MONCLER S.p.A

"First Half 2015 Financial Results Conference Call"

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PAOLA DURANTE, INVESTOR RELATIONS AND STRATEGIC PLANNING DIRECTOR

OPERATOR: Good afternoon. This is the Chorus Call Conference Operator. Welcome and thank you for joining the Moncler First Half 2015 Financial Results Conference Call. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Ms. Paola Durante, IR and Strategic Planning Director of Moncler. Please go ahead madam.

PAOLA DURANTE: Good afternoon everybody, and thank you for joining our call today on first half 2015 financial results. First of all, as usual let me introduce you to the executive team on today's call. Our Chairman and CEO Mr. Remo Ruffini, Luciano Santel, our Chief Corporate Officer, Roberto Eggs, our Chief Operating Officer, Andrea Tieghi, Head of Retail, Mr. Sergio Buongovanni, Executive Board Member.

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

Let me also highlight that given the nature of our business, interim results can be influenced by seasonal effects and therefore cannot be taken as a proxy for full year trends or results.

I also remind you that the press has been invited to participate in this conference in a listen-only mode. Let me now hand over to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI: Good evening everyone and welcome to Moncler first half 2015 results conference call. I believe our H1 2015 results tell a clear story of constant progress and success. Luciano Santel will analyze them later. But let me say a few comments from my side. I cannot avoid to say that I am happy with this result which confirms once more our capacity to deliver a superior growth, 26% revenue growth and 22% comps at constant currency is I believe almost unique. It is thanks to our core strengths, a powerful brand, a clear strategy and a strong team.

This first half result benefitted from an easier base of comparison in particular in January and February. In addition as I always remind my people, we still have important months ahead of us in particular in Q4. This said they are still strong results, but as usual we will never rest in our effort to do even better. I am not referring so much to financial result which we will eventually follow. I am referring to the important strategic actions that will allow us to develop Moncler and make the brand even stronger and successful for the long term. We are working on our supply chain to invest in the superior quality that our customers recognize in Moncler. We are working on our retail network with the aim of consolidating what we have done while expanding. We are working on our complementary product categories starting with knitwear that we believe will contribute significantly to the long term growth of our brand. We are doing a lot in all these areas in terms of projects, new people, IT support and many other aspects.

In addition, we are working on an important new communication project. First of all, our new Fall-Winter '15 Annie Leibovitz Campaign has been launched worldwide and the initial feedback is extremely positive. In addition in September during the New York Fashion Week we will present the ”Art for Love” project in collaboration with amFar in which 32 leading photographers will interpret the icon Moncler Maya Jacket.

Finally, as you know at the end of October, we will celebrate the inauguration of our flagship store in Tokyo Ginza, a major event for us. These are just some of many projects we have in the pipeline and despite all the difficulties in the market, they inspire in me strong confidence in Moncler’s future.

Let me also today anticipate, we are planning to hold our first Investor Day on December 1st, in our office in Milano. I believe it will be an important occasion to share with you all the projects we are working on. Paola will send you shortly the “Save the date”. So now let me now handover to Luciano who will take you through the details of our financial results after which we will be happy as usual to take your questions. Thank you.

LUCIANO SANTEL: Okay, thank you and hello everybody. Thank you all for attending our call today. We start as usual from Page 7 where we report the most important points of the period of first half of 2015. Sales €295.8 million, up 35% at current exchange rate, 26% at constant rates. The growth in our sales has been driven by international markets which represent now over 80% of total sales (83%) and by the retail channel, which represents 68% of our total sales (same period last year it was 56%). Retail channel that has been performing very well, not only for the number of new openings compared to last year, but also because we report remarkable comp store sales growth of 22%.

Our EBITDA adjusted was 70.9 million with a margin of 24% against the 21.3% last year and I mean EBIT 18.2% margin against 16.1% last year and net income of 34 million with a margin of 11.5% against the 8.3% of last year. Our net debt 175 million increasing as compared to the end of December 2014, but is significantly lower than the 206.3 million of June 2014.

Let’s go now to Page 8 where we report sales by market. All our markets have been performing very well. I would start from Italy which is on the bottom of the slide. We report an 8% growth rate which is particularly good considering that you may remember that last year Italy was for some extent struggling and we ended up with a flat number, now we are up 8%. 18% in the rest of Europe and even a higher, much higher in Asia 36% driven by the most important markets China, Hong Kong, and Japan. And a very strong growth rate in North America 69%.

And let’s go now to Page 9 where we report we see sales by channel, by distribution channel. Most of the growth has been driven as we said before by the retail channel up 51% and this remarkable growth has been of course driven by the additional number of stores, we have opened over the past 12 months about 27 new stores and on the top of that, the 12 stores that we have taken over in Korea, but also let me say it again by a very good, very strong comp store sales of 22%.

You may remember that in March we reported a 25% comp store at that time most of that growth was due to a very strong performance in January and February. And now we can say that the 22% which includes an 18% growth rate in the second quarter is totally driven by the success, by the good acceptation of our Spring Summer collection. So we are very happy about this number.

About the wholesale, we report a minus 5% decrease, but important to say if we exclude the Korean market, the wholesale would have increased by 3%. So our wholesale channel is still a very important and strategically important channel for our business.

Let's go now to Page 10 where we see the current store network. We report now 153 retail stores against the 134 at the beginning of the year, which includes 7 new openings and the 12 shop-in-shop stores in Korea that has been part of the takeover you know very well. We expect and plan to open about other 20 stores in the second half of the year and four of which have been opened in July.

At the Page 11 you see one of the stores that has been opened in July Bruxelles and in the following page you will see picture of Macau another store that has been opened in July and another important store that opened in July is Berlin, Germany.

Let's go now to talk about numbers on Page 13. Again on the top line nothing to add, the 35% growth rate is very strong with gross margin 72.7%, 170 basis points higher than last year totally driven by the channel mix. On the other hand because of the growth of our retail business, we see an increase of our selling expenses from 32.8% to 34.6%, 180 basis points which match more or less the increase in gross margin.

G&A expenses 12.8% much better than last year when we reported 14.3%, but important to say the gap between this year and last year is narrowing. In the second quarter we have invested and we will keep investing in our structure, in our organization and so we do not expect to maintain this difference, this saving to this extent for the year end.

Advertise is 7% a little bit less than last year, but just because of a timing effect. EBIT adjusted 18.2% about 200 basis points higher than last year. Non-recurring items: we normally report in non-recurring items, the non-cash costs associated with our stock option plans, but this period we have also included 3 million provisions to take into account the credit risk of our receivable associated with "Other Brand Division" sale. You know, you may remember that we are still under a price adjustment process and considering the uncertainty of the outcome we preferred to make this provision.

Financial results 3.2 million positive of course, I mean you may remember that March also was positive because of the FX gains which have been very important mostly in the Q1. Tax 17 million with the tax rate better than last year which continues to trend reported in the first quarter and totally due to the mix of different countries where we do business. And at the end net income up 88% and at the very bottom of the slide the EBITDA which is 70.9 million, 24% margin against the 21.3% last year.

Okay let's go now to Page 14. Page 14 we see our CAPEX that at the end of June were 21.6 million, a little bit less than last year same period of last year when we reported 24.4 million, but this is just a timing effect. We expect to spend in CAPEX this year not less than what we spent last year which was in the region of 50 million as you know. Also I mean as our Chairman anticipated of course in the second half, we will spend much more also because we are opening our flagship store in Tokyo Ginza.

Let's look now at Page 15, net working capital. The most important item of net working capital for our business is inventory. As you know inventory is up 22% which at constant rates is about 19%. And so I would say totally in order and less than the growth rate of our business. The only point that is worth to make some comment is receivables which is significantly higher than last year, but the problem is…was not this year, it was last year when the receivables were much lower than the year before and this was because last year, we collected at the very end of June some important receivables from some of our key accounts. So everything in receivables is totally under control.

Okay, let's go now to Page 16, where we report our debt which as we said at the beginning of the presentation is at the end of June 175.3 million. Very important point to highlight is that in that number, we have included a tax payment of 47 million tax paid in Italy which was not originally planned and which is different from what we did last year: last year and the years before we used to pay our taxes in five different installments starting from July and ending in November, so without the non-expected 47 million tax payment our net debt would have been in the region of 130 million. Of course still a little higher than the debt at the end of 2014, but as you know because of the seasonality of our business, we normally absorb cash in the first half of the year, I would say in the first nine months of the year and we generate the cash in the last quarter of the year. Of course debt is still significantly lower than in June of 2014 when it was 206 million.

Let's go now to Page 17, I don't have any particular comment on balance sheet unless you may have a question later. Let's go now to the last page, the cash flow statement where we see a summary of the most important events we have discussed about EBITDA 70 million, an important use of cash of 55.9 million in the line change in other current and non-current assets liabilities because of the 47 million tax payment which is in that line. CAPEX 21 million, financial results are positive and nothing to say… the dividends paid are important, because we paid dividends in June 30 million against the 25 million we paid last year.

And the important comment to make about the change in equity which is the same we discussed about at the end of March, is that it includes the mark-to-market of our hedging instruments and the net present value of our put and call option with our Korean partner. At the end, you see an absorption of 64 million of cash.

PAOLA DURANTE: Perfect. Thank you very much to everyone for participating in this call. Let me just give you a quick reminder of our next releases. Our Q3, 2015 financial results will be published on November 9 after market close as usual and the conference call will take place the same date. Quite period, we start on October 26, from August 10 to August 23, the Investor Relation Department will have its summer break, prior to that do not hesitate to contact us for any follow-up question you might have. Of course for any urgent request, you can always reach us any day. We wish to all of you a relaxing summer break. Thank you. Bye.