

Salvatore Ferragamo

**9M 2018
Results Update**

Analyst Presentation

November 8, 2018 - 6.00 PM CET



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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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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 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.
- Currency depreciation and slowing GDP growth triggering fear on Chinese demand slowdown, especially abroad (lower spending power and tighter border checks). Pressure mitigated by improved costumers’ experience strategies, younger generations and social media role.
- “Casualization” seen as a key lever to attract new costumers, with dedicated strategies and investments.
- Air passengers traffic grew 6.7% YoY in September 2018 YtD, with the September monthly data slowing to +5.5% YoY, also due to weather impacts. The growth remains solid, but the upward trend has moderated in 3Q 2018.
- Exchange rates fluctuations redirecting spending among regions, but not expected to impact global growth.

9M 2018 Financial Review



Salvatore Ferragamo FW 18 Advertising Campaign

9M 2018 Revenue By Distribution Channel

(Euro MM)	Sept YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %			
Retail	627,0	647,7	-3,2%	-1,5%	64,5%	64,5%
Wholesale	329,0	339,5	-3,1%	-1,6%	33,9%	33,8%
Licences & Other Rev.	7,0	8,1	-13,4%	-13,4%	0,7%	0,8%
Rental income	8,8	9,7	-8,4%	-1,8%	0,9%	1,0%
Total	971,9	1.004,9	-3,3%	-1,6%	100,0%	100,0%

➤ Total Revenues at 972 million Euros, down 3.3% (-1.6% at constant FX) vs. 9M'17, with Revenues in 3Q'18 up 3.9% (+2.5% at constant FX).

➤ RTL down 3.2% (-1.5% at constant FX) vs. 9M'17, with like-for-like performance of -1.5%, affected by lower end-of-season sales. In 3Q'18 RTL up 1.4% (stable at constant FX), with a -0.9% like-for-like.

➤ WHL down 3.1% vs. 9M'17 (-1.6% at constant FX). In 3Q 2018 WHL up 10.8% (+9.1% at constant FX), also thanks to some shift in deliveries from 2Q'18 to 3Q'18.

➤ Group's store network at 679 points of sale, of which 407 DOS and 272 TPOS.

9M 2018 Revenue By Region

(Euro MM)	Sept YTD				Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %	Δ % Const FX		
Europe	249,0	263,5	-5,5%	-5,2%	25,6%	26,2%
North America	222,5	231,9	-4,0%	-1,2%	22,9%	23,1%
Japan	86,3	86,7	-0,4%	-1,7%	8,9%	8,6%
Asia Pacific	363,2	370,1	-1,9%	0,0%	37,4%	36,8%
Central&South America	50,8	52,7	-3,6%	3,3%	5,2%	5,2%
Total	971,9	1.004,9	-3,3%	-1,6%	100,0%	100,0%

- Europe down 5.2% at const FX vs. 9M'17.
- North America down 1.2% at const FX in 9M'18, with RTL channel showing a growth and WHL still penalized by the performance of the Department Stores.
- Japan down 1.7% at const FX vs. 9M'17, due to the strategic WHL channel rationalization in 1H'18.
- APAC stable at constant FX in 9M'18. Mainland China RTL showing a positive trend (+1.0%) at const FX vs. a hard comp base (+15.5% at const FX in 9M'17).
- Latam up 3.3% at const FX in 9M'18.

9M 2018 Revenue By Product

(Euro MM)	Sept YTD			Δ % Const FX	Weight on Tot 2018	Weight on Tot 2017
	2018	2017	Δ %			
Shoes	405,6	432,4	-6,2%	-4,3%	41,7%	43,0%
Leather goods & handbags	374,5	367,4	1,9%	3,4%	38,5%	36,6%
RTW	54,6	61,8	-11,6%	-10,8%	5,6%	6,2%
Silk & other access.	54,8	60,8	-9,8%	-8,4%	5,6%	6,1%
Fragrances	66,4	64,7	2,6%	4,2%	6,8%	6,4%
Licences & Other Rev.	7,0	8,1	-13,4%	-13,4%	0,7%	0,8%
Rental income	8,8	9,7	-8,4%	-1,8%	0,9%	1,0%
Total	971,9	1.004,9	-3,3%	-1,6%	100,0%	100,0%

➤ Shoes down 4.3% at const FX vs. 9M'17.

➤ Leather Goods & Handbags up 3.4% at const FX vs. 9M'17.

➤ Fragrances up 4.2% at const FX vs. 9M'17.

9M 2018 P&L

(Euro MM)	Sept YTD				
	2018	%	2017	%	Δ %
Total revenue	971,9	100,0%	1.004,9	100,0%	-3,3%
Cost of goods sold	(353,9)	-36,4%	(359,8)	-35,8%	-1,6%
Gross profit	618,0	63,6%	645,1	64,2%	-4,2%
Total operating costs	(515,9)	-53,1%	(529,9)	-52,7%	-2,6%
EBIT	102,1	10,5%	115,2	11,5%	-11,4%
Financial income (expenses)	(10,7)	-1,1%	(8,8)	-0,9%	20,7%
EBT	91,4	9,4%	106,4	10,6%	-14,1%
Taxes	(26,2)	-2,7%	(27,5)	-2,7%	-4,5%
Net income	65,1	6,7%	78,9	7,9%	-17,5%
Group net income	64,1	6,6%	82,3	8,2%	-22,2%
Income to minorities	1,0	0,1%	(3,4)	-0,3%	-130,7%
EBITDA	149,0	15,3%	161,8	16,1%	-7,9%

- Gross Profit down 4.2% to 618 million Euros, with incidence on Revenues -60 bps to 63.6%, mainly due to the negative FX impact in 1H'18.
- Operating Costs down 2.6% (+0.9% at constant FX), mainly due to the strengthening of the organization.
- EBITDA down 7.9% to 149 million Euros, with incidence on Revenues -80 bps to 15.3%.
- Net Profit at 65 million Euros, down 17.5% vs. the 79 million Euros reported in 9M'17.

9M 2018 Balance Sheet

(Euro MM)	Sept 18 YTD	Sept 17 YTD	%
Tangible assets	259,079	243,344	6,5%
Intangible assets	40,838	36,077	13,2%
Financial assets	–	–	
Fixed assets	299,917	279,421	7,3%
Inventory	362,825	334,742	8,4%
Trade receivables	107,768	100,235	7,5%
Trade payables	(175,350)	(162,896)	7,6%
Operating working capital	295,243	272,081	8,5%
Other assets (liabilities)	43,967	93,047	-52,7%
Net Asset Held for Sale	–	(4,886)	-100,0%
Severance indemnity	(11,762)	(11,431)	2,9%
Risk funds	(12,466)	(13,743)	-9,3%
Net invested capital	614,900	614,489	0,1%
Shareholders' equity (A)	754,942	714,862	5,6%
Group equity	729,078	688,667	5,9%
Minority interest	25,864	26,196	-1,3%
Current financial liabilities	(32,300)	(82,515)	-60,9%
Non current financial liabilities	(15,270)	(15,058)	1,4%
Cash & equivalents	187,612	197,947	-5,2%
Net debt (B)	140,042	100,374	39,5%
Financial sources (A-B)	614,900	614,489	0,1%

- Net Working Capital up 8.5%.
- Investments (CAPEX) at 46 million Euros vs. 51 million Euros at 30 September 2017, mainly for to the Distribution Center, the store network and the IT projects.
- Net Financial Position at 30 September 2018 positive at 140 million Euros (vs. 95 million Euros positive at 30 September 2017, including 5.8 million Euros Net Debt of Ferragamo Retail India Private Ltd, liabilities that were classified, at September 30, 2017 as held for sale according to IFRS 5).

9M 2018 Cash Flow

(In thousands of Euro)	Period ended 30 September	
	2018	2017
Net profit / (loss) for the period	65,144	78,925
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	46,961	46,545
Net change in deferred taxes	193	(2,251)
Net change in provision for employee benefit plans	108	(124)
Loss/(gain) on disposal of tangible and intangible assets	243	523
Impairment on Net assets held for sale	-	3,058
Other non cash items	1,370	1,583
Net change in net working capital	(5,775)	70,556
Net change in other assets and liabilities	20,246	19,696
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	128,490	218,511
Purchase of tangible assets	(42,243)	(40,525)
Purchase of intangible assets	(7,462)	(7,189)
Net change in available-for-sale financial assets	-	5
Proceeds from the sale of tangible and intangible assets	78	30
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(49,627)	(47,679)
Net change in financial receivables	(403)	-
Net change in financial payables	(38,867)	(13,312)
Payment of dividends	(66,917)	(77,643)
Purchase of minority interests in companies consolidated on a line-by line basis	(24)	(804)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(106,211)	(91,759)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,348)	79,073
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	212,088	117,249
Net increase / (decrease) in cash and cash equivalents	(27,348)	79,073
Net effect of translation of foreign currencies	2,238	2,796
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	186,978	199,118

➤ Operating Cash Flow generation of 128 million Euros (vs. 219 million Euros at 30 September 2017).

Group POS Number by Region @ 30.09.2018

	Act September '18	Act December '17	Net Openings in the period	Act September '17
Europe	177	173	4	175
USA	100	106	-6	106
Latin America	64	64	0	63
Asia Pacific	267	268	-1	266
Japan	71	74	-3	77
Total POS n.	679	685	-6	687
<i>of which DOS</i>	<i>407</i>	<i>410</i>	<i>-3</i>	<i>407</i>
<i>of which TPOS</i>	<i>272</i>	<i>275</i>	<i>-3</i>	<i>280</i>

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Q&A

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