Moncler SpA

"First Half 2014 Results Conference Call"

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PAOLA DURANTE, INVESTOR RELATIONS AND STRATEGIC PLANNING DIRECTOR

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Half 2014 Results Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms Paola Durante IR and Strategic Planning Director. Please go ahead, madam.

PAOLA DURANTE: Good evening to everybody and thank you for joining our call today on our first half 2014 financial results. First of all, let me introduce you the executive team on today's call. Here with me there is our Chairman and CEO Mr. Remo Ruffini, Luciano Santel, our Chief Corporate Officer, Andrea Tieghi, our Head of Retail and Sergio Buongiovanni, our Executive Board Member.

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

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

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

REMO RUFFINI: Good evening, everyone. Welcome to Moncler first half 2014 results conference call. We are here today to comment another very good quarter for Moncler which has showed healthy result compared to the already good first quarter. Our double-digit sales growth has continued thanks to the 10% comp store sales growth and our successful stores rollout.

At the end of June, our store network included 141 monobrand stores of which 114 were DOS. In July, we have opened two DOS and one shop-in-shop and now we have a total of 144 stores.

We have also secured 18 retails location to be opened in the second half of this year including some stores in the US and our first store in Canada.

I am pleased with our second quarter performance in some key areas. First, the outstanding performance of the Japanese market which continued to grow strong double-digit. In addition, we continued to produce solid results in Hong Kong and the United States. Moncler did well in Europe, in particular in France, Turkey, Eastern Europe and the UK. Also the Italian market recovered in the second quarter in line with our expectation.

Even if it is today still too early to give you more than a general indication, the initial reaction of our Fall/Winter 2014 collection making me fairly confident for the next month. And I also remain confident for the long-term.

We have already started to secure some very good locations for 2015 and the initial order backlog for Spring/Summer 2015 is reassuring. We all know that there are some uncertainties mainly due to macro and geopolitical factors, however when I look to my team and to the many projects that we have to develop, I remain extremely confident about our future development of Moncler.

Starting from mid-August, you will see our new advertising campaign which I believe is very powerful. This year, we asked Annie Leibovitz to interpret the Moncler world and the result is very, very interesting. We have also significant increased our activities related to the digital markets and I hope you were able to see the work done during the Gamme Bleu Fashion Show.

Now, I would like to say just a few words about Moncler "K2 - Sixty Years Later" expedition. We have been extremely proud to have provided the technical garments for the expedition this year as we did in 1954. You all know, how safe this garment worn by the climber have to be, and Moncler was once again chosen for this important event. We continue to be fully engaged in building a strong brand and a solid company to achieve sustainable long-term growth.

Thank you very much, ladies and gentlemen. Let me now handover to Mr. Santel who will give you more details in terms of results.

LUCIANO SANTEL: Good afternoon, everybody and thank you for attending our call today. Let's start from Page 6 of the presentation where we report the most important points of our first half of 2014.

Total sales, €218.3 million euros, up 19% against last year and up 22% at constant currencies, 78% of these sales have been developed through the international market against 74% last year. The majority of the sales have been developed through the retail channel which represents now 56% of our total sales, against 52% last year.

Comp store sales growth has been 10%, the same we reported at the end of March. EBITDA €46.4 million euros with a margin of 21.3%, higher than the 19.7% we reported in the first half of 2013.

Net income €18.1 million euros. Net debt €206 million against the €171 million euros at the end of December 2013 and against the €244 million we reported in June of last year.

Let’s go now to Page 7, where we report the breakdown of our sales by market. All our markets are positive and growing 22% at constant currencies. US up 33%, a part of such strong growth has been driven by early deliveries to our wholesale customers and department stores. Asia up 48%, mostly driven by very good performances of Japan and Hong Kong; Europe up 16% and Italy substantially flat, up 1%. You may remember that in March, we reported a minus 4% for Italy, but we anticipated that there was some timing issue in deliveries and so now we are up 1%.

Page 8, we report sales by distribution channels, the retail channel grew 33% at constant currencies, driven by new openings and a pretty healthy comp store sales growth of +10%. The wholesale sales are up 10% and as we said before talking about United States, part of this double-digit growth which is very good is also driven by early delivery of the upcoming Fall/Winter season in some markets like the US where customers want to receive the product at the very early stage of the season.

Page 9, monobrand stores network, we report 141 total monobrand stores, 27 of these are shop-in-shops under the wholesale business while 114 are DOS, with 7 new openings since January 1st, 2014. The most important openings of this second quarter have been the Hong Kong Airport, Malpensa Airport and the Fiumicino Airport and the first opening in Russia, in Moscow Stoleshnikov. We also have 18 secured stores for this year which makes the total opening expected for the year at least 25, and we also have 10 stores secured for 2015.

Page 13, we report our income statement against last year and against the fiscal year 2013, sales again up 19%, gross margin of 71% better than the 70% we reported last year, mostly due to the channel mix our retail sales are higher this year than last year. Selling expenses, the other face of the coin are higher than last year for the same reason, because we report under selling expenses, the operational expenses of our stores.

G&A are overall in order and in line with our plan, slightly better than last year 14.3% against 15.2%. A&P 7.9% a little bit less than last year. But simply because this year we strategically decided to shift more budget…more A&P budget in the second half of the year than what we did last year. So our expectations for the year-end are still in the region of 6.5-7% advertising budget.

Below the EBIT adjusted, we reported the non-recurring items that are associated with the stock option plan which are non-cash expenses. Net financial expense is €5.1 million, much better than last year, mostly because our average debt is significantly lower than last year. And at the very end of the page our EBITDA €46.4 million, 21.3% margin against 19.7% margin.

On page 14, we report a bridge between the EBITDA of last year and the EBITDA of this year. Most of the growth, of course, has been driven by sales growth and the gross margin in part offset by selling cost and other expenses.

Page 15, an important slide, where we report our CapEx, which as you see and as you may expect is much higher than last year: €24.8 million euros, against €14.1 million euros the same period of last year. Most of the CapEx have been allocated to the retail expansion which is much higher than last year, first because we opened more stores in the first half of this year than the number we opened at the same period of the last year. But also because we are working on more new stores openings. As we said during the last call, we do expect for this year the CapEx to be at the end of the year significantly higher than last year, over €40 million most likely in the region between €45 million and €46 million.

Of course, retail is not the only part of our CapEx, although it is the most important, but we are also spending an important amount of money for our wholesale expansion, and in particular for the opening of our new showroom in Milan. Another important part of CapEx is the so-called corporate portion of CapEx that is higher than last year, and they will be higher than last year at the end of the year, because we are investing an important amount of money in our information technology infrastructure.

Page 16, net working capital, the amount of net working capital is very good, much better than we ourselves expected. What makes the number particularly good is the accounts receivable which is about €11 million lower than last year. This is due in part to our strong and strict control of credit. But also to an important collection of receivables we had at the very end of June that was planned to be received in the first half of July.

So overall, net working capital is good, 6% of total sales; you may see that inventory is much higher than last year about 45% higher than last year. For the time being totally offset by accounts payable but, of course, we still maintain our indication that because we have anticipated our receipts of Fall/Winter products we still expect our net working capital to increase for the year-end at low double-digit percent about 10%-11%.

Page 17, total net debt of €206 million, very good, better than what we expected for the same reason. We commented the receivable in the previous slide, €206 million against €171 million at the end of 2013 and much lower than the €244 million at the end of June of 2013.

Page 18, balance sheet, nothing particular to say; cash flow statement Page 19; you see that again our net debt is €206 million euros higher than the net debt at the end of the year for €35 million euros; remember that €25 million euros is the difference associated with dividends distributed, for the first time, this year after the IPO. And also part of the increase is due to the important CapEx that, as we said, are €25 million euros against €14 million last year.

PAOLA DURANTE: Perfect. Thanks very much for everyone for participating in this call. Let me just give you a quick reminder of upcoming investors events. First of all, our nine months results will be released on November 11, after market close. And the conference call will take place the same day. Quiet Period will start on October 28. From August 11 to August 22, the Investor Relation Department will have its summer break. Prior to that, do not hesitate to contact us for any follow-up that you might have. Of course, for any urgent request you can always reach us even during the break. And enjoy your summer. Thank you very much.