

Moncler SpA

“Nine Months 2016 Interim Management Statement Conference Call”

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 PAOLA DURANTE, INVESTOR RELATIONS AND STRATEGIC
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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler Nine Months 2016 Interim Management Statement 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, Investor Relations and Strategic Planning Director of Moncler. Please go ahead madam.

PAOLA DURANTE: Thank you and good afternoon, good morning to everybody and thank you for joining our call today. I am Paola Durante, and I am here today with our Chief Corporate Officer Luciano Santel. As you know, starting from Q1 2016, Moncler decided to align its report into the new Italian European directive eliminating quarterly financial reports. However, on a voluntary basis for Q1 and nine months, we continue to publish an interim management statement providing information on sales trends.

Before we begin, I would like to remind you 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 plans or results. In addition, let me also highlight that this presentation may contain certain forward-looking statements which 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 these statements. Finally, let me remind you that we have invited members of the media to participate in this call in a listen-only mode.

Let's now go to the presentation to Page 4, where we will make a few general comments. We are very satisfied with Moncler's sales performance, which continued double-digit growth in Q3 notwithstanding a volatile environment. All regions and channels have contributed positively to the nine months results. We are particularly

pleased with the results achieved in China, South Korea and Europe. International markets now account for 83% of our total sales versus 81% in the first nine months of 2015. While the retail channel contributed 63% of our consolidated sales versus 60% in the same period in 2015. Our retail store network reached 186 DOS at the end of September, today 187 including also the new flagship store in New York on Madison Avenue that just opened and where we will host a launch event next week.

Moving now to Page 5 of the presentation, I will make some comments on our revenue breakdown by region. We have achieved strong results in all regions and are especially pleased with our performance in China and Europe, mainly Northern Europe. Looking at each individual region, we achieved good results in Asia with all markets contributing positively to this performance. During Q3, Korea recorded even stronger results; China continued to outperform the average of the region while Japan showed a deceleration.

The Americas region posted a plus 18% growth, at constant currency. Within the America region, Canada continued to outperform albeit from a small base. Our performance in EMEA, including Italy remains solid. In the quarter we saw good acceleration in the UK as well as a continuation of the good performance in Germany. France on the other hand, remained weak for the reason we all know, Italy was in line with expectations notwithstanding a demanding base for comparison in the retail channel given the EXPO in 2015 as you remember and the impact of the doors selection in the wholesale segment.

Let's move now to Page 6 of the presentation. Both channels showed good performances. Retail sales rose 20% at constant currencies driven by positive comp stores sales growth, and by the contribution of newly opened stores, some of which are achieving results higher than our expectations. Wholesales also performed well driven by the Fall Winter '16 Collections both in outerwear as well as in our non-core

product categories. During Q3, wholesale sales were mainly driven by Germany, the UK and North America.

Moving to Page 7 of the presentation, we start with a focus on the Asia region. Japan which in the first nine months of 2016 accounted for some 40% of sales from Asia continued to deliver double-digit reported growth although at a lower level than in H1. This deceleration is largely due to lower retail sales growth given that also following the yen appreciation, fewer travelers visited and shopped in the country while at the same time more Japanese customers traveled abroad.

As we were saying, Mainland China which is our second largest market in the region, continued to perform strongly, mainly driven by sound organic growth. We also achieved very good results in all our other APAC markets, which are Hong Kong, Macau and Taiwan. Korea delivered strong double-digit growth with an acceleration in Q3 reflecting the work done since we took control of the region and also a somewhat easier base of comparison given the impact of SARS in Q3.

Turning now to the Americas on Page 8 of the presentation, both distribution channels have contributed to the performance. In particular our retail revenues have been good largely supported by the stronger than expected performance of newly opened stores such as San Francisco, Hawaii, Ala Moana, Vancouver and Las Vegas Wynn. We are also pleased with the initial feedback we have received regarding the flagship in New York although clearly it is early days. While coming from a low base given our limited exposure in Canada, the country continues to outperform.

Let's finally move to Page 9, Europe. We continue to see good performance in almost all our European markets. If you look more closely at the most relevant ones, the UK performed strongly in Q3 driven by both distribution channels. Germany continued to produce a

solid performance both in retail and wholesale while revenues in France have been negatively impacted by the reduction in travelers following the event in Nice in June this year although we recently started to see some signs of improvement. Local demand remains good. In Italy the slowdown in the quarter has been largely due to the higher incidence in this quarter of wholesale sales versus retail. Wholesale sales in Italy have been influenced by the doors reduction, while organic growth in both channels remains good.

Before opening the floor to your questions, let me just briefly comment on our store network, Page 10 of the presentation. At the end of September, our retail store network reached 186 units with seven DOS opened in the quarter. So far in October, November we have opened one, as we were saying, our flagship in New York. And we have three further stores still to be opened before year-end of which one was previously expected in 2017. We can confirm that we have some 12 DOS secured for 2017 and some important relocations including our plans to enlarge the Milano Montenapoleone Store and to relocate the Hong Kong Harbour City store in Canton Road. In addition, we are planning to open 10 shop-in-shops mainly in North America.

I will now leave the floor to your questions. Operator, can you please open the Q&A session.

Q&A

OPERATOR: Yes madam. Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Fred Speirs of UBS. Please go ahead sir.

FRED SPEIRS: Hey, good afternoon. Three questions from me please. The first one Italy, seeing that it is down slightly, could you maybe give us a sense of how much the wholesale accounts number has come back to the number in Q3 and is there also going to be more to do on this front in

early 2017? Next question was on Japan, I appreciate all the reasons for what's happening in Japan specifically, but could you give us a sense perhaps on how Japanese consumers globally are behaving for you? And the last question was around repeated customers, one of your big focuses has been on increasing the level of customer transaction data that you are capturing, just interested if you could share any detail around how the baskets of repeated customers comparing to their previous baskets? Thank you.

LUCIANO SANTEL: Okay, good morning everybody. Good afternoon everybody. About Italy, the business was slightly down in Q3 mostly because of the wholesale business rationalization in Italy which is still undergoing, we now have about 350 stores which is not far away from the ideal target but again we are still selecting the number of those and this is the main reason why the business was slightly down in Q3, considering that wholesale business in Q3 is by far the most important business much more than the retail business.

About 2017, we don't expect the business in Italy to grow because again on one side we are increasing the penetration of the existing doors but on the other side we are still selecting the number of doors, not that much, but still some work to be done in 2017.

In Japan, in Q3 was probably the more difficult region for some reasons: one was the appreciation of Japanese yen and the consequent slowdown in the inbound business I mean tourism, tourists are coming from outside but from China mostly. Japanese customers mostly buy in Japan, but they also buy abroad and the region where they buy more is North America and specifically I mean in our Hawaii stores; we have two stores in Hawaii and an important part of their business is made with the Japanese customers.

PAOLA DURANTE: Okay, regarding your last question on repeated customers, Fred, as you know, as we said, these are kind of KPIs that we monitor but the

impacts are expected more on a yearly basis than on quarterly basis, so we would not share with you on a quarterly basis. But for sure the work that the retail excellence is doing with the Moncler customers also thanks to the MonClient, the iPhone tool, is giving some good results and actually one thing that we are very happy is that our local customers, we were saying also commenting the presentation, are increasing, so we have seen good growth overall on our local customers that is very, very important.

FRED SPEIRS: Thanks, just on Japan, it was more a question about the Japanese consumer globally for you whether or not that's a number you can see....just to understand whether that number is growing for you? Thanks.

LUCIANO SANTEL: We don't...honestly we don't report...have never reported this number and you know Japanese customers are important, most of the consumption is in the local market in Japan. Overall, the contribution of Japanese customers in Japan and in the other international countries is more or less in line with last year.

FRED SPEIRS: Okay. Thanks a lot.

LUCIANO SANTEL: You're welcome.

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

ELENA MARIANI: Hi, good evening all and thanks for taking my questions. The first one is on the quarter; I was just interested in knowing on the like-for-like and pricing in the quarter. I was interested in knowing whether you've taken any price actions so price increases perhaps in the UK or price decreases in some other regions and whether you are continuing your global harmonization across the different countries? And secondly, an indication I know you don't disclose the like-for-like by quarter but an

indication whether you know the trend was more positive or more negative versus the first half and also whether you are seeing may be a reacceleration in the first weeks of Q4 given that the weather has turned actually more favorable to you? And finally, on consensus do you think you will be able to achieve the 1 billion sales mark in 2016 and an indication on whether you will also see the current margin projection as visible, I think that consensus at the moment is seeing an EBIT margin, I am just checking right now, of approximately 28.8% for the year? Thank you very much.

LUCIANO SANTEL: Okay, Elena, thank you for your question. About our comp as you know we don't report a comp on a quarterly basis but just to give you some more color in Q3 #1 market has been Mainland China, Mainland China very, very strong; in the APAC region Hong Kong pretty well, Korea well...very well. Japan, as I said before, more difficult and more difficult mostly for what I said before the appreciation of yen and the slowdown in the inbound traffic, mostly from China. Europe well, very well, mostly UK again for a different reason, I mean, the same reason but different from Japanese yen for the depreciation of the GB pound but not only UK, also Germany very good, very well.

About North America, well, pretty well. Canada better, better than United States. So this is just to give you some indication of our comp. About pricing, price harmonization, I mean the appreciation of yen and depreciation of GB pound occurred at the very end of June as you know very well after Brexit. At that time, our Fall/Winter collection was already on the floor, and we so made a decision not to adjust our prices so our prices now in our stores have remained the same.

Of course, we face...we are facing now more competitive prices in the UK. On the other side, we have a price gap between Japan and Europe which is very high this season. We have decided not to do anything for this season but of course we have planned to adjust our prices strategy for 2017 which has already being done for the Spring Season 2017 and

is under process for the Fall/Winter 2017. Of course, as you know, we don't...we tend not to change prices of our carry over products. We tend to maintain the prices as much as possible flat, but of course the way we build our pricing policy about the novelties, about the new product is in order to reduce this price gap that now, in the current season between Japan and Europe, is very, very high.

About Q4, I mean October as you know, as you said started very well, so we are very happy with October and I mean the first week of November which is behind us was good, was very good, I mean the Q4 start was definitely encouraging. About consensus, I think that looking at the sales results of the first nine months, the 1 billion euros you mentioned is not unreasonable. Of course, having said that, sorry to say it again but at the end of September, we still have 50% of our retail business to be done and so it is definitely premature to anticipate how much we can go for the year end but honestly, I can tell you that the 1 billion sales is reasonable.

On the other side, about profitability, let me please mention EBITDA but EBITDA, both are of course consistent with each other. I think that the operating margins indicated under the consensus are consistent with the top line. So if we will be able to make the top line, I think that EBIT and EBITDA are absolutely reasonable.

ELENA MARIANI: Okay, thank you. One small follow up, what about the Chinese cluster, was it up or down in the quarter on a global basis if you have that information? Thank you.

PAOLA DURANTE: Chinese are stable overall so in the nine months but also in the quarter.

ELENA MARIANI: Okay, great. Thank you very much.

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

ERWAN RAMBOURG: Yeah, good evening. Erwan Rambourg from HSBC, New York. Just wanted to ask you a question on retail looking at the combination of like-for-like and space expansion, it seems that things are slowing a bit, so I don't know if it is linked to the like-for-like slowing or just space contribution slowing, but I'm just wondering if you rethink maybe your plan in terms of future store openings because it could be the case that gradually you are seeing a bit more cannibalization than you used to see in the previous years and then just secondly there is this oddly timed news on Bloomberg saying that one of your competitors looking to IPO in the down jacket's base. I'm just wondering are you okay at this space being more and more crowded or do you think you can still continue to outpace the market you are in quite comfortably?

PAOLA DURANTE: Yes Erwan, in terms of retail, I just want to mention that there is a slowdown but also if you look at the number of stores opened over the past 12 months year-to-date at the end of September, there is a slowdown so the retail evolution in the first nine months is in line with our expectations and I think also in line with market expectations but...so absolutely no cannibalization from stores that we are seeing, absolutely, not differently or not at all compared to the past. With regards to your second question, Canada Goose is a fantastic brand. I would say, positioned absolutely different from us. It has a different position, also different business approach as far as we can understand. I don't think the space is crowded at all. I don't know if Luciano wants to comment more on the first part of the question on the retail.

LUCIANO SANTEL: I mean, retail strategy is to maintain our retail network very, very selective, and so honestly, I would not talk about cannibalization. I think that the strategy we have developed this year and the strategy that will be further implemented next year, we will see bigger stores for sure but based on our experience and based also on the experience of this year we don't see any dilution of the productivity of our stores, so

I mean I think that the increasing space is something we wanted to continue because we strongly believe that the presentation of our collection and also for the visibility of our brand we need in some specific and select location also bigger stores but again we don't see any dilution...any risk of dilution of our sales density.

ERWAN RAMBOURG: Okay. Thank you very much. I just wanted to come back on how you feel about consensus. Again I understand you have the bulk of retail sales ahead, but did you say it was not unreasonable with the consensus, right?

LUCIANO SANTEL: Yes, I said...I said that it is not unreasonable that means that it is reasonable but again let me clarify that what I said is also that at the end of September we still have ahead 50% of our retail business and so any anticipation of what we can or cannot do is definitely premature. But looking at the sales in the first nine months, I can tell you that yes that target is reasonable.

ERWAN RAMBOURG: Okay. Thank you. Thanks.

LUCIANO SANTEL: You are welcome.

OPERATOR: The next question is from Celine Cherubin of Natixis. Please go ahead.

CELINE CHERUBIN: Good afternoon, I have got two questions please.

PAOLA DURANTE: Sorry, can you talk a little bit loudly. We...

CELINE CHERUBIN: Can you hear me?

PAOLA DURANTE: I think its okay.

CELINE CHERUBIN: Yeah, can you hear me now?

OPERATOR: Thank you.

CELINE CHERUBIN: Okay. So two questions, please. The first one is regarding the performance by product category. Can you give us more details regarding knitwear, shoes and maybe first comments of your new eyewear collections? And the second question relates to your store openings for 2017. You mentioned that 12 DOS are already secured. Can you give us information regarding the locations of those DOS? Many thanks.

LUCIANO SANTEL: Okay. About product categories, I mean as you know, our outerwear category still represents the majority of our business but we have been investing a lot in the other categories and first of all specifically in the knitwear category, which in spring did very well and we made some comments during last conference call, I don't know if you remember but I mean we said that, good or bad, but we ran out of stock in some knitwear items which is not good for business but very good from the perception of the product from consumer's point of view. So knitwear is doing much better and we have invested a couple of years ago in a small production unit in-house, which was and is still instrumental to develop the know-how on this specific category and now is doing well; when I'm talking about knitwear actually I'm putting together traditional knitwear and the so called cut & sewn which is the jersey.

About eyewear, honestly I mean we are very happy with the agreement, with Marcolin and I mean the very first segment capsule of the collection was on the floor at the end of September, early October but first it is still very early, and second I mean we don't expect, at least at the beginning, significant and important volumes from this category. Of course, we can talk about the other categories, the shoes but again I wanted to get focused on the very important...most important category, which again is knitwear.

About stores new openings for next year as Paola said at the beginning of this call we have secured 12 stores now and I mean the 12 stores are more or less spread out over the different regions. Some in Asia-Pacific, one will be our first store ever in Australia, which is reported under the APAC region, another store will be in Mainland China. We have some stores in Europe. We have a couple in North America, one in Canada: our second store in Toronto. So these are more or less the regions, I mean the stores will be distributed more or less in all the different regions.

CELINE CHERUBIN: Thank you very much.

OPERATOR: The next question is from Piral Dadhanian of RBC. Please go ahead.

PIRAL DADHANIAN: Yeah, hi there. Thanks for taking my question. I was just curious if you could provide some update, I know you just gave the store opening plans for 2017, but there was no mention of travel retail there, so obviously as your network starts to look more, more mature I know that the strategic initiative that you presented last December focused on the potential for travel retail, which remains under-penetrated. Could you just give us an idea of how many stores you have in that channel currently and whether that's still a focus area for you going into next year? Thank you.

LUCIANO SANTEL: Yes, travel retail is a very important focus area for our business but please remember that our strategy is to be very, very selective. In 2016 we have opened an important travel retail store in Incheon Airport in Korea; for early 2017 we will open a travel retail store in Doha in Qatar, at the Doha airport. Actually, this will be reported under the wholesale business because it will not be operated directly by ourselves and these are the openings we are targeting. Of course we are looking very closely at this business channel but again we are not in a hurry to open many stores. We want first to target in a very very selective way the best travel retail locations.

PIRAL DADHANIA: Brilliant. Thank you.

OPERATOR: The next question is from Ms. Paola Carboni of Equita SIM. Please go ahead madam.

PAOLA CARBONI: Yes. Hi, good afternoon everybody. I have three questions. The first one in terms of new openings for 2017, can you share with us how many of them, if any will be a flagship store and if so, where? And secondly, my question is on the US market particularly on department stores, your performance in the wholesale channel here seems to be very good. I would like to understand in your day-by-day relationships how things are going and what is maybe a kind of same store sales performance here with same space, so excluding the fact that you are clearly enlarging your presence there. And the third question is about your comments on same store sales growth of Q3 and in October and November. And first of all I wanted to make sure that you were actually referring about same store sales when commenting on October and November. And if you can please elaborate on this, I understand we cannot get the number, but, on the change of pace if any, you have seen in Q3 versus H1 and October and November versus Q3? Thank you.

LUCIANO SANTEL: Okay, Paola, about flagship stores, in the 12 stores we have secured, there are no flagship stores but the question, your question is very important because something we mentioned in the introduction but it is important to highlight again, is that an important part of our retail development for 2017 includes some expansion and relocation. And particularly important will be the expansion of our retail store in Milan Montnapoleone which will be expanded, and will become a much bigger and much, much more visible than now.

And the second relocation, which is also even more important than the Milan one, will be in Hong Kong in Kowloon where we have our #1

store of the retail chain, which is the Hong Kong Harbour City store that will be relocated in the same shopping mall but with the main entrance on Canton Road. The store will be at least three times bigger than the existing one, much more visible of course needless to say with the two entrances one on Canton Road and one still on the back of the store in the inside part of the shopping mall.

So, these are two important, very important projects if I can tell you even more important than the 12 new stores because we are touching two important stores in two very important cities for our business. About US our business has been doing pretty well with the department stores, I mean the spring season was good I think we already made comments on the spring 2016 during the last conference call. For the current Fall/Winter season business is doing better and I mean this is true to the extent we know it, because of course they provide this information to us. But, sell-through as far as we know is better, is better than last year. And so, we are happy and, I think, they are happy.

About comp, again we don't provide numbers, I mean, I gave you some colors in the different regions. Again China very good, all the other regions pretty good and Japan is more difficult, weaker. October started well, I can tell you that October better than September for sure and first week of November is even better than October. So, I mean, this is the color I can give you. I mean of course, you know, that like-for-like is very important. But, one of the reason why we don't provide the number on a quarterly basis is that we believe that the shorter is the period to look at the like-for-like, the less meaningful it is, so again we are confident about our business trend, about our comp store sales. August and September weaker and October better, and November even better but I mean we are taking a picture of the very first week of November. So, we've been confident, yes, we are confident, but I mean we still have some work, a lot of work to do.

PAOLA CARBONI: Sorry, just a follow up if I may on the US you said, can you also give us a flavor on the Spring/Summer 2017 orders you've got from the department stores?

LUCIANO SANTEL: Yes, I mean Spring/Summer 2017 order campaign has been completed at 100%, actually we already started deliveries, because in the US specifically the very first deliveries are at the end of October. So, as we speak right now, you can find in some department stores the first deliveries of our Spring/Summer 2017 collection. Orders were good. And so I mean, I don't have specific comments, I mean the comment on our campaign is good,. Of course the Spring season is not particularly important I mean it is much smaller than the Fall/Winter season, but again it is a fair, and an encouraging indication of the perception of our brand in the different regions, so I mean the order campaign was up against last year.

PAOLA DURANTE: Maybe if we can just add one thing on shop-in-shop that we said, next year we target to open some 10 shop-in-shops, these will be mainly in North America where we are really working on the wholesale channel to work with the existing customers, but, to really improve our penetration, moving more towards the shop-in-shop concept that is giving us very good results, we have a few that are doing very well.

PAOLA CARBONI: Okay. Perfect, thank you very much.

OPERATOR: Ms. Durante at this moment there are no questions registered.

PAOLA DURANTE: Perfect. I'm sure that a lot will be asked later, but in any case, first of all, we would like to thank you for participating in this call. I don't know if you have seen it but just to let you to know we just published our 2017 calendar, which is on our website. So, our fiscal year 2016 results will be published on February 28, the conference call would take place on the same day. And our quiet period will start on January 30. We are at your disposal and any follow up question you have

tonight, tomorrow we are here, so, by the time, thank you very much for being with us tonight.

LUCIANO SANTEL: Thank you, goodbye.