

**H U G O   B O S S**

# Investor Meeting Presentation

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- Roadshow Frankfurt
- equinet • May 4, 2017 •

Mark Langer, CEO  
Frank Böhme, Manager Investor Relations



## HUGO BOSS starts the year with sales increase



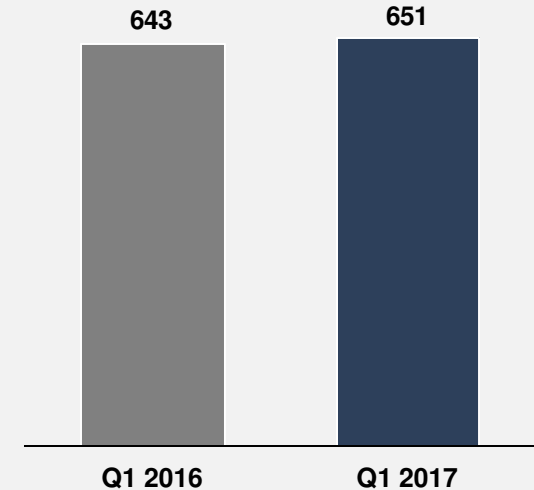
- Difficult market environment continues in Q1
- Good performance in core markets UK and China
- Sales growth in Europe and Asia more than compensates for declines in the Americas

### HUGO BOSS Sales

(in EUR million)

1 %

1 % fx-adjusted



## UK business drives overall sales increase in Europe

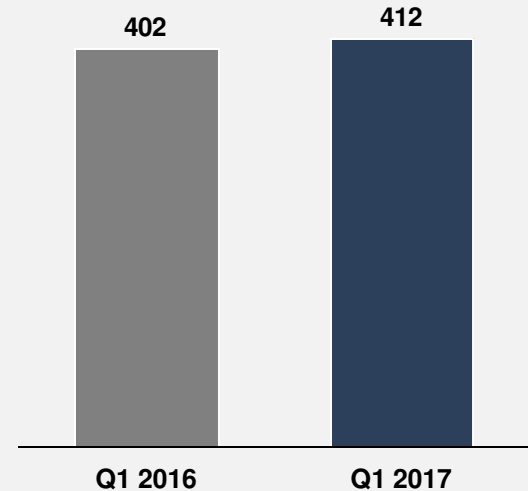


- Different timing of wholesale deliveries supports regional sales performance
- 7% growth in the UK due to solid local demand and growing tourist business
- Sales in Germany up slightly, France and the Benelux decline despite improving trends in February and March

### HUGO BOSS Europe Sales (in EUR million)

**2 %**

3 % fx-adjusted



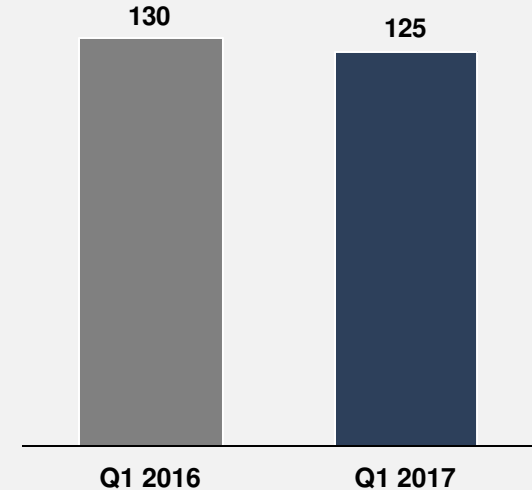
## Performance in the Americas continues to suffer from sales declines in the U.S.



- Performance in the U.S. improves sequentially but sales still down year-on-year
- Discontinuation of off-price business in wholesale has started to support sales in own retail
- Canada and Latin America record sales declines

### HUGO BOSS Americas Sales (in EUR million)

**(4) %**  
(7) % fx-adjusted



## Growth in China more than offsets weaker trends in rest of Asia/Pacific

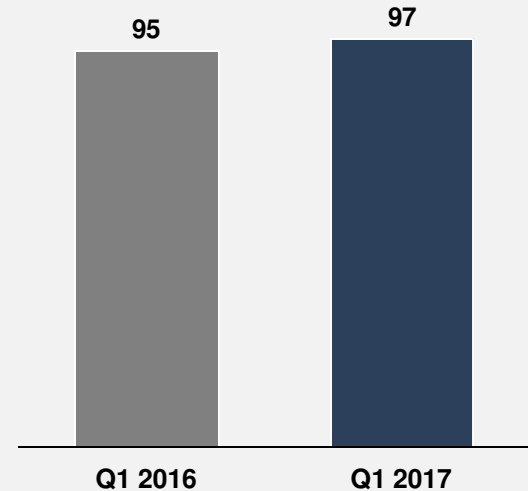


- Strong volume growth drives double-digit comp store sales increase in Mainland China
- Ongoing weakness in Hong Kong and Macau and prior year store closures limit sales growth in China to 3%
- Sales decline in smaller countries in the region

### HUGO BOSS Asia/Pacific Sales (in EUR million)

**3 %**

1 % fx-adjusted



## Stable sales trends in own retail



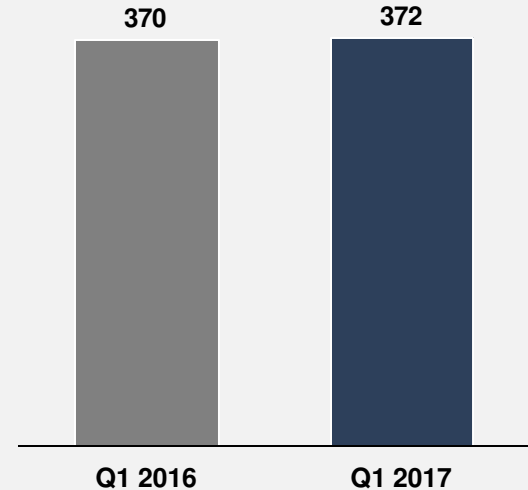
- Own retail sales down 3% on a comp store basis
- Trends improve over the course of the quarter
- Overall retail store count remains virtually unchanged

### HUGO BOSS Retail Sales

(in EUR million)

0 %

0 % fx-adjusted



## Wholesale business up in the first quarter

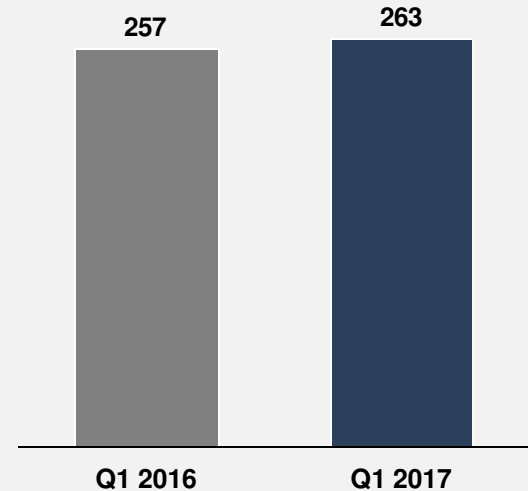


- Wholesale sales benefit from delivery shift effect in Europe
- Solid underlying trends in Europe
- Pressure from distribution restructuring in the U.S. expected to fade gradually over the further course of the year

### HUGO BOSS Wholesale Sales (in EUR million)

**3 %**

2 % fx-adjusted





## Fragrances drive growth in license business

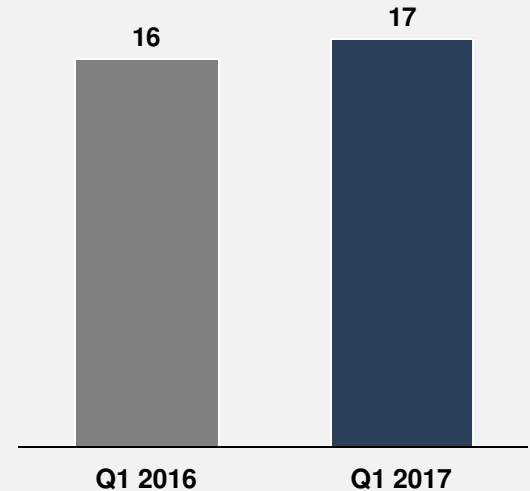


- Fragrance business up double-digits
- Successful launches drive performance
- Watches grow solidly, eyewear more difficult

### HUGO BOSS License Sales (in EUR million)

**5 %**

5 % fx-adjusted



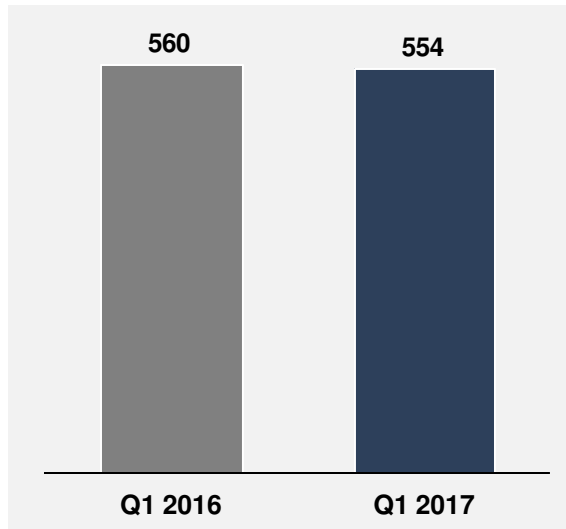
## HUGO sales grow at strong double-digit rate

### BOSS Brand Sales

(in EUR million)

**(1) %**

(1) % fx-adjusted



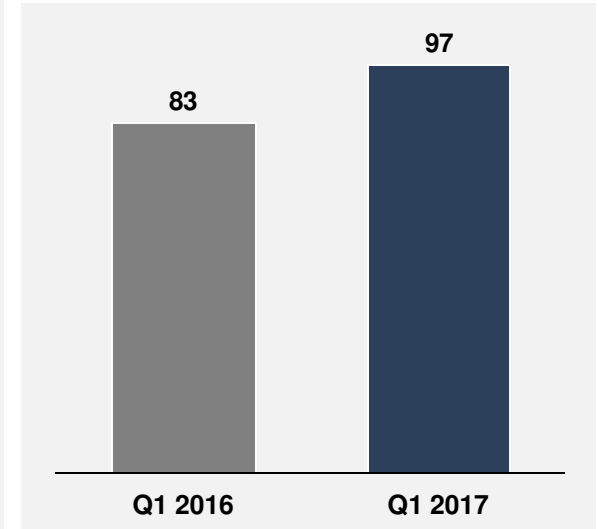
- BOSS Green sales increase at double-digit rate, BOSS core brand sales affected by more restrictive distribution in wholesale
- HUGO benefits from space gains in the wholesale channel and growth in own retail
- Womenswear grows slightly stronger than menswear

### HUGO Brand Sales

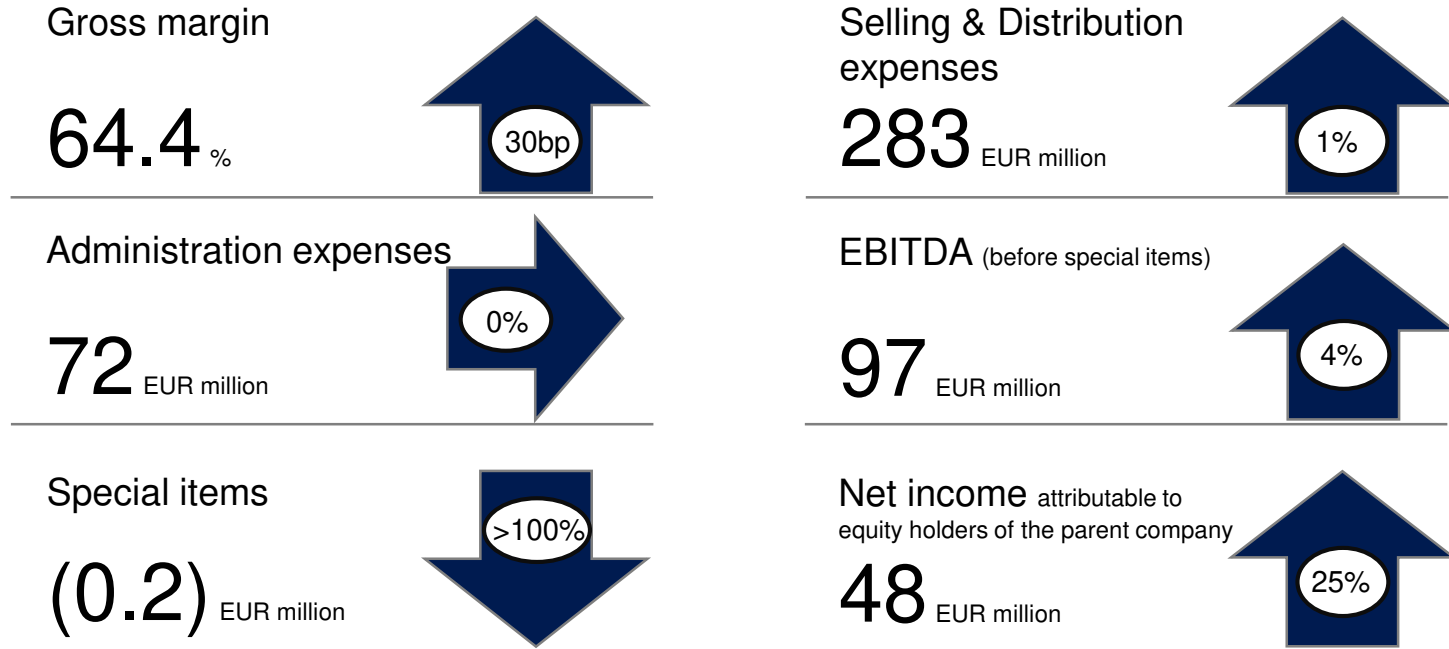
(in EUR million)

**17 %**

16 % fx-adjusted



## Non-recurrence of prior year special items and strict cost discipline drive profit growth



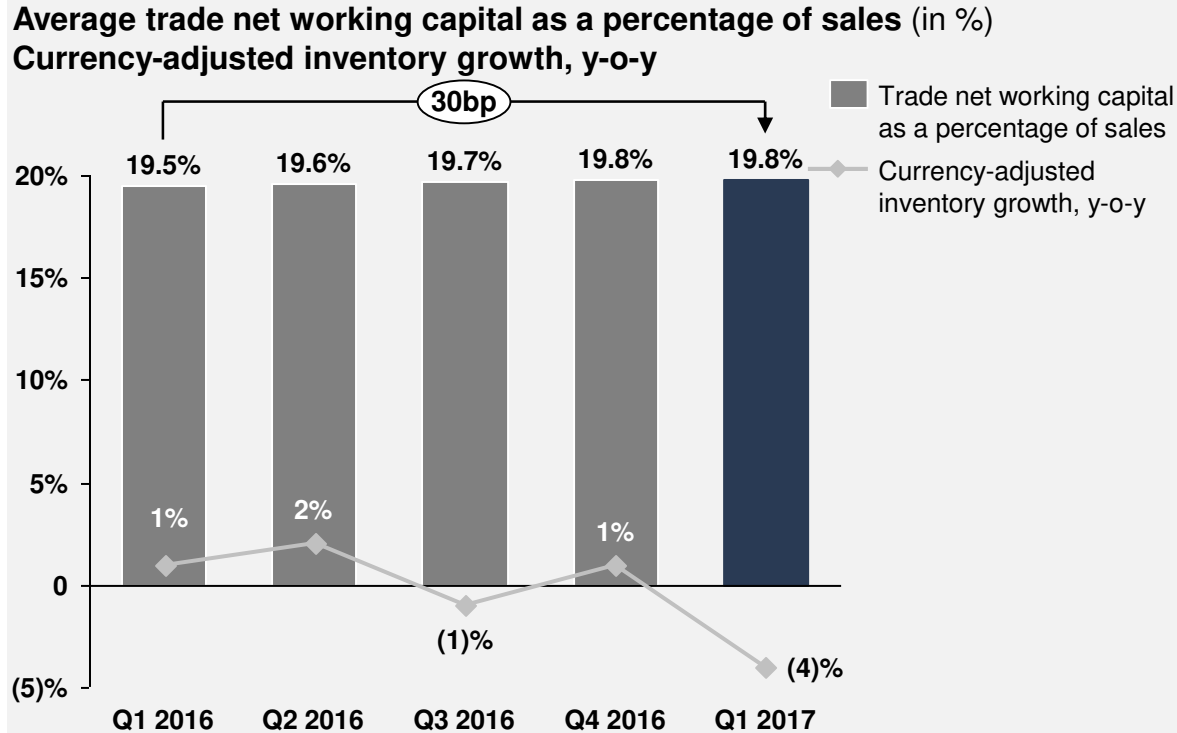
## Profitability in Asia/Pacific improves significantly

### Segment earnings

| In EUR million                        | Q1 2017       | In % of sales | Q1 2016       | In % of sales | Change in % |
|---------------------------------------|---------------|---------------|---------------|---------------|-------------|
| Europe*                               | 126.8         | 30.8          | 117.9         | 29.3          | 8           |
| Americas                              | 15.4          | 12.3          | 26.5          | 20.4          | (42)        |
| Asia/Pacific                          | 24.7          | 25.3          | 17.5          | 18.4          | 41          |
| Licenses                              | 14.0          | 84.9          | 13.4          | 85.3          | 5           |
| <b>Earnings of operating segments</b> | <b>180.9</b>  | <b>27.8</b>   | <b>175.3</b>  | <b>27.3</b>   | <b>3</b>    |
| <b>Corporate units/consolidation</b>  | <b>(83.5)</b> |               | <b>(81.8)</b> |               | <b>(2)</b>  |
| <b>EBITDA before special items</b>    | <b>97.4</b>   | <b>15.0</b>   | <b>93.5</b>   | <b>14.5</b>   | <b>4</b>    |

\*Incl. Middle East and Africa

## Group inventories continue to be well controlled

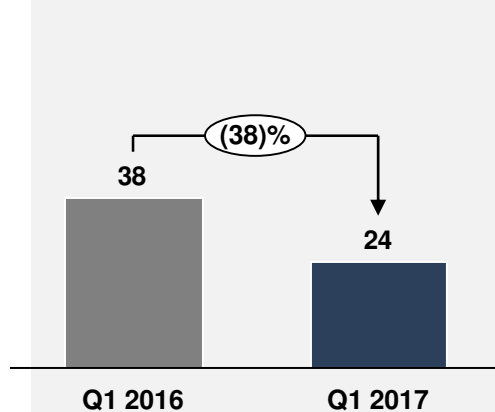


- Trade net working capital down 1% in currency-adjusted terms
- Inventories decrease in all three regions
- Double-digit inventory declines in the Americas and Asia/Pacific

## Different timing of investments supports free cash flow performance

### Capital expenditure

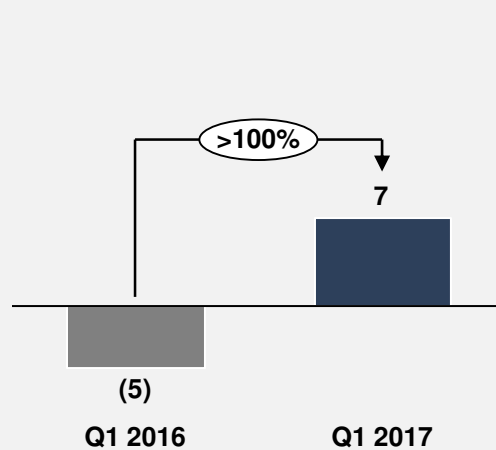
(in EUR million)



■ Decline reflects different timing of retail projects compared to the prior year

### Free cash flow

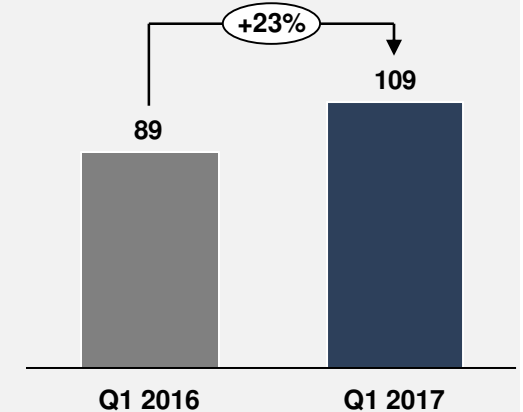
(in EUR million)



■ Increase due to profit growth, working capital improvements and lower investments

### Net financial liabilities

(in EUR million)



■ Increase due to dividend payment in May 2016

# GROUP STRATEGY



## Group strategy focuses on four fields of action





# REFOCUS THE BRAND



## Focus on two clearly positioned brands

**BOSS**  
HUGO BOSS



**HUGO**  
HUGO BOSS



## Two strong brands with distinctive cores



|                                |   |
|--------------------------------|---|
| <b>Brand values</b>            | Top quality, sharp tailoring, clear designs   |
| <b>Brand message &amp; USP</b> | BOSS offers confident business wear and refined casual wear for sophisticated customers who want to be impeccably dressed for every situation |
| <b>Brand personality</b>       | Successful, confident, sophisticated, reliable, responsible, authentic, dynamic, quality-oriented   |
| <b>Pricing</b>                 | Upper premium   |



|                                |  |
|--------------------------------|--|
| <b>Brand values</b>            | Progressive & contemporary design, expressive fashion statement                                |
| <b>Brand message &amp; USP</b> | HUGO offers designer clothes at an affordable price which give the wearer a 24-hour look       |
| <b>Brand personality</b>       | Spontaneous, individual, contemporary, trend-oriented, creative, fashion-forward, experimental |
| <b>Pricing</b>                 | Premium  |

## BOSS dresses the demanding customer for all occasions



BUSINESS



CASUAL



ATHLEISURE

June 2017:

Sell in of the collection to wholesale partners



January 2018:

Spring / Summer collection 2018 in stores



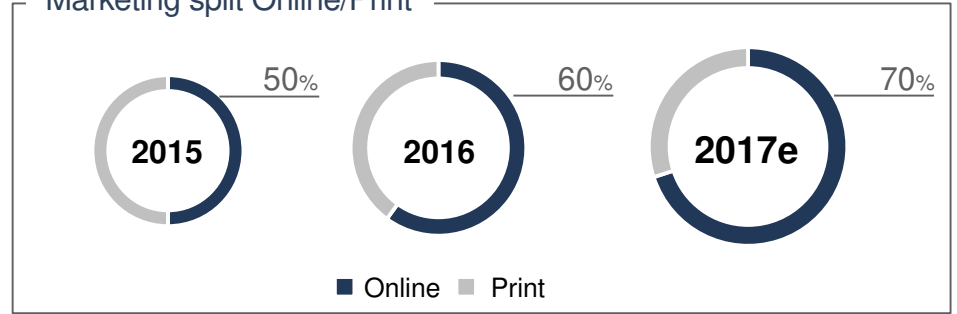
## New York Fashion Show showcases the elements fundamental to BOSS



## Marketing strategy prioritizes digital and menswear



Marketing split Online/Print



Marketing split Menswear/Womenswear



## Womenswear continues to be an important part of the BOSS business



## HUGO represents an exciting long-term growth opportunity



CASUAL



BUSINESS





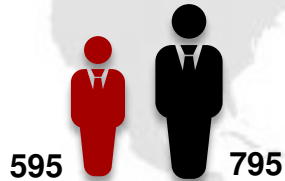
## Two competitive environments



## Attractive pricing will contribute to the expansion of HUGO across all regions

### Entry price point for suits

#### United States (in USD)



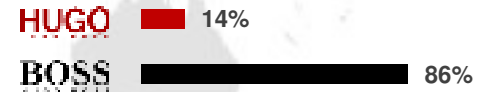
#### Euro Countries (in EUR)



#### China (in CNY)



Global sales share by brand, FY 2016 (in %)



▶ Average HUGO prices are around 30% below BOSS



REFINE THE WAY  
WE SELL

## Wholesale partners welcome clarity and consistency of refined brand positioning



- Positive overall feedback from wholesale partners on refined brand strategy
- 
- Order intake for Fall/Winter 2017 in line with expectations, positive momentum in casualwear
- 
- Group committed to align global selling prices further

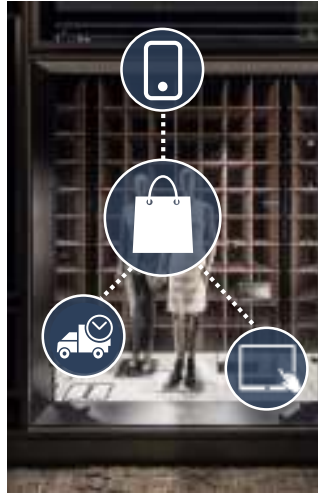
## Target to increase own retail sales productivity by 20% in the next five years



Better and broader offering at entry price points



Expansion of casual and athleisure offering in stores



Rollout of omnichannel services



Investment in retail staff training



Optimization of retail network

## Store renovations will upgrade own retail network



### Openings

- 10-15 freestanding store openings will strengthen the network
- First HUGO pilot stores planned for 2018



### Closures

- Remaining circa 15 store closures to be completed by the end of the year
- Some additional store closures based on expiration of rental contract



### Renovations

- Renovations to account for the bulk of retail investments

► **Own retail selling space will remain largely stable in 2017**

## New BOSS pricing architecture clears up historical imbalances

Maximum  
price difference  
between  
two markets  
**30%**  
by end of 2018

### Americas →

- ▶ BOSS prices to remain virtually unchanged
- ▶ Around 20% above European levels

### Europe ↗

- ▶ Single-digit % increase overall
- ▶ All Euro countries fully aligned

### Asia ↘

- ▶ Mid-teens % decline overall
- ▶ Max. 30% above European levels

▶ **The effect of BOSS price adjustments will be neutral on a global level**



DRIVE THE DIGITAL  
TRANSFORMATION



## Online and physical retailing are becoming one



## Online business set to return to growth after disappointing start to the year 2017

Search engine optimization • CRM • Mobile • Page load performance • User experience • Merchandising



## The Group's digital roadmap

### Enable the cultural transformation

#### Set the foundations

- Takeover of website frontend management
- Insourcing of European online fulfilment
- hugoboss.com and app (re)launches
- Omnichannel pilots

#### Improve performance

- Rollout of omnichannel services
- Commercial optimization of hugoboss.com and app

#### Develop the model

- Digitization of existing business model
- Addition of new business models

May 2017



# INNOVATE THE WAY WE OPERATE

## Agility is the basis of innovation

**Establish flexible structures**

**Empower our people**

**Foster entrepreneurial thinking**



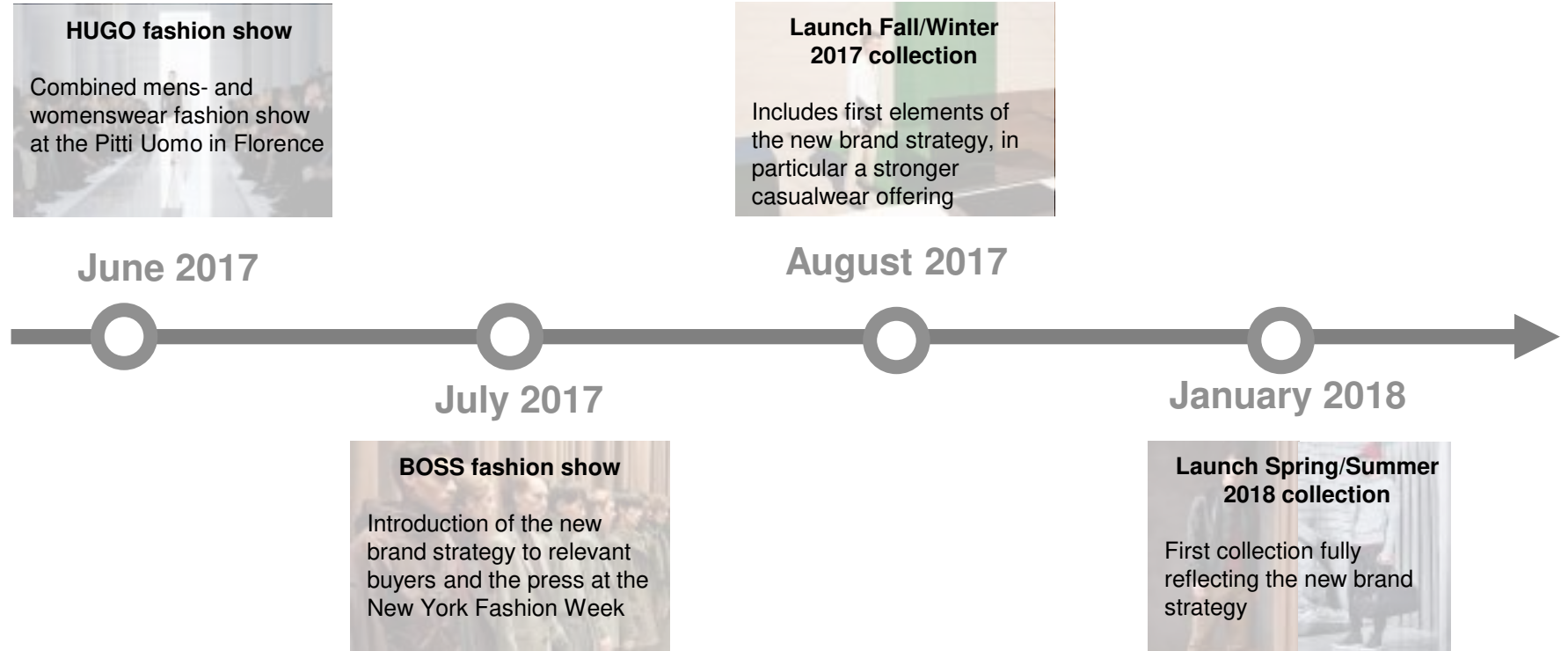
## Speed drives commercial success



# FINANCIAL AND OPERATIONAL OUTLOOK



## Important milestones of new strategy implementation ahead





## Group sales to remain largely stable in 2017

### Sales by region\*



**Europe**      Stable      →

**Americas**      Slight decline      ↘

**Asia/  
Pacific**      Slight increase      ↗

### Sales by channel\*



**Retail**      Increase of up to mid single-digit percentage rate, comp store sales -3% to +3%      ↗

**Wholesale**      Decline at a low to mid single-digit percentage rate      ↘

**Licenses**      Solid growth      ↗

\* On a currency-adjusted basis  
equinet Roadshow // Frankfurt

## Financial outlook expects stabilization of operational performance in 2017



|  |  |   |
|--|--|---|
| <b>Sales*</b>                          | Largely stable                               | → |
| <b>Gross margin</b>                    | Slight increase                              | ↗ |
| <b>EBITDA<br/>before special items</b> | -3% to +3%                                   | → |
| <b>Net income</b>                      | Low double-digit<br>percentage rate increase | ↗ |
| <b>Capex</b>                           | EUR 150 million to<br>EUR 170 million        | → |
| <b>Free cash flow</b>                  | Largely stable                               | → |

\* On a currency-adjusted basis  
equinet Roadshow // Frankfurt







## HUGO BOSS continues to be focused on profitable and sustainable growth



► **Low- to mid-single-digit retail comp store sales growth needed to expand operating margin**

## Disciplined cost management will support profitability

Key influencing factors on gross margin and major cost items, medium-term trend as a % sales

|   |   | OPEX   |  |   |
|---|---|--|--|---|
| Gross profit margin   |   | Retail costs   | Marketing & CX <sup>1</sup>  | G&A   |
|  | <ul style="list-style-type: none"> <li>Channel mix</li> <li>Reduction of rebates</li> <li>Reduction of collection complexity</li> </ul> | <ul style="list-style-type: none"> <li>Wage cost inflation</li> </ul>                                    | <ul style="list-style-type: none"> <li>Brand investments</li> <li>Growing share of online</li> <li>CX investments</li> </ul> | <ul style="list-style-type: none"> <li>IT and digital</li> <li>Wage cost inflation</li> </ul>                                     |
|  | <ul style="list-style-type: none"> <li>Quality investments</li> </ul>   | <ul style="list-style-type: none"> <li>Easing rent pressures</li> <li>Growing share of online</li> </ul> | <ul style="list-style-type: none"> <li>Increased effectiveness</li> </ul>  | <ul style="list-style-type: none"> <li>Reduction of organizational complexity</li> <li>Strict overhead cost management</li> </ul> |
| <b>Medium-term trend</b>  |    |                         |   |    |

▶ **Group confident to maintain current gross margin level and limit future cost inflation**

<sup>1</sup> CX = Customer Experience

## 2017 - A year of stabilization and strategy implementation





BACKUP

## Sales by region and major markets

Share of Group sales\*



### Europe

(incl. Middle East/Africa)

**61%**

|                |     |
|----------------|-----|
| Germany:       | 17% |
| Great Britain: | 12% |
| France:        | 6%  |
| Benelux:       | 5%  |
| Other:         | 21% |



### Americas

**22%**

|                             |     |
|-----------------------------|-----|
| U.S.:                       | 16% |
| Canada:                     | 3%  |
| Central &<br>South America: | 2%  |
| Other:                      | 1%  |



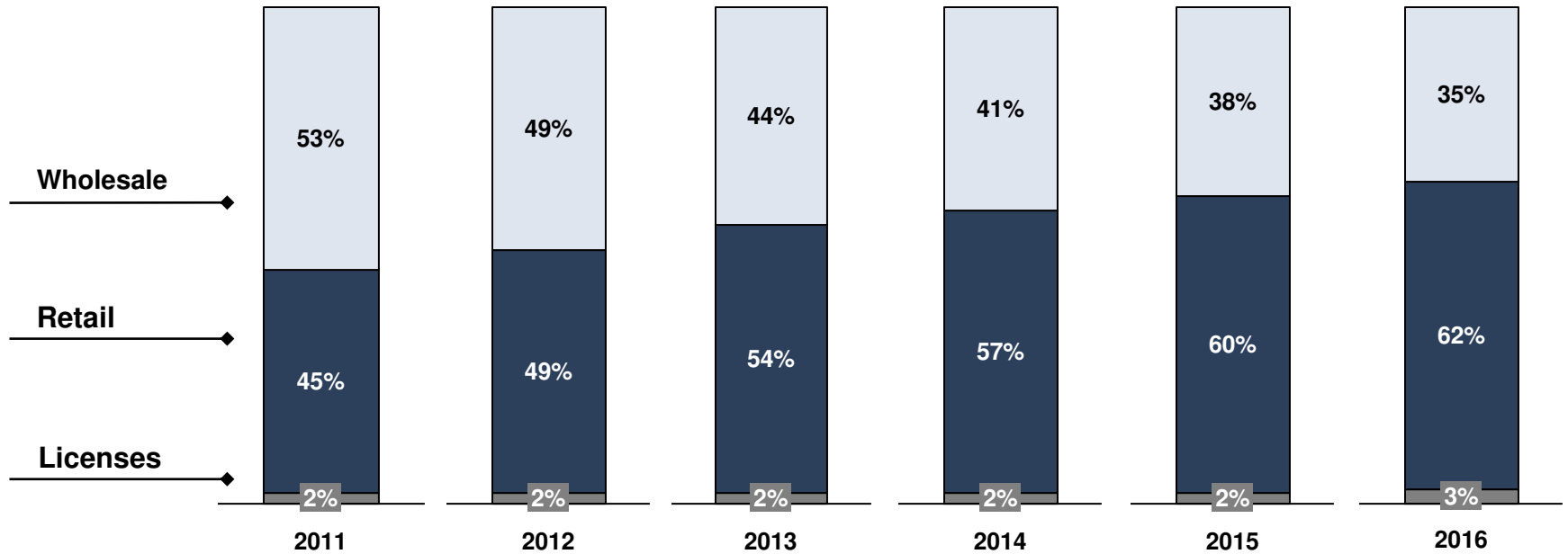
### Asia/Pacific

**14%**

|          |    |
|----------|----|
| China:   | 8% |
| Oceania: | 2% |
| Japan:   | 2% |
| Other:   | 2% |

\* As of 2016, +3% Licenses

## Sales by distribution channel





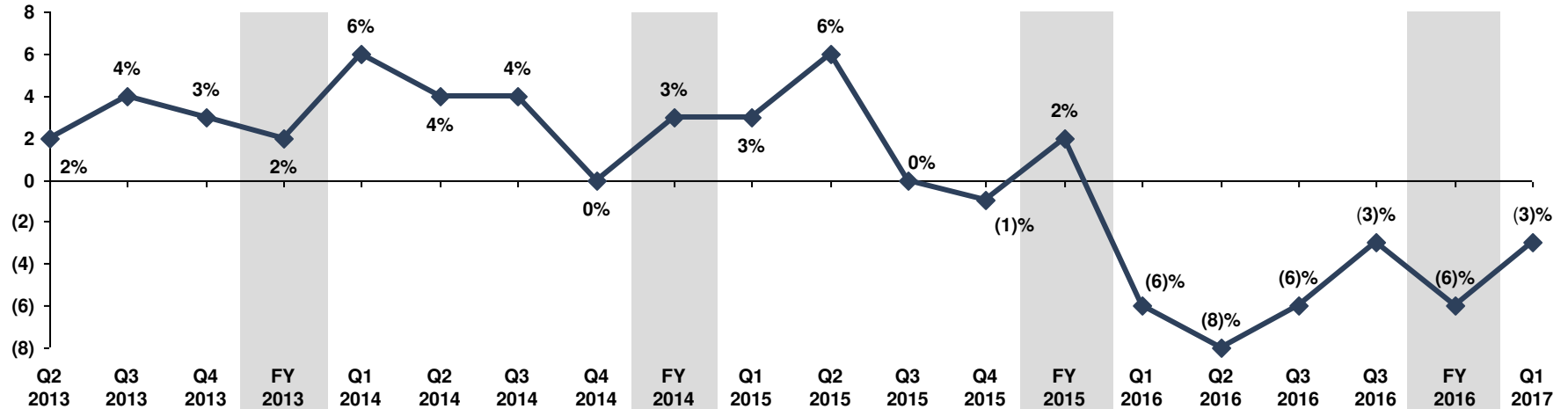
## Number of Group's own retail stores by region

| As of 31/03/2017 | Freestanding stores | Shop-in-Shops | Outlets    | Total        |
|------------------|---------------------|---------------|------------|--------------|
| Europe           | 187                 | 346           | 62         | <b>595</b>   |
| Americas         | 92                  | 105           | 48         | <b>245</b>   |
| Asia/Pacific     | 157                 | 89            | 40         | <b>286</b>   |
| <b>Total</b>     | <b>436</b>          | <b>540</b>    | <b>150</b> | <b>1,126</b> |

► **Low single-digit contribution from new space expected in 2017**

# Retail comp stores sales

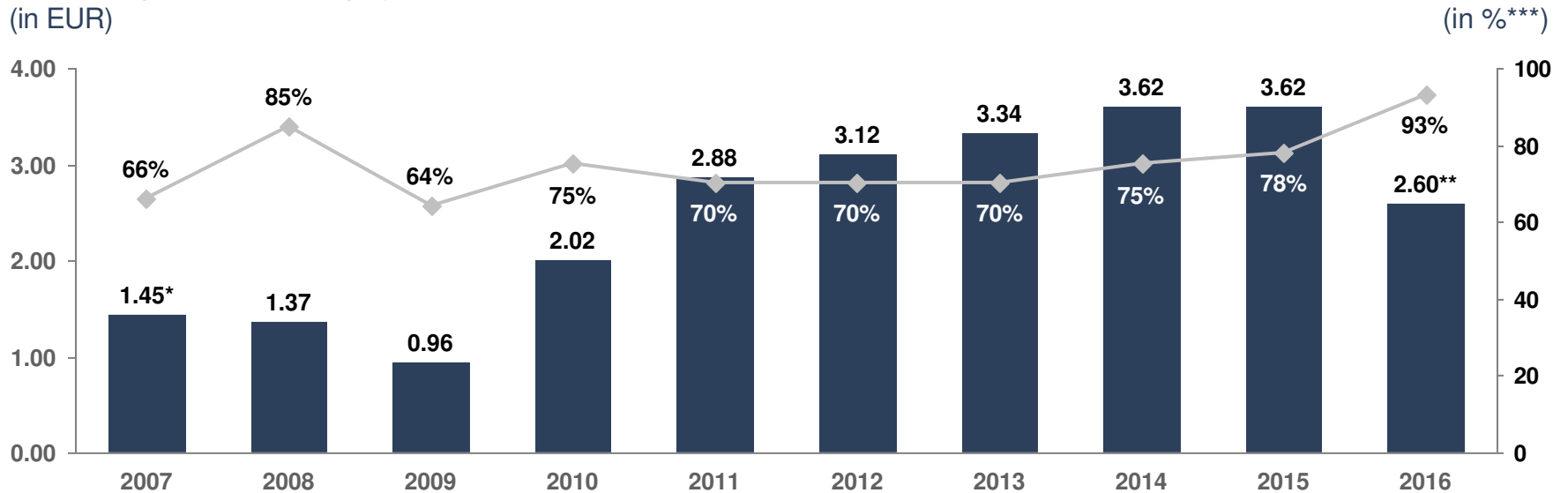
## Retail I-f-I sales development\*



\*FX-adjusted

## Dividend policy

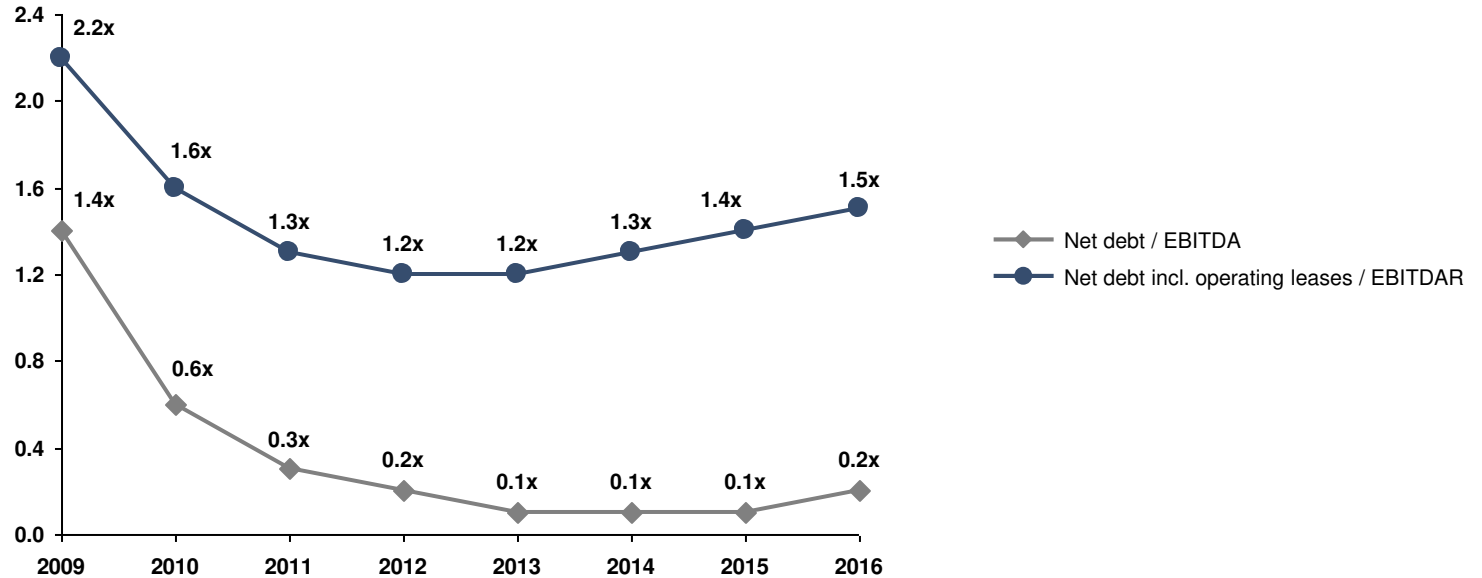
Dividend per share and payout ratio  
(in EUR)



► Dividend policy of paying out between 60% and 80% of consolidated net income reconfirmed

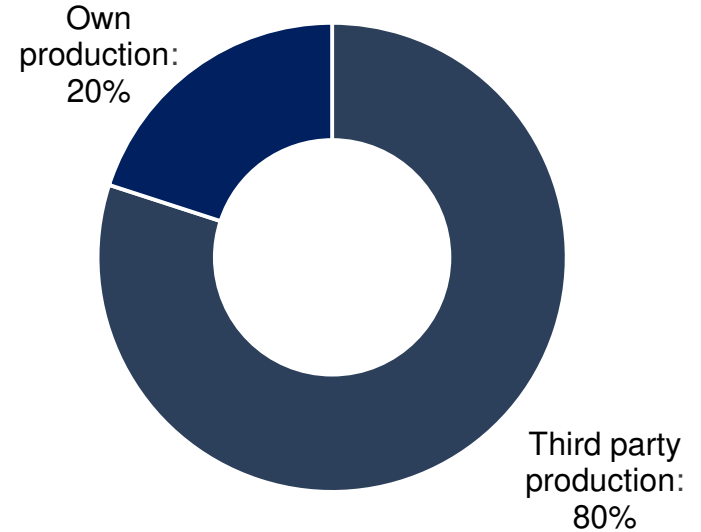
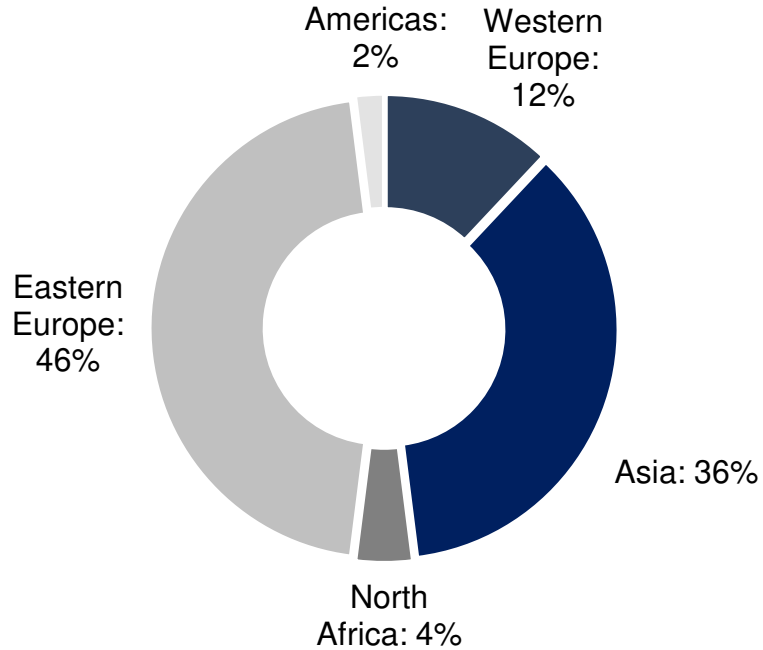
\* Excluding special dividend of €5.00 per share \*\* Proposal for fiscal year 2016 \*\*\* As a percentage of net income attributable to shareholders

## (Adjusted) financial leverage



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

## Sourcing and production structure\*



\*As of 2016, in value terms

## Multi-Year overview

| In EUR million               | 2016            | 2015    | 2014    | 2013    | 2012    | 2011    |
|------------------------------|-----------------|---------|---------|---------|---------|---------|
| Sales                        | <b>2,692.8</b>  | 2,808.7 | 2,571.6 | 2,432.1 | 2,345.9 | 2,058.8 |
| Gross profit                 | <b>1,777.5</b>  | 1,852.8 | 1,699.1 | 1,579.6 | 1,444.1 | 1,252.0 |
| EBITDA                       | <b>432.7</b>    | 589.9   | 571.5   | 561.4   | 523.9   | 468.0   |
| EBITDA before special items  | <b>493.1</b>    | 594.1   | 590.8   | 564.7   | 528.1   | 469.5   |
| EBIT                         | <b>263.5</b>    | 447.7   | 448.7   | 456.2   | 432.0   | 394.6   |
| Net income                   | <b>193.6</b>    | 319.4   | 333.3   | 329.0   | 306.5   | 284.9   |
| Free cash flow               | <b>220.2</b>    | 207.6   | 268.4   | 230.0   | 220.6   | 194.9   |
| Net debt                     | <b>113.2</b>    | 82.2    | 35.7    | 57.0    | 130.4   | 149.1   |
| Capex                        | <b>156.8</b>    | 220.3   | 134.7   | 185.3   | 165.8   | 108.5   |
| Depreciation/amortization    | <b>169.2</b>    | 142.1   | 122.8   | 105.3   | 91.9    | 73.4    |
| Dividend                     | <b>179.4***</b> | 249.8   | 249.8   | 230.5   | 215.3   | 199.1   |
| Total assets                 | <b>1,798.6</b>  | 1,800.3 | 1,661.8 | 1,501.3 | 1,577.2 | 1,419.6 |
| Shareholders equity          | <b>887.6</b>    | 955.7   | 843.9   | 740.3   | 631.6   | 517.3   |
| Trade net working capital    | <b>524.4</b>    | 527.6   | 503.0   | 431.8   | 408.5   | 399.6   |
| Non-current assets           | <b>751.7</b>    | 764.6   | 660.3   | 611.5   | 587.7   | 503.2   |
| Gross profit margin in %     | <b>66.0</b>     | 66.0    | 66.1    | 64.9    | 61.6    | 60.8    |
| Adjusted EBITDA margin in %* | <b>18.3</b>     | 21.2    | 23.0    | 23.2    | 22.5    | 22.8    |
| Total leverage**             | <b>0.2</b>      | 0.1     | 0.1     | 0.1     | 0.2     | 0.3     |
| Equity ratio in %            | <b>49.3</b>     | 53.1    | 50.8    | 49.3    | 40.0    | 36.4    |

\*EBITDA before special items/Sales \*\*Net financial liabilities/EBITDA before special items \*\*\*Dividend proposal  
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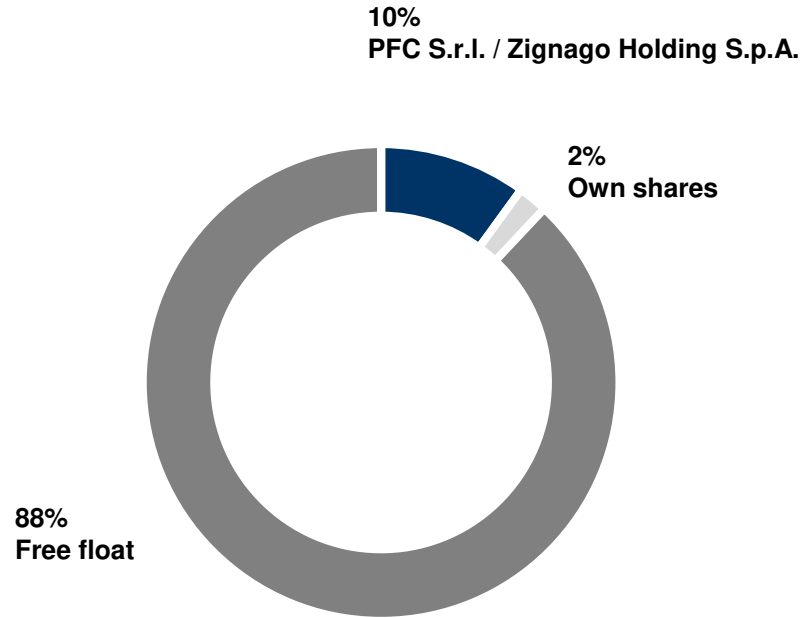
## Analyst coverage

The HUGO BOSS AG share is covered by the following financial analysts:

| Institution                   | Analyst            |
|-------------------------------|--------------------|
| Aurel BGC                     | David Da Maia      |
| Baader Bank                   | Volker Bosse       |
| Bankhaus Lampe                | Peter Steiner      |
| Bank of America Merrill Lynch | Sophie Park        |
| Barclays                      | Julian Easthope    |
| Berenberg Bank                | Zuzanna Pusz       |
| Bryan Garnier                 | Cédric Rossi       |
| Citigroup                     | Thomas Chauvet     |
| Commerzbank                   | Andreas Riemann    |
| Credit Suisse                 | Guillaume Gauville |
| Deutsche Bank                 | Warwick Okines     |
| DZ Bank                       | Herbert Sturm      |
| Equita                        | Fabio Fazzari      |
| Equinet                       | Mark Josefson      |
| Evercore ISI                  | Omar Saad          |
| Exane BNP Paribas             | Luca Solca         |
| Goldman Sachs                 | Alberto D`Agnano   |
| Hamburger Sparkasse           | Christian Hamann   |

| Institution         | Analyst               |
|---------------------|-----------------------|
| Hauck & Aufhäuser   | Christian Salis       |
| HSBC                | Antoine Belge         |
| Intermonte          | Daniele Alibrandi     |
| Invest Securities   | Peter Farren          |
| Jefferies           | Charmaine Yap         |
| J.P. Morgan         | Melanie Flouquet      |
| Kepler Cheuvreux    | Jürgen Kolb           |
| LBBW                | Thomas Hofmann        |
| M.M. Warburg        | Jörg Philipp Frey     |
| Macquarie           | Andreas Inderst       |
| MainFirst           | John Guy              |
| Mirabaud Securities | Alessandro Migliorini |
| Morgan Stanley      | Elena Mariani         |
| Nord LB             | Wolfgang Vasterling   |
| Oddo Seydler        | Martin Decot          |
| RBC                 | Piral Dadhanian       |
| Société Générale    | Thierry Cota          |
| UBS                 | Fred Speirs           |

## Shareholder structure\*



\*Source: Share register, voting rights notifications (as of May 2017)



## Financial Calendar 2017 and Investor Relations contact

| Date             | Event                                     |
|------------------|---|
| May 23, 2017     | Annual Shareholders' Meeting              |
| August 2, 2017   | HUGO BOSS Investor Day 2017               |
| August 2, 2017   | Publication of the First Half Year Report |
| November 2, 2017 | Publication of the Third Quarter Results  |

## Investor Relations Contact

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**Head of Investor Relations**

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 E-Mail: [Dennis\\_Weber@hugoboss.com](mailto:Dennis_Weber@hugoboss.com)

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**Investor Relations Manager**

Phone: +49 (0) 7123 94 - 87581  
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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.



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