

# PRADA Group

## **H1-2021 RESULTS PRESENTATION**

Milan, July 29<sup>th</sup> 2021

# Agenda

**Patrizio Bertelli – CEO**  
Business overview

**Alessandra Cozzani – CFO**  
H1-2021 Financial Review

**Lorenzo Bertelli – Marketing Director and Head of CSR**  
Marketing and ESG update

**Patrizio Bertelli – CEO**  
Outlook

**Q&A Session**

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# Strategy Update

Delivering results



### Brand Elevation Strategy

- Focus on full price sales
- Strict control of the distribution channels
- Elevation of the product offer

### Direct-to-Consumer

- Retail prioritisation
- Digital acceleration
- Omni-channel customer journey

### Responsible Growth

- Sustainable product innovation and circularity
- 2021 diversity, equity & inclusion initiatives
- ESG roadmap announced in Autumn 2021

# Financial Update

Strategic execution delivers growth and profits

## Fast Top Line Recovery

- Strong progression in retail revenues, well above the H1-2019 levels, despite continued restrictions
- Growth accelerating throughout the semester, with double digit retail organic growth in Q2-21 vs. Q2-19
- Remarkable performance in Asia, Americas, Middle East and Russia

## Profitability Already Above Pre-COVID Level

- Gross margin at record high driven by favourable channel mix, full price sales and successful product elevation
- Disciplined management of operating costs, prioritizing customer engagement and communication initiatives
- EBIT already above pre-COVID level



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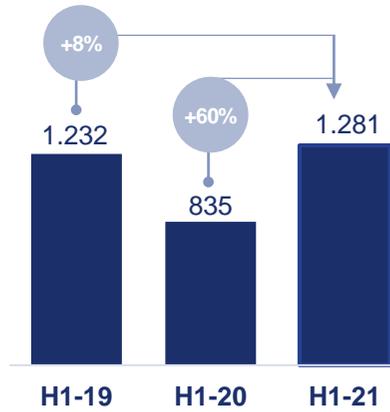
Q&A Session

# Key Financials Summary

## Outstanding growth and profitability

### H1 Revenues: €1,501m

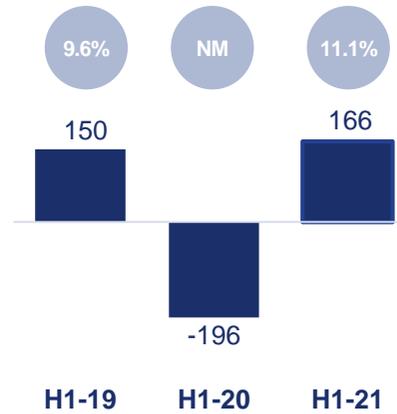
Retail Revenues (€m) and growth (%) \*



(\*) at constant exchange rates (%)

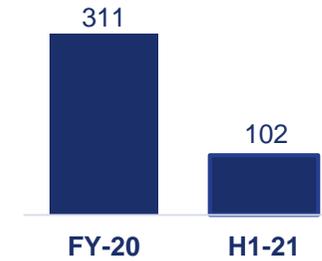
### H1 EBIT: €166m

EBIT (€m) and margin (%)



### H1 Operating Cash Flow: € 316m

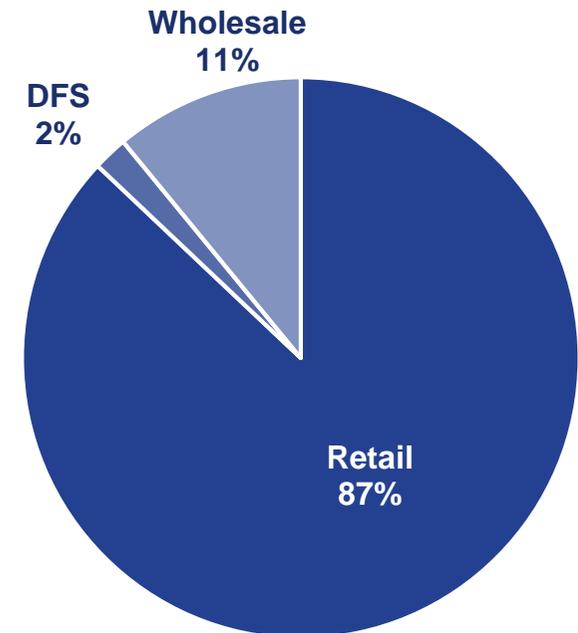
Net Debt (€m)



# Net sales by Channel

## Retail sales well above the pre-pandemic levels

€ mln / % change same FX	H1 21	H1 21 vs. H1 20	H1 21 vs. H1 19
<b>Retail</b>	1,281	+60%	+8%
<b>Wholesale</b>	196	+119%	-37%
<b>Total</b>	<b>1,478</b>	<b>+66%</b>	<b>-1%</b>



### Retail

- Sharp retail improvement on a 2-years stack vs. 2019
- 17% stores closed during the period
- Continued outstanding growth in online sales (triple-digit growth in H1-21 vs. H1-20 and H1-19)
- 633 DOS end of June 2021

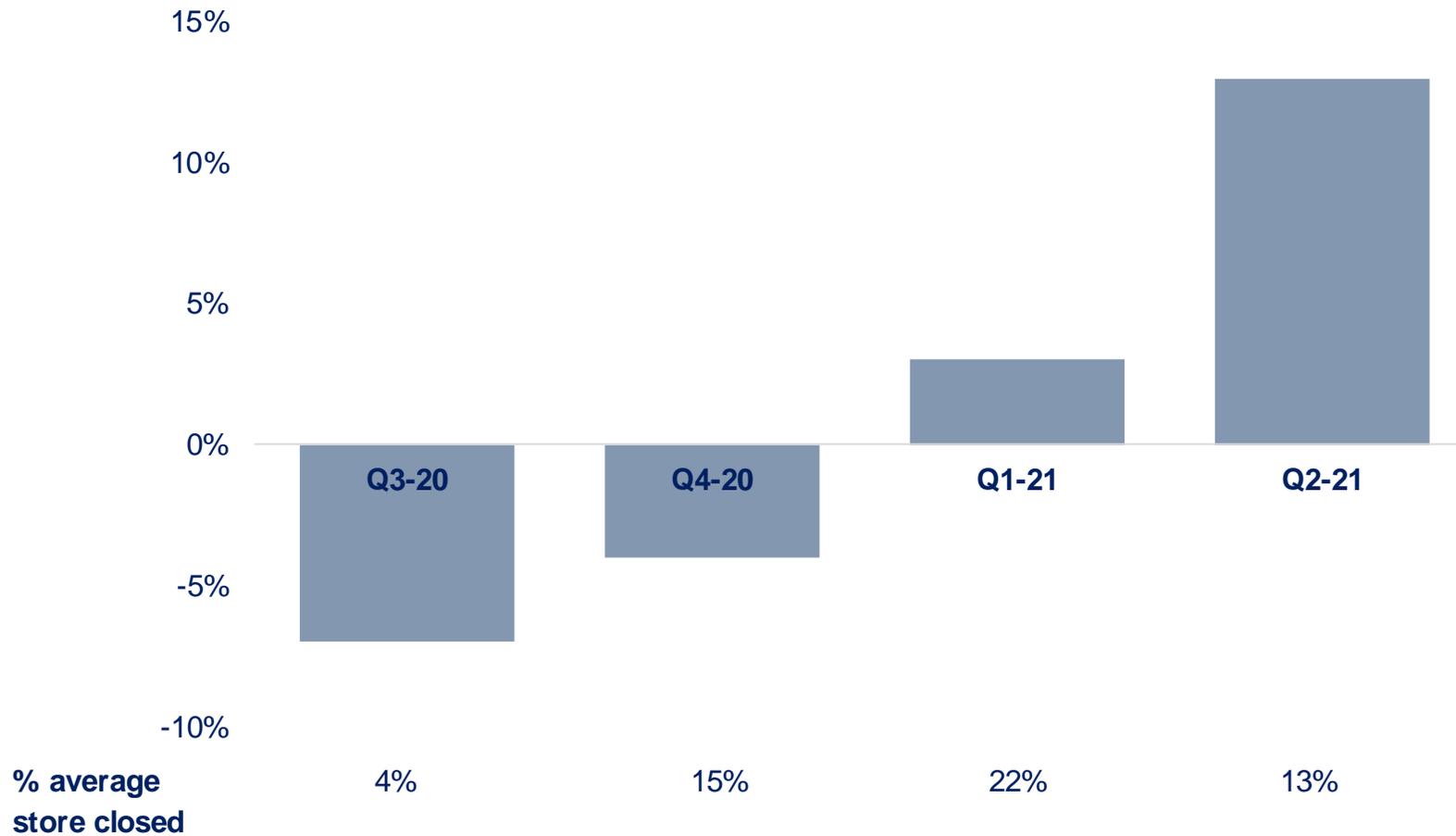
### Wholesale

- Persistent selective approach in traditional wholesale and e-tailers

# Retail sales trend

## Strong sequential improvement vs. 2019

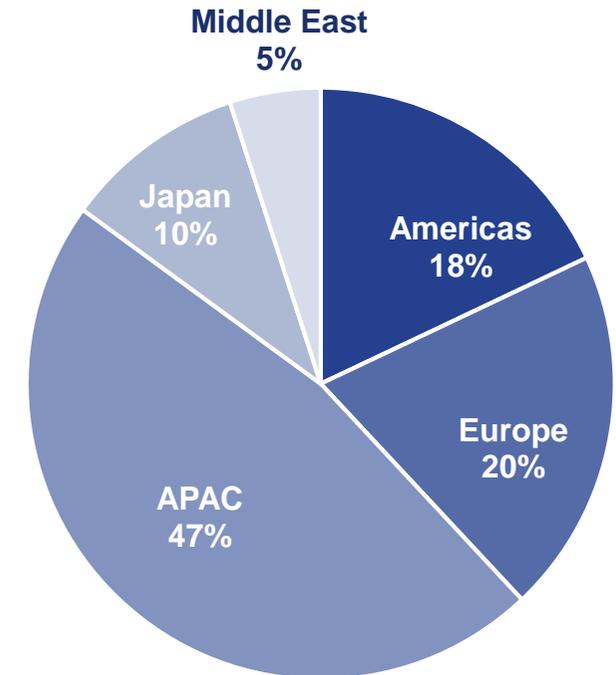
### Retail sales organic growth vs. 2019



# Retail sales by Geography

## Exceeding pre-pandemic levels in most regions

€ mln / % change same FX	H1 21	H1 21 vs. H1 20	H1 21 vs. H1 19
Europe	263	+19%	-29%
Asia Pacific	599	+65%	+35%
Americas	232	+163%	+53%
Japan	129	+25%	-24%
Middle East	59	+129%	+28%
<b>Total</b>	<b>1,281</b>	<b>+60%</b>	<b>+8%</b>



### Europe

- 36% of store network closed during the period / Improving trend since the reopenings
- Robust demand from local customers

### Asia Pacific

- Strong double digit growth in both Q1 and Q2 vs. 2019
- Sustained demand in key markets throughout the period vs. 2019: China (+77%), Korea (+108%) Taiwan (+74%)

### Americas

- Strongest regional performance driven by locals
- Sharp acceleration on a 2-years stack
- Progress across all countries

### Japan

- Renewed lockdown of stores impacting revenues vs. 2019
- Guam and Saipan still closed

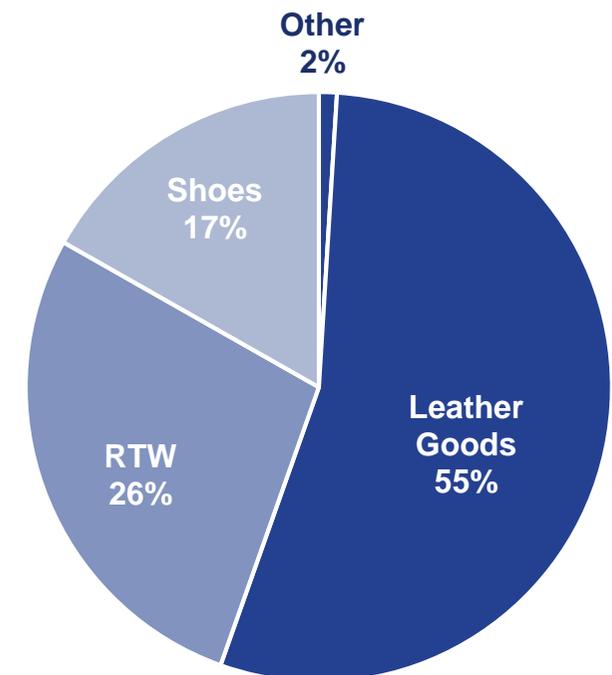
### Middle East

- Further strength during the period driven by locals and some resumption in tourism

# Retail sales by Product

All categories above 2019 levels – superior performance in RTW

€ mln / % change same FX	H1 21	H1 21 vs. H1 20	H1 21 vs. H1 19
Leather Goods	703	+51%	+4%
Ready to Wear	334	+71%	+24%
Footwear	224	+77%	+5%
Other	21	+63%	-23%
<b>Total</b>	<b>1,281</b>	<b>+60%</b>	<b>+8%</b>



## Leather Goods

- Well balanced growth across iconic and new lines

## Ready to Wear

- Outstanding performance for Prada and Miu Miu collections

## Footwear

- High demand for lifestyle and new collections

# Retail sales by Brand

## Outstanding performance of the Prada brand

€ mln / % change same FX	H1 21	H1 21 vs. H1 20	H1 21 vs. H1 19
Prada	1,100	+64%	+13%
Miu Miu	166	+43%	-8%
Church's	11	-1%	-52%
Other (*)	4	+59%	-32%
<b>Total</b>	<b>1,281</b>	<b>+60%</b>	<b>+8%</b>

(\*) includes Marchesi and Car Shoe

### Prada

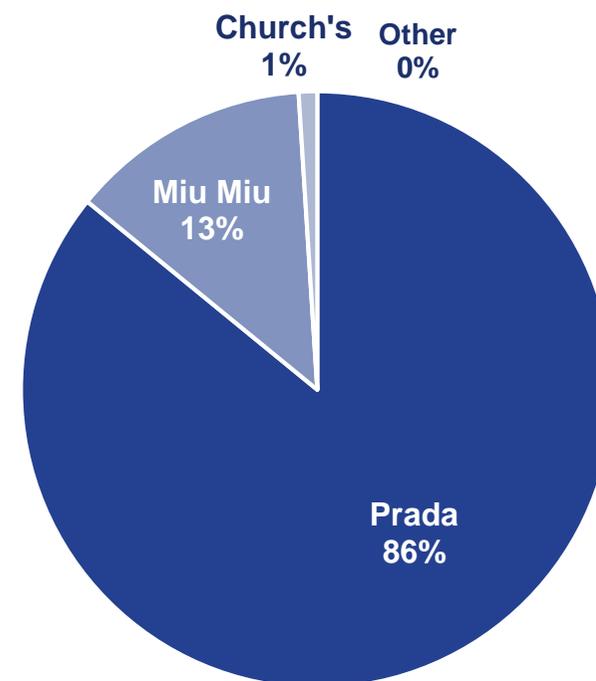
- Very sharp growth on a 2 year basis
- Highly acclaimed fashion shows
- All categories drove the growth

### Miu Miu

- Outstanding performance in RTW, double-digit vs. 2019 levels
- *Upcycled by Miu Miu*: successful project in collaboration with Levi's

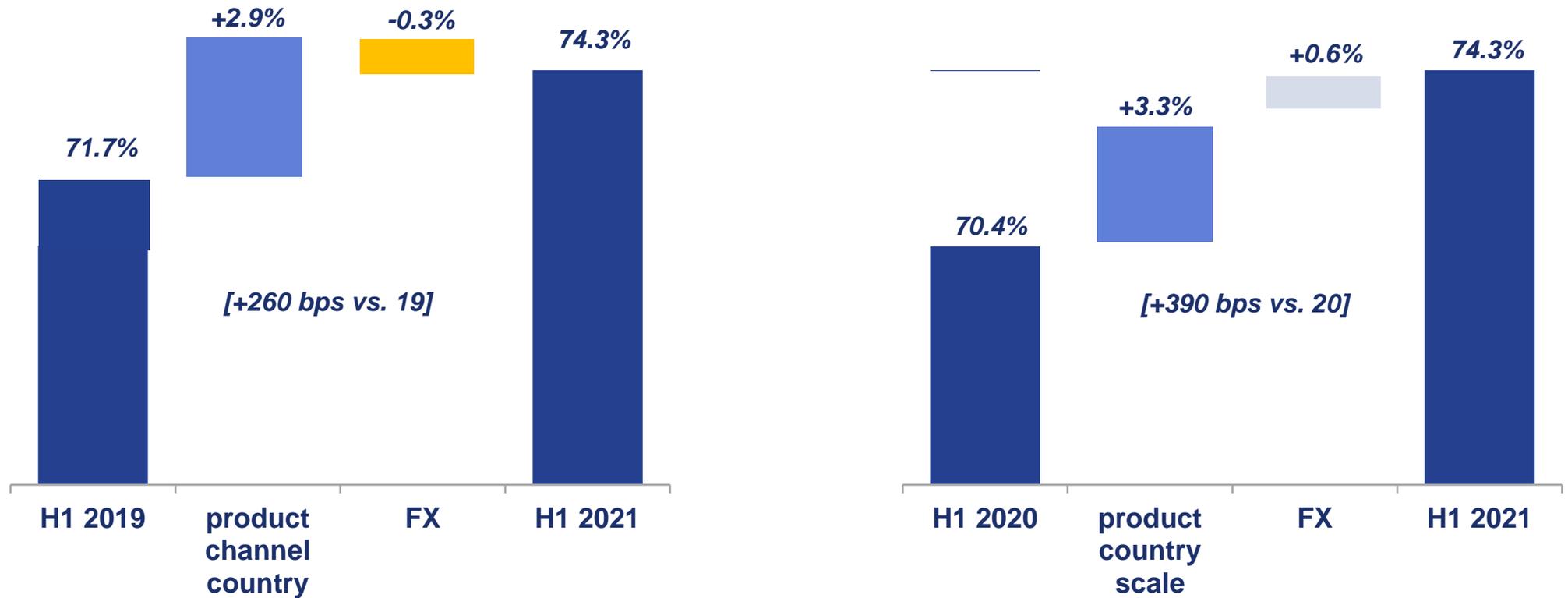
### Church's

- Still heavily impacted by the geographic exposure



# Gross margin development

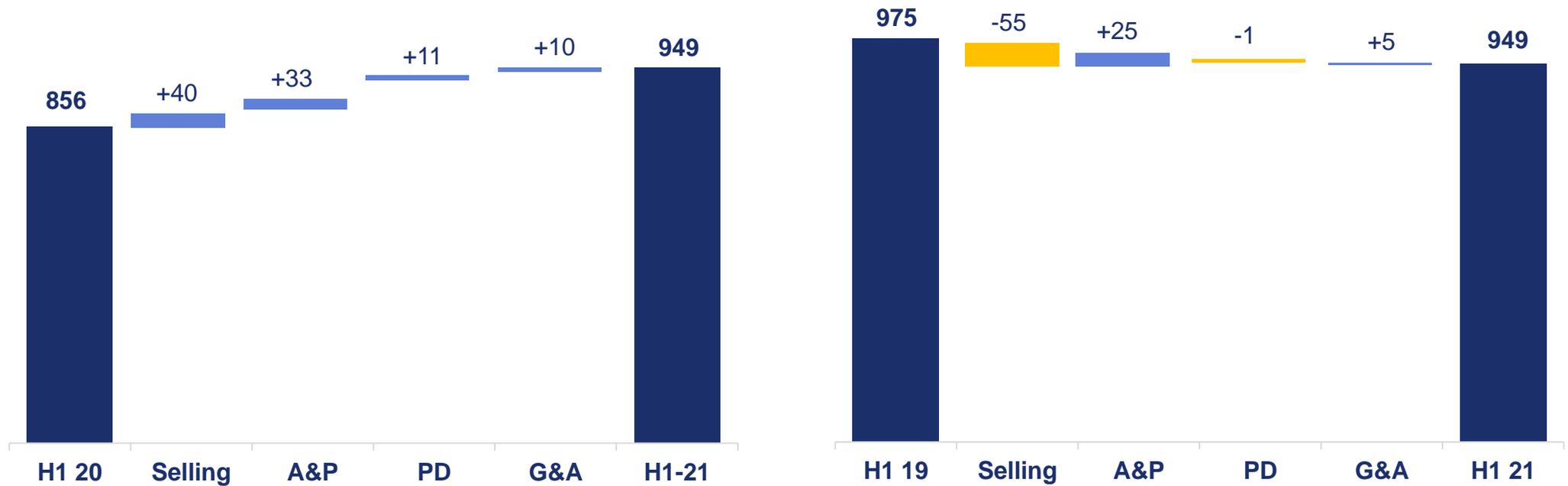
## Margins at record high



- Driven by successful product elevation, channel / country mix and scale

# Operating costs

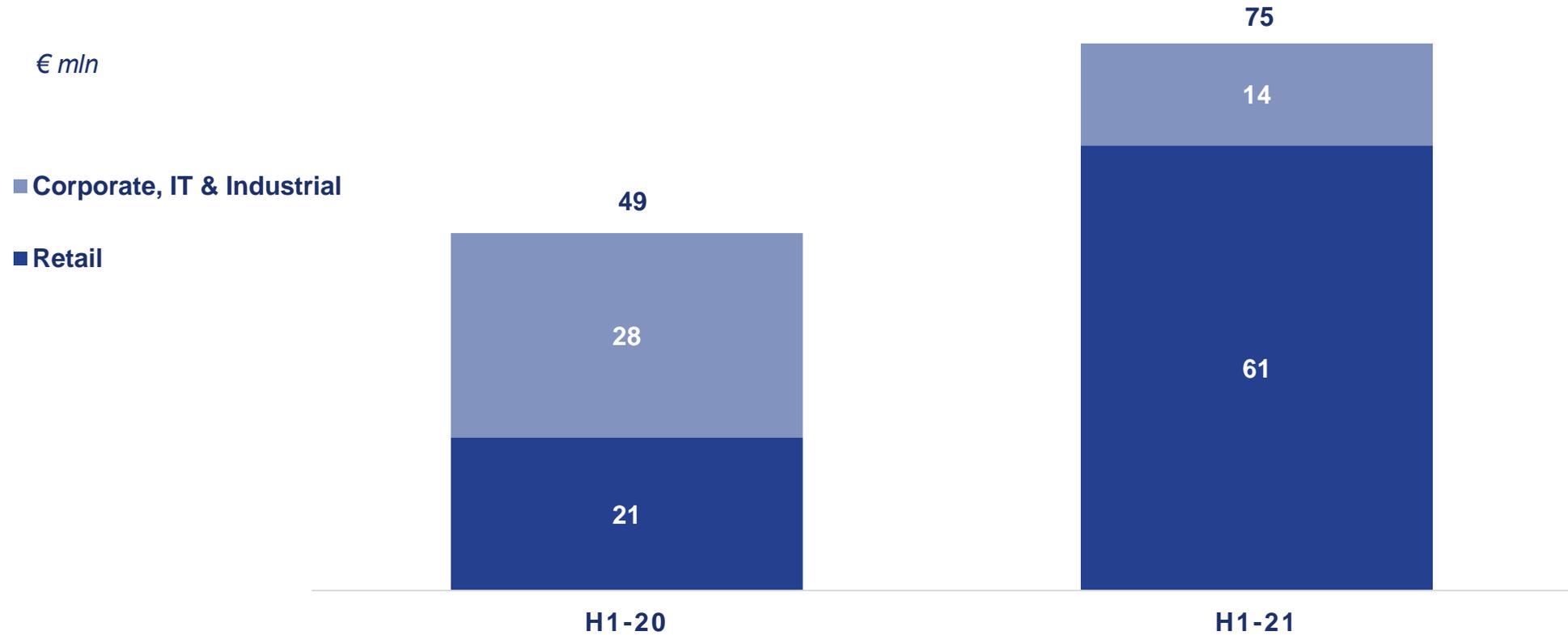
## Proactive cost management



- Total opex increased by +10% vs. 2020 (or +14% at constant rates)
- Decreased by -3% vs. 2019 or flat at constant rates
- Saving programme still implemented in H1-21

# Capex

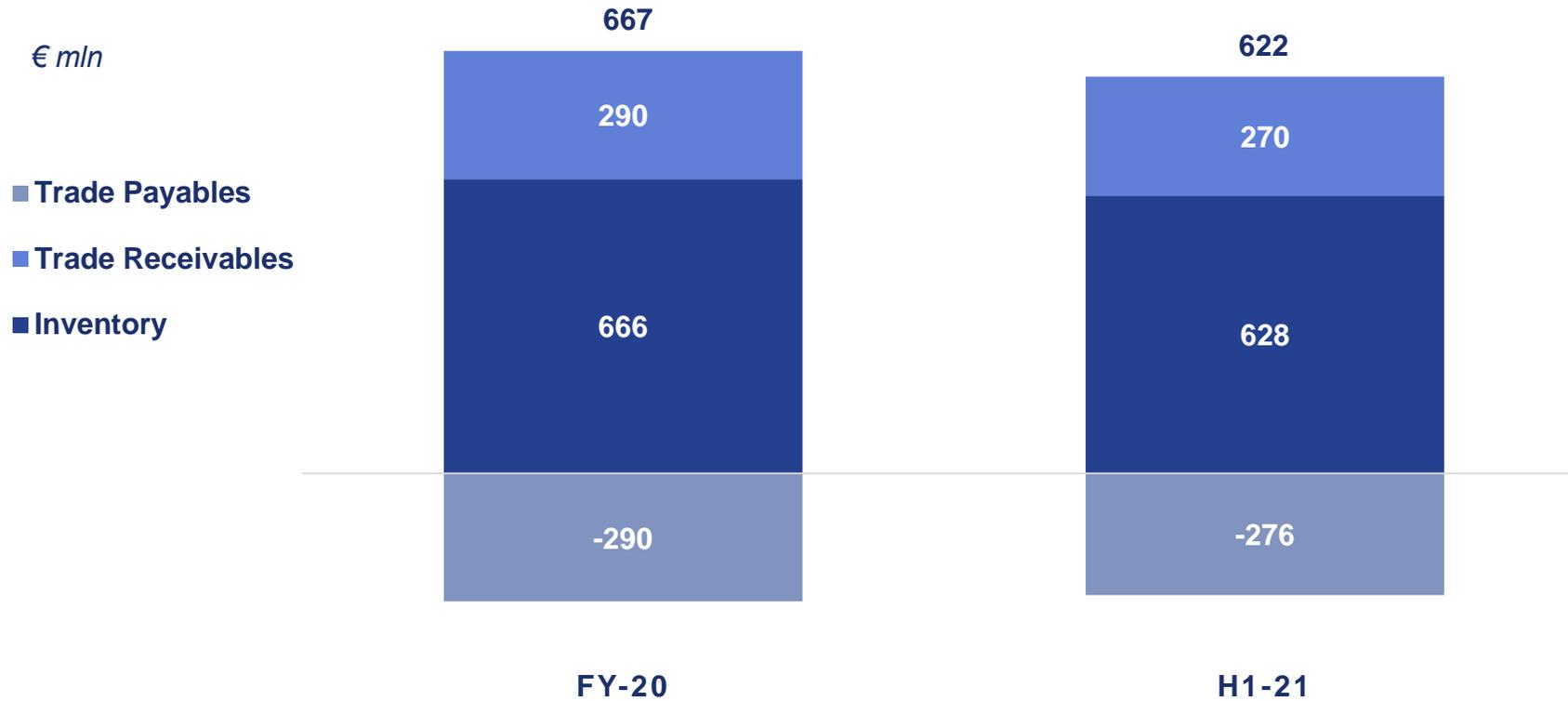
Supporting know how and long term retail growth



- 76 renovations and relocations projects
- Securing key retail locations: acquisition of Prada store in Athens

# Net Operating Working Capital

Managing supply chain effectively



- Net working capital continued to improve
- Inventory down yoy

# Net Financial Position

<b>Opening Net financial position surplus / (deficit) - 31/12/2020</b>	<b>(311)</b>
Consolidated Net Result	97
Net Working Capital	71
Depreciation and Amortization / other non monetary items	147
Investments	-77
Dividends	-86
Other	57
<b>Closing Net financial position surplus / (deficit) - 30/06/2021</b>	<b>(102)</b>

# Condensed P&L

€m	H1-2019		H1-2020		H1-2021	
<b>Net Revenues</b>	<b>1,570</b>	<b>100%</b>	<b>938</b>	<b>100%</b>	<b>1,501</b>	<b>100%</b>
COGS	-444	-28.3%	-278	-29.6%	-386	-25.7%
<b>Gross Margin</b>	<b>1,126</b>	<b>71.7%</b>	<b>660</b>	<b>70.4%</b>	<b>1,115</b>	<b>74.3%</b>
Selling	-707	-45.0%	-611	-65.1%	-651	-43.4%
Advertising & Promotion	-101	-6.5%	-94	-10.0%	-127	-8.5%
Design and Product Development	-65	-4.1%	-52	-5.7%	-64	-4.2%
G&A	-102	-6.5%	-98	-10.3%	-107	-7.1%
<b>Operating expenses</b>	<b>-975</b>	<b>-62.1%</b>	<b>-856</b>	<b>-91.3%</b>	<b>-949</b>	<b>-63.2%</b>
<b>EBIT</b>	<b>150</b>	<b>9.6%</b>	<b>-196</b>	<b>-20.9%</b>	<b>166</b>	<b>11.1%</b>
Total Financial expenses	-30	-1.9%	-40	-4.2%	-28	-1.8%
<b>EBT</b>	<b>120</b>	<b>7.7%</b>	<b>-236</b>	<b>-25.1%</b>	<b>138</b>	<b>9.2%</b>
Income Taxes	34	2.2%	52	5.5%	-41	-2.8%
Minority Income	0	0.0%	-3	-0.3%	0	0.0%
<b>Group Net income / (Loss)</b>	<b>155</b>	<b>9.9%</b>	<b>-180</b>	<b>-19.2%</b>	<b>97</b>	<b>6.4%</b>
Total D&A	-340	-21.7%	-351	-37.4%	-312	-20.8%
<b>EBITDA</b>	<b>491</b>	<b>31.2%</b>	<b>155</b>	<b>16.5%</b>	<b>478</b>	<b>31.9%</b>

# Condensed Balance Sheet

€m	31 Dec 2020	30 June 2021
Right of use	2,054	2,035
Non current assets (excl deferred tax assets)	2,507	2,464
Net operating working capital	667	622
Other current assets / (liabilities), net	25	-28
Other non current assets / (liabilities), net	42	20
<b>Net invested capital</b>	<b>5,296</b>	<b>5,113</b>
Consolidated shareholders' equity	2,852	2,894
Net financial position (surplus) / deficit	311	102
Long term lease liability	1,730	1,708
Short term lease liability	404	409
<b>Total</b>	<b>5,296</b>	<b>5,113</b>
Operating cash flow	262	316
Net working Capital / Sales	28%	21%
Capex	122	75
Debt / Equity	11%	4%

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# E-commerce

## Digital development driving higher conversion rates

### Continued outstanding growth in online sales

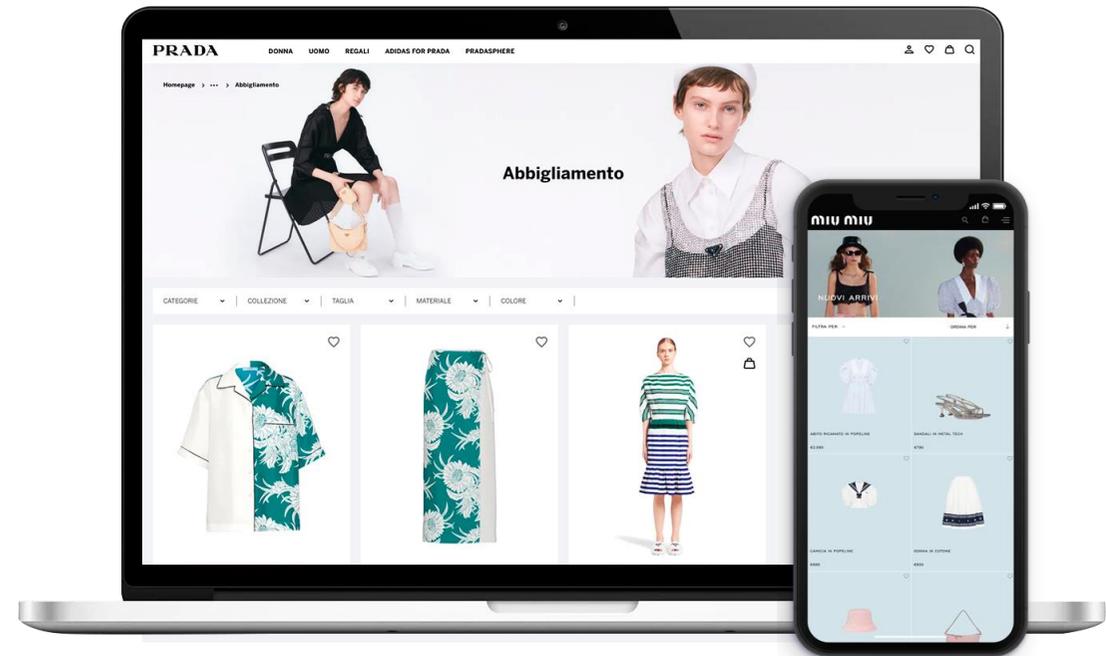
- Triple digit growth in H1-21 vs. H1-20 and H1-19
- Brands.com and market places penetration up to 7% on retail sales

### Strengthening online presence

- Successful launch of Prada and Miu Miu flagships on T-Mall
- Reinforcing dedicated local teams (i.e. China, Korea)
- New selected partnerships ongoing

### Further enriching the online customer experience

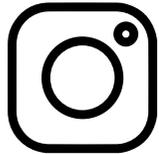
- Leveraging advanced analytics
- Storytelling strategies to envisage clients on brands and company's values
- Client-centric journey experience redesigned



# Increasing brand visibility across social and online

## Confirming Prada and Miu Miu brand heat

### PRADA



Instagram engagement rate

**+2 pos**  
H1-21 vs. H1-20 (\*)



Site traffic

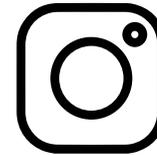
**+107%**  
H1-21 vs. H1-20 (\*\*)



Traffic to the Chinese site

**+259%**  
H1-21 vs. H1-20 (\*\*\*)

### MIU MIU



Instagram engagement rate

**+1 pos**  
H1-21 vs. H1-20 (\*)



Site traffic

**+39%**  
H1-21 vs. H1-20 (\*\*)



Traffic to the Chinese site

**+85%**  
H1-21 vs. H1-20 (\*\*\*)

(\*) Sprinklr – comparing the growth rate of a panel made of 9 luxury peers

(\*\*) Adobe analytics

(\*\*\*) Adobe Analytics – Including only traffic from Search Engine or Direct

# Excellent reception to Prada and Miu Miu digital shows

## Continued online engagement growth

### PRADA



Men's SS22  
2.9 mln views  
1st on IGTV Men's  
Fashion Weeks

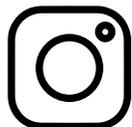
**+53%**  
vs. FW21



Reach and  
Engagement Rate  
Fashion Weeks

**1st**  
Ranked

### MIU MIU



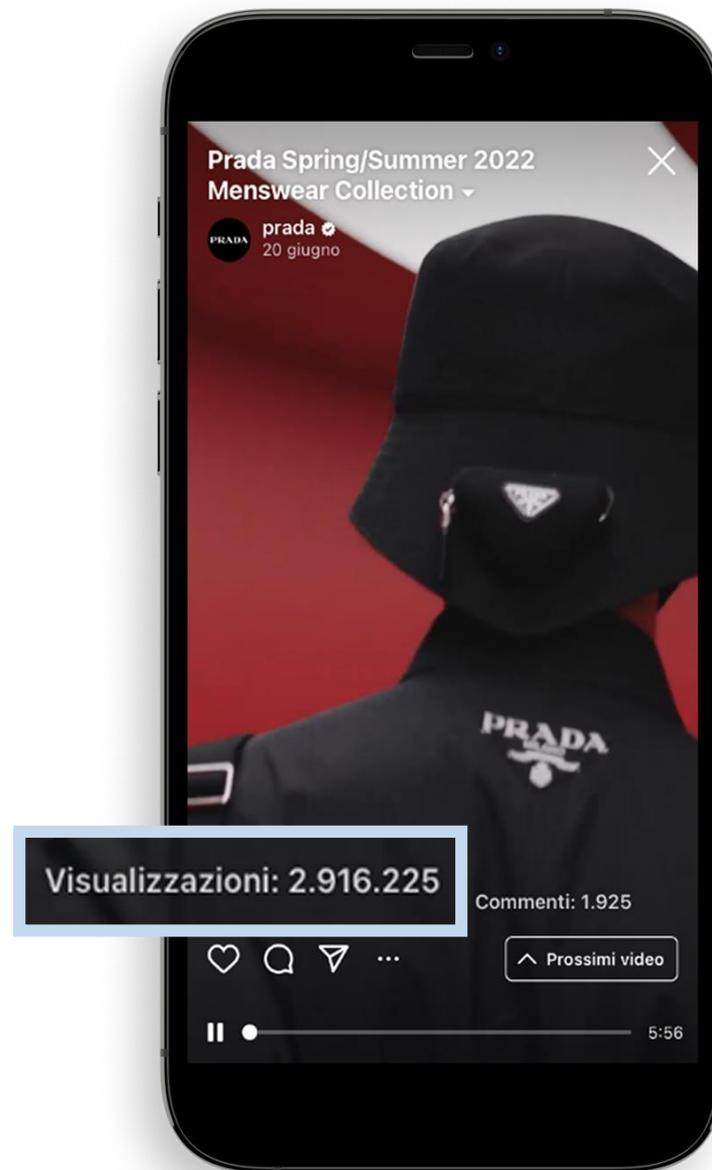
FW21  
505k views  
on Instagram

**+170%**  
vs SS21



2,1 mln  
video views

**+950%**  
vs SS21



# Prada Brand share of voice accelerated by talent strategy and Prada Cup

## Amplifying brand identity and vision

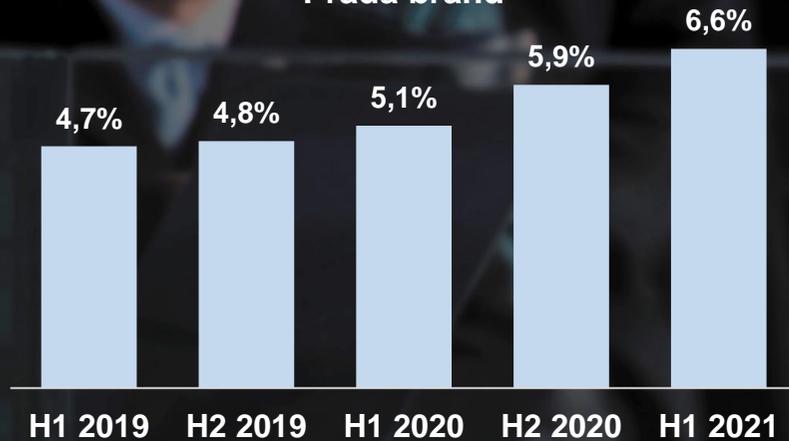
### Talent Strategy

- Inclusive strategy engaging talent from diverse backgrounds, including different cultural spheres (e.g. music, sport, and art)

### Prada Cup

- The Prada Cup generated the most audience engagements of all the tournament phases
- Luna Rossa is a longstanding element of the active-wear identity of the Prada brand

Google search share of voice trend  
Prada brand



Source: Google trend – Comparing the volume of searches of a panel made of 9 luxury peers

# ESG

## Progressing ESG journey

**Prada Group to announce Sustainability Roadmap in autumn 2021**

**Deepened commitment to Diversity, Equity & Inclusion**

Substantial investment in educational and talent advancement programmes

**Launched Sea Beyond second edition**

New initiatives, marking project's expansion to reach more age groups and communities globally

**Upcycled by Miu Miu**

Continued success, giving new life to pre-loved denim in collaboration with Levi's®



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# Outlook

- Strong momentum in H1-21 continuing in H2-21
- Committed to unlocking further potential in Miu Miu brand
- Capitalize on Prada's high brand engagement and identity to capture further development opportunities
- Further embedding ESG in the Group strategy
- Continuing to invest in direct control of the supply chain
- Confident in our profitable growth potential

