



OVS SpA - The Board of Directors met today in Venice and approved the results for the financial year 2015 (1 February 2015 - 31 January 2016).

Growth in like-for-like sales and new store openings resulted in strong increase in revenues and EBITDA as well as substantial net debt reduction. The Board proposes a dividend of Euro 0.15 per share.

- ✓ Net sales of €1,319.5 million, up 7.5% on the previous year, thanks to a 1.8% increase in like-for-like sales and the contribution of new store openings.
- ✓ Market share of 7.0% in December 2015 (up 60 bps compared with December 2014), confirming OVS's position as Italy's market leader.
- ✓ Gross margin, 57.2%, was broadly stable in the individual sales channels, with 30 bps decrease driven by a slight increase of the franchising in sales mix.
- ✓ EBITDA of €179.6 million, representing 13.6% of net sales, increased by €22.5 million or 14.3%, and by approximately 80 bps in margin compared with the previous year.
- ✓ Net profit of €81.1 million, up by €55.8 million compared with the previous year, benefiting from a marked improvement in the operating results, a substantial reduction in financial expenses and a lower tax rate.
- ✓ Improvement of the net financial position from €624.4 million to €235.0 million, thanks to the positive operating results as well as the IPO, successfully completed on 2 March 2015 with a net capital increase of €349.1 million.
- ✓ Proposed total dividend of 34.05 million (0.15 Euro per share)

OVS SpA

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OVS

OVS
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Bukids

Summary consolidated performance

€mln	31 January '16	31 January '15	Chg	Chg %
Net Sales	1,319.5	1,227.4	92.1	7.5%
Gross Profit	754.5	705.8	48.7	6.9%
% on net sales	57.2%	57.5%		
EBITDA	179.6	157.1	22.5	14.3%
% on net sales	13.6%	12.8%		
EBIT	130.0	106.8	23.1	21.6%
% on net sales	9.8%	8.7%		
EBT	114.9	45.8	69.1	151.0%
% on net sales	8.7%	3.7%		
Net Profit	81.1	25.3	55.8	220.7%
% on net sales	6.1%	2.1%		
Net Financial Debt	235.0	624.4	n.m.	n.m.
Market Share (%)	7.0	6.4	0.6	9.7%

Methodological note

OVS SpA was incorporated on 14 May 2014 and began operating as of the final instant of 31 July 2014. The information on P&L results and cash flows shown for 2014 is therefore pro-forma, and based on carve-out data for the first part of the year, as reported in the listing Prospectus. In order to give a clearer picture of the Company's performance, the income statement information shown for 2015 has been adjusted for: i) non-recurring net income of €9.9 million (€25.7 million a year earlier), mainly due to tax entries (€19.7 million relating to the non-cash impact of the release of deferred tax liabilities due to the announced reduction in the IRES rate in 2017), partly offset by costs associated with the IPO (€3.6 million) and with the simultaneous refinancing of the company (€6.8 million of fees in financial expenses); ii) other normalising elements relating to the accounting treatment of stock options ("non-cash" expenses of €1.4 million) and currency derivatives, for which mark-to-market accounting is required, resulting in high volatility (revenue of €7.2 million) and the relative tax effect (€1.6 million); and iii) amortisation of intangible assets relating to PPA (€8.6 million, as in 2014). Net Profit in 2015, not adjusted for the above elements, was €86.6 million.

Message from Stefano Beraldo, Chief Executive Officer

Italian economic activity and disposable household income grew in 2015: however, effects on consumption have remained limited, as households set aside part of their income for savings and to replace capital goods such as cars. The clothing market, in particular, is lagging behind other sectors, contracting by around 2% in 2015. We are seeing the first signs of recovery, however, particularly in the north of the country. In Italy, consolidation has also continued in favour of organised modern retail groups, and OVS SpA has shown that it is more capable than any other player of benefiting from this trend, with another steady increase in market share up to 7.0% in December 2015.

In this context, we highlight the net sales growth to €1,319.5 million (up 7.5% compared with the previous year), reflecting both a positive like-for-like performance and successful store expansion. EBITDA (€179.6 million) increased by 14.3%, and by around 80 bps as a percentage of net sales, while net profit came in at €81.1 million (up €55.8 million compared with the previous year). The net income also improved significantly thanks both to the operating results and lower financial charges.

We are very satisfied with the 35 directly operated full-format stores opened. In particular, we highlight the great performance of the flagship stores in Milan Buenos Aires and Naples, confirming the proven ability of the company to achieve positive performance even on big surfaces, deemed strategic to affirm the value of the brand.

Upim has also continued to grow rapidly, with increases in sales and EBITDA of 12.9% and 80.7%, respectively, compared with the previous year. This performance is the result of the brand repositioning with focus on the offering in the family value segment and the introduction of a more attractive store format that fits in better with this offering. Various initiatives are currently under way to promote growth and further increase profitability.

The roll-out of operational innovations continued, with a positive impact on sales, markdown reductions and inventory rotation.

OVS SpA also continued to benefit from improved operating leverage and the effects of savings initiatives, mainly regarding energy and rental costs.

Significant investments were also made to support brand awareness, with marketing and advertising campaigns. In addition, in a market where e-commerce does not yet play a key role (particularly in the value segment), but where a growing proportion of customers visits the company's website to search for and compare products online before purchasing in-store, OVS has improved both traffic and conversion and has placed strong emphasis on overseeing multi-channel, social networks and digital experience.

On the international front, the organisational structure has been strengthened with the recruitment of a new manager with extensive expertise in order to pursue all the opportunities that the international market is currently showing. On the basis of the positive results already achieved, the current strategy is to adopt an increasingly structured approach to identifying high-potential countries and focusing development efforts on these ones. We have also begun to penetrate foreign markets through the e-commerce, with the launch of a direct sales channel in Spain and an agreement with Zalando for the sale of OVS-branded products in 14 European countries.

There has been a growing focus on corporate social responsibility, with the launch of a major project to identify elements of innovation in business processes to make them more sustainable. Meanwhile, our commitment to social activities has also continued, with a special emphasis on children through the Kids Creative Lab initiative. Numerous initiatives have also been introduced for the Group's employees, including a decision (currently being implemented) to transfer the structure used as a temporary OVS store during the Milan Expo to our registered office, so that it can be turned into a company kindergarten.

OVS SpA's capital structure was strengthened by the IPO, with a substantial reduction in debt and more favourable interest rates; financial expenses have decreased markedly as a result.

Our consolidation strategy in the Italian market and our priorities are unchanged, with a large proportion of property agreements relating to expansion in 2016 already in place.

Although 2016 began with unfavourable weather conditions, sales continue to grow and margins remain robust.

In view of this, management is looking ahead to the new year with confidence, and the conviction that the validity of its strategy, and its ability to implement it, will result in further sustainable growth and profitability for shareholders in 2016.

Consolidated P&L performance

€mln	31 January 2016	31 January 2015	Chg	Chg %
Net Sales	1,319.5	1,227.4	92.1	7.5%
Purchases of consumables	565.0	521.6	(43.4)	-8.3%
Gross Margin	754.5	705.8	48.7	6.9%
<i>GM%</i>	57.2%	57.5%		
Total operating costs	574.9	548.7	(26.2)	-4.8%
EBITDA	179.6	157.1	22.5	14.3%
<i>EBITDA%</i>	13.6%	12.8%		
Depreciation & Amortization	49.6	50.2	(0.6)	-1.2%
EBIT	130.0	106.8	23.1	21.6%
<i>EBIT %</i>	9.8%	8.7%		
Net financial income/(charges)	(15.0)	(61.1)	46.0	n.m.
PBT	114.9	45.8	69.1	151.0%
Tax	(33.8)	(20.5)	(13.3)	n.m.
Net Profit	81.1	25.3	55.8	220.7%

€mln	31 January '16	31 January '15	Chg %
Net Sales			
OVS	1,116.9	1,040.9	7.3%
UPIM	202.6	179.5	12.9%
Other	0.0	7.0	n.a.
Total Net Sales	1,319.5	1,227.4	7.5%
EBITDA			
OVS	162.1	148.4	9.2%
<i>EBITDA margin</i>	14.5%	14.3%	
UPIM	17.5	9.7	80.7%
<i>EBITDA margin</i>	8.6%	5.4%	
Other	0.0	(1.0)	n.m.
Total EBITDA	179.6	157.1	14.3%
<i>EBITDA margin</i>	13.6%	12.8%	

Net sales

Total net sales increased by €92.1 million, or 7.5%, with a positive contribution from both divisions and like-for-like sales growth of 1.8%.

OVS registered net sales growth of 7.3% (€76.0 million), due to network expansion and a positive trend in like-for-like growth, which improved the already satisfactory performance recorded last year.

Upim's sales grew by €23.1 million (12.9%), benefiting from the run-rate effect of openings and conversions occurred in 2014, as well as the many openings of both directly managed and franchised Blukids stores.

Gross margin

The Gross margin was largely unchanged in every sales channel, despite the stronger dollar, thanks to a positive trend in commodities prices in local currencies and the relocation of part of the production from China to other areas of the Far East, with resulting savings in costs. The decrease of approximately 30 bps as a percentage of net sales was entirely due to a change in the mix, which saw a slight increase in the weight of franchising (however accretive at EBITDA margin level).

Under current conditions no significant variations in gross margin is expected also for next year.

EBITDA

EBITDA came in at €179.6 million (13.6% of net sales), up by €22.5 million, or 14.3%, compared with a year earlier, when it stood at €157.1 million (12.8% of net sales). This was due to higher sales and the resulting improvement in operating leverage, as well as the specific savings measures already mentioned (rents and energy costs, with the LED project).

Both divisions made a positive contribution to this performance. OVS registered a €13.7 million increase in EBITDA, while Upim registered a €7.8 million increase.

EBIT

At €130.0 million, EBIT fully reflects the growth registered in EBITDA, with depreciation and amortisation remaining largely unchanged compared with 2014.

Net result before tax

The net result before tax is €114.9 million, up by €69.1 million. This performance was supported by the operating result and a substantial reduction in financial expenses, which decreased from €61.1 million to €15.0 million due to the IPO and the debt refinancing that completed on 2 March 2015. Note that the period under review still includes the financial expenses associated with the previous debt structure for approximately one month.

Net financial position

At 31 January 2016, the Group's net financial position was €235.0 million. The ratio of net financial position to EBITDA for the last 12 months was 1.3x, and the average interest rate for the year was 3.4%.

Shareholders' equity

Shareholders' equity grew from €408.0 million at 31 January 2015 to €825.1 million at 31 January 2016. This change reflects the results for the year and the effect of the capital increase through the IPO. The IPO resulted in an increase in 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 to increase the share capital and €262.1 million allocated to the share premium reserve (net of listing costs).

Summary statement of financial position

€mln	31 January '16	31 January '15	Chg
Receivables	71.0	73.0	(2.0)
Inventory	289.7	287.6	2.1
Payables	(368.8)	(374.4)	5.6
Net Operating Working Capital	(8.1)	(13.8)	5.6
Other assets/(liabilities)	(91.3)	(69.5)	(21.8)
Net Working Capital	(99.5)	(83.3)	(16.2)
Tangible and Intangible Assets	1,357.2	1,343.9	13.2
Net deferred taxes	(142.7)	(168.5)	25.8
Other long term assets/(liabilities)	(6.1)	(5.9)	(0.2)
Pension funds and other provisions	(48.7)	(53.8)	5.1
Net Capital Employed	1,060.1	1,032.4	27.7
Net Equity	825.1	408.0	417.1
Net Financial Debt	235.0	624.4	(389.4)
Total source of financing	1,060.1	1,032.4	27.7

Summary statement of cash flows

€mln	31 January '16	31 January '15
EBITDA	179.6	157.1
Change in Net Operating Working Capital	(5.6)	58.4
Other changes in Working Capital	12.4	4.8
Capex	(68.3)	(59.5)
Operating Cash Flow	118.0	160.8
Financial charges	(20.2)	(53.2)
Severance indemnity payment	(2.5)	(3.5)
Corporate taxes	(20.5)	(14.6)
IPO costs (excl. bank commissions)	(3.6)	
IPO proceeds (net of bank commissions)	349.1	
Others	(6.1)	(8.9)
Net Cash Flow (excl derivatives MtM and amortised costs)	414.1	80.6
MtM derivatives, amortized cost and exchange differences	(24.7)	21.1
Net cash flow	389.4	101.7

Cash flow

Operating cash flow for the year was €118.0 million. There was a limited increase in operating working capital, thanks to disciplined purchasing and inventory management, while other changes in working capital primarily relate to the expansion of the network, which resulted in increased VAT, personnel and other payables.

Investments for the period included approximately €12.6 million relating to the logistics project to automate the post-distribution process. This is a non-recurring investment, and includes €4.6 million with monetary effect in 2016.

Tax payments refer to €10.6 million in IRAP for 2014 and payments on account for 2015, with the remainder (€9.8 million) relating to IRES for 2014. Note that, as it was incorporated in 2014, OVS SpA had not previously made any payments on account for that year.

Dividends

The Board of Directors has resolved to propose to shareholders the payment of a dividend of 34.05 million Euro for 2015, equal to 0.15 Euro per share and representing a pay-out ratio of 42.0% of net consolidated income.

The dividend will be paid on June 8, 2016 (ex-dividend date June 6, 2016, and record date June 7, 2016).

Board of Directors

Following the resignation of Board member Lori Hall-Kimm, as announced to the market on 17 December 2015, the Company's Board of Directors resolved to appoint, through co-option, Marvin Teubner as a new Company Board member, categorising him as non-executive pursuant to the applicable regulatory provisions. The Director thus appointed will remain in office until the next shareholders' meeting, called for 25 May 2016. The curriculum vitae of the newly appointed Board member is available in the "Governance/Shareholders' Meeting" section of the Company website at www.ovscorporate.it. At the time of writing, Board member Marvin Teubner does not hold any shares in the Company's capital.

OTHER INFORMATION

Company information

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

Notice of annual shareholders' meeting, convened in a single call for 25 May 2016

The meeting notice will be published in the next few days, and will then be available on the Company website at <http://www.ovscorporate.it/it/investor-relations>, and from the "1info" centralised storage mechanism, where the Directors' reports to the meeting on proposals relating to the agenda items will be available to the public, as well as other documentation pursuant to the applicable legislation.

Attestation by the director responsible for preparing the company's accounting statements

Nicola Perin, the director responsible for preparing the company's accounting statements, hereby attests, pursuant to Article 154-bis, paragraph 2, of the Italian Consolidated Finance Act, that the accounting information contained in this press release corresponds to the company documents, books and accounting records.

Conference call and results presentation

A conference call with analysts and investors, including a presentation of the key results for 2015, will take place tomorrow, 15 April 2016, at 1pm local time (CET). 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 872#.

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 "1info" 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.

For more information:

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Disclaimer

The consolidated financial statements and the annual financial statements are currently being audited: the audit has not been completed to date.

The document may contain forward-looking statements relating to future events and OVS's operating, economic and financial 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.

Annexes: Consolidated balance sheet and Consolidated income statement

Consolidated balance sheet statement

(Euro in thousands)

ASSETS	31.01.2016	of which related parties	31.01.2015	of which related parties
Current assets				
Cash and banks	125,636		40,334	
Trade receivables	71,025	3,955	73,015	7,519
Inventories	289,675		287,610	
Financial assets	16,308		118,376	81,988
Current tax assets	923		298	
Other receivables	33,406		35,857	
Total current assets	536,973	3,955	555,490	89,507
Non-current assets				
Property, plant and equipment	260,083		241,517	
Intangible assets	644,412		649,740	
Goodwill	452,541		452,541	
Equity investments	136		136	
Financial assets	1,988		1,111	
Other receivables	5,633		3,464	
Total non-current assets	1,364,793	0	1,348,509	0
TOTAL ASSETS	1,901,766	3,955	1,903,999	89,507

LIABILITIES AND SHAREHOLDERS' EQUITY	31.01.2016	of which related parties	31.01.2015	of which related parties
Current liabilities				
Financial liabilities	7,355		780,312	22,338
Trade payables	368,834	1,807	374,403	4,177
Current tax liabilities	23,771	23,506	16,836	11,059
Other payables	101,895	2,701	88,820	863
Total current liabilities	501,855	28,014	1,260,371	38,437
Non-current liabilities				
Financial liabilities	371,601		3,888	
Employee benefits	40,529		44,445	
Provisions for risks and charges	8,216		9,395	
Deferred tax liabilities	142,733		168,506	
Other payables	11,776		9,396	
Total non-current liabilities	574,855	0	235,630	0
TOTAL LIABILITIES	1,076,710	28,014	1,496,001	38,437
SHAREHOLDERS' EQUITY				
Share capital	227,000		140,000	
Other reserves	511,429		271,790	
Net result for the year	86,627		(3,792)	
TOTAL SHAREHOLDERS' EQUITY	825,056	0	407,998	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,901,766	28,014	1,903,999	38,437

Consolidated income statement

(Euro in thousands)

	31.01.2016	of which non- recurring	of which related parties
Revenues	1,319,480		4,261
Other operating income and revenues	60,733	49	252
Total revenues	1,380,213	49	4,513
Purchases of raw materials, consumables and goods	576,127		(111)
Staff costs	261,930	301	5,751
Depreciation, amortisation and write-downs of assets	58,193		
Other operating expenses			
Service costs	171,560	2,053	14,061
Costs for the use of third-party assets	185,248	1,017	(953)
Write-downs and provisions	1,800		
Other operating charges	23,359	3,559	21
Result before net financial expenses and taxes	101,996	(6,881)	(14,256)
Financial income	118		
Financial expenses	(26,926)	(6,774)	
Exchange rate gains and losses	23,273		
Gains (losses) from equity investments	47		
Net result for the year before tax	98,508	(13,655)	(14,256)
Taxes	(11,881)	23,512	
Net result for the year	86,627	9,857	(14,256)
Net result for the year attributable to the Group	86,627		
Net result for the year attributable to minority interests	0		
Earnings per share (in euro)			
- basic	0.39		
- diluted	0.39		

In this table have not been exposed, such as comparison, the consolidated results as at 31 January 2015, dealing the results relative to a period of six months, which would not allow an adequate reading of the Group's consolidated income.