

# Salvatore Ferragamo

## 1H 2018 Results Update

Analyst Presentation

July 31, 2018 - 6.00 PM CET



# Disclaimer

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*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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# Market Scenario

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- Personal Luxury market expected growth mid-single digit in 2018, defined as “healthy new normal”.
- With retail downsizing or no space growth expected in 2018, digital is expected to remain key, with on-line gaining share and blurring boundaries with the physical channel. E-commerce expected to remain the fastest growing channel also in 2018, also through e-concessions, and becoming even more critical as a marketing tool.
- Chinese consumer confidence continues to increase and base is growing. Trends are positive both for tourists’ spending and local demand, also thanks to lower price differentials and improved costumers’ experience strategies. Younger generations and on-line shopping are boosting sales, with social media role becoming increasingly important in buying decisions.
- Casual and streetwear seen as a key lever to attract new costumers, with dedicated strategies and investments.
- Air passengers traffic grew 6.8% YoY in May 2018 YtD. Despite an expected slowdown in growth vs. last year, due mainly to higher airfares, 2018 is still expected to be another year of above-trend growth.
- Exchange rates fluctuations redirecting spending among regions, but not expected to impact global growth.

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# 1H 2018 Financial Review



Salvatore Ferragamo FW 18 Advertising Campaign



# 1H 2018 Revenue By Distribution Channel

(Euro MM)	June			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2018	2017	Δ %			
Retail	426,2	449,7	-5,2%	-2,2%	63,3%	62,6%
Wholesale	236,9	256,3	-7,6%	-5,3%	35,2%	35,7%
Licences & Other Rev.	4,7	5,3	-12,0%	-12,0%	0,7%	0,7%
Rental income	6,0	6,6	-10,2%	0,3%	0,9%	0,9%
<b>Total</b>	<b>673,7</b>	<b>717,9</b>	<b>-6,2%</b>	<b>-3,4%</b>	<b>100,0%</b>	<b>100,0%</b>

➤ Total Revenues at 674 million Euros, down 6.2% (-3.4% at constant FX) vs. 1H'17.

➤ RTL down 5.2% (-2.2% at constant FX) vs. 1H'17, with like-for-like performance of -2.0%, affected by lower end-of-season sales.

➤ WHL down 7.6% vs. 1H'17 (-5.3% at constant FX).

➤ Group's store network at 677 points of sale, of which 407 DOS and 270 TPOS.

# 1H 2018 Revenue By Region

(Euro MM)	June			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2018	2017	Δ %			
Europe	172,4	184,4	-6,5%	-6,3%	25,6%	25,7%
North America	152,3	163,8	-7,1%	-1,4%	22,6%	22,8%
Japan	58,9	61,4	-4,2%	-4,8%	8,7%	8,6%
Asia Pacific	256,4	271,3	-5,5%	-2,7%	38,1%	37,8%
Latin America	33,8	37,0	-8,6%	0,5%	5,0%	5,1%
<b>Total</b>	<b>673,7</b>	<b>717,9</b>	<b>-6,2%</b>	<b>-3,4%</b>	<b>100,0%</b>	<b>100,0%</b>

- APAC down 2.7% at constant FX in 1H'18. Mainland China RTL showing a slightly negative trend (-1.0%) at const FX vs. a hard comp base (+15.5% at const FX in 1H'17), while Hong Kong continuing the strong performance (+32.0% at const FX in 1H'18). South Korea still showing a weak trend.
- Europe down 6.3% at const FX vs. 1H'17.
- North America down 1.4% at const FX in 1H'18, with RTL channel showing a growth and WHL still penalized by the performance of the Department Stores.
- Japan down 4.8% at const FX vs. 1H'17, due to the strategic WHL channel rationalization.
- Latam up 0.5% at const FX in 1H'18.

# 1H 2018 Revenue By Product

(Euro MM)	June			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2018	2017	Δ %			
Shoes	285,6	312,7	-8,6%	-5,5%	42,4%	43,6%
Leather goods & handbags	262,8	265,3	-0,9%	1,6%	39,0%	36,9%
RTW	37,5	41,7	-9,9%	-7,9%	5,6%	5,8%
Silk & other access.	38,4	42,8	-10,4%	-7,9%	5,7%	6,0%
Fragrances	38,7	43,6	-11,1%	-8,9%	5,8%	6,1%
Licences & Other Rev.	4,7	5,3	-12,0%	-12,0%	0,7%	0,7%
Rental income	6,0	6,6	-10,2%	0,3%	0,9%	0,9%
<b>Total</b>	<b>673,7</b>	<b>717,9</b>	<b>-6,2%</b>	<b>-3,4%</b>	<b>100,0%</b>	<b>100,0%</b>

- Shoes down 5.5% at const FX vs. 1H'17.
- Leather Goods & Handbags up 1.6% at const FX vs. 1H'17.
- Fragrances down 8.9% at const FX vs. 1H'17.

# 1H 2018 P&L

(Euro MM)	June YTD				
	2018	%	2017	%	Δ %
<b>Total revenue</b>	<b>673,7</b>	<b>100,0%</b>	<b>717,9</b>	<b>100,0%</b>	<b>-6,2%</b>
Cost of goods sold	(241,7)	-35,9%	(249,7)	-34,8%	-3,2%
<b>Gross profit</b>	<b>432,0</b>	<b>64,1%</b>	<b>468,2</b>	<b>65,2%</b>	<b>-7,7%</b>
Total operating costs	(346,5)	-51,4%	(363,4)	-50,6%	-4,6%
<b>EBIT</b>	<b>85,5</b>	<b>12,7%</b>	<b>104,8</b>	<b>14,6%</b>	<b>-18,5%</b>
Financial income (expenses)	(5,9)	-0,9%	(6,8)	-1,0%	-14,2%
<b>EBT</b>	<b>79,6</b>	<b>11,8%</b>	<b>98,0</b>	<b>13,6%</b>	<b>-18,8%</b>
Taxes	(21,0)	-3,1%	(21,7)	-3,0%	-3,5%
<b>Net income</b>	<b>58,6</b>	<b>8,7%</b>	<b>76,2</b>	<b>10,6%</b>	<b>-23,1%</b>
Group net income	57,5	8,5%	78,4	10,9%	-26,7%
Income to minorities	1,2	0,2%	(2,2)	-0,3%	-152,8%
<b>EBITDA</b>	<b>116,6</b>	<b>17,3%</b>	<b>136,3</b>	<b>19,0%</b>	<b>-14,5%</b>

- Gross Profit down 7.7% to 432 million Euros, with incidence on Revenues -110 bps to 64.1%, mainly due to the negative FX impact.
- Operating Costs down 4.6% (flat at constant FX), mainly due to the strengthening of the organization. Marketing & Communication expenses new phasing, as a consequence of the managerial changes.
- EBITDA down 14.5% to 117 million Euros, with incidence on Revenues -170 bps to 17.3%.
- Tax rate increase due to the lower deferred tax assets charge in the US (following the change in the tax rate) and extra 1.3 million Euros for a tax settlement in Korea .
- Net Profit at 59 million Euros, down 23.1% vs. the 76 million Euros reported in 1H'17.



# 1H 2018 Balance Sheet

(Euro MM)	Jun 18 YTD	Jun 17 YTD	%
Tangible assets	260,219	240,497	8,2%
Intangible assets	42,176	36,657	15,1%
Financial assets	–	–	
<b>Fixed assets</b>	<b>302,394</b>	<b>277,154</b>	<b>9,1%</b>
Inventory	373,777	349,915	6,8%
Trade receivables	147,481	163,765	-9,9%
Trade payables	(203,442)	(182,524)	11,5%
<b>Operating working capital</b>	<b>317,817</b>	<b>331,156</b>	<b>-4,0%</b>
Other assets (liabilities)	52,002	101,674	-48,9%
Net Asset Disposal for Sales	–	–	-
Severance indemnity	(11,678)	(11,679)	0,0%
Risk funds	(12,556)	(14,433)	-13,0%
<b>Net invested capital</b>	<b>647,979</b>	<b>683,872</b>	<b>-5,2%</b>
<b>Shareholders' equity (A)</b>	<b>749,430</b>	<b>708,998</b>	<b>5,7%</b>
Group equity	723,522	681,879	6,1%
Minority interest	25,908	27,119	-4,5%
Current financial liabilities	(42,329)	(98,754)	-57,1%
Non current financial liabilities	(15,527)	0,000	mn
Cash & equivalents	159,307	123,880	28,6%
<b>Net debt (B)</b>	<b>101,451</b>	<b>25,125</b>	<b>303,8%</b>
<b>Financial sources (A-B)</b>	<b>647,979</b>	<b>683,872</b>	<b>-5,2%</b>

- Net Working Capital down 4.0%.
- Investments (CAPEX) at 32 million Euros vs. 29 million Euros at 30 June 2017, mainly for to the Distribution Center, the store network and the IT projects.
- Net Financial Position at 30 June 2018 positive at 101 million Euros (vs. 25 million Euros at 30 June 2017).

# 1H 2018 Cash Flow

(In thousands of Euro)	Half-year period ended 30 June	
	2018	2017
<b>Net profit / (loss) for the period</b>	<b>58,613</b>	<b>76,233</b>
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	31,125	31,508
Net change in deferred taxes	1,272	(1,448)
Net change in provision for employee benefit plans	45	(115)
Loss/(gain) on disposal of tangible and intangible assets	93	338
Other non cash items	857	1,277
Net change in net working capital	(27,166)	8,649
Net change in other assets and liabilities	10,943	12,620
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>75,782</b>	<b>129,062</b>
Purchase of tangible assets	(27,945)	(19,846)
Purchase of intangible assets	(5,806)	(4,820)
Net change in available-for-sale financial assets	-	5
Proceeds from the sale of tangible and intangible assets	77	27
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(33,674)</b>	<b>(24,634)</b>
Net change in financial payables	(28,486)	(22,153)
Payment of dividends	(66,881)	(77,643)
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>(95,367)</b>	<b>(100,600)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(53,259)</b>	<b>3,828</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	(53,259)	3,828
Net effect of translation of foreign currencies	59	2,288
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>158,888</b>	<b>123,365</b>

➤ Operating Cash Flow generation of 76 million Euros (vs. 129 million Euros at 30 June 2017).

# Group POS Number by Region @ 30.06.2018

	<b>Act June '18</b>	<b>Act Dec '17</b>	<b>Net Openings in the period</b>	<b>Act June '17</b>
<b>Europe</b>	<b>176</b>	<b>173</b>	<b>3</b>	<b>171</b>
<b>USA</b>	<b>100</b>	<b>106</b>	<b>-6</b>	<b>106</b>
<b>Latin America</b>	<b>64</b>	<b>64</b>	<b>0</b>	<b>63</b>
<b>Asia Pacific</b>	<b>100</b>	<b>105</b>	<b>-5</b>	<b>104</b>
<b>Greater China</b>	<b>103</b>	<b>99</b>	<b>4</b>	<b>93</b>
<b>Japan</b>	<b>71</b>	<b>74</b>	<b>-3</b>	<b>78</b>
<b>Korea</b>	<b>63</b>	<b>64</b>	<b>-1</b>	<b>64</b>
<b>Total POS n.</b>	<b>677</b>	<b>685</b>	<b>-8</b>	<b>679</b>
<i>of which DOS</i>	<i>407</i>	<i>410</i>	<i>-3</i>	<i>401</i>
<i>of which TPOS</i>	<i>270</i>	<i>275</i>	<i>-5</i>	<i>278</i>

# Salvatore Ferragamo

## 1H 2018 Results Update

Q&A



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