

**H U G O   B O S S**

HUGO BOSS

# Third Quarter Results 2018

Metzingen – November 6, 2018

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Christian Stöhr, Head of Investor Relations



HUGO BOSS

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Metzingen – November 6, 2018

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Yves Müller, Chief Financial Officer



HUGO BOSS

# 1 | OPERATIONAL HIGHLIGHTS

2 | FINANCIAL DEVELOPMENT

3 | OUTLOOK

## HUGO BOSS and Zalando intensify partnership



## BOSS with strong visibility at New York Fashion Week





## HUGO store openings in major metropolitan areas continue

HUGO Store  
LONDON, UK



**HUGO**  
HUGO BOSS

HUGO Store  
PARIS, FRANCE



## HUGO BOSS included in the DJSI World for the second consecutive year

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 





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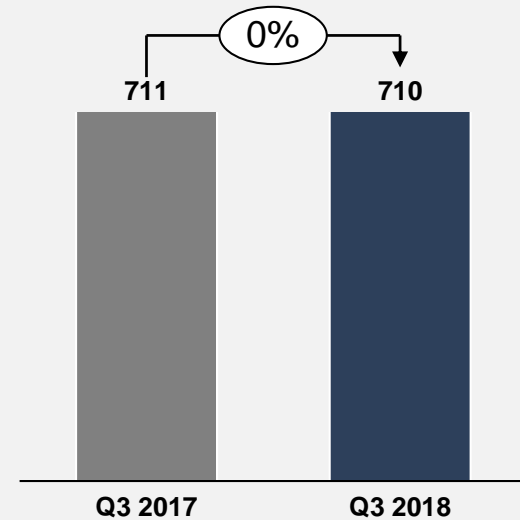
## HUGO BOSS records solid top-line performance



### Group sales

(in EUR million)

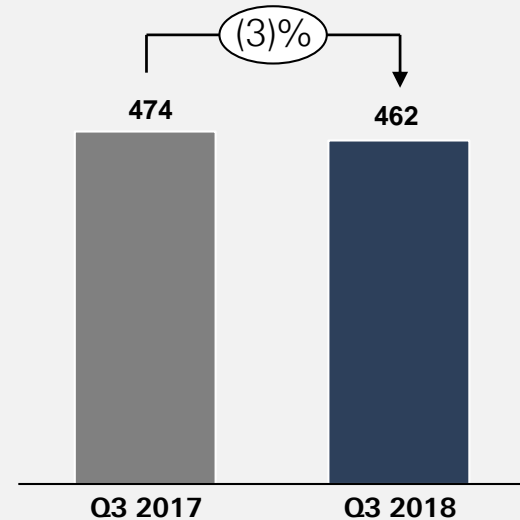
+1% fx-adjusted



## Europe sales decline slightly despite double-digit increase in the UK

- Sales in the UK up 11% on a currency-adjusted basis
- Stable sales development in the Benelux markets
- Business in Germany (-13%) and France (-8%) negatively impacted by delivery shifts and challenging market conditions

**Europe sales**  
(in EUR million)  
(2)% fx-adjusted

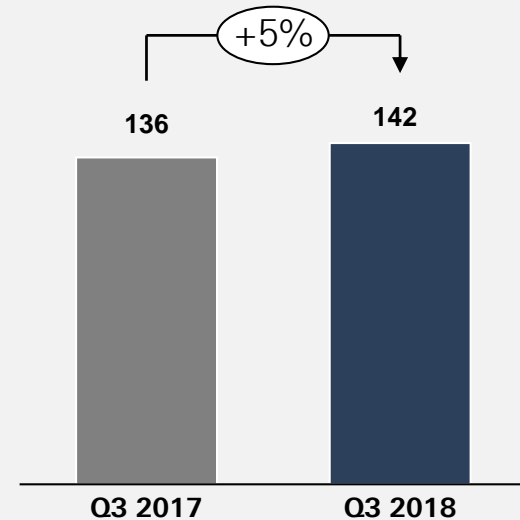


## Business in the Americas returns to growth

- U.S. business increases 5% currency-adjusted, reflecting double-digit sales increases in wholesale
- U.S. retail records low single-digit comp store sales improvements, driven by double-digit increase in online
- Latin America and Canada grow at a low double-digit and low single-digit rate, respectively

### Americas sales (in EUR million)

+5% fx-adjusted

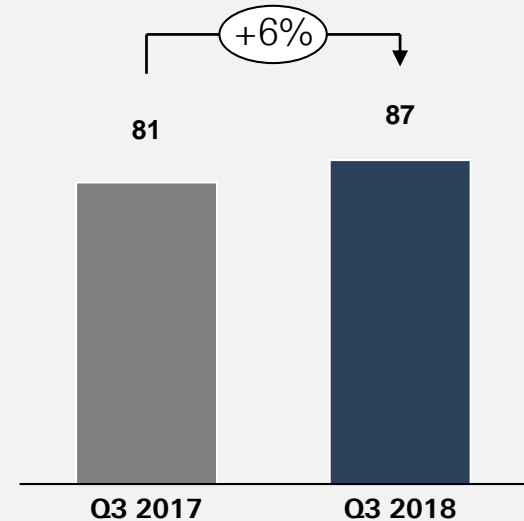


## Strong momentum in Asia/Pacific continues

- Sales in China up 7% on a currency-adjusted basis
- Mainland China records high single-digit growth, supported by double-digit comp store sales improvements
- Strong comp store sales increases in Hong Kong and Macau

### Asia/Pacific sales (in EUR million)

+7% fx-adjusted





## Robust comp store sales improvements in the third quarter



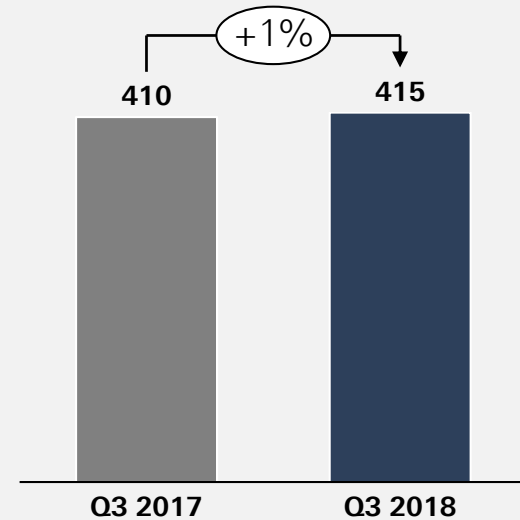
**Comp store sales growth**

**+3%** fx-adjusted

**Retail sales**

(in EUR million)

**+2%** fx-adjusted



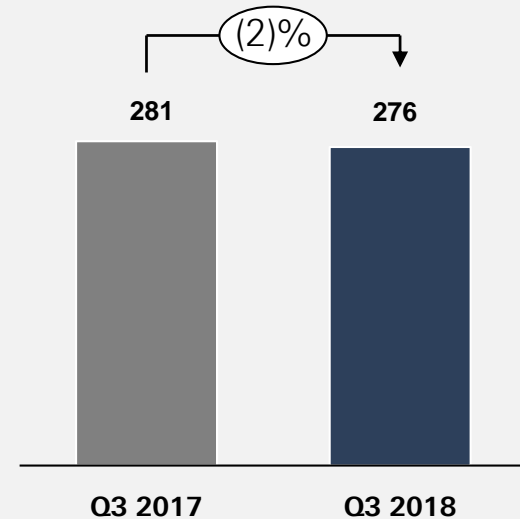
## Wholesale sales negatively impacted by delivery shifts

- Challenging market conditions and delivery shifts weigh on European wholesale business
- Double-digit sales increases in the Americas and in Asia/Pacific
- Replenishment business continues to grow at a double-digit rate

### Wholesale sales

(in EUR million)

(2)%<sub>fx-adjusted</sub>

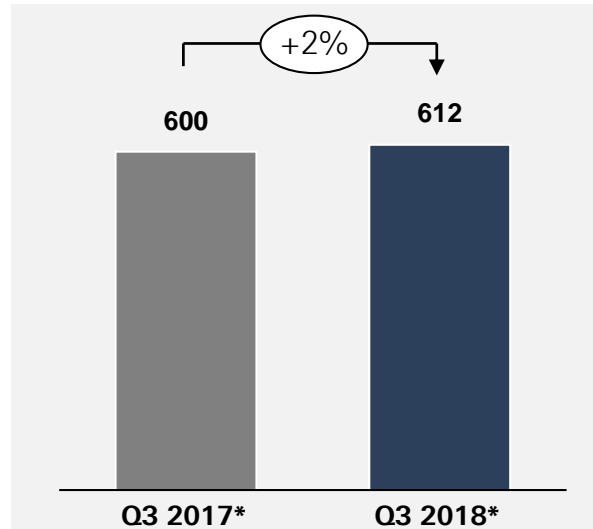


## Strategic changes in distribution continue to impact brand sales development

- Collection upgrade drives growth at both BOSS Casualwear and Businesswear
- Strategic distribution changes continue to weigh on HUGO sales
- Menswear sales up 1%, driven by high single-digit sales increases in casualwear
- Womenswear declines 7%, reflecting reduction of retail selling space

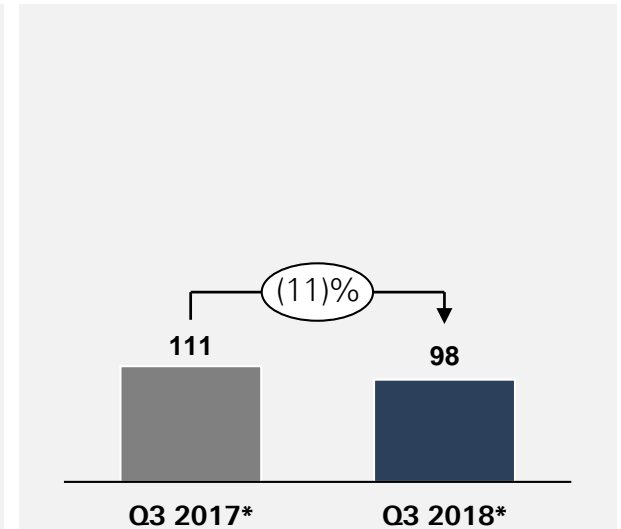
**BOSS**  
HUGO BOSS

+3% fx-adjusted



**HUGO**  
HUGO BOSS

(11)% fx-adjusted



\*in EUR million.

## Decline in gross margin reflects challenging market conditions

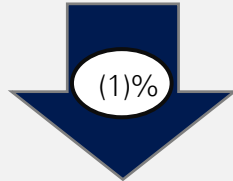
Gross margin

62.5 %



Selling & distribution expenses

281 EUR million



Administration expenses

68 EUR million



EBIT

92 EUR million



EBITDA (before special items)

126 EUR million



Net income

66 EUR million

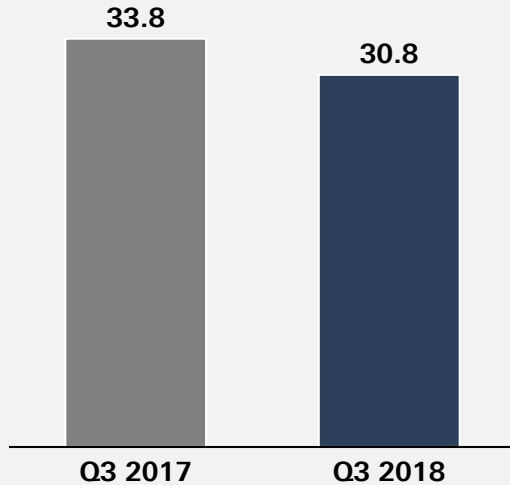


## Strong margin improvement in Asia/Pacific continues

### Europe

(in %)

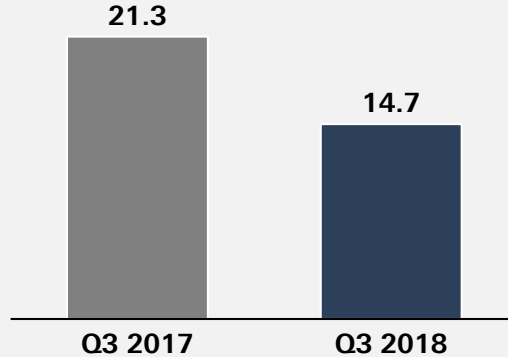
(300) bp



### Americas

(in %)

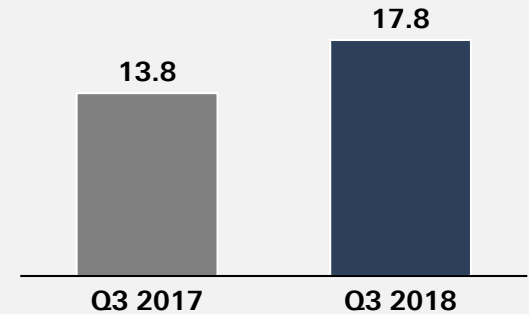
(660) bp



### Asia/Pacific

(in %)

+400 bp





## Nine months sales development supported by 5% increase in comp store sales

### Group sales\* (9M 2018)

2,013 EUR million  +4%  
+1% reported

### EBITDA (before special items)

331 EUR million  (5)%

### Net income

169 EUR million  (9)%

\*On a currency-adjusted basis.

### Sales by region\* (9M 2018)

Europe   +3%  
+2% reported

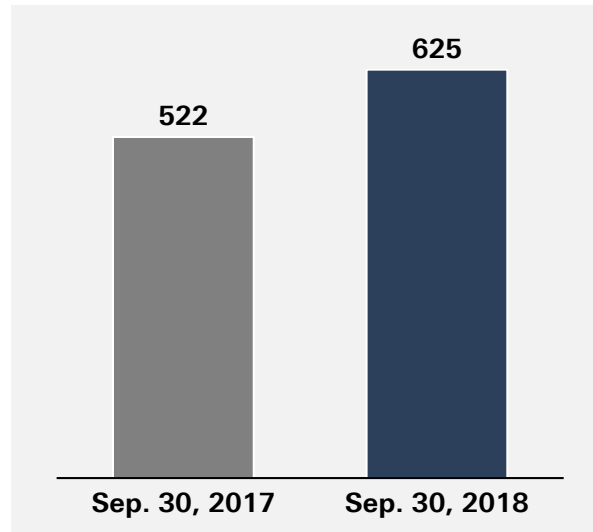
Americas   +4%  
(3)% reported

Asia/Pacific   +9%  
+4% reported

## Higher inventory levels to support sales dynamics in own retail

- Inventory levels expected to normalize in the upcoming months
- Trade net working capital up 11%, reflecting the increase in inventories
- Strict discipline in trade terms management and concerted collection efforts limit increase in trade net working capital

**Inventories**  
(in EUR million)  
**+20%**  
+20% fx-adjusted



**Average trade net working capital  
as percentage of sales (in %)**  
**+10 bp**

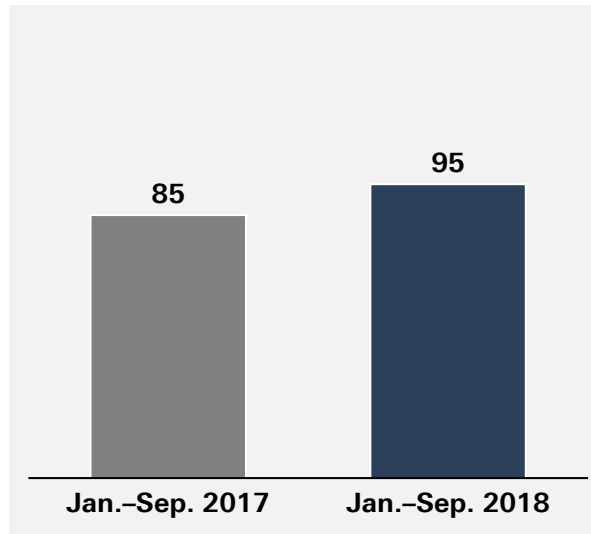


## Working capital build-up affects free cash flow development

- Higher capital expenditure reflects step-up in store renovations
- Free cash flow development to significantly improve in the fourth quarter of 2018

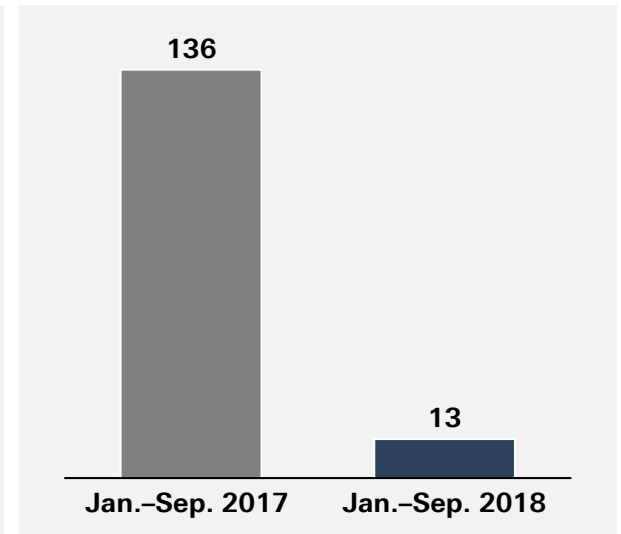
### Capital expenditure (in EUR million)

+12%



### Free cash flow (in EUR million)

(90)%



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## Sales and earnings outlook 2018 reconfirmed



### Group sales

Increase at a low to mid-single digit percentage rate (fx-adjusted)

### Consolidated net income

Increase at a low to mid-single digit percentage rate

### Gross profit margin



Decline of between 50 and 100 basis points

### Capital expenditure



EUR 150 million to EUR 170 million

### EBITDA (before special items)

Development within a range of -2% to +2%

### Free cash flow

EUR 150 million to EUR 200 million



## Strong top- and bottom-line improvements expected in the fourth quarter

- Sales growth to accelerate in Q4, driven by robust comp store sales increases
- Gross margin to benefit from a more favorable pricing mix as well as the annualization of quality investments
- Strict focus on cost management to drive operating leverage



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## Questions & Answers

## 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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