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# FIRST HALF 2018 RESULTS

July 31, 2018

# 1H 2018 HIGHLIGHTS

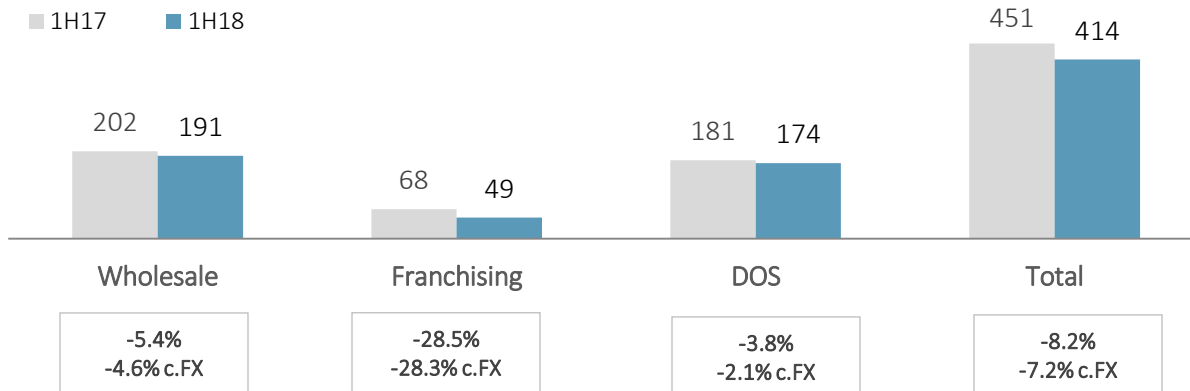


## HIGHLIGHTS

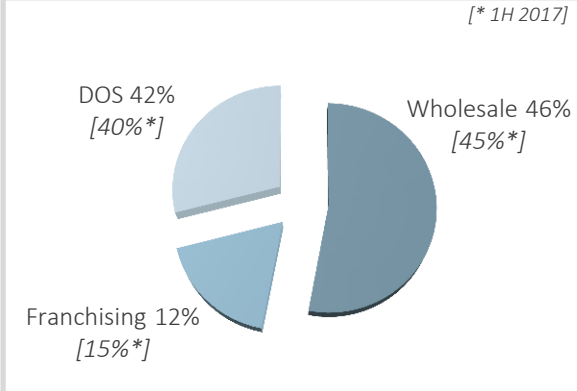
- 1H2018 Sales: Euro 414.1 mln, -8.2% (-7.2% at constant forex) due to:
  - A weak 1Q18 (-11.2%) mainly impacted by lower sales of old seasons stock, driven by the reduction in inventories, in January and February and unseasonal weather conditions experienced in March with a delayed start of the Spring Summer season
  - An improving trend in 2Q18 (-2.4%) with a recovery in wholesale (+10.6%) and DOS (flat at current forex and +1.1% at constant forex). Franchising still impacted by further rationalization
  - Retail network optimization (66 net closures in FY17, 37 in 1Q18 and 18 in 2Q18)
  - L4L DOS: -4.7%. Trend is improving from -8.9% at the end of March 2018. Current trading at -3.7% YTD (as of week 30) after a positive (low to mid single digit) July.
- EBITDA adj<sup>(1)</sup>: Euro 27.3 million (Euro 41.2 million in 1H17).
- Net Financial Position: Euro -19.7 million (Euro -46.1 million in 1H17)
- Early adoption of first steps of a broader strategic review plan in light of the new 2019-2021 Business Plan preparation.

# 1H 2018 NET SALES BY CHANNEL

NET SALES BY CHANNEL (mln€)



NET SALES BY CHANNEL (in %)



**Wholesale.** Performance is explained by:

- 1) A more selective approach to customers and regions
- 2) Lower sales of old seasons stock, as already announced, with a positive effect on margin and brand image protection
- 3) A recovery in 2Q18 of some initial orders postponement occurred in 1Q18 requested by certain customers due to the late start of the Spring Summers season. 2Q18: +10.6% vs 2Q17
- 4) A slightly negative impact from forex.

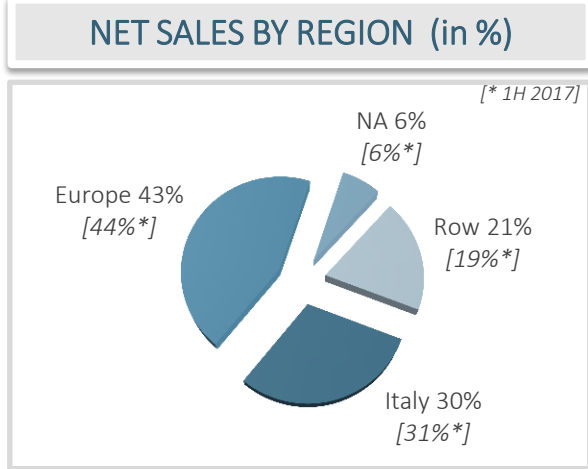
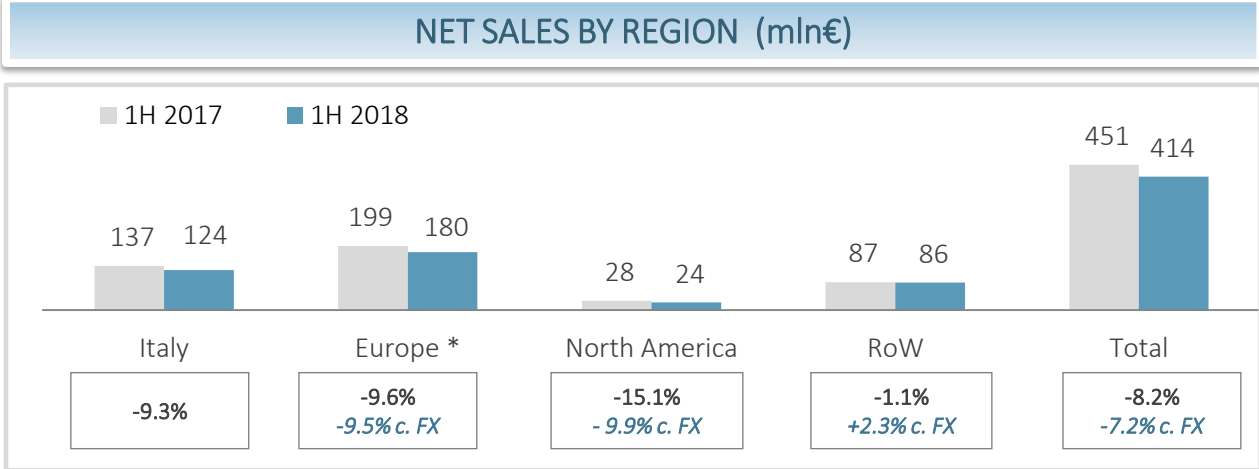
**Franchising.** Performance is mainly explained by the planned network optimization (62 net closures and conversion to DOS occurred in FY17 and additional 34 occurred in 1H18, i.e. approx. 20% of the franchise network) and by a L4L slightly worse compared to DOS.

**DOS.** Performance is due to a negative L4L of -4.7% (-8.9% as of March), only partially countered by a positive space effect. L4L has been impacted by:

- 1) Lower promotional sales in January and February
- 2) The unseasonal weather in March with a late start of Spring Summer sell out, coupled with the scarcity of FW17 products.
- 3) 2Q18 substantially flat with an improving (slightly positive) performance from mid April

**LFL DOS YTD** (as of week 30) at -3.7% with a positive performance in July.

# 1H 2018 NET SALES BY REGION



**Italy.** Performance is mostly explained by a weaker first quarter triggered by the planned retail network optimization (48 net closures occurred in FY17 and 13 in 1H18) and by the late start of Spring-Summer due to the unfavourable weather conditions. L4L is broadly in line with average. Positive (high-single digit) trend in 2Q18 vs 2Q17.

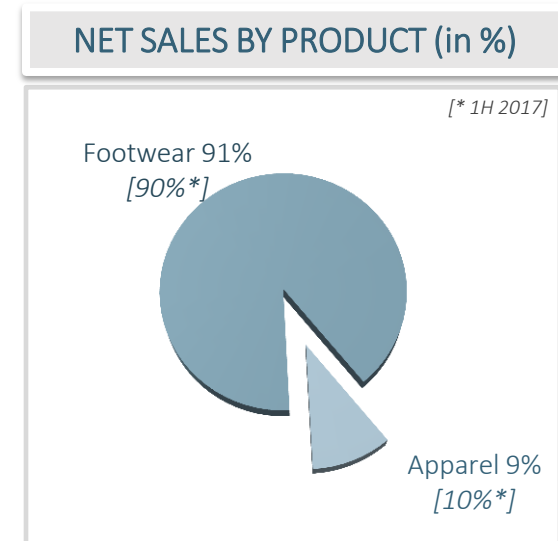
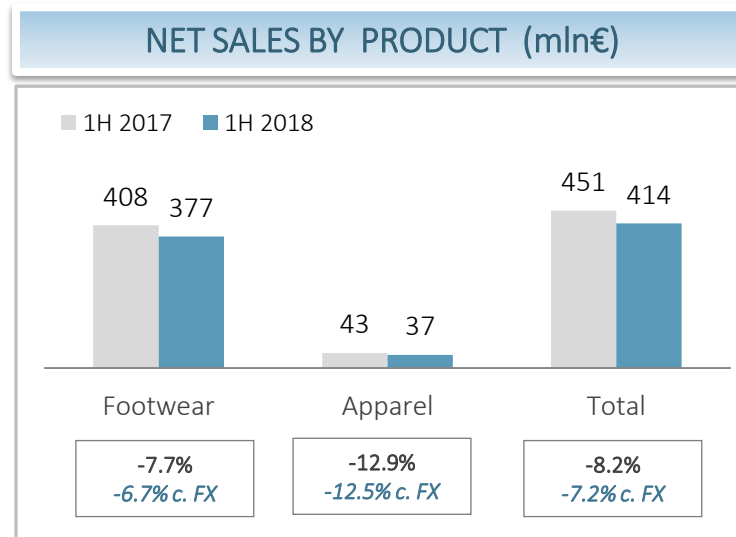
**Europe.** Performance is due to the planned rationalization of mono-brand stores (36 net closures occurred in FY17 and 16 in 1H18) and to the bad weather conditions, especially experienced in central and northern Europe. Trend improved in 2Q18.

**North America.** Performance is driven by a continuing effort in cleaning up the existing wholesale distribution focusing only on partners properly reflecting the brand enhancement planned by the Group. DOS L4L is positive (mid-single digit) and mitigated the network optimization based on the strong commitment to re-focus business on the most appropriate locations (6 net closure in FY17 and 3 in 1H18).

**RoW.** Performance at constant forex is positive: L4L DOS positive (mid-single digit), wholesale +3.5%.

\* Europe includes: Germany, France, Benelux, Spain, Portugal, Austria, Switzerland, UK and Scandinavia

# 1H 2018 NET SALES BY PRODUCT



Positive (low single digit) evolution for the apparel segment in 2Q18 after a first quarter impacted by a selective approach to wholesale clients and unusual weather conditions



# GEOX SHOPS NETWORK

## GEOX SHOPS NETWORK EVOLUTION (#)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Geox Shops	of which DOS	Geox Shops	of which DOS	Geox Shops	of which DOS
Italy	291	140	304	137	339	129
Europe	294	152	310	155	332	171
North America	39	39	42	42	46	46
Rest of World *	416	105	439	105	424	97
<b>Total Geox Shop</b>	<b>1.040</b>	<b>436</b>	<b>1,095</b>	<b>439</b>	<b>1,141</b>	<b>443</b>

• Includes Under Distribution Agreement Shops (150 as of June 2018 ,168 as of December 2017 and June 2017) which are shops opened under license by partners in the Middle East and in the Far East. Sales from these shops are not included in the franchising channel

## GEOX SHOPS OPTIMIZATION -1H18 -

	Net Openings	1H 2018	
		Openings	Closings
Italy	(13)	1	(14)
Europe	(16)	4	(20)
North America	(3)	0	(3)
Rest of World *	(23)	14	(37)
<b>Total Geox Shop</b>	<b>(55)</b>	<b>19</b>	<b>(74)</b>

Retail network optimization is in progress in order to improve the profitability profile of the network (66 net closures in FY17 and 55 in 1H18). New selective openings in more responsive markets

The entire network will continue to undergo a restyling process aimed at improving its performance



# SUMMARY INCOME STATEMENT

## PROFIT & LOSS

(Euro.m)	1H 2018	%	1H 2017	%
<b>Net Sales</b>	<b>414.1</b>	<b>100%</b>	<b>451.1</b>	<b>100%</b>
Cost of sales	(205.2)	(49.6%)	(228.9)	(50.8%)
<b>Gross Profit</b>	<b>208.9</b>	<b>50.4%</b>	<b>222.2</b>	<b>49.2%</b>
Selling & Distribution	(23.6)	(5.7%)	(24.8)	(5.5%)
G&A	(161.6)	(39.0%)	(163.0)	(36.1%)
A&P	(12.8)	(3.1%)	(10.5)	(2.3%)
<b>EBIT adj</b>	<b>10.9</b>	<b>2.6%</b>	<b>24.0</b>	<b>5.3%</b>
Special items	(2.1)	(0.5%)	(6.5)	(1.4%)
<b>EBIT</b>	<b>8.8</b>	<b>2.1%</b>	<b>17.4</b>	<b>3.9%</b>
Net financial expenses	(2.4)	(0.6%)	(3.2)	(0.7%)
<b>EBT</b>	<b>6.4</b>	<b>1.5%</b>	<b>14.3</b>	<b>3.2%</b>
Income Taxes	(4.8)	(1.2%)	(5.9)	(1.3%)
<i>Tax rate</i>	<i>76.1%</i>		<i>41.3%</i>	
<b>NET INCOME</b>	<b>1.5</b>	<b>0.4%</b>	<b>8.4</b>	<b>1.9%</b>
<b>EBITDA</b>	<b>25.2</b>	<b>6.1%</b>	<b>34.7</b>	<b>7.7%</b>
<b>EBITDA adj</b>	<b>27.3</b>	<b>6.6%</b>	<b>41.2</b>	<b>9.1%</b>

## HIGHLIGHTS

- **Gross margin increase (+120 bps)** mainly due to specific measures on supply chain efficiency and by channel mix (higher weight of retail sales which have a higher gross margin)
- **G&A reduction** mainly reflects the savings coming from the cost management initiatives
- **A&P up by Euro 2.3 million** to support sales and brand image
- **Special items** related to network optimization and organisational review at Euro 2.1 million
- **Taxes** amount to Euro 4.8 million, defining a tax rate of 76.1%. It is important to underline that the Group did not recognize **approximately Euro 2.7 million of deferred tax assets** for certain loss-making subsidiaries abroad, which currently do not show signs of a fast recovery. Without this element, taxes would therefore have amounted to Euro 2.2 million with an adjusted tax rate of approximately 35%
- **Net income:** Euro 1.5 million (Euro 8.4 million in 1H 2017). Net income adjusted for the non recognition of DTA would be at Euro 4.2 million.

# SUMMARY BALANCE SHEET AND NET FINANCIAL POSITION

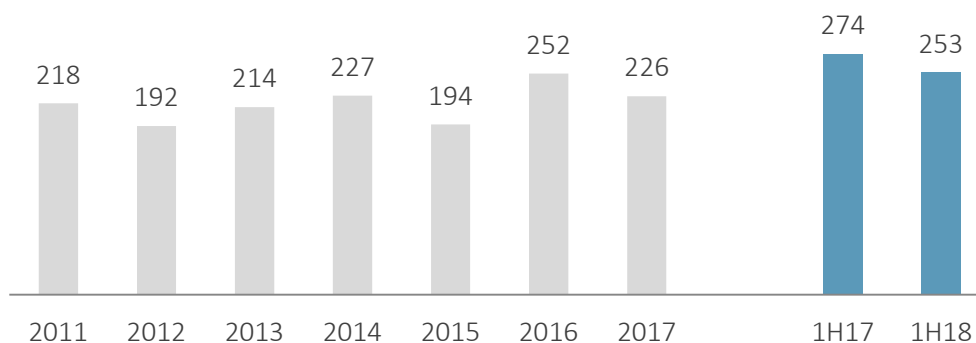


## BALANCE SHEET

(Euro.m)	June 30, 2018	Dec 31, 2017	June 30, 2017
Intangible Assets	47.9	52.1	50.8
Tangible Assets	60.0	61.3	60.0
Other Fixed Assets, net	37.0	42.6	43.3
<b>Total Fixed Assets</b>	<b>144.9</b>	<b>156.0</b>	<b>154.1</b>
Operating Working Capital	252.6	226.3	273.7
Other current assets (liabilities), net	(22.8)	(19.6)	(27.9)
<b>Invested Capital</b>	<b>374.7</b>	<b>362.7</b>	<b>399.9</b>
Net Financial Position (Cash)	19.7	5.4	46.1
Staff Severance and Risk Fund	7.4	7.8	7.6
Shareholders' Equity	347.6	349.5	346.1
<b>Invested Capital</b>	<b>374.7</b>	<b>362.6</b>	<b>399.9</b>

# OPERATING WORKING CAPITAL

## OPERATING WORKING CAPITAL EVOLUTION (mln€)



Year	% on LTM sales
2011	24.5%
2012	23.8%
2013	28.3%
2014	27.5%
2015	22.2%
2016	28.0%
2017	25.6%
1H17	30.4%
1H18	29.8%

% on LTM sales

## OPERATING WORKING CAPITAL

(Euro m)	1H18	1H17	Δ	FY17
Inventories	304.0	309.4	(5.4)	283.2
Account receivables	138.2	149.3	(11.1)	120.4
Account payables	(189.6)	(185.1)	(4.5)	(177.3)
<b>Op. Working Capital</b>	<b>252.6</b>	<b>273.7</b>	<b>(21.0)</b>	<b>226.3</b>

## HIGHLIGHTS

- Operating working capital as a percentage of sales at 29.8% in 1H 2018 (30.4% in 1H 2017)
- This change is mainly due to the reduction in account receivables related to sales performance



# SUMMARY CASH FLOW STATEMENT

## CASH FLOW STATEMENT

(Euro.m)	1H18	1H17	2017
<b>Net result</b>	<b>1.5</b>	<b>8.4</b>	<b>15.4</b>
Depreciation & Amortization	16.4	17.3	33.8
Other Non-Cash Items	1.7	3.1	10.1
<b>Funds from Operations</b>	<b>19.7</b>	<b>28.7</b>	<b>59.3</b>
Change in Operating Working Capital	(31.3)	(20.4)	23.2
Change in Other Current Assets, net	3.8	22.5	16.1
<b>Operating Cash Flow</b>	<b>(7.8)</b>	<b>30.8</b>	<b>98.6</b>
Capital Expenditures	(12.2)	(7.8)	(30.8)
Disposals	0.4	0.5	4.4
<b>Capital expenditures, Net</b>	<b>(11.9)</b>	<b>(7.3)</b>	<b>(26.5)</b>
<b>Free Cash Flow</b>	<b>(19.6)</b>	<b>23.5</b>	<b>72.1</b>
Dividends	(15.6)	(5.2)	(5.2)
<b>Change in Net Financial Position</b>	<b>(35.2)</b>	<b>18.3</b>	<b>66.9</b>
<b>Net Financial Position prior to fair value adj, beginning of the period</b>	<b>15.1</b>	<b>(51.6)</b>	<b>(51.6)</b>
Changes in Net Financial Position	(35.2)	18.3	66.9
Effect of translation differences	(0.4)	0.4	(0.1)
<b>Net Financial Position prior to fair value adj, end of the period</b>	<b>(20.5)</b>	<b>(33.0)</b>	<b>15.1</b>
Fair value adjustment of derivative contracts	0.8	(13.2)	(20.5)
<b>Net Financial Position</b>	<b>(19.7)</b>	<b>(46.1)</b>	<b>(5.4)</b>



# OUTLOOK 2018

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Management believes that a certain degree of prudence is still required when forecasting revenues and operating result for the full-year because, although an improved sales trend is expected in the second half of the year and expectations for an improvement in percentage gross margin have been confirmed, it seems very challenging that these factors will also be able to compensate for the decline in sales recorded during the first half of the year.

For this reason, management is even more determined to pursue the implementation of measures with an immediate effect, such as:

- An increase of investments in communications with at the same time a speed up of developments regarding the use of digital and social media.
- Store network optimization, albeit with less intensity than in previous quarters.
- The ongoing restyling plan aimed at improving performance.
- The initiatives to further increase productivity, ensure a lean organization and boost operating efficiency which were successfully implemented in 2017 and which are continuing in 2018.
- Developing current managers and boosting their loyalty, at the same time as introducing new key managers, also in strategic markets, who have significant experience in international organisations.

In addition to the above, it is furthermore believed that the strategic review that has already been launched should be continued with even greater determination. This review should lead to objectives and results being achieved that are more in line with our brand, and will be presented , shortly, in the new 2019-2021 business plan.

# ANNEX



# SHAREHOLDERS, GOVERNANCE AND CONTACTS

## SHAREHOLDERS

Lir S.r.l. (**)	71%
Market	29%

Total N° of Shares 259,207,331

(\*\*) Moretti Polegato's family

## BOARD OF DIRECTORS

Chairman	Mario Moretti Polegato
CEO	Matteo Mascazzini
Deputy Chairman	Enrico Moretti Polegato
Director	Claudia Baggio
Director	Alessandro Giusti
Director	Livio Libralesso
Independent Director	Ernesto Albanese
Independent Director	Lara Livolsi
Independent Director	Francesca Meneghel
Independent Director	Duncan L. Niederauer
Independent Director	Manuela Soffientini

## 2018 FINANCIAL CALENDAR

November 13 9M2018 Sales

## INVESTOR RELATIONS

Simone Maggi [ir@geox.com](mailto:ir@geox.com)  
Tel: +39 0423 282476 Mobile: +39 335 1295349  
Livio Libralesso, General Manager - Corporate, CFO

**Geox S.p.A.** [www.geox.biz](http://www.geox.biz)  
Via Feltrina Centro, 16  
31044 Biadene di Montebelluna, Treviso (Italy)

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