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Diffusione presunta

Oggetto : press release: 1) FY19 Preliminary Results
2) Livio Libralesso appointed as new CEO
3) Examined a plan for further distribution
store rationalization

Testo del comunicato

Vedi allegato.

PRESS RELEASE –PRICE SENSITIVE

THE BOARD OF DIRECTORS OF GEOX S.P.A. HAS

1. EXAMINED THE GROUP'S PRELIMINARY SALES¹ FIGURES AND NET FINANCIAL POSITION AT DECEMBER 31ST, 2019

- **SALES AT EURO 805.9 MILLION (-2.6% AT CURRENT FOREX, -3.3% AT CONSTANT FOREX), AFFECTED BY THE RATIONALISATION OF THE STORE NETWORK IN THE WHOLESALE AND FRANCHISING CHANNEL. THE FOURTH QUARTER OF THE YEAR NONETHELESS RECORDED A POSITIVE PERFORMANCE (SALES +4.9% VS. Q4 2018).**
- **DOUBLE-DIGIT GROWTH CONTINUES IN THE E-COMMERCE CHANNEL (+29%), AS DOES GOOD PERFORMANCE IN RUSSIA AND EASTERN EUROPE AND ENCOURAGING SIGNS FROM THE APPAREL SEGMENT IN OUR STORES (+11%).**
- **THE NET FINANCIAL POSITION² (ANTE IFRS 16) IS SOLID, AMOUNTING TO +6.5 MILLION EURO (+2.3 MILLION EURO AT THE END OF 2018), FOLLOWING INVESTMENTS FOR OVER EURO 33 MILLION, THE PURCHASE OF TREASURY SHARES FOR EURO 5 MILLION AND DIVIDENDS PAID FOR EURO 6.5 MILLION**

2. APPROVED THE TERMINATION OF MATTEO CARLO MARIA MASCAZZINI'S RELATIONSHIP AS AN EMPLOYEE AND DIRECTOR

3. APPOINTED LIVIO LIBRALESSO AS NEW CHIEF EXECUTIVE OFFICER OF GEOX S.P.A.

4. EXAMINED A PLAN FOR FURTHER DISTRIBUTION RATIONALIZATION OF STORE FOOTPRINT, INVOLVING SUBSEQUENT RESTRUCTURING COSTS, FOCUSED ON SPEEDING UP A RETURN TO PROFITABILITY

¹ The figures presented in this press release have not been audited.

² The effects of implementing the new IFRS 16 accounting standard, which came into force on January 1st, 2019, have been excluded from all of the figures in this press release, so that they may be compared with the previous year. Details of these effects will be provided in specific comparison tables upon approval of the 2019 financial statements, scheduled for March 5th, 2020.

The net financial position before the fair value of derivatives was equal to +5.3 million Euro at the end of 2019 (-6.8 million Euro at the end of 2018).

Biadene di Montebelluna, January 16th, 2020 – Geox S.p.A., a leading brand in classic and casual footwear, listed on the Milan Stock Exchange (GEO.MI), today examined its preliminary sales figures and net financial position at December 31st, 2019.

Mario Moretti Polegato, Chairman and founder of Geox, commented: “2019 was characterised by a particularly complex context. The entire sector is witnessing a significant restructuring process, mainly due to the profound change in consumers’ buying behaviour, with digital solutions becoming increasingly popular. These factors are leading to a substantial reduction in footfall in physical stores, especially those in less desirable and not very strategic locations or in countries characterised by socio-political tensions. In this scenario, Geox has recorded only a slight decrease in sales compared with 2018, thanks to the fact that the rationalisation of the wholesale and franchising channel, aimed at reducing business risk, has been partly compensated for by the substantial growth of the e-commerce channel and by performance in a number of markets, such as Russia and Eastern Europe. The Group is very solid and has improved its net financial position, reaching Euro 6 million of cash, after making investments for Euro 33 million and launching a programme to purchase treasury shares, worth approximately Euro 5 million. These factors have led us to speed up our review of the direct sales network, in order to guarantee a rapid improvement in the Group's profitability profile, focus on projects to quickly adapt the business model and free up the necessary resources for investments.

The Board of Directors also approved today an agreement for the termination of Matteo Carlo Maria Mascazzini’s relationship as an employee and Director. On behalf of the entire Board, I would thank Matteo Mascazzini for his commitment and valuable contribution to the Company in the definition of the new strategy and make my best wishes for his future.

The Board has also appointed Livio Libralesso as new Chief Executive Officer of the Group.

This appointment was the best choice to guarantee to the Company, and all of its stakeholders, that the objective to make Geox a global and profitable player in the world of footwear and apparel will continue to be pursued.

The Moretti Polegato family agrees with this choice and has complete confidence in Livio, a manager who has been working with the Group for the last twenty years and who knows the company perfectly. As well as being a manager with extensive experience in the field of administration and finance, Livio has also shared all of the group’s choices and experiences with regard to the new omnichannel business model.”

Livio Libralesso commented “ First of all, I would thank the Chairman and the whole Board for the trust that you have placed in me. Geox is preparing to face the new challenges posed by the profound changes in consumers’ buying behaviour, with customers now looking for comfort, value-for-money, transparency, value and at the same time as paying increasing attention to the sustainability of not only the products but also the brand.

We’ve witnessed a shift from the initial, almost sceptical attempts at online shopping to what can be described as real technological disruption, with a confident use of tablets and mobile phones and now even in-store apps, representing an incredibly fast-paced escalation towards greater simplicity, a multichannel approach and perfect integration between physical and digital stores, with the challenge now being to also perfectly integrate warehouses across the various channels. The Group has therefore already made, and is yet to complete, important investments in digital infrastructure, omnichannel logistics, business intelligence, consumer insights, retail excellence and, above all, training and expanding its in-house team in order to enhance its skill base. In this new business context, it is even more crucial to ensure maximum coherence between marketing, communication, brand, product and distribution strategies, in order to allow Geox to achieve significant growth going forward, basing itself on a modern and consumer-oriented business model that is focused on customer centrality.”

GROUP PERFORMANCE

Initial sales figures for 2019

Consolidated sales in 2019 amounted to Euro 805.9 million, -2.6% compared with the previous year (-3.3% at constant forex).

Sales by distribution channel

(Thousands of euro)	2019	%	2018	%	Var. %
Wholesale	360,448	44.7%	369,914	44.7%	(2.6%)
Franchising	84,302	10.5%	98,342	11.9%	(14.3%)
DOS*	361,108	44.8%	358,964	43.4%	0.6%
Geox Shops	445,410	55.3%	457,306	55.3%	(2.6%)
Net Sales	805,858	100.0%	827,220	100.0%	(2.6%)

* Directly Operated Store

Sales generated by wholesale stores, representing 44.7% of Group revenues (44.7% in 2018), amounted to Euro 360.4 million (-2.6% at current forex, -3.4% at constant forex). This trend was mainly due to the combination of the following factors: (i) the reduction in small, independent players who are more affected by the increase in the digital channel; (ii) the fact that certain chains, both in Italy and in various European markets, are continuing to face significant financial difficulties, often leading them to merge, with a resulting rationalisation in terms of the total number of stores; (iii) the re-emergence of geopolitical and social tensions which have, in fact, led to consistent reductions in orders from markets such as Hong Kong, Lebanon, Chile, Tunisia and the Middle East; (iv) the agreed and physiological reduction in orders from the Chinese distributor in view of the relative contract expiring at the end of 2020. In this context, positive factors such as the performance of stock replenishment during the season, higher sales of goods from previous seasons (linked to the increase in inventories at the end of 2018) and the strong growth in sales to e-commerce players, nonetheless allowed for improved performance compared with the indications given by initial order collection, albeit not to a great enough extent to able to compensate for the gap with the previous year.

Sales in the franchising channel, which account for 10.5% of Group revenues, amounted to Euro 84.3 million, reporting a decline of 14.3% (-14.3% at constant forex). Performance in the franchising channel was affected by negative like-for-like sales performance, slightly greater than that of directly operated stores, and by the reduction in the network in Italy, France and Spain (by approximately -10% overall). This spontaneous network rationalisation, brought about by financial difficulties, was caused by the general reduction in footfall recorded by the sector and, above all, by the positioning of stores in smaller towns or secondary shopping centres which have been more affected by the growth in e-commerce sales and the changes to consumers' buying behaviour. In this context, Geox decided to only convert a number of specific and selected stores into directly operated stores, with the latter showing satisfactory levels of profitability in terms of their overall margin.

Sales generated by directly-operated stores (DOS), representing 44.8% of Group sales, recorded a slight increase at Euro 361.1 million (+0.6% at current forex, -0.2% at constant forex), due to slightly negative like-for-like sales performance (-2.4%) being more than compensated for 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 weak performance recorded by the summer sales. Sales in the last quarter relating to the 2019 Autumn-Winter collection, on the other hand, were up compared with the previous year.

Lastly, the direct e-commerce channel continued to grow considerably (+29% compared with 2018).

Sales by region

(Thousands of Euro)	2019		2018		Var. %
Italy	228,453	28.3%	239,824	29.0%	(4.7%)
Europe (*)	344,258	42.7%	354,707	42.9%	(2.9%)
North America	46,189	5.7%	50,508	6.1%	(8.6%)
Other Countries	186,958	23.2%	182,181	22.0%	2.6%
Net Sales	805,858	100.0%	827,220	100.0%	(2.6%)

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

Sales generated in Italy, representing 28.3% of Group revenues (29.0% in 2018), amounted to Euro 228.5 million, compared with Euro 239.8 million in 2018 (-4.7%). This trend is mainly due to the performance in the wholesale and franchising channels, which were affected by the rationalisation and distribution optimisation process, as described previously. Like-for-like sales in directly operated stores were down slightly, but substantially in line with the Group figure. With regard to the network, there were 14 net closures in 2019.

Sales generated in Europe, representing 42.7% of Group revenues (42.9% in 2018), amounted to Euro 344.3 million, compared to Euro 354.7 million in 2018, recording a decrease of 2.9%, mainly due to the effects of the rationalisation of the wholesale and franchising channel, as was the case in Italy. The like-for-like sales trend for directly operated stores remained substantially stable, supported by the positive performance of the e-commerce channel (+35%). The total store network was reduced by 15 stores during the year.

North America recorded a turnover equal to Euro 46.2 million, reporting a decrease of 8.6% (-11.9% 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 recorded a decrease that was greater than the Group's average performance. The number of stores in the network remained unchanged compared with the end of 2018.

In June 2019, the direct e-commerce channel was successfully insourced. The e-commerce channel also recorded very sustained growth in North America (+34% compared with 2018).

A +2.6% increase in sales was recorded in the Rest of the World compared with 2018 (+0.6% 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, the reduction of the wholesale channel is mainly linked to the reduction in orders from a number of distributors who need to get rid of temporary excess inventory, and the agreed slowdown in purchases made by the Chinese distributor, in view of the relative contract expiring towards the end of 2020. Directly operated

stores recorded a negative performance, also being affected by the protests in Hong Kong and by the reorganisation of the direct e-commerce channel in China.

Sales by product category

(Thousands of euro)	2019	%	2018	%	Var. %
Footwear	720,804	89.4%	744,044	89.9%	(3.1%)
Apparel	85,054	10.6%	83,176	10.1%	2.3%
Net Sales	805,858	100.0%	827,220	100.0%	(2.6%)

Footwear sales represented 89.4% of consolidated sales, amounting to Euro 720.8 million, down 3.1% (-3.8% at constant forex) compared with 2018. Apparel sales represented 10.6% of consolidated sales, amounting to Euro 85.1 million compared with Euro 83.2 million in 2018 (+2.3% at current forex, +1.8% at constant forex). Apparel in directly-operated stores performed particularly well (+11%).

Mono-brand store network – Geox shops

As of 31st December 2019, there was a total of 974 “Geox Shops”, of which 449 DOS. During 2019, 68 new Geox Shops were opened and 109 were closed, in line with the store network optimization planned in more mature markets and the expansion in countries where the Group’s presence is still limited but developing well.

	12-31-2019		12-31-2018		2019		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Openings Net	Openings	Closures
Italy	272	148	286	143	(14)	2	(16)
Europe (*)	270	159	285	154	(15)	12	(27)
North America	37	37	37	37	-	1	(1)
Other Countries (**)	395	110	407	110	(12)	53	(65)
Total	974	449	1,015	444	(41)	68	(109)

(*) Europe includes: Austria, Benelux, France, Germany, Great Britain, Iberian Peninsula, Scandinavia, Switzerland.

(**) Includes existing stores in countries operating through licence agreement (equal to 134 stores at December 31st, 2019 and 138 stores at December 31st, 2018). Sales generated by the franchising channel do not include the stores in these countries.

AGREEMENT FOR THE TERMINATION OF MATTEO CARLO MARIA MASCAZZINI'S RELATIONSHIP AS AN EMPLOYEE AND DIRECTOR

The Geox S.p.A. Board of Directors announces that the Company and Matteo Carlo Maria Mascazzini have reached an agreement to terminate Mr Mascazzini's relationship as an employee and Director effective from today. The agreement includes the payment of an amount of 1,000,000.00 euros gross with respect to the termination of the administration relationship and of the employment contract and in consideration of Matteo Carlo Maria Mascazzini waiving, towards Geox S.p.A. and every other entity included in the Group, any claim or right in any case connected or related to the employment and administration relationships and their resolution.

The above is in line with the Group remuneration policy.

An employees and collaborators non-solicitation agreement has been signed covering a period of 12 months as of today, while a non-competition agreement has not been taken into consideration.

The arrangement has been examined and then approved by the Remuneration and Appointments Committee, prior to by the Group's Board of Directors.

Mr Mascazzini will also receive the following payments:

- a total gross amount of Euro 67,759,86 to be paid on 10th February 2020, relating to the monthly salary for January 2020 for his role as strategic director and Chief Executive Officer. This amount also includes the payments and earnings accrued but not yet received as of the last date of his employment
- the total gross amount of Euro 57,725.63 for post-employment benefits and company contributions relating to his role as strategic director, which, over time, the Company has paid into the supplementary pension fund chosen by the beneficiary.

These amounts will be subject to taxes, as required by law.

Matteo Carlo Maria Mascazzini has not maintained any rights in the Company long-term incentive plans (stock grants) previously assigned.

To date Matteo Carlo Maria Mascazzini does not hold any Company shares.

LIVIO LIBRALESSO APPOINTED CHIEF EXECUTIVE OFFICER OF GEOX S.P.A.

The Board of Directors meeting, chaired by Mario Moretti Polegato, also appointed today the Director Mr Livio Libralesso as the Company's new Chief Executive Officer, with effect from January 16th, 2020.

Born in 1965, Livio Libralesso is today General Manager–Corporate and CFO with his responsibilities extending to cover IT systems, legal and corporate affairs, indirect purchasing and store network development and maintenance.

He joined Geox Group in 2001. Before joining Geox, Livio provided auditing and accounting services for a leading company and held important roles in important listed companies in the sector.

Livio is a professional auditor, enrolling with the dedicated register held by the Italian Ministry of Justice and graduated in "Economics and Business" from the Cà Foscari University of Venice.

On behalf of the entire Board of Directors, the Chairman of Geox S.p.A. has expressed his strong appreciation for the appointment of Livio Libralesso, highlighting his long and relevant expertise in the sector and in the Group and his structured managerial approach, aimed at providing strategic continuity and further developing Geox business.

Livio Libralesso does not hold Company shares; his curriculum vitae is available on the Company website ww.geox.biz in the "Governance section" and at the end of the press release.

DISTRIBUTION RATIONALISATION PROCESS FOR THE GROUP'S STORE NETWORK

The Group believes that the store network plays a key strategic role in terms of enhancing the Brand's image, boosting recognition among end consumers and developing a profitable business guided by the needs and experience of the customers themselves. Consumers' buying behaviour, however, has undergone a profound change. Digital solutions, e-commerce and the marketplace are leading to a significant reduction in footfall in physical stores, especially those situated in less desirable and non-strategic locations. However, these stores are not yet reflecting this trend with a corresponding reduction in rent. For this reason, Geox has already completed, and shall continue to make, important investments in digital infrastructure, omnichannel logistics, business intelligence, consumer insights and retail excellence.

In this context, and with these clear strategic priorities in mind, it has therefore been necessary to examine the performance of directly operated stores (DOS) with even stricter criteria in terms of brand image, profitability and cash flows, also in order to free up resources that will be used to finance the aforementioned investments. The BoD has therefore identified approximately 80 stores (including direct stores and corners) that no longer comply with the Group's strategy in terms of significance and profitability. These will be closed over the coming three years, with decreasing intensity. In fact, for around 50 stores, notice will be sent to terminate the relative lease agreements early, or as early as possible (way-out), with the other 30 coming to the natural expiry of their lease agreements. These gradual closures are due to the fact that, as of today, there are no situations of loss that are serious enough to warrant more decisive measures, which would also lead to the payment of penalties on rental contracts. These stores have been identified following an in-depth analysis of their current and prospective profitability, also in consideration of their location and the context/country in which they operate. These initiatives will therefore also allow for a rationalisation of the relative managerial structures in a number of countries.

For the sake of completeness, it should be noted that, once all stores have been closed, the expected effects on the Group's consolidated income statement at the end of the 2020-2022 three-year period and, therefore in 2022, may be estimated as follows (based on 2019 performance): approximately 75-80 closures, a reduction in sales of around Euro 35-40 million and an improvement to the operating result of approximately Euro 5 million. It is estimated that the effect on 2020 results will be around 60% of the aforementioned values.

RESTRUCTURING COSTS

Based on the aforementioned strategic considerations will nonetheless lead to extraordinary restructuring expenses for around Euro 10-15 million in the 2019 financial statements, mainly referring to: (i) asset impairment adjustments for approximately Euro 10 million; (ii) one-off payments to support franchisees and distributors in this difficult market context, and (iii) other restructuring costs. This amount is understood to be an estimate and has not yet been examined by the auditor in terms of time frames and the relative amount.

SUBSEQUENT EVENTS

On March 5, 2020, the 2019 financial statements will be approved. Geox and its new CEO will also take this opportunity to present an outlook for the 2020 financial year. It is hereby confirmed that there will be total strategic continuity with the 2019-2021 Business Plan, which has already been presented to the financial community. However, sales performance in 2019 and the envisaged rationalisation of the store network, aimed at immediately recovering profitability, make it necessary to update the figures in said plan, as they are no longer accurate and shall be reviewed over the course of 2020.

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.



LIVIO LIBRALESSO
Curriculum Vitae

Livio Libralesso is CEO of the Geox Group from 16th January 2020.

Born in Venice in 1965, Livio Libralesso graduated cum laude in “Economics and Business” from the Cà Foscari University of Venice in 1989 and went on to qualify as a professional auditor, enrolling with the dedicated register held by the Italian Ministry of Justice.

He joined Geox Group in 2001, holding roles with increasing levels of responsibility and managing the Group's strong development process to closely support the business. In 2004, as Administration and Finance Director, he coordinated the listing process. In 2009, he was appointed Head of Administration, Finance and Control. In 2012, he became Group CFO and, in 2016, he was appointed Corporate General Manager with his responsibilities extending to cover IT systems, legal and corporate affairs, indirect purchasing and store network development and maintenance. He incorporated and launched all of the Group's companies, defining the international expansion strategy (Europe, USA, Canada, Japan, Russia, Hong Kong, China, Macao) and is a member of the Board of Directors for each subsidiary. He has also been a member of the Geox S.p.A. Board of Directors since 2018.

Before joining Geox, between 1997 and 2001, Livio Libralesso held important roles in Benetton Group, dealing with the latter's integration of Benetton Sportssystem and the subsequent international rationalisation process, with particular reference to the coordination of investee companies in Europe and the United States (Benetton USA, Prince and Rollerblade). He also managed extraordinary transactions to sell trademarks and company divisions, as well as international tax planning.

From 1995 to 1997, he held the role of Controller for Lotto S.p.A. Group, where he was responsible for budgeting, pricing and business margins.

From 1991 to 1995, he worked for PWC, providing auditing and accounting services and specialising in international projects to acquire Italian companies.

From 1989 to 1991, he held the role of Industrial and Business Controller at Safilo, for the group's licensed production activities.

Fine Comunicato n.0742-3

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