Moncler S.p.A.

"Full Year 2023 Financial Results Conference Call"

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MODERATORS: REMO RUFFINI, CHAIRMAN AND CEO

GINO FISANOTTI, MONCLER CHIEF BRAND OFFICER

ROBERT TRIEFUS, STONE ISLAND CEO

ROBERTO EGGS, GROUP CHIEF BUSINESS STRATEGY AND GLOBAL MARKET OFFICER

LUCIANO SANTEL, GROUP CHIEF CORPORATE AND SUPPLY OFFICER

ELENA MARIANI, GROUP STRATEGIC PLANNING AND INVESTOR RELATIONS DIRECTOR

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

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

ELENA MARIANI: Good evening, everybody, and thank you for joining our call today on Moncler's Full Year 2023 financial results. Let me introduce you to the speakers of today's call: Mr. Remo Ruffini, Moncler Group's Chairman and CEO, Roberto Eggs, Chief Business Strategy and Global Market Officer, Luciano Santel, Chief Corporate and Supply Officer, Gino Fisanotti, Moncler Chief Brand Officer and, exceptionally for today, we have invited to join our call Robert Triefus, Stone Island's new CEO, who will introduce himself and the next chapter of evolution for the brand.

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 defer 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.

I also remind you that the press has been invited to participate to this conference in a listen-only mode. Finally, I kindly ask you during the Q&A session to stick to a maximum of 2 questions per person to give all participants the opportunity to ask questions.

Let me now hand it over to our Chairman and CEO, Mr. Remo Ruffini, who going forward will host exclusively our full year results presentations. Mr. Ruffini, over to you.

REMO RUFFINI: Good evening, everyone, and thank you for attending our call tonight. Let me start by saying that 2023 was an important and special year for us. It was the 10-year anniversary of our listing on the Milan Stock Exchange, and we are celebrating this milestone with an excellent set of results.

The Group reached almost €3 billion of revenues, more than 5 times the revenues of 10 years ago, a record EBIT of €894 million with a 30% margin, and over €1 billion of net cash for the first time in our history. I am proud of these numbers, but I am even more proud of what they represent. 10 years of thinking beyond conventions, a continued research for product excellence, a full focus on our customers, and, above all, a brand-first strategy that continues to define our mindset.

As we look ahead, our journey continues. At Moncler, we will continue to focus on the 3 dimensions of our brand – Collection, Grenoble and Genius – and to reinforce their perception with dedicated marketing efforts.

Stone Island is starting a new exciting chapter that will allow it to express its full potential, under a new brand and communication strategy that we have just launched. Robert will give you some more details around it later in the presentation.

Sustainability remains key as we continue to integrate social and environmental elements into our business model. Our collections are including more and more recycled, organic, and other certified materials. We continue to collaborate with our supply chain to make larger scale improvements. Even if our efforts have been recognized externally by major global sustainability ratings, we know that there is much more to achieve.

Looking at 2024, I see an operating environment that remains complex and unpredictable, so we will continue to remain agile and reactive, and even more importantly, we will continue to invest in our organization, in our brands, and in the exceptional talent within our Group. Today, as in 2013, our long-term vision, our emotions, and our passion continue to drive us to push for higher peaks. We still have lots of dreams and many goals to achieve.

Let me now leave the floor to the rest of the management team for more comments on our results. Thank you very much.

GINO FISANOTTI: Thank you, Remo, and good afternoon to everyone. Before we get into the details of Q4, and without giving much details of what will be discussed during Q1 regarding our latest Moncler Grenoble experience in St. Moritz, I want to go back in time and remind everyone that we just witnessed the first phase of our 3 brand dimension strategy, that was presented to many of you a bit more than 19 months ago.

Everything started with our event at Piazza Duomo during the 70th anniversary campaign to elevate our Moncler collection strategy, then followed by the evolution, that everyone witnessed, of Moncler Genius in early 2023 by creating a platform of co-creation, opening up the brand to new and more communities around the globe.

Last but not least, Moncler Grenoble and the opportunity we have to reclaim what is ours, an opportunity to become the most authentic luxury brand at the mountain at the intersection of high style and high performance. But before we go any further, I want to invite everyone who is in front of the screen right now to take a look at what happened during 2023 for the Moncler brand to then get into the highlights and details of the quarter.

[Moncler Video]

Okay, I hope everyone was able to see this properly. But let's now move into the details of Q4. Starting with Moncler Grenoble, this was for us a very important season – we started with the collection launching around mid-November all the way to December and, of course, a part of Q1. For us, December was a very important moment, because we were able to launch a global campaign across all different touch points. And this was important not only in terms of elevating the awareness, the visibility and the meaning of Moncler Grenoble. We were able to do this across multiple executions that included e-tailers, activations across multiple regions, takeovers in key markets and key cities, including digital executions.

We were able to take over resorts around the globe, especially in Europe, the US (Aspen), Niseko in Japan, and for the very first time, we were able to go and take over a resort in China. And then, of course, moncler.com remains a critical hub, especially in terms of explaining the features of the product and having the chance to showcase and educate people about our products.

In addition - Roberto will mention this also later - we opened up the very first Moncler Grenoble store in St. Moritz in early December, dedicated exclusively to Grenoble. This, together with what I talked about before, made a very special season for us. And of course, we will continue this conversation as we go into Q1 as well.

If we move to Genius, that for us is always an important aspect in terms of the launches we have during Q4, we had 3 important launches. The first one was Moncler Genius x adidas Originals, an important partnership in terms of the visibility that provides to the brand in partnership with, of course, Adidas, but on top of that, we were able to create an experience in terms of digital platforms. This was a crossover experience across the two platforms, adidas.com and moncler.com, that were able to connect with customers with whom we were not able to connect before. So it was an interesting learning process for us.

Then, Palm Angels, which is a long-term friend of the brand, and we're still seeing a really strong performance of this collection. In particular, we saw a strong performance in Asian markets for this new launch of Palm Angels.

And then Rick Owens, that continues to have not only a strong performance in terms of how the collection itself performs, but it's very interesting to see the level of engagement that Rick Owens and Moncler bring when they come up with a collection together, so really happy with the results there.

Finally, as we talk about the 3 dimensions, we can talk about Main Collection and the idea of "For the Love of Winter" that is mainly a DTC centric effort we have done around mid-November and all the way into December and gifting period. This was a very critical moment for us, not only for the business, but even for the brand. And we were very clear, having a very strong art direction in this campaign, and tried to iconize in terms of how we can keep elevating our Moncler collection and create the desire and iconize our own products.

I think this is no news, but it's important to mention that in November we announced the exclusive licensing agreement with EssilorLuxottica, and the entire process already started and we are looking forward to have the first collection in the market in Fall-Winter 2024. Again, the timing will be confirmed in the coming calls, but will be in between September and October 2024, when we'll be more than excited to bring that collection into the market.

So with that said, I pass the word to Robert Triefus, who will give us more details about Stone Island.

ROBERT TRIEFUS: Good day to everyone. Thank you, Gino. It's now 9 months since I took on the role at Stone Island, with my first 6 months dedicated to getting to know the company and the brand, both at home in Italy, but also in all of our regions around the world, that has helped inform me and the development of a brand and business strategy with the objective to unlock the full potential of this unique brand.

What makes Stone Island unique in the marketplace, is its unparalleled reputation for the substance, quality and authenticity of its products based upon its unmatched expertise in material research and innovation, coming from the roots of the company in Emilia Romagna, home to some of the world's most respected brands for industrial and product design. This reputation is then complemented by Stone Island's remarkable capacity for community engagement, which has brought together an incredibly loyal customer base across eras, generations and geographies.

I will now take this opportunity to go into a little bit of detail for you on the 3 strategic pillars of brand, product and distribution, that really underpin the plan we are now well underway in executing to realize our ambition.

Starting with our new brand positioning strategy, which has been developed with the intent to capitalize on the strong values and reputation that I referenced earlier, but in a highly distinctive and engaging way. While we began to raise the visibility of the brand in Q3 and Q4 of last year, for example, through our new global partnership with Frieze Art Fair, it was really on the first day of Milan Men's Fashion Week in January of this year that we effectively kicked off this next chapter with a signature brand event and the worldwide launch of our new advertising campaign which, for the first time, featured members of our community, including the actor Jason Statham and the musician Dave, both of whom you can see here on this slide. The new brand image also brings life to the full Stone Island offer, including our sub-collections, Ghost, Stellina and Marina, as we further extend the brand's reach to engage different market segments.

As you will gather from the sequencing of the Frieze global partnership, our brand image event during fashion week and the launch of the new advertising campaign, all in close succession, the intention has been to significantly heighten the visibility and the presence of the brand. This is being powered by a full funnel, integrated media investment and the amplification we are, of course, achieving by involving members of our community organically in our brand engagement activations, but always in a way that authentically reinforces the values of the brand.

I am today speaking to you from Los Angeles, where the Frieze LA Art Fair begins today. In coincidence with the fair, we have brought the largest Stone Island Archive exhibition that has ever traveled outside of Italy to be present at a dedicated location for the next 5 days, and we will open this tonight. In this way, we are aiming not only to raise the visibility of the brand in the American market, but also to establish a better understanding of the brand's legacy and its unique values.

Moving now to our product strategy, here we've been focusing on developing a defined and elevated collection architecture. This means that we've been concentrating our attention on establishing an offer that responds both to the existing and future potential of the brand as we build on our existing customer base, while reaching new customer segments that I referenced also through our sub-collections. We will double down on our core high value categories of outerwear and knitwear for which Stone Island is renowned, thereby emphasizing the unique DNA of the brand, and this will simultaneously drive further brand awareness and recognition. We will also become more intentional about capitalizing on the potential of the total Stone Island look as a distinctive brand signature.

Talking about distinctive brand signature, Stone Island's archive is in fact one of the most referenced within the fashion industry for its iconic shapes, functions and materials. This gives me great confidence in our future opportunity to develop icons over time in our offer. Meanwhile, the sub-collections will each have their own 360-degree strategies to enhance their respective contributions as collection satellites. And to this end, we will pursue a very selective approach to brand collaborations going forward as we focus on realizing the potential of Ghost, Stellina and Marina instead.

Not immediate priorities, but offering future potential are shoes and accessories. We will continue our highly successful partnership with New Balance, and we will progressively take advantage of accessories, concentrating on them as a traffic builder opportunity. For Stone Island Junior, we will optimize this collection through rationalization to sharpen its focus.

Moving now to the distribution pillar, as you know, it has been a clear strategic imperative over these last 2 years to take back control of the brand, both in terms of integrating distribution and with a growing focus on DTC over wholesale. Most recently, at the end of December, we completed the integration of our China business with the establishments of our new APAC regional office in Shanghai. Meanwhile, we have continued to selectively roll out our new store concept with openings in Munich, Stockholm and Chengdu. Our intention in 2024 is to concentrate on driving the momentum behind the organic growth of our existing DTC footprint, which currently numbers 81 stores globally with just a handful of new openings.

On the wholesale front, a channel that still continues to be strategically important for Stone Island for the visibility and brand presence it continues to provide in certain key markets. As we know, 2023 was a challenging year for the wholesale sector as a whole. We have nonetheless taken this opportunity to make bold choices as we follow through on our commitment to achieving a highly selective approach towards the choice of our partners, also with a strict volume control. This is now backed by a selective distribution framework for our partners that we have introduced with the Fall-Winter 2024 collection.

Another extremely important step in taking control of our distribution will come in August of this year with the internalization of our website, which as you know, is currently operated with YNAP, which will simultaneously see the launch of a new website, fully reflecting our new brand image and with a much enhanced customer experience. This will meanwhile be backed by local warehouses that will allow us to have dedicated regional assortments for the first time. And with the internalization of the website complete, we will be able to truly implement an omnichannel mindset, offering services and harmonization that have not been possible until now.

I will conclude my brief overview of our brand and business strategy with a short video that brings to life our new brand manifesto. But before that, I would end by saying that I have great confidence in Stone Island's potential over the coming years, but as with the course that Moncler has very successfully charted over the years, we will take no shortcuts, we will methodically lay the foundations, building brand distinction and engagement through a compelling product offer and a highly controlled distribution. And in so doing, we will unlock that full potential. Thank you.

[Stone Island Video]

ROBERTO EGGS: Thank you, Robert, for the detailed explanation of the strategy of Stone Island. Let me come back to the results for both brands separately. We'll start with Moncler. In full year 2023 the Moncler brand reached €2,573 million, which is a plus 19% compared to 2022. Q4 recorded 17% growth versus 2022 accelerating sequentially compared to Q3.

Asia which includes Asia-Pacific, Japan and Korea in Q4 recorded plus 28% accelerating compared to the third quarter, mainly thanks to a strong growth registered in the Chinese mainland, whose performance was facilitated also by comparison, as Q4 2022 was still affected by Covid restriction. Japan, Korea and the rest of Asia-Pacific continued to record a strong double-digit growth.

EMEA increased in Q4 by 7%, slightly improving compared to the previous quarter despite the very high comparable base of Q4 2022. This acceleration was driven by the DTC channel with positive contribution both from tourists inside and outside Europe and by locals.

The Americas grew 3% in Q4, with a positive DTC business offsetting the decline of the wholesale channel. The performance of the region in the two channels was influenced by the conversion of Nordstrom, that was in May 2023, and part of Saks from a wholesale to a DTC business model.

Let's go to the revenues of Moncler by channel. Well, first of all, DTC – that represents now 84% of total FY sales and 94% of the sales of Q4 – grew by 25% versus 2022 on a full year basis. Comparable store growth for the full year was +19%.

In the fourth quarter, DTC revenues grew by 20% versus 2022, with both EMEA and Asia improving progressively compared to the previous quarter. The direct online channel registered a positive performance in 2023.

Wholesale revenues reached €409 million for the full year 2023, down 6% versus 2022. In the fourth quarter, revenues of this channel were down 15%, mostly impacted by the conversion of Nordstrom and Saks in the US, and by the ongoing efforts to upgrade the quality of our distribution network.

Stone Island brand revenues reached €411 million in FY 2023, which is a plus 4% versus 2022. Q4 was up 7% compared with the same period of last year, led by a strong double-digit growth in the DTC channel.

In Q4, EMEA revenues were up 3%, with the solid double-digit performance of the DTC channel offsetting the decline of the wholesale channel.

Asia grew 22% year-on-year, mainly driven by the strong performance of Japan and the Chinese mainland.

The Americas saw a decline of 14% in Q4, as performance continued to be impacted by challenging trends, mostly among department stores, as well as by ongoing efforts to upgrade the quality of the channel.

To conclude, Stone Island revenues by channel. DTC grew to a total of €173 million for the full year, which is a plus 19% year-on-year. In Q4, revenues of this channel were up 16%, mainly driven by the very solid performance of Asia and EMEA.

Stone Island recorded wholesale revenues of €238 million representing 58% of total sales for the full year, with a minus 5% year-on-year. In the fourth quarter, revenues of this channel declined by 6%, primarily due to the strict volume control adopted in the management of this channel to continuously improve the quality of the distribution network.

In terms of the number of stores for the full network – I think Robert already preempted a little bit the evolution of Stone Island. We are now at the end of the year with 81 stores for Stone Island with 4 net openings in the last quarter including the conversion of Milano La Rinascente, Amsterdam De Bijenkorf and Hong Kong K11.

For Moncler, as usual, this was the strongest quarter in terms of stores opening. We had 7 net openings, including, as explained by Gino, the first dedicated boutique for Grenoble in Saint Moritz, the largest one that we have in the network in the resorts – we have a total of 15 doors in the mountains now. And it is the first that is fully dedicated to Grenoble collection. We had also the opening of Amsterdam De Bijenkorf with a ground floor location for women and first floor location for men, then Edmonton in Canada, Kobe Hankyu in Japan and also additional important relocations and expansions that include Wien Kohlmarkt, Amsterdam and Hamburg. The total number of stores for Moncler is 269.

You see the pictures in the slides. One is the picture of St. Moritz that was opened on the 6th of December last year. Then the opening of Kohlmarkt also in December last year, the largest store that we have in Central Europe, 700 square meters. And finally, the last picture I wanted to show you is about Stone Island new store concept in Chengdu Swire that started to operate very successfully.

I will now leave the floor to Luciano for the financial figures.

LUCIANO SANTEL: Okay. Thank you, Roberto. Good afternoon, everybody, and thank you for attending our call today. We are now at Page 25 where we report our profit and loss for the year, with the top line already commented by Roberto up 15% at current rates, 17% at constant rates, with quite good gross margin at 77.1%, totally due to the expansion of our DTC business.

Something important to highlight is that our selling expenses are flat as a percentage on sales as compared to last year, notwithstanding such important expansion of the DTC business. And this is because the expansion was mainly organic and this allowed our stores to be more and more productive. G&A slightly higher than last year on a percentage basis at 11.1%, which include our continuous investments in the organization, and marketing at 7%, which still is our guidance for this year 2024, and then a very nice 30% EBIT margin. Net profit 20.5%, last year was 23.3%. But again, as you may remember, it was positively impacted by the off impact of the Stone Island brand value realignment for €92 million.

Okay, let's move now to Page 26, where we report net capex of €174 million, 5.8% on revenues, a little bit lower than last year, but in line with our guidance that still is 6% also for this year 2024. You may see that a growing component of our capex is allocated to what we call infrastructure, that is made of information technology, logistics and production, so not only distribution.

Let's move now to Page 27, where we report net working capital that is 8% of sales, last year was slightly lower at 7.4% but still a very healthy percentage. Something important to highlight about inventory, that is the same comment we made at the end of the first half, is that the increase in inventory is totally due to the anticipation of our production cycle to better serve our markets. And receivables are higher compared to last year, totally due to our DTC concession business in December. As you know, in department stores and in shopping malls, we cash our revenues the month after.

Page 28, net financial position. As our Chairman said, for the first time in our history, we touched and passed €1 billion cash with a net cash contribution of €215 million after the payment of €303 million dividends. Talking about dividends, for this year, we are planning, I mean we are proposing at our Shareholder Meeting to distribute a dividend per share of €1.15 that will imply a cash out of €311 million and a payout ratio of 51%.

Let's now move to the balance sheet. Honestly, I don't have any comment. I will be happy to answer your questions later, if any.

Cash flow statement, honestly it is quite self-explanatory and it includes all the comments from EBIT to capex I already made. Just one comment about last year, the income statement was positively impacted by the tax benefit coming from the Stone Island brand realignment. Cash flow was negatively impacted by the upfront tax payment for €125 million. So that's why the difference in free cash flow is so important.

Let's move now to Page 31, where we report our sustainability commitment, and only some of the many achievements of the year 2023. I just want to make a couple of comments on some points I like more than others. One is that in 2023 we used in our production cycle over 40% of recycled nylon, last year was 15%, so quite an important jump. We keep recycling all…100% of nylon scraps from our direct production sites, and we have extended the recycle of production scraps also to our third-party production network achieving a 55%, last year was about 10%.

And something important I like to remind is the last point, which is a new kindergarten we opened in Romania in our own factory last year for the employees' children. This allows our employees to leave their children in this place while they work in our production facility and we are also proud to offer an innovative education according to the Reggio Children approach.

Last slide, 32, where we report some important recognitions for the year. For the fifth consecutive year, Moncler Group was confirmed in the Dow Jones Sustainability Indices, achieving the first position in the textile sector. Another important thing is that for the first time we got the top score from MSCI, which is AAA, as well as from CDP, which is A.

Okay. Thank you all, we are ready for your questions now.

ELENA MARIANI: Thank you. We will pause for a few seconds to gather questions from the audience. As a reminder, I kindly ask you to stick to a maximum of 2 questions per person, so that we could give all participants the opportunity to ask questions. Thank you.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Melania Grippo, BNP Paribas. Please, go ahead.

MELANIA GRIPPO: Good evening, everyone. This is Melania Grippo from BNP Paribas. I have 2 questions. First on retail, if you could please tell us which trends you are currently seeing in retail compared to what you reported in Q4, if you have any significant changes in terms of geographies or clusters?

And the second question is on the Chinese cluster specifically. Could you please tell us how did it do in Q4 on a year-on-year basis and versus 2021? And also, if you can give us an idea on how is doing now after the Chinese New Year. Thank you.

ROBERTO EGGS: Good evening, Melania. Thank you for the 2 questions. I think they are for me. It's Roberto speaking. On the retail trend that we have seen since the start of the year, I would say very solid and we are very happy about the result in the global DTC in all regions. All regions have kept the momentum, and we are very happy about the start of the year.

Regarding the Chinese cluster, if you remember, we were probably amongst the best performing brands in 2022 in Q4, as we were flattish in Q4, despite the fact that most of the stores were closed in October and part of November, we recovered very well at the end of 2022. And the results for the end of Q4 were very positive. So, we had a strong quarter with our Chinese cluster compared to 2021. On a 2-year stack, we mentioned during the first 3 quarters of the year that we were up 50% compared to 2021. And for Q4, we remain at this plus 50% compared to 2021.

So we are happy, and our Chinese New Year, which is a little bit the embedded question that you have, the Chinese New Year we have been experiencing over the past 8 weeks has been positive. Positive with Chinese locally, so positive in the local market, and I would say especially positive outside of China, in Japan, in Hong Kong, in Macau, and also in Europe, where we have seen a very good recovery of Chinese during the start of 2024.

MELANIA GRIPPO: Thank you.

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

LUCA SOLCA: Yes, good evening. Luca Solca from Bernstein. I wonder if you could elaborate on retail performance by brand. We've seen a very healthy progression of DTC, both for the Moncler and the Stone Island brand. I understand that increasing retail space productivity is going to be an important element to drive the progress of Stone Island going forward. I remember from memory that there was quite a significant gap in productivity between Moncler and Stone Island to the tune of 3 to 1, more or less in terms of euro per square meter. I wonder if this ratio has progressively reduced, and if you are happy with the retail space productivity that Stone Island is producing.

Maybe as a second question, continuing on this retail front, we've seen a number of high-profile real estate deals announced by major luxury groups in New York, in Milan, in Paris, LVMH, Kering, Prada have all been quite active. Do you feel that because of these developments you could potentially be drawn into securing locations, and could be pushed to invest in real estate as well or would you rather continue, which would be my preference, with a rental approach? Thank you very much indeed.

ROBERTO EGGS: Buona sera Luca, thank you for the 2 questions. Again, I think they are for me. First on the retail performance by brand, I'm happy to announce that for Moncler, for the first time, we were able to have a record year, surpassing the record of 2019. So, we reached €38k per square meter. And as much as we are obsessed by the brands, I think we are also obsessed about the sales density. So, this is a very important parameter for us in terms of performance of the brand, is how much we perform in the existing stores.

To give you more flavor about the retail KPIs that we have had during year, I think they were all positive. So, the average store surface increased by 2%. The traffic increased double-digits. Of course, when you increase your traffic double-digits, and I'm talking about Moncler, of course, when the traffic increases double-digit, usually you have an impact on the conversion. The conversion was lower than the increase in traffic. So, this results in additional tickets that we were able to invoice, and the average tickets and transaction value went up double-digit also during the year. So, I would say that all the retail KPIs are green for us and they are performing very well.

You mentioned figures on Stone Island that honestly we never disclosed. So, we are not yet at the level where we want to start discussing about figures on the retail KPIs for Stone Island, because we are still in this process of transformation, a big transformation, last big transformation that Robert mentioned is the Chinese market in December. During this year, we have plans to expand the footprint that we have in the Chinese market, doubling down the number of stores that we have. Some will be closed, some will be reopened. We just recently launched a retail excellence project in the US market, and of course, in the course of Q2, we will launch a retail excellence fostering also in the Chinese market. We are still in this brand building and retail building phase. So, I think it's a little bit premature to talk really about figures. But I will tell you that several retail KPIs improved in Stone Island during the course of 2023 and we are confident for the future.

Regarding real estate deals is not in the philosophy of the company. I think we have been able to secure very good locations without having to buy them. So, I think our intention is to continue this way and work on this unique proposal that we are bringing to landlords when we come with both Moncler and Stone Island. And I think that so far this is more than enough, with no need to buy the properties.

LUCA SOLCA: Thank you very much indeed, Roberto. If I may add a follow-up, as Remo is on the phone, we saw the news about Rivetti, moving his holding from the holding company to Moncler. A lot of investors are asking what this means. If you could provide your perspective, that would be very helpful. Thank you.

REMO RUFFINI: Luca, good afternoon first. I think the exit of the Rivetti family from my holding company was just a natural evolution of our agreement, which lasted 3 years. The journey continues as they will become direct shareholders of Moncler with the consultation agreement. There are no changes in the governance structure of the Group. I think it is really the natural evolution of what we said 3 years ago.

LUCA SOLCA: Thank you, Remo.

REMO RUFFINI: Thank you.

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

EDOUARD AUBIN: Yes, good evening, everyone. So, Roberto, just a small clarification on what you said on the start of the year. I think you said that you're seeing a solid start of the year in almost all geographies, but your comp base is also getting a bit more difficult right at the beginning of this year. So, I'm not going to ask you, obviously, to quantify anything and compare it to the 17%. But are we still kind of talking about a double-digit type of growth for Moncler retail year-to-date? So that would be one question.

And then the second one for Luciano, your gross margin was very healthy in the second half, coming in higher than expected. Could you just come back, sorry, on the moving parts, explaining the beat and what you're expecting for 2024 in terms of gross margin trajectory, that would be great. Thanks.

ROBERTO EGGS: Bonsoir, Edouard. You're right, the comp base that we had at the start of 2023 was very high. We performed extremely well in Q1 last year. So clearly this is why I'm saying that we are very happy and we see a very solid DTC performance, because the base was very high. But I would not like to say if it is double-digit or not. I think we will leave it for the Q1 results presentation. And, by the way, it was positive in all geographies, just as a reminder, in all geographies.

LUCIANO SANTEL: Hi, Edouard. Gross margin in 2023 was very good, but again, totally driven by the channel mix and by the important, very important expansion of our DTC business. And, just to anticipate, in fiscal year 2024 we do expect a further expansion, but again, totally due to the fact that our DTC business is expected to further expand in 2024. And the wholesale business, no, not at all. I mean, the wholesale business, as we said the other time we talked with the market, is expected to decline in 2024. So, the expansion of the DTC business and the channel mix as a result will allow us to deliver higher gross margin. Of course, after gross margin, I mean, to get down to the operating margin, of course, we will incur higher selling expenses, but this is part of the DTC business model, as you know very well.

EDOUARD AUBIN: Right. And so, you're still guiding for flattish EBIT margin at the end of the day in 2024 versus 2023, more or less.

LUCIANO SANTEL: Flattish is a nice, and let me say, optimistic expectation. Honestly, I don't know. I can't tell you. I mean, the year just started. We are happy the way the year started. But again, it's premature to know how much we will end in terms of the top line and operating margin. As you know, as we said several times, the 30% EBIT margin is some kind of ambition. But I mean, for this year, we don't know. We don't know yet. And so, again, I'm sorry, but I can't answer your question. 30% is something we should have in mind, but we are not obsessed with

EDOUARD AUBIN: Thank you.

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

ERWAN RAMBOURG: Hi, Buonasera, bonsoir and congratulations for a great set of results. 2 things. First of all, you've done a lot of local events with global residents over the past few years, you know, the 70th anniversary 2 years ago, the London event last year, Grenoble this year, very visible events. Do you have any other events of that magnitude that are planned for later this year?

And then secondly, maybe just a technical approach on retail growth. Retail growth at Moncler brand was 20% in Q4. Can you break out maybe what was linked to the benefits of the conversion away from wholesale and into retail? And any other buckets you can split out? And what should we expect for Q1 in terms of continued benefits from that conversion away from Nordstrom and parts of Saks? And then…so these were 2 questions. I don't have a third question, but I just wanted to check I understood Roberto's comment appropriately on 38k per square meter that is for the Moncler brand.

ELENA MARIANI: I can start answering the last question. And yes, it's 38k and it's for Moncler.

ERWAN RAMBOURG: Thank you.

GINO FISANOTTI: First of all, good afternoon, Erwan. So, as I mentioned at the beginning, and I think Mr. Ruffini mentioned as well, of course we continue with our brand strategy. We just finalized the first phase of it with what you saw in St. Moritz. And we will, of course, talk more during our Q1 call. You should expect more from us in terms of the scale of what you have been asking on the second half of this year. We will provide, of course, more details as the year goes by. But the answer is yes.

ROBERTO EGGS: Thank you, Gino. Good evening, Erwan. On your question regarding conversion, let me maybe clarify and give also some flavor, what we expect regarding the wholesale business in 2024 not only the retail business. First on the conversions, Nordstrom happened in May last year, Saks happened in October. And just for the store of Fifth Avenue, we are going to convert the online business during the course of Q2 this year. Basically, when you look at the results for wholesale over the full year and you take out the conversions, Saks, Nordstrom and De Bijenkorf, we would have been broadly flattish in this channel. And if we look just at the global impact of Nordstrom, it has been broadly neutral during the year. So, what we lost in wholesale in Q2/Q3, where we usually deliver the Fall-Winter collection to the stores, has been compensated by the increase that we had on the retail side.

While for Saks the global impacts was slightly negative as we didn't have the delivery of the Fall-Winter collection because they were converted in October. So, it was slightly negative overall. I think that if we look at the global conversion impact for 2024, and I will not give it by quarter, I think that we can expect - and this is embedded in our space contribution of 5% to 6% retail space for Moncler - more or less 1 percentage point of positive impact on DTC for the full year.

Let me take the opportunity maybe also to clarify what is our approach regarding wholesale for the full year 2024, and what we have started to implement when we had the Fall-Winter campaign in December of this year. As you have seen, there have been some difficulties on the wholesale channel with high volatility season that has started quite late. There has been also some pressure on prices and we have taken the decision really to go even more qualitative on the approach that we have for our wholesale channel. So, especially on the e-tailers side for Moncler, to reduce the volumes that we are selling to e-tailers and try to switch as much as possible of this business into our own .com. And we expect a high single-digit negative figure for the wholesale for 2024.

Regarding Stone Island, I think this was highlighted by Robert during his presentation. We implemented a selective distribution agreement during the Fall-Winter campaign that took place also in December this year. And there we have been even more stringent. Of course, there is the impact of the conversion that is higher for Stone Island and this is also helping the result of the DTC business. But you need to count on high-teens negative wholesale for Stone Island in 2024 becoming more and more qualitative and aligned with the brand repositioning that we are currently operating. So, we feel very confident about this strategy. I think we are really looking to develop a qualitative approach, and really think that our true brand barometer is the DTC and this is where we want to push in the future.

ERWAN RAMBOURG: That's super thorough and useful. Thank you, everyone. Thanks.

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

CHRIS HUANG: Hello. Thanks for taking my questions and congratulations on the results. My first question is on Q4 trends by consumer nationality. You very kindly commented about the Chinese consumers still up around 50% on a 2-year stack. But are you able to also comment on Americans and Europeans? What are the trends you saw among these nationalities in Q4? That's my first question.

And secondly, on like-for-like, in the press release you commented around 19% like-for-like for the full year. Can you maybe provide a breakdown on the split between price, mix and volumes? And how should we think about this heading into 2024? Thank you.

ROBERTO EGGS: Hi, Chris. Thank you for your question. I will answer the first one, and I leave Luciano for the second one. Regarding nationalities, I commented extensively on the Chinese. If we look at the performance of the other main nationalities, Korean have been broadly in line in terms of growth in Q4 compared to the third quarter, where we performed pretty well. The same for the Japanese, on top Japan has been performing well, as you know, it has become a little bit the destination for many Asians traveling and that don't want to come to Europe or the Americas. So we have seen a huge increase of tourists inside the Japanese market, not only the Chinese, but also a lot of clients from Southeast Asia, from Taiwan and from Korea. Japanese have been positive even if the inflation has had an impact. But the performance of Japan was mainly driven by a double-digit increase of the tourists. And European have been positive. They were flattish in Q3, but they improved sequentially during Q4.

LUCIANO SANTEL: About your second question, like-for-like, in the first half of the year, you may remember, we said volumes represented 2/3 and price 1/3. In the second half of the year, price was predominant more or less the other way around, 2/3 price and 1/3 volume. We ended up more or less 50/50 with the price a little bit higher than volumes. In the future, we would expect to go back to a majority volume-led growth.

CHRIS HUANG: Okay, thank you. And just as a clarification on the first question coming back to the Americans. Can you also comment on Americans in Q4, I think the Q3 comment was that Americans globally were up single-digit. Is it accelerating or is it kind of in line with what you saw in Q3? Thank you.

ROBERTO EGGS: They were flattish in the quarter. We have seen volumes increasing more in the US and a little bit down in terms of buying into Europe, but they were positive in the US. So overall, it was flattish.

CHRIS HUANG: Okay, thanks so much.

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

ORIANA CARDANI: Yes, good evening, and thank you for taking my questions. I've got 2 questions, if I may. The first one concerns external growth opportunities. Considering your solid cash flow generation, are you open to the possibility of making a new acquisition after Stone Island in the medium term, and what type of assets might be ideal for you?

And the second question regards the shoes. So, what levels you reached as a percentage of sales in 2023, and what do you expect for this year? Thank you.

REMO RUFFINI: Thank you for the question. Honestly, I said many times that we are in the pipeline, really, to work very straight with Stone Island and with Moncler. As I said in my speech at the beginning, we have a lot of ideas, a lot of dreams, and I think for the moment, we are very confident to continue with these two brands. Thank you.

GINO FISANOTTI: Oriana. Thank you for the question. I think we are repeating ourselves in the different quarters. Basically, of course, we are happy to see that footwear is one of the fastest growing categories for us this year, up strong double-digits versus last year, and especially in Q4. I think I mentioned this before, we have been finding in the Trailgrip family encouraging results both across DTC and wholesale. But I think, as I said before, I think we need to keep highlighting that we are in the early stages of this process. I think more importantly for us is to keep focusing on a stronger pipeline of product creation as we come into the future. That's what we are obsessing about. I think it's important for us to say that while we are putting efforts and we are obsessing to get better season after season, our role or our goal is not to become a footwear player. For us, we always discuss this idea that we're a brand that comes from the mountain to the city and back, and we believe that, being part of that journey, footwear is a very important aspect of it. But I think it's important for us that we are focusing on bringing new products into the market that you will see as we go to the end of this year and next year, and then hopefully we'll keep building the same success we have seen in the last year with the Trailgrip family.

ORIANA CARDANI: Okay, thank you very much.

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

THOMAS CHAUVET: Good evening, everyone. Thank you for taking my questions. I have 2. The first one on pricing. Can you talk about the average price increase you've implemented on Spring-Summer 2024, and whether there were some regional differences? And how do you think about Autumn-Winter 2024 pricing? And when you look back at the fourth quarter, maybe the beginning of this year, are you seeing some resistance with certain price points, with certain SKUs type of products that may, you know, worry you or on the contrary, encourage you for the rest of the year?

Secondly, maybe for Luciano, coming back to the profitability profile, I mean, one big difference in that 30% EBIT margin today versus 2019 pre-Covid is that you had only one brand back then, you have 2 today. So given the different margin profile of each brand, that suggests Moncler brand's EBIT margin is probably between 31.5%, 32% today versus 30% back in 2019, so nice margin expansion. Can you try to give us some idea of how much of that was driven by gross margin and give us some of the drivers there? How much was opex leverage? And do you see a cap to Moncler's brands profitability in the future as you gain more and more scale advantage? Thank you.

ROBERTO EGGS: Maybe on the first question, Thomas, on the pricing, you remember that in 2023 we had a price increase that was a double-digit increase. And that we say for Moncler, for 2024, we have a mid-single-digit increase that is up there to cover the cost. We have anchor-linked to the inflation.

For Stone Island the increase in 2023 was the same, and we don't intend to increase prices in 2024. You asked if the price increase is different by region? Yes, it is. We, of course, take into account how the exchange rate is evolving. But also our aim has been for the past 10 years to reduce the price gap between Asia, Americas and Europe. And I can say that the price architecture we have been working on for Fall-Winter 2024 is allowing us for the first time to be in the range of the plus 30% something, so below 40% between Asia and Europe. This is already the case for Stone Island, but this was not the case for Moncler. So, I think we have done another step in the direction of where we want to be in terms of pricing architecture between the regions.

LUCIANO SANTEL: About our operating margins by brand, of course, we don't report margins by brand, as you know. But of course, we have two brands, and Stone Island is a brand we totally believe in. And we also know that we have to invest to make this brand an even stronger brand. So, it will be a project that will take some time. Of course, we are not in a hurry, because we are not chasing results. We are not chasing volumes or short-term profitability. But right now, of course, we know that Stone Island is a brand we need to invest in. We need also to invest in Moncler. And when I'm talking about investments, as you know, I'm not talking only about capex or marketing. As you know, we want to invest a lot in the organization to make our company and our two brands strong and solid for the future and able to deliver strong results for many, many years to come and not just for a few years.

Having said that, long story short, Moncler is doing very well. I mean, we have this kind of ambition of 30%. But again, we are not obsessed with the 30%. We are obsessed with the strength of the brand. And that's why we continue to invest. Talking about how we can achieve 30%, or to your point, even higher, the EBIT margin in our business model, as much as in many other retail business models, is mostly driven by the sales density. It's not only gross margin, of course, gross margin is an important component, and, honestly, we are very happy with our gross margin, which does not depend only on our markup, on our pricing power, but it also depends a lot on our capability to manage very efficiently our inventory. But gross margin is not the only driver. The other most important driver is the sales density. For Moncler the sales density is very high and it is higher than last year. Stone

Island is still behind, but I mean it will take some time. But we are very confident. So, long story short, I don't know if I'm giving you a satisfactory answer, but this is our thinking process and this is the way we approach and we plan our business.

THOMAS CHAUVET: Thank you, Luciano.

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

CHARLES-LOUIS SCOTTI: Good evening. Thank you for taking my questions. I have two. The first one on your stores network. Could you tell us if the Grenoble stores are included into your guidance to open like 10 to 15 in the US? And what do you think is the long-term potential in terms of the stores network for Moncler Grenoble? And also if you plan to push Moncler Grenoble in the wholesale channel. And also one of the key take-away from the Chinese New Year was apparently the growing popularity of ski-trips, and also travel to winter destinations in China. Do you see on the ground a growing appetite for outerwear? And should we expect Moncler Grenoble to also open stores in Asia Pacific?

The second question on online, I remember you said that the e-commerce channel was a little bit underperforming during the Q3 call. Could you tell us how e-commerce has performed on the full year basis, and what was the contribution at the Group level and for each brand? And also, if you could give us the split between DTC and wholesale online, this would be very helpful.

And final question, which is a little bit technical, but can you confirm also that when you mentioned sales density figures, this includes your online DTC business? Thank you.

ROBERTO EGGS: Good evening, Charles-Louis. On the store network, we ended the year at 269 stores for Moncler, one first dedicated store for Grenoble. Remember, as I mentioned during the presentation, that we have already 14 other mountain stores that are selling mainly Grenoble but not fully dedicated. So yes, already in the existing network we are going to increase the share of Grenoble in these 14 stores, and we may have opportunities to expand further the presence in the resorts in the Americas, in China, and in Japan in the years to come. We are exploring, and this number of stores that we have in mind will be included in the 15 stores that we give as a guidance in terms of openings year-on-year.

Regarding the total amount of stores that we may have in the future. I know that you like to feel, let's say, the matrix trying to figure out what is the global potential of the brand. But honestly, we don't know yet. I think the fact that we are now refocusing even more for Moncler on the DTC part may have an influence on the number of stores we'll have in the future, but it is really premature for the moment to say this guidance that we have been giving of 15 openings and 15 relocations / expansions is something that we have in mind for the next 3 years.

ELENA MARIANI: Just one thing on your last question. The sales density refers just to the physical retail stores.

GINO FISANOTTI: Charles-Louis, just to build on what Roberto was saying in terms of the opportunity on Grenoble, I think it's important for us what you mentioned about what we have just done in China. I think we see an opportunity across the globe. I think we are activating in Europe, Japan, the US and China just to give an example of what we just discussed. I think it's an important reminder in terms of the opportunity we're seeing with Grenoble as well. For the past 16 months now, we have a full offering that goes all year around as well. We have Spring-Summer products with Grenoble. We have pre-fall. And then what is more traditional for us over the years, the après-ski. And then, of course, the technical part that always comes in between October and December. So now we're going full circle with Grenoble as a proposition for customers all year round. And that's another important opportunity that goes on top of what Roberto was saying about Grenoble.

So hopefully that's clear. You mentioned online as well. The direct online channel registered a positive performance in 2023. I think Roberto mentioned this briefly in his part, while we saw that the industry started deteriorating the performance at the beginning of last year, we saw the impact of that changing in Q3. But we had a very strong first half of the year. And of course, we saw trends improving into Q4. And we had, as we mentioned before, a positive performance in the year overall.

For us it is important to keep seeing this as a mid-teens of our total revenue in terms of contribution. On the explanation of what drove the deterioration, I think we already discussed that in the last quarter, and I think even Roberto mentioned this, we saw a more promotional marketplace in terms of e-tailers that has been affecting a bit the online business across the board. I think both Mr. Ruffini and Roberto mentioned that for us it is about the approach in DTC in terms of omnichannel experience for customers. Maybe Robert, you want to mention the online performance for Stone Island just to complete the question, but I think that's what I can say from our side.

ROBERT TRIEFUS: Yes, happy to do that. And again, just to underline that this year we will see the internalization of the direct website. And in terms of the performance, we expect to see the contribution at total sales being comparable once we internalize. But we see a contribution of around 10% in line with the previous year.

ELENA MARIANI: And I think you also asked how much is direct versus third parties. Gino mentioned mid-teens as a percentage of Moncler sales and the vast majority is direct. And as a reminder, last year it was 2/3 direct and the previous year it was just 50%.

CHARLES-LOUIS SCOTTI: Thank you very much.

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

LOUISE SINGLEHURST: Hi, good evening, everyone. Thanks for taking my questions. I wondered if I could just ask a little bit more about the US. I'm quite interested in seeing there is a big improvement going from Q3 into Q4 on the DTC, excluding the wholesale. Do you think now we've turned the corner in the US for more sustainable positive growth? I know, Roberto, you mentioned that all nationalities had started the year well. So obviously a positive implication so far. But I wondered if we're on track for more sustainable growth now in the US?

And then my second question just again, sticking with the regional data and when you're looking across the consumer profiles. Where do you see most sensitivity to spending as you think you know, 2024 and more kind of medium term? And by the word sensitivity, I mean, both maybe a little bit more caution, but also where you might be seeing some more bright spots that sound obviously a little bit more encouraging. Thank you.

ROBERTO EGGS: Hi, Louise. On the US, is this growth that we have seen at the start of year being positive on the American sustainable? We hope, honestly, I would like to have a crystal ball and to read into it more clearly. During the last part of year we saw a repatriation locally, so a positive effect on the American cluster. Is it sustainable or not? Honestly, we don't know, I think we still have the full-year in front of us, so it's quite difficult to assess. But it's sure that we see the Americas as a big opportunity for us. We are underpenetrated both for Moncler and Stone Island in the American market. And this is going to be one of the areas of focus that we will have for both brands in the months and years to come.

Regarding sensitivity on different parts of the globe, honestly, the momentum at the start of the year is good on the DTC part, which is what we consider our brand barometer. We have not seen weaknesses for the time being. But again, it's very early in the year, it's only two months, and we know how important Q4 is for us. There is always a word of caution not to take the first start of the year as something that we can reference to as a full year, but we're all very committed to make it work.

LOUISE SINGLEHURST: Okay. Thank you.

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

PIRAL DADHANIA: Okay, thank you. Good evening. I'll keep it brief. My first question if I could just clarify, to the extent you can say, if the Q4 Moncler brand retail like-for-like was low double-digit, we estimate it to be around 12%? Any help there would be very helpful.

My second question is just around new customers recruitment and the demographic profile for Moncler brand. Again, could you maybe just talk about how the new customers recruitment has evolved through the balance of 2023, obviously you had some big events at the end of 2022 and beginning of 2023 to support the genius re-launch and the 70th anniversary. We envisage like a lot of new customers recruitment in the first half of the year. But how did that work out towards the end of the year? And how do you think about the strong growth that you've seen in Q4 split across existing customers versus new customers? And what's your anticipation for 2024 in that regard? Thank you.

ROBERTO EGGS: I will answer shortly, I we'll be very short on your first question, because we don't provide guidance or figures regarding LFL growth per quarter. What I can tell you is that we have seen an acceleration in Q4 compared to Q3 and I'm very happy about that, especially in November and December.

GINO FISANOTTI: In terms of customer base, when we start talking about the one brand with three dimensions, this is to really have a meaningful connection with complementary audiences. I think this is the important aspect that can probably go back to the question you were making about how we justify the current momentum of the brand. And as a consequence of that, the growth we're seeing in the business is because we're able to acquire different customers from different customer segments, that they are complementary to each other. The nature of why we have Moncler Collection, Genius and Grenoble is because we see, of course, an opportunity for us to talk to different people in a more specific and meaningful way. And this is what attracting new audiences is to us.

I think the other important aspect, I think that goes across everything Roberto, myself and the team do, is we are looking always on acquisition across everything that is omnichannel. Of course, sometimes the balance between current audience versus new audience could change a little bit depending on the channel we are discussing. The reality is that we are all always looking to be the very best brand possible to the current communities or the current audiences as much as to the new people coming in. As a little vital factor, I think, we are seeing traffic increasing in our retail doors and we saw a very important increase in digital as well. And that is helping us to understand that we have that demand and that meaningful connection with customers, which is, again, in a way, the acquisition plan that we're seeing.

So the last comment, and I think is connected to one of the first questions we got about if we have another event. I think for us, of course, the big events are an opportunity to explain and to share an experience with customers all around the globe. But it’s the in-between that for us is as important as the events we do in making sure that we have a strong tone of voice, that we keep building that brand momentum, and we can keep leveraging that as soon as a customer goes into any touch point, either a physical retail, either .com, etcetera. I think it's important for us to understand that one of the biggest evolutions we have done as a brand is not only the big moments, but it's the in-between moments that is helping us to drive the results you're seeing.

PIRAL DADHANIA: Thank you, very clear.

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

ANDREA RANDONE: Thank you and good evening to everybody. The first question is about the use of cash, you already excluded a big estate asset acquisition or new company target acquisition. I wonder if you can confirm dividend policy with a payout of 50%. And I wonder, if you can consider an important buyback also to counter dilute the stake of Mr. Ruffini.

And the second question is, if you can provide us with an update on the project to partly internalize the production you discussed in the past months? Thank you.

LUCIANO SANTEL: Yes, Andrea, about your first question, we already answered the question about M&A. And again, we are not close to M&A opportunities, but you know, we don't have any plan. We are open to consider anything, but depending not on the cash we have, which is important, but on the beauty of the brand. And this was the case when in 2020 we integrated Stone Island, which was not because we needed to allocate cash, but because we strongly believed in the potential of that brand, and also we loved that brand since ever. So again, about cash allocation, of course, dividends have been increased last year a lot. We almost doubled dividends last year. This year we keep increasing the dividend payout a little bit. I think that we are doing in line, if not better, compared to what other companies do.

About buyback, we don't have any plan for the time being. We normally implement buybacks only to the extent we need shares for our performance share plan. The last buyback was in 2022 as you probably know. For the time being we don't have any plan. But I mean, for sure when needed, we will implement buybacks, but not driven by financial needs, not driven by the fact that we need to allocate more efficiently our cash. As you know, we are aware that our cash allocation is not efficient, but, I mean, we prefer to be safer than efficient. And having cash on hand allows us to be open to any opportunity, and, first of all, to keep investing in our brands.

About the other question on the internalization of production. First of all, it is important to remind you, but I'm sure you remember, that we doubled our production facility in Romania last year, actually at the end of 2022. And so, this is an important step to increase our own production capacity. We are now looking at increasing the production capacity of our knitwear facility. We have a small facility in Italy. We are now to planning to expand that facility, actually to move to another much bigger facility, because knitwear – something important to highlight as we don't say that very often –is our second leading category after outerwear, and it keeps growing very nicely in both the subcategories, the traditional tricot and the so-called cut & sawn.

In order to improve the quality of our product, we have started several years ago to build this kind of production facility in Italy. Right now, we are mature to expand this facility. And this is something that will be done over the next few months. So internalization of production is something we keep working on. Of course, I mean, we also have a small production of outwear in Italy under the innovative technology, which is building production, something I'm sure you remember. So these are the plans we have right now in our pipeline. We expect to achieve more or less 30% of internal production over the next 12/15 months.

ANDREA RANDONE: Thank you very much, Luciano.

LUCIANO SANTEL: You're welcome.

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

LIWEI HOU: Good evening, everyone. This is Liwei from CICC. Thank you very much. Two questions. The first one is licensing agreement with EssilorLuxottica. As we all know, the licensing business will be margin accretive. I just want to understand the scale of this business that you think might be reasonable, and how meaningful it will be to help with margins in 2024?

And my second question is actually on Chinese customers. It's actually a follow-up, you know, we all know that Chinese are becoming more cautious in spending. I think it would be helpful if you could let us know the evolvement of active customers among the Chinese cluster in the past few quarters. And you know, has that been expanded or is it more from repurchasing from existing customers? I think that'll be very helpful. Thank you.

LUCIANO SANTEL: Okay, let me start first about EssilorLuxottica and our eyewear strategy you know, that started many years ago. I mean, the last license agreement was with Marcolin. We did a great job together to develop a credible, strong product under the strong identity of the Moncler brand. And I'm saying that because the strategic decision to develop this business was not just to develop revenues or to develop royalties, but to develop something that should enhance the identity of our brand.

Product first, this is why we decided to move to EssilorLuxottica is because, needless to say, EssilorLuxottica is number 1, and their capability in terms of product is huge, of course, and very important. Also, their distribution capacity is very, very high, because they have thousands-and-thousands of stores and a distribution network also within opticians that is huge. We expect to further increase and improve the activity that has been developed over the past year with Marcolin taking advantage again of the great power of EssilorLuxottica on product and distribution.

GINO FISANOTTI: To add a bit more to what Luciano was mentioning, I think one of the most exciting opportunities is the deep partnership we have with them in terms of product and brand as well. I think Luxottica is partnering up with us to make sure that we have a product offering across the 3 dimensions of the brand, something that will help us to again expand and be meaningful to different audiences as well. So that's very important. And as I mentioned before at the beginning, just to reinforce that the launch of the first Luxottica collection will be in Fall-Winter 2024, we will clarify probably in Q1, Q2, the exact month, but that's the plan so far.

ROBERTO EGGS: Regarding your question on the Chinese, just as a reminder, as I was mentioning, the cluster increased 50% quarter-after-quarter on a 2-year stack. So plus 50%. What we have seen is an improvement of the retention. This is linked to all the clienteling activities and activations that we have been working on as part of the retail excellence, omnichannel excellence that we have. And we continue to have additional new clients coming into the brand, especially now that they have restarted to travel. They restarted to travel first in the neighboring countries, mainly to Japan, a little bit, Korea, Indonesia, Singapore, and of course Hong Kong, Macau and Hainan. But now they have restarted to travel also to Europe, which was a little bit of the surprise that we have seen along the year. You remember that we started here with 30% of the volumes compared to 2019. It went up to 50% in the middle of the year and we have seen an acceleration at the end of year where we were for Europe at 80% of the volumes of 2019. There we see a progression in their willingness to travel. It started with very wealthy Chinese, but now it's broadening. Also, the fact that different countries have facilitated the emission of visa is clearly helping to restart activities with Chinese outside of China.

LIWEI HOU: Thank you very much. Very helpful.

ELENA MARIANI: I think it's almost 7.45pm, so we can stop here. Thank you very much to everyone for participating in this call. Let me just give you a quick reminder of the next release. Our Q1-24 interim management statement will be released on April 24th after market close and our quiet period will start on March 26th. Thank you again and for any follow-ups, you can contact me or the IR team anytime. Thank you and have a great evening.