

FY 2018 Results

March 13, 2019



Safilo®

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.

2018 CLEAR PRIORITIES



IN 2018, WE HAD TO DELIVER:

1. NEW BUSINESS PLAN TO TURN AROUND THE GROUP'S PERFORMANCE
2. REFINANCING PROJECT TO SECURE THE GROUP'S FINANCIAL STRUCTURE
3. STRONG FOCUS ON OUR BUSINESS ASSETS
4. STRONG FOCUS ON OUR 2018 RESULTS

2018 CLEAR PRIORITIES



IN AUGUST, WE UPDATED THE GROUP'S BUSINESS PLAN

- Reset 2018 overall targets, as the base of a two-year plan to revive sales growth and recover a sustainable level of profitability
- Immediate action plan to forge a new commercial organization in the Group's key markets
- Closer attention to all operations to accelerate alignment of the cost structure to the scale of the Group

2018 CLEAR PRIORITIES



IN SEPTEMBER, WE ANNOUNCED A REFINANCING PLAN

- Share capital increase of Euro 150 million, approved by EGM on October 29, 2018 and successfully completed on January 2, 2019
- New debt financing agreement of Euro 150 million, signed at the end of October 2018 and maturing in 2023

2018 CLEAR PRIORITIES



WE REMAINED STRONGLY FOCUSED ON OUR BUSINESS ASSETS

- Renewing Key Licenses:
 - ✓ Kate Spade extended until 2020
 - ✓ Fossil and havaianas renewed until 2023 and 2024 respectively
 - ✓ Tommy Hilfiger and Banana Republic renewed until 2025

- Signing new partnerships:



2018 CLEAR PRIORITIES



WE REMAINED STRONGLY FOCUSED ON OUR 2018 RESULTS

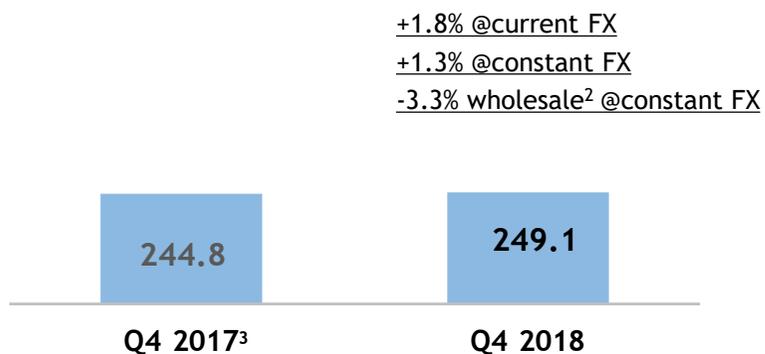
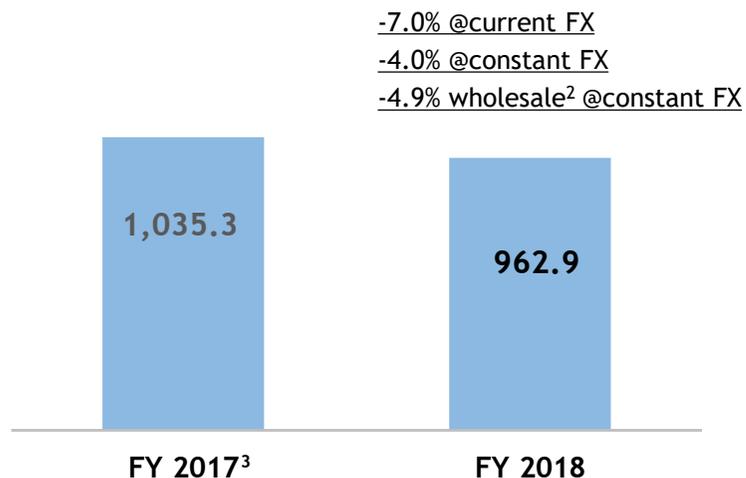
- Net sales at Euro 962.9 million, -4.0% @cFX driven by
 - weak performance of sunglasses in the fashion luxury segment
 - ✓ positive performance of own core brands and licensed brands in the contemporary and premium segment

- Adjusted EBITDA¹ margin at 4.9% of net sales, +15.5% driven by progress in cost savings

- Significant reduction of Group Net Debt driven by successful completion of the share capital increase and last tranche of Kering compensation payment

NET SALES PERFORMANCE

in millions of Euro and % change vs 2017



KEY DRIVERS

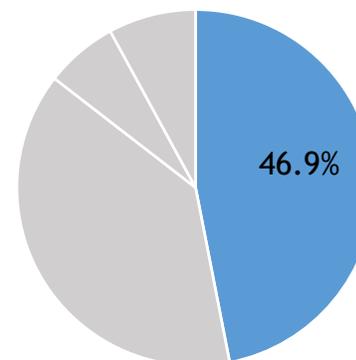
- Wholesale² performance reflecting a double-digit decline of sunglasses, half of which explained in the year by the Céline exit
- Mid-single digit growth of prescription frames, driven by Tommy Hilfiger, Hugo Boss, Kate Spade, Safilo and Dior
- Weak retail performance more than counterbalanced by higher production business with Kering

NET SALES PERFORMANCE

% sales on total and % change vs 2017

EUROPE

- Broad-based growth of prescription frames, up ca 11% in Europe
- Exit of Céline and soft trends in fashion luxury sunglasses over-proportionately hitting the market
- Comps base and healthy underlying trends in the Iberian markets, Germany and Central and Eastern European countries supporting recovery in Q4



FY 2018: -0.1% @ cFX
-4.0%²

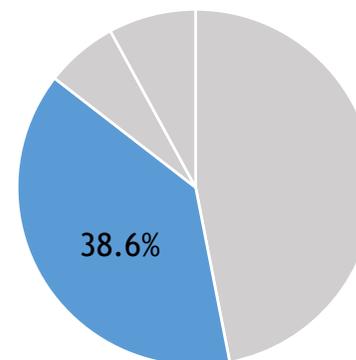
Q4 2018: +25.1% @ cFX
+12.1%²

NET SALES PERFORMANCE

% sales on total and % change vs 2017

NORTH AMERICA

- Q4 performance affected by declining business in chains following some de-listings in 2017
- Solstice retail sales suffering from a combination of declining traffic (FY comps sales -7%) and store closures (-22 stores YoY)



FY 2018: -8.1% @ cFX
 -6.6% Wholesale
 -16.5% Retail

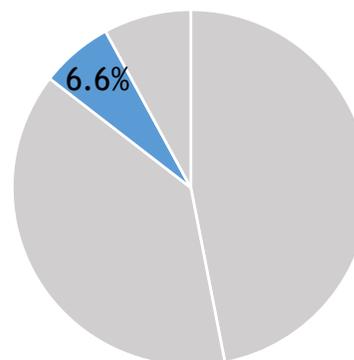
Q4 2018: -9.5% @ cFX
 -6.7% Wholesale
 -23.9% Retail

NET SALES PERFORMANCE

% sales on total and % change vs 2017

ASIA PACIFIC

- Full year performance up low single digit thanks to a positive performance of prescriptions frames
- Comps base and weak business in Japan, Australia and Korea impacting Q4
- Diversification of portfolio, an opportunity still to catch



FY 2018: +2.1% @ cFX

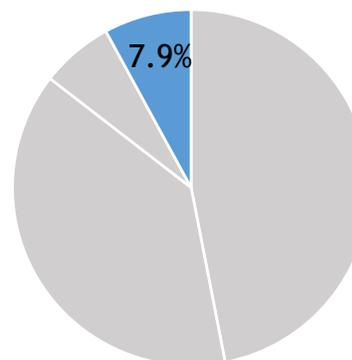
Q4 2018: -19.2% @ cFX

NET SALES PERFORMANCE

% sales on total and % change vs 2017

REST OF THE WORLD

- Difficult year for Safilo in the Rest of the World mainly reflecting weak business in MEA distributors
- Positive development of the Indian market driven by own core brands
- Business in LatAm holding up thanks to good progress in Mexico

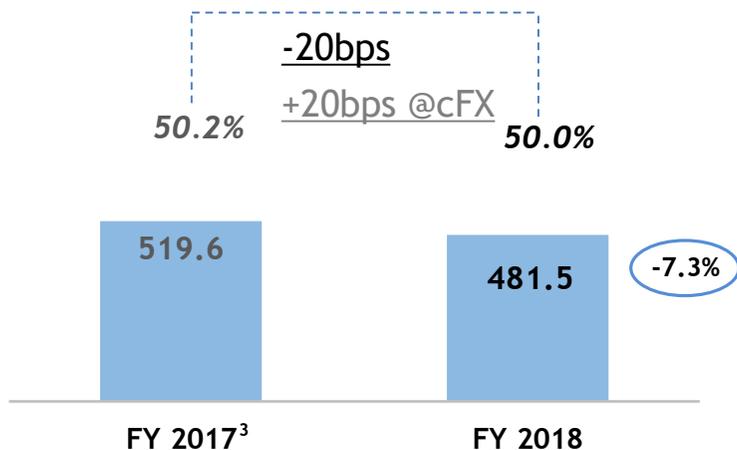


FY 2018: -8.6% @ cFX

Q4 2018: -26.1% @ cFX

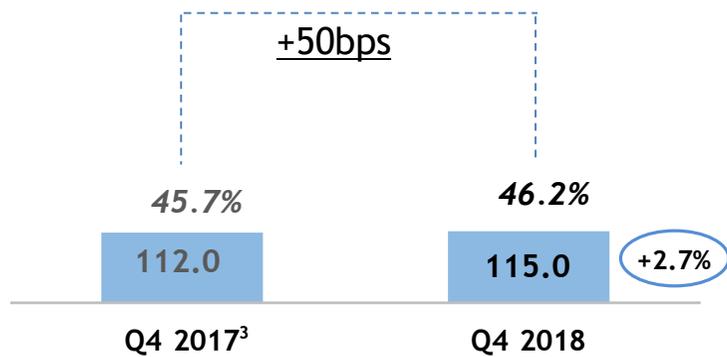
GROSS PROFIT PERFORMANCE

in millions of Euro, % on total net sales and % change vs 2017



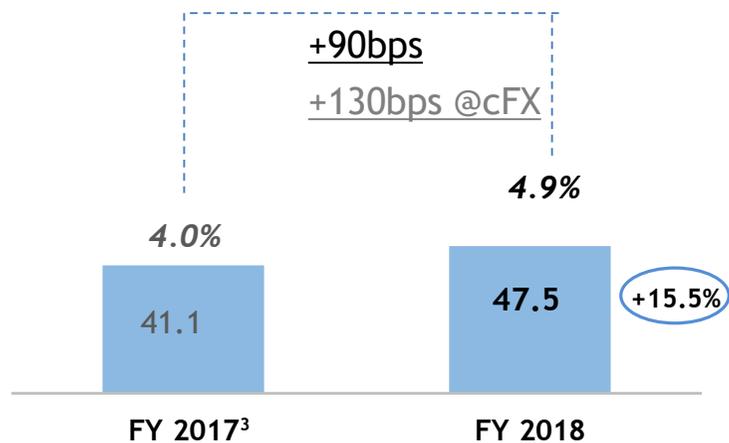
KEY DRIVERS

- FY Gross Margin at 50.0% of sales driven by:
 - Positive plants performance
 - Negative volume/mix effect and forex impact
 - Q4 gross margin capped by higher obsolescence costs and incidence of the Kering production business



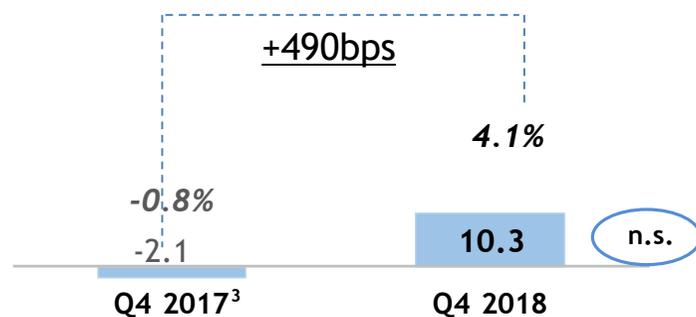
ADJ.¹ EBITDA PERFORMANCE

in millions of Euro, % on total net sales and % change vs 2017



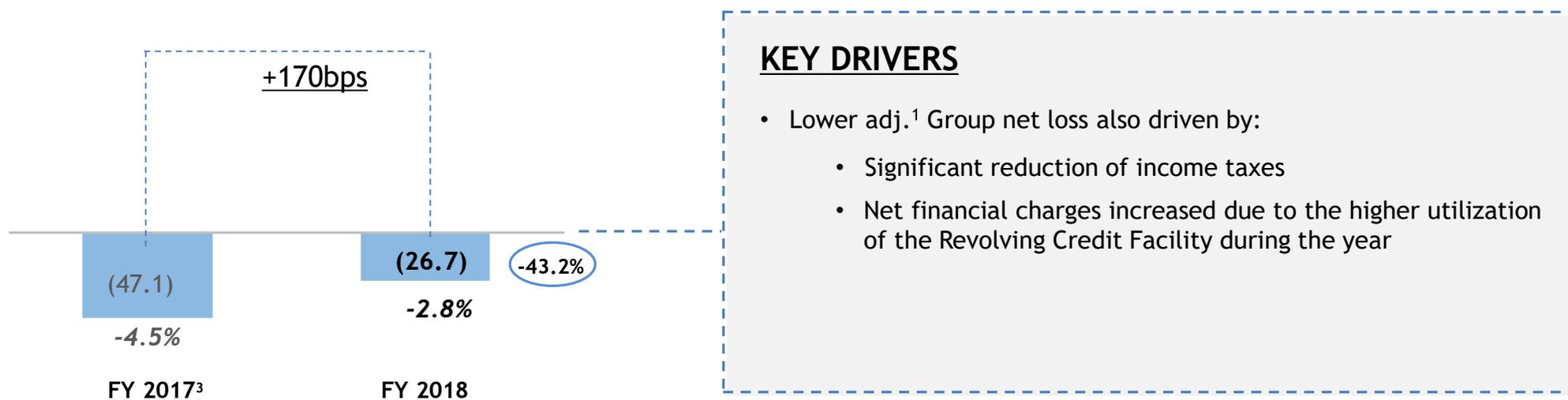
KEY DRIVERS

- FY adj.¹ EBITDA margin at 4.9% of sales driven by:
 - Overhead cost savings for around 26 mio
 - Q4 adj.¹ EBITDA margin capped by 70bps dilution from negative retail business performance



ADJ.¹ GROUP NET PERFORMANCE

in millions of Euro, % on total net sales and % change vs 2017



FREE CASH FLOW

in millions of Euro

- Cash Flow from Operating Activities



+

- Cash Flow from Investing Activities



=

FREE CASH FLOW



FY 2017

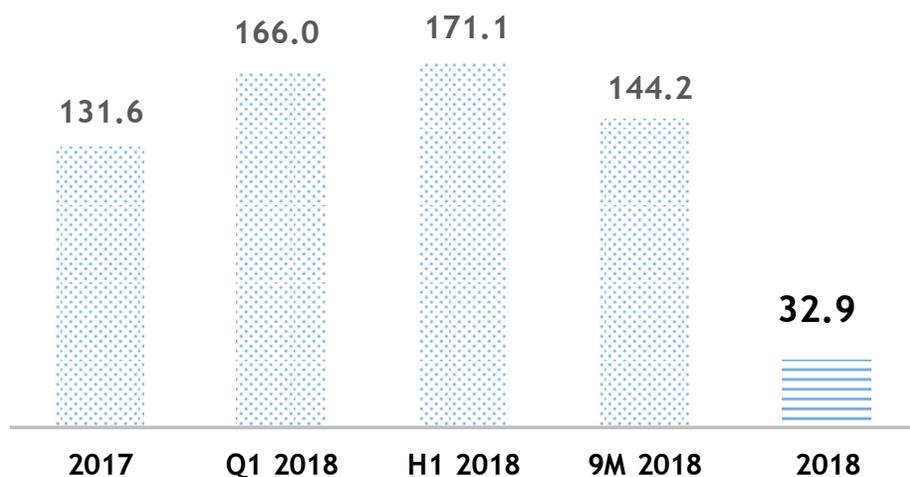
FY 2018

KEY DRIVERS

- Improvement of operating performance
- Recovery of tax credits
- Increase of Net Working Capital behind a decrease in trade payables. Inventories decreased and DOH improved by 4 days
- Lower Capex

GROUP NET DEBT

in millions of Euro



KEY DRIVERS

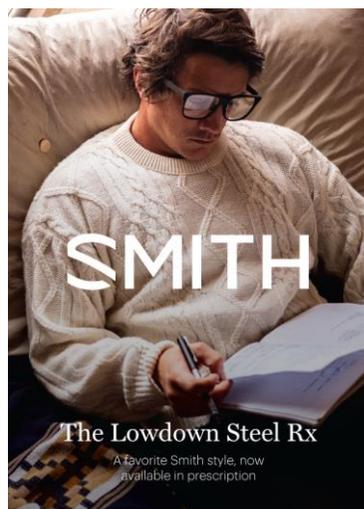
- Proceeds⁴ from the share capital increase approved by the Extraordinary Shareholders' meeting on October 29, 2018, and successfully completed on January 2, 2019.
- Adj.¹ financial leverage down to 0.7x

OUTLOOK

IN 2019, SAFILO PLANS TO:

1. GRADUALLY REKINDLE SALES GROWTH:

- Ongoing Service and Customer Care step-up plans in North America and Europe
- Work in progress in Brazil, China, Japan, IMEA to develop a more effective business organization and strengthen partnerships
- Positive performance of own core brands and contemporary and premium segment expected to continue
- Fashion luxury brands expected to improve, Dior to stabilize
- Production business with Kering to halve this year, with bulk of orders/deliveries occurring in H1



OUTLOOK



SAFILO
MADE IN ITALY DAL 1934

IN 2019, SAFILO PLANS TO:

2. RECOVER A SUSTAINABLE ECONOMIC PERFORMANCE:

- Gross margin improvement driven by COGS savings and positive price/mix effect, helped by the reduction of the production business
- Further reduction of Overheads

AMONG THE MOST FEATURED EYEWEAR WORLDWIDE



Appendices

Notes to the presentation

¹ In 2018, the adjusted economic results exclude non-recurring costs for Euro 5.8 million, mainly related to the CEO succession plan and reorganization costs in North America and Europe, and include 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 excludes non-recurring costs for Euro 1.3 million and includes an income of Euro 9.8 million, as pro-rata portion of the annual accounting compensation for the early termination of the Gucci license.

In 2017, the adjusted economic results excluded an impairment charge on the goodwill allocated to the Group's cash generating units for Euro 192.0 million and non-recurring costs for Euro 15.3 million (Euro 15.2 and 12.5 million, respectively on EBITDA and Net result) related to the reorganization of the Ormoz plant in Slovenia, cost saving and restructuring initiatives, and to some legal litigations. Adjusted results included an income of Euro 43 million, as accounting compensation for the early termination of the Gucci license.

In Q4 2017, the adjusted EBITDA excluded non-recurring costs for a total of Euro 10.9 million related to cost saving and restructuring initiatives and to some legal litigations and included an income of Euro 10.8 million, pro-rata portion of the annual accounting compensation for the early termination of the Gucci license.

² The performance of the wholesale business excludes the business of the production agreement with Kering and sales of the Solstice retail chain in the USA. The Kering production agreement is reported within the Europe geographical area.

³ The new accounting standard IFRS 15 regarding "Revenue from contracts with customers" entered into effect starting from 1 January 2018. Following the fully retrospective approach chosen by the Group, the application of the principle to the fourth quarter and full year 2018 had an adjustment effect on the sales and cost of goods sold of the same periods of 2017 equal respectively to Euro 4.4 million and Euro 11.6 million, with a neutral effect on the gross profit. Consequently, net sales in the fourth quarter and full year 2017 were adjusted to Euro 244.8 and Euro 1,035.3 million respectively.

⁴ Safilo's share capital increase was completed on 2 January 2019, for a total consideration of Euro 149,982,892.22, following the subscription and payment by the reference shareholder Multibrands Italy B.V. of all the No. 25,193,337 ordinary shares which remained unsubscribed at the end of the rights auction ended on 28 December 2018, for a total consideration of Euro 17,736,109.25. This amount was therefore booked in January 2019.

Full Year Economic Results

in millions of Euro and % on net sales

	FY 2018	%	FY 2017 ³	%	% Change
Net sales	962.9	100.0	1,035.3	100.0	-7.0%
Cost of sales	(481.3)	(50.0)	(515.8)	(49.8)	-6.7%
Gross profit	481.5	50.0	519.6	50.2	-7.3%
Selling and marketing expenses	(386.3)	(40.1)	(415.5)	(40.1)	-7.0%
General and administrative expenses	(135.5)	(14.1)	(153.4)	(14.8)	-11.6%
Other operating income (expenses)	34.4	3.6	33.2	3.2	3.7%
Impairment loss on goodwill	0.0	0.0	(192.0)	(18.5)	-100.0%
Operating profit/(loss)	(5.9)	(0.6)	(208.2)	(20.1)	-97.2%
Financial charges, net	(17.3)	(1.8)	(14.0)	(1.4)	23.9%
Profit/(Loss) before taxation	(23.2)	(2.4)	(222.2)	(21.5)	-89.5%
Income taxes	(9.2)	(1.0)	(29.4)	(2.8)	-68.7%
Net profit/(loss) of the period	(32.4)	(3.4)	(251.6)	(24.3)	-87.1%
Non-controlling interests	0.0	0.0	0.0	0.0	
Group Net profit/(loss)	(32.4)	(3.4)	(251.6)	(24.3)	-87.1%
EBITDA	41.7	4.3	25.9	2.5	61.2%
Adjusted¹ Economic Results	FY 2018	%	FY 2017³	%	% Change
Adjusted¹ EBIT	0.0	0.0	(0.8)	(0.1)	n.s.
Adjusted¹ EBITDA	47.5	4.9	41.1	4.0	15.5%
Adjusted¹ Group Net profit/(loss)	(26.7)	(2.8)	(47.1)	(4.5)	-43.2%

Q4 Economic KPIs

in millions of Euro and % on net sales

	Q4 2018	%	Q4 2017 ³	%	% Change
Net sales	249.1	100.0	244.8	100.0	1.8%
Gross profit	115.0	46.2	112.0	45.7	2.7%
EBITDA	9.0	3.6	(12.9)	(5.3)	n.s.
Adjusted ¹ EBITDA	10.3	4.1	(2.1)	(0.8)	n.s.

Net sales by geographical area and distribution channel

in millions of Euro

Net sales by geographical area	FY 2018	%	FY 2017 ³	%	Change %	Change % (*)
Europe	452.0	46.9	457.7	44.2	-1.2%	-0.1%
North America	371.3	38.6	422.3	40.8	-12.1%	-8.1%
Asia Pacific	63.3	6.6	64.3	6.2	-1.5%	2.1%
Rest of the world	76.3	7.9	91.0	8.8	-16.2%	-8.6%
Total	962.9	100.0	1,035.3	100.0	-7.0%	-4.0%

Net sales by distribution channel	FY 2018	%	FY 2017 ³	%	Change %	Change % (*)
Wholesale	910.7	94.6	970.1	93.7	-6.1%	-3.1%
Retail	52.1	5.4	65.3	6.3	-20.2%	-16.5%
Total	962.9	100.0	1,035.3	100.0	-7.0%	-4.0%

Net sales by geographical area	Q4 2018	%	Q4 2017 ³	%	Change %	Change % (*)
Europe	120.4	48.3	97.2	39.7	23.8%	25.1%
North America	90.9	36.5	97.0	39.6	-6.3%	-9.5%
Asia Pacific	15.4	6.2	18.7	7.6	-17.4%	-19.2%
Rest of the world	22.4	9.0	31.9	13.0	-29.7%	-26.1%
Total	249.1	100.0	244.8	100.0	1.8%	1.3%

Net sales by distribution channel	Q4 2018	%	Q4 2017 ³	%	Change %	Change % (*)
Wholesale	236.9	95.1	229.4	93.7	3.3%	3.0%
Retail	12.2	4.9	15.4	6.3	-20.6%	-23.9%
Total	249.1	100.0	244.8	100.0	1.8%	1.3%

(*) Net sales performance at constant exchange rates

Balance Sheet

in millions of Euro

	December 31, 2018	December 31, 2017	Change
Net working capital	251.3	231.6	19.7
Tangible and intangible fixed assets	461.6	473.3	(11.6)
Financial fixed assets	0.0	0.0	0.0
Non-current assets held for sale	0.0	1.3	(1.3)
Other assets/(liabilities), net	(33.7)	(41.3)	7.5
Net invested capital	679.2	664.9	14.4
Net financial position	(32.9)	(131.6)	98.8
Group Shareholders' equity	(646.3)	(533.2)	(113.1)
Non-controlling interests	0.0	0.0	0.0

Net Working Capital

in millions of Euro

	December 31, 2018	December 31, 2017	Change
Trade receivables	184.4	186.8	(2.4)
Inventories	237.7	257.7	(20.0)
Trade payables	(170.8)	(212.9)	42.2
Net working capital	251.3	231.6	19.7
<i>% on net sales</i>	<i>26.1%</i>	<i>22.4%</i>	

Free Cash Flow

in millions of Euro

	FY 2018	FY 2017
Cash flow from operating activities before changes in working capital	27.8	4.9
Changes in working capital	(25.1)	(36.0)
Cash flow operating activities	2.7	(31.1)
Cash flow investing activities	(28.3)	(39.0)
Free cash flow	(25.6)	(70.1)

Exchange Rates

Currency	Code	As of		(Appreciation)/ Depreciation	Average for		(Appreciation)/ Depreciation
		December 31, 2018	December 31, 2017	%	December 31, 2018	December 31, 2017	%
US Dollar	USD	1,1450	1,1993	-4,5%	1,1810	1,1297	4,5%
Hong-Kong Dollar	HKD	8,9675	9,3720	-4,3%	9,2559	8,8045	5,1%
Swiss Franc	CHF	1,1269	1,1702	-3,7%	1,1550	1,1117	3,9%
Canadian Dollar	CAD	1,5605	1,5039	3,8%	1,5294	1,4647	4,4%
Japanese Yen	YEN	125,8500	135,0100	-6,8%	130,3959	126,7112	2,9%
British Pound	GBP	0,8945	0,8872	0,8%	0,8847	0,8767	0,9%
Swedish Krown	SEK	10,2548	9,8438	4,2%	10,2583	9,6351	6,5%
Australian Dollar	AUD	1,6220	1,5346	5,7%	1,5797	1,4732	7,2%
South-African Rand	ZAR	16,4594	14,8054	11,2%	15,6186	15,0490	3,8%
Russian Ruble	RUB	79,7153	69,3920	14,9%	74,0416	65,9383	12,3%
Brasilian Real	BRL	4,4440	3,9729	11,9%	4,3085	3,6054	19,5%
Indian Rupee	INR	79,7298	76,6055	4,1%	80,7332	73,5324	9,8%
Singapore Dollar	SGD	1,5591	1,6024	-2,7%	1,5926	1,5588	2,2%
Malaysian Ringgit	MYR	4,7317	4,8536	-2,5%	4,7634	4,8527	-1,8%
Chinese Renminbi	CNY	7,8751	7,8044	0,9%	7,8081	7,6290	2,3%
Korean Won	KRW	1.277,9300	1.279,6100	-0,1%	1.299,0713	1.276,7381	1,7%
Mexican Peso	MXN	22,4921	23,6612	-4,9%	22,7054	21,3286	6,5%
Turkish Lira	TRY	6,0588	4,5464	33,3%	5,70767	4,12063	38,5%
Dirham United Emirates	AED	4,2050	4,4044	-4,5%	4,33706	4,14753	4,6%

Brand Portfolio

SAFILO
MADE IN ITALY DAL 1934

DIOR

ELIE SAAB

BOSS
HUGO BOSS

havaianas®

GIVENCHY
PARIS

kate spade
NEW YORK

MARC JACOBS

BANANA REPUBLIC

CARRERA
EYEWEAR SINCE 1958

DIOR HOMME

FOSSIL

MOSCHINO

rag & bone
NEW YORK

FENDI

TOMMY HILFIFER

LOVE
MOSCHINO

Juicy Couture®

 **Polaroid**

REBECCA MINKOFF

MISSONI*

swatch
the eyes

LIZ claiborne

MaxMara

Levi's®*

MAX&Co.



SMITH

JIMMY CHOO

M*
MISSONI

pierre cardin
PARIS

HUGO
HUGO BOSS

* from 2020