



## TRADING UPDATE Q3 AND 9 MONTHS 2023

### AGREEMENT FOR THE RENEWAL OF ANGELO TROCCHIA AS CEO

**In the 9 months, Europe recovers most of the sales decline in the former GrandVision chains, while trends in North America remain soft.**

**Emerging markets grow.**

**Q3 sales performance better than Q2 thanks to growth in the sports business.**

**Marked increase in gross margin, while higher digital and marketing investments weigh on adj.<sup>2</sup> EBITDA margin.**

**Positive Free Cash Flow and lower Net Debt.**

#### 9 MONTH HIGHLIGHTS

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- Net sales at €785.1 M, -3.6% cFX, -2.3% organic<sup>1</sup> performance
  - Adj.<sup>2</sup> Gross margin at 58.5% from 55.1%
  - Adj.<sup>2</sup> EBITDA margin at 9.6% from 10.3%
  - Free Cash Flow of €21.7 M\*
  - Group Net Debt at €96.0 M from €113.4 M at the end of 2022
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#### Q3 HIGHLIGHTS

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- Net sales at €235.0 M, -3.9% cFX
  - Adj.<sup>2</sup> Gross margin at 57.7% from 53.8%
  - Adj.<sup>2</sup> EBITDA margin at 7.7% from 8.7%
  - Free Cash Flow of €11.9 M\*
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\* Before the payment of €5.9M for the acquisition of an additional 10% of Blenders.

**Padua, November 3, 2023** – The Board of Directors of Safilo Group S.p.A. has today reviewed and approved the main economic and financial indicators for the third quarter and first nine months of 2023.

**Angelo Trocchia, Safilo Chief Executive Officer, commented:**

*“In the third quarter, sales performance remained soft, but improving compared to the previous quarter, thanks to the return to growth of our sports business in North America, where, however, weakness persisted in the eyewear market, particularly in the contemporary segment.*

*As expected, the decline of business in the former GrandVision chains continued to weigh on Europe, net of which sales in the area were slightly up compared to the same quarter last year, a period that had been marked by the strength of the sun season.*

*In this quarter, we achieved another significant expansion of the gross margin, while the operating performance was temporarily limited by the higher incidence of operating costs, reflecting, in particular, the continuation of our IT investments to accelerate the Group's digital transformation and marketing activities to support the future development of our home brands.*

*Even in a weak and uncertain market environment, our actions continue to focus on the implementation of those projects that will allow us to achieve our medium-term targets.*

*It was particularly important for us to keep the positive cash generation initiated in the first half of the year, a goal that we achieved thanks to good working capital management.”*

## KEY ECONOMIC AND FINANCIAL INDICATORS

### NET SALES PERFORMANCE

**In Q3 2023, Safilo's net sales amounted to Euro 235.0 million**, recording a decline of 9.8% at current exchange rates, which was significantly affected by the strengthening of the euro against the dollar and a number of other currencies.

At constant exchange rates, the contraction of the quarter was instead -3.9%, improving from the -6.6% recorded in Q2, mainly thanks to the return to growth of Smith's sports business in North America.

The performance of the period was largely explained by the sales decline in the former GrandVision chains, which accounted for the total contraction recorded in Europe and for most of the Group's total performance, and by the persisting weakness of the North American market, particularly in the contemporary segment, while the contribution from emerging markets was again positive.

**Safilo closed the 9 months 2023 with net sales of Euro 785.1 million**, down 5.6% at current exchange rates and 3.6% at constant exchange rates compared to Euro 831.3 million recorded in the first 9 months of 2022.

In the 9 months, the performance of the organic<sup>1</sup> business was negative by 2.3%, while it was slightly positive, net of the sales decline in the former GrandVision chains, thanks to the good progress of home brands, namely Smith, Carrera and Polaroid, and among the licensed brands, Carolina Herrera, Boss, David Beckham and Tommy Hilfiger.

During the period, online channels represented 14.4% of sales, characterised by the continued very positive performance of the DTC (Direct to Consumer) sales of sports products, contrasting with the still weak performance of IPPs (Internet Pure Players).

## Net sales performance by geographical area:

(Euro million)					Change at current forex	Change at constant forex	
	9M 2023	%	9M 2022	%	Reported	Reported	Organic <sup>1</sup>
<b>North America</b>	341.1	43.4	383.5	46.1	-11.0%	<b>-9.2%</b>	<b>-5.7%</b>
<b>Europe</b>	321.1	40.9	332.7	40.0	-3.5%	<b>-1.5%</b>	<b>-2.3%</b>
<b>Asia Pacific</b>	43.8	5.6	41.3	5.0	+6.0%	<b>+11.2%</b>	<b>+11.7%</b>
<b>Rest of the world</b>	79.2	10.1	73.8	8.9	+7.3%	<b>+7.1%</b>	<b>+7.1%</b>
<b>Total</b>	<b>785.1</b>	<b>100.0</b>	<b>831.3</b>	<b>100.0</b>	-5.6%	<b>-3.6%</b>	<b>-2.3%</b>

(Euro million)	Q3 2023	%	Q3 2022	%	Change at current forex	Change at constant forex
<b>North America</b>	109.6	46.6	124.7	47.9	-12.2%	<b>-4.9%</b>
<b>Europe</b>	85.4	36.3	95.7	36.7	-10.7%	<b>-6.1%</b>
<b>Asia Pacific</b>	15.2	6.5	16.2	6.2	-5.9%	<b>+2.3%</b>
<b>Rest of the world</b>	24.8	10.5	23.9	9.2	+3.9%	<b>+5.9%</b>
<b>Total</b>	<b>235.0</b>	<b>100.0</b>	<b>260.4</b>	<b>100.0</b>	-9.8%	<b>-3.9%</b>

In Q3 2023, sales in North America amounted to Euro 109.6 million compared to Euro 124.7 million in the same quarter of 2022, recording a decline of 12.2% at current exchange rates, which was heavily impacted by the strengthening of the euro against the dollar.

At constant exchange rates, sales in the region declined by 4.9%, marking a significant improvement compared to the -11.3% recorded in the first half of the year, thanks to the return to growth of the Smith's sports business in physical stores, which added to the already positive development of the brand in the DTC (Direct to Consumer) channel. However, the performance of the area remained soft in the eyewear market, especially of the sunglass product category, which continued to be affected by a subdued demand, particularly in the contemporary segment where the Group's offer is more concentrated.

In the 9 months 2023, Safilo's sales in North America amounted to Euro 341.1 million, down 11.0% at current exchange rates and 9.2% at constant exchange rates compared to Euro 383.5 million recorded in the 9 months 2022 (-5.7% at the organic<sup>1</sup> level).

In Europe, Q3 sales totaled Euro 85.4 million, down 10.7% at current exchange rates compared to Euro 95.7 million in Q3 2022.

At constant exchange rates, the decline equaled -6.1% and was fully driven by the sales decline in the former GrandVision chains, net of which sales in the area recorded an increase of around 1% compared to the same period last year. A positive performance that was more moderate than in the first half of the year following the normalization of trends in markets such as Italy, France and Spain, which, more than others, benefitted from a strong sun season last year. In all countries, the independent optician BTB (Business to Business) continued to outperform the rest of the channels.

In the quarter, the German market remained negatively affected by the weakness of the IPP (Internet Pure Players) channel, while the growth of the new markets in Eastern Europe, in particular Turkey, continued.

In the 9 months 2023, Safilo's sales in Europe reached Euro 321.1 million compared to Euro 332.7 million in the 9 months 2022, down 3.5% at current exchange rates and 1.5% at constant exchange rates (-2.3% at the organic<sup>1</sup> level). In the

period, sales in Europe, net of the business in the former GrandVision chains, grew by approximately 7% at constant exchange rates.

In Asia and Pacific, Q3 sales amounted to Euro 15.2 million, down 5.9% at current exchange rates and up 2.3% at constant exchange rates compared to Euro 16.2 million in Q3 2022. The performance was driven by the positive progress of the business in China and some of the other key markets of the region, and by the sports business, which, with Smith, is now one of Safilo's main growth drivers in the area.

In the 9 months 2023, Safilo's sales in Asia and Pacific reached Euro 43.8 million, up 6.0% at current exchange rates and 11.2% at constant exchange rates, compared to Euro 41.3 million recorded in the 9 months 2022.

In the rest of the world, Q3 sales reached Euro 24.8 million, up 3.9% at current exchange rates and 5.9%, at constant exchange rates compared to Euro 23.9 million recorded in Q3 2022. In the period, growth was mainly led the further development of Carrera in India and the Middle East, while business trends in Latin America was positive in Mexico, but softer in Brazil.

In the 9 months 2023, Safilo's sales in the Rest of the World reached Euro 79.2 million, up 7.3% at current exchange rates and 7.1% at constant exchange rates compared to Euro 73.8 million recorded in the first 9 months of 2022.

## ECONOMIC PERFORMANCE

In Q3 2023, the Group's gross margin made another significant improvement compared to the same quarter of 2022, mainly thanks to lower transport costs, higher efficiencies in procurement and to the positive contribution of the price/mix effect on sales.

On the other hand, the operating performance of the quarter was still negatively affected by the operating leverage, particularly influenced by the impact of wage inflation, together with higher IT and marketing investments to support the Group's future development.

In the quarter, Safilo's operating performance was also impacted by non-recurring costs, equal to Euro 3.1 million at the gross profit level and Euro 4.7 million at the EBITDA level, mainly related to the transfer of the Longarone plant.

Key Economic highlights - in Euro million	Q3 2023	% on net sales	Q3 2022	% on net sales	% Change 2023 vs 2022
Net sales	235.0		260.4		-9.8%
Reported at cFX					-3.9%
Gross Profit	132.4	56.3%	140.0	53.8%	-5.5%
Adjusted <sup>2</sup> Gross Profit	135.5	57.7%	140.0	53.8%	-3.2%
EBITDA	13.4	5.7%	21.5	8.3%	-37.8%
Adjusted <sup>2</sup> EBITDA	18.1	7.7%	22.6	8.7%	-20.0%
IFRS 16 impact on EBITDA	2.9		3.1		
IFRIC SaaS impact on EBITDA	(3.0)		(1.8)		

### In Q3 2023:

- the adjusted<sup>2</sup> gross profit equaled Euro 135.5 million, down 3.2% compared to Q3 2022, while the adjusted<sup>2</sup> gross margin improved by 390 basis points, from 53.8% to 57.7%;
- operating expenses were substantially stable compared to last year, while their incidence on sales increased, in particular due to wage inflation and higher investments in IT and marketing;
- the adjusted<sup>2</sup> EBITDA equaled Euro 18.1 million and a margin on sales of 7.7%, down respectively 20.0% and 100 basis points compared to Q3 2022.

**In the 9 months 2023, Safilo's economic performance** confirmed the strong recovery achieved by the Group in terms of gross margin, thanks to the gradual and significant easing of transport costs, the improvement in the price/mix effect on sales, and to higher efficiencies in procurement.

In the period, EBITDA margin was still weighed by higher personnel costs, due to inflationary pressures, as well as by higher IT investments to accelerate the Group's digital transformation, and marketing activities mainly to develop the Group's home brands.

In the 9 months 2023, Safilo's economic performance was also impacted by non-recurring costs equal to Euro 8.2 million at the gross profit level and Euro 17.4 million at the EBITDA level, mainly related to the transfer of the Longarone plant.

Key Economic highlights - in Euro million	9M 2023	% on net sales	9M 2022	% on net sales	% Change 2023 vs 2022
Net sales	785.1		831.3		-5.6%
Reported at cFX					-3.6%
Gross Profit	451.0	57.4%	458.4	55.1%	-1.6%
Adjusted <sup>2</sup> Gross Profit	459.1	58.5%	458.4	55.1%	+0.2%
EBITDA	58.0	7.4%	83.6	10.1%	-30.6%
Adjusted <sup>2</sup> EBITDA	75.4	9.6%	85.3	10.3%	-11.5%
IFRS 16 impact on EBITDA	8.8		8.6		
IFRIC SaaS impact on EBITDA	(9.3)		(5.5)		

#### In the 9 months 2023:

- the adjusted<sup>2</sup> gross profit equaled Euro 459.1 million, substantially flat compared to the 9 months 2022, while the adjusted<sup>2</sup> gross margin improved by 340 basis points, from 55.1% to 58.5%;
- operating expenses slightly increased in absolute terms, with a particularly significant deleverage effect, mainly due to wage inflation, and to higher IT and marketing investments to support the Group's future development;
- the adjusted<sup>2</sup> EBITDA equaled Euro 75.4 million and a margin on sales of 9.6%, down respectively 11.5% and 70 basis points compared to Euro 85.3 million and the margin of 10.3% recorded in the 9 months 2022.

## FINANCIAL PERFORMANCE

**As at 30 September 2023, the Group's net debt amounted to Euro 96.0 million** (Euro 55.5 million pre-IFRS 16, corresponding to a financial leverage, also pre-IFRIC SaaS, of 0.6x), down from Euro 103.0 million reported at the end of June 2023, and Euro 113.4 million at as 31 December 2022.

In Q3, Safilo recorded a positive Free Cash Flow of Euro 5.9 million, equal to Euro 11,9 million before the payment of Euro 5.9 million to exercise the first option on an additional 10% of Blenders non-controlling interests.

The cash generation of the period reflected the improvement in cash flow from operating activities thanks to good working capital management. As in the first part of the year, the third quarter recorded a decrease in inventory and a healthy cash collection in all its main geographical areas.

In the 9 months 2023, Safilo's Free Cash Flow stood at Euro 15.8 million, equal to Euro 21.7 million net of the exercise of the first option, compared to an absorption of Euro 17.8 million in the 9 months 2022.

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## **AGREEMENT FOR THE RENEWAL OF ANGELO TROCCHIA AS CHIEF EXECUTIVE OFFICER OF SAFILO GROUP FOR A FURTHER THREE YEARS PERIOD**

Safilo Group S.p.A. (the "Company") announces that today it has executed an agreement with Multibrands Italy B.V., the reference shareholder of the Company, and Mr. Angelo Trocchia, Chief Executive Officer, which regulates the renewal of the office of the same as CEO of the Company for a further three years period. Pursuant to the agreement, Multibrands Italy B.V. has undertaken to confirm Mr. Angelo Trocchia as Director and, subsequently, Chief Executive Officer of Safilo Group S.p.A., Angelo Trocchia will also be confirmed as Sole Director of Safilo S.p.A. and Safilo Industrial S.r.l., subsidiaries of Safilo Group.

The new contract, approved with the favorable opinion of the relevant internal committees, will be effective upon the expiry of the existing contract – entered into on 16 February 2018 and subsequently supplemented – and therefore after the expiry of the current term of office. Moreover, the new contract will be effective subject to the renewal of the relevant office, - which will take place with the Company's Shareholders' Meeting which will be called to approve the financial statements for the year ended 31 December 2023 - and will have a duration of 3 years until the approval of the financial statements as at 31 December 2026. As of today, Angelo Trocchia holds no. 422,500 ordinary shares of the Company.

### **LATEST NEWS**

- On 20 September, Safilo and Amazon announced new Carrera Smart Glasses with Alexa.
- On 27 September, Safilo and Stuart Weitzman announced a multi-year exclusive global licensing agreement for eyewear.
- On 31 October, Safilo successfully closed the transfer of the Longarone plant.

### *Notes to the press release:*

<sup>1</sup> Organic sales include only the home brands and not terminated licenses, present in both of the compared periods, excluding the business attributable to the production supply contract with Kering Eyewear.

<sup>2</sup> In the 9 months 2023, the adjusted economic results exclude non-recurring costs for Euro 17.4 million at the EBITDA level and Euro 8.2 million at the gross profit level, mainly related to the transfer of the Longarone plant to third parties, to some special projects and restructuring expenses.

In Q3 2023, the adjusted economic results exclude non-recurring costs for Euro 4.7 million at the EBITDA level and Euro 3.1 million at the gross profit level, mainly related to the transfer of the Longarone plant to third parties.

In the 9 months 2022, the adjusted EBITDA excludes net non-recurring costs for Euro 1.7 million due to some special projects costs and restructuring expenses, partially offset by the release of a restructuring provision.

In Q3 2022, the adjusted EBITDA excludes a net non-recurring cost for Euro 1.1 million.

Statement by the manager responsible for the preparation of the company's financial documents

The manager responsible for the preparation of the company's financial documents, Mr. Michele Melotti, hereby declares, in accordance with paragraph 2 article 154 bis of the "Testo Unico della Finanza", that the accounting information contained in this press release corresponds to the accounting results, registers and records.

Disclaimer

This document contains forward-looking statements, relating to future events and operating, economic and financial results for Safilo Group. Such forecasts, due to their nature, imply a component of risk and uncertainty due to the fact that they depend on the occurrence of certain future events and developments. The actual results may therefore vary even significantly to those announced in relation to a multitude of factors.

Alternative Performance Indicators

The definitions of the "Alternative Performance Indicators", not foreseen by the IFRS-EU accounting principles and used in this press release to allow for an improved evaluation of the trend of economic-financial management of the Group, are provided below:

- EBITDA (gross operating profit) is calculated by Safilo by adding to the Operating profit, depreciation and amortization;
- The Net Debt is for Safilo the sum of bank borrowings and short, medium and long-term loans, net of cash on hand and at bank. Such indicator does not include the valuation at the reporting date of derivative financial instruments and the liability for options on non-controlling interests;
- The Free Cash Flow for Safilo is the sum of the cash flow from/(for) operating activities and the cash flow from/(for) investing activities and the cash payments for the principal portion of IFRS 16 lease liabilities.

Conference Call and Webcast

Today, at 6:00 pm CET (5:00pm GMT; 13.00am EST) a conference call will be held with the financial community during which a Trading Update on the third quarter and 9 months 2023 will be discussed.

It is possible to follow the conference call by calling +39 02 8020911, +44 1212 818 004, +33 1 70918704 or +1 718 7058796 (for journalists +39 02 8020927). The presentation will be available and downloadable from the company's website, <https://www.safilogroup.com/en/investors>.

The conference call is also available via webcast at: <https://87399.choruscall.eu/links/safilo231103.html>

A recording of the conference call will be available from November 3 to November 6, 2023 by dialing +39 02 802 0987 – passcode: 700732# - pin: 732#.

**About Safilo Group**

Established in 1934 in Italy's Veneto region, Safilo Group is one of the eyewear industry's key players in the design, manufacturing and distribution of prescription frames, sunglasses, outdoor eyewear, goggles and helmets. The Group designs and manufactures its collections by blending stylistic, technical and industrial innovation with quality and skillful craftsmanship. With an extensive global presence, Safilo's business model enables it to monitor its entire production and distribution chain. From research and development in five prestigious design studios, located in Padua, Milan, New York, Hong Kong and Portland, to its company-owned production facilities and network of qualified manufacturing partners, Safilo Group ensures that every product offers the perfect fit and meets the highest quality standards. Reaching approximately 100,000 selected points of sale worldwide with an extensive wholly owned network of subsidiaries in 40 countries and more than 50 partners in 70 countries, Safilo's well-established traditional wholesale distribution model, which encompasses eyecare retailers, chains, department stores, specialized retailers, boutiques, duty free shops and sporting goods stores, is complemented by Direct-to-Consumer and Internet pure player sales platforms, in line with the Group's development strategies.

Safilo Group's portfolio encompasses home brands: Carrera, Polaroid, Smith, Blenders, Privé Revaux and Seventh Street. Licensed brands include: Banana Republic, BOSS, Carolina Herrera, Chiara Ferragni, Dsquared2, Etro (starting from 2024), Eyewear by David Beckham, Fossil, havaianas, HUGO, Isabel Marant, Jimmy Choo, Juicy Couture, Kate Spade New York, Levi's, Liz Claiborne, Love Moschino, Marc Jacobs, Missoni, M Missoni, Moschino, Pierre Cardin, PORTS, rag&bone, Tommy Hilfiger, Tommy Jeans and Under Armour.

The parent company, Safilo Group S.p.A., is listed on the Euronext Milan organized and managed by Borsa Italiana (ISIN code IT0004604762, Bloomberg SFL.IM, Reuters SFLG.MI). In 2022, Safilo Group recorded net revenues for Euro 1,076.7 million.

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