ESPRIT

ANNUAL RESULTS FY17/18

ESPRIT HOLDINGS LIMITED

18 SEPTEMBER 2018

DISCLAIMER

The information contained in this document is prepared based on, and may be a summary of or drawing inferences from, the financial information and other public documents issued by the Esprit Group and is qualified in its entirety by the more detailed information as contained in such documents in case of any conflict or inconsistency. Should there be any conflict or inconsistency between the information contained in this document and the detailed information/financial statements/interim reports/annual reports, the detailed information/financial statements/interim reports/annual reports shall prevail.

Information contained in this document in relation to other information is not necessarily complete or accurate and has been obtained from sources believed to be reliable. Reference in this Disclaimer to Esprit Group shall mean Esprit Holdings Limited and its subsidiaries.

This document may contain forward-looking statements which may be identified by forward-looking words or expressions such as "may", "will", "expect", "anticipate", "believe", "estimate", "target", "plan", "continue" or other similar words or expressions. Forward-looking statements are based on the Esprit Group's current expectations, plans and estimates about future events, which are difficult to predict, and undue reliance should not be placed on them. Moreover, forward-looking statements involve inherent risks, uncertainties and assumptions. Although the Esprit Group believes that their expectations reflected in, or suggested by, the forward-looking statements are reasonable, there can be no assurance that these expectations will be achieved. The Esprit Group assumes no obligation to revise or update any forward-looking statements, even though the Esprit Group's situation may change in the future. All forward-looking statements contained in this document are expressly qualified by these cautionary statements.

All information, including data, projections, opinions, views and/or forward-looking statements contained in this document are dated or updated as of the date referred to in this document, may be subject to change without notice and has not been updated to reflect the subsequent development, operations and financial position of the Esprit Group. No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, including data, projections, opinions, views and/or forward-looking statements. No member of the Esprit Group and their respective directors, officers, employees, agents, affiliates, advisers or representatives accepts any liability whatsoever in negligence or otherwise for any direct or consequential loss howsoever arising from the use of any information or opinions presented or contained in this document or otherwise arising in connection with this document.

This document is only a general summary of the Esprit Group and its business, and is not, or not intended to be an invitation or offer to buy, sell, deal in, or subscribe for, any securities issued or to be issued or any project carried out or to be carried out by the Esprit Group or by any third party where the underlying asset(s) of the said securities include or consist of stock issued by Esprit Holdings Limited and is not or should not be regarded as a document to suggest, promote or lobby the recipients to invest in the Esprit Group.

AGENDA

Introduction	Raymond OR, Executive Chairman
Annual Results Review	Thomas TANG, Group CFO
Strategy update	Anders KRISTIANSEN, Group CEO
Q&As	

ANNUAL RESULTS

REVIEW

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD	YoY change LCY
Revenue	15,455	15,942	▼ 3.1%	▼ 11.1%
COGS	(7,534)	(7,712)	▼ 2.3%	▼ 10.5%
Gross profit	7,921	8,230	▼ 3.8%	▼ 11.6%
GP margin	*51.3%*	*51.6%*	▼ *0.4%pt*	▼ *0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲ 4.9%	▼ 3.3%
(LBIT)* of underlying operations	(909)	(186)		
Net exceptional items	(1,344)	84		
(LBIT)*	(2,253)	(102)		
Net interest income/ (expense)	27	(4)		
Net (taxation)/ taxation credit	(328)	173		
Net (loss)/profit	(2,554)	67		

▲/▼ ***year-on-year change***

* ***Loss before interest and tax***

Revenue decline was -11.1% in LCY, mainly due to:

- Reduction in total controlled space of -9.3% yoy, which is in line with our strategic plan to rationalize our distribution footprint; and
- Weaker than expected retail sales performance, mainly as a result of decrease in customers' traffic and increased competition

Decline in HKD terms was less (-3.1%) due to the strengthening of EUR against HKD (average rate up by ≃10% yoy during the year)

ESPRIT

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD		YoY change LCY	
Revenue	15,455	15,942	▼	3.1%	▼	11.1%
COGS	(7,534)	(7,712)	▼	2.3%	▼	10.5%
Gross profit	7,921	8,230	▼	3.8%	▼	11.6%
GP margin	*51.3%*	*51.6%*	▼	*0.4%pt*	▼	*0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲	4.9%	▼	3.3%
(LBIT)* of underlying operations	(909)	(186)				
Net exceptional items	(1,344)	84				
(LBIT)*	(2,253)	(102)				
Net interest income/ (expense)	27	(4)				
Net (taxation)/ taxation credit	(328)	173				
Net (loss)/profit	(2,554)	67				

GP margin similar level to last year

Slight decline mainly due to lower proportion of revenue from Retail stores (excl. eshop)

▲/▼ year-on-year change

* ***Loss before interest and tax***

ESPRIT

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD	YoY change LCY
Revenue	15,455	15,942	▼ 3.1%	▼ 11.1%
COGS	(7,534)	(7,712)	▼ 2.3%	▼ 10.5%
Gross profit	7,921	8,230	▼ 3.8%	▼ 11.6%
GP margin	*51.3%*	*51.6%*	▼ *0.4%pt*	▼ *0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲ 4.9%	▼ 3.3%
(LBIT)* of underlying operations	(909)	(186)		
Net exceptional items	(1,344)	84		
(LBIT)*	(2,253)	(102)		
Net interest income/ (expense)	27	(4)		
Net (taxation)/ taxation credit	(328)	173		
Net (loss)/profit	(2,554)	67		

Reduction in regular OPEX of -3.3% in LCY, driven by:

- Savings from store closures, and
- Overhead cost restructuring measures to optimize OPEX

▲/▼ year-on-year change

* ***Loss before interest and tax***

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD		YoY change LCY	
Revenue	15,455	15,942	▼	3.1%	▼	11.1%
COGS	(7,534)	(7,712)	▼	2.3%	▼	10.5%
Gross profit	7,921	8,230	▼	3.8%	▼	11.6%
GP margin	*51.3%*	*51.6%*	▼	*0.4%pt*	▼	*0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲	4.9%	▼	3.3%
(LBIT)* of underlying operations	(909)	(186)				
Net exceptional items	(1,344)	84				
(LBIT)*	(2,253)	(102)				
Net interest income/ (expense)	27	(4)				
Net (taxation)/ taxation credit	(328)	173				
Net (loss)/profit	(2,554)	67				

Savings in regular OPEX was not sufficient to outweigh the negative impact from higher than expected decline in revenue

▲/▼ year-on-year change

* ***Loss before interest and tax***

ESPRIT

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD	YoY change LCY
Revenue	15,455	15,942	▼ 3.1%	▼ 11.1%
COGS	(7,534)	(7,712)	▼ 2.3%	▼ 10.5%
Gross profit	7,921	8,230	▼ 3.8%	▼ 11.6%
GP margin	*51.3%*	*51.6%*	▼ *0.4%pt*	▼ *0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲ 4.9%	▼ 3.3%
(LBIT)* of underlying operations	(909)	(186)		
Net exceptional items	(1,344)	84		
(LBIT)*	(2,253)	(102)		
Net interest income/ (expense)	27	(4)		
Net (taxation)/ taxation credit	(328)	173		
Net (loss)/profit	(2,554)	67		

▲/▼ ***year-on-year change***

* ***Loss before interest and tax***

Significant negative impact from exceptional items

- Primarily related to non-recurring provisions and impairments
- Majority are purely accounting adjustments, with no impact on our cash and operating performance

Profitability worse than management's expectation with LBIT of HK$(2,253) million

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD	YoY change LCY
Revenue	15,455	15,942	▼ 3.1%	▼ 11.1%
COGS	(7,534)	(7,712)	▼ 2.3%	▼ 10.5%
Gross profit	7,921	8,230	▼ 3.8%	▼ 11.6%
GP margin	*51.3%*	*51.6%*	▼ *0.4%pt*	▼ *0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲ 4.9%	▼ 3.3%
(LBIT)* of underlying operations	(909)	(186)		
Net exceptional items	(1,344)	84		
(LBIT)*	(2,253)	(102)		
Net interest income/ (expense)	27	(4)		
Net (taxation)/ taxation credit	(328)	173		
Net (loss)/profit	(2,554)	67		

Taxation mainly comprised of a write down of deferred taxation assets in association with the German operations, due to continued decline of business

▲/▼ year-on-year change

* ***Loss before interest and tax***

ESPRIT

INCOME STATEMENT

(in HK$'m)	FY17/18	FY16/17	YoY change HKD	YoY change LCY
Revenue	15,455	15,942	▼ 3.1%	▼ 11.1%
COGS	(7,534)	(7,712)	▼ 2.3%	▼ 10.5%
Gross profit	7,921	8,230	▼ 3.8%	▼ 11.6%
GP margin	*51.3%*	*51.6%*	▼ *0.4%pt*	▼ *0.3%pt*
Regular OPEX	(8,830)	(8,416)	▲ 4.9%	▼ 3.3%
(LBIT)* of underlying operations	(909)	(186)		
Net exceptional items	(1,344)	84		
(LBIT)*	(2,253)	(102)		
Net interest income/ (expense)	27	(4)		
Net (taxation)/ taxation credit	(328)	173		
Net (loss)/profit	(2,554)	67		

▲/▼ year-on-year change

* ***Loss before interest and tax***

Bottom line was very much impacted by

- Weaker than expected retail sales
- The Exceptional Items
- The write down of deferred taxation assets

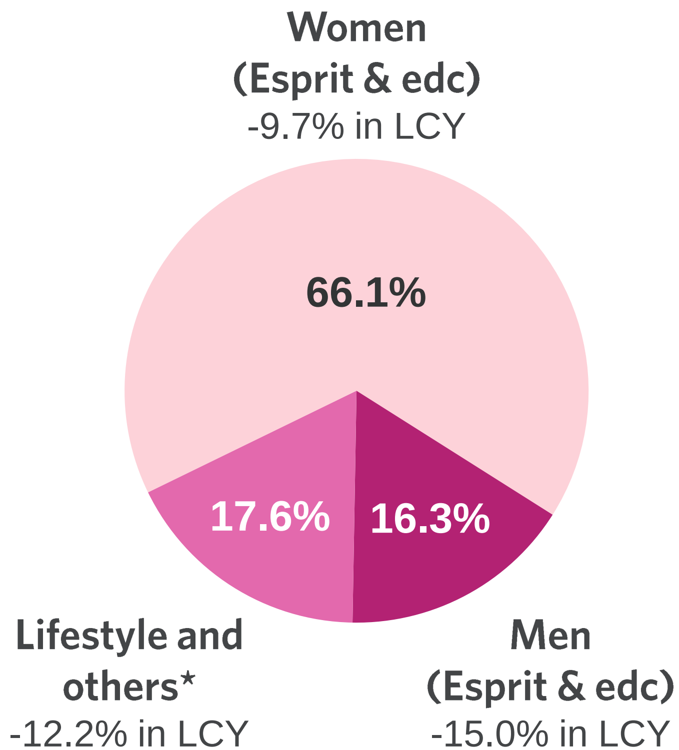
The Board has not recommended the payment of a dividend as a net loss was recorded for the year

ANNUAL RESULTS

REVENUE ANALYSIS

REVENUE BY PRODUCT DIVISIONS

Group Revenue: HK$15,455m



Core divisions, Women (Esprit & edc) developed largely in line with controlled space reduction

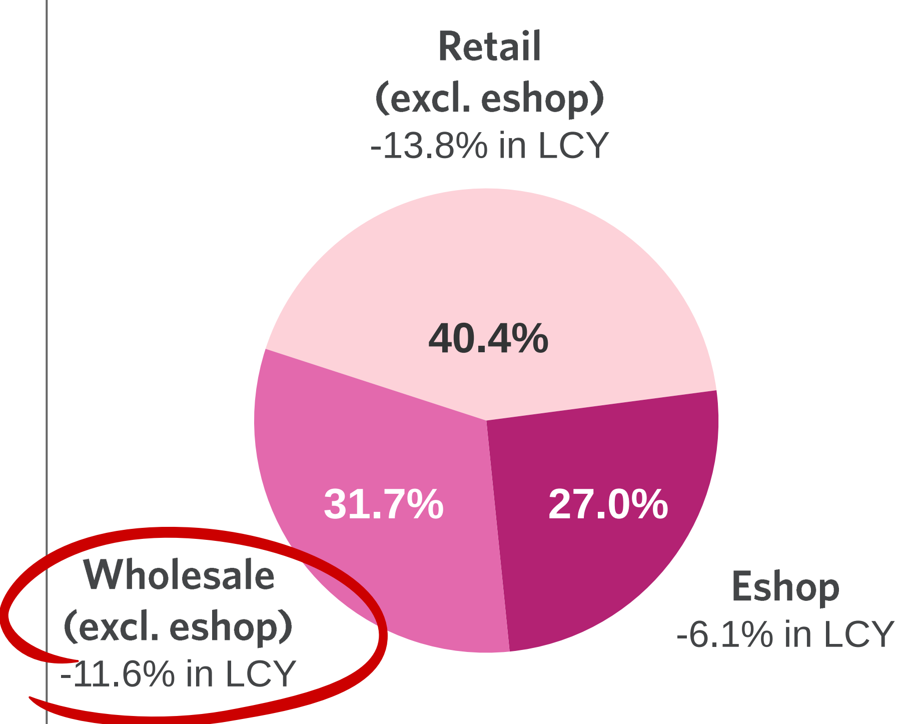
Other divisions, Men (Esprit & edc) and Lifestyle & others, recorded relatively weaker performance

* *Lifestyle and others mainly include bodywear, accessories, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath, and houseware*

+ / - yoy change

REVENUE BY DISTRIBUTION CHANNELS

Group Revenue: HK$15,455m



Remaining 0.9% relates to Licensing and others (-0.9% in LCY)

+ / - yoy change

Wholesale (excl. eshop) developed largely in line with controlled space

- **Selling space ▼10.6%**

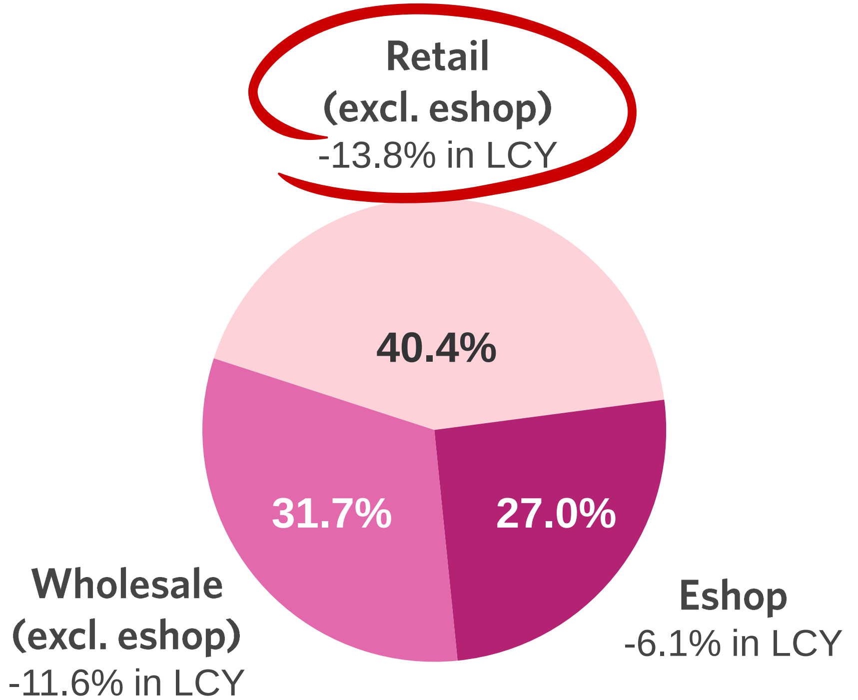
  Closure of non-performing locations by our wholesale partners

- **Space productivity dragged by**

  Traditional offline partners continue to suffer from structural pressure in the channel

REVENUE BY DISTRIBUTION CHANNELS

Group Revenue: HK$15,455m



Remaining 0.9% relates to Licensing and others (-0.9% in LCY)

+ / - yoy change

Retail (excl. eshop) adversely impacted by intense competition and strategic store closures

- **Comp-Store-Sales ▼9.6% in LCY**

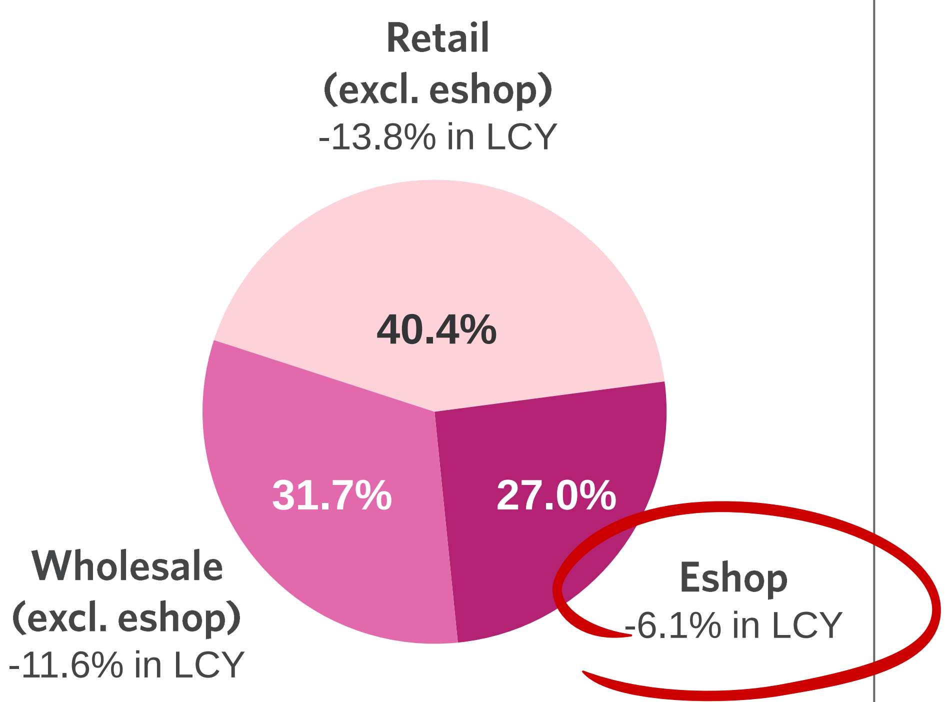
  Decrease in customers' traffic to our stores

- **Selling space ▼7.8%**

  Visible reduction in controlled space due to rightsizing of our stores network, including closure of the most unprofitable retail stores

REVENUE BY DISTRIBUTION CHANNELS

Group Revenue: HK$15,455m



Remaining 0.9% relates to Licensing and others (-0.9% in LCY)

+ / - yoy change

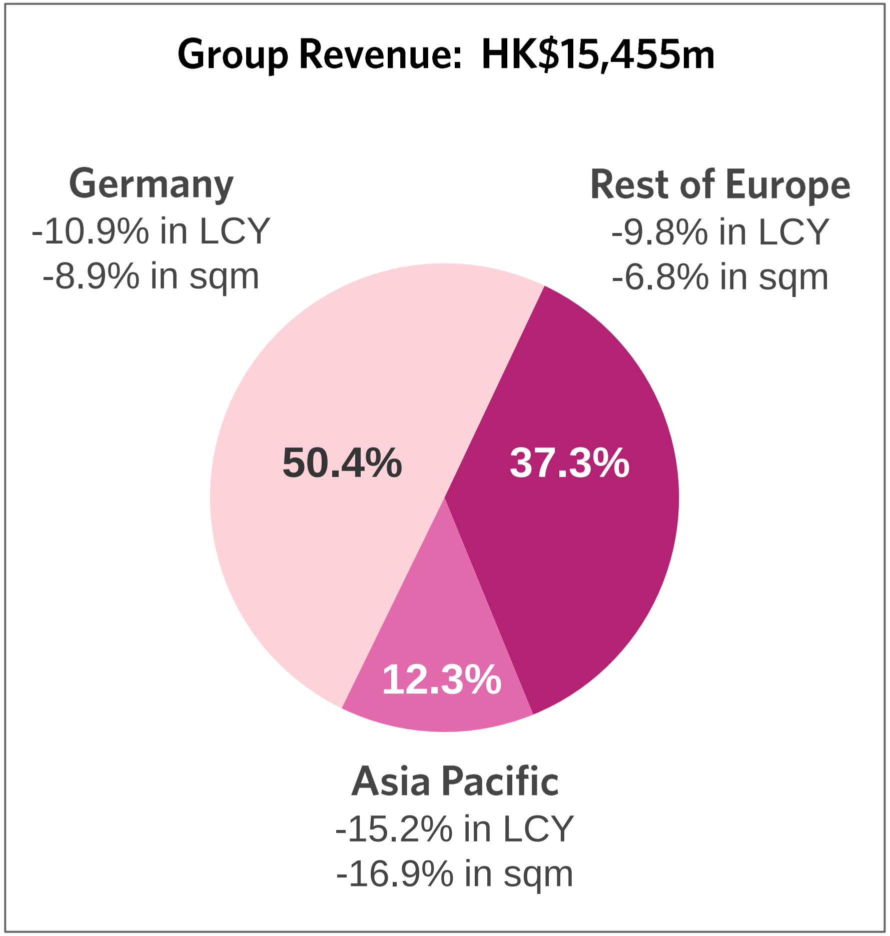
Eshop Europe ▼6.1% in LCY

- • Represent 95% of total Eshop revenue
- \- Dragged by decrease in customers' traffic

Eshop APAC ▼5.3% in LCY

- \- Decisive actions to focus on higher-profitability model by reducing the level of promotional activities, price markdown, and discounts to improve gross profit margin

REVENUE BY MARKETS



+ / - yoy change

Europe

- Germany alone represents half of the Group's business (50.4%)
- Together with the Rest of Europe, generated 87.7% of the Group's total revenue

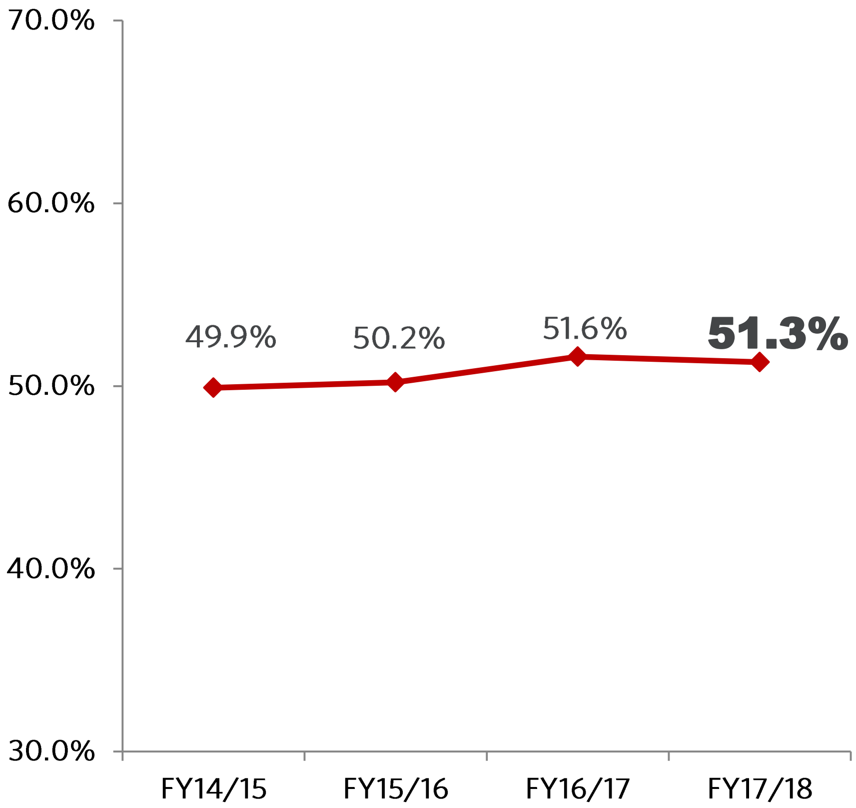
Asia Pacific

- Efforts and resources being deployed to fuel growth in this region, including a very ambitious plan for China
- A fast-to-market line aims to introduce trendier products for the APAC market, particularly China, will reach stores for the Fall-Winter 2018 season

ANNUAL RESULTS

PROFITABILITY

GROSS PROFIT MARGIN



Gross profit margin similar level to last year

Slight decline (-0.3% point in LCY) mainly due to lower proportion of Retail (excl. eshop) revenue (FY17/18: 40.4% vs FY16/17: 42.1%)

OPERATING EXPENSES

(in HK$'m)	FY17/18	FY16/17	Change in % LCY
Staff costs	2,968	2,851	▼ 3.7%
Occupancy costs	2,526	2,496	▼ 6.2%
Logistics expenses	1,029	957	▼ 1.9%
Marketing & advertising expenses	900	814	▲ 0.9%
Depreciation	528	518	▼ 6.5%
Other operating costs	879	780	▲ 3.0%
Regular OPEX	**8,830**	**8,416**	**▼ 3.3%**

Savings achieved across all key cost lines, except slight increase in marketing & advertising expenses to strengthen our CRM program

Continue to see reduction in Regular OPEX

NET EXCEPTIONAL EXPENSES

(in HK$'m)	FY17/18	FY16/17
Exceptional items		
Impairment of China goodwill and customer relationships	**(794)**	-
Store closures and onerous leases	**(152)**	(12)
Closure of ANZ operations	**(129)**	-
One-off costs in relation to staff reduction plans	**(119)**	(45)
Inventory provision	**(76)**	-
(Impairment of) / write back of fixed assets	**(50)**	8
Provision for SAP applications	**(26)**	-
Fixed assets impairment for small loss-making stores	**(14)**	-
Net gain on disposal of properties	**16**	133
Total	**(1344)**	84

Due to the significant decline of our business in China in recent years

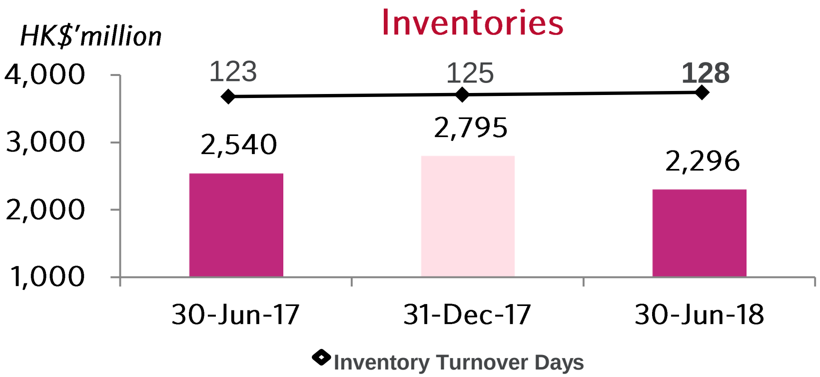
Due to the weaker than expected sales performance of directly managed retail stores

Exit of the ANZ markets, allowing us to concentrate our efforts and resources in developing more attractive markets

ANNUAL RESULTS

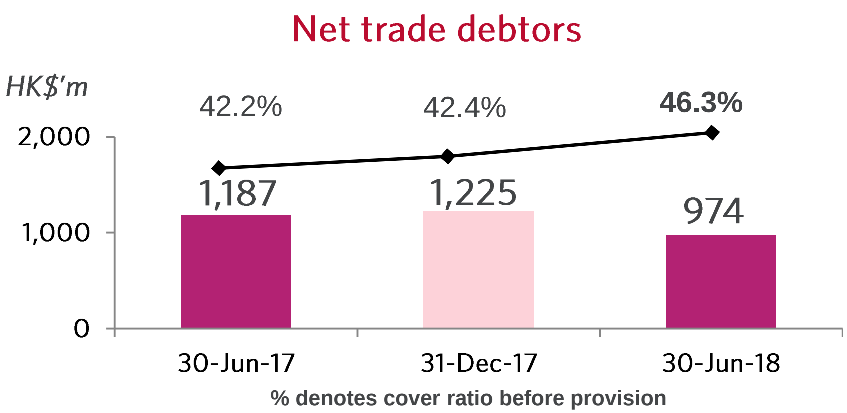
WORKING CAPITAL

WORKING CAPITAL



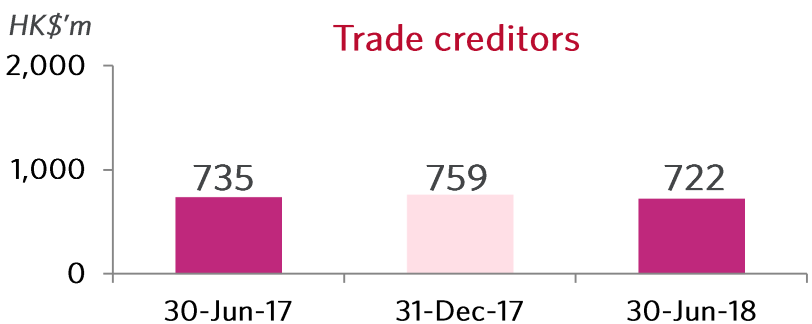
Inventories value ▼ 9.6% yoy:

- Despite ▲ 1.7% appreciation in EUR/HKD closing rate yoy
- Inventory turnover days ▲5 days mainly due to the weaker than expected sales performance of retail online and offline



Net trade debtors ▼18.0% yoy:

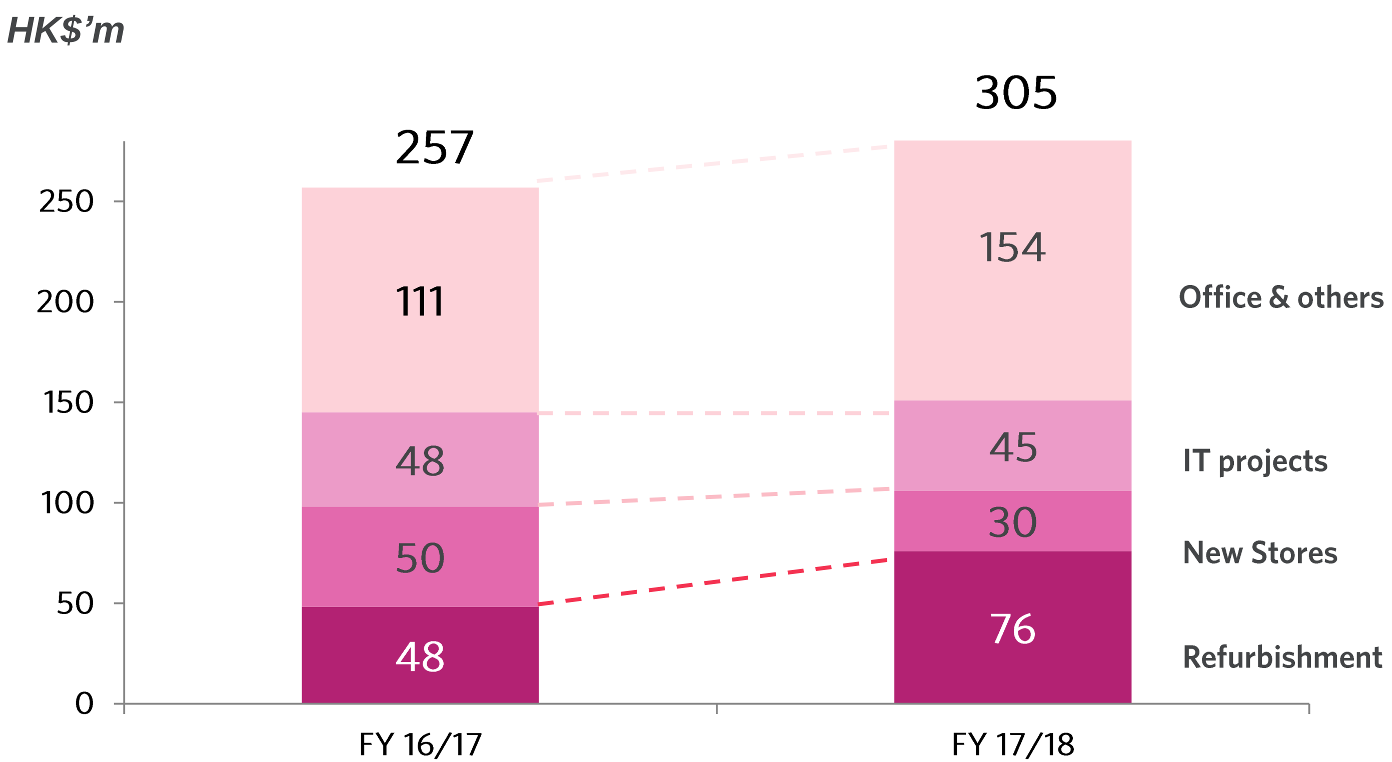
- Compared favorably against Group revenue decline of -11.1% in LCY and wholesale (excl. eshop) revenue decline of -11.6% in LCY



Trade creditors ▼4.8% yoy:

- Similar level to last year

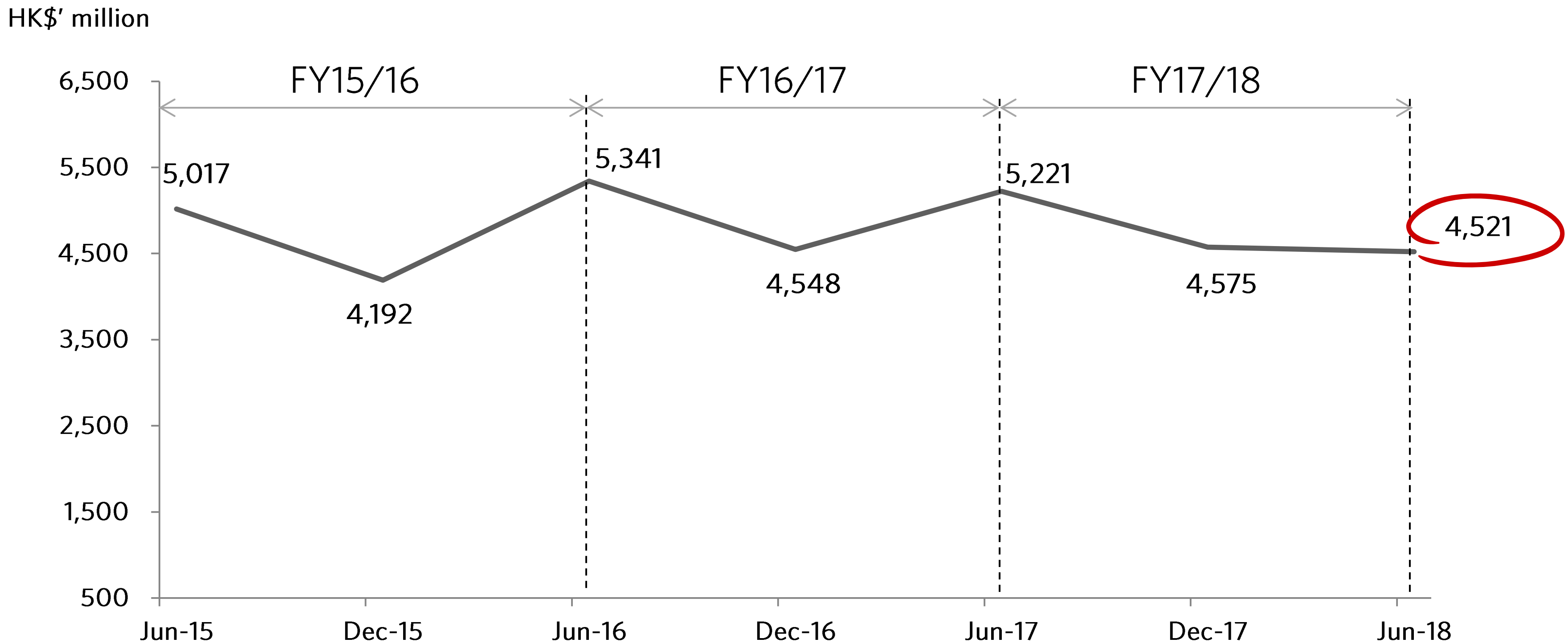
CAPITAL EXPENDITURE



- Increase in CAPEX largely due to investment in the extension of the distribution center in Europe
- In regional currency terms

Europe:	€27.3m	▲ 17.4%
APAC:	HK$50.5m	▼14.8%

RECENT DEVELOPMENT OF NET CASH POSITION



- The Group remained debt free with net cash of HK$4,521 million,
- Net cash utilization (excluding share repurchase) of HK$(463)m was higher than last year (FY16/17: HK$(120)m) due to the worse than expected decline in revenue

STRATEGY

FIRST IMPRESSIONS

- Started in the company 1 June 2018
- Met with many employees, wholesale partners and customers, and visited stores all over the Esprit world
- Conclusion:

Esprit is a
GREAT BRAND
AND A
GREAT COMPANY

ESPRIT

BUT, THE RESULTS OF THE COMPANY ARE FAR FROM SATISFACTORY

Declining Sales
-11.1%
yoy in LCY

High Cost Structure
Costs 57%*
of net sales

* Excluding exceptional items for FY17/18

Bold changes are needed to return to sustainable growth and profitability

WE NEED TO BUILD A NEW MODEL AND RESTRUCTURE

ESPRIT

Build a
new model
for the future

&

Restructure
the cost base

WE NEED TO BUILD A NEW MODEL AND RESTRUCTURE

ESPRIT

Build a
new model
for the future

&

Restructure
the cost base

THE VISION FOR OUR NEW MODEL

OUR APPROACH

The Playing Field	A Unique Brand		Customer experience
We have examined: ▪ Cultural landscape ▪ Current consumers ▪ Competition ▪ Brand today	**We will establish:** ▪ A new brand ethos for Esprit	People	**We put the customer at the center:** ▪ Product ▪ Communication ▪ Shopping experience

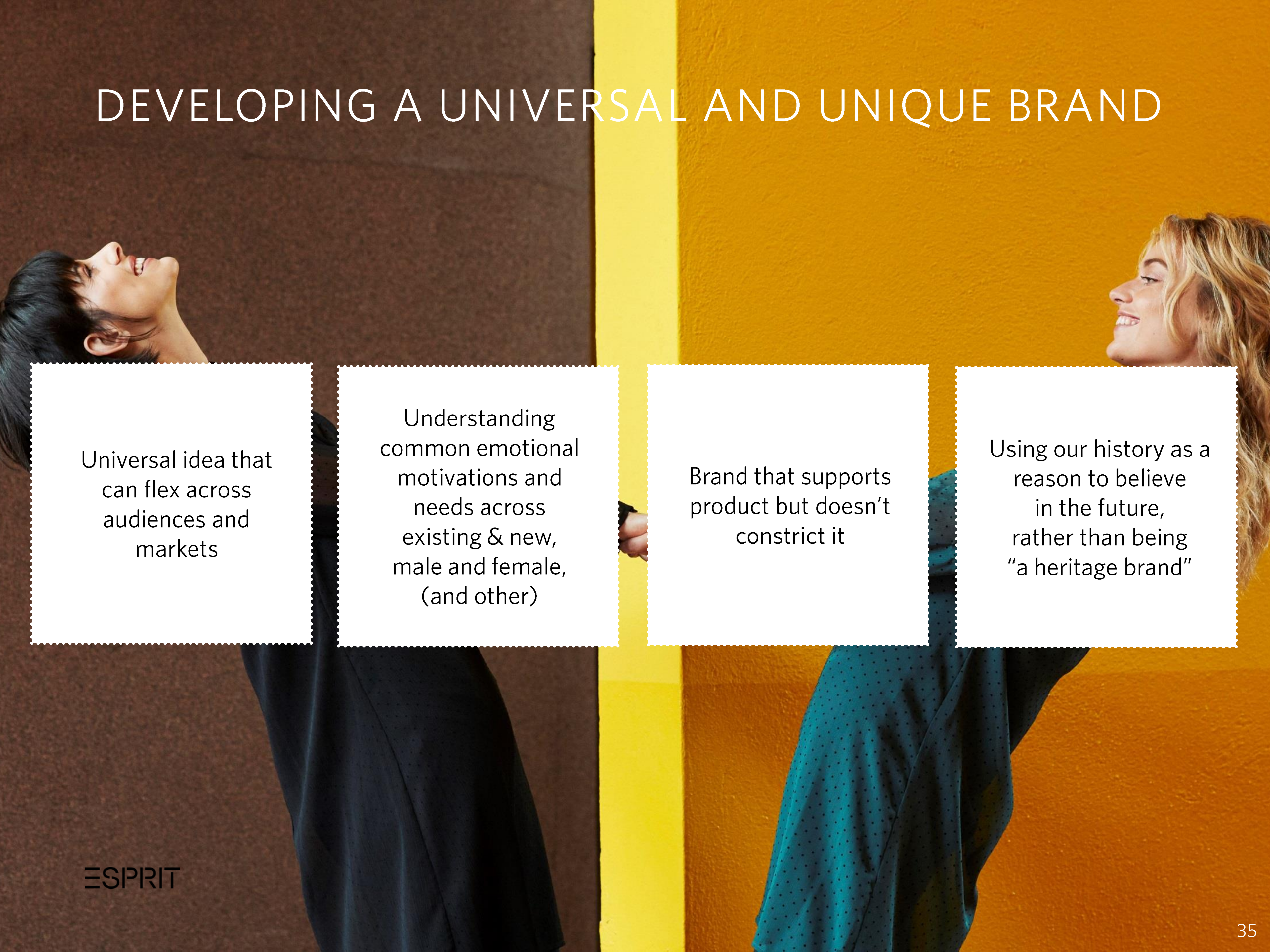
WE ARE LISTENING TO OUR AUDIENCE

To understand the emotional motivations of segments, beyond the demographics and rational response

4 Key markets: Germany / China / France / Sweden

ABSORBTION	STAKEHOLDER INTERVIEWS	QUALITATIVE RESEARCH	QUANTITATIVE RESEARCH
Deep dive into existing information and previous research	Initial insights on where the brand is and what was tried in the past	Explore the lives, style and preference of the audience	Survey with current and prospective customers
Review the context in which Esprit operates	Interviews of Esprit people and partners	Create initial tribes	Capture further insights on tribes

DEVELOPING A UNIVERSAL AND UNIQUE BRAND



Universal idea that can flex across audiences and markets

Understanding common emotional motivations and needs across existing & new, male and female, (and other)

Brand that supports product but doesn't constrict it

Using our history as a reason to believe in the future, rather than being "a heritage brand"

ESPRIT

Perfect product offering for our customer

Brand consistent style & handwriting

Quality
- improve fitting, reinforce core fabrics and trims, strengthen QA inspection

Collection size and structure
– strengthen core and basic styles
- improve fashion pyramid
- use data

Divisional identity

Product branding

THE ESPRIT EXPERIENCE

Genuine cultural connection

- Give the thing people love
- Partner to get reach
- Co-Create for visibility

Exciting social storytelling

- Act like a social Feed
- Modernize content
- Nail timing & volume

Omni-channel shopping experience

- Create experimental U/X online
- Become 'best-in-class' wholesale
- 'Live the brand' in our stores

Deep & valuable relationships

- Build an emotional CRM
- Use data for relevance
- Surprise & delight on all touchpoints

ESPRIT

WE NEED TO BUILD A NEW MODEL AND RESTRUCTURE

ESPRIT

Build a
new model
for the future

&

Restructure
the cost base

RESTRUCTURE THE COST BASE

Reduce complexity	Reduce complexity and improve accountability in our organization • Allocate clear roles and responsibilities at all levels • Facilitate faster and better decision making
Become leaner	Become a leaner organization and review the elimination of loss-making parts of the business to build a stronger foundation for the future • Consolidate our headquarters and office structures • Address loss-making store list and decide on closures • Assess our wholesale customer needs and how we better and more efficiently serve our partners in the future

Build a stronger foundation for the future

STRATEGY READY LATE FALL

- We are convinced that we have the right ideas to put Esprit back on track
- By the end of Fall we will be ready to share with you the strategy we have for this great company
- Next, we will work on the details which are subject to local laws and regulations (such as involving works councils)


Bold changes are needed
to return to
sustainable growth
and profitability

OUTLOOK

FY18/19 OUTLOOK

REVENUE	**Low double-digit % yoy decline** due to a combination of i) continue rationalization of distribution footprint; and ii) decline in customers' traffic although at a slightly lower rate than last year
GP MARGIN	**Stable level** as pressure from lower proportion of retail revenue is expected to be offset by benefits arising from measures to reduce markdowns and promotions
REGULAR OPEX	**Mid single-digit % yoy reduction** mainly driven by ongoing rightsizing of retail footprint, including closure of heavily loss making retail stores and the divestment of Australia and New Zealand
EXCEPTIONAL ITEMS	**Potential one-off costs** to restructure the organization and accelerate the closure of loss making stores, in order to significantly reduce our cost base. Details are yet to be finalized and the benefits are expected to be fully realized over the next 2 to 3 years.
CAPEX	**Slightly lower** than previous year

Q&As


THANK YOU!
ESPRIT