

Salvatore Ferragamo

9M 2017 Results Update

Analyst Presentation

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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.

9M 2017 Market Scenario

- Personal Luxury market expected growth at 6% constant rates in 2017, despite geopolitical and currency uncertainties.
- Ongoing retail networks consolidation, with brands also downsizing exposure to department stores.
- Sales performance remains polarized, with some companies producing strong sales performance and others still trending weakly.
- Demand from Chinese consumers continuing to grow both internationally and locally, the latter fueled by a renewed consumer confidence and lower price differentials.
- Air passengers traffic upward trend slowing to 5.7% in September 2017 (+7.7% YtD), but 2017 still set to be another year of above average trend growth (five-year average 6.6%).
- E-commerce growing solidly double-digit, with brands capitalizing proactively through their own website.
- US currency favorable contribution in the first six months of 2017 reverting in the second part of the year, with US\$ losing its momentum vs. the Euro.

9M 2017 Financial Review



Salvatore Ferragamo FW17 Advertising Campaign

9M 2017 Revenue By Distribution Channel

(Euro MM)	Sept YTD			Δ % Const	Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %			
Retail	647.7	640.0	1.2%	2.9%	64.5%	63.1%
Wholesale	339.5	356.4	-4.7%	-4.7%	33.8%	35.2%
Licences & Other Rev.	8.1	7.8	2.8%	2.8%	0.8%	0.8%
Rental income	9.7	9.7	0.1%	-0.1%	1.0%	1.0%
Total	1,004.9	1,013.9	-0.9%	0.2%	100.0%	100.0%

- Total Revenues at 1,005 million Euros, down 0.9% (+0.2% at constant FX) vs. 9M'16. In 3Q'17 Total Revenues were down 5.5% due to the negative FX impact (+0.5% at constant FX).
- RTL up 1.2%% vs. 9M'16, with like-for-like performance down 1.0%.
- WHL down 4.7% vs. 9M'16, mainly due to destocking activity, weakness of US Department Stores and South Korean business.
- Group's store network at 687 points of sale, of which 407 DOS and 280 TPOS.

9M 2017 Revenue By Region

(Euro MM)	Sept YTD				Weight on Tot 2017	Weight on Tot 2016
	2017	2016	Δ %	Δ % Const FX		
Europe	263.5	267.7	-1.6%	-0.9%	26.2%	26.4%
North America	231.9	242.2	-4.3%	-3.3%	23.1%	23.9%
Japan	86.7	92.8	-6.7%	-4.0%	8.6%	9.2%
Asia Pacific	370.1	360.0	2.8%	3.5%	36.8%	35.5%
Latin America	52.7	51.1	3.1%	6.9%	5.2%	5.0%
Total	1,004.9	1,013.9	-0.9%	0.2%	100.0%	100.0%

- APAC up 3.5% at constant FX in 9M'17, despite South Korean tensions and Hong Kong performance still negative. Mainland China RTL business showing a significant +15.5% at constant FX.
- Europe down 0.9% at constant FX vs. 9M'16, with a positive RTL channel and a negative WHL business.
- North America down 3.3% at constant FX in 9M'17, mainly penalized by the performance of the Department Stores.
- Japan down 4.0% at constant FX vs. 9M'16 due to the WHL channel rationalization, while RTL showed a positive performance.
- Latam up 6.9% at constant FX in 9M'17, penalized in the 3Q by the earthquake in Mexico.

9M 2017 Revenue By Product

(Euro MM)	Sept YTD			Δ % Const FX	Weight on Weight on	
	2017	2016	Δ %		Tot 2017	Tot 2016
Shoes	432.4	437.8	-1.2%	0.1%	43.0%	43.2%
Leather goods & handbags	367.4	369.7	-0.6%	0.3%	36.6%	36.5%
RTW	61.8	62.4	-0.9%	0.4%	6.2%	6.2%
Silk & other access.	60.8	63.8	-4.6%	-3.3%	6.1%	6.3%
Fragrances	64.7	62.7	3.2%	3.5%	6.4%	6.2%
Licences & Other Rev.	8.1	7.8	2.8%	2.8%	0.8%	0.8%
Rental income	9.7	9.7	0.1%	-0.1%	1.0%	1.0%
Total	1,004.9	1,013.9	-0.9%	0.2%	100.0%	100.0%

➤ Shoes down 1.2% vs. 9M'16. Paul Andrew's women collection first intake positive, but not yet materially contributing to results.

➤ Leather Goods & Handbags down 0.6% vs. 9M'16.

➤ Fragrances up 3.2% vs. 9M'16, also thanks to the new lines launched in the first part of the year (UOMO, Signorina in Fiore).

9M 2017 P&L

(Euro MM)	Sept YTD				
	2017	%	2016	%	Δ %
Total revenue	1,004.9	100.0%	1,013.9	100.0%	-0.9%
Cost of goods sold	(359.8)	-35.8%	(334.4)	-33.0%	7.6%
Gross profit	645.1	64.2%	679.5	67.0%	-5.1%
Total operating costs	(529.9)	-52.7%	(509.5)	-50.2%	4.0%
EBIT	115.2	11.5%	170.0	16.8%	-32.2%
Financial income (expenses)	(8.8)	-0.9%	(12.1)	-1.2%	-27.1%
EBT	106.4	10.6%	157.9	15.6%	-32.6%
Taxes	(27.5)	-2.7%	(47.8)	-4.7%	-42.5%
Net income	78.9	7.9%	110.1	10.9%	-28.3%
Group net income	82.3	8.2%	112.5	11.1%	-26.8%
Income to minorities	(3.4)	-0.3%	(2.4)	-0.2%	43.7%
EBITDA	161.8	16.1%	216.1	21.3%	-25.1%

➤ Gross Profit down 5.1% to 645 million Euros, with incidence on Revenues -280 basis points to 64.2%, mainly due to higher secondary channel sales, in line with the planned inventory clearance, to the negative FX impact (particularly significant in 3Q'17) and to higher provisions for obsolete inventory.

➤ Operating Costs up 4.0% (+4.4% at constant FX), mainly due to the strengthening of the store network and of the organization, also including some one-off costs (i.e. 3 million Euros for the planned disposal of Ferragamo Retail India Private Limited).

➤ EBITDA down 25.1% to 162 million Euros, with incidence on Revenues at 16.1%, including 3 million Euros negative impact from the planned disposal of Ferragamo Retail India Private Limited.

➤ Tax rate down to 25.8%, from 30.3% in 9M'16, due to the Patent Box benefit.

➤ Net Profit down to 79 million Euros, -28.3% vs. 9M'16.

9M 2017 Balance Sheet

(Euro MM)	Sept 17 YTD	Sept 16 YTD	%
Tangible assets	243.344	242.275	0.4%
Intangible assets	36.077	32.501	11.0%
Financial assets	–	–	
Fixed assets	279.421	274.776	1.7%
Inventory	334.742	393.075	-14.8%
Trade receivables	100.235	113.857	-12.0%
Trade payables	(162.896)	(156.475)	4.1%
Operating working capital	272.081	350.457	-22.4%
Other assets (liabilities)	93.047	56.279	65.3%
Net Asset Disposal for Sales	(4.886)	–	-
Severance indemnity	(11.431)	(12.944)	-11.7%
Risk funds	(13.743)	(8.877)	54.8%
Net invested capital	614.489	659.691	-6.9%
Shareholders' equity (A)	714.862	641.495	11.4%
Group equity	688.667	598.697	15.0%
Minority interest	26.196	42.798	-38.8%
Current financial liabilities	(82.515)	(122.333)	-32.5%
Non current financial liabilities	(15.058)	(25.561)	
Cash & equivalents	197.947	129.698	52.6%
Net debt (B)	100.374	(18.196)	-
Financial sources (A-B)	614.489	659.691	-6.9%

- Net Working Capital down 22.4%, with Inventory reduction of 14.8% (-8.8% at constant FX).
- Investments (CAPEX) at 51 million Euros vs. 46 million Euros at 30 September 2016, mainly attributable to the new Distribution Center and the store network.
- Net Financial Position at 30 September 2017 turning positive to 100 million Euros (from Net Debt of 18 million Euros at 30 September 2016).

9M 2017 Cash Flow

(In thousands of Euro)	Period ended 30 September	
	2017	2016
Net profit / (loss) for the period	78,925	110,084
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	46,545	46,056
Net change in deferred taxes	(2,251)	(7,258)
Net change in provision for employee benefit plans	(124)	(49)
Loss/(gain) on disposal of tangible and intangible assets	523	577
Impairment on Net assets held for sale	3,058	-
Other non cash items	1,583	1,784
Net change in net working capital	70,556	(26,229)
Net change in other assets and liabilities	20,515	(6,595)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	219,330	118,370
Purchase of tangible assets	(40,525)	(40,341)
Purchase of intangible assets	(7,189)	(5,900)
Net change in non current assets and liabilities	5	-
Proceeds from the sale of tangible and intangible assets	30	29
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(47,679)	(46,212)
Net change in financial receivables	(131)	90
Net change in financial payables	(14,000)	(7,632)
Payment of dividends	(77,643)	(77,643)
Purchase of minority interests in companies consolidated on a line-by line basis	(804)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(92,578)	(85,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,073	(13,027)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	117,249	142,121
Net increase / (decrease) in cash and cash equivalents	79,073	(13,027)
Net effect of translation of foreign currencies	2,796	395
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	199,118	129,489

* Cash and Cash Equivalents at the end of the period include 1,760 thousand Euro pertaining to subsidiary Ferragamo Retail India Private Limited held for sale.

➤ Significant Operating Cash Flow generation of 219 million Euros (vs. 118 million Euros at 30 September 2016).

Group POS Number by Region @ 30.09.2017

	Act. Sept.'17	Act. Dec.'16	Net Openings in the Period	Act. Sept.'16
Europe	175	170	5	166
USA	106	103	3	100
Latin America	63	63	–	61
Asia Pacific	168	173	(5)	173
Greater China	98	95	3	94
Japan	77	79	(2)	79
Total POS n.	687	683	4	673
DOS	407	402	5	396
<i>of which Travel</i>	4	4	–	4
TPOS	280	281	(1)	277
<i>of which Travel</i>	148	149	(1)	149

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Q&A



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