PRADA spa

PRESS RELEASE

PRADA SPA APPROVES GROUP RESULTS AS OF 31 DECEMBER 2020

MARKED IMPROVEMENT IN RETAIL SALES IN H2 IN ALL GEOGRAPHICAL AREAS

STRONG CASHFLOW AND POSITIVE OPERATING MARGIN

Milan, 10 March 2021 - The Prada S.p.A. Board of Directors today reviewed and approved the Consolidated Financial Results for the Full Year ended 31 December 2020.

Key highlights

- Progressive improvement in Retail sales trend thanks to growth in local consumption in the second half of the year in all geographical areas
- December Retail trend above 2019 level, despite a second wave of lockdown particularly in Europe
- Sharp acceleration in online sales up by more than 200% in FY2020
- Wholesale rationalisation process continued, now at 11% of revenues
- EBIT highly positive in H2, delivering Euro 20 million for the year
- Effective supply chain management avoided excess inventory
- Strong cash flow generation in H2
- Significant improvement in Net Financial Position

Key numbers

- **Total Net Revenues** at Euro 2,423 million, down 24% at constant FX (-8% in H2)
- **Retail sales** down 18% at constant FX (-6% in H2)
- **Wholesale sales** down 49% at constant FX (-20% in H2)
- **EBIT** at Euro 20 million (Euro 216 million in H2)
- **Net loss** at Euro -54 million (Net Profit at Euro 126 million in H2)
- **Operating cash** flow at Euro 262 million (Euro 289 million in H2)
- **Capex** at Euro 122 million
- **Net working capital** at Euro 667 million, down 5% YoY
- **Net Financial Position** at Euro -311 million improving from Euro -406 million in December 2019

Good execution in a challenging environment

The pandemic had the greatest effect on the Group's business in the first half of the year, although sales picked up gradually since May everywhere, to the point of full retail recovery in October and December compared with the same months of 2019.

The Prada Group's response to the crisis was immediate, decisive and far-reaching. Each business function reviewed its activities and adapted to prioritise employee safety and customer centrality.

Prada's business model, which is deeply rooted in Italy and includes direct control over production processes, ensured the production shutdown was limited to just five weeks, delivering supply continuity to the stores and preventing excess inventory.

The retail staff kept contacts with customers alive through digital means during the various periods of store closures, while other functions ensured operational continuity in a context of severe cost containment.

The pandemic accelerated the digital evolution reinforcing the Prada Group's ominchannel strategy. Sales from the e-commerce channel tripled from 2019 levels and the Group's brand relevance in the digital world increased.

The investment programme was revised during the year prioritising essential strategic projects. Some marketing initiatives were cancelled or postponed too, without compromising the visibility of the brands, and discretionary expenses were trimmed. At the same time, at the reopening of the stores in the various countries, an important programme of pop-ups and special installations was implemented, supported by a dedicated communication strategy.

All of these initiatives led to a full recovery in the second half to pre-pandemic profitability levels, allowing the Group to close the year with an operating profit in positive territory and a significant improvement in the net financial position compared with the beginning of the year.

The long-term development and value enhancement plans of the Group, led to the strengthening of the organisation with the appointment of Raf Simons as Prada's new Co-Creative Director and the addition of new important senior positions in the Industrial, Marketing and Communication areas.

The Group's sponsorship of Luna Rossa and the Prada Cup continued to successfully support the Prada brand and its communications strategy. Luna Rossa reached the final of the competition for the second time in the history of the America's Cup and went on to win the Prada Cup in February defeating the Ineos English team, securing extensive global media visibility.

Sales trend at constant exchange rates

<u>Retail</u>

The store network was significantly affected by lockdowns around the world during 2020 with around 18% of the store network closed on average during the year (27% in H1 and 9% in H2).

Retail Sales which amounted to Euro 2,115 million at December 31st 2020, were down by 32% in H1 and reduced to just 6% in the second half of the year, means -18% over the year.

Sales in **Europe** stood at Euro 561 million, down by 35% compared to 2019, heavily impacted by the absence of tourists and by prolonged lockdowns, with around 30% of the stores closed during the year. Strong local consumption was seen in every country, including +46% sales growth in Russia.

Asia Pacific sales at Euro 914 million, up 1% compared to 2019, with a strong recovery in the second half of the year (+19%), largely driven by Mainland China (+52%), Taiwan (+61%) and Korea (+22%).

Americas sales stood at Euro 291 million, -17% compared to 2019, with robust recovery in the second half of the year (+4%), including an outstanding performance in Brazil, which grew throughout the year.

Japan revenues at Euro 272 million, -28% compared to 2019, heavily impacted by lack of tourists and prolonged store closures in Hawaii, Guam and Saipan; local consumption improved in the second part of year.

Middle East sales stood at Euro 78 million, -12% compared to 2019 with a sharp improvement in the second half (+26%).

The aforementioned improvement were also fuelled by **E-commerce,** which saw a strong acceleration throughout the year, achieving a level of sales that more than tripled those of 2019, supported by a powerful global logistic platform and an increasingly immersive online customer experience.

<u>Wholesale</u>

The **Wholesale** channel saw sales at Euro 275 million, -49% compared to 2019, following the strategic decision to downsize the Group's exposure, continued along the year (-20% in H2).

Dividends

The Board of Directors - taking into account the withdrawn distribution of the dividends of the previous year and the positive trend in sales, confirmed also in the first months of 2021 as well as the well-balanced Net Financial Position - proposed to the Shareholders' Meeting the distribution of a dividend limited to Euro 3.5 cents per share, for a total of Euro 90 million, drawing from the distributable reserves of Prada S.p.A. which amount to Euro 1.6 billion.

Patrizio Bertelli, Chief Executive Officer of the Prada Group, commented: *"In this disruptive year we have managed to achieve the goals we set ourselves, thanks to the commitment and high sense of responsibility of our people. We quickly responded to market changes, strengthening the relationship with local customers whose consumption in the second half of the year almost fully offset the absence of tourists. We successfully reached a good level of profitability and generated significant cash flow, improving our financial position. These results give us confidence to face the upcoming rebound, as soon as the most critical phase of the pandemic will end."*

For further information:

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Prada Group

Pioneer of a dialogue with contemporary society across diverse cultural spheres and an influential leader in luxury fashion, Prada Group founds its identity on essential values such creative independence, transformation and sustainable development, offering its brands a shared vision to interpret and express their spirit. The Group owns some of the world's most prestigious luxury brands, Prada and Miu Miu, as well as Church's, Car Shoe and the historic Pasticceria Marchesi, and works constantly to enhance their value by increasing their visibility and appeal. The Group designs, manufactures and distributes ready-to-wear collections, leather goods and footwear in more than 70 countries through a network of 633 stores as well as e-commerce channels, selected e-tailers and department stores around the world. The Group, which also operates in the eyewear and fragrances sector through licensing agreements, has 23 owned factories and approximately thirteen thousand employees.