FLASH REPORT

Salvatore Ferragamo (BIT: SFER) 1H16 RESULTS: REVENUE MISS AND CEO REPLACEMENT

- **Salvatore Ferragamo posted 1H16 revenues of €710 million, a decrease of 1.7% year over year and below the consensus estimate of €712 million. On a constant-currency basis, revenues decreased by 3.1%.**
- **2Q16 revenues declined by 1.5% year over year and by 4.0% at constant exchange rates, to €389 million.**
- **1H16 operating profit remained flat year over year, at €136 million, versus the consensus estimate of €137 million. The company did not report earnings per share.**
- **The company reported that CEO Michele Norsa will resign and will be replaced by Eraldo Poletto, former CEO of Furla, effective August 3, 2016.**

Figure 1. Salvatore Ferragamo Key Metrics

	1H16	1H15	YoY Change
Revenues (EUR Mil.)	€710	€722	(1.7)%
Gross Margin	67.0%	65.8%	120 bps
SG&A Ratio	47.9%	47.0%	90 bps
Operating Margin	19.1%	18.8%	30 bps
Adjusted EPS (EUR)	N/A	N/A	N/A

Source: Company reports/Fung Global Retail & Technology

1H16 RESULTS

Milan-listed luxury leather goods brand Salvatore Ferragamo reported that 1H16 revenues decreased by 1.7%, and by 3.1% in constant currency, to €710 million, versus the consensus estimate of €712 million.

The gross profit margin expanded by 120 basis points year over year in 1H16, to 67%, supporting operating margin expansion of 30 basis points, to 19.1%.

The company did not report earnings per share.

REVENUE PERFORMANCE BY GEOGRAPHICAL AREA

- Asia-Pacific revenues decreased by 3.8% and by 4.4% at constant exchange rates, mainly due to declines in Hong Kong.
- Europe revenues decreased by 3.3% and by 3.1% on a constant-currency basis, hit by lower tourist flows due to terrorism.
- North America revenues increased by 1.8%, but decreased by 2.6% at constant exchange rates. Although the strong US dollar negatively impacted tourist flows, retail business revenues increased by 6%. Wholesale business revenues decreased by 4% due to a challenging 1H15 comparison of 24%.
- Japan revenues increased by 1.7%, but declined by 5.2% at constant exchange rates, following lower Chinese tourist flows due to the yen's appreciation versus the renminbi.

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- Central and South America revenues increased by 0.8% and jumped 12.0% at constant exchange rates.

REVENUE PERFORMANCE BY SEGMENT

- Retail revenues declined by 1.9% and by 3.1% at constant exchange rates.
- Wholesale revenues declined by 1.4% and by 3.0% at constant exchange rates.

GUIDANCE

The company offered no guidance. For FY16, analysts expect revenues to increase slightly, by 1.0%, to €1.44 billion. They expect operating profit to increase by 3.9%, to €275 million, and EPS to grow by 7.8%, to €1.10.

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