

PRESS RELEASE – Q1 2023 SALES

• **GEOX CONTINUES TO GROW IN 2023:**

- **SALES OF EURO 223.7 MILLION IN THE FIRST QUARTER (+21.3% AT CURRENT FOREX) THANKS TO STRONG SS23 ORDER INTAKE AND AN EASY COMPARISON BASE**
- **COMPARABLE SALES GENERATED BY DIRECTLY-OPERATED STORES (PHYSICAL AND ONLINE) IN THE FIRST QUARTER UP 3.5% COMPARED TO 2022 (+1.4% VS 2019), +4.3% TO DATE (+3.8% VS 2019)**
- **WORKING CAPITAL OF EURO 142 MILLION (104.1 AT THE END OF MARCH 2022), ACCOUNTING FOR 18.3% OF REVENUES (16.1% AT THE END OF MARCH 2022)**
- **NET FINANCIAL POSITION (PRE-IFRS 16) EQUAL TO EURO -97.8 MILLION (-58.0 AT THE END OF MARCH 2022) DUE TO THE SEASONAL NATURE OF WORKING CAPITAL TO SUPPORT GROWTH**

- **THE INTERNATIONAL GEO-POLITICAL SITUATION AND CURRENT INFLATION CONTINUE TO GENERATE UNCERTAINTIES ABOUT A POSSIBLE RECESSION, HOWEVER REDUCED DISCOUNTS AND IMPROVED SUPPLY CHAIN RELIABILITY IN TERMS OF COSTS AND DELIVERY TIMES CONFIRM THE EXPECTED INCREASE IN MARGINS**

**Biadene di Montebelluna, May 11 2023** – Today Geox S.p.A., a leading brand in classic and casual footwear listed on the Euronext Milan (GEO.MI) market managed by Borsa Italiana, reviewed the sales figures and net financial position for the first quarter of 2023.

The Company commented: “Sales in the first quarter of 2023 showed significant growth, equally due to strong order intake for the Spring/Summer collection by multi-brand customers and renewed reliability of the transport and supply chain, resulting in excellent service levels for the market with a significant advance in deliveries and reduced cancellations compared to the first quarter of the previous year.

Comparable sales of our direct physical stores recorded close to double-digit growth, offsetting the closure of other non-strategic stores and the initial weakness in online sales.

The multi-brand channel reported prudent results in April, with some weakness in reorders compared to the previous year, while comparable sales of physical stores remained positive and online sales continued to recover. All of these factors, combined with the reabsorption of the temporary impact of advance shipments, resulted in an 8% rise in total revenues at the end of April, on a comparable basis. To date, this increase represents a good estimate for growth in the first half of the year.

Net working capital stood at Euro 142 million, up from Euro 104.1 million at the end of March 2022, accounting for 18.3% of revenues, compared to 16.1% the previous March. This growth is due to the seasonal nature of the business and, in particular, the need to purchase new product in order to meet the strong growth in revenues. Consequently, the net financial position (pre-IFRS 16) also showed a coherent change, going from Euro -49.8 million in December 2022

to Euro -97.8 million in March 2023. This temporary trend is not only explained by growth but it is also related to the strong advance in deliveries compared to the previous year with, therefore a related advance in purchases and payments to suppliers.

2023 is therefore off to a good start, despite the uncertain international geo-political situation and the inflationary context that seems to be more persistent than expected. This has resulted in a prudent approach as we continue to monitor any drops in the propensity to consume in the main markets. However, careful purchasing and discount reduction policies, along with the aforementioned improvement in supply chain reliability in terms of costs and delivery times, confirm expectations for an increase in industrial margins.

Thanks to the results achieved by Geox in this uncertain and volatile context in the short term, which further confirm the path taken, we can look confidently to the future of both our Brand and the entire sector in the medium-long term.”

### **GROUP OPERATING PERFORMANCE: SALES**

Consolidated sales totalled Euro 223.7 million in the first quarter of 2023, up 21.3% on the previous year (+18.9% at constant forex) mainly thanks to the strong performance of the multi-brand (+32.7%) and franchising (+31.8%) channels.

#### Sales by Distribution Channel

(Euro thousands)	I Quarter 2023	%	I Quarter 2022	%	% Change
<b>Multi-brand</b>	<b>136,148</b>	<b>60.8%</b>	<b>102,608</b>	<b>55.6%</b>	<b>32.7%</b>
Franchising	20,612	9.2%	15,633	8.5%	31.8%
DOS*	66,985	29.9%	66,149	35.9%	1.3%
<b>Total Geox Shop</b>	<b>87,597</b>	<b>39.2%</b>	<b>81,782</b>	<b>44.4%</b>	<b>7.1%</b>
<b>Total sales</b>	<b>223,745</b>	<b>100.0%</b>	<b>184,390</b>	<b>100.0%</b>	<b>21.3%</b>

\* Directly-Operated Stores

Multi-brand store sales, accounting for 60.8% of Group sales (55.6% in the first quarter of 2022), amounted to Euro 136.1 million (+32.7% at current forex, +29.4% at constant forex), compared to Euro 102.6 million in March 2022. Sales benefitted from a strong order intake (approx. +17%) for the SS23 Collection, combined with a positive timing effect in the quarter due to the significant improvement of transport and supply chain conditions, starting from the end of 2022.

Franchising channel sales, equal to 9.2% of Group sales, amounted to Euro 20.6 million, +31.8% compared to the first quarter of 2022. This channel also benefitted from positive performance (comparable sales up 9.2%) and the favourable effect of delivery times. The total number of franchised stores decreased from 301 stores in March 2022 to 284 stores in March 2023.

Directly-operated store (DOS) sales accounted for 29.9% of the Group total, amounting to Euro 67.0 million compared to Euro 66.1 million in the first quarter of 2022 (+1.3% at current forex, +0.0% at constant forex). Comparable sales (LFL) at the end of the period were up 3.5%. Physical stores in particular reported an increase in comparable sales of approx. 9.1% on the first quarter of 2022 (+7.6% to date), while the online channel saw a decline of -11.7% (-9.4% to date) in line with the stabilisation of performance following the lockdowns. Direct online channel growth, however, remained particularly robust (approx. +76.2%) with respect to 2019.

Finally, in terms of the distribution perimeter, the number of DOS decreased from 339 stores in March 2022 to 291 stores in March 2023 (315 at the end of 2022). This reduction was the main cause of the overall change in channel sales, which despite a rise in comparable sales (LFL) of +3.5%, increased in the period by approx. +1.3%.

### Sales by Region

(Euro thousands)	I Quarter 2023	%	I Quarter 2022	%	% Change
Italy	63,402	28.3%	48,531	26.3%	30.6%
Europe (*)	93,697	41.9%	84,952	46.1%	10.3%
North America	7,538	3.4%	5,063	2.7%	48.9%
Other Countries	59,108	26.4%	45,844	24.9%	28.9%
<b>Total sales</b>	<b>223,745</b>	<b>100.0%</b>	<b>184,390</b>	<b>100.0%</b>	<b>21.3%</b>

(\*) Europe includes: Austria, Benelux, France, Germany, Great Britain, Iberian Peninsula, Scandinavia, Switzerland.

Sales generated in Italy, representing 28.3% of the Group total (26.3% in the first quarter of 2022), amounted to Euro 63.4 million (+30.6%), compared to Euro 48.5 million in the first quarter of 2022. Sales were driven by the wholesale channel (+67.6%), which accounts for approximately 50% of market revenues, and benefitted from strong order intake (+23%) for the SS23 Collection and the aforementioned positive timing effect. The franchising channel (+19.8%) and directly-operated stores (+7%) performed well in terms of comparable sales, up +11.8% and 7.6% respectively.

Sales generated in Europe, equal to 41.9% of the Group total (46.1% in the first quarter of 2022), totalled Euro 93.7 million, compared to Euro 85.0 million in the first quarter of 2022, up 10.3% mainly due to (as in Italy) the good performance of the multi-brand channel (+16%), which accounted for approximately 65% of market revenues. Directly-operated stores (DOS) in Europe reported negative performance (-4.4%) due to the decline in the online channel (-19.5%) and reduced distribution perimeter, which were not offset by the good performance of comparable sales at physical stores (+12.3%).

North America reported sales of Euro 7.5 million, +48.9% (+48.8% at constant forex) compared to the first quarter of 2022; growth in the region was driven by the wholesale channel (+110.5%). Directly-operated stores also recorded a positive trend (+6.2%), with comparable sales performing well (+24.7%).

Other Countries reported sales growth of +28.9% compared to the first quarter of 2022 (+18.5% at constant forex). Specifically, Asia Pacific sales were up 31.8%, mainly driven by the multi-brand channel (+54.4%). China reported steady sales.

Eastern European sales, on the other hand, were up +28.4%.

### Sales by Product Category

Footwear accounted for approximately 90.4% of consolidated sales, amounting to Euro 202.4 million, +24.6% (+22.5% at constant forex) on the first quarter of 2022. Apparel accounted for approx. 9.6% of consolidated sales, totalling Euro 21.4 million (-2.9% at current forex, -7.2% at constant forex). Sales were negatively affected by product shortages following the warehouse fire last September, the impact of which was covered by the insurance company.

# GEOX

## RESPIRA

(Euro thousands)	I Quarter 2023	%	I Quarter 2022	%	% Change
Footwear	202,370	90.4%	162,372	88.1%	24.6%
Apparel	21,375	9.6%	22,018	11.9%	(2.9%)
<b>Total sales</b>	<b>223,745</b>	<b>100.0%</b>	<b>184,390</b>	<b>100.0%</b>	<b>21.3%</b>

### Mono-brand Store Network – Geox Shops

At March 31, 2023, the total number of “Geox Shops” was 687, of which 291 DOS. During the first quarter of 2023, 13 new Geox Shops were opened and 43 were closed, in line with the planned optimisation of stores in more mature markets and an expansion in countries where the Group’s presence is still limited, although developing strongly.

	03-31-2023		12-31-2022		IQ 2023		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closures
Italy	182	110	189	116	(7)	1	(8)
Europe (*)	186	102	197	110	(11)	5	(16)
North America	13	13	17	17	(4)	-	(4)
Other Countries (**)	306	66	314	72	(8)	7	(15)
<b>Total</b>	<b>687</b>	<b>291</b>	<b>717</b>	<b>315</b>	<b>(30)</b>	<b>13</b>	<b>(43)</b>

(\*) Europe includes: Austria, Benelux, France, Germany, Great Britain, Iberian Peninsula, Scandinavia, Switzerland.

(\*\*) Includes store in countries with license contracts (112 as of March 31, 2023, 108 as of December 31, 2022). Franchising channel sales do not include stores in these countries.

### **GROUP BALANCE SHEET AND FINANCIAL POSITION**

The net financial position (before IFRS 16 and after the fair value of derivative contracts) stood at Euro -97.8 million (Euro -49.8 million in December 2022 and Euro -58.0 million in March 2022). The net bank debt alone amounted to Euro -115.5 million (Euro -75.7 million in December 2022 and Euro -85.6 million in March 2022). The fair value of hedging transactions in place at March 31 was therefore positive by Euro 17.7 million. The trend in the net financial position is closely linked to the trend in working capital.

Net working capital stood at approx. Euro 142 million, up from Euro 77 million at the end of December 2022 and Euro 104 million at the end of March 2022. This increase is attributable to the seasonal nature of the business and the sales growth recorded during the period. Inventories decreased by approx. Euro 37 million compared to December 2022, but were up approx. Euro 26 million compared to the first quarter of 2022. The good performance of the wholesale and franchising businesses and seasonality led to an increase in accounts receivable compared to both December (+58 million) and March 2022 (+29 million). Trade payables decreased by Euro 44 million compared to December 2022,

despite recording an increase of Euro 16 million over March 2022, as a result of the earlier timing of new product purchases compared to previous periods. Consequently, net working capital in the period accounted for 18.3% of revenues (10.5% at the end of December 2022 and 16.1% at the end of March 2022). This incidence is expected to decrease during the year and normalize by year-end in the range of 16%-18%, which is still slightly better than the assumptions in the business plan (21%-23%). This incidence, among the best in our industry, is however higher than the 10% recorded in 2022. It is therefore a return to normality, but 2023 is a year of strong discontinuity in working capital and cash flow for two factors. On the one hand, the Group, with FW22, has finished reusing the excess unsold inventory that had reduced purchases in recent seasons and is now coping with the increase in orders exclusively by purchasing new product. On the other hand, the supply chain problems experienced in 2022 are leading to a shift of more payments to the first half of this year in the amount of about Euro 18 million resulting from delivery delays in the previous season, while the renewed reliability of the supply chain in 2023 is leading to an advance in Spring/Summer payments in the amount of about Euro 57 million. Overall, the first half of the year will therefore record higher payments to suppliers of about Euro 75 million compared to the same period last year. This will lead to a strong reduction in trade payables compared to December 2022 with a consequent increase in working capital and an equal absorption of cash. However, it is expected that the second quarter will generate positive cash flows with a consequent reduction of the debt to banks compared to March.

However, the context still remains uncertain and volatile, consequently, the Group will continue with initiatives aimed at protecting the company's cash flow and containing operating costs by carefully monitoring cash flows in the second quarter in order to take - if and when necessary - any further action deemed necessary or appropriate also in light of the existing financial constraints.

## **SIGNIFICANT AND/OR SUBSEQUENT EVENTS**

### **INTERNATIONAL TENSIONS AND UPDATE ON COVID-19 IMPACT ON STORE OPERATIONS AND THE SUPPLY OF RAW MATERIALS AND FINISHED PRODUCTS**

Russia's invasion of Ukraine continues to create a major international humanitarian and social crisis, with significant impacts primarily for the living conditions of the populations of these countries, but also for internal economic activities and commercial trade in the area. These extraordinary events in terms of their nature and extent have had global repercussions on: i) supply chains, particularly with regard to the supply and prices of raw materials and energy; (ii) international market demand level; (iii) inflation and the consequent restrictive interest-rate policies; and (iv) the strengthening of the dollar as a haven from risk, the divergent performance of the US economy and rising interest rates. In general, these negative factors are gradually improving.

In both countries Geox's business is mainly developed through third parties, wholesale and franchising (100% in Ukraine and 70% in Russia). In view of these events, the Group suspended fresh direct investment in Russia shortly after the outbreak of the conflict, withdrawing European management and is managing the short-term situation so as to be prepared to mitigate the impacts from any future decisions regarding its presence in Russia. Sales in Russia as of March 31, 2023 continued to account for approx. 10% of revenues while sales in Ukraine showed slight growth. The invested capital of the Russian subsidiary mainly comprises fast-moving net working capital, however devaluation of the Ruble had a negative impact in the quarter, which could persist considering that the currency can no longer be hedged.

The Group does not have suppliers or production plants in the region. The company was part of the 'Golden Links' project promoted by Banca Intesa and Caritas Italiana, and actively cooperated with Civil Protection, several humanitarian associations, the Embassy of Ukraine in Italy and the Ukrainian Consulate in Venice for the supply of basic necessities such as clothing and footwear to people on the ground and refugees in Italy.

In terms of the COVID-19 pandemic, all Group stores are currently operational. The WHO recently announced the end of the global health emergency declared more than three years ago due to the COVID-19 pandemic. This factor should further encourage tourist flows, which are already recovering but yet to reach pre-pandemic levels.

## **OUTLOOK**

The current international and geo-political context, characterized by uncertainty and volatility albeit with some positive signals, must be taken into consideration when making full-year forecasts.

The weakening of the dollar combined with the fall in energy prices is leading to an improvement in transport and procurement costs. In addition, the final quarter of 2022 saw the beginning of generalised supply chain stabilisation, with easing pressures on the cost of raw materials and more reliable shipping times. This improvement has continued in 2023, with strong progress towards a return to full supply chain reliability.

On the other hand, inflation still persists, which together with unseasonal weather conditions has contributed to the prudent attitude of consumers and retailers in relation to purchases in April and May to date. Furthermore, a recession in the second half of the year or early 2024 has not yet been ruled out.

This context requires cautious forecasts, based on the following results and assumptions:

- 1) The DOS channel is currently showing (at week 18) positively evolving comparable sales (LFL) (approx. +4.3% on 2022 and +3.8% on 2019) with a significant decrease in discounts (approx. 3 percentage points on 2022).
- 2) The multi-brand channel, following strong orders received for the SS23 Collection (double-digit growth) is experiencing a slowdown in in-season reorders compared to the previous year.
- 3) At the end of April, total sales, after reabsorbing the strong improvement in delivery times compared to the previous year, were up by 8% and this can be considered a good estimate of the growth expected in the first half of the year.
- 4) Order intake for the Fall/Winter 2023 collection also ended with double-digit growth. It should be noted, however, that in last quarter of 2022, the availability of goods had allowed for early shipments of Spring/Summer required by the market of about EUR 17 million with a comparative advantage in favor of fourth quarter 2022. This year, in the fourth quarter, we assume to have exactly the same amount of advance shipments. In addition, an equal amount of advance shipments of Fall/Winter requested by customers will be invoiced in the second quarter. Therefore, even with an initial order intake in double-digit growth, the different distribution in the half-years due to the rebalancing of the service level, will result in only slightly positive growth for the wholesale channel in the second half-year.
- 5) The transport situation is showing significant improvement both in terms of costs and delivery times (now close to pre-pandemic levels). In particular, the improved sea freight situation should significantly cut the use of air transport.
- 6) Group management continues to closely control costs in view of the difficulties arising from the geopolitical situation and inflation.

On the basis of the above, management **confirms** the overall guidelines of the Strategic Plan to 2024.

In greater detail, the following results are expected in 2023:

- 1) Revenues up nearly double-digit in the first half and slightly positive in the second half. Total revenues are thus expected to grow overall around +4% / +6% (previously +6% / +8%) over 2022. This more prudent forecast is due to the trend recorded in April and the first week of May, with weaker reorders in the multi-brand channel, especially online, which are currently down from the previous year and, for now, it is appropriate to assume that this will continue in the second half of the year. It is still unclear whether the trend is due to temporary adverse weather conditions or to the prudence of the market and consumers in light of inflation and a recession that has not yet been averted.
- 2) Gross margin improvement of approx. +200 bps in the first half of the year and +130/+150 bps in the second half of the year, compared to the same periods of the previous year, thanks to the positive trend of discounts and transport costs.

The above annual forecasts are also based on the following future performance assumptions:

- 1) consumer behaviour allowing the continuation of the careful discount management implemented so far in mono-brand stores;
- 2) no relevant changes in consumer spending compared to current trends;
- 3) continuation of the trend of improved supply chain reliability and lower transportation costs compared to the previous year;



- 4) the difficult geopolitical situation in important markets for the Group does not lead to a significant deterioration compared to what was recorded in 2022 in those areas and/or significant impacts from the devaluation of their currencies against the Euro.

These performance forecasts are by nature subject to significant uncertainties, especially given the current geo-political and inflation outlook.

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Notice is hereby given that the minutes of the Ordinary Shareholders' Meeting of Geox S.p.A. held on April 20, 2023 are available to the public at the registered office in Biadene di Montebelluna, via Feltrina Centro, 16 and on the eMarket Storage mechanism ([www.emarketstorage.it](http://www.emarketstorage.it)). The document is also available on the Company's website [www.geox.biz](http://www.geox.biz), in the Governance section, "Shareholders' Meeting 2023".



## **DECLARATION OF THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING**

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The Executive Office for Financial Reporting, Mr. Massimo Nai, states in accordance with paragraph 2, article 154-bis of the Consolidated Finance Act that, as far as he is aware, the accounting information in this press release corresponds to the underlying accounting documents, records and entries.

## **FOR FURTHER INFORMATION**

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## **GEOX GROUP**

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Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability.

Geox is one of the leading brands in the "International Branded Casual Footwear Market". Geox technology is protected by 63 different patents and by 3 more recent patent applications.

## **DISCLAIMER**

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This document includes forward-looking statements relating to future events and the results of operations, financial position and cash flows of the Geox Group. These statements by nature contain an element of risk and uncertainty in that they depend on future events and developments. The actual results may even diverge significantly from those announced, due to a range of factors.

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