# Moncler S.p.A.

## "Full Year 2022 Financial Results Conference Call"

## Tuesday, February 28, 2023, 6:00 PM CET


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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler Full Year 2022 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Elena Mariani, Strategic Planning and Investor Relations Director of Moncler. Please go ahead, madam.

ELENA MARIANI: Good evening, everybody, and thank you for joining our call today on Moncler's full year 2022 financial results. As usual, let me introduce you to the speakers of today's call, Mr. Remo Ruffini, Moncler Group's Chairman and CEO, Roberto Eggs, Chief Business Strategy and Global Market Officer, Luciano Santel, Chief Corporate and Supply Officer, Gino Fisanotti, Moncler Chief Brand Officer.

Before starting, I need to remind you that this presentation may contain certain statements that are neither reported financial results nor other historical information. Any forward-looking statements are based on the Group current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause results to differ even materially from those expressed in or implied by these statements, many of which are beyond the ability of the group to control or estimate. Finally, I remind you that the press has been invited to participate to this conference in a listen-only mode.

Let me now hand over to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI: Good evening, everyone, and thank you for attending our call tonight. Let me start by saying that I am extremely proud of the great results we achieved in 2022. The Group reached €2.6 billion of revenues, an EBIT margin of 29.8% and a net income of over €600 million. In the fourth quarter alone, our group sales reached over €1 billion, up 19% at constant currencies, accelerating versus the third quarter. All of this was achieved in a very difficult and complex operating environment, which makes our results even more extraordinary. But this is not just about numbers.

2022 has been a year full of achievements and key milestones for our two brands. It was the year of Moncler 70th anniversary and Stone Island 40th anniversary, during which we celebrated the history of our brands in an exceptional way, with results going beyond our expectations.

At Moncler, we just started empowering all the 3 dimensions of the brand: Collection, Genius and Grenoble, with clear brand initiatives reinforcing their respective DNAs and identities. Stone Island is progressing in a way that will allow it to express its full potential. We are working to build a DTC business model and culture. And this year, we internalized the management of some markets and the logistics into a single Group hub. We also launched a new store concept, a key milestone in the development of the distribution network.

Sustainability continues to be a key pillar in our strategy. Among many achievements, in 2022 the Group was confirmed as first in the sector in Dow Jones Sustainability Indices, World and Europe, for the fourth year in a row. I am proud to see our sustainability culture spreading more and more in the whole Group, but we know that more needs to be done to keep up with the challenges the world is facing.

Now – as always in Moncler we celebrate our past achievements, but above all, we plan and think about the future. So moving into 2023, the macro context remains complex and unpredictable. Uncertainties are very high, but now that we are used to live in a 'never-normal world', we are once again ready to pick up the challenge, with energy and passion. We are keeping an agile and flexible organization and mindset to face these uncertainties, and we are confident that the strength of our brands, our clear long-term strategy and our dynamic execution will allow us to remain on a very solid growth path.

Thank you very much, and let me now leave the floor to Gino, Roberto and Luciano for more comments on our results. Thank you.

GINO FISANOTTI: Okay. Hello everyone. Good night. Good afternoon. I think if we go to probably Slide #4, just to start. We will start talking about the brand. I think as Mr. Ruffini just mentioned, this year but especially Q4 have been a great example of our renewed brand offense in place across the different dimensions of the brand. I want to start just mentioning a bit of the 70th anniversary. As a quick reminder, this was a 70-day execution to celebrate the 70 years of the Moncler brand that started with kind of an incredible event at Duomo that took place 3 days before the last quarter started and we have seen incredible results – from day one, from that incredible event with over 18,000 people in the streets of Milano, all the way down to all the different work we have done across, I would say, a proper end-to-end approach from product to retail to digital, to different services and benefits, all around and all connected around the 70th anniversary.

We were able to reach over 15 billion people in the 70 days, something that has been unprecedented for us and, more importantly, had an engagement of around 725 million people. And this, of course, generated a lot of brand energy, we believe. Strong results that we will see in a second across all the different access points to the brand. So that's the first comment around the 70th anniversary. Then, as we mentioned before, continuing with the key pillars of the brand in the next slide, we talk about the reboot of Moncler Grenoble. This is something we discussed before, I think we definitely went back or we are going back to the slopes. We are back to where everything started and where we belong to.

This time we introduced our new high-performance collection in December and this was not only introducing a collection into the market, but at the same time we were able to go back and execute and become a visible brand in key centers around the globe. We can mention St Moritz, Courchevel, Niseko, Aspen as a few examples of that. And on top of that, we had some very strong CRM clienteling executions around Crans-Montana as well. And this gives us the opportunity again to confirm our desire to be an extremely relevant brand when we'll start talking about winter sports and the role of winter within the brand.

If we go to the next page, we are just coming back from a very special week with Genius in London. We will spend more time probably in the next quarter to talk about that. But I want to remind everyone that in the last 90 days we were able to launch Palm Angels including a top collaboration featuring Naomi Campbell, the latest Alyx Genius collaboration with Matthew Williams, and a collaboration with HYKE. And then, as I mentioned, in the last 20 days we have been very vocal about what just happened in London that we will talk about later on.

If we go into the next page, I think the other aspect that we have been discussing in the past 10 months since the Capital Markets Day was our intention to start building a footwear business model. And I have to share with you that – despite this is on a very small base and that we are trying to make sure that we build a solid business here – we are pleased to see the results we are getting on the launch of the Trailgrip family. Especially the Trailgrip GTX footwear, which was the most successful footwear launch in the history of Moncler. This was the first time we have pleasantly seen even design awards coming from media like Complex or Techunter that were recognizing the product there. And we believe that we have other products that are coming down the line that are super strong, including the Gaia Pocket Mid that we believe has the whole DNA of the brand in that design.

Then, last but not least, I think this is something we mentioned before, when we were talking about Genius collections, everything we do on footwear is on the basis of Moncler footwear pieces, which allow us to have an extra dimension and extra depth in terms of design in our footwear.

If we move on to Page #8, and we are getting more into the business side, I will just comment a bit on the results around direct online, as we discussed within the last quarters, we are very clear on the areas we really want to focus our attention, when we talk about our own online business. The first one is about the login era, and how we want to make sure that we have a strong relationship with our customers in terms of who signs up and have an ongoing relationship with us, we are seeing a good result in terms of all the efforts, in terms of benefits and services that we are providing to our .com. And that's why you see a growth of 140% year-on-year. In terms of membership on .com, traffic, was up 17% for the entire year with a big push during the 70th anniversary. And then about revenue of moncler.com that was up 72% year-on-year.

Last but not least, in October we presented the formal launch of TMALL. We started with a soft launch in June, but October with the beginning of the 70th anniversary was the formal launch. And again, despite TMALL revenues surpassed expectations, I think it is important for us to remind everyone that we are not leveraging TMALL as a source of revenue. We are leveraging TMALL as a source of access point to the brand, especially for Tier 2, 3, and 4 markets in China, which is delivering on that promise. So I think it is important for us to highlight.

That is all for me, and I will leave the floor to Roberto.

ROBERTO EGGS: Thank you, Gino. We are on Slide #9. I would like to drive you through the results of Moncler revenues by geography. I would like to draw your attention also when you are looking at the growth, not only to look at it compared to 2021, but each time also to have a look at the growth or the quarter versus FY19, and you will notice that in each single region, we have been accelerating in the last quarter compared to the 2019 results. In total, we reached, and we surpassed, for the first time the €2.2 billion with +19% versus 2021, which is +36% versus 2019. Q4 recorded +16% versus 2021 and +52% versus 2019 in sequential acceleration in all region.

Asia, that for us includes APAC, Japan and Korea, grew +14% in 2022 versus 2021, Q4 reached +12%. If you make the comparison with 2019, you see that the last quarter at +56% is in acceleration compared to the FY result at +45%.

Europe grew in all regions double-digit. The growth was mainly driven by Italy, France, Germany, but also Switzerland, Benelux, and Spain, where we opened a store in Madrid, at the end of 2022. The growth has been a +30% for the quarter, +29% for the FY. And here also the last quarter was in acceleration compared to 2019 with the +52% compared to a FY at +27% versus 2019.

Finally, Americas at +5% for the last quarter and +12% for the FY versus 2021. Here also the last quarter was at +38% versus 2019, so an improvement versus the +35% on a FY results.

If we look at Chart #10 revenues by channel you will see that we reached €429.8 million totally for the FY in terms of wholesale sales, which is a +6%. In the quarter was a +1%, you probably remember that the last quarter for Moncler is usually a small quarter for the wholesale representing roughly 16% to 17% of the total sales. The sales of the DTC channel reached €869 million, which is a +18% compared to 2021 and for FY at +22%. Here also, you see that there is an acceleration in Q4 versus 2019, which is at +55% compared to the FY at +43%.

Let's move to Stone Island results with a focus on the activity of the last quarter, when we celebrated the 40th anniversary. Gino talked about the 70th anniversary for Moncler. We had also the 40th anniversary for Stone Island. This was celebrated by and reinterpretation of the iconic Tela Stella and we concluded the celebration with a big event in Miami during Art Basel, this was an opportunity to connect with the Stone Island families, the friends, and the communities in Miami.

It was also an important quarter because among the milestones that we wanted to reach for 2022 there was the development of a new store format, which is the key element of the new retail strategy for Stone Island, this was developed by Rem Koolhaas' OMA/AMO design studio based in Amsterdam, successfully open at the end of the year with already the different format implemented in the store of Chicago opened in December and the corner in Seoul Galleria.

If we move to Chart #12, with the Stone Island revenues by geography, you will notice that for the first time, we reached the € 400m mark for the total business of Stone Island. And looking at the result by geography, we had +21% for the Brand, with a strong double-digit growth in Europe, in the main countries, Italy, UK, Germany and France, which was at +16% for the

FY. Triple-digit growth on the quarter and the FY for Asia, you remember that we transformed the business model that we had in Korea in January 2022 and then during the summer, there was also the conversion of the business in Japan from wholesale to retail. This clearly helped the growth for the region, but even without the transformation, it will have been a double-digit growth. Finally, the Americas with a +13%, and +34% for the FY.

If we move to Chart #13. Looking at the results by channel, the retail channel is not yet the largest channel, the wholesale is the largest one. But if we just look at the last part of the year, for the first time, the retail channel was representing more than the wholesale with €57.6 million and +95%, which is what has been driving the growth of the business, while the wholesale part grew at +8% in Q4 and +7% in FY, clearly impacted by the conversion of Japan and Korea, where you see the results that have been positively impacting the result of the retail channel.

To conclude on Chart #14: on the total number of stores, you know that we like, especially in Moncler, to open stores during the last part of the year with our fall/winter collection. So in total, we have 251 stores for Moncler and 72 for Stone Island. The big changes occurred in Q4 for Moncler were 9 openings. Amongst them, the new store in Miami Design District, the opening in China with Shanghai Swire and Chengdu SKP and we opened also one strong store in Seoul Galleria and one store in Japan in Niigata Isetan to mention the main openings. For Stone Island, I just mentioned the opening of Chicago with the new store format that we are going to roll out during 2023.

Just some images to highlight what we mean by openings, you see on Chart #15, the Chengdu SKP opening. With a concept that is going to be renewed on a symmetrical basis. So to give more strength to the concept, you see also the new concept in Miami District to a store that is developed on 2 selling floors.

And finally on Chart #17, the new store concept for Stone Island in Chicago, which is a very modular concept where you can move and rearrange the store itself also to accommodate events and create and animate for the communities, we are very cherishing.

I will leave the floor to Luciano for the group income statement. Thank you.

LUCIANO SANTEL: Okay. Thank you, Roberto. Hi everybody, and thank you for attending our call today. Okay, we are now at Page 18, where we report our Group income statement. We report the comparison with the fiscal year 2021, but just to remind you: in fiscal year 2021 we consolidated Stone Island starting from April 1st. So the comparison between 2022 and 2021 is not totally meaningful. Anyway, talking about fiscal year 2022, we reported a very strong set of results. Not only a very strong top-line already commented by Roberto, but also a very good operating profitability that barely touched the 30% margin notwithstanding the difficulties we faced in Q2 and Q4 in China, which is a very important market for our business.

Also, a very good net result. Thanks also to the tax benefit of €92 million. We already discussed about this at end of the first half of 2022, this is due to the tax evaluation of Stone Island trademark with a tax benefit, that was entirely reported in the fiscal year 2022 numbers, of €92 million. So at the end, very good net result of over €600 million.

Okay, let's go now to the next page, Page 19, where we report net Capex of €167 million, not equally, but almost equally distributed between retail network, and infrastructure. Important to highlight that within infrastructure, of course, we report information technology, logistics, and production. And something important that happened in 2022 was the construction of a production factory in Romania in the same area where we already had, and we still have, our production facility. Now, we built a second building, that is already up and running, and we plan to double over the next 2 years our production capacity in that facility. For 2023, we still expect capex in the region of 6% of our revenues.

Let's go now at Page 20 where we report the net working capital. Honestly still very healthy net working capital, thanks to very strong credit control and very efficient inventory management, so nothing to add.

Next page, net financial position, we ended up with €818 million net cash after a distribution of dividends for €161 million, share buyback, implemented exactly one year ago, for €48 million. And the upfront tax payment due to the evaluation of the Stone Island trademark, I told you before, for €124 million. Something important we want to highlight that is planned to happen over the next couple of months is the distribution of dividends, the Board has approved today to submit to the Shareholder Meeting, a proposal of €1.12 per share. Last year was €0.60. So we decided to propose a distribution of double the dividend per share, for a total cash out of about €300 million.

Next page, Page 22. We report the balance sheet statement. Honestly, nothing to comment unless you have questions. And Page 22, we report the cash flow statement. A cash flow statement of course is the recap of all the economic and financial events. As I told you before, something important I want to highlight is the line in change in other assets, liabilities that is deeply negative, because it includes the tax assets associated with the revaluation of the Stone Island trademark equal to €216 million. Again, €216 million is the tax asset over the next 5-years and €124 million is the upfront tax payment paid in June 2022, and the net benefit is the different for €92 million that is reported in the taxes. Nothing to add, but again, happy to answer your questions, also on this slide, if any.

Last but not least, a slide reporting our sustainability activity during 2022 and the key results of that year. Two points I want to highlight, the bullet Point #3 and #4, which express our commitment on the circular economy. Now in 2022, almost 20% of nylon and polyester utilized in our production came from recycled materials. And we plan for this year, 2023 to double this percentage, and so to touch or to barely touch 40%. And the second point is associated with nylon scraps: 100% of nylon scraps in our production cycle has been recycled, giving them a second life.

So thank you, we ready to answer your questions. Thank you.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove your question, please press "*" and "2." Please pick up the receiver when asking questions.

The first question comes from Edouard Aubin of Morgan Stanley.

EDOUARD AUBIN: Yes, good evening guys. Thank you for taking my questions. So 3 questions from me. So, the year ended better than expected by the market in terms of top line, if you could please comment on how the 2023 started, obviously particularly in China but I would be curious to know about the U.S., Europe and markets like Korea, which obviously quite important for you guys. So that's Question #1?

Question #2, which is related. So you had a nice top line beat in Q4 versus market expectation. The flow through in terms of the operating margin was a little bit more limited. You had an EBIT margin compression in H2 versus same time last year of about 250 basis points, if I calculated correctly. So if you could come back on what draw the compression to what extent is related to the spending related to the 70th anniversary. I saw that your marketing spending for the FY was down, but what about H2 and what about the around 30% mark you are kind of targeting in the medium term?

And last question on the U.S., which you have been historically under penetrated in this market at the CMD last year. You indicated that, you wanted to increase a bit your share in that market: around 20%, if I remember correctly by 2024. So far the under penetration has remained around the same level of 2016, partially because you are doing so well obviously in Asia and Europe. But also because you are underperforming some of your peers over the past 3-years in the U.S., market. So if you could come back on why the underperformance and how you see the U.S., market going forward? Thank you.

ROBERTO EGGS: This is Roberto. Hi Edouard. Thank you for the question. I will start with the start of the year and current trading so far. The year started very well, I think we had a very strong brand momentum that is extremely solid. We have been growing in all the region. As you asked for some details on the different region, I will start with EMEA, because it is probably where we are expecting much better than foreseen, very solid demand both from the locals and from the tourists. I'm saying here tourist and meaning mainly still Americans that are coming and these are explaining also a little bit the lower performance that you see in the U.S. But the Americans are growing double-digits, still very strong in January this year, a little bit less in February, but still far above the level we have seen pre-COVID in 2019.

The other cluster that is working extremely well in terms of tourists in Europe is Koreans. Koreans are really, really strong. They are also at a level that is higher than the one we had pre-COVID. Still limited amount of Chinese coming to Europe, but we are expecting them to come more in the second half of the year. They are starting to travel, but they are more traveling to Macau, to Hainan and to Hong Kong.

Americas again, if you look just at the result of the region, you have a +5% in Q4, but if you include the sales to Americans outside of the Americas, mainly Europe. It is a good double-digit growth that we have seen for Americans.

Japan and Korea saw a strong start of the year for both nationality they continue to grow double-digits. And let's say the good positive surprise is that China, as you can imagine, and answering a little bit also your question on Q4. China was a little bit fluctuating, when looking at the result of the first quarter. We had a very good month of October with golden week that was good, then restrictions. So we had some closure in November, and I think the team managed to do extremely well in December, despite the fact that was a spread of the virus where we had more than 90% of our people infected, but we had a stronger acceleration in December last year that we continue to have in January and February. January was helped by the fact that this year there was the Chinese New Year that is only positive impacting the month of Jan while last year it was also impacting the start of February. But you know, we always look at the results 2 weeks before and 1 week after the Chinese New Year and the impact is really positive and it was growing both before and after the Chinese New Year with a very strong base of strong comparison base.

So I think is showing that, there is a strong brand momentum and desirability around the brand that is also perceived and still very alive with the Chinese consumer. And as I mentioned, Macau, Hainan and Hong Kong are growing very well since the beginning of the year, when we start seeing the first travelers from China, now that the restriction have been alleviated, but it will take a little bit more time to see them coming to Japan, Korea, and Europe.

LUCIANO SANTEL: Okay. Thank you for your question about the profitability. Profitability second half was slightly lower than last year. First of all, what I said before, the comparison between the 2 fiscal years is not totally meaningful because the consolidation is not comparable 100%. But in any event, of course you are right. I mean, we spent more in marketing this year than last year in the second half due to a shift of marketing budget from H1 to H2.

And the second point that is quite important is that our business in Q4 has suffered significantly by the COVID restrictions in China and the lockdown between mid-October and November. So that period, those 6 weeks, affected our business and unfortunately a little bit our profitability, because at the end we are talking about honestly, a small difference between last year and this year.

ROBERTO EGGS: I think, yes on the U.S. market, I already gave some color by saying that we were trading at +5% in Q4, and overall positive on the American cluster, the same for the start of the year. If I look at the American cluster, it is also a growth in the double-digits still with some of the let's say consumption done by Americans, especially in January, done outside U.S., especially in Europe.

OPERATOR: The next question is from Chiara Battistini of JP Morgan.

CHIARA BATTISTINI: Good evening. Thank you for taking my questions. Firstly, if I can come back on China, firstly a clarification on Q4. You mentioned that in December you managed to accelerate despite the fact that the staff was actually sick. So I was just wondering if you could expand on the actions that you actually took to continue to engage with the consumer despite indeed the population's been sick and the staff been sick, and your peers not being able to deliver this. And then on the current trading comment, you just mentioned performance in China before and after the Chinese New Year. Just to confirm, we were talking about single-digit growth or maybe better trends than that?

My second question on your pricing actions for this year that you are planning, if you could remind us how you are thinking about pricing for 2023, maybe splitting by regions if possible. And if you could remind us of what you have done already in 2022, when analyzing in 2023 as well?

And finally, maybe not beyond the current trading, if I could ask you how you are thinking about your Western consumer, your North American consumer and European consumer as you go into 2023. And possibly that's related also to my question on pricing, but what you are embedding in terms of expectations on the development of your domestic European consumer especially. Thank you.

ROBERTO EGGS: Thank you for the question Chiara. Just on China, let me explain maybe in more details the way we have seen the end of the year. So, in Moncler, we usually plan for a strong Q4. So, we recruit people, we train people starting from the summer to have them operational on the floor since the month of September. So I think the team was extremely well prepared. This is why we had this very good start of October with the golden week. Then with the lockdowns clearly, we suffered, as Luciano said, for about 6-weeks. And when the restrictions were stopped, I think we have seen a rate of contamination at a speed that was unseen in the other region. And I think this is something probably that is valid for our peers, 90% of the retail population was in fact infected, but they had a very light version of COVID, so usually people were staying home for 4 to 5 days. And because we anticipated the recruitment and the training, the people were able to operate our stores in December almost normally. This is explaining the very good performance that we had in the month of December, that partially compensated, the performance of the month of November. Now the full team is operative since the start of Jan, so basically, in one month time the issue was solved and we were back at our best. January started very well for China. And to answer your specific question on the Chinese New Year, I was talking about double-digit growth before and after.

Regarding the pricing strategy, what we have already implemented this year since the start of the fall/winter is the +10% price increase. We haven't seen a negative effect as you can see from the results. So, this has been in a way well accepted by consumers probably because talking about inflation, I would say, they are all used to have this type of price increase. And we continued with the spring/summer that we started to sell at the end of November beginning of December with this +10% and is also what we are planning, but it is still to be confirmed for the fall/winter that will be starting to sell in June/July this year. This is to cover the increased cost that we have in production and it is not something that is planned to have additional margin.

Regarding the differentiation that we have amongst the regions, I think we mentioned something during the last call, we had a slightly higher increase in Europe, slightly lower in China and in U.S., in order to come back for the fall/winter season starting from June/July, to a price differential that is similar to the one we had pre-COVID.

OPERATOR: The next question is from Thomas Chauvet of Citi.

THOMAS CHAUVET: Good evening, thanks for taking my questions. The first one, on your plus 15% retail, like-for-like in 2022, how would you split this number between volume price and mix, and is it fair to assume for the fourth quarter something like low-teens retail like-for-like, which is a pretty strong number?

Secondly, after Q3, you commented that some of the more classic higher price points in outerwear were outperforming, are you seeing some weakness, at least relative weakness, in the more entry level price points, whether from jackets or sneakers with your younger clientele in markets like the U.S. and Europe? And can you talk about the initiatives you are taking to push perhaps further brand innovation towards a more classic higher-end offering in jackets?

And finally, on Stone Island and the priorities. If I understood correctly, at the end of last year, you said 2022 and 2023 would be years focused on the takeover of distribution, the new store concept, improving the retail ceremony… Is it fair to assume that, it is only next year that you will perhaps make more important changes to the product or the communication? And could you, Roberto, perhaps remind us the key markets you will take over this year and roughly the size in terms of wholesale sales as you did for Japan and Korea for instance, last year? Thank you.

ROBERTO EGGS: Thank you for the question. Let me start with the growth like-for-like and how much is driven by volumes and by price. Usually, we have on a normal year 80% driven by volumes and 20% driven by price. Clearly, with this +10% that we implemented since mid of this year, this is something that is clearly more balanced this year and the strong part of the growth has been coming from price effect. This is something that we think will be normalized in 2024, but there will be still strong push that driven by the price increase this year.

For the price brand elevation, I will leave it to Gino, but just on the Stone Island priority, just to conclude. Yes, clearly, 2022 has been a strong year of change of the business model, where we have started to take the ownership on the most important markets, starting at the start of 2022 by Korea and during the summer, we took over UK and Japan. It is still a work in progress, it is something that is not finalized. Yes, we have put in place all the system, the IT support, the management tools. We have been launching the retail excellence in this three regions, I would say successfully, but I'm not completely happy yet on the final result. We are now working also for the step-up, which is the omni-channel excellence, so really leveraging what we are doing online together with what we are doing on the retail side in a much more integrated way.

We have been working, maybe it is less visible from the outside, but I think that our wholesalers have seen also the clarity that has been brought to the different collection, the 3 dimensions. We have also three sub collections in Stone Island: Marina, Stellina and Ghost, with the main collection. I think we have clarified the identity of this collection. And this has been well received by our wholesale accounts and clearly by our internal team.

For 2023, the focus will be really to make the machine that we have put in place work. Again, we have been summarizing in 2 years, with the change of culture, something that has been taking 3 to 4 years in Moncler. So we want this year, we need to have the machine that should be really performing before moving to the next step in terms also of communication.

GINO FISANOTTI: Once again, thank you for the question. Just to wrap up the comments from Roberto regarding brand elevation. To be honest, we haven't experienced any downside, neither at the lower price range product or with the young customer. I will say that for us, especially if we think about Q4, between everything we have done around our iconic product on 70th anniversary, leveraging our Maya jacket or even all the way down to footwear, I will say that we have seen the opposite. We have seen bigger acquisition into even new customers across both retail and digital, and sometimes even new customers who came to buy specific items were completely new customers. So, I think for us, have been all about adding brand meaning and value to the product and to the proposition we have. So in a nutshell, we haven't seen that in Q4 or even the beginning of this year.

ELENA MARIANI: And, Thomas, this is Elena. And just to follow up on one of your questions, when it comes to the impact from the conversions, one thing that I can mention is that excluding these conversions from wholesale and DTC, growth would've been double-digit both in wholesale and in DTC in FY 2022 and also in Q4.

THOMAS CHAUVET: Okay. Any markets you will take over this year that would be meaningful at Stone Island?

ROBERTO EGGS: I think, we have been taking over the most important markets. The last one, China, we leave the best for the last, but also because we are planning now to go and visit the market, I think we want to have all the rest of the machine completely working and we have planned an important tour of China, and this is planned for the start of 2024.

THOMAS CHAUVET: Okay. Well thank you and all the best for the year ahead.

ROBERTO EGGS: Thank you.

OPERATOR: The next question is from Antoine Riou of Societe Generale.

ANTOINE RIOU: Good evening everyone. My first question is on sell density. Can you update us on what level you reached at end 2022? And is it fair to assume for 2023, given you don't have any more COVID restrictions in any market that you could eventually come out above the 2019 levels, and how confident and what timing do you see to reach the €40,000 per square meter that you mentioned at the Capital Markets Day? So that's my first question.

My second question on the non-outerwear categories, so shoes and knitwear, can you remind us and tell us what levels you reached as a percentage of sales in 2022. You used to be around 25%. Has that been rising given the success you did mention in footwear, and what do you expect for 2023? Do you expect footwear and knitwear to outgrow the rest?

My last question is on the Stone Island margin, EBIT margin. You used to say that a fair level was 27% to 28%, and the objective was to maintain it at 27% to 28%. Are you still comfortable to maintain this level in 2023 even if you seem to be really ahead with the sort of retailization of the business and given the sell density for the Stone Island stores must not be as high as the one you do have at Moncler. Thanks.

ROBERTO EGGS: Antoine thank you for the question. On the sales density, if you remember, well, last year, we mentioned that we reached €31,400 per square meter. This year, of course, we increased the average size of our stores with the new format that are slightly bigger than the one we had in the past. And we reach €34,200, which is +9%, which is in my view very good performance taking into account the current context. Now reaching the performance of 2019, as we mentioned is doable when there would be no more restriction, but when we have also the Asian travelers traveling back in a normal way, which is yet not the case, at least not in Europe, not in Japan, not in Korea. So I think we will see, if we will see a normalization of the travelers in the second half of the year. I think we can, for the last quarter of the year, probably plan something that is close to what we had in 2019. But this will depend on the ability of Chinese to travel around the world.

Regarding the €40,000, we said it is not a target, but more let's say an ambition that we have, that we would like to achieve. And we are working very hard on this. So in the mid to long-term I think is something that we are aiming to achieve. But we need to find really a world that is back to normal for this.

GINO FISANOTTI: Antoine, regarding knitwear in other countries. I will say that this is something that keeps growing, of course, at the pace of the growth of the company and what we saw today. I think it is important for us to keep growing in different countries in terms of becoming a more all-year-around brand and something that we already discussed before, and this is across the 3 different dimensions of the brand.

Regarding footwear, I will say that footwear sales were double-digit in Q4 and in the second half of the year, remember that the introduction of our new footwear concepts have been in September. So, we are really much at the early stages, but we are happy with the pipeline of the products we have for the next fiscal year and after that. So for us, it is more about keep tracking not only on the offense we discussed, but even on the midterm ambition that we present at our Capital Market Day. We are on track towards that.

LUCIANO SANTEL: Okay. This is Luciano, Antoine, and about your question about operating margin for Stone Island. Yes we have this percentage in mind that is what you said about 27%, but just to make it clear: Stone Island is a very precious brand, very precious machine, and the way we try to drive this precious machine not only targeting and being obsessed by the operating margin, but being totally aware that we want to make this brand stronger and stronger.

And so we are more looking at what Roberto said. First of all, this year we will be 100% focused on organic growth to make all the internalization of the markets and the conversion from wholesale to retail on these markets working, introducing and developing the retail culture. That is what we will make at the end to improve our profitability. So again, your assumption is reasonable. But again, I want you to understand what our strategy is, more than ever, very qualitative in developing this kind of retail culture that will allow us to achieve better results.

ANTOINE RIOU: Thanks.

OPERATOR: The next question is from Anne-Laure Bismuth of HSBC. Ms. Bismuth, your line is open madam.

ANNE-LAURE BISMUTH: Yes. Good evening. I have 3 questions, please. The first one is regarding the marketing expenditure. So should we expect the marketing to sales ratio getting closer to 7% in FY 2023?.

My second question is about the store opening pipeline for this year. So should we expect probably the same number of openings and same contribution from new space in 2023 than in 2022?

And finally, coming back on the performance in China, would it be possible to quantify what was the performance in China in Q4? Some of your peers were mentioning a performance that was down 23% to 24%, was it stronger for Moncler? Thank you very much.

GINO FISANOTTI: Thank you very much again for the question. I think quick one regarding marketing spending. I think we will still remain around the 7% for the entire year, as we always have been shown in the past few years. So that's the plan. I think what you are seeing from us is probably a very precise focus on the areas we really want to invest on based on the strategy we present last year, and the 3 dimensions that Mr. Ruffini mentioned at the beginning of the call.

ROBERTO EGGS: Good evening, Anne-Laure. Regarding the store opening pipeline, we are going to open a similar number of stores of the one we had this year, so around 15 stores, is what we have secured for the Moncler for the time being. We continue to work on it, already also for some openings for 2024. Clearly focusing also on the flagship and the most important cities. We have also planned some important relocation. For example, in Zurich and Vienna, but also some key openings in China with the Beijing China World and with the Shanghai Plaza 66, where we have got ground floor location. So this is going to be the focus for the year. For the FY, we expect selling space that will go at mid to high single-digits, as we usually give as a guidance also during the Capital Markets Day, this is also valid for 2023.

Regarding Stone Island, the number of stores we are going to open is more in the range of mid-single-digit. So really the focus will be also on transformation of some of the location that we have and implementation of the new concept.

Regarding your question on China, our results overall with good start of the month of October, the lockdown in November and the restart in December, the overall result for China for us has been flattish in Q4, and positive for the year.

OPERATOR: The next question is from Louise Singlehurst of Goldman Sachs.

LOUISE SINGLEHURST: Hi good evening everyone. Thanks for taking my questions. That is a very impressive result for China. And broadly, you must be delighted with the performance at the end of the year. I wonder if you can just help us thinking about the customer base. Presumably, you are getting a very nice uptick in new customers to the brand, particularly with all the 70th anniversary engagement activities toward the end of the year. Can you just talk about the mix of existing customers and new. I know historically, Roberto, you have kind of given us some indications around that, the repeat purchase being very strong and the loyal customer base growing. And I'm just trying to think about that as we consider the benefits of the genius and the relaunch into 2023.

And then secondly, just following up on the margin comments that you have already made, thinking about the positives and the headwinds, I suppose on the positives we have got pricing, China recovery, but then we have also got the engagement activities and the marketing. Are we fair to assume that we will see this plan at this early stage of the year and a growth in the margins this year? Thank you.

ROBERTO EGGS: Hi, Louise. Thank you for your question on the clientele: really our priority in the company. I think there are 2 things we are cherishing: one is the brand, the second one are the clients. The results of the full year have been driven both by good rate of recruitment, where we had new clients above 60%. So in line with what we have had in the other years, slightly younger consumer that has been accessing to the brand. Also, thanks to all the activities that we have been generating in 2022, around the 70th anniversary.

And regarding the loyalty, we continue to increase the loyalty rate. This has been driven partially by the fact that, due to COVID, our team has been able to focus much more on the local clients, so we continue, and this is going to be one of the focus for 2023: to do not lose all the work that has been done in this past few years with the loyal clientele, while of course, welcoming all the opportunities that we will have, thanks to the travelers that will come, especially from Asia to Europe and to the U.S. So capitalize on what we have learned and what we have been doing successfully. Also, on the new ways of selling: more than 20% of the sales are distance sales, omni-channel sales, clienteling activities. And this is something that is starting also for Stone Island. All these are clienteling activities very strongly now. We know better our consumer. We now adapted to Stone Island that is starting to work too, and we hope that we will start seeing the benefit of it.

GINO FISANOTTI: One thing to add to Roberto's point. I think, we are seeing current and new customers connected to the brand. I truly believe that the way we are approaching the different dimensions of the brand with a very clear customer target in mind is working for us. I think this is allowing us to reach and engage in a more meaningful way our customers. And, last but not least, to reinforce what Roberto was saying, I think we are seeing this effect in different ways, but the idea is of going omni-channel where digital is playing a critical role, even to engage with new communities as well, is very important. So, the answer of course to your question is, yes, we are seeing that. I think, the idea of having a more precise approach to different customer base is helping us to reach out to new and more customers.

LUCIANO SANTEL: Okay, about margins, Louise, first of all a clarification: our pricing strategy and decision to increase the prices in 2023 is totally due to the production cost increase. So there is no margin effect coming from the price increase in 2023 as well as in H2 2022.

About China. China is, of course, a big question mark. I mean, you may be right. I hope you are right, that, China will be a nice surprise, but the problem is that right now we don't know. Just to remind you and to remind everyone that only in mid-October, we were extremely excited by the results in China, right after the event we ran in Milan the 70th anniversary because business started literally to take off. And then for 6 weeks, business was totally down because traffic was down due to COVID restrictions. And I mean, we are totally aware that we live in a very uncertain world, and so we have to plan our business being aware of this situation.

And so, we hope that China may be a good surprise in 2023, but honestly, I can't right now tell you that we plan for this possible upside not at all. Right now the way we run our business is to be, as always, very, very prudent on one side, but also very flexible and reactive on the other side, because should the market demand be higher and better than what we planned, we now have the capability to react and to meet the market demand.

Margins. Right now we don't plan any higher margin than 2022. Also because operating margin in the region of 30%, as we said, is already a good operating margin. We are not obsessed by increasing the margin, but we want to protect that margin for many, many years. And so, whatever, may be the upside we are totally aware that we have to keep investing in our brands, both of them, in product design, marketing, and in organization and infrastructure, because strategy is very important. But execution is important as well, and in order to execute the strategy, you need some talented people. So long story short we don't know about margins, our ambition is still the 30%, as you know very well. Honestly, we don't aim to do more.

LOUISE SINGLEHURST: Thank you.

OPERATOR: The next question is from Luca Solca of Bernstein.

LUCA SOLCA: Yes, good evening. My first question is on Stone Island. You presented Stone Island as the Moncler of 10 years ago. It seems to me that, in order to fulfill this mission, it has to become very strong in both international appeal and retail execution. You mentioned the development of retail culture at Stone Island. I wonder where you stand on that front. And what is the retail space productivity in terms of sales per square meter gap between Stone Island and Moncler at this point?

A broader question is on the apparent shift that we are seeing in the market. If we have to take note from what was presented at the Milan Fashion Week, with a sense that many of the top brands are veering towards more of a timeless and demure approach. I think Gucci changing designers, the fashion show that Prada staged and so on. And also the sense that some of the best-selling products that we had seen in the market recently like sneakers would seem to be losing some of their shine. I wonder what the strategic impact for Moncler would be from all this, both in terms of brand equity and in terms of product offer.

And talking about product offer, my third question is about the branching out of the Moncler brand into other product categories. My impression is that so far irrespective of the percent of sales that come from knit wear or footwear, these product categories are tagging along, sales of down jackets and they are not attracting traffic in their end. But I wonder if I'm wrong. And if indeed, you have some home run successes of a note that you could potentially mention and that you are starting to see consumers coming to the Moncler stores to buy the Moncler shoes, for example, or any of the other products that are not in the core of your DNA like jackets? Thank you very much indeed.

ROBERTO EGGS: Good evening, Luca, it's Roberto speaking. Regarding Stone Island, yes, what we launched is a very broad project. Again, as a reminder, what we started to implement is about changing the culture: is not only about the people, the change of mentality, not only about putting the right tools in hands, but training them. It is also a matter of different sequence in terms of how we bring product to the stores, what is the animation we are going to bring to the stores, what are the different drops. So it is a full set. It is a full ecosystem that we are putting in place to really start activating this brand as more of a D2C brand.

The changes we have put there in place, changing some managers, putting people with the right attitude, people able to animate and creating communities in the store is something of a very large magnitude. So I think we are not yet ready to share figures regarding sales density. The aim that we have on the long run is to get as close as possible to Moncler, but we are not there yet, because we have still some elements that we need to put in place one of these being also the omni-channel. So linking what we are doing online, what we do in the stores in a seamless way, there is still a lot of effort in training to be put in place.

I was mentioning the 3 different sub collections that we have redefined, now we need to push them in the right moment to animate those categories in the store. So, let's say the agenda for 2023 is more than full. I think, in one year time we'll be able to share more regarding the KPIs performance. I think one of the things I'm looking now is the number of actions that our client advisors in Stone Island are doing on the weekly basis. How many clients are we able to get the data from, and we were starting from really, really far, even more far than Moncler back in 2015. And we have now a data collection that is not far already from Moncler, we are at 80% for Stone Island, which is a figure that is absolutely amazing. And this is the starting point from where we are going to start building on this.

On top the other change is what we call the "retailization" of the wholesale, because is not only a retail action, but also how can we elevate the visibility of wholesale, because still more than 60% of the business is done with the wholesale channel. We are working with the team elevating the brand positioning in the stores, finding better location when we talk about shop-in-shop, working also to have different drops in and animate the wholesale like we are doing in Moncler, but of course in the Stone Island way. So I think, the roadmap is clear for us. I think 2023 will be a year of consolidation where we will start to leverage all the investment that we have been doing in this past 2 years including all the part of the supply chain.

GINO FISANOTTI: Luca, regarding your second and third questions. I try to follow all the comments and the opinions from your end. The first thing I want to say is: I think the efforts we are trying to put together is to put the brand first, and when we talk about brand first, it is not necessarily about one item or one specific collection: we are trying to make sure that people see who we are, what we stand for and allow people to interact more with the brand. And I know this could sound very conceptual at some point, but it is true in terms of everything you have seen from 70 anniversary from piazza Duomo, to probably what you've seen or heard last week. And I think that what we are doing is making Moncler more culturally savvy and more culturally relevant, beyond a specific item or beyond a specific product.

Then, this I think is the first caveat to the third point you make about if we are seeing customers connecting with us beyond a puffer jacket. And the answer is yes. I think we mentioned this before. I think, you can see that around knitwear and around footwear. There are 2 aspects of that: 1) is that probably loyal or current customers are the ones who are adding more into their purchasing behavior with us. But more importantly, 2) we are seeing a lot of new customers as well, not only from the retail standpoint, but .com as well is helping us there. And I will say this is what we are seeing so far is on top of the existing kind of business we have on our winter more traditional product spectrum, not taken from that.

So I want to go back to the first point. I think what we are trying to do is to elevate the brand, we see that we are having a strong brand momentum, because people have a different level of connection, and they see a different cultural relevancy of the brand. I think what we can do is push for more of the traditional product that people used to buy, but people are seeing the opportunity to go beyond that because the brand is starting to mean more than before.

LUCA SOLCA: Thank you very much indeed.

OPERATOR: The next question is from Susy Tibaldi of UBS.

SUSY TIBALDI: Hi good evening, thank you. First question for Roberto, if you can give us an update on the retail KPIs such as the average transaction value, the units per transaction, the traffic that you have been seeing over the past year?

Secondly on the new Genius that you launched last week, are you...I mean, in terms of concept we have seen that you have been branching out beyond just Russian designers when it comes to the distribution is it going to be similar to what we have seen for the previous Genius chapters and maybe can you also touch on the rationale of some of the new collaborations, what type of customers you are trying to attract?

And then lastly, on wholesale, if you can comment on your order backlog and what growth we should be expecting or you expect for 2023, both for Moncler and Stone Island. Thank you.

ROBERTO EGGS: Hi, Susy, I start with the KPIs and wholesale and then give the floor to Gino for the Genius question.

Regarding the retail KPIs, I must say they are all positive on the year, we have already commented on the sales density, we had a positive space contribution linked to the 14 stores we opened, and the slightly bigger average surface which moved up to 187 square meters, which is a +3% compared to the year before. The traffic went up double-digits. The conversion went slightly down, which is normal when you increase traffic, since you lose a little bit in terms of conversion, but more in the range of low-mid single-digit. So overall, let's say the conversion rate, thanks to the higher traffic was positive. And then, we have had thanks to a strong fall/winter season and strong Q4, a good increase in terms of average selling price and average transaction value, positive too.

Regarding the wholesale, I think indication we gave during the Capital Markets Day, which is a mid-single-digit is something we are always aiming at. This always will depend on the amount of conversion that we will be able to drive. To give you some color also on the Q4 performance that we have had in wholesale Moncler: if you take into consideration the fact that we stopped completely selling to Russia. Q3 and Q4 were strong quarters for the Russian market, that for us was 70% wholesale market, since we had only one store that we were managing and that we have closed, the one in Guam. We could have had 5 percentage points more on the performance of the wholesale, so completely in line with the performance we were expecting. We had also conversions this year with Mytheresa and Luisa Via Roma that were converted into e-concessions from e-tailer model. We had also some stores that have moved from wholesale into retail like La Samaritaine in Paris that is performing really well since we took it over as a retail business. So I think the indication is there and it will depend if we are able to still continue to convert: so we plan with this mid single-digit and depending on our ability to transform the business model, it may vary a little bit, but this remains the indication that we have.

GINO FISANOTTI: Susy, thank you for your question. Regarding Genius, I think we have been expressing this for the past few months: is the opportunity for us to evolve a model that have been extremely successful for the brand. This is why last week we started talking about that we are moving from a collaboration platform - that was basically focused on fashion and luxury - to a platform of co-creation. This idea of how we can award with different entities that allow us to create something new or something that didn't exist before.

And probably I think following Moncler you heard this line multiple times, about the idea of pushing the brand beyond fashion and beyond luxury, we see also others using the same line. I think for us Genius is about how we can open ourselves and the brand to go real beyond fashion and luxury - that is a little bit of what you saw last week. For us, it is a big opportunity to inspire and invite almost a new generation of luxury customers to the brand. I think we really want to leverage the power of the brand to not only to connect, but to influence other industries.

I think we want to talk about cultural relevancy, the opportunity to have a brand who can influence other industry is very, very important, this is why you have seen us last week moving from luxury into art, entertainment, music design etcetera. We always believe in a company where creativity is very, very important. The creativity leaves at the intersection of what is possible: I think Genius is at the core of the idea of creating something new or of what we call the unexpected, so that is the intention. Of course we will talk probably in the next quarter about last week. We are extremely proud and happy of not only the results, but the way we presented this evolution of Genius to the market and we are extremely happy with the response we got so far.

I think the last comment probably here in terms of distribution, of course, working with different industries allow us not only to sustain what we have done in terms of distribution of Genius, but open up new opportunities for us, because at the very end distribution play another critical role in terms of connecting and interacting with new customers and this is everything that Genius is all about.

SUSY TIBALDI: Thank you. And sorry on the wholesale comment for the mid single-digit, this is also applied to Stone Island?

ROBERTO EGGS: In Stone Island, we are still in this transformation phase. So yes, as an indication, this is what we have broadly. But here, we are still working really to redefine the distribution. So yes, you can take it as an indication, but this may vary a little bit depending on the opportunities that we have and the way we are going to transform the business. We are still some conversions that are possible with the Stone Island business, so it will depend, but as an indication, mid single-digits.

SUSY TIBALDI: Okay. Thank you.

OPERATOR: The next question is from Charles-Louis Scotti of Kepler Cheuvreux.

CHARLES-LOUIS SCOTTI: Hi. Good evening. 3 questions from my side. The first one, some of your competitors are pointing out moderation of demand from younger customers, especially below 30, as well as, for accessible and cheaper SKUs. Do you see this in pattern with your customer base at the moment?

Second question on the price gap between China and Europe, it seems that it is one of the highest in the industry if I'm not mistaken, how confident are you to be able to narrow the gap before H2, and what will be the risk if you are not able to do it before Chinese regime traveling fully in the second part of the year?

And third question, is there any relevant foreign exchange or hedging impact we should have in mind when forecasting your gross margin and EBIT margin for 2023? Thank you.

ROBERTO EGGS: Good evening, Charles. I think I commented, and it was also restated by Gino, that no, we have not seen a decrease in the consumer demand from younger audience, just the opposite. So I think it is probably linked to the fact that we have been able to create these communities around the brand, and to push the brand and elevating the brand and desirability of the brand. And we have seen that, especially with the Genius event the crowd that we have had in London last week was really amazing, and it was really a young crowd, the one that we want to attract to the brand.

Regarding the price gap, we have the ambition to come back to the price gap that we had pre-COVID by increasing more the prices in Europe, with the arrival of the spring/summer the price gap is already narrowed. We had higher price gap for the fall/winter, lower for the spring/summer season. So we are already now with the spring/summer not so far from what we have pre-COVID, and we want to realign the price of the next fall/winter starting from June by increasing the price more in Europe, a little bit less in China.

Now, if as you mentioned, we would have Chinese traveling to Europe before H2, they will be pleased to get prices that are even more attractive. So, I don't see that as something that is going counterproductive regarding the increase of the Chinese cluster. But what we want in all the nationalities is to increase the local demand. This is why we want to reduce the gap in order to be able to leverage and develop more of the local clientele. Clearly, if Chinese will start to travel before that in Europe, of course they are more than welcome, and it will be even more interesting for them. But this is the objective to realign with the pre-COVID figures with the June delivery with the fall/winter.

LUCIANO SANTEL: Okay. Your question about margin and our hedging activity, Just to make it clear, to make sure I understand your question: our hedging policy is aimed to neutralize any FX impact, which is by definition unpredictable. And so, we don't target any change in our gross margin based on our hedging policy. We target to protect our gross margin, at the time we implement our pricing strategy, because we normally implement the pricing activity about 6 months before we start selling the products. So in order to make sure that at the time we will sell the product, gross margin will still be what we have defined strategically 6 months before. We implement our hedging activity in all the most important currencies. So no impact on gross margin, but protection of the gross margin. But again, let me understand, if I correctly understood your question. Thank you.

CHARLES-LOUIS SCOTTI: Thank you.

OPERATOR: The next final question registered is from Flavio Cereda of Jefferies.

FLAVIO CEREDA: Thank you very much. Hi, you will be reassured to know, given the time that I actually only have one question, and it is for Luciano. Luciano, it is about work networking capital, the mix of networking capital. Now, I appreciate it is a snapshot in time, but it does show an uptick in your inventories as percentage of sales. And seems that accounts payable particularly aggressive on that one as well. Is there anything that we can, I mean, this could be read either way, can you give us a sense of how to interpret these 2 metrics in particular?  Thank you.

LUCIANO SANTEL: Thank you Flavio for your question.  The networking capital overall is very good, but you're right: inventory is significantly higher than the year before. This is due to several different factors.  One factor is that we anticipated the production of the fall/winter 2023, and so we also anticipated the acquisition of raw materials.  Second factor is due to the conversion of Stone Island business from wholesale into retail in some markets, and this implied an increase in inventory.

Last but not least: the fact that at the end of the year our finished product inventory was higher than the year before, was mostly due to the problems we discussed about before in China in Q4.  The good news is that considering the stronger business trend in all the regions, including China, a higher amount of inventory has been absorbed by the good business in January and February.  But, your point is correct, inventory is quite a higher for these reasons I told you.

FLAVIO CEREDA: And anything on the payables?

LUCIANO SANTEL: This is more a timing effect, Flavio. There are many different factors: one is associated with the fact that we opened the majority of the stores in 2022 in Q4, and many of them in December, and so part of that expenditure that is reported under CAPEX was in our payable, not paid yet.

FLAVIO CEREDA: Thank you.  Thank you all.

OPERATOR: We have another question registered this time.

ELENA MARIANI: Yes, yes.  We have time for one last question.  Thank you.

OPERATOR: Okay. Thank you, madam. It is from Piral Dadhania of Royal Bank of Canada.

PIRAL DADHANIA: Thank you, good evening. Thanks for fitting me in. So just 2 quick ones. The first one is just on the tax rate, obviously, you have a tax saving coming through this year and your tax rate has been up and down over the last years. Could you just help us understand how we should model the effective tax rate for 2023 and going forward? That was the first one.

And second one is just on the way that you are planning the business in terms of growth for 2023. So historically you know, around the time of the IPO and for a good few years after that, you always talked about mid single-digit like-for-like is how you plan the business from a conservative standpoint. The bigger you get, the faster you seem to be growing. And with 15% like-for-like delivered in 2022 and obviously 10% pricing coming through in 2023 expected. Should we expect a similar level of like-for-like growth in terms of the way that you are planning and expecting to grow in 2023, please? Thank you.

LUCIANO SANTEL: Okay. With regards to your first question: the tax rate has been very volatile for several different reasons, mostly associated with tax opportunities in some jurisdictions where we operate our business, first in Italy, and this was the case in 2019. Then in 2022 for the revaluation of the Stone Island trademark. Having said that, the 29% more or less of tax rate is our guidance for 2023 and also for the following years, unless something unknown may change. But again about 29% is the standard tax rate.

About the second question. The way we plan our business: you are totally right and you remember very well. This is the way we plan our retail business, with a mid single-digit comp, of course. I understand your point, considering the price increase, should we achieve a mid single-digit growth this would imply a decrease in volumes. And the problem is that we don't know. And the reason why we keep planning our business at mid single-digit is that exactly we don't know what the future may be. And considering that the situation in the world is still very uncertain, we prefer to be very prudent. But on the other side, as I said before, over the years, we have developed a pretty flexible and reactive supply chain that will be able to meet the market demand, if the market demand will be higher, and not only due to the price increase but also due to additional volumes.

So this is something that will allow us, hopefully, to react to the market demand. But again, the reason why we plan our business very prudently is that planning the business prudently means that we produce less products. This is something that belongs to our strategy, but even more to our sector. We don't want to run the risk to end up at the end of the season with too much inventory. We prefer to run the risk of not having enough inventory. In any event, we aim to offset those risks and to have the right amount of the inventory, and that's why we plan our supply chain in order to be ready, if the demand of the market will be higher than planned to meet that demand. I hope I answered your question.

PIRAL DADHANIA: Yes. Thank you, Luciano.

LUCIANO SANTEL: You're welcome.

ELENA MARIANI: Okay. Thank you very much, everyone for participating in this call. Let me just give you a quick reminder of the next release. Our Q1 2023 interim management statement will be released on May 4th after market close, and our quiet period will start on April 5th. Thank you again for all your questions, for any follow-ups do not hesitate to contact the IR team any time. Thank you and have a fantastic evening.