

*Salvatore Ferragamo*

**FY 2019  
Results Update**

**Analyst Presentation**

March 10, 2020 - 6.00 PM CET



# Disclaimer

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# Market Scenario

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- The Personal Luxury Goods market, recording a growth of ca. 6% in 2019, expected to be impacted by the Covid-19 outbreak in 2020. Visibility on Covid-19 impact is still low on both turnover and earnings.
- China domestic market for the luxury sector, after the high-teens growth of 2019, still estimated to grow single-digit in 2020, but subject to Covid-19 outbreak duration. Yet Chinese still expected to account for 40% of total luxury sales and to drive the majority of growth in the coming years.
- Europe, registering a single-digit increase in 2019, and still deriving a consistent part of sales from travelers, expected to suffer from domestic and travel restrictions related to the Covid-19 in 2020.
- North America market traditionally more driven by local consumers, expect to be weakened in 2020 by both the Covid-19, that has just started impacting the country, and the “Election year”.
- Hong Kong, sharp contraction in 2019, expected to continue in 2020, while also Japan and other Asian markets impacted deeply in the short-term by Covid-19.
- Digital Luxury sales expected to still grow 3x faster than offline, with short-term strong potential due to Covid-19 impact on physical traffic, but in-store experience to remain essential for the luxury sector. Travel Retail bright future intact, post Covid-19 emergency conclusion.
- December YtD air passengers traffic up 4.2%, marking the first year since the Global Financial Crisis with passenger demand below the long-run avg. rate of 5.5%, impacted by a softer global economic backdrop and weaker business confidence amid international trade tensions. January 2020 data at +2.4%, with a vertical decline estimated in coming months with the spread of Covid-19 and travel restrictions.



# FY 2019 Financial Review

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Salvatore Ferragamo SS 20 Advertising Campaign

# FY 2019 Revenue By Distribution Channel

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2019	Weight on Tot 2018
	2019	2018	Δ %			
Retail	899.5	878.2	2.4%	1.1%	65.3%	65.2%
Wholesale	461.4	447.5	3.1%	3.0%	33.5%	33.2%
Licences & Other Rev.	11.6	9.5	21.8%	21.8%	0.8%	0.7%
Rental income	4.8	11.6	-58.4%	-60.6%	0.3%	0.9%
<b>Total</b>	<b>1,377.3</b>	<b>1,346.8</b>	<b>2.3%</b>	<b>1.3%</b>	<b>100.0%</b>	<b>100.0%</b>

- Total Revenues at 1,377 million Euros, up 2.3% (+1.3% at constant FX) vs. FY 2018.
- RTL up 2.4% (+1.1% at constant FX) in FY 2019, with 4Q at -1.0% at constant FX vs. 4Q 2018. Like-for-like performance +1.1% in FY 2019, with a negative trend of the secondary channel.
- WHL up 3.1% (+3.0% at constant FX) vs. FY 2018, with 4Q 2019 up 2.6% at constant FX.
- Group's store network at 654 points of sale, of which 393 DOS and 261 TPOS.

# FY 2019 Revenue By Region

(Euro MM)	Dec YTD			Δ % Const FX	Weight on Tot 2019	Weight on Tot 2018
	2019	2018	Δ %			
Europe	347.2	329.7	5.3%	5.1%	25.2%	24.5%
North America	317.9	315.6	0.7%	-0.6%	23.1%	23.4%
Japan	118.5	119.0	-0.5%	-2.8%	8.6%	8.8%
Asia Pacific	511.3	505.5	1.1%	0.7%	37.1%	37.5%
Latin America	82.4	76.9	7.1%	4.6%	6.0%	5.7%
<b>Total</b>	<b>1,377.3</b>	<b>1,346.8</b>	<b>2.3%</b>	<b>1.3%</b>	<b>100.0%</b>	<b>100.0%</b>

- APAC up 0.7% at const. FX in FY 2019, with a solid performance of the Retail channel in China (+12.6% at const. FX), while Hong Kong was significantly negative in 4Q (RTL down >50.0% at const. FX), impacted by the difficult geopolitical situation.
- EMEA up 5.1% at const. FX vs. FY 2018, with an acceleration in 4Q (+9.4% at const. FX).
- North America -0.6% at const. FX vs. FY 2018, with a positive +2.2% in 4Q, despite the penalization of the lower Rental income.
- Japan -2.8% at const. FX vs. FY 2018, penalized in 4Q by the Consumption tax hike occurred in October 2019..
- Latam up 4.6% at const. FX vs. FY 2018.

# FY 2019 Revenue By Product

Dec YTD

(Euro MM)	2019	2018	Δ %	Δ % Const FX	Weight on Tot 2019	Weight on Tot 2018
Shoes	575.6	554.7	3.8%	3.0%	41.8%	41.2%
Leather goods & handbags	540.8	521.4	3.7%	2.8%	39.3%	38.7%
RTW	74.2	76.5	-2.9%	-3.9%	5.4%	5.7%
Silk & other access.	82.5	79.0	4.4%	3.2%	6.0%	5.9%
Fragrances	87.8	94.1	-6.7%	-7.9%	6.4%	7.0%
Licences & Other Rev.	11.6	9.5	21.8%	21.8%	0.8%	0.7%
Rental income	4.8	11.6	-58.4%	-60.6%	0.3%	0.9%
<b>Total</b>	<b>1,377.3</b>	<b>1,346.8</b>	<b>2.3%</b>	<b>1.3%</b>	<b>100.0%</b>	<b>100.0%</b>

- Shoes up 3.0% at const. FX vs. FY 2018.
- Leather Goods & Handbags up 2.8% at const. FX vs. FY 2018.
- Fragrances down 7.9%, at const. FX vs. FY 2018.



# FY 2019 P&L

(Euro MM)	Dec YTD							
	2019	%	Restated 2019	%	2018	%	Δ %	Restated Δ %
<b>Total revenue</b>	<b>1,377.3</b>	<b>100.0%</b>	<b>1,377.3</b>	<b>100.0%</b>	<b>1,346.8</b>	<b>100.0%</b>	<b>2.3%</b>	<b>2.3%</b>
Cost of goods sold	(483.8)	-35.1%	(483.8)	-35.1%	(484.9)	-36.0%	-0.2%	-0.2%
<b>Gross profit</b>	<b>893.5</b>	<b>64.9%</b>	<b>893.5</b>	<b>64.9%</b>	<b>862.0</b>	<b>64.0%</b>	<b>3.7%</b>	<b>3.7%</b>
Payroll	(220.0)	-16.0%	(220.0)	-16.0%	(203.1)	-15.1%	8.3%	8.3%
Rental	(93.1)	-6.8%	(220.3)	-16.0%	(204.1)	-15.2%	-54.4%	8.0%
Communication	(70.6)	-5.1%	(70.6)	-5.1%	(66.0)	-4.9%	7.0%	7.0%
Consultancy	(37.7)	-2.7%	(37.7)	-2.7%	(38.7)	-2.9%	-2.6%	-2.6%
Other Costs	(137.9)	-10.0%	(141.1)	-10.2%	(136.9)	-10.2%	0.8%	3.1%
Depreciation	(184.6)	-13.4%	(66.3)	-4.8%	(63.4)	-4.7%	>100%	4.6%
Total operating costs	(743.8)	-54.0%	(756.0)	-54.9%	(712.2)	-52.9%	4.4%	6.1%
<b>EBIT</b>	<b>149.7</b>	<b>10.9%</b>	<b>137.5</b>	<b>10.0%</b>	<b>149.8</b>	<b>11.1%</b>	<b>0.0%</b>	<b>-8.2%</b>
Financial income (expenses)	(14.8)	-1.1%	(14.8)	-1.1%	(13.9)	-1.0%	6.9%	6.9%
Financial ROU	(17.8)	-1.3%	–	0.0%	–	0.0%	n.a.	n.a.
<b>EBT</b>	<b>117.1</b>	<b>8.5%</b>	<b>122.7</b>	<b>8.9%</b>	<b>135.9</b>	<b>10.1%</b>	<b>-13.8%</b>	<b>-9.7%</b>
Taxes	(29.8)	-2.2%	(31.0)	-2.2%	(45.7)	-3.4%	-34.9%	-32.3%
<b>Net income</b>	<b>87.4</b>	<b>6.3%</b>	<b>91.8</b>	<b>6.7%</b>	<b>90.2</b>	<b>6.7%</b>	<b>-3.1%</b>	<b>1.7%</b>
Group net income	87.3	6.3%	91.4	6.6%	88.4	6.6%	-1.2%	3.4%
Income minorities to	0.1	0.0%	0.4	0.0%	1.8	0.1%	-95.4%	-80.0%
<b>EBITDA</b>	<b>335.5</b>	<b>24.4%</b>	<b>205.0</b>	<b>14.9%</b>	<b>214.2</b>	<b>15.9%</b>	<b>56.6%</b>	<b>-4.3%</b>

- Gross Profit +3.7% to 893 million Euros, with incidence on Revenues up 90 bps to 64.9%, mainly due to increase of full-price sales and positive product mix.
- Opex excluding IFRS16 up 6.1% (+3.7% at const. FX), mainly due to marketing and communication costs, the reinforcement of the organization, the increase in rentals and other operating costs.
- EBITDA excluding IFRS16 down 4.3% to 205 million Euros, with incidence on Revenues at 14.9%.
- Net Profit excluding IFRS16 at 92 million Euros, up by 1.7% vs. FY 2018.



# FY 2019 Balance Sheet

(Euro MM)	Dec 19 YTD	Dec 18 YTD	%
Tangible assets	290.896	265.915	9.4%
Intangible assets	42.484	42.879	-0.9%
Right of Use	576.455	–	n.a.
Financial assets	–	–	
<b>Fixed assets</b>	<b>909.835</b>	<b>308.793</b>	<b>194.6%</b>
Inventory	395.004	365.779	8.0%
Trade receivables	147.202	142.905	3.0%
Trade payables	(207.654)	(215.125)	-3.5%
<b>Operating working capital</b>	<b>334.552</b>	<b>293.559</b>	<b>14.0%</b>
Other assets (liabilities)	71.133	39.872	78.4%
Net Asset Disposal for Sales	–	–	
Employee Benefit Liabilities	(11.901)	(11.392)	4.5%
Provisions for risks and charges	(13.921)	(19.491)	-28.6%
<b>Net invested capital</b>	<b>1,289.699</b>	<b>611.341</b>	<b>111.0%</b>
<b>Shareholders' equity (A)</b>	<b>785.265</b>	<b>780.337</b>	<b>0.6%</b>
Group equity	763.647	753.690	1.3%
Minority interest	21.618	26.647	-18.9%
Current financial liabilities	(167.599)	(23.898)	601.3%
Non current financial liabilities	(559.267)	(15.896)	3418.2%
Cash & Cash equivalents	222.433	208.790	6.5%
<b>Net debt (B)</b>	<b>(504.433)</b>	<b>168.996</b>	<b>-398.5%</b>
<b>Financial sources (A-B)</b>	<b>1,289.699</b>	<b>611.341</b>	<b>111.0%</b>
<b>Net debt (B)</b>	<b>(504.433)</b>	<b>168.996</b>	<b>-398.5%</b>
Non Current Lease Liabilities	559.267	–	n.a.
Current Lease Liabilities	117.062	–	
<b>Lease Liabilities</b>	<b>676.330</b>	<b>–</b>	<b>n.a.</b>
<b>Net debt Adjusted</b>	<b>171.896</b>	<b>168.996</b>	<b>1.7%</b>

- Net Working Capital up 14.0%, with Inventory up 8.0% (+10.0% at const. FX).
- Investments (CAPEX) at 60 million Euros, vs. 71 million Euros in FY 2018, mainly for the store network renovations and the IT projects.
- Net Financial Position adj. (ex. IFRS16 impact) at 31December 2019 positive for 172 million Euros, compared to 169 million Euros positive as of 31 December 2018. Including IFRS16 effect, the Net Financial Position at 31 December 2019 is negative for 504 million Euros.

# Group POS Number by Region @ 31.12.2019

	<b>Act December '19</b>	<b>Act December '18</b>	<b>Net Openings</b>
<b>Europe</b>	<b>162</b>	<b>174</b>	<b>-12</b>
<b>USA</b>	<b>99</b>	<b>99</b>	<b>0</b>
<b>Latin America</b>	<b>62</b>	<b>63</b>	<b>-1</b>
<b>Asia Pacific</b>	<b>264</b>	<b>265</b>	<b>-1</b>
<b>Japan</b>	<b>67</b>	<b>71</b>	<b>-4</b>
<b>Total POS n.</b>	<b>654</b>	<b>672</b>	<b>-18</b>
<i>DOS</i>	<b>393</b>	<b>409</b>	<b>-16</b>
<i>TPOS</i>	<b>261</b>	<b>263</b>	<b>-2</b>

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Results Update**

**Q&A**

