

YOOX NET-A-PORTER GROUP

YOOX NET-A-PORTER TO DELIVER ROBUST GROWTH FOR THE YEARS TO 2020

YNAP to outpace the online luxury market through 2020
leading the mobile revolution to reshape luxury fashion retail

London, 6 July 2016 - YOOX NET-A-PORTER GROUP S.p.A., (MTA: YNAP) ("YNAP"), the world's leading online luxury fashion retailer, today sets out a **compelling strategy to deliver growth over the years 2015 to 2020**, as the Group moves to harness the tremendous potential offered by the luxury online retail market.

SIGNIFICANT VALUE CREATION

- Strong annual **net revenue growth of 17% to 20%** at constant exchange rates¹,
- **Increase in Adjusted EBITDA² margin to a range of 11% to 13% by 2020**, from 8% in 2015,
- **Capital expenditure** to progressively reduce to **4% to 5% of net revenues by 2020** upon completion of integration investments,
- **Positive free cash flow generation** from 2018 onwards.

ONLINE LEADERSHIP UNLEASHED

YNAP is embarking on an ambitious plan to **significantly grow its share** of global luxury goods sales, with online the fastest growing channel of the luxury market:

- **Enhanced conversion, customer engagement and retention** driven by accelerated shift to mobile;
- **Strong growth of high-value customer base**, through a combination of a uniquely captivating product offer, personalised marketing, creative content and impeccable service;
- **Enriched product offer** with launch of fine jewellery and watches in the In-season business - set to grow to €100m - and private label in the Off-season business, nearing 10% of the division's sales by 2020;
- **Robust international expansion** coupled with strengthened leading position in the US: launch of full in-country presence in the Middle East in 2018, further expansion in China and rest of APAC.

LONG-TERM ORGANIZATIONAL VISION

Our organisation **empowers our Brands** to deliver on their strategies:

- **One global company** operating across 3 distinct business lines: In-Season, Off-Season and Online Flagship Stores,
- **Four brands** with distinctive identities and value propositions for customers: NET-A-PORTER, MR PORTER, YOOX and THE OUTNET,
- **One shared global scalable Platform** servicing all Brands with cutting-edge technology and luxury operations, empowering innovation and unlocking synergies,
- **Common Corporate Functions** sharing and deploying best practice and cross-fertilisation.

"We have ambitious plans to grow faster than the online luxury market by leading through mobile.

I am confident that by 2020 we will not only reflect on five years of strong growth in revenues and profitability but we will also have positioned YNAP technologically at the forefront of innovation for the following decade."

- commented Federico Marchetti, Chief Executive Officer of YOOX NET-A-PORTER GROUP

¹ Based on actual average fiscal year 2015 exchange rates

² Adjusted EBITDA defined as reported EBITDA before the non-cash costs associated with Stock Option Plans and Share-based incentive plans

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YNAP'S FIVE-YEAR STRATEGIC PLAN: "FAST FORWARD TO 2020"

The online personal luxury goods market is expected to grow at an annual rate 15%³ over the next five years: YNAP is aiming for continued outperformance and a resulting **increase in its share of the market.**

YNAP has already built an unmatched base of 2.5m high-value active customers globally, a unique asset that will be further developed through:

- Customer-centric approach, focused on Mobile usage,
- Personalised customer journey powered by Smart Data,
- Creative Content to delight our customers,
- Impeccable Service as part of the experience.

BUSINESS LINES STRATEGY

Multi-brand In-Season

The Multi-brand In-Season business line includes NET-A-PORTER and MR PORTER.

YNAP sees strong growth potential in the In-season business to be delivered through a combination of the following:

- **Strong growth in its High Net Worth customer base:** In-season has developed a unique know-how in terms of targeted customer acquisition with expert Personal Shopping and Client Relations teams applying sophisticated CRM strategies and leveraging the communities of existing customers ;
- **International expansion:** whilst consolidating its leadership position in the U.S., accelerating growth in the Middle East, and advancing its position in Europe, In-season will leverage YOOX's localisation expertise to capture the market potential in the Asia Pacific region;
- **Enriched personalised service driving customer engagement and retention through:** dedicated personal shoppers for most valuable customers, style advice delivered through sophisticated native apps, data-driven CRM and enriched one-to-one geo-localised editorial content and product recommendations;
- **Highly curated product offering enriched** with the introduction of MR PORTER's own label and Fine Jewellery & Watches, an under-penetrated category with great potential online, the perfect complement to In-season's sophisticated fashion offer, estimated to reach €100m in sales by 2020.

Multi-brand Off-Season

The Multi-brand Off-Season business line includes YOOX and THE OUTNET.

YNAP anticipates strong growth in the Off-season business fuelled by the following:

- **Strong growth in high-value customer base through increased efforts in building brand awareness:** YOOX will focus on expanding awareness and driving engagement through a more balanced mix between performance marketing and brand building and advertising initiatives;
- Increase in **engagement and loyalty** driven by **personalised mobile propositions;**
- **International expansion:** THE OUTNET will unlock its considerable untapped growth potential around the world benefiting from YOOX's localization assets and expertise. Both brands will expand their reach through a full in-country presence in the Middle East;
- **Growth in product offering:** THE OUTNET will expand its mostly ready-to-wear offer with increased penetration of best-selling categories such as shoes and bags and the addition of active wear;
- **Private label to near 10% of Off-season net revenues by 2020:** Growing share of sales through introduction of private labels on YOOX and strengthened offer of Iris & Ink.

³ Sources: Bain (Spring 2016)

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Online Flagship Stores

YNAP's Online Flagship Stores includes the design, set-up and management of the Online Flagship Stores of some of the leading global luxury fashion brands ranging from Armani.com to Chloe.com.

The Online Flagship Stores business line will empower digitally ambitious brands to fully capture the **omni-channel retail opportunity**. The addition of unique value-added services will complement the e-commerce suite:

- data insights leveraging the Group's unique luxury ecosystem,
- native apps services,
- creativity and digital projects,
- editorial content and,
- tailored customer service.

With a focus on **fewer bigger partnerships** and **upcoming fashion stars**, the Online Flagship Stores offering will leverage its proximity with the experienced In-season teams to foster innovation to the benefit of YNAP's brand partners, notably in the area of high-end customer service and content.

YNAP'S MAIN FINANCIAL TARGETS

Annual net revenue growth is estimated in the order of 17% to 20% through 2020 at constant exchange rates, with annual net revenue progression mirroring the projected revenue synergy ramp-up, and the expected range reflecting differing demand assumptions;

YNAP is committed to increase its Adjusted EBITDA margin to a range of 11% to 13% by 2020, from 8% in 2015. The range is forecast based on the operating leverage under the growth scenarios used in the revenue projections. The key drivers of the margin uplift are integration synergies, gross margin enhancement driven by a larger share of higher-margin private label and efficiencies stemming from the Group's ongoing investments in the shared global technology and operations platforms;

YNAP looks to achieve positive free cash flow generation from 2018. Capital expenditure ("capex") as a percentage of net revenues is forecast to peak in 2016 and 2017 reflecting the concentration of integration capex, and then reduce to 4-5% of net revenues by 2020. The Group also intends to manage net working capital⁴ to 5% to 6% of net revenues by 2020.

Capex will be mainly invested in converging and upgrading technology and in expanding the Group's operations network to support future volume growth. A material portion of this spend is intended to integrate various in-house developed technology solutions with select industry-leading products to create a shared global scalable Platform. Investment will power the growth of the brands and Online Flagship Stores as they develop, innovate and enter new markets, and enable truly personalised customer experiences fuelled by smart data.

The Group confirms its previously announced €85m of annual run-rate EBITDA and capex saving synergies by 2018 and one-off cumulated investments and non-recurring operating costs of €95m over the 2015-2018 period.

CUTTING-EDGE GLOBAL TECH AND OPERATIONS PLATFORM TO POWER INNOVATION AND GROWTH

A **shared global scalable Platform** with ground-breaking technologies and expanded operational capacities will power the Brands' ambitions. The investment will combine **the best of YNAP's in-house developments with select industry-leading** products thus creating world-class infrastructure to power a multi-billion business. The Platform will put YNAP in a unique position to further set new standards of service in online luxury.

⁴ Defined as inventory + trade receivables – trade payables + other receivables / (other payables)

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The Platform will enable the development of the **"Omni-stock programme"**, which provides for **global visibility of stock from anywhere in the world** through the set-up of a fully interconnected global logistics network built around central hubs and regional distribution centres. This programme is built on the principle of **specialisation by business line**: two separate networks for the In-season and Off-season businesses are implemented to efficiently manage the specific requirements of each business model. The Omni-stock programme is the **best tool to maximise the return of inventory** by exposing the global stock held to the widest possible audience, thus maximising retail margins and sell through. Thanks to the system's intelligent stock allocation and fulfilment capabilities, each Brand will retain maximum flexibility in allocating stock between the central hub and the local distribution centres to optimize speed of delivery and related costs.

This Platform is also the key enabler for the **delivery of an omni-channel offer to the Group's brand partners**. It provides for a fully integrated omni-channel retail approach to capture the opportunities arising from the convergence of on- and off line distributions.

The Platform will empower highly **sophisticated and personalised customer experiences** driven by an effective deployment of **smart data**.

The technological components of the project have a tightly planned rollout with key milestones ahead, including:

- Q4 2016: Roll-out of new Order Management System on former YOOX GROUP's online stores;
- Q3 2017: First Online Flagship Store to launch on new core e-commerce platform;
- H2 2017: Completion of convergence and Omni-stock programme for Off-season business;
- 2018: Roll-out of new Order Management System on the former THE NET-A-PORTER GROUP's online stores, completion of convergence and Omni-stock programme for In-season business with opening of new In-season hub in Italy.

The mutation towards a shared global scalable platform plans for a progressive increase in operational capacities alongside the implementation of the Omni-stock programme:

- Q4 2016: Consolidation of Hong Kong distribution centre;
- 2017: Expansion of the Bologna facility to become the hub for the whole Off-Season business, Consolidation of US Off-Season business at YOOX's facility, Launch of new distribution centre in Dubai;
- 2018: Launch of new In-Season hub in Italy, Upgrade of APAC distribution centre network;
- 2019: Launch of new Off-Season distribution centre in the US.

BREXIT

In its Five-Year Strategic Plan, YNAP has anticipated a range of growth forecasts reflecting a variety of macroeconomic scenarios, including the potential impact of Brexit.

The Group enjoys well-balanced GBP-denominated costs and revenues, and therefore the impact of a depreciation of the GBP against the Euro on profitability is expected to be neutral in 2016 and onwards.

YNAP remains confident in the strengths of its Brands: the Group expects to outperform its market thanks to its highly diversified geographical spread and well-balanced business mix.

YNAP is hiring new staff, expanding its London HQ and remains fully committed to its presence in the UK.

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INVESTOR EVENT CALENDAR

YNAP will be hosting a capital markets event for analysts and investors in London today to outline the details of the Five-Year Strategic Plan. Presentations by the management team will be available on YNAP's website after the event.

On 4 August, YNAP will report its 1H 2016 results.

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YOOX NET-A-PORTER GROUP

YOOX NET-A-PORTER GROUP is the world's leading online luxury fashion retailer. The Group is a Global company with Anglo-Italian roots, the result of a game-changing merger, which in October 2015, brought together YOOX GROUP and THE NET -A-PORTER GROUP; the two companies had revolutionized the luxury fashion industry since their birth in 2000.

YOOX NET-A-PORTER GROUP is a unique business with an unrivalled offering including multi-brand in-season online stores [NET-A-PORTER](#), [MR PORTER](#), multi-brand off-season online stores [YOOX](#) and [THE OUTNET](#), as well as numerous ONLINE FLAGSHIP STORES, all "Powered by YNAP". Through a joint venture established in 2012, YOOX NET -A-PORTER GROUP has partnered with Kering to manage the ONLINE FLAGSHIP STORES of several of the French Group's luxury brands.

Uniquely positioned in the high growth online luxury sector, YOOX NET-A-PORTER GROUP has an unrivalled client base of more than 2.5 million high-spending customers, 27 million monthly unique visitors worldwide and combined 2015 net revenues of €1.7 billion. The Group has offices and operations in the United States, Europe, Japan, China and Hong Kong and delivers to more than 180 countries around the world. YOOX NET-A-PORTER GROUP is listed on the Milan Stock Exchange as YNAP. For further information: www.ynap.com.