

PRADA

MILANO

DAL 1913

H1 2019 Results Presentation

Milan, August 1st 2019

Agenda

Presentation

14:00 – 14:30

Alessandra Cozzani – CFO

- H1-2019 Financial Review

Patrizio Bertelli – CEO

- Overview and Business update

Lorenzo Bertelli – *Head of Marketing and Communication*

- Marketing and Communication update

Carlo Mazzi – *Chairman*

- Prada Group CSR
- Outlook

Q&A Session

14:30 – 15:30

H1 2019 Financial Review

Alessandra Cozzani
CFO

Condensed P&L

Results in line with expectations

€m (*)	H1-2019		H1-2018 restated under IFRS 16		YoY %
Net Revenues	1.570	100%	1.535	100%	2%
COGS	-444	28,3%	-429	28,0%	4%
Gross Margin	1.126	71,7%	1.106	72,0%	2%
Selling	-707	45,0%	-678	44,5%	4%
Advertising & Promotion	-101	6,5%	-93	6,1%	9%
Design and Product Development	-65	4,1%	-65	4,2%	0%
G&A	-102	6,5%	-96	6,0%	6%
Operating expenses	-975	62,1%	-933	60,7%	5%
EBIT	150	9,6%	173	11,3%	-13%
Financial expenses	-30	1,9%	-33	2,2%	
EBT	120	7,6%	140	9,1%	
Income Taxes	34	2,2%	-41	2,7%	
Minority Income	0	0,0%	1	0,0%	
Group Net income	155	9,9%	99	6,4%	57%
D&A	-340	21,7%	-328	21,4%	
EBITDA	491	31,2%	501	32,7%	-2%

- Net Revenues up 2%, flat at constant FX; positive trend in full price sales
- EBITDA calculation significantly impacted by IFRS 16
- Income taxes benefitting by Patent Box tax relief

(*) Unaudited

Condensed Balance Sheet and Cash flow

Healthy balance sheet

€m	30-June 19	31-Dec-2018
Right of Use	2.379	-
Non current assets (excl deferred tax assets)	2.714	2.700
Net operating working capital	700	638
Other current assets / (liabilities), net	-14	-38
Other non current assets / (liabilities), net	68	-90
Net invested capital	5.846	3.211
Consolidated shareholders' equity	2.920	2.897
Net financial position (surplus) / deficit	507	314
Long term lease liability	2.047	-
Short term lease liability	372	-
Total	5.846	3.211
Operating Cash flow	137	365 (*)
Capex	178	284 (*)

- IFRS 16 applied from 1st of January 2019

(*) 12 months

Net Sales by Channel (€ mn)

Positive full-price sales and wholesale offset reduced markdowns

	H1-2018		H1-2019		<i>% change as reported</i>	<i>% change same FX</i>
Retail	1,237	82%	1,232	80%	-	-3%
Wholesale	274	18%	314	20%	+15%	+14%
Total	1,511	100%	1,546	100%	+2%	-

Retail

- Full-price retail sales growth by low-single-digit during H1, progressively improving during the semester
- Strategic phase-out of markdown sales impacted retail trends in H1 by mid-single-digit (- €64 mln)

Wholesale

- Continuing positive growth from e-tailers
- Channel not yet impacted by rationalization program

Net Sales by Geography (€ mn)

Improving full-price sales across all regions

	H1-2018		H1-2019		% change as reported	% change same FX
Europe	563	37%	598	39%	+6%	+7%
Americas	204	14%	216	14%	+6%	-
Far East	520	34%	499	32%	-4%	-6%
<i>Greater China</i>	344	23%	337	22%	-2%	-5%
Japan	171	11%	181	12%	+5%	-1%
Middle East	51	3%	51	3%	+1%	-5%
Others	2	-	2	-	-3%	-
Total Sales	1,511	100%	1,546	100%	+2%	-

Retail trends across all regions significantly **impacted** by **reduction in markdown sales**

Europe

- Very good wholesale trend driven by e-tailers
- Full-price retail sales up mid-single-digit driven by both locals and tourists

Americas and Japan

- Full-price retail sales up mid-single-digit mainly supported by domestic consumption

Far East

- Full-price retail sales stable
- Negatively impacted by HK due to social unrest and FX
- Positive trend in Mainland China, also supported by local advertising initiatives

Net Sales by Product (€ mn)

Ready-to-Wear outperformance for both Prada and Miu Miu

	H1-2018		H1-2019		% change as reported	% change same FX
	Value	%	Value	%		
Leather Goods	859	57%	868	56%	+1%	-1%
Ready to Wear	315	21%	339	22%	+8%	+5%
Footwear	308	20%	309	20%	-	-2%
Others	29	2%	30	2%	+4%	+2%
Total	1,511	100%	1,546	100%	+2%	-

Leather goods

- Overall stable trends

Ready-to-Wear

- Ongoing momentum in both Men's and Women's collections drove high-single-digit full-price retail sales

Footwear

- Positive full-price retail sales throughout the semester driven by sneakers and lifestyle proposals

Net Sales by Brand (€ mn)

Design leadership supporting sales

	H1-2018		H1-2019		<i>% change as reported</i>	<i>% change same FX</i>
Prada	1,237	83%	1,284	83%	+4%	+1%
Miu Miu	235	14%	221	14%	-6%	-8%
Church's	32	2%	33	2%	+4%	+3%
Other	8	1%	8	1%	+8%	+8%
Total	1,511	100%	1,546	100%	+2%	-

Prada

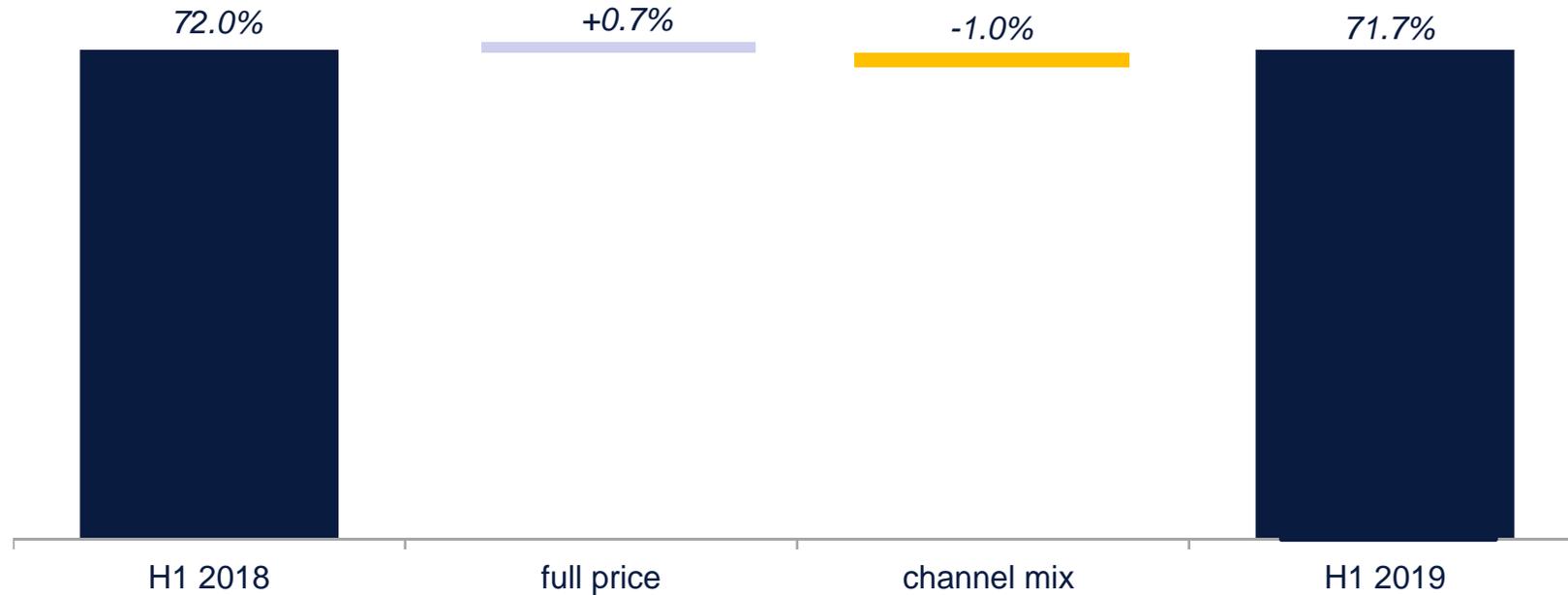
- Largely positive full-price retail sales throughout the semester
- Strong reception of latest collections in both Men and Women

Miu Miu

- Stable full-price retail trend
- Sixth consecutive semester of positive organic trend in RTW
- Leather goods product portfolio review in progress to grant a consistent and complete offer

Gross margin development

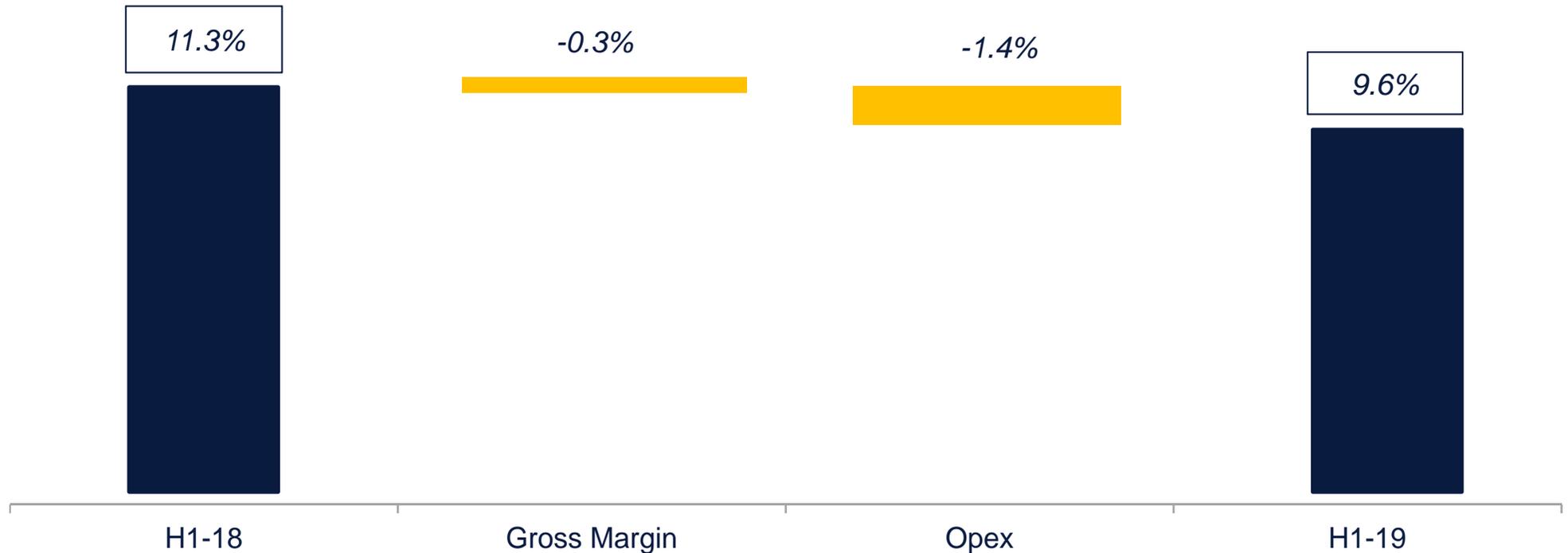
Gross margin broadly in line



- Positive contribution from full-price sales masked by greater weight of wholesale in channel mix

EBIT development

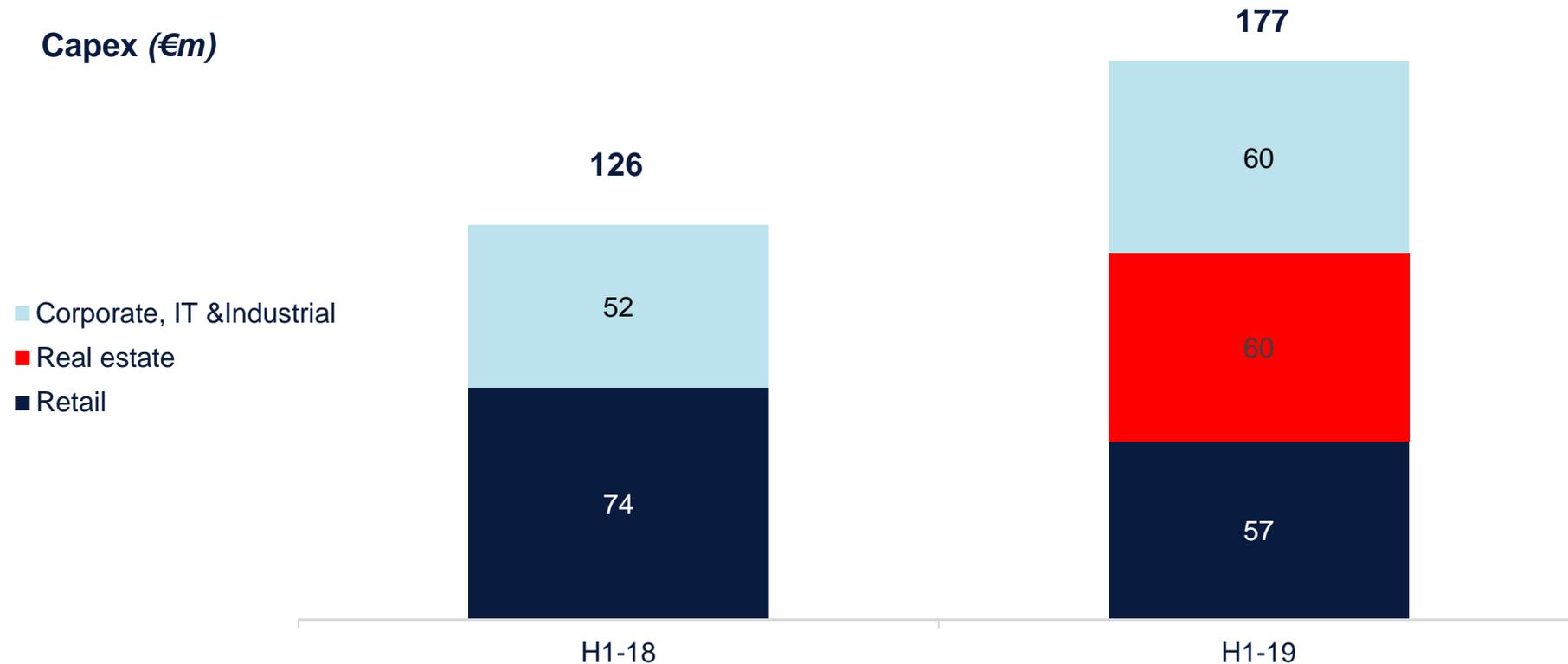
Impacted by continued investment in brands



- Opex grew €19 million or 2% at constant FX, mainly driven by additional communication and advertising activities and higher personnel costs

Capex

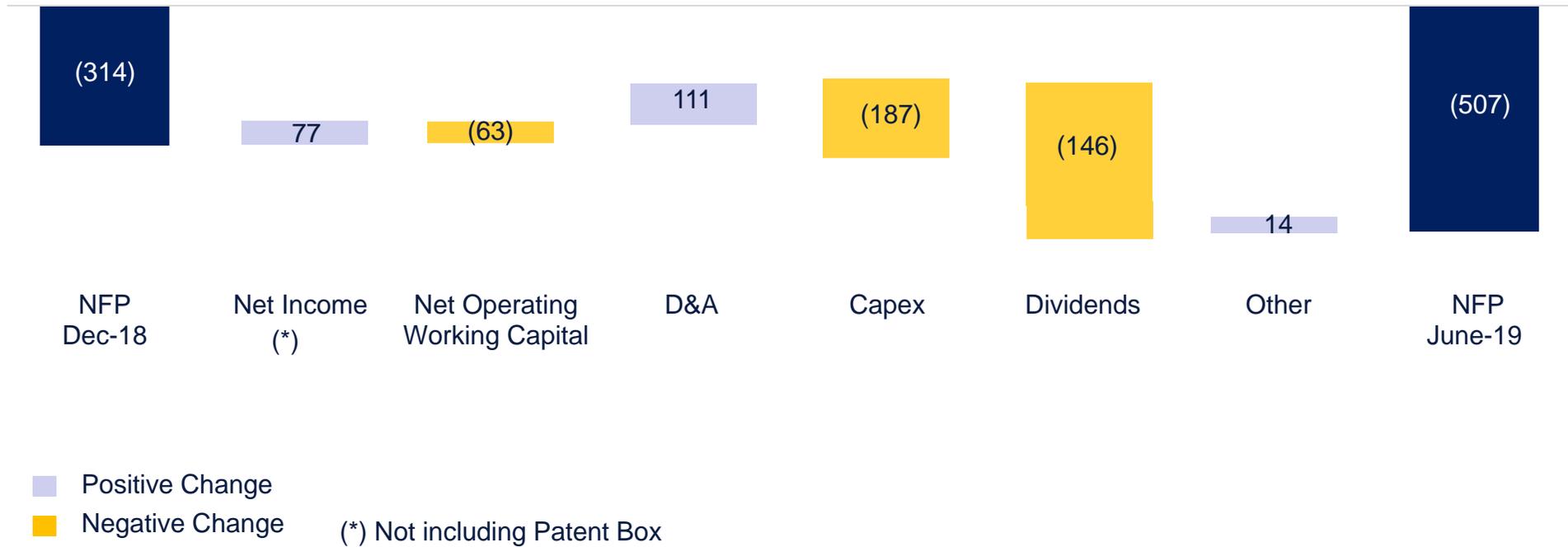
Investment in strategic retail asset drove Capex growth



- Retail capex lower than last year
- +1 net openings in H1-19: 11 openings and 10 closures
- ~50 renovation and relocation projects
- Acquisition of a strategic retail asset in Madrid for ~ €60 mln

Net financial position

(€m)



Overview and Business update

Patrizio Bertelli
CEO

H1-2019 overview

Strategic program in progress

Strengthening brand desirability and product value to support long-term sustainable growth

RETAIL

- Ending seasonal markdowns, completely phased out by year end
- Focus on store productivity

WHOLESALE

- Review and rationalization of wholesale partners to improve consistency and control in pricing policy across retail and digital channels

MERCHANDISING

- Continued focus on innovation creating a strong pipeline of newness showed in exciting context
- Stylistic leadership confirmed by significant market appreciation for new collections

TRANSFORMATION ENABLED BY TECHNOLOGY

- The adoption of technology allows us to elaborate data more effectively, transforming it into actionable information that supports rapid and precise business decisions

Positive trend in full-price sales, improving throughout the semester



Channels

Improving productivity across channels

RETAIL

All seasonal markdowns to be phased out by end of year, having an impact on H2-2019 retail sales

Continuous optimization of the retail network

- 11 new openings and 10 closures in H1-19
- ~ 50 renovation and relocation projects
- Bespoke store refurbishments to adapt store concept to local clientele preferences delivering returns

Creating excitement and customer engagement through store events and pop-ups

- ~ 500 store events YTD generating high returns
- 13 Pop ups in H1 / Incoming new and exciting in H2

Progressive improvement in full-price sales expected to continue

WHOLESALE

- Channel performance not impacted yet by rationalization of independent partners
- New partnerships with premium e-tailers



Merchandising

Evolving icons and newness

LEATHER GOODS

Continued improvement of product pipeline

- Launch of Re-Nylon collection
- New lines refreshing the offer to become evergreen: e.g. *Panier, Emblème, Cargo Nylon*
- Expected to benefit the most from a more consistent pricing policy

READY-TO-WEAR

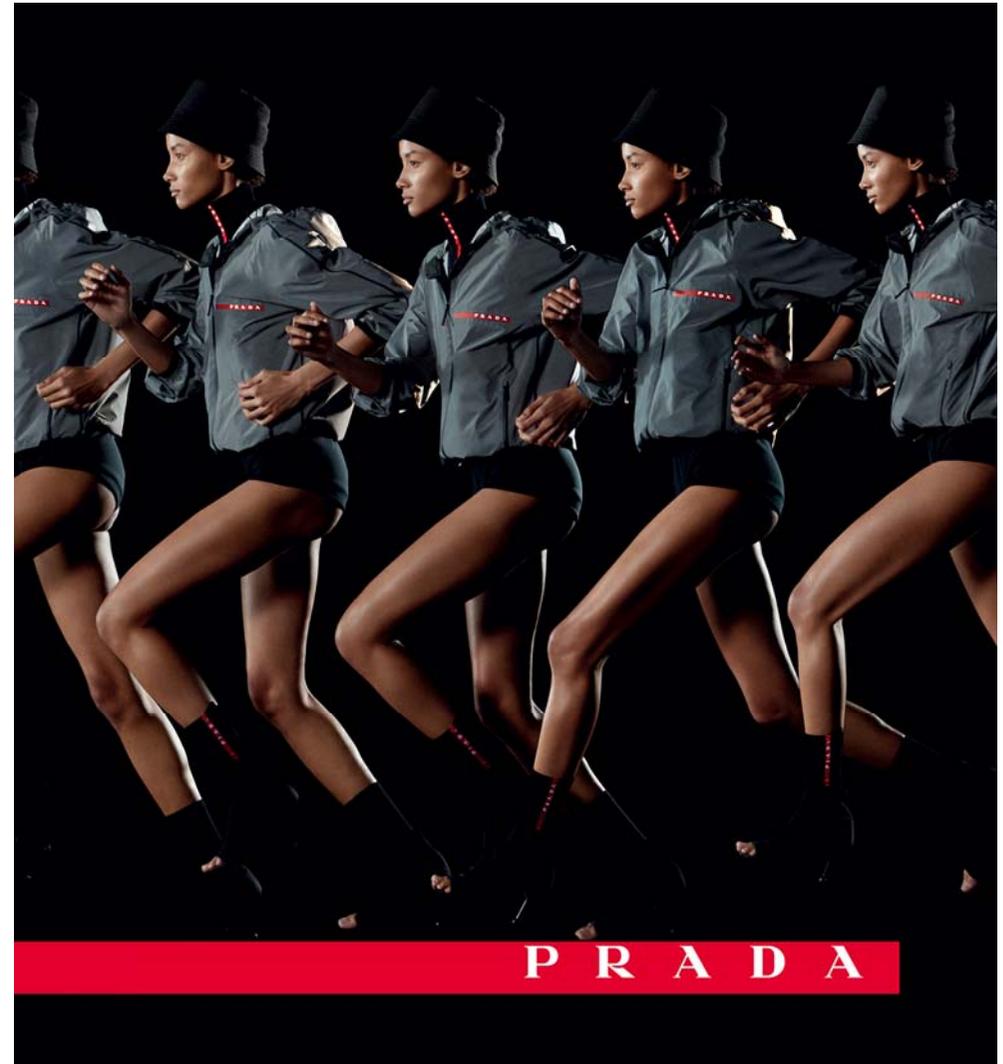
Outperformance in sales / strong reception from new collections

- Both Prada and Miu Miu collections very well received
- Excellent reception to high performance Linea Rossa line
 - well placed to increase engagement with younger generations
 - product offer continuously enhanced to gain greater momentum in occasion of the America's Cup

FOOTWEAR

Continuous strength from sneakers and newness

More and more “special packages” with dedicated set-up to attract local consumers



Marketing and Communication update

Lorenzo Bertelli

Head of Marketing and Communication

Continued investment in Technology

Data insights combined with creative heritage in new luxury environment

Strong centralized IT functions to leverage data from across the Group integrating supply chain, manufacturing, retail and marketing

Analytics - created integrated data infrastructure with advanced insights supporting Pricing, CRM, Communication and E-commerce

- Partnership with Oracle to support efficiency throughout core retail processes (financial planning, product assortment, replenishment, inventory management, etc.)
- Partnership with Adobe to enhance customer experience, analyzing interactions between brands and consumers across all online properties

New Retail Innovation department to coordinate CRM and support omnichannel strategies across brands

Marketing update

Contemporary brand initiatives aligned with local cultures

Refreshed slate of high-profile brand ambassadors

Driving excitement through events

(e.g. Prada Mode, Prada Invites, Miu Miu Select, eMiuticons)

Global shows for new collections:

- June 2019 - First SS20 menswear fashion show in Shanghai
- May 2019 - Prada Resort show in NY
- July 2019 - New location for the Miu Miu Croisière fashion show in Paris

Traction across social platforms continued to improve



Promoting an ethical business

Towards more responsible products

Prada Re-Nylon

Prada's environmental ideology inspires a unique line of regenerated Prada nylon bags, and a commitment to sustainable practice in future nylon production.

- Launch of six classic bags in Re-Nylon, bearing a new interpretation of the Prada triangle logo
- Nylon is an emblem of the brand a reinvention of heritage
- Promoted through a content series by National Geographic
- Entire annual requirement of 700,000 meters to be regenerated nylon by 2021

Prada Group collections to be fur-free from 2020



Outlook

Carlo Mazzi
Chairman

Prada Group's Social Responsibility

People, culture and environment

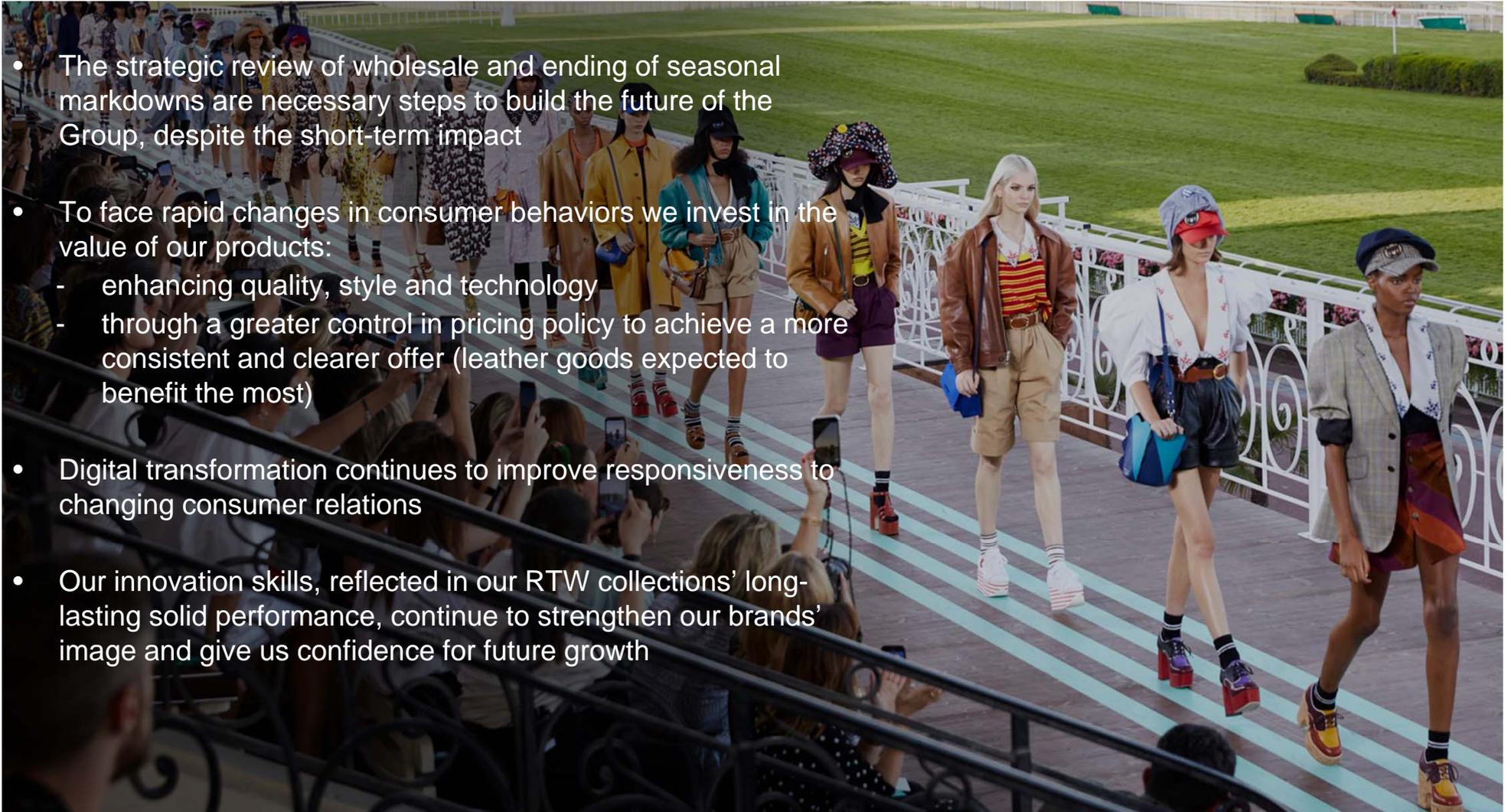
Social responsibility is a core element of our identity, deeply embedded within our strategy

- Diversity and Inclusion Advisory Council appointed in February
- Renewed focus on energy efficiency:
 - 100% of our energy supplied by renewable sources in Italy
 - 9 photovoltaic systems
 - 100% of direct stores full LED
 - 24% reduction in CO2 emission since 2017
- Prada Group's "Shaping a Future Sustainable Society" conference in NYC in the Autumn



Outlook

- The strategic review of wholesale and ending of seasonal markdowns are necessary steps to build the future of the Group, despite the short-term impact
- To face rapid changes in consumer behaviors we invest in the value of our products:
 - enhancing quality, style and technology
 - through a greater control in pricing policy to achieve a more consistent and clearer offer (leather goods expected to benefit the most)
- Digital transformation continues to improve responsiveness to changing consumer relations
- Our innovation skills, reflected in our RTW collections' long-lasting solid performance, continue to strengthen our brands' image and give us confidence for future growth



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Q&A SESSION

Appendix

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Financial expenses	-30	1,9%	-33	2,2%	
<i>Financial expenses</i>	-6	0,4%	-10	0,7%	
<i>Financial Right of use</i>	-25	1,6%	-23	1,5%	
EBT	120	7,6%	140	9,1%	
Income Taxes	34	2,2%	-41	2,7%	
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<i>D&A</i>	-111	7,1%	-106	6,9%	
<i>D&A Right of use</i>	-229	14,6%	-222	14,5%	
EBITDA	491	31,2%	501	32,7%	-2%

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