

*Salvatore Ferragamo*

**1Q 2018  
Results Update**

**Analyst Presentation**

May 7, 2018 - 6.00 PM CET



# Disclaimer

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# Market Scenario

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- Personal Luxury market expected growth at mid-single digit in 2018, with interception of millennials' demand key for success.
- Retail downsizing or no space growth expected in 2018, with also decreasing exposure to department stores.
- Chinese luxury spending expect to grow high single digit in 2018 thanks to solid consumer sentiment and stronger fundamentals, and also repatriation of luxury spend should continue due to narrowed pricing differential, greater assortment in-store and on-line and focused government policies.
- Air passengers traffic grew 5.9% YoY YtD in February 2018, the slowest annual growth over this period in 5 years, but affected by a hard comparison base and still above 10-year average (+5.5%). The key point is that global passenger volumes have continued to trend upwards solidly in recent months (+6-6.5% annualized rate).
- Digital expected to remain key, with on-line to continue to be the fastest growing channel also in 2018, becoming even more critical as a marketing tool.
- US currency representing a significant headwind for European brands in 2018.

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# 1Q 2018 Financial Review



Salvatore Ferragamo SS 18 Advertising Campaign

# 1Q 2018 Revenue By Distribution Channel

(Euro MM)	March YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %			
Retail	191,9	199,1	-3,6%	-0,2%	63,1%	64,4%
Wholesale	106,9	104,2	2,6%	5,9%	35,2%	33,7%
Licences & Other Rev.	2,2	2,5	-10,8%	-10,8%	0,7%	0,8%
Rental income	2,9	3,4	-13,4%	-0,1%	1,0%	1,1%
<b>Total</b>	<b>303,9</b>	<b>309,1</b>	<b>-1,7%</b>	<b>1,7%</b>	<b>100,0%</b>	<b>100,0%</b>

- Total Revenues at 304 million Euros, down 1.7% (+1.7% at constant FX) vs. 1Q'17.
- RTL down 3.6% (-0.2% at constant FX) vs. 1Q'17, with like-for-like performance of +0.3%.
- WHL up 2.6% vs. 1Q'17 (+5.9% at constant FX) with the travel retail channel reporting a double-digit growth.
- Group's store network at 678 points of sale, of which 406 DOS and 272 TPOS.

# 1Q 2018 Revenue By Region

(Euro MM)	March YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %			
Europe	78,2	77,1	1,4%	1,9%	25,7%	24,9%
North America	65,4	69,7	-6,1%	2,4%	21,5%	22,6%
Japan	29,7	31,7	-6,3%	-8,0%	9,8%	10,3%
Asia Pacific	114,5	113,2	1,2%	4,6%	37,7%	36,6%
Latin America	16,0	17,4	-8,3%	-1,4%	5,3%	5,6%
<b>Total</b>	<b>303,9</b>	<b>309,1</b>	<b>-1,7%</b>	<b>1,7%</b>	<b>100,0%</b>	<b>100,0%</b>

- APAC up 4.6% at constant FX in 1Q'18. Mainland China RTL showing a stable trend at const FX vs. a hard comp base (+18.1% at const FX in 1Q'17), while Hong Kong significantly accelerating (+34.1% at const FX in 1Q'18). South Korea still showing a weak trend.
- Europe up 1.9% at const FX vs. 1Q'17, thanks to the WHL channel.
- North America up 2.4% at const FX in 1Q'18, with RTL channel showing a double-digit growth and WHL still penalized by the performance of the Department Stores.
- Japan down 8.0% at const FX vs. 1Q'17, mainly due to the strategic WHL channel rationalization.
- Latam down 1.4% at const FX in 1Q'18, penalized by the hard comparison base (+12.6% in 1Q'17).



# 1Q 2018 Revenue By Product

(Euro MM)	March YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017	
	2018	2017	Δ %				
Shoes	123,5	130,5	-5,3%	-1,6%	40,6%	42,2%	➤ Shoes down 1.6% at const FX vs. 1Q'17.
Leather goods & handbags	116,2	112,0	3,7%	6,8%	38,2%	36,2%	➤ Leather Goods & Handbags up 6.8% at const FX vs. 1Q'17.
RTW	18,6	20,6	-9,6%	-7,7%	6,1%	6,7%	
Silk & other access.	17,9	19,4	-7,8%	-4,9%	5,9%	6,3%	➤ Fragrances up 12.7% at const FX vs. 1Q'17.
Fragrances	22,6	20,8	8,6%	12,7%	7,4%	6,7%	
Licences & Other Rev.	2,2	2,5	-10,8%	-10,8%	0,7%	0,8%	
Rental income	2,9	3,4	-13,4%	-0,1%	1,0%	1,1%	
<b>Total</b>	<b>303,9</b>	<b>309,1</b>	<b>-1,7%</b>	<b>1,7%</b>	<b>100,0%</b>	<b>100,0%</b>	

# 1Q 2018 P&L

(Euro MM)	March YTD				
	2018	%	2017	%	Δ %
<b>Total revenue</b>	<b>303,9</b>	<b>100,0%</b>	<b>309,1</b>	<b>100,0%</b>	<b>-1,7%</b>
Cost of goods sold	(114,5)	-37,7%	(112,7)	-36,4%	1,6%
<b>Gross profit</b>	<b>189,4</b>	<b>62,3%</b>	<b>196,5</b>	<b>63,6%</b>	<b>-3,6%</b>
Total operating costs	(172,4)	-56,7%	(179,5)	-58,0%	-3,9%
<b>EBIT</b>	<b>17,1</b>	<b>5,6%</b>	<b>17,0</b>	<b>5,5%</b>	<b>0,3%</b>
Financial income (expenses)	(2,5)	-0,8%	(1,6)	-0,5%	53,4%
<b>EBT</b>	<b>14,6</b>	<b>4,8%</b>	<b>15,4</b>	<b>5,0%</b>	<b>-5,3%</b>
Taxes	(5,6)	-1,8%	(4,4)	-1,4%	28,7%
<b>Net income</b>	<b>8,9</b>	<b>2,9%</b>	<b>11,0</b>	<b>3,6%</b>	<b>-18,8%</b>
Group net income	9,2	3,0%	12,4	4,0%	-26,3%
Income to minorities	(0,2)	-0,1%	(1,4)	-0,5%	-84,4%
<b>EBITDA</b>	<b>32,4</b>	<b>10,7%</b>	<b>33,1</b>	<b>10,7%</b>	<b>-1,9%</b>

- Gross Profit down 3.6% to 189 million Euros, with incidence on Revenues -130 basis points to 62.3%, mainly due to the unfavorable channel mix and the negative FX impact.
- Operating Costs down 3.9% (+2.9% at constant FX), mainly due to the strengthening of the store network and of the organization.
- EBITDA down 1.9% to 32 million Euros, with incidence on Revenues stable at 10.7%.
- Tax rate increase due to the lower deferred tax assets charge in the US, following the change in the tax rate.
- Net Profit at 9 million Euros, down 18.8% vs. the 11 million Euros reported in 1Q'17.



# 1Q 2018 Balance Sheet

(Euro MM)	Mar 18 YTD	Mar 17 YTD	%
Tangible assets	249,8	250,7	-0,4%
Intangible assets	42,0	36,1	16,5%
Financial assets	–	–	-
<b>Fixed assets</b>	<b>291,8</b>	<b>286,8</b>	<b>1,8%</b>
Inventory	359,2	383,7	-6,4%
Trade receivables	122,3	127,1	-3,8%
Trade payables	(195,4)	(188,0)	3,9%
<b>Operating working capital</b>	<b>286,1</b>	<b>322,7</b>	<b>-11,4%</b>
Other assets (liabilities)	71,7	98,4	-27,2%
Net Asset Disposal for Sales	0,8	–	nm
Severance indemnity	(11,4)	(12,3)	-7,0%
Risk funds	(12,3)	(14,7)	-16,6%
<b>Net invested capital</b>	<b>626,7</b>	<b>680,9</b>	<b>-8,0%</b>
<b>Shareholders' equity (A)</b>	<b>768,0</b>	<b>728,3</b>	<b>5,5%</b>
Group equity	741,5	699,8	6,0%
Minority interest	26,5	28,5	-7,0%
Current financial liabilities	(52,6)	(121,2)	-56,6%
Non current financial liabilities	(15,3)	(0,4)	3878,2%
Cash & equivalents	209,3	169,0	23,8%
<b>Net debt (B)</b>	<b>141,3</b>	<b>47,4</b>	<b>198,2%</b>
<b>Financial sources (A-B)</b>	<b>626,7</b>	<b>680,9</b>	<b>-8,0%</b>

- Net Working Capital down 11.4%, with Inventory reduction of 6.4% (-6.2 at const FX).
- Investments (CAPEX) at 9 million Euros vs. 13 million Euros at 31 March 2017, mainly for to the Distribution Center, the IT projects and the store network.
- Net Financial Position at 31 March 2018 positive at 141 million Euros (vs. 47 million Euros at 31 March 2017).

# 1Q 2018 Cash Flow

(In thousands of Euro)	Period ended 31 March	
	2018	2017
<b>Net profit / (loss) for the period</b>	<b>8,945</b>	<b>11,016</b>
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	15,371	16,052
Net change in deferred taxes	388	(2,763)
Net change in provision for employee benefit plans	32	(98)
Loss/(gain) on disposal of tangible and intangible assets	1	297
Other non cash items	527	490
Net change in net working capital	7,024	47,798
Net change in other assets and liabilities	(899)	1,674
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>31,389</b>	<b>74,466</b>
Purchase of tangible assets	(14,512)	(12,062)
Purchase of intangible assets	(1,411)	(1,157)
Proceeds from the sale of tangible and intangible assets	26	16
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(15,897)</b>	<b>(13,203)</b>
Net change in financial payables	(17,363)	(6,100)
Purchase of minority interests in companies consolidated on a line-by line basis	-	(804)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(17,363)</b>	<b>(6,904)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,871)</b>	<b>54,359</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>212,088</b>	<b>117,249</b>
Net increase / (decrease) in cash and cash equivalents	(1,871)	54,359
Net effect of translation of foreign currencies	(1,433)	(2,700)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>208,784</b>	<b>168,908</b>

➤ Operating Cash Flow generation of 31 million Euros (vs. 74 million Euros at 31 March 2017).

## Group POS Number by Region @ 31.03.2018

	<b>Act. March'18</b>	<b>Act. Dec.'17</b>	<b>Net Openings in the Period</b>	<b>Act. March'17</b>
Europe	174	173	1	169
USA	104	106	(2)	103
Latin America	63	64	(1)	62
Asia Pacific	267	268	(1)	262
Japan	70	74	(4)	78
<b>Total POS n.</b>	<b>678</b>	<b>685</b>	<b>(7)</b>	<b>674</b>
<b>DOS</b>	<b>406</b>	<b>410</b>	<b>(4)</b>	<b>399</b>
<i>of which Travel</i>	3	3	–	4
<b>TPOS</b>	<b>272</b>	<b>275</b>	<b>(3)</b>	<b>275</b>
<i>of which Travel</i>	145	147	(2)	145

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Q&A

