Moncler S.p.A.

"H1 2022 Financial Results Conference Call"

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler First Half 2022 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be the opportunity to ask questions. Should anyone need assistance during the conference call, they may signal it to an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Alice Poggioli, Investor Relations Senior Manager. Please go ahead madam.

ALICE POGGIOLI: Thank you, operator. Good evening, everyone and thank you for joining our call today on Moncler Group's First Half 2022 Financial Results. Let me introduce you the speakers on today's call: our Chairman and CEO, Remo Ruffini, Roberto Eggs, Chief Business Strategy and Global Market Officer, Gino Fisanotti, Moncler Chief Brand Officer and Luciano Santel, Chief Corporate and Supply Officer.

Before starting the presentation, I need to remind you that this presentation may contain certain statements that are neither reported financial results, nor other historical information. Any forward-looking statements are based on 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 me now hand over to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI: Good evening, everyone and thank you for joining the Moncler Group First Half Results Conference Call. We have closed the first half of the year with very good results. In the first 6 months, Group revenues rose by 46% and accelerated in Q2 in almost all regions versus pre-pandemic levels. We see very good performances in Europe. Japan performance is also strong and Korea remains best-in-class.

By the way, I just came back from a business trip to Korea and Japan and I saw first-hand how vibrant these markets are. China, which has suffered from lockdowns in April and May, accelerated significantly in June. Looking at our operating performance, first half EBIT reached € 180 million with an operating margin close to 20%. And we have delivered a solid performance in all economic and financial KPIs. These results are even more meaningful, if we consider that the first 6 months have been marked by strong instability, linked to the ongoing conflict in Ukraine, Covid restrictions in China, worldwide pressure on logistics and strong inflation headwinds.

Moncler keeps driving strong brand engagement in communities around the globe. The launch of the Grenoble Day-namic collection was particularly well received and showed Grenoble potential to become relevant for the luxury outdoors all year around. In May, we held our Moncler retail summit, the first in-person event since a long time. I found all store managers very motivated, full of energy and passion and focused on the role they play in shaping a unique customer experience.

Stone Island is taking direct control of its markets. Following the establishment of the Korean joint venture, we are now going to directly manage the DTC business in the UK and in a few weeks we will set up a joint venture in Japan.

As you know, I strongly believe in having a direct relationship with the market, without filters. We are approaching two important milestones: 70 years of Moncler and 40 years of Stone Island. Anniversaries are always a good time to take stock of what we have achieved so far and what can be improved in the future. We are going to celebrate our history, but we are also planning new projects. As I always say, there is no future without a past, but there is no past that is enough to ensure a bright future.
Moncler has always been and will continue to be an ever-evolving brand, searching the extraordinary while remaining true to its DNA. Over the past 4 years, Moncler Genius has moved us to higher peaks, and will continue to play a key role in supporting the brand towards a new and inspiring concept of luxury.

Stone Island in its history has always been proudly faithful to its brand and product purity, and is now making stronger its relations with subcultures and its communities, accelerating an already great momentum.

We live in the era of uncertainty where companies need to know how to play for the long game, and be always prepared to face new challenges. This means that flexibility is a must. I am confident that we are ready to face the most important part of the year for us, leveraging on our operational flexibility and solid brands' vision with no shortcuts, making our Group stronger and always working hard to ensure the best days are the ones ahead of us.

And now, let me hand over to Gino, Roberto and Luciano for an additional update and for your questions. Thank you very much.

GINO FISANOTTI: Hi, good evening everyone. I will kick-off this session with the brand highlights. I would say this quarter is traditionally not the strongest for the brand, however this was a very important one for us for few reasons. Firstly, we spent a lot of efforts and time to focus on optimizing and making our brand investments more efficient, especially on the performance marketing side, as we get ready for the next 18 months. It was also a big opportunity to start becoming an all year around brand, and that's also why we were trying to be more efficient, testing and learning a lot about our summer season in Q2. And then, secondly, I think from the first half of this year we were starting to report against the 3 dimensions of the brand. So we will showcase the efforts we are making, making sure that we drive Moncler Collections, Moncler Grenoble and Moncler Genius equally all year around.

So, having said that, I want to start with few things on the brand side. The first one is regarding the statement we made in support of women's rights. I think we were one of the very first brands, not even luxury brands, one of the very first brands around the globe, to have a strong and clear point of view about something that we believe is fundamental. And that was not only important in terms of the statement outside, but also helping our own employees base and supporting them, especially in the US.

Then, secondly, we worked in partnership with Daniel Arsham and the Lewis Hamilton Foundation during the Monaco Formula One race. We started with a small project, but then we gained a strong PR coverage and consumer reaction to this, which was really good to see.

Then, last time we talked about the launch of our perfume especially in our retail doors, and since 3 weeks, we added the launch of our perfume to moncler.com and the performance has been really strong, led by the EMEA market.

Then we move into the different dimensions of the brand. For Moncler Collection, we are starting to make sure that we elevate not only our brand voice, but also the awareness of our summer products and summer collections. So, we did this working with some young but well-known photographers, like Gabriel Moses or Gray Sorrenti from New York, who will give us the opportunity to share our summer products with different people around the globe. And then, as I mentioned, we are elevating our product awareness on the .com, with some special programs on moncler.com in the last 2 months.

For Moncler Genius, we had two main launches during this past quarter. One is Gentle Monster that was really strong, not only for the business, but from the brand perspective as well. The team has been executing some pop-up spaces even in Asia with strong performance across the board.
And then JW Anderson brought a very strong message with the last collection we just launched. We received a lot of positive news, especially from partners, media and even some of the key influencers and people having organically or not organically worn our products, like Lewis Hamilton.

For Grenoble, we just launched our early Spring / Summer and this week, today, the early Fall / Winter collection. Activewear summer collections are a new important segment for us and we believe in Moncler Grenoble as a critical pillar of the brand to become all year around and providing solutions for the outdoors. Overall, the reception and the customer reaction to this collection have been strong.

ROBERTO EGGS: Thank you, Gino. Let me continue with some of the Stone Island brand highlights for the first half of this year. First of all, we had a focus on the UK, where we started taking control of the market through all the DTC operations. We signed an agreement to take over the e-commerce since the end of June, so it's now 3 weeks that we are running the business on the e-commerce directly. And we also started to take control of the physical stores that we have in London, in Brewer Street and also the direct accounts, like Harrods. So the UK is on the right track and we are finalizing the agreement with the partner.

Regarding the different collaborations, we had two important ones, one with Supreme, the other one with New Balance. The collaboration between Stone Island and Supreme is something well established, as it is the 7th collaboration that we have been working on with them, with the selection of products that highlight the Stone Island Compass Logo with the creativity of Supreme on synthetic fur coats, hoodies, t-shirts, bringing very good results with the collection sold out only after few days from the launch. With New Balance the partnership lasts since 3 years and this is the second launch that we have with new colours based on the 574 model, with some technical elements that are really incredible, like the full-length carbon fiber plate, which gives energy return when you walk and some upper breathable mesh. Also this collection was sold out in just a few days as the request was very strong.

At the Milano Design Fashion Week, as we always take the opportunity with Stone Island to show some elements of research, we blended the event during the Salone del Mobile with some online sales. We developed a number of 100 jackets called Prototype Research Dévoré with Kevlar Core, which is mixing cotton with Kevlar. As it usually happens on TMall, where you see fantastic products sold out in just a few seconds, this was the case also on our online, and just after a couple of minutes the 100 jackets were all already bought by the fans of the brand from all our communities.

Let me move now to the H1 2022 results, starting with the consolidated figures of Stone Island and Moncler, and then moving to each specific Brand in more detailed figures.

First of all, Group revenues in H1 reached € 918 million up +46% compared with H1 2021, that was consolidating Stone Island only starting from 1 April 2021. Q2 revenues reached € 328 million, which is a +26% compared with Q2 2021.

Moncler revenues were € 724 million in the first half up +27% compared with 2021, and € 250 million in Q2 up +23%. Stone Island H1 revenues were € 194 million up +33% versus 2021, 6 months pro-forma, and Q2 was equal to € 77 million at +35%.

The Group EBIT reached € 180 million with a margin on sales of 19.6% compared with the € 92.8 million and the margin of 14.9% of H1 2021, a significant improvement. Same for the Group net result, € 211 million with a margin on sales of 23% versus € 58.7 million and 9.4% margin in H1 2021. Finally, the Group net financial position was € 356 million compared with the € 730 million at the end of December 2021.

Let's move to the revenues by geography for Moncler. As we said, Moncler revenues reached € 724 million up +27% versus 2021 and +28% compared with 2019. Q2 reported a +23% growth versus 2021 and +30% compared with 2019. The acceleration versus pre-pandemic level was in all regions, excluding APAC, on which we will come back later.
Asia, which includes APAC, Japan, and Korea, in Q2 reported a +18% versus 2021 and +30% compared with 2019, driven by the outstanding performance of Korea and the strong double-digit increase in Japan. APAC was negatively impacted by the lockdowns in China Mainland in April and

May, while June improved significantly with the reopening of all stores, and we reached a double-digit growth in China during the month of June.
EMEA revenues increased in Q2 by 32% versus 2021 and 18% compared with 2019, driven by the solid demand from locals and especially North American tourists, that were in the quarter the number one nationality in Europe, but also by the very strong growth of all local nationalities with a special mention for France, Middle East and Germany. Americas reported a solid performance in Q2 up +17% versus 2021 and + 65% compared with 2019.

Let's move to revenues by channel. Moncler DTC revenues reached € 556 million in H1, +31% compared with 2021, +29% versus 2019. The comp sales have been up +19% in H1, notwithstanding the negative performance of Chinese Mainland. In the second quarter, DTC revenues were up +27% compared with 2021 and +24% compared with 2019, driven by strong local demand in all markets with Korea and Japan outperforming. Direct online continued to strongly perform in all markets.
Wholesale revenues rose to € 168 million, +13% compared with 2021 and +25% compared with 2019. The second quarter growth was +14% versus 2021 and +48% versus 2019, driven by the good performance of the Spring / Summer collections.

GINO FISANOTTI: With regards to the online and digital part, the digital direct team keeps doing a great job. The performance of the first half was really, really good, led by two main KPIs. Traffic was up +20%. Then we have discussed during the Capital Market Day the importance of logging customers into our own .com, that is critical in terms of not only engagement, but also retention, and this number is of course still small, but it was up +150%. And the other big thing in terms of engagement is product page views, that was up +60%.

Clearly, revenues growth should not be a surprise as it is a direct consequence of these aspects. We have seen really strong results in Q2, also in summer products, as we discussed before.

Talking about the paid media mix, in this first half we have seen e-commerce transactions from social channels up +80% versus last year. And this is, again, related to the optimization and efficiency in terms of how we use our resources to drive awareness and traffic to then convert that into revenues for the brand.

Last but not least, we will continue to focus on China. I think we are seeing really strong performance across the different launches and collections through WeChat Mini Programs that we are executing with the team there. And we already started our journey on TMall with a soft launch in the last 2 weeks. The official launch will take place on 1 October, but we have already kicked off our journey with TMall as we speak.

ROBERTO EGGS: Thank you, Gino. Let's now move to the results of Stone Island with the revenues by geography. Stone Island revenues reached € 194 million during the first half of 2022 up +33% compared with H1 2021 pro-forma, and Q2 was up +35%, supported by a sound double-digit growth in all regions.

EMEA, which is the main region of the brand counting 71% of the total business, grew +23% in Q2 versus 2021, in line with Q1 performance, with Italy, France and Germany, that represent 40% of the brand's revenue, outperforming the average of the region.
Asia was up +107% versus 2021 in Q2, driven by the internalization of Korea that was previously managed by an importer and now directly managed by us through a JV, going from a wholesale to a retail business. Solid double-digit growth performance was reported also in Japan, while

Asia Pacific has been penalized by the Covid restrictions, as for Moncler. Americas grew 39% in Q2 versus 2021, driven both by retail and wholesale.

Let's move to the revenues by channel for Stone Island. Stone Island wholesale business is still the vast majority and it was 80% last year, 69% this year in the first half. It grew +8% in Q2 versus 2021, driven by all the main markets, notwithstanding the conversion into retail of the Korean market occurred at the beginning of the year. Clearly, without the internalization of the Korean market, the growth would have been double-digit.

Stone Island DTC revenues in Q2 grew 106% versus 2021 with a solid double-digit performance in EMEA, Americas and a triple-digit growth in Asia driven by Korea. Korea DTC business after the internalization is performing well with KPIs that are improving, also thanks to the retail excellence project we launched. Stone Island direct online continued to report a solid double-digit growth, with e-commerce directly managed by us since the end of June.

If we move to the evolution of the store network during Q2, there were not many changes. We opened the Sydney Airport store for Moncler while we closed Paris Printemps du Louvre at the end of June, knowing that we were switching to retail since 1 July Paris La Samaritaine which was previously a DFS wholesale business.

For Stone Island there were no changes in the quarter. Looking at the total number of stores at the end of June, we have 238 for Moncler and 54 for Stone Island, plus 99 wholesale shop-in-shops, 64 for Moncler, 35 for Stone Island. The plan for the rest of the year is as usual a strong opening phase for Moncler, that usually takes place in Q3 and Q4 before the Fall / Winter season. We have planned and confirmed 6 openings in Q3 for Moncler, with 3 relocations and expansions. And in Q4 we will have 8 openings, plus 7 relocations and expansions. So, a very busy program for the retail network.

I now pass the word to Luciano.

LUCIANO SANTEL: Thank you, Roberto, and good afternoon everybody. Thank you for attending our call today. We are now at Page 14, where we report our income statement which consolidates our two brands, Moncler and Stone Island.

The top line was € 918 million and it was already fully commented by Roberto, with a 48% growth at current exchange rates, which is not a fair comparison with last year, because last year we consolidated Stone Island starting from the second quarter only, from 1 April, right after the closing of the transaction. So a more fair and comparable growth rate would have been 29%[1], which is still a very good growth rate.

Gross margin was 73.8% slightly below last year, indeed in 2022 we are consolidating two business models, Moncler and Stone Island, that are still quite different. Moncler is mainly a retail business model and Stone Island mainly wholesale, with a lower gross margin but the gross margin for both Brands and for each respective distribution channel was is in line with last year, even a little bit better.

Selling expenses were 34.3% of sales, better than the 37% we reported last year. But again, there is a comment we must make about this lower incidence. Last year, the incidence was particularly high because in the first quarter of the year we faced a lockdown in Europe with over 60% of our stores closed. So this negatively impacted our top line and that's why the selling expenses were particularly high. For sure, this year we faced a lockdown in China, but mostly in the second quarter and less severe than the one in Europe last year.

[1] If Stone Island was consolidated from 1 January 2021.

G&A were 14.4%, better than last year, but still growing about 25% due to expenses mostly allocated not only to our organization and people, talents and know-how to support our growth and the complexity of our digital growth, but also to supply chain, retail, logistics, information technology.

EBIT improved as well compared with last year with an incidence on sales of 19.6% versus 14.9% in 2021 and slightly better also than the 18% in 2019. Honestly, this number is better than 2019, but with different marketing spending as in 2019 we spent more in marketing.
Overall this is a good result in line with our target for the year-end to match the EBIT we reported in 2019 that was 30%. So still a lot of work to do, but good so far.

An important comment on taxes, as you see in this slide an unusual positive number in taxes, that is totally due to an operation we did at the very end of June, which is the realignment of the tax value of the Stone Island brand. This realignment, that is allowed by the tax law, implies a tax saving of € 92 million that, in compliance with accounting principles, has been entirely reported at the time of the application, so in the first half of the year. Therefore, that's why taxes are positive.
Of course, on the other hand, it is important to remind you that the upfront tax payment of € 124 million, which is not visible in this slide, will be very visible when we will comment the cash flow statement. So at the end the net result of over € 200 million is also due to this extraordinary tax event.

Capex in the first half of the year were only 4% of sales at € 36.5 million. Let me highlight that we opened only one store, but in the second half we will open around 15 new stores and we will have many relocations expansions, so a lot of work and a lot of investments. We still target for this year a total Capex of around € 160 million. So still over € 100/120 million to be spent. Last year we spent a little bit more, but the difference is totally due to a key money of € 11 million we paid in H1 for the expansion of our flagship store in Roma Piazza di Spagna that recorded very good results.

Net working capital had an incidence of 8%, which is very good, also considering that this number incorporates the two different business models of Moncler and Stone Island, and the latter by nature has a higher working capital. So, Moncler only would have been even lower.

We still maintain our target for the year end of a high-single-digit incidence of working capital. I do not think we can match the 7% of last year, probably something more because last year, as you may remember, a malware attack brought us to postpone the payment to our suppliers of over € 30 million to January. The normalized incidence of net working capital would have been around 8%.

But again, still a great number with all the components of working capital that are good, first among all inventory, that as you know we monitor very, very closely.

Then, the net financial position was € 356 million against the € 730 million we reported at the end of the year. So this is a significant cash absorption, due to some specific facts: firstly, the distribution of dividends for € 156 million, the share buyback we implemented in the first quarter of the year for € 48 million, and finally as I just told you, the upfront tax payment for the application of the Stone Island brand realignment of € 124 million.

In addition, something else that is important to highlight is the amount of taxes we paid due to the mechanism according to which in Italy we pay taxes also based on the results of the year before. So in 2021, we paid a very, very low amount of taxes, because it was based on the unfortunately very weak results of 2020. This year there is this kind of rebound effect, as the results of last year were very good. So we are paying much, much more taxes and precisely over € 30 million more than last year. So these are the main reasons why our cash position is significantly lower than at the end of last year.

Briefly on the cash flow statement, the unusual very high change in other assets and liabilities incorporates the tax asset, which will be recovered over the next 5 years, related to the realignment of the Stone Island brand.

Last but not least, our commitment to sustainability under the brand name Born to Protect. We presented in the last Spring / Summer 2022 the second collection of Moncler Born to Protect that recorded very good results. Something important to highlight is also the launch of a mini collection by Stone Island, totally made with production scraps. Moncler is step-by-step, season-after-season increasing the use of recycled and lower impact materials in order to achieve by the end of 2025 our 50% target.

Finally, congratulations to our sustainability team as we achieved the second-place ranking in the Moody's ESG Solution and I remind you that we have proudly been in the first place in the Dow Jones ranking for the last 3 years.

Thank you for your attention. We are ready to answer your questions.

Q&A

OPERATOR: Good evening, 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 the touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions.

The first question comes from Susy Tibaldi of UBS. Please go ahead.

SUSY TIBALDI: Good evening and congratulations for very strong results. So, firstly, I would like to get your view on the current trends in the market. It appears that despite the macro headwinds, the luxury consumer is still spending, which is leading to some very good numbers. And so, do you agree with this? I would be interested to know if you have recently started to see any changes in trends or consumer behaviors or maybe among your wholesale partners? And are there any regions maybe worrying you a bit, where you expect to see the first cracks in consumer confidence? And how are you preparing for this internally?

Secondly, on tourism and tourism flows. Would you be able to disclose what percentage of sales came from locals and what percentage from tourists in Q2 in Europe? The reason I am asking is that we are heading into Q3, which is a much bigger quarter and historically quite exposed to tourism in Europe. And so, do you think that we could see a boost, given that for the past 2 years we virtually had no benefit from tourism? And so, we could see a bit of pull forward of spending into Q3 at the expense of Q4?

And then lastly on China, if I heard correctly, during your opening remarks, you mentioned that in June you were growing back at double-digits. I mean it is a very, very strong number compared with what we have heard so far from other players. So I was just interested to understand how did you achieve such a strong result given also that there are still ongoing restrictions. And has this positive trend held in July? Thank you very much.

ROBERTO EGGS: Hi Susy, thank you for your question. On the current trends, I think we are now pretty much in line with what we have seen at the end of June. So, China, after two very difficult months in April and May, was rebounding double-digits during the month of June and we continue on a similar trend now. I think it is mainly the response of consumers and the attractiveness of the brand that have been working; it is also July now and it is the start of the Fall / Winter season. Of course, everything always depends on the probability of further lockdowns, but if there are no additional ones, we remain quite confident regarding China for the second half of the year. We have seen that as soon as the stores reopened, we were able to welcome back our clients in the stores. We saw also positive responsiveness on the soft launch with TMall. So many reasons to believe that, if there are no further lockdowns, China could be positive in the second half, as it has been for the first half of the year, because even if the second quarter was negative, our overall performance in the semester in China was positive.

We have also seen a good performance in Taiwan and Hong Kong SAR, even if lower than what we were used to have especially for Hong Kong SAR. For Macau we expect the reopening at the end of July and if we will start to see Chinese travelers back there, I think this could be another region to grow again.

As already mentioned, Korea has been the most resilient market for us throughout the pandemic, with a double-digit growth during the first semester, and strong double-digit growth in Q2. What is remarkable of Korea is that it is probably the region that has been embracing the most this new way of selling with private appointments and distance sales, as these represent now 30% of the sales we are having there, similarly to Japan that has 20% of the sales that are now done through private appointments and distance sales. We have seen a positive second quarter in Japan, even if there are now talks on the market about a sixth wave of Covid there, so I would be maybe a little bit prudent on Japan even if the start of the second half was good so far.

Australia has been also good. With regards to the Americas, if you look at growth compared with 2019, Q2 has been in acceleration versus Q1. If we compare it with 2021, it does not look the same, but I think due to the wholesale contribution which represents 40% of the turnover, a little bit misleading, but the performance was very strong. We need to see now with the concerns on inflation, if this will penalize the second half but so far the performance in the Americas was good.

Regarding Europe, this region has been, I think not only for us, but for most of the luxury brands, the positive surprise of this first half of the year. Here we have been growing +48% in Q1, +32% in Q2 versus 2021. This may look like a slowdown, but the base of comparison is not the same. In Q1 2021, we had half of the stores closed in Europe, and only 25% in Q2. So if we normalize it, the growth was consistent between the two, helped a lot by tourism especially with Koreans back to the level of 2019, and this is indeed another positive surprise we do not talk very much about. This was not the case for the Japanese, while the weight of American tourists in Europe is now at its record at 10% of Q2 sales compared with the usual 5-5.5%.

So tourists intra-Europe are back, at a similar level to the one we had pre-pandemic. What is still lacking is the Asian tourism. As I mentioned, the Americans are doing even better than in 2019 as a percentage of sales, but Japanese are missing and the Chinese as well. So roughly 30% of the tourism in the total weight is missing, but this has been offset by the very good performance of locals, growing double-digits in all nationalities during H1.

And in the second half of the year especially for Moncler, the most important quarter is Q4, especially on the retail side. And both on the retail and wholesale side, it is a quarter during which we are selling mostly to locals and a little bit less to tourists. Q3 is a little bit different, but it has not the same weight as Q4. So I’m quite reassured about what I see now in terms of tourism in Q3, and it is less relevant for the last quarter of the year where we need to focus more on locals.

Regarding the trend of the wholesale in the second half, I give you a guidance for the full year both for Stone Island and for Moncler, as we are expecting a high single-digit growth versus 2021. So, probably a slight slowdown in the second part of the year, as this is the most important one for retail.

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

ANNE-LAURE BISMUTH: Good evening. I have 2 questions please, the first one is on the like-for-like performance. So, like-for-like was up +19% in H1 implying contribution from new space of 12% in H1. I was wondering if it is fair to assume a low double-digit contribution from new space for the full year? And would it be possible to have the evolution of the like-for-like in Q1 and Q2?

And the second question is about the marketing spend. So if you are planning to reach 7% for the full year and as a percentage of Group sales, this would imply a strong increase in H2. You are planning a lot of initiatives around the 70th anniversary of the Moncler brand and the 40th anniversary of Stone Island. So, can you give some details about all these initiatives that you are planning for H2? Thank you very much.

LUCIANO SANTEL: Hi, Anne-Laure, it is difficult to predict space contribution for the year-end. For sure space will be important and it is reasonable to predict a low double-digit, maybe 10-11%, because as I said before, we plan many new openings, many expansions and relocations. And we also have some stores that were opened at the end of last year. So, let's say it is a fairly reasonable assumption.

ROBERTO EGGS: Maybe some guidance also on the productivity of stores or sales density which is another way to look at the contribution. Well, we closed last year with an unexpected € 31,000 per square meter. And we are positive in believing that we could reach a low double-digit growth, probably something in the magnitude of € 34,000. So not so far from the one that we had in our record year of 2019, and with some margin of progression for next year, if we do not have further lockdowns.

LUCIANO SANTEL: I leave the comments on marketing to Gino, but on the marketing budget, it will be the usual 7%. Of course, we spent much less in the first half of the year, but you will see fireworks in the second half.

GINO FISANOTTI: Yes, Anne-Laure, thank you for the question. I think as I mentioned at the beginning, in this past quarter we leveraged very much on optimization and that's also why we were seeing some strong results across the board. Of course our second half will be way stronger, with many investments. The 70th anniversary will take the stage as we go into September, October, and November, but that will not be the only thing we'll be doing. You will see from us, of course, a very strong 70th anniversary celebration not only in terms of marketing, but the entire company celebrating with the consumers, in terms of product, in terms of communication, in terms of brand experience. There will be a lot of things happening. And then of course, we will have additional launches from Genius and we have big expectations on our high-performance collection within Grenoble for the end of the year. So, we have a pretty packed second half, and we expect it to be this way even in the months after the second half.

ROBERTO EGGS: Regarding Stone Island, we are not yet at the level of 7%. We are still catching up in a qualitative way. But we have also similar fireworks foreseen at the end of 2022 for the 40 years celebration. So, it's also something we are working on, and there is also the project of launching a new store format with the opening of our store in Chicago, that will be then deployed with different formats, based on the one of Chicago, also for some of the openings that are already foreseen in early 2023.

OPERATOR: The next question is from Chiara Battistini of JP Morgan. Please go ahead.

CHIARA BATTISTINI: Hello. Thank you for taking my questions. First one on the gross margin for the first half, I understand the dilution from the full consolidation of Stone Island. I was wondering whether there is anything else that we should be thinking that had an impact on the gross margin in the first half, and if not, should we be thinking about gross margin broadly flattish in the second half of the year given the consolidation is then done?

Second question on Stone Island and the UK, as you are about to take it direct, I was wondering if you could give us any color on how you are thinking about the distribution of Stone Island in the UK, how is it going to change now that it is going to be directly managed by you? And also on brand representation and marketing messaging, how are you thinking to change? How the brand is perceived in the UK?

And finally, a clarification on the space contribution in H1 and the guidance for the rest of the year. I think the actual number of stores has increased by 6% year-on-year. So the bridge to get to the 12% is simply average store size or anything else that we should be thinking of? Thank you.

LUCIANO SANTEL: Hi, Chiara. The gross margin, as you have correctly said, declined versus last year only because of the combination of the two business models that are still different from a distribution point of view. But as I said, gross margin by each Brand and by each respective distribution channel is in line and even better than last year. So this makes us confident to achieve and to match the same gross margin for the year-end. So this is our current target and the gross margin is totally under control, even better than last year. Also our inventory position is pretty good, after the write-downs we did over the past 2 years and particularly in 2020. So the impact of obsolescence is very low.

ROBERTO EGGS: Regarding Stone Island and the UK, as we already mentioned at the time of the acquisition, UK was already on the radar screen as it is the most important market in Europe together with Italy. So it is important for us to take control as much as we can of the direct-to-consumer operations. And this is going to be the case at the end of this month for the store at Brewer Street in London. And since the beginning of July we started to manage the website and to realign the image and the way the brand is exposed. Clearly, when it was managed by the partner there were some differences. So basically, we are working now on the realignment of the brand image and the communication with all the tools developed for the markets where we are already DTC. Same for the Korean market. So these are the main changes that we are making now for the brand in the UK market, plus the management of the most important key accounts in wholesale that we plan to convert into concessions in the course of 2023.

LUCIANO SANTEL: Chiara, on your last question about space, it has been a particularly high 12% due to the openings of the second half of 2021, some examples of very important stores are Rodeo Drive in Los Angeles, which was not a new opening, but an important expansion and relocation in a much bigger and visible space, the relocation of Chicago, the new opening of Milan Galleria and the expansion of Roma Piazza di Spagna.

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

LUCA SOLCA: Good evening. I was wondering whether you could share with us what you are thinking about the digital and the digital distribution in particular. I seem to find an emphasis on direct digital distribution, and yet you were among the very few top brands to embrace multi-brand platforms like Farfetch for example. How is your thinking evolving when it comes to brand.com relative to marketplaces or relative to e-concessions? What role do you expect that the brand.com will take going forward?

My second question relates to retail productivity. You were very kind to give us the € 34,000 per square meter benchmark. I wonder, as I see that Stone Island is indeed gearing quite significantly and fast to direct-to-consumer and retail, how the retail space productivity gap is reducing between Stone Island and Moncler? And whether you are satisfied of the progression in retail space productivity at Stone Island and if you have a workable store concept, which you can use as a model for the various markets?

Then I have a question on pricing and the price increases. With the weakness of the euro, European prices become even more attractive for overseas tourists. I remember that you were working to reduce your price gap between Europe and some of the oversea markets, including China. I wonder how you are proceeding on this, and how you see this gap evolving going forward? Thank you.

GINO FISANOTTI: Okay, thank you very much for your question. On digital, I think the brand keeps trying to serve customers and consumers in the best way possible across the entire market. I think Moncler is a great example in terms of the way we maximize relations with Farfetch, Mytheresa, Luisaviaroma. But overall for us it is important to understand how we can become a best-in-class digital player within moncler.com. I think we are working heavily and not only to be better in serving the demand, but even retaining that demand through exclusive services and benefits.

For us .com is not just a transactional place, it is a relationship-centric place with customers. That's why for us, loving customers is so important. And we believe that our success, especially in today's digital environment, is real when we value relationships over transactions, right? I think we want to make sure that customers feel that moncler.com is a destination, a place where they can have the very best from us and they can have access to exclusive things. So that's what we're aiming for. But of course, we believe that everyone plays a critical role in the market to serve the customer in the best way possible.

ROBERTO EGGS: Luca, thank you for your questions. Regarding the difference and the gap between the productivity of Stone Island and Moncler, remember that the retail footprint of Stone Island is still relatively small, we have 54 stores at the end of June, out of which 23 recently converted.

So we have now started to implement the retail excellence project, but not all the elements. We're working at the moment on the new client experience that is also tuned with the new retail format we are developing in Chicago. And there will be a second wave of retail excellence at the beginning of next year. We will start refreshing and changing some of the stores, key stores that we have in the Korean market. But so far, what is good is that the cultural change that we are bringing in Stone Island has been positively accepted, that we have started building a client database.

We had 25% of the client recognized prior to the launch of retail excellence in Korea, and we are now at 80%. So I think there is a base on which we can start working on. We are still not at the level of Moncler, but we are confident that the level of productivity of Stone Island could get close to the one of Moncler. I think it is still a bit premature to discuss figures. We need to experiment. We need to test. And especially, we want the store to become a place where our community can live and experience the brand, not only being a transactional space. So we need to blend it both. And I think the lessons we are going to learn from the opening of Chicago are going to be very helpful.

Regarding the price increase, we are starting to bring this 10% price increase in the market for the winter collection and the acceptance is good as we didn't have negative reactions from the end consumer so far. And the first test was when we did in December of last year the Fall / Winter campaign for our 1,000 accounts in wholesale. So I'm not scared about that.

And of course, when we talk about 10%, this is something that is blended and it's not exactly the same across the different regions. It has been a lower price increase in Asia to continue to go in the direction of a decrease of the price gap between Asia and Europe, and Europe and the US. So the price increase was slightly higher in Europe and a little bit lower elsewhere, taking into account also the effects of the exchange rates and the weakness of the euro to try to mitigate it. So we are improving and reducing the price gap with the other regions step by step.

OPERATOR: The next question is from Geoffroy De Mendez from Bank of America. Please go ahead.

GEOFFROY DE MENDEZ: Yes, thank you very much for taking my questions. I have 3 of them. I wanted to come back on the comment on China for the month of June, up double-digit. I was wondering if you could give us a sense of the whole quarter, or maybe April and May, if it was down like 40% as most other companies flagged. And linked to that question, given China has improved in June, can you give any indication for the exit rate of the quarter for the Moncler brand? You did +23% on a 3-year basis for the whole quarter. Are you closer to high 20s% or 30% for the end of June? And what do you think potentially pricing could bring on top of that for Q3?

And then on Stone Island, you had a +33% growth on a year-on-year basis for H1. If I look at consensus numbers, I think they are expecting a +11% for the second half of the year with € 380 million of revenues. Any reason why it should slowdown so much in the back half of the year? Or you think something closer to € 400 million is more reasonable? Thank you.

ROBERTO EGGS: Let me answer the first part of your question. Regarding China, as I mentioned, the exit in the month of June was good. As soon as the stores reopened, and this started from Beijing and then Shanghai, we had a double-digit growth, low-double-digit growth in the month. I would prefer not to comment on April and May, but just to give you a flavour, total H1 in China was positive for us. So we have been able, with the result of June and the positive months of January, February and March, to overcome the loss and the negative performance of April and May. And the current trend is similar to the one we have seen during the month of June.

LUCIANO SANTEL: About your second question on Stone Island, as you said € 380 million. We may do better, yes, even if not that much. I think maybe a little bit better, considering also that the business is mostly a wholesale model, and we have a pretty clear visibility on that, but the retail side is quite unpredictable. And so, it's difficult to say now. But I think that € 380 million is achievable and maybe something more, yes, but not that much. Thank you.

ALICE POGGIOLI: Okay. Geoffroy, there was a part of your question that we did not understand due to a little bit of background noise, sorry. Do you want to repeat it?

GEOFFROY DE MENDEZ: Okay. For the Moncler brand in Q2 you had a 23% growth on a 3-year basis, and I was wondering if you could give us a sense of the growth of the exit rate for Moncler, given China helped to accelerate. So on the Moncler brand rather than just China.

LUCIANO SANTEL: 23% is of course the average of the quarter. As we said before, the exit rate in June was better than the previous 2 months for China, as it was very weak and negative starting from mid-March, and April, May heavily negative. In June, it was a positive, even slightly double-digit, low double digit. So this is the exit rate I can comment. And regarding the other regions, nothing specific to say, honestly.

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

PAOLA CARBONI: Good afternoon, everybody. I have a few questions. The first one is, sorry to come back on this, about China. Is it possible to have a sense of how far June was from the normal speed of this region up until January and February, for example?

The second question is on gross margin. You commented it earlier in the call, I just wanted to be sure I got it right. Should we assume gross margin to improve in H2 year-on-year, given also the growing contribution from pricing? Is this a fair assumption?

Third point is on Stone Island. I don't know if you can provide us some indications on how the brand is performing on a like-for-like basis in its stores. I appreciate that it's a low panel of stores, but at least in Europe, these are quite established. And so, this could be a good representation of the underlying trend of the brand. And with respect to this, I was wondering what the exposure is for Stone Island to tourism in Europe.

And the last point, on the fears of macroeconomic slowdown, particularly in Europe, I'm wondering whether you are feeling any change in the sentiment starting from your wholesale accounts, both at Moncler and Stone Island? And also, if you are somehow changing your attitude in terms of buying, and how you are planning your budgeting for the next seasons to be more prepared for any slowdown? Thank you very much.

ROBERTO EGGS: On China, I will be quite short because I think we gave already a lot of insights since the beginning. But let me say that the result of June was close to, even if not up to, the level of Q1, because we were still in the recovering phase. There was still a lower traffic, but the double-digit growth that we have been experiencing is not that far from the result of Q1. So I think that the Chinese consumers confidence was back and they went back to stores much faster than what we were expecting.

On Stone Island productivity, I think it is honestly premature. We are trying to do in 12 months what it took 3 years for Moncler, in terms of retail excellence, changing the client experience, developing a new format. So you need to give us a little bit of time. But the first results, as I mentioned, are promising.

Regarding Europe, sincerely, we do not see a slowdown. My comment is that in the comparison of 2022 with 2021, we should bear in mind that in Q1 of last year we had 50% of the stores closed, while 25% in Q2. So the fact that we have a slightly lower growth figure of +32% in Q2 2022 is related to the fact that we had less store closed compared with the previous quarter. And to give a even clearer view on the growth, if you compare 2022 to 2019, the growth in Q2 for Europe was in acceleration compared with Q1. So Europe grew compared to 2019 with Q1 up +11% and Q2 up +18%. Thus, we have seen an acceleration and not a deceleration and the results compared with 2021 are a bit misleading and linked to the different number of stores that were closed last year in Q1 and Q2.

LUCIANO SANTEL: Paola, about the gross margin and the impact on gross margin of our price increase, the answer is no, there is no impact because the price increase is totally driven by the production costs increase. So the decision to increase prices of about 10% is to offset the production costs increase, raw materials, transportation, energy, etcetera. So, no positive impact on gross margin at all.

ALICE POGGIOLI: Okay. Thank you to everyone. Of course, all the IR team remains available if you have any further question. Just a quick reminder that our next release will be on October 26 after market close, and a conference call will take place on the same date. The quiet period will start on September 27.

Really thank you for attending this call, and we wish you a really nice summer break. Thank you.