



# TWINSET

SIMONA BARBIERI

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## IQ17 Results

7th June 2017

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# Agenda

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## Section 1

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## Highlights



# IQ 2017 Highlights

## Revenue

- IQ 2017 TWINSET revenue decreased by 3.5% to €83.7m vs IQ 2016
  - **Retail channel** increased by 9.7% or +€2.0m reaching €22.6m with slightly negative Lfl performance.
    - **Online channel** reached €2.3m in IQ 2017 with double digit growth of 11.2% confirming TWINSET multichannel strategy
  - **Wholesale channel** decreased by 7.7% to €61.1m vs IQ 2016, mainly as a result of shrinking contribution from the domestic markets and a reduction in Stocks sales
    - **Franchising** substantially increased by 40.7% in IQ 2017, reaching €3.5m with 5 new openings

## Adjusted EBITDA<sup>1</sup>

- IQ 2017 Adj EBITDA was €19.7m with Adj EBITDA margin of 23.5% compare to €21.1m in the same period last year

## Capex

- Capex accounted for €3.9m for IQ 2017, driven by new sewing and knitwear machineries, and IT projects

## Net Debt and Cash Flow

- **Net Debt Position:** €95.3m as of March 31, 2017 vs €89.6m as of December 31, 2016
- **Cash Flow:** minus €5.5m for IQ 2017
- **Leverage Ratio:** 2.3x in IQ 2017 compared to 2.1x in FY 2016

Note:

<sup>1</sup> We calculate Reported EBITDA as profit for the period plus income tax, extraordinary (income)/expenses, impairment of investments, financial (income)/expenses, depreciation and amortization, each as presented in our consolidated financial statements. We calculate Adjusted EBITDA by taking our Reported EBITDA, then adding back certain non-recurring items including, raw materials, non-recurring accruals and other items. We calculate Adjusted EBITDA Margin by dividing our Adjusted EBITDA by Twin Set Revenue for the relevant period.

## Section 2

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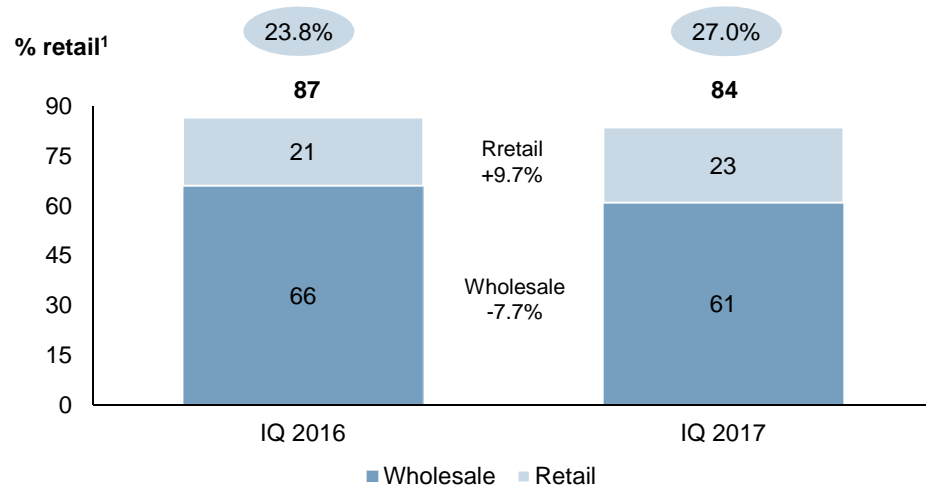
# Business Performance



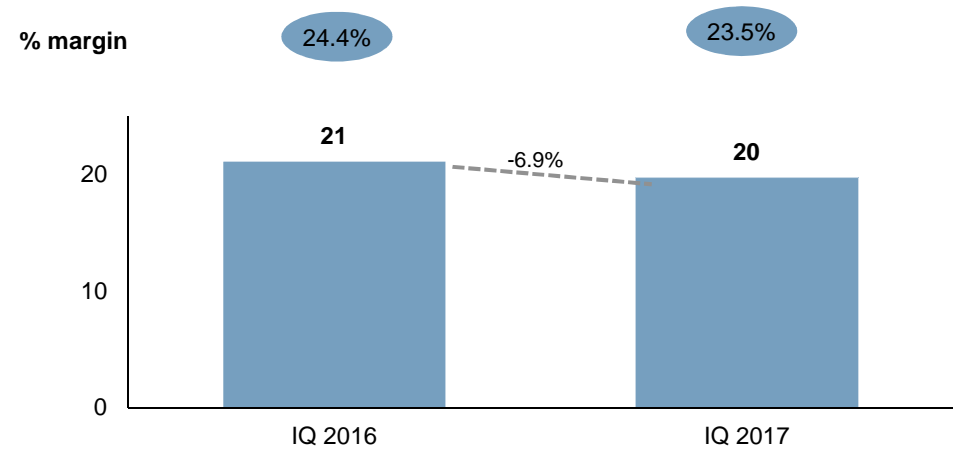
# IQ 2017 – Results Summary

## Increasing International markets vs decreasing domestic market

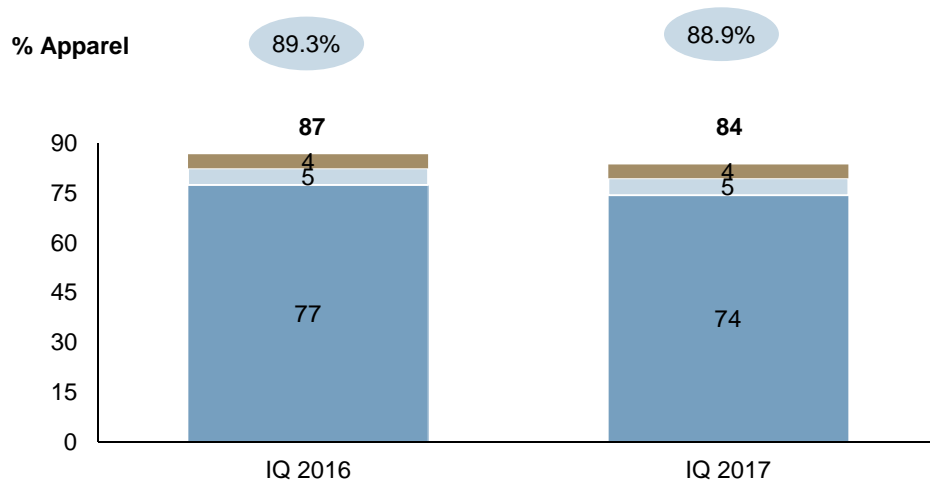
### Revenue (€m)



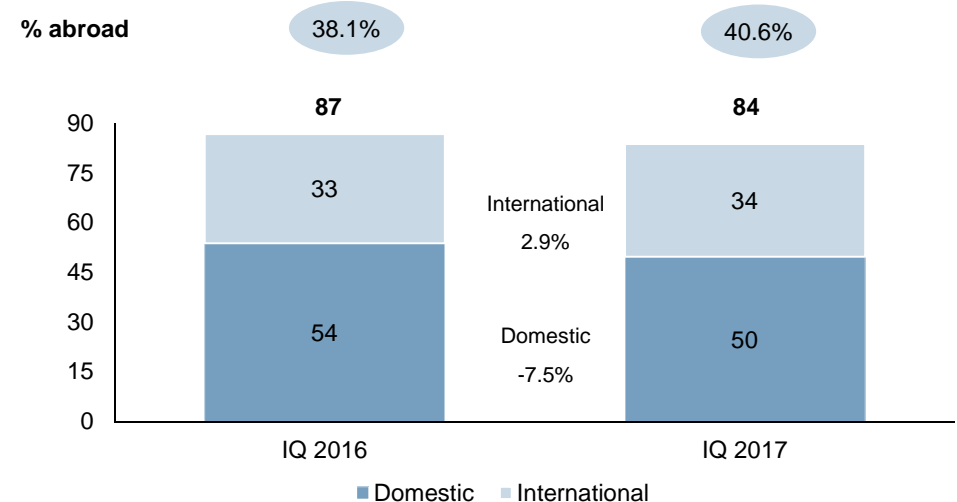
### Adjusted EBITDA (€m)



### Revenue by category (€m)



### Revenue by geography (€m)



Note:  
 1 Including Online Channel

# IQ 2107 Key Figures

(€m)	1Q 2017	1Q 2016	% change
Wholesale	61.1	66.1	-7.7%
Retail <sup>1</sup>	22.6	20.6	9.7%
<b>Twin Set Revenue</b>	<b>83.7</b>	<b>86.7</b>	-3.5%
Adjusted EBITDA	19.7	21.1	-6.9%
Margin (%)	23.5%	24.4%	

## Revenue

- TWINSET Revenue decreased 3.5% to €83.7m for IQ 2017 from 86.7m with differing contribution from both Retail and Wholesale channels
  - **Retail channel:** Retail revenues increased 9.7% or €2.0m in the period, partially offset by a slightly negative Lfl of minus 1.2%. Retail channel increased its share contribution to total Revenues by 3.2 p.p. now accounting for 27.0% of TWINSET Revenue
    - **Online:** excellent performance increasing by 11.2% reaching €2.3m in the period equal to 2.7% of total Revenues
  - **Wholesale channel:** Negative contribution from Wholesale of €5.0m or -7.7% compare previous year, as a consequence of our ongoing upgrading distribution strategy in the Domestic market while foreign market continue to post a positive contribution. Growth of 2.9% in international market sale was driven by impressive performance in Russia and in our Franchising network
    - **Franchising:** expanding network with 5 new franchisees. Total Revenues for the channel were €3.5m vs €2.5m the Previous Year (+40.7%Y/Y)
- Overall we saw an increase, as a share contribution, from International market which now accounts for 40.6% of TWINSET Revenue

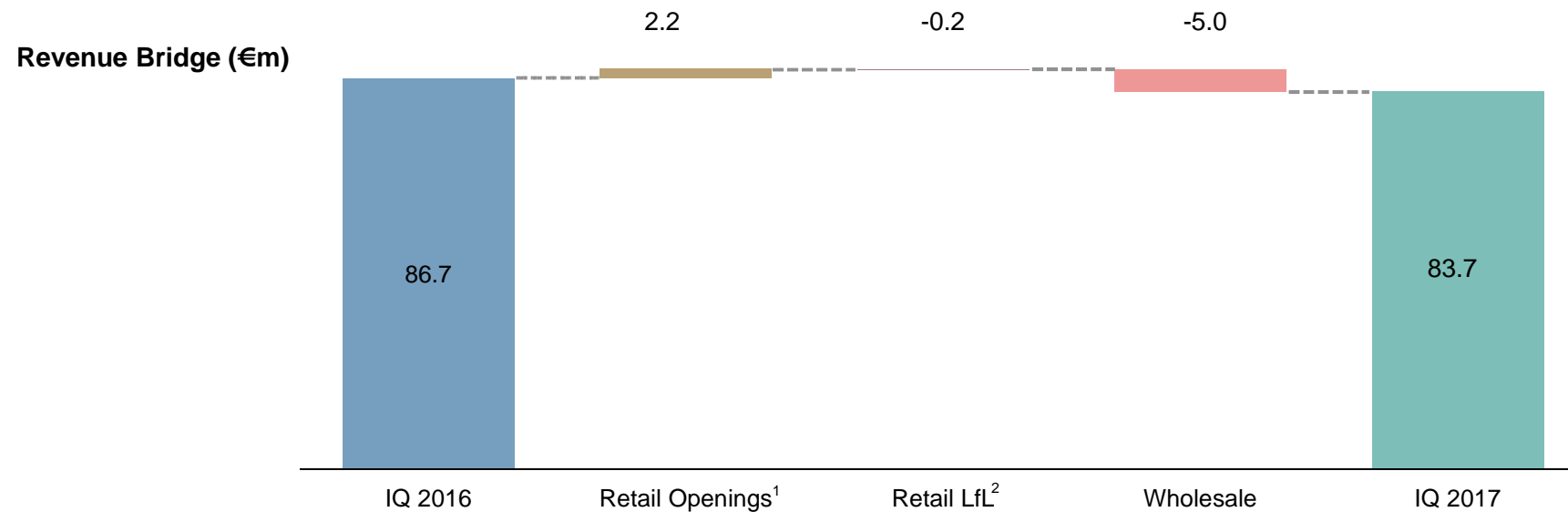
## Adjusted EBITDA

- Adjusted EBITDA decreased to €19.7m vs €21.1m of Last Period
- EBITDA margin is declining 0.9 p.p compare to the previous year but remain strong at 23.5%



# Revenue Evolution

Ongoing upgrading of Domestic wholesale distribution and decreasing Stocks sale weigh on Revenues



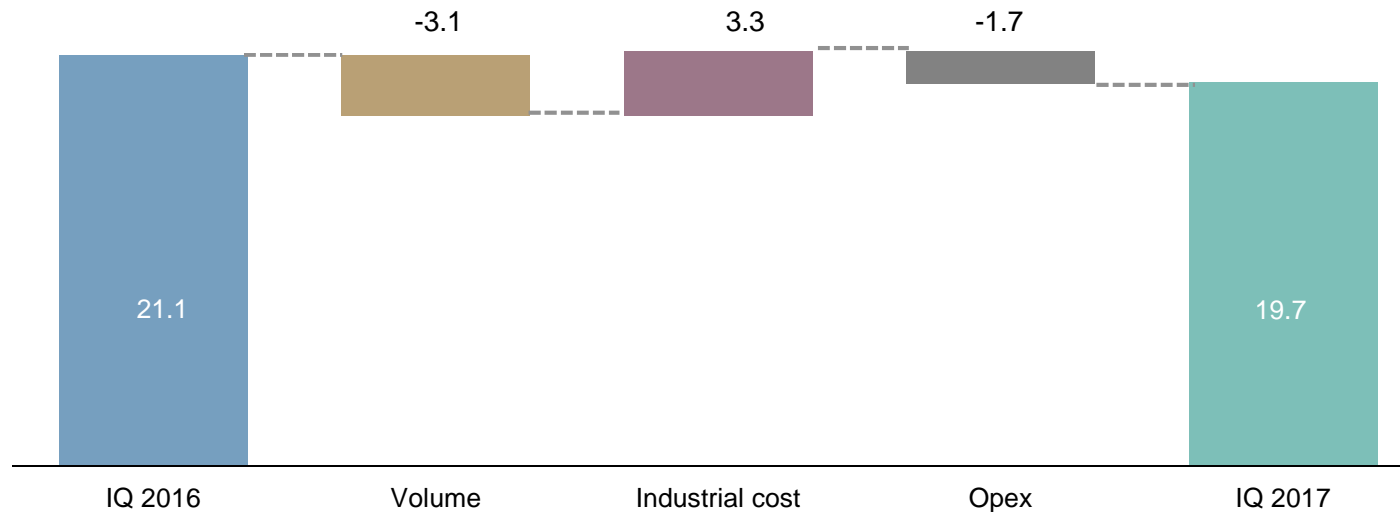
1. Includes all the retail figures excluded from the Like-for-Like analysis

2. Like-for-like retail performance consists of retail sales from Like-for-Like points of sale in any given period compared with the same period in the previous financial period, shown as a percentage change between the two periods. Like-for-like points of sale include all our points of sale that were in operation for more than one month and were open in both periods. Like-for-Like excludes points of sale closed during each period including stores temporarily closed for refurbishment (only the closing period is excluded). Retail sales consist of total retail sales generated in our points of sale net of rebates and discounts.

# Adjusted EBITDA Evolution

Decline in sale volume and impact of different channel contribution lead to mixed effects on EBITDA

## Adjusted EBITDA Bridge (€m)



## Gross Margin

- Decline in sale volume and impact of different channel contribution lead to slightly positive effect on Gross Margin
- Gross Margin increased by €0.2m thanks to increased retail channels share.

## Opex

- Increasing Retail share has had a positive effect on Gross Marging but is carrying over into Opex
- Opex +€1.7m compare to the same period of last year or 33.1% of TWINSET Revenue
- Noticeable effects on Opex arising from timing difference in Marketing campaign

# Capex Evolution

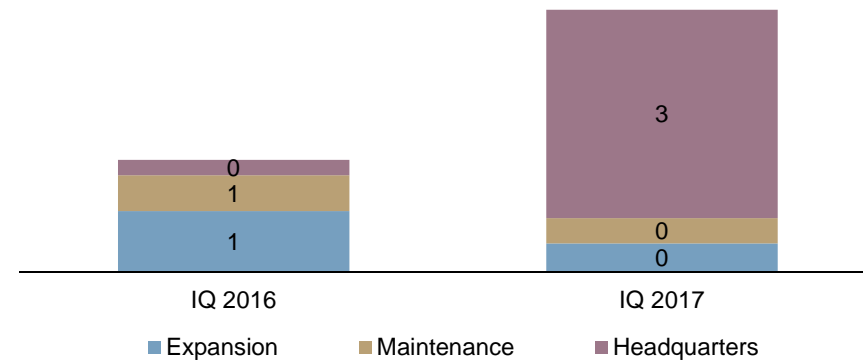
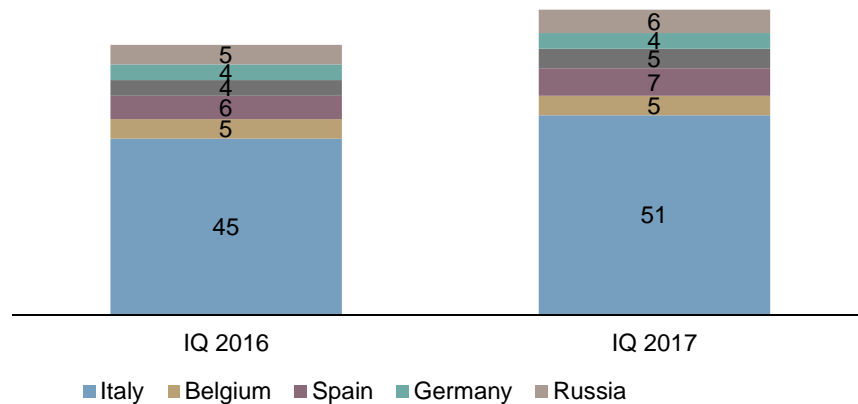
Capex expansion temporarily flat but several shop openings in the pipeline

N. Stores 69

78

Capex (€m) 2

4



## IQ 2017 Capex

- **Expansion Capex** almost flat in the period but with several shops already in the pipeline to support our retail expansion strategy
  - The Venezia shop opened April 29th
- **Maintenance** in line with the previous year mainly related to refurbishment of retail network
- **Headquarters:** new sewing and knitwear machineries for a new production factory in Carpi, and IT projects

# Focus on Mono-brand Stores Network

## BOUTIQUE & OUTLET

	1Q 2017	FY 2016
Boutique Italy	34	34
Boutique Abroad	23	23
Outlet Italy	17	17
Outlet Abroad	4	4
<b>Total</b>	<b>78</b>	<b>78</b>

## FRANCHISING

	1Q 2017	FY 2016
Franchising	48	43



## Section 3

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# Financial Performance



# Income Statement

(€m)	1Q 2017	1Q 2016	% change
Wholesale	61.1	66.1	-7.7%
Retail <sup>1</sup>	22.6	20.6	9.7%
<b>Twin Set Revenue</b>	<b>83.7</b>	<b>86.7</b>	<b>-3.5%</b>
<b>Adjusted EBITDA</b>	<b>19.7</b>	<b>21.1</b>	<b>-6.9%</b>
<i>Margin (%)</i>	23.5%	24.4%	
D&A	-5.7	-5.5	2.4%
<b>EBIT</b>	<b>14.0</b>	<b>15.6</b>	<b>-10.1%</b>
<i>Margin (%)</i>	16.8%	18.0%	
Net Financial Items	-3.6	-3.9	-7.1%
<b>Net Profit</b>	<b>6.0</b>	<b>6.6</b>	<b>-8.6%</b>
<i>Margin (%)</i>	7.2%	7.6%	

- **D&A** in IQ 2017 in line with the Previous Year
- **Net Financial Items** decreased owing to the positive effect of Exchange rate and decreased interest rates

Note:

1. Including Online Channel

# Cash Flow Statement

## Operating Cash Flow remains positive despite seasonality

(€m)	IQ 2017	IQ 2016	change
<b>Total net cash at the beginning of the period</b>	<b>62.2</b>	<b>39.0</b>	<b>23.1</b>
Cash flow provided by/(used in) operating activities	0.6	4.0	-3.3
Cash flow (used in) investing activities	-3.6	-1.7	-1.8
Cash flow provided by/(used in) financing activities	-2.6	-2.6	0.0
<b>Cash Flow from the period</b>	<b>-5.5</b>	<b>-0.4</b>	<b>-5.2</b>
<b>Total net cash at the end of the period</b>	<b>56.7</b>	<b>38.7</b>	<b>18.0</b>

## Cash Flow

- **Cash Flow provided by operations** was slightly positive in the IQ 2017 but below compared to last year. Difference is mainly related to the change in other Payables and Receivables.
- **Cash flow used in investing activities** was €1.8m higher as a result of investing in sewing and knitwear machinery, and IT Projects
- **Cash flow used in financing activities** flat compared to the previous year and is mainly related to the payment on the Bond Coupon

# Cash Flow Items

## Rebound in Capex affected Free Cash Flow

(€m)	IQ 2017	IQ 2016	change
<b>Adjusted EBITDA</b>	<b>19.7</b>	<b>21.1</b>	<b>-1.4</b>
<i>Margin (%)</i>	<i>23.5%</i>	<i>24.4%</i>	
<b>Change in Operating Working Capital</b>	<b>-19.2</b>	<b>-20.0</b>	<b>0.7</b>
<b>Investments</b>	<b>-3.6</b>	<b>-1.7</b>	<b>-1.8</b>
<b>Operating Free Cash Flow</b>	<b>-3.1</b>	<b>-0.6</b>	<b>-2.5</b>
<i>% of Revenue</i>	<i>-3.7%</i>	<i>-0.6%</i>	

### Change in Operating Working Capital

Negative contribution from OWC to cash flow generation due to seasonality of business and slightly up on the previous year.

- Decreased contribution from Inventory due to lower Stock sales compared to the previous year.
- Positive contribution of Trade receivables caused by decrease in Domestic wholesale market
- Positive contribution from Trade Payables owing to growth of the business

### Operating Free Cash Flow

- Bottom line: Rebound in Capex and slight decrease in profitability, partially offset by OWC, reduced the FCF



# Net Debt and Leverage

## Cash used to finance growth

(€m)	31 Mar 2017	31 Dec 2016
Cash and Cash equivalents	56.6	62.2
Banks overdrafts	0.0	0.0
<b>Total net cash</b>	<b>56.6</b>	<b>62.2</b>
Banks loans - current portion	-1.9	-1.7
Banks loans - non current portion		
<b>Bank loans</b>	<b>-1.9</b>	<b>-1.7</b>
Notes	-150.0	-150.0
<b>Net financial indebtedness</b>	<b>-95.3</b>	<b>-89.6</b>
<b>Leverage</b> <i>(Net Debt / Adjusted LTM EBITDA)</i>	<b>2.3x</b>	<b>2.1x</b>
<b>Interest Coverage</b> <i>(Adjusted LTM EBITDA / LTM Net Financial Charges)</i>	<b>4.0x</b>	<b>4.4x</b>

- **Liquidity:**
  - Total net cash available of €56.6m on balance sheet as of March 31, 2017 compare to €62.2m at the end of FY 2016
  - Available €10.0m Super Senior Revolving Credit Facility undrawn
- **Leverage Ratio:** 2.3x in IQ 2017 compared to 2.1x in FY 2016
- **Interest Cover Ratio:** 4.0x compare to 4.4x FY 2016

Note:

1. Bank loans-current portion include accrued interest relating to Notes, other banks loans and fair value of derivatives financial instruments
2. Net financial indebtedness is calculated as total net financial debt excluding amounts due under the Shareholders' Loan. The criteria for determining net financial indebtedness applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those determined by such other groups. See "*Presentation of financial information—Non-GAAP financial measures*". Net financial indebtedness does not include indebtedness related to the Subordinated Shareholder Loan, equal to €80.5m as of December 31, 2016

## Section 5

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## Q&A



## Section 6

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## Appendix



# Balance Sheet

(€m)	31 Mar 2017	31 Dec 2016
Intangible and Tangible Assets	238.6	240.3
Financial Assets	1.3	1.3
<b>Total Fixed Assets</b>	<b>239.9</b>	<b>241.6</b>
Inventory	34.9	53.1
Account Receivables	62.1	35.7
Account Payables	-37.7	-48.7
<b>Operating Working Capital</b>	<b>59.3</b>	<b>40.1</b>
Other Current Assets/(Liabilities)	3.7	8.2
<b>Net Working Capital</b>	<b>62.9</b>	<b>48.3</b>
Provisions	-13.8	-13.5
<b>Net Invested Capital</b>	<b>289.0</b>	<b>276.3</b>
Equity	111.9	106.2
Shareholder Loan	81.9	80.5
Net Financial Position	95.3	89.6
<b>Net Sources</b>	<b>289.0</b>	<b>276.3</b>

# TWINSET Distribution Network

## BOUTIQUES<sup>1</sup>

### ITALY

Bari  
Bologna (3)  
Bolzano  
Catania  
Firenze  
Forte dei Marmi (2)  
Genova  
Lucca  
Milano (3)  
Milano Marittima  
Modena  
Napoli (2)  
Padova  
Palermo  
Ravenna  
Reggio Emilia  
Riccione  
Roma (4)  
Salerno  
Seregno  
Siena  
Taormina  
Torino  
Udine  
Verona

### WORLDWIDE

#### BELGIUM

Antwerpen  
Bruxelles  
Ghent  
Knokke

#### FRANCE

Lafayette Galeries  
Lyon  
Paris (2)  
Cannes

#### GERMANY

Berlin  
Düsseldorf  
Frankfurt  
Munich

#### RUSSIA

Moscow (4)

#### SPAIN

Barcelona  
Bilbao  
Madrid  
Palma de Mallorca  
Puerto Banús Marbella  
Valencia

## FRANCHISING<sup>1</sup>

### WORLDWIDE

#### ALBANIA

Tirana

#### BELARUS

Minsk

#### BULGARIA

Sofia (2)

#### CANADA

Montreal

#### CZECH REPUBLIC

Prague

#### CROATIA

Split  
Zagabria

#### HUNGARY

Budapest

#### JAPAN

Hiroshima  
Osaka  
Tokyo

#### KAZAKISTAN

Almaty

#### KUWAIT

Kuwait City

#### LATVIA

Riga (2)

#### LEBANON

Beirut (2)

#### LITHUANIA

Kaunas  
Vilnius

#### MOLDOVA

Chişinău

#### MONTENEGRO

Podgorica

#### POLAND

Katowice  
Warsaw

#### QATAR

Doha

#### RUSSIA

Kaliningrad  
Krasnodar  
Nizhny Novgorod  
Novosibirsk  
Saratov  
Rostov

#### SAUDI ARABIA

Jedda  
Riyadh

#### SLOVAKIA

Bratislava

#### SLOVENIA

Ljubljana (2)

#### TURKEY

Antalya

#### UAE

Dubai (3)

#### UKRAINE

Kiev (3)

## OUTLETS<sup>1</sup>

### ITALY

Agira  
Agira Girl  
Barberino  
Boretto  
Brescia  
Brugnato  
Castel Romano  
Factory Outlet  
Fiano Romano  
Marcianise  
Milano Scalo (2)  
Muggia  
Noventa  
Serravalle  
Valmontone  
Vicolungo

### WORLDWIDE

BELGIUM – Maasmechelen  
RUSSIA - Belaya Dacha  
RUSSIA - Vnukovo  
SPAIN - La Roca

Note:

1. (\*) Number of stores in the City

**Contact:**

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