

*Salvatore Ferragamo*

**9M 2019  
Results Update**

**Analyst Presentation**

November 12, 2019 - 6.00 PM CET



# Disclaimer

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# Market Scenario

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- The Personal Luxury Goods market expected to grow at a “new normal” rate of ca. 6% in 2019.
- China domestic market expected to grow 20% thanks to repatriation of consumption, with the Chinese cluster to account 35-40% of total luxury sales and to drive 2/3 of growth this year.
- Europe and North America still the largest markets for luxury, expected to grow low-mid single digit in 2019, with performances driven by the flows of Asian tourists.
- Hong Kong, ca. 6% of sales on average for the sector, sharply contracting in the short-term, expected to stabilize to roughly half of the “pre-protests” turnover in the medium term.
- Soft Luxury expected to continue to outperform, driven by the growth in the Middle-class Chinese consumer, with Asian Millennials as key target customers.
- Digital Luxury sales expected to still grow 3x faster than offline, but physical store experience still important - thanks to innovation, pop-ups, events - though multi-brand stores decline expected to continue.
- September YtD air passengers traffic up 4.5%, with September at +3.8% vs. LY in line with August, marking the 8th consecutive month of YoY growth below the long-run avg. rate of 5.5%, but confirming the moderate upward trend, despite the difficult conditions in several key markets.



# 9M 2019 Financial Review

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Salvatore Ferragamo FW 19 Advertising Campaign

# 9M 2019 Revenue By Distribution Channel

| (Euro MM)             | Sept YTD     |              |             | Δ %<br>Const<br>FX | Weight on<br>Tot 2019 | Weight on<br>Tot 2018 |
|-----------------------|--------------|--------------|-------------|--------------------|-----------------------|-----------------------|
|                       | 2019         | 2018         | Δ %         |                    |                       |                       |
| Retail                | 643.3        | 627.0        | 2.6%        | 2.0%               | 64.7%                 | 64.5%                 |
| Wholesale             | 338.7        | 329.0        | 3.0%        | 3.1%               | 34.1%                 | 33.9%                 |
| Licences & Other Rev. | 8.3          | 7.0          | 19.1%       | 19.1%              | 0.8%                  | 0.7%                  |
| Rental income         | 4.0          | 8.8          | -55.1%      | -57.8%             | 0.4%                  | 0.9%                  |
| <b>Total</b>          | <b>994.4</b> | <b>971.9</b> | <b>2.3%</b> | <b>1.9%</b>        | <b>100.0%</b>         | <b>100.0%</b>         |

- Total Revenues at 994 million Euros, up 2.3% (+1.9% at constant FX) vs. 9M 2018.
- RTL up 2.6% (+2.0% at constant FX) in 9M 2019, with 3Q stable (-0.5% at constant FX) vs. 9M 2018. Like-for-like performance positive +1.4%, despite the still negative trend of the secondary channel.
- WHL up 3.0% (+3.1% at constant FX) vs. 9M 2018, with the negative performance of 3Q 2019 (-8.7% at constant FX) due to a different timing in fragrances deliveries vs. 2018 and to a slowdown of the Travel Retail channel.
- Group's store network at 656 points of sale, of which 394 DOS and 262 TPOS.

# 9M 2019 Revenue By Region

| (Euro MM)     | Sept YTD     |              |             | Δ %<br>Const<br>FX | Weight on<br>Tot 2019 | Weight on<br>Tot 2018 |
|---------------|--------------|--------------|-------------|--------------------|-----------------------|-----------------------|
|               | 2019         | 2018         | Δ %         |                    |                       |                       |
| Europe        | 258.7        | 249.0        | 3.9%        | 3.7%               | 26.0%                 | 25.6%                 |
| North America | 219.7        | 222.5        | -1.3%       | -1.8%              | 22.1%                 | 22.9%                 |
| Japan         | 87.1         | 86.3         | 0.9%        | -0.2%              | 8.8%                  | 8.9%                  |
| Asia Pacific  | 373.1        | 363.2        | 2.7%        | 2.7%               | 37.5%                 | 37.4%                 |
| Latin America | 55.7         | 50.8         | 9.7%        | 8.4%               | 5.6%                  | 5.2%                  |
| <b>Total</b>  | <b>994.4</b> | <b>971.9</b> | <b>2.3%</b> | <b>1.9%</b>        | <b>100.0%</b>         | <b>100.0%</b>         |

- APAC up 2.7% at const. FX in 9M 2019, with a solid performance of the Retail channel in China (+15.0% at const. FX), while Hong Kong was significantly negative in 3Q (RTL -45.0% at const. FX), impacted by the difficult geopolitical situation.
- EMEA up 3.7% at const. FX vs. 9M 2018, with a positive performance in both distribution channels also in 3Q 2019.
- North America -1.8% at const. FX vs. 9M 2018, penalized by lower Rental income and by the deterioration of the Wholesale channel in 3Q 2019.
- Japan -0.2% at const. FX vs. 9M 2018.
- Latam up 8.4% at const. FX vs. 9M 2018.

# 9M 2019 Revenue By Product

| (Euro MM)                   | Sept YTD     |              |             | Δ %<br>Const<br>FX | Weight on<br>Tot 2019 | Weight on<br>Tot 2018 |   |
|-----------------------------|--------------|--------------|-------------|--------------------|-----------------------|-----------------------|---|
|                             | 2019         | 2018         | Δ %         |                    |                       |                       |   |
| Shoes                       | 420.0        | 405.6        | 3.5%        | 3.4%               | 42.2%                 | 41.7%                 | ➤ Shoes up 3.4% at const. FX vs. 9M 2018.   |
| Leather goods &<br>handbags | 392.3        | 374.5        | 4.7%        | 4.4%               | 39.5%                 | 38.5%                 | ➤ Leather Goods & Handbags up 4.4% at const. FX vs. 9M 2018.  |
| RTW                         | 53.0         | 54.6         | -3.0%       | -3.2%              | 5.3%                  | 5.6%                  |   |
| Silk & other access.        | 56.8         | 54.8         | 3.6%        | 3.2%               | 5.7%                  | 5.6%                  | ➤   |
| Fragrances                  | 60.0         | 66.4         | -9.7%       | -11.0%             | 6.0%                  | 6.8%                  | Fragrances down 11.0%, at const. FX vs. 9M 2018, with a negative performance in 3Q 2019 (-35.2% at const. FX) also due to a different timing of deliveries vs. the same period of 2018. |
| Licences & Other Rev.       | 8.3          | 7.0          | 19.1%       | 19.1%              | 0.8%                  | 0.7%                  |   |
| Rental income               | 4.0          | 8.8          | -55.1%      | -57.8%             | 0.4%                  | 0.9%                  |   |
| <b>Total</b>                | <b>994.4</b> | <b>971.9</b> | <b>2.3%</b> | <b>1.9%</b>        | <b>100.0%</b>         | <b>100.0%</b>         |   |

# 9M 2019 P&L

| (Euro MM)                   |              |               | Sept YTD         |               |              |               |              |                 |
|-----------------------------|--------------|---------------|------------------|---------------|--------------|---------------|--------------|-----------------|
|                             | 2019         | %             | Restated<br>2019 | %             | 2018         | %             | Δ %          | Restated<br>Δ % |
| <b>Total revenue</b>        | <b>994.4</b> | <b>100.0%</b> | <b>994.4</b>     | <b>100.0%</b> | <b>971.9</b> | <b>100.0%</b> | <b>2.3%</b>  | <b>2.3%</b>     |
| Cost of goods sold          | (350.2)      | -35.2%        | (350.2)          | -35.2%        | (353.9)      | -36.4%        | -1.0%        | -1.0%           |
| <b>Gross profit</b>         | <b>644.2</b> | <b>64.8%</b>  | <b>644.2</b>     | <b>64.8%</b>  | <b>618.0</b> | <b>63.6%</b>  | <b>4.2%</b>  | <b>4.2%</b>     |
| Total operating costs       | (538.9)      | -54.2%        | (547.9)          | -55.1%        | (515.9)      | -53.1%        | 4.5%         | 6.2%            |
| <b>EBIT</b>                 | <b>105.2</b> | <b>10.6%</b>  | <b>96.3</b>      | <b>9.7%</b>   | <b>102.1</b> | <b>10.5%</b>  | <b>3.1%</b>  | <b>-5.7%</b>    |
| Financial income (expenses) | (9.0)        | -0.9%         | (9.0)            | -0.9%         | (10.7)       | -1.1%         | -15.6%       | -15.6%          |
| Financial ROU               | (13.2)       | -1.3%         | -                | 0.0%          | -            | 0.0%          | n.a.         | n.a.            |
| <b>EBT</b>                  | <b>83.0</b>  | <b>8.3%</b>   | <b>87.3</b>      | <b>8.8%</b>   | <b>91.4</b>  | <b>9.4%</b>   | <b>-9.2%</b> | <b>-4.5%</b>    |
| Taxes                       | (21.5)       | -2.2%         | (22.4)           | -2.3%         | (26.2)       | -2.7%         | -17.9%       | -14.5%          |
| <b>Net income</b>           | <b>61.4</b>  | <b>6.2%</b>   | <b>64.8</b>      | <b>6.5%</b>   | <b>65.1</b>  | <b>6.7%</b>   | <b>-5.7%</b> | <b>-0.5%</b>    |
| Group net income            | 60.0         | 6.0%          | 63.1             | 6.3%          | 64.1         | 6.6%          | -6.4%        | -1.5%           |
| Income to minorities        | 1.5          | 0.1%          | 1.7              | 0.2%          | 1.0          | 0.1%          | 39.5%        | 61.3%           |
| <b>EBITDA</b>               | <b>242.7</b> | <b>24.4%</b>  | <b>146.8</b>     | <b>14.8%</b>  | <b>149.0</b> | <b>15.3%</b>  | <b>62.9%</b> | <b>-1.5%</b>    |

➤ Gross Profit +4.2% to 644 million Euros, with incidence on Revenues up 120 bps to 64.8%, mainly due to increase of full-price sales and positive product mix.

➤ Opex excluding IFRS16 up 6.2% (+3.6% at const. FX), mainly due to marketing and communication costs, the reinforcement of the organization, the increase in rentals and other costs.

➤ EBITDA excluding IFRS16 down 1.5% to 147 million Euros, with incidence on Revenues at 14.8%.

➤ Net Profit excluding IFRS16 at 65 million Euros, in line (-0.5%) with 9M 2018.



# 9M 2019 Balance Sheet

| (Euro MM)                         | Sept 19 YTD      | Sept 18 YTD    | %              |
|-----------------------------------|------------------|----------------|----------------|
| Tangible assets                   | 295.964          | 259.079        | 14.2%          |
| Intangible assets                 | 40.490           | 40.838         | -0.9%          |
| Right of Use                      | 587.193          | –              | n.a.           |
| Financial assets                  | –                | –              |                |
| <b>Fixed assets</b>               | <b>923.647</b>   | <b>299.917</b> | <b>208.0%</b>  |
| Inventory                         | 407.556          | 362.825        | 12.3%          |
| Trade receivables                 | 110.564          | 107.768        | 2.6%           |
| Trade payables                    | (182.855)        | (175.350)      | 4.3%           |
| <b>Operating working capital</b>  | <b>335.264</b>   | <b>295.243</b> | <b>13.6%</b>   |
| Other assets (liabilities)        | 72.441           | 43.967         | 64.8%          |
| Employee Benefit Liabilities      | (12.280)         | (11.762)       | 4.4%           |
| Provisions for risks and charges  | (20.377)         | (12.466)       | 63.5%          |
| <b>Net invested capital</b>       | <b>1,298.695</b> | <b>614.900</b> | <b>111.2%</b>  |
| <b>Shareholders' equity (A)</b>   | <b>760.656</b>   | <b>754.942</b> | <b>0.8%</b>    |
| Group equity                      | 737.209          | 729.078        | 1.1%           |
| Minority interest                 | 23.447           | 25.864         | -9.3%          |
| Current financial liabilities     | (167.859)        | (32.300)       | 419.7%         |
| Non current financial liabilities | (568.671)        | (15.270)       | 3624.1%        |
| Cash & Cash equivalents           | 198.490          | 187.612        | 5.8%           |
| <b>Net debt (B)</b>               | <b>(538.039)</b> | <b>140.042</b> | <b>-484.2%</b> |
| <b>Financial sources (A-B)</b>    | <b>1,298.695</b> | <b>614.900</b> | <b>111.2%</b>  |
| <b>Net debt (B)</b>               | <b>(538.039)</b> | <b>140.042</b> | <b>-484.2%</b> |
| Non Current Lease Liabilities     | 568.671          | –              | n.a.           |
| Current Lease Liabilities         | 119.736          | –              |                |
| <b>Lease Liabilities</b>          | <b>688.406</b>   | <b>–</b>       | <b>n.a.</b>    |
| <b>Net debt Adjusted</b>          | <b>150.367</b>   | <b>140.042</b> | <b>7.4%</b>    |

- Net Working Capital up 13.6%, with Inventory up 12.3% (+11.0% at const. FX).
- Investments (CAPEX) at 40 million Euros, vs. 45 million Euros in 9M 2018, mainly for the store network renovations and the IT projects.
- Net Financial Position adj. (ex. IFRS16 impact) at 30 September 2019 positive for 150 million Euros, compared to 140 million Euros positive as of 30 September 2018. Including IFRS16 effect, the Net Financial Position at 30 September 2019 is negative for 538 million Euros.

# Group POS Number by Region @ 30.09.2019

|                     | <b>Act September<br/>'19</b> | <b>Act December<br/>'18</b> | <b>Net Openings<br/>in the period</b> | <b>Act September<br/>'18</b> |
|---------------------|------------------------------|-----------------------------|---------------------------------------|------------------------------|
| Europe              | 164                          | 174                         | -10                                   | 177                          |
| USA                 | 98                           | 99                          | -1                                    | 100                          |
| Latin America       | 62                           | 63                          | -1                                    | 64                           |
| Asia Pacific        | 265                          | 265                         | 0                                     | 267                          |
| Japan               | 67                           | 71                          | -4                                    | 71                           |
| <b>Total POS n.</b> | <b>656</b>                   | <b>672</b>                  | <b>-16</b>                            | <b>679</b>                   |
| <i>DOS</i>          | <i>394</i>                   | <i>409</i>                  | <i>-15</i>                            | <i>407</i>                   |
| <i>TPOS</i>         | <i>262</i>                   | <i>263</i>                  | <i>-1</i>                             | <i>272</i>                   |

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Results Update**

**Q&A**



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