



**ESPRIT**

**CLSA Virtual Odyssey 2003**

**May 19-20, 2003**

# 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 involve 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.

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**what's new since announcement of  
fy02/03 interim results?**

# macro negative events

- ▶ **the Iraq war adversely affected market sentiment in Feb & Mar, but caused no material damage to the Group's business**
  - ▶ **outbreak of SARS in March**
    - **Hong Kong suffered most, retail sales dropped around 30% YoY in March & April**
    - **single-digit sales drop in Canada during the corresponding period**
    - **have taken cost cutting measures to mitigate earnings impact, e.g. negotiate for rental reduction; cut advertising and marketing expenses; reduce part-time sales staff etc.**
    - **weak Asia performance offset by strong European sales, thus estimate minimal impact on Group's total sales and net earnings**
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# growth momentum intact

## ▶ Europe

- wholesale order bookings to Jun 03 show double-digit YoY growth
- retail comparable stores sales grew over 10% YTD Mar 03


## ▶ Asia and Australasia

- full year flat growth target remains unchanged
- Asia comparable stores sales have shown signs of slight improvement

## ▶ North America

- Canada retail sales grow double-digit YoY since arrival of new merchandise in late-April
- U.S. roll-out plan on target, products now offered nationwide across the U.S.
- added Amiee Lynn, a new U.S. licensee for gloves, hats, caps, scarves and belts

# what's new in Europe

- ▶ **12 collections per year merchandising model implemented for women's casual wear**
    - **fresh merchandise generating higher store traffic**
    - **allowing faster decision making, more responsive to fashion & weather change**
    - **less inventory overhang**
    - **resulting in stronger comparable store sales and higher margin**
  - ▶ **European wholesale partners continue to increase **ESPRIT**'s space**
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# what's new in Asia

- ▶ **implemented central buying – execute buying together with global team: to eliminate possibility for design alternation, and to ensure consistent global identity and quality merchandise**
- ▶ **new Merchandise Director for Asia – responsible for execution of global merchandising concept and strategy in Asia, and maximizing yield on store space**
- ▶ **new store format with new visual presentation - to enhance the in-store shopping experience**
  - **re-fitted and re-opened Pacific Place store in Hong Kong in April**

**all targeted to deliver better sell-through with higher margin**

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**remain confident in ending  
the fiscal year with  
double-digit top and bottom line growth,  
and**

**a decade of turnover & profit growth**

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A photograph of three young people sitting in the back of a car, looking out the window. The scene is brightly lit, suggesting a sunny day. The text 'is ESPRIT's growth SUSTAINABLE beyond the financial year?' is overlaid on the image in white and red font. The 'E' in 'ESPRIT' is red, while the rest of the text is white. The background shows the interior of the car and the bright light coming through the windows.

is **ESPRIT**'s growth **SUSTAINABLE**  
beyond the financial year?

# the growth engines

- ▶ **Europe - far from saturation**
    - **400-500 shop-in-stores; around 100 franchise stores; and 15,000-20,000 m<sup>2</sup> of directly managed retail space to be added in FY03/04**
    - **12 collections per annum merchandising model should drive further comparable store growth**
  
  - ▶ **U.S. – the next phase of growth**
    - **mission to establish market penetration and distribution infrastructure without incurring losses**
    - **over 300 point-of-sales by Dec 2003: US\$30-50 million sales contribution in FY03/04**
    - **many licensees already in action**
      - **Esprit junior shoes by Nine West – high demand from the Federated Group**
      - **Esprit kids line by Adjmi - now available in over 200 point-of-sales**
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# mitigating losses

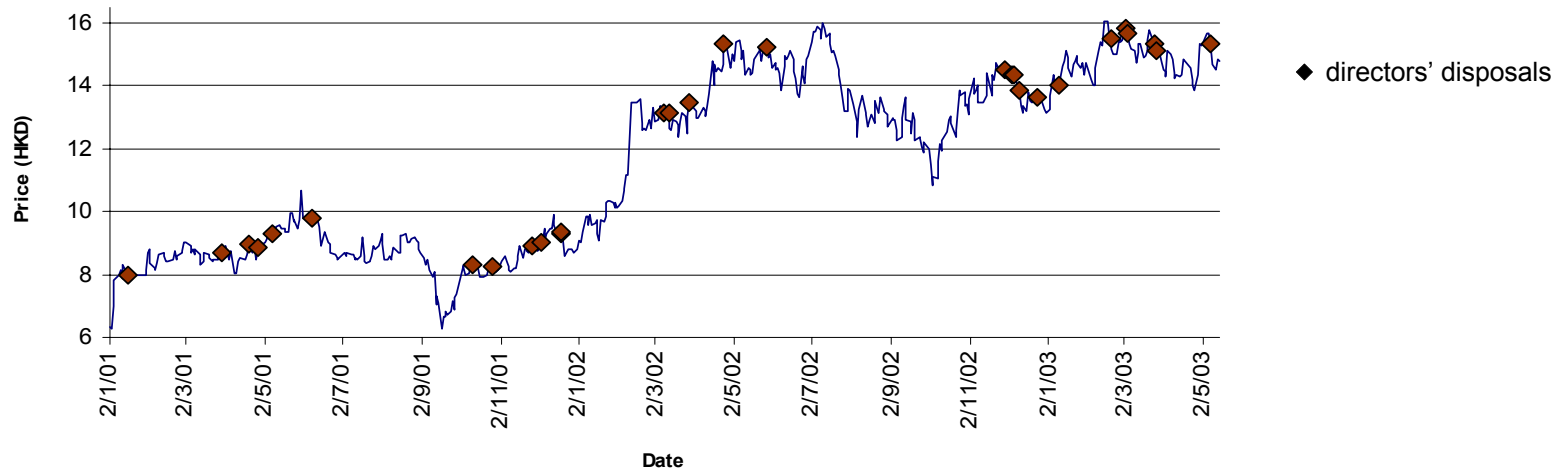
- ▶ to halve retail losses in Hong Kong, Canada, Taiwan, and U.K. in FY03/04, and return to profit in FY04/05
- ▶ in-store execution is a key to the turnaround: “consistent global identity”; “quality merchandise”, and “speed to market” are the focuses
- ▶ looking to:
  - implement the new merchandising concept to Asia
  - re-launch the **ESPRIT** brand in Hong Kong in fall 03 with better merchandise and price positioning

# public free float further increased

- ▶ **placement of 42.5 mn shares to institutional investors by Mr. Michael Ying**
    - **personal investment decision**
    - **remains Chairman and largest shareholder (owns 38.4% post placement)**
    - **further sale in the foreseeable future unlikely – “general” lockup provision plus blackout before final results in fall 03**
  
  - ▶ **effect on the company**
    - **no impact on the Group’s business**
    - **increase public free float to approx. 53%**
    - **improve trading liquidity and widen shareholder base**
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# share option scheme

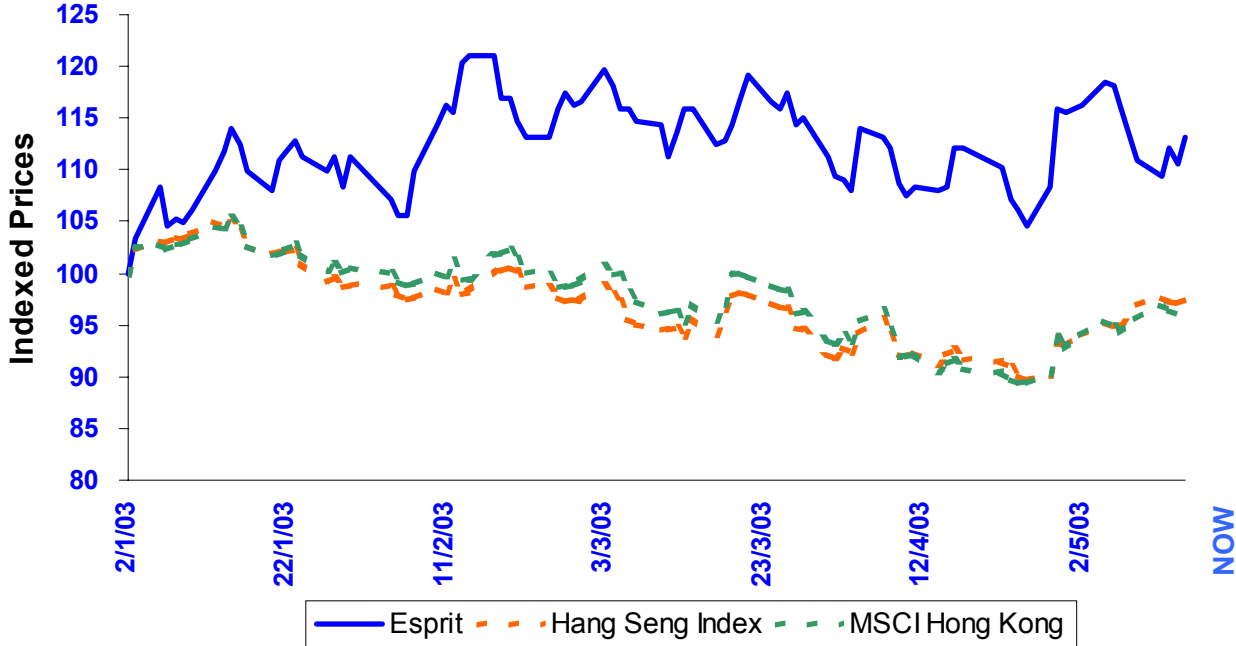
- ▶ continue orderly disposal of 12 million shares arising from outstanding options under the old share option scheme expiring in November 2003
- ▶ around 30 million options granted in November 2002; partial vesting to commence November 2003
- ▶ support expensing share options but will await uniform standards for Hong Kong listed companies
- ▶ stable price trend during directors' disposals of option shares



# outperformance since Jan 2003

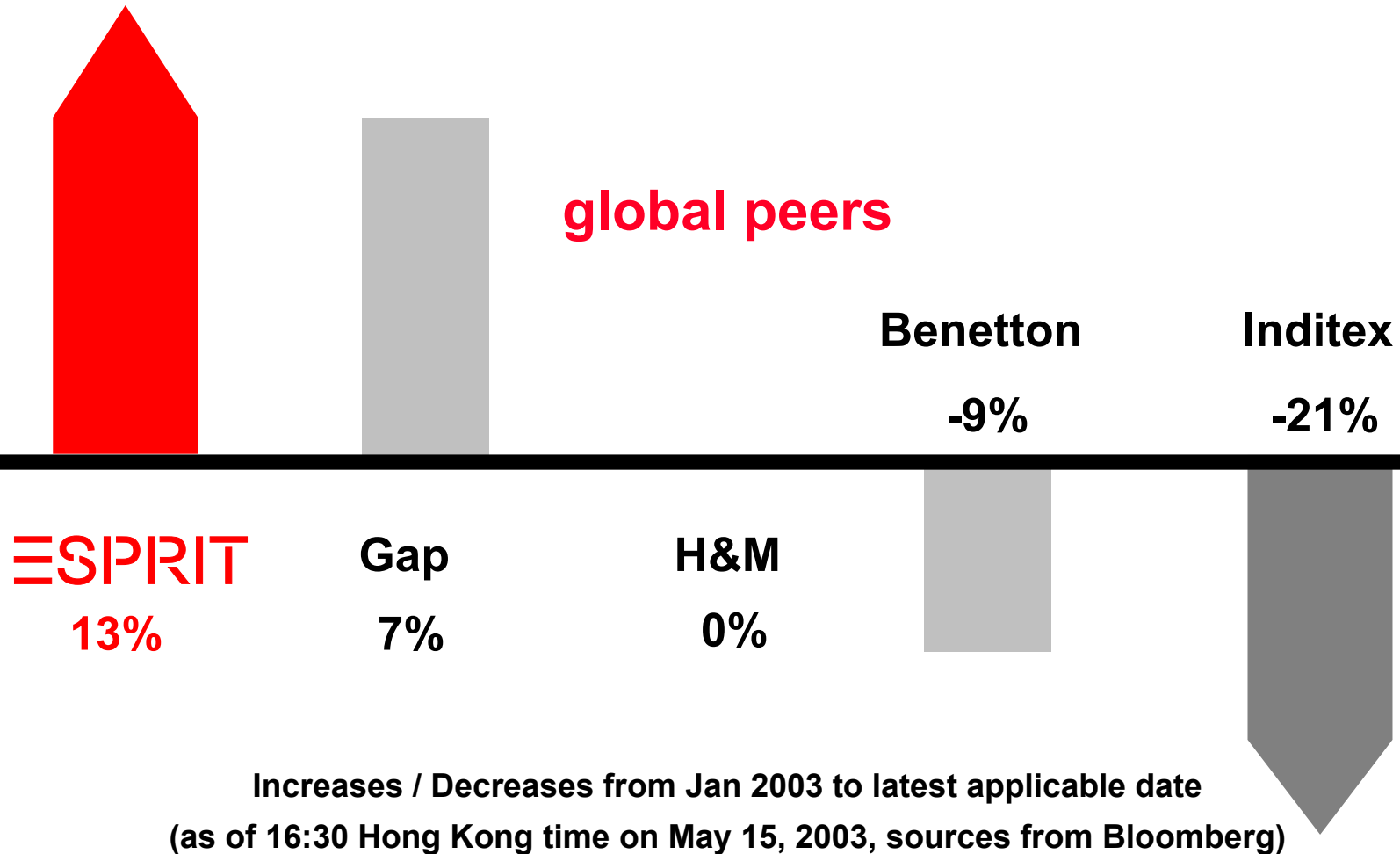
relative to Hang Seng Index : ▲ 16.18%\*

relative to MSCI Hong Kong Index: ▲ 17.76%\*



\* Jan 2, 2003 to May 15, 2003

# relative share price performance since Jan 2003



# valuation compares favorably with global apparel companies

**leaders:**

**ESPRIT**

**H&M**

**Inditex**

**others:**

**Benetton**

**Gap**

<b>ROE (%)</b>	<b>35.34</b>	<b>32.95</b>	<b>26.99</b>	<b>-0.84</b>	<b>14.32</b>
<b>Est. P/E (x)</b>	<b>15.81</b>	<b>21.33</b>	<b>20.26</b>	<b>10.49</b>	<b>20.31</b>
<b>Est. PEG</b>	<b>0.76</b>	<b>1.37</b>	<b>1.02</b>	<b>1.05</b>	<b>1.26</b>
<b>Price / Book</b>	<b>5.51</b>	<b>7.59</b>	<b>6.29</b>	<b>1.30</b>	<b>4.18</b>

(as of 16:30 Hong Kong time on May 15, 2003, all data sources from Bloomberg)



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