ESPRIT

INTERIM RESULTS FY18/19

ESPRIT HOLDINGS LIMITED

26 FEBRUARY 2019

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
Overview and Analysis of Interim Results	Thomas TANG, Group CFO
Strategy update	Anders KRISTIANSEN, Group CEO
Q&A	

OVERVIEW OF INTERIM RESULTS

- Re-cap of the Strategy Plan (the "Plan") announced in Investor Day in November 2018 to correct the current internal weakness of Esprit

- Bold changes are needed to restore Esprit to sustainable growth and profitability:
  - ✓ Build a new model for the future
  - ✓ Build a powerful organization & restructure the cost base; and

- During 1H FY18/19, management team has been highly focused on execution of the Plan, including:
  - ✓ Brand repositioning and changes in product ("new model for the future")
  - ✓ Staff reduction initiatives implemented and on track to achieve the target for reduction of non-store employees by approx. 35-40%
  - ✓ Undertaken comprehensive assessment of the loss-making retail stores. Already executed net closure of 91 stores in 1H FY18/19.

  The Plan is progressing well and on track, and we are encouraged by the initial development

- In respect of initiatives for the staff reduction and store closures, these have resulted in net exceptional expenses totaling HK$1.4 billion, which are necessary to reduce losses and build a healthier platform for future growth.

ANALYSIS OF
INTERIM RESULTS FY18/19

INCOME STATEMENT

(in HK$'m)	1H18/19	FY17/18	YoY change HKD	YoY change LCY
Revenue	6,766	8,039	▼ 15.8%	▼ 14.4%
COGS	(3,295)	(3,787)	▼ 13.0%	▼ 11.5%
Gross profit	3,471	4,252	▼ 18.4%	▼ 16.9%
GP margin	*51.3%*	*52.9%*	▼ *1.6%pts*	▼ *1.6%pts*
Regular OPEX	(3,803)	(4,388)	▼ 13.3%	▼ 11.9%
(LBIT)* of underlying operations	(332)	(136)		
Net exceptional items	(1,418)	(822)		
(LBIT)*	(1,750)	(958)		
Net interest income	13	9		
Net (taxation)	(36)	(5)		
Net (loss)	(1,773)	(954)		

▲/▼ ***year-on-year change***

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

Revenue decreased by -14.4% in LCY :

- Strategic rationalization of distribution footprint leading to a controlled space reduction of -11.0% yoy, and
- Reduced customer traffic due to the weakness in brand identity and product appeal

ESPRIT

INCOME STATEMENT

(in HK$'m)	1H18/19	FY17/18	YoY change HKD	YoY change LCY
Revenue	6,766	8,039	▼ 15.8%	▼ 14.4%
COGS	(3,295)	(3,787)	▼ 13.0%	▼ 11.5%
Gross profit	3,471	4,252	▼ 18.4%	▼ 16.9%
GP margin	*51.3%*	*52.9%*	▼ *1.6%pts*	▼ *1.6%pts*
Regular OPEX	(3,803)	(4,388)	▼ 13.3%	▼ 11.9%
(LBIT)* of underlying operations	(332)	(136)		
Net exceptional items	(1,418)	(822)		
(LBIT)*	(1,750)	(958)		
Net interest income	13	9		
Net (taxation)	(36)	(5)		
Net (loss)	(1,773)	(954)		

▲/▼ ***year-on-year change***

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

Gross profit margin decreased by 1.6% pts

- Investment in improving product quality
- Higher level of discount

INCOME STATEMENT

(in HK$'m)	1H18/19	FY17/18	YoY change HKD	YoY change LCY
Revenue	6,766	8,039	▼ 15.8%	▼ 14.4%
COGS	(3,295)	(3,787)	▼ 13.0%	▼ 11.5%
Gross profit	3,471	4,252	▼ 18.4%	▼ 16.9%
GP margin	*51.3%*	*52.9%*	▼ *1.6%pts*	▼ *1.6%pts*
Regular OPEX	(3,803)	(4,388)	▼ 13.3%	▼ 11.9%
(LBIT)* of underlying operations	(332)	(136)		
Net exceptional items	(1,418)	(822)		
(LBIT)*	(1,750)	(958)		
Net interest income	13	9		
Net (taxation)	(36)	(5)		
Net (loss)	(1,773)	(954)		

▲/▼ year-on-year change

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

Regular OPEX reduced by 11.9% in LCY

- savings achieved across all major cost lines

ESPRIT

INCOME STATEMENT

(in HK$'m)	1H18/19	FY17/18	YoY change HKD	YoY change LCY
Revenue	6,766	8,039	▼ 15.8%	▼ 14.4%
COGS	(3,295)	(3,787)	▼ 13.0%	▼ 11.5%
Gross profit	3,471	4,252	▼ 18.4%	▼ 16.9%
GP margin	*51.3%*	*52.9%*	▼ *1.6%pts*	▼ *1.6%pts*
Regular OPEX	(3,803)	(4,388)	▼ 13.3%	▼ 11.9%
(LBIT)* of underlying operations	(332)	(136)		
Net exceptional items	(1,418)	(822)		
(LBIT)*	(1,750)	(958)		
Net interest income	13	9		
Net (taxation)	(36)	(5)		
Net (loss)	(1,773)	(954)		

Improvement in regular OPEX was not sufficient to outweigh the negative impact from decline in revenue

▲/▼ year-on-year change

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

ESPRIT

INCOME STATEMENT

(in HK$'m)	1H18/19	FY17/18	YoY change HKD	YoY change LCY
Revenue	6,766	8,039	▼ 15.8%	▼ 14.4%
COGS	(3,295)	(3,787)	▼ 13.0%	▼ 11.5%
Gross profit	3,471	4,252	▼ 18.4%	▼ 16.9%
GP margin	*51.3%*	*52.9%*	▼ *1.6%pts*	▼ *1.6%pts*
Regular OPEX	(3,803)	(4,388)	▼ 13.3%	▼ 11.9%
(LBIT)* of underlying operations	(332)	(136)		
Net exceptional items	(1,418)	(822)		
(LBIT)*	(1,750)	(958)		
Net interest income	13	9		
Net (taxation)	(36)	(5)		
Net (loss)	(1,773)	(954)		

Net exceptional items mainly represent one-off restructuring costs to eliminate loss-making stores and reduce headcount

▲/▼ year-on-year change

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

ESPRIT

INCOME STATEMENT

(in HK$'m)	1H18/19	FY17/18	YoY change HKD	YoY change LCY
			HKD	LCY
Revenue	6,766	8,039	▼ 15.8%	▼ 14.4%
COGS	(3,295)	(3,787)	▼ 13.0%	▼ 11.5%
Gross profit	3,471	4,252	▼ 18.4%	▼ 16.9%
GP margin	*51.3%*	*52.9%*	▼ *1.6%pts*	▼ *1.6%pts*
Regular OPEX	(3,803)	(4,388)	▼ 13.3%	▼ 11.9%
(LBIT)* of underlying operations	(332)	(136)		
Net exceptional items	(1,418)	(822)		
(LBIT)*	(1,750)	(958)		
Net interest income	13	9		
Net (taxation)	(36)	(5)		
Net (loss)	(1,773)	(954)		

▲/▼ ***year-on-year change***

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

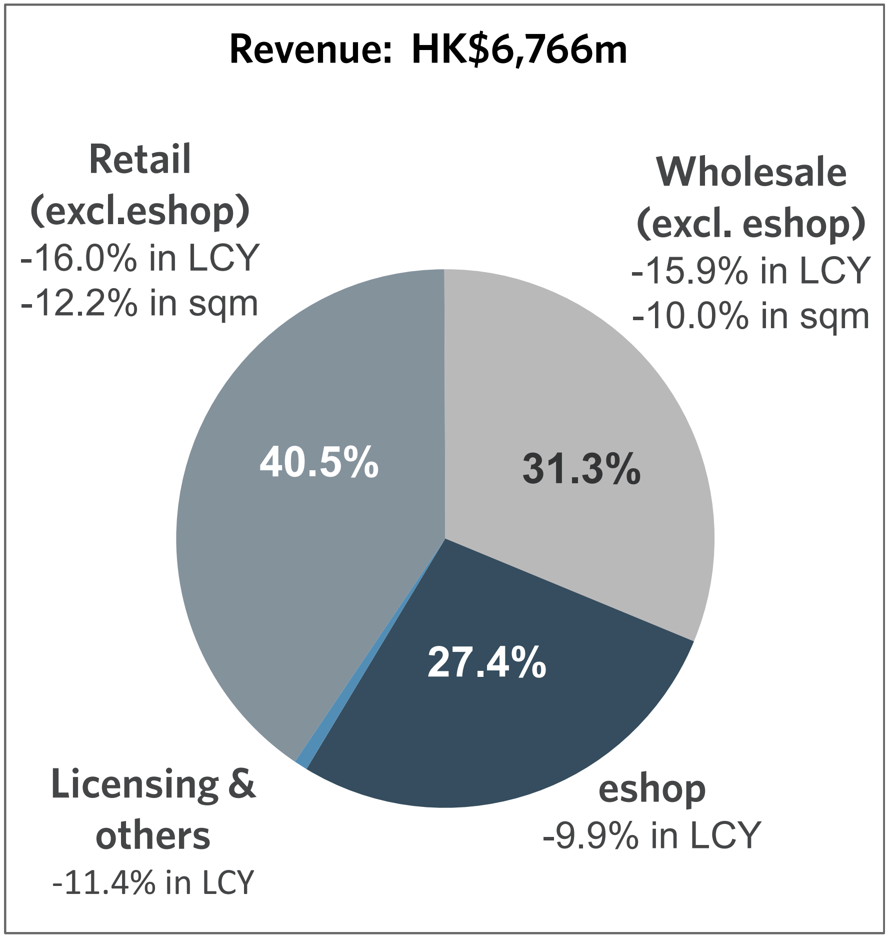
Taking into account the net interest income and net taxation expense, Net Loss was HK$(1,773)m

In view of the net loss, the Board has resolved not to declare any interim dividend

ESPRIT

INTERIM RESULTS FY18/19
- REVENUE ANAYSIS

REVENUE BY DISTRIBUTION CHANNEL



+ / - yoy change

Retail (excl. eshop) ▼16.0% in LCY,

adversely impacted by:

- strategic closure of unprofitable retail stores
- lower consumer traffic

Wholesale (excl. eshop) ▼15.9% in LCY,

due to lack of focus on wholesale partners in the past which led to:

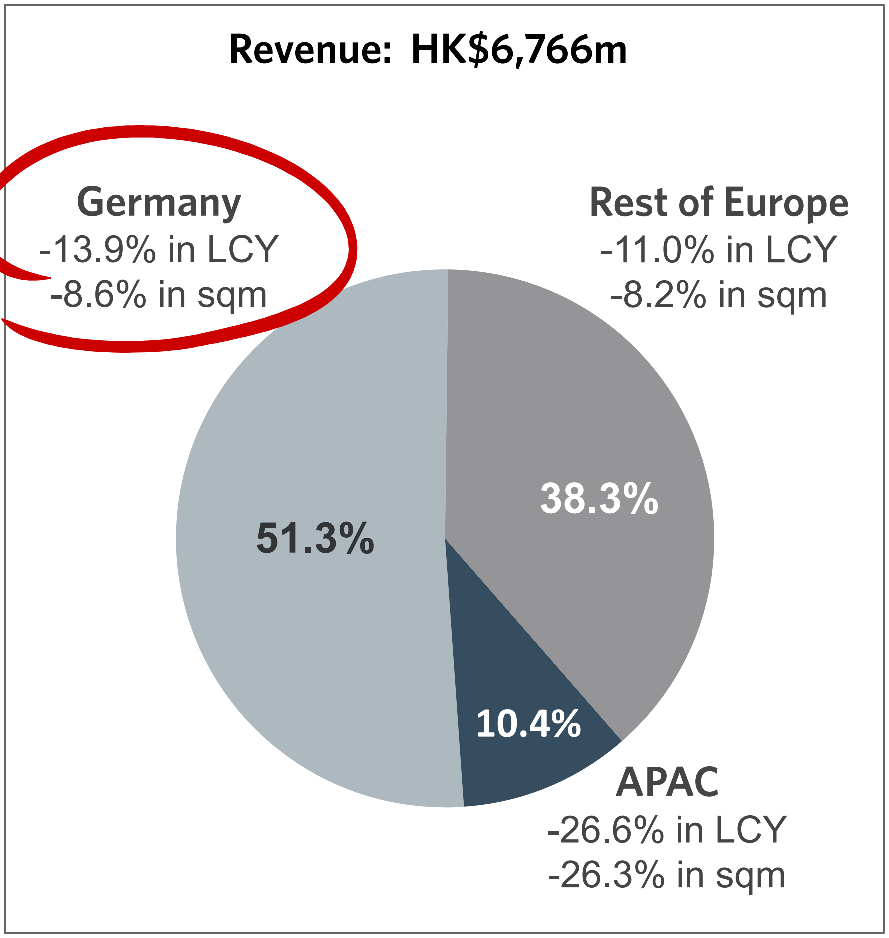
- Reduction in controlled space
- Lower order intake
- Higher returns

Eshop ▼9.9% in LCY,

due to a decline in consumer traffic

ESPRIT

REVENUE BY MARKET



+ / - yoy change

Germany Retail (excl. eshop)
▼14.6% in LCY

- Reduction in net sales area of -6.6% yoy
- Decline in comp. store sales of -10.7% yoy in LCY

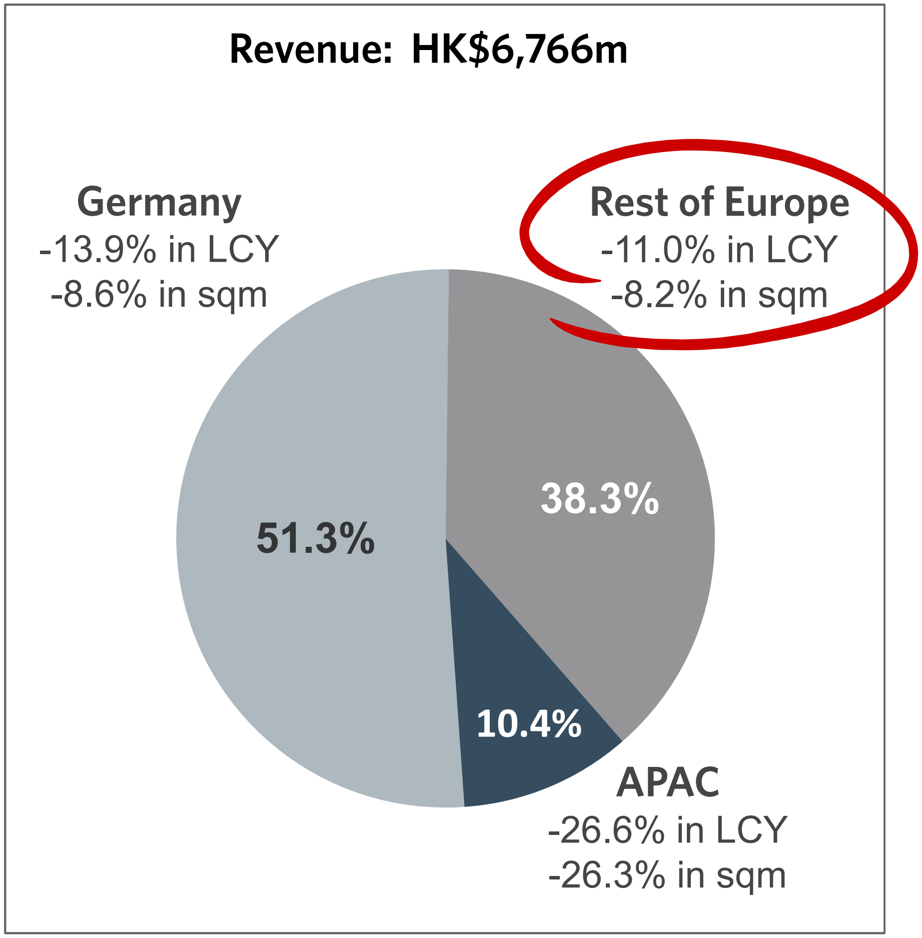
Germany Wholesale (excl. eshop)
▼17.4% in LCY

- Reduction in controlled space of -10.0% yoy
- Decline in order intake from a few key wholesales partners

Germany eshop
▼9.5% in LCY

- Decline in consumer traffic

REVENUE BY MARKET



Rest of Europe Retail (excl. eshop)
▼9.3% in LCY

- Reduction in net sales area of -6.5% yoy
- Decline in comp. store sales of -9.2% yoy in LCY

Rest of Europe Wholesale (excl. eshop)
▼14.8% in LCY

- Reduction in controlled space of -9.2% yoy
- Lower order intake and higher returns

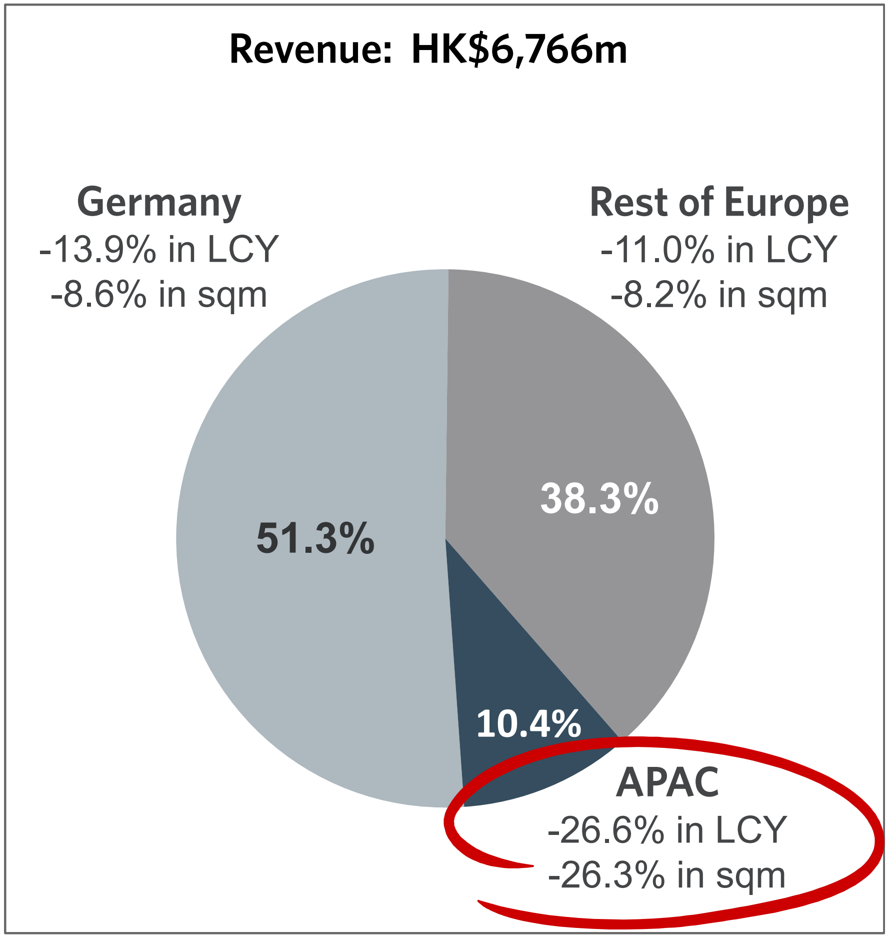
Rest of Europe eshop
▼7.4% in LCY

- Decline in consumer traffic

+ / - yoy change

ESPRIT

REVENUE BY MARKET



+ / - yoy change

APAC Retail (excl. eshop)

▼27.6% in LCY

- In line with reduction in net sales area of -27.9% yoy (partly due to exit of ANZ)

APAC Wholesale (excl. eshop)

▼5.2% in LCY

+ Compares favorable against the controlled space reduction of -17.3% yoy
+ Improved order intake from wholesale partners in Thailand and India

APAC eshop

▼32.0% in LCY

- Closure of eshop in ANZ
- Decline in consumer traffic to eshop on Tmall

REVENUE OVERVIEW

While revenue continues to decline, the **rate of decline has narrowed in second quarter**, driven by the markets in Germany and Rest of Europe

	Revenue change in % (yoy in LCY)	
	FY18/19	
	1Q	2Q
Germany	-16.8%	-11.1%
Rest of Europe	-14.5%	-7.1%
Asia Pacific	-20.0%	-31.2%
Group	**-16.2%**	**-12.5%**

+ / - yoy change

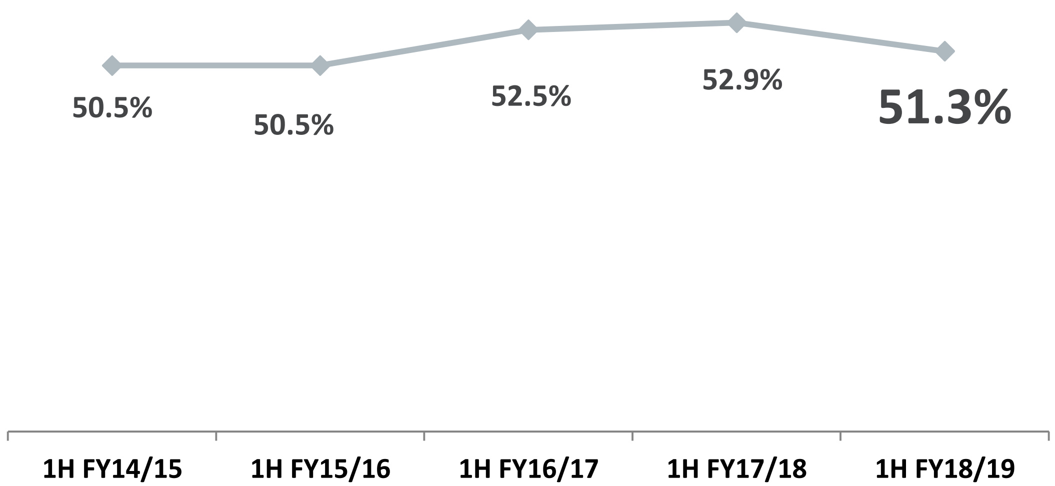
Europe: 2Q benefited from
- Low base effect (weak second quarter last year)
- Lower markdown rates in Europe retail (excl. eshop) in 2Q

APAC: 2Q adversely impacted by
- Exit of the ANZ market (all stores closed by the end of Sep 2018)

ESPRIT

INTERIM RESULTS FY18/19 - PROFITABILITY ANALYSIS

GROSS PROFIT MARGIN



Gross profit margin decreased by -1.6% pts yoy

But we are seeing Quarter-on-Quarter improvement:

1Q: -2.9% pts

2Q: -0.3% pt

OPERATING EXPENSES

(in HK$'m)	1H FY18/19	1H FY17/18	Change in % LCY
Staff costs	1,291	1,482	▼ 11.4%
Occupancy costs	1,093	1,278	▼ 13.0%
Logistics expenses	485	501	▼ 1.4%
Marketing & advertising expenses	350	437	▼ 18.6%
Depreciation	238	263	▼ 7.7%
Other operating costs	346	427	▼ 18.5%
Regular OPEX	**3,803**	**4,388**	**▼ 11.9%**

Savings achieved across all major cost lines

Reflecting our operational discipline and cost savings associated with our restructuring activities

NET EXCEPTIONAL ITEMS

(in HK$'m)	1H FY18/19
Net Exceptional Items	
Net additional / (write-back of) provisions for store closures and onerous leases	(924)
Impairment of property, plant and equipment	(116)
One-off costs in relation to staff reduction plans	(401)
Write-back of one-off costs in relation to closure of ANZ operations	23
Total	(1,418)

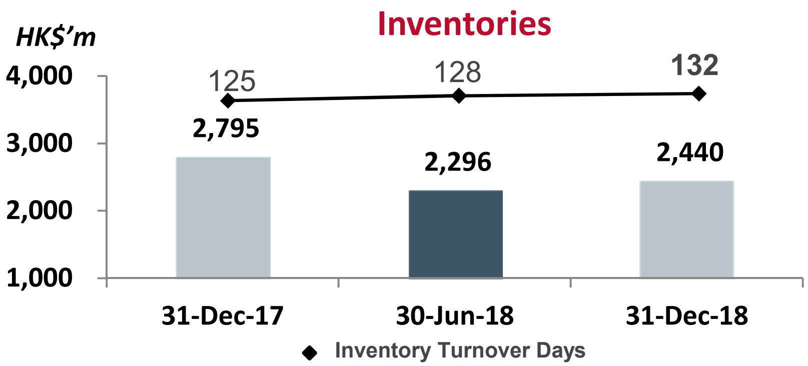
Primarily related to Restructuring Plan as announced at Investor Day 2018, including;

Eliminating loss-making stores

Becoming a leaner and a more efficient organization

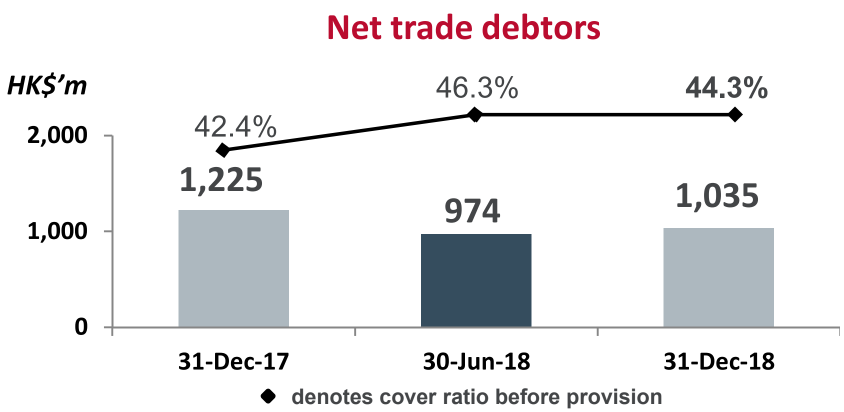
These are necessary to reduce losses and build a healthy platform for future growth

WORKING CAPITAL



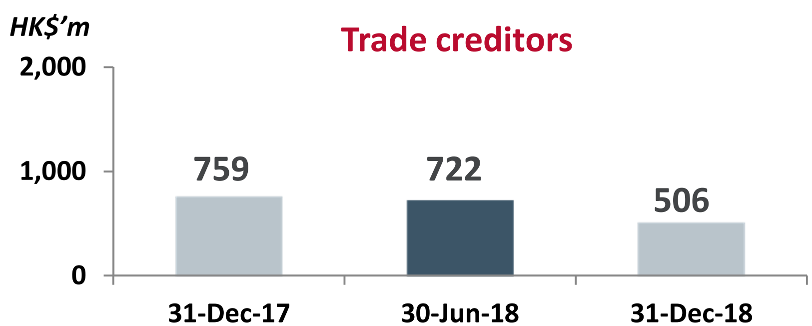
Inventories value ▼ 12.7% yoy:

- Inventory turnover days ▲7 days mainly due to the weaker than expected retail sales performance (excl. eshop) and eshop channels



Net trade debtors ▼15.5% yoy:

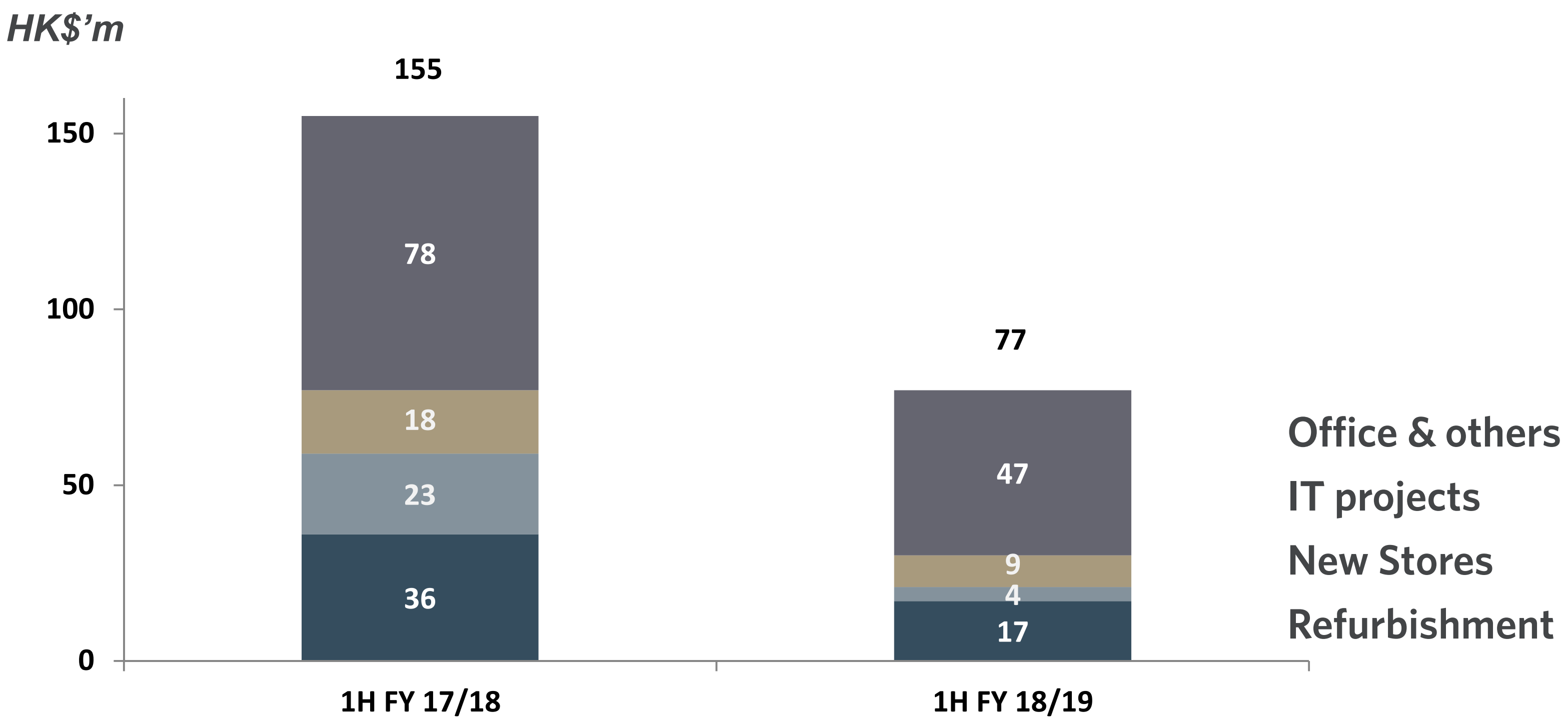
- In line with decrease in wholesale revenue of -15.9% yoy in LCY



Trade creditors ▼33.3% yoy:

- Decline of business

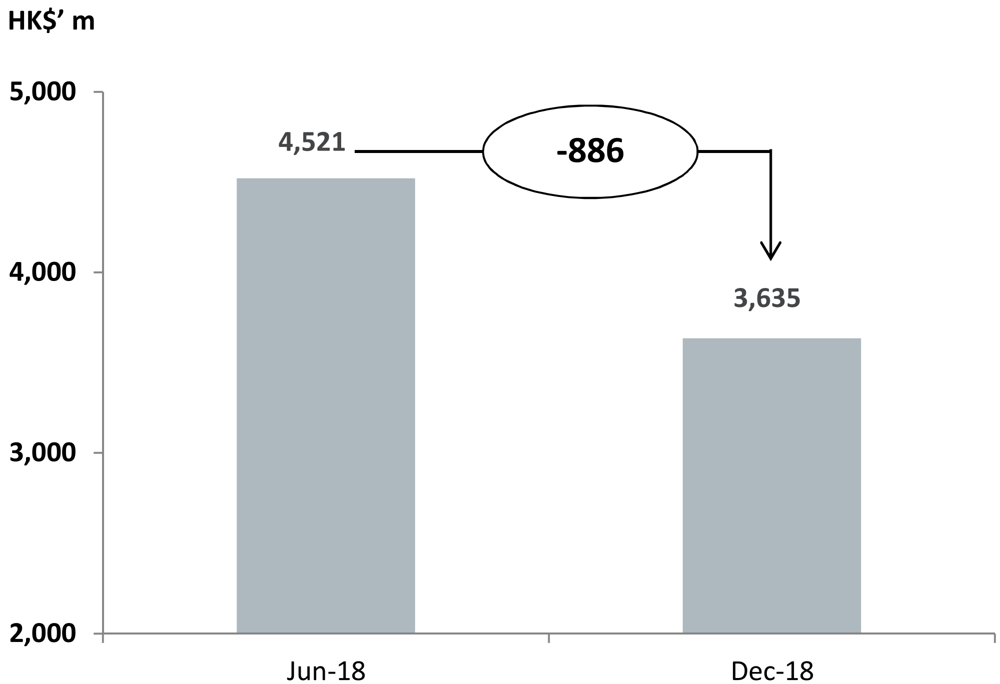
CAPITAL EXPENDITURE



Significant decrease in CAPEX due to a high base last year in association with investment in the extension of distribution center in Mönchengladbach, which has been completed

ESPRIT

RECENT DEVELOPMENT OF NET CASH POSITION



- The Group remained debt free with net cash of HK$3,635m
- Net cash down HK$(886)m in 1HFY18/19 due to
  - Decline of business
  - Seasonality of the business - cash balance in December is generally lower than in June due to stock up of winter inventories

ESPRIT

STRATEGY UPDATE

BOLD CHANGES ARE NEEDED TO RETURN TO SUSTAINABLE GROWTH AND PROFITABILITY

WE ARE BUILDING A NEW MODEL AND RESTRUCTURING

ESPRIT

Build a
new model
for the future

&

Build a powerful
organization
and
restructure
the cost base

We stand for

RADICAL POSITIVITY.
LOVING OUR CUSTOMER.
QUALITY, ALWAYS.

AGENDA

NEW MODEL FOR THE FUTURE

REBUILDING THE ICONIC BRAND

OUR PROGRESS IN PRODUCT

ASIA UPDATE

BEST IN CLASS WHOLESALE MODEL

RESTRUCTURING

NEW POWERFUL ORGANIZATION

RESTRUCTURED STORE PORTFOLIO

REBUILDING THE ICONIC BRAND

EXPRESSIONISTS

Valuing emotions, loving relationships and simple pleasures, they express their femininity through a delicate, soft and colorful style.

SOPHISTICATES

Aesthetically-driven and casually chic, they pursues an experience-led, cosmopolitan lifestyle.

REALISTS

Driven by function over aesthetic, the safe-playing realists dress suitably for their active, outdoor-led lives.

- **Completed consumer research** of more than 10,000 people to identify strategic customer segments, their needs and motivations
- Translating **insights into key business areas**, for example in collection development, data-management, customer service approach, communication strategy
- Launching **internal change process** towards customer centric organization, to put the customer at the center of everything we do

REBUILDING THE ICONIC BRAND

- Defined ESPRIT's **brand ethos** and purpose based on our DNA, today's market and consumer opportunity. Codifying ethos into brand book and style guide
- Starting to **translate brand ethos** into consumer touch points including communication strategy, new store concept, and corporate identity
- **WE ALL campaign:** a great example of story telling with a point of view
    - Esprit and UN Women Germany join forces to raise awareness for women empowerment and gender equality.
    - Story focuses on six remarkable women from different backgrounds
    - Strong communication through social media, out-of-home, print, panel discussions, influencer events, as well as internal discussion groups and goal setting

OUR PROGRESS IN PRODUCT

Offer a more commercial assortment

- Already reached the targeted number of options by reducing 20% to 30% for cruise and Fall collections
- Correcting the proportion of highlight/core/basic: in the collections for improved sell-through
- Kick colors reduced and color palette more balanced: established a black and white area in stores and online

Improve quality and fit

- Investment in quality: around 30 M Euro investment in gross profit margin this financial year
- 84 pattern blocks for skirts, pants, outerwear, and blouses have been reviewed and reworked, adjusted or cancelled
- Core fabrics program underway: established 'one yarn' for jersey which allows consistently better quality, advance buying especially for organic cottons crops

Success in signature product classes

- Good recent success in focused categories such as menswear, party, and formal wear

ASIA UPDATE

- **Business hub in Shanghai**: Business functions for Asia are moving from Hong Kong to Shanghai in order to be closer to the main business. This includes marketing, ecommerce, wholesale, architecture, and logistics.

- **Product Team in Asia:** Establishment of the Asia product team is well on the way. New products will be available in the market from August 2019.

- **Process optimization:** Optimization of operational standards. The teams are restructured to a leaner setup and way of working.

- **New store concept**: Our first new concept store is confirmed to open in the highest footfall mall in Beijing, (LIVAT).

BEST IN CLASS WHOLESALE MODEL

Strong Progress on all fronts

- **Sales to third party online platforms**: Stronger emphasis on and attention to the needs of online wholesale customers. For example, the recent successful sell-in of the Craig & Karl Summer collection to leading online retailers.

- **Consignment and concession model**: Working to have a pilot with key department store. This will increase the control of our brand and allow Esprit to manage stock better.

- **Digital Ordering Tool:** Pilot phase ongoing with Nordic countries. Initial results show sales uplift for customers using the tool. Continuous improvements and European roll-out planned.

- **Delivery priority and e-billing already** implemented on schedule: saves costs and time for our partners.

- **Amsterdam office relocation:** Cost savings as reorganization of wholesale is underway.

- **European Partner Day** to inform and excite our wholesale partners at the end of March.

NEW POWERFUL ORGANIZATION

- Ongoing process of simplifying the organization and making roles and responsibilities more clear
- On track to reach the reduction target of 35% to 40% of non-store staff globally by June 2019

Headquarters in Ratingen

- Targeted number of people have exited or are confirmed to exit by the end of the financial year
- Cooperation with social partners such as works councils and open communication with headquarter teams
- Grouping of all colleagues from five buildings into one building is in process: target to complete by June

Office in Hong Kong

- New, smaller office secured with relocation in June 2019
- Planned reduction on track for June 2019

Other non-store employees

- Consolidation and reductions ongoing

RESTRUCTURED STORE PORTFOLIO

- Continuing rationalization of the store base and a store by store assessment and actions on loss making stores

- **Europe**: since 1 July 2018
  - 38 stores have confirmed exit agreements
  - 21 stores have new rental terms and re-sizing
  - Ongoing negotiations for remaining stores

- **Asia: since 1 July 2018**
  - 65 stores have confirmed exit agreements
  - 2 stores have new rental terms
  - Ongoing negotiations for remaining stores

EXECUTIVE MANAGEMENT TEAM COMPLETE

Anders Kristiansen
Group Chief Executive Officer

Dr Raymond Or
Executive Chairman

Mia Ouakim
Chief Product and Brand Officer

Danny Barrasso
Regional CEO Europe and Americas

Thomas Tang
Group Chief Financial Officer*

Leif Erichson
Chief Digital & Operations Officer

Dr Marion Welp
Chief HR & Legal Affairs Officer

Jan Olsen
Regional CEO Asia

- *Reports to Executive Chairman*

SECOND HALF OUTLOOK

SECOND HALF OUTLOOK FOR FY18/19

REVENUE	**Low double-digit % yoy decline** due to i) pressure from closure of loss making stores, and ii) seasonality of the business
GP MARGIN	**Stable level** as the benefit from reducing markdowns and promotions, is expected to be offset by (i) investment in improving product quality and (ii) a lower proportion of Retail (excl. eshop) revenue
REGULAR OPEX	**Mid-to-high single-digit % yoy reduction** mainly driven by cost savings associated with our restructuring activities and savings resulting from our operational discipline
EXCEPTIONAL ITEMS	**Not more than HK$ 180 million** provision for severance payment in connection with store closure plan, as and when lease termination agreements are reached with landlords
CAPEX	**Slightly less** than previous year

Q&As


THANK YOU!
ESPRIT