



PRESS STATEMENT

Esprit reaches restructuring milestone and is well-prepared for the new business reality

Self-administration process paves the way for a leaner organization and a refocused retail footprint in Germany.

- Court agrees to restructuring plan developed during protective shield proceeding
- Disciplined approach leads to productivity gains and a structure fit for the future
- Streamlining of overhead with a 20% global headcount reduction
- Closure of 50% of the stores in Germany mostly by November 2020,
- Annual cost reduction in excess of €100 million

1 July 2020, Ratingen. Esprit has reached another major milestone in its transformation process. Today, the Düsseldorf District Court gave the green light for the restructuring phase to begin.

The decision marks an important step for Esprit, after the management's proactive application for the self-administered protective shield proceedings for its German entities at the end of March, amid lockdowns and widespread store closures in Asia and Europe due to the COVID-19 pandemic. Management has faced the challenges proactively, by quickly seizing the opportunity and reacting to the new business reality. The measures will make Esprit lean and agile, with improved productivity, and truly fit for the future.

The Esprit management team will use the next three months to consequently execute the restructuring measures and accelerate implementation of the strategy initiated by management at the end of 2018.

The **key elements of the restructuring plan** focus on sustainable profitability and a regional concentration in Europe and include:

- **Headcount and salary reduction:** Headcount reductions are expected to affect approximately 1,200 employees (~20% of the workforce), in the range of 800 store employees in Germany, 300 non-store employees in Germany and 100 employees from the Hong Kong office. The reductions are subject to negotiations with relevant works councils. Additionally, further salary and benefit reductions for non-store personnel are currently being negotiated.
- **Optimization of store portfolio:** The target is to close approximately 50 stores in Germany mostly by the end of November, which is around 50% of stores in the



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country. This is in addition to the 56 Asian stores announced for closure in April, since shut down.

- **Cost reduction:** Management is in the process of further reducing costs by re-negotiating contracts with service providers, consolidating processes, and carefully examining all expenses.

It is estimated that implementation of the above mentioned measures will lead to annual savings in excess of €100 million, and will create exceptional one-off costs of around €55 million.

Esprit Group CEO Anders Kristiansen says: "The impact of COVID 19, subsequent government measures and economic crisis have especially impacted the fashion industry . But this unprecedented situation has required us to challenge ourselves to further evaluate our cost structure and preserve opportunities for our great brand. I am really pleased with the stronger Esprit we are now building."

The management team reaffirms the **strategic initiatives** launched in 2018. These include strengthening the brand purpose as an affordable premium lifestyle brand, creating a consistent customer experience across all touchpoints, continuing the efforts to elevate product quality with a strong emphasis on sustainability, and focus on full price sales. Additionally, the team is streamlining processes with digital tools and making efficiency improvements in all areas of the business.

Further details of the restructuring plan implementation and strategic initiatives will be shared at the end of September with presentation of the annual results.



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About ESPRIT

Fueled by the vision of essential positivity, Esprit was founded in California by couple Susie and Doug Tompkins in 1968. Inspired by the revolutionary spirit of the 60s the brand developed a clear philosophy – always celebrating real people and togetherness, in line with the brand's promise: “We want to make you feel good to look good”. The success story of Esprit is based on two pillars: Delivering joy every day through laid-back tailored, high quality essentials and carefully selected fashion-forward pieces while staying true to its core values of sustainability, equality and freedom of choice. Example: In the early 90ies, long before "Eco Fashion" became fashionable, Esprit debuted its first “ecollection” made of 100% organic cotton and featured its own team instead of models in in honor of their “Real People Campaign.”

Keeping this spirit alive since day one, today Esprit has a presence in 40 countries around the globe. Esprit's headquarters are located in Germany and Hong Kong, where the brand has been listed on the Hong Kong Stock Exchange since 1993.

Esprit – Keeping it easy, comfortable and looking great. Every day. Already hooked? Find out more at www.esprit.com