Moncler S.p.A

"First Half 2025 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 Group First Half 2025 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. Elena Mariani, Group Strategic Planning and Investor Relations Director. Please go ahead, madam.

ELENA MARIANI: Good evening everybody and thank you for joining our call today on Moncler Group's first half 2025 financial results. As usual, let me introduce you to the speakers of today's call. Besides myself you have Luciano Santel, Chief Corporate and Supply Officer, Roberto Eggs, Chief Business Strategy and Global Market Officer, and Gino Fisanotti, Moncler Chief Brand Officer.

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.

So, before handing it over to Gino, let me just present the key highlights of today's results on Page 4. Group revenues in the first half of the year were 1 billion and 226 million euros, up 1% at constant FX, with the Moncler brand up 1% and the Stone Island brand down 1%. The Group also reached an EBIT of 225 million euros with a margin of 18.3%. Net result was 153.5 million euros, and our net cash position at the end of June was 981 million euros compared to 846 million euros in June 2024.

Let me now hand it over to Gino for the key highlights of the Moncler brand in the second quarter. So, Gino, over to you.

GINO FISANOTTI: Thank you Elena, and hello to everyone. Good afternoon. For the Moncler brand, I would say there was another busy quarter for the brand. And I will say we keep a strong focus on our key strategic priorities: Moncler Collection, Moncler Genius and Moncler Grenoble. Within these, just a few highlights and a few words on what happened in the second quarter of the year.

I would say the first comment is a on a Moncler first, a first-ever participation of the brand in the New York City Met Gala and this was in collaboration with Edward Enninful who is part of our Genius with a collection that is coming later this year. This created a new moment for the brand, a strong brand awareness and impact across the board.

Then when we talk about Genius, we had two deliveries during this quarter, one at the beginning of the quarter in April with the launch of the Moncler Genius by Mercedes-Benz designed by NIGO. This was launched in New York City at the only brand hub that Mercedes-Benz host in the world in Manhattan. And this collection was extremely well received. The performance was really good not only in Asia, but globally. And then just less than 20 days ago, we had the opportunity to present and to launch the very first ready-to-wear collection designed by Donald Glover. So this was another important milestone for the brand on the back of what we presented at the end of last year in China. And again, as probably you were able to see, even Donald Glover took part of this campaign himself, which is another first as well for us. So this was another important launch for the brand this quarter.

Then I will say that probably the next two executions are connected by one thing, which is to keep building our foundation towards our summer business and our summer opportunity. The first one is around Moncler Collection. And the second was the second delivery of Moncler Grenoble which came in mid-May this year. This has to do with the idea to keep building a foundation towards our immediate future and building a strong resonance as a brand and becoming an all-year-around brand when it comes about the seasonality of Moncler.

Then last but not least, we went to New York at the beginning of June, where we were able to present our fall/winter '25 lineup on footwear to some selected press and, of course, key personalities. And it was the first time we introduced some new styles, some of them coming from the Genius Collection and then a new family called “Altive” and Altive boot which is a new product that will be coming later in September this year and then a brand new style called the “Trailgrip Low Profile” that was the one that gets the biggest amount of coverage and impact from the people attending, and it is something that will come later this year as well.

So with that, a very quick overview of another busy quarter, and I will let Roberto now talk a bit about the busy quarter of Stone Island.

ROBERTO EGGS: Grazie, Gino. Good afternoon to everybody. Let me drive you through some of the initiatives that we want to highlight regarding the Stone Island brand. The first one is our presence during Milan Design Week as part of the ongoing Stone Island Sound music platform that the brand has introduced with Studio One, which is an immersive sonic experience. The project involved a week long cultural program encompassing a series of live music session, DJ sets and conversations that have been having a great success.

The second initiative is in the context of Chapter Three, what we call our branded campaign “Community as a Form of Research”. We had the opportunity to feature Gene Gallagher wearing Tela Resinata Black Color jacket. Tela Resinata takes inspiration from the resin treated Tela version of the first Stone Island collection. So really something that is coming back to the very origin of the brand.

The third initiative was the introduction of the autumn/winter 2025/2026 collection with Raw Beauty, a project that continues the brand ongoing commitment to material research and innovation and the campaign was featuring Carmelo Anthony.

And the last initiative for Stone Island was also regarding footwear, and it was the Stone Island-New Balance collaboration that continues and this time, for the first time since the beginning of this long-term partnership, the collaboration extended into the New Balance Numeric skateboarding line with the Numeric 272.

If we move to Page 7, we'll drive you through the results of Moncler by geography. H1 2025, the Moncler brand revenues reached €1,039.0 million, which is a +1% versus H1 2024 at constant FX rate. Q2 revenues were down 2% year-on-year, mainly due to a sequential slowdown in the DTC channel, reflecting challenging macroeconomic conditions globally.

Asia, which includes for us Asia-Pacific, Japan and Korea was flat in Q2 year-on-year, decelerating versus Q1, mostly due to a soft touristic flow mainly in Japan. Korea slightly improved sequentially, supported by stronger tourism, while China and rest of Asia held up versus the previous quarter.

EMEA revenues were down 8% in Q2 year-on-year, mainly due to a slowdown in tourist flows across the region. Just as a reminder, Q2 and Q3 are the quarters with the highest penetration of tourism usually in Europe. The Americas was up 5% in Q2 year-on-year, accelerating versus Q1, mainly thanks to sequential improvement registered in the DTC channel.

On Page 8, we can look at the Moncler revenues by channel. The DTC revenues rose to €883.2 million in H1, which is a +2% versus H1 2024. Comp sales were at -4% in H1. In Q2, DTC revenues were down 1% year-on-year due to challenging macroeconomic environment affecting consumer confidence and the deceleration in touristic flows particularly affecting EMEA and Japan, while revenues in the Americas accelerated sequentially.

Wholesale revenues reached €155.8 million in H1, down 6% versus 2024. In Q2, revenues of this channel declined by 6% as planned, mainly due to ongoing efforts to upgrade the quality of the distribution network of our wholesale distribution.

On Page 9, the revenues by geography for Stone Island. H1 Stone Island revenues reached €186.7 million, which is a -1% versus 2024. Q2 revenues were up 6% year-on-year, with the DTC channel maintaining solid growth and wholesale channel improving versus Q1. Asia, which includes Asia-Pacific, Japan and Korea like for Moncler, was up 13% year-on-year, mainly driven by the continued solid performance of China and Japan.

EMEA revenues were up 5% in Q2, thanks to the sequential improvement of the wholesale channel in its largest region. The Americas was down 11% in Q2.

On Page 10, Stone Island revenues by channel. Stone Island DTC revenues rose to €99.1 million, which is a +8% versus 2024. In Q2, revenues of this channel were up 3%, marking a deceleration from the previous quarter amid the general and more challenging global operating environment. Asia outperformed the other regions.

Wholesale revenues reached €87.6 million, which is -9% versus H1 2024. In Q2, revenues of this channel showed substantial improvement due to different deliveries timing versus Q1. We were able to grow 9% on this channel.

Finally, on Page 11, regarding the evolution of the Moncler and the Stone Island network. We have had three net openings for Moncler, one in Philadelphia, King of Prussia, so in the US, one in Australia with the opening of our second store in Westfield, a flagship store that was opened at the end of May. And finally, a conversion, Chongqing Airport from wholesale to retail, but that took place at the very end of June.

Regarding Stone Island, one net opening. We have started the restructuring of our distribution in Korea with two closures, one in Seoul Galleria and the other one in Busan with Lotte. And we had three additional net openings, Euro street, Hangzhou in China, El Corte Inglés in Puerto Banús and the opening of Barcelona.

If you look at Page 12, you see the opening of South Coast Plaza, which is a store that was already existing that we relocated and we expanded. We now have a flagship store in South Coast Plaza that has been performing very well since the launch at the end of May.

On Page 13, you see the flagship I was referring to with 300 square meters that we have in Sydney within the Westfield department store just in front of Chanel.

And finally, for Stone Island, on Page 14, you saw that we just recently opened in Hangzhou.

Luciano, the floor is yours.

LUCIANO SANTEL: Thank you, Roberto, and good afternoon everybody. Thank you for attending our call today. We are now at Page 15, where we report as usual our profit and loss for the period that shows an operating margin of 18.3%, behind the 21% we reported last year, but less than it seems if we consider the higher marketing spending, 9.6% versus the 8.0% we spent last year – but still in line with the 7% we plan to spend for the year-end like last year –, and the extraordinary income we reported last year for €7.5 million related to an insurance refund. So all-in-all, fairly well, not much lower than last year. Other numbers of the slides are quite self explanatory. So I will not give you any comment. But of course, I'm very happy to answer any questions you may have on the other numbers.

Let's move now to Page 16, where we reported capex. Capex for the period are higher than last year, still equally distributed between distribution, investments and infrastructure. Higher than last year because of anticipation of some projects, but also because we are spending this year a significant amount of money in the new corporate headquarters. And for this reason, we expect for the year-end an incidence of our capex closer to 7%, higher than the 6% we reported last year and the year before. For 2026, we expect to go back to 6%.

Next page, net working capital, 9%, slightly higher than last year, but still a healthy working capital, very good, very strong credit control and very efficient inventory management, nothing to add.

Next page, page 18, net financial position that shows a net cash position of €981 million after a dividend distribution of €345 million. Still better, significantly better than last year.

Balance sheet, page 19, nothing to comment. Page 20, cash flow statement. Just a reminder of the comment we reported in the slide, free cash flow, €15 million, below last year level, but we spent this year €70 million in June for taxes that last year due to a different holiday timing was spent July 1st, all the other numbers are quite explanatory.

So again, ready and happy to answer any questions. But now, we are done with the presentation, and ready to answer your question. Thank you.

ELENA MARIANI: We will now hand it over to the operator for your questions. I kindly ask you to stick to a maximum of two questions per person, if possible, to give all participants the opportunity to ask a question. Operator, you can now open the Q&A session. Thank you.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2". Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time. We will pause for a moment as participants are joining the queue.

First question is from Anne-Laure Bismuth, HSBC. Please go ahead.

ANNE-LAURE BISMUTH: Good evening. I will stick to the 2 questions rule. So, the first one is on the performance by nationality. Will it be possible to give us some granularity about the performance by main nationality for the Moncler brand in Q2? And my second question is about the performance in Japan. Asia-Pacific was softer due to a weak performance in Japan. Would it be possible to give us the exact performance in Japan for the Moncler brand in Q2? Thank you very much.

ROBERTO EGGS: Good evening, Anne-Laure, it's Roberto speaking. Happy to answer to your first question regarding the performance by nationality. So, as I explained, when talking about the Moncler performance by region, we've seen a positive performance for the US. So, our cluster on the Americas was positive locally. It was mainly a local consumption that we have had with the Americans, much less Americans coming to Europe, still present, but not as much as the year before.

Regarding the Asians, let's say, the performance of the Chinese was positive in China with a cluster that was flattish. So much less consumption of Chinese in Europe and in Japan. Koreans were below the average performance of the nationalities and the locals in Europe were flattish. So, what has been the main driver of the DTC performance during the quarter is the decrease that we have seen in tourism mainly from Koreans and Chinese and, to a lesser extent, Americans also less present in Europe.

Regarding the performance in Asia, the performance of Korea was helped by a return of some tourism from China. You know that this decreased a lot in the past year. So we have seen small recovery of Chinese, they were positive on the Korean market, while there were negative in Japan mainly due to a currency evolution. The price gap that was existing till the end of 2024 was not relevant enough to push Chinese to come and buy luxury goods at least not Moncler during the quarter.

ANNE-LAURE BISMUTH: Thank you very much for that. Yes, we have seen some competitors have started to report some numbers and we have seen, for instance, not on the same business, but Japan being down in the mid-teens…

ROBERTO EGGS: You know that usually, we don't report the figures for Japan separately. So just take it as a negative figure mainly driven by negative South Asian and the Chinese that decreased in Japan.

ANNE-LAURE BISMUTH: Thank you.

ELENA MARIANI: Maybe one thing that we can say that is helpful is that the other parts of Asia were not negative. So, it was the only country in Asia that was negative, Japan.

OPERATOR: Next question is from Chiara Battistini, JP Morgan. Please go ahead.

CHIARA BATTISTINI: Hello. Thank you for taking my questions. My first question is on the Americas acceleration. I was wondering if you could share a bit more on what the drivers were behind that. Do you think there was sort of anticipation of spend ahead of price increases, repatriation from the tourists that are not in Europe or less in Europe, anything else? And possibly also your company's brand-specific initiatives you're implementing in Americas?

And the second question on the opex. In the first half, they were very well contained both on the G&A and selling costs. So I was wondering if there's any timing that we should be keeping in mind or anything else to explain why they were so well contained? Thank you.

ROBERTO EGGS: Good evening, Chiara. Regarding US, the performance was mainly driven for us by the DTC channel. The performance of the wholesale channel improved, but much less than the DTC. It is probably linked to also part of the transformation that we have initiated, as you know, regarding our hybrid system with Nordstrom, but also ongoing soft corners that we have been putting in place also with the other partners with Saks Global also a better fluidity in the deliveries, thanks to the agreement that we have reached with Saks that has been helping as well as the performance on the online Saks and the performance of our store on the 5th Avenue. So to tell you that if this was driven by an anticipation of buying links to the tariffs, honestly, I cannot tell you. But it is the region where we have seen the best traffic and conversion within our network during the Q2.

LUCIANO SANTEL: And about your second question, cost control is part of our strategy Chiara. And so, as we see that business trend is not great, we tend to adjust as much as we can our infrastructure expenses. Of course, you may see that selling expenses that are higher than last year, because we include in selling the cost to operate the stores. And so it is a component of fixed cost in the stores that is very difficult to decrease.

On G&A, I think, we did a good, a decent job. But of course, it is still something that we have to continue to control very carefully. But I mean, nothing special to highlight.

GINO FISANOTTI: Gino here. One thing to add to Roberto's answer. I think you mentioned if there were any specific initiatives. Especially during the first half of the year, there were multiple things that were US oriented on top of what we have done at the retail level, which is the pre-spring/summer campaign which was a New York-based story. We had the Met Gala. We had Donald Glover just launched in LA, and we had some other things. So again, we were intentional in going there.

CHIARA BATTISTINI: Absolutely. So, you saw a return on those investments specific to the US?

GINO FISANOTTI: I will go back to what Roberto said. It's hard to say. What you asked us specifically was if there were some initiatives, and the answer is yes, and that's why I was naming a few. But I think, we cannot determine if people were buying before price increases or things like that. The US market is something that we are putting certain efforts on. So. I think the combination of different things is what leading to the results we're seeing.

CHIARA BATTISTINI: Perfect. Thank you very much.

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

ORIANA CARDANI: Yes, good evening. Thank you for taking my questions. The first one is about current rate. Can you give us an update on the July retail performance with some details on what's happening for each nationality?

And the second question concerns the evolution of the gross margin. Do you expect gross margin expansion in the second half of the year to be more or less similar to that of the first half? Thank you.

ROBERTO EGGS: Good evening, Oriana. I think on the current trading, I will be quite short. What we see currently is a trend that is still weak. You need to bear in mind that Q2 and Q3 are the quarters that are the most exposed to tourism, especially for Europe, for Japan and to a lesser extent, also to Hong Kong and to Korea. So clearly, this is one of the things that we need to bear in mind. We need to bear in mind also that the situation remains quite volatile. So we see differences in traffic from day-to-day and from week-to-week. And also, when you look at our global performance, bear in mind that the mix has been playing in our favor in a lot of case, but in this case maybe a little bit less you know, because we have a larger weight of our business is in Europe. And Japan is also a relevant area for us. And these are areas that are today very dependent on tourism. So this is clearly also something that is paying a little bit against the strength of Moncler in those regions, while we continue to perform in China, and you have seen the result in Q2 of the Americas.

LUCIANO SANTEL: Okay. Oriana, second question about the gross margin. As you know, gross margin growth is normally in this first half of the year, but also historically, totally mostly driven by the channel mix. And this has been the case in the period we are reporting today. And as we expect the DTC business to grow more than the wholesale business also in the second half of the year, we do expect a potential and expected gross margin growth also for year-end. How much, is something I can't answer because I don't know. But this is the mechanic of our business model. But again, channel mix is the real driver. Of course, in the past, the increase of gross margin was much higher because the expansion of the DTC business was much more important. Right now that the DTC business reached 85% or more of total business, of course, the increase is more moderate, but still is totally due to this effect.

ORIANA CARDANI: Understood. Thank you very much.

OPERATOR: Next question is from Susy Tibaldi, UBS. Please go ahead.

SUSY TIBALDI: Hi, good evening. So 2 questions. The first one, can you give us an update on your store opening plans, not just this year but also next year. And if the industry trends remain softer is this something that you would also be revising? And then secondly, if we think about the profitability for full year, I know Luciano you always talk about trying to protect the 29% EBIT margin. Of course, we are in a situation with negative like-for-like, which you haven't really experienced too much in the past. So, is this still the aim to protect this level? And if so, what are the levers that you can work on, because obviously, your selling costs are also going up. So, it would be interesting to hear your view on profitability for the full year. Thank you.

ROBERTO EGGS: Good evening Susy. I'll take the first question regarding the store opening plan. As you know, we give as a reference always this number of project that we have that are usually around 10 to 15 projects. We have also more and more, like the example I was giving on Westfield, relocation/expansion projects – this is also what we have had in South Coast Plaza. So this is playing a more and more relevant role also to realign some of the old stores that we have to the new product offer that we have, to the largest presence of some new categories like the knitwear, so we need to have more space to expose those products. So the plan for 2025 is not going to change. It's in place. As usual, we have a bit more openings that are taking place between August and December, as we always like to start with a presence of the fall/winter that is richer to try to attract for the first time in new customer into our stores. So for the plan 2025 is already there.

Regarding 2026, the plan is not completely finalized, so we have some flexibility, in case things will not get better, to postpone some of the openings. But for the moment, we are working on a plan that is similar to the one we have had in this past year. We are going to address it when we finalize our budget for 2026, so usually around the month of October/November will get a much clearer visibility. But the plans is still there. The main opening is going to be, and we remain convinced that this is a good thing to do for the brand and the presence in US, our store in New York that should be opening in Q1 2026. So this is the plan. Obviously, we always have the flexibility to adjust it more towards the end of the year depending on the situation.

LUCIANO SANTEL: Susy, about the profitability, I mean your statement is correct. Of course, as we said several times in the past, in order to maintain or to protect the same operating profitability, we need to report mid-single-digit positive comp. Of course, the question is a correct question considering that at the end of June, we report a -4% comp. Difficult to predict what the second half of the year will be, we don't know. Just to remind you that last year the third quarter was negative for our business, but then Q4 was fairly positive. So difficult to predict and to elaborate what maybe the second half of the year. However, of course, should the negative comp continue, this will have an impact on our profitability. Of course, rest assured that we are putting in place all the actions we can to keep strictly under control our expenses. But honestly, we are not obsessed with the 29% EBIT margin. That, of course, is our ambition, is something we aim to achieve, but again, we will do whatever is possible to protect a healthy profitability, but difficult now to say how much because we don't know anything about the next 6 months. Thank you, Susy.

SUSY TIBALDI: Okay. Thank you.

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

THOMAS CHAUVET: Good evening. My first question on Moncler brand DTC, which was down 1% in Q2 that suggests around mid-single-digit LFL decline maybe a little bit more than that. Could you comment on the LFL drivers, particularly pricing mix and volumes and whether you saw some growth differences by price points. Is knitwear or footwear becoming a bit more resilient in this environment due to the affordable price points, which categories are typically more exposed also to tourism, given you had a big tourist shift away from Japan and Europe? And secondly, on Grenoble, you hosted a spectacular show in Courchevel last March. What are the key Grenoble initiatives you have to capitalize on this momentum for a successful autumn/winter season? And could you just update us what's the share of Grenoble as of H1? And as you're getting scale, is it becoming a nicely profitable business now or is there just no major gross margin difference with the other collections? Is there any specificity now on Grenoble given the scale advantage you're getting? Thank you.

ROBERTO EGGS: Thomas, good evening. On the effect of the price mix volumes that we have seen during the quarter, as you know, we don't comment comp sales by quarter. But you can bear in mind that in terms of space contribution, we give guidance for the year that is between 4% to 5%. So, sually you have a little bit bigger effect in second half than the first one, but bear this in mind as an indication. Pricing this year will increase mid-single-digit. We are going to be probably more conservative for 2026. It's still to be seen with the evolution of the currencies, but probably a lower level for 2026.

In terms of mix, we have seen some slight positive elements linked to the fact that our high-end clients have shown a better resilience. So there is a very small mix effect. And as you can guess, linked to the comp sales that we announced for the first half of the year, the -4%, we have had the impact on the volumes. Basically, what we see is with a few exception is decreasing traffic. We recover part of this decrease in traffic with a better conversion, and we have usually have a positive impact linked with the price increase. The metrics outside of the traffic, and this is both for Moncler and Stone Island, are positive. So this gives us confidence on the fact that we have the right product, and this is well accepted by the consumer. We have a more qualified traffic in our stores. But there is clearly, and this is the macro economical environment that is influencing this, both decrease in tourism, but also a decrease in traffic overall.

GINO FISANOTTI: Thomas, Gino here. Regarding Grenoble, what I can share with you is definitely that Grenoble is our fastest-growing dimension of the brand right now. Of course, on the back of what we did in March, we had the second delivery on spring/summer – it is the first time that we have 2 deliveries coming spring/summer – and then, of course, full/winter is a very important season for us. We have multiple deliveries, including the part of the show we did in Courchevel coming in December, and of course, the marketing campaign that comes with that. And then, of course, this will be the buildup and the runway to a very special spring/summer '26 as well for Grenoble. So that's where I can share a bit of what's coming on the back of what you have seen in March.

THOMAS CHAUVET: Thank you.

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

LUCA SOLCA: Good evening. My first question is about pricing and assortment. Do you feel that you currently have the right setup when it comes to the price pyramid for Moncler primarily? We have seen some of the brands in the sub luxury space suffering from having increased prices too much. I seem to understand that for '26, you're thinking about increasing prices less than you did this year. Do you have the right entry price product? Do you think you have the right tools in a way to continue to attract consumers and that base volume setback is merely connected to external factors to the broader macroeconomic picture? My second question is about the peak trading season looking forward. This year, I understand you are not going to have the Genius event. I wonder what you have on your schedule to try and offset the very significantly positive impact that the Genius event in Shanghai had last year into sustained performance in the all-important big trading season. Thank you very much.

ROBERTO EGGS: Good evening, Luca, it's Roberto speaking. On the pricing as you know, because you are very familiar with the brand, we have been increasing prices over these past 3 years to a much lesser extent than the peers of the industry. The idea was always to protect our margin and just reflect the increase we have had in terms of raw material costs, production cost and logistics, that was reflected in the end consumer price. Clearly, the pricing today for consumer is a concern. I think we need to pay even more attention on this. I think we have had the chance over this past 5 years to develop credibility on the knitwear that has been something that has become a new access to the brand, with most of the client entering for the knitwear upgrading themselves into the outerwear. So we have maintained an access price with an interesting offer that has all the codes of Moncler - being the material we use and the fact that we are using down. The fact also that probably knitwear today is even more of a transitional product, and this is also another factor that is helping. So we have always been paying specific attention and we know how difficult it is to develop a very interesting attractive offer at entry price level, but this is one of the obsessions of Mr. Ruffini, looking at the collection, always challenging the designer, the team to develop an interesting access.

Now this being said, I think that we have, as a brand, a tremendous potential to go up also in the assortment on the most sophisticated part of the assortment, what we call internally the edit collection that is part of the main collection that has been together with what Gino was saying on Grenoble, the part of the collection that has had the largest success in this past couple of years. So this is encouraging us to continue to develop that part of the collection.

GINO FISANOTTI: Luca, Gino here, good to hear from you. I will probably repeat a bit what Roberto said. I think there are two aspects of your question. One was more regarding the assortment. I think Roberto mentioned knitwear. I will mention on top of knitwear a lot of the lightweight solution of our outerwear that have proven to be very, very successful for us as well. And of course, there are other classifications like cut-and-sewn et cetera, that keeps growing. So definitely, if you look at how the assortment and the tools that we have been using, especially for the past 2 years, I would say, are very different from what we were using 3 or 4 years ago. So that will keep progressing.

In terms of pricing, I think there's almost two parts of that conversation. One is the important aspect of protecting the entry price. I think Roberto mentioned how important is for us. Again, we know that we are the access point to some customers into luxury. So that's why for us it's very important. On the other side, I think for us is important to continue our push for product elevation and better product. And when we talk about the product normally people talk just about quality. But I think now with Grenoble in the mix and few other things, I think there is not only quality.

It's about performance, it's about innovation and it's about pushing credit concepts. That is something that it has been making Moncler, Moncler over the years.

Regarding your second comment, Luca, on the second half, of course, as always, I would love to share more, but I'm not able, but we are very, very confident on what we have in our hands for second half. Of course, we have, I mentioned just now, of course, we have a strong Grenoble season coming our way. I think we have something that hopefully we'll be able to disclose later that we strongly believe very connected to the brand and very connected to our core business. And then if you are a bit patient very early next week, we will announce something regarding an event within the next few months. So again, with all that in hand without saying much, Luca, I want to share with you the confidence that we strongly believe we have the right tools to keep building on the brand and building that demand that we all want to have.

LUCA SOLCA: Thank you, Roberto and Gino. Thank you very much.

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

LOUISE SINGLEHURST: Hi, good evening everyone. Thank you for taking my questions. Just 2 small ones for me, please. Just going back to the cluster comment with the European being flattish. So presumably, just trying to think about the weighting of the tourism versus the domestic in Q2 in the region. You're looking at kind of 60%, 40%. I think, Roberto, you're talking about Q3, just to be mindful of the tourism element. Is Q2 the biggest quarter in terms of tourist weighting. I'm just trying to think about the impact going into the next quarter?

And then on my second question, just on any inventory for spring/summer that's not sold. If you could just talk to us about how much is carryover, it shouldn't be hugely significant, but in terms of just understanding that gross margin comment too? Thank you.

ROBERTO EGGS: Good evening, Louise, Roberto speaking. I'll take the first question regarding Europe and the touristic floor. Yes, we confirm Q2 and Q3 are usually the quarter with the highest dependence on the tourist, more than 50% of the sales in Europe, much less in Q4 that is the quarter where the locals are coming back. They start already in September, sneaking into our stores, looking at the collection and then usually, they come back buying between October and December. We are used to have locals coming at the end of the year, not only onetime like the tourists, but they come 2 to 3 times to look at the collection before buying. So this is part of the usual way we work and we are less dependent on tourism. But between the second quarter and the third quarter, there is no material difference in terms of weight of tourists in Europe. And this has been the case with the exception, obviously, of the Covid time. This has always been the case. So these are the quarters where they are coming. They are discovering the collection in Europe and then buying either in Europe or back when they are home. And this is the touristic flows that has been mainly impacted, the tourism coming from Korea, from China and from the Americas.

LUCIANO SANTEL: Hi, Louise, your second question about inventory. The excess of inventory associated with the low sales of the second quarter, honestly, is not a big issue. It's not material at all. And so nothing we are worried about. Something important to highlight is that the increase in inventory is not due to the increase of finished goods, but to a strategic investment we decided to make in some strategic raw materials, where there is a quite important volatility. And so for this reason, time-by-time, sometimes we decide to invest for the following years. But again, very good raw materials, long-term raw materials, so nothing we are worried about.

LOUISE SINGLEHURST: Thank you.

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

EDOUARD AUBIN: Good evening. So my first question, Roberto, on Stone Island. As you mentioned during the presentation, your DTC was up only 3% in Q2, which I think is the first time you printed a single-digit growth since you acquired the company. I know it's just one quarter, but what's your analysis of the situation in terms of the issue with the collection, the location where you recently opened. And also related to that, if you had some divergence in terms of profitability between retail and wholesale there at Stone Island. That's question #1. And then Luciano, to come back on the margin for the year. Peers have flagged the issue that FX could have on their margin for the full year. The euro and the Romanian currency have appreciated versus the Yuan and the USD. So, is that an issue for you? And just to follow-up on the EBIT margin. I know it's totally hypothetical, but should you print a flat like-for-like for the year, could you keep the margin between 29% and 30%? I know there are many different moving parts, but you know, just curious about the sensitivity analysis on your margin. Thank you.

ROBERTO EGGS: Good evening, Edouard, thank you for the question. Stone Island I was expecting to have at least a couple of questions on Stone, so we're happy to answer. We are happy about the momentum that we have with Stone Island brand. We have seen the initiatives, the campaign we're running is also something that is working extremely well. The repositioning of the sub-collection with Marina, Stellina, Ghost with specific target audience is also starting to pay off. Yes, we have seen a sequential decrease in the

DTC. But bear in mind that we are not benefiting at this quarter from space contribution. We have been closing some of the stores, restructuring our distribution in Korea that is starting to deliver good results. I think we were probably over distributed in Korea. So we have a plan to focus on key locations and expanding the visibility of the brand, and we start seeing good results. Japan has also continued to perform, but to a lesser extent, we are a little bit less exposed than Moncler with Stone Island on tourism, even if this has been also part of the growing factor that we have seen in Japan, and the performance in Asia remains strong.

Then we have an overweight of Europe, if we compare the DTC business of Moncler with the DTC business on Stone Island, the share of Europe is, let's say, a much larger share than in Moncler. So the slowdown that we've seen tourism in Europe has also been impacting partially the DTC performance of Stone Island, but the reassuring factor that we have is that all the metrics we are measuring with apart from the negative traffic that we have seen in some of the regions, all the parameters that we see in terms of conversion, average selling price, units per transaction are going up, including the density, even if it's something that so far we have not started to disclose, but it's going in the right direction and all these metrics are improving.

LUCIANO SANTEL: Hi, Edouard. About your first question on the impact of FX on our operating margins, as I I'm sure you know, we have a hedging policy very strict hedging policy that protects our margins from any volatility of FX. And this has been the case for 2025. So we don't expect any material impact coming from FX for this year. Next year is another story. For next year, of course, we have already implemented our price strategy and hedging activity for the first half of the year. The second half of the year, that is, of course, driven by the fall/winter season of 2026 is still open and will be defined together with Roberto over the next month. And I can tell you that it will not be an easy job because, of course, on one side to protect the margins from deterioration of currencies, we need to increase prices. On the other hand, of course, we need to be very careful in the different markets, whether or not and to which extent we can increase the prices without impacting the demand. But I mean, this is part of our job, but next year, it'll be more critical than in the past.

Talking about your second question, as you know, we said and we reiterate that in order to protect our margins, we need a mid-single-digit positive like-for-like. So I mean we run a lot of sensitivities Edouard every day. To make the long story short, under the assumption of flat like-for-like, we see an impact on our profitability that I cannot quantify, but honestly, not particularly important. Still an healthy, as I said healthy profitability. But I mean any numbers would be totally inappropriate Edouard. Thank you.

EDOUARD AUBIN: Thank you Luciano.

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

CHRIS GAO: Thank you. Good evening. Chris Gao from CLSA. Thanks for taking my questions. I have 2. So, first one, very quick one. How much of the tourist demand in Japan is from Chinese in first half of '25, please? Just would like to quickly confirm that. So also in terms of current trading, how should we assess the Chinese tourist demand and the US tourist demand trend in third quarter? Just wondering if the third quarter-to-date trend is also similar versus that of 2Q or if there's any changes in trends of the tourist demand? So the second question is regarding the new consumer recruitment. So for China markets part of growth in 2Q and also Americans acceleration. Just wondering how much is from new consumers recruitment, and also, I was wondering if there is any consumer profile shift for these new consumers recruited versus like during pandemic or in the previous up cycle. Thank you.

ROBERTO EGGS: Thank you for your questions. I don't know if I will be able to answer because you are asking some of the details that we're usually not disclosing. Just one element maybe to give you better readability of the result of Japan is that Japan before Covid had a share of roughly 10% tourism and 90% of local business, even s 90% to 93%. Clearly, in this past couple of years, like most of the brands, we have seen from Southeast Asia and tourists from China coming to Japan, it was the less expensive region in terms of brand, in terms of product positioning, price positioning, but it was also a strong attraction of the country culturally. And I think that this is going to continue.

So at the time we have had, and we disclosed this between 5% to 7% price difference between the region. And this is, unfortunately, not there anymore. We are going to start rebuilding small price gap in case there is a resurgence of tourism willing to buy into Japan for the next fall/winter season. The share of tourism now was roughly 25% to 30%. We don't disclose the share of the different nationalities for Japan. But bear in mind that it was between 25% to 30% compared to the 10% before Covid. So currently, much, much lower and to be seen how this is going to evolve over time.

On your second part of the question between new customer and existing customer. Clearly, what you do as a brand and as a retailer, when you start seeing that there is a decrease in the foot flow in the stores, you leverage the power that you have been developing in terms of connection with your existing customers. So clearly, all the opportunities that we have seen in terms of launch of Genius, also the launch of Grenoble and all the different deliveries that we have with Moncler Collezione are opportunities to leverage on the existing ones. So Clearly, this is the profile we have been activating and this is why we have shown resilience even if we don't like to see negative figures in the DTC, but this is what has been helping the performance in Q1 and Q2, the fact that we have now a strong loyalty level of our customer and a great connection with our consumers.

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

CHARLES LOUIS-SCOTTI: Good evening. Thank you for taking my 2 questions. The first one is a follow-up on volumes. I understand you have flexibility to adjust the production up and down, but I would be interested to understand your expectation for H2 production volumes. The visibility is obviously very low. But basically, what base case are you currently planning around?

And the second question on the wholesale business. It seems that wholesaler difficulties are worsening, particularly in the US in this context, do you confirm your guidance for a decline in wholesale revenue for both brands or could it be eventually revised onward.

LUCIANO SANTEL: Charles-Louis, thank you for your question. About our production flexibility. You're right, we have some flexibility in production and that allows us to adjust our production in case the demand is stronger than what we originally planned. Of course, right now, the first indications are not in this direction, but we have opportunity to make launches in production also in September and beginning of October. So it's something that we monitor, of course, on a weekly basis, and this is something I can't answer right now because, of course, we don't know anything about next weeks. But anyway, yes, you're right. I mean, we tend to plan more prudently and then to react in season, if the demand is higher than what we expect. So right now, we have still time to evaluate and to monitor the trend and eventually to make additional launches in production in the following 2 months.

ROBERTO EGGS: Roberto speaking. Let me take the answer on the question regarding wholesale, and I will like to answer for both Stone Island and for Moncler. For Moncler, we stick to the guidance that was given at the beginning of the year, which is wholesale that should be high single-digits negative, so in line with the performance that we have had in 2024. And this is mainly due to a reduction of doors that we are planning because not completely in line with the brand positioning that we have today and also partially-driven by the fact that we are pushing our DTC more and more. So we are also very careful in this moment of high uncertainty, not to over push on wholesale with the risk to see discounted product. And as you know, we don't discount for Moncler product in season. So we are very, very careful in not pushing too much our wholesale partners and giving them the right amount of products to be able to have a healthy sell-through in their own business.

Regarding Stone Island, the situation is a little bit different. As you have seen, there have been a lot of differences in the result of wholesale when you compare Q1 and Q2. Q2 was a kind of catch-up of some late deliveries that we have had in the first quarter of the year regarding wholesale. We said at the beginning of the year that the way we're seeing the market was H1 that was probably not as good as the second half of the year. So we expect an improvement of the wholesale business that we have with Stone Island that is still a very significant part of the business. So we see an improvement of the performance in the second half of the year. So again, don't look at this performance by quarter, but more by semester, and in H2 there should be an improvement versus H1.

CHARLES LOUIS-SCOTTI: Thank you. Thank you very much.

OPERATOR: Next question is from James Grzinic, Jefferies. Please go ahead.

JAMES GRZINIC: Good evening. Actually, my questions were asked, but just for the purpose of clarity, I ask a follow-up around pricing and price recovery. So just to be clear, you have not done anything incremental in recent weeks following either tariffs or FX dynamics. And in essence, you're looking to be doing less in pricing in '26 versus '25 despite the fact that the ask on gross margin are obviously greater next year compared to this year? Just to clarify that.

LUCIANO SANTEL: Okay. For 2025, to compensate for tariffs we implemented a very, very light price increase for the second half of this year because the first half, of course, was not impacted at all, the second half only but not in a material way. But in any event, we increased slightly prices to offset the additional tariffs. The same we did for the first half of next year of 2026. As I said before, for the second half of the year for the fall/winter season of 2026, this is something that we have not decided and it is still under evaluation. We normally finalize our pricing strategy for the fall/winter 2026 by October more or less. And so, it's still early. Of course, we will see, we will monitor the FX trend and depending on which level will be the currencies we do business we will make a decision. So, no significant price increase this year and no significant in the first half of next year.

JAMES GRZINIC: Thank you, Luciano.

OPERATOR: Next question is from Paola Carboni, Equita. Please go ahead.

PAOLA CARBONI: Yes, hello. Hi good afternoon everybody. I have 2 questions. The first one is about Genius and the evolution we might expect for this 4 months. If you can share with us any thought or at least the timing when we might be aware of any different approach, let's say, to the marketing for Moncler brand? And the second is that on Stone Island, as you pointed out, you have mostly finalized your store opening plan for Moncler for 2026. I was wondering if you can share something as well for Stone Island for next year. Thank you.

GINO FISANOTTI: Hello. Thank you for the questions. Unfortunately, on Genius, I would have to be very short because again, you will have to be patient. You will have to bear with me until the right time we will communicate. Of course, this is a very confidential project that involves other parts. So we are not able to share much more than that, but definitely, as always, every time we come back with Genius, there's an evolution to it. So the only thing I will ask on this one is to be a bit patient, but at the right time, we will be sharing this.

PAOLA CARBONI: Sorry, just to clarify, on the Genius point, what you were anticipating you're going to announce in the next few days is not going to be already the alternative to Genius.

GINO FISANOTTI: We will let you know. Be patient with me, but I promise that you will know next week for sure and then more as we move forward. Unfortunately sometimes the timing of the call is not aligned with other things, and that's why we cannot disclose in advance something that we will put out there. So be patient. Thank you. Sorry for that.

PAOLA CARBONI: Thank you.

ROBERTO EGGS: Roberto speaking, Paola. Regarding Stone Island, I don't know if your question was related to the retail network. But clearly, what we're going to do is continue the elevation of the current network. So don't expect for 2026 meaningful space contribution, there will be some openings, but very, very targeted and still an elevation of the current network with qualification, finding the right positioning in the network, especially in department stores and working on the metrics regarding retail excellence to elevate all the components that have been making per successful to replicate this with Stone Island.

PAOLA CARBONI: Very clear. Thank you very much.

ELENA MARIANI: Thank you very much to everyone for participating in this call. And let me just give you a quick reminder of the next release. Our Q3 2025 results will be released on October 28th after market close, and our quiet period will start on September 29th. Thank you again. And for any follow-ups, feel free to contact myself or Gaia any time. Thank you, and have a great evening. We wish you a wonderful rest of the week. Thank you.