

# PRADA

MILANO

DAL 1913

1<sup>st</sup> Quarter Results as of April 30<sup>th</sup>, 2014

Milan, June 5<sup>th</sup>, 2014

# A Quarter of Transition

## 1<sup>st</sup> Quarter 2014<sup>(\*)</sup> Highlights

### TURNOVER

- Retail channel up 3% (+8% at constant rates)
- Wholesale channel 25% drop (-24% at constant rates)
- Total Revenues almost flat (+4% growth at constant rates)

### OPERATING RESULTS

- EBITDA € 213.9 mn, 28% on Revenues
- EBIT € 156.3 mn, 20% on Revenues
- Group Net Income to € 105.3 mn, 14% on Revenues

### FINANCIAL RESULTS

- Strong operating cash flow generation, € 178.3 mn
- Positive net financial position at € 349.1 mn as at April 30, 2014 improved by € 53 mn

### HIGHLIGHTS

1. Continued sound growth in retail channel on a very tough comparable base (+21% organic retail growth in Q1 2013)
2. First quarter impacted by
  - unfavorable exchange rate environment
  - expected wholesale drop
  - unfavorable calendar of Chinese New Year
3. Pressure on margins expected to ease during the year

*Note<sup>(\*)</sup>: unaudited*

# Net Sales by Channel (€ mn) – 1st Quarter

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Retail	678.7	88%	697.8	91%	+3%	+8%
Wholesale	93.9	12%	70.6	9%	-25%	-24%
<b>Total</b>	<b>772.6</b>	<b>100%</b>	<b>768.4</b>	<b>100%</b>	<b>-1%</b>	<b>+4%</b>

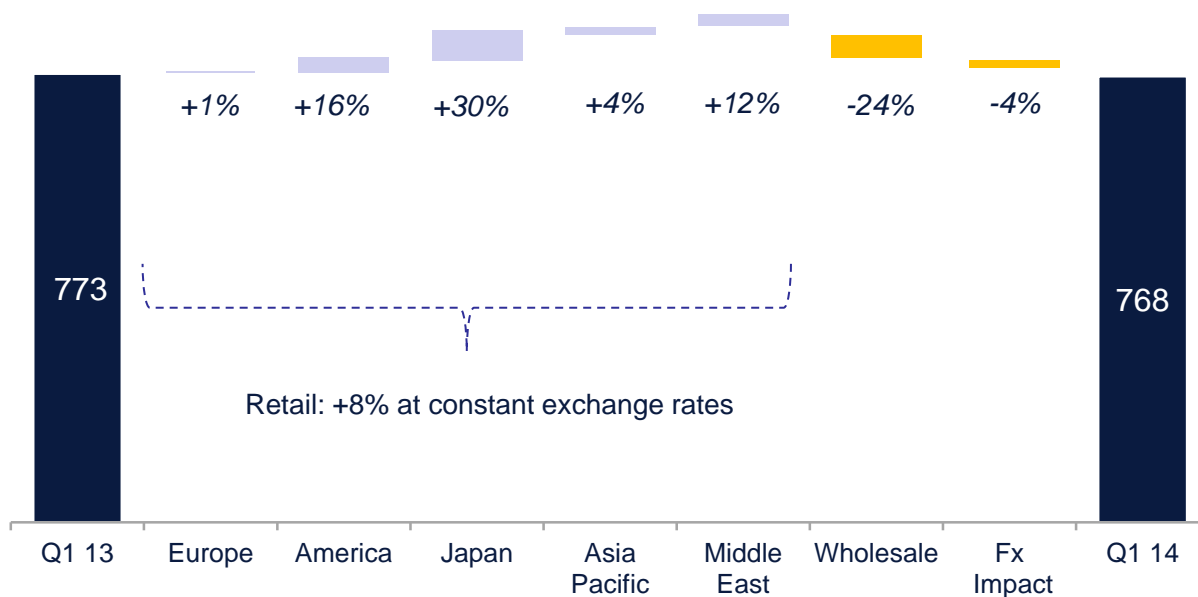
- Retail
  - +8% at constant rates: only driven by 89 net openings since May 1, 2013, SSSG almost flat in the period
- Wholesale
  - particularly affected in the quarter by enduring selective strategy and stagnant domestic demand in some European countries,
  - 1Q 2014 to be considered the last tail of the rationalization, the trend in the forthcoming quarters will be more stable

# Net Sales by Geography (€ mn) – 1st Quarter

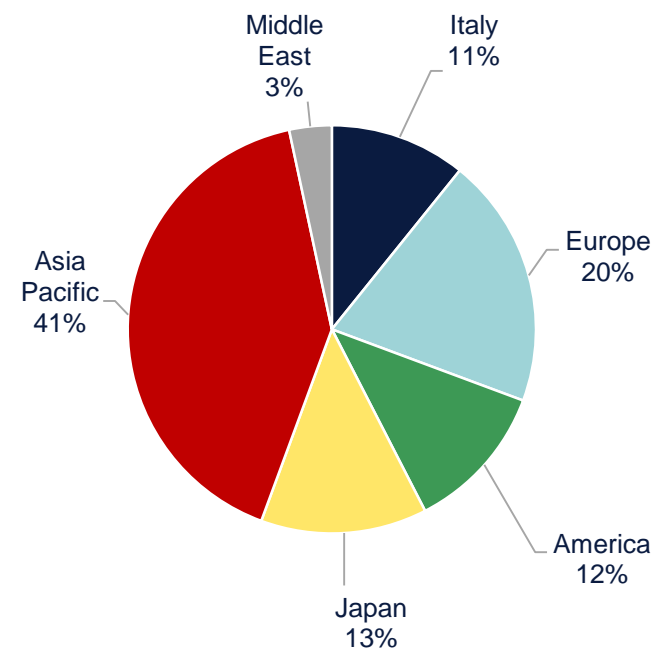
<i>Note(*)</i> : PRC, HK, Macau <i>Note(**)</i> : Japan and Hawaii	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
<b>Retail</b>						
Europe	213.5	31%	213.9	31%	-	+1%
Americas	75.0	11%	82.1	12%	+10%	+16%
Far East	289.3	43%	286.0	41%	-1%	+4%
<i>Greater China(*)</i>	200.4	30%	199.6	29%	-	+4%
Japan (**)	78.5	12%	91.9	13%	+17%	+30%
Middle East	21.9	3%	23.4	3%	+7%	+12%
Others	0.5	-	0.5	-	-1%	-
<b>Total Retail</b>	<b>678.7</b>	<b>88%</b>	<b>697.8</b>	<b>91%</b>	<b>+3%</b>	<b>+8%</b>
<b>Wholesale</b>	<b>93.9</b>	<b>12%</b>	<b>70.6</b>	<b>9%</b>	<b>-25%</b>	<b>-24%</b>
<b>Total Sales</b>	<b>772.6</b>	<b>100%</b>	<b>768.4</b>	<b>100%</b>	<b>-1%</b>	<b>+4%</b>

- Europe (Italy included): touristic traffic impacted by Euro strength and by some geo-political problems and domestic consumption still lacklustre
- Americas: very good performance notwithstanding the bad weather conditions in the first part of the year
- Far East: softer trends in Hong Kong, Korea and Singapore, while China, Macau and the other Asian countries continued to maintain solid growth rate
- Japan: strong double-digit growth both at constant and reported exchange rate, decelerated during April as a consequence of the VAT increase rates.

# Group Net Sales by Region/channel (€ mn) – 1st Quarter



■ Positive change  
■ Negative change



# Net Sales by Brand(€ mn) – 1st Quarter

	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Prada	568.6	84%	584.8	84%	+3%	+8%
Miu Miu	99.1	15%	101.0	15%	+2%	+7%
Church's	8.9	1%	10.0	1%	+14%	+13%
Car Shoe	1.5	-	1.5	-	-4%	-2%
Other	0.6	-	0.5	-	-15%	-15%
<b>Total Retail</b>	<b>678.7</b>	<b>88%</b>	<b>697.8</b>	<b>91%</b>	<b>+3%</b>	<b>+8%</b>
<b>Total Wholesale</b>	<b>93.9</b>	<b>12%</b>	<b>70.6</b>	<b>9%</b>	<b>-25%</b>	<b>-24%</b>
<b>Total</b>	<b>772.6</b>	<b>100%</b>	<b>768.4</b>	<b>100%</b>	<b>-1%</b>	<b>+4%</b>

Prada:

- Solid retail performance in Japan and USA ,
- Very good performance in men's division, above 20%, consistently with the group strategy

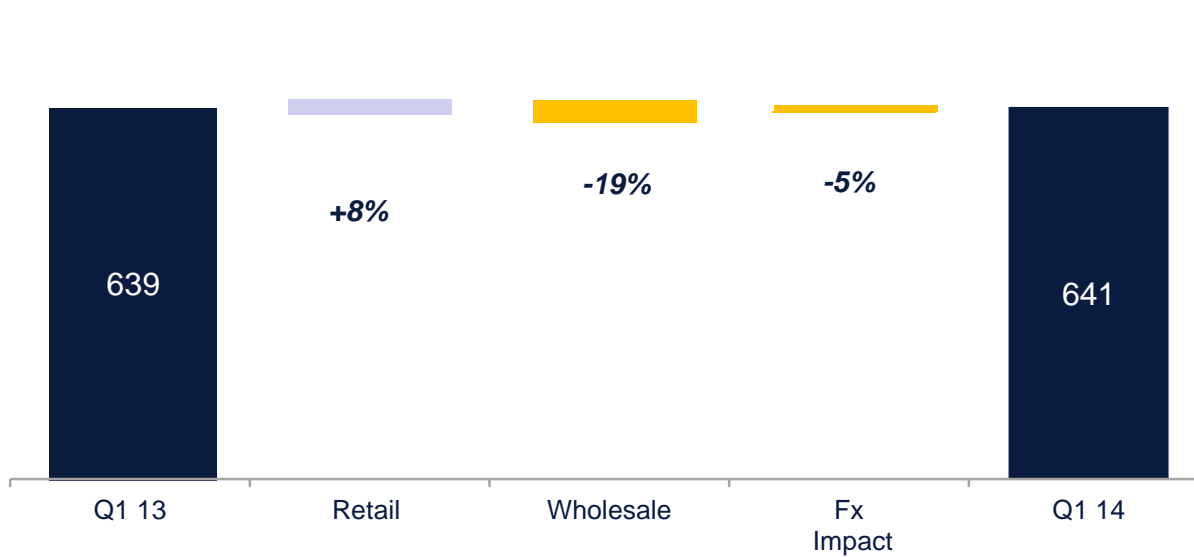
Miu Miu

- Double digit growth in all region but Europe

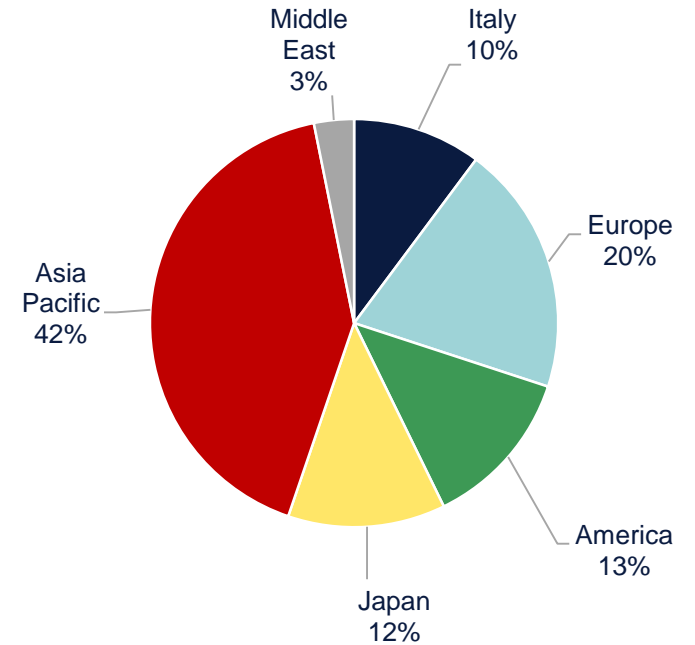
Church's

- Excellent retail performance

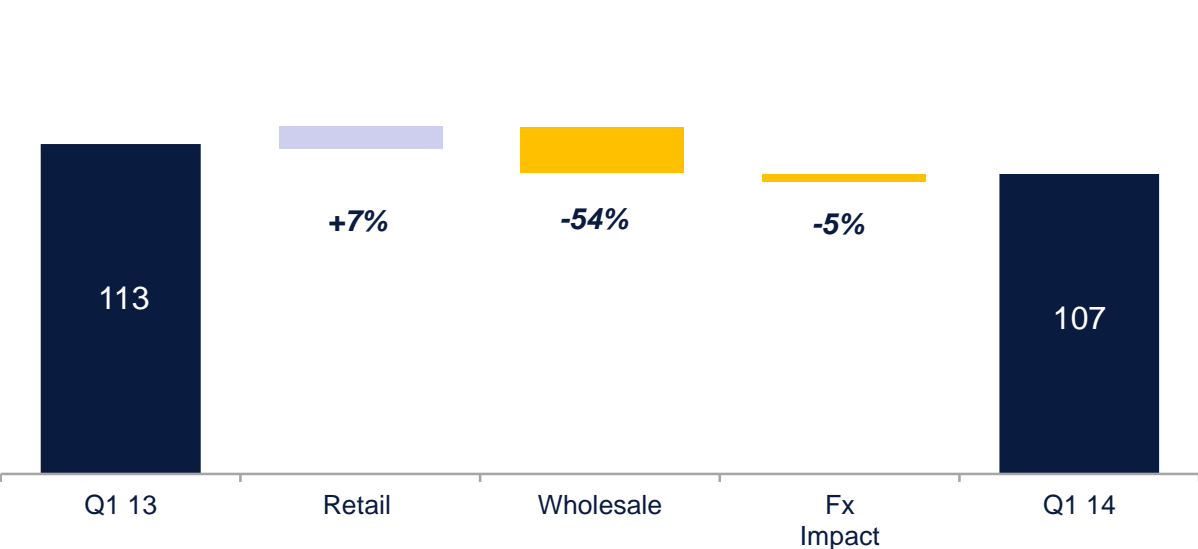
# Prada – Total Net Sales by channel (€ mn) – 1st Quarter



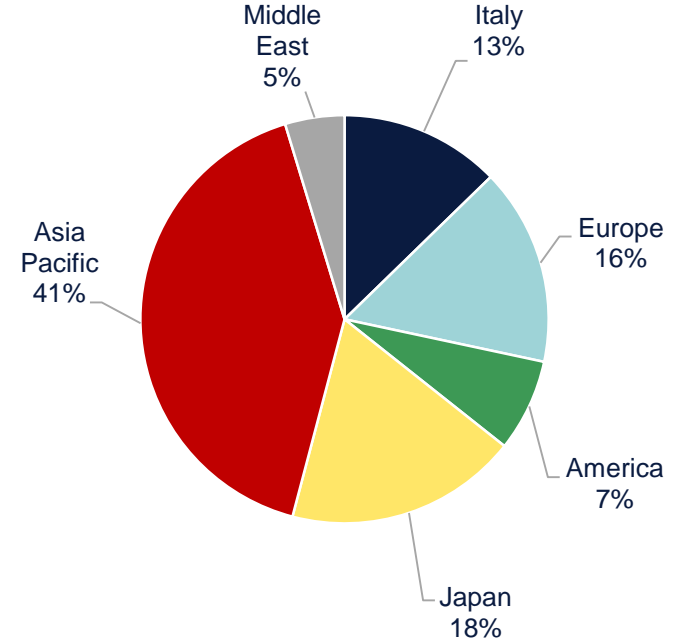
■ Positive change  
■ Negative change



# Miu Miu – Total Net Sales by channel (€ mn) – 1st Quarter



■ Positive change  
■ Negative change





# Net Sales by Product(€ mn) – 1st Quarter

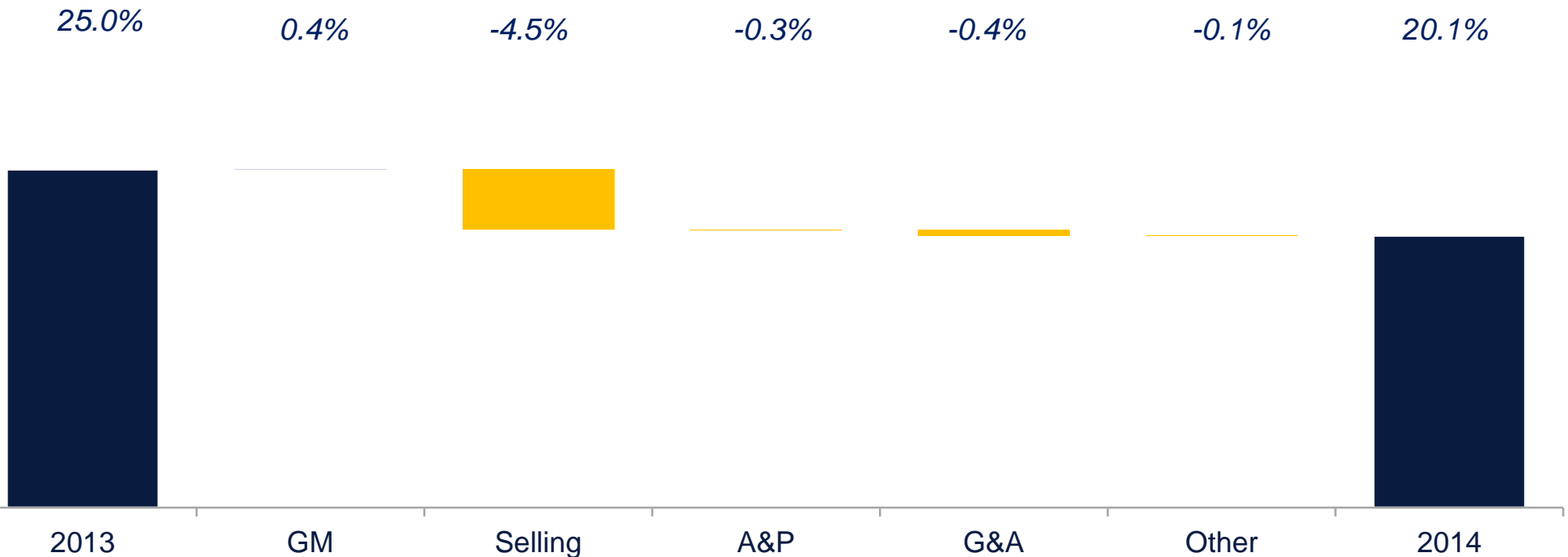
	2013	Mix %	2014	Mix %	% ch. as reported	% ch. same FX
Leather Goods	491.5	72%	479.0	69%	-3%	+2%
Footwear	82.2	12%	95.5	14%	+16%	+21%
Ready to Wear	97.5	14%	111.2	16%	+14%	+19%
Others	7.5	1%	12.1	2%	+62%	+69%
<b>Total Retail</b>	<b>678.7</b>	<b>88%</b>	<b>697.8</b>	<b>91%</b>	<b>+3%</b>	<b>+8%</b>
<b>Total Wholesale</b>	<b>93.9</b>	<b>12%</b>	<b>70.6</b>	<b>9%</b>	<b>-25%</b>	<b>-24%</b>
<b>Total</b>	<b>772.6</b>	<b>100%</b>	<b>768.4</b>	<b>100%</b>	<b>-1%</b>	<b>+4%</b>

- The Group strategy favoured a more balanced growth of products portfolio to better convey the image of the brands based on innovation:
  - Renewed impulse to Ready to Wear and Footwear
  - Launch of some iconic new leather goods products

# Group Profit and Loss – 1st Quarter

€ mn	Apr 2014	%	Δ 2014 vs 2103	Apr 2013	%
Net Sales	768.4	98.8%		772.6	98.8%
Royalties	9.3	1.2%		9.7	1.2%
<b>Net Revenues</b>	<b>777.7</b>	<b>100.0%</b>	<b>-0.6%</b>	<b>782.3</b>	<b>100.0%</b>
COGS	(202.2)	26.0%		(206.4)	26.4%
<b>Gross Profit</b>	<b>575.5</b>	<b>74.0%</b>	<b>-0.1%</b>	<b>575.9</b>	<b>73.6%</b>
Product Development	(28.5)	3.7%		(28.1)	3.6%
Advertising & Promotion	(41.2)	5.3%		(38.8)	5.0%
Selling	(302.1)	38.8%		(269.0)	34.4%
G&A	(47.3)	6.1%		(44.2)	5.7%
<b>EBIT</b>	<b>156.3</b>	<b>20.1%</b>	<b>-20.1%</b>	<b>195.7</b>	<b>25.0%</b>
Net Financial Income / (Expenses)	(5.6)	0.7%		(5.9)	0.8%
Income Taxes	(41.3)	5.3%		(48.0)	6.1%
Minority Income	(4.1)	0.5%		(3.7)	0.5%
<b>Group Net income</b>	<b>105.3</b>	<b>13.6%</b>	<b>-23.8%</b>	<b>138.2</b>	<b>17.7%</b>
D&A	57.6	7.4%		45.1	5.8%
<b>EBITDA</b>	<b>213.9</b>	<b>27.5%</b>	<b>-11.2%</b>	<b>240.8</b>	<b>30.8%</b>

# EBIT Development – 1st Quarter<sup>(\*)</sup>

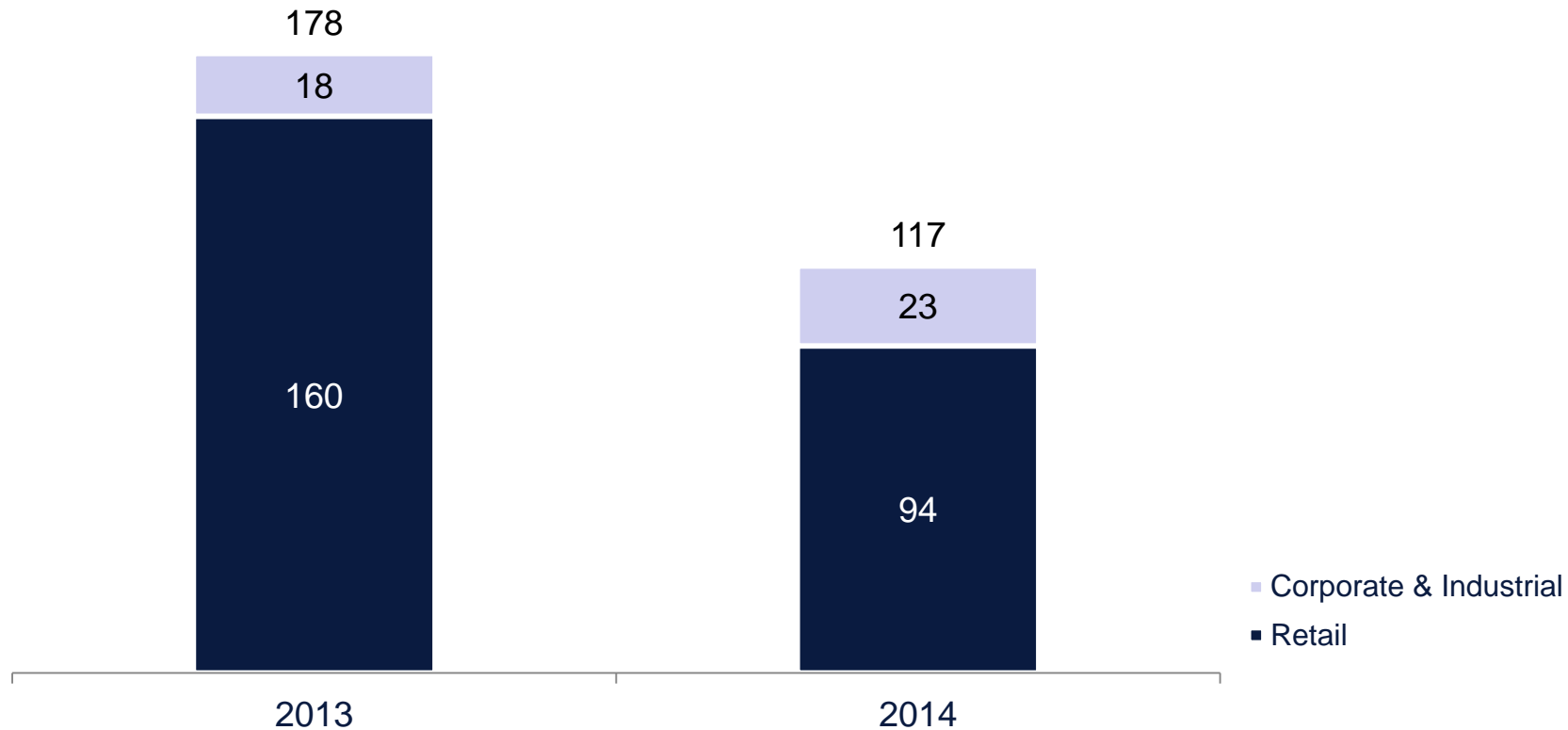


- Foreign exchange trend negatively impacted EBIT margin by 0.9%
- Wholesale contraction negatively impacted EBIT margin by 1.1%

■ Positive change  
■ Negative change

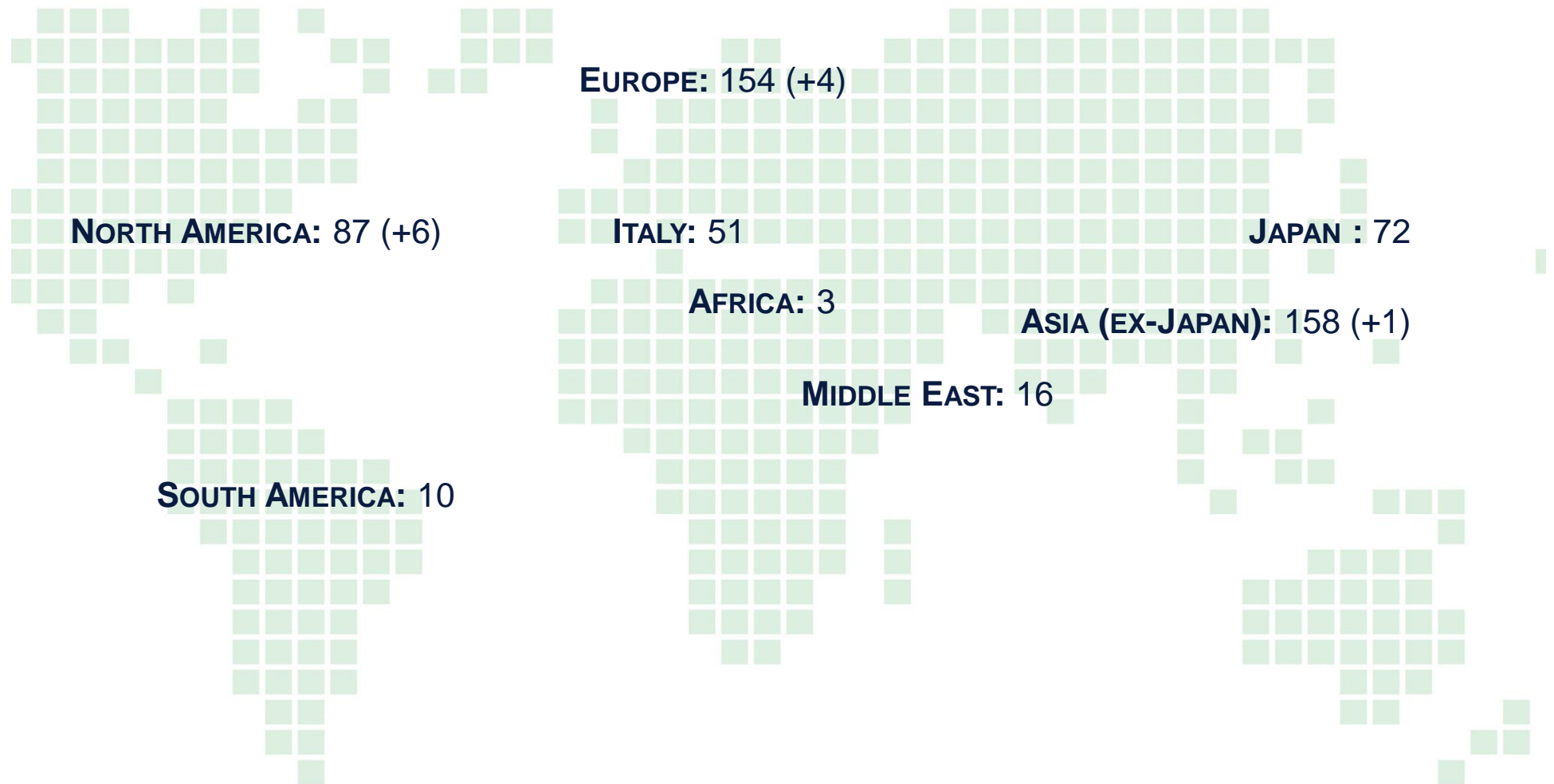
# Capex (€ mn) - 1st Quarter

- Capex driven by Retail development
- Retail includes 13 new openings, 6 relocations and 1 renovation.



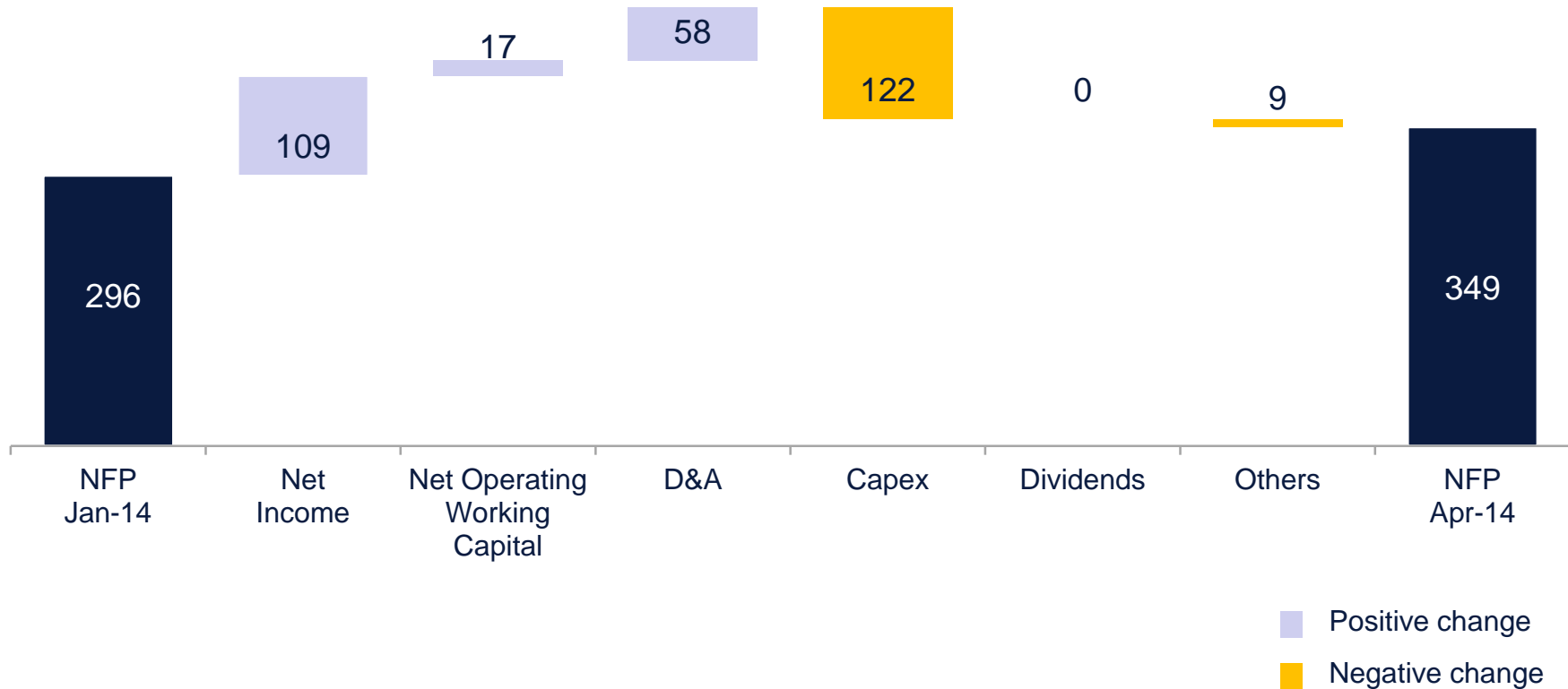
# Retail overview

551 DOS at April 2014 with 13 openings and 2 closings



# Net Financial Surplus/(Deficit) (€ mn)

- Change in Net financial position



# Key figures (€ mn)

	<b>April 2014</b>	<b>January 2014</b>	<b>April 2013</b>
Net Financial Position	349.1	295.9	360.5
Net Operating Working Capital	393.2	409.8	287.3
<i>NOWC on Net Revenues</i>	11.0%	11.4%	8.5%
Capital Employed (average)	2,282.8	2,211.7	1,980.6
ROCE	39.4%	42.5%	46.5%