

# PRADA Group

## FY-22 Results Presentation

Milan, March 9<sup>th</sup> 2023

# Agenda

**Patrizio Bertelli**

Opening Remarks and Business Update

Lorenzo Bertelli

Key Marketing and ESG Initiatives

Andrea Bonini

FY-22 Financial Review

Andrea Guerra

FY-23 Priorities and Closing Remarks

Q&A Session

# Opening Remarks

Our brands are experiencing strong momentum and the Group continues to evolve

- Prada and Miu Miu **brand appeal** and **disciplined execution** drove **excellent performance**, despite challenging macroeconomic environment
- **Strong and high-quality organic revenue growth** and **profitability improvement** at both Prada and Miu Miu
- **Margin targets achieved**; progress towards all commitments set at Nov-2021 Capital Markets Day
- **Accelerated strategic investments** in store network, industrial and IT infrastructure
- **Fundamental governance changes** to evolve Prada Group and ease succession
- **Strengthened positioning and organisation** to accelerate strategy execution





# Highlights

Margin targets achieved; strong progress against remaining revenue target

**Net Revenues**  
**€4.2 bln**  
**+25% reported**  
**+21% constant fx**

**Retail Sales**  
**€3.7 bln**  
**+28% reported**  
**+24% constant fx**

**Leather Goods +18%**  
**Ready to Wear +27%**  
**Footwear +29%**

Retail sales, constant fx

**Gross Margin**  
**78.8%**  
**€3.3 bln**

**EBIT Adj. Margin**  
**20.1%**  
**€845 mln**

**Net Cash Position**  
**€535 mln**

**Nov-2021**  
**Capital Markets Day**  
**Medium-Term**  
**Targets:**

**Revenues**  
**~€4.5bln**

**Sales Density**  
**30 – 40% increase**

**Gross Margin**  
**78%**

**EBIT Margin**  
**~20% of revenues**

# Prada

Continued brand strength supported growth across product categories and geographies

- Sustained **brand momentum** due to constant and coherent dialogue with clients
- **Broad-based** Retail **growth**, above market average, driven by **like-for-like**, **full price** sales
- Focus on **client experience**
  - 110 store renovation projects
  - Improved merchandising
  - Significant growth in clienteling sales
- Strong performance across **all categories** thanks to classic and new products
- Successful launch of ***Eternal Gold***, first 100% recycled gold fine jewellery collection, and ***Prada Paradoxe*** fragrance
- Further **strengthened management team** with appointment of Gianfranco D'Attis as Brand CEO





# Miu Miu

Brand momentum and execution drove growth acceleration

- Investments in **brand relevance**, nurturing **awareness** and **growth of client base**
- Stronger **brand identity**, sustained by ‘**viral**’ **products** (ballet flats, micro-skirt, Miu *Wander* Bag) and successful fashion shows
- **Revenue growth** driven by retail **like-for-like** and **e-commerce**, with sharp **acceleration in second half**
- Focus on **store productivity** on a broadly stable store perimeter
- **New store format** roll-out supporting sales **growth across categories** and **immersive client journey**



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# Bold Brand Heat

Excellent results confirmed

## LYST

Q4-22: Leading brand momentum  
Both brands in the top 5

## PRADA

**1<sup>st</sup>**  
Place The Lyst Index

## MIU MIU

**4<sup>th</sup>** Place The Lyst Index  
Lyst 'Brand of the Year'

## PRADA



prada.com  
website traffic <sup>(1)</sup>

**+33%**  
visits  
FY-22 vs FY-21



Share of Search  
effectiveness <sup>(2)</sup>

**+26%**  
FY-22 vs FY-21

## MIU MIU



miumiu.com  
website traffic <sup>(1)</sup>

**+43%**  
visits  
FY-22 vs FY-21



Share of Search  
effectiveness <sup>(2)</sup>

**+37%**  
FY-22 vs FY-21

<sup>(1)</sup> Source Adobe Analytics

<sup>(2)</sup> Source Adobe Analytics - Growth of search traffic to website, including natural and paid search (not limited to Google)



# Prada: Enlarged Client Base and Market Share

## Fashion and cultural leadership



**Prada Eternal Gold**

- First 100% certified recycled gold collection, 100% traceable diamonds
- Traceability through the Aura Blockchain Consortium's platform
- Debut campaign celebrated exceptional personalities such as Amanda Gorman
- Social media total reach: over 66 mln



**Prada Paradoxe**

- Very high visibility of launch event in London
- Emma Watson as face of the campaign and director of the Prada Paradoxe film
- Social media: total reach ~21 mln



**Successful Prada talent strategy**

- Kendall Jenner at the Met Gala in Prada as best performing post for engagement on proprietary channels (4.2 mln impressions)
- South Asian and Korean talent strategy to blend local and global visibility
- Triangle Bag influencer activation targeting a cross-gender target
- >39 mln engagements on Instagram (+8% vs 2021) and 31 mln IG followers (+11% vs 2021)



**Engaging experiences with events in Fashion, Art and Music**

- Prada was the first luxury brand to host a physical runway show in China in 2022, with Prada Repeat show in August
- Prada Mode featured a new edition of Pharmacy by Damien Hirst in Dubai
- Prada Extends music format stops in Tokyo and Miami

# Miu Miu: Strong Brand Momentum

## Balancing iconic codes and newness



### Miu Miu SS23 boosted brand momentum

- Casting strategy embodied Miu Miu's spirit, including Bella Hadid, Emily Ratajkowski, Ísadora Barney, Lindsey Wixson, Miranda July and FKA Twigs
- Renewed artists collaboration - Shuang Li - to amplify the message beyond fashion boundaries



### Miu Miu "Brand of the Year" by Lyst

- Miu Miu crowned brand of the year 2022 according to Lyst
- Brand search on Google +34% YoY
- Ballet flats most desired product
- Mini-skirt most appreciated product both by fashion critics and celebrities on global scale



### Miu Miu Matelassé: showcasing brand heritage storytelling

- Reaffirming and renewing the distinctive codes of Miu Miu leather goods
- Wander Bag successfully combined iconic material with a new product shape



### Local activations and signatory events to connect with a growing Miu Miu community

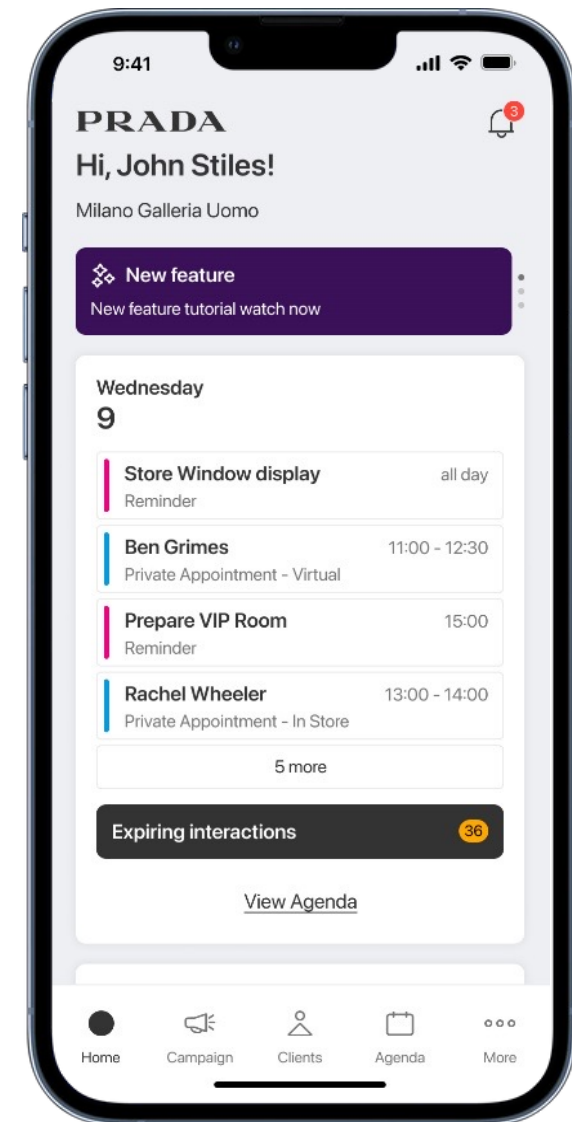
- Distinctive formats (Miu Miu Select, Miu Miu Club and Miu Miu Tales)
- Growing "Miu Miu community" cross-borders
- Strong cultural experiences in line with Group DNA



# Client Experience Enhancement Boosting Performance

## “Human Touch” combined with Technology

- **“Human Touch”**: investment in, and evolution of, the in-store customer experience with strong focus on how store staff connect and engage with clients; Client Advisors at the centre of retail value proposition
- **Clienteling**: focus on store staff outreach and interactions with clients to maximise traffic and commercial performance
- **Client Value**: investment in clients with tailored and engaging initiatives to maximise loyalty and lifetime value beyond the store
- **Personalisation**: greater attention on how to personalise the client experience across multiple touchpoints, including product





# ESG is a Long-term Value Driver

## Strengthening governance

- Sustainability Committee **driving progress on strategic objectives** such as climate change mitigation and DE&I
- Established dedicated Operating Committee to ensure **ESG topics are embedded at an operational level across the business**
- Identified **strategic figures** in key departments to lead on **unlocking biggest sustainability challenges**
- Updated **Code of Ethics** and Anti-Corruption Policy, new **Policy on Human Rights** and Suppliers Code of Conduct, open **Whistleblowing** platform



# ESG is a Long-term Value Driver

Concrete actions and progress

## Planet

- New **commitment on Biodiversity** enhanced by raw materials traceability
- **Scope 1 & 2** emissions reduction targets sustained by **clear and strong initiatives**
- **Re.Crea Consortium** to manage products end-of-life, in partnership with other Italian brands
- Participation in The Fashion Pact-led **Collective Virtual Power Purchase Agreement (CVPPA) initiative** to encourage adoption of renewable electricity

## People

- Designed robust **Diversity, Equity and Inclusion (DE&I) roadmap**, to be implemented in 2023
- Continued engagement and active contribution of Prada Group employees on sustainability topics through **Drivers of Change programme**
- Prada Group's North American subsidiary sealed **strategic partnerships with prominent non-governmental entities and universities** to improve access to opportunities in fashion

## Culture

- Improved engagement from key departments through **targeted sustainability training**
- **Sea Beyond** programme in partnership with UNESCO continued, with **strengthened ambitions in 2023**

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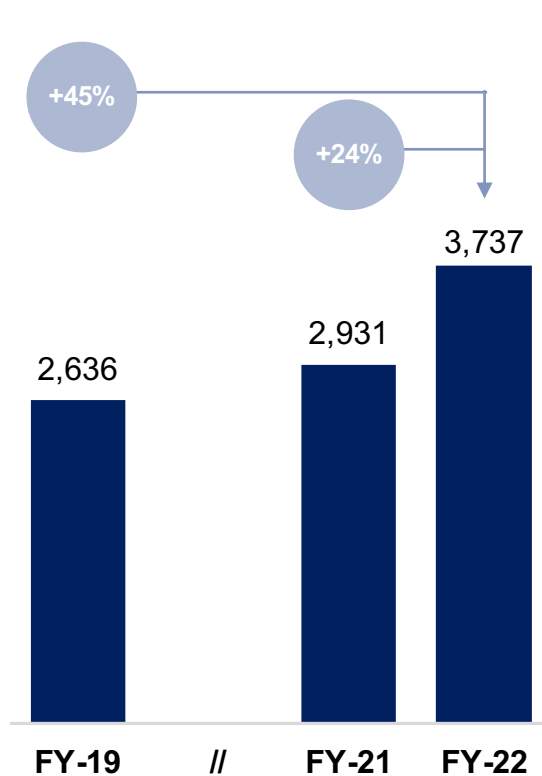
# Key Financials

Excellent growth, strong profitability and NFP improvement

## FY-22 Net Revenues

€4,201 mln (+21% vs. 21 / +32% vs. 19) <sup>(1)</sup>

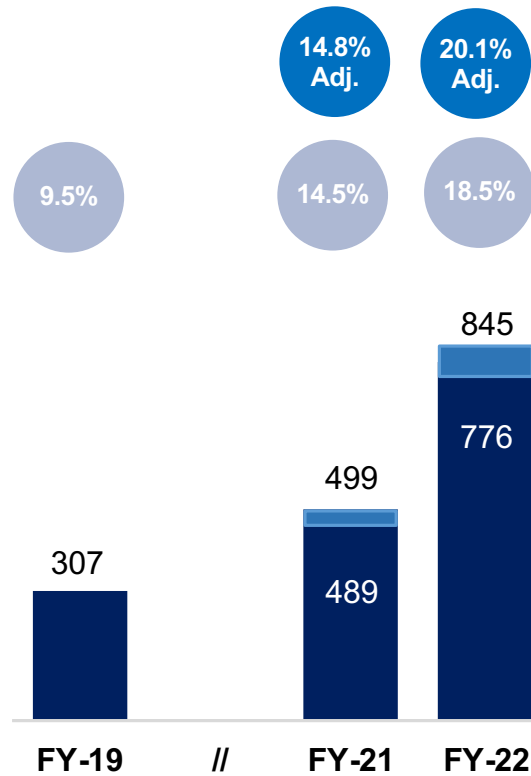
Retail Sales (€ mln) and growth (%) <sup>(1)</sup>



## FY-22 EBIT Adj.

€845 mln <sup>(2)</sup>

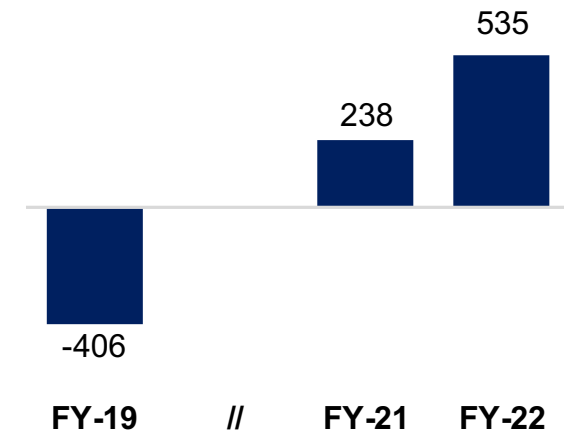
EBIT / EBIT Adj. (€ mln) and margin (%)



## FY-22 Net Operating Cash Flow <sup>(3)</sup>

€696 mln

Net Financial Position (€ mln) <sup>(4)</sup>



<sup>(1)</sup> At constant fx (%)

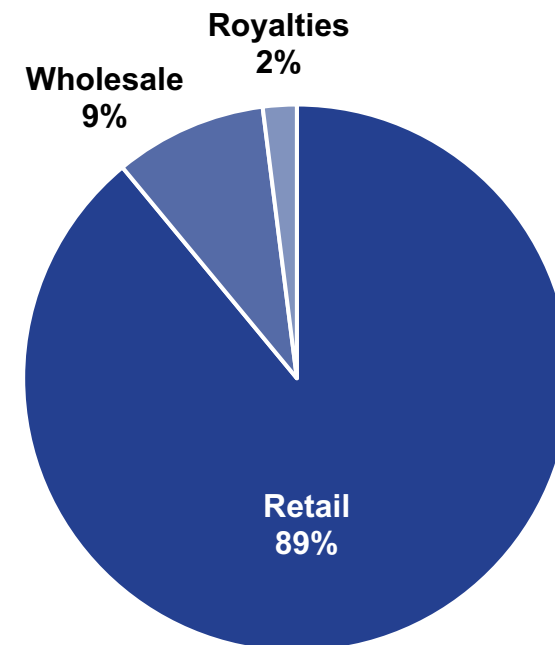
<sup>(2)</sup> EBIT Adjusted excludes other non-recurring income and expenses (for FY-22, €42 mln writedown of non-current assets in Russia, €19m writedown of the Church's brand and €8 mln for settlement of a litigation)

<sup>(3)</sup> Net cash flow from operating activities, less repayment of lease liabilities <sup>(4)</sup> (Net debt) / Net cash position

# Net Revenues by Channel

Excellent retail performance throughout the year

€ mln % at constant fx	<b>FY-22</b>	<b>H1-22 vs. H1-21</b>	<b>H2-22 vs. H2-21</b>	<b>FY-22 vs. FY-21</b>	<b>FY-22 vs. FY-19</b>
<b>Retail</b>	3,737	+26%	+22%	+24%	+45%
<b>Wholesale</b>	388	-3%	-1%	-2%	-30%
<b>Royalties</b>	76	+22%	+85%	+55%	+80%
<b>Total</b>	<b>4,201</b>	<b>+22%</b>	<b>+20%</b>	<b>+21%</b>	<b>+32%</b>

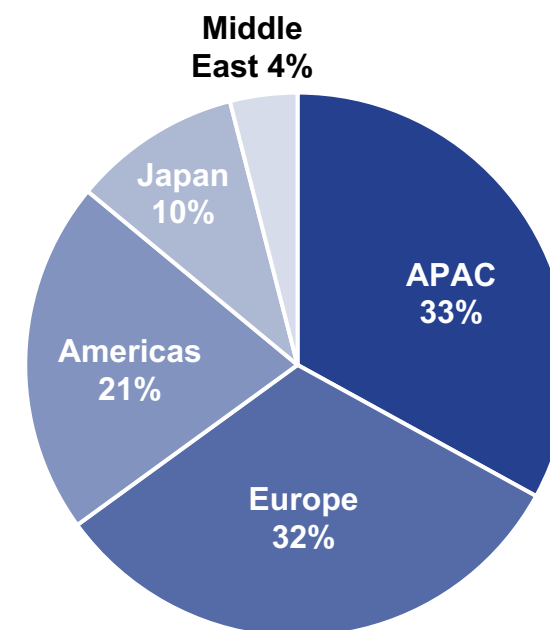


- **Retail**
  - Strong retail performance driven by like-for-like, full price sales
  - Positive contribution from both average price and full price volumes
  - Acceleration on a 3-year stack basis across the year (H1 +38%, H2 +51%)
  - Online penetration stable at 7% of Retail sales
- **Wholesale**
  - Revenues from independent clients growing low single-digit, in line with selective approach
  - DFS channel negatively impacted by Covid restrictions
- **Royalties**
  - Sharp growth supported by both fragrances and eyewear

# Retail Sales by Geography

Remarkable growth across all regions ex Asia, impacted by China

€ mln % at constant fx	FY-22	H1-22 vs. H1-21	H2-22 vs. H2-21	FY-22 vs. FY-21	FY-22 vs. FY-19
Asia Pacific	1,232	-7%	+3%	-2%	+29%
Europe	1,187	+89%	+44%	+63%	+48%
Americas	782	+41%	+9%	+22%	+106%
Japan	369	+28%	+32%	+31%	+9%
Middle East	167	+24%	+22%	+23%	+76%
<b>Total</b>	<b>3,737</b>	<b>+26%</b>	<b>+22%</b>	<b>+24%</b>	<b>+45%</b>



- **Asia Pacific** region returned to moderate growth in H2
  - Decline in China offset by growth in South Korea and particularly buoyant South East Asia
- Outstanding performance in **Europe** driven by both tourism and domestic consumption
- **Americas** growth moderated in H2 due to increasingly strong comparatives and outbound tourist flows
  - Strong trend in the North American cohort across the year
- Solid growth in **Japan**, with acceleration in H2, and **Middle East**

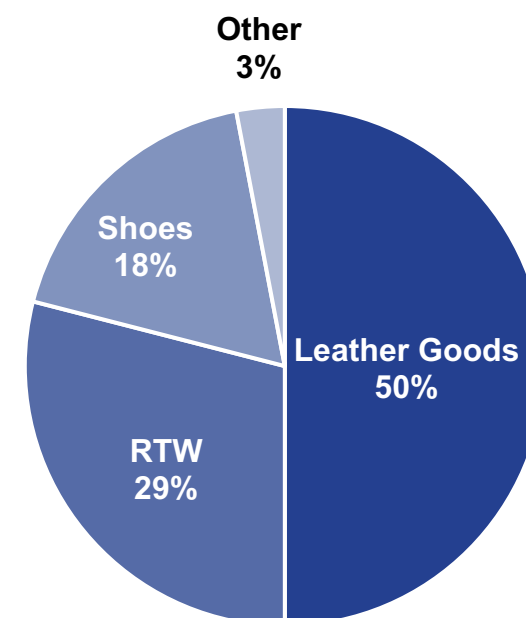


# Retail Sales by Product

Continued double digit growth across all categories

€ mln % at constant fx	<b>FY-22</b>	<b>H1-22 vs. H1-21</b>	<b>H2-22 vs. H2-21</b>	<b>FY-22 vs. FY-21</b>
Leather Goods	1,862	+18%	+19%	+18%
Ready to Wear	1,086	+32%	+24%	+27%
Footwear	691	+39%	+22%	+29%
Other	98	+86%	+71%	+77%
<b>Total</b>	<b>3,737</b>	<b>+26%</b>	<b>+22%</b>	<b>+24%</b>

<b>FY-22 vs. FY-19</b>
+28%
+75%
+52%
+72%
<b>+45%</b>

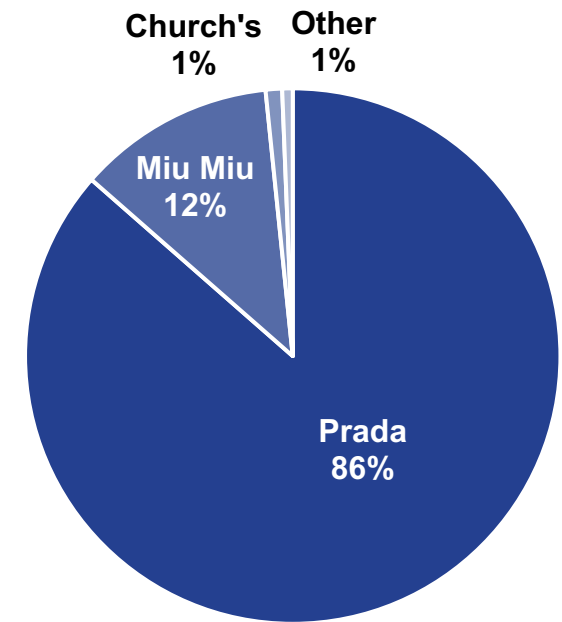


- **Leather Goods**
  - Elevated, richer product collections
  - Successful introduction of new products (e.g. Prada Flou and Miu Wander) and continued growth of classics
- **RTW**
  - Highly appreciated new collections for both Prada and Miu Miu
- **Footwear**
  - Strong growth driven by both formal and lifestyle products

# Retail Sales by Brand

Ongoing brand momentum drives strong double-digit growth at both Prada and Miu Miu

€ mln % at constant fx	FY-22	H1-22 vs. H1-21	H2-22 vs. H2-21	FY-22 vs. FY-21	FY-22 vs. FY-19
Prada	3,252	+28%	+22%	+25%	+52%
Miu Miu	432	+14%	+27%	+20%	+14%
Church's	29	+29%	-20%	-2%	-43%
Other <sup>(1)</sup>	24	+87%	+18%	+39%	+26%
<b>Total</b>	<b>3,737</b>	<b>+26%</b>	<b>+22%</b>	<b>+24%</b>	<b>+45%</b>

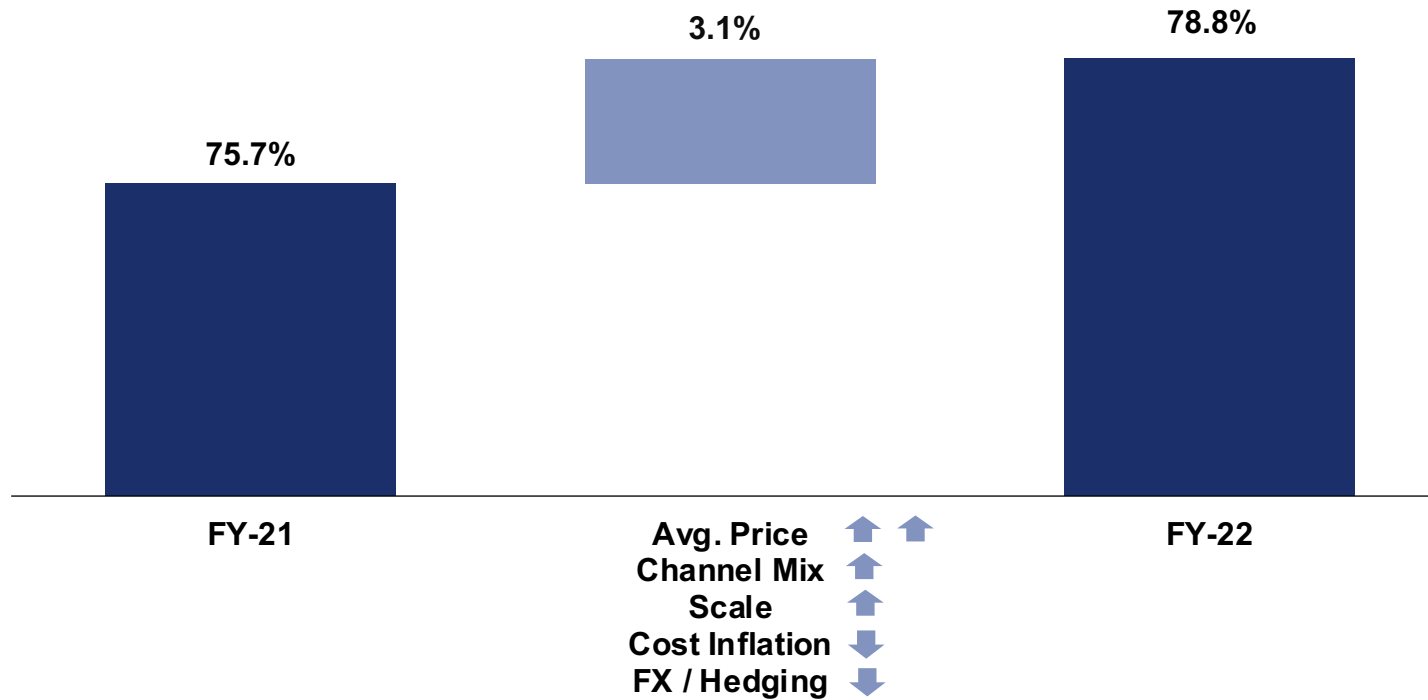


- **Prada**
  - Continued strong retail performance across all categories
  - All regions except Asia up double digit, with significant improvement in store productivity
  - Balanced growth across customer gender and age groups
- **Miu Miu**
  - Sharp acceleration in H2 with remarkable performances in all geographies
  - Successful introduction of new products drove double digit growth across all categories in H1 and H2
- **Church's**
  - Business reorganisation, from manufacturing to retail, aimed at further integration and higher productivity

<sup>(1)</sup> Includes Marchesi and Car Shoe

# Gross Margin Development

310 bps increase driven by average price, channel and scale



# Operating Expenses

OPEX decline as a % of Net Revenues by 210 bps

€ mln

Operating costs <sup>(1)</sup>	FY-21	% on Net Revenues	FY-22	% on Net Revenues	FY-22 vs. FY-21
Selling	1,421	42.2%	1,704	40.6%	+20%
Advertising & Promotion	294	8.7%	359	8.5%	+22%
Design and Product Development	115	3.4%	137	3.3%	+19%
G&A	217	6.5%	266	6.3%	+22%
<b>Total</b>	<b>2,048</b>	<b>60.8%</b>	<b>2,467</b>	<b>58.7%</b>	<b>+20%</b>
<b>EBIT Adj.</b>	<b>499</b>	<b>14.8%</b>	<b>845</b>	<b>20.1%</b>	<b>+69%</b>

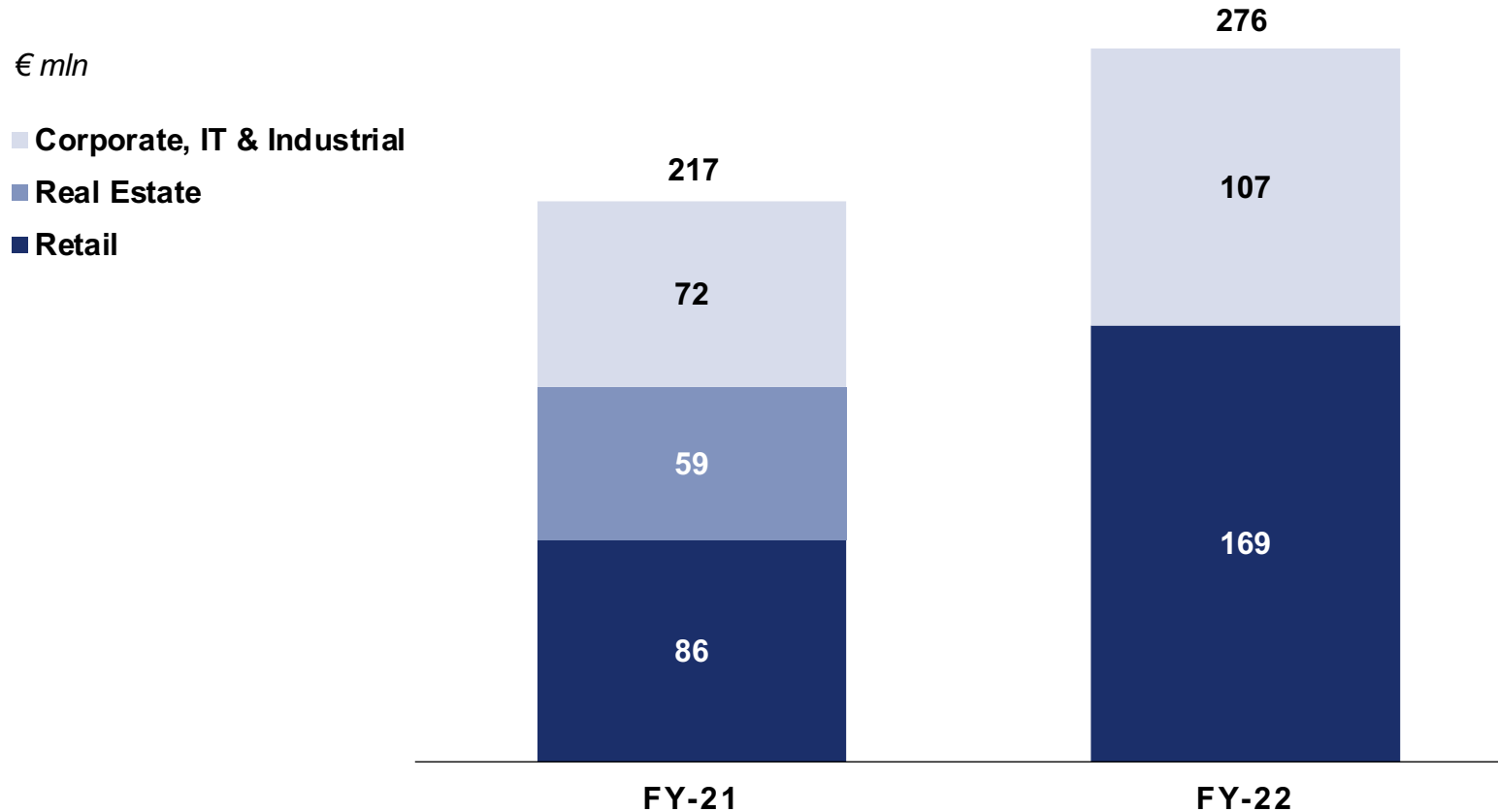
- OPEX increase (+20% reported, +17% constant fx) mainly driven by variable component, marketing investments and store events, labour costs and decrease in COVID contributions
- EBIT Adjusted up by 69%, 530 basis points yoy improvement to 20.1%

<sup>(1)</sup> Excludes other non-recurring income and expenses



# Capex

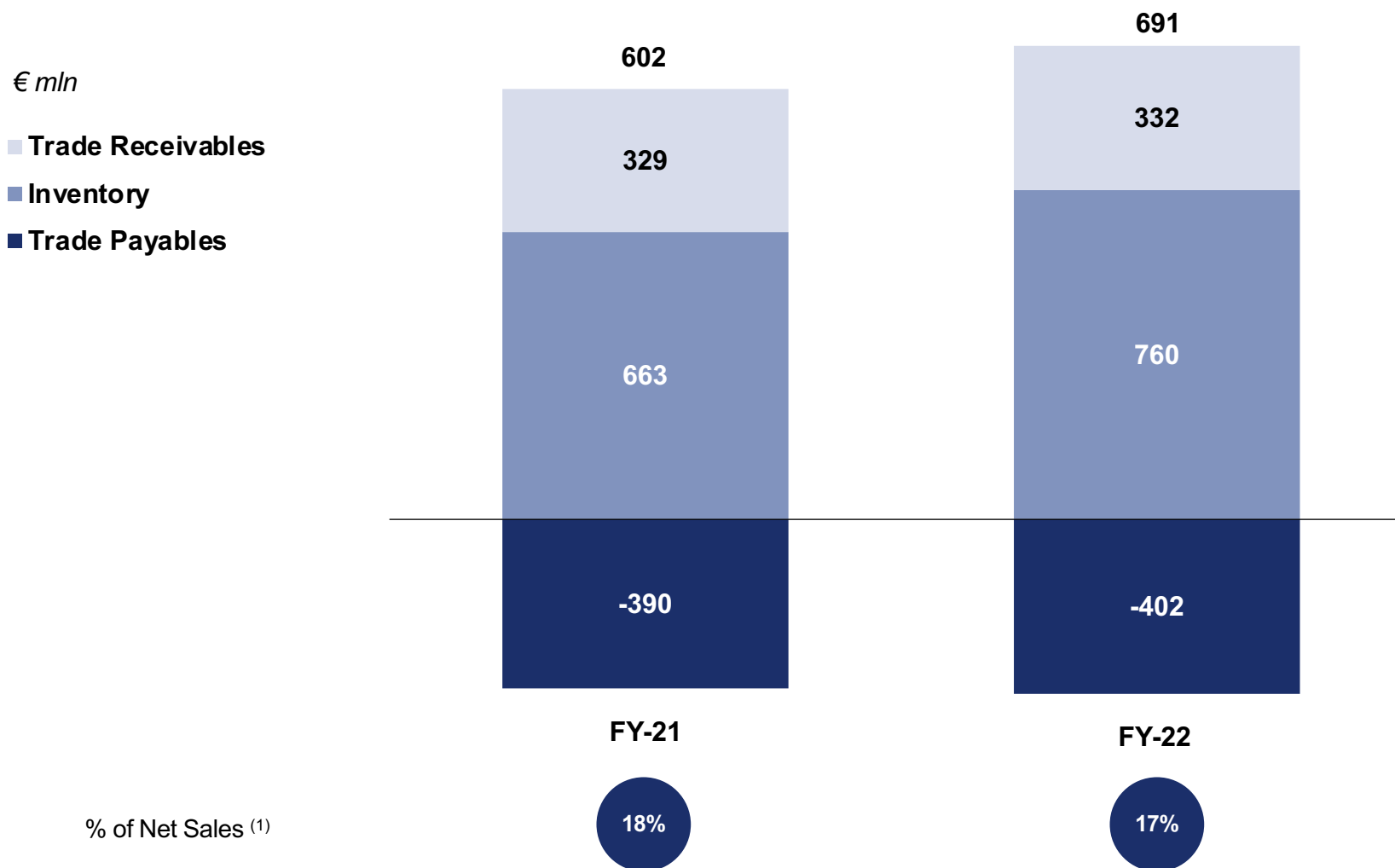
## Accelerated investments in Retail, IT and Industrial Infrastructure



- ~170 renovation and relocation projects, accounting for ~80% of Retail capex
- 23 net closures vs. FY-21 (17 openings and 40 closures) / 612 DOS end of Dec 2022
- €43 mln Industrial Capex and €53 mln IT Capex

# Net Operating Working Capital

NWC slightly declines over Net Sales



<sup>(1)</sup> Net Revenues excluding Royalties

# Net Financial Position

Strong balance sheet with Net Cash of €535 mln

€ mln

<b>Opening Net Financial Position Surplus / (Deficit) - 31/12/2021</b>	<b>238</b>
Consolidated Net Result	469
Net Working Capital	-112
Depreciation and Amortisation	+283
Capital Expenditures and Investments	-250
Dividends	-180
Other	87
<b>Closing Net Financial Position Surplus / (Deficit) - 31/12/2022</b>	<b>535</b>

- For FY-22 the Board of Directors propose a dividend per share of € 0.11, equal to total dividend of €281 mln <sup>(1)</sup> (~ 60% pay-out ratio)

<sup>(1)</sup> Considering 2,558,824,000 shares outstanding at 31 December 2022



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# Priorities for FY-23

Vast growth potential achievable through disciplined execution

- Continue to **invest** behind **brand desirability**
  - **Amplify Prada's** potential
  - **Enlarge Miu Miu's** brand awareness and client base
- **Execute with discipline**; build **retail excellence** to **drive productivity**
  - “**360°**” approach
  - **Omnichannel** and **clienteling** acceleration
  - **Upgrade** existing **store network** and selective openings
- **Prioritise Leather Goods** for both Prada and Miu Miu
  - Nurture newness and existing products with “icon” potential
- Further **accelerate industrial** and **IT investments**
- Continue to deliver **solid growth, above market average**
  - Cost and capital allocation discipline



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## APPENDIX

# Condensed P&L

€ mln	FY-21		FY-22	
<b>Net revenues</b>	<b>3,366</b>	<b>100%</b>	<b>4,201</b>	<b>100%</b>
COGS	-818	-24.3%	-889	-21.2%
<b>Gross profit</b>	<b>2,547</b>	<b>75.7%</b>	<b>3,312</b>	<b>78.8%</b>
Selling	-1,421	-42.2%	-1,704	-40.6%
Advertising & promotion	-294	-8.7%	-359	-8.5%
Design and product development	-115	-3.4%	-137	-3.3%
G&A	-217	-6.5%	-266	-6.3%
<b>Operating expenses</b>	<b>-2,048</b>	<b>-60.8%</b>	<b>-2,467</b>	<b>-58.7%</b>
<b>EBIT Adj.</b>	<b>499</b>	<b>14.8%</b>	<b>845</b>	<b>20.1%</b>
Non-recurring items	-10	-0.3%	-69	-1.6%
<b>EBIT</b>	<b>489</b>	<b>14.5%</b>	<b>776</b>	<b>18.5%</b>
Total financial expenses	-68	-2.0%	-65	-1.5%
<b>EBT</b>	<b>422</b>	<b>12.5%</b>	<b>711</b>	<b>16.9%</b>
Income taxes	-127	-3.8%	-242	-5.8%
Minority income	1	0.0%	4	0.1%
<b>Group net income / (Loss)</b>	<b>294</b>	<b>8.8%</b>	<b>465</b>	<b>11.1%</b>
Total D&A	-631	-18.7%	-734	17.5%

# Condensed Balance Sheet

€ mln	31 Dec 2021	31 Dec 2022
Right of use	1,956	2,011
Non current assets (excl deferred tax assets)	2,490	2,517
Net operating working capital	602	691
Other current assets / (liabilities), net	-163	-293
Other non current assets / (liabilities), net	51	148
<b>Net invested capital</b>	<b>4,936</b>	<b>5,074</b>
Consolidated shareholders' equity	3,129	3,501
Net financial position (surplus) / deficit	-238	-535
Long term lease liability	1,627	1,715
Short term lease liability	418	392
<b>Total</b>	<b>4,936</b>	<b>5,074</b>
Net operating cash flow	751	696
Net working capital / Net sales	18%	17%
Capex	217	276
Debt / Equity	Negative	Negative