



## **Esprit Reports Interim Results of FY17/18**

- Revenue of HK\$8,039 million, down -3.4% yoy in HK\$ terms or -9.6% yoy in local currency terms impacted by weaker than expected performance of brick and mortar retail stores in 2Q FY17/18
- Continued improvements in gross profit margin and regular OPEX
  - Gross profit margin increased by +0.4% pt to 52.9%
  - Regular OPEX reduced by -5.5% yoy in LCY, on top of the significant reduction last year (-9.9% yoy in LCY)
- Result of underlying operations (LBIT excl. exceptional items) of HK\$(136) million
- Net loss of HK\$(954) million primarily due to the impairment of China Goodwill and Customer Relationship (HK\$794 million) which is purely an accounting adjustment, with no impact on operational performance and cash balance
- Strong financial position with net cash balance of HK\$4.57 billion and zero debt

(28 February 2018, Hong Kong) – **ESPRIT HOLDINGS LIMITED** (“Esprit” or “the Group”; HKEx: 330) has today announced its interim financial results for the six months ended 31 December 2017 (“1H FY17/18”).

At a press conference in Hong Kong today, **Mr. Jose Manuel Martínez, Group Chief Executive Officer of Esprit**, said, “Interim results of the Group are below our expectation, mainly due to weaker than expected sales performance of our brick and mortar retail stores in the second quarter of the financial year, where we observed decreased customers traffic. However, management is clear that further rationalization of our controlled space must continue and it must be compensated by increasing sales performance both in the remaining brick and mortar stores and online business. Thus improving sales productivity across all channels is our fundamental goal”

### **Financial Highlights**

**Revenue** of the Group for 1H FY17/18 amounted to HK\$8,039 million. While a decline in revenue was anticipated, due to strategic rationalization of our distribution footprint, for the second quarter of FY17/18, the decline was more than expected primarily due to sales performance of our brick and mortar retail stores. As a result, the reported year-on-year (“yoy”) decline of the Group revenue of -9.6% in local

currency (LCY) was larger than the corresponding total space reduction of -7.4%. Thanks to the favorable currency impact resulting from the yoy appreciation of the EUR/HKD average rate of +7.9%, the revenue decline was -3.4% yoy in Hong Kong Dollar terms.

Other financial metrics are developing positively and in line with guidance. **Gross profit margin** improved by +0.4% point, mainly as a result of continued improvement of supply chain efficiency, and **Regular OPEX** reduced by -5.5% yoy in LCY, as the Group remained steadfast in further restructuring our cost base. Improvements in Gross profit margin and operating expenses were not sufficient to outweigh the negative impact of revenue decline. Consequently, the underlying operations recorded a loss (**LBIT excl. exceptional items**) of HK\$(136) million (1HFY16/17: EBIT of HK\$2 million).

Taking into account a net exceptional expense of HK\$822 million, **Net Loss** of the Group for 1H FY17/18 was HK\$(954) million. **Mr. Thomas Tang, Group Chief Financial Officer of Esprit**, commented, "It is important to highlight that the majority of this net loss is related to the impairment of our China Goodwill and Customer Relationships of HK\$794 million due to the relevant reduction of our business in the country in recent years. This impairment is purely an accounting adjustment, with no impact on our operational performance and our cash balance. In fact, the Group's **Net Cash position** was strong and healthy at HK\$4,575 million as of 31 December 2017, despite HK\$186 million spent on share repurchases during the Period under Review."

## Outlook

Moving forward, the Group will continue the necessary rationalization of its distribution and keep a primary focus on increasing sales productivity in offline and online channels. In this respect, management continues to work along the five strategic initiatives presented in the last annual report, namely Brand Rejuvenation, Product Elevation, Channels Next Generation, Markets Rightsizing, and Cost Reduction. In order to maximize their impact, management is developing each initiative with specific solutions for two different areas of the business: the core business and the new businesses.

For the Core Business (current product offering serving our core customers in Europe), the main goals are (i) to stabilize sales performance by shaping product collections strictly to the demands of the current core consumers group and (ii) to maximize profitability by rapidly improving the efficiency of existing operations. Regarding New Businesses, the goal is to capture opportunities in areas of high growth potential by developing new product lines, under a fully vertical model, totally devoted to our online channels and to a new generation of consumers, especially in the China Market.

## ESPRIT HOLDINGS LIMITED UNAUDITED CONSOLIDATED FINANCIAL RESULTS

<i>(In HK\$ Million)</i>	<b>For the 6 Months Ended 31 December 2017</b>	<b>For the 6 Months Ended 31 December 2016</b>
<b>Revenue</b>	<b>8,039</b>	8,323
<b>Gross Profit</b>	<b>4,252</b>	4,371
<b>Operating Loss</b>	<b>(958)</b>	(13)
<b>Net (Loss)/Profit</b>	<b>(954)</b>	61
<b>Net Cash Balance</b>	<b>4,575</b>	4,548
<b>(Loss)/Earnings Per Share (HK\$)</b>	<b>(0.50)</b>	0.03

- End -

### **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 630 directly managed retail stores and through over 5,800 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.*