

# HUGO BOSS

Press Release

## **HUGO BOSS presents 2022 strategic business plan – Focus on personalization and speed to further drive brand desirability**

- **Currency-adjusted sales expected to increase by an average of between 5% and 7% per year by 2022**
- **Operating profit to grow significantly faster than sales**
- **EBIT margin to reach 15% by 2022**
- **Dividend payout ratio in range of between 60% and 80% confirmed**

Metzingen/London, November 15, 2018. HUGO BOSS intends to increase currency-adjusted sales over the next four years by an average of between 5% and 7% and grow its operating margin to 15%. The Managing Board reports this today at an investor day in London where the company's strategy evolution and a mid-term financial outlook will be presented. Further increasing the desirability of the brands BOSS and HUGO is the declared objective under the 2022 strategic business plan.

"We have set ourselves high targets for the coming years", says Mark Langer, Chief Executive Officer of HUGO BOSS AG. "We want to grow faster than the market, and expect our operating profit to develop significantly better than our sales. The successful realignment of our brands BOSS and HUGO has laid the foundation for this. We will further increase the personalization of our offerings in the future and speed up central processes in the course of further developing our strategy. Our overall aim is clear: We want to be the most desirable premium fashion and lifestyle brand globally."

To further drive the desirability of its brands, HUGO BOSS is focusing on two strategic priorities in its 2022 business plan:

### **Personalization and speed.**

- **Personalization:** The company will substantially expand its focus on personalized offerings. The intent is to increase customer satisfaction

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sustainably by employing a more individualized customer approach, a personalized product range, and a unique shopping experience. In doing so, HUGO BOSS is building on its strengths: its global retail network, its systematic customer relationship management, and its extensive experience in made-to-measure clothing.

- **Speed:** HUGO BOSS will make its business processes considerably more agile. This will enable the company to react to customer needs and to new market trends even more quickly and flexibly in the future. The existing skills of HUGO BOSS in product design and development, its modern logistics and IT infrastructure and the use of digital showrooms will be the key levers.

By 2022, the company expects to increase Group sales by an average of between 5% and 7% per year on a currency-adjusted basis. Sales are therefore expected to outgrow the projected growth of the relevant market segment for HUGO BOSS in the coming years. Four factors are particularly crucial for further growth: significant growth in the Group's own online business, an improvement in retail sales productivity, exploiting the growth potential in Asia, and above-average growth of HUGO in the contemporary fashion segment.

## **Quadrupling of sales in the Group's own online business targeted**

The company sees great growth opportunities in expanding its online business. In the coming years, this sales channel is expected to contribute to achieving company objectives with significant above-average growth. Exploiting the potential of the own online store hugoboss.com and expanding the concession model in the online business are expected to contribute to this substantially. The Group plans to quadruple its sales in its own online business by 2022.

## **Significant improvement in retail sales productivity**

HUGO BOSS aims to increase retail sales productivity by an average of 4% annually by 2022. Along with an optimization of the store network, accelerated renovation of existing BOSS stores, expansion of omnichannel services and improvements in product range are expected to contribute to this.

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## **Above-average growth in Asia**

The Managing Board is convinced that the Group still has considerable growth potential particularly in Asia. Sales in the region are expected to increase on average at a double-digit percentage rate per year by 2022, with China playing a key role. In doing so, the share of sales from Asia will increase from around 15% currently to 20% in 2022. In addition to the optimization and expansion of the local retail network, the online business, also in cooperation with various multibrand platforms, should contribute to above-average sales growth in particular.

## **Significant sales increase for HUGO**

The company sees great potential for its HUGO brand. In the coming years, the focus on the dynamic contemporary fashion segment should contribute to above-average growth and therefore also to achieving company targets. This entails taking full advantage of the potential of the HUGO brand in the casualwear segment. Furthermore, additional HUGO stores with a unique store concept will be opened, and the HUGO brand will increase its social media activity.

## **Increase in EBIT margin to 15% expected by 2022**

HUGO BOSS is expecting a return to sustainable profitable growth already for the coming year. The company has set itself the target of improving its EBIT margin to 15% by 2022. This represents an increase of nearly 3 percentage points over the expected EBIT margin for fiscal year 2018. An improved gross profit margin and a Group-wide efficiency program with a strong focus on a more efficient use of operational expenses will contribute to this.

In order to improve the gross profit margin, particular emphasis in the coming years will be placed on further increasing the sales share from the Group's own retail business, reducing the complexity of the BOSS and HUGO collections, improving markdown management, and decreasing the sales share of the outlet business. The efficiency program aims at improving profitability of the Group's own retail business, using marketing expenditures more effectively, and optimizing the organizational structure.

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The Managing Board expects to generate free cash flow of between EUR 250 million and EUR 350 million per year until 2022. In light of the Group's very healthy financial situation and its expected strong cash flows, HUGO BOSS confirms its previous target range for future dividend payments. The company intends to continue to distribute 60% to 80% of net income to its shareholders.

Further information can be obtained from the management presentations, which will be broadcast live today starting at 10:00 a.m. CET on the company website [group.hugoboss.com](http://group.hugoboss.com). After the event, the presentation documents will be available for download. A recording of the presentations will also be available.

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