

Moncler SpA

“First Quarter 2016 Interim Management Statement Conference Call”

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Quarter 2016 Interim Management Statement Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms. Paola Durante, IR 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 Q1 2016 Interim Management Statement. I am Paola Durante, and I am here today with our Chief Corporate Officer, Luciano Santel.

Starting from this quarter, Moncler decided to align its reporting to the new Italian Transparency Directive which in implementation of the European Directive has eliminated quarterly financial reporting obligation. For Q1 and Q3, Moncler will then publish on a voluntary basis an Interim Management Statement providing information on sales trends, while it will continue to publish full financial results for half year and full year.

This, we believe, will assess the business trends in a more comprehensive and precise manner. Furthermore, considering Moncler and its industry business model and seasonality, all the information related to comp store sales growth will be reported at the end of H1 and full year in order to fully incorporate the underlying trends and avoid possible misleading interpretations.

I will therefore today only briefly comment our sales results and will leave more space for your questions to which Luciano and I will answer. Before doing so, 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 and are subject to risks and uncertainties that could cause results to differ, even materially, from those expressed in or implied by these statements. In addition, let me also remind you that we have invited members of the media to participate in this conference in a listen-only mode.

Moving now to Page 4 of the presentation, let me just make a few comments. We are extremely satisfied with Moncler sales results which continue to grow double-digit notwithstanding the demanding base of comparison and sector uncertainties. All regions and all channels contributed positively to these results.

Moving to Page 5 of the presentation, I will make some comments on our revenue breakdown by region. Global expansion continued in line with our long term strategy with international markets now accounting for 85% of total sales versus 83% in Q1 15. We have achieved outstanding results in Asia with all markets contributing positive to the 30% constant currencies growth recorded in Q1 this year.

Americas grew 21% in constant currencies thanks to the positive contribution of both the distribution channels. Performances of all European markets including Italy remained solid despite the challenging base of comparisons and the slowdown in travelers, particularly in some markets, mainly France, Belgium and Italy.

Let's now move to Page 6 of the presentation, revenue breakdown by distribution channel. Both channels showed good performances. In particular, retail sales rose by 22% at constant currencies driven by positive comp stores sales growth. A very good result given the strong

base of comparison and by the contribution of newly opened stores, some of which are achieving results ahead of our expectations.

Wholesale also performed well driven by the good results of the Spring/Summer collections in outerwear but also in the non-core product categories, in particular knitwear, which by the way performed strongly also in our stores, and by a good demand in the North American and European wholesale accounts.

Let's now analyze more in details our performance by region. Moving to Page 7 of the presentation, we start with the focus on the Asia region, which as you know includes APAC, Japan and Korea. Japan, our main market in the region, showed a double-digit performance driven by good organic growth and new space contribution. Mainland China, our second largest market, performed strongly mainly driven by a sound organic growth. We achieved very good results also in all the other APAC markets, Hong Kong, Macau and Taiwan. In Korea, we started to see initial results of the work done since we took control of the region.

Moving now to Page 8 and talking about Americas, both distribution channels have driven performance in the region, in particular our retail revenues have been good notwithstanding a difficult base of comparison and has been supported also by the contribution of the newly opened stores. Canada continues to remain a very good market, clearly still off a smaller basis.

Let's now move to EMEA, Page 9 of the presentation. EMEA including Italy reported a solid 5% growth despite the challenging base of comparison and the decline of tourist flows. We continued to see good performances in all our North European markets and in Germany. Revenues in France have been negatively impacted by the reduction in

travelers. Sales in Italy have been driven by positive performances in both channels; retail and wholesale. The latter notwithstanding some doors reduction.

Before leaving the floor to your questions, let's just now briefly comment on our store network, moving to Page 10 of the presentation. At the end of March, our retail stores reached 175 units. In the quarter, we opened two locations, one in Japan and one in the US. In April and May so far we have opened two further stores, a second one in Japan and last week we opened our flagship in London Old Bond Street that we have some pictures on the presentation.

We confirm that we have 15 locations secured in total for 2016 including the four already opened. We are working also in some important relocations and shop-in-shop openings mainly in North America.

I have finished with the presentation and we leave the floor to your questions now. Operator, can you please 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. The first question is from Anne Laure Bismuth of HSBC. Please go ahead.

ANNE-LAURE BISMUTH: Yes good evening. I have three questions. So, in US, did you have a positive effect from some sales recouping from Q4 to Q1 due to colder weather condition, explaining the strong performance in Q1? My second question is about the performance in Europe and more generally speaking about the change in tourism flow, did you experience any change in tourism flow in Q1? And finally, would it be possible to have an update

about the current trading, especially the performance in April? Thank you very much.

LUCIANO SANTEL: Good afternoon, this is Luciano Santel speaking. About your first question about US. No, there have not been any let's say timing issues in delivery or whatever between the Q4 of last year and Q1 of this year. Q1 of this year has been very good in the US driven by both channels, the wholesale channel that is still performing very well; and the retail channel also because over the past twelve months we have opened an important number of stores.

About your second question, on Europe and the tourism inflow, overall in Europe has been lower than last year and the main cities that have been affected by the decrease in tourism flow are Paris, for the events, the tragic events you know very well, but also other cities also in Italy and in Milan and even more Rome has been negatively impacted by a decrease in tourist flow, mostly coming from Asia, from China. About the current trend, I mean April and May are doing fairly well in line with our expectations and substantially in line with the first quarter.

ANNE LAURE BISMUTH: Thank you.

OPERATOR: The next question is from Fred Speirs of UBS. Please go ahead.

FRED SPEIRS: Hi, good evening. I've got three questions, please. The first is on the like-for-like, I assume like-for-like accelerated against Q4 based on your comments. So I just wondered, if you can give us a bit more color around how like-for-like...where like-for-like parts are accelerated by region, if we compare it to Q4? Second question, just about the retail excellence project, any...if you could share any details around latest initiatives being implemented and how you feel about the progress being made so far with

this? Third question, just around current expectations for the full-year, I think analyst consensus is that EBITDA of €334 million, and I think also expectation still around a mid-single-digit like-for-like. Do you still feel comfortable with those numbers? Thank you.

PAOLA DURANTE: Yes, Fred. Sorry, just one second, your first question was on comp and you asked if there was an acceleration in Q1 vs Q4 and you asked to give a bit more of colors by region, correct?

FRED SPEIRS: Exactly.

LUCIANO SANTEL: Yes, as we said, we made a decision not to provide the comp any longer, but as we said before our comp has been positive in Q1 and this is something I would want to highlight, and it is very important because of the base of comparison with last year was very, very challenging. You may remember that last year we reported +25%. I can say that we are very happy with the positive comp with such a base of comparison. And I mean, all the regions are being performing very well, and this is I think a color I can provide you.

About the retail excellence project, we just held a worldwide summit a couple of weeks ago here in Milan with hundred and hundred of store managers coming from everywhere in the world. The project is being implemented, right now; it is an extremely important project for the Company. We will be all very busy over the next few months in implementing these projects in all the different regions. So the project is first priority of this Company for this year, and we are performing as much as we originally planned.

And about consensus, of course, needless to say now is very, very early to make any expectations about this year, what I can tell you is that, the

assumptions that are on the basis of the consensus of all or most of the analysts are reasonable. And so I can tell you that consensus is definitely as usual very challenging, but the assumptions underlying the consensus are reasonable.

FRED SPEIRS: Thank you.

PAOLA DURANTE: Yes, just a clarification, Fred. We will not report the comp-store sales growth for Q1 and Q3. However, as I said at the beginning of my speech, we will continue to report it on an half year and full year basis.

FRED SPEIRS: No, that's very clear. I was just trying to see if those are around the edges. Thank you.

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

ELENA MARIANI: Hi, good evening, and thanks very much for taking my questions and congratulations on your first quarter results. Still on the like-for-like, actually, more on the total organic growth, and I know you are not going to give any indications. But can we assume that the productivity of the new stores is pretty much in line with what you've seen historically. Just, for us, you know, to calculate it properly the implied like-for-like.. And the second question is on the US market, I was particularly impressed by your performance there, and I was curious to hear your comment about the general environment that you are observing there, especially across your wholesale customers? And the third question is on pricing, how is your pricing architecture evolving, did you make any price increases in the first quarter and can you update us on your price harmonization that you are going to implement during the year? Thanks very much.

PAOLA DURANTE: Elena just...can you just repeat your second question because we couldn't get it clearly..

ELENA MARIANI: Sorry, I am from my BlackBerry. Can you hear me better?

PAOLA DURANTE: Yes.

ELENA MARIANI: I was asking about the US market, and what you are seeing there, because I was particularly impressed by your performance in the region. I mean, your peers have highlighted challenges and a difficult environment both across, you know, tourist locations but also locally, and I was particularly interested in the wholesale channel. Thank you.

PAOLA DURANTE: Thank you.

LUCIANO SANTEL: About your first question, I mean, you know that our business growth has been driven by a solid comp, but also by the fact that the productivity of the newly opened stores has been in line, substantially in line, with the existing stores. Just to answer your question.. Yes, the productivity, the sales density, of the stores we have opened over the past 12 months in 2015, and the stores we opened recently, is in line with the others, and all the stores are performing pretty well. Of course, you know, that we have a pretty short maturity period, normally all the stores or most of them start to perform very well the very first day of business and this has been the case for the stores we have opened over the past, I mean even over one year or couple of years. So yes, productivity of the new stores has been good.

About US; you know that last year the fall season was pretty tough for department stores in the apparel business, I am not talking about Moncler but I am talking about the apparel business, also because the weather and

the fall season was particularly mild, the weather was not good for fall products. Having said that, for Moncler, I mean we suffered a little bit last year, but we saw a very good result in the very first months of this year, also in the department stores probably the leftover, the inventory level, at the end of December was higher than the year before, but they caught up in January, February. So overall, I can tell you that we are pretty satisfied. The, Moncler brand is very strong, and this is the reason why department stores, I mean the department stores we do business with, Neiman Marcus, SAK'S, and the others, are looking with a lot of attention to our brand and they keep developing their business, and we have important projects to further develop our wholesale business with them. For example, as you know, by opening more and more spaces that may properly represent our brand, I am talking about shop-in-shop, which will allow to have a better, not only bigger location, but also more fair for the brand representation of Moncler.

About your third question, pricing architecture, you know very well that last year our price gap between Europe and the Mainland China was very high. And I highlighted this point, because from a business point of view it's important to remind you that last year in the second half of the year Mainland China performed very well notwithstanding such an important price gap. But having said that, we know that price gap was something that had to reduce and this is what we have done in 2016. And in this current season, spring/summer season of this year, the price gap is down to 60%. As you remember, we worked on the architecture of the collection, that means that we didn't touch prices of our carryover products that have been flat as compared to last year. But we worked on the pricing of the new product in order to reduce the price gap to the average of 60% more or less, which is the price gap we used to have in the past before 2015, before the depreciation of the euro.

ELENA MARIANI: Thank you. And just one quick follow-up. So the 60%, is the blended average including carryovers?

LUCIANO SANTEL: 60% is the price gap of the new product; of course, the weighted average is a little bit higher, because as I said before carryover product maintained the same prices.

ELENA MARIANI: Perfect. Thank you very much.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Melanie Flouquet of JPMorgan. Please go ahead.

MELANIE FLOUQUET: Yes, good evening. I was...actually I had a follow-up on Asia linked to this price differential. I was wondering whether you could share with us what you think is happening in Asia for you to manage to do such a good work despite there is still a pretty wide price differential. And Mainland China was holding up so well despite the price gap, why are you adjusting? Is this to address potential grey market issue or their agendas? That's my first question. The second one is on inventories. I appreciate that you are not going to give us this time around, but could you share with us what your view is on your inventory levels, are they sufficient, did you have a much better quarter one than you expected, which means we should be a bit more careful about quarter two, because you don't have inventories, or can you react quickly? And my last question is on the Italian local consumer, could you share with us what's happening there, should we expect the Italian local consumer to have done even better than this plus 5%, and be close to double-digits? Thank you.

LUCIANO SANTEL: Yes, about your first question, the performance in Asia and let me reiterate that, yes, I mean Asia has been performing very well also as we said all markets, I mean Mainland China, Hong Kong, Macau, Taiwan, Japan, Korea, all of them have been positive and performed well. The reason why we are performing well, I think that honestly the strategy that has been implemented over the past years in that region has been good, has been healthy for the brand. And you know that our distribution in all these countries has been and it is still very selective, very limited. We have not opened stores everywhere in this region, so we have even reduced the number of our wholesale distribution. For example, I'm talking about Japan now, where we have still pretty strong wholesale distribution. So I think that the simple reason is that the brand is strong in Asia. The distribution, which is the other face of the coin, is not broad, it's not big. And this in my opinion is the main reason why we have performed well in Asia and again in all the different countries.

About your second question inventory, our inventory level is in line with our plan, but let me tell you that I mean now we see more risk in having too much inventory than in having not enough inventory. Of course, there is the good and the bad in both issues, but in our mind our strategy is that we prefer to miss sales if we don't have enough inventories than to end up with too much inventory at the end of the season.

About Italy, Italy has been performing well. I mean we reported a 5% growth rate, I mean, even if the tourist flow has been lower than last year and again in the two most important cities, we said before Milan and Rome. Having said that, the reason why the business has been growing is that our local customers have been performing well and so, I mean we are very happy with this result.

MELANIE FLOUQUET: Can I just have a follow-up on inventories, your comment that you prefer to have rather too few than too much inventory, this is a general comment or this is about the end of Q1?

LUCIANO SANTEL: No, no, this is a general comment.

MELANIE FLOUQUET: Okay.

LUCIANO SANTEL: And it is not...nothing associated with the Q1. About the Q1, what I said is that our inventory level is in line with our plan. I can tell you that on some categories, for example knitwear, honestly, we are short on inventory. I mean that this is the bad and the good, we see more the good than the bad, because the knitwear, both the traditional knitwear and the cut & sewn categories have been performing very well. So right now, I mean if we look at our online website, you may see some products that are sold out. Again, we are happier than disappointed.

MELANIE FLOUQUET: Thank you.

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

PIRAL DADHANIAN: Hi, I was just curious about your online distribution, actually, could you just provide us an update with how your e-commerce has developed and any other key developments in that channel? Thank you.

LUCIANO SANTEL: About online, in 2015, our online business generated by the Moncler website represented about 3% of our total sales. Important to say that in addition to this business, we see another more or less 3% online business developed by some of our wholesale customers like Mytheresa, Mr. Porter, etc.... But looking only to our own retail online business, it

represented 3% last year. In this year, it's growing very nicely and so, it is expected probably to increase a little bit this percent, this contribution.

From the strategy point of view, you know that we started about five years ago, our adventure in the online business together with YOOX. We recently decided to extend the contracts and the agreement with YOOX for other five years. This decision was based on a decision that they made to invest a significant amount of money in the information technology infrastructure, which, as you know, is a key factor to develop properly this business and to be able to develop in the next future what is critical for this business, which is the Omni-channel. So they decided to develop these important investments and this is the main reason why we totally agree with their strategic decision and we decided to extend the contract.

PIRAL DADHANIA: Thanks and just a follow-up then, when do you believe you are able to start rolling out Omni-channel and in which markets would you roll that out first?

LUCIANO SANTEL: This is something I can't tell you now for sure, but will be in some markets starting in the second half of 2017, not earlier. We will start for sure in Europe and probably in the US.

PIRAL DADHANIA: Thank you very much.

OPERATOR: The next question is from Andrea Randone of Intermonte. Please go ahead.

ANDREA RANDONE: Good afternoon to everybody. My first question is about your new flagship store in London. I wonder if you can give us some more comments about this new opening, which is a very important step this year and also an update about the other two flagship store openings expected

this year, the updated timetable. And the second question is about product categories, you already mentioned that the knitwear has been very successful, especially in this first quarter. Again, if you can give us some indications about what you expect, in the fall-winter collections, might be the importance of this product category and also about the footwear product category, what are your expectations? Thank you.

LUCIANO SANTEL: About London, London has been opened last week, 5th of May. I mean we are quite happy with the results even if it is still too early also because we normally open our stores, important stores in the second half of the year. We are talking about a soft opening, while the grand opening will be in probably September. And so, I mean we are very happy with the results, not only the financial results but also the way that the store came out, about the layout of the store.

About the other flagship stores that we are planning for this year, we are planning Madison Avenue in probably September/October. We are planning Seoul in Korea that will be probably in the same period, September. And this is about our new openings; I mean the flagships that, I mean, can keep us very busy on all the structure, very busy because they are all very important projects.

About the product categories, I mean we are happy with the results of these categories, of course, let me give you more color about this comment because knitwear and the other categories still represent a small amount of our business, which is still for the majority represented by outerwear. But, knitwear is performing well: customers start to ask for knitwear, start to look for our knitwear. And at the end, as I said before the sell through is pretty good, even too much and makes us confident and comfortable also about the project. And so, again we see stronger and important opportunities to develop this project in the future. Giving a percent, we

expect for the fall season honestly something that, you know, will not be significantly different from the past, although it would be higher for sure. But still not material enough to change let's say, the morphology of our business.

About footwear, footwear is a lower category as compared to knitwear. But footwear is performing well also, you may know that we have implemented some tests over the past few months, which include training in our stores to sales people, to be able and to understand how to sell shoes. And in one word to move the focus of this people from outerwear to footwear, and the results have been very, very encouraging, that means that also in footwear we have pretty good opportunities.

ANDREA RANDONE: Thank you, Mr. Santel.

LUCIANO SANTEL: You're welcome.

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

ANALYST: Hi, this is Francesco not Omar. Just one quick question from me, could you please give us some color on the evolution of the split, between new and recurring customers? Thank you.

LUCIANO SANTEL: This is one of the key area we are working on now, when we talk about the retail excellence project. I mean, our repeated customers in the past, but I mean still now, represent a very small amount of our sales, also because we have opened many new stores over the past few years, but, also because we have never paid a specific attention to develop relations with the existing customers. So having said that, I would say that in our retail excellence project, the development of relations with the existing customers in order to increase the contribution of the repeated customers

along our sales is one of the most important areas we are working on. I can tell you that all our retail people have fully understood that this is going to be one of our top priorities for the future. We are already seeing some interesting results. But before providing you with the numbers, we prefer to wait. But for sure, this is one of the most important focus area of this project.

ANALYST: Thank you very much.

LUCIANO SANTEL: You're welcome.

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

PAOLA CARBONI: Yes. Hi, good afternoon everybody. I have a few questions. The first one is about the mono-brand wholesale openings. You mentioned travel retail opening among the ten new point-of-sales expected to open by year-end. So here, just to understand if we can consider the opportunity of travel retail in the wholesale segment for the future as becoming more material, because if I am not mistaken, you usually look to the travel retail business more from retail perspective rather than on the wholesale side? Then, second question is about comps, not so much in terms of the real number which you don't disclose, as you said. But, if possible, I would appreciate kind of ranking of the comps performance for the main markets, in particular within Asia and between Asia and US? Then final question, if I may, is about Japan, which is performing overall very well, as you said. Looking to most recent trends, are you experiencing any change in contribution from travelers to Japan due to currency fluctuations. And in general, if you can comment about the Chinese spending worldwide that you are seeing in the last few months as a nationality overall? Thank you.

LUCIANO SANTEL: Okay, Paola, about your first question, I mean, the new opening and the travel retail we are planning now an opening in Incheon Airport in Seoul. I mean, honestly the way we look to the travel retail business is purely the retail approach because in order to make this business successful you have to look after this business with your people selecting or helping your partner in selecting the inventory. Having said that, it maybe reported under wholesale or under retail depending on how the different airports work. There are some airports that allow you to develop your own store as a DOS with your people ...you are responsible of inventory. Other airports that want to operate the stores themselves. Other airports, like Incheon, where it's in the middle honestly is contractually wholesale but the fact is retail.

So this maybe a good a very strong opportunity to develop our business, also in Korea as, you know, when we talk about travel retail, travel retail is very important in Korea but not only in the airport, but also in downtown Seoul, where there are some department stores that have duty free floors. So whatever will be the business, travel retail is definitely an important opportunity for the business.

About comp, what I can tell you is that, we are happy, but Asia #1. About Japan, Japan and specifically I will say Tokyo, and even more specifically I will say our new flagship store in Ginza has been positively affected by Chinese travelers. I mean, you know, or you may remember that one year ago, one year and half ago, the contribution of Chinese customers in Japan was zero something.

During the Chinese New Year, the contribution of Chinese customers in our store in Ginza was up to 30%, of course, 30% is not the average. But we see more and more Chinese customers coming to Tokyo and to our stores. About Chinese tourists in other reasons and specifically in Europe

as I said before we have seen a decline, even if honestly it is not so material, but for sure as compared to the first quarter of 2015, there has been a decline and mostly in the cities I said before Paris first. But again, on the other hand we have seen an increase, material increase in other regions including Japan, as I said.

PAOLA CARBONI: Overall, you will say that the Chinese Nationality is still growing for you?

LUCIANO SANTEL: Yes.

PAOLA CARBONI: Absolutely, okay thanks.

LUCIANO SANTEL: You're welcome.

OPERATOR: Ms. Durante, Mr. Santel, there are no more questions registered at this time.

PAOLA DURANTE: Perfect, thank you very much to everyone for participating in this call. As usual, if you need any follow up you can reach myself or Anna Rita anytime. Let me just give a quick reminder of the upcoming releases. First half results would be published on July 27; a conference call will take place on the same day; our quiet period will start on June 28. I wish you a very pleasant evening. Thank you to everybody.