



PRESS RELEASE - Q1 2019 SALES

**SALES OF EURO 260.9 MILLION RECORDED IN THE FIRST QUARTER (-1.3% AT CURRENT FOREX, -1.6% AT CONSTANT FOREX), CHARACTERISED BY:**

- **A SLIGHT DECREASE IN SALES IN THE WHOLESALE CHANNEL (-1.9%), ALTHOUGH AN IMPROVEMENT CAN BE SEEN COMPARED WITH INITIAL ORDER COLLECTION (-9.1%).**
- **POSITIVE PERFORMANCE OF LIKE-FOR-LIKE SALES IN DIRECTLY-OPERATED STORES (+3.4%), SUPPORTED BY THE E-COMMERCE CHANNEL (+25%).**
- **DECREASE IN SALES IN THE FRANCHISING CHANNEL (-12.9%) AFFECTED BY THE STORE NETWORK OPTIMISATION OVER THE LAST QUARTERS (NETWORK EFFECT OF APPROXIMATELY -10%), THE EFFECTS OF WHICH SHALL DIMINISH OVER THE COURSE OF THE YEAR.**

**Biadene di Montebelluna, May 10, 2019** – Geox S.p.A., a leading brand in classic and casual footwear, listed on the Milan Stock Exchange (GEO.MI), today examined its consolidated sales figures for the first quarter of 2019.

Matteo Mascazzini, Chief Executive Officer, commented: “In the first three months of 2019, Geox has recorded a slight decrease in sales compared with last year. Performance during the quarter has shown an increase in like-for-like sales generated by directly-operated stores, especially in the e-commerce channel, offsetting the decrease of the wholesale and franchising channels, which were affected by the ongoing rationalisation process, aimed at strengthening the company's solidity and supporting the brand's image, and by the optimisation of our network presence.

With regard to directly-operated stores, like-for-like sales were up 3.4%, also supported by a relatively favourable basis for comparison. Growth was particularly supported by the e-commerce channel (insourced in Europe in July 2018), which has continued its double-digit growth (+25% in the quarter, +15% in the second half of 2018).

Despite flat like-for-like performance, sales in the franchising channel were down 12.9% due to the effects of network optimisation over the last quarters, with 10% of the network at March 2018 being closed or converted into DOS. This performance is also due to a different timing for deliveries, the effects of which, however, shall be reabsorbed during the second quarter.

The wholesale channel closed the quarter with a -1.9% decrease in sales, showing an improvement compared with initial order collection for the SS19 season (completed in November 2018), which was equal to -9.1%. This was thanks to the different timing in deliveries, the positive performance of stock replenishment during the season and higher sales of discounted goods from previous seasons, as a result of the increase in inventories recorded at the end of 2018.

As highlighted in the company's recent reports and as can be seen in the results from the last few years, the fact that market and business conditions have changed means that the indications provided by wholesale

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stores' initial order collection for the season are gradually becoming less reliable and less significant, compared with actual overall sales performance in this channel. In fact, the different approach to seasonality when creating the collections, the evolution of the supply chain strategy and increasingly frequent stock replenishment during the season, make individual, seasonal sales campaigns less important. Therefore, in order to provide the most reliable indications possible to the financial community, management (from this quarter on) will report on annual sales expectations in the wholesale channel, without providing quantitative figures on initial order collection for each single season.

In relation to the main strategic actions implemented and/or in the process of being implemented, I believe it is important to highlight the progress of some of the most important projects listed in the Strategic Business Plan: 1) insourcing of the e-commerce channel in North America (after the success in Europe) by the end of June 2019; 2) continuation of the process to convert stores to the new "X-store" concept (reaching 168 in March 2019); 3) gradual roll-out of the main omnichannel services (*click and collect*, *reserve in store*) which are currently being piloted in a number of stores in Italy.

Lastly, it is important to note that media interest in our brand is continuing to grow, in terms of both traditional media and the main social networks, thanks also to targeted marketing investments (Formula E and involvement of key influencers to talk about the brand's values).

Starting from this quarter, we'll be expanding our digital and social media campaign with influencers (launched in Italy at the end of 2018), first in our main European markets and then in Asia towards the end of the year.

When faced with continuing difficult market conditions and decidedly important challenges, it becomes even more crucial to pursue, with determination, the objectives set by the 2019-2021 Strategic Business Plan."

## SALES PERFORMANCE IN THE FIRST QUARTER OF 2019

Consolidated sales in the first quarter of 2019 amounted to Euro 260.9 million (Euro 264.5 million in the first quarter of 2018), down 1.3% (-1.6% at constant forex).

### Sales by distribution channel

(Thousands of Euro)	I Quarter 2019	%	I Quarter 2018	%	Var. %
<b>Wholesale</b>	<b>140,288</b>	<b>53.8%</b>	<b>142,984</b>	<b>54.1%</b>	<b>(1.9%)</b>
Franchising	36,836	14.1%	42,280	16.0%	(12.9%)
DOS*	83,786	32.1%	79,212	30.0%	5.8%
<b>Geox Shops</b>	<b>120,622</b>	<b>46.2%</b>	<b>121,492</b>	<b>45.9%</b>	<b>(0.7%)</b>
<b>Net sales</b>	<b>260,910</b>	<b>100.0%</b>	<b>264,476</b>	<b>100.0%</b>	<b>(1.3%)</b>

\* Directly Operated Store

Sales generated by wholesale stores, representing 54% of Group revenues (54% in the first quarter of 2018), amounted to Euro 140.3 million, down 1.9% (-2.0% at constant forex). Performance was mainly

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affected by the rationalisation over the last quarters, aimed at supporting the Group's margin performance and image, in line with the Strategic Business Plan. A different timing in deliveries, the positive performance of stock replenishment during the season and higher sales of goods from previous seasons (linked to the increase in inventories at the end of 2018), nonetheless allowed for improved performance compared with the indications given by initial order collection for the SSI9 season (-9.1%).

Sales generated by the franchising channel, which account for 14% of Group revenues, amounted to Euro 36.8 million, down 12.9% (-12.6% at constant forex). Performance in the franchising channel particularly reflects the planned rationalization of the store network in the last quarters, with a net reduction of approximately 10% of the network compared with 2018, due to closures and conversions into DOS. Figures for March were also negatively affected by a different timing for deliveries, the effects of which, however, shall be reabsorbed during the second quarter. Like-for-like sales remained stable.

Revenues generated by directly-operated stores, DOS, representing 32% of Group revenues, amounted to Euro 83.8 million, +5.8% (+4.9% at constant forex). This is mainly due to the good performance of like-for-like sales (+3.4%) and a slightly positive space effect compared with the first quarter of 2018. Particularly strong growth continued in the e-commerce channel (+25%).

Following the positive performance in the first quarter, as reported above, like-for-like sales for directly-operated stores are slightly negative as of today, after a difficult April and start to May, characterised by unusual weather conditions, reduced footfall and a challenging basis for comparison (a delayed start to the 2018 spring season led to sales for the spring collection being concentrated in the second half of April and first week of May last year, with a double-digit growth in sales). As of today, growth of the direct e-commerce channel remains strong (+24% year on year).

## Sales by region

(Thousands of Euro)	I Quarter 2019	%	I Quarter 2018	%	Var. %
Italy	79,797	30.6%	83,163	31.4%	(4.0%)
Europe (*)	112,715	43.2%	113,877	43.1%	(1.0%)
North America	10,662	4.1%	11,821	4.5%	(9.8%)
Other countries	57,736	22.1%	55,615	21.0%	3.8%
<b>Net sales</b>	<b>260,910</b>	<b>100.0%</b>	<b>264,476</b>	<b>100.0%</b>	<b>(1.3%)</b>

(\*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

Sales generated in Italy, the domestic market which represents 31% of Group revenues, (31% in the first quarter of 2018), were down 4.0%. This trend is mainly due to the performance in the wholesale and franchising channels, which were affected by the rationalisation and distribution optimisation process described previously. Like-for-like sales performance for directly-operated stores was positive and above the Group's average. With regard to the network, there were five net closures during the quarter.

Revenues generated in Europe, representing 43% of Group revenues (43% in the first quarter of 2018), amounted to Euro 112.7 million, compared to Euro 113.9 million in the first quarter of 2018, down 1.0% (-1.1% at constant forex). The wholesale channel grew slightly thanks to a different timing for deliveries; the

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like-for like sales trend for directly-operated stores was positive (and above the Group's average). The network was reduced by eight stores during the first quarter.

North America recorded a turnover equal to Euro 10.7 million, down by 1.1 million (-9.8% at current forex and -13.1% at constant forex), mainly due to the negative performance of the wholesale channel, which has been subject of a careful review and selection process for partners, with a focus on players more in line with the Group's planned strategy to improve brand perception. Like-for-like sales performance for directly-operated stores was slightly negative in the USA. The number of stores in the network remained unchanged compared with the end of last year.

A 3.8% increase in sales was recorded in the Rest of the World compared with the first quarter of 2018 (+3.4% at constant forex), with double-digit growth in like-for-like sales for directly-operated stores and in the wholesale channel in Eastern Europe. The Asia Pacific area reported substantially stable sales in the wholesale channel, with slightly negative sales being recorded by directly-operated stores.

## Sales by product category

(Thousands of Euro)	I Quarter 2019	%	I Quarter 2018	%	Var. %
Footwear	236,491	90.6%	239,907	90.7%	(1.4%)
Apparel	24,419	9.4%	24,569	9.3%	(0.6%)
<b>Net sales</b>	<b>260,910</b>	<b>100.0%</b>	<b>264,476</b>	<b>100.0%</b>	<b>(1.3%)</b>

Footwear sales represented 91% of consolidated sales, amounting to Euro 236.5 million, down 1.4% (-1.8% at constant forex) compared with the first quarter of 2018.

Apparel sales represented 9% of consolidated sales, amounting to Euro 24.4 million, compared with Euro 24.6 million in the first quarter of 2018 (-0.6% at current forex, +0.1% at constant forex).

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## Mono-brand store network - Geox shops

As of March 31, 2019, there was a total of 991 “Geox Shops”, of which 444 DOS. During the first quarter of 2019, 16 new Geox shops were opened and 40 were closed.

	03-31-2019		12-31-2018		1° Q 2019		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	281	145	286	143	(5)	0	(5)
Europe (*)	277	155	285	154	(8)	3	(11)
North America	37	37	37	37	-	0	0
Other countries (**)	396	107	407	110	(11)	13	(24)
<b>Total</b>	<b>991</b>	<b>444</b>	<b>1,015</b>	<b>444</b>	<b>(24)</b>	<b>16</b>	<b>(40)</b>

(\*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland.

(\*\*) Includes Under License Agreement Shops (132 as of March 31, 2019, 138 as of December 31, 2018). Sales from these shops are not included in the franchising channel.



## **BUSINESS OUTLOOK AND SIGNIFICANT SUBSEQUENT EVENTS**

With regard to business outlook for 2019, management would like to highlight the following points:

- The prudent and selective approach and rationalisation of the wholesale channel, aimed at supporting the Group's solidity and image, have also characterised initial order collection for the 2019 autumn/winter season. In this context, management therefore believes that annual sales in the wholesale channel will show a mid single digit decrease compared with 2018 figures. These expectations will nonetheless be defined by actual order performance during the season, which is an increasingly significant factor for the final figures.
- The number of mono-brand stores in the network is expected to remain substantially stable: directly-operated stores are expected to carry greater weight, thanks to a number of targeted openings (especially in China) and a limited number of conversions of franchised stores, as stated in the Strategic Business Plan. This will more than compensate for the closures of a number of non-performing DOS.
- The ongoing restyling plan will continue, aimed at improving performance, with the introduction of new window displays, new assortment strategies and new policies for in-store visuals.
- As highlighted above, from the second half of April onwards, sales performance in stores has shown an important weakness, mainly caused by unusual weather conditions in the main markets, with a subsequent reduction in footfall, and a challenging basis for comparison. The effects of the Retail Excellence programmes are expected to become increasingly significant as the year goes on. Sales generated by directly-operated stores (DOS) will also benefit from a slightly positive network effect, as described previously.
- The direct e-commerce channel is expected to continue to grow at a strong pace and may also benefit from a number of advanced CRM tools that will be launched. Insourcing of the e-commerce channel in North America is expected to be completed by the end of June.
- Annual sales in the franchising channel are expected to decrease, although they are expected to improve compared with the trend recorded in the first quarter. This is thanks to the effects of different delivery timings being reabsorbed and a network effect that will diminish over the course of the year.
- Investments in digital communications will continue in order to boost a more modern perception of the brand. During the second quarter, the digital campaign using key influencers, already launched in Italy, will also begin in some of the main European markets, and will be extended to Asia by the end of the year.
- Important IT projects and investments will also continue, in line with the Strategic Business Plan, in order to support the business and guarantee a truly omnichannel operating model. The main advanced sales tools (*click and collect, reserve in store*), which are currently being piloted in a number of stores in Italy, will gradually be rolled out throughout the rest of the network, as provided for by the Strategic Business Plan.



## **DECLARATION BY THE MANAGER RESPONSIBLE FOR THE PREPARATION OF COMPANY ACCOUNTING DOCUMENTS**

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The manager responsible for the preparation of the company's financial documents, Mr. Livio Libralesso, hereby declares, in accordance with paragraph 2, article 154 bis of the "Testo Unico della Finanza" (*Italian Consolidated Law on Finance*), that, based on his knowledge, the accounting information contained in this document corresponds to the results documented in the books, accounting and other records of the company.

## **FOR MORE INFORMATION**

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## **GEOX GROUP**

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Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability.

Geox is one of the leading brands in the "International Lifestyle Casual Footwear Market". Geox technology is protected by 38 different patents and by 24 more recent patent applications.

## **DISCLAIMER**

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This document includes forward-looking statements, relative to future events and income and financial operating results of Geox Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

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