Moncler SpA

"Full Year 2018 Financial Results Conference Call"

Thursday, February 28, 2019, 18:00 CET

MODERATORS: REMO RUFFINI, CHAIRMAN AND CHIEF EXECUTIVE OFFICER
LUCIANO SANTEL, CHIEF CORPORATE AND SUPPLY OFFICER
ROBERTO EGGS, CHIEF MARKETING AND OPERATING OFFICER
PAOLA DURANTE, INVESTOR RELATIONS AND STRATEGIC PLANNING DIRECTOR

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler Full Year 2018 Financial Results Conference Call. At this time, I would like to turn the conference over to Ms. Paola Durante, Investor Relations and Strategic Planning 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 Full Year 2018 Financial Results. First of all, as usual let me introduce you the Executive team on today's call. Our Chairman and CEO - Mr. Remo Ruffini, Luciano Santel - Chief Corporate and Supply Officer, Roberto Eggs - Chief Marketing and 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 risks, uncertainties and other factors that could cause results 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 finally remind you that Press has been invited to participate in this conference in a listen-only mode.

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

REMO RUFFINI: Good evening everyone and welcome to Moncler's Full Year 2018 Results conference call. One year has passed since we presented the Moncler Genius project and fifteen years since I bought a small Brand, I believed a lot on it. Today this Brand has reached result I was not expecting when we started this journey. In 2018 Moncler generated more than 1.4 billion euros in revenues, reached 500 million euros of EBITDA and had, in its balance sheet, more than 450 million euros of net cash. Last year, around these days, we were having our "Capital Markets Day" to explain Moncler's future strategy and in particular the Moncler Genius evolution. Now is the time to draw some comments on the project, but before let me say, again, something very important.

Thank you, thank you to all our stakeholders: to our shareholders, to our Board, to our suppliers and to all our partners. But in particular thank you to the over 4,000 Moncler people around the world, which made all this possible. As I always repeat, quoting Thomas Edison, "Vision without execution is just an hallucination". I believe we must be really proud of what we achieved.

Moncler Genius has been a success. All collections have been highly appreciated. Of course some of them had wider audience but with all of them we have been able to talk to many customers: 50% new to the Brand, different in age, attitudes and habits.

Moncler Genius is a digitally native project. Collections have significantly outperformed online generating high traffic on our website. In 2018 traffic in *moncler.com* increased more than 30% with peak during all Genius launches.

It has been our first omni-channel exercise. We have been able to coordinate, in a fully integrated way, all our divisions, all our distribution channels and all our touch points: we have set our new standards.

It has been a superior clienteling tool. Every launch generated high traffic in store. Our clients' advisors have been able to engage with existing and with the new clients.

In sum, Genius created new energy in our Brand and made it stronger.

But we can do better. Many things are still to be fine tuned and improved. We need to explain more this project to our clients. We have to work more on the timing of the deliveries and on their teasing face. We can reinforce all our digital tools to attract new customers and engage them with the Brand.

I know that the world is becoming an even more difficult and volatile place, but I am confident on Moncler's capacity to continue to do very well. Thank you and let me leave the floor to Roberto and Luciano for more comments. Thank you.

ROBERTO EGGS: Good evening. Roberto Eggs - Chief Marketing and Operating Officer. I am very happy to have the possibility to comment the fantastic results we had in 2018. Let's start by the overall results that we had. My comments will all be made at constant exchange rates. In 2018, we reached a total turnover of 1,420 billion euros which is a +22% compared to 2017. All regions performed positively growing at double-digit figures.

In Italy, the result had been of +12% for the full year with a very good last quarter mainly driven by our retail business. EMEA grew +17% in 2018 with the result driven mainly by the German and UK markets. As you are aware, there were some difficulties on the French market linked to the yellow vest but despite that, we managed to achieve a double-digit growth on the French market also in 2018.

Asia has been, as usual, the region that has been driving the growth, growing at +28%. Even in our three sub-regions: APAC, Japan and Korea, we have been able to grow double digits, in both channels. Finally the US or what we call Americas market, where we have two main markets which are Canada and US, we have been able to grow double-digit in both US and in Canada and in both the wholesale and in the retail channel with a total result for the year at +23%.

If we look at the results per channel, the growth has been driven by the retail channel, which achieved amazing results: 18% comp sales growth during the year. A big contribution has been also given by the launch of the Genius project in June last year. E-commerce has continued to outperform the retail channel with a growth rate, which is almost twice the retail pace, and wholesale has achieved the highest growth since we were listed at the end of 2013 with a +13% driven by the e-tailers, the opening of shop-in-shops and by the overall Genius project that has also generated a lot of energy in our wholesale channel.

I would like to make some comments on the openings we have had last year. In total, we opened 18 DOS in retail and in the last quarter, we have had four new openings: one in Italy (in Bologna), one in Switzerland (in Lucerne) which is the strongest destination for Asian customers. We opened Printemp Louvre in December, and we entered a new market - Mexico that is the third market we opened in 2018: we opened in the Middle East with a store in Dubai in March and in Norway with a store in Oslo at the end of August. We have had sixteen shop-in-shops' openings in the wholesale channel.

I will make some comments on the fact that, during the course of 2019, we will report a double counting on DOS and on shop-in-shops. Until the end of 2018, we counted each single corner opened in department stores or in malls as it was a single store. In the course of 2017 and 2018, we have changed the way we managed those stores. We used to have three stores managers for example, in Galerie Lafayette where we had one for the enfant, one for women and one for men. We have rationalized this through one unique head, which is one Store Manager. And according also to the rules and the counting methods used in other companies in the luxury sector, we believe that it will be better to count just one DOS when we have multiple stores at the same address and in the same department store.

In the new way of counting, the impacts is a reduction of roughly a little bit more than 20 DOS when we account with the new counting method. So, with the past way of counting we had 219 retail stores and with the new way of counting – having one store for one address - we have 193 retail stores. We had similar impact at the wholesale level with shop-in-shops: with the previous way of counting we had 75 shop-in-shops and now - having just one store with one Store Manager at one address - we have 55 shop-in-shops at the end of 2018. We will continue to report these two ways of accounting for the full year 2019 and then switch definitively at the end of the year to the new way of accounting. I pass the word to Luciano for the financial comments.

LUCIANO SANTEL: Thank you Roberto. Good afternoon everybody and thank you for attending our call today. We are now at Page 11 where we report our income statement that shows a top line of 1.4 billion euros already presented by Roberto in full detail. The gross margin, for the first time ever, was over 1 billion euros with a margin of 77.4% better than the 76.9% margin we reported last year. This was because of the channel mix, as usual, but also because each individual channel reported a slightly better and healthy gross margin. Notwithstanding the negative impact of FX that impacted our total line for about 40 million euros. Selling expenses accounted for 30.2% of revenues against 30.6% in 2017, so were unusually healthier and better than last year. I say “unusually” because selling expenses mostly include the expenses associated with our retail network. Considering that our retail business grew significantly we could expect a higher percentage but - since a strong part of our retail growth came from organic growth, from a stronger comp that was 18% - this helped our stores to improve their productivity.

G&A were equal to 9% of revenues, substantially in line with the last year, but with about 20 million euros more in expenses, which were invested in our organization to make it stronger and ready for the challenges we face.

Marketing expenses barely touched 100 million euros with a 7% incidence higher than the 6.7% that we spent last year, as already planned by the management team and anticipated to the market because within this amount we include all the communication expenses for the launch, implementation of our Genius project.

Stock-based compensation were more or less in line with last year at 2.1% and the EBIT margin was 29.2%, which net of stock-based compensation, that is a non-cash expense, would have been over 31%.

Financial results were in order with a much better control on FX compared to last year. Taxes reached a very low tax rate of 19.3%, which is much lower than what we planned at the beginning of last year but in line with what we communicate in November after we signed the Patent Box agreement with our fully controlled subsidiary Industries S.p.A. In December 2017, Moncler signed the Patent Box agreement and in 2018 in November also Industries S.p.A signed the same agreement. The taxes for 2018 include the benefit from the previous four years and this is the reason why tax rate is particularly good. Net income was equal to 332.5 million euros with a margin of 23.4% margin and a growth rate of 33% compared to last year.

Probably, we reported the EBITDA for the last time after the introduction of the new IFRS 16. EBITDA was equal to 500.2 million euros with a margin of 35.2%, higher than ever.

On page 12, we reported CAPEX that accounted for 91.5 million euros, still around 6% but 20 million euros higher even on a percentage basis. We can anticipate now to the market that we will spend over 100 million euros in 2019 and this is because we will keep spending a significant amount of money in our retail network. However, the segment of CAPEX that is growing more significantly is the so-called Corporate CAPEX which includes several projects, for example the expansion and automation of our logistic hub in Italy. As already anticipated, this project is worth in three years about 15 million euros and about 8/9 million euros have been spent in 2018. Then there are several information technology projects and a new omni-channel project: the development of our own online platform in Korea first and then we will see. This project started in 2018 and a couple of million are included in this number but, in 2019, the amount spent will be much more important.

On page 13, we reported the net working capital, which was still good in the region of 7% slightly better than last year, thanks to a very strong credit control and very good inventory management. It is important to highlight that inventory is growing significantly as compared to last year. Great part of this increase is offset by an increase of payable and this is because the increase in inventory is in great part associated with the anticipation of the production cycle related to the Fall/Winter 2019, so we are ahead as compared to last year, which is very good for our business.

On page 14, we reported the net financial positions, which reached 450 million euros with a net cash of almost 550 million euros. The financial debt is not the financial debt with the banks but with our partners, in our joint ventures, in Japan, in Korea and in Turkey. Cash generation for the year has been very strong and was equal to 145 million euros after the distribution of dividends for 70 million euros and after two buyback programs for 149 million euros. It is important to highlight that the Board, held today, is proposing to our shareholder a distribution of dividends on the earnings of 2018 of Euro 0.40 per share equal to 100 million euros, with a 30% payout ratio.

On page 15, we reported the balance sheet. I do not have any comment but of course, if you have any question, we will answer later.

On page 16, we reported the cash flow statement, which is the summary of all positive events of the year. Business wise: strong EBITDA, very good working capital, but also the tax benefit, as mentioned before, is particularly visible in the line “Change in current and non-current assets”. Indeed, we reported positive 48 million euros as compared to the negative 22 million euros of last year, with a total amount of 70 million euros, which were associated with the tax benefit of the Patent Box for both companies.

The free cash flow accounted for 362 million euros, 50% higher than last year, and the change in net financial position was equal to 145 million euros.

Normally with this slide, we ended the presentation but this year, for the first time, we have one last slide, which is the estimated impact of the IFRS 16 revision, which consists of an accounting principle that took effect on January 1st 2019. The slide could be helpful for the market to understand how much would have been the impact of the new accounting principle on our results. The biggest impact, as expected, is on our net financial position that accounted for 500 million euros, which totally resets our positive net cash position and this positively impacted our operating margin for about 10 million euros. The impact of the net result is slightly negative, but is not material since we are talking about possibly a couple of million euros.

Okay, we are done with the presentation. Thank you for your attention and we are ready now for your questions.

Q&A

OPERATOR: Excuse me. This is the Chorus Call Conference operator. We will now begin the question and answer session. The first question is from Anne-Laure Bismuth with HSBC. Please go ahead.

ANNE-LAURE BISMUTH: Good evening, I am Anne-Laure Bismuth from HSBC. First of all congratulations for your great results. I have three questions. So retail was at 26% at constant FX in full year 2018, with comp at 18% and 8% of contribution from new space in full year. I know that you do not comment on a quarterly performance, but it implies a comp at 11% in Q4 and 7%

contribution from new stores. I am wondering if you still plan a low double-digit contribution from new space in 2019 as you mentioned in the past. My second question is about the performance at the beginning of the year. Given the challenging comp basis in H1, I am wondering if you can tell us what the initiatives are, especially the Genius collections that you are planning to launch and that you have already launched in Q1 and some colors about the current trading, especially during the Chinese New Year. My third question is about the number of store openings planned for full year 2019. Thank you very much.

LUCIANO SANTEL: Okay. Hi Anne-Laure, in 2018 the space contribution was more or less 10/11% but the difference between our retail growth of 26% and our comp is 8% because our comp is related only to our regular stores. Outlet stores performed pretty well but less than our regular stores and this is the reason of this small difference. For the future, for 2019, even if it is now a little bit premature, our own plan is still in the region of 10% maybe 8/9/10%.

ROBERTO EGGS: Good evening Anne-Laure. Regarding, your question on the first quarter, we have the high base of comparison with the great result we had in Q1 2018. We have also an impact of a shorter Chinese New Year this year, because it has been anticipated of 11 days so the impact is shorter than last year, on top we have a much warmer winter. Notwithstanding we are very happy about the results that we have had in this first seven weeks of the year. Especially the result in China's Mainland. The Chinese market is at 98% of local clientele and we have been growing at double-digit growth in China. We have had also good growth in Europe, but to a lesser extent since France is still suffering in every single week from the impact of the yellow vest since the beginning of the year and from a lower traffic in our Parisian store especially in the store at Rue du Faubourg. Given its proximity to the Champs Elysees, given its closure, we are suffering but we hope that the issue is going to be solved in the next few months. In UK with the BREXIT in the air, there is a little bit less traffic of tourists but we are very happy about the first few weeks of the year. Regarding the number of openings that we have in 2019, we are still in the same area of 15 openings of DOS, 15 renovations and 15 shop-in-shops for wholesale. During the year we intend to move the store located in New York on the 59 Avenue from wholesale into concession as we signed an agreement with Bloomingdales - one of the main distributor in the US. This is the first time this is happening for Moncler in the US. This will be followed by four openings we have planned: on the ground floors in New Jersey with Westfield, in Los Angeles in South Coast Plaza, in Washington and in Salt Lake City. I think this is the first good move for Moncler to go ground floor and to move from wholesale into concession.

Then, we already opened two stores in February this year: one is a flagship store in Singapore and is one of the largest store we have in Asia together with the store we have in Ginza in Japan and the one of Canton Road. We also opened the second store in Sydney in Westfield, which is the second store we have in Australia after the opening we had a little bit more than one year ago in Chadstone in Melbourne. We already extended the store because it's a working extremely well and the good news is that for the first month of February the store of Sydney is working as well as the one we have in Melbourne. Then, we are working strongly on stores relocations and expansions because these projects bring a lot to the Brand. We are going to open the first flagship store in Germany, in Munich in September this year. This is an extension of our store since we are going to quadruple the size of the store and we have also been able to manage finally an expansion with our two main department stores in Japan with Isetan both for men and women and also in Ginza with Matsuya where we are going to double the space. Lastly, as we said during the Capital

Markets Day, we have a very clear direction regarding the opening in airports. We had four airports locations at the end of 2016 and we closed 2018 with 13 doors, half wholesale and half being retail. For this year, we are planning between 8 to 10 openings and two of them will be retail and the rest will be in wholesale. So, we signed this also, we had the first results of 2013 of the new openings which are really good and we count very much on the additional growth that this stores will be bringing.

ANNE-LAURE BISMUTH: Thank you.

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

ELENA MARIANI: Hi, good evening gentlemen and congratulations on this great set of results. I also have three questions please, the first one for you Roberto. I was wondering where you are right now on all the KPIs that you are monitoring in the retail network. I know that you track units per transactions, traffic, and average ticket size and so on. Where are you versus your targets and how much space do you think do you have to further improve the stores productivity, which has already reached an incredible level? Question number two, for Luciano, it's about the inventory. Could you clarify a little bit what you have just said before about the growth in your inventory position? You said that it was about the anticipation of the production cycle and what does it mean exactly and why this year is looking so different versus the previous year where instead your inventory control was very tight and you seem to be very happy about the previous strategy? So, what has changed and what does it mean ahead of the upcoming months? The third question perhaps for Mr. Ruffini: I was very curious to hear of what you think about the competitive environment given that you have been so successful. The high-end outerwear category is growing very nicely, it feels like this has attracted new entrants into the market and also some existing luxury brands have increased meaningfully the offering of high-end products in the outerwear category. So, how do you feel you can maintain your different stated positioning versus the others, and what is the key success in your view for the coming years? Thank you.

ROBERTO EGGS: Good evening Elena, thank you for your questions, this is Roberto and I'm going to comment on the retail KPIs. You rightly think that is something that we are monitoring. We have the results on a daily basis and we look at them very deeply. Also on a monthly basis, this is discussed with the retail managers and the Presidents of the regions, since they are part of their management objective for the year. Therefore, they are really driven to observe performances and increase the satisfaction of our clients.

Before commenting the retail KPIs, there is one thing that we are monitoring that is a little bit overall and is the repeat purchase. It is something in which, when we started the clientele, we were quite weak, we were below 30% in terms of repurchase from clients of Moncler within one year. This has been increasing now and the impact on the turnover was at 37% of the total turnover driven in 2016 and we have been able to go above 40%, so we gained more than 10 points between 2015 to 2018. I think this is a sign of all the efforts and the energy that has been put into the store to loyalize the clients and make them come back. We have been doing also in terms of actions with the launch of Genius that is also a fantastic opportunity for the clienteling. To do previews with them has been also a strong factor of increased loyalty of our consumer.

Regarding retail KPIs, we are obsessed by our sales density that is constantly monitored. We have been able to further grow the sales density in 2018. December was another record month in terms of sales density, which I was not even expecting. Regarding Unit per Transaction (UPT), in 2014, we were more or less one, so people were entering in Moncler's stores to buy the outerwear. We pushed them very much and we do whatever possible to keep outerwear as the iconic element of Moncler but we have been able to grow a lot in other categories during the past three years. They quadrupled, the turnover we had in 2014 we had 690 million euros and we are at 1,420 million euros now and the rate of the non-outerwear grew from 12% to 24%. So this growth in the non-outerwear has been helping to drive the UPT that is now at above 1.3 with the aim to be close to 1.4 next year. There are further possibilities as the more these categories will become visible in the stores, the more we will sell so clearly we see an uplift in terms of UPT. The good news is that we have been able to drive and to grow the UPT while increasing the average selling price and the average transaction price, which is also something that we consider as being very positive.

ELENA MARIANI: And if I may add one thing, can you remind us where you were in terms of sales density and where were you at the end of 2018?

ROBERTO EGGS: At the end of 2018, we have a sales density of a bit more than 36,000 euros per square meter and two years ago we were at 33,000 euros per square meter. As we always said, our object was to be above 30,000 euros per square meter. We have been able in the course of the last three years to increase the sales density by 20%.

ELENA MARIANI: And do you see additional room to grow from this level?

ROBERTO EGGS: It is a very challenging figure already to replicate. All the effort that we are doing are there to maintain this very high level of sales density. We all hope to be again surprised and to be able to maintain or even to further increase it.

ELENA MARIANI: Thank you.

LUCIANO SANTEL: Hi Elena, this is Luciano. Thank you for your question that allows me to clarify a very important point. No change at all in our inventory strategy, no change at all in our inventory results. Our inventory management has been very efficient over the past few years and the efficiency in managing inventory translates into KPI, which is the sell-through. Last year, our sell-through for the current or for the previous FW season was over 70% as much as it is now over 70% this year. So, we plan with cautious our inventory and again, we prefer to run the risk to miss some sales rather than ending up with a big leftover. Having said that, this year was better than last year because last year we started late the production cycle for Fall/Winter 2018. This year we started earlier, in November, the raw material purchases but also we started some production already in December, which is very healthy for our businesses. So the additional inventory you see in our balance sheet in part is driven by the additional business for the current Fall/Winter 2018 and Spring/Summer 2019 seasons but in part is associated with the upcoming FW '19 season. Last year it was a very small immaterial amount. This year is much higher because of what I just said and this is the reason why you will see also a high amount in payables: all these raw materials inventory, which is fresh, new, good, was still at that time to be paid, so it was still in our accounts payable. So it is important to clarify that we maintain the same prudent strategy in managing our inventory.

ELENA MARIANI: Thank you. This is very clear.

REMO RUFFINI: Hi, Elena. Talking about the competition. Honestly, if you think about specialists, we don't have much. For the few we have, they are growing very fast, but I think they take a totally different street than our strategy. The rest, if you think about the luxury market, everyone has outerwear in the collections, more or less as before, and for sure I respect everyone. But I really don't feel big competition. I think the biggest competitor is ourselves. We have to make the best strategy, the best product, the best quality, and I'm very confident of that.

Talking about the future, we changed the business almost one year ago, we changed our strategy, we changed the way of working. Honestly, after one year, I'm very satisfied, I feel a strong energy in the Company, I feel a strong energy in my stores, I feel a strong energy from my customers and I really feel like a new Company. I really feel we are like a startup and everything is new and everybody happy. Again, I really feel a lot of energy everyday in the office and when I travel in all our stores. Honestly, I don't want to be pretentious, but I feel that we are very strong in our products and in brand perception. Genius helped us a lot to demonstrate to the market we are able to make different products, different ideas and to talk with different generation. We really attracted many young kids that we are always looking for because I think energy comes from the young market.

And we have to work for sure in quality. Quality is really one of our first point that we always have in mind, for sure in the products. I think we can have better and better products and quality for us is quality at 360 degrees. We are looking for quality everyday, everywhere, in the Company, in the people, in the stores and I think quality is really what we have in front of us everyday.

Regarding distribution, I feel that we have a very good distribution both in retail and wholesale. In the last 10 years, we have been working in retail and we tried to find always the best locations. We had some old stores, but we relocated them. We started almost three years ago to relocate stores trying to find an even better location. We really feel that we have now a very strong chain, a right number of doors especially in Asia where we have 30, 33 doors in China. I think is a very good number, so we don't have to grow much more. I think we have the best places, the best locations. It is sometimes better to relocate in some department stores and some malls in better locations.

We also find a new language in the digital world that is something not only for sell in the e-commerce but even for talking with customers. I think today is very important. We have to fine-tune, we have to do much more, but I think this type of communication to talk with customers every month, everyday, to have a new editorial project, to have new ideas, to really stimulate the customers in this way, to attract them every month into the stores is really a new way of working in the luxury market. I feel Genius was something strong for our Company. Thank you.

ELENA MARIANI: Great. Thank you very much.

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

LUCA SOLCA: Yes. Good afternoon. Talking about Genius, I wonder if Roberto could possibly go through the impact on the revenue drivers especially the retail performance, KPIs that you are looking at, and the impact of Genius in particular?

I'm towing with the idea that we're actually looking at a relatively subdued effect of what this idea could generate considering the weather, I hear that it could have been much stronger and that, but you're producing fantastic results even with weather, which is a slightly a burst or quite that burst for your products. So interesting to know what of the impact of Genius on traffic and how this has been benefiting the average basket size or the frequency and the overall traffic flows.

And the second question, I was wondering whether you could potentially elaborate a bit more about the demand dynamics by nationality looking at Chinese consumers and American consumers in particular, but also the European consumers trying to move away from the geography, which is sometimes difficult for us to reconcile.

Thirdly, I thought that preamble today was very appropriate and very well deserved what you achieved, as a team with more players and what Mr. Ruffini has achieved is outstanding. Is there a more planned method or is there a Remo Ruffini method that could potentially be applied elsewhere?

ROBERTO EGGS: Good evening Luca. Thank you for raising the question and thank you for giving me the opportunity to explain what is the objective behind Genius and what we are trying to achieve.

First, we always mentioned that it is a fantastic communication opportunity to become and as Remo Ruffini was saying, it is the first digitally native project that we have. So clearly we can talk about the impact on turnover and so on but there are some figures I would like to share with you and this is mainly driven by each report that has been done regarding Genius. In 2018, the number of impressions meaning the number of post-visualization, increased by +43% and the number of reach, meaning the unique visitors of the Moncler website increased by +59%. This would not have been possible if we had a traditional way of communicating with our consumers. I think this is an energy that is coming every single month from different drops. We had already one first drop of 1952, at the beginning of the month of January and was. Yesterday we had the launch of the new collection of Simone Rocha, which is also driving additional traffic in the stores and also on our website and on the website also of e-tailers because we are leveraging both channels: e-tailers for the wholesale channel with the best stores, and also our stores.

We had a fantastic presentation this year with two new stylists, which are Quinn and Alyx compared to the presentation of last year at Palazzo delle Scintille. The show last week in Milan was a tremendous success. We had almost 5,000 people attending the show. I think that is the show with the largest attendance in Milan during Milano Fashion Week. We did the opening on the first day and Mr. Ruffini had a fantastic idea, initiative to be the first Brand to open the show to public. As you may know, usually when a fashion show is really meant for professional people of the luxury industry or of the fashion industry. We opened it on Sunday and we had more than 10,000 people coming to see the show that that we had, closed to the Milan railway station. A fantastic thing about this was that 80% of the people that were coming were proud to show their Moncler jackets. Some of them had even vintage jackets from the 80s or the 90s and came to attend the show.

Now, this being said in terms of traffic and of communication project, we are not against doing some business. As we said, we maintained that our objective is to be at a figure close to a high single-digit growth not far from 10%. Each time we have a drop, we increase the traffic in the stores in the few days following the launch of each collection. This has been something that was compared to the way we were doing things before because now it is a launch at the very same date throughout the world with the support on digital. This has been additional traffic that we have been generating to the store.

So we can see that overall this business has been generating between 5% to 8% percent additional traffic on a worldwide basis in 2018 starting from June. In 2019 we will have the full-year effect because we started from very beginning of January while last year it started in June.

The average ticket is slightly higher for the collection of Genius and depends on the collection: for Simone Rocha who was more expensive, for Palm Angel was slightly below, but on average it is slightly above the average price of the main collection of Moncler. Unit per Transaction is very similar and we are at the same range of the Main collection.

The other thing that is positive for us on this Genius project is that we have seen that 50% of the clients that come to see and buy the Genius collection, are also interested to buy the Main collection. We had also new clients that discovered Moncler for the first time thanks to Genius, already with some repeat purchases in the range of 20% to 25% that are going to come back to buy either a Genius collection or the Main collection. So, on top of generating a lot of energy in the store, fantastic tools to communicate, higher leverage on the social media, it has always been a generator of traffic and business for us.

Regarding our second question, in 2018, the two regions with the highest growth have been Japan and APAC, especially Mainland China. We have a limited number of stores in China meaning 31 stores, so there is still a strong demand and people eager to find Moncler. These two nationalities have been growing over proportionally but not so much above and slightly above the average of the rest of the nationality. What has been interesting in 2018 compared to the previous year is that we have been able to grow our business mainly with locals or more with locals, thus the weight of locals increased in 2019 compared to the growth that we had, which was also double digit with the tourists inside region and outside region. This is also probably one good sign of all the initiatives we have been doing in terms of clienteling where we are able to grow the business also with our locals with a stronger impact on Italian, Korean, Japanese and the Mainland Chinese but also with the Americans that have been growing in the U.S. market and in Canada. The growth trend at the beginning of this year continues more with locals compared to tourists. If you have been looking at the results of Global Blue, there is a slight decrease of traffic of tourists in Europe. This being said, we have been positive with Chinese tourism, but we have seen that Chinese tourism has been more moving in the neighboring country, especially Singapore also supported for us by the opening of the flagship store of Marina Bay and also to Australia and to a lesser extent, to Hong Kong and to Taiwan.

REMO RUFFINI: Hi, Luca, I don't think we have a formula. I think a couple of years ago, we felt that the world was changing in our industry. We felt that it was quite boring walking in the luxury street around the world so we said that we have to do something, we have to change something, we have to attract new customers, we have to talk with new generations, with young generations, we have to talk with old generations and we start thinking how we could change our business model, and so, one year ago, we changed more or less everything, we changed the culture in the Company. As we say, we have to give different ideas, different ways of working and give more energy to our customers. We started the project, and everything in one year is changed. I think today, we can attract new customers, we can talk with new customers, with new generation. We can have a editorial project every month that is able to talk with the customers every day. I think this why the Brand, today, has a very strong energy. Having said that, I think, we are quite a good team. We did an incredible good job in some area of the Company. The supply chain did an incredible good job and surprised myself with the deliveries of every project in the same day, at the same hour, in every of our stores, in all our partners, retailers and wholesalers. The marketing area did quite a good job. I think we are able to organize all the projects around the world. We have still a lot of things to do. We have a lot of fine tuning to do. We feel we are in the right street for the luxury market.

LUCA SOLCA: Thank you very much indeed.

REMO RUFFINI: Thank you.

OPERATOR: The next question is from Janet Kloppenburg with JJK Research. Please go ahead.

JANET KLOPPENBURG: Good evening everyone and congratulations on a great quarter and a great year. I just had a couple of follow-up questions. I was wondering if you could talk about the size of the new stores openings for 2019 given the success of Genius and the newer categories and the flagship stores. I'm wondering if the square footage per store is moving higher. And my second question is on the gross margin opportunity as we look out into 2019 and 2020. Could we see further expansion there, what should we expect? And lastly, I just wondered about the Genius program on two fronts: one, could you talk a little bit about the performance of the high fashion designer products versus the more commercial Fragment, Grenoble lines? Will the flow of the product be relatively similar in 2019 versus 2018. Thank you.

ROBERTO EGGS: Good evening Janet. Thank you for your question. Regarding the size of the store, the average size of the store currently is 160 square meter, which is higher than what we had 4 years ago when we were at 110. So the new openings have been driving the size of the stores further up. Each time we relocate, we try whenever it is possible not only to go and look at the store, at the materials and at the design but always to take the opportunity either to relocate in a better location or to expand. This is what is driving us so you can expect some slightly higher footage for the relocation and in some of the new openings of a larger store for example the store in Singapore and in Munich that is going to be a larger store. At the same time, this will be slightly mitigated by the push we had at airport level. We are planning between 8 to 10 openings in airports and in such locations is difficult to reach an average size of 460 square meter. So we're expecting a slight growth of the average size of the stores but not double digit. Probably, 2019 is going to drive us to 165 to 170 square meter on average.

JANET KLOPPENBURG: Okay. Thank you. Hi.

LUCIANO SANTEL: Hi, Janet, this is Luciano. Our gross margin in 2018 was particularly strong, and I'm not talking about not only the gross margin we report but also the gross margin of each individual channel channel, which was even a little bit better than last year when it was already very good. So opportunity to further increase the gross margin that might come only by the increase of the retail business. We reported a 77.4% gross margin and our retail margin is more or less 80/81% so even if our retail business should be 100% of our business, we can reach a maximum of 80%. So I don't think that we can expect material significant expansion on our gross margin also because, in 2018, inventory management was particularly good.

JANET KLOPPENBURG: Okay.

ROBERTO EGGS: Regarding the collection launch, in 2019, we will have more collection launches compared to 2018 since we have started with the monthly drops only in June last year. We did the presentation in February, and we did the first launch in June. This year, we are benefiting from having had the show in September of the Spring/Summer collection, so we have started already at the beginning of January with the launch of 1952. We have now the second one we foreshadow and there will be three other launches in March, April, and May. This year, there will be 12 launches of collections compared to the 7 launches we had in 2018.

Grenoble is one of the key pillars on which we are really counting because it represents really the DNA of the Brand. We further continue to develop also the renovation and relocation of our resort stores in the mountains and we will have now the opportunity to open an additional one in Val d'Isere. We continue to work also with ski schools, equipping new ski schools Moncler products because, I think that, all new people coming to the ski, in particular new Asians skiers that are coming to Europe or to Japan believe that it is nice to see that the schoolteacher is dressed with Moncler products so this is something that we are going to continue.

Regarding the Genius launches, the objective for last year was also to have in the same point in the same time all the collections under the same roof in what we call The House of Genius. Last year, we had one in Soho in New York and one in Aoyama in Japan. There were also a certain number of shop-in-shops that presented the full collections in October. We have decided this year since we have new collections and the new designers coming a little bit later, to have the same approach with pop-up stores but that will start on the 7th of November and touching a little bit more the peak season. We are also planning to have two new House of Genius. The location still needs to be confirmed but the intent is to have one in Europe and one again in Japan because it worked extremely well in 2018.

JANET KLOPPENBURG: Thank you. Good luck.

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

OMAR SAAD: Thank you for taking my question. Another great year, congratulations. I wanted to ask if you could talk a little bit about the underlying dynamics going on since, it looked like that in the fourth quarter the Asian revenues slowed down a bit even though they are still very strong and a great year-end and I saw the shoot acceleration in Italy and Europe as well in the fourth quarter. Is that tourism shifts or Chinese tourists shifts going on? Moreover, have you seen big changes in Chinese tourists' consumption pattern since some of the luxury VAT tax changes went into effect last summer? My last question would be around the supply chain: how you are evolving, especially with a year of Genius under your belt, and adjusting the supply chain for those types of collections presumably more in the future? How are you thinking about the supply chain in the way it is set now? Thank you.

ROBERTO EGGS: Good evening Omar. It's Roberto and thank you for your congratulation. Regarding some of the assumption you had in your question, I don't have exactly the same reading. The Italian market grew, in fact it accelerated in the last quarter because we grew at +26% in the last quarter so we have not seen any slowdown. Actually, the Italian market was in acceleration especially with the local clients. About China but also the other countries, what we always said is that sales density is driving the performance for us at the end of the year. This year, for the first time we overpassed the 80,000 euros per square meter in December in our retail network and I think we will all be dreaming to grow 20% to 25%. I think that when you reach 80,000 euros per square meter on average, you are number one or number two in the industry but we are ready to take the challenge for December. We know that our opportunity to further grow our sales density is to work on the first three quarters of the year given the very high base of comparison of December. So I don't read that as a deceleration but more as we are best performing. There is a kind of saturation effect in our stores, I was not expecting to have a double-digit growth in December in our sales density. This is all the good work that we have been doing to create the desire for the Brand. I think creating the excitement, creating the emotion around the Brand is what is driving this Company and I am very happy about the performance of our people in the stores who are there everyday and have been outperforming in the last months of the year.

LUCIANO SANTEL: Omar, you made a very important and extremely critical point on the supply chain specifically to implement and the make the Genius project happening. As we said before, we are very happy about how the supply chain responded to this project that was really a change in our culture, in our methodology, to implement production but we made it. It was very successful and, as our Chairman did, we have to thank our people because they made it happen and made the difference. We said that we keep investing in our supply chain, but the most important investments are not the financial investments since this would be much easier because we have cash. Investing in culture is the most important investment in our supply chain which is much more difficult. A few years ago, we have invested a small amount of money but we made a big effort in our own factory in Romania, which was and still is a manufacturing factory. Now, it is really a technological hub where we develop a technology that is then spread over the regions, where we make production in third-party factories and this is something very important. It is a long journey with a never ending story but we keep investing in culture, in developing new people, new methodologies and new technologies. Another important piece of this mechanism is the size of our production capacity to respond to our growing volumes. We have to look after it permanently and this is something that is not easy but is totally under control. To give you a simple answer, it is very difficult but we are totally aware about the difficulties and all our supply chain team, not only our strategic team, is looking after this point.

OPERATOR: The next question is from Suzie Tiwali with UBS. Please go ahead.

SUSY TIBALDI: Good evening. Thank you for taking my questions. I wanted to ask how your customer base is changing since with Genius, now, you are attracting more and more younger consumers. Can give an indication of the percentage of sale of millennials? Secondly, on the wholesale. Q4 was very strong and, I guess, some of that was driven by the online e-tailers. So I was wondering if that's something that you are seeing growing really fast. Can you give us some color on that? Lastly, still related to the e-commerce, can you give an update on your progress both with Tmall and also with the pilot test in South Korea? Thank you.

ROBERTO EGGS: Good evening Susy. Thank you for question. I start with first question related to Genius. In choosing different stylists, we wanted to touch not only millennials but all segments of the data base. Every single designer is coming with all his/her universe that is talking to very different people and that's this diversity that we like in the Genius project. This being said, some of the chosen stylists are driving younger generations. Even though it is too early to have an impact on the global database, if we look at the demographics of the Genius consumers, we have higher penetration on the millennials which is to the extent of 42% to 44%. This is really changing every time there is a launch. 1952 is younger, Simone Rocha, that we are launching now, is slightly older. Sill, the demographic has shifted to younger generations and we have new stylists, especially with Alyx who will drive additional millennials to our stores when it will be launched later on this year.

Regarding the wholesale, the performance of the last quarter was very good. There was strong demand also in the US market. Regarding the Spring/Summer collection we have a high level of sell-through that we had with the Fall/Winter. The performance is driven partly by the very good performance of the e-tailers but also by the further expansion that we have with shop-in-shops and also by the expansions, the openings that we have with the airports because the business going on in airports is not defined by brand. It is defined by the the airport to have either an operator or to work directly with brand. The reality of this market is that two-third of the airports are working with operators. So this is further driving the growth of the wholesale. The growth at +13% has been an exceptional and very strong growth driven by the very good performance we had also, in terms of sell through in 2018. We have of course e-tailers that are growing at a pace that is above 30% so clearly this is helping. We take advantage and we continue our selection of doors and we have been reducing the number of doors that we have in wholesale. This does not mean that we are not opening new ones. Now, also thanks to Genius, we are in more edgy distributors since during last year we closed more than one hundred doors. We are now below 1,400. We were 1,700 the year before so the +13% has been done despite the closure of more than 100 doors in 2018. I maybe comment the approach on the e-commerce. The project internally is called “One”. The project for Korea is advancing very well. This is another initiative that is driving a lot of energy in the Company. This is being helped and driven today by our Head of Omni-channel because we change also our structure in order to be more focused on this omnicanality and also by the new Chief Digital Officer who joined the Company four months ago. That is also helping us to drive the development of the e-commerce for Korea. The launch is foreseen at the beginning of the second semester of this year, in two phases, with the full implementation of omni-channel taking place before the end of the year.

Regarding China, we are assessing the different possibilities to further develop our presence online in China. We have strengthened the collaboration with WeChat and with mini websites in order to drive the development of our online business in China. T-Mall is also part of the assessment but we really want to focus on something that is going to help us and we plan to launch the omni-channel with our website. Before the end of this year, we launched what we called light omni-channel with “Return in store”, with “Change in store” and with “Click from store” on which we believe a lot. In Europe, in June, we have had the full rollout in the 75 stores and now we are working for the launch. The pilot is now in the US and we plan after that to launch Japan, Korea with our own website and China also before the end of this year.

SUSY TIBALDI: Great. Thank you very much.

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PAOLA DURANTE: Thank you. Very briefly, first of all thank you very much for your participation and for all your interesting questions. I am sure some of you might have some leftover questions so we are at your disposal anytime. Please call myself and the IR team. We thank you and good night to all of you.