



**SAFILO GROUP S.P.A. ANNOUNCES THE 2020 STRATEGIC PLAN  
APPROVED BY THE BOARD OF DIRECTORS**

**BY 2020, SALES +40% AND EBITDA DOUBLING vs 2014**

**Padua, March 16, 2015** - Safilo Group S.p.A, the fully integrated Italian eyewear creator and worldwide distributor of quality and trust, listed on the Milan Stock Exchange, announces that the Group's 2020 Strategic Plan has been approved by the Board of Directors.

**Key 2020 Economic and Financial targets<sup>1</sup>**

- Net sales growth of 6% year on year, reaching Euro 1.6-1.7 billion in 2020
- EBITDA growth of 2x sales, doubling 2014 EBITDA by 2020
- Strong Cash Flow generation over the period

Luisa Delgado, Safilo Chief Executive Officer, commented:

*“Safilo is a strong business, enjoys a great craftsmanship heritage dating back to 1878, has worldwide brands and positions in an industry offering significant growth potential and is supported by a healthy balance sheet able to fund investment in its future.*

*Our people are highly committed, embodying and promoting a strong Safilo culture of historical leading-edge resilience and agility which is a real asset to the Group.*

*The 2020 Strategic Plan will allow us to realize our potential. We are already growing our top line, but we can grow it faster by enhanced focus on our brand and commercial strategies.*

*There are significant internal structural re-designs that we are undertaking to boost supply chain, technology, go-to-market and cost efficiencies to drive a positive step-change in profitability.*

*Safilo's market offers the Group excellent opportunity for sustainable, profitable growth.*

*The Board and the new senior management team have developed the 2020 Strategic Plan to position and drive Safilo to take advantage of this opportunity to the benefit of the Group, its customers and employees and to materially enhance profitability and shareholder value.”*

## 2020 Plan: Strategy for sustainable growth

### BACKGROUND

The world eyewear market is an attractive industry, in which Safilo is well positioned as the second largest operator, with distribution in 130 countries, manufacturing approximately 35 million frames every year and achieving revenues in 2014 of just under Euro 1.2 billion.

Since her appointment as CEO in October 2013 Luisa Delgado, together with the Board, has looked to further develop the Group's commercial strategy, geographic footprint, license portfolio and design and manufacturing capabilities to deliver sustained growth and accelerated profitability in the mid and long term.

The actions taken during 2014 laid the foundation of the new strategic plan and included 1) a new Go-to-Market Strategy based on seven regions and five global channels, 2) a new Brand Building organization 3) a new Product Creation organization to enable Design and Engineering, powered by Innovation, to work seamlessly for breakthrough improvements and, 4) a new Product Design organization setting a global network of Design Studios to maximize creative inspiration from trend setting cities in the world.

The senior management team has also been materially strengthened, with a significant and diverse number of new leaders, with new skills and experience, brought in to complement and build on the deep industry experience and knowledge of new appointments made from within the Group.

### KEY CORPORATE STRATEGIES

Safilo has identified four key corporate strategies to strengthen and enhance the Company's business model. These are:

1. **Balance** across consumer market segments, between proprietary and licensed brands, within licensed brands and across geographies and channels to underpin sustainable growth;
2. **Focus** on best in class brand building, creative design and commercial capabilities, to build long-term competitive advantage;
3. **Simplification** of product creation, supply chain and logistics, and overhead structure, through IT global work processes modernization, integration and standardization, to save costs and improve control;
4. **Differentiation** through a market segment based business model, sales and customer service and talent development to boost performance.

### BRAND STRATEGY

Safilo's brand strategy is centered on its new Brand Building organization and focused on the development of deep expertise in different areas of marketing, with digital at their centre, to enable the brands to meet their communication and business objectives. The key objectives are to:

- 1) Achieve the appropriate balance between the five identified consumer market segments (Atelier, Fashion Luxury, Contemporary Fashion & Lifestyle, Mass/Cool, Sport & Outdoor) in the eyewear branded sector, in order to develop an increasingly relevant brand portfolio in all business areas and in particular in segments with high future attractiveness.
- 2) Achieve a more sustainable balance between proprietary and licensed brands, by increasing the share of proprietary brands to approximately 40% of total business (from 25% in 2014). This includes doubling proprietary brand sales by 2020 based on strong brand platforms and clear consumer targets for each of Safilo's core proprietary brands; these were developed in 2014 and Safilo is already seeing solid results from this action.

- 3) Continue to focus on growing Safilo's licensed brands portfolio to its full potential, enhancing and leveraging each brand's unique equity and positioning, while broadening its balance between brands.

#### GO TO MARKET STRATEGY

Safilo's new Global Commercial Strategy focuses on improving the quality of the Group's distribution and sales, implementing an integrated set of trade terms and joint business planning with customers across a variety of channels.

Safilo anticipates Developed Countries achieving year on year mid-single digit sales growth, driven by new business opportunities in Safilo's historically underdeveloped markets such as Germany, UK, and the Nordic countries, and stronger channel and customer differentiation strategies in traditional stronghold markets such as North America, Italy and Iberia.

Emerging markets are expected to deliver year on year double-digit sales growth, driven by the establishment in 2014 of new dedicated sales regions in China, Asia-Pacific, Latin America and the Middle-East. Safilo's progress in these markets is based on the opportunity to better diversify the brand portfolio in the different regions, while enlarging the distribution footprint in market white spaces.

#### SUPPLY CHAIN STRATEGY

Safilo will design and introduce an agile, synchronized and differentiated end-to-end Supply Network that responds to the differentiated needs of all its brand segments, allowing for better procurement, capacity utilization, delivery performance and order fulfilment and inventory management, leading to improved overall business efficiencies and greater operational control.

The core strategic actions on which the new management team is working in order to action business improvements are: 1) the increase of Made in Safilo volumes and restoring the in-house management of key processes, technologies and relevant capabilities 2) the redesign of manufacturing flows, technology upgrades and distribution across the network to reduce work in progress and implement end-to-end product lines, which is expected to result in lead time reductions, timeliness of response, better quality and, 3) the streamlining and redesign of its global distribution network to improve agility and operational efficiency.

#### I.T. STRATEGY – "EYE-WAY"

All the above interventions will be enabled and underpinned by the implementation of the latest and most advanced I.T. systems. This project, entitled "Eye-Way", is expected to produce significant modernization, simplification and standardization of work processes, which are currently largely fragmented and therefore do not allow Safilo to enjoy the full benefits of leveraging its scale.

## KEY ECONOMIC AND FINANCIAL TARGETS <sup>1</sup>

The Group's overall financial objectives are to grow Net Sales by +6% CAGR reaching total level net sales of roughly +40% versus 2014, to grow EBITDA at 2x the rate of sales growth and doubling 2014 EBITDA by 2020, and to generate a cumulative Euro 350-400 million free cash flow over the 6-year period.

In accomplishing its 2020 Strategic Plan, Safilo envisages two different development phases:

- The period 2015-2017 is expected to see organic top line acceleration on proprietary brands in particular, supported by investments in strategic marketing and commercial projects as well as in the improvement of the supply chain and logistics footprint. In 2017, the conversion of the current Gucci license business into a four year Strategic Product Partnership Agreement (SPPA), signed with Kering in January 2015, will take place; continuing organic growth of proprietary and licensed brands, coupled with the revenue and profit streams provided by the strategic product partnership and supply agreement and its contractual compensation, are expected to help mitigate related top line and EBITDA impacts.
  - 2018-2020 is expected to be a phase of sustainable sales and margin growth and the increasing ability of the group to effectively drive scale across its operations.
- **Sales growth:** Total revenues are anticipated to grow at an average compounded rate of 6%, reaching Euro 1.6-1.7 billion in 2020, driven by the expected growth of the eyewear market, more pronounced in emerging markets, together with the opportunity for the Group to increase its market share through doors expansion, higher productivity and cross selling opportunities as well as developing geographic and channel white spaces.
  - **EBITDA expansion:** EBITDA margin is expected to increase to approximately 14% or ~+400 basis points compared to 2014, driven by gross margin improvement, a higher share of proprietary brands and higher overhead productivity.
  - **Cash generation:** 2015-2020 cumulative Free Cash Flow should equal approximately Euro 350-400 million, reflecting the positive cash flows from operating activity as a function of the improving financial results and the Group's effort to continuously optimize working capital going forward.

## INVESTMENTS

The Group has a strong balance sheet and cash flows and will finance the investment required under the strategic review from its own resources.

The cumulative capital investments required under the strategic plan are expected to total approximately Euro 260-280 million, mainly dedicated to the projects of modernization and efficiency of the product supply and logistics network and the global work process and IT integration. By 2020, the Group expects to reach a Net cash/ EBITDA leverage of approximately 1x.

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The presentation of the Plan, to be held today during an Investor Day in Padua, will be audio webcasted live on the following link [edge.media-server.com/m/go/safilo\\_2020\\_strategic\\_plan](http://edge.media-server.com/m/go/safilo_2020_strategic_plan), available also from the Company website ([www.safilo.com](http://www.safilo.com)), starting from 9.00am CET.

The slides of the presentation will also be available on the same website before the beginning of the event.

<sup>1</sup> NOTE: The economic and financial targets summarized above have been prepared excluding possible upside projects, such as new licensing agreements and/or acquisitions.

Disclaimer

This document contains forward-looking statements, relating to future events and operating, economic and financial results for Safilo Group. Such forecasts, due to their nature, imply a component of risk and uncertainty due to the fact that they depend on the occurrence of certain future events and developments. The actual results may therefore vary even significantly to those announced in relation to a multitude of factors

**About Safilo Group**

Safilo Group is the fully integrated Italian eyewear creator and worldwide distributor of quality and trust, leader in the premium sector for sunglasses, optical frames and sports eyewear. Design inspired and brand driven, Safilo translates extraordinary design into excellent products created thanks to a superior craftsmanship expertise dating back to 1878. Internationally present through 31 owned subsidiaries and exclusive distributors in key markets – in North and Latin America, Europe, Middle East and Africa, and Asia Pacific and China –, Safilo is committed to quality distribution in over 130 countries around the world. Safilo's portfolio encompasses proprietary brands – Carrera, Polaroid, Smith, Safilo and Oxydo – and licensed brands Dior, Fendi, Gucci, Alexander McQueen, Banana Republic, Bobbi Brown, BOSS, BOSS Orange, Bottega Veneta, Céline, Fossil, Givenchy, HUGO, J.Lo by Jennifer Lopez, Jack Spade, Jimmy Choo, Juicy Couture, Kate Spade, Liz Claiborne, Marc Jacobs, Marc by Marc Jacobs, Max Mara, Max&Co., Pierre Cardin, Saint Laurent, Saks Fifth Avenue and Tommy Hilfiger.

Listed on the Italian Stock Exchange (ISIN code IT0004604762, Bloomberg SFL.IM, Reuters SFLG.MI), in 2014 Safilo recorded net revenues for Euro 1,178 billion.

*Contacts:*

***Safilo Group Investor Relations***

Barbara Ferrante

Ph. +39 049 6985766

[www.safilo.com/en/investors.html](http://www.safilo.com/en/investors.html)

***Safilo Group Press Office***

Milano – Ph. +39 02 77807607

Padua – Ph. +39 049 6986021

***Weber Shandwick / Advisory***

Annamaria Ferrari

Ph. +39 02 00641102

[aferrari@advisorywebershandwick.it](mailto:aferrari@advisorywebershandwick.it)

Lisa Nanu

Ph. + 39 02 00641103

[lnanu@advisorywebershandwick.it](mailto:lnanu@advisorywebershandwick.it)