

PRADA

MILANO

DAL 1913

H1 2018 Results Presentation

Milan, August 1st, 2018

H1 2018 Financial Review

H1-2018: at a glance

Solid performance – revenue growth and margin progression

Condensed P&L

€m	H1 18	H1 17 (*)	% change
Net Revenues	1,535.3	1,486.0	+3.3%
<i>Gross Margin</i>	72.0%	72.5%	
EBITDA	270.8	250.6	+8.0%
<i>EBITDA Margin</i>	17.6%	16.9%	
EBIT	159.2	137.2	+16.0%
<i>EBIT Margin</i>	10.4%	9.2%	
Net Income	105.7	95.4	+10.7%
<i>Net Income margin</i>	6.9%	6.4%	

- Net Revenues up +9% at constant FX
- EBIT up +16% and EBITDA up +8% leveraging positive SSSG
- Operating costs well under control despite continuing investment in digital and communication

(*) Pro-forma 6 months January – June 17 unaudited

H1-2018: at a glance

Sound financial structure

Condensed Balance Sheet and Cash Flow

€m	30 June 18	31 Dec 17
Non current assets	2,569	2,565
Net operating working capital	602	546
Other current assets / (liabilities), net	(31)	(21)
Other non current assets / (liabilities), net	(106)	(121)
Net invested capital	3,034	2,970
Consolidated shareholders' equity	2,794	2,866
Net financial position (surplus)/deficit	240	104
Equity + Net Financial Position	3,034	2,970
Operating cash flow	180	447 (*)
Capital expenditure	126	251 (*)

(*) 11 months

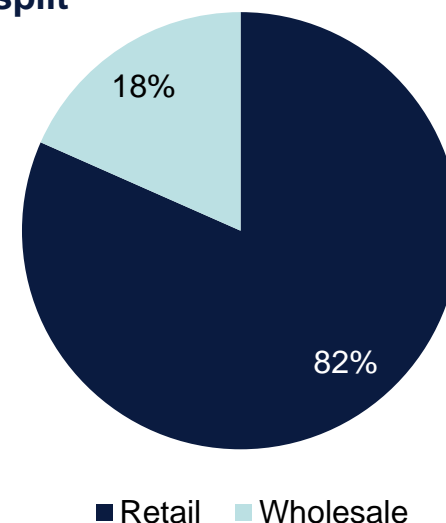
- Investments of the period fully covered by the operating cash flow
- Increase in working capital in line with merchandising strategy
- Net financial position reflects €186m dividend payment
- Balance sheet remains strong, with very low gearing ratio at 9%

Net sales by channel

Consisted performance across all channels

€m	H1 2018	H1 2017	% change same FX
Retail	1,237	1,200	+10%
Wholesale	274	260	+8%
Total	1,511	1,460	+9%

H1 18 split



Retail

- Continuing improvement driven by same store sales growth and full-price sales
- Strong double digit online sales growth
- Ongoing strategic reduction of markdown sales representing now around 10% of retail sales
- 4 net store openings (+17 openings -13 closures) consistent with the retail network optimization

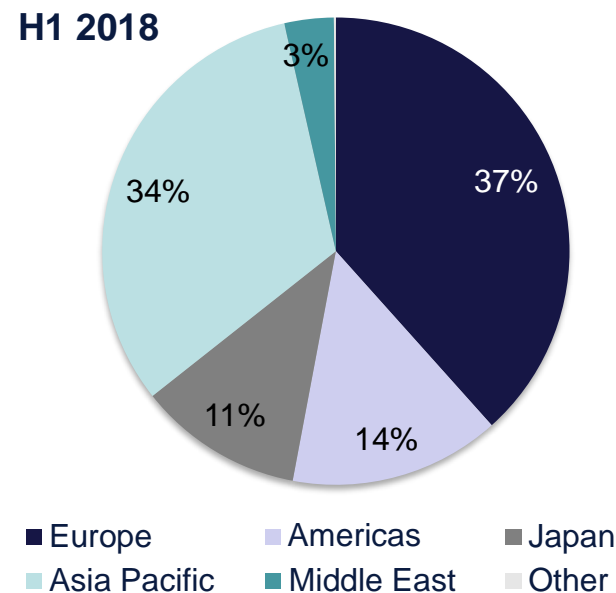
Wholesale

- Solid results mainly driven by e-tailers

Net sales by geography

Positive trends across all regions; outstanding Asia Pacific growth

€m	H1 2018	H1 2017	% change same FX
Europe	563	536	+7%
Asia Pacific	520	488	+14%
<i>Greater China</i>	344	316	+17%
Americas	204	212	+8%
Japan	171	171	+9%
Middle East	51	52	+7%
Other	2	1	+4%
Total	1,511	1,460	+9%



Europe

- Positive trends despite weaker tourist flow on strength of Euro

Asia Pacific

- Double digit organic growth driven by remarkable results in Greater China

Americas

- Solid trends fostered by both distribution channels, with particularly strength in retail

Japan

- Strong recovery in Japan benefited from higher tourist flows and domestic spending

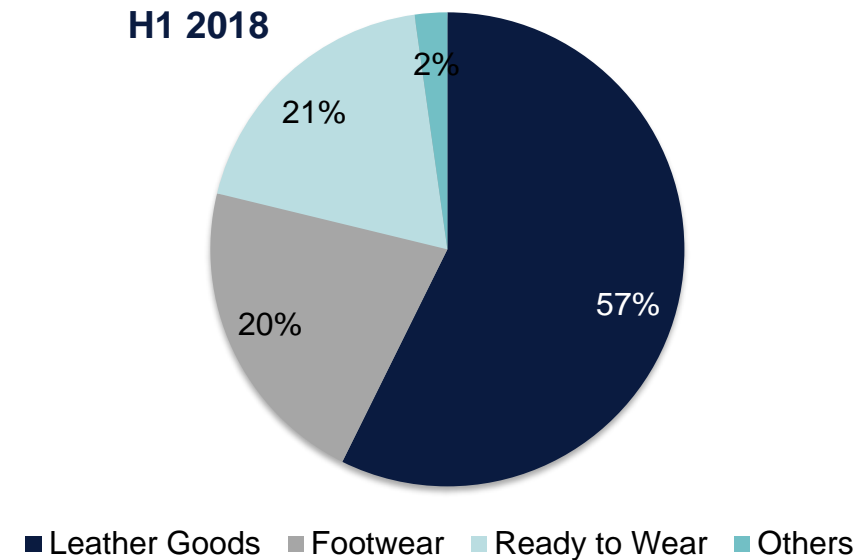
Middle East

- Return to positive retail trends with good results in all countries

Net sales by product

New launches deliver growth across all categories

€m	H1 2018	H1 2017	% change same FX
Leather Goods	859	839	+8%
Ready to Wear	315	278	+20%
Footwear	308	313	+4%
Other	29	29	+2%
Total	1,511	1,460	+9%



Leather Goods

- Consistent revenue growth across both Prada and Miu Miu
- Newly launched and iconic handbags, including *Prada Black Nylon* performed particularly well

Ready to wear

- Strong acceleration in both men's and women's collections

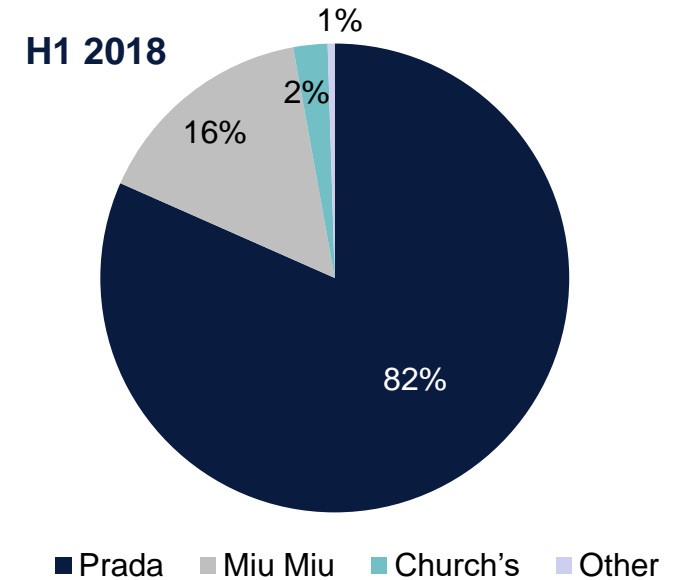
Footwear

- Successful launch of sneakers and lifestyle propositions for both men and women

Net sales by brand

Creativity driving growth at both Prada and Miu Miu

€m	H1 2018	H1 2017	% change same FX
Prada	1,237	1,189	+10%
Miu Miu	235	230	+8%
Church's	32	34	-4%
Other	8	8	+2%
Total	1,511	1,460	+9%



Prada

- Double digit organic growth driven by all categories. Particularly strength in RTW and Leather Goods

Miu Miu

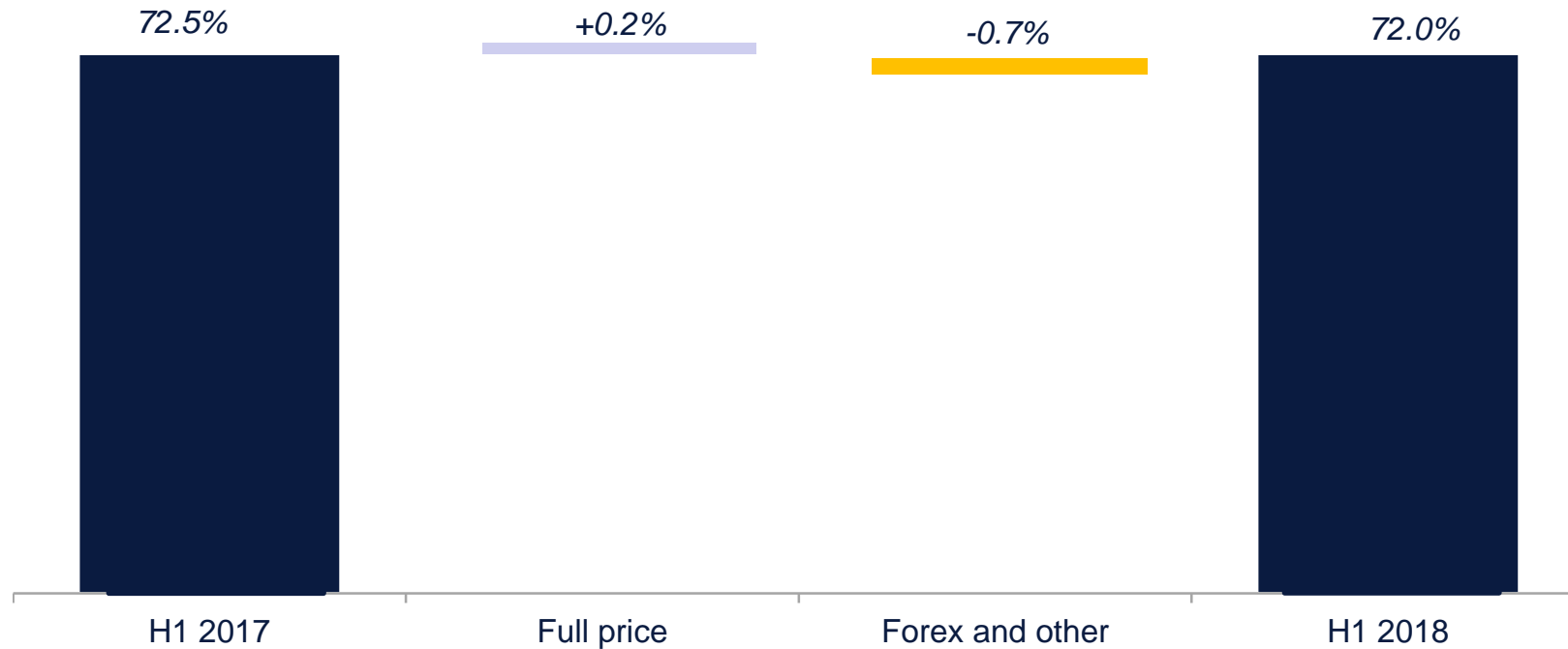
- Return to positive organic growth across all categories through enhanced distribution and new collections

Church's

- Wholesale reorganisation temporarily offsetting positive retail trends

Gross margin development

FX headwinds impacted profitability

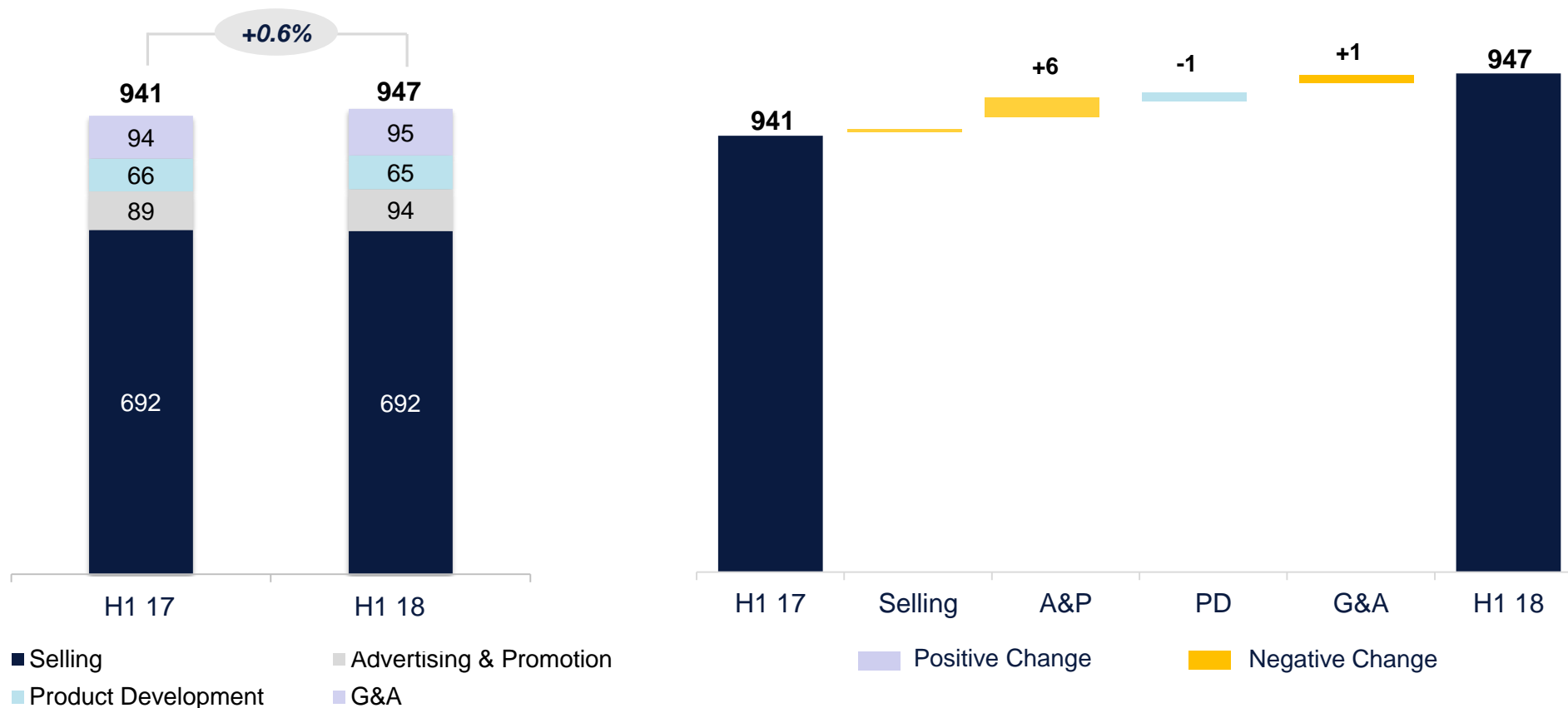


- Margin supported by higher sales quality and reduction in markdowns
- Negatively impacted by FX

Operating costs

Investing in the brand within a streamlined cost structure

Operating expenses (€m)



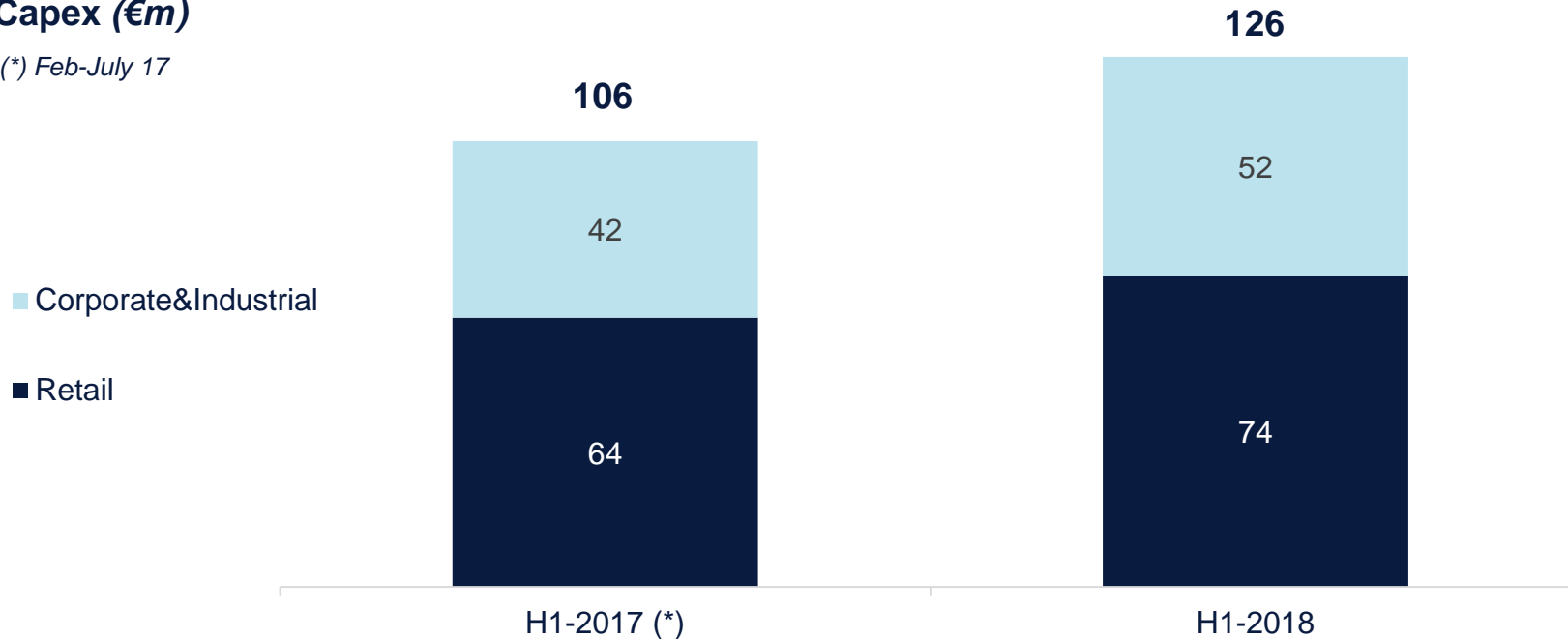
- Operating expenses broadly in line year-on-year at current exchange rate
- Mid-single digit growth at constant FX driven mainly by increased advertising and digital media spending

Capex

Investments to support long term growth

Capex (€m)

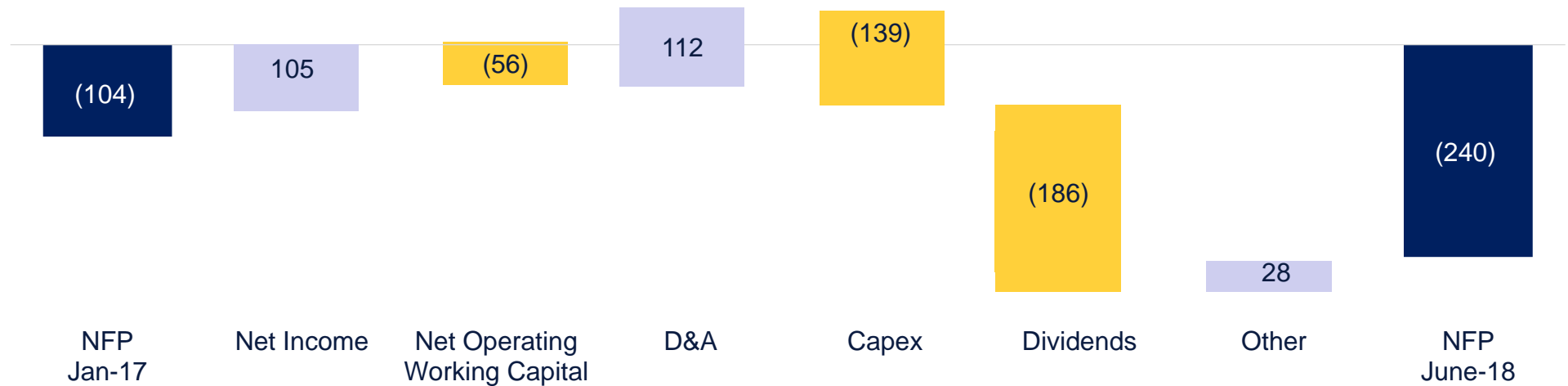
(*) Feb-July 17



- 4 net openings in H1-2018 - 17 openings and 13 closures
- ~30 renovation and relocation projects
- Industrial project: new Prada logistic hub in Tuscany

Net financial position

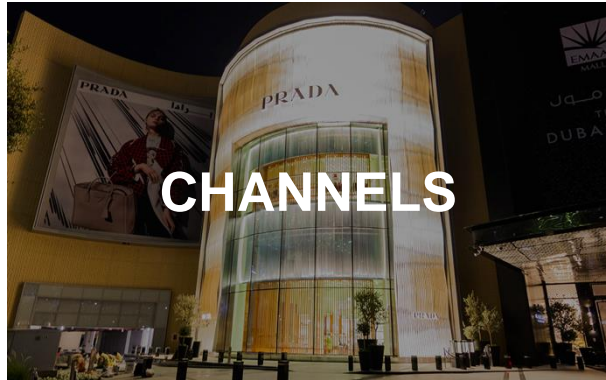
(€m)



■ Positive Change
■ Negative Change

Business Update

Brand integrity and digital evolution driving sustainable organic growth



CHANNELS

- Enhanced focus on consumer experience
- Retail network continuously refreshed and renovated
- Successful partnerships with e-tailers
- Online experience integrated with store network



MERCHANDISING

- Balanced mix of newness and heritage in LG
- Outstanding performance in RTW confirming design leadership
- Leveraging strong identity in classic and sportswear shoes
- Collaborations and Drop collections driving consumer excitement



COMMUNICATION

- Investment in brand equity
- A contemporary take on fashion shows
- Increased digital projects targeting new generations

Retail

Global retail network empowered by digital experience

Enhanced focus on consumer experience fully integrated with digital and social campaigns

- Roll-out of 36 pop-up stores:
 - 25 Prada and 11 Miu Miu
 - Concepts: Prada: *Silver line, Prada Spirit, Cabins, Sneakers, Nylon Vela, Prada Patch*; Miu Miu: *Pic Nic, Disco*
- Linea Rossa special set up in DOS in H2

Retail network continuously refreshed and renovated

- 17 new openings and 13 closures
 - New Prada and Miu Miu openings at the Dubai Mall's Fashion Avenue
- ~30 renovation and relocation projects
 - 23 Prada and 7 Miu Miu
 - Miu Miu *Blue* concept already rolled out in 120 DOS



Wholesale

Successful partnerships with premium e-tailers

Partnerships reinforced by exclusive capsule collections

- Prada Man capsule “bowling” for Mr Porter
- Prada Woman RTW capsule for Mytheresa promoted by R ‘n’ B artist Abra
- Prada capsule of 20 shoe models for Moda Operandi
- The Drop – shopping experience at Barneys
- Prada capsule for the 1st physical store of Ssense
- Church’s Vetements collaboration available at Matches and Mr Porter

Farfetch

- Launched Prada and Miu Miu in H1-18 in US, Europe and Japan



Direct e-commerce

Online experience integrated with retail network

PRADA

- New platform rolled out across all key regions
- Omnichannel experience in EU, US and China
- Special projects in H1-18:
 - *Cloudbust* sneaker launch; *Nylon farm*
 - Online capsule collections for Germany, UK, US and Canada
 - Recently launched Pre-order *Linea Rossa*

MIU MIU

- Released e-commerce in China and other key Asian countries
 - Special projects in H1-18:
 - *Miu Miu Blue Tales* T-Shirts; *Summer Dreaming*; *Miu Delight*; *Iconic Wardrobe*
 - Pre-order new collections on line



Merchandising

Leveraging unique DNA and creativity in a more effective offer

Leather Goods - balanced mix of newness and heritage

- Broad-based organic growth across brands and regions
- Bags and *Viaggio* outperforming
- Successful new product launches along with contemporary reinterpretation of iconic lines

RTW - outstanding performance confirming design leadership

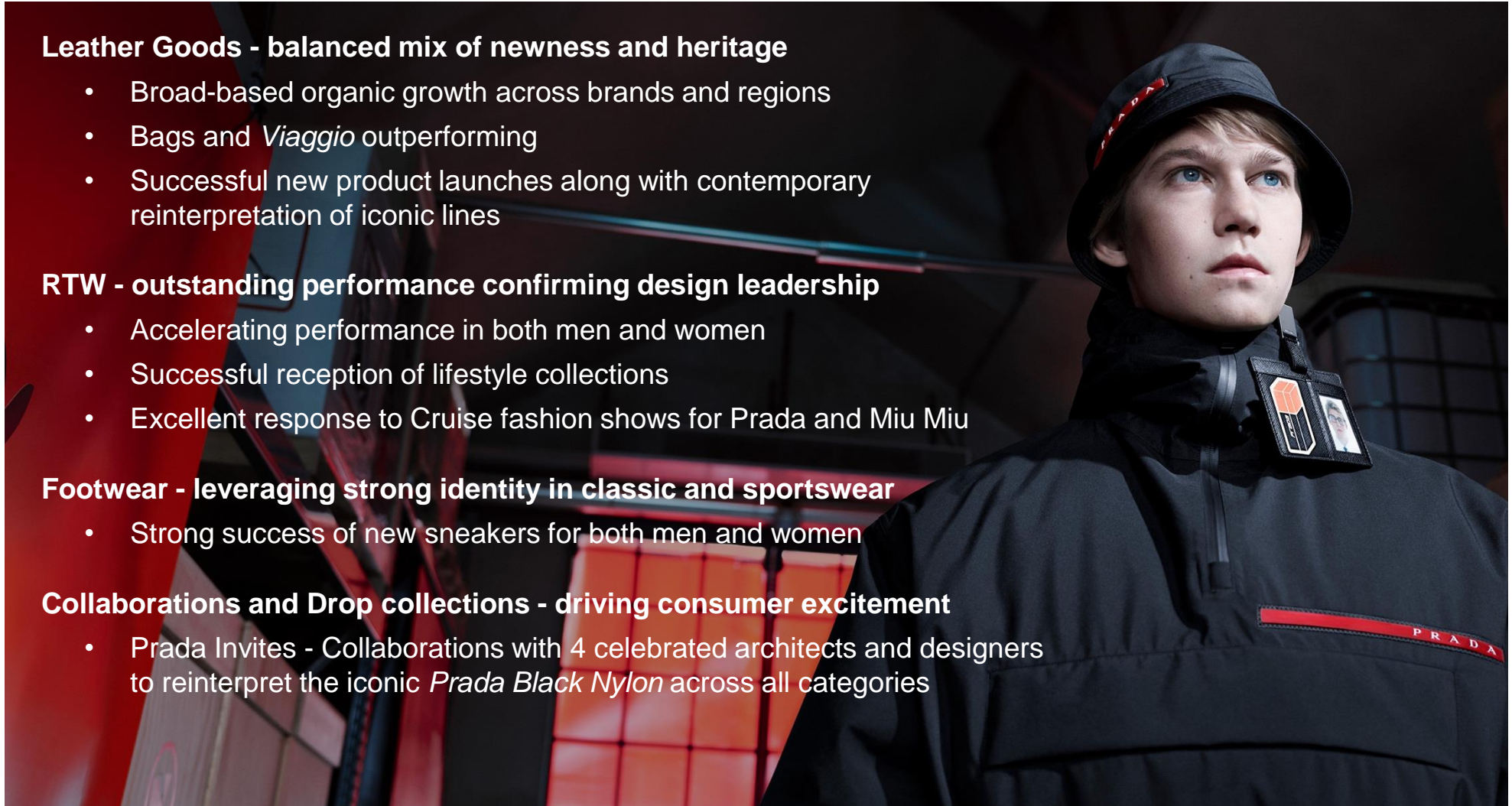
- Accelerating performance in both men and women
- Successful reception of lifestyle collections
- Excellent response to Cruise fashion shows for Prada and Miu Miu

Footwear - leveraging strong identity in classic and sportswear

- Strong success of new sneakers for both men and women

Collaborations and Drop collections - driving consumer excitement

- Prada Invites - Collaborations with 4 celebrated architects and designers to reinterpret the iconic *Prada Black Nylon* across all categories



Communication

Investment in brand equity

- In the recently opened white-concrete tower at Fondazione, Prada Group inaugurated the beautiful *Torre* restaurant, managed by Marchesi, that has become soon an iconic destination in Milan
- The building also hosted the Prada FW18 women's fashion show



Communication

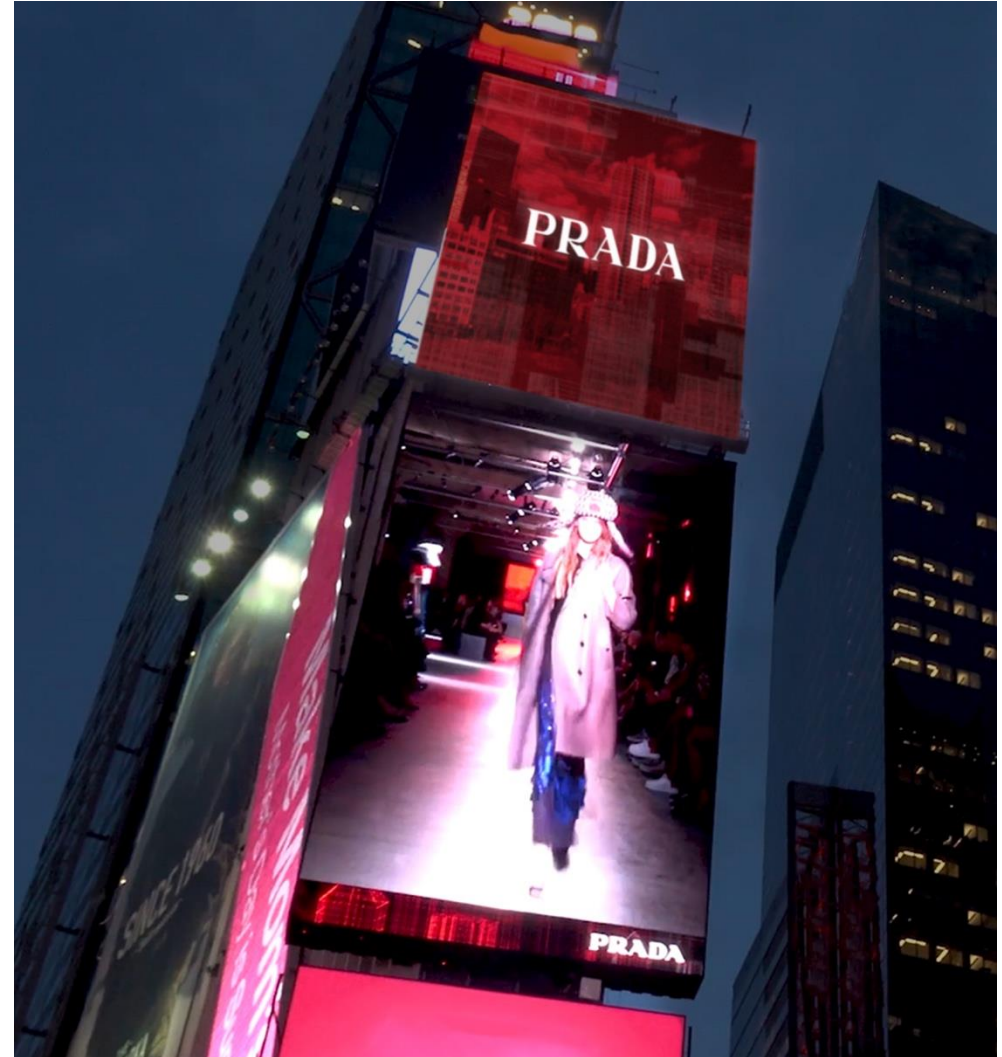
A contemporary take on fashion shows

Prada takes over Times Square in New York

- Prada held its Resort 2019 fashion show at its NYC headquarters – the Piano Factory
- The show was projected live on Times Square's three iconic buildings: The Nasdaq Tower, the Thomson Reuters Building and the central screen of the Triple Stack

Miu Miu Croisière at the Hotel Regina in Paris

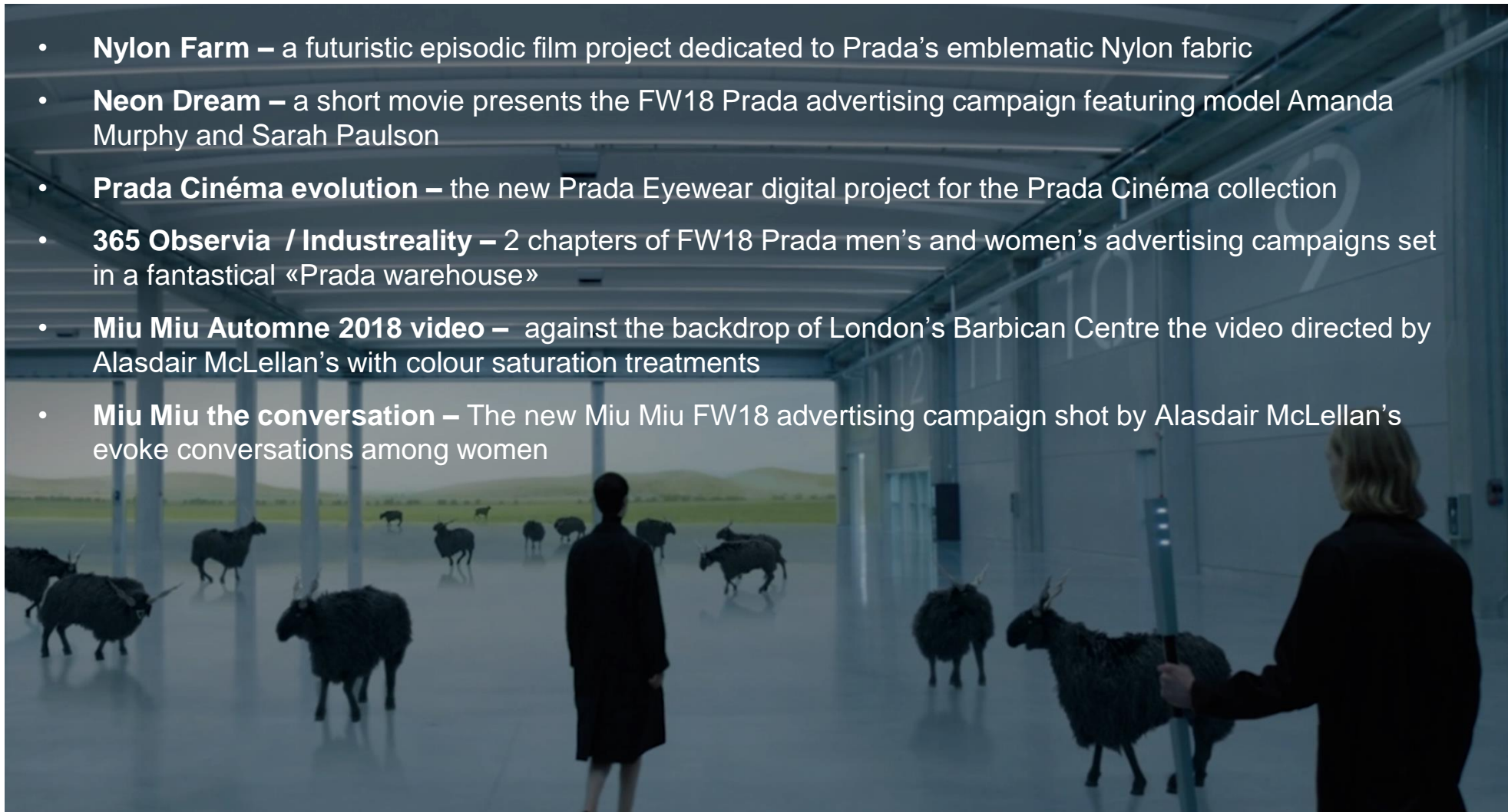
- Miu Miu Croisière 2019 moved to the stunning Belle Époque location overlooking the Louvre and the Tuileries Garden
- Eclectic cast of high-profile models and actresses such as Kate Bosworth, Naomi Campbell, Chloë Sevigny, Uma Thurman
- A “cinematic” set designed by six-time Academy Award nominated and BAFTA award winning production designer Sarah Greenwood



Communication

Increased digital projects targeting new generations

- **Nylon Farm** – a futuristic episodic film project dedicated to Prada's emblematic Nylon fabric
- **Neon Dream** – a short movie presents the FW18 Prada advertising campaign featuring model Amanda Murphy and Sarah Paulson
- **Prada Cinéma evolution** – the new Prada Eyewear digital project for the Prada Cinéma collection
- **365 Observia / Industreality** – 2 chapters of FW18 Prada men's and women's advertising campaigns set in a fantastical «Prada warehouse»
- **Miu Miu Automne 2018 video** – against the backdrop of London's Barbican Centre the video directed by Alasdair McLellan's with colour saturation treatments
- **Miu Miu the conversation** – The new Miu Miu FW18 advertising campaign shot by Alasdair McLellan's evoke conversations among women



Sustainability

Driving the conversation around sustainability, business and society

- “Shaping a sustainable digital future” to be hosted on 20th November 2018 at Fondazione Prada, in partnership with Yale School of Management and Politecnico di Milano School of Management
- Following the 2017 conference, which focused on the interplay between sustainability, creativity and innovation, the 2018 edition will discuss digitalization and sustainability
- “Shaping a Sustainable Digital Future” will explore the large impact and implications of digitalization on business and societal sustainability.

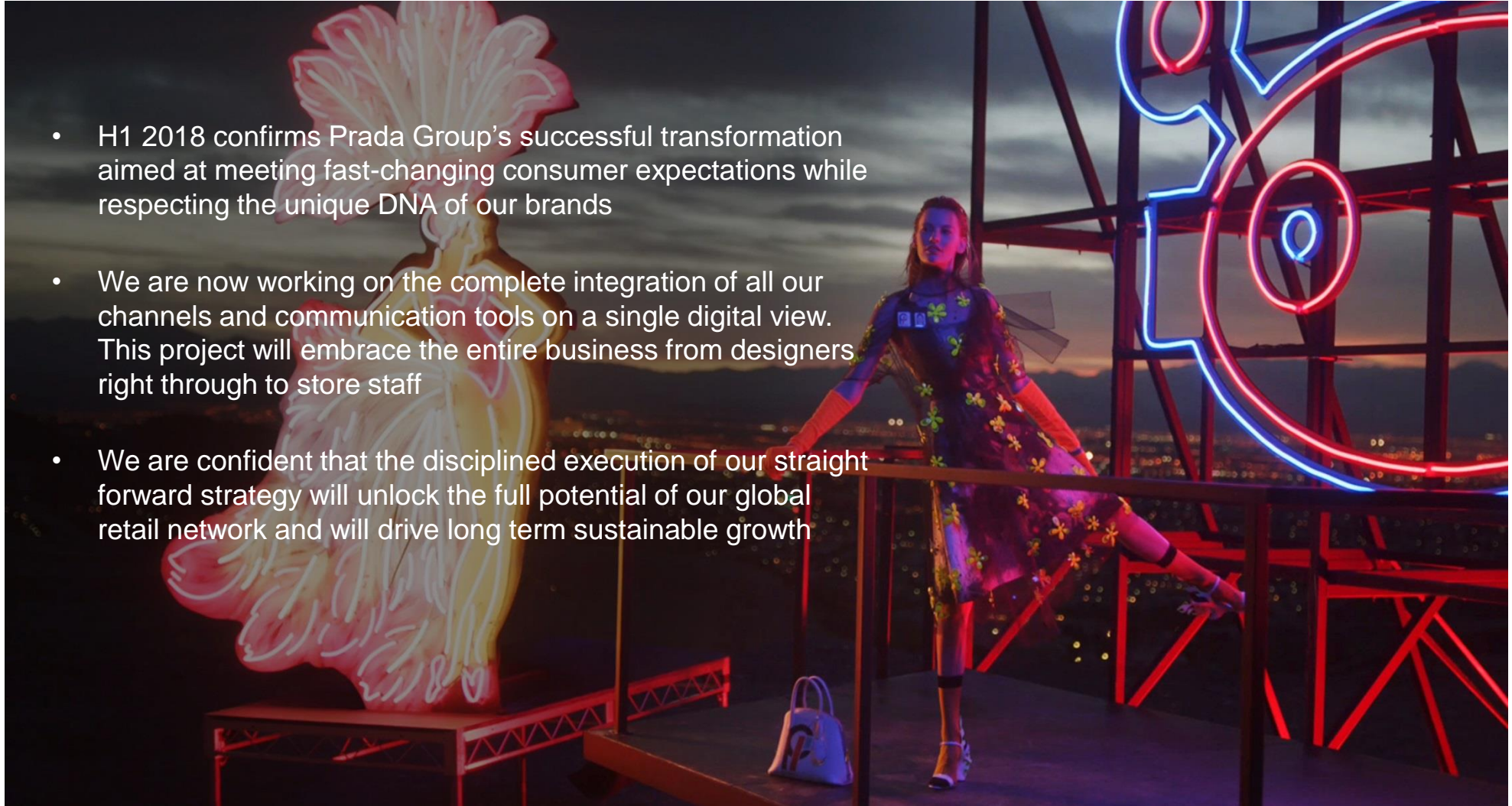
**SHAPING
A SUSTAINABLE
DIGITAL
FUTURE**

Outlook

Outlook

#Prada FW18 adv campaign: «Walking into this *neon dream*. The journey begins»

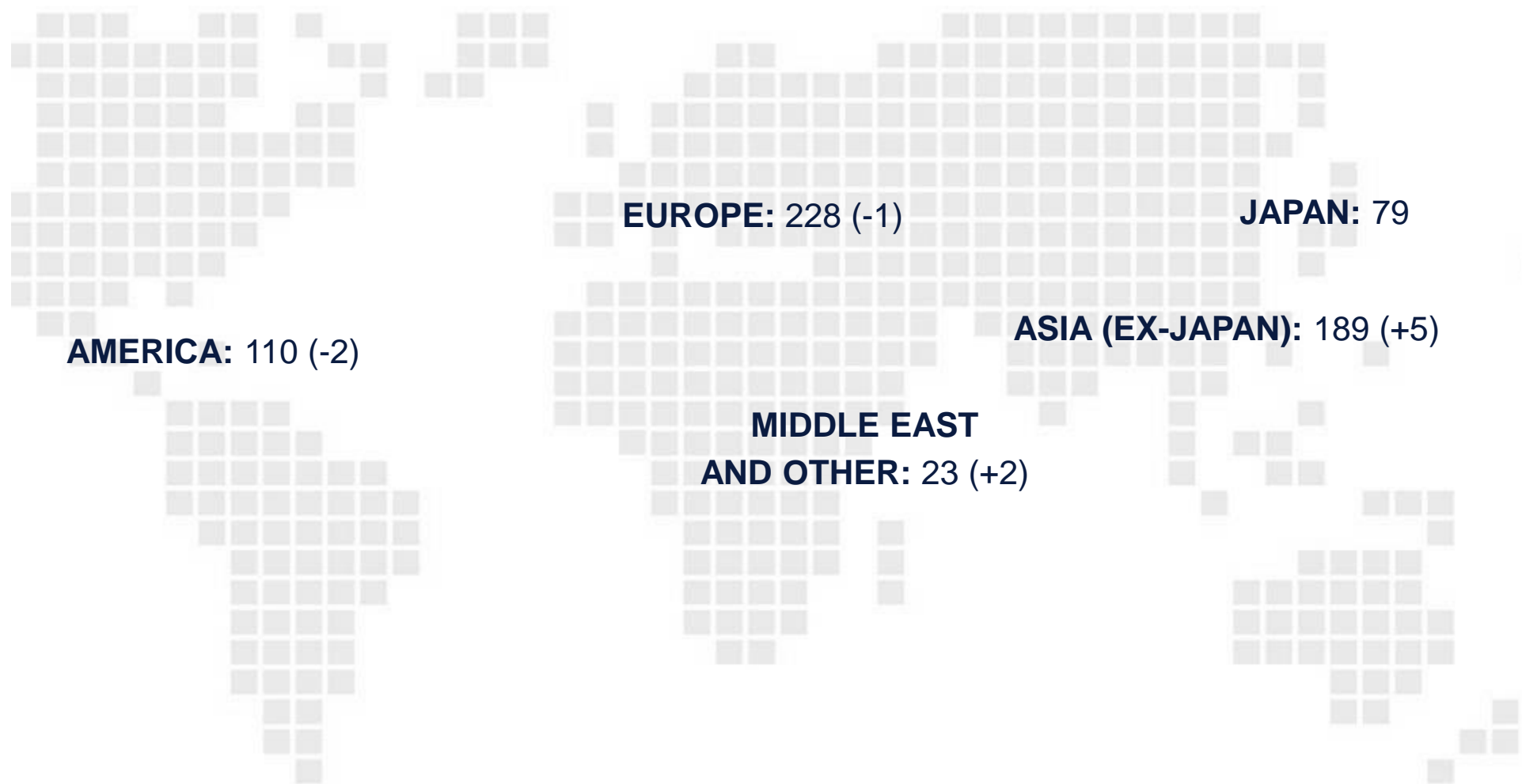
- H1 2018 confirms Prada Group's successful transformation aimed at meeting fast-changing consumer expectations while respecting the unique DNA of our brands
- We are now working on the complete integration of all our channels and communication tools on a single digital view. This project will embrace the entire business from designers right through to store staff
- We are confident that the disciplined execution of our straight forward strategy will unlock the full potential of our global retail network and will drive long term sustainable growth



Appendix

Retail overview - 629 Dos at 30 June 18

+4 Net openings yoy



Note: 629 Dos includes 3 Marchesi shops in Italy

H1-2018

€m	H1 2018		H1 2017 – proforma		% change
Net Sales	1,510.6	98.4%	1,460.5	98.3%	
Royalties	24.9	1.6%	25.5	1.7%	
Net Revenues	1,535.3	100.0%	1,486.0	100.0%	+3.3%
COGS	(429.5)	28.0%	(408.1)	27.5%	
Gross Margin	1,105.9	72.0%	1,077.9	72.5%	+2.6%
Selling	(692.2)	45.1%	(691.8)	46.6%	
Advertising & Promotion	(94.4)	6.1%	(88.8)	6.0%	
Product Development	(64.6)	4.2%	(66.0)	4.4%	
G&A	(95.5)	6.2%	(94.1)	6.3%	
Operating Expenses	946.7	61.7%	940.7	63.3%	+0.6%
EBIT	159.2	10.4%	137.2	9.2%	+16.0%
Net Financial Income (Expenses)	(10.4)	0.7%	0.6	0.0%	
Income Taxes	(43.6)	2.8%	(41.6)	2.8%	
Tax rate%	29%		30%		
Group Net Income	105.7	6.9%	95.4	6.4%	+10.7%
D&A	111.6	7.3%	113.5	7.6%	
EBITDA	270.8	17.6%	250.6	16.9%	+8.0%