

Moncler

"First Quarter 2021 Interim Management Statement Conference Call"

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Quarter 2021 Interim Management Statement Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing “*” and “0” on their telephone.

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

PAOLA DURANTE: Thank you operator, and good afternoon to all of you. As usual, during our first quarter call, I will provide a brief overview on the results and then Luciano who is here with me, will make some final remarks. Before going into the presentation, let me 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 and are subject to risks and uncertainties that could cause results to differ even materially from those expressed in or implied by the statements.

Let’s move now to the presentation going to Page 3. Let me give you some initial comments on our interim management statement revenue results. Q1 2021 revenues increased by 21% at constant currency versus the first quarter of last year. Compared to first quarter 2019, revenues declined by 2%. We are extremely satisfied with the results achieved across Asia, particularly in China, but also in the other Asian markets and in the Americas. While in EMEA, government measures implemented to contain

the pandemic continued to negatively impact stores' traffic and therefore retail revenues.

In terms of channel, let me highlight the extremely good results of our direct online business, which further accelerated compared to Q4 2020 and almost touched triple-digit growth rates.

Before going into further details, I need and I want to remind you that I normally comment and I will comment also today constant currencies performances.

Let's now move to Page 4 of the presentation, where we look at the revenue breakdown by distribution channel. In the first quarter of this year, retail revenues rose by 22% while wholesale was up by 17%. Compared to the first quarter of 2019, retail revenues were down 2% and wholesale -1%. Retail performance was driven by outstanding growth, particularly in the Chinese Mainland and online. Note that during the quarter around 60% of our EMEA retail stores were closed. Following the reopening of the UK and of most of the Italian stores, this percentage today is lower, but still at around 40% of the stores in EMEA. All retail metrics in the quarter improved, with the only exception, as you can imagine, of stores' traffic, which was negative at worldwide level. Commenting on wholesale, our solid wholesale revenue performance reflects not only the strong reception of our Spring/Summer collections, but also an increasing level of reorders requested from our most important wholesale clients during the quarter.

And finally the online business was strong in both channels, both retail direct online and wholesale online. In particular, the direct online experienced a sharp increase compared to the previous quarter and recorded a very strong and outstanding, I would say, double-digit growth in all

regions with U.S. and Korea in the triple digits. In terms of main KPIs for online, all metrics improved in the quarter including traffic, average order value and conversion rate.

Let's move now to Page 5, revenue breakdown by region. I will only make a quick general comment here, given that I am going to analyze each regions in the next pages. All regions excluding EMEA, reported double-digit growth in the quarter, and were above 2019 level. In details, compared to Q1 2019, Asia grew by 17%, America rose by 3%, while EMEA including Italy was down 25%.

So let's now go to Asia, Page 6 of the presentation. As you know, when we comment Asia, we comment 3 regions: APAC, Japan and Korea. APAC in the quarter largely outperformed and has been followed by Korea and Japan. APAC growth was boosted by the triple-digit performance of the Chinese Mainland and also benefited from the positive contribution of all the other main markets. In fact, not only Taiwan continued to record a very positive performance, but also Hong Kong SAR and Macau SAR were growing by double-digits in the quarter. Korea continued to perform strongly despite a more challenging comparative base, and also the fact that there were no Chinese traveler in that market. This performance was really driven by the strong brand momentum that Moncler is having in Korea, but also by the very good, I would say, fantastic job that our people there are doing in terms of clienteling and CRM initiatives.

We are also particularly pleased with the performance in Japan, which recorded positive results in the quarter, despite the government measures to limit the spread of the pandemic, which impacted the traffic in the quarter, and the absence of tourists.

Let's now move to Page 7, where we comment the region EMEA which include also Italy. Europe and Italy combined reported a - 15% decline. This performance was entirely impacted by the long store closures and only partially offset by the very good results of the online business. In the quarter, we posted positive results in Russia, Spain, Germany and Scandinavia. On the other side, the very important 3 markets, Italy, France and UK underperformed the average of the region having had many more store closure days in the quarter.

Moving now to Page 8 to comment the Americas market. Revenue in the Americas region rose 34% with both core markets and DOS channels up strongly. As I already mentioned, online in the quarter was very strong in both U.S. and Canada, while wholesale benefited also from increasing reorders.

Now we can move to Page 9 and we can briefly examine our store network. At the end of March, our retail stores reached 221 units compared to 219 at the end of 2020. In terms of store temporary closed due to the COVID restrictions, this impacted around 25% of our stores network and, as we already commented, this was largely in Europe. So 25% of the stores network was closed in the quarter, and today, we have still around 30 stores temporarily closed. At the end of the quarter there were at 56. In any case, for any detail you find a table in the appendix of the presentation.

I have completed now the analysis of the revenue results. I will hand over to Luciano for some final remarks.

LUCIANO SANTEL: Okay, thank you Paola, and good afternoon everybody. Thank you for attending our call today. We are now at Page 11, where we report a quick update of the Stone Island transaction that was finalized at the very end of

March and results of Stone Island will be consolidated in the current second quarter starting from April 1st. The business of Stone Island is doing very well. First quarter was very good. Unfortunately the results of the first quarter are not included in this presentation, but they will be included and consolidated in the second quarter that will be reported in July. Together with the Stone Island senior management team, we have started all the different processes for the integration and the enhancement of their business, of the Stone Island brand with a very clear goals in our mind that are the enhancement and the protection of the strong identity of the brand and on the other hand, the construction of very solid infrastructures in terms of information technology and logistics needed to support their growth over the next future.

Let's move now to Page 12, where we report our sustainability strategy which is based on 5 main pillars that are climate, circularity, responsible sourcing, diversity and inclusion, and the community. On this last point but very important, something important to remind you that is in our press release today is that Moncler contributed to the construction of a vaccination hub in Milan, which will be the largest vaccination hub in Lombardia, and through this vaccination hub around 10,000 vaccinations per day will be provided. So a very important contribution for an hopeful solution to this unfortunate situation that impacts all the world and Italy particularly.

Something more to highlight in this slide, there are a couple of important projects that I want to remind you within the pillar of circularity. We started in January of this year to recycle our first ton of a certified down, which is a very big amount and we are very happy and satisfied. Of course, this is only the first step, but we are very happy and proud about it. Another point regards the sustainable nylon. As you may see in the slide, we have a pretty

ambitious target by 2025 to achieve the 50% of sustainable nylon. Well, this year in the current Spring/Summer collection and even more in the upcoming Fall/Winter season, 4% to 5% of the nylon will be sustainable nylon, which considering the volumes is another very important step we are very proud of.

Another point I want to highlight is in the diversity and inclusion pillar. We have created the diversity and inclusion council in January, and we are now implementing, with the help of an international consulting firm, a diversity and inclusion assessment of our whole population around the world, which is very important to perceive and to understand the feeling, the perception of our employees about this very important matter.

I'm okay, I'm done for now. And we are now ready to answer your question. Thank you.

PAOLA DURANTE: Yes operator, we can open the Q&A session. 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 while asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Chiara Battistini with JP Morgan. Please go ahead.

CHIARA BATTISTINI: Good afternoon. Thank you very much for taking my questions. I have 2, please. The first one is on your wholesale performance in Q1, which was actually better than what I had expected. So could you actually maybe give some color on how to think about the level of reassortment in traditional wholesale business versus e-concession trend? And maybe any regional color within wholesale?

The second question is on the Americas region. You mentioned it was up 3% on 2-year stack on Q1 2019. I was wondering if you could elaborate more by channel in this region, because as you mentioned that online has continued to perform very strongly, I was wondering, what's dragging, whether it's wholesale or physical retail there?

And actually I have a very small third one, if you could remind us please in a normal year, so say let's take a full year 2019, how much of your sales was tourism in Q1, Q2 and Q4, please? Thank you.

LUCIANO SANTEL: Okay, hi, Chiara. about your first question. Q1 was very good above our expectations and also both channels performed well and specifically, as you pointed out, wholesale was very good. Wholesale was very good in Q4 as you may remember. So wholesale is registering a positive trend in all the different regions. Of course, the business in Europe is suffering in all the channels but wholesale is doing better than retail. And in all other different sub channels, we have some shop-in-shops that are reported under the wholesale business that are doing very well specifically some in Asia. One for all is the store we have in Hainan that is operated by China Duty Free that is now performing as the #1 store in our network. But also all the wholesale business in all the geographies is doing well. And the online business, the business with e-tailers has been doing very well.

And to go to your second question about America still talking about wholesale. Wholesale business in America in first quarter did very well and not just for deliveries of Spring/Summer that were up as compared to last year, but with the same contribution of last year, but also because reorders were very strong. Actually, as Paola said, reorders coming from wholesale were very strong in all the different regions including reorders coming from department stores in America, in the U.S.

About the America you asked about the 3 different channels which were positive. So in online, as I and Paola said before, we are tripling the business in U.S. in the online business based on the comparison with last year that was very weak. As you may remember last year, the business was operated by YNAP and for the COVID situation their warehouse in New Jersey was closed for 2, 3 weeks. But in any event, we are reporting a business, which is the triple of last year. And the retail too in America was positive. So all the 3 channels did very well.

In a normal year, the first quarter is about 23%, 24%. Second quarter is much lower, it's 10%, 12%. Third quarter is 25%, 26%. And Q4, the most important one, is about over 40%.

The weight of tourists in the quarter. I can tell you that Q3 is the most important one for tourists from other regions. Q4 less, because our business which is very strong is made a lot with the local customers. But let's say that Q3 is the most important one.

CHIARA BATTISTINI: Thank you very much. Sorry, a couple of follow up questions actually. Q3 most important one, Q1 and Q2 are they similar in terms of tourism rate?

PAOLA DURANTE: Well, Q1 is slightly above Q2, it's a little bit higher than Q2.

CHIARA BATTISTINI: Super. And when you've mentioned that all channels in the U.S. in Americas were up, you mean against 2020 not 2019?

PAOLA DURANTE: Yes, I think Luciano was referring to 2020 exactly.

CHIARA BATTISTINI: Okay, perfect. Thank you very much. Sorry.

LUCIANO SANTEL: Yes, I was talking about 2020. But against 2019 is more or less flattish.

CHIARA BATTISTINI: Okay. Thank you.

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

LOUISE SINGLEHURST: Hi, good evening Paola and Luciano. Thanks for taking my questions. 2 from me, please, if I may. I wonder if you can help us think about the space contribution. Obviously we have the store number but could you could just help us clearly trying to work out the implied like-for-like in retail number?

And then secondly, when we look at the seasonality of the business, I wonder, if you can help us think about how you think internally about the seasonality. And the reason I ask that, obviously we had a very good start to the year when we spoke to you back at the full year results in February. But I just wonder with the seasonality and the product category, you obviously haven't seen the same strength during the quarters as what we've heard from some of the peers, and presumably that's partly category related as well as the exposure to Europe with the additional lockdown?

And then finally, my third question, if I may, on the e-commerce. If you can just update us where we are in terms of the internalization of the different regions, and is still on track for the new website I think it's coming in June? Thank you.

LUCIANO SANTEL: Okay, thank you for your questions about space contribution and like-for-like. As you know we don't report these numbers by quarter also because they are totally meaningless quarter-by-quarter. I can tell you that like-for-like was very strong in Q1 as compared to 2020. Sorry to highlight that, but of course I'm commenting the results against last year not the year before unless you have questions. About the space contribution, even if it is meaningless, it was very low and the reason is that most or significant part of the more stores we have this year as compared to last year, have been opened in Europe, and Europe unfortunately is not doing well. One example is our beautiful, amazing flagship store in Paris in Champs-Elysees, which is not performing as we expect it to perform. Hopefully soon.

About seasonality. Seasonality in our business for our brand is still very important, still much higher than other brands if I can compare Moncler with other brands. And as we said in the past, probably at the end of Q3, we saw this seasonality in this particular situation last year and this year too a little bit higher than before. Having said that to anticipate your other question that is performance in the quarter. January was very good and much better, much stronger than February and March. This is the reality. Looking at the collections, looking at something that is very important strategically for our business, which is the development of the other categories, as we started to sell the Spring/Summer collection, we've seen, within the others, the cut&sewn category which is growing very nicely and better and more than outerwear, which again is affecting our business

because the average selling price is lower, but strategically we believe it is a very good sign for the future.

About your last question, the ecommerce internalization. Let me remind you that last year in October we started the insourcing of North America. We started 2.5 year ago with Korea but that was more a test. So U.S. and Canada are up and running and are doing very well. In June, let me cross my fingers, we plan to start the internalization of Europe which is by far the most important market for our online business and it is also the most complex market for the online business, because there are different jurisdictions, different tax rules, different currencies, different duties sometimes. So, we are very hopeful and anxious, we are working very hard in the very last weeks before the go-live, that again is expected to happen in June.

LOUISE SINGLEHURST: Thank you very much for the call. I am looking forward to seeing the store in Paris when we can. Thank you.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Antoine Belge with Exane BNP Paribas. Please go ahead.

ANTOINE BELGE Yes, hi, good evening, it's Antoine Belge at Exane BNP Paribas. 2,3 questions, if I may. So I am going back to this question of seasonality or actually product category, because at the end of the day we are sell-side analysts and we look at you against other players, which are selling different products. So if my memory doesn't fail me, Q1 is a combination of selling down jacket, still winter products and starting to sell more diversification products. And so is it a case that Moncler would be more

vulnerable or less resilient in a COVID situation, because of the lack of tourism because usually in that period you have people that only buy Moncler down jackets when they travel to colder places? And if they're not traveling then they are not compensating at home. So any sort of thought around that thesis or is it completely wrong?

And the second question on the product offering, I would say the core collection versus your collaboration collection. Could you comment on the mix? Which one did better?

And finally, I take onboard that Stone Island will only be consolidated in Q2, but for us to start getting a feel for what type of sale we should consolidate, would it be possible to either get the Q1 sales in euros for Stone Island or, actually some kind of growth rate that the brand experienced in Q1, and also any sort of qualitative comment on the integration? Thank you.

LUCIANO SANTEL: Okay. Hi, Antoine. About the seasonality, let me say that it's difficult to answer your question. As I said before, I think that seasonality is still very important for Moncler and in this situation it's even higher than before. Having said that, COVID started more than one year ago and you know very well that Q2 was terrible, Q3 much better, and Q4 was let me say remarkable. So I think that seasonality is a factor, but saying that we are weaker or more vulnerable, I will say that is not the case. As you said before correctly, our business in Q1 is a mix of the end of the Fall/Winter season, down jackets, heavy jackets, and the start of the Spring/Summer season with a lower average selling price. So this is also one of the reasons why January was stronger, but normally January is stronger than February and March. But I don't agree with you that this is a vulnerability issue for

Moncler. But what I can confirm is that this seasonality is something stronger, higher now than under a normal year.

About your second question. The vast majority of our business is still developed with our main or core collection. Genius collaboration, special projects are extremely important for several different reasons, from the communication point of view, but also to keep communicating with our customers, to call them every time we have a drop in the store, and when they come to the store, they buy or they may buy the Genius drop or they buy the core collection. This is an important instrument to generate traffic and to keep talking with our customers, but Genius and collaborations or whatever still represent less the 10% or within the 10%. So the vast majority of our business is still made by the core collections.

About Stone Island, we can't now report or disclose the numbers. But I can comment the consensus, if you want, which I find reasonable. The consensus is related to the 9 months from April 1st to December 31st. It is a little bit over €200 million. I find that consensus is reasonable. Having said that and as I said before, from the quality point of view, we are very happy with Stone Island results. I can tell you that, as we said in the past, the Spring/Summer campaign back in June of last year was up double-digit and the Fall/Winter campaign completed a couple of months ago more or less was still up double-digit. I'm saying that because the wholesale business for Stone Island still represents about 80% of the total, but we are pretty happy also with the retail results even if many of the existing stores are in Europe and some of them are closed. But the stores that are open are doing quite well.

ANTOINE BELGE

Thank you. May be just a follow-up on what you said about Genius and the collaborations. I think you said that they account only probably less than 10% but they are a traffic driver. So I'm curious to understand if they were

a driver when stores were open but are they as much of a driver in Europe for instance when people are more ready to switch online?

LUCIANO SANTEL: Okay. Yes, it is a driver of course. It is a driver, more powerful in a more powerful region. So when we talked about Asia before, it did very well on all the collection, the core collections and Genius. But Genius was very important also to generate traffic in Europe in the stores that were opened. But also something important to say is that even when the stores are closed, we keep doing business, as we said also in the past, implementing the so-called distance sales. In Europe, we generated in Q1 17,000 orders through distance sales and an important part of these orders were generated with Genius. The last one is Craig Green, the one before was JW Anderson. So we are actively fighting this unfortunate situation also increasing more and more the distance sales.

ANTOINE BELGE Thank you very much.

PAOLA DURANTE: Next question.

OPERATOR: The next question is from Susy Tibaldi with UBS. Please go ahead. Ms. Tibaldi, your line is open.

SUSY TIBALDI: Thank you. So my first question is on the nationalities. I wanted to ask, I know you're commenting mainly on 2020, but if we look compared to 2019 are all nationalities above the 2019 level in terms of sales? And also, specifically what about the Chinese nationality? Can you remind us if that has already returned to growth?

Secondly, I was wondering if given the seasonality that we've already discussed, if you think that during the Spring/Summer season, it may be

hard to compete with other players in the market, because clearly when it comes to outerwear, you are the top brand in the luxury space, but when it comes to other product categories, clearly there is more competition perhaps from also other luxury brands, which are growing at an incredible pace. So I was just wondering also internally when you compare your figures versus some of the other peers out there, how you explain the gap and the sort of deceleration that we have seen?

And then thirdly, do you have perhaps an indication that you can give us when it comes to the start of April, so the second quarter because now some parts of Europe have reopened? So if you have any comments if you see that people are actually quite excited to go back to the stores or still a little bit hesitant?

And actually, I just had a very quick follow-up to a previous question, because you mentioned that January was very good, much better than February, March and I was just wondering if that was again related to 2020 or 2019. I was just confused because last year the comps started to get much easier in February and March because of COVID and lockdown. So I just wanted to clarify if the comment was related to 2019 or 2020? Thanks.

LUCIANO SANTEL: Yes. On your very last question. The comparison was more with 2019, because of course last year, you're totally right, is a meaningless comparison. Now January was stronger than February and March, even if this is part of our seasonality. But this year, more than in 2019, second quarter started pretty well, in line with the first quarter. Second quarter for us is a very weak quarter. This is the reality. It is now and in the recent couple of years the weight of Q2 has been growing because we have developed also from the collection point of view other categories with very good results. But still, unfortunately this is part also of the DNA of our

business, second quarter is weaker than the others. And as you may remember, I don't know if you do, in the past we used to report for all the quarters our financial results and second quarter was a loss-making quarter but right now it's making profit. So this is a good point, even if the profit that we do in second quarter is a way below the profit we do in Q4 or even in Q1.

So talking about the comparison with other brands, we compare or you normally compare Moncler with other players that are very strong, very good, very big and are reporting very strong results. From the product point of view, I don't see a big competition and their product don't have the seasonality we do have. And so maybe they have for sure a second quarter that will be and has been historically better than what it will be our second quarter, but we compare our business with ourselves.

And so, what I can tell you is that Q2 for sure will be weak, as in the past, for sure better than last year but this is not a reasonable comparison. If we look at 2019, we see a very good signs for the brand, because at the end, what we look at is business, not just the shorter-term business results, but we look at the strength of the brand and what is very encouraging is that the brand is strong, everywhere, even in Europe where 60% of the stores during Q1 were closed. The brand is strong because in all the stores that were opened or any time we open the stores, the traffic comes to our stores because the brand is strong. Also something important before talking about your first question, which is probably the most important. But talking about Europe. You used a term that was deceleration in Q1, if I remember correctly. Honestly, if I understood correctly, we don't see any deceleration in our business. Of course if you compare our results with other players with a different product, you may be right, but I can tell you that the reason, very important, is our exposure to Europe, Susy, because Europe represents

in Q1 over 31% of the total business and for the year-end it's even higher, it's over 35%, which is the double than others. So if you look at our results in each individual regions, Asia excluding Japan was close to 80%. Japan, as Paola said, was positive, a mid-single-digit, but still positive. America was very good. Europe was down 15%. The weight of Europe, the weight of that minus 15% for our business is something that is impacting the final result. But I don't see and I would not talk about any deceleration.

About nationality, talking about Chinese. China, the Chinese market is doing very well, but also the business we do with the Chinese customers in Q1 of this year is more or less the same we did in Q1 of 2019. That means that we have totally offset the total lack of Chinese tourists now with the business we do with the Chinese customers in their local market, which is a very good result.

Other nationalities. Korea is up needless to say because the majority of the business is developed in their country that is very strongly up, and Japanese are more or less flat. They don't travel a lot, not as much as the Chinese, but they used to travel a lot to Hawaii and they don't now, but their business is up. So more or less one is offsetting the other, and North America is up.

SUSY TIBALDI: Okay. Thank you.

OPERATOR: The next question is from Elena Mariani with Morgan Stanley. Please go ahead.

ELENA MARIANI: Hi, good evening Paola and Luciano. A couple of questions from me as well. The first one is on your cost base. I was wondering how we should think about the first half of the year given that pretty much you do most of your H1 in the first quarter. I remember that last year, you were unable to

save a lot in the first-half of the year. So how should we think about the savings to come through in the first-half? And particularly when I think about rentals and also when I think about marketing, if you could help us understand how we should think about it in the first-half of the year, that would be great.

Second question is about your store base. I was wondering if the pandemic has in any way changed your view on the store rollout. You've talked previously about full year 2021 but I was wondering more about the medium-term, are you still planning to open 10 to 15 stores per annum. How many do you see in China? What about travel retail? So what's your view there given that the business has become a little bit more local.

And then thirdly, it's more of a clarification about all this discussion around the gap versus peers. So, am I understanding correctly that you feel that perhaps the gap in recovery versus the peers that have already reported results is in your view, due to your product category, so apparel/outerwear versus perhaps leather goods or jewelry? Because you talked about Q1 being mostly skewed to Europe, but when I look at the growth rate versus peers even in other geographies, there is a little bit of a gap for example in the U.S. So what's your explanation if there is one? Thank you.

LUCIANO SANTEL: Hi, Elena. Thank you for your question. Let me start from your very last question because this is very important to clarify. No, I don't think that the difference is the product mix. Even if we are in different businesses it's still luxury, but with different product. But I don't think that the difference, and what makes our results, that are very good, lower than the bigger players that you have in your mind, that are bigger players we have to learn a lot, but this is not the collection, it's not the products. The difference is our exposure to Europe. Geographically, if you have in mind and I am sure

you do because you know the other brands results better than I do, our exposure to Europe is over 31% in Q1 and for the year-end it's over 35%. If you look at other brands, they are in the region of 14%, 17%, 18%. So the weight of Europe, which is a negative for ourselves, and it's negative for everyone, but they may be better, they are better, but I'm making comments on our business, not on theirs. They did a great result, but the big difference is our exposure to Europe. So, this is what makes our results – that are great, sorry to say again – lower, or different from the others, not for the product category. We live with our product categories with our strategy, we don't want to change it, we want to maintain our roots in the outerwear, in the down jacket, in the winter, in the cold, in the mountain, but we are also implementing other categories. We are not competing with great brands that you may have in mind that do other category, other products. And so again, the difference if you want to share my reading is the geography mix.

Okay, back to your other question, the cost base. Right now I can give you some qualitative thoughts, comments. First of all, something we didn't mention, but it's important to mention is that last year our cost of goods sold and our gross margin were heavily impacted by a write-down of inventory. This year we don't report the results, but I can tell you that inventory is under control, and so gross margin is and will be healthy.

About rental, we have implemented last year and we keep having discussions and negotiations with the landlords, mostly in Europe, but not only and we are obtaining some rental reduction that are helping our selling expenses. Overall the impact of selling expenses in Europe is still pretty high, very high and much higher than in 2019 because of having 60% of the stores closed in Q1. Hopefully second quarter will be different, but this is a having an impact notwithstanding the rent reductions we are obtaining.

About marketing, something important to say is that for the year end, as we said, we maintain our guidance to go back to the 7%, but in Q1 and Q2, you will not see a marketing budget high as much as in the past, because we have changed our strategy about the Genius event that last year was right before the lockdown and the year before was held in February. This year it will be held in September. So that apart, which is a significant part of the budget, the cost will be reported in the second-half of the year but for the year-end, we are still targeting 7%.

About the store base rollout. The overall guidance of 10, 15 stores a year is still the current guidance. We were very selective before and we are even more selective now. We are targeting only important locations, where we want to open big stores, very visible store to properly communicate the values of the brand. And also, we are spending money to expand some existing stores.

About the China, let me make a comment on Hong Kong, which is a part of greater China. In Hong Kong, we used to have 7 stores, now we have 6 because we closed one. We are redesigning the store network in Hong Kong based on the situation that unfortunately is not very healthy since not to the COVID but even before when the protests in 2019 started. So, we expect in Hong Kong to have for sure a big store Canton Road, a big store in the central part of Hong Kong. For sure, I hope for sure, still in the airport, but we don't know yet. Some other minor stores may be closed in the future. About China, we have a couple of important openings this year. One store in Chengdu which is becoming one of the most important, exciting, vibrating city in China. In Hangzhou also we are opening a 2-floor store which will be a flagship store with the façade on the street, we just opened in Ningbo but the strategy has not changed. Because China is

doing like crazy we are not opening stores everywhere. And this is very important, even if I don't want you to get bored, but let me say it again: the strategy has not changed. We are, we were and we will still be very selective.

Travel retail only 2 years ago was booming. Now, most of the stores in the airports we have are closed with only few exceptions. And so travel retail is a big question mark, even if I believe that sooner or later, hopefully soon, when the situation will be back to normal, people will start again to travel. So, our stores in the most airports when will be open again are expected to be successful. But for the time being, we have put on hold the projects we had before. I don't want to make any example, but there were some projects that now are on hold waiting for a clearer scenario.

ELENA MARIANI: Thank you. And may I ask one final clarification, sorry because I am not sure if I understood correctly your comments about this quarter. So you said that it started very well, but you said that you would expect it to be weaker. But what do you mean by weaker in terms of growth rate versus Q1, because we all know it a smaller quarter. So can you help me understand, maybe I have missed something, sorry. Thank you.

LUCIANO SANTEL: No. You're right. Thank you for asking the question again, because this is a very important point. It is not weaker, if I used this term is wrong. Second quarter for Moncler is a small quarter. It was small before, it will be small this year. I can tell you that over the past years this quarter is still the smallest, but is growing more than the others. And so, as I said before, it was a loss making quarter in the past and now it is making profit, but it is still a small quarter. We can't and even we don't want to change our identity overnight. So the second quarter Elena is a small quarter for Moncler, meaningless or less meaningful quarter for Moncler for sure. So

the results have to be considered based on this. Results are good but are good as compared to last year, as compared to 2019, but still in a small business quarter.

ELENA MARIANI: Okay, very clear. Thank you.

LUCIANO SANTEL: You're welcome.

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

ANNE-LAURE BISMUTH: Yes, hi good evening. I have just a few quick questions regarding the store rollout strategy. So you mentioned that you are still planning to open 10 to 15 stores per annum. In 2021, 15 are planned, you only opened 2 in Q1, so meaning that probably the bulk of the openings will happen in Q2 and Q3. But is it fair to assume rising digit contribution from the new space from 2021, and between mid-to-high single-digit beyond 2021? And just if you can share the weight of online in Q1 as a percentage of group sales, please? Thank you very much.

PAOLA DURANTE: Hi Anne-Laure. Yes, as you said in 2021, we are going to open around 15 stores that were already announced and that are secured this year. Most of them will be as usual in the second part of the year. There are some to be open in Q2. In terms of space contribution, I would say that we are already in the mid-single-digit space that we have been guiding or at least commenting more than guiding in the past. Going forward, it is a little bit early to say. So the space contribution depends clearly on the stores that we are going to open. So I would say that a mid single-digit contribution is something that today seems still reasonable for the future.

In terms of online, no, we don't comment the weight on Q1 numbers. It is growing but is not a number that we comment.

ANNE-LAURE BISMUTH: Thank you.

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

PIRAL DADHANIA: Yes. Hi, good evening. Thank you for taking my questions Paola, Luciano. 3 quick ones, please. You said that e-commerce accelerated strongly in Q1. Is that because your European network was more closed versus the period of last year or is there a change in your e-com approach, maybe around marketing strategy? Any sort of commentary around that would be quite helpful. But I think at the full year, you said 70% of your e-com activities are geared towards new customer acquisition. So just trying to get a bit more of handle on also the new customer recruitment?

Secondly, price increases. Are you able to confirm what level of price increases you have planned for spring/summer 2021, and then also for autumn/winter? And finally, just on the area of blockchain consortium that was announced by some of your peers, LVMH, Richemont and Prada earlier this year. Is that something you guys have looked at or something you may consider joining in the coming months? Thank you.

LUCIANO SANTEL: Hi. Thank you for your question. About e-commerce, talking about Europe, to some extent what you say is correct, but the strong increase of our e-commerce business in Europe is also due to the fact that last year in March the warehouse of YNAP that was operating and it is still operating our online business until the internalization at that time was closed for 2, 3 weeks. So the comparison is pretty easy. You mentioned Europe, but the

strongest increase in the online and e-commerce was in North America also for the same reason, because we were under YNAP last year and the warehouse in New Jersey was closed. But in North America, the online business is doing very well.

About price increase. In Q1 it is totally meaningless. In spring/summer we increased a little bit prices, we plan to increase prices much more in Fall/winter, because we normally tend not to increase prices unless we need to protect our margins from the currency deterioration and this is the case for this year for the U.S. dollar, but also for the Japanese yen and also the U.S. dollar related currencies. So in the second half of the year, you will see a price increase in some geographies, not that much in Europe. In the UK yes unfortunately also because to pay for duties, but overall our pricing strategy is to maintain prices unless there is a deterioration of the currency.

The blockchain. We heard that news about the blockchain. Something important to say is that, we are working on this since many years, but we have already implemented a digital identity of our product even without or not yet a blockchain. All our products have a NFC, near-field connectivity tag in all our garments, with the token technology that make our garments unique and all customers have 100% guarantee that the garments are real and not fake. It is very easy with any device. With a cell phone, they scan the NFC tag and by doing this, they see not only that the product is real, but we can put within that tag all the information about the product, all the history about that product including the specific transaction of that customer when he or she bought the product. But again without blockchain, not yet, but we know very well the technology, because it is something we are studying. But in anyway, the most important part of that project that was communicated last week is something we have implemented in the past which is what I said.

PIRAL DADHANIA: Perfect. Thank you.

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

ANTOINE RIOU: Hi, good evening everyone. I have 2 questions. First question, you mentioned that 2Q started broadly in line with 1Q. I guess, you were talking about the 2 year growth versus 2019. Just wanted to get a sense, if you could give a bit of granularity by regions, and I am thinking especially of the U.S. which is improving on the health front. So just wanted to get a sense on your part on the exit rate in retail in the U.S., there is an improvement and if we should expect actually the Americas on a 2-year basis to fare a bit better?

And the second question just coming back on the question beyond seasonality and the correct categories versus peers. Don't you think that the big difference factory versus your peers, and Luciano you mentioned that A&P was still down significantly in 1Q and should be down as well in 2Q, actually, you have been a bit late in terms of spending and a bit less aggressive in terms of product initiatives, pop-up stores, these kind of things, just wanted to get your thoughts on this? Thank you very much.

LUCIANO SANTEL: Okay. Now, to the first question Antoine on Q2. The quarter started well with no main differences, not visible differences among regions as compared to Q1. So all the regions are progressing more or less with the same trend. Even if it's too early, but, as Paola said, now in Europe we have still some stores that are closed, but less than during the first quarter. So, Europe we are more hopeful to see some better results. U.S. talking about Q2, nothing to add. Talking about retail and the future of retail, I think that

the retail business in the U.S. is doing much better, and I think that there are opportunities to make that business even better and more successful working on some stores.

Talking about new openings, if this is the implicit question, I don't think we have opportunities, now we don't have in our mind plans to open many stores in the U.S. But we still believe that there are some stores to expand the existing stores. One is in Los Angeles Rodeo Drive that will be relocated in a much bigger flagship store. One is in Chicago that will be relocated in the same street, but in a much bigger and more visible and more powerful location. And also, something that we have already implemented looking at the past 2 years, some shop-in-shop specifically in Canada have already been converted into a retail, concession stores, as much as we did for Bloomingdale in the U.S. And so this is the retail strategy for the U.S. I think that there are opportunities to make retail stores more successful and not to open many. I don't think we have opportunities to open more stores in the U.S.

A&P, marketing. This year, the seasonality or the curve of our marketing budget, as I said, will be different, but this is mostly because we made a decision for several reasons to hold our Genius event in September and it will be held in China. It will be a great event, but we can't now disclose any comments about that event. And this is moving significantly budget that last year was spent in February, so in Q1 to Q3. So this is changing for sure the curve of marketing for this year. Difficult to say for next year, but it will depend also on the result of this little bit different strategy that is also driven by the current situation because again February of this year against February of last year is not much different, so we are lucky and happy to hold the event in September and hopefully when the situation will be better.

ANTOINE RIOU: Thank you.

LUCIANO SANTEL: You are welcome.

OPERATOR: The next question is from Omar Saad with Evercore. Please go ahead.

OMAR SAAD: Good evening. Thanks for taking my question Luciano and Paola. I have 3 quick questions, #1 is on inventory. You ended the year I think minus 3% year-over-year. How are you feeling? I know, you said you feel very confident that you are not over inventory, but do you feel like you have enough inventory? Sounds like January with the stronger month and maybe even depleted that minus 3. Help me understand that you have been able to kind of build back inventory and if you feel like you have enough for the demand that's building.

Second question, on the Genius collaborations and collections, is it fair to assume in 2021 there will be a significant increase in the number of Genius projects that you guys have this year? And then, lastly, I am sorry to ask one more question about the U.S, it's a little bit surprising that the 1Q sales weren't strong in the U.S. given the huge amount of stimulus that came into the market that, you know, very quick vaccine rollout that's been happening. Is there an inventory issue in the U.S, I mean, the stores are open, is there any other kind of limiting factors in the U.S? Thank you.

LUCIANO SANTEL: Hi, Omar, thank you for your questions. About inventory overall, no, the answer is no, we don't see any issue with our inventory not for the current season, not for the coming Fall/Winter season and it's needless to say, Omar that we are scared, we are very worried about having too much inventory and not to have enough. But, having said that, I think that we are in a pretty good position with our inventory, also because we have implemented over

the years more flexibility in our supply chain. And so, should the demand from the market take off, which is something we all hope, so we will have some flexibility and capability to react to the additional market demand with our supply chain. So we don't see any issue on that side.

About Genius collaborations, we have a lot this year, some have already been presented as I said before JW Anderson, very strong, Craig Green right now last week, but still at the beginning in the stores. Fragment will be the next one and some also new design that will be disclosed in September. And for the future, the strategy is still to continue with the Genius because Genius is not one design, one project, it's a strategy and this strategy is based on the introduction in the stores of designers of collections, of collaborations that may attract our customers. Then they can buy it or they may not but they probably buy other products. It's the way in the store and not only also digitally through the social network, through Instagram to maintain alive the relation with our customers.

In U.S. all the channels were good. About inventory, if the problem is not to have enough inventory then the answer is no, also because something important I didn't say, but I am sure you know, is that we have an important portion of our inventory for the season centralized here in Italy and we allocate to the different regions that reserve based on the performance. So some inventory that unfortunately may not be allocated to the stores that are closed in Europe, maybe allocated to the U.S. or to China or wherever the demand is stronger. And this is the same for the online business, because online business again is tripling in the U.S. We don't have implemented yet the one pool inventory but it will be implemented after the go-live of the new website and the new platform. But the fact that we have in the same warehouse in the U.S. now the inventory for the retail channel, for the wholesale channel, for the online channel, it makes it much easier to take

product from one inventory and to move it from one channel to other channels. So, again, we have this kind of flexibility, that is also one of the reason why the online business in the U.S. back in October when we started with the new platform and with the new operations started doing very well, also because we had this kind of flexibility which is not the scientific one pool inventory yet but it's something that helped to feed the demand from the market.

OMAR SAAD: Okay. Thank you.

LUCIANO SANTEL: Thank you.

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

FLAVIO CEREDA: Yes, hi, thank you. Good evening Luciano and Paola, I have 2 super quick questions. Compared to 2019 the incidence of new customers, what you are seeing now compared to what it used to be? It has shifted significantly one way or another? And again compared to 2019, the percentage of outerwear, so the jacket, is that given we had the weird 2020 in the meantime, is it up, down or similar to the 2019? Thank you.

LUCIANO SANTEL: Hi Flavio, about your question about outerwear, I can tell you that the contribution of outerwear is decreasing, also the other categories are growing and this for sure in 2021 even if we are looking at the very first quarter, it is premature, but in any event, this is something we keep seeing because the other categories and specifically the knitwear, the cut&sewn and jersey are doing very well. This is growing faster than outerwear, so if I look back to 2019, I have no doubts that outerwear contribution is a little bit lower. It's still the leading category of course but knitwear is growing faster together with other categories like shoes for example.

About the new customers, it's difficult to say depends on the geographies, but in Asia for sure we see new customers also because the growth of the business compared to last year and also with the year before because we are talking about Asian local markets, and we see a lot of new customers. Europe less, but we have more local customers, repeat customers. Let's say that a lot of new customers in Asia, in China but not only, and in America too yes. In Europe there are more repeat customers, like now are more local. In the business we do in Europe right now, there are no travelers, people are not moving and so it's more and more with the local customers.

PAOLA DURANTE: Okay. I think we have the time for the very last question, Flavio, if you don't have follow-up.

FLAVIO CEREDA: No, no, it's nice, no follow-up.

PAOLA DURANTE: Thank you. So, operator, we can take the very last one. Thank you.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. Ms Durante, we do not have any further questions.

PAOLA DURANTE: Fantastic. So thank you very much to everybody for participating. And just remind you that first half result would be published on July 27. The conference call would be as usual on the same day and the quiet period would start on June 28. For any follow-up question, please feel free to call us any time. My colleagues and myself we are here if you need. Thank you and have a nice evening.