

# Investor Meeting Presentation

First Quarter 2019



# AGENDA

**1** **First Quarter Results & Outlook 2019**

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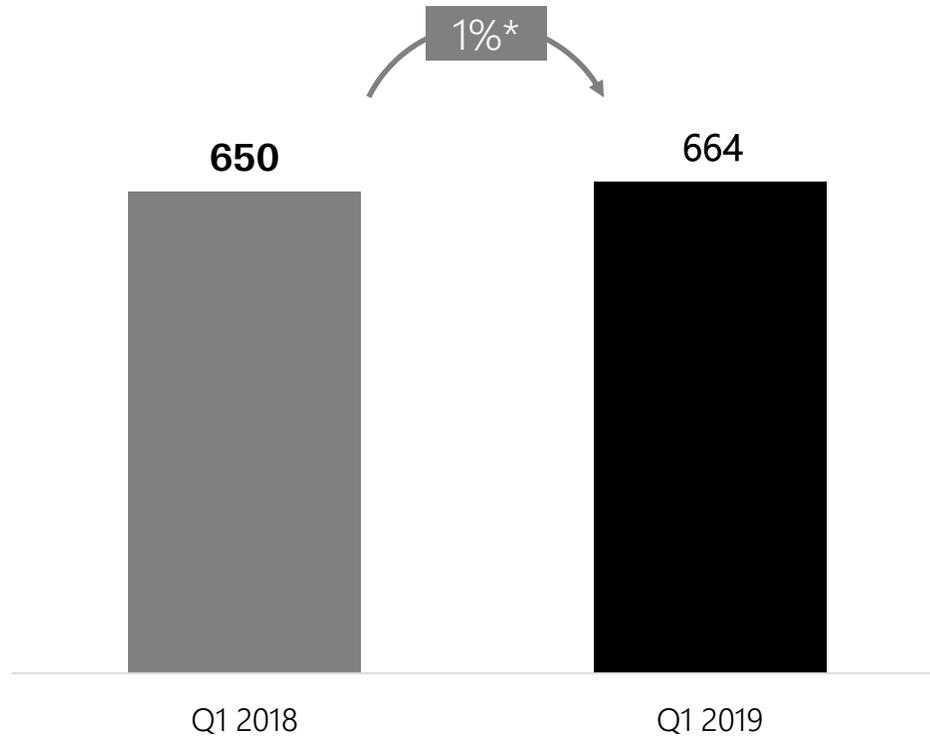
**2** **2022 Strategy**

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**3** **Backup**

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**Group sales**  
(in EUR million)



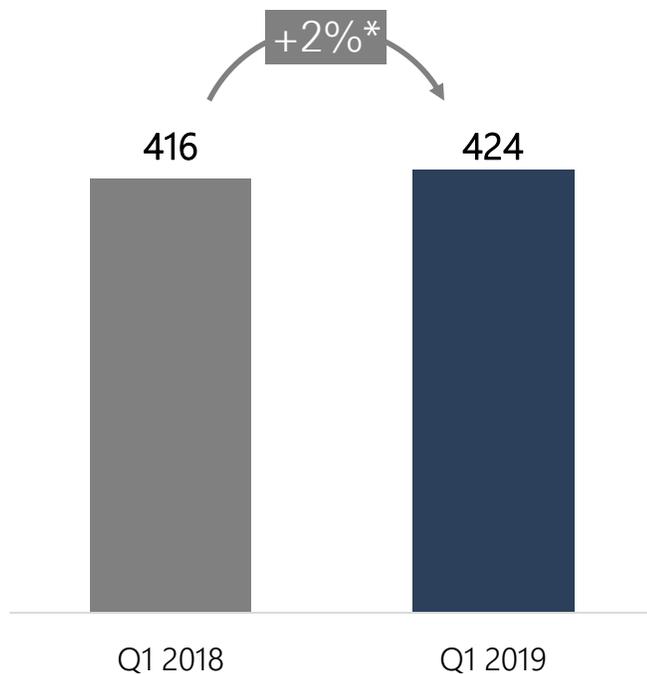
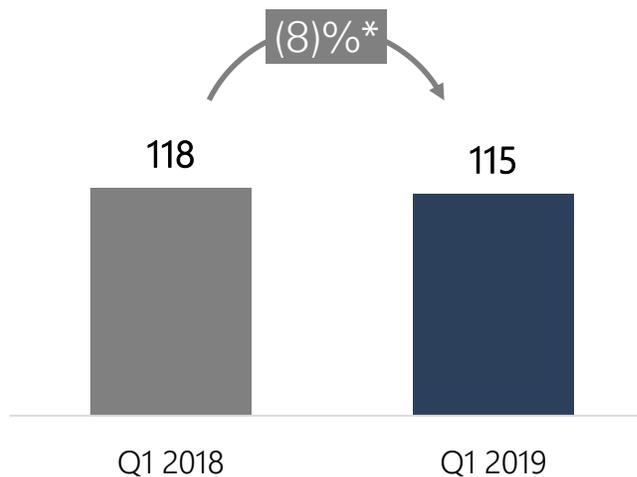
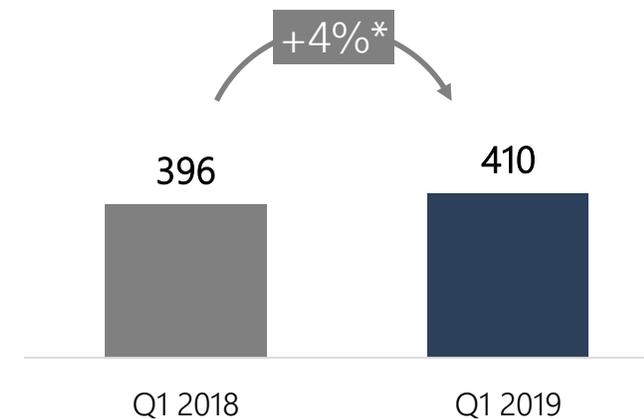
**Solid top-line performance**  
in the first quarter

\*Currency-adjusted



**Strategic growth drivers**  
make further progress

\*Currency-adjusted

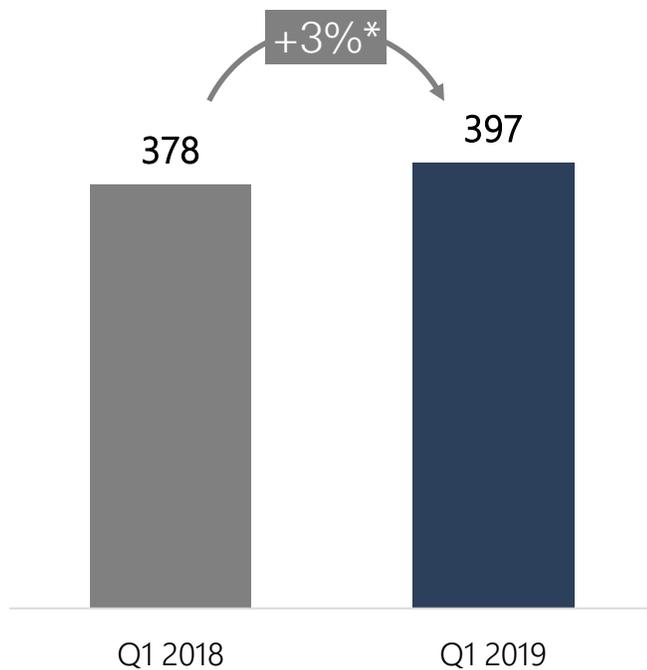
**Europe**  
(in EUR million)**Americas**  
(in EUR million)**Asia/Pacific**  
(in EUR million)

**Sales growth in APAC and Europe**  
more than offsets decline in the Americas

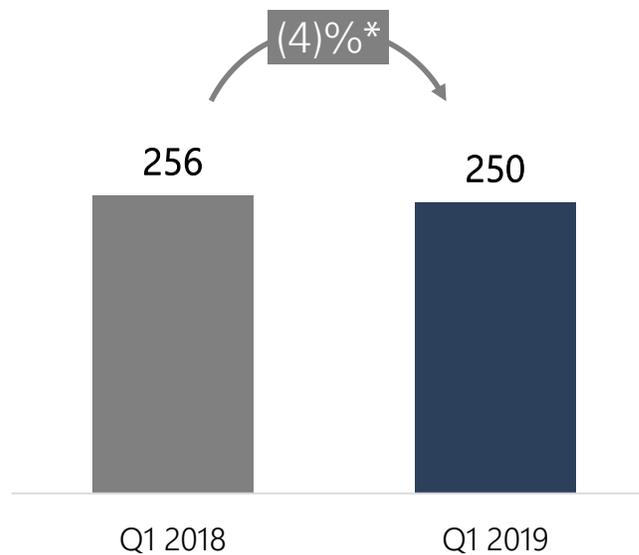
\*Currency-adjusted

**Retail**

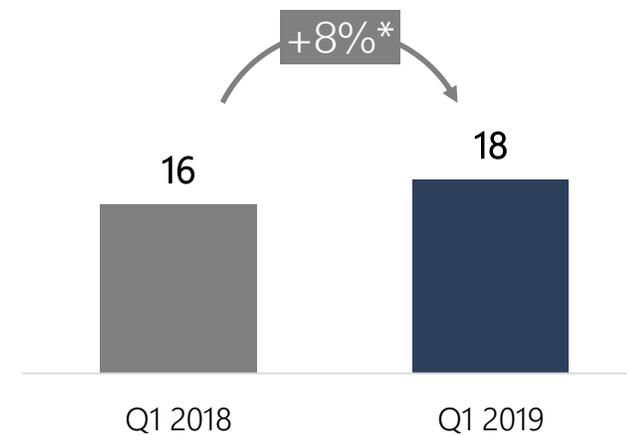
(in EUR million)

**Wholesale**

(in EUR million)

**Licenses**

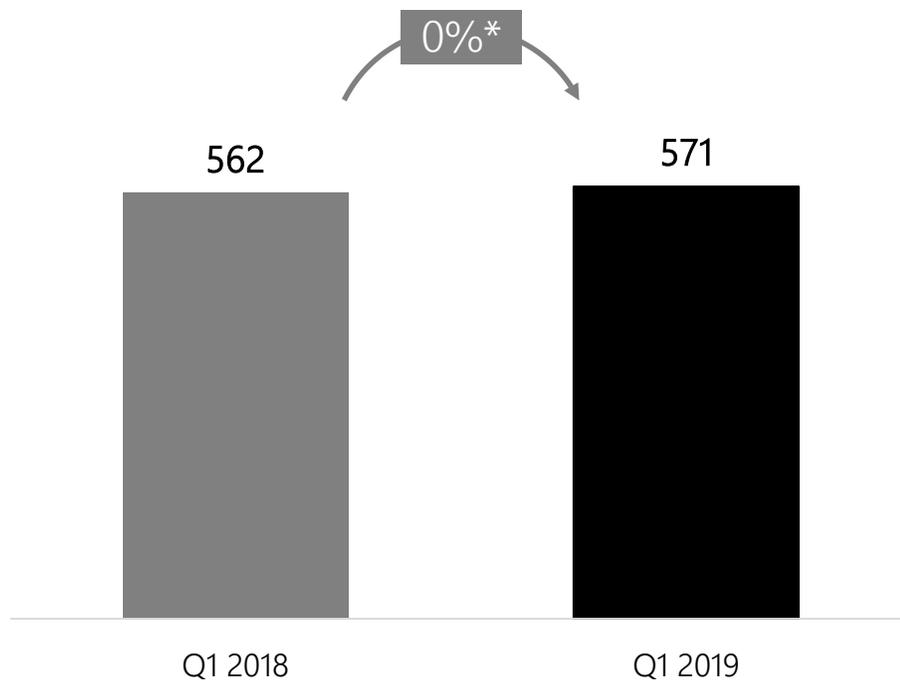
(in EUR million)



**Retail comp store sales**  
grow 4% in Q1 2019

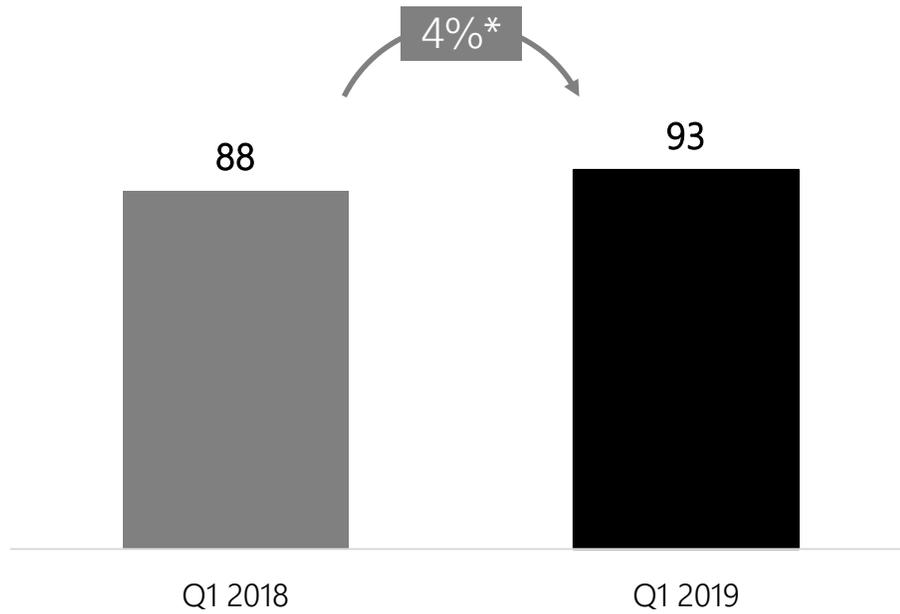
\*Currency-adjusted

**BOSS**  
HUGO BOSS



**BOSS shows ongoing momentum**  
in casual- and athleisurewear

in EUR million  
\*Currency-adjusted

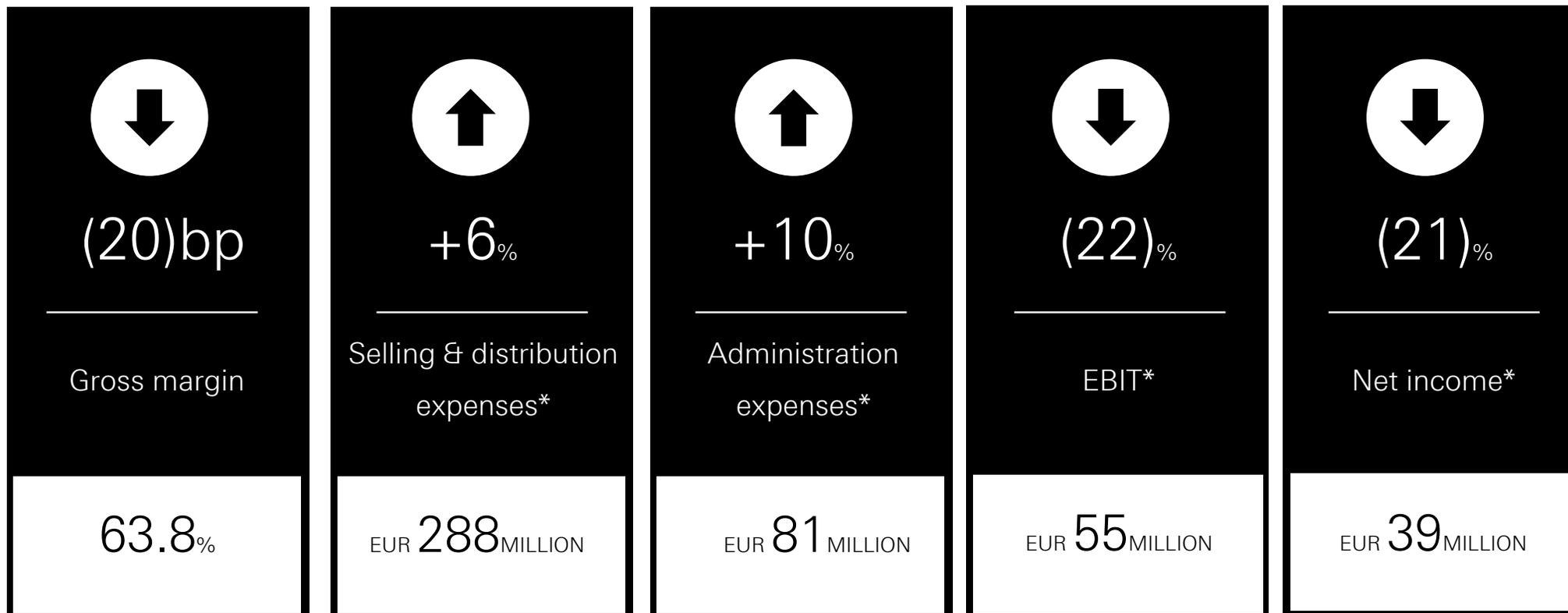


**HUGO** records double-digit growth in casualwear

in EUR million  
\*Currency-adjusted

# Gross margin development

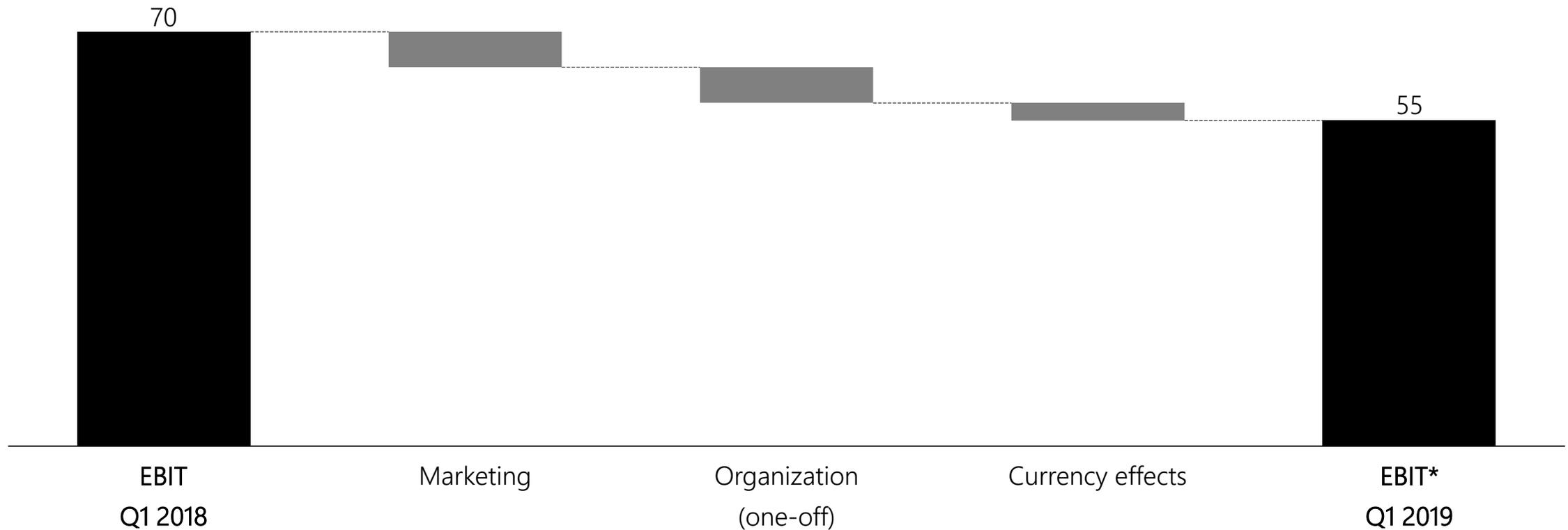
negatively impacted by currency effects



\*Excluding IFRS 16 impact

# Timing of marketing spend and efficiency measures weigh on EBIT development in Q1

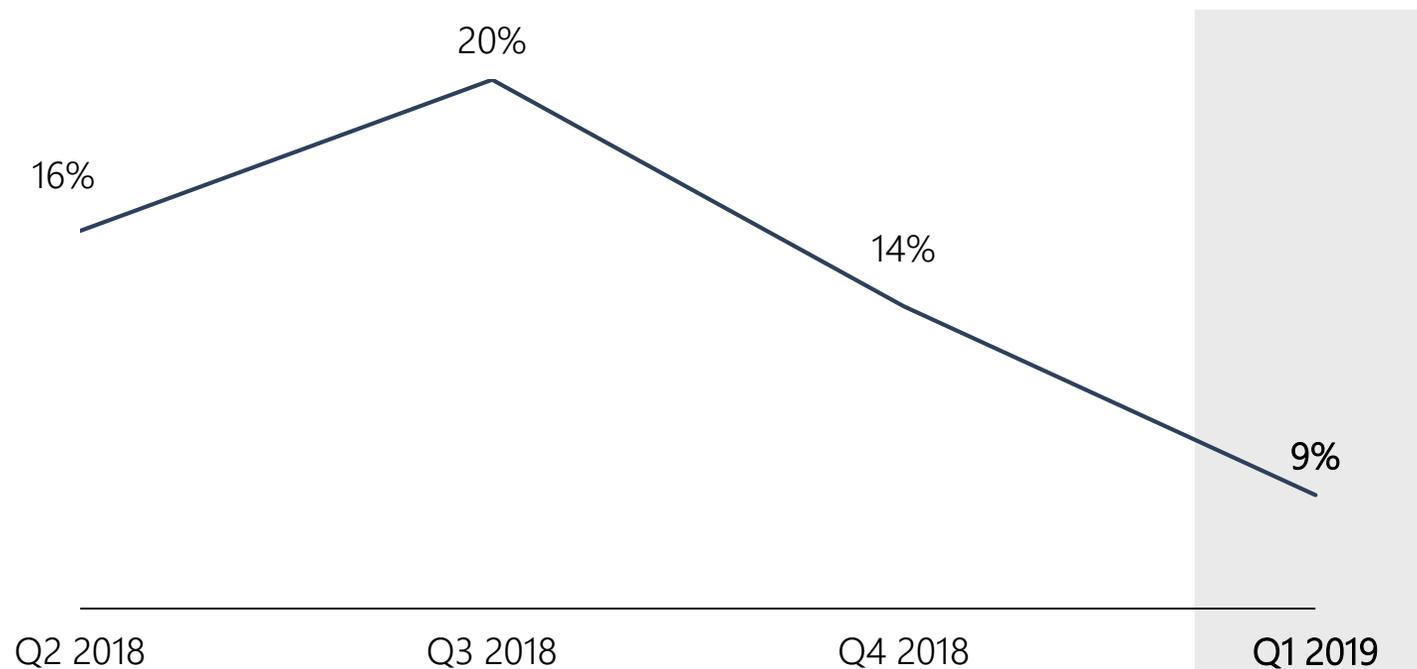
(in EUR million)



\*Excluding IFRS 16 impact

## Inventory growth y-o-y

(in % currency-adjusted)



### Inventories

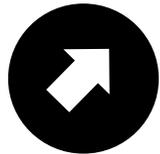
Ongoing tight focus on inventory management

Further normalization of inventory levels expected over the course of the year

Increase in TNWC in line with inventory development

**Inventory growth**  
continues to decline as planned

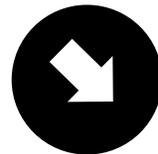
## Capital expenditure



**+13** EUR million

(Jan. – March 2019)

## Free cash flow\*



**(13)** EUR million

(Jan. – March 2019)

### Free cash flow

Capital expenditure increases to EUR 30 million, driven by store renovations and IT investments

FCF decreases to minus EUR 60 million, reflecting the increase in capital expenditure

**Higher capital expenditure weighs on FCF as expected**

\*Excluding IFRS 16 impact

# HUGO BOSS confirms outlook for full year 2019



Group sales\*

Increase at a mid-single-digit percentage rate

Gross margin

Increase of up to 50 basis points

EBIT\*\*

Increase at a high single-digit percentage rate

Consolidated net income\*\*

Increase at a high single-digit percentage rate

Capital expenditure

EUR 170 million to EUR 190 million

Free cash flow\*\*

EUR 210 million to EUR 260 million

\*Currency-adjusted

\*\*Excluding IFRS 16 impact

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**3** Backup

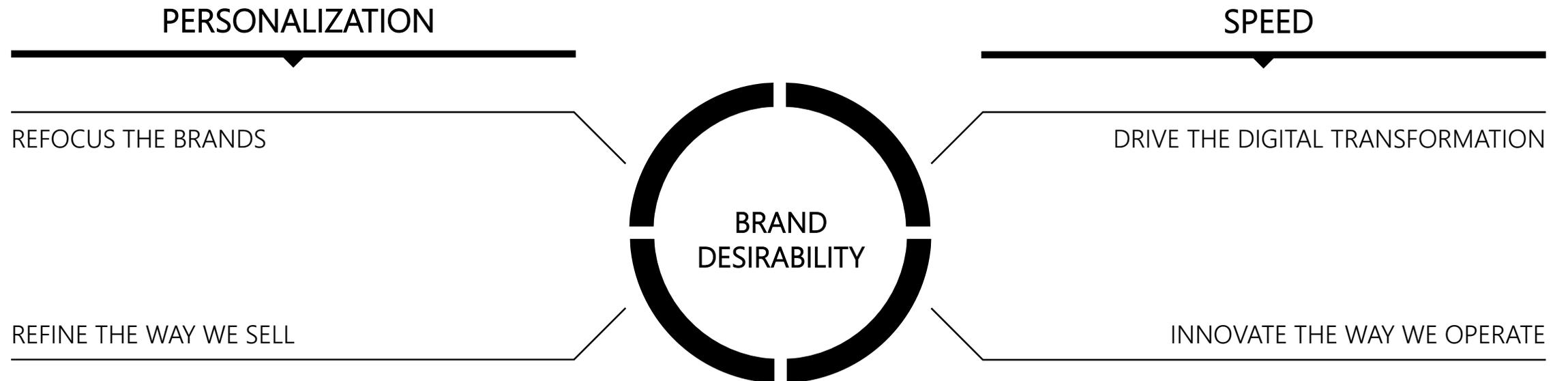
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OUR VISION

**BE THE MOST  
DESIRABLE PREMIUM  
FASHION AND  
LIFESTYLE BRAND**

# Personalization and Speed are 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

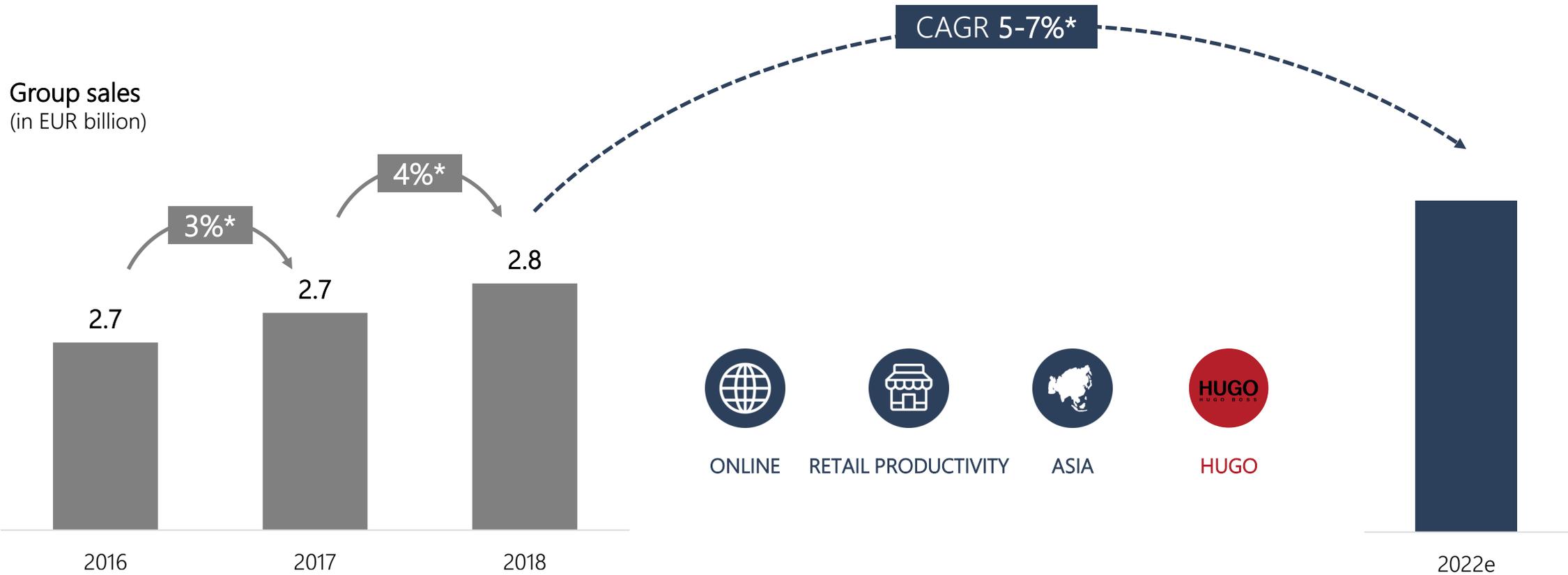
Building on our strengths

Excellence in product design and development

Industry-leading IT and logistic systems

Robust supply chain

Speed: Winning customers with industry-leading responsiveness

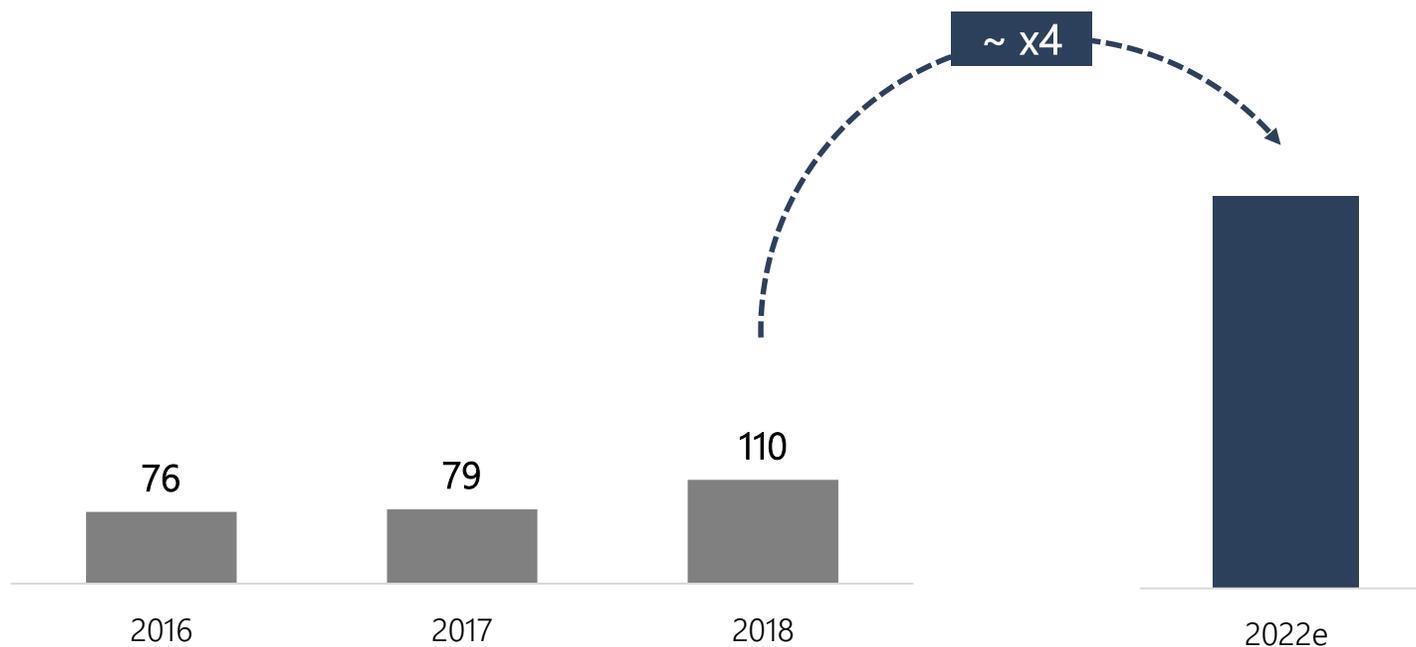


Key sales growth drivers identified across channels, regions, and brands

\* = currency-adjusted



## Online sales (in EUR million)

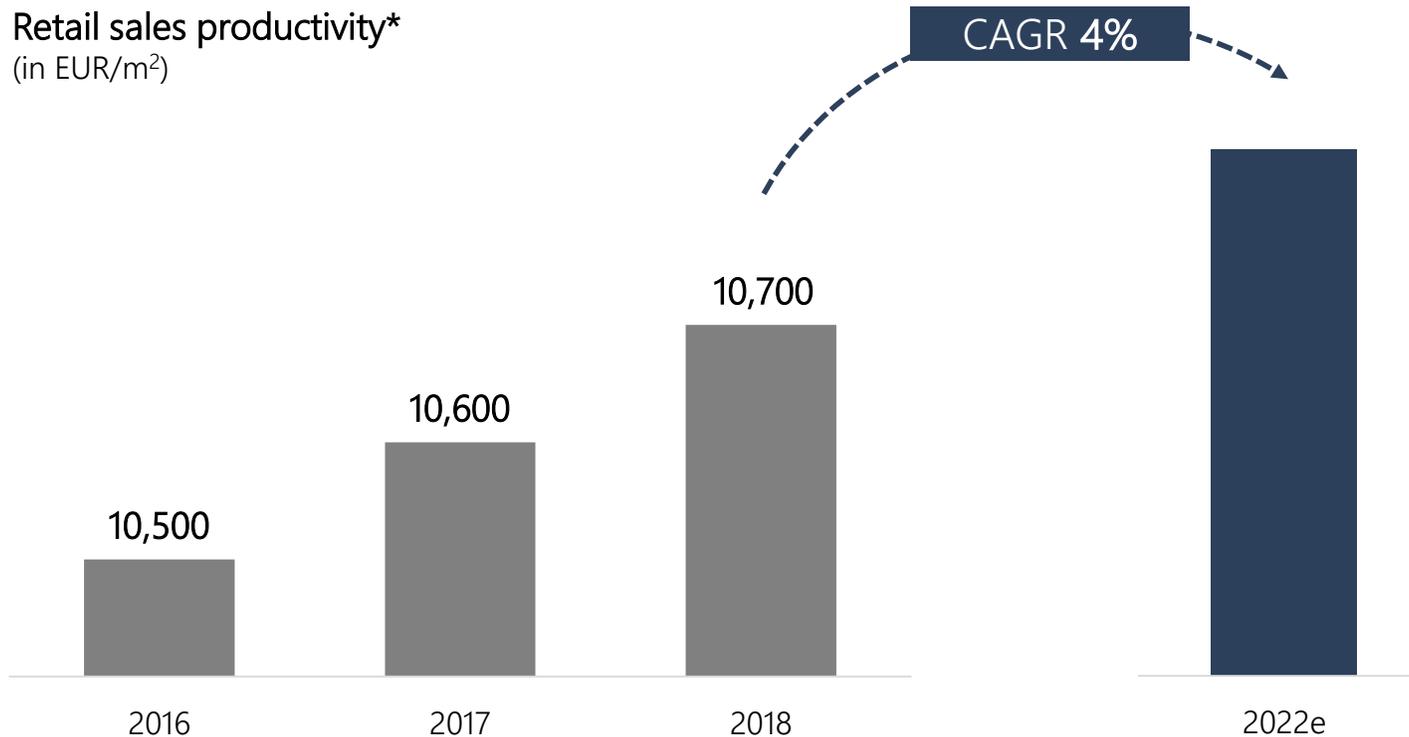


- 1 Accelerate online concession business
- 2 Exploit full potential of hugoboss.com
- 3 Enlarge omnichannel services
- 4 Expand social commerce

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



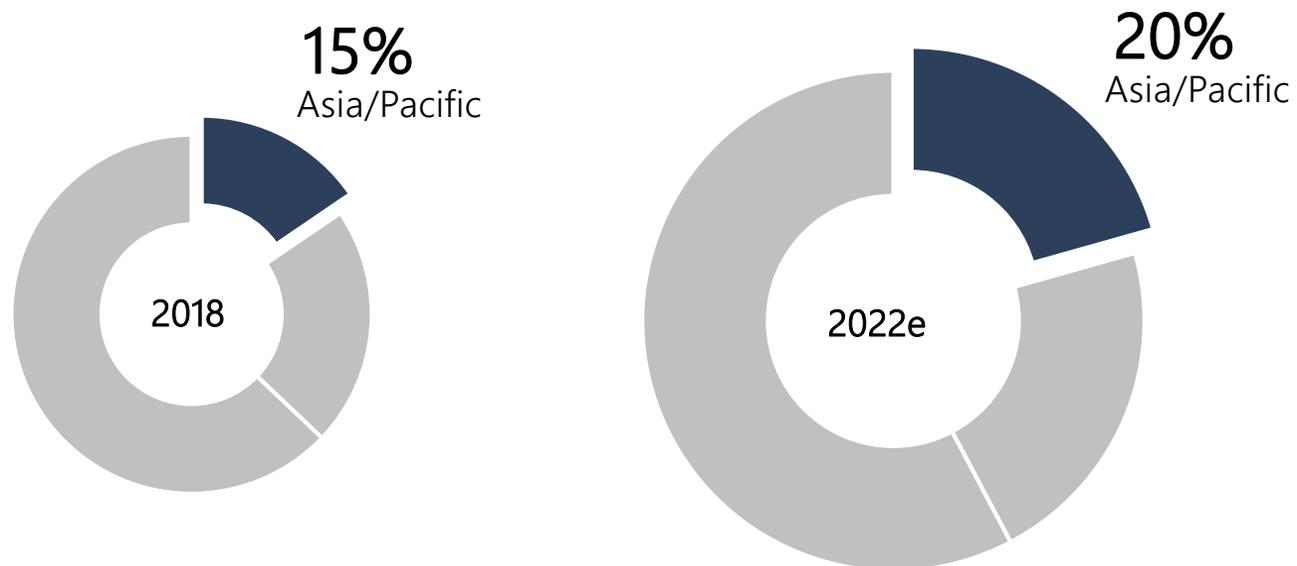
### Retail sales productivity\* (in EUR/m<sup>2</sup>)



- 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

\* = retail sales (excl. online) / net selling space

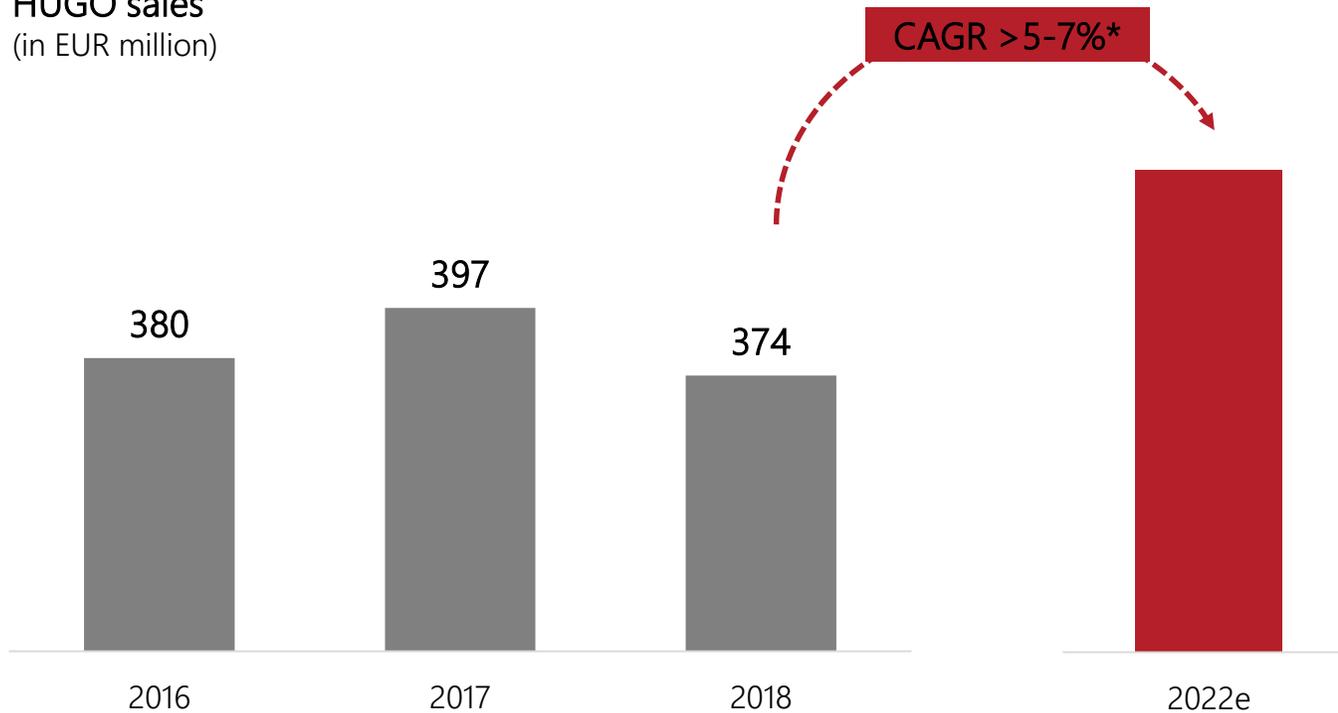


- 1 Leverage Chinese demand across the region
- 2 Expand retail footprint in Mainland China
- 3 Grow travel retail business
- 4 Leverage digital opportunities via leading online platforms

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



HUGO sales  
(in EUR million)

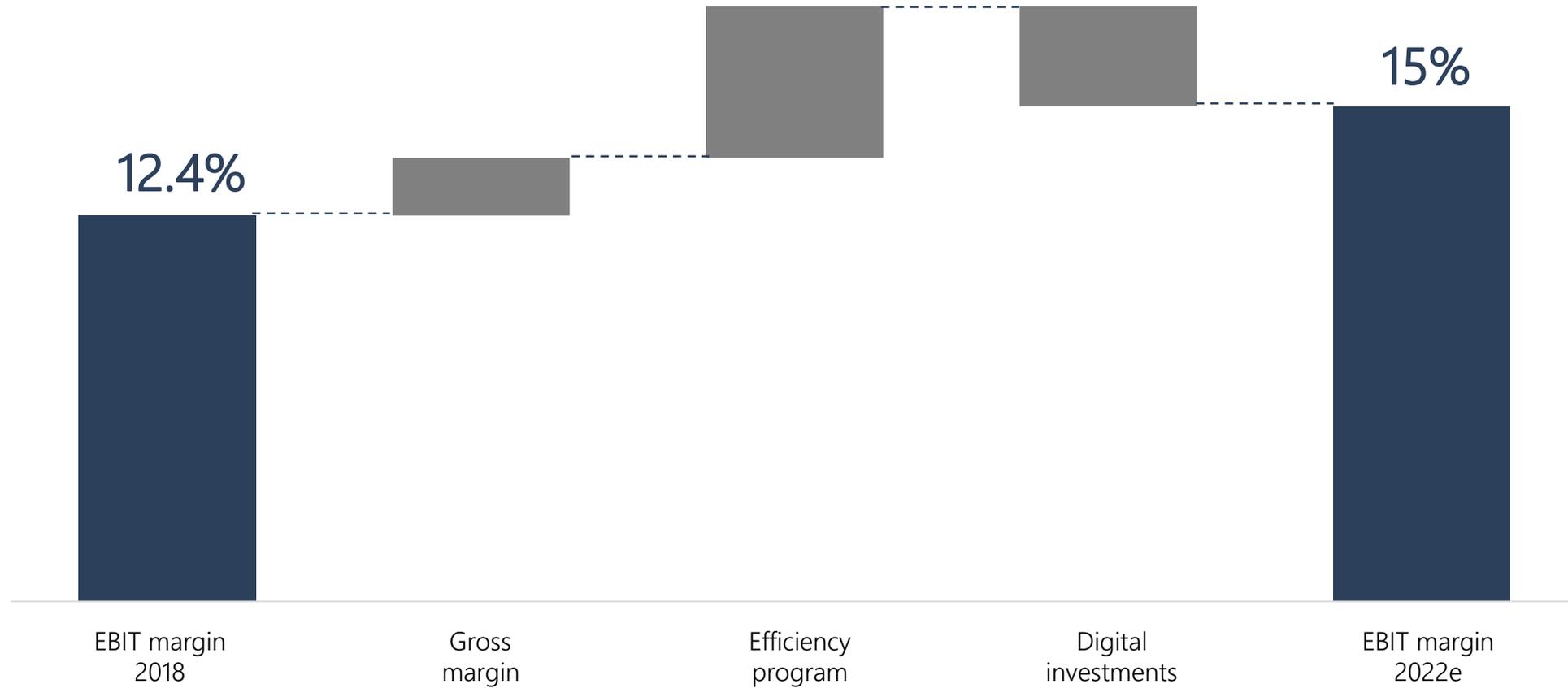


- 1 Strengthen positioning in contemporary fashion segment
- 2 Focus on casualwear to benefit from casualization trend
- 3 Expand store network across key metropolitan cities
- 4 Leverage social media presence

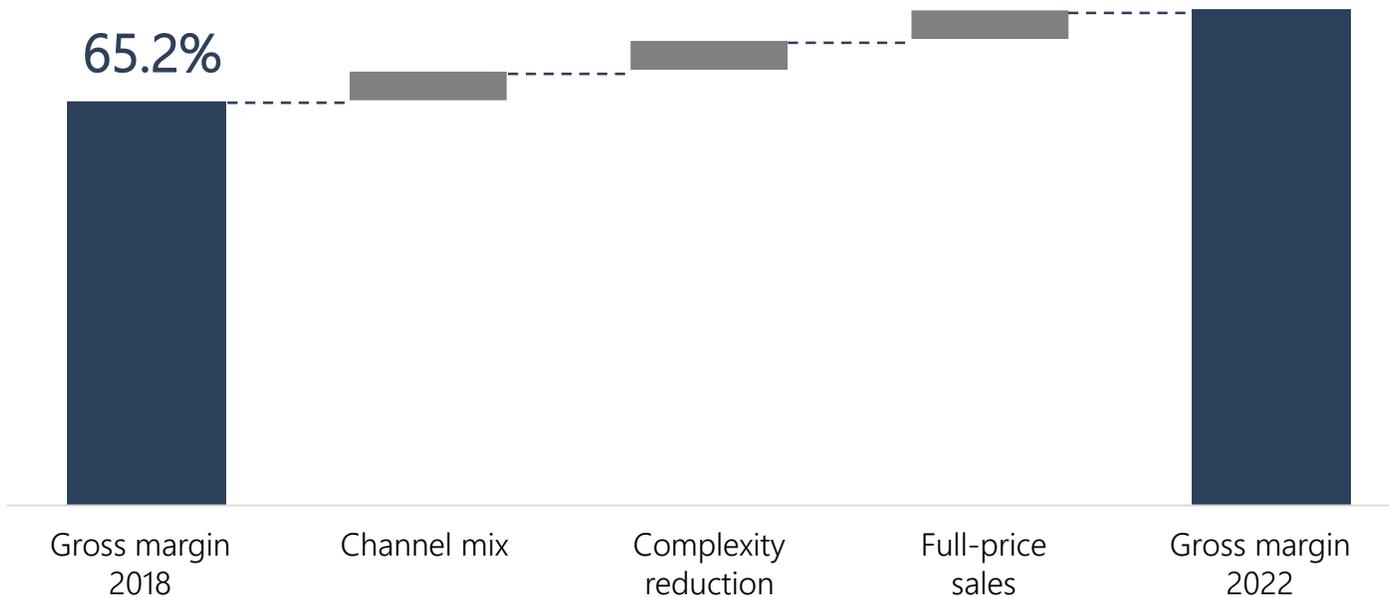
**HUGO: Overproportionate growth in contemporary fashion segment**

\* = currency-adjusted

# EBIT margin targeted at 15% in 2022



## Gross margin expansion supported by multiple levers



### Channel mix

- Increase share of controlled distribution

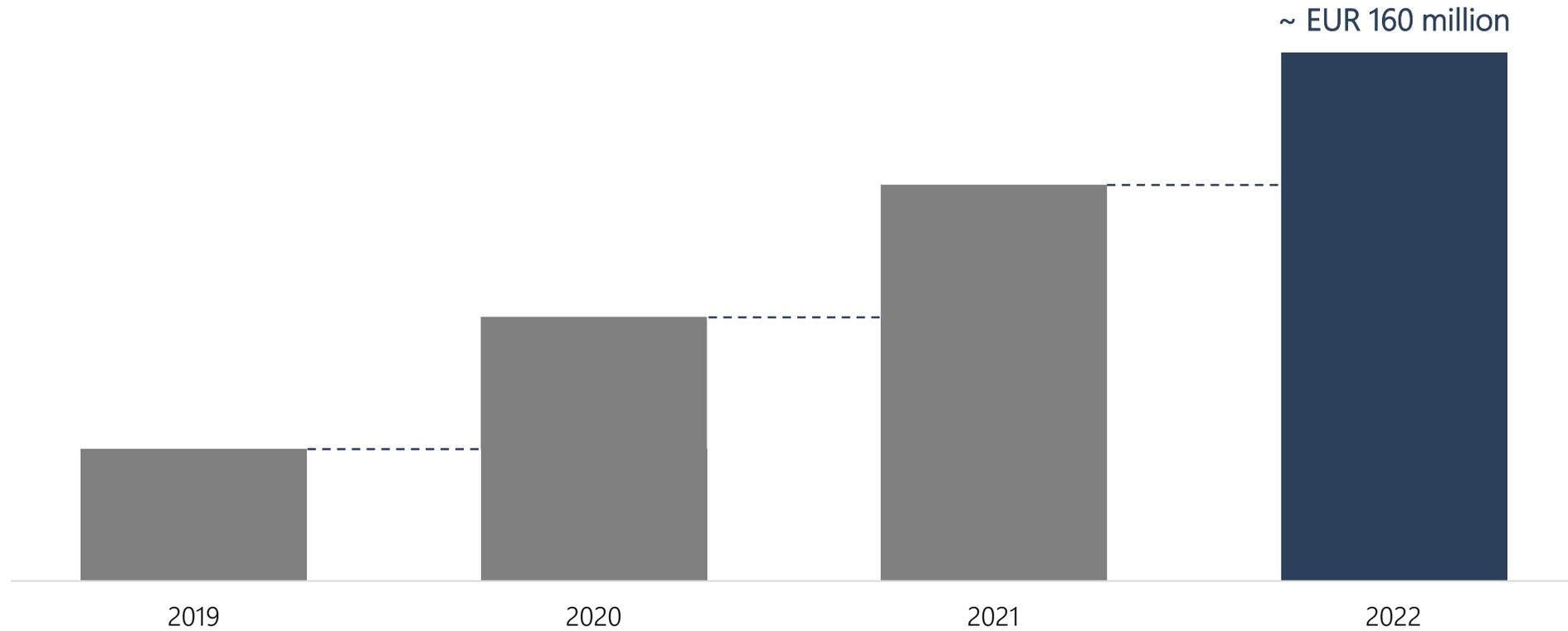
### Complexity reduction

- Simplified brand portfolio leads to complexity reduction

### Full-price sales

- Reduce share of outlet business
- Advanced markdown management

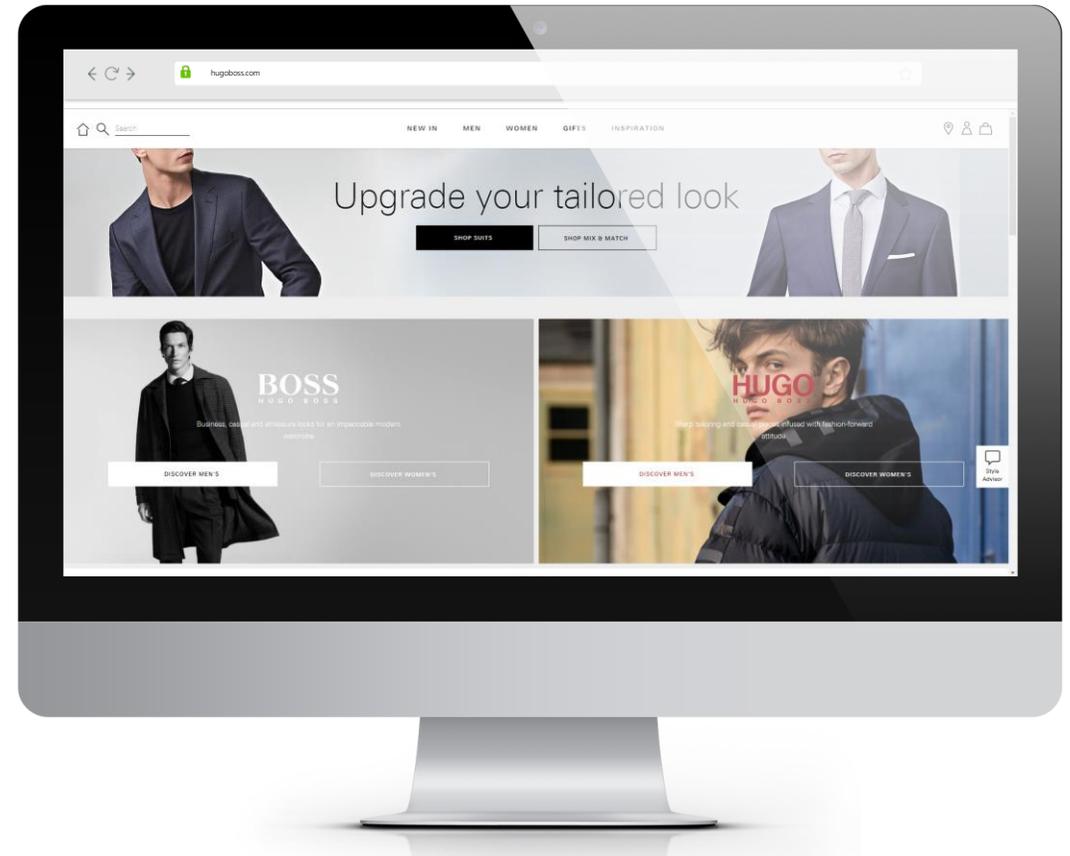
# Efficiency Program to generate total cost savings of ~ EUR 160 million



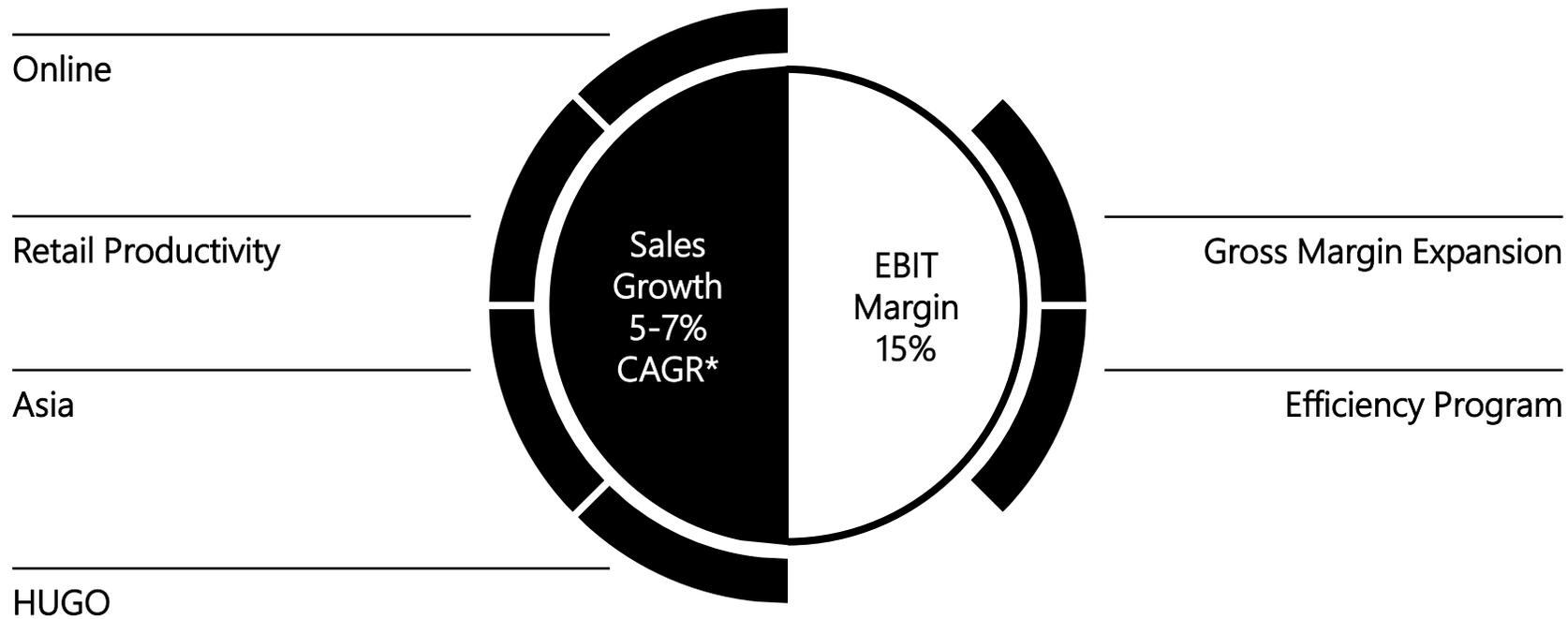


Efficiency program to drive operating leverage

- 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



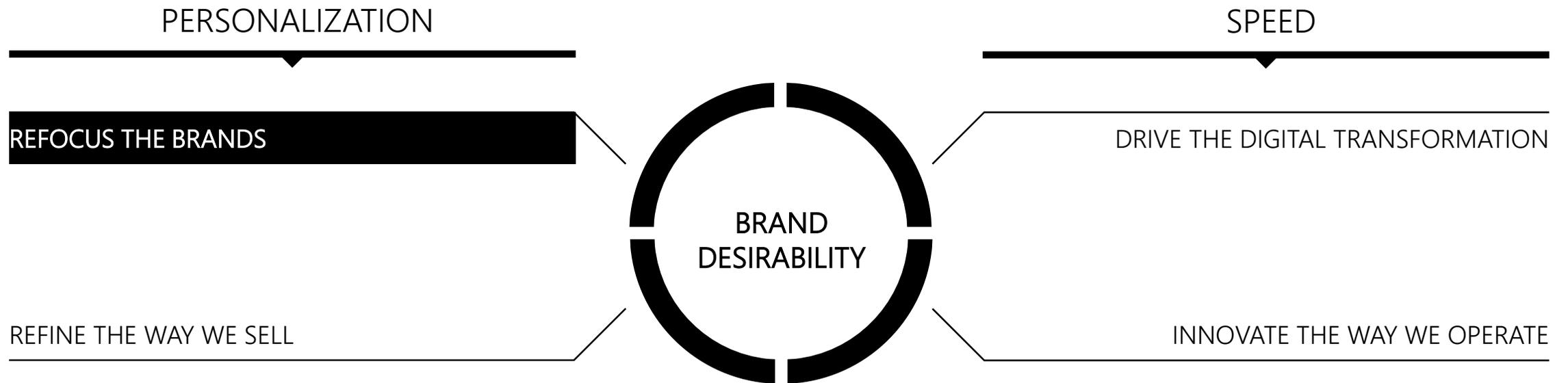
Continued investments  
in driving the digitization



Key drivers of sales growth and  
EBIT margin expansion until 2022

\* = currency-adjusted

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



# Successful realignment of BOSS and HUGO

#iamHUGO

**2** brands  
customers  
lifestyles



#ThisIsBOSS



HUGO  
HUGO BOSS

BRAND STRATEGY

BOSS

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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



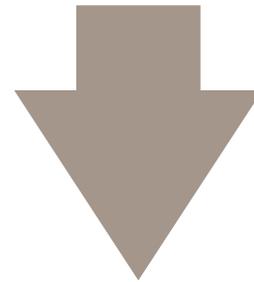
CAGR 2018-2022  
double-digit



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



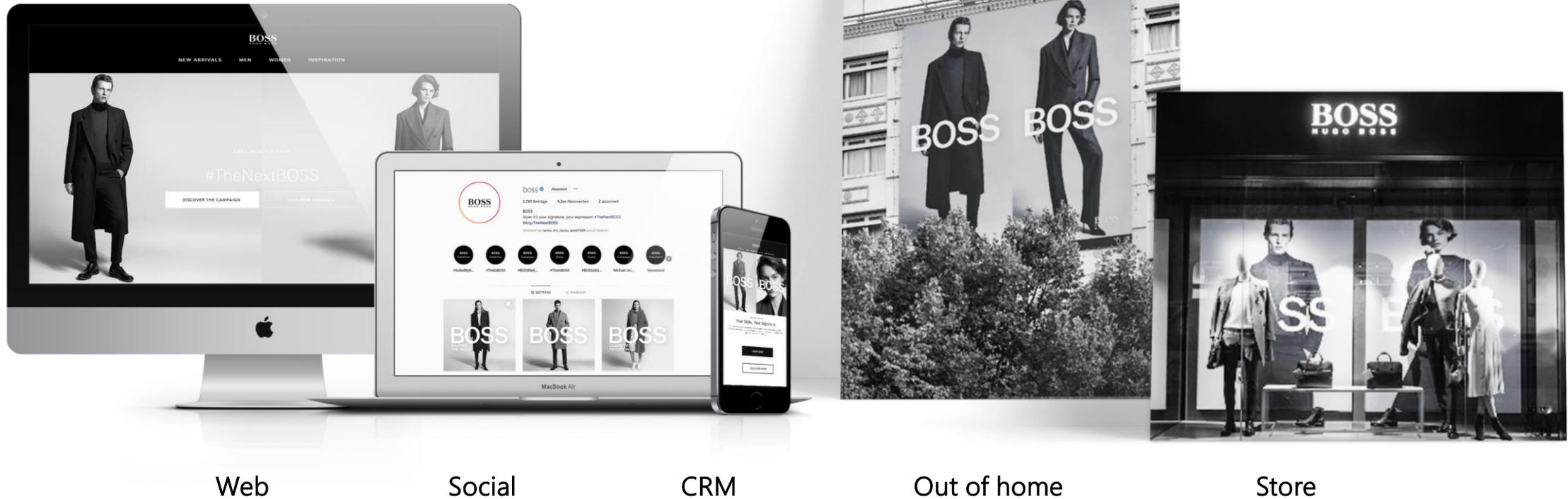
Sustainability



Driving innovation  
to excite customers

360° marketing

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



BRAND STRATEGY

HUGO

Product | Unconventional authenticity

Businesswear



Authentic

Unconventional

Casualwear



Innovative

Offering progressive collections for the "mix-masters"

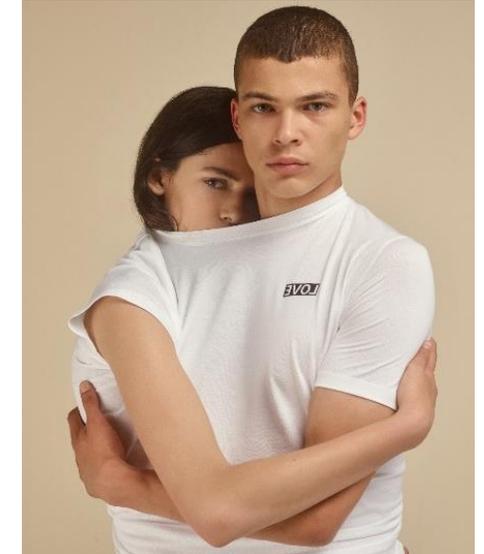
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HUGO REVERSED  
represents

~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

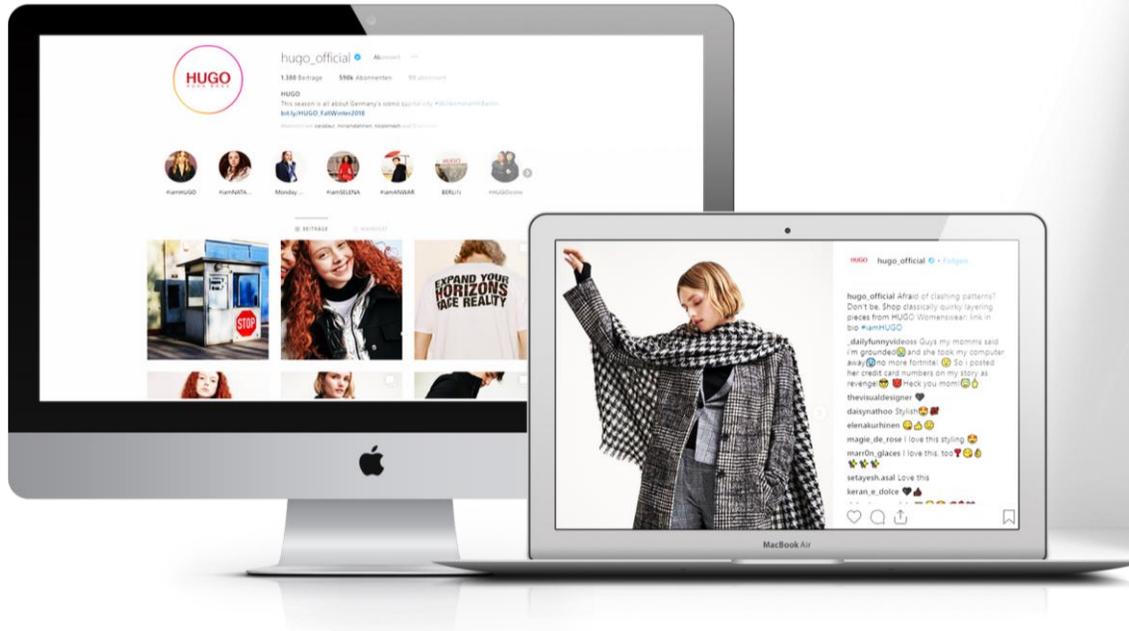
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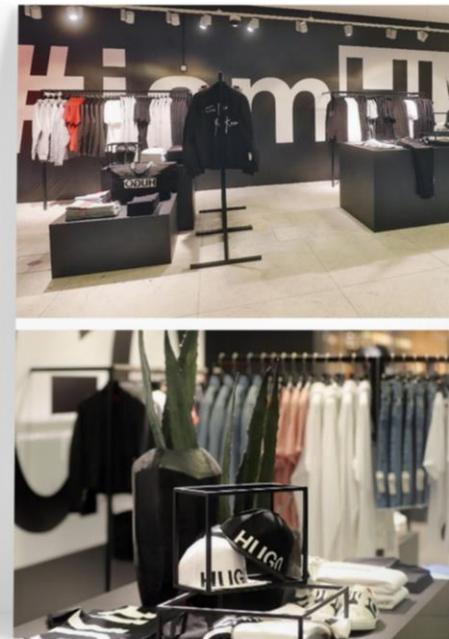
Expansion of digitally developed  
HUGO collection in 2019

Marketing

# Marketing initiatives aim at connecting with the HUGO customer



Social

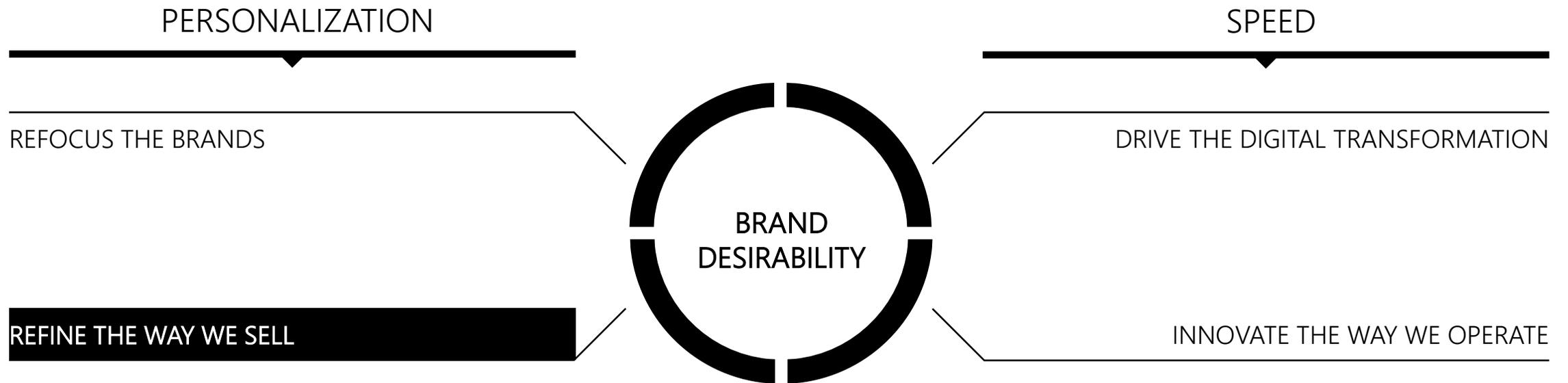


Pop-up stores



Fashion show

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



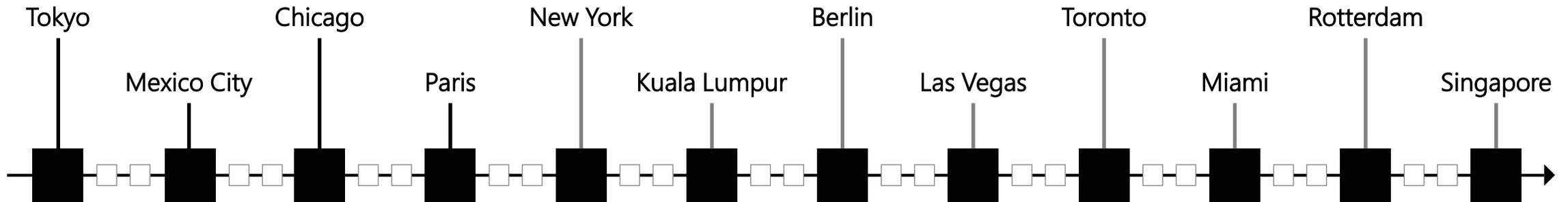
HUGO BOSS

# RETAIL

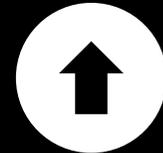
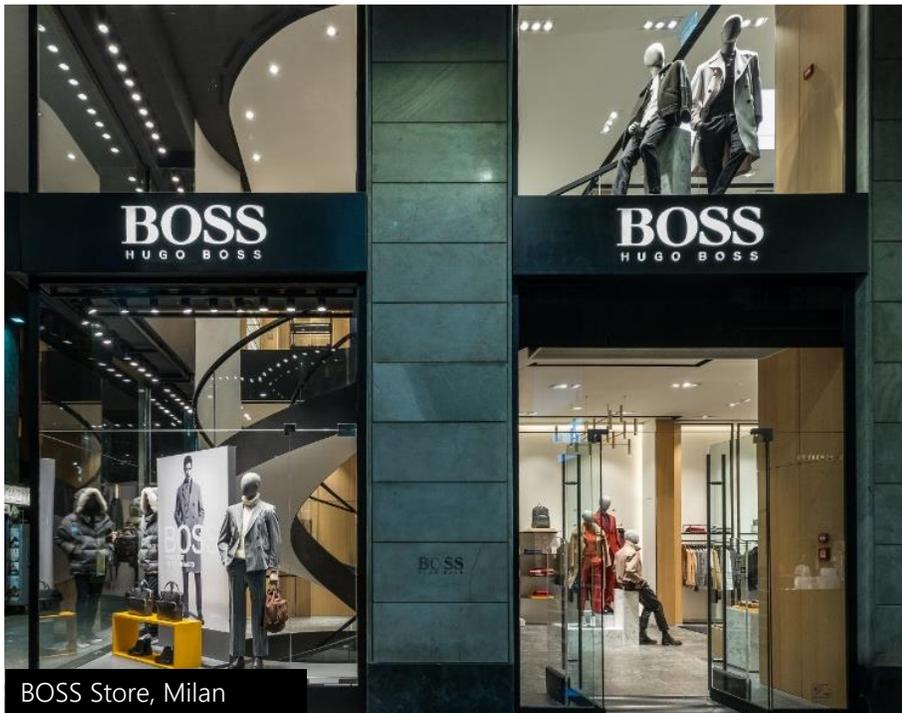


BOSS Store, Tokyo

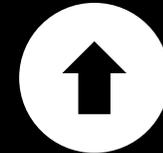
# Accelerate rollout of new BOSS store concept



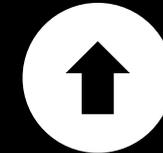
# New BOSS store concept improves performance across KPIs



Sales



Sales productivity



Units per transaction

# HUGO: expansion of store network ongoing



23 HUGO Stores  
by the end of 2018

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# 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**

# 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

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Click & Collect

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Store Locator

---

Click & Reserve

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Return to Store

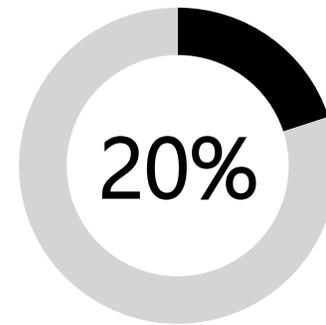
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Demand-driven Delivery

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Unleash  
the full potential  
across all regions

# Drive quality growth in the Americas

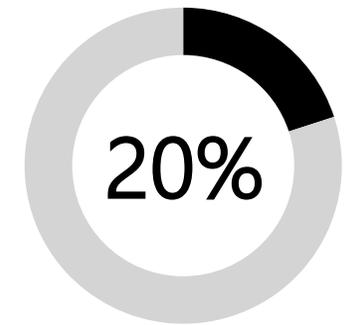


Sales share  
2018



Mid single-digit  
growth

CAGR



Sales share  
2022e

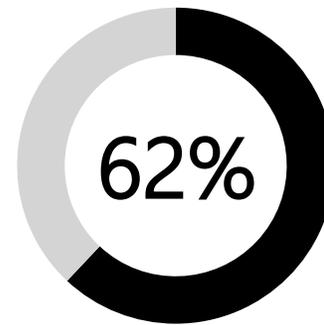
Leverage trend towards casual- and athleisurewear

Review and optimize existing store network

Reduce share of outlet business

Grow quality business through strategic wholesale partners

# Maintain leading position in Europe\*

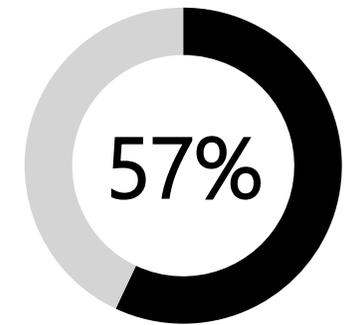


Sales share  
2018



Mid single-digit  
growth

CAGR



Sales share  
2022e

Grow productivity of existing store base

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Rollout HUGO stores across major European cities

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Expand concession business with large online platforms

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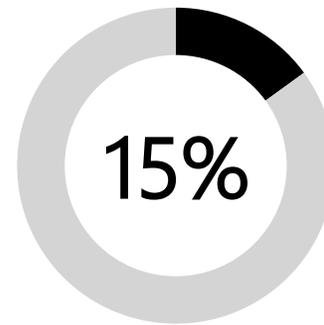
Strengthen existing partnerships with key wholesale partners

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\*incl. Middle East/Africa

License business represents 3% of Group sales

# Leverage strong potential in Asia/Pacific

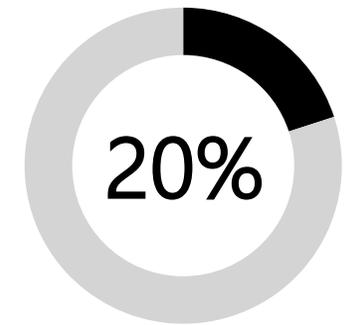


Sales share  
2018



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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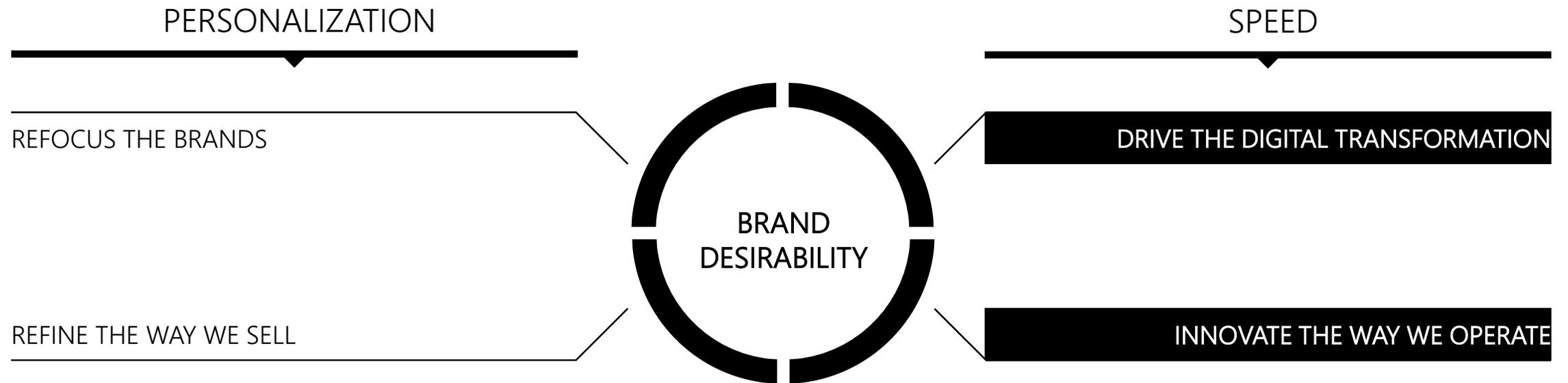
Grow travel retail business

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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

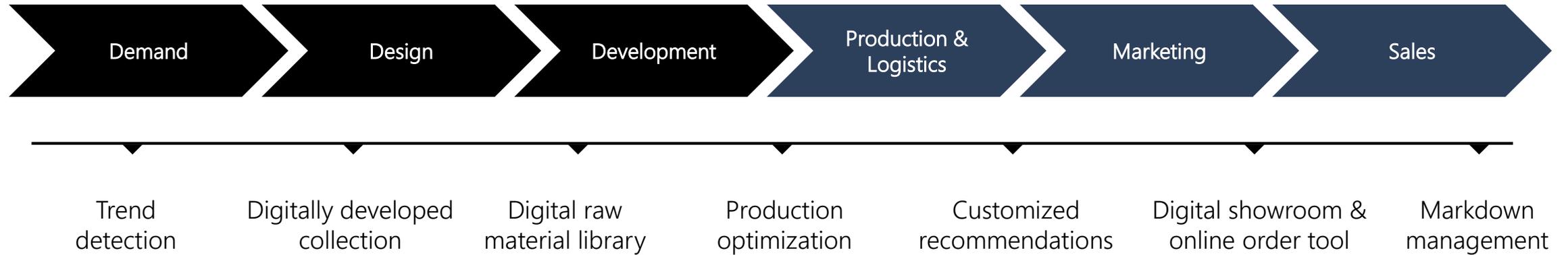
ADVANCED ANALYTICS  
Operations-related dimensions

1



2

HUGO TRANSFORMATION  
Product-related dimensions  
& cultural transformation



Multiple measures  
along the value chain

Design

## 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

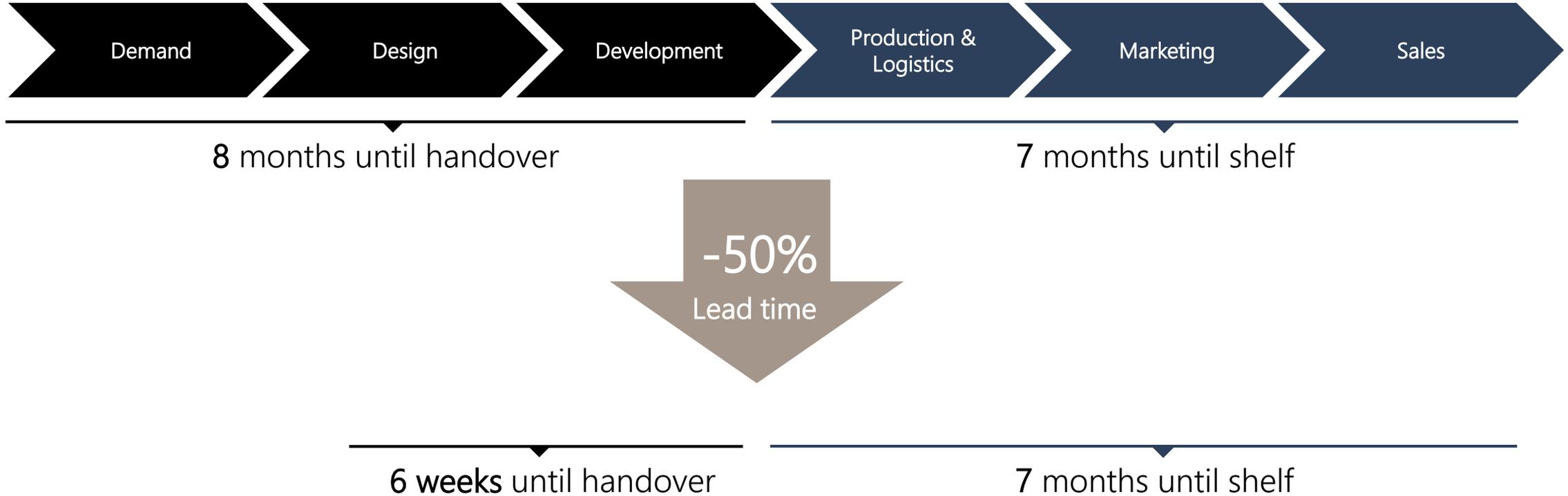
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Made from fabrics  
applied in latest  
collections

By digitally  
enabled  
vendors

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Made by fast and  
digitally enabled  
vendors



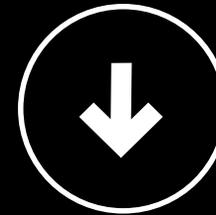
Digital development reduces lead times by 50%



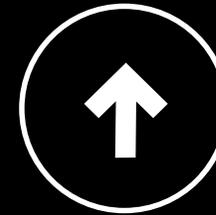
# Markdown management optimization via advanced analytics



## ADVANCED ANALYTICS



Optimize  
end-of-season  
markdowns



Increase  
full-price sell  
through

# AGENDA

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# Sales by region and major markets

Share of Group sales\*



**Europe**  
(incl. Middle East/Africa)

62%

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Germany: 15%

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Great Britain: 13%

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France: 6%

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Benelux: 5%

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Other: 23%



**Americas**

20%

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U.S.: 15%

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Canada: 3%

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Central & South America: 2%



**Asia/Pacific**

15%

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China: 8%

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Oceania: 2%

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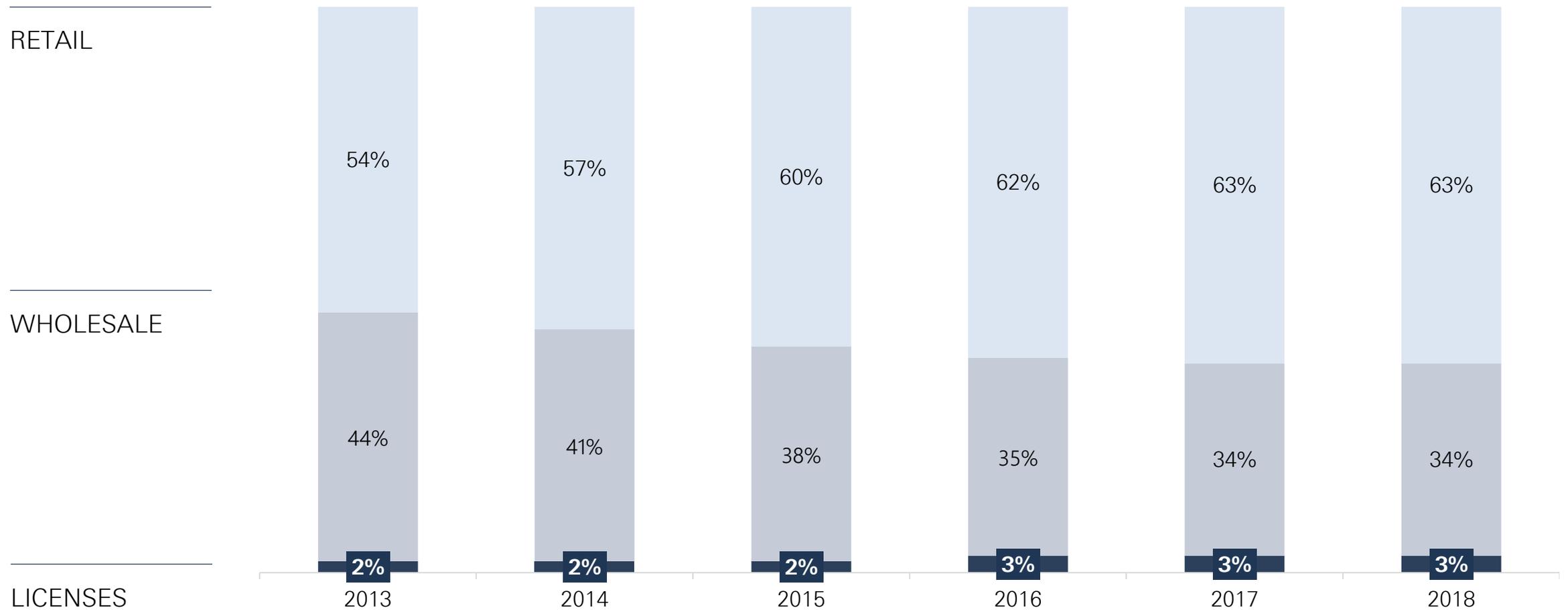
Japan: 2%

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Other: 3%

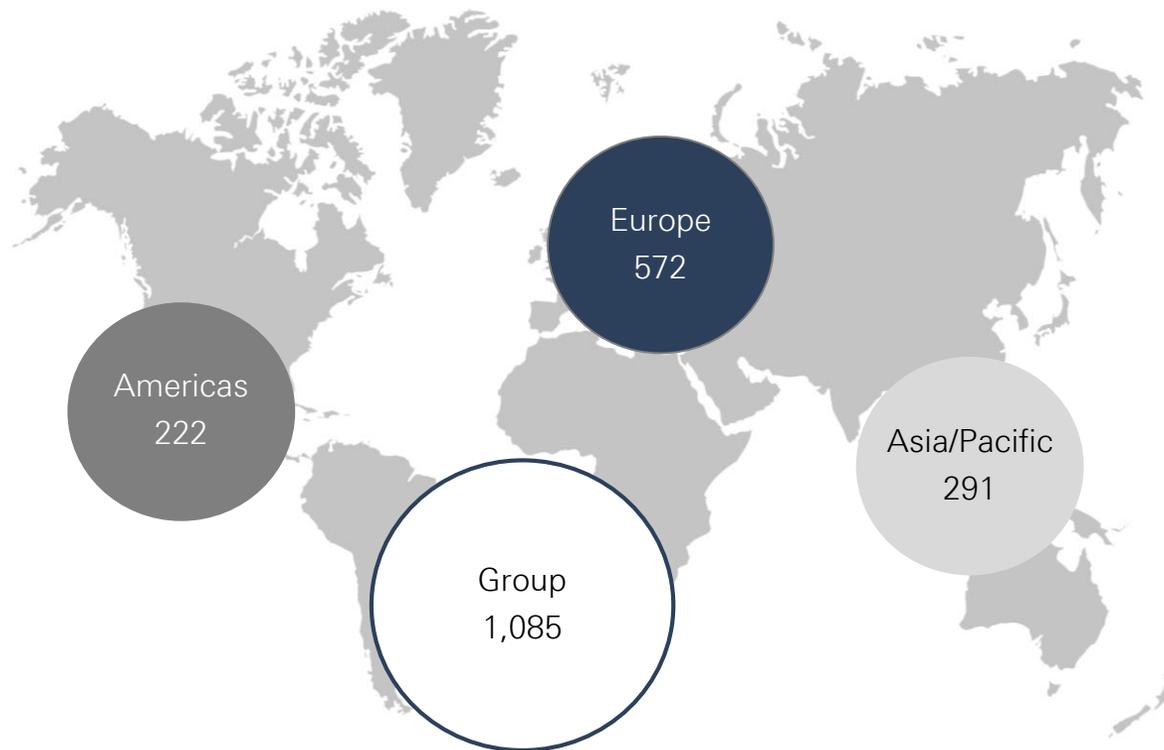
\* = as of 2018; 3% licenses

# Sales by distribution channel



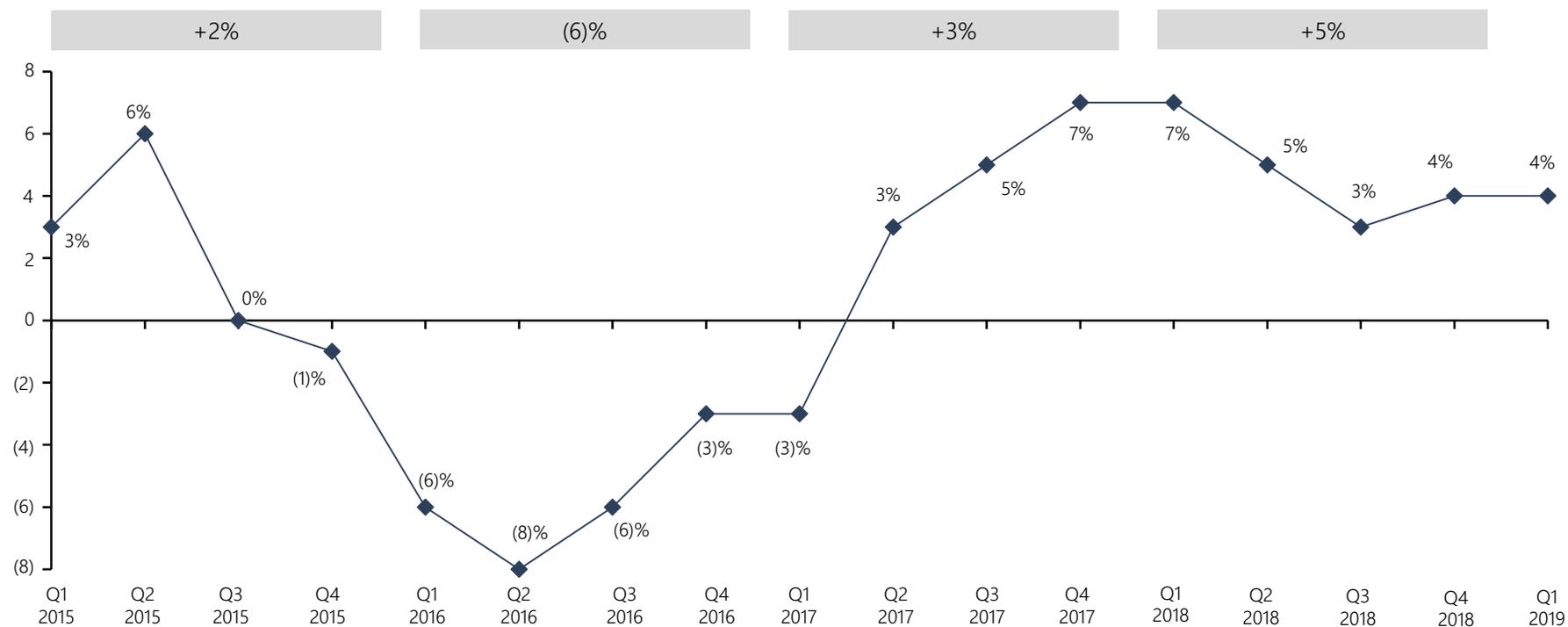
# Number of Group's own retail stores by region

As of 31/03/2019



# Retail comp stores sales

Retail I-f-I sales development\*

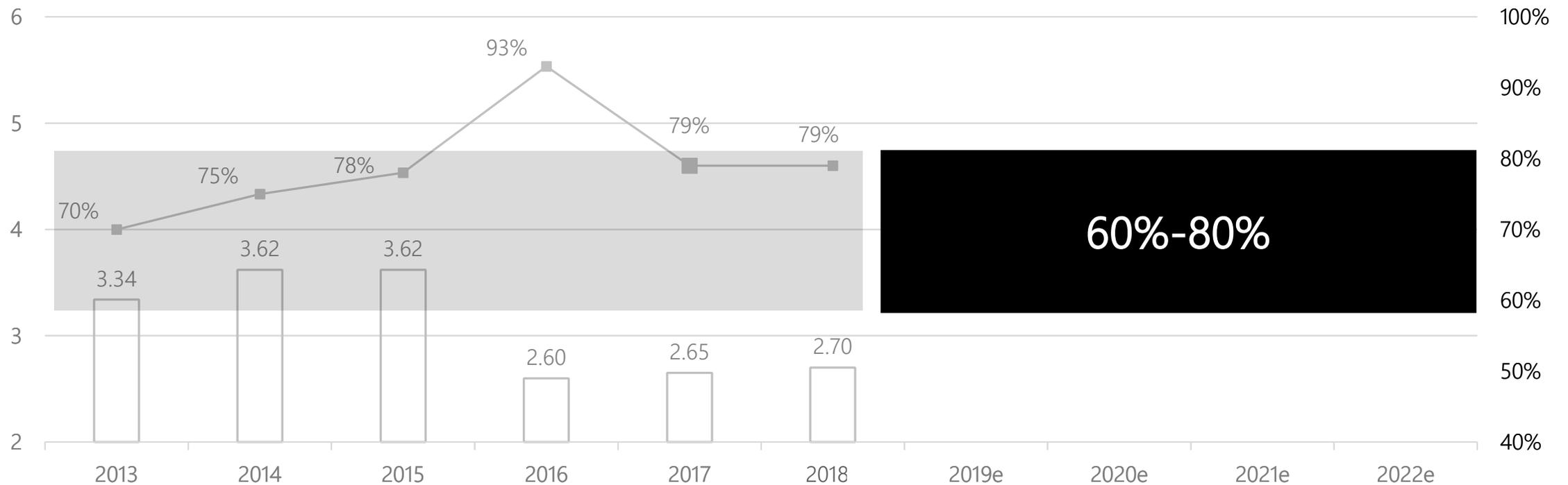


\*currency-adjusted

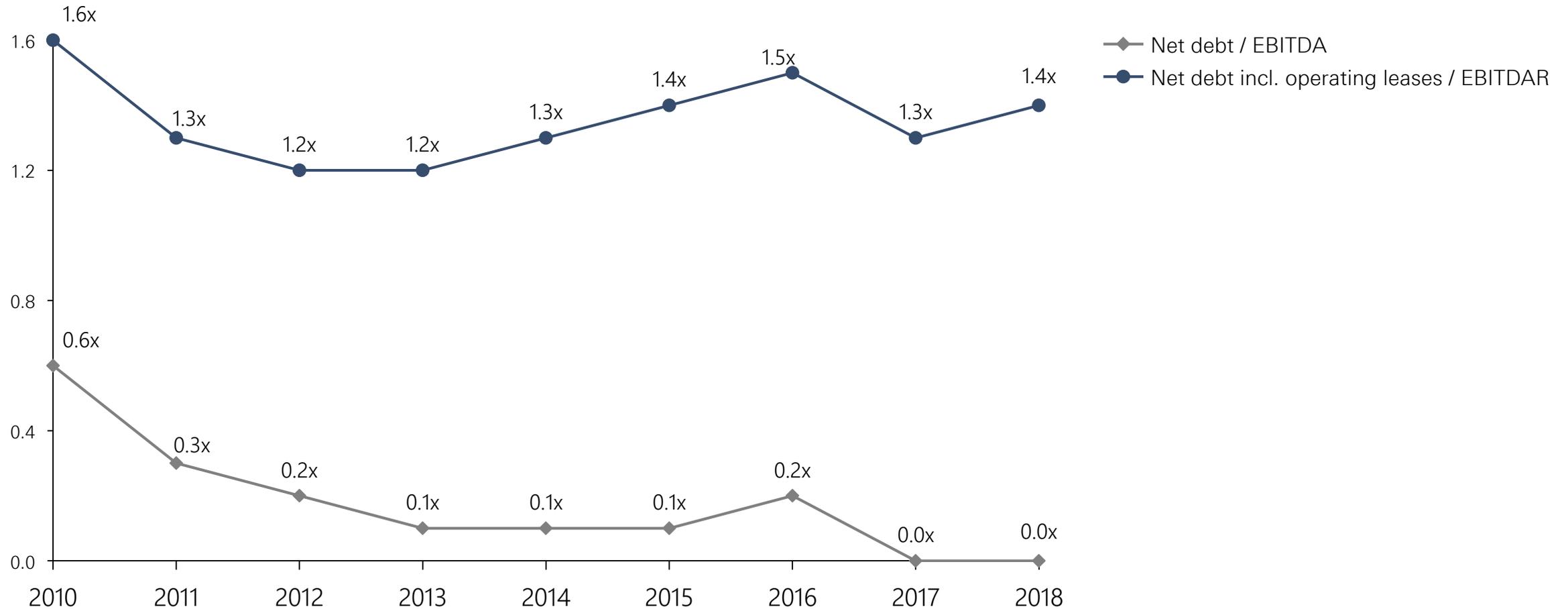
# Shareholder return

Strong commitment to profit-based dividend policy

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



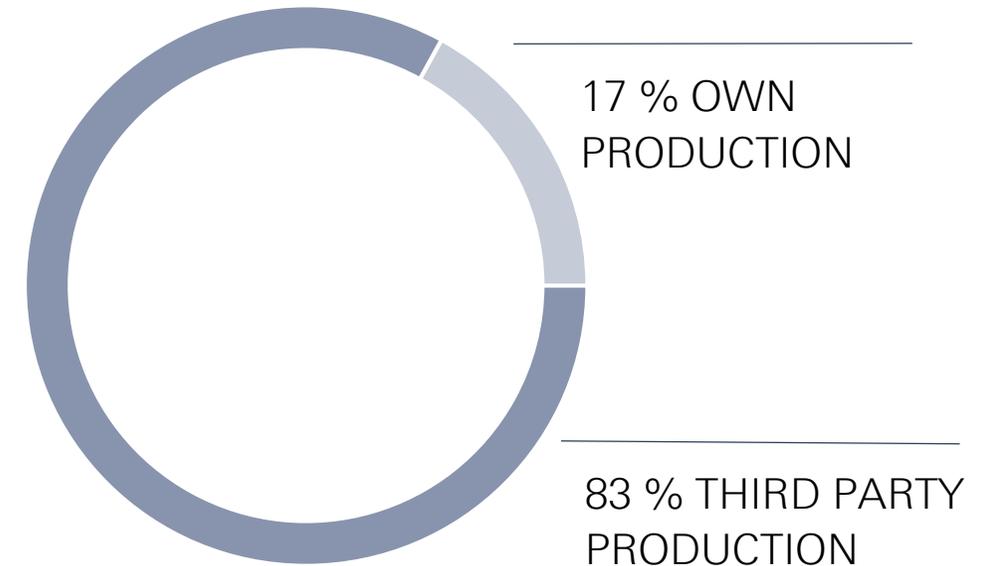
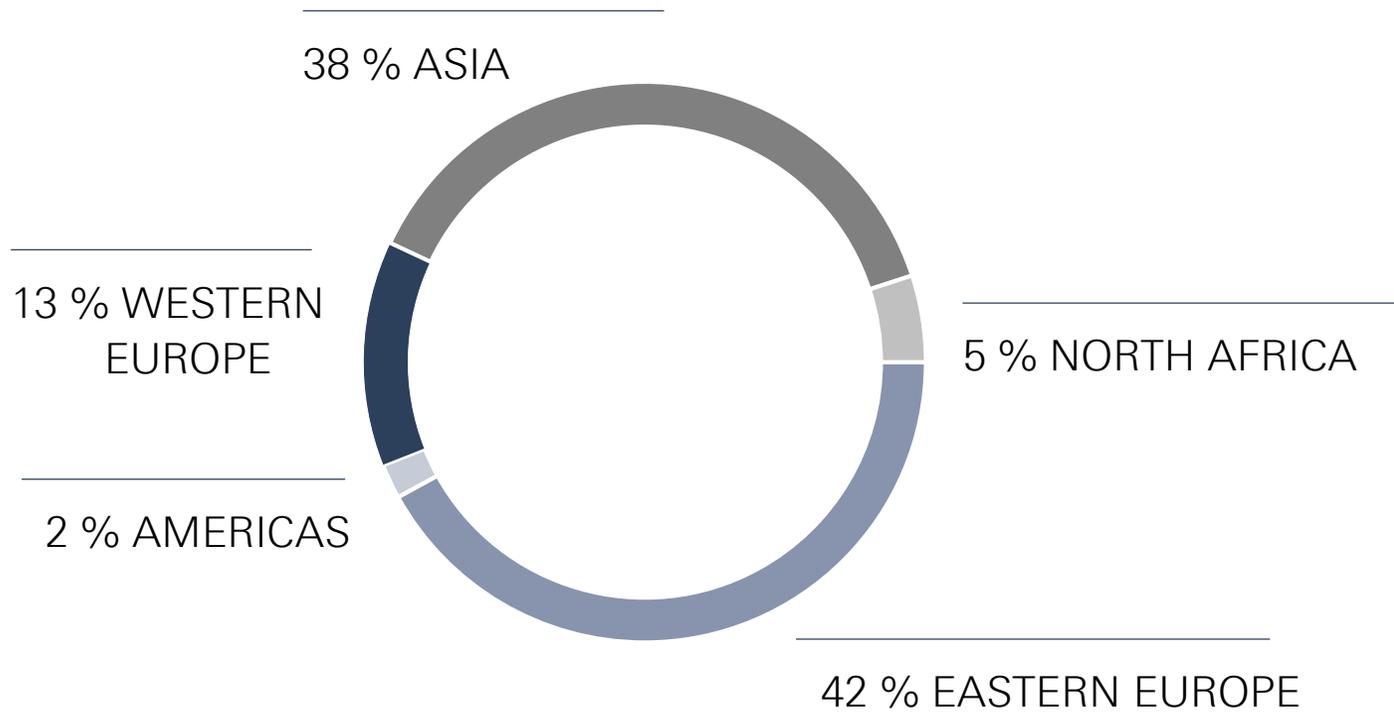
# (Adjusted) financial leverage



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 2018, in value terms

# Multi-Year overview

	2018	2017	2016	2015	2014
<b>Sales</b>	2,796	2,733	2,693	2,809	2,572
Gross profit	1,824	1,808	1,777	1,853	1,699
Gross profit margin in %	65.2	66.2	66.0	66.0	66.1
EBITDA	476	499	433	590	572
EBITDA before special items	489	491	493	594	591
Adjusted EBITDA margin in % <sup>1</sup>	17.5	18.0	18.3	21.2	23.0
EBIT	347	341	263	448	449
Net income	236	231	194	319	333
Trade net working capital	537	459	524	528	503
Non-current assets	686	662	752	765	660
Shareholders equity	981	915	888	956	844
Total assets	1,858	1,720	1,799	1,800	1,662
Free cash flow	170	294	220	208	268
Net debt	22	7	113	82	36
Capex	155	128	157	220	135
Depreciation/amortization	129	158	170	142	123
Total leverage <sup>2</sup>	0.0	0.0	0.2	0.1	0.1
Dividend <sup>3</sup>	186	183	179	250	250

1 EBITDA before special items/Sales.

2 Net financial liabilities/EBITDA before special items.

3 Dividend proposal.

# Financial Calendar & Investor Relations contact

May 16, 2019	Annual Shareholders' Meeting
August 1, 2019	Second Quarter Results and First Half Year Report 2019
November 5, 2019	Third Quarter Results 2019

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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.

