

PRADA Group



H1-23 Results Presentation

Milan, July 27th 2023

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Agenda

Patrizio Bertelli - *Chairman and Executive Director* **Highlights**

Lorenzo Bertelli - *Marketing Director and Head of CSR*
Key Marketing Initiatives and ESG Update

Andrea Guerra - *Group CEO*
Business Update

Andrea Bonini - *Group CFO*
H1-23 Financial Review

Andrea Guerra - *Group CEO*
Closing Remarks

Q&A Session

Strong brand identity, creativity and disciplined execution drive positive results

Positive Q2
on top of solid Q1

High quality
Retail Sales growth
driven by full price,
like-for-like sales

Profitability increase
coupled with higher
investments

Acceleration of capex
plan for the growth of
tomorrow

Net Revenues
€2.2 bln
+20% constant fx

Retail Sales
€2.0 bln
+21% constant fx

EBIT Margin
22.0%
€491 mln

Capex
€151 mln

Clear strategy and strengthened organisation to tackle ever-evolving demand dynamics

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Prada brand continues to resonate

With a solid and above-market search trend on the web



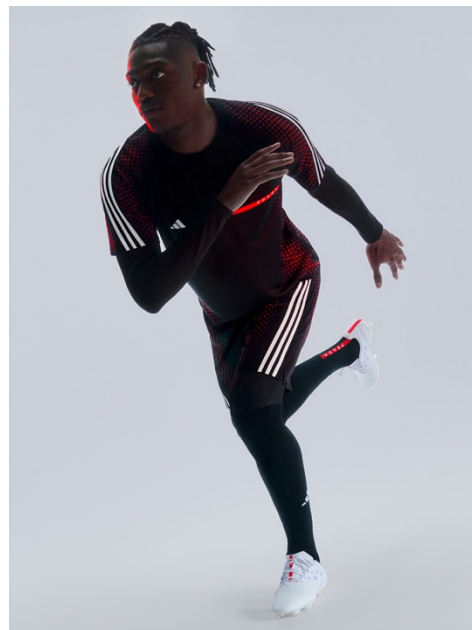
Continued success of fashion shows

- Prada Menswear FW23 and SS24 as well as Prada Womenswear FW23 fashion shows with excellent reception by all audiences



Exceptional personalities drive campaigns allurements

- Through "The Glass Age" campaign celebrates the Prada Galleria with Scarlett Johansson bathed in expressive color by Venezuelan American artist, Alex Da Corte
- Prada Linea Rossa SS23 campaign proposed an unreal landscape photographed and then reimagined by Norbert Schoerner, clashing together cityscape with landscape in impossible combinations



Brand exclusive collaborations

- Prada and Adidas unveiled the "adidas Football for Prada" collection, which reimagined three leading adidas products: Predator Accuracy, the Copa Pure and the X Crazyfast. The design codes of the collection were showcased through an exclusive kit for the FIFA 23 Ultimate Team video game



New and consolidated formats elevate the brand experience

- Prada Extends music formats curated by Richie Hawtin landed in Bangkok involving local artists in live performances
- Prada Caffè opened at Harrods, London, to offer a unique experience in an environment that revisits Prada's visual hallmarks
- Prada presented 9th iteration of Prada Mode in Tokyo, in association with the Tokyo Metropolitan Government and the Teien Art Museum

Miu Miu's increasing visibility

Outstanding performance reflected in the web search growth



Sustained brand building investments

- Miu Miu FW23 show “Ways of Looking” held in Paris further increased brand momentum and visibility, featuring an installation by South Korean artist Geumhyung Jeong
- #25 Miu Miu Women's Tales in London, presenting “Eye Two Times Mouth” written and directed by Lila Avilés
- A growing and bold network of ‘friends of the house’ worldwide



Exceptional personalities drive campaigns allurement

- Celebrated the emblematic matelassé in the newly-debuted Arcadie bag, photographed by Steven Meisel capturing Gigi Hadid
- SS23 campaign photographed by Zoë Ghertner featured cross-disciplinary talents including Kendall Jenner, Ever Anderson, Emma Corrin and Karolin Wolter



Brand exclusive collaborations and special capsules

- Excellent reception of the “New Balance for Miu Miu” sneakers second drop that reinvents the iconic 80s style in fringed denim and nappa leather
- Remarkable response to the launch of Miu Miu L'Été collection



New and consolidated formats elevate the brand experience

- Miu Miu Select in Taipei featuring ambassador Lee You-Mi to showcase her favourite Miu Miu selection
- Successful 360° launch of the Arcadie bag, with omnichannel activations worldwide

ESG focus on key areas of supply chain and water challenges

Driving continued progress against environmental commitment

Building a Responsible Supply Chain

Transparency

First disclosure of the Group's industrial suppliers

Traceability

Upcoming project to trace leather in our supply chain engaging the Group's main tanneries and powered by technical partnerships

Decarbonisation

Engagement of selected suppliers to improve their resources efficiency with global partner

Chemicals management

Signed strategic partnership with ZDHC

Widening of Water Conservation Framework

Launched ambitious **Water Conservation Programme** to monitor water availability, usage and quality in our supply chains across key geographies to identify risks and best practices for future remediation actions

Water footprint assessment in H2 (baseline definition)

Citizen's Science Academic Project to involve Group's employees in freshwater monitoring and protection

Announced new enhanced partnership with IOC-UNESCO for **SEA BEYOND** to create an open platform and expand training on ocean preservation.

Prada Group to **donate 1% of Prada Re-Nylon collection revenues**

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Prada

Positive semester, continuing to capitalise on strong **identity**, **creativity** and **uniquely polyhedric brand equity**

Strategic decision to increase marketing and communication investments to foster brand desirability and visibility

Methodical introduction of newness, wisely balanced with the **strengthening of Prada iconic products**

- Highly visible and successful “The Glass Age” campaign, celebrating the **Galleria bag**; accelerating sales performance and positive halo effect on the category
- Ongoing success of men and women **RTW and Footwear collections**
- Strengthened role of **Re-Nylon** as a distinctive asset of the Prada product portfolio, connecting design and sustainability

Constant **focus on retail KPIs** to increase **effectiveness** and **productivity** in the journey to retail excellence

- Investment on right-staffing of key stores to sustain and accelerate growth
- Restless effort on clienteling and client engagement

Evolution and upgrade of the **Retail network** progressing at pace



Miu Miu

Excellent brand momentum globally, underpinned by a **clearer and stronger identity**, growing awareness and **desirability**

Accelerated investment continued to amplify **brand visibility** and **relevance** to growing client base

Reinforcement of **brand codes** and **constant flow** of **collections** reflecting needs of the present time, fuelling **brand desirability** across **all categories**

- Continued success of the iconic Matelassé, driven by the new **Arcadie** and the **Wander** bags
- Strong commercial response to the **New Balance for Miu Miu sneakers** second drop
- Sustained positive results of RTW, with remarkable reception of the **Miu Miu L'Été** collection

Ongoing **store renovations** and focus on **key retail initiatives** along the customer journey contributed to **like-for-like** growth, with increasing **store productivity**

Vast opportunity to continue growing **brand awareness** and for greater **retail effectiveness**



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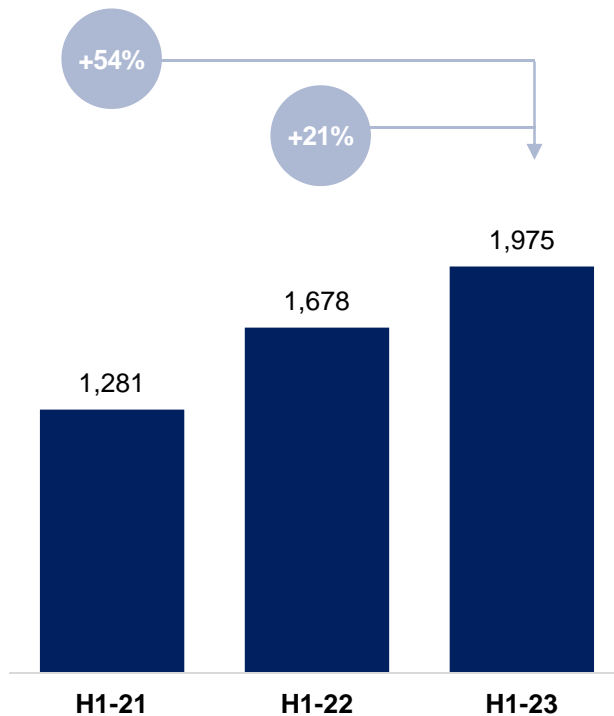
Key Financials

Solid growth and improved profitability

H1-23 Net Revenues

€2,232 mln (+17% vs. H1-22 / +20% at constant fx)

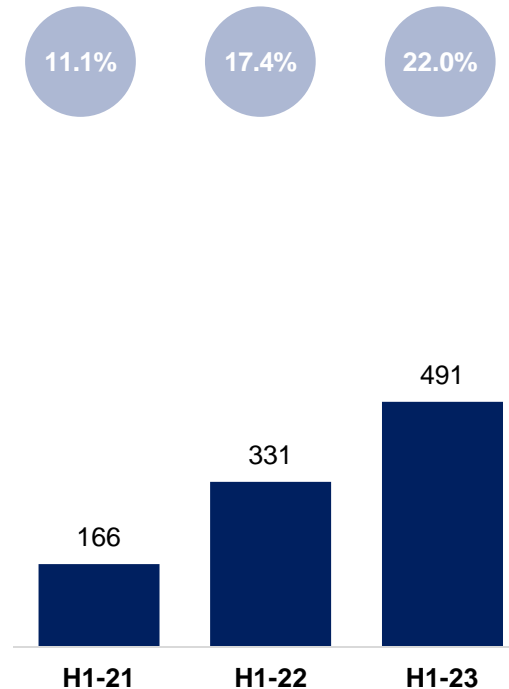
Retail Revenues (€ mln) and Growth (%) ⁽¹⁾



H1-23 EBIT

€491 mln

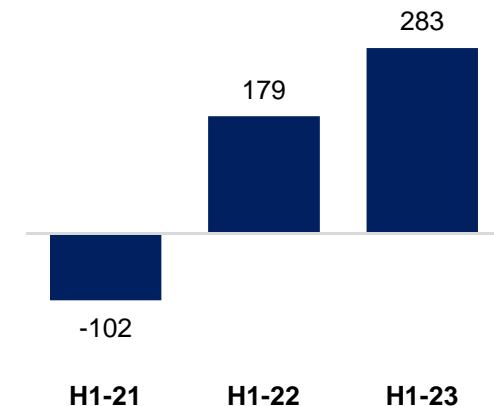
EBIT ⁽²⁾ (€ mln) and Margin (%)



H1-23 Cash Flow from Operations ⁽³⁾

€509 mln

Net Financial Position (€ mln) ⁽⁴⁾



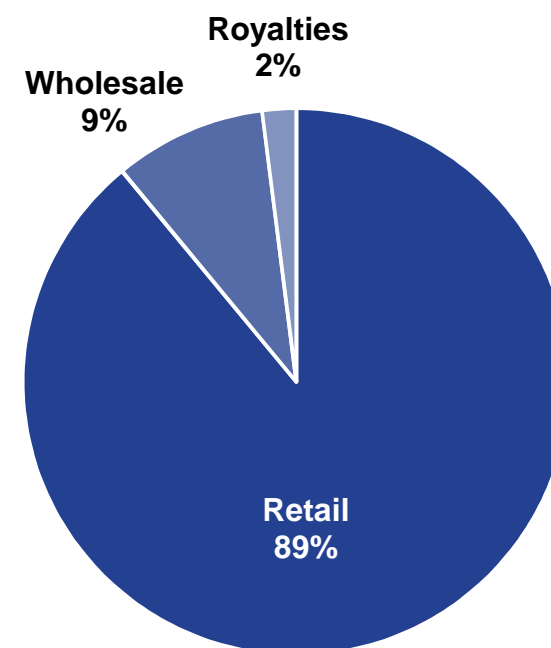
⁽¹⁾ At constant fx (%) ⁽²⁾ EBIT Adjusted for H1-22 ⁽³⁾ Cash flow from operating activities, less repayment of lease liabilities ⁽⁴⁾ (Net debt) / Net cash position

Net Revenues by Channel

High-quality Retail growth driven by like-for-like, full price sales

| € mln % at constant fx | H1-23 | H1-23 vs. H1-22 |
|---------------------------|--------------|-----------------------|
| Retail | 1,975 | +21% |
| Wholesale | 210 | +9% |
| Royalties | 47 | +66% |
| Total | 2,232 | +20% |

| Q2-23 vs. Q2-22 |
|-----------------------|
| +19% |
| +8% |
| +80% |
| +19% |



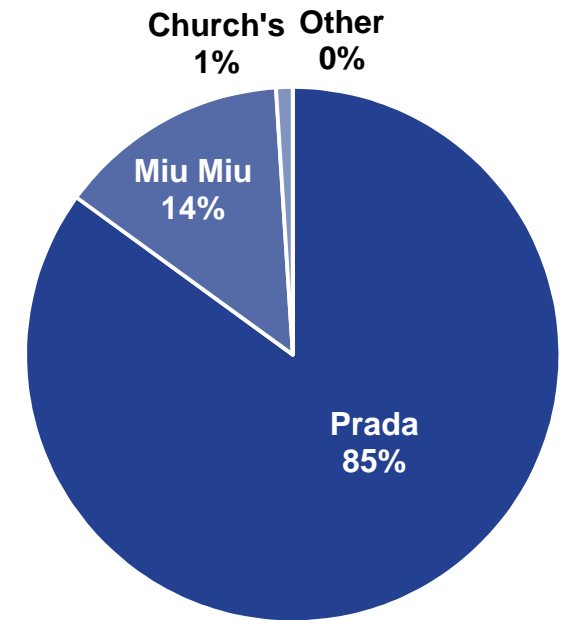
- **Retail**
 - Solid growth driven by like-for-like, full price sales
 - Positive contribution from both average price and full price volumes
- **Wholesale**
 - Sustained growth in duty-free channel, partially offset by ongoing selective approach to independent clients
- Strong **Royalty** growth continues supported by both eyewear and fragrances
- Negative **FX impact** of 310 bps on performance at current exchange rates

Retail Sales by Brand

Solid growth at Prada; further acceleration at Miu Miu

| € mln % at constant fx | H1-23 | H1-23 vs. H1-22 |
|---------------------------|--------------|-----------------------|
| Prada | 1,668 | +18% |
| Miu Miu | 285 | +50% |
| Church's | 13 | -21% |
| Other ⁽¹⁾ | 9 | +14% |
| Total | 1,975 | +21% |

| Q2-23 vs. Q2-22 |
|-----------------------|
| +15% |
| +57% |
| -20% |
| +6% |
| +19% |



- Prada**

- Solid and high-quality Retail like-for-like growth; more moderate in Q2 against high comps globally excluding China
- Double-digit growth across all regions excluding Americas
- Broad based growth across customer demographics and product categories

- Miu Miu**

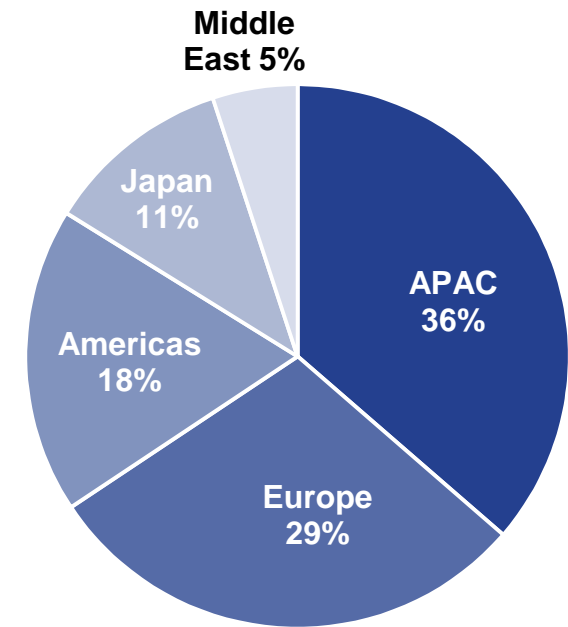
- Further acceleration vs. Q1, supported by higher exposure to China and Asia
- Sustained double-digit growth across all regions
- Strength across all categories

⁽¹⁾ Includes Marchesi and Car Shoe

Retail Sales by Geography

Strong double-digit growth across all regions excl. Americas

| € mln % at constant fx | H1-23 | H1-23 vs. H1-22 | Q2-23 vs. Q2-22 |
|---------------------------|--------------|-----------------------|-----------------------|
| Asia Pacific | 716 | +25% | +28% |
| Europe | 582 | +24% | +22% |
| Americas | 361 | -1% | -6% |
| Japan | 224 | +49% | +44% |
| Middle East | 92 | +14% | +12% |
| Total | 1,975 | +21% | +19% |



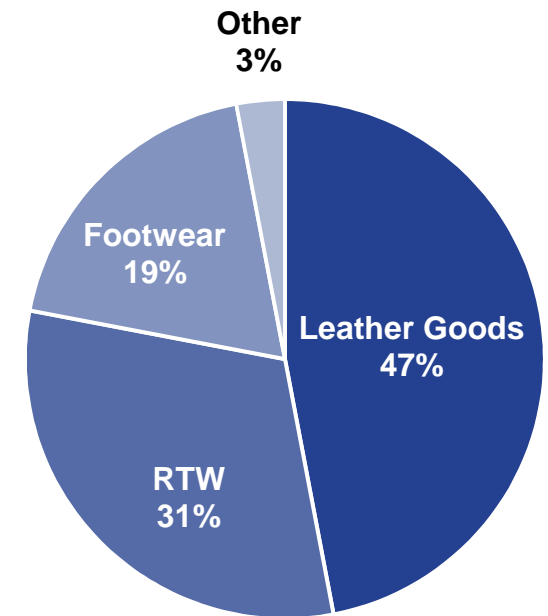
- **Asia Pacific** rebound continued
 - Q2 acceleration in mainland China, HK and Macau, supported by easier base of comparison due to heavy restrictions in April and May 2022, lifted in June
 - Korea softer, also impacted by Cheongdam Seoul store temporary closure; South East Asia normalised against very tough comps (lifted restrictions in April 2022)
- Elevated double-digit growth in **Europe** despite very challenging comps
- **Americas** ended the semester substantially flat; North American client cluster continued to grow throughout the semester, including in Q2, notwithstanding prolonged period of sustained growth
- **Japan** best performing region, benefitting from recent investments in retail network and strengthened organisation, successfully capitalising on strong brand appeal, solid domestic demand and increasing tourism flows

Retail Sales by Product

Continued double-digit growth across all categories

| € mln % at constant fx | H1-23 | H1-23 vs. H1-22 |
|---------------------------|--------------|-----------------------|
| Leather Goods | 925 | +12% |
| Ready to Wear | 609 | +36% |
| Footwear | 374 | +20% |
| Other | 66 | +50% |
| Total | 1,975 | +21% |

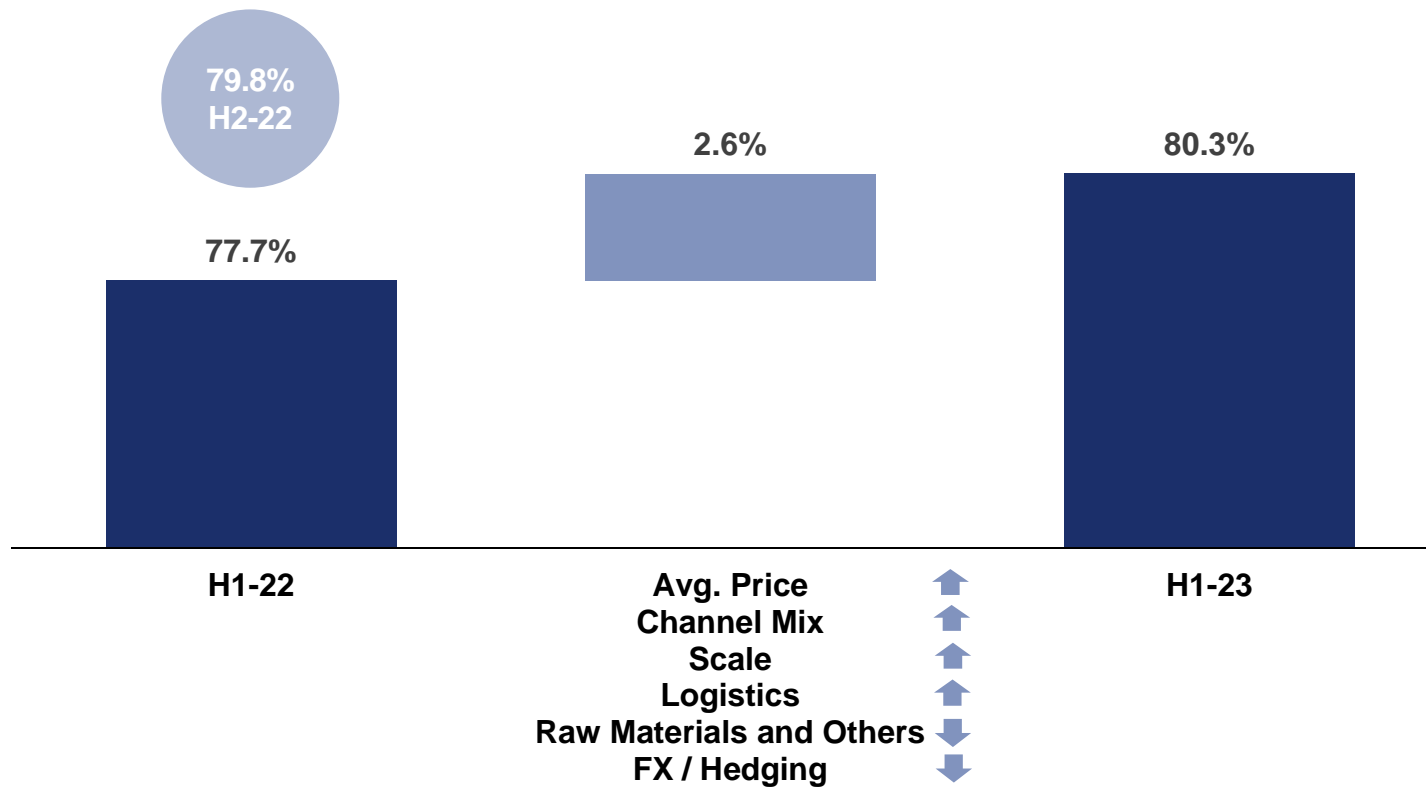
| Q2-23 vs. Q2-22 |
|-----------------------|
| +10% |
| +34% |
| +20% |
| +43% |
| +19% |



- **Leather Goods**
 - Prada benefitting from successful Galleria bag campaign “The Glass Age”, positive halo effect on the category
 - Miu Miu growth driven by success of Wander, Pocket and recently launched Arcadie
- **RTW**
 - Fastest growing category thanks to continued success of both Prada and Miu Miu collections
- **Footwear**
 - Continued growth of all collections (lifestyle, sneakers, formal)

Gross Margin

260 bps increase driven by average price, channel, scale



Note: Positive impact Negative impact

EBIT and Net Income

EBIT Margin of 22% and Net Income growth of 62%

€ mln

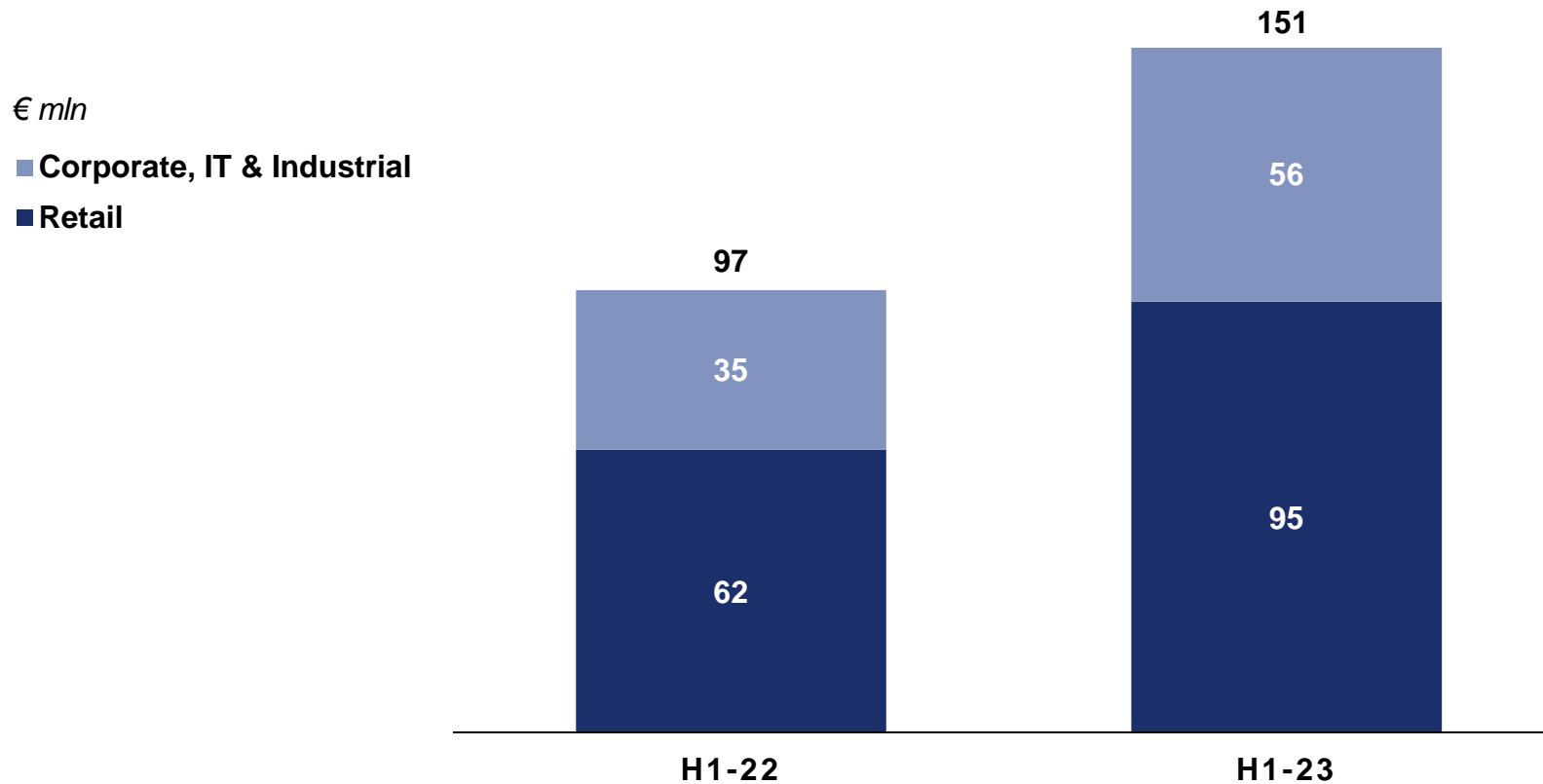
| | H1-22 | % on Net Revenues | H1-23 | % on Net Revenues | H1-23 vs. H1-22 |
|---|--------------|-------------------|--------------|-------------------|-----------------|
| Selling | 796 | 41.8% | 895 | 40.1% | +12% |
| Advertising & Promotion | 155 | 8.2% | 187 | 8.4% | +21% |
| Design and Product Dev. | 69 | 3.6% | 72 | 3.2% | +6% |
| G&A | 127 | 6.7% | 148 | 6.6% | +16% |
| Total Operating costs ⁽¹⁾ | 1,147 | 60.3% | 1,302 | 58.3% | +14% |
| EBIT | 331 | 17.4% | 491 | 22.0% | +49% |
| Net Income | 188 | 9.9% | 305 | 13.7% | +62% |

- OPEX increased by +14% reported, 15% at constant fx mainly driven by marketing and communication investments, variable component and labour cost
- EBIT of €491 mln, up by 49% vs. EBIT Adjusted of H1-22⁽²⁾, 460 basis points yoy improvement to 22.0%
- Net Income of €305 mln, up by 62%

⁽¹⁾ Excludes other non-recurring income and expenses for H1-22 ⁽²⁾ +61% vs. EBIT of H1-22

Capex

Acceleration of Retail, IT and Industrial investments



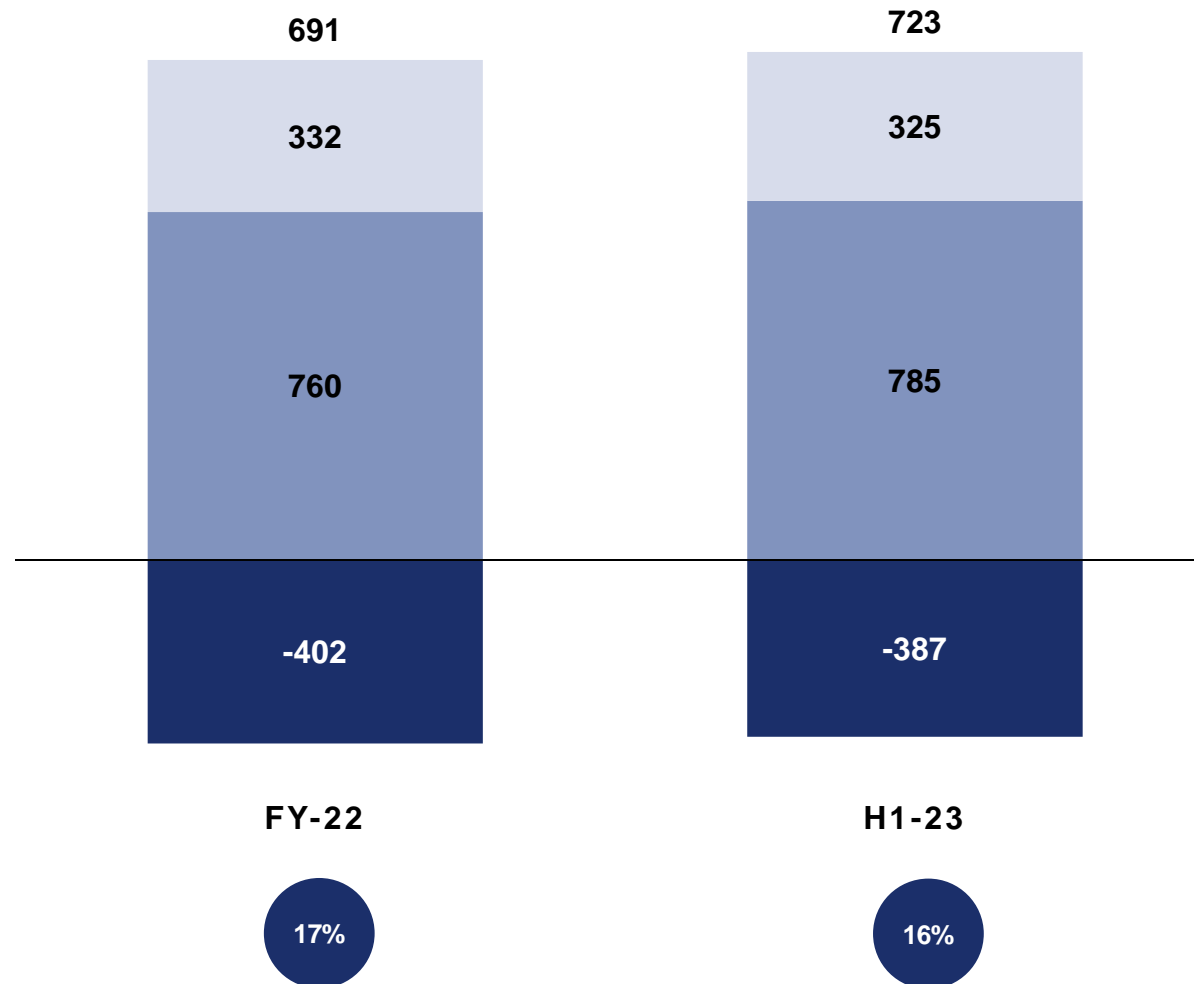
- ~ 70 renovation and relocation projects in H1-23
- 9 net closures vs. FY-22 (14 openings and 23 closures) / 603 DOS end of June 2023
- €22 mln Industrial Capex and €27 mln IT Capex

Net Operating Working Capital

Good control of inventory with limited increase

€ mln

- Trade Receivables
- Inventory
- Trade Payables



⁽¹⁾ Net Revenues excluding Royalties

Net Financial Position

Solid balance sheet with Net Cash of €283 mln

€ mln

| | |
|--|------------|
| Opening Net Financial Position Surplus / (Deficit) - 31/12/2022 | 535 |
| Consolidated Profit / (Loss) before taxation | 445 |
| Depreciation and Amortisation | 111 |
| Net Working Capital | -66 |
| Tax paid | -305 |
| Capital Expenditures and Investments | -149 |
| Dividends | -267 |
| Other | -21 |
| Closing Net Financial Position Surplus / (Deficit) - 30/6/2023 | 283 |

- Strong Cash flow from Operations⁽¹⁾ of €509 mln (€321 mln in H1-22)

⁽¹⁾ Cash flow from operating activities, less repayment of lease liabilities

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Closing Remarks

Another positive semester with significant and well balanced growth

Focused effort to progress fundamental Group projects of strategic, organisational and digital evolution

Continued to strengthen desirability of our brands and their roots in the respective cultural heritage

In store, we started the journey of moving our front line colleagues to be real brand and sales ambassadors

Second half 2022 had very fast Q3, with a great summer period in Europe, and a more moderate Q4, with another Covid-impacted period in scattered parts of Asia

Investments behind the brands and on the stores will continue to accelerate, as conditions allow; we will remain nimble to react to potential macroeconomic changes

We are well equipped for another successful semester

We retain our ambition to deliver solid, sustainable and above-market growth in 2023

Coming up soon, another big milestone for the Prada brand, in the beauty category...

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APPENDIX

Condensed P&L

| €m | H1-21 | | H1 22 | | H1 23 | |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenues | 1,501 | 100% | 1,901 | 100% | 2,232 | 100% |
| COGS | -386 | -25.7% | -423 | -22.3% | -439 | -19.7% |
| Gross Profit | 1,115 | 74.3% | 1,477 | 77.7% | 1,793 | 80.3% |
| Selling | -651 | -43.4% | -796 | -41.8% | -895 | -40.1% |
| Advertising & Promotion | -127 | -8.5% | -155 | -8.2% | -187 | -8.4% |
| Design and Product Development | -64 | -4.2% | -69 | -3.6% | -72 | -3.2% |
| G&A | -107 | -7.1% | -127 | -6.7% | -148 | -6.6% |
| Operating expenses | -949 | -63.2% | -1,147 | -60.3% | -1,302 | -58.3% |
| EBIT Adj. | 166 | 11.1% | 331 | 17.4% | 491 | 22.0% |
| Non-recurring items | 0 | 0.0% | -26 | -1.4% | 0 | 0.0% |
| EBIT | 166 | 11.1% | 305 | 16.0% | 491 | 22.0% |
| Total Financial expenses | -28 | -1.8% | -27 | -1.4% | -46 | -2.1% |
| EBT | 138 | 9.2% | 277 | 14.6% | 445 | 19.9% |
| Income Taxes | -41 | -2.8% | -88 | -4.6% | -138 | -6.2% |
| Minority Income | 0 | 0.0% | 1 | 0.1% | 1 | 0.1% |
| Group Net income / (Loss) | 97 | 6.4% | 188 | 9.9% | 305 | 13.7% |
| | | | | | | |
| Total D&A ⁽¹⁾ | -312 | -20.8% | -352 | 18.5% | -336 | 15.1% |

⁽¹⁾ Total D&A include depreciation of Right of Use

Condensed Balance Sheet

| € mln | 31 Dec 2022 | 30 June 2023 |
|---|--------------|--------------|
| Right of use | 2,011 | 2,082 |
| Non current assets (excl deferred tax assets) | 2,517 | 2,545 |
| Net operating working capital | 691 | 723 |
| Other current assets / (liabilities), net | -293 | -94 |
| Other non current assets / (liabilities), net | 148 | 172 |
| Net invested capital | 5,074 | 5,428 |
| Consolidated shareholders' equity | 3,501 | 3,521 |
| Net financial position (surplus) / deficit | -535 | -283 |
| Long term lease liability | 1,715 | 1,769 |
| Short term lease liability | 392 | 420 |
| Total | 5,074 | 5,428 |