



H1 2022 Financial Results

20 September 2022

OVS

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The manager in charge of preparing the 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 measures that were not prepared in accordance with IAS/IFRS.

The information presented in this document has not been audited.

Strong performance in H1 2022 with robust growth in sales and margins



- **Net Sales €705.8m, +17.8%** compared to H1 2021, but also +8.5% compared to pre-covid (+4% on a LFL basis). **Very good performance** characterized all brands and channels;
- **Adjusted gross margin** in line with previous year and almost **90 basis points higher than 2019**;
- **Adjusted EBITDA €82.3m, €22.2m** higher compared to H1 2021, mostly thanks to operating leverage. **EBITDA margin 11.7%**, vs. 10.0% in H1 2021 and 9.6% in H1 2019;
- **Adjusted Net Debt** at €228.7m, after cash out for dividends (€11.2m) and buyback of own shares (€12.0m), underlining an H1 **operating cash flow better** than company normal seasonality;
- **ESG** For the **second year running**, OVS ranks first on the “Fashion Transparency Index 2022” as the company **most attentive to transparency** in the world among apparel.

Net sales

€705.8m

(+17.8% vs. H1 2021
+8.5% vs H1 2019)

Adjusted gross margin

€58.5%

(vs. 58.4% H1 2021
vs. 57.6% H1 2019)

Adjusted EBITDA

€82.3m

(+€22.2m vs. H1 2021
+€19.8m vs. H1 2019)

Adjusted Net Debt

€228.7m

(vs. €318.2m at 31 July 2021
vs. €413.6m at 31 July 2019)

**FASHION
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INDEX**

2022 EDITION



Higher sales and EBITDA compared to Q2 2021

- **Net sales €405.9m**, up 9.8% from Q2 2021, when sales were also sustained by revenge-buying after the end of Covid restrictions. Good performance related on one side to the **hot weather in May**, but also to a **SS collections well received** by our customers;
- **SG&A** increased by €10.4m, out of which approximately €4m related to energy costs;
- **Adjusted EBITDA €62.2m**, €7.7m higher compared to Q2 2021, mostly thanks to operating leverage. **EBITDA margin 15.3%** vs. 14.7% in Q2 2022;
- Declining financial costs, thanks to the improved financial structure;
- **Adjusted result before taxes at €44.5m**, up from €33.5m in H1 2021.

€m	Q2 2022 Adjusted	Q2 2021 Adjusted	Change	Change %
Net Sales	405.9	369.7	36.3	9.8%
Gross Margin	236.0	217.8	18.1	8.3%
GM%	58.1%	58.9%		(80ppt)
SG&A	173.8	163.4	10.4	6.4%
EBITDA	62.2	54.5	7.7	14.2%
EBITDA%	15.3%	14.7%		+58ppt
EBIT	46.8	39.9	6.9	n.a.
EBIT%	11.5%	10.8%		+73ppt
PBT	44.5	33.5	11.0	n.a.

Adjusted results do not reflect the application of IFRS16, non recurring items and the mark-to-market derivatives impact. Please refer to Appendix for further details.

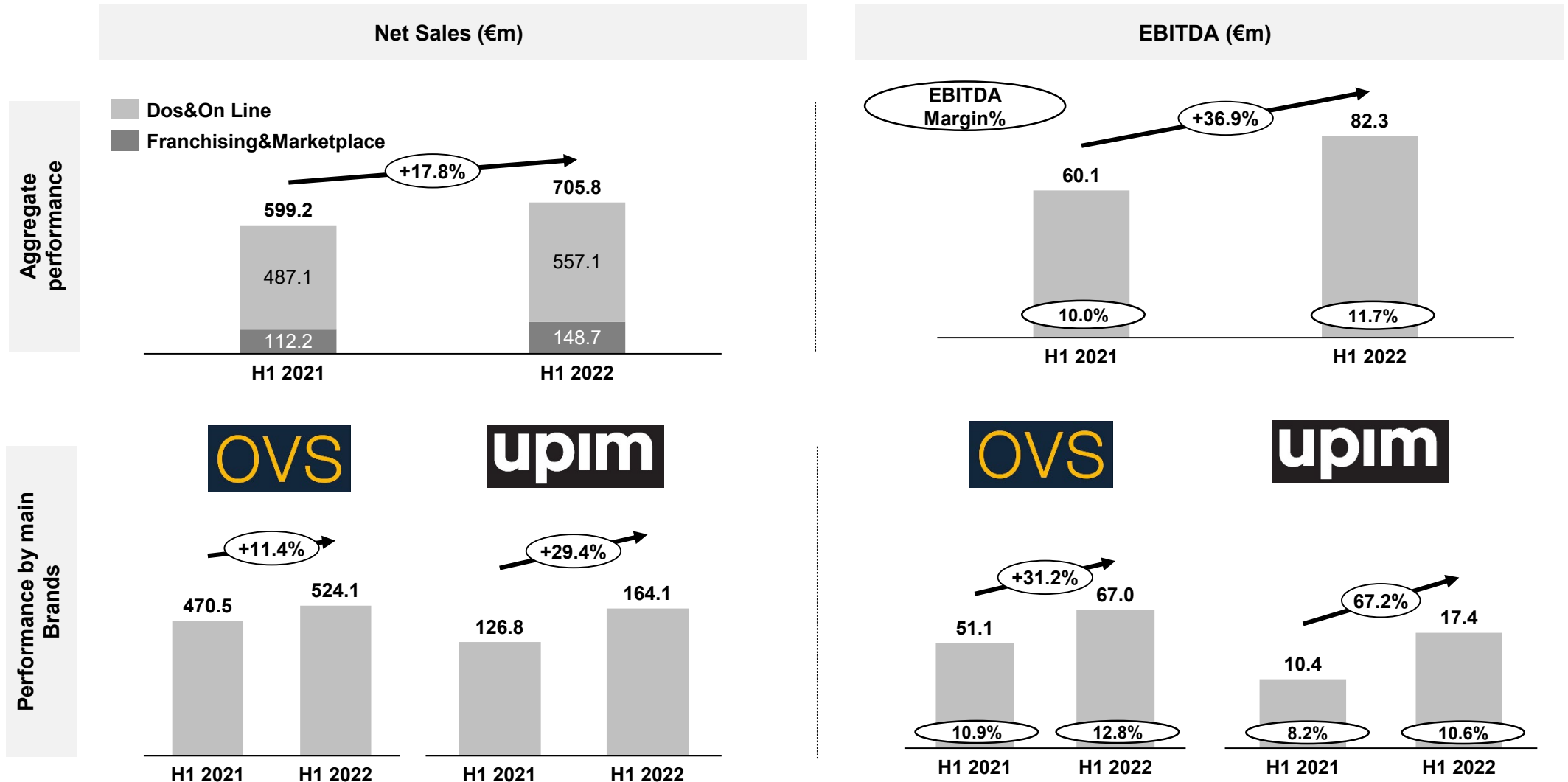
Higher sales drove a more than €20m EBITDA increase

- **Net Sales €705.8m, +17.8%** compared to H1 2021, are the result of higher like-for-like sales and network development;
- **LFL sales are positive (+11% vs 2021 and +4% vs 2019)** remarking the improvement in collections and store layout;
- **Adjusted gross margin** in line with previous year and almost **90 basis point higher than 2019** thanks to the consolidation of the optimized approach to mark-down management;
- **Adjusted EBITDA €82.3m, €22.2m** higher compared to H1 2021; growth in sales and GM overcompensated higher costs for network growth (mostly Upim brand) and inflation. **EBITDA margin 11.7%**, vs. 10.0% in H1 2021;
- **Adjusted Net income €31.9m**, better compared the €13.0m of H1 2021 thanks to higher EBITDA and declining financial costs due to lower average net debt and the significant cost benefits obtained by signing the “sustainability-linked” facilities agreement in April 2022.

€m	31 Jul 2022 Adjusted	31 Jul 2021 Adjusted	Change	Change %
Net Sales	705.8	599.2	106.6	17.8%
Gross Margin	412.7	350.2	62.4	17.8%
GM%	58.5%	58.4%		+2ppt
EBITDA	82.3	60.1	22.2	36.9%
EBITDA%	11.7%	10.0%		+163ppt
EBIT	52.4	31.7	20.8	n.a.
EBIT%	7.4%	5.3%		+214ppt
PBT	45.2	20.0	25.2	n.a.
Net Income	31.9	13.0	18.9	n.a.
Market Share	9.3%	9.0%		+29ppt

Adjusted results do not reflect the application of IFRS16, non recurring items and the mark-to-market derivatives impact. Please refer to Appendix for further details.

Main brands and distribution channels reported strong performances



Over €50m improvement versus last year



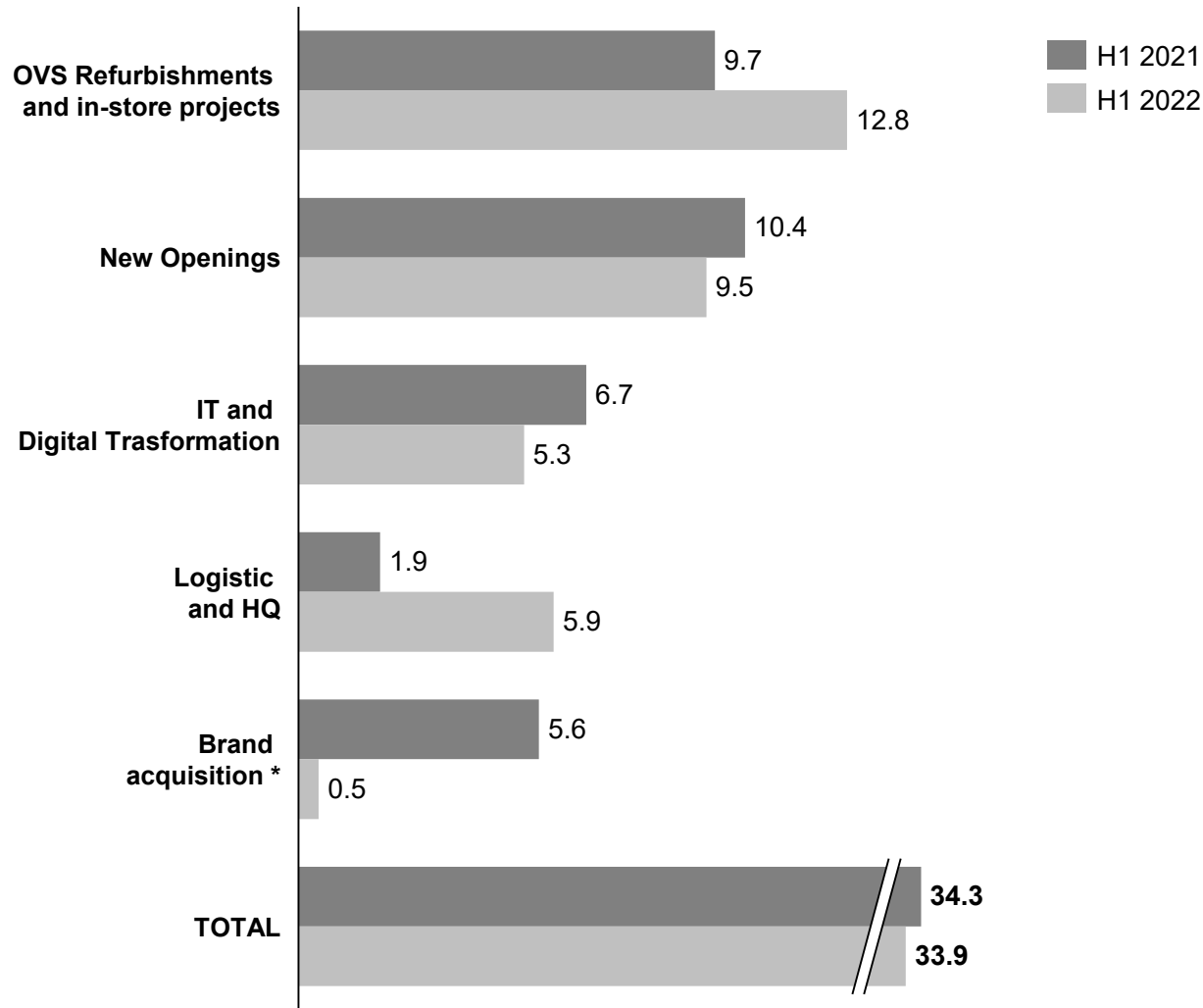
€m	31 July 2022	31 July 2021	Change
Trade Receivables	118.9	95.5	23.4
Inventory	486.3	410.3	76.0
Trade Payables	(420.4)	(267.7)	(152.7)
Trade Working Capital	184.8	238.0	(53.2)

Trade Working Capital does not reflect the application of IFRS16

Trade Working Capital at July 2022 is significantly improving vs. last year (**€53.2m**) thanks to the normalization of the business:

- **Trade Receivables increased** by €23.4m (+24.5%) due to **growth of franchising** business (+32.6% in H1), in a scenario of DSO reduction;
- Growth in **Inventory** is fully due to the **anticipation of shipments**, in order to avoid any risk of delay on deliveries, in a context of significant reduction in old stock;
- **Trade Payables increased** related to both the anticipated shipments and in part to the **normalization of business**.

Capex in line with last semester



* Acquisition of Les Copains brand for €1.5m recorded in September

Cash flow better than ordinary seasonality



€m	H1 2022	H1 2021
EBITDA Adjusted	82.3	60.1
Non recurring items	(3.2)	(4.0)
Change in Trade Working Capital	(23.1)	(10.3)
Other changes in Working Capital	(18.7)	13.6
Capex	(33.9)	(34.3)
Operating Cash Flow	3.4	25.2
Financial charges	(5.0)	(11.8)
Taxes & others	(13.5)	(11.5)
Net Cash Flow excluding derivatives MtM and amortized cost, buyback, dividends and capital increase	(15.1)	1.9
Buyback	(12.0)	-
Dividends	(11.2)	-
Proceeds from capital increase	-	81.0
Net Cash Flow excluding derivatives MtM and amortized cost	(38.3)	82.9
Derivatives MtM, amortized cost and FX differences	11.2	11.1
Net cash flow	(27.1)	94.0

The summary statement of cash flows, constructed using the indirect method, reflects a recognition of assets made prior to the introduction of IFRS16

- **H1 2022 operating cash flow is positive by €3.4** and significantly **better** compared to typical cash absorption that in H1 2019 was €19.6m;
- **H1 2021 cash flow is not representative** of normal business due to sales of inventory goods from the previous season, that had remained unsold in 2020 due to the lockdown, and other one-off effects.

Net debt adjusted at €228.7m and Leverage of 1.36x

€m	31 July 2022	31 July 2021
Net Debt reported	1,186.5	1,205.9
Net Debt adjusted for MtM Derivatives and IFRS16	228.7	318.2
Leverage on EBITDA Net Debt adjusted / EBITDA Adjusted last 12 months	1.35x	2.43x
Leverage last 12 months on EBITDA Average Net Debt adjusted of last 12 months / EBITDA Adjusted last 12 months	1.36x	3.11x

- **Net Debt adjusted €228.7m**, in sharp decrease from €318.2m of July 2021 when the net debt already reduced for the capital increase of €81.0m;
- Net debt at July 2022 includes cash out for dividends (€11.2m) and buyback of own shares (€12.0m);
- **Leverage on EBITDA is 1.36x**, decreasing from 3.11x at July 2021.



- We expect that for the 2nd half, still in presence of exogenous factors negatively affecting consumers' attitude, as already happened in the first half, **our brand positioning will attract new customers looking for more affordable prices, with positive effect on our sales. The good start of the fall season is confirming this trend;**
- Thanks to our robust supply-chain, fall-winter '22 and spring-summer '23 orders were fixed at an euro-dollar forex better than the actual one, half of sea-shipping is pre-booked with 3-years contracts at tariffs far below the actual spot rates and energy price was fixed in advance for approximately 50% of the needs. **These hedging and mitigation actions will absorb a significant part of the inertial cost increases;**
- In light of these considerations and of the performance achieved so far, we expect **full-year results to significantly improve over the previous year.**





€m	31 Jul 2022 Reported	of which IFRS 16 Impact	of which non recurring	of which: Stock Option, Derivatives, PPA, Forex	31 Jul 2022 Adjusted	31 Jul 2021 Reported	of which IFRS 16 Impact	of which non recurring	of which: Stock Option, Derivatives, PPA, Forex	31 Jul 2021 Adjusted	Change Adjusted	Change % Adjusted
Net Sales	705.8	-	-	-	705.8	599.2	-	-	-	599.2	106.6	17.8%
Gross Margin	399.3	-	-	(13.4)	412.7	351.1	-	-	0.9	350.2	62.4	17.8%
GM%	56.6%	n.a.	n.a.	n.a.	58.5%	58.6%	n.a.	n.a.	n.a.	58.4%		+2ppt
EBITDA	154.7	89.0	(2.2)	(14.4)	82.3	160.8	103.8	(3.6)	0.5	60.1	22.2	36.9%
EBITDA%	21.9%	n.a.	n.a.	n.a.	11.7%	26.8%	n.a.	n.a.	n.a.	10.0%		+163ppt
Depreciation & Amortization	112.5	78.3	-	4.3	29.9	103.9	71.1	-	4.3	28.5	1.4	5.0%
EBIT	42.2	10.6	(2.2)	(18.7)	52.4	56.9	32.7	(3.6)	(3.8)	31.7	20.8	n.a.
EBIT%	6.0%	n.a.	n.a.	n.a.	7.4%	9.5%	n.a.	n.a.	n.a.	5.3%		+214ppt
Net financial (income)/charges	6.3	18.9	-	(19.9)	7.3	29.8	22.2	-	(4.1)	11.7	(4.4)	(38.0%)
PBT	35.8	(8.3)	(2.2)	1.2	45.2	27.0	10.4	(3.6)	0.3	20.0	25.2	n.a.
Taxes	12.0	(1.0)	(0.5)	0.3	13.3	10.0	3.8	(0.9)	0.1	7.0	6.3	n.a.
Net Income	23.9	(7.2)	(1.7)	0.9	31.9	17.0	6.6	(2.8)	0.2	13.0	18.9	n.a.
Net Financial Position	1,186.5	984.2	-	(26.4)	228.7	1,205.9	889.6	-	(1.9)	318.2	(89.4)	(28.1%)

The table in the previous slide shows the adjusted results to reflect the Group's operating performance net of the effects of adoption of the international accounting standard IFRS 16 as well as non-recurring events unrelated to the core business.

The first semester of 2022 the results were adjusted mainly to strip out the impacts related to IFRS 16, and specifically: (i) €89.0 million on EBITDA to reflect mainly rental costs; (ii) €10.6 million on EBIT due to the reversal of depreciations and amortisations of €78.3 million; (iii) €8.3 million on the PBT due to the reversal of €18.9 million relating to net financial expenses.

EBITDA of the first semester 2022 was also adjusted, mainly as follows: (i) by €13.4 million in net foreign exchange gains on the forward hedging of goods in foreign currency sold in the period; (ii) €2.2 million in non-recurring expenses directly attributable to the COVID-19 emergency; (iii) €1.1 million in costs relating to stock option plans (non-cash costs); and (iv) other minor one-off costs.

Other adjustments that impacted EBIT and the PBT regarded: (i) costs of €4.3 million related to the amortisation of intangible assets linked to purchase price allocation, and (ii) adjusted net income of €19.9 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and foreign exchange differences.

Lastly, the adjusted net income includes €1.3 million of taxes recalculated following the above adjustments.

Adjusted net financial debt at 31 July 2022 excludes €984.2 million relating to future lease payments (6 years on average) exclusively due to IFRS 16, which does not take into account that the Company has a right of withdrawal for almost all contracts that can be activated 6-12 months in advance.

€m	31 July 2022 Reported	31 July 2021 Reported	31 January 2022 Reported	Change Reported H1 22
Trade Receivables	118.9	95.5	89.3	29.6
Inventory	486.3	410.3	389.8	96.4
Trade Payables	(420.6)	(266.9)	(317.9)	(102.7)
Trade Working Capital	184.6	238.9	161.2	23.4
Other assets/(liabilities)	(115.9)	(105.3)	(128.2)	12.3
Net Working Capital	68.7	133.6	33.0	35.7
Tangible and Intangible Assets	2,083.7	1,988.2	2,069.9	13.9
Net deferred taxes	(24.6)	(9.0)	(20.1)	(4.6)
Other long term assets/(liabilities)	(3.0)	(4.2)	(7.2)	4.2
Pension funds and other provisions	(38.6)	(39.5)	(39.8)	1.2
Net Capital Employed	2,086.2	2,069.0	2,035.9	50.4
Net Equity	899.8	863.2	896.8	2.9
Net Financial Debt	1,186.5	1,205.9	1,139.0	47.5
Total source of financing	2,086.2	2,069.0	2,035.9	50.4