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## ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

### UNAUDITED FY19/20 THIRD QUARTER UPDATE FOR THE NINE MONTHS ENDED 31 MARCH 2020 AND BUSINESS OUTLOOK

The board of directors (the “**Board**”) of Esprit Holdings Limited (the “**Company**”) presents the unaudited FY19/20 third quarter update of the Company and its subsidiaries (the “**Group**”) for the nine months ended 31 March 2020. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### Overview of Group revenue for the nine months ended 31 March 2020

	2020		2019		Revenue Change in %		Net change in net sales area ^
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
<b>Europe</b>	<b>7,578</b>	<b>93.2%</b>	8,931	90.0%	-15.2%	-11.9%	-11.3%
Retail (excl. eshop)	2,401	29.5%	3,054	30.8%	-21.4%	-18.7%	-15.1%
Wholesale (excl. eshop)	2,777	34.2%	3,180	32.0%	-12.7%	-9.1%	-8.6%
eshop	2,320	28.5%	2,610	26.3%	-11.1%	-7.6%	n.a.
Licensing and others	80	1.0%	87	0.9%	-7.4%	-5.8%	n.a.
<b>Asia Pacific</b>	<b>553</b>	<b>6.8%</b>	991	10.0%	-44.2%	-43.5%	-41.3%
Retail (excl. eshop)	414	5.1%	806	8.1%	-48.7%	-48.1%	-45.8%
Wholesale (excl. eshop)	45	0.6%	83	0.9%	-45.3%	-45.1%	-20.3%
eshop	93	1.1%	102	1.0%	-8.1%	-5.8%	n.a.
<b>Total</b>	<b>8,131</b>	<b>100.0%</b>	9,922	100.0%	-18.1%	-15.1%	-14.7%
Retail (excl. eshop)	2,816	34.6%	3,860	38.9%	-27.0%	-24.8%	-21.4%
Wholesale (excl. eshop)	2,822	34.7%	3,263	32.9%	-13.5%	-10.0%	-9.1%
eshop	2,413	29.7%	2,712	27.3%	-11.1%	-7.6%	n.a.
Licensing and others	80	1.0%	87	0.9%	-7.4%	-5.8%	n.a.

^ Net change since 1 April 2019

n.a. Not applicable

## THIRD QUARTER UPDATE

Since the outbreak of the novel coronavirus (COVID-19) (the “**Pandemic**”), many countries have implemented public health measures and taken various drastic actions in order to slowdown the spread of the Pandemic. These vigorous measures have resulted in the temporary closure of many directly managed retail stores of the Group and points of sale of the Group's franchise and wholesale partners due to the lock down of public life in nearly all the Group's markets. The Pandemic and the lock down have adversely and significantly affected the consumer sentiment, traffic and sales performance of the Group across all distribution channels.

For the three months ended 31 March 2020 (the “**Third Quarter**”), the Group's revenue decreased by 22.2% year-on-year in local currency terms. In terms of distribution channels, Retail (excluding eshop), Wholesale (excluding eshop) and eshop recorded year-on-year revenue decline of 39.8%, 20.1% and 2.6% in local currency terms, respectively.

### Overview of Group revenue for the three months ended 31 March 2020

For the 3 months ended 31 March							
	2020		2019		Revenue Change in %		Net change in net sales area ^
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
<b>Europe</b>	<b>2,228</b>	<b>94.1%</b>	2,863	90.7%	-22.2%	-19.2%	-11.3%
Retail (excluding eshop)	561	23.7%	880	27.9%	-36.2%	-34.1%	-15.1%
Wholesale (excluding eshop)	871	36.8%	1,123	35.6%	-22.5%	-19.4%	-8.6%
eshop	771	32.6%	830	26.3%	-7.1%	-3.4%	n.a.
Licensing and others	25	1.1%	30	1.0%	-16.7%	-12.2%	n.a.
<b>Asia</b>	<b>140</b>	<b>5.9%</b>	293	9.3%	-52.2%	-51.6%	-41.3%
Retail (excluding eshop)	93	3.9%	239	7.6%	-61.3%	-60.7%	-45.8%
Wholesale (excluding eshop)	10	0.4%	23	0.7%	-54.9%	-54.8%	-20.3%
eshop	37	1.6%	31	1.0%	13.9%	18.3%	n.a.
<b>Total</b>	<b>2,368</b>	<b>100.0%</b>	3,156	100.0%	-25.0%	-22.2%	-14.7%
Retail (excluding eshop)	654	27.6%	1,119	35.5%	-41.6%	-39.8%	-21.4%
Wholesale (excluding eshop)	881	37.2%	1,146	36.3%	-23.1%	-20.1%	-9.1%
eshop	808	34.1%	861	27.3%	-6.2%	-2.6%	n.a.
Licensing and others	25	1.1%	30	0.9%	-16.7%	-12.2%	n.a.

^ Net change since 1 April 2019

n.a. Not applicable

## BUSINESS OUTLOOK

The Company is implementing various measures to strengthen the position of the Group amid the Pandemic.

In March 2020, in order to preserve the solvency and liquidity of the Group and ongoing business operations of the Group, six German subsidiaries of the Company applied for protective shield proceeding (the “**Protective Shield Proceedings**”) pursuant to section 270b of the German Insolvency Act. The Protective Shield Proceedings enable the undertaking of restructuring measures in addition to the transformation plan we have been implementing over the past two years. These measures aim to effectively restructure the relevant liabilities and long-term lease

contracts, use the relevant local COVID-19 legislation to optimize liquidity, obtain funding for salaries and social security payments of the German workforce and negotiate with works councils for more flexible solutions as well as staff reductions. A restructuring plan is being developed by management and it will be presented to the recently established creditors committee for approval at the end of June 2020.

At the same time, the Group will continue to streamline its business operations in order to minimize costs and expenses. In addition to winding down its business in mainland China, the Company has further decided to close all its 56 retail stores in Asia outside mainland China, specifically in Singapore, Malaysia, Taiwan, Hong Kong and Macau (the "**Proposed Store Closure**") as part of its restructuring initiatives to focus resources and recalibrate operations in order to cope with the challenges posed by the Pandemic most effectively and efficiently. For the nine months ended 31 March 2020, the 56 stores contributed approximately HK\$267 million to the Group's revenue, representing less than 4% of the Group's total revenue for the relevant period. The Proposed Store Closure is expected to be completed by the end of this financial year. After the Proposed Store Closure, the Group will continue its joint venture business in China as well as its wholesale and license business in Asia, and focus on its core markets in Europe.

Based on a preliminary assessment by the Company's management (based on information currently available to them), it is estimated that the Proposed Store Closure will result in exceptional one-off costs for store closures, impairment of assets and inventories and for staff severance payments in the range of HK\$150 million to HK\$200 million. The one-off costs will have a negative impact on the Group's results for the full financial year ending 30 June 2020.

The Company is also negotiating with landlords across all its markets to seek rental relief, rent reductions and better terms and will terminate stores with rental terms that could not provide viable business performance. The Company will utilize governmental assistance measures where available. Voluntary pay reduction by management is also helping to mitigate the adverse impact on the Company's financial performance. Specifically, the Executive Chairman of the Board and the Group Chief Executive Officer are forgoing their remuneration during the restructuring period. For the same period, the Executive Management Team has accepted a 35% reduction, and SVP and VP have accepted a 25% reduction of their respective salaries, and the Non-executive Directors (including Independent Non-executive Directors) have accepted a 20% reduction of their directors' fees.

As at the date of this announcement, there are announcements from various governments about slowly reopening the economy again. The Company has reopened selected stores in Germany, Sweden and the Netherlands. Nevertheless, the Group is unable to predict when business normalcy will return and cannot quantify the actual impact of the Pandemic on the Group's full year results.

The Company will inform the Shareholders and potential investors of the Company of any material development of the Protective Shield Proceedings and/or any other restructuring initiatives as and when required under the Listing Rules.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Ophelia LO Tik Man**  
Company Secretary

Hong Kong, 27 April 2020

*As at the date of this announcement, the Board comprises (i) Dr Raymond OR Ching Fai (Executive Chairman), Mr Anders Christian KRISTIANSEN (Group Chief Executive Officer) and Dr Johannes Georg SCHMIDT-SCHULTES (Group Chief Financial Officer) as Executive Directors; (ii) Mr Jürgen Alfred Rudolf FRIEDRICH as Non-executive Director; and (iii) Mr Carmelo LEE Ka Sze, Ms Sandrine Suzanne Eleonore Agar ZERBIB, Mr Joseph LO Kin Ching and Dr Martin WECKWERTH as Independent Non-executive Directors.*

## APPENDIX

### Retail (excl. eshop) distribution channel by region (directly managed retail stores)

As at 31 March 2020							
	No. of stores	Net change in no. of stores <sup>^</sup>	Net sales area (m <sup>2</sup> )	Net change in net sales area <sup>^</sup>		No. of comp-stores (year-to-date)	Comp-store sales growth (year-to-date)
				(m <sup>2</sup> )	(%)		
Germany	107	(23)	79,745	(21,705)	-21.4%	98	-9.7%
Rest of Europe	124	(6)	67,993	(4,516)	-6.2%	109	-10.8%
Asia	112	(85)	24,426	(20,681)	-45.8%	80	-25.6%
<b>Total</b>	<b>343</b>	<b>(114)</b>	<b>172,164</b>	<b>(46,902)</b>	<b>-21.4%</b>	<b>287</b>	<b>-11.7%</b>

<sup>^</sup> Net change since 1 April 2019

### Wholesale distribution channel by region (controlled space only)

As at 31 March 2020					
	No. of stores	Net change in no. of stores <sup>^</sup>	Net sales area (m <sup>2</sup> )	Net change in net sales area <sup>^</sup>	
				(m <sup>2</sup> )	(%)
Germany	2,895	(321)	128,300	(16,007)	-11.1%
Rest of Europe	1,681	(116)	104,093	(5,994)	-5.4%
Asia	84	(17)	7,816	(1,988)	-20.3%
<b>Total</b>	<b>4,660</b>	<b>(17)</b>	<b>240,209</b>	<b>(23,989)</b>	<b>-9.1%</b>

<sup>^</sup> Net change since 1 April 2019