



FY2017 Interim Results Webcast

Company Participants

- Reinold Geiger, Chairman and Chief Executive Officer
- André Hoffmann, Vice Chairman, MD for Asia Pacific
- Thomas Levilion, Chief Financial Officer
- Olivia Wang, Investor Relations Director

Other Participants

- Kevin Zhao, Bank of America Merrill Lynch
- Raymond Ching, Credit Suisse
- Alison Lee, CLSA
- Shen Li, JPMorgan
- Wayne Peters, Allard Partners

Presentation

Olivia Wang

Good evening everyone and thanks for joining our FY2017 interim results presentation, for the six months results ending 30 September 2016.

With us here today, we have Mr André Hoffmann, our Vice-Chairman and Managing Director. Joining us from the teleconference are Reinold Geiger, Chairman and CEO and Thomas Levilion, our Group CFO. Thomas will walk us through the presentation and then we will open up the floor for questions.

With that, I would like to turn it on to Thomas.

Thomas Levilion

Thank you Olivia, and good afternoon everyone. We are starting our presentation as usual with some highlights. For the net sales; net sales at reported rates grew by 0.9%, which was achieved with a high comparison base of 12.5% growth for the same period last year. At constant rates, our net sales grew by 1.3%. The second quarter saw improvement in sales growth from the first quarter. Softer sell-out sales were more than offset by much stronger sell-in sales.

In the context of global economic downturn, threats of terrorists attacks in Europe, and post-Brexit economic uncertainties in the UK, as well as the reduction in Chinese tourists in Hong Kong, several countries suffered from tough retail environment. Nevertheless, we delivered dynamic growths in certain countries, such as Brazil, with 21%, Russia, 11% growth, China, and other countries. We also see healthy growth in wholesale and distribution channels, particularly in our emerging brands, L'Occitane au Brésil, Melvita and Erborian.

Our operating margin was down 2.3 points of net sales, driven by some de-leveraging in relation to the soft sales in the first half, and the development of our emerging brands. We also continued to sustain our investment efforts for the future growth of our core L'Occitane en Provence brand, but such investments were largely balanced by positive channel mix, pricing and product mix effects as a result of our long-term strategies.

The profit for the period was nevertheless up 32%, due to more favourable exchange rate results and income tax. The earnings per share increased by 38%, helped also by our shares buyback, and our net cash, net of dividends payable, grew by 32% from September 2015, with a positive contribution from further improvements in our cash cycle.

As you know, we are highly seasonal. Due to the seasonality in sales and operating profit, our second half profit is historically higher than that of the first half. As an example, in FY2016, our 1H net sales accounted for 43% of the full financial year, and our operating profit represented only 19% of the year. In the second half, we should benefit from a better operating leverage due to the higher sales during the holiday season.

Net sales breakdown. Sell-in sales accounted for 27.4%, an increase by 0.2 points over the same period last year. Sell-in segment delivered a growth of 9.5% at constant rates in Q2, as compared to a decrease of 3.4% in Q1. The increase was mainly due to strong growth in wholesale, distribution and B2B channels in certain countries such as France, also Brazil, Russia and the US, and also due to encouraging growth in our emerging brands, L'Occitane au Brésil, Melvita and Erborian. Sell-in sales also benefited from a barter agreement for some obsolete inventory.

Travel Retail business remained soft but we saw significant improvement in the second quarter from the first quarter. The improvement was mainly contributed by certain Asian countries such as Korea and Japan. However, the situation remains challenging in some key European cities such as Frankfurt, Paris and Istanbul, which were heavily affected by terrorist threats.

In sell-out segment, retail was flat in 1H, but was slightly down in Q2. E-commerce grew by 6.8% and reached 10.1% of retail sales. Marketplaces sales in China and Korea remained dynamic, with over 20% growth. In China, the issues with the T-mall agent were resolved in the second quarter, and sales growth went back on track. Japan now accounted for 18.9% of the total sales, thanks to its overall growth as well as stronger Japanese Yen. Other countries increased its share to 27%, mainly contributed by the dynamic growth in certain countries such as Canada, Australia, Korea and Mexico, and the barter agreement as mentioned before.

Despite the growth in e-commerce and strong performance in Brazil and Russia, Same Store Sales declined by 2.5%.

Retail sales were flat as the drop in sales by comparable stores was offset by growth contributed by non-comparable stores and marketplaces. The contribution of non-comparable stores was particularly positive in Japan, China and other countries. We saw sell-in sales improved significantly in the second quarter from the first quarter, especially in wholesale and distribution business in Europe, franchise in Brazil, travel retail in Asia and the barter sale. As the Euro was relatively softer against major currencies in Q2, the overall unfavourable currency impact for the first half was minus 0.4%, so improved from minus 2.7% in Q1.

Sales growth by geography. In France, first, retail sales continued to be affected by the terrorist threats and poor retail sentiment in general. Growth was however recorded in e-commerce and the development of emerging brands in wholesale. The emerging brands

posted a growth of 22% in France. UK was mainly hit by a decrease in sell-in sales due to the closing of several Debenhams department stores. This could not be offset by the soft sell-out, driven by weak traffic, economic uncertainties post-Brexit, and severe weather. The US has seen a slowdown in Q2. Retail remained challenging as a result of lower traffic, and tourist areas were most adversely impacted. E-commerce channel continued to grow with gains from conversion and average ticket value, yet traffic has been challenging. 1H also saw good growth in web partners, in particular, Amazon, and in department stores channels.

Brazil achieved a high growth of 21% for the first half, with growth contributed from all main channels, including comparable stores, e-commerce and distribution. L'Occitane en Provence and L'Occitane au Brésil brands contributed equally to the growth. We also benefited from a moderate price increase of 4% in July. In Russia, the 11% growth was driven by a solid growth in retail, from both comparable stores and the stores opened and renovated in these two years. In addition, we saw double-digit growth in e-commerce, wholesale and distribution channels.

Japan had an overall growth of 1.3%, which actually slowed down from 3.2% in Q1. During the second quarter, we saw significant retail market downtrend in Japan as a result of a high number of typhoon hits and unusually high temperature and humidity. The growth was driven by the non-comparable stores with a significant contribution from Melvita. The web platform issues were fading and e-commerce reached 12% to retail sales in Q2, up from 10% in Q1.

Hong Kong business remains challenging with continued drop in mainland Chinese tourist traffic and average ticket value, as well as heavy discounts and sampling offered by competitors. In contrast, travel retail sales have bounced back in Q2, mainly coming from sales to Korea, Japan and South East Asian countries. Sales growth in China improved from 2% in Q1 to 5% in 1H. The growth in Q2 was actually an encouraging 8.9% in a very soft market overall. Contribution mainly came from the stores opened and renovated during these two years. In addition, B2B grew more than 20%, and T-mall have resumed back on track with more than 35% growth after switching back to the previous agent.

Taiwan was positive in Q2, growing by 5% and managed to narrow the sales decrease from -10% in Q1 to -3% in 1H, thanks to successful product launches of Verbena and Harmonie Divine, and also to the summer sale promotion carried out in major department stores. Growth in Other Countries was 5%, with contribution from a few larger countries such as Canada, Australia, Korea and Mexico.

Our total stores network reached close to 3000 points of sale, an increase of 2% over March 2016. Our own stores network now has close to 1500 stores, an increase of 32 from March 2016. The net openings by region. The net openings in Asia first included eight stores in China, seven in Japan, and some others in Korea, India and Taiwan. But we also closed a net two stores in Hong Kong and Macau.

In Americas, the net openings were primarily in Brazil, with nine net openings, including six L'Occitane au Brésil stores. In the US we closed a net two stores but we have exciting developments in H2 with the opening of the World Trade Center store, and Flatiron re-opening in November, with a new concept and a big PR push. In Europe, the four net openings were mainly L'Occitane en Provence stores in Russia. The emerging brands represented one third of the net openings, with four Melvita stores, all in Asia, six L'Occitane au Brésil stores as mentioned before, and one Erborian store in Taiwan.

The overall same store sales growth was disappointing at minus 2.5%, despite the strong performance in Brazil and Russia. As discussed before, the soft same store growth was driven mainly by the circumstances in Asia and Europe.

We are now turning to the profitability analysis. The operating margin was down 2.3 points of net sales, again driven by some de-leveraging in relation to the soft sales in the first half, and the development of our emerging brands. The continued investment efforts for L'Occitane en Provence were largely balanced by positive channel mix, pricing and product mix effects, as a result of our long-term strategies. These will be detailed in the following slides.

The gross margin first. The gross margin increased by 0.6 points to 82.2% as compared to 81.6% for the same period last year. This was essentially due to price increases in certain countries for 0.5 points, reduction in obsolescence for 0.1 points, reduction in use of mini products and pouches and boxes for 0.1 points, and reduction in production cost for 0.1 points. So this was partly offset by unfavourable brand mix for 0.1 points, and other factors for another 0.1 points.

Distribution expenses. Distribution expenses were obviously impacted by lower leverage under tough retail environment, as well as expenses for closing and opening stores, and this represented a total 1 point. We have seen also higher investment in emerging brands for 0.4 points, and phasing effect for 0.4 points related to the seasonal increase in inventories of gifting materials. On the positive side, the higher share of sell-in channels and emerging brands in our sales resulted in favourable channel mix and brand mix effects for 0.3 points and 0.2 points respectively, and we benefited from positive FX conversion effects for 0.1 points.

The marketing expenses increased by 0.9 points to 14% of net sales, driven by an increase in advertising expenditure for 0.4 points, and investments in the emerging brands for a total of 0.3 points, essentially as a result of the brand mix effect. We also had other effects, reclassification and FX conversion effects for a total 0.3 points. Important to note that the increased advertising expenditure was primarily driven by efforts in communication with the production of marketing content, like films and visuals, and agency fees. These materials will be used for our communication in the second half of this year and also next year. Our research and development expenses increased by 0.3 points of net sales to 1.4% mainly due to investments in new products, research staff and further investments in L'Occitane Au Brésil brand.

General and administrative expenses increased by 0.7 points to 11% of net sales. The increase was attributable to a combination of investments in IT, mainly for the security of our infrastructure and in data warehouse for 0.3 points. Some decrease in leverage and efficiency for 0.2 points, and this was driven notably by higher costs of IT licenses and certain taxes and social charges. We also had one off expenses, primarily for severance costs and commercial litigation for 0.2 points, and higher rent and occupancy costs for our premises in Taiwan, France and Switzerland for 0.1 points. This was partly mitigated by FX effects for 0.1.

As a summary, the operating profit margin again decreased by 2.3 points to 3.5% of net sales. Excluding the phasing effect of 0.4 points, the decrease was 1.9 points and was explained by a combination of deleveraging for 1 point, and investment and brand mix effects related to the development of the emerging brands for 0.7 points. Increases in marketing and product development expenses for L'Occitane En Provence for 0.6 points, and other investments mainly for upgrading or IT infrastructure and offices for 0.5 points, were almost balanced by favourable price and product mix for 0.6 points, and positive channel mix for 0.3 points.

Below the operating profit, the exchange rates result. Contrary to last year the exchange rate result was positive at €0.6 million, and last income tax was actually positive with a credit of €6.5 million, which was mainly explained by lower profits in countries with higher tax rates and also favourable effects on the deferred tax assets related to intercompany margins.

Working capital. The cash cycle continued to improve with a further decrease of five days of net sales, driven by a further reduction of the inventory turnover days. The inventory net value was €156 million as at September 2016, so that's a decrease of €7 million or 4.4%, as compared to September 2015. The decrease in inventory turnover days by 21 days of cost of sales was essentially due to decrease in goods at the factories in Brazil and in Japan for a total 11 days, and favourable foreign exchange rates effects for 15 days.

CapEx now. The capital expenditure excluding acquisition of securities of financial investments decreased by approximately €10 million. This was essentially explained by the construction last year of raw materials and components warehouse in our premises in Lagorce. The stores CapEx was almost double despite a lower number of net store openings, which was explained by the regional mix of the openings, and the increased investments in store renovations.

Besides the decrease in investing activities, our financing activities resulted in a net outflow of €6 million, principally explained by buy-back of shares of the company for €7 million.

The group's profitability ratio improved as compared to the same time last year. The return on capital employed rose to 4.5%, compared to 3.6% for the same period last year, which was mainly explained by a 32% increase in net profit for the period, and for the same reason, return on equity improved from the same time last year from 2.6% to 3.1%. The Group's liquidity and capital adequacy ratio remains favourable as a result of our strong net cash position. Our net cash, net of dividend table increased by €61 million to €257 million as at September 2016.

Strategic review. We are currently implementing a number of strategies to secure our long-term growth. First under our omni-channel expansion strategy, we've continued to carefully manage the growth of our retail store network by favouring quality locations and promising markets, particularly Brazil, China, Japan, and Russia. We have upgraded stores with new concepts incorporating more innovative digital features and in-store technologies to drive more traffic. We have broadened our online outreach to drive both online and instore traffic.

We are continuing to see growth across all our branches. L'Occitane En Provence, our core brand, continued to open new flagship stores in exciting locations such as DisneyWorld in Florida and the World Trade Centre in New York. Our Melvita, L'Occitane Au Brésil, and Erborian brands all performed very well.

The initial response to our new product lines has also been encouraging with the initial success of Divine Harmony and Terre de Lumière which shall in turn enhance our relevance to face care and fragrance.

We plan to accelerate the growth of L'Occitane En Provence by reinforcing its key strengths, which are the unique brand and proposition that is rich in history and universal appeal, our strong retail network globally, the direct access to customer data to support future growth, and of course high quality natural sensorial products made in house with strong R&D capability.

We also have further developed our ecommerce business CRM and digital marketing. The e-commerce business is now equivalent to 10.1% of retail sales. We plan to further expand our presence by implementing our new mobile first websites. We also plan to increase our engagement with beauty bloggers and video bloggers, combined with investment in CRM and online analytics to deliver the more tailored and emotional shopping experience to customers.

The ongoing implementation of our operations roadmap and reorganisation is set to bring greater efficiencies and leading us towards achieving operational excellence and long term growth. For example, we have new heads leading key countries and regions such as North America and Europe, and we now have a new organisation with a chief growth officer leading the growth opportunities.

Looking forward, we will continue to pursue sustainable growth and our vision to become the number one natural beauty brand by boosting face care and fragrance categories through product innovation and expansion. Most importantly, we will develop a clear and compelling communication and media tool that is rich in contents. The content creation will allow us to prioritise our media investments, notably on China and travel retail. We will continued to invest in our omni-channel strategy and digital presence to more closely integrate our online business and our physical stores, notably, to enchant customers with accelerated renovation of our first league stores, new store concept and new e-commerce websites, reinforce the customer-centric nature of the shopping experience that we offer, and further leverage digital marketing and analytics to drive more traffic and sales.

Lastly, we will seek to capitalise on the initial success of our new products to improve our recognition in the face care and fragrance markets. We believe that our efforts to drive quality growth and improve efficiencies with focused investments will secure our position as a growing player in the premium natural cosmetics space, which in turn obviously will create lasting value for our shareholders.

Thank you very much for your attention.

Olivia Wang

We are ready to take the questions please.

Questions And Answers

Kevin Zhao

Hello. This is Kevin from Bank of America Merrill Lynch. I've got three questions. First, if I remember correctly the management guidance is that the marketing expense in FY17 should remain flat versus FY16. So I was just wondering if this is still a valid assumption, and how does the Company guide going forward? Second, we see there's tax credit of around €6.5 million in the first half. After considering this, what is the Company's outlook for this year and next year? Third is about guidance for CapEx and store opening targets. Thanks.

Thomas Levilion

Okay, so maybe I can - this is Thomas speaking - I can try to answer your questions. First in terms of our guidance for marketing expenses, obviously with the combination of the

adverse conditions we have encountered in our top line, we are not in the process of reaching our top line targets for the full year as we expected one year ago. So it's too early of course to say what that can be, because the second half as I explained is so important to our total sales, and we see positive signs by the way, but we do expect that our target of improvements - marginal improvement of the bottom line might not be reached this year, and notably because as we continue to invest in our cutting and for the L'Occitane brand and the emerging brands, we probably have a higher level of marketing spending. So this will most probably result in a decrease of our operating margin by 1 point to 1.5 points as compared to last year.

You had then a second question about tax credit. So the tax credit again as at September 2016 was explained by lower profits - but that's a lot of seasonal effects - explained by lower profits in the countries with the higher tax rates than last year, so this explains part of the situation. The second explanation is coming from the deferred tax assets [unclear] in the company margin, which results in these positive effects, notably [unclear] exchange rate effect is weighted to increases of ... in some places, not all, and some other effects as well. So this is very seasonal because it's related to inventories and it all depends on - most probably we will use these inventories of course in the second half of the year for our sales, and the seasonal effect on the profits in the different countries is - would be reversed also. Last year we had non-recurring effects linked to the tax reassessments in France. We don't expect to have anything like this this year, so I think we should get back to our previous guidance of 24% to 26% tax rate I think for this year and next year.

Finally what was your last question, sorry?

André Hoffmann

CapEx guidance, Thomas.

Thomas Levilion

CapEx guidance, sorry. In terms of CapEx I think that we should continue to see the same type of CapEx as we have this year, so around the €50 million to €60 million in the next few years. This is excluding, let's say, acquisition, of course, of subsidiaries. By the way in the past few years we have acquired one of our key subsidiaries, the minority interest in Russia, and we are doing the same right now with Taiwan, so that will concentrate all the profits for our shareholders. This will improve our bottom line. But in terms of global CapEx, I think the €50 million to €60 million remains a reasonable target. This excludes, of course, any substantial investment that we may have for our flagship store if this happens. We are talking more for regular store openings.

In terms of store openings, as we said I mean we are more cautious than before because of the strong development of internet and e-commerce, and the marketplace and everything. So we'll probably open a little less stores in the future than we did in the past, but we will most probably insist more or do a lot more in terms of renovations. I think I mentioned this during my speech before, that we really want to enhance the customer experience, notably in our first league stores [unclear], and even if we may open a little less stores and therefore a little less CapEx, we'll probably have more for renovating stores.

Raymond Ching

Management, this is Raymond from Credit Suisse. One quick question. Can you comment on the sales momentum in October and November, and can you also talk about how is the sales momentum on your new products as well? Thank you.

Thomas Levilion

Andre, do you want me to answer this question as well?

André Hoffmann

Yes, please go ahead, Thomas.

Thomas Levilion

Okay, so this is Thomas speaking then. So we are seeing, as I said, some positive signs. It's a bit too early to say whether the earlier season will be a great success or a reasonable success. The thing is that October was still soft in most countries, but we are seeing quite an improvement in the first three weeks of November, which was positive, by the way, in terms of same stores sales growth. Notably, some countries did quite well in Asia. The key countries, Japan was positive, was quite strong. Taiwan was very positive as well. France and Germany has been doing quite good recently, even on a strong November last year so far. In the Americas, US was positive, Canada was very strong. So all in all, so far I mean November has been more encouraging.

On new products, this was mentioned during the presentation. Divine Harmony and Terre de Lumière just been announced, so it's too early to draw definitive conclusions on those products, but the products were well received and again, this is encouraging for the future, not only for sales, but also because it reinforces our position as specialists in face care and now even fragrances. So this is all very positive. I would complete my answer by mentioning that we were very pleased with not only same store sales but also the overall sales in China with strong results during the WFN event. I think we grew with T-mall by 70%. This is very strong, much more than the global performance of T-mall during the period.

With the very first signs of Thanksgiving in the USA, although it is not totally finished yet, it is also positive and what is even more important is that it is positive with less discounts and promotions than we did before, so this should be positive for the bottom line.

Olivia Wang

Any more questions?

Alison Lee

Hi, I'm Alison from CLSA. I have a couple of questions. I want to know about the travel retail trend in Asia and also I want to know the operational margin expectation for the next fiscal year - for this fiscal year, sorry.

André Hoffmann

Thomas I'll handle the travel retail for Asia and you can deal with the margins.

Thomas Levilion

Okay.

André Hoffmann

I mean we had a strong pick up so far in the travel retail in Asia, mainly led by Korea, Japan and also Southeast Asia. In fact, starting from September of this year and it continued in October and we're very confident for the November numbers, those will be the three highest months of revenue for travel retail in Asia Pacific. However, we have recently had some headwind because of the decision of all cancellation of zero costs tours to Thailand by Chinese, so this has had a very big impact on travel retail in Bangkok and Phuket. It's just recent, so it's a little bit early to say, but we feel this will bite into the business. The stronger yen in Japan has also caused a slowdown there. But overall, the business has picked up very strongly and we hope to continue this for the balance of the year.

Thomas Levilion

In terms of margin guidance, so obviously as I said before, first half has been softer than we expected, so we have larger seasonality with more uncertainties. In this context, it is not likely that we'll reach the short term targets of marginal improvement of our profitability, as we said before. So we expect a constant rate at least, our operating margin could be down by 1 point to 1.5 points of sales from FY16. Notably, with marketing costs, that will remain high for the four emerging brands and also for the future growth of L'Occitane en Provence, so marketing costs are expected to be 13% to 14% of revenue again, as we invest to build a stronger portfolio of brands for the next few years.

Shen Li

Hi everyone, Shen Li from JP Morgan. I've got a couple of questions, firstly on the operating expenses. So if we look at the general and admin expenses, as well as the selling expenses, in absolute dollar terms, they actually increased year-on-year. I know the Company is looking at cost cutting and there were some one-offs active in there, but what's the expectations in absolutely dollar terms in the second half? Going forward, in FY18, should we be expecting absolute dollar numbers to climb?

André Hoffmann

Thomas, do you want to handle this.

Thomas Levilion

Yes. Hello Shen, sorry I did not - it was cut off, I could not understand the second part of your question. The first one is about G&A right?

André Hoffmann

No, the first question, Thomas, is about operating expenses.

Thomas Levilion

Yes, G&A.

André Hoffmann

Showed an increase and he would like to know what the second half of the year is going to look like in absolute terms.

Thomas Levilion

Yes, I thought there were two parts in the question, but anyway. So in terms of G&A expenses, yes, there is an increase. I think as I explained, a good part of the expenses is explained by investments, notably in IT, so we have to do it because it's a question of protection and safety and security of our data and our operations. So we have moved our servers to a secure place, different places in Europe, so this is one of the key explanations. We have to renew our Microsoft licenses; you know how these guys can pressure you. Our some one-time costs like some social security charges in France and severance costs because we are reorganising ourselves, so this is, I think, one of the points we possibly develop more in this discussion.

At least one thing, important thing for you to remind, is that we are working very seriously on the reorganisation of most of our organisations, including in G&A and as compared to March 2016, for instance, we have no increase in the headcounts, for instance, in administrative, and actually the only increases we have in headcount since March 2016 are in marketing and of course the retail churn because we are opening and we have more stores. So we are working a lot and we have not yet seen all the benefits of our reorganisation that are ongoing, but we are very serious about it, believe me.

At the same time, as well, the reorganisation is not to cut expenses, is to focus also on resources, as I said, in marketing. So what is very interesting is that this new organisation is much more focused, much more a command organisation, if you want and notably I mentioned the creation of this function of the Chief Growth Officer that will combine all the functions of marketing, like communication, like digital and others that drive the future growth and profitability.

So in terms of global operating expenses, if you put aside the marketing expenses, I think there will be a slight increase in terms of sales overall in the full year, but relatively marginal and I think we are working at generating more benefits in the next year notably.

Shen Li

All right, and thank you for that. Just to clarify, so slight increase as a percentage of sales, but in absolute dollar terms, you're expecting flattish numbers?

Thomas Levilion

No, we're not expecting flattish numbers, we are expecting to have a slight increase in sales in the low single digits, but we also have increases in distribution expenses in absolute value because we are expanding our network. We are expanding more in marketing and R&D, this I already commented and we have some investments in G&A. So let's say that if you exclude marketing and R&D, you probably have an increase of the percentage of net sales by 0.2 points, 0.3 points.

For all the other expenses captions, which means that on higher sales, this would be higher amounts. I think, again, to make it clear, we are working on the organisation. It is not only wages and salaries, and because we are working on the organisation and the increase in staff is only in marketing and a little bit in R&D, and of course then there's those, because we're opening new stores. The headcounts in admin, headcounts in other departments, all

that is flat or down, and we have less people in logistics, less people in supply chain, less people in manufacturing also, which is the result of our long-term operations plan, which half year resulted in improvements in the growth margin, as we have seen before.

Shen Li

Okay. Then as a follow-up to that, then looking forward to FY18, are we expecting some of the benefits of all this reorganisation and cost focus to actually come through and absolute dollar costs to decline for D&A or distribution expenses?

Thomas Levilion

I think it's a bit too early to talk about FY18. I'm sure you will excuse me, Shen. We are putting in place a lot of initiatives, not only the reorganisation works that I mentioned before that certainly will bring some benefits, but also we have lots of initiatives in marketing and product development that will result from the new organisation that we are putting in place. We are very positive about it and the benefits and the sales for the future, but it's a bit too early to assess the exact feedbacks for the next one, two, three years, so we will get back to you at a later stage, if you agree, with more details about this. We are currently assessing the impacts of all these extras that we're taking.

Shen Li

Okay, great. Then, sorry, finally, could you give us some updated thoughts on the 2020 target that you previously announced?

Thomas Levilion

This, again, is the same type of answer, I'm sorry. Obviously this year was not a help in our trajectory, with the less good results than we expected before. We remain confident that we can reach our long-term target, but when exactly, we are working on this and will get back to you with the updated roadmap, most probably in June, at our next briefing.

Wayne Peters

Thank you very much for the presentation. Can I just ask, when you're talking about the competitive environment, US seems to be a little bit less discounting, Hong Kong more discounting. Is there any key competitive takeaways we could take from the results, either by segment, i.e. price segment, or category, that you could share with us, please?

André Hoffmann

I'll handle that one. You've hit on it; the market has become more - it's always been competitive, but it seems that it's become even more competitive this year, with cash discounts, two-for-one offers. Even brands that typically don't do any discounting have reverted to discounts. We've just seen, with the Black Friday offers in the US. You just walk around the malls in Hong Kong, you can see what's on offer. So either you have to go halfway there and offer something to the consumer or they shop elsewhere.

We had the SOGO Thankful Week in Hong Kong, and as you know, it's a really big part of the retail industry. The numbers across the board were pretty soft, and this was despite most brands offering even more aggressive promotions than last year, so I think the market

is soft and people want to protect top line and they're offering very attractive bargains to the customer. So I think this is just a fact of life today.

Reinold Geiger

It's Reinold Geiger speaking. I'd just like to make the comment that we worked very hard on making our brand much more desirable at the same time, through making more creative and interesting content for advertising, for promotions, and to be aggressive in discounting is totally contradictory to this, so it is hurting us short-term but we are absolutely convinced that for the long-term it's much better for our brand.

Operator

There are no questions from the webcast.

Olivia Wang:

If there are no more questions, I would like to announce the end of the presentation today. Thank you, everyone.

-End-