Moncler S.p.A.

"Full Year 2021 Financial Results Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler Full Year 2021 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be the opportunity to ask questions. Should anyone need assistance during the conference call, they may signal it to an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mrs. Paola Durante, Strategic Planning, Intelligence and Investor Relations Director. Please go ahead, madam.

PAOLA DURANTE: Thank you and good evening. Good evening to everybody, and thank you for being here today for Moncler full year 2021 financial results. As usual, I will introduce the speakers on today's call: Moncler's Chairman and CEO, Mr. Remo Ruffini, Roberto Eggs, Chief Business Strategy and Global Market Officer, Gino Fisanotti, Moncler Brand Officer and Luciano Santel, Chief Corporate and Supply Officer. With us tonight there is also Carlo Rivetti, Stone Island CEO.

Before starting the presentation, I need to remind you that this presentation may contain statements that are neither reported financial results nor other historical information. Any forward-looking statement is 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 estimate.

And now, I leave the floor to our Chairman and CEO. Thanks.

REMO RUFFINI: Good evening everyone, and thank you for attending our call tonight. 2021 has been another remarkable year, a year in which even if the pandemic has continued to shape our lives and our way to do business, we have not only delivered strong results, but we have completed important projects that have reinforced our Group and our brands. This is the moment in which I'd like to share with you some of our achievements, but even more, our many future projects.

Talking about achievements, first of all, let me say that I am extremely proud that in 2021 the Moncler Group passed the € 2 billion revenues and generated € 550 million of free cash flow. Both our brands delivered revenues results well above the pre-pandemic level with a strong acceleration in the last 3 months. I am also proud about how the Moncler brand is continuing its strong momentum increasing its hype, but on this, I will leave Gino to comment later.

And I am also satisfied on how the integration with Stone Island is proceeding. Not only our corporate functions have been integrated, but from 1 January 2022, we have started managing directly the Korean market, while we have launched many projects to spread the direct-to-consumer culture. And I am happy to see that Stone Island brand continues to maintain an extraordinary vibe, not only supported by activities and events, but even more importantly, by the strength of product. 2022 collections have been very well received. The Fall/Winter 2022 sales campaign started in January and we are extremely happy with the feedbacks and orders, that we have been keeping tight and selected.

Above all, this year I am really proud about how the Group has integrated sustainability in all actions, in all projects, and in any division. In 2021, we have further reinforced our efforts and results. I believe that the team is doing an amazing job, not only in terms of all the projects and the important recognitions received, but also because I do believe that the sustainability division has been able to truly spread the sustainability culture in the whole Group. We all feel very committed. We have huge challenges ahead of us and only united as a company and as a sector we can move mountains.

Moving to 2022, my first thought goes to today's events, a situation that is touching all of us, and for which we hope for a prompt and peaceful resolution. We know that this year uncertainties remain high, but we are ready to face them. We have unique talents, some of which recently joined Moncler and also Stone Island. And more importantly, we have a solid vision: we want to shape the future of our Group knowing that communities, sustainability and digital are the core of our actions to continue to keep our customers at the heart of our world. You know that in our Group, we always push for higher peaks and we have a deep pipeline of projects for 2022, some of them also shaped to celebrate the important anniversaries of both our brands. However, I will not anticipate too much tonight, because we are going to have a Capital Markets Day, the first with also Stone Island, on May 5th. So do not try to get us anticipating much, we will keep all secret until May.

Let me now hand over to Gino for more details on the Moncler brand. Thank you.

GINO FISANOTTI: Thank you, Mr. Ruffini. Good afternoon to everyone. We are moving to Page 4, and I will touch some of the brand highlights. I have to say that this quarter was incredible for the brand, and on top of the great results we obtained and shared with you on Q3 regarding MONDOGENIUS, right now I want to highlight few things. The first one is the announcement and the launch of the partnership with Inter FC which got an incredible positive sentiment across consumers, especially here in Europe, and gave us the opportunity to get not only a strong reaction from media, but, on the back of that, also to launch products exclusive to moncler.com which were sold out in just 2 weeks.

The other important story, among many others, is that we were able to be back on the communication of Moncler Collection, which is one of our core businesses, with the launch of the We Love Winter campaign that was a feature across key markets around the globe, with a strong success not only in terms of engagement and visibility of the campaign, but also driving the business to new heights.

Last but not least, I would like to comment on the Born to Protect, something that Mr. Ruffini just mentioned regarding our commitment to sustainability. We made what we believe is a great statement and most importantly, we are extremely proud to start backing up our sustainability plan, not only with all the actions we are taking internally, but also with the commitment we are showing and communications we are doing around it.

If we move to the next slide, just few other comments about the world of Moncler Genius. First of all, we were able to launch a new project with Alyx and Matthew Williams regarding 6 Moncler, including the work we did fortnight in terms of schemes which represented a source of learning for us about how we can keep finding new ways to connect with customers and communities around the globe.

Secondly, we launched the Palm Angels collection in Miami Art Basel and in other key markets that were other strong successes for the Collection, not only in terms of revenues, but also the ability to connect multiple markets around the globe.

My last comment is on the introduction of the House of Genius, something we work on in partnership with David Fischer who is the Founder and Chief

Editor of Highsnobiety, and that includes multiple executions such as some pop-up retail spaces like Selfridges in London, or collaborations with Hoka Footwear, which had a very successful sell through.

These are just some highlights. What I want to do now is to leave the floor to Roberto Eggs who will talk about financial results.

ROBERTO EGGS: Thank you, Gino. Just one comment also on Stone Island brand and what has been done. There are many events that we have featured at the end of Q4, one was a music event with a line-up of musicians, as part of the Stone Island Sound program in London and Milano, and the second one was an art-meets-motocross performance in Miami during Arts Basel.

Regarding the full year revenues of Moncler, Remo already pre-empted the fact that we reached for the first time € 2 billion for Moncler and Stone Island together. The results of the fourth quarter were really good, and they were further accelerating above the pre-pandemic level, +30% compared to 2019. If we look in details to these € 2.046 billion, they represent a +44% compared to 2020 and +28% compared to 2019. In the last quarter, the growth was +40% vs 2019.

Moncler, as a brand, had full year revenues of € 1.824 billion, +28% compared to 2020 and +14% compared to 2019. The last quarter has seen an acceleration with a growth rate of +30% compared to 2019. Regarding Stone Island, 9 months consolidated revenues starting from the 1st of April 2021 were € 222 million, with € 66 million in the last quarter.

Moving to Moncler revenues by geography, I will comment the performance as compared to 2019, since we believe that this is a more relevant benchmark, and at constant exchange rates. In Q4, Moncler brand further accelerated, reaching double-digit growth in all regions. Mainland

China continued to be the main growth driver, followed by Korea and North America. Asia, which includes Asia Pacific, as well as Mainland China, Greater China, Japan and Korea, represents 49% of full year revenues, with an acceleration in Q4, and it reached +39% growth driven by exceptional local demand in all markets, including Japan.

In Q4, Mainland China and Korea continued to post outstanding results, and Japan returned to solid double-digit growth. EMEA revenues, which represent today one-third of Moncler's total revenues, posted a significant acceleration in Q4, rising well above pre-pandemic level at +16%, driven by strong local demand and the outstanding performance of the direct online. We have also seen a return of tourism intra region. Americas, 17% of full year revenues, continued its exceptional results increasing +31% in Q4, thanks to the positive contribution of all channels and DTC, with the online outperforming total revenues.

If we look at Moncler brand revenues by channel, DTC revenues represent 78% of the total, similar to 2019, with a total turnover of € 1.429 billion, +16% compared to 2019. In the fourth quarter direct-to-consumer revenues strongly accelerated up +31% versus 2019. The comp growth in 2021 was +23% versus 2020 and +1% compared to 2019. Direct online channel almost doubled, also boosted by the successful internalization of the .com, started in 2019 and with Korea completed last year.

In 2021, Moncler opened 18 stores. Among them, the most important ones in the last part of the year were Milan Galleria and Chengdu Swire. Wholesale revenues, 22% of the total sales, reached € 395 million, a new record for Moncler, +15% compared to 2020 and +8% compared to 2019. In Q4, wholesale rose +19% versus 2019.

I now pass the word to Gino for the online part.

GINO FISANOTTI: As Roberto mentioned, I think the results we got in our .com business were very strong. We were able to double our business against 2019. The total online business reached 15% of the total revenues, but most importantly, one of the things we really want to measure is the level of engagement we are finding with consumers. Indeed, it's not only a matter of great numbers, as they are a consequence of the great work of engagement the team was able to do bringing consumers into our platform. That's why we were able to see an increase in traffic of +30% versus the previous year. Campaigns like We Love Winter were able to bring 1 million people traffic in the week of the launch. And that was unprecedent.

The other big thing for us was starting to look at membership for the first time, which is basically log-in customers. By doing so, customers were able to join us in a better way and for us it was easier to understand and serve them better and more. Another big thing for us in terms of engagement was to see a +60% increase in the product page views, which means people spending more time than before in understanding the story, the product and engaging with our platform way longer.

Last but not least, we always discussed in the past calls about our focus on China. We are starting to see a really strong performance on WeChat, and we are planning our Tmall launch on Q3 2022. Thus, more news to come while we will keep improving and going deeper in our social media presence in Western and Asian channels.

Having said that, I hand it over to Roberto.

ROBERTO EGGS: Thank you. I am sure that you are eager to hear more about Stone Island and its revenues for the first year with Moncler. As you know, Stone Island consolidated figures started from the 1st of April 2021 and contributed € 222 million to the full year Group results; including the unconsolidated first 3 months, full year revenues of Stone Island reached € 310 million, which represents +35% growth compared to 2020 and +26% compared to 2019. In full year 2021, EMEA consolidated results accounted for 77% of total revenues, and Italy, the most important market in EMEA, contributed to more than a third of total revenues of the region followed by U.K. and Germany.

Wholesale business contributed to 71% of total consolidated revenues of Stone Island, which is the opposite of Moncler. Moncler retail and D2C business is 78%, while wholesale is 22%. Stone Island is a wholesale business, but direct-to-consumer greater performance was driven by solid organic growth and some new openings. Direct online remained strong and accounted for 30% of total direct-to-consumer. Main openings for Stone Island during the year have been Paris Galeries Lafayette, New York City and Shanghai, iAPM.

If we look at the total number of stores for the Moncler Group, we have now 267 stores at the end of December 2021. 237 are Moncler stores, 30 are Stone Island stores. In the last quarter, Moncler opened 4 new important stores: Milano Galleria, Copenhagen, Zurich Globus and Chicago. We also had some important relocations such as Roma Piazza di Spagna with an expansion that doubled the size of the store.

Stone Island stores were unchanged, but we have been working during the last quarter of the year on the joint venture in the Korean market, that we have signed and is effective since 1 January 2022. In addition, we switched into retail 23 mono-brand stores that were handled by our partners.

In the presentation, you'll see pictures of the stores: the fully renovated store of Piazza di Spagna, which before the pandemic was one of the stores with the higher sales density in the network, and thus we hope this to be a new start for us. The other one is the relocation of the Chicago store, which is now a flagship store of 380 square meters that was opened at the end of the year. Thank you.

LUCIANO SANTEL: Thank you, Roberto. Good afternoon everybody, and thank you all for attending our call today.

We are now at Page 15, where we report, as we did at the end of the first half of the year, a bridge between the reported and adjusted income statement. The adjustments are totally related to the Stone Island transaction and they regard a small portion of the purchase price that has been allocated to the Stone Island order backlog of € 20 million and released during the year, and some legal costs of € 3.6 million associated with the transaction. We believe that the adjusted income statement better reflects our business results, and it is a fairer comparison for the upcoming 2022.

At page 16, we report the income statement of 2021 as compared to 2020 and 2019 as well, a more meaningful fiscal year. The top line has been already presented in detail by Roberto and Gino; we recorded a +42% growth rate with a 76.6% gross margin, a bit lower than the 77.7% reported in 2019. But again, this is due to the inclusion in our perimeter of the Stone Island business, which is, as we said, a wholesale business model with a lower gross margin of about 60%, as Moncler has in the wholesale business. So the weighted average makes this number lower, but anyway, even if we don't report results for each brand, I can tell you that Moncler brand gross margin was higher in 2021 than in 2019.

The other side of our business model is reflected in the selling expenses that are lower than in 2019 for the same reason: Stone Island being a wholesale business model has lowered selling expenses that are normally higher in the retail business model. And again, Moncler brand alone reported selling expenses totally in line with 2019.

G&A were 11.4% lower than last year, but 1 point higher than in 2019. We want the organization to become stronger to face all the challenges and the complexity of our business. Specifically important is to remind you that in 2021 we internalized our online business, and over the past 2 years, we have invested a lot to build a strong digital organization. This is an example, but obviously we have invested and we keep investing in the supply chain in logistics, information technology, retailers... In all the different areas of our business, we keep investing in talents and people needed to make these results happen.

Marketing was slightly below the 7% level of 2019, but this is again due to Stone Island that still had in 2021 a much lower marketing budget. To be clear and transparent with you, the marketing expenses of Moncler brand were even higher than 7% in 2021. For the upcoming years, as we said other times, we plan to increase the Stone Island marketing budget and at the end to reach the 7% that still is our golden rule.

EBIT margin was 29.5%, slightly lower the 30.2% we reported in 2019, but much higher than what we had planned and expected at the beginning of the year when we said we should end up between 25% and 30%. So we did better, and we are very happy about that.

Only one comment on the tax rate because you may see, and I'm sure you did see, a much higher 29%, which went back to normal and it is also a good indication for the future. It is much higher than we reported last year and the year before when we still had the tax benefit of the Patent Box in 2019 and the tax benefit in 2020 coming from the tax realignment of Moncler trademark.

Moving to Page 17, CAPEX were € 125 million or 6.1%, better than what we did in 2019. We invested more also due to the fact that this number includes € 6.5 million of Stone Island CAPEX. Something more important to comment is that for 2022 we plan a total CAPEX budget of around € 160 million and the CAPEX budget for Stone Island will be much higher in the region of € 20-25 million. Clearly, we will start to invest more also in distribution, in the retail channel that is part of our strategy, as you know.

Let's move now to Page 18, where we report a net working capital that is very low, considering that in this number we include also Stone Island that is, again, a wholesale business model and it normally reports higher net working capital. This 7% is the lowest ever. This is for a couple of reasons, some associated to business, that I want to highlight and celebrate because we still have a very efficient inventory management and strong credit control.

In addition, it’s important to underline that thanks to the internalization of our e-commerce business, we had an improvement of our receivables because, in the past, we had receivables versus Ynap, while now we cash directly when we sell products online. Therefore, altogether, receivables and inventory are very good.

Something quite unusual are payables that are about € 30 million higher than they should be, because we shifted some payments to our suppliers from December and January, in part because of some different cycles and different timing of the production cycle. So the fair net working capital would be about € 30 million higher, still good.

Next page, Page 19. We reported at the end of the year cash of € 730 million, and even if you take out the extraordinary € 30 million, we still have € 700 million cash that is much better than what we had planned and I think much better than what the financial market expected. With regard to dividends, today at our shareholder meeting the Board approved the proposal to distribute € 0.60 per share, which is about 40% payout.

With regard to the balance sheet, I don't have anything particular to say unless you have questions later, so we can move directly to Page 21 where we report a cash flow statement with an amazing free cash flow. Let me highlight, that it is amazing, not just because we want to celebrate our business success, but also because we want to mitigate the market expectations for the future. This consolidation has been over our expectations. Moreover, cash flow is the comparison between 2 pictures, the financial situation in 2020 and 2021. 2021 was very strong, while 2020 was reasonably very weak. And that's why we generated a lot of cash in net working capital of € 92 million, which is quite unusual. Again, this is why we generated € 52 million in other asset liability, which is quite unusual as well. So just to let you know that the € 550 million are the result not only of very strong business results, but also of some unusual balance sheet items.

Concerning corporate updates, I will comment some important projects and events, and the Stone Island integration. We keep working together as a team, as a family, with Stone Island and the Rivetti family with very good results. One important result that Roberto already highlighted is the internalization of our distribution in Korea through the joint venture started in January 2022. Moreover, the integration of the information systems associated with distribution, that is on plan for this year, and the rest of the information systems for next year.

With regard to information technology, an important update about the unfortunate event that occurred right before Christmas. As you probably know, we suffered a malware attack and we had a temporary outage of our information technology systems with the exception of the systems in-store and e-commerce that luckily continued to operate. The other systems have been reactivated in few days, starting from the systems associated with the business transactions. That's been a very unfortunate event, but anyway all the systems are up now and running again since early January.

On the Moncler production capacity, something important to talk about is the new production facility we are building in Romania in the same area where we already had our production facility. This will be running in Q3 of this year, and from September, October, the ambition is to double our own production capacity in that facility.

Page 24 is about sustainability. We have many projects, many activities going on and I would like to highlight only a couple I personally like more. Firstly, we have almost eliminated all single-use plastic, and secondly, Born to Protect. 30% of our Moncler Genius 2021 collections are made entirely of sustainable fabrics under the label, Moncler Born to Protect. Another important project is the recycling of certified down, after taking all the leftover garments, we extract them, we take them down, we clean them, and we regenerate new down, so that we use the same down in new products. This is happening now, and it will generate the upcoming fall/winter 2022 collection.

Okay. I think we are done. Thank you very much, we are ready to answer your questions.

PAOLA DURANTE: Yes. Operator, we can open to the question and answer session. Thank you.

Q&A

OPERATOR: Thank you. 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 Melania Grippo at Exane BNP Paribas. Please go ahead.

MELANIA GRIPPO: Good evening, everyone. This is Melania Grippo from Exane, BNP Paribas. I have 2 questions. Firstly, you had a very strong Q4 and I was wondering, since the year started, have you seen any changes in the environment, in any particular country? Is there anything to call out? I mean have you seen changes in customer behavior, willingness to spend? And my second question is a clarification. You mentioned during your presentation the CAPEX for both Stone Island and Moncler. If you could please repeat them because I did not catch it. Finally, I read in your presentation that you opened quite a few pop-ups in 2021. Can you say how many? And if you intend to open them in 2022, and in case how many? Thank you very much.

ROBERTO EGGS: Good evening, Melania. I'll start with the trend at the end of the year and the start of 2022. As we said, we recorded a strong acceleration in Q4 and especially strong months were October and November. Overall, it was a growth that was double-digit in all markets, including Europe, where we had even a positive comp compared to 2019 driven by the return of local tourists, especially in cities, in capitals and in touristic areas in the Alps. We recorded a strong growth also in China and in the US market. Japan, that did suffer a little bit due to the closure of stores in Q3, had a good end of the year and a good start of 2022. Giving an indication for the start of this year, in January and February, we are on average to a similar growth rate we have experienced during Q4 for both Moncler and Stone Island.

LUCIANO SANTEL: Hi, Melania, with regard to your question on CAPEX, I think you referred to 2022. Our total CAPEX budget is € 160 million. For Stone Island we plan about € 20-25 million, which is 3 times what we spent for Stone Island in 2021, much more, but still less than what we are spending for Moncler. This is due to the fact that, again, this year we will start to invest in the new stores, but it is premature to comment on 2023. Of course, with the extension of the retail network, we will spend in CAPEX more for Stone Island than what we spent last year and we will do this year.

ROBERTO EGGS: I think there was also a question regarding pop-ups. Roughly 10 pop-ups were opened to sustain the big event, MONDOGENIUS in September and also a similar number at the end of the year of what we call pop-in, which are dedicated areas in key flagship stores for Moncler.

MELANIA GRIPPO: Yes. Excuse me, just a clarification on your January, February trend. When you said that it's similar to Q4, is this year-on-year?

ROBERTO EGGS: Yes, in terms of growth rate.

MELANIA GRIPPO: Thank you very much.

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

ELENA MARIANI: Hi, good evening, gentlemen and Paola. First of all, congratulations on your € 2 billion sales milestone, that's impressive. I've got few questions for you. The first one is your view on the US market. We've been discussing a lot about the US with investors and with companies. I was very keen to get your view particularly given the sequential acceleration that you've seen in the fourth quarter. We've heard that there is a new consumer emerging that is very focused on urban style footwear, but at the same time, there are clearly risks to see a slowdown or at least a growth normalization. So what is your view on this market? And how sustainable do you think this demand is going to be going forward?

About China, I was very curious to know whether you think you have benefited from the Chinese Olympics. I'm not talking solely about the specific last few weeks, but everything that you have done with the brand, the collaboration, the pop-ups. Do you think this has helped you over the past few months when it comes to brand awareness? And do you see the Chinese getting closer to winter sportswear? Do you see this as continuing going forward?

And then my final question is for Mr. Ruffini. The sector is becoming more and more consolidated. There is a lot of cash being generated, we all know about the sector dynamics. In terms of long-term vision, would you see yourself as a larger brand aggregator perhaps expanding your portfolio to diversify into footwear or other complementary brands and categories or do you see the current perimeter of the group as the right one for the long term? Here, I'm not talking about the next couple of years, I know you're very busy with Moncler and Stone Island, but what's your ambition for the long-term for the Moncler Group. Thank you.

GINO FISANOTTI: Okay. First of all, thank you very much for your questions. We will start with the US comment. I think we're definitively seeing strong reaction from that market. We agree with your comment in terms of the opportunities we have there. I think we started seeing a strong connection with the brand, especially in the East and West Coast, key markets, and in New York. But then we are seeing strong results in other cities as well. So this is something that we are focusing on, and you will see us working heavily towards that market and on the opportunity to even open up to this new luxury consumer that you were mentioning, that is super strong in the US.

ROBERTO EGGS: To complement the answer of Gino, I think something interesting we have seen is the growth in the younger generation, Generation Z and Millennials, that has been among the strongest segments together with Europe and the Chinese market. So I think this is the result of the way we communicate the product that we are offering and the way we position the brand that is really getting into a trend that is currently working very strongly in the US market. We also had a very strong and positive reaction to the new website, where we were able to generate strong triple-digit growth compared to 2019. In terms of conversion, this is one of the markets where managing directly and having a different look and feel and a way to communicate on the website has been a real success.

In terms of demand of clients coming back to stores, we see this has been very strong with the opening of the new Los Angeles flagship store, with the opening of Chicago and the project that we have for this year in Miami District, Detroit and Dallas; we definitely see a potential for Moncler to grow. Ultimately, we currently have 26 stores in the US, plus 10 shop-in-shops, overall only 36 for quite a large market, so there is still potential to invest and to grow there. We have also developed very strong relationships and bonds with the department stores, and we see the probability in the future to move some of the wholesale business into retail concession business or part of the e-commerce business that has become very important for the department stores. So, I see a lot of positive signs coming from this market.

GINO FISANOTTI: One last comment, hearing Roberto talking about the US. I think other strong signs we are seeing from customers in the US are around footwear, and that's another important opportunity for the brand and for the US market.

ROBERTO EGGS: The second question was on China. We are all very excited about this trend that China is showing towards winter sports globally. I think the Winter Olympics have been a kind of accelerator, but the trend was already there, probably because they were preparing for the Olympics. So we see more and more people that are interested in ski and we believe that we are probably one of the most legitimate brands to communicate on this because we were born in the mountains. We have for 2022 a strong plan in terms of pop-up, to complement the previous question of Melania, a strong activation that is foreseen for the end of the year and also a big event that we're preparing for the 2022-2023 collection.

ELENA MARIANI: Thank you.

REMO RUFFINI: So talking about cash, I think you know we're always looking forward to having a very solid company. And having said that, we just made a big acquisition, an amazing brand that is Stone Island… we have a lot of things to do. Stone Island is a super successful brand, especially among young generations. As Roberto said, we really want to turn the company into direct to customer, redesigning the organization. And as Carlo always says, this is not a revolution, but it's really an evolution of what they did in the last 4 years, and we are really confident about going straight to the customer with no filter between us and the market, building a very strong brand. This is for the midterm.

For the long term, I don't know. Again, we do not plan to make any acquisition. But the last year, for example, Stone Island happened, and now we really want to concentrate on building up a strong family. As I said, we have two fantastic brands, and we really have a lot to do.

ELENA MARIANI: Understood. Thank you.

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

SUSY TIBALDI: Hi, thanks for taking my questions. Good evening. So my first question is on your inventory. We know that you have a very strict management of inventory, and you always say you prefer to end with too little rather than too much. So I was just wondering, in Q4 the demand has been really exceptional and we know firsthand that going into stores many products didn't have a lot of sizes left. The demand was clearly ahead of what you had planned in terms of supply. How quickly can you adapt to the kind of demand you see in the market? And is it fair to assume that perhaps you also held back a little bit of inventory because you were thinking about the upcoming Chinese New Year?

Secondly, on the space expansion, this year space was up +10% year-over-year, and it was higher than you initially indicated at the start of the year. I think, perhaps, space always tends to end up the year a little bit stronger than we initially expect, which is great, because it means that you're doing really great, the brand is evolving and expanding. So how should we think about the space component going forward? And also, it seems you are moving more towards this idea of opening flagships where consumers can really experience the brand. It would be great to have an update there.

And just one last question on your EBIT margin. So this year it ended below the 2019 level, which is something that you were already very upfront in saying. How should we think about the margin going forward, your like-for-like has returned to, has exceeded pre-pandemic levels. You have e-commerce, which is accretive. There are upcoming price increases as well. Should we expect all these positive factors to benefit margins in 2022 or are we in a situation where you actually, at this stage, prefer to really invest in

Moncler and also Stone Island, and your priority is your top line rather than your profitability?

LUCIANO SANTEL: Thank you for your question, Susy. About inventory, as usual, we may run out of some best sellers, and this is the case for everyone, and this was the case in Q4. Having said that, we ended up with about 60% of sell through at the end of December. That means that we still had another 40% available for January and February. January/February business is doing well and it is driven not only by the fall/winter inventory, but also by the new spring/summer inventory. I think we are in a good stock position to face our business demand. But again, this is something important to reiterate, even if we prefer scarcity. We prefer to run out of inventories rather than having at the end of the season too much of them. So this is part of our strategy and our philosophy.

About space growth, needless to say, our strategy has been driven over the past years and will be driven in the next future more by the expansion of our existing stores rather than new openings. And this is important from the strategic point of view. We estimate a mid-single digit growth of space contribution.

ROBERTO EGGS: I would like to add something on the philosophy of expanding our direct-to-consumer business. The tendency over the past couple of years has been to do experiments that have been very successful in getting larger space. And you have seen that we were able, despite the increase of space, to increase compared to 2020, and we are getting very close to 2019, which is the record year in terms of sales density. We were able to open larger stores where we can express the brand differently, having a space that is not only a transactional space where you come and buy, but where you live a different experience with Moncler. I think Champs-Élysées has been one place of experiment for Moncler, where we have introduced new concepts like personalization, immersive rooms and clienteling location in the store that we call Rifugio, and it is something that we have been experimenting now also in China, in Chengdu with a store that is more digital and very connected to consumers. This is something we would like to pursue, not everywhere, but when things make sense for us, and it will be a way to develop a different experience that is aligned with what we are doing digitally. We also have some flagship stores planned for this year and most of the openings will take place as usual between July and September. We have a flagship store planned in Europe with Madrid and Düsseldorf, we also have flagship stores planned in China, in Chengdu, and also some important relocations / expansions in Macau. We already talked about Chicago. We have the project of Miami and other flagship stores. I think in all these stores, we are going to blend this digital experience with an enhanced client experience. Ultimately, the consequence of it will be higher sales density but also an attachment to the brand that is going to become bigger and bigger. As Luciano said, we have for this year more plans for relocations and expansions than openings.

LUCIANO SANTEL: Susy, about your question on EBIT margin. First of all, let me say that we believe that 30% EBIT is very good and our job, our mission is to protect this 30% EBIT, rather than chasing 35% or 34% in 1 or 2 years. This is important because behind these simple and obvious words, there is a strong and very clear strategy.

Having said that, you're right, we are increasing prices by 10% in fall/winter, and this is because we face, as everyone, important production cost increases in raw materials, but also in labor costs. So this 10% price increase will not translate into additional margin.

About the online, you're right, the online business may be even more profitable than the physical business, but again, we are not chasing margin improvements, we're chasing the huge opportunities we see in the online business, which is not business only, it is also communication, talking with our communities, building a stronger brand, of course increasing our top line that is growing very nicely, but with a much higher potential. Thank you.

SUSY TIBALDI: Thank you. Just a quick technical clarification, your online sales, they do not go into like-for-like. The like-for-like is only for the physical stores. Is it correct?

PAOLA DURANTE: No. Comp store sales includes direct online as usual. Direct online only, of course.

SUSY TIBALDI: Okay, alright. Understood. Thanks.

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

ANNE-LAURE BISMUTH: Good evening. I'm Anne-Laure Bismuth from HSBC. I have 3 questions. The first one is on the US. I was wondering if it would be possible to have an indication of the percentage of sales that have done with new customers.

The second one is on the store openings. I've heard you are planning to do more relocations and expansions this year than stores openings, but can you give us the number of stores that you are planning to open this year?

And finally, about production. So you are building this new facility in Romania, can you refresh my mind on what is the percentage of production that is done internally, and what it will be with this new production facility? Thank you very much.

ROBERTO EGGS: Good evening. First question regarding US and new customers. US is roughly 2/3rd of the sales that have been done with 63%, 64% of new customers. However, what has been driving the performance of the US market is also the increased loyalty of the existing ones. We have been able to attract new customers, especially in terms of Generation Z and Millennials. So very positive on both sides. We have been selling more to existing customers that have been returning to the stores, and we have been able, at the same time, to recruit new clients.

In terms of store openings, we have secured roughly 15 openings for this year and we have a number of relocations that is slightly higher than that.

LUCIANO SANTEL: Hi Anne. The new production plant we are building in Romania in May, next year will double its capacity. It is important to highlight that in Romania overall, not only in our facility, but also with some very important and historical production partners, we do the majority of our production. What we do in our own factory right now represents about 15%. With the new building, we will exceed the 20% with an ambition to achieve about 30% when the facility will be 100% up and running with all the production lines. So these are the 3 numbers in our own facility, 15% now, over 20% next year, up to 30% hopefully in a couple of years.

OPERATOR: The next question is from Thomas Chauvet at Citi. Please go ahead. Mr. Chauvet, your line is open.

THOMAS CHAUVET: Good evening, 3 questions, please. Firstly, a question on sales productivity for the Moncler brand. If my calculation is correct, you've returned close to 36,000 per square meter in 2021, in line with 2019 and 2018 levels. So could you confirm this is the case? And maybe Roberto could provide some information on how retail metrics have evolved in 2021 relative to 2019.

Can you provide the average store size, traffic, evolution, conversion, UTP average basket? That would be very useful.

Secondly, on the price increase of around 10%, you said back in Q3 that this would have been for the fall/winter collection. Given what's going on in the industry, some competitors have already passed on price increases very early in the year around that magnitude, have you reconsidered your pricing strategy for this year, particularly on the spring/summer collection or is it too late now?

And finally, following up on the question on the e-commerce and like-for-like, and how you're computing this for 2021 and for the year ahead, when will the internalized e-commerce operations enter in the same-store sales calculation? For instance, the US and Canada were internalized in October 2020, do they start to hit the like-for-like after 12 months in October 2021, so Q4? And so on for Europe, China and Japan later this year? Thank you.

PAOLA DURANTE: It's true that we internalized the e-commerce business because it was run by YNAP before and now it's done internally. But remember that even under YNAP, it was already a retail business. So it has always been included in the retail, DTC and comp calculation. Only if we open a new market in terms of online, like we did a few years ago with Japan, in that case revenues generated online in Japan were not comp for 1 year, but this is the only case.

THOMAS CHAUVET: Understood, thank you Mrs. Paola.

ROBERTO EGGS: Good evening, Thomas. On the store productivity, our ambition is to go back to 2019 levels. In 2020 it was €26,000 per square meter. We increased slightly more than +20% at €31,400 in 2021, which is a significant improvement, especially taking into account that some of the stores were closed during the first half of the year. Looking only at the productivity at the end of the year, in Q4 it was similar to the one we had in 2019. But for the full year, we are still impacted by the closure that we had during the first half of the year.

Regarding the KPIs, let me give you some metrics. The average store surface increased by 2% last year. So we are now at 180 square meter for Moncler, while we are at 130 for Stone Island. On Stone Island, we are working on a new concept that we plan to open in the mid of this year in Chicago, and probably we're also going to look for stores with a slightly bigger surface to be able to express better the values of the brand.

As I mentioned, sales density increased slightly more than 20%. The traffic was up +7% compared to 2020. The conversion recorded a double-digit increase compared to 2020. This is good because usually there is a strong correlation between traffic and conversion, and when you increase traffic you may have a small impact on conversion. Here, we have been able to do both, increasing traffic as well as conversion and overall, the average selling price UPT and average transaction value increased by 1%.

LUCIANO SANTEL: About the price increase, Thomas, we increased prices in fall/winter 2022. In this current spring/summer, we didn't increase prices. I mean we keep adjusting them, but not significantly as we did for the fall/winter 2022. Of course, we decided to increase prices when we faced the impact of the raw materials cost increase, taking into account the stock position, not only our stock position, but also the one of our suppliers. As you know in these circumstances, there is some kind of longer wave that may delay the impact depending on the amount of stock that is in the supply chain. And so that's why we waited to increase prices. As we said, we did increase them in the fall/winter 2022 and we will increase prices more or less the same in the next spring/summer 2023. So this is the overall picture. We didn't see any reason or need to increase prices in this spring/summer 2022.

THOMAS CHAUVET: Thank you.

PAOLA DURANTE: Okay, given the time we have space for few other questions. Thank you.

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

LOUISE SINGLEHURST: Hi, good evening everyone. Thank you for taking my question. I thought it was a really interesting commentary in terms of the distribution and potential channel mix. If I think about the store numbers that you're highlighting for the US and the potential opportunity in the market, and I presume very similar for China, can you just help us think about the views of channel mix going forward and the benefit of online? I presume now you've got the businesses integrated, you're getting quite excited about the online mix going forward. And relative to that target you talked about for the online mix by 2023, I think you talked about 20% of the Group sales when you were internalizing the business and when you announced that a couple of years ago now. If you could give us an update, that would be fantastic.

ROBERTO EGGS: Louise, thank you for the question. Yes, that’s one of our strong focuses, not only because we believe in it, but because consumers behavior has changed, and they want more and more to buy online. What was surprising during the pandemic, beyond the trend of younger consumers, is what we have seen especially in Europe and in more mature countries, like Japan and Korea, when even people that are a little bit more up in the age were willing to buy online. So we see potential to grow in the DTC globally, on the retail side, especially in the US and the Chinese markets. But most importantly, we foresee a growth rate over proportional in the online business for the 3 years to come. This is the horizon we are working on, and it will probably be what we're going to disclose during the Capital Markets Day. For sure, we foresee a growth rate in the online that is much stronger than in the retail part.

In the wholesale, we will tend to have more and more conversions, to go more directly even when we talk about e-tailers, moving part of the business from wholesale into concession to be able to better master the communication and the flow of product and the supply chain, increasing the client experience and also, as a result, the level of sales and the sales through. So these are the two big trends we are seeing. Gino, do you want to add something?

GINO FISANOTTI: The only comment I will make is something that Luciano mentioned before, that is how digital is helping us to go deeper in terms of the relationship and the engagement with consumers. And this is something on which Roberto and I are working to see how we can connect even further our physical and digital experience for the brand. Truly great experiences, both in the physical and the digital world, so that we can have a different level of engagement because we believe that relationships are super important to then drive into the commercial aspect of it. So this idea of relationships over transactions is something that will guide us in terms of how we can create deeper connection with communities around the globe.

LOUISE SINGLEHURST: Can I just ask a quick follow-up. Obviously brand .com will be the priority, but what are the benefits of the e-concessions? Is it attracting like a new cohort to the brand? Obviously, we'll hear more on May 5. Thank you.

ROBERTO EGGS: Yes, Louise, we are starting now. We have 2 e-concessions, 1 that already started in the fall/winter with Mytheresa and we just signed up the second one for the spring/summer, with LuisaViaRoma, and we have ongoing discussions with the other ones. Well, first of all, there is a much higher level of communication on which product to push giving them more insight, like if they were one of our stores.

So let's say, the connection and communication between the e-tailers and the brand are completely at a different level. We are planning specific actions together. We are planning to develop specific capsules for them and to make them enter into the auto replenishment system that we have for our stores. So this is also improving the product availability, and at the end also delivering a better service to the consumers. These are the main advantages that we see and there is also a better knowledge from our side on to whom we are selling. So who is the end consumer, which is another factor that is very important, that is driving the growth of the company.

LOUISE SINGLEHURST: Okay, thank you.

OPERATOR: Next question is from Luca Solca at Bernstein. Please go ahead.

LUCA SOLCA: Yes, thank you very much for taking my question. It's the first day of war in Europe today in the Ukraine. It's difficult to grasp how this will evolve and what implications this could have. I wonder what you're thinking about the risks inherent in this situation on two areas. One, your dependence on Eastern European and Russian clients, in Russia and in the rest of Europe, and two, your operations on the ground in Romania because, if my geography is right, your factory is towards the west. I wonder if you have any subcontractors in the Eastern part of Romania in Transnistria, or if you expect any potential disruption because of refugees or any other thing going the wrong way in that area. And if you are preparing any contingency plans. Thank you very much.

ROBERTO EGGS: Very, very sad news that we were all hoping not to happen. We have been in very close contact with our team on the ground in Kiev. We have 1 store in Kiev that is closed. Regarding the impact that we may potentially see on the business, I don't know if this should be related to the increase of the price of oil and raw materials. If I'm purely looking at the dependence on the local market, meaning Russia and Ukraine, these represent roughly 2% of our business, not really material. Until a couple of years ago, I was seeing those 2 countries more as an area of potential growth for us, we're not as dependent on them as other luxury brands.

LUCIANO SANTEL: Luca, with regard to the supply chain, first of all, we don't make any production in Transnistria, and it is important to say that. About Romania, I don't know why we should have any impact. Our thoughts now are very close to the people who are suffering for this situation. Honestly, I can't predict, but I don't see any impact on our supply chain in Romania. But of course, anything may happen. The situation is very, very sad.

LUCA SOLCA: Thank you very much, indeed. Thank you both.

OPERATOR: The next question is from Antoine Riou at Société Generale. Please go ahead.

ANTOINE RIOU: Hi, good evening, everybody. I have 2 short questions. The first one, just to rebound on Thomas question on sales densities. Roberto, you mentioned that in 4Q you were already back at 2019 levels, given the solid start of the year and price increases in the second half. Do you see any reason for sales density not to be back to 2019 levels in 2022? That's my first question.

The second question is just on marketing and events. What do you plan? I mean you had the big Genius event at the end of last year, which has been super successful. Given you still plan to spend quite a lot in terms of A&P, can you tell us what you are planning for this year? Will there be another Genius event or something big in the second half of the year? Thanks.

ROBERTO EGGS: Good evening, Antoine. I will dream to be back at 2019 levels, but you just heard the question of Luca. I think there is still some unpredictability during the year. The COVID is not over. And you know that we usually overperform in the months that are the strongest for us. Even if we had a good start, that is very encouraging, we still have 10 months in front of us with many uncertainties. So we are going to work very hard to be as close as possible to the record year of 2019 in terms of sales density, but this will be influenced by a lot of factors, no closures, no restrictions, reopening of travel and retail travel. But let's say that we are confident about being able to improve the results of 2021.

GINO FISANOTTI: Antoine, regarding your question on marketing, I think, as you've seen in the past few months, we are ramping up a lot of efforts. We're super excited about the plans we have for the future and I need you to respect what Paola said at the beginning, that we will hold the news for the Capital Markets Day. So again, I will ask you to be patient for a few more months, but we will showcase there and we will be able to answer to your question. I can tell you that, internally, we're super excited about the year ahead.

ANTOINE RIOU: Okay, thanks.

OPERATOR: The next question is from Rogerio Fujimori at Stifel. Please go ahead.

ROGERIO FUJIMORI: Good evening and thanks for taking my question. Could you talk about recent category trends for outwear versus knitwear and other non-outwear categories? Anything to call out in terms of standout performing categories aside from the strong growth of footwear in the US? Or was the growth momentum relatively uniform across categories? Thank you.

ROBERTO EGGS: Thank you, Roger, for the question. What we have seen is that in the first half of the year the non-outerwear category was performing really well. And as usual, we come back to the fall/winter season, the very good results provided before are explained by an excellent performance of the outerwear. So overall, we are still at 75% an outerwear company.

I think what is interesting this year is that we recently launched for Grenoble an active wear collection that is more a spring/summer collection. So with this, we have new categories that we are pushing. The cut and sewn and the knitwear have been performing extremely well. They represent today roughly 15% of the total. The part of the soft accessory is developing very well and with an enlarged size of stores we will have additional capacity to display these products. So I'm confident that they are going to overperform the outerwear category in the years to come.

And finally, footwear, one very strong focus of Gino. We all believe that there is a bright future for Moncler in the shoe wear category, especially the sneakers for men and the boots for women. These are categories that have been performing extremely well in the US, but also that are starting to pick up in Asia, and the fact that we are getting strong demand now also from the Chinese market, is an encouraging factor.

ROGERIO FUJIMORI: Thank you very much.

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

FLAVIO CEREDA: Hi, good evening, two quick questions from me. Firstly, did you experience any real supply chain issue in Q4 because it was kind of a recurring refrain, if you go into your stores, be it in Europe or in the US, you keep hearing I wish we had more of that, wish we had more of that, not sure that's coming in. So I was just wondering whether that's just a phenomenal sell-out, or whether there was any supply chain issue at all? And secondly, on Stone Island, because we're not mentioning Stone Island. Can you give us an update in terms of the internalization of the distribution here, what the targets are at this time? Thank you.

LUCIANO SANTEL: Hi, Flavio, about the supply chain issues, honestly, we faced issues with the supply chain all day long. Having said that, no big issues, because I think this is what you are referring to. Our supply chain has been up and running in 2020 and 2021, notwithstanding the situation, even if clearly, we had some issues associated with contagion that makes absenteeism higher than before.

Sometimes our factories have to stop some production lines. So it's not as in the past, but in any event, we never stopped our production. So honestly, looking at all of these problems from far away, no big issue. We also had some issues associated with transportation that makes our shipments longer. It takes longer to reach our regions because the transportation issue is not only associated with the cost increase, which is 3, 4, 5 times higher than before, but also with the lack of transportation, because all the civil flights are not there anymore and 80% of the transportation in our sector is through civil flights. So again, this is something we face all days and no bigger problems, but for sure delays mostly due to logistics issue.

ROBERTO EGGS: Flavio, regarding Stone Island, we really believe in a more direct to consumer approach. We have started, first of all, a pilot for retail excellence, where we have defined a new customer experience with the store managers and also the client promise. We have started the pilot in Germany at the end of 2021 around November, December. We are now planning to roll out in Europe, starting from Italy in April this year. And in parallel, we are working on Korea, because as we have now moved the Korean market into a joint venture with direct control on the stores, we have moved 23 stores under our direct management. We have a new general manager there, that is backed up and helped by the local Moncler organization. And we are planning to have the rollout of the older systems, the clienteling app and retail excellence in the Korean market in the first 6 months of the year.

Regarding the other internalizations, Japan and China are foreseen for 2023, while the US market is already a direct market. So it's a matter of implementing the system, but there is already direct management. So these are the main focuses we are having. In the UK, another important market, we have a longer contract that is ending at the end of 2024, but we'll be able to handle the online part starting from next year. So these are discussions we have started with our partners locally, and we're working hand-in-hand with them.

Regarding wholesale, we have planned the reduction of the number of agents, taking control of some of the wholesale agents that we have. When we took over Stone Island, we had 29 agents and we are working to reduce them, but this needs to be done hand-in-hand with the agent to give continuity to the business. Anyway, it's something we have started to work on.

FLAVIO CEREDA: Thank you very much, and keep up the good job with Inter. Thank you.

ROBERTO EGGS: We know you are a big fan.

OPERATOR: The last question from Paola Carboni at Equita SIM. Please go ahead.

PAOLA CARBONI: Hi, good evening, everybody. I just wanted, if possible, to have some anticipation on what you have planned for the 70-year anniversary? I don't know, if you can spur something, or we have to wait for that until the Capital Markets Day?

And secondly, as far as Stone Island is concerned, if you can comment about the retail performance of Stone Island at least for the stores where you can give us a sense of the 2-year stack comp growth. And also the kind of growth you have experienced on the order backlog, which you commented is very good for the fall/winter collection. Thank you very much.

GINO FISANOTTI: Paola, thank you for the questions. I will be quick on the first one. Unfortunately, we have to give you the same answer as before. This is part of the conversation we'll have in just few weeks at the Capital Markets Day, where we will be able to share plans and some of the things that you were mentioning as well. So I will ask you for some patience, and I will let Roberto answer the other questions.

PAOLA CARBONI: Okay.

ROBERTO EGGS: Paola, good evening. Regarding the retail KPIs, I think we'll be able to give you some more interesting figures at the end of 2022. Honestly, it's far too early. We are currently putting in place the Moncler system, that we have adapted to the experience we want to deliver to the consumer. But we are not ready to share the metrics we have now. I think we need also to have more direct access to consumer data because the data collection was not up to the level we have in Moncler. And so, we are currently working on the setup, the training, because it's not only about building the system, but it is also about convincing people that is the best way to operate and train them for it. It's about finding the right profile of store managers, that we have in most of the cases, but them and the staff need to be trained to have the right attitude in the stores to redesign the incentive scheme. So everything we put in place in the Retail Excellence Project in Moncler, which took us 3 years, we would like to repeat it, let's say, in half of the time, but you need to give us a bit more time to give precise answers as we have for Moncler, because we firstly need to do the setup and start from there.

PAOLA CARBONI: And as far as the order backlog is concerned?

ROBERTO EGGS: The campaign just ended at the end of last week. It was very positive. So we count on a good double-digit growth for the next fall/winter season with a strong demand from our wholesale clients to the point that we had to cut down a little bit the demand because, as for Moncler, we want to be able to sell less than what is really demanded by the end consumer. So we are tightening a little bit the demand, but the demand and the way the collection was received was really positive. Of course, it's only selling and the proof will come from the sellout on the market, but we are very confident.

PAOLA CARBONI: Okay, thank you very much.

PAOLA DURANTE: With this answer, we end tonight's session, which has been even a little bit longer than normal. I thank you, all of you. I just remind you that next week we will publish the management report, which will give you more information compared to what you can find in the press release and the presentation, ahead clearly of the annual report that we will be published in due time. And we are here for any follow-up question. So thank you very much. Good evening to everybody. Thank you.