

Salvatore Ferragamo

1H 2018 Results Update

Analyst Presentation

July 31, 2018 - 6.00 PM CET



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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.
- Chinese consumer confidence continues to increase and base is growing. Trends are positive both for tourists’ spending and local demand, also thanks to lower price differentials and improved costumers’ experience strategies. Younger generations and on-line shopping are boosting sales, with social media role becoming increasingly important in buying decisions.
- Casual and streetwear seen as a key lever to attract new costumers, with dedicated strategies and investments.
- Air passengers traffic grew 6.8% YoY in May 2018 YtD. Despite an expected slowdown in growth vs. last year, due mainly to higher airfares, 2018 is still expected to be another year of above-trend growth.
- Exchange rates fluctuations redirecting spending among regions, but not expected to impact global growth.

1H 2018 Financial Review



Salvatore Ferragamo FW 18 Advertising Campaign

1H 2018 Revenue By Distribution Channel

(Euro MM)	June			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2018	2017	Δ %			
Retail	426,2	449,7	-5,2%	-2,2%	63,3%	62,6%
Wholesale	236,9	256,3	-7,6%	-5,3%	35,2%	35,7%
Licences & Other Rev.	4,7	5,3	-12,0%	-12,0%	0,7%	0,7%
Rental income	6,0	6,6	-10,2%	0,3%	0,9%	0,9%
Total	673,7	717,9	-6,2%	-3,4%	100,0%	100,0%

- Total Revenues at 674 million Euros, down 6.2% (-3.4% at constant FX) vs. 1H'17.
- RTL down 5.2% (-2.2% at constant FX) vs. 1H'17, with like-for-like performance of -2.0%, affected by lower end-of-season sales.
- WHL down 7.6% vs. 1H'17 (-5.3% at constant FX).
- Group's store network at 677 points of sale, of which 407 DOS and 270 TPOS.

1H 2018 Revenue By Region

(Euro MM)	June			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016
	2018	2017	Δ %			
Europe	172,4	184,4	-6,5%	-6,3%	25,6%	25,7%
North America	152,3	163,8	-7,1%	-1,4%	22,6%	22,8%
Japan	58,9	61,4	-4,2%	-4,8%	8,7%	8,6%
Asia Pacific	256,4	271,3	-5,5%	-2,7%	38,1%	37,8%
Latin America	33,8	37,0	-8,6%	0,5%	5,0%	5,1%
Total	673,7	717,9	-6,2%	-3,4%	100,0%	100,0%

- APAC down 2.7% at constant FX in 1H'18. Mainland China RTL showing a slightly negative trend (-1.0%) at const FX vs. a hard comp base (+15.5% at const FX in 1H'17), while Hong Kong continuing the strong performance (+32.0% at const FX in 1H'18). South Korea still showing a weak trend.
- Europe down 6.3% at const FX vs. 1H'17.
- North America down 1.4% at const FX in 1H'18, with RTL channel showing a growth and WHL still penalized by the performance of the Department Stores.
- Japan down 4.8% at const FX vs. 1H'17, due to the strategic WHL channel rationalization.
- Latam up 0.5% at const FX in 1H'18.

1H 2018 Revenue By Product

(Euro MM)	June			Δ % Const FX	Weight on Tot 2017	Weight on Tot 2016	
	2018	2017	Δ %				
Shoes	285,6	312,7	-8,6%	-5,5%	42,4%	43,6%	➤ Shoes down 5.5% at const FX vs. 1H'17.
Leather goods & handbags	262,8	265,3	-0,9%	1,6%	39,0%	36,9%	➤ Leather Goods & Handbags up 1.6% at const FX vs. 1H'17.
RTW	37,5	41,7	-9,9%	-7,9%	5,6%	5,8%	
Silk & other access.	38,4	42,8	-10,4%	-7,9%	5,7%	6,0%	
Fragrances	38,7	43,6	-11,1%	-8,9%	5,8%	6,1%	➤ Fragrances down 8.9% at const FX vs. 1H'17.
Licences & Other Rev.	4,7	5,3	-12,0%	-12,0%	0,7%	0,7%	
Rental income	6,0	6,6	-10,2%	0,3%	0,9%	0,9%	
Total	673,7	717,9	-6,2%	-3,4%	100,0%	100,0%	

1H 2018 P&L

(Euro MM)	June YTD				
	2018	%	2017	%	Δ %
Total revenue	673,7	100,0%	717,9	100,0%	-6,2%
Cost of goods sold	(241,7)	-35,9%	(249,7)	-34,8%	-3,2%
Gross profit	432,0	64,1%	468,2	65,2%	-7,7%
Total operating costs	(346,5)	-51,4%	(363,4)	-50,6%	-4,6%
EBIT	85,5	12,7%	104,8	14,6%	-18,5%
Financial income (expenses)	(5,9)	-0,9%	(6,8)	-1,0%	-14,2%
EBT	79,6	11,8%	98,0	13,6%	-18,8%
Taxes	(21,0)	-3,1%	(21,7)	-3,0%	-3,5%
Net income	58,6	8,7%	76,2	10,6%	-23,1%
Group net income	57,5	8,5%	78,4	10,9%	-26,7%
Income to minorities	1,2	0,2%	(2,2)	-0,3%	-152,8%
EBITDA	116,6	17,3%	136,3	19,0%	-14,5%

- Gross Profit down 7.7% to 432 million Euros, with incidence on Revenues -110 bps to 64.1%, mainly due to the negative FX impact.
- Operating Costs down 4.6% (flat at constant FX), mainly due to the strengthening of the organization. Marketing & Communication expenses new phasing, as a consequence of the managerial changes.
- EBITDA down 14.5% to 117 million Euros, with incidence on Revenues -170 bps to 17.3%.
- Tax rate increase due to the lower deferred tax assets charge in the US (following the change in the tax rate) and extra 1.3 million Euros for a tax settlement in Korea .
- Net Profit at 59 million Euros, down 23.1% vs. the 76 million Euros reported in 1H'17.

1H 2018 Balance Sheet

(Euro MM)	Jun 18 YTD	Jun 17 YTD	%
Tangible assets	260,219	240,497	8,2%
Intangible assets	42,176	36,657	15,1%
Financial assets	–	–	
Fixed assets	302,394	277,154	9,1%
Inventory	373,777	349,915	6,8%
Trade receivables	147,481	163,765	-9,9%
Trade payables	(203,442)	(182,524)	11,5%
Operating working capital	317,817	331,156	-4,0%
Other assets (liabilities)	52,002	101,674	-48,9%
Net Asset Disposal for Sales	–	–	-
Severance indemnity	(11,678)	(11,679)	0,0%
Risk funds	(12,556)	(14,433)	-13,0%
Net invested capital	647,979	683,872	-5,2%
Shareholders' equity (A)	749,430	708,998	5,7%
Group equity	723,522	681,879	6,1%
Minority interest	25,908	27,119	-4,5%
Current financial liabilities	(42,329)	(98,754)	-57,1%
Non current financial liabilities	(15,527)	0,000	mn
Cash & equivalents	159,307	123,880	28,6%
Net debt (B)	101,451	25,125	303,8%
Financial sources (A-B)	647,979	683,872	-5,2%

- Net Working Capital down 4.0%.
- Investments (CAPEX) at 32 million Euros vs. 29 million Euros at 30 June 2017, mainly for to the Distribution Center, the store network and the IT projects.
- Net Financial Position at 30 June 2018 positive at 101 million Euros (vs. 25 million Euros at 30 June 2017).

1H 2018 Cash Flow

(In thousands of Euro)	Half-year period ended 30 June	
	2018	2017
Net profit / (loss) for the period	58,613	76,233
Depreciation, amortization and write down of property, plant and equipment, intangible assets and investment properties	31,125	31,508
Net change in deferred taxes	1,272	(1,448)
Net change in provision for employee benefit plans	45	(115)
Loss/(gain) on disposal of tangible and intangible assets	93	338
Other non cash items	857	1,277
Net change in net working capital	(27,166)	8,649
Net change in other assets and liabilities	10,943	12,620
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	75,782	129,062
Purchase of tangible assets	(27,945)	(19,846)
Purchase of intangible assets	(5,806)	(4,820)
Net change in available-for-sale financial assets	-	5
Proceeds from the sale of tangible and intangible assets	77	27
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(33,674)	(24,634)
Net change in financial payables	(28,486)	(22,153)
Payment of dividends	(66,881)	(77,643)
Purchase of minority interests in companies consolidated on a line-by line basis	-	(804)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(95,367)	(100,600)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,259)	3,828
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	212,088	117,249
Net increase / (decrease) in cash and cash equivalents	(53,259)	3,828
Net effect of translation of foreign currencies	59	2,288
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	158,888	123,365

➤ Operating Cash Flow generation of 76 million Euros (vs. 129 million Euros at 30 June 2017).

Group POS Number by Region @ 30.06.2018

	Act June '18	Act Dec '17	Net Openings in the period	Act June '17
Europe	176	173	3	171
USA	100	106	-6	106
Latin America	64	64	0	63
Asia Pacific	100	105	-5	104
Greater China	103	99	4	93
Japan	71	74	-3	78
Korea	63	64	-1	64
Total POS n.	677	685	-8	679
<i>of which DOS</i>	<i>407</i>	<i>410</i>	<i>-3</i>	<i>401</i>
<i>of which TPOS</i>	<i>270</i>	<i>275</i>	<i>-5</i>	<i>278</i>

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Q&A



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