



Esprit reports Net Profit of HK\$67 Million for FY16/17

Improvement in profitability

- Positive net income of HK\$67 million (2016: HK\$21 million)
- Results of underlying operations improved by HK\$386 million to –HK\$186 million (2016: -HK\$572 million)
- EBITDA, excluding exceptional items, of HK\$397 million (2016: HK\$90 million)

Business performance fully in line with guidance

- Revenue development (-8.7% yoy in LCY) in line with total controlled space reduction (-8.5% yoy)
- GP margin improved by +1.4%pts yoy to 51.6%
- Regular OPEX reduced by -9.9% yoy in LCY
- Net cash position of HK\$5.22 billion with zero debt

(20 September 2017, Hong Kong) – **ESPRIT HOLDINGS LIMITED** (“Esprit” or “the Group”; HKEx: 330) today announced its annual financial results for the year ended 30 June 2017 (“FY16/17”). At a press conference in Hong Kong today, **Mr. Jose Manuel Martínez, Group Chief Executive Officer of Esprit**, said, “FY16/17 has been a year of good progress and marks the completion of the Strategic Plan that was announced in 2013. The new model implemented for Product (based on best practices from Vertical retailers) and for our Channels (based on an Omnichannel approach) has proven instrumental in stabilizing the Group financially and operationally. Moving forward, our focus will be on creating a stronger basis for long term growth, while further restructuring our costs base. For this, we will work on five key initiatives: Brand Rejuvenation; Product Elevation; Channels Next Generation; Markets Rightsizing and Expansion; and Cost Reduction. With these initiatives outlined, we trust that the Group will successfully continue its turnaround journey”

Financial Highlights

The Group reported a **Net Profit** of HK\$67 million for FY16/17, representing an improvement in the Group’s results (FY15/16: HK\$21 million).

This improvement was primarily driven by the performance of the underlying operations (i.e. excluding all exceptional items). **EBITDA** and **LBIT** from underlying operations improved by HK\$307 million yoy and HK\$386 million yoy respectively.

Mr. Thomas Tang, Group Chief Financial Officer of Esprit, said, “Despite difficult operating conditions in the industry, we are encouraged by the continuous improvement in profitability from our underlying operations, driven by closure of unprofitable space, commercial actions to protect our gross profit margin, and decisive reduction of operating costs in FY16/17 (the “Profitability Measures”).”

The Profitability Measures placed obvious pressure on topline. As a result, **Revenue** of the Group for FY16/17 amounted to HK\$15,942 million, representing a yoy decline of -8.7% in LCY, in line with the corresponding yoy reduction in total controlled space of -8.5%.

However, the Group’s **Gross Profit Margin** increased to 51.6% (+1.4% points from last year), despite the drag from a lower proportion of retail (excluding eshop) revenue and the weakness of the Euro for the most part of the financial year.

The Group’s **regular OPEX** (excluding exceptional items) also improved to HK\$8,416 million, representing a reduction of -9.9% yoy in LCY achieved through savings in all key cost lines. **Mr. Tang** commented, “As a result of our team’s intensive efforts, we successfully achieved reduction of operating costs this year by HK\$1 billion, one year ahead of targeted schedule. We aim to leverage our reduced cost base to further improve our profitability in the future.”

Net Cash level remained strong and healthy at HK\$5.22 billion as at 30 June 2017, with zero debt, similar to the balance of HK\$4.97 billion as at 31 December 2012. The Strategic Plan (2013-2017) has therefore been completed with no significant cash consumption over the last four years.

Outlook

Esprit is now stronger both in financial and operational terms, thus better poised to capitalize on opportunities. With improved bottom line and cash flow developments from operations, the Group is assessing the best possible use of its cash in order to fuel growth, increase profitability and create long-term value for shareholders.

In the very short-term, the Group will continue its downsizing efforts, closing the most unprofitable stores. The move will pose pressure on the Group’s topline, but that pressure is expected to be partly alleviated by business expansion and space productivity improvements (sales and gross profit per square meter). Overall, the Group’s revenue is expected to see a modest decline in FY17/18, to be offset by a slightly higher gross profit margin and a further decrease in operating expenses, which should outweigh the revenue decline to produce a similar improvement in EBIT (excluding exceptional items) as experienced in FY16/17.

Dr. Raymond Or, Chairman of Esprit, concluded, “While we are still working towards the goal of triggering sustained growth, we have become stronger, healthier and better-poised to seize growth opportunities. Looking ahead to FY17/18, we expect the overall operating environment to remain challenging, nevertheless, Esprit will push even harder for operational excellence and remains committed to creating value for shareholders.”

ESPRIT HOLDINGS LIMITED AUDITED CONSOLIDATED FINANCIAL DATA

<i>(In HK\$ Million)</i>	For the Year Ended 30 June 2017	For the Year Ended 30 June 2016
Revenue	15,942	17,788
Gross Profit	8,230	8,929
Operating Loss	(102)	(596)
Net Profit	67	21
Net Cash Balance	5,221	5,341
Earnings Per Share (HK\$)	0.03	0.01
Interim Dividend Per Share (HK cents)	Nil	Nil
Final Dividend Per Share (HK cents)	Nil	Nil

- End -

About Esprit

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to make consumers "feel good to look good". The company's "esprit de corps" reflects a positive and caring attitude towards life that embraces community, family and friends - in that casual, laid-back California style. The Esprit style.

Esprit's collections are available in over 40 countries worldwide, in around 660 directly managed retail stores and through over 6,000 wholesale points of sales including franchise stores and sales space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on the Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.

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