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ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

UNAUDITED FY19/20 FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

FIRST QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY19/20 first quarter update of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 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.

Key Take Away

Pressure from topline decline was more than compensated by significant cost savings which led to improvement in our operating results. Management is encouraged by the progress made in the three months ended 30 September 2019 (“1Q FY19/20”) and is confident that the Group is on the right track to recovery. Our goal for the rest of FY19/20 is to continue our transformation journey, implementing the Strategy Plan consistently and rigorously, continuously fine tuning the measures when- and wherever needed.

Highlights for the three months ended 30 September 2019

The results for 1Q FY19/20 is overall a continuation of the positive development seen in the last financial year. On the one hand, revenue has declined due to bold decisions (the “Strategic Measures”) to:

- a) rationalize our distribution footprint; and
- b) reduce discount driven promotions (the “Reduced Discounting”) which is very much in line with our strategy to behave like a brand.

On the other hand, these Strategic Measures together with other cost reduction initiatives allow us to significantly reduce operating expenses and drive efficiencies in order to improve our operating results.

Revenue by region and by distribution channel

For the 3 months ended 30 September							
	2019		2018		Revenue Change in %		Net change in net sales area [^]
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
Europe	2,671	93.9%	3,020	90.6%	-11.6%	-7.4%	-12.2%
Retail (excl. eshop)	814	28.6%	970	29.1%	-16.2%	-12.5%	-14.2%
Wholesale (excl. eshop)	1,135	39.9%	1,213	36.4%	-6.5%	-2.0%	-10.8%
eshop	699	24.6%	810	24.3%	-13.6%	-9.3%	n.a.
Licensing and others	23	0.8%	27	0.8%	-13.2%	-11.6%	n.a.
Asia	175	6.1%	314	9.4%	-44.4%	-43.4%	-26.7%
Retail (excl. eshop)	136	4.8%	261	7.9%	-47.9%	-47.0%	-28.3%
Wholesale (excl. eshop)	20	0.7%	32	0.9%	-35.7%	-35.5%	-19.2%
eshop	19	0.6%	21	0.6%	-14.1%	-12.0%	n.a.
Total	2,846	100.0%	3,334	100.0%	-14.6%	-10.8%	-14.0%
Retail (excl. eshop)	950	33.4%	1,231	37.0%	-22.9%	-19.8%	-17.3%
Wholesale (excl. eshop)	1,155	40.6%	1,245	37.3%	-7.2%	-2.9%	-11.2%
eshop	718	25.2%	831	24.9%	-13.6%	-9.4%	n.a.
Licensing and others	23	0.8%	27	0.8%	-13.2%	-11.6%	n.a.

[^] Net change since 1 October 2018

Asia includes revenue from Australia and New Zealand ("ANZ") for the 3 months ended 30 September 2018. The operation in ANZ had been completely closed in September 2018

n.a. Not applicable

Group revenue for the 1Q FY19/20 amounted to HK\$2,846 million. While it represented a year-on-year ("yoy") decline of -10.8% in local currency terms ("LCY"), this development compares favorably against the corresponding reduction in total controlled space of -14.0% yoy. It is encouraging to see that the Strategic Measures are yielding improvements in operational metrics:

- a) **Europe Retail (excl. eshop)**, representing 85.7% of Retail (excl. eshop) revenue, recorded:
 - i. growth in **comparable store sales** in two out of three months in the 1Q FY19/20 (July 2019: -10.5% yoy in LCY, August 2019: +2.0% yoy in LCY, September 2019: +0.3% yoy in LCY), and
 - ii. improvement in **comparable store gross profit** yoy in LCY due to Reduced Discounting.
- b) **Germany wholesale (excl. eshop)**, representing 52.6% of Wholesale (excl. eshop) revenue, reported a revenue growth of +1.8% yoy in LCY after 7 consecutive years of quarterly decline. This is an encouraging development thanks to ongoing progress made in building a best in class wholesale model to serve our wholesale partners.
- c) With respect to **operating expenses**, as a result of our strategic decision to reduce headcount, closure/resizing of unprofitable stores, and persistent discipline on cost control and efficiency measures, we were able to reduce operating expenses significantly across all the major cost categories.

By Order of the Board
Hung Lee Lee
Company Secretary

Hong Kong, 5 November 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 Dr Johannes Georg Schmidt-Schultes (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, Mr Norbert Adolf Platt and Ms Sandrine Suzanne Eleonore Agar Zerbib as Independent Non-executive Directors.

APPENDIX

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

As at 30 September 2019							
	No. of stores	Net change in no. of stores ^	Net sales area (m ²)	Net sales (m ²)	Net change in net sales area ^ (%)	No. of comp-stores	Comp-store sales growth
Germany	117	(20)	88,590	-19,300	-17.9%	106	-4.2%
Rest of Europe	126	(8)	69,405	-6,906	-9.0%	115	-2.4%
Asia	167	(72)	37,443	-14,793	-28.3%	106	-18.9%
Total	410	-100	195,438	-40,999	-17.3%	327	-5.1%

^ Net change since 1 October 2018

Wholesale distribution channel by region (controlled space only)

As at 30 September 2018					
	No. of stores	Net change in no. of stores ^	Net sales area (m ²)	Net sales (m ²)	Net change in net sales area ^ (%)
Germany	3,019	(312)	135,222	(14,256)	-9.5%
Rest of Europe	1,738	(184)	104,747	(14,906)	-12.5%
Asia	93	(13)	8,748	(2,073)	-19.2%
Total	4,850	(509)	248,717	(31,235)	-11.2%

^ Net change since 1 October 2018