

7th September 2016

Luxury & Consumer Goods

Hugo Boss

Price EUR54.29

New CEO at the helm of Hugo Boss Americas

Fair Value EUR74 (+36%)

NEUTRAL

Bloomberg	BOSS GR
Reuters	BOSG_p.DE
12-month High / Low (EUR)	106.5 / 46.4
Market Cap (EUR)	3,822
Avg. 6m daily volume (000)	427.6

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	-2.9%	1.5%	-29.1%
Pers & H/H				
Gds	1.6%	2.9%	5.7%	4.3%
DJ Stoxx 600	2.4%	2.1%	2.2%	-4.5%

	2014	2015e	2016e	2017e
P/E	10.8x	11.6x	15.9x	13.7x
Div yield (%)	6.7%	6.7%	5.3%	6.3%

ANALYSIS

- Yesterday evening Hugo Boss announced the departure of Gerrit Ruetzel, President & CEO of the Americas region since January 2015 and within the group since 2006, effective September 30th. He will be replaced by Anthony Lucia, effective as of 15th October.
- Mr Lucia has a very strong experience and knowledge of the US apparel market as he led the US business Escada (2008-12) and G-Star (2012-16). More importantly, he was President & CEO of Hugo Boss US from 1998 to 2008.
- His expertise is more than welcome since the German brand, like almost all its peers, is facing very tough market conditions (deflationary trends, declining store traffic, lack of traction with tourists, etc.). Moreover, Hugo Boss implemented some painful, but necessary initiatives to regain some momentum in the MT: **(i) the category migration** that reduces the presence of the BOSS core brand within the wholesale channel, the latter being also affected by **(ii) the distribution upgrade** that implies a rationalisation of the wholesale network. As a consequence, US sales were down 19% FX-n in H1 but note that Ralph Lauren's revenue in North America declined by 11% in Q1 FY17 ending 2nd July.

VALUATION

- This management change shows that Hugo Boss continues to implement new actions, especially in challenging markets like the US. Although some very first positive signs from these initiatives are starting to appear, overall visibility remains quite poor in our view. Neutral recommendation and FV of EUR74 confirmed.

NEXT CATALYSTS

- Q3 2016 Results on 2nd November // Investor Day in London on 16th November.

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