

# INVESTOR MEETING PRESENTATION

THIRD QUARTER 2019



HUGO BOSS

# AGENDA

**1** **Third Quarter Results & Outlook 2019**

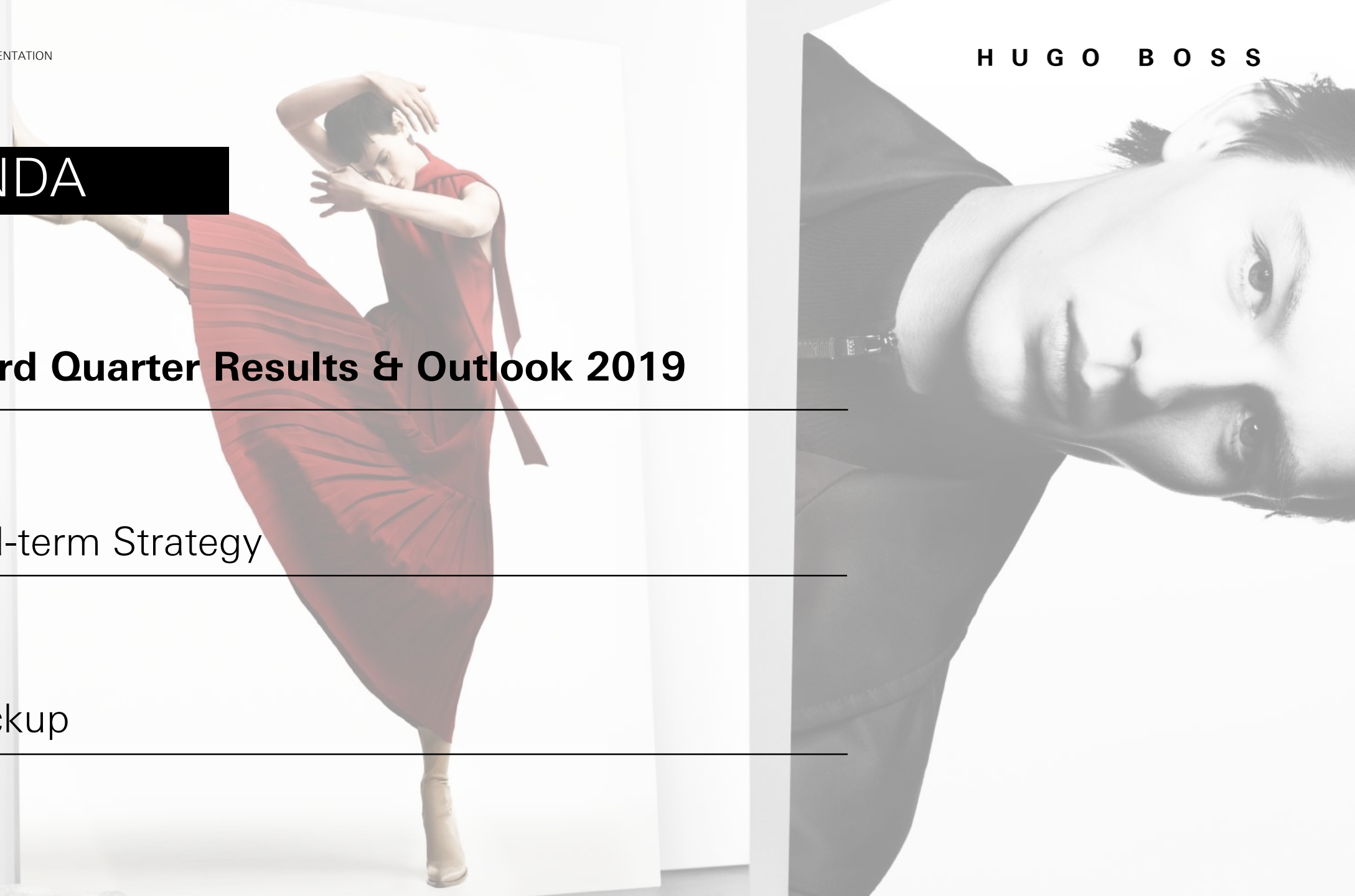
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**2** **Mid-term Strategy**

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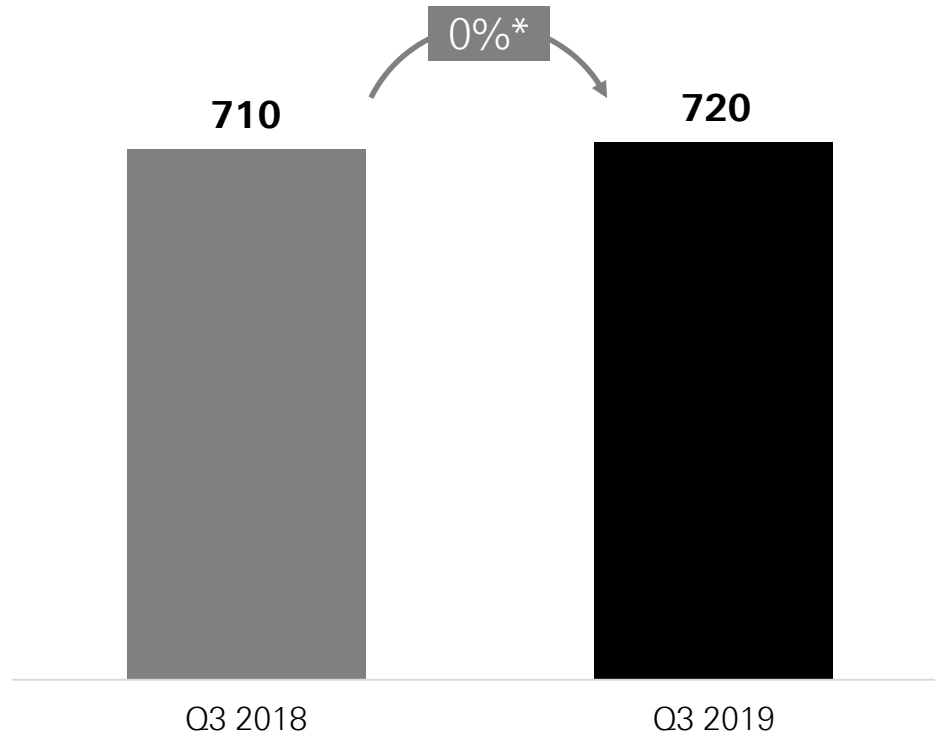
**3** **Backup**

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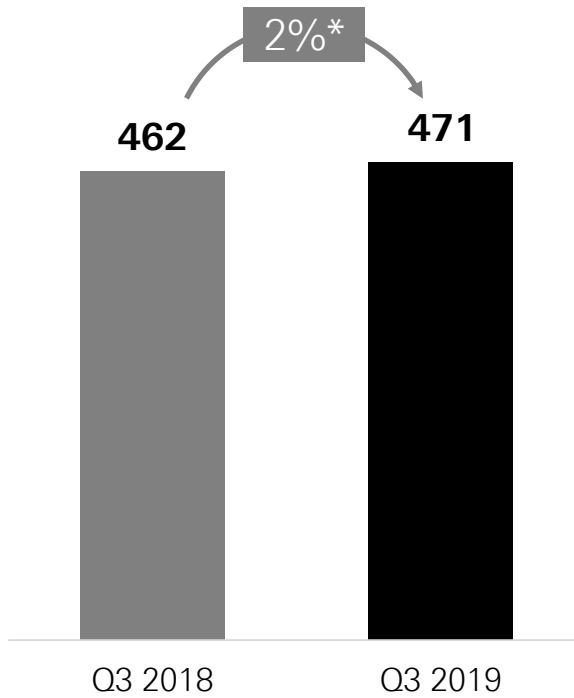
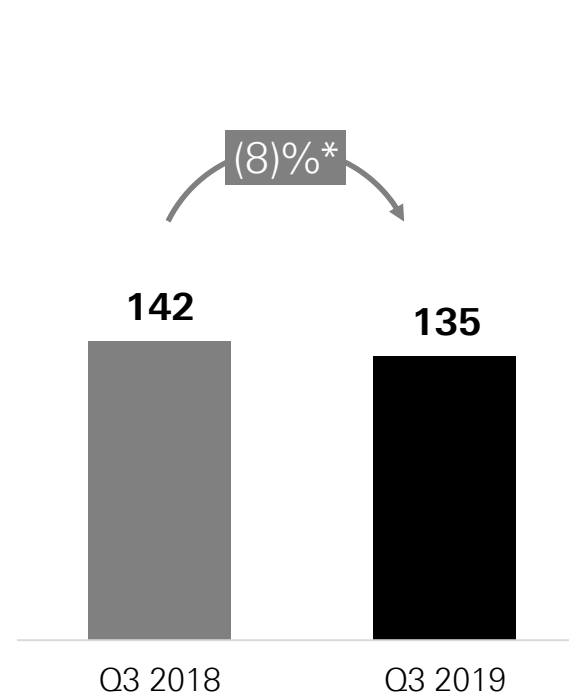
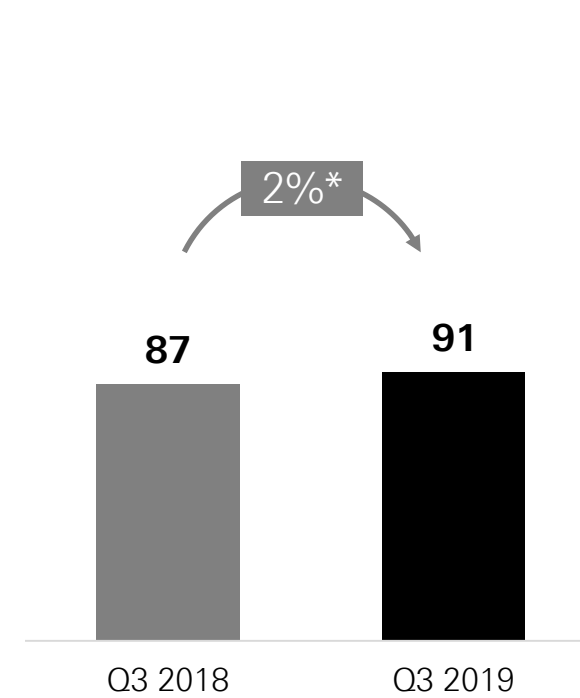
### Group sales

(in EUR million)



**Sales development** impacted by macroeconomic uncertainties

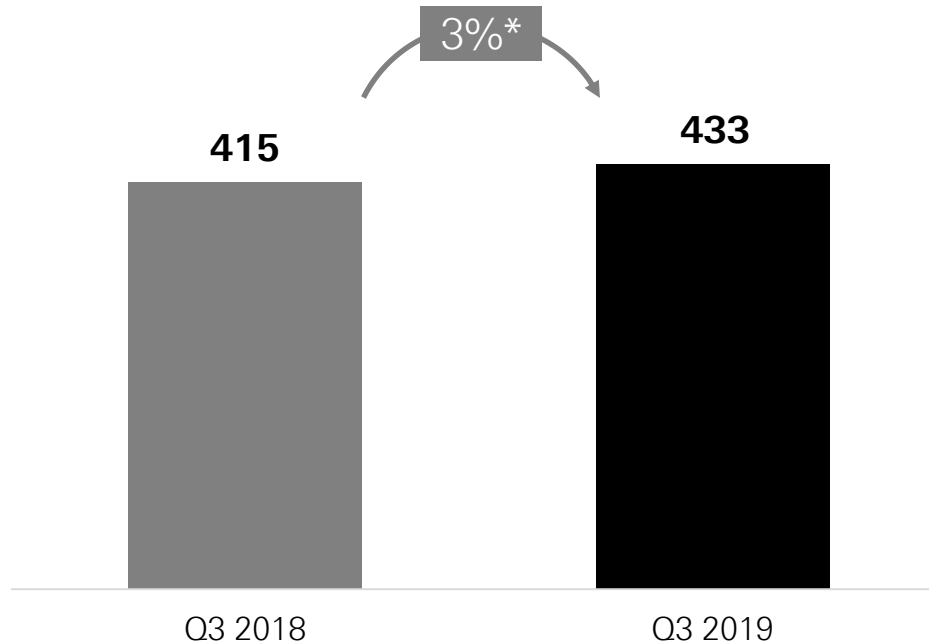
\*Currency-adjusted

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

Sales growth in Europe driven by  
**ongoing momentum in the UK**

## Retail sales

(in EUR million)



**Comp store sales growth** driven by mid-single-digit increase in Asia/Pacific.

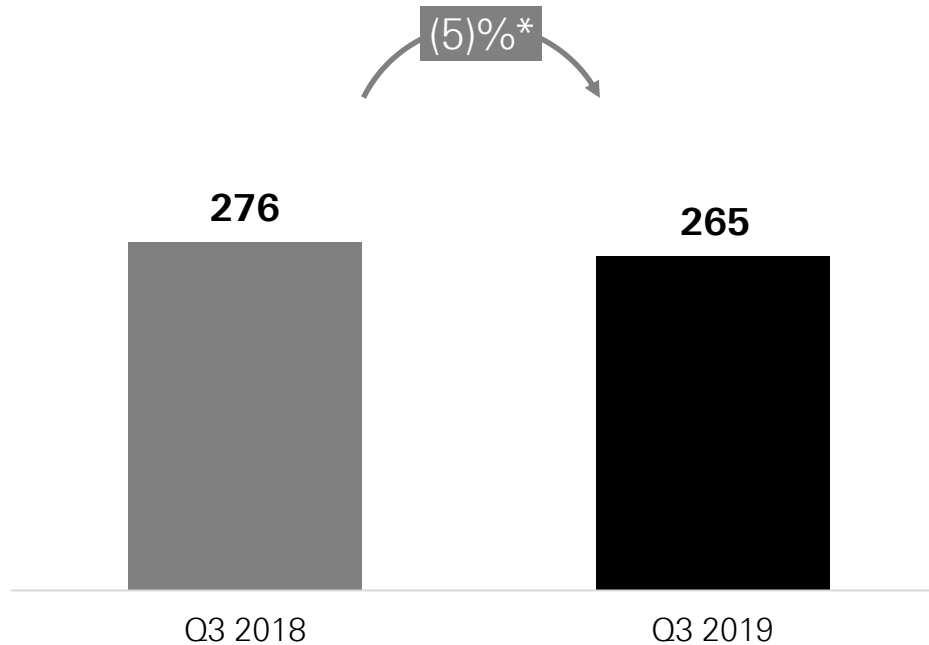
Sales growth benefits from ongoing **modernization of store network** and further **expansion of online concessions**.

**Online growth** of 36%\* driven by ongoing expansion of e-concessions and further rollout of hugoboss.com.

**Retail comp store sales**  
grow 2%\* in the third quarter

## Wholesale sales

(in EUR million)



**U.S. market weakness** weighs on overall wholesale sales development in Q3.

Continued strong momentum with **online marketplaces**.

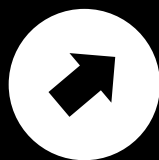
**Brick-and-mortar** wholesale business suffers from traffic declines.

**Wholesale performance**  
impacted by U.S. market weakness

\*Currency-adjusted

## License sales

(in EUR million)



# +14%

Q3 2019 vs. Q3 2018\*

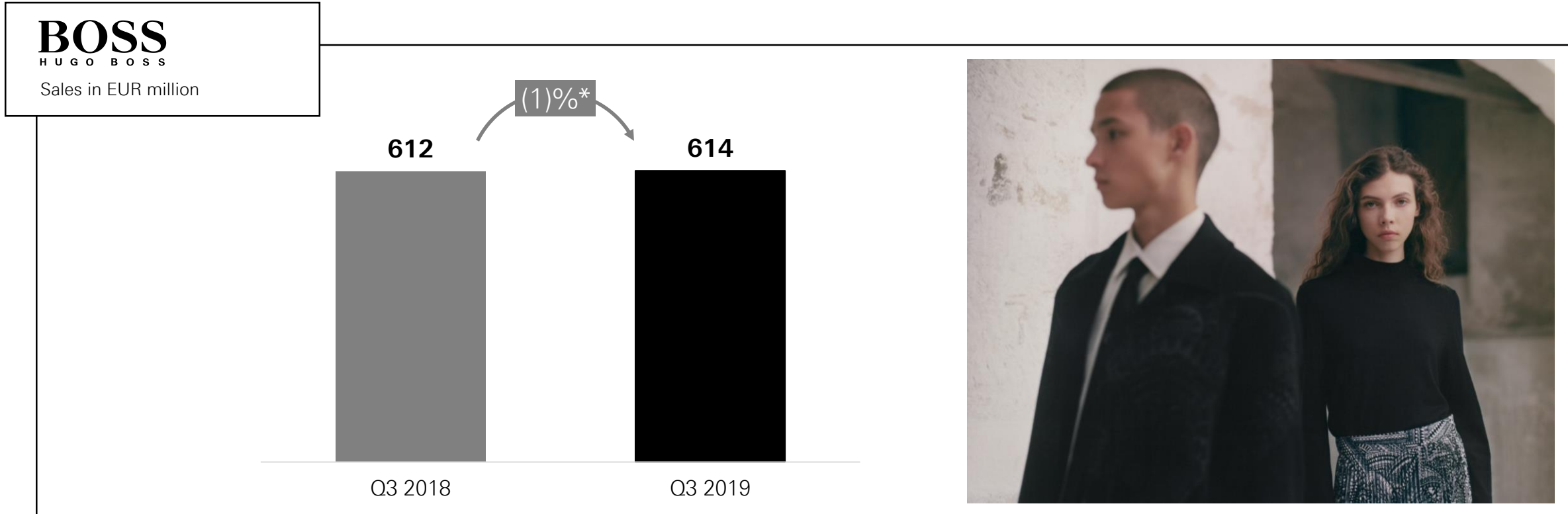
Launch of “BOSS The Scent Absolute” supports sales growth in **fragrance business**.

License for **eyewear business** renewed in Q3.



# License business with strong momentum in Q3

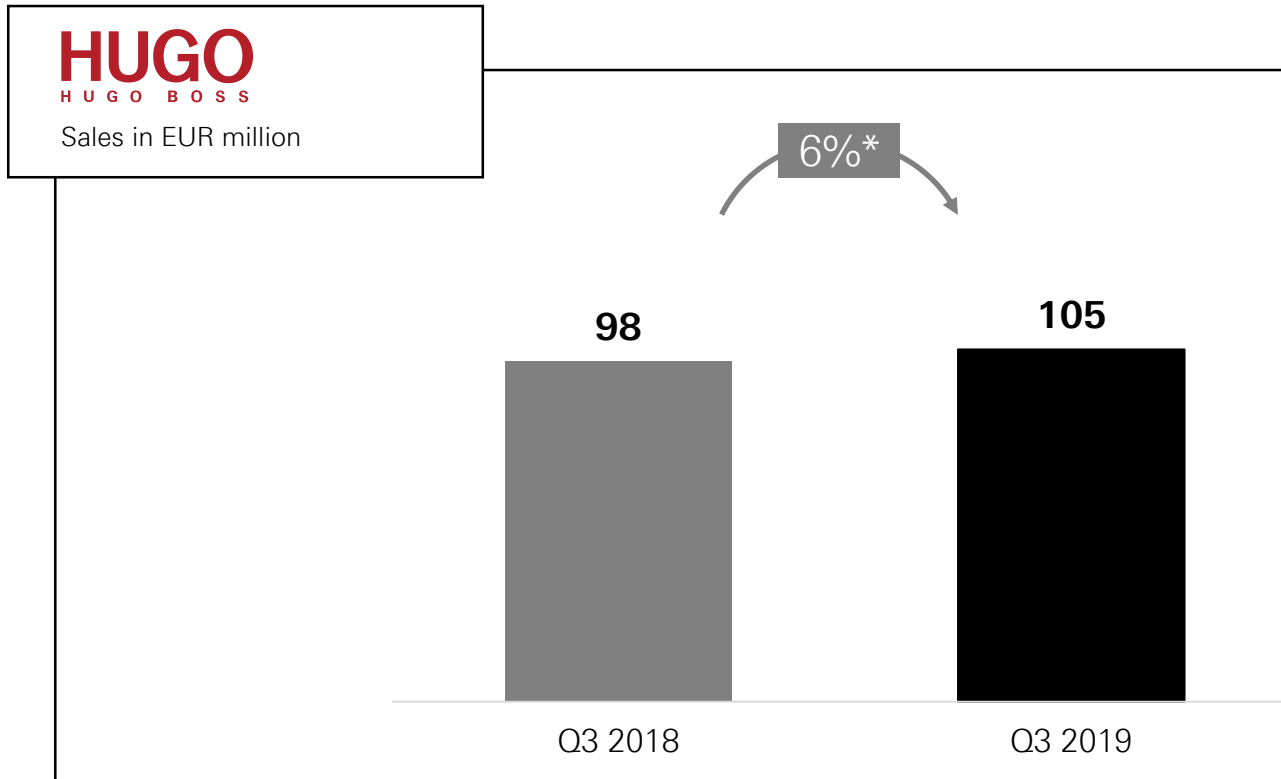
\*Currency-adjusted



**Growth in Europe and Asia/Pacific**  
more than offset by declines in the U.S.

\*Currency-adjusted



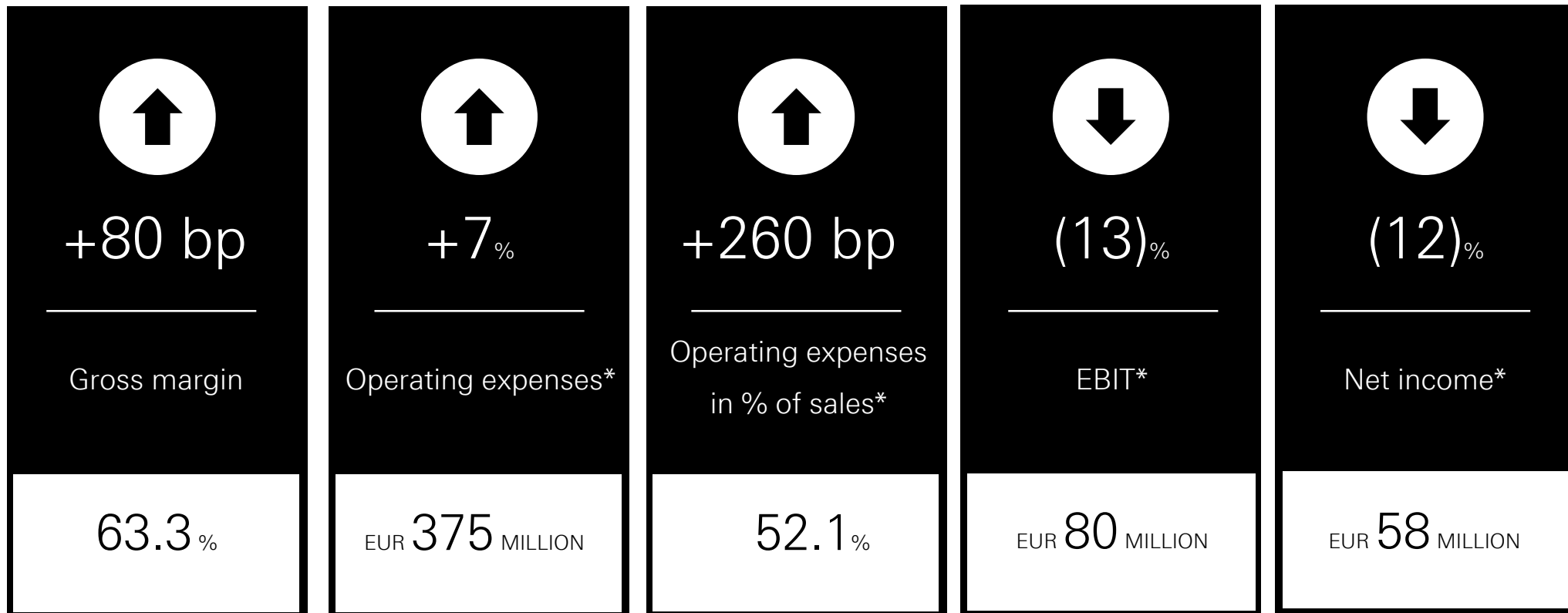


**Momentum at HUGO accelerates,**  
as casualwear grows double-digits

\*Currency-adjusted

# EBIT development in Q3

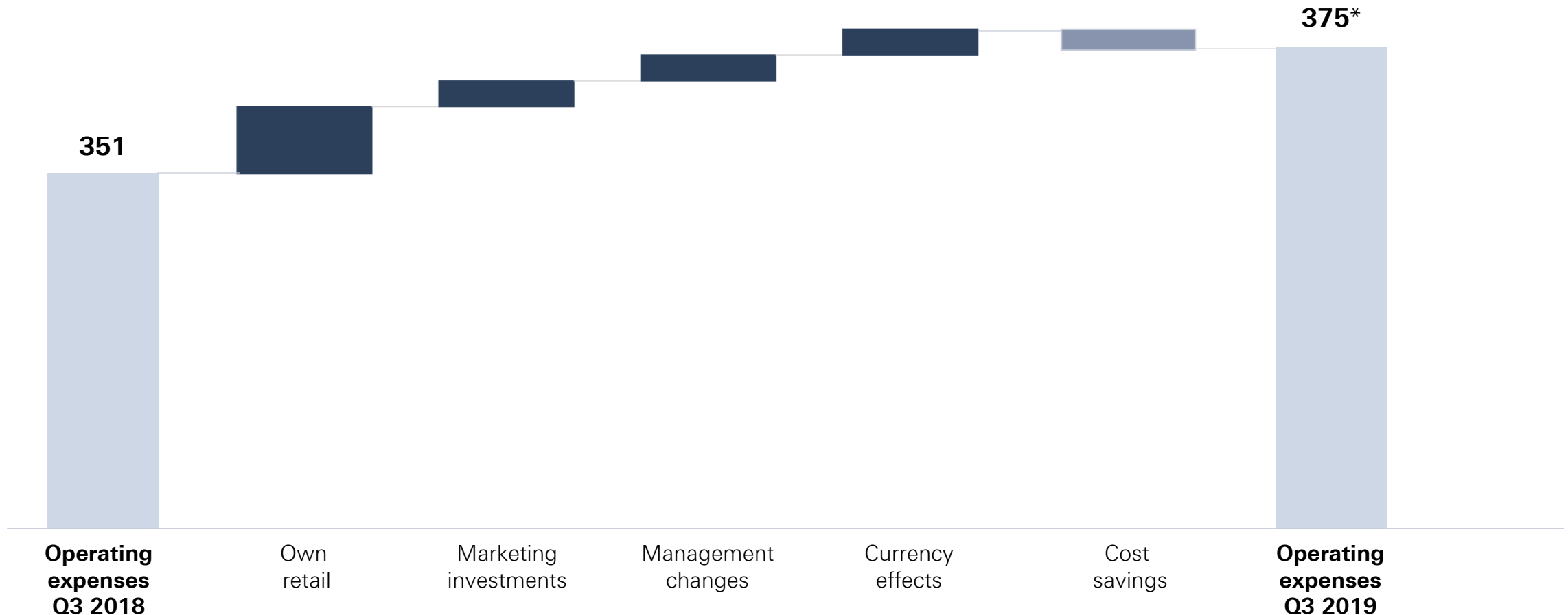
impacted by increase in operating expenses



\*Excluding IFRS 16 impact

## Increase in operating expenses

reflects higher own retail and marketing expenses

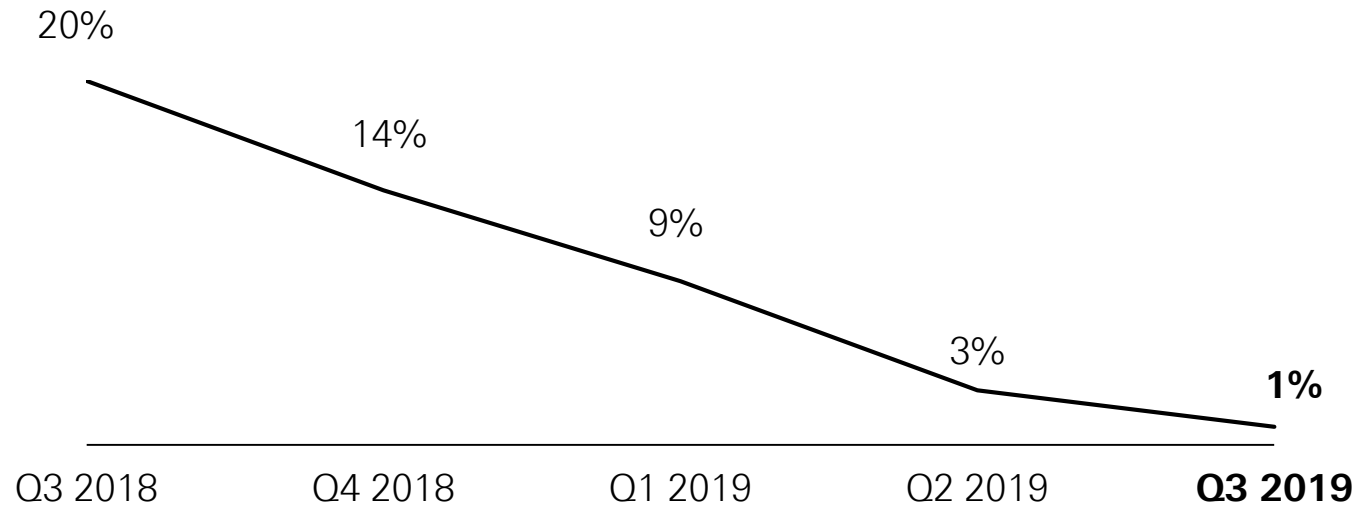


(in EUR million)

\*Excluding IFRS 16 impact

### Inventory growth yoy

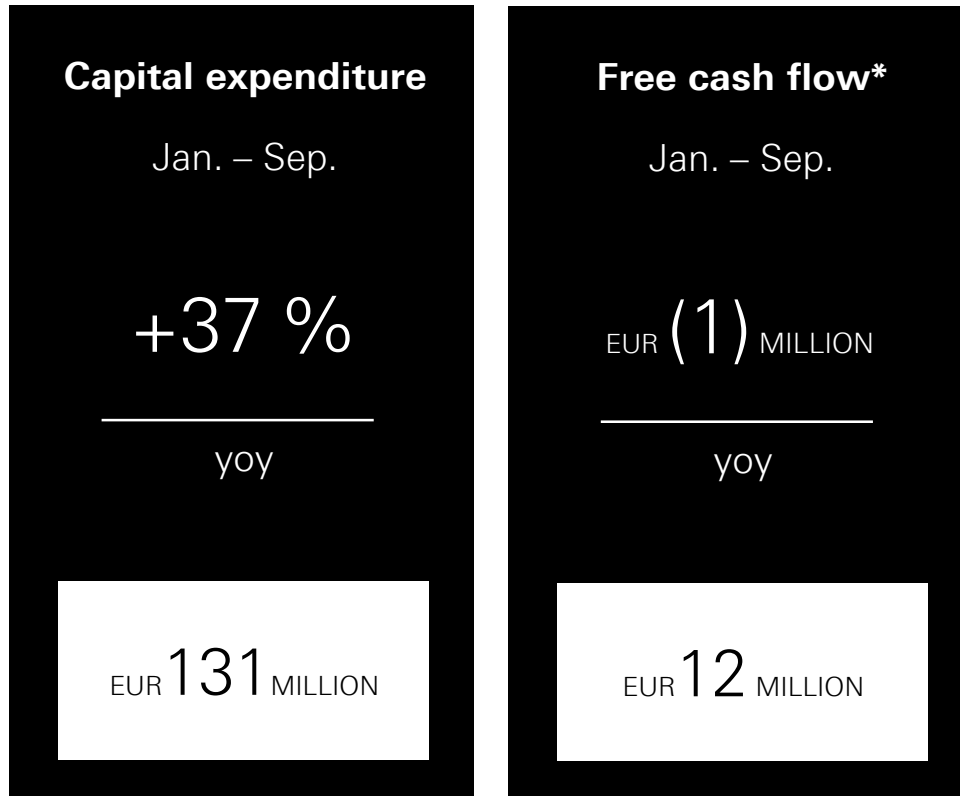
(in % currency-adjusted)



Further reduction in **inventory growth** reflects ongoing strict focus on inventory management.

**TNWC** remains stable in absolute terms, as compared to the prior year; in % of sales TNWC increases 110 basis points.

Increase in inventories  
**returns to normalized levels**

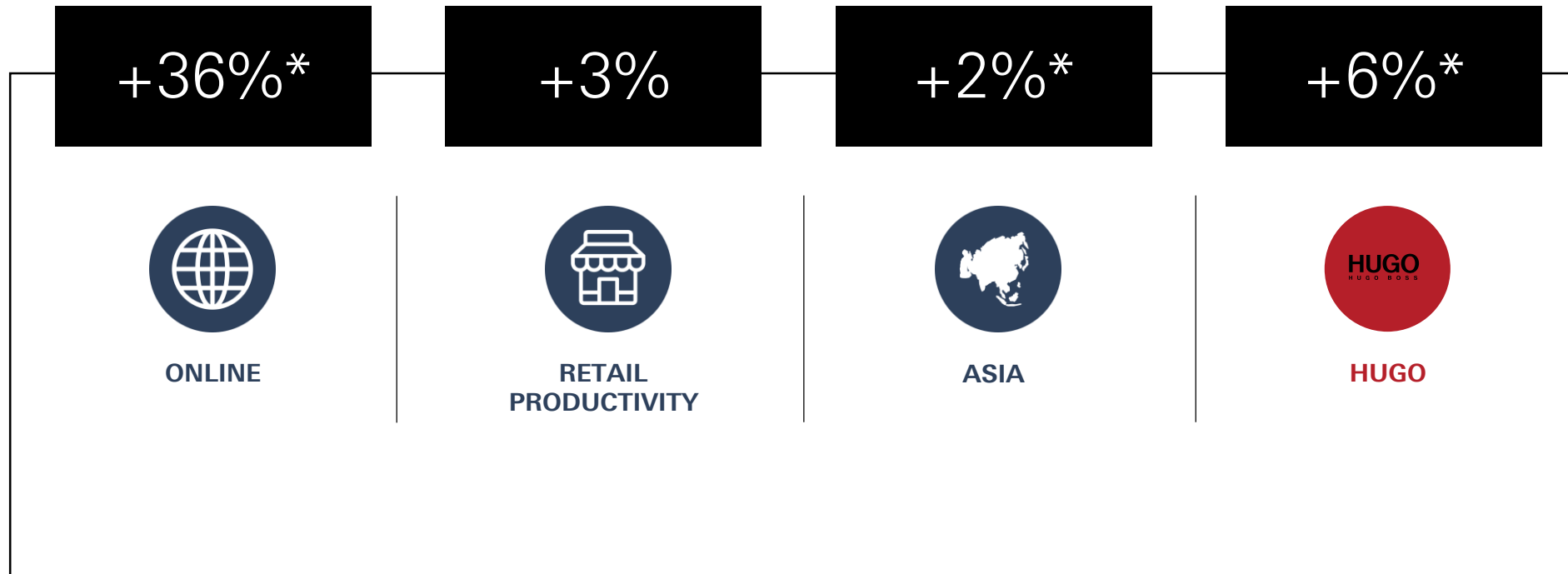


**Free cash flow** at around prior year level, reflecting decline in EBIT and higher capital expenditure.

Higher **capital expenditure** reflects ongoing initiatives to optimize store network as well as further investments in IT.

**Free cash flow** development impacted by decline in EBIT and higher Capex

\*Excluding IFRS 16 impact



Relentless focus on executing against **strategic initiatives**

\*Currency-adjusted

# Adjusted outlook for the full year 2019\*

## Group sales

Increase at a  
low single-digit percentage rate

### Europe

Increase at a  
low to mid-single-digit  
percentage rate



### Americas

Decrease at a  
mid- to high single-digit  
percentage rate



### Asia/Pacific


Increase at a  
mid-single-digit  
percentage rate



\*Currency-adjusted

# Adjusted outlook for the full year 2019

## Outlook 2019

<b>Group sales</b> (currency-adjusted)	Increase at a low single-digit percentage rate	
<b>Gross margin</b>	Largely stable	
<b>EBIT*</b>	EUR 330 million to EUR 340 million	
<b>Consolidated net income*</b>	Decrease at a mid- to high single-digit percentage rate	
<b>Capital expenditure</b>	EUR 180 million to EUR 190 million	
<b>Free cash flow*</b>	EUR 160 million to EUR 180 million	

\*Excluding IFRS 16 impact



# AGENDA

**1** Third Quarter Results & Outlook 2019

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**2** Mid-term Strategy

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**3** Backup

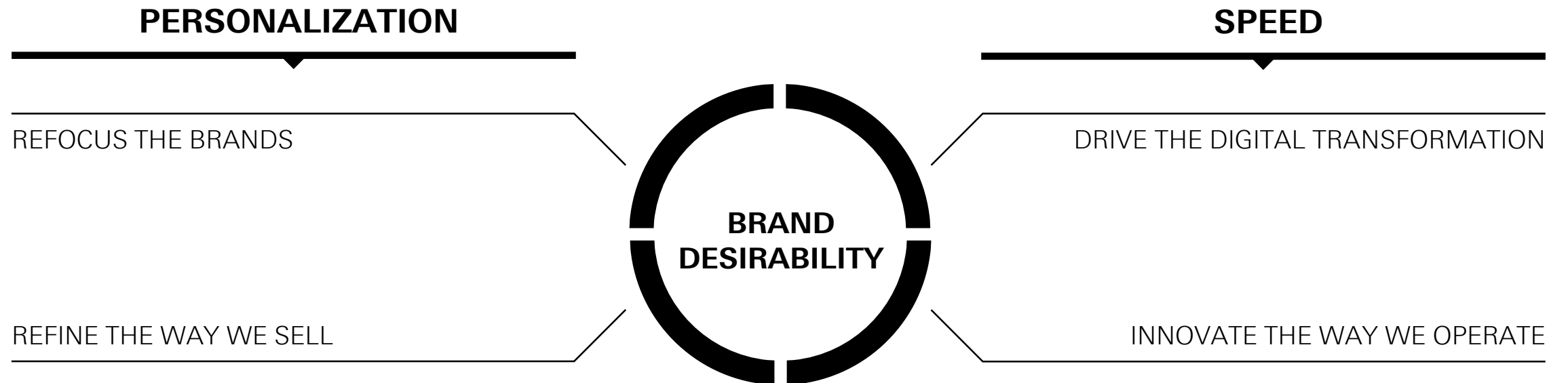
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→ OUR VISION

**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

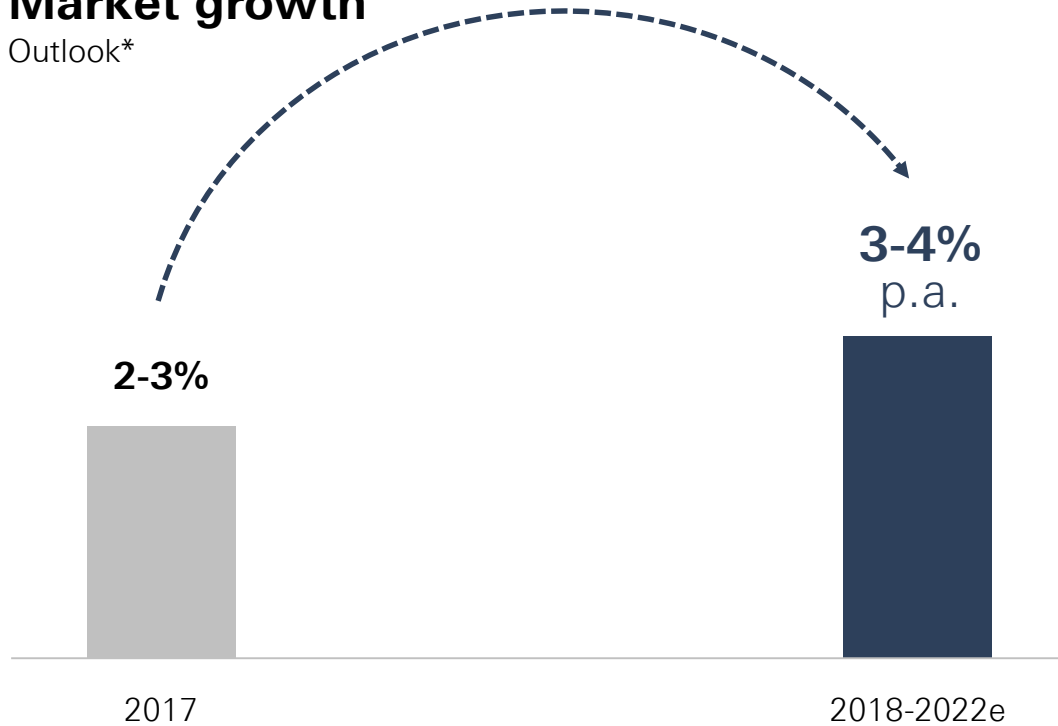
Industry-leading IT and logistic systems

Robust supply chain

**Speed:** Winning customers with industry-leading responsiveness

## Market growth

Outlook\*

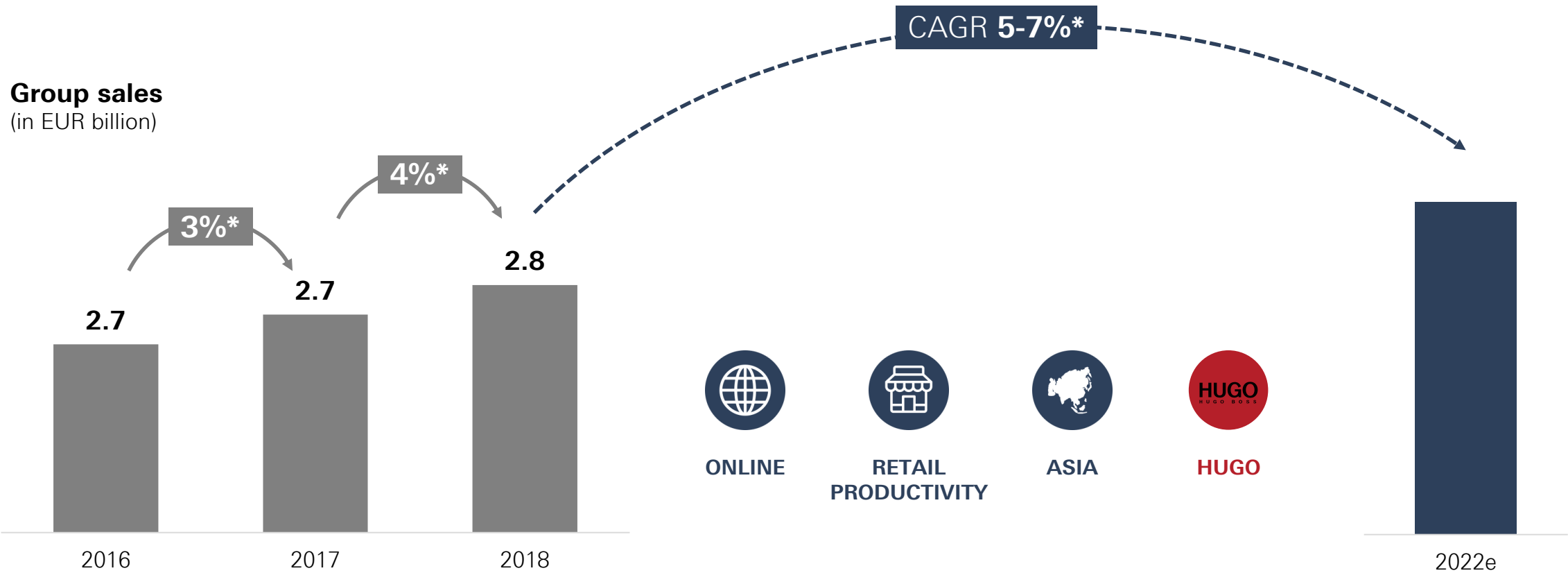


## Overarching industry trends

- **Casualization** of formalwear
- Increasing **online** penetration
- Growing focus on personalized product and shopping **experiences**

**Market dynamics provide solid base for future growth**

\* HUGO BOSS estimate of relevant target market growth based on McKinsey/Business of Fashion: Global Fashion Index 2017, Bain/Altgamma: Luxury Spring Update 2017, BCG/Altgamma: The True-Luxury Global Consumer Insight 2017, Euromonitor



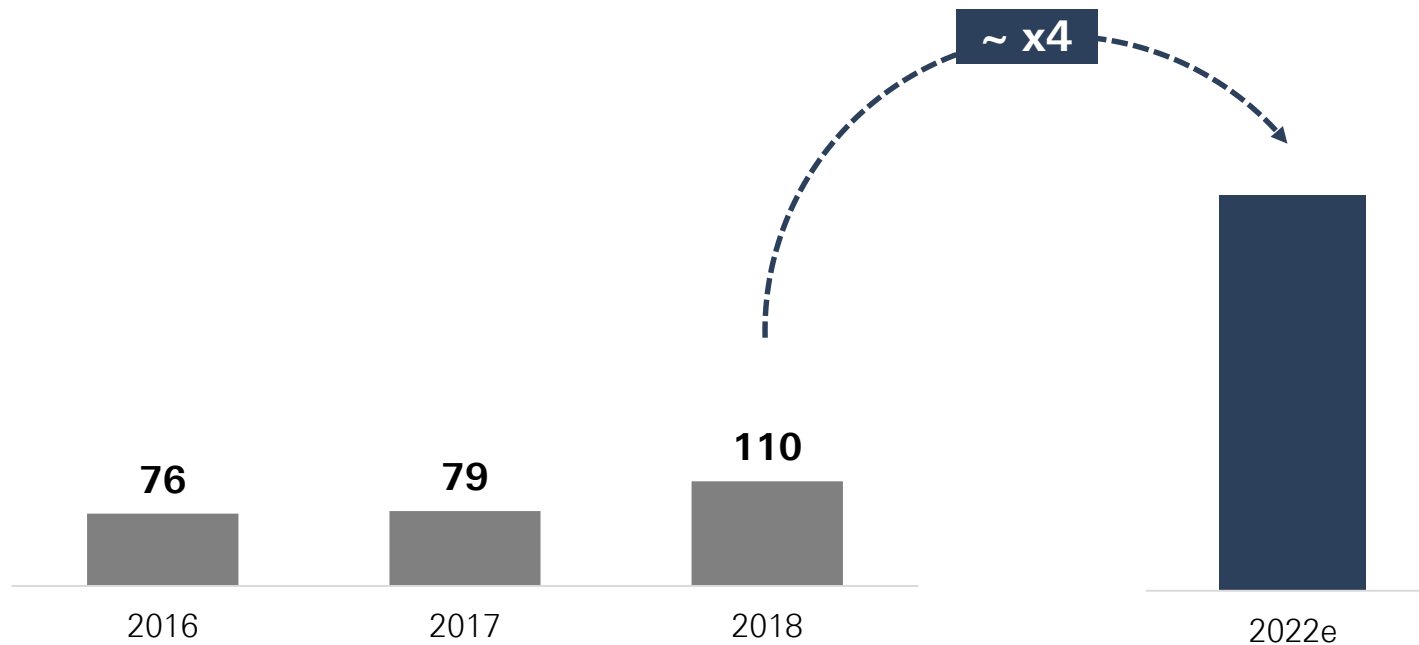
**Key sales growth drivers** identified across channels, regions, and brands

\* = 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

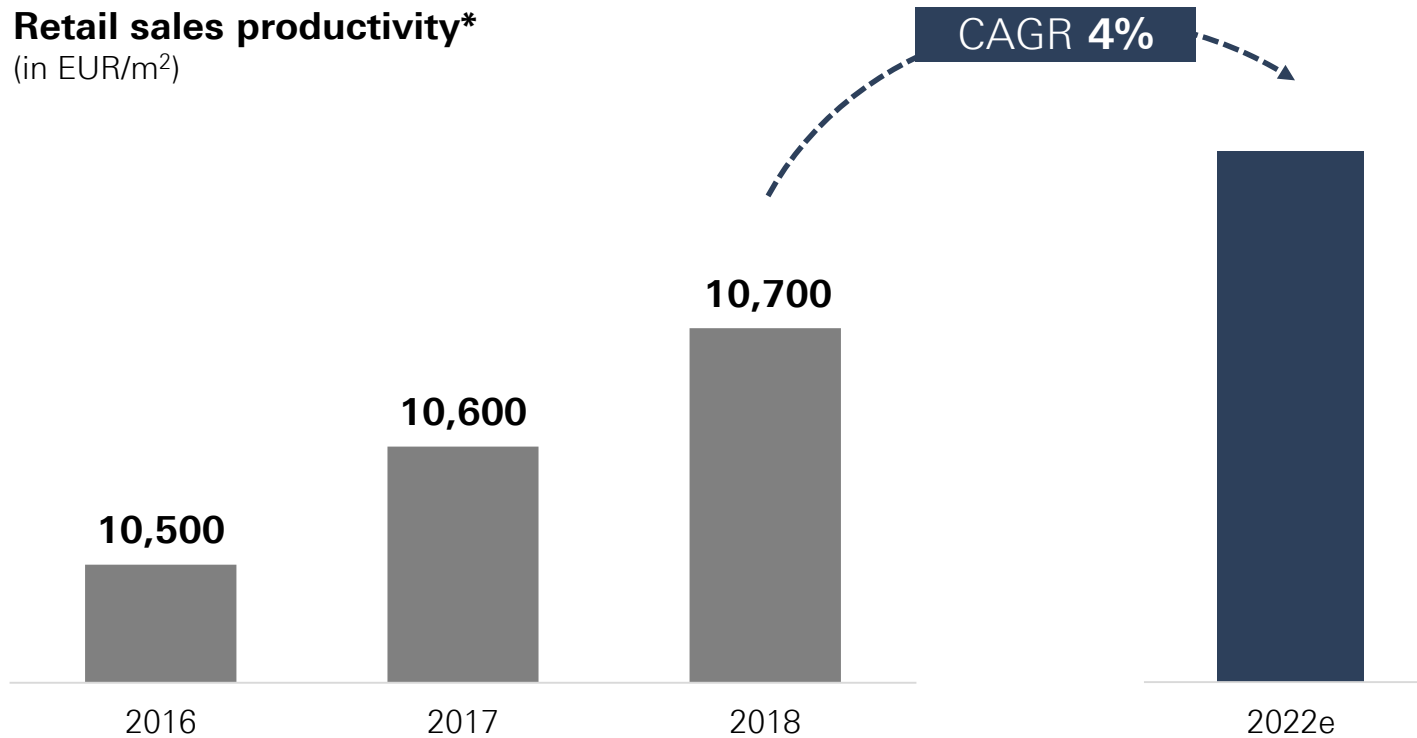
**Online:** Own online business to quadruple until 2022





### Retail sales productivity\*

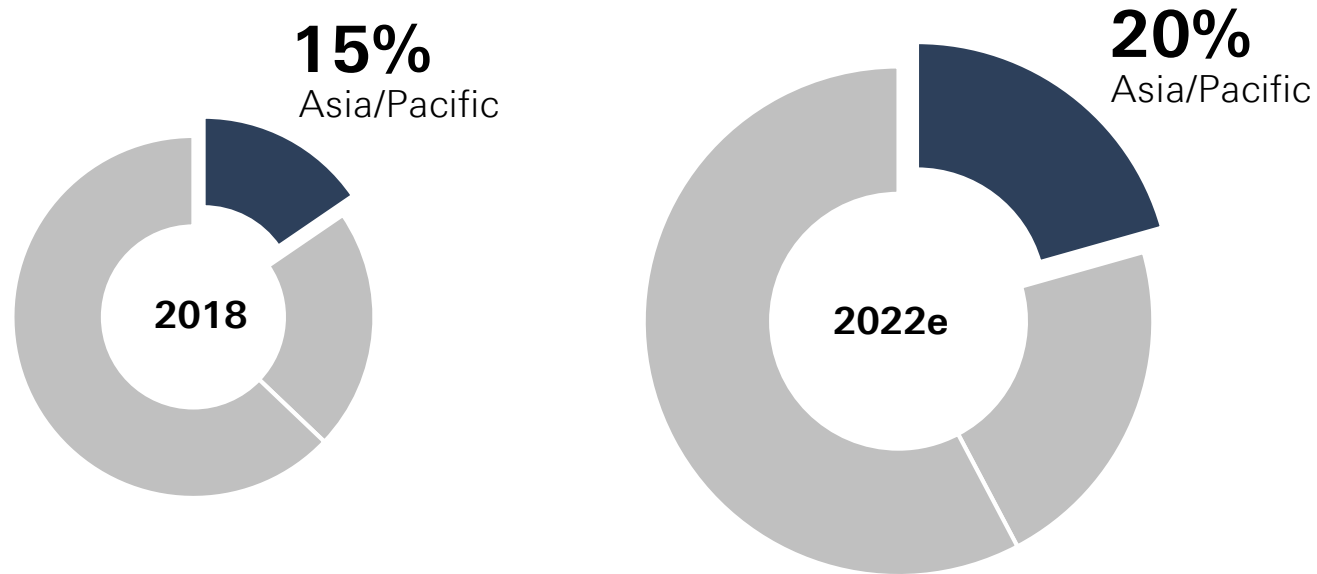
(in EUR/m<sup>2</sup>)



- 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



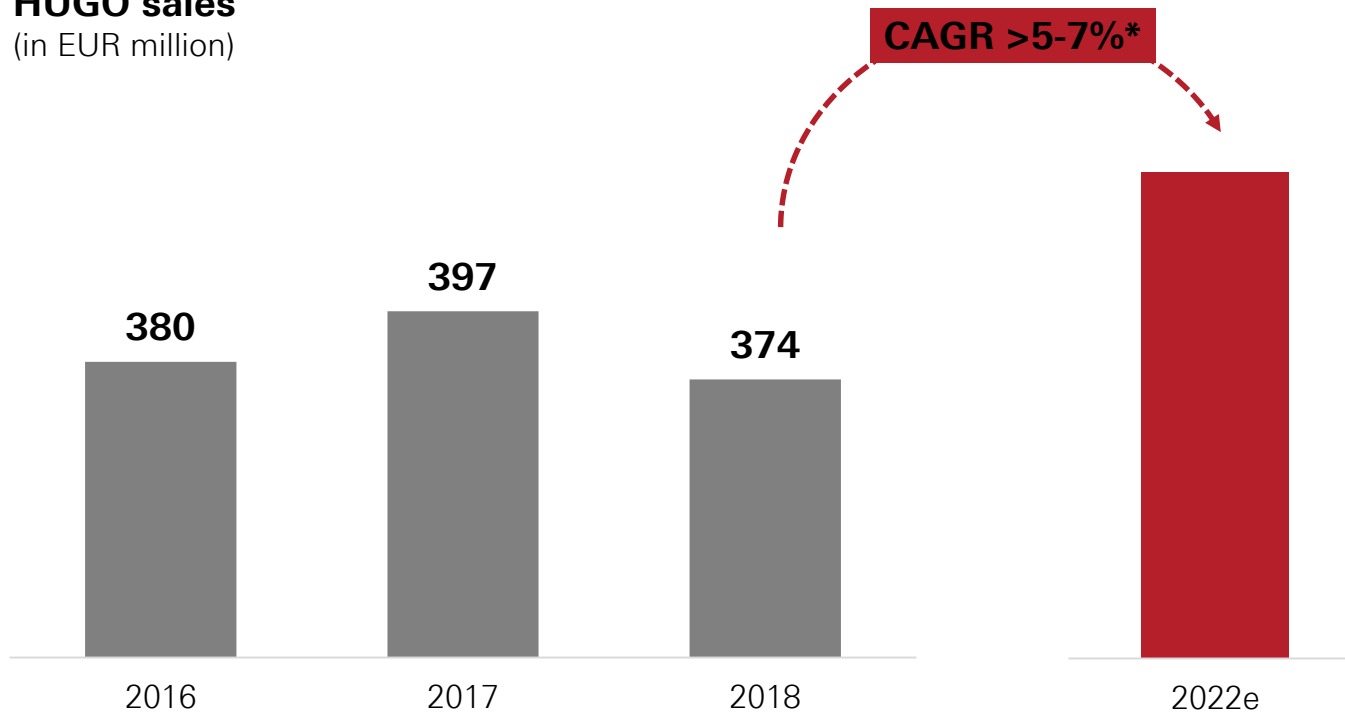
- 1 Leverage Chinese demand** across the region
- 2 Expand retail footprint** in Mainland China
- 3 Grow travel retail** business
- 4 Leverage digital opportunities** via leading online platforms

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



## HUGO sales

(in EUR million)

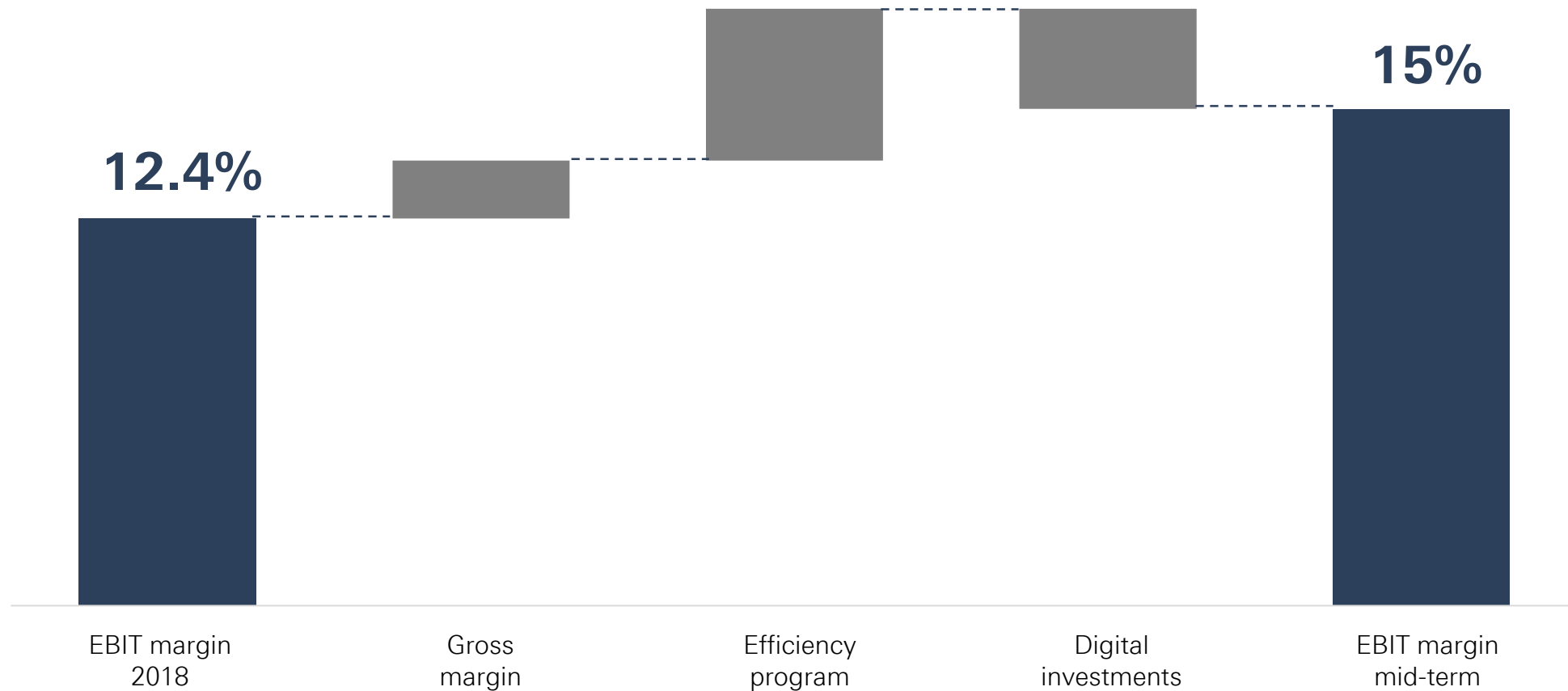


- 1** Strengthen positioning in contemporary fashion segment
- 2** Focus on casualwear to benefit from casualization trend
- 3** Expand store network across key metropolitan cities
- 4** Leverage social media presence

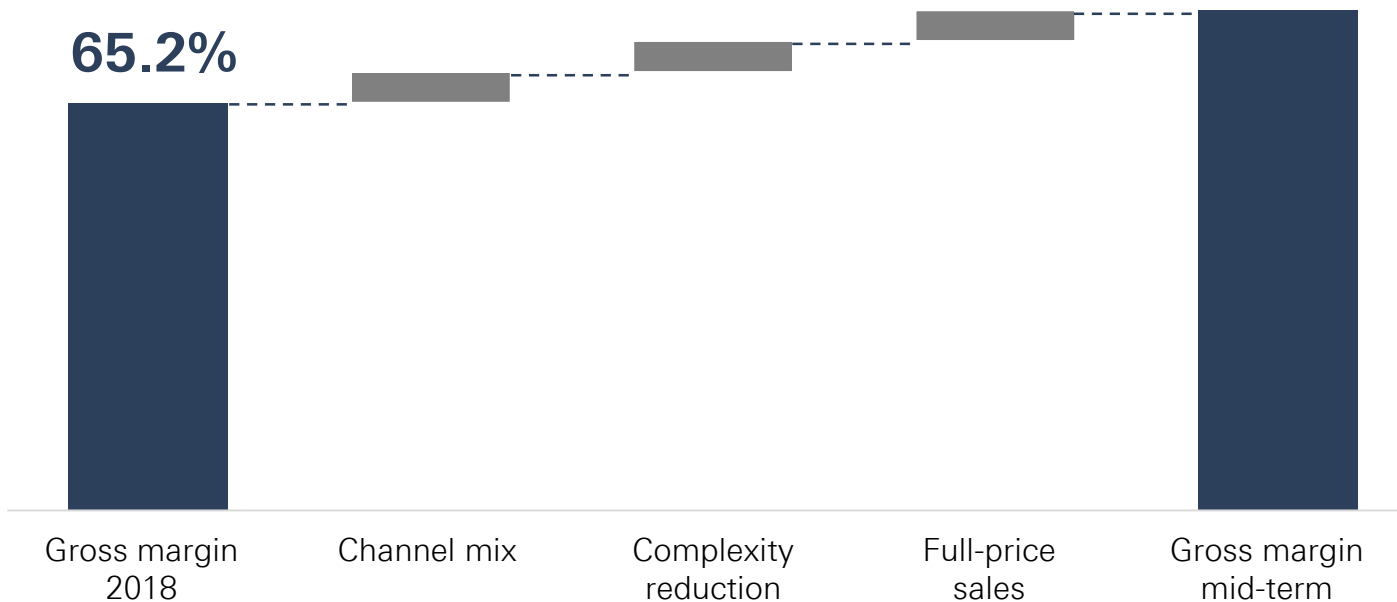
**HUGO:** Overproportionate growth in contemporary fashion segment

\* = currency-adjusted

# EBIT margin targeted at 15% in the mid-term



## Gross margin expansion supported by multiple levers



### Channel mix

- Increase share of controlled distribution

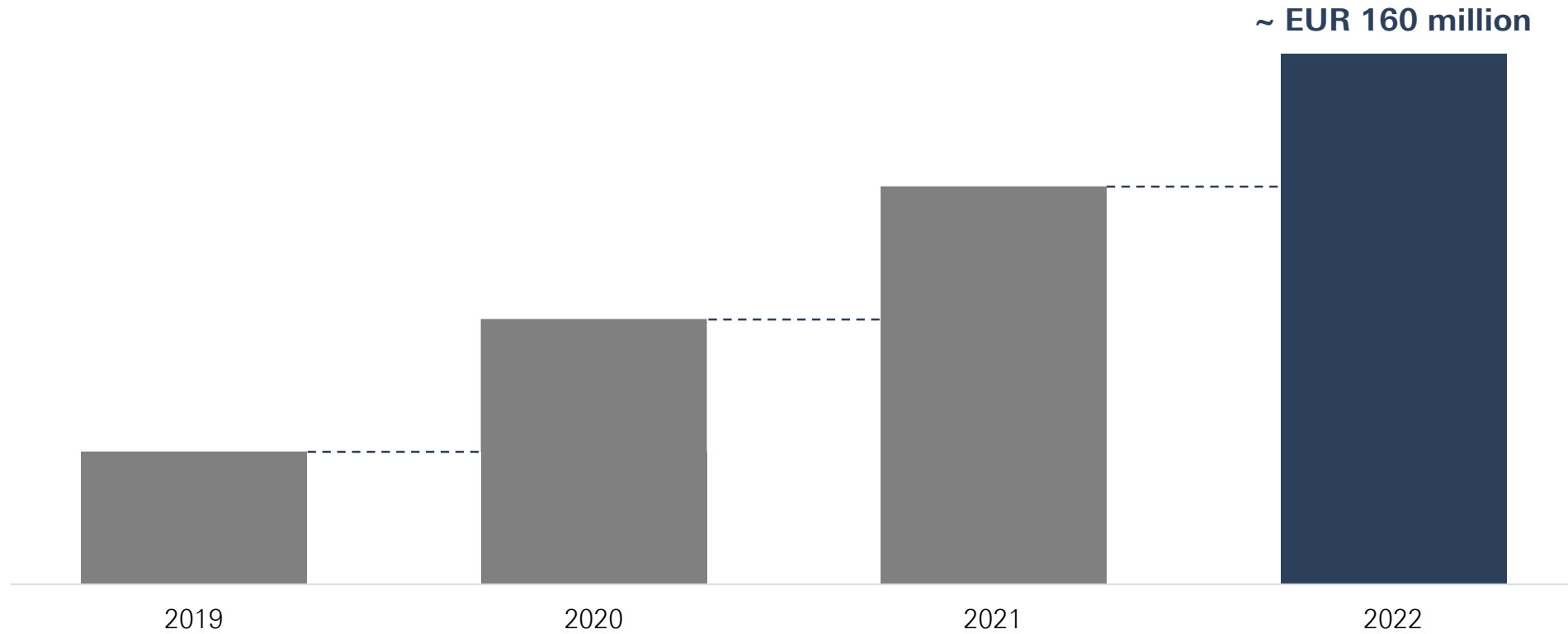
### Complexity reduction

- Simplified brand portfolio leads to complexity reduction

### Full-price sales

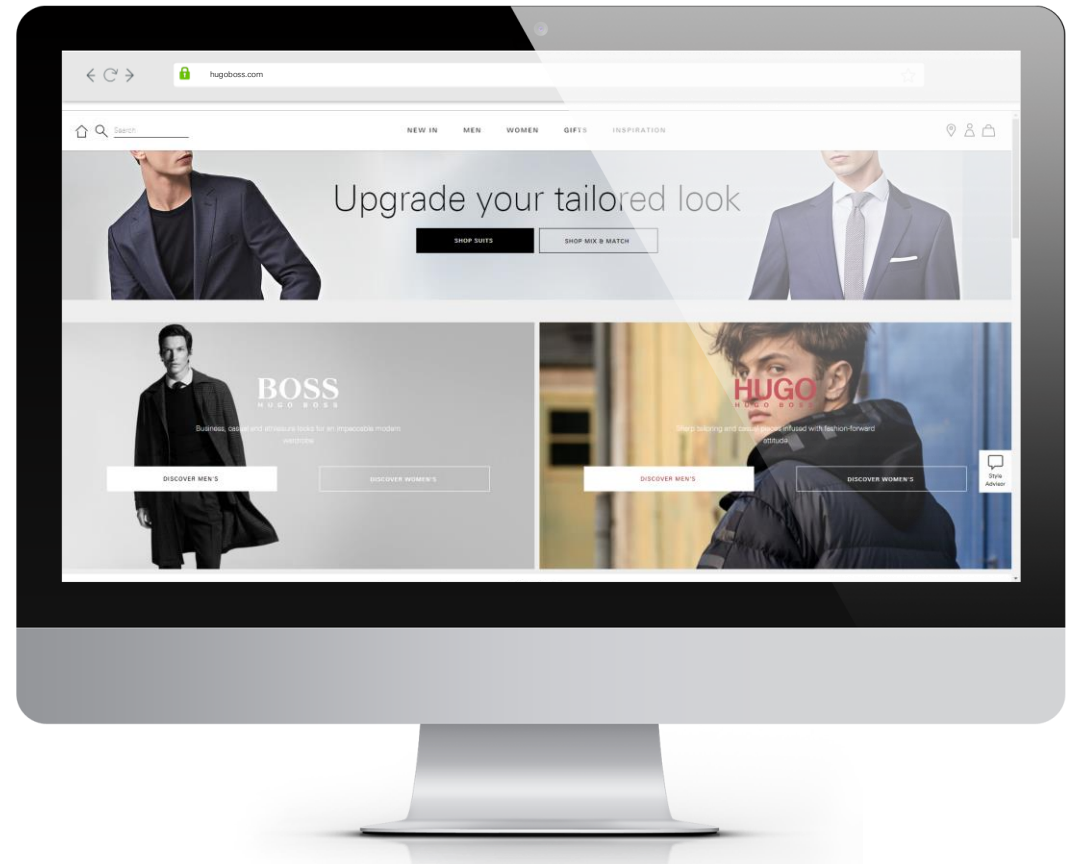
- Reduce share of outlet business
- Advanced markdown management

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





Efficiency program to **drive operating leverage**

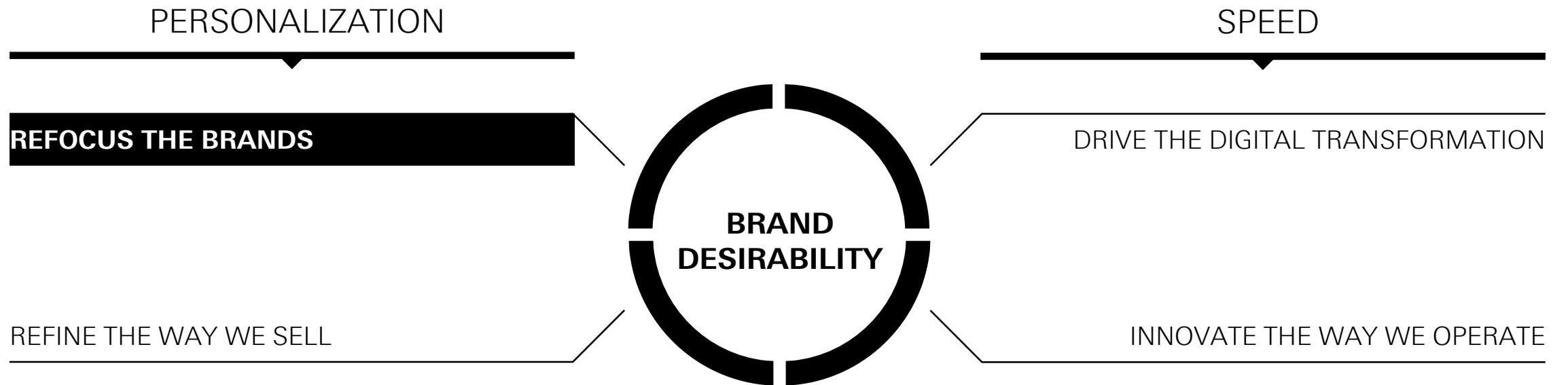


- 1** Exploit full potential of **omnichannel**
- 2** Rollout **hugoboss.com** website
- 3** Strengthen **IT** capabilities
- 4** Expand **digital** content teams
- 5** Enable best-in-class **supply chain** capabilities

Continued investments  
in **driving the digitization**



# 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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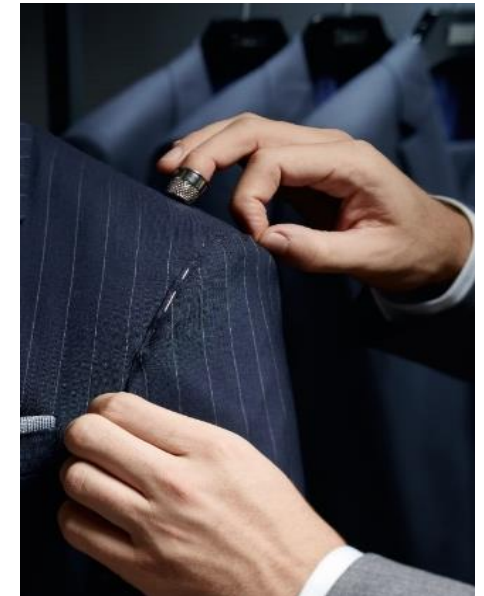
**+15%**  
Sales growth YOY  
**Mix & Match**



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

Product | Casual- and Athleisurewear

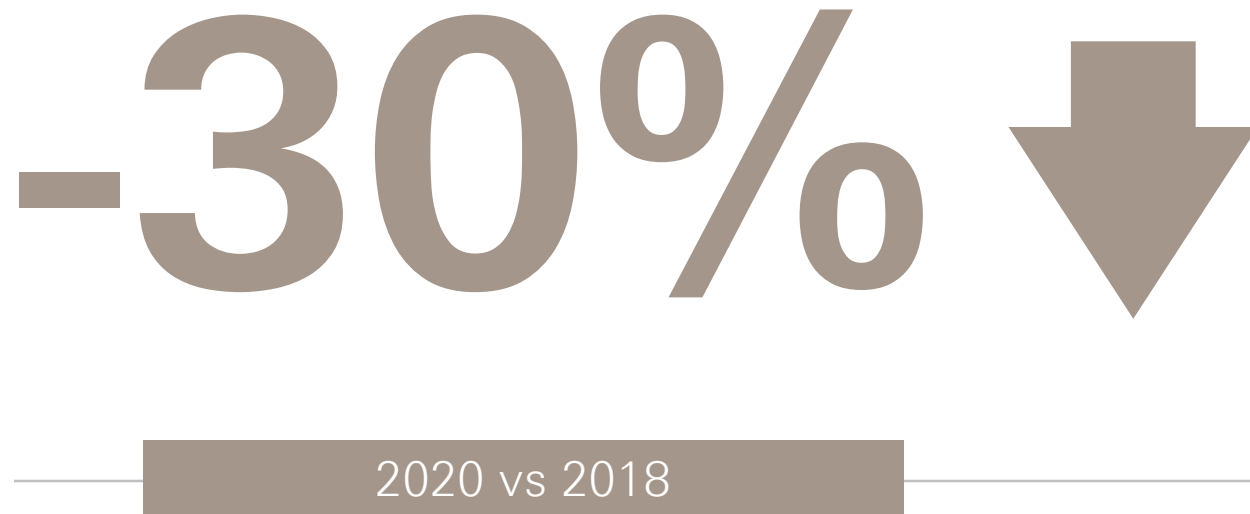


CAGR 2018-2022  
**double-digit**



**Exploit potential with  
BOSS Casual- and Athleisurewear**

Product | Casual- and Athleisurewear

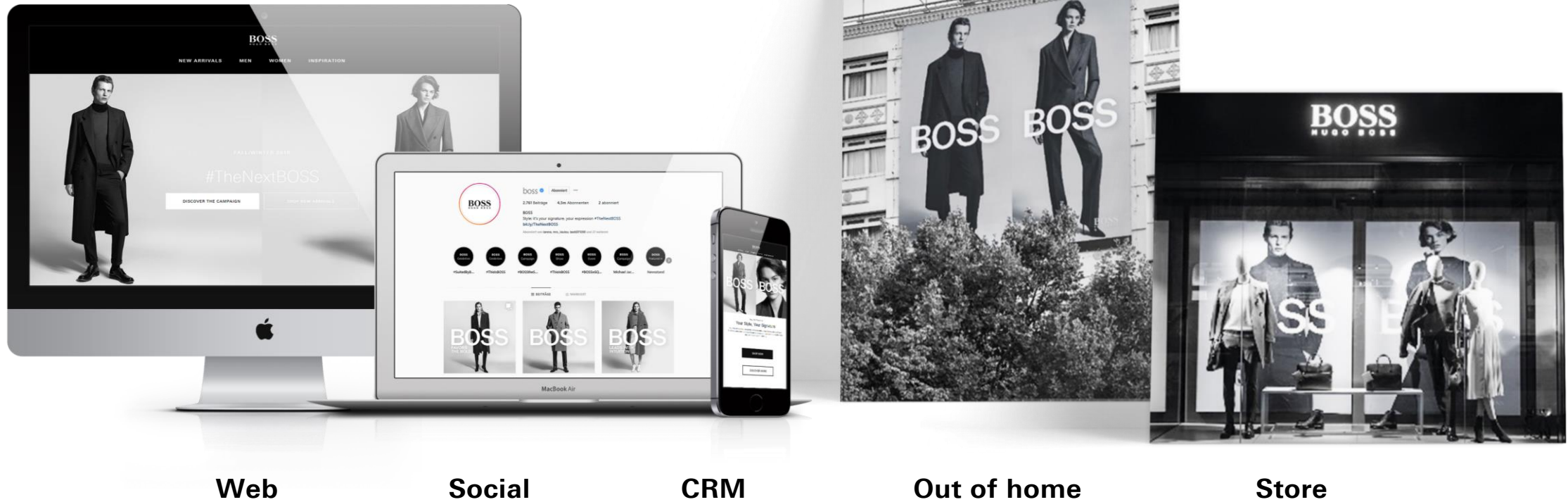


- 1 Analyze product groups** and customer needs
- 2 Reorganize collection structure** to minimize overlaps
- 3 Reallocate resources** for product innovation
- 4 Free up resources** for capsule collections

**Complexity reduction** for  
BOSS Casual- and Athleisurewear

360° marketing

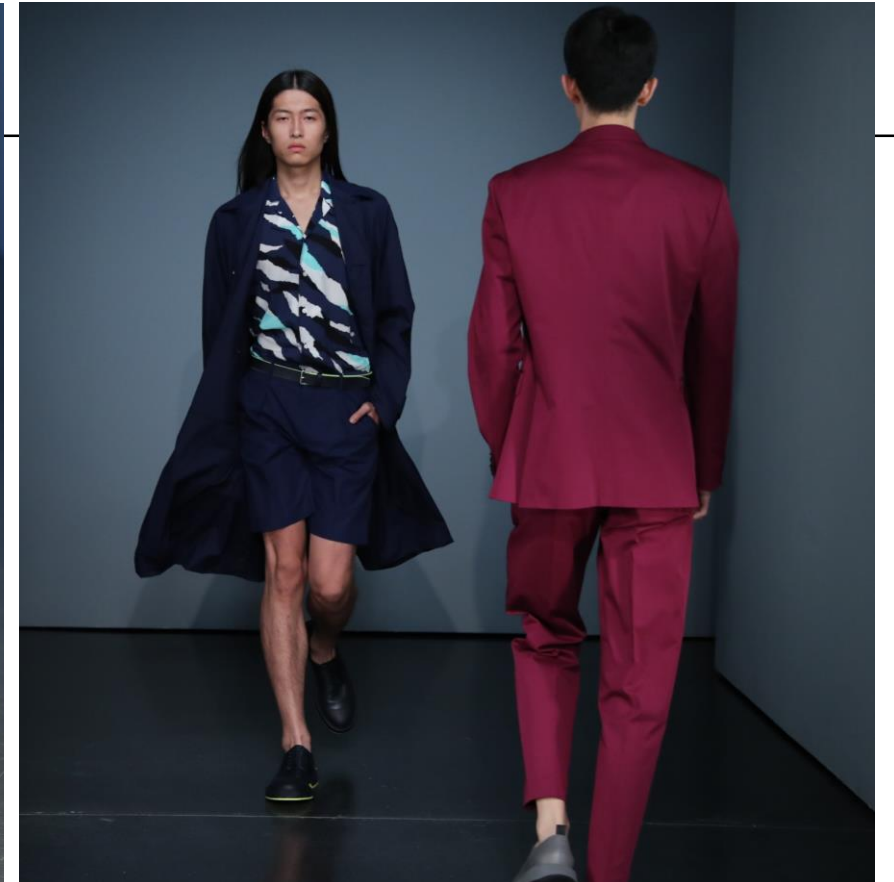
**360° marketing** approach to consistently engage with the BOSS customer





# BOSS fashion shows in Milan and Shanghai attract worldwide attention

**BOSS**  
HUGO BOSS





BRAND STRATEGY

HUGO

Product | Unconventional authenticity

**Businesswear**



Authentic

Unconventional

**Casualwear**

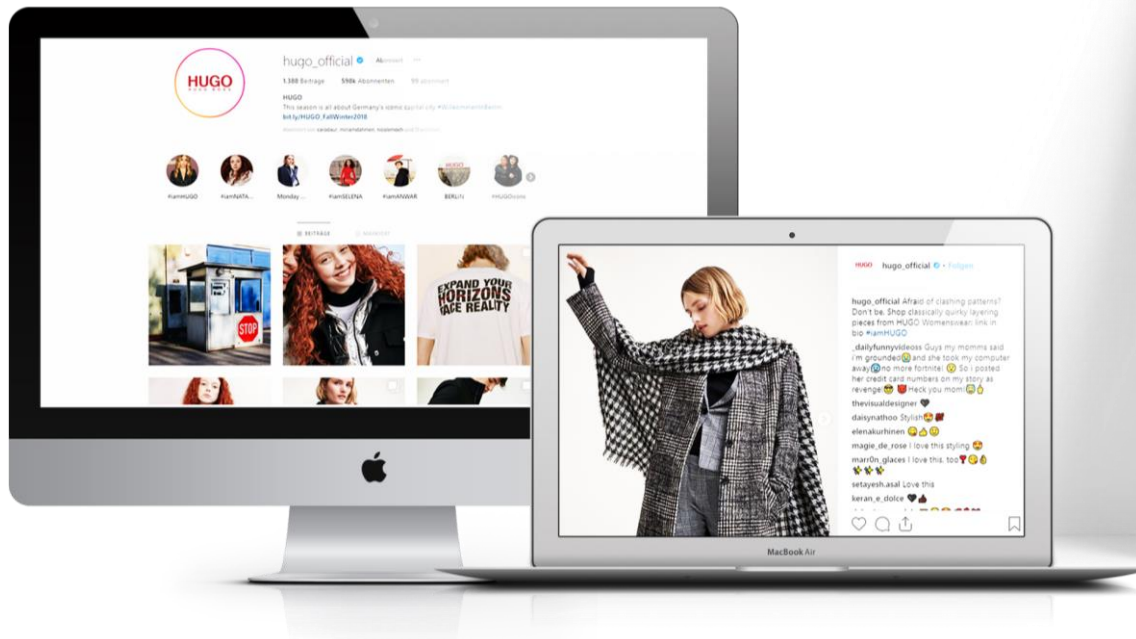


Innovative

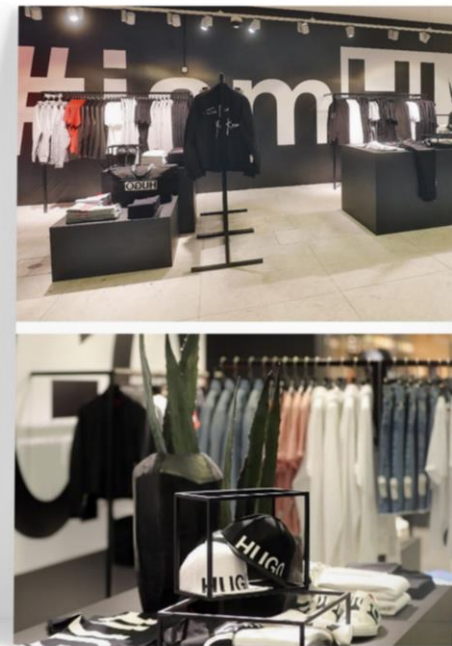
Offering progressive collections  
**for the "mix-masters"**

Marketing

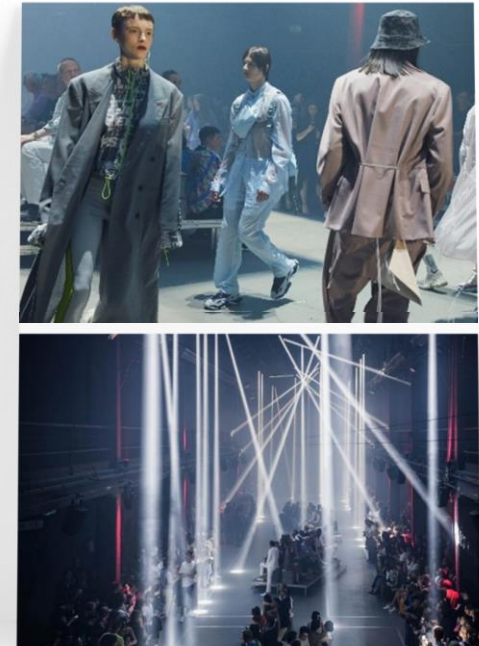
**Marketing initiatives** aim at connecting with the HUGO customer



**Social**

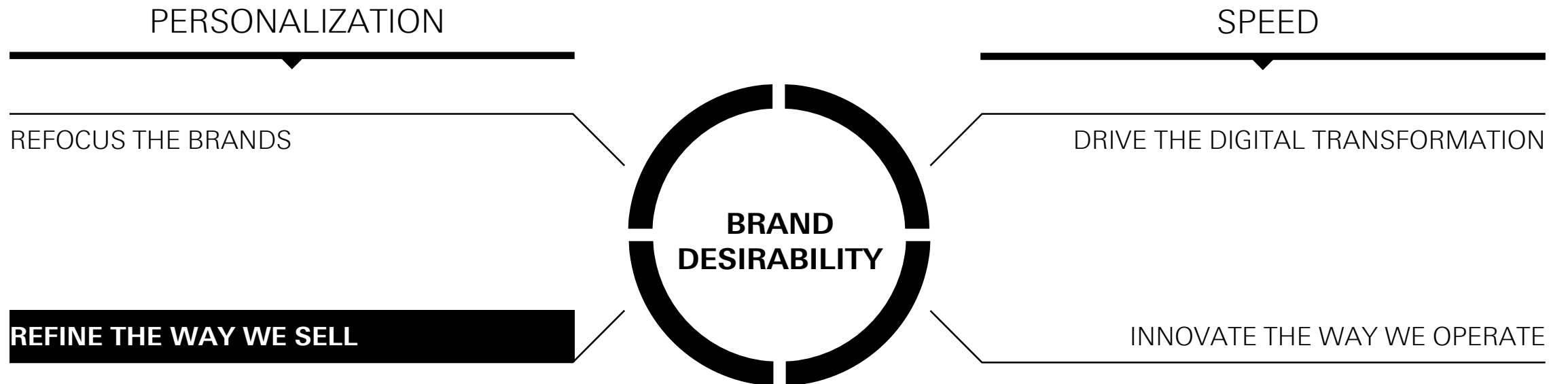


**Pop-up stores**



**Fashion show**

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





HUGO BOSS

# RETAIL



BOSS Store, Tokyo

**BOSS STORE**  
MEXICO CITY



**BOSS STORE**  
AMSTERDAM



NEW **BOSS**  
STORE CONCEPT

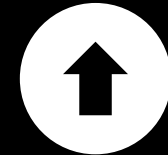
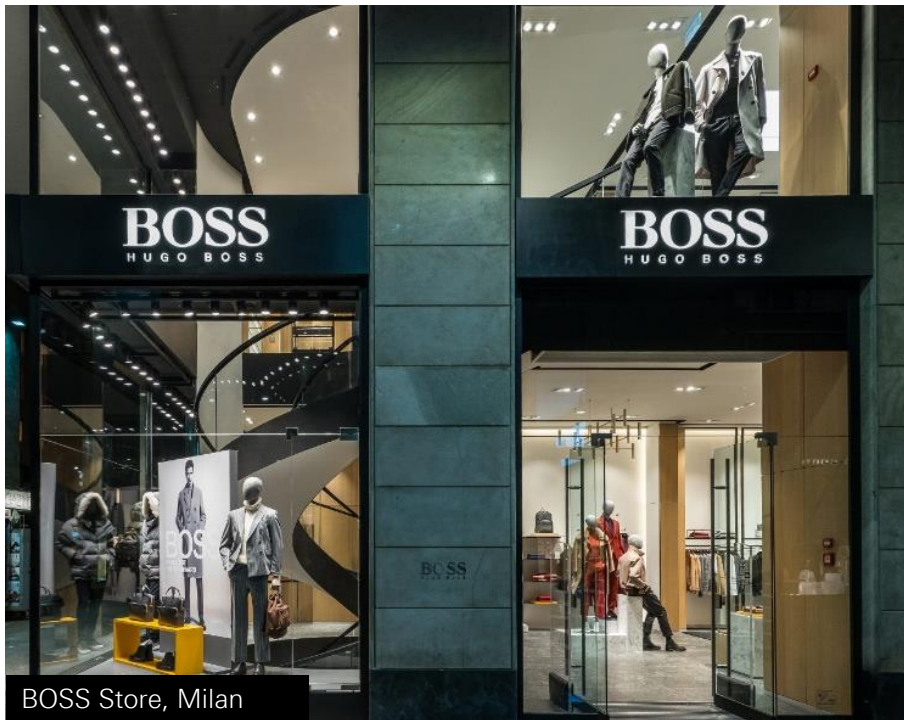
68

**BOSS** STORES  
WITH NEW CONCEPT

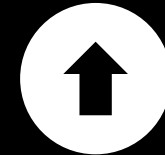
**Accelerate rollout**  
of new BOSS store concept



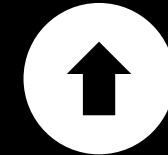
# New BOSS store concept improves performance across KPIs



Sales



Sales productivity



Units per transaction

# BOSS celebrates reopening of its flagship store on the Champs-Élysées

**BOSS**  
HUGO BOSS





# New BOSS Outlet in Germany opens its doors



**HUGO STORE**  
TOKYO



**HUGO STORE**  
MOSCOW



**HUGO STORE**  
CONCEPT

26

**HUGO STORES**  
IN TOTAL

**HUGO Store concept** targets  
fashion-forward customer

# 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

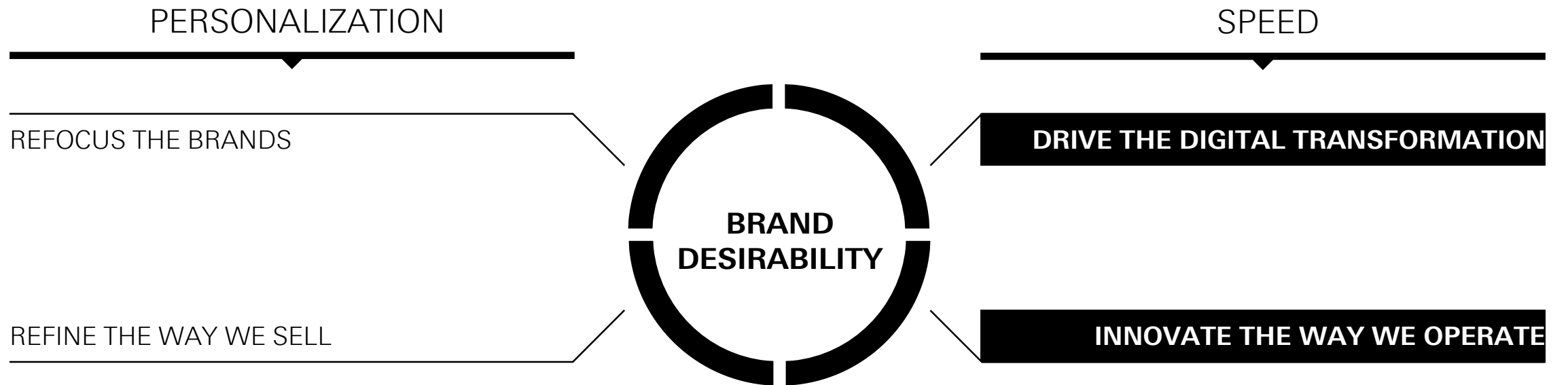
04

Expand online  
cooperation

05

Grow demand-  
driven supply

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



# Two different initiatives to drive Speed

## ADVANCED ANALYTICS

Operations-related dimensions

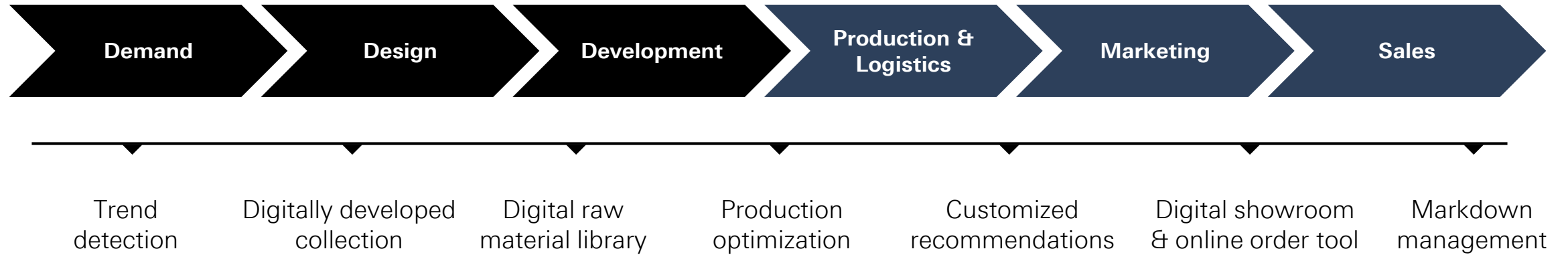
**1**



**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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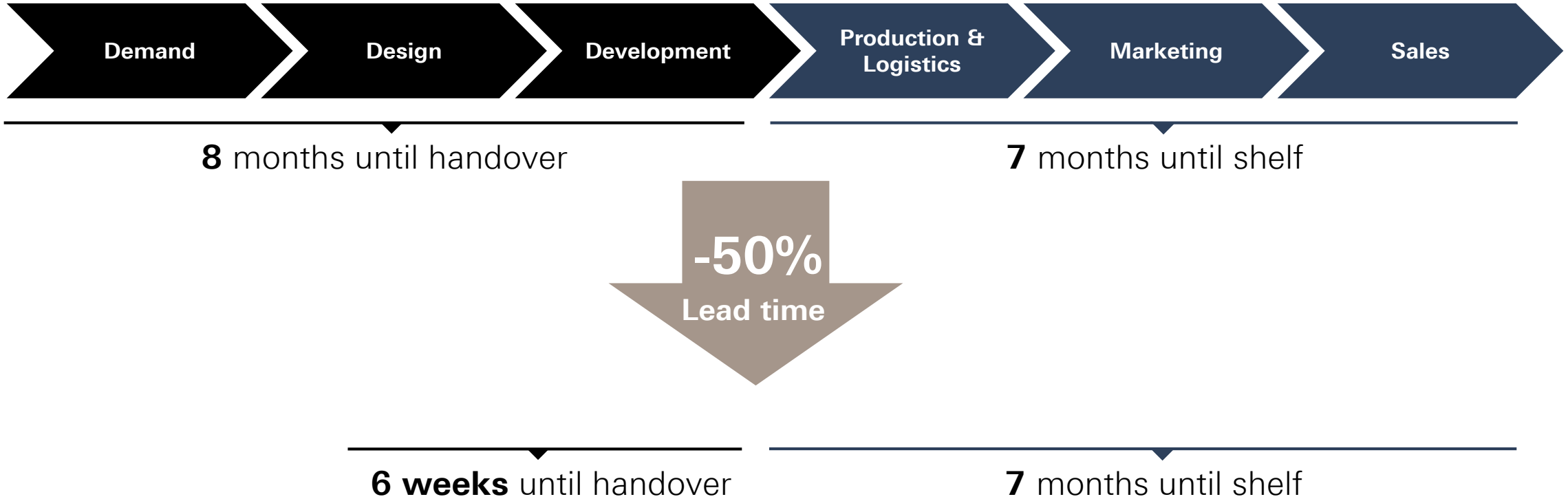
**Made from** fabrics  
applied in latest  
collections

**By digitally  
enabled  
vendors**

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**Made by** fast and  
digitally enabled  
vendors

Development



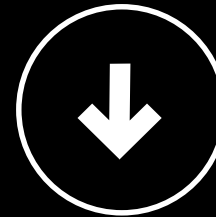
**Digital development** reduces lead times by 50%



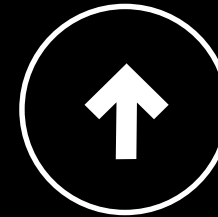
# Markdown management optimization via advanced analytics



## ADVANCED ANALYTICS



**Optimize  
end-of-season  
markdowns**



**Increase  
full-price sell  
through**

# AGENDA

**1** Third Quarter Results & Outlook 2019

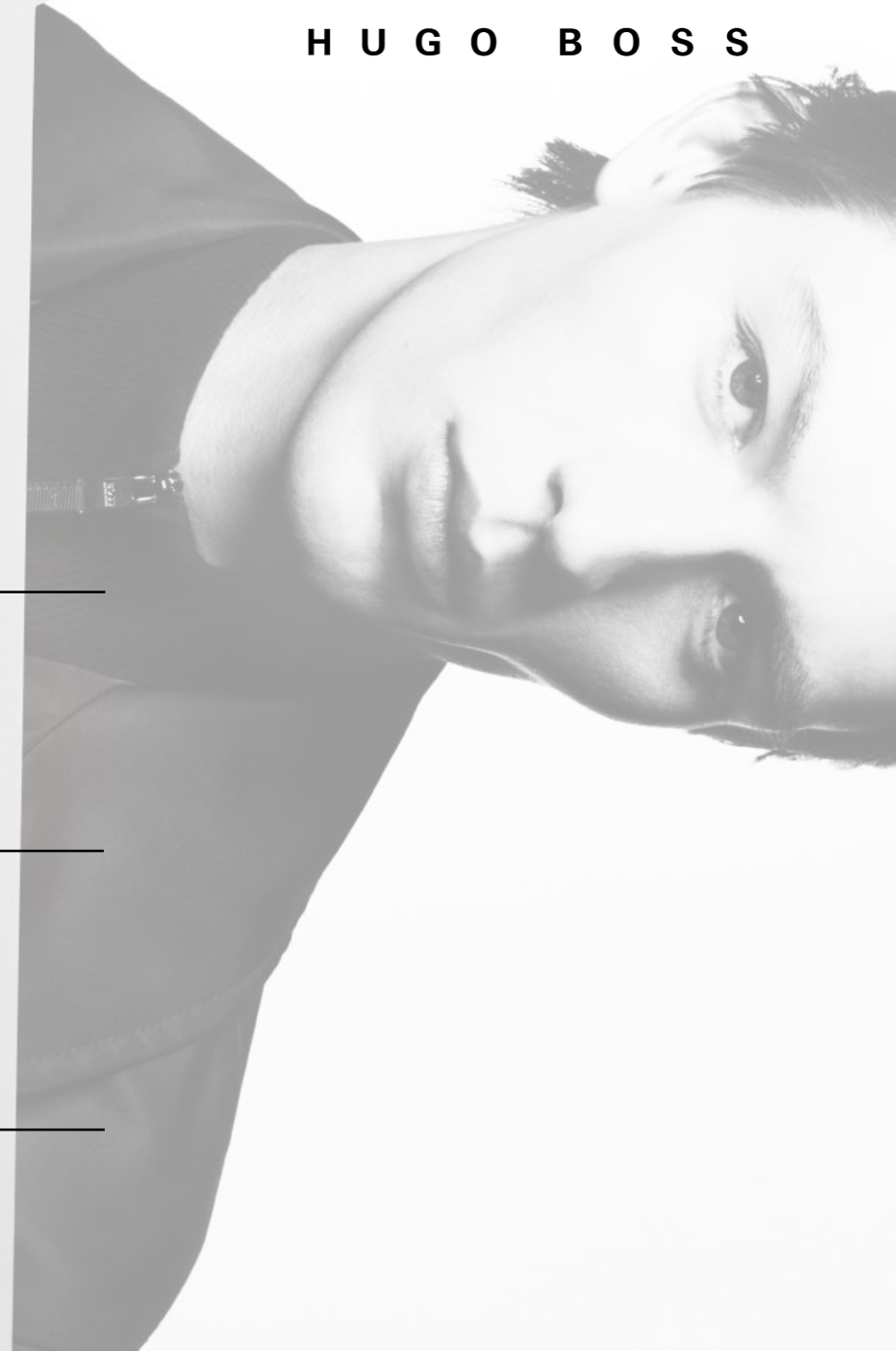
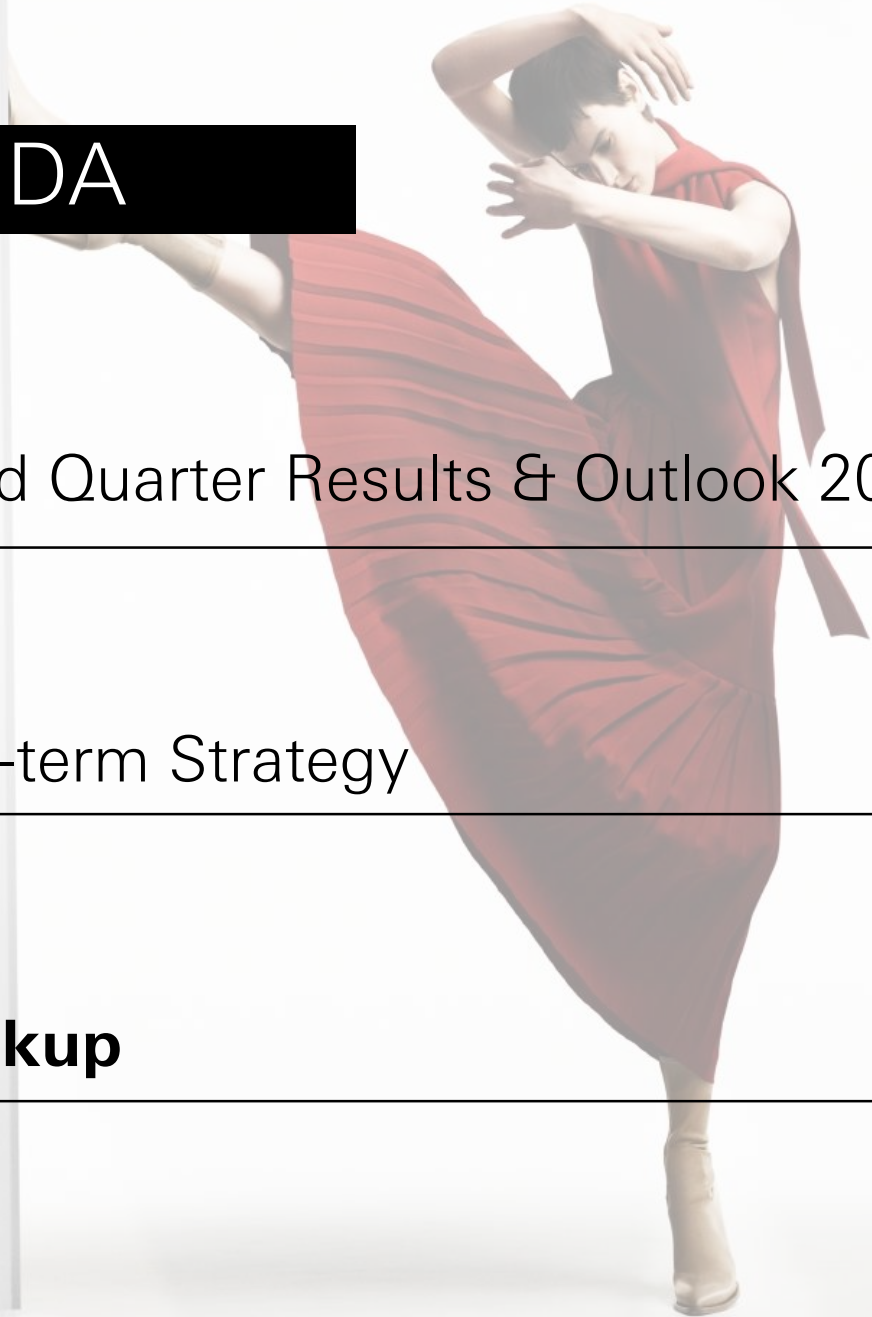
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**2** Mid-term Strategy

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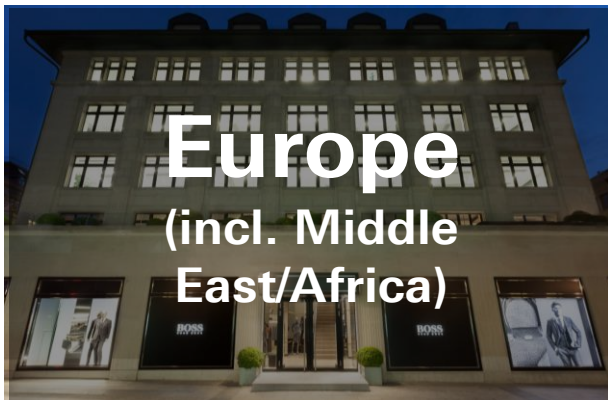
**3** Backup

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# Sales by region and major markets

Share of Group sales\*



**62%**

Germany: 15%

Great Britain: 13%

France: 6%

Benelux: 5%

Other: 23%



**20%**

U.S.: 15%

Canada: 3%

Central & South America: 2%



**15%**

China: 8%

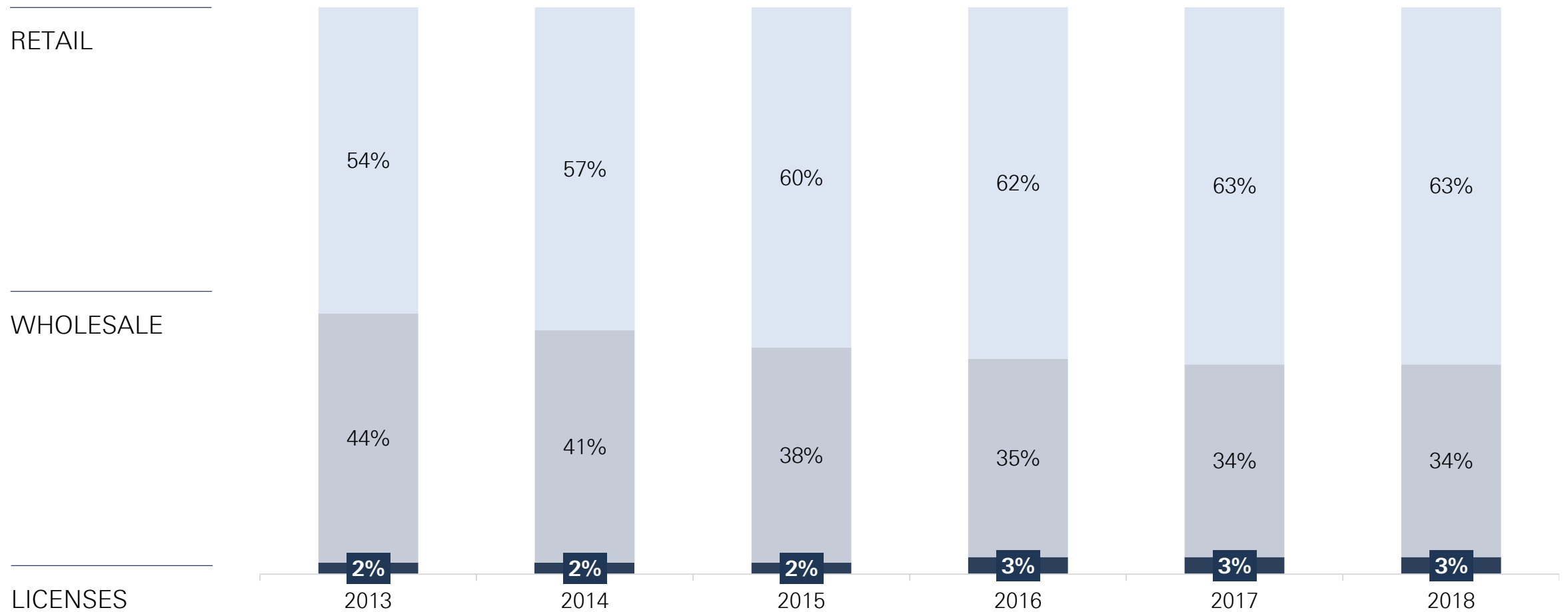
Oceania: 2%

Japan: 2%

Other: 3%

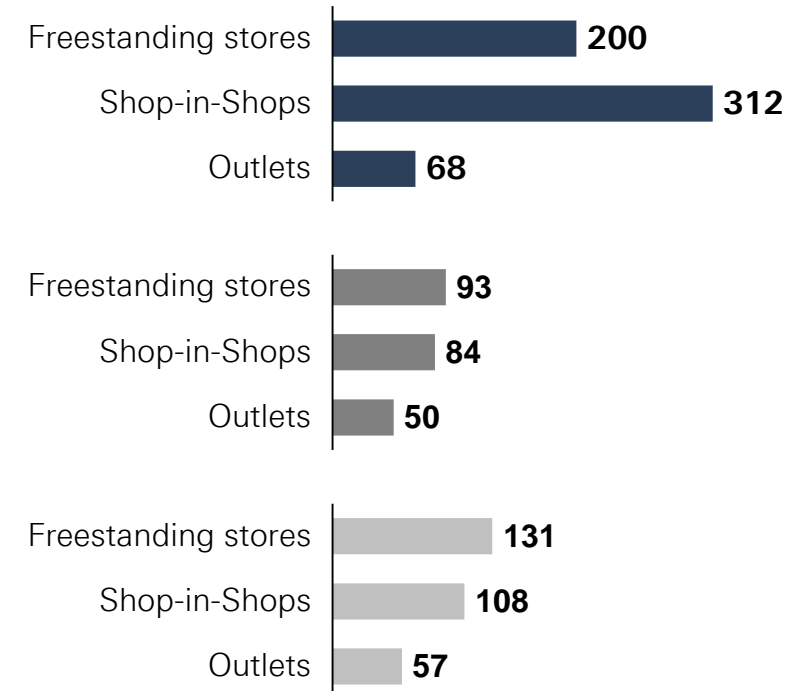
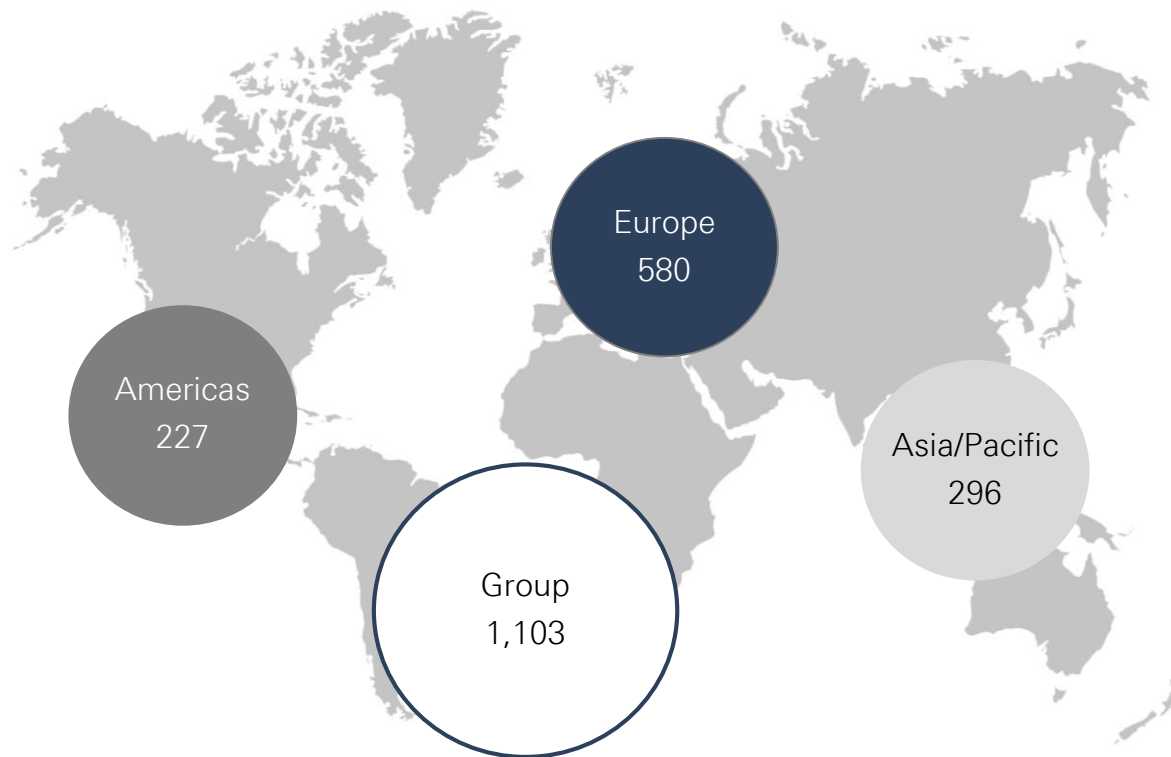
\* = as of 2018; 3% licenses

# Sales by distribution channel



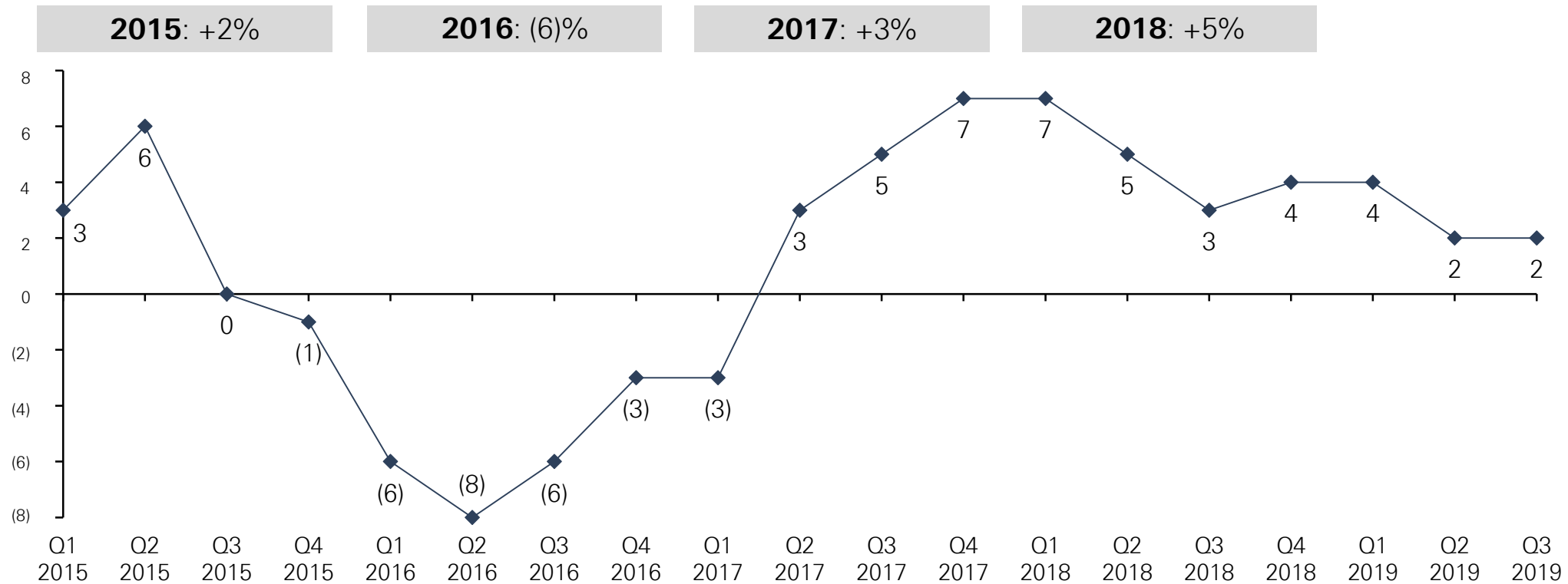
# Number of Group's own retail stores by region

As of 30/09/2019



# Retail comp stores sales

Retail I-f-I sales development\*



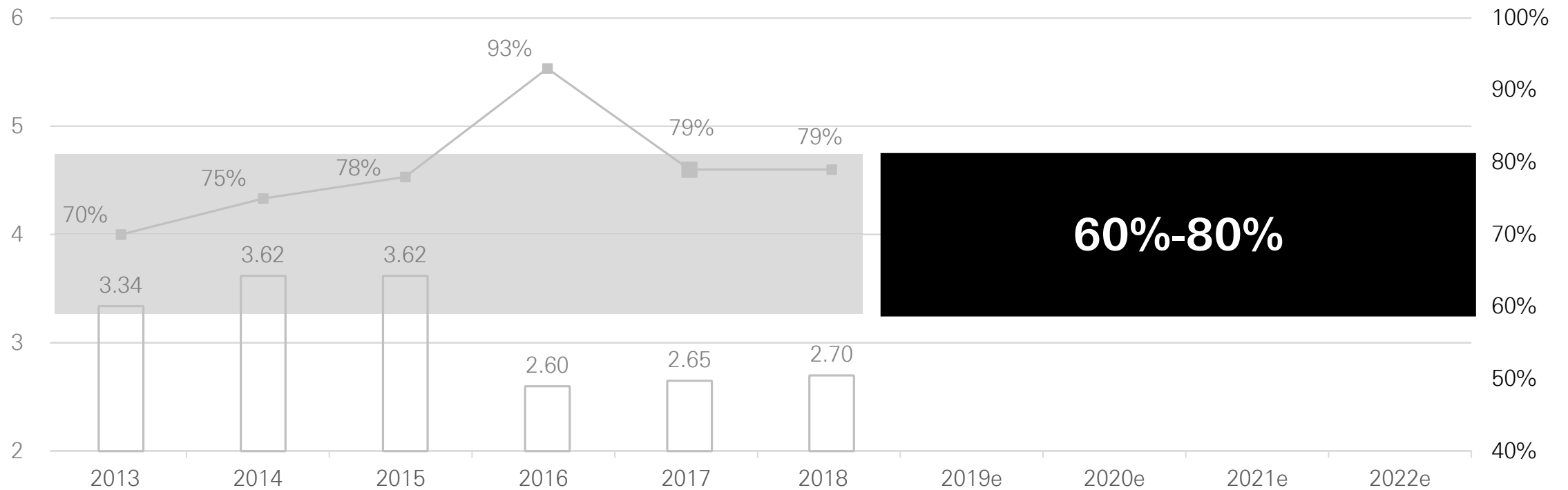
\*currency-adjusted



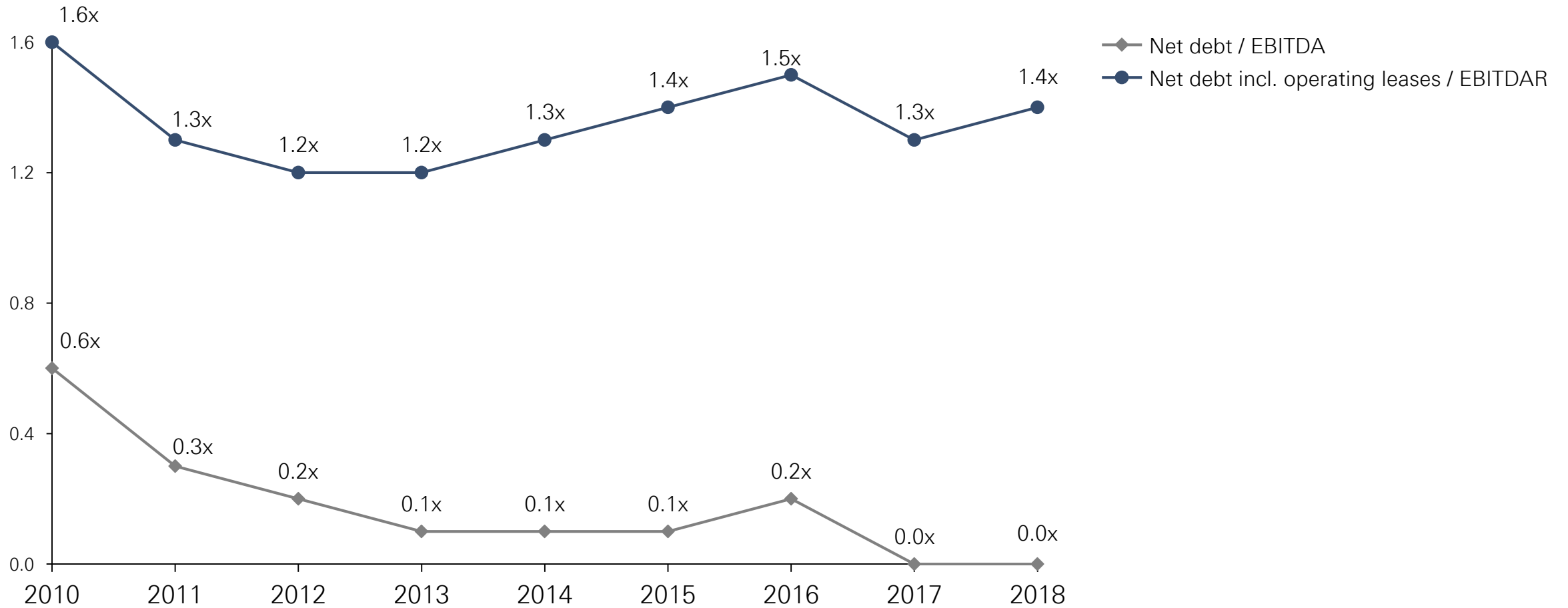
# Shareholder return

Strong commitment to profit-based dividend policy

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



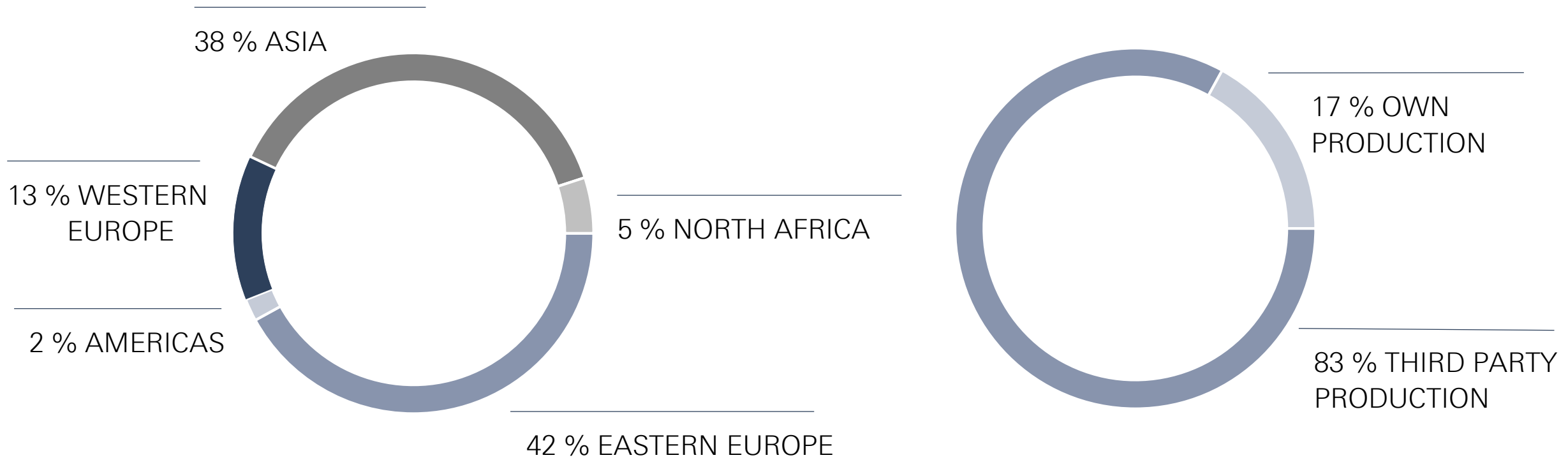
# (Adjusted) financial leverage



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
Adjusted EBITDA margin in % <sup>1</sup>	17.5	18.0	18.3	21.2	23.0
EBIT	347	341	263	448	449
EBIT margin in %	12.4	12.5	9.8	15.9	17.4
Net income	236	231	194	319	333
Trade net working capital in % of sales	19.7	18.6	19.8	19.5	19.1
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 per share	2.70	2.65	2.60	3.62	3.62

1 EBITDA before special items/Sales.

2 Net financial liabilities/EBITDA before special items.

# Financial Calendar & Investor Relations contact

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2020

Full Year Results 2019

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2020

First Quarter Results 2020

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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.

