Moncler SpA

"Full Year 2016 Financial Results Presentation"

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OPERATOR: Good afternoon, this is the Chorus Call conference operator. Welcome and thank you for joining the Moncler Full Year 2016 Financial Results Conference call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Paola Durante, Investor Relator and Strategic Development Director of Moncler. Please go ahead, madam

PAOLA DURANTE: Thank you. Good afternoon everybody and thank you for joining our call today on Moncler's fiscal year 2016 financial results. First of all, as usual let me introduce you to the Executive team on today's call, our Chairman and CEO Mr. Remo Ruffini, Luciano Santel, our Chief Corporate Officer, Roberto Eggs, our Chief Operating Officer, Andrea Tieghi, Head of Retail and Sergio Buongiovanni, Executive Board Member.

Before starting the presentation, 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 Moncler's current expectations and projections about future events. By their nature forward-looking statements are subject to risk and uncertainties and other factors that could cause result to differ materially from those expressed in or implied by these statements, many of which are beyond the ability of Moncler to control or estimate. I also remind you that press has been invited to participate in this conference in a listen-only mode.

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

REMO RUFFINI: Good evening, everyone and welcome to Moncler full year 2016 results conference call. 2016 marks the achievement of another important milestone in Moncler's successful history. Group sales have reached €1 billion, and we have a more solid Company, with no debts on our balance sheet. I am proud to say that we achieved this while staying true to our heritage and DNA.

Our brand is becoming stronger and stronger, and Moncler is known around the world for quality, innovation and trust. When I bought Moncler in 2003, the brand generated just a few tens of millions of euros in sales, mainly in Italy and only through the wholesale channel.

Today, I am pleased to report that 2016 revenues rose 18% to €1.04 billion. Our EBITDA margin remained stable at an outstanding 34%. Our net income was close to €200 million with more than €100 million of net cash.

In the last quarter of 2016, Moncler saw double-digit growth in all markets and across all channels, and 2017 started positively. We are closing our Fall/Winter sales campaign with encouraging results, with all collections and categories very well received. Fourteen new stores have been secured, and we have some important relocations in the pipeline, including the Hong Kong flagship store in Canton Road.

Last but not least, retail KPIs continued to move in a positive direction. Moncler has more than 3,200 fantastic people, and their hard work has made possible to deliver a strong performance. I want everyone in Moncler to continue to be obsessed by quality in all that we do. We will work with great energy and focus to create shared and sustainable value for all our stakeholders. For us that is the definition of success.

Now, as we look to new summits, I am confident that we are ready to face the new challenges ahead and that Moncler will continue to deliver outstanding results for all stakeholders.

Thank you very much, and let me now handover to Roberto.

ROBERTO EGGS: Good evening, everybody. I would like to comment the chart regarding the revenue breakdown by region. Coming back to what was mentioned by Mr. Ruffini; we achieved very good result in full year 2016 with sales at plus 18% supported by a very, very good fourth quarter. In fact we saw an acceleration towards the end of the year with a plus 25%, with double-digit growth in both channels, wholesale and retail.

Coming to Italy, our historical market, as Mr. Ruffini was mentioning, this was the major market in 2003 when we started. It is now still growing at a plus 5% with a very good end of the year, at plus 13%, thanks to a very good growth from both channels, wholesale and retail. EMEA remains a very strong region for us where we have seen very, very strong growth especially towards the end of the year, globally for the full year 2016, it's a plus 15% at constant exchange rates, but with the last quarter where we saw an acceleration at plus 31%, with positive growth in all the markets across Europe, but especially encouraging results were achieved in the French market, also based on the fact that we had easier base of comparison due to what happened at the end of 2015 in Paris. We saw very strong growth towards the end of the year, with also Chinese consumers coming back and very good results from locals.

Regarding APAC, all regions: Japan, Korea, Hong Kong and APAC have seen positive growth in 2016; there, results were plus 23%, with the last quarter in line with results of the first three quarters at plus 22%.

And finally the American markets, with total growth for the year at plus 23%, driven both by retail and wholesale and also by a strong acceleration on the Canadian market.

I would like to invite you to look at the next chart which is the revenue breakdown by distribution channel. You see on our historical channel, which is the wholesale channel, we grew at plus 6%, with an excellent last quarter up double-digit (+10%), and a strong growth in retail with an acceleration also towards the end of the year. Retail sales in FY 2016 were plus 23%, with a plus 27% at the end of the year. To be highlighted the very good results in terms of comp sales that grew at plus 7% for the fiscal year 2016.

If we go to the next chart, which is the monobrand store network, let me highlight a few comments here. Our network of DOS, i.e. stores managed by us, reached a total amount of 190 stores, which is plus 17 stores for the full year 2016.

In the fourth quarter we had four new retail stores opened, first of all our New York flagship store on Madison Avenue that is giving encouraging results since we opened it. We opened also a store in Ka.De.We Berlin, which was a transformation from wholesale to retail. We also opened on store in Hong Kong Pacific Place in December last year, and a store in Korea Daegu-Shinsegae. As mentioned by Mr. Ruffini, in 2017 we have already secured a total of 14 stores; to mention the most important of them, they are linked to the openings of new markets, like Almaty in Kazakhstan in the Esentai Mall, the opening of Dubai mall that will take place in October next year, the opening of Sweden with a store in Stockholm, and the opening of Australia with a store in Melbourne-Chadston.

We continue also the opening of our store with the *enfant* concept. We had two openings this year in wholesale which were Harrods and Oberpollinger in Munich. We plan to open 3 additional stores next year, one in Paris Gallery La Lafayette, another one in Beijing Shin Kong Place, this is a transformation from wholesale into retail, and another one in Korea with Busan Shinsegae. There is a fourth one that is planned for Printemps in Paris that is going to be in wholesale.

Regarding relocations, we focus also very much on the quality of our network, so they are important investments that are foreseen for 2017 either in terms of enlargement of store or relocation store in better location. The two most important ones are Montenapoleone in Milano, and the one at Harbour City in Hong Kong. We are also planning to triple the size of the store we have at Harrods women, and to double the size of our store in Paris Gallery Lafayette, and also to relocate and expand our store in Shanghai, Plaza 66 to mention a few of them.

Regarding wholesale, we accelerated in 2016 the opening of wholesale monobrand stores, to mention a few opening of this in 2016, there was DFS in Venice, Selfridges in Manchester, Nordstrom Toronto at Eaton Centre, Neiman Marcus Roosevelt field as well as Los Angeles.

We have secured a certain number of opening shop-in-the shop, some of them in airports, one have been recently opened in January which is at Doha airport. We planned three other openings at airport with Charles De Gaulle - Paris, Taipei and Munich.
Most of the SiS openings will take place in the North American markets, half of them, both in Canada and in the US. And regarding APAC, we continue the successful expansion we are currently having with DFS, with three openings that are foreseen, one in Macau with the fall season, and other one in Oakland, and the third one in Guam.

LUCIANO SANTEL: Okay, thank you Roberto and good evening everybody, and thank you for attending our call today. We go now to Page 13, where we report our income statement. Top line no more comments to add now, honestly very strong number, very strong growth rate. And about the gross margin, gross margin 75.7% against 74.4% in 2015, better than last year, but also slightly better than what we originally planned, better than last year because of the channel mix, asyou know, we grew and we are growing more in the retail business than in wholesale business (retail business has higher margins than the wholesale business), but also a little bit better than what we planned, because of a pretty efficient inventory management, the sell/through of our collections in 2016 has been very good…really very good. And also the performance of our regular stores within our retail channel has been good…pretty good.

Selling expenses are the other face of the coin, as we normally say, because we report within the selling expenses the costs to operate our stores, and this is the reason why the percent grew to 30% of sales against 28.8%. Looking at our rule-of-thumb, I would say that in 2016 gross margin hasperformed better than the growth of our selling expenses. So overall, we have protected and even improved, slightly improved, the productivity of our stores.

General and Administrative expenses are equal to 9%, totally in line with last year, notwithstanding important investments we made in our organization. As you know, as we anticipated in the past, we invested a lot and we are still investing a lot in our organization because we believe that the organization, and specifically the quality of our human resources is essential and critical for our future growth.

Advertising and promotion are 6.6% and totally in line with last year and totally in line with our plan. EBIT, €313.4 million with a margin of 30.1%, is in line, , slightly better than the 30% we reported last year. Non-recurring items - as you know, we report within this line the stock-based compensation costs. We still have in place a new stock option plan, and the performance share plan that was approved by our Shareholder Meeting last year in April.

Net financial result, honestly nothing particular to comment more for the last year, but not the financial result itself which was significantly better. But the impact of our FX losses this year was €1.9 million, last year actually it was right after the depreciation of euro, and we reported the benefit of €4 million FX gain.

Taxes are €96.8 million, 33% tax rate in line with the 33.1% of last year, and bottom line slightly below the €200 million, €196 million of net profit with a margin of 18.8%. In the bottom of the page, we report our EBITDA, which is very important for the financial markets, which reached the €355.1 million with…let me say remarkable 34.1% margin in line with what we reported last year.

We go now to Page 14, where we report our CAPEX. CAPEX has been slightly higher than €60 million…€62.3 million, lower than last year. It's important to remind you that last year we spent more because we opened the store in London, in Old Bond Street, forwhich we paid a significant key money, and this is the main reason why CAPEX last year was particularly high. This year it is back to normal in the region of €60 million, but with a percent on sales 6% against the 7.5% of last year.

Again, as usual, the majority of our CAPEX was allocated to our retail network for the openings and also for the expansions and relocations of

2016, but a growing portion of our CAPEX has also been allocated to our wholesale business, because of the shop-in-shop project, that we have in place. The €10.7 million, under the line corporate includes mostly our information technology investments that again I need to say are extremely critical and important for our future.

Let's move now to Page 15, where we report net working capital, which is particularly efficient: about 200 basis points better on a percentage basis than last year, because of a very good credit control, very good inventory control, the efficiency, the good results, and the good sell-through of our collections. But it's also important to highlight an unexpected €5 million cash collection from one of our important wholesale customers at the very end of the year. So without the €5 million, the net working capital would have been slightly higher, but overall, I would say good numbers.

We can go now to Page 16, which reports our financial position, which is not a net debt any longer. Last year we reported €49.6 million net debt, this year for the first time we celebrate our first fiscal year with net cash position €105.8 million with a remarkable cash generation of about €155 million.

Let's move now to Page 17 where we report balance sheet. Honestly, I don't have particular comments on balance sheet unless you may have questions later.

On page 18 we report the cash flow statement, maybe it is worth making some comments to see how and on which line we have generated the €155 million cash.

Of course, EBITDA, needless to say it's very good; net working capital, as we just said, positive unexpectedly because normally net working capital change should be a little bit negative, also very positive change in other assets/liabilities because of many different tax events, nothing extraordinary. I don’t want to get you bored, but of course if you have a question on this line, I will be happy to answer your question later.

The €16 million positive this year is more normal than the negative number of last year, this number normally should be positive but not that much, so we have some million, handful of million euros that are not specifically ordinary, but nothing special. We have commented CAPEX, net financial results and taxes ; free cash flow was €210.6 million, pretty good.

Below the free cash flow, we report the €35 million dividends we paid in May last year and €19.8 million change in equity which includes the share buyback program we implemented one year ago in February of last year when we bought back 1 million shares for a total amount of about €13 million. The difference between €13 million and the €19 million that we report is due to the adjustment to our financial debt to take into account the value of our call option with our joint venture partners, mostly Japan and Korea.

This is a good news because we are just up that the debt, because our business in Japan in Korea is doing good. We are doing well, better and better of course, on the other side we have to report a higher debt for the time in the future when we will exercise our call option. So at the end, €155.4 million net cash generation. I’m done with my presentation and we are ready now to answer your questions. Thank you.

Q&A

OPERATOR: Excuse me this is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove 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 Fred Speirs of UBS. Please go ahead.

FRED SPEIRS: Good evening. It's Fred Speirs with UBS. Thanks for taking my questions. I've got three questions. The first was just on trends. It looks like that like-for-like is coming at around 8% and you mentioned the acceleration in standard year. Could you comment on how trends have developed into early 2017 and also a particularly comment here on Chinese New Year, please. Second question was on inventory, again we have seen it's broadly steady, and growth perhaps come through more strongly than we are expecting towards the end of the year. Have you suffered much from early stock outs in any markets at the start of 2017? Last question is on space, it feels to me that relocations are becoming a big part of the space expansion story here in addition to the new store openings. When we put this altogether what does mean for average store selling surface increases. Would it be reasonable for us to think this is rising by a mid to high single-digit percentages here? Thank you.

ROBERTO EGGS: Thank you Fred for your questions. I would like to answer all of them and maybe with the help of Luciano. On the trend for the beginning of the year, as you know, we don't comment like-for-like short term, but I am going to say that the January month started very well also because of the calendar effect of the Chinese New Year. As you know, it was brought forward by two weeks compared to last year, so we benefited very much from the Chinese New Year effect during January.

February was good but not as good as the month of January but we remain positive for the year, even if it’s clearly still very early and there are 10 months to go - as you know, the weight of the last quarter is very strong for us regarding our DOS and the weight of the third quarter is very strong regarding the wholesale business.

Regarding the inventory, as you know, we changed a little bit the way we manage our stock. We keep higher reserves centrally in Italy and these reserves are then allocated to the different regions depending on the way they are selling. Clearly, the sell-out has been better this year compared to 2015/2016, so compared to last year. And we have to do more reallocation of stock in order to avoid as much as possible stock out. We are currently in a situation that is a little bit more tensed, but we think this is a genuine business.

Of course, it has allowed us to improve ourselves by probably around 3 points by the end of the season, and as we are now starting to sell the spring/summer season, we see this is positive.

Regarding the space for our stores, it’s true that the average size is slightly increasing by strong middle-digits year-on-year, due to two factors. First, when we open new stores, we tend to open stores of a larger size to allocate and give more space for the new categories. Secondly, when we enlarge or relocate stores clearly we have to find better locations and also to enlarge the square meters of the store. This is being said, we have not seen a decrease of the sales per square meter and something that we continue to monitor very strongly. As you know, our average is about €30,000 per square meter and this average has not decreased during 2016. I would say that’s even been improving a little bit.

FRED SPEIRS: Thanks very much.

OPERATOR: The next question is from Elena Mariani, Morgan Stanley. Please go ahead.

ELENA MARIANI: Hi, good evening and congratulations on your excellent results. A couple of questions from me, the first one on the complementary product categories. I would be interested in getting some additional statistics around this. How was performance overall in the second half of the year, and how are you seeing you know, are your seeing customers walking in your store targeting specifically these products or are they mainly add-on purchases to outwear products? And what about your wholesale customers, is the perception of the brand changing among your buyers? Are they buying more of you complementary product categories or perhaps you have co-sellers that are buying only footwear or knitwear products? I was interested in having some comments around this. And secondly, on pricing, how are you thinking about pricing as your business evolves? Are you planning to stretch a little bit more the high end of your outerwear pricing architecture to somehow affect the growth in your complimentary product categories, which come at a lower price point? What was the mix between pricing and volume for H2 like-for-like? Thank you.

ROBERTO EGGS: Good evening, Elena. I would like to start answering your question. First of all, the question regarding the complementary categories. They have been performing very good in 2016. You know that the weight of these additional categories is approximately 20%, a little bit less than 20%. They have been growing for the full year at a base that was twice the one of the outerwear, so very strong growth in the outerwear, it was a double digit growth, but if we think about the other categories, the tricot, cut &

sewn, the shoes and the bags have been going at a slightly higher pace than the outerwear category.

This is true for both channels, both in wholesale and in DOS. We have seen a stronger growth in the DOS business, also because our wholesalers were already used to buy these additional categories having larger stores than us. They were basically showing the path that we needed to follow with our own directly operated stores. So what we did was to improve the visibility of this category. We implemented a shoe project that has been proving to work very well, now we have 41 stores that are under this project, they represent more than half of the sell out, and they have been growing at a pace that was three times higher than the one that's not been followed in the same way. So we…as you know, we changed the selling ceremony. We improved the visibility of the products. We trained people, so now we have shoe-experts in the store and we see clearly that this is working.

Regarding the other category like tricot and cut&sewn we have increased the visibility through folding boxes that we have been putting in all our stores, we have now 450 of them, and we see that showing the products is naturally better. I think that what has been helping also the sales is the fact that in the retail excellence, of course, we focus very much on the selling ceremony and the customer experience, and one incentive that we give to our client advisors is also to increase upt (unit per transaction). So I don't think we are yet at the level where people are entering the stores especially in winter to buy this category, instead of the outerwear. But it's a natural second sale that you have when you are selling outerwear. And the other category on which we see some potential for the future is what we call the soft accessories. So the scarf, the gloves and so on. Here also we have started a pilot to increase visibility in the stores and to push a little bit this category.

Regarding the way the buyers have seen this category…In department stores, we have some buyers that are coming and starting to buy specifically on the shoes because they have the shoe area they are taking care of. But what we are trying to do in most of the cases is also with the shop-in-the-shop to have an approach where we are selling the full product assortment. So the buyers are seeing that, I think what has been remarkable in 2016 is the quality of the purchases from the wholesale account that we have, where we are pushing not only the carryover, but also the novelties and this has been successfully translated also for them in an improvement of the sell-through.

Regarding your last question on the pricing, I think your question was more related to the fact of products with a higher retail price. So outerwear with higher price, it's something we started three years ago, especially with more technical outerwear, but also with all our outerwear offer, and we see that the price resistant we were thinking the brand could have is probably higher than the one that we had in mind. It was already in 2015 the first time we had in-season reproduction of an item that was sold out already in September, and this was the most expensive one we had in the assortment. So this year, we quadrupled the buying of similar item that was re-proposed and it was also sell out by November. So I think this is giving some encouraging elements for the future, to mention one, important, the average selling price: the average selling price has not been going down in 2016 despite the fact that we increased the unit per transaction.

ELENA MARIANI: Thank you very clear.

LUCIANO SANTEL: With regard to the very last question about price volume growth, you may know that we normally report the third of our growth volume, one-third the price – in 2016 the vast majority of growth has been driven by volumes. Another answer to your previous question is that our prices have been overall pretty much stable.

ELENA MARIANI: Thank you very much. And congratulations again.

OPERATOR: The next question is from Luca Solca of Exane BNP Paribas. Please go ahead.

LUCA SOLCA: Yes, thank you. It's Luca. Maybe a few big picture questions, if I may, your business seems to be firing on all cylinders, and you are generating quite a significant amount of free cash flow; you are debt free at this point. A number of investors are wondering if the use of cash could be going forward, and if you have any M&A ambitions in terms of acquisitions in the medium term, or if you are instead focused on growing the business and investing in the business organically? As a third point, I would like to get your view on the scale of the business you have surpassed a major benchmark, and you have now more than a billion euros in sales. Do you think that you have enough scale in the broader competitive landscape that you have within luxury goods? You say, for example, that you see digital as a critical priority, but you still depend on third-parties for that. And I wonder, if you see that in the medium term the business can stand on its own feet and stay independent and manage the various fronts in terms of investment and development that you have opened, in terms of both retail developments, digital development and so on? Thank you very much indeed.

REMO RUFFINI: Alright. I'm Remo. I'll answer about the cash question. First of all, this is the first month we are cash positive and we are very happy about that but as you know, we are not very old company. We started our retail business eight years ago in 2008, and I think we have in the supply chain as well, we have many, many things to do, I mean a lot of investments to do. With regard to the retail, as you say, we have quite a good number of doors.

As we said before in the call, we have a lot of relocations in mind, better stores, not only bigger in square meters, but also bigger back of house, really to give a good service to the customer and have a better quality, have a better relation with the customer. And you know, we have few cities, not much in Europe,, we have few cities that need a better store or a new store, like Zurich, whose store is not in the main street. In Vienna, that we feel is very powerful for us, we have a small store, as well is in Munich.

Also in Europe that was one of the first regions that we developed, we feel we have many things to do, and we have to talk also about South America, we have to talk about Australia. We have, let's say, only 28 stores in China, we don't want to develop too fast, we don't want to open more stores, but is in a possibility to open a few doors.

And for the other area, we invested in the supply chain only one year ago, we made a big investment, but we feel even for outerwear and the other category as well, we have the possibility to invest in facilities in new people, in new or maybe in some facilities outside of our company, there is the possibility to improve our culture in our business.

ROBERTO EGGS: Yes Luca, it's Roberto, I would like to add something beyond on the digital path. As you know, 18 months ago we took the decision to continue with YOOX Net-a-Porter, I think at the time we were a company that was around €700 million, we could have taken the decision to internalize it… I don't think that this is a matter of scale, but we had other priorities, the development and the qualification of the retail network with the opening of the network of flagships that we are going to almost achieve this year with the opening of Moscow, Dubai, Montenapoleone and Hong Kong. On our plan we had also the development of the wholesale and its requalification, I should say of the wholesale path.

As you know, over the past five years we have been decreasing, reducing, cutting our network by half from more than 3,000 to 1,500, while increasing year-on-year with a mid single-digit growth: it was again a plus 6% last year notwithstanding we are voluntarily closing doors because they were not matching the qualitative criteria we had in mind and we think that with the expansion of the shop-in-the-shop we have another 30 openings in the next two years, there is still work to be done and potential to widen the channel.

Regarding digital, as I mentioned, we decided to go with the YOOX Net-a-Porter, this being said, we have in the contract the possibility to internalize part of the service that are provided by them. I think we need to let them do what they are doing better than us, which is all the logistics and the treatment of the order that were very much present into the assortments that is decided. So we are influencing because we think that our website should be the largest flagship store that we have. And we are preparing, we are getting prepared for 2018 to the Omni channel, so little by little we are internalizing the main function that's creating value, that are creating value for us.

LUCA SOLCA: If I may ask a follow up question, when you say that you have provisions to internalize some of the service that YOOX Net-a-Porter is currently providing for you, would that be at the back of an investment on your part or buying any goodwill that YOOX Net-a-Porter has created or would that just involve, you know, just an operational decision on your part?

ROBERTO EGGS: I think it's more on the operation decision, of course, there are some investments too that are already planned regarding the IT, but we have a pilot that is starting during the summer to internalize the call center for the Italian market. So creating a call center that will be able to handle all consumer requests including in the future the one from the digital, and little by little the service are going to be internalized in Moncler, all what is related to the clients and the client management will be the first priority in terms of internalization.

If we look at the results with our model, we have been growing on our business on the digital side, here again by almost twice the base of the rest of the business probably because we are lagging a little bit behind, now we were at 6% last year, this year it's a little bit more than 7% of the total business, half of this business being done through YOOX Net-a-Porter, the other half being done through the e-commerce business of our department stores partners but also through specialized e-commerce business where we were not present two years ago, that we have developed like Net-a-Porter, Mr. Porter, matches.com and we have a few others that are planned over that came for recent campaign the fall/winter, that we are going to open towards the end of next year. Always very qualitatively in terms of buying, but also in terms of visibility that they are giving to Moncler into their website.

LUCA SOLCA: So, all of the 6% digital business is on the back of wholesale agreements. Is that correct, including the one you have with YOOX for your mono brand website?

LUCIANO SANTEL: No, no, this is Luciano speaking, we don't have any business with YOOX. I mean we have our own business which is reported of course under the retail channel which is powered by YOOX, I mean the technology is provided by YOOX. The other online business that I was talking about is the online business with our wholesale online customers like matches, like mytheresa, like Net-a-Porter the multi-brand site, Mr. Porter, this is a kind of business; it's a wholesale business with the online wholesale customers.

LUCA SOLCA: Okay, I understood. So, you considered the powered by YOOX, that's retail. I understood.

LUCIANO SANTEL: Yes, absolutely, we reported that under the retail channel, also because it is retail, it's our own business. I mean YOOX provided their technology, their infrastructure and as Roberto was saying, we are planning, I mean, we have already internalized some activities and we are planning to internalize other activities, which are more associated with the national customers. But that one is our own retail business, of course, we take advantage of their infrastructure, information technology infrastructure mostly on logistics.

LUCA SOLCA: Okay, understood. Thank you.

OPERATOR: The next question is from Alberto Checchinato of Fidentiis. Please go ahead.

ALBERTO CHECCHINATO: Hello, good evening. I have three questions, please. The first is, about your store network, you said in the past that but you were targeting in the medium term 250 retail stores. Is that still a valid target or are you rethinking that, in light of the enlargement that you have made, it looks to me that you are probably cutting back on the new openings actually because you see more value in the locations you already have? And the second one is about e-commerce, to come back to the previous question. I know you have your online retail store and wholesale clients. But, do you see any value for you about going into marketplace websites like Farfetch for example? And the third one is about the Italian Patent Box. Can you just tell us if you have applied and what kind of timeframe you see for any agreement to be reached? Thank you.

ROBERTO EGGS: Good evening, Alberto, it's Roberto speaking. Regarding the store network, you are right, we mentioned when we had our Capital Markets Day on the first of December 2015, the number was around 250, we think this is still valid, we never said that we are going to reach the 250 in one year time. So the objective was not to open these stores in one year, but to be very, very selective in the choice and now privileging even more than in the past, then if I think that we have a fantastic network, but with the relocation, it's an opportunity for us to renegotiate the rents because our power of negotiation with the visibility and the attractiveness of the brand is not the same as the one we had five years ago. And secondly, we choose the location with the right adjacency, this is valid under DOS, this is also valid on the wholesale side. We have now a few option on the table also for the DOS where we relocate in department store at the ground level, this was something that was unthinkable three, four years ago, but with the strength of the brand, the visibility and the work that has been done these doors are now opening and of course, we have now carefully opening the store. We had 27 openings in 2015; we slowed down the number of opening to 15 because I think that if we need…if we want to do something that is qualitative you need to spend a lot of time in the search of this location and in the negotiation. But we see still some potential to work on.

Regarding the e-commerce you mentioned Farfetch, it's a business model where we are not directly dealing with them. We are not selling to Farfetch, some of our wholesale business are using the Farfetch platform to improve the sellout and the weight of the total business of Farfetch currently is roughly 20% of the business that is done through wholesale e-commerce. And it's something that we see positively and that…you wait there on the market, it's a platform that is currently developing, that will continue to develop.

LUCIANO SANTEL: Okay, Alberto, this is Luciano. About your question on Patent Box, of course, we filed the application last year for the ruling, we are still expecting an answer from the tax authority, which is expected to come during 2017. You may know that only a few companies that were under some kind of pilot, have received the answer from the tax authority, so this is something that we expect for this year. Thank you.

ALBERTO CHECCHINATO: Thank you.

OPERATOR: The next question is from Antoine Belge, HSBC. Please go ahead.

ANTOINE BELGE: Yes, hi, good evening. It's Antoine Belge at HSBC. Three questions, first of all, regarding Mainland, China and also the Mainland Chinese and clientele, is it possible to have an idea of how much Mainland China accounted for 2016 sales and what was the growth rate? And if you include Chinese, when they also travel, how much was that proportion? Second question relates to the EBITDA margin. I think a year ago you were guiding for slight dilution which you managed to offset, so maybe could you explain why…how you managed that. And also do you think that there is room to improve the EBITDA margin in '17? And finally regarding CAPEX, I think you mentioned new store openings and also refurbishment et cetera, what are the implications in terms of CAPEX for the '17 also maybe the next two to three years? Thank you.

ROBERTO EGGS: Roberto speaking. I will answer on the first one and then we will use Luciano answer to the EBITA and the CAPEX question. Regarding the Mainland Chinese business, they represent roughly one third of the total business of Moncler and the business is splitted evenly between the sales that we are doing in Mainland China with our 28 stores and the other half is done outside. If we look at the split outside of China, you have one big 40%-45% that is going to be done in Europe, the rest being done in the neighboring countries, Korea, Hong Kong, Japan and as we are going to open a store in Australia next year, we hope that some of them will follow us on the Australian market because we have seen some very strong growth of the Chinese on that market too. Singapore being another hub where we sell a lot to Chinese and also on the West Coast of the United States. So 50% is pure local business, the other half is being done outside.

LUCIANO SANTEL: Yes, Antoine this is Luciano, about EBITDA, I mean we not only guided, but also we reported is slightly lower EBITDA margin in the first half of 2016. Honestly unexpectedly in this respect of course, we are very happy that our business was very good in the second half of the year, very good in the last quarter. And this, I believe, is also why the EBITDA margin at the end was in line with what we report last year which as I said before is remarkable and very good.

So I mean honestly our plan, that we shared with you all, our plan was to have a slightly lower EBITDA margin, also because, as we said before, we planned to invest money in the organization, in our G&A, in the selling expenses, training of our sales people. And these are the main reasons why we said and we still say that our priority is not to make or even beat such huge EBITDA margin, but to protect the brand to make the Company stronger and stronger for the future, for the next 100 years. And so, that's why we said that EBITDA margin could be a little bit diluted. I mean we got surprised by the fact that we did better than planned.

About 2017 honestly it would be very, very un-prudent even to think about a better EBITDA margin for 2017 and for the years after, also because we want to keep investing in advertising and promotion this year.

In 2016, we have invested in 6.6%, not more on percentage basis than the year before, but we still have the target, you may remember, to get closer and closer to 7%. And so everything which is important and critical for our brand will be the priority for our plan. Of course, operating margins and EBITDA margin are important, but it's not our first priority. And so, I think that we have to celebrate the second year in the line with 34% but please do not think that this number may be better in the future, because I think that will be very, very aggressive and imprudent. Thank you.

Now, CAPEX, sorry. The CAPEX in 2017, I think that will still be in the region of €60 million. We don't see material changes, a material increase in 2017, you know, we have a very important retail expansion plan, not only new openings but expansions of existing stores and relocations. But overall our guidance for 2017 is still in the region of €60 million, more or less what we spent in 2016. Thank you.

ANTOINE BELGE: Just a follow-up if I may, so those targets they are based still on low to mid single-digit like-for-like growth like your previous guidance?

LUCIANO SANTEL: Yes, I mean…honestly I would not call it guidance as always said, let me highlight this point because it's important, this is the way we plan our retail business: mid single-digit growth.

ANTOINE BELGE: Thank you.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Piral Dadhania of RBC Capital Markets. Please go ahead.

PIRAL DADHANIA: Thanks very much for taking my question. I have two, firstly, I just wanted to understand the impact that in-season replenishment might have made to the strong top line in retail that you've reported. I don't imagine that you planned for a 10% like-for-like in the fourth quarter. So if you could give us any color on how those initiatives are progressing, and how mobile your supply chain now is to be able to meet demand in any given quarter that will be helpful? And secondly, just on the wholesale number, I just wanted to understand whether there was any shipment timing effect in that fourth quarter number and whether we should expect any phasing for the first quarter of next year? Thank you.

ROBERTO EGGS: Yes, good evening. Thank you for your questions. Regarding the first one which is the auto replenishment, we started a pilot in 2016 in Paris, we have now deployed this pilot of auto replenishment in UK, and we will be completing Europe by the first half of this year with the objective then to have the rollout still to be completely fine-tuned, between end of the year and beginning of next year on the other regions. Yes, I think it's difficult to measure, how much of this has been impacting and improving the sales growth, I think it was more driven by consumer demand, of course…this is not being the full auto replenishment system that having reserved that we kept centrally in our Piacenza warehouse in Italy has clearly helped, markets like Korea that have been really outperforming, without this we will probably have been losing sales on that, to value how much it has impacted, I think it's a little bit difficult, but clearly it has had a positive impact.

Then you had a question regarding wholesale.

ROBERTO EGGS: In terms of invoicing, no, there was no effect, our policy is never to anticipate, to boost the sale, or decrease if we are doing too well. I think our objective in wholesale is always to deliver the demand that is requested by our wholesale account in order to have qualitative presence on the floor, and not to have pushed, so you cannot…don't expect either a positive or a negative impact on the first quarter, it is just business as usual.

OPERATOR: The next question is from Daniele Gianera of Macquarie. Please go ahead.

DANIELE GIANERA: Daniele Gianera, Macquarie. I have few questions and a follow up, please. The first one, if you can share any plan for the Travel Retail Network, and I wonder if you are may be planning to accelerate the openings in this channel, especially given the, know-how that has been added to the Board recently? The second one is, I am actually wondering, if you have any quantification that you can share with us on the patent box benefit. And the follow-up is on the Milano and Hong Kong flagship, can you please share what are the incremental square meters that you are getting from the relocation? Thank you.

ROBERTO EGGS: Yes, regarding the part of Travel Retail, we see two parts of the Travel Retail; one is the business in the airport where we have currently six stores that are performing well, most of them under business model that is linked to retail. As you know, it's not us the deciding issue in retail or wholesale. Whenever there is a possibility to be in retail, we do it but in most of the airports, the business model is in wholesale. We have been opening the Doha airport and we have three other openings that are foreseen: Taipei, Munich and Paris CDG. We have also started discussion with DUFRY. I think we are now an agreement with the commercial terms. We have a list of airports where we would like to be present.

The timing will depend on the opportunities and the adjacencies that will become free for our plans for this year, the one I mentioned. If there are some opportunities that are going to arise later on the year because there is a contract that is ending, you know, usually the contracts are three-years contract at airports. Whenever there is a renewal, there is always…if there is a tender the possibility to enter and you know, we would leverage the partnership that we are now closing with DUFRY.

There is a second part of the duty free business which is also duty free downtown that we started to operate in Korea very successfully. We have also another one under DOS approach at Incheon Airport that is also giving very, very good results. And we have a partnership with DFS, duty free shopping which is downtown, but it's not duty free, it's managed by the company specialized in duty free, but it's not something where they are found in Asia, so we are currently developing with them our presence on the wholesale business in Macau, in Auckland, and in Guam, after the successful opening we had with them also in Macau and in Venice in 2016. Can you just remind what was your question regarding Hong Kong and…

DANIELE GIANERA: Yes, if you can share the incremental square meters you are getting from the relocation of these two flagships.

ROBERTO EGGS: Yes, well, in Hong Kong, it is going to be the major increase because I see this was the most productive store we had in the network and we are multiplying the surface by three. It is going to be also the only store in that city having an entrance in the mall and also on the street, so we have strong expectation from the store that is going to become the largest one. Regarding the store in Milano, there also we will more than double the surface, probably by two point five, because we fully enlarged the ground floor by more than doubling the size on the ground floor and by adding one additional floor on the second floor.

LUCIANO SANTEL: About Patent Box, the impacts of Patent Box may be important and significant. Honestly, I can't provide you with any specific number also because we are still expecting the answer from the tax authority and the ruling process is still on their side. And so I mean at the time we will know precisely the result of the ruling process, we will let you know but of course, we expect and we hope the impact to be important.

Let me say something more about tax rate for 2017, because I understand there is a lot of attention to patent box. But something important, I want to highlight is that, in Italy tax rate will decrease… starting in 2017 down to 24% from 27.5%, of course, we are talking about IRES which will be 3.5 points lower, it is not immaterial. This will have an impact in term of cost savings given that more or less two third of our taxable business is developed in Italy, you may estimate a decrease of something about 200 basis points and this is not for the patent box, this is the decrease of our tax rate in Italy.

DANIELE GIANERA: Thank you.

OPERATOR: The next question is from Céline Chérubin of Natixis. Please go ahead.

CÉLINE CHÉRUBIN: Yes, good evening. Thank you for taking my question. I've got only one remaining [technical difficulty]?

PAOLA DURANTE: Sorry.

CÉLINE CHÉRUBIN: Yes.

PAOLA DURANTE: Can you talk a little bit louder? Sorry, we don't hear you.

CÉLINE CHÉRUBIN: Yes, I will, I am sorry. Thank you very much for taking my question. I've got one remaining question regarding your shareholder policy, you strongly increased the dividend per share that will be proposed, I was wondering whether it will be a policy that you intend to replicate in the coming years i.e. higher payout ratio, given your very large financial flexibility? Thank you very much.

LUCIANO SANTEL: Okay, this is Luciano speaking. We have increased, I mean, we have proposed at the Shareholder Meeting to increase the dividends for 2017 based on net profit of 2016 increasing our payout ratio not that much honestly, but as we said before, we are cash positive. We still believe that our plan is still important and long-term plan. So we still have to invest a lot for our business and for our brand. I will say that considering the phase of growth of the Company, it will be premature to define a stable flat payout ratio or dividend policy for the future. I think that a percent in the region of 25% payout ratio is reasonable, but this in the future will depend on many different events, we don't know now. Again, our focus…our main focus is to invest in our own business, and so this is something that we have and we want to decide year-after-year.

PAOLA DURANTE: Okay. If there are questions, operator can you allow the last one, sorry. Thank you very much.

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

PAOLA CARBONI: Yes. Just a quick…two quick questions, if I may. One is about G&A line, how do you expect this cost line to progress according to the further development project you have in pipeline in 2017, and secondly, if you can update us on your project of developing internal production capacity. Thank you.

LUCIANO SANTEL: Hello, Paola. Okay, about your first question, SG&A. I mean we reported 9% as we said before, which is a good number, and considering that as we said, we have invested a lot in our organization. We plan in 2017 and the years after honestly to keep investing in the organization. On the other side, it is important to highlight that we are improving better and better the efficiency of our processes. And so it's difficult to tell you or give you any guidance. But, I don't think that in the next future in 2017 that number, I mean that percent number will be much different. I still expect honestly a percent in the range of 9% considering again both impacts: one, the investment, an additional OPEX which are very important, but on the other side, an improvement in the efficiency of our processes.

ROBERTO EGGS: Paola, Regarding your question you said, what is your strategy in terms of internalization of production? Let me remind you what were the reasons that pushed us to buy two companies that were already working for us and we have bought them at the beginning of 2016. The objective was not to produce ourselves only. Of course, this an important part, but the idea was to develop much more this projects in Romania as a center of excellence for us, a center for research and development and materially becoming even more competent in the way we are manufacturing also in order to improve the rest of the production that is not internalized. The consequence is that going to internalize production capacity how we have done, we have now merged these two structures in December, is going to manufacture roughly 20% of the total production we have in the outerwear, but again the main objective was to increase the quality and to develop it, this is why we decided to develop a center of excellence that can then improve also the manufacturing and the other production facilities.

PAOLA CARBONI: Okay. And just a follow-up, are you planning then to go in this direction again for a better knowhow also in the other categories or not yet?

ROBERTO EGGS: I think we are not there, yet. But we have been doing an important investment in our let's say center of product development in Trebaseleghe, close to Padua, where we are basically designing our products, the product team and the merchandizing team is based in this facility and we are investing for the manufacturing and development of what we call Maglieria, so the Tricot and Cut & Sewn. So, investments have been made there, I think we will see in the future there will be some further investment in that area, but we have not now the capacity and the capabilities to develop the product internally.

PAOLA CARBONI: Okay. Thank you very much.

PAOLA DURANTE: Okay. I think we are done for tonight. First of all, thank you for participating to all of you. I just give you a quick reminder for the next releases. Annual General Meeting will take place on April 20, while Q1 2017 interim management statement will be released on May 4th after market close as usual. We will have our conference call the same day, and the quiet period will start on April 5th. If you have any follow-up, do not hesitate, we are here tonight or tomorrow, Anna Rita and myself, and we will speak in May. Thank you very much.