9M21 Financial Results - 15 December 2021

OVS

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The manager in charge of preparing corporate accounting documents, Nicola Perin, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the accounting figures, books and records.

This investor presentation contains measurements that were not prepared in accordance with IAS/IFRS.

9M21 Highlights

Strong growth in Sales, EBITDA and cash generation

Piombo F/W Collection – OVS house brand

9M21 Net Sales amounted to **€978m**, **+32.8%** compared to the same period of 2020 and in line with those of 2019 (-1.3%). Strong IIQ and IIIQ sales performances allowed almost full recovery of sales lost in IQ21 due to lockdowns. Excellent sales performances characterized both **online** and **offline** channels: the **ovs.it** website in the first nine months of the year recorded **20.3 million visits,** with sales growing by **+33%** compared to the same period of 2020.

The Group continued to significantly **outperform the market,** which grew by +20.3% over the same nine-months period**.** As a consequence, **market share** continued to increase at a remarkable rate, reaching **9.3%** (**+106bps** vs. October 2020 and **+25Bps** in the last quarter).

Adjusted EBITDA was equal to **€104.5m,** overtaking not only 9M20 EBITDA (**+€64.4m, or +160.6%**) but also 9M19 EBITDA (**+€3.4m, or +3.4%**)**,** the latter not impacted by the lockdowns that affected IQ21.

31Oct21 **Adjusted Net Debt** stood at **€254.8m. Cash generation** continued to be **strong** in the IIIQ, amounting to **€63.4m. Net Debt/EBITDA ratio** went below **2x,** reaching the target expected one quarter in advance.

Thanks to the issue of the **Sustainability-Linked Bond**, some of the commitments made by the Group in the area of **sustainability** have been made public. With these targets, OVS is committed to **reducing CO2 emissions**, setting a reduction target that contributes in a tangible way to keeping the increase of the Earth's temperature below **1.5°C.**, in line with the Paris Agreement and the recent objectives of the European Union regarding decarbonisation.

9.3%

Italian market share (+106Bps vs. 31Oct20)

€104.5m

Adjusted EBITDA (+160.6% vs. 9M20 and +3.4% vs.9M19)

€254.8m

Adjusted Net Debt (€102m lower than 31Oct20 and €140.4m lower than 31Oct19)

Source: Sita Ricerca for market share and market trends

Key Income Statement Items

Fast recovery in profitability and excellent cash generation

- **Net Sales** amounted to **€978m**, up by +32.8% vs. 9M20 and substantially in line with 9M19 (-1.3%), reporting a strong recovery in IIQ21 and IIIQ21 performances (IQ21 Net sales were down by -27.7% vs. IQ19 due to the long period of lockdowns that affected the store network). Turnover increased thanks to positive in-store like-for-like sales and the growth of digital channels. Both brands and all the distribution channels contributed to that result.

- **Adjusted EBITDA** was **€104.5m**, increasing by +160.6% vs. 9M20 and by +3.4% vs. 9M19. Sales recovery, gross margin increase and the already proven flexibility of the Group's cost structure allowed the Group's profitability to continue to increase: 9M21 EBITDA on net sales reached 10.7%, increasing by 524Bps vs. 9M20 and by 48Bps vs. 9M19.

- **Net Debt** amounted to **€254.8m,** down by -€102m vs. a year ago. 9M21 cash generation, excluding the proceeds from the capital increase, amounted to **€65.3m** (+€112.3m vs. 9M20 and +€84.7m vs. 9M19). In the absence of lockdowns, over the **last six months** (IIQ21+IIIQ21) **cash generation** from the business amounted to **€139.1m** on top of which **€81m** were collected through the capital increase that took place in July21. 9M21 Cash flow was even more material once considering that it includes €25m of extraordinary rental payments related to FY20: those payments took place when negotiations were signed after 31Jan21 only.

€ mln	31.10.2021 (A)	31.10.2020 (A)	*Chg.*	*Chg. %*
Net Sales	978.0	736.7	241.3	32.8%
EBITDA	104.5	40.1	*64.4*	*160.6%*
EBITDA%	*10.7%*	*5.4%*		*+524ppt*
EBIT	60.7	(3.1)	*63.8*	*n.s.*
EBIT%	*6.2%*	*(0.4%)*		
PBT	43.2	(19.5)	*62.7*	*n.s*
Net Financial Position	254.8	356.9	*102.0*	
Market Share	9.3%	8.2%		+106ppt

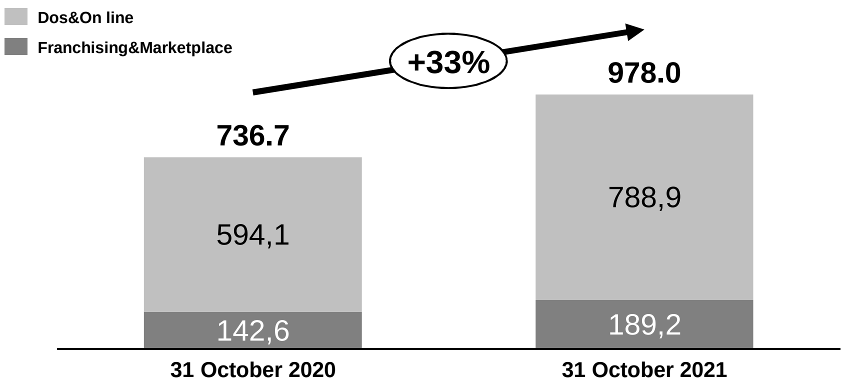
(A) *Only the adjusted results (known as managerial) have been reported: in particular, they do not reflect (i) the application of IFRS16 and (ii) the mark-to-market impact at net debt level (amounting to +€7.2m).*

Aggregate Sales and EBITDA Performance in 9M21

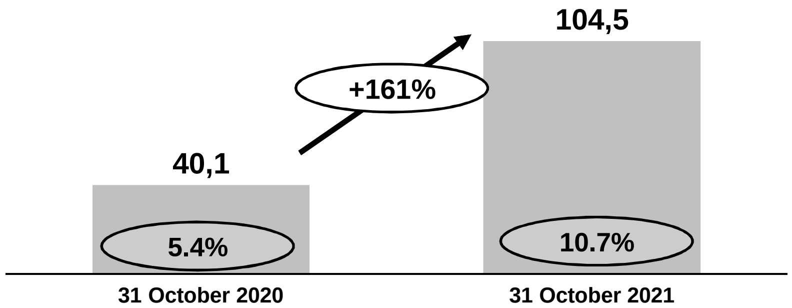
All brands and distribution channels are reporting good performances

Aggregate Performance

Net Sales (€mln)



EBITDA (€mln)



Performance By Brand

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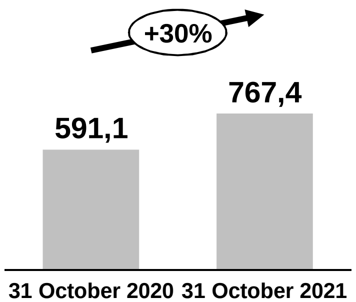

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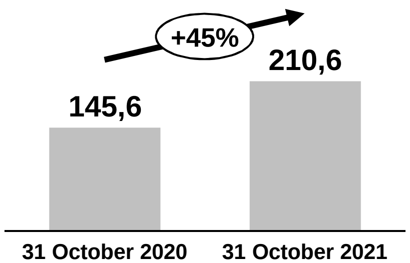

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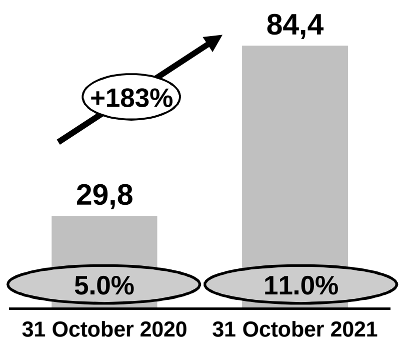

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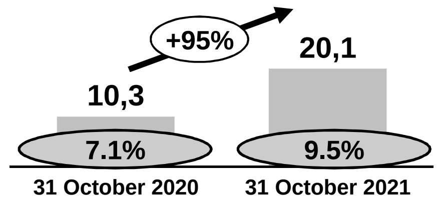

EBITDA Margin %

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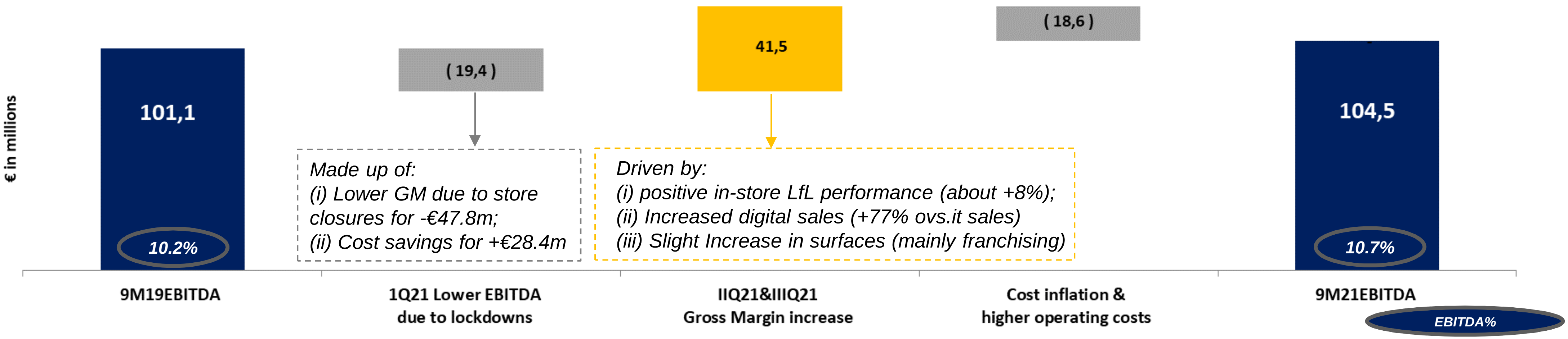
2019-2021 Net Debt and EBITDA Bridge – Pre and Post Covid-19 Group results [5]

Improved financial structure with economic performances above pre-pandemic levels

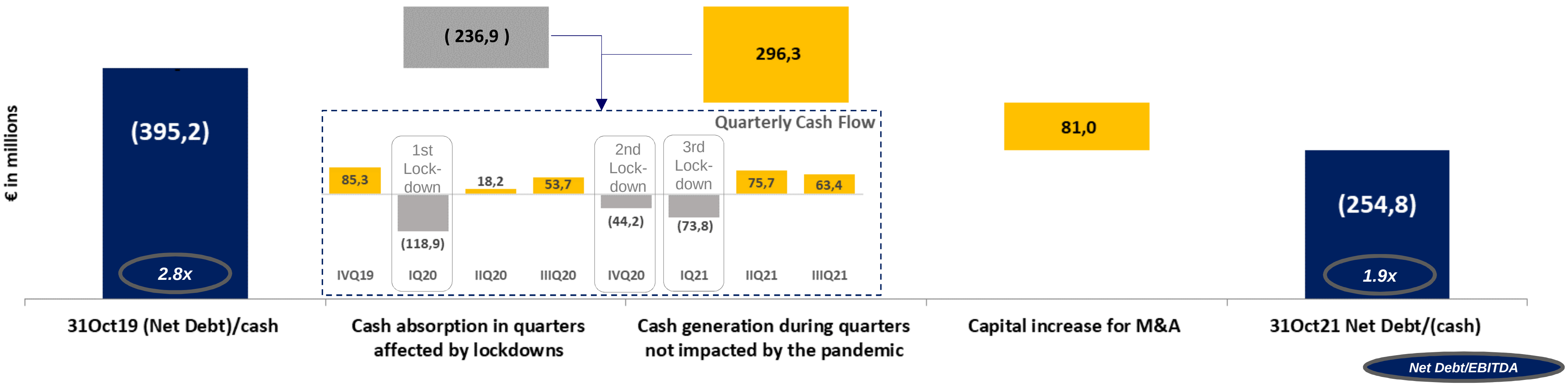
Profit & Loss

9M21 EBITDA was €3.4m higher than 9M19 EBITDA, despite IQ21 still being affected by lockdowns. Flexibility on the cost structure, positive LFL performance and the strategy of lower promotions laid the groundwork to achieve that result.



Balance Sheet

31Oct21 Net Debt was €140.4m lower than 31Oct19 pre-pandemic level, with leverage ratio down by almost 1x. Cash generation when stores were open or less affected by lockdowns offset by +€59.4m the cash absorption recorded during periods characterized by COVID-19 restrictions.



31Oct21 Consolidated Trade Working Capital

Trade working capital in line vs. a year ago despite a significant increase in sales

€mln	31Oct21	31Oct20	*Change Oct21-Oct20*
Trade Receivables	114.5	119.5	(5.1)
Inventory	408.6	432.5	(24.0)
Trade Payables	(317.2)	(354.1)	36.9
Trade Working Capital	**205.9**	**198.0**	**7.9**

Canadian Peak – a third party brand included in the OVS Platform

31Oct21 Trade Working Capital was overall stable vs. a year earlier (+€7.9m), despite LTM sales increasing sharply (trade working capital on LTM net sales went down from **17.7% to 16.3%** in the two periods considered):

- **Trade Receivables** decreased by -€5.1m with LTM franchising sales increasing by 25% compared to a year ago. This resulted in a marked improvement in DSO, which are now below the pre-pandemic levels (i.e. 31Oct19).

- **Inventory** was lower by -€24m vs. 31Oct20. Also DOI are continuously improving over time not just vs. a year ago but also compared to two years ago. As anticipated, strong sales performance has also been achieved through the sale of merchandise that remained unsold due to the multiple lockdowns that affected many quarters over the last couple of years. The focus on more durable and cross-season products allowed the Group to decrease the level of inventory, generate cash and maintain a solid gross margin over time.

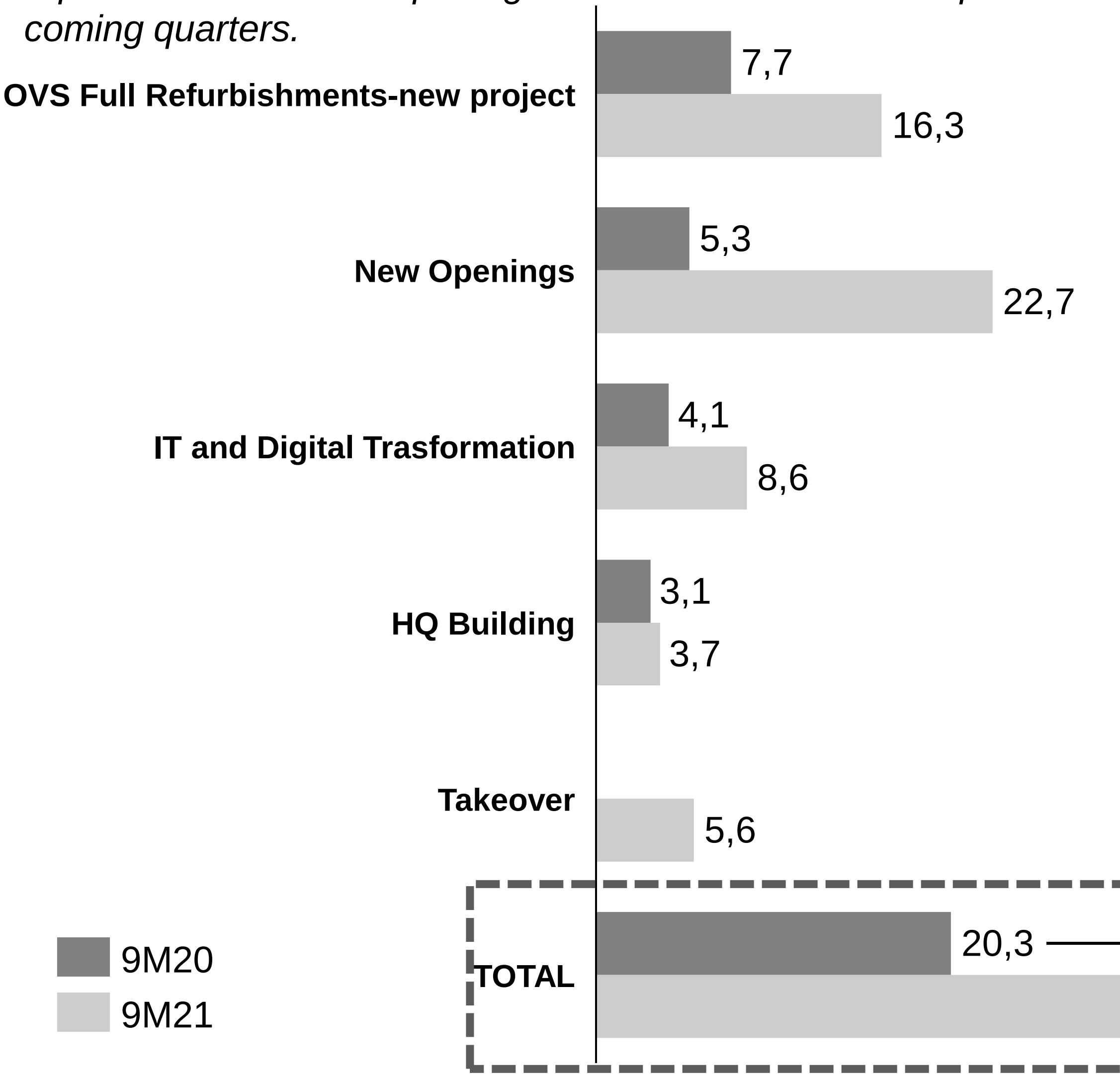
- **Trade Payables** decreased by -€36.9m vs. last year. Thanks to the good cash generation of the business, some payment terms have been temporarily anticipated in order to achieve better economic conditions going forward. This represents one of the many activities put in place by the Group in order to offset some of the inflation expected in the following year. In the coming months, lower payables will result in lower cash out, to the benefit of cash generation.

Trade Working Capital does not reflect the IFRS16 accounting principle.

9M21 Capex

Capex increase reflects a rebound after a 2020 with extraordinary focus on liquidity management

A portion of DOS new openings are due to relocations of pre-existing stores. Additional sales contributions are expected in the coming quarters.



The new OVS store format

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Consolidated Cash Flow Statement

Excellent cash generation thanks to solid economic performance and net working capital improvement

€mln	9M21	9M20
EBITDA Adjusted	**104.5**	**40.1**
Adjustments	(5.7)	(9.1)
Change in Trade Working Capital	21.8	(49.6)
Other changes in Working Capital	29.6	6.5
Capex	(56.8)	(20.3)
Operating Cash Flow	**93.5**	**(32.4)**
Financial charges	(17.2)	(16.3)
Proceeds from Capital Increase	81.0	0.0
Taxes & others	(11.0)	1.7
Net Cash Flow excl derivatives MtM and IFRS 16	**146.2**	**(47.0)**

Baby Angel F/W Collection – OVS house brand

9M21 cash generation was **€112.2m higher than last year** (or **€193.2m** once proceeds from capital increase are considered).

Operating Cash Flow amounted to **€93.5m**, boosted by €104.5m of EBITDA (+€64.4m vs.9M20), and by €51.4m of decrease in net working capital vs. 31Jan21, as a result of the improved cash conversion cycle. Last year the figure absorbed cash due to the unexpected arrival of the pandemic in Italy, which resulted in a temporary increase in inventory and trade receivables.

Despite a first quarter still impacted by the lockdown, the cash flow of the first nine months benefited from the **solid EBITDA** growth and from the **sale of goods** that had remained **unsold** in previous periods due to the lockdowns. The **business model of OVS**, based on a commercial strategy that offers **long-lasting** clothing and less dependent on “fast fashion" logic, allowed goods designed and made for previous seasons to be sold at full price.

Solid cash generation from the business allowed capex to increase by €36.5 vs. last year without impacting the extremely positive result at the bottom-line level.

Net Debt and Leverage

Solid cash flow allowed the target expected at YE to be reached with a quarter in advance

Piombo F/W Collection – OVS house brand

€ mln	31 October 2021	31 October 2020
Net Debt excluding MtM & IFRS16	254.8	356.9
Leverage on EBITDA (*) ***Adjusted Net Debt/EBITDA Adjusted LTM***	1.9x	3.7x
Leverage on EBITDA (**) **Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM**	2.8x	4.0x

Notes:

(*) calculated on Net Debt at 31 October excluding the MtM and the IFRS16

(**) calculated on the average last 12 months Net Debt excluding the MtM and the IFRS16

- 31Oct21 **Adjusted Net Debt** (not reflecting the impact of the mark-to-market and the one deriving from the application of IFRS16), was equal to **€254.8m** (-€102m vs. 31Oct20).
- The ratio **Net Debt/EBITDA** was 1.9x, **decreasing by -3.6x vs. 31Jan21**. That decrease was attributable to both the EBITDA increase and the good cash generation. The average interest rate for the period was 3.5% + Euribor 3m. The recent issue of the Sustainability-Linked Bond allowed to cancel costly debt structures linked to past leveraged buyouts, thus **decreasing materially the cost of debt going forward**.

Outlook

- In November, more than one year in advance, the Company repaid the €250m bullet credit line, using proceeds from the issue of the Sustainability-Linked Bond in the amount of €160m and using €90m of the Group's available cash. All this will allow a significant saving in financial expenses in the coming years.

- November performance has been aligned with expectations, and December started well. We believe that the current trading is continuing to emphasize the right strategy of enlarging the Group offer with international icons, unexpected discoveries under concession, and different house brands. This leads to an upward revision of the closing estimates for year-end previously provided to the market (see next slide).

- The Group is implementing various measures aimed at containing the tension on costs currently in place, which is also expected for at least part of next year. We are favouring naval transport and limiting air transport to the maximum, as this is much more expensive. Commercial negotiations are taking place in relation to both transports, through long terms contracts, and merchandise, in order to share the impact of the expected increase in raw materials. We believe that thanks to our nature of being vertically integrated retailers, to the significant volumes of goods in purchases compared with other industry competitors, and to the consolidated relationships with our suppliers, the increase in prices to end consumers will be more moderate than for other market players. This should represent an advantage for our Group in the coming months. The flexibility on the side of the Group's structural costs, already evident during the lock-down periods, will also allow the inflationary impact of other costs to be mitigated.

FY21 updated guidance

Considering the IIIQ Group performance and current trading, the FY21 F'cast Results have been updated:

KPIs	Old Guidance €/mln	New Guidance €/mln	Chg in estimates €/mln
FY21 Net Sales	1.300 – 1.320	**1.330 – 1.350**	+30 / +30
FY21 Adjusted EBITDA *(Pre IFRS16)*	120 – 135	**135 – 145**	+15 / +10
31Jan22 Adjusted Net Debt *(Pre IFRS16)*	255 – 240	**220 – 210**	(35) / (30)
FY21 Cash Generation *(excl. proceeds from cap increase)*	65 – 80	**100 – 110**	+35 / +30
31Jan22 Leverage ratio	2.1x – 1.8x	**1.6x – 1.4x**	(0.5x) / (0.4x)

Appendix

Piombo F/W Collection – OVS housbrand

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Consolidated Profit and Loss and related adjustments

€ mln	31.10.2021 Reported pre IFRS16	Adjustments, Normalizations & Reclass.	31.10.2021 Adjusted	31.10.2020 Reported pre IFRS16	Adjustments, Normalizations & Reclass.	31.10.2020 Adjusted
Net Sales	978.0		**978.0**	736.0	(0.7)	**736.7**
EBITDA	97.9	(6.6)	**104.5**	27.3	(12.8)	**40.1**
EBITDA%	*10.0%*		*10.7%*	*3.7%*		*5.4%*
EBIT	47.7	(13.0)	**60.7**	(22.3)	(19.2)	**(3.1)**
EBIT%	*4.9%*		*6.2%*	*(3.0%)*		*(0.4%)*
PBT	39.8	(3.4)	**43.2**	(40.2)	(20.8)	**(19.5)**
Net Financial Position	247.6	7.2	**254.8**	362.2	(5.3)	**356.9**

The table shows the results adjusted to reflect the Group's operating performance net of the effects of adoption of the international accounting standard IFRS 16, as well as non-recurring events unrelated to the core business.

EBITDA in the first nine months of 2021 was adjusted as follows: (i) €0.9 million in net foreign exchange gains for forward hedging on purchases of merchandise in foreign currency sold in the period, (ii) €5 million in one-off costs, relating to non-recurring costs directly linked to the COVID-19 emergency of €4 million, and (iii) €0.7 million in costs relating to stock option plans (non-cash costs).

Other adjustments that impacted EBIT and the result before tax related to: (i) costs of €6.4 million related to the amortisation of intangible assets linked to purchase price allocation, and (ii) net income of €9.6 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange differences.