

■ ITALIA
■ INDEPENDENT
■ GROUP

OCTOBER 2016

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GROUP OVERVIEW

ITALIA INDEPENDENT GROUP AT A GLANCE

- Italia Independent Group has a clear mission: to develop the brand Italia Independent.
- The company heads a group active in the market of eyewear, lifestyle products and communication.
- The Group has experienced a strong growth both of revenues and profits in the last years and is listed on the Milan Stock Exchange since June 2013.
- In 2015 Italia Independent products were sold in more than 4,800 stores around the world.
- Italia Independent has been recognized as a truly innovative company in the eyewear industry both by institution as MIT technology Review Italy and by partners as Hublot and Adidas Originals which have signed collaboration agreements with it.

LINES OF BUSINESS

<p>ITALIA INDEPENDENT</p>  <p>Italia Independent is a creative and stylish brand for independent people. The products are characterized by classic shapes and a high degree of innovation in treatments (as UV Lux – Velvet) finishings and materials.</p>	<p>ITALIA INDEPENDENT POP LINE</p> <p>•I Pop Line is an eyewear family in the Italia Independent collection. It features the use of colors and patterns which are digitally printed in high res on an injected frame, creating a fashionable and affordable product</p>	 <p>Italia Independent and adidas Originals have signed a license agreement for the development of a full collection of eyewear (both sunglasses and eyeglasses) which is designed, produced and distributed worldwide by Italia Independent</p>	<p>LIFESTYLE PRODUCTS</p> <p>Italia Independent has developed several partnerships with premium brands in different industries and in different countries, as part of its strategy of becoming a lifestyle brand and to support the sales of eyewear products.</p>	<p>INDEPENDENT IDEAS</p> <p>Independent Ideas is a marketing, communication and design agency built to support Italia Independent while competing in the communication and advertising industry space, thus producing revenues and profits for the Group.</p>
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BUSINESS MODEL HIGHLIGHTS

PRODUCT/SERVICE DEVELOPMENT

R&D is managed internally and with the support of consultants and dedicated personnel of the suppliers. Strong expertise on materials and treatments which brought to significant innovations in the eyewear industry.

Collaborations with other brands allow I-I to gain insight on new technologies which may eventually be deployed on its products

DISTRIBUTION

I-I uses mainly exclusive sales representatives or distributors in order to sell to independent opticians, chains and department stores. In the most strategic markets I-I uses sales reps directly coordinated from the headquarter or from local offices. In 2015 I-I was sold in many different countries around the world. The brand has also 11 DOS, 4 franchising and some kiosks.

PRODUCTION, LOGISTICS AND CUSTOMER CARE

The majority of I-I glasses are made of injected plastic, which has the advantages of lower variable costs and shorter production time. The exterior treatments make the products unique and premium. The Group is vertically integrated with a factory in Italy for injected products, and suppliers for other materials. Customer care and logistics are centralized and mostly managed from the Turin office.

MARKETING & COMMUNICATION

Marketing and communication activities are performed by an internal department and by the agency Independent Ideas. The activities are mainly focused on POS materials, trade fairs, digital and events.

Collaborations with other brands are an important source of visibility for Italia Independent, above all in foreign markets where the awareness is lower

BRANDING ACTIVITIES

STRATEGIC PARTNERSHIPS



*still active

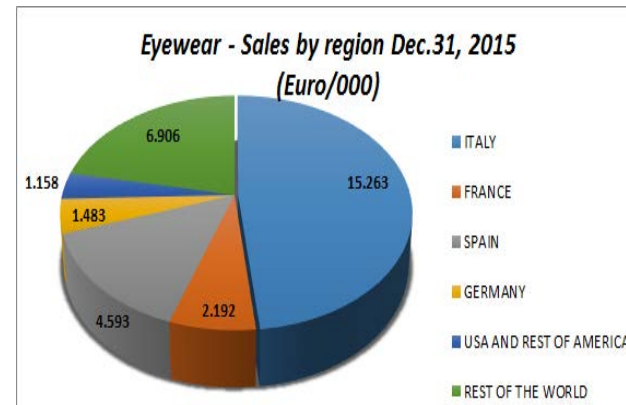
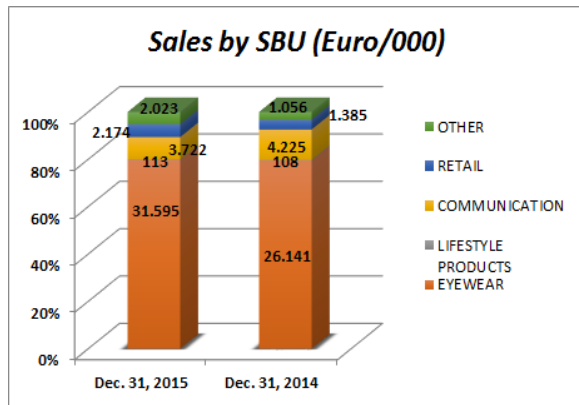
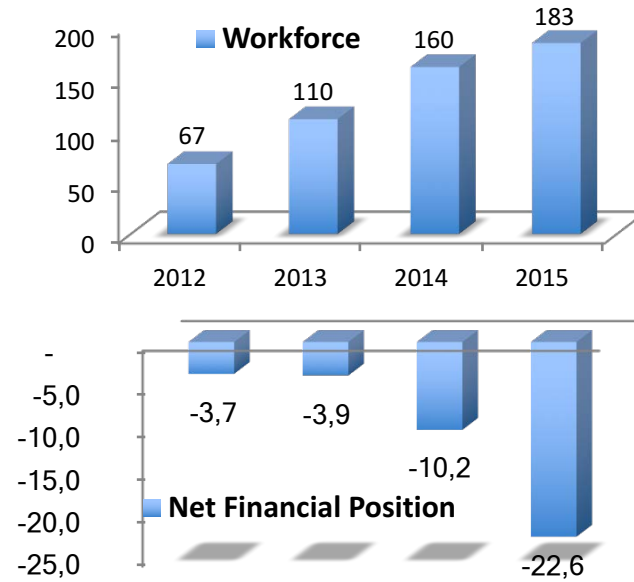
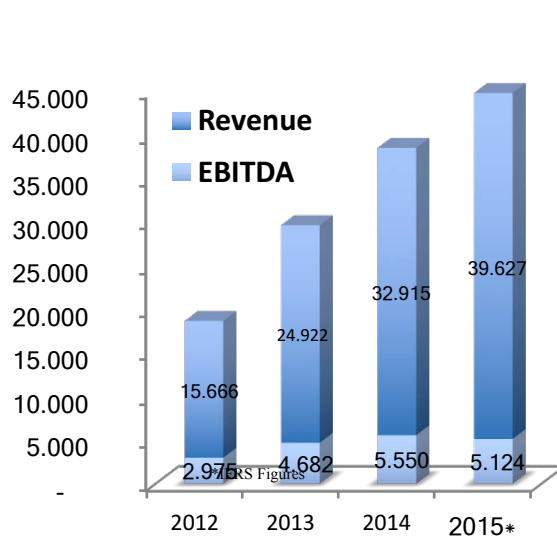
CELEBRITIES ENDORSEMENT



ADV CAMPAIGN



FINANCIAL FIGURES 2012 - 2015



FY16 GROUP UPDATE

IIG is facing a difficult year for several internal and external factors which have caused a temporary slowdown of sales and an increase of the net financial position

External Factors

Eyewear market

Description

The eyewear market has become increasingly competitive, saw the creation of many brands over the past few years, experienced an increase in price sensitivity by consumers, in addition to fiercer competition among the main players. These events radically change the array of opportunities, especially those for smaller companies which do not have strong distribution networks

Internal factors

Slow return on investments

Description

The return of some investments made by the Group in the past few years was below expectations due to a number of reasons mainly related to above-mentioned market changes. Specifically, the investments in some sale outlets and the US branch failed to generate the expected results and led to revenue and profits below the breakeven point

Internationalization

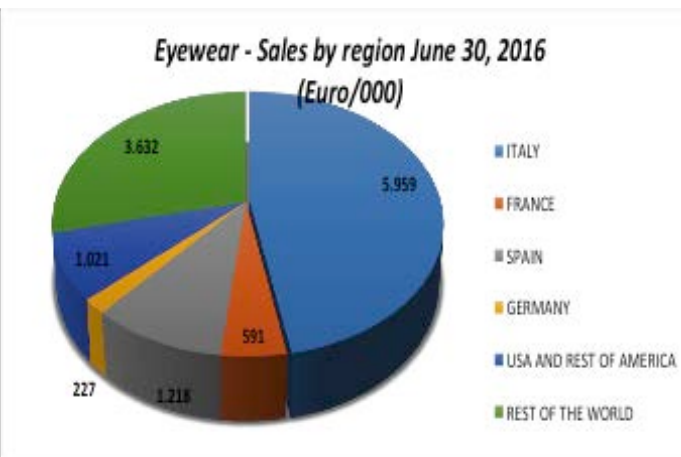
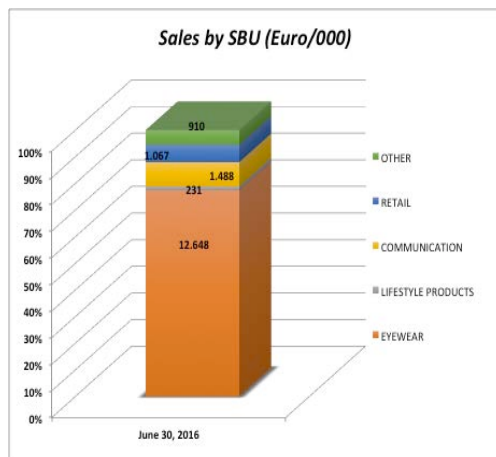
The internationalization process has taken more financial and operational efforts and was longer than expected. This is due to the difficulties in penetrating already saturated and highly competitive markets with a new brand highly focused on innovation

Commercial push

The considerable commercial drive that characterized the past year related to the launch of the I-I Eyewear family generated a product surplus in the wholesale distribution channel and required investments in stock production which had a negative effect on working capital management

FINANCIAL FIGURES H1 2016

€/000	H1 2016	H1 2015
Gross Revenues	22,771	29,003
<i>Returns</i>	6,427	4,064
Net Revenues	16,344	24,939
EBITDA	-1,740	3,593
<i>EBITDA Margin</i>	-10.6%	14.4%
Net Financial Position	- 33,589	-19,525



REORGANIZATION PLAN

COSTS REDUCTION ACTIVITIES

On the cost side the goal is to reduce Opex in line with the expected turnover. Reductions will affect loss generating areas and excess personnel. At the same time we expect significant savings from increased operational efficiency

Main actions	Descriptions	Status
Reduction of personnel costs	The headcount will be reduced in line with the forecasted turnover	Ongoing. Headcount reduction already taking places
Operational efficiency	More savings may be reached by better management and more streamlined processes in several business units as production, marketing, G&A, etc.	Ongoing.
Closing of the Brasilian branch	At the end of 2016 the Brasilian branch will be closed due to a deterioration of the domestic market	Ongoing.Effects foreseen from FY17
Closing of loss generating stores	The stores in NY and Paris will be closed since they are generating excessive loss. Two more stores (Milan Montnapoleone and Bologna) may be closed if a better lease term will not be agreed with the landlord	Ongoing.
Restructuring of the US branch	The goal is to reduce operating costs and to maintain the partnership with Aspex in order to keep growing in this market.	Ongoing.
Merger IIG - II spa	In FY17 Italia independent Spa and Italia Independent Group Spa will merge in order to generate savings in general and administrative costs	Ongoing.Effects foreseen from FY17

CASH IMPROVEMENT ACTIVITIES

Along with cost reduction, several activities aimed at improving working capital management and reduce the net financial position will be undertaken in order to secure financial stability to the Group

Main actions	Descriptions	Status
Sale of the Turin office	Sale of the office in Corso XI Febbraio 19, Turin.	Sold.
Reduction of the SKUs	The number of SKUs within each collection will be reduced in order to optimize the management of sample sets, of inventory and of working capital	Ongoing from this new collection
Efficiency in stock production	New policies and processes which will optimize planning, production and inventory management in order to reduce cash burning and maintain adequate inventory levels	Ongoing from this new collection
Reduction of slow moving inventory	The goal is to reduce the “slow moving” inventory through targeted activities	Ongoing
Decrease of days receivable	The objective is to improve the relationship with clients (i.e. opticians) in order to reduce overdue invoices by streamlining invoicing, return management, delivery and customer care	Ongoing
Increase of days payable	The goal is to negotiate with suppliers better payment terms in order to increase the DPO (e.g. new policy in the payment of sales reps, from upfront to final)	Ongoing. Already obtained from most of the suppliers

FINANCIAL ACTIVITIES

The company has undertaken a procedure of capital increase. In this context, the company is also considering and has taken steps to redefine its mid/long term indebtedness to secure a financial position consistent with its reorganization plan

Capital increase

	Size (€M)	Description
With pre-emption rights	4.9 €M	One third of the capital increase will be performed on a pre-emptive basis with a discount on market price
Reserved	10.1 €M	Two thirds of the capital increase will be reserved to the main shareholder and other strategic investors. The price will be at premium on the market average and will not be lower than 5.75 euro per share

Mid/long term indebtedness

	Size (€M)	Description
Mid/long term debts	~ 17 €M	Under negotiation with the banks in order to improve the repayment terms of the long term loans

RELAUNCH PLAN

While the reorganization plan is aimed at creating a strong foundation to the Group, the relaunch plan has the objective of bringing the company back to a sustainable growth path

Main actions	Descriptions	Status
Back to the DNA	The goal is to go back to the original DNA of the brand, which means a strong focus on innovation, design and brand positioning.	Ongoing.
Rebranding of I-I Eyewear	The I-I Eyewear family will be rebranded as Italia Independent Pop Line in order to benefit from the common brand marketing activities	Ongoing from the new collection
Focus on key markets	The Group will focus more on the key markets (Italy, Spain and France) in order to penetrate more the countries where the appreciation for the product has been stronger	Ongoing from this new collection
Top management strengthening	The top management team has seen the insertion of new people and more key figures may be hired in order to support the relaunch	Ongoing
Digital marketing	The goal is to increase investment in this channel given the good visibility of the brand and of its main shareholder	Ongoing.
Collaborations/licenses	The Group will further explore collaborations and licenses in order to position the brand and generate visibility and profits	Ongoing.

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