

Moncler S.p.A.

"9 Months 2020 Interim Management Statement Conference Call"

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler 9 Months 2020 Interim Management Statement 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. Paola Durante. Please go ahead, madam.

PAOLA DURANTE: Thank you. Good afternoon, actually good evening, everyone. Thank you for joining Moncler 9 month's 2020 interim management statement conference call.

We know today is a busy reporting day, so we will keep this call as short as possible. As usual, today for Q1 and Q3, you have myself and our Chief Corporate and Supply Officer, Luciano Santel.

Let me also remind that before our comments that this presentation may contain specific statements that are neither reported financial results nor other historical information. Any forward-looking statements are based on Moncler's current expectations and assumptions on future events and are subject to various risk and uncertainties that could cause actual results to differ materially from those projected or implied by these statements and from historical trends.

Let me also remind you that interim results can be influenced by seasonality and cannot be used as proxy for year-end results. As usual media has been invited to participate in listen-only mode.

Let's now move to the presentation, Page 3, revenue results key highlights. I will comment only constant currency trends, if I don't say otherwise. But before commenting on 9 months and Q3 results, I would like to make 3 quick comments. Even if 2020 results continue to be impacted by the COVID-19 pandemic, in Q3 we started to see clear improvements with revenues declining by 14% compared to the -52% in Q2. Improvements were driven in particular by the outstanding performance in China. Also Korea and the online continued to significantly outperform. The positive signs reinforced farther in October even if uncertainty remains very high while we face the most important weeks of the year as you perfectly know.

Let's move to Page 4, revenue breakdown by distribution channel. Both channels showed improved performances, thanks to store re-openings and better domestic traffic. In particular, retail revenues declined by 18% in Q3, with Mainland China and Korea, the best performing markets. Online grew sound double-digit in acceleration compared to the first 6 months of the year.

Wholesale recorded a very good performance in the quarter, mainly thanks to the good acceptance, the good reception of the Fall/Winter collections and the strong domestic demand in some markets, in particular in North Europe, Middle East and in APAC. E-tailers also in this channel continued to grow double-digit.

Let's now move to Page 5, revenue breakdown by region. As I already highlighted before recovery in the third quarter has been largely driven by China followed by Korea and the Americas. China particularly showed outstanding, strong, double-digit growth in Q3 recovering partially the loss of Chinese travelers. On the other side, EMEA and Italy in particular

continued to suffer due to the lower international travelers, which as you know are important in the third quarter.

And let's go to Page 6 for a deep dive on our EMEA region. In this case, I will comment EMEA including also Italy as usual. In the first 9 months, EMEA including Italy reported a 25% decline, -21% in Q3 with the wholesale outperforming retail, thanks to the very good domestic demand. The retail performance, on the other side, has been penalized by the decline in international travelers, which in EMEA in Q3 can account in a normal year up to, something around 70% of retail revenues. In Q3, we saw improved performances in particular in Germany, Russia and in the other European markets.

Going now to Page 7, and commenting on the Asia performance. You know that Asia in Moncler includes APAC, Japan and Korea. In the third quarter, Asia was down 4% significantly less than the -38% we recorded in Q2, as you remember. This performance has been supported by the strong double-digit growth in China, but also Taiwan and Korea grew double-digit in the quarter. This largely offset, not entirely but largely offset the negative performance in the rest of APAC markets in particularly the still negative performance in Hong Kong SAR. The positive trend in China has continued even stronger in October boosted, as you know, by the very good Golden Week.

Lastly, Japan has been penalized in August and September by the challenging base of comparison. In October, in the first few weeks, few days, we have seen some clear improved performances.

Finally, let's move to Page 8, the last region Americas. Revenues in Americas decreased by 13% in the quarter, with similar performance

among the 2 main markets. The trend has improved significantly during the quarter month-after-month in August, better than July and September. Retail outperformed driven by the very solid local demand, and I would say a very good positive consumer sentiment and the strength of our brand in the market. Online also performed well and we're very happy with the internalization of our North American online business, which occurred in October. And I leave after to Luciano to provide you with some more colors and comments on this.

Finally, Page 9 of the presentation. Let me comment on our store network, which at the end of September was at 217 units. In the quarter we opened 4 stores. During Q3, we have also relocated some important stores and we have enlarged our flagship in Old Bond Street that you can see some in the pictures in the presentation. Very nice store, even if I haven't seen it. In Q4, we expect to open 2 2 further DOS to get to around 10 for the year, as we were anticipating. While for next year so far we have secured around 15 stores with a large focus on Asia.

I leave now the floor to Luciano, to comment on some of our main strategic projects and actions to face the current scenario, and then we are open and ready for all your questions.

LUCIANO SANTEL: Thank you, Paola, and good afternoon everybody. A quick update comment on the current situation related to the pandemic starting from people. As you know, under this situation, people was and still is our first priority, the protection of our people, first from the health point of view. Early September, we started working again regularly in the offices for the majority of our employees.

Unfortunately, right now the situation in Italy, not only, is getting more and more serious, so we are planning next week, unfortunately, to get back to a higher percent of remote working. But we are getting used to work remotely, and in fact, early in October, we held for the first time our business regional summit totally digital. We are implementing regularly testing swabs for all our people. We continued the production of surgery masks. Projects. As you know, we set priorities this year more than ever in order to select only the most important essential projects for the business, for the brand. One of this project, probably #1 project was and still is the in-sourcing of our e-commerce business.

As expected, as we originally planned, we started October 6 in North America with very good results not only from the business point of view. Business online in North America is doing very well in October, but also we're very happy about all the infrastructure, all the machine, because we started last year in Korea, but the e-commerce business in North America is very big and bigger than Korea.

We still take under control all our expenses. Something to add about rents, as we already said at the end of the first half of the year, we implemented negotiation discussions with the landlords, very tough discussions, but at the end we reported at the end of June pretty good results. The negotiations are going ahead with additional good results that are coming.

So this is the situation right now and I think that we are ready now to answer your questions. Thank you.

PAOLA DURANTE: Operator, you can open the Q&A session.

Q&A

OPERATOR: Alright. Excuse me. This is the Chorus Call conference operator. We'll 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 Susy Tibaldi with UBS. Please go ahead.

SUSY TIBALDI: Hi, good evening, everyone. Thanks so much for taking my questions. So my first one would be on the trends by channel. I would like to dig a little bit more into what's driving the strength in the wholesale channel, and if there was any timing effect or any anticipation of deliveries from Q4 into Q3, because I think, it is quite unusual to see the wholesale outperforming retail by this extent and especially because in the previous quarters you had talked about taking a more cautious approach to wholesale. So can you maybe discuss a bit which markets are seeing higher levels of deliveries? And most importantly, are you comfortable with such levels of products in the market given all the ongoing uncertainties or is this a sign that Q4 is expected to be particularly strong?

And then one question on potential pent-up demand, because arguably your Q3 being weaker than peers is also due to the type of product that you sell and as there was no tourism this summer. Is it reasonable to expect that some of the sales may have shifted from Q3 to Q4, as people will buy winter jackets when it's actually cold? So I was wondering, if this is something that you're witnessing. And are you expecting to see some of this pent-up demand or is there also an element of risk that

perhaps due to lack of international travel, those customers that live in warmer climates, maybe they would not be buying these jackets this year and this year could be lost?

And then a short one on gross margin if you can give some indication on the key moving parts, relative to last year, in terms of price mix but also in terms of channel mix given the outperformance of wholesale? And if there is any reason why gross margin will be below H2 last year? Thank you so much.

LUCIANO SANTEL: Okay, thank you Susy, for your question about the wholesale. Wholesale is doing well. Of course, the numbers we report are based on deliveries, but there is not any particular shift in deliveries from Q2 to Q3 or anticipation of Q4. The wholesale is doing well, and just to make it clear, before making any comments we still have a very prudent approach in all the channels but in wholesale more than the others because we tend as, you know, to ship only product that we expect our customers can successfully sell-out. So wholesale is doing well for several reasons.

One is the very good acceptance of the Fall/Winter collection that is driving very good reorders and other point is that, compared to the retail business, the wholesale business is, not all the wholesale business, a variety of different sub-channels but normally wholesale business is less exposed to travelers, is much more local. Think of Italy, Europe, Japan even United States where the big department stores have stores in minor cities, much less touched by travelers. And because the business with locals is doing well, but this is another story. We are doing very well with locals in retail too. I think that this is one reason why wholesale is doing well.

About Q4. Needless to say that our wholesale business in Q4 is not particularly material, because, wholesale is a business in Q1 and Q3 mostly. But based on the current trend, we are pretty confident about our wholesale deliveries in Q4. So again, wholesale is very good.

About your elaboration of the trend we reported in Q3 and whether or not we can expect some kind of shift from Q3 to Q4. I think you're totally right because the current situation is to some extent increasing a little bit our seasonality. People under normal circumstances last year for example, started buying our product in summer, much more than what they did this year. In Q4, it's still very early and premature to predict, but based on October, we have just 20 days behind us, I can tell you that October is doing very well probably also because the weather is particularly good for our product. It is pretty cold better than last year. But I think that, you're right, our curve may be considered a little bit shifted from Q3 to Q4.

You mentioned international travelers. This is a risk by definition, because we lost the vast majority of international travelers. I have to tell you on the other hand that the tourism outside the region, the international tourism in Q3 is much more important than in Q4. As Paola said, in Q3, international travelers represent up to 70% of our retail revenues, number very high. In Q4 it is the other way around, locals are more important than international travelers but this is a risk. I will say that unfortunately, is more a risk right now the lack of international travelers.

On the other hand and other point important to highlight is that because the international business is coming in Europe but not only mostly from Chinese customers, we are implementing in all the regions, specifically in China, business actions to capture these people that are not traveling any longer, what we call new locals, by implementing activities to contact

them and to call them to come to visit our stores in their local market, in this case specifically in China Mainland.

Third question is about gross margin. Gross margin in the second half of the year, more or less, should not be different from last year. As we already said but important to update you on is the write-down of our inventory that was very heavy in the first half of the year, €30 million. In the second half of the year until now, let me cross my fingers, based on the current visibility we have, we don't see any reason to furtherly write-down inventory. And so, without any depreciation of our inventory or extraordinary depreciation of our inventory, I think that the gross margin in the second half of the year should be in line with last year. Wholesale may be for the year-end a little bit better than retail, but we are not talking about significant impact on gross margin.

SUSY TIBALDI: Very clear. Thank you.

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

LOUISE SINGLEHURST: Hi, good evening, Luciano and Paola. Thank you very much for the commentary so far. Just a couple of questions from me, and one following-up from the prior question. Just in terms of the domestic consumer, we've obviously been hearing some fairly strong anecdotes over the last kind of 2 or 3 weeks or so but I just wondered if you could help us, I think Paola you mentioned Northern Europe, you also mentioned the Middle East and APAC, obviously, are any of the consumer clusters turning positive towards the end of the period? And any color for October, obviously you said that it's generally starting well?

And then my second question is just about product initiatives for Q4. We've obviously seen a delay on Genius, understandably this year, but we've seen content from Rick Owens and Jonathan Anderson coming. If you just walk us through the pipeline for the fourth quarter that'd be really helpful. Thank you.

LUCIANO SANTEL: About domestic demand. Overall in Q3 it was good, much better than the demand coming from tourism. September much better than July and August. So the trend was progressively improving in September better than the 2 months before and the exit rate was very good, in fact, as I said, October is doing now very well and much better than September. This is in all the different regions starting from, unfortunately, the weakest region now, which is Europe. Notwithstanding Europe is suffering a lot about the lack of tourism, but local, domestic demand is very good and this is against last year.

China, needless to comment, because we already said that. Korea and other market, which is driven mostly by domestic demand now more than ever because the only stores that in Korea have not doing well not at all, unfortunately, are the duty free stores which are doing business only with the Chinese tourists. So these stores are not doing well at all. But the lack of business in these stores is offset by the other stores. So the domestic demand is doing pretty well everywhere.

Japan, in Q3, the demand, I mean, which normally is mostly local demand, was not good, I mean, Japan was down in Q3. September was also negative, but there was a reason, last year September was particularly strong in Japan, because many people bought in anticipation of the VAT increase, which started October 1st, Japan in September was very strong. So the base of comparison was very tough. So September Japan was

heavily negative. However, in October when the base of comparison is much easier, Japan started again to be positive and to do pretty well.

Domestic demand in U.S. was the same, U.S and Canada in Q3 if we take out Hawaii and the business in Hawaii is 80/90% made with customers coming from Japan normally. This year without tourism, these 2 very big stores are not doing at all the business they did last year. But taking out Japan, North America overall in Q3 was pretty good. And again, most of the demand in North America is local domestic demand.

About Genius. We have been able so far, and I think that there is no reason why we couldn't respect our timeline, which is very intense this year notwithstanding the situation. We have delivered with some delay only in June/July but we were able to deliver all the collections. The most recent collections were JW Anderson 10 days ago. And exactly today, we delivered Rick Owens. Next will be Grenoble and then in December ALYX as planned as expected. So again, notwithstanding the situation, I think that the Genius project this year is doing very well considering the situation.

LOUISE SINGLEHURST: That's very clear. Thank you.

LUCIANO SANTEL: You're welcome.

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

LUCA SOLCA: Yes, good afternoon. I was wondering about product availability. There's a possible scenario where you face in the fourth quarter significant growth from all nationalities. Are you seemingly seeing you know, the pent-up demand and the recapture of that demand in the fourth quarter, it must be

very difficult to be planning in these days. But I wonder in case that scenario materializes, would you have enough products to be satisfying that demand trend and a positive year-on-year growth? Would you be short of products because you haven't necessarily planned for this kind of context?

As a second question, the progress you are achieving in digital in the U.S. seems to be very reassuring and potentially bringing forward similar progress in China. I wonder where you stand in developing your digital distribution in China. And how much of an opportunity you see there?

And last but not least, you have been on the forefront inventing a new way of presenting new collections through the Genius party event. I wonder how you are thinking about making the Genius event COVID-19 compliant and possibly the world generating the same amount of buzz and positive momentum for the brand. Thank you.

LUCIANO SANTEL: Okay. Hi Luca, thank you for your questions. Let me joke for a second about the availability of product, because we strongly hope to face this problem. I think that we shouldn't have a problem even if we implemented very important cut in our production plan but I don't think we will face this problem also because we have implemented over the years better flexibility in our supply chain, that may allow us to react to the demand, not for some specific particular seasonal product, but for all the products we have materials in house. If we have fabrics and components, we can react in a few weeks. So again I think that this is not the problem.

About digital, we are very happy with the North America, not only for business because we are talking about just the 15 days that are

meaningless, but because when you start with the new platform, it's very difficult to protect the business because of technically, behind the screen there is a different machine. So the fact that even with a completely different machine, we protected the traffic of our customers and the business is doing even better than before, makes us very satisfied. And this was a success of our teams in North America, in headquarter. Our people again that made it happen.

About China and not only because U.S. is the first very important step but the most important step will be next year in May and June, not well defined yet, when we will in-source Europe. Europe is much more complex than North America for tax, for duty, for currencies, whatever is much more complex. And also from the business point of view is by far right now, the most important region for the online business.

After Europe and Japan, because Japan is the other region that we will start May/June of next year, we expect for the end of second half of next year to implement our platform in China. The digital project for China has already started. It's a completely separate project, because from the technology point of view, from social point of view, from many different points, China requires a completely different project. 2 separate teams of China and the headquarter are working very hard to make it happen next year. For the time being, needless to say how important is digital in China, also because it is important and it's a big opportunity, because we are doing really something more than zero but not so much. And so, we have huge opportunities. We are implementing. We have opened the TikTok account. We are implementing shortly the mini program with WeChat. So the machine is moving, but I think that on one side we are very weak in China from the digital point of view, but on the other side,

we see really huge opportunities also because the machine is moving and the organization now is very focused on China.

PAOLA DURANTE: The last question was on Genius evolution, but I think we will surprise them.

LUCIANO SANTEL: Yes, this is something we can't disclose Luca, it is something that you have to wait, and you will see something as usual amazing.

LUCA SOLCA: We'll look forward to that. Thank you.

LUCIANO SANTEL: You're welcome.

OPERATOR: Next question is from Anne-Laure Bismuth with HSBC. Please go ahead.

ANNE-LAURE BISMUTH: Yes. Good evening. So I have 2 questions, please. I just want to come back to the performance in the U.S.. So you flagged in the presentation that the results have been strong since August and further accelerated in September meaning that you are back in positive territories in the U.S.. Is possible to understand the magnitude of the improvement in the U.S.? And more generally speaking, regarding your comment about the performance in October which is very encouraging, is it back to positive territory?

And finally, sorry I have 2 other questions. Is it fair to assume contribution from new space in Q3 roughly approximately at 6%? And my last question is about the store opening for full year 2021. So you have already secured 15 store locations, with a big focus in Asia. Is it possible to know how many stores do you plan to open there out of the 15 in 2021? Thank you very much.

PAOLA DURANTE: The first question was on the acceleration magnitude in the North American market, in the quarter. August as I mentioned, Anne-Laure, was better than July and September better than August. We cannot provide further comments on that. So for sure, we are happy in what we have seen, but we need to wait, as we said the most important weeks are ahead of us. So it's important to understand how the business will develop now in these following weeks.

The second question, and this I leave it to Luciano, is the new space contribution. Is it fair to assume 6% in Q3?

LUCIANO SANTEL: Of course, Anne-Laure, we don't report these numbers, we just give a general guideline for the year normally. I think that for Q3 honestly it is a reasonable estimate.

And the other question was about a new openings for 2021. Yes, your assumption is correct, we are opening some stores, probably more than this year in China. But there are 2 stores that I would like to mention, because are expected to become a flagship. One is Hangzouh MixC which will be a 2-floor store, very big, very visible and what we consider it as flagship. And the other one is in Chengdu Swire that will be a flagship and others. But this is the most important. Also among the 15 stores, there are 2 important openings in Europe. One is Milan Galleria, which is a project we already mentioned in the past. But we have in the next year again as a flagship. And the second store after Barcelona, in Spain, will be Madrid, a very important, very visible store in Calle Serrano. These are the most important openings of next year, but again in China as you said, we have 2 important openings and other minor but one in Wuhan and

other one in Dalian. China is an important market also for some new openings.

ANNE-LAURE BISMUTH: Thank you very much. I just want to come back to the performance in October. Sorry, I know that the 2 most important months are ahead of you, November and December but just going back on October, given the comment that you made about a very good performance. Does that mean that you're already back in positive territory?

PAOLA DURANTE: As I was referring to U.S., but it's the same even for October in general. We cannot comment on single month performance in detail. So the signs are good, but the 11 weeks that we have ahead of us are very tough and the environment overall remains very uncertain. So no further comments on October. Happy, yes, we are happy, but we know that there are still 2 very important months ahead of us.

ANNE-LAURE BISMUTH: Thank you, Paola and Luciano.

PAOLA DURANTE: Thank you, Anne-Laure.

OPERATOR: The next question is from Omar Saad with Evercore. Please go ahead.

OMAR SAAD: Good evening. Thank you for taking my question. Congratulations on the nice results. We understand it's a very difficult operating environment. My first question, I wanted to follow-up. I believe you said tourism represented 70% historically, 70% of EMEA in the third quarter. How does that evolve as we move into the fourth quarter? Is it more or less dependent than the third quarter? Or the different call outs as we think

about the tourism effects and the lack of travel in different regions and the seasonality around that?

And I'd also like to ask a question on what your outlook is for the backdrop for the broader outerwear category? Do you have any insights into outdoor activities, ski resorts? Do you expect them to be open and the key resorts to be open in Europe and North America and other markets, where you see a lot of the winter activities that's so important to your brand? Thank you.

LUCIANO SANTEL: Hi, Omar. About tourism outside the region, the number that Paola mentioned, is associated with the summer period with Q3 specifically, which is up to 70%, very high. But in Q4, the percent of the contribution is much lower. On the other hand, the local demand is much higher. So, we have 3 months, 2 month and a half ahead where the local demand is more important than the tourism that was outside the region. So your assumption is accurate.

Yes. about the Grenoble line, this is not only a part of our DNA, but also we have invested a lot in this line over the past few years, not only from the style point of view, but also from the technical point of view to protect and to develop more and more a very technical credibility in this field for our brand. Something important to highlight about store and about ski resort is that we are opening, we are relocating actually shortly the store of Zermatt and Kitzbuhel and both locations are really amazing, much bigger, much more visible, Zermatt particularly is really an amazing location. So the ski resorts are more and more important, more than ever. We keep investing because they represent also the credibility of our brand, not only for business, but also because they represent the DNA of our brand.

OMAR SAAD: Thank you.

OPERATOR: The next question is from, excuse me.

LUCIANO SANTEL: Now, Omar, I think I answered your question, but probably you asked also if they will be open the stores. We hope so, of course but the future this year, more than ever is very uncertain. But we strongly hope so.

OMAR SAAD: Thank you.

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

THOMAS CHAUVET: Good evening, Paola and Luciano. I have 3 questions, please, the one on e-commerce. I know it's only 2 weeks of trading, but any lessons you can share on the internalization of e-com in Canada and U.S. Any difficulties on the integration, anything that surprised you in terms of maybe changing in the merchandising mix. And are you still sticking to your schedule for next year for Europe and Asia rollout?

Secondly, on the wholesale performance, I guess within that minus 6%, you said, e-tailers outperformed. I guess travel retail underperformed. And then you had positive reception for winter and re-orders from maybe some of your multi-brand retailers? Should we take that in light of your minus 25% like for like maybe? Is that a positive reception of Fall/Winter effectively a very good indicator you think for the fourth quarter? Does that give you actually confidence about November, December to have seen maybe a surprisingly strong or less bad than expected performance in the wholesale channel?

And finally, on the Asia growth, I'm trying to reconcile the country mix. You have China, Korea double digit, Taiwan positive. Is it fair to assume that Japan was down 25/30% in the period? And as you said, Luciano, up low single-digit maybe in October, given the depressed comp.

LUCIANO SANTEL: Okay. Thomas, about your first question e-commerce, the key learnings area lot, but it is still premature to get to significant conclusions about the product mix, merchandising for the region that should start next year. The most important key learning is about the capability of organization to make it happen, which again is something important and something that makes us more optimistic, because the project is still long and very complex. About wholesale. The business may be better, maybe worse. We may have the help of the climate, the weather, but at the end, what makes us confident is the results of our collection, of our products, the strength of our brand. So again, wholesale did well and better than retail. Retail is doing in October, as we said, well.

So, these are all encouraging signs for the future. As Paola said, and let me say it again, it's very difficult. I have said that is totally impossible to predict the future. Normally, it's impossible and this is what I normally say in October every year, but this year more than ever, the situation overall is very critical.

We are happy. Yes, we are happy because notwithstanding whatever happened in the last months or whatever may happen, hopefully not, in the future, our brand is strong, our product is good, people, when they can, come to visit our stores. So again overall we are happy, yes but without any particular indication on aggressive expectation for the year end, also because results are important but again, we look at the brand for the future not just for this quarter.

About China Mainland is #1, by far. Korea, as I said, as you highlighted very well. On the other hand, Hong Kong SAR a disaster, Macau a disaster. Macau is getting a little bit better now in October, but if I have to comment Q3, Hong Kong SAR and Macau a disaster. Taiwan, fairly well. Japan in September negative, double-digit negative, but again October better, October is positive. It is positive also because, as I said before, the base of comparison is much easier.

But in any event, we are very confident about the potential of Japan. Q3 has been heavily impacted not only by the base on comparison with last year, but by the pandemic. Japan in Q3 was still in a very serious situation. So, again, any expectation, any forecast is more than ever very difficult to now. But what we can say for sure is that the signs are good, the brand is very strong and the collections, which are very important, received a very good acceptance by our customers.

THOMAS CHAUVET: Thank you, Luciano.

LUCIANO SANTEL: You're welcome.

PAOLA DURANTE: Thank you.

OPERATOR: The next question is from Manon Coulon from Erasmus. Please go ahead.

ANALYST: Hello. Thank you for taking my question. Just one, if I may. I was just thinking about the link in Q4 between winter holidays and going skiing and so on and buying Moncler, especially in Europe. And I was thinking like there's strong link, what could be the size of the impact if people can't go on winter holiday due to the second wave worsening?

PAOLA DURANTE: Sorry, your question was what the impact is if the resorts are not going to open in winter. So the resorts are open, but clearly maybe the ski slopes will not be opened. As Luciano was saying before the ski resorts are very important for the brand, for the strength of the brand, they are in our DNA. So it's important, they are critical for us, but not as much in terms of contribution to business, not even in Q4. So there is not a big impact if they're not going to be open. Of course, if they are open everything helps. But otherwise, it's not going to have a big impact, if this was your question.

MANON COULON: Yes, I was thinking about the sales in ski resort, but also just about buying a jacket before going skiing. So not only the sales in ski resorts, I was just thinking maybe people are buying a Moncler jacket, because they know they are going on winter holidays. And they might not do it if they don't. I was just thinking about the link between these two.

PAOLA DURANTE: Our Grenoble collection, which is our ski collections accounts, we normally say, single-digit of our revenues. So you can also buy products of the main collection and use it for skiing. This is something that can happen. But otherwise, I would say there is not going to be such a big impact on our revenue. As we were saying, we hope they will be open because it would be much better, but more for a general environment than really for a big impact or an important impact on our revenues.

MANON COULON: Okay. And if I may squeeze in, I have just one. You said that in Q4, it seems that travelers were lower than the Q3, so lower than 70%. Can we have an idea of the percentage for Q4?

PAOLA DURANTE: Sorry, we couldn't really understand the question. Can you repeat because there is the line that is not regular? So we don't really get all your words, if you can repeat.

MANON COULON: Excuse me. So, you said that the travelers account for 70% of the sales in Q3 and then you said that Q4 is lower. Can we have an idea of the percentage in Q4?

PAOLA DURANTE: Yes, travelers in EMEA we were specifically mentioning not travelers overall.

LUCIANO SANTEL: Yes, correct, because travel in EMEA are very important. 70% of retail revenues in summer in Q3 and less than 50% in Q4 and in the region of 30/40% in Q4 in EMEA, as Paola said.

ANALYST: Thank you very much.

LUCIANO SANTEL: You're welcome.

PAOLA DURANTE: Thank you.

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

PAOLA CARBONI: Yes. Hi. Good evening, everybody. I have few questions. First of all, looking to the in-sourcing of your e-commerce activity now that part of the project is already up and running in the U.S. and Canada, I was wondering whether you can share with us a bit more of colors, in terms of the impact this project might have in terms of profitability.

And as a broader question looking maybe to next year or whenever you will ever regain the 2019 revenues, would you expect the profitability as well to come back to your 2019 levels?

Then another question is about your marketing budget. As I presume and I understand, you are going to be more vocal with your marketing activities in the winter season now. I was wondering how we should look at your marketing cost in the second-half of the year compared to last year?

Then a quick question if you can on the travel retail channel, if you have any different thought now on this channel, because of the situation in terms of your development strategy there?

And the last one, in terms of the mix of clientele, you are seeing in the most recent month or in the restart of winter sales, that are more let's say more in tune with your core offering. I was wondering if you can share with us anything about the evolution of the age cluster with the current situation, rather than for example the evolution of the price mix with the current situation. What are you seeing since the start of winter sales?
Thank you very much.

LUCIANO SANTEL: Hi, Paola. About e-commerce. Everything we said about America is important for future. Even if as in my role I should look, as I do normally, at the profitability. But right now, profitability of this channel is not on the top of our priorities. What is on the top of our priorities is to become able and strong in driving this complex machine from all the different points of view.

And this is also the strategic reason why we decided to in-source this business. This business may be profitable, even more than before in theory, but everything is theory now. When the machine will be up and running in all the different regions, and when we will comment one year from now more or less the result of all the other regions, we may start to look also at profitability. For the time being in our plan, we maintain the same profitability we currently have, or we had before and currently have with YNAP. The strategy behind this project is different. But your point is correct, but right now it's honestly premature.

About the marketing budget, second half will be lower than last year, of course. We expect for the year-end, a marketing budget in the region of 6%, last year it was 7%. We included in that budget also charity activities actions that we did them in the first-half of the year. So for sure, marketing activity this year will be a much lower than last year. Then you asked a question about price mix?

PAOLA DURANTE: Travel retail from a development point.

LUCIANO SANTEL: Travel retail right now is the channel which is suffering most. We still have few stores still closed and all of them are in airports. One is Hong Kong SAR, the other one is Istanbul.

PAOLA DURANTE: And the Melbourne one is locked down.

LUCIANO SANTEL: Melbourne, yes. But I mean, 2 of the 3 are in the airport. The stores in airports that are open unfortunately are suffering a lot. I am thinking of Incheon, Korea and all the others. So travel retail right now is suffering, nevertheless, we still believe that the travel retail business will be important again in the future. For the upcoming year, we have a project,

not only one. One important is Sydney Airport, where we plan to open a store. And then we have a couple in China, in Shanghai and Guangzhou. And again, not so many, but I think that this channel after this unfortunate situation will be again a very important channel, if people will start again to travel and to enjoy in traveling and in shopping abroad.

One question was about the price mix.

PAOLA DURANTE: Yes, the initial indication on this winter collections in terms of average price to customer.

LUCIANO SANTEL: Yes. We see in some regions more than others some younger customers, for example, in North America, which is encouraging, of course because it means that we developed a collection which is looking not only at our existing loyal clientele but also at younger and new customers. Price right now is more or less in line, probably a little bit higher, because we are selling now more outerwear but not big differences honestly, not at all.

Additionally, if we look at the retail metrics, this is a very important to highlight that, because all of our stores with no exclusions, except China, are suffering of a much lower traffic, but on the other hand we are offsetting not completely, but in part, the lack of traffic with a much higher conversion rate, and with higher and increasing units per transaction. So these 2 metrics are doing well, not as much to totally offset traffic, not in Q3, of course. But again, these are very encouraging signs of the capability of our store people to convert business.

PAOLA CARBONI: Thank you very much.

PAOLA DURANTE: Thank you, Paola. Operator, I don't know if there are follow-up questions or other questions. If any, we can get the last one.

OPERATOR: There are no more questions registered in the queue.

PAOLA DURANTE: Perfect, fantastic. So thank you all for participating in this call. Clearly, as usual, myself and the IR team here with me is at your disposal, if you have any follow-up tonight or tomorrow. Also, I remind you that I don't know if you have seen, we published today our 2021 financial calendar, so full year 2020 results are going to be published on February 18 and the silent period will start on January 20. I wish you a very good evening, and speak to you very soon. Bye, Ciao.