

ESPRIT

**Investor Day
26 November 2018
Hong Kong**

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WELCOME

TODAY'S PRESENTERS



**RAYMOND
OR**
Executive Chairman



**ANDERS
KRISTIANSEN**
Group Chief Executive Officer



**THOMAS
TANG**
Group Chief Financial Officer



**SIMON
HECKSCHER**
Head of Marketing



**JAN
OLSEN**
Chief Executive Officer, Asia

WE ARE BUILDING A NEW MODEL AND RESTRUCTURING

ESPRIT

Build a
new model
for the future

&

Build a powerful
organization
and
restructure
the cost base

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

MAKING IT HAPPEN

OUTLOOK

TODAY'S AGENDA

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ESPRIT

AN ICONIC BRAND



THE WORLD'S FIRST LIFESTYLE BRAND



STILL LOVED IN OUR CORE MARKETS

87% brand awareness in Germany.
Third favorite fashion retailer in Germany.

*87% aided brand awareness in Germany. Third favorite fashion retailer in unaided awareness.
Brand Health Tracker Survey July 2018, online survey of 1,000 respondents in Germany 10

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

MAKING IT HAPPEN

OUTLOOK

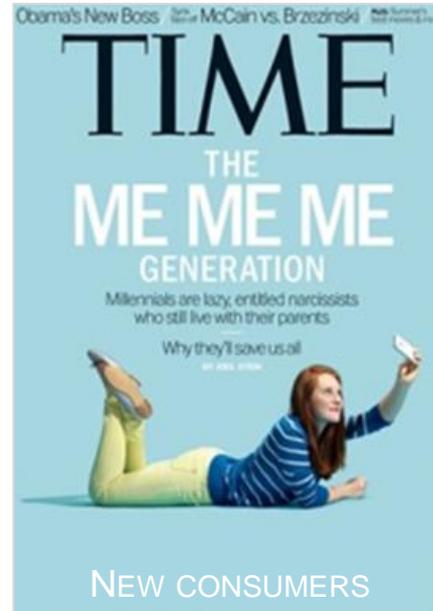
**THE WORLD IS
CHANGING AND
SO ARE
CONSUMERS ...**



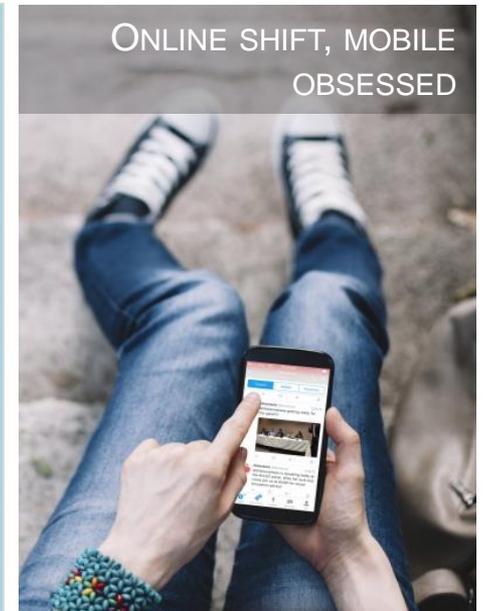
GLOBAL VOLATILITY & UNCERTAINTY



SHIFT FROM WEST TO EAST



NEW CONSUMERS

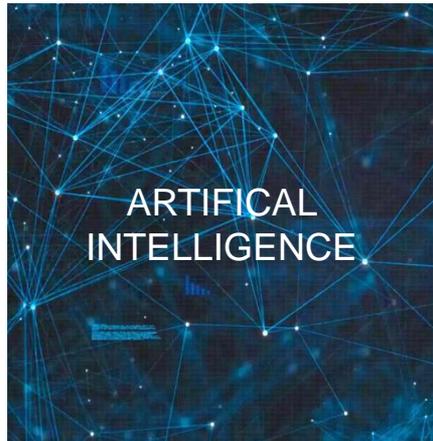


ONLINE SHIFT, MOBILE
OBSESSED

**... AND
THE INDUSTRY IS
UNDERGOING
DRAMATIC
DISRUPTION**



DIGITAL FIRST PLAYERS Blog



**ARTIFICIAL
INTELLIGENCE**



PERSONALIZATION



**FASTER DESIGN TO
SHELF**

ESPRIT HAS CHANGED

Maybe too much

OUR BRAND IDENTITY IS INCONSISTENT

And we don't know what we stand for



Images since 2011



WE'VE LOST TOUCH WITH OUR AUDIENCE

due to lack of customer focus



OUR PRODUCT, QUALITY AND FITTING

must be improved

**BOLD CHANGES
ARE NEEDED
TO RETURN TO
SUSTAINABLE
GROWTH
AND
PROFITABILITY**

**ESPRIT IS NOT
FAST FASHION.**

**ESPRIT IS NOT
A DISCOUNTER.**

WE ARE A BRAND WITH A PURPOSE

We will:

Know our consumers by heart

Provide clear brand value and strong product proposition

Shape a consistent end-to-end consumer experience

WE NEED TO RE-BUILD OUR BUSINESS MODEL

Brand purpose and expression
Customer centricity
Product competence
Consumer experience
Wholesale competence
Effective organization and team

We stand for

**RADICAL POSITIVITY.
LOVING OUR CUSTOMER.
QUALITY, ALWAYS.**

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

Brand & Customer

Product

MAKING IT HAPPEN

OUTLOOK



OUR ETHOS LIVES IN THE REAL WORLD NOT JUST A BRAND BOOK

"We have to be really clear
on what we want them to
know about us"
— Steve Jobs

One aim:

BECOME AN ICONIC BRAND AGAIN

“Everything Esprit touches seems to reflect an all pervasive spirit that is Esprit. A spirit that communicates by being infectious, like a smile or a laugh on a face that is talking to you. It sparkles in its directness.”

— William Landor, 1987



THE BRAND WE WANT TO BUILD

NO. 01

An internal call to arms as well as a consumer message

NO. 02

A universal role that can flex locally and over time

NO. 03

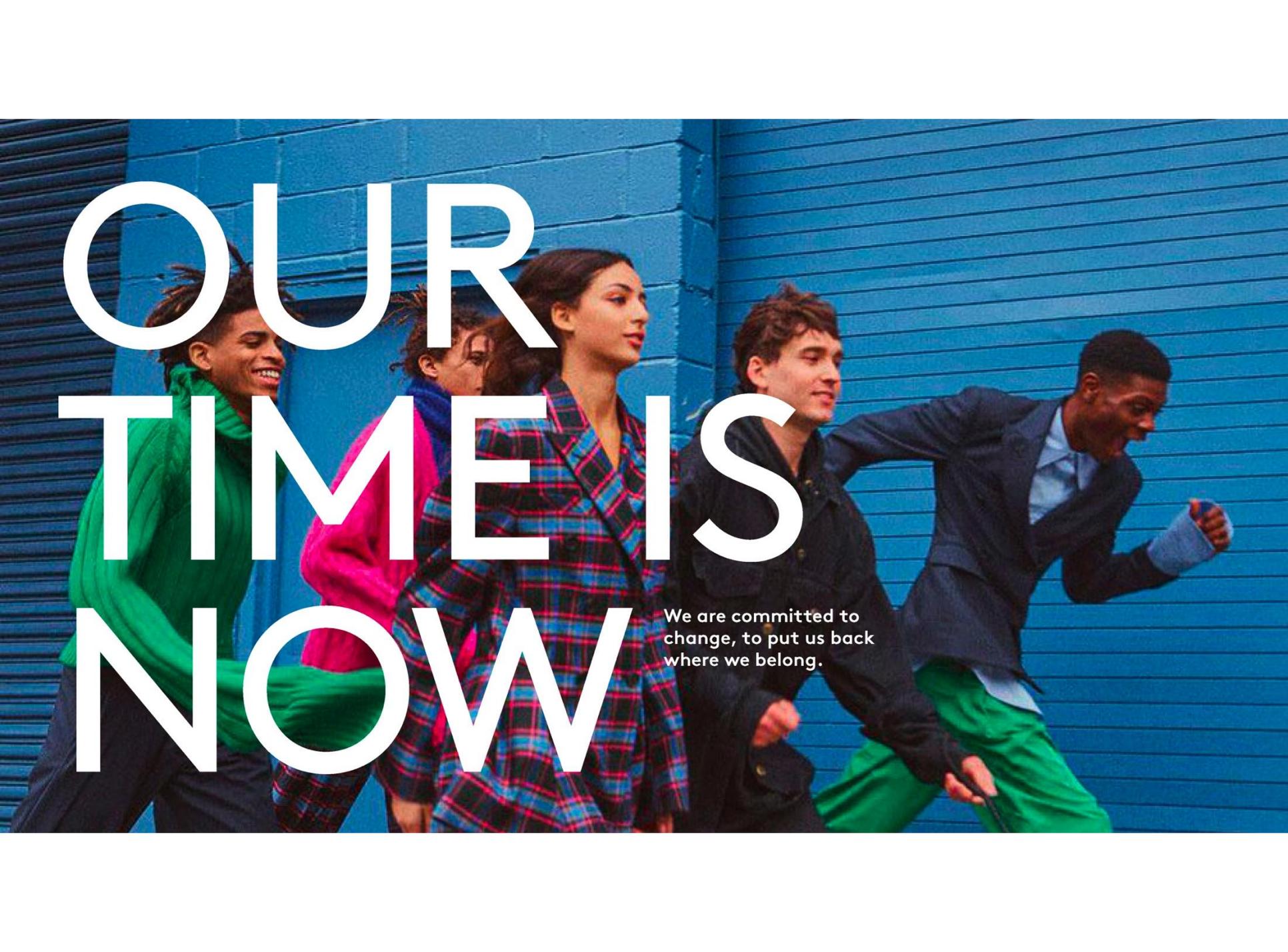
Embracing a common emotional need in new and existing customers

NO. 04

A timeless aspiration and inspiration for our consumers

NO. 05

Expresses itself in all our behaviours



OUR TIME IS NOW

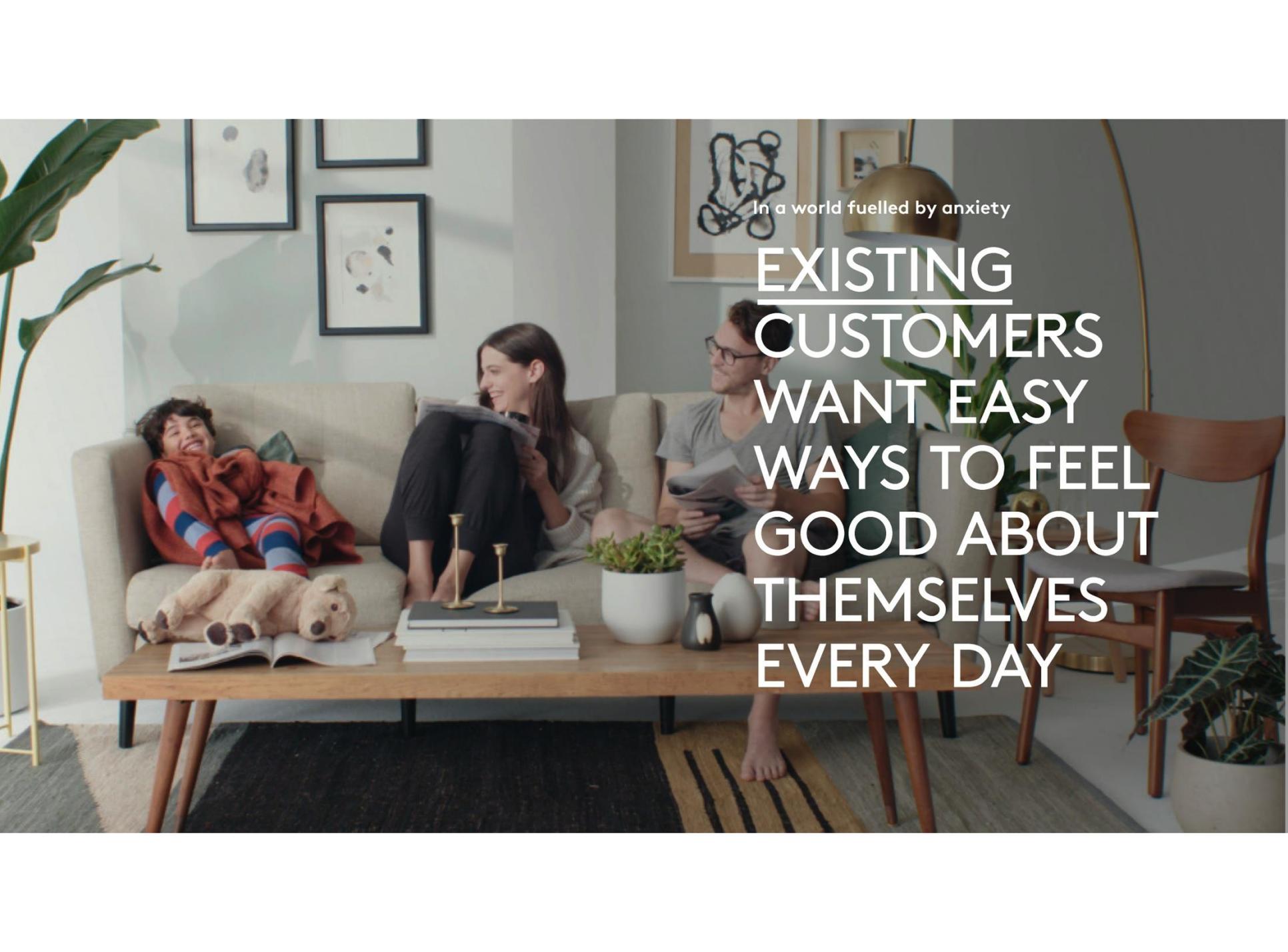
We are committed to change, to put us back where we belong.



MARKET OPPORTUNITY

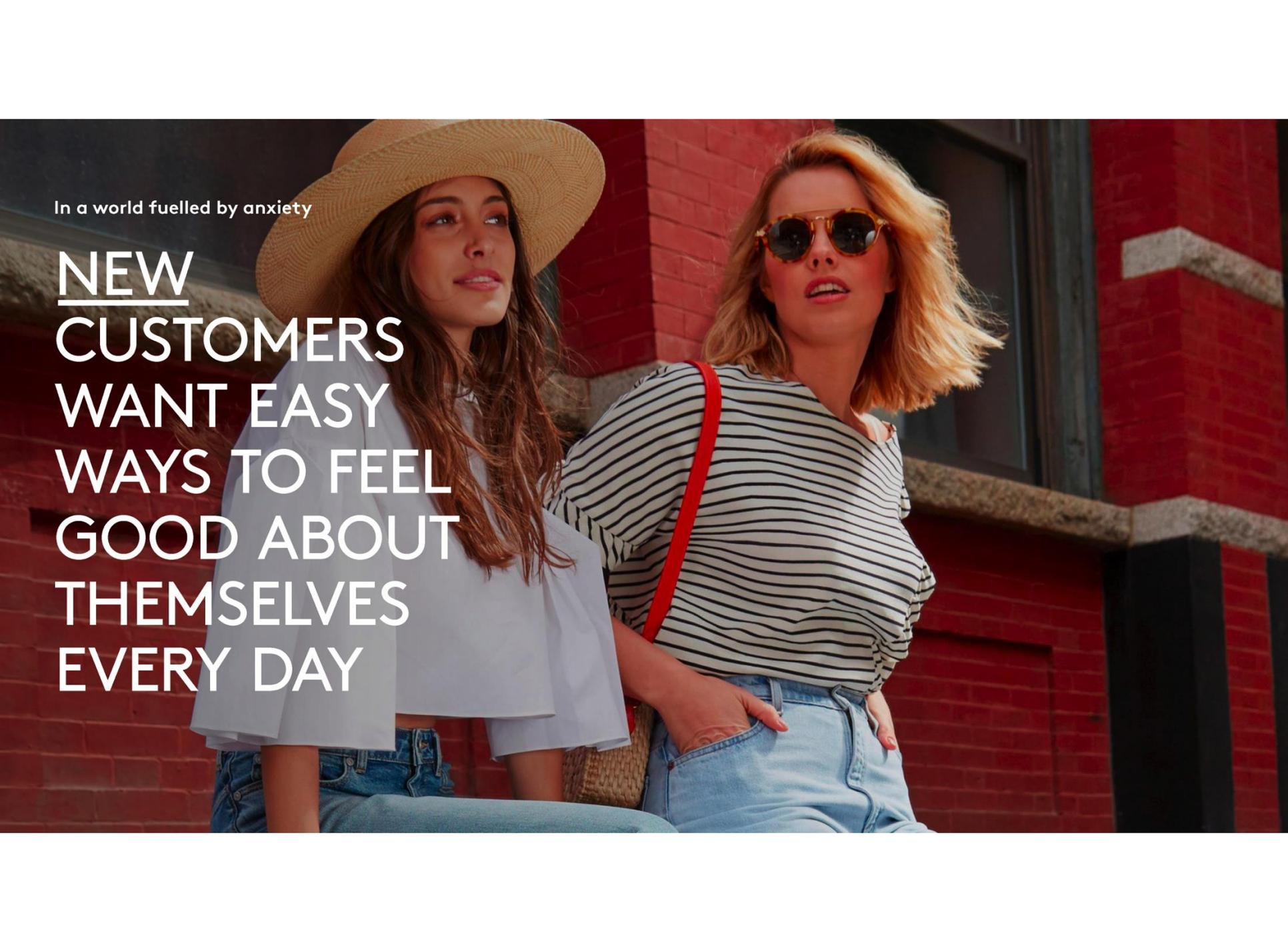
There will always be a customer base that wants well designed, good quality and affordable clothes, that last beyond the one season.

CONSUMER OPPORTUNITY



In a world fuelled by anxiety

EXISTING
CUSTOMERS
WANT EASY
WAYS TO FEEL
GOOD ABOUT
THEMSELVES
EVERY DAY

A photograph of two women sitting on a red brick wall. The woman on the left has long brown hair, wears a wide-brimmed straw hat, a white short-sleeved top, and blue jeans. The woman on the right has blonde hair, wears sunglasses, a black and white striped short-sleeved top, and blue jeans. A red strap is visible across her shoulder. The background is a red brick wall with a dark window frame.

In a world fuelled by anxiety

NEW
CUSTOMERS
WANT EASY
WAYS TO FEEL
GOOD ABOUT
THEMSELVES
EVERY DAY



In a world fuelled by anxiety

**EVERYONE
WANTS EASY
WAYS TO FEEL
GOOD ABOUT
THEMSELVES
EVERY DAY**

Our DNA:

FEELING
GOOD
EVERY DAY
IS OUR
BBUSINESS





Our DNA:

IT ALWAYS
HAS BEEN

ESPRIT

Our DNA:

SPIRIT OF ACCEPTANCE



Our DNA:

PLAYFUL, IMMERSIVE EXPERIENCES



Our DNA:

A PASSION FOR BOLD DESIGN



Our DNA:

RADICALS WITH A PLAN



Our DNA:

CALIFORNIA: A SHORTCUT TO A MODERN MINDSET

Our mission:

**TRANSFORM
ESPRIT INTO
ITS NEW SELF**



 esprit • Following

the mid-80s. (We actually took a snapshot of the physical picture.) Still a pretty cool jumper, don't you think? #TrueVintage #ThrowbackThursday #Esprit

View all 33 comments

~~newsagency~~ Oh yes. Esprit from the 80's. What a iconic brand it was. Esprit, please look back, deep in your DNA en remember how wonderful, colourful, simple and spontaneous you are. Bring back the Icon 🌈🌈🌈 please.

2,277 likes

4 DAYS AGO

Add a comment...

...

**THIS IS
ABOUT
MORE
THAN
BRANDING**

**THIS IS
ABOUT
CHANGING
OUR ENTIRE
MINDSET**

**THIS IS
ABOUT
WHO
WE ARE**

**THIS IS
ABOUT
WHAT
WE DO**

**THIS IS
ABOUT
HOW
WE DO IT**

RADICAL POSITIVITY™

[This is not
a slogan, this
is a mindset]

RADICAL POSITIVITY™

Radical (def.)

(especially of change or action)
relating to or affecting the fundamental nature of something; far-reaching or thorough. A radical overhaul of the existing regulatory framework.

Positivity (def.)

The practice of being or tendency to be positive or optimistic in attitude.

Our vision:

PEOPLE
AROUND THE
WORLD WILL
FIND MOMENTS
OF EVERY
DAY JOY
FROM ESPRIT



Our purpose:

TO
DELIVER
JOY





What we will become famous for:

PRODUCT,
EXPERIENCES
AND A BRAND
THAT LIFTS
THE SPIRIT

A photograph of two women from the waist down, holding hands. They are wearing blue denim jeans and light-colored, textured crop tops. The background is a solid, warm orange color. The text is overlaid on the image.

It's all about the feels

“PEOPLE WILL FORGET
WHAT YOU SAID,
PEOPLE WILL FORGET
WHAT YOU DID, BUT
PEOPLE WILL NEVER
FORGET HOW YOU
MADE THEM FEEL.”

— Maya Angelou

KISS MORE. TELL SOMEONE YOU
LOVE THEM. CALL YOUR MOTHER.
SMILE. EAT WELL. SWEAT - YOU
ALWAYS FEEL BETTER AFTERWARDS.
MEET A FRIEND FOR LUNCH. HAVE
GREAT MUSIC IN YOUR LIFE. SAY NO
TO THE THINGS THAT DON'T MAKE
YOU HAPPY. EMPTY YOUR BASKET
OF REGRETS. MOISTURISE. SURPRISE
YOURSELF. SURPRISE OTHERS. READ
MORE. DRESS FOR COMFORT. DRESS
TO IMPRESS. BE KIND - IT'S NICE TO
BE NICE. LIFE MOVES PRETTY FAST,
IF YOU DON'T STOP ONCE IN A
WHILE, YOU MIGHT MISS IT.

ESPRIT



STAND FOR SOMETHING AND TALK DIFFERENTLY

Culture:

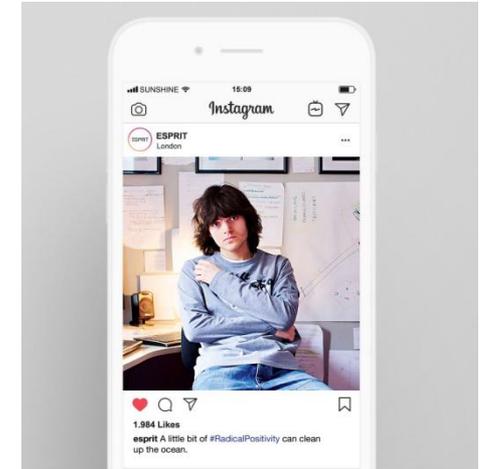
ART, MUSIC & DESIGN THAT LIFTS THE SPIRITS

The people who make it. How it works.
How it makes people's day better.

Life:

THE EVERYDAY MOMENTS THAT MATTER

We're going to shine a spotlight on everyday moments that lift the spirits. Kindness. Beauty. Joy. Humanity.



People:

WHO ARE RADICALLY POSITIVE

We're going to celebrate the people who make a difference. The people who make us smile. The people who help others and give all of us hope.

Product:

CLOTHES THAT BRING JOY TO YOUR DAY

We are going to showcase our own creativity, by highlighting how brilliantly our products are made and by whom.

Causes:

INCLUSIVITY & SUSTAINABILITY

We will fight for inclusivity, acceptance for all, and the environment.

EMPOWERMENT IS IN OUR SPIRIT

In Spring Summer 2019 Esprit teams up with **UN Women National Committee Germany** for International Women's Day 8 March 2019.

Six exceptional women and men will be portrayed to raise their voice for women's rights and gender equality issues.

The Retail Price of 19.90 EUR for each "WE ALL" T-Shirt (co-branded) sold will be **donated** to UN Women German Committee.

Supported with a **360° Marketing plan** including press events with the talents, media cooperation and store events 8 March in Germany.



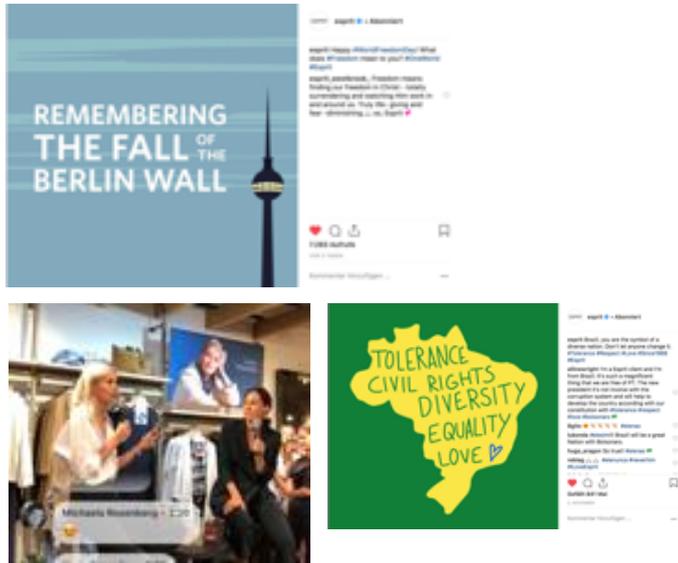
ESPRIT

WE ALL
MARCH TOGETHER



ACTIONS TO CONQUER INSTAGRAM

Social Branding



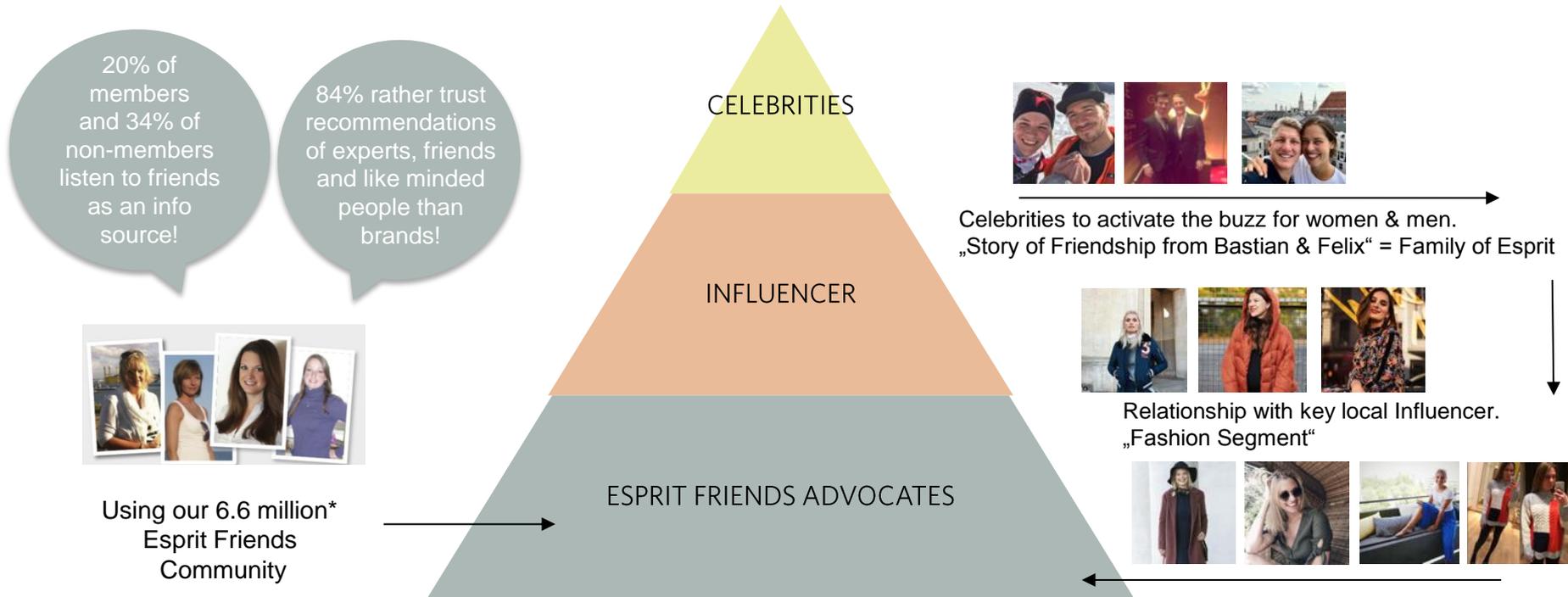
Social Commerce



- **Create a community**
Friends Members will be activated to join Esprit on Instagram! @esprit #BeEsprit.
- **New content formats**
From almost social commerce only, to a social commerce and brand mixed approach. Social branding will increase from 10% to 30% featuring real-time content and happenings in the world
- **Go Instagram Live**
With new features such as Instagram Live, Esprit will reach new audiences and give style advice in real time
- **Active community management and dialogue**
- **Maximize word of mouth**
Through micro influencers and testimonials on Instagram.
- **Invest in social media spend**
- **Target to achieve ~1 m followers in next 18 months**

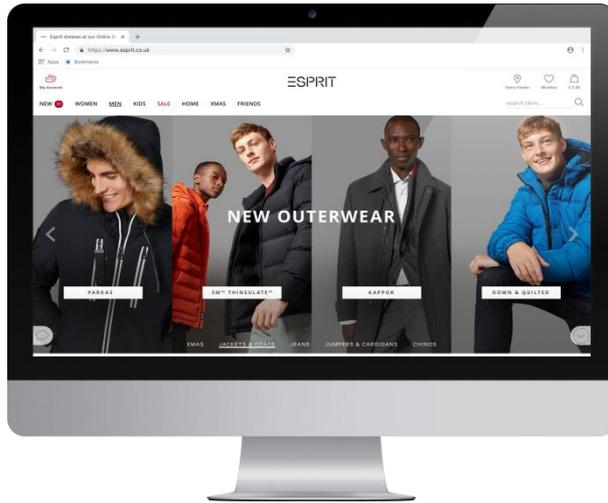
INFLUENCERS THAT WILL HELP US REACH NEW AUDIENCES

We asked our Friends who they are influenced by

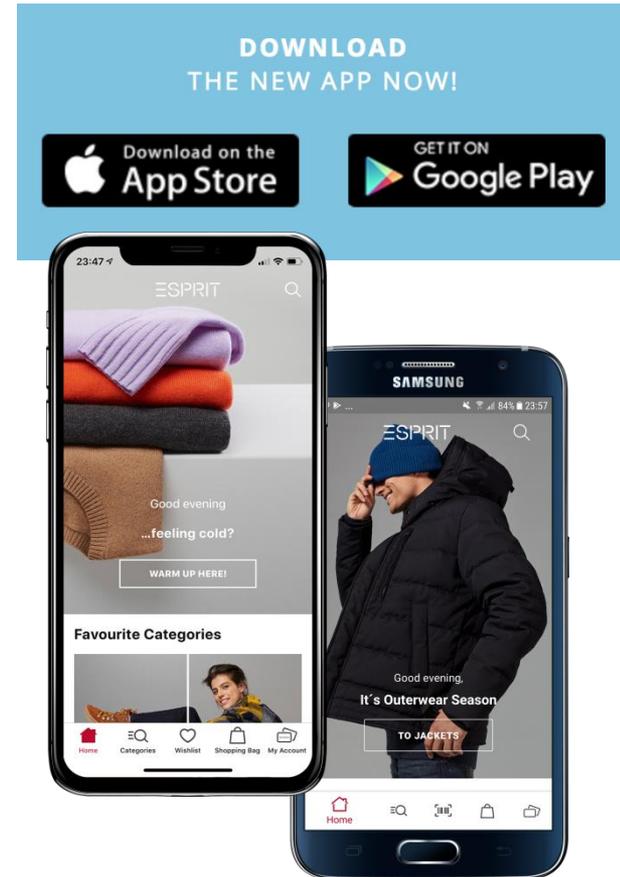


CHANGING THE ESPRIT SHOPPING EXPERIENCE

E-Shop



Esprit App



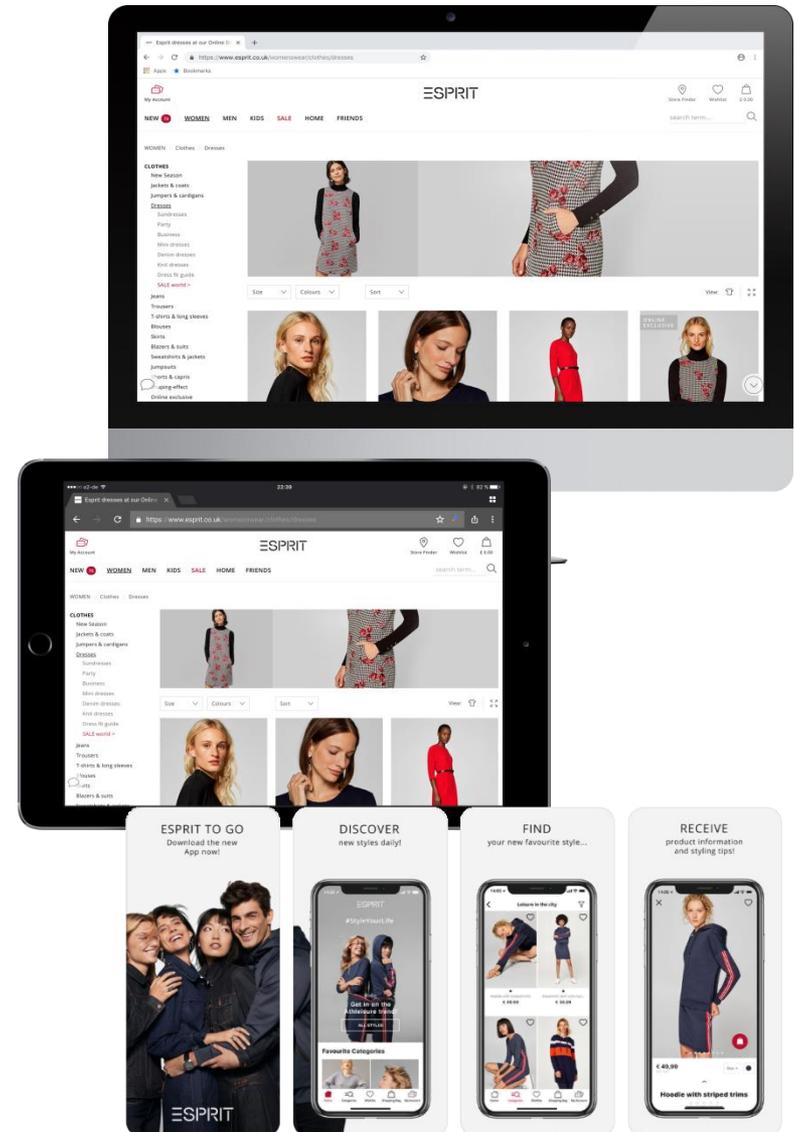
Stores



BRAND BASED, CUSTOMER FOCUSED, DATA DRIVEN

ADOPT NEW BRAND ETHOS TO ONLINE & CRM

- Update look & feel of website, app, social media & CRM
- Enrich online shops with story telling & live streaming
- Personalize Esprit experience across touchpoints (in compliance with GDPR)
- Improve packaging in line with updated brand ethos
- Sustainability: by end of 2018, 90% of our EU e-com orders are shipped carbon-neutral or via reduced emission programs



CHANGING THE RETAIL EXPERIENCE

THE ART OF
SIMPLICITY



- New store concept August 2019
- Improve customer service
- Visual merchandising to elevate the product
- Music that lifts the spirit

KEEPING IT
SURPRISING,
FRESH &
PLAYFUL



THE ART OF
STORYTELLING

THINKING DIFFERENTLY ABOUT OUR CONSUMERS

Fall in love:

Love existing
customers for who
they are

Lead, don't follow:

Provide
inspiration,
and aspiration

Know by heart:

Harness our data
and give our customers
what they want

WE LISTENED TO MORE THAN 10,000 CONSUMERS

To understand the tribes, their emotional motivations, preferences and their habits.
Four key countries – Germany, China, France, Sweden.

SIX DISTINCTIVE GROUPS WERE IDENTIFIED



REALISTS

Driven by function over aesthetic, the safe-playing Pragmatists dress suitably for their active, outdoor-led lives.



VIBRANT
EXPRESSIONISTA

Valuing emotions, loving relationships and simple pleasures, they express their femininity through a delicate, soft and colourful style.



SIMPLE
SOPHISTICATES

Aesthetically-driven and casually chic, they pursue an experience-led, cosmopolitan lifestyle.



PROFESSIONAL
STATUS SEEKERS

Status-driven individuals that dress to a traditionally conspicuous code often to articulate their career success.



URBAN-ITES

A tribal group who follow trends and in-the-know cues that are culturally-inspired.

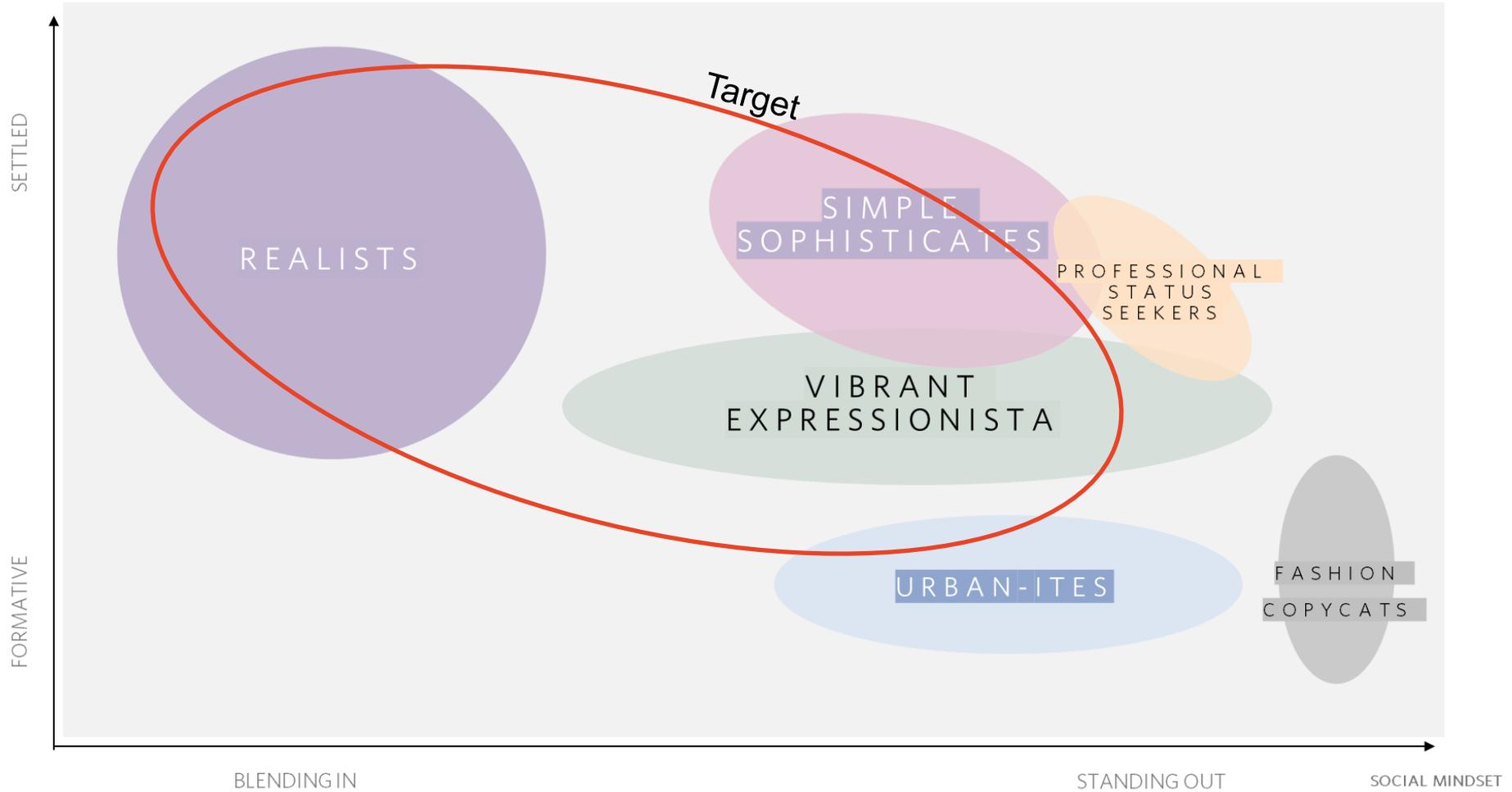


FASHION
COPYCATS

Individuals that follow trends and a wide repertoire of brands but adhere to no particular style. Fond of deals they are known to mix and match high and low value items

CONSUMER SEGMENTATION

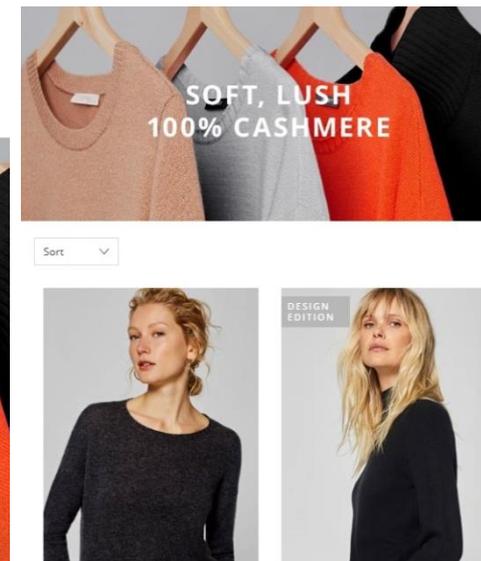
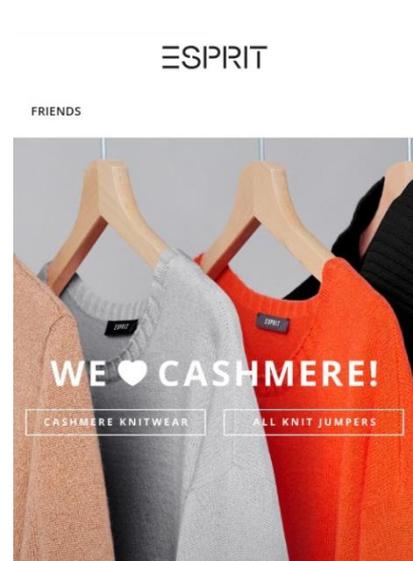
FASHION LIFESTAGE



USING THE POWER OF OUR 6.6 MILLION FRIENDS*



6.6 million active Friends*



Customer data

Our data shows that our colorful mainstream segment loves cashmere

Develop product

Product teams develop a range of quality cashmere

Email Newsletters

Targeted newsletters to cashmere lovers! and to those who buy wool

Customized E-shop

Cashmere lovers see cashmere first when they shop

Results measured and new actions developed!

CRM: FROM PROMOTION TOOL TO CUSTOMER INSIGHTS AND TRUE LOYALTY PROGRAM

COMPETITIVE ADVANTAGE FOR CUSTOMER CENTRICITY



- **Update tiers and benefits**
Expand benefits beyond promotions for e.g. cultural or design events, elevated services.
Build brand equity via benefits
- **Build Engagement & Community**
Increase consumer engagement and build community, for e.g. styling advocates, advisory board, co-designers, lifestyle recommendations
- **Tailored Communication**
- **Generate Consumer insights**
Link consumer insights into business applications (e.g. Product, Marketing, Allocation)
Link consumer with product and sales data
- **Update Look & Feel**
- **Build structure & capabilities**

We stand for

**RADICAL POSITIVITY.
LOVING OUR CUSTOMER.
QUALITY, ALWAYS.**

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

Brand & Customer
Product

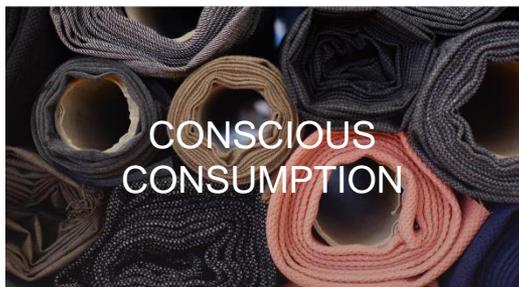
MAKING IT HAPPEN

OUTLOOK

A woman with long dark hair, wearing a white long-sleeved shirt and blue jeans, is posing with one leg raised against a grey background. She is smiling and has her hands behind her head. The text 'PRODUCTS THAT MAKE PEOPLE FEEL GOOD EVERYDAY' is overlaid on the left side of the image in large white capital letters.

PRODUCTS
THAT MAKE
PEOPLE
FEEL GOOD
EVERYDAY

TRENDS SHAPING OUR INDUSTRY AND CUSTOMER PREFERENCES



OUR GOALS FOR PRODUCT

Offer a more commercial assortment

Improve quality and fit

Develop signature product classes

Establish a unique Esprit handwriting

OFFER A MORE COMMERCIAL ASSORTMENT



REDUCE NUMBER OF OPTIONS

High number of options means higher development costs and complex stock management

Dilution of brand and collection message

Conclusion: Number of options will be reduced 20-30% from June 2019 onwards



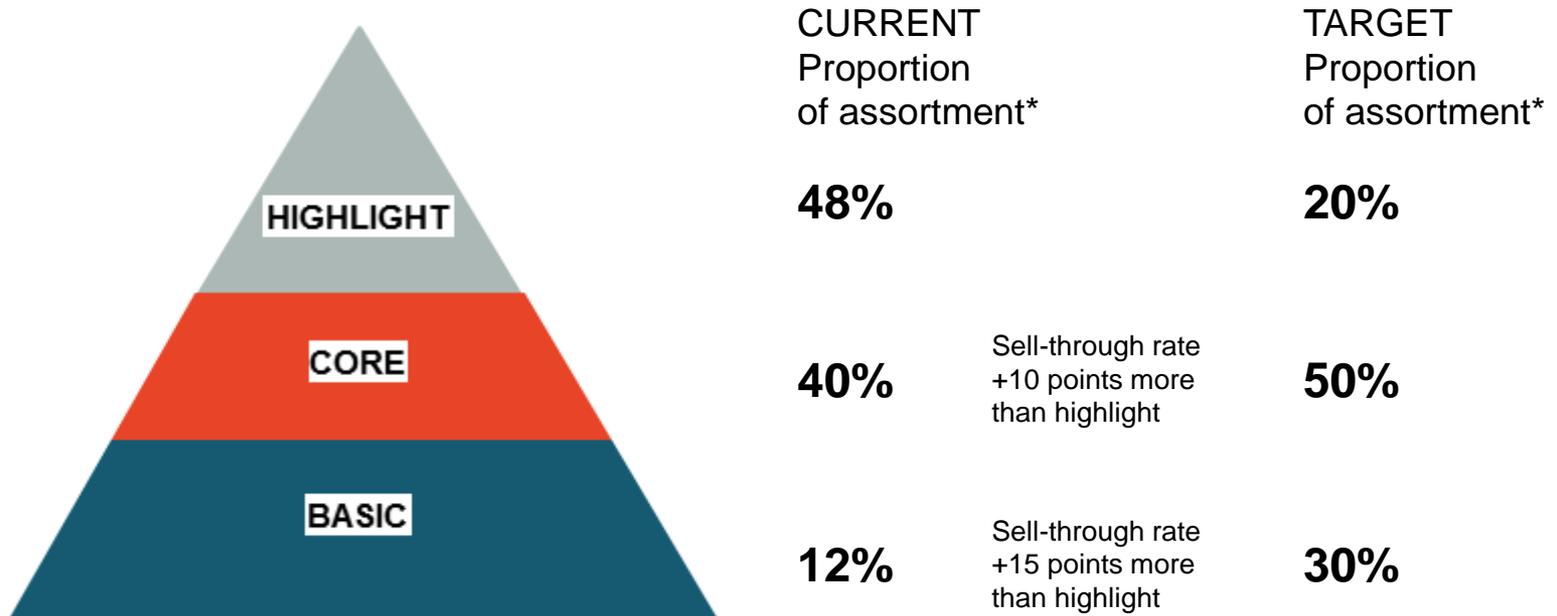
REDUCE KICK COLORS + STRENGTHEN NEUTRALS

We looked at sell-through rates and consumer data per color

Market survey shows our competitors offer 30 – 40% black while Esprit has 15%

Conclusion: reduce kick colors and strengthen neutrals like black, white, grey and beige

OFFER A MORE COMMERCIAL ASSORTMENT



Increase the share of basics and reduce the highlights for improved sell through

IMPROVE QUALITY AND FIT



QUALITY: 3M THINSULATE



MADE WITH
3M THINSULATE™
INSULATION / ISOLATION

FEATHERLESS
SANS PLUMES

THE NEW WAY TO KEEP WARM

Jackets with 3M™ Thinsulate™ Insulation:
retains your body heat, breathable, moisture-
repellent & animal-friendly!



Innovation
Functionality
Collaboration
Opportunities for story telling
around features online, social
and at point of sale

RESULTS: Sell through rate
of 75% at full price*

QUALITY: SUSTAINABLE DENIM



Sustainable denim made from organic cotton and recycled fibers

Special placement, information at point of sale and product labelling



RESULTS: After 1 year, 30% of our denim products are from sustainable sources.

Starting Spring 2019, all denim in our mainline will be made from sustainable sources.*

SUSTAINABILITY – IT'S PART OF OUR DNA



See all of our 29 ambitious targets for 2021 in our new sustainability report – just released!

- **Sustainability is part of our DNA**
Esprit started life as a brand that cares about the planet and people. We speak with authenticity and have real actions and achievements we can talk about
- **Market research and feedback from our Friends** shows that buying sustainable products is important to them
- **Our collaborations**
We join with credible partners, such as the United Nations. We signed the United Nations Fashion Industry Charter for Climate Action and will take part in the Climate Change Conference 2018 in Poland next month
- **Our progress**
This year, we were named among the top brands in Greenpeace Detox Report. We rank in the top 10 of the Fashion Revolution Transparency Index. Ranked 11th by the Chinese Corporate Information Transparency Index by the IPE.

SIGNATURE PRODUCT CLASSES

We will be known for

PANTS

T-SHIRTS

SWEATERS

These categories make up more than 50% of our assortment

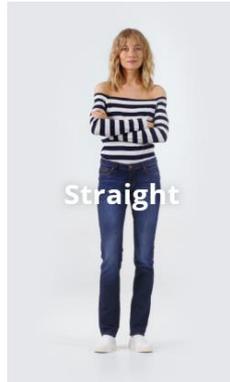
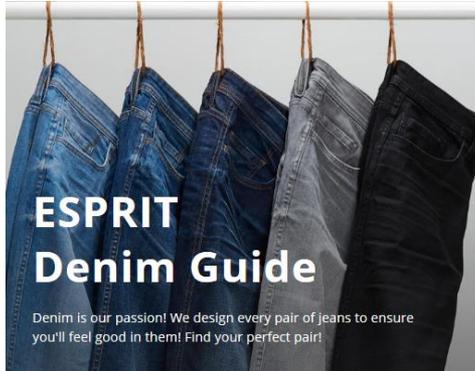
Create excellent products customers can trust over time

Build each season with new colors, material and collaborations

Story telling throughout the year through all channels

Use of data to track success and find further opportunities

SIGNATURE PRODUCT CLASSES – DENIM PANTS



Wide range of fits and clear explanation of styles

Supporting our customers to make an informed choice

Destination online and in stores

RESULTS: Featured categories have a sales uplift of 40% compared to last year*

SIGNATURE PRODUCT CLASSES – CHINO PANTS



Chinos are a category we want to stand for

Variety of colors and quality fabrics

The perfect fit

Value adding belt



RESULTS: Featured categories have shown a sales increase of 30% compared to last year*

ESTABLISH A UNIQUE ESPRIT HANDWRITING



Deep Dive into DNA and what made Esprit, 'Esprit': colors, shapes, fabrics, trims



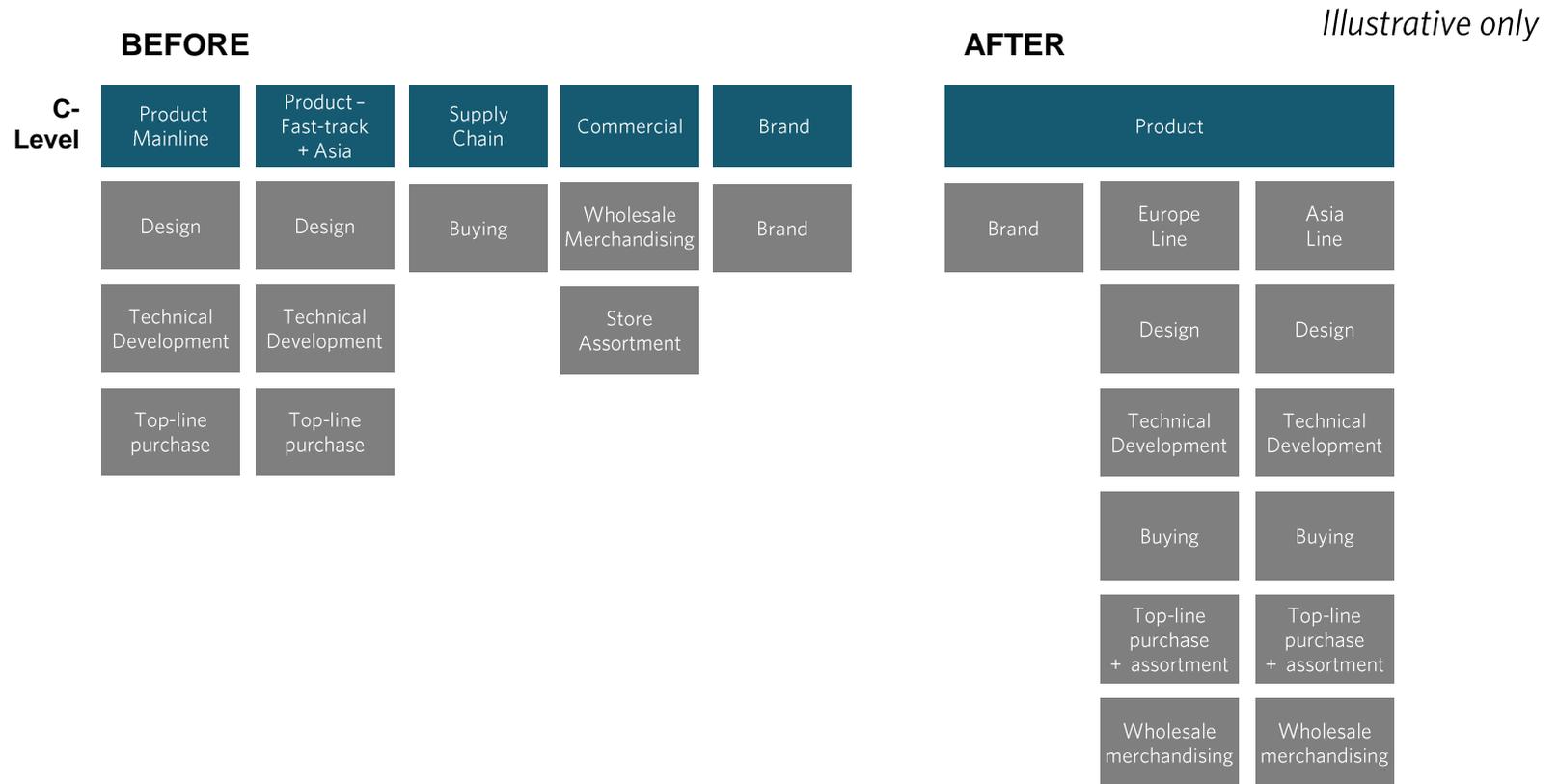
Information from market trends, competition, tribes, Friends data



Design Hub of internal designers has been created to establish guidelines and directions

RESULTS: The work is already starting to inform the collections currently under development. First impacts will be seen in the Fall 2019

CONSOLIDATED PRODUCT SET UP



- Simplified and consolidated structure for faster decision making and clear responsibilities
- Consolidation of product, buying, merchandising and brand responsibilities at C level
- Aligned brand and product expression
- Unified mainline and fast-track product development
- Dedicated Asia Line team catering for customer needs and fits
- Process of reorganization has begun: expected to be in place mid 2019

We stand for

**RADICAL POSITIVITY.
LOVING OUR CUSTOMER.
QUALITY, ALWAYS.**

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

MAKING IT HAPPEN

China

Wholesale

Restructuring

OUTLOOK

CHINA KEY MARKET TRENDS

Fast changing market: consumers quickly adapt to changes

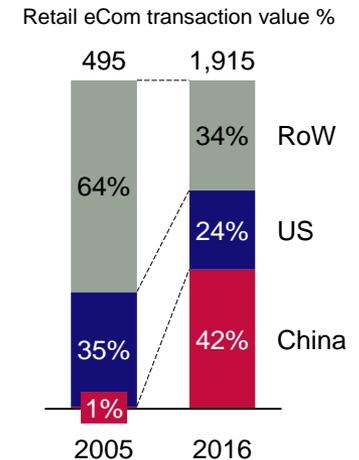
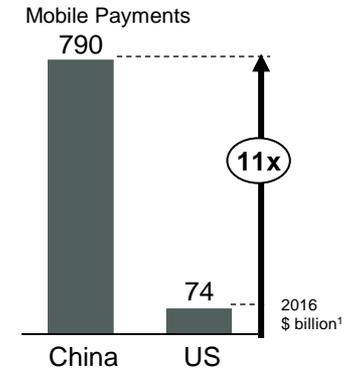
- Mobile payment is the new normal
- New retail concept enabled by connecting offline and online channels

Fast developing technology

- Electronic mirror with virtual reality
- Cashless retail through vending machine solutions

Quality and “Value for Money“ remain key focus

- High demand for imported goods and quality items
- Focus on creating a self-image with personal taste of mix and match or custom made product



ESPRIT CHINA KEY CHALLENGES

Product

Where we need to improve:

- Increase Asian fit
- Improve quality
- Adjust deliveries to seasons
- Improve color proportions
- Too many options to fit store size

Pricing

- Promotion and mark down-driven behavior is prevalent
- Increasing recent markdown trend

Brand

- Consumers perceive us in line with lower positioned brands
- Wrong segment for Esprit
- Store concept tired and uninteresting

Operations

- Complicated structure with too many layers
- Missing basic retail operational focus
- Incentive schemes not inline with market practice

PRODUCT FITTING AND QUALITY TO BE IMPROVED

Design & Fitting

- Select from mainline collection and adapt fitting for Asia (approximately 70%). Asia designed and better fit for the market (approximately 30%)
- Crop pants (three quarter length and ankle length)
- Oversized wool coats and outdoor jackets
- Proper body length adaption for shirts and trench coats
- Sleeve length shorted for leather jackets and blazers

Seasonal

- Long sleeve or three quarter sleeve sweaters and dresses
- Transitional jackets such as light jackets & trench coats
- Less light woven in winter (blouses, sleeve-less dresses), more knit wear instead

Fabric & Quality

- Soft and better hand feeling fabric will be used in China
 - High wool percentage
 - More cashmere
 - Less transparent fabric used in the t-shirts and sweaters

Color

- Less floral print
- More pure and soft colors instead of stripes, checks, and prints



STRATEGIC MARKETING WITH PHASED APPROACH

Phase I Primer January 2019

- Set up non-promo area
- Continue normal promotion calendar
- Reduce discounts but still create “deal feel”
- More targeted discounts and promotions on product classes
- Special staff incentive to push full-price sales

Phase II September 2019 and beyond

- Restrict mark down area or “last of the bestsellers”
- Continue Friends sign up incentive
- Targeted discounts via email and Wechat notifications
- Launch marketing campaign creating excitement and attract new consumers

SEAMLESS CUSTOMER EXPERIENCE ACROSS CHANNELS

Aligned brand proposition

One channel, one customer

Aligned product assortment across online and offline

Consistent prices across retail and ecom

Extensive Omni-channel services



ASIA RETAIL STRATEGIC INITIATIVES

Review current store portfolio

- Evaluate stores to be potentially closed
- Phased approach in this and next FY

Develop new store concept

- Pilot new store and assortment, August 2019
- Concept adjustment based on results

Expansion

- Phased approach starting from mid 2019
- Growth in the next years: target approximately 300 store openings by 2023



CUSTOMER FOCUS

Customer first

- Lean ways to adapt to customer needs
- Remove hierarchical layer
- Daily store operations procedures
- Store staff planning
- Staff incentive schemes

Staff training

- Customer service
- Visual merchandising
- Trend and product

In-store events

- Key activities to create customers and brand communities in order to build brand and product value



ADDRESSING STORE OPEX STRUCTURE

Example store P&L

Illustrative only

TODAY

OPEX Structure	% of Net Sales
Net Sales	100%

Key OPEX

Personnel	~20%
Occupancy	~37%

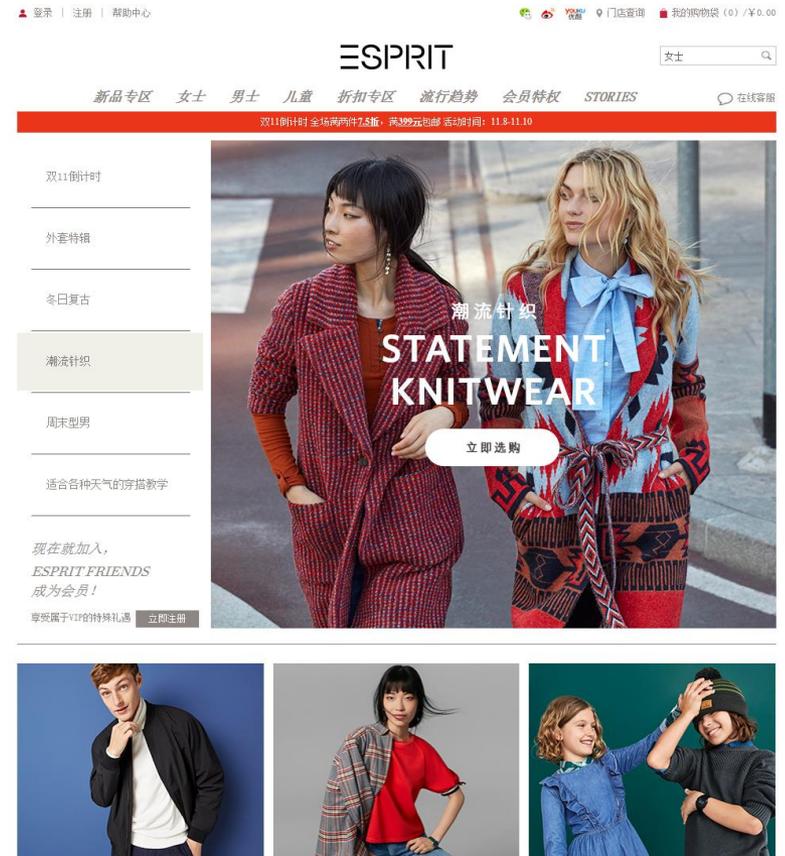
FUTURE

OPEX Structure	% of Net Sales
Net Sales	100%

Personnel	12% - 14%
Occupancy	25% - 27%

ASIA E-COMMERCE STRATEGIC INITIATIVES

- Continue growth with Tmall while strengthening profitability
 - Strengthen partnership with Tmall
 - Diversify content by using more videos, editorial content for story telling
 - Repeat best selling products and increase their depth
- Expand on further market places in Asia, especially in China and Taiwan to reduce the dependency on Tmall
- Revamp Esprit own e-shop to increase revenue
- Provide consumers omni-channel shopping experience
- Drive traffic to retail stores by features such as click & collect and return to stores
- Link wholesale stores into Esprit omni-channel network



ASIA WHOLESALE STRATEGIC INITIATIVES

Maintain wholesale China

Growth focused on India, Thailand and Philippines

**Opened the first brick & mortar store in India on
16 November**



TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

MAKING IT HAPPEN

Asia

Wholesale

Restructuring

OUTLOOK

WE WILL BE BEST IN CLASS IN WHOLESALE

It used to be one of our strengths,
and it will be again.



CURRENT LACK OF FOCUS ON WHOLESAL

Wholesale not at the center of the organization

Limited consideration of wholesale in product development

Complicated and slow processes

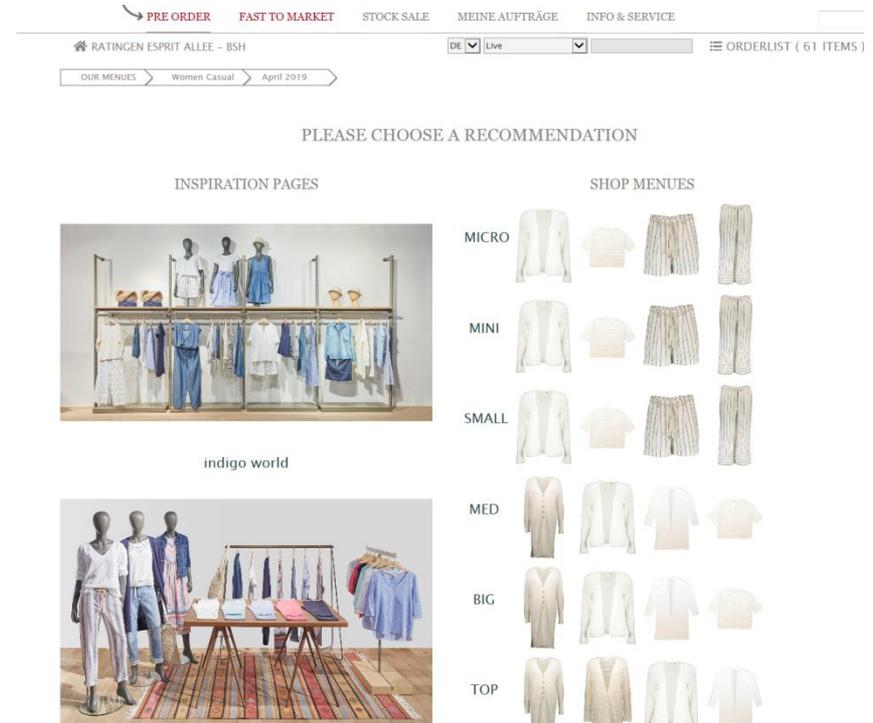
Ineffective NOOS program: delivery 8-11 days

Brand diluted by continuous promotions

Decreasing sales – despite this, still profitable for Esprit

WHOLESALE ORDERS GO DIGITAL: DIGITAL ORDER TOOL

- Full collection ready to be ordered via remote order tool
- Access to fast-to-market styles
- Order by theme or single styles
- VM guidelines available online
- Fast and easy ordering for WHS partners
- Helps to reduce time-to-market for new collections
- Already implemented in Asia, initial version rolled out in Europe this month



BUILDING A BEST IN CLASS WHOLESALE MODEL

<p>Company wide focus on wholesale. Sales period now takes place in the heart of our company</p>	<p>Strong Brand less diluted by promotions</p>	<p>Right product with clear handwriting and the right quality</p>
<p>Excellent NOOS program and easy operations. Improved product, process and delivery within 2-3 days</p>	<p>New store and shop-in-shop concept under development - second half 2019</p>	<p>In-season capsules to generate more sales opportunities for our partners</p>
<p>Assortment based on customer needs. Key partners involved in design process</p>	<p>Better service Sales people in partners' offices, local sell-out support, VM, negotiation support</p>	<p>Digital ordering tool for fast and easy ordering for our wholesale customers</p>

**BEST IN CLASS WHOLESALE MODEL
FIRMLY IN PLACE SEPTEMBER 2019**

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

OUR CHALLENGE

OUR WAY FORWARD

MAKING IT HAPPEN

Asia

Wholesale

Restructuring

OUTLOOK

WE NEED TO BUILD A NEW MODEL AND RESTRUCTURE

ESPRIT

Build a
new model
for the future

&

Build a powerful
organization
and
restructure
the cost base

NEW STRUCTURE WILL SIMPLIFY DECISION MAKING AND INCREASE SPEED

Organization

- Organizational structure redefined for best performance
- Structure following strategy: One global brand, playing in all channels
- Accountability and responsibility: Elimination overlapping functions
- Lean and efficient: Less hierarchy levels, rightsizing and centralization
- Fast decision making

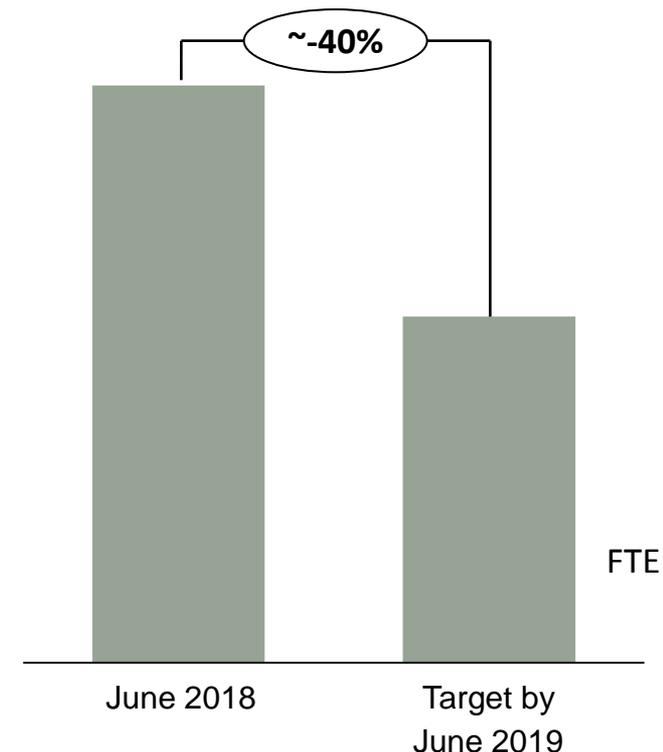
Loss-making stores

- Rationalization of the store base
- Store by store assessment and actions on loss making stores

LEANER ORGANIZATION STRUCTURE ENABLES SIGNIFICANT HEADCOUNT REDUCTION

- Zero base approach : Each division designed to best support the future
- Opportunities from digitalization and outsourcing considered
- Targeted reduction of non-store employees of approximately 40%
- Consolidation and reduction of office space. Merge five offices at HQ into one. Reduction of office in Hong Kong
- Collaborative implementation: Social partners informed (e.g. workers councils), negotiations underway. Final results subject to negotiations
- Already executed from the top: executive management team reduced from 13 to 6

Development of FTEs* (non-store)



LEANER STRUCTURE ALLOWS FOR BETTER DECISION MAKING



Anders Kristiansen
Group Chief Executive
Officer



Dr Raymond Or
Executive Chairman



Thomas Tang
Group Chief Financial
Officer*



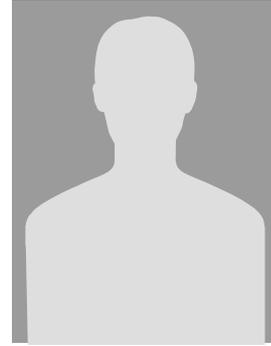
Leif Erichson
Chief Digital &
Operations Officer



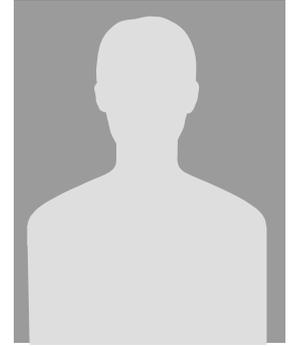
Dr Marion Welp
Chief HR & Legal
Affairs Officer



Jan Olsen
Chief Executive
Officer, Asia



Chief Product
Officer
(search in progress)



Chief Executive
Officer, Europe
and Americas
(search in progress)

FOCUSED DEVELOPMENT OF STORE PORTFOLIO TO FACILITATE GROWTH OF PROFITABLE CORE

Organization

- Organizational structure redefined for best performance
- Structure following strategy: One global brand, playing in all channels
- Accountability and responsibility: Elimination overlapping functions
- Lean and efficient: Less hierarchy levels, rightsizing and centralization
- Fast decision making

Loss-making stores

- Rationalization of the store base
- Store by store assessment and actions on loss making stores

STORE PORTFOLIO OPTIMIZATION IN EUROPE & APAC

Review of portfolio

- We are taking bold steps to review our current store portfolio (e.g. rent reduction, space reduction, closure)
- Europe: Solutions for 28 stores already defined/agreed since FY 17/18 (closure, run-out, rent reduction, resizing)
- Asia: 18 stores already closed since FY 17/18

Growth of store portfolio

- China: Expansion starting in FY 19/20 with an envisaged target of 220 store openings by 2023
- Asia: 78 store openings planned within next 5 years

TODAY'S AGENDA

ESPRIT: AN ICONIC BRAND

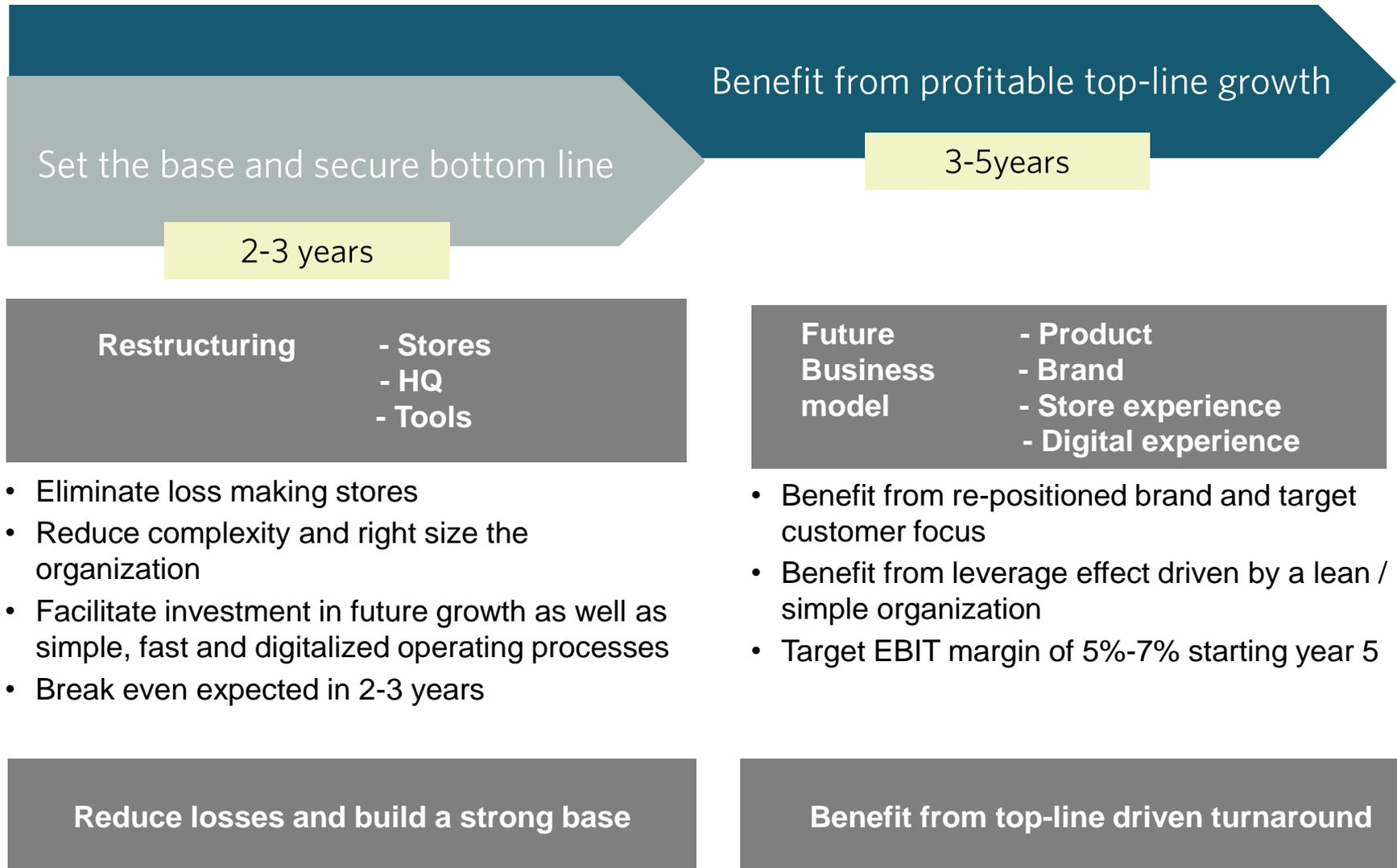
OUR CHALLENGE

OUR WAY FORWARD

MAKING IT HAPPEN

OUTLOOK

TWO PHASED APPROACH: REDUCE LOSSES AND BUILD STRONG BASE, THEN GROW TOP LINE



FY18/19 OUTLOOK (INCLUDING EXCEPTIONAL ITEMS)

REVENUE

Low double-digit % yoy decline due to a combination of i) continue rationalization of distribution footprint; and ii) decline in customers' traffic although at a slightly lower rate than last year

GP MARGIN

Stable level as pressure from lower proportion of retail revenue is expected to be offset by benefits arising from measures to reduce markdowns and promotions

REGULAR OPEX

Mid single-digit % yoy reduction mainly driven by ongoing rightsizing of retail footprint, including closure of heavily loss making retail stores and the divestment of Australia and New Zealand

EXCEPTIONAL ITEMS

HK\$1.5-1.7 billion one-off costs to restructure the organization and accelerate the closure of loss making stores, in order to significantly reduce our cost base. The benefits are expected to be fully realized over the next 2-3 years.

CAPEX

Slightly lower than previous year

MEDIUM TERM OUTLOOK FY23/24

REVENUE

- Aim to return to revenue growth in FY20/21
- Achieve compounded annual growth rate of mid-to-high single digit % from FY19/20 to FY23/24, mainly driven by productivity uplift

GP MARGIN

- Stable level as pressure from investment in quality and lower proportion of retail revenue are expected to be offset by benefits arising from closure of underperforming retail stores as well as better sell through of new products

REGULAR OPEX

- Target annualized expense savings of HK\$2 billion effective FY19/20 mainly from restructuring of organization and targeted closure of loss making stores
- Reduction of OPEX-to-sales ratio to be approximately 45% by FY23/24

EBIT

- Breakeven in 2-3 years time
- Gradual improvement to 5%-7% by FY22/23

CAPEX

- Average of approximately HK\$200 million per annum

WRAP-UP

ESPRIT IS AN ICONIC BRAND.

WE WILL

- Deliver joy, with radical positivity and a clear point of view
- Love, know, and delight our customers, harnessing the power of our data
- Offer uniquely ESPRIT product, with a commercial assortment and the best quality, always
- Become a best in class wholesale player, again
- Win the Asian customer and re-build our Asia business
- Build an organization for performance and restructure our cost base
- Form a strong team with experience, talent and a deep desire for success

WE HAVE A CLEAR PLAN WITH BOLD CHANGES.

WE WILL RETURN TO SUSTAINABLE GROWTH AND PROFITABILITY

IT'S ABOUT MAKING IT HAPPEN

ESPRIT

We stand for

**RADICAL POSITIVITY.
LOVING OUR CUSTOMER.
QUALITY, ALWAYS.**

Q&A

THANK YOU.