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H1 2023 Financial results

20 September 2023

On 21 September 2023, at 15:00 local time, a conference call will take place during which the main results for the period ended 30 April 2023 will be presented.

The conference call may be joined by dialing +39 02 8020911 from Italy, +44 1 212818004 from the UK, +1 718 7058796 from the USA (+39 02 8020927 for journalists).

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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.

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Solid first semester thanks to the **growth in sales and EBITDA**

Net sales
€734.9m
+4.1% vs. H1 2022

EBITDA
€86.4m
+€4.1m vs. H1 2022

Net result
€33.7m
+5.5% vs. H1 2022

Leverage ratio
1.30x
vs. 1.36x as of 31 July 2022

- **Net Sales €734.9m**, +4.1% compared to H1 2022, mainly thanks to the sales increase in the like-for-like perimeter despite a second quarter characterized by atypical and unfavorable weather conditions;
- Adjusted **EBITDA €86.4m (11.8% on Net sales)**, +€4.1m compared to H1 2022 (€82.3 million, 11.7% on Net sales);
- Adjusted **Net result €33.7m**, +5.5% compared to H1 2022;
- Adjusted **Net debt €242.1m** after cash out of €41.8m in last twelve month for Dividends and Share buyback; **Leverage ratio** over the last twelve months equal to **1.30x**, decreasing versus 1.36x on 31 July 2022;
- **Current trading 1 August – 19 September is positive**, with like-for-like sales increasing compared to same 2022 period for all brands.

H1 2023 Key income statement items

Increase in EBITDA driven by growth in sales and the careful management of mark-down

€m	H1 2023 Adjusted	H1 2022 Adjusted	*Change Adjusted*	*Change % Adjusted*
Net Sales	**734.9**	**705.8**	***29.1***	***4.1%***
Gross Margin	**424.1**	**412.7**	***11.5***	***2.8%***
GM%	57.7%	58.5%		(75ppt)
EBITDA	**86.4**	**82.3**	***4.1***	***5.0%***
EBITDA%	11.8%	11.7%		+10ppt
EBIT	**54.6**	**52.4**	***2.2***	***4.2%***
EBIT%	7.4%	7.4%		+1ppt
PBT	**45.9**	**45.2**	***0.8***	***1.7%***
Net Income	**33.7**	**31.9**	***1.8***	***5.5%***

Adjusted results do not reflect the application of IFRS16 and non recurring items.

- **Net sales €734.9m**, +4.1% vs. H1 2022, thanks to the sales increase in the like-for-like perimeter despite a second quarter characterized by atypical and unfavorable weather conditions;
- **Gross margin €424.1m**, +€11.5m vs. H1 2022, driven by higher sales and a careful management of mark-down;
- **EBITDA €86.4m**, +€4.1m vs. H1 2022; the slight increase in SG&A is mainly related to inflationary adjustments on stores rent costs that, on a full year basis, will be mitigated thanks to undergoing renegotiation;
- Despite the surging in interest rates, **financial charges increase was very limited** thanks to the mix of financial sources which sees the prevalence of the **fixed-rate sustainability-linked bond**;
- **Net income €33.7m**, +5.5% vs. H1 2022, thanks to the growth in EBITDA and the lower tax rate.

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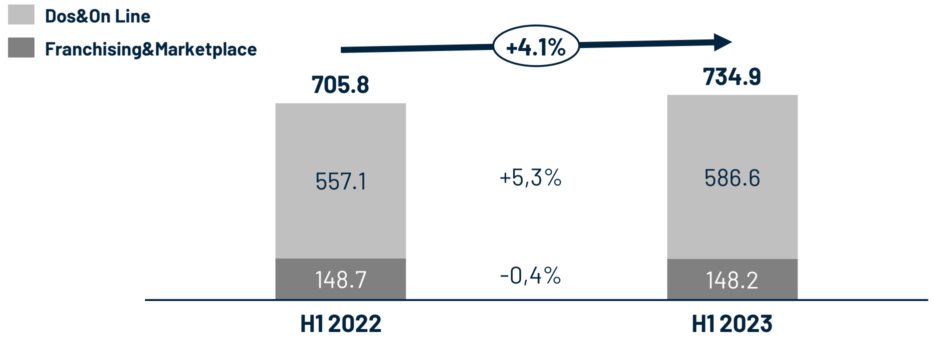
H1 2023 Sales and EBITDA performance

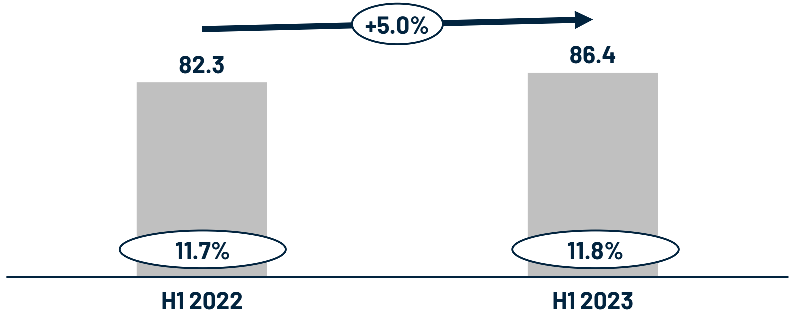
Positive performance of OVS brand EBITDA, due to the operating leverage generated by increasing DOS sales; Upim brand EBITDA slightly decreasing as consequence of flattish franchising sales

Net Sales (€m)

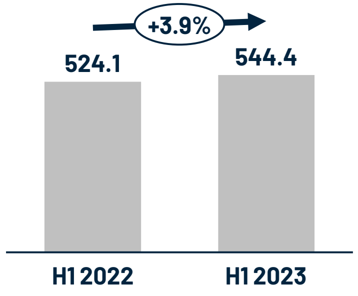
EBITDA (€m)

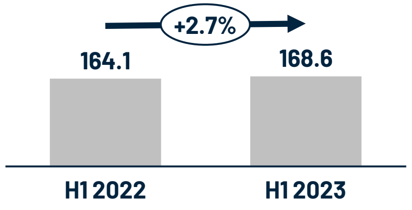
Aggregated performance

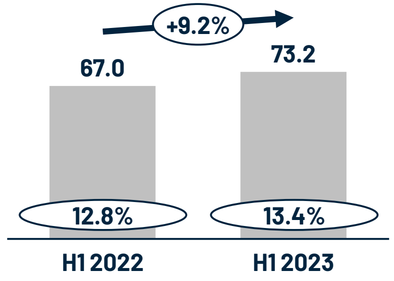


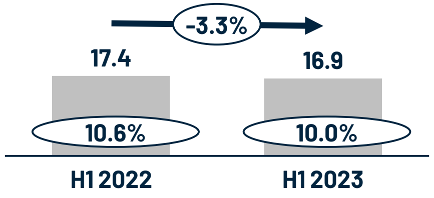


Performance by main Brands









31 July 2023 Trade working capital

Trade working capital increases as the consequence of lower than potential SS23 sales and the reduction in Trade payables

€m	31 July 2023	31 July 2022	Change
Trade Receivables	88.6	96.7	(8.1)
Inventory	484.2	486.3	(2.0)
Trade Payables	(370.5)	(420.4)	49.9
Trade Working Capital	**202.4**	**162.6**	**39.8**

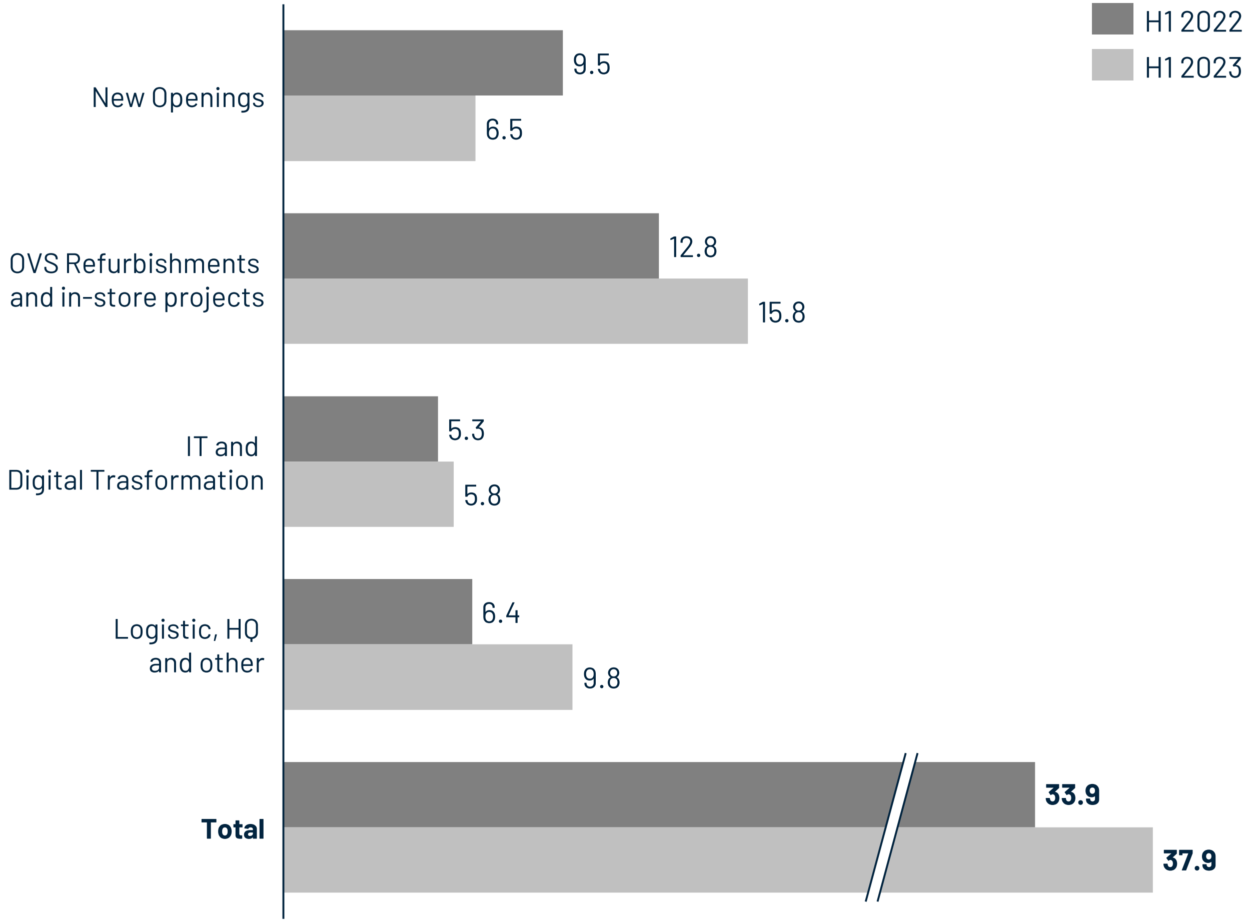
Net Working Capital does not reflect IFRS 16 application and is reclassified including the ex IFRS 15 liabilities for returns from clients among Working Capital (Trade Receivables).

Trade Working Capital at 31 July 2023 is €39.8m higher versus last year, as the net result of:

- **Trade Receivables** decrease of €8.1m (-8.4% vs 31 July 22), due to the franchising business performance that, in a context of flattish sell-out, the sell-in sale slightly decrease for a different invoicing timing;
- **Inventory** in line with 31 July 22, penalized by SS23 sales lower than potential.
  Incidence on Cost of goods sold (that grows +6% in the semester) is anyhow improving thanks to lower FW23 purchases;
- **Trade payables** sharp decrease of €50m, mainly as the results of lower purchases at better conditions of FW23 collection.

H1 2023 Capital expenditures

Continuous focus on refurbishing of current network and logistics automation



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H1 2023 Cash flow statement

Cash absorption of H1 2023 driven by Trade working capital trend. Net cash flow of the year in line with expectations.

€m	H1 2023	H1 2022
EBITDA Adjusted	**86.4**	**82.3**
Non recurring items	(2.2)	(3.2)
Change in Trade Working Capital	(51.2)	(19.6)
Other changes in Working Capital	(29.5)	(22.1)
Capex	(37.9)	(33.9)
Operating Cash Flow	**(34.4)**	**3.4**
Financial charges	(6.6)	(5.0)
Taxes & others	(9.9)	(13.5)
Net Cash Flow **excluding MtM hedging instruments and amoritzed cost, buyback and dividends**	**(50.9)**	**(15.1)**
Buyback	(12.9)	(12.0)
Dividends	(16.2)	(11.2)
Net Cash Flow **excluding MtM hedging instruments and amoritzed cost**	**(80.1)**	**(38.3)**
Change in MtM hedging instruments, amortized cost and FX differences	3.8	11.2
Net cash flow	**(76.3)**	**(27.1)**

The summary statement of cash flows, constructed using the indirect method, reflects a recognition of assets made prior to the introduction of IFRS16 and the reclassification of ex IFRS 15 liabilities for returns among Trade working capital.

- The cash flow absorption of H1 2023 is **driven by the Trade working capital trend**, characterized by lower than potential SS23 sales and lower FW23 purchases;
- The decrease in Trade payables (-€50m compared to 2022) will result in lower outflows in the second half, leading to a **cash flow for the financial year in line with expectations**.

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31 July 2023 Net debt and Leverage

Net debt at €242.1m and Leverage ratio of last twelve months at 1.30x, decreasing from 1.36x

€m	31 July 2023	31 July 2022
Net Debt reported	1,221.9	1,186.5
Net Debt adjusted for MtM hedging instruments and IFRS16	**242.1**	**228.7**
Leverage on EBITDA Net Debt adjusted / EBITDA Adjusted last 12 months	**1.31x**	**1.35x**
Leverage last 12 months on EBITDA Average Net Debt adjusted of last 12 months / EBITDA Adjusted last 12 months	**1.30x**	**1.36x**

- **Net debt at €242.1m** and **Leverage ratio** of last twelve months **decreasing to 1.30x** from 1.36x of 31 July 2022;
- Net debt includes the purchase of treasury shares and the distribution of dividends for €41.8m in the last twelve months;
- Treasury shares in portfolio as of 31 July 2023 were 19,428,265, or 6.678% of the share capital.

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- Good sales trend is expected to continue in the second half of the year, also thanks to the numerous product projects including the new **B Angel collection** (for young teenagers) and **Adriano Goldshmied denim capsule**;
- **Gross margin improvement**, mainly thanks to the reduction in raw material costs;
- The growing results of the first half of the year, the positive current trading and the reduction on costs that is already taking place, have **strengthened the expectations for a 2023 financial year with improved performances** over the previous year.

Disclaimer: The majority of OVS sales are related to apparel in Italy and, given its nature, are subject to climatic trends and therefore any weather anomaly could negatively affect the company's sales performance.

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Reconciliation between Adjusted and Reported Profit and Loss and Net financial position

€m	31 Jul 2023 Reported	of which IFRS 16 Impact	of which non recurring	of which Stock Option, Derivatives, PPA, Forex	31 Jul 2023 Adjusted	31 Jul 2022 Reported	of which IFRS 16 Impact	of which non recurring	of which Stock Option, Derivatives, PPA, Forex	31 Jul 2022 Adjusted	*Change Adjusted*	*Change % Adjusted*
Net Sales	**734.9**	**-**	**-**	**-**	**734.9**	**705.8**	**-**	**-**	**-**	**705.8**	***29.1***	***4.1%***
Purchases of consumables	312.7	-	-	1.9	310.7	306.5	-	-	13.4	293.2	*17.6*	*6.0%*
Gross Margin	**422.2**	**-**	**-**	**(1.9)**	**424.1**	**399.3**	**-**	**-**	**(13.4)**	**412.7**	***11.5***	***2.8%***
GM%	*57.4%*	*n.a.*	*n.a.*	*n.a.*	*57.7%*	*56.6%*	*n.a.*	*n.a.*	*n.a.*	*58.5%*		*(75ppt)*
Personnel costs	147.1	(0.0)	-	1.0	146.2	148.0	(0.0)	0.3	1.0	146.7	*(0.5)*	*(0.4%)*
Costs for services	110.7	(0.4)	1.1	-	110.0	104.3	(0.4)	1.9	-	102.8	*7.2*	*7.0%*
Rent costs	(24.2)	(94.9)	-	-	70.7	(20.2)	(88.6)	-	-	68.4	*2.3*	*3.4%*
Provisions	1.1	-	-	-	1.1	1.5	-	-	-	1.5	*(0.4)*	*(25.0%)*
Other operating costs	9.9	0.0	0.1	-	9.7	11.0	0.0	0.1	-	10.9	*(1.2)*	*(11.1%)*
Total operating costs	244.6	(95.3)	1.2	1.0	337.7	244.6	(89.0)	2.2	1.0	330.3	*7.4*	*2.2%*
EBITDA	**177.6**	**95.3**	**(1.2)**	**(2.9)**	**86.4**	**154.7**	**89.0**	**(2.2)**	**(14.4)**	**82.3**	***4.1***	***5.0%***
EBITDA%	*24.2%*	*n.a.*	*n.a.*	*n.a.*	*11.8%*	*21.9%*	*n.a.*	*n.a.*	*n.a.*	*11.7%*		*+10ppt*
Depreciation & Amortization	116.2	80.2	-	4.3	31.8	112.5	78.3	-	4.3	29.9	*1.9*	*6.3%*
EBIT	**61.3**	**15.1**	**(1.2)**	**(7.2)**	**54.6**	**42.2**	**10.6**	**(2.2)**	**(18.7)**	**52.4**	***2.2***	***4.2%***
EBIT%	*8.3%*	*n.a.*	*n.a.*	*n.a.*	*7.4%*	*6.0%*	*n.a.*	*n.a.*	*n.a.*	*7.4%*		*+1ppt*
Net financial (income)/charges	29.4	20.3	-	0.4	8.7	6.3	18.9	-	(19.9)	7.3	*1.5*	*20.2%*
PBT	**31.9**	**(5.2)**	**(1.2)**	**(7.6)**	**45.9**	**35.8**	**(8.3)**	**(2.2)**	**1.2**	**45.2**	***0.7***	***1.7%***
Taxes	9.5	(0.6)	(0.3)	(1.8)	12.3	12.0	(1.0)	(0.5)	0.3	13.3	*(1.0)*	*(7.6%)*
Net Income	**22.4**	**(4.6)**	**(0.9)**	**(5.8)**	**33.7**	**23.9**	**(7.2)**	**(1.7)**	**0.9**	**31.9**	***1.8***	***5.5%***
Net Financial Position	**1,221.9**	**974.4**	-	**5.4**	**242.1**	**1,186.5**	**984.2**	-	**(26.4)**	**228.7**	***13.3***	***5.8%***

Reconciliation between Adjusted and Reported Profit and Loss and Net financial position

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

In the first half of 2023 the results have been adjusted mainly to strip out the impacts related to IFRS 16, and specifically: (i) €95.3 million on EBITDA to reflect mainly rental costs, (ii) €15.1 million on EBIT due to the reversal of depreciation and amortisation of €80.2 million, and (iii) €5.2 million on PBT due to the reversal of €20.3 million related to net financial expenses.

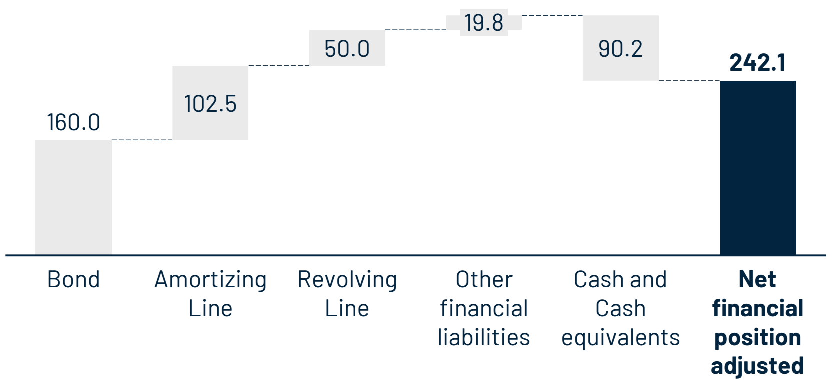
EBITDA in the first half of 2023 was also adjusted mainly as follows: (i) by €1.9 million in net foreign exchange differences for forward hedging of goods in foreign currency sold in the half year; (ii) €1.0 million in costs related to stock option plans (non-cash costs); (iii) €1.2 relating to the start-up phase of certain businesses, residual non-recurring expenses directly related to the COVID-19 emergency and other minor one-off charges.

Other adjustments that impacted EBIT and the result before tax concerned: (i) costs of €4.3 million related to the amortisation of intangible assets linked to past purchase price allocation, and (ii) financial charges of €0.4 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.

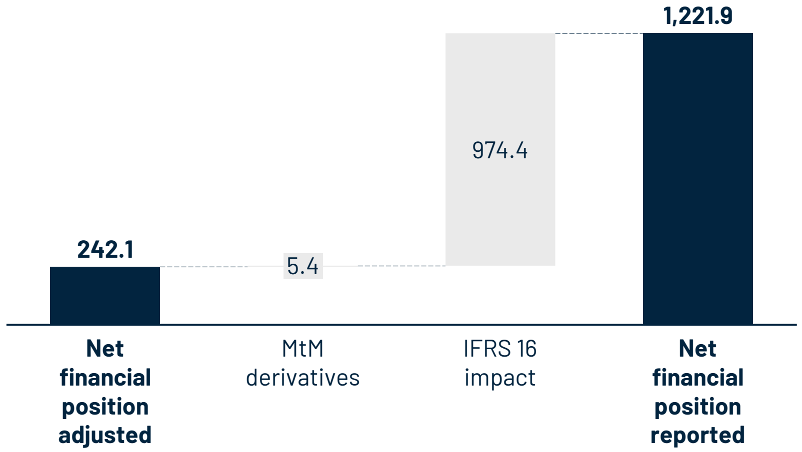
Finally, the adjusted result for the half-year was affected by €2.8 million in recalculated taxes following the above adjustments.

Reconciliation between Adjusted and Reported Net financial position

Net financial position adjusted composition



Net financial position reconciliation



The Group's adjusted net financial position, which does not reflect the mark-to-market impact of derivative financial instruments and the impact from the application of IFRS 16, was €242.1 million as at 31 July 2023, and mainly consists of the following items:

- €160 million for the "sustainability-linked bond" issued on 10 November 2021 and maturing on 10 November 2027;
- €110 million for the "Amortizing Sustainability-Linked line" maturing on 7 April 2027 (drawn for €102.5 million as at 31 July 2023);
- €120 million for the "Revolving Sustainability-Linked line" maturing on 7 April 2027 (drawn for €50 million as at 31 July 2023).

All the Group's main financial lines are linked to sustainability performance with targets in line with those defined at the time of the bond issue.

The Group's pre-IFRS 16 reported net financial position, which does not reflect the impact of the application of IFRS 16, as at 31 July 2023 was €247.5 million and includes €5.4 million resulting from the mark-to-market value of derivative instruments at that date.

The Net financial position at 31 July 2023 was €1,221.9 million and includes €974.4 million resulting from the application of IFRS 16 concerning the discounting of future lease payments; the Management believes that about €600 million, out of the €974.4 million, refer to future rent that do not represent a financial liability since the Group has an exit option.