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Testo del comunicato

Vedi allegato.

GEOX IS SPEEDING UP THE PROCESS TO REVIEW ITS BUSINESS MODEL IN NORTH AMERICA, AIMED AT IMPROVING THE GROUP'S PROFITABILITY PROFILE AND DEFINING A MORE EFFICIENT DISTRIBUTION STRUCTURE THAT IS MORE FOCUSED ON THE CUSTOMER EXPERIENCE AND MORE INTEGRATED WITH THE DIGITAL CHANNEL.

A BUSINESS REORGANISATION PROCESS HAS BEEN LAUNCHED FOR GEOX CANADA INC. AND RATIONALIZATION HAS BEEN SUBSTANTIALLY COMPLETED FOR PHYSICAL STORES IN THE USA.

Biadene di Montebelluna, 09 September 2020 – Geox S.p.A. has decided to speed up its strategic path, aimed at defining a more streamlined business model that is better suited to the current and prospective context, also as a result of the effects of the COVID-19 pandemic.

People's behaviour and habits are undergoing profound change, also in structural terms, primarily due to the digital evolution and now also as a result of the pandemic, with an increasing growth in online transactions and a lasting impact on how customers purchase their products.

In line with this scenario, the Group's strategy in North America has led to important initiatives being implemented, already since mid-2019, with four major focus points:

- i. launch of the e-commerce site in July 2019;
- ii. new management team hired in Canada in early 2020;
- iii. strengthening logistics, with the opening of a new and fully operational logistics centre in the Toronto area in May 2020, dedicated solely to the Canadian Market; this will also optimise operations at the New Jersey centre, allowing the latter to focus on the US market;
- iv. plan to close ten non-profitable stores (seven in Canada and three in the USA), as part of a global rationalization initiative involving around 80 directly operated stores (DOS), approved by the Group on 16 January 2020.

As of today, the need to accelerate in this direction has been made all the more urgent by the effects of Covid-19. The aim is to launch a business model as soon as possible that can meet the requirements of the "new normal", with a view to implementing an exclusively omnichannel approach to distribution and operations; this model shall also redefine all points of contact and customer service from an economic, financial and strategic point of view. In fact, eight months after the start of the pandemic, in-store footfall in North America is still less than half that of previous levels, due to the lack of tourists in internationally oriented cities such as New York, Toronto and Vancouver, and given the specific structure of the distribution network in these countries, characterised by large shopping centres that have been particularly badly affected by restrictions on access and on people's mobility. In this context, current rents, based on pre-COVID contracts, do not reflect the requirements of this new scenario and ongoing closed negotiations in these areas are only leading to short-term rent reductions.

Geox Group believes that the physical store network will continue to play 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. Stores will no longer simply represent the end point of the sale process, with customers completing their purchases at the cash desk; they will instead become real showrooms, developing their role in carefully selected local hubs, acting as a catalyst for a range of services and allowing customers to experience Geox products, at the same time as being perfectly integrated with the digital channel.

With this strategic approach in mind, the Group therefore intends to speed up its review of the distribution network in Canada, focusing on the direct e-commerce channel (+70% in 2019 and +104% in the first half of 2020), on the wholesale channel and on a selected number of directly operated stores (DOS), which are able to take on the strategic importance described above, thanks to their healthy business/financial position.

Please find below the specific actions approved for the North American market:

- CANADA

On 08/09/2020, Geox Canada Inc., the company controlled indirectly by Geox S.p.A. that oversees the Group's distribution activity in Canada, opted for a business reorganisation process, as provided for by Canadian legislation (BIA, §50(1)), known as 'Notice of Intention to make a proposal' ('Nol'). The Nol procedure is expected to be completed in a relatively short amount of time and, in any case, within six months.

This initiative is aimed at accelerating and strengthening the negotiation and rationalization process already launched over recent months, favouring the termination of rent contracts that are no longer deemed profitable and strategic and for which renegotiations have not produced the expected results. This approach confirms the Group's firm commitment to terminate contracts should reasonable solutions not be reached given the current context.

Geox is present in Canada with around 30 DOS and, in 2019, it generated total sales of approximately Euro 32.7 million in the area, with an operating loss (EBIT) of Euro 4.6 million. In the first half of 2020, following the pandemic, revenues amounted to Euro 7.2 million (down 54% compared with the first half of 2019), with an operating loss (EBIT) of Euro - 4.5 million¹. The plan is to return to break-even in the medium term, by focusing on fewer stores with high levels of turnover and footfall, and with a network that is perfectly integrated with the e-commerce channel. The final number of stores in the network will depend on the new negotiations with store landlords, although there will be more than the seven closures already announced.

- USA

With regard to the US market, the Group has already considerably reduced its direct retail presence, given the difficulty in negotiating new contractual conditions for store rents with the relative landlords, in order to reflect today's difficult operating conditions (footfall has dropped by over 50% compared with last year). As a result, Geox currently has one directly operated store in Florida. However, the Group has not ruled out the possibility of reviewing its network of physical stores in the country again and may also expand should location opportunities arise that are deemed to be strategic and economically consistent with the new scenario. The directly managed e-commerce channel, on the other hand, remains fully operational, as does the wholesale channel.

In 2019, the Group generated a total turnover of Euro 13.5 million in the USA, recording an operating loss (EBIT) of Euro - 5.5 million. In the first half of 2020, revenues amounted to Euro 4.5 million (down 29% compared with the first half of 2019), with an operating loss (EBIT) of Euro - 2.8 million¹. The plan is to return to break-even in the medium term.

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 Branded Casual Footwear Market". Geox technology is protected by 40 different patents and by 25 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.

¹ Management figures provided for the consolidated financial statements, not audited

Fine Comunicato n.0742-24

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