1H21 Financial Results - 22 September, 2021

OVS

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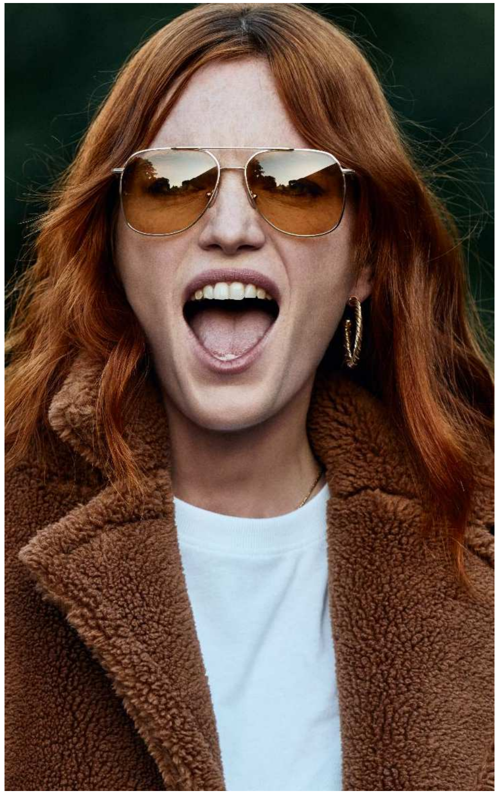
The manager in charge of preparing the corporate accounting documents, Nicola Perin, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the accounting figures, books and records.

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

1H21 Highlights
IIQ EBITDA and cash generation reach all time highs



2Q21 Net Sales reached **€369.7m, +35.4%** vs. 2Q20 and **+11%** vs. **2Q19**. **1H21 Net Sales** amounted to **€599.2m**, **+59.5%** higher than 1H20 and -7.9% vs. 1H19, recovering from the -27.7% reported in 1Q21.

The Group largely outperformed the **market**, which bounced back by **34.7%** in 1H21 vs. 1H20: also in the last quarter, the **Group's market share** increased by almost **30Bps** (**100Bps vs. 31Jul20**), more than any other domestic/international online/offline player in the Italian apparel market.

Online sales continued to grow, with 1H21 OVS.it website sales increasing by **+30%** vs. 1H20 and by **+77%** vs. 1H19. The Group's commercial offer and multi-channel distribution model allowed it to (i) continue to grow the **loyal** customer base, which has reached **4.7 million** to date (**+12%** in one year); (ii) continue to increase customers who buy both **online and off-line**.

In **2Q21** both **EBITDA** and **cash generation** reached **all time highs**: 2Q21 **EBITDA** came to **€54.5m**, **+50.9%** vs. 2Q20 and **+45.7%** vs.2Q19; 2Q21 **cash flow** was positive and amounted to **€75.7m** (excluding the additional liquidity coming from the capital increase and amounting to **€81m**).

31Jul21 Net debt decreased by **€95.4m** compared to **pre-pandemic** levels (31Jul19), €14.6m in addition to Capital increase effect. **EBITDA/Net Debt Leverage ratio** down to **2.4x**, decreasing by 3.1x in the last six months of the fiscal year.

An important **ESG** achievement: OVS has been **ranked 1st** among 250 international apparel companies by Fashion Revolution in the **Fashion Transparency Index**.

€599.2m
1H21 Net Sales
+59.5% vs. 1H20

9%
Italian Market share

+77%
Ovs.it website sales vs.1H19

€60.1m
1H21 Adjusted EBITDA

€318.2m
Adjusted Net Debt
2.4x Leverage Ratio

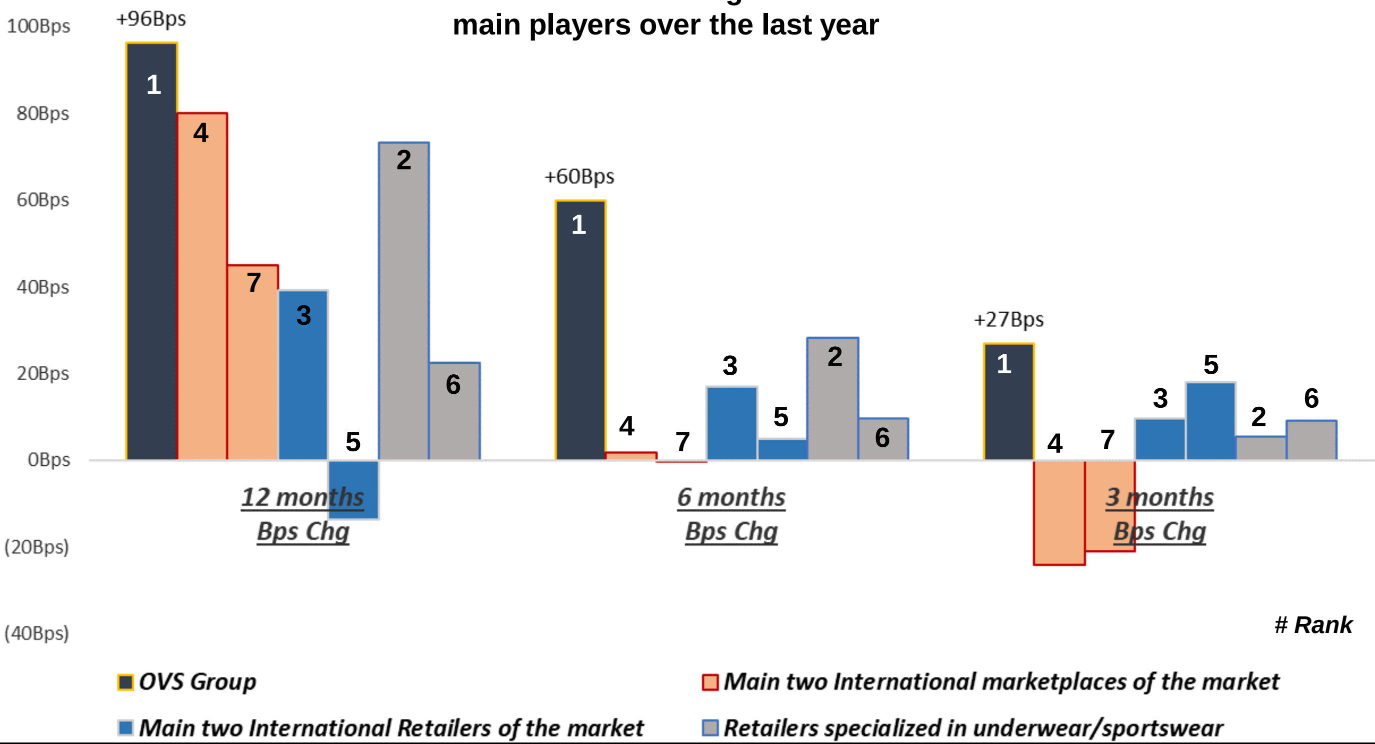
Source: Sita Ricerche for market share and Italian Apparel market performance

The Group is taking full advantage of the accelerated market consolidation

Italian apparel **market consolidation** was already ongoing in the past years and COVID-19 boosted such trend: **less competition** as several stores/companies are exiting the market is resulting in the need for further **market consolidation**.
Thanks to its **positioning** and its **multi-platform distribution** business model, OVS Group is taking **full advantage** of this environment. The continuous growth of market share is due to the strength of the Group's brands, well known and close to real consumers' needs, and to the versatility of its distribution model, which allows to be present both in large cities and in small catchment areas.

This is evidenced by the **highest increase in market share** posted by the Group in the last year vs. the main market players, <u>whatever their distribution channel</u>.

Market share changes of the main players over the last year



Rank	Main Players in the Italian Apparel Market	Market shares @30Jun21
1	OVS Group	9,01%
2	Retailer specialized in underwear	6,41%
3	International Retailer 1	5,01%
4	International Marketplace 1	3,84%
5	International Retailer 2	3,45%
6	Retailer specialized in sportswear	3,16%
7	International Marketplace 2	2,99%

Key Income Statement Items – 2Q21 Faster Recovery than expected

- **IIQ Net Sales** amounted to **€369.7m**, +35.4% compared to the same period last year, and +11% vs. IQ19. **Like-for-Like** sales were almost **double digit positive** even compared to **2019**: the result was well above expectations, also considering that some lockdowns affected some weekends in May 2021 and that a material portion of stock available was the leftover from 2020 lockdown.
- **IIQ Adjusted EBITDA** was equal to **€54.5m**, +50.9% vs. IIQ20 and +45.6% vs. IQ19. The strategy of **lower markdowns and higher full price sales** allowed the Group to increase IIQ21 GM% by 50Bps vs. IIQ19. IIQ20 GM% is not comparable to IIQ21 as last year's sales period was postponed from July to August: normalizing this impact, IIQ21GM% would have been approx. 80Bps higher than the one of IIQ20. **Operating leverage** benefitted from good sales performance and tight control on costs, which both contributed to achieving an EBITDA margin of 14.7% in the quarter (+150Bps vs. last year and +350Bps vs. IIQ19).
- **Adjusted Net debt at €318.2m** is **€92.5m lower** than a year ago, and **€95.4m** lower than Jul19 (pre-pandemic): Covid-19 impacted sales for approx. €440m over the last 18 months, nevertheless cash absorption due to the pandemic has been completely recovered even excluding proceeds of the capital increase. Thanks to the **sharp increase in LTM EBITDA for the second quarter in a row** and the high cash generation, **Net Debt/EBITDA leverage ratio** went down to **2.4x**, decreasing by 1.8x in just three months.

€ mln	2Q 2021 Adjusted	2Q 2020 Adjusted	*Chg.*	*Chg.%*
Net Sales	**369.7**	**273.1**	**96.6**	***35.4%***
Gross Margin	**217.8**	**166.3**	***51.5***	***30.9%***
GM%	*58.9%*	*60.9%*		*(200ppt)*
EBITDA	**54.5**	**36.1**	***18.4***	***50.9%***
EBITDA%	*14.7%*	*13.2%*		*+151ppt*
EBIT	**39.9**	**21.2**	***18.7***	***88.2%***
EBIT%	*10.8%*	*7.8%*		*+303ppt*
PBT	**33.5**	**15.4**	***18.0***	***116.7%***
Net Financial Position	**318.2**	**410.6**	**92.5**	**22.5%**
Market Share	**9.0%**	**8.1%**		+96ppt

Only the adjusted results (known as managerial) have been reported: in particular, they do not reflect the application of IFRS16. See overleaf for further details.

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Key Income Statement Items – 1H21 EBITDA in line with 1H19 and improved net debt

- **Net Sales** amounted to **€599.2m**, up by 59.5% vs. 1H20, once again beating the market trend, which posted a recovery of +34.7% over the same period. The stores' Like-for-like performance continued to be largely positive when stores were open also vs. 2019. Online sales continued to grow (+30% vs. 1H20, +77% vs.1H19). All distribution channels and all brands contributed to achieving the result.
- **Adjusted EBITDA** was positive and equal to **€60.1** (+€58.1m vs. 1H20) and in line with 1H19 (€62.5m), despite the long period of lockdowns that affected 1Q21: gross margin lost as a result of store closures was well offset by cost saving initiatives. Once stores re-opened, excellent sales performance and high full-price sales boosted the EBITDA margin that went from 2.5% in 1Q21 to 10% in 1H21, thus going back to historical profitability levels.
- **Adjusted Net income** amounted to **€13m**, while **Reported Net income** amounted to **€17m**.
- Due to the seasonality of the business, **1H cash flow** has always been negative; thanks to disposal of goods unsold during 2020 lockdown coupled with reduced purchases, **1H21 cash flow was positive even excluding proceeds of the capital increase**. In 2Q21, once restrictions have been eased, cash flow amounted **€156.7m**, of which **€75.7m** came from the business and **€81m** from the capital increase ended the 30th of July of the current year.

€ mln	31.07.2021 Reported	31.07.2021 Adjusted	31.07.2020 Reported	31.07.2020 Adjusted	*Chg. (Adjusted)*	*Chg. % (Adjusted)*
Net Sales	599.2	599.2	375.1	375.7	223.5	59.5%
Gross Margin	351.1	350.2	216.7	222.9	127.4	57.2%
GM%	58.6%	58.4%	57.8%	59.3%		(86ppt)
EBITDA	160.8	60.1	48.1	2.1	58.1	2,826.2%
EBITDA%	26.8%	10.0%	12.8%	0.5%		+949ppt
EBIT	56.9	31.7	(55.8)	(26.5)	58.1	219.6%
EBIT%	9.5%	5.3%	(14.9%)	(7.0%)		+1,233ppt
PBT	27.0	20.0	(97.6)	(37.0)	56.9	154.0%
Net Income	17.0	13.0	(75.9)	(29.7)	42.7	143.6%
Net Financial Position	1,205.9	318.2	1,303.2	410.6	92.4	22.5%
Market Share	9.0%		8.1%			+96ppt

For the difference between reported and adjusted results (known as managerial) please see overleaf: in particular, adjusted results do not reflect the application of IFRS16. See overleaf for further details.

1H21 vs. 1H19 EBITDA
Flexibility on costs and positive Like-for-Like once lockdowns had been eased

1H21 EBITDA reached €60.1m, **in line** with the **pre-pandemic** levels (1H19 EBITDA amounted to €62.5m), despite the fact that 1Q21 was still highly impacted by store closures across Italy.

Positive top-line **like-for-like** performance, a **solid gross margin**, and **flexibility** on the **costs** side allowed the result to be achieved.

IQ

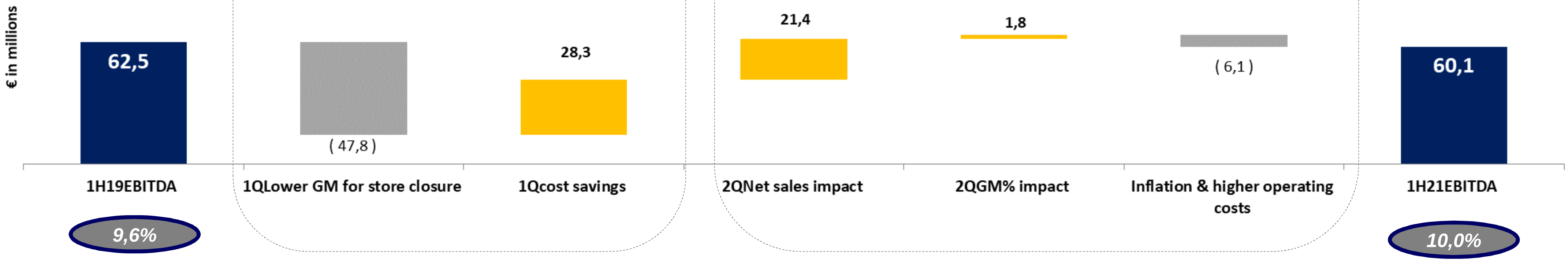
Flexibility on cost structure offset ***more than 50%*** *of lower GM vs. 1Q19 due to 1Q21 lockdown.*

1Q21 EBITDA was positive despite the tough market conditions.

IIQ

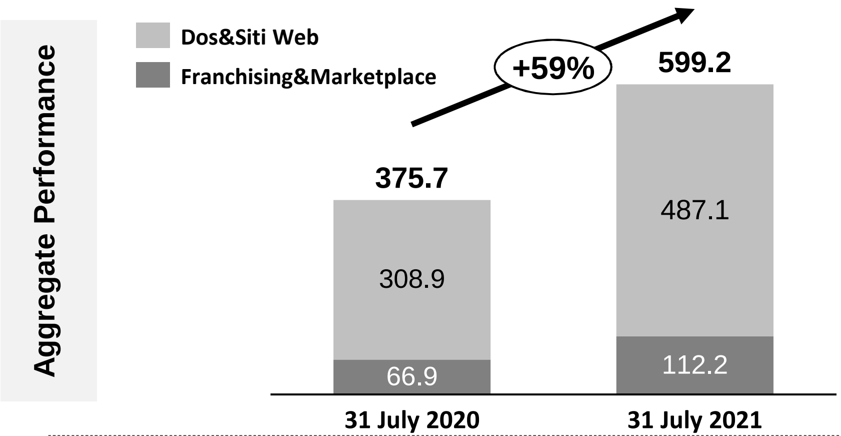
Even in presence of some lockdowns still affecting the month of May, once restrictions were eased, high positive LfL performance vs.2Q19 pushed sales up by 11% in the quarter. The increase in full price sales due to a lower mark-down strategy generated positive GM contribution.

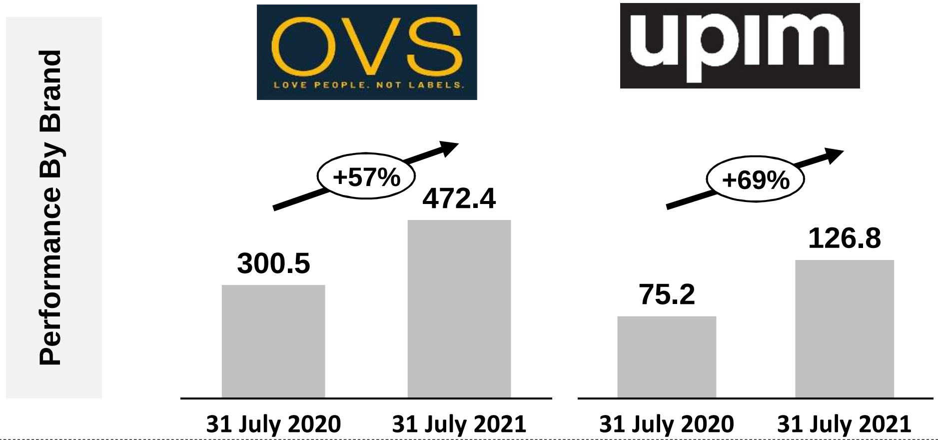
2Q21 EBITDA reached all-time highs



Sales and EBITDA Performance in 1H21
Both brands and channels contributed to the strong recovery in 2Q

Net Sales (€mln)





EBITDA (€mln)

€mln	2Q20 EBITDA Adjusted	2Q20 EBITDA%	2Q21 EBITDA Adjusted	2Q21 EBITDA%	31 July'20 EBITDA Adjusted	31 July'20 EBITDA%	31 July '21 EBITDA Adjusted	31 July '21 EBITDA%	Chg.2Q	Chg. 1H
OVS	28.8	13.2%	46.7	15.8%	(0.4)	-0.1%	49.7	10.5%	17.9	50.1
UPIM	7.3	13.4%	7.8	10.6%	2.5	3.3%	10.4	8.2%	0.5	7.9
Total	**36.1**	**13.2%**	**54.5**	**14.7%**	**2.1**	**0.5%**	**60.1**	**10.0%**	**18.4**	**58.1**

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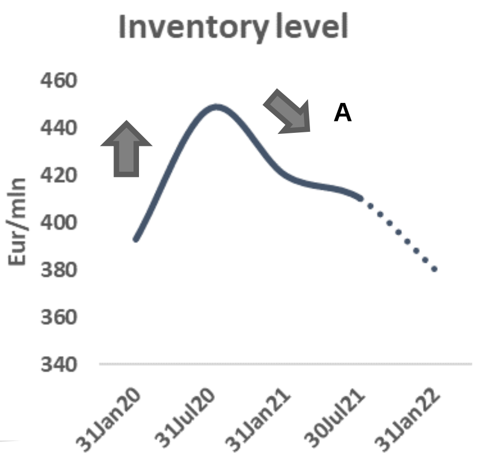
31Jul21 Consolidated Trade Working Capital
Strong inventory reduction

€mln	31Jul21	31Jul20	*Change Jul21-Jul20*
Trade Receivables	95.5	86.7	8.8
Inventory	410.3	448.7	(38.4)
Trade Payables	(267.7)	(303.5)	35.7
Trade Working Capital	**238.0**	**231.9**	**6.2**

Note: TWC does not reflect the impacts related to the IFRS16



- Compared to 31Jul20, **trade receivables** increased by €8.8m. 31Jul21 Trade Receivables level reflects: (i) higher sales made through the franchising channel, (ii) DSO improvement as the longer payment terms granted to our franchise partners due to the pandemic have been recovered;
- **Inventory** dropped by **€38.4m** compared to 31Jul20. Despite two lockdowns that took place in 2H20 and in 1Q21, flexibility in sourcing allowed the Group to continue to improve DOI and decrease the inventory level (see **A**). 1Q21 Sales lost for the lockdown amounted to approx. €90m, corresponding to c.a. €35m of cost of goods sold. As for last year, thanks to the cross-season characteristic of our products, a portion of **unsold Spring/Summer goods are already for sale** in the stores as "Fall" goods, compensating some late deliveries of new goods from Far East countries hit by the pandemic, while the rest of them will be carried over to next year to the benefit of 2022 cash generation;
- **Trade payables** decreased by €35.7m. Last year some longer payment terms were agreed with suppliers in order to manage the tough market conditions following the spread of Covid-19. Lower 31Jul21 trade payables will result in lower cash out in 2H21.

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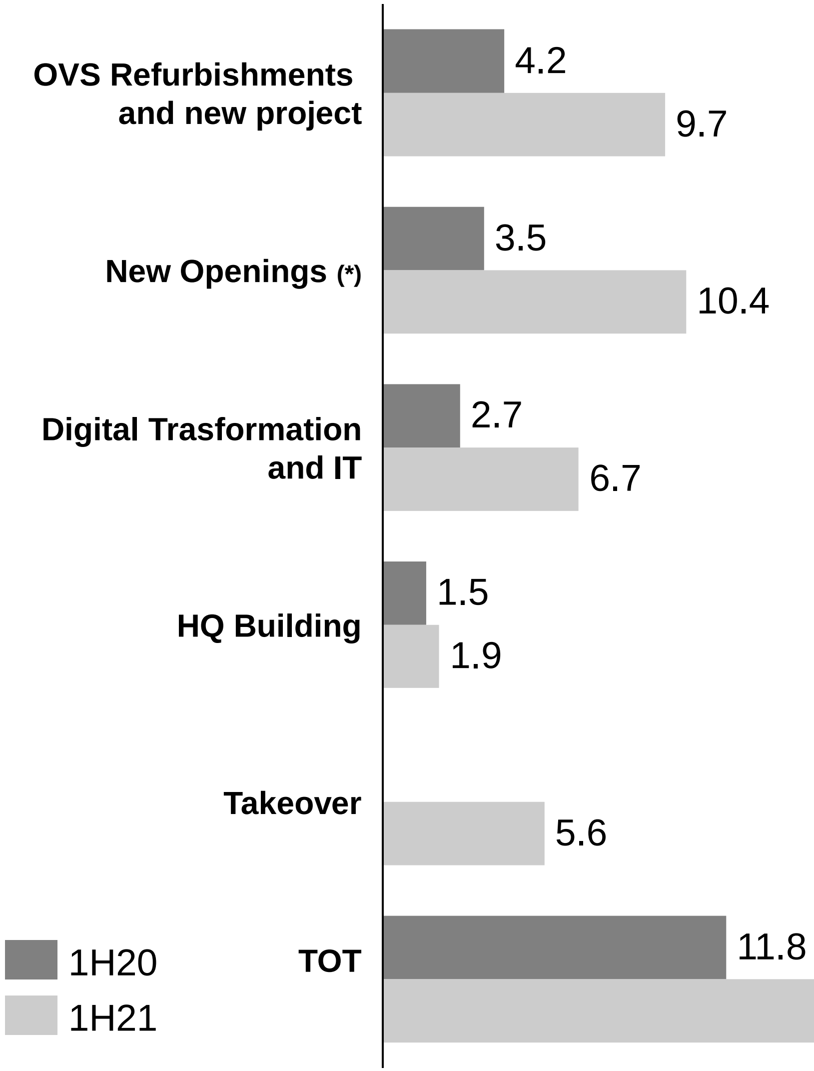
Capex increased by €22.6m vs. 1H20 reflecting a normalization of the level of investments after a 2020 with extraordinary focus on liquidity management



(*) expected positive sales contribution mainly starting from 2H21

Consolidated Cash Flow Statement
Material increase in cash generation

- **1H21 cash flow** was positive and equal to **€82.9m**, despite the 1Q21 lockdown. Two factors helped to achieve this result: (i) the cash generated by the business in the second quarter, equal to **€75.7m** and, (ii) the liquidity resulting from the capital increase which further increased cash in an amount of **€81m**.

- Notwithstanding 1H21 capex up by €22.5m vs. 1H20**, operating cash flow improved by €123.8m** vs. 1H20, mainly thanks to (i) €58.1m of higher 1H21 EBITDA and (ii) no cash absorption at net working capital level during the first six months of the current year despite the business seasonality. This was achieved, as expected, also thanks to the portion of merchandise bought last year and successfully sold in 1H21.

€mln	1H21	1H20
EBITDA Adjusted	**60.1**	**2.1**
Adjustments	(4.0)	(6.6)
Change in Trade Working Capital	(10.3)	(83.5)
Other changes in Working Capital	13.6	1.2
Capex	(34.3)	(11.8)
Operating Cash Flow	**25.2**	**(98.6)**
Financial charges	(11.8)	(10.4)
Proceeds from Capital Increase	81.0	0.0
Taxes & others	(11.5)	8.3
Net Cash Flow excl derivatives MtM and IFRS 16	**82.9**	**(100.7)**

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Net Debt Evolution

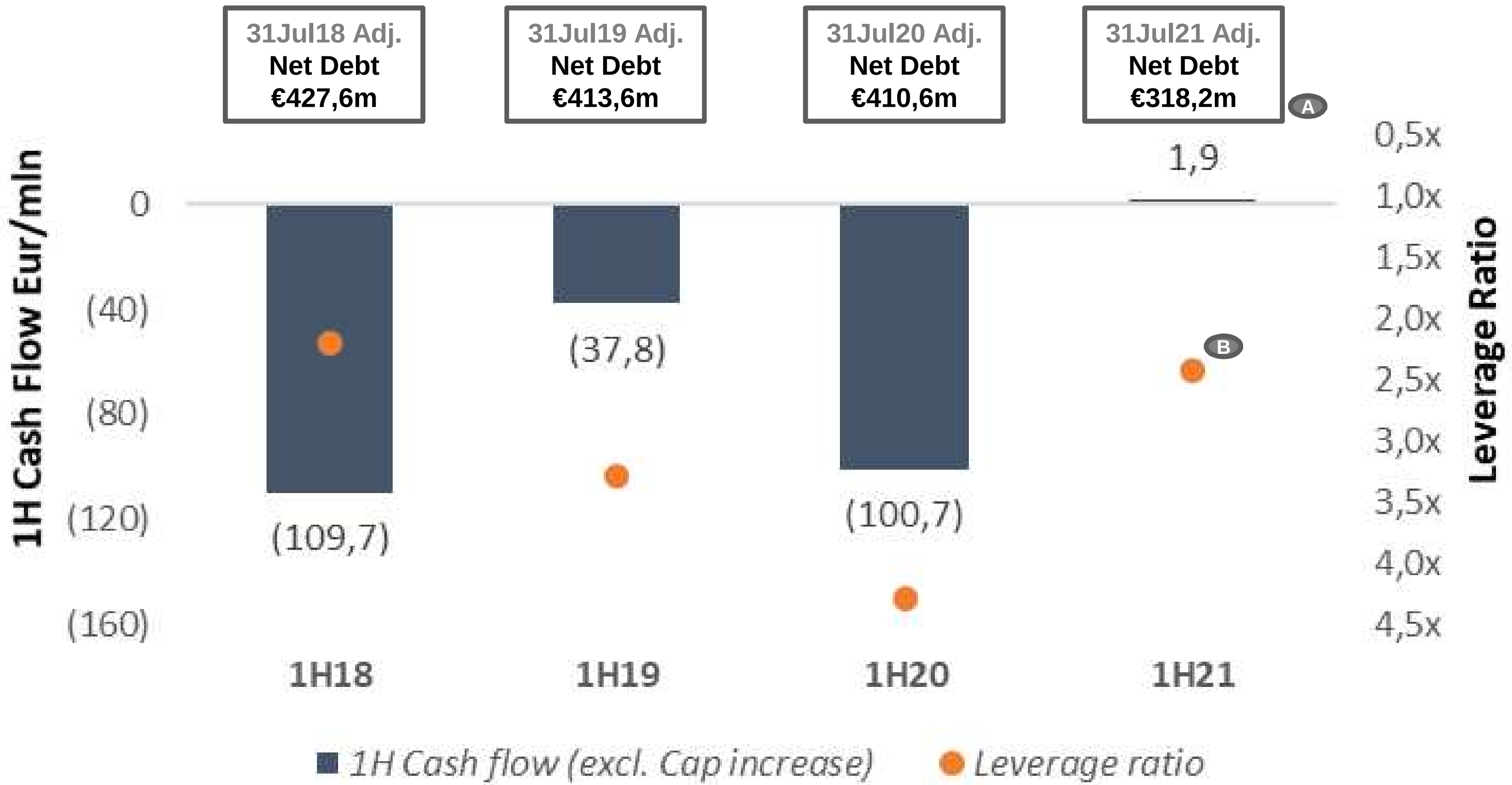
Impacts of the pandemic fully recovered even excluding proceeds from cap increase

Thanks to **good sales performance** and the **flexibility** implemented in sourcing, **1H21 Cash flow** (*) (excluding the proceeds arising from the capital increase) was **positive**.

Results of this evolution are:

→ **Lowest net debt in July** not just compared to the pre-pandemic level but also compared to the previous years (see A);

→ **leverage ratio in line** with the one of **4 years ago** (approx 2x) (see B)



(*)Due to the **seasonality** of the business, **1H has always absorbed cash**

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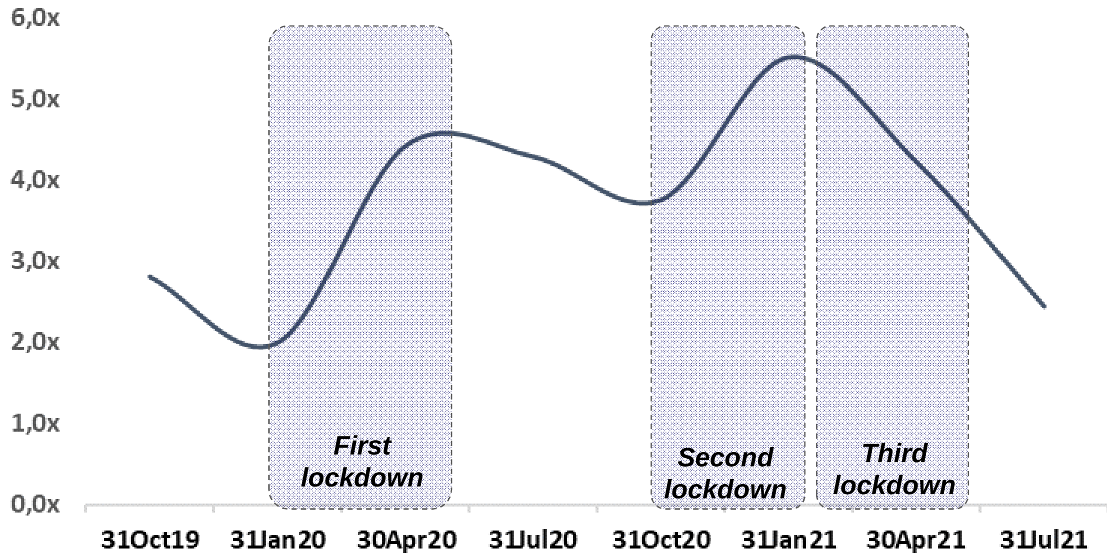
Net Debt and Leverage
Back to normal leverage ratio level & continuous improvement

- The Group's **Adjusted Net Debt**, which excludes the impact arising from the mark-to-market (positive for €1.9m) and the impact of IFRS16 (negative for €889.6m), amounts to **€318.2m**, €92.5m less than to a year ago and €95.4m less than two years ago (pre-pandemic level)
- Although lockdowns hit sales for approx. €440m over the last 18 months, Jul21Net Debt vs. pre-pandemic level (Jul19) improved **even excluding** the proceeds raised through the Capital Increase (i.e. **€81m** vs. **€95.4m** decrease in Net Debt)
- 31Jul21 leverage ratio is equal to **2.4x, improving by 3.1x over the last six months**. The average interest rate for the period was 3.49% + 3m Euribor.
- In light of the improved Group's financial structure, the company is considering the opportunity of reviewing current sources of financing also through the possible issue of capital market instruments linked to ESG parameters.

Leverage ratio - recovery trend



€ mln	31 July 2021	31 July 2020
Net Debt excluding MtM & IFRS16	318.2	410.6
Leverage on EBITDA (*) *Adjusted Net Debt/EBITDA Adjusted LTM*	2.4x	4.3x
Leverage on EBITDA (**) Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM	3.11x	4.06x

Notes:

(*) calculated on Net Debt at 31 July excluding the MtM and the IFRS16

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

Outlook

*The Third quarter of the year started well. The vaccination campaign in place in Italy is proceeding fast, meeting the targets planned, with **more than 82%** of the Italian population over age 12 now vaccinated. In this regard, the current environment is much better than a year ago and therefore we are not expecting further lockdowns in the second half of the year.*

*Despite some delays in arrivals of Fall/Winter goods, **thanks to the Group's cross-season assortment**, August and September sales are in line with expectations and the evolution for the rest of the year in the current context is not at risk.*

*OVS is continuing to **expand** and **enhance** its commercial offer: following the successful launch of the Piombo brand for the men's segment a year ago, whose performance was also very positive also in the spring-summer period, the F/W21 collection saw the launch of the Piombo brand also for **women** too. The first feedback is very positive.*

*In September, the new **Stefanel** has also been launched: the new collection, while maintaining the brand's recognized heritage, the new collection has been reviewed and it is now more contemporary. Prices have decreased by over 30% but quality remains high, thanks to the Group's sourcing capacity. Store network is currently made up of 41 stores, of which 10 in franchising.*

***The brand perception of OVS is at its highest in recent years** thanks to the combined effect of collection improvement with the introduction of Piombo brand, store refurbishment and marketing campaigns. Summer advertising focused on beachwear and OVS Holidays, with material return in terms of sales, while current Fall advertising is promoting the launch of the new Stefanel and Piombo women's collection.*

*The Group is continuing to increase its role as a **platform**. The Ovs.it website is becoming a **marketplace**, fully integrated with our **stores**. Both channels are offering a large portion of house brands and a selection of well-known or unique brands that are enlarging the offer and thus **increasing the customer base**. Performances of certain new brands recently discovered, especially in the women category, are excellent. Being the most widely distributed clothing group in Italy, bringing clothes both in store and at home, is allowing the Group to continue to beat the competition, both in physical and digital channels.*

*The recent proceeds collected from to the capital increase will allow the Group to faster consolidate the market. Acquisitions may also concern **brands/businesses** that are synergic with our strategy and which, thanks to our sourcing capabilities, will allow to create major synergies.*

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FY21 Targets

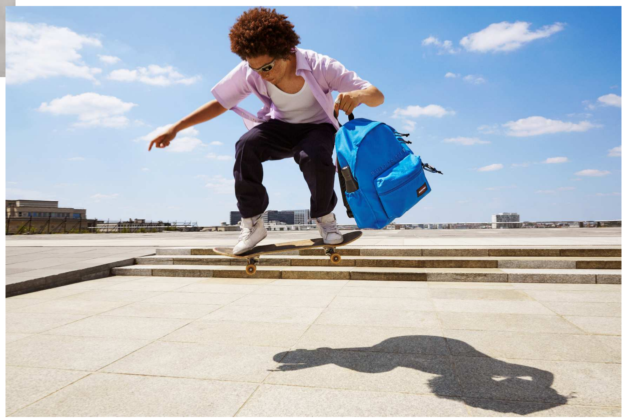
Considering the IIQ Group’s performance and the current trading, the FY21 Forecast Results have been updated.
The following estimates do not take into consideration any further government restrictions due to COVID-19, and no further M&A operations before 31Jan22

KPIs	€/mln
FY21 Net Sales	1.300 – 1.320
FY21 Adjusted EBITDA *(Pre IFRS16)*	120 – 135
31Jan22 Adjusted Net Debt *(Pre IFRS16)*	255 – 240
FY21 Cash Generation *(excl proceeds from cap increase)*	65 – 80
31Jan22 Leverage ratio	2.1x – 1.8x

Appendix

New Stefanel F/W campaign

EVERLAST: one of the brands included in OVS' offer



Eastpack: one of the brands within OVS' offer

New campaign PIOMBO women

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Consolidated Balance Sheet Statement

€mln	31 July '21 - Reported	31 July '20 - Reported	31 January '21 - Reported	Chg.
Trade Receivables	95.5	86.7	102.1	(6.6)
Inventory	410.3	448.7	420.1	(9.8)
Trade Payables	(266.9)	(303.5)	(264.0)	(2.9)
Trade Working Capital	**238.9**	**231.9**	**258.2**	**(19.3)**
Other assets/(liabilities)	(105.3)	(98.6)	(88.9)	(16.4)
Net Working Capital	**133.6**	**133.3**	**169.3**	**(35.7)**
Tangible and Intangible Assets	1,988.2	1,975.5	1,960.7	27.5
Net deferred taxes	(9.0)	(106.1)	(2.5)	(6.5)
Other long term assets/(liabilities)	(4.2)	(5.0)	(7.6)	3.5
Pension funds and other provisions	(39.5)	(40.7)	(40.1)	0.6
Net Capital Employed	**2,069.1**	**1,957.0**	**2,079.8**	**(10.7)**
Net Equity	863.2	653.7	764.3	98.9
Net Financial Debt	1,205.9	1,303.2	1,315.5	(109.7)
Total source of financing	**2,069.1**	**1,957.0**	**2,079.8**	**(10.7)**

Consolidated Profit and Loss and related adjustments

€ mln	31.07.2021 Reported	of which IFRS 16 Impact	of which Adjustments, Normalizations & Reclass.	31.07.2021 Adjusted	31.07.2020 Reported	of which IFRS 16 Impact	of which Adjustments, Normalizations & Reclass.	31.07.2020 Adjusted	Chg. (Adjusted)	Chg. % (Adjusted)
Net Sales	599.2		0.0	599.2	375.1		(0.7)	375.7	223.5	59.5%
Gross Margin	351.1		0.9	350.2	216.7		(6.1)	222.9	127.4	57.2%
GM%	58.6%			58.4%	57.8%			59.3%		(86ppt)
EBITDA	160.8	103.8	(3.1)	60.1	48.1	58.1	(12.1)	2.1	58.1	2,826.2%
EBITDA%	26.8%			10.0%	12.8%			0.5%		+949ppt
EBIT	56.9	32.7	(7.4)	31.7	(55.8)	(12.9)	(16.4)	(26.5)	58.1	219.6%
EBIT%	9.5%			5.3%	(14.9%)			(7.0%)		+1,233ppt
PBT	27.0	10.4	(3.4)	20.0	(97.6)	(37.3)	(23.4)	(37.0)	56.9	154.0%
Net Income	17.0	6.6	(2.5)	13.0	(75.9)	(28.4)	(17.8)	(29.7)	42.7	143.6%
Net Financial Position	1,205.9	889.6	(1.9)	318.2	1,303.2	878.6	14.0	410.6	92.4	22.5%

The table shows the results adjusted to represent the Group's operating performance net of the effects of the application of the international accounting standard IFRS 16, as well as non-recurring items unrelated to the core business.

In particular, in the first half of 2021 the results were adjusted mainly to strip out the impacts related to IFRS 16, and specifically: (i) €103.8 million on EBITDA to reflect rent net of the impact relating to the renegotiations triggered following the pandemic, (ii) €32.7 million in higher net costs on EBIT due to the reversal of depreciation and amortisation of €71.1 million, and (iii) €6.6 million in higher net costs on the reported result for the period due to the reversal of €22.2 million relating to net financial expenses and €3.8 million in higher taxes. Lastly, (iv) the net financial position was adjusted for a €889.6 million decrease in liabilities.

EBITDA in the first half of 2021 was also adjusted mainly as follows: (i) €0.9 million in foreign exchange losses on forward hedges of purchases of goods in foreign currency sold in the period, (ii) €3.6 million in non-recurring expenses comprising €2.8 million directly attributable to the COVID-19 emergency, €0.5 million in lay-off costs and other minor one-off costs, and (iii) €0.4 million in costs relating to stock option plans (non-cash costs).

Other adjustments that impacted EBIT and the result before tax concerned: (i) costs of €4.3 million related to the amortisation of intangible assets relating to purchase price allocation and (ii) adjusted net costs of €4.1 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange differences.

Lastly, the adjusted net result for the period was affected (in the amount of €0.8 million) by the taxes recalculated following the above adjustments.