

# FULL YEAR 2019 RESULTS

March 11, 2020



See Beyond See Beyond



## DISCLAIMER

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This presentation may contain forward looking statements based on current expectations and projects of the Group in relation to future events. Due to their specific nature, these statements are subject to inherent risks and uncertainties, as they depend on certain circumstances and facts, most of which being beyond the control of the Group. Therefore actual results could differ, even to a significant extent, with respect to those reported in the statements.

- On July 1, 2019, Safilo closed the transaction to sell Solstice retail operations.

**2019 results and comments are provided on the Group's Continuing Operations, which exclude the discontinued retail business.**

- Safilo elected to implement IFRS 16 applying the modified retrospective approach, whereby the cumulative effect of adopting the standard has been recognized at its relevant effective date on January 1<sup>st</sup> 2019, without the restatement of 2018 comparative information.

**2019 results and comments are provided on a pre-IFRS 16 basis in order to allow for a proper comparison with the previous periods**

- Safilo's economic results are impacted by non-recurring items in relation to the non-cash impairment of goodwill and write down of assets, and non-recurring costs.

**2019 results and comments are provided on an adjusted basis, with non-recurring items detailed separately**

## FIRST ADOPTION OF IFRS 16

IFRS 16 has a significant impact on the Group's consolidated balance sheet side due to the right of use assets and lease liabilities that are now recognized for contracts in which the Group is a lessee. In the consolidated statement of income, the majority of the current operating rental costs is now presented as depreciation of right of use assets and interest expenses on the lease liabilities, with a material positive impact in terms of EBITDA and a minor effect on EBIT and net income.

<b>IFRS 16 impact on 2019</b>			
(Euro in millions)	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS (SOLSTICE RETAIL BUSINESS)	TOTAL
<b>Income Statement impacts</b>			
Reduction of operating rental expenses (additional EBITDA)	13.6	5.8	19.4
Increase in depreciation expenses	(14.2)	(5.4)	(19.6)
Increase in interest expenses	(1.5)	(0.7)	(2.2)
<b>Reduction of net result</b>	<b>(2.1)</b>	<b>(0.3)</b>	<b>(2.4)</b>
<b>Net debt impact as at December 31, 2019</b>			
Increase of lease liabilities	(47.0)		(47.0)

## NON-RECURRING ITEMS

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2019 non-recurring items of the Continuing Operations, excluded from the Group's adjusted results, were Euro 295.9 million, related to:

- the impairment of the entire goodwill allocated to the Group's cash generating units of Euro 227.1 million;
- tax effects of Euro 20.4 million, being the net of the write-down of deferred tax assets of Euro 22.4 million and the tax effect on the non-recurring items themselves of Euro 1.9 million;
- the write-down of fixed assets of Euro 9.0 million for the restructuring plan in Italy, announced on December 10, 2019;
- non-recurring costs of Euro 39,4 million, related to the restructuring plan in Italy announced on December 10, 2019, for Euro 21 million, to the cost saving program undertaken by the Company during the year, and to activities linked to acquisitions and divestitures.

2018 non-recurring costs of the Continuing Operations, excluded from the Group's adjusted results, were Euro 5.8 million. In 2018, Group's adjusted results included an income of Euro 39.0 million, for the early termination of the Gucci license.

## 2019 KEY FACTS

*In 2019, Safilo continued the work started in 2018, consolidating the business foundations to develop its medium-term strategies and ambitions.*



### **CAPITAL INCREASE AND REFINANCING**

Recover a solid balance sheet



### **DISPOSAL OF SOLSTICE RETAIL BUSINESS**

Refocus investments and capabilities



### **RENEWAL OF CORE LICENSES/ SIGNING OF NEW**

Play a meaningful multi-segment strategy



### **ACQUISITION OF BLENDERS EYEWEAR**

Accelerate digital strategy and relevance of own core brands



### **RENEWAL KERING SUPPLY AGREEMENT**

Confirmation of Made in Italy volumes and skills



### **GROUP BUSINESS PLAN 2020-2024**

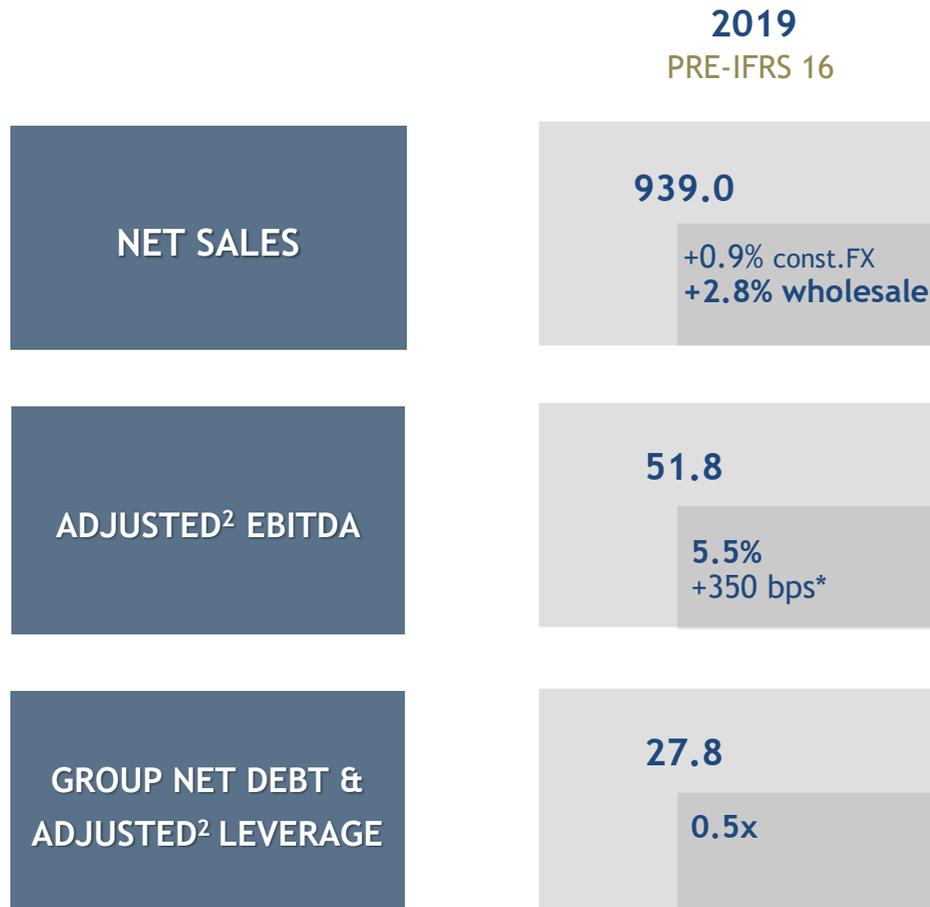
Lay down Safilo's medium term strategies and goals

# 2019 KEY ECONOMIC AND FINANCIAL HIGHLIGHTS



*A year of positive sales performance and further significant steps towards restoring a profitable Safilo*

*in millions of Euro, % on sales, %/bps change vs 2018*



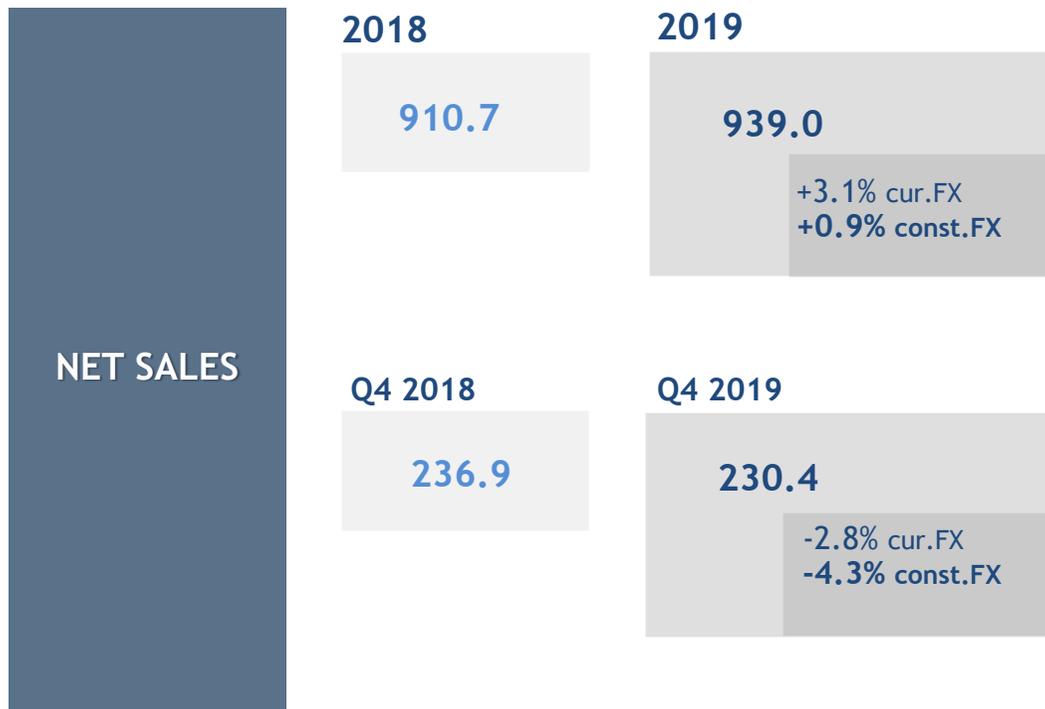
\* vs 2018 adjusted<sup>2</sup> EBITDA, excluding the income of Euro 39 million for the early termination of the Gucci license

## ECONOMIC HIGHLIGHTS OF THE CONTINUING OPERATIONS (pre-IFRS 16)

# NET SALES OF THE CONTINUING OPERATIONS

*Focus on strengthening Customer trust in Safilo, strenuously improving customer care and service levels, while reshaping the commercial organization around relevant eyewear competences and strong local accountability.*

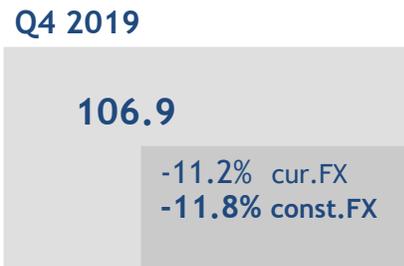
*in millions of Euro and % change vs same periods of 2018*



- Forex tailwind mainly due to USD appreciation
- Wholesale business<sup>1</sup> +2.8% in 2019/+0.1% in Q4
  - Own core brands +5.7% in 2019/+8.8% in Q4
  - Positive performance of main licenses
  - Expected deceleration of Dior in Q4 after strong run in 9M
- Expected decline of Kering supply business, more evident in Q4

# NET SALES BY GEOGRAPHY OF THE CONTINUING OPERATIONS

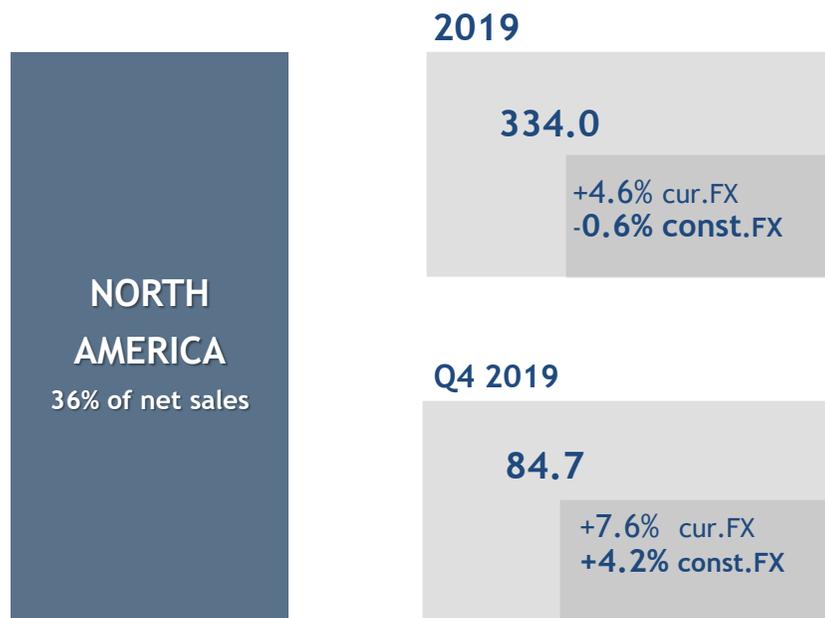
in millions of Euro and % change vs same periods of 2018



- Wholesale business<sup>1</sup> +3.2% in 2019
  - Double digit growth of Polaroid, mid-single digit of Carrera and Smith;
  - Hugo Boss driving ahead both in 3Os and chains; strong expansion of Kate Spade
- Wholesale business<sup>1</sup> -4.0% in Q4 due to challenging comps base (Q4'18 +12.1% recovering weak 9M)
- Kering supply business down as expected: ca -18% in 2019/-40% in Q4;

# NET SALES BY GEOGRAPHY OF THE CONTINUING OPERATIONS

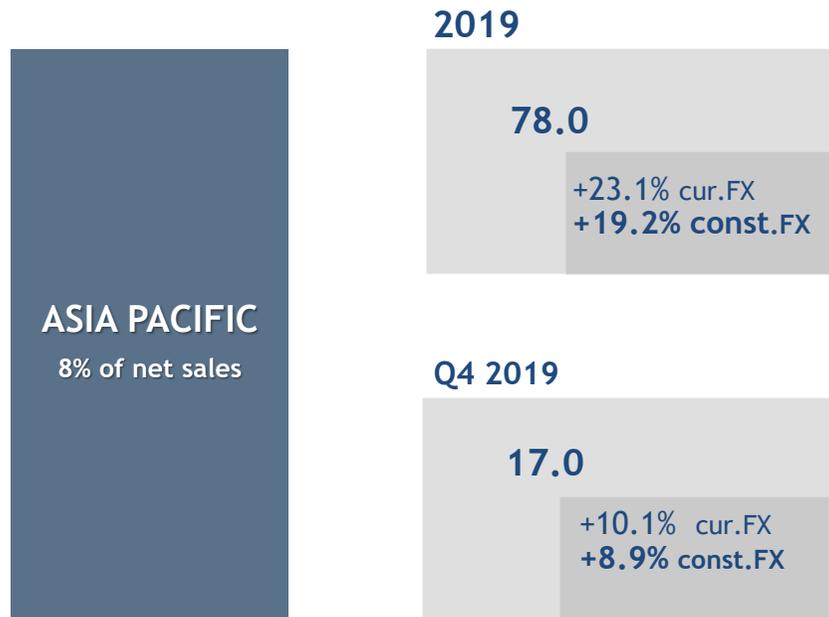
*in millions of Euro and % change vs same periods of 2018*



- Strong recovery of Smith in Q4 after Q3 temporary shortfall, positive progress of Carrera, Polaroid still to gain traction in the market
- Double-digit growth of Tommy Hilfiger
- Local US licenses struggling
- Positive business acceleration in Canada

# NET SALES BY GEOGRAPHY OF THE CONTINUING OPERATIONS

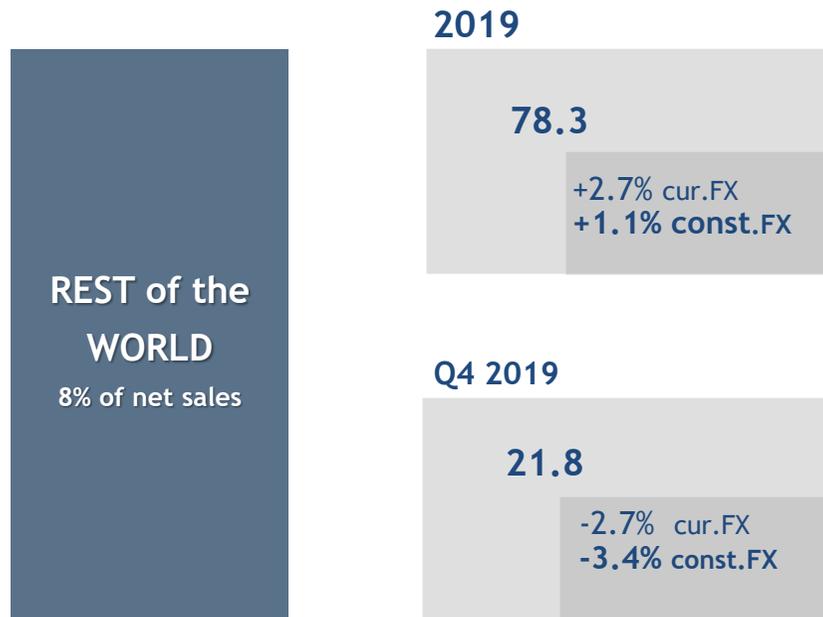
in millions of Euro and % change vs same periods of 2018



- Broad based positive performance by market, with China leading
- Positive travel retail business and growth in e.tailers
- Smith up double-digit, continuing to progress in Australia, Carrera up low single-digit

# NET SALES BY GEOGRAPHY OF THE CONTINUING OPERATIONS

*in millions of Euro and % change vs same periods of 2018*

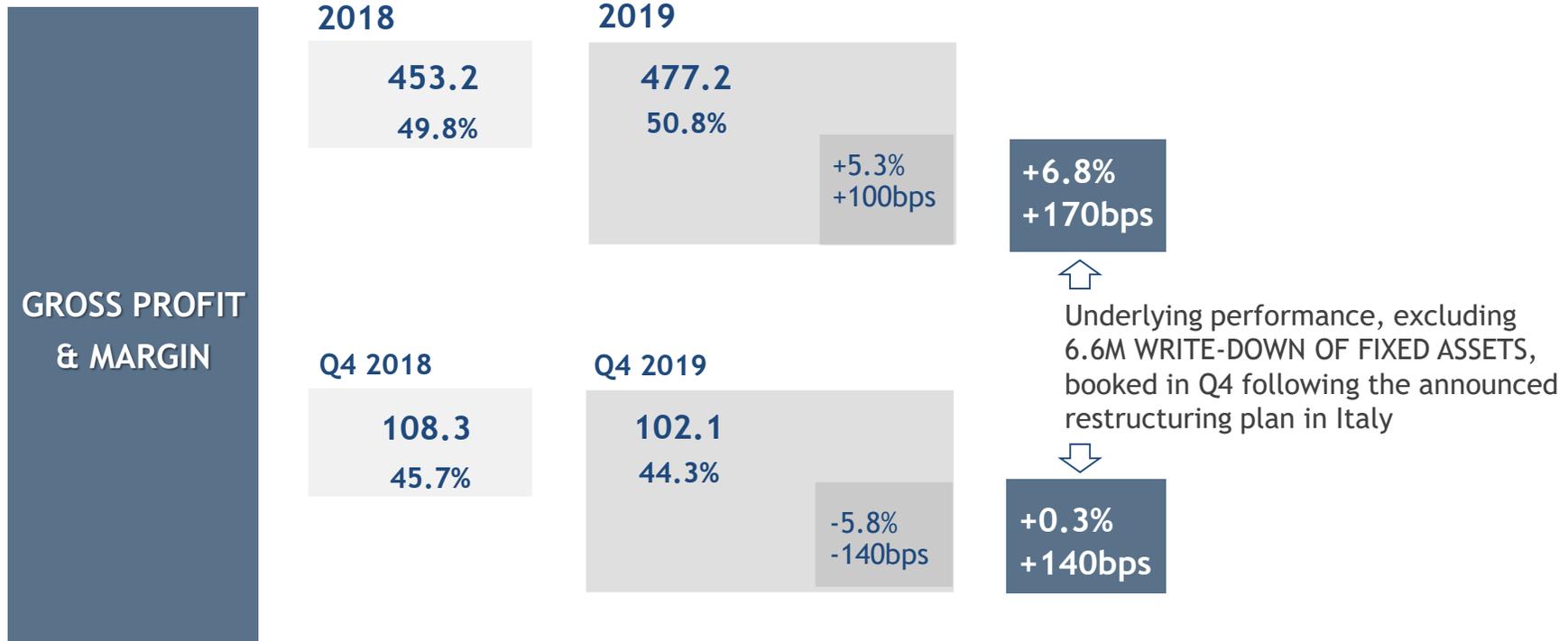


- Latin America driving ahead, up mid-single digit thanks to Carrera/Polaroid and main licenses
- IMEA down mid-single digit, improving in Q4
- Q4 performance mainly reflecting deceleration in Mexico

# GROSS PROFIT OF THE CONTINUING OPERATIONS

Cost savings mainly in procurement activities, lower obsolescence costs and a more favourable sales mix drove improvement of Continuing Operations at the Gross Profit level

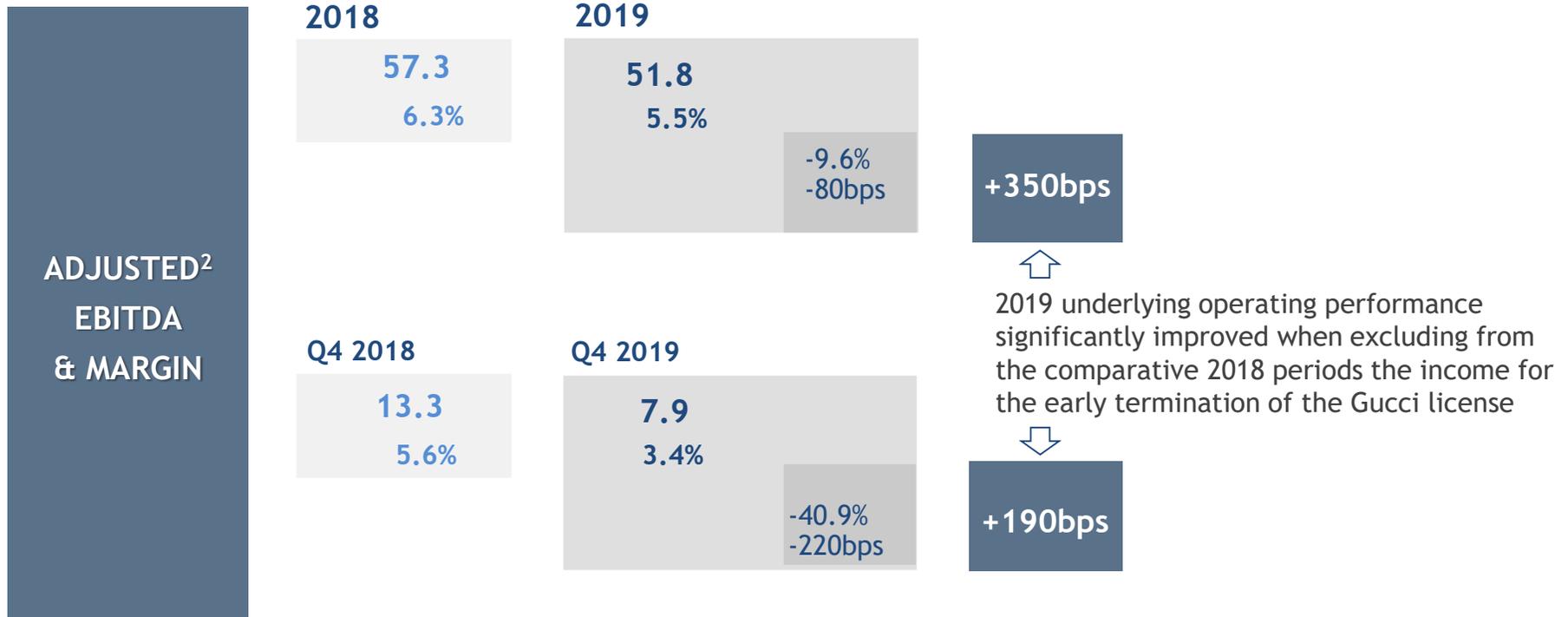
in millions of Euro, % on sales, %/bps change vs 2018



# ADJUSTED<sup>2</sup> EBITDA OF THE CONTINUING OPERATIONS

Effective cost productivity plan allowing for Euro 15 million overhead savings and contributing to taking a significant step towards restoring higher operating margins

in millions of Euro, % on sales, %/bps change vs 2018



# ADJUSTED<sup>2</sup> NET RESULT OF THE CONTINUING OPERATIONS

*Lower financial charges and fiscal burden supporting progress to restoring a profitable Safilo*

*in millions of Euro, % on sales, %/bps change vs 2018*



## FINANCIAL HIGHLIGHTS OF THE TOTAL OPERATIONS (pre-IFRS 16)

# FREE CASH FLOW AND GROUP NET DEBT

*Improved economic performance and lower NWC needs supporting better Free Cash Flow and contained Group Net Debt*

	2018	2019	
CASH FLOW FROM OPERATING ACTIVITIES, before change in WC	(11.2)*	19.5	➤ Higher EBITDA (incl. retail loss)
NET WORKING CAPITAL	(17.0)	(13.2)	➤ Intentionally higher inventories ➤ Normalized trade payables
CAPEX	(28.3)	(30.6)	
OTHER CHANGES	30.9	10.5**	
<b>FREE CASH FLOW</b>	<b>(25.6)</b>	<b>(13.8)</b>	
<b>GROUP NET DEBT &amp; ADJUSTED<sup>2</sup> LEVERAGE</b>	<b>32.9 0.7X</b>	<b>27.8 0.5x</b>	➤ Free Cash Flow and remaining proceeds from capital increase

\* Excludes the income of Euro 39 million for early termination of Gucci licence, included in OTHER CHANGES

\*\* Includes proceeds from disposal of retail business

# SUBSEQUENT EVENTS

## PRIVÉ REVAUX EYEWEAR

A FAST-GROWING USA EYEWEAR BRAND, POWERED BY A CELEBRITY ECOSYSTEM  
AND SAVVY DIGITAL MARKETING

- Founded in 2017 in Miami by David Schottenstein;
- A business model empowered by strong social media engagement and digital marketing capabilities, fueled by a strategic network of celebrities;
- A repeatable and scalable strategy of distinctive capsule collection programs, co-branded by major celebrity influencers, that can be introduced into various markets around the world;
- A wide assortment of fashionable, affordable and quality sunglasses, blue light blocking and reading glasses, distributed through a broad set of channels and retail partners, both online and offline;
- 2019E Net sales of ~\$20m, up around 90% compared to the previous year and expected to continue strongly growing them in 2020.



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- On Feb 10, 2020 Safilo simultaneously signed and closed the acquisition of 61.34% of the Company's equity for \$67.5 million (€61.6 million at the exchange rate on the announcement date).
  - David Schottenstein retains ownership of approximately 15.5% of the equity, while the remainder is held by celebrities Jamie Foxx, Hailee Steinfeld and Ashley Benson, senior management of the Company, and certain other investors. David will remain CEO of Privé Revaux which will continue to run out of its Miami headquarters.



POLAROID X MSGM  
CAPSULE COLLECTION

CARRERA celebrates the third anniversary of its partnership with the Alfa Romeo Racing ORLEN Team by launching a special Capsule Collection



## Polaroid

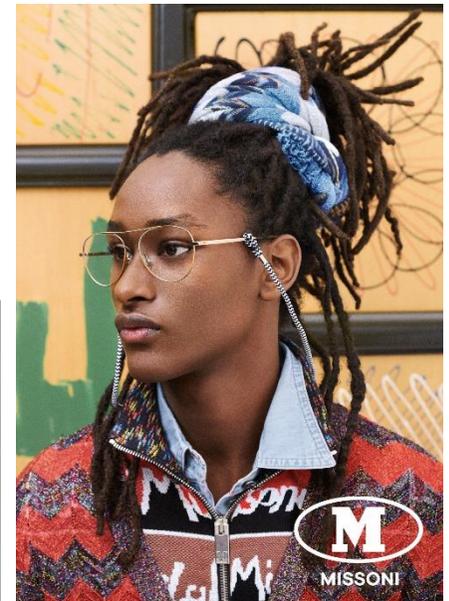
Full year global project linked to Music and Festival experiences.  
Capsule collection involving macro and micro influencers



# POSITIVE START TO THE YEAR



EYEWEAR by DAVID BECKHAM



## 2020 OUTLOOK

On December 10, 2019, in the context of the Group Business Plan 2020-2024, Safilo communicated its 2020 outlook, which:

- includes the acquisition of Blenders, signed on December 8, 2019 and still to be closed at the present date
- does not include the acquisition of Privè Revaux, signed and simultaneously closed on February 10, 2020
- does not include any potential impact deriving from the current COVID-19 (coronavirus) outbreak and spread, whose evolution is currently uncertain. The Group is actively working to address the current challenges, and is closely monitoring potential impacts, while implementing mitigation actions.

	2020 Outlook PRE-IFRS 16
NET SALES	960-1,000M +2-6%
ADJUSTED EBITDA MARGIN	ca 6%
ADJUSTED FINANCIAL LEVERAGE	1-1.5x

# NEW TEN-YEAR EYEWEAR AGREEMENT WITH ISABEL MARANT

## ISABEL MARANT

REBECCA LEIGH  
PHOTOGRAPHED BY JUERGEN TELLER



Founded in 1994, Isabel Marant is an iconic French luxury brand designing and distributing Ready-To-Wear and Accessories

*“We are pleased to welcome to our portfolio one of the coolest French designer brands whose unique expression and iconic style ensure it stands out within the advanced luxury design segment. This positioning between contemporary and traditional luxury allows design-driven, trend-setting brands, such as Isabel Marant, to captivate and engage Gen Z and Millennials with their originality, recognition and authenticity.”*

*“We will focus on reflecting the brand’s distinctive Parisian style through its eyewear collections to appeal to women both in France and throughout the world and expand the brand in this important product category.”*

Angelo Trocchia, CEO

# Appendices

1. The wholesale business excludes Kering supply business, recorded within the geographical area of Europe.
2. In 2019, the adjusted economic results of the Continuing Operations exclude: (i) the impairment of the entire goodwill allocated to the Group's cash generating units of Euro 227.1 million, (ii) the write-down of deferred tax assets of Euro 22.4 million, (iii) the write-down of fixed assets of Euro 9.0 million for the restructuring plan in Italy, announced on December 10, 2019, (iv) non-recurring costs of 39.4 million, related to the above-mentioned restructuring plan in Italy for Euro 21 million, to the cost saving program undertaken by the Company during the year, and to activities linked to acquisitions and divestitures. At the net result level, there was a positive tax effect on the non-recurring costs themselves of Euro 1.9 million.

In Q4 2019, the adjusted EBITDA excludes non-recurring costs for Euro 29.0 million, the corresponding part of the above indicated Euro 39.4 million.

In 2018, the adjusted economic results excluded non-recurring costs for Euro 5.8 million, mainly related to the CEO succession plan and reorganization costs in North America and Europe, and included an income of Euro 39.0 million, annual portion of the total Euro 90 million accounting compensation for the early termination of the Gucci license.

In Q4 2018, the adjusted EBITDA excluded non-recurring costs for Euro 1.3 million and included an income of Euro 9.8 million, as pro-rata portion of the annual accounting compensation for the early termination of the Gucci license.

3. In 2019, the adjusted economic results of the Total Operations also exclude non-recurring items related to the retail discontinued operations: (i) Euro 17.3 million for the loss on disposal and (ii) non-recurring costs for Euro 1.3 million.

# Net Sales by geographic area of the Continuing operations

(Euro in millions)	FY 2019	%	FY 2018	%	% Change at current forex	% Change at constant forex
Europa	448.8	47.8%	452.0	49.6%	-0.7%	-0.7%
North America	334.0	35.6%	319.1	35.0%	+4.6%	-0.6%
Asia Pacific	78.0	8.3%	63.3	7.0%	+23.1%	+9.2%
Rest of the world	78.3	8.3%	76.3	8.4%	+2.7%	+1.1%
<b>Total</b>	<b>939.0</b>	<b>100.0%</b>	<b>910.7</b>	<b>100.0%</b>	<b>+3.1%</b>	<b>+0.9%</b>

(Euro in millions)	Q4 2019	%	Q4 2018	%	% Change at current forex	% Change at constant forex
Europa	106.9	46.4%	120.4	50.8%	-11.2%	-11.8%
North America	84.7	36.8%	78.7	33.2%	+7.6%	+4.2%
Asia Pacific	17.0	7.4%	15.4	6.5%	+10.1%	+8.9%
Rest of the world	21.8	9.5%	22.4	9.5%	-2.7%	-3.4%
<b>Total</b>	<b>230.4</b>	<b>100.0%</b>	<b>236.9</b>	<b>100.0%</b>	<b>-2.8%</b>	<b>-4.3%</b>

# Economic highlights of the Continuing Operations

(Euro in millions)	2019 reported	2019 pre-IFRS 16	2018	% Change pre-IFRS 16
<b>Net sales</b>	939.0	<b>939.0</b>	910.7	<b>+3.1%</b>
<b>Gross profit</b>	476.9	<b>477.2</b>	453.2	<b>+5.3%</b>
<i>% on net sales</i>	50.8%	<b>50.8%</b>	49.8%	
<b>EBITDA</b>	26.1	<b>12.4</b>	51.5	<b>-75.8%</b>
<i>% on net sales</i>	2.8%	<b>1.3%</b>	5.7%	
<b>Adjusted<sup>2</sup> EBITDA</b>	65.4	<b>51.8</b>	57.3	<b>-9.6%</b>
<i>% on net sales</i>	7.0%	<b>5.5%</b>	6.3%	
<b>Operating result</b>	(271.7)	<b>(271.2)</b>	7.6	<b>n.s.</b>
<i>% on net sales</i>	-28.9%	<b>-28.9%</b>	0.8%	
<b>Adjusted<sup>2</sup> operating result</b>	3.7	<b>4.2</b>	13.5	<b>-68.6%</b>
<i>% on net sales</i>	0.4%	<b>0.5%</b>	1.5%	
<b>Group net result</b>	(301.9)	<b>(299.8)</b>	(19.8)	<b>n.s.</b>
<i>% on net sales</i>	-32.2%	<b>-31.9%</b>	-2.2%	
<b>Adjusted<sup>2</sup> Group net result</b>	(6.0)	<b>(4.0)</b>	(14.0)	<b>+71.8%</b>
<i>% on net sales</i>	-0.6%	<b>-0.4%</b>	-1.5%	

(Euro in millions)	Q4 2019 reported	Q4 2019 pre-IFRS 16	Q4 2018	% Change pre-IFRS 16
<b>Net sales</b>	230.4	<b>230.4</b>	236.9	<b>-2.8%</b>
<b>Gross profit</b>	101.8	<b>102.1</b>	108.3	<b>-5.8%</b>
<i>% on net sales</i>	44.2%	<b>44.3%</b>	45.7%	
<b>EBITDA</b>	(17.9)	<b>(21.1)</b>	12.0	<b>n.s.</b>
<i>% on net sales</i>	(7.8%)	<b>(9.2%)</b>	5.1%	
<b>Adjusted<sup>2</sup> EBITDA</b>	11.1	<b>7.9</b>	13.3	<b>-40.9%</b>
<i>% on net sales</i>	4.8%	<b>3.4%</b>	5.6%	

# Economic highlights of the Total Operations

(Euro in millions)	2019 reported	2019 pre-IFRS 16	2018	% Change pre-IFRS 16
<b>Net sales</b>	964.7	964.7	962.9	+0.2%
<b>Gross profit</b>	487.3	487.7	481.5	+1.3%
<i>% on net sales</i>	50.5%	50.6%	50.0%	
<b>EBITDA</b>	23.0	3.6	41.7	-91.5%
<i>% on net sales</i>	2.4%	0.4%	4.3%	
<b>Adjusted<sup>2,3</sup> EBITDA</b>	63.7	44.3	47.5	-6.8%
<i>% on net sales</i>	6.6%	4.6%	4.9%	
<b>Operating result</b>	(294.5)	(294.3)	(5.9)	n.s.
<i>% on net sales</i>	-30.5%	-30.5%	-0.6%	
<b>Adjusted<sup>2,3</sup> operating result</b>	(4.1)	(3.9)	0.0	n.s.
<i>% on net sales</i>	-0.4%	-0.4%	0.0%	
<b>Group net result</b>	(328.3)	(325.9)	(32.4)	n.s.
<i>% on net sales</i>	-34.0%	-33.8%	-3.4%	
<b>Adjusted<sup>2,3</sup> Group net result</b>	(13.7)	(11.4)	(26.7)	+57.5%
<i>% on net sales</i>	-1.4%	-1.2%	-2.8%	

# Balance Sheet

	December 31, 2019 reported	December 31, 2019 pre-IFRS 16	December 31, 2018	Change pre-IFRS 16
Net working capital	250.8	250.8	251.3	(0.5)
Tangible, Right of Use, and Intangible fixed assets	240.6	198.4	461.6	(263.3)
Financial fixed assets	0.0	0.0	0.0	0.0
Non-current assets held for sale	5.5	5.5	0.0	5.5
Other assets / (liabilities), net	(80.1)	(82.9)	(33.7)	(49.2)
<b>Net invested capital</b>	<b>416.8</b>	<b>371.8</b>	<b>679.2</b>	<b>(307.4)</b>
Net financial position	(74.8)	(27.8)	(32.9)	5.1
Group Shareholders' equity	(342.1)	(344.1)	(646.3)	302.2
Non-controlling interests	0.1	0.1	0.0	0.1

# Net Working Capital

	December 31, 2019	December 31, 2018	Change
Trade receivables	188.2	184.4	3.8
Inventories	235.8	237.7	(1.9)
Trade payables	(173.1)	(170.8)	(2.4)
<b>Net working capital</b>	<b>250.8</b>	<b>251.3</b>	<b>(0.5)</b>
<i>% on net sales</i>	<i>26.7%</i>	<i>26.1%</i>	

# Free Cash Flow

(Euro in millions)	2019 reported	2019 pre-IFRS 16	2018
Cash flow from operating activities before changes in working capital	36.8	19.5	27.8
Changes in working capital	(10.2)	(9.9)	(25.1)
Cash flow from operating activities	26.5	9.6	2.7
Cash flow for investment activities	(41.0)	(23.4)	(28.3)
<b>Free Cash Flow</b>	<b>(14.5)</b>	<b>(13.8)</b>	<b>(25.6)</b>

# Exchange Rates

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		December 31, 2019	December 31, 2018	%	December 31, 2019	December 31, 2018	%
US Dollar	USD	1.1234	1.1450	-1.9%	1.1195	1.1810	-5.2%
Hong-Kong Dollar	HKD	8.7473	8.9675	-2.5%	8.7715	9.2559	-5.2%
Swiss Franc	CHF	1.0854	1.1269	-3.7%	1.1125	1.1550	-3.7%
Canadian Dollar	CAD	1.4598	1.5605	-6.5%	1.4855	1.5294	-2.9%
Japanese Yen	YEN	121.9400	125.8500	-3.1%	122.0058	130.3959	-6.4%
British Pound	GBP	0.8508	0.8945	-4.9%	0.8778	0.8847	-0.8%
Swedish Krown	SEK	10.4468	10.2548	1.9%	10.5891	10.2583	3.2%
Australian Dollar	AUD	1.5995	1.6220	-1.4%	1.6109	1.5797	2.0%
South-African Rand	ZAR	15.7773	16.4594	-4.1%	16.1757	15.6186	3.6%
Russian Ruble	RUB	69.9563	79.7153	-12.2%	72.4553	74.0416	-2.1%
Brasilian Real	BRL	4.5157	4.4440	1.6%	4.4134	4.3085	2.4%
Indian Rupee	INR	80.1870	79.7298	0.6%	78.8361	80.7332	-2.3%
Singapore Dollar	SGD	1.5111	1.5591	-3.1%	1.5273	1.5926	-4.1%
Malaysian Ringgit	MYR	4.5953	4.7317	-2.9%	4.6374	4.7634	-2.6%
Chinese Renminbi	CNY	7.8205	7.8751	-0.7%	7.7355	7.8081	-0.9%
Korean Won	KRW	1,296.2800	1,277.9300	1.4%	1,305.3173	1,299.0713	0.5%
Mexican Peso	MXN	21.2202	22.4921	-5.7%	21.5565	22.7054	-5.1%
Turkish Lira	TRY	6.6843	6.0588	10.3%	6.35777	5.70767	11.4%
Dirham UAE	AED	4.1257	4.205	-1.9%	4.11127	4.33706	-5.2%

# Brand Portfolio

**SAFILO**  
MADE IN ITALY DAL 1924

**BOSS**  
HUGO BOSS

**MISSONI**

JIMMY CHOO

ELIE SAAB

**MOSCHINO**

**CARRERA**  
EYEWEAR SINCE 1959

TOMMY HILFIGER

**HUGO**  
HUGO BOSS

**GIVENCHY**  
PARIS

MARC JACOBS

kate spade  
NEW YORK

**SMITH**

**UNDER ARMOUR\***

rag & bone  
NEW YORK

**DB**

EYEWEAR by DAVID BECKHAM

**DIOR**

BANANA REPUBLIC

**MaxMara**

**Polaroid**

**elasta**  
-SAFILO

**M**  
MISSONI

**FENDI**

LOVE  
**MOSCHINO**

pierre cardin  
PARIS

**BLENDERS**  
EYEWEAR

**CHESTERFIELD**  
EYEWEAR

**Juicy Couture**

**FOSSIL**

REBECCA MINKOFF

LIZ CLAIBORNE

**PRIVÉ REVAUX**  
EYEWEAR

**ADENSCO**

**Levi's**

**TOMMY**  
JEANS

**havaianas**

swatch  
the eyes

SEVENTH STREET  
- Safilo

\* from 2021

\*\* signed and communicated on December 8, 2019 and still to be closed at the present date