



**ESPRIT HOLDINGS LIMITED**  
**FY03/04 Final Results**

# forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Esprit. These forward-looking statements represent Esprit's expectations or beliefs concerning future events and involving known and unknown risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied in such statements.



- **net profit HK\$2 billion**
- **return on equity over 40%**
- **dividend: final      HK\$0.48**  
**special HK\$0.50**
- **International Financial Reporting Standards (IFRS) adopted**

# financial highlights

	IFRS compliant	
<i>(in HK\$ million, except per share data)</i>	FY03/04	YoY Growth
turnover	16,357	+32%
operating profit	2,872	+57%
net profit	2,003	+55%
basic EPS (HK\$)	1.68	+54%
capex spent	662	+329
net cash*	1,758	+438
shareholders' funds	5,415	+29%
ROE	42%	+6% pts

\*cash and cash equivalents less long-term bank loan

# key performance indicators

## Gross Margin

52.1% ↑ 2.2%pts

## EBITDA Margin

19.6% ↑ 2.7%pts

## EBIT Margin

17.6% ↑ 2.9%pts

## Effective Tax Rate

32.1% ↓ 6.3%pts\*

## Net Profit Margin

12.2% ↑ 1.8%pts

- better full-price sell-through
- greater wholesale operating leverage
  - ◆ 22% EBIT margin, up 1.9% points
- Europe - improved retail productivity
  - ◆ 12.3% EBIT margin, up 2.9% points
  - ◆ 11.2% comp-store-growth
- halved total operating losses from H.K., Taiwan, Canada, UK retail markets

\*excluding non-recurring tax refund amounted to EUR16.1 million in Europe, Group's effective tax rate for FY02/03 was 38.4%

# international financial reporting standards for international company

## IFRS adoption

- improve transparency and quality of disclosure for shareholders, capital markets and other users globally
- 80%+ turnover from Europe, a region moving to IFRS
- one standard - more efficient and cost effective for global consolidation and reporting

## P&L impact

- first time adoption adjustments + HK\$130m
  - ◆ *including non-amortization of Esprit trademarks +HK\$105m*

## one time charge

- red earth:
  - ◆ restructuring of Australian operation - HK\$50m

# strong growth in all key markets

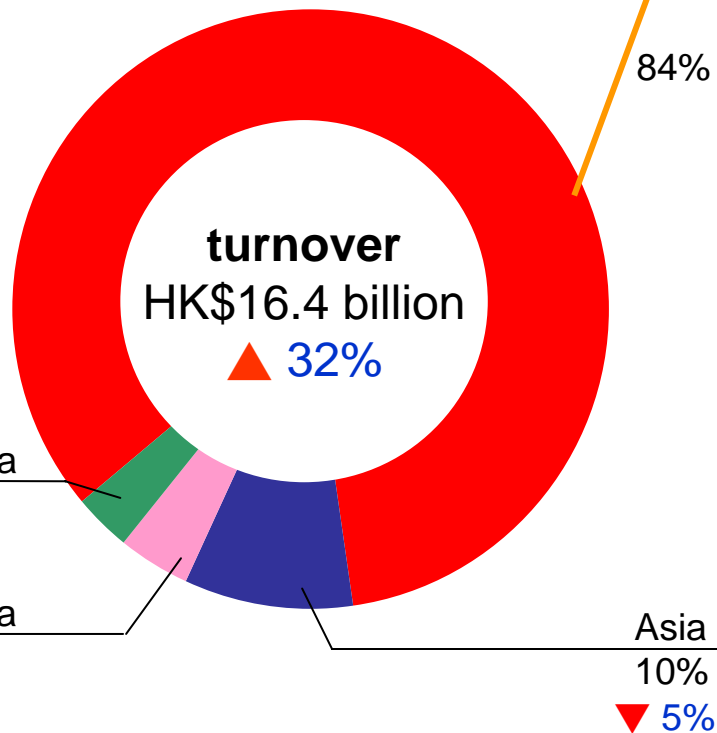
Europe ▲ 39%

wholesale:

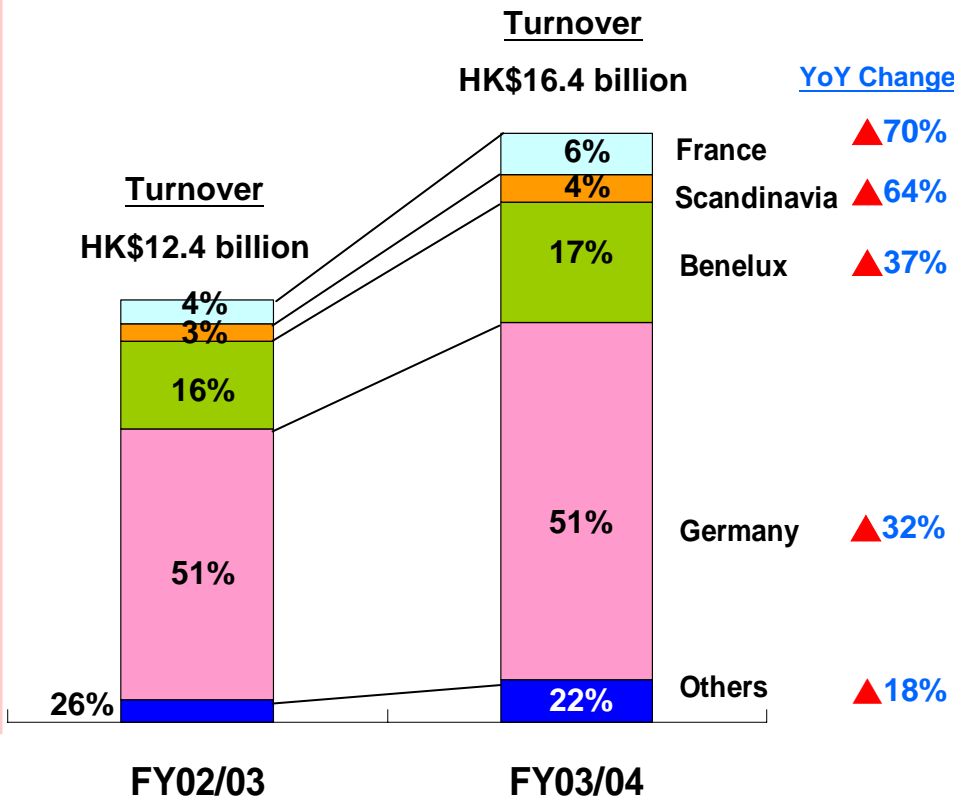
- more shop-in-stores & franchise stores

retail:

- floor space expansion
- double-digit comp-store-growth



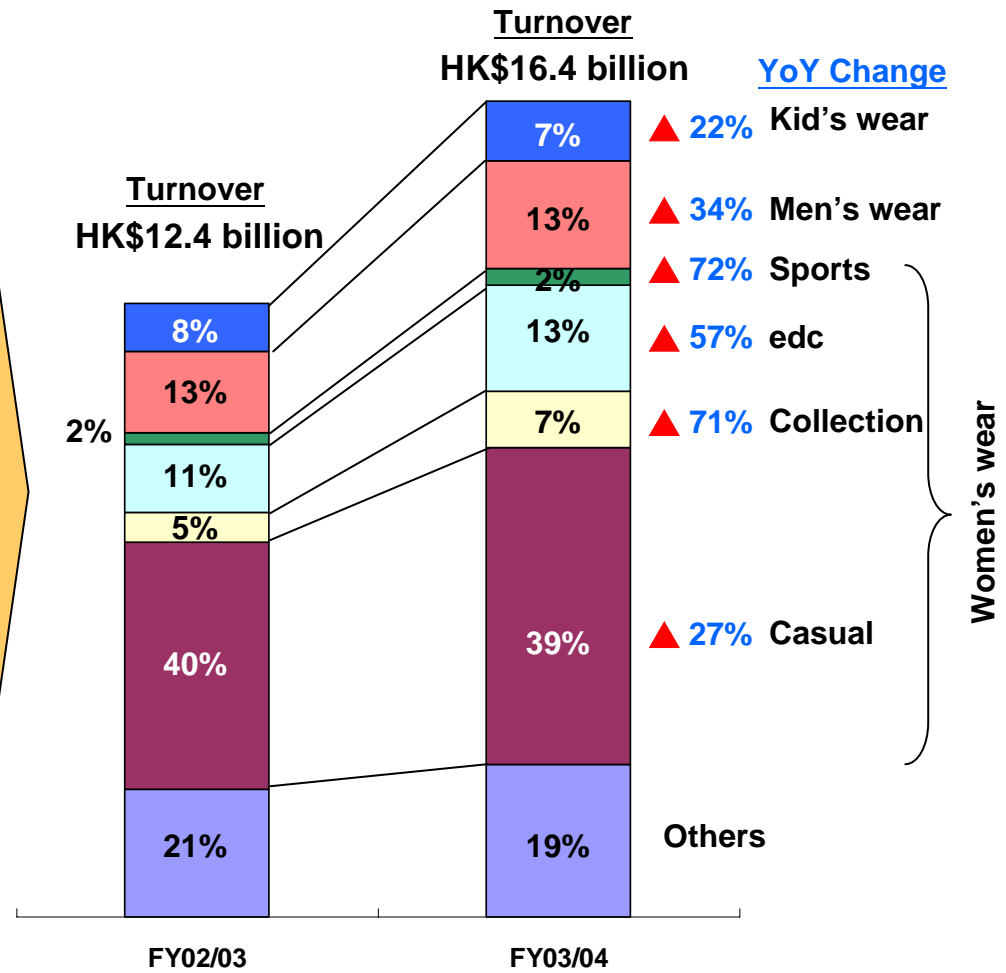
France, Scandinavia & Benelux grew faster than Germany



▲ / ▼ yoy change

# double digit % increase across key product divisions

- uncompromising focus on quality and value
- better differentiation of Casual, edc, Collection
- 12 collections – fresh products every month
- market-driven product development & integrated buying

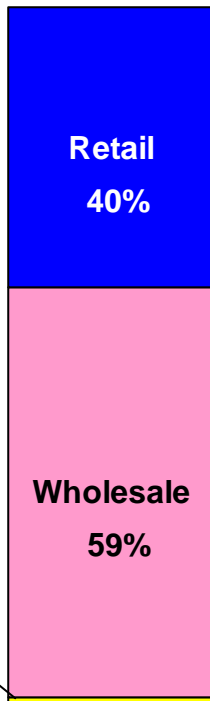


▲ yoy change



# global distribution network

Turnover  
HK\$16.4 billion



FY03/04

(in HK\$ million)	Group			
	retail		wholesale*	
		change		change
turnover	6,545	+28%	9,613	+36%
operating profit	452	+309%	2,117	+49%
total sq. m.	170,000+	+14%	337,000+	+27%
total POS	550+	-6	7,900+	+1,511
europe	180+	+55	6,700+	+1,589
asia	200+	-14	930+	-86
north america	35+	-15	270+	+8
australasia	120+	-32	0	0

\*POS figures shown under wholesale only include control space wholesale formats.  
i.e. partnership stores, shop-in-store and identity corners

**looking into**

**FY04/05**

# expansion targets

region	retail		wholesale
	new stores	sq.m	
Europe	40+	28,000+	<ul style="list-style-type: none"><li>▶ 1,400+ new points of sales</li><li>▶ U.K., Spain &amp; Italy</li></ul>
Asia	15+	900+	} ▶ Canada, Middle East & Australia
N. America	15+	4,000+	
Australasia	25+	5,000+	
	▶ net sq.m. increase: 18%		▶ order booking up to Jan 2005 shows double-digit % growth

# investing in our future

## capex

all funded from operating cashflow

- ~ HK\$800m for strategic retail expansion
- ~ HK\$200m to upgrade existing stores and IT infrastructures

## long-term investment

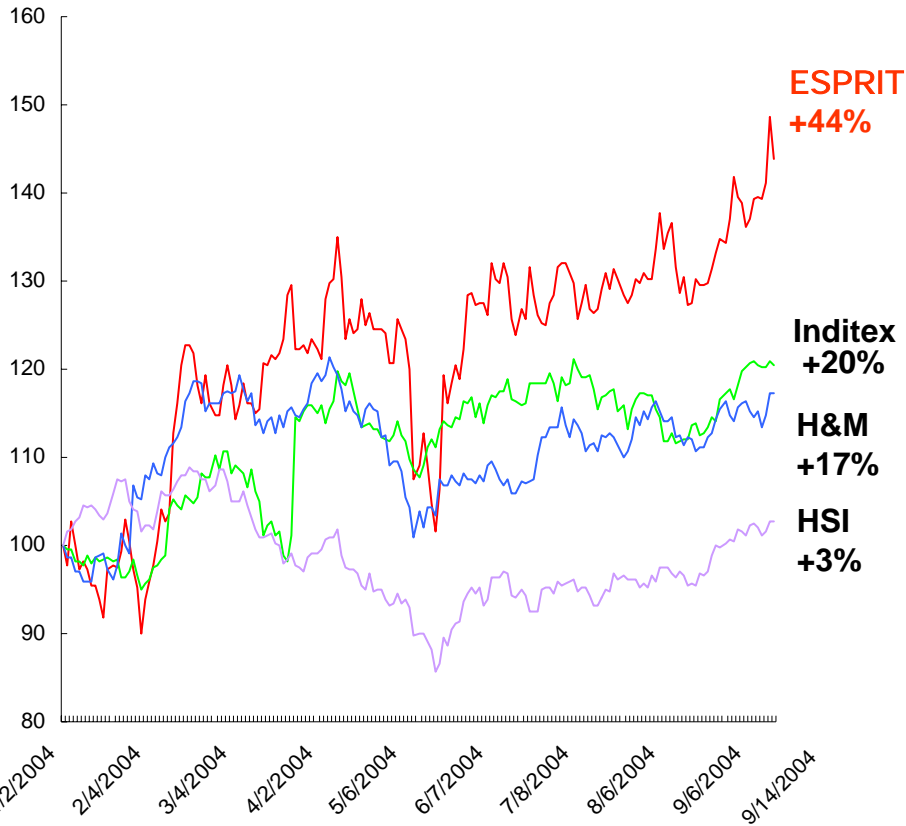
new head office in Hong Kong

- ~ HK\$300m for the property and signage space
  - ◆ approx. 73,000 sq. ft. of office space

# solid performance and stable dividend yield

valuation still trailing global peers

## share price performance



Bloomberg data as at 6:27 p.m., Sept 14, 2004

## valuation measures

	ESPRIT**	H&M	Inditex
Est. PEG*	0.92	1.86	1.11
EV*/EBITDA*	13.6x	14.5x	13.4x
Dividend Yield*^	3.1%	3.0%	1.8%
ROE*	42%	33%	23%
ROC*	37%	33%	21%

\*Bloomberg data as at 6:30 p.m., Sept 14, 2004

\*\*Esprit data except for Est. PEG that is based on Bloomberg data as at 6:30 p.m., Sept 14, 2004 and return on capital (ROC)=net profit / (Total Debt+Shareholders' Funds)

^Dividend yield for the current year in Bloomberg as at 6:30 p.m., Sept 14, 2004

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# analysts favorites

- Is the European growth sustainable?
- Any change in your U.S. strategy?
- Asian markets outlook including Hong Kong?
- Responsibilities of:
  - ◆ the joint COOs for the **ESPRIT** brand?
  - ◆ the new President for the U.S. market?



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