



# Esprit Holdings Limited

*CLSA Investors' Forum 2002*  
May 21-22, 2002

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

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# ***A Global Company with an International Lifestyle Brand***

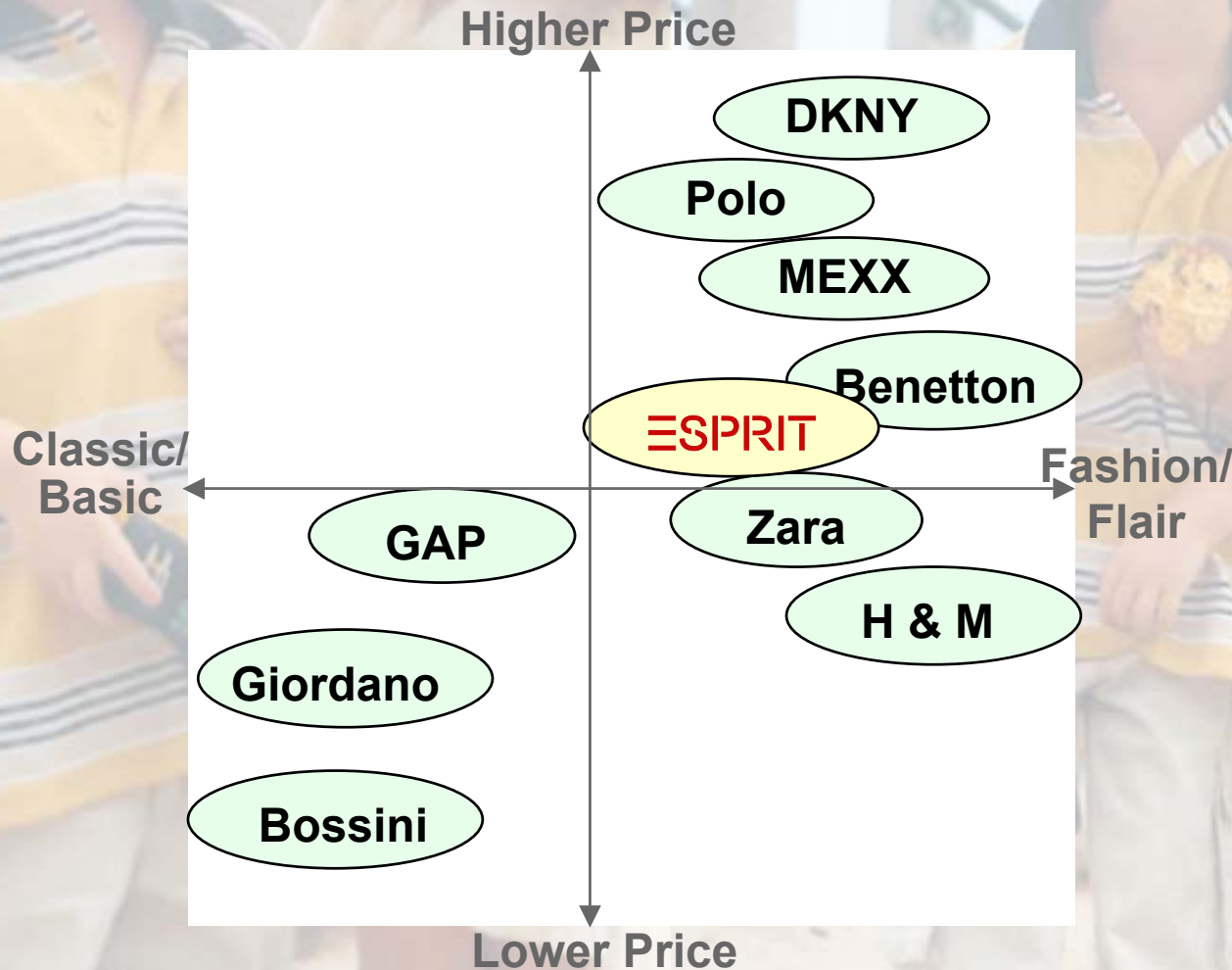
- ◆ **Over US\$2 billion market capitalization #**
- ◆ **Over US\$1 billion in annual turnover**
- ◆ **Global brand with high awareness**
  - **Highest brand awareness among women's wear brands in Germany\***
  - **52nd most recognized brand in the U.S.^**
- ◆ **Wide range of products sold in over 40 countries**
- ◆ **Huge consumer franchise worldwide, controlling over 3 million square feet in retail space**

# *As of May 15, 2002*

\* *Spiegel Study as published in TextilWirtschaft on November 8, 2001*

^ *WWD 100 survey as published in Women's Wear Daily on December 10, 2001*

# Unique Brand Positioning



## THE **ESPRIT** BRAND

- Volume prestige: high quality at affordable prices
- Designs driven by market, not fashion
- Attitude rather than age
- Young and dynamic
- Tasteful and clean

# 8,000+ Designs/Styles in 12 Collections a Year

## Women's wear

- Women's Casual
- Women's Collection
- EDC
- **ESPRIT** Sports

## Men's wear

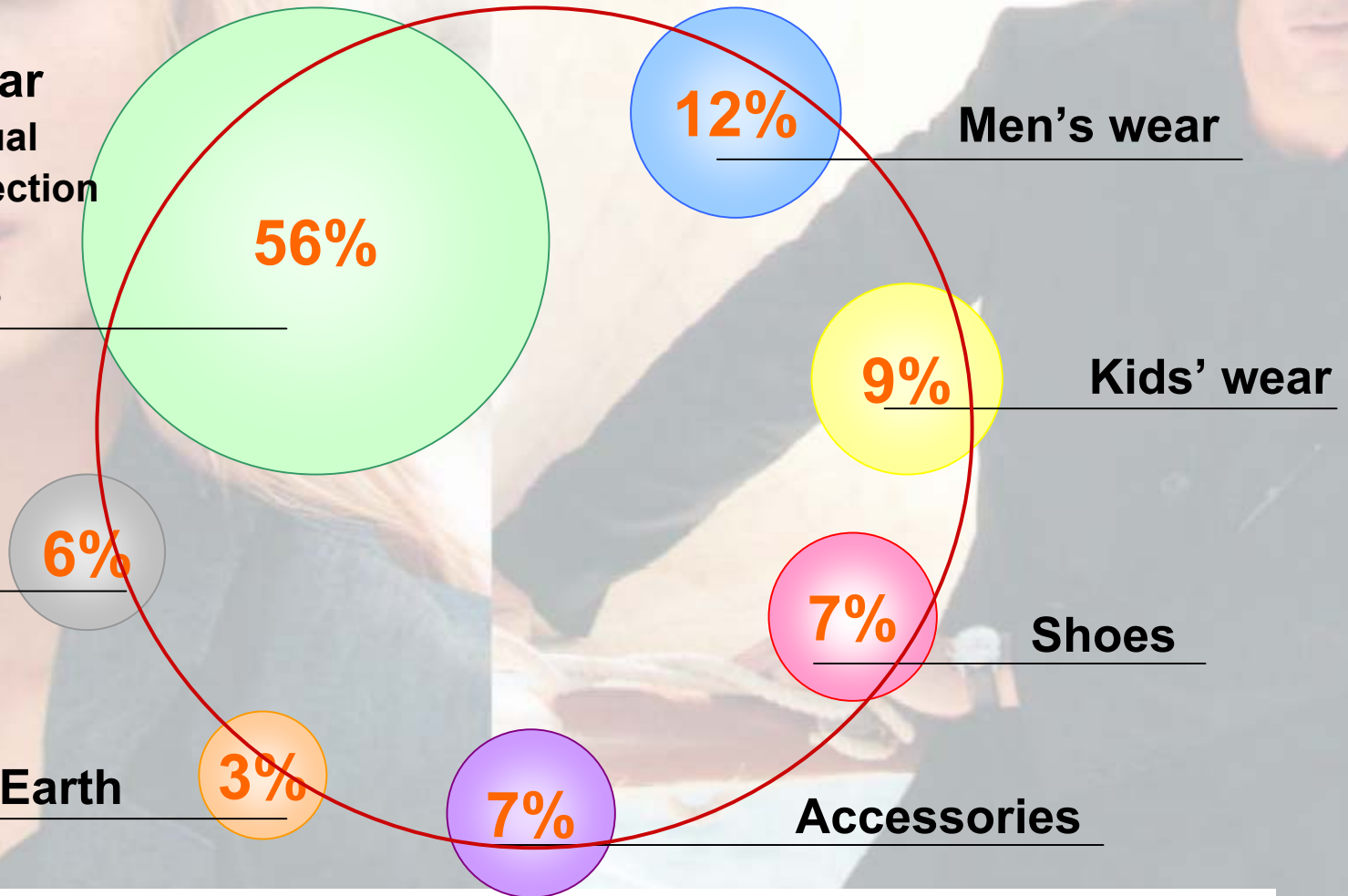
## Kids' wear

## Shoes

## Accessories

## Others\*

## Red Earth



For the 6 months ended December 31, 2001

\*Others include salon, café, bodywear, bed & bath, homeware & licensed products like timewear, eyewear, jewelry, etc.

# Multi-Channel Distribution Strategy

Wholesale

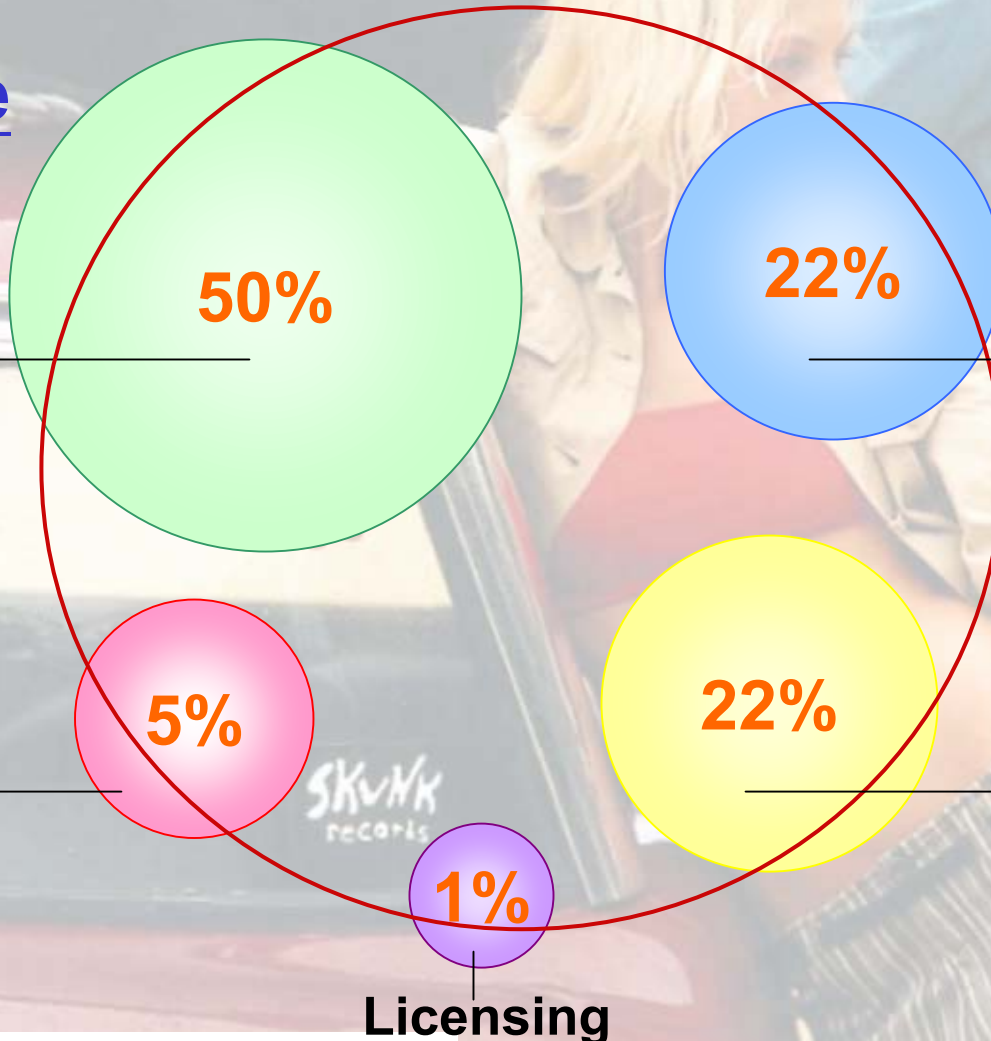
Retail

Europe

Europe

Asia Pacific

Asia Pacific




For the 6 months ended December 31, 2001



# Global Distribution Network

- Over 1.7 million square feet of directly managed retail space
- Approximately 2,000 Partnership Stores & Shop-in-Stores



	Directly Managed Stores		No. of Franchised Shops*
	Sales Footage (SQ FT)	No. of Stores	
Europe	649,745	117	1,273
Asia Pacific <sup>#</sup>	890,122	376	285
China	168,067	101	408

As at March 31, 2002

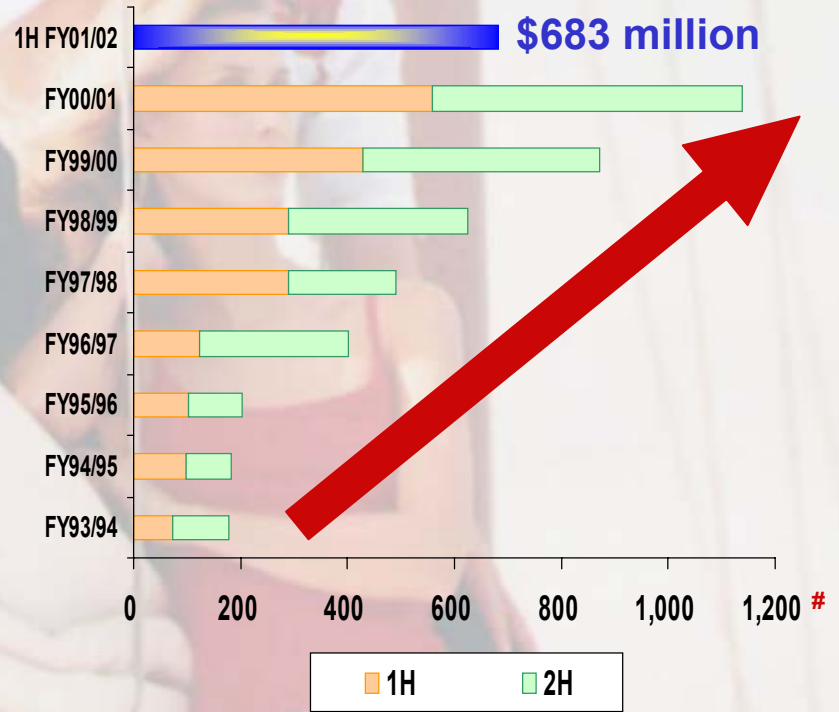
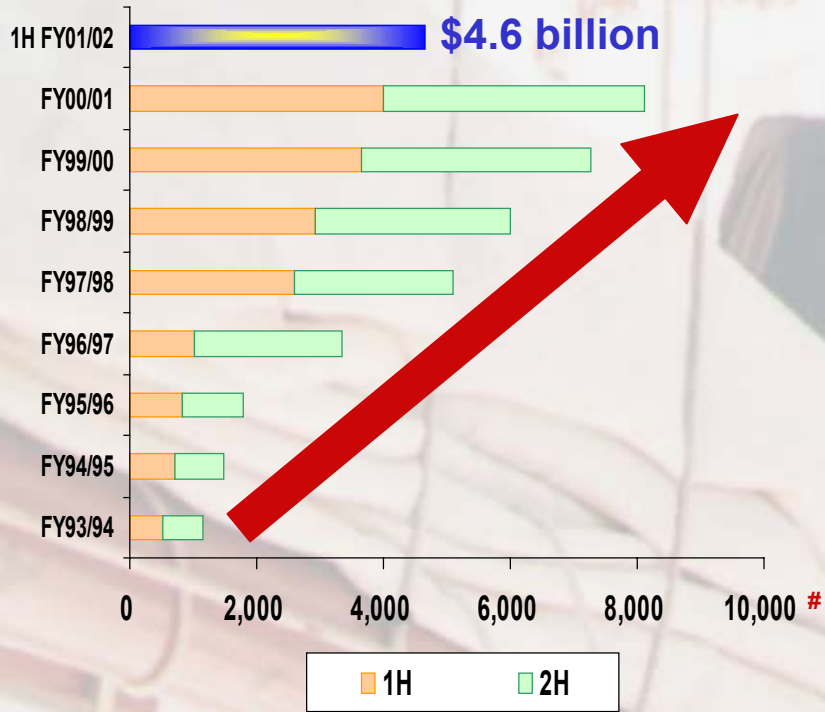
\* As at December 31, 2001

<sup>#</sup> Exclude China joint venture

# Well into our 9th Consecutive Year of Turnover and Profit Growth

Turnover  
8 years CAGR = 32%

Operating profit \*  
8 years CAGR = 30%

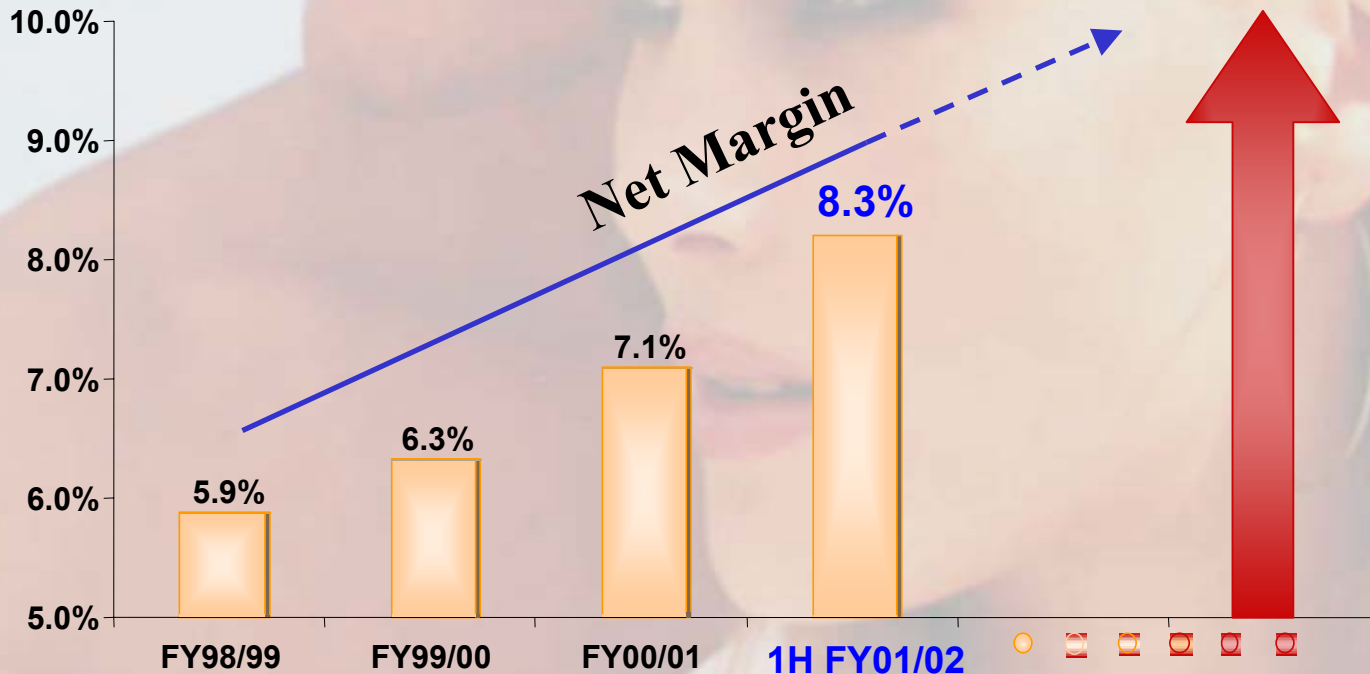


\* Operating profit after finance costs

# In HKD millions

# Our Long-Term Goals

- Double-digit top line and bottom line annual growth
- EBITDA margin around 15-17%
- Continual net margin expansion





# ***Confident in Achieving Our Goals for FY01/02***

- **Total Group's turnover for the 10 months ended April 2002 remains on track**
- **European wholesale orders booked till June showed double-digit YoY growth**
- **European retail sales grew over 30% YoY for Year-to-April 02, with double-digit comp store growth and over 100,000 sq. ft. of additional retail sales footage**
- **Asia Pacific turnover growth remains flat**
- **Group effective tax rate should improve further**



# ***Multiple Growth Fronts Going Forward***

## **◆ No signs of slowdown in Europe**

- European wholesale orders booked till 1Q FY02/03 continue to show double-digit YoY growth**
- Penetration remains low against the industry average (market share of about 2.2% in Germany and less than 2% in the other European countries)**

## **◆ Well-positioned to leverage on Asia Pacific economic recovery**

- Economists are expecting a better consumer climate as supported by improving GDP growth forecast**

# **China JV's Growth Continues...**

- **Over 500 retail and franchise outlets, establishing our foothold as an international premium brand**
- **Registered over 30% in annual turnover growth in 2001**
- **Contribution to the Group's net profit in the first six months of FY01/02\* increased by 46% YoY**
- **Expect WTO entrance to accelerate economic growth and consumer spending, which will be supportive of China JV's future growth**
- **Plan to open 28 directly managed stores in China in 2002 and target to reach HK\$1 billion in retail turnover by 2003**

*\* Results for the first six months of 2001 are recorded in FY01/02 interim results*

## ***U.S. — Our Next Era of Growth***

- ◆ Purchased the remaining 37% partnership interest in Esprit International along with the U.S. and Caribbean Islands **ESPRIT** trademarks for US\$150 million
- ◆ Assets independently valued at US\$190 million without accounting for synergies
- ◆ Acquisition financed by internal resources and available banking facility and expect to be immediately earnings accretive
- ◆ Net debt to equity ratio of approximately 16% post acquisition and anticipate a return to net cash position before the end of next financial year
- ◆ Enormous untapped potential in the U.S.

# *Capitalize on the High Brand Awareness in the U.S.*

- ◆ **Wholesale strategy to achieve a meaningful roll-out nationwide with minimal capex by forming partnerships with a few major distribution channels**
  - Prefer no margin guarantees but may compensate by cushioning with a higher initial margin
  - U.S. operation, except for merchandising and distribution, will primarily be supported by the Group's existing infrastructure, resulting in relatively low operating costs
  - Exploring possibilities for multi-channel distribution for our different product lines, while maintaining positioning as a volume-prestigious brand
- ◆ **Forming close alliances with licensing partners for non-core products such as shoes, accessories, intimate apparel, etc. to maximize royalty income**
- ◆ **May open a few directly managed flagship retail stores in prime shopping districts to reinforce the **ESPRIT** brand image**



# ***Directors' Dealings and Free Float***

- ◆ **Directors sold approximately 28 million shares since January 1, 2002 at a price range of HK\$13.10-15.30**
- ◆ **Increased free float to approximately 48%\* as of May 15, 2002**
- ◆ **22 million employee stock options, expiring on or before November 2003, outstanding (approximately 2% of issued capital\*)**
- ◆ **Orderly disposal of option shares will continue**
- ◆ **No new option issued so far under the 2001 option scheme**

*\* 1,169.6 million shares issued as of May 15, 2002*

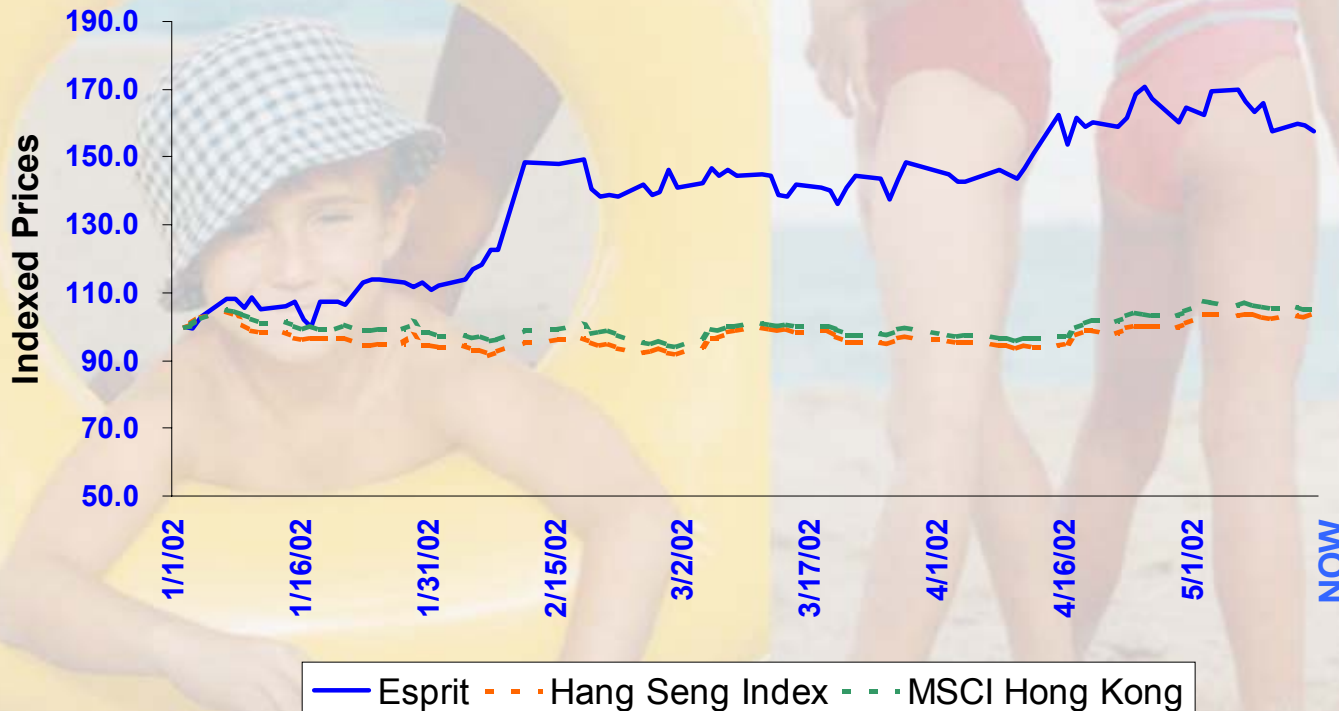
# Relative Share Price Performance since January 2002



*Increases / Decreases from January 1, 2002 to latest applicable date (as of 19:00 Hong Kong Time on May 15, 2002)*

# Also Outperformed the Hong Kong Indices

- Relative to Hang Seng Index :  51%\*
- Relative to MSCI Hong Kong Index:  50%\*




\* Since January 1, 2002

# Valuation Compares Favorably with Global Peers

	<b>ESPRIT</b>	<b>GLOBAL LEADERS</b>					
		<b>H&amp;M</b>	<b>Inditex</b>	<b>Gap</b>	<b>A&amp;F</b>	<b>Next</b>	<b>Hugo Boss</b>
<b>ROE (%)</b>	<b>30.53</b>	<b>27.94</b>	<b>25.66</b>	<b>-0.26</b>	<b>33.13</b>	<b>36.27</b>	<b>34.03</b>
<b>Est. P/E (x)</b>	<b>21.10</b>	<b>34.66</b>	<b>33.33</b>	<b>58.82</b>	<b>17.16</b>	<b>16.97</b>	<b>14.58</b>
<b>Est. PEG</b>	<b>0.83</b>	<b>11.55</b>	<b>1.61</b>	<b>3.97</b>	<b>0.91</b>	<b>0.89</b>	<b>1.12</b>

*As of 19:00 Hong Kong time on May 15, 2002  
All data sources from Bloomberg*

A woman with her hair in a bun is standing on the deck of a sailboat, looking out at the sea. She is wearing a white short-sleeved shirt and a red sports bra. The background shows the white sails and rigging of the boat.

**ESPRIT**

**A Global Company with  
100% Ownership of the  
ESPRIT Brand  
Worldwide**

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