Moncler S.p.A

"First Half 2017 Financial Results Conference Call"

Wednesday, 26 July, 2017, 19:00 CET

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Half 2017 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

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

PAOLA DURANTE: Thank you. Good afternoon everybody and thank you for joining our call today on Moncler First Half 2017 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 and Supply Officer, Roberto Eggs, Chief Marketing and Operating Officer, Andrea Tieghi, Head of Retail and Sergio Buongiovanni, Executive Board Member.

Before starting the presentation, I need to remind you that this presentation may contain certain statements that are neither reported financial results nor other historical information. Any forward-looking statements are based on Moncler's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks and uncertainties and other factors that could cause results to differ materially from those expressed in, or implied by these statements, many of which are beyond the ability of Moncler to control or estimate.

Let me also highlight that given the nature of our business, interim results can be influenced by seasonal effects and therefore cannot be taken as a proxy for full year trends or results. I finally remind you that press has been invited to participate in this conference in a listen-only mode.

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

REMO RUFFINI: Good evening, everyone. Welcome to Moncler's First Half 2017 results conference call. Given the late timing of our call due to busy reporting day, I will keep my introduction short. 2017 has started very positively, even ahead of my own personal expectation.

In my opinion, we have again delivered some impressive numbers. Revenues plus 17%, with Retail plus 21% and Wholesale plus 8%, EBITDA plus 24%, net income plus 25%. Although the coming months would not be easy, given the higher base of comparison, today I can say that I am proud of what Moncler has achieved so far, which once again confirms the strength of our brand and the solidity of our strategy.

Let me underline the most important element of our result. In H1 2017 Moncler achieved a solid sell-through in all region and channels. Spring/Summer 2017 collections have been highly regarded, with knitwear and shoes significantly outperforming expectations. We are also happy with the initial appreciation of Fall/Winter 2017 collection and the result of Spring/Summer 2018 sales campaign.

All our core markets were up with solid double-digit growth. In Europe, all our core markets were up strong double-digit. Italy remained good with Retail up double-digit and wholesale positive. Outstanding growth continued also in China, Korea and Japan. Profitability and cash generation has remained robust, notwithstanding all the investment we are doing in new, talent, people who are joining the Group. A new retail culture is now visible across Moncler, not only in our stores, but in the whole organization.

With the recent relocation of Hong Kong Harbor City, which started very well, and the enlargement of Milano Montenapoleone in October we have almost completed our flagships project. I am happy with the performance of our flagships which not only contribute significantly to our result, but also strongly support the Moncler brand perception.

Before leaving the floor to Roberto and Luciano, let me just add one final comment. I believe that the recently announced leadership reorganization will allow Moncler to face future challenges in even more cohesive, coherent and flexible way, and will help to create further future value for our stakeholders. Let me now handover to Roberto.

ROBERTO EGGS: Good evening, everybody. I would like to comment the results by region. As mentioned by Mr. Remo Ruffini, the good performances in the first semester have been very strong with a plus 17% with the second quarter in acceleration at plus 21%. All regions and channels have been growing positively.

The Italian market, our more mature markets, has been growing by 7% during the first half of the year with the second quarter in acceleration at plus 9%. Europe continues to perform very well at plus 24% with very positive and strong results on the UK market and on the French market.

All regions in Asia have being growing double-digit with, also here, an acceleration in the second quarter. We have been trading at plus 17% for the first semester with the second quarter up plus 29%. Same result for the North American market at plus 16% with growth both on the

Wholesale side and on the Retail side, both in Canada and in the US markets.

If we move to the results by channel, as commented, we have been growing at plus 8% on the wholesale, here also with a slight acceleration in the second quarter, and at plus 21% on the retail side. Comp results for the first semester were at plus 14%. The collections have been very well received and Spring/Summer has been a strong success with especially good results on new product categories, like the Knitwear.

If we look at the expansion of our retail network, we plan and we have confirmed 14 net openings for the year 2017, 11 of them are planned between September and December this year. Let me just mention some of the main openings that we will have this year.

The first one is going to be a relocation of our store in Moscow, with an opening of a flagship store in GUM; then a double opening in Roma in the new Rinascente where we will have a women and a men store. Finally, in Firenze, just to complete the Italian openings, we are going to open our first store. Plus new markets: the opening of Kazakhstan with a store in Almaty, the opening of Sweden with a store in Stockholm, the opening of the Middle East with a store in Dubai.

We are going also to open our first store in concession in the US, in a department store under a DOS approach, so a direct approach; it is going to be in San Francisco with Bloomingdale's. We are going to open a second store in Toronto. We have also the first store on the ground floor in Busan in Korea that is planned for the end of the year.

I would like to mention also two very important relocations, one of them that took place early July with the first very encouraging results, this is the relocation of HK-Canton Road. It is the first flagship and the largest flagship we have in Asia. And we have planned another big relocation which is an expansion in Milano with the largest store that we are going to have in the world in Montenapoleone basically adding two additional floors on the existing store plus an enlargement of the ground floor. This is going to be also an opportunity for us to transform our store in Spiga and to open our first urban store dedicated to the Enfant, so Spiga will be the first DOS dedicated to the Enfant business.

To close the description, I'd like to mention also more than 10 openings of shop-in-the shop that are planned for the second half of this year, with also some new country opening. We are going to open a store with DFS in New Zealand in Auckland, also here on ground floor. We are going to open Guam. We are going to open a first one in Bangkok that is going to be followed next year by the second store at the airport and we have three openings in airports that are planned for the end of the year, Paris in December, Munich and Taipei.

LUCIANO SANTEL: Okay thank you, Roberto. I am Luciano Santel. Good afternoon everybody and thank you for attending our call today.

Let's move now to Page 11, where we report our income statement. Top line up 18%, already presented in detail by Roberto, gross margin is 75.6%, better than the last year because of the channel mix, but also better than last year by individual channel. Retail channel specifically has performed better than last year, not only regular stores but also outlets performed well and with the lower discount than last year.

Selling expenses, 37.8%, higher than the 37.2% we reported last year, but not as much as the increase of our gross margin, which means, as you know this is our rule of thumb, that we have maintained, even slightly improved, the productivity of our retail network. G&A substantially in line with last year, at 12.5% and Advertising & Promotion at 7.3%, it was 7.2% last year.

EBIT adjusted €73.3 million, 18% margin. Below EBIT, we report stock-based compensation, a line which was formerly named as non-recurring items, but now this year and last year, it includes only stock-based compensation, which are non-cash expenses associated with our stock option and performance share plans.

The number is significantly higher than last year, €10 million, almost double than last year, but this is mostly due to timing effect. For the year-end, we expect a number higher than last year that was at the end of the year €15.7 million. We expect for this year a number in the region of €21-22 million, higher, but not as much as we reported at the end of June.

Financial results, slightly negative, mostly due to negative FX impact, mostly due to the recent depreciation of some important currencies like US dollar and the Japanese yen.

Tax rate 30.5% against the 32.8% of last year, totally expected and totally due to the decrease of tax rate in Italy, as you probably know.

On the bottom of the page, last but not least, our EBITDA adjusted, €97 million, 23.8% margin, higher than the 22.6% we reported last year. Important to remember that first half last year was weaker than the second half. You may remember that the second half was very strong, and particularly within the second half Q4 was very, very strong.

Okay, let's move now to Page 12, where we report CAPEX. CAPEX at the end of June were €34.4 million higher than the €28.9 million last year, but on a percentage basis in line with last year, 8% on revenues. Most of CAPEX, as usual has been spent, has been allocated to our retail network, but still a significant portion of CAPEX is invested in organization and information technology.

Important to highlight that we have now a better visibility of our CAPEX for year-end and we expect a slight increase as compared to what we indicated before. Last time we discussed together, we said that we expected CAPEX in the region of €65 million, now we think that they will be closer to a number of €70 million.

The reason of this roughly €5 million, additional €5 million, is associated to several different small projects, but one above all is the expansion of our store in Milan Montenapoleone and our flagship store in Milan Montenapoleone, where we are implementing a breathtaking design, really amazing design, but also needless to say more expensive than what was planned. So these are the main reasons of the additional CAPEX we expect for the year-end.

Let's go now to Page 13, where we report net working capital. Net working capital at the end of June was very good, and on the percentage basis, we reported 6% as compared to 8%. Very good credit control, very good inventory control, nothing to add. I can say that inventory management and credit management have been very, very positive in this first half of the year.

Let's move now to Page 14, where we report our financial position, which indicates €130 million net cash, with a pretty good cash generation in the first six months of the year of about €24 million. How and where we generate the cash is something we can see, moving directly to Page 16. I don't have any comments on the balance sheet, but of course, if you have any question, please ask the question later.

Cash flow statement at Page 16, I said very, very good, of course, it starts with a very good EBITDA, but also a very good number in the change in net working capital and notwithstanding CAPEX that, as we said are higher than last year. We ended-up with a free cash flow which is close to €40 million and as you see, much higher than first half of last year.

Below the free cash flow, we paid €45 million dividends, as you know, but we also report a very positive number under the change in equity, mostly due to about €40 million coming from the exercise of stock options that took place between March and April, slightly mitigated by about €7 million of cash-out due to our share buyback plan that was implemented at the end of June and it is still in progress. So at the end net cash generation was €24 million.

Okay, I am done with the presentation. Thank you.

PAOLA DURANTE: Operator, if you can open the Q&A session?

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

The first question is from Anne-Laure Bismuth of HSBC. Please go ahead.

ANNE-LAURE BISMUTH: Yes, hi. Good evening. It is Anne-Laure Bismuth from HSBC. I have three questions. Can you give us an indication of the like-for-like evolution between Q1 and Q2; I know that you are no longer disclosing this on a quarterly basis. But I am just wondering if like-for-like between Q1 and Q2 were broadly similar to the 14% that you have posted for H1? My second question is about the contribution on new space which was 7% in H1. Why did that decrease to 7%, and do you confirm the 10%-11% contribution from new space for full year '17? And I know that you mentioned 11 store openings for…between September and December, but would it be possible to have a split between Q3 and Q4 of the store openings and the number of store openings that you plan for full year '18? Thank you very much.

ROBERTO EGGS: Okay, just on the comment for the like-for-like, as you know, we don't disclose anymore the results by quarter, but what I can say is that there was a slight increase during the second quarter, but the performance has been quite consistent between the first quarter and the second quarter. Your other question was regarding the…I think there was a question on wholesale?

ANNE-LAURE BISMUTH: The contribution from new space, because it was 7% in H1 and do you confirm the 10%-11% for full year '17?

LUCIANO SANTEL: Yes, this is Luciano, Anne-Laure. About the new space, you are right, we normally indicate and we indicated an average growth of 10%-11%. For this first half of the year, it is in the range of 7%, but as, you know, as you know very well, we didn't open, I mean, we opened just 1 store in the first half of the year as compared to the 6 stores we opened in the first half of

2016, which is roughly the 6%-7% you indicated. But I am going to confirm that for the year-end, we expect the 10%-11% additional space.

ROBERTO EGGS: Regarding the number of store openings, if we have the split between Quarter 3 and Quarter 4, we had already opened at the beginning of July, 2 stores, one of them being in Paris, it's the Galeries Lafayette Enfant. We have foreseen for September 3 other openings: the opening of Almaty in Kazakhstan, the second store in Toronto and the store in Beijing SKP, which is also a store dedicated to the Enfant; which means 2 have already taken place in July, and we have 3 others for the third quarter while the additional 8 are foreseen between October and December mainly in October, November and just two in December.

Regarding the number, I think you had a question also regarding the openings for 2018. I think we are still working very hard on it. You can think of something in the same magnitude of the number of openings we have had this year which means a number that is around 14 to 15 new openings, DOS and also a figure between 10 and 12 openings of shop-in-the-shops.

ANNE-LAURE BISMUTH: Thank you very much.

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

JANET KLOPPENBURG: Good evening and congratulations on the very strong performance. I just had a couple of questions, the comp acceleration was it driven by any particular product category, and if you could talk a little bit about the contribution…the impact of the knitwear and footwear on the total revenue growth, was it better than expected? And how you are thinking about growing those categories going forward, in other words, could they command greater presence in the stores than they have now and online? And lastly, if you could talk about your eCommerce performance and how the digital channel is doing? Thank you.

ROBERTO EGGS: Janet, thank you for your question. Regarding the comp acceleration, I said it was in the same magnitude. So it's more the global performance since beginning of the year that has been good. As you know, part of it is linked also to the work that has been done during the last 18 months regarding retail excellence, the fact of delivering different clients experience in store, all what we have been developing regarding the clientele. Now, we have 80% of our stores that are equipped with our app, which is Monclient but, more important than the app, is the mindset of people that are now not only thinking about product but are thinking about product and about clients. And we have had since beginning of the year 29,000 clienteling actions, I think that this has probably also contributed to drive traffic in the store, and probably helps on some of retail KPIs that we have.

We are not disclosing precise figure, but UPT has been increasing, sales per transaction have been increasing also, and the conversion rate in the store has been proving. Part of the performance and the increase in the unit per transaction has been driven by very good result on the knitwear. We took some reasonable risk last year when we decided to go for the open-to-buy regarding these categories. In parallel, we've been working on the client experience in store to support the development of this category and to have also storytelling that was supporting this increased push in the knitwear side. And we have also been developing strong visibility of this category in store, which has helped to have a performance that is more than double than the one of the outerwear business. This being said, the performance of the outerwear has also been on the double-digit basis.

Regarding the e-commerce, here also, the performance is stronger than the one we reported in total, growing also at a little bit more than twice the pace of the results that we have had globally for the Company during the first half of the year, with some stronger development that we have had. We have been merging the database from the Retail side with the one from the digital. This has been taking place at the beginning of July. We have changed, or now YOOX has been changing the platform, moving onto the IBM platform. It's July the month where we are finalizing these move from one platform to the other, but we have been reassured by the fact that the move has been going well, there are still some fine-tuning to be done, as you can imagine. And we are working now on the implementation of the Omni-channel, in two phases.

The first one, which is the soft move into the Omni-channel. By the end of this year, we'll be implementing the click-and-collect in store and the order-from-store. And we have a plan for the second half of 2018 to go into a more complete version of the Omni-channel, having at that time, the possibility to have the visibility of what is in stock in the store, with the stock that is at the disposal of YOOX, so going into a complete Omni-channel approach.

JANET KLOPPENBURG: Okay, great. One more just on the gross margin. Better-than-expected results for me. I know some of it has to do with the strength towards the Retail channel. How should we be thinking about second…the opportunity for gross margins to continue to leverage in the fashion that we saw in the first half? Thank you.

LUCIANO SANTEL: Yes, I mean, the first half, again, the margin was very good, for the reason I told you. Second half, of course, most of the result in gross margin will depend on the top line. I can imagine, and I think that current trend makes us confident that we can maintain a pretty good gross margin. But again, it will depend on the top line. Last year, you may remember that the Q4 we reported a gross margin for the year-end very good, but we said very clearly that most of this result was due to the very strong performance in Q4. So I mean, based on our visibility now, I think that the gross margin should be good. I can't tell you if it will be good as much as it was in the first half, honestly. First half, as much as Q4 of last year, gross margin was particularly good.

JANET KLOPPENBURG: Okay, thanks very much.

LUCIANO SANTEL: Welcome.

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

ELENA MARIANI: Hi, good evening. And first of all, congratulations, Luciano and Roberto, for your enhanced roles. A few questions from me, the first one, again, on like-for-like. You've given already quite a lot of color, so thank you for that, but maybe can you help us understand a little bit the split between price, mix and volumes? I know that lots of KPIs you're monitoring are coming into place, but it would be very helpful to get the split. And also, how you're thinking about pricing, potential price increases for the second half of the year? And second question is around your working capital. I'm always very impressed by your inventory control and have noticed that your inventory position has come down. Can you give us some color around that? And how to think about it for the second half? So how are you planning it ahead of the upcoming Fall/Winter season? And then thirdly, on the margins, is it correct to say that the margin improvement between H1 this year versus H1 last year was a little bit less than what is visible, just because last year you had a couple of negative exceptional affecting your operating profitability. I remember that there was some additional rental expenses of stores that were not opened yet. Do we have something like this, this year as well? And how should we think about the operating cost evolution for the second half of the year? Thank you.

ROBERTO EGGS: Good evening, Elena, and thank you for your congratulation. Regarding the like-for-like, as you know, in the past, we had, for most of the time, a split 50:50 between price effect and volume effect. We have started one year ago on what we call pricing harmonization between the geo-pricing that we have mainly between Europe and Asia. As you know, we were at the time really too high in terms of pricing, especially for Japan and China, and we have been trying to reduce that gap quite successfully over the last 2 years, coming now to something that was even better than the price gap than we had two years ago. So the results of the 14% like-for-like has been driven at 90% by an increasing volume, and we've been able to further decrease the price gap between Europe and China and Japan that is now around 50%, 55% for China, around 60% for Japan, while it was 2 years ago, more like plus 90%. So a significant decrease that has been well-perceived and that have had an impact in terms of increasing volume at store level, which has been then generating the like-for-like result that you've seen.

LUCIANO SANTEL: Okay, Elena, this is Luciano. Thank you from my side for your congratulations. About net working capital, I mean, net working capital was very good. I mean, we were impressed, too, honestly, by inventory. But honestly, I think that we had, we still have the correct level of inventory to support our sales. Our sell-through has been good at the end of spring season and we are ending the spring season now. But differently from last year, when you may remember we said we missed some sales in some categories, in specifically, in the Knitwear category, because we were short of inventory, this year, I mean, also Roberto said that our inventory investment for this season was in line and consistent with our sales plan and sales were totally in line with our plan.

So again, I think that inventory management has been very good so far. I can't tell you, guarantee, that we will be good in managing inventory as much as we did over the past 6 months, and say 9 months, because last year Q4 was very good, too. Anyway, we have the right level of inventory. Also, the quality of inventory we report is very good. All the inventory is associated with this year, current seasons, Spring and Fall/Winter, and last year, only for the portion that is now in our outlet.

About profitability, last year, you remembered well, correctly, we said that profitability was affected by €3 million net additional rents associated with stores not opened yet. This was as compared to 2015. We didn't say anything this year, because we have a similar number, still in the region of €4 million. Last year, there were €4 million, €3 million more than 2015. This year, we still have €4 million rent for stores not opened yet, including, for example, Harbour City that was just opened early in July. So the impact between 2017 and 2016 is almost neutral.

ELENA MARIANI: Thank you and can I ask you just a one…one quick follow-up? Still on working capital, you've also shown a meaningful decrease in receivable days. What was driving that, please? Thank you.

LUCIANO SANTEL: Receivable was very, unusually low, because I mean, our Wholesale business is growing. Also, our concession business in department store, shopping malls, is growing. So it is definitely unusual to report a lower number than last year. There is some timing effect, honestly. I mean, we collected some credit earlier than last year in June, specifically. So there is a timing effect, but even excluding the timing effect, honestly, the number is good and it is good because we have a pretty good control on credit and we collect, I would say, very nicely our credit.

ELENA MARIANI: Perfect. Thank you.

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

PIRAL DADHANIA: Yes, thank you for taking my question. Could I just ask for a clarification point? Maybe I'm reading this wrong, but if the retail like-for-like was 14% in the half…for the half year, and my estimate was that the first quarter like-for-like was around 7%, then if my math is correct, I thought that the second quarter would've accelerated in excess of 25%. Could you just correct me if I'm going wrong somewhere there, please, on the first point? And then, my second question is just around the actions you took in the Spring/Summer this year versus last year. I guess, I'm just curious to know how can Spring/Summer develop going forward. And what is the kind of medium term incidence on sales that it could drive? I guess these strong numbers suggest that there is a lot of momentum and your core customer is very encouraged by the product. I just wanted to see what…how much further you'll go next year in terms of your buying upfront and product availability? Thank you.

ROBERTO EGGS: Piral, I would not like to comment too much on the precise figure that you mentioned for the first quarter, but just as a general comment, I think you a little bit underestimated the first quarter. We have not been…I would like to say that we grew by 25% like-for-like, the second quarter, but this is not the case. I think the true performance in the second quarter have been pretty much in line with a slight acceleration in the second quarter.

Regarding the action plan and the weight on the Spring/Summer, we mentioned it many times, I think this is one of the areas of improvement that we have, with a potential to do even better in the future. I think some of the actions we have been undertaking regarding the development of this category, like the, especially the Knitwear, are starting to pay off. As we mentioned, already last year, we have been investing also in terms of style, in terms of developing new products, new design.

We have been investing also in terms of technology, where we have our industrial headquarter, we have invested in people, invested in know-how and also acquired it now from outside. And we have pilot lines that we can develop internally, so this is speeding up the level of development. And we're now closing the Spring/Summer campaign for 2018 and I must say the collection for next year has been very well-received by our Wholesale clients, but also by our team internally. So I think there are still margin for improvement on that side.

We usually say that the weight between Spring/Summer and Fall/Winter is 25%, 75%, but I'd just remind you that we are selling the Spring/Summer only during 5 months of the year. We're selling the SS for 5 months, the FW during 8 months, so there is a one-month overlap, so this is why I'm getting to 13 months. Therefore if you then report this back into the sales, and giving that we would not be selling 6 months of Fall/Winter and 6 months of Spring/Summer, the breakdown will be more on 1/3 SS and 2/3 FW. So we are still very much balanced toward the Winter season, but the Spring/Summer is delivering very good results.

PIRAL DADHANIA: Brilliant. Thank you and congratulations.

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

OMAR SAAD: Thank you for taking my question. My first question is, looking for an update on your customer relationships, management strategies, I know you've been focusing on not just attracting new customers but really harvesting the existing customer base. Maybe you can give us an update on how those, that process is going? And then I wanted to ask maybe a more specific question, on what you're seeing in the kind of seasonal and transitional product, as a few years, several years, I guess, beyond the IPO, it seems like the brand is really starting to get some traction in non, kind of, core down-filled outerwear, but I want to kind of hear it from you guys, if that's really what you're seeing happening? Thank you.

ROBERTO EGGS: Omar, thank you for your question. Regarding the first part, which is the CRM, as you know, it has been a very strong focus. And when I joined the Company, it was really the challenge that was given me by Remo Ruffini, to say we need to change the approach and this is what we did with Retail excellence. At the time, our acquisition rate in terms of data collection from new client was around 30%. We're currently at 75%, I think there is still some room to further increase it maybe to 77%, 78%, but the natural consequence of this approach has been that we have tripled the database of clients that we are following in the past 2 years. At the same time, we have developed tools for our team to do clienteling, the Monclient app. We have implemented a welcome approach for our clients, so when they are registering for the first time, they are entering into a path of communication during the first 6 months. There is a specific format for the first 6 months, and then they are entering into a normal path of communication. So there is much more interaction between the client and Moncler, and we have narrowed the distance between the clients and the brand.

And I think this is also part of the strategy that is helping also to generate more solid results. We are still dependent on the recruitment and the attractiveness of the brand and the collection and the style are playing a key role as well as communication. But I think also, that having now with Monclient, the possibility to interact more closely with the client is something that is starting to pay off.

As I mentioned, 80% of the stores are equipped with client advisors having Iphone with Monclient. We are going to finish the rollout by the end of September this year. So all stores will be equipped, we will have more than 1,000 people interacting daily with their clients. And I think we are just starting to see the potential of this tool.

Regarding your question on seasonal and non-core category, I think, of course, it's one of the focus of the Company, but we are still very much thinking in terms outerwear. What we want to communicate is, we are the outerwear company. When you think about down jacket, you need to think about Moncler, automatically. This being said, we see the development of these other category as being an opportunity. So we have had a specific development also for the change of season with also more lightweight jackets.

Also, jackets that we call “vuoto”, so the one without the down that have been very successful. And as you know, we are monitoring the change of season store-by-store on a weekly basis. And depending on the results of the different collection and every month there is a new theme with a refreshed visual merchandising in store, that is helping. So, I think, this very close monitoring of the performance store-by-store, the fact of having been thinking about products that are there for the change of season, that is helping current results.

OMAR SAAD: Thank you very much. It’s very helpful. Good luck.

ROBERTO EGGS: Thank you.

OPERATOR: The next question is from Stoyko Moev of JP Morgan. Please go ahead.

STOYKO MOEV: Yes, good evening, thank you for taking my questions. So firstly, I would just like to go back on the pricing element. I appreciate your comment on H1, but given where the euro/dollar exchange rate is heading now, are there any plans for you to take any pricing in H2? This is the first question. And then secondly, you made the reference in the statement about the organic growth rate in Italy and Retail accelerating in Q2. Would it be possible to provide a bit more color on what was behind that? And then lastly, are there any things that we should keep in mind in terms of saving in OPEX going into H2? Thank you.

LUCIANO SANTEL: Okay. About our pricing strategy for second half of the year, honestly, we are not adjusting or changing anything for this season. Of course, the depreciation of US dollar and Japanese yen and all the other currencies is an element of concern for our business, as you know, as for everyone. But we are not taking any change; we are not making any change now to our pricing strategy. For U.K., the U.K. prices have been already adjusted, but this is independent from current euro appreciation…I mean, what occurred in June and July, about the US dollar and Japanese yen.

ROBERTO EGGS: I think there was a question also regarding the Italian market, if I understood correctly. It's our…as I mentioned, it's our most mature market. It's a market where the weight between Wholesale and Retail is now balanced, 50:50. We are still continuing to do some, let's say, cleaning of the wholesale distribution, which is still quite large, but even while reducing some of the accounts that we have in the Italian market, we have been able to grow positively on the Wholesale side. Most and the biggest part of the growth has been coming from the Retail side.

We are, on the Italian market as well as in Europe, more depending, of course, on the tourists. So if you look globally, at the result of Europe, they have been are driven 60% by the flow of tourists and 40% by the flow of locals. The positive elements, but not only for the Italian market, I could say the same regarding France, regarding Germany, Switzerland and U.K., that we have been growing on the local side on the double-digit base for Europe. And we have had a good inflow of tourists, slightly above the, let's say, the results that are disclosed by Global Blue regarding the result of the first half. We have been growing double-digit also on the tourist, still with the largest majority being Asians, especially from China. As you know, the Chinese represent 1/3rd of our sales, they are stable in terms of weight in our portfolio. And the good results have been coming also from other Asian countries, especially from Japanese that have really started to travel again and from Russians that have been coming back into Europe with destination mainly to U.K., France and Italy.

LUCIANO SANTEL: Sorry, your last question was about OPEX in the second half of the year. Am I correct?

STOYKO MOEV: Yes, this is correct, yes.

LUCIANO SANTEL: Okay. So of course, as you know, OPEX, I mean, G&A and all the other expenses in the first half of the year were totally in line with our plan. I don't have any element, any reason why they shouldn't be in line the second half of the year, honestly. I think that based on the current visibility we have, I think that OPEX will be consistent with the first half of the year.

STOYKO MOEV: Thank you very much.

LUCIANO SANTEL: Welcome/

OPERATOR: The next question is from Amelia Hamer of Bank of America Merrill Lynch. Please go ahead.

AMELIA HAMER: Hello, It's Amelia Hamer here from Merrill Lynch. Thank you for taking my question. First of all, I was just wondering, on the performance of Spring/Summer versus Fall/Winter, now forgive me if I'm wrong on this, but I believe that at the end of the quarter, that you do have some Fall/Winter collection that comes into the stores. Can you talk a little about the relative performance of those 2 categories? Because I know you've been developing Knitwear and these new categories and that's been very strong growth, so I'd be interested to hear that. And then secondly, just on the Chinese consumer worldwide, how is that…how is that group of consumers been performing for? Whether you can qualitatively or quantitatively qualify that that would be great. And then lastly, just a little bit of color, if you could, on Mainland China versus Hong Kong and the performance within there, because obviously, Asia Pacific as a region has been very strong, but just to break down those little bits? Thank you.

ROBERTO EGGS: Amelia, thank you for your question. Regarding the performance on the second quarter between Spring/Summer and Fall/Winter, it's still very much linked to the performance of the Spring/Summer. You are right, we plan a first injection of Fall/Winter that is starting second half of May which is very light products. And basically , when you are in June, the vast majority of sales are still driven by the Spring/Summer. It's just in July when we start, normally during the first two weeks of July, to switch from Spring/Summer to Fall/Winter and by the end of July, it's usually at 90%-95% completely Fall/Winter. So the result that you are seeing on the second quarter, they have been driven mainly by the Spring/Summer. And also, as I was mentioning, by some products that have been specifically developed with lighter weight and so on in the change of season to go into the Fall/Winter.

Regarding your question on China, as was mentioned, the weight of our Chinese clientele which is one third of that is totally stable which means that they are growing at the same pace as the total growth of the Company. We have seen an increase of Chinese in Europe, but not only, the performance of Chinese have been also good in Japan and they are now especially in June, coming back to Hong Kong.

Lower performance of Chinese in Korea, but as I mentioned already in the past, we are not really heavily dependent in Korea from travel retail. Usually, travel retail in Korea represent a little bit more than one third of the sales 40% and 60% through local markets, but if you look at our 19 stores, we have only 2 stores that are in duty free, so basically our business in Korea is at 85% local business. So even if the flow of Chinese has decreased in Korea, we have not been impacted, at least not to the same magnitude that the other luxury brands.

Regarding the results of Mainland China and Hong Kong; positive results on both, of course, Hong Kong is still a region that is more difficult. We were positive in Hong Kong, as we have been always since we opened that market. There is probably one exception because some of the brands that are showing better results in Hong Kong, they have being probably losing a lot of business over the past two, three, four years, and we have always been growing. It's slightly positive, but this was prior to the opening of our Canton Road flagship, so I am expecting a rebound of our Hong Kong business towards the end of the year.

AMELIA HAMER: And then just on Mainland China?

ROBERTO EGGS: Just on Mainland Chinese, continue to progress very positively for us. As you know, we only have 28 stores in Mainland China. We always say that the correct figure for us was probably something a figure around 30 stores, so there is a couple of openings that are foreseen in the next 2 years. But the current performance, the like-for-like performance in the existing store has been very good during the first six months of the year.

AMELIA HAMER: Thank you very much.

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

PAOLA CARBONI: Yes, hello. Good afternoon, everybody. I have few questions, the first one, probably a strange question, I don't know, but you shared with us clearly the idea that we should bear in mind the very tough comp base of H2 and Q4 in particular. I would like just to share with you what are the actions you feel you are going to implement which might be differential compared to last year which can give you still additional support and notwithstanding this tough comp. I am referring to, for example, what you did last year in terms of inventory management, inventory centralization. And so just to mention some initiative more on the operations side or if any some specific product you feel particularly confident about that you have possibly stocked more than last year and you feel might be a bit game changer for this season, then…so this was probably more a qualitative question? Then on the working capital side, if you believe such an improvement is sustainable also on a full year basis or if there is anything we should bear in mind? Then, I would like a comment if possible, on the situation of the department stores in the US, particularly with reference to Neiman Marcus, if you have any comment to share on that, and possibly, also some color on the performance of Japan, specifically. Thank you.

ROBERTO EGGS: Paola, I will start with the first question regarding the comp for the second half of the year. You know, the DNA of the brand is very much linked to the mountains and what we have in front of us, it's a mountain, you know, the comp we had for the second half of last year and especially, the last quarter, was very high, and I must say that we will be happy if we could be reporting positive comp for the last quarter and the second half of the year. I think we are doing everything possible to continue. I think the basics of the business, they are solid.

What has been done and what has been delivering good results for the first half of the year is something that we are going to continue, we are going to finish the deployments of our Monclient. I think the current collection is very well-received. We have a firework of openings of store for the year-end. We usually prefer to concentrate the openings on the second half of the year to start with the Fall/Winter season which is much more representative of the brand DNA. I think these are the actions we are putting in place: tight control of inventory, the auto replenishment system now has been completely and fully rolled out. We plan for next year to increase it to some new categories. I think all this in place and is now up and running.

On working capital, I think you take it.

LUCIANO SANTEL: Yes, Paola, on net working capital for the year-end. Honestly, we don't aim to beat the 10% working capital we reported last year. We target now to maintain more or less that 10% because net working capital in the first half of the year was to some extent unusually very, very good. And I think that we don't expect deterioration in the second half of the year, but honestly, I think, that a 10% would still be a very good percent.

ROBERTO EGGS: Paola, as you know, the situation with the American department store is quite tensed are facing a decrease in footflow and turnover. As we mentioned in the past, I think the way we see our business in department stores is that we have still a possibility to improve our visibility in the stores, through the deploying of shop in the shop, but also by moving sometimes on different floors where there is higher traffic and probably better adjacencies. So what we have been experienced on the first semester was positive growth on the wholesale side. As, you know, our business in department stores in the US is, for the time being, purely wholesale, and with the opening of the store in San Francisco, Bloomingdale's will start the first concession. I think the first step into a changing part of this business into a retail operation. I think, the situation is there it is very volatile; it's something that we are following in a cautious way, but so far so good.

Regarding the result of Japan, it has been especially good during the first half of this year. We had some specific product development that has been developed for the Japanese market, some lighter weight. We know that during the summer season, especially during the past few years, they have had a very high temperature with a very high level of humidity, so there have been requests coming from our team in Japan, and we have been developing product that are currently working well. What we have seen also in June is the return of Chinese consumer in Japan, that is, of course, positive and that is contributing to the result we have had during the first semester.

PAOLA DURANTE: Okay, thank you. Thank you very much. Sorry, just the very final one, if there is one. Sorry, it's very late for everybody, I believe.

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

FLAVIO CEREDA: Yes, thank you. So I think you've covered pretty much everything. But I do have a question for Mr. Tieghi, mostly just to make sure he is really there and hasn't fallen asleep. What are you seeing in terms of sourcing new locations, has the landscape changed? Is it becoming easier? Is it becoming cheaper, have you seen any change in momentum compared to say, a year ago or so? Thank you.

ANDREA TIEGHI: Yes, I think that you know, it is not easy, but I think the power of the brand and the fact that now we have more than 190 stores all over the world have given us a better visibility. So I find it a bit easier to look for locations. It is also easier to promote Moncler within the malls in China, also with department stores in US, like Roberto mentioned, we will be able to open the first concession in America in San Francisco. And also, we got some good news because, as you know, in China the contracts have three year duration, and we are able also to get some savings on certain projects. So I can see a better situation than maybe 4 or 5 years ago. I think, it's a good momentum for us to find location, also because we have to always remember that our average size, it's not that big, so it's quite easy for us to combine stores orto get locations that are coherent with our format.

FLAVIO CEREDA: Good to know, good to talk to you guys. Well done again, thank you.

ANDREA TIEGHI: Thank you.

OPERATOR: Ladies and gentlemen, this was the last question.

PAOLA DURANTE: Thank you for attending the call. Let me just remind you that our Q3 2017 interim management statement will be released on October 24, and our silent period will start on September 25. We thank you to have remained until this very late, at least in Europe, and we wish you a very nice summer break.