

# PRADA Group



## Capital Markets Day

Milan, November 18<sup>TH</sup> 2021

# Agenda

**Patrizio Bertelli**

*Prada Group's Vision for Long-term Growth*

**Patrizio Bertelli**

*Control of Distribution and Customer Experience*

**Alessandra Marsicola**

*Prada Brand*

**Benedetta Petruzzo**

*Miu Miu Brand*

**Lorenzo Bertelli**

*Communication, Customer, and Digital Innovation*

**Massimo Vian**

*Industrial Operations Excellence*

**Lorenzo Bertelli**

*ESG Commitment*

**Alessandra Cozzani**

*Financial Performance Update*

**Paolo Zannoni**

*Concluding Remarks*



A photograph of the Prada Group building at night. The building is a grand, ornate structure with multiple stories, featuring arched windows and doorways. The ground floor is filled with Prada retail stores, each with a large glass display window and a black awning with the 'PRADA' logo in gold. The interior of the stores is brightly lit, showing various fashion items. The upper floors have smaller, rectangular windows, some of which are also lit. The building's facade is highly detailed with classical architectural elements. The street in front of the building is wet, reflecting the lights from the stores and the building's facade. The overall atmosphere is one of luxury and elegance.

**Patrizio Bertelli**  
*Chief Executive Officer*

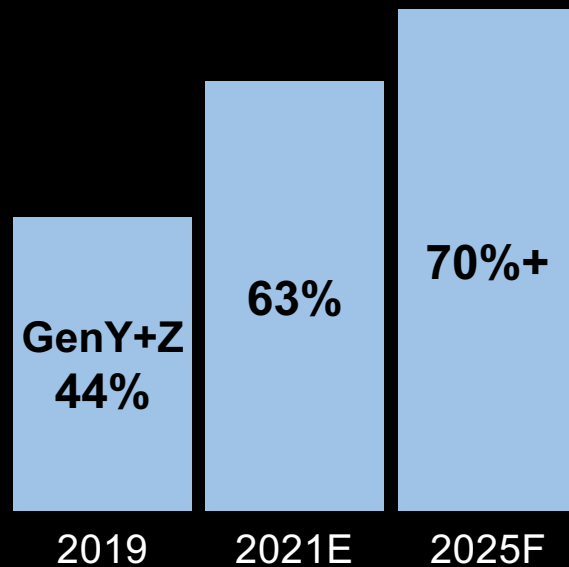
# Prada Group's Vision for Long-term Growth



# COVID-19 Accelerated Luxury Market Evolution

## Growing new demographics

Gen Y+Z as % of market



Strong demographic shift and renewed customer base

## Enlarging values

**Ethics & Aesthetic Excellence**  
(Cultural and Creative)

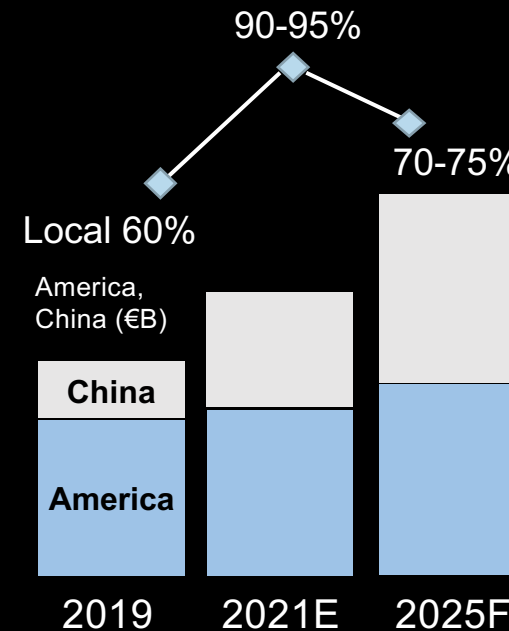
**Responsibility**

**Human Touch**

Wider meaning of luxury beyond traditional and aspirational markers

## Morphing geographies

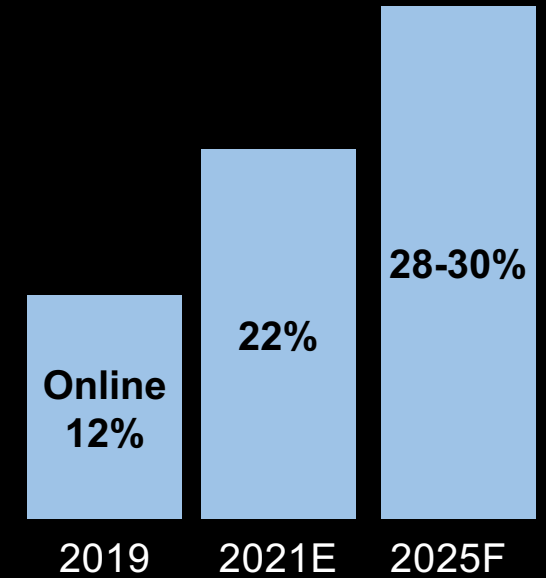
Local spending as % of market



China and Americas lungs of the market in 2021 and beyond  
Luxury gone local, with big opportunities to accelerate

## Growing phy-gital ecosystem

Online as % of market

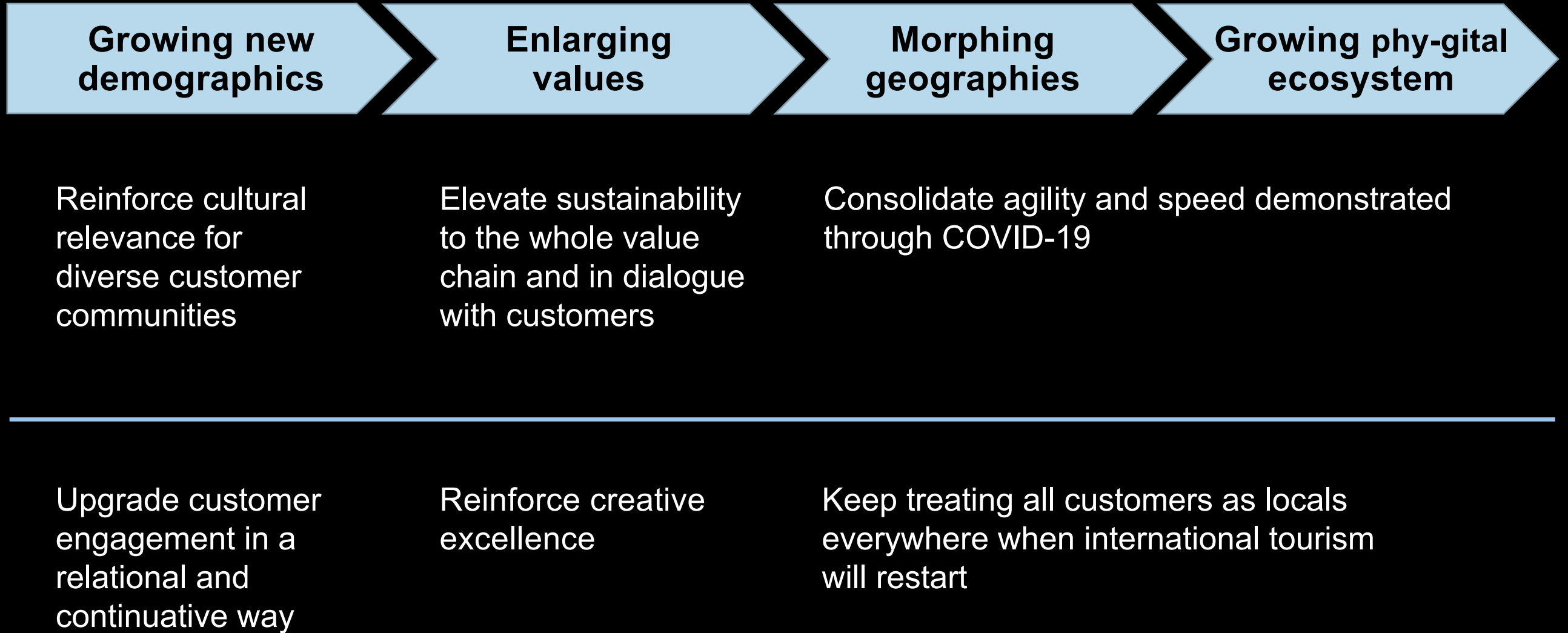


Distribution ecosystem merging digital and physical dimensions

Management elaborations on  
Bain-Altagamma Luxury Monitor, 20<sup>th</sup> Edition



# New Success Factors Are Emerging



# Prada Group: Decisive Action to Navigate Change

- Increased product content, quality and uniqueness
- Adapted pricing accordingly
- Eliminated markdowns
- Strengthened control of direct distribution
- Developed a fully integrated e-commerce platform
- Invested in supply chain, streamlined manufacturing processes
- Invested in communication and distinctive initiatives for the Group and its brands
- Increased focus on sustainability
- Invested in human resources and new talent

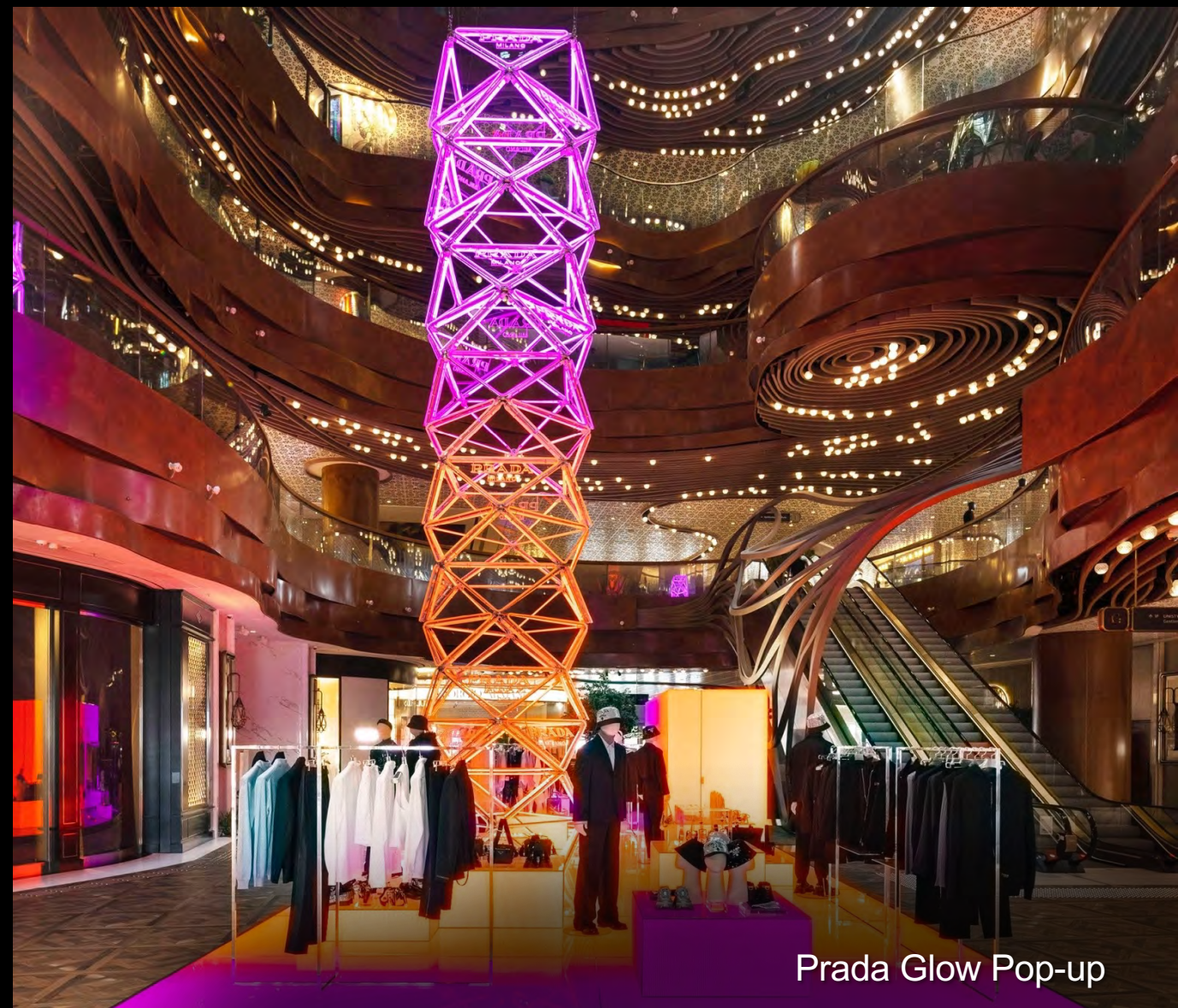


Prada Qixi Festival - Adv Campaign



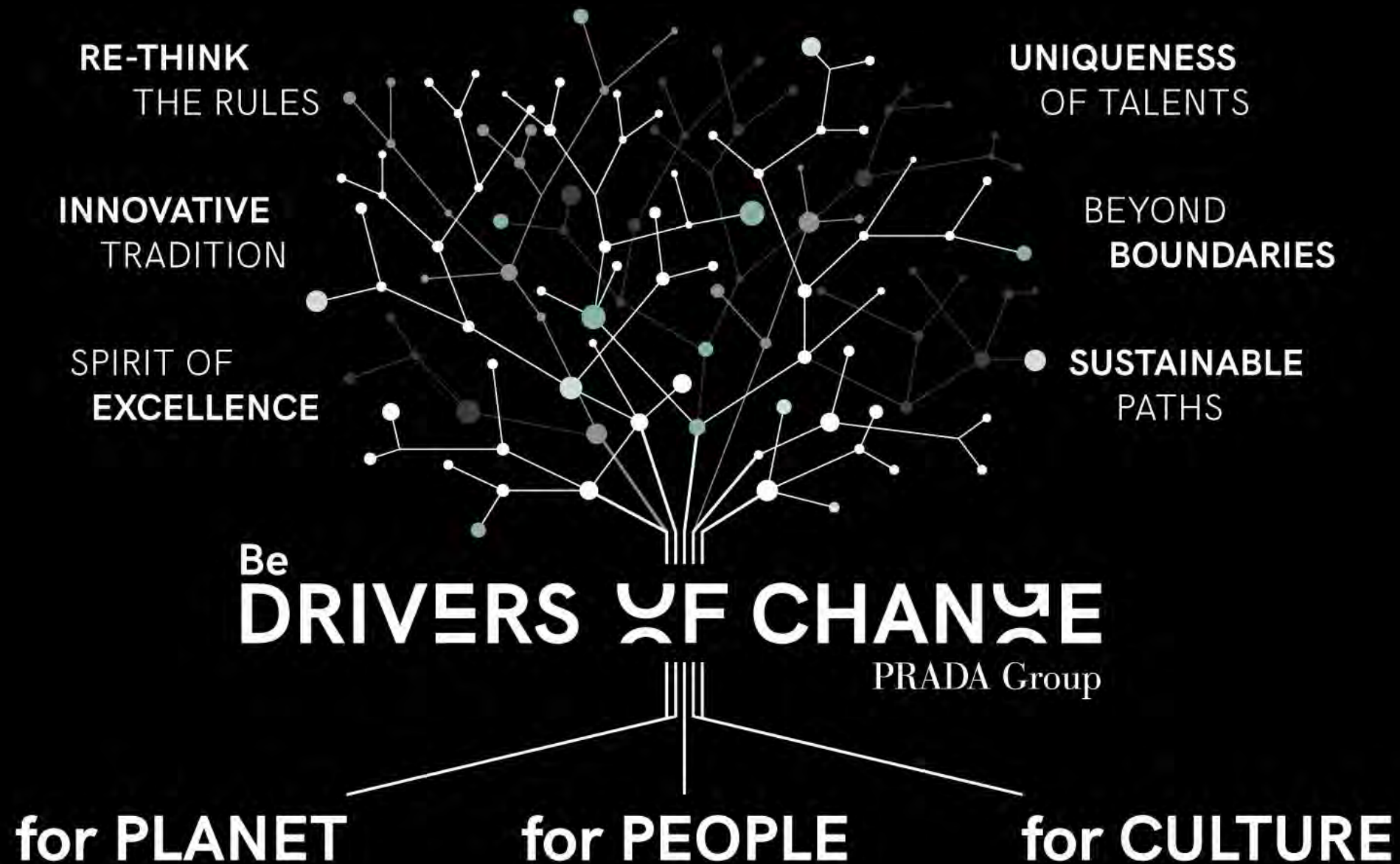
# Decisive Steps Have Delivered Tangible Results

- 2021 retail revenue well above 2019 levels
- Share of full price sales represents almost totality of retail revenue
- Gross margin steadily above 76% since Q3 21
- Online penetration at 7% of retail revenue
- Retail network productivity above 2019 level
- EBIT margin above 2019 level
- Strong cash flow generation



Prada Glow Pop-up

# Prada Group Purpose





# Drivers of Growth Identified

**Prada Group's  
Distinctive  
Vision**



**Style, Quality,  
and Product  
Uniqueness**



**Focus on Direct  
Distribution**



**Industrial  
Know-How and  
Vertical Integration**



**Increased  
Commitment to  
Sustainability**



**Investment in People and Technological Infrastructure**



# Prada Group's Distinctive Vision

*“The Prada Group has a thoughtful and pioneering vision of fashion.*

*At a time of significant cultural and societal change, luxury needs to continue evolving coherently with the market.*

*Our dialogues and fluid perspectives continually reinterpret luxury.*

*By being relevant, sustainable and impactful, we will drive long-term growth.”*



Miu Miu S/S 2022 Fashion show



# Style, Quality and Product Uniqueness

- Continue to increase the value of our product
- Balanced growth across product categories
- Maintain a broad price architecture, continuing to increase average price





# Focus on Direct Distribution

- Prioritise Direct Channels for high quality customer experience and engagement
- Increase productivity of retail network
- Grow space selectively in markets with higher potential and lower penetration
- Double online penetration and deliver superior omni-channel journeys





# Industrial Know-How and Vertical Integration

- Consolidation and further investments in vertical integration
- Complexity reduction to accelerate growth
- Improved process control and product excellence
- Further TTM reduction and improved service level to stores and pop-ups
- State of the art and sustainable sites





# Increased Commitment to Sustainability

- Vision for sustainable growth embracing planet, people and culture
- Bold Climate Strategy
- High profile ESG experts to join Company's Board



Prada Valvigna Garden Factory, Tuscany



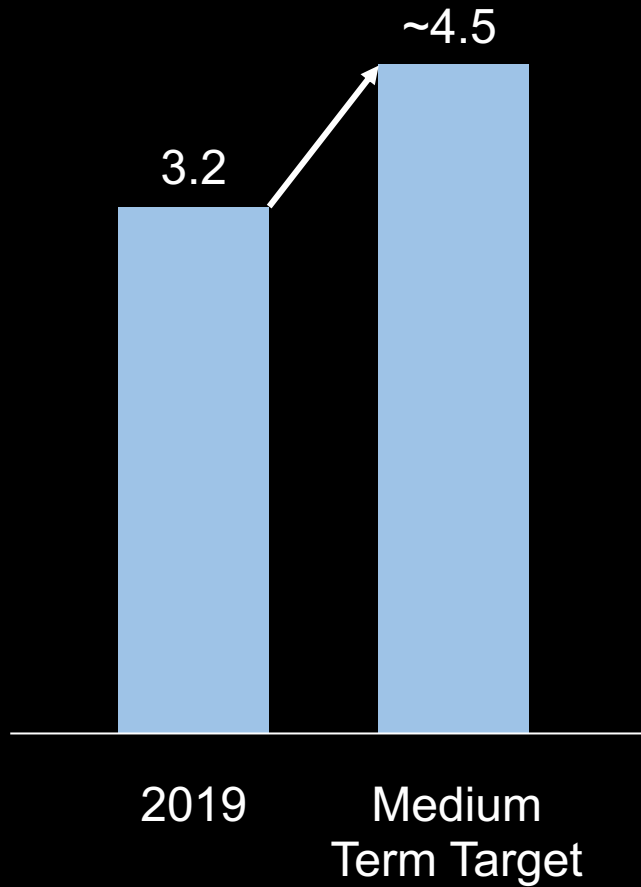
# Investment in People and Technological Infrastructure

- People and technological infrastructure as key enabler
- Focus on diversity and fresh perspectives
- Hire and nurture new talents
- New, best-in-class technology and architecture allowing advanced CRM capabilities and clienteling strategies

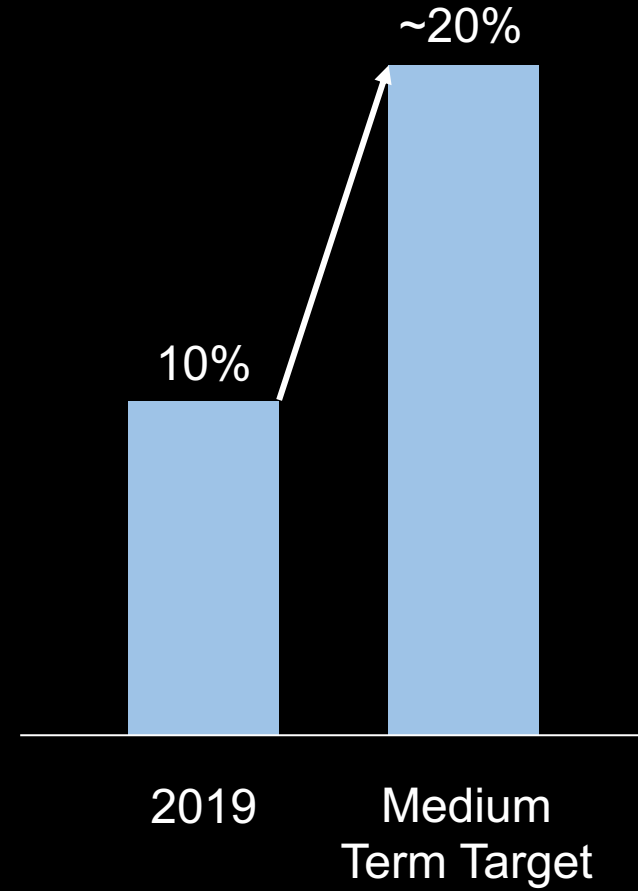


# Medium Term Targets

Revenue Target  
(€bn)



EBIT Margin Target  
(% Revenue)







**Patrizio Bertelli**  
*Chief Executive Officer*

# Control of Distribution and Customer Experience



# Direct Channels Focus Delivering Results

## Physical Retail

Retail network optimisation, ~90 renovation / relocation projects YTD

Customer experience enhancement, 50 pop-up stores as of Sep 21

Sales density in 9M 2021 above 9M 2019 level, despite lockdowns during first part of the year

## Online

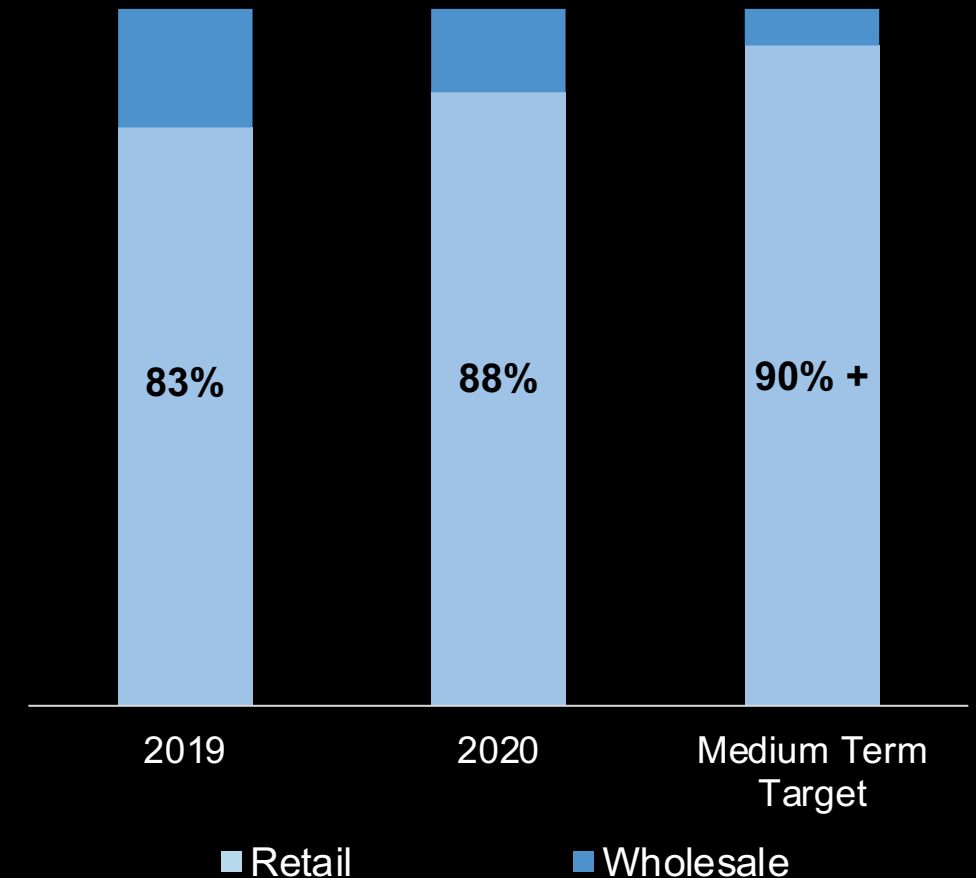
Online penetration at 7% of retail revenue in 2021 YTD vs. 2% in 2019

Seamless channel integration and omni-channel customer journey

## Wholesale

Wholesale optimisation

## Channel Mix Evolution





# Looking Ahead

## Physical Retail

Focus on retail productivity, targeting 30-40% increase in sales density

Selective future openings in targeted geographies and continued optimisations

Roll out of pop-ups and special in-store installations in high-visibility locations

## Online

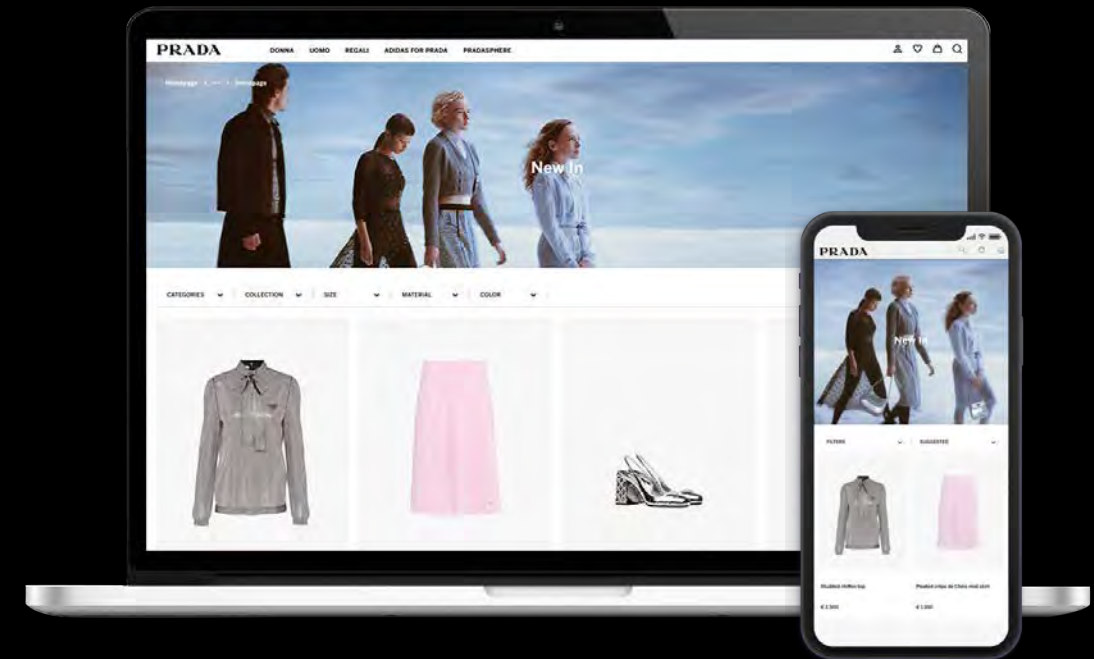
Doubling e-commerce presence, with 15% retail sales penetration as medium-term target

Full transition from store-centric to warehouse-centric fulfilment model

Enhance data / AI capabilities for personalised customer strategies and optimisation of operations

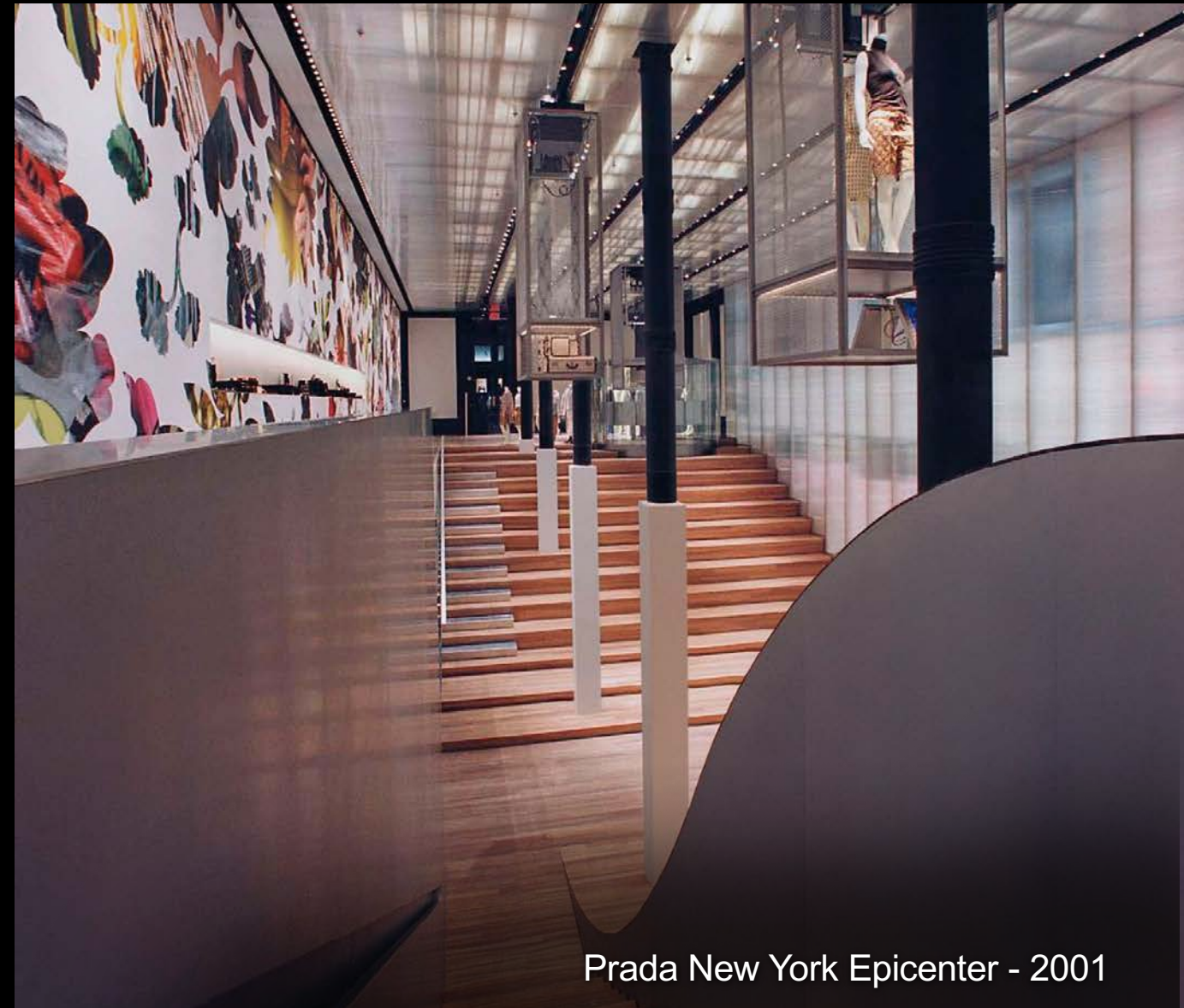
## Wholesale

Highly controlled distribution



# Physical Stores as Brand Hub

- Unique store concept delivering brand vision
- Store as brand enhancer, communication tool and “home” of the brand
- Epicenter stores narrating the brand through architecture



Prada New York Epicenter - 2001



# Physical Stores as Brand Hub

- Distinctive flagship store experience
- Located in the most relevant locations globally
- “Human touch” at the core of physical retail experience



Prada Tokyo Aoyama Epicenter - 2003



# Global Network of Iconic Stores



Prada Los Angeles Epicenter - 2005



# Global Network of Iconic Stores



Miu Miu Tokyo Aoyama - 2015

# 30-40% Sales Density Growth Within Reach

## Traffic

Pop-up and special installations

Store a key touchpoint in the omni-channel journey

Focus on clienteling: personalisations, 1 to 1 relationship across touch points

Reinforce traffic-building categories and selected collaborations, take licenses to full potential

## Conversion

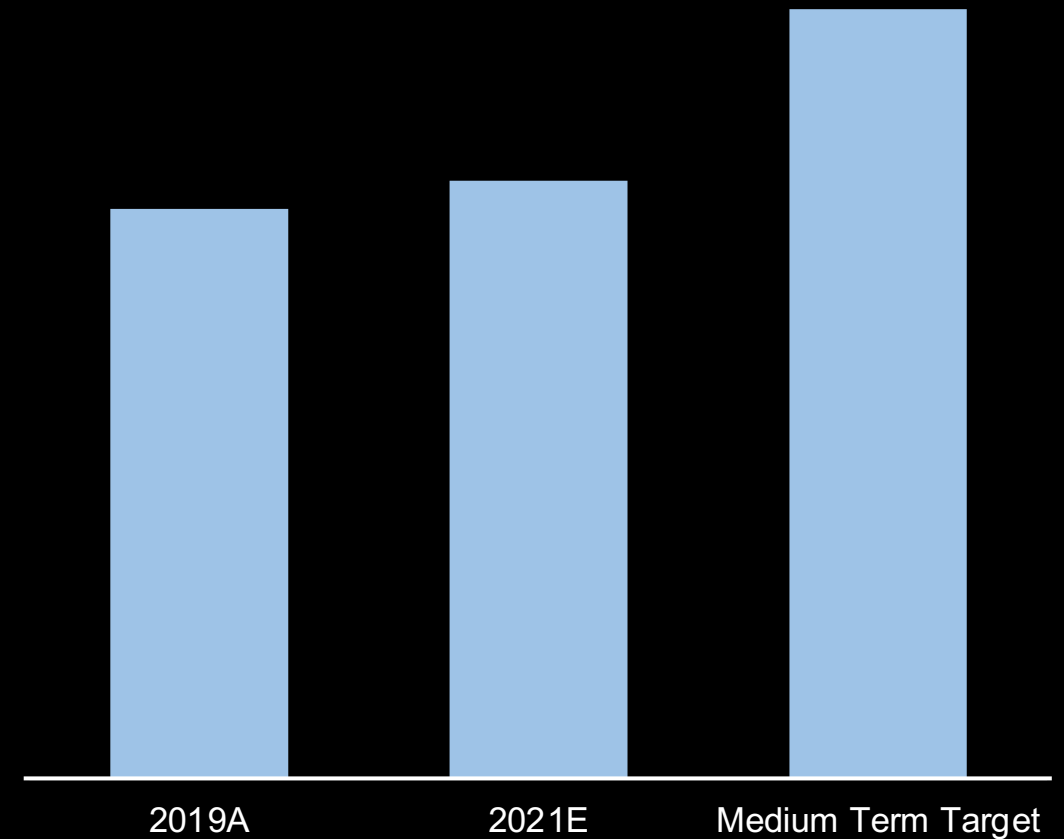
Increase content, quality and uniqueness across all categories

Sales Assistant role evolving into “Client Advisor”

Evolve the client experience, centering it on the store team role

Further client advisor empowerment through technology to maximise client relationships

## Group Sales Density





# Expansion and Optimisation of Retail Network

## United States

- Wealth distribution and demographics have changed significantly in recent years
- Central and West regions driving growth
  - Rise of secondary cities as luxury centres, e.g. Seattle, San Jose, Austin, Atlanta

## Asia

- Expected to remain a key growth engine
- Unlock potential opportunities in the region

## Europe

- Network optimisation



Prada Miyashita Park, Tokyo





**Alessandra Marsicola**

*Prada Retail Director*

## **Prada Brand**



# Creative Dialogue: Miuccia Prada and Raf Simons



# Prada's Influence: From Product, Through Retail Concepts to Ideology. Thinking Fashion, that Inspires Thought

## Brand DNA

Intelligence  
and curiosity

Reinvented  
luxury

Superlative  
and aspirational

## Product DNA

Saffiano  
Leather

Black  
Nylon

Linea Rossa  
America's Cup  
Sneaker

## Customer DNA

Sophisticated  
and trendsetter

Culturally and  
socially engaged

Even interested  
in sports

## Prada-ness



# Prada-ness

## Radicalism

Challenging convention, pushing boundaries, changing outlooks.



Prada F/W 1997 – Adv Campaign

# Prada-ness

## Authenticity

Prada is honest and real, with a view universally valued and connected with the present.





# Prada-ness

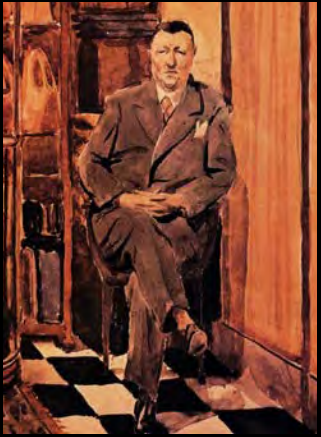
## Duality

Prada is never one thing. Designs always represent a dialogue, creating paradoxes that are bold and fresh.



Prada F/W 2021 – Fashion show

# Prada Brand Journey



**1913**

Opening of the first Prada Store in the prestigious Galleria Vittorio Emanuele II in Milan by Mario Prada.



**1970s**

Miuccia Prada's creativity meets Patrizio Bertelli's entrepreneurial spirit: a new business model for the international development of the brand.



**1990s**

Launch of Prada Menswear and establishment of Fondazione Prada.



**1997**

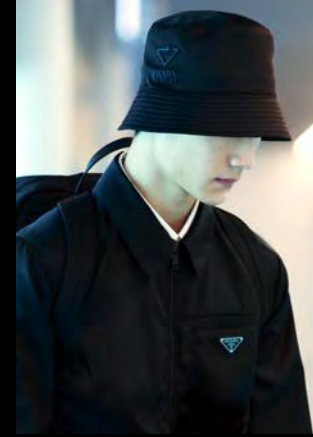
Prada Challenge of the 2000 America's Cup team and Launch of the Linea Rossa collection.

Licencing agreements in eyewear and fragrances.



**2000s**

The "Epicenters" Era: stores specially designed by world renowned architects in major international cities, beginning with the New York store in Soho in 2001.



**2019**

Launch of the Prada Re-Nylon Collection, the first company product line made of regenerated materials.



**Today**

New evolution under the co-creative direction of Miuccia Prada and Raf Simons.



# Prada Today

## Key Highlights

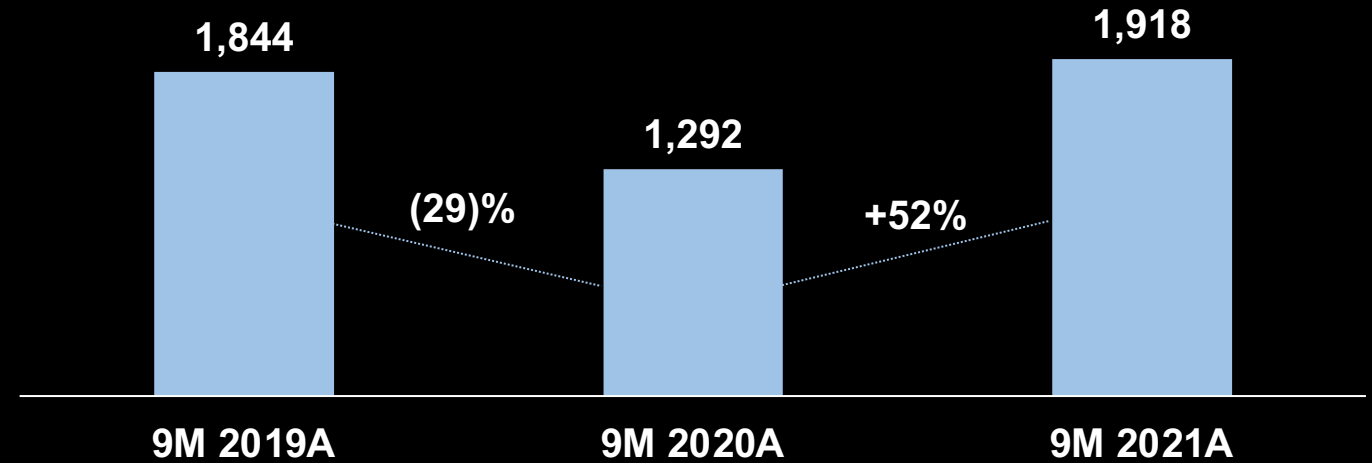
9M 2021 net sales exceeded 9M 2019

Product mix in line with target. Growth across product categories all above 2019 levels

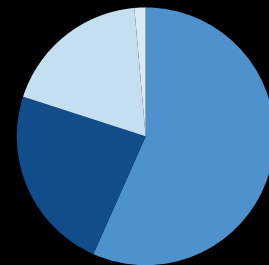
Sustained growth in the Americas, Asia, and Middle East. Improving trends in Europe driven by strong local demand

Strengthened direct channel

## Net Sales Evolution (in €m)

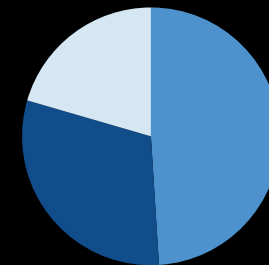


### By Product



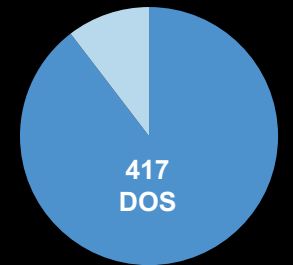
■ Leather ■ RTW ■ Shoes ■ Other

### By Geography



■ Asia ■ EMEA ■ Americas

### By Channel



■ Retail ■ Wholesale

*Note: Net sales mix refers to 9M 2021 total net sales. Stores as of September 2021. % change at constant FX*

# Strategic Levers for Growth

## Brand

*Maintain fashion and cultural leadership*

Consolidate strong awareness leveraging brand pillars

Marketing investment into digital and experience to sustain and convert customer focus

Lead conversations and purpose-driven communication

Leverage Prada-ness to develop Prada Community

## Product

*Grow across categories maintaining a balanced product mix*

Leverage offer architecture, strengthening top items

Invest in iconic products and newness

Launch new categories (beauty, fine jewelry, home)

Take Linea Rossa to full potential

## Customer

*Over-accelerate on customers pool driving market growth (Gen Z, China, US), while consolidating the core*

Continue focus on retail across the “omni-channel” journey

Take clienteling to full potential, continue innovating engagement model

Increase 'human touch' impact, deliver inspiration and discovery experience



# Pioneering Fashion Show Formats

*“The event format [...] highlighted Prada’s understanding of the importance of luxury brands **breaking new boundaries to engage with a worldwide community**”*

WWD

*“[...] it was like watching a living conversation unfold: **between past and present, one designer & another** and - this time - **one country and another**. That’s one way to couple up”*

The New York Times



Prada S/S 2022 – Fashion show

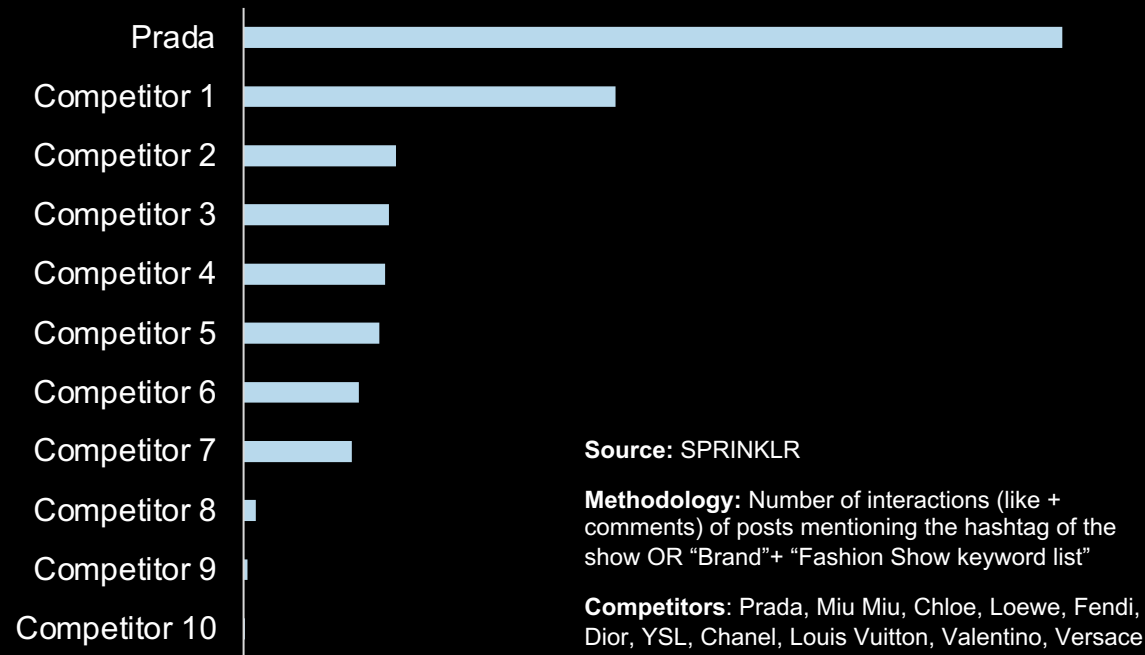
# Enhanced Brand Resonance

## Prada SS 22 Women's Fashion Show – Synchronous Views

The first ever simultaneous fashion show to be shown in two cities at once

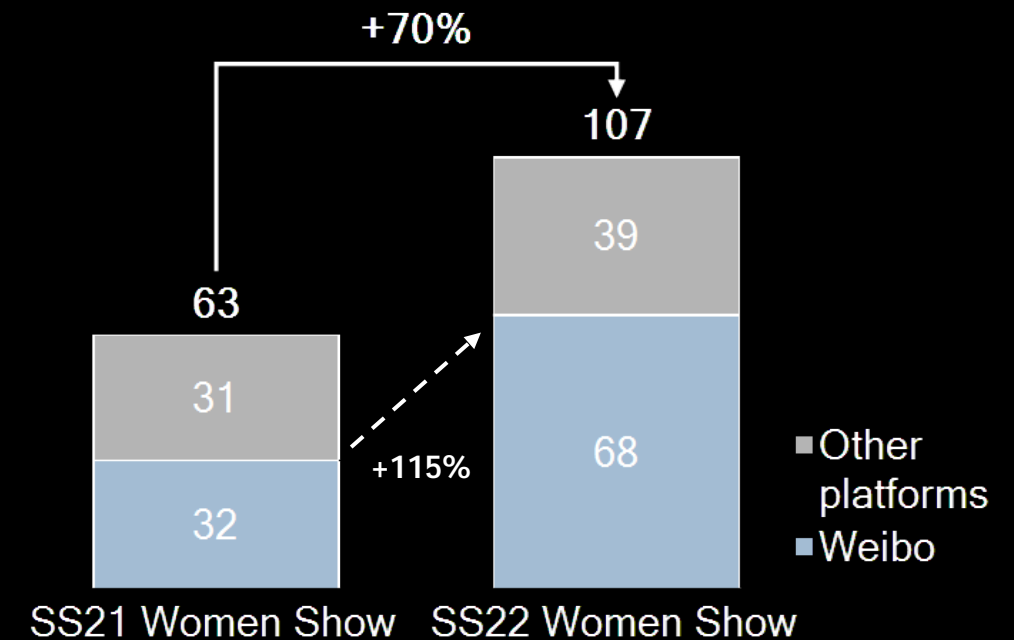
### #1 IN EARNED ENGAGEMENT

Earned Engagements across  
Paris and Milan Fashion Weeks







### HIGH GROWTH IN VIDEO VIEWS

Video views  
(SS21-SS22 | #M)





# Growing Brand Awareness

	Website Traffic <sup>1</sup> 2021 YTD vs. 2020 YTD	<b>+71%</b>
	Search effectiveness <sup>2</sup> 2021 YTD vs. 2020 YTD	<b>+51%</b>
	Fans Growth on Weibo @10/2021 vs. @10/2020	<b>+35%</b>
	TikTok Prada Bucket Hat Challenge Most successful challenge in the luxury sector a week after launch	<b>7.1bn</b> views since October 2021

<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)

# Brand Heat Leadership

## Interbrand

Prada Brand Value according to Best Global Brands Ranking 2021 - Best performing brand in luxury



**+20%**



**#1 searched women's product**

Hottest brands according to Q3 2021 Lyst Index<sup>1</sup>



**TOP 5**

<sup>1</sup> Ranking of top mentioned brands during SS22 Show: YSL, Dior, Chanel, Prada, LV, Versace, Celine, Fendi, Miu Miu, Valentino, Loewe, Chloe.



# Cross-Generational Brand Credibility

## POLYHEDRIC PRODUCT

Heritage - Classic



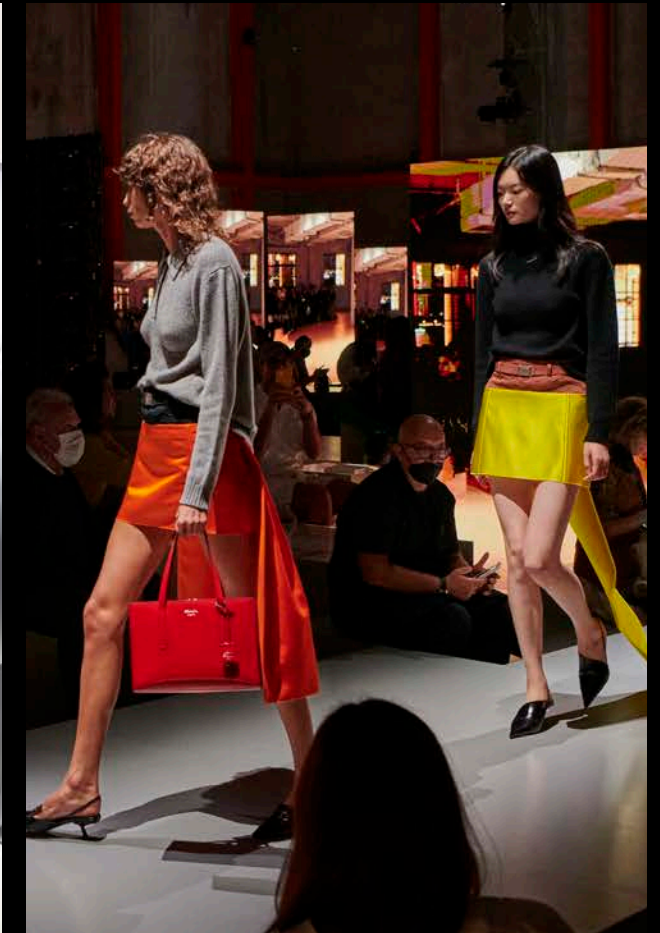
Modernity



Sportswear



Fashion Vanguard





# Combining Past, Present and Future



Prada F/W 1988 - Adv Campaign



Prada Holiday 2020 - Adv Campaign



# Prada Linea Rossa

Blending luxury and high-performance sportswear





# Fragrances and Beauty

- Partnership with L'Oréal launched in 2021
- Luna Rossa Ocean launched in Sep 2021
- Objective to double global market share by 2023 on fragrances
- Medium term ambition to build a global beauty house by adding make-up and skincare





# Eyewear

- Partnership with EssilorLuxottica since 2003
- Ambition to strengthen Prada Group's position as leading group in luxury eyewear through innovation and sustainability
- Focus on product development in sun and optical segments, ensuring a close alignment with other core fashion categories



Prada F/W 2021 - Adv Campaign

**Benedetta Petruzzo**

*Miu Miu General Manager*

**Miu Miu Brand**





# Miu Miu: Miuccia Prada's Unique and Instinctive Vision

*“Miu Miu is the place where I am completely myself. When I realize that, when I want to do even more, to really concentrate, to inject more passion, more of what I like.”*

Miuccia Prada – Another Magazine, October 2021

Miu Miu is **immediate**

Miu Miu reflects a **unique and instinctive vision**

A unique story, an **emancipation journey**



Miu Miu F/W 2011 – Adv Campaign by Bruce Weber

# Miu Miu: The Heartfelt Point of View of Miuccia Prada

<b>Brand DNA</b>	Universe of exploration	Unconventional with a point of view	Empowering women
<b>Product DNA</b>	Immediate	Breaking the rules	Irreverently sophisticated
<b>Customer DNA</b>	Rebel and empowered	Brave and free	A community



# Our Journey: Key Milestones



1993

**Miu Miu is founded** as an experimental, alternative expression of Miuccia Prada personal vision.

**The first boutique opens** in via della Spiga in Milan (1993), followed by Paris and New York Soho (1996).



2006

Miu Miu lands to the **Paris Fashion Week** and opens first store in China (2009).

Miu Miu launches its first Miu Miu **Women's Tales** (2011), the first Miu Miu **Club** in London (2012) and the first Miu Miu **Select** (2019).



Today

An outpost of **modern femininity**, Miu Miu is a **global total look brand**.

**Upcycled by Miu Miu** is unveiled (2020).

# Miu Miu Today

## Key Highlights

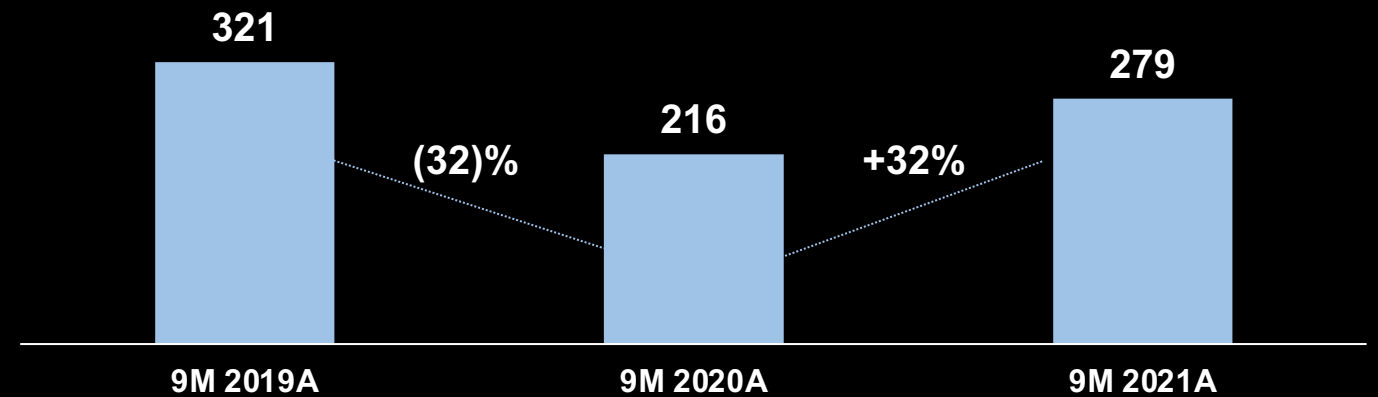
Strong performance in Asia and Middle East well above 2019 level

Outstanding performance in ready to wear, double digit vs. 2019, acceleration in accessories

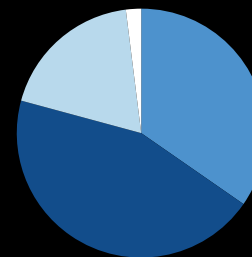
Strengthened channel mix, with full price retail sales improvement and triple digit online growth

Robust millennials and Gen Z customer base

## Net Sales Evolution (in €m)

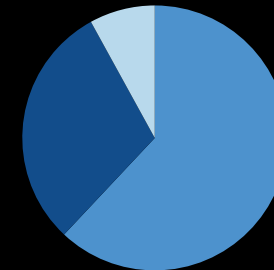


### By Product



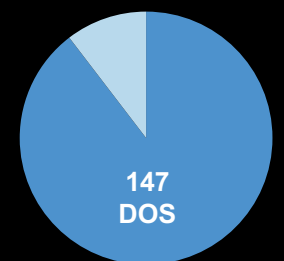
■ Leather goods ■ RTW  
■ Shoes ■ Other

### By Geography



■ Asia ■ EMEA ■ Americas

### By Channel



■ Retail ■ Wholesale

*Note: Net sales mix refers to 9M 2021 total net sales. Stores as of September 2021. % change at constant FX*



# Strategic Levers for Growth

## Brand

*Miu Miu, the club  
of empowered women*

**Strengthen awareness** across  
segments and nationalities

Drive understanding of **distinctive  
identity** and value proposition

**Create buzz** and sustain desirability

**Lead the conversation** in fashion  
on women identity and “club”

## Product

*The wardrobe for the Miu Miu club  
that ‘meets the now’*

Maintain **strong point of view**, true  
to brand DNA, consolidate strong  
performance on RTW

Accelerate **accessories**, rebalance  
sales mix (leveraging iconic  
products and codes)

Cover all **offer segments**  
(categories, occasions, price  
points,...), delivering seasonal  
**drops** and special projects

## Customer

*A broader club,  
nurturing new generations*

**Expand reach** through  
communication and footprint

Boost **organic retail and digital**

**Scale clienteling** to increase  
customer retention and value

Deliver a playful and experimental  
**customer journey, consistency**  
across all the touchpoints

# Pioneering Fashion Show Formats

*“At Miu Miu, Miuccia Prada delivered one of the **strongest and most exciting fashion statements** of the season”*

**Business of Fashion**

*“Miu Miu, Mrs Prada stands with a new generation intent **subverting norms and inventing new ones** on its own terms”*

**10 Magazine**



Miu Miu S/S 2022 – Fashion show



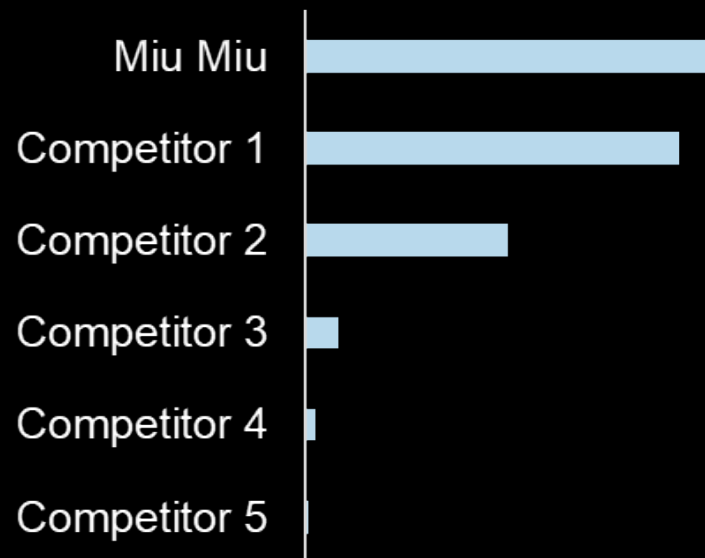
# Enhanced Brand Resonance

## Miu Miu SS 22 Show - An Unprecedented Digital Collaboration

The physical and virtual spaces of the Miu Miu show were punctuated with works by artist Meriem Bennani, exploring intimate relationships mediated through the camera

### #1 IN EARNED ENGAGEMENT

Earned Engagements during Paris Fashion Week



Source: SPRINKLR

**Methodology:** Number of interactions (like + comments) of posts mentioning the hashtag of the show OR "Brand" + "Fashion Show keyword list"

**Competitors:** Miu Miu, Dior, Balenciaga, Valentino, Loewe, Chloe

### ENGAGEMENT GROWTH ACROSS CHANNELS

**+726%**

YouTube views vs SS21 Women's show

**+73%**

vs SS21 Women Show live streaming on miumiu.com

**>200**

influencers engaged worldwide to watch the virtual show

# Growing Brand Awareness



Website Traffic <sup>1</sup>  
(2021 YTD vs. 2020 YTD)

**+28%**



Search effectiveness <sup>2</sup>  
(2021 YTD vs. 2020 YTD)

**+20%**



Fans Growth on Weibo  
(@10/2021 vs. @10/2020)

**+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)



# Creating Buzz Through Special Projects

**Upcycled by Miu Miu  
Vintage Dresses**



**Upcycled by Miu Miu  
Collaboration with Levi's**



**SS 2022 Fashion Show  
Collaboration with New Balance**





# Coherently Articulated Offer Close to Brand DNA





# Seamless Execution Across All Product Categories





# Brand Identity Consistently Implemented



Covers



Editorials



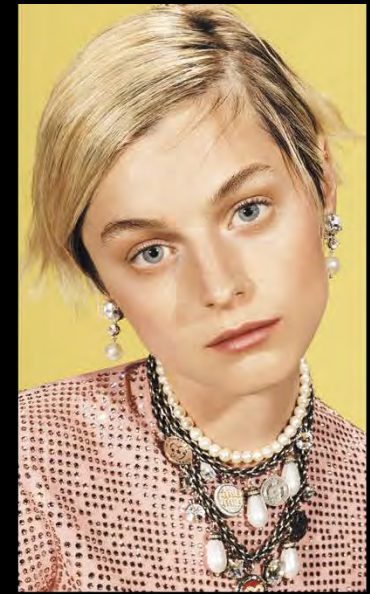
Pop-up



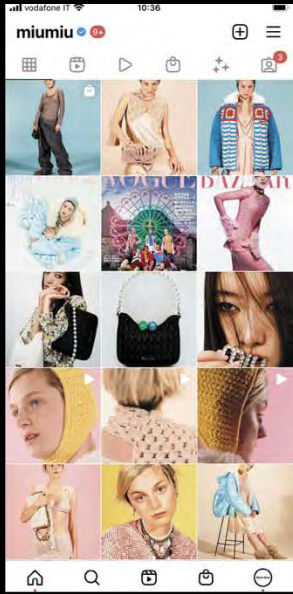
Outdoor



Game



Campaign



Socials



Miumiu.com



Fashion Show



Seeding



Windows



In-Store



# The Future of Miu Miu

**Turnaround on track**, bearing fruits

Miu Miu is a **priority for the Group**:  
planned €150m communication  
investments in the next 3 years

Product strategy that “**meets the now**”:  
seasonal drops and special projects,  
coherence with brand DNA

**Millennials and Gen Z**: recruit and  
nurture the customers of the future



**Levi's x Miu Miu**





**Lorenzo Bertelli**

*Group Marketing Director &  
Head of Corporate Social Responsibility*

# Communication, Customer, and Digital Innovation



# Winning Customers in an Evolving Luxury Landscape

## **Increased Investment in Communication**

Boosted by digital, to grow awareness, consideration and conversion

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## **Focus on Customer Centricity and Human Touch**

Across the entire customer lifecycle, enhanced capabilities and skills to make the frontline more effective in bringing to life Prada and Miu Miu identities

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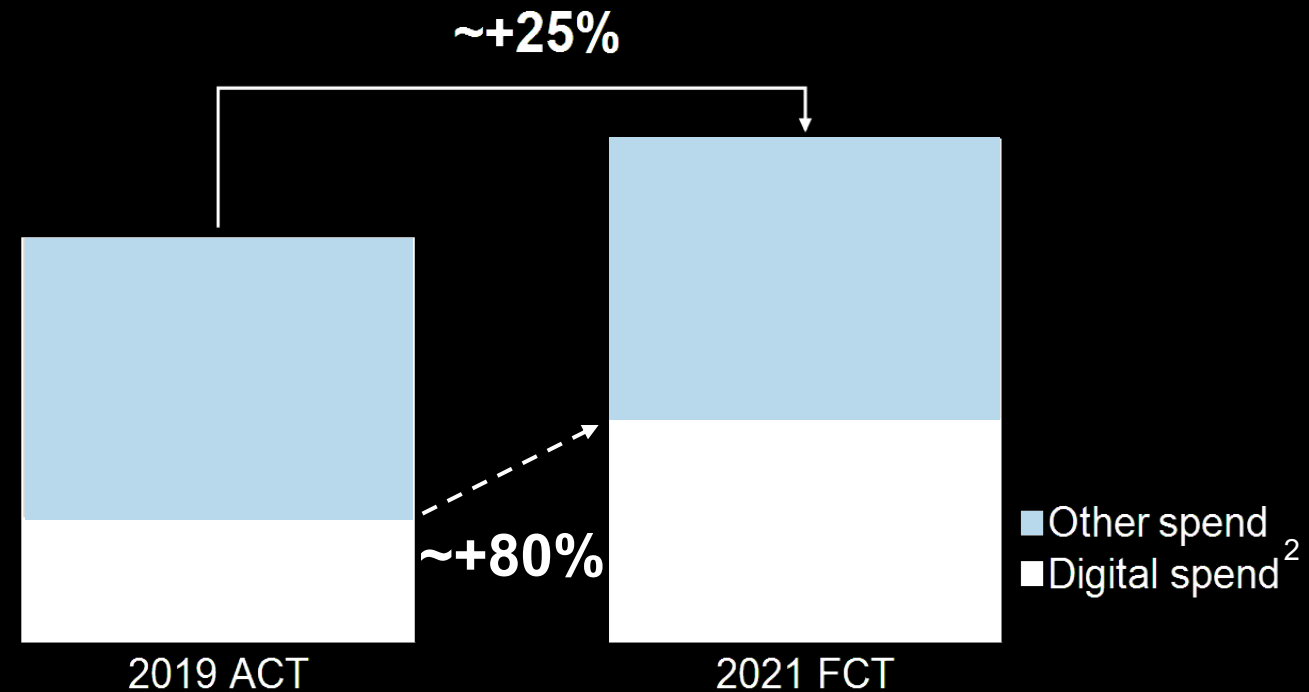
## **Accelerated Digital Transformation**

Online channel scale-up and omni-channel customer approach, big data leverage and technology investment

# Communication Boosted and Digital Media Investment Accelerated

- Relevant increase in communication investment
- More than proportional increase of digital-related spending
- Focus on purpose driven communication through partnerships (e.g. Fondazione Prada, Rong Zhai, Luna Rossa)
- Strong leverage of local and global celebrities and influencers
- Constant investment in emerging platforms

Total communication investment<sup>1</sup> (2019 Actual - 2021 Forecasted)



<sup>1</sup> Total communication investment includes: content production, media, events and PR

<sup>2</sup> Digital spend includes: digital campaigns, digital media and performance marketing



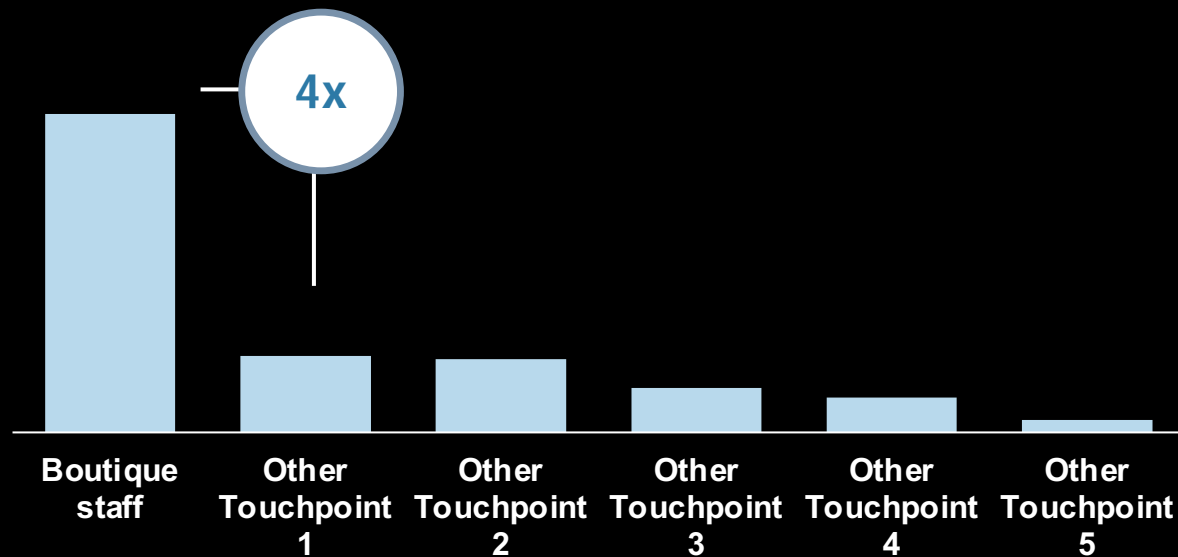
# Customer Centric Organisation and Focus



# Human Touch Focus Delivering Significant NPS Improvement

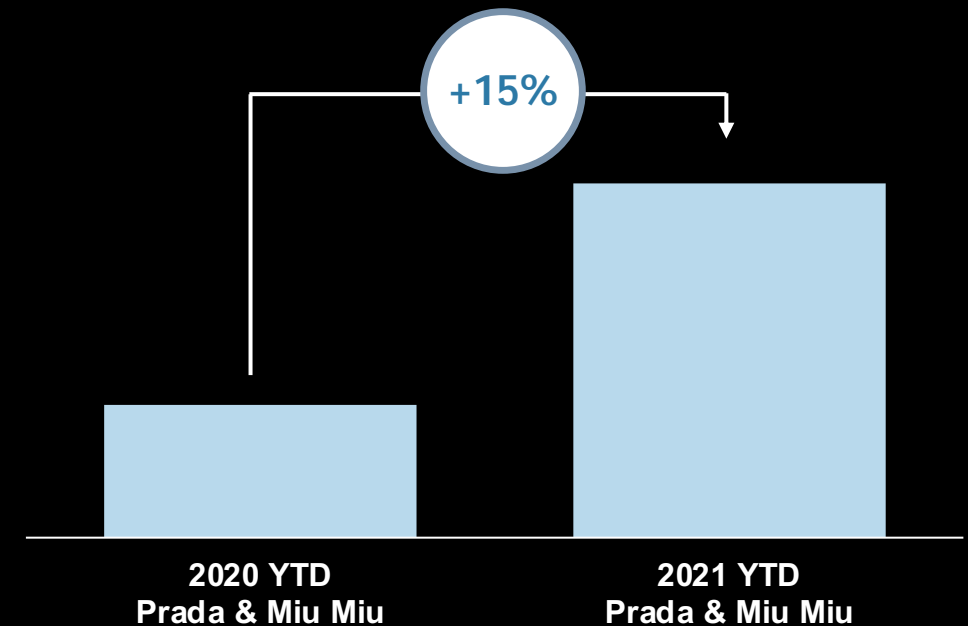
The “Human Touch” primary driver  
(>4x stronger than any other customer experience touchpoint)

**RETAIL EXPERIENCE NPS  
DRIVERS RELATIVE STRENGTH <sup>1</sup>**  
Sept. 2021 YTD



Growing NPS across Prada and Miu Miu

**NET PROMOTER SCORE <sup>2</sup>**  
Sept. 2021 YTD



<sup>1</sup> Based on standardised coefficient of the drivers for NPS post purchase survey indexed to max =100 (Jul-Sept 2021)

<sup>2</sup> Net Promoter Score post purchase customer survey (“How likely are you to recommend visiting this boutique to people you know?”) considers January – September period across both Prada and Miu Miu Brands

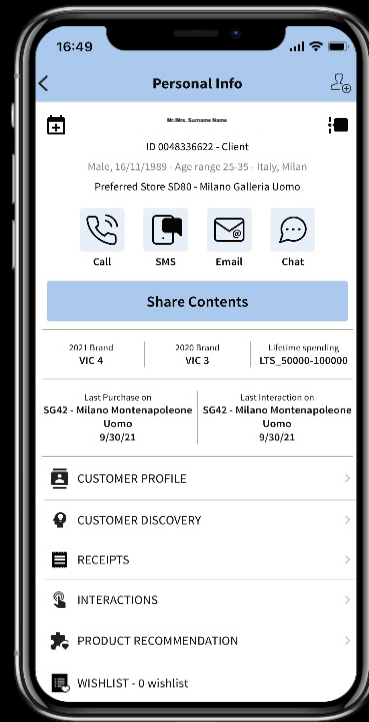


# Evolution in Client Engagement Supporting Revenue Growth

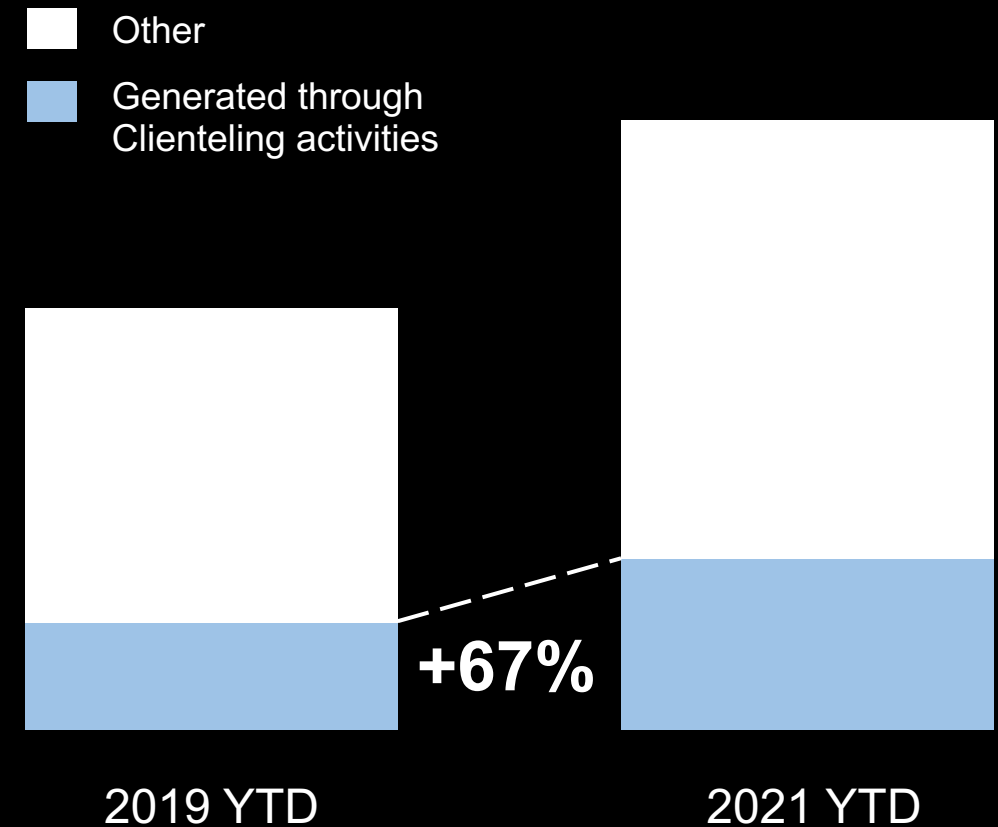
Digitally empowering client advisors to bring clients relationships to full potential

## Clienteling App

- 360° customer view from multiple data sources
- Rich digital content to share with clients
- Personalised AI driven recommendations
- Task & Clienteling suggestions to drive customer loyalty
- Full integration with marketing automation ecosystem



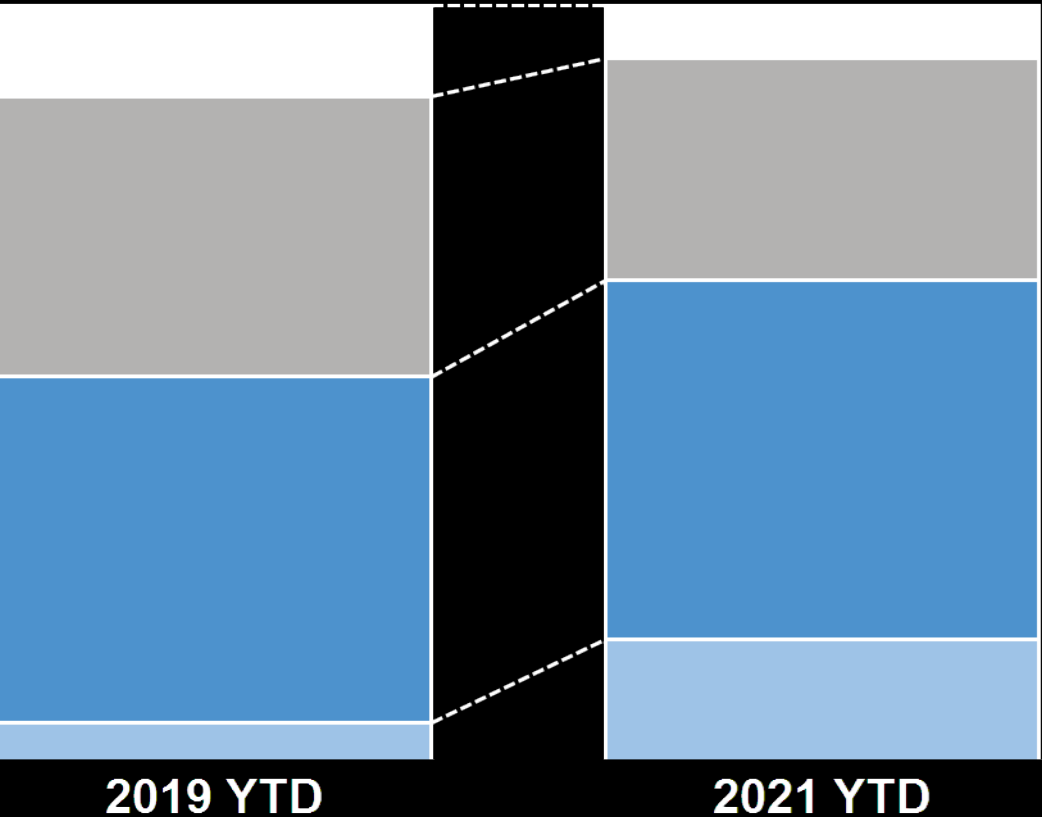
## Prada & Miu Miu retail revenue<sup>1</sup>



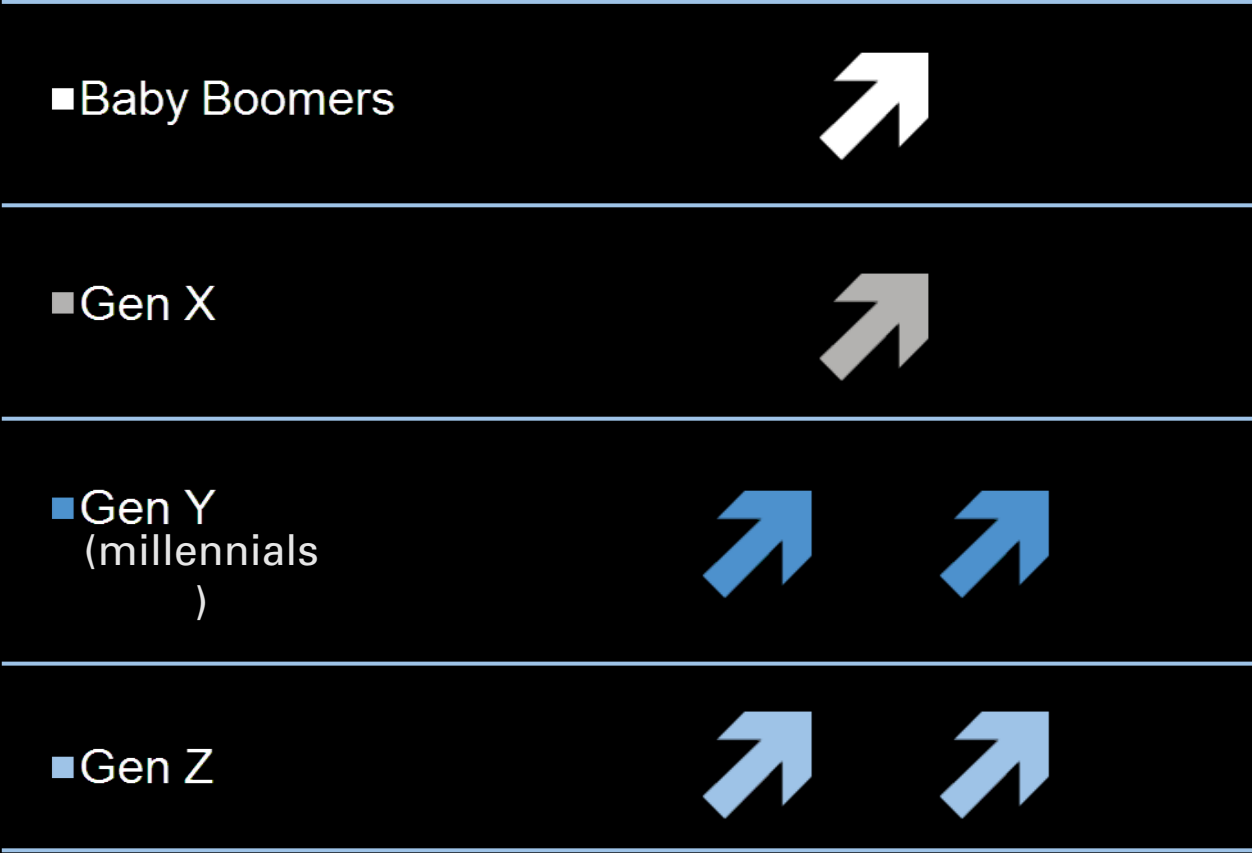
<sup>1</sup> Retail revenue excluding e-commerce

# Winning Over the Key Customers

**Prada and Miu Miu Revenue**  
2019 YTD – 2021 YTD



**Average customer value <sup>1</sup>**  
2019 YTD – 2021 YTD trend



<sup>1</sup> Average Customer Value calculated as average revenue per Client



# Four Pillars to Drive Digital Acceleration

1

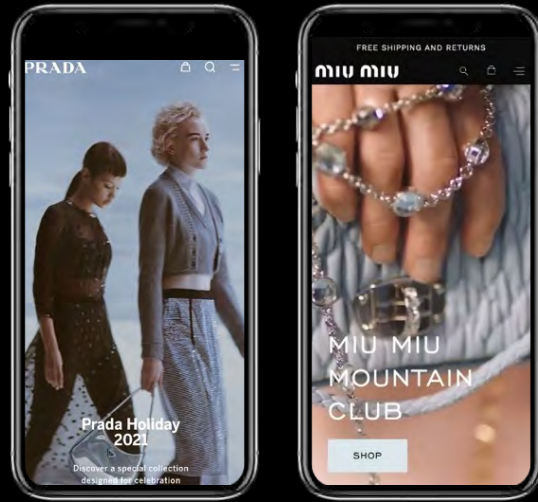
## Online Channel



Further scale-up  
the channel

2

## Omni-Channel



Fully enable omni-channel  
customer journeys

3

## Data



Leverage data's  
full potential

4

## Technology & IT Architecture

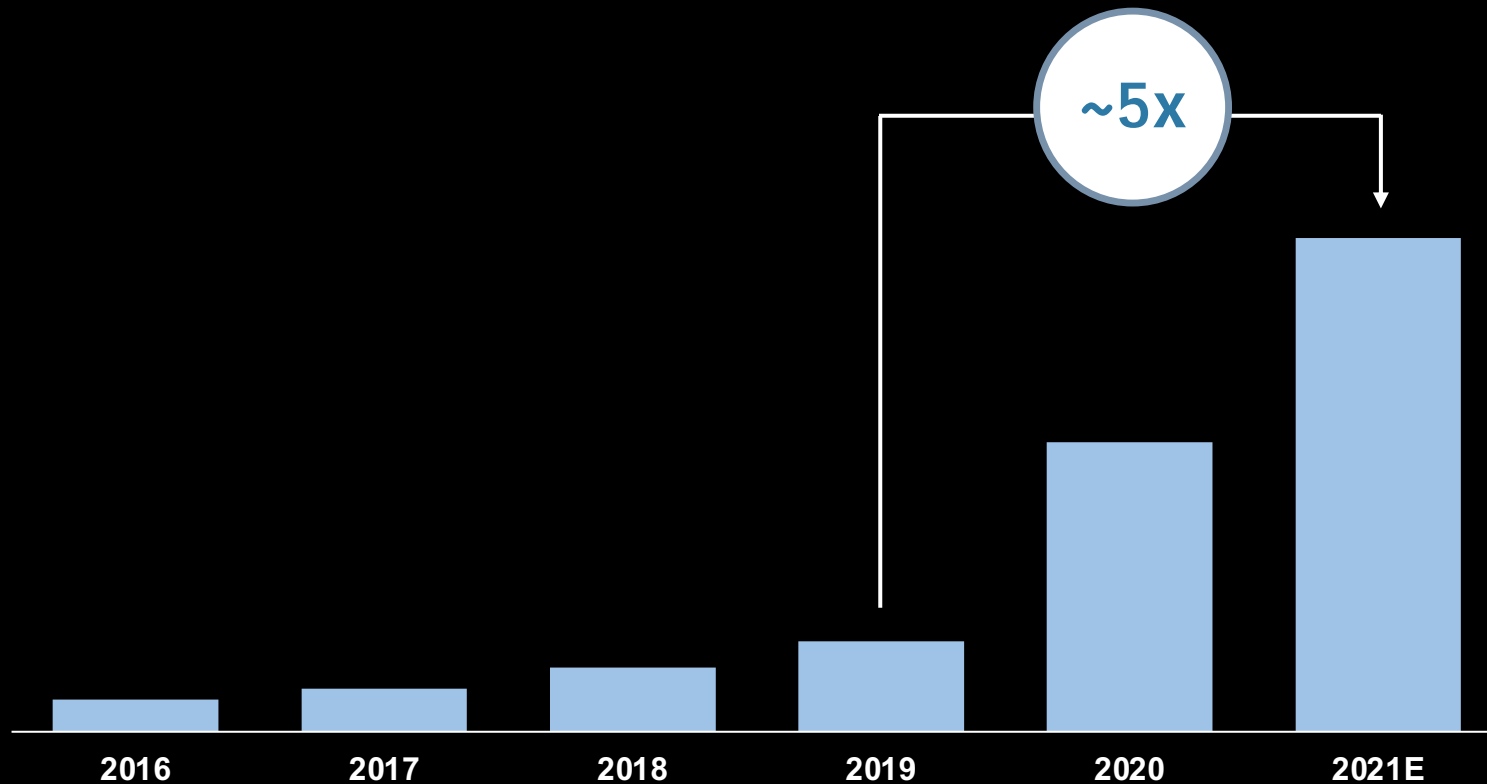


Transform through “Best Of  
Breed” Solutions & Applications

# Doubling Online Sales Within Reach

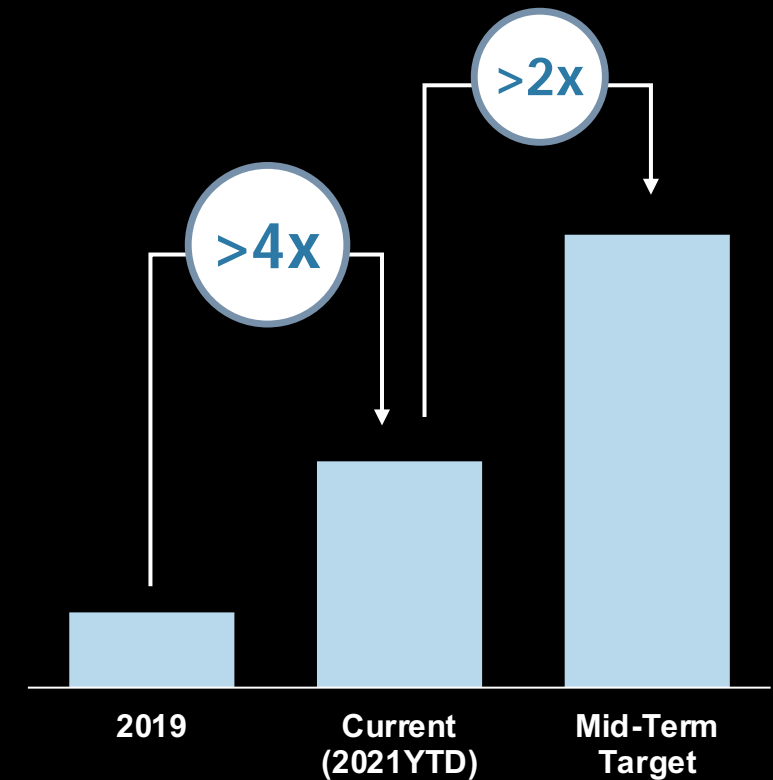
## Online Sales Evolution<sup>1</sup>

2016 – 2021E | €m



## Online Target

2019, 2021 YTD | % Retail Sales<sup>2</sup>



<sup>1</sup> Including total Prada Group (all Brands) online sales (excluding e-tailers)

<sup>2</sup> Defined as total direct online sales (thus excluding e-tailers) on total Retail sales



# Global Online Footprint with Omni-Channel Fulfilment Model

## A Global Online Footprint



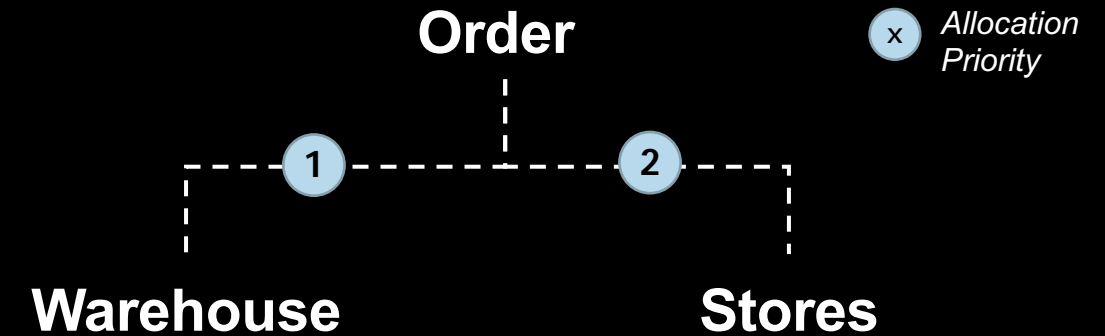
**China:** tailored approach to local digital ecosystem

**Optimise .cn  
Brand Sites**

**Reach T-Mall  
Full Potential**

**Expand &  
Consolidate  
Other Platforms**

## Pure omni-channel stock management approach with Hybrid Fulfilment Model



**Central** Warehouse  
Global Distribution

Italy

**Regional** Warehouse  
Local Distribution

USA  
China

Korea  
Japan

# On the Road to Seamless Brand Experience

## Omni-channel Pillars

### 2019 State

### Current State

### 2022 and Onwards

#### Single Customer View

Fragmented data across systems

Client profiling consolidation, data enrichment and customer journey activation (piloting of real time customer journeys)

Full leverage of “Real-time” orchestration of advanced customer journeys

#### Omni-channel Experience

##### Omni-channel Services in 2019:

- Pick up in store
- Book an Appointment (online)
- In store availability check

##### Additional omni-channel Services in 2021:

- Home Delivery (from store)
- Remote Orders (out of store from store)
- Virtual Appointment
- Omni-channel returns/exchanges
- Omni-channel gift cards

##### New customers digital gateways to bridge online and physical

- Digital services connecting Stores/Client Advisors and Customers
- Blockchain powered services (digital certificates, warranty, repairs)



# Developing Personalisation at Scale Through Advanced Analytics and Technology

## Data Acquisition

Transactions  
Website behavior  
Client advisor interactions & insights  
NPS  
Aftersales  
Stock Data etc.

**93%**

in-store transactions identified with client profiles

## Data Mining

Leveraging Datalake platform to manage big data processing and to identify revenue opportunities

- Dedicated in-house analytics group

**+10 years**

transactional data available for advanced analytical tasks

## Data Leverage

Formulation of a dedicated customer strategy through data driven insights

Leveraging advanced analytics for operational excellence optimisation (at a store/stock/SKU level)

**~+2.5x**

redemption rate vs non targeted, resulting from AI prospecting and message customisation

**~+50%**

product engagement vs. non personalised, driven by real-time AI customised recommendations

# €80m Transformation Programme Launched

## **Sales Channel Enhancement & Personalisation**

New E-Commerce architecture and enhanced front-end and content management applications  
Further evolution of CRM systems, Data Lake & client management applications  
Evolution of physical store cash systems and applications optimizing store operations while enabling new digital scenarios

---

## **Omni-channel Full Enablement**

Integrated omni-channel approach for order management, product / stock availability and pricing, unlocking multiple omni-channel scenarios

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## **Industrial & Management Systems Optimisation**

Evolution and consolidation of Group's ERP systems, other systems & applications



The image shows a modern, white, multi-level building with a large glass facade. The word "PRADA" is prominently displayed in large, raised, white letters on the upper part of the building. To the left of the building, there is a lush green wall made of dense foliage. The building is situated on a hillside with trees in the background. The sky is clear and blue.

**Massimo Vian**

*Industrial Director*

# Industrial Operations Excellence



# Industrial Operations Excellence as Competitive Advantage

- Consolidation and Further Investments in our Industrial Vertical Integration
- Complexity Reduction to Accelerate Growth
- Improved Process Control
- TTM Reduction and Improved Service Level to Stores and Pop Ups
- New state of the art Distribution Centre



Prada Scandicci - Tuscany



# Consolidation and Further Investments in Industrial Vertical Integration

## Expansion of own manufacturing capabilities

Organic headcount growth in Italian plants: +100 in 2021, +200 in 2022

Young apprentices from Prada Academy: +40 in 2021, +75 in 2022

## Further vertical integration with strategic acquisitions

~ 80€m invested in 2019-2021

~ 70€m planned investments in 2022, and scouting for further opportunities

## Recent investments

Filati Biagioli - Tuscany

Prada woman bags plant complete renewal - Figline, Tuscany

Further investments in knitwear manufacturing - Umbria

Tannerie Limoges - France

Renewal of Church's factory - Northampton UK



Prada Montevarchi - Tuscany

# Complexity Reduction to Accelerate Growth

Obsessive attention to new models positioning, both for Prada and Miu Miu

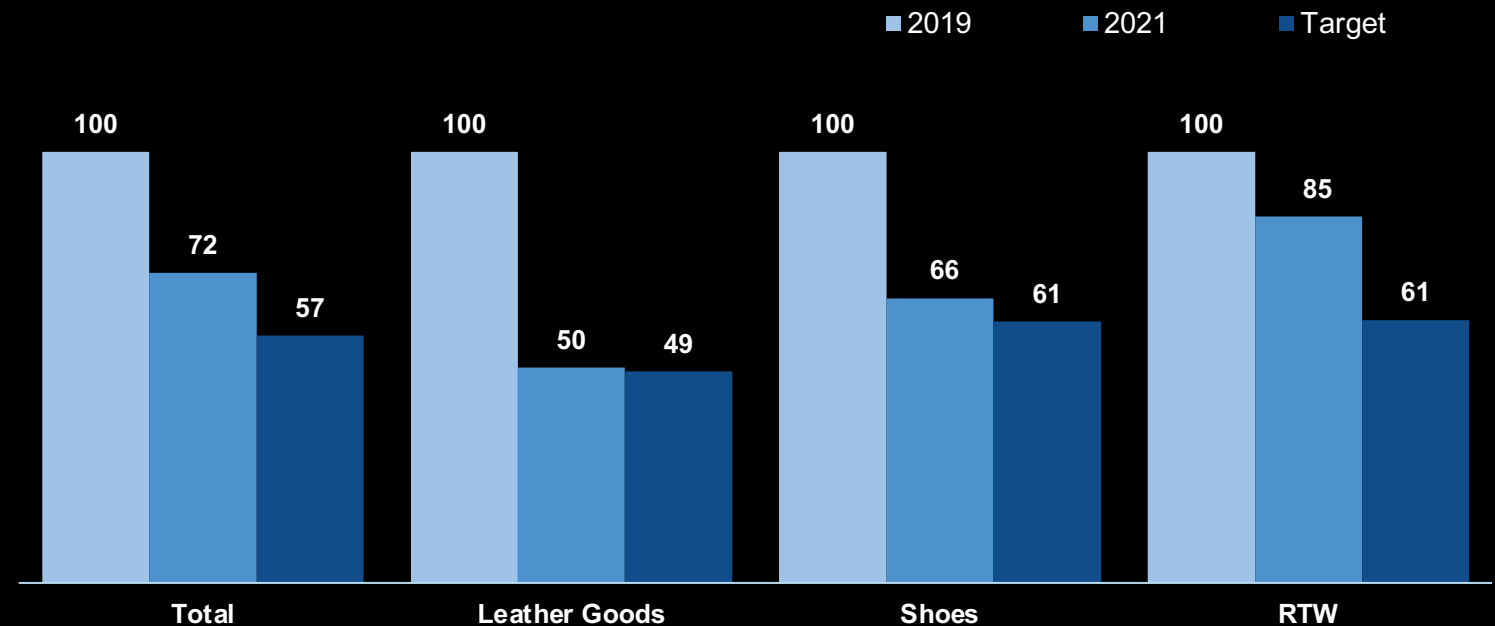
Strong simplification of collection architectures across all categories

## Key advantages

- More targeted marketing and communication effort
- Higher sell through
- Overall reduced inventories
- Industrial cost efficiencies

*Note: Excludes home collection, jewellery, small accessories*

## Number of Styles Launched (Rebased to 100)

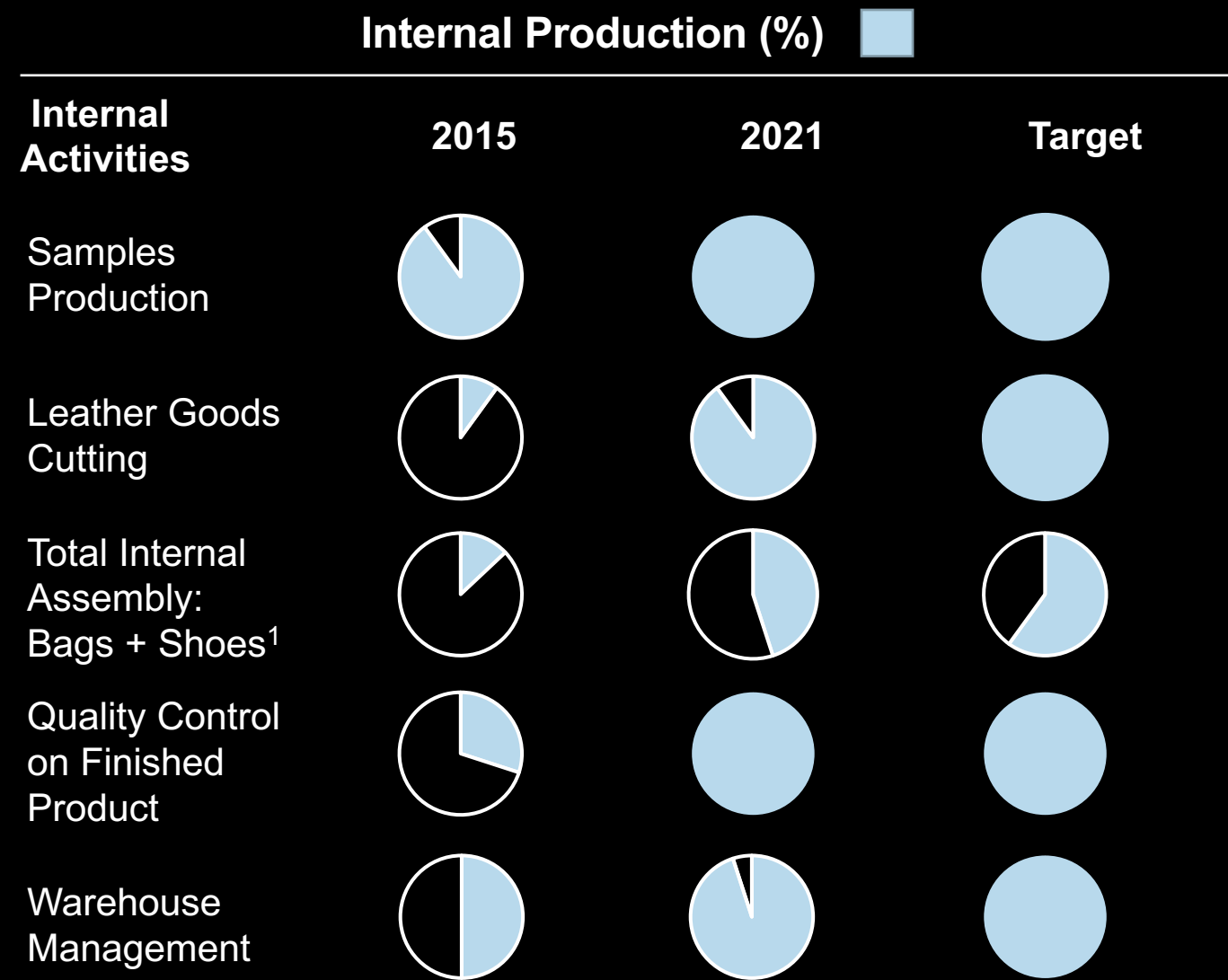


**Average production batch:**  
2021 vs. 2019: +20% (Shoes +45%)

**Raw materials used SKUs**  
2021 vs. 2019: -35%



# Improved Process Control Driving Product Excellence



## External Production

Further selection of external manufactures

N. of Manufacturers Audited 2019/21: **175**

N. of Manufacturers Ended 2019/21: **30**

<sup>1</sup> RTW And Leather Goods Accessories not included

# Further TTM Reduction

## Improved Service Level to Stores and Pop-Ups

### Key Advantages

Increased ability to react to market change

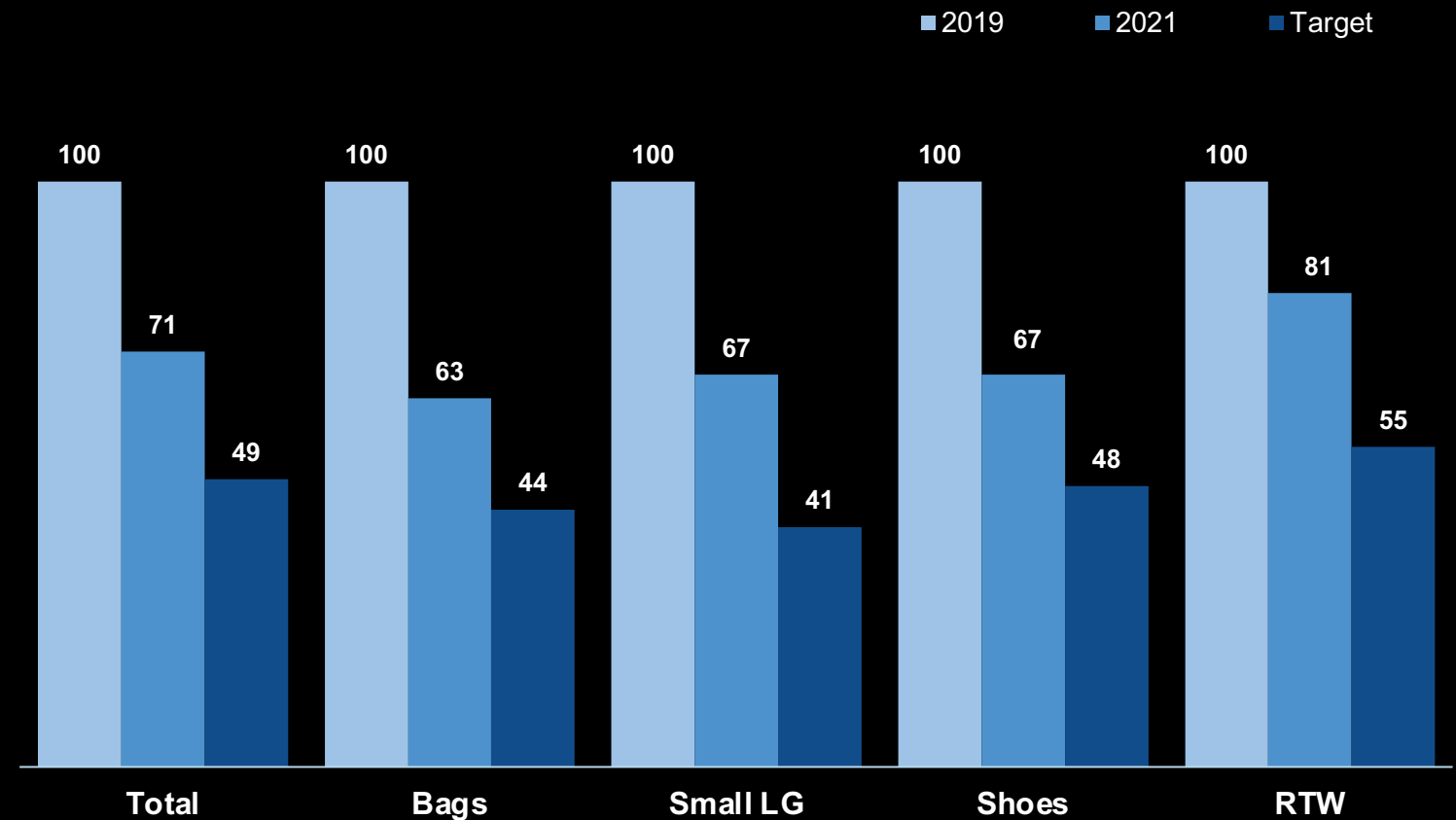
New products:

- Higher precision in store delivery dates, essential for Pop-Ups success

Carry over products:

- Faster TTM means possibility to re-assort in season and gain extra business
- A further tool to manage inventories and contribution to a stronger cash position

### Production Cycle (Days, Rebased to 100)





# New State of the Art Distribution Centre - Tuscany



Prada Levanele Logistic Hub - Tuscany



# New Distribution Centre

**75% completed, will be fully operational by 2022**

**Total surface: 40,000sqm**

**Total investment (2016/2022): €100m**

**LEED certification and solar panels:**  
2.000T CO2 savings / year  
3 GWatts produced / year

**Potential handling volumes:**  
up to 15m units shipped / year

**RTW fully automated**

## E-commerce Dispatching Time:

% sales / days	24h	36h	48h
2019	20%	40%	40%
Today	61%	21%	19%
Target	80%*	20%	

\* Single shift operated



# 23 Directly Owned Industrial Sites



Prada Valvigna Garden Factory - Tuscany





A photograph of a modern, multi-story building with a glass and steel facade. A person is walking across a skybridge that connects two parts of the building. The sky is clear and blue, and there are green trees visible in the background. The building's design is contemporary, with large glass panels and a complex steel structure.

**Lorenzo Bertelli**

*Group Marketing Director &  
Head of Corporate Social Responsibility*

# ESG Commitment



# Aligning Our Business with Our Values

*“We are focusing on the development of initiatives capable of best representing Prada's values and those with which I can personally relate in my desire to take Prada into a decade decisive for its sustainable growth.”*





# Board-Level Commitment to ESG

A sustainable business growth at the heart of the Group's goals: Lorenzo Bertelli - Head of Corporate Social Responsibility - became Board member in May 2021

ESG Strategy approved by Board of Directors

Robust engagement of the whole Organisation in the Group's sustainability journey

Board of Directors training on ESG matters, both in terms of risks and opportunities

ESG Committee to be established by mid 2022



Prada Montevarchi Garden Factory - Tuscany



# Governance Strength

## New Board members for ESG advancement



**Pamela Culpepper**

*Have Her Back*  
*Cboe*  
*Golin*  
*PepsiCo*



**Anna Maria Rugarli**

*JTI*  
*VF Corporation*  
*Nike*

# ESG Agenda Impacting Across Prada Group

## DRIVERS OF CHANGE

PRADA Group

### for PLANET

*We commit to shape our operations to reduce our footprint*

Mitigate our impact on climate change

Preserve the ecosystems

Embrace circular thinking

### for PEOPLE

*We commit to an inclusive, creative and fair workplace*

Champion diversity and promote inclusion

Foster creativity and know-how preservation

Ensure wellbeing and fair workplace

### for CULTURE

*We commit to share our values and to build a sustainable society*

Contribute to cultural debate

Further sustainability literacy

Inspire scientific evolution

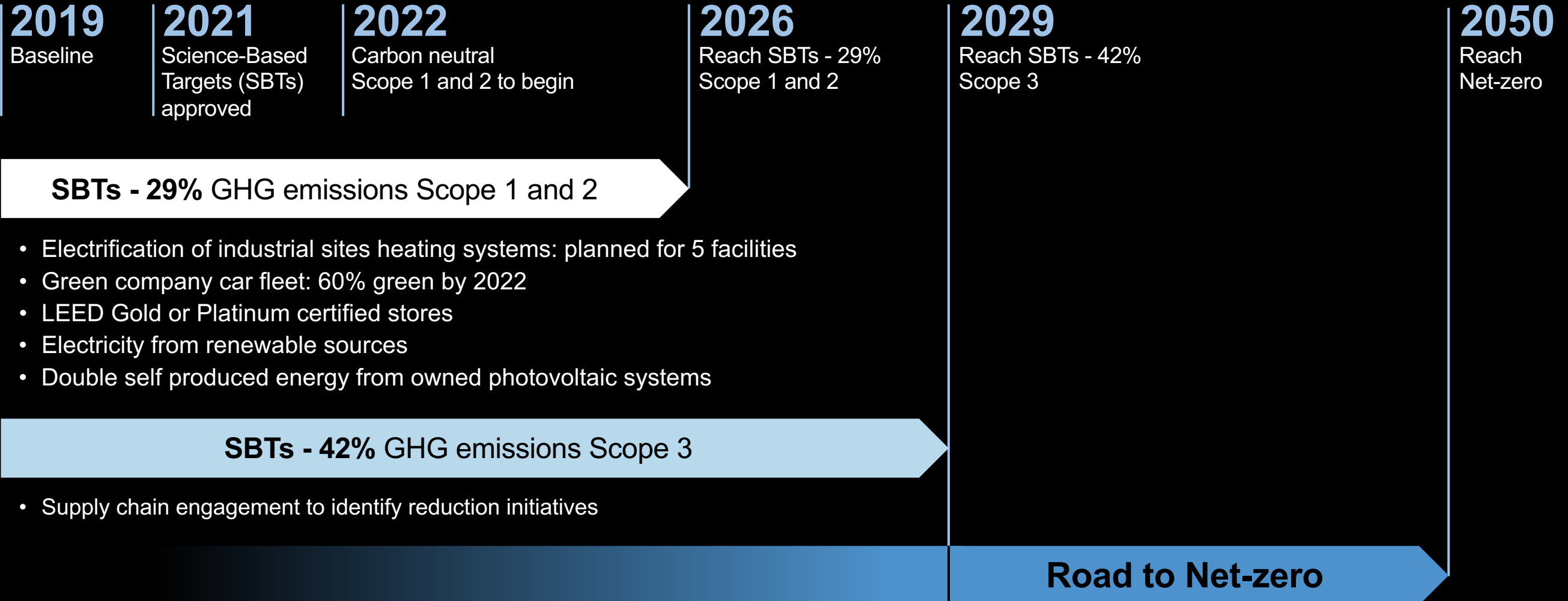
### WITH PARTNERS

**We commit to engage with our partners to strengthen our sustainability paths**



# Climate Strategy: Road to Net-zero

Greenhouse Gases (GHG) emissions reduction targets approved by Science-Based Targets initiative aligned with Business Ambition for 1.5°C



# Other Significant Updates

## Materials Innovation

Full conversion to re-nylon confirmed by end of 2021

Leather certified LWG (Leather Working Group) by 2023

Fast transition to full sustainable industrial packaging



## Champion diversity and promote inclusion

Significant progress on DE&I agenda

Valuable 500 initiative: update on Dec. 3<sup>rd</sup>



## Further sustainability literacy

Launch of the second phase of Sea Beyond, the educational programme dedicated to ocean preservation in partnership with IOC-UNESCO





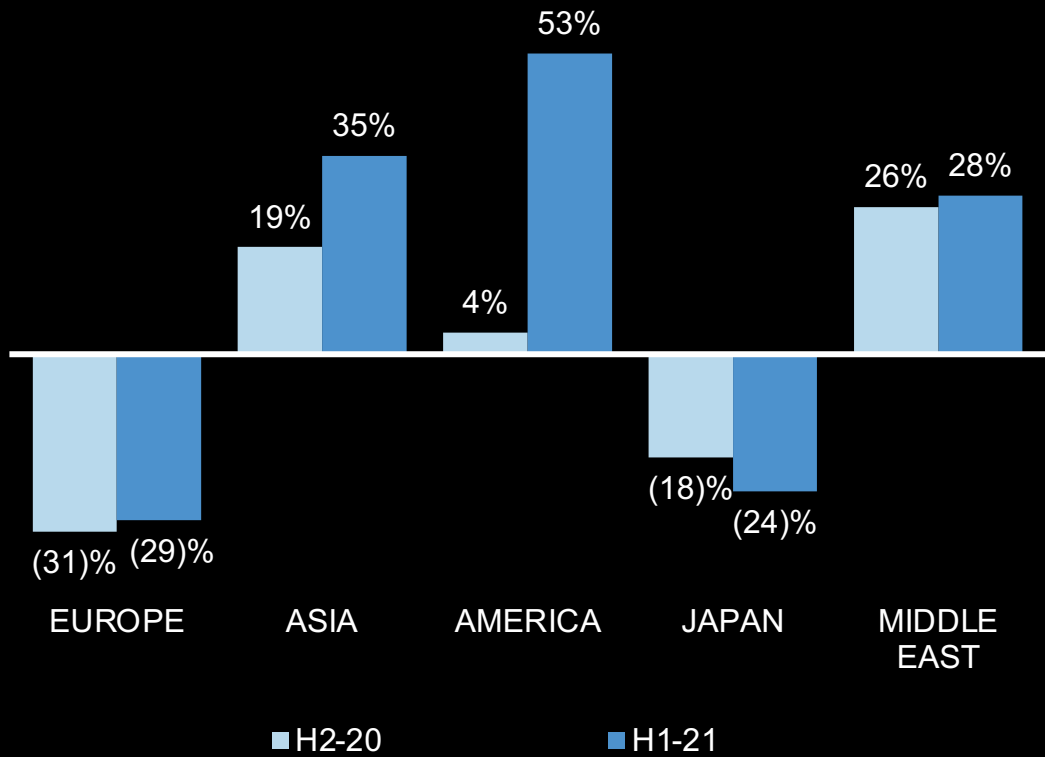
**Alessandra Cozzani**  
*Chief Financial Officer*

# Financial Performance Update

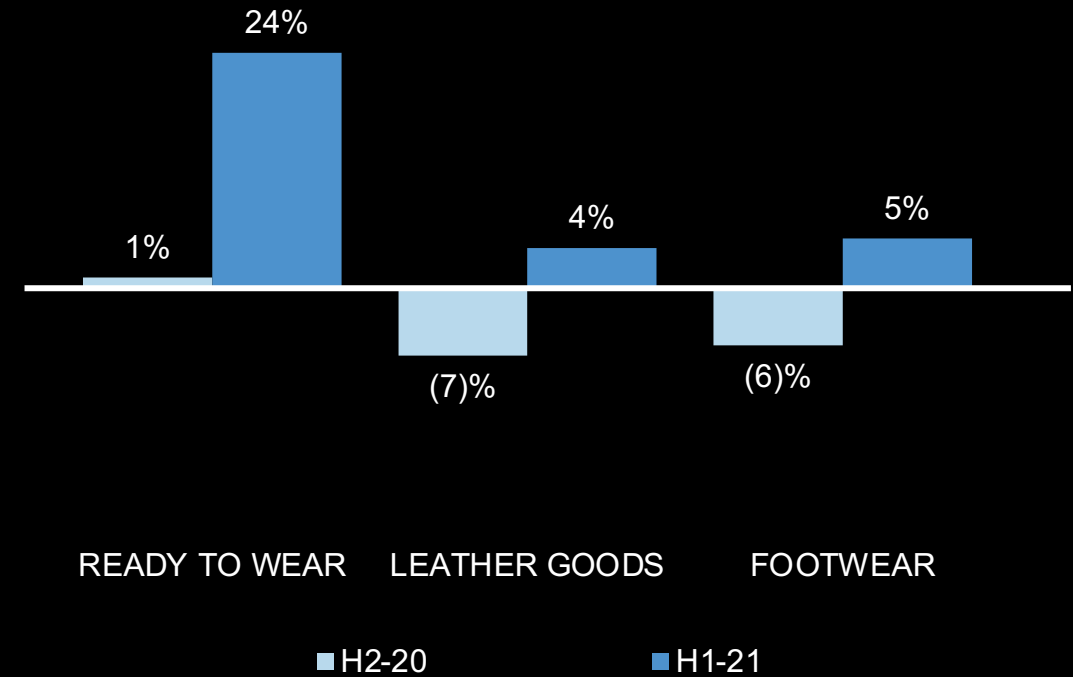


# Acceleration in Retail Sales Growth

## Organic Growth Acceleration By Geography %Δ vs. 2019



## Growth Acceleration By Category %Δ vs. 2019

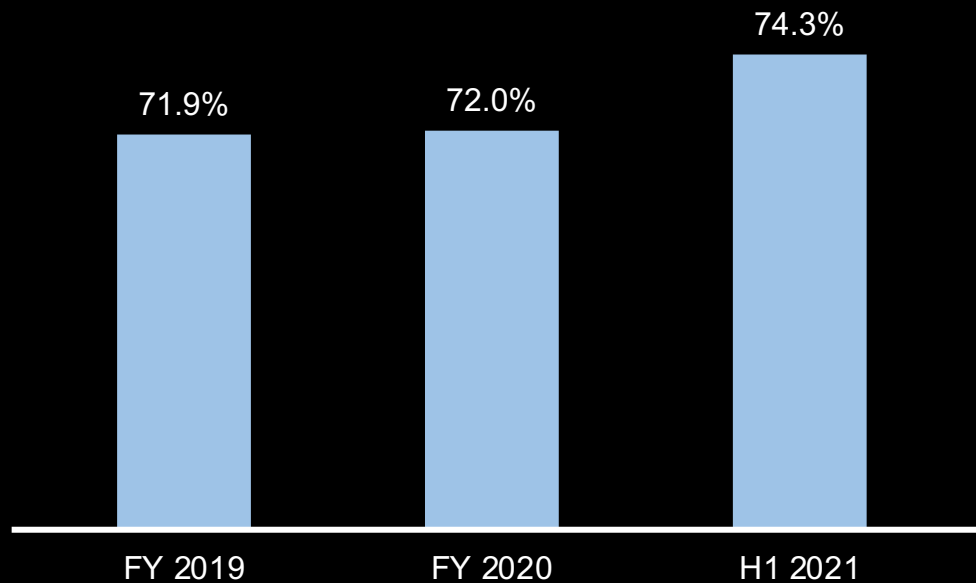


Note: Retail revenue include online



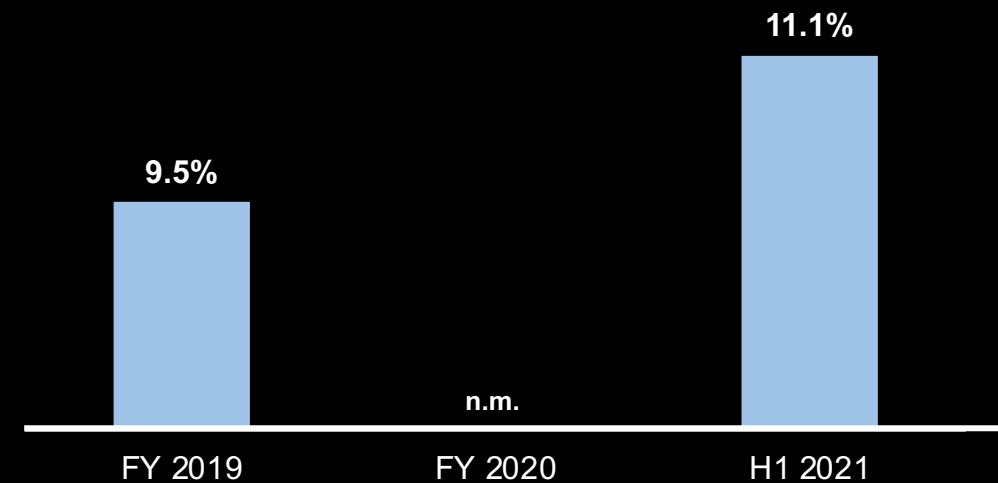
# Gross and EBIT Margin Improvement

## Gross Margin Evolution



250bps gross margin increase in H121 vs. 2019 due to product, channel, and country mix

## EBIT Margin Evolution

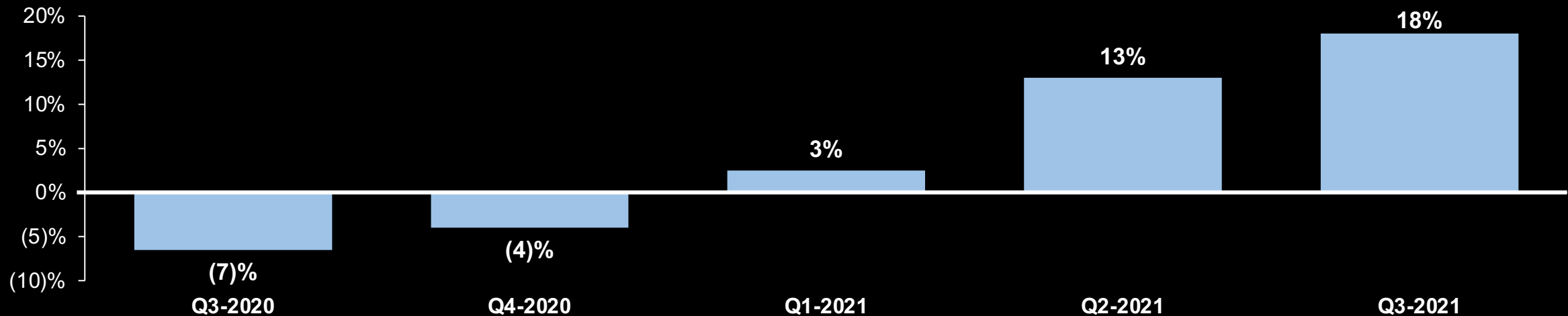


EBIT margin already above pre-pandemic level driven by

- Gross margin improvement
- Savings implemented across all cost areas during COVID-19

# Q3 Retail Acceleration

## Retail Sales Organic Growth vs. 2019



Further retail acceleration on a 2-years stack vs. 2019 driven by full price sales

Continuing outstanding growth online: strong triple digit in Q3-21 vs. Q3-19

Strong sales momentum continuing in Q4 to date



# Recent Trends by Geography

## Retail Sales Organic Growth by Region vs. 2019

<i>% Retail same fx vs 19</i>	<b>H1 21</b>	<b>Q3 21</b>	<b>9M 21</b>
Europe	-29%	-2%	-19%
Asia Pacific	+35%	+28%	+33%
Americas	+53%	+86%	+64%
Japan	-24%	-19%	-22%
Middle East	+28%	+51%	+34%
<b>Total</b>	<b>+8%</b>	<b>+18%</b>	<b>+12%</b>

## Q3 21 Retail Trends

### Europe

Improving trend driven by strong local demand with travel slightly picking up

### America

Continuously strong performance in spite of tougher comps

### Asia Pacific

Very solid double digit growth notwithstanding renewed COVID-19 restrictions in August

### Japan

Trends still impacted by restrictions

### Middle East

Further strength

# Further Improvement in Profitability and Cash Generation

- Further Gross Margin and EBIT Margin improvement in Q3
- Strong cash generation supported by further net working capital improvement
- Net Financial Position close to zero at the end of September



Prada F/W 2021 – Adv Campaign



# Drivers of Gross and EBIT Margin Expansion

## Retail Productivity

Drive sales density within existing network with limited space growth  
Increased the content, quality, and uniqueness of our products  
Marketing, CRM, clienteling strategy and continuous enhancement of in-store customer experience

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## Channel Mix

90%+ retail target  
Online growth accretive to profitability  
Growth in licensing business

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## Supply Chain

Process optimization and complexity reduction  
Optimisation of inventory management  
Scale efficiencies

---

## Operating Leverage

Organic growth  
Existing overhead platform scaled for growth

# Rigorous Capital Allocation Policy

**Capex at €200-250m per year of which  
~ €150m retail, ~ €100m production and IT**

Selective openings in key strategic locations  
(priority in Americas and Asia)

Continued optimisation of existing retail network through  
renovations/ relocations

Vertical integration

Technology and IT Architecture Transformation

**Dividend policy to return to pre pandemic level**





A photograph of the Prada Foundation building in Milan, Italy, featuring a prominent blue facade and the word 'PRADA' in large letters. The building is set against a sunset sky with scattered clouds. In the foreground, there is a lush green garden with yellow flowers and a wooden walkway. A white metal railing runs across the middle ground.

**Paolo Zannoni**  
*Chairperson*

# Concluding Remarks



# Concluding Remarks

Brands bigger than the business: opportunity to increase revenue and profitability

Continued evolution, investing for the long term

Strong partnership between Miuccia Prada and Raf Simons

Actions deliver results: growth acceleration, gross margin above 76%, EBIT margin on upward trajectory

Future strategy consistent with recent actions

- Distinctive identity
- Relevant, exceptional products
- Control of distribution and digital transformation
- Industrial know-how and vertical integration
- Sustainability

Geared to retain enlarged base of domestic customers while capturing travelling consumers

Change in demographics bringing new opportunities

Confident we can drive long term growth in sales and profitability by being relevant, sustainable and impactful



# PRADA Group

# Q&A

## Capital Markets Day



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