



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

*December 11, 2019*



A close-up, slightly blurred background image of a man and a woman. The man on the left is wearing dark sunglasses and has a beard. The woman on the right is wearing thin-rimmed glasses and has long dark hair. The image is overlaid with a semi-transparent blue rectangle containing text.

## DISCLAIMER

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.



# TODAY AGENDA

An Attractive Eyewear Industry

Safilo 2018-2019 Achievements

Our Roadmap to 2024

Financial Targets





# TODAY AGENDA

## AN ATTRACTIVE EYEWEAR INDUSTRY

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# AN ATTRACTIVE EYEWEAR INDUSTRY WITH CLEAR GROWTH DRIVERS



## EYEWEAR MARKET SALES

(retail value in Euro billion and CAGR 2018-23)

### Demographics

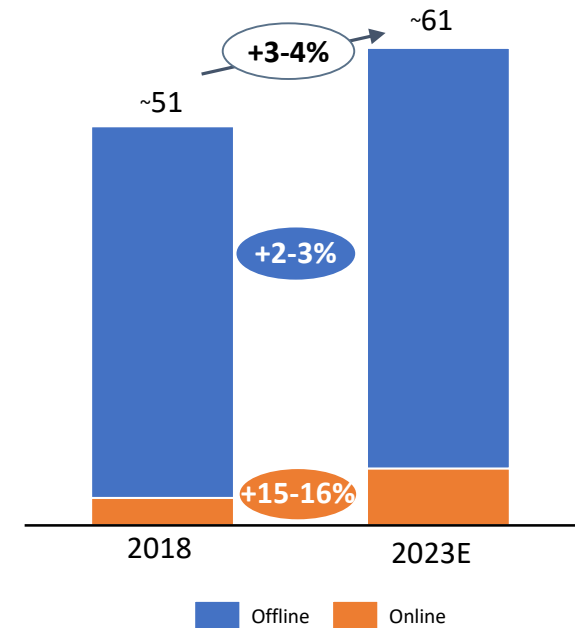
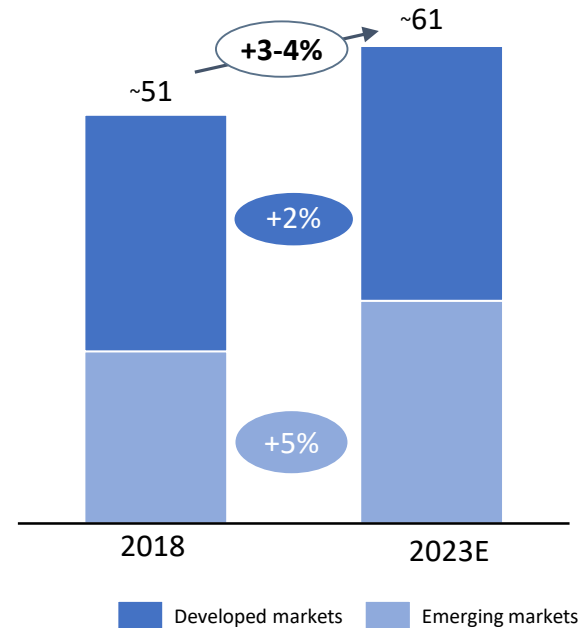
>2bn people in need of eyecare solution

### Consumer behavior

Impact of millennials

### Channels

Digital overgrowing



Source: Euromonitor International data; BCG analysis; Safilo estimates

# AN ATTRACTIVE EYEWEAR INDUSTRY WITH CLEAR GROWTH DRIVERS

Channels  
Digital overgrowing

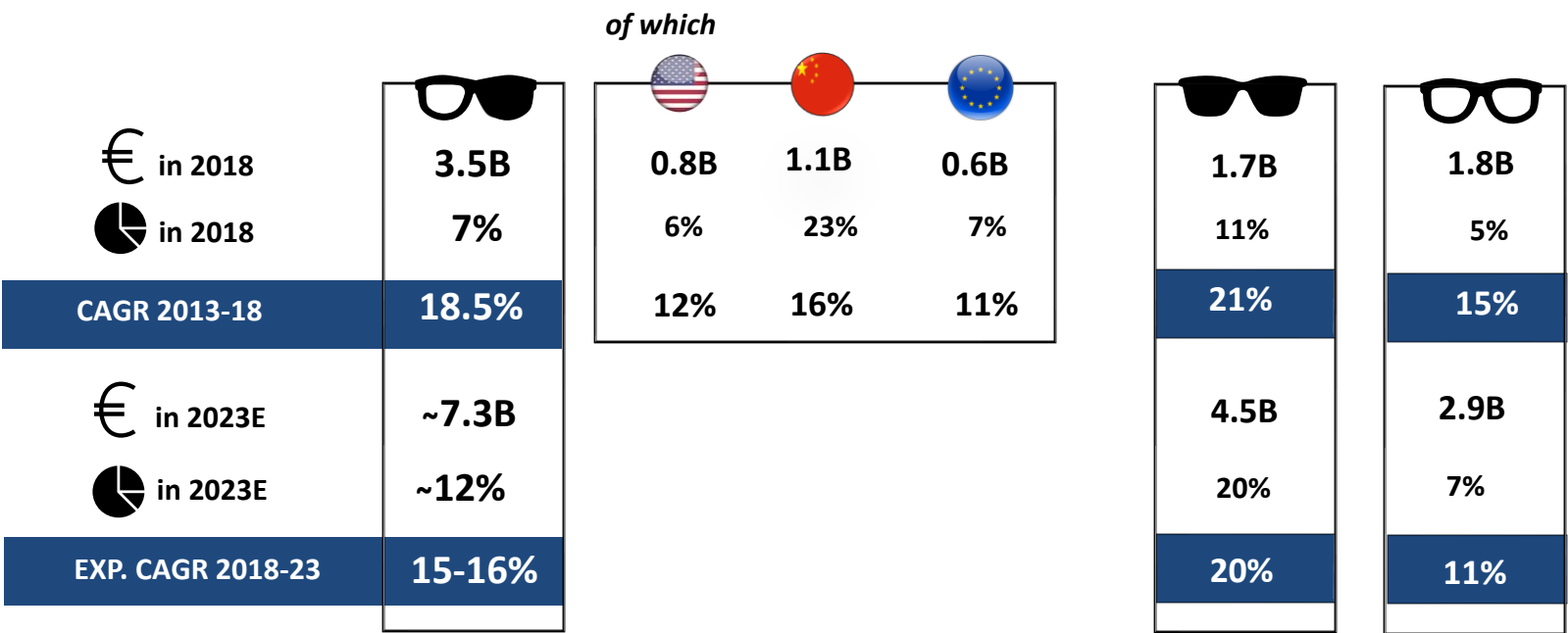


## EYEWEAR ONLINE SALES

(retail value and % incidence on Total Eyewear Sales)



**Digital channels** represent today around 7% of total eyewear sales, **growing fast**, with online platforms/multi brand websites and specialist players leading the growth. **Omni-channel** becomes **more and more important**



A close-up photograph of a man and a woman. The man on the left is wearing dark sunglasses and has a beard. The woman on the right is wearing round, thin-framed glasses and has long dark hair. They are both looking towards the camera.

# TODAY AGENDA

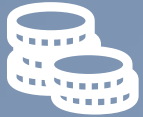
An Attractive Eyewear Industry

## **SAFILO 2018-2019 ACHIEVEMENTS**

Our Roadmap to 2024

Financial Targets

# SAFILO 2018-2019 ACHIEVEMENTS



## **CAPITAL INCREASE AND REFINANCING**

Recover a solid balance sheet



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

Play a meaningful multi-segment strategy



## **RENEWAL KERING SUPPLY AGREEMENT**

Retention of production volumes and skills



## **ACQUISITION OF BLENDERS EYEWEAR**

Accelerate digital strategy and relevance of own core brands



## **DISPOSAL OF SOLSTICE RETAIL BUSINESS**

Refocus investments and capabilities



## **2019E ECONOMIC TURNAROUND**

Recover top line growth and operating performance



# RENEWAL OF CORE LICENSES AND SIGNING OF NEW

Most recent news in Safilo brand portfolio



**BOSS**  
HUGO BOSS

**HUGO**  
HUGO BOSS

kate spade  
NEW YORK

TOMMY HILFINGER

MARC JACOBS



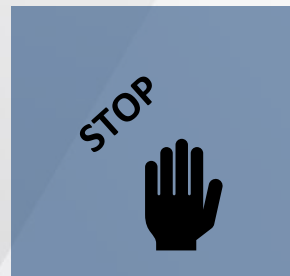
**Levi's**

**MISSONI**

**M**  
MISSONI

**DB**  
EYEWEAR by DAVID BECKHAM

**UNDER ARMOUR**

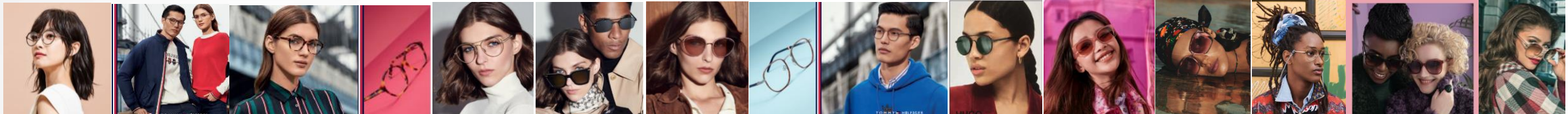


**DIOR**

**FENDI**

# SAFILO BRAND PORTFOLIO TOMORROW

Continue playing a meaningful multi-segment strategy



SAFILO  
MADE IN ITALY DAL 1934

BOSS  
HUGO BOSS

JIMMY CHOO

MISSONI

GIVENCHY

MaxMara

MOSCHINO

ELIE SAAB

TOMMY HILFINGER

HUGO  
HUGO BOSS



EYEWEAR by DAVID BECKHAM

MARC JACOBS rag & bone  
NEW YORK

kate spade  
NEW YORK

CARRERA  
EYEWEAR SINCE 1956

SMITH

UNDER ARMOUR



Juicy Couture



REBECCA MINKOFF

LOVE  
MOSCHINO

BANANA REPUBLIC

pierre cardin  
paris

Polaroid

elasta  
by SAFILO

LIZ CLAIBORNE

CHESTERFIELD  
EYEWEAR

ADENSCO

Levi's

TOMMY  
JEANS

havaianas

swatch  
the eyes

BLENDERS  
EYEWEAR

SEVENTH STREET  
by Safilo

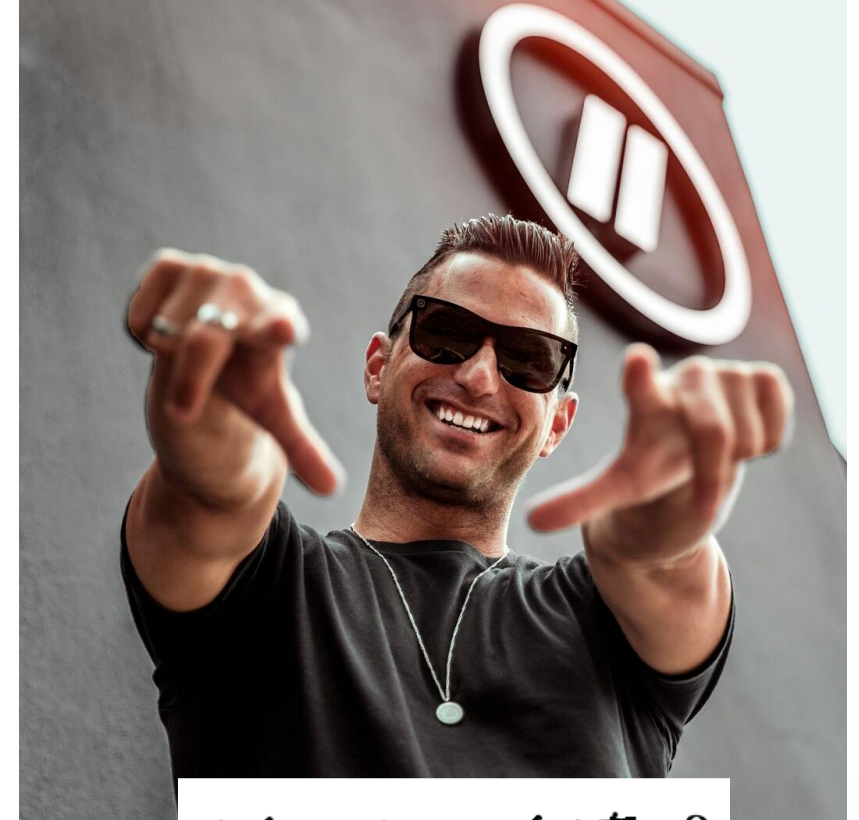
# ACQUISITION



## A DISRUPTIVE, DIGITALLY NATIVE EYEWEAR BRAND

- Founded in 2012 in San Diego by Chase Fisher;
- An advance e-commerce business with unique digital and social media skills;
- A compelling price-to-value eyewear product offer, appealing to a broad range of consumers with a focus on Millennials and Generation Z;
- A US business, approximately 95% on line;
- 2019E Net sales of ~\$42m and mid-teens EBITDA.

- 
- *On Dec 9, 2019 Safilo acquired 70% of the Company's equity for around \$63 million (subject to customary price adjustments b/w signing and closing).*
  - *Chase Fisher will remain CEO of Blenders Eyewear which will continue to run out of its San Diego home.*





# ACQUISITION



## A KEY PILLAR TO ACCELERATE D2C CAPABILITIES AND BUSINESS

- Rapid growth in high quality traffic, bring conversion to industry-leading levels
- Fine-tuned marketing strategy centred on paid digital advertising and sponsored programs, complemented by organic media
- Profitable business since inception, focused on a disciplined spending approach



# 2019 ECONOMIC TURNAROUND

2019 an important foundation for top line growth and improvement of underlying operating performance (EBITDA<sup>1</sup>)

## Key Achievements:

- ALL OWN CORE BRANDS BACK TO GROWTH
- EUROPE AND KEY EMERGING MARKETS DRIVING AHEAD
- HIGHER INVESTMENTS IN DIGITAL AND SOCIAL MARKETING
- NEW COMMERCIAL LEADERSHIP WITH LOCAL ACCOUNTABILITY
- FIRST SIGNIFICANT IMPROVEMENT OF CUSTOMER SERVICE LEVELS/CLIENT SATISFACTION
- MORE EFFICIENT PRODUCTION PROCESSES AND OVERHEAD COST SAVINGS

# 2019 KEY EXECUTION PLANS

Carrera and Polaroid two significant showcases



## DISTRIBUTION AND PRODUCT OFFER DRIVING INCREASING SELL IN AND SELL OUT PERFORMANCE

- strong product and collection consistency
- higher collection mix value
- collection rationalization and merchandising mix refresh
- higher productivity per door and network requalification
- wider and differentiated product clusters
- higher collection mix value
- higher productivity per door

## MARKETING BOOSTING BRAND AND PRODUCT VISIBILITY AND INTENTION-TO-BUY

- focus on social and digital communication
- strong #driveyourstory# platform to engage consumers
- Alfa Romeo F1 sponsorship for visibility & engagement
- premium windows and in-store permanent visibility
- focus on social and digital communication
- strong #See Beyond# platform to engage consumers
- sell in/sell out activities leveraging on strong testimonials
- in-store visibility with seasonal and festivities concepts





# TODAY AGENDA

An Attractive Eyewear Industry

Safilo 2018-2019 Achievements

## OUR ROADMAP TO 2024

Financial Targets

# OUR ROADMAP TO 2024

for a modern and successful customer-centric and consumer-oriented business model

## KEY OBJECTIVES

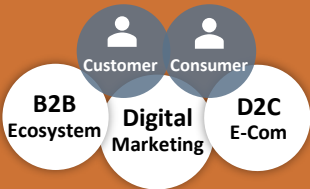
### SALES GROWTH

- Core brands focus
- Market opportunities
- Product and Channel balance

### MARGINS EXPANSION

- Industrial footprint
- Cost Productivity plan

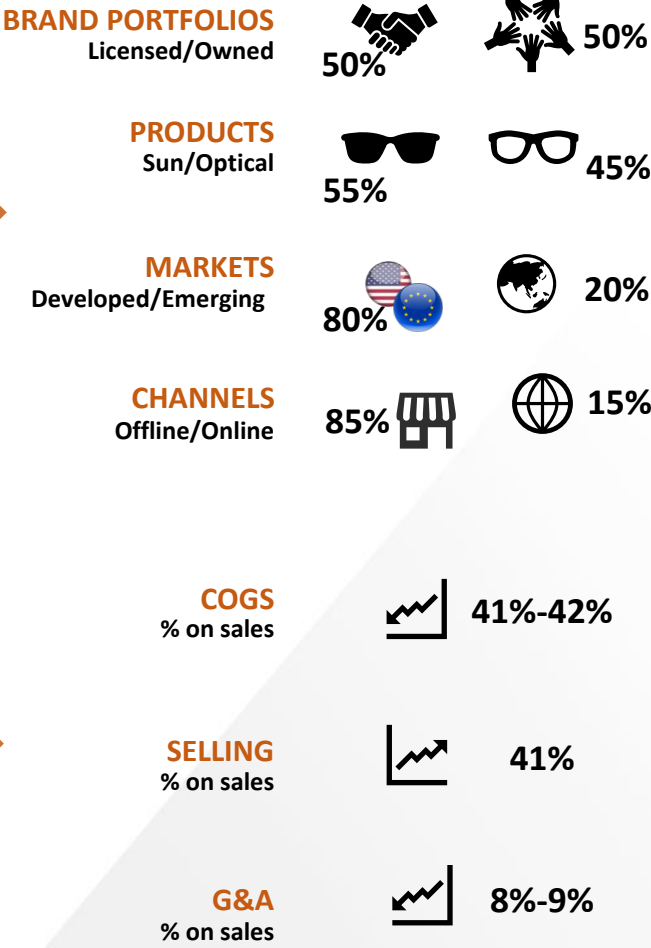
## KEY ENABLERS



### NEW DIGITAL TRANSFORMATION STRATEGY

### NEW INDUSTRIAL PLAN & ONGOING COSTS OPTIMIZATION

## DRIVERS BY 2024

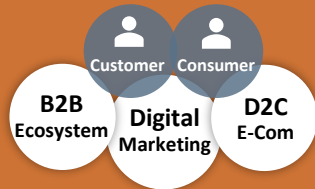


# OUR ROADMAP TO 2024

for a modern and successful customer-centric and consumer-oriented business model

## SALES GROWTH

- Core brands focus
- Market opportunity
- Product and Channel balance



## NEW DIGITAL TRANSFORMATION STRATEGY

TO ENABLE A MODERN AND SUCCESSFUL CUSTOMER-CENTRIC  
AND CONSUMER-ORIENTED BUSINESS MODEL

*while we continue leveraging our strongholds*

LEADERSHIP IN DESIGN, PRODUCT  
DEVELOPMENT AND INNOVATION

GLOBAL COMMERCIAL FOOTPRINT

KNOW-HOW IN BRAND MANAGEMENT



# OUR ROADMAP TO 2024

SALES  
GROWTH

## NEW DIGITAL TRANSFORMATION STRATEGY

FOR A MODERN AND SUCCESSFUL CUSTOMER-CENTRIC-CONSUMER-ORIENTED BUSINESS MODEL

### **Strong** DIGITAL MARKETING STRATEGY

Focus skills and investments into  
DIGITAL AND SOCIAL MARKETING  
to build BRAND AWARENESS and  
increase INTENTION TO BUY

TO STEP CHANGE  
CUSTOMER EXPERIENCE  
ENGAGEMENT &  
INSTORE  
PRODUCTIVITY



TO REACH OUT  
MORE FREQUENTLY,  
MORE EFFECTIVELY  
CONSUMERS



- 60-70% OF CARRERA & POLAROID MEDIA INVESTMENTS ARE DIGITAL
- KEY OPPORTUNITY FOR SMITH TO EXPAND BRAND AWARENESS TO NEW CONSUMER SEGMENTS
- EXPAND BEST DIGITAL PRACTICES AMONG OUR KEY LICENSES
- CONTINUE SUCCESSFUL BLENDERS BUSINESS MODEL AND DRIVE RE-APPLICATION TO SAFILO OCB

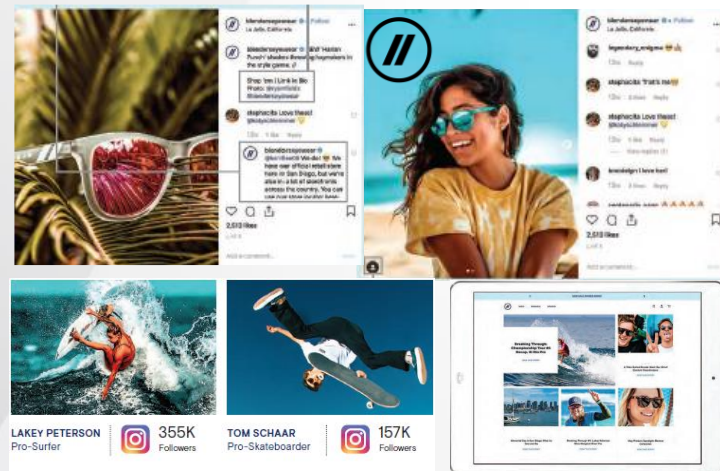
# OUR ROADMAP TO 2024

SALES  
GROWTH

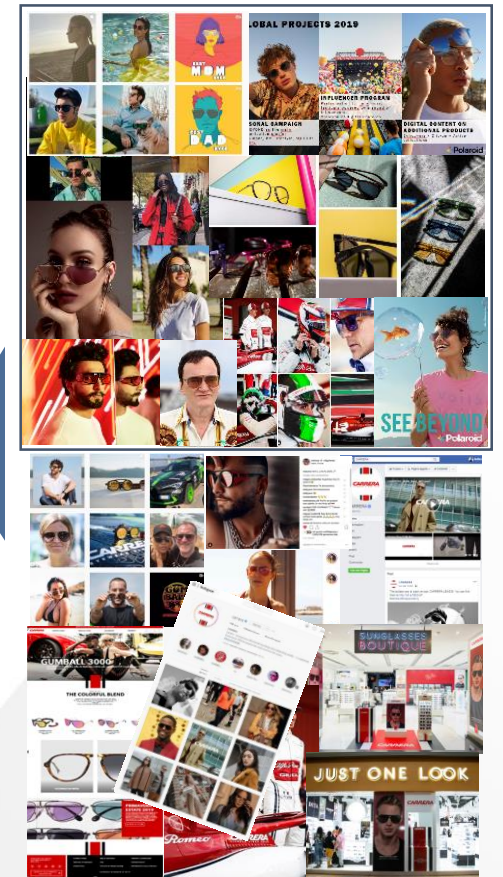
- Our priorities in DIGITAL & SOCIAL MARKETING



- Build on brand lifestyle and product stories across social media



- Increase relevance of digital contents in all main touchpoints
- Increase digital instore solutions and “drive to store” actions
- Enhance social media engagement (Facebook, Instagram), introducing the brand to new customers and engaging with current ones.



# OUR ROADMAP TO 2024

SALES  
GROWTH

## NEW DIGITAL TRANSFORMATION STRATEGY

FOR A MODERN AND SUCCESSFUL CUSTOMER-CENTRIC-CONSUMER-ORIENTED BUSINESS MODEL

### **New** **B2B ECOSYSTEM**

Redesign of our Sales,  
Customer Service and  
Customer Care processes to  
take them to the next level

TO STEP CHANGE  
**CUSTOMER EXPERIENCE**  
ENGAGEMENT &  
INSTORE  
PRODUCTIVITY



- MULTIPLE INITIATIVES AND EXECUTION WAVES TO BECOME THE BEST BUSINESS PARTNER FOR OUR MANY EXISTING CLIENTS AND TO ATTRACT NEW
- NEW BUSINESS OPPORTUNITIES AND HIGHER IN-STORE PRODUCTIVITY



# OUR ROADMAP TO 2024

SALES  
GROWTH

Our priorities for a NEW B2B ECOSYSTEM

## 3YR INVESTMENTS INTO THE LATEST DIGITAL TECHNOLOGIES

to redesign the full B2B journey for our Customers

Starting with Europe in 2020, US to follow

### New B2B Portal

Strategic renewal to align all European markets, enhancing user experience

### New CRM

Reshape Customer Care activities for higher automation, more information, better interaction

### New Sale Force Automation

State of the art platform for efficient order taking and new back office functionalities

## BUSINESS CASE 'AR COLORS'



**EXAMPLE OF NEW ENABLING DIGITAL TOOL**  
Visualization of samples with **AUGMENTED REALITY (AR)**, enhancing one of the main touchpoints we have with our customers

# OUR ROADMAP TO 2024

SALES  
GROWTH

## NEW DIGITAL TRANSFORMATION STRATEGY

FOR A MODERN AND SUCCESSFUL CUSTOMER-CENTRIC-CONSUMER-ORIENTED BUSINESS MODEL

### Acceleration of D2C E-COMMERCE

Strategic partnerships and  
proprietary capabilities for a  
strong omni-channel strategy

TO REACH OUT  
MORE FREQUENTLY,  
MORE EFFECTIVELY  
CONSUMERS



- **SMITH** KEY DRIVER OF GROWTH, WITH ALREADY A SIGNIFICANT E-COM BUSINESS IN US, NOW TO EXPAND IN EUROPE WITH AN OMNI-CHANNEL APPROACH, POWERED BY E-COM
- **BLENDERS** ACQUISITION BOOSTING OUR D2C BUSINESS AND BRINGING IN SIGNIFICANT NEW SKILLS
- EXPAND EXISTING AND NEW **D2C COMMERCIAL PARTNERSHIPS**

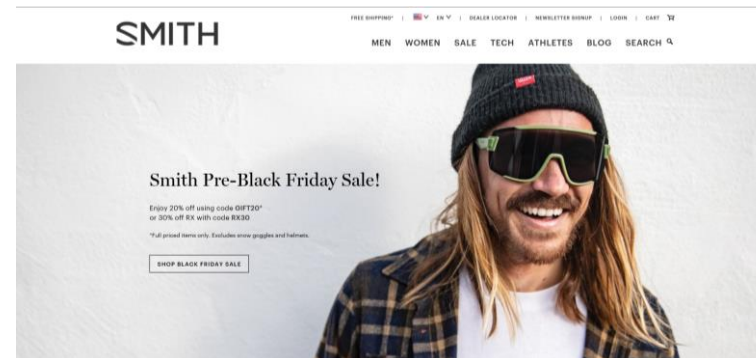
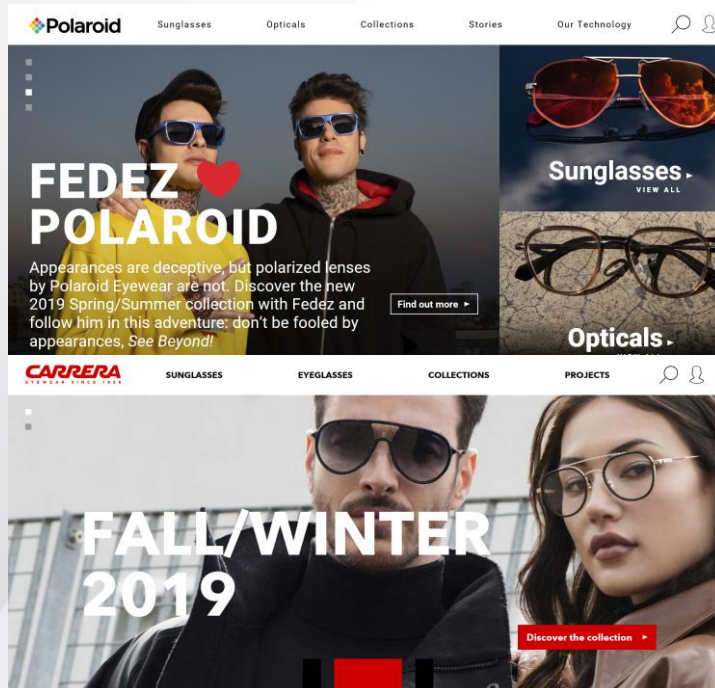
# OUR ROADMAP TO 2024

SALES  
GROWTH

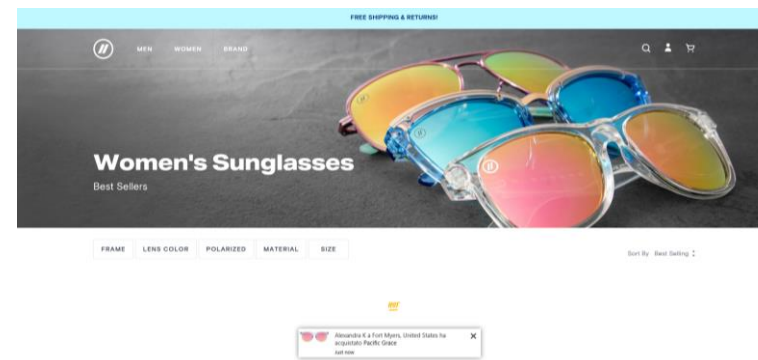
Our priorities in D2C E-COMMERCE BUSINESS

## BRANDS.COM

GRADUAL DEVELOPMENT OF CARRERA AND  
POLAROID .COMS



RE-PLATFORMED SMITHOPTICS.COM IN US AND EUROPE



CONTINUE DRIVING BLENDERS EYEWEAR UNIQUE STRENGTHS

## COMMERCIAL PARTNERSHIPS

### SPECIALIZED FASHION E.TAILERS

- premium and upper premium brands
- focus on dedicated assortment and product innovation

### GENERALIST E.TAILERS

- leverage our strong portfolio in contemporary and mass brands
- focus on service
- scout opportunity for dedicated brands

# OUR ROADMAP TO 2024

SALES  
GROWTH

FOCUS ON CORE BRANDS, MARKET OPPORTUNITIES. PRODUCTS AND CHANNELS BALANCE

## Polaroid

Sales +6% 5Y CAGR



80%



20%



### PRODUCTS AND CONSUMERS

- Expand optical business
- Upgrade Sunglasses collections while strengthening the cool segment

### MARKETS & CHANNELS

- Expand distribution network across key markets and channels

### MARKETING & COMMUNICATION

- Digital communication of the #See Beyond# Platform for consumer engagement
- Enhance the polarization storytelling
- Leverage on collaborations/capsule collections






# OUR ROADMAP TO 2024

SALES  
GROWTH

FOCUS ON CORE BRANDS, MARKET OPPORTUNITIES. PRODUCTS AND CHANNELS BALANCE



Sales +6% 5Y CAGR

  
45%

  
55%



## PRODUCTS AND CONSUMERS

- Focus on product quality and clear collection structure
- Expand the Upper Contemporary segment
- Expand adult women and teenagers

## MARKETS & CHANNELS

- Focus on POS quality/visibility and new collections to improve store productivity

## MARKETING & COMMUNICATION

- Consistent evolution of the #driveyourstory# platform, with a digital-first mindset
- Collaborations & events to enlarge the consumer base, specifically the younger audience



# OUR ROADMAP TO 2024

SALES  
GROWTH

FOCUS ON CORE BRANDS, MARKET OPPORTUNITIES. PRODUCTS AND CHANNELS BALANCE

# SMITH

Sales +6% 5Y CAGR



80%



20%



## CONSOLIDATE LEADERSHIP IN PRODUCT INNOVATION

- boost brand visibility by targeted marketing campaigns to promote our strong product technology (ChromaPop, Koroyd)

## BUILD NEW CONSUMER TARGET AND PRODUCT CATEGORIES

- Optimize assortments to reach new consumer target
- Step change capabilities and investments in social and digital marketing

## EXPAND KEY MARKETS AND CHANNELS

- Overgrow Direct-to-Consumer business in US and Europe



# OUR ROADMAP TO 2024

SALES  
GROWTH

FOCUS ON CORE BRANDS, MARKET OPPORTUNITIES. PRODUCTS AND CHANNELS BALANCE



Sales  
**DOUBLE-DIGITS 5Y CAGR**



10%



90%



## CONTINUED RAPID E-COMMERCE GROWTH

- Remain at the forefront in the latest sales tools and e-com marketing
- Enhance social media engagement and relationship with key influencers

## CATEGORY EXPANSION

- Expand affordable and trend-forward optical collections
- Launch collection for kids and expand sport offering

## OFFLINE AND GEOGRAPHICAL EXPANSION

- Expand e-commerce outside US
- Develop offline business in and outside US, leveraging Safilo's global commercial organization





# OUR ROADMAP TO 2024

SALES  
GROWTH

FOCUS ON CORE BRANDS, MARKET OPPORTUNITIES. PRODUCTS AND CHANNELS BALANCE

## NEW PARTNERSHIPS IN LICENSING

**MISSONI**   
MISSONI



- 2 iconic Italian brands for women
- 2 segments (premium and contemporary)
- 2 strong optical offers

**Levi's**



- a global, strong brand with an eyewear collection for all
- a strong commitment on sustainable materials
- a strong optical offer

**DB**



- a new eyewear brand for men with global ambitions
- a strong digital and social dimension to leverage on

**UNDER ARMOUR**



- a strong player in the fast-growing Sports & Lifestyle segment
- an iconic sports brand in North America with global potential



# OUR ROADMAP TO 2024

SALES  
GROWTH

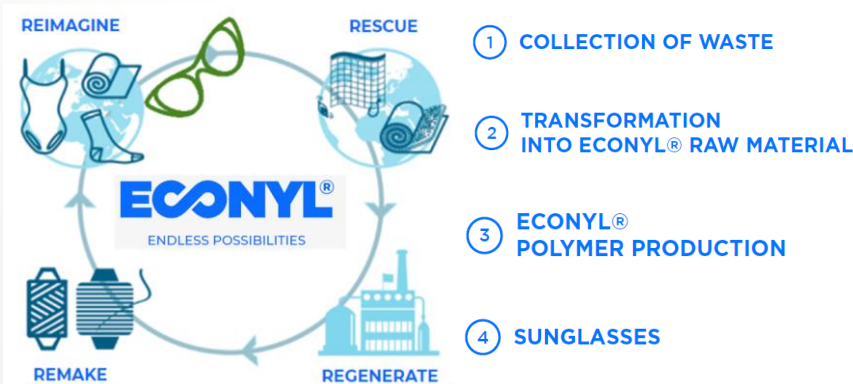
FOCUS ON CORE BRANDS, MARKET OPPORTUNITIES. PRODUCTS AND CHANNELS BALANCE

## AT THE FOREFRONT OF PRODUCT DEVELOPMENT AND INNOVATION

### NEW EYEWEAR COLLECTIONS DEVELOPED WITH SUSTAINABLE RAW MATERIALS

#### 1. REGENERATED NYLON

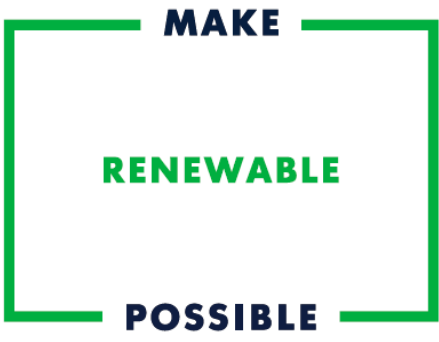
100% Regenerated Nylon obtained recycling **waste** rescued from **landfills and oceans**



**ECONYL® regenerated nylon** is a product that can help you close the loop and deliver sustainable products. Made from waste, it's **infinitely recyclable** and can unleash infinite possibilities for makers, creators and consumers.

#### 2. BIO-BASED MATERIALS

From 44% to 58% bio-based sourced from **castor oil**



**TOMMY JEANS** eyewear is fully part of the project, offering plastic sunglasses and optical frames **at least 40% bio-based** from **renewable resources**

# OUR ROADMAP TO 2024

for a modern and successful customer-centric and consumer-oriented business model

## MARGINS EXPANSION

- Industrial footprint
- Cost Productivity plan

**NEW INDUSTRIAL PLAN & ONGOING COSTS OPTIMIZATION TO ENABLE  
ECONOMIC & FINANCIAL SOLIDITY AND ONGOING RECOVERY OF HIGHER MARGINS**

# OUR ROADMAP TO 2024

MARGINS  
EXPANSION

NEW INDUSTRIAL PLAN  
TO ENABLE GROUP ECONOMIC AND FINANCIAL SOLIDITY

## REALIGN INDUSTRIAL FOOTPRINT TO THE NEW PRODUCTION SCENARIO SAFILO WILL BE FACING

Italian production volumes will approximately halve over the next 2 years due to the exit of LVMH licenses

### KEY ACTIONS

- Downsizing of Longarone and Padua HQ
- Closure of Martignacco starting from Jan 2020

### KEY IMPLICATIONS

~700 expected redundancies in Italy

The plan under discussion with the trade unions and workers’ representatives, foresees the activation of available social tools for restructuring, with the aim of minimizing the social impact

# OUR ROADMAP TO 2024

MARGINS  
EXPANSION

ONGOING COSTS OPTIMIZATION  
TO CONTINUE RECOVERING HIGHER MARGINS

 CONTINUE COST PRODUCTIVITY PLAN TO INCREASE COGS AND OPEX EFFICIENCIES

## KEY INITIATIVES

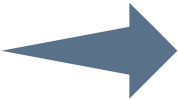
COGS

- Rationalization of suppliers/new sourcing geographies
- Simplification of components and materials
- Efficiencies in plants fixed costs
- Reduction of lead times
- Improvement of forecast accuracy
- Clean-up of inventory

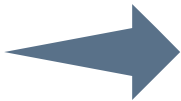
OVERHEADS

- HQ and Global functions
- General expenses
- Completion of Eyeway roadmap

## SAVING TARGETS (2020-2024 in Euro million)



25M



20M

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45M





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**FINANCIAL TARGETS**

# FINANCIAL PLAN 2020 – 2024

(in Euro and % on sales- at constant 2019 exchange rates)

	2018A*	2019E* PRE-IFRS 16	2020 Outlook** PRE-IFRS 16	2024 Targets** PRE-IFRS 16	2024 Targets** POST-IFRS 16
NET SALES	911M	~930M Stable @Cfx	960-1,000M +3-6% vs 2019E	~1,000M +1-2% 5Y CAGR	
EBITDA <sup>1</sup> MARGIN	2.0% <sup>2</sup>	~5.5% +350bps vs 2018	~6%	8%-10% +250-450bps vs 2019E	9%-11% <sup>3</sup>
FINANCIAL LEVERAGE <sup>1</sup>	0.7x	< 1x	~1-1.5x	Net Debt free	
<ul style="list-style-type: none"> <li>• Cumulative restructuring costs of ~50M</li> <li>• Cumulative Capex of ~120M</li> </ul>					

\* 2018A and 2019E, excluding the Retail Operations sold on July 1, 2019

\*\* 2020-2024 targets, including Blenders Eyewear acquisition

<sup>1</sup> EBITDA MARGIN Adjusted, excluding non-recurring and extraordinary costs

<sup>2</sup> 2018 adjusted EBITDA MARGIN, also excluding the €39M Kering accounting compensation

<sup>3</sup> The application of IFRS 16 increases the EBITDA margin by approximately +1% compared to the reporting pre-IFRS 16, while it is substantially neutral at the EBIT level

(at constant 2019 exchange rates, pre-IFRS 16)

BUSINESS DRIVERS & ENABLERS				5Y SALES CAGR	5Y Δ EBITDA <sup>1</sup> (Euro million)
Sales drivers	Brands & Products	<ul style="list-style-type: none"> <li>Carrera, Polaroid, Smith</li> <li>Licenses</li> <li>Optical business</li> </ul>	<i>Mid-to High single</i> <i>Low-to-Mid single</i> <i>Mid-single</i>	↑  +1%/2%  ↓  ( €200 M and double digit margin)	↑  -20 / Flat  ↓
	Markets & Channels	<ul style="list-style-type: none"> <li>North America</li> <li>Europe</li> <li>Emerging</li> <li>E-Commerce</li> </ul>	<i>Mid-single</i> <i>Low-single</i> <i>High-single</i> <i>Double digits</i>		
	Acquisition	<ul style="list-style-type: none"> <li>Blenders Eyewear</li> </ul>	<i>Double digits</i>		
	LVMH Exit	<ul style="list-style-type: none"> <li>Dior, Fendi, Givenchy</li> </ul>			
Cost structure	COGS	<ul style="list-style-type: none"> <li>Realize COGS savings</li> </ul>			+25
	Overheads	<ul style="list-style-type: none"> <li>Streamline Overheads</li> </ul>			+20
TOTAL IMPACT					+25 /+50



Q&A

*Thank You*