

Moncler S.p.A.

"9M 2023 Interim Management Statement Conference Call"

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 ELENA MARIANI, STRATEGIC PLANNING AND INVESTOR
 RELATIONS DIRECTOR**

OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler Group 9M 2023 Interim Management Statement Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Elena Mariani, Director of Strategic Planning and Investor Relations of Moncler Group. Please go ahead, madam.

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

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

Let me also highlight that given the nature of our business, interim results can be influenced by seasonal effect 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.

Now we can start moving to Page 3 of the presentation. I would like to start our call as usual, highlighting our key brand initiatives and events launched during the course of the third quarter. Starting with our first Moncler brand dimension – Genius – we had 2 launches during Q3. The first one was Genius by Salehe Bembury. We are very proud to have worked with him, one of the most talented emerging designers of the year. In this co-creation project he launched his first full ready-to-wear collection and also his own version of Moncler's Trailgrip GTX, so we were able to connect both with our loyal existing customers, but also – importantly – with new customers and new communities.

The second co-creation project was with Pharrell Williams, 'The Art of Terrain', a collection inspired by the idea of glamping, which was presented at Milan Fashion Week in September during an iconic event at Portrait Milano, which was attended by approximately 5,000 people and also had a very strong echo effect on all major social media platforms.

Moving on to our Main Collection, on Page 4, two main things to highlight:

First, the introduction of a new season of our iconic Men's Edit collection (pictures on the left-hand side of our slide). As you might know, Edit is the most sophisticated, elevated part of our main collection, with richer fabrics and clean design, and it has been resonating very well with our customers pretty much across all regions.

Second, after the success of the 70th anniversary Maya last year, we launched a brand-new concept, Re/Icons, to celebrate Moncler's most iconic styles. This year, we reintroduced our iconic Karakorum jacket in 3 different versions, supported by a strong brand campaign and an exclusive partnership with British Vogue.

As for the third brand dimension – Grenoble – there is going to be a huge focus during the upcoming Fall/Winter season, so you will hear more about this during our end-of-year results presentation.

Moving to Page 5, as you can see, we were quite active also on footwear. We gathered some of the most relevant personalities of the footwear world in Paris at Studio Ascenti to pre-introduce our new FW23 footwear products. This was a very successful event. We also launched new styles, including new colourways and versions of our iconic Trailgrip and of the Gaia Pocket, as well as the brand-new Peka Trek boot and the first Trailgrip Knitted High version.

Last but not least, we teamed up with Billionaire Boys Club, the brand co-owned by Pharrell Williams and Nigo. As part of their anniversary celebrations, we launched an exclusive capsule collection, which gained quite a lot of visibility, particularly in the US market.

Moving on to Stone Island, on Page 6, let me highlight a couple of very important initiatives launched in Q3. First, we announced a global multi-year partnership with Frieze, the world's leading platform for modern and contemporary art. In doing so, we became the Official Partner of Focus, the section of Frieze dedicated to young galleries and emerging artists, and of the global membership program Frieze 91. This partnership, which kicked off at Frieze London '23, is an important step in the brand's engagement strategy, reaching out to new communities and thereby extending its reach.

Secondly, in September in Korea we hosted the largest-ever installation by Stone Island in Asia, featuring over 70 iconic pieces from the Stone Island Archive. It was an immersive experience in the Stone Island universe, which helped us showcase the roots and the identity of the brand. As previously anticipated, with Stone there will be more activations in the upcoming months with 2024 set to be the year when we will further enhance the brand's visibility globally.

Let's now move to Page 7 where we quickly comment the Group 9M revenue development, focusing on growth at constant FX. In the first 9 months of the year, the Group generated over €1.8 billion of revenues, up 17% YoY, with Q3 at €670 million, up +7% YoY.

The Moncler brand in Q3 was up 9% at constant FX, with DTC double-digit positive and wholesale high single-digit negative. As you know, due to our seasonality Q3 is the largest wholesale quarter in the year and the one with the channel mix mostly skewed towards wholesale, so the overall brand's growth is influenced by the channel mix and the ongoing conversions, but we will go into more details in a second.

Stone Island revenues were in line with last year, also with a double-digit positive DTC and a negative wholesale (which is about 70% of revenues), as our focus remains on elevating the quality of our distribution network, maintaining a very selective approach.

Let's now focus on Moncler brand only and move to Page 8, where we analyse the performance by region. ASIA – that as you know includes APAC, Korea and Japan – in Q3 grew 22% YoY, a remarkable result, considering the much tougher comparable base in China, where last year in Q2 we suffered from several Covid-related lockdowns, while Q3 post closures was a pretty solid quarter. Beyond the Chinese mainland, also the rest of APAC (HK, Macau, Taiwan, South-East Asia) continued to grow extremely well. Japan and Korea continued to report a very solid performance in the quarter, slightly normalizing but still growing nicely. EMEA revenues were up 6% in Q3, sequentially slowing due to a normalization in local consumption, but also a slower recovery of tourism flows compared to the first part of the year. The DOS business continued to show a positive performance in EMEA up double-digit, while online was weaker compared to the first part of the year. The Americas region was down 14% in Q3, mainly due to the conversions of Nordstrom and part of Saks from a wholesale to a DTC business model, something we talked about already during the H1 results. So we had in the region a diverging performance of the two channels: DTC

continuing to grow at a double-digit pace and wholesale the opposite, declining at a double-digit rate.

Moving on to the revenues by channel, on Page 9, you can visualize more clearly the diverging performance of the 2 channels. Wholesale was down 9% in the quarter. EMEA and Asia remained solid, while Americas was affected by the conversion of Nordstrom from a wholesale to a hybrid business model and the conversion of part of Saks from a wholesale to a concession model. Excluding the impact of these conversions, the performance of the channel would have been flattish in Q3 and positive year-to-date.

Importantly, the guidance for the year in terms of development of this channel is unchanged: we expect a decline of the wholesale channel of about mid-to-high single-digit. And obviously this conversion activities will be fully annualized only in the second part of next year.

The DTC channel in Q3, instead, grew by a solid 18% YoY, with Asia and Americas outperforming. The growth of the channel was affected by a deterioration in the performance of the direct online channel, particularly in the EMEA region. In fact, the DTC growth in the quarter would have been above 20% excluding this negative impact from the online channel.

All in all, if you look at the big picture and at the development of the channel mix for Moncler, you can notice that while last year in the first 9 months we were still at 70/30% DTC/wholesale mix, this year we are already getting closer to an 80/20% mix in the first 9 months.

Now moving on to Stone Island regional trends on Page 10, you can see that EMEA revenues in the quarter were in line with last year with a strong double-digit performance in the DTC channel, entirely offsetting the decline in the wholesale. Asia grew 1% in Q3 with a strong performance of Japan compensating for the weaker performance of the

Korean market. And finally, the Americas region was down 2%, much better than in the first part of the year, but still impacted by softer business trends and a more cautious approach from department stores.

Looking at the trends by channel on Page 11, also for Stone Island, you can see the different development of DTC versus wholesale. Wholesale recorded a decrease of 6% in Q3, primarily due to the strict volume control adopted in the management of this channel, with the objective of continuously improving the quality of the distribution network. DTC, instead, was up 16% in the quarter, mainly driven by the very solid performance of EMEA and of Japan. The direct online channel for Stone Island also grew nicely.

Let me take one second to highlight also for Stone Island the ongoing evolution of the channel mix, with DTC in the first 9 months now accounting for 35% of revenues, 5 points more compared to the first 9 months of last year.

Finally, let's briefly examine our store network, on Page 12. At the end of September, Moncler DOS store network reached 262 units, with 5 net openings and 6 relocations / expansions in Q3, including the beautiful stores of Miami Bal Harbour and Paris Galeries Lafayette (which you can see on Page 13 and 14). The Stone Island network counts 77 stores, and this quarter we would highlight in particular the relocation of our Munich store, for which you can see some pictures on Page 15.

I'm going to stop here now and I will hand over to the operator for your questions. Operator, please, you can open the Q&A session. Thank you.

Q&A

OPERATOR: Thank you. This is the Churns 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 callers are joining the queue.

The first question is from Melania Grippo with BNP Paribas. Please, go ahead.

MELANIA GRIPPO: Good evening, everyone. This is Melania Grippo from BNP Paribas. I have 3 questions. My first question is on retail, could you please tell us which trends are you currently seeing compared to the +18% you reported and how these differ by geography?
My second question is on price increases. If you could please remind us any action that you have taken on the prices for 2024, and the level at which your price gap stands? And finally, on Stone Island, if you can please tell us which are the first actions undertaken by the new CEO?
Thank you.

LUCIANO SANTEL: Okay. Thank you, Melania, for your questions. About the current trend, I think that Elena reported very deeply and clearly that the trend in Q3 was good, of course, not as much as in the first half of the year, due to the comparison base in some regions, specifically in China, that was much tougher.

We started to see some kind of slowdown in September. Looking at the third quarter first, July and August were quite good, quite strong. September less. There was a slowdown starting in the second half of September that continued in the first couple of weeks of October. So, right now, the current trend is softer, but, of course, it is still too

premature to come to any conclusion. Something important to highlight is that the base of comparison in the first half of October was very tough, because last year, the first 2 weeks of October were literally extraordinary on the back of the event we held in Milan for the 70th anniversary that was a great success. And then business coming right after that event was extremely strong in all the different regions, specifically in China with probably the best ever Golden Week. So, again, the current trend is fairly good, not too great, but again, nothing important or meaningful for the next weeks that are very important for our business, as you know.

Second question, on the price increase in 2024. It will not be important as it was this year. It will be in the region of mid-single digit, so nothing particularly relevant, and with the price gap that will improve a little bit. In the next year, in China we expect to go below 140, in the region of 135, more or less. So, 135-137 next year, with the final goal in a couple of years, as you know, to go down to 130. Of course, when we are talking about China, we are also talking about the other equivalent markets like Korea and Japan. Even though in Japan due to the current weakness of the currency, the price gap is already much lower than in the other markets and we are much closer to the final goal of 130 in Japan than in the other markets, but this is due to the current level of the currency.

About Stone Island, of course, I think the results are very clear. Weak wholesale, much better and encouraging results in the retail. Talking about Robert Triefus, that was your question. Of course, Robert joined the company in June. So, he is already actively working on the brand, because, I mean, his background is a brand strategy background developed in some very important and relevant luxury brands and this is the main reason why we decided to get him on board. So, he started to work on the brand, and of course I can mention a couple of events. He already organized one in Korea, the first event after many, many years with the community of that country. That is a very strong community for the brand. And the partnership with Frieze that Elena already

mentioned. And the second event in London still with Frieze that was held in the domestic market store. So, I mean, these are only the first initiatives. We are still at the very beginning, of course, of the process that is intended to increase the level of awareness, but most importantly, the perception of this brand that is a very, very strong brand, but still with a lot to be developed. And of course, continuing the process to convert a wholesale business model into a DTC business model, which, as you know, is an old story we already told you other times. Of course, it requires the development of a stronger DTC culture – physical retail culture first, but also an online culture.

And on this aspect, let me remind you that next year, mid of 2024, we plan to in-source the online business that right now is still operated by YNAP. Of course, in order to develop this culture, we are creating a pretty solid online organization. We have a new head of the online business, who is doing a great job. So, again, we have great expectations for the future.

MELANIA GRIPPO: Thank you.

LUCIANO SANTEL: You are welcome.

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

ORIANA CARDANI: Yes, good afternoon and thank you for taking my questions. The first one regards the contribution of tourism. Can you quantify the weight of tourism on total European sales in Q3 and how does it contribute to the month of October? Do you see an acceleration in Q3? The second question is about the growth profile of revenues in Q3. So, how much is organic growth and what is the balance between price mix and volume? And finally, regarding footwear, how is this category performing in this 9 months of the year? Thank you.

LUCIANO SANTEL: Okay, Oriana. Thank you for your questions. About tourism. Let me focus on tourism from outside the region for Europe, because I guess this is your question, but if it's not, let me know. In Europe, as you probably know, because this is what we presented at the end of the first half, we started to see more and more tourists coming from other regions. Of course, still way below the level we achieved in 2019, which still remains our benchmark.

In Q3, honestly, we have seen more and more tourism, but we didn't see a specific acceleration in the flow of tourism coming from other regions. Just to give you some more colour about nationalities. You may remember that American customers represent the #1 nationality. Now Americans and Chinese represent still the most important nationalities, but the Korean is also a nationality that is growing and has been growing during Q3.

Honestly, in October, of course, it's still very premature to give you any meaningful or relevant information, but I can tell you that we don't see any specific change in regards to what I said about Q3. Second question?

ELENA MARIANI: If I understood well, you asked with regards to the organic growth in retail, the contribution of comp versus space and then price versus volume. Is that right?

ORIANA CARDANI: Yes, that is correct.

ELENA MARIANI: As you know, we don't disclose the comp by quarter, so we're not going to give you that flavour, but the space contribution guidance for the year is unchanged at mid-high single digit, and for price versus volume, a similar answer, but maybe Mr. Santel wants to give you further information.

LUCIANO SANTEL: Yes, we don't report numbers, but I can give you some colour. Our historical guidance, but also the guidance for this year is that volume

normally represents 2/3 and the price 1/3. In the second quarter and even more in third quarter, we saw price growing more than volume, so it's difficult to predict how much will be at the end of the year, but probably instead of 2/3 and 1/3, it may be 50/50 or 60/40, something like that. Also, this is due to the fact that, of course, the price increase in this current season may play a role in the final number.

Last question about footwear. Of course, footwear is still a very small business for Moncler, but we have now great expectations, honestly, because finally we see our collections, especially the new line that was launched one year ago, the Trailgrip line, developing first the appreciation of our customers, the credibility of our customers and also volumes. This category is growing faster than the other categories.

Of course, we are talking about a still very small business. So, even if the pace of growth is very good, the numbers are not visible as much as we hope they will be visible over the next couple of years.

ELENA MARIANI: And, Oriana, just to give you additional colour, some quantitative colour. So, footwear year-to-date was the fastest-growing category, followed by knitwear and cut-and-sew, and then the third one was outerwear. So, the other categories have grown year-to-date faster than outerwear.

ORIANA CARDANI: Okay. Thank you very much.

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

LOUISE SINGLEHURST: Hi. Good evening. Thank you, Elena and Luciano. Just a couple of questions from me, if I can, just on the commentary by Asia, obviously very interesting, up 22%. So, you must be thrilled with that, given the tough comp. Can you just give us the colour about the Chinese cluster, particularly the 2-year stack, and how that's progressed throughout the

year-to-date to Q1, Q2 and Q3, and more specifically, if there's anything that makes you feel differently about the Chinese consumer behaviour from earlier on in the year?

And then secondly, just given obviously the like-for-like progression that we've seen over that underlying growth progression, not like-for-like, but the progression we've seen in Q3, can we just talk about that margin target that you've talked about previously, Luciano, of around 30%, and what parameters you need in terms of growth to get there? I presume the investment schedule with Grenoble and the other activity, and the brand engagement is a priority for Q4. Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions. About the Chinese cluster, I mean, China overall did quite well in Q3. We're talking about the Chinese cluster, as we just said Chinese customers have started to travel also to Europe, even if not as much as in 2019, but they are traveling more and more in their market, in China itself, and just to mention the island of Hainan, that is a destination for tourism that is doing very well, and also our stores are doing very well, but also the close-by markets like Hong Kong, Macau, and Japan. Japan more and more also thanks to the weakness of the currency that makes that market right now more competitive for Chinese customers.

Having said that, the Chinese cluster in Q3 is in line with what we reported in the first half of the year that is up 50% compared to 2021, on a 2-year stack. So the Chinese cluster is still very good. Again, on Q4 is still premature to comment also because we have just 2 weeks, 3 weeks behind, but again, the Chinese cluster is still doing very well.

Talking about the margin, our target, I mean, ambition, Elena says ambition – she is right – is still to deliver a margin, operating margin this year substantially in line with what we did last year. This is still our indication. Of course, everything will depend on the business trend over the next 10, 11 weeks that are, needless to say, the most important weeks

in the year for our business, but this is still our ambition. This is the right word.

LOUISE SINGLEHURST: That's very clear. Thank you.

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

LUCA SOLCA: Yes. Hello, Luciano and Elena. Maybe a simple question about Stone Island. We see that it has continued to increase its exposure to retail. Is Stone Island growing into retail and moving the channel mix from wholesale to retail, dilutive in terms of profit margin? And what is the gap that you currently have in retail space productivity between Stone Island and Moncler? Has it been closing or is it in line with what you had seen in the past few quarters? As far as retail or direct-to-consumer growth is concerned at Moncler, I wonder if you could give us a rough idea of what is space and what is like-for-like. Thank you very much indeed.

LUCIANO SANTEL: Luca, thank you for your questions. The first one is a very interesting question. Of course, I'm not sure I will be able to give you the answer you may expect, but I'm sure you have part of the answer. Stone Island, right now, is culturally a wholesale business model company, and we are developing the DTC business, but as you know, as we said in the past, we want to develop the business. We want this business to grow organically. And so we are not anxious to develop that business by opening many, many stores, but we want the existing stores that are in our pipeline to perform in the right way.

Of course, needless to say, the density of Stone Island is still below the great, let me say, density of Moncler. How much is something that I can't tell you, but it is still below. Of course, we have to close this gap step-by-step, and the reason why we are very prudent in predicting the future of the brand is that, as we said before, the wholesale channel is not particularly strong right now everywhere in the world, particularly in

Europe and in the US even more. And it's very important strategically to develop the DTC business.

But again, we want this business to grow organically in a clean way, so it will take some time, but for sure, sales density is what drives margins and the sales density right now is below the one of Moncler. So, margin wise, Stone Island, even if right now is substantially in line, is a little lower than Moncler, but simply because we spend less money in marketing which is something we want to adjust in the future. This is the picture I can give you right now. About Moncler, in terms of DTC space versus comp for the full year, because, of course, we don't report comp for Q3 as it would be totally meaningless. For the full year, we still expect space to represent a percentage in the region of mid to high single-digit.

ELENA MARIANI: And Luca, if it can help you, you know, space contribution was a touch more than in the first part of the year, but we still have the most important openings in the fourth quarter that should lead us at year end to the guidance we've been providing since the beginning of the year.

LUCA SOLCA: Understood. Thank you very much indeed.

LUCIANO SANTEL: You're welcome.

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

THOMAS CHAUVET: Good evening Elena and Luciano. 3 questions, please. The first one on the trends, 2 clarifications: one, you said slowdown happened in the second half of September, continued in October. So, if we estimate like-for-like at around 10%-11% in Q3, based on what you said Elena on the space, is it fair to assume that perhaps the end of September and October are now only up single-digit like-for-like. And then as you commented, Luciano, on the Chinese cluster evolution quarter-on-quarter, could you

talk about the other nationalities, Europeans, which I think were still up double-digit in Q2, Americans which I think were up over 20%?

Second question on the online business. You highlighted the weakness in the quarter, particularly in EMEA. It looks like online globally was probably down double-digit. Can you elaborate on why you think it's happening so suddenly? Is online worse in your third-party business than in your own website and what measures are you taking at the moment to try to fix that to, I don't know, rejuvenate the traffic and conversion, and I don't know what are the other issues?

And finally on inventories, they had increased by a third at the end of the first half and this was due to your production output of Fall/Winter. Are you happy now about inventory levels at the end of October based on the wholesale sell-in and the, obviously, retail sell-out, given your comments on September/October? Thank you.

ELENA MARIANI: Okay, I've counted 4 questions. So, we will try to address them quickly.

THOMAS CHAUVET: Sorry. Thank you.

LUCIANO SANTEL: Okay. Thank you, Thomas. So, about the first question, the slowdown. I mean, we don't report comp in Q3, you can imagine that I can't tell you how much is comp in October. Also, honestly, I don't know it. But in any event, there was a slowdown in the second half of September. There is a slowdown, I mean, if we can call slowdown. I said that is a softer business that continued in the first half of October, also because the base of comparison with last year was particularly strong, as last year, the first 2 weeks of October, were extremely, extremely strong. So, this is what I can tell you.

And something important to highlight, which is also your third question, is the online, because online is the channel that more than others experienced this kind of slowdown. Starting from the second half of September, we faced a significant slowdown in the online business,

mostly driven by a decrease in traffic. Why traffic decreased so much? Honestly, it is difficult to say. What I can tell you is that in that industry, I think that both looking at performances of retailers and at performances of retailers where we have e-concessions, also in these sites, the traffic was significantly down.

What are we doing now to adjust this trend? Of course, we keep monitoring this trend, but we are not taking specific actions to pay traffic. And you know what I mean. I mean, we don't want to force people to come to visit our site paying in performance ads. And so, this is something that for the time being we monitor, also because our aim is to grow organically that business and not to pay traffic to make people come to visit our business.

Nationalities, okay, we told you before that the Chinese cluster grew on the 2-years stack +50%. I can tell you that the Korean cluster grew strong double-digit. Honestly, more than what we see in that market. I mean, that is for sure the weakest market in the region, but nevertheless, it is still doing fairly well for Moncler, but in addition, on the top of that business, Korean customers are travelling, as I said before, to Europe and also to Japan, thanks to the better prices they can find there. So overall, Korean cluster did very well double-digit. Japanese fairly well. In Europe, of course, you have to consider the slowdown in the online business, but also in local consumption. The American cluster is more or less...

ELENA MARIANI: It is still positive, but it's not the double-digit that we've seen before.

LUCIANO SANTEL: Yes, single-digit, correct.

ELENA MARIANI: Yes, because we are annualising the strength that started sort of like middle of last year.

LUCIANO SANTEL: Okay. Last question, on inventory. Inventory was quite good. I mean, it depends on the different points of view, but it was quite healthy at the end of June. It is still healthy, we are ready to fulfil the demand from the markets. It is a healthy inventory, because it's made only or mostly of current seasonal products. And so, of course, we have no worries that we are in a very good position to fulfil the demand of the markets.

THOMAS CHAUVET: Thank you.

OPERATOR: The next question is from Erwan Rambourg with HSBC. Please go ahead.

ERWAN RAMBOURG: Hi, good evening. I hope you can hear me Elena and Luciano?

ELENA MARIANI: Yes, we can hear you well.

ERWAN RAMBOURG: Yes. Okay, thanks. I'm just using a new system. Thanks for your patience. Just a few follow-ups, please. I think you said wholesale was down 9%. But if you backtrack from the changes in the approaches for Nordstrom and Saks, it would have been sort of flattish. Can you talk about the mechanics of that shift from wholesale to retail? Is it fair to assume that you're losing 9 points of wholesale growth in Q3, but that should maybe transfer into 4 points of positive incremental growth in retail in Q4? Is that the way to think about it or would you think about it differently?

Secondly, looking at the Chinese cluster, can you maybe comment on purchases at home versus purchases abroad, today with the Chinese cluster, relative to what the levels were pre-Covid, knowing that, referring to your previous point about Europe, they're taking a much longer time to reappear offshore, if I can say.

And then thirdly, just coming back to online. I'm just wondering if you can quantify what percentage of retail sales or overall sales online represents today for the Group? Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions. About the mechanics of the conversion, the minus 9 would have been...I don't know minus 1 point, anyway flattish compared to last year. This is due to the fact that in Q3 last year, as usual, we delivered the vast majority of the wholesale orders, including in this case Nordstrom and Saks, and that business completely disappeared from the wholesale channel. Of course, there is a shift from one channel to the other, because, to your point, of course some of that business should be visible on the retail side, but there is also a shift from one quarter to the others. And so, some of the business will be visible in Q4, some of the business will be visible in Q1 of next year. So it's not something totally mathematic that business will appear in Q4, because some of that business will be done in Q1 of next year. I don't know if I answered your question.

Of course, the reason why we are implementing this kind of conversion strategy is because we strongly believe that from a demand point of view, from a quality point of view, we want to operate directly these stores. So we implemented this hybrid model with Nordstrom and a pure concession model with Saks in their store of Fifth Avenue. And this is because we believe that in this way we can enhance the service to our customer, enhance the message, the brand message to our audience.

ELENA MARIANI: To the question on the Chinese, I can answer that, in Q3, it was about 2/3 of spending within China and then 1/3 abroad, which frankly is not different from what we have observed in Q2, while Q1 was about 80/85% at home and about 15% abroad. So there was not a big change in the mix compared to the previous quarters.

ERWAN RAMBOURG: Sorry, Elena, what is that compared to pre-Covid era?

ELENA MARIANI: Well, pre-Covid, I think it was for us about 50-50, more or less in 2019. And then last year, obviously, it was for the vast, vast majority at home, about 90%.

ERWAN RAMBOURG: Yes, perfect, thank you.

ELENA MARIANI: And on the online. So basically, we only give this figure for the full year. And, just as a reference, in fiscal year 2022 we had about 16% of sales online and it was about 2/3 direct and 1/3 third parties.

ERWAN RAMBOURG: Fantastic. Thank you.

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

SUSY TIBALDI: Thanks for taking my question. Good evening. And my first one, we are seeing clearly some polarization between the very high-end and the more aspirational consumers. So, from your point of view, how do you see your customer base? Do you see any trends to flag, perhaps different trends by price point, perhaps seeing these more aspirational consumers starting to really fall off, and any trends by region on this point?

And secondly, on the weakness that you saw end of September and early October in Europe, if you exclude the online, do you have any idea of how to think about it in terms of how much of it was driven by the unfavorable weather, how much was more structural? Because now we are getting into Q4, which is obviously super important for your local consumer in Europe. And so also trying to think if there was some mix impact at the end of the quarter, because you were not able to sell the Fall/Winter collection yet.

And then thirdly, one question about Genius. Given that now, you know, in this environment where the consumer seems that is going a little bit more towards classics, are you seeing any change in trends with this...when it comes to collaborations? You had big launch with Adidas

recently. In this environment, do you find that consumers are still receptive to collaborations and Genius in general? Thank you.

LUCIANO SANTEL: Okay, thank you. Thank you, Susy. About the overall picture of consumer trends, high-end or aspirational, we don't see honestly a specific deterioration. Of course, we have been working a lot over the past 3 years to elevate the level of our collection. And I think that Moncler is not impacted as much as other strong luxury brands specifically from the decline of aspirational customers.

And honestly, to go to your second question, you touched a point that I mean, we don't like to talk about, but we have to live with the weather. Of course, weather is not helping our business. It is not helping any kind of apparel business, because with this kind of mild September or October, people prefer to go to the mountains or to the seaside rather than going to shop in the city.

But I mean this is something that every year, regularly, we face in October or in November, in December, and in the end, whether may be impactful, but just for a few weeks. For sure, to answer your question, September and October have not been strong weeks from the whether point of view, even if we started back in June/July to sell our Fall/Winter collection. And of course, the most important part of the season still has to come, but we have already sold a lot of this collection. It is something important to highlight, some kind of colour that is more qualitative, as our customers like a lot the collection. So, we are very, very happy about the current collection.

Talking about Genius, the strategy behind Genius is something you know very well. I mean, to increase the audience, we want to talk to attract new audiences, to attract new people, to attract also the existing customers, to keep talking with them, to keep showing them newness. Of course, still with a strong content of innovation. About the current trend, you are totally right. But I don't think that this will be the end of

a collaboration. Actually, what we are working on right now is more precisely called co-creation that is something beyond the collaboration. In any event, the collaboration with Adidas was very successful, as much as the other collaborations with Salehe Bembury, with Pharrell Williams. Right now, today, we launched Palm Angels. The first results are only for half a day, but they are very good. Of course, what is important is not to forget that the overall taste of the market has changed.

So, this kind of trend of a more sober, classic, elegant taste is something we take into serious consideration. And just to remind you, we have a specific part of our collection that is called Edit that has been in our collection since ever and that is talking to a profile of customer that likes a more classic, elegant – still very rich in material – product. And, of course, that part of our collection is doing very well, but it's not something we invented yesterday, but something that has been in our collection since many years ago.

ELENA MARIANI:

And, Susy, just a couple of clarifications on your first question. First of all, we don't just look at the transactional aspect. We monitor very closely all the brand engagement statistics, and what Gino – who is not here today – would tell you is that brand engagement remained very strong across the board and Q3 wasn't the exception, led by the work presented at the beginning of the call. We also have still some strong consumer-centric work to come for the next 75 days on all the dimensions, but I would say probably particularly on Grenoble, when we look at the fourth quarter. So, it's not necessarily important to look at just the trend over a couple of weeks, but to look at the statistics related to the brand and engagement, which for us are probably even more important.

And then on your last point, you know, typically as a brand, we adapt but we don't really follow a trend, because we believe in the idea of bringing creativity to luxury and staying true to our DNA. So, we find it quite risky to just adapt to consumer trends which are now changing

every 6 months. So, for us the most important thing is to stay true to our roots. Obviously, we can adapt part of the business, but nothing that you're seeing right now is new or came up. And also remember that Genius is a very small portion of our sales. So, it's basically a dimension that is intended to attract new customers and enlarge our audience.

SUSY TIBALDI: Thank you so much.

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

CHARLES SCOTTI: Yes, good evening. Thank you for taking my questions. I have 3, the first one on your stores network. You said in the past that you see potential to open 10-15 stores a year at Moncler. Considering the expected generalized slowdown in the industry, could you potentially envisage to slow down the pace of store openings and expansions in 2024?

Second question, can you please share with us the level of retail penetration by region at Moncler, and what targets do you have in mind and with which timeframe? This will help us model the expected headwinds from the streamlining of the wholesale channel in the coming quarters or years.

And finally, still on the wholesale business in the US, obviously department stores were driving some traffic to your brand. Are you confident that you will be able to recoup this traffic in your DOS and could this financially require higher A&P spendings in the American market? Thank you.

LUCIANO SANTEL: Yes, about your first question. I mean, you're right. We normally plan about 15 new projects for new openings a year. This will be the case for this year, more or less, and will be the case also for 2024. Important to remind you and to highlight that we have normally 15 new openings project and an equivalent number of relocations and expansions of the

existing stores that strategically have been over the past few years, and will still be the most important. Because, related to stores, this year Zurich or Wien, Bal Harbour in Miami and several other stores that are doing very well – we find a bigger location or, in the same location, we are able to expand the store to make it much bigger, but also much more visible and to properly convey the brand message to our customers and to properly carry all the different categories.

Talking about next year, we still have in the pipeline an equivalent number of projects. Of course, we are positive about next year. Prudent, yes we are very prudent, but we still believe that all the projects we have in our pipeline are important not only for the business, but for the brand. Of course, we have also some degree of flexibility, and this was the case in the past when the business trend changed suddenly and dramatically, to stop or to postpone some projects, but for the time being we maintain this overall guidance. The second question...

ELENA MARIANI: So, the level of penetration of retail versus wholesale by region. Maybe I can start. I help you here, so the only thing we said is that the US, if we look at last year, had the largest percentage of wholesale. We did say that it was more than 30% wholesale and the rest retail. As you probably know well, Asia wholesale is very negligible, and so you can do the math on the rest.

LUCIANO SANTEL: And the last question was about the wholesale business in the US. I mean, the wholesale business in the US is dominated by department stores. We work with the 3, 4 names that are the most important ones. Our strategy is once again very qualitative. We started with them in a very selective way to select only the best of the wholesale, and right now we are working very closely with some of them to convert part of that business from wholesale to DTC. This was the case with Nordstrom, as we said before, and with Saks in the most important store they have that is Fifth Avenue. We are still working with Saks on other potential conversions, something that is premature to mention. Of course, Neiman

Marcus, the other big player that as everyone knows is quite reluctant to think about the concession. But, it is something we keep talking with them about.

Of course, overall, the wholesale business is dominated by players that also have faced some financial problems. And so, it is a business that we monitor very closely, but we are quite confident about the business we are doing now. Something important to highlight is that the wholesale business in the US this year, independently from the conversions, is weaker as compared to last year, but this is because our approach with them, as usual, has been to reduce the quantities when they place the orders to make sure they buy all the products they need, but nothing more than that. And so, we are very selective and prudent in the order campaign.

CHARLES SCOTT: Thank you very much.

LUCIANO SANTEL: You're welcome.

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

CHRIS GAO: Thank you. Good afternoon, Luciano and Elena. Thanks for taking my questions. I have 3. So, the first one is related to the Chinese clientele. We're wondering how is currently Chinese spending power and ticket size compared with pre-pandemic? Are there any consumer profile changes and spending pattern changes for these offshore spenders according to observation? And also, what is the ticket size and the difference of Chinese spending onshore versus offshore this year?

The second question is related to your selling and marketing expense trends this year and the coming 2024..

ELENA MARIANI: Sorry, Chris. This is Elena. We are really struggling to understand you. The line is not very clear. So, can you speak a bit perhaps slowly? Thank you.

CHRIS GAO: Okay. No worries. Thank you. So the second question is related to your selling and marketing expense trends this year and the coming 2024. We noticed that the peak season of brand investment is already in place in the second half, and also the competition has been intensifying in the luxury sector throughout the year. So, we are wondering if there is any guidance on the selling and the marketing expense ratio trend in the second half, and if we are looking a step forward, what will be your priority in terms of brand investment in 2024?

The last question is related to your existing customer versus new customer's contribution to your growth. Can you please share a bit about the growth by clientele. How much of Moncler brand growth this year is from existing customer with purchase record this year and last year, and how much is contributed by the new customer recruitment, the new customer this year? Thank you.

LUCIANO SANTEL: Yes, Chris. Answering to the second question about the marketing, I mean, our guidance is the same we give to the market since many years, which is about 7% marketing budget for this year and for next year. Of course, the timing of this budget was different this year from last year, and maybe different also next year. I mean, this year we held the most important event of the year in February in London, and this is the reason why you may have seen more marketing expenses in the first half than last year. Of course, we plan to offset that difference in the second half of the year, but still spending a lot of money because, if you make the math, the 7% implies a significant marketing spending in the second half of this year. For next year, it's premature to talk about the seasonality of the spending, but it will still be 7%.

Of course, the brand strategy is in line with what has been implemented this year, it will be based on the 3 pillars of our brand that are Genius, of course the Main Collection, but more and more Grenoble. Grenoble is something that will have more visibility in 2023, in the upcoming 2 months, and of course in the first months of next year, because Grenoble is an extremely important – from the strategy point of view, but also business point of view – pillar of our business, because it fully represents and incorporates the heritage of the brand.

About the last question on our customers, normally we are having about 60%, 65% new customers, and 40%, 35% existing customers. Of course, this incorporates also new stores, that, by definition, include mostly new customers, but this is more or less the ratio.

ELENA MARIANI: Chris, could you repeat your first question, please?

CHRIS GAO: Yes, maybe I can quickly repeat my first question. Actually, I want to understand a bit more about the spending power of Chinese tourists offshore this year. So how does Chinese tourists spending power look like compared with the pre-pandemic level? Are they actually spending more with high ticket size or low? And do you see any customer profile changes regarding, you know, this portion of overseas spenders?

LUCIANO SANTEL: Yes, I mean, in your question there is already the answer. The spending power of Chinese customers traveling abroad is higher than the average spending power of Chinese customers traveling before pandemic in 2019. Of course, they were at that time many, many more, but the few that represent a contribution to our business in Europe specifically, but not only, are let me say people for sure with a higher spending power, and we see that from the average ticket, from the units per transaction. And so, for sure, you're totally right. This is understandable also because it's not easy, and it's not cheap to travel out of China. And so, right now, this relates more to people that have this kind of spending power, not only to buy our product, but also to face the cost of the traveling.

CHRIS GAO: Understood. This is very helpful. Thank you.

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

PIRAL DADHANIA: Hey, thank you, good evening. So, I'll stick to 3 as well. Just quickly, if we could just maybe go back to the momentum you're seeing in your retail channel by price point. Elena, I think you talked about some of the lower ASP categories outperforming your core outerwear category. Has that been the case for the last couple of years, or is that something that's changed more recently?

And then maybe just on the back of that, perhaps, Luciano, you could give us some insight into the retail KPIs that you're seeing in the third quarter? Appreciate it's not as important as Q4, but anything you could give us in terms of traffic into store, conversion, and then average basket size in terms of units and value would be helpful.

My second question just relates to the European local consumer. I think you touched on it already, but obviously the fear out there is that there's a slowdown in terms of local consumption in Europe. To the extent that you can, is that something that you are visibly seeing maybe in terms of customer behavior or traffic or do you have anything further to add on that point?

And finally, my third question is on your relationship with Pharrell Williams. So, I think he did an event with you in late September. I just wanted to understand whether that was already contractually obligated and how the forward-looking relationship between Pharrell Williams and Moncler is expected to look like? Thank you.

ELENA MARIANI: Sorry, Piral I've counted 4 questions, so perhaps who comes next, please kindly stick to 2, because we have quite a few people on the line still. Thank you.

PIRAL DADHANIA: Sorry.

LUCIANO SANTEL: Okay. Your first question, retail channel and other categories. I mean, as Elena said, other categories are performing well and at a higher pace than outerwear. This was the case for footwear, but the second leading category in our business is knitwear. And knitwear is still performing very well. It's not something that happened this year or last year. It's something that has been developed season-after-season, since probably 10 years ago, 8 years ago. And so, these categories are performing very well, and they represent a significant portion of our business.

Your question about KPIs, of course, we can't provide KPIs of retail for Q3. What I can tell you is that that kind of slowdown, also getting to your second question, is a combination of traffic, and also conversion. I mean, conversion is more driven by weather, because people may like to visit our stores, but then they find it premature to buy products because the weather is still quite warm, which is, to some extent, the answer to your second question. We see a slowdown of the locals in Europe. The very simple answer is that the base of comparison is very tough because Europe and local customers in Europe have been growing a lot over the past couple of years, and specifically last year, they were very, very strong. So, a slowdown is not something unexpected. And weather, once again, may play some kind of role, because we are still at the beginning of the season.

About Pharrell Williams, I mean, let me forget for a second any kind of agreement, or contract with Louis Vuitton. What I can tell you is that Pharrell Williams has been very close to the brand and very close to Mr. Ruffini himself, since many, many years ago, 2009. That was the first collaboration with Pharrell Williams. I think that the words he spent during the event with Mr. Ruffini are quite self-explanatory of the strong friendship that they have, and this is the main reason why he was open and very willing to participate to our event. Mr. Ruffini is very close

friend of him and so if there will be potential opportunities in the future, we will be very, very happy to continue this kind of collaboration.

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

ROGER FUJIMORI: Hi, Luciano and Elena. I have 2 quick follow-ups, and apologies, if I missed, but with the European cluster growth in Q3, I think I may have flagged a mid-single digit decline in Q3. So, I just want to clarify what was the European cluster number in Q3. And then for the US cluster, I think you've mentioned that it was double-digit in Q3, and it was double-digit in Q2, but was there any meaningful differences in terms of magnitude and more specifically consumer behavior that you see in Q3 versus Q2. Thank you very much.

LUCIANO SANTEL: Okay. The European cluster in Q3 was honestly quite flattish, and the US one was single-digit positive. So not as strong as the Chinese and the Koreans that, as I told you before, were double-digit up. Of course, it is important to highlight that the US cluster started to be very strong one year ago, in the third quarter of last year. So, I mean, the base of comparison once again this year was quite tough, but still the US cluster was positive single-digit.

ROGER FUJIMORI: Thank you.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from James Grzanic with Jefferies. Please, go ahead.

JAMES GRZINIC: Thank you. Good evening, Luciano and Elena. Just 2 very quick ones. First one Luciano, can you clarify, when you talked about that slowdown in the second half of September and so far in October, if that relates only to Europe or was it a global comment? That's the first question. And the second question is on Europe, would you please pull out any specific

market that is different from the average either clearly better or clearly worse, please?

LUCIANO SANTEL: Yes, about the slowdown. Honestly, it's more or less across the board. Some regions are better. Again, China is better. The markets influenced by China, like Hong Kong, are very, very well. I mean, the mathematics is related to the base of comparison. Europe, quite soft. Korea, fairly good in its market, but as I said before, good outside the market. So, the Korean cluster was very good. The US quite softer. Of course, I'm talking about the end of September and October, because during Q3 the US cluster was very strong and also business in the US, in our DTC channel was very strong. Talking about Europe, I can tell you that Northern countries less well, Italy and France better, very well. UK and Germany weaker. France and Italy well.

JAMES GRZINIC: Thank you.

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

PAOLA CARBONI: Yes, hello. Hi, good afternoon everybody. I was wondering if you can share with us a bit of colour on Stone Island for 2024, if you have an indication in terms of new store openings and possible at least increase. I wouldn't expect the budget per se, but what kind of step up in marketing are you planning for Stone Island next year?

And also, as far as Moncler is concerned, you mentioned sometimes that you have several initiatives in terms of brand activation, marketing events for Q4 as well. Can you give us some insight at least to get a sense of, let's say, the impact of these should be louder activity than Q3, for example, how should you think about this looking to Q4? Thank you.

LUCIANO SANTEL: Okay Paola, thank you for the questions. About Stone Island, I'm not going to tell you the long story, because I already explained the story of

Stone Island in the current scenario. Long story short, we believe that 2024 will still be a transitional year during which we will develop the strategy we told you before. And so, we expect a moderate single-digit, mid-single-digit growth rate for next year. That will be the combination of different profiles in the 2 different channels. A further decline in the wholesale channel, totally in line with our strategy.

We don't want to force our customers to buy more, but we want our customers to buy only what they need to develop a healthy sell-out and also, we still need to clean further the market in some regions, in some markets, and so wholesale will be negative. The DTC will be or we plan it to be positive, but any growth rate will be mostly organic. So, we have not many new openings and again the few projects we have for next year are only dedicated to enhancing the strength, the visibility of the brand and so the growth in the DTC business will be mostly organic. So, again, a moderate growth, but for the benefit of the brand.

About Moncler activity in this quarter, we have some important Genius launches that are coming. One today, as I said before, is Palm Angels. And then, something I said before, but that is important to say again. I mean, we have a quite important communication activity for Grenoble that is coming in December and of course it will continue in the first 2 months of next year.

ELENA MARIANI: And I don't know if you asked about 2024 as well, but you can definitely expect us to keep investing in elevating the brand across all the 3 dimensions. And so, you should expect for next year some events that will be as impactful as the one we've had this year and the previous one.

PAOLA CARBONI: Okay, perfect. Thank you very much.

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

ELENA MARIANI: So, thank you everyone for participating in this call. For any follow-up question, as usual, do not hesitate to contact the IR team. I am around tonight. We have published today our 2024 Financial Calendar and the next earnings release will be on February 28th, when we will report our Fiscal Year 2023 Financial Results. So, it's all from our side. Thank you again and have a great evening everybody.

OPERATOR: Ladies and gentlemen, thank you for joining. The conference is now over. You may disconnect your telephones.