

Moncler S.p.A

"Beyond Fashion, Beyond Luxury. Stone Island Joins Moncler Conference Call"

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OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining Beyond Fashion, Beyond Luxury, Stone Island Joins Moncler 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 Mr. Remo Ruffini, Chairman and CEO of Moncler. Please go ahead, sir.

REMO RUFFINI: Good morning and buongiorno to all of you, and sorry for the short notice. Today is a special day for Moncler and me. Our first important day as you may remember was 2003, when we acquired the brand. 10 years later, 2013, I think most of you remember, we went public and because time goes fast, we didn't want to wait until 2023 to announce another historical moment. We did it in 2020. Things happen by case but never by accident. One day, Romeo who is my son, came home and told me "I was in a convention, I heard Carlo Rivetti, and it was like to listening to you. The same vision, the same obsession for quality, you should meet him".

And so it all started and now we are on a new chapter together. The question could be, why now? I have always believed that luxury is not what you wear, luxury is a language. It is not having, but belonging. It is a community, it is an experience. Luxury has to open its doors and look for contamination from art, sport, culture and music. I always ask myself, if music move from CDs to Spotify, and Netflix changed the way with entertainment, why should fashion remain the same? Today luxury does not speak to young generation. I believe luxury needs to change.

Moncler started this path already a couple of years ago with Genius. With Genius, we went beyond luxury. My dream is to develop this direction, Moncler and Stone Island. Each one with its own uniqueness, with its DNA, and different positioning. I really think Stone Island is perfect for Moncler. We have common roots and vision. We speak the same language. We have the same obsession for purity of the brand. We both love innovation and very important, I think Stone Island remind me a lot of Moncler 10 years ago. I remember Moncler in 2010. We had 80% wholesale, 20% retail, more or less the same revenues, more or less the same margin. It is a great company with still a great potential. And finally, I am so proud that in this moment so difficult for Italy, 2 Italian companies join together to become stronger. Future is not something you chase. Future is something you build.

And now, ladies and gentlemen, I am honored and touched to leave the floor to a man who made the history of the sportswear in Italy. Chairman and CEO of Stone Island, Carlo Rivetti.

CARLO RIVETTI: Hello everyone, Buongiorno. It's a great honor to sit in this place with Remo. I think that our 2 brands have really built the history of the garment industry, not only in Italy. I was contacted by a lot of private equity, but I cannot make a deal with them because the most important thing is that with Moncler, with Remo, there is an industrial project, and this is really important for the future of Stone Island.

Stone Island started in 1992 with a mistake. A fabric entered into the company. It was the fabric that was used and still used for doing the tarpaulin of trucks, and we did a jacket and it was terrible, so we decided

to wash it, and it became a fantastic product. It was really very strong. We started with only 7 jackets and we used what we call Tela Stella.

From the beginning, I think of the story of the brand, its DNA is very clear. We started with a fabric that is not used by the fashion industry, and still we are investing in new fabrics, in new technology, in new treatment, in new dyeing. In 1983, GFT, that was my parent company in this day, owned Stone Island. In 1993, the Stone Island company became a sponsored company actually, became independent. Me and my sister Cristina decided to buy from GFT. The idea was that the future of the garment, apparel industry was in sportswear, not in formal wear. From the beginning, we wanted to have garment dyeing products, so we did the garment in white and then we dye it once it was done, it's really a particularity of the company. In 1999, we opened the first flagship store in Milano, and it was the beginning of the opening of independent stores owned by us, in a small number.

Another key point, another milestone for my company was in 2001 when we were able to dye garment in polyester under pressure, 180 degrees centigrade. Why it is important? Because before we were able only to dye natural fiber. When we learnt how to dye polyester, we opened a totally new innovative field for research, what we call the manmade fabric, and this was really a key point, because we doubled the opportunity of dyeing materials. I forget to tell you before that in our experimental dyeing inside the company with one dyeing we are able to do 11 different colors on the garment, playing with the temperature of water, the acidity of water, pressure, temperature and type of fabric of course. So, we can do all the colors of the world, and we can invent colors.

In 2007, we launched the e-commerce, and it was another important step also because I became the new Creative Director, but this is not the key point. The key point is that we found a design team, so there was not only one man driving the design of Stone Island, but a team of young guys, a multi cultural team and I feel that multi cultural is really very important, because if you want to talk to the world, you must be multi cultural.

In 2011, we launched Shadow Project. My company, Stone Island is based in Modena, near Maranello. Maranello is the city in which Ferrari cars are built and Shadow Project is my Formula One. Do you know, if you want to do very strong innovation, you must have a specific place in which you can really study new things and Shadow Project is my Formula One in which we can make experimentation, that then will enter the main line.

In 2014, we started the first collaboration with Supreme and Nike, and it was really a fantastic moment, because in this day we were not really very famous in the U.S. and we get 2 phone calls, one from Supreme and one from Nike. They are so different companies, and so I understand that something was happening in the U.S., and the 2 collaborations were both very interesting. They are a real collaboration. So it's not to put together 2 brands, but it was to really make together 2 different knowhow. The collaboration open us really to a new type of final consumer.

In 2019, we acquired Officina Della Maglia. Officina Della Maglia is doing the 75% of the products of our knitwear. It is really a key point because we internalized an important part of the production. This is very quickly a short story of Stone Island, the brand that started 1982 when Italy was the World Championship in Spain, so it was a fantastic year for Italy.

I am very proud to sit here with Remo, and it's really a fantastic opportunity to merge 2 brands like Moncler and Stone Island, and I think that is a very strong signal for our country. I am really proud to be Italian.
Thank you

ROBERTO EGGS: Thank you, Carlo. I am Roberto Eggs, the Chief Marketing and Operating Officer of Moncler. Let me give you some more flavour and insight regarding the business model and more insight about the brand Stone Island and to explain also why we see that it is a fully complimentary brand to Moncler.

Stone Island is an entry to luxury brand with a strong DNA rooted in sportswear, streetwear and fashion active in a very appealing market. As you know, the total luxury market sector in 2009 was €281 billion. We know that 2020 has been a year where this market has had some difficulties, but we know also that within the next couple of years, it should recover and then even exceed the level of 2019.

Within these markets, Stone Island is active on the men ready-to-wear segment. The weight of the segment is €64 billion. And within this segment, the weight of the casual wear is roughly 40% of the total. This is a fast growing segment, faster, of course, compared to the formal wear, but also slightly faster than the womenswear. So we are active in a very interesting segment.

I think that Stone Island is intercepting some of the key trends that are fuelling this sector. First of all, it's embracing the current digital blast that we are all experimenting. In just one year, digital has posted 5 years of growth and is expected to reach 1/3 of the Luxury Goods revenues. So it's

a very high, fast growing market in terms of digital. And here what we can know and what we have seen with Stone Island is that the penetration and the relevant KPIs in terms of .com are really good. As you know the brand is managed by YOOX NET-A-PORTER, it's powered by them. It has strong organic growth and higher level than average industry level of conversion and not lower level of returns.

Second trend is that the brand is embracing the generational shift. What we have seen and what we know is that the Generation Z, so people below 25 years old, are going to fuel the growth of the luxury sector in the next 5 years. We believe that 65% of the growth will be generated by these Generation Z. Stone Island is super well position with Generation Z that accounts more than 25% of it is e-commerce sales and if we add the millennials, so people below 30 years old, is more than 50% of the e-commerce sales of Stone Island.

It embraces also the other trend which is the casualization. As you know, we are all adopting a more casual lifestyle at work and in the daily life away from the standard constraints of formal wear and the street culture that we have been experimenting in the 80s, 90s and the early 2000. The product of Stone Island is fantastically position and completely fitting the casual wear usage and destination.

The other trend that we see on top of casualization is Sportswear Luxurization. We see younger generation that are more fashion sophisticated with luxury brands. And this is gaining share on the mass premium markets, upgrading younger consumer to higher quality purchase and lower frequency of purchase. Here also we believe that this brand is embracing absolutely this trends.

And the last one that we see that is supporting this market is brand as Broadcasting Platforms. And as I mentioned previously, this brand has experienced very strong organic growth. We see very clean and pure brand platform that we can leverage in the future. It's a brand about communities and it's a brand regarding also contamination.

Stone Island features clear success factors that are highly complementary to Moncler. We see 6 of them as strong pillars for the future development. First, the versatile contemporary positioning in the new luxury, at the crossroad between the meaning, the community, the contamination. We want to continue to enhance the positioning of Moncler and strengthen Stone Island to maintain the distinctiveness between these 2 brands. It's a brand, like mentioned by Carlo, that is about innovation like Moncler with extreme experimentation and research on fiber and textile with more than 60,000 recipes of dyes per year.

It's a brand about outstanding product quality, like Moncler as I think both Remo and Carlo are obsessed by quality, and I think it is really what is the characteristic of these 2 brands. 2 brands with very strong heritage that are different. An inspiration coming from a military marine for Stone Island and more coming from the mountains for Moncler. Both brands have strong brand assets with strong use of logos but in a different way and with different degree of visibility.

And finally, I think that this brand is a perfect entry to luxury pricing with high-end-legitimacy. Stone Island is covering different price segment of the luxury pyramid without risk of cannibalization of Moncler.

As mentioned by Remo when he said Stone Island reminds me a lot of Moncler 10 years ago, here is to give you some flavours and figures

regarding this. What we can say is that, in 2010, Moncler was doing 35% of its revenues in Italy so in the domestic markets and the retail revenues of Moncler in 2010 were weighting 27% of the total. This is very similar to Stone Island. They have 28% of their revenues in Italy compared to the 35% of Moncler. And the retail revenues weighed 22% compared to the 27% of Moncler 10 years ago.

Turnover was already also similar, €240 million for Stone Island, €283 million at the time for Moncler with an EBITDA of 30% that is very similar between the 2 brands. While you know what has been the trajectory of Moncler that has been growing from this €283 million to €1.6 billion last year and having the domestic revenues that went down from 35% in 2003 to 11%, so with a strong internationalization of the brand. Retail revenues grew also from 27% in 2010 to the 77% of last year.

If we look at the story of Stone Island so far, the growth has been very impressive between 2011-2020 when the brand has been growing from €50 million in 2011 to €240 million, so with an average growth rate per year of 18%. Even in 2020 as you know it's a very difficult year. Their fiscal year ended at the end of October, but within the 12 months between November 2019 and October 2020, the brand has been able to keep positive growth growing by 1% and maintaining a very high level of EBITDA at 28.4%. So I will say a fantastic resilience of the brand in this difficult year.

I give you some more flavours of how this €240 million are organized by the different region and the business model. We have with Stone Island currently 24 retail monobrand stores, and we have more than 1,000 doors in wholesale. The 1,000 doors number is very similar to the number of doors that Moncler has in wholesale. And we say that the organization is

slightly different because we only have 3 markets that are managed directly and directly controlled: one is Germany and Austria, the second one is Americas with Canada and USA. We then have part of the business that is partially in direct control with agents. The main countries under this business model are Italy, Switzerland, Benelux and Scandinavia. And then we have a limited direct control through distributors and among them the most important market is U.K. But we have also distributor in Spain, in Korea, in Japan and partially in China with 3 different distributors that have a non-exclusive agreement with Stone Island.

In terms of where these 24 stores are currently distributed. We have one store in Scandinavia in Stockholm. We have one store in London with Selfridges. In France we have 2 retail stores, in Paris and Cannes. Benelux is one of the strong market with Amsterdam and Antwerp. In Germany we are present in Munich, Frankfurt, Hamburg. 11 stores in Italia, I will not mention all of them. In Korea, we have Seoul and Daegu and in Japan we are present in Aoyama. In Asia Pacific we have 10 stores, one retail which is based in Beijing in Sanlitun but we are present in the main cities of China.

If we look at how the business is split between the different areas, as I was mentioning, Italy is still a stronghold of Stone Island with 28%, EMEA represents 52%, Asia Pacific represents 11% including, Japan and Korea, and America is 9%. If you look at the 52% of EMEA, it's more or less equally split between UK that weighs 29% of the business. Germany and Austria 26%, Benelux 20%, and the Rest of Europe is 25%.

If we come to what is making and giving the superior edge of Stone Island, we see 4 main pillars that are bringing a lot of value and distinction between this brand and the other. The first one is the style, with a unique

positioning between luxury, sportswear, fashion, and streetwear, with an understated, military inspired, highly recognizable, and extensive *Archivio* collection in-house. We see also strong hold with the product with a unique knowledge and this was explained by Carlo with the dyed garments, but also a lot of research on new techniques regarding textiles and fibers. In terms of production, a long-lasting relationship with key suppliers, with the full control of the dyeing process and an in-house knitwear production, since 2019. And regarding sustainability, an approach that is very similar and in tune with what Moncler is doing with also 100% certified down and more than 50% of merino wool that is mulesing free.

If we look at the split of product categories, we see that outerwear represent 38% of the total turnover. The cut and sewn represent 35%. The knitwear 18%, and others, this is including pants 9%. And the repartition between the fall/winter and the spring/summer collection is almost equal having for last year 51% of the sales done during the fall/winter season and 49% during the spring/summer collection.

Let me pass the word to Luciano Santel that will continue and explain, how are the results. What is the future. And how we have made the deal. Thank you.

LUCIANO SANTEL: Thank you, Roberto, and good morning everybody, and thank you for attending our call in this great day. It's really a great day. We report in this Page, Page 16, the key financials of the company. As Roberto said, and as you already know very well, the company reported a quite impressive growth over the past 10 years from about €50 million to €240 million this year. And what also is very interesting is that this year, notwithstanding the overall situation that has been more than ever

particularly and still is unfortunately very complex, they showed a very strong resilience with a top line that is totally in line, even slightly better than last year at the €240 million.

Operating margins are good. I would say are very good. Both EBIT and EBITDA, EBITDA of €68 million, which is a 28.4% gain this year, last year it was 30.8%. So, I mean, in EBITDA margin, which is in the region of 30%, which is a very good.

Let's move now to Page 17, because the past is great, but the future is what we still have to design but the future must be even better. I don't think there is something we can do better than what they did. But I believe, there is a lot we both together can do more: first to help Stone Island to become a real global company, global brand; second to drive the business from mostly wholesale business model to a direct-to-consumer business model, and the last but not least, to make the brand, which is already very strong, even stronger world-wide.

Page 18, our plan for the next year. We have designed a preliminary business plan that we want to share with you, not the details of the plan but just to tell you that we aim to double sales over the next 5 years. And we believe that this is doable. And our plan, our strategic plan is based on 3 important that pillars.

First is the product which is the essence of Stone Island success and behind the product there is a great research and the great innovation in both design and materials. And this is something, we want to preserve to protect and even, if possible, to enhance and to improve.

The second pillar is the distribution. The company is based on a business model, which is mostly wholesale, as Roberto said, with the same strategy, with the same vision of our Moncler strategy, very selective, very clean, very pure. I think, there is a lot more to do now to improve the direct-to-consumer distribution, to open stores with the same selective approach and also to further strengthen the .com business, which is already very good and honestly, even better than what Moncler reported, because their .com business overall is in the region of 10% of total revenues.

Again, last but not least, the brand is very strong. I think that we can together work and to invest more and more in marketing activities, in brand enhancement, because what is very important is to make the brand become a global brand, and a very strong brand also in some markets where the brand awareness is not very high.

If we move to Page 19, we report the normal usual SWOT analysis. The point of strengths are pretty obvious. We have already talked about strengths, the unique positioning, the superior product, and the production knowhow, the strength of the brand, the visionary management, and the vision of Mr. Carlo Rivetti.

Opportunities. I think opportunities are a lot to expand their business internationally. Their business now, as you saw before, is very strong in Europe, but still great opportunities are in other international markets. First, in Asia and in North America.

Weaknesses and threats. I honestly see weaknesses first as more opportunities, because the limited brand awareness in faster growing markets is a weakness – yes it is – but it is also a great opportunity in all of the fast growing markets, including China, where the brand is still at the

very beginning. But opportunities are very strong and stronger than weaknesses as much as the threats as the limited retail culture, which is what we said at the beginning. they are still at the very beginning in their retail path and I think there is a lot to do. So weaknesses or threats are more very exciting opportunities for the future for both of the teams.

We can move now to Page 20, where we report the most important elements of the transaction. The agreement is the aggregation of the 2 companies for a total consideration of €1,150 million for the equity value. The consideration will be paid 50% cash and 50% through the issue of new Moncler's shares, exactly 10.7 million new shares that will be dedicated to the Rivetti family. For Moncler, the maximum cash-out will be about €750 million, which is below the current cash position of Moncler, that we will still maintain, as a Group, a cash positive position. Of course, the transaction is subject to market standard closure, including the capital increase I just talked about that is going to happen over the next 2 to 3 months, most likely, with an expected closing before June, but I would say way before June hopefully.

Okay. Thank you for your attention. And we are now ready for your questions.

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

Q&A

OPERATOR: Thank you. This is the operator, we will now begin the question and answer season. Anyone, who wishes to ask a question may press "*" and "1" on their telephone, to remove yourself from question queue please

press "*" then "2." Please pick up the receiver while asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Antoine Belge of HSBC. Please go ahead.

ANTOINE BELGE: Yes. Good morning. It's Antoine Belge with HSBC. 3 questions, please. First of all, can you maybe comment a bit on the price points of Stone Island? And in terms of the key new product category, who are the main competitors in your view?

And second question relates to the level of margin, which is already very high. I think you mentioned that there were quite a lot of distributors and partners involved in terms of distribution. So, should we consider this very high margin as a peak, especially as you will invest into retail or do you think that actually that's not the case and the margins could be even higher?

And finally, in terms of management, what will be the involvement of the Moncler management, Remo and Roberto? Thank you.

ROBERTO EGGS: Antoine, thank you for your question. Regarding the first one on the pricing. We have been studying in detail the different product categories. The first distinction is a completely different weights in terms of product categories compared to Moncler with much lower part on the outerwear business. The difference of pricing in the outerwear business is on average 25% to 30%. It's a little bit higher regarding the cut & sewn where we have the entry price of Stone Island slightly above €100, while we don't have now any cut & sewn below €164 for Moncler. So there is still a significant price gap between the different categories.

Regarding the approach, I will leave also the floor to Luciano to comment. But I think that with the overall perspective that we have in terms of business development, the level of margin is already quite high, and it was like Moncler at the time very similar. I think that the objective here is to get to more direct-to-consumer control. Clearly, for the developments of more presence in retail, I personally perceive that there is a strong potential in mall and department stores, probably a little bit less regarding freestanding store compared to Moncler, but probably also due to the price level, and the targets in terms of audience even a stronger potential in terms of e-commerce sales. They're already higher and probably it is something that we can further develop with Stone Island.

Regarding the wholesale, I think we need to enter distributors, we need to carefully study with Stone Island, because what has been built is a remarkable network. We need to assess where it's going to add value to go more direct, and where it's going to be more useful to continue with existing partners, but whenever we'll be able to gain more direct control is something that we are going to work together on this. And the idea there is clearly like we did it for Moncler, if you get to more direct control and less intermediary, this is going to be margin that we want to use to fuel the investment in terms of marketing. Currently the level of investment on marketing and promotion for Stone Island is below the average of the industry and what we would like within the next 3-4 years is to bring it at least to the level and continue to develop the brand and the visibility of the brand.

LUCIANO SANTEL: Yes, talking about the margins, they are very important, but our strategy, as usual, is a brand strategy, and as Roberto said there is a distribution strategy to get to the direct control of the market, but also to have the possibility to talk directly with customers. Margins may improve, but

honestly this is not our priority. Margins are already very good. I think that margins may improve, if and only if, we will implement the brand strategy we discussed about and the distribution strategy we discussed about. In any event, we are very encouraged by the fact that operating margins are already very good. The fact that we may take the control of some markets is not affecting negatively all our margins for sure.

REMO RUFFINI:

In terms of management, I think, Stone Island has a great management team. For sure, our idea is to help to develop further the business. I think, I want to work directly with Carlo, for everything, his product, his marketing strategy, and so on. And for sure, where we see the great potential is the Roberto's area. I think, we can really help them to develop the different market in terms of wholesales. Even the wholesale chain is already very strong in terms of quality, in terms of number, and in the retail chain as we mentioned before, I think, in Asia, there is a great potential.

Having said that, we want to be concentrated in Moncler, this is for sure and that's why I say, we've found a very strong management team there. Our goal is really to help to improve the culture, the distribution and to enter the new market in the right way.

ANTOINE BELGE:

Okay. Maybe just one follow-up. I think in the press release, you mentioned a 2021 EV/EBITDA of 13.5. So I did a quick calculation, it means that you expect an EBITDA figure for 2021 of €85 million. So is that figure based on much higher sales, or is it already incorporating some kind of margin expansion or just returning to the pre-COVID level? Thank you.

LUCIANO SANTEL: Hello, Antoine. The improvement expected and hopeful improvement in EBITDA margin is totally driven by an increase in the top line. Thank you.

PAOLA DURANTE: Sorry, operator. I was just seeing a couple of questions from the web on the structure of the transaction. So maybe I ask Luciano to clarify the different steps just for the clarity of everybody.

LUCIANO SANTEL: Okay. For the sake of clarity, we have to highlight that we have to present the shareholder structure, which sees a 70% stake owned by Mr. Carlo Rivetti and his family and the other 30% owned by Temasek, which is the Singapore financial firm, which also owns a stake directly through Ruffini Partecipazioni of Moncler. So the agreement has been formally reached with Mr. Rivetti family, with the 70%, but Temasek has been contacted and they have expressed their happiness, openness and enthusiasm for the transaction. Of course, all the formal agreements will follow, but the objective of Moncler is to get 100% of the company. And this is also something that we can give for granted, because it's based on contractual agreements in place between Rivetti family and Temasek. And the way we will get the 30% from Temasek may be the same. We got the 70%, which is 50% cash and 50% shares, but they also have the right eventually, to ask, to get paid 100% cash. When I said before that the total maximum cash out will be €748 million is in the case they should ask 100% cash.

OPERATOR: The next question from the conference call is from Luca Solca of Bernstein. Please go ahead.

LUCA SOLCA: Yes, good morning. Two questions from my side. The first one, one of the key drivers of growth at Moncler has been a very strong and effective

development of retail. How confident are you about Stone Island as a direct retail operation? Do you have evidence that the current stores are producing levels of sales per square foot, levels of productivity that would be conducive to further development of direct retail activities, or what do you envisage will be the needed actions in order to bring that productivity to a level that would allow you to develop retail further, which seems to be a value creation access that should [technical difficulty].

The second question has to do with the current distribution quality. You say that Stone Island has a number of markets where it's distributed directly and several other markets where you have third parties involved. How satisfied are you with the quality of this distribution and how much of a streamlining is it going to be required or a cleaning up is going to be required when it comes to wholesale quality and also when it comes to control on pricing? I was finding this morning quite a number of products discounted. I think it's normal. We have it everywhere. This year it's been very difficult, but I was just wondering about the grip that the brand currently has on distribution and pricing in your view. Thank you.

ROBERTO EGGS:

Luca, thank you for your question and coming to the first one which is the retail growth. As you know, the retail network that is currently in place in Stone Island is quite reduced. We have 24 stores in retail. They have started in terms of clienteling development and so on, but we are really at the infancy and probably a little bit where Moncler was 6, 7 years ago. So I think that there is, probably with the omni-channel approach or retail excellence project, a lot to be done and support that Moncler can give.

We went through a similar learning curve and as we were discussing 5, 6 years ago, we were €29,000 per square meter. We were thinking this was

very high and we have been able to increase it by 25% with the clienteling action and with the omni-channel approach that we have developed there.

It is clearly something that we bring to the table to help Stone Island to further develop. There is also a very strong knowledge in terms of what are the key strategic places to be in and how traffic and price can influence the global outcome of the retail operations, so clearly, the extra piece is here in Moncler. We can provide support on that. We have a fantastic knowledge on some of the market that are currently managed with distributor. I am thinking especially regarding Asia, with Korea, with Japan, with China where we are handling all these operations fully direct and we have all the connection with the landlords and so on and I am convinced that we will be able to help and provide some leverage for the development of the business for Stone Island. Also, as we have seen, their level of penetration on the Asian consumer is relatively low. This is for me another leverage that we have to develop. As you know, when we look at the sales density of Moncler that is very high and it is also a lot driven by Asian consumers that are bringing half of the sales density that we have in our store. This is currently almost non existent or relatively low, when we look at the penetration of Asian consumer within Europe and currently, the business is a 80% of European business. I think also that there is a strong leverage for the different partnerships and collaborations that Stone Island has established since 2014 with Nike and Supreme on the North American market. We foresee there also a strong potential for development.

As I was saying at the beginning, I see probably a different split and weight between retail, online and wholesale than Moncler. We believe that the stronghold that they have in wholesale is something that we need to continue to leverage. From what we have seen in the stores, Stone

Island is in the right ones. Maybe, we can, in some cases, help also on that part, I believe, very strongly in department store. As you know, we move to a concession model now in all department stores in Europe. We are in most of the case still in a wholesale model. With Stone Island, we will have to analyse and carefully look what is the best solution, but there is another strong leverage that we may have. So this is whatever I have seen so far.

Regarding the pricing, we are in a different business model. With Moncler, there is a no discount policy. We never discount our products in our stores and our partners are doing the same in their wholesale distribution. We only are using the outlets as a way to get rid of the excess stock. Here, it's a different policy. I think they have very high level of sales at full price, much above the industry average and they are then also using some discount at the end of the season to increase their level of sales and through few outlets they are able to get rid of the total of the stock. So it has to be carefully analysed but it's a business model that is working. So I think that before changing, we need to see if this is the right model.

LUCA SOLCA: Understood. Thank you very much.

REMO RUFFINI: I agree with Roberto, but as usual, we don't know deeply the company yet, but my dream is always the same, try to have a strong brand. And to have a strong brand, you don't need too many discounts around the world.

LUCA SOLCA: Very good. Thank you.

OPERATOR: The next question is from Andrea Randone of Intermonte. Please go ahead. Mr. Randone, your line is open.

ANDREA RANDONE: Okay. Good morning. Sorry for the problem. Even if I know the brand and I appreciate it, I am quite surprised by the result in 2020 and I wonder if you can help us in reaching a better understanding on this trend, partly maybe because you mentioned the higher percentage from local customers in Europe or from online. I think this can be interesting.

And I have a second question from a more strategic point of view. You mentioned a sort of ambition or target to 2025 to double revenues. I wonder if you can tell us when do you expect to be ready to launch women collection or if you think also Genius project can be applied to Stone Island brand. Thank you.

ROBERTO EGGS: Let me give you some flavors regarding the results of this year. They have been good and as you have seen also for Moncler the result of wholesale this year has been better than the result of retail. There is low exposure to Asian consumers in the business of Stone Island in Europe, it's mainly based on locals and tourists that are travelling locally within Europe, so they have been less impacted by the fact that globally people are travelling much less.

I think there are 2 very good wholesale campaigns they have been running. It's true also that the result of +1% that we are showing is at the end of October, so if we take the calendar year, it will be more minus 8% which is still fantastic, but still to be closed, but this is the assumption that we are taking, minus 7%, minus 8% which is a fantastic result in the current context, far above what other players in the market are doing.

REMO RUFFINI: On the second question, I think we make this plan for 2025 based on the businesses of today. Having said that, I think it's too early to think about

the strategy. It's too early to think about women or Genius. I don't feel women under the Stone Island umbrella, but you never know. Again, it's a very new brand for us.

Having said that, we have a strong feeling that the positioning that Moncler is fighting a lot to reach is what we call the new luxury world that including a lot of new brand, a lot of brand that give a lot of energy in this luxury street, think about what we did with Genius, what Gucci did did with the turnaround as well with Dior Home or the communication, but not forgetting Virgil Abloh with LV. I mean this position again that we are fighting a lot to reach, I think it is a strong opportunity also for Stone Island. I think we are not there yet. With Moncler, I think we have to improve our strategy, improve our vision, improve our way to work in this segment. But I honestly feel we can take Stone Island close to this world, I don't see any problem because we have to grow in this segment but Stone Island can follow us.

ANDREA RANDONE: Thank you.

PAOLA DURANTE: Sorry, operator. There was a question on the 2021 results. It was estimate more than result, sorry. Somebody is asking if the EBITDA is a target estimate for 2021. Yes, of course, it's an assumption, it's an estimate for 2021 the company has already fully finalized the spring/summer campaign with very good results and initiated the fall/winter campaign which is just started. So, it is based on some I would say reasonable assumptions. Operator, you can go with the next one.

OPERATOR: Thank you. The next question is from Louise Singlehurst of Goldman Sachs. Please go ahead.

LOUISE SINGLEHURST: Hi, good morning everyone. Thank you very much for all the details so far. And my first question, I wonder if we can ask Mr. Ruffini about the dream and the future vision but is this the start of something bigger as well within life style? Do you envisage, I mean, further down the road more exposure into other brands within the life style category?

And then, my second question, I just wondered if you could help us understand or differentiate the consumer profile. For example, if you think about the Stone Island, puffer jacket for the male, you know, what's the difference in the target audience versus what you are seeing at Moncler, that would be very helpful? Thank you very much.

REMO RUFFINI: I don't feel it is a life style brand, I think Stone Island is very pure and very clean. In the last, let's say, 10 years at least since what I remember, the campaign were more or less the same, but really clear, very pure with this outfit, you know, with fantastic castings. I think, the only chance is really respect what they did in the last 10 years, because I really feel is a big value for the brand, means not life style, but purity what we have in mind. And having said that, the company in terms of face to the customer is amazing. I feel it is really strong, they have a strong identity. I don't see competitor. I see that they have really a unique positioning, and it is only question is to improve in terms of visibility, in terms of communication, improve the community. I think they have already a strong community, if you think about 1.7 million Instagram follower. I think this kind of company with that revenue is for me very strong. And it means it is about improving what already they did. I think this is very interesting.

About the product, what you mentioned about down jacket and so on. I really feel the approach, the attitude. They are amazing to make garment dyed and for sure that it is one of the best company. I think about the

knowledge they have. They transform the feeling of the piece, the feeling of the jacket, the feeling of everything they did. I think their product is quite unique. If you see the Stone Island down jacket, the face is totally different than us, it is totally different than anyone in the market. And this is a huge and strong value for this brand.

LOUISE SINGLEHURST: Thank you.

OPERATOR: The next question is from Flavio Cereda of Jefferies. Please go ahead.

FLAVIO CEREDA: Hi, good morning guys. Obviously, first of all, congratulations, I think putting together Mr. Ruffini and Mr. Rivetti in Italy is already a big deal. 3 quick questions, please. The first one is, for Stone Island, can you be clear where the manufacturing actually takes place, is it Italian, if it's not Italian, where, which geographies?

And the second question I have was in 2017, I noticed what happened to EBITDA margin of Stone Island, so basically in real term that's almost doubled. So I was wondering what happened, what was the miracle over there. And thirdly, I may have missed this, the net financial position of Stone Island as of today? Thank you.

LUCIANO SANTEL: Hi Flavio. About your first question, on manufacturing and manufacturing processes. They are in all the most important countries where there is the knowhow for the different categories they produce. Outerwear is in East Europe in Romania, for knitwear, for cut & sewn Turkey, I mean, these are the 2 most important, but also some production is made also in some Asian countries like Vietnam.

Something important to highlight is that an important part of the knowhow of the company is the dyeing. And the dyeing is totally made in Italy, and a significant part of the dyeing process, more than 50%, is done in a company, for which Stone Island has a minority stake. And this is the knowhow very important to highlight.

About margins in 2017, there was I think an important jump in the top line and this is the main reason why also the operating margins jumped.

About net financial position which is something we didn't report, but you're right it is very important to remember. The financial position is positive and they reported at the end of the fiscal year 2020 of €19 million cash. And something important also to highlight, even if didn't ask but, I forgot to highlight, is the fact that the aggregation is accretive for Moncler shareholders, the EPS is higher than what it would be for Moncler only.

FLAVIO CEREDA: Wonderful. Thank you very much and congratulations again.

PAOLA DURANTE: Thank you, Flavio. Operator, are there any other question, otherwise we might need to stop now.

OPERATOR: Yes. We do have another question, is from Chiara Battistini of JP Morgan.

CHIARA BATTISTINI: Hello, good morning. Thank you for taking my questions, I have a couple, please. Maybe if I can just follow-up on Remo's involvement on Stone Island versus Moncler. How are you thinking about your involvement, and splitting your time between the 2 companies going forward?

And the second question is to Mr. Rivetti, if I may, maybe why now? And finally maybe I missed it, sorry. Can you remind us, how much are you spending in marketing as percentage sales of Stone Island, please? Thank you.

REMO RUFFINI: First of all, again, it's too early to say something. As I said before, I feel the company is very well organized, we want to really help them a lot. I love this brand, I love the product they make, for sure I love the strategy they have as I said, it is very pure. I would love to work with Carlo, because I think I can learn from him a lot. Also for my actual job, and I hope to spend a few hours a day, let's say, a couple of hours a day, maybe late day before I go home, I try to stay here more. But, again I don't know. I think is a rare opportunity for Moncler, it is rare opportunity for Stone Island, it is rare opportunity for me as well. I feel a lot of energy on this project, and I want to really make something unique.

Why now? Second question, why now? As I say, at the beginning we started talking with Carlo, few months ago maybe 7, 8, 9, I don't remember exactly. But it was not the right moment for the market, as you know this pandemic impacted a lot all the industries. But, I was very concentrated to do this deal, and when we understood that we found an agreement, we say why not. I always say that in this moment I really have a lot of energy, I always say to the market, I always say to people in the company, we don't have to wait this crisis to finish, I think we have to work to have the better result, to have the new idea. In this moment everything is speed up, all the idea we had like one year ago, we really try to improve now, because we want to really be ready, we really want to be in another phase when this crisis is going to be finish. I don't feel this was a wrong moment I feel it is the great moment to make this, this partnership.

ROBERTO EGGS: Regarding the marketing and promotion investments. it is structured well, we have roughly 25% of the marketing investment that is invested by distributors or agent, 75% that is directly managed by Stone Island. And on average they are, let's say, 60% of what is the industry benchmark and clearly the objectives is within the next 2 to 3 years to bringing them at least to the level of A&P investment that we have in the industry that is between 7% and 8%.

CHIARA BATTISTINI: That's great. Thank you very much.

PAOLA DURANTE: Okay. Operator, I think we really need to finish the call, but clearly if there is a very last question we can take it. Otherwise, we thank everybody.

OPERATOR: At the moment we don't have any other questions registered.

PAOLA DURANTE: Perfect. So thank you to everybody. As usual, myself and all the team is ready to take any follow-up questions that you have. Call us as usual anytime. Ciao, to everybody. Ciao.