

# Salvatore Ferragamo

## 9M 2016 Results Update

Analyst Presentation



November 14, 2016 - 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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# 9M 2016 Market Scenario

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- 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%
<b>Total</b>	<b>1.013,9</b>	<b>1.021,0</b>	<b>-0,7%</b>	<b>-4,0%</b>	<b>100,0%</b>	<b>100,0%</b>

# 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%
<b>Total</b>	<b>1.013,9</b>	<b>1.021,0</b>	<b>-0,7%</b>	<b>-4,0%</b>	<b>100,0%</b>	<b>100,0%</b>



# 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%
<b>Total</b>	<b>1.013,9</b>	<b>1.021,0</b>	<b>-0,7%</b>	<b>-4,0%</b>	<b>100,0%</b>	<b>100,0%</b>

# 9M 2016 P&L

(Euro MM)	Sept YTD				
	2016	%	2015	%	Δ %
<b>Total revenue</b>	<b>1.013,9</b>	<b>100,0%</b>	<b>1.021,0</b>	<b>100,0%</b>	<b>-0,7%</b>
Cost of goods sold	(334,4)	-33,0%	(348,9)	-34,2%	-4,2%
<b>Gross profit</b>	<b>679,5</b>	<b>67,0%</b>	<b>672,1</b>	<b>65,8%</b>	<b>1,1%</b>
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%
<b>EBIT</b>	<b>170,0</b>	<b>16,8%</b>	<b>173,6</b>	<b>17,0%</b>	<b>-2,1%</b>
Financial income (expenses)	(12,1)	-1,2%	(9,2)	-0,9%	31,3%
<b>EBT</b>	<b>157,9</b>	<b>15,6%</b>	<b>164,4</b>	<b>16,1%</b>	<b>-3,9%</b>
Taxes	(47,8)	-4,7%	(50,9)	-5,0%	-6,1%
<b>Net income</b>	<b>110,1</b>	<b>10,9%</b>	<b>113,4</b>	<b>11,1%</b>	<b>-3,0%</b>
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%
<b>EBITDA</b>	<b>216,1</b>	<b>21,3%</b>	<b>217,6</b>	<b>21,3%</b>	<b>-0,7%</b>

# 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	–	–	
<b>Fixed assets</b>	<b>274,8</b>	<b>265,7</b>	<b>3,4%</b>
Inventory	393,1	340,2	15,6%
Trade receivables	113,9	121,8	-6,6%
Trade payables	(156,5)	(168,4)	-7,1%
<b>Operating working capital</b>	<b>350,5</b>	<b>293,6</b>	<b>19,4%</b>
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%
<b>Net invested capital</b>	<b>659,7</b>	<b>574,2</b>	<b>14,9%</b>
<b>Shareholders' equity (A)</b>	<b>641,5</b>	<b>535,9</b>	<b>19,7%</b>
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%
<b>Net debt (B)</b>	<b>(18,2)</b>	<b>(38,3)</b>	<b>-52,5%</b>
<b>Financial sources (A-B)</b>	<b>659,7</b>	<b>574,2</b>	<b>14,9%</b>

# The Patent Box regime: definition and rules

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- 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

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- 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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## 9M 2016 Results Update

Q&A

