Moncler S.p.A

"First Half 2021 Financial Results Conference Call"

Tuesday, July 27, 2021, 06:45 CET

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler Group’s First Half 2021 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. Paola Durante. Please go ahead madam.

PAOLA DURANTE: Thank you and good evening everybody. Thank you for joining our call today on Moncler Group first half 2021 financial results.

Before leaving as usual the floor to our Chairman and CEO Remo Ruffini let me briefly introduce you to the other two speakers on today's call, Roberto Eggs, Moncler Group Chief Business Strategy and Global Market Officer, and Luciano Santel, Moncler Group Chief Corporate and Supply Officer. In addition, we also have today with us Carlo Rivetti, Stone Island Chairman and CEO, Gino Fisanotti, Moncler Chief Brand Officer, and Andrea Tieghi, Moncler Group Senior Director of Retail Worldwide.

As usual, before starting the presentation, I need to remind you that this presentation may contain certain statements that are neither reported financial results nor other historical information. Any forward-looking statements are based on Moncler's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, 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 Moncler Group to control or estimate.

Let me also highlight that, given the nature of our business, interim results can be influenced by seasonal effects and therefore cannot be taken as a proxy for full year trends or results. And, finally, I just highlight that press has been invited to participate in this call in a listen-only mode.

Let me now hand over to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI: Good evening everyone and thank you. Thank you for attending Moncler Group first half conference call. Tonight, it is a bit later than usual, so I will try to be short and focused. First of all, you might have noticed that I said Moncler Group. I am excited because this is the first time Moncler results include Stone Island. Now, we are a family… and a very busy family.

I'm absolutely happy with many things done in the 6 months. We started to set the pillars to feed Stone Island future development, in particular in the DTC channels and international markets. Meanwhile, at Moncler, we continue working on the many other projects we have on the table.

For example, in May, we have successfully internalized e-commerce in EMEA. I have to say that I was a bit scared that something could go wrong. But once again my people did not disappoint me. And in July, we also internalized Japan. Last but not least, I'm extremely proud of the result that the group reported in this still very challenging environment.

Let me comment revenues compared to 2019, which I believe should help you understand better the underlying trend. In the first semester, group revenues rose by 11% with Moncler standalone showing plus 1%, in acceleration in Q2 which rose by 5%. July started very well with a further improved trend compared to Q2.

EBIT reached €93 million with a 15% margin, better than our own expectation. In addition, very importantly, we continue to have a solid net cash position, even after the Stone Island deal and the payment of the dividend.

And now we look into the future. Unfortunately, the sanitary situation remains uncertain. I believe this is a reality we have to co-exist with, but we are ready. We have two brands. We have the product, the ideas, the project, flexibility, and even more the people to make it happen. And talking about people, I ask Gino Fisanotti, Moncler new Chief Brand Officer, who joined this call to introduce himself. As you know, building a strong brand has always been my obsession. I'm sure with these newly created roles we will make the Moncler brand even stronger.

Working together with Gino, we'll have the opportunity to go even deeper in our own offense of becoming a consumer centric organization. The obsession in connecting, in engaging with the consumer through an extraordinary product and with a unique experiences will allow us to bring Moncler to the new heights, while exploring and influencing beyond the traditional approach for the luxury industries.

I think Moncler is set and ready for future, ready to redefine luxury as we create a new phase of brand engagement and business growth. This is why I believe that Gino with Roberto and Luciano will become key in driving Moncler's next phase.

Thank you and I'll leave the floor to Gino. Please. Thank you.

GINO FISANOTTI: Thank you, Mr. Ruffini, and thank you very much for the nice words, and hello to everyone. Before we jump into this quarter results, I just wanted to take the opportunity to say hello to everyone and share a few words knowing that this is my very first call with all of you.

I have to start saying that I'm extremely happy to be part of this family, as I learned to call it here. But more importantly, I'm really excited about the incredible potential of this brand. And I have to say this is definitely the main reason why I have decided to join the Moncler Group. And I have to say that after 50 days with the organization, with the company, I can clearly see, but more importantly feel, the opportunities ahead. It's very clear how much this team have done in prepping this brand for the next phase of growth.

For a more personal note, I personally hope I can bring my very best to this company leveraging my consumer product marketing. And I had digital experience many years at Nike before, but more importantly around the globe working in markets from China to emerging markets from Europe to the United States to really help this brand to do the next step.

As Mr. Ruffini said, creating a new phase for the brand engagement and business growth while defining what modern luxury is and stands for. In short, I really cannot wait to be part of the next phase of this incredible brand, more importantly, to this incredible family.

Now, I think it's time to go to what truly matters for today. Roberto and Luciano will share with you the latest results of the Moncler Group. Thank you very much.

ROBERTO EGGS: Thank you, Gino, and welcome into the family. Let me come back to the results of the H1 starting with 2021 H1 key facts. I would like to highlight three main facts of the first half of the year on which we have been working. The first, as mentioned by Remo, is Stone Island, as we have started to consolidate the results since the 1st of April. The second, where we are actively working and supporting the Stone Island team, the team of Luciano and my team too, is the integration process that is ongoing, mainly focusing at the start on the IT finance and supply chain. But we also had a kickoff of the retail excellence project that started last week. So, it's the premises of something that is very promising.

The second point, also highlighted by Remo, is the Moncler e-commerce. He said that he was fearing to move the website from YNAP into our own website. I think we were a little bit scared too, especially because EMEA is a much more complex reality than the U.S. market that was internalized last September.

First of all, because we cover close to 30 countries with the internalization of the EMEA, 22 different payment methods, two warehouse now that we have also the presence in the U.K. with the Brexit. And we have also to do cross-border, which was something that we are not doing in the U.S. So a complexity that was very high plus the launch of the new website that we successfully did. We are going to come back probably on this, but all the key metrics have improved on a double-digit base since we went for the internalization.

Finally, a very important deal for us is the Moncler Genius Project where we had four pre-launches during the first half (1952 in January, JW Anderson in March and Craig Green in April), and we decided to postpone the launch of Fragment that was initially planned for June into July. There are two main reasons for that. First, we wanted to have also something strong to support the launch of the e-commerce in Japan, which we did. And we launched it with the launch of Fragment. And secondly, the stores in Japan, which is the main market for the Moncler Fragment launch, were closed during the weekends during the month of June, especially in Osaka and in Tokyo. So we decided to postpone the launch by one month and we did it at the beginning of July.

Let's move to the results of the H1 with the key highlights. First, on the revenue side, we reached €622 million for the first half of the year, which is a plus 57% at constant exchange rate versus 2020, and plus 11% versus 2019, in acceleration as we did a plus 34% in Q2. If we look also at the result of Q2 versus 2020, we reached 178% growth during the second quarter.

The revenues of Moncler reached €565 million, plus 43% at constant exchange rate versus 2020 and plus 1% versus 2019 for the first semester, but in Q2 we reached plus 5%. Revenues of Stone Island, that are integrated and consolidated since the 1st of April, reached €56.2 million (also double-digit growth during the quarter for Stone Island). The EBIT reached €92.8 million with a margin on sales at 14.9% versus an EBIT loss of €35 million in H1 2020.

Net profit reached €58.7 million with a margin on sales of 9.5% versus a net loss of €31.5 million in H1 2020. And finally, the net financial position reached €233.9 million of net cash versus the €855.3 million that we had at the end of 2020. But this is, of course, integrating the acquisition of Stone Island.

If we move to the results of the Moncler brand by geography, the H1 2021 revenues reached €565 million, which is a plus 43% versus 2020 and a plus 1% versus 2019. Q2 accelerated with a plus 5% versus 2019, driven by Americas, Chinese Mainland, Korea and EMEA. EMEA reached a fantastic minus 11%, knowing that we didn't have what is usually making 50% of the business during Q2, which are the tourists. It's a result that is really encouraging.

Local clientele continued to grow at solid double-digits. Asia, which includes APAC, Japan and Korea, has been the best performing area with a plus 9% versus Q2 2019. And in Q2, the Chinese Mainland accelerated, almost doubling versus 2019, while Japan has been negatively impacted, as already mentioned, by the reinforced measure of COVID-19, with the closure of the stores during the weekend. Korea continued to post outstanding growth and it has been the region that has been growing month-after-month double-digits since January 2020.

EMEA revenues have been penalized by the lack of travelers, partially offset, as I was mentioning, by the growth in local demand. We had a plus 47% in the growth of local demands in Europe. In Q2, EMEA revenues decreased by 11% versus 2019. UK, Germany and Spain outperformed. Italy in Q2 reached €21 million, which is a minus 9% versus 2019, and the Americas strongly accelerated in Q2 in all channels with revenues at 40% versus 2019.

If we move to the revenues by channel, this is the new denomination that we are using now internally and that we also have changed in what we are reporting. We call it DTC. DTC, that was previously called retail, is now the integrated results of retail plus our own online. DTC revenues reached €418.4 million in H1 2021, which is a plus 44% versus 2020 and a minus 2% versus 2019. In Quarter 2, DTC revenues have been supported by improved local demand but penalized by the worsened performance in Japan and by the planned postponement of Genius to July, which is also contributing to the very good start that we have had in the months of July.

Comp rose 41% in H1 2021, online continued to strongly outperform with a very strong triple-digit growth versus 2019. The EMEA e-commerce was internalized in May, Japan in July. The new website launched worldwide also in May 2021.

Wholesale revenues rose to €147 million in H1 2021, which is a plus 42% versus 2020 and a plus 10% versus 2019, driven by an outstanding request of reorders mainly from the U.S. market, but not only, and from e-tailers. The level of sales is also higher this year than the one we had in 2019, so it's a very sound growth. In Q2, wholesale rose by 29% versus 2019 driven by some growth in particular in North Americas.

To conclude with Stone Island, Stone Island revenues rose to €56.2 million in Q2 2021. The result of the Q1 2021, that are not consolidated but that we have reported, is €88.1 million, with EMEA contributing to 77% of total revenues, with Italy accounting for some 20% followed by the most important markets for the brand, which are U.K., Germany and the Netherlands.

Stone Island wholesale business contributed 72% of the total revenues. Direct-to-Consumer performance has been driven by some openings and good organic growth. Spring/summer 2022 sales campaign shows very strong results. This is a comment I'm making for Stone Island, but it is absolutely valid as we have increased our results in the spring/summer Campaign 2022 for Moncler versus the one we had in 2019, which was the campaign spring/summer 2020.

To conclude with some highlights on key projects on Stone Island, as I was mentioning at the beginning, the focus for 2021 has been to set the basis for delivering compelling long-term results with integration that has started by corporate functions. We focus on IT, logistics and finance and also on distribution, where we have been started to work with the agent and importers that we have in the U.K. and in Korea to plan to go and manage it more directly, as we were mentioning already in the call in December last year.

In terms of total number of stores, we had until the 31st of March 2021, we are just reporting the stores of Moncler, which were 221 stores for the retail part and 63 shop-in-shop for Moncler. In the meantime, we have been opening 3 new stores with Moncler, in China at Ningbo Hankyu, Hong Kong Ocean Terminal and Dalian Olympia 66.

Regarding Stone Island, they have already opened the 4 doors they have planned for this year. We open in Paris with Galeries Lafayette, but also stores 2 stores in China, at iAPM Shanghai and in Tianjin. The total reported now is 254 retail stores, 224 for Moncler, 30 for Stone Island and 119 shop-in-shop, 63 for Moncler and 56 for Stone Island.

I'm leaving the floor to Luciano to comment the financial results.

LUCIANO SANTEL: Okay. Thank you Roberto. Good afternoon everybody and thank you for attending our call today. We are now at Page 11 where we report a slide with a bridge between our income statement reported and the income statement adjusted. The adjustments are associated with the Stone Island transaction and specifically to part of the purchase price allocation that affects the income statement for €6.4 million and some of the transaction costs for €3.6 million.

For the information, we report at Page 20 the detail of the purchase price allocation. Specifically for this slide, I would leave the technical explanations of this item to your questions. I would comment the adjusted income statement that is reported at the following page, at Page 12, where we report as usual the results of the first half of this year as compared to the first half of 2020. The top line, as Roberto said and commented, was

€622 million, with 54% growth as compared to last year. Gross margin was 75.2%, the comparison with last year is not particularly meaningful because you may remember that last year we posted a €30 million extraordinary write-down of our inventory after excess of inventory associated with the spring/summer of last year due to the lockdown.

If we look at gross margin, we reported that gross margin was 76.7% in 2019 first half. The gross margin we reported this year is slightly lower, but it's totally due to the contribution of the Stone Island business. In the first quarter, we consolidated that business, a business that is mostly a wholesale business with a lower gross margin due to their business model. If we look at the gross margin for Moncler only, gross margin for Moncler is totally in line with 2019.

Selling expenses were 37%. The comparison with last year is not particularly meaningful; in 2019, selling expenses were 36.3%. So we are a little higher, but still because of the closures that affected our retail business in Europe, in the first quarter of this first semester and also in the second quarter.

G&A expenses were 17.2% (in 2020 19.8%, in 2019 about 15%). G&A are higher than few years ago, but this is due to the fact that over the past 2 years we invested a lot and we are still investing a lot in our organization. All these expenses are associated with investments in human capital in all the most critical departments of our rest [ph] of digital, because only a few years ago our digital department was made of adjusting for people. And now, in order to face digitalization of the line business that Roberto and Ruffini mentioned before, we needed and we developed a pretty solid organization with additional cost and also with some double counting expenses due to the fact that we started to invest in the organization way before the go-live of the internalization. But it is not only digital. We are still investing in our technical department, because it is the essence of our production. And, of course, in information technology which is a section essential for our development. Having said that, the 17.2% is a couple of points higher than 2019, but we expect this incidence to slow down a little bit in the second half of the year.

Marketing expenses were 6.1%; our guidance of 7% for the year end is still there. We are spending less than last year, which is not particularly meaningful, but also a little bit less than 2019. The reason is that the most important chapter of our marketing budget will be the digital event that until last year was held in February and this year for the first time will be held in September. So, the delay of these expenses will be reported in the second half of the year. Overall, our operating margins EBIT is 14.9%, in line with our plan.

Financial expenses are totally associated with the area for IFRS16 and the 29.1% tax rate is unfortunately back to normal, because in 2019 we still had the benefit of the patent box and in last year, not in the first half but at the end of the year, our tax rate was 13.1% because we had the benefit of the alignment of our trademark cost. So, 29% is more or less also our expectation for the year-end.

We can move now to Page 13 where we report CAPEX. CAPEX at the end of the first half was close to €50 million, with an 8% incidence on revenues, higher in absolute value than last year. But again, last year we made a decision right after the pandemic situation to cut 30% our budget for our CAPEX. The €50 million we spent in the first half of the year are again associated mostly to the retail network, to the stores that have been opened and mostly to the stores that are still not open, but will be open in the second half of the year, which are some very important stores. And for

€18 million to our information technology infrastructure the online project we already discussed about and logistics infrastructure.

At page 14, we report net working capital. Net working capital is 9.6%, higher than last year and higher also than 2 years ago, but this is because of the contribution of the Stone Island business, so it is mostly wholesale business model. And as a consequence, a significant part of the revenues we reported have been generated in June in the wholesale channel for the upcoming fall/winter season and have been translated into receivables that make the receivable line significantly higher than in the past. All the other items, even though specific, and accounts payable are totally in line with the year before in 2019.

Let’s move now to Page 15. We reported the financial position, that, as already mentioned by Roberto, is €234 million positive cash, much lower than the €855 million we reported in December. But in the first half of the year, in March specifically, we had the cash out for the external transaction net of €551 million.

Let's move now to Page 16, where we reported the balance sheet statement, that normally I don't comment. But this time, for the first time, it's important to comment a couple of lines. The intangible assets that you may see last year were €400 million and now we report €1.7 billion and this is totally due to the purchase price allocation to the Stone Island brand for €775 million. And for Stone Island, the goodwill is €447 million, net of €222 million of deferred taxes that are reported in the other non-current liabilities.

At Page 17, we have the cash flow statement. There is nothing to add to all the numbers I already commented during the presentation. There is only a comment on the change in other liabilities, that is negative, as much as last year more or less, but much more negative than in 2019 when we still had the cash benefit of the patent box.

For the free cash flow there is nothing to add. Below the free cash flow, there are two important items: dividends that we paid this year for €118 million and nothing last year (as you may remember, we made a decision to withdraw the dividend payment), and the Stone Island transaction cash out for €551 million.

Let's move now to Page 18, the last page, but probably the most important also for the future of the brand, let me say for the word, which is the sustainability chart, where first of all, I have to comment the integration that we are implementing with Stone Island, because from now on starting from the year-end, we will report our sustainability plan, including only one set of objectives for Moncler and for Stone Island. The activity to work together with the Stone Island team is very productive. We found a lot of passion on this matter and also competencies. And so, we are very confident to develop great work together in the new family.

We then report our five pillars, and the five pillars are still associated to the Moncler brand only. But again, very soon by the year end these pillars will relate to both brands. First is climate change. We have our target to the carbon neutrality at Scope 1 this year, and also to increase the energy coming from renewable sources up to 70%. Again by the circularity, something very important to highlight is that we have implemented a technology together with a German technology firm to recycle our finished products and to certify down that is being recycled into the new product, into the new down jacket, the new outerwear we are producing. This is a very interesting exciting project.

Also, we are using more than before the iron scraps from our production process. And also something important to highlight is that we have implemented a repair service for our customers. They are invited to return their product, their older jackets that may be broken for several different reasons. And we offer the service to repair these jackets. We don't aim to change the world with this service, but for sure it's something very nice to highlight.

And then, our DIST protocol has being expanded to social and environment, not only to the animal welfare. Basically it includes a council that has been implemented at the beginning of this year. We have then implemented an activity and a survey with the help of McKinsey in order to monitor the perception of our people with this very important topic.

And, last but not least, we are proud to say that we have offered to the community 1,600 hours of our people, mostly dadicated to the vaccine hub in Milan that has been helped and supported by Moncler.

So many topics, and we are now ready for your questions. Thank you.

PAOLA DURANTE: Operator, you can open up the Q&A questions. Thank you.

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question, may press "*" and "1" at this time.

The first question is from Elena Mariani with Morgan Stanley. Please go ahead.

ELENA MARIANI: Hi. Good evening everybody, and welcome to the Stone Island team. A couple of questions from me; the first one is a quick one, and it's about the comment you've made on July. You said that July started well with the trends improving versus the second quarter. Is this true for both retail and wholesale and what are the key drivers of this? Which geographies, which nationalities? And how should we think about the development of revenues in the third quarter?

Question two is on Stone Island. I just wanted to understand a little bit better the seasonality of the business. We're still familiarizing with it, so how should we think about the development of sales and EBIT in a normal year? Leaving COVID aside, because I've seen that you had a pretty meaningful change in direction between Q1 and Q2, how should we think about Q3 and Q4 in a normal year?

And thirdly, have you started already to develop a retail rollout plan for Stone Island? How are you thinking about the brand strategically, and how should we expect the revenues and retail network to develop over the next 2 to 3 years? Thank you.

REMO RUFFINI: Good evening, Elena. Thank you for the question. I will answer 2 questions, 1 and 3, and I will leave Luciano answering to the seasonality of Stone Island.

Regarding the key drivers, clearly the fact that now we are up and running with our own e-commerce is definitely helping. So, we can expect a strong growth from the e-commerce coming from the Quarter 3, and especially also the launch of Fragment has been very helpful to support the launch of the new website. So, I think we can expect the online to perform well. We can expect from the retail side to continue performing in Americas because Q2 has been a very good quarter and is continuing not only in retail, but also very much on the retail side where we had a lot of reorders. We can expect also China continue to outperform. Maybe we'll come back to China later on, but Q2 has been extremely good for China and we have a strong development plan for our Chinese market.

Korea continued to perform very well and also fragmented. It is a collection that is very well appreciated and we are now going to launch the second theme of the fall/winter collection. So in all these regions we are confident. We see also in Europe a small return of the travelers intra Europe. Of course, we don't see a lot of travelers coming from Asia, but we start seeing also a little bit of Americans in Europe. So, I'm even more confident for Europe for the third quarter and especially for the fourth quarter because we know that the fourth quarter is much less dependent from tourists. Usually the weight of tourist season is 30% and we have seen last year a strong rebound in the fourth quarter with our local clients. These are the drivers that we see for the month of July and also with the expansion of the fall/winter collection. With the different things that are going to come now in July, August and September, I think we are confident.

And again, for wholesale the results are extremely good, better than 2019. So, there is a strong appetite for our product being requested by our wholesale account. The part of the E-tailers is also performing very well, in line with the performance of our e-commerce. So it's another positive sign and we see the strong request.

Regarding the rollout plan for Stone Island, I think we have first to fix or adjust some of the way to operate stores and this is why we launched the retail excellence project with a pilot that is supposed to start in Q4 of this year in Germany and then with the rollout phase for 2022. We're also working on enhanced projects and design for our stores with Stone Island. So, we are getting prepared, but the opening for 2021 for Stone Island are done, and we are working already on the plan for 2022.

LUCIANO SANTEL: Elena, thank you for your question about the seasonality of Stone Island which is, needless to say but important to highlight, significantly different from the seasonality of Moncler for two reasons. First, because product is different, but also because the business model of Moncler is mostly retail, while the business model of Stone Island is still mostly wholesale. So, just as a rule of thumb (take these numbers as an overall guidance), you can assume that the first half may represent about 45% of the total business, with an about 30% in first quarter, 15% in the second quarter, and for the second half 35% in Q3 and 20% in Q4, more or less. This is an overall assumption you can make. Of course, we don't have the precise numbers, but this is a reasonable assumption you can make.

ELENA MARIANI: Thank you. And also sorry, just one quick follow-up.

LUCIANO SANTEL: No, because your question was also about operating margins.

ELENA MARIANI: Yes, exactly. Thank you.

LUCIANO SANTEL: Imagine that more or less it follows the seasonality over the top line. So, you can make this assumption. Of course, this is an assumption, but it is a reasonable assumption.

ELENA MARIANI: Thank you. And just one very small follow-up in terms of current trading. So, is it fair to assume that in the third quarter so far, you've turned positive on a 2-year stack basis in retail, because from my calculations in Q2 and also H1 you were still low single-digits down on a 2 year stack basis? Thank you.

ROBERTO EGGS: Elena we are still very young in the Q3. So I think we have the Q3 that is in front of us. But so far your assumption is correct. We need to confirm it in August and especially in September, which is usually where we see an acceleration of our retail business.

ELENA MARIANI: Understood. Thank you very much everybody. Have a good evening.

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

ANNE-LAURE BISMUTH: Good evening. I have two questions actually. Just to come back from Elena question about the retail rollout for Stone Island, I was wondering if you can comment about the normal run rate of new openings for Stone Island. What we could expect going forward?

The second question is about the CAPEX budget for this year. And finally, a third question is about the online exposure in H1. If you can give us the exposure to online H1, that would be great. Thank you very much.

PAOLA DURANTE: Sorry, Anne-Laure, the second question was on budget referring to…

ANNE-LAURE BISMUTH: The investment, the CAPEX budget for this year.

PAOLA DURANTE: Okay, sure.

ROBERTO EGGS: Good evening, Anne-Laure. First of all, for the number of stores for Stone Island, we are now fixing the new concept and working in parallel to develop the Retail Excellence project where we think that we will be able to start with the rollout of the Retail Excellence project by the end of H1 2022. This year we had 5 openings for Stone Island, mainly on the first half of the year, while for Moncler it's usually a little bit more going in quarter 3 for the openings. We want to be ready more for the fall/winter season, with Stone Island it has been anticipated. I think we can expect that the rate of openings (I will give you a very broad a range because we are working on it) to be between 5 to 10 openings year-on-year. It's something that seems to be reasonable once the concept and the Retail Excellence will be ongoing.

LUCIANO SANTEL: On your second question, the CAPEX budget, for this year we expect a total amount of €130 million, probably something more totally, we are talking about the group now. But honestly, the vast majority of this amount is still associated with Moncler. But overall, you can assume €130 million, €135 million of total CAPEX with the contribution of the two main chapters we discussed about in the first half (retail network and infrastructure).

PAOLA DURANTE: Third question was regarding the online.

ROBERTO EGGS: Third question was regarding the online. Well, I don't think we usually give a very precise number. But let me tell you that it was far above 50%. And we believe that this is a figure that we can plan for the full year.

ANNE-LAURE BISMUTH: Clearly, in terms of growth.

REMO RUFFINI: Yes, in terms of growth.

ANNE-LAURE BISMUTH: Okay. Thank you.

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

THOMAS CHAUVET: Good evening. I have 2 questions, the first one on fall/winter deliveries in key markets. How are you planning about this? Particularly I'm thinking about China. We are going to have the early timing of Chinese New Year, you have obviously the Winter Olympics that I think Moncler should probably capitalize on. How is that going to impact Q3/Q4 particularly in China?

And secondly, a question for Roberto, but also maybe for Gino Fisanotti, given his background in the sportswear industry. Do you feel the pandemic, now that you've digested maybe some of the learnings and the conclusions of changing consumer behavior that the pandemic, is giving the Moncler brand here further opportunities to grow the business in product categories that may have benefited from the lockdown situation, whether loungewear type of products (whatever you call it)? Obviously sportswear and athleisure which have benefited from the urge of many of us to go out when it was allowed and practice sports and that Moncler has stood obviously in that spring kind of summer business quite small. Any idea maybe from you, Roberto or Gino? Thank you.

ROBERTO EGGS: Thank you Thomas for the question. I will maybe enlarge a little bit your question to better answer on the approach we are currently having on the Chinese market and I will leave Gino more for the second part of the consideration. As you know, the timing for the deliveries of the fall/winter season are starting quite early for Moncler. We usually start with the pre-collection already at end of May and we go then with a different theme, and the delivery done to the market are usually there by October latest, so in the market they have the full collection already. Then we sell the fall/winter season a little bit longer than the spring/summer season, so until March. Especially for the retail stores, they still sell fall/winter season until March, April, and then, that moment the spring/summer is becoming more relevant.

For China and for the Olympics, we have planned a series of pop-up that are going to be present from January to February 2022. So, we will increase the visibility of the grown-up collection for that period. But the strategy that we have for Chinese is much broader and larger than just capitalizing on some of the events, even if they are super important and super relevant, especially for that market. We mentioned some of them, like the Chinese New Year, but also 11.11 or what we call the St. Valentine for China, and here we have developed a strategy in five folds.

One is to capitalize on this specific moment with capsule or dedicated collection to push also all our clienteling and certain activities. Secondly, we have also been working a lot and increased the presence of Moncler on the social media side, with the different channels that are specific and peculiar to the market. So I'll give you some example.

We have started now to sell with the WeChat mini program on the Chinese market. And we are using the different social media channels to express with different targets. So we use Weibo to increase the awareness. We use Red to increase the KOL visibility and to drive to store, and we use Douyin for the branding. So we have defined a clear reason to be for each one of these channels. On top, we're going to start launching our own website with the new visual identity by October this year. So, this is very important for us. And in the plan, we have Tmall that is planned for H2 2022. This is the second pillar.

For the third pillar, we still believe in retail. We don't believe that retail is dead. And we have seen, especially on the Chinese market, that last year after the lockdown of February and March, from April, there were a lot of people coming back to the store. And we know that here we have an upgrade to do in the stores that we have in China. This does not mean a lot of new stores, but increasing the visibility and the size of the existing stores. We see around there some specific projects. So this year, we have one important project in Chengdu, with a store that is going to be a flagship store, a new concept, much younger with much more digital elements inside. And we are going to develop this concept also in Sanlitun in Beijing.

We have then signed also a very good deal with the Group 66. So we have 4 openings in the next 2 years with Group 66, one within Wuhan with a plant that is going to be also a global store, another one in Shenyang Forum 66 and Dalian Olympia 66 this year, plus visibility in Shanghai with Plaza 66 starting from 2022. So, this is another very important pillar.

Fourth pillar is the development of the services. The omni-channel services, especially the distant sales that are now a common practice in Moncler in terms of sales, and also what we call private appointment, that accounted globally for the first half of 2021 to 13% of the total sales. Not only in China, but globally, 44 private appointments have been driving 13% of the total turnover of Moncler.

And finally, I think we cannot forget the wholesale part but especially in Hainan. In Hainan, we have now a project of development with two openings that are planned for next year, one in Haikou, in the northern part of the island and the other one in Sanya Airport. So, these are going to be important openings, together also with two other airports in China, one which is the one of Chengdu and the last one in Pudong. So, with this we are going to maximize the potential that we have with the travelers inside China.

GINO FISANOTTI: Thomas, thank you for the question again. Nice to meet you. Again, a few things. I think through the pandemic a few things changed. I think many others has accelerated.

And I think Mr. Ruffini mentioned at the beginning about how we can keep working on becoming a more consumer-centric brand. I think there's a few things that hopefully you will see us doing, which is a further acceleration into digital and that we are a brand that will focus on relationship over transactions. And this is something that will unlock further growth for both the brand in terms of engagement and for the business as well.

And then, I think there is a lot of great opportunities. I mentioned about the potential of this brand. I think, for us, moving forward, being more specific about the complementary offers we can drive in terms of serving multiple consumers through multiple dimensions of the brand will become another critical factor about how we'll drive the brand and the business to new heights. So, again, we can go into more details into the future, but I think definitely the pandemic has been helping us to accelerate some of the decisions that will help us to unlock the future phase and the future growth of the Moncler Group and the Moncler brand specifically.

THOMAS CHAUVET: So this would mean more new categories, potentially that would, in a way, rebalance perhaps a little bit Moncler's business into spring/summer, lighter type of clothing, whether outerwear or other categories?

GINO FISANOTTI: I think that if we talk about connecting with consumers and engaging with consumers and serving consumers, certainly we will be accessing every detail to become an all-year round brand for sure. Then, if you look into details of what the brand is today, you can see that we delivered from very high-performance product with Grenoble all the way down to luxury with the Moncler collection and some incredible collaborations and being more youthful through Genius.

So, again you already have some of the answers by looking into the details of how the brand is behaving today. What we want to do is reinforce those behaviors and go deeper into the things that make us a very strong brand today.

PAOLA DURANTE: Sorry, but Gino was here ready to introduce himself. So, I think we have already a lot. So, thank you so much Gino for all what you said.

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

LUCA SOLCA: Thank you very much indeed for taking my questions. I was wondering, how you think about brand heat and the need to continue to innovate to remain top of mind and maintain top of mind recognition with consumers.

I see that Gino has been put on the spot already, but I wonder how he sees the transition from playing within the largest brand in its segment to playing more of a gorilla warfare being smaller and having to embed this slingshot a number of times to attract consumer attention against mega brands.

And then, a second question is really a detailed question and refers to Stone Island. We see that there's a significant difference in the first quarter and in the second quarter. I assume that this is due to the schedule of wholesale deliveries, but if you could give us a confirmation on that, that would be very useful.

And then, anything else you could say on the exit rates? I see that in comparison to 2019 you moved from 1% in the semester to 5% in the second quarter, so a significant acceleration. I think that it's a fair assumption that this comparison to 2 years back would continue to increase in the third quarter. Thank you very much.

PAOLA DURANTE: Okay. Thank you, Luca. So I think I have to pass on to Gino again for the first question. So I'll leave to Gino to answer the question on brand heat, and then, to Roberto and Luciano for the second and third one.

GINO FISANOTTI: Luca, thank you again. Again, I think there is no secret that the brand has been delivering strong work especially in terms of brand heat and desire in the past few years. I think that what we're looking forward is to even increase that doubling down in terms of how we can become even more meaningful and more disruptive in the way we tell stories and how we go with this.

I think you hear already from Luciano about how we have been prepping ourselves through the pandemic, getting out of this to invest more into the second half of the year. I think you will see some strong work coming from the brand in terms of brand heat. I think we believe that we can be a very distinctive, meaningful and authentic brand in everything we do and everything we say, and that we will be what we keep pushing.

I think the other big thing to your point in terms of brand heat is not only about the way we will connect with consumers and we acquire consumers in, but it’s also about how we start leveraging our digital platforms to retain those consumers and build bigger communities around the brand.

So, for us the idea of becoming a more digital-first organization as well as brand in terms of how we connect is not only the acquisition, the desire and the heat. It's about how we can become more effective and efficient in the way we leverage those connections to drive the business forward.

ROBERTO EGGS: Regarding the Stone Island seasonality, Luca, the point is exactly that. I think we have started the delivery of the fall/winter season but we wanted to push the level of sales through a little bit higher full price. As you know, this is the philosophy that we like. So, we wanted to have the spring/summer present a little bit longer and we expect a very good third quarter for Stone Island in terms of wholesale. There have been also reorders that have been asked for the spring/summer, so we are very happy about the current trend for both the retail and the wholesale business for Stone Island. Luciano, please go ahead with the exit rates.

PAOLA DURANTE: The last question from Luca was if we believe there will be an improvement in the 2 year-stack as we have seen between Q2 compared to Q1 if this is going to continue into play?

LUCIANO SANTEL: This is a little bit premature, Luca, to predict, but so far so good. July started pretty well. So, we have had the most important month for our business Q3 and mostly impacted by wholesale. Wholesale is quite predictable and should deliver good results. Retail is less predictable and it will depend on the overall situation of the pandemic. But in any event, we expect the second half of the year in line with the expectations of the market.

ROBERTO EGGS: And if I may add, the point is that, as we are less dependent on travelers for the end of the year, if there are no lockdowns and we are more relying on locals, I think it makes it also a little bit more predictable. And on this we are confident, provided that there will be no further lockdown for the end of the year.

LUCA SOLCA: That is what we all hope for, absolutely. Thank you very much indeed for the answers. Thank you.

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

SUSY TIBALDI: Hi, good evening. Thanks for taking my question. First one on Stone Island. I wanted to check if you can comment on the level of growth that you are seeing. If we think pre-COVID in terms of top line, the business was growing somewhere in the mid-20s. Is this a reasonable level to expect for this year, or are some of the initiatives that you're implementing maybe already having a positive impact, so the growth could be even stronger than that?

Secondly on the second half margin. In H1, you had about 5% gap versus 2019 level. Then, of course, last year H2 was very strong. So, I was just wondering if you can comment a little bit on what we can expect for the second half. Obviously dependent on top line, but if there is anything internally in terms of cost or anything that you can control that we should be aware of?

And then thirdly, I am just curious to hear from Roberto how his role is going to change now that Mr. Fisanotti has joined the company and then whether he will spend more time on Stone Island. Thanks. Thanks a lot.

PAOLA DURANTE: Susy, sorry, for your first question on Stone Island growth, I didn't get it fully, to which period you refer. Can you just repeat it?

SUSY TIBALDI: In general just to understand what kind of top line growth the brand is seeing, in terms of full year, I was wondering if we can expect the growth to just sort of go back to pre-COVID levels (somewhere in the mid-20s or potentially even more). And I'm thinking about the brand overall for the full year, not just the 9 months. Just trying to predict the level of top line growth?

PAOLA DURANTE: Yes, the brand being Stone Island.

SUSY TIBALDI: Yes, the Stone Island.

PAOLA DURANTE: Yes.

ROBERTO EGGS: I will start, and maybe I'll let also Luciano give some complement to the answer. I think that, since the Stone Island brand is more dependent on the wholesale business for the time being, so also more related to locals, we can expect a significant growth compared to 2019, probably higher than the one of Moncler, that is much more exposed to tourism. So, this makes it a more predictable business and, as it is also dependent at 75% on wholesale, we have also the orders of the spring/summer campaign. So, we can predict quite well the result for the second half of the year, so we are very confident on the Stone Island business. The business, also in retail, which is mainly a business that is in Europe, in UK, and in Korea, is also targeting more of local consumer and is less exposed to tourists than Moncler. So on this, we are also confident on the results of the second half.

If I understood well, you were also wondering what my role is now in the company, what is the role I'm going to play. I think these are discussions we have had last year with Remo with the acquisition of Stone Island, where we were seeing on one hand the need to have somebody fully focused on the Moncler brand in terms of communication, and at the same time having more resources available to develop the Stone Island brand and be more focused on the results on the region.

So as we were saying, we are focusing on the business strategy of both Moncler and Stone Island and focusing also to bring Stone Island in terms of retail excellence and wholesale excellence and online excellence to the level of Moncler. For Moncler, it took us some few years to bring it to the level we are now. The objective with Stone Island is to do it in half of the time we used for Moncler, leveraging on all the know-how but making it very specific to the brand. It's not a copy paste. It's taking the recipe but then cooking with the Stone Island ingredients. So, I think this is going to be the focus for the next 2 to 3 years. Thank you.

LUCIANO SANTEL: Susy, about the Stone Island growth, it's something that we normally don't disclose but simply because we don't know. But in this case, based on what I said before, considering that first half of the Stone Island business may represent about 45% and considering that last year the 12 months sales were in the region of €220 million to €230 million, we can assume that this year we should do a 30% growth rate. Again, it's not a forecast, but it is simply based on the thinking process we developed together before. About margins…

PAOLA DURANTE: The second half margins.

LUCIANO SANTEL: The second half is of course referring to the group. I mean the Stone Island contribution to operating margins will not change materially the Moncler operating margins. So, we don't expect that will be dilutive or accretive but should be more or less in line with Moncler for the year-end, because the first half and second half may be different for the seasonality, which is a point I've touched before. Having said that, at the beginning of the year we said that we don't expect that 2021 will be back to 2019, to what was normal before COVID.

But operating margins will be in the middle between 2020 and 2019. So, this is our guess, our assumptions are still valid for the time being based on our current visibility. We may do better to anticipate further improvement. So, for the time being, we can assume an operating margin in the middle between 2020, that was 26%, and 2019, that was at 30%, so in the region of 28%. Again, any better news will be communicated later. Thank you.

SUSY TIBALDI: Okay. Thanks a lot.

OPERATOR: The next question is from Antoine Riou with Societe Generale. Please go ahead.

ANTOINE RIOU: Good evening, everyone. I have three quick questions. The first one: is it possible to get a sense of the evolution of the like-for-like on a sequential basis and on a 2-year stack basis Q2 versus Q1? Should we consider that it's broadly the same trend as the 2-year trend for the whole of retail (i.e. roughly the same 2-year like-for-like growth Q1 versus Q2 on a 2-year basis)? So it’s my first question.

The second question is for Mr. Fisanotti. I just wanted to understand if we should read anything in your background at Nike in terms of your sneakers knowledge. Does it mean in your view that Moncler could become a bit more ambitious in this space going forward? And also from the group perspective, I understand that Stone Island also has a collaboration with New Balance. So, for the group do you think this is a category that could be interesting?

And my last question is just on e-commerce. I remember that in the past you have said that e-commerce from a margin perspective was broadly neutral versus physical. Is it a comment that still stands, or do you think that with e-commerce gaining scale, this could become margin accretive in the medium term? Thank you.

PAOLA DURANTE: Thank you, Antoine. Then I'll leave to Roberto, for the first one.

ROBERTO EGGS: I'll start with that. Hi, Antoine, good evening. Regarding the evolution of the comp, what we have seen over the last one year is an improvement quarter-after-quarter, that was mainly linked not to an effect of seasonality but more linked to if this was a quarter where the store were open or not and if it was a quarter relying more on tourism or not.

So clearly, what we have in front of us for the end of the year are two quarters: the third quarter, where there is still an importance and relevance of tourism, and the fourth quarter, that is much more focused on the locals. So, what we can expect is an improvement of the comp as the store are now almost all open. We have only three stores that are still closed, two airports plus one store in Australia. Of course, there is still the possibility for other to close but so far so good. So, we expect an improvement in terms of comp for the third and for the fourth quarter especially with the fact that we are there usually at more than 70% relying on the local business.

Regarding the margin on e-commerce, I'll let Luciano comment. But just on the KPI, since we launched the new website, what we have seen was a strong improvement in all the KPIs related to the new website in terms of conversion rates. In terms of less return, we have 2.5 points less return and this has an impact also on the profitability of the channel.

As I mentioned, we have better conversion, but also less also bounce rate. Bounce rate is this figure that we are following. These are the consumers that are coming on the website and that are leaving the website after having visited the first page. And here we have had a dramatic decrease in terms of people leaving the website. So, they found a website interesting. They stay on average 30 seconds more than before. And what we have seen is an increase in the basket, what they have been buying, and less returns. I don't know what Luciano is going to really say in terms of profitability of the channel. But definitively, with the new website, I think we can expect even to improve it in the future.

LUCIANO SANTEL: About e-commerce, I have just a brief comment. The profitability of the e-commerce channel was already very good before the internalization. The strategic reason why we decided to in-source that business was not to further improve our gross margin, but to take advantage on the full, the big high potential of that channel for Moncler and to fully take advantage of the opportunities to increase that business.

Profitability might be even higher than before, as Roberto said. But honestly, it's not our target for this year and it's not our target for next year. The target is to have fully in place, totally up and running, a powerful machine to take advantage of this potential. Margins may be even better in the future, but we don't anticipate anything now, because they were already very good before.

PAOLA DURANTE: I'll leave it to Gino to answer on the question on shoes and sneakers.

GINO FISANOTTI: Antoine, thank you for the question. I think the short answer to your question will be yes. Probably, I will go even a bit further. I would say Moncler has already kind of a healthy sneaker business in place. I think both brands have done the work in the past few years to authenticate themselves into this segment. And I think that's what you're alluding to the New Balance deal, the Stone Island deal even with Nike before as well and things like that.

I think the work was done. I think definitely the opportunity ahead is for us to unleash this opportunity, and not only to unleash this opportunity from the business perspective. I truly believe that footwear or sneakers is a critical component in terms of engaging with consumers, with the youth as well, and I believe that this will help us to unlock some critical markets around the globe. So, the short answer is yes. The longer answer is that we will start on that journey to unleash our footwear and sneakers opportunity.

ANTOINE RIOU: Thank you very much.

OPERATOR: The next question is from Melania Grippo with Exane BNP Paribas. Please go ahead.

MELANIA GRIPPO: Good evening, everyone. It's Melania Grippo from Exane BNP Paribas. Thanks for taking my two questions. My first question is: could you please comment on your growth by nationality cluster compared to 2019 for your key nationalities? And my second question is if you could please elaborate on your performance in the USA, your very strong performance. Have you seen an increasing number of new and young customers? Or has this been driven in particular by a category? Thank you.

REMO RUFFINI: Good evening. Thank you for the question. Regarding the result by nationalities, in terms of performance what we have seen is definitively a very strong performance of our Chinese market, growing almost triple digit, the same for the Americans. If we take the Americans without Hawaii, where we have been penalized, the Americans nationality has been growing very strongly compared to 2019. And we've seen also Korean have been growing triple-digits in the second quarter compared to 2019. And then we have the Japanese performing not so good, but this is mainly linked to the fact that they have not been traveling and on top that part of the stores was closed.

So, in brief, this has been the performance that we have seen and, regarding the North American market, the surprising result was the fact we have always been looking at what we call the Sun Belt. So, these are all the stores that are in the southern part of the Americas, which have been a little bit more difficult for us. It's true that we are now currently selling the spring/summer season that is definitively helping. But we have had very good performance on that part. We opened a store in Houston that is performing very well, and also the wholesale business has had a lot of reorders on the spring/summer, and was clearly demanding more products to be sold. So, we have an excellent level of sell through both in terms of online, but also with the wholesale accounts that have been performing very well.

In terms of typology of clients, they are slightly younger than before on the North American market, but not significantly different than before. Clearly, what is going to happen now is with Fragment. Usually we target and we reach younger consumer with this type of continuous launch, but this has not been reflected in the result of the second quarter as we have decided to launch it in July. Also, the launch of Converse with Fragment has been very, very good, especially in North America, in Europe and in Japan.

MELANIA GRIPPO: Thank you.

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

ANDREA RANDONE: Sorry. Thank you, but my question was already answered. Thank you.

OPERATOR: The next question is from Flavio Cereda with Jefferies. Please go ahead.

FLAVIO CEREDA: Hi, thank you. Three quick questions from me, please. Question #1: on Stone Island, are you in the process of doing channel clear out at the moment? Because I'm finding very significant markdowns on the product. So, I was just wondering whether that's part of the process pre-relaunch.

Question #2 (this is more to do with Moncler obviously): Are you comfortable with your current pricing architecture and a price gap and differential between the different geographies? And do you think that's sustainable for the time being?

And #3: if I'm not wrong, at the beginning, I think you said Andrea Tieghi was there as well, so I thought I'd wake him up and ask him some questions on location. And specifically, if it's possible to have a little bit more granularity on how many locations have been secured, specifically for Moncler, but for Stone Island as well. I know that Stone Island is very active in Asia Pacific. I believe you have an outlet open as well. And you did touch on certain openings that you have forthcoming in China for Moncler. But I wonder if we could have a sort of a quick overview of where we stand today, so over the next 18 months, 24 months or something?

And I wonder if you're seeing more challenges, in the sense that you are clearly looking for more expensive, more prime locations, compared to before, in larger stores. You are of course much more of an anchor brand compared to a few years ago. But are you still finding it relatively comfortable to secure the locations that you're looking for? Thank you.

ROBERTO EGGS: Flavio, I can confirm that Andrea was awakened. So, he will be pleased already before your answer. Just on the first two points on the China clearance for Stone Island. As you know, this has been in the past the normal practice for Stone Island to go on sale at the end of the season. I must say that this is not exactly what we like in Moncler. So, we are working with the Stone Island team to progressively evolve the business model, but I think this is something that needs to be prepared, especially with the weight of the wholesale business.

But I must say that looking at the figures that are on my desk on a daily basis and the level of sell through that Stone Island is having, I don't think that this is going to be a step that is impossible to do. It's requiring some time and preparation. We need to convince and not to impose it, but I think that is definitely something that is going to be on the plan. And I see that Carlo is making yes with the head. Currently, we are having some clearance on the wholesale channel and in the retail, but we have decided to hand it prior to what we had usually with Stone Island. By the end of the month, it should be over already, while in the past it was more going until mid of August. So, I think it's the first positive sign that we're going to and aiming at the same direction.

Regarding the pricing architecture, I think we commented the fact that we didn't do some price adjustments for the current season, but we are planning to have some price adjustments for the next season. So, we are going to see a reduction of the price gap with the spring/summer 2022 with mainly the Asian market. But I must say that the big part of the job was done in these past years. And if you remember Flavio, we had with Asia, with Japan five years ago a price gap that was between 80% and

90%. Now it's below 50%. So, it's starting with 4 and we're working with Luciano and the team to have it with something starting by 30% in the course of the next couple of years. So, we are working on it. The spring/summer will be a further step in the price reduction with Asia, but also now with less people traveling, I think it's a little bit less of an issue. But, it remains high on the agenda.

ANDREA TIEGHI: Hi. This is Andrea Tieghi. Thank you Flavio for waking me up. I'm kidding, I was quite interested in the call. For secure location, if you refer to this year, they're all secure because we are planning to open quite a few in the third quarter and fourth quarter. So, for that, I can assure you that these are well ongoing and we will be opening at this location by year-end.

Regarding if we are comfortable in finding new locations, I think it's very important, because we are looking to gain more visibility and to enhance the store experience. So, most of the projects that we look in the future would be also regarding relocation or expansion, and this is very important. Basically, we are quite well-positioned. There is a lot of demand when I discussed with the landlords. Moncler now is an anchor. So, I'm not saying it's easy, but it's much more comfortable than before. We talked many times at the beginning how difficult it was to position Moncler back a few years ago. But today we have a lot of opportunities going. So, even if you look at 2022, there are quite a few nice projects on the pipeline. It would be not already secure, but I believe they will be secured in a short time.

FLAVIO CEREDA: Thank you. So can you just quickly remind us how many locations have been secured at this time?

ANDREA TIEGHI: 15. Sorry, I forgot to mention.

FLAVIO CEREDA: Thank you.

PAOLA DURANTE: Thank you. And operator, if there is, we will take just the last question. But then if there are no, I think it's already time for everybody to stop it. Just let us know.

OPERATOR: There are no more questions registered at this time.

PAOLA DURANTE: Good. Thank you to everyone. s usual, I remind you that Q3 will be on October 28 and our silent period starts on September 29. If you need any follow-up, we are here, Alice, Carlotta and myself. And in the meantime, we wish to all of you a very nice summer break. Thank you. Thank you everybody for all the nice questions.

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