

PRESS RELEASE - 9M 2021 SALES

**REVENUES AMOUNTED TO EURO 463.5 MILLION (+7.8% AT CURRENT EXCHANGE RATES, +8.9% AT CONSTANT EXCHANGE RATES) THANKS TO THE SOLID PERFORMANCE OF THE MULTI-BRAND CHANNEL AND THE RECOVERY OF DIRECT SALES THAT TOOK HOLD WITH THE GRADUAL REOPENING OF THE MONO-BRAND NETWORK STARTING IN THE SECOND QUARTER.**

**THE FOURTH QUARTER, TO DATE, ALSO SHOWS A HEALTHY TREND IN LIKE-FOR-LIKE SALES OF DIRECT STORES (+50% ON 2020 AND +3% ON 2019) ACCOMPANIED BY A SIGNIFICANT REDUCTION IN DISCOUNTS.**

**THE NET FINANCIAL POSITION AT 30 SEPTEMBER 2021 (BEFORE IFRS 16) STOOD AT EURO -95.5 MILLION (EURO -108.2 MILLION AT 30 JUNE 2021, EURO -99.8 MILLION AT 31 DECEMBER 2020).**

**ON 2 DECEMBER THE 2022-2024 BUSINESS PLAN WILL BE PRESENTED TO THE FINANCIAL COMMUNITY.**

**THE PLAN IS AIMED AT INCREASING THE RELEVANCE OF THE BRAND VALUES FOR THE CONSUMER WITH AN APPROACH FOCUSED ON THE CENTRALITY OF CUSTOMERS AND DISTRIBUTION THROUGH A LEANER AND MORE EFFICIENT OMNI-CHANNEL BUSINESS MODEL. THIS OBJECTIVE IS SUPPORTED BY INVESTMENTS IN DIGITAL INFRASTRUCTURES AND SKILLS AND IN ADVANCED MERCHANDISING TOOLS, WITH PERFECT COHESION BETWEEN MARKETING, PRODUCT AND COMMERCIAL DISTRIBUTION STRATEGIES.**

**Biadene di Montebelluna, 11 November 2021** – Geox S.p.A., a company listed on the Borsa di Milano (GEO.MI), (Milan Stock Exchange), a leading brand in classic and casual footwear, today approved its revenues for the first nine months of 2021.

The Company commented: “Revenues for the nine months showed solid growth compared to last year thanks to the gradual reopening of commercial distribution. People's movements are also partially gradually increasing and only international tourism continues to remain well below pre-Covid level.

Caution is still the order of the day, however. In fact, if on the one hand the level of infections and the health situation have shown a general improvement in the main Western European countries and in North America, allowing, starting from the second quarter, a progressive reopening of the entire distribution network, on the other hand there has been a recent increase in infections, first in some areas of South-East Asia and then in Eastern Europe, characterised by a low vaccination rate, with the reintroduction of temporary *lockdown* measures, for example in China, Vietnam and Russia.

In the nine months in general, we have seen the continuation of encouraging signs of recovery especially in the channels and markets less impacted by the pandemic. *On-line* revenues, including those to *e-tailers* who distribute our products, accounted for almost one-third of total revenues and are up 30% on both last year and 2019; Russia (9% of total revenues) reported revenues up 44% on nine months 2020 and 11% on nine months 2019. China reported (vs nine months 2020) revenue growth of 6.9%, with like-for-like sales up 19%.

The fourth quarter is also showing positive figures so far with like-for-like sales from direct stores up on both the corresponding period of 2020 (+50%) and 2019 (+3%), accompanied by a good reduction in discounts. This quarter will also benefit from the new television campaign on “Amphibiox” products launched in the main markets in mid-October, confirming the Group's desire to focus more on core products and markets, with perfect cohesion between brand, marketing and distribution strategy.

All this evidence makes us even more convinced of the validity of the strategic path undertaken based on the (substantially completed) exit from unprofitable business segments, which will free up more resources to allocate to more strategic activities for increasing the relevance of brand values and defining an omni-channel business model, focused on the centrality of customers and distribution, which is increasingly more efficient and profitable.

More details on the Group's strategic lines will be provided during the presentation of the next Business Plan at the Investor Day on 2 December”.

### **GROUP ECONOMIC PERFORMANCE: REVENUES**

Consolidated revenues for the first nine months of 2021 amounted to 463.5 million, up 7.8% from the previous year (+8.9% at constant exchange rates) thanks to the excellent recovery started in the second quarter, favoured by the gradual re-opening of stores.

However, two factors had a negative impact on the period, albeit positive: 1) the loss of revenues resulting from the planned rationalisation of the perimeter of mono-brand stores (-108 stores compared to September 2020, equal to approximately Euro 15 million in sales) 2) some procurement issues related to the temporary suspension of activities of some production plants in Vietnam, brought about by the increase in Covid-19 infections.

#### Sales by distribution channel

(Thousands of Euro)	9 Months 2021	%	9 Months 2020	%	Var. %
<b>Wholesale</b>	<b>250,911</b>	<b>54.1%</b>	<b>221,464</b>	<b>51.5%</b>	<b>13.3%</b>
Franchising	35,397	7.6%	33,546	7.8%	5.5%
DOS*	177,146	38.2%	174,779	40.7%	1.4%
<b>Geox Shops</b>	<b>212,543</b>	<b>45.9%</b>	<b>208,325</b>	<b>48.5%</b>	<b>2.0%</b>
<b>Net sales</b>	<b>463,454</b>	<b>100.0%</b>	<b>429,789</b>	<b>100.0%</b>	<b>7.8%</b>

\* Directly Operated Store

Revenues from multi-brand stores, representing 54.1% of Group revenues (51.5% in the nine months of 2020), amounted to Euro 250.9 million (+13.3% at current exchange rates, +13.3% at constant exchange rates) compared with Euro 221.5 million in the nine months of 2020. The trend for the period benefited from the excellent performance of seasonal stock replenishments on SS21, a positive order intake for the FW21 collection, a positive timing effect on shipments (as requested by partners at the beginning of the year), increased sales of stock from previous seasons and an improvement in commercial conditions. These effects more than offset the weak initial order intake for the SS21 collection, which was carried out last year at the height of the first lockdown, and thus determined the overall positive performance for the period.

Revenues from the franchising channel, equal to 7.6% of the Group's revenues, amounted to Euro 35.4 million, up 5.5% compared to Euro 33.5 million in the first nine months of 2020. Once again, the performance in the period was

made possible by the gradual reopening of stores, whose positive performance combined with a favourable timing effect on shipments made it possible to neutralise the negative effects of the reduction in the scope of consolidation (approximately Euro -5 million or -15%). In fact, the total number of franchised stores decreased from 338 stores in September 2020 to 302 in September 2021.

Revenues from directly operated stores (DOS and online), which represent 38.2% of Group revenues, totalled Euro 177.1 million, +1.4% compared with the first nine months of 2020. Like-for-like sales (LFL) at the end of the period stood at +12.1% and also benefited from the lower percentage of stores temporarily closed due to lockdown (approximately 19% compared to 23% for the nine months of 2020). The Group's direct on-line business continues to record significant growth in terms of Like-for-like sales (LFL): +25% compared to the end of September 2020 and +75% over September 2019 (+16% in Q3 alone).

The Like-for-like sales performance continued positively in the fourth quarter (+50% over the same period in 2020 and +3% over the same period in 2019). To date (week 44), like-for-like sales in directly operated stores amount to +17% from the start of the year.

Sales by region

(Thousands of Euro)	9 Months 2021	%	9 Months 2020	%	Var. %
Italy	111,834	24.1%	102,233	23.8%	9.4%
Europe (*)	212,782	45.9%	205,915	47.9%	3.3%
North America	19,090	4.1%	18,317	4.3%	4.2%
Other countries	119,748	25.8%	103,324	24.0%	15.9%
<b>Net sales</b>	<b>463,454</b>	<b>100.0%</b>	<b>429,789</b>	<b>100.0%</b>	<b>7.8%</b>

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

Revenues generated in Italy, which represent 24.1% of the Group's revenues (23.8% in the nine months of 2020), amounted to Euro 111.8 million, compared to Euro 102.2 million in the nine months of 2020 (+9.4%). The performance in Italy benefited from a lower percentage of stores closed due to lockdowns compared to the same period in 2020. Growth was driven by the wholesale channel (+24%); the DOS channel (+1.6%) and the franchising channel (+6.7%) were also positive. Both retail channels were impacted by the ongoing rationalisation (-38 stores compared to September 2020, or 16% of the network).

Revenues generated in Europe, accounting for 45.9% of the Group's revenues (47.9% in the nine months of 2020), amounted to Euro 212.8 million, compared to Euro 205.9 million in the nine months of 2020, marking an increase of 3.3% mainly due, as in Italy, to the healthy performance of the wholesale channel (+10%).

Direct stores in Europe, although with positive Like-for-like sales (+6%), were impacted by the ongoing rationalisation (-25 DOS, equal to 17% of the network) and by the higher percentage of stores closed due to lockdowns, closing the period at -5.6%. The trend is also slightly negative for franchising turnover (-2.5%), which is also impacted by the ongoing rationalisation and lockdown. The entire distribution network has been operational since the end of May.

North America reported sales of Euro 19.1 million, +4.2% (+5.3% at constant exchange rates) compared to the nine months of 2020. The period was impacted by both the sharp reduction in the scope of consolidation (5 net closures equal to 19% of the network) and the lockdowns in Canada which continued until 30 June in the Ontario region. To date, the entire network is operational. The direct on-line channel reported a positive performance (+44%).

Other Countries reported revenue growth of 15.9% over the nine months of 2020 (+20.5% at constant exchange rates), with particularly different trends in the individual areas.

In particular, in the Asia Pacific Area, turnover fell by 6.8%, mainly as a result of the reorganisation in Japan which led to the closure of the branch and the transfer of the business to a distributor with effects from 2022. China reported revenue growth (+6.9%), with direct store Like-for-like sales up 19%.

By contrast, with regard to Eastern Europe, a 23% increase in revenues was recorded in the area, driven by the performance recorded in Russia (+44%). Directly operated stores in the entire region reported like-for-like sales up 37% (Russia +56%); double-digit growth in the wholesale and franchising channel was also positive.

Sales by product category

(Thousands of Euro)	9 Months 2021	%	9 Months 2020	%	Var. %
Footwear	423,701	91.4%	385,591	89.7%	9.9%
Apparel	39,753	8.6%	44,198	10.3%	(10.1%)
<b>Net sales</b>	<b>463,454</b>	<b>100.0%</b>	<b>429,789</b>	<b>100.0%</b>	<b>7.8%</b>

Footwear accounted for 91.4% of consolidated revenues, amounting to Euro 423.7 million, an increase of 9.9% (+10.9% at constant exchange rates) over the nine months of 2020. Apparel accounted for 8.6% of consolidated revenues at Euro 39.8 million (-10.1% at current exchange rates, -8.5% at constant exchange rates).

Mono-brand store network - Geox shops

As of 30 September 2021, there was a total of 783 “Geox Shops”, of which 359 DOS. During the period, 27 new Geox Shops were opened and 111 were closed, in line with the store network optimisation planned in more mature markets and the expansion in countries where the Group’s presence is still limited but developing well.

	09-30-2021		12-31-2020		9 Months 2021		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	200	129	226	139	(26)	2	(28)
Europe (*)	213	120	246	142	(33)	2	(35)
North America	21	21	24	24	(3)	0	(3)
Other countries (**)	349	89	371	105	(22)	23	(45)
<b>Total</b>	<b>783</b>	<b>359</b>	<b>867</b>	<b>410</b>	<b>(84)</b>	<b>27</b>	<b>(111)</b>

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

(\*\*) Includes Under License Agreement Shops (122 as of September 30 2021, 135 as of December 31 2020). Sales from these shops are not included in the franchising channel.

## **THE GROUP'S BALANCE SHEET AND FINANCIAL POSITION**

The rationalisation measures taken and the positive trend in sales in direct channels at the time of the re-openings, have allowed the Group to keep its net financial position under control, which, despite the exceptional circumstances came to Euro -95.5 million at the end of September (before IFRS 16 and after the fair value of derivative contracts) (Euro -108.2 million at 30 June 2021 and Euro -99.8 million at December 2020). The net financial position before the fair value of derivative contracts stood at -109.1 million compared to Euro -112.8 in June 2021 (Euro -89.8 in December 2020) with cash generation of approximately Euro 3.6 million in the third quarter.

We note that the Group had proposed to suspend the payment of some rents while stores were temporarily closed and then began to pay rent in proportion to the sales performance following their reopening, until an agreement was actually reached with the various landlords.

This approach was in line with the ongoing talks being held with the various landlords, aimed at renegotiating the contractual agreements in place, bringing them more in line with the changes to the economic scenario; this involved introducing variable rents based on the level of turnover, at least while there was reduced footfall caused by the restrictions and the sharp reduction in tourist numbers. Discussions with property owners proceeded positively and, as at 30 September, the Group has already concluded a significant number of agreements and the few remaining ones are at an advanced stage. The overdue part of the rental payments that were suspended or only partially paid, to date, amount to Euro 4.4 million, compared to Euro 9 million as of 30 September 2021 and 14 million as of 30 June 2021, showing no impact on net financial position that, as already said, improved in the latest 2 quarters.

Net working capital stood at Euro 157 million, down from Euro 216 million in September 2020. Net operating working capital as a percentage of sales was equal to 27.6%, compared with 36.4% in the same period last year.

## **BUSINESS OUTLOOK**

Forecasts and estimates described below have been done assuming that there will be no further *lockdowns* in the remainder of the year, and are so subject to high volatility given the uncertainty still surrounding the risk of restrictions in the event of an increase in infections.

A number of factors need to be taken into account when making full-year forecasts: 1) a good start, slightly better than expected, to the fourth quarter for direct store sales also with the confirmation of the reduction in discounts already seen in the first nine months; 2) the temporary closure, due to *lockdown*, of stores in Russia from 29 October to 7 November 3) the complex situation that has characterised the entire supply chain in the third quarter, and now improving in the fourth quarter, with relevant issues for the whole sector.

To date (week 44) like-for-like sales (*LFL*) of direct stores are positive (+17%) compared to last year thanks to a fourth quarter so far up on both 2020 (+50%) and 2019 (+3%) and despite the *lockdown* affecting the Russian market. The final weeks of the year will also benefit, in the absence of new restrictions, from a comparison with the final months of 2020 which were impacted by the *lockdown* and the subsequent closure of a high percentage (23%) of stores particularly in Europe.

The resurgence of infections in some Asian countries has created some criticalities in the Group's production chain in recent months, with the temporary suspension of activities in some Asian areas still characterised by a low incidence of the vaccinated population. All this led to the closure of some production facilities in Vietnam (where the Group produces about 15% of its collections) for a period that began on 6 July, and turned out to be longer (about three months) than initially envisaged, as well as other short production stoppages in some areas of China. This, combined with the general complexities of port congestion and container shortages, has actually resulted in: 1) a temporary shortage of some product lines for replenishments in the direct distribution network and franchising 2) cancellation or revision of the commercial conditions of some orders in the multi-brand channel due to delays in deliveries or production constraints 3) greater recourse, compared to forecasts, to air transport in order to comply with the delivery times agreed with some counterparties.

The overall impact of these factors on the second half of the financial year can be estimated at approximately 14 million of lower revenues and 14 million in terms of a lower gross margin (7 million linked to lower revenues and 7 million linked to the increase in air transport costs).

Based on these valuations, the new elements that emerged in the third and fourth quarter and the mitigation acts taken, management nevertheless confirms its expectations of a double-digit growth for annual revenues, now expected

above Euro 600 million, while gross margins are expected to improve by around 300 basis points compared to the end of 2020.

As regards the trend in Net Financial Position (before IFRS 16), as previously stated, after having reached its peak at the end of April as already communicated, it has shown a positive trend in recent months, favoured by the good flow of receipts from wholesale and by the progressive reopening of stores and the good network of outlets that is allowing a profitable disposal of the unsold stock of the previous season. It is estimated that in the fourth quarter of 2021, the Net Financial Position will continue to improve.

In order to mitigate the impacts deriving from the increase in production procurement costs, the Group will continue the actions undertaken in the last quarters in terms of cost reduction and, on future collections, will also proceed with a reasoned and weighted price increase.

During the Investor Day on 2 December, the Group's strategic guidelines and objectives for the next three years (2022-2024) will be presented.

#### **EVENTS SUBSEQUENT TO THE END OF THE NINE MONTHS**

- **SALE OF THE PRODUCTION PLANT IN SERBIA**

The production plant in Vranje, in the south of Serbia, was built between 2014 and 2015, becoming fully operational in 2016 to produce formal men's and women's shoes when a substantial part of the Geox Group's market demand and turnover was focused on these types of products. Serbia has been and still represents one of the most attractive countries to invest in, both for the support received, the infrastructure and the professionalism of the workforce. The plant also guaranteed undoubted advantages from a logistical point of view, being close to the main markets.

Unfortunately, in the last few years the progressive change in consumers' purchasing choices has in fact determined a decisive shift in consumption towards casual and lower-priced shoes at the expense of formal footwear. Since 2018, in this context, the Group, even though it no longer has demand for formal shoes in such quantities as to saturate the production of the Serbian factory, has tried to support production on site by moving production from Asia and importing all materials into the country with heavy cost increases for the Group.

Unfortunately, the Covid-19 pandemic has strongly accelerated the current trends, as well as determining significant negative effects on the entire footwear and clothing sector, with a huge reduction in turnover, the closure of many stores and a significant increase in stocks of unsold products.

This difficult situation, which is destined to last in the medium term, the structural evolution of market demand combined with the impact of the pandemic and forecasts of future demand for these types of products have made it unsustainable to maintain production activities in Serbia.

The Company went into liquidation in August 2021 and the process is ongoing as per the provisions of the law. In October and November 2021, the Company sold all the machinery and plants in the facility and, lastly, also sold the real estate and collected the consideration. On the whole, as things stand at present, these asset liquidation operations, in preparation of the liquidation of the company, would seem to confirm the expectations of recovery of the book values, payment of all the company's liabilities as well as repayment of the investment made by the Parent Company. The management of the procedure is, however, complex and a final assessment can only be made at the end of the liquidation process, following scrutiny of the entire project by the Authorities of the Republic of Serbia, aimed at verifying the respect for the contractual agreements of the initial project.

The Geox Group has actively supported the transition process that has just been completed, led by the country's authorities, which has already led to the installation of new investors and the consequent mitigation of the impact of TD Vranje's difficulties on employment levels in the area.

- **UPDATE ON THE STATUS OF STORE OPERATIONS AND THE SUPPLY CHAIN - COVID-19**

After the reopening of the stores in Italy and France (second half of May), Germany (mid-June) and lastly in Ontario on 30 June, the Group's entire direct distribution network was back in operation on 1 July, albeit with the maintenance of certain restrictions on entry aimed at avoiding crowds and maintaining safe distances in stores. From

29 October until 7 November, 29 direct stores and 42 franchise stores in Russia were closed due to lockdown. As of today, the network is fully open again.

As of 1 October, all the factories serving the Group are back in operation, albeit not all at full capacity. The situation is constantly evolving and requires a great deal of prudence and care throughout the supply chain; events are being continuously monitored in order to promptly identify the inevitable delays in production and deliveries, and to implement any appropriate actions to mitigate them.

Critical issues related to transport continue to exist, although they have improved since the third quarter.

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## **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, Dott. Massimo Nai, hereby declares, in accordance with paragraph 2, article 154 bis of the "Testo Unico della Finanza" (*Italian Consolidated Law on Financial Intermediation*), 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.

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## **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 Branded Casual Footwear Market". Geox technology is protected by 55 different patents and by 11 more recent patent applications.

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## **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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