

PRADA

MILANO

DAL 1913

FY 2017 Results Presentation

Milan, March 9th 2018

Agenda

Presentation

14:00 – 14:30

Patrizio Bertelli – CEO

- 2017 Overview

Alessandra Cozzani – CFO

- FY 2017 Financial Review

Patrizio Bertelli – CEO

- Business Update

Chiara Tosato – Prada General Manager and Digital Director

- Digital Transformation

Patrizio Bertelli – CEO

- Outlook

Q&A Session

14:30 – 15:00

2017 Overview

Patrizio Bertelli
CEO

2017 Overview

Successful transformation gathering momentum

Business transformation gathered pace during 2017 with clear positive effects seen in the second part of the year and continuing into 2018

Thanks to our ongoing strategic initiatives, signs of turnaround are now evident

- Sequential improvement across all regions during 2017
- Success of latest leather goods collections
- Positive performance of RTW demonstrating our leadership position in design and innovation
- Strong growth in Wholesale mainly driven by e-tailers



2017 Financial Review

Alessandra Cozzani
CFO

FY 2017: at a glance

A year of stabilization

Condensed P&L

€m	FY 17 (*)	FY 16 (*)	% change
Net Revenues	3,056.5	3,170.5	-3.6%
<i>Gross Margin</i>	<i>73.5%</i>	<i>72.0%</i>	
EBITDA	588.0	634.5	-7.3%
<i>EBITDA Margin</i>	<i>19.2%</i>	<i>20.0%</i>	
EBIT	360.0	405.6	-11.2%
<i>EBIT Margin</i>	<i>11.8%</i>	<i>12.8%</i>	
Net Income	248.9	260.2	-4.3%
<i>Net Income margin</i>	<i>8.1%</i>	<i>8.2%</i>	

- Net Revenues down by 2% at constant FX, showing a positive trend in the second part of the year (+1% at constant FX and -3% reported)
- Improved quality of sales and supply chain efficiencies delivering higher Gross Margin
- Operating Expenses well under control despite continuing investment in digital and communication
- Net income broadly in line year on year

(*) Pro-forma 12 months January – December unaudited

FY 2017: at a glance

Sound financial structure

Condensed Balance Sheet and Cash Flow

€m	31 Dec 17	31 Jan 17
Non current assets	2,565	2,600
Net operating working capital	546	556
Other current assets / (liabilities), net	(21)	51
Other non current assets / (liabilities), net	(121)	(121)
Net invested capital	2,970	3,086
Consolidated shareholders' equity	2,866	3,105
Net financial position (surplus)/deficit	104	-18
Equity + Net Financial Position	2,970	3,086
Operating cash flow	447 (*)	632
Capital expenditure	251 (*)	251

- Strong operating cash flow
- Working capital in line with last year and Capex remains fully self-financed

(*) 11 months

Net sales by Channel

Sequential improvement across the year

<i>% change same FX</i>	Jan	Feb-July	Aug-Dec	FY 17
Retail	-7%	-8%	-3%	-6%
Wholesale	+39%	+4%	+34%	+19%
Total	+4%	-6%	+1%	-2%

Retail

- Underlying trends sequentially improved in Aug-Dec17
- Partially impacted by ongoing reduction in markdown sales

Wholesale

- Strong performance also with the contribution from existing and new partnerships with e-tailers

Net sales by Geography

All regions improved - Greater China the bright spot

% change same FX	Jan	Feb-July	Aug-Dec	FY 17
Europe		-7%	+6%	0%
Far East		-1%	+1%	+1%
<i>Greater China</i>		+5%	+10%	+8%
Americas		-6%	-3%	-4%
Japan		-14%	-6%	-11%
Middle East		-13%	-3%	-9%
Others		-29%	-2%	-13%
Total	+4%	-6%	+1%	-2%

Europe

- Improvement in Aug-Dec17 driven by Wholesale

Far East

- Double digit organic growth in Aug-Dec17 in Greater China, including HK and Macau

Americas

- US improved particularly towards the end of the year thanks to stronger local consumption

Japan and Middle East

- Declining trends significantly mitigated in Aug-Dec17 thanks to improving tourism and domestic demand

Net sales by Product

Encouraging trends across categories

<i>% change same FX</i>	Jan	Feb-July	Aug-Dec	FY 17
Leather Goods		-8%	0%	-3%
Ready to Wear		+4%	+10%	+7%
Footwear		-9%	-4%	-7%
Other		+6%	-5%	-1%
Total	+4%	-6%	+1%	-2%

Leather goods – encouraging trends

- Trends turned positive in Aug-Dec17 at Prada in key regions
- Success of latest collections and iconic lines

Ready to wear – very positive performance continuing

- Positive trends for both Prada and Miu Miu
- Acceleration in the second part of the year

Footwear – sales contraction mitigated

- Successful launch of sneakers for both men and women

Net sales by Brand

Prada resuming growth

<i>% change same FX</i>	Jan	Feb-July	Aug-Dec	FY 17
Prada		-5%	+4%	0%
Miu Miu		-10%	-10%	-9%
Church's		-10%	-8%	-8%
Other		+12%	+2%	-4%
Total	+4%	-6%	+1%	-2%

Prada

- Organic trends improved in the second part of 2017 driven by all categories

Miu Miu

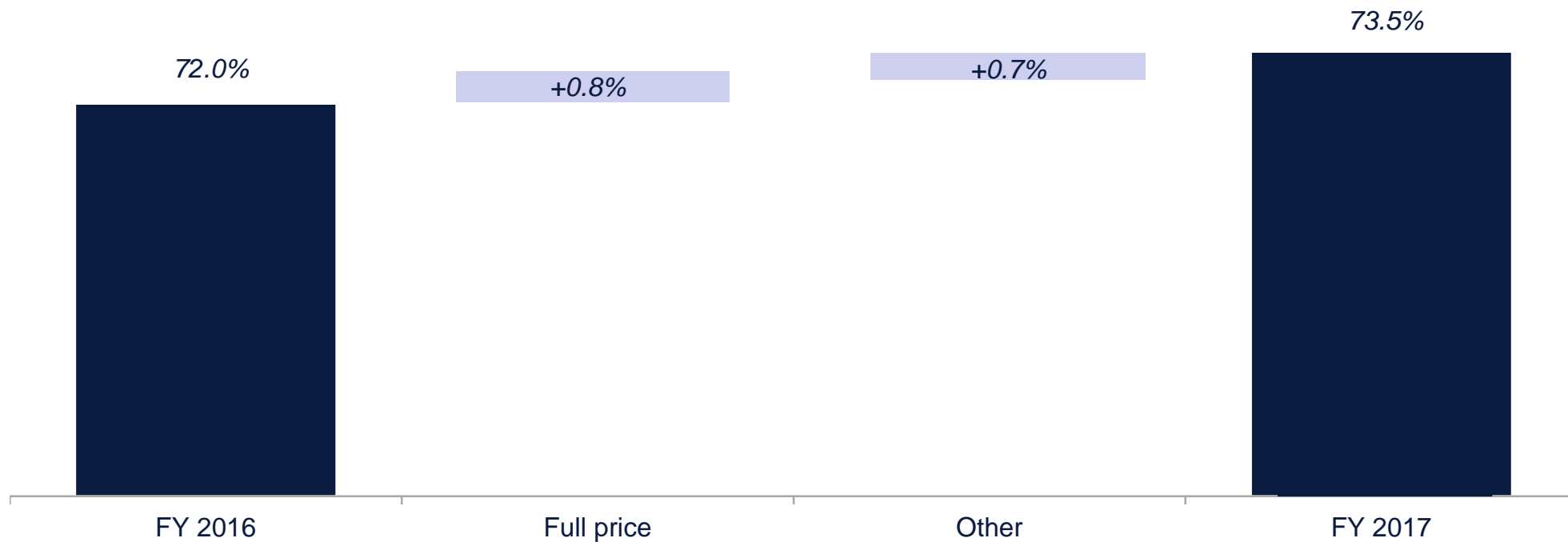
- 12 strategic closures and 90 renovation projects realized in 2017 had a temporary impact on sales, while positioning Miu Miu for recovery in 2018
- Sustained growth in RTW

Church's

- Temporary impact of Wholesale network restructuring

Gross margin development

Boosted by better quality of sales

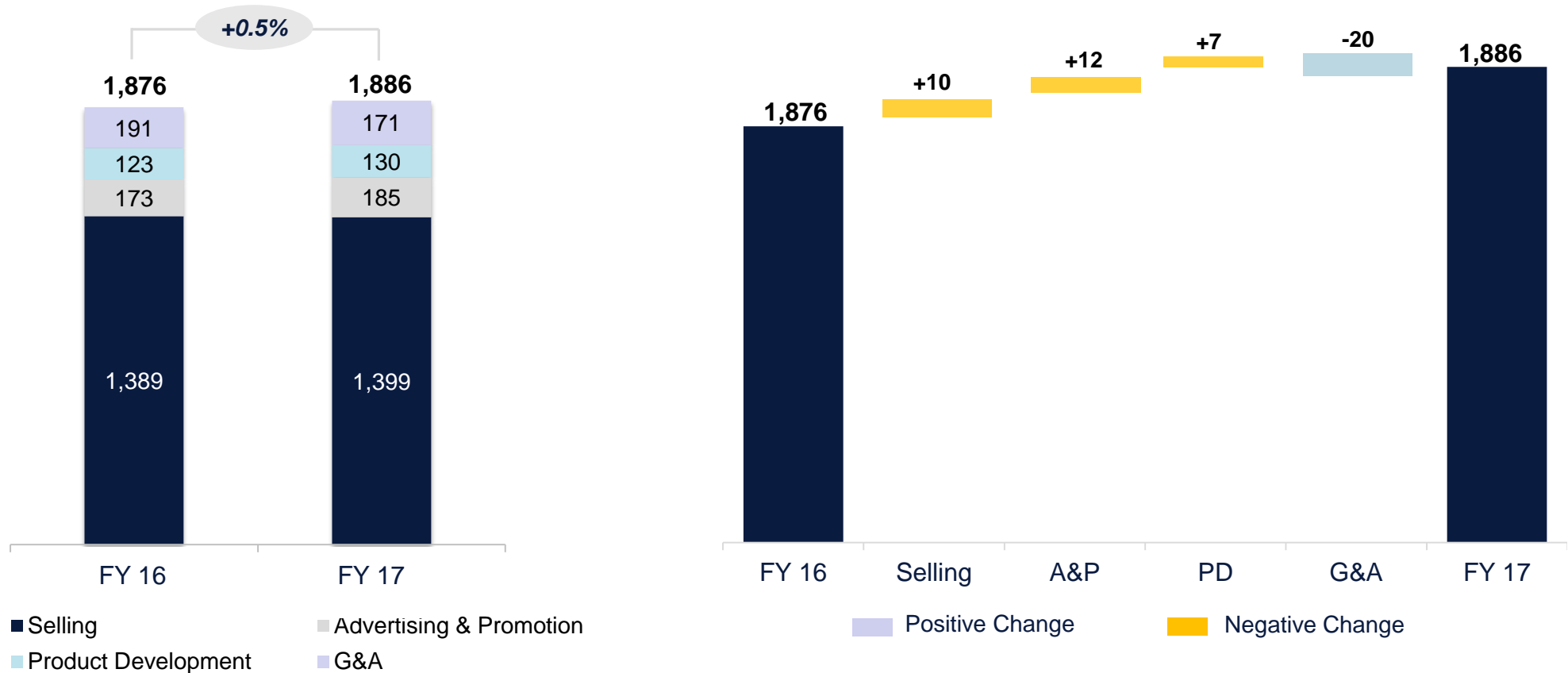


- Strong gross margin development supported by higher contribution from full-price sales
- Additional contributions from forex and industrial efficiencies

Operating costs

Investing in the brand within a streamlined cost structure

Operating expenses (€m)

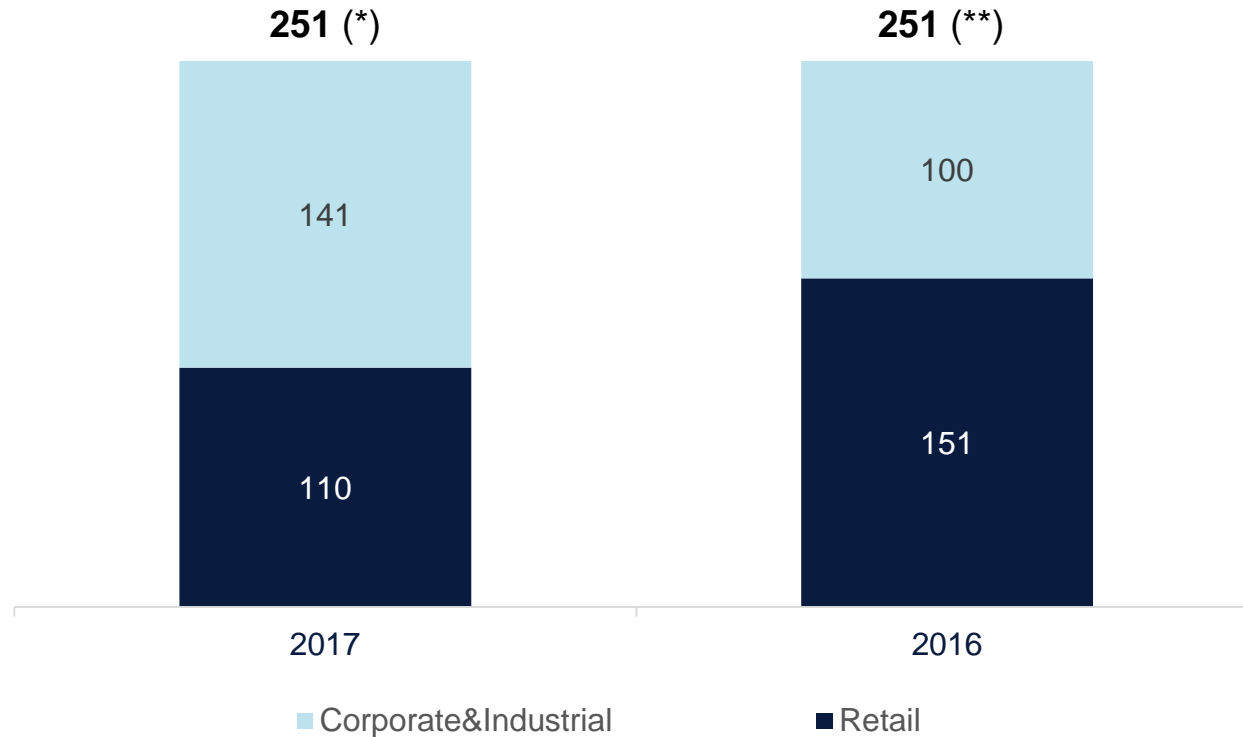


- Operating expenses broadly in line yoy
- Effective cost management despite increasing expenses in advertising and digital

Capex

Investing in quality and new store concepts to enhance customer experience

Capex (€m)

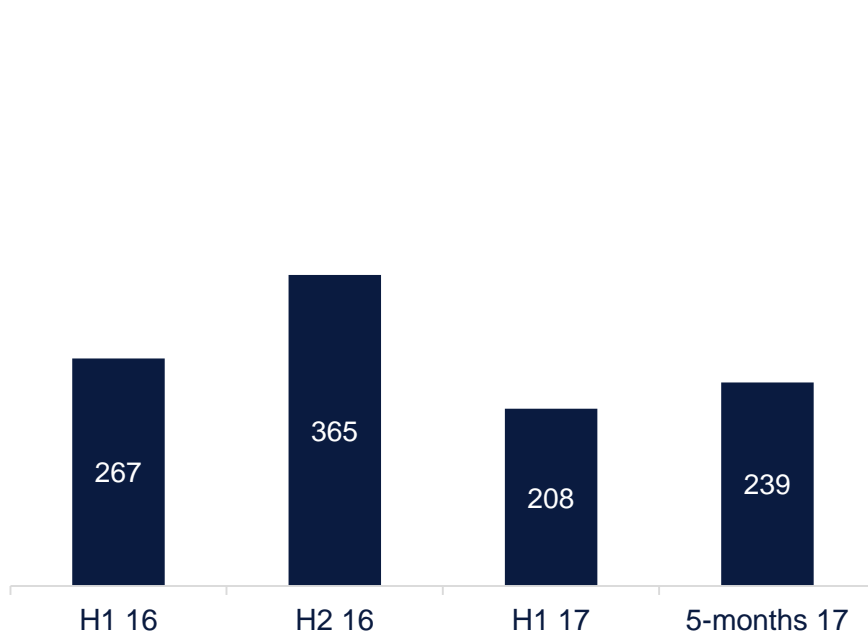


- 2 net openings in 2017 - 25 openings and 23 closures
- 140 renovation and relocation projects
- Increased investments in production to safeguard quality and strengthen know-how

(*) 11 months ; (**) 12 months

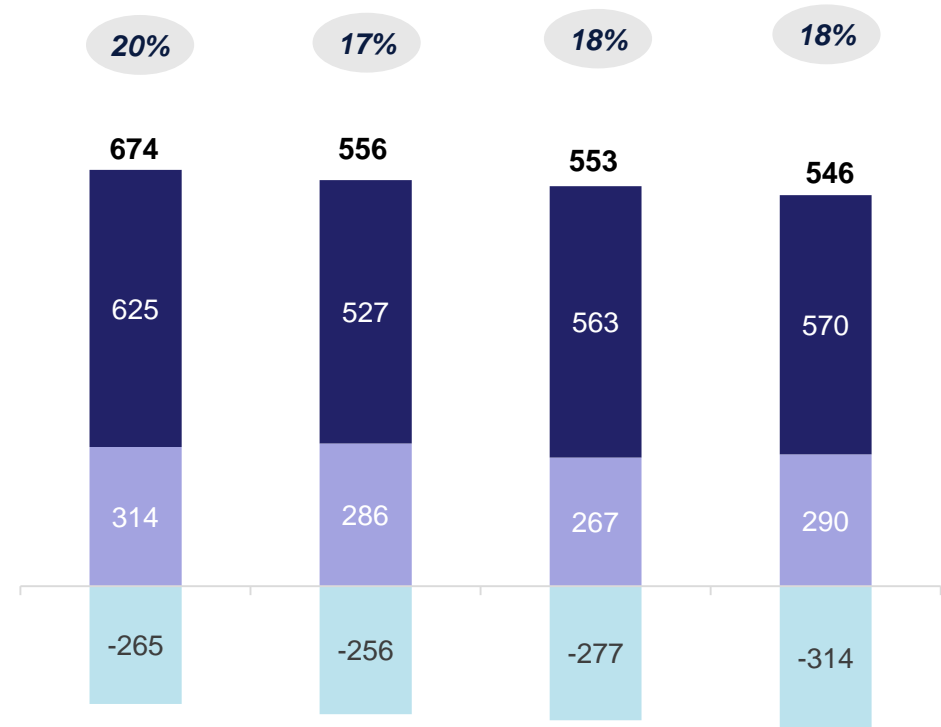
Cash flow

Operating cash flow (€m)



Net working capital (€m)

As % of net sales



Jul 31, 2016

Jan 31, 2017

Jul 31, 2017

Dec 31, 2017

■ Trade Receivables

■ Trade Payables

■ Inventory

- Consistently strong operating cash flow
- Working capital management well under control
- Normalization of inventory level in 2017

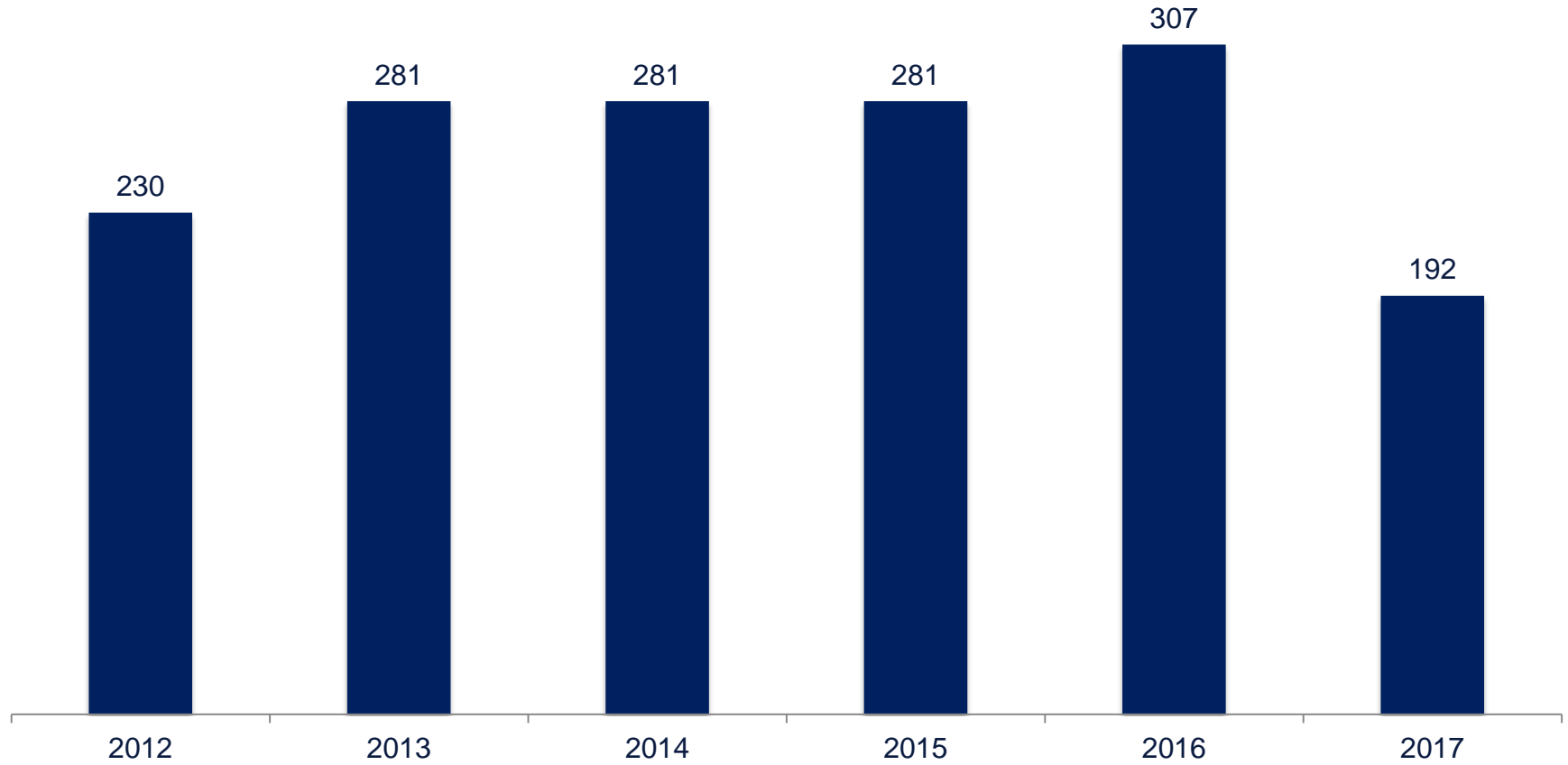
Net financial position

(€m)



Dividend policy

(€m)



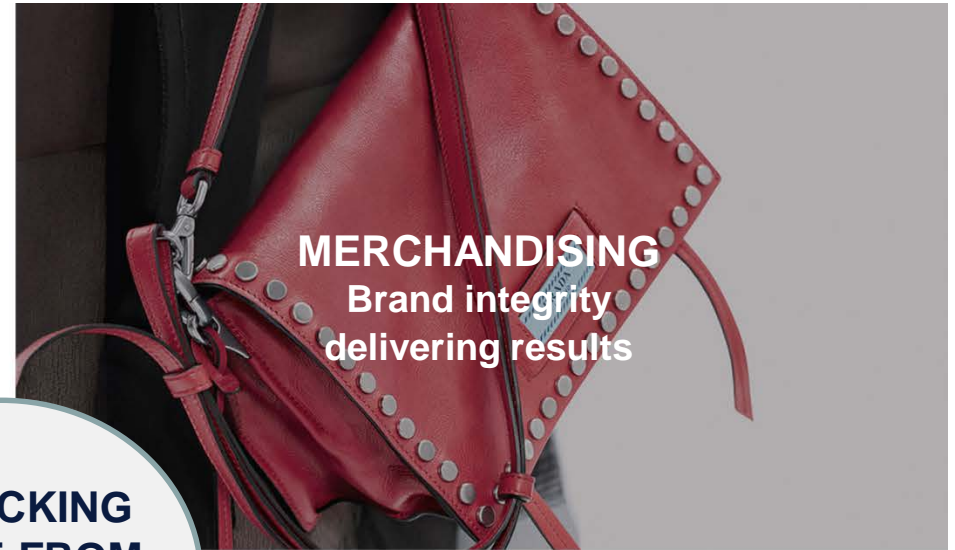
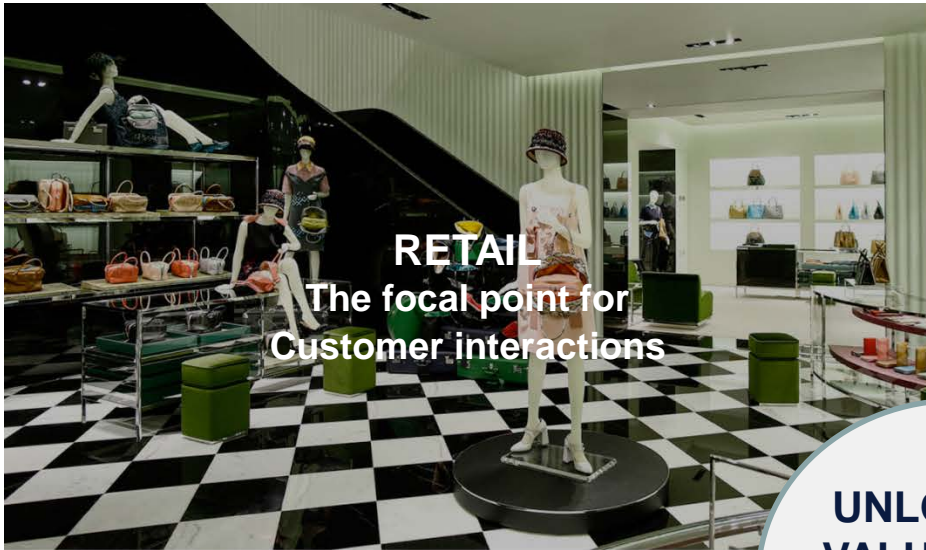
Dividend payout (%)	37%	45%	62%	85%	111%	88% (*)
Dividend per share (€ cents)	9	11	11	11	12	7.5

(*) based on 11 months

Business Update

Patrizio Bertelli
CEO

Several factors have contributed to business recovery



**UNLOCKING
VALUE FROM
RETAIL
NETWORK**



Retail

The focal point for customer interactions

Leveraging our best-in-class digitally integrated store network remains our key priority

- Optimization of global retail portfolio ongoing
 - 25 store openings and 23 closures
 - 140 renovation and relocation projects
- Investment in store experiences
 - Roll-out of more than 75 pop-up stores with unique aesthetic expressions across all brands
 - Digital retail: improved CRM interactions through the introduction of new in-store digital tools
- Introduction of new concept stores with different architectural designs (i.e. Miami)



Retail

Pop-up stores building excitement and customer engagement

- Roll-out of 75 pop-up stores in 2017 to target new customer segments through unconventional selling propositions
- Complemented by engaging social media campaigns to drive discussion among key influencers and customers
- Key benefits:
 - Widen the client base: more than 50% of purchases made by new customers
 - Strong brand statement translated into a wider brand awareness
 - Communicate product novelties in an innovative way
 - Drive traffic/sales to neighbouring stores benefitting from the buzz generated by the pop-ups
- *Prada Silver Line* concept well received and to be further developed in 2018





Merchandising

Brand integrity delivering results

- **Leather goods - balance between iconic and newness achieved**
 - Widening product offering in all strategic price ranges
 - Reinterpretation of iconic products (*Galleria*, *Black Nylon*) conveyed by strong digital campaigns
 - Successful take off of new lines: *Etiquette*, *Elektra*, *Monochrome*, *Diagramme*
 - Strong performance of *Viaggio*
 - More localized merchandising strategy
 - Prada turned positive in the second part of the year
- **RTW – consistently strong performance demonstrating design leadership**
 - Positive trends for both Prada (men and women) and Miu Miu
 - Successful reception of Resort Collection
 - New lifestyle propositions
 - Increased focus on MtM for formal items for men
- **Footwear – recovery on track**
 - Successful launch of new sneakers (i.e. *Prada Cloudbust*) for both men and women driving volume



Communication

Targeting a global audience

Prada Rong Zhai

- A historical residence, dating 1918 and designated as a cultural patrimony of the Jing'an district in Shanghai, was brought to its original splendor and magnificence following a long, painstaking restoration process undertaken by Prada
- Opening celebrated in October with a fashion show of the Prada Resort 2018 collection as well as an exhibition dedicated to the restoration work. Pre-order event followed in December
- Gained a hugely successful following on social media

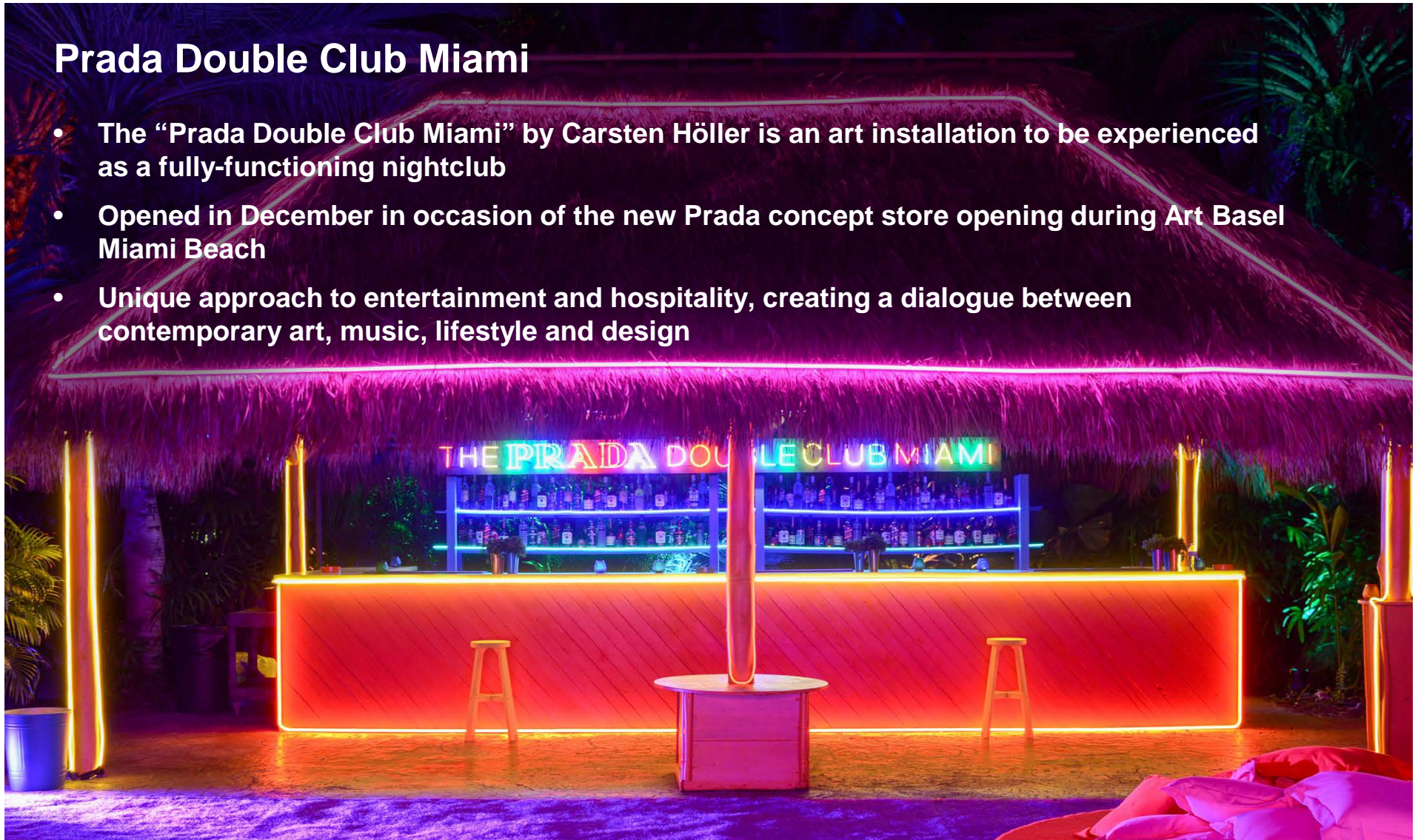


Communication

Targeting a global audience

Prada Double Club Miami

- The “Prada Double Club Miami” by Carsten Höller is an art installation to be experienced as a fully-functioning nightclub
- Opened in December in occasion of the new Prada concept store opening during Art Basel Miami Beach
- Unique approach to entertainment and hospitality, creating a dialogue between contemporary art, music, lifestyle and design





Communication

Targeting a global audience

Luna Rossa – America's Cup

- Entered in sponsorship agreement for the participation of Luna Rossa sailing team in the 36th edition of the America's Cup
- The cup will consist of a preliminary series (to take place in 2019-2020), the challenger selection series (to take place in January/February 2021) and the America's Cup match (to take place in the first half of 2021) providing global brand exposure with accompanying events and social media campaign
- First time role for Prada as naming and presenting sponsor of the entire sailing competition providing additional brand exposure



Digital Transformation

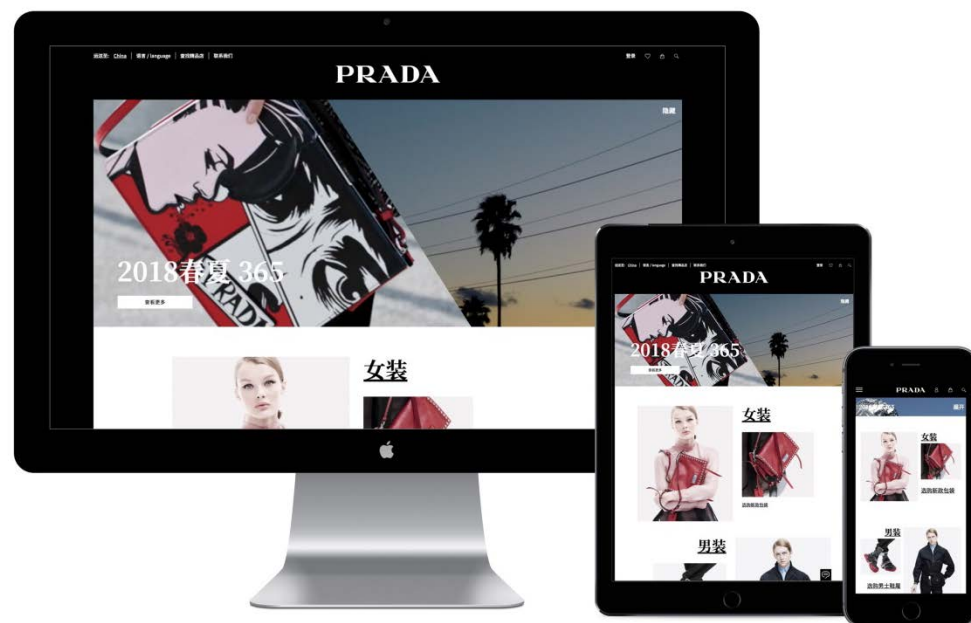
Chiara Tosato

Prada General Manager and Digital Director

Digital transformation driving growth

E-commerce roll-out on track

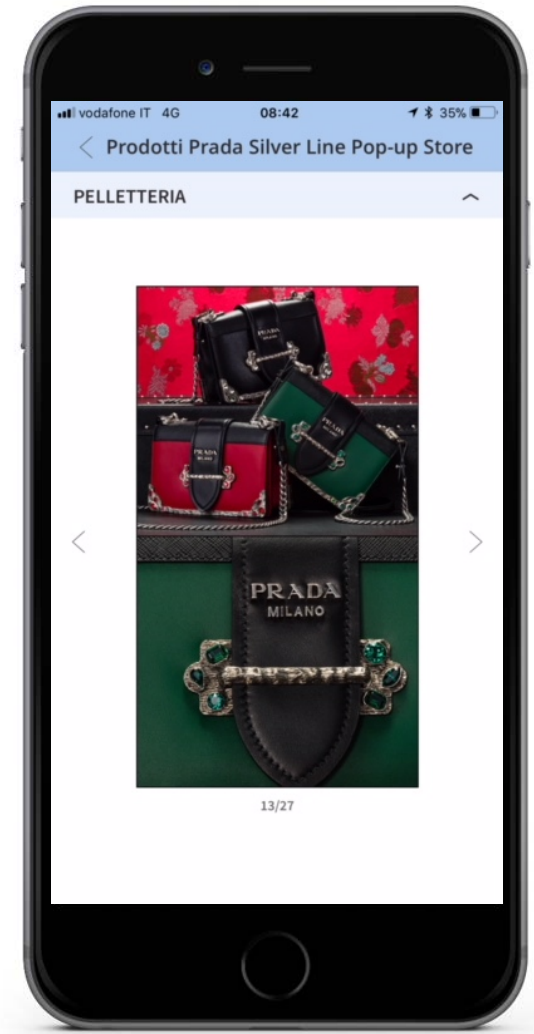
- **Launched new omnichannel e-commerce platform Prada.com in China**
 - Enhanced online services
 - Shipping from main Prada stores
 - Pick-up in store
 - Book an appointment in store, virtual assistant, chat option, “shop the look”
 - Improved and simpler navigation with a “mobile first” approach
 - Wider product choice for all product categories for men and women
 - Integrated with social WeChat and Alipay
- **Platform on track for global roll-out by year-end**
- **Improved online presence across all brands**
- **Growing relationships with premium e-tailers**
- **Planning a direct presence on major marketplaces worldwide**
- **Double digit growth in sales, both direct as well as on e-tailers**



Digital transformation driving growth

Digital retail

- The path to digital transformation in Retail started in 2016 pursuing these goals:
 - Engage with customers to offer tailored experiences across all touchpoints
 - Empower employees to deliver personalized services
 - Optimize in-store operations to increase efficiency
- We have equipped all our sale assistants with “personal” digital devices to interact with our customers in a more effective and trustworthy way
- More than 200,000 customized personal messages sent by our sales assistants every month to inform our customers of the latest arrivals
- Launch in 2018 of a “**Big Data**” project with **Microsoft**, to improve our analysis and business intelligence capabilities. This new project will enable us to consolidate our customer relations through further personalization of our customer’s experience



Digital transformation driving growth

Investing in digital communications

Increased investment in digital communications to deliver a consistent message across all channels

- Digital advertising represents an increasing portion of media spending
- Creative content to support “pop-up” stores

Successful launch of digital campaigns

- Digital only campaigns to attract younger and new audiences
 - *The Postman’s Gifts* most viewed-ever video in Prada’s history with millions of viewers
 - *Prada Black Nylon*
 - *Miu Miu Women Tales*
 - *Miu Miu Whispers*

Strategy is delivering results

- Successful sales driver in particular in leather goods and sneakers
- Addressing younger audiences, seeing growth in Gen Y



Outlook

Patrizio Bertelli
CEO

Outlook

Looking back. Walking forward.

- The recent performance of the Group is the result of our strategic initiatives aimed at meeting customers' expectations while respecting the iconic heritage of our world renowned brands; that's the "Prada way" to compete in the current fast-changing environment
- We'll continue to nurture our creativity with our unique way to observe contemporary society and to interpret market trends
- We'll focus on improving the productivity of our global retail network further strengthening integration between offline and online offering a seamless experience
- We'll continue investing in brand equity through unconventional communication tools conveying our value and vision in a unique experience
- 2018 will be the beginning of a new chapter of the Group's history based on long term sustainable growth



PRADA

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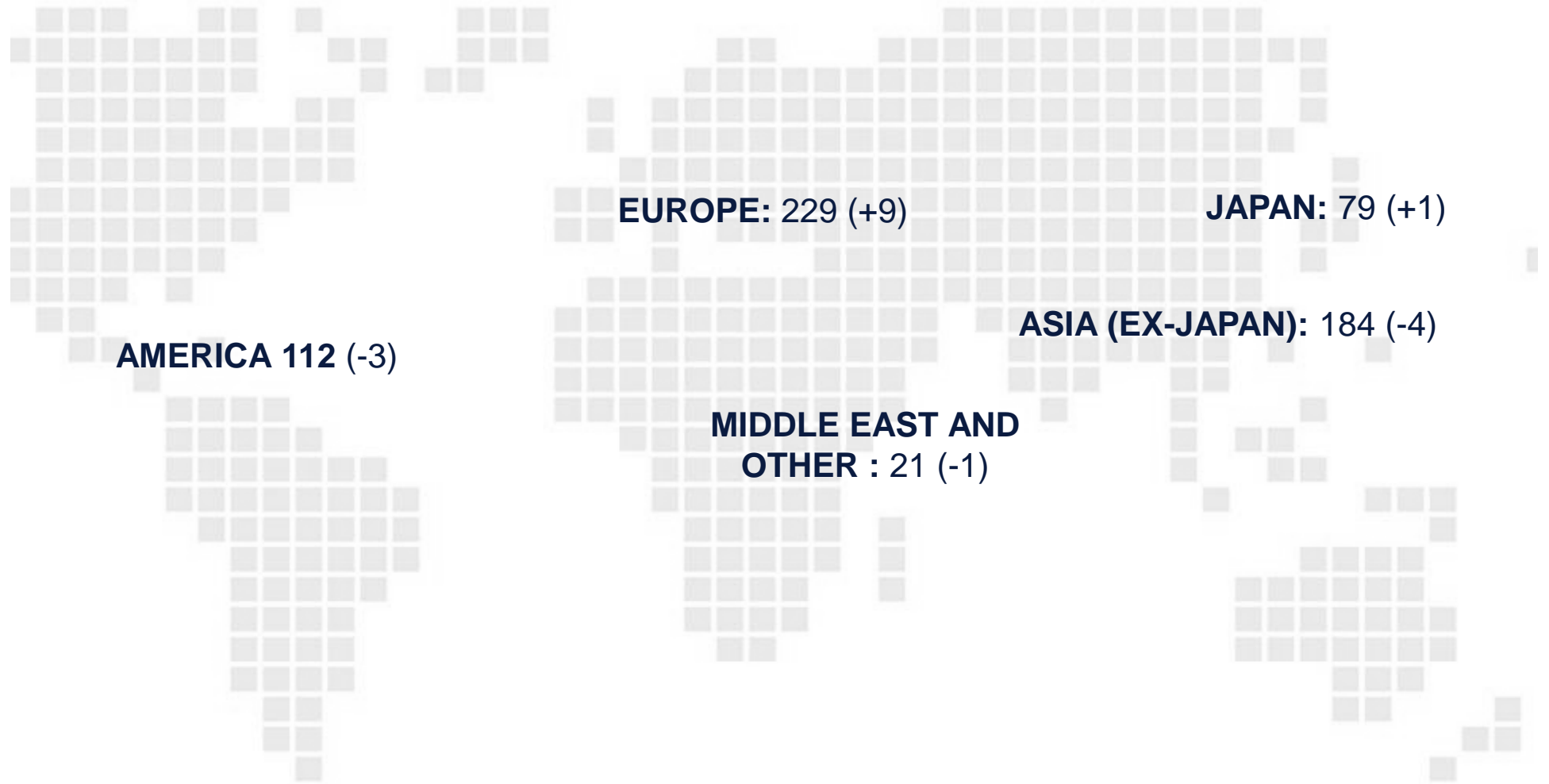
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Q&A SESSION

APPENDIX

Retail overview - 625 Dos at 31 Dec 17

2 Net openings yoy



Note: Total of 625 Dos includes 3 Marchesi shops in Italy

Group P&L

€m	FY 2017 (*)		FY 2016 (*)		% change
Net Sales	3,008.3	98.4%	3,126.0	98.6%	
Royalties	48.2	1.6%	44.4	1.4%	
Net Revenues	3,056.5	100.0%	3,170.5	100.0%	-3.6%
COGS	(810.9)	26.5%	(888.8)	28.0%	
Gross Margin	2,245.6	73.5%	2,281.7	72.0%	-1.5%
Design & Product Development	(130.5)	4.3%	(123.5)	3.9%	
Advertising & Promotion	(184.7)	6.0%	(173.0)	5.5%	
Selling	(1,399.3)	45.8%	(1,389.0)	43.8%	
G&A	(171.1)	5.6%	(190.6)	6.0%	
Operating Expenses	(1,885.6)	61.7%	(1,876.1)	59.2%	+0.5%
EBIT	360.0	11.8%	405.6	12.8%	-11.2%
Net Financial Income (Expenses)	(5.0)	0,2%	(17.0)	0.5%	
Income Taxes	(105.3)	3.4%	(122.4)	3.9%	
<i>Tax rate%</i>	29.7%		31.5%		
Group Net Income	248.9	8.1%	260.2	8.2%	-4.3%
D&A	228.0	7.5%	228.9	7.2%	
EBITDA	588.1	19.2%	634.5	20.0%	-7.3%

(*) Pro-forma 12 months January – December unaudited

Net Sales by Channel

€m	FY 2017 (*)		FY 2016 (*)		% change as reported	% change same FX
Retail	2,444	81%	2,649	85%	-8%	-6%
Wholesale	564	19%	477	15%	+18%	+19%
Total	3,008	100%	3,126	100%	-4%	-2%

(*) Pro-forma 12 months January – December unaudited

Net Sales by Geography

€m	2017 (*)		2016 (*)		% change as reported	% change same FX
Europe	1,170	39%	1,182	38%	-1%	0%
Far East	973	32%	984	31%	-1%	+1%
<i>Greater China</i>	645	21%	618	20%	+5%	+8%
Americas	432	14%	456	15%	-5%	-4%
Japan	337	11%	394	13%	-15%	-11%
Middle East	93	3%	105	3%	-11%	-9%
Others	4	0%	5	0%	-10%	-13%
Total	3,008	100%	3,126	100%	-4%	-2%

(*) Pro-forma 12 months January – December unaudited

Net Sales by Product

€m	2017 (*)		2016 (*)		% change as reported	% change same FX
Leather Goods	1,703	56%	1,793	57%	-5%	-3%
Ready to Wear	625	21%	593	19%	+5%	+7%
Footwear	624	21%	682	22%	-8%	-7%
Others	57	2%	58	2%	-3%	-1%
Total	3,008	100%	3,126	100%	-4%	-2%

(*) Pro-forma 12 months January – December unaudited

Net Sales by Brand

€m	2017 (*)		2016 (*)		% change as reported	% change same FX
Prada	2,461	82%	2,512	80%	-2%	0%
Miu Miu	459	15%	515	16%	-11%	-9%
Church's	71	2%	81	3%	-12%	-8%
Other	17	1%	18	1%	-5%	-4%
Total	3,008	100%	3,126	100%	-4%	-2%

(*) Pro-forma 12 months January – December unaudited