

*Salvatore Ferragamo*

**1Q 2020  
Results Update**

**Analyst Presentation**



May 12, 2020 - 6.00 PM CET

# Disclaimer

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# Market Scenario

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- The Personal Luxury Goods market, impacted by the COVID-19, expected to contract between -15% and -35% in full-year 2020 according to Bain & Co., with profitability decreasing more than proportionally. The recovery expected in 2021 to take different patterns by region, from “dip and stabilization” to rapid rebound, while touristic shopping likely to take longer to resume.
- Companies called in the short-term to protect the top-line and take operational contingency actions, adjusting operating costs and capital expenditure, but still committed to staying relevant to customers and to long-term goals of becoming more customer-centric, digital, agile and sustainable.
- With the pandemic still developing, it is difficult to predict accurately its full impact. Although some positive signs are coming from China where luxury shopping is restarting, with domestic demand increased by restrictions on travel.
- Online to continue to represent the highest growth channel, with digital shopping habits, built during the COVID-19 outbreak, to remain as brands improve online assortment, user experience and digital marketing. Digital to increase influence on luxury purchases, nonetheless consumers expected to return to physical stores, once safe, with a renewed passion for “real-life” experiences.
- Ethics and sustainability to increase importance, with consumers prioritizing purposeful brands, consolidating the importance of environmental and social governance. Brands potentially rethinking products lifecycle, supply chain management and disposal of unsold stock.
- March YtD air passengers traffic down 22%, with the month of March at -53%, the largest decline in recent history, with global passenger volumes back to 2006 levels. IATA expecting air passenger volumes down 48% in full-year 2020, with international traffic more penalized, impacted by recession, but mostly by travel restrictions and loss of travelers’ confidence.

# 1Q 2020 Financial Review

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Salvatore Ferragamo SS 20 Advertising Campaign

# 1Q 2020 Revenue By Distribution Channel

(Euro MM)	March YTD			Δ % Const FX	Weight on Tot 2020	Weight on Tot 2019
	2020	2019	Δ %			
Retail	142.3	199.3	-28.6%	-29.4%	64.2%	62.8%
Wholesale	76.4	112.8	-32.3%	-34.8%	34.5%	35.6%
Licences & Other Rev.	2.2	2.9	-22.4%	-22.4%	1.0%	0.9%
Rental income	0.9	2.1	-60.2%	-61.4%	0.4%	0.7%
<b>Total</b>	<b>221.7</b>	<b>317.1</b>	<b>-30.1%</b>	<b>-31.5%</b>	<b>100.0%</b>	<b>100.0%</b>

- Total Revenues at 222 million Euros, down 30.1% (+-31.5% at const. FX) vs. 1Q 2019.
- RTL down 28.6% (-29.4% at const. FX) in 1Q 2020, with Like-for-like performance -28.6%, negatively impacted by stores lock-down and significant lack of traffic.
- WHL down 32.3% (-34.8% at const. FX) in 1Q 2020, penalized by orders' cancellation and disadvantaged by the comparison with 1Q 2019.
- Group's store network at 652 points of sale, of which 391 DOS and 261 TPOS.

# 1Q 2020 Revenue By Region

(Euro MM)	March YTD			Δ % Const FX	Weight on Tot 2020	Weight on Tot 2019
	2020	2019	Δ %			
Europe	59.5	80.4	-26.0%	-26.3%	26.8%	25.4%
North America	53.2	65.4	-18.5%	-24.7%	24.0%	20.6%
Japan	24.4	30.3	-19.7%	-21.3%	11.0%	9.6%
Asia Pacific	69.4	122.8	-43.4%	-43.8%	31.3%	38.7%
Latin America	15.2	18.2	-16.3%	-13.8%	6.9%	5.7%
<b>Total</b>	<b>221.7</b>	<b>317.1</b>	<b>-30.1%</b>	<b>-31.5%</b>	<b>100.0%</b>	<b>100.0%</b>

- APAC down 43.8% at const. FX in 1Q 2020, with the Retail channel in China down -39.0% at const. FX.
- EMEA down 26.3% at const. FX vs. 1Q 2019.
- North America down 24.7% at const. FX vs. 1Q 2019.
- Japan down 21.3% at const. FX vs. 1Q 2019.
- Latam down 13.8% at const. FX vs. 1Q 2019.

# 1Q 2020 Revenue By Product

(Euro MM)	March YTD			Δ % Const FX	Weight on Tot 2020	Weight on Tot 2019
	2020	2019	Δ %			
Shoes	91.9	132.2	-30.5%	-32.4%	41.4%	41.7%
Leather goods & handbags	90.4	125.9	-28.2%	-29.4%	40.7%	39.7%
RTW	12.9	17.7	-26.8%	-28.5%	5.8%	5.6%
Silk & other access.	13.6	18.9	-28.1%	-29.1%	6.1%	5.9%
Fragrances	10.0	17.4	-42.9%	-43.4%	4.5%	5.5%
Licences & Other Rev.	2.2	2.9	-22.4%	-22.4%	1.0%	0.9%
Rental income	0.9	2.1	-60.2%	-61.4%	0.4%	0.7%
<b>Total</b>	<b>221.7</b>	<b>317.1</b>	<b>-30.1%</b>	<b>-31.5%</b>	<b>100.0%</b>	<b>100.0%</b>

➤ Shoes down 32.4% at const. FX vs. 1Q 2019.

➤ Leather Goods & Handbags down 29.4% at const. FX vs. 1Q 2019.

➤ Fragrances down 43.4%, at const. FX vs. 1Q 2019.

# 1Q 2020 P&L

(Euro MM)	March YTD				
	2020	%	2019	%	Δ %
<b>Total revenue</b>	<b>221.7</b>	<b>100.0%</b>	<b>317.1</b>	<b>100.0%</b>	<b>-30.1%</b>
Cost of goods sold	(91.5)	-41.3%	(116.5)	-36.7%	-21.5%
<b>Gross profit</b>	<b>130.2</b>	<b>58.7%</b>	<b>200.6</b>	<b>63.3%</b>	<b>-35.1%</b>
Total operating costs	(166.6)	-75.1%	(179.4)	-56.6%	-7.1%
<b>EBIT</b>	<b>(36.3)</b>	<b>-16.4%</b>	<b>21.2</b>	<b>6.7%</b>	<b>NM</b>
Financial income (expenses)	(7.3)	-3.3%	(1.6)	-0.5%	>100%
Financial ROU	(4.3)	-1.9%	(4.3)	-1.4%	0.1%
<b>EBT</b>	<b>(47.9)</b>	<b>-21.6%</b>	<b>15.3</b>	<b>4.8%</b>	<b>NM</b>
Taxes	6.5	2.9%	(4.3)	-1.3%	NM
<b>Net income</b>	<b>(41.4)</b>	<b>-18.7%</b>	<b>11.0</b>	<b>3.5%</b>	<b>NM</b>
Group net income	(39.1)	-17.6%	10.2	3.2%	NM
Income to minorities	(2.4)	-1.1%	0.9	0.3%	NM
<b>EBITDA</b>	<b>11.6</b>	<b>5.2%</b>	<b>65.1</b>	<b>20.5%</b>	<b>-82.2%</b>

- Gross Profit -35.1% to 130 million Euros, with incidence on Revenues down 460 bps to 58.7%, mainly due to the unfavorable geographical mix and to higher provisions for obsolescence.
- Opex down 7.1% (-8.0% at const. FX), mainly due the first effects of costs' containment actions and to lower variable costs.
- EBIT negative for 36 million Euros vs. 21 million Euros positive in 1Q 2019.
- Net Profit negative for 41 million Euros vs. 11 million Euros positive in 1Q 2019.



# FY 2019 Balance Sheet

(Euro MM)	Mar 20 YTD	Mar 19 YTD	%	Dec 19 YTD
Tangible assets	280.4	299.5	-6.4%	290.9
Intangible assets	40.2	41.2	-2.5%	42.5
Right of Use	551.8	565.1	-2.4%	576.5
Financial assets	-	-		-
<b>Fixed assets</b>	<b>872.3</b>	<b>905.8</b>	<b>-3.7%</b>	<b>909.8</b>
Inventory	392.3	383.6	2.3%	395.0
Trade receivables	93.7	128.0	-26.8%	147.2
Trade payables	(151.9)	(210.7)	-27.9%	(207.7)
<b>Operating working capital</b>	<b>334.1</b>	<b>300.9</b>	<b>11.0%</b>	<b>334.6</b>
Other assets (liabilities)	88.1	85.1	3.5%	71.1
Net Asset Disposal for Sales	-	-	-	-
Employee Benefit Liabilities	(12.1)	(11.5)	6.1%	(11.9)
Provisions for risks and charges	(13.8)	(20.2)	-31.8%	(13.9)
<b>Net invested capital</b>	<b>1,268.5</b>	<b>1,260.1</b>	<b>0.7%</b>	<b>1,289.7</b>
<b>Shareholders' equity (A)</b>	<b>737.1</b>	<b>774.5</b>	<b>-4.8%</b>	<b>785.3</b>
Group equity	716.9	746.0	-3.9%	763.6
Minority interest	20.2	28.6	-29.2%	21.6
Current financial liabilities	(182.7)	(135.6)	34.7%	(167.6)
Non current financial liabilities	(540.1)	(567.2)	-4.8%	(559.3)
Cash & Cash equivalents	191.4	217.2	-11.9%	222.4
<b>Net debt (B)</b>	<b>(531.4)</b>	<b>(485.6)</b>	<b>9.4%</b>	<b>(504.4)</b>
<b>Financial sources (A-B)</b>	<b>1,268.5</b>	<b>1,260.1</b>	<b>0.7%</b>	<b>1,289.7</b>
<b>Net debt (B)</b>	<b>(531.4)</b>	<b>(485.6)</b>	<b>9.4%</b>	<b>(504.4)</b>
Non Current Lease Liabilities	540.1	551.1	-2.0%	559.3
Current Lease Liabilities	114.7	113.2	1.3%	117.1
<b>Lease Liabilities</b>	<b>654.8</b>	<b>664.3</b>	<b>-1.4%</b>	<b>676.3</b>
<b>Net debt Adjusted</b>	<b>123.4</b>	<b>178.7</b>	<b>-31.0%</b>	<b>171.9</b>

➤ Net Working Capital up 11.0%, with Inventory up 2.3% (+5.4% at const. FX).

➤ Investments (CAPEX) at 5 million Euros, vs. 9 million Euros in 1Q 2019.

➤ Net Financial Position adj. (ex. IFRS16 impact) at 31 March 2020 positive for 123 million Euros, compared to 179 million Euros positive as of 31 March 2019. Including IFRS16 effect, the Net Financial Position at 31 March 2020 is negative for 531 million Euros.

# Group POS Number by Region @ 31.03.2020

	Act March '20	Act December '19	Net Openings in the period
<b>Europe</b>	<b>163</b>	<b>162</b>	<b>1</b>
<b>USA</b>	<b>97</b>	<b>99</b>	<b>-2</b>
<b>Latin America</b>	<b>61</b>	<b>62</b>	<b>-1</b>
<b>Asia Pacific</b>	<b>263</b>	<b>264</b>	<b>-1</b>
<b>Japan</b>	<b>68</b>	<b>67</b>	<b>1</b>
<b>Total POS n.</b>	<b>652</b>	<b>654</b>	<b>-2</b>
<i>DOS</i>	<i>391</i>	<i>393</i>	<i>-2</i>
<i>TPOS</i>	<i>261</i>	<i>261</i>	<i>0</i>

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**Q&A**

