

OVS

OVS S.p.A.'s sales and EBITDA continue to grow

The Board of Directors met today in Venice and approved the results for the first nine months of 2016 (1 February 2016 - 31 October 2016)

+4.0%

Net sales

+6.5%

EBITDA

7.2%

Market share

- ✓ **Net sales for the first nine months of the year were €986.2 million**, up 4.0% compared with the same period a year earlier, despite adverse weather conditions during the third quarter of 2016.
- ✓ **EBITDA was €125.9 million**, representing 12.8% of net sales, up by €7.7 million (6.5%) and by around 30 bps as a percentage of sales compared with the same period a year earlier.
- ✓ **The network increased by 28 full-format DOS** and another 114 stores (mainly children's clothing franchises).
- ✓ **Net profit before tax was €76.9 million**, up €6.2 million (8.8%) compared with the first nine months of 2015.
- ✓ **The net financial position was €351.5 million**, after the payment of €34.1 million in dividends in June 2016 and the payment of prepaid taxes, which did not occur last year as provided for in the contract of tax consolidation.

CONSOLIDATED RESULTS

€mln	31 October '16	31 October '15	Chg	Chg %
Net Sales	986.2	948.7	37.5	4.0%
EBITDA	125.9	118.2	7.7	6.5%
<i>% on net sales</i>	<i>12.8%</i>	<i>12.5%</i>		
EBIT	88.5	82.3	6.2	7.6%
<i>% on net sales</i>	<i>9.0%</i>	<i>8.7%</i>		
EBT	76.9	70.7	6.2	8.8%
<i>% on net sales</i>	<i>7.8%</i>	<i>7.4%</i>		
Net Financial Debt	351.5	304.5	47.0	15%
Market Share (%)	7.2	6.7	0.5	7.0%



N.B. In order to give a clearer picture of the company's performance, the data in this document have been normalised.



Statement from the Chief Executive Officer Stefano Beraldo

OVS S.p.A. has continued pursuing its path of growth and consolidation in the Italian market despite challenging weather conditions, the worst of the last years, especially when compared to 2015, when weather was favourable at key seasonal periods. After a first semester negatively affected by a very cold and wet May. Temperatures in September were well above seasonal average, impacting sales during the key "back to school" period.

The Group's sales grew by 4.0% in the first nine months of 2016, mainly due to network expansion, which continued in line with management forecasts, with positive sales results for the new directly owned stores and steady progress in the franchising network. Specifically, in the first nine months of the year, the network increased by 28 full-format DOS and another 114 stores, mainly kids formats franchised stores.

EBITDA was €125.9 million, or 12.8% of net sales, increased by €7.7 million, or 6.5%, representing a growth of around 30 bps as a percentage of sales also thanks to improvements in sourcing conditions and the on-going attention to cost management. The Upim brand continued to grow, almost doubling its EBITDA from €8.6 million to €15.0 million, or 9.8% of sales, confirming the soundness of the strategic repositioning and the quality of Upim's network growth, particularly through affiliates, both full format stores and small kids format stores.

Net profit before tax was €76.9 million, up by 8.8% compared with the same period a year earlier.

The financial structure remained sound, with a net financial position that was impacted by the payment of €34.1 million in dividends in June, and of around €20 million more direct taxes paid in August 2016.

The successful takeover bid launched by Sempione Retail (in which OVS has a minority stake) for Charles Vögele, combined with the related commercial agreement currently being finalised with the company, represent an important milestone in the growth and internationalisation of the OVS Group, for which major opportunities for growth have arisen in terms of turnover and profit margins, for a limited financial commitment.

We believe that the validity of our strategy, demonstrated by strong growth in recent years, will continue to ensure sustainable and remunerative growth for our shareholders.

NET SALES

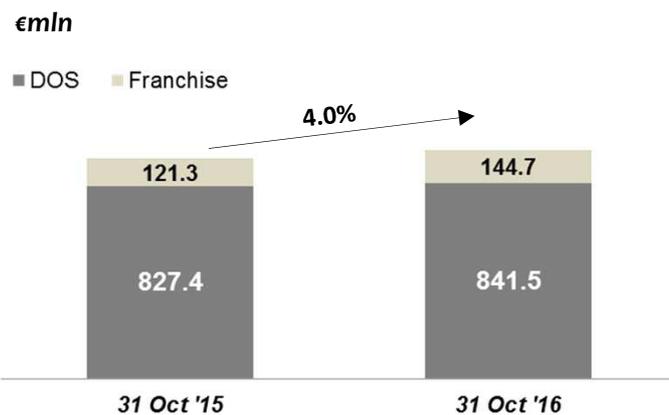
Total sales increased by €37.5 million, or 4.0%, with a positive contribution of network expansion, while like-for-like sales were adversely affected by the comparison with the previous year, when weather conditions were favourable at key seasonal times (May and September). Conversely, in 2016 May was characterized by rainy and cold weather, whereas September was one of the hottest of the last decade.

OVS registered an increase in sales of 3.7% (up €29.8 million), driven by the steady expansion of the direct network and a more rapid increase in franchise openings.

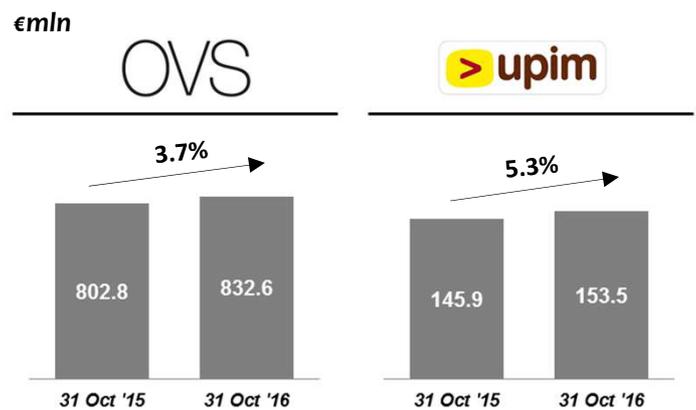
Upim registered strong growth: its sales rose by 5.3% (€7.6 million), benefiting from the success of the brand's repositioning in terms of format and products and the expansion of the children's franchising network (Blukids).

+4.0%
The trend of growth driven by development has continued

NET SALES: aggregate performance



NET SALES: performance by brand



EBITDA

EBITDA was €125.9 million (12.8% of net sales), up €7.7 million (6.5%) compared with a figure of €118.2 million for the same period of 2015 (12.5% of net sales).

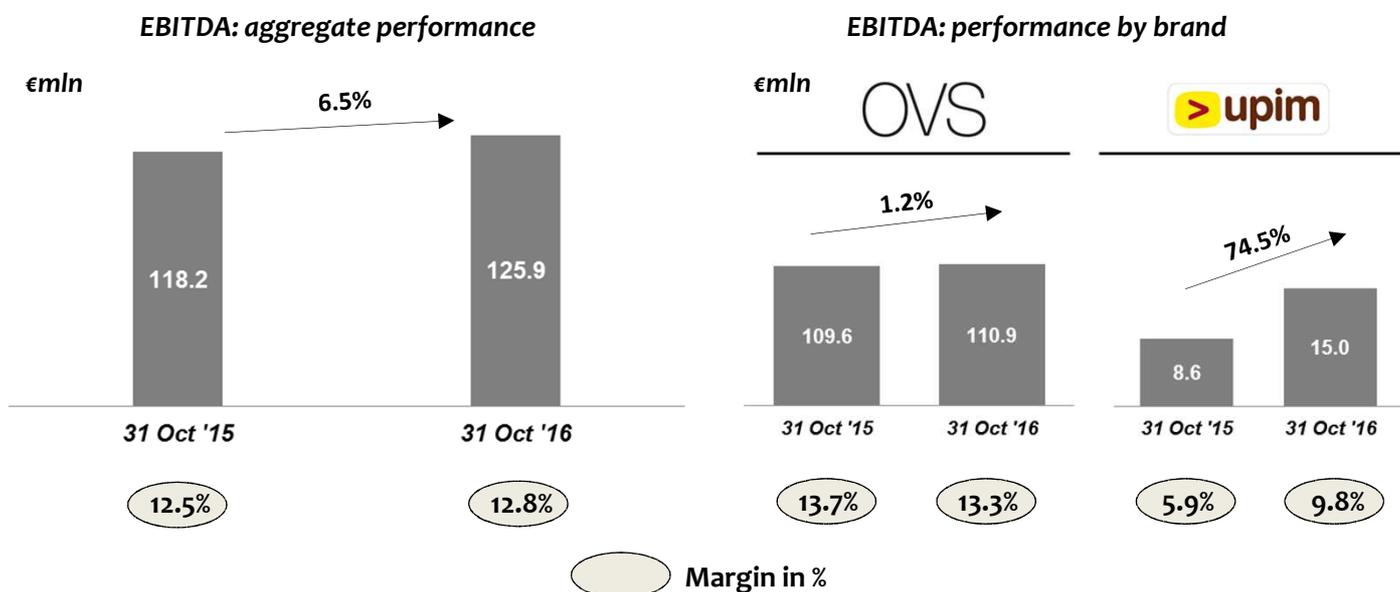
Both brands made a contribution to this performance, with improvement in the gross margin resulting from actions undertaken at supply chain level, procurement level and at distribution level, and careful cost control and specific savings initiatives.

UPIM strong performance deserves special attention: (i) the success of the new business concept and (ii) the qualitative improvement of the network allowed the brand to significantly improve its financial results.

+6.5%
EBITDA

Higher sales, along with improved margins and operating leverage

OVS



OPERATING INCOME

Thanks to the positive EBITDA performance, operating income was €88.5 million, up €6.2 million or 7.6% compared with the same period last year. Depreciation and amortisation increased slightly as a result of the network expansion activities and investments in operations.

NET PROFIT BEFORE TAX AND NET RESULT

Net profit before tax was €76.9 million, up €6.2 million or 8.8% compared with the first half of 2015.

OPERATING CASH FLOW

Operating cash flow reflected the typical seasonality of the business in the first nine months of the year, accentuated by the more rapid development of the franchise network, which resulted in increasing trade receivables (with unchanged average collection periods).

The increase in stock was mainly due to (i) the sales performance and rapid network expansion.

Payables decreased, mainly reflecting (i) the closing of capex positions relating to the LED project implemented in previous periods and (ii) a partial change in the supplier mix.



Jean-Paul Gaultier per OVS



Arts of Italy, the new OVS capsule collection

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SUMMARY STATEMENT OF CASH FLOWS

€m	31 October '16	31 October '15	31 January '16
EBITDA	125.9	118.2	179.6
Change in Net Operating Working Capital	(120.4)	(37.1)	(5.6)
Other changes in Working Capital	6.0	8.6	12.4
Capex	(42.9)	(50.8)	(68.3)
Operating Cash Flow	(31.3)	38.8	118.0
Financial charges	(11.1)	(17.3)	(20.2)
Severance indemnity payment	(1.5)	(2.0)	(2.5)
Corporate taxes	(32.7)	(17.9)	(20.5)
IPO costs (excl. bank commissions)	0.0	(3.4)	(3.6)
IPO proceeds (net of bank commissions)	0.0	349.0	349.1
Dividends	(34.1)		
Others	(2.6)	(6.1)	(6.1)
Net Cash Flow (excl derivatives MtM and amortised costs)	(113.3)	341.2	414.1
MtM derivatives, amortized cost and exchange differences	(3.2)	(21.3)	(24.7)
Net cash flow	(116.5)	319.9	389.4

NET FINANCIAL POSITION

The net financial position at 31 October 2016 is €351.5, after the payment of €34.1 million in dividends in June, and of around €20 million more taxes than the previous year paid in August. The ratio of net financial position to EBITDA for the last 12 months is 1.9x. The current spot interest rate is 2.50% + Euribor 3M (currently around 0%).



The Flagship Store in Milan

€mln	31 October '16	31 October '15
Net Debt	351.5	304.5
EBITDA LTM	187.3	173.5
Leverage on EBITDA	1.9x	1.8x

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SUMMARY STATEMENT OF FINANCIAL POSITION

€m	31 October '16	31 October '15	Chg
Trade Receivables	113.5	103.1	10.5
Inventory	344.1	311.0	33.1
Trade Payables	(345.4)	(390.8)	45.4
Net Operating Working Capital	112.2	23.3	88.9
Other assets/(liabilities)	(62.8)	(60.6)	(2.2)
Net Working Capital	49.4	(37.3)	86.7
Tangible and Intangible Assets	1,356.3	1,352.4	3.8
Net deferred taxes	(142.0)	(159.6)	17.6
Other long term assets/(liabilities)	(7.8)	(5.5)	(2.4)
Pension funds and other provisions	(50.9)	(49.6)	(1.3)
Net Capital Employed	1,204.9	1,100.5	104.4
Net Equity	853.4	796.0	57.4
Net Financial Debt	351.5	304.5	47.0
Total source of financing	1,204.9	1,100.5	104.4



The Flagship Store in Bari



OTHER INFORMATION

Company information

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

Quarterly information

OVS S.p.A. informs that, following the entry into force on March 18, 2016 of the Italian Legislative Decree no. 25 of 15 February 2016, which eliminates, in accordance with the European Union's Transparency Directive, the obligation to publish interim management statements, the Company has decided to release on a voluntary basis a trading update for its first quarter key financial KPIs with the objective to maintain a timely and transparent dialogue with the financial community and key stakeholders on the Group's business dynamics.

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.

Non-recurring items

The non-recurring expenses excluded from the figures shown in this document (€2.7 million in the first nine months of 2016) mainly relate to M&A activity. Non-recurring expenses amounted to €12.8 million in the first nine months of 2015, and mainly related to IPO costs. 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 €1.8 million), depreciation and amortisation deriving from PPA (€6.4 million) and currency derivatives (charge of €3.2 million), which require mark-to-market accounting and are therefore very volatile.

Conference call to present the results

Tomorrow, 15 December 2016 at 13:00 local time (CET), a conference call will take place with analysts and investors during which the main results for the first quarter ended 31 December 2016 will be presented. The conference call can be followed on these numbers: +39 02 805 88 11 (from Italy); + 44 121 281 8003 (from the UK); +1 718 7058794 (from the US); or +39 02 8058827 (for journalists) using access code 810#. A presentation will be available and can be downloaded from the 'Investor Relations/Results and Presentations' section of the Company website at www.ovscorporate.it and from the 'info' storage mechanism at www.1info.it. A recording of the presentation will also be available on the same website, from the day after the meeting call.

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Disclaimer

- i) *The information presented in this document has not been audited.*
 - ii) *The document may contain forward-looking statements relating to future events and OVS's operating, financial and income results. These forecasts, by their nature, involve risk and uncertainty, as they depend on future events and developments. The actual results may differ, sometimes substantially, from those announced, due to multiple factors.*
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