

Salvatore Ferragamo

**FY 2017
Results Update**

Analyst Presentation



March 8, 2018 - 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.

The actual results may differ materially from those expressed in any forward-looking statement and the Company does not assume any liability with respect thereto.

This document has been prepared solely for this presentation and does not constitute any offer or invitation to sell or any solicitation to purchase any share in the Company.

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.

Market Scenario

- Personal Luxury market estimated growth at 6% constant rates in 2017 and similarly in 2018, with interception of millennials' demand key for success.
- Retail space growth in reverse or flat for most brands in 2017 expected to continue in 2018, with also downsizing exposure to department stores.
- Chinese luxury spending solidly growing in 2017 and expect to still up high single digit in 2018 thanks to stronger consumer sentiment and fundamentals, with also repatriation of luxury spend to continue due to narrowed pricing differential, greater assortment in-store and on-line and focused government policies.
- Air passengers traffic up 7.6% YoY in FY 2017, above-trend growth (ten-year average +5.5%), carrying a solid momentum into 2018, despite a moderate slowdown expected as the stimulus from lower airfares fades.
- Digital expected to remain key, with on-line to continue to be the fastest growing channel also in 2018, after a +20%+ growth in 2017, becoming even more critical as a marketing tool (BCG/ Altgamma reports that 61% of luxury sales were influenced by online in 2016).
- US currency representing a significant headwind for European brands in the second part of 2017 and beginning of 2018.

FY 2017 Financial Review



Salvatore Ferragamo SS 18 Advertising Campaign

FY 2017 Revenue By Distribution Channel

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %			
Retail	905,3	912,4	-0,8%	1,3%	65,0%	63,4%
Wholesale	465,3	502,6	-7,4%	-6,2%	33,4%	35,0%
Licences & Other Rev.	10,2	10,0	1,9%	1,9%	0,7%	0,7%
Rental income	12,7	13,0	-2,0%	0,0%	0,9%	0,9%
Total	1.393,5	1.437,9	-3,1%	-1,4%	100,0%	100,0%

- Total Revenues at 1,393 million Euros, down 3.1% (-1.4% at constant FX) vs. FY'16.
- In 4Q'17 Total Revenues were down 8.4% penalized by the currencies trend (-5.1% at constant FX) and by the lower incidence of promotional sales in the primary channel vs. last year, thanks to the optimization of the stock.
- RTL down 0.8% (+1.3% at constant FX) vs. FY'16, with like-for-like performance negative 1.7%.
- WHL down 7.4% vs. FY'16, mainly due to the destocking activity, the political tensions in South Korea and the strategic rationalization in Japan.
- Group's store network at 685 points of sale, of which 410 DOS and 275 TPOS.

FY 2017 Revenue By Region

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %			
Europe	351,3	364,3	-3,6%	-3,0%	25,2%	25,3%
North America	333,7	348,3	-4,2%	-2,2%	23,9%	24,2%
Japan	119,5	126,7	-5,6%	-3,1%	8,6%	8,8%
Asia Pacific	510,6	521,7	-2,1%	-0,4%	36,6%	36,3%
Latin America	78,4	76,9	2,0%	6,5%	5,6%	5,3%
Total	1.393,5	1.437,9	-3,1%	-1,4%	100,0%	100,0%

- APAC down 0.4% at constant FX in FY'17. Mainland China RTL business showing a positive 7.0% at constant FX, Hong Kong performance improving in 4Q 2017, while South Korea still showing a weak trend.
- Europe down 3.0% at constant FX vs. FY'16, with a positive RTL channel and a negative WHL business.
- North America down 2.2% at constant FX in FY'17, mainly penalized by the performance of the Department Stores.
- Japan down 3.1% at constant FX vs. FY'16 due to the WHL channel rationalization, while RTL showed a positive performance.
- Latam up 6.5% at constant FX in FY'17, penalized by the earthquake in Mexico in September.

FY 2017 Revenue By Product

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %			
Shoes	589,2	611,2	-3,6%	-1,7%	42,3%	42,5%
Leather goods & handbags	516,0	529,0	-2,4%	-0,8%	37,0%	36,8%
RTW	89,9	93,6	-3,9%	-2,2%	6,4%	6,5%
Silk & other access.	86,4	93,3	-7,4%	-5,5%	6,2%	6,5%
Fragrances	89,2	88,1	1,2%	2,2%	6,4%	6,1%
Licences & Other Rev.	10,2	10,0	1,9%	1,9%	0,7%	0,7%
Rental income	12,7	13,0	-2,0%	0,0%	0,9%	0,9%
Total	1.393,5	1.437,9	-3,1%	-1,4%	100,0%	100,0%

➤ Shoes down 3.6% vs. FY'16.

➤ Leather Goods & Handbags down 2.4% vs. FY'16.

➤ Fragrances up 1.2% vs. FY'16, also thanks to the new lines launched (UOMO, Signorina in Fiore, AMO).

FY 2017 P&L

(Euro MM)	Dec YTD				
	2017	%	2016	%	Δ %
Total revenue	1.393,5	100,0%	1.437,9	100,0%	-3,1%
Cost of goods sold	(494,8)	-35,5%	(472,8)	-32,9%	4,6%
Gross profit	898,7	64,5%	965,1	67,1%	-6,9%
Total operating costs	(712,7)	-51,1%	(704,4)	-49,0%	1,2%
EBIT	186,1	13,4%	260,7	18,1%	-28,6%
Financial income (expenses)	(12,7)	-0,9%	(15,1)	-1,0%	-15,6%
EBT	173,3	12,4%	245,7	17,1%	-29,4%
Taxes	(59,1)	-4,2%	(47,3)	-3,3%	24,8%
Net income	114,3	8,2%	198,4	13,8%	-42,4%
Group net income	118,6	8,5%	202,0	14,0%	-41,3%
Income to minorities	(4,4)	-0,3%	(3,6)	-0,3%	19,6%
EBITDA	248,5	17,8%	323,8	22,5%	-23,3%

- Gross Profit down 6.9% to 899 million Euros, with incidence on Revenues -260 basis points to 64.5%, mainly due to higher secondary channel sales, in line with the planned normalization of inventory levels, to the negative FX impact (particularly significant in 2H'17) and to higher provisions for obsolete inventory.
- Operating Costs up 1.2% (+2.8% at constant FX), mainly due to the strengthening of the store network and of the organization.
- EBITDA down 23.3% to 249 million Euros, with incidence on Revenues at 17.8%.
- Tax rate up to 34.1% (26.4% net of the negative impact of the US fiscal reform vs. 24.8% in FY'16 net of the 2015 Patent Box benefit).
- Net Profit at 114 million Euros, down 42.4% vs. FY'16, negatively impacted in 4Q 2017 by the US fiscal reform for 13 million Euros.
- Proposal of a Dividend of 0.38 Euros per Ordinary Share (vs. 0.46 Euros of FY'16) for a total cash-out of 64 million Euros.

FY 2017 Balance Sheet

(Euro MM)	Dec 17 YTD	Dec16 YTD	%
Tangible assets	255,739	251,041	1,9%
Intangible assets	43,593	37,576	16,0%
Financial assets	–	–	
Fixed assets	299,332	288,617	3,7%
Inventory	325,516	374,710	-13,1%
Trade receivables	148,583	179,678	-17,3%
Trade payables	(203,613)	(180,256)	13,0%
Operating working capital	270,485	374,132	-27,7%
Other assets (liabilities)	75,435	94,474	-20,2%
Net Asset Disposal for Sales	0,990	–	NM
Severance indemnity	(11,509)	(12,283)	-6,3%
Risk funds	(13,794)	(14,328)	-3,7%
Net invested capital	620,940	730,611	-15,0%
Shareholders' equity (A)	748,431	722,614	3,6%
Group equity	722,250	693,137	4,2%
Minority interest	26,181	29,476	-11,2%
Current financial liabilities	(70,031)	(125,156)	-44,0%
Non current financial liabilities	(14,906)	(0,355)	
Cash & equivalents	212,429	117,513	80,8%
Net debt (B)	127,491	(7,998)	NM
Financial sources (A-B)	620,940	730,611	-15,0%

- Net Working Capital down 27.7%, with Inventory reduction of 13.1% (-6.4% at constant FX).
- Investments (CAPEX) at 88 million Euros vs. 74 million Euros at 31 December 2016, mainly for to the Distribution Center, the IT projects and the store network.
- Net Financial Position at 31 December 2017 turning positive to 127 million Euros (from Net Debt of 8 million Euros at 31 December 2016).

FY 2017 Cash Flow

(In thousands of Euro)	2017	2016
Net profit / (loss) for the period	114,283	198,358
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	62,454	63,101
Net change in deferred taxes	21,811	1,261
Net change in provision for employee benefit plans	(134)	(182)
Loss/(gain) on disposal of tangible and intangible assets	1,077	619
Other non cash items	1,423	2,047
Net change in net working capital	66,341	(46,264)
Net change in other assets and liabilities	11,631	(57,063)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	278,886	161,877
Purchase of tangible assets	(60,147)	(55,118)
Purchase of intangible assets	(16,509)	(13,421)
Net change in available-for-sale financial assets	5	-
Proceeds from the sale of tangible and intangible assets	41	31
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(76,610)	(68,508)
Net change in financial payables	(33,104)	(25,745)
Payment of dividends	(77,643)	(78,889)
Purchase of minority interests in companies consolidated on a line-by line basis	(804)	(15,537)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(111,551)	(120,171)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,725	(26,802)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	117,249	142,121
Net increase / (decrease) in cash and cash equivalents	90,725	(26,802)
Net effect of translation of foreign currencies	4,114	1,930
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	212,088	117,249

➤ Significant Operating Cash Flow generation of 279 million Euros (vs. 162 million Euros at 31 December 2016).

Group POS Number by Region @ 31.12.2017

	Act. Dec. 2017	Act. Dec. 2016	Net openings in the period
Europe	173	170	3
USA	106	103	3
Latin America	64	63	1
Asia Pacific	268	268	–
Japan	74	79	(5)
Total POS n.	685	683	2
DOS	410	402	8
<i>of which Travel</i>	3	4	(1)
TPOS	275	281	(6)
<i>of which Travel</i>	147	149	(2)

Salvatore Ferragamo

FY 2017
Results Update

Q&A

