

FY 2020 Results Presentation

Milan, March 10th 2021

PRADA Group

Agenda

Patrizio Bertelli – CEO

Business update

Alessandra Cozzani – CFO

FY-2020 Financial Review

Lorenzo Bertelli – Head of Marketing and Head of CSR

Marketing and Communication update

Carlo Mazzi – Chairman

Outlook

Q&A Session

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Outlook

Q&A Session

Good execution in a challenging environment

H2 performance returning to pre-Covid levels

Prada Group proved to be very resilient in this unprecedented crisis

Ensured safe environment for employees and customers in different phases of lockdown worldwide

Sequential improvement in Retail trend throughout the year

Efficient cost containment plan

Active and flexible management of supply chain, avoiding excess inventory

Capex restricted to strategic projects

Sharp improvement in EBIT in H2, enough to fully offset the operating losses of H1

Strong operating Cash flow generation

Significant improvement in the Net Financial Position

Focus on retail and brands.com

Effective retail distribution network and focus on local clientele

Continued brand elevation supported by strategic decisions

- Discount termination
- Wholesale rationalisation continued

Improvement in Retail trends seen across all geographies despite ongoing restrictions

- Growing sales from local consumption reaching double digit in H2

Outstanding e-commerce growth supported by powerful global logistics platform

Focus on a dynamic and appealing omnichannel experience

- Roll-out of ~ 80 pop up and special in store installations (of which ~ 50 in H2) fully integrated with digital campaigns



Brand value

Continuous investment delivering growth

Group confirmed as a creative and industry pioneer

Positive momentum across brands, embodying contemporary values while remaining faithful to their DNA

Raf Simons appointment as co-designer confirms the independent and innovative vision of the Group. The shows were highly appreciated, with excellent reception for new collections in the stores

Group's investment in digital communication leveraged successfully

Continuously connecting with our consumers via innovative marketing and cultural initiatives



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Condensed P&L

Back to profitability

€m	FY-2020		FY-2019	
Net Revenues	2,423	100%	3,226	100%
COGS	-679	-28,0%	-906	-28.1%
Gross Margin	1,743	72.0%	2,320	71.9%
Selling	-1,143	-47.2%	-1,470	-45.6%
Advertising & Promotion	-207	-8.5%	-231	-7.2%
Design and Product Development	-102	-4.2%	-127	-3.9%
G&A	-154	-6.8%	-184	-5.7%
Operating expenses	-1,607	-66.3%	-2,013	-62.4%
EBIT before selling expenses of the closed stores during lockdowns	136	5.6%		
Selling expenses of the closed stores during lockdowns	-116	4.8%		
EBIT	20	0.8%	307	9.5%
Total Financial expenses	-72	-3.0%	-72	-2.2%
EBT	-52	-2.1%	235	7.3%
Income Taxes	-3	-0.1%	23	0.7%
Minority Income	0	0.0%	2	0,1%
Group Net income	-54	-2.3%	256	7.9%

Condensed Balance Sheet and Cash flow

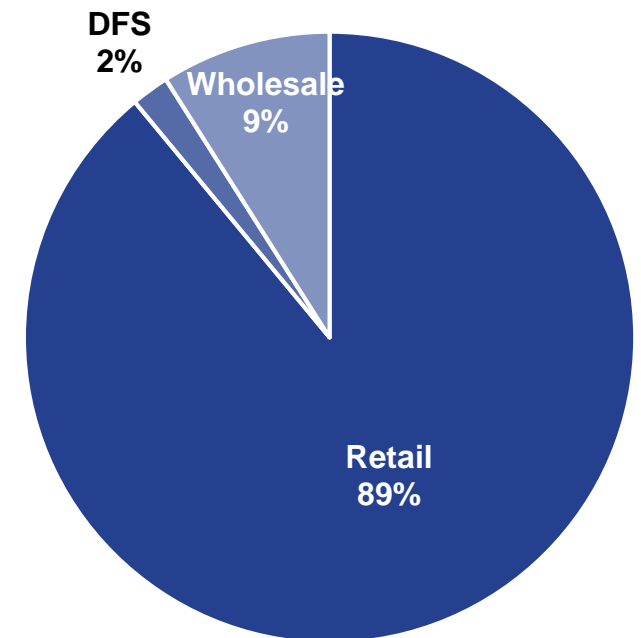
Strong balance sheet

€m	31 Dec 2020	31 Dec 2019
Right of use	2,054	2,363
Non current assets (excl deferred tax assets)	2,506	2,671
Net operating working capital	667	703
Other current assets / (liabilities), net	26	-6
Other non current assets / (liabilities), net	42	79
Net invested capital	5,296	5,809
Consolidated shareholders' equity	2,850	2,989
Net financial position (surplus) / deficit	311	406
Long term lease liability	1,730	2,006
Short term lease liability	404	410
Equity + Net Financial position	5,296	5,809
Operating Cash flow	262	362
Capex	122	302
Net Operating Working Capital / Sales	28%	22%
Debt / Equity	11%	14%

Net sales by Channel

Progressive recovery across the year

<i>% change same FX</i>	H1 20	H2 20	FY 20
Retail	-32%	-6%	-18%
Wholesale	-71%	-20%	-49%
Total	-40%	-8%	-24%



Retail

- Q4 retail trend improving vs. Q3 notwithstanding a second wave of lockdown in November-December
- October and December retail trend back to pre-pandemic level
- Sharp acceleration of the online business (>+200% in FY-20)
- 633 DOS end of 2020, 12 additions / 20 closures in 2020

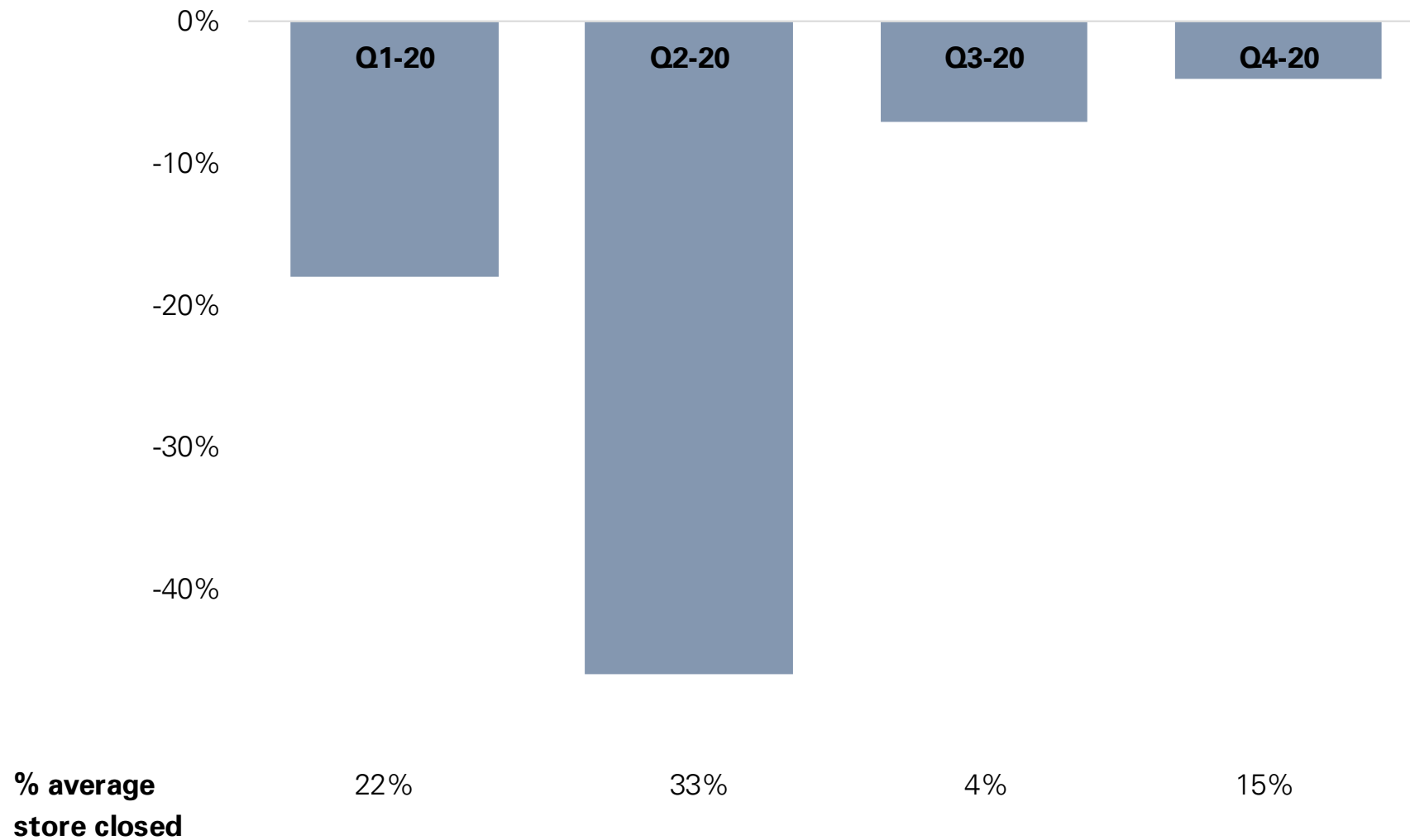
Wholesale

- Continued rationalization process in H2 (-20%)

Retail sales trend

Sequential improvement in H2

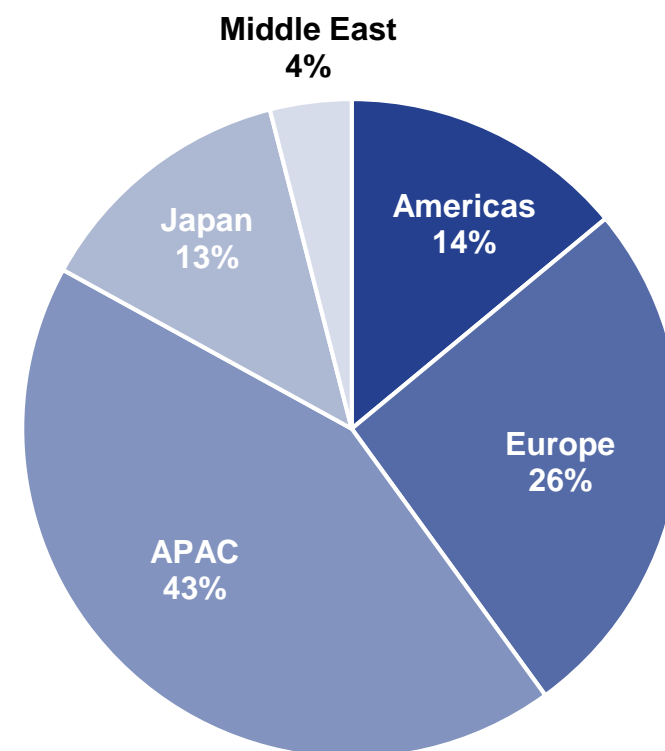
Retail sales organic growth %



Retail sales by Geography

Strong local consumption in every market

<i>Retail / % change same FX</i>	H1 20	H2 20	FY 20
Europe	-41%	-31%	-35%
Asia Pacific	-18%	+19%	+1%
Americas	-42%	+4%	-17%
Japan	-39%	-18%	-28%
Middle East	-44%	+26%	-12%
Total	-32%	-6%	-18%



Europe

- Trend heavily impacted by the absence of tourists and store closures
- European local customers up double-digit in H2
- Outstanding growth in Russia (+46% yoy)

Asia Pacific

- Back to pre-pandemic levels for the year
- Strong growth in H2 driven above all by China (+52%), Taiwan (+61%) and Korea (+22%)

Americas

- Sound performance in H2 thanks to strong local consumption
- Brazil exceeded FY-19 levels

Japan

- Particularly impacted by store closures in tourist destinations (Hawaii, Guam and Saipan)
- Improving local consumption in the second part of the year

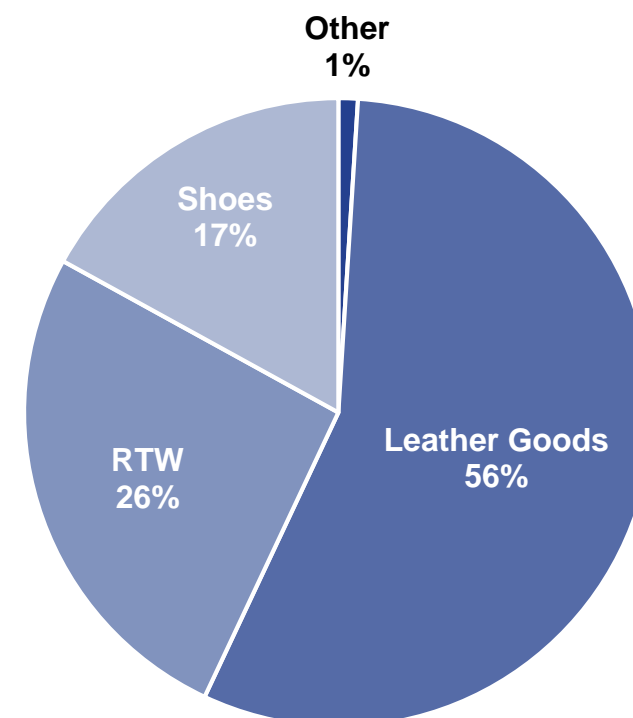
Middle East

- Significant turnaround in H2 driven by all countries

Retail sales by Product

Improvement across all categories

<i>Retail / % change same FX</i>	H1 20	H2 20	FY 20
Leather Goods	-31%	-7%	-19%
Ready to Wear	-27%	+1%	-12%
Footwear	-41%	-6%	-23%
Other	-53%	-36%	-44%
Total	-32%	-6%	-18%



Leather Goods

- Successful new product launches and reinterpretation of iconic products
- Sustained double digit increase in H2 in Asia, US and Middle East

Ready to Wear

- Strong recovery for Prada and Miu Miu collections in H2

Footwear

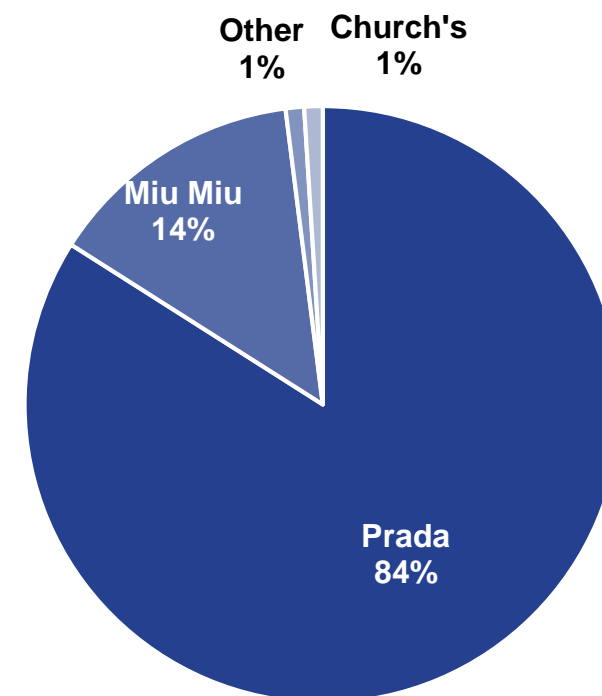
- Successful reception of new lifestyle collections drove the improvement in H2

Retail sales by Brand

Strong recovery for Prada and Miu Miu in H2

<i>Retail / % change same FX</i>	H1 20	H2 20	FY 20
Prada	-31%	-4%	-17%
Miu Miu	-36%	-10%	-22%
Church's	-52%	-44%	-47%
Other (*)	-57%	-38%	-46%
Total	-32%	-6%	-18%

(*) includes Marchesi and Car Shoe

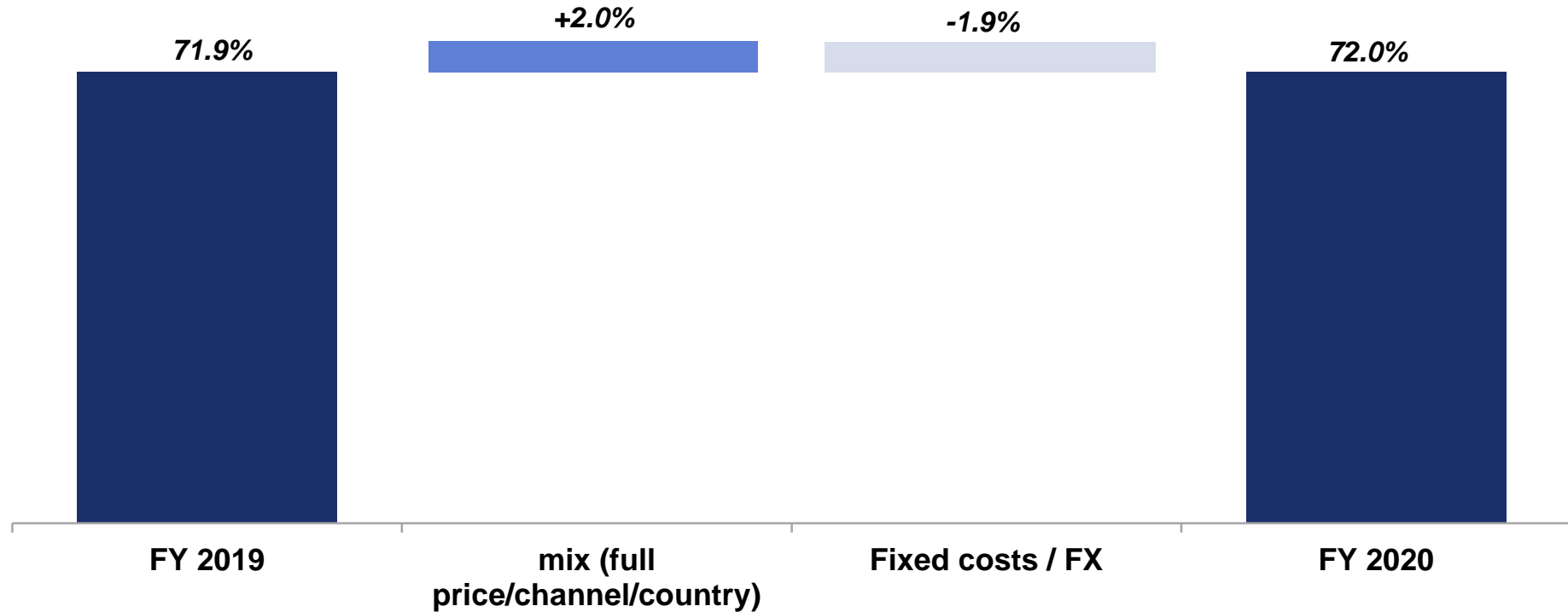


Church's

- Heavily impacted by the geographic exposure (~80% Europe)

Gross margin development

Very resilient industrial margins

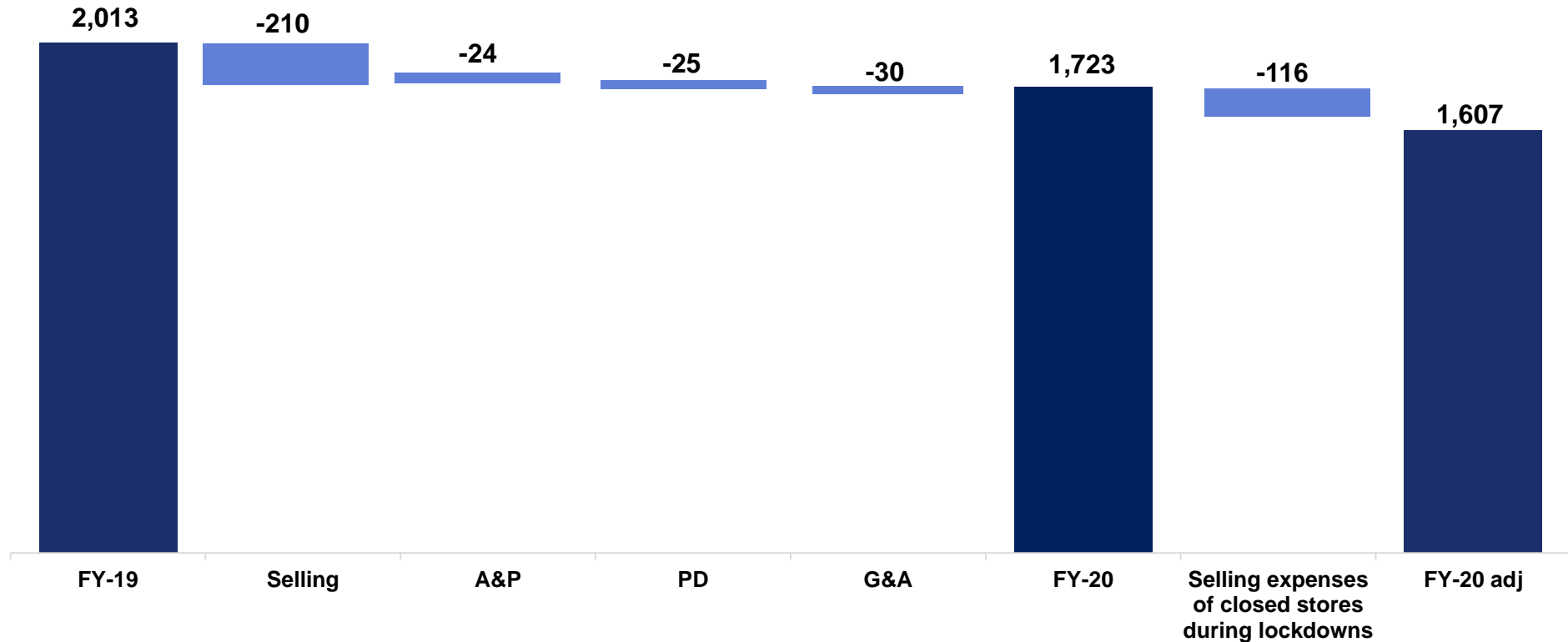


- Under absorption of industrial fixed costs impact in H1 fully offset by H2 improvement
- Gross Margin reached ~ 73% in H2

Operating costs

Proactive cost management

€ mln

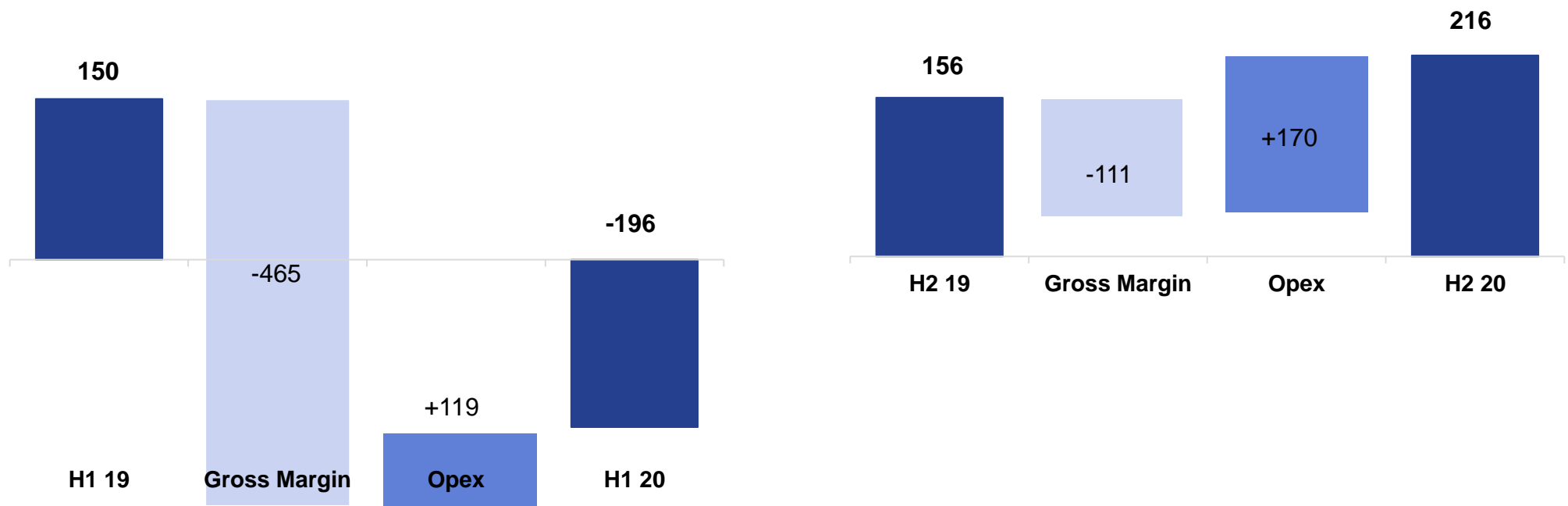


- Total opex declined by -14% (or - € 290 mln)
- Extensive savings programme implemented across all areas of cost
- G&A include the capital gain arising from the Milan real estate disposal

EBIT bridge

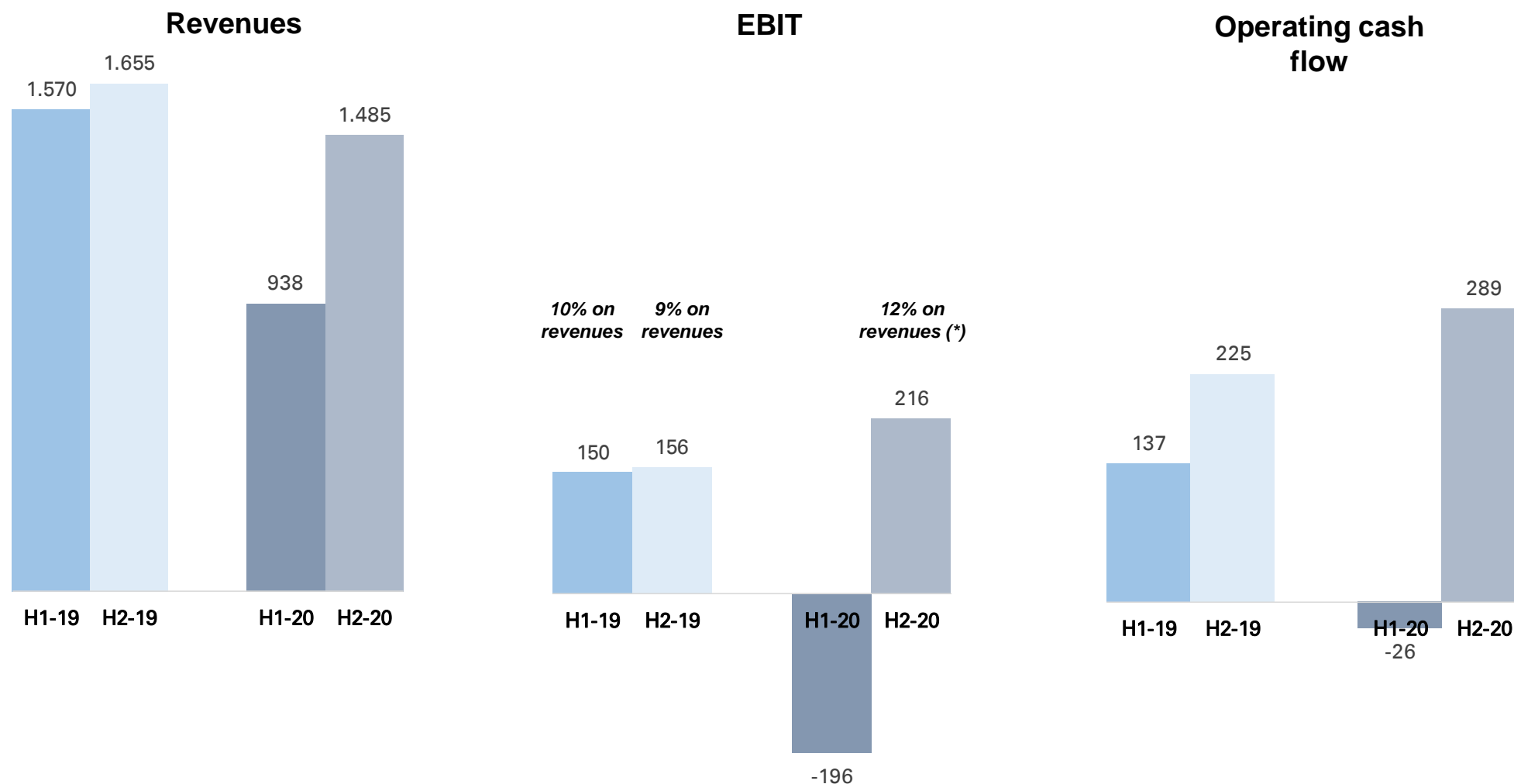
Back to positive operating profit

€ mln



Revenues, EBIT and Cash flow evolution

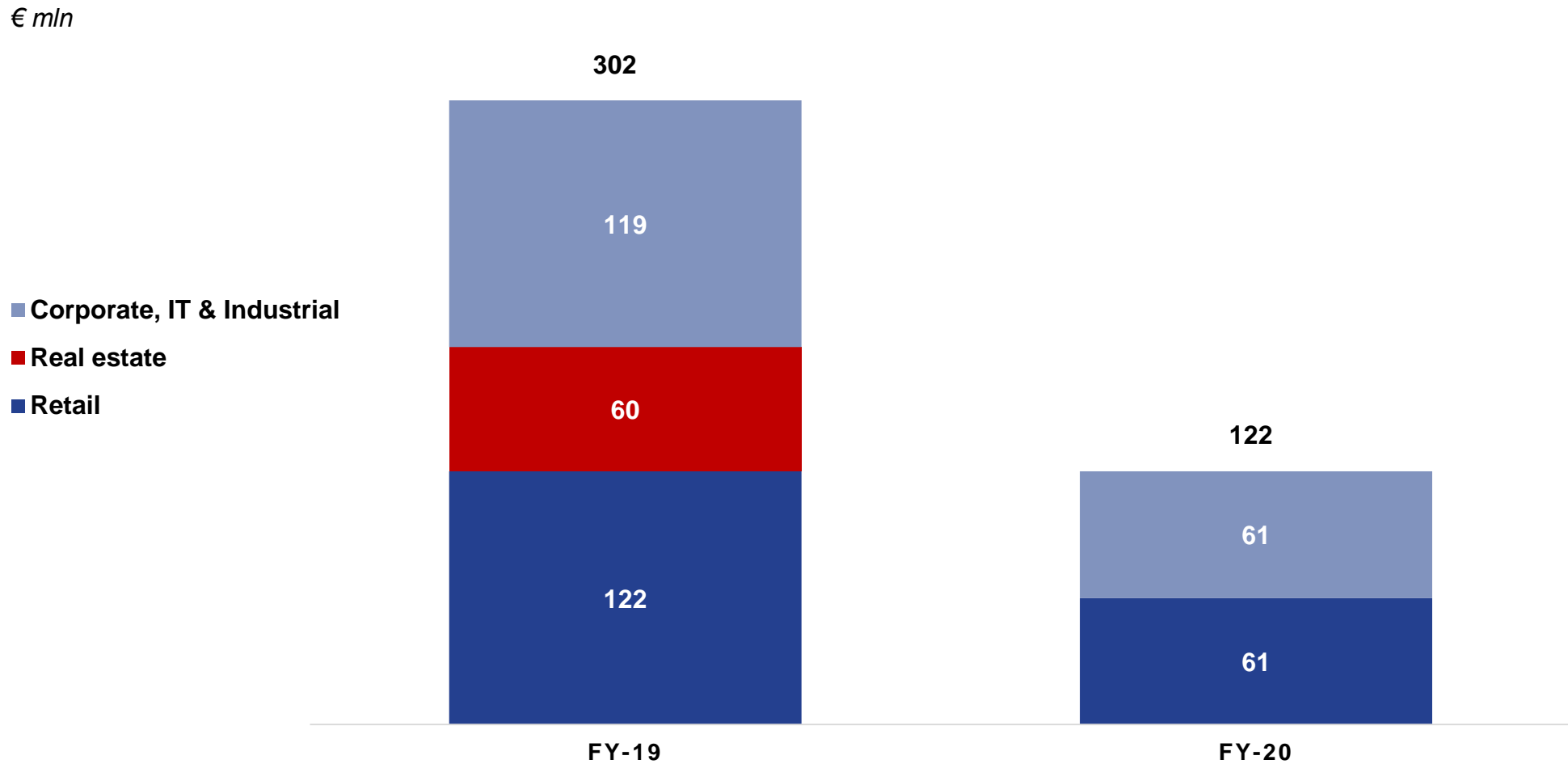
€ mln



(*) net of capital gain from the Milan real estate disposal

Capex

Limited to strategic projects

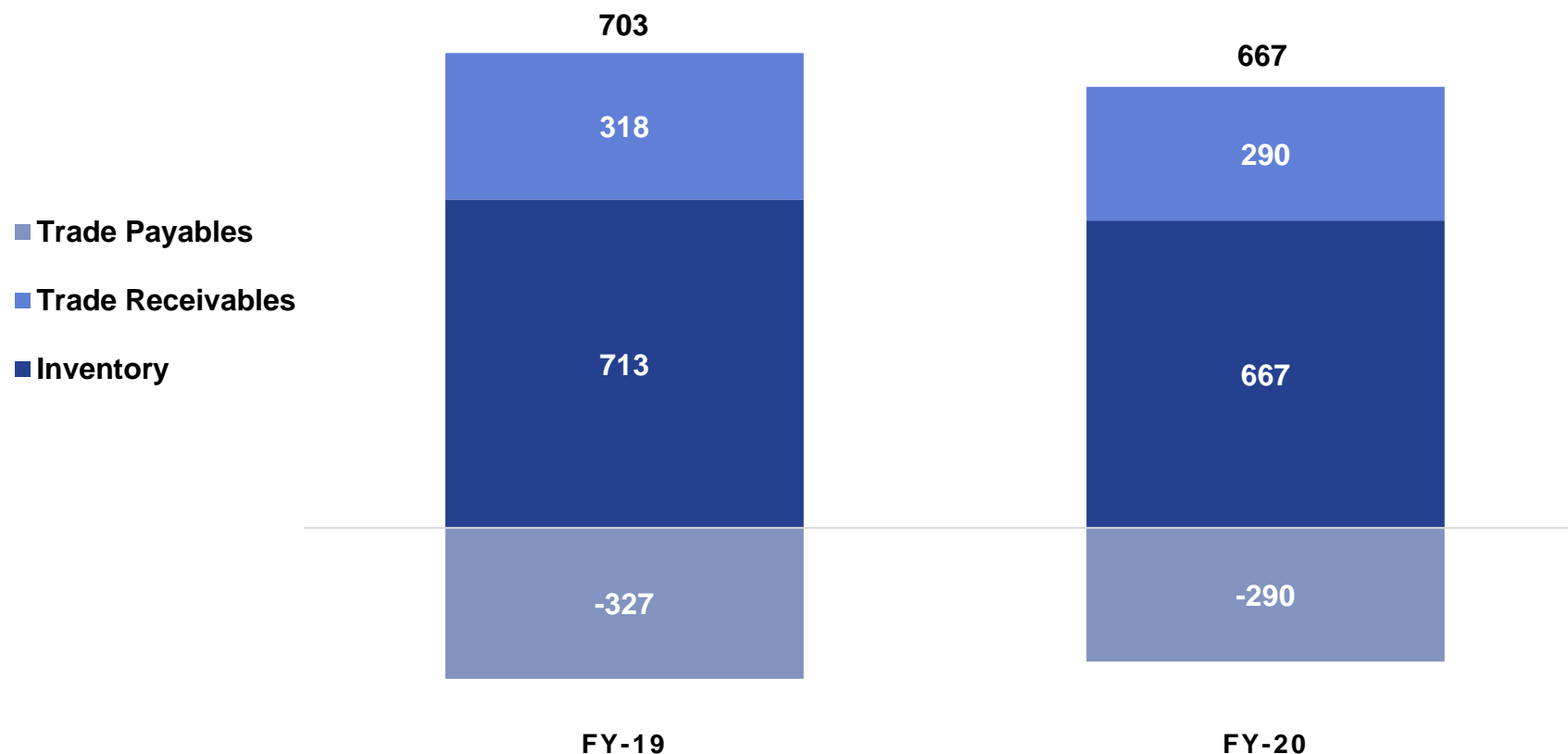


- 12 openings and 20 closures in 2020

Net Operating Working Capital

Managing supply chain effectively

€ mln



Net working capital remains well under control

- Effective management of the supply chain
- Inventory down yoy
- Trade receivables down as a result of the wholesale reorganization

Net financial position

Opening Net financial position surplus / (deficit) - 31/12/2019	(406)
Consolidated Net Result	-54
Net Working Capital	+106
Depreciation and Amortization	+225
Investments	-150
Other	-32
Closing Net financial position surplus / (deficit) - 31/12/2020	(311)

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E-commerce

Optimise the online experience as e-commerce penetration accelerates

Strong focus on brands.com and selected market places / e-concessions

- Roll out on a global scale ongoing at all brands
- Building a dedicated e-commerce Chinese team

Further improving the online customer experience and conversion rates

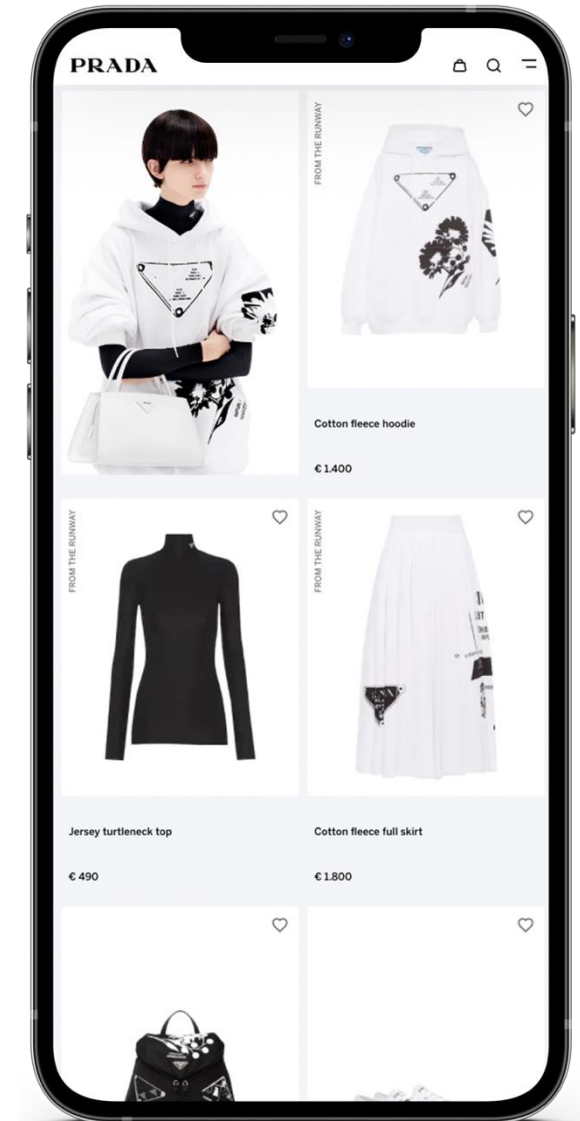
- Restyled Prada website across all major markets

Optimisation of the e-commerce order-fulfillment process

- Providing shipment from both stores and central / regional warehouses

Improving technological platforms and applications to support the high level of demand online

Sharp acceleration of the online business across geographies and categories



Focus on client engagement and omnichannel

A systemic approach on all digital platforms

Wider range of omnichannel services as digital is augmented with physical and viceversa

- More interactive relationships with customers thanks to clienteling actions supported by technology

Leveraging advanced analytics to develop personalised customer strategy

Storytelling strategy to engage clients on brand and company's values

Rolled out Net Promoter Score (NPS) system globally to continuously improve cross channel customer experience

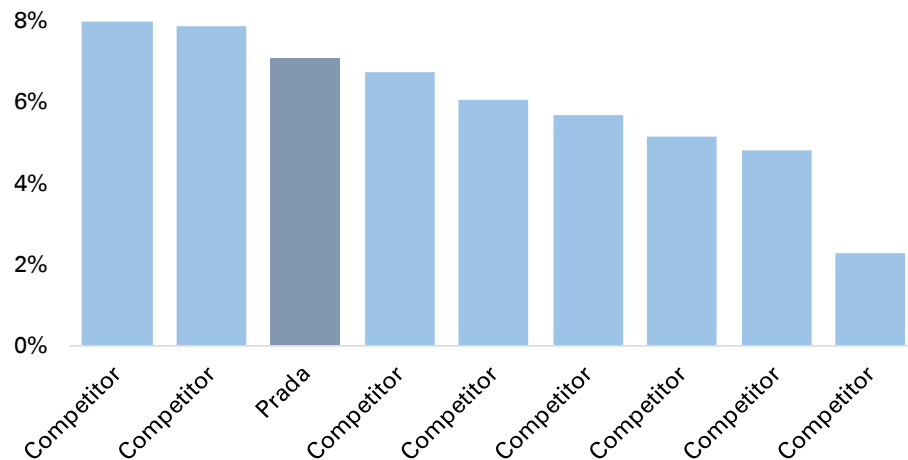


Prada brand heat strong and accelerating

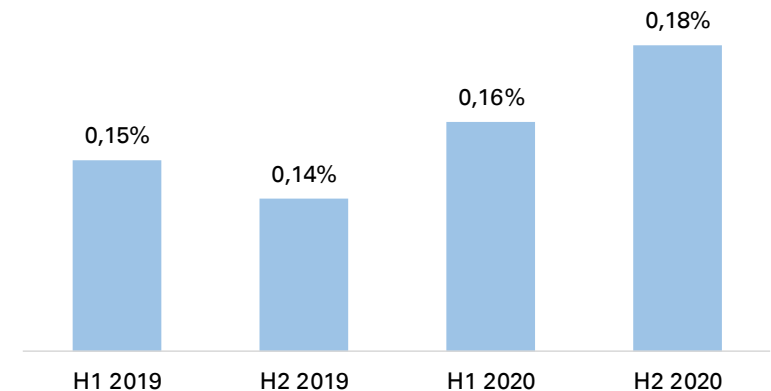
Data statistics confirming brand momentum

- **Growth rate** on Instagram: Prada ranked **3rd** in H2-20 (**)
- **Engagement rate** on Instagram: **+32%** in H2-20 vs. H2-19 (**)
- **Growth rate** on Weibo: Prada ranked **3rd** in H2-20 (**)
- **Google search** indicator: **+29%** in H2-20 vs. H2-19; **+41%** in H2-20 vs H1-20 (*)
- **Site traffic**: **+74%** in H2-20 vs. H2-19 (***)
- **Chinese Organic Site traffic** : **+71%** in H2-20 vs. H2-19 (****)

H2-20
Instagram growth rate comparison



Instagram engagement rate
trend Prada brand



(*) Google trend

(**) 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

Prada and Miu Miu SS21 digital shows as effective as physical events

Successfully adapted to the critical environment

Prada

- Prada SS21 **top ranked** in terms of online buzz during Milan Fashion Week
- **Triple digit growth** in views on Instagram (SS21 vs. SS20)
- Weibo hashtag #PradaSS21 hit 170 mln views in one day
- 32 mln views on Weibo and 35 mln on Douyin

Miu Miu

- Miu Miu SS21 fashion show is the **third** most mentioned brand at Paris Fashion Week.
- **Triple digit growth** in views on Instagram (SS21 vs. SS20)



Innovative ways of connecting with our audiences

Accessible approach towards communication

Prada Dialogues, an innovative concept within the Prada marketing strategy

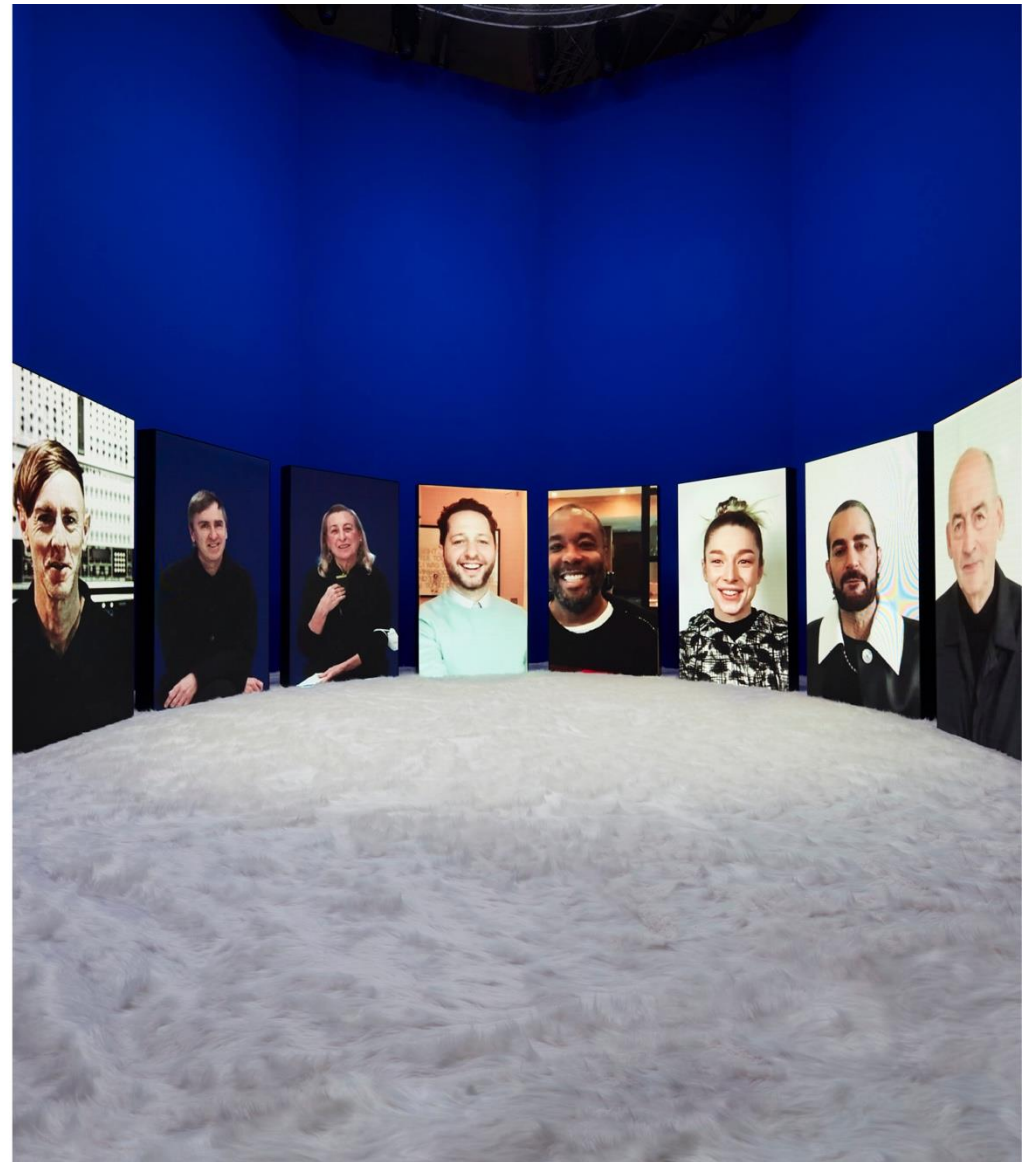
Starting at the debut collection (SS21) by the co-creative directors Miuccia Prada and Raf Simons, Prada inaugurated an open dialogue between the brand and its audiences

Prada and Sotheby's «Tools of memory»

Fall/Winter 2020 campaign conceived as an online auction in collaboration with Sotheby's. Proceeds donated to UNESCO's educational projects

Prada Possible Conversations

A series of digital talks exploring fashion, culture and life on Instagram, later translated into local events. Each conversation resulted in a donation to UNESCO



Global and local approach in communication

Activations and cultural events around the world

Culture-related activities

- **Prada Mode event** - experiential marketing format to connect with local audiences in Paris and Shanghai
- **Miu Miu Women's Tales** local screenings in Tokyo and Shanghai

Product-oriented initiatives involving key celebrities and influencers

- **Prada Cleo bag local activations** - #Pradacleobag saw 55 million impressions and 410,000 discussions on Weibo within hours of the launch
- **Miu Miu Select** - Retail experience inviting a community of Miu Miu girls to showcase their favourite wardrobe among the collection worldwide



ESG

Continuing to prioritise ESG delivery

Prada Group to unveil its comprehensive CSR roadmap in 2021

Continuous focus on fostering an inclusive company culture

- Appointment of Chief Diversity and Inclusion Officer
- Prada Group joins the Valuable 500 global community putting disability on sustainability agenda

Completion of Sea Beyond

Educational programme conducted in collaboration with UNESCO's Intergovernmental Oceanographic Commission (IOC)

Prada Group leadership in sustainable finance confirmed

Third issuance of a sustainable linked loan



ESG

Product innovation from a sustainability perspective

The Group is strongly committed to the research and development of alternative materials

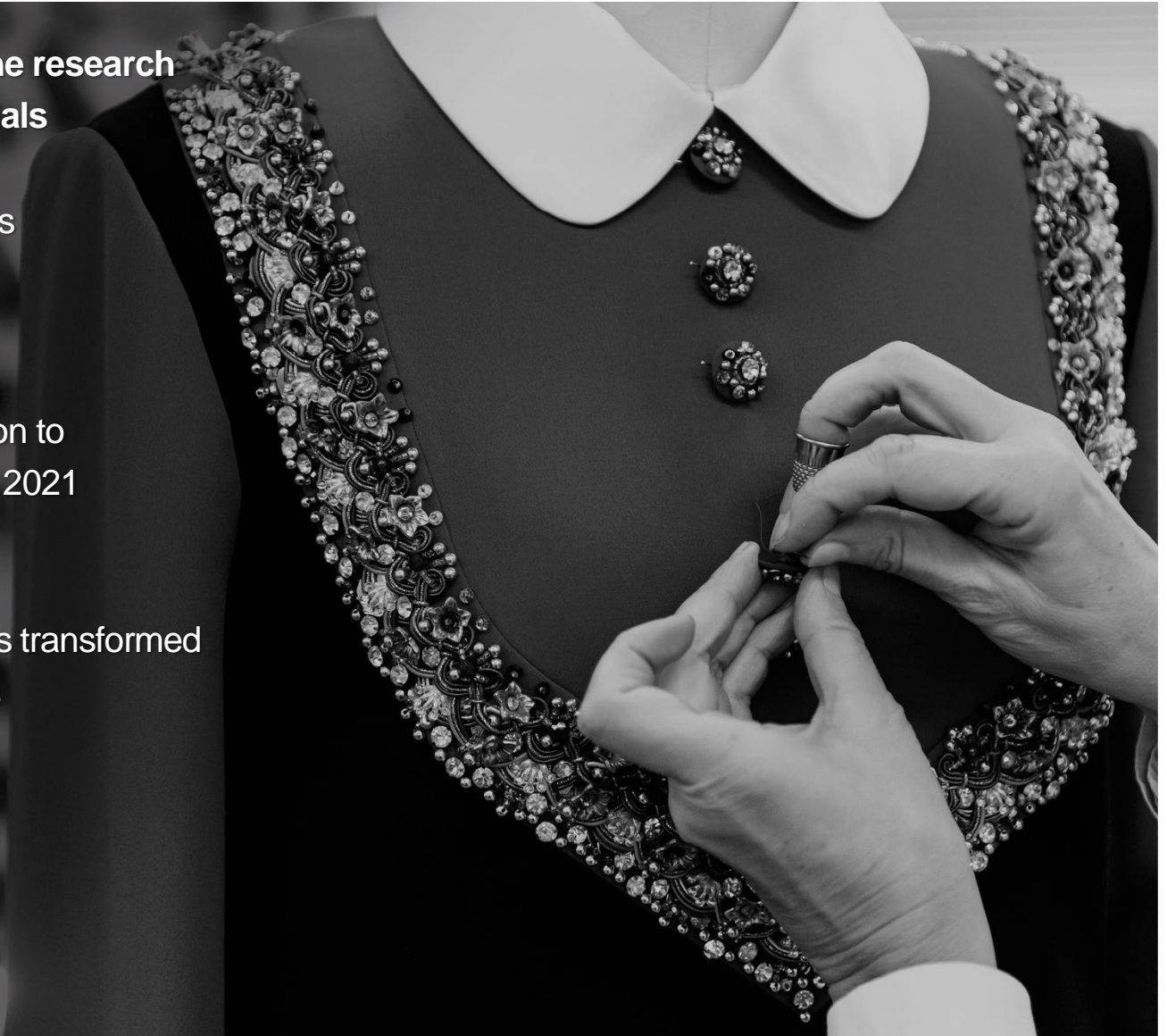
- Industrial partnership with Adidas
- Implementing Fashion Pact objectives

Prada Re-Nylon

- Successfully expanded collection
- Full conversion from Prada virgin nylon to regenerated nylon on track by end of 2021

Upcycled by Miu Miu

- A special collection of vintage dresses transformed according to Miu Miu aesthetic codes
- New collaboration with Levi's in 2021



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Outlook

Prada Group successfully withstood the unprecedented challenges of the pandemic while continuing to drive forward strategy

Continuous investment in brand equity, people, product and customers delivered resilience and strong recovery in sales

Direct control of the supply chain and distribution channels combined with a focus on digital communications are the pillars of positive future prospects

Encouraging start to 2021 in spite of continuing restrictions

In an environment that is still uncertain, the fundamentals of the luxury sector remain strong and the Prada Group is well positioned to capture long term growth

