PRADA spa

**PRESS RELEASE**

# PRADA SPA APPROVES GROUP RESULTS TO 31 JULY 2017

## Extensive Group restructuring continues

## Positive results from Ready-to-Wear and high-end Leather Goods new collections

## Rapid progress in digital transformation

**Patrizio Bertelli: *"We are in a phase of profound change; we are committed to growth but we will always remain true to our identity"***

## Highlights

- **Total net revenues** of €1,469 million, down 5.5% on H1 2016
    - Very good performance in RTW for both Prada and Miu Miu
    - Excellent results in all markets for the new Leather Goods collections – work continues to widen the offer at all price ranges
    - Reduced use of markdown sales
    - Positive business results in both eyewear and fragrances
    - Considerable headway in the implementation of the digital strategy: the e-commerce retail sales channel is growing while collaboration with strategic e-tailer partners is widened
- **Gross Margin growing** thanks to the substantial reduction in markdown sales
- **Cost structure** under control despite major investments in digital and communications
- **EBITDA of €279.6 million** at 19.1% of net revenues (21.2% in the first half of 2016)
- **EBIT of €166.8 million** at 11.4% of net revenues (13.8% in the first half of 2016)
- **Net Income of €116 million** at 7.9% of net revenues (9.1% in the first half of 2016)
- Strong **operating cash flow generation** of €208 million (from €267 million in H1 2016) and net working capital in line with 2016 levels

## Patrizio Bertelli, CEO

*"The complex task of restructuring our operating processes, which is aimed at providing the Group with the tools needed to access an increasingly competitive market, is progressing well; however, more remains to be done.*

*Having one of the best known and most respected international brands, with undisputed leadership in design and innovation, means we have to make choices in the pursuit of growth that privilege the preservation of the cultural and stylistic fundamentals that our brand identity is based on.*

*The positive trends in Ready-to-Wear, which has been growing over many seasons, are confirmed as well as in the new products in the Leather goods segment which have had an excellent reception in all markets. We remain committed to creating a balanced offer in terms of price ranges.*

*Our digital transformation continues apace, enhanced by the launch of e-commerce in all markets, including China. Meanwhile our dedicated team has expanded significantly to complete the digital* *presence of Group brands and to pursue the important aim of offering a seamless online and off-line shopping experience.*

*The extensive overhaul of Prada Group's cost structure creates operating leverage that will allow Group profits to benefit rapidly from revenue growth. In the meantime, we will continue to protect cash generation by keeping Net Working Capital and investments under control.*

*We are confident that our action plan is the best way to return to steady growth in revenues and margins, albeit aware that benefits may take longer than expected. Our cash flow and Balance Sheet remain solid, allowing us to focus on value creation for shareholders over a broad time horizon."*

## Results for First Half 2017

**Milan, 8 September 2017** The Board of Directors of Prada S.p.A meeting on the above date, has examined and approved the consolidated financial results for the six month period to July 31st, 2017.

**Net revenues** - Revenues in the period totalled €1,469 million, a decline of 5.5% (5.7% at constant FX) compared to the same period in 2016

**Geographical breakdown:**

- **Asia Pacific** bucked the trend with revenues in line with H1 2016, up 0.4% (down 0.6% at constant FX). Greater China delivered a positive performance, with sales up 5.2% at constant exchange rate and growth also seen across Macau and Hong Kong

- The **Americas market** contained the decline compared with 2016, with sales down just 3.7% (down 5.8% at constant FX). A positive performance for the period was seen in both Mexico and Canada

- The **European market** was down 7.7% (down 6.6% at constant FX), penalised by the strength of the euro, especially in the second quarter, as well as the stabilization of the UK market

- Market conditions in **Japan** remained unchanged, with sales declining by 14.2% at current and constant exchange rates, highlighting weak consumption by both domestic customers and tourists

- The **Middle East** registered a negative trend down 11.7% (down 13.1% at constant FX), due to ongoing geopolitical tension which impacted tourist flows within the region

**Economic and financial results** – The cost review program, launched last year and applied to all operating processes, has continued to deliver concrete results, despite the increased costs in support of the digital and communications strategy.

**Gross Margin** has grown to 74.1% (from 72.2% in the previous six months) and benefits from improved quality of sales, supported by reduction in markdown sales

The sales network optimization plan continued: the Group opened 6 sales outlets and closed 13, during the period. As of July 31, 2017, the group's retail network consisted of 613 DOS

**EBITDA** amounted to €279.6 million, representing a margin of 19.1% of sales (21.2% for H1 2016)

**EBIT** of €166.8 million, representing a margin of 11.4% (13.8% for H1 2016)

**Net income** of €116 million, representing 7.9% of consolidated revenues (9.1% in 2016)

The Group generated strong **operating cash flow** of €208 million (from €267 million in H1 2016) during the period. **Net working capital** remains unchanged compared to FY levels, despite a slight increase in inventory, ready for more efficient restocking of retail inventory.

**Investments** for the period amounted to €105.6 million and were allocated both to enhancing the retail network, where the Group has completed 100 projects aimed at bringing the image of the stores in-line with new design concepts, and to the strengthening of the supply chain to further develop the Group's industrial and logistics capabilities.

**Net Financial Position** at 31st July 2017 was negative at €223 million following the payment of dividends amounting €307 million.

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**PRADA Group**

The PRADA Group (HKSE Code: 1913) is a world leader in the luxury goods sector where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. In 2014, Prada acquired 80% of Marchesi srl, owner of the historic Milanese patisserie founded in 1824. The Group also operates, under licensing agreements, in the eyewear and fragrance sectors. Its products are sold in 70 countries worldwide through a network that includes 613 directly operated stores (DOS) (as at July 31st, 2017) and a select network of luxury department stores, independent retailers and franchise stores.