# Moncler S.p.A

## "First Half 2019 Financial Results Conference Call"

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Half 2019 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Paola Durante. Please go ahead, madam.

PAOLA DURANTE: Thank you, and good evening everybody. Thank you for joining our call today regarding Moncler first half 2019 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 and Roberto Eggs, Chief Marketing and Operating Officer.

Before starting the presentation, I need to remind you that this presentation may contain certain statements that are neither reported financial results, nor other historical information. Any forward-looking statements are based on Moncler’s current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause results to differ even materially from those expressed in or implied by the statements, many of which are beyond the ability of Moncler to control or to 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. In addition, given the late start of this call, I anticipated that we would make our best efforts to conclude it within one hour. Therefore, I ask all participants to limit themselves to two questions at a time. Finally, I remind you that press has been invited to participate in this conference in a listen-only mode.

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

REMO RUFFINI: Good evening, everyone and welcome to Moncler's first half 2019 results conference call. There are many things I would like to discuss with you tonight, starting from the results that, even this semester, have been above the market's and my own expectations. In order to make our call focused and productive, I will concentrate only on a few important points.

Our Moncler Genius project continues to give us very positive result and insights. It increases brand attraction, it attracts new customers and supports traffic in stores and online. Half of Genius' customers are new clients. They represent an important asset on which we have to leverage in order to make them loyal clients. This is a focus for the organization not only for the retail, CRM, marketing and digital, but also for design and the merchandizing team. We already have evidence that we are moving in the right direction. We are also starting to think of several ideas on how to leverage the projects. It should help us to reinforce our community; the Moncler community.

As our new advertising campaign said: "Genius is born crazy". How crazy were we when we decided to create a jacket from a sleeping bag, or iconic products from down jackets, or when we first launched our Moncler Genius project? Maybe we were a bit crazy, yet, we always had a clear vision and great rigor in execution.

A few days ago, we had the first Moncler Hackathon, a 24-hour long innovation marathon, that brought together more than 450 employees from several nations, of all different ages which we are able to design, not only innovative, but also actionable projects. I was really impressed by the quality of the projects.

In Moncler, we are learning how to invent our future, how to be extraordinary, how to find new ways of working together to encourage the creativity, the talent and the Genius, that is in all of us. I strongly believe that this, along with our strong capacity in delivering goals, will make our Company and our Brand even more unique.

Finally, regarding the results, let me only highlight that 18% growth in revenues in Q2, 9% comp sales stores growth in the semester, all economic result up double-digits, represent another very good achievement. Besides the numbers, what is important and what you don't see, is the quality of people that work in Moncler, their energy, passion, commitment, competence, their culture for innovation and ability to work across functions. I know that there is still a lot to do. The next 6 months are, as usual, very difficult but I believe our path is clear and well traced.

Let me now leave the floor to Roberto and Luciano for some more comments. Thank you very much.

ROBERTO EGGS: Good evening. I am Roberto Eggs. I will comment the results that we have achieved starting by the revenue breakdown by region. It has been a very good second quarter that has been in acceleration with a plus 18%, bringing the total result of H1 to €570 million, which is a plus 13% YoY, in acceleration compared to the first quarter that was a plus 10.6%. Italy showed a very positive trend in Q2, accelerating strongly from the first quarter and with a strong double-digit organic growth in the retail channel. EMEA rose by 15% and had double-digit growth in both distribution channels led by the UK in acceleration and Germany, along with France over performing. Asia and Rest of the World continue to register outstanding results led by the Chinese market, Mainland China, the Japanese market and the Korean market. Japanese and Korean markets accelerating strongly in the second quarter. Americas had a positive performance in Q2 in both distribution channels (wholesale and retail) and in both main markets, which are Canada and the US.

If we look at the following chart, which is the revenue breakdown by distribution channel, we see that both channels have been performing very well. You see that retail has been accelerating from a plus 10% in the first quarter to plus 20% in the second quarter. This has been strongly pushed by the comp sales rise of 9% in H1. Online strongly outperformed during this first semester and has been growing at more than twice the retail pace. Wholesale revenues rose double-digits at plus 12% in H1, second quarter has been also growing by double-digit with a plus 10%. This growth has been led by the Shop-in-Shop openings and airports performance as well as the Moncler Genius launch in the different channels.

If we look at the Mono-brand store network evolution, we see that the total of retail stores is now at 196, which is equal to 3 net openings in the first half. We have opened 5 new stores. We have had one conversion in wholesale, which is a small store that we had in the northern part of Germany, and one temporary closure in the Fiumicino Airport. We still plan to open our 15 DOS this year with 6 DOS openings planned for Q3 and another 6 stores that we plan to open in the last quarter of the year. Mono-brand wholesale store and Shop-in-Shop are now at 60, which is plus 5 new openings in the first semester this year, and we plan another 10 openings. 5 in the third quarter and another 5 in the last quarter of the year, bringing the total number at around 70 for the wholesale and 208 for the retail channel.

I leave the floor to Luciano Santel. Thank you.

LUCIANO SANTEL: Thank you, Roberto. Good evening everyone and thank you for attending our call today. As you know, for the first time we report our financial results under the new IFRS 16 accounting principle which changes the way companies recognize their lease obligations. However, for the sake of clarity and consistency and the continuity in the way we comment our businesses results, we will still comment H1 results excluding the IFRS 16, providing in the presentation, on Page 8, a reconciliation table that shows the impact of IFRS 16 on our income statement. The impact on the balance sheet and the cash flow statement is reported in separate slides in the appendix of the presentation. I'm not going to comment Page 8, but I'm more than happy to answer your questions on this topic, if any.

We can move now to Page 9, where again we report our income statement excluding the IFRS 16 that shows the top line of €570 million with the growth rate of 16% at the current FX and a remarkable gross margin of 76.6%, higher than the 76% we reported in the same period last year, in part because of the channel mix but also because each distribution channel reported higher gross margins than last year. In particular, the retail channel's gross margin was better than last year's because our regular stores performed, and are still performing, better than our outlets.

Selling expenses are at 37%, slightly higher than last year but totally in line with our plan. G&A at 12.6%, substantially in line with the 12.5% we reported last year, and they include all of the investments we keep making in our organization.  Of course, we are working on making our structure and our organization stronger for all the projects we have in our pipeline.

Marketing is at 7.5%, slightly higher than last year, but only because of a timing effect.  We still expect for this years end the same 7% we reported last year.

Stock-based compensations are at 2.9%, higher than the 2.5%, but again only because of a timing effect.  We expect by then end of the year, to spend more or less the same amount we spent last year, that is: in the region of €30 million and with, hopefully, a lower impact on our revenues.

EBIT is €94.6 million with 16.6% margin, a little bit lower than the 17.4% we reported last year, but of course, with the timing impact on the two items I told you before, it would have been very, very close to the 17.4% we reported last year.

Net income was €71.3 million with the same 12.5% margin of last year. Last but not least, our EBITDA, which is a metric that is probably becoming meaningless under the new IFRS 16, but it is still an important metric for the management team and I believe also for the market was €143.6 million with a 25.2% margin against the 25.1% we reported last year.

Let's move now to the next page, Page 10, where we report CAPEX. CAPEX at the end of June was €41 million, increasing the amount compared to last year where we reported €34.5 million. Something important to highlight again, the allocation of the budget is more and more allocated towards our corporate investments. We still spent €17 million in our retail network and increasing amount of our CAPEX is allocated in what we call corporate which includes as you know, information technology, logistics and the important new e-commerce website we implemented in Korea. As you know, the project started last year and the new website in Korea is up and running since June, hence it started about one month ago. In all very, very good results. It is important to highlight and to anticipate, that we are spending much more in the second half than what we reported for the first half and we expect for the year's end a total CAPEX amount in the region of €115 million.

Let's move now to Page 11, net working capital, which reports a 5.5% of revenues and is slightly higher than the 4.8% we reported last year. Still I can say very, very healthy net working capital with a very good credit control and very good inventory management. I have nothing to add.

Let's move now to Page 12, where we see our net financial position. It is positive for €395.7 million and includes a gross cash of €490.5 million. Of course, important to highlight the impact of the new IFRS 16, of €562 million, and which makes the net financial position negative for €166.2 million.

We can now move to Page 13. Well honestly, I don't have any comments on the balance sheet unless, of course, you have questions. Last slide with a few comments is at Page 14, the cash flow statement, where we report a free cash flow of €71 million, higher than the €66 million we reported last year and with the net cash flow negative for €54 million, impacted by the over €100 million dividend distribution and the buyback program we implemented in late January of this year.

I'm done with the presentation and we are now ready to answer your question. Thank you.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver while asking questions. Anyone who has a question may press "*" and "1’ at this time.

The first question is from Elena Mariani with Morgan Stanley. Please go ahead.

ELENA MARIANI: Hi, good evening, everybody. I'm going to limit myself to 2 questions. The first one is on your like-for-like trend in the second quarter. I calculated a like-for-like in Q2 in the high teens, I hope it's correct. I guess this is partly due to an easier sales density comp-based in the second quarter, but could you perhaps elaborate a little bit more on the underlying drivers; was it Genius and Palm Angels attracting a lot of traffic to your stores or was it more of a contribution from your spring, summer products? Any sort of color would be highly appreciated and perhaps also a bit of help on how to think about the like-for-like profile the rest of the year, given the difference in sales density across the different quarters. Also on current trends as well as what you've been observing in the third quarter so far.

And my second question probably is for Mr. Ruffini and Mr. Eggs. I was hoping to get their opinion on this large debate we have in the market around the large conglomerates in luxury winning against the mono-brands. This is a very clear trend probably because of their ability to attract talent or to leverage investments across several brands, but Moncler seems to be an exception. Could you tell me your opinion about why Moncler is an exception? Do you see a future also for mono-brands in this industry? Thank you.

ROBERTO EGGS: Good evening, Elena, it's Roberto speaking. We'll give you some flavor on what's happened in terms of like-for-like for the second quarter. As you rightly mentioned, we have seen an acceleration in Q2 also because in Q1 we had a very, very high base on comparison. The second quarter was also high, but not as high as the as the first one.

I think we have many reasons to explain this. It's a mix of these elements that have been showing this acceleration. First of all, very good results for the spring/summer sales that we had both in wholesale and also of course in retail, if we talk about comp. We are going to finish the spring/summer collection with the highest sell-through we have had in past 4 years.

Of course, we have been helped also by having a Genius collection that was present in Q1 while last year Genius only started in June, so this year we benefit from the Genius launch both in April and in May, this has clearly helped to drive traffic to stores.

And the third element is the calendar effect of Easter that has been slightly penalizing the month of March and that has helped the results of the months of April. These 3 elements combined explain this acceleration of the like-for-like in Q2.

To give you some flavor on the Q3, we are currently in line with the comps that we have had for the first semester and with stronger launches in terms of Genius that are planned for the months to come, so we remain confident.

REMO RUFFINI: Honestly talking about the big groups around the world, especially in our industry, I understand they are very strong but we have discussed this at length in meetings around this exact table and we really feel very confident to stay alone. We really feel our strategy is very different from any other company. We feel we are quite unique, and our uniqueness for sure helps us talk to our customers.

Having said that I don't feel like we can gain big advantages in being part of a big group except maybe some real estate. I think it's more about good strategy. We feel as we say the uniqueness. We changed our business a lot in the last couple of years and we feel very good.

ELENA MARIANI: Thank you very much.

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

SUSY TIBALDI: Hi, thank you for taking my question and congratulations on the amazing results. Can I ask one more thing on the like-for-like? So Q2 was really strong and I was wondering if there was a specific product or category, which you think really helped to drive this growth?

Secondly, I wanted to understand a little bit better the OPEX because you have been very clear in flagging for, I would say at least 6 months, that H1 last year obviously the like-for-like was amazing and so you cannot reasonably expect to have the same level of leverage and that was very clear. But still if I look at the selling cost specifically, I can see that in H1, they were growing faster than the pace of the retail sales. So I was wondering if there was anything to keep in mind, like any phasing or rent or personnel or anything else that you can comment on. That would be very helpful. Thank you.

ROBERTO EGGS: Good evening, Susy. Regarding the like-for-like and the growth per category, as you know, the spring/summer is less dependent on the outerwear. We have the other categories that are usually, especially for the men, looking much better; cut & sewn, what we call the T-shirt and the polo are clearly categories that are performing well and that are helping to increase the unit per transaction that we have. The good performance we've had on the spring/summer and as we always say, we see room to grow further during the second quarter in the future and it is part of the explanation of the growth of this category. The fact that we are now putting the best sellers in the cut and sew and in the T-shirt and the polo in auto-replenishment has helped to improve the total sell-through of the spring/summer collection and has helped overall the like-for-like.

LUCIANO SANTEL: Hi, Susy, regarding your second question of selling expenses; as you stated, last year our selling expenses were particularly good, particularly low, and this was because our top line growth was driven mostly by a very strong retail organic growth, which made our stores productivity particularly strong.

The main difference is in productivity, but again this year was okay. Last year was unusually very strong. Another impact which is minor, but important to highlight is that in our selling expenses we also report the impact of D&A, depreciation and amortization, of all our construction costs and this year the impact is higher than last year because of the important CAPEX we have reported over the past few years.

This is the explanation, but again 37% is totally in line with our plan and the 36.2%, you may remember if you look back at the first half of 2017, last year was lower than the year before, which is honestly quite unusual.

SUSY TIBALDI: Thank you. For the rest of the year, is there anything that we have to keep in mind or can we just expect to be in line with last year's H2?

LUCIANO SANTEL: In line with the last year's H2, yes.

SUSY TIBALDI: In terms of percentage of sales, yes. Okay.

LUCIANO SANTEL: Yes, I think it's a good guess.

SUSY TIBALDI: Okay. Thank you.

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

JANET KLOPPENBURG: Good evening everyone, and congratulations on a great quarter and a great half. I was just wondering if you could give us a little bit more metrics regarding the like-to-like, it sounds like the UPTs were nice, I was wondering about ASP trends. Also, overall, as we look forward, what pricing might look like, you anticipate that there will be a lift in your average selling price as we go into the fall season? And secondly, I was wondering if you could talk a little bit about the U.S. market. You had a nice gain there, but the smallest of all the regions, and I think it's pretty volatile. Could you perhaps give us an outlook for the region both on wholesale and retail basis, looking forward? Thank you.

ROBERTO EGGS: Thank you, for your question. I don't know if I correctly understood your first question regarding the like-for-like under different metrics that we have. Basically, we have seen positive metrics on all elements of the store has increased middle single-digits. We have had an increase also in the conversion rates.

PAOLA DURANTE: Sorry. There are some noises.

ROBERTO EGGS: I think now it is back to normal. The average selling price has been in line with the result of the first half of last year. This is explained by having a much higher level of non-outerwear. We are happy to have these results. In terms of average selling price, it has increased. Basically, the unit per transaction that has been driving the higher comp. We are now overall for the first half at 1.41 coming from 1.04 in 2015. Year-after-year, semester-after-semester, we have consistently increased our average transaction. Usually the UPT goes slightly down in the second semester having more sales, driven by your higher selling price from the outerwear and a little bit less of the other categories. However, we expect an increase compared to last year.

Regarding the result of the American market. As you know, there is some turmoil in this market regarding especially American department stores. There we have had some positive results driven by the fact that we have started conversion of Bloomingdales stores. We had the first conversion in June this year with 2 new openings on the ground floor that are planned for the second half of the year. This is picking up a little bit especially during the second semester, we'll see some business shifting from wholesale into retail, where we believe that we can probably provide better results by managing that directly. We have 2 other openings with Bloomingdale that are proceeding for this year. And we are currently actively working with Holt Renfrew in the Canadian market to drive some conversion during the first semester 2020.

The results in wholesales have been also impacted by the current, news that we have had on Barney's. We don't know, if they're going to fill the Chapter 11. We have had some discussions internally and took the right measures to protect our sales and our investments. In terms of credits, we are fully covered but this has resulted, especially in the month of June, in some delays in the delivery of the fall/winter collection, both with them and with Neiman Marcus that has probably shown some slowdown and the results that were expected in June. But we hope that we can recover these results in July and August.

JANET KLOPPENBURG: The impact of that changes your outlook for the wholesale business in its entirety for the second half of the year?

ROBERTO EGGS: For the second half, what we have is one change, which is the store that is in New York on 5th Avenue. It's a shift of part of the business that is going to have a positive impact on retail revenues and the 2 openings that are foreseen in the last quarter of the year. So I think that we are going to see a positive impact in the North American market more in the first half of next year with already maybe some acceleration towards the end of the year, but it remains a market with much higher volatility than the other ones and also the political tensions with China are not helping to drive tourism in the U.S. Hence, it has more of a local market than in the past and we are benefiting less from the Chinese traffic.

JANET KLOPPENBURG: Thanks so much.

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

ANNE-LAURE BISMUTH: Good evening, I'm Anne-Laure Bismuth from HSBC. I have 2 questions. The first one is on the contribution from new spaces in Q2. Is it fair to assume that it was around 2/3%, based on the comments you made on the like-for-like performance for H1 and also for Q2? Is it fair to assume this or how should we think about the space contribution for the full-year? I know that in the past, you mentioned high single-digit contribution, but could it be below given the low conversion for new space that we saw in H1? The second question is about the performance in Hong Kong. Have you been impacted by the protest in June, and if you can give us some comments about the situations there? Thank you very much.

LUCIANO SANTEL: Hello, this is Luciano. The space contribution for the first-half was about a 6% and a little bit lower than what, as you correctly stated, we normally plan and we anticipated for the year-end. Honestly, I believe that we will improve this space contribution in the second half of the year. We still maintain our indication for the year-end of a high single-digit space contribution.

ROBERTO EGGS: Maybe I can add some flavor to what Luciano just said. As you know we on purpose plan our expansions, refurbishments, relocations and openings of stores usually in the third and fourth quarter because they are where we think we have the better start having the full fall/winter collection in place. If I look at this year, we have had roughly 30% of the openings during the first half of the year, we still have two-third of the openings and relocations left for the third and fourth quarter of the year. Some of these openings or relocations are major. I am thinking about the flagship store in Munich Maximilianstrasse that is going to open in November this year, some other relocations are the very important stores in the Japanese market, Isetan and Matsuya where we finally signed an agreement with them to double the space, or Kobe Daimaru or Osaka Daimaru still in Japan. We have another one where we are finally going to get the ground floor in Hong Kong in Sogo. I think this positive news and elements are comforting us on the fact that we can achieve the result that we cannot just explain.

Regarding Hong Kong, we have had an acceleration in sales in our Hong Kong markets in the second quarter of this year, and I must say that with the opening of the Sogo ground floor store, we are confident for the result of the year and a small slowdown in traffic linked with the political protest that we have seen lately, but overall a positive growth in Q2 for Hong Kong.

OPERATOR: The next question is from John Guy with Mainfirst. Please go ahead.

JOHN GUY: Yes. Good evening. Thank you very much for taking my questions. One for Roberto, please. In terms of e-commerce engagement and thinking about what you have done on social media, certainly looking at some of our metrics you had a very, very strong uptick in terms of Instagram engagement; Google trends were very supportive as well. So what have you been doing to drive this, besides obviously Genius? Is there anything else that you can point out, in particular where you think you had an exceptional success in driving social media in traffic, either through your e-commerce platform and certainly into the stores via that particular channel? Remo, if I could ask you a question just with regards to not necessarily being part of a larger group in the future but whether or not you believe there are some other brands out there that you find interesting, whether it is especially in dyeing or outerwear or whether they do something slightly better or equivalent to your expertise. I'm thinking of Stone Island as one example. These are types of brands that if you are looking to potentially leverage the kind of expertise and know-how that you have already could make strategic sense. Thank you.

ROBERTO EGGS: Good evening, John. First on the e-commerce part and the digital social media part. I think the changes we have seen have been mainly brought by the launch of Genius in June last year. As you know, social media is in a way a battle of content. You need to have something to say on a regular basis, almost on a daily basis. We have changed the way we are getting prepared. We are leveraging much more on each launch. We go on behind the scenes, for example. I think that the new campaign featuring Will Smith is also going to give us some additional visibility and acceleration on that matter. Finally, we have been really shifting now the media spending that we have, where we had an increase up to 50% on the digital media investment and on top we brought in a Chief Digital Officer that is also helping us improve and we are learning every day.

The impact has been very good on Instagram which is the focus we are having on the social media, but if I am looking also at the e-commerce side we have seen an acceleration compared to last year where we have seen higher conversion rates, lower bounce rates, so people are staying longer on our website, and we have had less returns. Overall all the metrics on the e-commerce side are positive. We think also that the experience, the knowledge and the know-how we are currently acquiring with the launch of the current market are going to have further positive impact on the culture and the know-how internally in Moncler regarding both social media and e-commerce. It is clearly a very strong focus that the Company has now, and I think referring to what Remo was saying at the beginning the Hackathon, has been another accelerator in developing this internal culture and the digitalization of the Company.

JOHN GUY: Roberto, is it also fair to say that the success of Genius is also driving, new customer traffic into stores, but also who engaged and maybe buy something via Genius they then come back and this loyalty is also being driven out towards some of your mainline collections so you are getting almost a double benefit, if you like, in terms of driving that.

ROBERTO EGGS: I think you are completely right. We always say that for us Genius is the first digitally native project of the Company, it has been at the same time, something that is developing content for communication but not only for the Brand but also for the store. They have something to say now on the weekly basis, we have really accelerated the number of events we do in store, the appointments we have that are driven by our client advisor and clearly this is helping to further improve the metrics of the stores, the traffic, the conversion but also the loyalty that continues to improve.

JOHN GUY: Thank you very much.

REMO RUFFINI: Hi John. Yes, I think there are few interesting companies on the market. I don't see many, especially of reasonable size. The one you mentioned for example, Stone Island, I think it's a very good brand, but I have always said that, especially in the last 12 months, 15 months; I really feel Moncler is like a startup company, you know, we really changed business model we really changed the approach basically in every area in this Company starting from supply chain, to the marketing and retail. I really feel a lot of energy in this Brand and I really feel that we have many things to do. We really feel that can build one of the best modern companies in this market. We want to be very concentrated and we honestly feel really good about continuing to develop these new ideas, this new way to work will continue to improve energy, in the people in the Company management and also in our customers. We feel we are quite unique in the luxury world. We want to continue to develop this idea. Having said that, at the moment we don't see anything honestly interesting for us but the door is open. We will always watch around the market.

JOHN GUY: Okay Remo, grazie mille. Thank you very much.

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

PAOLA CARBONI: Yes, hello. Good afternoon everybody. I have very short questions. One is in terms of nationalities if you can provide us with a bit of color on what you have seen specifically in Q2? Secondly, in terms of current trading, you mentioned for July a trend similar to the H1 in terms of comps, so is it something similar to plus 9%. I just want to be sure I correctly understood, and if so, I just wanted for you to elaborate on if you have seen any slowdown in the last few weeks compared to the start of Q2. Thank you very much.

ROBERTO EGGS: Good evening, Paola. One point regarding nationalities, they are pretty balanced. As we have said, the Chinese they remain our #1 nationality. We have seen a slowdown of Chinese in the American region, but at the same times Mainland China, which is the bulk of our Chinese customer purchases Moncler goods, is continuing to perform very well, higher than the average for Moncler in H1. We have seen also an acceleration of the Chinese in Europe, especially on the Italian market and in England. Slowdown on the French market because as you know, with events like the yellow vests, it usually takes between 3 to 5, 6 months for the Chinese traffic or Chinese travelers to go back to normal. The Japanese market continued to perform very well. We have seen an acceleration for the South Korean market and the local markets in Europe are performing very well. So, I see something that is very balanced and still a very strong demand from the Chinese market.

Regarding the current trading, honestly the big part of the year is in front of us, we could see a trend that is not slowing down but as we usually say the mountain starts from September. The peak is in September till the end of the year. So, we are confident, but there is still a lot to do till the end of the year.

PAOLA CARBONI: Just a follow-up, I forgot the question, regarding Genius. I wanted you to comment, if possible, on how the June launch performed, which was the first chance to compare with last year basically, so annualize this Genius project. If you can elaborate on what you have seen in June.

ROBERTO EGGS: So, Paola you are not sticking to the two-question rule, nonetheless, I will be pleased to answer your third question regarding Genius. I think it would be a mistake to compare year-on-year the different launches, because each launch has different targets and we know that we launched our couture collection with Pier Paolo Piccioli, and we are not expecting the same sales that we have with Fujiwara Hiroshi when we sell Fragment. So, we will comment more on our 2 latest launches, one is the one of Simone Rocha where we had the launch in an event both in Paris and in Seoul (Korea) and the other one with the very strong launch that we had the month before with Palm Angels. And I must say that if we think about Palm Angels, which was a volume driver, we have had results that have been above expectation.

Strong results in both, although with different targets, in the latest Genius launches; something much more sophisticated for Simone Rocha, more in line with what we had in the past with Gamme Rouge, and something very energetic, for a younger generation and very successful with Palm Angels. We have seen a crowd that we usually haven't seen in Moncler for many years. With the strong performance of both the outerwear and the cut & sewn, most of the items regarding Palm Angels, sold out within the first week. So, we are confident about the further launches that are foreseen for this year and we will continue now with them an agenda that is really full and we will bring back all the collection of the spring/summer and of the fall/winter season in November this year on the 7th, where we will have not 2 but 3 House of Genius, one in Omotesando in Japan, another one, for the first time, with Galleries Lafayette on the Champs-Elysees and the third one, here in Galleria in Milano, where we'll open our flagship store next year. This will be reinforced by around 10 shop-in-the-shop in department stores and in wholesale partners supported with e-commerce. Again, a very strong energy is expected this year and will change. We have slightly changed the timing of the house of Genius; last year they were October until December, this year we will bring them from the 7th of November, until the end of January. So, even more in our peak season.

PAOLA CARBONI: Okay. Thank you very much.

OPERATOR: The next question is from Melanie Flouquet with JP Morgan. Please go ahead.

MELANIE FLOUQUET: Yes, good evening. Thank you for taking my questions, I have a first clarification. You mentioned space growth in H1 was 6% but you've given a like-for-like, that implies the calculation is at 4%. So, I am just trying to clarify if this 6% is related to the true space growth and that the 4% is not telling the same story because of the outlets included in it. I am just trying to understand what you are talking about when you talk about 6% vs. 4%, whether we had the wrong rounding in the like-for-like and in the total organic retail sales. That's my first question.

The second question I had, is regarding your D&A as you rightly pointed out, it's going up due to the CAPEX spend of the previous years and also the non-recurring charges is going up, which is your long-term incentive plan, how should we think about those lines moving forward? Should we expect it to grow more in line with sales if that continues to weigh on the profitability and then compensated elsewhere? Thank you.

LUCIANO SANTEL: Hi, Melanie, about the space growth contribution, the 4% is the difference between the retail and also in the comp, but of course, you know, that the comp is related only to regular stores, outlets performing less well (still fairly well) but less than regular stores. The real space contribution is what I said and it is 6%, which again is lower than what we normally plan for the year end and we still plan to do better in the second half hence, we still maintain the high single digit. This is the explanation.

About your second question on the higher D&A. The impact of D&A is higher in the first half and it will be a bit higher in the second half, and in the year's end than last year, and last year was higher than the year before. You know, this is something that is totally incorporated in our plans, because as I said, before as you correctly stated, our CAPEX, the CAPEX I mean we made over the past few years are having an impact on our D&A, which is growing, of course, not materially honestly, but of course, talking about the selling expenses that incorporate the D&A of all the investments that we have made in our retail network of course in that specific item, there is an impact that is not a big impact, but when I answered the question before, I highlighted that this is a small impact.

About the stock-based compensation, the timing in this item is very particular, as I said, we expect for this year to spend exactly the same, about €30 million, which is the same amount we spent last year. Of course, the impact of the €30 million this year on our expected sales is also lower than last year and probably lower than 2%. I am not sure, if I answered your question.

MELANIE FLOUQUET: Yes, you did. Thank you.

LUCIANO SANEL: Okay. Thank you.

OPERATOR: Gentlemen, there are no more questions registered at this time.

PAOLA DURANTE: Perfect. We thank everyone for participating in this late call, and just to give you a quick reminder; Q3 2019 interim management statement will be released on October 24th and our quiet period will start on September 25th. I don't have much more to say besides that, if you have any follow-up question, we are ready tonight, tomorrow or any time. We wish you a very nice summer break. Thank you everyone. Bye.