

# Investor Meeting Presentation

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Investor Day 2018 - Summary

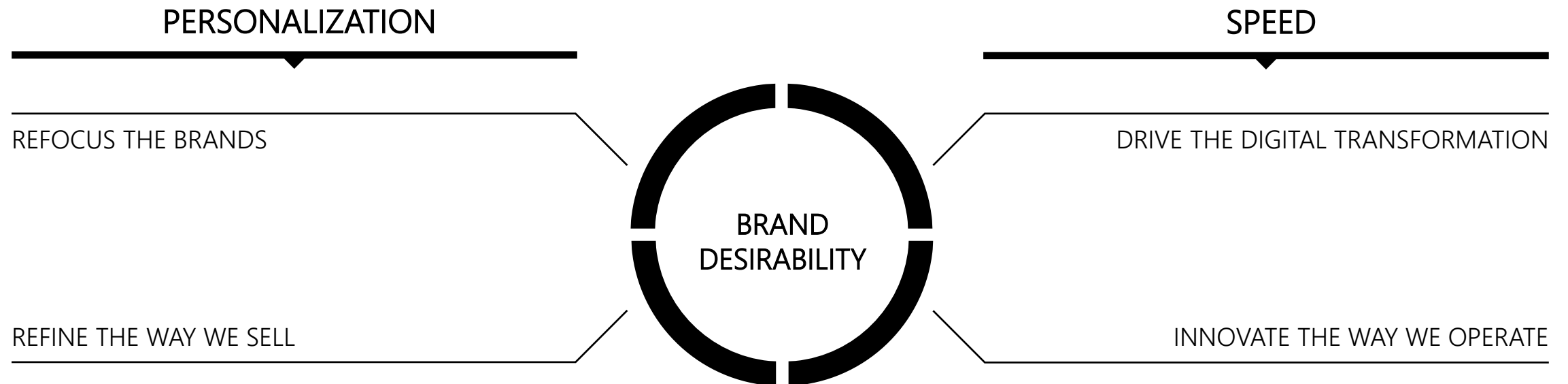




OUR VISION

BE THE MOST  
DESIRABLE PREMIUM  
FASHION AND LIFESTYLE  
BRAND

# Personalization and Speed are our priorities along the four strategic fields of action





Customer expectations

More personalization

Emotional connection

Fulfilling experiences

Building on our strengths

Broad network of own retail stores

Strong reputation for style advice and fitting

Growing in-house CRM database

Personalized product offering

Personalization:  
Driving customer engagement



Customer expectations

Instant gratification

Return on time spent

Fulfilling experiences

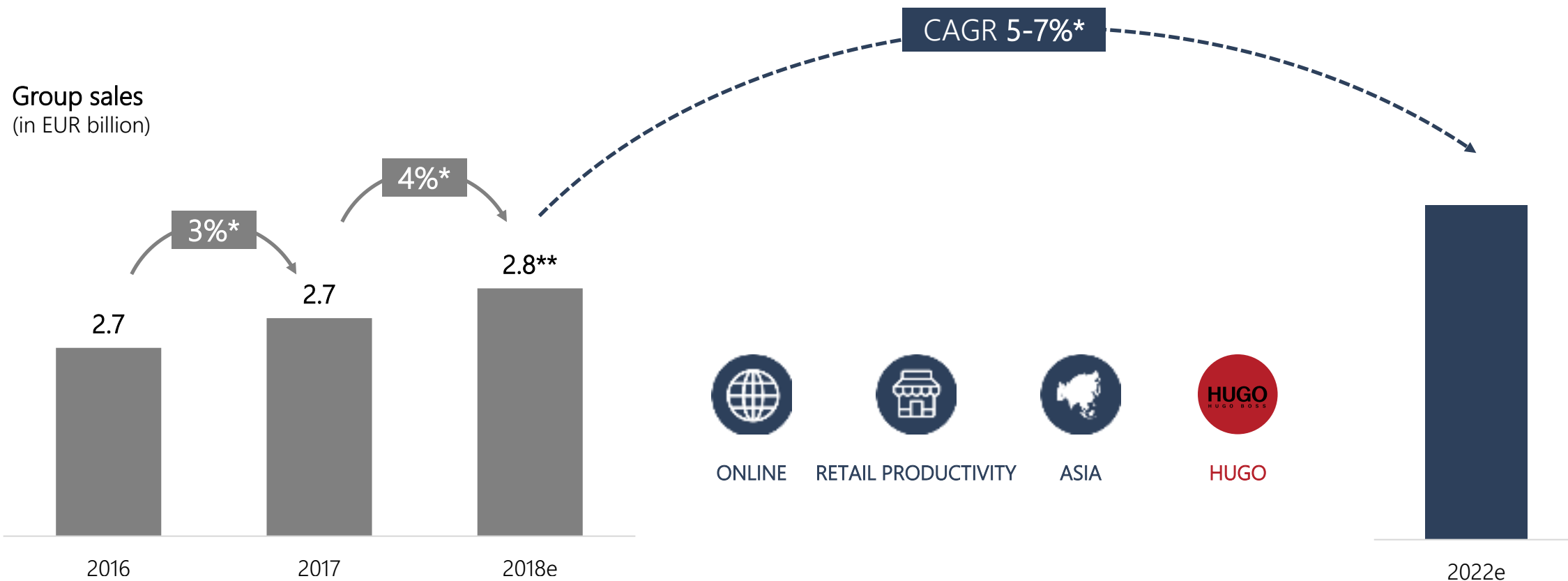
Building on our strengths

Excellence in product design and development

Industry-leading IT and logistic systems

Robust supply chain

Speed: Winning customers with industry-leading responsiveness



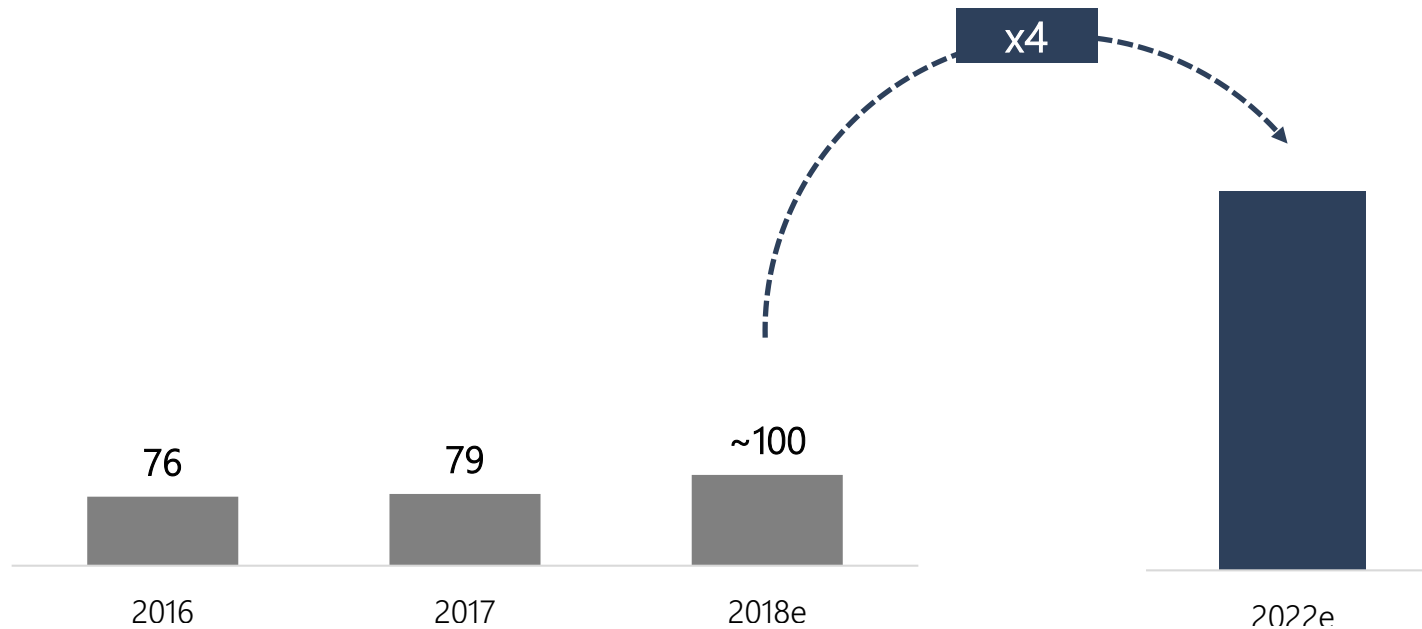
Key sales growth drivers identified across channels, regions, and brands

\* = currency-adjusted

\*\* = based on consensus



## Online sales (in EUR million)

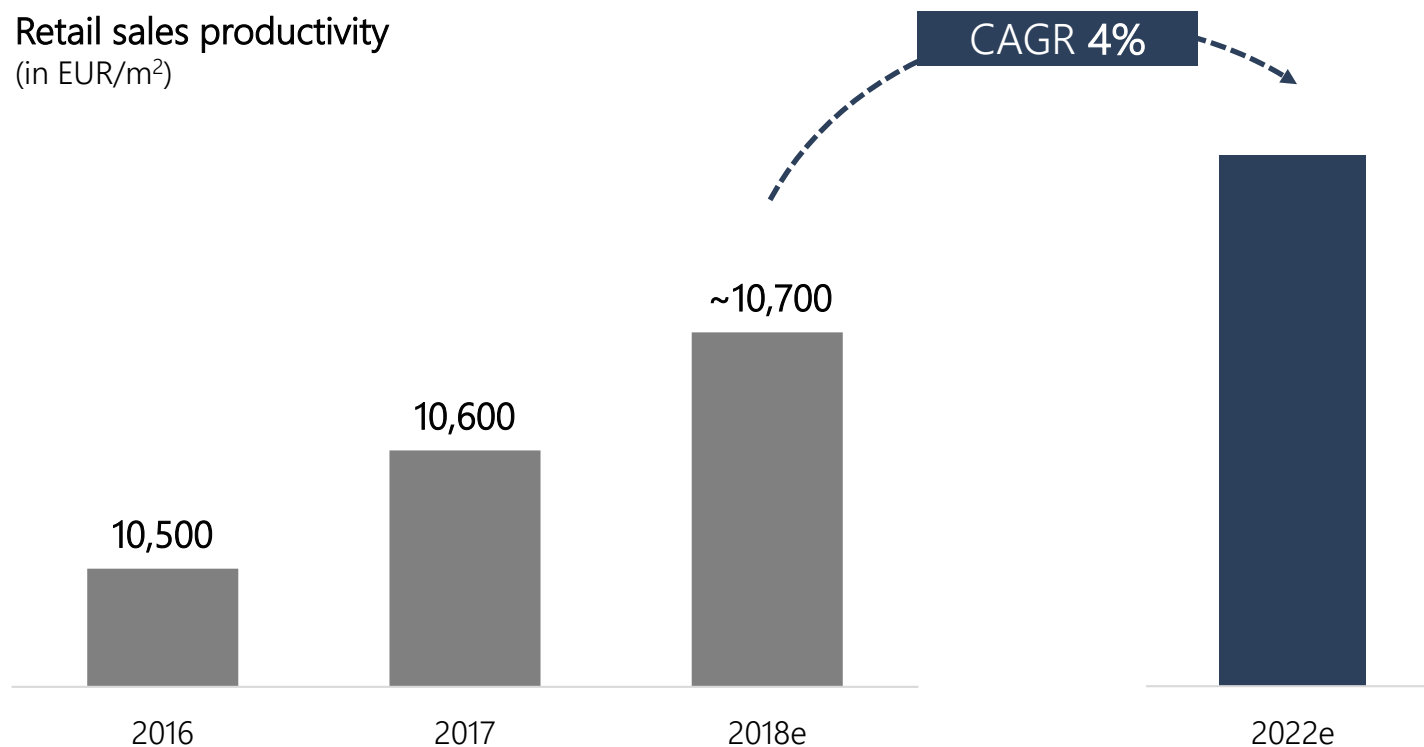


- 1 Accelerate online concession business
- 2 Exploit full potential of hugoboss.com
- 3 Enlarge omnichannel services
- 4 Expand social commerce

**Online: Own online business  
to quadruple until 2022**



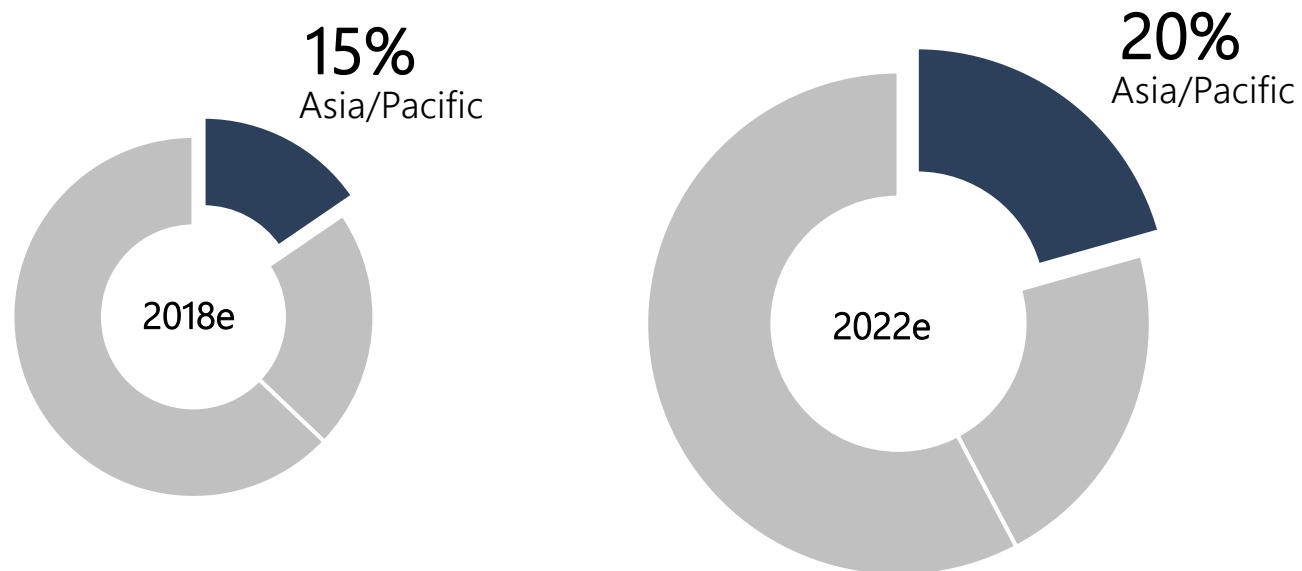
### Retail sales productivity (in EUR/m<sup>2</sup>)



- 1 Accelerate rollout of new store concept
- 2 Optimize store network
- 3 Enlarge omnichannel services
- 4 Enhance product range
- 5 Drive retail excellence

**Retail:** Further improving retail sales productivity



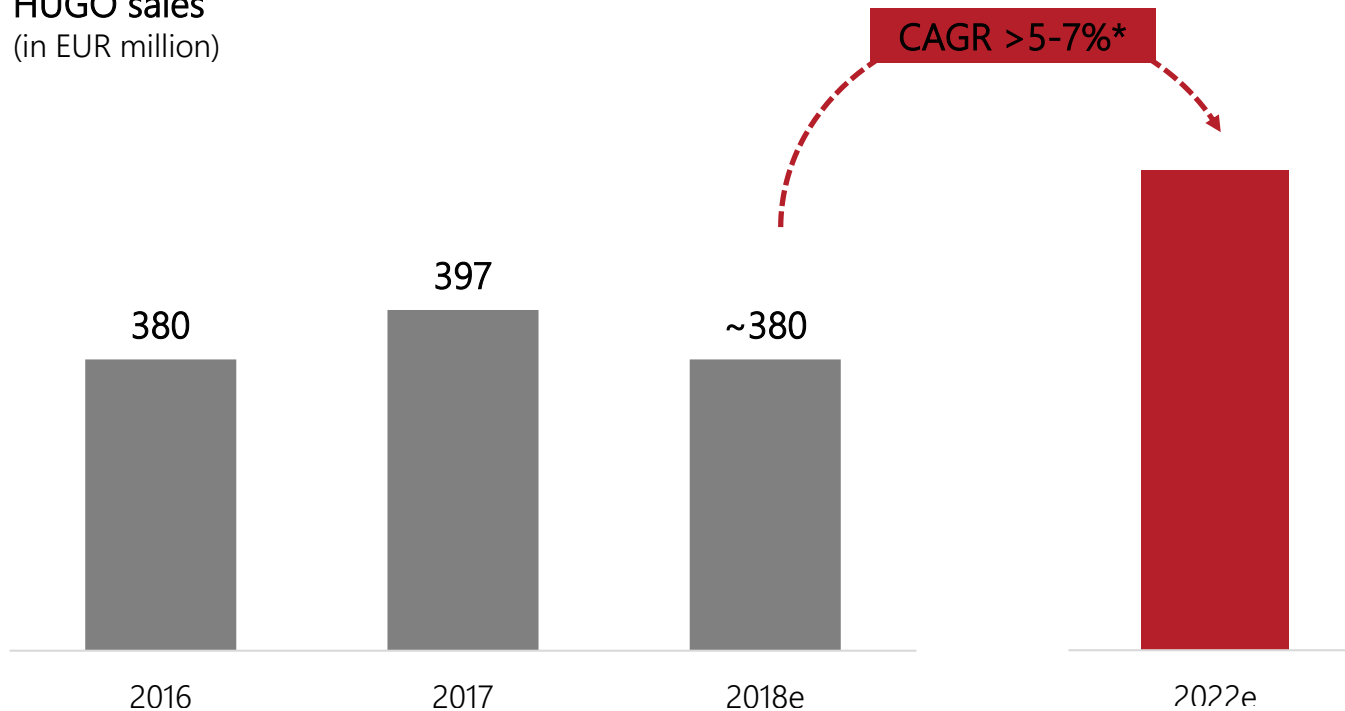


- 1 Leverage Chinese demand across the region
- 2 Expand retail footprint in Mainland China
- 3 Grow travel retail business
- 4 Leverage digital opportunities via leading online platforms

Asia/Pacific: Sales to increase at a double-digit rate



## HUGO sales (in EUR million)

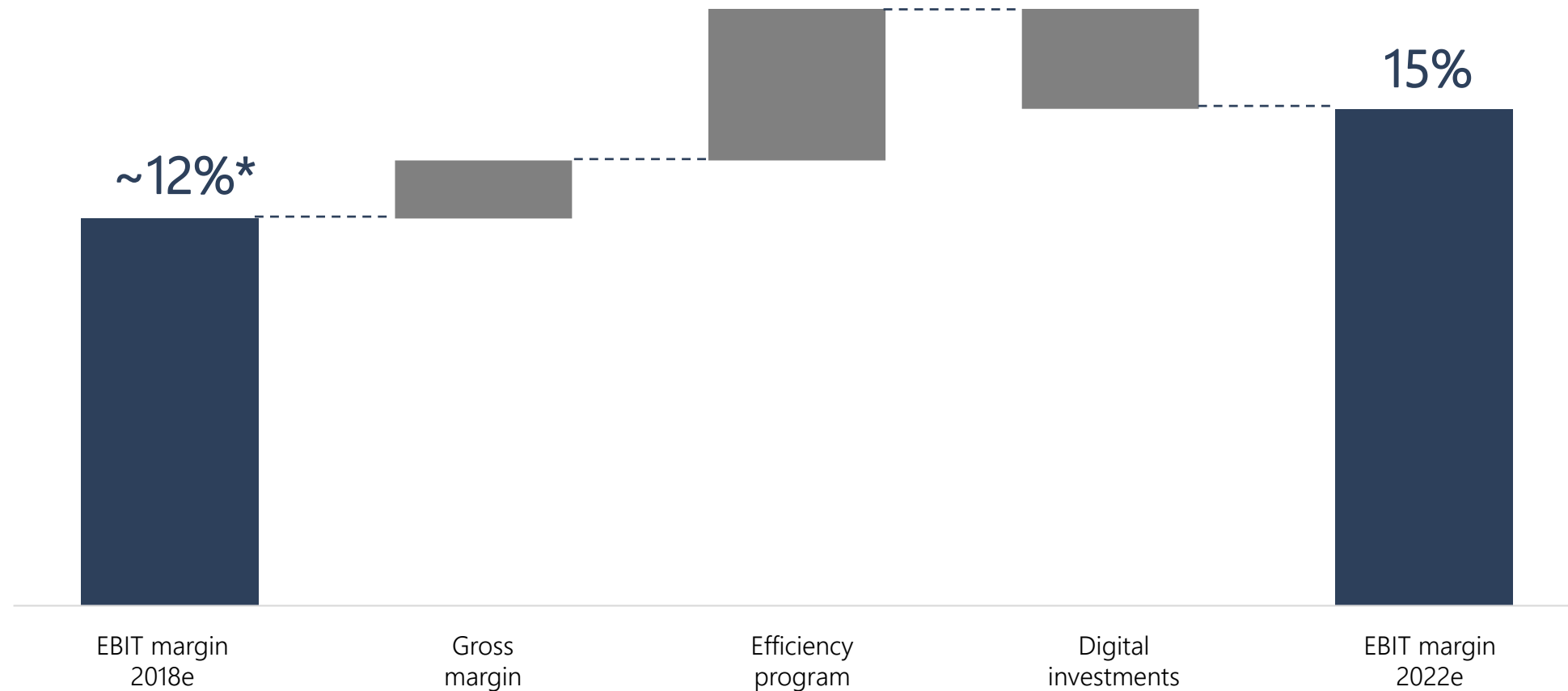


- 1 Strengthen positioning in contemporary fashion segment
- 2 Focus on casualwear to benefit from casualization trend
- 3 Expand store network across key metropolitan cities
- 4 Leverage social media presence

**HUGO: Overproportionate growth in contemporary fashion segment**

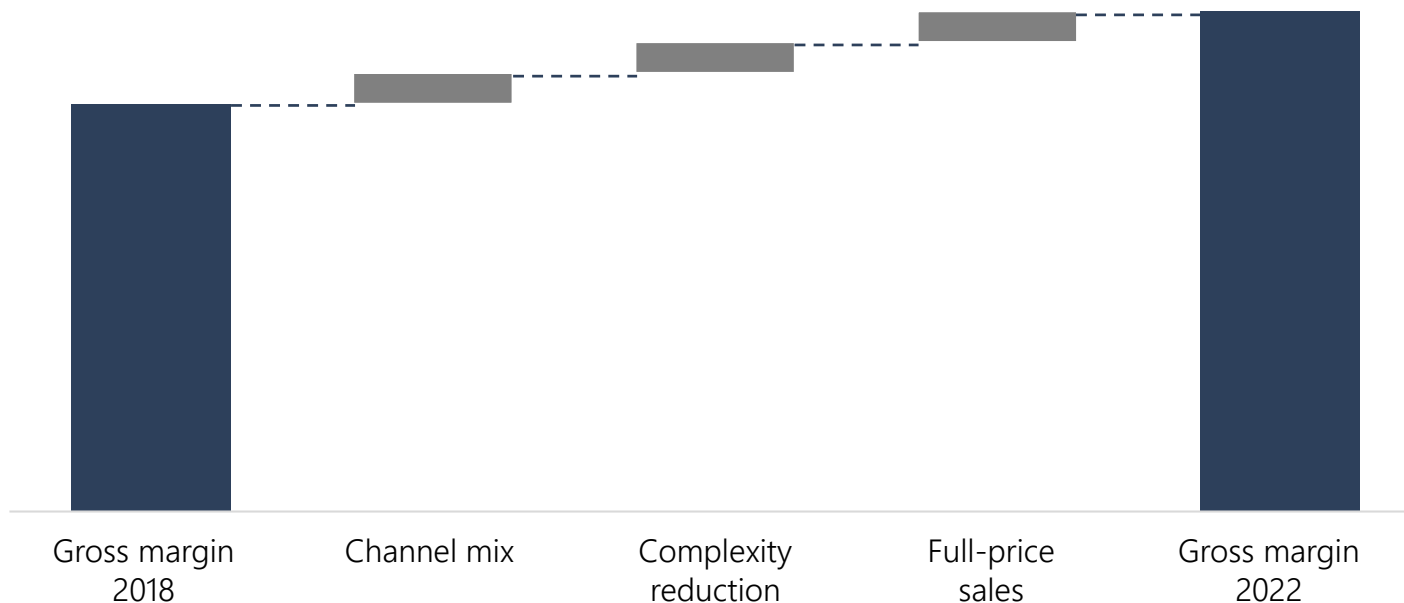
\* = currency-adjusted

## EBIT margin targeted at 15% in 2022



\* = based on consensus

## Gross margin expansion supported by multiple levers



### Channel mix

- Increase share of controlled distribution

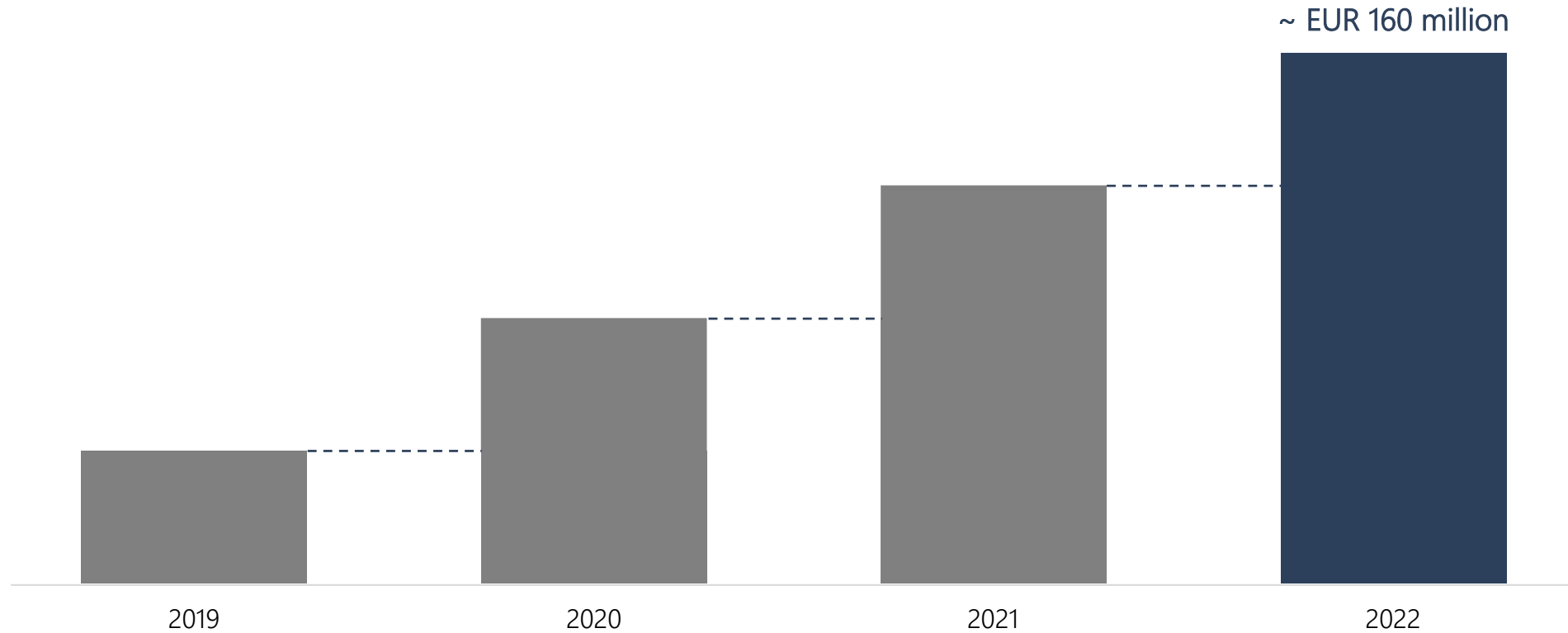
### Complexity reduction

- Simplified brand portfolio leads to complexity reduction

### Full-price sales

- Reduce share of outlet business
- Advanced markdown management

# Efficiency Program to generate total cost savings of ~ EUR 160 million



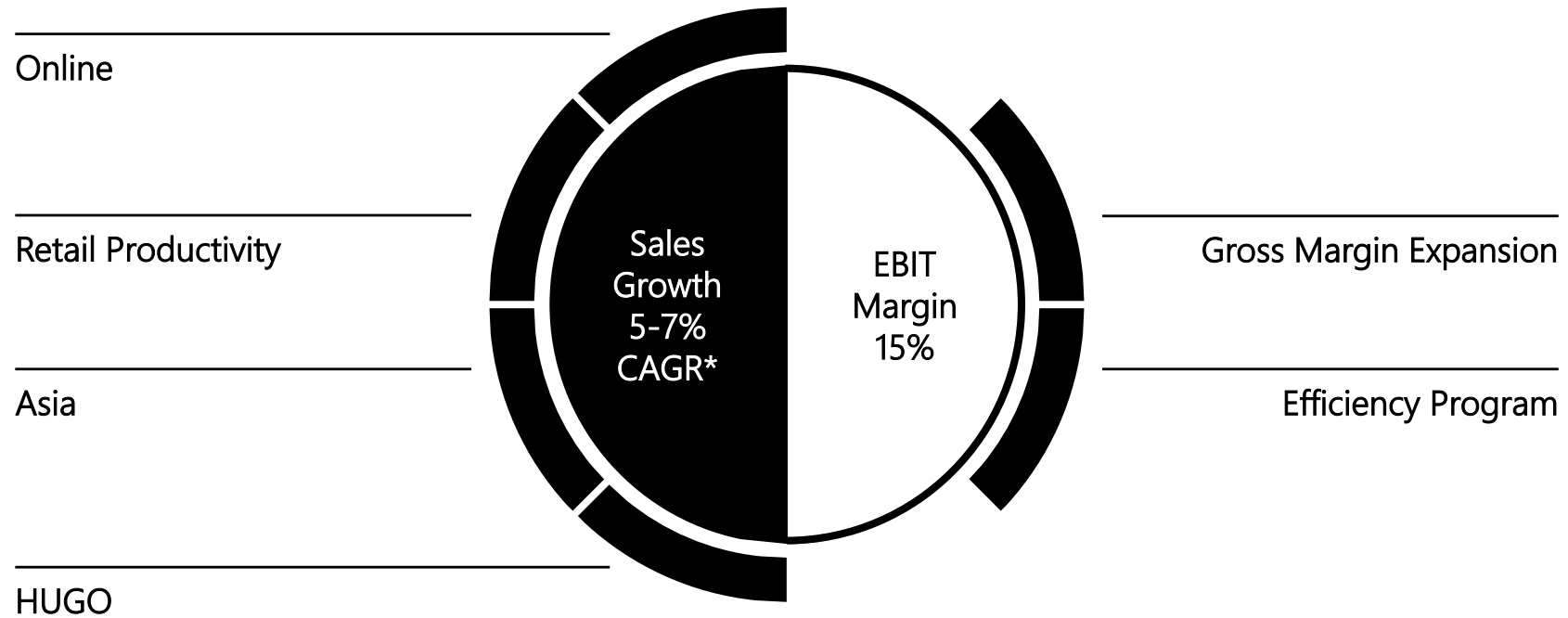


Efficiency program to drive operating leverage



- 1 Exploit full potential of omnichannel
- 2 Rollout hugoboss.com website
- 3 Strengthen IT capabilities
- 4 Expand digital content teams
- 5 Enable best-in-class supply chain capabilities

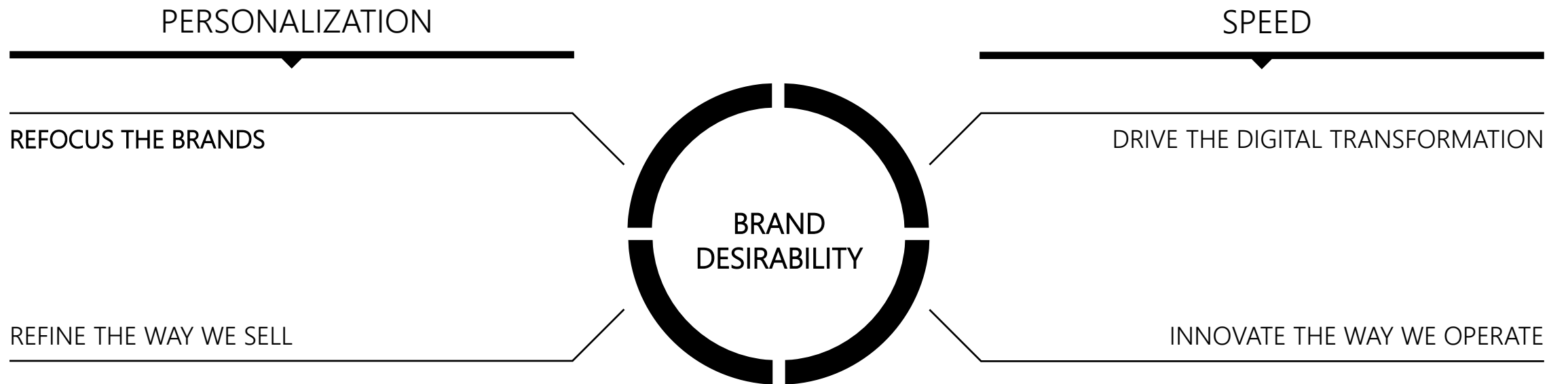
Continued investments  
in driving the digitization



Key drivers of sales growth and  
EBIT margin expansion until 2022

\* = currency-adjusted





# Successful launch of two-brand strategy



**BOSS**  
HUGO BOSS

**HUGO**  
HUGO BOSS

# Addressing two distinct and unique customers



BRAND STRATEGY

BOSS

Product

# Pursuing three key ambitions

## Priority

1

Tailoring heritage

2

Casual- and Athleisurewear

3

Innovation

## Observation

Formalwear market  
remains challenging

Casualization  
trend continues

Innovation shapes  
brand desirability

## Ambition

Strengthen the strength

Make the big bigger

Challenge the status quo

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#1

reason for customers  
to buy **BOSS** is the  
**QUALITY**

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**+15%**

Sales growth YOY  
Mix & Match



Every **3rd**

BOSS suit sold with  
Stretch Tailoring



**+50%**

Sales growth YOY  
Made-to-Measure



**Strengthen tailoring heritage to drive  
customer value and brand desirability**

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#1

Upper premium  
wear-to-work brand for  
female professionals

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Strengthen  
Businesswear



Focus on  
key categories



Intensify brand  
collaborations and  
capsule development



Leverage tailoring heritage  
by realigning Womenswear  
collection set-up



CAGR 2018-2022  
double-digit

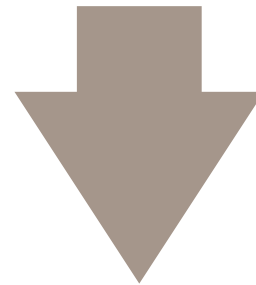


Exploit potential with  
BOSS Casual- and Athleisurewear



Product | Casual- and Athleisurewear

-30%



2020 vs 2018

1

Analyze product groups and customer needs

2

Reorganize collection structure to minimize overlaps

3

Reallocate resources for product innovation

4

Free up resources for capsule collections

Complexity reduction for BOSS Casual- and Athleisurewear

Functionality



Fabric



Personalization



Sustainability



Driving innovation  
to excite customers

360° marketing

# 360° marketing approach to consistently engage with the BOSS customer



Web

Social

CRM

Out of home

Store

BRAND STRATEGY

HUGO

Product

# Pursuing three key ambitions

## Priority

1

Unconventional authenticity

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2

Casualwear

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3

Innovation

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## Observation

Customer strives  
for personalization

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Casualization  
trend continues

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Innovation shapes  
brand desirability

---

## Ambition

Strengthen the strength

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Make the big bigger

---

Challenge the status quo

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Product | Unconventional authenticity

Businesswear



Authentic

Unconventional

Casualwear



Innovative

Offering progressive collections  
for the "mix-masters"

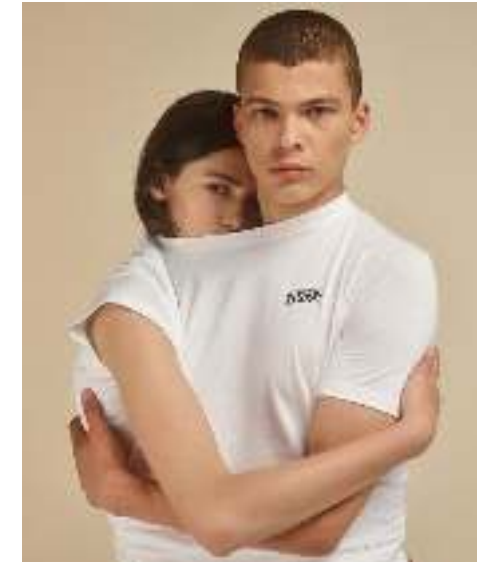
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HUGO REVERSED  
represents

~10%

of HUGO  
Casualwear sales

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HUGO REVERSED offers  
personalized premium fashion



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# DIGITAL

## HUGO Bits and Bytes collection

increases brand desirability

excites customers

offers new possibilities

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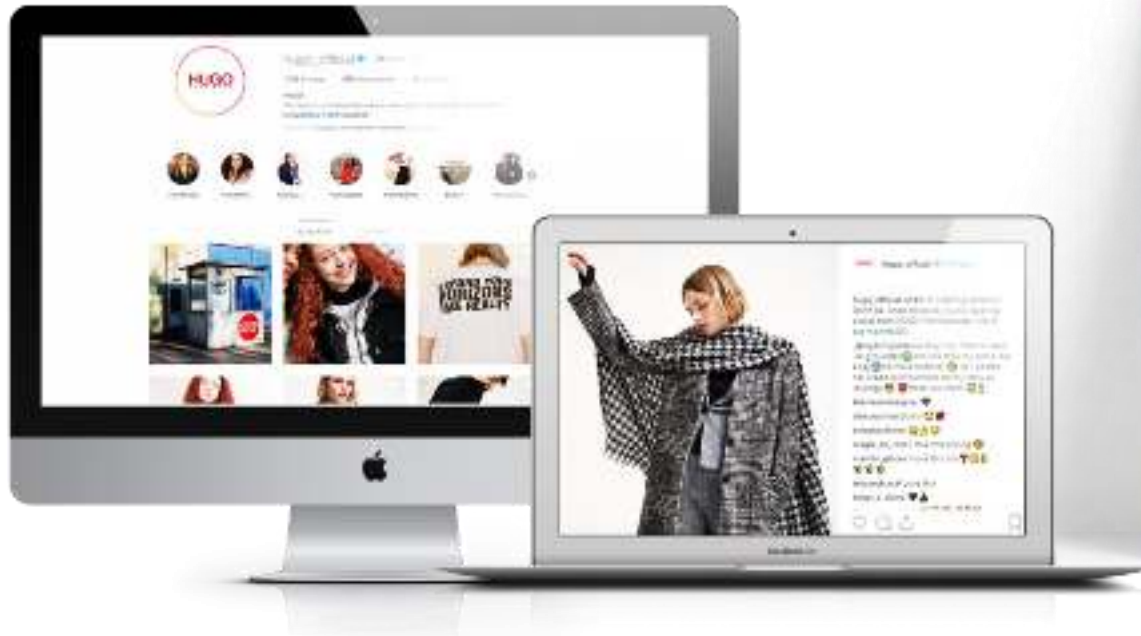


Successful launch of  
digitally developed HUGO collection



Marketing

# Marketing initiatives aim at connecting with the HUGO customer



Social

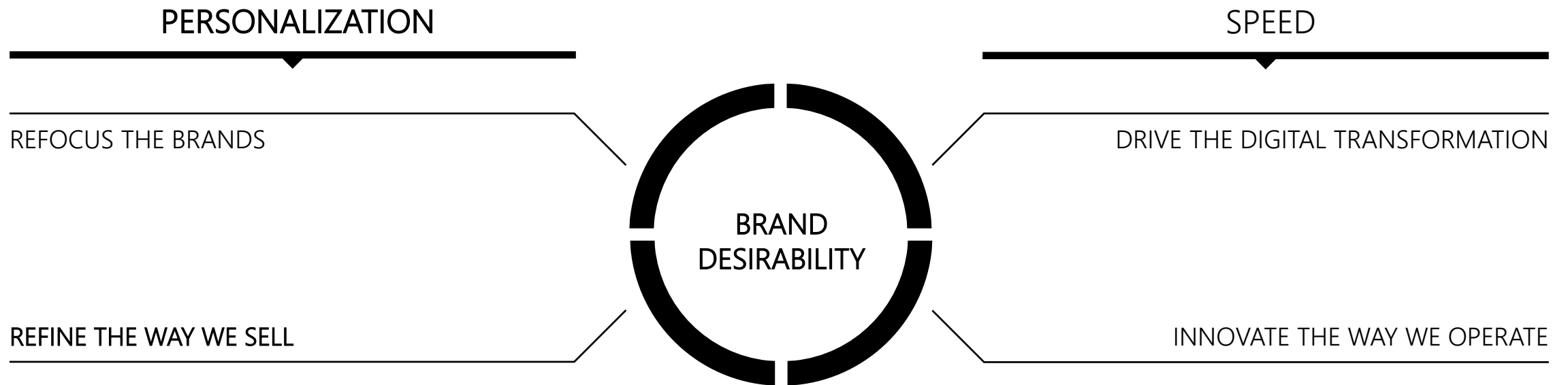


Pop-up stores



Fashion show

# Personalization and Speed are our priorities along the four strategic fields of action



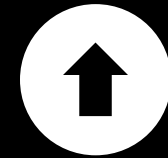
HUGO BOSS

RETAIL

BOSS Store, Tokyo

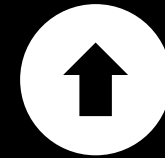


# New BOSS store concept improves performance across KPIs



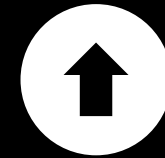
+14%

Sales  
(fx-adjusted)



+28%

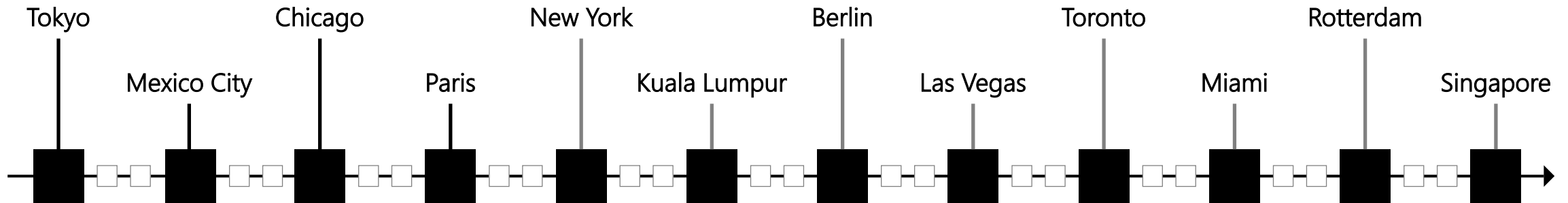
Sales productivity



+12%

Units per transaction

# Accelerate rollout of new BOSS store concept





# HUGO: expansion of store network ongoing



23 HUGO Stores  
by the end of 2018

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- ✓ Increasing **traffic** and awareness

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- ✓ Enhancing **interaction** with customers

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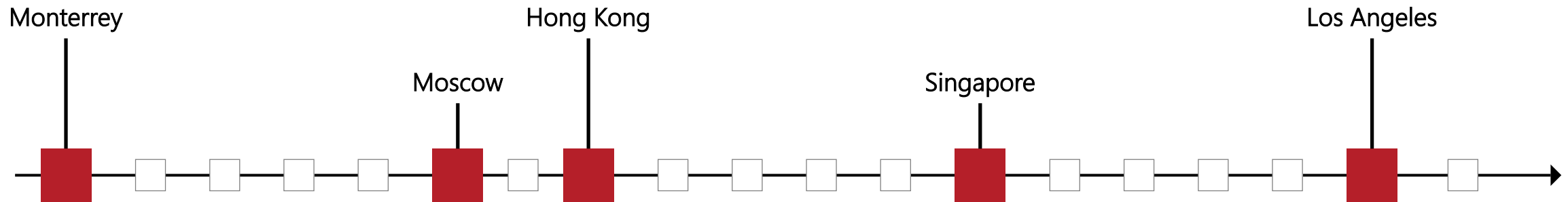
- ✓ Engaging strongly via **social media**

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- ✓ Creating **excitement** through pop-up stores

HUGO stores resonate well with the customer

# Further HUGO store openings planned for 2019 and beyond





# Maintain retail selling space

## 01

### Openings

Expand BOSS footprint  
in Asia/Pacific

Open HUGO stores  
in key metropolitan cities

Focus on  
"new role of stores"

## 02

### Relocations & closures

Right-size stores

Relocate within the  
same city or mall

Close selective stores

## 03

### Renovations

Accelerate global rollout  
of new BOSS store concept

Focus on key  
metropolitan cities

Renovate shops and outlets



BOSS Store, Paris

HUGO BOSS

WHOLESALE



# Further strengthening strategic wholesale partnerships

01

Enhance brand  
presentation

02

Simplify selling  
process

03

Increase marketing  
support

04

Expand online  
cooperation

05

Grow demand-  
driven supply

HUGO BOSS

ONLINE





- ✓ Strong development of online concessions contributes to online growth
- ✓ Zalando concession partnership marks major milestone
- ✓ Online concession model to be extended in the coming years

**Accelerate online concession business to control distribution**



✓ Make hugoboss.com a digital flagship store

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✓ Accelerate personalized customer experience

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✓ Create value through CRM expertise

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✓ Sustain strong momentum of mobile commerce

Enhance performance  
of hugoboss.com

# Coverage of >90% of global online apparel and footwear market



Rollout of hugoboss.com increases global online presence



# Omnichannel services increase convenience and speed



**Target 2022**  
Omnichannel services to grow to 5% of store sales

In-Store  
Availability Check

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Order  
from Store

---

Click & Collect

---

Store Locator

---

Click & Reserve

---

Return to Store

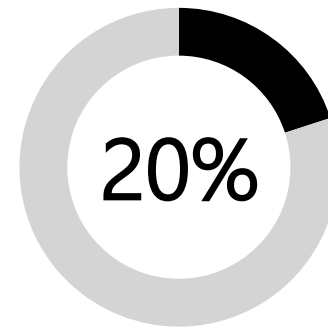
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Demand-driven Delivery

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# Drive quality growth in the Americas

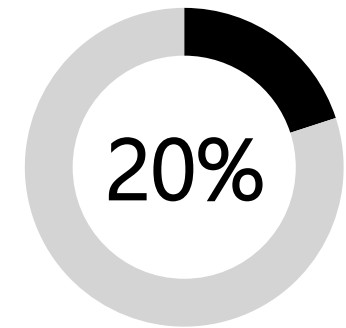


Sales share  
2018



Mid single-digit  
growth

CAGR



Sales share  
2022e

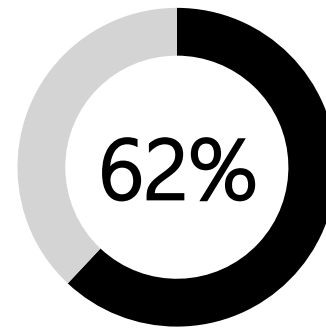
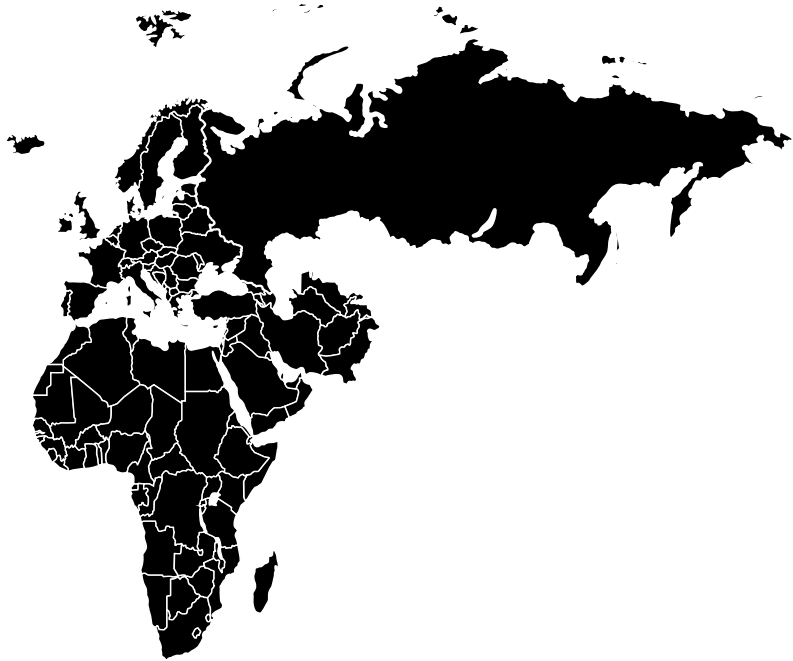
Leverage trend towards casual- and athleisurewear

Review and optimize existing store network

Reduce share of outlet business

Grow quality business through strategic wholesale partners

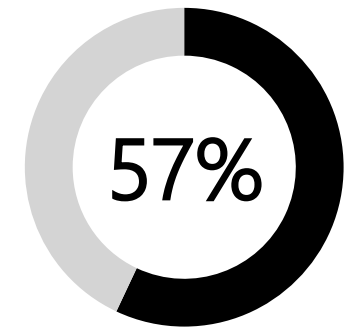
# Maintain leading position in Europe\*



Sales share  
2018



CAGR



Sales share  
2022e

Grow productivity of existing store base

Rollout HUGO stores across major European cities

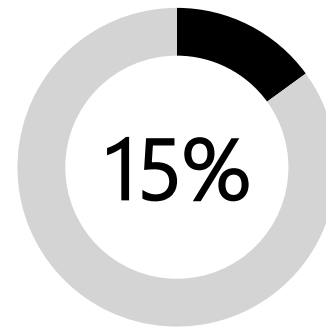
Expand concession business with large online platforms

Strengthen existing partnerships with key wholesale partners

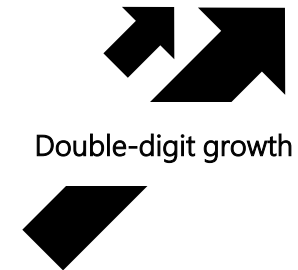
\*incl. Middle East/Africa

License business represents 3% of Group sales

# Leverage strong potential in Asia/Pacific

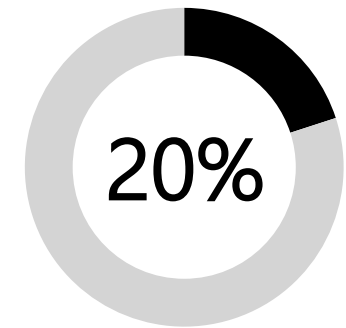


Sales share  
2018



Double-digit growth

CAGR



Sales share  
2022e

Leverage Chinese demand across the region

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Expand retail footprint in Mainland China

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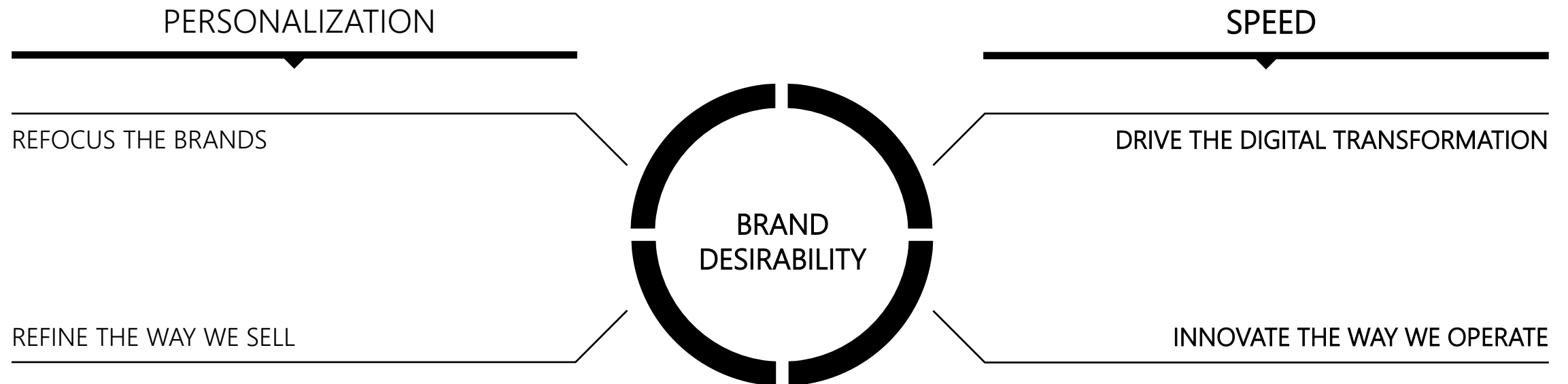
Grow travel retail business

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Leverage digital opportunities via leading online platforms

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# Personalization and Speed are our priorities along the four strategic fields of action



# Two different initiatives to drive Speed

ADVANCED ANALYTICS  
Operations-related dimensions

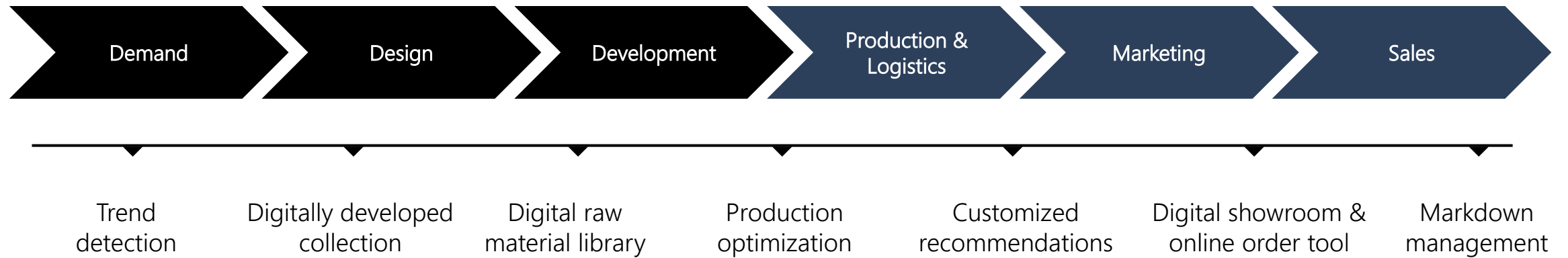
1



2



HUGO TRANSFORMATION  
Product-related dimensions  
& cultural transformation



Multiple measures  
along the value chain



# Digitally developed collection as a measure for speeding up

100%  
non-  
physical

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No prototypes,  
no samples

75 : 25

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75% of styles from  
current patterns,  
25% from new

From  
known  
materials

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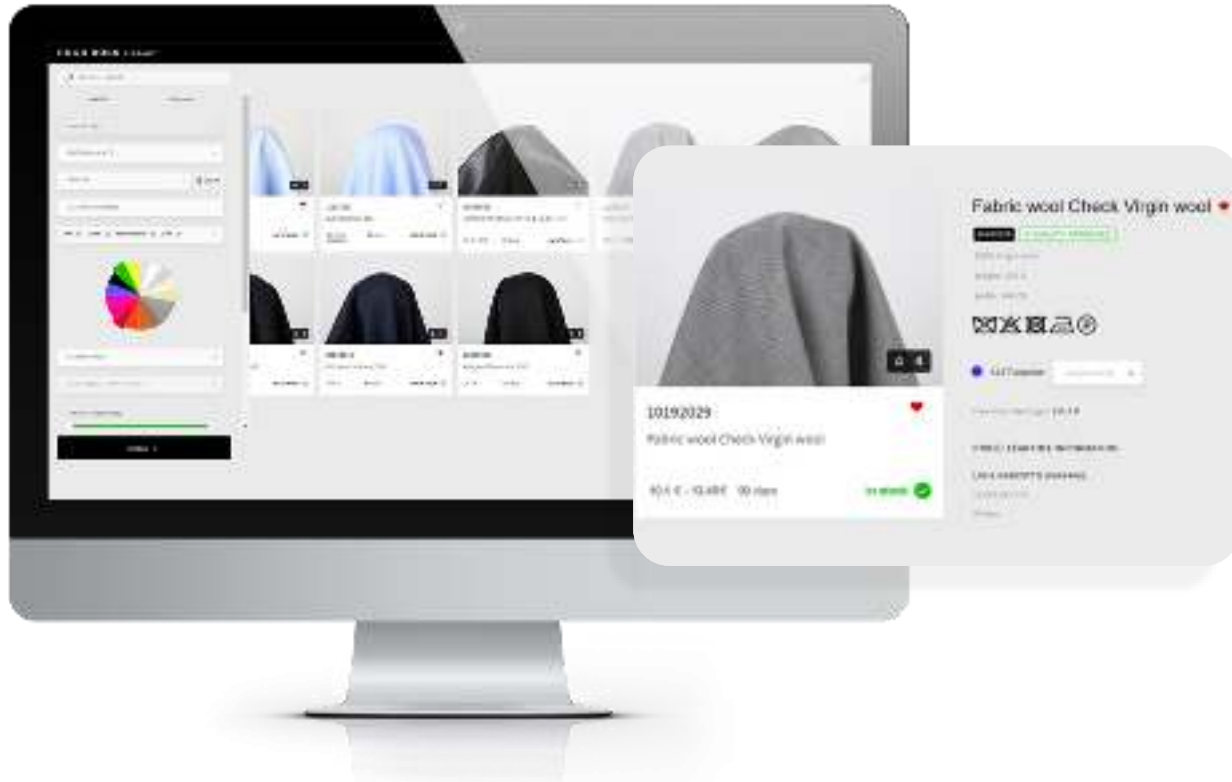
Made from fabrics  
applied in latest  
collections

By digitally  
enabled  
vendors

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Made by fast and  
digitally enabled  
vendors

Development



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Go-live  
June 2018

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40 fabrics &  
100 trimmings available today

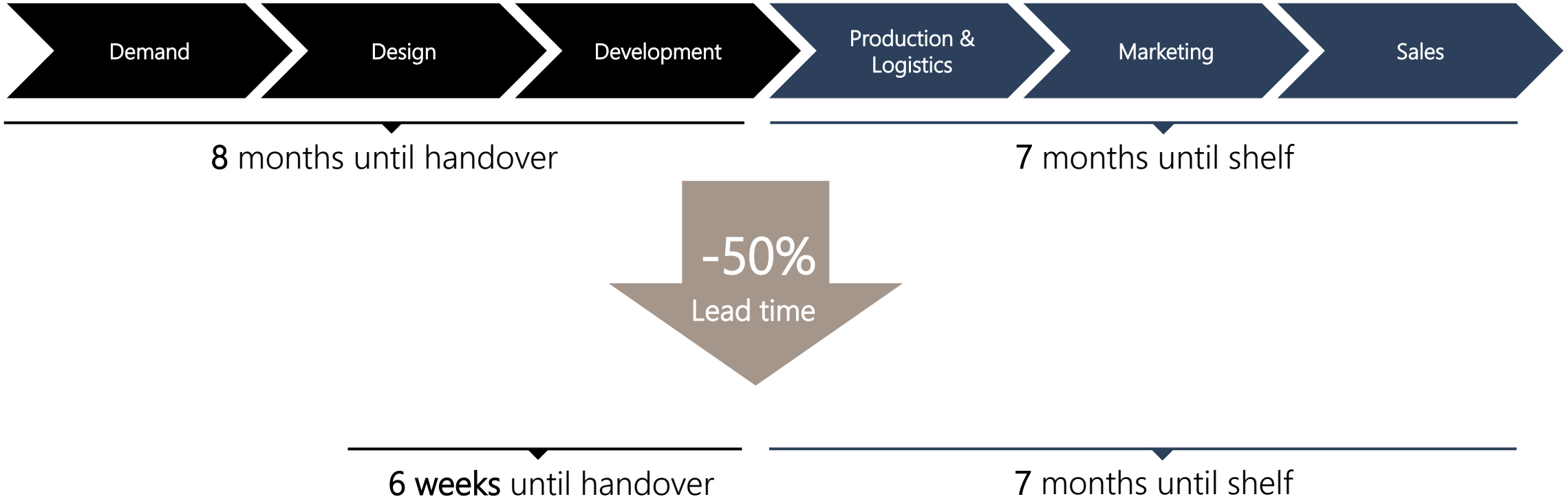
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Agile development &  
continuous learning

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Digital raw material library is the  
foundation for digital designs





Digital development reduces lead times by 50%

# Production facility in Izmir makes further progress to become a “smart factory”



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40% reduction of set-up time for a new production line

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Rewarded virtual training reduces training time by 40%

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95% accuracy to predict operational defects

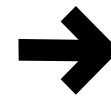
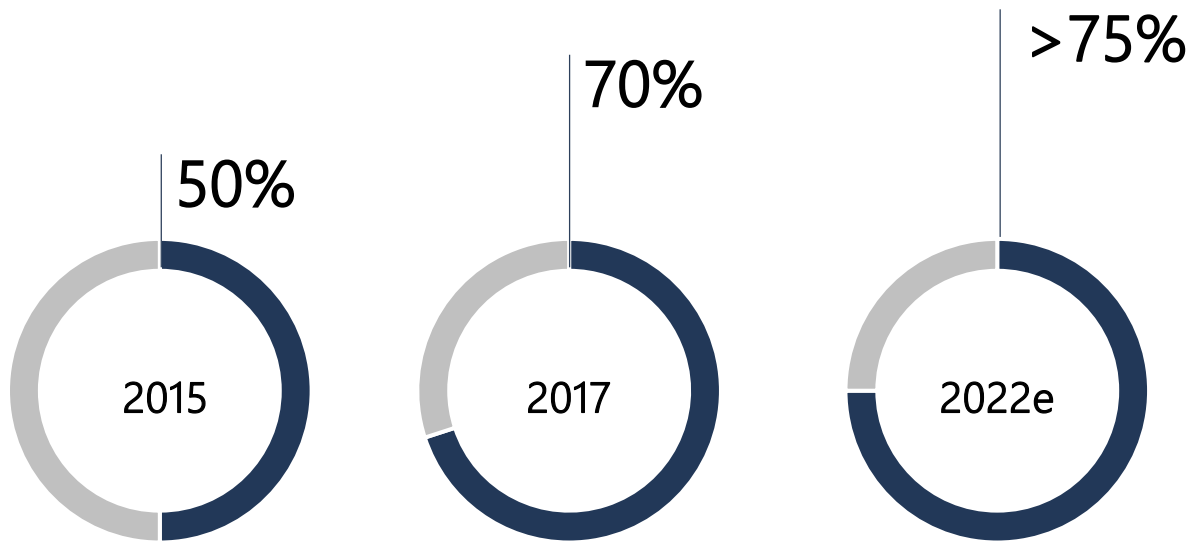
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# Focusing on online marketing to meet customer expectations

Marketing split online/print

■ Online ■ Print



#7

HUGO BOSS

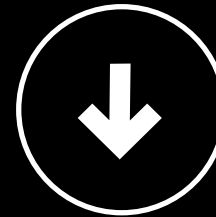




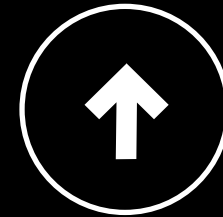
# Markdown management optimization via advanced analytics



## ADVANCED ANALYTICS



Optimize  
end-of-season  
markdowns



Increase  
full-price sell  
through

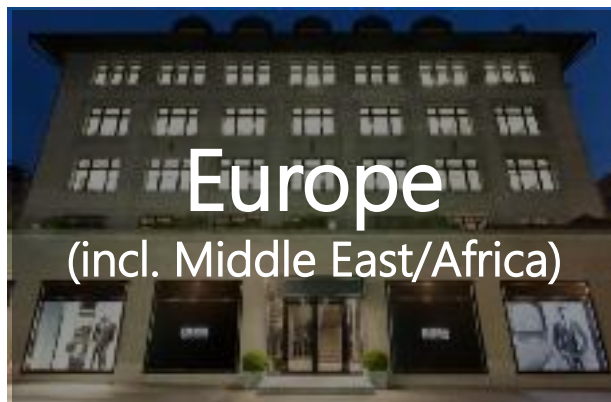
# Backup

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# Sales by region and major markets

Share of Group sales\*



62%

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Germany: 18%

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Great Britain: 12%

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France: 6%

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Benelux: 5%

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Other: 21%



21%

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U.S.: 15%

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Canada: 3%

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Central & South America: 3%



14%

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China: 8%

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Oceania: 2%

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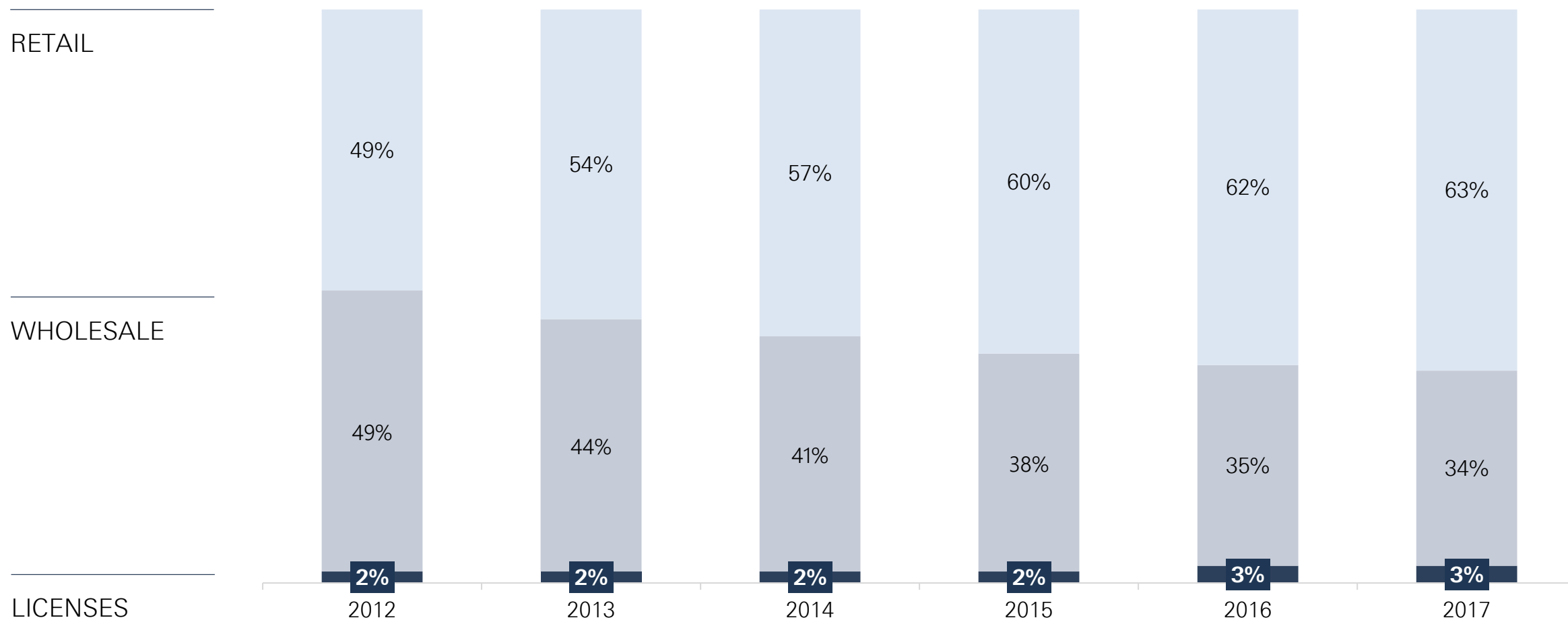
Japan: 2%

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Other: 2%

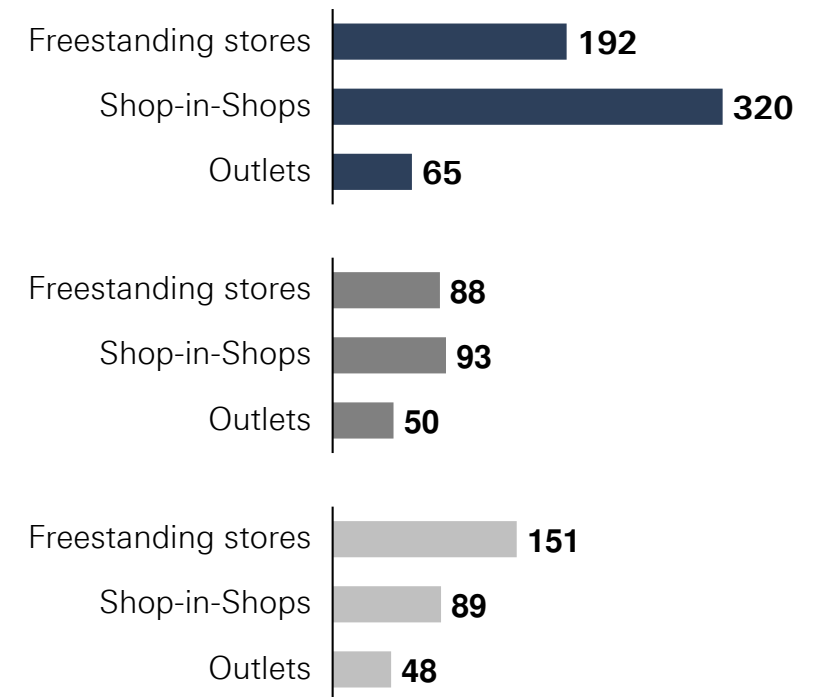
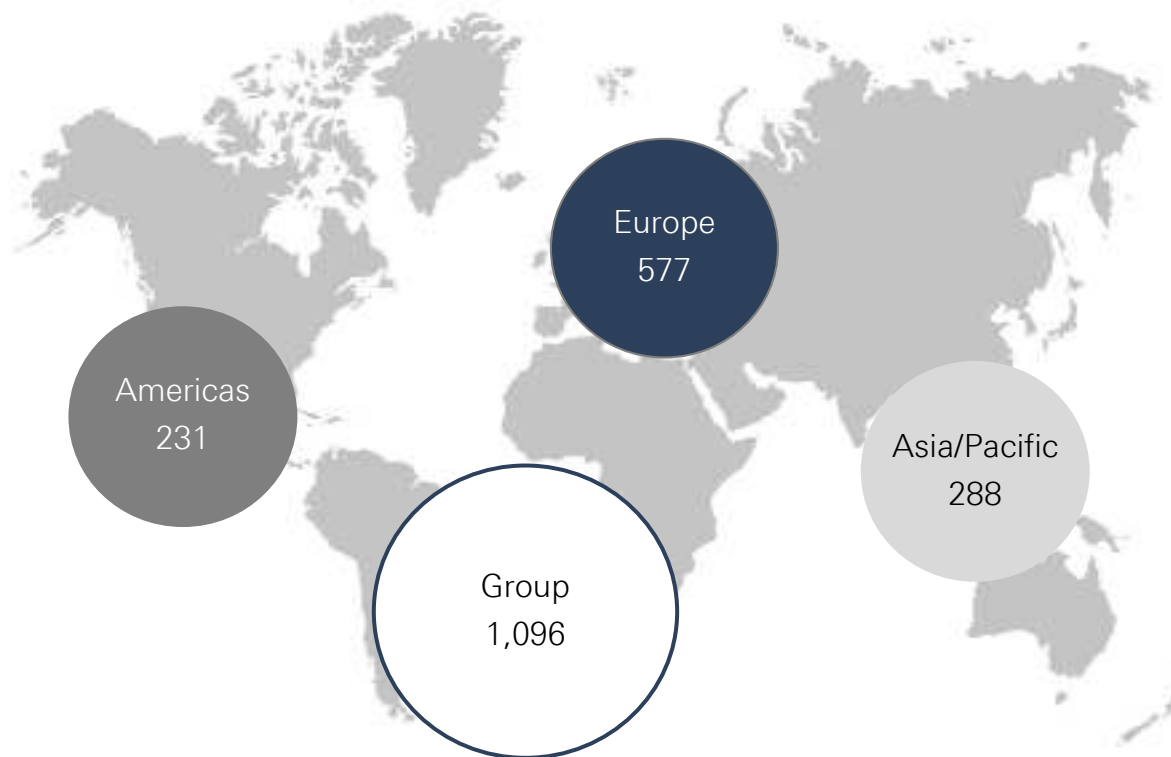
\* as of 2017; 3% Licenses

# Sales by distribution channel



# Number of Group's own retail stores by region

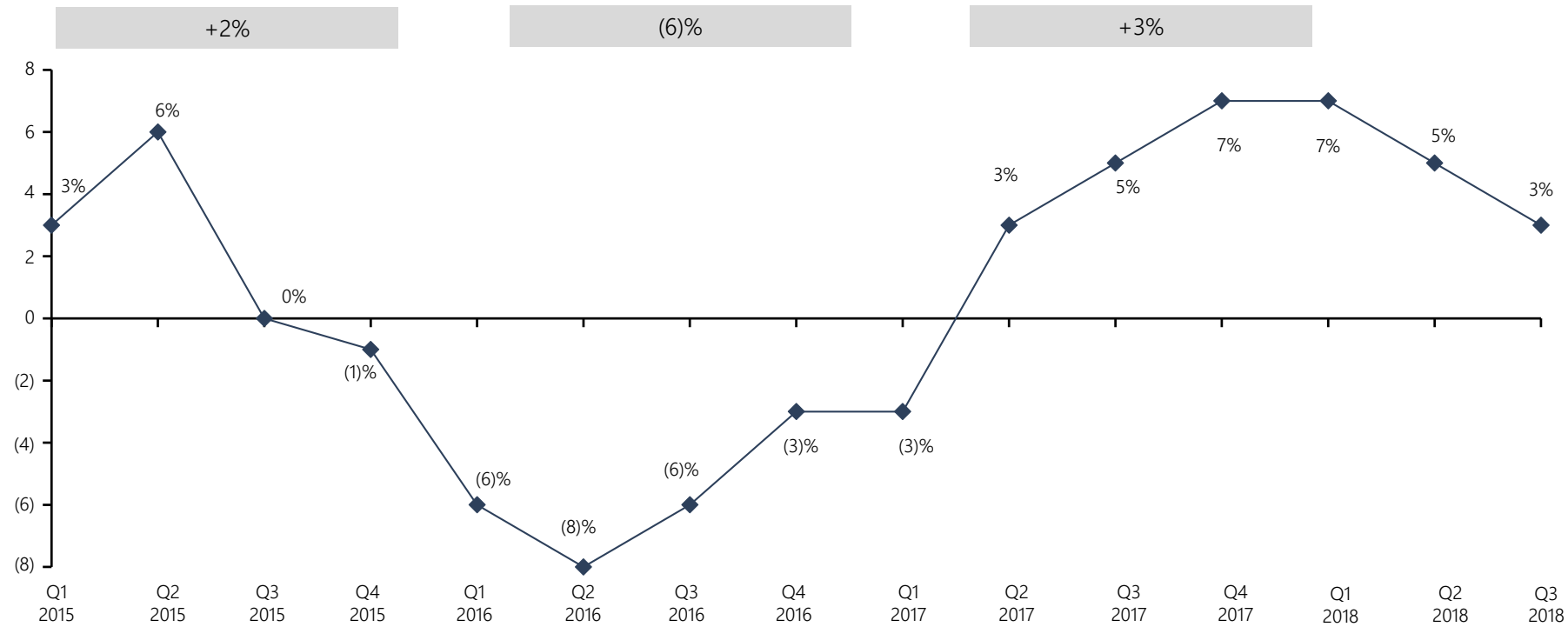
As of 30/09/2018





# Retail comp stores sales

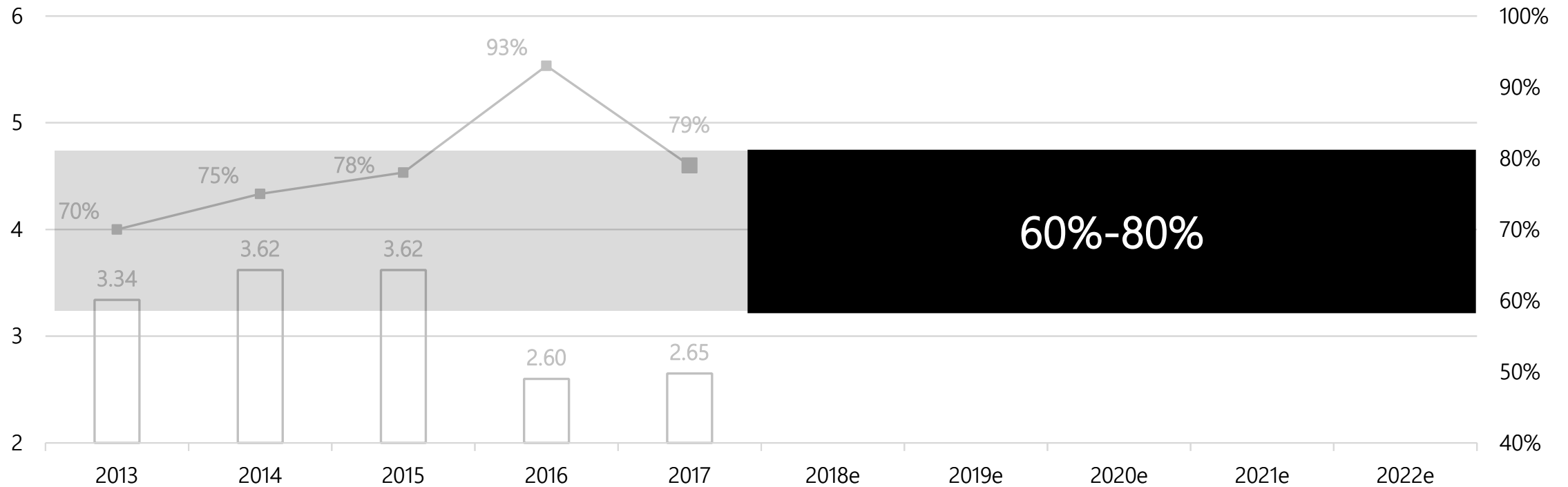
Retail I-f-I sales development\*



\* = FX-adjusted

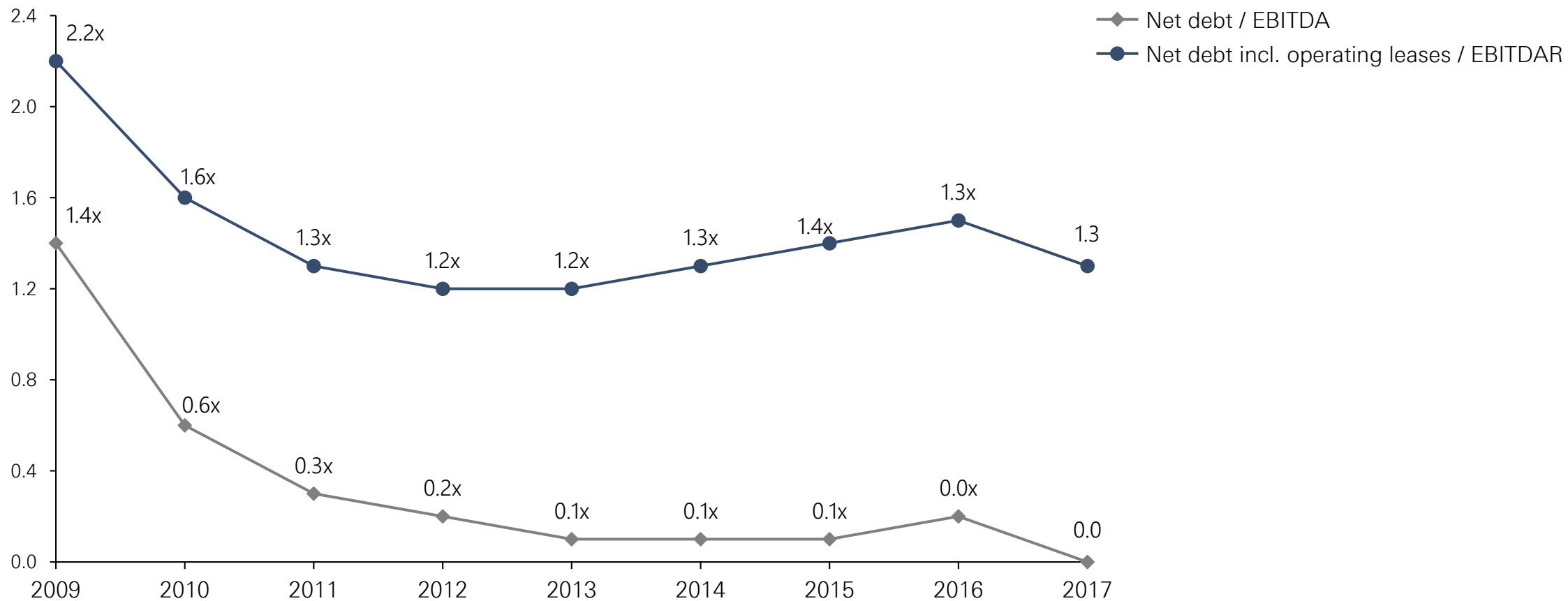
# Shareholder return

Strong commitment to profit-based dividend policy



Dividend payout ratio in % of net income, dividend in EUR

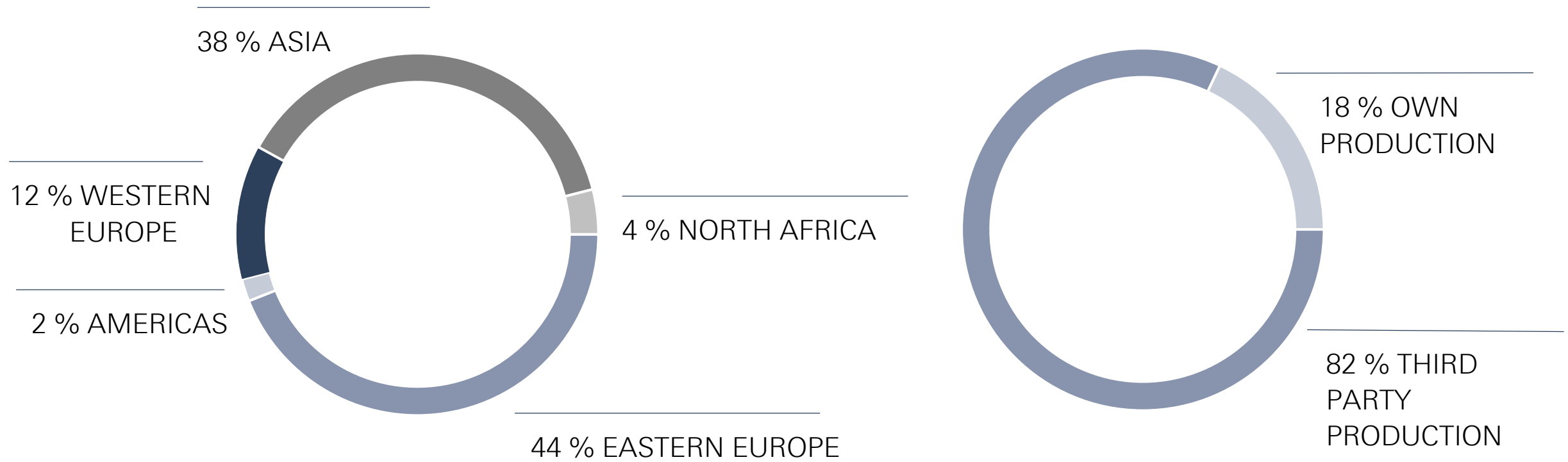
# (Adjusted) financial leverage



Operating leases  
EBITDAR

= Future committed operating lease obligations capitalized according to S&P methodology  
= EBITDA + minimum rents + contingent rents

# Sourcing and production structure\*



\*as of 2017, in value terms

# Multi-Year overview

	2017	2016	2015	2014	2013
<b>Sales</b>	2.733	2.693	2.809	2.572	2.432
Gross profit	1.808	1.777	1.853	1.699	1.580
Gross profit margin in %	66,2	66,0	66,0	66,1	64,9
EBITDA	499	433	590	572	561
EBITDA before special items	491	493	594	591	565
Adjusted EBITDA margin in % <sup>1</sup>	18,0	18,3	21,2	23,0	23,2
EBIT	341	263	448	449	456
Net income	231	194	319	333	329
Trade net working capital	459	524	528	503	432
Non-current assets	662	752	765	660	612
Shareholders equity	915	888	956	844	740
Equity ratio in %	53	49	53	51	49
Total assets	1.720	1.799	1.800	1.662	1.501
Free cash flow	294	220	208	268	230
Net debt	7	113	82	36	57
Capex	128	157	220	135	185
Depreciation/amortization	158	170	142	123	105
Total leverage <sup>2</sup>	0,0	0,2	0,1	0,1	0,1
Dividend	183	179	250	250	231

<sup>1</sup> EBITDA before special items/Sales.

<sup>2</sup> Net financial liabilities/EBITDA before special items.

# Financial Calendar & Investor Relations contact

March 7, 2019	Full Year Results 2018
May 2, 2019	First Quarter Results 2019
May 16, 2019	Annual Shareholders' Meeting

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# Forward looking statements contain risks

This document contains forward-looking statements that reflect management's current views with respect to future events. The words "anticipate", "assume", "believe", "estimate", "expect", "intend", "may", "plan", "project", "should", and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

