Company into a successful future. In this context, the ongoing focus on driving superior top-line growth and significant margin expansion is expected to result in strong cumulative free cash flow of around EUR 2.5 billion between 2021 and 2025 (prior: around EUR 2 billion). Fully in line with its capital allocation framework, the majority of free cash flow will be either reinvested into the business or distributed to shareholders through regular dividend payments, with the Company’s payout ratio to remain in a range between 30% and 50% of net income attributable to shareholders until 2025.

To deliver on its increased 2025 financial ambition, the rigorous execution of “CLAIM 5” will continue to take center stage. HUGO BOSS will build on the strong brand momentum of BOSS and HUGO and leverage global growth opportunities from a brand, regional, and channel perspective. In doing so, HUGO BOSS is well positioned to keep gaining market
shares, driving significant bottom-line improvements, and generating superior free cash flow to ensure sustainable shareholder value creation by 2025 and beyond.

**New 2025 financial ambition**

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<th>Initial 2025 target</th>
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<tr>
<td>Group sales</td>
<td>EUR 4 billion</td>
<td>EUR 5 billion</td>
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<tr>
<td>Sales CAGR</td>
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<td>Gross margin</td>
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<td>EBIT</td>
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<td>EBIT margin</td>
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<td>Cumulative free cash flow</td>
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If you have any questions, please contact:

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