

# HERMÈS

*Quarterly information report as at the end of March 2020*

## **Resilience of sales at the end of March (- 6.5% at current exchanges rates and - 7.7% at constant exchange rates) despite the growing impact of the Covid-19 epidemic**

Paris, 23 April 2020

After a highly dynamic month in January across all the geographical areas worldwide, the beginning of 2020 is marked by a health crisis of an unprecedented scale, duration and geographic extent. After hitting China, it spread and gained in intensity in Europe, America and Asia at the end of the first quarter, leading to the temporary closure of the stores in compliance with the various governmental directives, and the stoppage of the production sites in France and Europe to protect all the employees. Facing this health crisis, Hermès demonstrates support and responsibility.

The Group's consolidated revenue amounted to €1,506 million in the first quarter 2020, down by - 6.5% at current exchanges rates and - 7.7% at constant exchange rates.

Axel Dumas, Executive Chairman of Hermès, said: *"Since the beginning of the Covid-19 crisis, protecting the health of our employees and partners has been our priority, and has prompted us to close many stores and, temporarily, certain sites. I would like to thank all the employees who have engaged in solidarity initiatives, and all those who are enabling operations to gradually resume. The solidity of our craftsmanship model, the appeal of our objects, and the efforts made by all the Hermès teams are key assets that will help us confidently overcome the major uncertainties this first period has brought."*

### **Sales by geographical area at the end of March**

*(at constant exchange rates unless otherwise indicated)*

In the first quarter 2020, all the geographical areas were impacted by the health crisis and stores' closure. The revenue generated in the group's stores was down by - 7% at constant exchange rates.

- In Asia excluding Japan (- 9%), Mainland China gradually closed 11 stores as of the end of January, while all stores closed in Macao and opening hours were restricted in Hong Kong. Stores have been progressively re-opened in March in Mainland China, and those in Hong Kong and Macao regained traffic even though reduced due to border control measures. Several countries in the area have experienced a second wave of store closures, further to governmental measures, notably in Singapore, Australia and Thailand since early April. Hermès is continuing to roll out the new website in Hong Kong and Macao. In Mainland China, all of the stores were able to reopen and activity is increasing again. The Guangzhou store reopened after expansion in early April.
- Japan (+ 1%) has displayed remarkable resilience, particularly thanks to the loyalty of local customers. Most stores have been gradually closed since the end of March, following the Japanese government's announcement of a state of emergency for an unspecified period.
- In America (- 6%), all the stores have been closed and all e-commerce has been stopped in the United States since 20 March, similar to other countries of the region.
- Europe excluding France (- 11%) and France (- 9%) are strongly impacted, with the network closed mid-March.

## **Sales by business line at the end of March**

*(at constant exchange rates unless otherwise indicated)*

The Leather Goods and Saddlery business line records a decline (- 6%) as a result of the closure of our stores in the various geographical areas. As of 17 March, Hermès announced the closure of its production sites in France to protect employees, except for the Hermès Perfumes site in Vaudreuil which began producing hydro-alcoholic hand sanitizer, on a voluntary basis. Investments in production capacity have been maintained, with the continuation of the Guyenne et Montereau workshops projects, and the announcements of new sites in Louviers and Les Ardennes region. Hermès continues to strengthen its local integration in France.

The Group's other business lines have all been strongly affected by the closures of our stores in all the geographical areas, after benefiting from strong momentum in January thanks to the Chinese New Year. The Ready-to-Wear and Accessories (- 11%) and Silk and Textiles (- 20%) business lines have been more severely penalised by the decline in sales prior to the store closures. Despite the very successful launch of the Beauty line beginning of February, Perfumes are down (- 3%) as are Watches (- 7%). The Other Hermès business lines (+ 4%) have fared particularly well thanks to Jewellery.

## **Covid-19 Crisis – Support and responsibility at Hermès**

As announced on 30 March, Hermès' economic and financial solidity enables the Group to weather this unprecedented health crisis. Ever true to the Group's humanistic culture and our commitments as a responsible employer, and thanks to an adequate cash position, Hermès has maintained the basic salary of the 15,500 employees in France and the rest of the world without having recourse to the exceptional governmental subsidies provided in various countries, particularly in France, where the Group has waived the benefit of the support scheme for partial employment.

Hermès has donated €20 million to AP-HP (*Assistance Publique - Hôpitaux de Paris*). This contribution bolsters the donation of over 30 tons of hand sanitizer produced by the Perfumes site in Vaudreuil, and that of more than 31,000 masks from the company's different entities. It has been completed by support for local health services via the Hermès subsidiaries around the world.

In this context, following a proposal from Executive Management, the Supervisory Board has decided to alter the proposed ordinary dividend distribution to be submitted to the General Meeting of Shareholders on 24 April 2020, reducing it from €5.00 to €4.55 per share, i.e. an amount identical to the sum paid in 2019.

Finally, the executive managers have decided to waive the increase in their fixed compensation paid in 2020 and their variable compensation awarded in 2020 for 2019, and will therefore receive a total amount this year identical to the amount they received in 2019.

## **Highlights**

At the end of March 2020, currency fluctuations represented a positive impact of €20 million on revenue.

During the first quarter, Hermès International redeemed 18,209 shares for €12 million, excluding transactions completed within the framework of the liquidity contract.

## **Outlook**

At the date of publishing this release, only the stores in Greater China and Korea are open and business is greatly reduced in Japan. Developments in the pandemic and the measures decided by governments do not enable us to anticipate the dates for re-opening stores. Consequently, sales in the second quarter will be significantly impacted by the closures of a significant part of the network.

For 2020, the impacts of the Covid-19 epidemic are currently difficult to assess, as the scale, duration and geographic extent of the crisis evolve every day. The craftsmanship model implemented mostly in France, the balanced distribution network and the local customer base are all factors that contribute to the company's resilience. The Group remains highly involved and active: the situation is evaluated regularly and measures are adapted accordingly. In all affected countries, the key concern is the health of all the employees and their families within the framework of the measures taken by medical and public authorities.

Despite this unprecedented economic crisis, Hermès has maintained its strategic investments, both in production capacities and the distribution network, in order to prepare to resume business in the best possible conditions, while controlling costs. We have been partially and gradually resuming operations in the production and logistics sites since 14 April, in full compliance with safety rules and by applying strict measures to protect the employees present, in consultation with the employees' representative bodies. The group is confident in its ability to mobilise all its employees and to reconnect with its customers.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and singular communication.

With pride in its artisanal model, in 2020 Hermès pays tribute to the extraordinary tool that is the human hand, as well as to the ingenuity that drives every one of the house's craftsmen and women. For it is this combination that characterises the innovative spirit of Hermès, its commitment to *Innovation in the making*.

In the medium term, despite growing economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

*The press release on Revenue at the end of March 2020 is available on the Group's website: <https://finance.hermes.com>*

**Upcoming events:**

- 24 April 2020: General Meeting of Shareholders in camera, it will be broadcast on the Company's website, the information is available on the website <https://finance.hermes.com/en/Shareholder-s-Guide/General-Meetings>
- 30 July 2020: publication of H1 2020 Results
- 22 October 2020: publication of Q3 2020 Revenue

**REVENUE BY GEOGRAPHICAL AREA <sup>1</sup>**

In millions of Euros	1 <sup>st</sup> quarter		Evolutions	
	2020	2019	Published	At constant exchange rates
France	168.9	184.8	(8.6)%	(8.6)%
Europe (excl. France)	234.7	261.6	(10.3)%	(11.0)%
<b>Total Europe</b>	<b>403.5</b>	<b>446.4</b>	<b>(9.6)%</b>	<b>(10.0)%</b>
Japan	213.6	204.2	4.6%	0.6%
Asia-Pacific (excl. Japan)	600.9	655.9	(8.4)%	(9.0)%
<b>Total Asia</b>	<b>814.5</b>	<b>860.1</b>	<b>(5.3)%</b>	<b>(6.7)%</b>
Americas	258.5	269.7	(4.2)%	(6.3)%
Other	29.0	33.5	(13.4)%	(13.5)%
<b>TOTAL</b>	<b>1,505.5</b>	<b>1,609.7</b>	<b>(6.5)%</b>	<b>(7.7)%</b>

<sup>1</sup> Sales by destination.

**REVENUE BY SECTOR**

In millions of Euros	1 <sup>st</sup> quarter		Evolutions	
	2020	2019	Published	At constant exchange rates
Leather Goods and Saddlery <sup>1</sup>	771.1	808.2	(4.6)%	(6.0)%
Ready-to-Wear and Accessories <sup>2</sup>	325.8	360.2	(9.6)%	(10.6)%
Silk and Textiles	115.0	140.4	(18.1)%	(19.2)%
Other Hermès sectors <sup>3</sup>	122.9	116.7	5.3%	3.9%
Perfumes	82.1	84.6	(3.0)%	(3.3)%
Watches	41.0	43.4	(5.5)%	(6.6)%
Other products <sup>4</sup>	47.7	56.2	(15.1)%	(15.8)%
<b>TOTAL</b>	<b>1,505.5</b>	<b>1,609.7</b>	<b>(6.5)%</b>	<b>(7.7)%</b>

<sup>1</sup> The “Leather Goods and Saddlery” business line includes bags, riding, diaries and small leather goods.

<sup>2</sup> The “Ready-to-wear and Accessories” business line includes Hermès Ready-to-wear for men and women, belts, costume jewellery, gloves, hats and shoes.

<sup>3</sup> The “Other Hermès business lines” include Jewellery and Hermès home products (Art of Living and Hermès Tableware).

<sup>4</sup> The “Other products” include the production activities carried out on behalf of non-group brands (textile printing, tanning...), as well as the John Lobb, Saint-Louis, Puiforcat and Shang Xia products.

## **REMINDER – 2019 KEY FIGURES**

<i>In millions of euros</i>	<b>2019</b>	<b>2018 restated *</b>
Revenue	6,883	5,966
Growth at current exchange rates vs. n-1	15.4%	7.5%
Growth at constant exchange rates vs. n-1 <sup>1</sup>	12.4%	10.4%
Recurring operating income <sup>2</sup>	2,339	2,075
As a % of revenue	34.0%	34.8%
Operating income	2,339	2,128
As a % of revenue	34.0%	35.7%
Net profit – Group share	1,528	1,405
As a % of revenue	22.2%	23.6%
Operating cash flows	2,063	1,863
Investments (excluding financial investments)	478	312
Adjusted free cash flow <sup>3</sup>	1,406	1,447
Equity – Group share	6,568	5,470
IFRS net cash position <sup>4</sup>	4,372	3,465
Restated net cash position <sup>5</sup>	4,562	3,615
Workforce (number of employees)	15,417	14,284

\* 2018 restatements relate to the application of the IFRS 16 - Leases standard on a retrospective basis

<sup>(1)</sup> Growth at constant exchange rates is calculated by applying the average exchange rates of the previous period to the current period's revenue, for each currency.

<sup>(2)</sup> Recurring operating income is one of the main performance indicators monitored by the group's General Management. It corresponds to the operating income excluding non-recurring items having a significant impact likely to affect the understanding of the group's economic performance.

<sup>(3)</sup> Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (consolidated statement of cash flows).

<sup>(4)</sup> The IFRS net cash position includes cash and cash equivalents, less bank overdrafts and short-term debts. It doesn't include liabilities related to the application of IFRS 16.

<sup>(5)</sup> The restated net cash position includes short-term investments that do not meet IFRS cash equivalents criteria mainly because their original maturity exceeds three months.

The press release and the presentation of the 2019 Results are available on the Group's website:  
<https://finance.hermes.com>.

At the meeting of the Supervisory Board on 25 February 2020, Executive Management presented the audited financial statements for 2019. The complete consolidated financial statements are available at the following address  
<https://finance.hermes.com> and on the AMF website [www.amf-france.org](http://www.amf-france.org).