1Q20 FINANCIAL RESULTS

July 9, 2020

OVS

OVS

Disclaimer

This presentation is being furnished to you solely for your information and may not be reproduced or redistributed to any other person.

This presentation might contain certain forward-looking statements that reflect the Company's management's current views with respect to future events and the financial and operational performance of the Company and its subsidiaries. These forward-looking statements are based on OVS S.p.A.'s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of OVS S.p.A. to control or estimate. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this presentation.
OVS S.p.A. does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation.

Any reference to past performance or trends or activities of OVS S.p.A. shall not be taken as a representation or indication that such performance, trends or activities will continue in the future.

This presentation does not constitute an offer to sell or the solicitation of an offer to buy OVS's securities, nor shall the document form the basis of or be relied on in connection with any contract or investment decision relating thereto, or constitute a recommendation regarding the securities of OVS. OVS's securities referred to in this document have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The manager in charge of preparing corporate accounting documents, Nicola Perin, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the accounting figures, books and records.

This investor presentation contains measurements that were not prepared in accordance with IAS/IFRS.

1Q20 Highlights

The ***first quarter*** *(**February-April**) was penalized by the lockdown period. The impacts deriving from the pandemic are reflected as recurring in the economic and financial performance of the company, even though the Group operated in an* ***absolutely exceptional context****. The Group's stores in Italy were gradually closed from the beginning of March, and from 12 March onwards the entire network was closed. Stores have been all reopened starting from 18 May.*

After a good start of the year, net sales amounted to €102.7m (-67.7% vs. 1Q19), as a result of the period of store closures. Market share continued to increase reaching 8.1% (+10bps vs. April 2019).

Actions on costs reduction put in place for more than €60m limited the inevitable impact of gross margin lost due to the lockdown period. As a result 1Q20 EBITDA loss amounted to -€34m.

Net Debt stood at €428.8m, still lower than a year earlier. Despite the lower cash inflow due to the lockdown period (sales down by approx. €200m), lower investments than planned, cost saving initiatives and longer payment terms proactively granted by our suppliers contributed to this result.

- €34m
Adjusted EBITDA

8.1%
Italian market share

€428.8m
Net Debt

Source: Sita Ricerca for market share and market trends

OVS

Key Income Statement Items
Results affected by the extraordinary context. Remarkable response on the costs side

- **Net Sales** amounted to **€102.7m** as a result of almost two months of store closures. As anticipated, since stores reopened in May, sales performance has been above expectations.
- **Adjusted EBITDA** was **-€34m**. Gross margin lost for store closures amounted to approximately **€120m**. Actions put in place on the cost side have been remarkable: (i) also thanks to the "Cassa Integrazione" temporary layoff scheme, savings related to personnel at both HQ and store level amounted to around **€25m**, without affecting important operations required to continue the business in this difficult context (e.g. procurement); (ii) there have been numerous meetings/calls (more than 1.500) with landlords in order to negotiate savings on rents that allowed lower costs in the quarter for about **€20m** - at this regard, negotiations are still on going but there are good signals that the FY internal target will be achieved; (iii) all the processes have been promptly reviewed, allowing the company to add additional **€15m** of savings in the period considered.
- **Net Debt** amounted to **€428.8m**. Although the closure of stores caused an extraordinary cash absorption due to the lack of sales, the Company's financial structure is also sound thanks to the significant deleverage carried out in 2019 (generating more than €65m in cash), and to the proactive cooperation of our suppliers, who granted payment term extensions. Merchandise bought for the S/S20 season, with its full range of colors/sizes never seen by our customers will be sold in S/S21.

€ mln	30.04.2020 (A)	30.04.2019 (A)	Chg.	Chg. %
Net Sales	102.7	317.5	(214.9)	(67.7%)
EBITDA	(34.0)	25.1	(59.2)	n.s.
EBITDA%	-33.2%	7.9%		
EBIT	(47.7)	11.3	(58.9)	n.s.
EBIT%	-46.4%	3.5%		
PBT	(52.4)	7.6	(60.0)	n.s
Net Financial Position	428.8	445.4	16.6	3.7%
Market Share	8.1%	8.0%		+10ppt

(A) Only the adjusted results (known as managerial) have been reported: as far as 2020 is concerned, they do not reflect (i) the application of IFRS16 and (ii) the mark-to-market impact at net debt level (amounting to + €2.5m). In light of the significant number of DOS and the renegotiations underway with landlords, the application of IFRS16 is not considered representative at this stage and is constantly evolving.

OVS

Aggregate Sales and EBITDA Performance in 1Q20

Net Sales (€mln)

Aggregate Performance

€mln	30 April '20	30 April '19	Var.	Var. %
DOS & e-commerce	75.9	239.9	(164.0)	(68.4%)
Franchise & Marketplace	26.8	77.6	(50.8)	(65.5%)
Total	**102.7**	**317.5**	**(214.8)**	**(67.7%)**

Performance By Brand

€mln	30 April '20	30 April '19	Var.	Var. %
OVS	82.1	259.8	(177.7)	(68.4%)(*)
upim	20.6	57.7	(37.2)	(64.4%)
Total	**102.7**	**317.5**	**(214.8)**	**(67.7%)**

EBITDA (€mln)

	30 April '20		30 April '19		Var.
€mln	EBITDA (A)	EBITDA%	EBITDA (A)	EBITDA%	
OVS	(29.2)	(35.6%)	19.9	7.6%	(49.1)
upim	(4.8)	(23.5%)	5.3	9.1%	(10.1)
Total	**(34.0)**	**(33.1%)**	**25.1**	**7.9%**	**(59.1)**

(A) Only the adjusted results (known as managerial) have been reported: as far as 2020 is concerned, they differ from the accounting results as they do not reflect the application of IFRS16. In light of the significant number of DOS and renegotiations underway with landlords, the application of IFRS16 is not considered representative and is constantly evolving.

(*) slightly higher reduction of OVS sales vs. Upim due to the higher penetration of the DOS channel

OVS

30Apr20 Consolidated Trade Working Capital

€mln	30Apr20	30Apr19	Change Apr20-Apr19	Change Apr20-Jan20	Change Apr19-Jan19
Trade Receivables	93.1	130.8	(37.7)	7.1	32.4
Inventory	442.5	388.9	53.6	49.4	(22.1)
Trade Payables	(330.8)	(300.3)	(30.5)	(0.1)	50.7
Trade Working Capital	**204.8**	**219.3**	**(14.6)**	**56.4**	**60.9**

Trade working capital is **€14.6m** lower than a year earlier, but different components need to be analyzed considering the extraordinary first quarter:

- Compared to 1Q19, **trade receivables** decreased by €37.7m, driven by lower sales to franchise partners due to the lockdown period. In normal conditions, trade receivables increase during the first quarter, while related cash is collected in the following months.

- **Inventory** increased sharply by +€53.6 vs. 30Apr19, or +49.4m in the first quarter of 2020, vs. a decrease of -€22.1m experienced during the same period last year. This trend is entirely explained by the store closures and the above mentioned lower invoices to partners that affected the first quarter of the current year.

- **Trade payables** increased by €30.5m vs. last year mainly as a result of some longer payment terms agreed with suppliers in order to face the extraordinary market conditions (over the Jan19-Apr19 period, trade payables decreased by €50.7m, while in 1Q20 they remained overall stable).

Trade Working Capital does not reflect the new IFRS16 accounting principle.

Given the focus on liquidity during the lockdown period, capex decreased by €7.3m vs. 1Q19

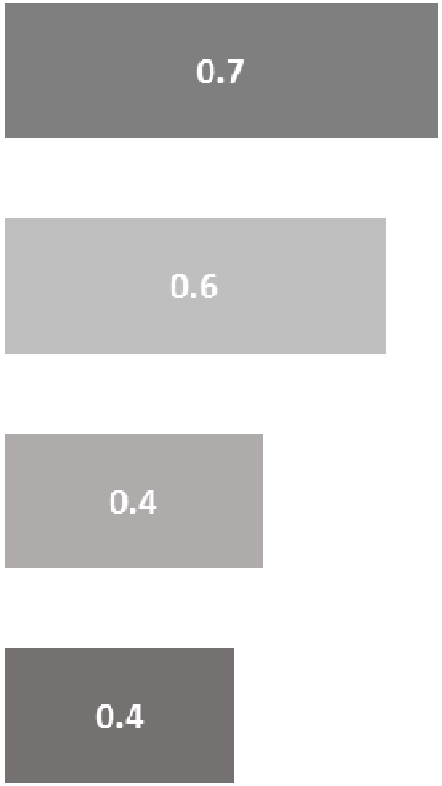
1Q2020 Capex breakdown (*€m)*

OVS Full Refurbishments–new project (c. 33% of total)

New openings (c. 30% of total)

IT and Digital Transformation (c. 20% of total)

HQ Building (c. 18%)



- *Capex were significantly reduced in 1Q20 vs. 1Q19. In 1Q20, total capex amounted to **€2.1m** vs. €9.4m of 1Q19.*
- *Compared to the previous budget, the level of capex planned also for the next 9 months will be lower*

Net Debt and Leverage

€ mln	30th April 2020	30th April 2019
Net Debt excluding MtM & IFRS16	428.8	445.4
Leverage on EBITDA (*) ***Adjusted Net Debt/EBITDA Adjusted LTM***	4.42x	3.20x
Leverage on EBITDA (**) **Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM**	4.07x	3.12x

Notes:

(*) calculated on Net Debt at 30th April excluding the MtM and the IFRS16

(**) calculated on the average last 12 months Net Debt excluding the MtM and the IFRS16

- The ratio between the last twelve months average Net Financial Position and adjusted EBITDA is equal to 4.07x. The decrease of 1Q20 EBITDA vs. 1Q19 (-€59m) has led to 1.7x of higher leverage.
- During the first half of the year, the company obtained the waiver suspending repayment installments of the amortizing due on August 2020 and February 2021 (equal to €33m in total) and the covenant test until January 2021 included.
- The average interest rate on debt in the first quarter was 3.59% + Euribor 3m.

OVS

Consolidated Cash Flow Statement

€mln	1Q20	1Q19
EBITDA Adjusted	**(34.0)**	**25.1**
Change in Trade Working Capital	(56.4)	(60.9)
Other changes in Working Capital	(23.1)	(17.4)
Capex	(2.1)	(9.4)
Operating Cash Flow	**(115.7)**	**(62.6)**
Financial charges	(5.1)	(3.7)
Taxes & others	1.9	(3.3)
Net Cash Flow excl derivatives MtM and IFRS 16	**(118.9)**	**(69.6)**

1Q20 cash absorption was €49.3m higher than 1Q19. This was mainly the result of a negative EBITDA, partially offset by good management of trade working capital (see previous slide) and lower capex. Other assets and liabilities absorbed €5.7m more than last year due to various exceptional circumstances that will normalize in the coming months.

Thanks to (i) the flexibility in sourcing that allowed the Group to **decrease purchases** of goods planned, (ii) the **cost reduction** implemented, (iii) the **additional €100m financing** obtained, and (iv) the **lower capex** forecasted, the company will normalize payment terms **within the year** and sell the excess of S/S20 inventory in the following year. In the first half of 2021 it is reasonable to expect a material **recovery** of working capital for the benefit of **cash generation**.

OVS

Outlook

- As anticipated following the publication of FY19 results, also thanks to the positioning of our offer (40% toward kids, with families as our main target), sales performance was above our expectations, and the trend is continuing. As of now, on the back of this result, our outlook for the 7 months ahead remains the same one provided with the FY19 Results published.

- The costs review implemented will allow our Group to further reduce the break-even point also in the medium/long term.

- A part of S/S20 goods previously planned to be delivered has been blocked and a portion of it will be sold at the beginning of F/W21. OVS' actual liquidity profile will allow the company to keep the remaining merchandise unsold this year for next year. The peak in terms of working capital is expected at the end of the current year, while the company will maintain a solid gross margin and will lay the fundations for a fast recovery of inventory during the first half of 2021, resulting in good expectations in terms of net debt recovery. The flexibility in sourcing allowed us to strongly review the intake plan: this represents an important factor which will ensure a tight control of working capital during the year and beyond.

- The Group is continuing to develop proactively its business both thanks to digital innovation and new store openings:

(i) Upim is proceeding with its well known strategy of increasing its presence in city centres: new stores in Cesena, Bassano and Piacenza have been recently opened, with encouraging first results also thanks to the heritage of the brand in those specific areas;
(ii) A new Croff format dedicated to the house segment has been opened in Citylfe, one of the most reputed malls in Milan;
(iii) Two new OVS have been opened in Jesolo and Verona, one dedicated to beach and swimwear, the other with the latest Full Format forniture;
(iv) A negotiation with Conad is at an advanced stage: this should allow the Group to open 25 new stores starting from March 2021 at favorable economic conditions, allowing the Company to re-locate a part of the current store network and to open new spaces with a lower than avaerage break-even point.

- The current market conditions in Italy are still challenging, in particular for companies which are exposed to fashion trends. Many players are facing financial difficulties. Our Group, more exposed to kids and families, remains solid and we are convinced of the potential recovery. Consolidation at times of crisis usually favors the market leader.