



**ESPRIT ANNOUNCES FY2015/16 INTERIM RESULTS**  
(for the six months ended 31 December 2015)

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**Strategic Plan Starting to Bear Fruit**

**Group turnover stabilized (-0.4% in local currency) after 4 consecutive interim first half periods of significant decline**

- Retail turnover (67.2% of the Group's turnover) grew +6.0% yoy in LCY mainly driven by Europe, where retail sales grew +8.6% yoy in LCY
- Gross profit margin remained stable at 50.5% and most recurring OPEX lines were reduced as planned
- Net loss of HK\$238 million, in line with market expectation and primarily due to our decision to step up Brand Marketing efforts this year
- The Group remained debt-free with healthy net cash of HK\$4,192 million

**Positive progress in the key pillars of our Strategic Plan**

- Vertical Model - improved products in terms of design, quality and value-for-money: comparable retail store sales growth of +8.0% in LCY
- Omnichannel Model - rapid growth in all related indicators: number of loyal consumers, share of multichannel consumers, online sales, share of mobile sales, etc.

**Preparing the Group for profitable growth in the near future**

- Primary focus is still on systematically enhancing the execution of our Vertical and Omnichannel model to drive further productivity gains (i.e. increasing sales per sqm)
- Management is already working on additional initiatives to accelerate profitability improvements over the coming years (e.g. cost restructuring measures)

(23 February 2016, Hong Kong) - **ESPRIT HOLDINGS LIMITED** ("Esprit" or "the Group"; SEHK: 330) has today announced its interim financial results for the six months ended 31 December 2015.

## Financial Performance

Group turnover for 1H FY15/16 was almost flat year-on-year with only a marginal decline of -0.4% in local currency, representing a substantial improvement after the previous four consecutive interim first half periods of significant year-on-year turnover decline in local currency.

From a channels perspective, top line improvement was driven by positive retail sales growth (+6.0% in local currency), whilst our wholesale business remained challenging. From a geographic market point of view, the positive evolution is more evident in Europe (+0.6% in local currency), whilst our business in Asia Pacific faces more challenges.

In the period under review, gross profit margin remained stable at 50.5%. In terms of operating costs ("OPEX"), the Group was able to reduce the main recurring OPEX lines (such as staff and occupancy costs) but total OPEX increased +5.1% year-on-year in local currency, primarily due to i) our strategic decision to step up Brand Marketing efforts; and ii) a normalized HK\$18 million net stock provision this year as compared to an one-off exceptional HK\$257 million net write-back of stock provision last year.

Consequently, the Group incurred a net loss of HK\$238 million for 1H FY15/16, which is in line with market expectation.

**Mr. Thomas Tang, the Group Chief Financial Officer of Esprit**, said, "The overall results were largely in line with the Group's full-year guidance given to the market during the FY14/15 Annual Results presentation. The Group remains vigilant in controlling costs and the positive trends in our retail sales performance have allowed us to be debt-free with a healthy net cash position of HK\$4,192 million as at 31 December 2015."

## Vertical Model - Key Strategic Product Initiatives Starting To Bear Fruit

Esprit underwent the most demanding phase of our strategic plan in the previous financial year, when we started the implementation of a vertically integrated business model within Esprit ("Vertical Model"). As a result, more cost efficient product development and supply chain processes are now allowing the Group to develop improved products in terms of design, quality, and value-for-money ("Vertical Products").

Since the introduction of the first Vertical Products in Spring/Summer 2015, we have been observing positive trends in our retail sales performance. More specifically, in the first half of this financial year ("1H FY15/16"):

- Retail turnover (67.2% of the Group's turnover), grew +6.0% year-on-year in local currency, despite a year-on-year reduction in retail net sales area of -4.9%, fueled by comparable store sales growth of +8.0% in local currency
- Retail sales in Europe grew +8.6% year-on-year in local currency, with comparable store sales growth of +8.3% in local currency
- In Germany, the Group's largest market, our comparable full-price brick and mortar stores<sup>1</sup> outperformed the market every month between July and December 2015 by an average of +10.2 percentage points<sup>2</sup>

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<sup>1</sup> This group of stores is selected because it is the type of stores used by TextilWirtschaft to show the German retail market development

<sup>2</sup> Based on the comparable market data published by TextilWirtschaft

- From a product perspective, growth was driven by the women divisions (including Esprit and edc branded products), which reported retail turnover growth of +9.7% year-on-year in local currency, with comparable store sales growth of +11.9% in local currency

The positive retail sales development in Europe was, unfortunately, offset by the continued weakness in the wholesale channel and a negative development of the Asia Pacific region. Both of which remain challenging areas of our business.

### **Omnichannel Model - Positive launch of new commercial strategy**

Additionally, in order to maximize the selling potential of the improved products, the Group started to develop a more ambitious commercial strategy that aims to optimize the joint performance of all sales channels: offline and online, retail and wholesale (the "Omnichannel Model").

Since the implementation of the first Omnichannel initiatives, we have observed a positive development of most of the key related indicators, including:

- +23% year-on-year growth of active Esprit Friends members (i.e. members of the program who have purchased in the last 12 months)
- +11% of Esprit Friends becoming multichannel (i.e. buying both offline and online)
- Increase to 49% share of mobile traffic within the total e-shop traffic and +92% year-on-year growth of smartphone sales

Commenting on the period under review, **Mr. Jose Manuel Martínez, the Esprit Group Chief Executive Officer**, said, "The performance during the first six months of this financial year gives us confidence that the implementation of our Vertical and Omnichannel model is an effective basis to turnaround our business. We remain confident that we are heading in the right direction and are laying the necessary foundation to restore competitiveness and long term growth for Esprit."

### **Preparing the Company for future growth**

Driving further productivity gains (i.e. increasing sales per square meter of our controlled space) remains our top priority in the near term. Consequently, our main focus during the coming months will still be on systematically enhancing the execution of our Vertical and Omnichannel model. This is the key foundation on which we are preparing the Group for profitable growth in the near future.

While the Vertical and Omnichannel models are the basis for a successful operation, management is already working on additional initiatives to accelerate both top line and bottom line improvement over the coming years. Since September 2015, we have been deploying an intensive brand marketing campaign to strengthen and rejuvenate our brand image. In terms of cost reduction, we are pursuing opportunities to change the structural aspects of the Group so that OPEX can be brought down to a much lower level. We expect savings to start happening already in the second half of the financial year ("2H FY15/16") but the full impact will take effect over the next 2-3 years.

## 2H FY15/16 Outlook

We are conscious that the operating environment appears challenging as volatility in financial markets and economic uncertainty across regions may dampen consumer sentiment, especially in our Asian markets. We expect that the overall performance will continue to be in line with the guidance given to the market during the FY14/15 Annual Results presentation.

**Mr. Raymond Or, Chairman of Esprit**, commented: "The Board is pleased to see the positive performance driven by gains in retail space productivity, both in its strategic markets and in its major product divisions, in the first half of the financial year. This upward trend is encouraging and it proves that our strategic plan, together with the collective hard work of the Esprit teams, is starting to bear fruit."

### ESPRIT HOLDINGS LIMITED UNAUDITED CONSOLIDATED FINANCIAL DATA

(In HK\$ Million)	For the 6 months ended 31 December 2015	For the 6 months ended 31 December 2014
Turnover	9,315	10,716
Gross Profit	4,700	5,407
Operating (Loss)/Profit	(247)	37
Net (Loss)/Profit	(238)	47
Net Cash Balance	4,192	5,230
(Loss)/Earnings Per Share (HK cents)	(12)	2
Interim Dividend Per Share (HK cents)	-	1.5

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### **About Esprit Holdings Limited**

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to make consumers "feel good to look good". The company's "esprit de corps" reflects a positive and caring attitude towards life that embraces community, family and friends - in that casual, laid-back California style, The Esprit style.

Esprit's collections are available in over 40 countries worldwide, in around 870 directly managed retail stores and through over 7,500 wholesale points of sales including franchise stores and sales space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on the Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.

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### *Forward-Looking Statement*

*This press release contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, beliefs, estimates, expectations and/or plan stated in this document are, to the best of its knowledge, true, actual events and/or results could differ materially. The Group cannot assure you that those current anticipations, beliefs, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations. All forward-looking statements contained in this document are expressly qualified by these cautionary statements.*