

Salvatore Ferragamo

**FY 2018  
Results Update**

**Analyst Presentation**



March 12, 2019 - 6.00 PM CET

# Disclaimer

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# Market Scenario

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- Personal Luxury Goods market expected growth at 6% constant rates in 2019, slowing down from over 10% in 2018.
- Low “space contribution” trend for most brands in 2018 expected to continue also in 2019, with likely rationalization of exposure to wholesale doors, shifting towards digital.
- Chinese luxury consumption shifting to domestic spending, but trends should continue to be supported by long-term demographic and social factors.
- Long-heritage brands to attract “new generations” and “traditional customers” new attitude towards luxury, leveraging on iconic products/codes with a contemporary twist.
- Air passengers traffic grew 6.5% in FY'18 (below +8% of FY'17). 2019 is still looking robust with IATA currently forecasting passenger demand to rise by 6.0%.
- Online luxury market, estimated +20% in FY'18, will remain key also in FY'19, with brands increasing investments on omni-channel capabilities and looking for more business opportunities with selected third-parties.



# FY 2018 Financial Review

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Salvatore Ferragamo SS 19 Advertising Campaign

# FY 2018 Revenue By Distribution Channel

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %			
Retail	878.2	905.3	-3.0%	-1.1%	65.2%	65.0%
Wholesale	447.5	465.3	-3.8%	-2.7%	33.2%	33.4%
Licences & Other Rev.	9.5	10.2	-6.2%	-6.2%	0.7%	0.7%
Rental income	11.6	12.7	-8.8%	-4.7%	0.9%	0.9%
<b>Total</b>	<b>1,346.8</b>	<b>1,393.5</b>	<b>-3.3%</b>	<b>-1.7%</b>	<b>100.0%</b>	<b>100.0%</b>

- Total Revenues at 1,347 million Euros, down 3.3% (-1.7% at constant FX) vs. FY'17.
- RTL down 3.0% (-1.1% at constant FX) vs. FY'17, with like-for-like performance negative 1.3%.
- WHL down 3.8% (-2.7% at constant FX) vs. FY'17, with a positive Travel Retail channel, not fully offsetting negative performances especially in EMEA and US.
- Group's store network at 672 points of sale, of which 409 DOS and 263 TPOS.

# FY 2018 Revenue By Region

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %			
Europe	329.7	351.3	-6.1%	-5.9%	24.5%	25.2%
North America	315.6	333.7	-5.4%	-2.4%	23.4%	23.9%
Japan	119.0	119.5	-0.4%	-1.0%	8.8%	8.6%
Asia Pacific	505.5	510.6	-1.0%	0.8%	37.5%	36.6%
Latin America	76.9	78.4	-1.9%	4.2%	5.7%	5.6%
<b>Total</b>	<b>1,346.8</b>	<b>1,393.5</b>	<b>-3.3%</b>	<b>-1.7%</b>	<b>100.0%</b>	<b>100.0%</b>

- APAC up 0.8% at const. FX vs. FY'17, with a positive performance in Greater China, partially penalized by the negative trend in South East Asia.
- EMEA down 5.9% at const. FX vs. FY'17, mainly for negative WHL in the last part of 2018 due to delayed shipments following change of partner in the Middle East.
- North America down 2.4% at const. FX vs. FY'17, mainly impacted by the negative trend of the department stores.
- Japan down 1.0% at const. FX vs. FY'17, with RTL recording a positive performance at const. FX, while WHL negatively impacted by the strategic rationalization.
- Latam up 4.2% at const. FX vs. FY'17, mainly driven by RTL.

# FY 2018 Revenue By Product

Dec YTD

(Euro MM)	2018	2017	Δ %	Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
Shoes	554.7	589.2	-5.9%	-3.9%	41.2%	42.3%
Leather goods & handbags	521.4	516.0	1.0%	2.6%	38.7%	37.0%
RTW	76.5	89.9	-14.9%	-13.8%	5.7%	6.4%
Silk & other access.	79.0	86.4	-8.5%	-7.0%	5.9%	6.2%
Fragrances	94.1	89.2	5.6%	6.5%	7.0%	6.4%
Licences & Other Rev.	9.5	10.2	-6.2%	-6.2%	0.7%	0.7%
Rental income	11.6	12.7	-8.8%	-4.7%	0.9%	0.9%
<b>Total</b>	<b>1,346.8</b>	<b>1,393.5</b>	<b>-3.3%</b>	<b>-1.7%</b>	<b>100.0%</b>	<b>100.0%</b>

➤ Shoes down 3.9% at const. FX vs. FY'17, but up in the primary retail channel in 4Q'18.

➤ Leather Goods & Handbags up 2.6% at const. FX vs. FY'17.

➤ Fragrances up 6.5%, at const. FX vs. FY'17.



# FY 2018 P&L

(Euro MM)	Dec YTD					
	2018	%	2017	%	Δ %	
<b>Total revenue</b>	<b>1,346.8</b>	<b>100.0%</b>	<b>1,393.5</b>	<b>100.0%</b>	<b>-3.3%</b>	➤ Gross Profit down 4.1% to 862 million Euros, with incidence on Revenues -50 bps to 64.0%, mainly due to negative impact of FX, partially compensated by improvement of full price sales.
Cost of goods sold	(484.9)	-36.0%	(494.8)	-35.5%	-2.0%	➤ Opex flat (+2.5% at const. FX), mainly due to the beginning of the activities to strengthen the organization and the processes and to higher communication expenses.
<b>Gross profit</b>	<b>862.0</b>	<b>64.0%</b>	<b>898.7</b>	<b>64.5%</b>	<b>-4.1%</b>	➤ EBITDA down 13.8% to 214 million Euros, with incidence on Revenues at 15.9%.
Total operating costs	(712.2)	-52.9%	(712.7)	-51.1%	-0.1%	➤ Tax rate at 33.6%, negatively impacted, for ca. 9 million Euros, by provisions and payment related to previous years.
<b>EBIT</b>	<b>149.8</b>	<b>11.1%</b>	<b>186.1</b>	<b>13.4%</b>	<b>-19.5%</b>	➤ Net Profit at 90 million Euros, down 21.1% vs. FY'17.
Financial income (expenses)	(13.9)	-1.0%	(12.7)	-0.9%	9.0%	➤ Proposal of a Dividend of 0.34 Euros per Ordinary Share (vs. 0.38 Euros of FY'17).
<b>EBT</b>	<b>135.9</b>	<b>10.1%</b>	<b>173.3</b>	<b>12.4%</b>	<b>-21.6%</b>	
Taxes	(45.7)	-3.4%	(59.1)	-4.2%	-22.6%	
<b>Net income</b>	<b>90.2</b>	<b>6.7%</b>	<b>114.3</b>	<b>8.2%</b>	<b>-21.1%</b>	
Group net income	88.4	6.6%	118.6	8.5%	-25.5%	
Income to minorities	1.8	0.1%	(4.4)	-0.3%	-141.9%	
<b>EBITDA</b>	<b>214.2</b>	<b>15.9%</b>	<b>248.5</b>	<b>17.8%</b>	<b>-13.8%</b>	



# FY 2018 Balance Sheet

(Euro MM)	Dec 18 YTD	Dec 17 YTD	%
Tangible assets	265.9	255.7	4.0%
Intangible assets	42.9	43.6	-1.6%
Financial assets	—	—	
<b>Fixed assets</b>	<b>308.8</b>	<b>299.3</b>	<b>3.2%</b>
Inventory	365.8	325.5	12.4%
Trade receivables	142.9	148.6	-3.8%
Trade payables	(215.1)	(203.6)	5.7%
<b>Operating working capital</b>	<b>293.6</b>	<b>270.5</b>	<b>8.5%</b>
Other assets (liabilities)	39.9	75.4	-47.1%
Net Asset Disposal for Sales	—	1.0	-100.0%
Severance indemnity	(11.4)	(11.5)	-1.0%
Risk funds	(19.5)	(13.8)	41.3%
<b>Net invested capital</b>	<b>611.3</b>	<b>620.9</b>	<b>-1.5%</b>
<b>Shareholders' equity (A)</b>	<b>780.3</b>	<b>748.4</b>	<b>4.3%</b>
Group equity	753.7	722.2	4.4%
Minority interest	26.6	26.2	1.8%
Current financial liabilities	(23.9)	(70.0)	-65.9%
Non current financial liabilities	(15.9)	(14.9)	6.6%
Cash & equivalents	208.8	212.4	-1.7%
<b>Net debt (B)</b>	<b>169.0</b>	<b>127.5</b>	<b>32.6%</b>
<b>Financial sources (A-B)</b>	<b>611.3</b>	<b>620.9</b>	<b>-1.5%</b>

- Net Working Capital up 8.5%, with Inventory up 12.4% but only 4.6% at const. FX.
- Investments (CAPEX) at 71 million Euros vs. 88 million Euros in FY'17, mainly for the renovation of the store network, the Distribution Center and the IT projects.
- Net Financial Position at 31 December 2018 positive for 169 million Euros, compared to positive 127 million Euros as of 31 December 2017.

# FY 2018 Cash Flow

<b>(In thousands of Euro)</b>	<b>2018</b>	<b>2017</b>
<b>Net profit / (loss) for the period</b>	<b>90,187</b>	<b>114,283</b>
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	64,452	62,454
Net change in deferred taxes	6,342	21,811
Net change in provision for employee benefit plans	(40)	(134)
Loss/(gain) on disposal of tangible and intangible assets	1,110	1,077
Other non cash items	7,226	1,423
Net change in net working capital	(3,104)	66,341
Net change in other assets and liabilities	20,102	11,631
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>186,275</b>	<b>278,886</b>
Purchase of tangible assets	(62,878)	(60,147)
Purchase of intangible assets	(12,987)	(16,509)
Net change in available-for-sale financial assets	-	5
Proceeds from the sale of tangible and intangible assets	99	41
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(75,766)</b>	<b>(76,610)</b>
Net change in financial receivables	(944)	-
Net change in financial payables	(46,439)	(33,104)
Payment of dividends	(66,949)	(77,643)
Purchase of minority interests in companies consolidated on a line-by line basis	(1,452)	(804)
Purchase of Treasury shares	(251)	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(116,035)</b>	<b>(111,551)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,526)</b>	<b>90,725</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	(5,526)	90,725
Net effect of translation of foreign currencies	1,145	4,114
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>207,707</b>	<b>212,088</b>

➤ Operating Cash Flow generation of 186 million Euros (vs. 279 million Euros at 31 December 2017).

# Group POS Number by Region @ 31.12.2018

	Act December '18	Act December '17	Net Openings in the period	Act December '16
Europe	174	173	1	170
USA	99	106	-7	103
Latin America	63	64	-1	63
Asia Pacific	265	268	-3	268
Japan	71	74	-3	79
<b>Total POS n.</b>	<b>672</b>	<b>685</b>	<b>-13</b>	<b>683</b>
<i>of which DOS</i>	409	410	-1	402
<i>of which TPOS</i>	263	275	-12	281

# Salvatore Ferragamo

## FY 2018 Results Update

Q&A

