Good afternoon, everyone. Good afternoon. My name is Tom Edwards, Chief Financial Officer, Chief Operating Officer of Capri Holdings. I want to welcome everyone to Capri Holdings Limited Investor Day. With me today are John Idol, our Chairman and Chief Executive Officer; Jonathan Akeroyd, CEO of Versace; and Pierre Denis, CEO of Jimmy Choo.

Before I start, just a one housekeeping item, literally. After the first section of this presentation, we'll take a short break to clear off lunches, and then we'll continue with our presentations for each of our three brands.

This page is forward-looking statements which we'll be making through the presentation. You can feel free to read and also refer to our filings on our website for more extensive risk factors.

In terms of our program for the day, the first item we will look at is Capri strategy and outlook. John Idol will begin that, and I will also speak during that timeframe. We'll then turn to Versace, Jimmy Choo and Michael Kors, finishing the day with question and answers.

So, with that, I'd like to turn it over to John Idol, Chairman and Chief Executive Officer of Capri Holdings Limited.
Thank you, Tom. Good afternoon, everyone and welcome. As Tom said, this is our outlook for the growth of our company, and this is our second Investor Day that we've held with Michael Kors originally two years ago and now as Capri Holdings being – with our three brands: Michael Kors, Jimmy Choo, and Versace.

We're very excited about Capri Holdings and what we've been able to create in the past 18 months. As many of you know, we had a vision to acquire luxury brands that had a global resonance and we also wanted luxury brands that had leaders, founders who are deeply engaged in the vision and future of the companies that they actually started. We were very fortunate a little over a year-and-a-half ago to be able to acquire Jimmy Choo under the incredible leadership of Pierre Denis and his partner, Sandra Choi. We've added one of the great luxury houses to Capri Holdings.

We were equally fortunate, at about this time last year, when we had the opportunity to purchase Versace. And, once again, with an incredible CEO, Jonathan Akeroyd; and an amazing iconic leader, Donatella Versace. And with our foundation brand being Michael Kors, again, led by the preeminent luxury American designer Michael Kors himself, we have three of the most outstanding houses in the world. All three of them are founder-led and all three of them are focused on fashion and luxury.

When you look at all three brands, they all have different personalities. We all just left the Versace Store on Fifth Avenue and I hope you felt the rock and roll spirit that Donatella has created in the recent spring collection that was in the stores. And as many of you are aware, we have a really incredible collection coming for fall that will be featuring many of the iconic codes of the house that you heard Jonathan talk about in our – in his earlier presentation today inside the Versace Store.

And Jimmy Choo, I think you all would agree that what you saw in the showroom presentation was very exciting. What we've been able to create in a very short period of time with Jimmy Choo, and you'll hear Pierre talk a lot more about that later on, is really extraordinary and particularly in our accessories business with the launch of our new JC Logo, how quickly we've moved into the luxury, active footwear business and how we've repositioned the marketing of the brand with Kaia Gerber as being the face. So, again, we've done that all in a very, very short period of time and the results are there with the company growing double digits and really being able to move much quicker than it had in the past.

And then, lastly, with Michael Kors, two things; number one, we sat here two years ago, we told you what Runway 2020 would look like. And I believe that Michael, Tom and myself, are actually quite pleased with where we are today. We significantly beat the earnings per share projections to – of two years ago that we thought we would be at, at this point in time. We've been able to grow the brand while more modestly this past year, we still do grow, and we continue to get the brand positioned not only for stability, but for longer term growth that I'll talk to you about later on this afternoon.

So, again, when you think about Capri and what we stand for, we stand for three very powerful companies under one house. And also what we stand for, which is uniquely different from some of the other companies that are here in North America is that, we are focused on luxury. We're a company that has brands and houses that have the ability to grow in North America, in Europe, and significantly in Asia.
One of the leading indicators that we look at constantly is our brand strength. And what's incredible is, when you look at the social media following for Versace, Michael Kors and Jimmy Choo, it's really quite extraordinary. And in particular, when you look at the Instagram following, Versace has 17.5 million Instagram followers, and Jonathan will talk more about what's happening social media-wise for the brand, and Donatella alone has 4 million, and this has been growing very rapidly. So, that tells you that people are engaged with the brand, people are excited by the brand and people are excited about what Donatella's message is. Michael Kors, 14.5 million followers and continuing to grow. Once again, consumers are excited and engaged about Michael's message. And then, lastly, Jimmy Choo growing very, very rapidly, now over 10 million followers on Instagram, again, led by Sandra's message for fashion, innovation and excitement.

So, we feel very good about the brands and the strength of our brands and the ability to grow them based upon how engaged the customers are with us, and you're going to hear later on also about how we're growing our databases with all of our consumers on many different levels.

We're very excited, last year we delivered double-digit topline and double-digit bottom line growth for Capri Holdings. We're very proud of that. This year, Tom's going to talk about this later in his prepared remarks, we will do $6 billion. And if you look at that by brand, we'll do approximately $900 million in Versace and that also is quite extraordinary because Versace will lose approximately $50 million in volume closing two of our brands being the Collection and the Versus brands. So, when you look at that taken out, the brand will grow at double-digit growth.

Jimmy Choo will also have double-digit growth this year, reaching approximately $650 million; and Michael Kors will be approximately flat at $4.5 billion this year, which brings us to a $6 billion company. Again, in totality, we will grow at double digits once again.

One of the exciting things about Capri and the company put together with these different luxury houses is, it gives us an interesting and more diverse mix of product. The company will be approximately 51% in accessories, 18% in footwear, and as you heard me speaking about earlier today, we believe footwear is one of the fastest growing categories in luxury today and we are soundly entrenched in Michael Kors and Versace and we will begin to become much more broadly based and developed in footwear in Versace.

We now will have 13% of our company's business in men's, which is quite exciting, and we look to grow that significantly. And women's ready-to-wear approximately 11% and licensed products approximately 7%. And I might also add in the license category where we have a very, very strong watch business under Michael Kors, and while that marketplace has been disrupted, we believe that we can add value with some of the other business units that we have in the watch and jewelry category. And we also will now have, under the umbrella of the house, one of the largest fragrance businesses with Versace and combined with Michael Kors and with Jimmy Choo, we will have close to $600 million in revenues in fragrances, which is very, very powerful and a deep way to talk to customers broadly.

When we set out on the mission to create Capri, we were really looking at the luxury market and the fact that the luxury market continues to have sustained growth. And when you look at the Bain Capital Industry Analysis, you can see that the CAGR for growth from 2018 through 2025 is approximately 4%. We believe that we will grow faster than this, and we believe that the accessories category, in particular, will grow faster than this. But, the category itself has demonstrated incredible resiliency over the last 20 years even through economic downturns. This category, we believe, is one as an investor that you can look at and understand and know will have long-term sustained growth. And with our three houses, we are solidly positioned in the luxury category.
From a regional standpoint, we also believe that the two acquisitions that we completed have definitively balanced the company with additional revenues in Asia, in particular, and to a lesser degree in Europe. When you look at where the regional growth is from a luxury standpoint, you can see long-term that the predictions are that Asia will account for 50% of luxury growth; America 25%; and EMEA approximately 25%. And we believe we're solidly positioned to be able to participate in that growth.

So, that lines us up in our opinion to be able to take Capri Holdings from its current $6 billion in revenues to approximately $8 billion in revenues. We intend on taking Michael Kors from $4.5 billion to $5 billion, and we'll talk about that later, that will be predominantly driven from Asia and from our men's businesses, both of which are performing.

Second, Versace will go from approximately $900 million to $2 billion. And this is below the goal that we have to be the second largest Italian luxury goods company in the world, but it's the first target that we have, and we feel the management team led by Jonathan, Donatella, and myself, feel very stronger that we will be able to achieve this goal and target.

And then, lastly, Jimmy Choo, from approximately $600 million to $1 billion. And again, under Pierre's leadership, I think we've demonstrated our ability to execute on opening new stores, broadening the accessories category, and being able to re-integrate the brand. So, we're very proud of what we've been able to do quickly with both Versace and with Jimmy Choo, and stabilizing Michael Kors, with the idea of growing all three of our houses to approximately $8 billion.

So, just to recap again how are we going to do that. Number one, Versace $2 billion revenue goal. We're going to build on Versace's luxury runway momentum and our fashion shows have some of the most followed, engaged customers of any luxury brand in the world. And that's led by Donatella and, of course, you've seen that every major fashion model wants to be part of the house of Versace and typically some of the most important celebrities worldwide also want to be part of the brand.

Secondly, we're going to enhance the Versace marketing. As we did with Jimmy Choo, and we're going to do with Versace, we're going to spend a lot more money on marketing, powerful marketing, everything from campaigns that you see digitally to how we're going to drive consumers to our website as well through performance marketing, so significant increase in marketing.

Next, we're going to increase the retail footprint from approximately 200 stores to 300 stores. We're on the move doing that very rapidly, some amazing locations available to us. And this is very consistent with where our other luxury competitors are and, in fact, many of them have up to 400 stores that is not our intent. Our intent is to open the additional 100 stores and that will be balanced throughout the world, slightly more in Asia. But again, we will be on the streets where you will see our other luxury competitors.

We're going accelerate our eCommerce and omni-channel. The company is very, very far behind in this category. We have limited capabilities today. But within one year, we believe, and Jonathan will talk more about this, that we will have a platform that we can move very, very rapidly with to help grow the Versace eCommerce and omni-channel business.

And then, lastly, we're going to expand our accessories business from 35% to 60% of revenues. And I might add that that is going to be not only in women's accessories which will be the largest and predominant piece of this revenue increase, but also men's accessories. Remember, Versace, half of our business approximately is men's
wear, and men's leather is another very, very strong category at retail today in the luxury marketplace. So, great opportunities for us in Versace.

In Jimmy Choo, $1 billion revenue goal, we believe we're well on our way there. We're very excited. The new stores we've been opening have been very, very productive for us. Also, Pierre led a store renovation program prior to our acquisition that's very much in place today. So, when we acquired a Jimmy Choo, most of the store renovations were actually complete. And so, we're going in now and really focus on new store openings. And again, we've taken our target from 250 to 300 stores. So, we're very excited about that opportunity for us. And Jimmy Choo has got an excellent omni-channel and eCommerce capabilities already in place, so we're leveraging driving that today.

We're going accelerate our footwear growth and obviously one of the big key areas for us is our active footwear business, where our luxury competitors, many of them are significantly ahead of us, but we're catching up quickly. And then, we're going to grow our accessories business over time to approximately 50% of our revenues, and that will, as Tom and Pierre are going to speak to later, also improve the profitability of Jimmy Choo.

And then, we have a large opportunity in our men's business. It is not been a focus for us at the moment, but it will begin to become a focus for us in calendar 2020, kind of in the fall season, as we look to really create a new excitement level around that product category.

Michael Kors, $5 billion, so that's going from approximately $4.5 billion to $5 billion, and we're going to do that, first, we're very excited about what we did with our Runway 2020 program and you'll hear me talk a bit more about that and how that has helped us in terms of our performance in our online and in our stores. But really the mantra around Michael Kors is speed, energy and optimism. And you're going to hear that even more so in all of our marketing campaigns, we're going to walk into our sales associates in the fall season, you're going to hear them talking about it, and we're going to show the customer how they live that lifestyle and how this lifestyle is going to be brought to reality for them inside of our stores. And that will be driven through product innovation, brand engagement and customer experience, which I'll talk about more.

We're going to grow our Asia business to $1 billion, which will be about double from where it is today; and we're going to build our men's business, which is a huge opportunity for us and a business that's been growing very nicely for us at this point.

And lastly, we will stabilize our comparable store sales. We have a very significant headwind in our watch and, to a lesser extent, jewelry business. But as that piece of our business mitigates, we believe that the growth of our footwear, our women's ready-to-wear, our men's wear, and stabilization of our accessories will deliver a platform for us to be able to grow against.

Now, I would like to turn it over to Tom Edwards.

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Thomas J. Edwards

Executive Vice President, Chief Financial Officer & Chief Operating Officer, Capri Holdings Ltd.

Thank you, John. And the first thing I'd like to go over is the progression of revenue and earnings growth for Capri Holdings. Over the past several years, we have grown both revenue and earnings, and in the last year both at a double-digit rate. If you look at fiscal year 2020, we expect approximately flat earnings really reflecting the expected and anticipated dilution from the Versace acquisition while we are growing revenue at a double-digit rate. Beyond that, both strong growth, the topline, and we're positioned to accelerate our earnings growth with the two acquisitions that we'll talk a little bit more about in the next few slides.
In terms of the Capri financial outlook which is unchanged from what was shared last week in our earnings call, this really shows the components of our metrics and what builds up to that accelerated earnings growth potential. So, Michael Kors is our stable foundation. We expect low-single-digit growth over time at the revenue line and while margins remain stable at an operating level.

Jimmy Choo and Versace, we both look to double-digit growth at the topline on a longer term basis, while inflecting on operating margin from years where we’re investing in the business to accelerate growth, to normalizing that investment, to really leveraging the business to grow for both brands longer term into the mid-teens, with adjusted EPS also growing at a double-digit growth rate in fiscal year 2021 and 2022.

As part of building Capri, we're creating synergy opportunities. With three brands and a very large global footprint, we think there are many areas that we can drive savings. The pictures on this slide of our Versace Novara facilities where you design and prototyping and also have a warehouse with some product. We believe that there is a large opportunity here in areas such as raw materials and leathers procurement, indirect materials procurement, manufacturing synergies for two brands in Italy, for instance, that have very similar factories that they use and sourcing optimization across our business.

We have not built synergies into our plan yet, but we are actively developing plans around those. And as we noted, announced a transformation initiative for the company.

The transformation initiative that we discussed is broad-based, and it's about creating capabilities on a global scale to build our business further and to create both synergies, further opportunities to create centers of excellence and to really support the growth of all of our businesses. We're already starting this. One area is warehousing and logistics. And the picture on the left of this slide is our Venlo facility in the Netherlands, which is also a very sustainable facility with the largest array of solar panels in the entire Netherlands. Right now, this business supports Michael Kors and we are in active work to move Jimmy Choo into this facility for Europe, which will not only provide efficiencies, but also save significant dollars for that business. We're combining logistics management and leveraging scale as we use third-party logistics providers as well.

On the IT side, the common platforms will be something we'll be developing across the business, including a global ERP platform which is the SAP S/4HANA fashion management system, and that will allow us to manage our businesses, get greater information, as well as create back-office synergies and shared services.

When we turn to capital allocation for Capri Holdings, our priorities are very clear. First, we always will invest in the business. Second, where we're going to repay debt, we did this after the acquisition of Jimmy Choo, rapidly repaying debt and anticipate doing the same going forward with a debt reduction schedule that we noted for this year of at least $500 million and into the future as we continue to balance out our investment and our use of cash for debt repayment. Longer term, we will return cash to shareholders and we believe we have the ample capacity to do this with a very strong free cash flow generation of our combined businesses. And finally, pursue luxury acquisitions off of the base that we're creating for Capri Holdings globally.

When we look at capital investments, we've noted that we would be investing approximately $300 million a year over the next several years. The majority of that is spent on stores and, to a lesser degree, shops. When you look at the strategies of two of our businesses, we look at the opportunity to grow stores from 200 to 300 for both Versace and Jimmy Choo.
We'll also invest in eCommerce and revenue generating capabilities which both brands we will talk about more, as well as in the Michael Kors business continuing to expand our customer relationship management and eCommerce capabilities. In terms of operations and corporate, we will invest in SAP as well as other activities to continue to support the overall group.

When you look at the overall business, our luxury group has the potential to create significant shareholder value and we couldn't be more excited about it. First, we have incredibly strong global luxury brands. We've significantly diversified our portfolio and diversified it in ways that provide for more growth potential, for instance, with a larger now footprint in Asia and broader penetration across areas that are growing rapidly like footwear, as an example.

Finally, on the financial outlook, there's an opportunity for Capri Holdings to significantly accelerate both the topline and improve our EPS growth potential over a longer time. We'll do that by expanding operating margin and reducing debt as we continue to manage business going forward.

With that, I'm going to take a quick break here, 5- to 10-minute break, while we cleanup for lunch, and then we will start with Versace, following this, with Jonathan Akeroyd. Thank you. So, we'll see you in five minutes.

[Break] (00:27:46-00:34:26)

Thomas J. Edwards  
Executive Vice President, Chief Financial Officer & Chief Operating Officer, Capri Holdings Ltd.

Welcome back, everyone. Welcome back, appreciate the little break. Just as a housekeeping item, I'd also like to note that these slides will be available on our website in a PDF form right after the presentation. So for any of those who need the information, it will be readily available. I would now like to turn the presentation over to Jonathan Akeroyd, the CEO of Versace.

Jonathan Akeroyd  
Chief Executive Officer, Gianni Versace SpA

Good afternoon, everybody. It's a pleasure to be here on my third birthday of being with the Versace brand. So it's a very good timing. And just on that note, I'd like to say that I feel very fortunate that three years in, in which period we basically made a lot of changes in terms of management team, reset a lot of the priorities that we felt we needed to do to get the brand on a strong recovery path and then 2.5 years later we had the fortunate thing to meet John Idol have this opportunity, Donatella and myself to have a new focus on the brand and an important moment – and it's not just an important moment for me in terms of three years in, but also to really, really realize the potential of the incredible brand that that we have and we know that has the ability to reach the targets that we need with the right levels of management, so we're super excited.

First of all, one of the most important and most luckiest things we have is, it's very clear of what the Versace brand is. So it's very easy for us to put down what those brand values are. Starting of course with the fact that we're a founder led Italian brand, we still have the family name in the company in a very powerful and iconic name of Donatella Versace who has also been with the brand for that for full 40 years. We have a very strong loyalty to the brand and in fact the priority for us is to keep that loyalty and grow it and then also bring in new customer as well and I'll focus on that. We also have strong fashion leadership. We call it Versace firsts. There are a number of things in storytelling that we really should push more to show people about the firsts that we have done as a brand throughout the history. One of them being we have – we created the supermodel, this was created by Gianni Versace, more than 30 years ago.
We also were the inspiration for Google Images. Jennifer Lopez wore a dress from Donatella around 20 years ago and there was such a huge level of interest from this dress. Everybody was Googling JLo dress, and it inspired Google to create actually Google images so another Versace first. So, we do have a strong fashion leadership that we are continuing through today. We also have an iconic style. It's very easy and clear to see what the Versace woman and man is. We're strong. We have glamour. We have a point of view and I think this is something that we will never walk away from, it is something we will enhance and develop and also strengthen through our merchandising on having a broader offer to achieve that.

And then finally, a luxury foundation that we have. We have an atelier that's actually in our corporate offices. These are artisans that have been with us again for many years and decades producing incredible product as well as an incredible and impressive production facility just about 40 miles outside of Italy as well. And craft is something that we've always had embedded underneath the key values of the brand.

We're also blessed with some things that most brands only have one of. We have huge identifiable brand codes and I am sure all of you in these rooms will actually know most of these and associate them with what we are. One of the things that I've been working on already is actually elevating these brand codes because they're so important for us and we need to make them even more special, more elevated but also more contemporary. The Medusa, I'm sure everybody is aware of what Medusa is and how important that is, it's almost our brand mark. We feel that we can manage this in a much more contemporary way as well as making it a key part of our accessory hardware and activities there. We're about to launch the Barocco V, which is really important for Versace, we have also a strong heritage with Baroque and this will be a key element of our bag offer that we're launching in September. The Greek Key, you can see that on the sneaker there, the Greek Key is something again that we've owned for many, many years and we've used this now across all of our collections and something that we've now introduced in our sneaker category that again is very contemporary, very young, very obvious – and obvious but also quite are sophisticated in the way that we're using it here.

And again the Safety Pin, probably – again one of the most famous iconic dresses that Elizabeth Hurley wore about 20 years ago, it's important to us and we still use this today. And then through print, we were a print house and we have a strong archive of print and this is something that will always be a key part of our collections especially in ready-to-wear.

I'm blessed with having one of the most incredible women in our industry today. She has a reputation that has now become one of iconic status. She is well loved by the industry, everybody, obviously, even knows the face, knows the name and knows what Donatella stands for. I think one of the lucky things that I've had is, is the strength of our social media has also shown Donatella to be something that is actually quite surprising. She's an incredible woman. She's incredibly strong. She's very empowering, but she's very, very warm as well. And most – probably the biggest surprise for me since I've joined is how young she is in her mindset and her thinking and also the flexibility to want to be able to change things and move things in a more dynamic – in a much more dynamic way. And she has been such a strong partner for me and – and John as well and somebody that we also have a great deal of fun with.

[Video Presentation] (00:41:24-00:42:54)

I think it's also important to highlight there how Donatella mentions youth because she really does embrace youth and talent throughout her design teams and I think this gives very much a strong freshness to what she's doing and everything that we're doing through the collections in the development there.
Just to touch on the Met, the Met Gala. I mean everybody is aware of the Met Gala. But the importance of the reach of the Met Gala, I think, is something that we've really recognized over the past three years and really started to almost own. Last year we sponsored the Met Gala and we had a huge response to how we managed that. This year we didn't sponsor it, but we actually had an even better reach in terms of what we achieved there. We really did own that pink carpet and the engagement that we have was quite incredible. This year we did something quite special where we released also a catalog, the making of the dresses and that enabled us to have a huge engagement through the social media channels that we work on. We had 100 million views organically through our own Instagram channel on those dresses and everything that we went about. We've got 185 new followers to Instagram and Facebook, and we had a reach of – the total reach of 75 million with 6 million interactions. So it's a great platform for us to just communicate with the brand and work with incredible celebrities that we've always done throughout the years.

We also have very strong celebrity relationships and then I am – obviously this is important to market the brand and show the new collections and great for product placement as well. But the thing to note here is that these celebrities that we engage with from JLo to [indiscernible] (00:44:43) to – in the past people like Elton John these people have very much authentic genuine relationships with Donatella and this really shows through – just anecdotally, when we do our runway shows where we have the best models of any brand in our runway shows. They all come to us and they all want to work with us and they're extremely proud to work with us. And this is again something that is completely unique for us and it really doesn't happen with any other brand and something that we can get further leverage on as we start to push through our product messaging that I'll explain where we have a strategy to do later.

One area that I have been working on, we're just launching get really into this year is – to be honest with you, in the past marketing was very much a little bit old-school classical way to work in terms of pushing an Italian luxury house. It was really driven by a show, four times a year and it was driven by advertising campaigns with top photography talent, and that was basically the key focus of how we would promote and market the brand. We've now restructured our marketing team totally with a view to having a much stronger 360-degree approach to connect with everything that we're doing starting with obviously with the shows and the campaigns that we have, but then drilling that right down into how we can then touch that through in terms of product placement, product marketing and then working that through to our in-store experience as well. And this has been a significant change that you will start to see coming through in the coming months before the end of the year.

We're also really going to be talking more about this Versace first and the storytelling that we have. It's something that we need to do a lot more and unlock the secrets of really what the brand is today.

This is ad campaign for Fall 2019. You're the first people to see it. This really is based around our show that was showed in February that was really linking in luxury and the theme of grunge in the 1990s. It's a strong campaign, again shot by one of the best, Steven Meisel. We feel very strongly about how this will – it's a shift down from what we've been doing [ph] tomorrow (00:47:11) is a little bit [ph] – lot more (00:47:12) lifestyle. But the important thing to note here and this is something that we've never done before, we've created a huge asset suite around that which is basically based on product before we would shoot and probably get about 10 looks from this, we've now got 100 extra assets focusing on key product accessories, footwear and we can really push this through to create a much more product-focused marketing campaign across social and also we're directly linking it in with our in-store experience.

[indiscernible] (00:47:46) coming on to that, the first kind of big launch that we're about to embark on in September is a new bag, a new logo bag working with the Virtus – it's called the Virtus bag. We're working on the Barocco V way, so this hardware will come across all – all of this bag offer including our small leather goods. We
believe it's got a very strong signature, easily identifiable and the fact that it has this baroque element to it as well is very much identifiable to us and the house rather than just adding just a straightforward logo hardware on top of it.

We also now have a 3-wave strategy to promote that. Again, something that is completely new to us and a lot more efficient in the way that we can push it and extend it out in more of an accelerated way in terms of full execution. We will launch it with the campaign. We will launch it on digital and through our normal channels. And then the next wave down will be localizing it, taking it to the regions, working with specialists, magazines around the world, particularly in Asia where we see the biggest uplift to come and relatively quickly and we'll start that through one month after the campaign in October and it will really echo what we're doing in Milan with the corporate marketing campaign.

And then finally into the gifting period, we'll have much more product placement with the celebrities that are proud to work with us, so there'll be a lot more product placement through gifting that we've done with them, and also working that into a much clearer and defined holiday program.

We've already started it. We tested it in the Spring. Our marketing department was really set up in the Spring, but we wanted to test it and see how it'll work with our existing categories, the handbags and the sneakers that we have, again pushing a little bit more from ready-to-wear where we get huge exposure already. I mentioned earlier to some people that we've got a very, very strong momentum in our sneaker business. We launched a sneaker, the Chain Reaction, only 12 months ago, and it's already recognized as being one of the key sneaker designs in the market. It's already our best-selling SKU, and we're now drilling that down. We purposely started that at a very high level with the high level price point of roundabout €1,000. We've now introduced the next level down from that, a hybrid version called the Cross Trainer, and now we're starting to push it, not just in terms of a collaboration with a very strong musical artist called 2 Chainz, but we're also now pushing that and rolling that out through our social channels in a much more directed way. And also now having it in most of our store windows now we have a very strong presence of this category. So we're starting to drill it down in a much more clearer and efficient way.

John mentioned earlier, but our social media strength is incredible to be honest. It's something that we really only started to focus on about three or four years ago, and again something that Donatella embraced very, very quickly. We're the number six brand in our market which I think is incredible for a brand our size. We know and we expect this to grow at a much faster rate, so we expect just to move up very, very quickly there. And it genuinely does – I think it's – the most important thing for this is, it's how to change the perception of the brand and show us to be a much more younger fashion-forward brand rather than probably sometime before people saw us as a little bit more of a traditional Italian fashion house. We must add on to this as well Donatella's following which is now well over 4 million. So, we're now already probably the fifth most followed brand on Instagram which is a huge achievement.

We have a very strong social media following across all platforms. We now are going to focus a lot more on Asia and we've launched that this year as well and again had some good response there and we're getting a – a 28% growth last year and again we expect that to accelerate. And you can see that with this strong engagement we can really surpass our competitors and this was really evident in what we achieved in the Met Gala.

So, now on to our growth initiatives. I think before I go onto that, just to reinforce, as John mentioned, through this elevation refocusing on what our brand is and our brand values and our brand codes, we also decided we needed to exit from some of the lines that we had. We had two lines Versace Collection and Versus that were important to us from a wholesale perspective, but again they were quite confusing for the market and we made a quick
decision to exit from those lines to enable us to focus even more on the first line which is really where the growth will be and for sure where the opportunity will be, and it will also help us on this elevation journey that we have already embarked on. So this is really important for us and it also enables the business to focus on what we're doing as well as making sure that also our industrial operation is much more efficient in terms of sampling and all of the SKUs that were being produced previously. So we've exited out those lines now. It was the last season for both of them in the Spring. And it will enable us to go much leaner and cleaner going forward.

So the real priorities, the first one is obviously to build on the luxury momentum that we have. And we really do have that. We have that not just through the social media evidence as I've shown you there, but we also have it in terms of engagement with the key editorial press. They're really, really behind us. Last year the covers that we got as a brand we're far far better than any years and again the engagement from them not just in the brand, but also what we're doing in terms of trends and what we're doing in terms of products.

Two critical ones for us now that we've already started on are obviously to extend and expand our business into accessories. This will be really the game changer as far as I'm concerned. We plan to move our revenues from 35% to 60% in relatively short-term. And we have the ability and the brand and everything that we have to be able to achieve that. We need to enhance and still work further on our powerful iconic marketing. And the key to that again will be to drill that down and focus and communicate on the incredible products offer that we have beneath what the brand is in terms of brand image.

We have currently today about 188 stores. We have the ability when we benchmark against our other brands to extend on that and extend on that very quickly. So we plan to move to 300 stores within the next three years. And again, eCommerce is an area where we feel that we can – very, very quickly, get to where we need to be in terms of a much more enhanced site shopping experience and working in towards omni-channel.

So starting on women's ready-to-wear. Our red carpet, it's very clear. It's very important for us. We get huge exposure from it. We now will dilute that down and make sure that when you come into our stores, there's a much stronger connection in our stores and in our product from the red carpet to people coming into the stores and be able to buy into that Versace glamour in a clearer way that was probably missing in the previous years. We have strong house codes. We have a strong logo. We have a lot of prints I mentioned earlier. We will go bold with that. We will continue to work with that. We're not a minimalist brand and it's something that's important, people expect to see from us to be strong.

And then, well, also in terms of merchandising, I'll come on to – so the changes that we've made in terms of merchandising, we need to also expand our offer. We have that Versace fanatic. It's a big strength of ours, but we now – and we need to make sure that when people come into our stores, the offer is a little bit more democratic and we see a big opportunity in categories such as denim and dresses in particular in our women's offer.

Men's, again big surprise for me. Sorry – yeah, men's is 50% of our ready-to-wear business – is actually men's ready-to-wear. This is a real position of strength which seemed to be and known to be a very strong menswear offer and I believe this is something that we can really continue to grow on and develop at the rate it is today. We'll continue to capitalize on that. And also the same with women's, we're going to open that up a lot more in terms of key categories. We need to be developing a much more stronger denim business now, we've closed the other collections, and again working into our biggest offer in terms of outerwear and some of the sports categories as well, we see as a big opportunity for us.

And then just touching on men's underwear. We have a very strong men's underwear business that's actually driving us very good volumes through eCommerce and through our wholesale business, and we're going to re-
launch that next year. And there’s a very big opportunity to do that both in terms of packaging and the supply chain as well. And we think that we can become one of the market leaders in men's underwear, and we'll be kicking that off next year.

Looking into expanding the accessories offer. We have completely changed our – both our – management teams in merchandising, we brought in two top level merchandisers, one will be focusing on the product side. And John mentioned, this gentleman has joined us from Dior, and before that he was at CHANEL, and he is an expert in this category. And we're very excited that he joined us only one month ago. We've also now split our merchandising department to enable us to have a stronger merchandising focus on the buying, and the buying that goes into the stores, and really working collaborating on a much clearer merchandising journey through our stores. And again, a top talent has joined us there.

And then more importantly, it all starts with design and product, and Donatella and myself have hired again joined only a month ago, an exceptional talent to lead our leather goods department in terms of design for both men's and women's. So, we're confident with this team that we have the right team to be able to focus to accelerate our growth in accessories. And I think more importantly help support the change in culture and focus within the company from being a ready-to-wear culture to also being to complement that an accessory culture. We're going to increase the SKU presence in our accessories offers in our SKUs. We've already started that journey. We have now – you saw it in the store earlier in New York that before was predominately ready-to-wear on the ground floor, we quickly changed that. Now it's all accessories. You'll see our new store concept shortly that is very much geared around a higher penetration of accessories in our stores as well as making sure that it's having a great journey into the ready-to-wear presence.

We are going to also support that with marketing, I mentioned that earlier, we have many initiatives we launched for Versace will be far stronger than we've ever had for any bag offer and we've invested more marketing dollars to make sure that we have a high level of impact, when this offer launches in September.

And then, we're going to be focusing more in terms of management of it to making sure that we have a higher level of carryover in the business to assist both the profitability and grow our margins as we do that in the coming years.

Going back to the house codes that we have, we're going to really starting with this [indiscernible] (01:00:42) logo. We feel that this will give us a huge impact on the market. We're going to then extend that through to other key category trends that we have that we're under-potentializing in terms of backpacks, bum bags, you started to see them in the stores already. And again we're getting a good traction on those already. And we'll develop that even further. And then in terms of small leather goods, something that is again a huge opportunity for us, because right now it's a relatively small part of our offer and we're already working to increase that SKU count – so in SKU count, both in terms of the offer but also in terms of the presence in our new store network.

And again, not to forget the men's business, which – women's will be clearly the biggest share of the business in accessories, but the men's, I think, is also a huge opportunity for us considering our strength in ready-to-wear.

In terms of footwear, we're going to leverage on the house codes that we have. We already – I think the important thing to say is, we've very, very quickly been able to establish a strong active footwear business in a very short space of time through a very well-executed 360-degree strategy there. We'll continue to grow our active business. It's definitely a key trend in the market. It's here to stay and we'll build on that as we are already.
And now, we'll work on the core shoe offer, both in men's and women's, where we have again brand codes that we can really use through our formal shoe offer probably in a much more clearer elevated way.

Licenses, I'm pleased to say that our licenses are very clean. And we have three core licenses. We have fragrance, where we're very strong. We're very well-positioned, even in our men's Eros fragrance is the five best selling fragrance in the U.S. We also have a very strong women's wear fragrance business, so it's good. It's well-positioned. What we'll be doing there is bringing – making sure all of the marketing initiatives that we're doing in the core brands and the core lines will be following in our licensing to elevate our licensing positioning.

And the same with eyewear where we have a very strong partner in Luxottica, who really believe in the potential of the brand as well and we're working with this to actually develop a stronger men's eyewear business, where right now our eyewear business is more skewed towards women. So they're now seeing on the back of our business the strength of the men's business. And again we have watch business where we've been working on stronger price points as well.

We also just finally have a jeans license that we have and we'll be managing that to make sure that it complements everything that we're doing, complements, but doesn't conflict with everything that we're doing with the first line priorities.

So going on to our retail network, we're going to be obviously, as I mentioned earlier, this is all going to be focused on developing our lifestyle and our first line across all categories. We feel there's a potential to grow across all regions. We have a strong footprint in Asia. Already we have 40 stores in Greater China. I'm pleased to say that I'm sure a lot of you are aware our positioning in Asia is very, very strong. We're next to the best luxury brands, we're in the best malls and we have some high volume stores particularly in Macau and in Hong Kong. And we'll continue to grow on that.

We're going to be opening in tomorrow, our biggest store in China in Beijing in China World, again with the newest concept that I'll share with you shortly. We're now looking at further store openings in Europe. We see opportunities for second stores in Paris, second stores in London. And again, we'll also be opening new stores as well as a full refurbishment program in the U.S. as well. So we aim to take these stores probably opening between 30 and 40 stores each year in the next three years to take us up to that 300 mark.

I would say our biggest opportunity is to really every – it's very clear the productivity in our stores is not what it should be, we need to rapidly increase the productivity and this will really be the real driver to reach us to our $2 billion that we're targeting. We would do that through clearly the store renovations, up until now our stores were primarily ready-to-wear stores and obviously you're all aware of the challenges to develop strong productivity with stores only selling ready-to-wear. So accessories will be the key to this. We've also changed our buying model and we're also working on systems upgrade to ensure that we get better efficiencies with our buys, stronger level of replenishment and developing more our carryover business.

Just to show you our store concept again coming from the New York store that you just recently visited, this was our store in Florence. It's a brand new store. So, it's a new store to the city. It opened three months ago and you can see what I'm talking about here in terms of very much more of a luxury presence. People have been – the feedback has been incredible, the results have exceeded our expectations, and again very much focusing on ready-to-wear, but on the entrance of the stores, let's say, roundabout 30% to 40% of the space is allocated to accessories. And we've seen compared to our other stores that haven't been refurbished, this is showing a great uplift in sales in our accessories categories.
The first store that opened was Munich, again great response that this was an existing store just to highlight that that's the ground floor that you're seeing and that again was previously ready-to-wear, a much stronger presence in accessories. And we've also generated a higher level of traffic into these stores as they're being transferred into something much more modern, contemporary and indeed accessible even the way that we're now treating the windows as you enter the store.

And the first one was Miami at Bal Harbour, we relocated the store, we relocated it because we needed more space. And again the reaction has been incredible and completely surprising for Miami where we have a lot of history. And this store was well over [ph] jewelry fit (01:07:32). And again it's beating our U.S. stores' performance very handsomely and has a very much a strong luxury feeling to it as well. And the interesting thing is the time spends in the stores is far greater than it was previously.

So as far as our network is concerned weighted towards Asia, we have 107 stores in Asia across the regions, 40 in Greater China, as I mentioned, 53 stores in EMEA and 28 in America. We will now open the stores across all three regions. In terms of the eCommerce is concerned, we also opened our first eCommerce trade in China late last year and that's performing to our expectations and a very strong lift on eCommerce in America as well.

John mentioned earlier and I agree our digital is an incredible opportunity for us. We get 800,000 visits a week to our website and it's is giving us growth. It's giving us very strong growth already. We have good performance, but we're really targeting as soon as possible to reach a $100 million in terms of sales of our eCommerce business. How would we do this? First and foremost, we need to have a new site design. I think this is important. The site currently is – now it's good, it's functional, but it needs to give more life and really show the brand, where the brand is today. So we'll be refreshing our site towards the end of next year, which will also be coupled with the launch of our omni-channel business for the first time in the EMEA at the end of this year. And then we'll follow with omni-channel in the U.S. in 2020.

We're also now working on a tactical plan to increase our database with such huge traffic into our site and getting a much better quality and a higher level of engagement there. And again, offering our global delivery will happen at the same time that we launch our omni-channel business in EMEA.

As far as the business is concerned by region, not too much of a shift from now to 2022, we expect double-digit growth across all of our network as we'd roll out the [ph] refurb fitting (01:10:03) as we build our accessories are going stronger. We feel there's more opportunity to accelerate the densities in America and also in EMEA as well. We'll be bringing in a much more elevated business in terms of the service that we're offering. We also have – late last year did a full new retail program in terms of retail excellence and this has proved to also be a big contributor towards the current growth that we've been having in our stores right now.

In terms of product mix, the key change will be that shift towards accessories and footwear. Our accessory business will grow from 25% to 30%, and our footwear business will grow to 17%. We're very confident that we can make that happen, and we can make it happen with a double-digit growth and don't really see anything affecting in terms of the men's wear and the women's ready-to-wear momentum that we have as well.

And then in terms of the overall financial outlook, as Tom highlighted, we're looking at mid-single-digit growth between now and full year 2022. We're confident that we can achieve that. That's where we are now and we will build on that and ramp that up as we go into 2021 and 2022. The investment year has very much been this year. So we're opening stores. We've also invested – put a considerable investment into the people and the organizational changes that I mentioned, strengthened them not just in merchandising, not just in design, but also in retail operations as well.
And then, we've also invested considerably more in marketing to ensure that the launches of the accessories, that I mentioned earlier, will have a high level of impact than they would have had previously.

As far as the operating margins is concerned, obviously that will be relatively stable this year, but we'll see that grow and we're targeting mid-teens digits into 2022. The bridge to achieving that, first and foremost, it will really be the top two, growing accessories is really going to be the key to making that happen. The actions that we've been put in place in terms of retail, in terms of product will be the key enablers to make that happen. Improved store productivity is obvious, I've gone through that before, but this will surely be the – one of the biggest drivers in terms of making that happen. And the leverage on sales growth will really be down to the volume effect that we've put in place, and the stabilizing of the costs as the volume drives up.

And then in terms of normalizing the investments, we also see that there's some synergies that we're really be able to build on both in terms of shared synergies within the group [indiscernible] (01:13:07) functions, HR and the industrial, China in particular. And we're also now working very quickly on making sure that as we go into becoming more of an accessories brand, we're using the expertise of Capri and also in Jimmy Choo to support us in having better margins across our products, and a more skilled industrial focus in the accessories categories.

Thank you very much.

Pierre Robert Eric Denis
Chief Executive Officer, Jimmy Choo

Right. Okay. I'll go here for a change. So, Jimmy Choo for us, it's actually – there we go. Now we're in the world of Jimmy Choo. Jimmy Choo, it's a very exciting moment for us. Because today, when we are out together in your showroom, you could see the changes that we have been implementing in the last one and a half year, and how all the investments that have been put forward in the brand are starting to pay off in terms of marketing, in terms of collections, and also the efficiency of the new team which we have been putting in place, largely keeping the existing team of Jimmy Choo. So for us, we are really to embark a new journey, and I'm going to take you to this new journey.

Of course, [ph] it does (01:14:40) by the brand. I think as for Versace and obviously Michael Kors, brand is everything. So I'll start with the brand, okay. Okay, so the brand. What I was saying in the showroom which was very important is at Jimmy Choo we tend to pride ourselves to be a 21st century accessory brand, not anymore a shoe brand, a global accessory brand. And in that as we also define that what we want to achieve is to inspire our customer [ph] today to (01:15:17) stand out, that's what the Jimmy Choo woman has always been doing.

For us we are all about confidence, glamour, selection, being daring, playful that are the core values which we are trying to translate into the marketing as well as we are to translate them into the products. So now, first at the inception of all that, it starts with Sandra Choi. Sandra Choi is our Creative Director. She has been in the company since the inception of the company it is now 23 years ago. By the way Jimmy Choo is probably one of the biggest recent luxury success, with 23 years only we are now at $650 million of turnover. We're also the second largest brand of luxury in the UK. So Sandra's vision is what is driving Jimmy Choo. She is the niece of Mr. Jimmy Choo and let's discover the vision of Sandra and how she takes that into the world of Jimmy Choo.

[Video Presentation] (01:16:26-01:18:52)

So at Jimmy Choo, what I was trying to explain in the showroom is that from those DNA which you could see the values of Jimmy Choo, we are really structured the shoe collection. The shoe collection is divided in four
categories that we could see in the showroom. The core of the business 24:7, which represent about 40% of our business. Our same Fashion is only 15% of the business. And then you have the boots, the sneakers, which is about 25% of the business. And finally the Weekend, which [indiscernible] (01:19:22). These are the strong families and the pillar on which we have been building the brand, the brand in terms of shoes.

Obviously, Sandra was saying it, we are born on the red carpet. Clearly, Jimmy Choo has a strong point, the evening shoes, the red carpet shoes. And that has been making our DNA in the U.S. and by the way very much now as well in Asia. But beyond the red carpet, I think what's interesting and what we have realized is that Jimmy Choo gives the confidence for a lot of our clients, women to wear shoes in really different moments. And we have the pleasure to see really a strong following of Jimmy Choo by very influential celebrities, but also important personalities that are wearing the brand.

So, once I have said that, it triggered the question after Michael Kors purchased Jimmy Choo, where are we going to take the brand? What kind of work are we going to do to go one step further? And this is this journey which we're going to embark now together.

I think first part is that Jimmy Choo has always been since the beginning a very integrated company in terms of marketing. As John was portraying it from eCommerce to omni-channel to strength in all the possible assets that we've already been developing, but now we are going much faster with definitely a stronger investment. The first part of it is about the launch of this new logo which we widely discussed in the showroom, logo first moving to afterwards the addition of logos, the canvas, the repeat pattern of the logo that's going to be a key point which is transforming a shoe brand for us into an identity of an accessory brand.

Here now you can discover the advertising, you have seen Kaia being our spokesperson for the spring summer collection. You now see Kaia again for the fall/winter and you will see Kaia again for the next campaign. So really she's our ambassador that shows one of the strengths and investments which we've been putting in the brand. Here it's all about the launch of [indiscernible] (01:21:36) background which is right now where the trend is and she is very assertive and you can see the products addition of this time not only the shoes, but also the bags.

Then another big thing which for us was very, very important is we started to think what kind of message are we going to deliver on the social network beyond the advertising. And here the point was let's give a purpose to the brand Jimmy Choo. And that's what we have been working on, on this purpose of the brand, what do we stand for? And here we realize that quite many celebrities precisely have been wearing the brands in different moments as I was saying and we decided to make a program, a program of inspiration, which we called In My Shoes and it's about all those celebrities which are going to be witnesses and be in our campaigns to demonstrate what they have been doing, daring to stand out and inspiring others. That will be the program which we are going to embark in the social network, that will be the main theme of our communication and that's how we are going to give the purpose to the brand Jimmy Choo. And I will show you a quick video with Sienna Miller starting the program right now in [ph] a frame (01:22:56).


So, yeah. So here there will be a full message, which is going to continue and that will be a key theme of the marketing campaign aside of the big campaigns. Another element was all about getting the sneaker business. And as you could see I showed you and I discussed the success of the Diamond. I discussed also the success of all the other sneakers we're having in Jimmy Choo that is linked to also a strong marketing program which is you will see featuring Kaia in some positions as well as some full integrated digital assets.
And here this is also transitioning to the next step of what I'm going to discuss, which is Jimmy Choo. There is another big component, which we feel is driving our strengths of the brand and the momentum for now in sales that is the fact that now we are having a full integrated Asian campaign and Asian marketing which we feel is what is needed right now for luxury brands. We have a brand ambassador Victoria Song. We have specific [indiscernible] (01:24:31) animations and events in Asia, really Asia is for us now a priority with a totally integrated and dedicated marketing.

Now these are the strong elements, which we have been working on in the last years. But, of course, we continue to capitalize on the strengths and the natural strengths of Jimmy Choo. As Versace and as Michael Kors, we definitely have a strong following on Instagram. We definitely by the way punch far above average because we are a company of $600 million. And when you look at the number of followers on Instagram, we are really above average in terms of brand strength.

And the good news is that the engagement continues, the development and the following in all the channels are moving on. The next challenge for us is now to take the Asian networks, and that's what we are really working on with this specific dedicated marketing for Asia.

Now moving along and going to the business. First of all, in terms of business, Jimmy Choo, we have 208 stores. And think that's – the key driver is going to be Asia, because we really developed Asia as of 2012. So for us, Asia is totally recent, and will continue to be the area of growth. We have 95 stores in Asia which includes a lot of them in Japan. And clearly the expansion will be particularly in Southeast Asia on the roadmap to the 300 stores.

Europe will be another area of expansions, because within Europe there are countries which we still need to grow. Typically they are part of Europe, but the Middle East region will be an area of growth on a roadmap to 300 stores.

I think one of the key point of Jimmy Choo is that we are a very strongly integrated company in terms of eCommerce and omni-channel. That is one of the key strengths of the company, and that we are going to nurture that strength.

So, going forward the next point is all about the customer, because having [indiscernible] (01:26:38) brand into omni-channel, next journey in our investment right now is all about the systems to drive the customer engagement, customer engagements coming from CRM, the database that's one part. But also moving forward, Jimmy Choo we are able to work now on personalization of shoes that's going to be something very important and we feel that stores have to obviously become a moment of experience which we are, for example, letting the customers have the stores for an event at night or a party or different things. We feel that stores can be used in a different model and in a different way. That strategy of putting the customer first is another way for which we are going to develop the brand.

eCommerce, I was talking about that. We continue to improve our site. We are going to risk in our site in September. Obviously with the arrival of the new [ph] GC logo (01:27:34) it will be making the platform even more interesting, a lot of developments, but mostly I think this year, the big year is we are again one of the few companies to have launched now one month ago pure eCommerce site, Jimmy Choo in China. We have the one in Japan, which is now very successful and we are integrating all that with omni-channel, both in China as well as in Japan.
And in Japan, we are integrating a communication network which is called Line for the marketing which is a kind of Instagram for Japan. And same thing we are adding WeChat in China, which is going to be also integrated to our store. So it’s all about driving media, channels on the online dedicated to the different regions, which results to the future growth initiatives. Well, first of all, we have been historically, since 2012 growing double-digit growth at Jimmy Choo. Last year we continued with double-digit growth and this is the way we are planning the business forward. So, the key elements of that includes, first of all, a goal of $1 billion [indiscernible] (01:28:52). How to do that? We want to continue to accelerate the footprint. We definitely want to grow the channels to be 15% of our business in time. And then, as I showed in the showroom is a way of expansion. And finally, we will discuss how we move the retail from 200 to 300 doors.

So, the initiatives to drive the footwear, we saw the logo, we saw the logo in bag, we saw the logo on some key categories in shoes. We feel that that is a moment where a brand of a shoe specialist becomes a really accessory brand. This logo will be featured in our collections, not in older shoes, because some fashion shows don't need the logo. They have a statement, but logo will be a driver.

Sneakers, the goal is to do 20% of our business in sneakers. We’re not doing half of that for the moment. So this will be a way of expansion and we are confident with the collection you saw in the showroom and the success of DIAMOND that we can achieve that goal. And something which we feel is extremely important and a new strategy for Jimmy Choo is that thanks to now the investment which we’re having, we are starting to buy shoe factories in Italy. That will give us many things. Mostly for us number one will be the capacity to do those personalization I was discussing, accelerate the speed-to-market, which is now the key to the battle and arguably the cost of goods. But this key point for me is all about speed-to-market which is really what is gearing the fashion world for the moment.

Secondly, if I go to the accessories, accessories, first it's about a team, and as we’re saying in the showroom, the team is not a matter only of designer, we recruited a great designer, she came from [indiscernible] (01:30:49) before, a designer, but it’s also the full integration. We had people in the factories to be better buying the leather, a full team of integration to create a full division to develop accessories in Jimmy Choo.

We had a business of accessories. It's, as you can see in 2019, 22% of our business was done with accessories. It was all about evenings, largely. And our goal is now to move on to the bags, as you saw in the showroom as well as small other goods, developing those franchise in many ways. How to do that? The offering is one, you saw the [ph] Madeline (01:31:30) bag, you saw the [ph] Varin (01:31:31) bag, we will continue to work on that, the logo obviously. And what we intend to do is put a bigger and much stronger visibility of these collections now into the stores. Obviously, marketing, you saw Kaia, we will also have dedicated campaigns in Asia and we’ll have a full program of celebrities, ambassador, 360 program to launch the bags.

Now, moving along, I would say as well – that men is another factor of growth for Jimmy Choo. Men is 9% of our business, very strong in Japan. We will drive the men and men is about sneakers, it's about evening as I was saying in the showroom and as long as we have a shape like diamond which translates into woman, I think there is definitely a business to develop. Men will be the focus of next year for Jimmy Choo, the re-launch will be for next year.

Now all that category expansion translates into the distribution and what we intend to do. I think, one of the things which we are very proud that Jimmy Choo is within 208 stores, right now the productivity by square foot is 2,200, which is about 20,000 – a bit more than €20,000 by square meter. That is actually on the high side or on the very good side, strong side of the luxury industry. When you achieve that, you are actually able to make your stores very profitable.
Now, the growth of Jimmy Choo is going therefore to grow in all regions, but is going to come massively from Asia. As I am saying, we will see that we have renovated largely our network and this is best investment is behind us and expansion, we discussed will be Southeast Asia and Middle East for example.

But I think the key is that we strongly believe by being more efficient in the management of our omni-channel as well as our collection that we can largely put the new collections, the bags into the existing stores, and that is going to drive the productivity of the business from Jimmy Choo from 2,200 to 2,700. That's the goal that we have fixed our self in terms of productivity and in terms of drive of the profit.

So the network is largely completed in Jimmy Choo. We have now renovated 77% of the stores and when you do this, it means that you have renovated also most of the flagship, the key cities, the big cities. We are even now starting to embrace the second round of renovation. We are opening in Hong Kong, what is going to be our biggest flagship in terms of turnover, it's going to be a three floor shop in Harbour City. That is going to happen in March next year. So we are also moving into a flagship in Dubai Mall. So Jimmy Choo, we are now having a distribution which is largely renovated and fit for the growth which we are anticipating.

So, how does this translate into business? Europe for now is a bigger. For the record, it's also a fact that because of legal constraints, the EMEA reports some of the American wholesale in to the number. In reality, the geography is more balanced in between Europe, America, and Asia. This one is actually the one. Okay. And then, it says that the growth of Jimmy Choo forward is for us first and foremost, as I was discussing Asia, which we believe we can achieve because as I said, we are a young brand there and this is where the market is growing.

In terms of growth potential, we said that we will have double-digit growth in terms of sales and this chart shows that by doing that we are still able to grow the momentum on shoes. So there will be still growth on shoes which is what I said, but of course the goal is to move the accessories; accessories goes from 18% to 30% and in time to 50%, men from 9% to 10%.

And finally, as we were discussing and I will discuss that only now, but we add a focus in the showroom. We also enjoy at Jimmy Choo a very strong license revenue, demonstrating the strengths of the brand and the fact that we are already considered as a real accessory brand and not as a pure shoe company.

So, how does this equation translate into profitability? It's like that. Last year, the revenue was almost $600 million, as I said, double-digit growth. You have the budget which is here, explain 350. Where do we see the development forwards in terms of operating profits? First of all, accessories, because usually accessories are having a better margin than shoes, although we pride ourselves to probably be one of the most profitable companies in terms of shoes. So accessories will give us some leverage. That's one part. Secondly, as we have said that we are growing the business largely with the existing store network, it means that you will drive naturally and expansion of the productivity of the stores, plus this productivity will be further enhanced with the omni-channel capacity and eCommerce. And exactly the same for Versace, will get some momentum on the SG&A, group being together on the back office on a broad sense.

And then, finally, you have seen from all the initiatives we are discussing that we are really putting a very strong investment in marketing for the moment. We are putting some fuel in the machine to launch the bags and launch those new categories, and in time we are going back to a more normalized investment in marketing that also is going to drive the profitability of Jimmy Choo. The goal being that we should reach mid-teen as being discussed.
So that shows the vision of Jimmy Choo and I think where we are a bit more advanced because we are now one-and-half years down the road in the journey. A lot of the elements I'm presenting today are not actions to come, but they are real, you saw them in the showroom and in our advertising. So with that in mind, we have this confidence to achieve the plan and I want to thank you for your attention.

Thank you.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Thank you, Pierre. Now we're going to turn to Michael Kors. And obviously Michael Kors is a very successful brand today, approximately $4.5 billion revenues. And we built this company on Michael's vision and an exciting innovative fashion product. And one of the things that we're going to be doing is really talking to our consumer about what the new jet set is. And I told you before, it's about speed, energy and optimism. And those are a really easy words for me to talk about, but I think it's a much better visual for you and ultimately for the customer to hear from Michael's words directly.

Michael's vision is part of the cornerstone of which you're going to be seeing coming from our marketing on a forward basis. You saw that already with Bella Hadid, and I'm going to be talking to you more about that in a minute. But millennials and also Generation Z customers are clearly consuming products in a different way, and we've always been a company that's been modern and young, and we're going to be in their vision and we're going to be there with product for them to excite them and engage them.

We have three brands in the company, which is first led by our Michael Kors collection brand, which you've seen Michael's Runway shows, it happen twice a year here in New York. And when I talk about it later, we were the most engaged fashion brand in New York Fashion Week. Second, we have our MICHAEL Michael Kors brand, which you can see the new face, which is Bella Hadid, quite excited about her leading our vision, again for the millennial and Gen Z customer, and the customer who really is about fun, and she totally embraces that. And then, of course, our men's business, which we're very excited about the growth that we're seeing in that business. And we're going to be putting our foot on the accelerator to make that a bigger part of the Michael Kors brand.

Three corners of our pillar is product innovation, brand engagement and customer experience, and I'll be talking about each of those. But of course, in brand engagement, we've one of the most powerful tools and that's with Michael and his vision and how he communicates with our customers. Brand awareness, 360-degree market that is what you heard Pierre talk about, you heard Jonathan talk about and it is critical that we communicate with our consumers today in global campaigns and then we take the assets from those campaigns and we drive them through all the different elements, whether that's social media, whether that's through targeted marketing in our own e-mail or communications, and we're clearly engaging with the customer on many different forms of communication. We at Michael Kors believe that we're one of the leaders in the fashion industry in 360-degree marketing.

These are some of our recent campaigns. This is Michael's collection campaign from spring. Our woman is much more relaxed, she's much more empowered and she's the one who's making the decisions in the household and she is the one who's saying, I want to live my life the way I see it. And the MICHAEL Michael Kors brand, she's having fun, she's showing that speed, energy and optimism. And as you can see with Bella Hadid, she really embraces that and her resonance in our campaign has actually started to change the inflection in store traffic. We've seen it in North America, we've seen it in Europe and we've seen it in Asia as well. And in fact, in Europe,
our North American store traffic – our European store traffic turned positive when the campaign started to hit inside of our stores and we've really seen an inflection from marketing in a way that is a bit more exciting and talking to a millennial and the Gen Z customer.

This is our summer campaign for MICHAEL Michael Kors, again Bella focused as the face of the campaign. Also you can see logo, both our spring campaign and our summer campaigns have been heavily focused on our logo business, which in the prepared remarks that I made during our earnings release, we had said that this category is the highest sell-through category in the company. And in fact, we're still not in the inventory position that we wanted to be. And while that's something that we would rather be in a better position in, I'm very pleased to see that the marketing initiatives that we've put forth are resonating with the customer and we're having the sell-through to compare with the marketing campaign.

In men's, we're making a definitive focus on our leather goods business in this category. You'll be seeing a lot of emphasis inside of our stores, we'll be doing some significant investment in repositioning inside of our existing lifestyle stores to add the men's category, we think we have the right balance. I told you two years ago, we wanted to find out where we were going to go after the men's business. We've now decided that we'll go more heavily into the men's accessories and leather goods business. We'll still be prominent in the men's ready-to-wear business, but we view in our own stores the leather goods business and the outerwear business as a significant driver of growth of this category and that's going to be important when we talk later on about returning to stabilized, our comparable store growth.

In terms of social media following, Michael Kors has 45 million engaged social media followers around the world, and that's on all platforms everything from Instagram, Facebook to Snapchat to Weibo, WeChat. We really are one of the leaders in social media around the world and that's powerful for us, because that gives us an incredible marketing tool to talk to our customers with, and we are getting better and better at monetizing that communication on those platforms, in particular on our website. And we're seeing higher growth rates driven through social media on our website and the sales related to that. We had a 9% increase in total social media following, and on a 45 million base, that's still a very large number in terms of growth.

Both Jonathan and Pierre mentioned earlier about brand ambassadors. Again, we think we're one of the leaders in this category. Yang Mi was the brand ambassador for us in China, our first. Yang Mi has a 100 million followers on WEBO. And there is no question that when Yang Mi has a bag on, Yang Mi powers sales for our customers not only in China but in North America and in Europe. So she's been a huge, huge asset for us.

Secondly, we've just recently signed Tsubasa Honda. And again her regional campaign had incredible results for us, and actually helps turn store sales in Japan, comp-store sales positive with the launch of her ad campaign. Very, very pleased with the resonance, and also this was a new bag called Manhattan, exclusively launched in Japan. So you'll be seeing more individualized exclusive launches in countries from us to be tailored to the different marketplaces and different brand ambassadors. And our first brand ambassador, YoonA in Korea has 9.5 million Instagram followers, and once again with the implementation of her presence, our comp-store sales went positive in Korea as well. So very, very strong regionalized efforts to go with our overall global efforts as well.

Red Carpet Leader. As in our other two brands, clearly Michael Kors is dressing some of the most incredible Hollywood stars and influential people in the industry.

In terms of philanthropy, I'm super proud about this, we will this year reach donating over 20 million meals around the world, and that's through the World Food Program, and we started that with our Watch Hunger Stop initiatives,
which has been a huge success for us. We continue that program, it happens every October, and we donate a percentage of the Watch sales to the World Food Program, and they are one of the most incredible organizations who are on the ground in the countries where this nourishment is needed, and we have been very, very successful with them. We're also very proud of our initiatives, right here in New York, with God's Love We Deliver. We've raised over $24 million for God's Love We Deliver. Michael made a very significant personal donation. I have also made very significant personal donations. And in fact Michael – the name of the God's Love We Deliver building in New York is named after Michael, and that's where the meals are prepared. We serve over 1 million meals a year to those in need in the New York area who cannot feed themselves. So, we're very proud of our philanthropic efforts in Michael Kors, and in some of our upcoming calls we'll be talking about what we're going to be doing at Versace and Jimmy Choo also to take on philanthropy as a cornerstone of those two houses.

Our eCommerce and retail network, we have approximately 850 stores worldwide. The network is roughly going to remain the same, it'll grow 30 or 40 stores a year primarily in Asia, but our network size is about where we want it. We're going to have some further reductions in North America, some further growth in Asia, but the network size will remain roughly the same. And that's a good thing for us because we can really focus on productivity, both from a sales per square foot and also from a profitability standpoint. And as you know, we have been in a rationalization program, particularly in North America, where we've been closing stores that have become unprofitable, and really that volume moved from our store base into our eCommerce space. So, the revenues are there, it's just in a different place, and we think that's been a very effective program for us. And as Tom has talked about, again in our prepared remarks, you're going to start to see some of that leverage show up towards the tail end of this year and really out into the next two fiscal years as those stores are kind of pruned out of the network.

Key digital initiatives. The most surprising thing that happened to us this year is our loyalty program. We started that out, we had a goal to reach 1 million customers in the database. And in fact, we're going to grow that to over 2 million people in that database this year. We've said in previous calls that those customers are actually showing a higher level of engagement, and actually their transactions online are significantly higher than over non-VIP customers, so that's been super successful for us.

Clienteling has been another area, both in Versace and in Jimmy Choo. In Michael Kors we're seeing strong initiatives and results around direct clienteling. The store you were in earlier today, the Versace store does approximately 30% to 40% of its business outside the store, that's sending products to people's homes, that's us engaging with the customer on a one-on-one basis, and you're going to see that happening more and more. We're seeing great success in that in Jimmy Choo, and of course Michael Kors is seeing the same levels of success. So as we kind of rightsize our store network, we're able to focus on VIP, we're able to focus on clienteling, and we're also providing our sales associates with more tools to create personalization with those customers. So, we're really elevating the staff levels, we're changing the commission levels in our stores to actually pay our store employees more money and get better qualified individuals inside the store, and we're seeing that really pay dividends for us.

Again as I mentioned earlier on this slide, you see that we grew our VIP base, we'll grow it this year to approximately 2.3 million people. And the other thing that's been very, very successful for us is growing our database, which I'll talk to you about in a moment.

Retail network and animation. Bella Hadid really inspired us to change our window setup in our stores. And you can see one of the first animations that happened, was Bella in our spring campaign being very, very, very active. And what that did was quite interesting. As I said, we went positive in Europe in our traffic. We also saw North American traffic not return to positive, but we saw a significant inflection when we changed the store windows and
some animations inside the stores. And this really showed us that customers want to be entertained. And of course they want service on a different level than they've seen in the past.

So, these next few slides are some windows that happened during the spring season. This happens to be our collection store in Palm Beach, and you can see some of the interior animation. This is our windows in Regent Street. This is more Bella Hadid in our window activations. And then, you're going to see things like unique bespoke experiences of a store that you just saw in Bond Street, which we opened a few weeks ago. This is our collection store, very, very unique design not only on the outside, but on the inside, this is a townhouse. And really we created a personalized customer experience with two VIP floors inside the store, so people can come in and have a very intimate experience either by themselves or with their family or with their friends shopping.

Additionally, we just opened our new prototype in Soho, which I hope you get a chance to go down to see it, opened about two weeks ago, and this is a new store concept for us that we're going to be using in more urban locations, and it's a bit more of an active format. We've launched some product that I mentioned in our previous calls called MK Go. So, it's much more street meets fashion and in the way that we're presenting that in a store format, so these are some pictures of the new presentation and we're very, very pleased with the results of this store.

So, future growth initiatives. As we said earlier, the number one growth initiative for Michael Kors will be in Asia, and that is going to be where we're going to approximately double the size of our business in Asia. Many of our competitors are at or exceeding this goal of a $1 billion in Asia, so we know that it is absolutely possible for us to achieve. We know that the business has been strong in this marketplace, and we know that if we continue to stay focused and spend our time, energy and effort in this region, that we will continue to be successful. And that's everything from unique product that we'll introduce to the region to our ambassador program, to additional store locations that we will open. And lastly, we are seeing great success in our eCommerce business in both Japan and in China.

Again, while they are not significant numbers from an inflection standpoint yet, you can see it growing. It's starting to develop. And I think when we sit down in two to three years from now, the eCommerce market in China and Japan will be in the double-digit range in terms of revenues for our different entities there. So, we're making the investments, and we're making the commitment to be a leader in eCommerce and omni-channel in both China and Japan.

So as I said before, we're looking to double our revenues in the Asia market. And part of that will be led by store expansion. We ended the fiscal year with approximately 277 stores, and we'll open around 75 stores over the next two to three years in the marketplace, ultimately ending up at 450 stores. And again, our competition in many, many cases has this amount or more. Again, we're doing this at a paced rollout, and the great news for us is, is that all the new stores that we opened in Asia are all profitable from the day that we opened them. So again, this has been a very strong platform for growth for us.

As I mentioned to you before, regional marketing campaigns are very important for us, and WeChat commerce is now coming, and we think that's going to be a very important platform for us. And of course earlier Pierre mentioned Line, but we were one of the original companies in Japan to launch on Line, and it's been a huge success for us, and we'll continue to power not only brand awareness and customer engagement with this, but also ultimately commerce as well.

The men's business, we ended the fiscal year at approximately $200 million. We think that in a very rapid period of time, we can turn this to about a $300 million to $400 million business. The majority of this increase will come
from our own stores. The majority of that will come from refitting existing stores, so we will not be upsizing stores, we'll be taking existing stores, reallocating space to the men's category. You'll start to see that happen in really January, February, March of next year predominantly focused on men's accessories.

Now coming towards the end of the presentation, clearly one of the most important things that we want to do for the Michael Kors brand is to stabilize our comparable store sales growth. We know we'll be able to grow the brand, we know that we'll be able to double our business in Asia over the next few years, we know that we'll be able to increase the men's business. So first and foremost, we need to stabilize our accessories business. We've been seeing progress there, we've been seeing progress certainly with the development of a much greater penetration of our signature product. And that is resonating with our customers, so we're driving that with our marketing campaigns, we're driving that with in-store product presentation.

And we anticipate by the fall season to have this running closer to the 30% goal rate, which is what we had intended on getting to rapidly. We just have not been able to catch up in terms of the demand and what we thought was the needed supply at the time.

And Tom mentioned in his prepared remarks during our conference call, you'll see inventories actually increase in the company over the next few quarters. And then, it will start to decelerate, and this is going to be primarily driven around our increase in the excess of the signature programs and some of our core programs where we had really deemphasized that, and put much more emphasis on fashion, and quite frankly too much emphasis, and we are moving that back to where we think it's a more appropriate balance inside the company.

Our footwear business continues to be the strongest business in the company, growing at high double-digit growth rates. Our women's ready-to-wear business is also growing in the high-single digits, so again we think this is another category that we will continue to develop.

Remember, we're a lifestyle brand, we're not a singular company focused -s a singular product-focused company. And then, we believe we'll grow our menswear business again primarily around the accessories category.

Our watch business will continue to decline. We do not know when that drop will end. But what we have been doing, is we've been launching a new fine jewelry collection inside of our stores. You can see it, it's there today. We have exited the fashion jewelry business. That was a significant drop in volume for us in our stores. We knew that going into this. We want to be in a higher average AUR price point. And we think this is a category long term we can compete in. And we think it's a category that we will not get disintermediated in the same way that has happened in the watch business.

So ultimately, if we're able to stabilize the accessories business, grow our footwear business, grow our women's ready-to-wear business, and add the men's category to our stores, we believe that we will not only ultimately stabilize our comparable store growth at Michael Kors, but we really will be able to return to low-single-digit comp store growth. I also want to add that whether we're up 1% or down 1%, that will not make a difference to the profitability of Michael Kors, and we've mentioned that on a number of occasions, but I think it's an important note to make in today's presentation.

In terms of the future business by geography, you can see like in our other presentations, Asia will grow to approximately 20% of our business, 20% of the business will be EMEA, so while that will be a stable percentage, it will mean EMEA will grow, and Americas will decline, Americas will decline for number one because the overall pie will grow larger, in particular in Asia; and number two as we've said in the prepared remarks previously that
North American wholesale will decline this year approximately $50 million, and then globally approximately $100 million, and that's really the additional $50 million is driven by currency.

Product mix progression. This is a very important slide. We do want to become less dependent on women's accessories. I've said on a global basis while we think the accessories business is growing and in particular, it's growing in the luxury marketplace, we think that in the accessible marketplace in North America, we think it's declining slightly. We think that it is in Europe, it's roughly about flat and we think that there is growth in Asia. But overall, we need to be in other categories to get growth for the Michael Kors brand beyond accessories. So, while we hope accessories return to roughly a flat basis for the company, we do not think that that is the only opportunity that we have to be able to return the stores to flat or growth in comparable store volume. We can do this with other categories, and you can see how that inflection is reflected here.

And lastly as Tom mentioned before, we think that Michael Kors this year will be approximately flat in terms of revenues, we think that the operating margins will be approximately flat as you saw last year, and we think that we will return to low-single-digit growth in 2021 and 2022, predominantly based on our growth in Asia and in menswear. In terms of operating margin growth or stability, Asia has higher operating margins for us. So, we think that as the influx of growth happens in Asia, there'll be about a 100-basis-point increase. Gross margins in accessories will actually increase as we've been moving production to different countries around the world and we actually think that we will see an inflection partially based on that and an inflection based upon our more stabilized business in the signature and core products. We believe we'll lose about 100 basis points because of lower sales from licensing, which has a high gross margin to the total company, and to some degree a lower wholesale mix. And then, we also think because the footwear and ready-to-wear and men's businesses have slightly lower margins than in our women's accessories business, that will be a negative headwind for us.

Overall, we believe that these will have offsetting balances to each other.

So before I turn it over to over Q&A session, I just want to conclude with the following statement. Number one, I think that you've had an opportunity today to spend time at the Versace store and meet Jonathan Akeroyd, the leader of that business, and under his leadership the company has seen double-digit top line growth and double-digit comp growth. I think that says a lot for the management team, and they've done without accessories and quite frankly without a strong women's footwear business. I think that's quite extraordinary, and you can see that the brand awareness and engagement is climbing dramatically. So, we feel very, very strong that we're going to be able to execute against our growth initiatives for Versace.

Number two, you've met Pierre Denis, and Pierre has led this company for well over four years. He's ran it as a public company. Jimmy Choo has grown every single year that it has been in business. That's a really incredible thing to see happen for over 20 years. And I think what's also amazing is the team behind Pierre is really extraordinary. It's the same team that's been there in certain cases. We have one of the employees who's leading our EMEA business, who I believe is the second or third oldest employee in the company. She's actually quite young.

So, we have dedicated people who know how to do this, who know how to execute, and also I would ask you to go and see some of our renovated stores because they look amazing, and you'll already see the balance change in terms of the accessories component, probably 30% of the floor space is now dedicated to the stores in Jimmy Choo, and we've been able to do that without upsizing the stores. So, Pierre talked about productivity, and as we continue to drive the productivity in these stores with higher margin accessories business, this business will also see some very nice leverage in terms of operating margin. Remember when we bought the company, it was
around 11% or 12% operating margin. We purposely took it down. So, getting back to the mid-teens should be a relatively easy thing for us to achieve.

And then lastly with Michael Kors, I think that we've shown that we've been able to stabilize the business, we've been able to run operating margins at a stable basis inside the company, and we think that we're going to be able to continue to do that. So, if we can keep Michael Kors as a steady foundation for this company, grow it ever so slightly and take Jimmy Choo to $1 billion, take Versace to $2 billion, take those to mid-teens operating margins, which today for all intents and purposes, they're very, very low operating margins, that could add between $300 million and $400 million of operating margin to the company.

So, we believe that our two acquisitions really position us for a very exciting future and also to generate some incredible profitability for our shareholders long term.

With that, I'd like to open up to question-and-answer, and I think we're going to take just one second to bring some chairs up here. I think you guys can come on up.

**QUESTION AND ANSWER SECTION**

John D. Idol  
*Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.*

Starting with Matt here in the front row.

Matthew R. Boss  
*Analyst, JPMorgan Securities LLC*

**Q**  
Great. Matt Boss, JPMorgan. Thanks for all the color today. I guess, a key initiative at both Versace and Jimmy Choo that you spoke to was accessories expansion. Maybe what provides you confidence that each of these brands can have sustainable credibility in that category over time?

**A**  
I'm going to take a first bid at that, and then I'm going to turn it over to my two partners. I think that when you look at Versace, which as Jonathan showed you today, the codes in the house are really extraordinary, and the library that we have is incredible. And one of the greatest assets that we purchased was our archives, and it is literally breathtaking, when you go back 40-plus years in history and see what Gianni and Donatella created. So, we have not only archives, but we have a powerful leader in Donatella, who created the Barocco V that you saw literally it was in two weeks' time I believe if I remember correctly.

So, we have the ability to create excitement with the customer. And I think the power of excitement, the power of codes of a luxury house are – I think would give us great encouragement to be able to do that. Look at how quickly we've been able to be a powerhouse quite frankly in the active footwear business in Versace in both men's and women's.

Quite frankly, we're not very good in the regular shoe lines in there. So, that's another category there. If we get the accessories right, we think we're going to have a powerful statement there. In Jimmy Choo, Jimmy Choo had an accessories business that was actually much larger than it was — than it is today. And I think with Pierre's leadership and the team's involvement, we're kind of reigniting a little bit of a right to be there beforehand. And the
last thing I'll say before I turn it over to Jonathan and Pierre is we're in a women's wardrobe today. So, I think in most of the women that are in this room, we probably can find a pair of Jimmy Choo shoes in your assortment somewhere. And we tend to find that it's anywhere between 1% and as high as 25% of a woman's footwear luxury wardrobe is Jimmy Choo. She likes us, she wants to engage with us. And I think that that gives us the right in terms of coming from a luxury background of Versace house codes, Italy which has always signified leather and luxury, and then with Jimmy Choo we're in her closet, we're a part of her life. And we've had an accessories business before.

I think we go into this saying it's not a matter of whether we can be successful, it's whether we will be successful, and when I say the will, it's how're we going to execute. Are we going to have the right logo, are we going to have the right styles, are we going to have the right marketing campaigns, are we going to have the right influencers backing it behind us.

And Matt, I don't want to sit up here and sound brazen. There's a big competitive world out there, and we're not the only luxury company who's trying to be successful in this category. I think we go into it saying, wow, we're kind of a part of this with her. We're not just ready-to-wear companies coming out and saying, oh, we want to do bags now, so but let me turn it over to Jonathan and Pierre.

Jonathan Akeroyd
Chief Executive Officer, Gianni Versace SpA

No, I agree. I mean, I think we all know – I mean, I've actually worked in a group where they've transformed from ready-to-wear business into an accessory business. And we also know a couple of other brands that have done that relatively quickly. I mentioned earlier about the culture and I think the important thing for me is we have already – actually since working with John, we have already significantly invested in people to make this happen. And they're not just extra designers, extra merchandisers, they are the top merchandisers from some brands, and they're the top designers. So, we've got the people already in place, and for sure we've got the brand codes. And I think now, it's all about the execution. So, I'm actually very, very excited about it, and I think – and again, just to echo what John said, Donatella also is very aware now that she's going to support this, back this, and we'll just see this cultural change and the focus within the business will shift.

John D. Idol
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Pierre?

Pierre Robert Eric Denis
Chief Executive Officer, Jimmy Choo

Yeah. The other question is, if you saw the presentation of Jimmy Choo, we are also confident in our numbers, adding on to what is being said. We are not saying tomorrow morning, Jimmy Choo is 50% bags or accessories, 50% shoes. We are saying that for now thanks to the fact that we already had a business at the beginning which was an accessories around 20%. The plan in the next couple of years is to grow it to 30%, and then 50%. I think the last bit iteration that is not being mentioned so far is this notion of time. I believe that the plans which we have put in Jimmy Choo is not a timing, which we cannot be uncomfortable with. We have other opportunities of growth from demand to China to et cetera. So I think the objective is, yes, we believe we can do the accessories, for sure. it definitely gives us the means to do so. Afterwards it is, in how long can we do it and we believe that the timeframe we have put is reasonable.
John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

I also have one funny thing to add. I don't know if any of you saw Kaia Gerber in our spring campaign, which was kind of exciting. I think people were a little bit, wow, what is Jimmy Choo doing, and she had a Choo sweatshirt on and we had a Choo T-shirt. We almost sold out 100% on that product. We didn't even use the word Choo in a significant way inside the company, so we have the JC logo, we have Choo that you have seen on our Raine sneaker. So, we have a lot of things that are going to percolate with the customer, and I'm also extremely excited not even to have a logo bag out that's already in our stores and starting to retail. So, I think we'll find our way. Are we going to get it right out of the box, the answer is no, but I think we will have the right to be there, and it's going to – as Jonathan said, it's going to come down on both companies' parts on an execution plan.

All right. We're going to go male, female. Okay. Okay.

Q

John, right at the beginning of your prepared remarks, you talked about the resilience of the accessories category over a long period of time. Within that, there have been some moving parts by category, by geography and certainly by price point. I wonder if you could share your outlook for – maybe break down that outlook for the accessories category a little bit more granularly, I'd be particularly interested in your views on the accessible handbag piece of the market? And then, perhaps summarize the strategy for how the Capri Group is likely to be more exposed to those pieces of the accessories market that are really growing?

A

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

So, you're right, the accessories market has changed dramatically in the past four to five years. And again, if you see three gentlemen walking through a store on a regular basis, it's usually myself, Jonathan, Pierre. You can find us hanging around if you see three gentlemen walking through a store on a regular basis, it's usually myself, Jonathan and Pierre. You can find us hanging around in most handbag departments on Monday through Friday in some part of the world. The accessories business as we all know went from a trend of large bags that was probably five years ago to that it went to medium-size bags that many people thought were driven just because of Asian consumers and ended up not being true, ended up being that was what a broader based consumer want it, then it ended up going to smaller bags, whether we refer to it many times as bag on a chain across body or whatever you want to call it, also [ph] with shift (02:18:24) at that time was to backpacks and then as Jonathan termed it earlier, bum bags.

So, the business is changing and it's evolving and it's moving. And I think, in both men's and women's, because we talk accessories, we have to remember in particular, Versace and then I'd say, Michael Kors is next and Jimmy Choo, we all have an opportunity to grow our men's accessories business. And so, you're seeing many trends that are the same, guys are wearing backpacks, girls are wearing backpacks, guys are wearing bum bags, girls are wearing bum bags. So, we think that as a group, one of the great things is we're going to see those trends together. We're going to be able to move quickly. We're going to understand a lot of what needs to happen from marketing standpoints, because one of the great things as we're sharing different learnings like the things that you're seeing that are happening in Ambassador programs, we're all learning from that. And when this Manhattan bag that I pointed to was Tsubasa Honda with Michael Kors, is not only one of the bestselling bags, but the bestselling bag in Japan. It's now one of our bestselling bags globally and that's happened in literally 60 days, 60 days. And so, we think we might even tie it back to a launch of a bag in Japan.
So, I think, what we have to be open to in the accessories business is that it's moving, it's changing and that it's still a growing business because it's still a product of interest to the end consumer. It's just in a different form, in terms of how she or he wants to digest it. And I think that we're not afraid of the exposure of that in the company, because obviously it's higher margin, no matter which area of the business it's in. In Michael Kors, we would like to have a little less exposure and in Versace and in Jimmy Choo, we would like to have more exposure.

And quite frankly, the luxury piece of the market as I've said few different times, is growing faster than the accessible part of the luxury market. And part of that is a dollar growth story in the accessible piece I've mentioned, I think, over the past three or four calls, and we're actually selling more units than we are even in dollars, so that just like our social media, we're selling more bags to people. The average transaction price has gone down in the Michael Kors brand, two reasons. Number one, it's been because of the shift to smaller bags and number two, there's no question that some of the discounting in particular in North America over the last six months has also led to lower average unit transaction inside the stores. You find that less to be an issue when you leave North America.

Okay we'll go to a man, right there, [ph] this gentleman (02:21:16).

Rick B. Patel
Analyst, Needham & Co. LLC

Q

Thank you, Rick Patel from Needham Company. I was hoping if you could provide some context on your digital channel by brand, just curious how big that segment is right now and how big it could grow over the next few years and longer term. It sounds like there's a lot of opportunity across Jimmy Choo and Versace, but just curious we still see a lot of upside potential for Michael Kors and if you can tie that into your longer term thinking about where margins go?

A

Sure. I'm going to talk to the group a little bit Michael Kors and then I'll turn it over to my partners. Number one, on a group level, there's nothing more important to us in terms of channel than eCommerce. It is, years ago you heard me again in our prepared statements, I used to talk about our digital flagship and many people said, we didn't understand what that is. And then, in our minds there's nothing more important than what you have on your website, because that is the place that 90% of our customers start their shopping journey and they're doing research, they're just having fun with it. So, if we can't animate, we can't excite, we can't engage right from the get-go on eCommerce, no matter which of our three houses it is, we will not be successful.

We believe that the technology that supports that and the service that supports that is one, two and three, having fun showing them assortment. We've got to – you've got to have a really quick experience in terms of the digital experience. And then lastly, we've got to be able to service you. And part of the service is also AI, we're starting to get some new technology that we'll be launching, I think, in about a month or so and Michael Kors which is really AI driven, where we're going to have much more bespoke communication with each of our customers based around your preferences, your shopping history some of the ways that we think that we can engage with you. And people find that as a service quite frankly, you don't want to keep getting hit with an email something you are not interested in or product category you're not interested in, tell me about something that I need or that it's exciting or unique for us.

We've seen the growth, all three of our companies are growing at double-digit on eCommerce, we don't believe that that's going to stop. On a Michael Kors basis, it is again, we're not going to break down percentages but I'll
just talk in generalities. In the more accessible category, it's a much higher penetration, obviously in North America, a little less so in Europe and Asia is still not developed yet. So, that's a critical part to our comp store growth, is our eCommerce business. It's less so in the luxury categories, but starting to grow, it's starting to become important and we're not the only luxury company discussing it. It's becoming now a reality that it is in most cases, it's our largest single door or single point of "distribution" for all of our brands. But I'll let Jonathan go first and then Pierre.

Jonathan Akeroyd
Chief Executive Officer, Gianni Versace SpA

I mean, for us, it's probably being more about the model that we're using – that we've been using third party logistics supplies and the same with platform provided there. We're not global in terms of our reach as well. So that means that also in terms of the efficiency of the stock operation as well. We're working as a separate business channel. So, as I mentioned within the next 12 months, we're going to have – we'll be using all of our inventory through an omni-channel stock business, which will mean first and foremost, a much broader offer online which will obviously give us an uplift in sales. We're also very interestingly, I mean, the average sale of our customer online is far younger. So, the beauty of Versace is, as a brand, I hope I highlighted, is that we are really engaging with the millennial customer and younger. They know the brand, they're excited about the brand, they buy into online, we just need to offer more and we need to execute it in a much more sharper way. And the same with our average order value online is – there is upside to grow that. So, I mentioned we're getting the traffic, we're getting the interest, we don't have the offer and now we are investing in how we operate that business.

Pierre Robert Eric Denis
Chief Executive Officer, Jimmy Choo

Yeah, we started the journey at Jimmy Choo very much driven by the online for the idea that in 2012, already we were not able to in the store meet the perfect assortments in shoes in between the depth of the collection and the sizing. We were incapable to resolve that equation for whatever we are doing. And so, we have been really working strongly on integrating online with the store and something which we call omni-channel which you all know and that meets the success of shoes, because if you are delivering a consistent sizing in shoes, honestly this has been proving like one of our key growth area, that [indiscernible] (02:26:24) has been really amazing in all the way. So we're strong believers in online sales, but it goes beyond that. I'm not even now thinking in [indiscernible] (02:26:33), I am thinking as one network and I think the online is definitely the extension of the stores or both ways and it does work.

John D. Idol
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

And just one addition on to that, all of us share the same vision that is, we incentivize our sales associates to sell in the store or online. So they get their commission in either place and we're giving them the tool, both Jimmy Choo and Michael Kors have it today. Versace is going to be there shortly. And they can access everything online, they can offer it up to their customers. So, none of us can ever have a store, maybe our largest flagship [ph] control the whole (02:27:06) assortment, but most of the stores can't. And so, to be able to show the customer other offerings and then be able to send it to their home and quite frankly, try it on and keep it if you like if not send it back to us and we're finding more of that experience we can create for the store in terms of clientele matched with eCommerce is really turning into some very, very nice uplift in productivity for the individual sales associates and for the stores themselves.

Yes, go ahead.
Hi. Thanks. The move into accessories is such a huge part of the story from here and I know Matt asked the question before. I just wanted to follow up by asking either both Jonathan and Pierre, is there anything you can share with us in terms of showing the customer the [indiscernible] product, research around their willingness or interest in buying handbags or other accessories from your brands that can help us all get a little more confident around the pretty intense growth that you've forecasted for accessories?

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Let me take the first part of that and then I'm going to hand it off to my partners again. I want to reiterate that not only does Jimmy Choo do about 20% of its business in handbags today. It actually content wise, if you go back five years ago was really handbags. Today it's mostly evening. But we had a very strong handbag business and there were some iconic Jimmy Choo bags back in the it bag day. So we feel Pierre and myself and Sandra, there is already a customer who says yes and interestingly enough our sales associates who now have the new bags in the store are going; thank god, we actually have a bag that functions, we have a bag that's beautiful, we have a bag that our customer wants. And now we've got some pretty powerful people in the stores, these sales associates, who are talking one-on-one with the customer. So again I'll let Pierre kind of go deeper into that. I think marketing is going to have a very large part to do with this. And it's who endorses the bag, what influencers do we have. Because that's going to create part of the heat that goes around this. And in Versace, it's interesting Jonathan mentioned in our store visit that they really purposely have kind of changed this overt huge Medusa on the bags, which by the way was selling incredibly well for the company.

If we go back two years ago the handbag business was on a trajectory of double-digit growth, and then they kind of decided rightfully so that let's take it down a little bit, let's make it a little less in your face. But I think the problem with Versace was that couldn't have been sustainable because as we know today, it's typically companies that have an iconic lettering that drive that engagement with the customer because they're proud to show it when they arrive. And in the case of Versace also, I think we need to be a little bit more democratic in terms of how we're offering the consumer choice.

I'm going to let Jonathan start because he won't mention the companies, but he was part of a group that did exactly this. That's roughly $2 billion today. That started out not being in the accessories business at all and did a complete conversion and is one of the leading accessories companies out of France today. [indiscernible] (02:30:28), but did it in a very short period of time, but had that brand power, had a very strong beauty business, had a very strong fragrance business, had a very strong ready-to-wear business, and entered in with accessories, but I'll let Jonathan lead off.

Jonathan Akeroyd  
Chief Executive Officer, Gianni Versace SpA

Yeah. [indiscernible] (02:30:45) I mean as we've mentioned a lot, this whole 360 approach, it can't be just about putting a logo on a bag, you'll fail on that. And I think first of all, again through the strength of the design as we've got, it's about functionality, it's about quality, which we also now have the fortunate benefit of having the expertise to help support that. And then more importantly marketing, and if you look even at the offer that we've done in the past, there's been some good product in there, but it's not been that 360 approach and now I'm absolutely confident we've got the right people already in place today to make sure we've got that full execution.
And in some ways, maybe I shouldn't say this, but I think it's better to be in a position where we have come, we've got the brand, we've got the brand recognition, we've got a huge reach. The brand awareness is equal across the globe and sometimes to have that establishment Italian House, ready-to-wear then go in with building this category in the right professional way and well executed. I'm absolutely sure we can do a great job.

John D. Idol  
**Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.**

And I just want to add, one last point on that as well, is that we have this individual called Donatella Versace. In case any of you in this room haven't heard about her or seen her or met her, I'm going to go online if I was going to bet that there was one person who could get the message out about an exciting accessories launch and get it on the right most incredible people in the world whether it's of music or of fashion or of the film industry, I'm going to bet on Donatella Versace that she could be able to do that. And I'd also remind you there's this little company called Michael Kors that's doing $4.5 billion today, Michael was really in the women's ready-to-wear business when we started this journey 15 years ago. When we took it over, decided to go after the accessories business. So we have a little history in it. I think also we've got this person called Donatella Versace, we now have a logo that we think that we can develop. Again, is it going to happen tomorrow? Absolutely not. Is it going to take us time? Absolutely. Do we think that we have the tools in place to be able to do that? I think we do. Pierre?

Pierre Robert Eric Denis  
**Chief Executive Officer, Jimmy Choo**

Yeah, I think you already said quite a lot on the [indiscernible] (02:33:17). The last thing I would add on the subject is another question which we've not been discussing so far is the price point. In the Jimmy Choo world, we tend to think very much that there is eight market that in between $900 to $1,500. Now all luxury is driven by a large share of bag above $2,000. It doesn't say that there is not a key markets which is in between $900 and $1,005 (sic) [1,500] (02:33:45). And if you look at older luxury brands competitor and big groups which are right now at the core of the strategy of expansion of those groups, they are also in that bracket. So, I think there is the battle of the bags of $800 to $1,500.

John D. Idol  
**Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.**

And we really weren't in those price points before. And we also told you earlier in Versace and in Jimmy Choo, we weren't in the small leather goods business. I mean for all intents and purposes you walked in our stores and we didn't have those categories. So, I think we feel very confident, we're going to have the pricing that we're not worried about. We actually believe from a manufacturing standpoint we'll have the margin as well. It could take some time to get the belief from the consumer and the support from the 360 degree marketing to make those desirable and have heat buying them. Okay. So, right there.

Paul Trussell  
**Analyst, Deutsche Bank Securities, Inc.**

Paul Trussell, Deutsche Bank. A question on margins, John you ended your prepared remarks speaking to Michael Kors having the ability to have a down one comp or a plus one comp and really having no impact to profitability. Maybe just get us a little bit more comfortable with that and the overall projection of stable margins in Michael Kors over the next few years? And then related to margins, just speak maybe a little bit more in detail on how the groups, how the brands are going to collaborate and unlimitedly whatever color you can share on the synergies potential? Thank you.
Thomas J. Edwards  
Executive Vice President, Chief Financial Officer & Chief Operating Officer, Capri Holdings Ltd.

Sure. Thanks, Paul. I'll start with the Michael Kors, down one, up one. We've given projection of flat comps for the year for fiscal year 2020. And when you look at that there's obviously movement between quarters, so anytime you have normal variation. We're not looking at that as a meaningful determinant of our long-term margin structure, which has much more to do with our building out the accessories margin, building out the product mix in that business, growing in Asia, which is structurally a better margin profile overall and managing the overall. So, really that's the thought process behind that.

And then as we move through with MK and look at that long-term, it's really the balancing of what we're looking at as clear trends. They're already happening, we're already growing in Asia, already growing these other businesses and see where we can build back the gross margin in accessories both with the mix as well as the initiatives John mentioned on the product cost side, which has been happening over the past quarters and years as well.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

And on the synergies piece, I think I'll start with product and production again we've got the facilities that you I think all heard me talk about in particular in leather and in footwear that we're building out in Florence to not only help kind of be the hub for our factory base, but even in the outsource production that we have. We've got amazing talent in terms of our companies with the ability to really take our manufacturing structure and create even more efficiency out of it. We're already seeing leather price reductions because with the quantities that we produce in Michael Kors and a very significant amount of leather actually comes from Italy. We're getting incredible benefits by the group purchasing together. We're looking at other componentries whether it be in footwear or an active wear and how and where we produce those components.

So we actually think there is some pretty nice margin upside particularly for Versace and for Jimmy Choo on that. And then, on the warehouse and distribution, Tom talked about before, we built our warehouse in Venlo knowing that we're going to consolidate and do acquisitions inside there. We're building a new facility here in the United States that actually all three of us will be inside it for our Michael Kors Collection business, and Jimmy Choo and Versace will all reside in that facility. The freight rates that we've gotten in terms of that type of movement of our freight around the world, so there's a lot of things in there and Tom talked about the fact that ultimately we think those synergies could be $50 million for us on a run rate basis once we kind of get all that behind us. We need to get the implementation of SAP in place to help create some of that benefit. But we feel very confident that there's going to be some very nice savings across the group.

But at the same point in time I want to emphasis we're going to invest – it would have been very easy, we could have bought Versace, we could have not reduced the profitability, we probably quite frankly could have increased the profitability, strip cost out of it. We could've done the same with Jimmy Choo. I mean Pierre was already doing a great job, he was raising his margins 1% every year and he was pulling cost out of it. And we said, no. We want to build something for the future. Yes, this is an investment year for us, our earning – our EPS will be about flat. Operating margin totally as a group is down a little bit because of the impact of Versace. But we're doing that with a conscious initiative to say that once we're past this year we're feeling pretty good about our ability to deliver those margin increases.
And I think Pierre said something interesting before, [indiscernible] (02:39:31) our $1 billion growth for Jimmy Choo and our $2 billion for Versace a big audacious goal for us, it is. But if you really look at how we're mapping it in terms of dollars on a year by year basis, they are not enormous numbers for us to achieve over the next few years. So, I think we feel good about we're all very clear on what our strategic mission is. We're all – also I think you saw the amount of effort that we're putting into marketing and I think we're all – we're all feeling pretty good about that inside of our company, as a matter of fact the head of our marketing for Versace now comes from Gucci and this individual started with us about two months ago – two or three months ago. So, we're moving fast in terms of putting the people into place to execute on these initiatives.

Okay. Let me go to this side of the – middle, right there. Sorry, I'll go to the back of the room next, right, right there, right in the middle, right here. Yeah.

[Indiscernible] (02:40:31).

John D. Idol
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Yeah.

So, you guys have talked a lot about growing the millennial customer, attracting the millennial customer. We know that China has more millennials than there is population in North America. So, can you speak to how you are specifically targeting them and even more specifically what things they care about, so customization, sustainability, ethically sourcing, can you talk about that part of your program for these brands?

John D. Idol
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Again, I'll take the first piece and then I'll turn it over to my partners. I would say actually in China, we think we're doing a really good job with millennials. So, I probably should have been more clear about that. Michael Kors is a millennial brand. We started out that way. We launched for the younger customer. We're probably a little more focused on starting to look at the Gen Z customer, not only in Asia but in North America in particular. And I think that Jimmy Choo also – Jimmy Choo is a hot brand in China. It's young, it's new, it's exciting, and also Versace has a fairly large young customer in China. So I would tell you that probably as a group we're not as concerned about ourselves there. I'm going to come all the way on to home turf and I'd say to you that in all three brands, we're concerned about where we are with the millennial in North America today. We're not doing as good enough a job and I wouldn't say – I'd say even more Gen Z in terms of how we're going to bring along that next generation of customer.

In Versace, the largest double digit increase happened in North America for the brand last year. And it's really been us reintroducing the brand to a younger customer, the kind of – we kind of got a little old with our older customer, and that's where the whole connection to music and to sneakers and to what luxury is today has really worked well for Versace. And when Pierre speaks, I know he's going to tell you this is the marketplace. In Jimmy Choo, we've got to work the hardest at to get back to talking to that young customer. And that was when we went after Kaia Gerber. One of the first things we said is, who's younger, who's more millennial/Gen Z, who's going to
make quite frankly the older customer a little uncomfortable, when they come by the store and see somebody sitting in the window in a pair of sneakers, from Jimmy Choo. Where did that come from? And I think what we’re comfortable doing is being bold and different.

On that note, we have the channel to do it. When you look at our social media engagement in terms of – we’re one of the – Versace top five, six in the world. Michael Kors top six or seven in the world. You have – Jimmy Choo is in the rankings now. We’re 10 million, that’s just the U.S. or Instagram [indiscernible] (02:43:17). So, we can talk to the customer to how we’re doing it. And I tell you there’s an renewed energy in all three companies. If you look at the Michael Kors' Bella Hadid campaign, she's jumping, we're no longer on the beach, we're no longer getting off the airplane, we're no longer getting out of the fabulous car. She's having fun with all her friends – or he's having fun – you'll see this great new campaign coming for the Fall Season with this guy jumping on a BMX bike with Michael Kors. So I think we're all comfortable with letting our brands kind of break out a little bit and be different, and that's how you're going to do it.

In terms of engagement with the customer, we're doing everything from – one of our biggest initiatives online is free monogramming. Customers love that, they love the – make it personalized for me, or in Jimmy Choo we're turning the stores over to people to have parties. And we don't care, if you're a 17-year old person or if you're a 50-year old person come take our store for the evening. Have fun inside the store. And those have to be more localized in terms of the initiatives because what works in North America doesn't necessarily work in Japan.

Now, I'll turn it over to John.

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**Q**

Customers [indiscernible] (02:44:33) are they not concerned about sustainability or [indiscernible] (02:44:41)?

**A**

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Sustainability is a very big conversation for us and you'll be seeing us coming forth with a very large program of – as Capri Holdings. And so that's – I'm just going to leave it at that and you'll see something quite exciting. But remember sustainability, and I call it even more social responsibility is something in particular at Michael Kors we feel incredibly proud of. Tom showed you the largest green distribution center in [indiscernible] (02:45:12). We have many other initiatives that are going on internally – inside the company. And look at what we've done with God's Love We Deliver, with the World Food Programme. So we're going to move a lot harder and lot faster with Versace and Jimmy Choo as well.

But let me let Jonathan talk about millennials and Gen Z.

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**A**

Jonathan Akeroyd  
Chief Executive Officer, Gianni Versace SpA

Yeah. I mean the difference for us in the bigger – bigger trend apart from everything that John has mentioned is, as I mentioned, we've got a great retail network there anyway, very, very well positioned, all the shop-fits are relatively new as well. So we're in a very good place. The difference is what we have not done as much is in terms of brand ambassadors, which we've activated now. So they'll be coming through this year, and much from a localized marketing strategy rather than Milan centralized marketing strategy.
And the other key trend is just the engagement with the customer through local events. We do a lot of those actually already today. But the more of that that you do, the more personal interaction with local events, and actually most of our event spend is geared towards Asia right now because it seem to work, they understand the brand more and we need to do more storytelling.

Pierre Robert Eric Denis  
**Chief Executive Officer, Jimmy Choo**

I think many things have been said already. So on the millennial, we'll continue our strategy in China, which for us is definitely driving the pace. I think John has expressed largely what we intend to do. Just coming back on the sustainability, let's agree on one thing, luxury is definitely leading the pace on sustainability because we are not a business of volume. And when it comes to Jimmy Choo, we already know that 98% of what we are producing is anywhere recyclable. So luxury will always be there in the forefront of recyclability because that plays totally in our favor in all the ways.

John D. Idol  
**Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.**

And I'll go for all the way in the back [indiscernible] (02:47:09) all the way in the back.

Simeon Avram Siegel  
**Analyst, Nomura Instinet LLC**

[indiscernible] (02:47:12) sit in the back. Hey, guys, thanks. Simeon Siegel. Great day. Can I just – to Jonathan and Pierre, so really exciting sales per square foot targets that you outlined. Can you talk through their big numbers? So, can you talk through where you're maybe most and leased comfortable in the goal? And then, to the extent, if there are any, it's a multi-year story, so if any of that does not play out, just the levers of guardrails you have to work from there? Thank you.

Jonathan Akeroyd  
**Chief Executive Officer, Gianni Versace SpA**

Yeah. I mean, as I mentioned, from our point of view, we're way behind the competitors. And I think the main reason for that has been, first and foremost, the layout of the stores, and how those stores was set up in terms of what product goes where and the adjacencies through as the store run through. So, we've been already making those changes quite quickly with all of our new store opening, and the refurbishments we're doing, and we're seeing the upside on that already. And that has already been achieved without the excellence in product in terms of [ph] this accessory mix (02:48:14).

So, I think those two are going to be the real factors of that. And to be honest, beyond that is the service element as well. We've done some huge upgrades in terms of the quality of our retail teams on the floor in terms of management as well. So, yes, I agree with it, it's an ambitious target, but it's a target that our competitors are already doing already. So, it's something that again we feel comfortable with, and again, we know that it's going to – it's not going to happen this year, but you'll see the ramp-up next year and the year after.

Pierre Robert Eric Denis  
**Chief Executive Officer, Jimmy Choo**

Yeah. And I'm very comfortable with the target, because, first of all, I've been brought up with productivity. So, that's really what we think in Jimmy Choo. We are happy with the size of the store. I think the online meets the store size in omni-channel environment definitely is focusing on productivity. The exercise which we are doing right now, if we execute on the bag, as we have discussed, is our plan, mechanically, you will have that
productivity. The plan says from 2002 to 2007, that's 28% of growth in the productivity. If you trace it down to the bags, you can calculate that actually workout quite efficiently. It's a matter of SKU management afterwards.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Okay. Let's go all the way in the back. Erinn, go ahead.

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Thank you. Erinn Murphy, Piper Jaffray. I guess, I had a question on the Michael Kors revenue bridge. When you think about going from $4.5 billion to $5 billion, if I look at your kind of two most aggressive goals that's Asian and men's, those combined seem like they were $800 million roughly, so men's going from $210 million to $500 million, and Asia going to $1 billion. So, is the offset of call it $200 million, $300 million, is that watches, accessories or is there – what are you assuming kind of offsets to get back to that $500 million bridge?

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

I don't think that's correct. We're – just if you looked at Asia alone...

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

So, Asia alone is a $0.5 billion.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Is $0.5 billion.

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Right. And then men's is....

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

So, if we just – no, I'm saying, if we just did that.

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Right.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

So, you're asking what the delta in the loss?

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.
Correct. Are you making an assumption, let's say, that watches continues to go down...

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

No. I would make the assumption that wholesale...

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Okay.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Wholesale North America would decline.

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Okay.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

That would be...

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

And that gets you back to your $0.5 billion?

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Yeah. Yeah.

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Okay.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Yeah. It’s – we’re assuming that that’s – that is not going to necessarily, we'd like it to stabilize.

Erinn E. Murphy  
Analyst, Piper Jaffray & Co.

Sure.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

But we thought it was going to stabilize this year and, of course, it did not.
Okay.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

So, when we look at that, we say, maybe that, who knows if that's going to go down a little bit or not. But I think what we feel confident about is, most confident about is the Asia because our competitors are – quite frankly, they're well beyond that number. And then, our men's growth is we think a fairly big opportunity for us. And again, our competitors are much larger in size than us. And so, I think the – both of those areas give us pretty good opportunity to achieve that.

Got it. Thanks.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Start over here

Mark R. Altschwager  
Analyst, Robert W. Baird & Co., Inc.

Great. Thank you. Mark Altschwager from Baird. Just a question on Versace. I think as you look at the mix targets that you have for accessories, they would imply a fairly modest growth expectation for the core assortment, may be somewhere in the mid-single digit range, even with double-digit unit growth plans. So, I guess, want – am my thinking about that the right way as I do the back of the envelope math? But then, bigger picture, how do you think about the implications on the core assortment at Versace as you bring the accessories really front-and-center in the stores?

I'll take the first piece, and then throw it to Jonathan. Remember, accessories is not going to happen really for almost a year. So, we're talking about September of next year when the collection really in our mind hits the floor. Even though we've developed that the – even though there's a new [indiscernible] (02:52:29) that's coming, I wouldn't tell you that that's hard – we're hanging our hat on that.

We really think in the February show Donatella will present what we think is going to be the cornerstone, that's when the new design team will have their product in place. So, if that gets to the floor in September, that's going to take almost a year to develop. So, same kind of thing that you saw us go through with Jimmy Choo. In fact, I would expect women's accessories to decline in the next several quarters at Versace, because we're going to exit stuff, we're going to start cleansing, we're going to start getting out of things, exactly what we did at Jimmy Choo, and then you'll start to see the inflection point go up.

So, what that means is, the ready-to-wear collections and, quite frankly, our active footwear are going to be the drivers for the company. So, men's is going to be the biggest dollar driver, probably potentially active is the second biggest dollar driver, and then third is going to be women's ready-to-wear. And I kind of don't count on
accessories for at least a year till we start to get the development. Along with that, we're going to open up 30 stores. So, we'll just get by share store openings, we'll get velocity. Again, the same exact thing that happened at Jimmy Choo.

Jonathan Akeroyd  
Chief Executive Officer, Gianni Versace SpA

yeah, exactly. And we've really proven with the active footwear business. We've turned that business on very, very quickly within the space of months and we anticipate that to accelerate even further. And then, on the ready-to-wear side, we've been adding on a lot more focus into terms of core day product, more accessibility. And again, this has been something that has already been activated seasons back and we're just building on it even further, but that was a three-year window on the accessories and I agree with John, it will kind of ramp up in the year two and three.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

Yeah, both in men's and women's in Versace, I think we can broaden our – the amount of customers that shop with us if we just have a slightly more democratic offering. And again, we need more incredible black dresses in the lot, I'll give you that as a good example, ranging from $1,500 to $2,500, that's not a monumental thing for us to do, we can do that fast, we can turn that on and we can bring a very interesting segment of customers back to the brand who might have been there. So, there's some product things we can do, we were talking in men's similar type of thing. So, we don't want to lose what we built, but we want to add on that as well.

Okay. We'll take one last question, right here.

Adrienne Yih  
Analyst, Wolfe Research LLC

Adrienne Yih from Wolfe Research. John, I was wondering, our perception is that, in China, the Michael Kors brand has much more of a luxury appeal, maybe at that kind of entry of 900 level versus the aspirational viewpoint that we have here in the States, if you can talk to that?

And then, Tom, can you talk to – in each of the slides that was the store count, it looked like that the store count in Asia would be bigger as a percent of the store count that it was as a percent of the sales. So, can you just talk to us about the store economic infrastructure in each of the regions? Thank you very much.

John D. Idol  
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

So, I think that the brand's positioning, whether it's in North America or in Asia is honestly quite similar. Obviously, the price structure is much higher in Asia, because the cost structure to operate in Asia is in many ways actually more expensive than it is in North America.

We have clearly positioned the brand because of the locations and streets and in malls to sit right next to the luxury brands. And so – and I think some of our competitors have done similar things. And I believe that it positions to the younger customer as an exciting fashion brand as well as a luxury brand. So, I think that's one of the keys for us there. And I think we've done the same thing in London. So, whether it's we're on Bond Street or [indiscernible] (02:56:39) or whatever the luxury streets are, you see Michael Kors sitting in those locations and we're obviously in Galeries Lafayette and we're in Harrods and other places as well.
So, I think the difference in North America is, we have a broader base department store business with Macy's and Dillard's, et cetera, who, by the way, have been terrific partners for us, and we've built a very, very large business with them, I'd say, retail multi-billion-dollar business with them. And so, it's probably perceived that we're border distributed in North America than when you look at Europe or in Asia.

We'll let Tom answer the second question, but just before he does, what I did say earlier was that the stores that we opened in Asia are profitable right from the get-go, but all I can talk to is economics.

Thomas J. Edwards
Executive Vice President, Chief Financial Officer & Chief Operating Officer, Capri Holdings Ltd.

Sure. And Adrienne, I think one the things that doesn’t show up is the split between retail and wholesale, Asia doesn’t really have too much to speak of a wholesale business. So, in the other regions, in the Americas and Europe, there’s a wholesale business. And if you just did the math, it would make the revenues per store look a little lower as a result. But as John mentioned, in Asia in particular the stories are very profitable.

Adrienne Yih
Analyst, Wolfe Research LLC

[indiscernible] (02:58:00) same phenomenon for each of the brands?

Thomas J. Edwards
Executive Vice President, Chief Financial Officer & Chief Operating Officer, Capri Holdings Ltd.

That is similar for all. So, wholesale exists for all of our brands in the U.S. and in Europe. In Asia, it's very small, very small percentage.

John D. Idol
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

And I would conclude by saying that wholesale for all of our brands is becoming smaller and smaller. And really, again, especially with omni-channel, especially with eCommerce, it's just easier for the customer and the customer wants typically to shop at the authentic authorized location. So -- and again, we're very proud of our relationships with our retail partners and that's everyone across the globe. But as we open more stores, as we get better at our own eCommerce, it would be slightly less.

John D. Idol
Chairman, Chief Executive Officer & Director, Capri Holdings Ltd.

I want to thank everyone for joining us today. And I want to thank you for your attention, and we look forward to speaking to you at our next earnings release. And in the meantime, I hope you'll enjoy your summer. Thank you.

Thomas J. Edwards
Executive Vice President, Chief Financial Officer & Chief Operating Officer, Capri Holdings Ltd.

Thank you.
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