

FOSSIL

GROUP

INVESTOR PRESENTATION

September 2018

DISCLAIMER

Certain statements contained herein that are not historical facts, including multi-year profit improvement estimates and the success of our connected accessories, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: changes in economic trends and financial performance, changes in consumer demands, tastes and fashion trends, lower levels of consumer spending resulting from a general economic downturn, shifts in market demand resulting in inventory risks, changes in foreign currency exchange rates, risks related to the success of the multi-year profit improvement initiative, risks related to our connected accessories and the outcome of current and possible future litigation, as well as the risks and uncertainties set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2017 filed with the Securities and Exchange Commission (the “SEC”). These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. Readers of this release should consider these factors in evaluating the Company, and are cautioned not to place undue reliance on, the forward-looking statements contained herein. The Company assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

FOSSIL GROUP SITUATION SUMMARY

FY 2017 & FY 2018

- Product and channel shifts continue
- Company transformation underway
- “Smaller & More Profitable” philosophy initiated

Mid-Term FY 2019 & FY 2020

- Moderation in category and channel shifts
- Company transformation continues
- “Smaller & More Profitable” focus continues
- Modest growth programs initiated
- Sales inflection expected during this period

Longer Term FY 2021+

- Solid growth returns driven by Connected...
- ...and Emerging Market strength
- More efficient and productive business model in place
- Focus on maximizing incremental revenue flow thru
- Prudent investment planning to drive long-term ROIC growth

WHO WE ARE

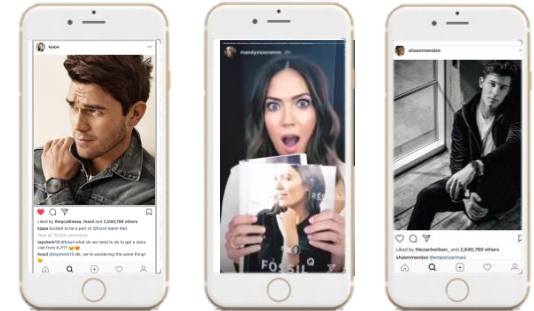
Portfolio of Brands



Multi-category



Digital First Focus



Differentiated software



Branded apps



Smartwatch dials



Branded custom watch apps

20+ languages



50+ countries



INVESTMENT HIGHLIGHTS

Uniquely Positioned To 'Own the Wrist'

- Leader in the growing “multi-segment” watch category
 - Traditional watches: \$33 Billion market, with expansion in emerging markets
 - Connected Wearables: \$14 Billion market, expected to reach \$33 Billion by 2021
- Leading the convergence of style and technology to become the fashion gateway to wearable technology
- Portfolio of powerful brands reaching across consumer types
- Significant competitive strengths in design, innovation, owned distribution globally, and scale
- Initiatives in place to drive double digit operating margins over time, stabilizing sales in 2019 with growth expected thereafter
- Strengthened balance sheet and positive cash flow

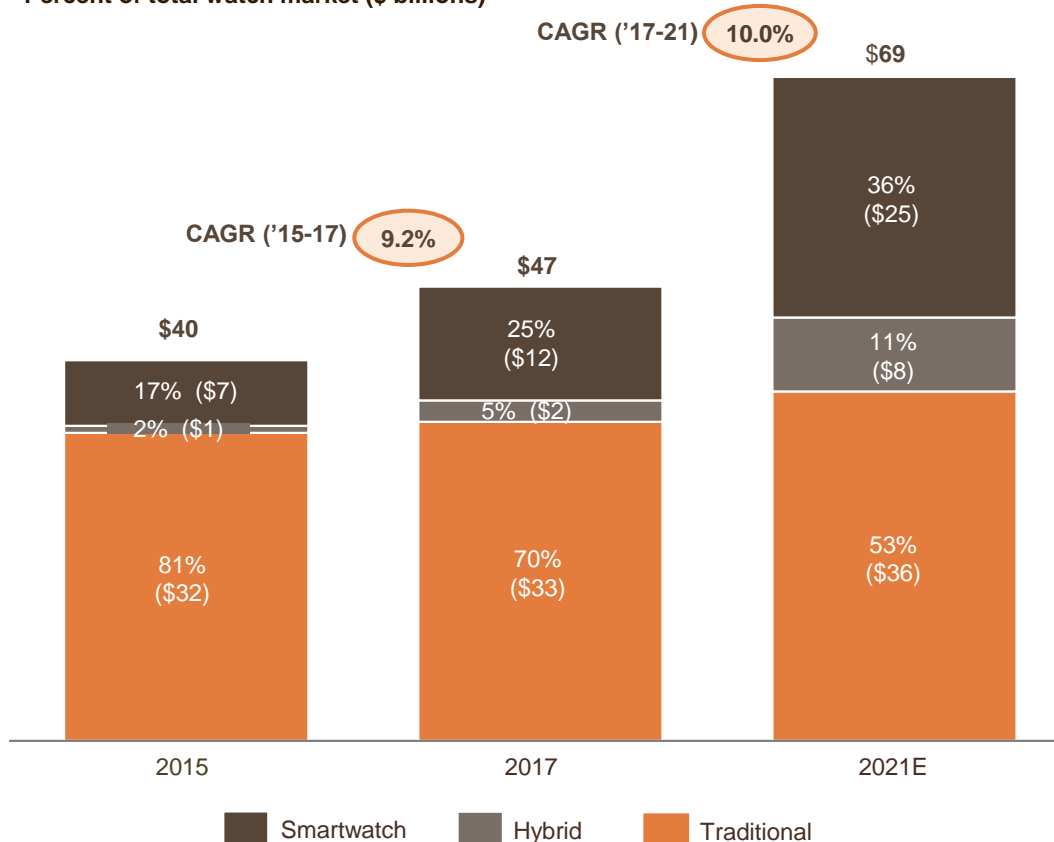
SIGNIFICANT MARKET OPPORTUNITY

Fossil Group's Addressable Market Expected To Increase By Nearly 50%

- Adding technology has enabled Fossil Group to expand the addressable market to include not only traditional fashion watches but also the connected wearables category
- Fossil Group is even more competitively advantaged today and positioned to gain share as the two wrist businesses of watches and connected wearables collide

Historical and projected retail sales of global watches below \$1,000¹

Percent of total watch market (\$ billions)



















































Source: Market model – IDC, Euromonitor International, analyst reports, press search, expert interviews

¹ Assumes net price increase (including inflation and promo changes) but no change in price tier mix

GLOBAL WATCH MARKET GROWTH

2021 Market Size And Projected Growth By Product Type And Country
 (Below \$1000)
 USD, Billions

-  High growth and significant size - highly attractive
-  Some growth and/or size - somewhat attractive
-  Declining market – less attractive

	USA	Mexico	Brazil	UK	Germany	France	China	India	S Korea
									
Overall Market									
Display									
Hybrid									
Traditional									

REGIONAL GROWTH OPPORTUNITIES

Americas

- Connected growth in the U.S.
- Direct to Consumer expansion across the region, including owned and 3rd party e-commerce
- Canada and Mexico growth across watch categories

Europe

- Further connected expansion in major markets
- E-commerce growth across Eurozone markets
- Owned brand expansion in Germany and France
- Revitalize the jewelry category

Asia

- Accelerate growth in China and India
- Leverage significant e-commerce marketplace opportunities
- Capture traditional watch share through global power brands

COMPETITIVE ADVANTAGES

Horizontal Advantage



Vertical Advantage



Technology Advantage



2018 STRATEGIC INITIATIVES

We remain focused on stabilizing and returning our core watch business to growth, bringing more innovation to connected products, and driving efficiencies throughout the company while investing in our e-commerce and digital opportunities



**Four
Overarching
Objectives**

- 1) Improve profitability**
- 2) Innovate product offering**
- 3) Expand e-commerce and digital marketing**
- 4) Transform business model**

1

IMPROVE PROFITABILITY

Fossil Group adapted to a rapidly evolving consumer landscape

Issue

- Disruption in traditional watches and traditional retail driven by expanding influence of e-commerce and technology

Response

- Acquired Misfit to enable the capability necessary to meaningfully grow connected while leveraging design and innovation to launch hybrid watches
- Increased focus on digital, ecommerce, and social media
- Implemented New World Fossil to deliver \$200 million in savings

Result

First Half of 2018 has seen:

- Fossil Brand sales growth
- Positive comparable global retail sales
- Asia return to growth

Trailing 12 months:

- Adjusted EBITDA of \$225 million
- Adjusted leverage ratio less than 2.0x

2018

- Connected expansion offset by traditional declines
 - Innovative technology and designs driving connected
 - Store closures, business exits, and license terminations negatively impacting sales performance approximately 500 basis points
- EBIT margins expand
 - \$140 million in run-rate savings from New World Fossil program
 - 300 basis point increase in gross margin driven by improved design and sourcing across connected and traditional

2019

- Initial sales stabilization begins
 - Connected growth offsets moderating declines in traditional watches
 - Continued rationalization of retail store footprint offset by growth in e-commerce
- EBIT margin expansion
 - Expanded New World Fossil initiatives deliver gross margin and SG&A improvements
 - Expanding gross margins in the connected category

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INNOVATE PRODUCT OFFERING

The Watch Category is Evolving Quickly

- We are now positioned to compete in both traditional and connected watches



2 INNOVATE PRODUCT OFFERING

Our objective is to infuse technology into traditional watches and to infuse fashion and our global resources into connected




2 CONNECTED MARKET SEGMENTATION



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GEN 3 VS. GEN 4 COMPARISON

	Gen 3 Fossil Q Venture, Q Explorist Michael Kors Access Sofie, Grayson Emporio Armani Connected Diesel Full Guard Misfit Vapor Skagen Falster Kate Spade New York Scallop Marc Jacobs Riley		Gen 4 Fossil Q Venture HR, Q Explorist HR Michael Kors Access Runway Emporio Armani Connected HR Diesel Full Guard 2.5 Misfit Vapor 2 Skagen Falster 2 Armani Exchange Tory Burch	
Customizable Dials	✓		✓	
Smartphone Notifications	✓		✓	
Activity Tracking	✓		✓	
Heart Rate Sensor			✓	
GPS	Tethered		✓ Untethered	
NFC			✓	
Microphone	✓		✓	
Speaker	<i>SELECT PLATFORMS ONLY:</i> Fossil Q Explorist, MK Access Grayson, EA Connected, Diesel Full Guard			
Swimproof			✓	
Battery Life & Charge Time	Approx. 1 Day Battery Life, 3 hour charge time		Approx. 1 Day Battery Life, 1 hour charge time	

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GEN 4 PRODUCT FEATURES



Regular Reminders: Don't forget to take your vitamins! Set reminders & alarms so you don't miss a beat.



Personalized Customization: Change your watch face to match your style or mood



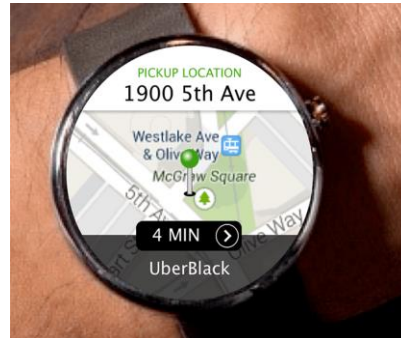
Log Your Downward Dog: Select Yoga from Google Fit tracking options to capture heart rate stats & more.



Tap & Go Payments: Use Google Pay to grab a smoothie with your card loaded conveniently on device.



Water Friendly Wearable: Keep track of notifications and alerts when relaxing poolside or taking a shower.



Ready To Go: Download Uber from Google Play to order a car right from the wrist & head out for the day.



Phone Free Escape: Listen to music and track your bike ride all from the wrist with storage & GPS.



Heart Healthy: Tap the heart on your watch face to take manual heart rate readings direct from the dial.

2 CONNECTED OFFERING COMPARISON



	Gen 4 (Falcon/ Raven)	Apple Series 3	Apple Series 3 LTE	Samsung Gear s3	Fitbit Ionic	Fitbit Versa	Garmin fenix 5
Pricing	\$255+	\$329	\$399	\$349	\$299.95	\$199.95	\$549.99
OS	Wear OS by Google	watchOS	watchOS	Tizen OS	Fitbit OS	Fitbit OS	Garmin OS
Case Size	41mm - 48mm, 11- 12mm thick	38mm, 11mm thick 42mm, 11mm thick	38mm, 11mm thick 42mm, 11mm thick	46x49mm, 13mm thick		42mm, 13 mm thick	42mm, 15mm thick 47mm, 15.5mm thick 51mm, 18mm thick
Display	1.2", 390 x 390 1.4" 454 x 454	38mm: 272x340 42mm: 312x390	38mm: 272x340 42mm: 312x390	1.3", 360x360	1.4", 348x250	1.2", 390 x 390	1.1", 218 x 218 1.2", 240 x 240
Battery Life	24 hrs	18 hrs	18 hrs	3-4 days	4 days	2 days	No GPS: 2 weeks GPS/HR: 24 hrs
Heart Rate	✓	✓	✓	✓	✓	✓	✓
GPS	✓	✓	✓	✓	✓	✓ (Tether.)	✓
NFC	✓	✓	✓	✓	✓	✓	
Swimproof	✓	✓	✓		✓	✓	✓
Speaker		✓	✓	✓			
Cellular			✓	✓			

3 EXPAND ECOM & DIGITAL MARKETING

- Media spend mix continues to shift digital; now have more than 90% of marketing invested in digital channels, including social media, digital media, and paid search
- Continuing to expand celebrity influencer activity along side hundreds of additional brand ambassadors and activation partners to expand reach through segmented, engagement-driven storytelling
- Fossil Brand was recognized in the top 10 among all specialty retail brands in the U.S. Gartner's L2 rankings of Digital IQ based on:
 - Site & Omni-channel Capabilities
 - Digital Marketing
 - Introduction of the Fossil Q smart watch was supported by digital advertising and paid search, driving a significant increase in unbranded search visibility across watch and jewelry terms
 - Social Media
 - Mobile Capabilities

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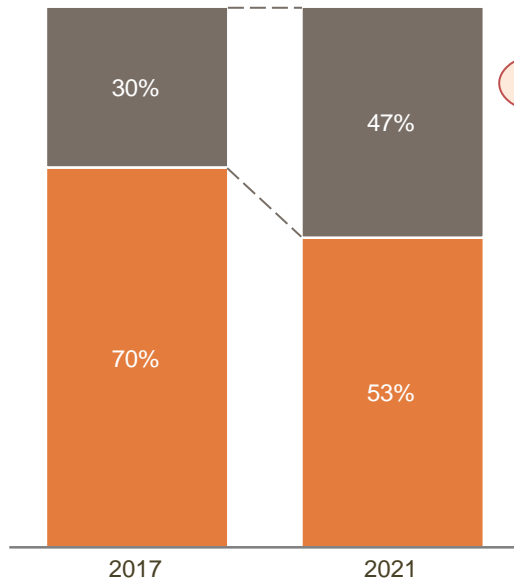
TRANSFORM BUSINESS MODEL

The Industry is Evolving...

Product category

More than 2 of every 5 wrists will be wearing some form of connected watch

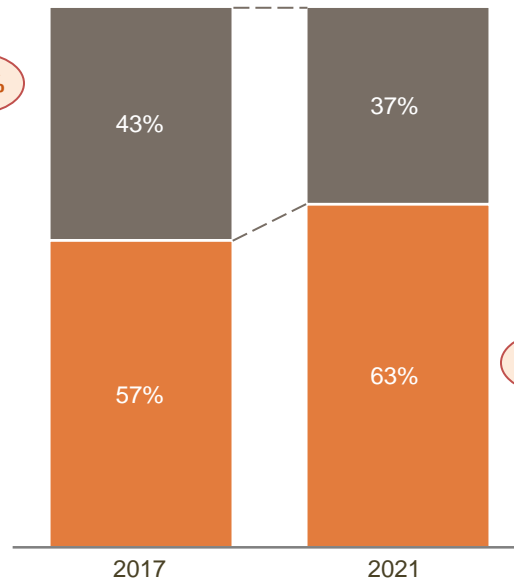
■ Connected ■ Traditional



Geographic market

Developing countries will make up almost 2/3 of the traditional watch market

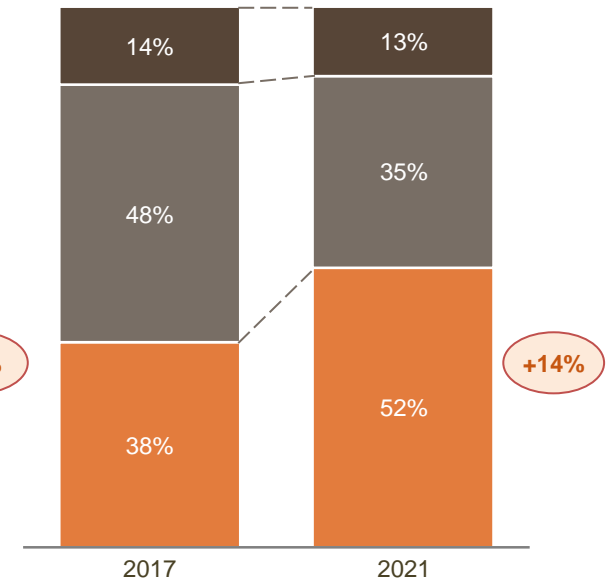
■ Developed ■ Developing



Purchase channel

Over 50% of watch sales will take place online (both owned and third-party)

■ Retail ■ WS ■ E-commerce



Source: Euromonitor International with connected wearables assumptions based on IDC Quarterly Wearable Device Tracker (through 2017Q4); 2018 Consumer Research

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TRANSFORM BUSINESS MODEL

Raising the game on New World Fossil (“NWF”): NWF 2.0

What we’ve accomplished...

NWF 1.0: Right-Sizing

- Right-size organization given recent market shifts and financial realities
- Focus on operational and organizational efficiencies for cost savings
- Cross-functional initiatives driving savings in...
 - Design to Value
 - Sourcing negotiations and procurement
 - Component cost take-outs

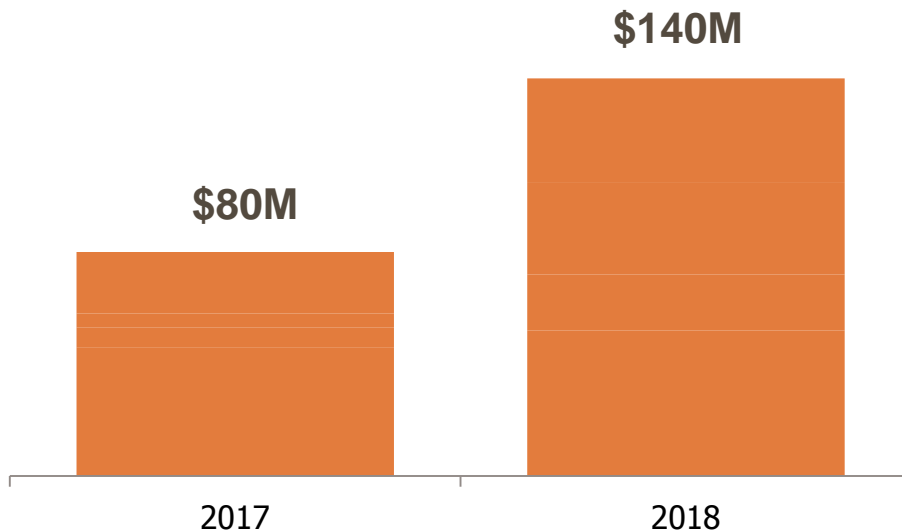
Maintaining sustainable impact...

NWF 2.0: Refocusing

- Refocus organization on prioritized consumer and market opportunities for growth
- Create long-term process and system enhancements to maintain momentum
- Key opportunities in...
 - Speed to Market
 - Strategic Sourcing
 - Procurement Technology and Process
 - Pricing and Trade Optimization

The detailed **roadmap for NWF 2.0** is currently under development - this will guide our continued efforts through 2020 and beyond

New World Fossil Run-Rate Financial Impact (USD in millions)



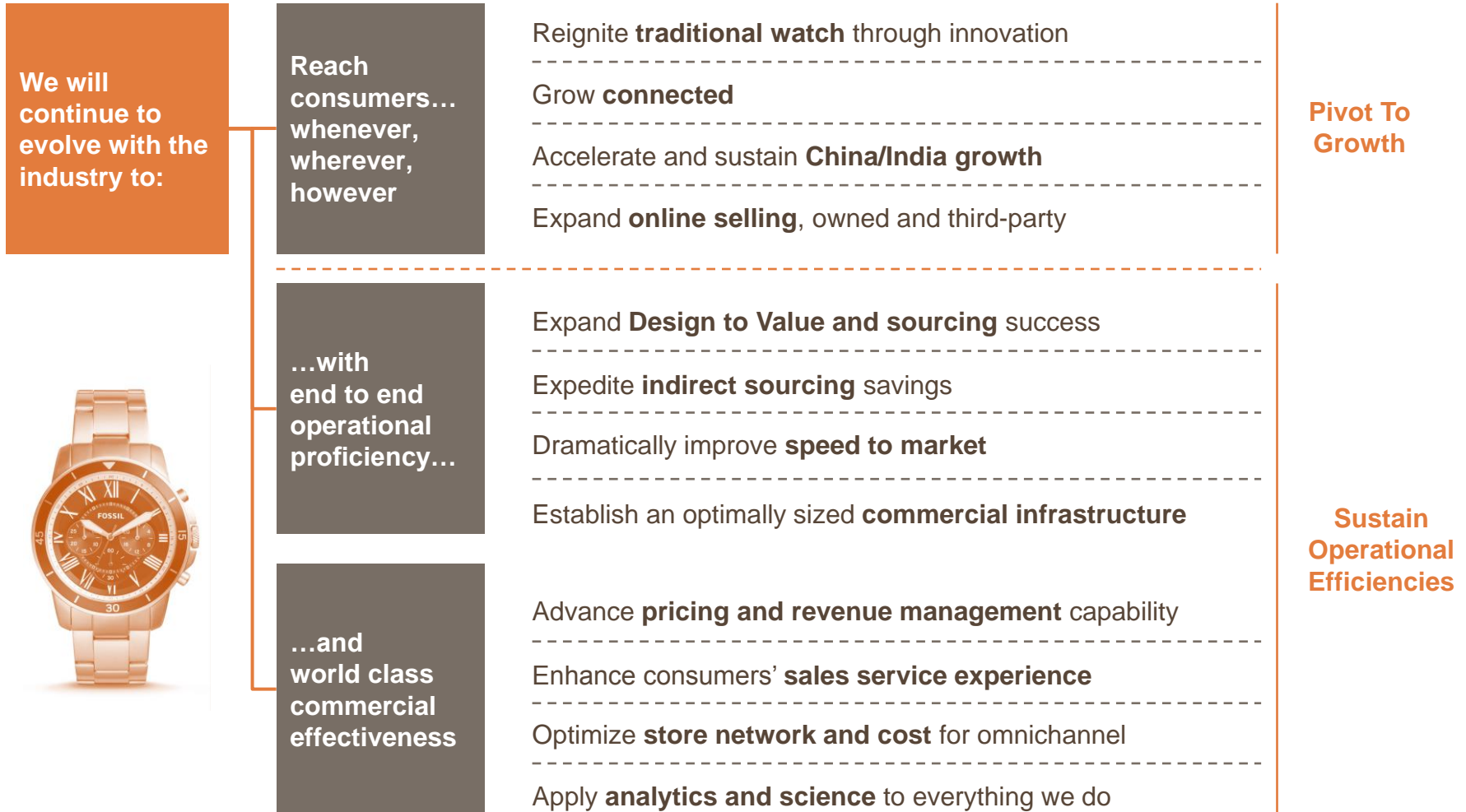
Primary Drivers of New World Fossil

- Improved Design for Value
- Product Sourcing
- Category & Pricing Management
- Indirect Spending Management
- Organizational Efficiencies

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TRANSFORM BUSINESS MODEL

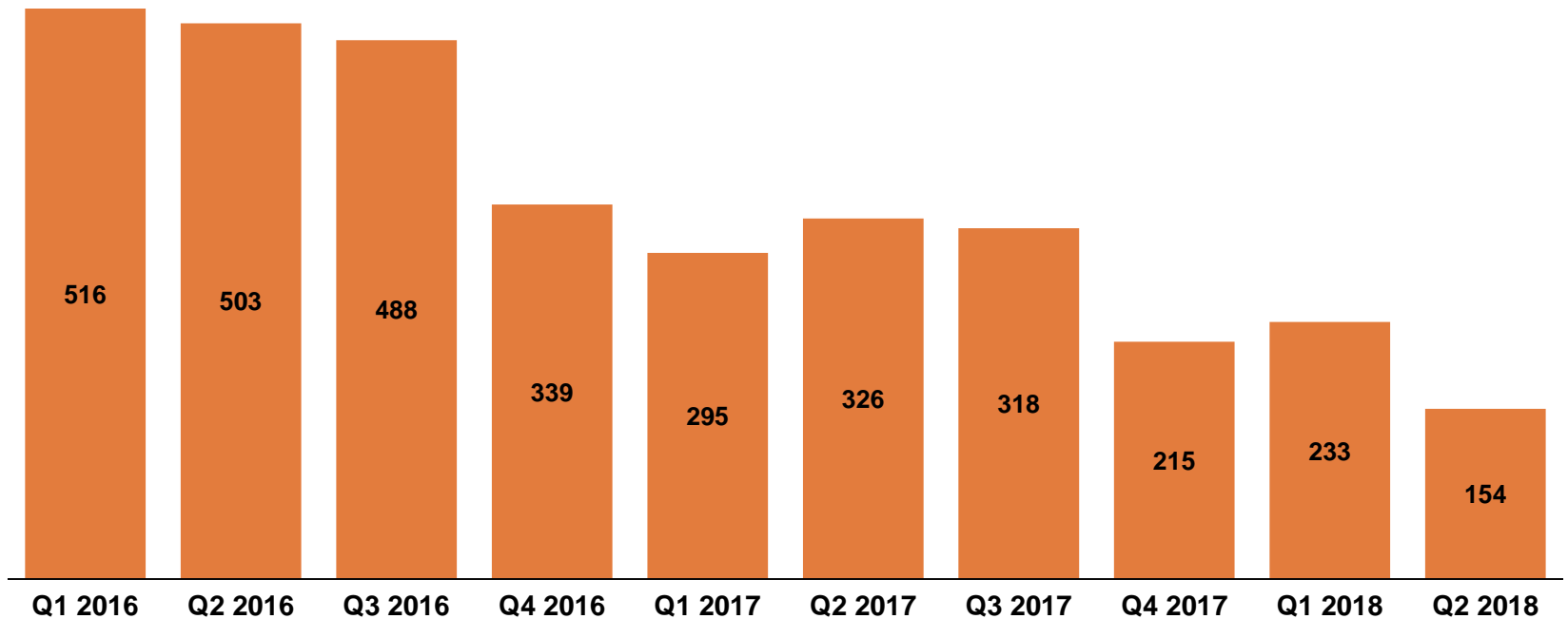
Our Mission is to own the Wrist... Profitably



4

IMPROVING BALANCE SHEET

End of Quarter Net Debt⁽¹⁾ *\$ millions*



- \$362 million reduction in net debt since 2016 as a result of:
 - New World Fossil driving improved gross margins and operational efficiencies
 - Improved working capital management

(1) Net Debt is calculated as Short Term Debt + Long Term Debt – Cash and Cash Equivalents.

Capital Structure Philosophy

- Significant business volatility
 - Fashion risk
 - Technology risk
 - Currency risk
- Capital structure implications
 - Conservative debt posture
 - Maintain ABL for flexibility

Capital Structure

- Current Credit Facility
 - Term loan with amortization
 - March 2019: \$125 million
 - March 2020: \$75 million
 - December 2020: \$200 million
 - ABL-like facility
 - capacity up to \$325 million with approximately \$250 million available as of Q2
- Potential 2019 refinancing in advance of final amortization
- Cash generation capability
 - Operating cash flow
 - Working capital

FINANCIAL GUIDANCE PROVIDED AUGUST 7, 2018

	Q3 2018	Q4 2018	FY 2018
Net Sales	(16)% to (10)%	(14)% to (8)%	(10)% to (6)%
Gross Margin	50% to 52%	50% to 52%	51% to 52%
Operating Expenses ⁽¹⁾	\$300 million to \$320 million	\$330 million to \$350 million	\$1.25 billion to \$1.30 billion
Operating Margin	(1)% to 1%	8% to 10%	1% to 3%
Other Income (Expense)	Approximately \$(2) million	Approximately \$1 million	Approximately \$(4) million
Interest Expense	Approximately \$12 million	Approximately \$12 million	Approximately \$45 million
Income (Loss) Before Taxes	\$(20) million to \$(8) million	\$55 million to \$78 million	\$(16) million to \$18 million

(1) Includes restructuring charges as follows: Q3 = \$7 million, Q4 = \$8 million, FY 2018 = \$50 million