

**FY 2019**  
**Results Presentation**  
**Milan, March 18<sup>th</sup> 2020**

**PRADA Group**

# **Business overview**

## Transformation plan delivering results

**Reported Sales up 3% at €3,2bn, including double digit improvement in full price sales in H2 driven by a combination of brand investment and operational initiatives**

**Successful reception of all collections in RTW, leather goods and footwear all driving strong brand momentum**

**Markdowns completely phased out**

**More stringent policies to better control digital platforms**

**Ongoing Wholesale rationalization**

**Increased investment in brands and new communication strategies**

**Organizational changes and new management appointments**





# Retail

Leveraging a global network in strategic locations

**Retail improvement seen across geographies, categories and brands driven by multiple initiatives including pop-ups, special set up in stores, marketing activities and new product launches**

**Retail network creates hubs for enhanced customer engagement through all channels**

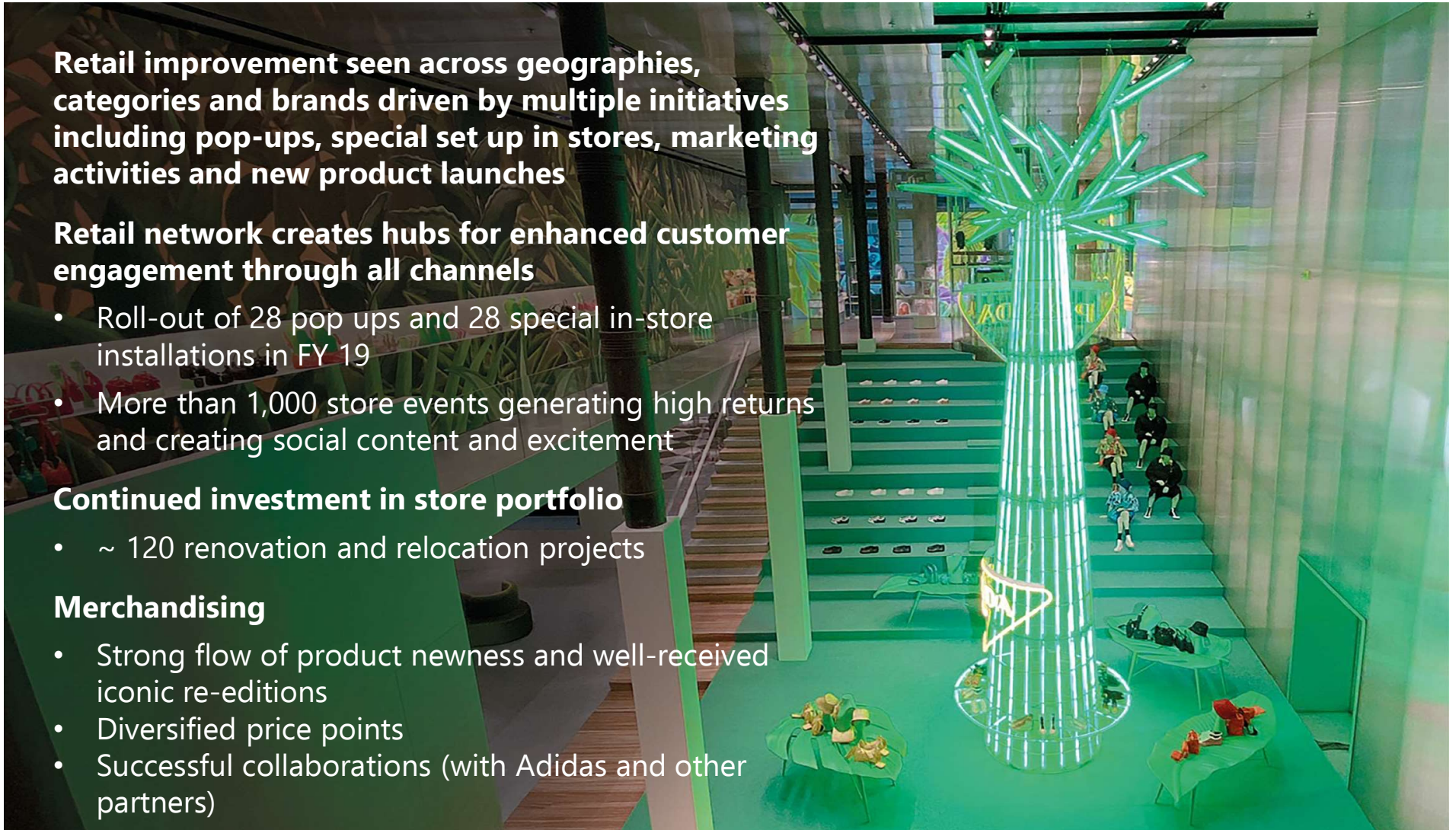
- Roll-out of 28 pop ups and 28 special in-store installations in FY 19
- More than 1,000 store events generating high returns and creating social content and excitement

**Continued investment in store portfolio**

- ~ 120 renovation and relocation projects

**Merchandising**

- Strong flow of product newness and well-received iconic re-editions
- Diversified price points
- Successful collaborations (with Adidas and other partners)



# Wholesale

Ongoing rationalization process enhancing brand equity

**Reducing allocation to wholesale partners for the Spring/Summer 2020 impacted H2 19 sales, along with stricter conditions in terms of geographic areas, volumes and pricing policy**

**Increasing consistency and better control of pricing policy across retail and digital channels globally**

**Enhancing brand desirability to reach a better relationship with final customers around product value**

**Rationalization process continuing in 2020**



# Condensed P&L

Sales and margins in line with expectations

€m	FY-2019 (*)		FY-2018 (**)	
<b>Net Revenues</b>	<b>3,226</b>	<b>100%</b>	<b>3,142</b>	<b>100%</b>
COGS	906	28.1%	880	28%
<b>Gross Margin</b>	<b>2,320</b>	<b>71.9%</b>	<b>2,263</b>	<b>72%</b>
Selling	-1,470	-45.6%	-1,414	-45%
Advertising & Promotion	-231	-7.2%	-207	-6.6%
Design and Product Development	-127	-3.9%	-125	-4%
G&A	-184	-5.7%	-192	-6.1%
<b>Operating expenses</b>	<b>-2,013</b>	<b>62.4%</b>	<b>-1,939</b>	<b>61.7%</b>
<b>EBIT</b>	<b>307</b>	<b>9.5%</b>	<b>324</b>	<b>10.3%</b>
Total Financial expenses	-72	-2.2%	-21	-0.7%
Financial expenses	-25	-0.8%	-21	-0.7%
Financial Right of use	-47	-1.5%		
<b>EBT</b>	<b>235</b>	<b>7.3%</b>	<b>303</b>	<b>9.6%</b>
Income Taxes	23	0.7%	-94	-3%
Minority Income	2	0.1%	3	0.1%
<b>Group Net income</b>	<b>256</b>	<b>7.9%</b>	<b>205</b>	<b>6.5%</b>
Total D&A	-690	-21.4%	-227	-7.2
D&A	-234	-7.2%	-227	-7.2
D&A Right of use	-456	-14.1%		
<b>EBITDA</b>	<b>997</b>	<b>30.9%</b>	<b>551</b>	<b>17.5%</b>

(\*) FY-2019 incorporating the effects of the first application of IFRS 16

(\*\*) Non IFRS 16, see appendix for the restated version

# Condensed Balance Sheet and Cash flow

## Strong balance sheet

€m	31 Dec 2019 (*)	31 Dec 2018 (**)
Right of use	2,363	-
Non current assets (excl deferred tax assets)	2,671	2,700
Net operating working capital	703	638
Other current assets / (liabilities), net	-6	-38
Other non current assets / (liabilities), net	79	-90
<b>Net invested capital</b>	<b>5,809</b>	<b>3,211</b>
Consolidated shareholders' equity	2,989	2,897
Net financial position (surplus) / deficit	406	314
Long term lease liability	2,006	-
Short term lease liability	410	-
<b>Total</b>	<b>5,809</b>	<b>3,211</b>
Operating Cash flow	362	365
Capex	302	284
Debt / Equity	14%	11%

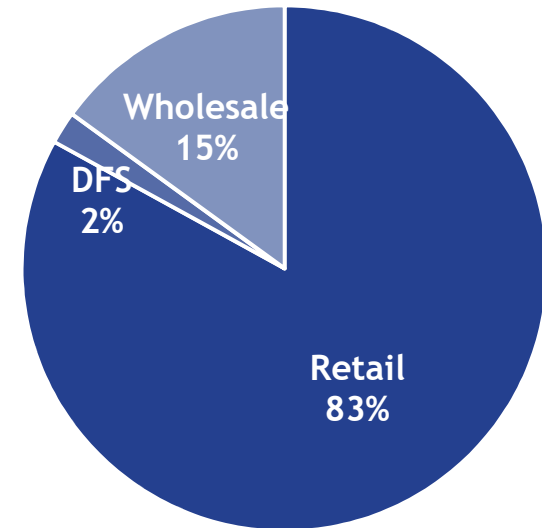
(\*) FY 2019 incorporating the effects of the first application of IFRS 16

(\*\*) FY 2018 have not been restated to reflect the application of IFRS 16

## Net sales by Channel

Strong rebound across the year

<i>% change same FX</i>	<b>H1 19</b>	<b>H2 19</b>	<b>FY 19</b>
<b>Retail</b>	-3%	+6%	+2%
<b>Wholesale</b>	+14%	-21%	-4%
<b>Total</b>	-	+1%	-



### Retail

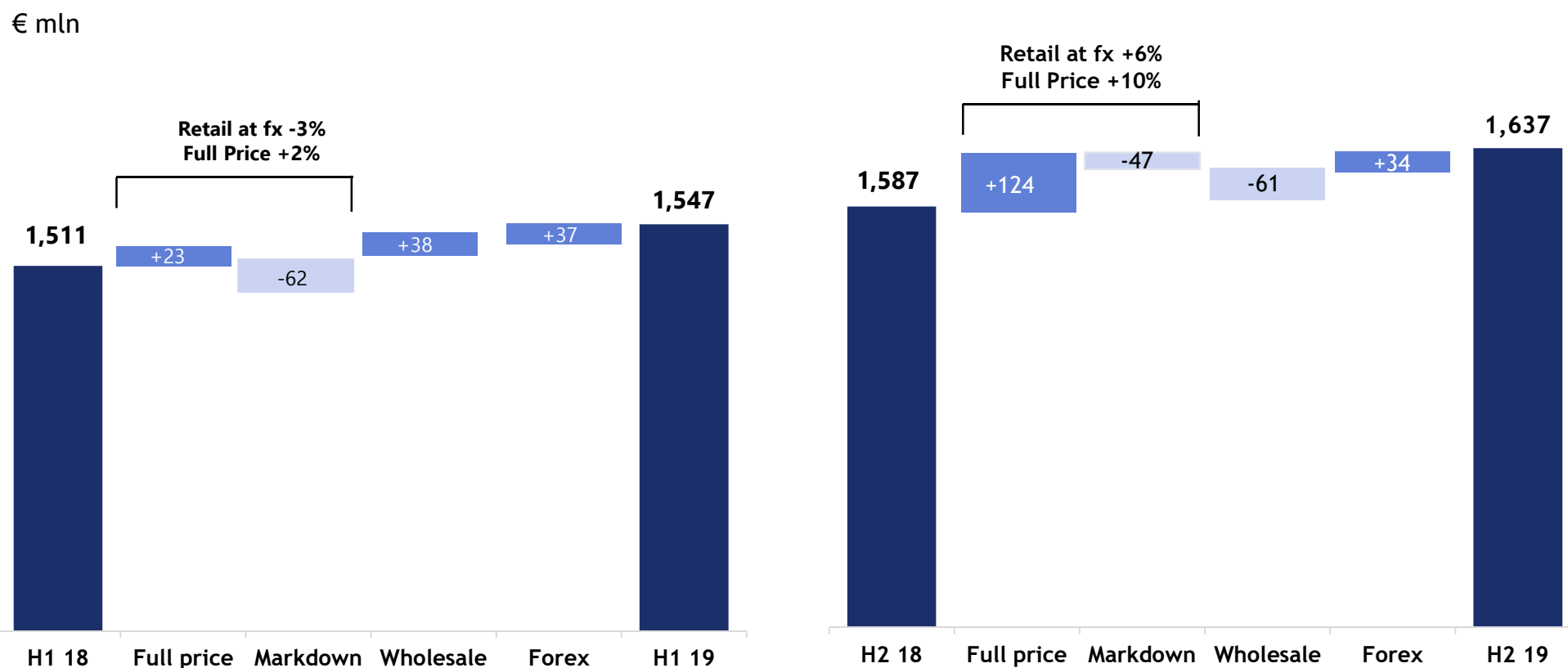
- Full-price sales up +6% in FY-19, including double-digit increase in H2
- Seasonal markdowns phased-out and reduced growth trend by mid-single digit across the year (or ~ € 110 mln)
- 5 net additions: +22 openings -21 closings and 4 additions related to Fratelli Prada acquisition, from 1<sup>st</sup> Nov 2019
- E-commerce up strong double-digit

### Wholesale

- First strategic downsizing in H2 on Spring/Summer 2020
- DFS are franchisee accounts included in the wholesale but managed as our retail stores

# Net sales bridge

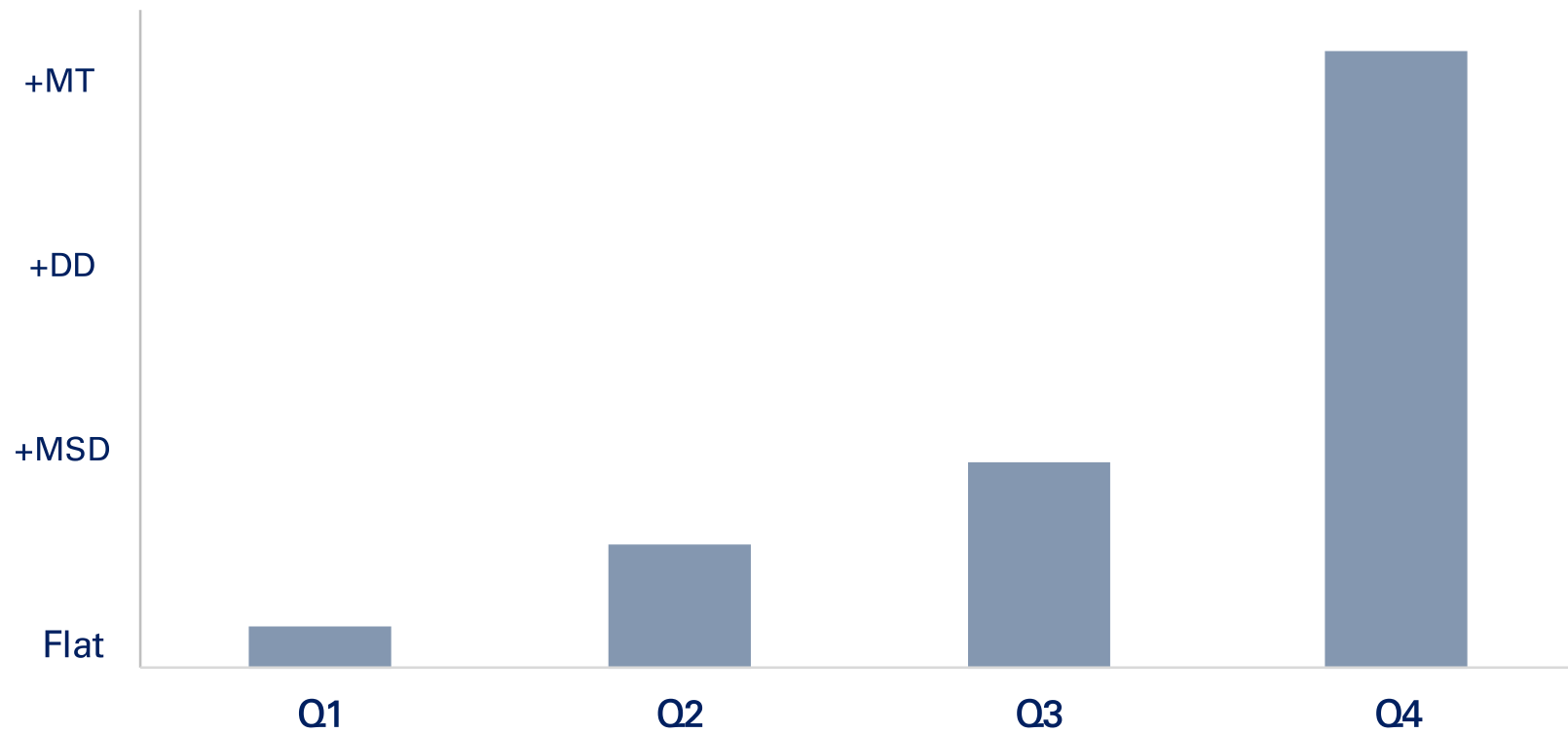
Full price sales largely offset the phasing out of markdowns





## Full price sales trend

Sequential improvement across the board

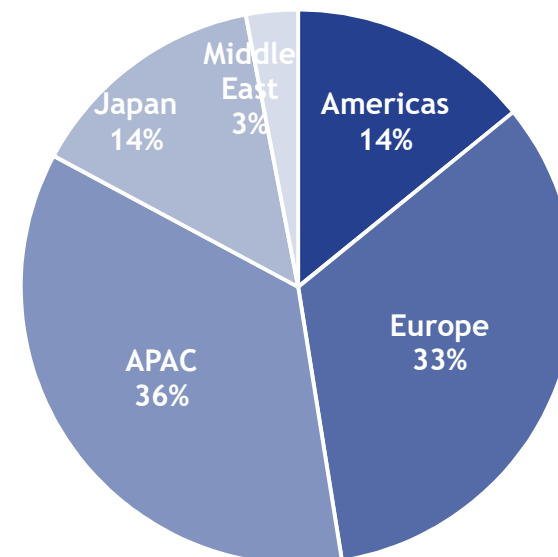


MT-mid teens; DD-double digit; MSD-mid single digit

# Retail sales by Geography

Further improvement across regions boosted by full price sales

<i>Retail / % change same FX</i>	<b>H1 19</b>	<b>H2 19</b>	<b>FY 19</b>
Europe	-1%	+13%	+6%
Asia Pacific	-6%	-1%	-4%
Americas	-	+11%	+6%
Japan	-1%	+5%	+2%
Middle East	-7%	-4%	-6%
<b>Total</b>	<b>-3%</b>	<b>+6%</b>	<b>+2%</b>



## Europe

- Strong improvement in H2 supported by locals and tourists
- Full price sales significantly up in all countries

## Asia Pacific

- HK protests negatively impacted trend of the region
- Full price sales up mid-single digit in H2, double-digit excluding HK
- South Korea outperformed
- Sharp improvement in China in the second part of the year

## Americas

- Acceleration in full price sales in H2 thanks to strong local consumption
- Very good performance in Canada and Latin America

## Japan

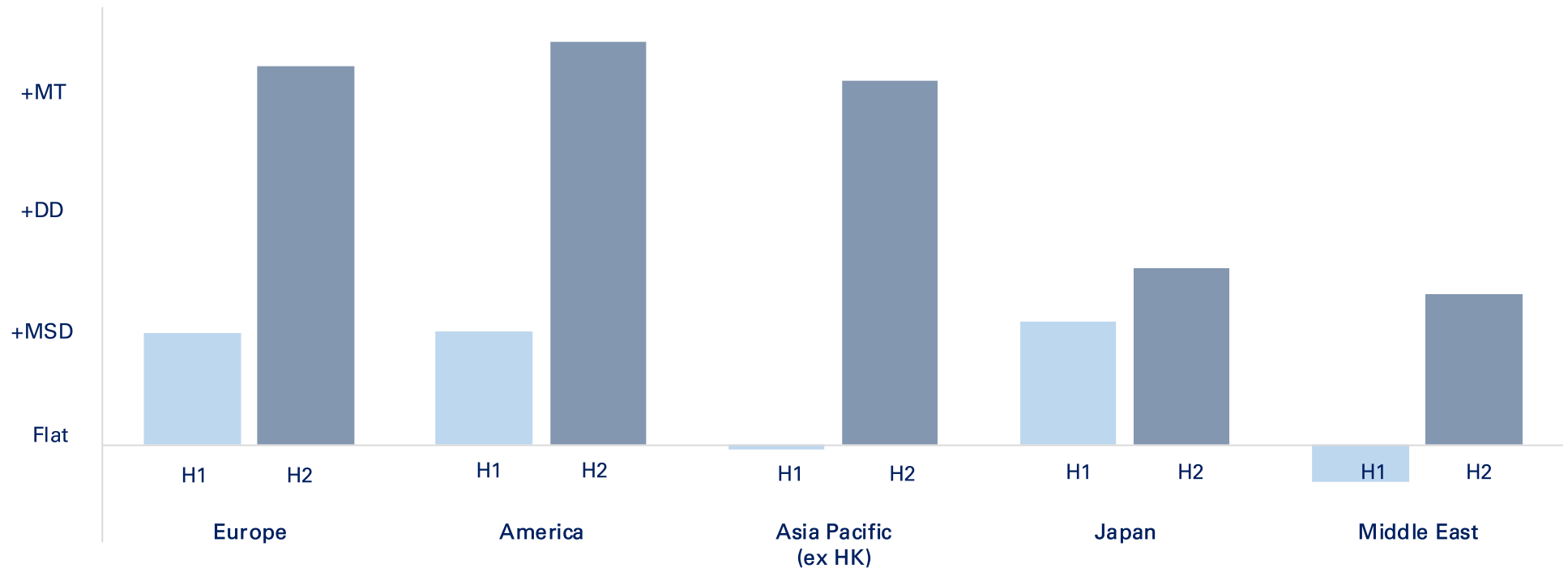
- Solid regular sales growth in both semesters, notwithstanding VAT increase in October

## Middle East

- Heavily impacted by markdown phased-out
- Full price sales up mid-single digit in H2

# Full price sales growth by Geography

Marked improvement in H2 seen in all regions

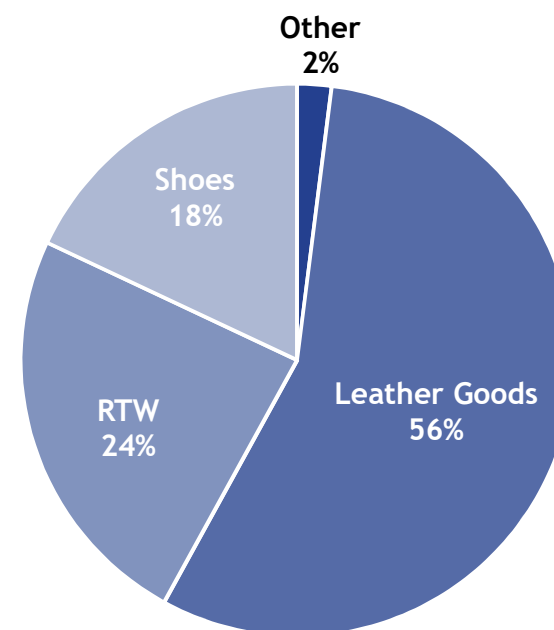


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# Retail sales by Product

Design leadership drove improvement across all categories

<i>Retail / % change same FX</i>	<b>H1 19</b>	<b>H2 19</b>	<b>FY 19</b>
Leather Goods	-5%	+3%	-1%
Ready to Wear	+3%	+15%	+9%
Footwear	-5%	+5%	-
Other	+1%	-1%	-
<b>Total</b>	<b>-3%</b>	<b>+6%</b>	<b>+2%</b>



## Leather Goods

- Successful launch of new collections and iconic lines
- Healthy full price sales growth in all countries in H2, double digit increase in Q4 driven by EU, US and Asia

## Ready to Wear

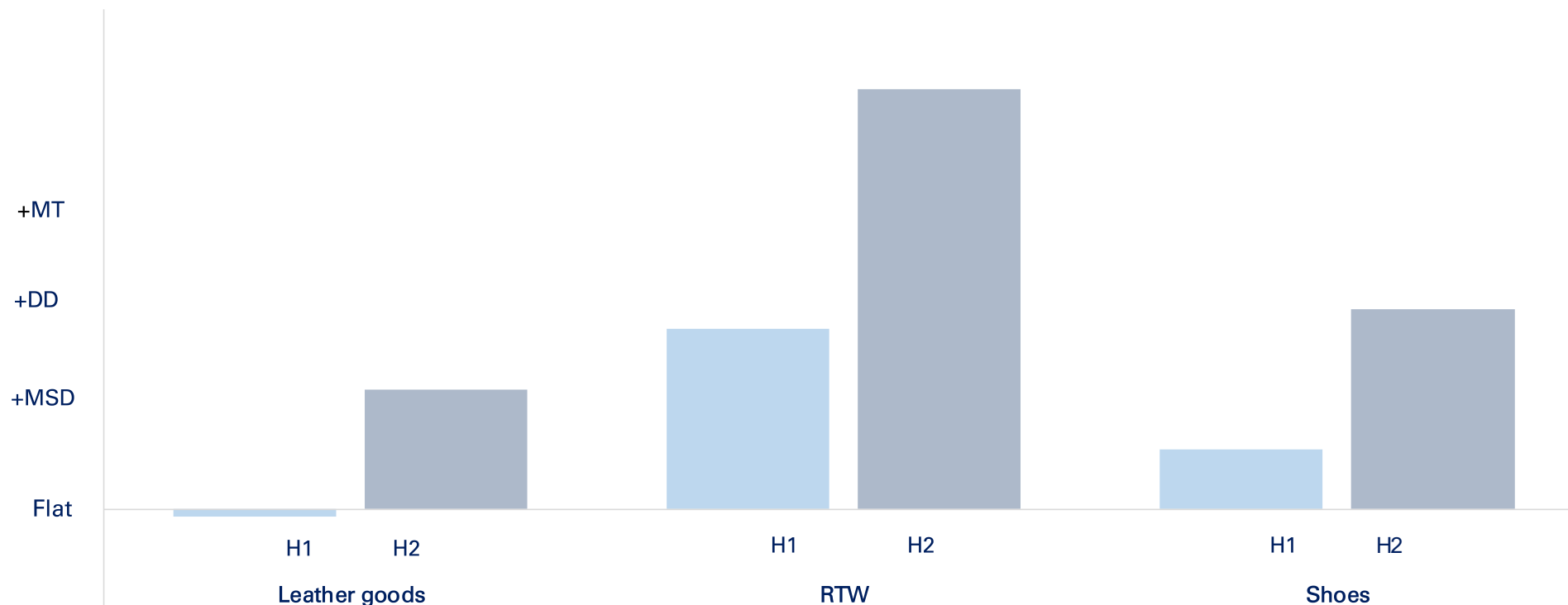
- Further acceleration driven by both Prada and Miu Miu collections
- Strong double digit growth in full price sales in H2 across all countries

## Footwear

- Successful launch of sneakers and lifestyle products drove double digit full price sales in H2

# Full price sales growth by Product

Design leadership drove improvement across all categories



MT-mid teens; DD-double digit; MSD-mid single digit

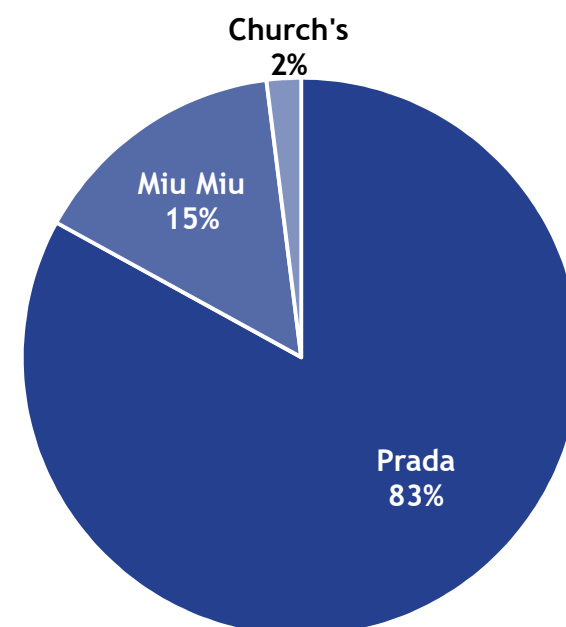


## Retail sales by Brand

### Return to growth

<i>Retail / % change same FX</i>	<b>H1 19</b>	<b>H2 19</b>	<b>FY 19</b>
Prada	-2%	+6%	+2%
Miu Miu	-8%	+4%	-2%
Church's	-2%	-3%	-3%
Other (*)	+5%	+19%	+13%
<b>Total</b>	<b>-3%</b>	<b>+6%</b>	<b>+2%</b>

(\*) includes Marchesi and Car Shoe



### Prada

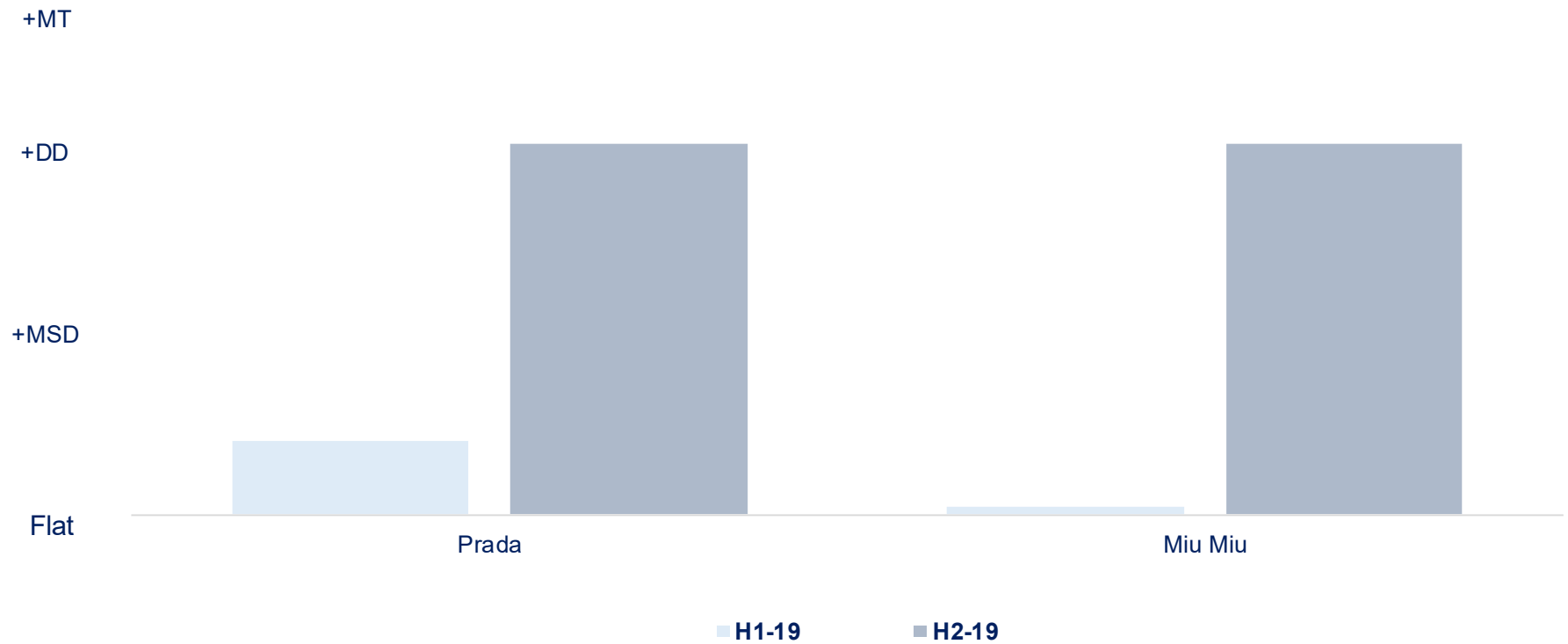
- Double digit full price sales growth in H2, sustained by all categories
- Remarkable results in Europe, US and Asia (ex HK), particularly in H2
- Strong performance from Linea Rossa

### Miu Miu

- Significant improvement in H2 across regions and categories
- Outstanding performance in RTW drove strong double digit full price sales in H2

# Full price sales growth by Brand

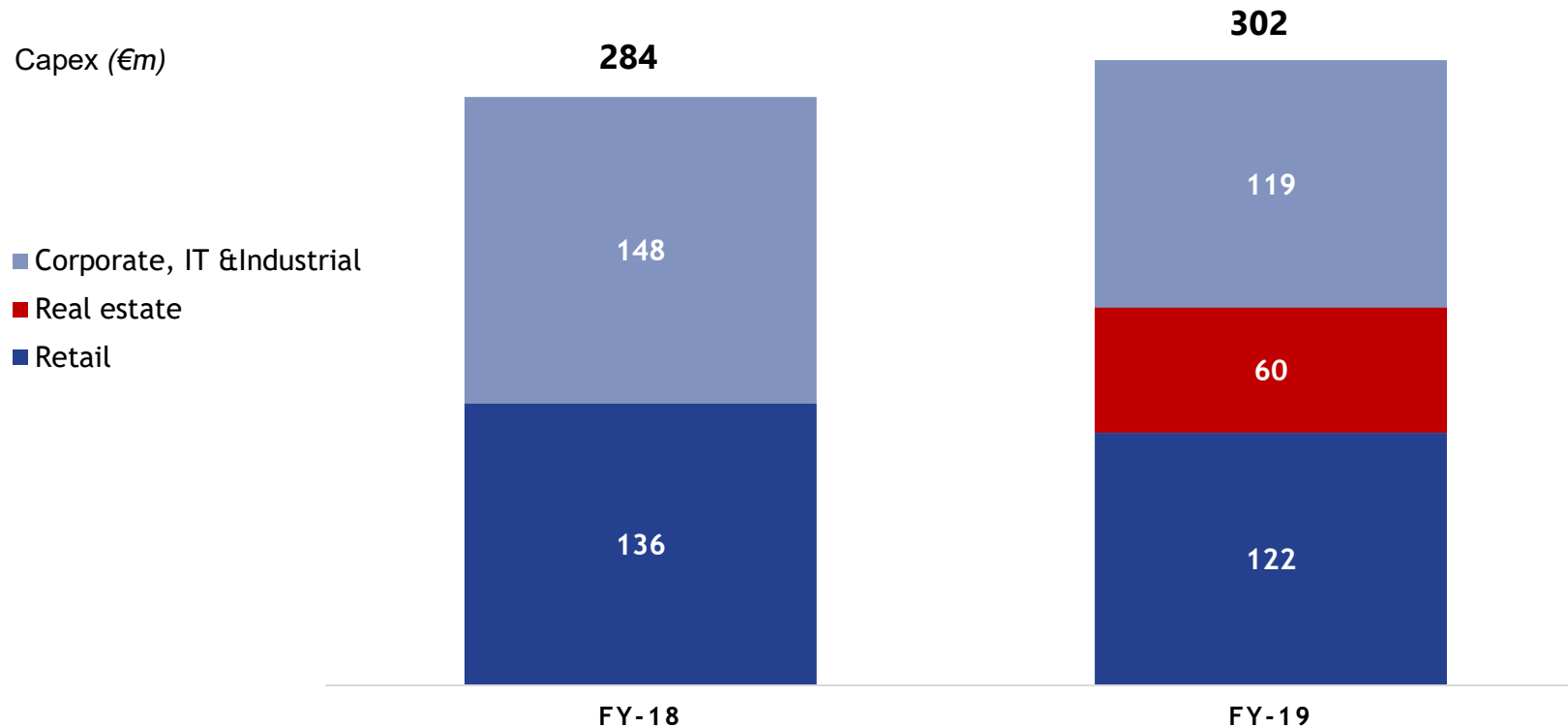
Double digit at both Prada and Miu Miu in H2



MT-mid teens; DD-double digit; MSD-mid single digit

# Capex

## Retail investments drove growth



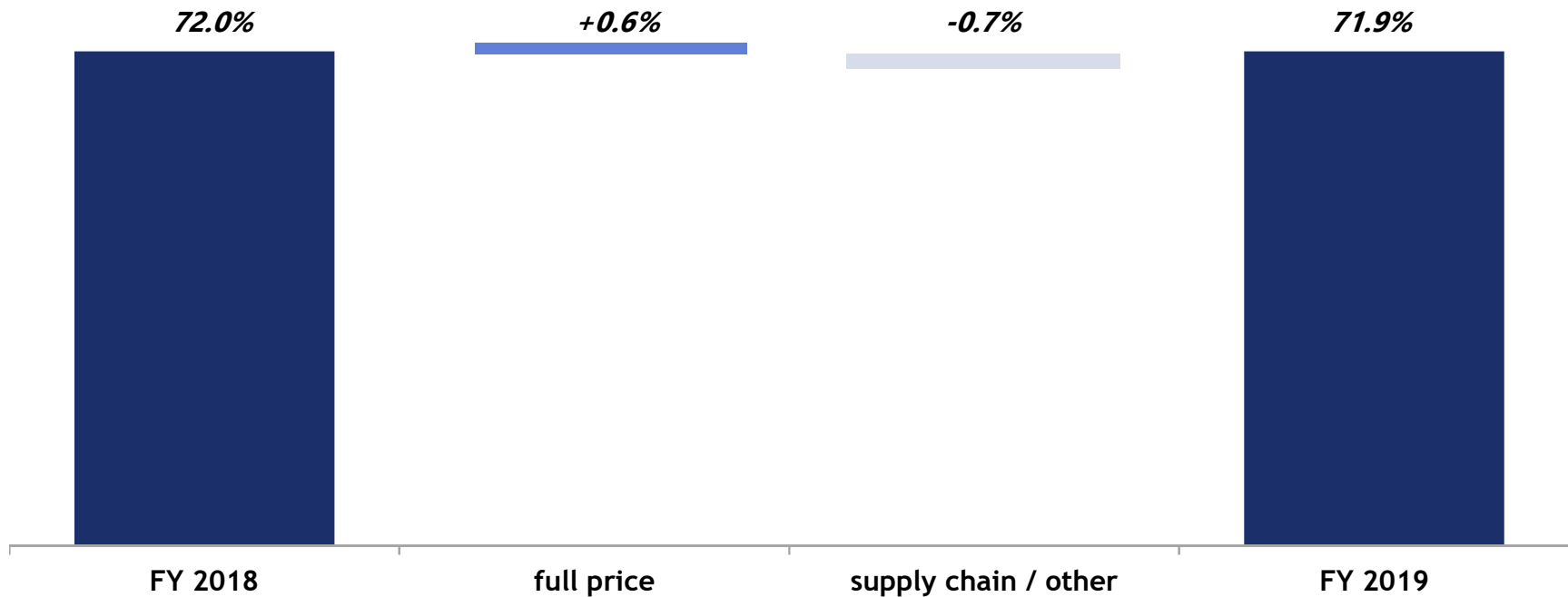
22 openings and 21 closings in the period

~120 renovation and relocation projects

Acquisition of a strategic retail asset in Madrid for ~ €60 mln

## Gross margin development

Gross margin remained stable



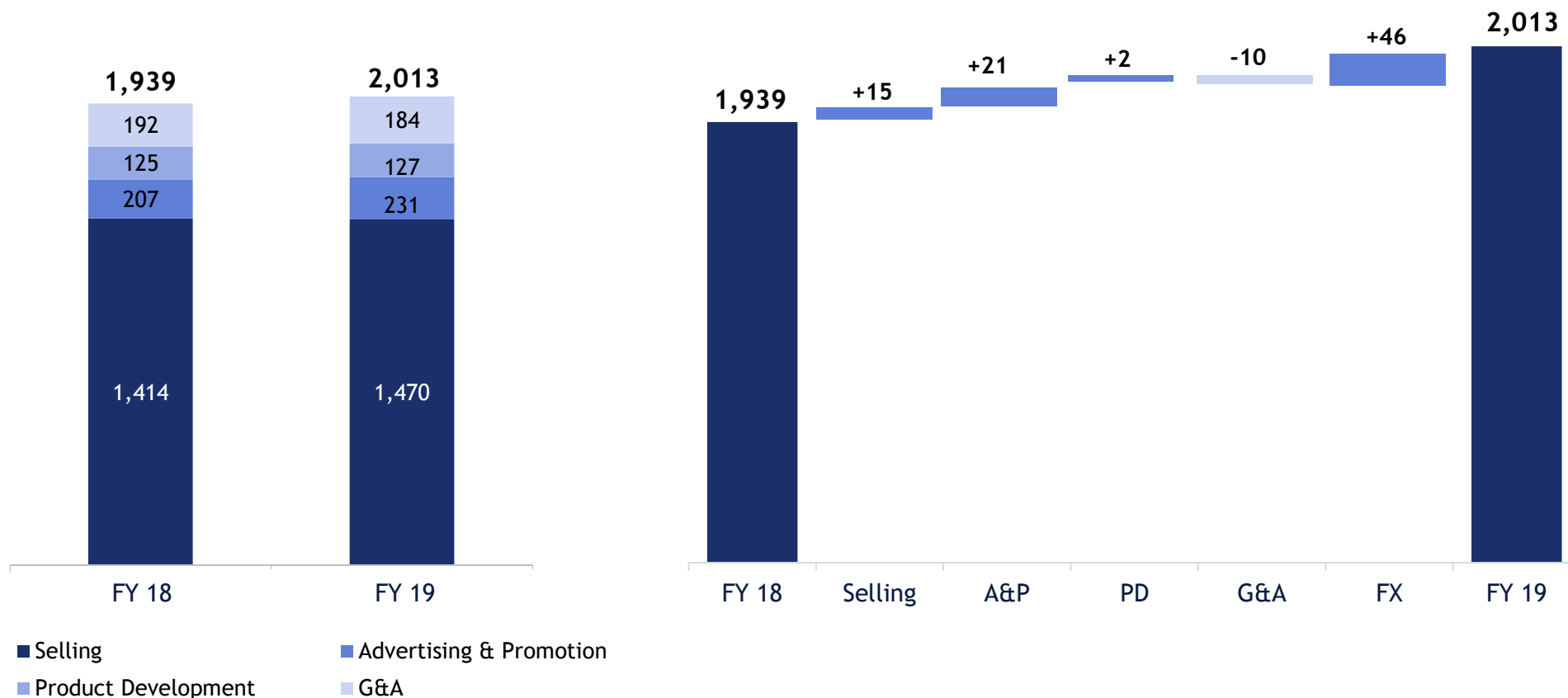
Positive contribution from full price sales

Ongoing industrial investment to safeguard quality and time to market

# Operating costs

Increased focused on investment in advertising and promotion

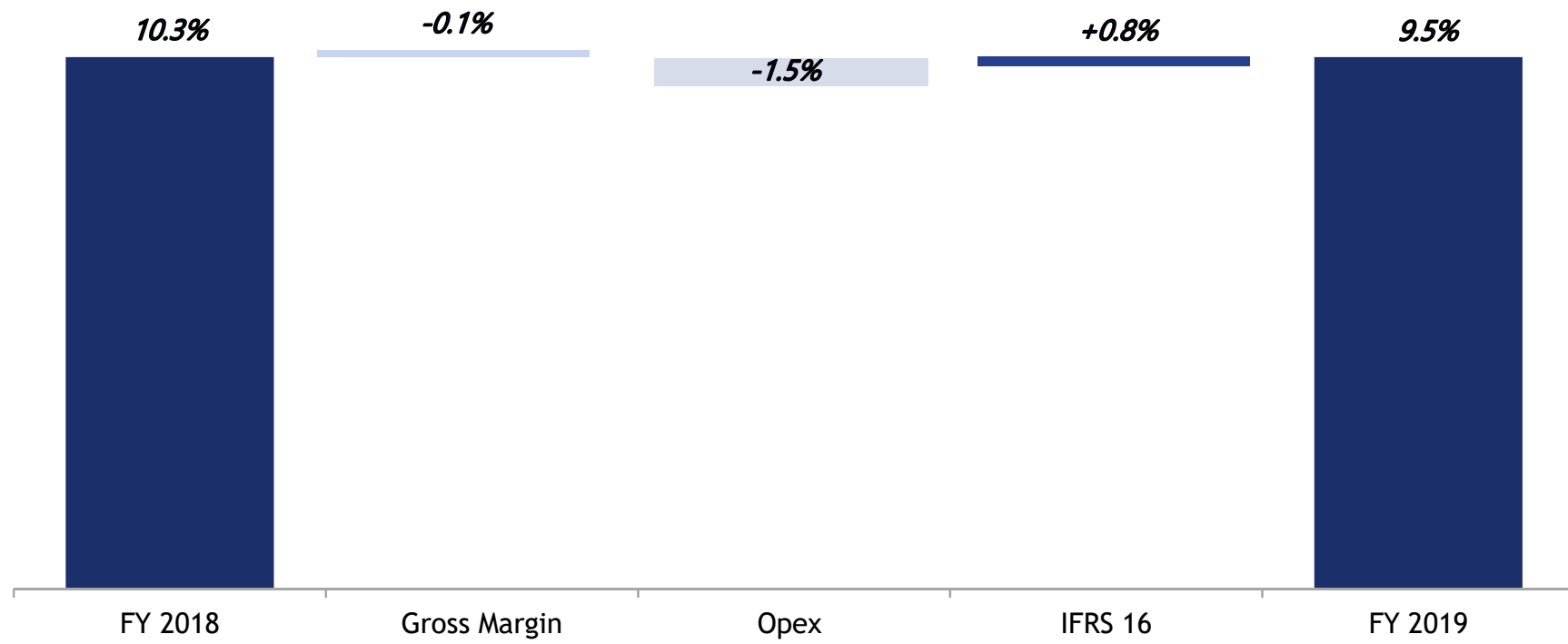
Operating expenses (€m)



Opex grew by +1% at constant FX, mainly driven by additional communication and advertising activities and strengthening the organization



# Ebit development



## Net financial position

<b>Opening Net financial position (surplus) / deficit - 31/12/2018</b>	<b>-314</b>
Consolidated Net Result (excl. Patent Box)	156
Net Operating Working Capital	-75
Depreciation and Amortization	234
Capital expenditures	-309
Investments in Equity	7
Other	50
Dividends	-155
<b>Closing Net financial position (surplus) / deficit - 31/12/2019</b>	<b>-406</b>

Operating cash flow at Euro 362 mln, in line with last year, with a better free cash flow conversion rate

# Marketing and Communications

New strategy driving customer engagement and brand appreciation

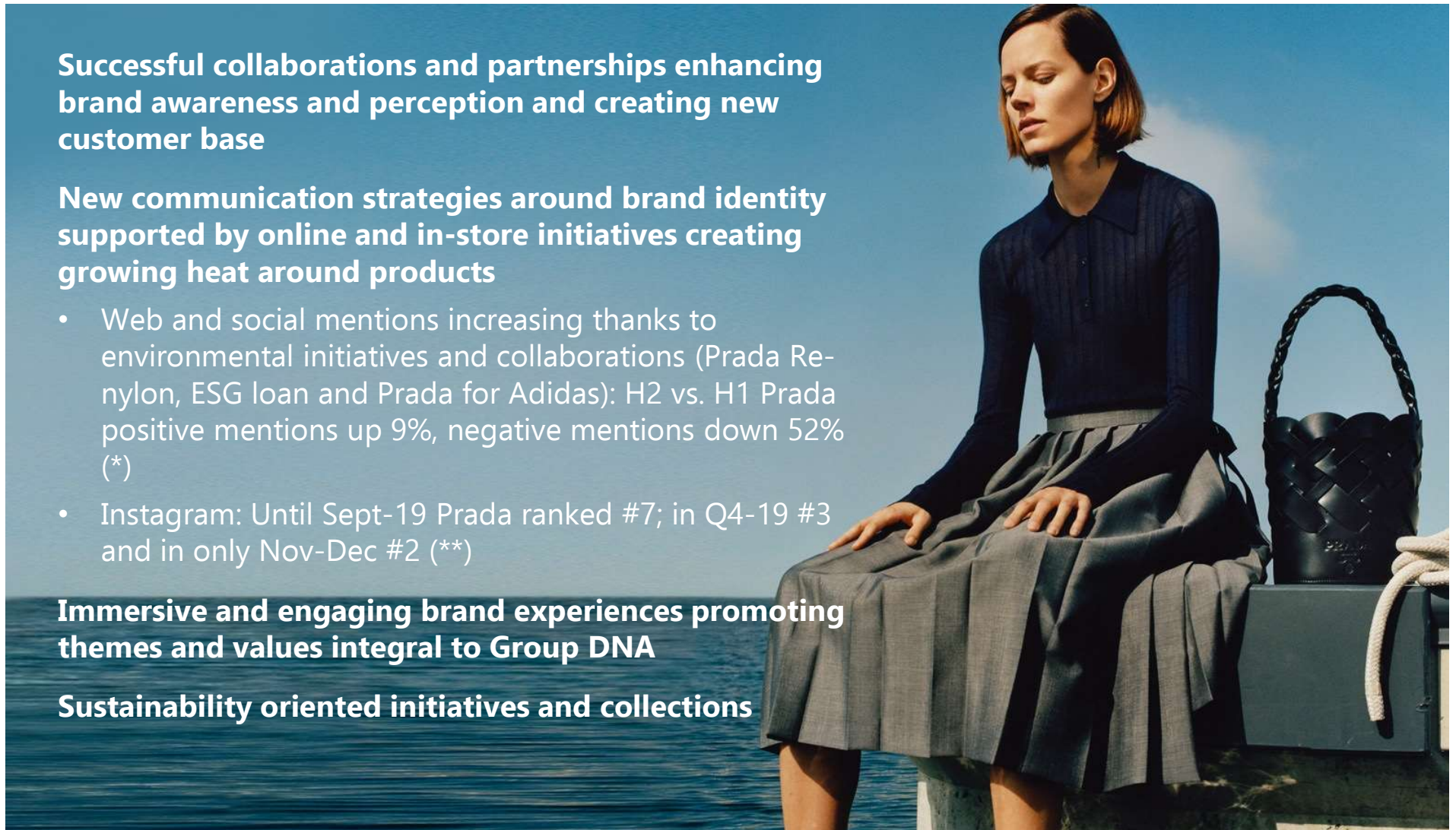
**Successful collaborations and partnerships enhancing brand awareness and perception and creating new customer base**

**New communication strategies around brand identity supported by online and in-store initiatives creating growing heat around products**

- Web and social mentions increasing thanks to environmental initiatives and collaborations (Prada Re-nylon, ESG loan and Prada for Adidas): H2 vs. H1 Prada positive mentions up 9%, negative mentions down 52% (\*)
- Instagram: Until Sept-19 Prada ranked #7; in Q4-19 #3 and in only Nov-Dec #2 (\*\*)

**Immersive and engaging brand experiences promoting themes and values integral to Group DNA**

**Sustainability oriented initiatives and collections**



(\*) Synthesio (\*\*) Le Guide Noir – comparing the growth rate of a panel made of 9 luxury peers

# Prada for Adidas

The first Made in Italy collaboration

**Prada for Adidas Limited Edition collection merged Adidas' sporting heritage and visionary approach to technological development with Prada's renowned history in leather-goods and perspective on luxury and quality, synonymous with the label Made In Italy. Not only a one-off design collaboration, but a real long term partnership**

## **First drop**

Limited edition Superstar sneakers + Bowling Bag

## **Second drop**

Superstar sneaker in 3 dedicated colors

**Luna Rossa sailing shoes**  
for the Luna Rossa team. A fully new design from scratch





## Prada Linea Rossa

“A line through”, younger customers and unexpected experience

### The beginning of a journey started with musician and artist Willow Smith

- Exploring the metropolitan and urban roots of Linea Rossa, Prada staged an unannounced live performance moment on the Central line of London's tube, to present the Fall/Winter 2019 Linea Rossa collection
- Advanced fabrics, forward-thinking building on the foundations of the label, new construction methods and recycled materials introduced
- Reaching a younger audience with a sporty and lifestyle mindset





# Prada Mode

An immersive experience, engaging customers to discover Prada's DNA

**The project debuted in Miami in December 2018, travelled to Hong Kong and London in 2019 and continued in Paris in January 2020. Further editions to follow**

## **Experiential marketing initiative**

- A traveling social club with a focus on contemporary culture that provides a unique art experience along with music, dining, and conversations
- Enhancing customer relationships and CRM building





## Miu Confidential

“Bags don’t lie”, communicating Miu Miu’s aesthetic and identity

**Miu Miu presented a series of short contemporary films describing the intimate relationship between a woman and her most treasured accessory: the Miu Confidential bag**

**Three short movies around the fantasy of a woman’s Miu Confidential bubbling over with confessions of her trip-ups, white lies and transgressions, as she goes about her everyday life in London**

**Resulting in one of the best performing campaigns of the year**



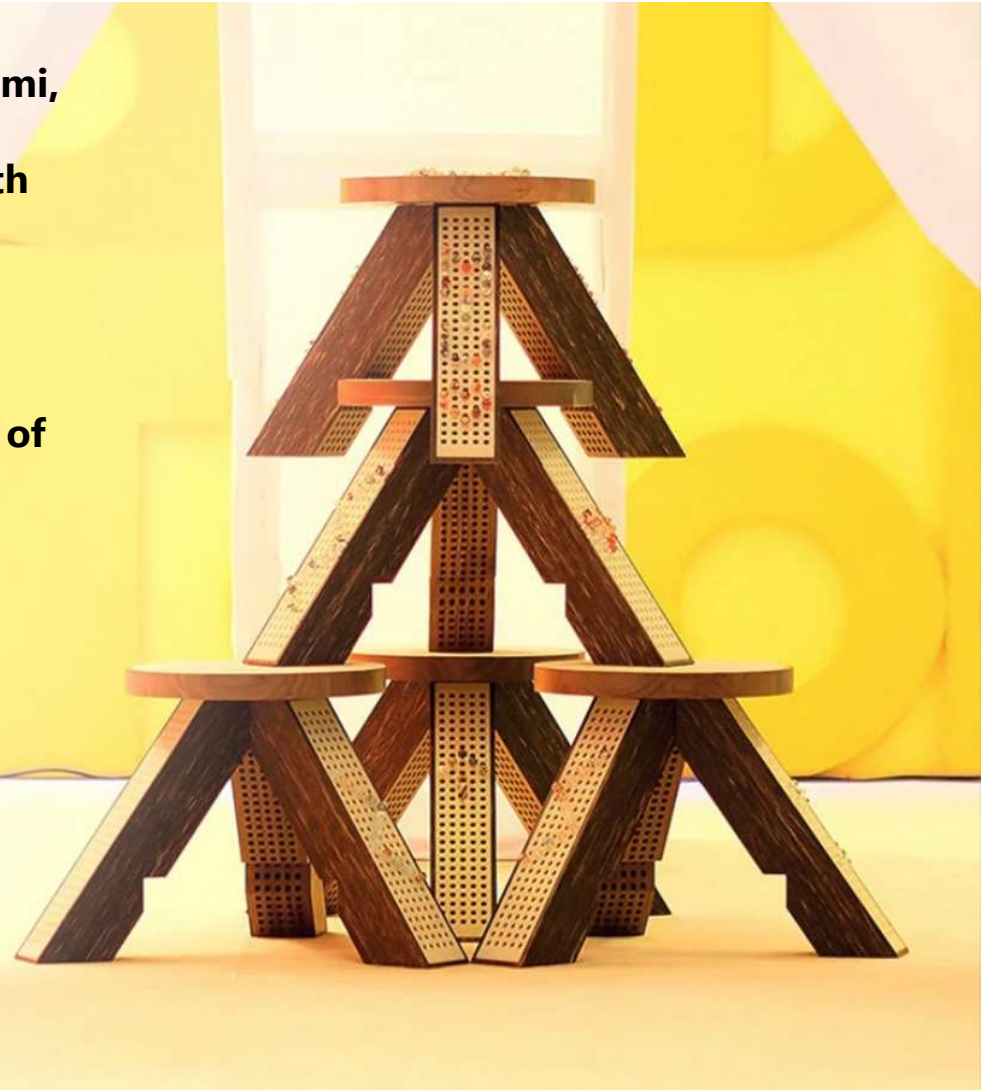
# Miu Miu M / Matching Colorstools and M / Marbles stools

A 2 edition design project

**During Milan Design Week and Art Basel Miami, Miu Miu unveiled a special limited-edition furniture project, created in collaboration with M/M (PARIS)**

**The stool re-interprets the seats of the Fall/Winter 2018 fashion show space in Paris**

**The initiative pushes furniture into the realm of customization, personalization and play**





# Sustainability

Prada set major milestones in 2019

**Prada Re-Nylon collection launch and commitment to convert all virgin nylon into Re-Nylon by the end of 2021**

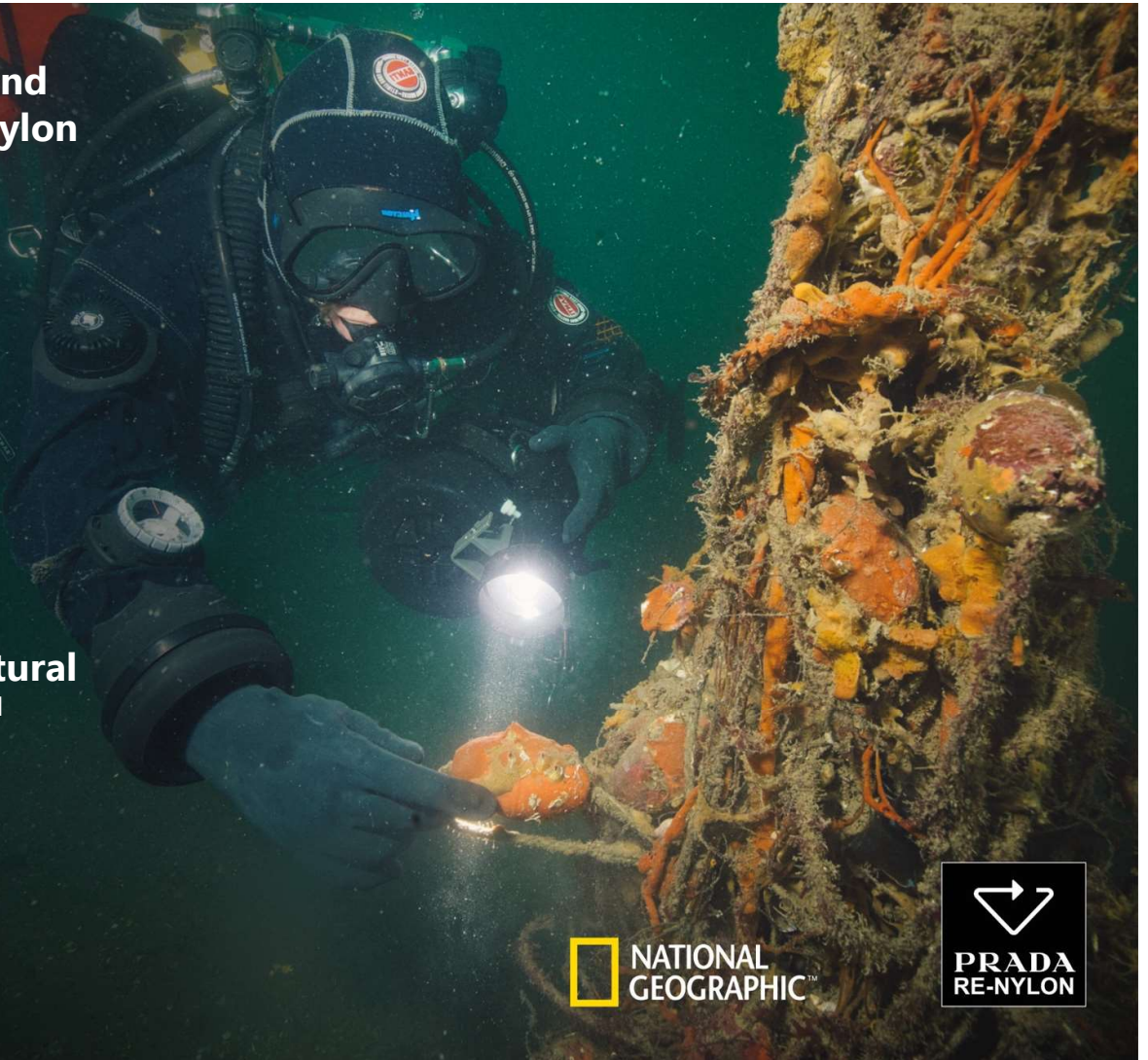
**Prada, first in the industry to sign an ESG Loan**

**Fur Free Policy, from 2020**

**Prada signed the Fashion Pact**

**Diversity and Inclusion Advisory Council established**

**Shaping a Future series - Prada cultural conversation on sustainability - 3<sup>rd</sup> edition in NY**



**NATIONAL  
GEOGRAPHIC™**

**PRADA  
RE-NYLON**

# Outlook



**The strong growth seen in H2 and up to the end of January 2020 has been interrupted by the Coronavirus outbreak and all Group efforts are now dedicated to overcome this contingency**

**Although it is difficult to forecast the evolution of the epidemic, we are expecting a negative impact on this year's results. The Prada Group benefits from a flexible supply chain and a lean organization that enables it to respond rapidly to the crisis. A comprehensive business contingency plan is already in place**

**Our strategy remains unchanged and the wholesale rationalization will carry on: this decision will enhance full price sales and margins in the medium-long term. We are confident that the luxury market fundamentals will remain strong and the Group will continue to stand out as one of the major players in the sector**

**The soundness of our financial structure gives us the confidence to overcome this exceptional moment, to support all our people and be ready to capture the recovery when it arises**



# APPENDIX

# IFRS 16 standard related to leases

Applied since January 1<sup>st</sup>, 2019

## Profit & Loss

- Impact on EBIT 2018: + € 25 mln
- Impact on Net Profit 2018 - € 12 mln

## Balance Sheet

- € 2.4 bln an asset: right-of-use asset depreciated over the lease term
- € 2.4 bln a liability: recognition of a lease liability, measured at the discounted present value of future payments

## Cash flow

- No Impact on cash flow

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