

# Bit Market Services

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aggregate sales total Euro 556 million

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Vedi allegato.

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**PRESS RELEASE**

**BASICNET. 9M 2016 - Group Brand product aggregate sales total Euro 556 million.**

**Communication and sponsorship spend continues to be rolled out in support of the growth and international development of the Brands.**

**Turin, October 28, 2016.** The Board of Directors of BasicNet S.p.A., in a meeting today chaired by Marco Boglione, reviewed the Group 9M 2016 operating performance.

The current year features a highly uncertain international political climate and a complex general economic environment - impacted by major currency volatility against the US Dollar and persistently weak consumption.

Against this backdrop, the Group:

- streamlined its Italian customer base - even sacrificing sales volume - to achieve better Brands positioning;
- significantly stepped up communication and sponsorship spend both in Italy and overseas;
- extended and supplemented its technical-functional clothing range with the distribution of Briko® brand products following the signing of exclusive global licensing agreements and a brand purchase option in March.

9M 2016 Group Key Financial Highlights:

- *aggregate sales* of Group products by the Global licensee Network of Euro 556 million (Euro 570 million in 9M 2015), as follows:
  - commercial licensee sales of Euro 402.8 million (Euro 404.9 million in 9M 2015) (-0.52% at current exchange rates and -0.38% at like-for-like exchange rates), and,
  - productive licensee sales of Euro 153.2 million (Euro 165.1 million in 9M 2015) (-7.23% at current exchange rates and -7.06% at like-for-like exchange rates).In a number of countries, including Norway, Sweden, Turkey, Russia, Mexico, Argentina, South Korea and South Africa, the commercial result, expressed in local currency, was significantly impacted by conversion to the US Dollar - the Group currency for non-Euro transactions;
- royalties from aggregate sales of the commercial licensees of approx. Euro 26.7 million were substantially in line with 9M 2015, while destocking by a number of major productive licensees impacted sourcing commissions which totalled Euro 7.7 million in 9M 2016, compared to Euro 8.6 million in 9M 2015;
- growth on the American market continued (+28.2%), while the slowdown on the Asian markets and in some European countries impacted the revenues of the respective licensees;
- sales of the investee BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l. amounted to Euro 98.9 million, compared to Euro 102.5 million in 2015. The drop in sales is mainly due to the decision to position the brands as well as possible and select the target customer, thus sacrificing significant amounts of sales volume.;
- due to these factors, *consolidated revenues*, including royalties, sourcing commissions and sales of the Italian licensee BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l. in 9M 2016 amounted to Euro 133.2 million (Euro 137.9 million in 9M 2015).

## Commercial performance by Brand and Region

Kappa<sup>®</sup> and Robe di Kappa<sup>®</sup> brand revenues, which overall were in line with the previous year, saw major commercial growth (+31.5%) on the South American market as the new licensees in the region became fully operational and on the basis of strong commercial growth in Brazil with the sponsorship of the Santos F.C. football team, highlighting the return on the investment made. On the European market, the Brands were impacted by contracting consumer numbers and the consequent difficulties of some licensees. In Asia, the South Korean, Indian and Vietnamese markets performed well, although also in this case affected by the conversion into US Dollars of the respective currencies and the political uncertainty of a number of markets such as Thailand and Hong Kong, with this latter impacted by the drop in Chinese tourism. The Middle Eastern and African markets were affected by political instability and the depreciation against the US Dollar of a number of local currencies - in particular the South African Rand.

The Superga<sup>®</sup> brand was highly successful in the Americas, reporting overall growth of 28.7% as the recently concluded licenses in the territories of Argentina, Chile, Columbia and Panama became operational. In Europe, growth was seen in Germany and the Netherlands, while slowdowns were evident in Turkey and Greece due to political instability in the former case and economic difficulties in the latter. On the domestic market, brand distribution channels were restructured and the customer base streamlined, with the sacrificing of some revenues in favour of better brand positioning. The Asian market however slowed on the previous year, mainly as a result of the interruption to the license held by the Indian licensee due to disagreements on commercial methods and the slowdown on the Chinese and Hong Kong and South Korean markets, whose currencies depreciated against the Dollar.

The K-Way<sup>®</sup> brand reported overall commercial growth of 4.4%. The Asian market performance (+25%) was particularly strong, with the new license in Japan and stronger sales on the South Korean market generating excellent commercial development; the Americas also performed strongly (+16.6%).

## Q4 Outlook

A strong fourth quarter commercial performance is expected based on the order book and forecast royalties and sourcing commissions. This outlook however remains subject to exchange rate movements, in addition to consumer confidence levels, which on the main markets continue to remain weak.

## Other motions

The Board today also approved the updated Related Party Transactions Policy, delegating the Control and Risks Committee with the functions of the Related Party Transactions Committee. The policy is available on the company website [www.Basicnet.com](http://www.Basicnet.com) in the Corporate Governance section.

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:

- **Commercial licensee aggregate sales:** sales by commercial licensees, recognised by the BasicNet Group to the "royalties" account of the income statement;
- **Productive licensee aggregate sales:** sales by productive licensees, recognised by the BasicNet Group to the "sourcing commissions" account of the income statement;
- **Consolidated Revenues** the sum of royalties, sourcing commissions and sales of BasicItalia S.p.A. and its subsidiary BasicRetail

The Executive Officer for Financial Reporting 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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