

Salvatore Ferragamo

1H 2017 Results Update

Analyst Presentation

July 31, 2017 - 6.00 PM CET



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The actual results may differ materially from those expressed in any forward-looking statement and the Company does not assume any liability with respect thereto.

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The Manager in Charge of preparing the Company financial reports hereby certifies pursuant to paragraph 2 of art. 154-bis of Legislative Decree no. 58 of February 24, 1998, that the accounting disclosures of this document are consistent with the accounting documents, ledgers and entries.

1H 2017 Market Scenario

- Luxury market expected growth at 2/4% constant rates in 2017 still confirmed, despite geopolitical and currency uncertainties.
- Ongoing retail networks consolidation, with new openings significantly reduced.
- Sales performance polarized, with a cohort of companies producing strong sales performance and others still trending weakly.
- Chinese demand for luxury strong both at home, taking advantage of lower price differentials, and abroad, especially in Europe, while South Korean tensions penalizing business in the region.
- International air passengers traffic moderating to a still strong +7.7% in May 2017 (+7.9% YtD), after peak +10.7% in April, still driven by a broad-based pick-up in global economic conditions and lower airfares.
- E-commerce gaining ground, also through co-existing business models.
- US currency favorable contribution in the first six months of 2017 to revert in the second part of the year, with US\$ loosing its momentum vs. the Euro.

Strategic Path



Salvatore Ferragamo FW17 Advertising Campaign

2017: Upgrade the business model



BRAND

Unveil the strength of the Brand

PRODUCT

Foster innovation & creativity

RETAIL

Deliver impeccable customer experience

PEOPLE

Empower our people

2017: Upgrade the business model – Update (1/2)

BRAND

- **“High End - High Craft” event with the debut of Paul Andrew’s pre-Fall 2017/18 women’s footwear collection**
 - January in New York
 - March in Seoul
- **Ferragamo Parfums Global Conference in May, with «The Rainbow Night» event and the launch of the new feminine fragrance «Amo Ferragamo»**

PRODUCT

- **Collection simplification with significant reduction of SKUs**
- **Paul Andrew’s collection first intake positive**

2017: Upgrade the business model – Update (2/2)

RETAIL

- **Roll-out of Labs initiatives and RTL KPIs efficiency ongoing**
- **New role created Global Chief Retail Officer to coordinate and accelerate various projects to pursue retail excellence**
- **New website with omnichannel features launched in the US**
- **Optimization of time-to-market and new Global Planning & Allocation Department created**

PEOPLE

- **New streamlined organization in place (with Functions and Regions reporting directly to CEO)**
- **Major top management changes accomplished**

1H 2017 Financial Review



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1H 2017 Revenue By Distribution Channel

(Euro MM)	June YTD			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %			
Retail	449,7	429,7	4,7%	4,0%	62,6%	60,5%
Wholesale	256,3	268,9	-4,7%	-6,1%	35,7%	37,9%
Licences & Other Rev.	5,3	5,2	1,6%	1,6%	0,7%	0,7%
Rental income	6,6	6,4	3,0%	0,0%	0,9%	0,9%
Total	717,9	710,2	1,1%	0,1%	100,0%	100,0%

- Total Revenues up 1.1% to 718 million Euros vs. 1H'16.
- RTL up 4.7%% vs. 1H'16, with stable like-for-like performance.
- WHL down 4.7% vs. 1H'16, mainly due to destocking activity, weakness of US Department Stores and South Korean business.
- Group's store network at 679 points of sale, of which 401 DOS and 278 TPOS.

1H 2017 Revenue By Region

(Euro MM)	June YTD			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %			
Europe	184,4	188,9	-2,4%	-2,0%	25,7%	26,6%
North America	163,8	167,5	-2,2%	-4,2%	22,8%	23,6%
Japan	61,4	63,6	-3,4%	-3,5%	8,6%	9,0%
Asia Pacific	271,3	255,6	6,1%	4,0%	37,8%	36,0%
Latin America	37,0	34,5	7,2%	9,9%	5,1%	4,9%
Total	717,9	710,2	1,1%	0,1%	100,0%	100,0%

- APAC up 6.1% in 1H'17, despite South Korean tensions and Hong Kong performance still negative. Mainland China RTL business showing a significant +12.2% (+15.5% at constant FX).
- Europe down 2.4% vs. 1H'16, entirely due to the WHL business, while RTL showing a solid increase.
- North America down 2.2% in 1H'17, mainly penalized by the performance of the Department Stores.
- Japan down -3.4% vs. 1H'16 with a positive RTL performance.
- Latam up 7.2% vs. 1H'16, with positive performance both for RTL and WHL business.

1H 2017 Revenue By Product

(Euro MM)	June YTD			Δ % Const FX	Weight on Weight on	
	2017	2016	Δ %		Tot 2017	Tot 2016
Shoes	312,7	308,7	1,3%	0,4%	43,6%	43,5%
Leather goods & handbags	265,3	263,5	0,7%	-0,6%	36,9%	37,1%
RTW	41,7	41,3	0,9%	0,0%	5,8%	5,8%
Silk & other access.	42,8	44,2	-3,2%	-4,1%	6,0%	6,2%
Fragrances	43,6	40,8	6,7%	6,3%	6,1%	5,7%
Licences & Other Rev.	5,3	5,2	1,6%	1,6%	0,7%	0,7%
Rental income	6,6	6,4	3,0%	0,0%	0,9%	0,9%
Total	717,9	710,2	1,1%	0,1%	100,0%	100,0%

- Shoes up by 1.3% in 1H'17. Paul Andrew's women collection first intake positive, but not yet materially contributing to 1H'17 results.
- Leather Goods & Handbags up 0.7% vs. 1H'16.
- Fragrances up 6.7% vs. 1H'16, also thanks to the new lines launched (UOMO, Signorina in Fiore).

1H 2017 P&L

(Euro MM)	June YTD				
	2017	%	2016	%	Δ %
Total revenue	717,9	100,0%	710,2	100,0%	1,1%
Cost of goods sold	(249,7)	-34,8%	(234,6)	-33,0%	6,4%
Gross profit	468,2	65,2%	475,5	67,0%	-1,5%
Total operating costs	(363,4)	-50,6%	(340,1)	-47,9%	6,9%
EBIT	104,8	14,6%	135,5	19,1%	-22,6%
Financial income (expenses)	(6,8)	-1,0%	(7,8)	-1,1%	-12,3%
EBT	98,0	13,6%	127,7	18,0%	-23,3%
Taxes	(21,7)	-3,0%	(37,6)	-5,3%	-42,1%
Net income	76,2	10,6%	90,1	12,7%	-15,4%
Group net income	78,4	10,9%	90,2	12,7%	-13,1%
Income to minorities	(2,2)	-0,3%	(0,1)	0,0%	2261,2%
EBITDA	136,3	19,0%	166,1	23,4%	-17,9%

- Gross Profit down 1.5% to 468 million Euros, with incidence on Revenues decreasing 180 basis points to 65.2%, mainly due to the increase in secondary channel sales, in line with the planned inventory clearance.
- Operating Costs up 6.9% (+5.4% at constant FX), mainly due to the strengthening of the store network and of the organization, also including some one-off costs.
- EBITDA down 17.9% to 136 million Euros, with incidence on Revenues at 19.0%.
- Tax rate down to 22.2%, from 29.4% in 1H'16, due to the Patent Box benefit.
- Net Profit down to 76 million Euros, -15.4% vs. 1H'16.

1H 2017 Balance Sheet

(Euro MM)	June 17 YTD	June 16 YTD	%
Tangible assets	240,497	238,347	0,9%
Intangible assets	36,657	32,129	14,1%
Financial assets	–	–	
Fixed assets	277,154	270,476	2,5%
Inventory	349,915	397,497	-12,0%
Trade receivables	163,765	174,450	-6,1%
Trade payables	(182,524)	(186,569)	-2,2%
Operating working capital	331,156	385,378	-14,1%
Other assets (liabilities)	101,674	65,715	54,7%
Severance indemnity	(11,679)	(12,501)	-6,6%
Risk funds	(14,433)	(8,473)	70,3%
Net invested capital	683,872	700,596	-2,4%
Shareholders' equity (A)	708,998	625,864	13,3%
Group equity	681,879	581,722	17,2%
Minority interest	27,119	44,142	-38,6%
Current financial liabilities	(98,754)	(150,082)	-34,2%
Non current financial liabilities	0,000	(25,354)	
Cash & equivalents	123,880	100,704	23,0%
Net debt (B)	25,125	(74,732)	-133,6%
Financial sources (A-B)	683,872	700,596	-2,4%

- Net Working Capital down 14.1%, with Inventory reduction of 12.0% (-5.4% at constant FX).
- Investments (CAPEX) at 29 million Euros vs. 26 million Euros at 30 June 2016, mainly attributable to the new Distribution Center and the store network.
- Net Financial Position at 30 June 2017 turning positive to 25 million Euros (from Net Debt of 75 million Euros at 30 June 2016).

1H 2017 Cash Flow

(Euro MM)	June 17 YTD	June 16 YTD
Net profit / (loss) for the period	76,233	90,122
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	31,508	30,629
Net change in deferred taxes	(1,448)	(5,342)
Net change in provision for employee benefit plans	(115)	(106)
Loss/(gain) on disposal of tangible and intangible assets	338	435
Other non cash items	1,277	860
Net change in net working capital	8,649	(54,676)
Net change in other assets and liabilities	13,448	(19,467)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	129,890	42,455
Purchase of tangible assets	(19,846)	(23,063)
Purchase of intangible assets	(4,820)	(3,108)
Net change in non current assets and liabilities	5	-
Proceeds from the sale of tangible and intangible assets	27	29
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(24,634)	(26,142)
Net change in financial receivables	(142)	200
Net change in financial payables	(22,839)	19,033
Payment of dividends	(77,643)	(77,643)
Purchase of minority interests in companies consolidated on a line-by line basis	(804)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(101,428)	(58,410)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,828	(42,097)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	117,249	142,121
Net increase / (decrease) in cash and cash equivalents	3,828	(42,097)
Net effect of translation of foreign currencies	2,288	484
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	123,365	100,508

➤ Significant Operating Cash Flow generation of 130 million Euros (vs. 42 million Euros at 30 June 2016).

Group POS Number by Region @ 30.06.2017

	Act June '17	Act December '16	Net Openings in the period	Act June '16
EUROPE	171	170	1	163
USA	106	103	3	96
LATIN AMERICA	63	63	0	62
ASIA PACIFIC	168	173	-5	171
GREATER CHINA	93	95	-2	91
JAPAN	78	79	-1	79
Total POS n.	679	683	-4	662
<i>DOS</i>	401	402	-1	388
<i>of which Travel</i>	4	4	0	3
<i>TPOS</i>	278	281	-3	274
<i>of which Travel</i>	147	149	-2	148

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Q&A



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