

PRADA

MILANO

DAL 1913

FY 2016 Results Presentation

Milan, April 12th 2017

Agenda

Presentation

14:00 – 14:30

Patrizio Bertelli – CEO

- Overview

Alessandra Cozzani – CFO

- FY 2016 Financial Review

Patrizio Bertelli – CEO

- Commercial Update
- Outlook

Q&A Session

14:30 – 15:00

FY 2016

Pathway to sustainable growth

Patrizio Bertelli
CEO

FY 2016

Pathway to sustainable growth

2016 has been a challenging year but our action plan delivered satisfactory economic results

Built new digital team fully dedicated to rolling out e-commerce platform on a global scale in order to develop a truly omnichannel shopping experience

New products launched leveraging Prada's unique heritage and creativity, filling all strategic price points

Successful implementation of rationalization programme creating a leaner and more efficient structure

Effective management of Net Working Capital and particularly inventory

Positive Net Financial Position after paying dividends thanks to strong cash flow and all growth fully self financed

Thanks to our actions, we have seen early signs of improving trends in H2 and in particular in Q4

2016 Financial Review

Alessandra Cozzani
CFO

FY 2016: at a glance

Successful cost reduction program stabilising margins

Condensed P&L

€m	FY 16	FY 15	% change
Net Revenues	3,184	3,548	-10%
<i>Gross Margin</i>	<i>71.9%</i>	<i>72.4%</i>	
EBITDA	653	803	-19%
<i>EBITDA Margin</i>	<i>20.5%</i>	<i>22.6%</i>	
EBIT	431	503	-14%
<i>EBIT Margin</i>	<i>13.5%</i>	<i>14.2%</i>	
Net Income	278	331	-16%

- Industrial efficiencies supporting high gross margin
- Satisfactory level of EBIT and EBITDA due to the positive impact of cost reduction program

FY 2016: at a glance

Strong cash flow self-financing

Condensed Balance Sheet and Cash Flow

€m	31 Jan 17	31 Jan 16
Non current assets	2,600	2,587
Net operating working capital	556	665
Other current assets / (liabilities), net	51	26
Other non current assets / (liabilities), net	(126)	(70)
Net invested capital	3,081	3,208
Consolidated shareholders' equity	3,104	3,097
Net financial position (surplus)/deficit	(23)	111
Total	3,081	3,208
Operating cash flow	632	368
Capital expenditure	251	337

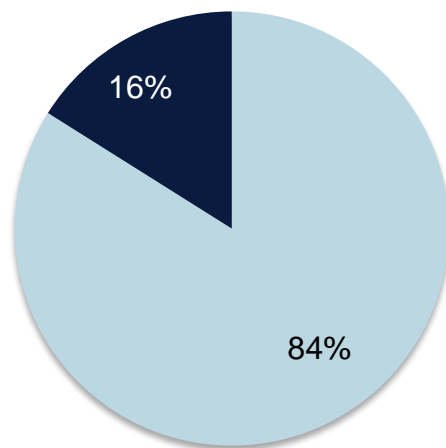
- Efficient working capital management supporting strong operating cash flow
- Capex fully self-financed
- Positive cash flow after dividend payments enabling debt pay down

Net sales by channel

Improving trends across the year

€m	FY 16	% change same FX	H1 16	% change same FX	H2 16	% change same FX
Retail	2,635	-13%	1,277	-16%	1,358	-10%
Wholesale	504	+15%	252	+3%	252	+29%
Total	3,139	-10%	1,529	-13%	1,610	-6%

FY 16 split:



■ Retail ■ Wholesale

Retail

- Sequential improvement in H2 and particularly in the last months of the year

Wholesale

- Excellent results from e-tailer partnerships (launch on Net-a-porter.com and MyTheresa.com in July and Mrporter.com in September)

Net sales by geography

Most regions saw improved trends in H2

	FY 16	% change same FX	H1 16	% change same FX	H2 16	% change same FX
Europe	1,190	-5%	600	-8%	591	-3%
Americas	459	-12%	218	-15%	240	-9%
Far East	993	-12%	461	-21%	532	-3%
<i>Greater China</i>	622	-12%	289	-22%	333	-2%
Japan	389	-13%	192	-9%	197	-16%
Middle East	103	-10%	56	-8%	48	-13%
Others	5	-15%	2	-20%	2	-8%
Total	3,139	-10%	1,529	-13%	1,610	-6%

Strong rebound in **Mainland China** from Q3, delivering double digit growth in Q4; trend in **HK** and **Macau** improved, particularly in Q4

Signs of recovery in **Europe**

- Growth in UK (double-digit in H2); Russia outperformed across the year
- Early signs of recovery in France

Americas impacted by falling touristic flow in US

- Positive performance in Canada in H2
- Latina America outperformed led by Mexico and Brazil

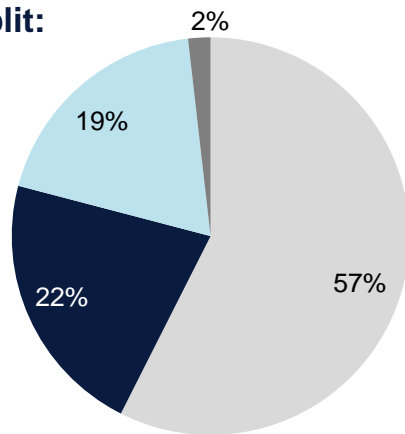
Declining sales in **Japan** as stronger yen discouraged Chinese tourists

Net sales by product

Enrichment of offer delivering better results

€m	FY 16	% change same FX	H1 16	% change same FX	H2 16	% change same FX
Leather Goods	1,804	-14%	894	-18%	910	-9%
Footwear	679	-4%	344	-4%	335	-4%
Ready to Wear	600	-1%	262	-7%	337	+5%
Others	56	-8%	29	-12%	28	-2%
Total	3,139	-10%	1,529	-13%	1,610	-6%

FY 16 split:



■ Leather goods ■ Footwear ■ RTW ■ Others

Leather goods – contraction mitigated in H2

- New launches broadened range of price options
- Excellent market response of latest collections

Footwear – slight decline

- Outperformance of Miu Miu, delivering growth in H2

Ready to wear – resuming growth in H2

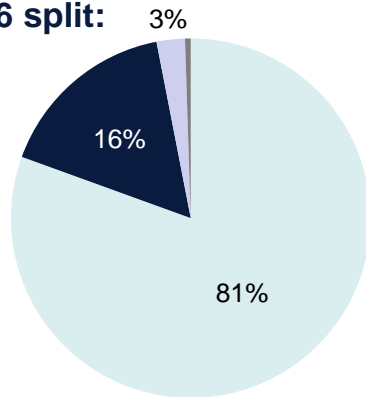
- Very good reception of FW collections for both Prada and Miu Miu

Net sales by brand

Sales performance improved for all brands

€m	FY 16	% change same FX	H1 16	% change same FX	H2 16	% change same FX
Prada	2,528	-10%	1,234	-14%	1,295	-7%
Miu Miu	515	-8%	249	-14%	266	-2%
Church's	80	+6%	40	+10%	41	+2%
Other	16	-6%	7	-10%	9	-1%
Total	3,139	-10%	1,529	-13%	1,610	-6%

FY 16 split:



■ Prada ■ Miu Miu ■ Church's ■ Other

Prada

- Sales contraction mitigated in H2; resilience in Q4

Miu Miu

- Sales improved in H2; turned positive in Q4

Church's

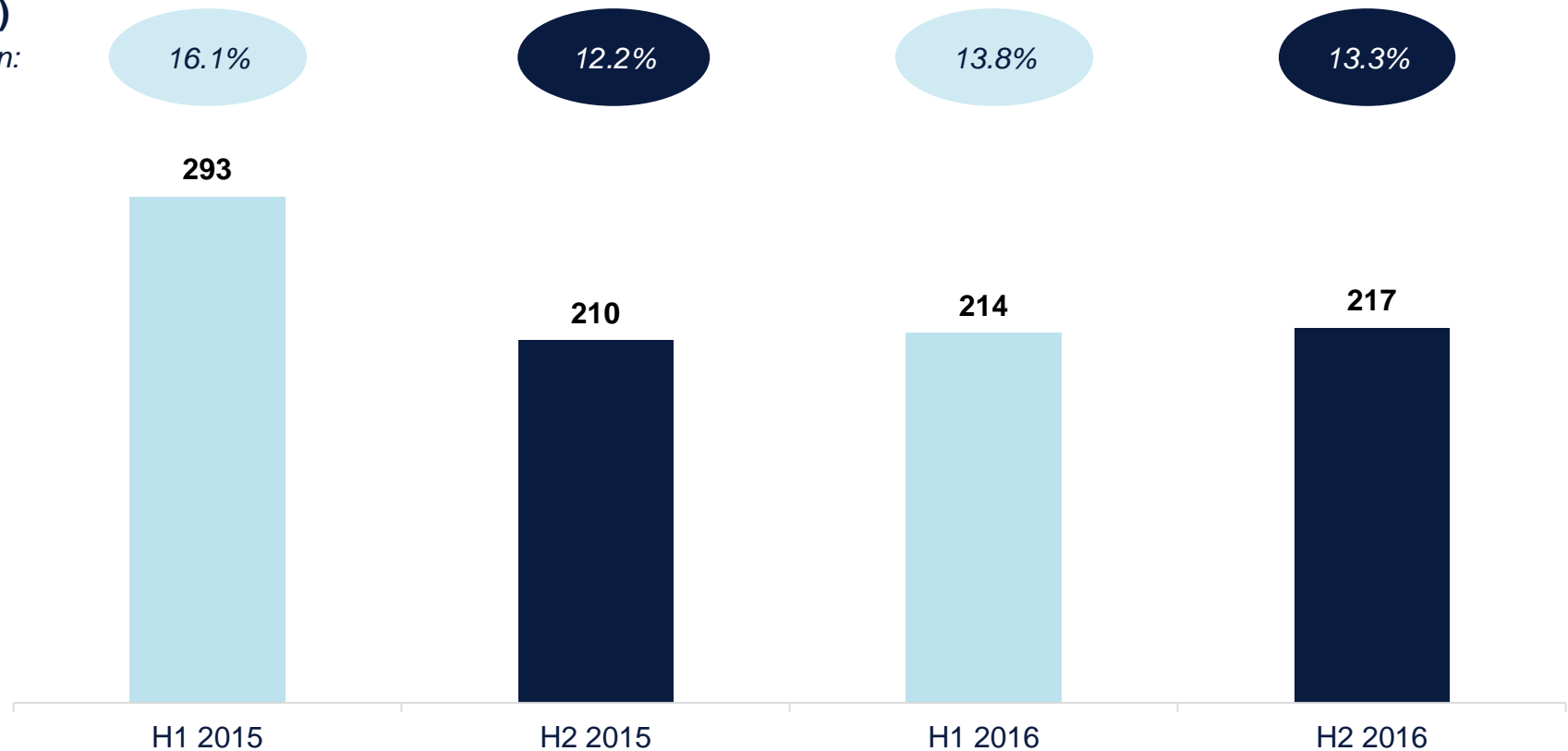
- Solid growth across the year

Operating performance

Cost reduction stabilizing margins

EBIT (€m)

EBIT margin:



- Excellent progress on costs, stabilising operating margins half-on-half

Cost optimization

Excellent results of cost control program

Year-on-year change:

- €129m reduction in operating costs
- €78m reduction in D&A

Labour costs reduction

- Freezing turnover of non-operationally critical staff

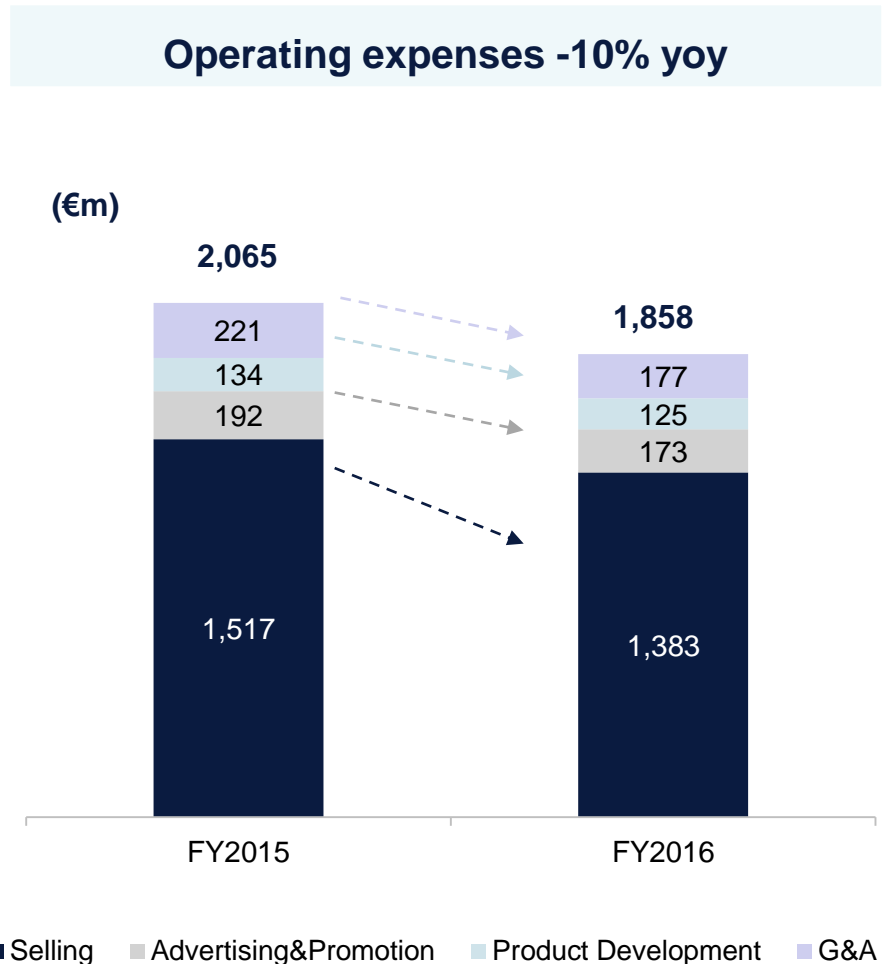
Systematic rent negotiations

Internalize of activities resulting in less consultancy and general services

Continuously trimming G&A and indirect costs

Advertising

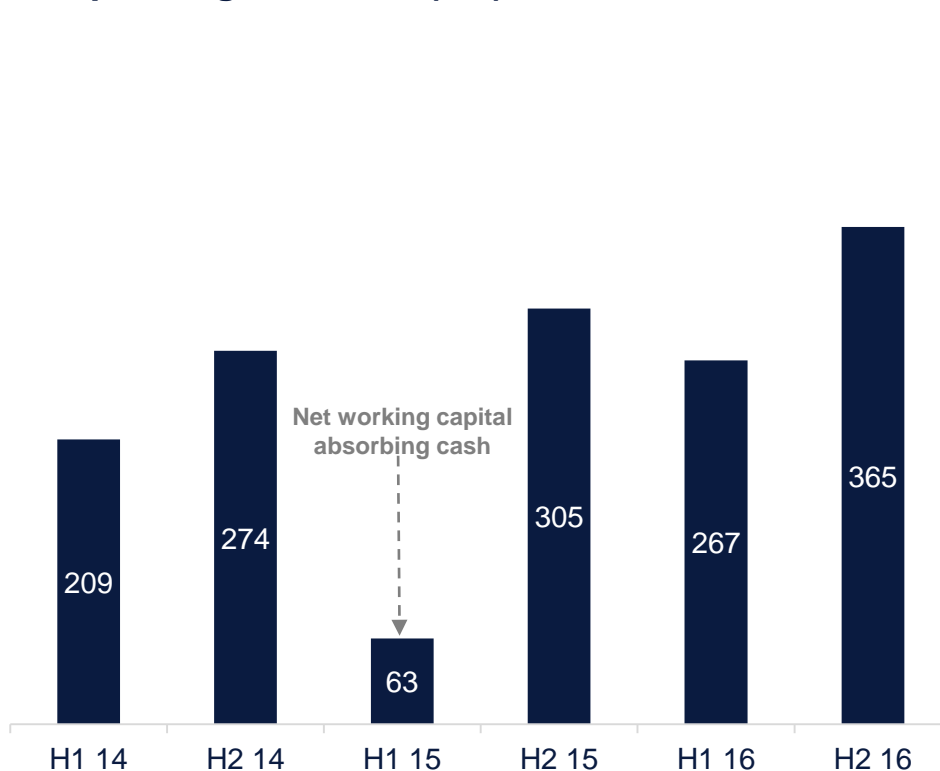
- Increasing investments in digital communication



Operating cash flow

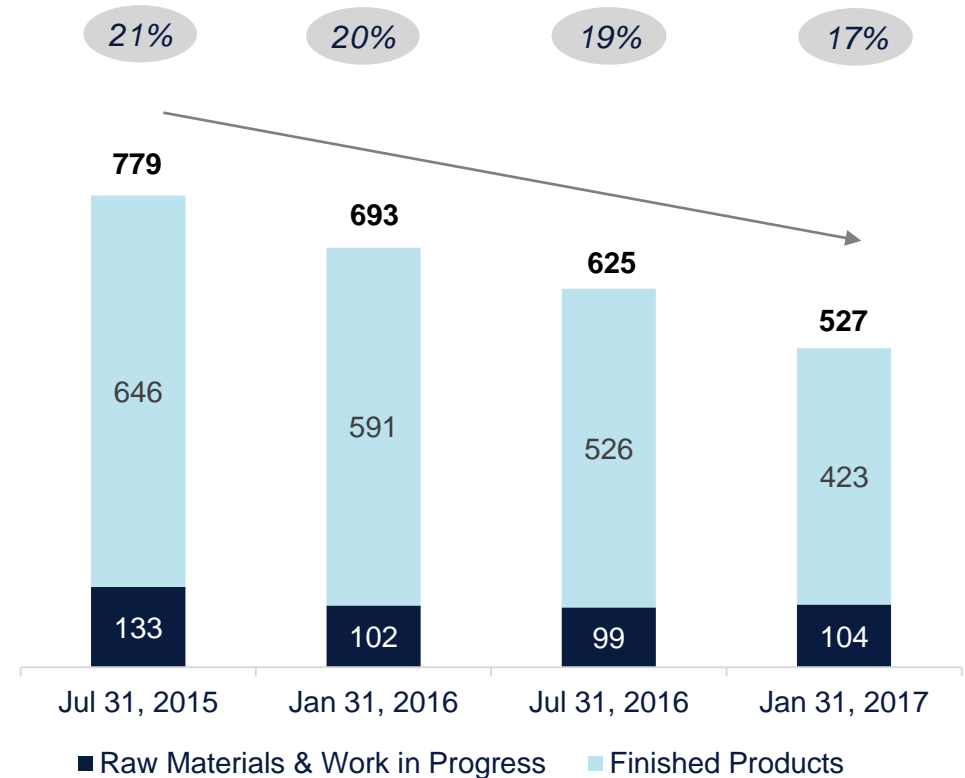
Strong operating cash flow supported by efficient inventory management

Operating cash flow (€m)



Net inventories (€m)

As % of sales:

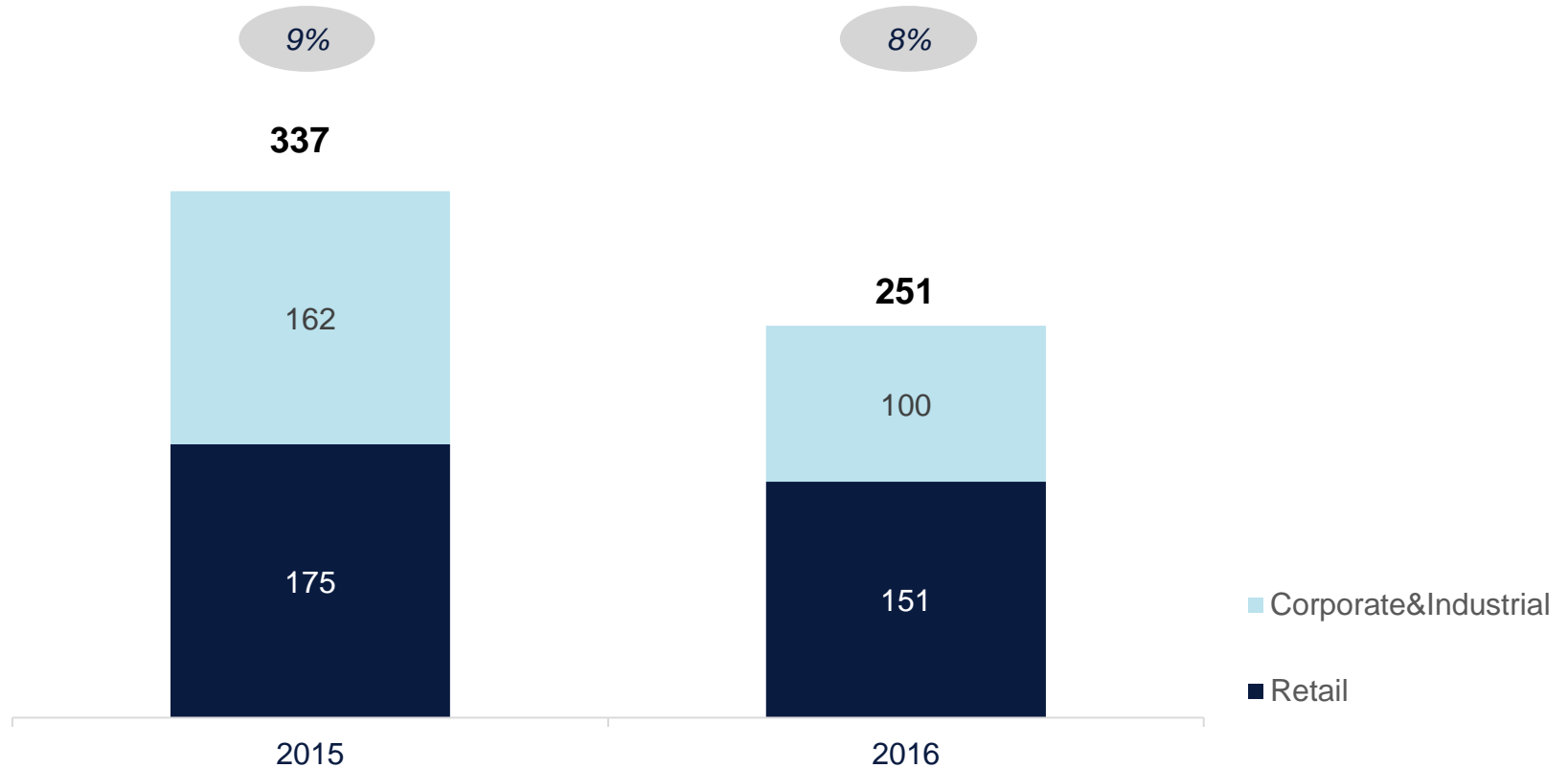


Capex

Capex stabilized as focus shift from store openings to refurbishments

Capex (€m)

As % of sales:

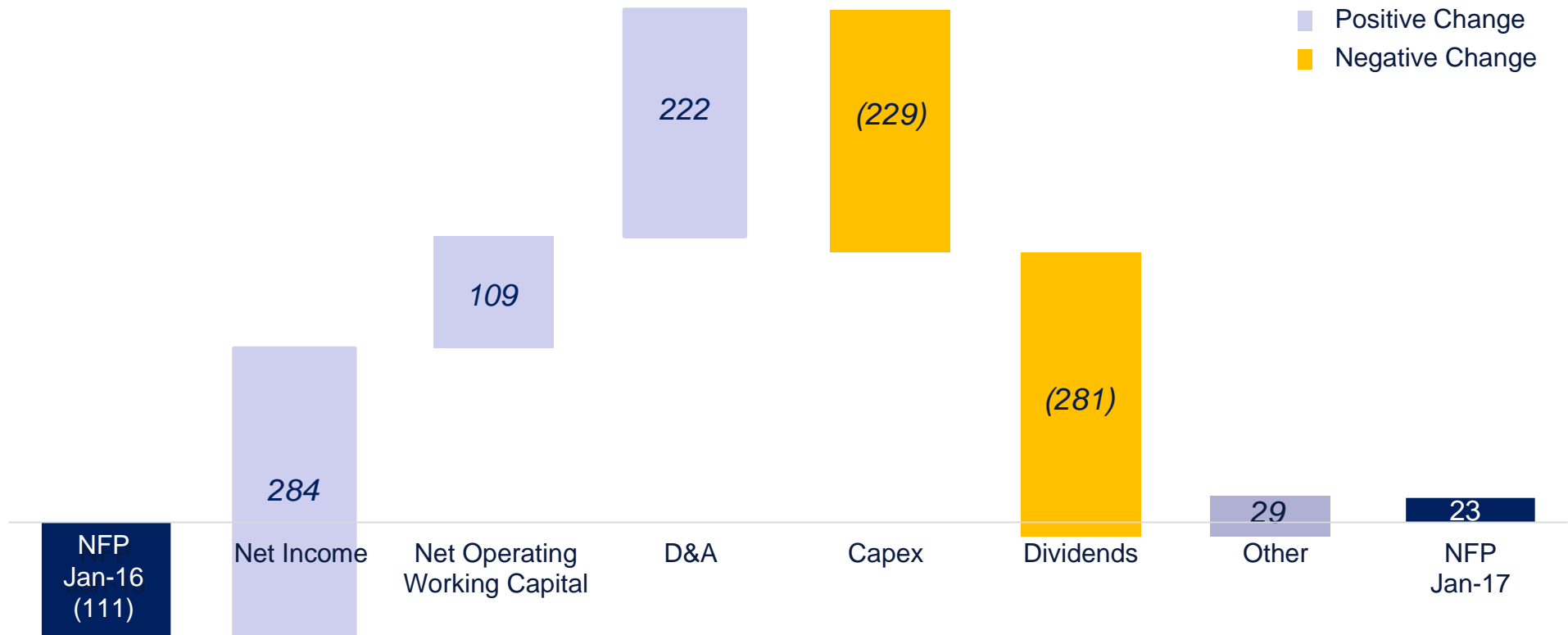


- Capex stabilized at ~ €250m per year
- 28 openings and 26 closings in FY 2016
- ~ 40 renovation and relocation projects to keep fresh the shopping experience

Net financial position

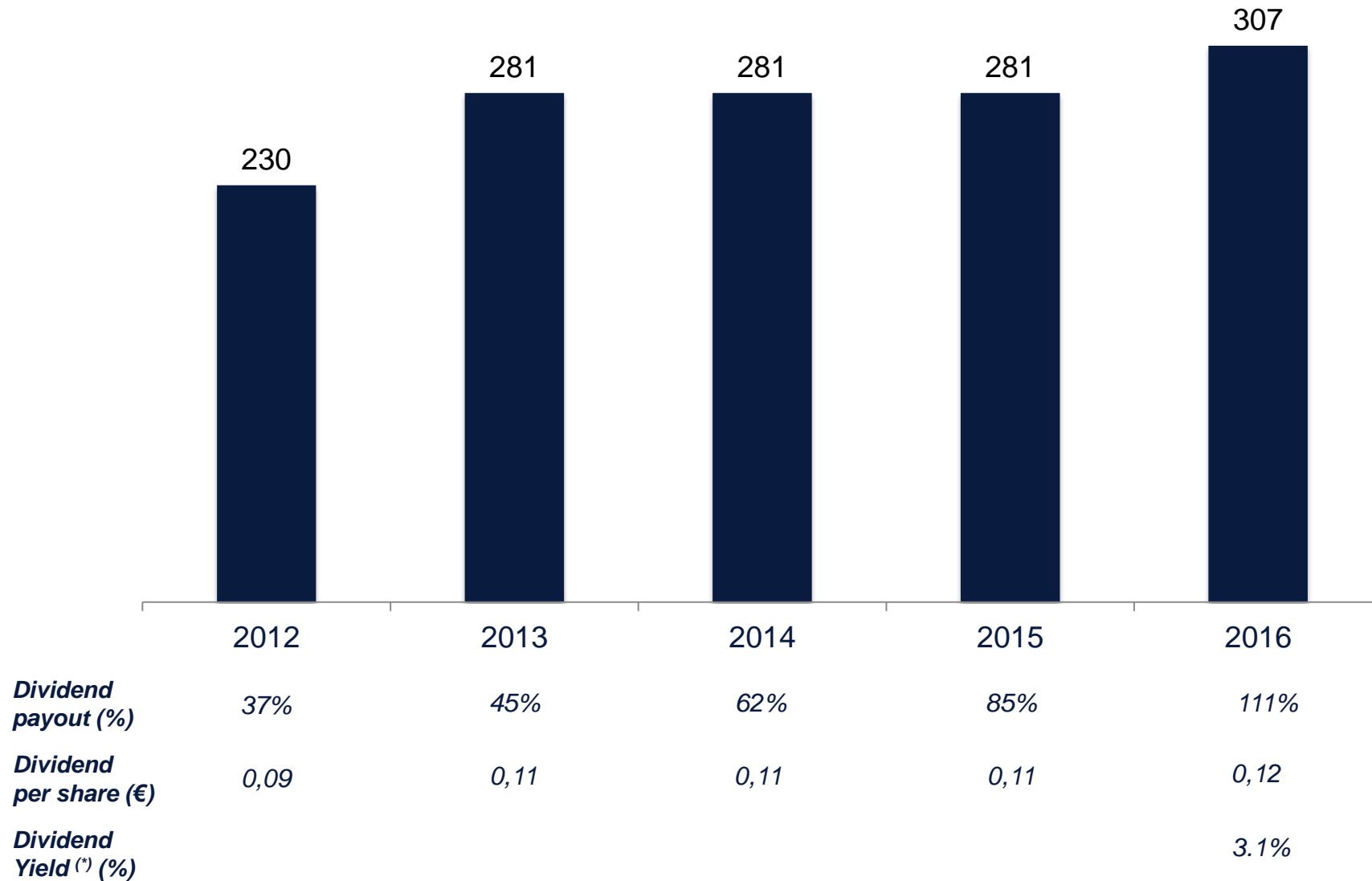
Strong cash flow enabling NFP turning positive

(€m)



Note: NFP without related parties

Dividend policy



(*) share price as at January 31st 2017

Commercial Update

Patrizio Bertelli
CEO

Path to digital excellence

Focused e-commerce and commercial platforms

Talented hires to drive digital strategy

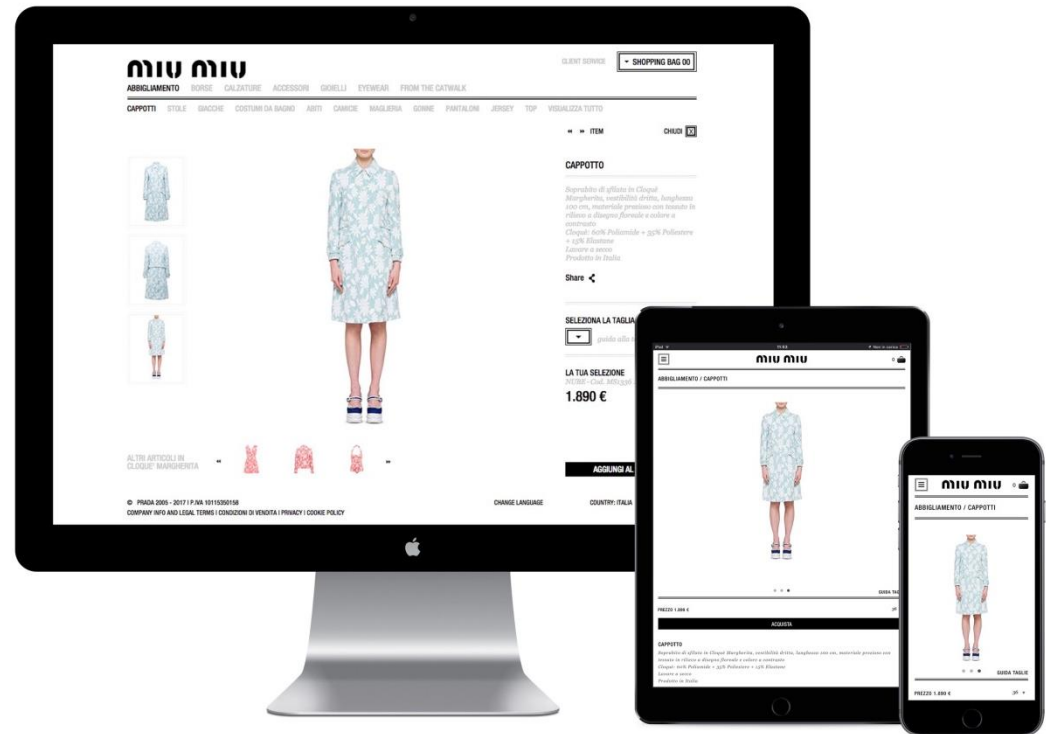
- New team fully dedicated to develop the Group's digital strategy
- Chiara Tosato will lead the team, bringing digital and media expertise

First wave of a global e-commerce platform roll-out plan

- By year end: China, Korea, Australia, New Zealand and Russia. Other countries to follow in 2018

Accelerating ready-to-wear online rollout

- Launch of Prada women's and men's RTW and Miu Miu women's RTW collections on own e-commerce platform
- All products across all brands to be available online by year end



Path to digital excellence

Seamless integration of channels

New commercial Prada and Miu Miu sites to drive more traffic and higher conversion rates

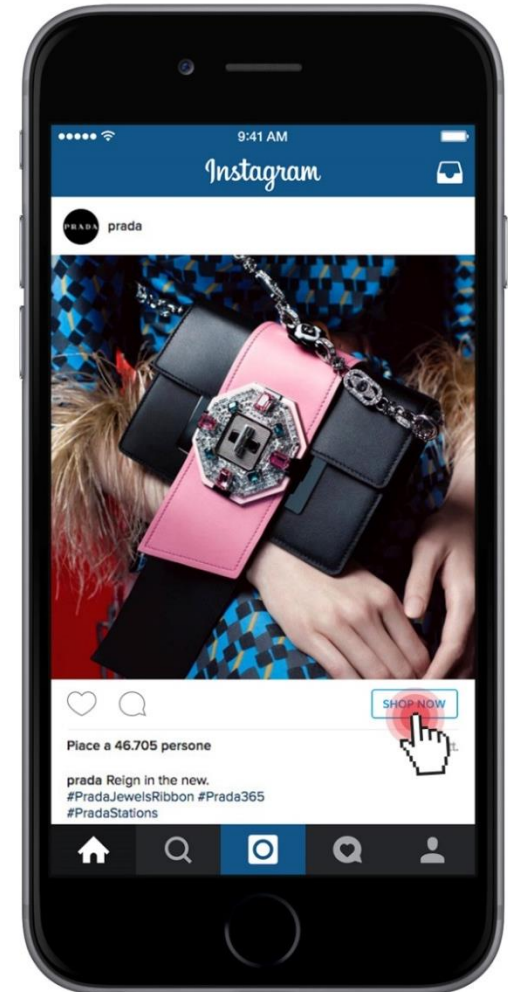
- Release of new websites to launch in the summer with improved layout, functionality and design
- Faster links to check-out and enhanced customer touchpoints
- Advanced CRM software updates
- Dynamic styling and story-telling to deliver online experience true to Prada's DNA
- Localised websites for China, other major Asian markets and Middle East

Stronger link between social and sales

- Deepening engagement with consumers across all social media channels
- Most direct link between post on social media and sales (WeChat, Line, Instagram, etc.)

Ambitious multi-platform marketing strategy blurring offline and online

- Prada365 strategy encompasses all channels across digital and traditional
- The concept uses multiple narratives and visual identities to showcase collections throughout the year
- Part of Prada's broader strategy to respond to ever-shifting customer needs for innovation and newness



Retail

Harnessing innovation and creativity to drive in-store sales

Focus shifted from store expansion to retail optimization

- Rationalisation of retail network with selective openings and strategic closings
- 28 store openings, 26 closures in 2016

Global investment in renovations and store concepts

- 50 renovation projects across Prada stores in 2017
- Miu Miu 'Blue Tale' concept to be rolled out across 100 Miu Miu stores
- Reinterpretation and renewal of store looks throughout the season, drive return visits and loyalty
- Pop up store project: creating excitement around new concepts and product launches
- Resort concept to reflect local culture with specifically designed products (St Barts last year, Porto Cervo May 2017)



Retail

Creativity permeates all categories and collections

Increased pace of innovation

- Launched many new products and bag families in H2/Q4
- Newness across all categories very well received by the customers
- Excellent reception to new fabrics, details, embellishments and personalizations
- Strong pipeline of new products to land in 2017



Wholesale

Positive growth driver

After several years of rationalization the wholesale channel now positively contributes to the Group's growth, thanks to strong results from partnerships with luxury e-tailers (Net-A-Porter, MyTheresa)

Partnerships with leading e-tailers forms part of the Group's broader digital strategy

- Supporting the development of a truly omnichannel offer with the integration of online and offline
- Excellent results from fashion products, particularly RTW for both men and women

The screenshot displays the Net-A-Porter website interface. At the top, the 'NET-A-PORTER' logo is centered, with a navigation bar below it containing links: WHAT'S NEW, DESIGNERS, CLOTHING, SHOES, BAGS, ACCESSORIES, JEWELRY, LINGERIE, BEAUTY, and MAGAZINE. A search icon is on the right. The main product featured is a Prada Ribbon bag, described as 'Ribbon large color-block leather clutch' with a price of '\$2,280'. To the left of the main image are five smaller thumbnail images showing different views of the bag. To the right of the main image are two buttons: 'ADD TO SHOPPING BAG' and 'ADD TO WISH LIST'. Below these buttons is a section for '+ SIZE & FIT INFORMATION' and '- EDITORS' NOTES'. The editors' notes describe the bag as 'the future of elegance', mention its Italian origin, and list its features: gray, black, and pink leather (Calf), tab-fastening front flap, weight of approximately 1.3lbs/ 0.6kg, and made in Italy. Below the notes, it says 'Shown here with: Prada Dress, Prada Sandals.' and 'Product Code: 861567'. At the bottom of the page, there are five smaller product images with their respective descriptions and prices: 1. Prada Ribbon color-block leather shoulder bag, \$2,160. 2. Prada Silver-tone, Swarovski crystal and resin bag strap, \$1,480. 3. Prada Ribbon Plexi two-tone textured-leather shoulder bag, \$2,840. 4. Prada Silver-tone, Swarovski crystal and resin bag strap, \$1,050. 5. Prada Ribbon leather shoulder bag, \$2,840.

Licensing

Continued positive trends

Licensing business continues to grow

- Positive trends in both fragrances and eyewear

New fragrances performed strongly

- Prada La Femme and L'Homme received extremely well
- Launch of Les Mirages, a new range of four unisex Prada additions to the Olfactories collection of fragrances
- Excellent reception to first-ever Miu Miu fragrance, followed by launch of Miu Miu L'eau Bleue



Outlook

Patrizio Bertelli
CEO

Outlook

Confidence in the future growth of the Group

Leverage our iconic heritage and creativity to continue to deliver unparalleled innovation and quality

Accelerate the omnichannel experience, with enhanced online presence and in-store digital environment

Development of Prada and Miu Miu Pop-up Stores project around the world supported by integrated digital strategy

Streamlined cost structure puts us in a strong position to convert future revenue into profitability

2016 marks a turning point as we are now firmly on the pathway to sustainable growth

As a sign of our confidence in the future Group's growth, we will propose a dividend of € 12 cents per share, an increase of 9% on last year thanks to the strong free cash flow generation



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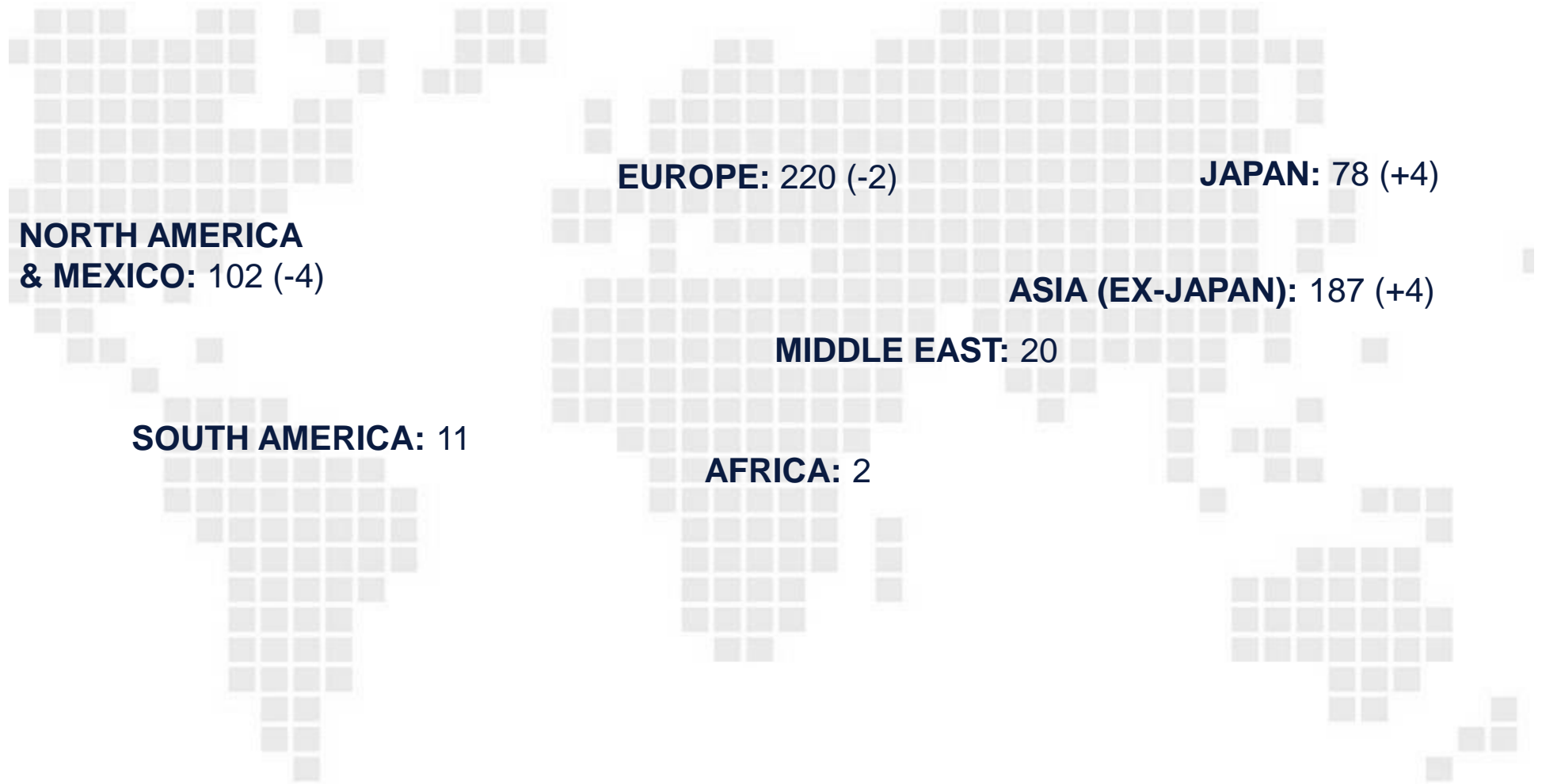
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Q&A SESSION

APPENDIX

Retail overview - 620 Dos at 31 Jan 17

2 Net openings



Note: Total of 620 Dos includes 3 Marchesi shops in Italy

Net Sales by Channel (€ mn) – Full Year

	2015		2016		% change as reported
Retail	3,060	87%	2,635	84%	-14%
Wholesale	444	13%	504	16%	+13%
Total	3,504	100%	3,139	100%	-10%

Net Sales by Geography (€ mn) – Full Year

	2015		2016		% change as reported
Europe	1,292	37%	1,190	38%	-8%
Americas	525	15%	459	15%	-13%
Far East	1,158	33%	993	32%	-14%
<i>Greater China</i>	732	21%	622	20%	-15%
Japan	408	12%	389	12%	-5%
Middle East	115	3%	103	3%	-10%
Others	6	0%	5	0%	-19%
Total	3,504	100%	3,139	100%	-10%

Net Sales by Product (€ mn) – Full Year

	2015		2016		% change as reported
Leather Goods	2,103	60%	1,804	57%	-14%
Footwear	726	21%	679	22%	-7%
Ready to Wear	612	17%	600	19%	-2%
Others	63	2%	56	2%	-9%
Total	3,504	100%	3,139	100%	-10%

Net Sales by Brand (€ mn) – Full Year

	2015		2016		% change as reported
Prada	2,841	81%	2,528	81%	-11%
Miu Miu	564	16%	515	16%	-9%
Church's	82	2%	80	3%	-3%
Other	17	1%	16	-	-6%
Total	3,504	100%	3,139	100%	-10%

Group P&L

€ mn	2016		2015	
Net Sales	3.139,3	98,6%	3.504,3	98,8%
Royalties	44,8	1,4%	43,4	1,2%
Net Revenues	3.184,1	100%	3.547,8	100,0%
COGS	(895,0)	28,1%	(980,2)	27,6%
Gross Margin	2.289,1	71,9%	2.567,6	72,4%
Product Development	(125,3)	3,9%	(134,3)	3,8%
Advertising & Promotion	(172,5)	5,4%	(191,7)	5,4%
Selling	(1.383,3)	43,4%	(1.517,4)	42,8%
G&A	(176,8)	5,6%	(221,3)	6,2%
EBIT	431,2	13,5%	502,9	14,2%
Net Financial Income (Expenses)	(15,8)	0,5%	(27,5)	0,8%
Income Taxes	(131,2)	4,1%	(142,0)	4,0%
Net Income	284,2	8,9%	333,4	9,4%
Minority Income	5,9	0,2%	2,4	0,1%
Group Net income	278,3	8,7%	330,9	9,3%
D&A	222,3	7,0%	299,9	8,5%
EBITDA	653,4	20,5%	802,8	22,6%

EBIT development

Industrial efficiencies and cost reduction supporting margins

