Moncler S.p.A.

"First Half 2023 Financial Results Conference Call"

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler First Half 2023 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 Mrs. Elena Mariani, Strategic Planning and Investor Relations Director of Moncler Group. Please go ahead, madam.

ELENA MARIANI: Good evening everybody, and thank you for joining our call today on Moncler Group's First Half 2023 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, Gino Fisanotti, Moncler's Chief Brand Officer, Luciano Santel, Chief Corporate and Supply 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 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 joining the Moncler Group first half results conference call. I am very proud to say that for the first time in our history, our revenues in the first half of the year exceeded €1 billion. This is a remarkable milestone achieved thanks to the contribution of all our teams, with our energy, our creativity and our hard work.

In the first 6 months of the year, Group sales rose by 24% at constant currencies, and accelerated in Q2 thanks to the DTC channel, which remains at the core of our strategy.

Looking at our operating performance, first half EBIT reached €218 million with an operating margin above 19%, and we have delivered a solid performance in all economic and financial metrics. I see a future with lots of opportunities for both our brands.

At Moncler, we are delivering on our promise to develop all the 3 dimensions of our brand, a strategy that already helped us grow by about 30% in the first part of the year. I see a great potential for Moncler Grenoble: the first full Spring/Summer collection was particularly well received and proved that Grenoble is becoming relevant all year around. Moncler Genius started a new chapter in February as a co-creation platform. With Genius, we are always looking for new ways to engage with our communities, especially the younger generations. We keep investing also in our Main Collection, and this year we have successfully launched our first ever formal summer campaign. Gino will talk more about it.

At Stone Island, Carlo and I are excited for the start of the second phase of evolution under Robert Triefus, that just arrived. We are working to increase the relevance of the brand worldwide, always remaining connected to its unique history and DNA. We are reinforcing our team and we have hired new talent, particularly in marketing and digital. It will be a journey. As you know, in our Group, we always try to do the right thing at the right time, with no shortcuts.

As a Group, we operate in a very dynamic, fast-evolving and sometimes complex environment. What is sure is that we will continue to execute our "brand-first" strategy, and invest in our organization and in our people, to enable our brands to express their full potential.

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

GINO FISANOTTI: Okay. So thank you Mr. Ruffini and hello, good afternoon to everyone. So I think, as Mr. Ruffini mentioned, this wasn't just another quarter for us, it was a special one and if we start talking about Grenoble, this was the first time that we were able to put in place our all-year-around strategy. This is the first time we started the year with a Spring/Summer '23 collection, which was very well received, with this idea of having more lightweight and layering system into the product and then, of course, just before the end of the quarter, we presented for the first time our Pre-Fall Moncler Grenoble collection. Again, as an early Fall launch, this was an incredible way to engage with customers and the collection was extremely well received.

If we move into the second dimension of the brand – Genius – we see a good momentum on the back of the event that happened in London at the end of February, and, on the back of that, we were also able to successfully launch two collections during Q2. The first one was with Alicia Keys at the very end of March, something that performed well and was particularly well received across both men and women, and despite the story and the whole collection being inspired by the '90s in New York, we've seen a good reception in the Asian markets.

Then the second launch was a bit more than 45 days ago with the Fragment collection. We had the opportunity to introduce a narrative around "Love is Human", something that we started in the London event in February, and in this case, we were even able to work with and have the opportunity to have a Korean celebrity inside the campaign who helped us to drive an incredible engagement especially when we talk about social media both in the Western world and on the Asian platforms around the globe. So a really good momentum on the back of the Genius event and the efforts of the team put in place since the beginning of the year.

Then, if we mention the third dimension of the brand, I think Mr. Ruffini just commented about this, we are happy to see our efforts in terms of leveraging the momentum of the brand way beyond winter. I think what we have seen in the Main Collection and the orchestration of our efforts regarding Summer is the appetite and the desire of customers for our brand way beyond winter. An opportunity with customers adapting to different classifications of our jackets, not only on lightweight propositions, but even into some other classifications, like cut & sewn or even beachwear, and more of that was presented. I think the reception of the campaign was strong, not only in terms of customers, where we've seen a good take from media, but even from the organic point of view that tells how Moncler is moving way beyond winter.

So with that in mind, we always want to make sure to give a clear update regarding the 3 dimensions of the brand on which we are focusing our efforts.

If we move to the next slide and more into the digital side, again, some more good news here. I think as we discussed multiple times, it's not just about the good momentum we can see on the revenue side, but it's more about how we can leverage digital platforms to truly engage customers in a different and deeper way. This is why we're seeing good results across what we call Moncler Members, that are customers that are logging in with us, that we are able to follow up in a more one-to-one relationship and have a more effective way to connect with.

Same thing regarding the traffic and then more importantly PDP or product views, which is the real interest from customers regarding our product. One thing on traffic, I think it's important to keep calling out that a good way to look at the health of the brand is looking at how much of that traffic is organic in terms of looking for the brand and .com as a clear destination.

Then few other callouts, as I mentioned before, a really strong performance on the social side, especially compared to last year, of course, the intensity of the work that the team is putting together has been doubling down and paying off in terms of what we are seeing in results across the board. And then, last but not the least, I think the team is starting to put extra emphasis not only in terms of .com and the traffic, but in terms of the performance of certain items like the newsletter, paid media, etc. that is of course helping us to have a very efficient way to drive our business.

So with this overview, I will let Roberto continue to give you a bit more information and details about the quarter.

ROBERTO EGGS: Thank you, Gino. Good afternoon to everybody, I am happy to drive you through the results by geography and by channel for both Moncler and Stone Island.

So let's start with Moncler with the revenues by geography. In H1, Moncler brand revenues reached €935 million which is a +29% compared to the same period of 2022. Q2 recorded a 32% growth versus 2022, which is an acceleration versus the 28% of Q1, mainly due to the improvement that we recorded in China and Asia.

Asia, which includes Asia Pacific, Japan and Korea, in Q2 accelerated to +55% growth versus 2022. APAC recorded a strong sequential improvement favoured by the easy comparison base as we had some closures last year due to Covid both in April and May. Japan and Korea continued to record solid double-digit growth.

In EMEA, revenue increased by 30% vs Q2 2022 continuing what we have seen during Q1 when the business increased by 29%. Clearly

during the second quarter, the demand was driven by tourists outside of the region, mainly Chinese, Korean and American customers, while we have seen still double-digit growth in locals, but with a kind of normalization.
The Americas declined by 5% in Q2 due to the impact of the Nordstrom conversion in the wholesale channel. The DTC channel continued to record solid double-digit growth and, excluding the Nordstrom impact, growth in Q2 would have been single-digit positive for the region.

We move to the revenues by channel. Moncler DTC reached €757.5 million in H1, which is a +37% compared to 2022, that is a comp growth of 34% for H1 with a solid contribution from all the regions. In the second quarter DTC grew by 45% versus 2022, supported by strong double-digit growth in all the 3 regions, with Asia outperforming. The direct online channel also continued its double-digit growth.
Wholesale revenues rose to €177.5 million in H1, up 2% versus 2022. In the second quarter, revenues were flat year-on-year, impacted by the Nordstrom conversion in the U.S. whilst the performance in the other regions remained solid. Excluding the impact of the Nordstrom conversion, the wholesale channel in Q2 would have grown mid-single-digit year-on-year compared to 2022.

Let me walk you through the Q2 highlights for Stone Island. First of all, we need to talk about the recruitments that we had, the new CEO of Stone Island, Robert Triefus, with whom we entered the second phase of the brand, as explained by Remo. But also a new CMO and a new Digital Officer. Clearly, we are still in the transition phase, moving to a DTC business with a strong focus on retail excellence. The focus will be also for the next months and years on the visibility of the brand, increasing the share of voice, increasing the level of engagement, and enriching the product offer.

This being said, let's look at the key initiatives in the quarter. You know that with Stone Island we have a strong commitment to research and experimentation, and this was showcased again during the Milan Design Week with the installation of the Prototype Research Series 07, which is a special thermochromic technology with a liquid crystal heat-reactive ink used for a limited edition of 100 pieces that were sold out in just a few hours. Stone Island also staged at the Barcelona's Festival with a strong visibility. And we were present at the Glastonbury Festival with the English rapper Dave, who performed in front of more than 200,000 people at Glastonbury, dressed in a Spring/Summer '23 Stone Island Shadow Project look, which was also giving strong visibility to the brand.

If we look at the results by geography, Stone Island grew by 5% to €201.6 million in H1. The performance of Q2 was in line with the performance of Q1, but with a different mix by geography.
Asia, which includes Asia Pacific, Japan, and Korea grew 13% year-on-year, due to a solid performance in the Chinese Mainland and Japan and some perimeter effects following the 2022 wholesale to DTC conversions in Japan, that took place in August last year. The Korean market was softer also due to the impact of the ongoing change in the business model. We will have the opportunity to talk about that.
EMEA grew 8% in Q2 versus 2022, driven by a positive contribution from both channels.
The Americas saw a decline of 31% in Q2 as wholesale performance continued to be impacted by a softer business trend and a more cautious approach from the department stores as a result of this volatility.

In terms of results by channel, we see the wholesale channel in H1 at -4%. In the second quarter revenues in this channel grew 2%, despite the impact of the Japanese conversions mentioned before that took place in August last year and the strict volume control that we adopted in the management of this channel. But this is also valid for Moncler, we'll have the opportunity to talk about our wholesale approach during the Q&A.

Revenues in the DTC channel reached €73.7 million in H1, which is a +23% year-on-year. In Q2, revenues in this channel grew by 9% mainly due to solid double-digit growth in EMEA, Asia Pacific, and Japan, but with a softer performance in the Americas and in Korea.

Let me drive you also through the store openings in the second quarter. As you know, Q2 is always a softer time for us in terms of openings as we concentrate most of our openings during Q3 and Q4. We reached now 257 DOS for Moncler and 74 DOS for Stone Island. And if you look at the pictures, I would like to outline this time not so much the openings, but more all the effort that has been done in terms of enhancing the visibility of Moncler and, let's say, the elevation we are working on, and the new client experience we are proposing.

You have the beautiful pictures of the store in Zurich in Bahnhofstrasse located between 2 key luxury brands. We have more than tripled the business. I'm happy to see that growth is following the growth in the number of square meters that we had. This is a 600 square meters store on 2 levels, with the first one with a garden that we are going to animate both in summer and winter.

And in the following picture, another emblematic move that we have done in Shanghai Plaza 66, where for the first time we have visibility on the ground floor. It's a store that is developing on 3 different levels. And also here, we are more than doubling the surface of the store with the visibility on the ground floor, and sales that are following the increase of the square meters.

Let me hand over the word to Luciano for the Group income statement results. Thank you.

LUCIANO SANTEL: Thank you, Roberto, and good afternoon, everybody. And thank you all for attending our call today. Well, we're now at Page 16, where we report our Group P&L, that shows a very good top line just commented by Roberto, thanks to a very strong DTC business, which drove a very healthy gross margin, 110 basis points higher than last year.

It is interesting to note that our selling expenses are lower on a percentage basis than last year. And this is because the strong DTC growth was mainly an organic growth, enabling our stores to improve their productivity. G&A, slightly better than last year, still on a percentage basis, of course, but nothing particular to comment.

Marketing, important to highlight that we spent in the first half of the year double than last year with an incidence on revenues of 8.9%, 350 basis points higher than last year. This is due to the concentration of some important marketing activities in the first half of the year. First our great Genius event in London in February, but also Grenoble activities and, as Gino said before, our first ever Moncler Summer campaign. Notwithstanding this high spending, we still maintain for the year end our original guidance of around 7% marketing spending in line with last year, with still an important amount of marketing to be spent in the second half of the year, but with a lower incidence on revenues.

EBIT margin, slightly behind last year, 19.2% against 19.6%, but after the impact of the higher market spending we just talked about. Below the line of operating margin, nothing particular to comment except taxes, because taxes this year are back to normal with a 29.6% tax rate. But it is important to remind you that last year taxes reflected the one-off positive impact of the Stone Island brand value realignment, which made our taxes unusually positive.

Let's move now to Page 17, where we report Capex that in the first half of the year represented 6.1% of revenues, much higher than last year, but last year there was some kind of timing effect. In fact, at the end of the year, we spent 6.4% and for this year we still expect total Capex in the region of 6% on revenues, more or less equally distributed between the distribution network and infrastructure.

Page 18 now, on net working capital. Net working capital is still a very healthy percentage, 8.6% on revenues, a little bit higher than the 8% we reported last year, due to higher inventory compared to last year. Higher inventory is totally due to an anticipation of the production cycle in this current season, which we decided to implement in order to better serve our markets, our stores and our customers.

Page 19 now, where we report the net financial position. €470.7 million in net cash, down compared to the end of 2022, when it was €818.2 million, mostly due to the €300.3 million dividend payment.

Page 20 and 21, on balance sheet and cash flow statement, nothing particular to comment. But of course, should you have any question on any items we have not commented, please ask them. You are very welcome. Thank you for your attention and we are now ready for your questions.

Q&A

OPERATOR: Thank you. 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 yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Aurelie Husson with HSBC. Please go ahead.

AURELIE HUSSON: Yes, good afternoon, everyone. 3 questions, if I may. The first one is, could you comment on the trends in July 2023 and how they differ from Q2, if they do? Second question is the growth in the Chinese mainland and with the Chinese cluster in Q2. And my last question will be for Roberto. Roberto, would you be kind enough to remind us the nature and terms of your contract with Moncler? Thank you very much.

ROBERTO EGGS: Thank you, Aurelie. I think the 3 questions are for me, by the way. So, let me start with the trends in July. As you have seen, we have had an exceptional Q2 driven by, let's say, a lower base of comparison of the Chinese market. So, clearly, we're going to see in China a normalization during Q3, while we see also a very strong rebound of tourism that is positively impacting the initial results of July.

This being said, we know that the year is long and what we see in July may not be what is going to be reflected at the end of the year. But for China, I would say a kind of normalization in the growth internally and a strong growth of tourism outside region.

Just to give you a flavour of what this represents, last year during H1 we had more than 80% of consumption globally that was local consumption throughout the different regions as an average. Currently, worldwide we have 2/3 of local consumption and 1/3 of tourists that are traveling to other regions. So clearly we see here a very strong rebound, mainly of the Chinese, traveling firstly to neighbouring regions like Hong Kong and Macau and then we start seeing also the Chinese traveling to Japan and to Korea.

Regarding Europe, we are still at half the travellers from China compared to 2019, but they represent already now the first nationality in Europe and this is something that didn’t happen since the start of the pandemic. If we look at the results of the Chinese cluster, so the Chinese that are inside China and outside China, and we make the comparison with 2021, which is a more meaningful comparison because as I mentioned, last year in April and May most of our stores were closed in China, we have been growing more than 50% compared to 2021 in H1, with an acceleration in Q2, so we see the effect of having the Chinese traveling that supports the Chinese cluster.

If we talk about the other regions, they continue to perform strongly. So we have Japan that is performing well, Korea a little bit less locally, a kind of normalization in the consumption, even if we have still double-digit growth. We see them starting to travel and, especially in Europe, they represent today the second nationality, at the same level of the Americans.

Talking about Europe, we see a normalization in the consumption of the local clients, let's say they are still double-digit, but not at the same level of the start of the year. And clearly the growth of +30% that we have seen for Europe has been driven by tourists outside region, Americans, Koreans and Chinese. Japanese are still very soft in terms of traveling.

If we talk about the Americas, we had a double-digit growth in the DTC business. And clearly the performance that you see at -5% is mainly due to the change of business model that we are currently operating in the U.S.. Change of business model regarding the wholesale, indeed, as you know, together with Europe, the Americas is one of the strongest regions in terms of wholesale. I would say we are doing this because we want to elevate the brand perception, and we want to get more control of the market.

So this started in May with Nordstrom, that we changed into what we call a hybrid model, meaning that we are co-owning the salespeople that are pushing and presenting and selling our products. And we are working with Nordstrom on a soft personalization that is also enhancing the brand perception. And they are benefiting from all the activities that we are doing in terms of clientele and also our system of auto replenishment.

So clearly this will drive performance, but usually when we change business model, the impact is seen after some quarters on the retail while you have a negative impact on the short term in the wholesale, because obviously they do not buy the Fall/Winter collections. So this will have a negative impact in Q3 and Q4 on our wholesale business.

At the same time in the U.S., we are close to sign the deal with Saks, regarding the store on the Saks Fifth Avenue. This will be converted during the last part of the year in Q4. So we are getting control also of the most important store of the Saks network. And we are in advanced negotiation regarding Saks.com. So this will have a further negative impact on the wholesale business, but clearly a positive impact in terms of the way we are guiding the brand, the way we are managing the brand, the way we are elevating the brand in the American market.

So now we basically have the second player Nordstrom, the third player Saks, and the fourth player Bloomingdale's that are directly controlled by us or about to be controlled. And we have a very good relationship with Neiman, that will remain in the wholesale as our number one account.

If I remember well, the second question was on the growth in China in Q2. I think I already answered this by explaining that we have sequentially increased our performance with the Chinese cluster with a growth compared to 2021 that is above 50%, so a strong growth. So nothing more to say. Actually, this is for H1 to be precise. It was slightly above 50% during Q2 and slightly below 50% compared to 2021 in Q1. The balance of how much it is local consumption or outside of China, this is honestly difficult to tell. But we are monitoring the weight of the Chinese globally in China and outside of China.

Regarding your last question, my contract is aligned with the mandate as Executive Board Member that I have. It's a contract that has been renewed already in the past and I'm fully committed to Moncler and to the Moncler Group.

AURELIE HUSSON: Thank you.

OPERATOR: The next question is from Melania Grippo with BNP Paribas. Please, go ahead.

MELANIA GRIPPO: Good evening, everyone. This is Melania Grippo from BNP Paribas Exane. First of all, congratulations on a very strong quarter. I have a couple of questions. First is on the gross margin. So you increased it strongly in the first half. Could you please give us a little bit more detail behind this increase? I understand it's due to the DTC channel strength. But also, can we expect a similar increase for the full year?

And my second question is on the Grenoble line. If you could please give us some granularity on the performance of your Grenoble summer line versus the main collection?

And finally, on footwear, if you can also tell us how the category performed as opposed to, for example, your total retail. Thank you.

LUCIANO SANTEL: Okay, Melania. Thank you for your question. About the gross margin. Yes, the gross margin was very good. Honestly, it was good mainly due to the channel mix because, as we said before, we grew a lot in the DTC, in the physical retail and online and you know we deliver a higher gross margin in our DTC business. Of course, what is also very important to highlight is that notwithstanding the growth in our DTC business, our expenses were lower on a percentage basis. And this is a very strong and good sign for our business.

On the end of the year, it's still difficult to predict. I can tell you that the DTC business is growing for sure more than the wholesale business, also for the reasons Roberto just said before. I mean, we are focusing more and more also to convert some of our wholesale business to DTC. And for this reason, you may expect the gross margin to keep growing. Of course, the other side of the coin is that as we grow the DTC business, we also naturally have higher selling expenses. This was not the case in the first half, but this is something that you may expect. Thank you.

GINO FISANOTTI: Melania, how are you? Gino here. I think you asked us a bit about Grenoble. As I mentioned at the beginning, this was the first year in which we are showcasing Grenoble all year round. A bit more into the details, we really experienced a very strong sell-through on the Spring/Summer collection that we launched this year. Last year was the very first time we did a Spring/Summer, so, this year, we have a double-digit growth against last year. The newness of this year was that we had a Pre-Fall as well at the very end of June. And I think we are seeing a very good start. Again, we are just into that since 25 days. I think what we are seeing is a really strong reception in terms of the product, the full collection, but even in terms of how the product is performing, a need of having product essentials for the outdoors. And we are seeing a very strong reception, especially in Europe, China, and the U.S., where we are seeing a good momentum in terms of outdoor activities as well.

Regarding footwear, I think we are up high double-digits in Q2 right now, and I would say probably the biggest driver is what we discussed in the past 12 months, our main focus on TrailGrip, the full family of TrailGrip is performing really well. We are, of course, satisfied with those results, coming up from both sides, both DTC and wholesale. I think the other big thing for us in terms of footwear is the opportunity, not only to connect with our current customer, but to become a source of engagement and connection with new customers. Probably you will get bored about this, but the comment on footwear is always the same as we don't even have a year of the new product, so despite having really strong initial results, I think it is important for us to grow this business in the most authentic way possible, that is what we are doing, and we are definitely happy about the results we are seeing, and more importantly with the consumer demand and the acceptability of the product in the market.

MELANIA GRIPPO: Thank you.

OPERATOR: The next question is from Oriana Cardani with Intesa Sanpaolo. Please go ahead.

ORIANA CARDANI: Yes, good evening. And thank you for taking my 2 questions. The first concerns the growth profile in the first half, what is the contribution of price mix, volume of organic growth, and can you quantify the perimeter effect? And the second question concerns the evolution of online business. So we'll keep the current weight of online business on retail sales? Thank you.

LUCIANO SANTEL: Okay, thank you for your questions. On the first question, our growth in the first half of the year was more or less 2/3 volume and 1/3 price. On the space contribution, you see in the numbers that there is a delta of 3, 4 points difference between our comp growth rate and our total growth in the DTC channel. And so, this is more or less the space contribution, but actually to be honest with you the real space contribution is higher than that, because our outlets, that do not contribute to our comp, performed worse than the regular stores. I mean, still well but less than our regular stores. So you can say that our space contribution was higher than 3%.

ROBERTO EGGS: If I may just add something, the performance of the outlets has been weaker also because we had a very good level of sales during the last season. So it's more a matter of product availability for the outlet channel, more than desirability of the brand. As you know, we don't manufacture for the outlets, we just us this channel to get rid of the excess stock. So the excess stock was lower. So for us, the growth, which is still a low double-digit growth, is not in line with the rest of the DTC just for a matter of product availability.

GINO FISANOTTI: Regarding digital, the first thing I have to say is, of course, the online business continues to grow double-digit, I think both in the first half and in Q2, that is broadly in line with the DTC growth that we have been sharing during the call today. I think in terms of the total weight, we will only give this reference at the end of the year. So we know we had around 16% of total contribution at the end of last year. So we keep growing and we will definitely show at the end of the year the growth coming from the online. But I hope this gives you more or less a picture of what's going on.

ORIANA CARDANI: Okay. Thank you.

OPERATOR: The next question is from Luca Solca with Bernstein. Please go ahead.

LUCA SOLCA: Yes, good evening. And my first question is possibly for Remo. There is a new C-level executive joining the company, Robert Triefus. This seems to be quite a significant development. I'm wondering how do you define success with Stone Island and when you looked at Robert in the eyes, what goals and what sort of hard achievements did you discuss with him when you put in front of him so that his contribution can be seen as a significant step forward for the Stone Island project? Is that just a broad-based mandate to giving him or are there any 1, 2 or 3 things, quite matter of fact things, that have to be achieved in the next 2 or 3 years for this to be considered success?

My second question goes back to retail space productivity. There's been a progressive increase in retail space productivity that you've been talking about. I wonder if you could give us any sense of how retail space productivity is at this point relative to 2019. And how the gap between Stone Island and Moncler is being bridged if at all?

The third question relates to the third quarter and well just asking you if our logic is right here. There seems to be quite a significant rebound in tourist inflows to Europe, you were talking about 2/3 of Chinese demand appearing in the Mainland and 1/3 abroad which is more than, for example, LVMH said last night. I wonder if we're wrong to assume that the third quarter is actually going to benefit from tourists buying for winter products ahead of the season. And if there's anything sort of with this logic, it should be a very good third quarter. Given also that you have quite a significant price gap between Asia and Europe? Thank you very much indeed.

REMO RUFFINI: Hi, Luca. So, starting from the beginning of the story, as I mentioned before, you know, Stone Island is an amazing brand for us, it is very close to our mentality, to our vision, and I soon realized that the company was very concentrated on wholesale and the culture and the mentality was very wholesale.

Then in the first couple of years, we really tried to control all the distribution, that was my priority not to have any more distributor, franchise, whatever is a third-party. And this is the job we did in the last 24 months. Now we are starting the second phase and we decided a few months ago to hire someone very focused on the brand, on the future of the brand, very focused on turning the company from wholesale to DTC; changing the culture of a company is one of the most difficult things, but we feel now after 2 years that we are on the way.

Having said that, the mission we have on the table is this wholesale turn to DTC, that we talk about every day with Robert, and is one of the most important things. But the second point is really turning this company from a logo approach into a brand approach that for me is really a totally different approach and a different view of this brand.

And third point is, I think we want to really take the company more in the premium world, I don't want to say luxury, I don't want to say any level of distribution, but more in the premium world. We have started already to rebuild the stores, to have new stores, to have a new retail excellence, to have a new approach. But the second phase has just started now because Robert just joined us, and I think we have a clear project in front of us, a clear idea, we are very optimistic that we can develop the journey in the next I don't know 2, 3, years but I think we have quite a good possibility, even if the market, as you know, now is not 100% on the sportswear approach, is much more sophisticated, but what we feel is that Stone Island is really in the good segment because it's sportswear but it is the most sophisticated brand in this area. In terms of product, we're quite happy, we had to fine-tune a little bit the product, a little bit the quality, but mostly is to change the face versus the communities and try to attract other communities, new communities all around the world.

ROBERTO EGGS: Good evening, Luca. Roberto speaking. Let me walk you through your question on retail space productivity. The first half of the year has been good, we are above the record year of 2019. So, I would say quite satisfied with key performance indicators on the retail side that are all good. We increased the traffic in the stores, and there was a slight decrease in the conversion which is usually what happens when you have a double-digit increase in terms of traffic. There was no resistance to the price increase. You heard from Luciano that 2/3 of the growth is coming from volumes and 1/3 from the price. UPT continued to increase. So I think the basis to do better than 2019 is there.

As a reminder, the record year was at €36.700. So, I think we are confident that we can do better than this. Now, you know our ambition, we will see by the end of the year how close we will be with this ambition, we are working very hard on this. And clearly also the tourism is going to help which makes me link to your third question, which was on what we do expect from the third quarter and what will be the impact of tourists?

Maybe just a small clarification, before I was talking globally, we have 2/3 of consumption that is local and 1/3 that is tourism, and I was not referring to the Chinese, but to total tourists. I was referring to the Americans, to the Koreans, to the Chinese, etc. We have seen a significant increase of Korean and American tourists, that is counterbalanced by a softer growth locally in these countries. So a kind of normalization of the consumption in Korea, in Europe and in the Americas.

So globally is more positive than negative, but I would not assume that will continue to grow strongly on the local plus the tourism. I think we're going to see a softer performance of the locals with probably tourism that will continue to increase, by how much, we don't know yet. So this will have to be assessed during the second half.

Concerning the KPIs on Stone Island, we know we are still at the start of this transition phase. We have been moving the main markets into a DTC approach with Korea, with Japan, with U.K. and we are in the process of doing this with China in December of this year. There is also in the pipeline the internalization of the online on which we are working very hard to be able to do it by August next year.

So, this is still a work-in-progress and really a change of business model, a change of culture inside the company. I think we'll be able to communicate metrics once this transformation will be done and we'll start working on the second phase, which is increasing the visibility, the brand positioning, the engagement, and the product strategy. And this will start being visible in Q4 of this year and this is where Robert and his team is currently concentrating.

LUCA SOLCA: Wonderful. Thank you very much indeed and good luck to Robert and congratulations. Thank you.

OPERATOR: The next question is from Edouard Aubin with Morgan Stanley. Please go ahead.

EDOUARD AUBIN: Yes, good evening. So, one follow-up for Roberto and one question for Luciano. Roberto, in terms of nationalities for the Americans and the Koreans, could you please give us the year-over-year growth for Q2 and how it compares to Q1? And then a question for Luciano. So, if I am not mistaken, at constant marketing spend, your EBIT margin extended by about 300 basis points year-over-year. So, I guess you know where I am getting to. So, given that your marketing spend is going to be only slightly up on a full-year basis, doesn't your guidance of about 30% EBIT margin for the year look quite conservative on the back of the beat in H1? Thank you.

ROBERTO EGGS: Good evening, Edouard. Regarding the nationalities, as I was mentioning all the top 10 nationalities have been growing double-digits, plus you know, softening a little bit in the UK and Germany during this period, which are not as strong as the Asian nationalities. Also the Japanese are double-digit, but let's say a low double-digit growth. What we have seen is above 40% for Korea and for China the growth has been above 100%, but this is linked to the base of comparison that was very low. Again, I think what is a more meaningful comparison is 2021 and for H1 the growth compared to 2021 was above 50% for the Chinese nationality. Regarding U.S., we have been growing above 20% in H1.

LUCIANO SANTEL: Hi, Edouard. Thank you for your question. This is a very nice conversation, our operating margin and potential operating leverage. I mean you're right, in the first half of the year, if we normalized our marketing spending, our EBIT margin would have been significantly higher than last year, but again we still have the second half of the year, which is much more important, in a very complex and uncertain scenario. Any estimate to increase our operating margin is honestly very aggressive.

And on the other side, I have to tell you that this is not at all in our mind because, as we said other times, our target is to touch hopefully the 30% margin and not more than that because again our first priority is to keep investing in this company. To keep investing in the brand. That is not only investing in the product, in the design, it is investing in marketing, it is investing in distribution, but also investing in our organization, in people, in talents. And so, this is the reason. Sorry to say it again, because you may be tired to listen to me, but this is really an important part of our strategy. This is not because we don't like to do more than

30%, but it is because we believe that there are things that are more important for our long-lasting business and long-lasting brand than the higher than 30% margin. And so, again your mathematical calculation is totally correct, but this is not our target.

EDOUARD AUBIN: Thank you.

OPERATOR: The next question is from Thomas Chauvet at Citi. Please go ahead.

THOMAS CHAUVET: Good evening everyone. I have got 2 questions, please. The first one, Luciano, could you come back to the inventory increase of 35% year-on-year, if I am not mistaken. You said it was deliberate. How does that tie up with the normalization in DTC growth that is implied by consensus in the second half, but also difficult wholesale market, Stone Island retail slowing down quite a bit in Q2? Could you also say perhaps how much of the total inventory of €487 million at the end of June is Stone Island?

And secondly, could you comment on what you're seeing at the bottom of the price pyramid particularly in the U.S.. I think earlier this year you said there wasn't much difference in terms of sales by price points? So are you seeing any change there with maybe sneakers or some of the entry-level outerwear or knitwear? In some geographies in which some of your peers have been experiencing this in the second quarter in particular. Thank you.

LUCIANO SANTEL: Thank you Thomas for your questions. Inventory growth is quite important. Honestly, we don't report the numbers by company, but in any event of course, the vast majority of the inventory is in Moncler and this is, as I said before, totally due to the decision to anticipate our production cycle, something we decided together. We believed that was good for the markets. Of course, on the other side, we increased a little bit our net working capital, but I mean at the end, I think the decision was a wise decision for the business, for the brand.

And inventory is for the vast majority the current Fall/Winter inventory. So, inventory that we just started to ship out to the regions. Something important to add, even if I am sure you remember our allocation policy, is that we allocate only a part of the inventory to the regions, into the stores, and then we monitor their trend and based on their business trend, we reallocate other inventories. So, again nothing important to highlight. Simply an anticipation of the production cycle, that means finished products for this current season, but also work-in-progress and raw materials.

ROBERTO EGGS: On your second question Thomas, regarding the pyramid of pricing, we have not seen a material change also because when we talk about Spring/Summer, structurally our price pyramid is also lower than the one of Fall/Winter. We sell much more knitwear during the period. It's also a period where we sell more to men than to women compared to the winter season. And we have not seen a material change in the mix of the buying. Clearly, we see also, and it's a little bit too early because we have been selling Fall/Winter only for a couple of weeks, that there is a demand for less logo and more refined products that we have in our EDIT Collection and clearly this is going to be something that has a higher price point. So, I am expecting our price mix to go slightly up during the Fall/Winter season but not something that is material.

THOMAS CHAUVET: Thank you very much. And maybe just on pricing. Do you think you are able to pass on another 10% price increase on the next Spring/Summer collection? I know it's a bit early, but you've done two times 10% price increases on the Fall/Winter collection. Do you feel the current environment is set up so that you can pass on that pricing again at the start of 2024?

ROBERTO EGGS: We have just finished the Spring/Summer campaign and the price increase that we have is not as high as in the past. The price increased 10% for Spring/Summer ‘23 and two times 10% for Fall/Winter ‘22 and

'23 due to the increase of cost…production cost and material cost that we have fully embedded in the pricing without lowering the margin. This had no impact for Moncler on results, as you have seen our growth was mainly driven by volumes in this first half of the year. So, we have a lower price increase for the next Spring/Summer and we have not seen material resistance on that during the selling campaign.

THOMAS CHAUVET: Okay. Thank you and all the best.

OPERATOR: The next question is from Louise Singlehurst with Goldman Sachs. Please go ahead.

LOUISE SINGLEHURST: Hi, good evening everyone. Thank you for taking my questions. Just two if I can do, please. It's a follow-up, obviously fantastic results in the first half, you must all be absolutely delighted with the momentum. Can you tell us about the cohort mix and the difference between what you are recruiting as a new customer and also the existing customer i.e. the penetration and increasing loyalty across those existing customers and particularly with reference to the actions related to Genius and also the new product categories which are coming through.

And in my second question, I wonder if you can talk to us about how you measure the success of Genius and all the activities in the first half from the marketing. Obviously we can see that very clearly in the sales momentum, but I presume, I am thinking more longer term, there is a benefit with a longer tail from all the initiatives that you put in in the first half and that will benefit the next 6-12 months what you've seen historically with marketing spend? Thank you.

GINO FISANOTTI: Louise, thank you. Gino here. Let me start from the second one. Of course we can share multiple data regarding Genius and, during Q1, Elena and the team did a great job sharing a little bit of the numbers. Of course, sometimes it's more difficult to truly quantify the real impact of certain things, but what we see to connect it to your first question is first of all, yes we see a real impact of Genius on the brand already by looking at some of the information we shared earlier today in terms of the demand we are seeing for the brand, when you look at the revenue growth, when you look into the traffic, into the stores or when you even look into the traffic online, all the level of engagement we have seen on digital platforms. So, I personally think one great way to look at the return of investment of things like this, is to look at the health of the organic traffic that the brand has. I think in a world today where sometimes you can be heavily dependent on paid media, when you look at the organic traffic of the brand that's a really good way to look at that. So, that's the way we like to see the impact of it and the opportunity.

Connected. The reason I started with the second question is because connected to Genius or connected to the opportunity to drive engagement with new customers, I think this is something that we engineer, right? Everything was by design. I think what we are going to do is to invite new communities into the brand and open up authentic ways for new customers to connect with us. What we are seeing, which is something important for us, is still a strong loyalty from the current customer or the current community of customers. We have had Moncler lovers for some time now. What we are seeing is also, and this is more segment-by-segment, great introduction into new customers when we start looking at footwear, and we start looking at classifications outside outerwear, when we look at some of the Genius collections like those I mentioned before.

So, again I want to go back to the simplest part, this is by design, when we share with you the opportunity to have one brand with 3 very clear dimensions, the dimensions of the brand connected to the opportunity to have complimentary audience that really want to be meaningful. In addition, what we are seeing is that strategy is starting to pay off in terms of not only revenue, because revenue at the end is a consequence of what we do, but in terms of the different level of engagement that we have with current customers and with new communities depending on the 3 dimensions we are talking about.

LOUISE SINGLEHURST: Great. Thank you.

OPERATOR: The next question is from Susy Tibaldi with UBS. Please go ahead.

SUSY TIBALDI: Good evening. Thanks for taking my questions. The first one, on wholesale. Can you give us a little bit of an indication of what we should expect for the third quarter, because it's quite important for wholesale and now you are doing these conversions. So, should it be similar to what we have seen so far, so around flattish?

And second question for Luciano again going back to the point on margin. I think what we have seen very clearly in this H1 print is that you are seeing very, very good operating leverage on the selling costs, because you are having great sales densities, sales productivity and it sounds like you expect these trends to continue as well. So, I think on the selling costs, leverage is probably going to come through. So I guess, the one line where you are increasing a bit of investments is on the G&A costs? So, is there anything specific that we should be aware of, any specific hiring or any specific project that you can flag? And then, on Stone Island for next year, given that we are entering the second phase of the brand evolution, is that when we should also expect a more meaningful start of the store rollout globally? Thank you.

ROBERTO EGGS: Hi, Susy. Thank you for giving me the opportunity to better explain the strategy that we are putting in place in terms of wholesale. I think we are now at the level of maturity for Moncler that is pushing us to be even more confident to fully push our DTC business and to be very selective when we talk about wholesale. In the context of an ongoing transformation of the wholesale environment since the pandemic, I think we need to continue to elevate the brand perception. And this is valid for Moncler, but also for Stone Island, Stone Island is more linked to the change of business model as it was explained by Remo, where we want to go more DTC. So we have started to be more selective in the number of stores that we have, in the selection of stores, and this will continue not only for this year, but for the few years to come and really concentrated on the ones that are adding image, additional clients that we won't get through the online or through our DTC approach.

Concerning the U.S. market, this is a big transformation of the market overall, because we are basically taking our destiny in our hands with the second, the third and the fourth players, working with them, but getting control on the assortment, getting control on the distribution, leveraging on all the assets that we have been able to develop with our DTC. I was mentioning before, the auto-replenishment, but not only, sharing data, etc. So, this is going to come and have medium-term positive impact in terms of brand elevation, presentation of the product and data collection and ultimately, as a consequence, additional sales that we will see in the DTC.

Concerning the impacts on the short-medium term, and we are talking about Q3 and Q4, I think we can expect the wholesale channel to become mid-to-high single-digit negative overall for the full year. So, stronger impact in Q3 and Q4 with an impact that is going to move from a business that is currently flattish to something that is going to become mid-to-high single-digit negative over FY23, depending on the speed of conversion that we have.

For Stone Island the focus is really to move from a logo approach to a brand approach. So what you can expect in terms of focus for the company is not only the retail part and investment, the stock, this is something we are starting to do, but is going to be more visible, while we are going to further increase the reach of the brand, the engagement of the brand, the visibility of the brand, and we are also working on the product. So it’s a mix of elements and not only investment in retail. We are very happy about the new concept, this is clearly something that is embedded in what we are going to do in the next year. But all of these elements of visibility and engagement with consumers are where we are going to concentrate, and this will start in Q4 then accelerating in 2024.

LUCIANO SANTEL: Susy about your question on our operating leverage, again mathematically you're right, we developed very good results in the first half of the year due to the organic growth. So, should we continue this way, you may be right. However, I have to tell you again that we are focused more on the investments in our brands then on reaching a better EBIT margin. Of course, we normally talk about organization. But if I can add some color, I mean you know that we have 2 brands, and both the 2 brands need a lot of attention, and attention means people able to manage the complexity of our business.

And talking specifically about Stone Island. Stone Island is an amazing brand, and we have to fully exploit the potential of this brand and in order to do that we have Robert onboard, who has been onboard for 1 month, we have a strong team, we are building in marketing, in digital, and in all the different areas of the business. These are investments, okay? So, Stone Island is just an example, but I can make many other examples for Moncler. These are the investments we are talking about, it is very important not to chase a better EBIT margin this year, but to maintain a strong healthy EBIT margin for the next 10 to 20 years. So, this is the simple answer, but again mathematically you're right.

SUSY TIBALDI: Okay. Thank you.

OPERATOR: The next question is from Geoffroy De Mendez with Bank of America. Please go ahead.

GEOFFROY DE MENDEZ: Alright, good evening. Thank you for taking my questions, I have 3 of them. So, the first one is on the level of net cash, I think you are close to €500 million at the end of H1, which is not too far from where you were before you made the acquisition of Stone Island in 2020. So, I was just wondering what you are thinking in terms of capital allocation if, you know, external growth is something that you'd still be considering or if it's just too early to think about this, at this stage.

The second question is, maybe for Gino, on the focus away from outerwear which you know, you've been talking about a lot during the Capital Markets Day. Clearly, you've made the launch of shoes, and now this summer campaign which seems to be doing quite well. So just an update on where you are on that trajectory and where we could see the first half of the year growing as a percentage of total sales once the transition has been done, because you know, your Q2 is good, but it's still just 10% to 15% of sales so it's still a small quarter.

And then last question is just on the store growth for the Moncler brand, if you could just remind us, what you have been doing in Q2, and what we should expect for the full year? That would be helpful. Thank you.

LUCIANO SANTEL: Yes, Geoffroy. Thank you for your questions, about cash, I mean you're right, we have a remarkable amount of cash and this is something we like…we are not disappointed, but honestly what we like is the cash generation of our business not just having cash.

But to answer your question. I mean you're right, at the time we had this kind of amount of cash, we decided to make a debt acquisition, but as I am sure you remember, the acquisition was not driven by the amount of cash, but by what we loved…we loved since ever that brand, and at the time we were able to connect the two families and to make it happen. We were very happy independently from the cash available.

Right now, I mean, we have cash, but we don't have any specific project other than the 2 important projects on our 2 brands that are Moncler and Stone Island. So, honestly right now we don't have any idea, any thought, and any project to make other acquisitions, but it may happen, it may happen in the future. But again whether or not we will have cash needed to make the acquisition, if we find a strong brand, like the two brands we have in our portfolio.

ROBERTO EGGS: Good evening Geoffroy. Regarding the expansion of Moncler, I clearly mentioned at the beginning that big part of the focus is also in expanding existing stores and we have had very nice projects this year with Miami Bal Harbour, with Paris Gallery Lafayette, Zurich Bahnhofstrasse, we have Shanghai Plaza 66, Beijing China World, and we have some exciting projects coming for the end of the year especially with the Hainan flagship. What we have been doing in terms of openings this year is we opened at the start of the year London Heathrow with the restart of travelling, I would say that again airports are gaining some relevancy for us, so we have conversions from wholesale to retail and the contract of Charles de Gaulle has just being signed this week, that we are taking back from Lagardère, and we have started managing that from this week on. These are important investments that we are doing and there are a couple of other airports that are foreseen until the end of the year. We had also some openings at the start of the year with Shinsegae and Hyundai, in Korea, and we have roughly 10 additional projects that will materialize by the end of the year that are evenly spread between Europe, Americas, and China. So, this is by the end of this year. But, again not only focusing on openings, but also very much on expanding and moving the existing network to another level.

GINO FISANOTTI: I think the second question was more on the focus on new opportunities. I want to go back to leave it to the strategy and to the beginning of the conversation. I think it's clear in this conversation that we are experiencing a good brand momentum. I think what we are seeing here is a clear focus and an exercise by all teams regarding the 3 brand priorities that are not only helping us to stay more focused, but clearly driving both the brand and business results.

I think the opportunity we are seeing here is to really serve the brand demand we see all year around. I think it's not necessarily that we are focusing out of the 3 priorities. I think what we are looking is within the 3 priorities with the opportunities to have a strong relation with customers. So on summer, of course you mentioned that, what we were seeing is a strong double-digit growth on new categories for us, like knitwear, cut and sewn and others. On footwear, I made a comment before, we are seeing high double-digit growth this year compared to last year, but I always want to put the caveat that we are in a journey that just started.

And then of course, outerwear is something we will always be obsessed with, right? It is part of the DNA of the company, and we will never trade on these things. For us what's important is to keep adding more opportunities for customers to have a really meaningful brand, meaningful relation with this brand and that's what we are trying to do. I think it's connected to what you said, what you heard last year. What we are trying to do is to become best-in-class in delivering everything we have promised a year ago in terms of strategy and every opportunity that you are seeing that is connected to the 3 dimensions we've discussed last year as well.

OPERATOR: The next question is from Andrea Randone with Intermonte. Please go ahead.

ANDREA RANDONE: Good evening and thank you. Just a couple of questions. The first one is if you can provide us some comments about the space contribution that you are expecting for the full year. I mean, you mentioned a greater number of openings in the second half. And so if you can help us?

And the second question is just about Korea, as some other players are providing different comments compared to you, so if you can just spend a few additional comments on your brand positioning in that market that seems to be very good. Thank you.

LUCIANO SANTEL: Yes, Andrea. Thank you for your question. On, space contribution, we don't change our guidance that is mid-to-high single-digit growth as a space contribution. Of course, as I said before talking about the first half, you may not see exactly this number at the end of the year because it may depend on the outlets performance. As I said, in this first half of the year outlets performed well but less than our regular stores. And this made the usual calculation between comp and total growth of the DTC business lower than the space contribution. So again, considering that the majority of the stores will be opened in the second half of the year, at the end of the year it is still expected to be mid-to-high single-digit.

ROBERTO EGGS: Good evening, Andrea. Regarding Korea, yes, we've had a very strong first half of the year and to be honest a fantastic growth throughout the pandemic since 2020. Korea has been the market that has been growing the most. I think we have very much enhanced the visibility of the brand in the past 3 years and the brand perception in Korea is really excellent.

I think also there is a cultural fit of our product with the Korean consumers that are making this alchemy working very, very well. This being said, we expect in the second half of the year some normalization of the consumption locally, some softening of the local demand, because we start seeing Korean travelling mainly to Europe and to Japan. So, we believe that the cluster will continue to be obviously positive, but probably with a softening of the performance in the local market.

ANDREA RANDONE: Thank you very much, very clear.

OPERATOR: The next question is from Liwei Hou with CICC. Please go ahead.

LIWEI HOU: Good evening gentlemen. Thank you for taking my questions. I have 2. The first one, it is really impressive, you have managed to record the same growth at constant rates and also at current rates. Apart from hedging activities, is there any particular reason you have managed to give this high exposure to China and Japan whose currencies have been depreciating. I think this is particularly outstanding.

And the second question I have is regarding your vertical integration. I think recently your peers focused on ready-to-wear have made some moves in acquiring cashmere suppliers. I understand that's not in your DNA due to cashmere, but is there anything, you know, that you are contemplating right now to further differentiate yourselves, not only from a design perspective, but also from a fabrics and raw materials perspective. Thanks very much.

LUCIANO SANTEL: Okay. Thank you for your question. About your first question, I mean you're right. There is no big difference between our reported growth rate and our constant FX growth rate, and this is exactly thanks to what you have said. I mean, we have a very strict hedging policy that permits us to protect our operating margins, and of course to maintain pretty stable our revenues independently from the FX trend. Of course, this was the case for Japan for sure, but also for China.

About our supply chain, I have to tell you that the most important, not acquisition, but investment we made was last year was in the building of the second production facility in our production area in Romania. A second building that is now up and running and we aim to double our production capacity, and this is for outerwear only. But we also keep making some small acquisitions of small suppliers, still in outerwear. We made 2 acquisitions, small acquisitions, at the end of last year just to give you an example.

Talking about other categories, we are looking at the market. We are looking at potential interesting acquisitions in other categories, like knitwear for example. To be honest what we do, while we wait to find something interesting, is we keep investing in our own factory and right now we have a quite important factory with about 30 machines for knitwear, and so we keep investing in this facility in Italy and to make this facility stronger and stronger, not only from the production point of view, but also from the know-how point of view, because while we built this facility over the past 7 years, we have developed a very strong know-how. And so, we will keep investing in this facility, but we keep looking also at what may be interesting in the market. Thank you.

LIWEI HOU: Thank you very much. Very helpful.

OPERATOR: The next question is from Paola Carboni with Equita SIM. Please go ahead.

PAOLA CARBONI: Hi, good afternoon, everybody. I have only 1 question left that is about Stone Island, and its retail performance, I understand we are still in a transition phase. You don't comment about same-store sales or not even overall retail performance of Stone Island too much yet, which is clearly understandable. I just wanted a few comments from your side, if possible, on two aspects. First of all, the kind of elasticity you are seeing from Stone Island customers to the price increases you have implemented in the last few seasons, if you are noticing any kind of different attitude in this respect from Stone Island consumers compared to Moncler, where you commented about virtually non-resistance. And secondly, if you can elaborate a bit on what you have been implementing in Korea, so just to take this market as a first example of your actions in developing the retail operations for the brand, and what you have started to see there in terms of evidence of the benefit of your actions? Thank you very much.

ROBERTO EGGS: Good evening, Paola. Let me answer the one on the Stone Island part, and the work that has been done. You're right. I think, it's a little bit too early to, let's say, comment on the retail KPIs, which is something that naturally will come when the transition phase will be over. For Korea, we have had kind of a double transition, we had even twice the relaunch of the retail excellence, because we had a market that was not only managed by an importer, but this importer had a range of franchisees that were managing the stores. So, we first trained them when we took over back in 2021, and we have seen that only a few of them had the capability to work in a larger organization with a client-focused approach. So, we changed most of the team at the end of last year, beginning of this year, when we did the relaunch of retail excellence. Clearly, this is going to take some time to materialize, in terms of positive impact on the market, but we have seen a real change in the attitude of the team.

I think one of the KPIs that I may be able to disclose is data collection, because all the elements on which we are working, as we have been working on for Moncler in the past, everything starts by knowing your clients. So, if you don't know your clients, if you don't have a solid database, all the work in terms of clienteling is useless, because you don't know what you are talking about. So, this is where I've seen currently the very positive response from the Korean market, and the team that we have reached now in just a few months. The data collection rate is at 80-85%, which is honestly not far from the one we have with Moncler, so we start having the base on which we can start investing.

One of the chances that we have in the Korean market is that basically between Daegu and the Seoul city we're gathering 90% of the presence of the market. So, when we start doing investments in terms of visibility, they can be very concentrated and have a meaningful impact in the short-term. But this will require a few more months, and this is where the team, and especially Robert is currently working.

Regarding the price impact, I think the positive news is that the price impact for the next Spring/Summer for Stone Island is much, much lower, almost meaningless, as we have been able to develop our collection in a meaningful way without impacting the price. Clearly, being a brand that is positioned in terms of average price lower than Moncler, the price increases are in some markets a little bit more...let's say the reaction of the business in Stone Island has been much more driven by the price rather than the volumes, which is showing that the impact is not like Moncler, where we have been able to work on the brand for the past 10 years or even more, and where we didn't have any impact on the price. Here, the volume that we see, the growth that you see has been mainly driven by price increases.

PAOLA CARBONI: Okay. Thank you very much.

ELENA MARIANI: Thank you very much for your questions. We do have a few questions that came through from the webcast. And so, I'm just going to read a few of them. I'm just going to focus on the ones that have not been answered yet. So, I think on inventory, we talked about it. So, moving on to a question for Gino. How do you see your return on marketing developing given significant investments by peers in the market?

GINO FISANOTTI: I think we more or less touched on this. I keep saying the level of focus and precision we're trying to have regarding the strategy is definitely helping us to be a bit more effective and efficient in the way we do marketing. I don't believe necessarily that it's all about investments. It's about the meaning of the brand and what we say and how we interact with customers out there. And I think what we believe is that we have the right strategy in place, and it's working so far. So, what we're trying to do, of course, is to obsess every single detail of the way we engage with customers. And that's hopefully what will keep us driving a strong brand positioning, and strong business results on the back of how we are maximizing every investment we do. It’s just not about more and more money, it's about the meaning of what we say and the way we invest again in the strategy.

ELENA MARIANI: Okay. Thank you. And then could we give further colour on Stone Island versus Moncler EBIT margin?

LUCIANO SANTEL: Yes, I can give you some colour, but not numbers. I mean, I can tell you that Stone Island, as we said at the very beginning, delivers an EBIT margin that is more or less in line with Moncler, but with some differences. For example, the marketing budget that was and still is behind what we are spending in Moncler. Overall, long-term, we expect the EBIT margin to be aligned with Moncler, considering higher marketing spending, but also higher gross margin.

Right now, I can tell you that in the first half of the year, this is something that may be unexpected, but the EBIT margin for Stone Island is higher than for Moncler. But this is simply because the seasonality of Moncler is much higher than the one of Stone Island. But again, overall, our target is to maintain a similar EBIT margin.

ELENA MARIANI: I don't know if you want to add anything on, you know, Robert Triefus key areas of focus and then positives or negatives that he had found. I think we have already elaborated on it, but if you want to add any further colour?

ROBERTO EGGS: I think another very important point, not to repeat what I already said, is the online integration, because the online integration will allow us to move to an omnichannel approach, moving from retail excellence to omnichannel excellence. So, we have already our plans for the first half of next year to get the team prepared in terms of software in the stores, and in terms of change in habits to leverage what we have been doing for Moncler and move from a retail excellence approach to an omnichannel excellence approach. And clearly the internalization of the online will be an asset on which we are going to work for the next year.

ELENA MARIANI: And then one final question, I guess for you, Roberto, on whether we have seen any impact from the recent heat waves across the globe?

ROBERTO EGGS: Well, as you know, yes, we have seen extreme heat waves, but studies report also that there is an increasing variability in extreme weather as we have seen this winter. We had a very cold weather in North America and in Asia. So, this is important in terms of the collections we have been working on, and we have now, through our Spring/Summer and Fall/Winter collections, both warm and light offerings. And as it was explained by Gino, we are working also on the multi-layering, which is something that is adding functionality to our outerwear. We can work 3 different types of pieces, both together, or the warmer pieces together. This is also increasing the average price of the outerwear. So, it's adding a lot of functionality, and is one of the assets and elements that we have been developing to counterbalance this extreme weather conditions that we have seen this week, also in Milano.

ELENA MARIANI: Okay. Fantastic. Thank you very much to everyone for participating in this call. Let me just give you a quick reminder of the next release. Our Q3 results will be on October 26, after market close, and our quite period will start on September 27. Please feel free to contact me for any follow-ups, I'm around tonight, if you need any clarification on anything that what was said. Thank you again, have a great evening, and we wish you a wonderful summer break.

OPERATOR: Ladies and gentlemen, thank you for joining. The conference is now over, and you may disconnect your telephones.