



SPAFID CONNECT

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Testo del comunicato

Vedi allegato.

PRESS RELEASE - 9M 2019 SALES

9M 2019 SALES AT EURO 643.4 MILLION (-4.3% AT CURRENT FOREX, -4.9% AT CONSTANT FOREX), MAINLY AFFECTED BY THE RATIONALISATION OF THE STORE NETWORK IN THE INDIRECT CHANNEL (WHOLESALE AND FRANCHISING).

SALES PERFORMANCE IN DIRECTLY-OPERATED STORES (DOS) IS SLIGHTLY POSITIVE THANKS TO A MODEST INCREASE IN THE NUMBER OF STORES AND A POSITIVE PERFORMANCE OF THE 2019 AUTUMN-WINTER COLLECTION. HOWEVER, THIS PERFORMANCE HAS NOT YET MANAGED TO RECOVER THE WEAK RESULTS FOR THE 2019 SPRING-SUMMER COLLECTION.

STRONG GROWTH CONTINUES TO BE RECORDED FOR DIRECT E-COMMERCE SALES (+30.4%) AND ENCOURAGING SIGNS FROM APPAREL, WHICH HAS RECORDED DOUBLE-DIGIT GROWTH IN OUR DIRECTLY-OPERATED STORES.

Biadene di Montebelluna, 14 November 2019 – Geox S.p.A., a leading brand in classic and casual footwear, listed on the Milan Stock Exchange (GEO.MI), today approved its consolidated sales figures for the first nine months of 2019.

Matteo Mascazzini, Chief Executive Officer of Geox, commented: “After completing an in-depth organisational review at the end of 2018, which also involved new important managers being hired, the first nine months of 2019 saw Geox Group continue to implement the projects provided for by the 2019-2021 Strategic Business Plan.

In a particularly complex context, in terms of both dynamics in certain countries (protests in Hong Kong and in a number of important European markets, uncertainty in the UK market linked to Brexit) and global phenomena (changes in consumers’ buying behaviour, with the digital channel playing an increasingly significant role), Geox has continued with measures to preserve and strengthen its solid financial position and the brand's image, as well as improving the entire business model in order to make it increasingly reactive, customer-centric and omnichannel.

These measures have substantially defined the trend of the first nine months of the year, which has closed with a -4.3% reduction, mainly due to the decrease in sales in the wholesale and franchising channels. These channels have been affected by the planned rationalisation and optimisation process, in line with a more selective approach towards customers/markets presenting financial difficulties or other strategic limitations.

With regard to the direct channel, total sales are slightly up compared with the first nine months of 2018, thanks to the positive effect of the increased number of stores, which has more than offset the reduction in like-for-like sales. In relation to the latter, a strong divergence was confirmed between the performance of the physical channel and that of the digital channel (+30.4%). In addition to highlighting a now consolidated, profound change in consumers’ behaviour, these results, on the one hand, support the strategic importance of the project to insource the e-commerce channel,

completed over the last year in Europe and North America, and, on the other hand, they underline the need to continue, with even greater determination, to implement the new strategies in terms of buying, assortment and in-store visuals, in order to improve footfall and productivity. As provided for by the Strategic Business Plan, these last points represent the areas where the Group's efforts and investments will mainly be focused over the coming quarters.

Despite highlighting how the expected results of implementing the Strategic Business Plan's action points are experiencing some delay, linked to particularly complex circumstances in its main markets, the Group confirms again its determination to pursue the important projects planned thanks also to its solid financial position. Over the coming months, possible additional measures will be analysed that may be able to provide even greater support to achieving the Group's objectives."

GROUP PERFORMANCE

Sales

Consolidated sales in the first nine months of 2019 amounted to Euro 643.4 million, -4.3% compared with the previous year (-4.9% at constant forex).

Sales by distribution channel

(Thousands of Euro)	9 Months 2019	%	9 Months 2018	%	Var. %
Wholesale	315,756	49.1%	332,223	49.4%	(5.0%)
Franchising	67,587	10.5%	80,689	12.0%	(16.2%)
DOS*	260,073	40.4%	259,450	38.6%	0.2%
Geox Shops	327,660	50.9%	340,139	50.6%	(3.7%)
Net sales	643,416	100.0%	672,362	100.0%	(4.3%)

* Directly Operated Store

Sales generated by wholesale stores, representing 49.1% of Group revenues (49.4% in the first nine months of 2018), amounted to Euro 315.8 million (-5.0% at current forex, -5.6% at constant forex). This trend was mainly affected by the reduction in the number of stores caused by a decline in the number of smaller, independent players (more affected by the increasingly important role played by the digital channel) and a growing process of consolidation among larger players. The positive performance of stock replenishment during the season, as well as higher sales of goods from previous seasons (linked to the increase in inventories at the end of 2018), nonetheless allowed for an improving performance compared with the indications given by initial order collection.

Sales generated by directly-operated stores (DOS), representing 40.4% of Group revenues, reported a slight increase to Euro 260.1 million (+0.2% at current forex, -0.5% at constant forex), as a result of a slightly negative performance of like-for-like sales (-3.0%) which was more than offset by a positive network effect. The like-for-like sales trend was

affected by performance in the months of April and May, characterised by particularly unusual weather conditions in the main markets, and by soft performance recorded by the summer sales. Sales for the 2019 autumn-winter collection are improving and, as of today, are positive.

Lastly, the growth of the direct e-commerce channel continued (+30.4% compared with the first nine months of 2018).

Sales generated by the franchising channel, which account for 10.5% of Group revenues, amounted to Euro 67.6 million, down by -16.2% (-16.0% at constant forex). Performance of the franchising channel was particularly affected by the reduction in the number of stores (approximately -10%) and by negative like-for-like sales performance.

Sales by region

(Thousands of Euro)	9 Months 2019	%	9 Months 2018	%	Var. %
Italy	184,024	28.6%	198,767	29.6%	(7.4%)
Europe (*)	276,450	43.0%	290,575	43.2%	(4.9%)
North America	34,164	5.3%	37,435	5.6%	(8.7%)
Other countries	148,778	23.1%	145,585	21.7%	2.2%
Net sales	643,416	100.0%	672,362	100.0%	(4.3%)

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

Sales generated in Italy, representing 28.6% of Group revenues (29.6% in the first nine months of 2018), amounted to Euro 184.0 million, compared with Euro 198.8 million in the first nine months of 2018 (-7.4%). This trend is mainly due to the performance in the wholesale and franchising channels, which were affected by the rationalisation and distribution optimisation process described previously. Like-for-like sales in directly-operated stores were slightly down, but substantially in line with the Group figure. With regard to the network, there were 15 net closures during the first nine months of the year.

Sales generated in Europe, representing 43.0% of Group revenues (43.2% in the first nine months of 2018), amounted to Euro 276.5 million, compared with Euro 290.6 million in the first nine months of 2018, recording a -4.9% decline. As was the case in Italy, this performance was mainly due to the effects of the rationalisation process on the wholesale and franchising channel. The like-for-like sales trend for directly-operated stores was substantially stable, supported by the positive performance of the e-commerce channel (+38%). The total store network was reduced by 17 stores during the first nine months of the year.

North America recorded a turnover equal to Euro 34.2 million, reporting a decrease of -8.7% (-12.3% at constant forex) mainly due to the negative performance of the wholesale channel, which has been subject of a careful review and selection process for partners, with a focus on players more in line with the Group's planned strategy to improve brand perception. Like-for-like sales performance for directly-operated stores was negative and below Group's average performance. The number of stores in the network was reduced by one compared with the end of last year. In June 2019, the direct e-commerce channel was successfully insourced. The e-commerce channel also recorded very sustained growth in North America (+35% compared with September 2018).

A +2.2% increase in sales was recorded in the Rest of the World compared with the first nine months of 2018 (+0.8% at constant forex), with double-digit growth in sales for directly-operated stores and the wholesale channel in Eastern Europe. With regard to the Asia Pacific region, a reduction was recorded both in the wholesale channel and in sales

generated by directly-operated stores (mid-single digit), also as a result of the protests in Hong Kong and the reorganisation of the direct e-commerce channel in China.

Sales by product category

(Thousands of Euro)	9 Months 2019		9 Months 2018		Var. %
		%		%	
Footwear	580,517	90.2%	607,855	90.4%	(4.5%)
Apparel	62,899	9.8%	64,507	9.6%	(2.5%)
Net sales	643,416	100.0%	672,362	100.0%	(4.3%)

Footwear sales represented 90.2% of consolidated sales, amounting to Euro 580.5 million, down 4.5% (-5.1% at constant forex) compared with the first nine months of 2018. Apparel sales represented 9.8% of consolidated sales, amounting to Euro 62.9 million compared with Euro 64.5 million in the first nine months of 2018 (-2.5% at current forex, -2.8% at constant forex). Apparel in directly-operated stores performed particularly well (+15.1%).

Mono-brand store network - Geox shops

As of 30th September 2019, there was a total of 975 “Geox Shops”, of which 449 DOS. During the first nine months of 2019, 51 new Geox Shops were opened and 91 were closed, in line with the store network optimisation planned in more mature markets and the expansion in countries where the Group’s presence is still limited but developing well.

	09-30-2019		12-31-2018		9 Months 2019		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	271	148	286	143	(15)	1	(16)
Europe (*)	268	157	285	154	(17)	7	(24)
North America	36	36	37	37	(1)	-	(1)
Other countries (**)	400	108	407	110	(7)	43	(50)
Total	975	449	1.015	444	(40)	51	(91)

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

(**) Includes Under License Agreement Shops (135 as of September 30, 2019, 138 as of December 31, 2018). Sales from these shops are not included in the franchising channel.

BUSINESS OUTLOOK AND SIGNIFICANT SUBSEQUENT EVENTS

With regard to full-year performance, indications previously disclosed are confirmed; below the main factors to be taken into consideration:

1. Sales in the wholesale channel, as stated in the guidelines provided along with the approval of the six-monthly results, are expected to show a low to mid single digit decline compared with 2018, based on the assumption that the percentage of reorders will be similar to the one previously disclosed and the level of deliveries for the new collection (SS20) will be in line with the previous year (SS19).
2. Sales generated by the franchising channel are expected to close the year with a decrease in percentage substantially in line with the performance recorded during the first nine months; performance for the year shall nonetheless be defined by like-for-like sales in the last part of the year. In fact, the network effect is expected to be around -10% also for full-year 2019.
3. Sales generated by directly-operated stores (DOS) are expected to be slightly positive compared with 2018. This annual trend will also be defined by like-for-like sales performance in the last weeks of the year; a slight increase in the number of stores has been confirmed (low to mid-single digit) compared with the previous year.
4. The direct e-commerce channel is expected to continue to grow at a strong pace and will also benefit from a number of advanced CRM tools that have been launched.
5. The ongoing restyling plan will continue, aimed at improving performance, with the introduction of new window displays, new buying strategies, new assortment strategies and new policies for in-store visuals.
6. IT projects and investments will also continue, in line with the strategic business plan, in order to support the business and guarantee a truly omnichannel operating model.

Based on the estimates and forecasts described above, management therefore expects an overall decrease in sales (*low to mid-single digit*). As this forecast of a slight reduction in sales is linked to the general performance of key retail dynamics (footfall, propensity to make purchases, etc.), it is nonetheless subject to possible deviations caused by external factors.

Furthermore, the actual percentage of promotional sales in the last part of the year will also define the gross margin for the year, which is today expected, in percentage terms, to be in line with the 2018 figure.

With regard to costs for the year, a slight increase must be taken into account, linked to the higher number of directly-operated stores (dos) and the relative management costs for logistics. As a result of implementing the strategic measures provided for by the business plan, a slight increase is also expected in both advertising costs and amortisation.

It is clear that the combination of these dynamics, especially the sales reduction, will have a negative effect on profitability, with an Ebit margin that is expected slightly negative.

This business performance, confirming 2019 to be a year of transition and implementation, on the one hand makes the group even more convinced that the current strategic guidelines of the Business Plan must be pursued with even greater determination and, on the other, leads us to expect a delay in results compared with the predefined objectives and so, upon approval of the 2019 financial statements, management will provide details of the actions already taken and to be taken in order to achieve a return to growth, profitability and cash flow generation.

DECLARATION BY THE MANAGER RESPONSIBLE FOR THE PREPARATION OF COMPANY ACCOUNTING DOCUMENTS

The manager responsible for the preparation of the company's financial documents, Mr. Livio Libralesso, hereby declares, in accordance with paragraph 2, article 154 bis of the "Testo Unico della Finanza" (*Italian Consolidated Law on Finance*), that, based on his knowledge, the accounting information contained in this document corresponds to the results documented in the books, accounting and other records of the company.

FOR MORE INFORMATION

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GEOX GROUP

Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability.

Geox is one of the leading brands in the "International Lifestyle Casual Footwear Market". Geox technology is protected by 38 different patents and by 24 more recent patent applications.

DISCLAIMER

This document includes forward-looking statements, relative to future events and income and financial operating results of Geox Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

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