Moncler S.p.A.

"Nine Months 2024 Interim Management Statement Conference Call"

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ELENA MARIANI, STRATEGIC PLANNING AND INVESTOR RELATIONS DIRECTOR

OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler Nine Months 2024 Interim Management Statement 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. Elena Mariani, Strategic Planning and Investor Relations Director of Moncler. Please go ahead, madam.

ELENA MARIANI: Thank you operator and thank you all for joining our call today. The Interim Management Statement call is hosted by Luciano Santel, Chief Corporate and Supply Officer and by myself. I will start providing a brief overview of our results and then Luciano and I will be happy to take your questions.

Before starting, 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 Group current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause results to differ even materially from those expressed in or implied by these statements, many of which are beyond the ability of the Group 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. Finally, I remind you that the press has been invited to participate to this conference in a listen-only mode.

Let's now move directly to Page 3 where we briefly comment the Group 9 months revenue development focusing on growth at constant

FX. In the first 9 months of the year, the Group generated €1.87 billion of revenues up 6% year-on-year with Q3 at €636 million down 3%.

The Moncler brand was up 8% at constant FX in the first 9 months and down 3% in Q3 which remains the largest wholesale quarter in the year, so the one with the channel mix mostly skewed towards wholesale. Stone Island revenues were down 5% at constant FX in the first 9 months and down 4% in Q3 with a strong double-digit positive DTC and a negative wholesale channel as our focus remains on elevating the quality of our distribution network.

Now moving to Page 4 of the presentation, I would like to highlight some key Moncler brand initiatives launched during the course of the third quarter. First, the collaboration with LoveFrom which marked the first-ever outerwear product creation by Sir Jony Ive, the historical Apple designer. We're very proud to have worked with him, a true design legend, and the products have been extremely well received particularly in the US. The collection included three very sophisticated shell jackets that connect to a central Moncore down jacket with the help of a magnetic button, the symbol of the collaboration which you can see in the picture. Secondly, the launch of the Fall/Winter 2024 Moncler Collection, accompanied by a very strong campaign shot in Paris. The products, the fabrics, the textures are bringing a clear sense of sophistication, capturing the essence of Moncler's wide range of timeless offerings.

Moving on to Page 5, let's focus also on Moncler Grenoble, as we always try to balance the 3 dimensions of the brand. As you might recall, Moncler Grenoble is now an “all-year around” dimension. In fact, this year we launched our second Pre-Fall collection inspired by outdoor lifestyle, trekking, and hiking activities. Finally, we launched the first eyewear collection for Fall/Winter 2024 under the exclusive licensing agreement with EssilorLuxottica, which we had signed in November 2023. This partnership, as you might remember, encompasses the design, production, and global distribution of Moncler eyewear. So this is the first of many future launches in partnership with them.

Moving on to Stone Island on Page 6, let me highlight a couple of important initiatives launched in Q3. First, we unveiled the next chapter of the "Community as a Form of Research" project as distinctive members from the Stone Island global community were captured in archival icons and signature items from the new Fall/Winter collection. In the new campaign, we featured personalities from the worlds of music, entertainment, sports, and art, including Liam Gallagher, Philippe Starck, and even Peggy Gou, our first ever female ambassador. We're very happy about this campaign that has been enhancing the brand's visibility globally.

Secondly, over summer, we introduced the new Stone Island website, fully aligned with the brand DNA and its philosophy. The site was entirely rebuilt to create a truly authentic Stone Island experience, and all the technical capabilities and operations were brought in-house, so all the aspects of our e-commerce business are now fully internalized, in line with our ongoing efforts to take control of our distribution channels.

Now, let's focus on revenues, starting with the Moncler brand on Page 7, where we analyse the performance by region. The first consideration is that in all the 3 geographies, the DTC channel continued to outperform the wholesale channel, so this is true for Asia, EMEA, and also Americas. Starting with Asia, that as you know includes APAC, Korea, and Japan, revenues in this region decreased by 2% in Q3 due to more challenging macro conditions affecting consumer confidence in the whole region, and also a normalization of tourist flows into Japan following the appreciation of the local currency.

In EMEA, revenues were down 3% in Q3, mainly due to a decline in the wholesale channel. The DTC channel instead remained in positive territory, but it was impacted by a sequential deceleration in tourist inflows into the region, and also by a weak direct online channel. And finally, the Americas region was down 6% in Q3, where the sequentially weaker performance compared to Q2 was entirely due to the wholesale channel, while DTC trends remained broadly aligned with what experienced in the previous quarter.

So, moving on to the revenues by channel on Page 8, the DTC channel in Q3 was flat year-on-year, impacted by more difficult macro conditions that affected consumer confidence in several markets, but also impacted by a relatively weak performance of the direct online channel, which underperformed the physical retail channel in all regions. The wholesale channel instead was down 9% in the quarter, with Americas being the weakest region. Here, revenues were impacted by challenging market trends in the wholesale channel, but also, even more importantly, by the ongoing efforts to upgrade the quality of our distribution network. I also wanted to stress that the guidance for the year in terms of development of the wholesale channel is unchanged. We continue to expect for the Moncler brand a decline of the wholesale channel in the region of high-single digit, somewhere between -8% and -9% at constant FX. And, as mentioned earlier, Q3 is still the most significant wholesale quarter in the year, so the quarter where the share of wholesale is the largest. However, if you look at the big picture and at the development of the channel mix for Moncler, you can notice that, compared to last year, in the first 9 months we have gained further 3 percentage points in the mix in favor of DTC, and we expect the positive channel mix to continue.

Now, moving on to Stone Island regional trends on Page 9, you can see that Asia revenues grew by 17% in Q3, driven by a continued strong performance of Japan, boosted in particular by local consumption. When looking at Korea, trends improved compared to Q2, but remained relatively soft. And finally, China and the rest of APAC slowed down sequentially due to a more difficult macro backdrop. EMEA revenues were down 6% in the quarter, but this masked a very decent performance of the two channels. DTC continued on a very solid double-digit growth trajectory, while the wholesale channel declined due to the actions taken to improve the quality of our distribution. And same for Americas, which saw a decline of 28% in Q3. The positive performance of DTC, which accelerated sequentially compared to Q2, was more than offset by the ongoing decline in the wholesale channel.

Looking at trends by channel on Page 10, you can see more clearly the different development of wholesale vs DTC. In Q3, DTC was up 28% for Stone, with revenues up double-digit in all regions, with Asia outperforming. Wholesale instead was down 19% in the quarter, negative in all regions, and impacted both by the still difficult market trends in this channel, but also, even more importantly, by the very strict volume control, which we adopt to continuously improve the quality of the network. Also, for Stone Island, the guidance for the year in terms of development of this channel is unchanged. We continue to expect a high-teens decline in wholesale revenues for FY 2024, just a touch less than -20% at constant FX. And let me take one second to highlight also for Stone Island the ongoing evolution of the channel mix, with DTC now accounting for 46% of revenues, gaining more than 10 percentage points compared to the first 9 months of last year.

Finally, let's briefly examine our store network on Page 11. At the end of September, the Moncler DOS store network reached 285 units, a net increase of 8 units compared to the end of June, including the opening of Suzhou Matro and Wuhan SKP in China, as well as the relocation of our Royal Hawaiian store in Honolulu. And for these last two, you can see some beautiful pictures on Page 12 and 13. The Stone Island network instead counts 91 stores, and this quarter, we would highlight in particular the opening of the Shanghai Taikoo Li Qiantan store, for which you can see some pictures on Page 14.

I'm going to stop here now, and I will hand over to the operator for your questions. As usual, I kindly ask you to stick to a maximum of 2 questions per person. Operator, feel free to open the line. Thank you.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their session telephone, to remove yourself from the question queue, please press "*" 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 Melania Grippo, BNP Paribas. Please go ahead.

MELANIA GRIPPO: Good evening, everyone. This is Melania Grippo from BNP Paribas. I've got 2 questions. And the first question. You reported the flattish trends in retail. I was wondering if you could tell us what do you see after the start of Q4 in terms of current trading? And my second question is on the Chinese and Mainland China. How has the Chinese cluster done in Q3 and also Mainland China? Thank you.

LUCIANO SANTEL: Hi, Melania. Thank you for your question. About the trend of our DTC channel in Q3, we reported a flat result. That honestly, of course, is quite disappointing. In the month of July, the business was, let me say, not bad, substantially in line with the second quarter. But then it started to deteriorate, significantly deteriorate, at the very end of July.

And deterioration continued through the month of August and September. September a little bit better, but only because, when you compare it with last year, the comparable base was easier. But again, in all the different regions, the business was not particularly strong.

The only exception important to comment was Japan. Japan was positive, but it was much better in July, quite strong in July, good in August, but much, much less in September because the price gap that was about 5% in July, at the beginning of August, due to the revaluation of the Japanese yen, became flat. So, in September and also now, there is no price gap between Japan and China. And of course, this made less convenient shopping in Japan than before, than in July.

Then talking about the current trend, there are no significant comments, honestly. And this is because there are no significant variations as compared to Q3. The only comment I feel it is important to make is about China, the Golden Week, the very first week of October, that was good and better than last year.

Of course, we're talking about one week out of the 13 weeks of the quarter. So, totally meaningless from the business point of view, but again, quite important for us because it's once again a demonstration that our brand in China is very, very strong.

And talking about China specifically, business in China in the quarter was slightly negative, honestly, not that much, but the Chinese cluster was positive. So Chinese clusters grew in Q3, of course, not as much as in the previous quarters, but it was positive, thanks to the Chinese customers shopping in all the different regions, including Japan, as I said before, and contributing to the good performance of Japan, mostly in July and August. But not only Japan, also Korea and also Europe, less than what we expected, less than what we hoped after the very strong performance of Chinese customers in Europe in Q1, but better than last year. So overall, the Chinese cluster was very good.

MELANIA GRIPPO: Thank you very much.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Chris Huang, UBS. Please go ahead.

CHRIS HUANG: Hello, hi, it's Chris from UBS. I have 2, please. The first one: just to come back on the comment you made on the Chinese cluster. If I got it correctly, your comment was that the Chinese cluster globally was still positive, still growing in Q3. So, my first question would be, and then how about the other clusters, excluding the Chinese? Because if I looked at my model, it kind of suggests that the other clusters are probably in negative territory. And can you kind of help us understand which kind of clusters slowed the most? Is it the Europeans or the Americans? That's my first question.

And then secondly, I know you don't like to comment on a quarterly basis the breakdown between like-for-like and space, but if I look at the retail store network of your Moncler brand, it seems like the pace of opening picked up a little bit in Q3 compared to H1, especially in Asia. So, are there any maybe qualitative color you can give around the kind of like-for-like and space breakdown for Q3? And kind of related to that, I think your previous guidance for space for this year is going to be around mid-single digit to high single digit. So, wondering if you have any update on that as well. Thank you very much.

LUCIANO SANTEL: Okay, thank you for the question because actually I commented that the Chinese cluster was positive, but other clusters were not. Korean cluster was negative and the Japanese cluster was negative, notwithstanding the good performance of Japan. But again, the business in Japan was driven for a significant part by Chinese customers coming to Japan, most in July and August, because in September, for the reasons I said before, the inflow of Chinese customers was much, much lower. So overall, Japanese cluster was negative. The European and American clusters more or less are flattish, nothing to comment, no better, no worse than last year.

About like-for-like / space, of course, you said it, so I'm not going to say it again, we don't report the like-for-like by quarter. But of course, reporting a flat result in the DTC channel considering that there is a space contribution – whatever it is, I'm not going to tell you what it is – but of course, assuming a space contribution, it implies a negative like-for-like for the quarter. Even if, again, don't ask me how much it was, but I mean, this is implied in the numbers. Talking about space contribution is not at all relevant in a single quarter, we tend to look at it on an annual basis. So, we confirm our overall guidance that is expected to be in the region of a mid to high-single digit.

CHRIS HUANG: Okay, that's super helpful. And if I can just clarify a little bit, is it fair to say that your space contribution in Q3 was a little bit higher than in H1 in general, or not really?

ELENA MARIANI: Chris, we just commented on the fact that we don't talk more specifically about this, and the indication for the full year is unchanged. That's I think is probably enough.

CHRIS HUANG: Okay, thank you.

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

ANNE-LAURE BISMUTH: Good evening. I have 2 questions, please. The first one is about the recent Genius event that happened in Shanghai in October. Do you have some statistics about the event itself to share. Are you seeing some kind of pick-up in store traffic or more customer engagement in China for the event and also on a global scale?

And my second question is on margins? For the full year, the consensus is at 29.3%, implying an EBIT margin in H2 of 34.7%? So, depending on where Q4 sale will land, do you see it still as a reasonable assumption? Thank you very much.

LUCIANO SANTEL Thank you now for the question about the Shanghai event. I would like Gino Fisanotti to be here, because I'm sure he could provide much, much more color than what I can. But in any event, I was there, and so I can tell you that the Shanghai event was literally monumental. It was literally extraordinary. Every time we hold an event, the Genius event, a Grenoble event, or whatever, we keep saying that this is the best ever. And I have to say that with all due respect for the previous events, this has been, in my opinion, the best ever.

Talking about the quality of the event, I can tell you that it was a very Chinese event and a very global event. We put Shanghai at the center of the world, raising our voice on creativity, and innovation and spreading it out around the globe. So again, this is something that I perceived, but all the people that attended the event had the same perception. From the results point of view, I'm not talking about the business results of course, but the mediatic impact, it was very, very phenomenal. And so, this year of course, we achieved the results that we wanted to achieve before the event. Of course, the event was a brand event with long-term return on the event. It is not something we expect to see business results becoming very, very strong the day after. But again, it was some kind of tribute to that market, to the Chinese customers that have helped our brand a lot over the past many, many years.

The second question you asked was about margins. Of course, operating margins, I mean, needless to say, totally depend or mostly depend on our top line. So, again, based on the current trend, it is very, very difficult to match the operating margin we reported last year. The margin implied in consensus, which is in the region of 29%, is something we consider reasonable, reasonable but very, very difficult to predict, because, as I said before, we still have 2 of the most important months of the year ahead of us, and the 2 months that last year did best, November, December were very strong last year, so the comparison is very, very tough. So we are very, very prudent. But based on the current trend, we believe that the operating margin implied in the consensus is something challenging but not impossible.

ANNE-LAURE BISMUTH: Thank you.

OPERATOR: The next question is from Oriana Cardani, Intesa Sanpaolo. Please go ahead.

ORIANA CARDANI: Good evening. Thank you for taking my two questions. The first one regards the pricing policy for next year. What price actions have you already taken, or do you plan to take in 2025? And my second question regards the Grenoble collection, how is it evolving compared to other collections and what is its current impact on total sales? Thank you.

LUCIANO SANTEL Okay, Oriana, thank you for your question on pricing policy. And talking about the Moncler for next year, we expect a price increase in the region of mid-single-digit, totally driven by inflation. Unfortunately, our production costs keep growing, not as much as two years ago, but in the region of mid-single-digit, as I said before, due to the increase of labor cost, that is, let me say, the most important driver of such increase. For Stone Island, just to let you know, price increase will be a little bit lower, let me say, mid to low single-digit, and also for Stone Island totally driven by inflation.

Talking about Grenoble, the contribution of Grenoble is slightly growing season after season, and this is due to the fact that the winter collection is becoming more and more impactful. But also because, as you know, I'm sure you do, we introduced last year the spring/summer collection and this collection is covering some demand for that season or outdoor activities like, hiking, biking, and it's doing very well. So overall, we are very happy about Grenoble that right now represents about a high-single digit of our total business.

Let me also comment the fact that on Sunday, there was the first Ski World Cup Race. And for the first time ever, we dressed Lucas Braathen, that is a former Norwegian athlete now running for Brazil. And his performance was literally amazing. So, we are also very, very happy, and very proud of this performance. Thank you.

ORIANA CARDANI: Understood. Thank you, very much.

OPERATOR: The next question is from Luca Solca, Bernstein. Please go ahead.

LUCA SOLCA: Good evening, Luciano and Elena. Traditionally, I remember the third quarter is very dependent on tourists, especially tourists buying the winter products in Europe. So, I was wondering when it comes to Europe, if the impact of lower tax free spend than we had in the past is possibly one of the reasons why the quarter was not as brilliant as one could have thought. Always talking about tourists and looking at Japan, I wonder, if you could potentially dissect how much of a professional Daegu exposure you had. Because you said that in fact you were exposed to Chinese tourists visiting Japan. I wonder, if there's a way for you looking at who is actually buying to get a sense of how much this was sort of genuine tourists coming to Japan, and how much this was professionals organizing a parallel market, which could explain I guess why, as the Japanese Yen has rebounded, this portion of the business has slowed down quite significantly.

And then my second question is on nationalities, you've been kind enough to give us a sense of how different nationalities have performed. You mentioned the Chinese, the Koreans being on the back foot of being negative, the American, and the European being sort of flat. I wonder if you could remind us of their weight in terms of sales, or at least the importance of the different nationalities or the most important nationalities on your sales. Thank you very much, indeed.

ELENA MARIANI: Hi, Luca. Thank you for your three questions. I will start with the last one, because it's the easiest one, and then I will leave Luciano to answer the other two. As you know, we've typically verbally reported only the Chinese cluster, which is about a third of retail revenues. Then, in terms of color, I can tell you that probably we are slightly more exposed than others to Koreans and Japanese, and a little bit less to US, probably in line in terms of Europeans, but this is typically what we comment.

Luciano, I will leave you the other two.

LUCIANO SANTEL: Yes, Luca. Talking about tourists in Europe, talking first about the Chinese customers in Europe, our expectation, after the first quarter and after the Chinese New Year, was to see a lot of Chinese customers coming to Europe and shopping in our stores. So, our hope was for this trend to continue. Unfortunately, this was not the case, but overall, tourism in Europe has been positive compared to last year, and driven a little bit by Chinese, because Chinese were better than last year, but also by other nationalities.

Talking about Japan, in Japan, the contribution of Chinese customers for the business was quite important as compared to the past – let me say, much more important than ever, because in the past, the contribution of tourism was not material at all –, and it deteriorated after the price gap became flat.

About Daigou, I have to tell you that the maximum price gap between Japan and China was was 5%. So honestly, 5% is not such a price gap to generate this kind of traffic of Daigou. A second point, important to highlight, is that we have a retail policy in place that is effective in all the different regions, including Japan, but also Europe, because also for Europe in the past, we received this kind of question. Our policy is to limit the amount of products that people can buy, and this, of course, is limiting and mitigating any Daigou risk. So, long story short, I don't believe that Daigou has ever been a significant issue for Moncler.

ELENA MARIANI: And Luca, the other small thing I would add when it comes to Europe is that, remember, the impact of the Olympic Games, at least for what concerns us, we mentioned this already back in July, there was some impact, because we have seen less tourists, at least the type of tourists that we typically see in our stores, and also we've seen less locals in Paris. And perhaps, you know, compared to other brands, we have not recaptured that much in other parts of France. And so, this was another element that needs to be taken into account when looking at the European performance.

LUCA SOLCA: That's very interesting. Thank you very much indeed, Elena and Luciano.

OPERATOR: The next question is from Edouard Aubin, Morgan Stanley. Please go ahead.

EDOUARD AUBIN: Good evening, Elena and Luciano. Luciano, if I understood correctly at the beginning of the prepared remarks, I think it was mentioned that the online was one of the main reasons or one of the key reasons why sales of DTC at Moncler were quite weak. Could you be kind enough to tell us why was the case and remind us what's kind of the share of online in DTC? So that would be the first question.

And then second question, I know you guys track many different metrics in terms of trying to assess your desirability or the desirability of the brand. What makes you confident that the desirability of the brand is still on the way up? And that's kind of the shortfall in Q3 is just a commercial issue and it's not related to a weakening of the desirability of the brand? Thank you.

LUCIANO SANTEL: Yes, important question, because it gives me the opportunity to talk about online that impacted, as Elena said before, the DTC results in the third quarter. The online business is a business particularly important in Europe. And Europe was, we said before, more or less flattish, slightly positive, and was impacted by what Elena said before, the Olympics in Paris, but also was impacted by a very, very weak performance of the online business. That, again, in Europe is particularly important.

Why is that? I think that the online business is facing evident difficulties for everyone in all the different aspects. I mean, companies that are pure online business have been struggling. Some of them have disappeared, others are in serious troubles. And this is because, it's not something new, they lost an important part of their customers that may or may not be aspirational customers, for sure customers that were looking more for entry price. But in an event, I mean, this is a situation that I believe is quite common in our industry.

And again, we are not, I believe, worse or maybe better, but for sure not worse than others. So, this is the situation, a situation that started about one year ago, because until July of last year our online business was growing very strongly, double-digit. In August, all of a sudden the business started to slow down. And right now, again, Q3 was particularly disappointing. But I mean, overall, the trend is quite volatile, a little bit up, a little bit down, but for sure not positive.

ELENA MARIANI: And one small thing, Ed, in terms of contribution of online sales, we disclose it on a yearly basis. Last time we gave this number, we said it's a mid-teens percentage of total Moncler sales, and it's for the vast majority direct.

The desirability of the brand.

LUCIANO SANTEL: Yes, the desirability of the brand. We have several metrics that we use to monitor the desirability of the brand, but also, having 285 stores and having our people talking with our customers every single day, all the day long, is the best metric to understand the interest of the brand. And this is the main reason why we believe that desirability is still good. Of course, in some regions, I talked about China before, we are quite sure that in China the brand is particularly strong, notwithstanding the current business trend.

And so, to answer your question, for sure it is a commercial trend. It is the slowdown of the economy, but not a slowdown in the interest about the brand. This is something we touch, we perceive in all the different regions.

Genius, we talked about that before, it was a demonstration. I mean, 8,000 people coming to that event. It was a tangible demonstration of the interest for the brand.

EDOUARD AUBIN: Great. Thank you so much.

OPERATOR: Next question is from Charles-Louis Scotti, Kepler. Please go ahead.

CHARLES SCOTTI: Good evening. Thank you for taking my questions. I have two. The first one, just coming back on your performance in the wholesale channel, some wholesalers are struggling and trying to liquidate products, especially in Asia, which is also fuelling parallel markets. Do you need to further accelerate the wholesale rationalization, especially at Moncler? And if you could also remind us the retail penetration of Moncler by region, this would be helpful?

And secondly, some of your competitors are dealing with large inventory takeovers. If I remember correctly, you were quite cautious on volume growth in 2024 at the beginning of the year, which proved true, because I suspect that volume probably turned negative. I think a lot of it did turn negative in Q3. Could you confirm that inventories and working capital are under control and that the sales rate is still holding up well? Thank you very much.

LUCIANO SANTEL: About your first question, wholesale and the risk of parallel. Of course, this is a risk, but for Moncler, honestly, I think that our business policy, our business strategy in this channel has been very clear and very selective since forever. So, we tend to sell to our wholesale customers not more than what we believe they can sell out. Of course, this is not a 100% mitigation of the risk, but for sure is the best way to significantly mitigate the risk of parallel. Honestly, I mean, we don't see the parallel to be a particularly strong problem anywhere in the world.

But on the other hand, you're right, for many reasons, also other reasons, we keep implementing a distribution strategy that is focused more on the DTC channel than on the wholesale channel. Also, because we keep selecting, enhancing the wholesale distribution, selecting only the best stores. So, this is something that we have implemented since forever, but we keep implementing this strategy that will further move the contribution of DTC business up and the contribution of wholesale down.

About inventory, when there is a slowdown in business, there is a potential risk of inventory. Honestly, the way we plan our DTC business is very prudent. And of course, you know, I'm sure you do, but let me say it again, we normally plan the DTC business very prudently. And then if the market demand is higher than what we plan, we have the supply chain that is able to react up to a 10% of the total demand. This year, of course, considering the performance of the third quarter, we have not reacted. And so we have an inventory that is based on our original assumptions that were, as I said before, very prudent. So, no risk at this time of too much inventory.

ELENA MARIANI: And just one small clarification on the wholesale exposure by region. If you look at the average of the group, even if we think about 2023, you can consider that the Asia exposure to wholesale is very, very minimal, while the other 2 regions, obviously, are slightly higher. Maybe one interesting fact to notice is that Americas used to be the region with the highest exposure to wholesale. Now, it's not the case anymore, particularly after the conversions we have performed.

CHARLES SCOTTI: Thank you very much. That's very clear.

OPERATOR: The next question is from Thomas Chauvet, Citi. Please go ahead.

THOMAS CHAUVET: Good evening, Luciano and Elena. I have two questions, please. The first one on your retail footprint for next year, given the rapid change in the global demand environment you saw in your key markets, are you tempted to scale down your store opening plan for the Moncler brand next year? Can you comment on what will be the major flagships and how much would you expect that to contribute to Moncler sales growth next year compared to the mid to high single-digit space contribution this year?

And secondly, Luciano, coming back to your comment on the group EBIT margin decline this year, are you expecting a decline for both brands? I know you don't disclose them, but directionally. And with regards to Stone Island profitability, I was wondering whether you expect EBIT margin to expand from here. I mean, I know there are a lot of investments in retail, infrastructure, people, et cetera, but sales are stable this year, around €400 million. You've got significant change in channel mix towards DTC, in geographic mix towards Asia. So, I guess some of that could be quite supportive to profitability. If you could give us an update on where you are versus your ambitions for Stone Island profitability in a stable year? Thank you.

LUCIANO SANTEL: Thank you, Thomas. About our retail footprint and our plans for the future, at least for 2025, we are not changing our plans. Of course, the number of stores we expect to open will still be in the region of what we did in the past, more or less 15 new stores, there will be an equivalent number of projects of expansion and relocation. Of course, still under our policy, our strategy that has been, since ever, very, very selective, so new openings only in location where we believe that a Moncler store is missing, and we can generate good business and also we can enhance the image of the brand. You know that our retail footprint in North America is very, very light, and so there are many opportunities, and independently on the current business trend, I think that is good for the brand, is good for the future business to continue to implement this plan.

The other question was about margin. I mean, of course, we don't report margins by brand, but needless to say that at this stage of the development of Stone Island, we are investing more in proportion than what we are investing in Moncler. Needless to say that this year, for the first time, we invested very well, but also a significant amount of money in the advertising campaign that is visible around the world, that, in my opinion, very effectively and properly expresses the identity of the brand. And so, it's money that we are very, very happy to spend. Of course, it's not only the money we spend in advertising, but also the money we spend to make the organization stronger than what it was in the past, because when we talk about expanding the DTC business, that expansion requires the growth and the development of a stronger retail culture. We're talking about training, but not only, we're talking also about the people we need to inject in the organization.

So, long story short, profitability in Stone Island for sure is lower than in Moncler now, but is to be considered an investment for the future growth. As we said in the past, and I'm saying that again, there are no structural reasons why profitability in Stone Island could be different in the future from Moncler, because the brands are totally different, but the business models, prospectively, in the future, will be similar to Moncler.

I hope I answered your question.

THOMAS CHAUVET: Thank you, Luciano.

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

LOUISE SINGLEHURST: Hi, good evening, Elena, Luciano. Thank you for taking my questions. Just two follow-ups for me, if I can do, please. Just firstly, on the margin, again, Luciano, I think you mentioned current margin forecast, the consensus number, it's a bit challenging, but not impossible. And given, obviously, the slowdown that we've seen in Q3, plus you know, the store expansion, the Genius investment, that's a really impressive kind of outcome when we look to the full year. Can you just talk about the flexibility, or where you're seeing any cost savings that you're implementing relative to the budgeting process earlier in the year? Just be very keen to understand that, if we can, please.

And then, secondly, a follow-up on China. Just in terms of any comments or sound bites from the mood on the ground. You've been there recently for the exciting Genius event, but anything from the team operationally with regards to the stimulus measures that have been recently announced or any thoughts on impacting the sales trend? Thank you.

LUCIANO SANTEL: Yes, thank you, Louise. About margins and flexibility, of course, the event that we held in Shanghai was extremely impactful, but needless to say, I mean, we spent a quite important amount of money, but this was totally planned and totally within our marketing budget that is, as you know, 7% of our total revenues on a yearly basis. So, nothing more than what we have been spending in the past, because this is some kind of golden rule. Of course, when the business starts to slow down or to deteriorate, we have some kind of flexibility. Part of flexibility comes from the fact that a significant portion of our expenses are variable and this part is much more proactive and it depends on our capability to save money in our expenses. That means to slow down some activities, to slow down some projects, giving priority to projects that are extremely important for the brand. And so, it's some kind of delay of some activities, of some projects that in the past and also right now as we speak is allowing us to reduce a little bit our expenses. Of course, this is what we are doing, because we are navigating in a certain situation. And so to your point, you're right. We need, of course, to maximize as much as possible our top line potential, but on the other hand, to keep a strict control on our expenses.

Regarding to the mood of our people. Our people were literally excited. Probably it's not enough. Let me say thrilled. I don't have other words to express how much they were proud to be part of this company. The impact of this event was great from the media point of view for our customers, for our potential customers, but also it was great for our people, because the impact in terms of motivation for our people, the sense of belonging of our people, and the perception was evident because, again, the few days we were there, it was really tangible and evident. The sense of belonging was great. And so, again, a great event also on this side.

About the measures that have been announced by the local authorities in China, of course, difficult to judge, because other more technical people may do a better job than what they can, but what I can tell you, my personal opinion, my perception is that measures may be effective and but they are intended to stimulate the consumption of essential goods without impact, at least in the short term, on the luxury industry. Of course, if these measures will be able to stimulate consumption, to improve the economy, of course, longer term, there will be a benefit for all the different industries, including luxury, but for the short term, I believe that the intent of this measure is to help the basic necessity goods consumption.

LOUISE SINGLEHURST: Thank you very much.

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

ANDREA RANDONE: Thank you, and good evening, Elena and Luciano. Just a couple of questions. The first one is a follow-up on the online channel. If you can give us a brief comment on Stone Island's new website. And more in general, how is going customer engagement online? I mean, if online sales are lower, is it true that customer engagement is still working?

The second question is about something other luxury players were saying, are new nationalities growing for you, like, I don't know, Indians? Thank you.

LUCIANO SANTEL: Okay, about your first question, online channel, this is an interesting question. Elena did mention the new online site for Stone Island, that we like a lot, much, much better than before. About results. Honestly, after the first couple of weeks, there was still something to fine tune. The channel is doing well, better than last year, again, too early to judge, but in any event, we are very happy about the impact of the internalization of online channel for Stone Island.

Okay, then I mean the second question was about customer engagement. Of course, we tend to monitor very closely some very essential metrics. One is reach, the second is engagement. And then when we engage our customers, we hope to serve them. And again, we build in this way, our customer base or community.

And so again, this is something. The role of the online is extremely important. We keep talking about the online business, the physical retail business. I mean, we never talk about omnichannel that in the past was the most inflated word, but now it's not just a word, it is a reality.

The online channel is extremely important, whatever the business we do, because of course, people tend to navigate the online channel to see what they like, and then maybe they go to the physical store, they try the garment and they decide to buy it, or they first go to the physical store, and then when they have time at night, maybe they place the order online. So again, multichannel is a reality and is the way we look at both the channels, physical retail and online.

ELENA MARIANI: And Andrea, just a couple of things, because we do measure search, the interest from our customers or potential customers, the reach, the engagement very closely. And I'm sure that when Gino will be here, when we report full year results, he will talk more broadly about this, but I can tell you that even numerically, reach and engagement, as well as the search interest on the brand are still up for Moncler. So there is not necessarily a correlation between the online sales and the statistics that we see related to the brand in terms of interest and search and reach online.

LUCIANO SANTEL: So your last question was about new nationalities, including Indians. I mean, we believe that potentially in the future, they may represent an important contribution to business in the luxury industry. Right now, honestly, the contribution is not particularly significant, it's not material. But again, in the future, I mean, this cluster may increase, but it will totally depend on the development of the economy in that country.

ANDREA RANDONE: Thank you. Thank you very much.

OPERATOR: Next question is from Liwei Hou, CICC. Please go ahead.

LIWEI HOU: Good evening, Luciano and Elena. Thank you for taking my questions. So the first question is, if you look at the two-brand performance, actually Asia was the best performing and revenue from Asia has actually increased. So the revenue contribution has increased. This is in sharp contrast with peers for whom Asia has been a big drag. So my first question is, what are your secret weapons in Asia that helped to outperform in Asia?

And the second question is, I think recently a lot of the peers and experts in industry talk about how important it is for Chinese to have a positive wealth effect. So during the first week of October, the Golden Week in China, our stock market was doing pretty well. So, I wonder, do we see any immediate correlation during this Golden Week where the good stock market has helped with sales in China? Thank you very much.

LUCIANO SANTEL: Okay, thank you. Thank you. About the first question, I'm not sure if I know what the secret weapon is. I have to tell you, to be fair, that in Asia we did fairly well, but I mean, Asia includes Japan. I think that in Japan we did well, but other brands did better. Also because probably their price gap with China was higher. But in any event, just to be fair, I think that where we did well, and, talking about the Golden Week, we continued to do well at least the first week, first 10 days of October was Mainland China. And again, the Chinese cluster grew in Q3. So, this is something we are very happy. The secret weapon…I think that in China, as much as in all the different regions, we implemented, since forever, a very clear brand strategy and a very clear distribution strategy driven by the brand strategy. We have been, since forever, very selective. And we don't have a high, very high number of stores. And also, over the past 2, 3, 4 years, we've implemented the strategy to to expand the existing stores, the existing more powerful stores, and to convert these stores into flagship stores. So this was the case again of Beijing's Sanlitun, China World, Plaza 66 Shanghai, and Chengdu new store, new flagship store. So this was, and this is still the strategy.

I also have to tell you that in China, and not only, but in China particularly, there is a retail culture, a customer service culture that is particularly strong. And this for sure has been a component that has helped the brand to become so strong and to deliver good results. So I don't know if this is the secret weapon. In China for sure, we believe that the brand is strong and results, of course, are up and down because Q3 was not amazing, but still not so bad. Golden Week and the correlation with stock market, this is speculation, honestly, I'm not in the position nor to agree or to confirm, actually I don't know. Maybe, maybe the stock market may have been a driver, but honestly, I don't know. I can't confirm whether or not this is true.

LIWEI HOU: Thank you, very much. Best of luck.

LUCIANO SANTEL: Thank you.

OPERATOR: The next question is from Chris Gao, CLSA. Please go ahead.

CHRIS GAO: Thank you. Good evening, Luciano, Elena. Thanks for taking my questions. Congrats on the great success of Genius event in Shanghai. So the first question is related to the third quarter DTC performance. So for the DTC slowdown, just want to understand more, from the perspective of new customer versus existing customer. So is this slowdown more because of the new customer recruitment or existing consumer spending? And also, for Q4 to-date, there's some pickup, and which group have you seen driving more growth from our perspective? Is it driven more by new or existing customers?

And the second question is related to Grenoble. We were very excited to see the launch of the Grenoble only store. And how would you comment on the store productivity and the retail matrix to now? Does that meet your expectations? And how many more do you plan to have for the remaining term of the Q4 as well as next year? Thank you.

LUCIANO SANTEL: Okay, thank you for your question. Thank you for your appreciation about the event. I mean, the slowdown in DTC, how much was existing, how much was new customers? I mean, it's something that is difficult to say, I think that was a combination of two for sure. There was a contribution of existing customers, and because this kind of drop in traffic impacted all the different population, all the different customers, I think that it was equally distributed between existing and new customers. Honestly, nothing that provides any particular reading for our business, except for the fact that, as we said before, this trend was quite evident. I mean and you live there and you can confirm that there is an evident slowdown in traffic in all the different shopping malls.

About Grenoble, yes, we opened only one store in St. Moritz, as you know, and we may open, a second store in a very important ski resort. But I mean, giving metrics about this store is not meaningful at all. I can tell you as we did in the past that that store did and is doing much better than expected. Of course, much better in winter than in summer, but this is also related to the fact that our Grenoble collection for this summer is quite new. We just introduced it last year. The recognition of the Grenoble brand is mostly under the fall winter collection. We are very happy about the performance of that store in St. Moritz. And for this reason, we are planning to open a second store probably next year.

CHRIS GAO: Super helpful. Thank you, Luciano.

OPERATOR: The next question is from Piral Dadhania, RBC. Please go ahead.

PIRAL DADHANIA: Okay. Thank you. Good evening, everybody. So firstly, I was just wondering if in the context of weaker traffic, and high revenue concentration in a few months or quarters of the year, whether you'd be considering increasing your advertising and promotions spend in absolute and relative terms outside of the 7% framework that you typically stick to in an effort to drive higher traffic into stores in the

Q4-Q1 period, also taking into consideration you have very tough comparatives. So can you sort of, you know, invest to drive growth in your peak trading period, given the wider backdrop?

And then my second question relates to LVMH and the minority stake that they've taken indirectly through the Double R holding structure and also the board seat that they now have at Moncler. Could you please provide some insight into what the future plan may be with respect to LVMH's modest involvement in the business? Do you envisage any significant changes and should we expect further collaborations with some of the brands within the LVMH portfolio? Thank you.

LUCIANO SANTEL: Okay, first question. Any plan to increase marketing budget beyond the 7%? I mean, you know that 7% is our golden rule. And so, seriously, I mean, we normally try to spend within this 7%. Of course, we may, I mean, we did in the past, we spent a little bit more than 7%. And so, it is a golden rule, but we can make exceptions. We are not planning, honestly, to make exceptions now. And so, for the time being, I have to tell you that we still are within the 7%, and we still have a reasonable amount of money to be spent in this quarter. So, honestly, nothing I can add, but I mean, believe me that we have a quite important plan also for this quarter. And so, I believe that the money is enough to support our business in Q4. Elena is suggesting that there's not only the amount of money that is important, but the way we spend that money. And this is very important, because, our 7% on our top line is a big amount, but not as big as other brands. But notwithstanding that, I think that the impact of the money we spend in marketing is quite important and not lower than others, even the bigger brands.

Talking about LVMH, of course, as you know, the transaction occurred at the higher level of our holding company, Mr. Ruffini’s holding company, Double R. And so, the transaction is not impacting at all Moncler that was and still is independent. However, I have to tell you that, of course, we are very happy about this transaction. We are very happy for Mr. Ruffini, and we are very happy also for ourselves, and very proud that the most important luxury group in the world, and the most important entrepreneur in the luxury industry, not only in the world, decided to invest in our company. So we are proud and very happy.

Talking about the potential business impact of this partnership at the level of Double R, honestly, we don't see any impact, but simply because the shareholder agreement and the transaction itself is intended at all to impact the Moncler strategy, Moncler decisions. So Moncler was and still is totally independent.

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

ROGERIO FUJIMORI: Good evening, Luciano and Elena. I have two questions. First, I was hoping that you could share with us how much price and mix contributed to Moncler Brand DTC performance in Q3?

And second, I was hoping if you could comment on relative areas of strength and weakness in terms of categories and price points for the Moncler brand, if you wouldn't mind sharing with us the latest trends you're seeing in your stores. Thank you.

LUCIANO SANTEL: Okay, about the price mix, Rogerio, thank you for your question. I mean, the mix was not particularly significant in Q3, and also price, yes, the price was up, but again, not particularly significant.

ELENA MARIANI: As you might remember, Rogerio, we've said that in 2024, we've increased on average prices by about mid-single-digit, more or less. And so, this is the increase in prices you should take into account. Mix not particularly meaningful.

LUCIANO SANTEL: Yes, also Q3 is impacted by the fact that there is some kind of overlap between the end of spring/summer season and the beginning of fall/winter season. So, depending sometimes also on the weather, we may sell more spring, less fall, or the other way around, and this may impact the price mix. But again, nothing important to flag.

And then a question about the strength by category. I mean, we keep investing in other categories, something, I mean, you know very well, but important to reiterate with good results, because right now, as we speak, I mean, not in Q3 only, but in the first 9 months of the year, the best performing category is knitwear, from the growth rate point of view, because knitwear, including the traditional tricot and what we call cut & sewn is growing faster than outerwear. And this is, again, very important for our current and even more for our future business, but it is also very important for the brand identity, because Moncler right now is very strongly recognized for outerwear that still represents the majority of our business and represents the DNA of the brand.

But more and more, the brand is recognized also for our knitwear. So we have developed over the years a very strong credibility also in this category. And something important to remind you, I don't know if I told you other times, but we recently opened a new factory for knitwear only in Italy, tripling the production capacity we had previously in Italy. The factory is a brand new factory, high technology, very high quality. And this is, I mean, the result of the credibility we have developed over the years, and also the complexity of our products that are becoming more and more, let me say, rich, complex. But again, something we are very happy and very proud to say.

ELENA MARIANI: And Rogerio, one small additional thing when you talked about the different performance by category, one thing I wanted to add when it comes to the brand dimensions is that when you look at the performance year-to-date, we had a very strong performance from

Main Collection and Grenoble. Remember that the timing of Genius was different compared to last year. So last year we had a big Genius event happening in February and then we had multiple launches happening across Q2 and Q3 in particular. This year, basically except for one in the first quarter, we didn't have any launches. So we didn't have any Genius business in Q2 and Q3. We had a big event right now, and now we're starting with the launches. We're going to have 4 now happening in Q4. And so, keep this in mind because obviously the timing of the event and the launches were materially different compared to last year.

ROGERIO FUJIMORI: Super helpful, thank you.

OPERATOR: The next question is from Jie Zhang, AlphaValue. Please go ahead.

JIE ZHANG: Thank you for taking my questions. Two for me, please. First one on China. So you mentioned Chinese remained positive during the quarter thanks to the shopping outside of China. Could you please break down the share of onshore shopping and offshore shopping from Chinese consumer?

And secondly, on price gap. So you mentioned the price gap between China and Japan becomes smaller, thanks to recovery of yen. But you mentioned in the H1 call that the gap between Europe and Asia was between 36% and 37%. So I want to know where are we now in terms of price gap between Asia and Europe. Remained unchanged or continue to reduce, please? Thank you.

LUCIANO SANTEL: Okay, about your first question, Chinese cluster was up. Business we did in China was slightly down. That means that, of course, the business that grew was the offshore business. I mean the business we did with the Chinese customers outside their country. And in Japan, for sure, mostly in July and August when the price gap was about 5%

between Japan and China, but also in other regions in Korea and in Europe.

Price gap with Japan, again now is flat. With Europe, it is exactly what you said, 1.36, 1.37, which is higher than what we believe is our final goal, that is 1.30. Of course, next year will be slightly better. Again, we expect in a couple of years to reach this goal of 1.30. So for 2025 will be a little bit better than the 1.36 you said is now.

ELENA MARIANI: And just one thing about the Chinese cluster. In the third quarter, approximately 60% of the business was in Mainland China and about 40% was abroad.

JIE ZHANG: Very helpful, thank you very much.

ELENA MARIANI: Thank you everybody for participating in this call. As usual for any follow-up questions, do not hesitate to contact us tonight or in the coming days. We have published today our 2025 financial calendar and the next earnings release will be on February 13th when we will report our fiscal year 2024 financial results. That's all from our side. So thank you again and have a great evening, everybody.