



BETTY BLUE 2019 FINANCIAL STATEMENTS

Milan, 14th May 2020 – Betty Blue S.p.A. (“**Betty Blue**”), owned by fashion designer Elisabetta Franchi, shared with Spactiv S.p.A. (the “**Company**” or “**Spactiv**”) the 2019 financial statements¹ approved by the company board, and which will be submitted for approval at the Betty Blue shareholders’ general meeting, which is scheduled for 29th May. Betty Blue has also shared some explanatory details which relate, in particular, to the adjustments specified below concerning the costs of the transaction with Spactiv and some non-financial, non-recurring costs that were identified in the agreement and which have already been described in the relevant Disclosure Document (available in the “Operazione Rilevante” section on the Company’s website, www.spactiv.com).

The most relevant figures for Spactiv investors, net of the adjustments mentioned above, and compared with 2018 financial statements², are as follows:

- Turnover of €120.4 million, up 4.7% from 2018
- Adjusted EBITDA of €23.5 million, up 5.2% from 2018
- Adjusted EBIT of €21.6 million, up 8.8% from 2018 at 17.9% of turnover
- Adjusted net profit of €14.7 million, down 2.2% from 2018
- Adjusted net liquidity of €11.3 million
- During 2019, Betty Blue approved the distribution of €15 million in dividends, a 50% increase from 2018.

A summary of Betty Blue’s profit and loss account, balance sheet and financial statement is included in the Appendix, together with the tables reconciling the adjusted figures with the reported data. Specifically, the adjusted EBITDA and EBIT for 2019 have been adjusted to exclude: a) transaction costs of €2.3 million; b) the write-off of €0.7 million in trade receivables attributable to Betty Blue Asia Pacific of Hong Kong, which is being liquidated; and c) non-recurring and non-monetary provisions accounting for €2.0 million and concerning risks indemnified by the current Betty Blue shareholders in favor of Spactiv, according to the agreement.

Adjusted net profits 2019 have been adjusted by adding to the elements described in the previous paragraph the non-recurring costs of €0.2 million regarding the write-down of financial receivables from Betty Blue Asia Pacific of Hong Kong, and a tax shield of -€0.7 million³.

¹ The statement is undergoing an audit.

² The 2018 figures adopt the same reclassification done for 2019; for this reason there are discrepancies with the 2018 figures reported in the Disclosure Document. Specifically, the reported 2018 turnover is € 115,0 million vs. € 115,6 million reported in the Disclosure Document. There are no differences in EBITDA, EBIT, Net Liquidity, Net Profit.

³ Calculated on the basis of an effective tax rate of 30%.

The adjusted net cash position 2019 is net of the €6.0 million in debts to shareholders for dividends approved in 2019 and not yet completely paid and has been adjusted to take into account the €1.0 million payments already made for transaction costs.

Table 1 illustrates the key figures 2016-2019.

Table 1 – Key figures 2016-2019

€ million	2016	2017	2018	2019 adjusted	'19 adj vs '18
Sales	101.9	109.2	115.0	120.4	+4.7%
<i>YoY Growth</i>	<i>n.s.</i>	<i>+ 7.1%</i>	<i>+ 5.4%</i>	<i>+ 4.7%</i>	
EBITDA	19.3	20.4	22.3	23.5	+5.2%
<i>% on sales</i>	<i>19.0%</i>	<i>18.7%</i>	<i>19.4%</i>	<i>19.5%</i>	
EBIT	16.9	17.9	19.8	21.6	+8.8%
<i>% on sales</i>	<i>16.5%</i>	<i>16.4%</i>	<i>17.2%</i>	<i>17.9%</i>	
Net Profit	11.1	12.0	15.0	14.7	- 2.2%
<i>% on sales</i>	<i>10.8%</i>	<i>11.0%</i>	<i>13.1%</i>	<i>12.2%</i>	
Dividend	9.5	10.5	10.0	15.0	+50.0%
Net cash	2.8	1.8	9.3	11.3	+22.0%

The increase in turnover is mainly associated by the development of retail and e-commerce channels in Italy and abroad, and by the good performance of the wholesale channel in Italy.

The turnover of the wholesale channel was €89.4 million (up 0.7%) of which €50.6 million was in Italy and €38.8 million abroad; the good performance of the domestic market, which showed an increase of €3.1 million (up 6.7%) more than outweighed the decrease of the non-EU export market, of around €2.4 million, owing to the shrinking of the Asian markets (Hong Kong and China) and the streamlining of the Russian market.

Revenues by channel (€ million)	2017	2018	2019
Wholesale	90.6	88.7	89.4
Retail	16.0	21.1	22.7
E-commerce	2.6	5.2	8.3
Total	109.2	115.0	120.4
Revenues by geography (€ million)	2017	2018	2019
Italy	64.9	70.9	77.3
EU	24.3	24.0	25.2
Rest of world	20.0	20.1	17.9
Total	109.2	115.0	120.4

The turnover of the retail channel was €22.7 million, an increase of €1.6 million (up 7.7%) from the previous year, mainly because of company-owned shops in Italy, which showed an increase of around €1.1 million (+10.5%) and the company-owned shop in Paris, which had an increase of €0.2 million (up 22.5%), while the outlet channel consolidated the positive performance of the previous year.

The e-commerce channel had sales of €8.3 million, of which around 65% was in Italy, and 35% abroad, with an increase of €3.1 million versus the previous year, (up 60.6%) that was evenly distributed between domestic and foreign markets.

Adjusted EBITDA, adjusted EBIT and adjusted net cash position at 31st December 2019 were better than the figures used to calculate the multiples used in the business combination with Spactiv, that were published in the relevant Disclosure Document; consequently the updated multiples have turned out better for Spactiv shareholders, as reflected in Table 2, below.

Specifically:

- Adjusted net cash position at 31st December 2019 was €11.3 million, versus €5.0 million in the afore-mentioned Disclosure Document. The difference is due to greater cash flows generated by operations, thanks to a growth in business margins and the presence of large non-cash provisions;
- adjusted EV/EBITDA is 7.8x, compared with 8.2x forecast;
- adjusted EV/EBIT is 8.5x, compared with the 8.9x forecast.

Table 2 – Updated Business Combination Multiples

€ million, x	Financial statement 2019	Disclosure Document
Net Cash Adjusted	11.3	5.0
EBITDA Adjusted	23.5	23.3
EBIT Adjusted	21.6	21.4
Enterprise Value	183.7	190.0
EV/EBITDA Adjusted	7.8x	8.2x
EV/EBIT Adjusted	8.5x	8.9x

Also, based on the figures made available by Betty Blue, please note that in relation to **the €9.93 price per Spactiv share** – which corresponds to the liquidation value of withdrawals and thus to the price at which Spactiv shareholders have the chance to acquire, as a pre-emptive option, the Spactiv shares that are subject to withdrawal:

- the adjusted price/earnings multiple of the business combination for 2019 is 13.3x;
- the dividend yield relating to the dividends approved during 2019 was 7.7%.

The tables in the Appendix show Betty Blue's profit and loss account, balance sheet and financial statement for 2019, with the adjustments shown above indicated.

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In relation to events after 2019, Betty Blue informed Spactiv that the first two months of 2020 were fully satisfactory in terms of sales volumes for the Spring-Summer 2020 season, and in terms of orders received for the Autumn-Winter 2020 season; and that was also because of the fact that the target company is hardly present at all in China – where the Coronavirus had already appeared in mid-January – both in terms of export market and of suppliers.



Subsequently, with the spread of COVID in Italy and around the world and because of the measures enacted by countries to combat it, we have seen a progressive slowdown in business activity and then the closure from 12th March, by government decree, of apparel shops in Italy and subsequently in other countries.

This has led to a stop in retail sales, and in the delivery of products for the Spring-Summer 2020 season, and also to uncertainty relating to the Autumn-Winter 2020 season, which could see partial cancellations of orders. As a consequence, an increase in the amount of stock held in warehouses is expected, as is a possible increase in payment times, with negative effects on cash flows and possibly on Betty Blue's margins.

In this situation, Betty Blue has already reviewed conservatively its production schedule for the Autumn-Winter 2020 season, taking advantage of the robustness and flexibility of its supply chain, predominantly Made-In-Italy and Purchase-To-Order.

Betty Blue's headquarters, logistics and supply chain are currently operational. Shops are expected to reopen in Italy on 18th May, with different times in other countries. The e-commerce channel has been working as usual throughout and has consolidated the positive trend of recent years.

Spactiv, through a continuous dialogue with Betty Blue, will keep a close eye on future developments, and will keep on receiving information in relation to the business on the basis of which it will be done valuations.

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Finally, it should be noted that there is a 12th June deadline for Spactiv shareholders to exercise option and pre-emption rights in relation to Spactiv shares which were subject to the right of withdrawal. After that time, shares which have not had their rights exercised can be placed with third parties.

UBI Banca is working as a nomad and specialist for Spactiv, and UBI Banca and Mediobanca have been joint global coordinators of the Spactiv IPO and serve as financial advisors.

Appendix

A.1. Summary of Income Statements for Betty Blue 2017, 2018 and 2019

P&L (€ million)	2017	2018	2019
Sales	109.2	115.0	120.4
Other revenues	1.6	5.5	3.1
Total Revenues	110.8	120.5	123.5
COGS	(38.9)	(43.7)	(41.5)
Gross margin	71.9	76.8	82.0
Services	(31.0)	(32.4)	(36.6) A)
Rental	(4.5)	(4.9)	(5.1)
Personnel	(13.3)	(15.0)	(15.4)
Write-down of receivables	(0.6)	(0.5)	(2.5)
Provisions	(0.6)	(0.0)	(2.2) B)
Provisions for subsidiaries loss	(0.6)	(0.7)	(0.7) C)
Other costs	(1.0)	(1.0)	(0.9)
EBITDA	20.4	22.3	18.5
Depreciation/Amortisation	(2.5)	(2.5)	(1.9)
EBIT	17.9	19.8	16.6
Financial income/expense	(0.0)	(0.2)	(0.2)
Write-down of financial fixed assets	(0.7)	0.0	(0.8) D)
Pre-tax profit	17.2	19.6	15.6
Taxes	(5.2)	(4.6)	(5.4) E)
Net Profit	12.0	15.0	10.2

Adjustments to the reported results 2019:

€ million	EBITDA	EBIT	Risultato Netto
Reported 2019	18.5	16.6	10.2
A) Transaction costs	2.3	2.3	2.3
B) Provisions	2.0	2.0	2.0
C) Write-down of receivables HK	0.7	0.7	0.7
D) Write-down of financial receivables HK			0.2
E) Tax shield (-30%)			(0.7)
Adjusted 2019	23.5	21.6	14.7

A.2 –Betty Blue Balance Sheet 2017, 2018 and 2019

Balance sheet (€ million)	2017	2018	2019
Intangible fixed assets	5.9	5.0	4.5
Tangible fixed assets	2.7	2.6	2.2
Other fixed assets	0.2	0.2	0.2
Fixed assets	8.8	7.8	7.0
Inventory	29.0	28.1	31.3
Trade receivables	29.3	30.4	31.6
Trade payables	(22.2)	(23.4)	(26.7)
Trade working capital	36.1	35.2	36.3
Other receivables	1.2	0.7	0.6
Other payables	(4.0)	(4.3)	(4.8)
Net working capital before taxes	33.4	31.6	32.1
IC receivables/payables	2.1	3.0	1.9
Income taxes receivables/payables	3.6	3.6	1.5
Other provisions	(1.5)	(1.6)	(3.7)
Employees' leaving indemnity	(2.0)	(2.2)	(2.5)
Invested Capital	44.5	42.1	36.3
Shareholders' equity	46.3	51.4	46.5
Cash and cash equivalent	4.8	11.5	17.6
Loans	(3.0)	(2.2)	(1.4)
Net Cash	1.8	9.3	16.2
Debt to shareholders for dividends	-	-	(6.0)

Reconciliation of net cash position at the end of 2019 to compare it with the figure published in the Disclosure Document:

€ million

Net Cash Reported	16.2
Debt to shareholders for dividends	(6.0)
Transaction costs	1.0
Net Cash Adjusted	11.3

A.3 –Betty Blue Cash Flow 2018 and 2019

Cash Flow (€ million)	2018	2019
EBITDA	22.3	18.5
Change in inventory	0.9	(3.2)
Change in receivables	(1.1)	(1.2)
Change in payables	1.1	3.4
Change in Trade Working Capital	0.9	(1.1)
Other in other receivables/payables	0.9	0.9
Change in Net Working Capital before taxes	1.8	(0.1)
Change in Employees' leaving indemnity	0.2	0.3
CAPEX	(1.5)	(1.4)
Operating Cash Flow	22.9	17.2
Income taxes	(4.6)	(5.4)
Financial income and expenses	(0.2)	(0.2)
Change in other provisions	0.2	4.1
Change in IC receivables/payables	(0.9)	0.2
Change in debt to shareholders for dividends	-	6.0
Dividends	(10.0)	(15.0)
Net cash flow	7.4	7.0

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