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ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

UNAUDITED FY18/19 THIRD QUARTER UPDATE FOR THE NINE MONTHS ENDED 31 MARCH 2019

THIRD QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY18/19 third quarter update of the Company and its subsidiaries (the “Group”) for the nine months ended 31 March 2019. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Revenue by product

Product division	For the 9 months ended 31 March					
	2019		2018		Change in %	
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency
Women (Esprit & edc)	6,634	66.9%	7,824	65.9%	-15.2%	-12.2%
women casual #	3,423	34.5%	4,106	34.6%	-16.6%	-13.7%
women edc	1,842	18.6%	2,191	18.4%	-15.9%	-13.0%
women collection	1,369	13.8%	1,527	12.9%	-10.3%	-6.9%
Men (Esprit & edc)	1,662	16.7%	1,956	16.5%	-15.0%	-12.1%
men casual	998	10.1%	1,127	9.5%	-11.4%	-8.3%
men edc	520	5.2%	604	5.1%	-13.8%	-10.9%
men collection	144	1.4%	225	1.9%	-36.2%	-34.2%
Lifestyle and others *	1,626	16.4%	2,096	17.6%	-22.4%	-19.6%
Total	9,922	100.0%	11,876	100.0%	-16.4%	-13.5%

Women casual is grouped together with Trend in 3Q FY18/19 figures, while they were disclosed separately for the same period last year. Comparative figures of women casual are restated accordingly. The Trend Division was set up as a laboratory to test our fast-to-market product development processes. The lessons the Group has learned have been applied to other product divisions under the Women segment

* Lifestyle and others mainly include bodywear, accessories, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath and houseware

Revenue by region and by distribution channel

For the 9 months ended 31 March							
	2019		2018		Revenue Change in %		Net change in net sales area ^
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
Germany	5,066	51.1%	5,987	50.4%	-15.4%	-12.2%	-8.4%
Retail (excl. eshop)	1,693	17.1%	2,017	17.0%	-16.1%	-13.1%	-9.6%
Wholesale (excl. eshop)	1,735	17.5%	2,096	17.6%	-17.2%	-14.0%	-7.5%
eshop	1,616	16.3%	1,849	15.6%	-12.6%	-9.4%	n.a.
Licensing	22	0.2%	25	0.2%	-9.7%	-6.1%	n.a.
Rest of Europe	3,865	38.9%	4,452	37.5%	-13.2%	-10.0%	-11.0%
Retail (excl. eshop)	1,361	13.7%	1,525	12.8%	-10.8%	-7.7%	-9.2%
Wholesale (excl. eshop)	1,445	14.5%	1,764	14.9%	-18.1%	-14.8%	-12.2%
eshop	994	10.0%	1,089	9.2%	-8.7%	-5.2%	n.a.
Licensing and others	65	0.7%	74	0.6%	-12.6%	-12.5%	n.a.
Asia Pacific	991	10.0%	1,437	12.1%	-31.0%	-29.4%	-29.6%
Retail (excl. eshop)	806	8.1%	1,184	10.0%	-31.9%	-30.3%	-32.1%
Wholesale (excl. eshop)	83	0.9%	90	0.8%	-8.1%	-7.5%	-14.7%
eshop	102	1.0%	163	1.3%	-37.2%	-34.9%	n.a.
Total	9,922	100.0%	11,876	100.0%	-16.4%	-13.5%	-12.4%
Retail (excl. eshop)	3,860	38.9%	4,726	39.8%	-18.3%	-15.7%	-15.2%
Wholesale (excl. eshop)	3,263	32.9%	3,950	33.3%	-17.4%	-14.2%	-9.8%
eshop	2,712	27.3%	3,101	26.1%	-12.5%	-9.3%	n.a.
Licensing and others	87	0.9%	99	0.8%	-11.9%	-10.9%	n.a.

^ Net change since 1 April 2018

n.a. Not applicable

Wholesale distribution channel by region (controlled space only)

As at 31 March 2019					
	No. of stores	Net change in no. of stores ^	Net sales area (m ²)	Net change in net sales area (m ²)	Net change in net sales area ^ (%)
Germany	3,216	-231	144,307	-11,770	-7.5%
Franchise stores	212	-17	47,094	-4,233	-8.2%
Shop-in-stores	1,946	-197	75,183	-8,577	-10.2%
Identity corners	1,058	-17	22,030	1,040	5.0%
Rest of Europe	1,797	-289	110,087	-15,288	-12.2%
Franchise stores	393	-34	72,628	-7,340	-9.2%
Shop-in-stores	733	-67	22,219	-2,988	-11.9%
Identity corners	671	-188	15,240	-4,960	-24.6%
Asia Pacific	103	-7	9,804	-1,696	-14.7%
Franchise stores	103	-7	9,804	-1,696	-14.7%
Total	5,116	-527	264,198	-28,754	-9.8%
Franchise stores	708	-58	129,526	-13,269	-9.3%
Shop-in-stores	2,679	-264	97,402	-11,565	-10.6%
Identity corners	1,729	-205	37,270	-3,920	-9.5%

^ Net change since 1 April 2018

Retail (excl. eshop) distribution channel by region (directly managed retail stores)

As at 31 March 2019

	No. of stores	Net change in no. of stores ^	Net sales area (m ²)	Net sales in net sales area ^ (m ²)	Net change in net sales area ^ (%)	No. of comp-stores	Comp-store sales growth
Germany	130	-13	101,450	-10,741	-9.6%	118	-8.3%
Rest of Europe	130	-5	72,509	-7,323	-9.2%	102	-6.6%
Asia Pacific	197	-144	45,107	-21,343	-32.1%	120	-4.4%
Total	457	-162	219,066	-39,407	-15.2%	340	-7.1%

^ Net change since 1 April 2018

Highlights for the three months ended 31 March 2019

Revenue Analysis

For the three months ended 31 March 2019 (the “3Q FY18/19” or “Third Quarter”), Group revenue amounted to HK\$3,156 million, representing a year-on-year (“yoy”) decline of -11.6% in local currency (“LCY”), which compares favorably against the corresponding reduction in total controlled space of -12.4% yoy. This is the first-time since the first quarter of FY17/18 where the Group recorded a quarterly revenue decline that is less than the corresponding space reduction. Highlights of the sales performance for the three months ended 31 March 2019 are set out below.

Revenue by region and by distribution channel

	For the 3 months ended 31 March						
	2019		2018		Revenue Change in %		Net change in net sales area ^
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
Germany	1,599	50.7%	1,888	49.2%	-15.3%	-8.6%	-8.4%
Retail (excl. eshop)	475	15.1%	564	14.7%	-15.8%	-9.1%	-9.6%
Wholesale (excl. eshop)	621	19.7%	726	18.9%	-14.5%	-7.6%	-7.5%
eshop	495	15.7%	589	15.4%	-16.0%	-9.3%	n.a.
Licensing	8	0.2%	9	0.2%	-12.1%	-5.0%	n.a.
Rest of Europe	1,264	40.0%	1,477	38.5%	-14.4%	-8.0%	-11.0%
Retail (excl. eshop)	405	12.8%	452	11.8%	-10.3%	-3.9%	-9.2%
Wholesale (excl. eshop)	502	15.9%	638	16.6%	-21.1%	-14.8%	-12.2%
eshop	335	10.6%	363	9.4%	-7.9%	-0.7%	n.a.
Licensing and others	22	0.7%	24	0.7%	-12.2%	-11.8%	n.a.
Asia Pacific	293	9.3%	472	12.3%	-37.6%	-35.2%	-29.6%
Retail (excl. eshop)	239	7.6%	388	10.1%	-38.4%	-36.0%	-32.1%
Wholesale (excl. eshop)	23	0.7%	27	0.7%	-13.6%	-13.0%	-14.7%
eshop	31	1.0%	57	1.5%	-43.4%	-40.5%	n.a.
Total	3,156	100.0%	3,837	100.0%	-17.7%	-11.6%	-12.4%
Retail (excl. eshop)	1,119	35.5%	1,404	36.6%	-20.3%	-14.9%	-15.2%
Wholesale (excl. eshop)	1,146	36.3%	1,391	36.2%	-17.5%	-11.0%	-9.8%
eshop	861	27.3%	1,009	26.3%	-14.6%	-7.9%	n.a.
Licensing and others	30	0.9%	33	0.9%	-12.2%	-10.0%	n.a.

^ Net change since 1 April 2018

n.a. Not applicable

It is worth noting that while 3Q FY18/19 recorded a revenue decline, the rate of decline has continued to narrow quarter-on-quarter, reflecting a positive trend of improvement. As shown in the table below, the rate of revenue decline has narrowed

from -16.2% yoy in LCY for the first quarter ended 30 September 2018 (“First Quarter”) to -12.5% yoy in LCY for the second quarter ended 31 December 2018 (“Second Quarter”), and further reduced to -11.6% yoy in LCY for the Third Quarter.

Revenue change by region

	Revenue change in % (yoy in LCY)		
	First Quarter	Second Quarter	Third Quarter
Germany	-16.8%	-11.1%	-8.6%
Rest of Europe	-14.5%	-7.1%	-8.0%
Asia Pacific	-20.0%	-31.2%	-35.2%
Total	-16.2%	-12.5%	-11.6%

Such quarter-on-quarter improvement was mainly driven by Germany which accounted for the largest share of the Group’s revenue. For Asia Pacific, the higher rate of revenue decline in the Second Quarter and Third Quarter was mainly due to the Group’s exit of the Australia and New Zealand (“ANZ”) markets where all stores were closed by the end of September 2018.

Retail (excl. eshop) recorded revenue of HK\$1,119 million for the Third Quarter, representing a decline of -14.9% yoy in LCY, which compares favorably against the corresponding reduction in net sales area of -15.2% yoy. The reduction in net sales area is in line with the Group’s effort in accelerating the closure of unprofitable retail stores, as laid out in our Strategic Plan to build a stronger foundation for the future.

In terms of comparable retail (excl. eshop) store sales, although it recorded a slight decline of -2.3% yoy in LCY for the Third Quarter, we observed a positive trend of improvement since the beginning of this financial year. As shown in the table below, the rate of comparable retail (excl. eshop) store sales decline has narrowed significantly from -14.1% yoy in LCY for the First Quarter to -4.9% yoy in LCY for the Second Quarter, and further reduced to -2.3% yoy in LCY for the Third Quarter.

Retail (excl. eshop) comparable store sales growth

	Revenue change in % (yoy in LCY)		
	First Quarter	Second Quarter	Third Quarter
Germany	-16.3%	-5.9%	-1.7%
Rest of Europe	-15.0%	-3.6%	-0.3%
Asia Pacific	0.3%	-4.1%	-8.7%
China	-9.4%	-17.4%	-17.8%
Rest of Asia Pacific	6.3%	5.5%	-2.2%
Total	-14.1%	-4.9%	-2.3%

Such quarter-on-quarter improvement was driven by Germany and Rest of Europe, both reported only a slightly negative comparable retail (excl. eshop) store sales growth for the Third Quarter as compared to the same period last year. As for Asia Pacific, the performance was mixed across China and Rest of Asia Pacific. China reported a decline in comparable retail (excl. eshop) store sales of -17.8% yoy in LCY in the Third Quarter mainly due to decrease in customer traffic. Whereas Rest of Asia Pacific recorded a slight decline in comparable store sales of -2.2% yoy in LCY for the Third Quarter mainly due to shift of Easter holiday from March last year to April this year.

Wholesale (excl. eshop) recorded revenue of HK\$1,146 million for the Third Quarter, representing a decline of -11.0% yoy in LCY, broadly in line with the

corresponding reduction in controlled space of -9.8% yoy. As shown in the table below, the rate of Wholesale (excl. eshop) revenue decline has narrowed in the Third Quarter against a stable trend in change of controlled space, reflecting an improvement in sales productivity of wholesale space.

Wholesale (excl. eshop)

	Change in % yoy		
	First Quarter	Second Quarter	Third Quarter
Revenue (in LCY)	-15.5%	-16.5%	-11.0%
Net sales area (in sqm)	-9.8%	-10.0%	-9.8%

This improvement was driven by Germany and Rest of Europe, where many initiatives are in progress to build a best in class wholesale model to better serve our wholesale customers. One achievement worth mentioning is that, in the middle of March 2019, the Company organized an Esprit Partner Day which was a great success. For the first time in years, we invited more than 120 key people representing our main franchise and multi-label partners from Europe to attend this event which took place in our Ratingen headquarters over two intensive and joyful days. The feedback from our wholesale partners was very positive and they expressed positive feeling about Esprit after the event.

As for Asia Pacific wholesale (excl. eshop), the performance was mixed across China and Rest of Asia Pacific. Although China wholesale (excl. eshop) recorded a revenue decline of -62.5% yoy in LCY, the size of the business is relatively small and amounted to only HK\$3 million for the Third Quarter. The weakness of China wholesale (excl. eshop) was mainly due to i) space reduction of -36.3% yoy, and ii) reduced order intake in anticipation of store closures in coming months. On the contrary, Rest of Asia Pacific wholesale (excl. eshop) recorded revenue of HK\$20 million for the Third Quarter, representing a growth of +5.6% yoy in LCY. This positive performance was mainly due to improved order intake from wholesale partners in India and Thailand. It is worth mentioning that the growth in India was driven by on-line sales as well as opening of new off-line stores by the wholesale partners.

Eshop revenue totaled HK\$861 million in 3Q FY18/19, representing a decrease of -7.9% yoy in LCY. **Eshop Europe** (Germany and Rest of Europe) accounted for 96.3% of total eshop revenue and reported revenue decline of -6.0% yoy in LCY. Similar to wholesale (excl. eshop), although there was a decline in revenue, the rate of decline has narrowed from -8.7% yoy in LCY for the first half of this financial year. As for **Eshop Asia Pacific**, it only accounted for 3.7% of total eshop revenue, reported a decline of -40.5% yoy in LCY. Such decline was mainly due to i) the closure of eshop in ANZ during July 2018, and ii) the decline in consumer traffic to the eshop on Tmall.

Eshop

	Revenue change in % (yoy in LCY)		
	First Quarter	Second Quarter	Third Quarter
Europe	-14.1%	-3.8%	-6.0%
Asia Pacific	-36.7%	-29.7%	-40.5%
Total	-14.9%	-5.5%	-7.9%

Strategy Update

During the Third Quarter, the Group remained focused on the execution of its Strategy Plan to restore Esprit to sustainable growth and profitability. Management is encouraged by the quarter-on-quarter improvements seen in different aspects of the business as mentioned in the Revenue Analysis section above, and the progress of the strategic initiatives are progressing well and on track.

The Group is encouraged by the initial progress achieved during the early stages of the strategy plan, and this gives us confidence that we are on the right track. However, it is important to appreciate that the strategic closure of loss-making stores will exert pressure on our top-line in the short term, and as other initiatives are still work-in-progress at this stage, it will require time to make the corresponding improvements in brand and product visible to our customers for attracting them back into Esprit stores.

By Order of the Board
Hung Lee Lee
Company Secretary

Hong Kong, 29 April 2019

As at the date of this announcement, the Board comprises (i) Dr Raymond Or Ching Fai (Executive Chairman), Mr Anders Christian Kristiansen (Group Chief Executive Officer), and Mr Thomas Tang Wing Yung (Group Chief Financial Officer) as Executive Directors; (ii) Mr Jürgen Alfred Rudolf Friedrich as Non-executive Director; and (iii) Mr Alexander Reid Hamilton, Mr Carmelo Lee Ka Sze and Mr Norbert Adolf Platt as Independent Non-executive Directors.