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COMING TO AMERICA

BOSS

HUGO BOSS

HUGO BOSS Group is a leading global premium fashion and luxury apparel brand and retailer. Despite its 1924 corporate founding, the Hugo Boss brand is far from stodgy. Known for superior standards in terms of quality, designs, fit and workmanship, Hugo Boss addresses the fashion-forward consumer with its extensive product assortment consisting of classic-modern business wear, elegant evening wear and sportswear, shoes and leather accessories, as well as licensed fragrances, eyewear, watches, children's fashion, home textiles and motorcycle helmets.

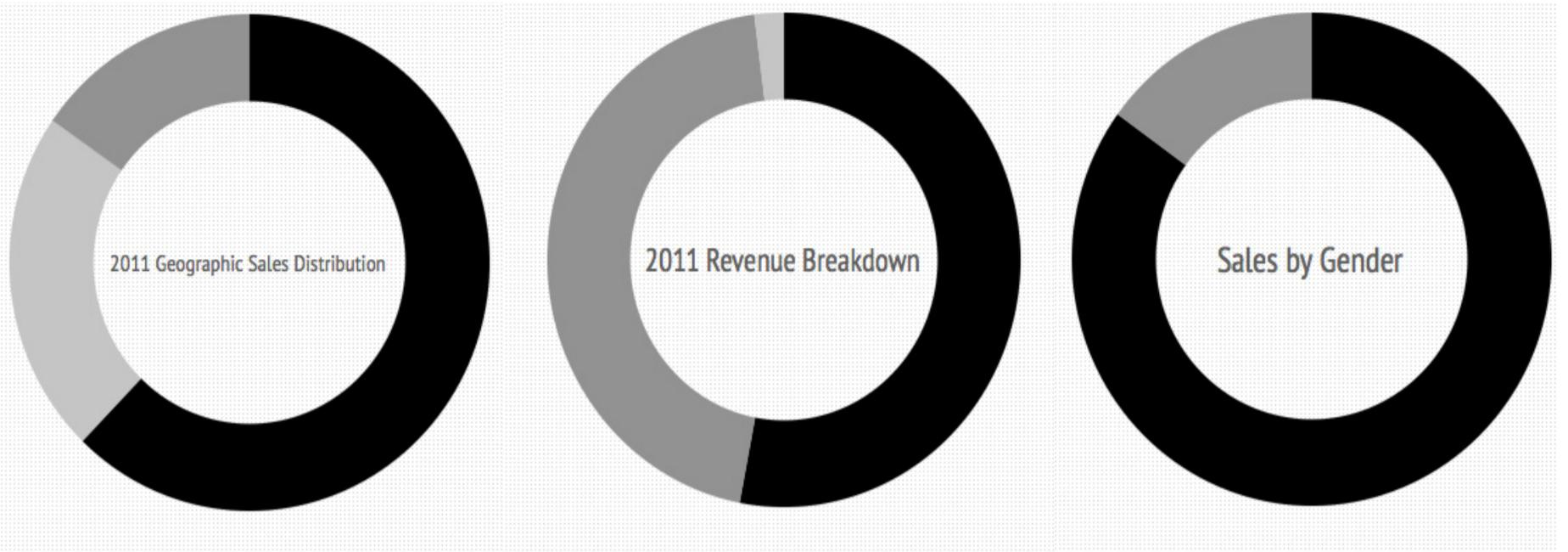
*by Marie Driscoll, CFA
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Investment Thesis:

Hugo Boss is a premium luxury brand with global appeal far exceeding current supply. Opportunities span underpenetrated Asian and the Americas expansion, growing owned retail operations, developing women's apparel and accessories business and continued operational efficiencies. With its entry price points to luxury and a strong price/value equation, the Hugo Boss brand is positioned to benefit from the growing number of consumers entering the middle class in emerging markets drawn to premium products.

Trading at an approximate 15% discount to global premium/luxury peers while providing a 3.6% yield, we view BOSS as an attractive holding. We establish a target price of €100 applying a peer forward P/E multiple of 19.3X to our €5.20 2013 EPS estimate. Near term catalysts include the launch of ADRs in the US early in 2013 as Hugo Boss continues to focus on improving trading liquidity and Q4 results (early February).

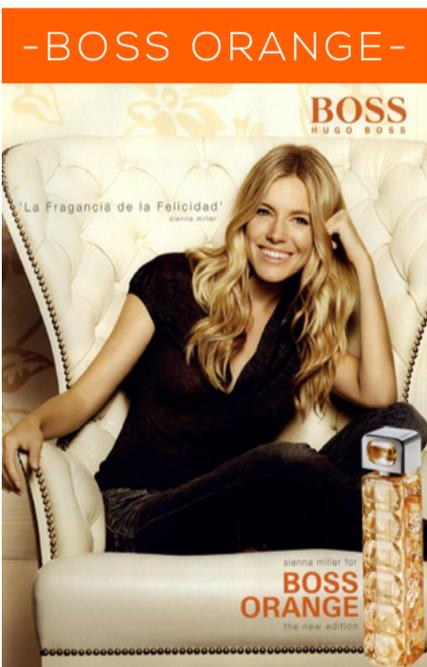


Europe USA Asia

Wholesale Owned-Retail Royalties

Male Female

Anchored in the premium market segment with a sharp value/price offering, the Hugo Boss brand architecture houses the following sub-brands, their fashion statement, brand attributes and essence, each clearly targeting a different consumer group:



Casual Urban Chic.

Authentic.
Creative.
Open-minded.
Light-hearted.
25+ adult.

(14% sales)



Modern Active.

Active sportswear & golf line.
Dynamic.
Energetic.
Colorful.
30+ adult.

(7% sales)



Progressive Contemporary.

Avant-garde.
30+ adult.

(9% sales)



Modern Sophisticated Luxury.

Tailored.
Classic.
Elegant.
30+ adult.

(71% sales)

The company's recent evolution into a professional retail organization best supports its multi-pronged growth strategy, enabling early readings of sales trends to assist in planning future collections and more quickly respond to market developments, benefiting its retail and wholesale operations. Its business model has changed from a dominantly traditional pre-order wholesaler to flexible replenishment and owned-retail.

Luxury Market and Macro-Variables Favorable. The premium and luxury goods sector has performed better than the European and American economies generally, growing at an approximate 10% and 12% pace respectively. For 2012 Bain projects a 10% increase in global luxury goods. Accessories, or soft luxury goods are "over-performers" projected to expand at a 14% rate in 2012. In the US, improving consumer confidence reflecting modestly positive trends in home prices, consumer credit and unemployment bode well for sustained and improved demand for Hugo Boss products.

Hugo Boss Group sees non-European expansion and Owned Retail driving top-line growth and increasing proportional revenues.

Growth Opportunities.

Global Expansion.

Hugo Boss Americas is the second largest region within the Group, accounting for 23% of sales, available in 25 countries at ~1400 points of sale and 142 retail locations and providing significant opportunity for retail and wholesale growth. The US accounts for 74% of the region's sales (71 stores), followed by Canada, 17% (19 stores) and Central and South America at 9% (44 stores in Mexico and 8 in Brazil). Led by Mark Brashear, Chairman & CEO Americas, top line growth in both owned-retail and wholesale has been double digit since 2009, and profitability in the US has never been as strong, with 200 bps margin expansion in 2011 and 100 bps YTD (first 9mos YOY). 15-18 new stores are planned for 2013. The US is barely penetrated with retail locations concentrated on the coasts and ultimately Hugo Boss could operate ~100 US locations.

US wholesale has outperformed retail partners, mirroring its expansion and market share gains.

In the Americas Hugo Boss is perceived as a European lifestyle brand value, with a strong price/value offer. It leads the modern wear-to-work market for men and women with its contemporary positioning and clean aesthetic (think trade up from Theory). Boss has the potential to capture share given its trend right silhouettes and strong value positioning vis a vis competitive men's suiting; a Boss Black suit at \$895 compares favorably with an average \$1400+. In the coming months, made to measure suiting will arrive in the US strengthening Hugo Boss's heritage positioning of excellent craftsmanship, premium fabrications and tailor made. BOSS Black (the core brand) represents 78% of Americas sales, BOSS Orange 8%, BOSS Green and HUGO 7% each. The 2015 Americas sales target is US\$1B up from €455M or an estimated US\$608M in 2011. Americas segment profit margin of 27%

of sales trails Europe's 39% profit margin and Asia's 36%. As the Americas scales modest margin expansion is possible however, the extremely competitive US marketplace is likely to mitigate more than a few hundred bps of improvement.

Asia, driven by China is projected to grow to 21% of 2015 sales, up from 15% in 2011 as BOSS benefits from growth of the aspirational luxury Asian consumer in tandem with their growing incomes. With limited wholesale opportunities in Asia, owned-retail will be the targeted distribution channel along with ecommerce.

Owned Retail drove 80% of sales growth since 2009 while doubling in size to 791 global owned retail stores from 364 (including franchise takeovers) benefitting all geographies. Retail has been a catalyst for far reaching process changes resulting in an improved infrastructure and efficiencies that better supports the Group's

HUGO BOSS COMPARABLES

Details

Currency: US \$ Millions, except per share data

Priced December 28, 2012

Company Name	Exchange Ticker	Closing Price	Market Capitalization	Net Debt/ Total Capital (latest FY)	LTM Total Revenue	LTM Gross Margin	LTM Dil EPS Excl. Extra Items	NTM EPS Capital IQ Estimates	LTM Dividends per share	LTM Payout Ratio
Adidas AG	DB: ADS	88.77	18,572.4	-2.2%	19,532.1	47.3%	5.15	5.61	1.32	25.58%
Burberry Group plc	LSE: BRBY	19.85	8,694.9	-30.8%	3,085.5	70.9%	0.84	1.14	0.42	47.21%
Coach, Inc.	NYSE: COH	54.86	15,563.2	-44.3%	4,874.2	72.8%	3.57	4.0	1.05	26.86%
Hermès International Société	ENXTPA: RMS	295.82	30,793.7	-42.7%	4,133.4	68.7%	8.06	8.63	2.64	114.60%
Luxottica Group SpA	BIT: LUX	40.92	19,121.2	30.5%	9,203.5	65.7%	1.51	1.8	0.65	42.96%
LVMH Moët Hennessy Louis Vuitton	ENXTPA: MC	182.14	90,895.4	15.7%	34,806.7	65.1%	9.06	10.08	3.83	37.72%
PUMA SE	DB: PUM	294.35	4,397.3	-26.2%	4,211.9	48.8%	12.88	17.4	2.64	20.51%
Ralph Lauren Corporation	NYSE: RL	148.34	13,570.9	-22.1%	6,883.9	58.8%	7.09	8.62	1.2	13.71%
V.F. Corporation	NYSE: VFC	150.15	16,540.1	26.7%	10,756.8	45.9%	9.01	10.63	2.88	31.41%
Hugo Boss AG	DB: BOSS	105.08	7,252.5	19.4%	2,957.8	62.2%	4.03	6.62	7.64	68.41%
Summary Statistics		Closing Price	Market Capitalization		LTM Total Revenue	LTM Gross Margin	LTM Dil EPS Excl. Extra Items	NTM EPS Capital IQ Estimates	LTM Dividends per share	LTM Payout Ratio
High		295.82	90,895.4		34,806.7	72.8%	12.88	17.4	3.83	114.60%
Low		19.85	4,397.3		3,085.5	45.9%	0.84	1.14	0.42	13.71%
Mean		141.69	24,238.8		10,832.0	60.4%	6.35	7.55	1.85	40.06%
Median		148.34	16,540.1		6,883.9	65.1%	7.09	8.62	1.32	31.41%

growth. Retail sophistication provides the opportunity to increase productivity of wholesale accounts and the concession business model, where Hugo Boss manages the brand space leading to an optimized assortment, upgraded presentation, superior replenishment capabilities and a dedicated staff.

Operational Excellence.

In 2011 Hugo Boss cut by 30% or 12 weeks lead times from design inception to retail selling floor. At 38 weeks, the company now can use transactional sales data as insights for collection development. While still in the early stages, this market feedback loop has positive implications for working capital needs and full price selling. Concurrently, a 7% reduction in SKU count (year-over-year between 2011-2012) reduced collection complexity and the introduction of a four season cycle best supports its retail strategy by potentially improving traffic, sales and floor productivity and has been received positively by wholesale accounts. A varied retail presentation with four collections a year, new monthly themes and ongoing deliveries is designed to drive store traffic while serving to intensify brand building and loyalty.

Menswear Opportunity.

Lifestyle Monitor is projecting the US menswear market to grow at a 2.6% pace in 2012, significantly beating the

0.3% projected pace for US womenswear growth. By size, womenswear is an \$139 billion market versus \$97 billion for menswear. According to Lifestyle Monitor, increasingly men enjoy shopping, growing from 26% in 2008 to 35% in 2012. Fashion conscious young men are driving the change, interested in leaner silhouettes, brands and premium items all which dovetail nicely with Hugo Boss's competencies and brand positioning. Men are the new women for the apparel industry!

Huge and untapped womenswear opportunity.

At approximately 10% of total sales, womenswear is under penetrated providing multiple growth opportunities. Along with business and casual apparel, accessories, handbags, footwear and a party capsule are planned to broaden the merchandise offering. A strong marketing emphasis (marketing support represents a healthy 6% of sales) including participation in global fashion events such as NY Fashion Week, as well as editorial, product placement and red carpet presence should elevate brand awareness. The company intends to establish a replenishment business similar to that executed in menswear and will increase dedicated floor space in all larger BOSS stores.

Financials.

With owned-retail driving results, consolidated sales grew 19% in 2011 as retail sales expanded at a 35% pace with global online up 67% (to €33M) and wholesale

revenues, +9%. Gross margin expanded 200bps or two percentage points to 61.4% of sales and further expansion is likely as retail grows in proportion to total sales. BOSS achieved operating leverage as administrative costs were flat YOY (down 170bps as % of sales to 9.2%) while selling & distribution costs rose in tandem with sales. EBIT margin expanded 380bps to 19.1% of sales.

Outlook.

At the December 6 Investor Day in NYC management confirmed 2015 targets of €3B sales (\$XX) and a 25% EBITDA margin, or €750M with retail projected to expand to 55% of sales (from 45% in FY 11). This suggests a sales growth at a 8.7% 3-year CAGR and the EBITDA margin expand about 230bps from 2012 levels. With plans to add ~50 new stores annually in the Americas and Asia, strong brand dynamics, improving execution, a stable outlook for luxury goods and a modestly improving economic outlook in BOSS's growth regions, we expect BOSS to attain and

likely exceed these goals. We note the Hugo Boss dividend policy of a 60% - 80% payout ratio, far more generous than its peer group.

Risks.

The A constructive global macro economic environment, particularly healthy consumer confidence and spending trends support apparel spending. With ~50% of sales in Europe, Hugo Boss is vulnerable to the European macro environment and further deterioration in the European and Asian economies could adversely impact sales and profit growth.

Fashion risk is mitigated by a merchandise strategy focused on men's suiting, but with a growth focus on women's and accessories, fashion and inventory risk is heightened. Finally, in the event that majority shareholder Permira floats part or all of its current 66% to the public, there could be overhang on the shares.

Addendum to Hugo Boss

On January 18, 2013, HUGO BOSS initiated a Level 1 American Depositary Receipt (ADR) program. ADRs are a U.S. dollar-denominated form of equity ownership in a non-U.S. company, representing a company's shares and carrying the rights attached to them. The Bank of New York Mellon (BNY Mellon) acts as the depository and transfer agent for the HUGO BOSS ADR program. Five ADRs equal one HUGO BOSS ordinary share. The securities trade on the over-the-counter market in the US, TKR BOSSY.

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Marie Driscoll is a highly experienced equity analyst focusing on apparel brands, apparel retailers, and luxury goods stocks. She has served in key analytical and business development roles in leading financial research firms. Marie's knowledge of global consumer markets is broad and deep. Access to industry leaders, financial acumen, and analytic insight support her actionable investment advice. Marie was recognized three times in The Wall Street Journal's "Best on the Street" analyst survey, capturing the first place ranking for stock selection in the Clothing & Accessories industry in 2009.