

Salvatore Ferragamo

9M 2016 Results Update

Analyst Presentation



November 14, 2016 - 6.00 PM CET

Disclaimer

This presentation contains forward-looking statements regarding future events and results of the Company that are based on the current expectations, projections and assumptions of the management of the Company.

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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.

9M 2016 Market Scenario

- Altagamma Monitor estimates **2016 personal luxury market** to hold steady amid global geopolitical uncertainty, with worldwide performance at € 249B or **-1% at current rates** (flat at constant rates)
- Overall, **€ appreciation, Brexit, USA election** year and **terrorism** in Europe **impacting** consumer confidence and touristic flows and traffic worldwide
- Mainland **China** benefiting from RMB devaluation and new Customs regulations, while Hong Kong and Macau still suffering and Taiwan impacted by Department stores promotions
- **Asia Pacific** dominated by soft business climate, economic & currencies volatility, Korea improving with weak won, while retail sentiment remains weak in Singapore
- **Japan** retail sales remain subdued due to low consumer confidence and yen appreciation negatively impacting Chinese travel flows
- **Latin America** market performance mixed due to geopolitical concerns and driven by Mexico with peso depreciation (USA Presidential Election) impacting conversion

Travel flows, currencies & changing trends impacting all Regions

9M 2016 Salvatore Ferragamo Key Facts (1/2)

- **Top-line** stable (-0.7%) at 1,014 million Euros vs. 9M'15; up 2% in 3Q'16
- **RTL** up 1% vs. 9M'15; improving to +9% in 3Q'16
- **WHL** down 4% vs. 9M'15; -12% in 3Q'16, mainly due to lower tourists' flows and cautious shipping approach toward Department Stores
- **Europe**, down 5% in 9M penalized by lower tourists' flows, with a further deterioration in 3Q (-8,6%) mainly due to the WHL business decrease in 3Q'16 (-12%)
- **North America** up 3% in 9M'16 (+6% in 3Q), with substantial different trend from RTL (+9) and Whl (11,4%) penalized by the negative WHL business (-7,7% in 9M). Further acceleration of the Rtl Business in 3Q (24% in 3Q'16)
- **Latam** solid growth even after the negative impact of the currencies (+13% at constant FX and +4% at current FX)



Salvatore Ferragamo AW16 Advertising Campaign

9M 2016 Salvatore Ferragamo Key Facts (2/2)

- **APAC** stable in 9M'16 with Mainland China RTL continuing the positive trend (+5% in 9M and +16% in 3Q'16), while Hong Kong improving but still double-digit negative
- **Japan** down 1,6% vs. 9M'15, mainly penalized by the appreciation of the Yen and the hard comparison base especially in 3Q (+23% 3Q'15 vs. 3Q'14)
- **Gross Profit** up 1%, with incidence on Revenues up 120 basis points to 67.0%
- **EBITDA** down 0.7%, with incidence on Revenues stable at 21.3%
- **Group Net Profit** stable vs. 9M'15 at 112 million Euros
- **Net Financial Debt** improving to 18 million Euros from 38 million Euros at 30 September 2015



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FINANCIALS

9M 2016 Revenue By Region

| (Euro MM) | Sept YTD | | | Δ % Const FX | Weight on Tot 2016 | Weight on Tot 2015 |
|---------------|----------------|----------------|--------------|------------------------|-----------------------|-----------------------|
| | 2016 | 2015 | Δ % | | | |
| Europe | 267,7 | 281,7 | -5,0% | -4,8% | 26,4% | 27,6% |
| North America | 242,2 | 234,7 | 3,2% | -3,9% | 23,9% | 23,0% |
| Japan | 92,8 | 94,3 | -1,6% | -9,1% | 9,2% | 9,2% |
| Asia Pacific | 360,0 | 361,0 | -0,3% | -4,1% | 35,5% | 35,4% |
| Latin America | 51,1 | 49,4 | 3,6% | 12,8% | 5,0% | 4,8% |
| Total | 1.013,9 | 1.021,0 | -0,7% | -4,0% | 100,0% | 100,0% |

9M 2016 Revenue By Distribution Channel

| (Euro MM) | Sept YTD | | | Δ % Const FX | Weight on Tot 2016 | Weight on Tot 2015 |
|-----------------------|----------------|----------------|--------------|-----------------|-----------------------|-----------------------|
| | 2016 | 2015 | Δ % | | | |
| Retail | 640,0 | 631,7 | 1,3% | -2,1% | 63,1% | 61,9% |
| Wholesale | 356,4 | 371,5 | -4,1% | -7,3% | 35,2% | 36,4% |
| Licences & Other Rev. | 7,8 | 8,2 | -4,5% | -4,5% | 0,8% | 0,8% |
| Rental income | 9,7 | 9,7 | -0,1% | 0,1% | 1,0% | 0,9% |
| Total | 1.013,9 | 1.021,0 | -0,7% | -4,0% | 100,0% | 100,0% |

9M 2016 Revenue By Product

| (Euro MM) | Sept YTD | | | | Weight on Tot 2016 | Weight on Tot 2015 |
|--------------------------|----------------|----------------|--------------|-----------------|-----------------------|-----------------------|
| | 2016 | 2015 | Δ % | Δ % Const FX | | |
| Shoes | 437,8 | 433,7 | 1,0% | -2,7% | 43,2% | 42,5% |
| Leather goods & handbags | 369,7 | 374,1 | -1,2% | -4,7% | 36,5% | 36,6% |
| RTW | 62,4 | 64,5 | -3,3% | -7,0% | 6,2% | 6,3% |
| Silk & other access. | 63,8 | 66,2 | -3,7% | -7,0% | 6,3% | 6,5% |
| Fragrances | 62,7 | 64,7 | -3,1% | -3,0% | 6,2% | 6,3% |
| Licences & Other Rev. | 7,8 | 8,2 | -4,5% | -4,5% | 0,8% | 0,8% |
| Rental income | 9,7 | 9,7 | -0,1% | 0,1% | 1,0% | 0,9% |
| Total | 1.013,9 | 1.021,0 | -0,7% | -4,0% | 100,0% | 100,0% |

9M 2016 P&L

| (Euro MM) | Sept YTD | | | | |
|-----------------------------|----------------|---------------|----------------|---------------|--------------|
| | 2016 | % | 2015 | % | Δ % |
| Total revenue | 1.013,9 | 100,0% | 1.021,0 | 100,0% | -0,7% |
| Cost of goods sold | (334,4) | -33,0% | (348,9) | -34,2% | -4,2% |
| Gross profit | 679,5 | 67,0% | 672,1 | 65,8% | 1,1% |
| Payroll | (146,6) | -14,5% | (144,3) | -14,1% | 1,6% |
| Rental | (151,9) | -15,0% | (149,3) | -14,6% | 1,8% |
| Communication | (47,7) | -4,7% | (47,2) | -4,6% | 1,1% |
| Consultancy | (22,1) | -2,2% | (19,4) | -1,9% | 14,4% |
| Other Costs | (95,7) | -9,4% | (94,9) | -9,3% | 0,8% |
| Depreciation | (45,4) | -4,5% | (43,4) | -4,3% | 4,5% |
| Total operating costs | (509,5) | -50,2% | (498,5) | -48,8% | 2,2% |
| EBIT | 170,0 | 16,8% | 173,6 | 17,0% | -2,1% |
| Financial income (expenses) | (12,1) | -1,2% | (9,2) | -0,9% | 31,3% |
| EBT | 157,9 | 15,6% | 164,4 | 16,1% | -3,9% |
| Taxes | (47,8) | -4,7% | (50,9) | -5,0% | -6,1% |
| Net income | 110,1 | 10,9% | 113,4 | 11,1% | -3,0% |
| Group net income | 112,5 | 11,1% | 112,3 | 11,0% | 0,2% |
| Income to minorities | (2,4) | -0,2% | 1,2 | 0,1% | -302,1% |
| EBITDA | 216,1 | 21,3% | 217,6 | 21,3% | -0,7% |

9M 2016 Balance Sheet

| (Euro MM) | Sept 16 YTD | Sept 15 YTD | % |
|-----------------------------------|---------------|---------------|---------------|
| Tangible assets | 242,3 | 234,9 | 3,1% |
| Intangible assets | 32,5 | 30,8 | 5,4% |
| Financial assets | – | – | |
| Fixed assets | 274,8 | 265,7 | 3,4% |
| Inventory | 393,1 | 340,2 | 15,6% |
| Trade receivables | 113,9 | 121,8 | -6,6% |
| Trade payables | (156,5) | (168,4) | -7,1% |
| Operating working capital | 350,5 | 293,6 | 19,4% |
| Other assets (liabilities) | 56,3 | 34,2 | 64,4% |
| Severance indemnity | (12,9) | (11,8) | 9,4% |
| Risk funds | (8,9) | (7,5) | 18,0% |
| Net invested capital | 659,7 | 574,2 | 14,9% |
| Shareholders' equity (A) | 641,5 | 535,9 | 19,7% |
| Group equity | 598,7 | 492,7 | 21,5% |
| Minority interest | 42,8 | 43,3 | -1,1% |
| Current financial liabilities | (122,3) | (137,3) | -10,9% |
| Non current financial liabilities | (25,6) | (22,7) | |
| Cash & equivalents | 129,7 | 121,7 | 6,6% |
| Net debt (B) | (18,2) | (38,3) | -52,5% |
| Financial sources (A-B) | 659,7 | 574,2 | 14,9% |

The Patent Box regime: definition and rules

- The Italian Patent Box regime allows a partial **exemption** from Corporate Income Taxes (*Ires* and *Irap*) of the income arising from **direct use and/or license of intangibles** (i.e. patents, trademarks, design, etc.).
- In case of **license**, the tax benefit is calculated on the **royalty** perceived, net of the relevant costs.
- In case of **direct use** of the intangibles, the calculation of the notional related income must be agreed with the *International Ruling Bureau* of the Italian tax authorities, in the context of a **mandatory ruling procedure**.
- The tax benefit is accessible only for those companies who carry out R&D activities – either directly or through contractors – with respect to the intangibles they own (so-called **nexus approach**, in line with OECD Guidelines).

The Patent Box regime: the tax benefit

- A company may opt for the regime starting from FY2015. The option is irrevocable for **5 years and renewable** for 5 years more.
- The **tax benefit** is equal to: 30% of the income from intangibles for FY2015, 40% for FY 2016 and 50% for FY2017-19.
- The tax benefit results in lower Corporate Income Taxes to pay at the due dates (i.e. November and June).
- SF has opted for the regime for both **trademarks and design** and will benefit from it both for the **licenses** (perfumes, glasses and watches) and for the **direct use**.

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Q&A

