

OVS

The Group takes swift action to contain costs in response to the lockdown.

- ✓ **The first quarter** (February-April) was adversely affected by the lockdown period, which entailed the closure of all stores from March 12, with full reopening only taking place on May 18.
- ✓ **Net sales** amounted to **€102.7 million**, down 68% due to the period of closure. They were in line with expectations in the early part of February, before reflecting a drop in traffic during the last week of that month. Historically, the first quarter is characterized by more significant sales and profitability in March and April.
- ✓ **EBITDA** amounted to **-€34 million**, affected by the sharp fall in sales. However, the material loss in terms of gross margin was significantly reduced due to a rapid cost-cutting response.
- ✓ The **net financial position** was **€428.8 million**, better than the one at 30 April 2019.

CONSOLIDATED RESULTS

€ mln	30.04.2020 (A)	30.04.2019 (A)	Chg.	Chg. %
Net Sales	102.7	317.5	(214.9)	(67.7%)
EBITDA	(34.0)	25.1	(59.2)	n.s.
EBITDA%	-33.2%	7.9%		
EBIT	(47.7)	11.3	(58.9)	n.s.
EBIT%	-46.4%	3.5%		
PBT	(52.4)	7.6	(60.0)	n.s.
Net Financial Position	428.8	445.4	16.6	3.7%
Market Share	8.1%	8.0%		+10ppt



(A) Only the adjusted results (so-called managerial results) have been reported, as they are considered representative of the actual performance of the business: for 2020, they do not reflect (i) the adoption of IFRS16 and (ii) mark-to-market accounting at the level of the net financial position (+€2.5 million). In view of the significant number of directly operated stores and the renegotiations under way with the owners of these premises, the adoption of IFRS 16 is not very representative and is constantly evolving.

Statement from the Chief Executive Officer, Stefano Beraldo

In a quarter in which our stores were closed for almost two months, the company reacted as swiftly as possible to decrease costs.

Our strong containment measures will allow us to lower the break-even point even further. Our Company is also reviewing rental contracts: where cooperation with the property owners is not possible, we are prepared to terminate the existing lease agreements and move stores to other locations.

The positioning of our Group, which is increasingly focused on “value for money”, the quality of our garments at the right price, their functionality, the attention paid to the materials used and to sustainability, has contributed to a post-lockdown recovery that continues to exceed our expectations. Our brands have shown themselves to be firmly rooted in the purchasing choices of Italians, regardless of their preferred sales channel: the increase in e-commerce sales during lockdown and the return to strong turnover when the stores reopened are evidence of this.



On the basis of this sales trend, which is above our expectations, we believe we are well positioned to face any further possible health crises in countries where our manufacturers operate, causing their activities to slow.

As anticipated, our positioning will allow us to carry forward the goods purchased this year to next year. This will support a substantial recovery of working capital in the first half of 2021, maintaining a good gross margin. All our suppliers have supported us, aware of the solidity and value of their commercial relations with our Group.

Investments will continue in the digital sphere to boost our multi-channel approach and customer relations, increasing one-to-one relationships and services offered to our loyal customers.

The lockdown period saw OVS become even more of a leading light throughout the entire Italian clothing sector: contacts with institutions, trade associations and the political world in general intensified, benefiting not only our Group but also all the other players operating in Italy.

OVS

NET SALES

Total sales were in line with expectations in the first days of the quarter. They were subsequently affected by (i) a significant drop in traffic in the last week of February and the early days of March due to the spread of the pandemic in Italy, and (ii) the progressive closure of initially only some stores, followed by the entire store network as of March 12. Only a few stores in the kids' clothing category were reopened in mid-April. Given the general environment in the country, footfall in shops and overall consumption, their activity has been very limited.

Both the brands and both the sales channels experienced similar declines in sales during the period.

NET SALES: aggregate performance

€mln	30 April '20	30 April '19	Var.	Var. %
DOS & e-commerce	75.9	239.9	(164.0)	(68.4%)
Franchise & Marketplace	26.8	77.6	(50.8)	(65.5%)
Total	102.7	317.5	(214.8)	(67.7%)

NET SALES: performance by brand'

€mln	30 April '20	30 April '19	Var.	Var. %
OVS	82.1	259.8	(177.7)	(68.4%)
upim	20.6	57.7	(37.2)	(64.4%)
Total	102.7	317.5	(214.8)	(67.7%)

EBITDA

The effects of the pandemic were reflected in the company's financial results, even though the Group was performing in a completely exceptional context.

Excluding the effects of IFRS 16, EBITDA amounted to -€34 million. The impact on the gross margin of lost sales due to store closures was partially offset by the effective extraordinary measures implemented in terms of costs, at both the head office and sales network level (approximately €60 million in the first quarter).

EBITDA: aggregate performance and performance by brand

€mln	30 April '20		30 April '19		Var.
	EBITDA (A)	EBITDA%	EBITDA (A)	EBITDA%	
OVS	(29.2)	(35.6%)	19.9	7.6%	(49.1)
upim	(4.8)	(23.5%)	5.3	9.1%	(10.1)
Total	(34.0)	(33.1%)	25.1	7.9%	(59.1)

(A) Only adjusted (so-called managerial) results have been reported, as they are considered representative of the actual performance of the business: for 2020, they deviate from the accounting results as they do not reflect the adoption of IFRS 16. In view of the significant number of directly operated stores and the renegotiations under way with the owners of these premises, the adoption of IFRS 16 is not very representative and is constantly evolving.

OPERATING RESULT AND RESULT BEFORE TAX

The operating result and the result before tax amounted to -€47.7 million and -€52.4 million respectively, reflecting the decrease in EBITDA analysed above.

NET FINANCIAL POSITION AND CASH FLOW

Although the store closures caused extraordinary cash absorption due to the lack of top line (a reduction in sales of €200 million), the Group's financial and liquidity structure is solid, partly due to significant deleveraging during 2019, the proactive cooperation of our suppliers, which willingly permitted payment extensions, and cost containment.

At 30 April 2020, the Group's net financial position, adjusted for the impact of mark-to-market accounting and not reflecting the impact of adoption of IFRS 16, was therefore better than the previous year's figure, at €428.8 million. The ratio of average adjusted net financial position to adjusted EBITDA for the last 12 months is 4.1x. The increase is entirely due to the decrease in EBITDA in the first quarter due to the store closures. In this regard it should be emphasised that the Company obtained a waiver enabling the suspension of the repayment instalments for the amortising line scheduled for August 2020 and February 2021 (totalling €33 million) and the suspension of covenant testing until January 2021 inclusive.

Partly due to the lower purchases of goods planned for the autumn/winter season, the cost reduction measures implemented and the additional liquidity obtained thanks to the new loan of €100 million with a SACE guarantee, granted by various banking institutions, including Cassa Depositi e Prestiti, the Group plans to normalise payment schedules by the end of the year and to have sufficient financial resources to put on sale in 2021 the goods purchased in 2020.



€ mln	30 th April 2020	30 th April 2019
Net Debt excluding MtM & IFRS16	428.8	445.4
Leverage on EBITDA (*) <i>Adjusted Net Debt/EBITDA Adjusted LTM</i>	4.42X	3.20X
Leverage on EBITDA (**) <i>Adj. Average last 12 months Net Debt/EBITDA Adjusted LTM</i>	4.07X	3.12X

(*) Net debt does not include the accounting effects of mark-to-market valuation and the effect of the adoption of IFRS 16. The adjusted EBITDA taken into account is cumulative EBITDA over the last 12 months.

(**) The net debt used to calculate the leverage on EBITDA is calculated using average debt over the last 12 months and cumulative adjusted EBITDA over the last 12 months.



OTHER INFORMATION

Company information

OVS S.p.A. is an Italian registered company (VAT no. 04240010274), with its registered office in Venice-Mestre (Italy). The shares of OVS S.p.A. have been listed on the Milan Electronic Stock Market since 2 March 2015.

OVS has opted to adopt the regime derogating from Article 70, paragraph 6 and Article 71, paragraph 1 of the Regulation for Issuers, as set out in the prospectus.

Quarterly reporting

OVS S.p.A. advises that, as announced in the corporate events calendar and pursuant to Article 82-ter of the Regulation for Issuers, it has decided to publish, on a voluntary basis, an update of the main economic and financial performance indicators on a quarterly basis, with the aim of maintaining a timely and transparent dialogue with the financial community and the main stakeholders on the business dynamics of the Company.

Nicola Perin, the Financial Reporting Officer, hereby declares, pursuant to Article 154-bis, paragraph 2, of Legislative Decree 58 of 1998, that the information contained in this press release corresponds to the documentary results, books and accounting records

Conference call for presentation of results

Tomorrow, 10 July 2020, at 15:00 local time (CET), there will be a conference call with analysts and investors, during which the main results for the quarter ended 30 April 2020 will be presented. The conference call may be joined by dialling +39 02 805 88 11 (from Italy), + 44 121 281 8003 (from UK), +1 718 7058794 (from USA), (for journalists +39 02 8058827). A presentation will be available and can be downloaded from the "Investor Relations/Results and Presentations" area of the Company website at www.ovscorporate.it and from the "1info" storage mechanism at www.1info.it. From the day after the call, a recording of the conference call will also be available on the website.

Forthcoming events in the financial calendar

Half-year Financial Report as at 31 July 2020

22 September 2020

Interim Report on Operations for the third quarter of the year to 31 October 2020

15 December 2020

For further information:

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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 the operating, economic and financial results of OVS. By their very nature, such forecasts include an element of risk and uncertainty, as they depend on the occurrence of future events and developments. The actual results may differ significantly from those announced due to a variety of factors.*
