

# GEOX

*1H23 Results Presentation*

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*Livio Libralesso, CEO*

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*July 27<sup>th</sup> 2023*

**GEOX**



# Disclaimer



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FIGURES ARE REPORTED UNDER IAS/IFRS. CERTAIN STATEMENTS MADE IN THIS PRESENTATION ARE FORWARD LOOKING STATEMENT. SUCH STATEMENTS ARE BASED ON CURRENT EXPECTATIONS AND ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM ANY EXPECTED FUTURE RESULTS IN FORWARD LOOKING STATEMENTS.

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# Executive Summary – 1H23 Results



## 1H23 RESULTS

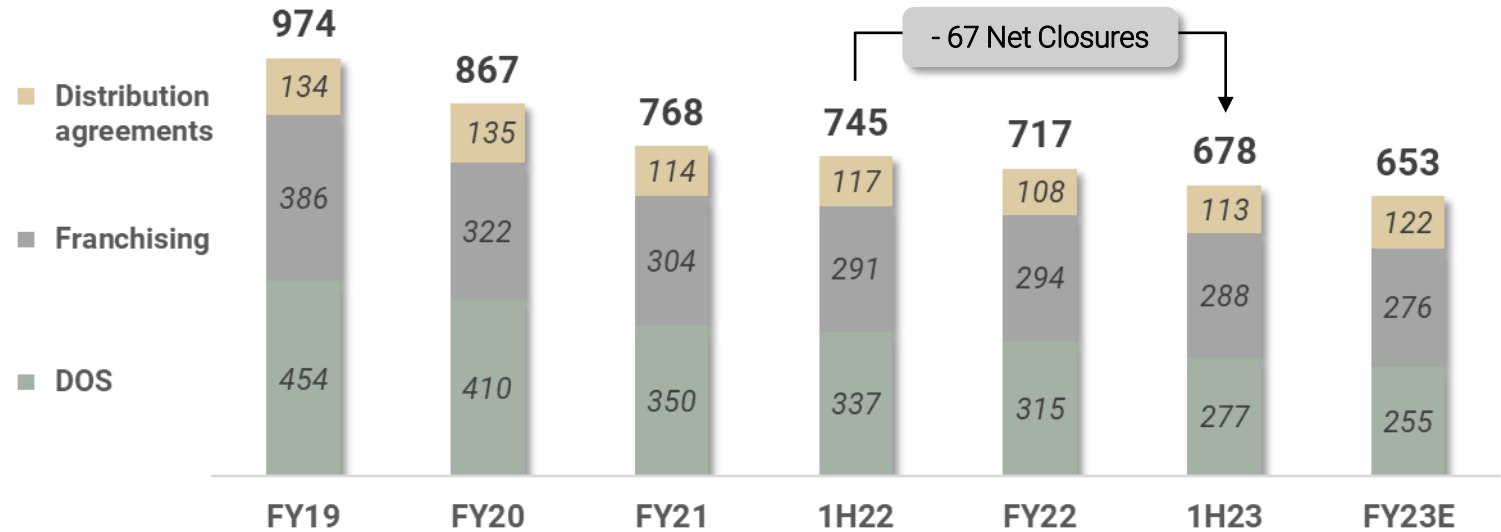
- **NET SALES** amount to **€353.6m** (+3.8% vs LY) driven by **WHOLESALE** performance (**+10.4% YoY**) in accordance with the company strategy.
- **GROSS MARGIN** at **51.0%**, above guidance, (+370 BPS vs LY) thanks to a better than expected markdowns' reduction and supply chain's improvement.
- **EBIT** back to positive at **€3.6m** ( - €11.0m in 1H22).
- **NET WORKING CAPITAL** amounts to €113.2m or 15.1% as % of LTM Net Sales (€94.3m or 13.8% at June 22).
- **NFP** (ante IFRS16) amounts to - **€89.5m** ( - €49.8m at Dec 22).

## CURRENT TRADING

- **DOS (W29) LFL YTD: +3.6% vs 1H22** (+3.5% vs 1H19) with an ongoing improvement in markdowns.
- **FW23 WHS:** deliveries record a significant improvement in the level of service as experienced in SS23.
- **SUPPLY CHAIN:** Well on track in terms of SS24 production schedule, freight, transportation cost and lead time reduction.

# Distribution network

Rationalization of the Retail network keep going on



## Perimeter effect

1H23 vs 1H22 perimeter results smaller by:

- **#60 DOS net closures** affecting sales by -€6.9 million only partially offset by a positive LFL +4.7% (€4.4m);
- **#3 Franchise net closures.**

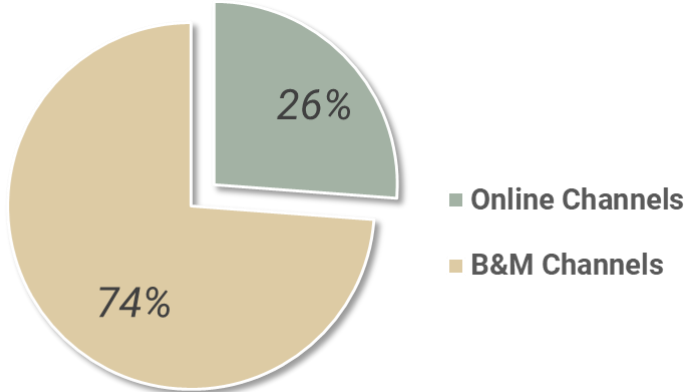
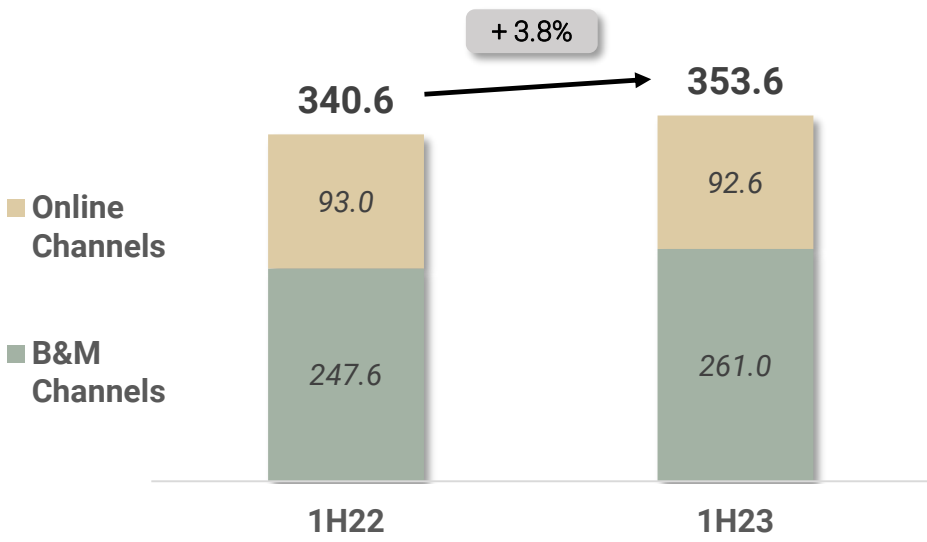
# Net sales – 1H23 vs 1H22 B&M and Digital

Omnichannel strategy well supports sales performance despite the network rationalization

**1H23 vs 1H22: + €13m as result of:**

- *Perimeter Effect\** : - €7.8 m
- *Performance* : + €20.8 m

€m

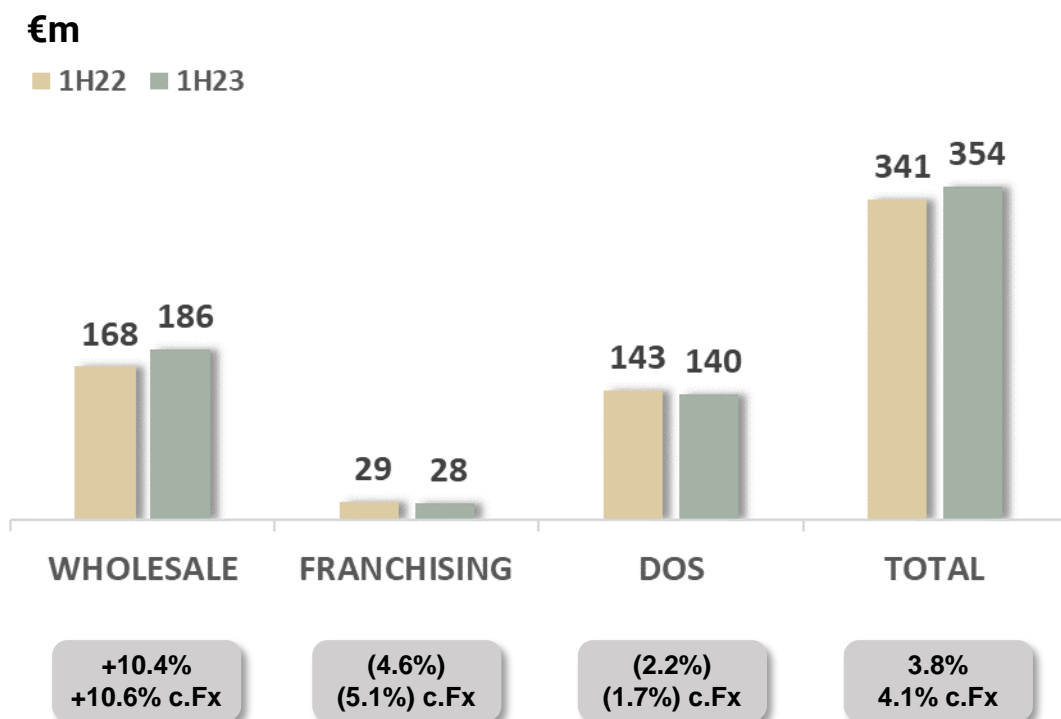


	1H23 vs 1H22	as % of Sales
Sales	3.8%	100.0%
B&M Channels	5.4%	74%
Wholesale B&M	17.1%	33.0%
Franchising	-4.6%	7.8%
DOS B&M	-1.9%	33.0%
Online Channels	-0.5%	26%
Wholesale Online	0.6%	19.5%
DOS Online	-3.5%	6.6%

\* Relate to DOS and Franchising Stores

# Net sales - 1H23 vs 1H22 by channel

## Wholesale channel's performance drives sales increase



### **WHOLESALE (52% OF TOTALE SALES): +10.4% YoY**

#### **Double digit increase mainly driven by:**

- A good SS23 initial order intake (€36m +17% vs LY).
- Weak in-season management with re-orders down by -€10m influenced by April and May bad weather conditions and lower promo and jobbers' orders -€6m.
- An higher early shipment of FW23 collection by 3.5million in respect to FW22.

### **FRANCHISING (8% OF TOTALE SALES): -4.6% YoY**

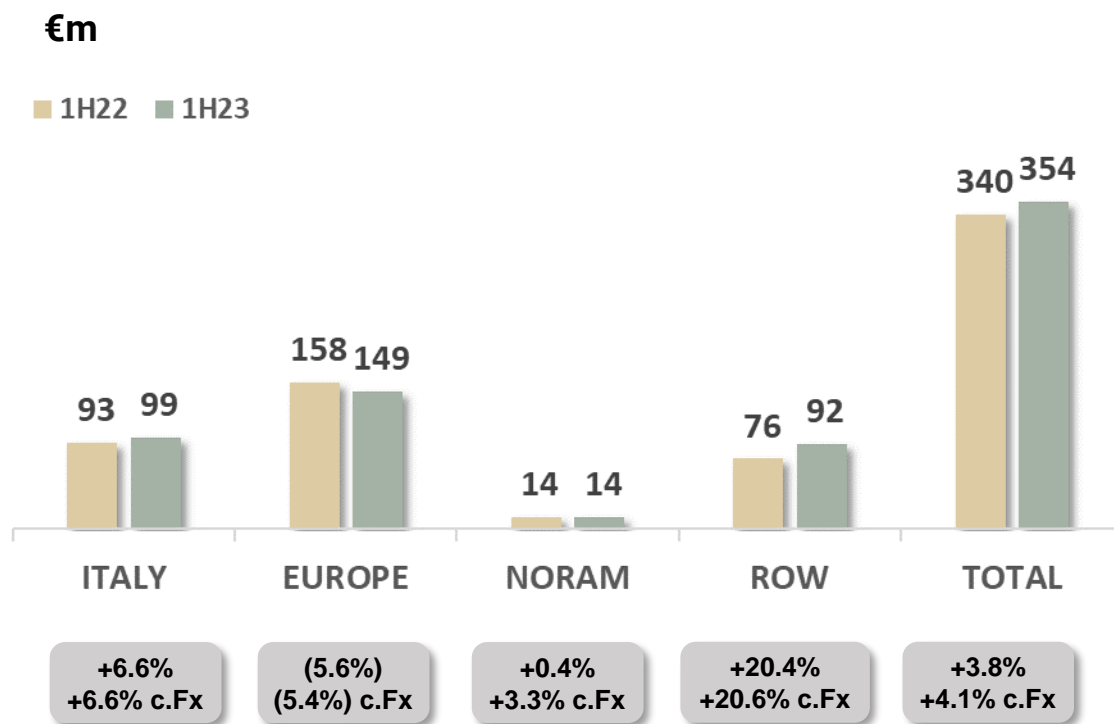
- Perimeter and LFL effects are positive low single digit.
- Negative balance is mainly due to a different timing in deliveries.

### **DOS (40% OF TOTALE SALES): - 2.2% YoY**

- **Brick & Mortar: -1.9%** as result of a positive LFL performance (+4.7%) that partially offset the negative perimeter effect (- 60 DOS vs 1H22).
- **ONLINE: -3.5%.** Good news 2Q LFL is high single digit positive offsetting a low double digit negative performance delivered in 1Q.

# Net sales - 1H23 vs 1H22 by region

ROW countries well performed in 1H23 driving sales increase



## ITALY (28% OF TOTALE SALES): +6.6% YoY

- Wholesale: double digit positive.
- Franchising: low double negative.
- DOS : **+0.4%** - a slightly positive LFL offset the perimeter effect.

## EUROPE (42% OF TOTALE SALES): - 5.6% YoY

- Wholesale: slightly negative mainly driven by lower re-orders from WEB players (Amazon, Zalando etc).
- Franchising: negatively affected by France and Iberia weak performance due to bad weather conditions.
- DOS network delivered a slightly positive LFL affected by weak performance in Germany, Switzerland and digital channels. Perimeter effect is negative.

## NORAM (4% OF TOTALE SALES): + 0.4% YoY

- Wholesale delivers double digit positive results.
- DOS LFL is double digit positive as well.
- Perimeter eff. is negative due to the completion of the rationalization in Canada.

## ROW (26% OF TOTALE SALES): +20.4% YoY

- APAC: **+50.1%** mainly driven by Asian WHS channel and DOS in China and HK
- EASTERN EUROPE: **+15.1%** mainly driven by WHS and Franchising.

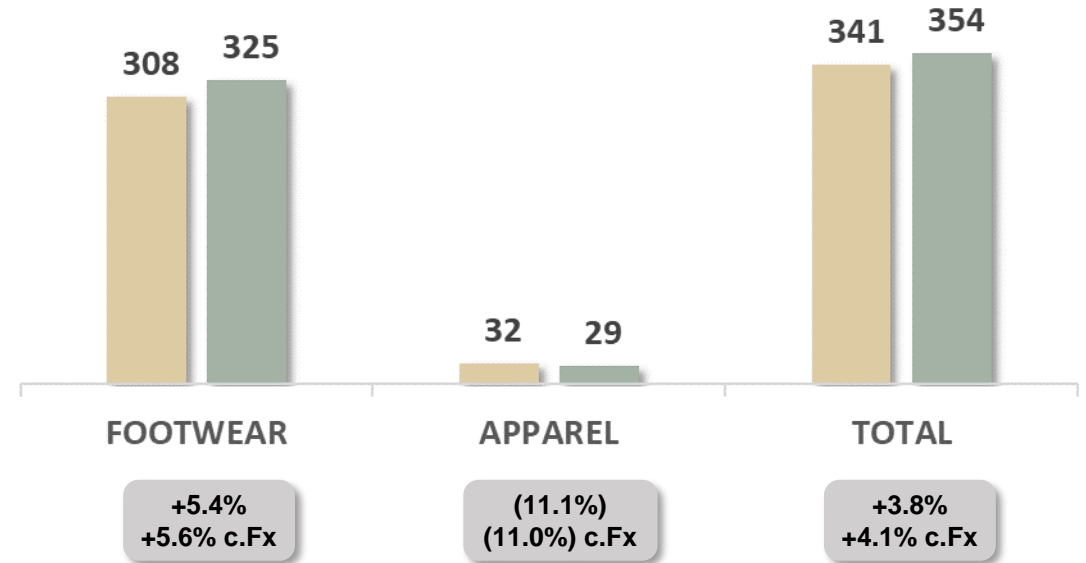


# Net sales - 1H23 vs 1H22 by product



€m

■ 1H22 ■ 1H23



- Sales increase fully driven by positive FOOTWEAR performance (+5.4% YoY).
- APPAREL performance has been impacted by RTW products' shortage during the sales period (Jan-Feb) due to fire event occurred in Sept22.



# Financials - Income statement

## Profit and Loss

€m	1H23	as % of sales	1H22	as % of sales
Sales	353.6	100.0%	340.6	100.0%
Cost of sales	(173.3)	(49.0%)	(179.4)	(52.7%)
<b>Gross profit</b>	<b>180.3</b>	<b>51.0%</b>	<b>161.2</b>	<b>47.3%</b>
Selling and distribution costs	(18.6)	(5.3%)	(18.5)	(5.4%)
G&A	(140.9)	(39.9%)	(138.5)	(40.7%)
A&P	(17.2)	(4.9%)	(15.2)	(4.5%)
Operating costs	(176.7)	(50.0%)	(172.2)	(50.6%)
<b>EBIT</b>	<b>3.6</b>	<b>1.0%</b>	<b>(11.0)</b>	<b>(3.2%)</b>
Net financial expenses	(13.3)	(3.8%)	(4.4)	(1.3%)
<b>PBT</b>	<b>(9.6)</b>	<b>(2.7%)</b>	<b>(15.4)</b>	<b>(4.5%)</b>
Income tax	(0.0)	(0.0%)	(4.3)	(1.3%)
<b>Net result</b>	<b>(9.6)</b>	<b>(2.7%)</b>	<b>(19.6)</b>	<b>(5.8%)</b>
 <b>EBITDA</b>	 <b>40.2</b>	 <b>11.4%</b>	 <b>25.5</b>	 <b>7.5%</b>
<b>EBITDA excl. IFRS 16</b>	<b>13.9</b>	<b>3.9%</b>	<b>(0.2)</b>	<b>(0.1%)</b>

## Gross Margin increased by 370bps

Gross profit as % of sales increase was mainly driven by:

- Lower markdowns in DOS channel (+110bps).
- Supply chain efficiencies (+260bps).

## Operating costs incidence decreased by 50bps driven by:

- Operating leverage increase (+100bps) partially re-invested in A&P (-40bps).
- Incidence of operating cost (mainly linked to DOS) decreases, leveraging on a positive operating leverage effect driven by a more weighted sales mix toward the WHS channel.

- **EBIT** amount to **€3.6m** (-€11m in 1H22).
- **EBITDA** amount to **€40.2m** (€25.5m in 1H22).
- **EBITDA ante IFRS** amount to **€13.9m** (-€0.2m in 1H22).

## Net financial expenses increased by €8.9m

Net financial expenses increase as result of:

- Higher cost of debt due to increased interest rate coupled with higher level of average indebtedness. (€2.7m).
- Negative exchange rate differences on RUB that is no longer eligible for hedging activities since the outbreak of the Ukraine invasion.(€5.9m).

# Financials – Balance sheet

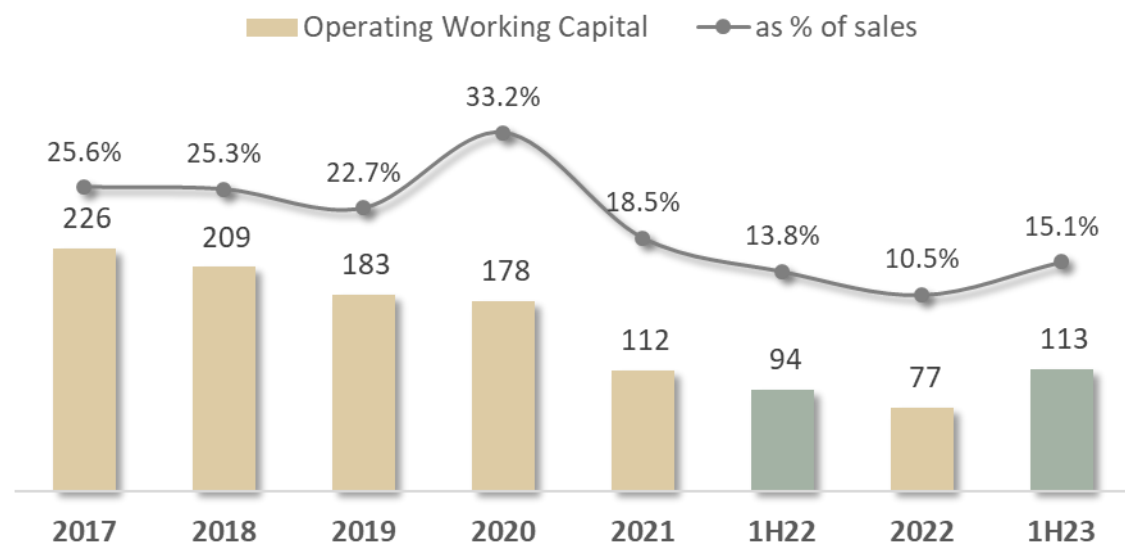


## Balance sheet

€m	30 June 2023	31 Dec 2022	30 June 2022
<i>Intangible assets</i>	30.6	34.2	31.0
<i>Property, plant and equipment</i>	32.5	34.5	36.5
<i>Right-of-use assets</i>	243.6	224.3	211.0
<i>Other non-current assets - net</i>	36.0	34.6	28.1
<b>Total Non-Current assets</b>	<b>342.6</b>	<b>327.6</b>	<b>306.6</b>
<i>Net operating working capital</i>	113.2	77.1	94.3
<i>Other current assets (liabilities), net</i>	(16.8)	(6.6)	(17.2)
<b>Net Invested Capital</b>	<b>438.9</b>	<b>398.1</b>	<b>383.7</b>
<b>Equity</b>	<b>91.9</b>	<b>108.2</b>	<b>126.9</b>
<b>Provisions for severance indemnities, liabilities and charges</b>	<b>7.6</b>	<b>7.7</b>	<b>8.1</b>
<i>Lease liabilities</i>	249.9	232.3	217.7
<i>Net Debt (Cash)</i>	89.5	49.8	31.0
<b>Net Financial Position</b>	<b>339.4</b>	<b>282.2</b>	<b>248.7</b>
<b>Net Invested Capital</b>	<b>438.9</b>	<b>398.1</b>	<b>383.7</b>

# Financials – Working capital & Bank Net Debt

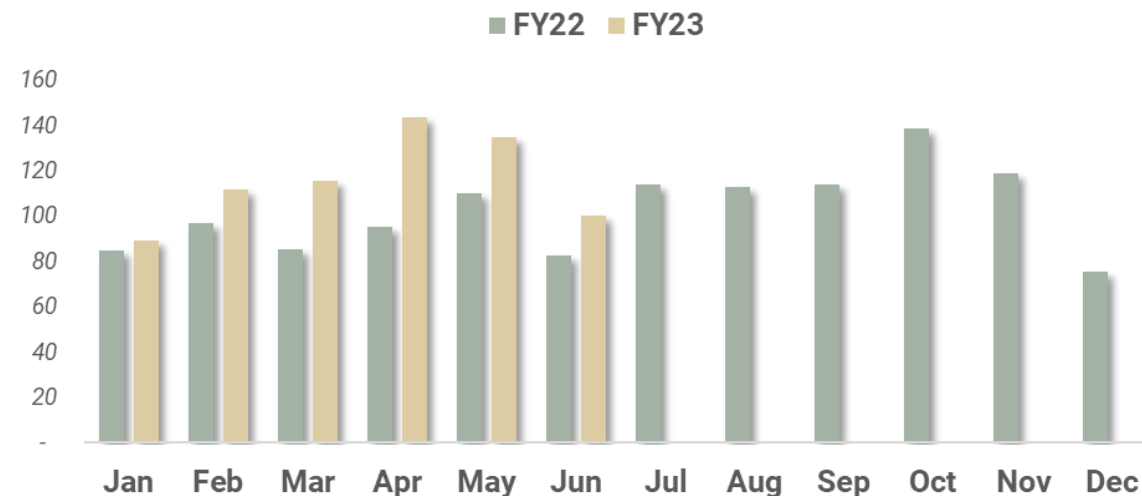
## Operating Working Capital



30 Jun 22    31 Dec 22    30 Jun 23    Δ vs Dec22

Operating Working capital	94.3	77.1	113.2	36.1
Inventories	262.2	290.2	305.0	14.8
Trade Receivables	88.2	84.0	77.0	(7.0)
Trade Payables	(256.1)	(297.1)	(268.8)	28.3
<b>as % of sales</b>	<b>13.8%</b>	<b>10.5%</b>	<b>15.1%</b>	

## Bank Net Debt\*



- Bank Net Debt\* as of 30 June'23 amounts to **€100.5 million**, (+€24.8m Dec22).
- The positive fair value of derivatives amounted to 11 million euro as of June 30, 2023. Consequently the negative NFP ante IFRS16 equals to -€89.5m.
- The cash absorption is totally driven by the Net working capital dynamics that is finally back to an healthy 15.1% of LTM sales in line with best benchmarks in the market.

\* Net debt ante IFRS16 ,excluding derivatives accounting



# Financials – Cash flow

## Cash Flow - IFRS 16

€m	30 June 2023	30 June 2022	31 Dec 2022
<b>Net result</b>	<b>(9.6)</b>	<b>(19.6)</b>	<b>(13.0)</b>
Depreciation, amortization and impairment	36.6	36.5	75.2
Other non-cash items	2.6	(20.1)	(14.7)
<b>Cash flow from economics</b>	<b>29.5</b>	<b>(3.3)</b>	<b>47.4</b>
Change in net working capital	(35.1)	37.5	41.4
Change in other assets/liabilities	14.8	2.5	(4.8)
<b>Cash flow from operations</b>	<b>9.2</b>	<b>36.7</b>	<b>83.9</b>
Capital expenditure	(8.3)	(11.5)	(25.2)
<b>Net capital expenditure</b>	<b>(8.3)</b>	<b>(11.4)</b>	<b>(25.2)</b>
<b>Free cash flow</b>	<b>0.9</b>	<b>25.3</b>	<b>58.8</b>
Increase in right-of-use assets	(43.6)	(28.3)	(72.1)
<b>Change in net financial position</b>	<b>(42.7)</b>	<b>(3.0)</b>	<b>(13.3)</b>
<b>Initial net financial position - prior to fair value adjustment of derivatives</b>	<b>(308.0)</b>	<b>(295.2)</b>	<b>(295.2)</b>
Change in net financial position	(42.7)	(3.0)	(13.3)
Translation differences	0.3	(2.1)	0.5
<b>Final net financial position - prior to fair value adjustment of derivatives</b>	<b>(350.4)</b>	<b>(300.3)</b>	<b>(308.0)</b>
Fair value adjustment of derivatives	11.0	51.6	25.9
<b>Final Net financial position</b>	<b>(339.4)</b>	<b>(248.7)</b>	<b>(282.2)</b>

## Cash Flow - ante IFRS 16

€m	30 June 2023	IFRS16 impact	excl. IFRS16 30 June 2023	excl. IFRS16 30 June 2022
<b>Net result</b>	<b>(9.6)</b>	<b>0.0</b>	<b>(9.6)</b>	<b>(19.5)</b>
Depreciation, amortization and impairment	36.6	(24.3)	12.3	12.4
Other non-cash items	2.6	-	2.6	(20.1)
<b>Cash flow from economics</b>	<b>29.5</b>	<b>(24.3)</b>	<b>5.2</b>	<b>(27.2)</b>
Change in net working capital	(35.1)	-	(35.1)	35.3
Change in other assets/liabilities	14.8	-	14.8	2.5
<b>Cash flow from operations</b>	<b>9.2</b>	<b>(24.3)</b>	<b>(15.1)</b>	<b>10.6</b>
Capital expenditure	(8.3)	-	(8.3)	(11.5)
<b>Net capital expenditure</b>	<b>(8.3)</b>	<b>-</b>	<b>(8.3)</b>	<b>(11.4)</b>
<b>Free cash flow</b>	<b>0.9</b>	<b>(24.3)</b>	<b>(23.4)</b>	<b>(0.8)</b>
Increase in right-of-use assets	(43.6)	43.6	-	-
<b>Change in net financial position</b>	<b>(42.7)</b>	<b>19.3</b>	<b>(23.4)</b>	<b>(0.8)</b>
<b>Initial net financial position - prior to fair value adjustment of derivatives</b>	<b>(308.0)</b>	<b>232.3</b>	<b>(75.7)</b>	<b>(82.9)</b>
Change in net financial position	(42.7)	19.3	(23.4)	(0.8)
Translation differences	0.3	(1.7)	(1.4)	1.0
<b>Final net financial position - prior to fair value adjustment of derivatives</b>	<b>(350.4)</b>	<b>249.9</b>	<b>(100.5)</b>	<b>(82.7)</b>
Fair value adjustment of derivatives	11.0	-	11.0	51.6
<b>Final Net financial position</b>	<b>(339.4)</b>	<b>249.9</b>	<b>(89.5)</b>	<b>(31.0)</b>

# Outlook



PLEASE WOULD YOU CONSIDER VERY HIGH  
FORECAST UNCERTAINTY DUE TO GEO-POLITICAL  
SITUATION AND VARYING INFLATIONARY  
ENVIRONMENT

## Considering the followings:

- *DOS (week 29, 2023): LFL YTD positive low to mid-single digit vs 2022 (+3.5% vs 2019) with continued improvement in markdowns.*
- *July LFL as of today is accelerating delivering high single digit positive growth.*
- *WHS: FW23 initial orders intake: low double-digit growth. However assuming in season re-orders in line with last year and the combined effect of early shipments in Q2 and in Q4 the full year forecast for this channel is a growth mid to high single digit.*
- *Franchising and DOS channels are assumed to deliver in 2H23 the same dynamics experienced in 1H23 with a positive LFL that will not fully compensate the negative perimeter effect due to the completion of network's rationalization.*

## And provided that:

- *Continued reduction in rebates in DOS.*
- *Supply chain/transportation reliability continues to recover in 2023.*
- *No further impact on consumer spending from the current macroeconomic scenario.*
- *No further deterioration in the geo-political situation.*
- *No further material de-valuation currency exchange rates in the markets relevant to the group.*

## **FY23 TARGET**

- **FY23E Sales : +4% / 6%**
- **FY23E Gross Margin : (+220 / +240 BPS FY) , ( +130 / +150 BPS in H2 )**

# Annexes

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**GEOX**

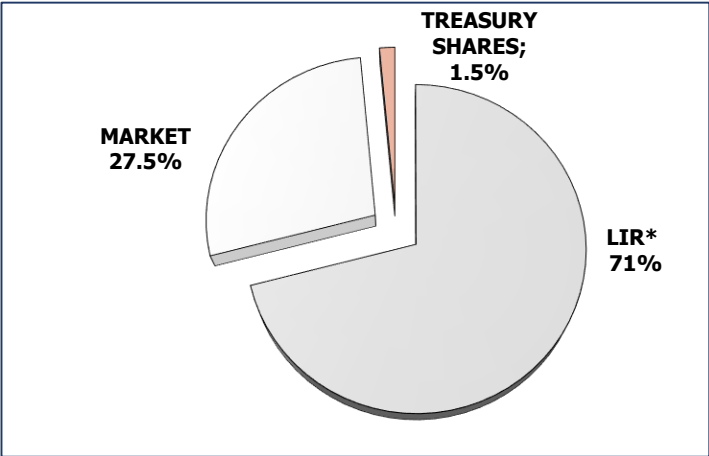




# Governance and Contacts



## SHAREHOLDERS



\*MORETTI POLEGATO'S FAMILY

## INVESTRO RELATIONS - CONTACTS

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## FINANCIAL CALENDAR

NOVEMBER 9, 2023: 9M23 SALES