



OVS SpA - The Board of Directors, which met today in Venice, has approved the results for the first nine months of 2015 (1 February 2015 – 31 October 2015).

Accelerating growth for OVS

- ✓ Sales growth accelerated in the third quarter, bringing 9M15 sales to €948.7 million (+8.2% vs. 9M14) and reflecting both a positive like-for-like trend and the development of the network, which in the last nine months increased by 28 directly managed full-format stores, and a larger number of other stores, mainly small-format kids operated under franchise.
- ✓ EBITDA came in at €118.2 million, representing 12.5% of net sales, up by €16.4 million, or 16.1%, and by around 90 bps as a percentage of sales compared with the same period of last year.
- ✓ Market share grew again (6.85% at September 2015), by around 60 bps compared with the same period of the previous year and by around 20 bps on the figure reported for the half-year.
- ✓ Profit before tax of €64.3 million, up €60.5 million compared with the first nine months of 2014, partly due to the substantial decrease in financial expenses after the IPO.
- ✓ The net financial position (-€304.5 million) also decreased substantially, thanks to sound operational management, and also reflects the typical seasonal changes in cash generation by the business and the listing process, which ended on 2 March 2015 and resulted in a net capital increase of €349.1 million.

	31 october '15	31 october '14	Change	Chg %
Market Share (%)	6,9	6,3	0,6	9,4%
Net Sales (€m)	948,7	876,8	71,9	8,2%
EBITDA (€m)	118,2	101,8	16,4	16,1%
% on net sales	12,5%	11,6%		
EBIT (€m)	75,9	58,8	17,1	29,0%
% on net sales	8,0%	6,7%		
EBT (€m)	64,3	3,7	60,5	n.a.
% on net sales	6,8%	0,4%		
Net Financial Debt (€m)	304,5	707,2	n.a.	n.a.

Methodological note

OVS SpA was created on 14 May 2014 and became operational in the final instant of 31 July 2014. Consequently, the information on assets and liabilities, results and cash flows for the first nine months of 2014 is carve-out information as reported in the listing prospectus. In order to give a clearer representation of the Company's economic performance, the information reported in the income statement for the first nine months of 2015 has been stripped of i) non-recurring expenses of €12.8 million (compared to 7,7 €mln in 9M2014) mainly relating to the IPO (€3.4 million) and refinancing (€6.8 million in financial expenses) and ii) other standardisation relating to the accounting treatment of stock options (a non-cash charge of €0.9 million) and currency derivatives, which require mark-to-market accounting and are therefore very volatile (€7.4 million income). Profit before tax for the first nine months of 2015, not adjusted for the above items, amounts to €58.0 million.

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OVS

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Message from the CEO, Stefano Beraldo

In macroeconomic terms, the consumer confidence indicators improved markedly in the autumn, although this has not yet resulted in any significant inversion of consumption trends. The apparel market still recorded a slight contraction. Although no specific disaggregated data is available, small independent operators have been penalised, to the benefit of organised modern retail, which has continued the process of market consolidation and where our brands are positioned.

OVS SpA therefore registered another positive performance in the third quarter in terms of both sales and profits. As a result, it ended the first nine months of 2015 with (i) an 8.2% increase in sales compared with the same period a year earlier, to €948.7 million, (ii) EBITDA of €118.2 million, up 16.1% and by approximately 90 bps as a proportion of sales, and (iii) profit before tax of €64.3 million (€3.7 million at 31 October 2014).

The very hot weather in August (and the rest of the summer in 2015) delayed the launch of the Autumn 2015 assortment as sales of summer stock continued. However, temperatures have been stable since mid-September and were particularly favourable in October, leading to a full recovery of the initial delay, also in terms of margins.

All the brands and main product categories performed well: children's clothing was especially positive with the start of the new term. The results of new projects for certain products were also encouraging, particularly the fitness and teenage categories, which were tested out in a limited number of outlets and will be rolled out to a sizeable part of the network in the next season.

With regard to channels, due to the seasonal nature of the business, the third quarter was particularly important in terms of sales to franchise customers, which represented around 13% of total sales in the first nine months of the year.

A sizeable part of the growth was due to continued efforts to expand the network by opening new outlets (both directly managed full-format stores, and affiliated and administered stores, which are mainly small-format children's clothing stores). The network grew by 177 outlets overall. Of these, 28 are directly managed full-format stores, and most of the remainder are small-format children's clothing stores operated under franchise. The performance of the newly opened stores has been very positive and ahead of expectations.

On 10 September, in a location covering approximately 2,800 sq m, the new OVS store was opened on Corso Buenos Aires in Milan. This new flagship store not only confirms our leadership in terms of sales volumes and turnover, but also in

terms of architectural quality, shopping experience and breadth of choice. More than three months after the launch, the store continues to register better-than-forecast sales, with a particularly strong yield per square metre, including compared to higher-end stores in the network that are smaller in size.

Meanwhile, the Expo 2015 event greatly enhanced the international visibility of our brand. As "Official Retailer" for the event, OVS sold its products to more than 140.000 customers, mostly foreigners, at the Expo site.

The roll-out of the programme of operational innovations continued. The post-distribution project has been particularly successful, continuously improving sell-through. The project has been progressively rolled out and applied to about 30% of the total assortment in the third quarter. A great deal of fine-tuning also went into in-season management of products, with the application of more precise and sophisticated algorithms for the redistribution of items between stores and a consequent further improvement in sell-through.

In the area of costs, in a context of limited inflation and substantial network expansion, OVS SpA has benefited from an improvement in its operating leverage, as well as the expected effects of savings initiatives, mainly relating to energy and rents. Meanwhile, particularly in the third quarter and in line with the strategy of strengthening awareness of the OVS brand, we increased our investments in marketing and advertising. Specifically, TV campaigns were launched for the first time, while the numbers of advertising hoardings and oversight of web channels were increased (website, social networking, in-store multi-channel selling and digital experiences).

It should lastly be noted that the capital structure of OVS SpA was strengthened by the IPO process, with a substantial reduction in debt and more favourable interest rates. This resulted in a substantial decrease in financial charges, which affected the period under review for around eight months.

Our strategy of consolidating the Italian market and our priorities have not changed. In addition, we are increasingly focused on expansion in selected foreign markets, with both full-format and kid's-format stores. In this regard, note that like-for-like stores are generating higher sales and that the foreign network now comprises 185 sales outlets, mostly small-format stores.

In view of this, management is confident that the full-year 2015 will have an outcome in line with the assumed growth targets, and is beginning to focus its efforts on next year growth, with most of the locations for its network expansion already identified.

Consolidated profit performance

	31 october '15 €mln	31 october '14 €mln	Chg %
Net Sales			
OVS	802,8	745,1	7,7%
UPIM	145,9	126,1	15,7%
other	0,0	5,6	n.a.
Total Net Sales	948,7	876,8	8,2%
EBITDA			
OVS	109,5	96,7	13,3%
<i>EBITDA margin</i>	<i>13,6%</i>	<i>13,0%</i>	
UPIM	8,7	5,6	54,2%
<i>EBITDA margin</i>	<i>6,0%</i>	<i>4,5%</i>	
other	0,0	(0,5)	n.m.
Totale EBITDA	118,2	101,8	16,1%
<i>EBITDA margin</i>	<i>12,5%</i>	<i>11,6%</i>	
Depreciation	(42,4)	(43,0)	1,5%
of which PPA	(6,4)	(6,3)	
EBIT	75,9	58,8	29,0%
Net financial income/(charges)	(11,6)	(55,1)	78,9%
EBT	64,3	3,7	n.m.

Net sales

Total net sales grew by €71.9 million (8.2%), with a positive contribution from both divisions.

OVS registered an increase in sales of 7.7% (€57.7 million) due to the expansion of the network and positive like-for-like growth, improving the already strong result registered in the same period last year.

Upim's sales were up by €19.8 million, or 15.7%, benefiting from the run-rate effect of the new store openings that took place in 2014, as well as several Blukids store openings, both direct and franchised. UPIM also recorded positive like-for-like growth due to a favourable customers' reception of the streamlined offering and positioning as a value player in the family-orientated clothing segment.

EBITDA

EBITDA came in at €118.2 million in the first nine months of 2015 (12.5% of net sales), representing an increase of €16.4 million (16.1%) on the same period of 2014, when it was €101.8 million (11.6% as a proportion of net sales).

Both divisions made a positive contribution to the achievement of this result, mainly due to higher sales with a gross margin that was largely stable in every sales channel. They also benefited from (i) improved operating leverage, (ii) the accretive contribution to EBITDA, in both absolute terms and as a percentage, of the growing presence of the franchise channel in the sales mix, and (iii) tight control over costs and the contribution of specific savings initiatives (particularly on rents and energy, with the LED project). Meanwhile, as already mentioned, marketing costs increased by about €3 million, mainly due to the launch of the new television campaign in the last quarter.

The OVS brand registered an increase in EBITDA of €12.8 million (around 60 basis points as a proportion of sales), while Upim recorded an increase in EBITDA of €3.1 (around 150 bps as a proportion of sales).

Operating result

Thanks to the positive EBITDA performance and a reduction in depreciation and amortisation, the operating result was positive for €75.9 million, representing an improvement of €17.1 million, or 29.0%, compared with the same period last year.

Profit before tax

Profit before tax came in at €64.3 million, up by €60.5 million. This trend was supported by the operating result and the significant reduction in financial expenses, from €55.1 million to €11.6 million (down by 78.9% compared with the same period last year) as a result of the IPO and the debt refinancing of 2 March 2015. Note that the period under review still includes around one month's worth of financial expenses relating to the previous debt structure.

Net financial position

At 31 October 2015, the Group's net financial position was €304.5 million and the ratio of net financial position to EBITDA for the previous 12 months was 1.8 times. As a result of the refinancing, the average interest rate on debt decreased from 5.47% in the first nine months of 2014 to 3,50% in the same period of 2015.

Shareholders' equity

Shareholders' equity increased from €408.0 million at 31 January 2015 to €796.0 million at 31 October 2015. This change reflects the profit performance for the period and the impact of the capital increase via IPO, which increased the number of shares from 140,000,000 to 227,000,000, with an impact on shareholders' equity of €349.1 million, including €87.0 million for the share capital increase and €262.1 million allocated to the share premium reserve (net of listing costs).

Summary statement of financial position

€mln	31 October '15	31 January '15	Change
Receivables	103,1	73,0	30,0
Inventory	311,0	287,6	23,4
Payables	(390,8)	(374,4)	(16,4)
Net Operating Working Capital	23,3	(13,8)	37,1
Other assets/(liabilities)	(60,6)	(69,5)	8,9
Net Working Capital	(37,3)	(83,3)	46,0
Tangible and Intangible Assets	1.352,4	1.343,9	8,5
Net deferred taxes	(159,6)	(168,5)	8,9
Other long term assets/(liabilities)	(5,5)	(5,9)	0,5
Pension funds and other provisions	(49,6)	(53,8)	4,3
Net Capital Employed	1.100,5	1.032,4	68,2
Net Equity	796,0	408,0	388,0
Net Financial Debt	304,5	624,4	(319,9)
Total source of financing	1.100,5	1.032,4	68,2

Consolidated statement of cash flows

€m	31 October '15
EBITDA	118,2
Change in Net Operating Working Capital	(37,1)
Other changes in Working Capital	8,6
Capex	(50,8)
Operating Cash Flow	38,8
Financial charges	(17,3)
Severance indemnity payment	(2,0)
Corporate taxes	(17,9)
IPO costs (excl. bank commissions)	(3,4)
IPO proceeds (net of bank commissions)	349,0
Others	(6,1)
Net Cash Flow (excl derivatives MtM and amortised costs)	341,2
MtM derivatives, amortized cost and exchange differences	(21,3)
Net cash flow	319,9

Operating cash flow

In line with the usual seasonal changes in cash generated by the business, the first nine months of 2015 ended with operating cash flow of €38.8 million.

The absorption of working capital is in line with the expansion of the network and the typical seasonality of the franchising business, with DSO substantially stable.

At the same time, comparing working capital data with 31 October 2014, when similar seasonal factors applied, inventories were down by €7.3 million (about €17.3 million at constant exchange rates), despite the increase in scope, while trade payables remained largely unchanged.

With regard to investments in the period, €8 million relates to the planned new logistics project to automate the post-distribution process and is therefore an extraordinary item.

OTHER INFORMATION

Company information

OVS SpA is a registered Italian company (VAT code 04240010274), with its registered office in Venice-Mestre (Italy). Shares of OVS SpA have been listed on the Mercato Telematico Azionario in Milan since 2 March 2015.

Approval of the Interim Report on Operations for the period ended 31 October 2015

The Interim Report on Operations for the period ended 31 October 2015 was approved by the Board of Directors of OVS SpA on 10 December 2015 and, on the same date, the same body authorised its publication.

Non-recurring items

The non-recurring expenses excluded from the figures shown in this document (€12.8 million in the first nine months of 2015) mainly relate to the IPO (€3.4 million) and refinancing (€6.8 million) (all relating to financial expenses). The remainder mainly includes costs relating to restructuring expenses for stores under conversion and transactions with employees. Non-recurring expenses totalled €7.7 million in the first nine months of 2014.

The figures shown in this press release have also been standardised to eliminate the impact of the accounting treatment of stock options (non-cash charge of €0.9 million) and currency derivatives (revenue of €7.4 million), which require mark-to-market accounting and are therefore very volatile.

Declaration of the Director responsible for preparing the company's accounting statements

Nicola Perin, the Director responsible for preparing the Company's accounting statements, hereby declares, pursuant to Article 154-bis, paragraph 2, of the Consolidated Finance Act (Testo Unico della Finanza, or TUF) that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries.

Conference call for presentation of results

Tomorrow, 11 December 2015 at 15:00 local time (CET), a conference call will take place with analysts and investors during which the main results for the nine months ended 31 October 2015 will be presented. To listen in on the conference call, dial +39 02 8020911 (from Italy), +44 1 212818004 (from the UK), +1 718 7058796 (from the US) or +39 02 8020927 (for journalists) and confirm the access code 822#.

A presentation will be available and can be downloaded from the Company's website at www.ovscorporate.it, in the Investor Relations/Results and Presentations section and in the "1info" storage mechanism at www.1info.it. A recording of the conference call will be available on the same website the day after it takes place.

Interim Report on Operations for the period ended 31 October 2015

The Interim Report on Operations for the period ended 31 October 2015 will be made available to the public by tomorrow at the registered office, via the "1info" centralised storage system at www.1info.it, and on the Company's website at www.ovscorporate.com in the "Investor Relations/Results and Presentations" section.

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Disclaimer

The document may contain forward-looking statements about future events and OVS's operating and financial performance. By their nature, these forecasts are subject to risk and uncertainty, because they depend on the occurrence of future events and developments. The actual results may differ significantly from those announced due to multiple factors.