

# **Moncler S.p.A**

## **"Full Year 2020 Results Conference Call"**

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler Full Year 2020 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. Please go ahead, madam.

PAOLA DURANTE: Thank you, and good evening, everybody. Thank you for being here tonight with us to comment our full year 2020 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, Chief Corporate Supply Officer, Roberto Eggs, Chief Marketing and Operating Officer.

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 even materially from those expressed in or implied by these statements, many of which are beyond the ability of Moncler to control or to estimate. I also remind you that press has been invited to participate in this conference call in a listen-only mode.

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

REMO RUFFINI:

Good evening. Good evening, everyone, and thank you for attending the Moncler conference call tonight on our full year results. This is a moment that I like because it is when we review, all together, what we have done, what we have achieved and what we are going to do. And tonight, I looked at it more closely. 2020 has been challenging. But, at Moncler, we have worked together to turn this challenges into opportunities. Since the COVID-19 outbreak, our first priority has been to protect our people and in doing this, we have also worked to reinforce our brand, our community and our sense of belonging. We immediately focused on the most important projects while postponing all those not essential. Accordingly, our commitment to sustainability and to digital has remained unchanged, two main pillars of our strategy.

We've also been forced to evolve our marketing strategy, our CRM approach. We have been able to reach exceptional results, like the 77 billion viewers of the Moncler Bubble Up challenge on TikTok, and than 60,000 private appointment organized during 2020, while online achieved 15% of our sales. We opened our new flagship stores in Paris in Champs-Élysées, a store that embodies the essence of our brand's strategy. And in December, Stone Island joined Moncler, marking a milestone moment in our Group's history. With Stone Island, the Moncler Group reinforces its presence in the growing new luxury segment, which is about community, experience and contamination. It is beyond luxury.

And very important, a comment on our 2020 financial result. Of course, they are far from what we were planning even only one year ago. Nevertheless, I believe today we are reporting extraordinary achievements. 11% revenue decline in the year with the fourth quarter up 8%, 26% EBIT margin, last but not least, almost €200 million of net cash generation.

These results tell us that Moncler is strong and that our business model is flexible, agile, and most important, reactive.

Looking ahead, I still see a lot of challenges for the global economy and for the sector. The 2021 outlook remains uncertain and difficult to predict. We are still experiencing important lockdown. Travelers continue to remain low, and the deployment of the vaccine campaign is still uncertain. This is the time to act even bolder. To stand firm on our strategy, and to invest on what is crucial for the long-term development of our company.

We started to work very well with the people of Stone Island. In 2021, we still established the basics. The development guidelines are clear, clean and well defined. For what concerns Moncler, we'll complete the internalization of our e-commerce finally launching our new website.

China will become even more of a focus as well as clienteling, with a strong attention on locals and new locals. Genius 2021 will evolve becoming a media hub, and the building will be its broadcasting studio. We'll explore every platform on which you could experience it. In 2021, Moncler Genius will come to you. All this cannot be reached without a superior product. We'll persist investing in research, technology, sustainable material and processes. Our commitment to you remains unchanged. We will continue to push for higher peaks.

Thank you very much. And now let me now hand over to Roberto and Luciano. Thank you.

ROBERTO EGGS: Thank you, Remo. Good evening. I'm very happy to have the possibility to comment 2020 full year results. Let's start by the highlights.

As you have all noticed, despite a significant decline in traffic due to measures to contain the COVID pandemic, the second semester 2020 has shown very solid recovery for Moncler, confirming Moncler brand strength and efficient business model. Revenues declined by 11% at constant exchange rates, while Q4 revenues, boosted by China and online, increased by 8%.

Retail revenues declined 12% during the full year, with a strong recovery in Q4 with a plus 5% at constant exchange rate. Full year comp performance was at minus 18%, but with a minus 9% in the second half of the year. Wholesale revenues declined by 5% at €351 million. E-tailers and very strong reorders boosted performance in Q4. We performed at plus 31% during the last quarter of the year.

EBIT for the full year was at €369 million, with a margin on sales of 25.6%, and with remarkable results on H2 EBIT margin that reached 39% versus 36.8% in the second semester 2019, thanks to a strict control on expenses and flexible supply chain. Net income reached €300 million with a margin on sales at 20.9% versus 22% in full year 2019. We benefited from 13% tax rate in 2020 due to trademark fiscal recognition pursuant to the August Decree.

Concerning net financial position, we reached €855 million of net cash versus €662 million at the end of 2019. Including lease liabilities, €215 million of net cash versus €23 million at the end of 2019.

Let's move to the revenue breakdown by region. Moncler recorded a very strong recovery in the last quarter of the year, with accelerations in all regions. Q4 2020 revenues rose by 8%, bringing full year total revenues at €1.4 billion. Asia rose by 26% in Q4 with full year at plus 2%, driven

by an outstanding acceleration of Mainland China at more than 60% during the last quarter of the year, followed by a solid double-digit growth in Korea and in Japan. EMEA suffered from 35% of the store closed during the last quarter of the year, but despite that, the revenue decreased only by 13%, influenced, as I was mentioning, by the lockdowns especially in November and December. Northern Europe, so Scandinavia, Russia, Benelux and Germany outperformed the rest of the region with a positive growth during the fourth quarter of the year. Performance in Italy remained difficult being probably the country most affected by lockdowns in Q4 and the lack of tourism. The Americas recorded a positive plus 5% growth in Q4, driven by robust performance both in U.S. and Canada and both in wholesale and retail.

Let's look at the revenue breakdown by distribution channels. In Q4, Moncler performance accelerated in both channels, driven by China and the online. Retail revenues turned positive in Q4 with a plus 5%, notwithstanding the decrease in traffic in all regions. Comp store sales was at minus 9% during the second half of the year, while we had a minus 38% in H1.

E-commerce recorded a very strong double-digit growth, close to the growth that we had in China. Wholesale revenue decreased by 5% in full year, with a double-digit positive performance in Q4 at plus 31%. This was supported by higher in-season reorders for the fall/winter and a different timing in fall/winter deliveries. If you remember, the results of Q3 were at minus 6% and the last quarter of the year at plus 31%. If we look at the total result of H2, it was still positive at plus 4.5%. E-tailers significantly outperformed the rest of the channel.

Let's move to the mono-brand store network evolution. As mentioned by Remo, December was marked by 2 very important openings. The first one was the store on the Champs-Élysées - we'll come back to that in a few charts – which is the largest flagship store that we have in the network. And the second one is the opening of our first retail store in Spain in Barcelona. Both performed extremely well during the months of December. We have already secured 15 DOS openings for 2021. Mono-brand wholesales accounted 63 locations at the end of 2020, 1 unit less than in 2019, but this includes 5 conversions of Holt Renfrew corners in North America that were converted from wholesale into retail.

Let me highlight some of the key challenges and trends that we have been noticing during the course of 2020. I must say that these trends were already there, but the COVID pandemic has just accelerated these very important sector trends. The first one is the digital saliency. The second point is the China relevance. The third one is the client knowledge and relation centrality. The fourth one is the casualization and the fifth trend that we have seen is the sustainability.

We have the Moncler way to address those important challenges and changes that we are noticing in the market. The first one, as it was mentioned by Remo during his speech, is this very strong evolution in what we call “new luxury”, luxury that is going beyond the traditional boundaries and codes focusing on community, experience and contamination.

The second is our very strong engagement with locals and “new locals” being the travelers that are back, that don't have the possibility to travel anymore and that have been reactivated with strong private appointments during the year and distance sales.

The third is the e-commerce acceleration. We have been lucky to start with retail excellence already 6 years ago. These have been the founding pillars of our retail strategy on which we have been having the omnichannel since 2018, and this has really been performing during the year 2020. We are also approaching the market with a new communication strategy regarding Genius. And we have been now embodying and integrating sustainability across the full organization and the full value chain.

What are the key projects for Moncler for 2021? We have highlighted the most important ones, and we'd like to focus on 6 of them. The first one, as mentioned already by Remo, is the China focus. An intense work has been done during the year to activate "new locals", so these travelers, these Chinese that were traveling abroad and buying abroad, being able to reactivate almost 40% of them during the year, thanks to clienteling action. And these figures have been broader than just China because this has also been a focus that we have had in Korea, in Japan and in Europe and Americas.

We have conducted more than 60,000 private appointments during the year and more than 25,000 distance sales. This has been able to generate for us close to €100 million turnover that we see as additional turnover to the stores being closed. We are going to focus also on digital communication for China with a dedicated website that will be launched in September this year, and we will continue our program with WeChat Mini Program.

We also have, and this is something that we started before the start of the pandemic, a strong project on retail regarding flagships. We have in 2021



the opening of Hangzhou MixC, Chengdu Swire, Wuhan, Dalian, we will refurbish Beijing Sanlitun as a flagship store, and we have signed for Plaza 66, the largest store that we will have in China with the opening that is planned for early 2022.

And finally, the Grenoble pop-ups. We see the Olympics in Beijing 2022 as a fantastic opportunity to leverage on the DNA of Moncler, and we are currently planning for a large number of Grenoble pop-ups that will start in December this year and at the beginning of 2022 in the main mall and location in China.

Second point of attention and project for us is the e-commerce acceleration. As we mentioned, the performance in 2020 has been extremely good, but we're even more ambitious than that. So we will continue with the e-commerce in-sourcing. We have been successfully launching in North America in September 2020, and we are currently working for the in-sourcing of EMEA that will be followed by Japan and then China. The new website will be launched by June, as we already mentioned. It's a website that is inspired by a concept of fluidity and coming more from the entertainment industry. We think that this will be a breakthrough in our approach to consumers. And we are going to focus on KPI's improvement, especially on returns by developing, and we are currently working on that, specific sizing elements on the website to facilitate and improve these very important KPIs.

Third element is the new communication approach. We are going to transform Moncler Genius into a media hub. We have already started and opened our studio here. We are working and shooting for the new website, and will be moving from still life shootings to have more models dressed, and we are going also to introduce gradually more videos. We

will continue with the phygital approach that has been very successful. And the event, that was usually in Milano, will be an international event that will touch 4 cities with the main one being located in China. We are planning this very important event in September 2021.

The last point is the focus on sustainability, on which we have been working a lot and that we will start communicating much more in the future. The fourth project is to reinforce the omnichannel. I already disclosed the figures of the very important activities that we have had in 2020. As we don't foresee travelers coming back to normal before 2023, but we think that the tourism will come back one day, we foresee a start of return by Q4 of this year, we'll continue to reinforce our distance sales and private appointment strategy.

Wholesale retailization will continue. We have signed at the end of 2020 selective distribution agreements with our wholesale distribution. We have further decreased by 100 units the number of accounts that we have in wholesale. And we have started negotiation with the e-tailers to move them into e-concession.

Point #5, products. We see 3 big trends on which we believe we are well placed. The first one is casualization. The second one is personalization. The third one is sustainability. Concerning sustainability, we have launched in November this year, our fully sustainable collection Born to Protect, and we will continue introducing, also in the Genius collection, a very strong part of sustainable elements.

We are going to continue leveraging on the casualization trend, which is part of the DNA of Moncler. And we will launch a personalization project in September 2021 in our store in Champs-Élysées that will be followed

then by an online presence in 2022. We'll continue also to work on the recycle of our garments but as you know, we have very little leftovers as our commercial strategy is based on scarcity.

Finally, point #6 is Stone Island. Stone Island is a fantastic opportunity to leverage on what has been made in Moncler, but turned it into a Stone Island way. We want to strengthen the position in the new luxury segment. We are currently already working on the integration of corporate functions and will transform the business model in a more direct-to-consumer approach.

To finish the pictures show you the 2 last openings of the year. The first one is the Champs-Élysées one, the largest store that we have in our network. It's a 1,600 gross square meter store and net selling surface is 1,160. This store embodies the values and the DNA of Moncler, with the digital and immersive rooms on the ground floor, what we call refuge or VIP modular elements that we can either privatize or use it as a normal shop floor. And with the personalization that will be launched in September 2021, the room is already ready.

Last, the opening of the Spanish market for us, finally, in Barcelona that opened at the end of November with a very successful start. I remind you that we had another country opening. We opened in Kiev, Ukraine at the beginning of 2020. I leave the word to Luciano to comment the financial figures.

LUCIANO SANTEL: Okay. Thank you, Roberto, and good afternoon, everybody. Thank you for attending our call today. So we are now at Page 11, where we report as usual the P&L of the year and the comparison with the year before. The profitability is very good if we think of the results and the mood at the

end of the first half of the year when, for the first time in our life, we reported a negative operating margin for €35 million. Now we report a EBIT of €368.8 million with a generation of operating margin of over €400 million, thanks to a very strong top line and acceleration of sales, as Roberto said, in the second half of the year, starting from September. Higher sales generated better sell-through and lower inventory and no need of any inventory write-down, after the extraordinary €30 million write-down we reported in the first half of the year. Gross margin was 75.6%, as compared to the 77.7% of last year totally due to the €30 million additional write-down in the first half of the year.

If and when you'll have time, please take a look at the slide in the appendix at Page 21, where we report the breakdown of our income statement between the first half and second half. The profitability of the second half, as Roberto anticipated in the first slide, was very good and totally in line with the profitability we reported in the same period of last year, even a little bit better because we made the strategic decision at the beginning of this year to decrease our marketing budget because of the situation, stopping some very important but not urgent marketing events and slowing down our media buying activities. So gross margin was very good in the second half and at the end of the year at 75.6%. No particular comments on the other lines, unless you will have questions later. I will be more than happy to answer your question.

One important comment I have to make is about net income and the benefit coming from the tax rate that was unusually very low, 13%. Last year it was already very low because of the last impact of the Patent Box. And as we said at the beginning of this call, we took advantage of a tax law that came out in August in Italy that allows companies to align the tax value of their assets to their book value, if they are different, and this was

the case for Moncler for the trademark. So based on the accounting principle, we reported in the taxes the benefit of €55 million, which is an economic benefit that will produce cash benefits over the next 18 years. But again, the economic impact is totally reported in the P&L this year.

We can move now to Page 12, CAPEX. You may remember that last year before the outbreak, our plan was to spend in CAPEX about €130 million, then we decided and we communicated to the market that we had a cut of 30% of that budget. At the end, we ended up with €90 million, which is exactly what we expected to do. €90 million in part allocated to distribution, to the retail expansion, and €35 million, a growing component in our infrastructure, which is mostly information technology, logistics and this year more than ever, but not only this year also last year, the important project of in-sourcing our e-commerce.

Let's move to Page 13 now. Net working capital, 11.5%, not so well as it was last year but we are talking about a year on which the inventory was, for the reasons you know very well, much higher than last year, even if the amount we report here is net of the €30 million write down but the good product, we didn't write down but we decided to carry over to 2021, was still bought last year. So we have a high inventory, apparently higher receivables, I mean the number is much higher than last year, but there are 2 components in this number. One is the wholesale business component, which is totally in line on a percentage basis with last year, and in full control of our wholesale credit. The other component is a positive favorable component due to the concession business we do in department stores mostly in China where we collect the money the month after. So this is the result of the very strong concession business we developed in December, mostly in China but money was collected in January. So

overall not well as much as last year, but still very healthy working capital. Next page, please.

Net financial position. We reported €855 million cash, which is almost €200 million cash generation during the year, which is a remarkable result. Most of the result has been developed in the second half of the year. Next page, please.

Balance sheet, nothing to say, unless you have questions later. And last slide, the cash flow statement where we report all the business components we discussed about during the call. Important to highlight is the higher impact of the net working capital that was higher than last year for the reasons I told you. The change in other liabilities is unusually very high, but it includes the €55 million tax benefit that will produce cash benefit over the next 18 years. This year, we reported the economic benefit, but still a tax credit. At the end, the €193 million change in net financial position.

After the results, a very quick update about the Stone Island transaction. We have completed the confirmative due diligence with no exceptions at all. We are expecting soon the antitrust approval. We are very confident, and we expect to hold the EGM at the end of March and the closing right after the EGM by the end of March in order to be able to start integrating and consolidating the Stone Island business from April 1, so from the beginning of second quarter.

Next slide, a very important one that would require a lot of time to discuss about, but just a few comments, but happy to answer your questions. We presented in November our sustainability plan which we call Moncler Born to Protect that is based on 5 main pillars. One is the climate change

and our commitment to reduce year after year the carbon emissions; not only the carbon emissions we are responsible for in our sites, but also in all the value chain of our business model. Second pillar, think circular, which is about the usage of more sustainable raw materials starting from nylon with a commitment to use by 2025 50% of sustainable nylon and then to recycle as much as we can through a project that has already started and that is doing very well also the finished goods after their normal life in the stores, in the outlets. Third pillar is the fairness, which is the base of any relation we have with anyone, but specifically also with our supply chain suppliers which are required to be fair as much as we want them to be with their people and to develop a stronger partnership with them. Fourth pillar, about diversity and inclusion, which is something embedded in our strategy, in our vision, in our values. We have an important value, which is called “bring other voices in” to bring different opinions, other concepts. And this is the only way to grow and to build a stronger culture. And last but not least, what we call the give back, which is about supporting communities, donating money, but also, even more importantly and sometimes even more difficult, our time and our employees' time.

So I'm done with the 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 while asking questions. Anyone who has a question may press "\*"and "1" at this time.

The first question is from Louise Singlehurst from Goldman Sachs. Please go ahead.

LOUISE SINGLEHURST: Hi, good evening, everyone. Thank you very much for the information so far and taking my questions. I wonder if I could take the opportunity to ask the first question to Mr. Ruffini, please. You kindly talked about the change in approach to customer engagement. I wondered if you could take this opportunity to summarize the key 1 or 2 points as you look back on 2020 that surprised to you, both in terms how the business has reacted internally, but also from a customer perspective and any particular surprises by nationality, cluster, demographic would be really helpful. And then secondly, with regards to online, obviously, with the internalization of all the e-commerce activities, which is underway, I wondered if you could provide us with any examples or anecdotes of how you think this is really enhancing the customer engagement. I don't know if there's any examples specifically for the U.S. that you might be able to share with us, which may also give us a bit of a feel of what's to come from the other regions going forward.

And then finally, my last question, just in terms of the e-concession model, which you highlight again with online, and the direct relationship with Farfetch, is there any particular region that you think the e-concession model can really help expand Moncler's engagement above all the others. And I wondered if you could talk about the margin dynamics of the e-concession model as well? Thank you very much.

REMO RUFFINI: Yes. As you know, the world was changing. Since March it was really quite sad to not be able to react to this lockdowns, especially in Italy it was quite tough, also in the mood of the people around. Having said that,



we say we have to do something, we have to change the approach, we have to be really keen to give a lot of energy to our people, to our customers, to everybody. Having said that, we realized soon that the market was changing, that people were not traveling anymore. Then the e-commerce was very important. The relation with e-tailers was super important because at that moment we thought it was the only chance to have relation with our customers. Then after that, we started to have a different approach in terms of clienteling, in terms of relation from the store to the client. And then we realized after few weeks that the market had changed. Basically, Europe was actually locked down. There were not any more tourists. There was not energy anymore. We realized that all the Far East, all the Asia was very interesting, very strong, especially China as well as Korea and Japan at that moment. But the big surprise at that moment was that United States was quite successful on all the period until the end of October before the election. I think America was quite a surprise for myself. Having said that, the way to work was totally different because we started to really talk with the customers through different tools, our communication was totally different. We have a relation with the customer with what we call “voices”, with new projects, we start talking with the people in the company with a new project through Instagram, through our in-house network. And the world had changed. I think the relation is still very strong. I think the numbers reflect what we did in the last year, basically the last in 9, 10 months. But we're really confident that we have in front of us another year that could be more or less like 2020 but I feel now we have better ideas and better feelings to react to this situation. I think Roberto can go into the details. Thank you.

ROBERTO EGGS: Good evening Louise. Regarding the questions you raised, the first one on our approach on clients during the pandemic. I think to all the work that

has been done over the past 5 years to develop a well-defined and rich database, to the fact that we have provided tools to our sales force, more than 1,500 people and that we have been empowering them to do clienteling actions has been really key. I think we had prior to the pandemic already all the basis to leverage. And clearly, there was a demand from consumer not having the possibility to come into the store to stay in contact with the brand, and it has been a communication that has been going both sense, they calling us and us calling them with these 60,000 actions that I was describing. We started introducing already from March distance sales with videos showing the collection, leveraging on our preferred client, which has been a key factor of the success of the sales that we have had and the acceleration we have seen at the end of the year.

The enriched database with more than 3 million clients that we have now has been an incredible asset in the performance that we have had at the end of the year, and we think we can go even beyond that because we don't have, for the time being, an omnichannel that is including also the connection with all the stores and so on. And this is something that is going to be in place when we will launch the new website and we finalize the internalization with YNAP. So this one pull inventory is something that we are going to start leveraging from June this year and will be probably another step in the possibility to give a better service to the consumers.

Regarding the demand on different nationalities. The start of the year with the closure in February and March of a lot of store of China has decreased the weight of Chinese during the first half of the year, but there's been an incredible rebound and very successful actions that we have been able to take on the Chinese market during the second half of the year and especially in the last quarter of the year. And at the end, the weight that

we have on our Chinese consumer is absolutely in line with what we had in 2019, even slightly, we gained 1 percentage points on the weight of Chinese. So the reactivity of China and our Chinese organization has been extremely good and extremely efficient.

Our Korean market performed very well throughout the year despite the fact that one-third of the business in Korea is usually done with travelers. We had no travelers in Korea during the year, but we have been able to grow positively quarter after quarter even reaching a double-digit growth in the last quarter of the year, so an extremely good performance. And here also the weight of the Korean has increased by 1 percentage point. The performance of the Japanese has been in line with the global performance. Americans have also performed very well with a positive growth at the end of the year at plus 5%. I must say that the performance was even stronger during the month of October. We had a very strong double-digit growth in October. And then with the election there was a little bit more bumpy towards the end of the year and with a strong recovery at the end of December. So these are the comments for the main nationalities.

Then globally, our business had become more of a local business during the year. We had international travelers that represents 35% of the total and then we had another 15% for local travelers, for example the Germans that are traveling to France or the Italians that are traveling to Switzerland. These are called local travelers. The local travelers are 15%. So in terms of local travelers, we have had some traffic this year, but the international travelers decreased by more than 70% this year. And if we look at the last quarter of the year, they decreased by 90%. So all the actions that we have been able to take during the year on the local client that we have, the activation is what has been paying off during this year and I see the return

of international travelers as something that is going to come on top of the current growth. I think this refocusing on local clients is something that we have been pushing since 5, 6 years. And this has been a year that has really seen some concrete sign of success.

Regarding the e-concession, I think it's difficult for the time being to give you some elements on the commercial negotiation because they are not finalized. We don't see that it is something that is going to be dilutive for us. We see that as an opportunity to get better control of the image of Moncler and the brand. We consider this as a very important channel, one of the most important channel, and we want to be working together as a partner with the e-tailers on this. I think that the potential on this channel is strong. We think that we can double the business with e-tailers within the next 3 years. And so we will start. We are currently negotiating with them, and I think we can probably disclose some positive comments during the first half of this year, but it's still a little bit early to say more than that.

LOUISE SINGLEHURST: That's really impressive. Thank you very much for the information. Thank you.

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

SUSY TIBALDI: Thank you so much for taking my question. So clearly, you had a very strong end of the year and I wanted to check if this kind of positive trends have also continued in the first part of the new year. Obviously, it's still very early days and still a lot of disruptions. So any comments there would be quite helpful, maybe some trends that you've been seeing in Chinese New Year. But also, I was wondering, if I'm not wrong, Q1 January is the most important month, could you remind us how much in

terms of weight it represents Q1 in a normal year? And then a question on the retail KPIs. Obviously, it is a little bit unfair to compare to previous years because we had a lot of store closures. But I was thinking, especially in Q4, if we just look at the stores that have been open, how would you say the KPIs compared in terms of store productivity? So the number of units per transaction, the selling price, I can imagine that the conversions have gone up, but perhaps you had some restrictions in terms of how many customers were allowed in the store at one time? It will be very interesting to see how the KPIs compared.

And then just to follow-up on the question on the e-tailers. So it sounds like you see it as a very important channel. And I was just wondering, given that now you're internalizing your own e-commerce, how do you think about the balance between your own e-commerce and these e-concessions. Again, wouldn't it be beneficial to maybe also to your margins to convert some of those e-concession sales to your own e-commerce? Or how do you think about these 2 different channels? Thank you.

ROBERTO EGGS: Thank you, Susy. I don't know if I will be able to answer to all your questions because you have some quite detailed questions. Let's start with the current trend that we have been experiencing. I cannot disclose the weight of January, but as you can imagine, January is more important than March. In our sales, we started well with a trend that is in line with the performance that we have seen at the end of the year. Difficult to give a real true picture on the Chinese New Year, as we usually look at it in 3 different steps: the 7, 10 days before the Chinese New Year, the week of the Chinese New Year and then the week after the Chinese New Year. As you know, the base of comparison is a little bit tricky because last year the Chinese New Year was on the 25th of January and a lot of Chinese were

still traveling abroad so buying abroad to bring back the gifts at home. This year, it was on the 12th of February. There have been some restrictions in China, and the government has recommended to Chinese not to travel to their home town or village, so there was less opportunity to go buying. At the same time, last year in February a lot of stores were closed so clearly, when you see the current performance that we're having, it's a very strong triple-digit growth that we have in China, but you need to compare more the results towards 2019 then towards the figures of February 2020. Overall, we are satisfied. I think even slightly better than we were expecting at the start of the year. But I think that March, April, May, June will be good months, because there we will have a base of comparison that is an easier one. This, unless there will be new lockdowns in Europe. So I would say a good start of the year, in line with the performance that we have seen in Q4.

Regarding the retail KPIs, I will try to give you a flavor of it, but here again it is difficult to comment. Usually, we don't comment on comp sales per quarter but you can imagine that the comp performance, despite of having 20% of the network closed in December and 10% in November and during the last quarter, was flattish. So it was a very good performance that we have overall.

The net selling surface during the year increased by 10%, and the average store size is getting closer to the ideal, which we aim to be slightly above 200 square meters and it increased by 5%. Sales density has suffered but if we rework this data by the number and months of closure, we have not been that far from the very good result of 2019. What has been really suffering? And I think this is for all the retail industry with the lockdowns and the measures taken by the different governments is the traffic. So traffic has been the KPI that has been mostly impacted, but a big part of

this slowdown in traffic has been recovered by a very high conversion rate but didn't fully compensate. So at the end, we got some less transaction, but the conversion has been very high, so which means that the clients that were entering the store were more willing to buy, and I hope that also our client advisors have been able also to take advantage of less traffic to do a more qualitative work.

Globally, our sales per transaction increased by 8%, our unit transaction increased by 1% and the average transaction value increased by 8%. So I think that the retail KPIs, with the exception of traffic, that has been really impacted, overall have been good to very good.

Sorry, you had the last question on the e-tailers, yes. Quickly on that, the way we see the e-tailers business and even if we convert it to concession, I think it's the same like when somebody wants to enter in a mono-brand store, you prefer to buy in a multi-brand store. So I think both are important. We don't see one as a competitor to other, but it's more a different type of consumer that you are attracting through e-tailers. So I think the question here is more on how to deliver a better image, better service developing also a specific capsule and so on to be an attractive brand also with the e-tailers or e-concession. I think it's like, saying I don't want to be wholesale, I want to be full retail. I think there is complementary, there are different typology of clients. Some feel more confident to buy in a multi-brand environment, some others want to have the full experience with the mono-brand store. And what we would like is to improve on both. Internalization of the e-commerce for the business we are managing ourselves and moving to e-concession and developing even more as a partner with e-tailers.

OPERATOR:

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

LUCA SOLCA: Thank you very much indeed and good evening. You mentioned that you have worked very effectively with Stone Island, and that you are now in front of a clear and precise set of actions that you want to take on this business. I wonder if you could elaborate on that a bit. And if you could, in particular, give us how confident you are about the ability with Stone Island of sustaining a direct retail strategy that could potentially shift your distribution over time from wholesale to mono-brand stores and to direct-to-consumer digital distribution?

The second question is on customer data, it seems that you have done an incredible amount of work, contacting consumers directly and offsetting this way the lack of traffic and the lockdowns and so on. I wonder about your strategy moving forward, building up this capability and the actions that you have in the pipeline. And how this compares to what you're doing when it comes to digital distribution? How much of the client data can you capture through digital concessions, for example, is that putting you in a position to have a direct dialog with consumers or not?

And then if you could give us a bit more color on what has been going on with European consumers and a bit more granularity on the different nationalities and the trends you've been facing in Europe? Thank you very much indeed.

REMO RUFFINI: Okay. As, you know, we received a lot of offers to buy some companies in the last 2-3 years, but we always refused, because we never found the right company, the right position and the right idea of what we have in mind to develop this world for the near future. Having said that, when we start talking with Stone Island, we soon realized that was very similar to our mentality, to our culture, it was very similar to Moncler more or less



10 years ago. The company is very wholesale, they just start the retail. The real experience is in wholesale, for sure. I think the culture they have in the company is very strong in terms of product, in terms of production as they are quite unique in this kind of world of garment dyed that is very trendy at the moment, it's really trendy since 30-40 years. When the company was found like 40 or 35 years ago near Navarino by Massimo Osti, the company was soon very successful and we really felt that this company was really a good company for us, for our mentality, for our way to work. And again, the culture in terms of vision, in terms of rigor, in terms of distribution, it was very close to Moncler like 10 years ago.

Having said that, talking about retail, basically they've not starting yet. As I said before, the culture is very on wholesale, but we're really confident that we can help them to develop the retail business, but not only. They are quite strong in digital as well. I think to really match the 2 cultures between us and them we're really confident, we really trust we can build up a company, very solid, very strong with a very strong brand perception.

I give the floor to Roberto, just to add more details on that.

ROBERTO EGGS: Good evening Luca, regarding customer data, we have been working very strongly these past years and we develop a full set of services that we wanted to offer. So our team was already trying to get and to be proactive and to contact the clients with calls, e-mails. What we have been adding this year is something we were not used to do: videos, live stream videos with groups and so on, working also with small influencer, local influencer and stylist also to transform these remote sales in something more exciting. So this is definitely something that we have been adding this year. Well, I think we can still improve, because this is really a learning curve and something that not everybody feels confident to do, but

because part of the marketing budget has been really allocated this year to this very effective tool, the return on investment has been bringing a lot of positive results.

We believe that this next level of service will be able to be provided through the internalization of the e-commerce, not only benefiting from the one pool inventory, but also from the fact of being able to merge live the data from the website with the database that we have. Currently it is done in a remote way when we are receiving on a monthly basis data from YOOX Net-a-Porter, but this will be done live. So I think that the opening of a full set of new services and more informed information with one vision of the client, with all the touch points, will be something that we will be able to leverage from mid of this year. So we are really looking forward to that.

Regarding your question on European consumers, overall for the year 2020, they have been growing positively despite the fact that we have had really a few months of lockdowns in Europe and all nationalities have been growing positively. The best-performing sub-region in Europe has been Scandinavia, probably because they are already more keen to buy online so it has been also something that has been easier to leverage. The same for the Germans. Swiss have been performing well, also the Benelux and the Dutch and the Belgium have been also performing extremely well. But as I was mentioning, all the nationalities have been growing positively for us, some double-digit, the one I mentioned, some others were more flattish or slightly positive, but you can imagine that 4 or 5 months of lockdowns are impacting more of your business.

Overall, what we have seen is a business that has become more local towards the end of the year. The last quarter of the year, we were 90%

local, which is something unseen before. We were more at 40% of tourists towards the end of the year. It has become like this, this year because of the lockdowns, the pandemic and no travelers with the business that has been much more locale and all the actions that we have been putting in place have been an accelerator of the growth of our local business.

LUCA SOLCA: Thank you, Roberto. Can you tell us a word about, how you can capture consumer data through digital concessions, if possible?

ROBERTO EGGS: To tell you the truth, Luca, it's a topic that is on the table, is a little bit like when we started to negotiate and move our business from wholesale to retailing concession. It's always a hot topic where everybody believes that it is own client. I think that when you find clever people on the table, usually it becomes a shared data, and that is something that you can leverage together to be even more effective, but it's something that is not solved yet.

LUCA SOLCA: I really appreciate your candor. Thank you very much indeed, Roberto, and thank you all. Thank you, Remo.

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

ANNE-LAURE BISMUTH: Yes, hi, good evening. I have 2 questions actually. So you managed to decrease the marketing to sales ratio to around 60% in 2020, and I was wondering if we should expect a return to a more normalized marketing to sales ratio in 2021, around 7% of the group sales or given the fact that you have developed a certain level of [indiscernible] during the pandemic, it should be in between? So that's my first question.

And my second question is about the CAPEX budget we should expect for Moncler in 2021? Thank you very much.

ROBERTO EGGS: Good evening, Anne-Laure. Regarding the marketing spend, we are really concentrated this year on the most effective investments with a high return on investment for us, but we want to go back to what we believe it's a normal level of investment with the 7%, especially this year, with the fact that we're going to internalize our e-commerce. We want to really focus on this launch, and provide the digital team, the e-commerce team with the means to become visible and to attract qualitative traffic on our website. So we believe that 7% is the right amount and we feel confident with this figure. We are not planning to decrease it for this year. On CAPEX I will leave it to Luciano.

LUCIANO SANTEL: Yes, hi Anne-Laure. About our CAPEX budget for 2021, it will be significantly higher than the number we reported as actual for 2020. It is little lower than what we already planned last year, but I mean, it is in the range of €120 million, €125 million. As I said before, last year we planned €130 million and then for the reasons you know, we adjusted down that plan. So we maintain a good, strong, important degree of flexibility. We set priorities for everything, including our CAPEX plan. So right now, our plan is in the region of the €120 plus million. And we all hope to maintain that plan. But again, the way we manage our budget, including CAPEX, is to be ready any time to react to different scenario.

ANNE-LAURE BISMUTH: Thank you very much.

OPERATOR: The next question is from Chiara Battistini with JP Morgan. Please go ahead.

CHIARA BATTISTINI: Hello, good evening. Thank you for taking my questions. I have just a few follow-ups, if I may. Firstly, on wholesale and the strength of wholesale in Q4, just if you could help us understand how much was just timing of the shipments in Q4? And how much we should actually consider as a run rate going into 2021 and in the first half of 2021?

The second question, sorry, if I missed, how much was in the end e-commerce sales as a percentage of total sales in 2020? And finally, on the store pipeline for 2021, if you could help us with the number of openings you have planned for Moncler. And maybe if you have any color already on Stone Island as well from a store pipeline perspective and the savings we should be thinking of, please? Thank you.

ROBERTO EGGS: Good evening, Chiara. Let me come back first on the results of the wholesale. As I was mentioning during the presentation, we had a very strong Q4, but there was a calendar effect in terms of shipments of the remaining part of the fall/winter and spring/summer season. So basically, we had weaker Q3 with minus 6%, and plus 31% with some of the shipment that has been moved from September to October. So I think to have a clearer picture of the performance of the wholesale, you need to look at H2 which was 4.5%, which means the performance was more linked to the fact that there have been a lot of reorder for the fall/winter season. We cut it at the beginning of the year, some of the orders, because of the pandemic we were not sure and this was in discussion with the wholesaler. We told them that it was maybe better to reduce their orders, not knowing if the merchandise will be too much for the end of the year. And basically, with the reorders that they have put in place, they almost match the cancellation that we have had during the fall/winter campaign.

So we have a very sound and healthy situation in terms of stock with the wholesaler. There is no overstock there.

In December, we conducted our fall/winter 2021-2022 campaign, and this campaign has been very positive because they came not physically because this campaign has been run fully digitally for us with just the showroom that we have in Milano. And the results have been really positive, very high single-digit growth compared to 2020. So we are happy about the selling campaign and this is a good sign of the performance of Moncler with the wholesalers at the end of the year and something that is giving us some good hope for a good performance on wholesale also in 2021.

Regarding the e-commerce, it's a figure that was disclosed by Remo in his initial speech, the total weight of the e-commerce is 15%. So it has been growing from more than 10% to 15%, so clearly growing faster than the rest of the business. Did I miss some other points? The opening parts, we have secured for this year, 15 openings. 80% of the openings will take place in Asia and half of the openings, which are 8 openings will take place in China and the APAC region. Clearly a focus that was already there for us when we were discussing this pre-pandemic in 2019. It was part of the plan. We wanted to increase the footprint of Moncler on the Chinese market. And I think we have been in a way anticipating where the market was going. So we are happy to have this possibility to open it. And most of them will be opened between June, July and September.

CHIARA BATTISTINI: Okay. Thank you very much.

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

OMAR SAAD:

Thank you for taking my questions. My first question is for Remo, I would really like it, if you're comfortable maybe to talk more about the Moncler as a platform for new luxury. What your long term vision? Is for the franchise through this lens? What are Moncler's kind of unique competitive advantages to be the group that builds a platform for new luxury brands? What's scalable in this platform? What's not scalable?

My second question, I'd like to ask you about price increases. It doesn't sound like there was many in 2020. Some other brands have taken price increases. I'd be curious if price increases given the brand strength, obviously, and the great products and becoming more directly engaged with the consumer. I'm wondering if price increases are something we should think about this year and beyond.

And then my last question is around cold weather, you know, as we sit here in New York, there's another big storm, half of the United States is in a deep freeze right now. I'm curious if, you know, given the buy now, wear now mentality that consumers have, if you're seeing consumers respond to the weather or do most people buy their jackets and coats at the beginning of the season and then wait until next year, if they missed it. Thank you.

REMO RUFFINI:

Hi, Omar, it was my dream like 3-4 years ago when I started Genius, I soon realize that the old luxury world was not anymore part of the Moncler strategy, Moncler approach. And I start Genius, because I have the possibility to talk with the young generation, I have a project every month, I have this unique position. What we call new luxury actually is this position between the real luxury or whatever is, the super big companies as Hermès or Chanel and whatever and, the company as Nike. I am only looking for a position in the middle of this two worlds. And

when I started like 3 years ago, we decided to move a little with this approach, with this attitude. Actually I was quite lucky because many companies that I don't want to say they follow as, they're positioning their company in this area, I can say brands like Balenciaga as well as Gucci when they repositioned after the change of management. They really go very fast in this position.

Having said that, when we have the possibility to think about it, Stone Island was one of the few companies we were interested in the market. We soon realized that they are not on this positioning. And I think the big possibility is to take them on the new luxury world that could be a big opportunity. For sure, as Luca mentioned before, retail is very important. Digital is even more important to really move them there, but I'm quite confident. Thinking about platform, I don't know, but anyway, this is the positioning of anything we have that I really trust a lot. I really think is the next step for a company like Moncler. Thank you.

ROBERTO EGGS: Good evening, Omar. On the price increase and cold weather, let me address these 2 points. Yes, we have planned for price increases in 2021. It's something that we are using also in our strategy to reduce the price gap between Europe and the Asian countries and Americas. So clearly, we have continued this strategy that has been able in the course of the past 3 years to decrease by half the price gap between Asia and Europe. We know that we are not completely done on that and there is some more efforts to be done even now if we are more in the region of the 40's plus in Asia, where we were more around the 70%, 80% 4 years ago. So an additional effort will be done this year in terms of price increase in Europe.



Regarding the cold weather, yes, it has always an impact. We still have our fall/winter season, because you know that the fall/winter season is sold during a much longer time for us. We start selling the fall/winter season already in June and usually, we are selling it until March/April. So yes, it's still good time for us. It's becoming really cold. Personally, I prefer when the cold is coming earlier. Very cold weather in December has more impact than in February, because now it's what we call the period where we are moving merchandise, and we are increasing the visibility of the spring/summer, but clearly when we have this type of event that are coming, we are very fast in adjusting our visual merchandising, and it's something that is very flexible, that we're reviewing on the weekly basis with the region. So yes, of course, in the U.S., we have changed a little bit the visibility and the presence of the fall/winter because there is more requests.

OMAR SAAD: Thank you. Thank you very much. Good luck.

OPERATOR: The next question is from Antoine Riou with Societe Generale. Please go ahead.

ANTOINE RIOU: Good evening, everyone. Thank you for taking my questions. Just 2 for me. I just wanted to know if in e-commerce, it was possible to get a sense of what was the share of customers new to the one that you had. And what about the retail KPIs in terms of unit per transaction, conversion, these kind of things in e-commerce. Is it higher than in physical retail?

And the second question is, just wanted to know if, in your view, maybe paradoxically, but the Moncler business today is probably more resilient and stronger than pre-COVID. I mean, maybe with the stronger focus on locals, the forceful development of e-commerce, maybe more flexibility

on cost with the maybe more variable rents. I mean, in your view, would you say that the business today would be more resilient to future crisis? Thank you very much.

ROBERTO EGGS: Good evening, Antoine. Regarding the e-commerce, it has been our main channel for recruitment of new customers this year with the lack of openings and the lockdowns that we have had and a lot of stores closed. I think it has become the preferred channel for recruitment. So I think that this year, the sales of e-commerce have been largely more than 70% geared towards acquisition of new customers. And this has been really positive, because it has helped us to balance while the retail has been much more focusing on all the clienteling action on activating, reactivating the existing consumers.

Usually, the KPIs that we have in terms of average basket in the e-commerce is quite similar to the one we have on the retail side, more than €1,200 per transaction. I think where we see more difference is between the Genius collection and the non-Genius collection. Usually with the Genius collection, we have an average basket that is 25% higher than with the non-Genius collections. So with Moncler collection, we have a unit per transaction, both in-store and on the e-commerce that is higher, we are usually 1.3 for the e-commerce in terms of unit per transaction, while we are more around 1.4, 1.38 for the retail part. For the cost, I leave maybe the question to Luciano.

LUCIANO SANTEL: Yes. we learned a lot as everyone during this unfortunate situation. Also, we learnt that we can do better. We can do with less resources even more on the top line, as Roberto said, but also on the cost side. During 2020, we reacted immediately, to protect our profitability, to reduce our expenses on the retail side. First, also sitting together with landlords to negotiate rents,

to implement more variable rents, and at the end, one of the most important reasons why our operating profitability in the second half was very good, it was also because we reported in our selling expenses, the good results of these negotiations, for the full year about €25 million rent reduction. We got the benefit from the government initiatives to help companies during the lockdown when the stores were closed. And at the end, we all, as a team did a good job. This year will depend. I strongly hope that we will not have these opportunities. I hope that the business will not be unlikely as it was last year, not in the first half.

But having said that, to answer your question about the whether or not Moncler is more resilient. I think yes. Moncler is more resilient also because we adapted very soon to a completely different scenario. And at the end, we made it, we reported results that speak by themselves. And not talking about expenses, costs only but also everything that Roberto said that I'm not going to repeat but the new way we develop our business even when the stores are closed with our sales people, client advisors working from their home, the distant sales, the private appointments, the virtual private appointments. So I think that the company has still the same strategy, same vision, but we showed ourselves that we can work in a different way. So to answer your question, yes, I think that we feel ourselves more resilient.

OPERATOR: Yes, we do have another question. The next question is from Piral Dadhania from RBC. Please go ahead.

PIRAL DADHANIA: Good evening, everybody. So just 3 very quick ones, if I may. On Genius, could you please share a bit more on what the future of Genius will look like as a media hub? Are we expecting a big launch or will it be

a soft launch and the timing around that? And I guess, will you continue to collaborate with external partners under this new vision?

Secondly, just a quick one on product, has there been any material changes in the product mix through 2020 as demand has shifted online and stores closed? And then finally, just in terms of your China store network, could you please remind us how many stores you have in China and what you see as the midterm potential for that market? Thank you.

REMO RUFFINI:

So thank you for your question. We had this idea already before the pandemic but for sure we're looking for the next step of Genius. And the idea has really changed the approach and the attitude. 10 years ago was good if you have like 300 people of the fashion show. Last year, in February, we had in Milano like 10,000 to 15,000 people at the show. And I think now is the moment to have 200 million or 100 million people that watch your show. I think the idea is based on the broadcasting, is to have a totally different approach, to have if we can a physical event, but not in 1 location but in different locations, really based where the designer are, maybe if it's possible to travel to have the base in China, the idea is to have the base in Shanghai.

Having said that, we want the base in Tokyo as well, in Milano, in Paris, in London, and in New York, and it is really about thinking another approach. I think we want to really talk with the customer in different ways. After we have this good news that we make the last challenge on TikTok, we reached like 7 billion people that for me was quite something crazy and I did not realized, but it confirms that the world is totally different. We have to have inside your ideas. You have gaming platform. You need to have art platform. You need to have music platform as well, cinema and TV platform. It is really another approach. The idea is really

based on that. Based on some physical approach, some physical destination, but to have the possibility to talk with a huge community. This is the dream. The pandemic, for sure, is a concern, but the project is based on that and is planned to launch this idea in next September.

ROBERTO EGGS: Concerning your question on the product mix, I think we have seen 2 steps in 2020. First, during the first lockdown when we were selling the spring/summer collection, as people really couldn't go out and so on, we have seen a huge increase in cut and sewn, tricot and shoes and slightly less on the outerwear. As soon as the fall/winter season started in September and with the very good results of the month of October, we have seen a raised gain of the outerwear especially in November and December when the outerwear came back to the level it was. So there have been 1 percentage point less of outerwear in 2020. So I don't see really a material change, knowing that the trend and the way we are pushing and developing the collection was anyway in our mind. Currently, we are 25% non-outerwear and 75% outerwear. We are anyway looking to move it to a 70-30 in the years to come. So no dramatic change has been seen in the pandemic. Just during the first lockdown, we have seen much more cut and sewn and polo, t-shirt and so on that have been sold.

Regarding the positioning in China. We currently have 35 stores, we are going to reach a number of 40 stores by 2022. The point here for us is less the number of stores, but more the size and the position of the stores and the quality of the positions. As I was mentioning with the opening of Hangzhou MixC, with the new flagship store that we will have in Chengdu, with also Plaza 66 that will open at the beginning of 2022. Sanlitun in Beijing will be completely transformed into a flagship store. I think this is more the way we want to go and also an interesting concept

that we're going to introduce. We are going to have in terms of design and digitalization, what I call a more digital and younger concept in the City of Chengdu that is really driven by young consumers, very digitalized and we are going to experience there a pilot store in terms of flagship for the Chinese market that we like probably to replicate in some other location in China.

And to close the point on this, the other important way to invest on the Chinese market is not only in physical retail, but it's a lot about digitalization. So we are working for 2022 to open on Tmall Luxury Pavilion. This is going to be another important milestone for us in 2022. The launch of our website with a dedicated website for the Chinese market, is going to be the only one that is not the same. The rest of the world we will have one, and we will have a dedicated one for the Chinese market.

And finally, the other part, that is an important part of the strategy on the Chinese market is the pop-ups where we have seen that this has been something that was really successful, not only in terms of image but also commercially as I was referring to that at the beginning. I think I've been reading that there was a question on the Olympics. We are not an official partner of the Olympics, but the Olympics will bring the knowledge and the awareness around the ski and winter even stronger, and we have a fantastic collection that is going up that has been one of the fast-growing collection within the Moncler collections, and we want to push this forward and use it with the pop-ups to create and to expose our DNA to the Chinese consumer.

PAOLA DURANTE: Okay. So I think that with these 3 questions, we have to close. So can I just go with the final remark, operator? Let me go. So okay, thank you to

everybody for participate. I just give you the normal quick reminders. Q1 2021 interim management statement will be released on April 22, so the silent period will start on March 24. The same day, we will also have our Annual General Meeting. I take also the opportunity tonight to anticipate that to provide you with a larger set of information on Moncler 2020 results earlier than normally required by the regulator. We are going to publish a full year 2020 management report by the end of February. Annual report will then be published within the term provided by the applicable law as usual as always.

So thank you to everybody. We've been a little bit longer, but it's a full year result of course, so it's due. In any case, for any follow-up, there are a few questions we have seen it also on the web, we are available, Alice and myself are here and we remain at your disposal. Thank you, and talk to you very soon. Thank you.