



# ESPRIT HOLDINGS LIMITED

JPMorgan 10<sup>th</sup> Annual Asia Pacific Conference  
September 2005

[www.espritholdings.com](http://www.espritholdings.com)





## **forward-looking statements**



This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Esprit. These forward-looking statements represent Esprit's expectations or beliefs concerning future events and involving known and unknown risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied in such statements.



# FY04/05 highlights



*(in HK\$ million, except per share data)*

	FY04/05	YoY Growth
<b>turnover</b>	<b>20,632</b>	<b>+ 26%</b>
<b>operating profit</b>	<b>4,202</b>	<b>+ 46%</b>
<b>net profit</b>	<b>3,338</b>	<b>+ 67%</b>
<b>basic EPS (HK\$)</b>	<b>2.79</b>	<b>+ 66%</b>
<hr/>		
<b>shareholders' funds</b>	<b>7,039</b>	<b>+ 30%</b>
<b>ROE</b>	<b>53.6%</b>	<b>+ 11.9% pts</b>

# record high full year margins

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**EBIT margin**

**20.4%**

**▲ 2.8% pts**

≡ higher productivity & operating leverage

▪ wholesale EBIT margin **27.4%** ▲ 3.1% pts

▪ retail EBIT margin **10.7%** ▲ 2.9% pts

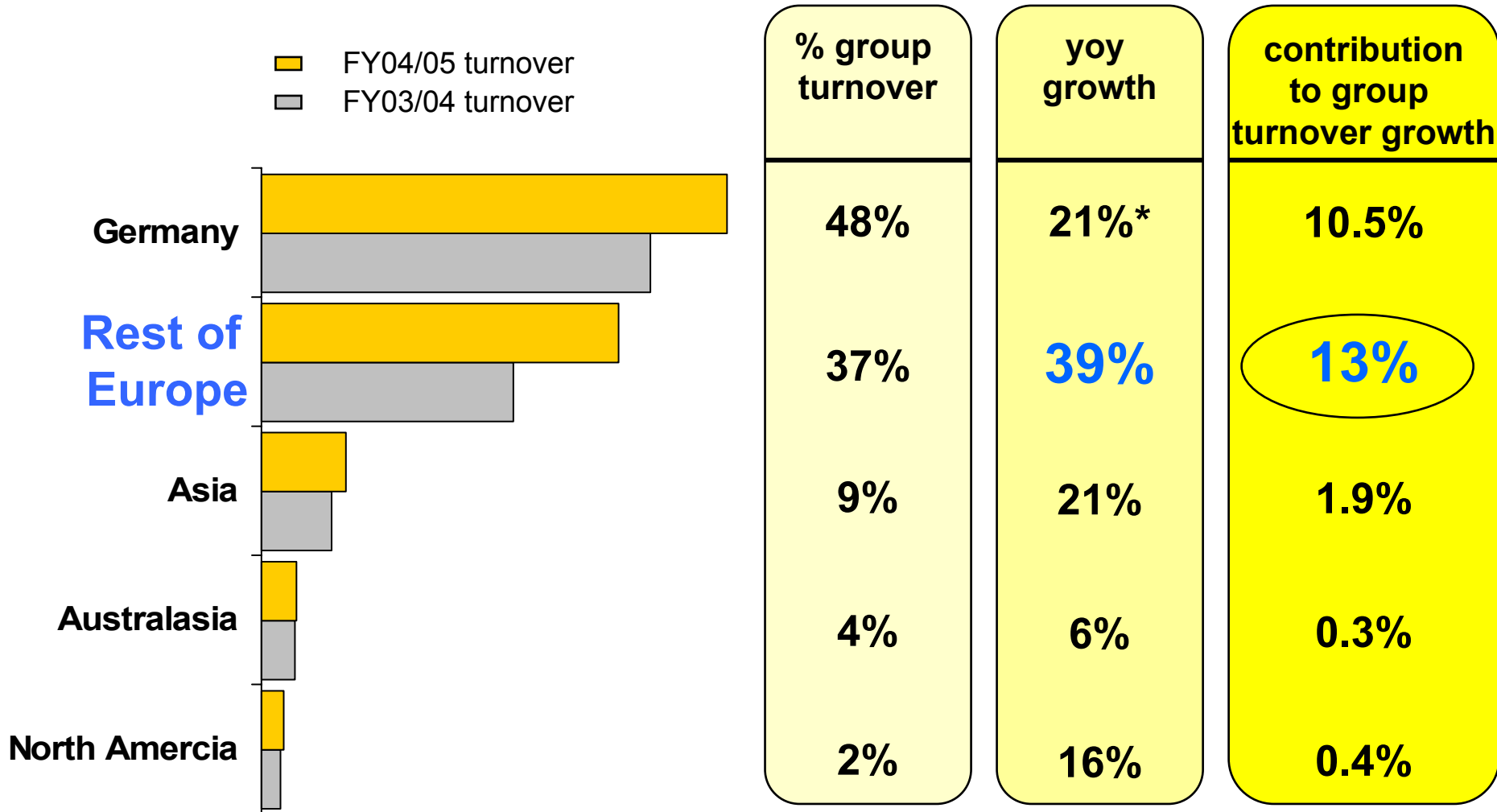
**net profit margin**

**16.2%**

**▲ 4.0% pts**

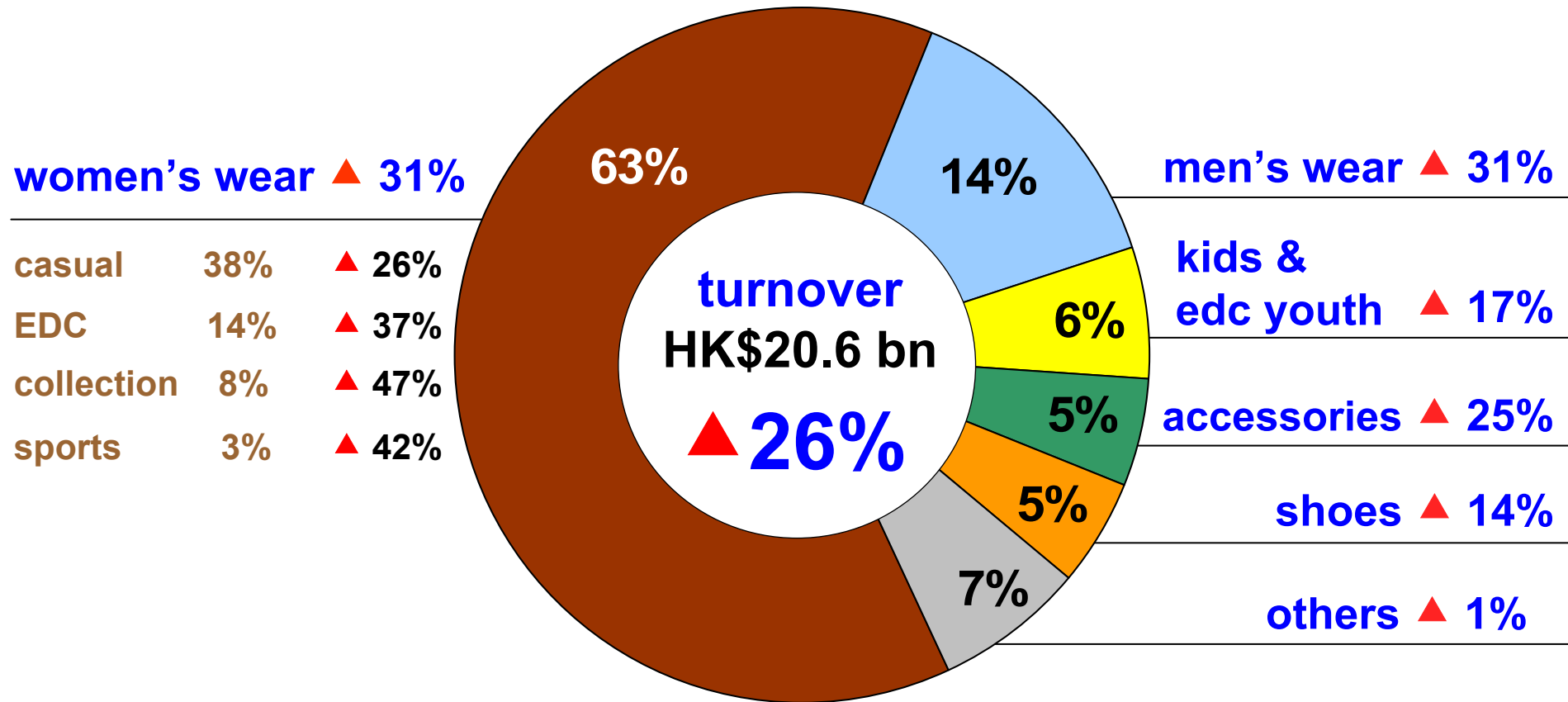
≡ top among global peers

turnover exceeded HK\$20 billion ▲ 26%  
gradual diversification ex-Germany



\*adjusted to exclude last year's Germany wholesale sales to Switzerland

double digit growth  
across key product divisions

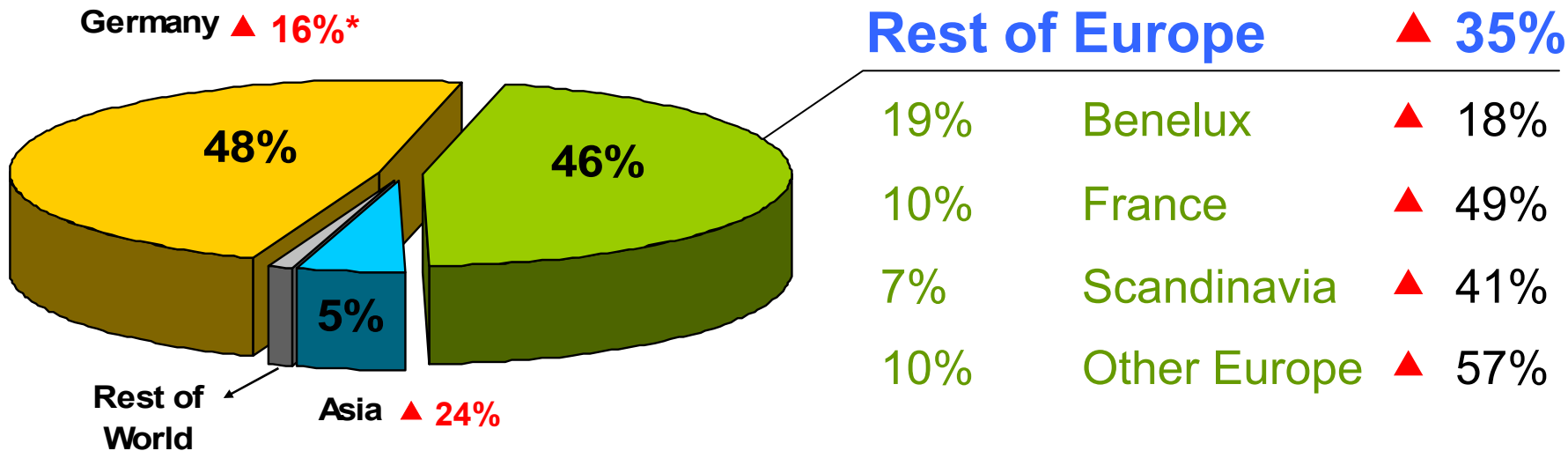


**HK\$11.9 bn wholesale turnover ▲ 24%**  
**segment EBIT<sup>^</sup> ▲ 40% to HK\$3.3 bn**

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Wholesale turnover breakdown & yoy growth

yoy growth



- ≡ net controlled selling space ▲ 106,000m<sup>2</sup>+ (▲ 31%) to 443,000m<sup>2</sup>+
- ≡ ex-Germany wholesale profitability enhanced with economies of scale

\*adjusted to exclude last year's Germany wholesale sales to Switzerland

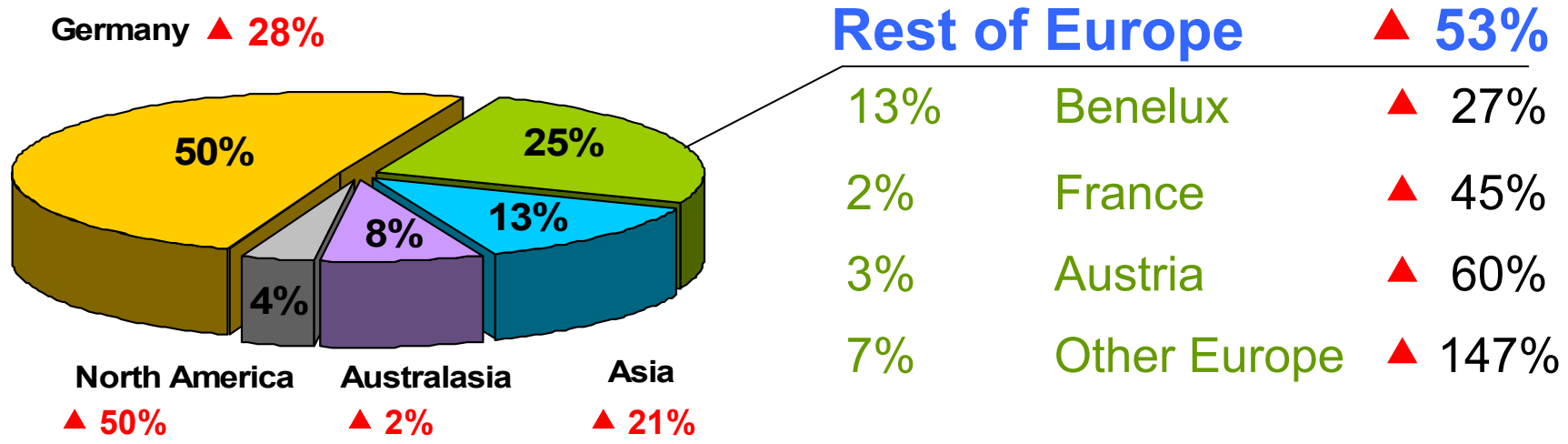
<sup>^</sup>segment EBIT excluding inter-segment licensing expense

**HK\$8.5 bn retail turnover ▲ 31%**  
**segment EBIT<sup>^</sup> ▲ 79% to HK\$917 mn**

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Retail turnover breakdown & yoy growth

yoy growth



- ≡ net selling space ▲ 23,000m<sup>2</sup>+ (▲ 14%) to 193,000m<sup>2</sup>+
- ≡ group comp-store growth: 8.5%\* ▲ 3.2% pts (FY03/04: 5.3%\*)
- ≡ Hong Kong market returned to profitability

\*in local currency terms

<sup>^</sup>segment EBIT excluding inter-segment licensing expense



strong cash flow from operations

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HK\$ bn

**net cash as of June 30, 2005**

**~1.7**

*after accounting for:*

total capex

~1.2

dividends paid

~1.7

(FY03/04 final & special, FY04/05 interim)

**proposed total dividend ~HK\$1.8 billion,**

(final: ~HK\$0.66/share, special: ~HK\$0.84/share)

**payout ratio for the year ~70%**

FY05/06 targets

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- ≡ **sales growth** (local currency) ~20%
- ≡ **net margin** ~15%
- ≡ **focus on improving retail profitability**

1,400+ new wholesale POS

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partnership store in Germany

- ≡ new wholesale POS primarily in Germany, Benelux, France & Scandinavia
  - over 200 PSS, 500 SIS, 700 ID corners
- ≡ newer European markets:
  - U.K., Italy & Spain
- ≡ Asia initiatives:
  - India
  - duty free – Thailand, Philippines, Vietnam
- ≡ order booking to Dec. 2005 shows high teens % growth

# ~17% net increase in retail selling space **ESPRIT**



retail store in Austria

≡ HK\$900+ million capex for new store openings and renovations

≡ 110+ new stores planned totaling 40,000m<sup>2</sup>+

	stores	m <sup>2</sup>
▪ Europe:	~ 40	~ 25,000
▪ Asia:	~ 50	~ 4,000
▪ N. America:	~ 10	~ 6,000
▪ Australasia	~ 10	~ 3,000

≡ 5%+ comp-store growth

## current U.S. profile

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### ~30 POS with Nordstrom & 11 retail stores

- Soho
- Time Warner
- Flat Iron
- Bridgewater Commons
- Danbury
- Palisades Center
- Staten Island
- Menlo Park
- Freehold Raceway
- Leesburg
- Woodbury Common

### ~5 more stores planned for the remaining FY05/06

- Tysons Corner
- Westfield
- Roosevelt Field
- 2 outlets

maintains US\$20 million annual investment target for the North America region

# Q & A

U.S. strategy – focus on brand building

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**product**

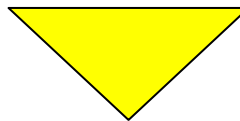
women's casual, edc  
& accessories

**distribution**

retail → “AAA” locations  
wholesale → “A” customers

**location**

northeast corridor  
from Boston to DC



**building brand relevance -  
“affordable luxury” in casual clothing segment**

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is an international  
youthful

**lifestyle brand**

offering

**smart, affordable,**

luxury

and bringing

**newness + style**

to **Life.**