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Group commercial and profit growth
consolidates in 2015

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PRESS RELEASE

BASICNET: preliminary results reviewed. Group commercial and profit growth consolidates in 2015.

Turin, February 10, 2016 – The Board of Directors of BasicNet S.p.A., at a meeting today chaired by Marco Boglione, reviewed the 2015 preliminary results, ahead of the definitive results which will be reviewed by the Board on March 18 next.

2015 Preliminary results^(*):

- *aggregate sales* of Group products (Kappa[®], Robe di Kappa[®], Superga[®], K-Way[®], Lanzerà[®], AnziBesson[®], Jesus[®] Jeans and Sabelt[®]) by the commercial and productive licensee network globally totals Euro 731 million, up 17.2% on 2014 (Euro 517 million by the commercial licensees and Euro 214 million by the productive licensees);
- increase in revenues across all regions: Americas (+22.8%), Middle East and Africa (+18.4%), Asia and Oceania (+16.9%) and Europe (+14.1%);
- major development of Superga[®] and K-Way[®] brand sales - respectively up 23.5% and 23%. Significant improvements for the Kappa[®] and Robe di Kappa[®] brands (+12.4%);
- *royalties and sourcing commissions* from aggregate sales of the commercial and productive licensees for the Parent Company and the brand owning companies of Euro 58.5 million, compared to Euro 51.9 million in 2014 (+12.7%) (+13% at consolidated level);
- *sales* of the BasicItalia Italian licensee company of Euro 133.5 million, up 11.2% on the previous year; contribution margin on sales of Euro 54.8 million, compared to Euro 52.6 million in 2014 (+4.13%), despite the significant impact from purchases in US Dollars;
- *EBITDA* of Euro 32 million, up 8.7% on Euro 29.5 million in 2014;
- *EBIT* of Euro 25.7 million (Euro 23 million in 2014), improving 11.5% on the previous year;
- consolidated pre-tax profit (*EBT*) of Euro 26.4 million (Euro 20.6 million in 2014), +27.8%, partly due to significant exchange gains (approx. Euro 3 million);
- *net debt* further reduces to Euro 45.4 million, with a debt/equity ratio of 0.49 (0.56 at December 31, 2014), although with dividends distributed of approx. Euro 4 million, treasury shares acquired of Euro 1.9 million and investments of approx. Euro 5 million;
- strong stock market performance: +114.6% in 2015.

COMMENT ON THE KEY PERFORMANCE INDICATORS

Commercial licensee aggregate sales of Euro 516.7 million increased 15.6% compared to Euro 446.8 million in the previous year. The ongoing and intense international development of the Brands has delivered significant results in all non-European markets, with growth exceeding 18%. The European market expanded 14%. The aggregate sales of the productive licensees, the “sourcing centers”, also grew - from Euro 176.4 million in 2014 to Euro 213.8 million in 2015.

In light of that outlined, sales and production revenues generated through the Group licensees globally totalled Euro 731 million, up 17.2% on the previous year.

Commercial development in the year enabled the Parent Company and the Brand owning companies to generate royalties and sourcing commissions of approx. Euro 58.5 million, compared to Euro 51.9 million in the previous year (+12.7%). Consolidated *royalties* and *sourcing commissions* totalled Euro 46.5 million, growth of 13% on Euro 41.2 million in the previous year.

Sales of the investee BasicItalia S.p.A and its subsidiary Basic Retail S.r.l amounted, at consolidated level, to Euro 133.5 million - up 11.2% on Euro 120 million in 2014. The contribution margin on sales of Euro 54.8 million compares to Euro 52.6 million in the previous year. The improved margin, which grew 4.13%, follows the operations taken to optimise the collections, ensure greater procurement competitiveness, the adjustment of certain product prices and - particularly - major commercial development. These factors absorbed charges arising from the strengthening of the US Dollar, the currency in which finished product purchases are principally denominated.

Sponsorship and media investment of Euro 19.3 million rose on the previous year following the agreement of new sponsorships, in particular with SSC Napoli, US Sassuolo and Leeds United FC in the second half of the year, confirming the major investment focused on Brand development.

Personnel, selling, general and administrative costs and royalties expenses increased less than proportionally than revenues, due to operating efficiencies generated.

On this basis, EBITDA exceeded Euro 32 million (+8.7% on 2014), with EBIT of Euro 25.7 million, compared to Euro 23 million in the previous year, up 11.5%

The consolidated pre-tax profit (EBT) of Euro 26.4 million improved 27.8% on 2014, also due to exchange gains (Euro 3 million in 2015) and the reduction in financial charges following the reduced debt and more competitive debt service costs (Euro 2.2 million in 2015 compared to Euro 2.9 million in 2014).

The consolidated net result - to be announced next March - will reflect Group taxes before application of the so-called “Patent box”, in relation to which a ruling was applied for at the Tax Agency last December to ensure application of these benefits from financial year 2015.

The exact value of the benefit of the tax break on certain income components, deriving from the use of Group intellectual property, will in fact only be reflected subsequent to the ruling by the Tax Agency, expected in the second part of the year.

Consolidated net debt, including medium-term loans and finance leases (Euro 17.3 million) and property loans (Euro 11.2 million), reduced to Euro 45.4 million from Euro 45.6 at December 31, 2014, with a debt/equity ratio of 0.49 (0.56 at December 31, 2014).

The duration of the medium-term loan undertaken with Banca Intesa San Paolo was optimised.

The Parent Company BasicNet reports a net cash position of Euro 45.2 million, increasing on Euro 40.8 million in 2014.

2015 COMMERCIAL OPERATIONAL OVERVIEW

The actions taken to develop the international presence of the Brands in 2015 included:

- for the Kappa® and Robe di Kappa® brands, present in 119 countries across the world, new agreements were signed for the territories of Chile, Paraguay and Hungary. Commercial operations also focused on renewing expiring contracts in the Middle East, South East Asia, Eastern Europe, Belgium, Brazil, Hong Kong and Russia;
- for the Superga® brand, present in 102 countries, new license contracts were signed for the territories of Panama, Columbia, Russia and Bulgaria and contracts for Israel and the main South East Asian markets were renewed;
- for the K-Way® brand a new licensing agreement was signed for Chile. The brand is available on 18 markets in total.

The development in many countries of the retail channel continued with new openings by licensees of K-Way® and Superga® mono-brand stores. At December 31, 2015, Group Brand stores in Italy numbered 233, with *plug@sell* sales up 9% (5% at like-for-like consolidation scope).

Following the new openings, Kappa® and Robe di Kappa® mono-brand stores and shop in shops of the licensees globally numbered 656 (of which 126 in Italy), while the Superga® brand had 172 sales points (of which 76 in Italy), with 34 K-Way® brand stores (23 in Italy).

Sponsorship and communication

Kappa® Brand

The Kappa® brand is historically associated with high profile sponsorships. The brand sponsors over 125 leading teams and federations, of which 76 football teams, in over 30 countries and on 5 continents.

New sponsorship agreements were signed in Italy with Benetton Treviso Rugby and, for football, with US Sassuolo Calcio and SSC Napoli. For this latter contract, in addition to the usual sponsorship and merchandising development, collaborations focusing on the development of the Napoli brand were established, leveraging on the extensive commercial partner Network developed under the Kappa® brand by the BasicNet Group throughout the World.

The English market licensee signed a new five-year sponsorship deal with the football team Leeds United, the licensee for the Belgium market reached a sponsorship agreement with Standard Liège Football Club and finally we report, in chronological order, the agreements of the Brazilian licensee with Santos FC, one of the best supported Brazilian teams, and of the Vietnamese licensee for the sponsorship of Dtlá and Becamex.

In the initial months of 2015, the sponsorship of the Korean Ski Association was agreed, which will further boost the visibility to the Brand in view of the next Winter Olympic Games, to be held in South Korea in 2018.

Superga® Brand

For Superga®, in addition to the many co-branding initiatives in place with well-known stylists and prestigious international clothing and footwear brands, we note the collaborations with Pinko, with AW LAB, with “Superga® x Rodarte”, with Max Mara for the creation of the “Superga® for Weekend Max Mara” collection, with the concept store 10 Corso Como for the “Superga® x Marta Ferri” and, finally, with the designer Chu Suwannapha for the creation of “Superga® x Chulaap” for the South African market.

For the English market, the model, actor and DJ Jack Guinness became the first male brand promoter and Abbey Lee is the new face for the brand's upcoming spring collection, following on from the female icons who have also been brand ambassadors, Alexa Chung, Rita Ora, Suki Waterhouse and Binx (Leona Walton). The model and actress Esom is the new South Korean market brand promoter.

K-Way® Brand

At the 85th International Motor Show of Geneva, the new Fiat Panda K-Way® was presented by FCA. The project is behind the launching of an innovative, colourful and functional product - the core features of the K-Way® brand DNA. The new Panda K-Way®, the 4x4 version of which has also been on the market since last December, presents a major distinguishing feature: it is the first car in the world featuring the VISIBAG® foldaway safety device: a high visibility K-Way® sleeveless jacket contained in a pouch located in the car's seats.

Further to the numerous initiatives developed for the creation of capsule collections, four co-brandings were added - with Petit Bateau, Swarovski, the renewed agreement with Hydrogen and with the designer Tiffany Cooper.

"Particularly satisfying results were delivered in 2015 despite a very challenging general marketplace - stated Chief Executive Officer Franco Spalla – and meet the commercial, economic and financial Group growth objectives. The Superga® and K-Way® brands continue to grow on all markets. Investments in new sponsorships for the Kappa® brand have strengthened the historic Group Brand, with sales up over 12% on the previous year."

(*) Preliminary unaudited data

In relation to the "alternative performance indicators", as defined by CESR/05-178b recommendation and Consob Communication DEM/6064293 of July 28, 2006, we provide below a definition of the indicators used in the present Directors' Report, as well as their reconciliation with the financial statement items:

- **Licensee aggregate sales:** sales by commercial licensees, recognised by the BasicNet Group to the "royalties" account of the income statement;
- **Sourcing center aggregate sales** sales by productive licensees, recognised by the BasicNet Group to the "sourcing commissions" account of the income statement;
- **EBITDA:** "operating result" before "amortisation and depreciation" and "write-downs and other provisions";
- **EBIT:** "operating result";
- **Contribution margin on direct sales:** "gross profit"
- **Net financial debt:** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.

The Executive Officer Responsible for the preparation of the corporate accounting documents Mr. Paolo Cafasso declares in accordance with Article 154-*bis*, paragraph 2, of the Consolidated Finance Act that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

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