



**THE BOARD OF DIRECTORS OF SAFILO GROUP S.P.A. APPROVES
THE GROUP BUSINESS PLAN 2020-2024**

The Group aims to deliver sales growth and margin expansion through a modern customer-centric and consumer-oriented business model, powered by a new digital transformation strategy

Padua, December 10, 2019 – The Board of Directors of Safilo Group S.p.A. has today approved the new Group Business Plan 2020-2024.

The new Plan incorporates the effects of the Group's most recent business developments, and in particular:

- the sale of the Solstice retail business, which took place on July 1st, 2019;
- the extension of the brand Marc Jacobs until December 31st, 2026; the exit of the brand Dior from January 1st, 2021; the exit of the brand Fendi from July 1st, 2021;
- the renewal of the Tommy Hilfiger, Hugo Boss and Kate Spade licenses;
- the renewal of the supply agreement with Kering Eyewear;
- the launch of the new licenses signed during 2019, namely Missoni and M Missoni, Levi's, David Beckham, and Under Armour, an iconic sports brand just recently signed;
- the acquisition of Blenders Eyewear, a fast-growing California digitally-native brand, which will enrich the Group's proprietary brand portfolio and direct-to-consumer business.

The strategic objectives and levers of the Group's new Business Plan are:

- to develop a modern and successful Customer-centric and Consumer-oriented business model, powered by a new 360° digital transformation strategy;
- to deliver Sales Growth, by placing customers and consumers at the heart of the strategy, and accelerating initiatives to digitally transform the Company's business model. Over the coming 5 years, starting from 2020 in Europe, Safilo intends to strengthen and enlarge its client base by pursuing a customer-centric strategy, redesigning its Customer Experience, Engagement and Customer Care activities through the adoption of the latest technologies in the B2B, CRM (Customer Relationship Management) and salesforce automation fields;

The Group will continue developing a multi-segment and multi-channel portfolio strategy by also accelerating projects to build an ever-closer connection with the end consumers. Safilo is pursuing this strategic choice through a more decisive digital shift of its mix of capabilities and investments, from digital and social marketing to Direct-to-Consumer distribution, a channel in significant growth in which Safilo wants to accelerate both through strategic commercial partnerships and through the acquisition of new important capabilities, as the acquisition of Blenders Eyewear testifies. This brand has in fact built an advanced direct-to-consumer e-commerce platform with unique digital and social media skills, successfully engaging and selling to Millennials and Generation Z consumers;

- to deliver Margin Expansion, through an efficient cost structure, which responds to the requirement to realign the Group's current industrial capacity to the future production needs and to achieve further costs of goods sold and overheads efficiencies, guaranteeing the Group's economic and financial solidity and the pursuit, during the Plan's timeline, of a recovery of the levels of profitability to which Safilo aspires.

Press release

The exit of the LVMH luxury licenses makes it necessary for Safilo to initiate an industrial reorganization and restructuring plan, promptly responding to the new production scenario that the Company will be facing, by realigning its manufacturing footprint.

The plan, which is drawn up to safeguard the Group's competitiveness in favour of the workers who will remain in force, identified a total of approximately 700 redundancies in 2020 in Italy.

Safilo has opened a negotiation table with the trade unions and the workers' representatives in order to identify all the available social security tools to manage the impact on the people involved in the best possible way.

Angelo Trocchia, Chief Executive Officer, commented: *“We are today updating and extending our Group Business Plan, confirming the strategic objective to deliver business growth, leveraging the significant progress achieved in the last 18 months thanks to a tight action plan to recover top line growth and operating margins.*

There are clear challenges and opportunities posed by the evolutions of the market context, from the internalization of luxury eyewear by the two key industry players, to the ongoing industry consolidation and digitalization. Today, at Safilo, we are facing them all, with a pragmatic approach, updating and upgrading our business model with clear, new and necessary choices.

We will continue preserving and enhancing our undisputed leadership in design, product development and innovation, our global commercial footprint and our strong know-how in brand management to continue pursuing a high-potential multi-segment brand portfolio strategy. At the same time, we are now upgrading our business model through a more decisive shift towards a digital transformation strategy, which will support and enable significant improvements of our customer-centric activities through the adoption of innovative, state of the art digital contents and services, as well as allow a more significant growth of our Direct-to-Consumer e-commerce activities through an increasing mix of internal and external capabilities and investments.

Today, we also need to reorganize our manufacturing footprint by realigning its current capacity to our future production needs, thus safeguarding the Group's competitiveness and financial solidity for the long term. Despite the call for the emergence of alternative solutions, the new industrial plan ultimately impacts a significant number of people, for whom we will activate all the best possible and most responsible solutions, working closely with trade unions and workers' representatives.

With our economic and financial targets, we aim for Safilo to become a modern leader of the eyewear industry, a more balanced and profitable player across its markets, brands and product segments.”

PLAN ESTIMATES

OUTLOOK FOR THE CURRENT YEAR:

Safilo expects to close the 2019 fiscal year with the net sales of the Continuing Operations substantially stable compared to 2018, while the wholesale¹ business is estimated to grow by approximately 3% at constant exchange rates, reflecting the positive performance achieved by the Group's own core brands, Carrera, Polaroid and Smith, in their key markets.

2019 adjusted² EBITDA margin of the Continuing Operations is expected to be around 5.5% of sales, confirming the significant progress made throughout the year, on an organic basis, thanks to the improvements recorded at the gross margin level and the strong recovery of overhead costs.

2020 REVISED TARGETS:

For 2020, the Group now forecasts net revenues of Euro 960 to 1,000 million, versus the Euro 1,000 to 1,020 million target provided on August 2, 2018, and an adjusted² EBITDA margin (before the impact of IFRS 16) at around 6% of sales compared to the previous objective of an 8% to 10%.

It should be noted that this variance follows the confirmed exit of the Dior license after 2020, as communicated by the Company on July 1, 2019, and the new plan thus reflects the expected decline of the Dior business in its last year of license in Safilo, a period of phase-out which will negatively impact the brand's overall profitability.

GROUP BUSINESS PLAN 2020 -2024 ECONOMIC AND FINANCIAL TARGETS:

- **Net Sales are expected to be around Euro 1 billion in 2024, with a 5-year CAGR of around 1-2%.**
More specifically, Safilo expects:
 - a wholesale¹ revenues CAGR, including all the new licenses signed during 2019, of around 4%, able to offset a significant part of the business decline, mainly expected in 2021 for around Euro 200 million, due to the exit of the LVMH luxury licenses.

The Group expects to achieve this goal through a mid-single digit growth in North America and low-single-digit upside in its main European markets. A higher contribution is then expected from the main emerging markets, in which some of the new brands in the license portfolio will play a significant role.
Safilo foresees its core own brands, Carrera, Polaroid and Smith, to grow faster than Group average, further building on the positive achievements of the most recent execution plans in terms of product, distribution and communication strategies.
The development of optical frames is confirmed as a strategic lever to support the growth plans of the Group's main brands, including all its core licenses for which Safilo also expects to foster product development projects which place an increasing focus on sustainability.
 - an additional top line growth to be achieved through the acquisition of the brand Blenders Eyewear, for which Safilo targets a double-digit sales CAGR over the Plan period. This acquisition, together with the foreseen development of Smith, Carrera and Polaroid's D2C platforms, is expected to boost the share of the Group's business made through the Direct-to-Consumer e-commerce channel, to represent around 15% of total net sales by 2024, and the share of own brands to reach approximately 50% of the Group's wholesale¹ business.
The plan does not include any impact of additional acquisitions or new licenses not yet signed.

This press release may use 'alternative performance indicators' not foreseen by the IFRS-EU accounting standards (EBITDA, Net debt, Net capital employed and Free Cash Flow), and whose meaning and contents are illustrated in the specific section of the press release and in accordance with the CESR/05-178b recommendation published on 3rd November 2005.

- **Adjusted² EBITDA margin is expected to reach 9% to 11% of net sales in 2024.** Safilo expects:
 - significant progress to be made by its wholesale¹ business, leveraging positive top line growth dynamics coupled with the implementation of a further cost productivity plan to allow additional savings for around 45 million Euro;
 - an additional positive contribution to be achieved through the acquisition of the brand Blenders Eyewear;
- **a positive net cash position by the end of the Plan period.** Safilo expects:
 - extraordinary restructuring costs of around Euro 50 million, globally;
 - the incidence of CapEx investments on sales to decrease from ~3% to ~2% at the end of the Plan, a period in which the mix of capital expenditure, for an expected cumulated amount of around Euro 120 million, will also change in favour of the projects to digitally innovate the Group business model.

It is to be highlighted that the Plan targets listed above are expressed at constant 2019 exchange rates, and for 2020 exclude the impacts deriving from the application of IFRS 16 (to ensure comparability with the previously provided guidance) and for 2024 include the impacts deriving from the application of IFRS 16. The application of IFRS 16 increases the Group's EBITDA margin by approximately +1% compared to the reporting pre-IFRS 16.

Notes to the press release

¹ The wholesale business excludes the business of the supply agreement with Kering, reported within the geographical area of Europe.

² Adjusted EBITDA excludes non-recurring and restructuring costs.

Conference Call and Webcast

The Group Business Plan 2020-2024 will be discussed tomorrow, December 11, 2019, starting at 8.30am CET (7.30am GMT and 2.30am US EST) during a presentation to the financial community in Milan.

It is possible to follow the presentation live via conference call and audio webcast:

- Dial in numbers for analysts and investors: +39 02 802 09 11, +33 170 91 8704, +44 1212 818 004 and +1 718 7058 796. For journalists +39 02 802 09 27
- Webcast at <http://87399.choruscall.eu/links/SafiloGroupBusinessPlan.html>

A recording of the conference call will be available from December 11 until December 13, 2019 on +39 02 72495, +44 1 212 818 005 or +1 718 705 8797 – passcode: 744#.

The presentation will be available and downloadable from the Company's website.

About Safilo Group

Safilo Group is a worldwide leader in the design, manufacturing and distribution of sunglasses, optical frames, sports eyewear and related products. Thanks to strong craftsmanship expertise dating back to 1878, Safilo translates its design projects into high-quality products created according to the Italian tradition. With an extensive wholly owned network of subsidiaries in 40 countries – in North and Latin America, Europe, Middle East and Africa, and Asia Pacific and China – and more than 50 distribution partners in key markets, Safilo is committed to quality distribution of its products in nearly 100,000 selected points of sale all over the world. Safilo's portfolio encompasses: own core brands Carrera, Polaroid, Smith, Safilo, and licensed brands: Dior, Dior Homme, Fendi, Banana Republic, BOSS, Elie Saab, Fossil, Givenchy, havaianas, HUGO, Jimmy Choo, Juicy Couture, kate spade new york, Liz Claiborne, Love Moschino, Marc Jacobs, Max Mara, Max&Co., Moschino, Pierre Cardin, rag&bone, Rebecca Minkoff, Saks Fifth Avenue, Swatch, and Tommy Hilfiger.

Listed on the Italian Stock Exchange (ISIN code IT0004604762, Bloomberg SFL.IM, Reuters SFLG.MI), in 2018 Safilo recorded net revenues for Euro 962.9 million.

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