



## OVS SpA - The Board of Directors met today in Venice and approved the results for the first semester 2015 (1 February 2015 – 31 July 2015).

### In 1H15, OVS generated excellent operating and financial results.

- ✓ Net sales increased 7.1% to €611.1 million. Sales increase was driven by 1.6% positive like-for-like and 5.5% from new store openings with the expansion of both the direct sales network (17 new full-format OVS DOS) and of the franchising network (mostly “kids”).
- ✓ EBITDA was €67.7m, €11.5m and +20.4% higher than in 1H14, with profitability increasing to 11.1% of net sales (+120 bps).
- ✓ Market share grew further to 6.7% in June 2015, up by c. 30 bps compared to December 2014, and by c. 20 bps compared to the most recent figure reported in 1Q15.
- ✓ Profit before tax, at €33.2 million, was up by €35.2 million compared with the first half of 2014, and the net result was positive at €20.0 million.
- ✓ The net financial position (€319.2 million) substantially decreased, due to the primary net proceeds of €349.1 million related to the IPO, which was completed on 2 March 2015 .

### Consolidated profit performance

	31 july '15	31 july '14	Change	Chg %
Market Share (%)	6.7	6.2	0.5	7.9%
Net Sales (€m)	611.1	570.4	40.8	7.1%
EBITDA (€m)	67.7	56.3	11.5	20.4%
% on net sales	11.1%	9.9%		
EBIT (€m)	40.1	28.0	12.1	43.2%
% on net sales	6.6%	4.9%		
EBT (€m)	33.2	(2.0)	35.2	n.a.
% on net sales	5.4%	-0.4%		
Net Profit (€m)	20.0	(14.7)	34.7	n.a.
% on net sales	3.3%	-2.6%		
Net Financial Debt (€m)	319.2	732.0	n.a.	n.a.

#### Methodological note

OVS SpA was created on 14 May 2014 and became operational in the final instant of 31 July 2014. Consequently, the information on assets and liabilities, results and cash flows for the first half of 2014 is carve-out information as reported in the listing prospectus. In order to provide a better representation of the Company's economic performance, the information reported in the income statement for the first half of 2015 has been adjusted for i) non-recurring items (net charges of €12.2 million (before tax), mainly IPO related costs (€3.4 million) and refinancing financial expenses (€6.8 million); and ii) the impact of the accounting treatment of stock options (a non-cash charge of €0.3 million) and currency derivatives (an income of €8.6 million), which require mark-to-market accounting and are therefore very volatile. 1H14 presented figures are adjusted to exclude non-recurring costs for €0.6m. Before any adjustment, 1H15 reported net profit is €17.2 million.

#### OVS SpA

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## Message from the CEO

*The excellent performance recorded at the beginning of the year has continued in the second quarter and resulted, for the six months ending 31 July 2015, in (i) sales of €611.1 million, up 7.1% compared with the same period of the previous year, (ii) EBITDA of €67.7 million, up by 20.4% and by about 120 bps as a percentage of sales and (iii) net profit of €20.0 million.*

*Unfavourable weather in the early months of the period was counterbalanced by a very hot May, with total sales growth for the six months period of 1.6% on a like-for-like basis. This performance was achieved in addition to the strong growth recorded in the same period of the previous year (+7.3%). The performance was positive for all the major brands and product categories; Women's and Men's assortment performed particularly strongly, confirming the growing appeal of the OVS brand and style. The remainder of the growth in sales (+5.5%) was due to expansion: the network grew by 17 OVS full format DOS and many other stores (mainly "kids" in franchising), all performing very well and with a general positive impact on sales density and an ever-increasing focus on location and format. The expansion plan is proceeding at a slightly faster rate than initially expected. Upim has also continued to grow and generate good results, driven by the good performance of the stores opened and converted in recent years, which are increasingly representative of the brand's new positioning and format.*

*The roll-out of operational innovations continued during the period. These initiatives include the efficient post-distribution project which has expanded to 40% of the product mix and resulted in significant sell-through improvements. Planned investments in logistics, now in progress, will allow this distribution methodology to be extended to the entire product mix, reducing costs and generating a substantial expected benefit in terms of results in the next few years. We are also continuing to invest in the development of our e-commerce and omnichannel capabilities.*

*In terms of communication and online, in addition to our constant monitoring of social networks and web-marketing*

*initiatives that resulted in a significant increase of visits to our website (now about 750,000 visits per month on average), it is worth highlighting the excellent commercial and media feedback achieved by our presence as "Official Retailer" at the Milan Expo, with a dedicated store visited by around 500,000 people, including many from abroad.*

*In terms of costs, the Group has benefited from an improvement in its operating leverage, as well as the expected effects of savings initiatives, mainly relating to energy and rents. It should also be noted that the capital structure of OVS SpA was strengthened by the IPO, with a substantial reduction in debt and full debt refinancing at more favourable interest rates. This resulted in a substantial decrease in financial charges, which affected the period under review for around five months. At the end of 1H15, net debt is at 1.9x LTM EBITDA.*

*After the reporting period, store openings continued, with a further network expansion (18 more stores, comprising five full-format DOS and 13 "kids" format franchised stores). The transfer of the OVS store on Corso Buenos Aires in Milan to a new location of around 2,800 sq m was particularly important. This entailed the creation of a new flagship store, with which OVS aims to assert its leadership not only in terms of revenues and volumes but also in terms of architectural quality, shopping experience and breadth of product range: the first days of sales are showing excellent results.*

*Our strategy of consolidation in the Italian market and our priorities remain unchanged. In addition, we are selectively assessing expansion in certain foreign markets, with both full-format and kid's-format stores. For example, an agreement has been reached with a major trading partner in the Middle East to open franchise outlets in major shopping centres in the region.*

*We believe that the strength of our strategy and the proven ability to implement it will result in a sustainable growth and an attractive return for our shareholders.*

## Consolidated profit performance

	31 July '15 €mln	31 July '14 €mln	Chg %
<b>Net Sales</b>			
OVS	517.1	483.7	6.9%
UPIM	94.0	82.3	14.3%
other	0.0	4.4	n.a.
<b>Total Net Sales</b>	<b>611.1</b>	<b>570.4</b>	<b>7.1%</b>
<b>EBITDA</b>			
OVS	63.7	56.2	13.4%
<i>EBITDA margin</i>	12.3%	11.6%	
UPIM	4.0	2.8	45.5%
<i>EBITDA margin</i>	4.3%	3.4%	
other	0.0	(2.7)	n.m.
<b>Totale EBITDA</b>	<b>67.7</b>	<b>56.3</b>	<b>20.4%</b>
<i>EBITDA margin</i>	11.1%	9.9%	
Depreciation	(27.6)	(28.2)	2.2%
of which PPA	(4.3)	(4.2)	
<b>EBIT</b>	<b>40.1</b>	<b>28.0</b>	<b>43.2%</b>
Net financial income/(charges)	(6.9)	(30.0)	76.9%
of which amortized cost and exchange diff.	(0.2)	n.a.	
<b>EBT</b>	<b>33.2</b>	<b>(2.0)</b>	<b>n.m.</b>
Taxes	(13.2)	(12.7)	
<b>Net Result</b>	<b>20.0</b>	<b>(14.7)</b>	<b>n.m.</b>

### Net sales

Total net sales grew by €40.8 million (7.1%), with a positive contribution from both divisions, on total sales and on like-for-like bases. The network increased by 17 OVS DOS full format and 98 other stores, mainly "Kids" in franchising. OVS recorded a 6.9% (€33.5 million) increase in sales, mainly reflecting network expansion, with like-for-like growth despite the extraordinary result registered for the same period a year previously.

Upim's sales increased by €11.7 million, or 14.3%, benefiting from positive like-for-like growth together with the run-rate effect of the conversions and new store openings that took place in 2014, as well as several Blukids store openings, both direct and franchised. The conversion of the remaining stores from other brands to the OVS/Upim was also completed at the beginning of the year.

### EBITDA

EBITDA was €67.7 million (11.1% of net sales), representing an increase of €11.5 million and 20.4% growth over the €56.3 million (9.9% of net sales) reported in the same period of 2014.

Both divisions contributed positively to the achievement of this result, driven by increased turnover and a largely stable gross margin across all sale channels. Profitability also benefited from (i) improved operating leverage, (ii) accretive contribution to EBITDA, in both absolute terms as well as a percentage, of the growing presence of the franchise channel in the sales mix, and (iii) tight control over costs and the outcome of specific savings initiatives (particularly on rents and energy, with the LED project).

The OVS brand recorded an increase in EBITDA of €7.6 million (around 70 basis points as a percentage of sales), while Upim recorded an increase in EBITDA from €2.8 million to €4.0 million (around 90 basis points as a proportion of sales). For a better understanding of performance by division, it should be emphasised that the Upim brand has also absorbed through conversions a large proportion of the stores previously classified as "Other", which were generating

losses in terms of store EBITDA and are now profitable.

#### **EBIT**

Due to the positive EBITDA performance and a reduction in depreciation and amortisation, the EBIT was €40.1 million, representing an improvement of €12.1 million, or 43.2%, compared with the same period last year.

#### **Profit before tax and net result**

Profit before tax was €33.2 million, representing an improvement of €35.2 million. This trend has been supported by the operating result and the significant reduction in financial expenses (€23.1 million) (down by 76.9% compared with the same period last year) as a result of the IPO and the debt refinancing completed on 2 March 2015. It should be noted that the half-year under review still includes approximately one month's worth of financial expenses relating to the previous debt structure.

Net profit of €20.0 million was recorded, partly due to improved tax efficiency, both for IRAP (recent employment tax reform) and for IRES (full deductibility of financial expenses), as well as the above mentioned factors.

#### **Net financial position**

On 31 July 2015, the Group's net financial position was €319.2 million and the ratio of net financial position to EBITDA (for the last 12 months) was 1.9x. As a result of the refinancing, the average interest on the lines of credit reduced from 5.49% in the first half of 2014 to 3.71% in the first half of 2015, and is expected to decrease further in the remaining part of 2015. The current spot interest rate is 3.00% + Euribor 3M (currently around 0%).

#### **Shareholders' equity**

The Company's shareholders' equity increased from €408.0 million at 31 January 2015 to €762.0 million at 31 July 2015. The increase, as well as the profit performance for the period reflects the impact of the capital increase via IPO, which increased the number of shares from 140,000,000 to 227,000,000, with an impact on shareholders' equity of €349.1 million, including €87.0 million allocated to the share capital and €262.1 million allocated to the share premium reserve.

## Summary statement of financial position

€ln	31 July '15	31 January '15	Change
Receivables	65.0	73.0	(8.0)
Inventory	301.9	287.6	14.2
Payables	(367.6)	(374.4)	6.9
<b>Net Operating Working Capital</b>	<b>(0.7)</b>	<b>(13.8)</b>	<b>13.1</b>
Other assets/(liabilities)	(50.5)	(69.5)	19.0
<b>Net Working Capital</b>	<b>(51.2)</b>	<b>(83.3)</b>	<b>32.1</b>
Tangible and Intangible Assets	1,349.5	1,343.9	5.5
Net deferred taxes	(162.5)	(168.5)	6.0
Other long term assets/(liabilities)	(4.7)	(5.9)	1.3
Pension funds and other provisions	(49.9)	(53.8)	4.0
<b>Net Capital Employed</b>	<b>1,081.2</b>	<b>1,032.4</b>	<b>48.8</b>
Net Equity	762.0	408.0	354.0
Net Financial Debt	319.2	624.4	(305.2)
<b>Total source of financing</b>	<b>1,081.2</b>	<b>1,032.4</b>	<b>48.8</b>

## Consolidated statement of cash flows

	€m	31 July '15
<b>EBITDA</b>		<b>67.7</b>
Change in Net Operating Working Capital		(13.1)
Other changes in Working Capital		(11.5)
Capex		(33.9)
<b>Operating Cash Flow</b>		<b>9.2</b>
Financial charges		(12.3)
Severance indemnity payment		(1.6)
Corporate taxes		(17.9)
IPO costs (excl. bank commissions)		(3.4)
IPO proceeds (net of bank commissions)		349.0
Others		(5.8)
<b>Net Cash Flow (excl derivatives MtM and amortised costs)</b>		<b>317.2</b>
MtM derivatives, amortized cost and exchange differences		(12.0)
<b>Net cash flow</b>		<b>305.2</b>

## Operating cash flow

Operating cash flow for the first half year (€9.2 million) is in line with the typical seasonality of the business and with management expectations.

## **OTHER INFORMATION**

### **Company information**

OVS SpA is a registered Italian company (VAT code 04240010274), with its registered office in Venice-Mestre (Italy). Shares of OVS SpA have been listed on the Mercato Telematico Azionario in Milan since 2 March 2015.

### **Approval of the Half-year Financial Report**

The Half-year Financial Report was approved by the Board of Directors of OVS SpA on 24 September 2015 and, on the same date, the same body authorised its publication.

### **Non-recurring items**

The non-recurring expenses excluded from the figures shown in this document (€12.2 million in the first half of 2015) mainly relate to the IPO (€3.4 million) and refinancing (€6.8 million) (all relating to financial expenses). The remainder mainly includes costs relating to restructuring expenses for stores under conversion and transactions with employees. Non-recurring expenses totalled €0.6 million in the first half of 2014.

The figures shown in this press release have also been adjusted to eliminate the impact of the accounting treatment of stock options (non-cash charge of €0.3 million) and currency derivatives (income of €8.6 million), which require mark-to-market accounting and are therefore very volatile.

### **Declaration of the Director responsible for preparing the company's accounting statements**

*Nicola Perin, the Director responsible for preparing the Company's accounting statements, hereby declares, pursuant to Article 154-bis, paragraph 2, of the Consolidated Finance Act (Testo Unico della Finanza, or TUF) that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries.*

### **Conference call for presentation of results**

Tomorrow, 25 September 2015 at 11:15 local time CET), a conference call will take place with analysts and investors during which the main results for the half year ended 31 July 2015 will be presented. To listen in on the conference call, dial +39 02 8020911 (from Italy), +44 1 212818004 (from the UK), +1 718 7058796 (from the US), (+39 02 8020927 for journalists) and confirm the access code 810#.

A presentation will be available and can be downloaded from the Company's website at [www.ovscorporate.it](http://www.ovscorporate.it), in the Investor Relations/Results and Presentations section and in the "1info" storage mechanism at [www.1info.it](http://www.1info.it). A recording of the conference call will be available on the same website the day after it takes place.

### **Half-year Financial Report at 31 July 2015**

Please note that the First Half Financial Report as of July 31, 2015, pursuant to article No. 153 ter T.U.F. - containing the simplified half-year financial statements, interim directors' report and the declaration pursuant to article 154-bis subsection 5 of T.U.F. – will be made available to the public at the company's registered offices, at the central storage of regulated information "1info" at [www.1info.it](http://www.1info.it) and will be published on the company's internet website, at the address [www.ovscorporate.it](http://www.ovscorporate.it) Section Investor Relations/Results and Presentations. Furthermore, the Auditors' report will be made available to the public in the same way, as soon as it is available and in accordance with the law.

### **Upcoming events in the financial calendar**

Interim Report on Operations for the third quarter of the year to 31 October 2015

10 December 2015

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Disclaimer

*The document may contain forward-looking statements about future events and OVS's operating and financial performance. By their nature, these forecasts are subject to risk and uncertainty, because they depend on the occurrence of future events and developments. The actual results may differ significantly from those announced due to multiple factors.*