
INVESTOR RELATIONS DAY
March 2016
ESPRIT

Investor Relations Day 2016

- AGENDA -

08:30 **Store visit**
Arndt Brockmann

10:00 **Registration at Esprit Headquarters**

10:15 **Welcome & opening remarks**
Thomas Tang

10:30 **Strategic plan update**
Jose Manuel Martínez

12:30 **Lunch**

14:00 **Product preview – Mock Shop and HQ tour**
Rafa Pastor / Elena Lazcanotegui / Juan Chaparro

15:00 **Omnichannel Model**
Jürgen Michelberger / José Antonio Ramos

16:30 **Outlook & closing remarks**
Jose Manuel Martínez

18:30 **Dinner**
Liebevoll Auermühle, Ratingen

WiFi
User Name: investors day
Password: 15032016
Profile name: edc_guest_ng_1

ESPRIT

STRATEGIC PLAN UPDATE

Jose Manuel Martinez - CEO

ESPRIT

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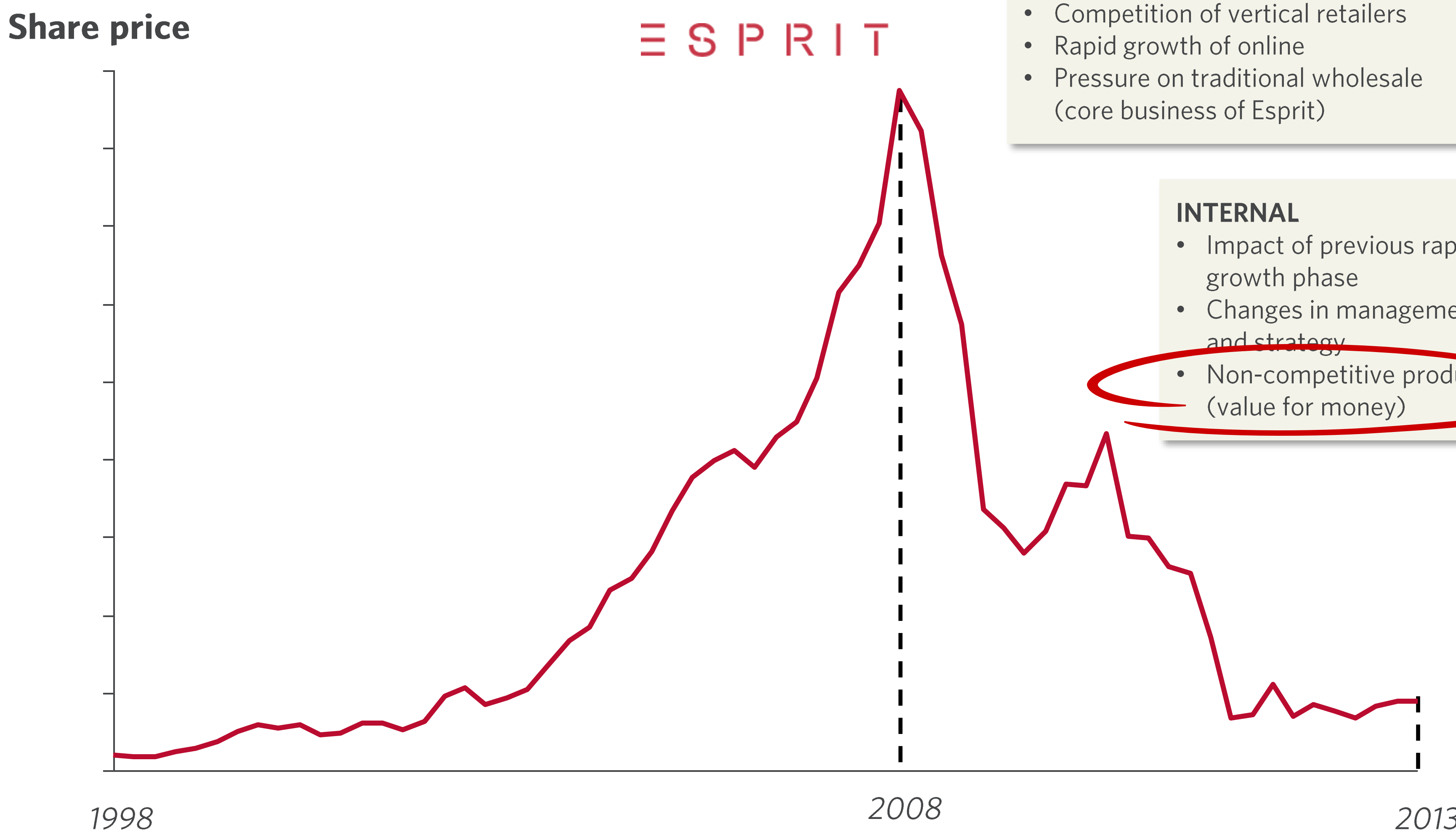
STRATEGIC PLAN UPDATE

- STRATEGIC PLAN
- TRANSFORMATION
  - BRAND
  - PRODUCT – VERTICAL MODEL
  - SALES – OMNICHANNEL MODEL
  - PEOPLE
- OUTLOOK & CLOSING REMARKS

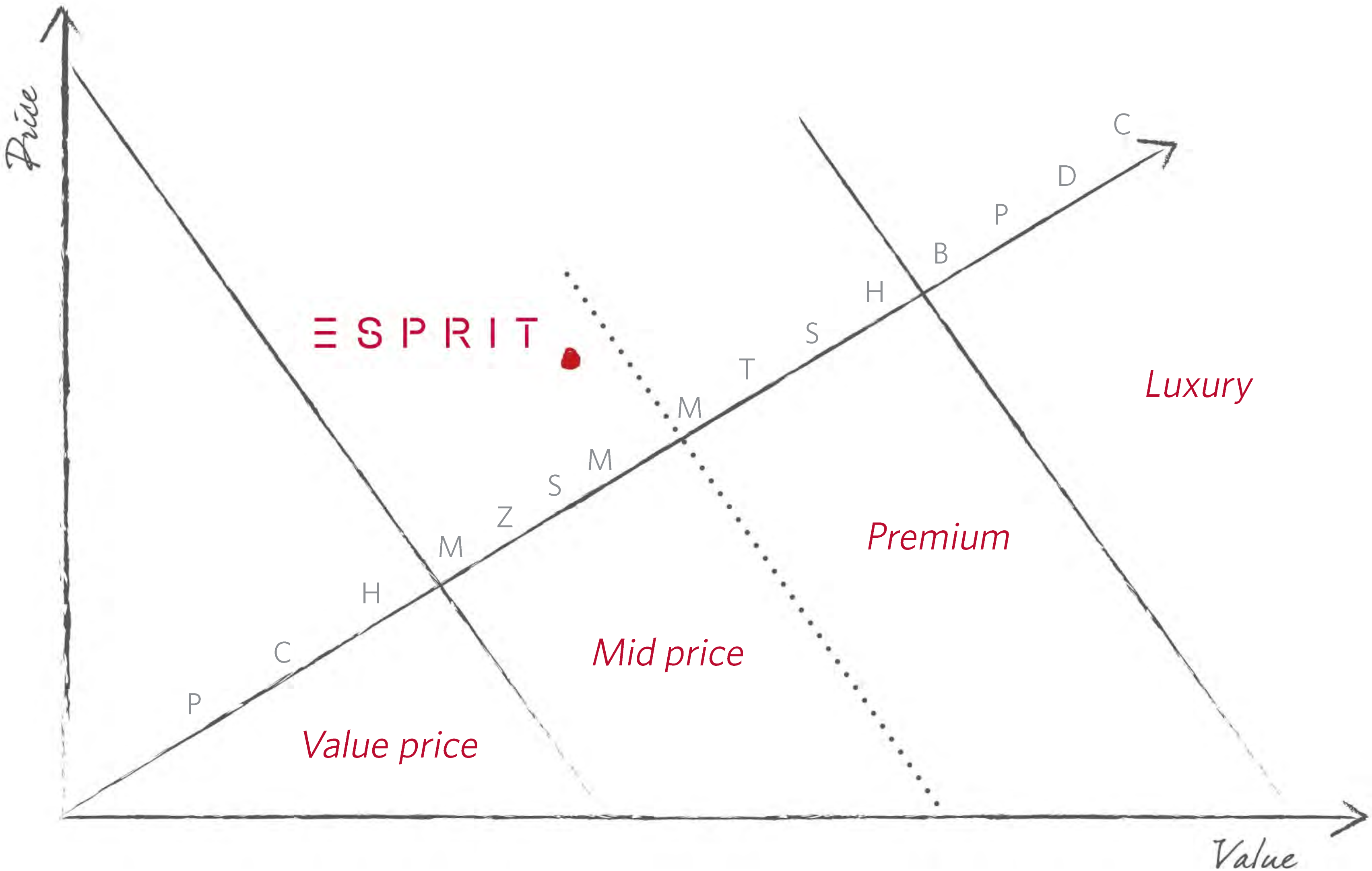
RECENT HISTORY



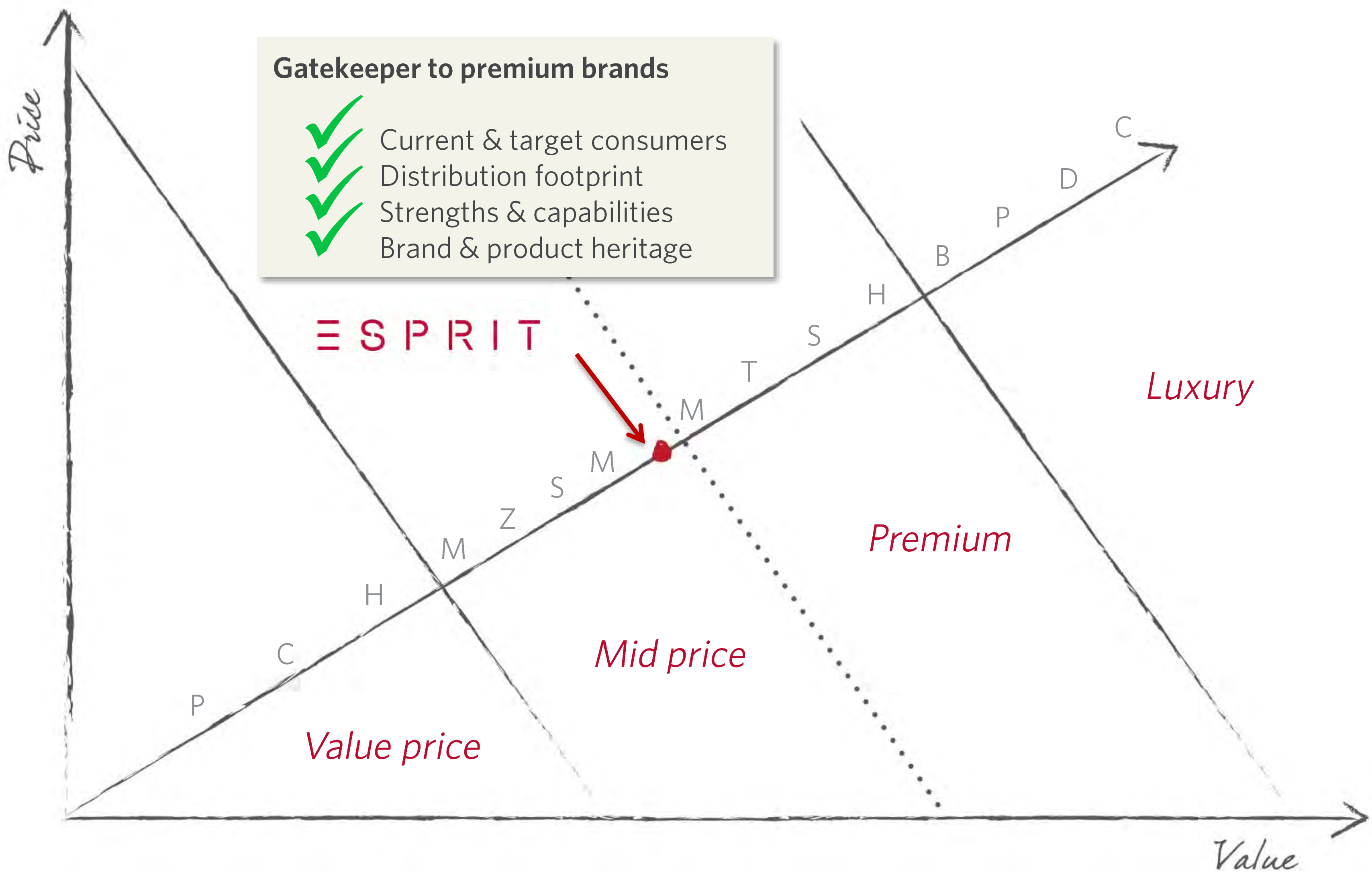
EXTERNAL
- Global / European crisis
- Competition of vertical retailers
- Rapid growth of online
- Pressure on traditional wholesale (core business of Esprit)

INTERNAL
- Impact of previous rapid growth phase
- Changes in management and strategy
- Non-competitive product (value for money)

STRATEGIC POSITIONING



STRATEGIC POSITIONING



STRATEGIC PLAN

SHORT TERM
FY13/14

STABILIZATION

Build a sound and healthy platform for the introduction of the structural changes needed to regain competitiveness

MEDIUM TERM
FY14/15

TRANSFORMATION

UNCERTAINTY SCENARIO IN FY14/15

Execute the ambitious transformation of our business model (Vertical and Omnichannel) to enhance speed and efficiency of our product and sales management

LONG TERM
> 2 years

GROWTH

Leverage the benefits of the new model to drive sustainable top line growth, and develop a healthier cost base to increase profitability

STRATEGIC PLAN - HIGHLIGHTS

SHORT TERM	MEDIUM TERM	LONG TERM
FY13/14	FY14/15	> 2 years

STABILIZATION

- ✗ Continued decline of top line
- ✓ Improvement of gross profit margin (+0.6% pts)
- ✓ OPEX reduction by -21% excl. special items in LCY
- ✓ Back to profitability (361 HK$m EBIT)
- ✓ Back to positive net cash generation (1.1 HK$bn)
- ✓ Finalization of SAP and new DC launches

TRANSFORMATION

- ✗ **Negative Results**
  Top line decline, due to execution of structural changes and tough market, led to operating losses
- ✓ **Positive Transformation**
  Successful introduction of the Vertical Model to improve our products management and the Omnichannel Model to enhance our sales strategy
- ✓ Positive sales trend of the first collections developed under the Vertical Model

GROWTH

- ✓ Confirmation of improved product performance: positive development of both retail sales per sqm and online sales
- ✓ Positive development of Omnichannel initiatives: CRM program, online sales, mobile, etc.
- ✗ Wholesale channel still under continued pressure
- ✓ Sound sales performance in Europe
- ✗ Increased difficulties in APAC

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TRANSFORMATION

PRODUCT → CHANNELS

VERTICAL

Product Development

Merchandising

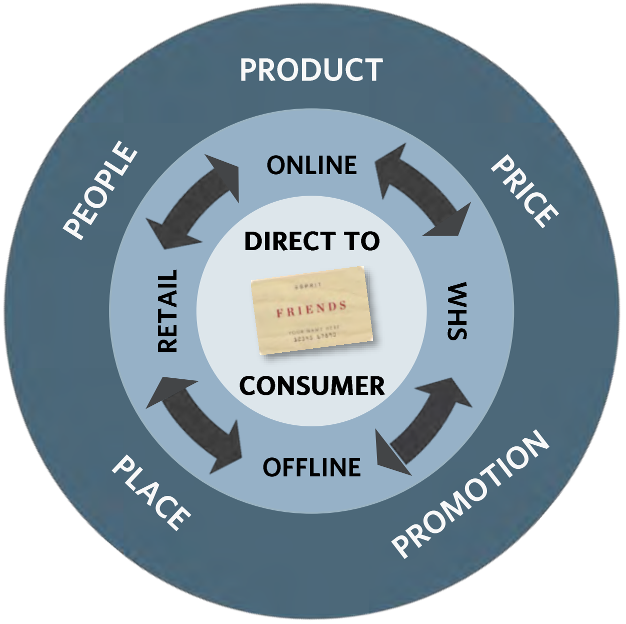
Supply Chain

Distribution

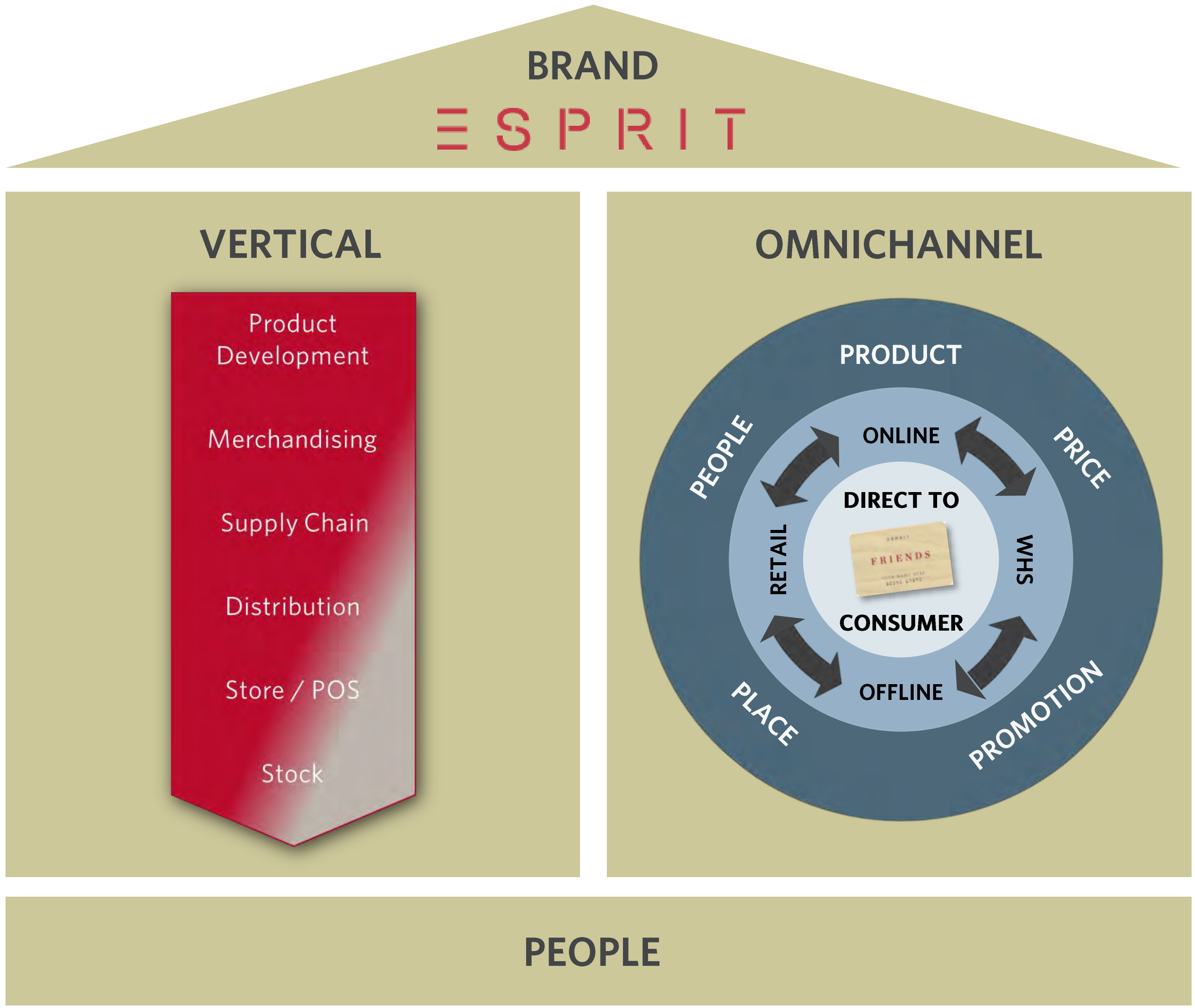
Store / POS

Stock

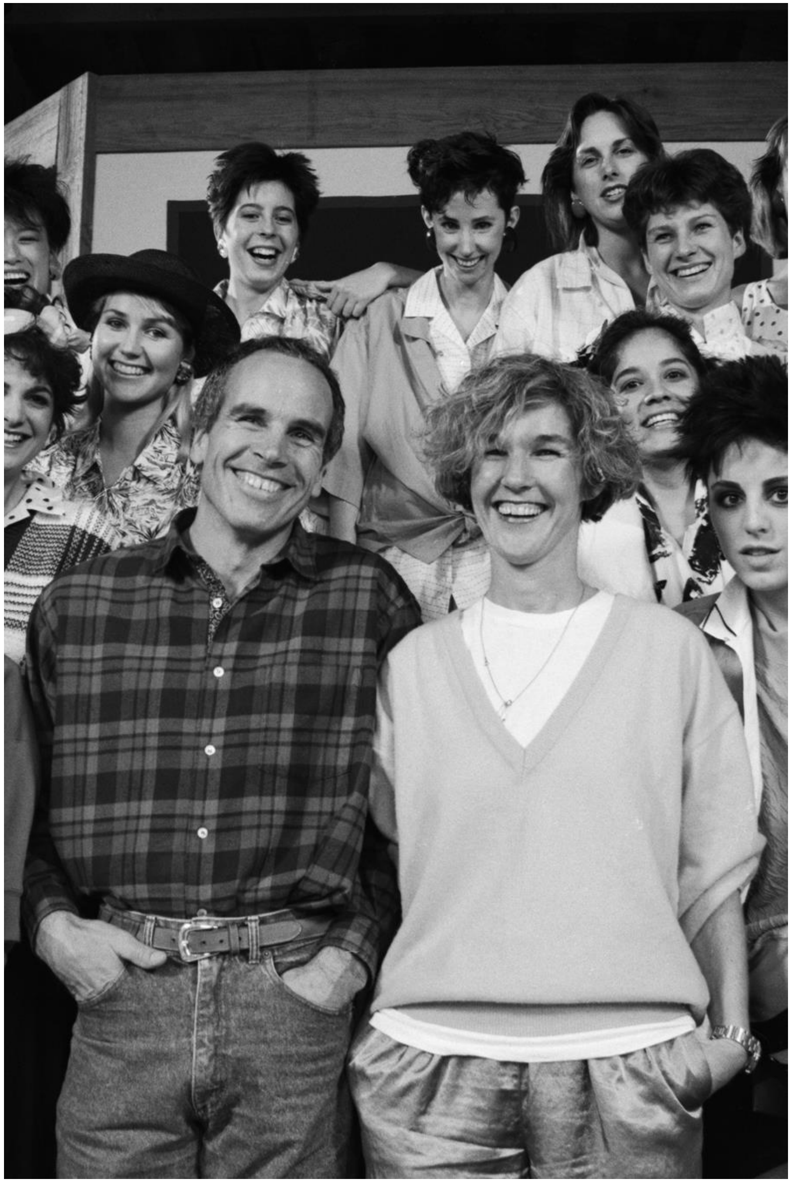
OMNICHANNEL



TRANSFORMATION



BRAND
“ESPRIT DE CORPS”



"ESPRIT DE CORPS"
(Spirit of the Group)

Susie and Doug Tompkins founded Esprit in 1968, in San Francisco (CA), and built a brand for their friends, for a generation of people who wanted to live their lives in a special way:

Living in freedom with passion and fun.

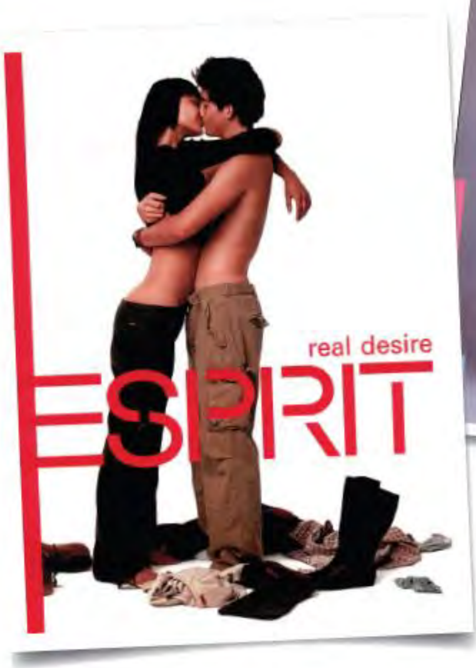
Making the world a better place.

Creating things together.

"Esprit is an attitude, not an age"
DOUG TOMPKINS

An inclusive brand

inspired by real people and emotions



A daring brand

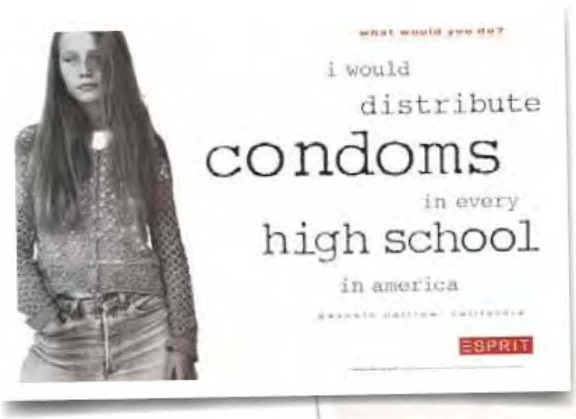
creative, passionate and free spirited

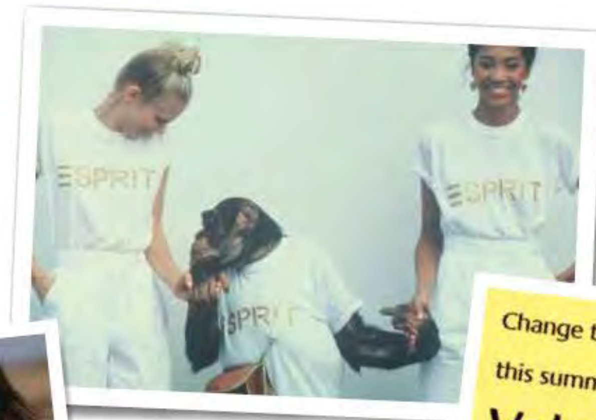
A positive brand

optimistic, fun, always looking for the bright side of life

A responsible brand

passionate to change the World through a friendly revolution



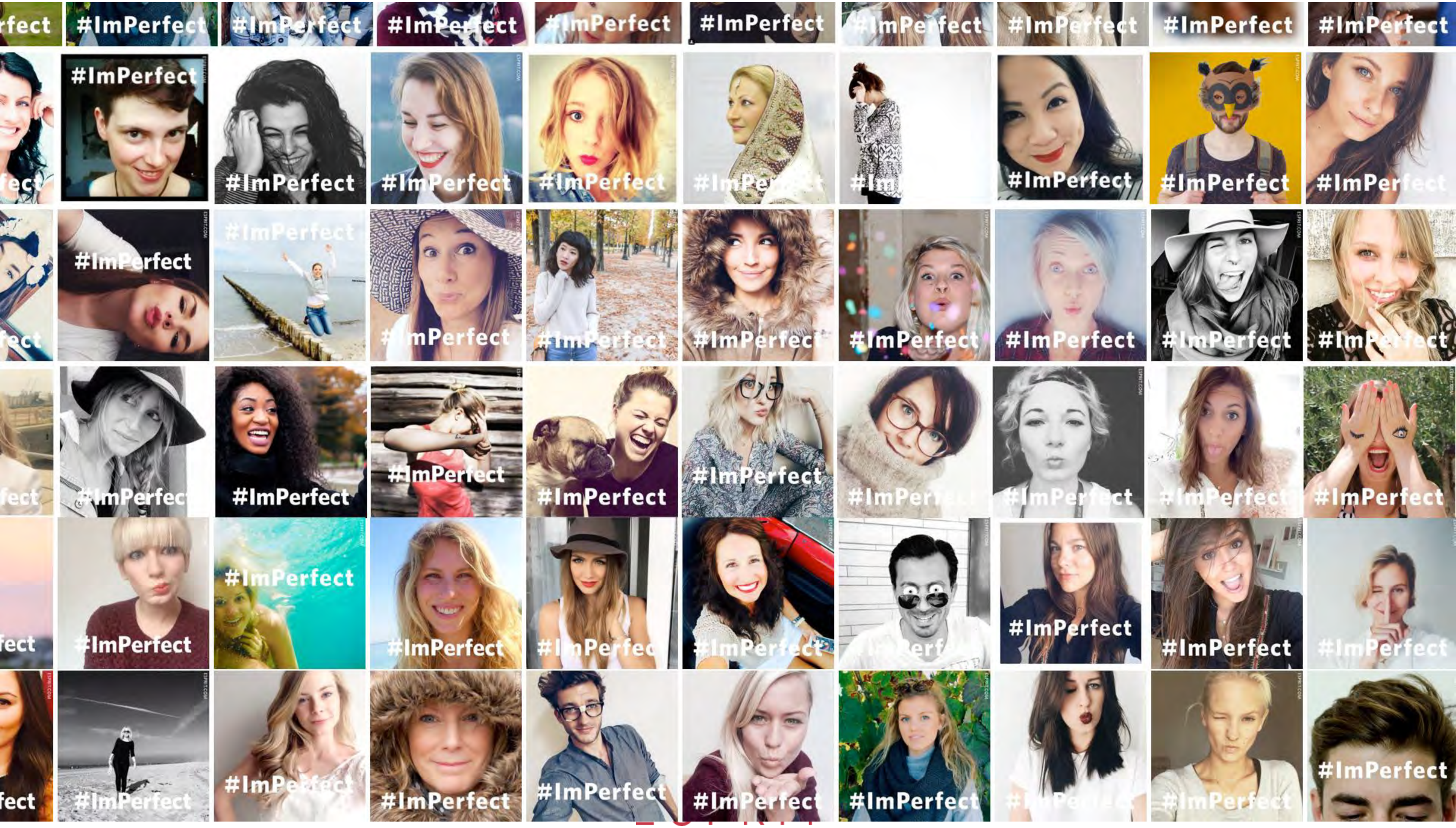


A unique brand

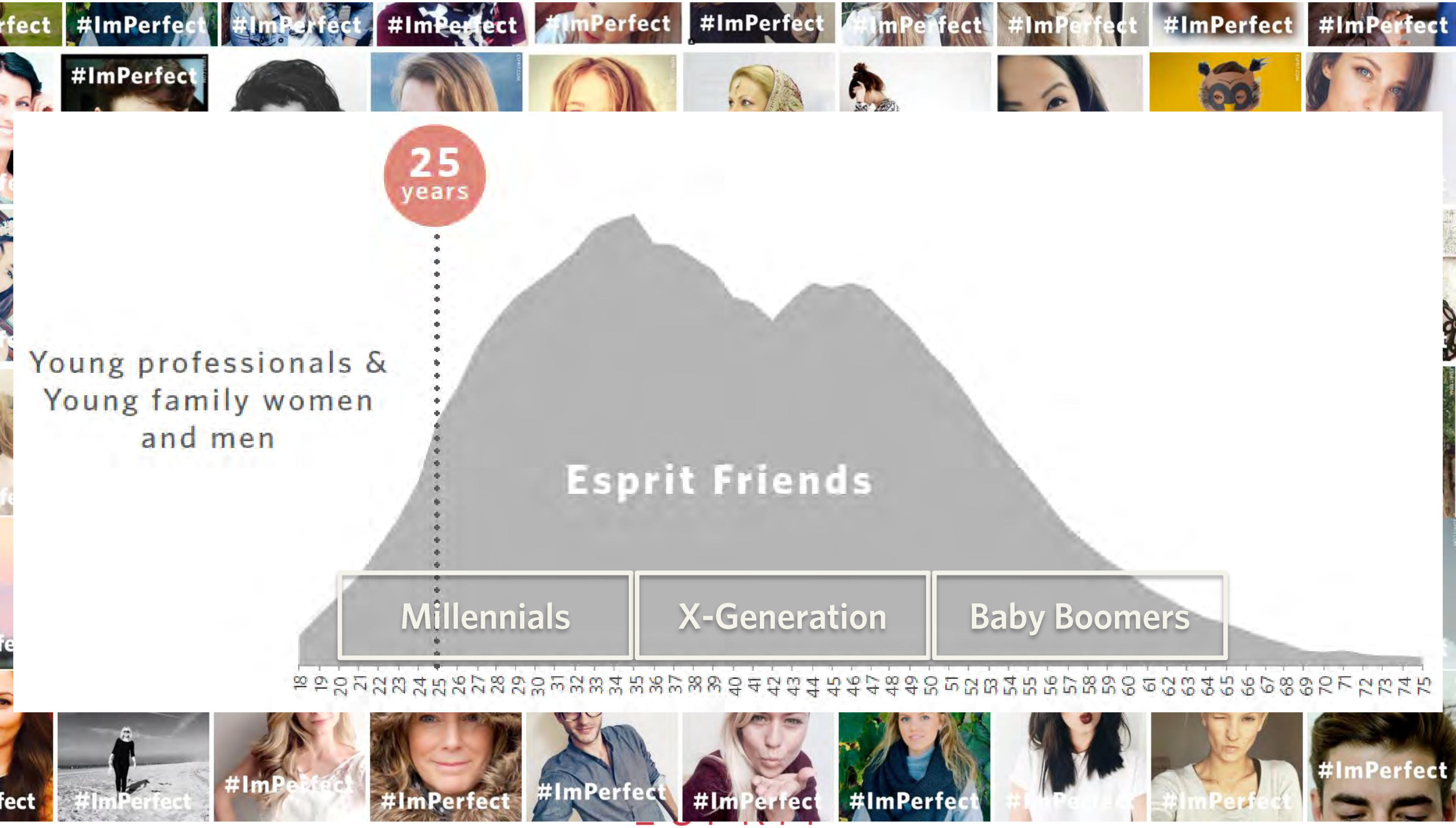
a unique name, a unique logo, a unique spirit

ESPRIT

ESPRIT CONSUMER



ESPRIT CONSUMER



Source: ECDB, Age of active members (purchase in last 12 months, Germany

BRAND CHALLENGE

ESPRIT

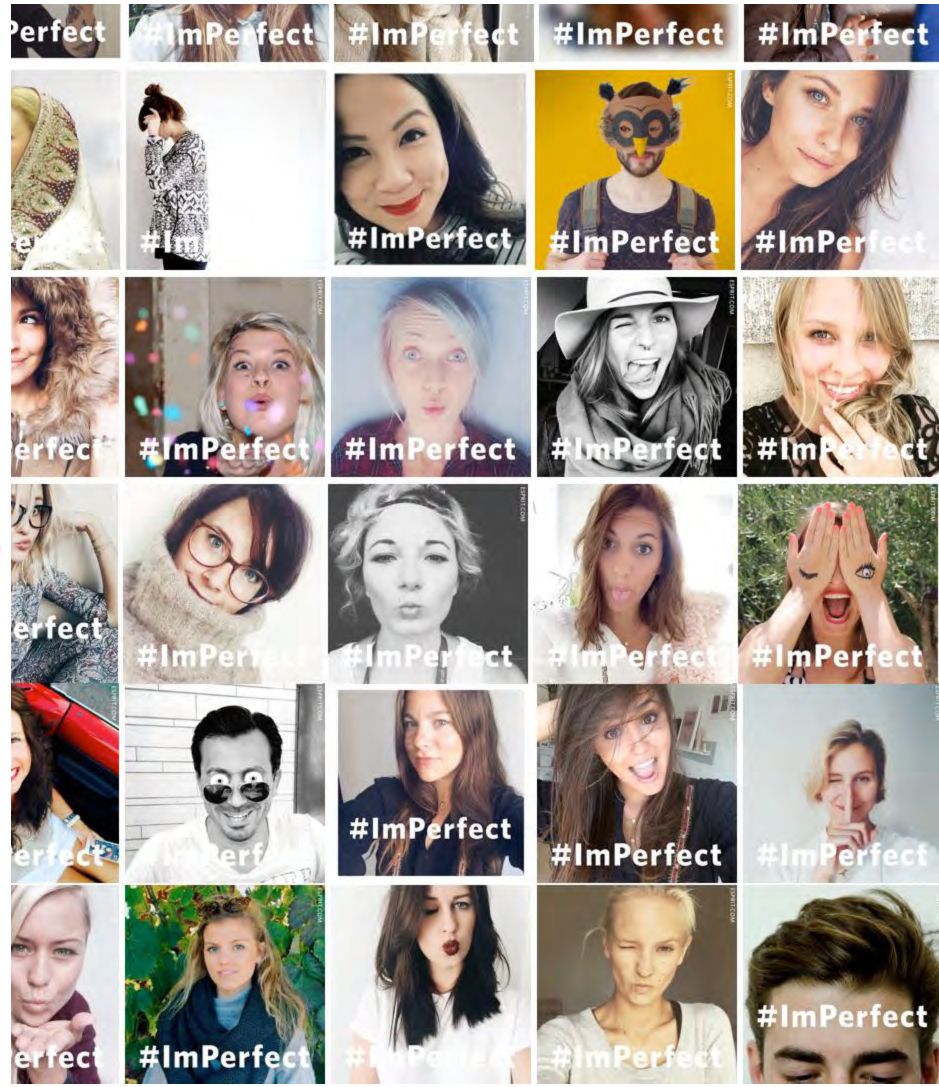
Inclusive

Daring

Positive

Responsible

UNIQUE



#ImPerfect

BRAND CAMPAIGN – "#ImPerfect"

CONCEPT

- Celebration of diversity
- Beauty of personal styles
- Friendly and approachable
- Away from "high fashion"

COMMUNICATION

- New, louder & younger tonality
- Appealing to current and new customers
- Strong for online and social media
- Ambitious share of voice

TV

23% SHARE OF VOICE TO REACH 86.2% OF TARGET GROUP*

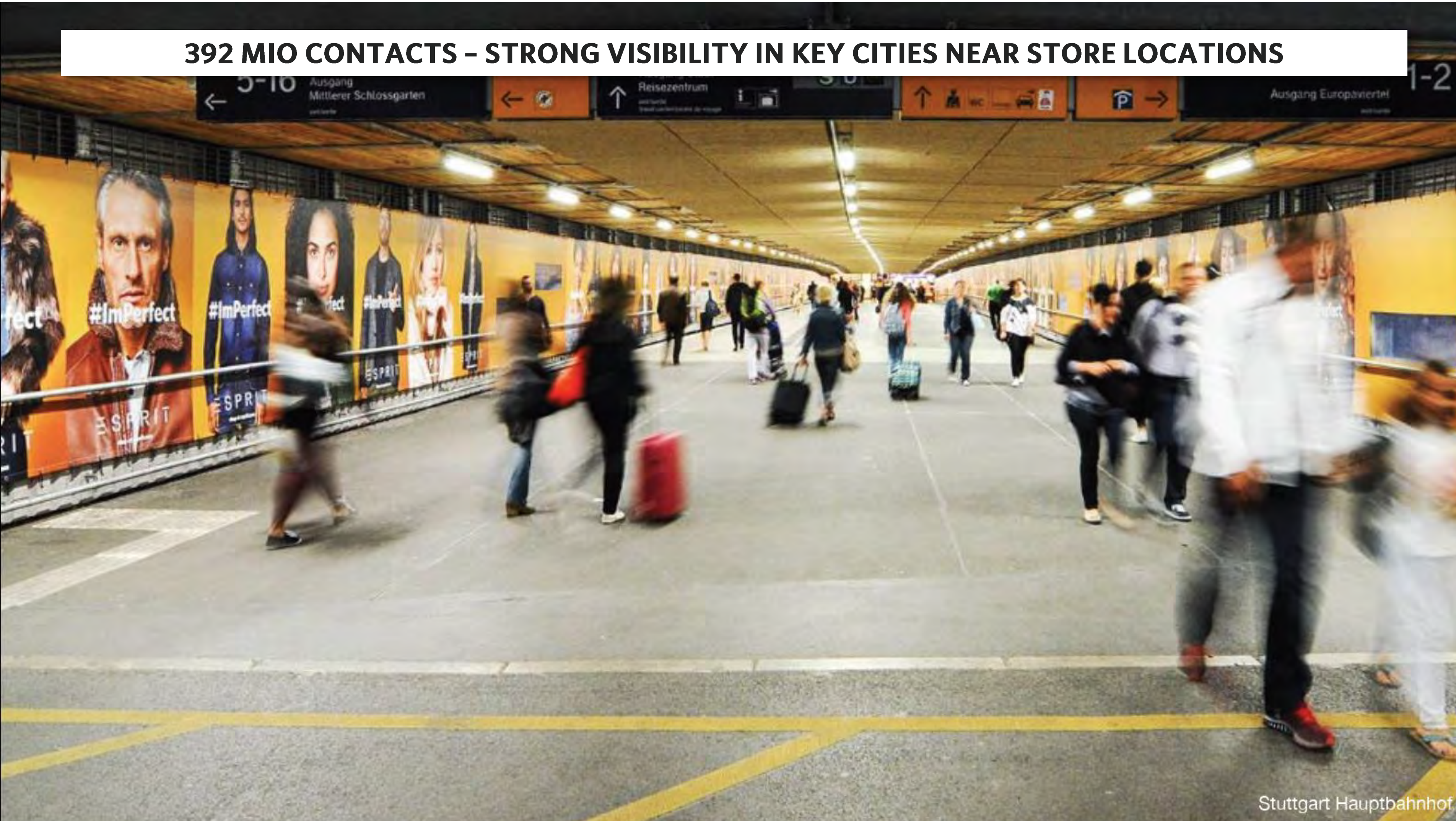
** At least once for women between 25-35 years old*

STORES


DISRUPTIVE STATEMENT THROUGH FACADE COVERAGE AND WINDOW EXECUTION
#ImPerfect
#ImPerfect
#ImPerfect
#ImPerfect
#ImPerfect
ESPRIT
#ImPerfect
#ImPerfect
#ImPerfect
#ImPerfect
Düsseldorf Schadowstraße

OOH

392 MIO CONTACTS – STRONG VISIBILITY IN KEY CITIES NEAR STORE LOCATIONS



Stuttgart Hauptbahnhof

OOH

392 MIO CONTACTS – STRONG VISIBILITY IN KEY CITIES NEAR STORE LOCATIONS

Berliin Kurfürstendamm

PR

CREATING WORD OF MOUTH (#IMPERFECT MOVEMENT) THROUGH INFLUENCER ACTIVATION

- Blogger Event Berlin -

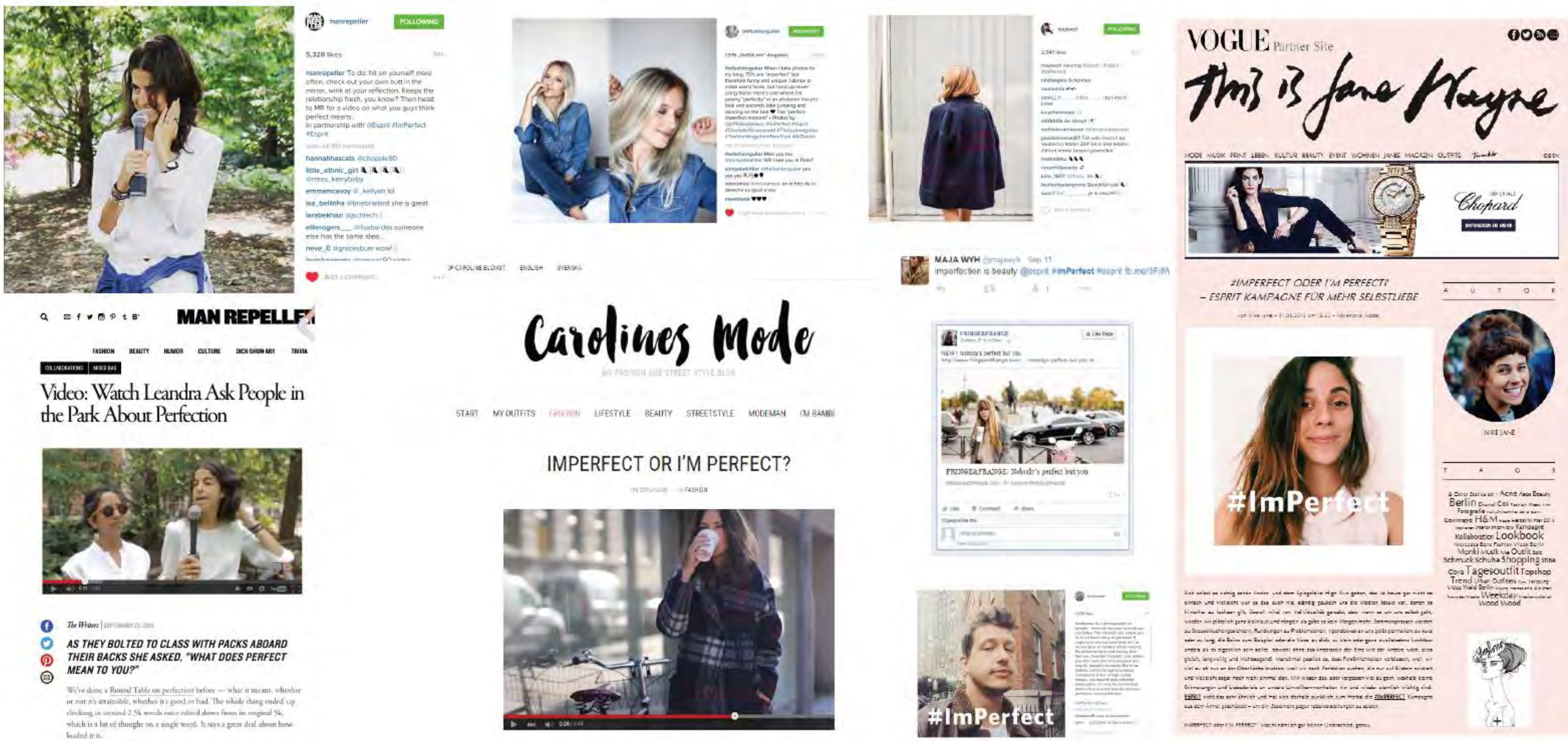
"The look of models changed throughout the years- nothing has to be perfect anymore. Imperfection is en vogue."
Antje Winter, Fashion Stylist

"I really found the Esprit campaign interesting and out of the expected standards, with a slogan that makes you rethink about what we nowadays understand as perfect. To speak about society sounds like a cliché, but we feel more pressure than ever because of social media."
Jannú Frutos, Janne in Wonderland

Blogger Panel, Berlin

SOCIAL MEDIA

2.4% ENGAGEMENT RATE (DOUBLE THE MARKET BENCHMARK)



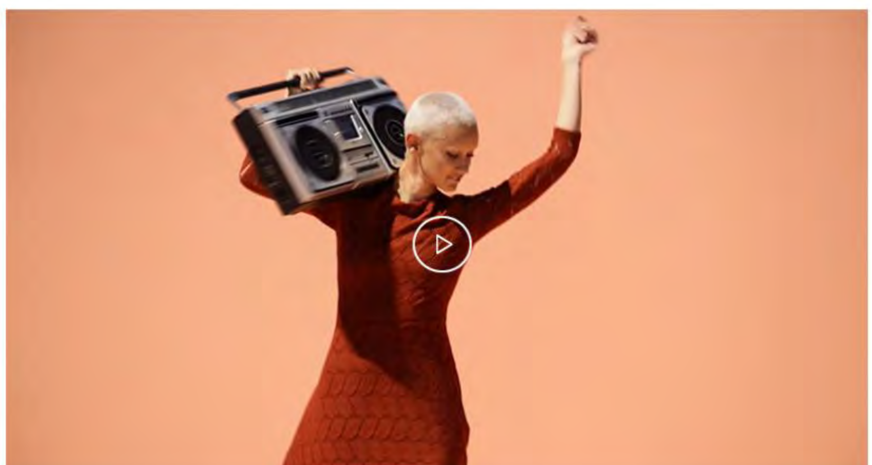
DIGITAL MEDIA

75 MILLION FULL VIEWS OF THE #ImPerfect ADS ONLINE

Move Your Booty

With no two moves being alike, there's nothing more authentic than dance to express the #ImPerfect sentiment. Warming up with the Spring 2016 collection, a classic dance tune, and an open stage, Esprit continues its mission to encourage that unique spirit.

DISCOVER MORE



WATCH ALL TV-SPOTS & VIDEOS

BRAND CAMPAIGN – RELATED IMPACTS

RETAIL (6 months Germany)

Net Sales total	**+8.6%**
Net Sales comp	**+7.7%**
- Offline comp	+6.6%
- Online comp	+9.0%
Market[1)]	**+1.0%**
Traffic in stores[2]	**+10%**
DTI Traffic[3]	**+6%**

SOCIAL MEDIA (4 months Global)

Facebook	**+ 81%** monthly fan growth
	53% of new fans are women between 25-35
Instagram	**+168%** monthly fan growth
Engagement rate	**x19** on Esprit Social Channels

NOTE: German Retail data for period Jul 1 to Dec 31; Social Media data for Campaign period Aug 29 – Dec 13
1) GfK Trend fashion industry for offline and online from GFK (Jul - Dec)
2) 31 reference stores are reporting traffic for Germany / YTD Dec
3) Direct Type In traffic in our website

PRODUCT
"VERTICAL MODEL"

ESPRIT PROMISE

ESPRIT PRODUCT

Casual fashion
Newness and market trends in fabrics, colors and shapes, expressed in the effortless and comfortable Esprit style.

Perfect quality
Maximum attention to detail in design, materials, fitting and production of every garment.

Outstanding value for money
Always the best possible value-for-money deal for our consumers.

ESPRIT PRODUCT – VERTICAL MODEL

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SPEED & EFFICIENCY

VERTICAL

- Product Development
- Merchandising
- Supply Chain
- Distribution
- Store / POS
- Stock

VERTICAL MODEL UPDATE

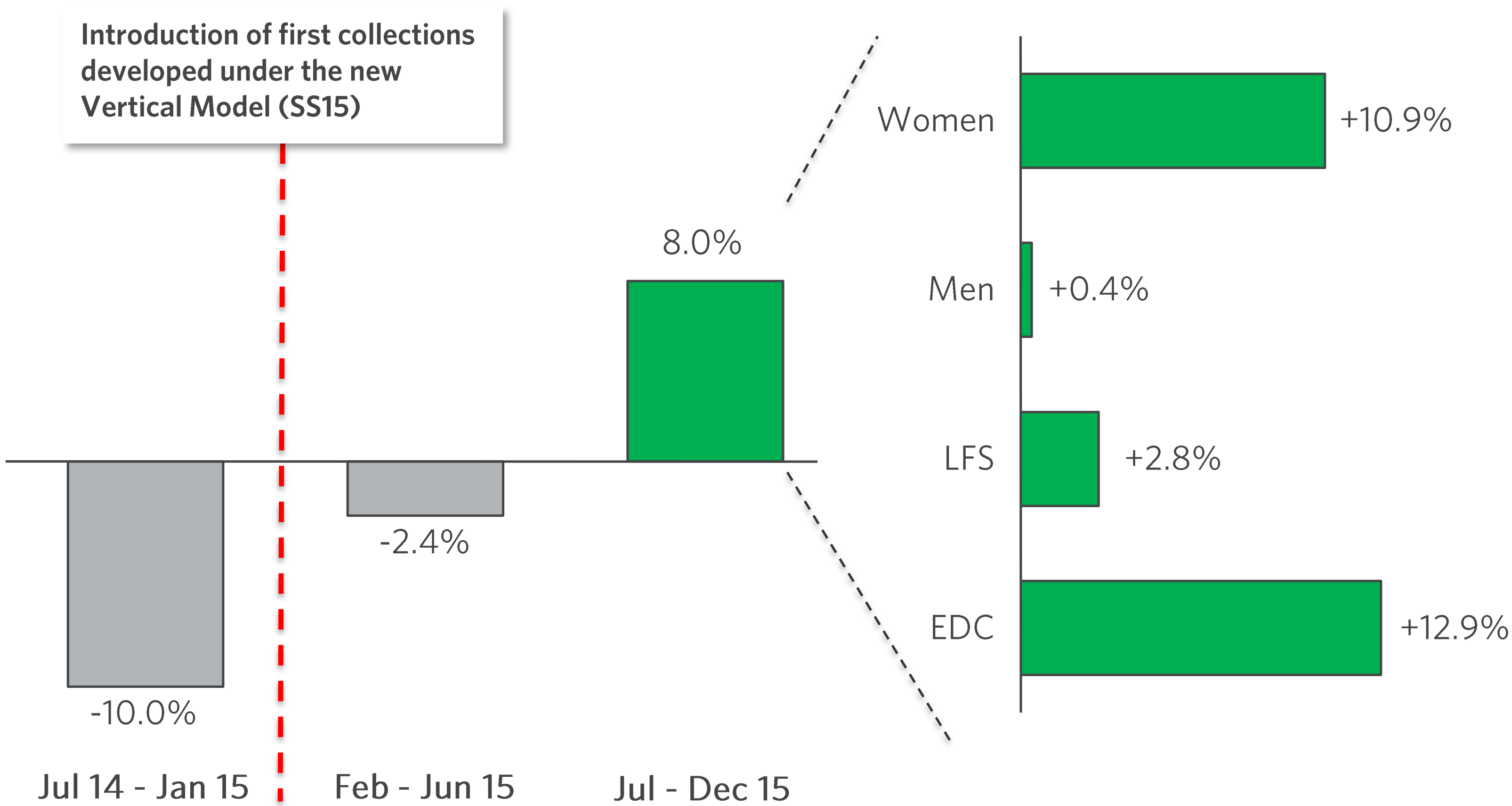
VERTICAL

- Product Development
- Merchandising
- Supply Chain
- Distribution
- Store / POS
- Stock

1. **Lean Supply Chain Management –** From 352 to 191 (-46%) suppliers and successful introduction of best SCM practices
2. **Category Management Teams –** All apparel divisions completely transformed and process initiated in non-apparel divisions
3. **New Merchandising Model –** Product, Planning, Buying and Merchandise Management functions fully centralized
4. **Seasonal Calendar –** 4 seasons vs. 12 monthly collections
5. **Product Range Reduction –** 30% to 40% less options
6. **Fast to Market –** 2-3 months lead time in the Trend Division and fast reaction capsules in all apparel divisions (>20% in Women)
7. **Stock Management Optimization** – Replenishment capacity and capabilities in progress along with DC extension
8. **Vertical Wholesale Model –** Final solutions being tested

VERTICAL PRODUCTS – RETAIL PERFORMANCE

Retail Turnover (YoY change of comparable stores in LCY)



Comp store growth (comp stores / concessions / counters & eshop)
Excl exchange effects

VERTICAL PRODUCTS – RETAIL PERFORMANCE

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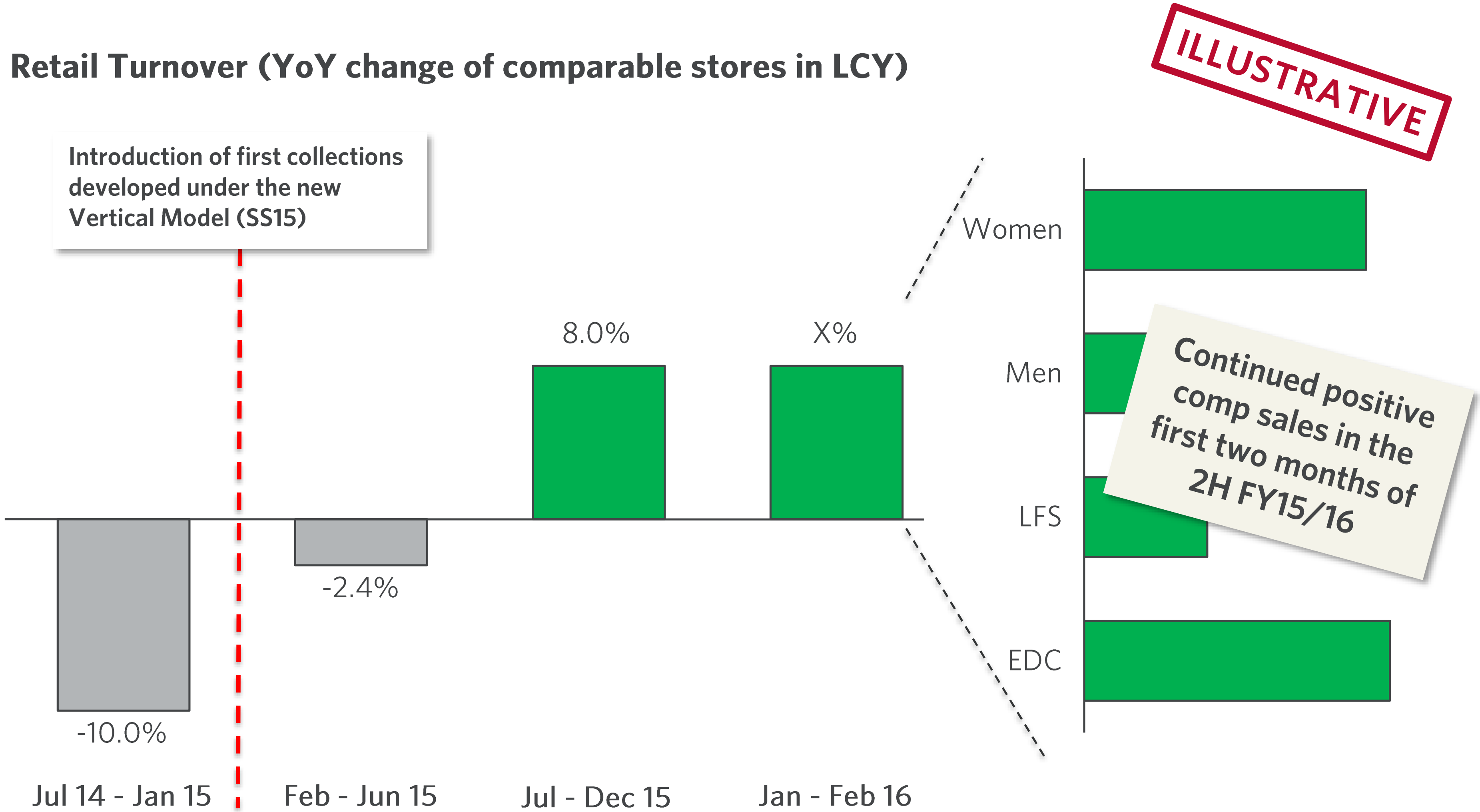
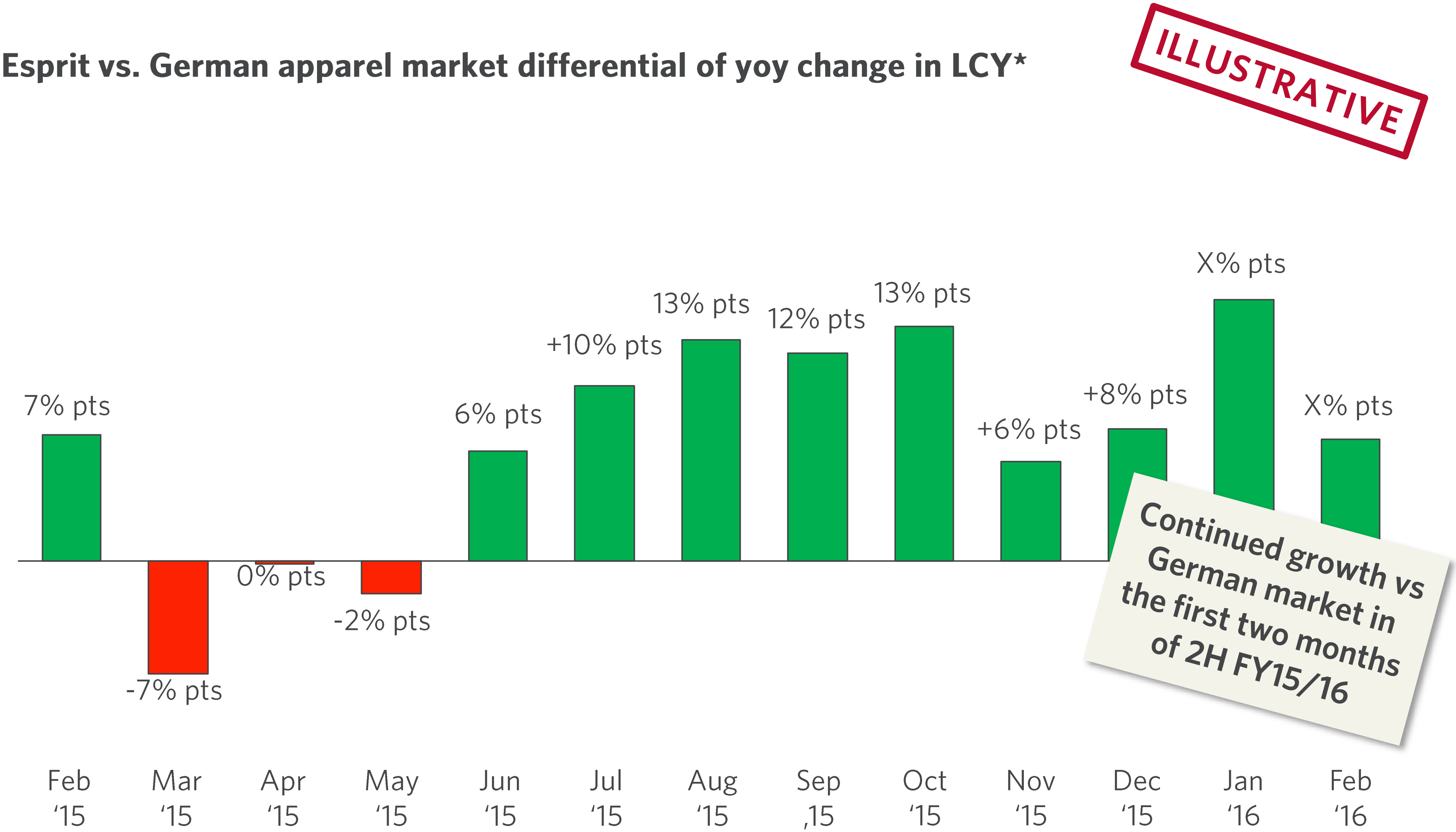


Comp store growth (comp stores / concessions / counters & eshop)
Excl exchange effects

RETAIL PERFORMANCE VS. GERMAN MARKET

Esprit vs. German apparel market differential of yoy change in LCY*



* Esprit comparable full price brick and mortar stores against comparable market data according to Textilwirtschaft. Comp group growth of the individual month

CHANNELS
"OMNICHANNEL"

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

More than 5 million active members, who make 70% of our Retail turnover

ESPRIT FRIENDS

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

ESPRIT FRIENDS

DIGITAL EXCELLENCE

High performance online business driven by a strong/experienced team and supported by state-of-the-art infrastructures

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

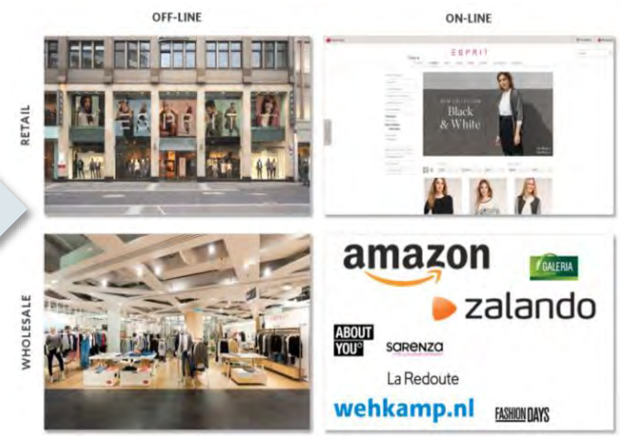
LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

ESPRIT FRIENDS

DIGITAL EXCELLENCE

HIGH
PERFORMANCE
E-COMMERCE
& DIGITAL
CAPABILITIES

MULTI CHANNEL



Relevant presence
and operations in all
possible sales channels

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

ESPRIT FRIENDS

DIGITAL EXCELLENCE

HIGH
PERFORMANCE
E-COMMERCE
& DIGITAL
CAPABILITIES

CROSS CHANNEL

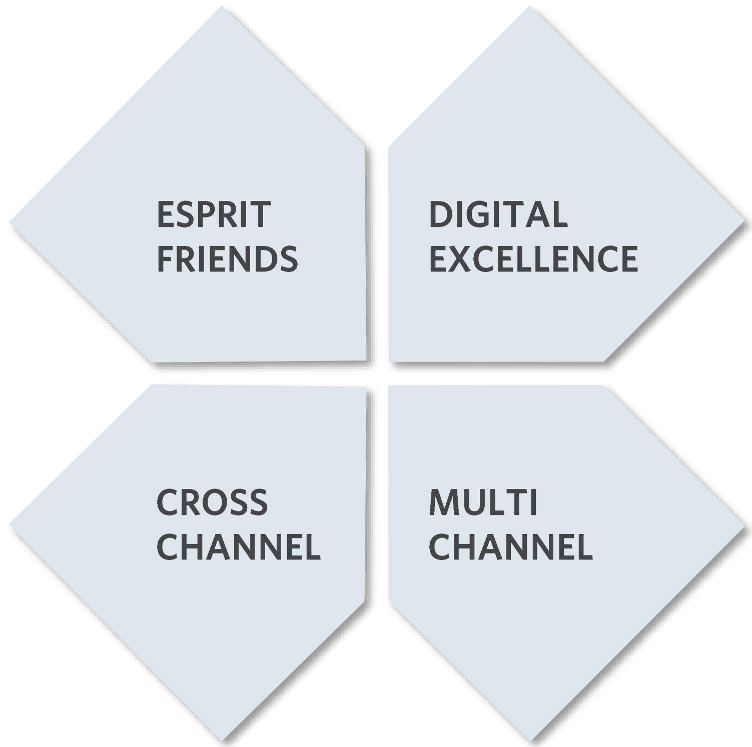
MULTI CHANNEL

RELEVANT
PRESENCE AND
OPERATIONS IN ALL
SALES CHANNELS

Consumers shopping both through offline and online generating much higher value

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

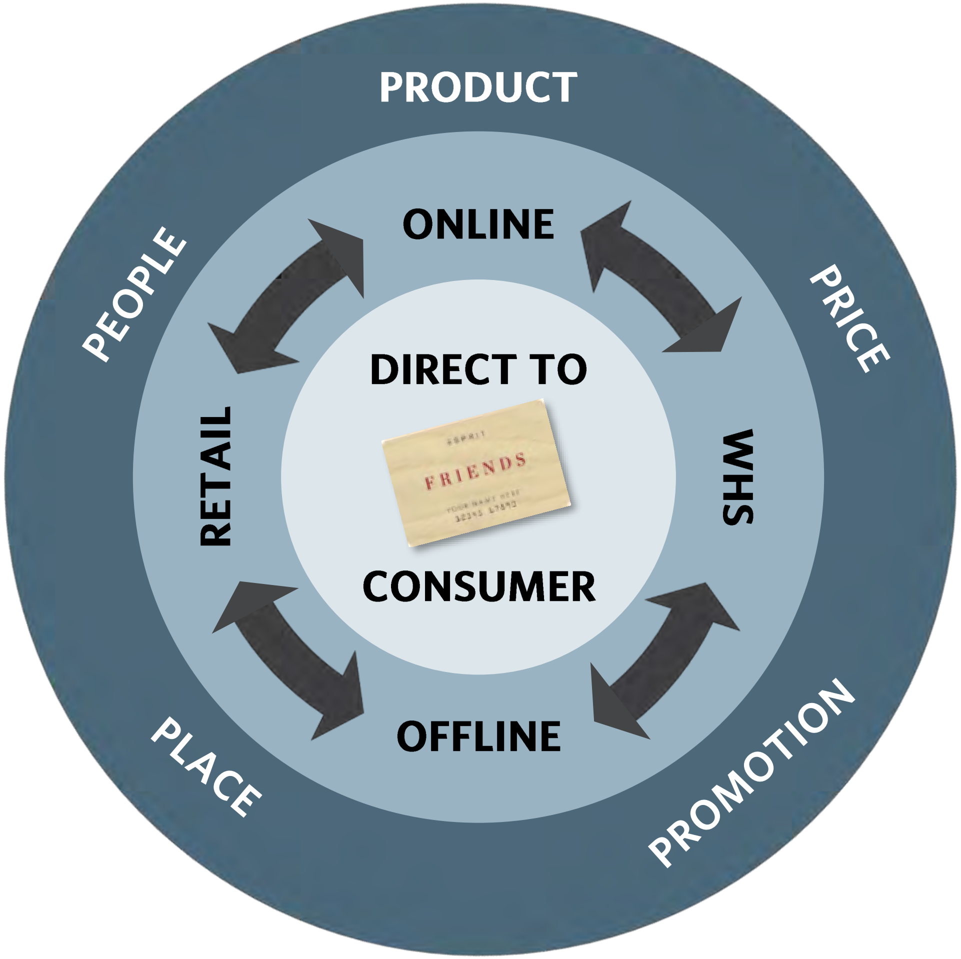


HIGH
PERFORMANCE
E-COMMERCE
& DIGITAL
CAPABILITIES

INCREASED
VALUE FROM
CROSS-CHANNEL
CONSUMERS

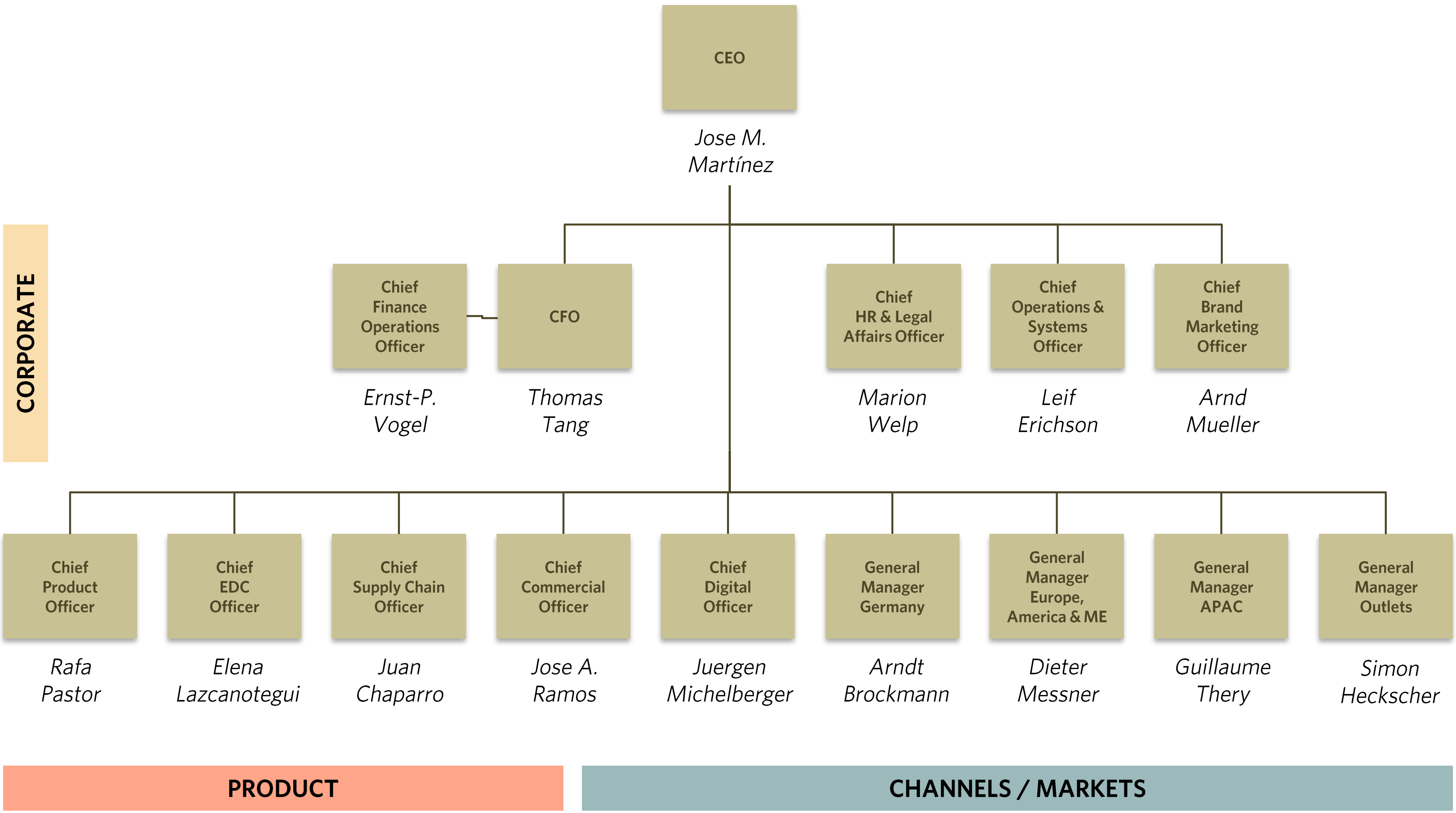
RELEVANT
PRESENCE AND
OPERATIONS IN ALL
SALES CHANNELS

OMNICHANNEL MODEL OF ESPRIT



PEOPLE
ORGANIZATION

EXECUTIVE MANAGEMENT TEAM



EXECUTIVE MANAGEMENT TEAM

Jose M. Martínez

CORPORATE

Ernst-P. Vogel

Thomas Tang

Marion Welp

Leif Erichson

Arnd Mueller

Rafa Pastor

Elena Lazcanotegui

Juan Chaparro

Jose A. Ramos

Juergen Michelberger

Arndt Brockmann

Dieter Messner

Guillaume Thery

Simon Heckscher

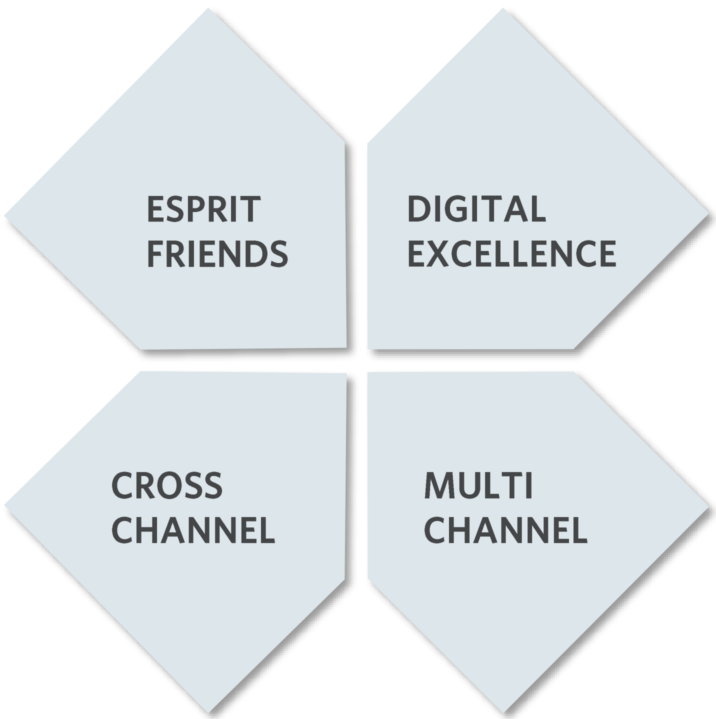
PRODUCT

CHANNELS / MARKETS


INVESTORS DAY - OMNICHANNEL MODEL
March 2016
ESPRIT

PRESENTATION STRUCTURE

PART 1
Key Elements of Esprit Sales Channels Model



PART 2
Omnichannel Model

THE TEAM

Jürgen Michelberger
Chief Digital Officer

PART 1
Key Elements of Esprit Sales Model

Jose Antonio Ramos
Chief Commercial Officer

PART 2
Omnichannel Plan

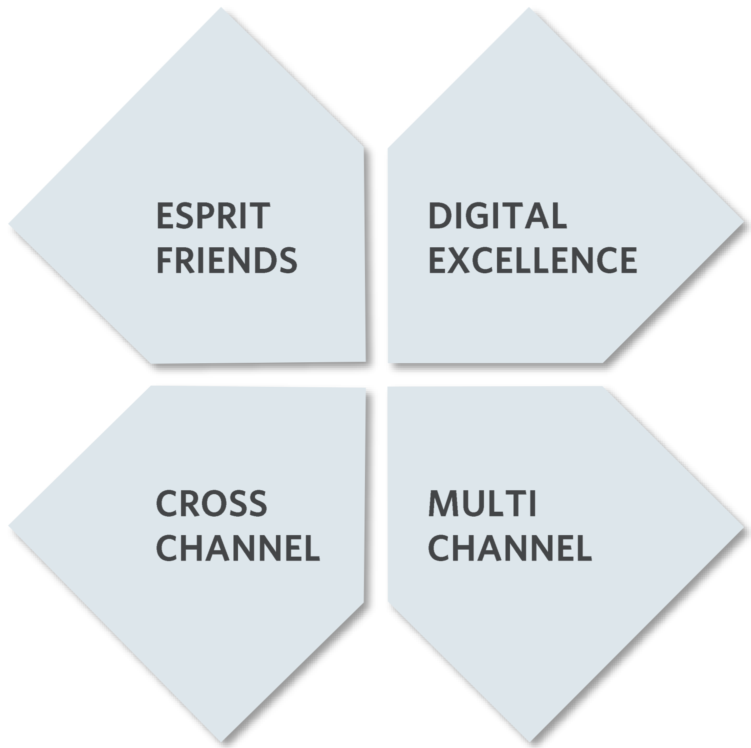
Leif Erichson
Chief Operations and
Systems Officer

Lucas van Eeghen
Senior Vice President
Head of Omnichannel Go-to-market

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL CONSUMER BASE AND STRONG LOYALTY PROGRAM

HIGH PERFORMANCE E-COMMERCE & DIGITAL CAPABILITIES



INCREASED VALUE FROM CROSS-CHANNEL CONSUMERS

RELEVANT PRESENCE AND OPERATIONS IN ALL SALES CHANNELS

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

HIGH
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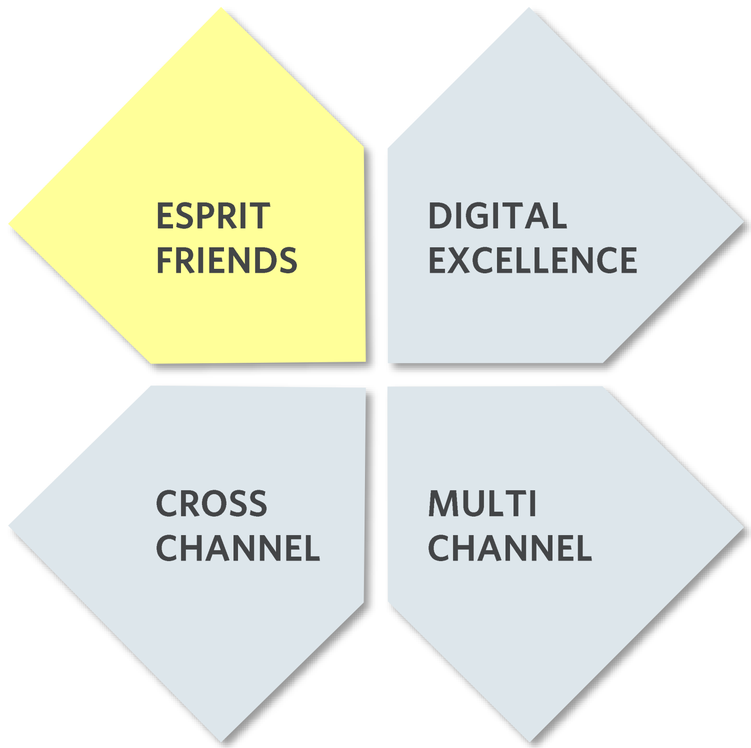


INCREASED
VALUE FROM
CROSS-CHANNEL
CONSUMERS

RELEVANT
PRESENCE AND
OPERATIONS IN ALL
SALES CHANNELS

INTRODUCING ESPRIT FRIENDS

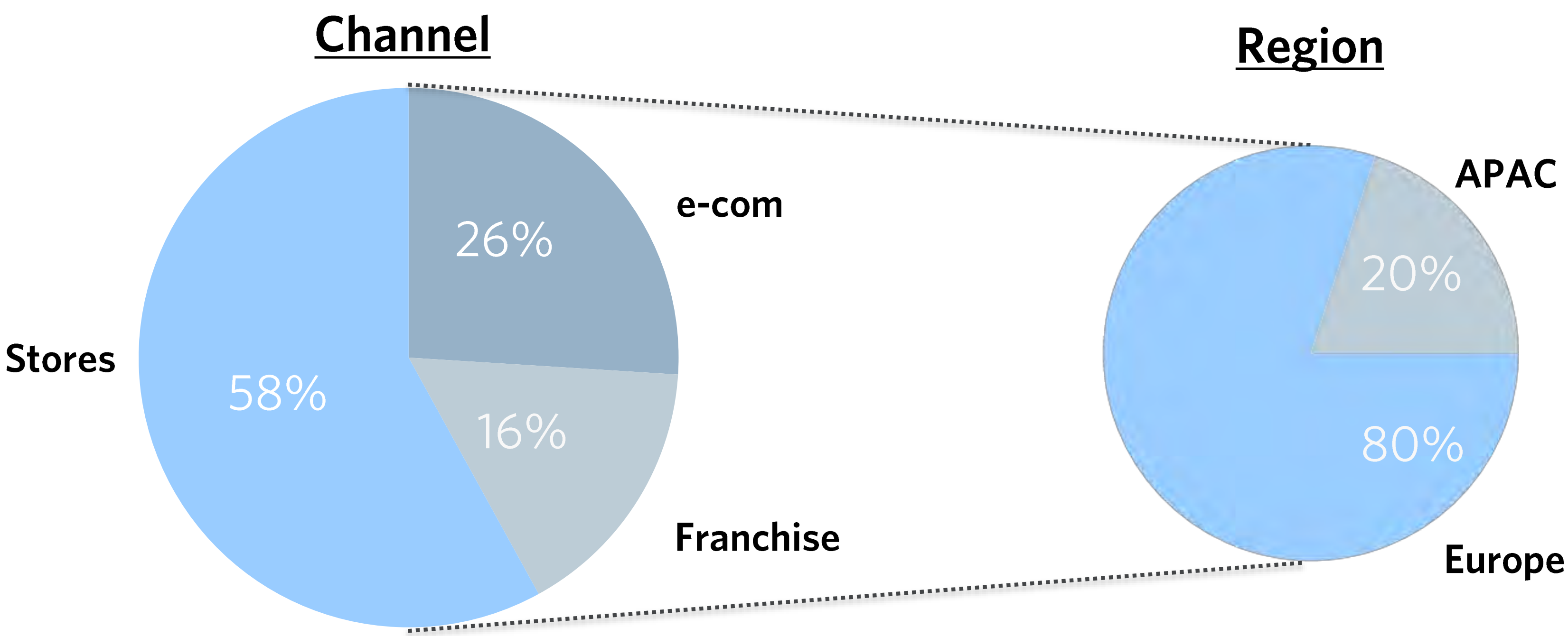
- ✓ **Introduction: 2001**
- ✓ **Identify & communicate**
- ✓ **Easy access**
- ✓ **Earn & burn**
- ✓ **Multi-channel**

→ 5,6 Mio.* active Friends globally

** Global Friends Dec 2015*

FRIENDS: CHANNELS AND REGIONS

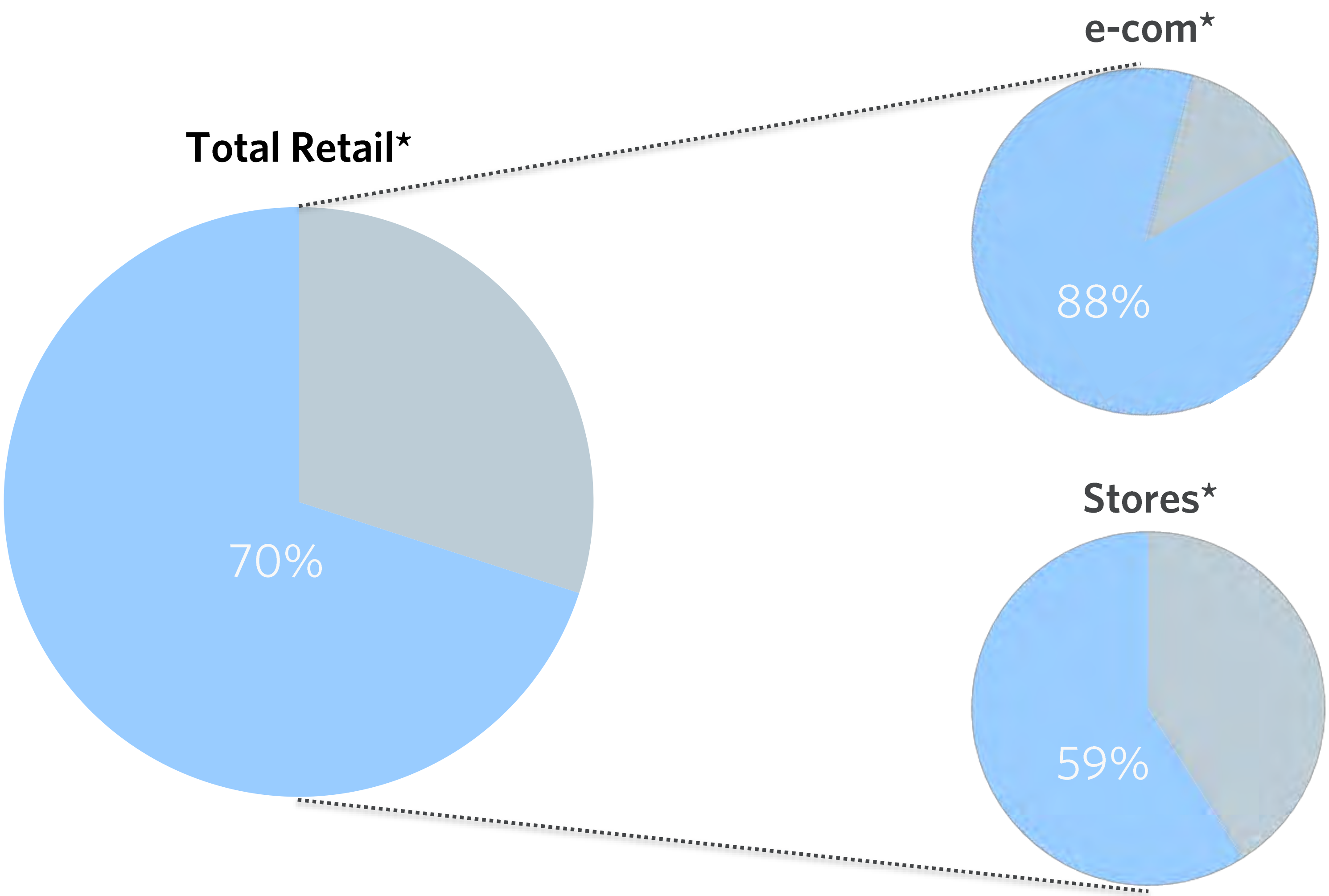
 # Member Split*



→ Friends is a well established program across our distribution

**Global Friends Dec 2015*

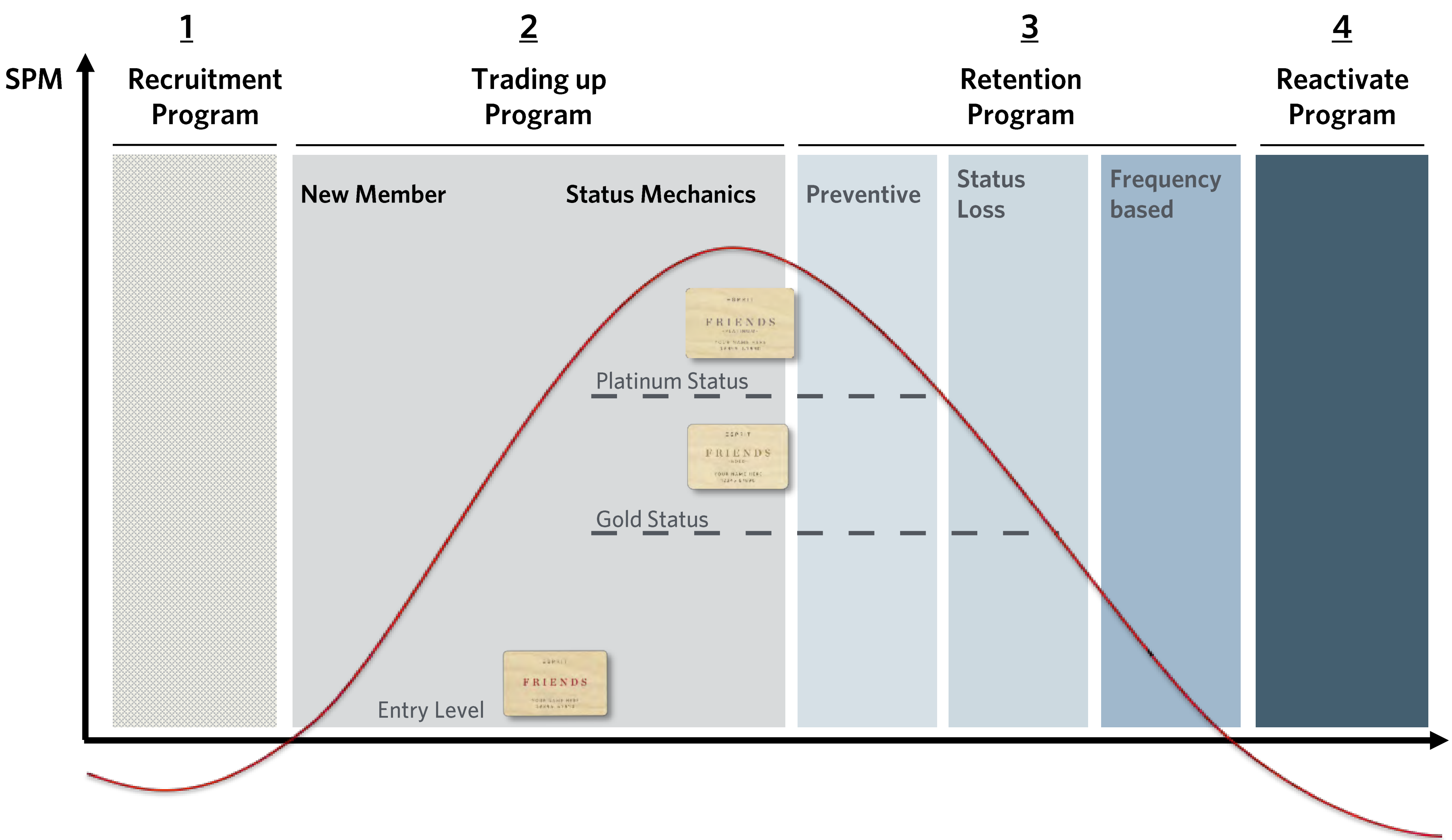
FRIENDS SHARE OF SALES



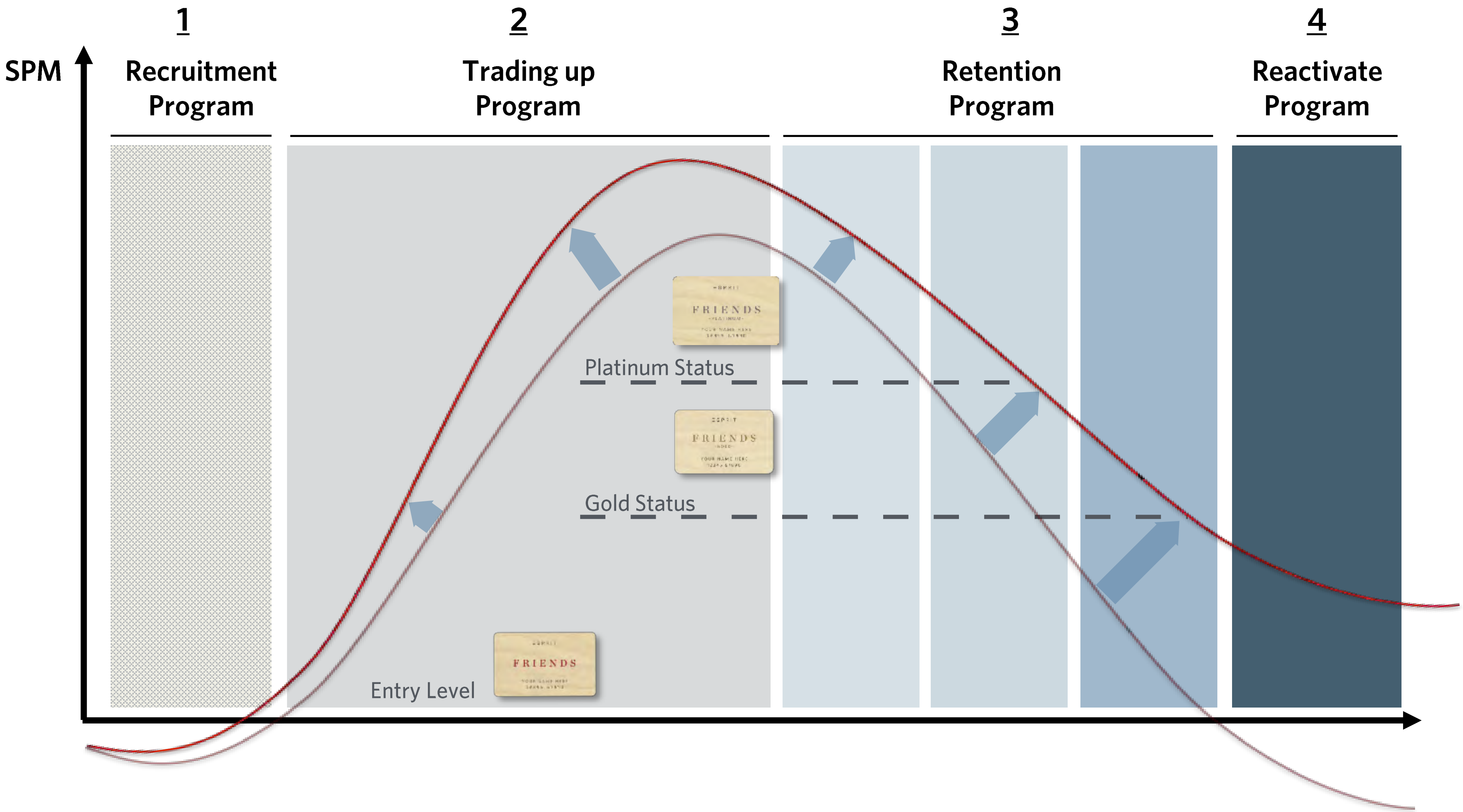
→ Friends deliver the vast majority of our sales

** 1HY15/16 Friends sales Global Retail*

DEVELOP CUSTOMER LIFE-TIME-VALUE

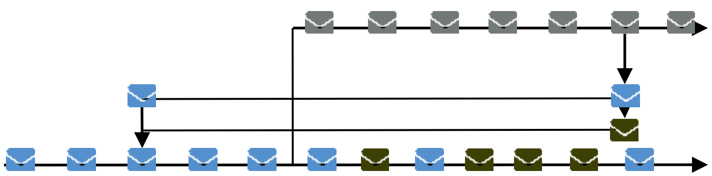


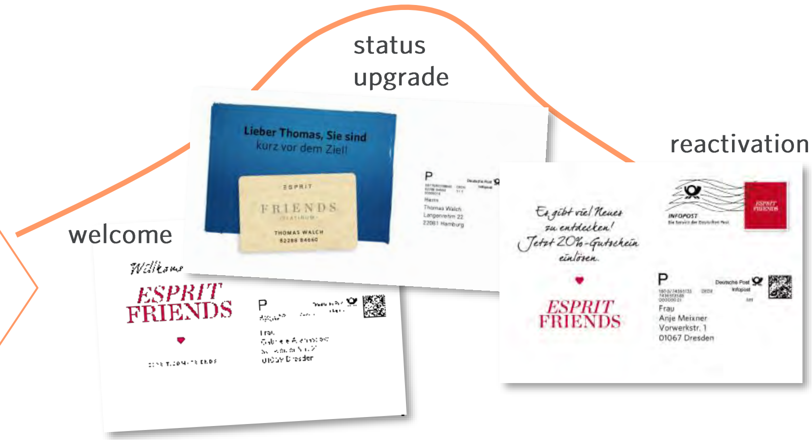
DEVELOP CUSTOMER LIFE-TIME-VALUE



HOLISTIC & TARGETED COMMUNICATION

Customer Lifecycle



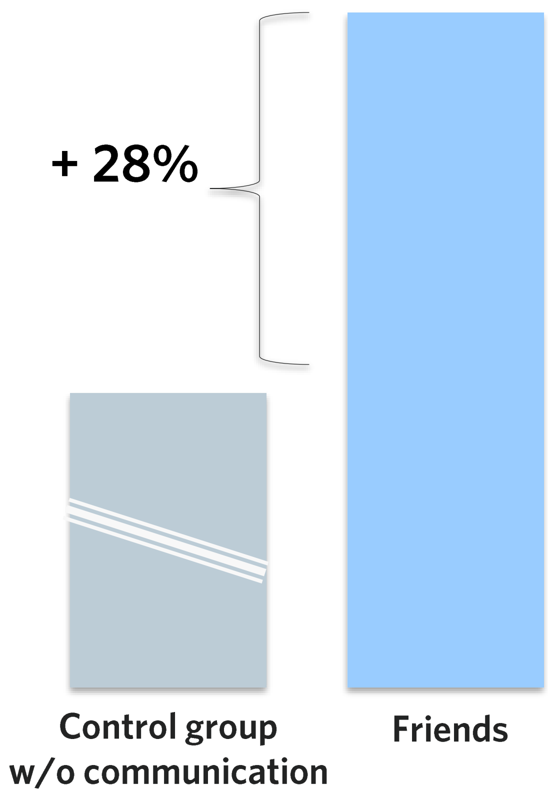


Product Themes

→ up to 25 customized contacts per month

FRIENDS BUY MORE

Sales per member/year*



driven by frequency*

+32%

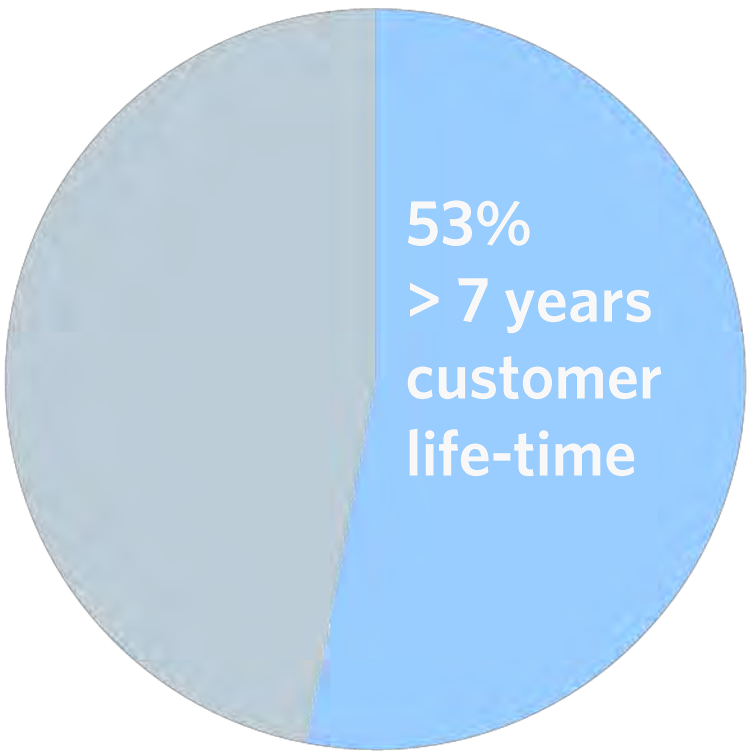
compared
to control group

→ Friends communication drives incremental sales

**Europe Friends CY 2015*

FRIENDS ARE LOYAL

Total Friends sales*



driven by Net Promoter Score*

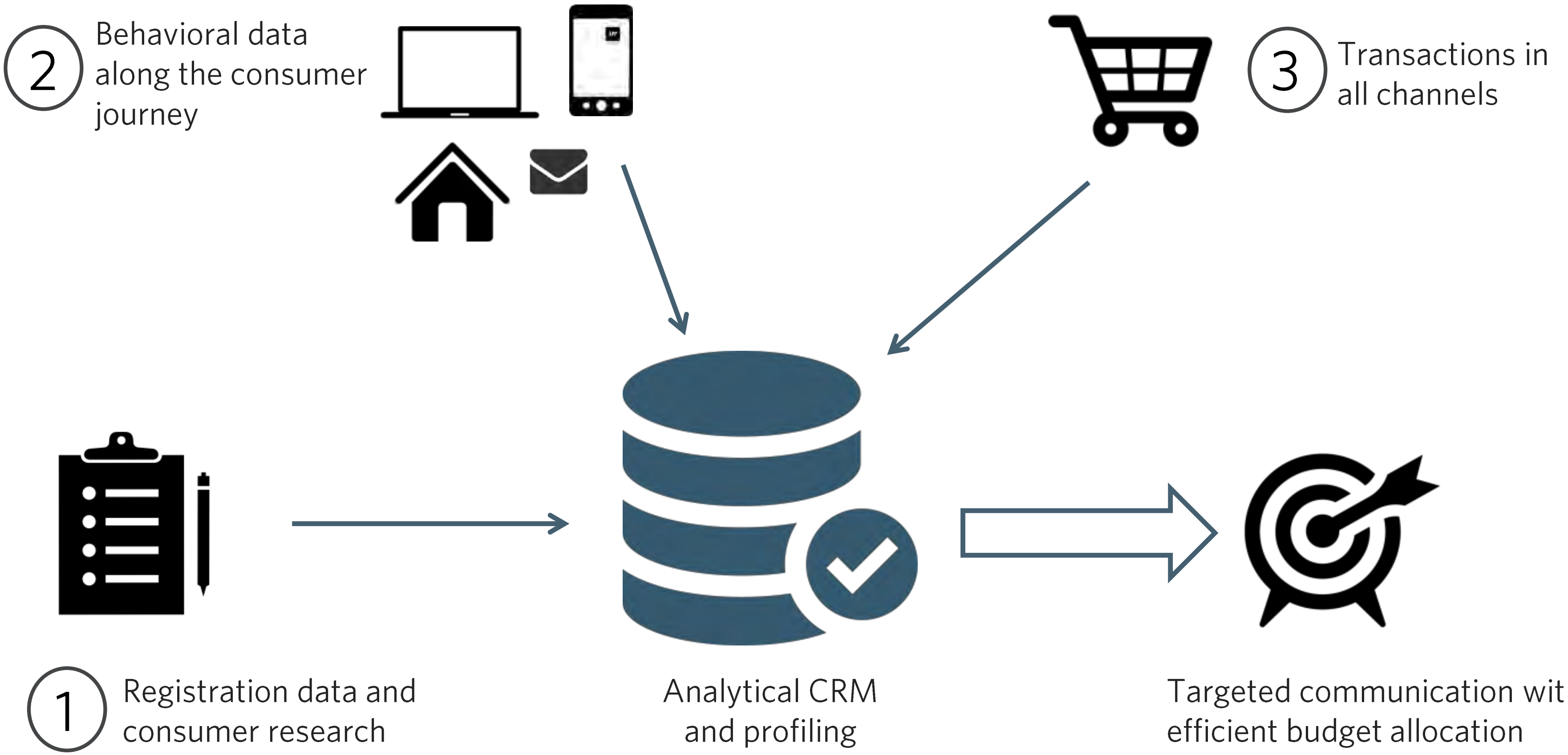
+26 pts

compared to non-Friends

→ Friends communication drives the brand

**Global Friends CY 2015, NPS available for Germany only*

FRIENDS DATA OFFER COMPETITIVE ADVANTAGE

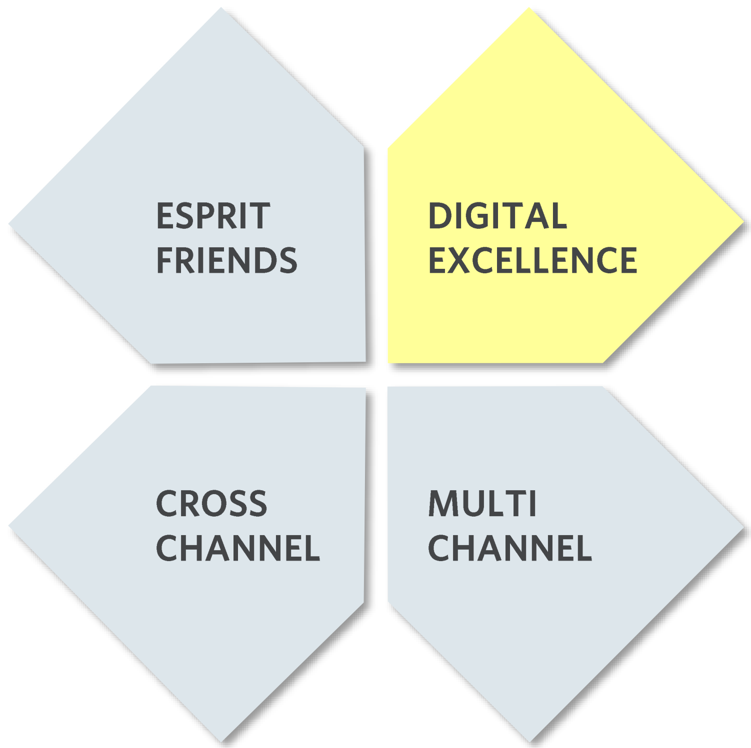


→ **Friends enables customer centric marketing**

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

HIGH
PERFORMANCE
E-COMMERCE
& DIGITAL
CAPABILITIES

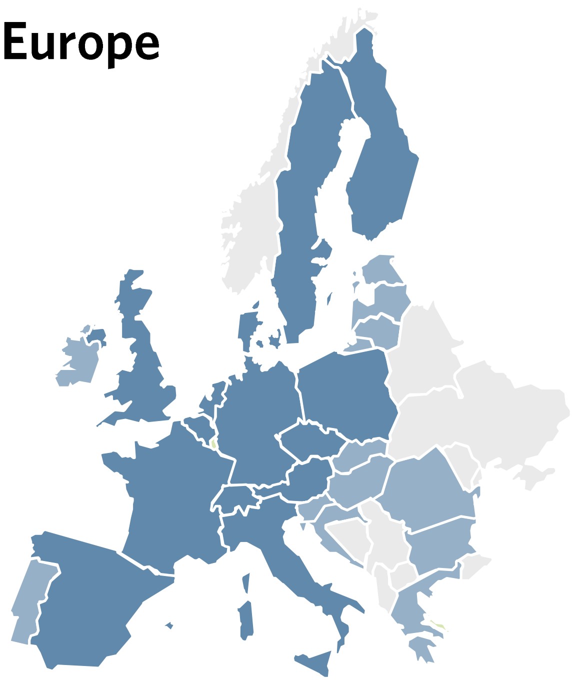


INCREASED
VALUE FROM
CROSS-CHANNEL
CONSUMERS

RELEVANT
PRESENCE AND
OPERATIONS IN ALL
SALES CHANNELS

E-COMMERCE FOOT PRINT

Europe



14 e-shops → 27 countries

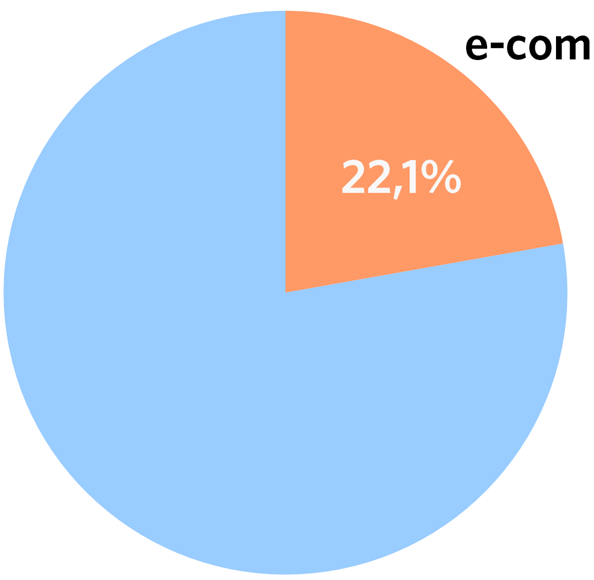
APAC

6 e-shops + T-mall/JD → 6 countries

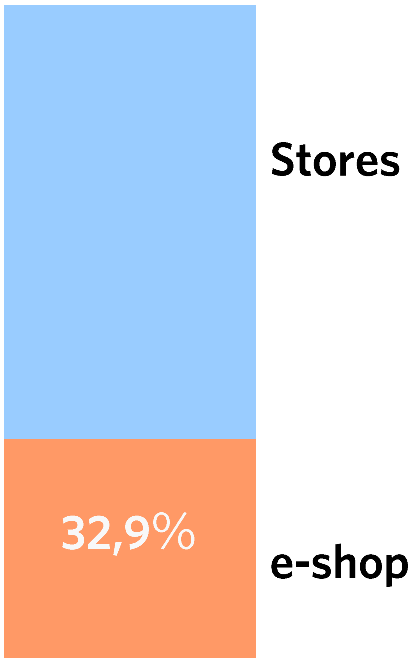
→ online leverages our offline distribution

E-COM SIZE OF BUSINESS

Esprit total sales*



Retail sales*

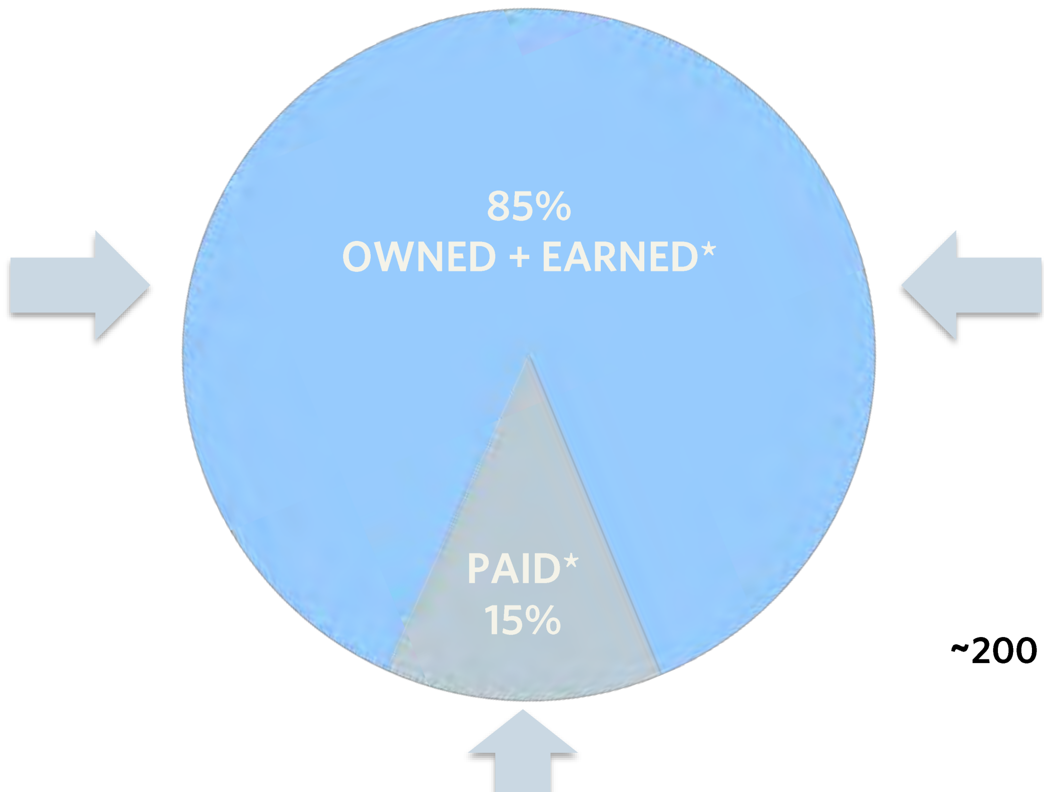


→ e-com share in line with best-in-class industry players

**Global 1st HY 2015/16*

TRAFFIC MODEL

BRAND
e.g. Direct type-ins



FRIENDS
e.g. Newsletters

~200 Million Visits/Year

ONLINE MARKETING e.g. Retargeting

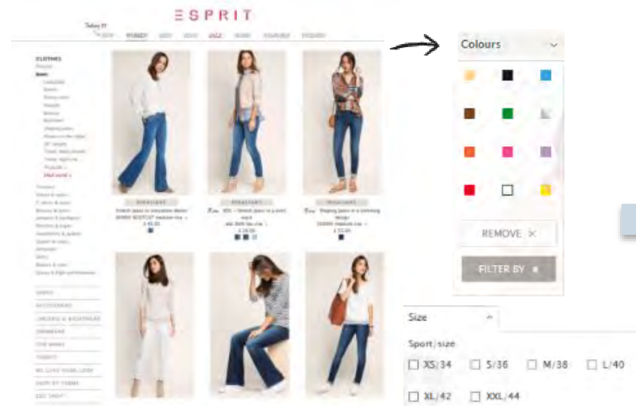
→ Traffic structure provides base for profitable business model

**simplified illustration, Traffic e-com Europe CY 2015*

DIGITAL EXPERIENCE - GREAT USABILITY

1) Multi-device entry

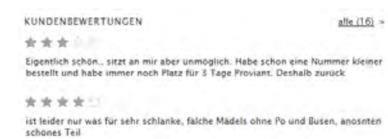
2) Overview

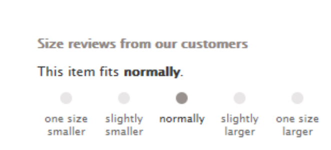


3) Product page

4) One-page-checkout

5) Up & Cross-Selling



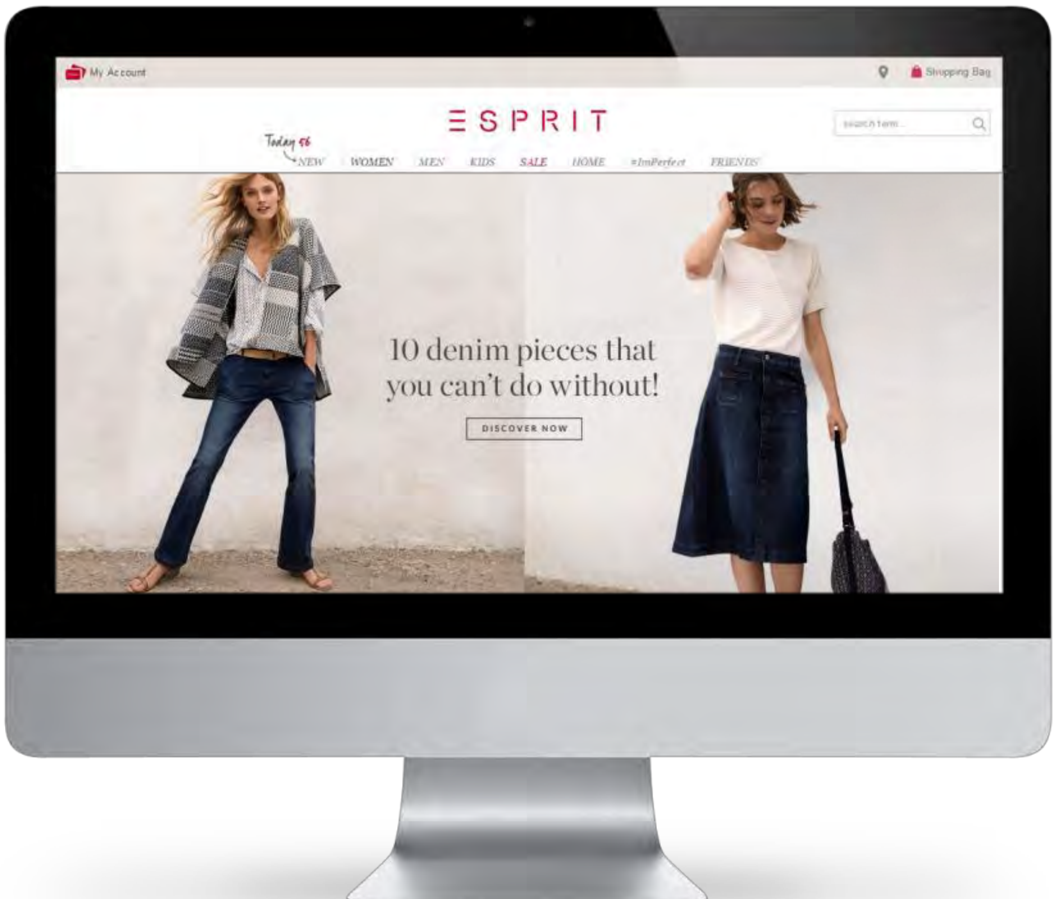


→ base for outstanding conversion rate of 4.8%*

**CR % e-com Europe CY 2015*

DIGITAL EXPERIENCE –GREAT CONTENT

<u>more than 20 themes per month</u>



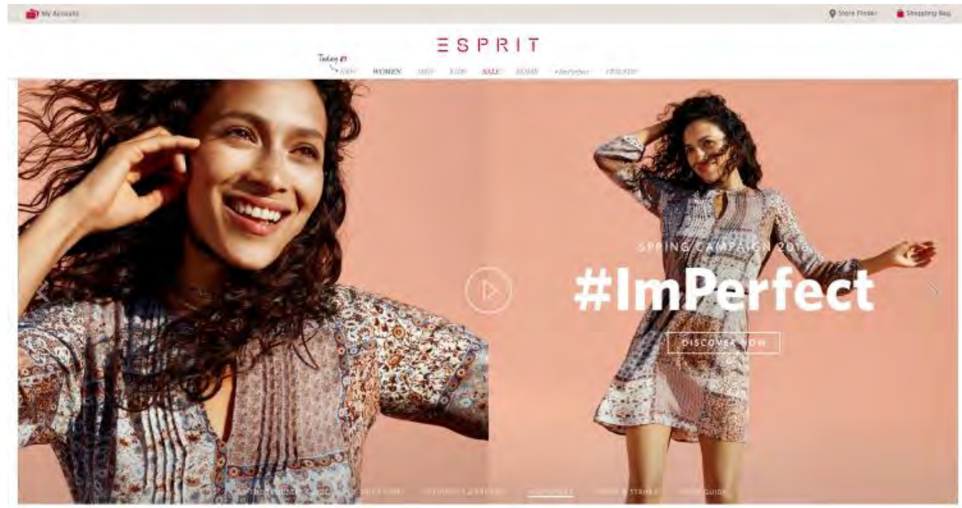
DIGITAL EXPERIENCE ON ALL TOUCHPOINTS

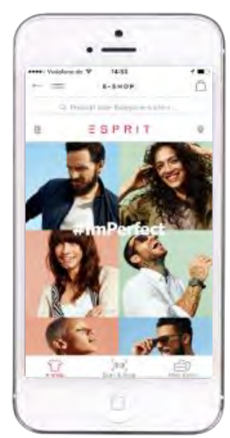
Newsletter & offsite banners

On all devices

Social media & influencer

BRAND MARKETING INTEGRATION

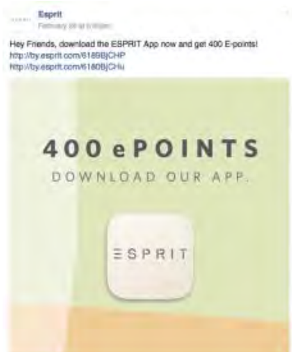




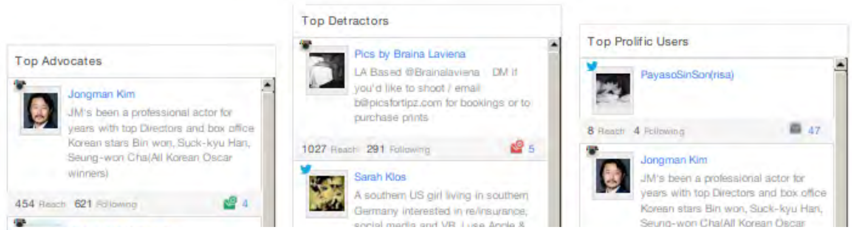
USE OF SOCIAL MEDIA

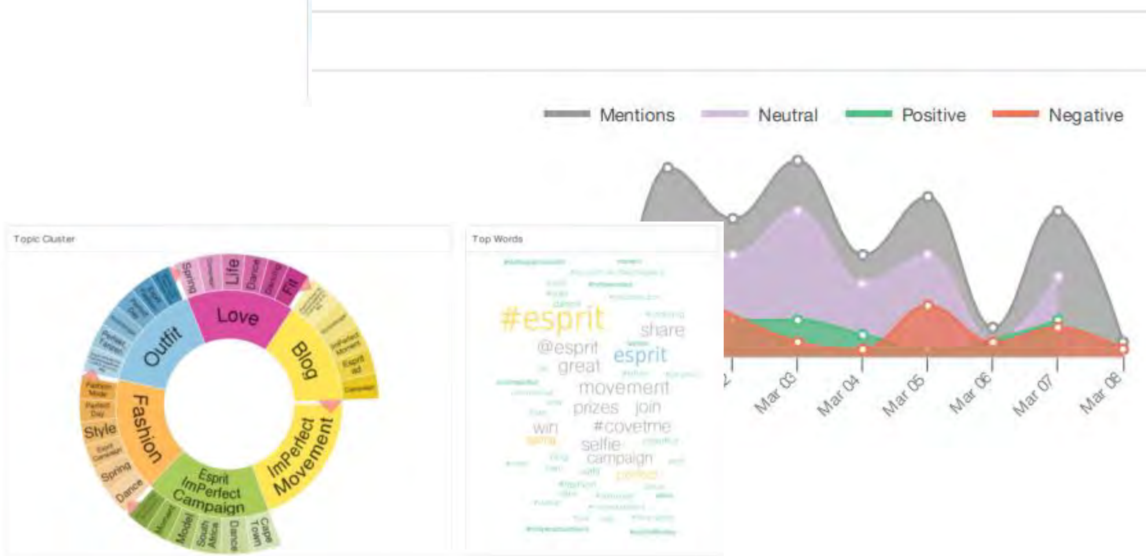
1.743.000 Followers*

Integrated Postings



Social Listening



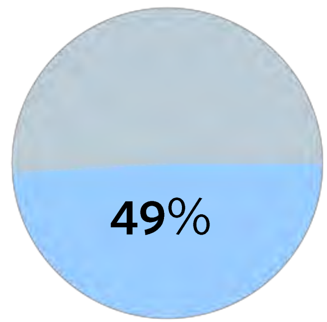


*Global Feb 2016

IT PLATFORM EXCELLENCE

Seamless integration on all devices

Desktop, tablet, smartphone, app



Mobile traffic

Global, 1st HY 2015/16

Customized & integrated

- Proprietary source code,
- Real-time linked to CRM and Retail System
- Full localization (language/currency/content/services)

→ a strong base for our digital business

Europe e-com platform, operated by Arvato

STRONG SERVICE PROPOSITION

SHIPPING

LOW COST FLAT FEES
i.e. Europe: "just 0,95 Euro"*

RETURNS

EASY AND CONVIENENT
i.e. Europe: "free returns"*

<u>Localized service offer:</u> customer service, payment, deliveries, returns

** except pan-european eshop*

FULFILLMENT EXCELLENCE

Speed and capacity

Order until 4 p.m.:	90% same day target
Max. storage:	7.4 mio. pieces

Returns processing solution

Returns re-sellable after:	45 min
Re-use return items:	99,5%

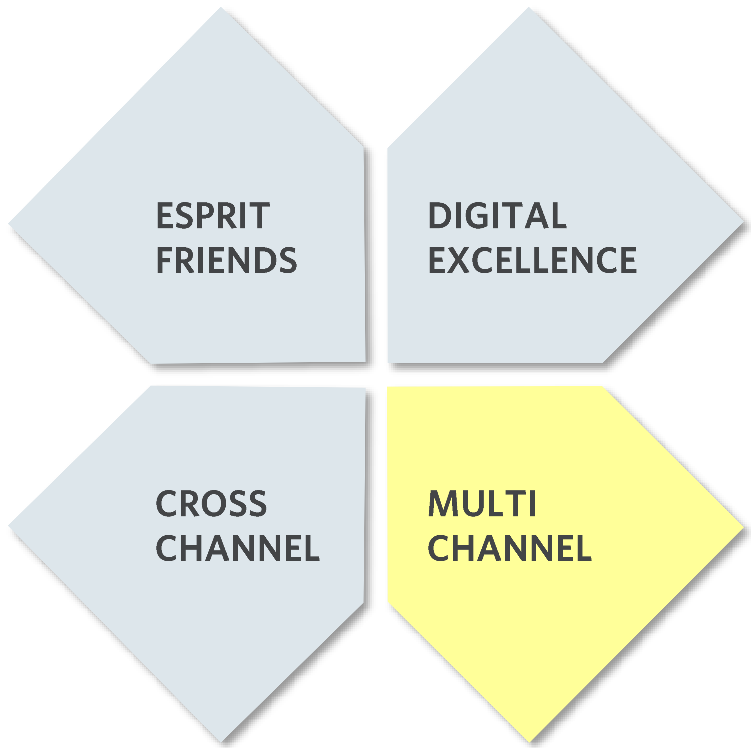
→ perfect setup for fashion e-com

Europe e-com DC, operated by Arvato

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL CONSUMER BASE AND STRONG LOYALTY PROGRAM

HIGH PERFORMANCE E-COMMERCE & DIGITAL CAPABILITIES



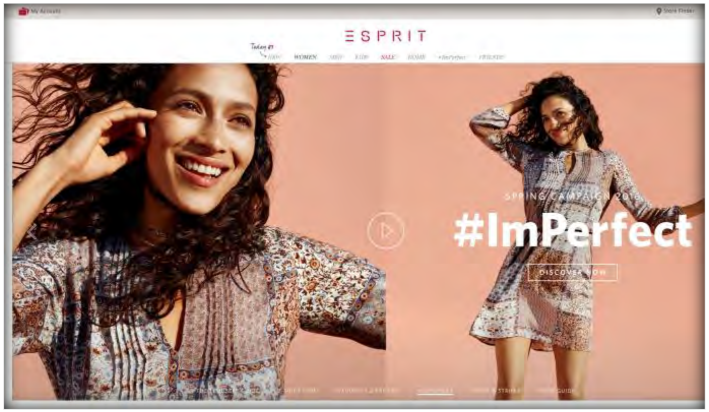
INCREASED VALUE FROM CROSS-CHANNEL CONSUMERS

RELEVANT PRESENCE AND OPERATIONS IN ALL SALES CHANNELS

CHANNEL MIX

offline | **online**

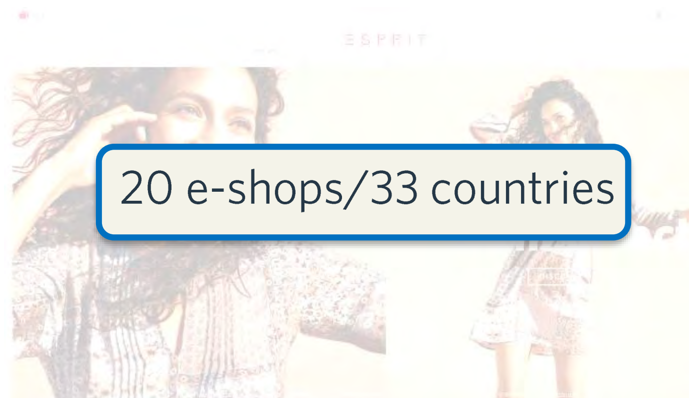
Retail

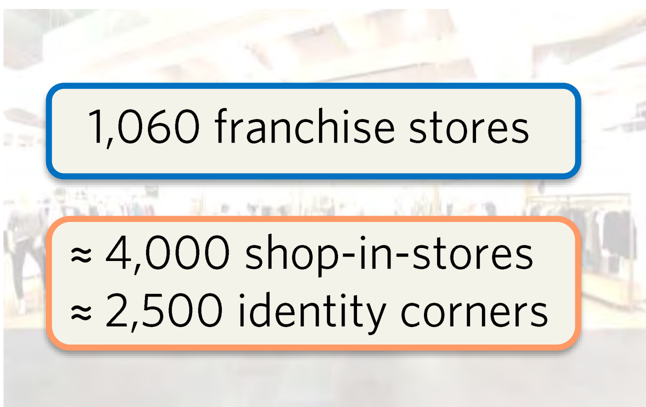


Wholesale

→ provides excellent opportunity for omni-channel model

SIZE OF OPERATIONS





	offline	online
Retail	864 stores/21 countries	20 e-shops/33 countries
Wholesale	1,060 franchise stores ≈ 4,000 shop-in-stores ≈ 2,500 identity corners	>50 wholesale e-com accounts

amazon GALERIA ABOUT YOU zalando wehkamp.nl

mono-label

multi-label

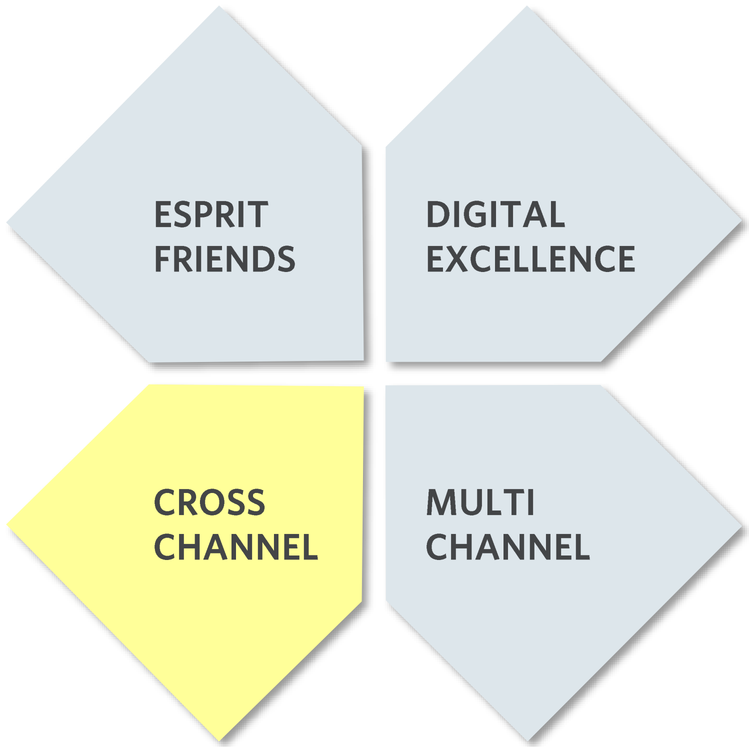
→ relevant presence in all channels

*Global 1st HY 2015/16

KEY ELEMENTS OF ESPRIT SALES CHANNELS MODEL

LOYAL
CONSUMER BASE
AND STRONG
LOYALTY
PROGRAM

HIGH
PERFORMANCE
E-COMMERCE
& DIGITAL
CAPABILITIES

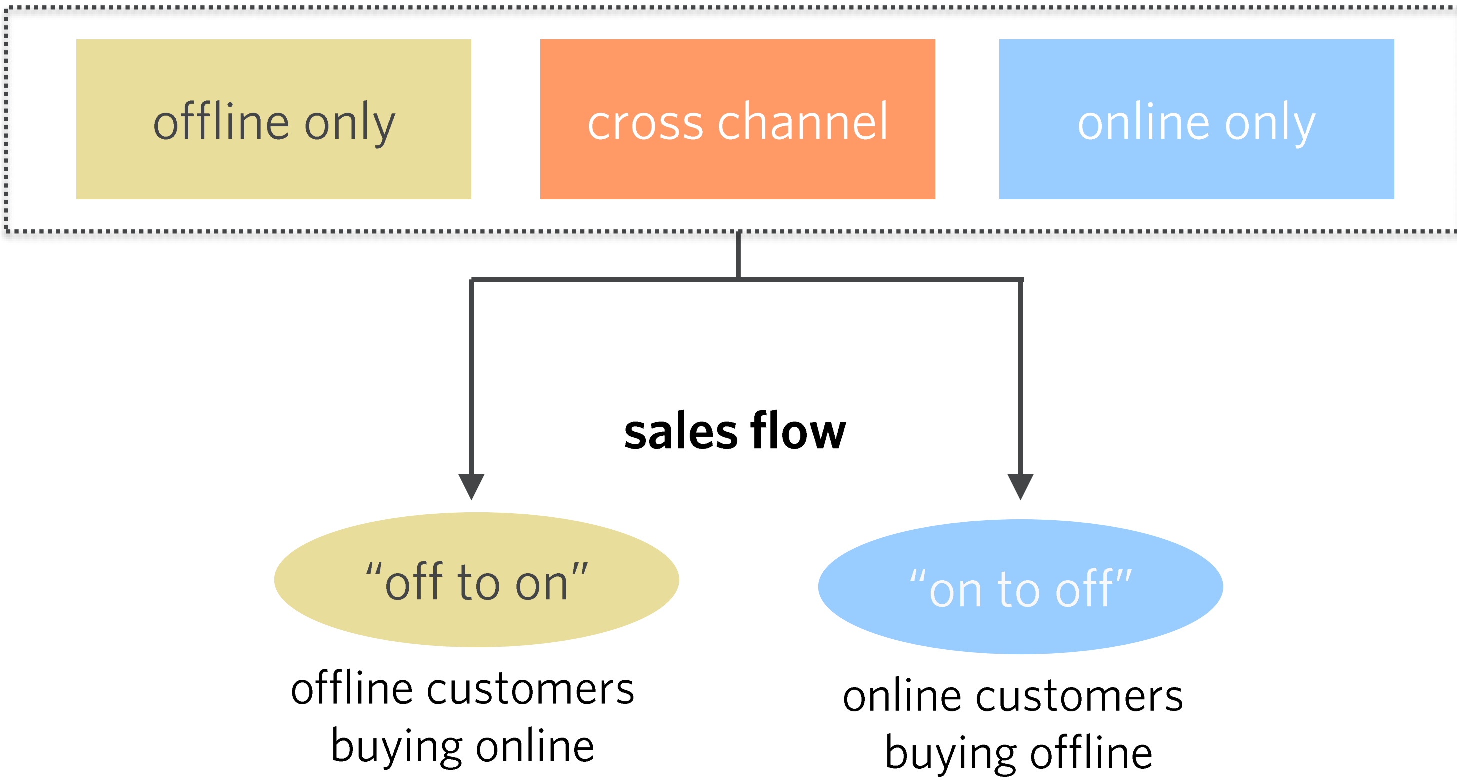


INCREASED
VALUE FROM
CROSS-CHANNEL
CONSUMERS

RELEVANT
PRESENCE AND
OPERATIONS IN ALL
SALES CHANNELS

CROSS CHANNEL SALES

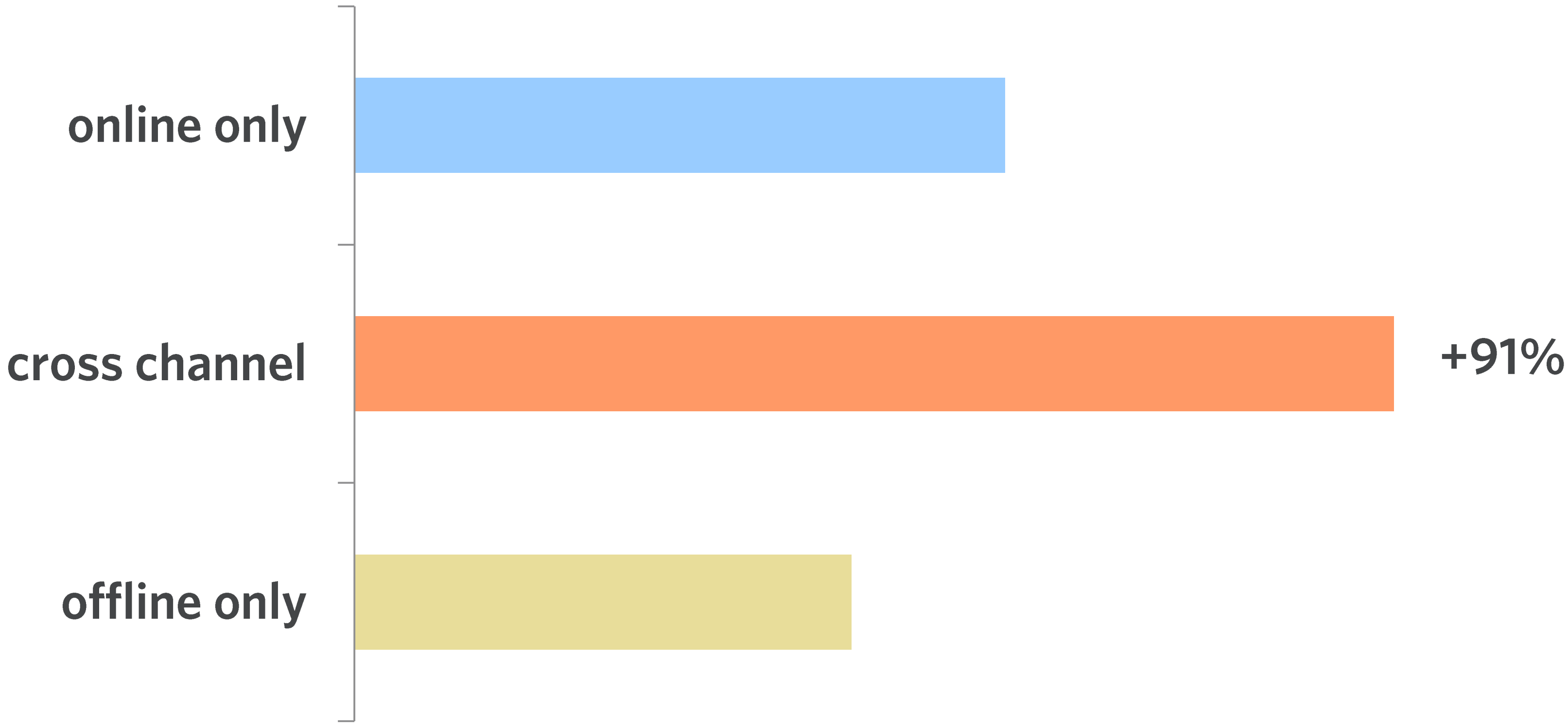
Channel buyer type



→ cross-channel sales coming from both channels

CROSS CHANNEL SALES UPLIFT

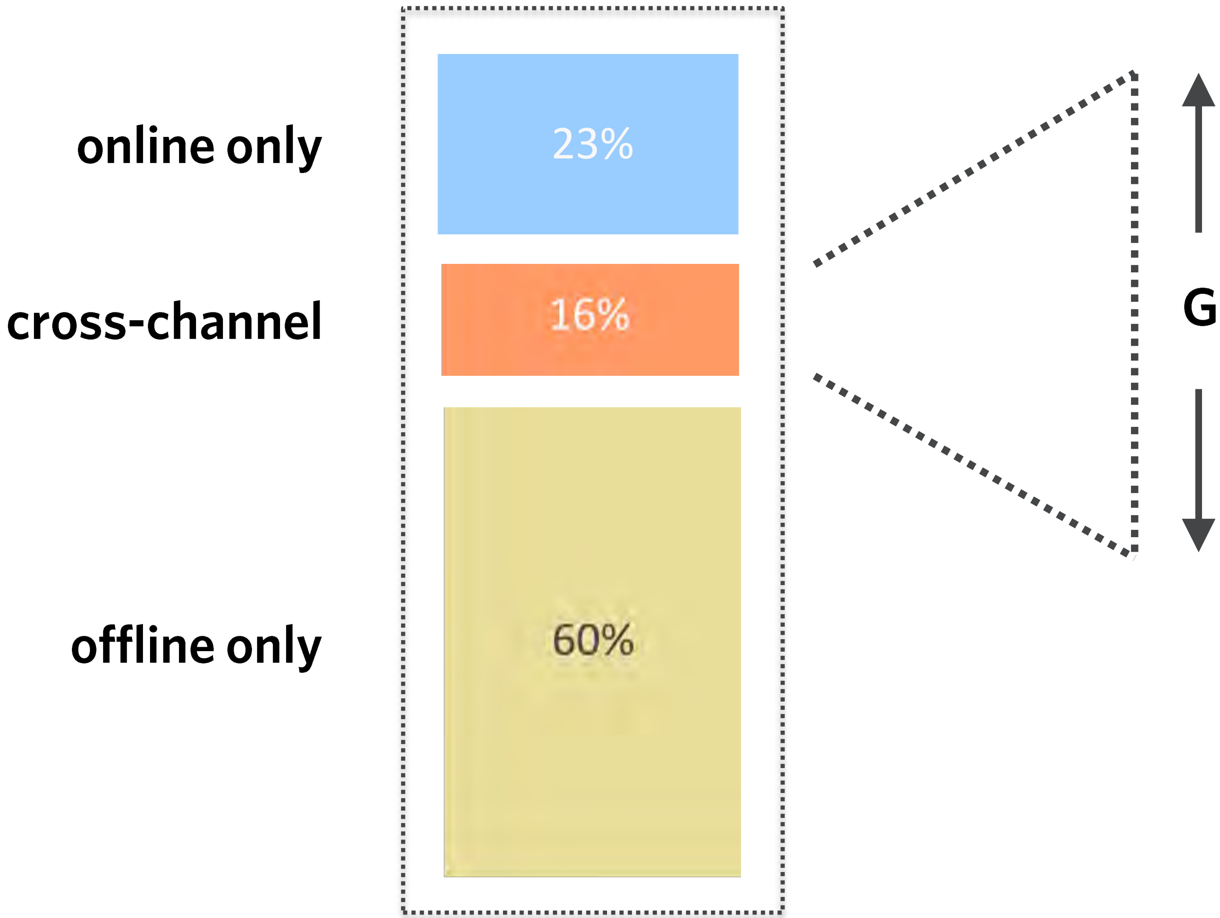
Sales per member/year*



→ cross-channel friends buy significantly more

**Global Friends CY 2015, multiple buyers*

CROSS CHANNEL OPPORTUNITY



Growth opportunity

✓ **Achieved:**
+11% more cross channel buyers in 1HY15/16

→ realize uplift through single channel conversion to cross-channel

**Global Friends CY 2015*

CANNIBALIZATION ANALYSIS

CY 2014

offline only buyers

CY 2015

offline only buyers

cross-channel buyers

offline sales

offline sales **- 1%**

\+

online sales

total sales

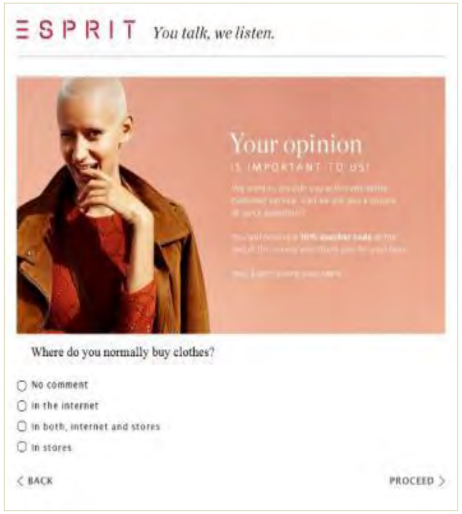
total sales **+48%**

→ cross-channel uplift is mainly incremental

**Europe Friends CY 2014 & 2015*

CROSS CHANNEL RESEARCH

	cross channel	offline only
"do research **online,** purchase **offline"**	40%	45%
"use **newsletter as source** for fashion info"	68%	59%
"**open newsletter** at least one/week"	69%	62%

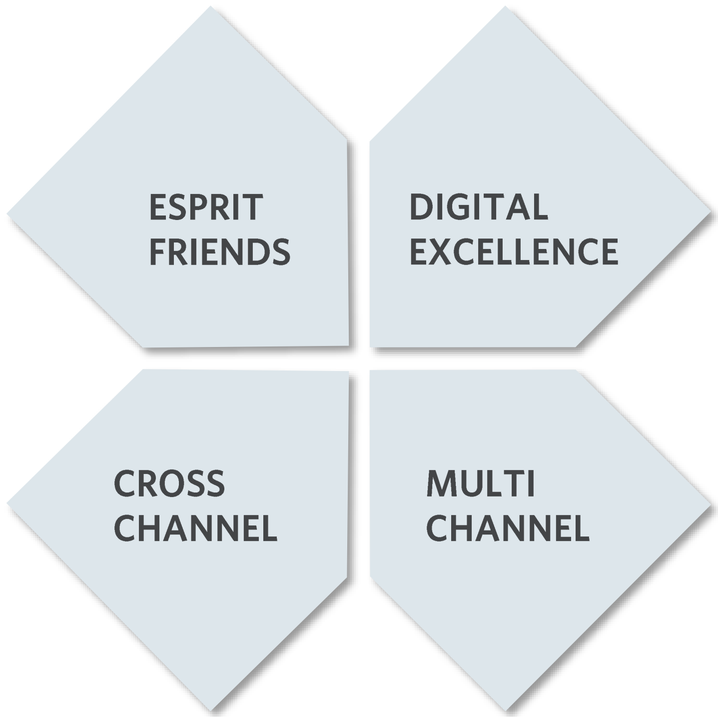


→ **cross-channel influences single-channel buyers**

* *Friends Germany e-mail survey, March 2016, 1,500 respondents*

PRESENTATION STRUCTURE

PART 1
Key Elements of Esprit Sales Channels Model



PART 2
Omnichannel Model

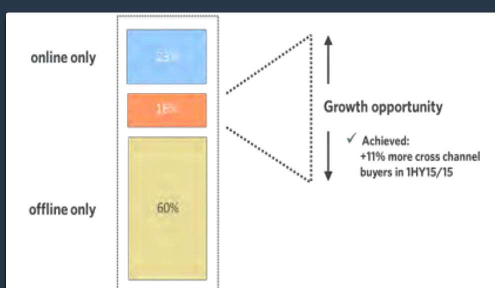
FROM CROSS-CHANNEL TO OMNICHANNEL

Our Present: Cross-Channel Customers

1 Cross-channel customers are the most valuable

Sales per member per year

2 They offer a great growth opportunity



3 We see very limited cannibalization in this evolution

Our Future: Omnichannel Model

- **A <u>sales model</u> - aiming to maximize the satisfaction and the value of our consumers - based on 3 pillars**

  1. Create as many direct relationships with our customers as possible
  2. Establish relevant interactions with all of them
  3. Develop a superior shopping experience by the seamless integration of our multi-channel presence and services

- **<u>Only</u> customers buying through more than 1 channel are cross-channel. All customers can be omnichannel and <u>all customers can experience a better shopping experience</u> (ropo, click&collect, store finder, etc.)**

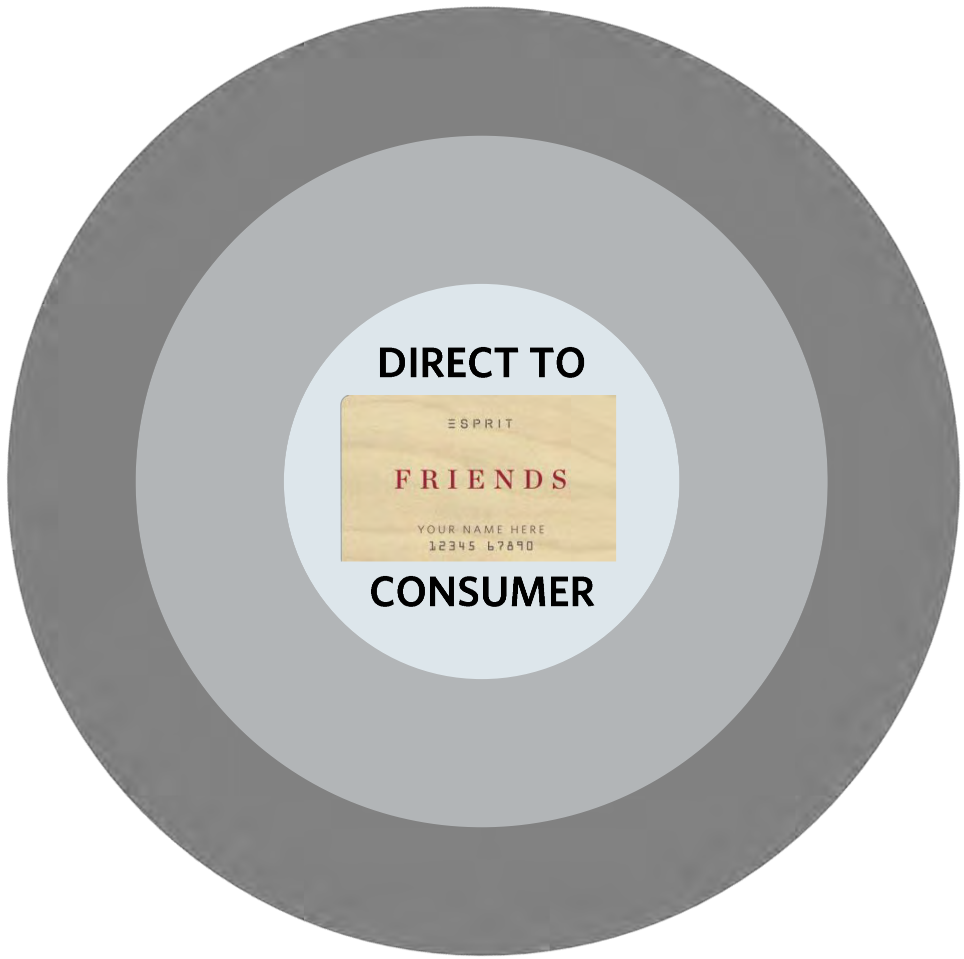
FROM CROSS-CHANNEL TO OMNICHANNEL

Esprit has a unique platform to manage this process

- Established and globally growing CRM program in place (5.6 million Friends)
- Differential way to interact with our "Friends" (a holistic customer-centric marketing)
- Sizeable eCom operations (32.9% of our Retail business)
- A state-of-the art platform, linked real-time to CRM, fully automated DCs and an experienced team

Esprit's Omnichannel Model

DIRECT TO CONSUMER



DIRECT TO CONSUMER: ESPRIT FRIENDS 2.0

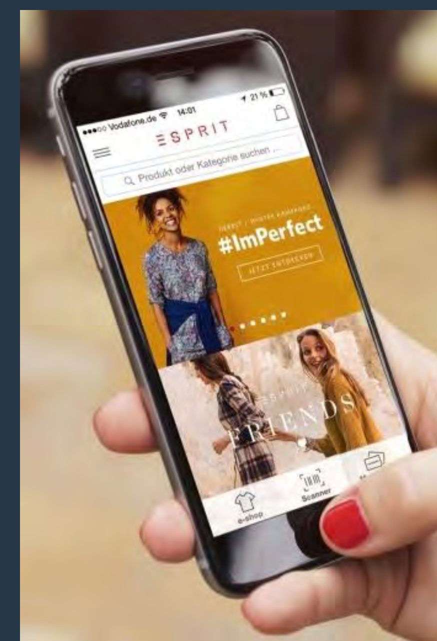
Esprit Friends 1.0

- 5.6 million "Friends"
- 70% of Esprit's Retail turnover
- Direct access to consumers

1. BIGGER
2. BETTER
3. PERSONALIZED

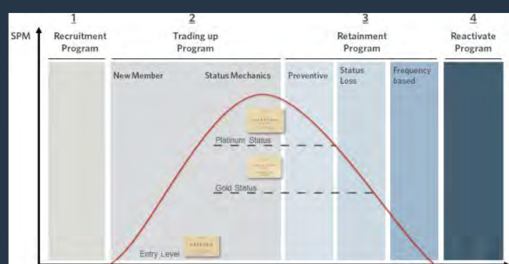
Esprit Friends 2.0

- The foundation of a customer centric strategy

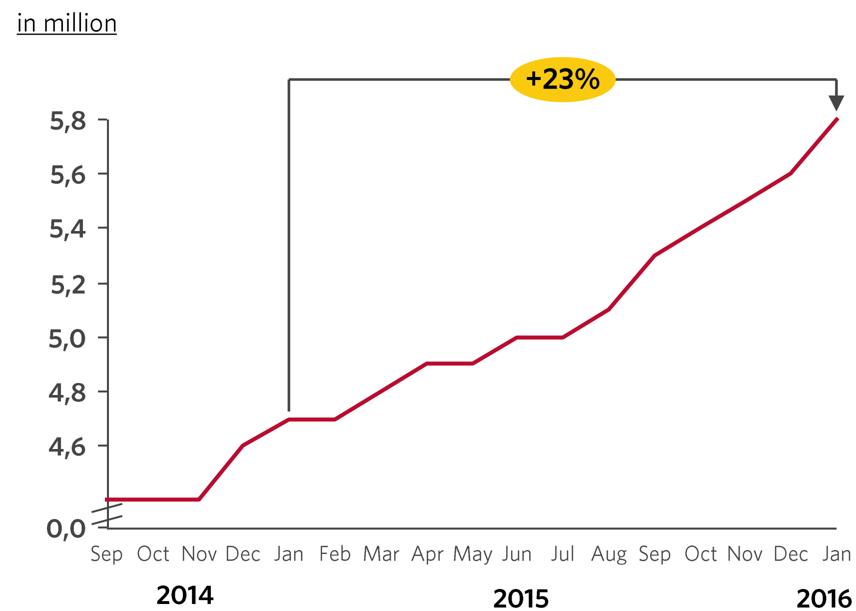


BIGGER: THE BIGGEST PROGRAM IN EUROPE

Our Present: Cross-Channel Customers



Total Number of Active Esprit Friends Globally



achieved partially achieved in design phase

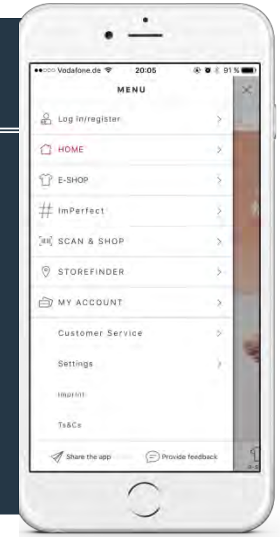
BETTER: FOCUS ON WHAT IS RELEVANT FOR OUR CUSTOMERS

VALUE:
Benefits & Incentives

- All promotions for members only
- Additional benefits for newly acquired members *
- New status (Diamond) for the top 1% of our customers

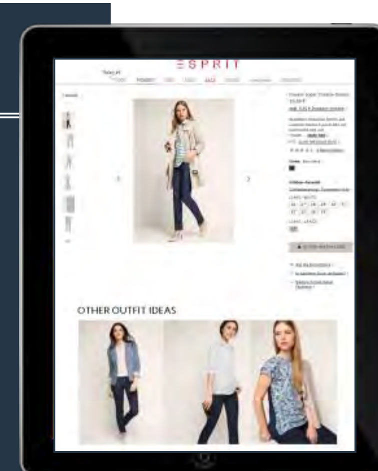
CONVENIENCE:
Services

- Fully digital loyalty card
- Fully digital coupons
- Personal shopper for Platinum members
- Privileged access to @store services



INSPIRATION:
Recommendations

- Rebranding of CRM program
- Fully renovated recommendation engine
- Social CRM



* Customers who repeat their purchase in the first 6 months increase 10 times the probability of becoming long-term Friends

achieved partially achieved in design phase

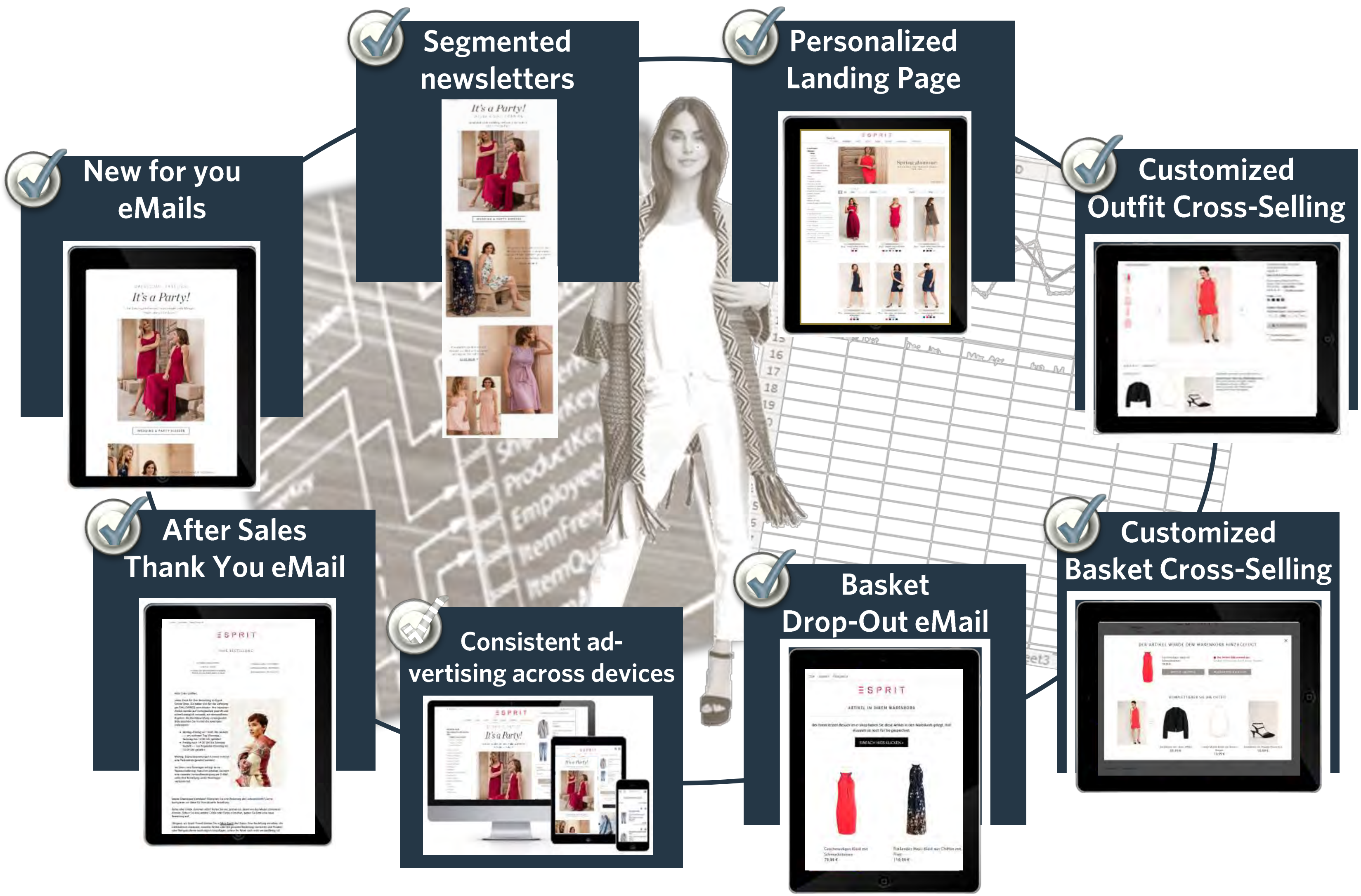
PERSONALIZATION: CREATING RELEVANT MESSAGES FOR THE INDIVIDUAL CONSUMER

Collecting data…

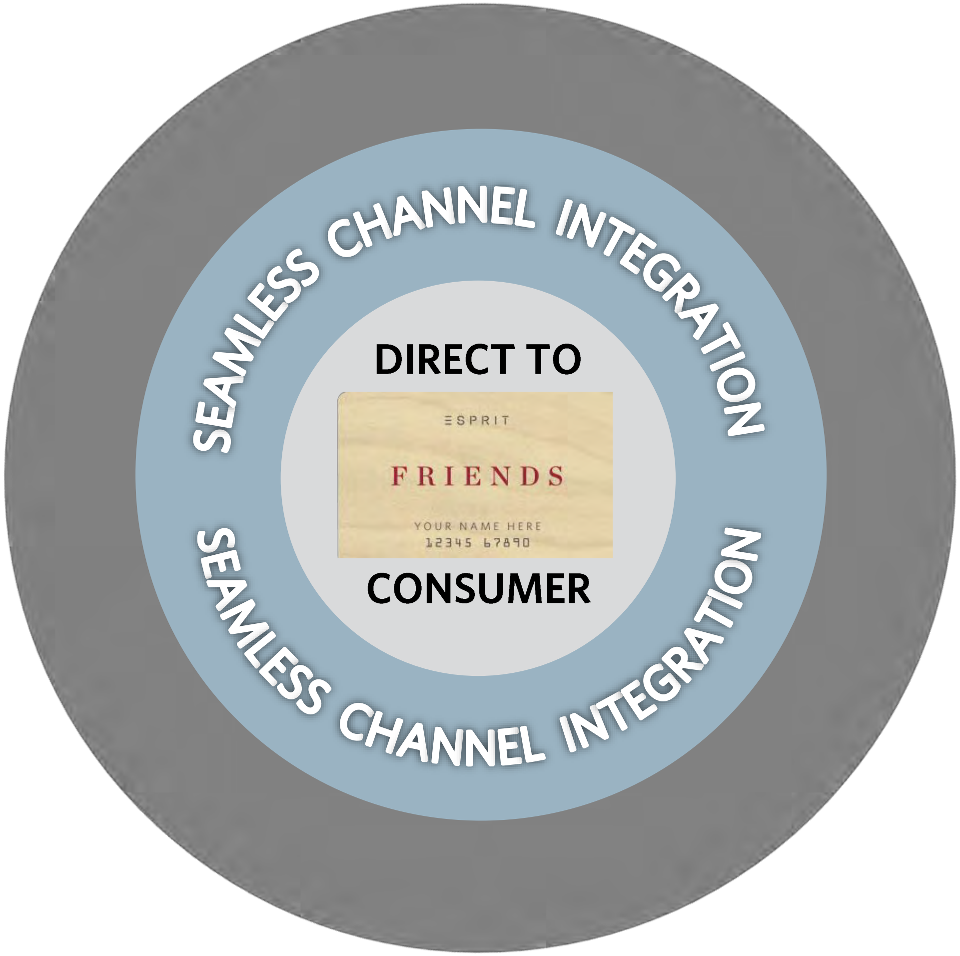
…and turning it into actionable insights…

PERSONALIZATION: CREATING RELEVANT MESSAGES FOR THE INDIVIDUAL CONSUMER

...and creating relevant messages to the individual customer



SEAMLESS CHANNEL INTEGRATION



SEAMLESS CHANNEL INTEGRATION FOR A SUPERIOR SHOPPING EXPERIENCE

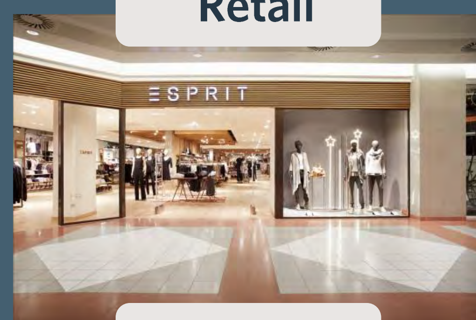
FIRST CLASS DIGITAL CAPABILITIES

Digital Excellence

Mobile First

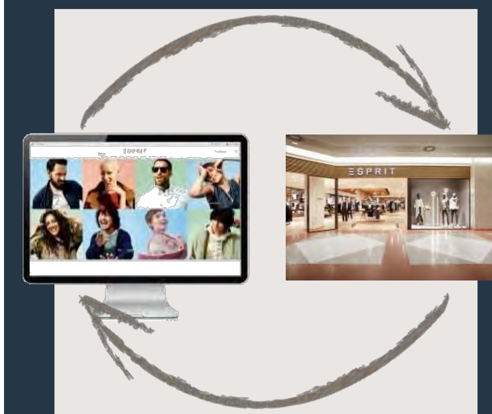
CROSS-CHANNEL INTEGRATION

Retail



Wholesale

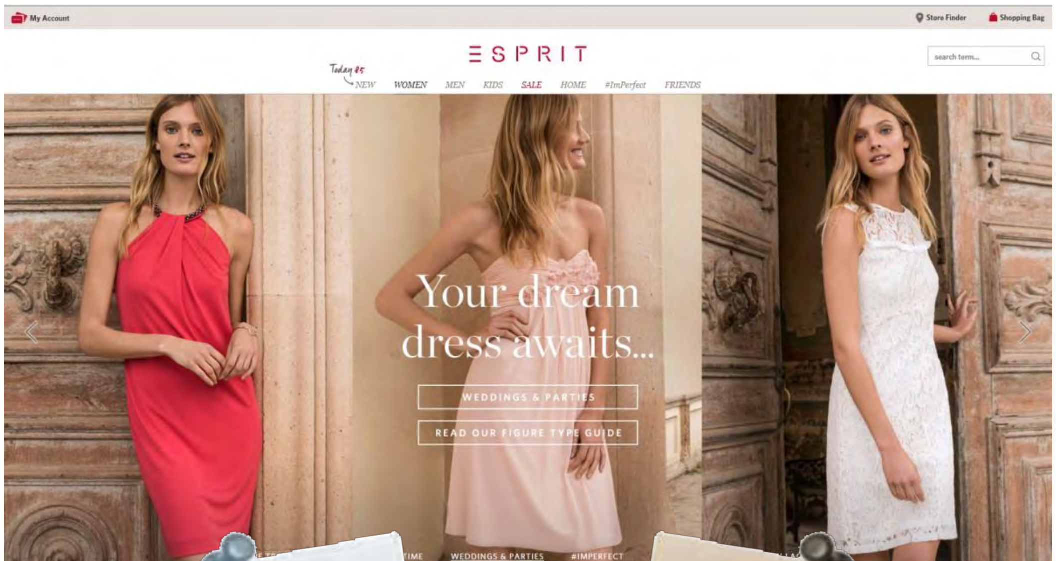
CROSS-CHANNEL ACTIVATION



SEAMLESS CHANNEL INTEGRATION FOR A SUPERIOR SHOPPING EXPERIENCE

FIRST CLASS DIGITAL CAPABILITIES

DIGITAL EXCELLENCE: *AN ATTRACTIVE SHOPPING EXPERIENCE*



Best-rated Fashion& Accessories Web Germany
(Computerbild 2015)

Top-rated Online Shop Germany
(Service Atlas 2014)

Continuous improvement of the shopping experience for our customers

- New Look & Feel
- Omnichannel Theme Marketing
- Mobile First
- Responsive Web Design
- Multi-Device Experience

NEW LOOK & FEEL: MORE CONTENT AND A MORE DYNAMIC LANGUAGE

NEW VISUAL LANGUAGE DEVELOPED

Before

After

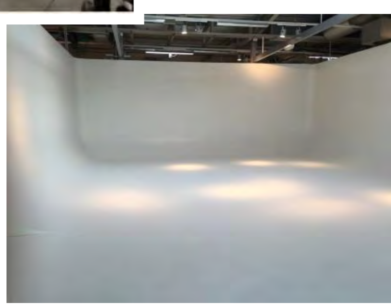
Online since
May ‘15

MORE DIGITAL CONTENT INCLUDED

Online since
May ‘15

NEW LOOK & FEEL: INSOURCING OF PHOTOSTUDIO

NEW OWN PHOTOSTUDIO



- 27 specialists recruited
- 2'400 sqm
- 130'000 e-commerce pictures produced every year
- Flexibility for re-shootings
- Capacity to produce videos
- Digital content which will serve all channels
- Full integration in omnichannel marketing organization & product divisions

Start July '16

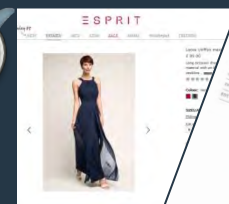
Full ramp-up by end of 2016

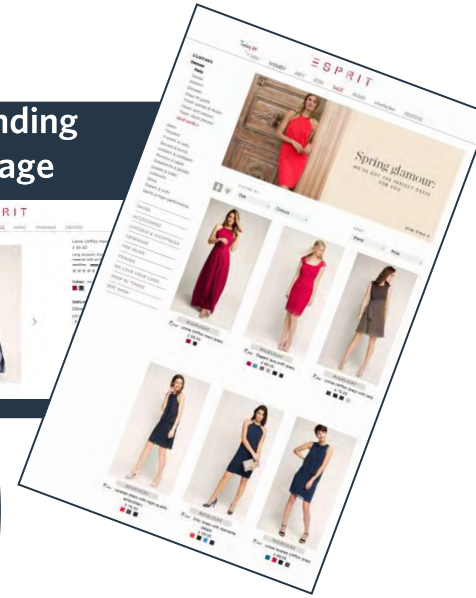
achieved partially achieved in design phase

OMNICHANNEL THEME MARKETING : ONE CONSISTENT MESSAGE

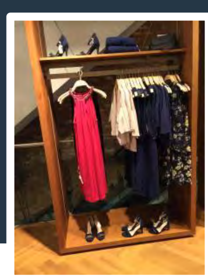
Theme Newsletter

Landing Page

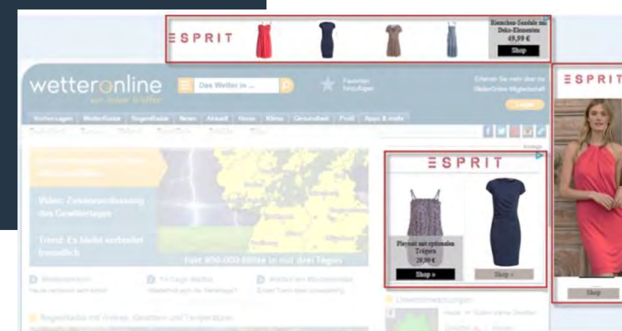




Store VM



Retargeting

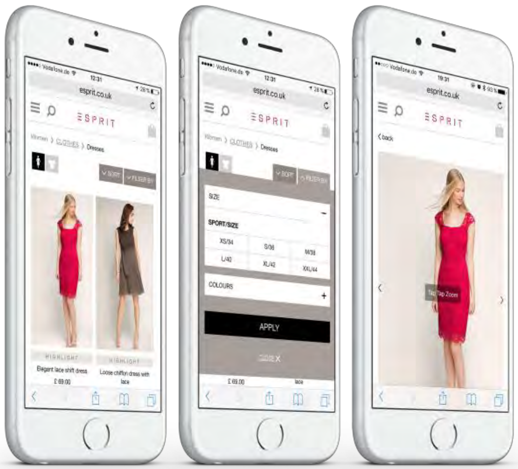


Implemented since March 2015

achieved · partially achieved · in design phase

MOBILE FIRST: THE CORNERSTONE OF AN OMNICHANNEL STRATEGY

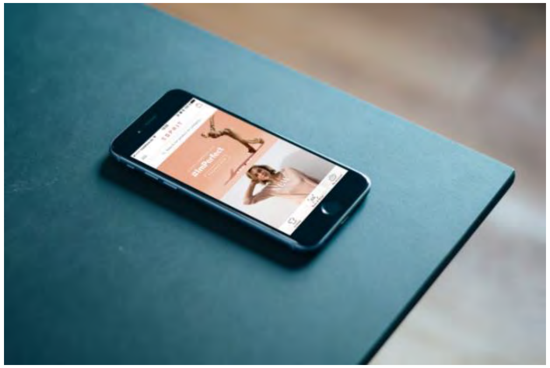
NEW MOBILE SHOP



- Update product overview pages
- New filter & sorting options

Live since Feb. 2016

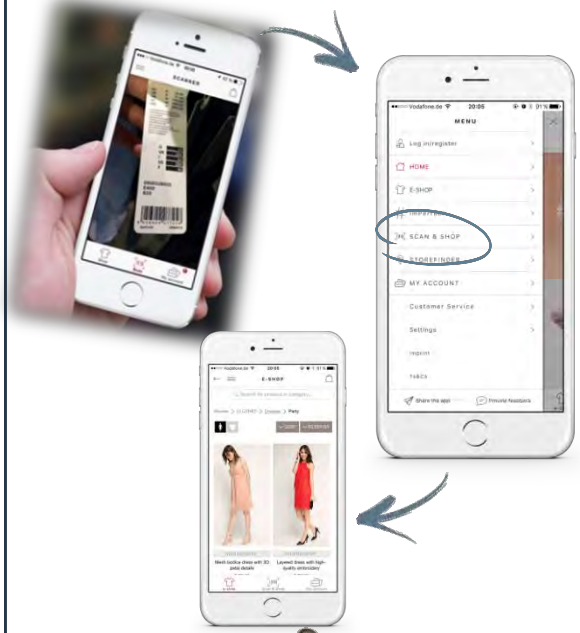
NEW APP



- One-Stop shopping
- Stores & brands
- Friends

Live since Sept. 2015

SCAN & SHOP



Available since Sept. 2015

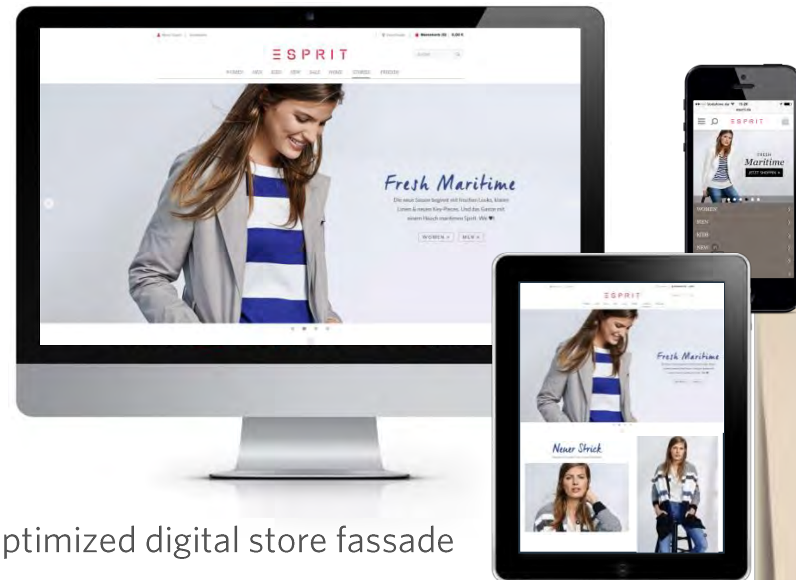
Close to 50% of our traffic and 35% of our sales already originate from mobile devices

RESPONSIVE WEB DESIGN: ADAPTED TO EVERY DEVICE

ADAPTED TO EVERY DEVICE

Former: 1024 px

Responsive:
up to 1920 px



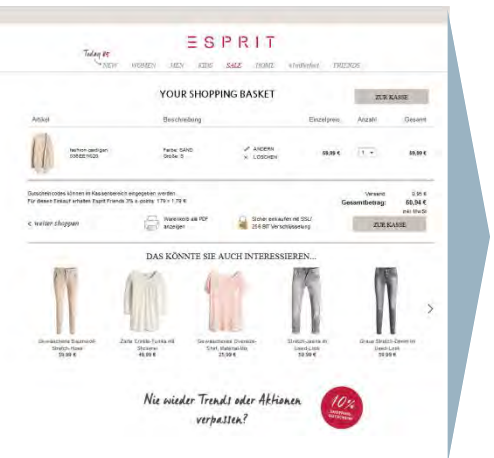
- Adapted & optimized digital store fassade
- Maximized number of pictures shown (incl. lookbooks, etc.) and adapted format
- Increased features and facilitated usage for all devices
- Individual landing pages for different customer groups

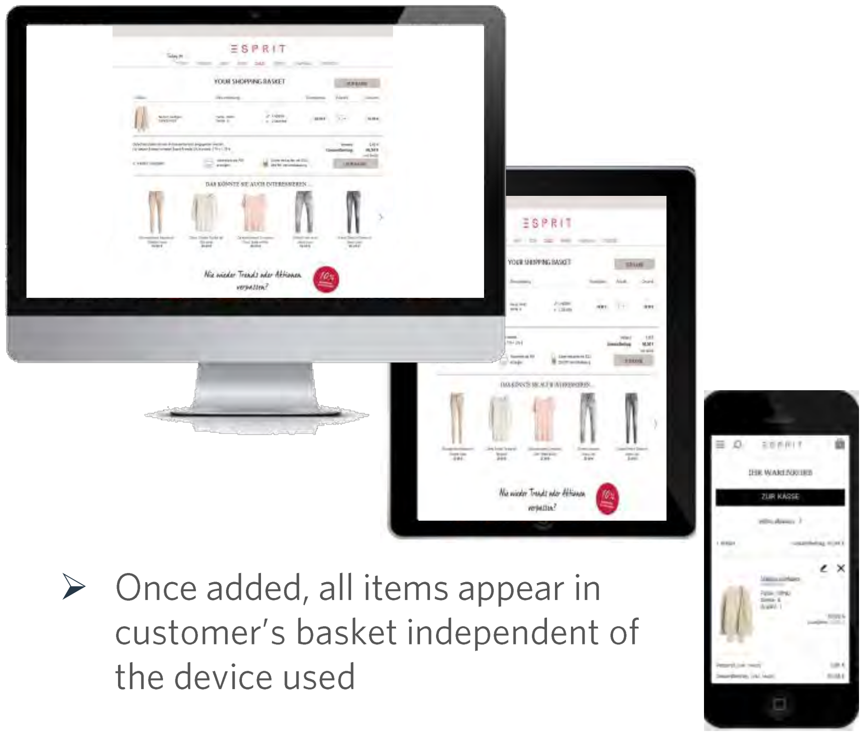
Online on landing page since August 2015

POV targeted for August 2016

MULTI-DEVICE BASKET: CONVENIENCE EVERYWHERE

CONVENIENCE EVERYWHERE





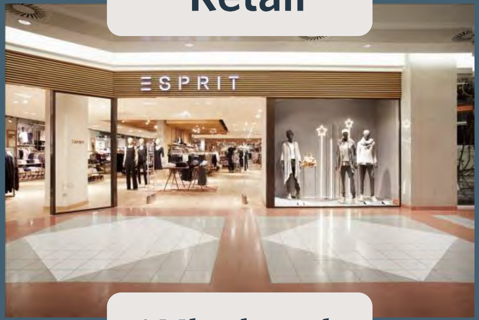
- Once added, all items appear in customer's basket independent of the device used
- Only login necessary

Implemented since Q1 2014

SEAMLESS CHANNEL INTEGRATION FOR A SUPERIOR SHOPPING EXPERIENCE

CROSS-CHANNEL INTEGRATION

Retail



Wholesale

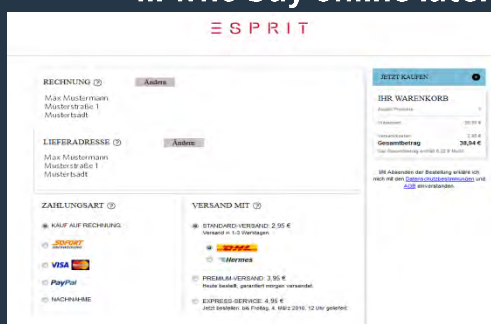
CROSS-CHANNEL INTEGRATION: E-INCENTIVE MODEL TO ADD OUR PARTNERS TO THIS STRATEGY

Adding our partners to the omni-channel value proposition…

Friends recruited by a store…

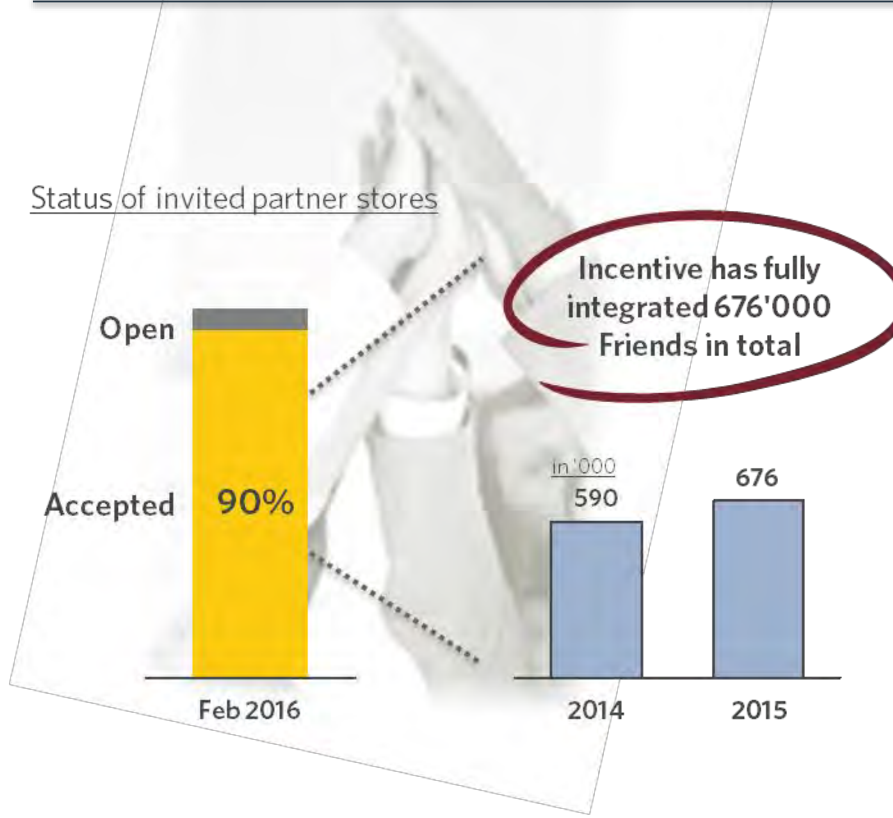
PSS Store

… who buy online later



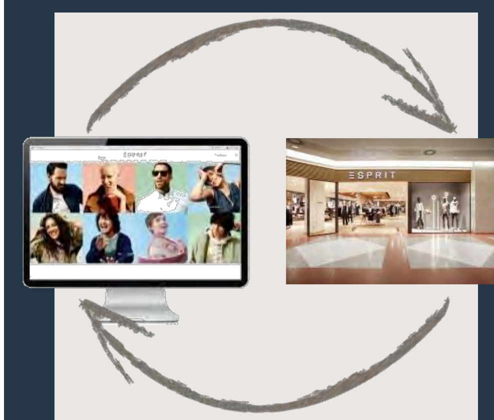
5% Reward on these sales

…creates a more homogeneous shopping experience for our customers



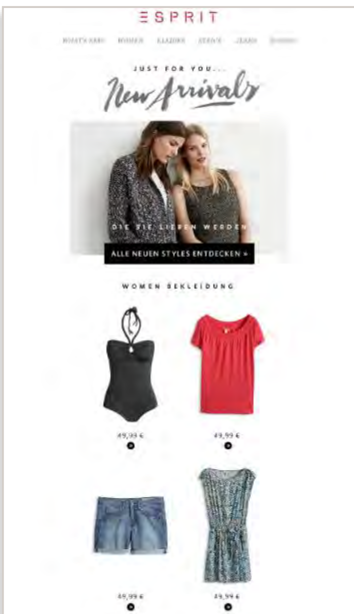
SEAMLESS CHANNEL INTEGRATION FOR A SUPERIOR SHOPPING EXPERIENCE

CROSS-CHANNEL ACTIVATION



CROSS-CHANNEL ACTIVATION: ON 2 OFF

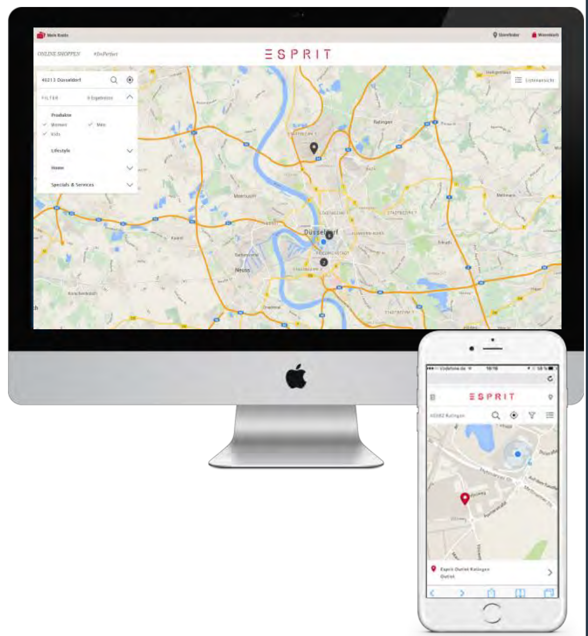
NEW IN STORE



- Suggests new arrivals/products in preferred store based on prior purchase behavior

Targeted for Q2 2016

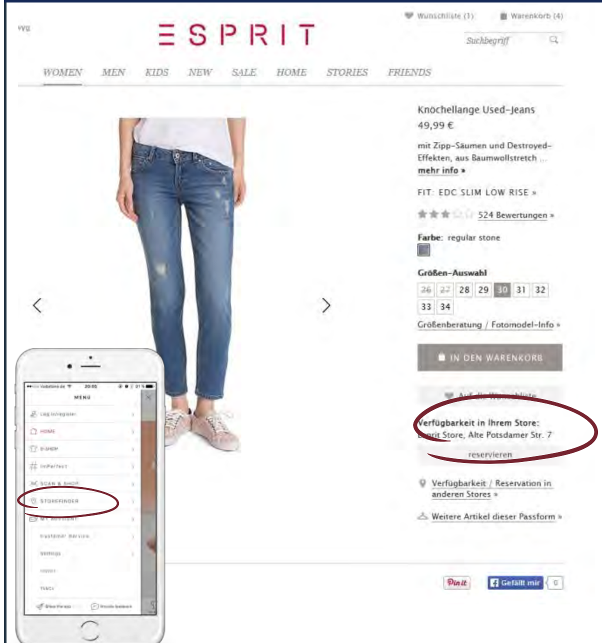
STOREFINDER



- Seamless integration of POS concepts across channels

Live since Feb. 2016

STORE AVAILABILITY



- Browse availability of colors and sizes in your selected store

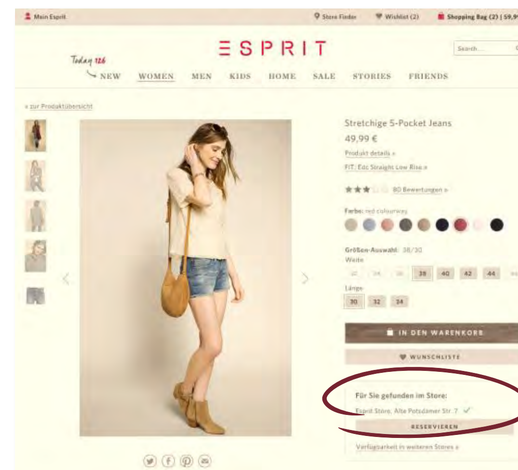
Live since Summer 2015

CROSS-CHANNEL ACTIVATION: ON 2 OFF

CLICK&COLLECT RETURN@STORE

Test A live since Jun '15
Test NL live since Jan '16
Roll-Out EU planned
for Summer 2016

CLICK& RESERVE



Test live in A & NL
since Feb '16
Roll-Out EU planned
for Summer 2016

ESPRIT

CROSS-CHANNEL ACTIVATION: OFF 2 ON

IN STORE COMMUNICATION

(AT only)

Live in Retail since May 2015

Live in PSS since Aug 2015

SCAN&SHOP

Live in Retail since May 2015

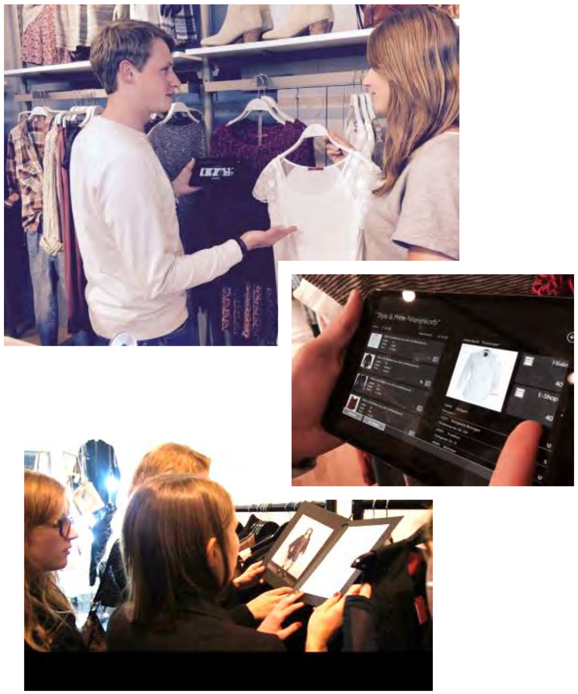
Live in PSS since Aug 2015

WI-FI

Live in Austria since Sept 2015

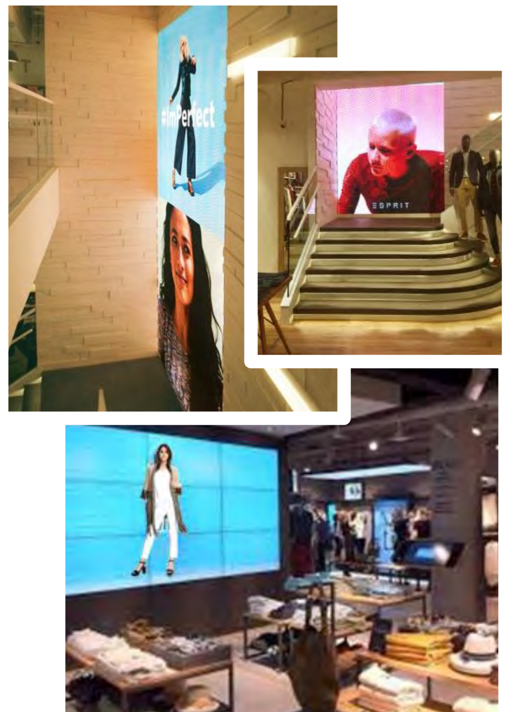
CROSS-CHANNEL ACTIVATION: OFF 2 ON

ORDER INSTORE



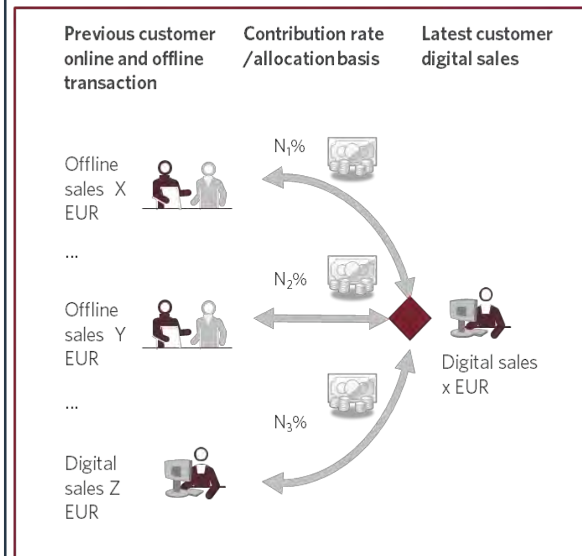
First Tests planned for A&NL in Q4 2016

DIGITAL VM



Test stores planned for FY 16/17

CONTRIBUTION MODEL



Implementation targeted for July 2017

INTEGRATED COMMERCIAL ACTIVITY

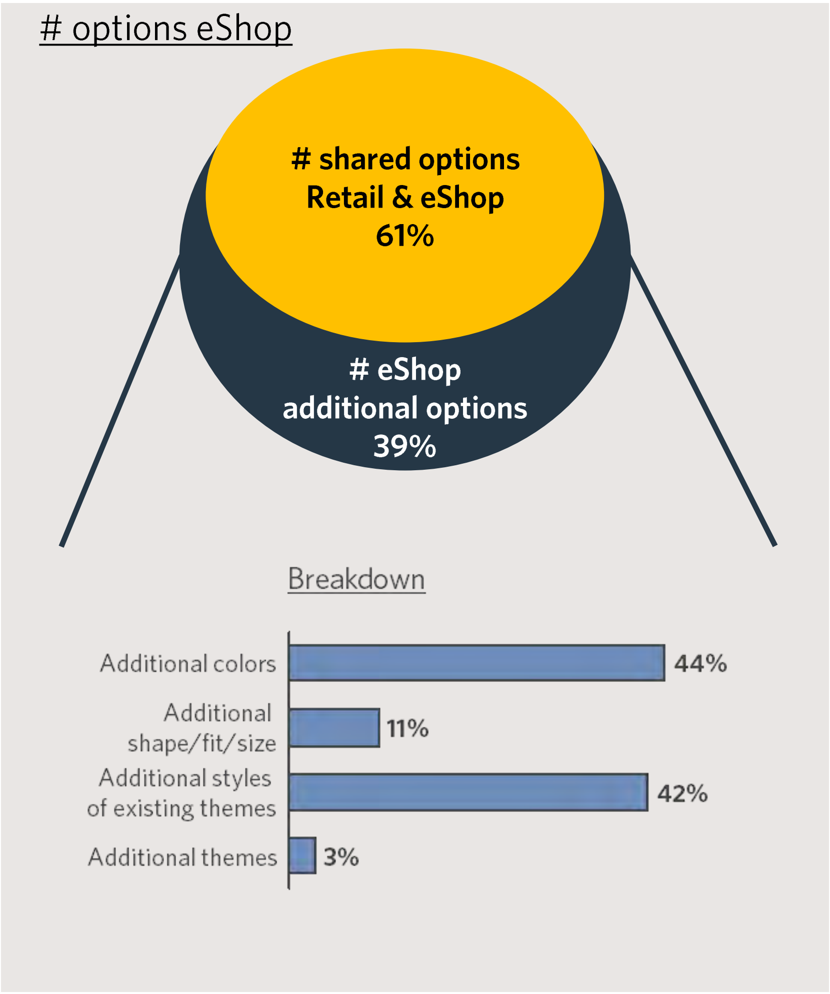
INTEGRATED COMMERCIAL ACTIVITY

ESPRIT

PRODUCT: ONE ASSORTMENT

We have 1 assortment for all channels, built under 1 coordinated logic...

All numbers based on Women EU



...which makes the omnichannel strategy a unique opportunity for our stores

achieved partially achieved in design phase

PRICE: ONE PRICE ACROSS ALL CHANNELS

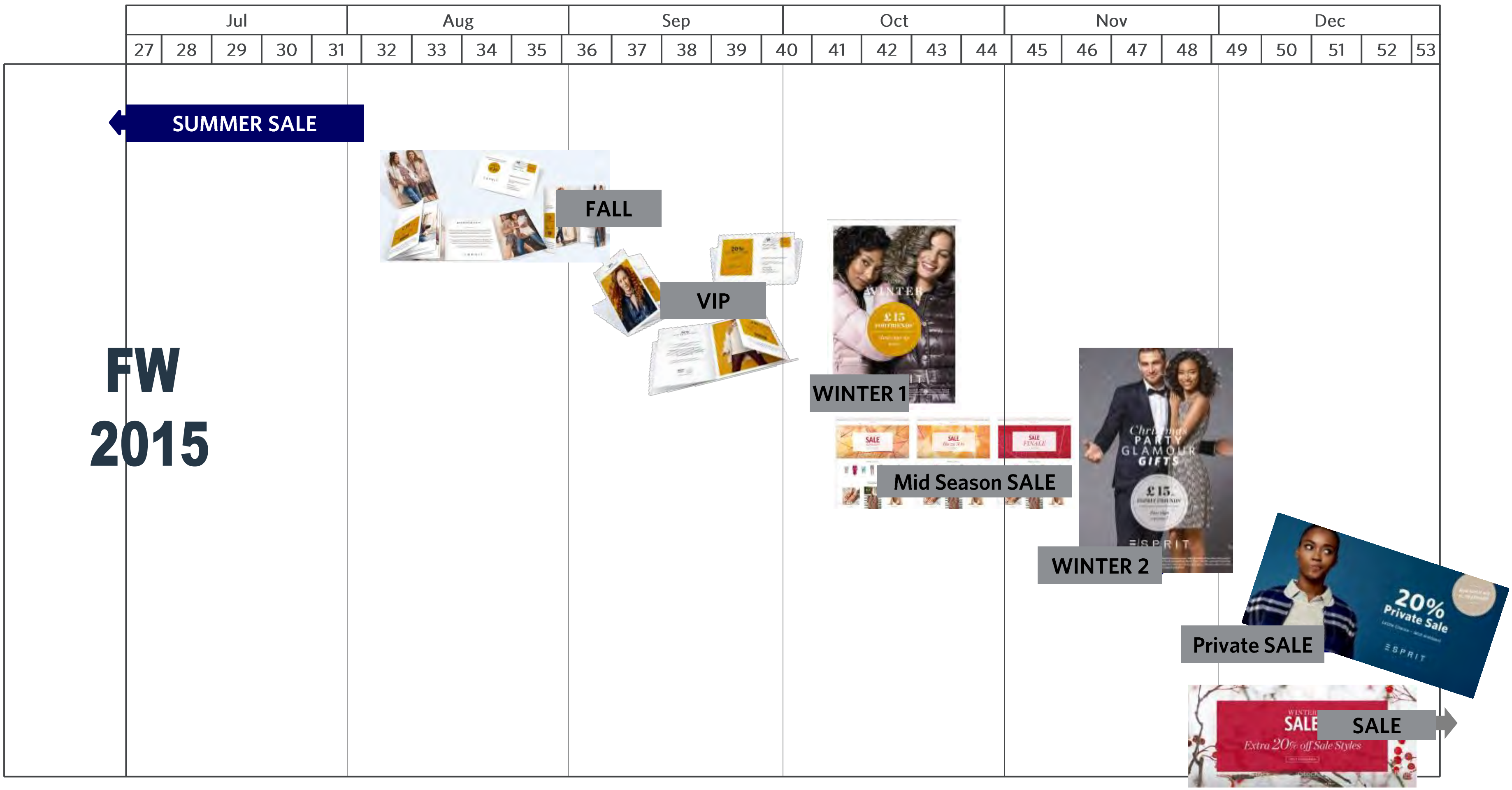
Aligned Retail Selling Price

Centrally Coordinated Markdown Policy

achieved partially achieved in design phase

PROMOTION: ONE LOGIC ACROSS ALL CHANNELS

A unified promotional calendar



achieved partially achieved in design phase

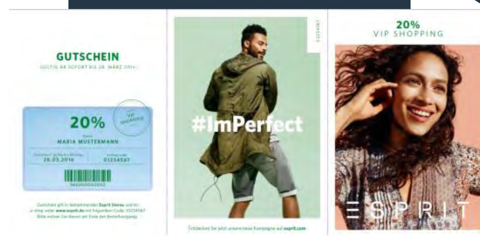
ESPRIT

PROMOTION: ONE LOGIC ACROSS ALL CHANNELS

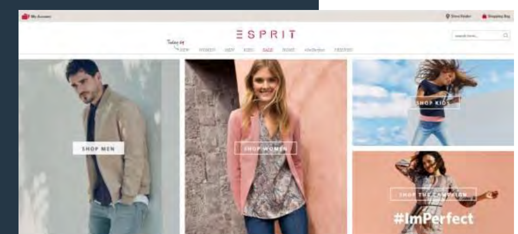
Fully aligned Marketing Communication

News-letters

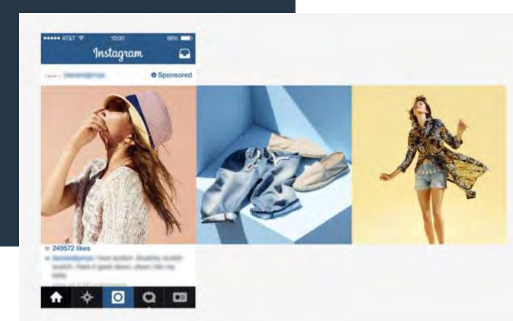
CRM Mailings



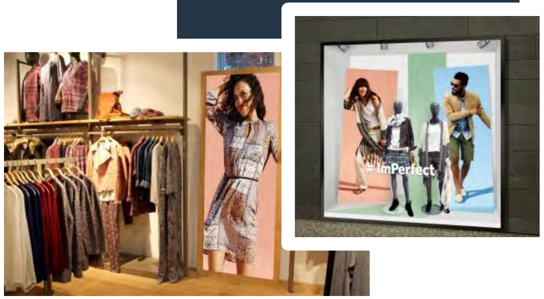
eShop



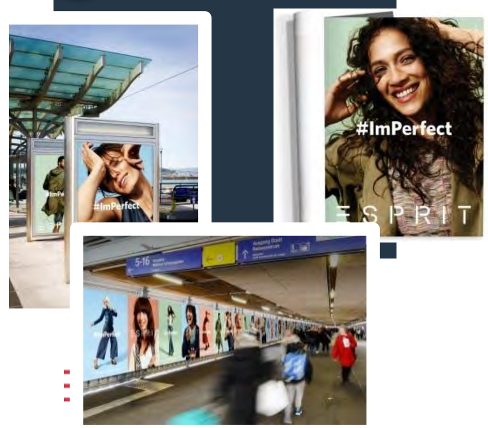
Social Media



In Store



Above the Line

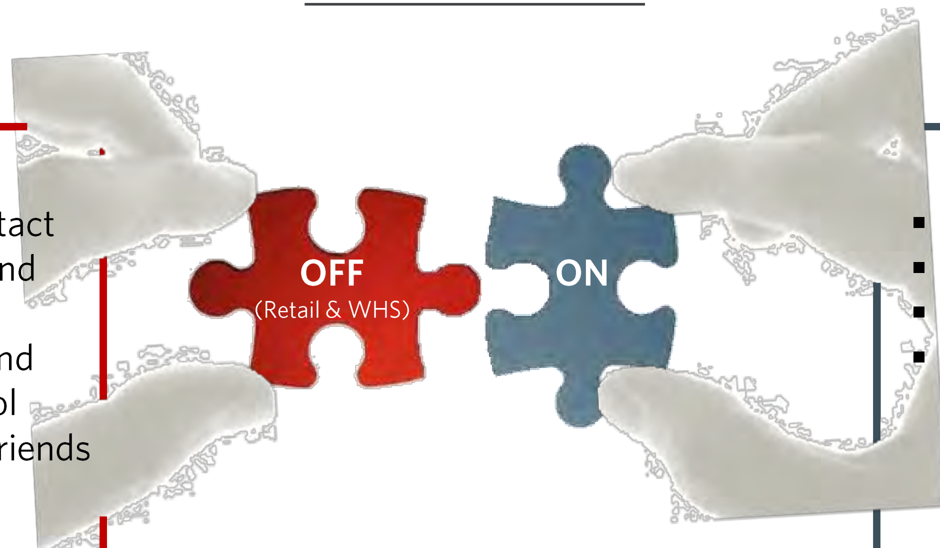


achieved partially achieved in design phase

ILLUSTRATIVE

PLACE: GLOBAL MODEL WITH LOCAL ADAPTIONS

- Point of contact with the brand
- Efficient marketing and branding tool
- Recruiting Friends



- Global reach
- 24/7
- Branding tool
- Recruiting Friends

PEOPLE: ONE TEAM FOR ALL CHANNELS

Esprit before Omnichannel

Organization built around the channels

- **eShop**
  - Merchandising & Planning
  - Marketing
  - Operations
  - …
- **Retail**
  - Merchandising & Planning
  - Marketing
  - Operations
  - …
- **PSS**
  - Merchandising & Planning
  - Marketing
  - Operations
  - …

NOW

Integrated organization that enables and fosters an omnichannel approach to business

Merchandising & Planning	Retail	(PSS)	eShop
Marketing	Retail	PSS	eShop
Operations	Retail	(PSS)	eShop

Implemented since December 2014

achieved partially achieved in design phase

SUMMARY OF INITIATIVES

Implementation Status

achieved · partially achieved · in design phase

- **Bigger**
- **Better**
  - Value – Benefits & Incentives
  - Convenience – Services
  - Inspiration – Recommendations
- **Personalization**

- **Digital Excellence**
  - New Look & Feel
  - Responsive Web Design
  - Multi-Device Basket
  - Omnichannel Marketing Theme (newsletters, landing page, retargeting, store VM)
  - Mobile First (new mobile shop, new APP, scan&shop)
- **Cross-Channel Integration of Friends program**
- **Cross-Channel Activation**
  - @ Store Services
  - Instore Order & Digital Screens
  - Contribution Model
  - In Store Communication
  - Store Finder – Store Availability
  - Scan & Shop

- **Product:** One Assortment
- **Price:** One Price across all Channels
- **Promotions:** One Logic across all Channels
- **Place:** Global Model with Local Adaptions
- **People:** One Team serving all Channels


#ThankYou

STRATEGIC PLAN UPDATE

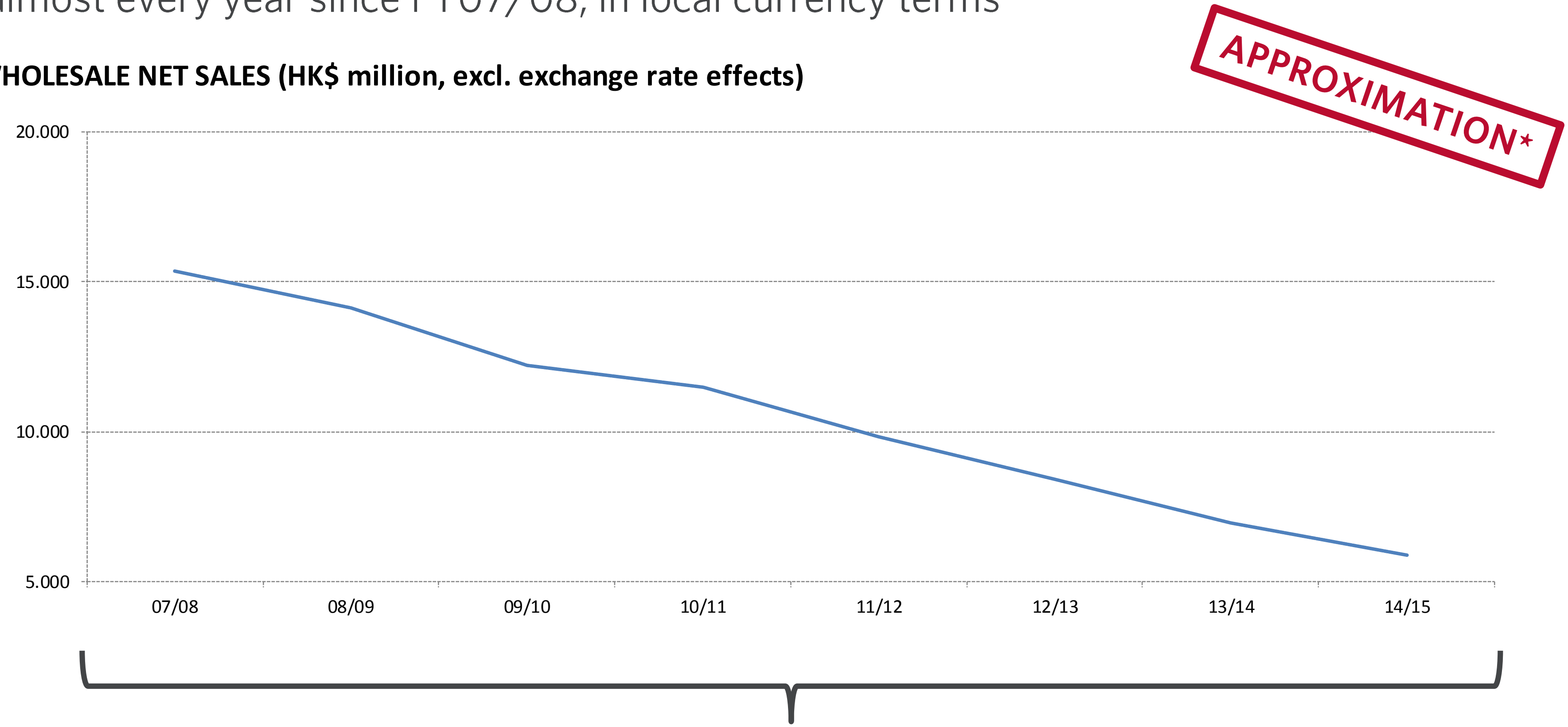
- STRATEGIC PLAN
- TRANSFORMATION
  - BRAND
  - PRODUCT – VERTICAL MODEL
  - SALES – OMNICHANNEL MODEL
  - PEOPLE
- OUTLOOK & CLOSING REMARKS

RECENT
DEVELOPMENT

RECENT DEVELOPMENT – WHOLESALE

Wholesale, the largest channel in 2008, recorded double digit annual decline almost every year since FY07/08, in local currency terms

WHOLESALE NET SALES (HK$ million, excl. exchange rate effects)



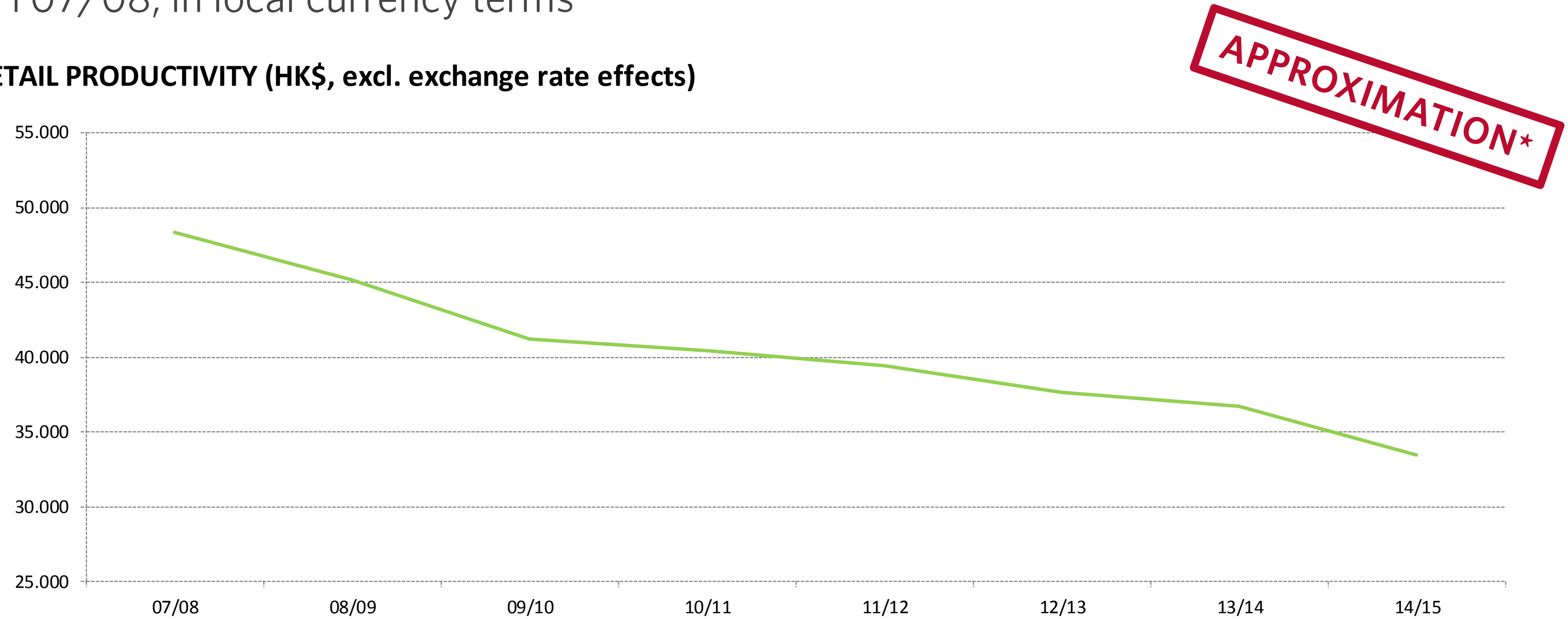
Combined effect of brand/product weakness with structural challenges of the Wholesale channel

*Approximation only as exact historical currency exchange rates have not been calculated

RECENT DEVELOPMENT – RETAIL

Retail Productivity (sales per sqm) recorded single digit decline every year since FY07/08, in local currency terms

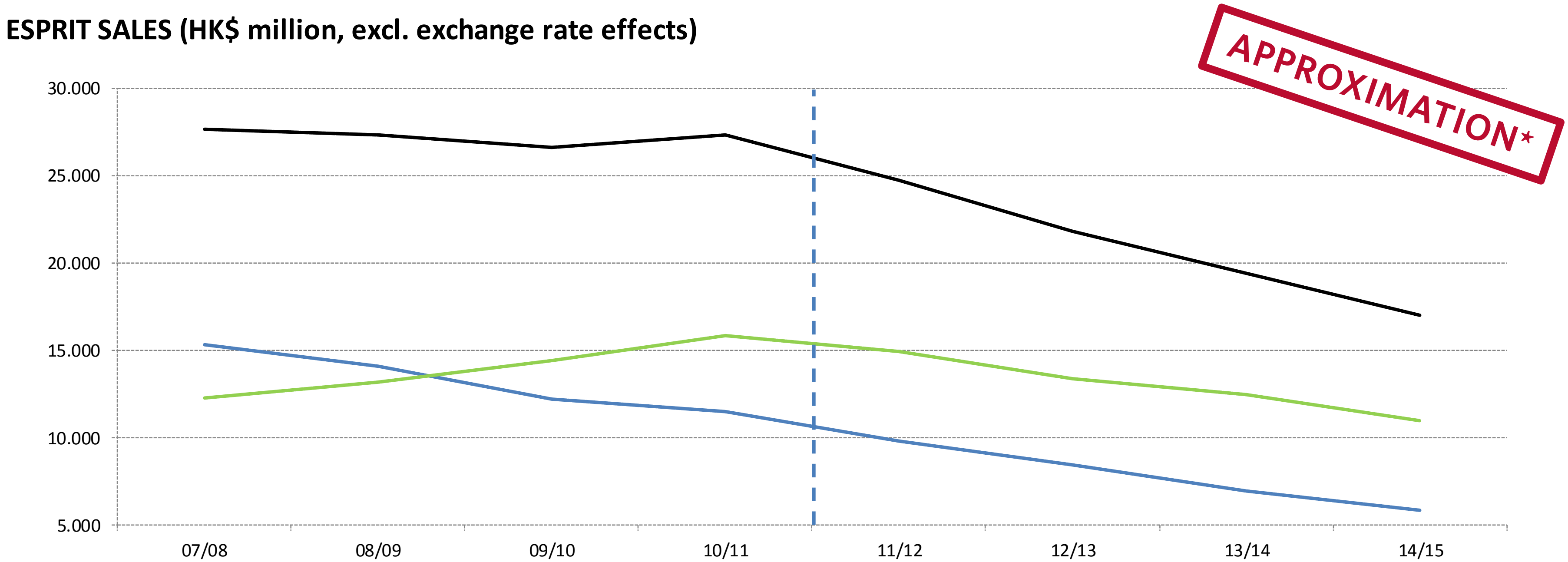
RETAIL PRODUCTIVITY (HK$, excl. exchange rate effects)



Combined effect of brand/product weakness with fast growth of retail space, partly offset by e-commerce

**Approximation only as exact historical currency exchange rates have not been calculated*

RECENT DEVELOPMENT – GROUP TURNOVER

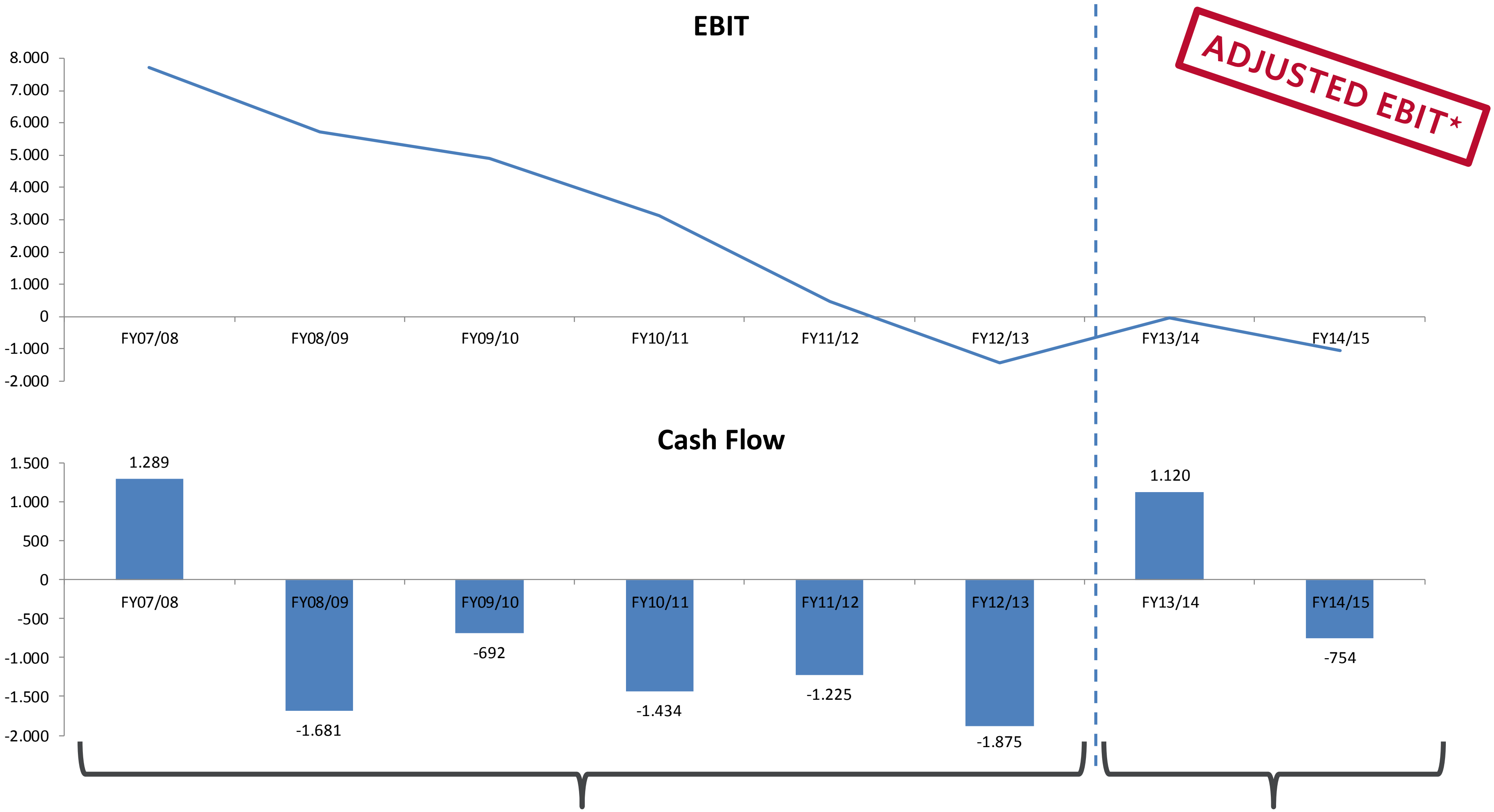


Top line supported by fast growth of unprofitable retail space (+66% sqm between 2007 - 2011)

Top line fast decline since unprofitable retail space started to be closed in 2012

**Approximation only as exact historical currency exchange rates have not been calculated*

RECENT DEVELOPMENT – GROUP EBIT (ADJUSTED)



Quick EBIT erosion since 2008 accompanied by large cash consumption since 2009

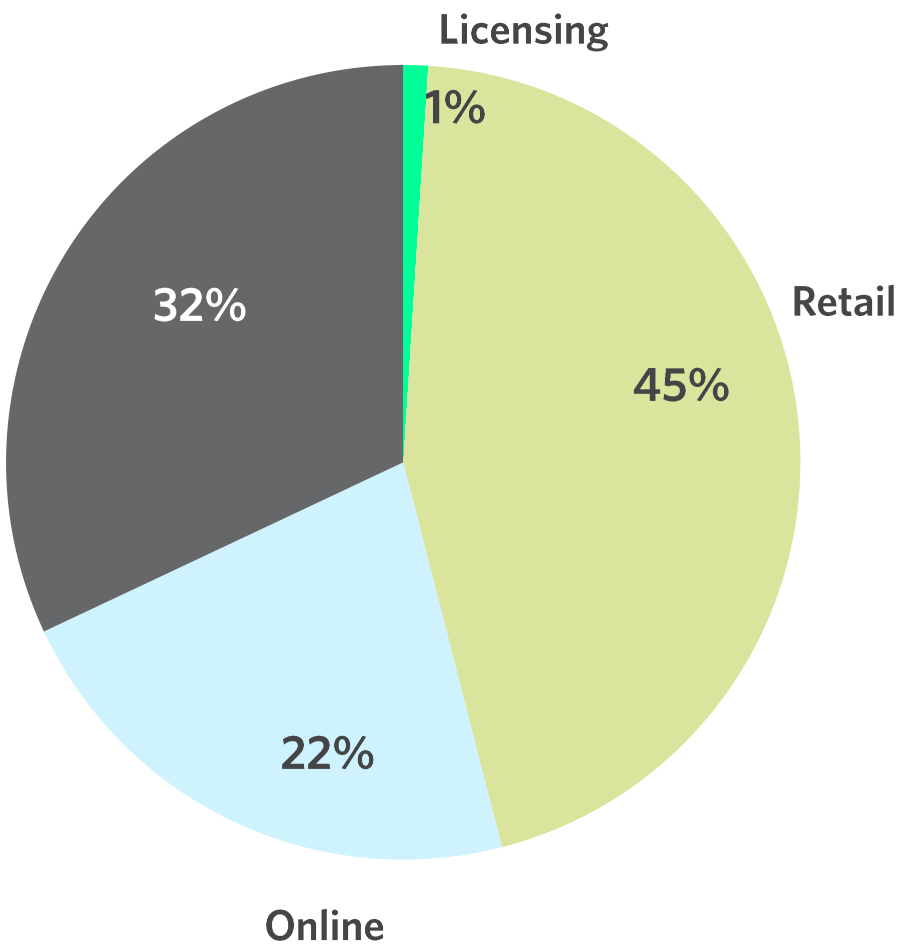
Stabilization but still negative

* *Excluding exceptional items mainly related to the divestment of North American operations, the acquisition of China's JV, provisions and impairments for heavy loss-making stores (store closures and onerous leases) and special one-off gains (e.g. FX-rate gains)*

BUSINESS *OUTLOOK*

ESPRIT CHANNELS MIX

Turnover in 1H of FY15/16



Wholesale

-11.4%
y-o-y growth LCY
in 1H of FY15/16
Continued structural decline with limited impact of Vertical and Omnichannel models

Retail + Online

+6.0%
y-o-y growth LCY
in 1H of FY15/16
Changed trend due to positive impact of the Vertical model and Omnichannel initiatives

WHOLESALE - OUTLOOK

KEY DRIVERS

- Loss of unprofitable spaces (i.e. from partners with insufficient traffic and under financial pressure)
- Consequent concentration on partners with better locations and stronger operations and performance
- Progressive introduction of a vertical model for strategic franchise partners (e.g. concession model for PSS)
- Strengthening of wholesale performance with improved products and other benefits of our Vertical model (e.g. enlarged stock service and F2M offering)
- Strengthening with Omnichannel model (e.g. Esprit Friends and online incentive scheme)
- Potential growth by entering new markets through our wholesale channel (e.g. Canada)

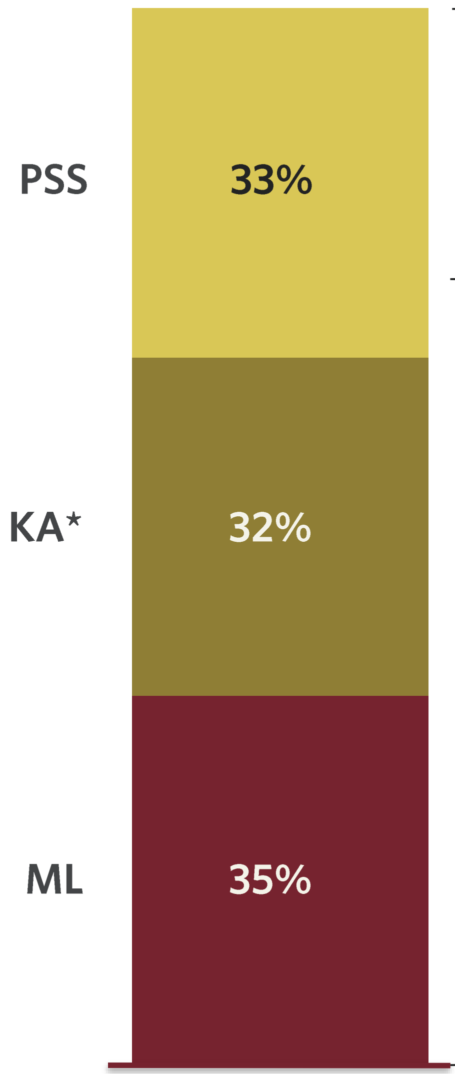
SHORT TERM

- From double- to single-digit decline

MEDIUM TERM

- From stabilization to single-digit growth

WHOLESALE MODEL DEVELOPMENT



Turnover in 1H of FY15/16

VERTICAL PSS MODEL

Merchandise management and inventory risk taken by Esprit; two pilots:
- "Concession PSS" (retail model)
- " Vertical PSS" (wholesale model)

ENHANCED WHOLESALE MODEL

1. Enlarged product offering
    - Flash & Specials
    - Repeats & Fast-to-Market
2. Extended stock service (larger inventory risk taken by Esprit)
    - Increased offering of Flow Styles & NOOS
    - Blind Buys of Mainline products
    - Blind Buys of Repeats & Fast-to-Market products
3. Redefined reference terms & conditions (to incentivize vertical approach)
    - Mark-up, discounts, credit notes linked to sell-out performance
    - New returns models to maximize sell-through ratios
    - Increased trust limits
    - Introduction of e-incentive
    - Improved payment terms
4. Strengthened store operations support to wholesale POS

** Key Accounts represents TOP customers in Europe and APAC*

RETAIL - OUTLOOK

KEY DRIVERS

RETAIL STORES

- Accelerated closure of heavy loss-making stores, both in Europe and APAC over the next 2-3 years (10%-15% of sqm)
- Continued improvement of productivity (sales per sqm) fueled by the development of our Vertical Model, Omnichannel Model and Brand Marketing campaigns
- Growth from new openings into existing (white spots) and new markets (e.g. Poland)

SHORT TERM

- Flat or low single-digit decline depending on speed of store closures

MEDIUM TERM

- High single-digit to double-digit growth when combining productivity gains with expansion

ESHOP

- Continued online growth fueled by further development of our Omnichannel Model
- Accelerated growth in APAC, mostly by aggressively growing our China online business
- Potential growth from new markets

SHORT & MEDIUM TERM

- High single-digit or double-digit growth

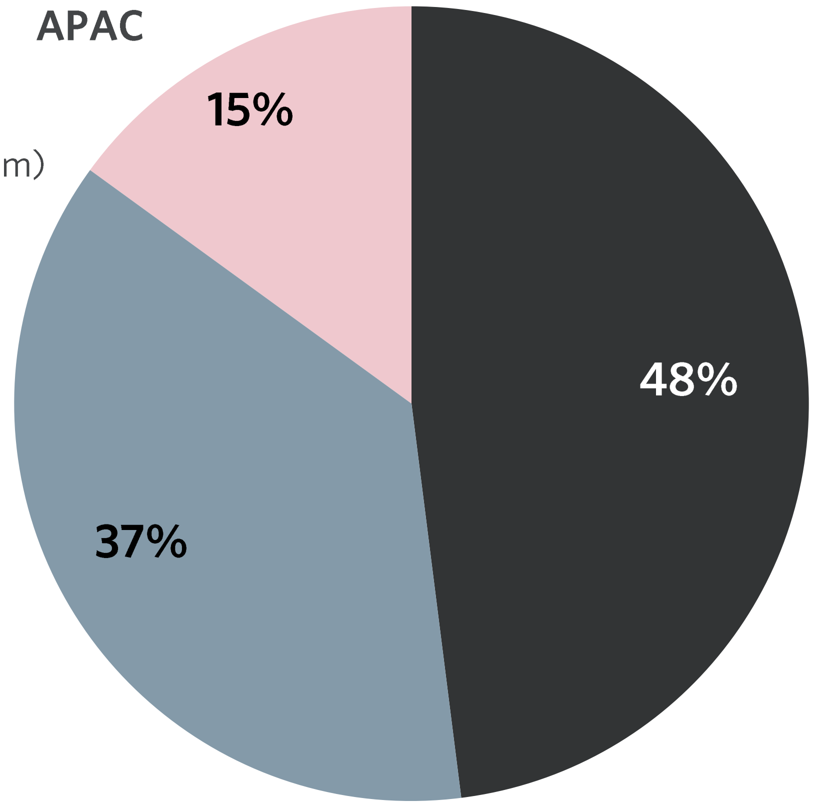
ESPRIT MARKETS MIX

Turnover in 1H of FY15/16

APAC

-6.0%
y-o-y growth LCY
in 1H of FY15/16

- -3.3% Retail (-5.9% sqm)
- -28.3% Wholesale (-34.8% sqm)



Germany

+1.5%
y-o-y growth LCY
in 1H of FY15/16

- +8.6% Retail (-2.5% sqm)
- -9.6% Wholesale (-8.4% sqm)

Europe, Americas & Middle East

+0.5%
y-o-y growth LCY
in 1H of FY15/16

- +8.6% Retail (-6.8% sqm)
- -11.6% Wholesale (-6.2% sqm)

MARKETS - OUTLOOK

KEY DRIVERS

GERMANY & EUROPE

- Wholesale space stabilization within 2-3 years (Germany stabilizing at an earlier stage than Rest of Europe)
- Retail space stabilization within 1-2 years
- Space growth in both channels thereafter
- Similar retail productivity gains and growth of the eshop

SHORT TERM

- Flat or single-digit decline depending on speed of store closures

MEDIUM TERM

- High single-digit to double-digit growth

APAC

- Wholesale space stabilization within 1 year
- Retail space reduction and relocation over the next 1-2 years
- Space growth in both channels thereafter
- Retail productivity gains in 1-2 years and very rapid growth of the eshop, especially in China

SHORT TERM

- One-off high single-digit decline due to restructuring of retail and wholesale footprint

MEDIUM TERM

- Single-to double-digit growth through expansion and online

EXPANSION - OUTLOOK

LARGE GROWTH POTENTIAL IN EUROPE, N. AMERICA AND ASIA

PROFITABILITY *OUTLOOK*

PROFITABILITY - OUTLOOK

- **Gross Profit:** Increase Group margin by around +1 percentage point over the next two years (assuming no further significant devaluation of the Euro vs the US dollar):
    - ➢ Improving margins in all product divisions with the full extension of the new Supply Chain Management model
    - ➢ Recovering usual margins in Asia and improving in Outlets
    - ➢ Growing the weight of Retail and Eshop vs Wholesale as a result of the expected development of each channel

- **OPEX:** Reduce OPEX by at least -1.0 HK$ billion over the next two years, excluding exchange rate impacts:
    - ➢ Closure of the heaviest loss-making stores and deep restructuring of the countries with negative bottom line contributions
    - ➢ Downsizing of wholesale organizations to adapt to channel development
    - ➢ Reducing all overhead costs in the affiliates and central headquarters
        - Streamlining internal processes and resources under new business model
        - Maximizing synergies between local and central structures
        - Enforcing ever more radical cost discipline across the organization

GROWTH PHASE

ILLUSTRATIVE CHART

LONG TERM

Profitability

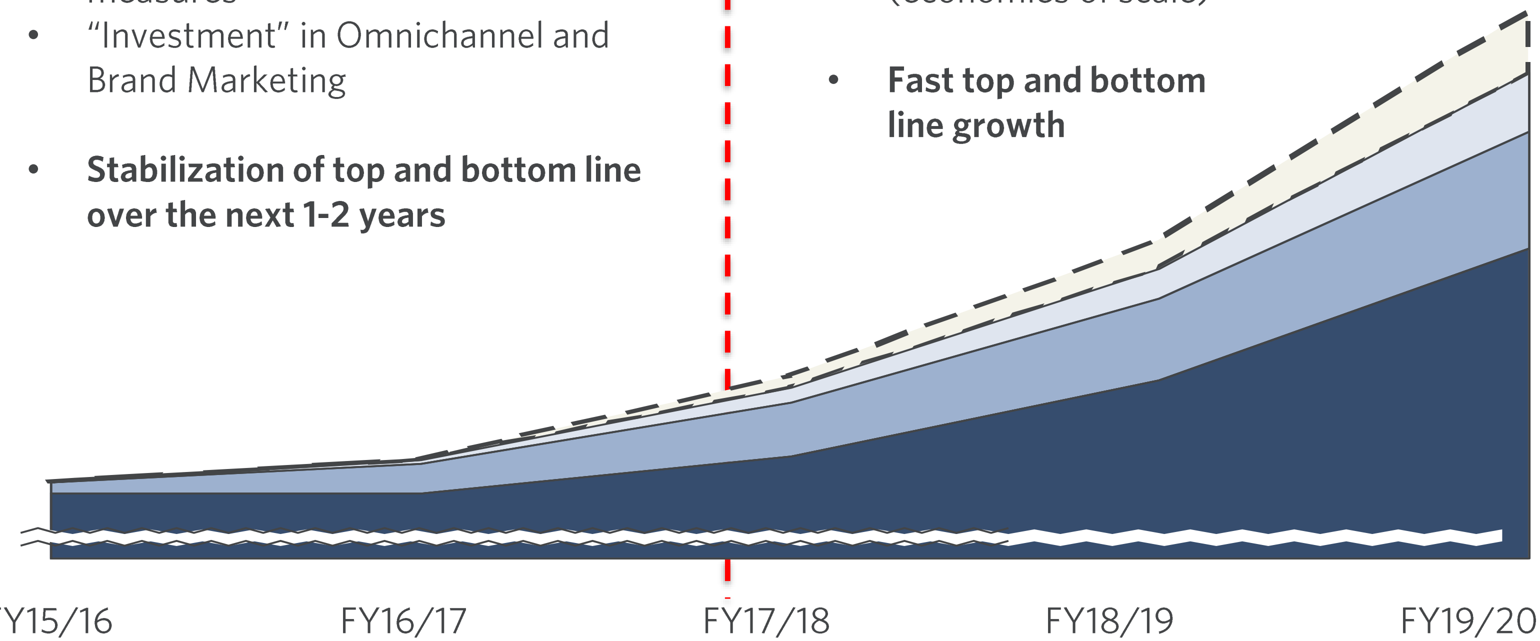
- Productivity gains (sales per sqm)
- Space reduction in Wholesale and Retail (closures)
- OPEX reduction through structural measures
- "Investment" in Omnichannel and Brand Marketing

- **Stabilization of top and bottom line over the next 1-2 years**

Growth

- Continued productivity gains
- SQM growth from Expansion in current and new markets
- Leveraging of cost and capital (economies of scale)

- **Fast top and bottom line growth**



FY15/16 OUTLOOK

CONTROLLED SPACE	Retail – slight decline due to closures or downsizing of unprofitable stores Wholesale – continued decline but to a smaller degree than FY14/15 due to market pressure on the channel
PRODUCTIVITY (SALES/SQM)	Space reduction to be offset by gain in sales per sqm performance on the basis of i) improving product performance ; ii) improved channel operations; and iii) intensified marketing efforts
GP MARGIN	Stable or slight increase - reduced levels of markdowns due to improved product performance to compensate negative impact from weakness of Euro
OPEX	Reduction of most of the recurring cost lines in line with reduction in retail space and wholesale business volume Savings offset by i) expected increase in Marketing expenses and ii) Omnichannel related expenses, to support future growth
CAPEX	Anticipated increase due to i) Omnichannel initiatives; ii) acceleration of store refurbishment; and iii) upgrade of warehouses to improve replenishment capabilities

NO CHANGE IN MANAGEMENT EXPECTATIONS FOR FY15/16 DESPITE THE POSITIVE DEVELOPMENT OF RETAIL PERFORMANCE IN JANUARY AND FEBRUARY 2016, AS KEY CHALLENGES PERSIST

IN CLOSING

Achieved so far

- Vertical Model implemented in the whole organization with first collections presenting positive growth in comparable retail stores and online
- Omnichannel Model being developed on plan with successful initial results across all key initiatives: CRM, Eshop, Online,…
- New Brand direction defined and new campaigns running successfully
- New teams in place
- Significant OPEX reduction opportunities identified across most areas of the business
- Sound financial situation with zero debt and net cash position of 4.2 HK$ bn as of December 31st, 2015

Challenges ahead

- Extend improved product performance to all product divisions (i.e. Men & Lifestyle) in order to maintain current productivity gains (sales per sqm) in the retail stores
- Maintain fast online growth in core markets and accelerate in new markets
- Slow-down decline of the wholesale channel by extending benefits of Vertical and Omnichannel models and starting to win new spaces in current and new markets
- Turn around negative development in Asia
- Accelerate cost reduction measures
- Stabilize and recover gross profit margin in the midst of aggressive price competition and currency exchange rates pressure


#ThankYou