Moncler S.p.A

"First Half 2016 Financial Results Conference Call"

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OPERATOR: Good afternoon, this is the Chorus Call conference operator. Welcome and thank you for joining the Moncler First Half 2016 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

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

PAOLA DURANTE: Thank you. Good afternoon, everybody and thank you for joining our call today on Moncler's First Half 2016 Financial Results. First of all, as usual, let me introduce you to the Executive team on today's call, our Chairman and CEO Mr. Remo Ruffini, Luciano Santel, our Chief Corporate Officer, Roberto Eggs, our Chief Operating Officer, Andrea Tieghi, Head of Retail and Sergio Buongiovanni, 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 other historical information, Any forward-looking statements are based on Moncler's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties, and other factors that could cause results to differ 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 plans or results. I also remind you that press has been invited to participate in this conference in a listen-only mode.
Let me now handover to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI: Good evening, everyone and welcome to Moncler's First Half 2016 Results conference call. Let me say that I am very proud with our performances in the first semester of this year. Notwithstanding the difficult environment overall, we have once again delivered results above market expectations.

We achieved a 17% increase in our top line driven by 22% growth in our retail network, an outstanding result. This growth has been fueled not only by successful openings but also by solid organic growth. Our EBITDA has been equal to €78 million with a margin on sales of 22.6%.

Our net debt has decreased to €85 million versus €175 at June 2015. Our capacity to generate strong cash flow while doing important investment in the business is, in my opinion, the most important financial result to look at and the one that I value more. But above all, I am happy with the work we are doing in all our strategic divisions.

At the end of April, we had our first worldwide Summit to officially start the rollout of our Retail Excellence Project. More than 350 Moncler people from all around the world were here in Milano for the official launch. In May, we opened our flagship store in Bond Street, another important step in our strategy to focus on high quality openings. We will open flagships in Seoul and Madison Avenue in New York in the coming months bringing to five the number of flagship stores worldwide.

These stores are expected to be important contributors to our results and to support even further the development of our brand. And end of June, our retail network reached 179 DOS and we expect to open at least another 9 in this second half, while we have already started to work on 2017 openings.

Last but not least, our Spring/Summer 2017 sales campaign is showing very good results not only for the Outerwear collection but also in the complementary product category where, I believe, we have done a lot in term of design, production and visibility in our retail network. This category is growing strong double-digit in our order backlog. All this makes me confident about the future.

Let me now handover to Luciano and Roberto. At the end of the presentation we will be happy to take your questions. Thank you very much.

ROBERTO EGGS: Good evening, everybody, I am Roberto Eggs. I would like to invite you to go to Page 9, so I will comment the revenues by region. As highlighted by Mr. Ruffini, the second quarter has been confirming the very good results of the first quarter, globally reaching a +17% at constant exchange rates. Positive trends in all the regions, driven first by Asian markets at 30%. Italy continued the good performance also in Q2 and has been positive in both channel, Wholesale and our Retail.

The Rest of Europe at +8%, at constant exchange rates confirming the result of the first quarter, with especially good results in UK, Germany but also in Switzerland. In Asia, we have been reaching a strong double-digit growth, reaching a plus 30%; the growth in Asia in Quarter 2 has been driven mainly by Mainland China, Japan, Korea, Taiwan and Singapore.

Last but not least, the Americas gained a double-digit growth on both channels, wholesale and retail, reaching a total of +20% at constant exchange rates.

I'd like to invite you to go to Page 10 to look at the results per channel. For the first time, on Wholesale, we have been reaching during the first half of the year, the barrier of the €100 million turnover with a plus 6%

that is consistent with the trends that we had seen at the beginning of the year.

Retail revenues have been +22%, this has been supported by strong organic growth and good performance of the new openings. We have been reaching in terms of comp sales, which is something that we are of course following very closely, a +5% during the first six months of the year with a positive comp in all the regions.

Wholesales achieved plus 6% driven mainly by Europe and by North America which has had a very good and more positive Spring/Summer season than in 2015.

I'd like to invite you to go to Page 11 to look at the expansion of our retail network. As mentioned by Mr. Ruffini, we have been reaching by the end of June a total DOS network of 179 stores, which is +6 stores compared to the end of 2015, and an additional two stores shop-in-shops in wholesale.

Six new Retail stores have been opened during the first half with four openings in Quarter 2, good results above our expectations in London, Bond Street, also in our first travel retail store in Korea, in Seoul, at Seoul Incheon Airport. We are expecting to open another duty free shop in Korea by the end of the year. And also the first Moncler store in the US in San Francisco that opened at the beginning of the month of June.

We have further 9 retail stores that are expected to open in the second half of the year; two have already opened beginning of July, Washington DC and Busan in Korea. We have two important openings:Madison Avenue, which will be our flagship store in New York, and the flagship in Seoul that is going to be a relocation.

Other openings foreseen before the end of the year are Macau Wynn; we continue to grow in Macau very, very strongly. We have opened a second store in Wholesale with DFS confirming the good results of our own operated store. We have another store foreseen in Qindao, a last store in Hong Kong in Pacific Place, another one Fukuoka in Japan and a store in Gangnam, Shinsegae, again in Korea.

Some 8 relocation expected during the full year 2016, this includes of course expansion or relocation of flagships like Seoul where we have been relocating successfully, expanding the dimension of our only store that we have in Miami. And we have also five additional openings in wholesale; this is going to be a strong focus for us also in 2017 with…on the American market. What is foreseen before the end of this year is the opening of stores at the airport of Doha in Qatar.

The opening of the DFS in Venice, Italy and some stores in the North American markets, one in Los Angeles with Neiman Marcus, another one in New York with Saks, an opening at Bergdorf Goodman of a shop-in-the-shop in New York, and two stores in Toronto, one with Nordstrom and the last one with Holt Renfrew

I am handing over to Luciano Santel.

LUCIANO SANTEL: Thank you Roberto and good afternoon everybody. Let's go now to Page 13, where we report our income statement. Top line pretty strong, 17% up, just commented in depth by Roberto. And gross margin 74.1% against 72.7% last year. Gross margin totally in line with our plan and our expectations and gross margin by distribution channel in line with last year.

Selling expenses 37.2% against 34.6% last year, important to say that selling expenses this year include €3 million net of rents paid on stores not opened yet. We are talking about mostly the flagship stores we just opened in London and the other two we are opening in September in

New York Madison and Seoul, and some others. The impact of the €3 million rent accounts for 90 basis points, excluding such extraordinary impact the percentage of selling expenses would be much more balanced with the gross margin of course.

G&A 12.7%, substantially in line with last year, A&P 7.2% against 7% last year, slightly higher; we still expect for the year-end a percentage slightly higher of last year when we reported 6.6%. Non-recurring items include only the stock-based compensation based on the two stock option plans recently approved by the shareholder meeting, performance shares plan.

Net financial results €3.5 million negative, which include €1.4 million of FX losses. The number overall is not unusual, what was unusual was the positive number of last year, which included €6 million FX gain after the devaluation of euro. Of course, the number of this year is much more normal, but the difference between the two is almost €7 million.

Tax rate, substantially in line with our plan. Lastly, the important EBITDA €78.3 million with 22.6% margin, against 24% margin last year. Again, excluding the impact of the €3 million rent I mentioned before, EBITDA would be €3 million higher and EBITDA margin much closer to what we reported last year.

Let's go now to Page 14, where we report CAPEX. We spent in the first half of the year €28.9 million, more than the first half of last year when we spent €21.6 million. But you may remember that last year we spent much more in the second half of the year, because as you may see in this slide, we spent at the end of the year €66 million.

This year we plan to balance much more our CAPEX in the second half as compared to the first half, to end up with a number in the region of €60 million, €65 million, so not higher than last year; probably a little bit lower, of course. This under the current visibility we have on the business.

Let’s go now to Page 15, where we report net working capital. Net working capital is extremely healthy, €79 million, with an impact on sales of 8% against the 12% of last year. To be honest, at constant rates the percent would be 9%, but still significantly better than last year. Thanks to our very strong credit control, and our very good control on inventory, you can see that receivables and inventories are substantially in line with last year, but with the 17% more business. For the year-end, we still maintain our plan of low double-digit incidence on sales, but may be a little bit better than last year.

We go now to Page 16, where we report our financial position. Our debt at the end of June was €84.9 million, about €90 million less than one year ago, so with a very strong, very good cash generation over the past 12 months. Of course, debt is higher than the end of December, but this is mostly due to the seasonality of our business, but we will get back to the cash generation in a couple of seconds.

Let’s go now to Page 17, honestly no comments on balance sheet. But some comments important to make at Page 18, where we report the cash flow statement. And where we report for the first time ever a positive free cash flow of €13.2 million, because last year it was negative, the year before it was negative as well; this is again because of the seasonality of our business. This year for the first time and notwithstanding the important amount that we spent in CAPEX, we reported a positive free cash flow. Of course, mostly driven by the very good EBITDA, but also driven by a very strong improvement in our net working capital position. You see a negative number under the non-current other assets and liabilities mostly or almost totally due to tax payments we made in June.

Below the free cash flow, we report €35 million dividends, we just paid in May. And a €13.6 million under the line change in equity which includes, for €12.8 million, the amount of share buyback we implemented in February of this year. So overall, our debt increased of €35 million, but again much better than what we reported last year.

Okay, I am done with the presentation. Thank you very much and we are now ready to answer your question. Thank you, again.

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 pickup the receiver while asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Fred Speirs of UBS. Please go ahead.

FRED SPEIRS: Hi, good evening, it's Fred Speirs from UBS. Three questions, please. Firstly just a technical one, you disclosed there was 90 basis points impact on EBIT margin from €3 million costs related to the stores yet to be opened this half. Can you just share how that figure compares with H1 last year? The second was, you have been testing new selling practices in some of the non-outerwear areas. I'd just be interested if you could share some more details about how these tests have been going and also how the results and sales density have been comparing to your expectations? A last question was around US store expansion. You've moved into a lot of the prime Tier 1 locations now. I was just wondering how you are thinking about broadening your penetration footprint from here into the lower tier locations. Thank you.

LUCIANO SANTEL: Okay, this is Luciano about your first question. The 90 basis point, the €3 million is the net impact and to be more precise the impact this year was €4 million. Last year the impact was €1 million, mostly due to the Ginza flagship store that was opened in October, but we started the construction of the store in May, and most of that impact of that €1 million was due to Ginza shop. So the €3 million I mentioned, which account for 90 basis points, represent the net difference between €4 million this year and the €1 million last year.

ROBERTO EGGS: I'm Roberto Eggs; I'm going to answer on the second part of your question. Regarding the other categories, they have been outperforming as expected and as disclosed during the Capital Market Day on the first of December last year, we are expecting this category to grow at a pace which is faster than the outerwear business, where we have very strong penetration, also because we are changing slightly the layout of our store. We are working in order to get more flexibility and this has clearly helped also the result of the second quarter, where our knitwear business has been growing strong double-digit. We confirmed the good result of the tests we are doing with our shoe business, that we are going now to expand to an additional 25 stores. We started with 5 stores, reviewing the selling ceremony and the way the collection was presented in store. With this new 30 stores that we are going to have by September this year, we will be covering what is making 50% of the sales of our shoe business, where we are expecting an improvement in terms of sales for the year to come.

Regarding the test on the knitwear, you know, we explained during the past call that we are testing some new layout in the store with what we call folding cages, this folding box is having a great success. So we are now in the phase of implementing. We have been ordering 500 of this folding box that will be implemented by September of this year, that is going also to give us some supports for the year to come.

Regarding the strategy for the North American market I will let Andrea Tieghi comment on the retail side, but regarding the wholesale, which is one of the very strong pillar that we have in USas I was mentioning before, we have a strong expansion plan in terms of shop-in- shop that is foreseen. This year just in the North American marketwe are having six opening of shop-in-the shop, with two in New York, Bergdorf Goodman and Saks, Neiman Marcus in Long Island. These have been opened in February this year giving very good results. We have Los Angeles with them also and two stores in Toronto and this is something that we are going to continue in 2017, and probably then to further accelerate.

ANDREA TIEGHI: Hi, this is Andrea Tieghi, Head of Retail. Regarding retail presence in US, as we mentioned also during the Capital Markets Day last year, we said we were going to work on quality. This is what happened especially this year with the opening of the flagship store in Madison. We opened the second store in Ala Moana; we opened San Francisco and also Washington D.C. And also we did the relocation on Miami. This is the strategy for US, we don't foresee to open many more stores. We are going to look, of course, at some relocations, some opportunities. But I think that it's like Roberto was saying. We're going to work very closely between the mix, between wholesale and retail to have a good proportion in all other markets. So we are quite satisfied with the network we have built as of today. And of course, we are going to now look at some relocations, also on big opportunities, but we think we are getting close to what is our network in US. We don't foresee, you know, opening many other stores in 2017 and 2018.

FRED SPEIRS: Okay. Thank you.

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

ANNE-LAURE BISMUTH: Hi, good evening everyone. Anne-Laure Bismuth, HSBC. So I have three questions, so what was the mix between pricing and volume in Q2? I'm just wondering if it could be possible to have a broad indication of the split of the retail like-for-like between Q1 and Q2. And then, finally, given the strong performance of the wholesale in H1, should we expect stronger than the low single-digit guidance for wholesale for full year 2016. Thank you.

LUCIANO SANTEL: Okay Anne-Laure. About your first question, you know that historically our comp is made of two-third volumes and one-third price. In the first half of the year volumes were higher than our average historical trend. And this is mostly because as you know, in spring this year we implemented a price harmonization, which affected most important countries, international countries like Asia first, China, Hong Kong, but also US. So volume in this first half of the year is higher than the two-third we have reported historically. Like-for-like, I mean, we don't report of course numbers by quarter as you know, but there are no material differences between the two quarters. So both the quarters in all the different regions have been pretty good and in line with what we reported.

ROBERTO EGGS: Regarding the third question which is concerning our business in the wholesale. As you know, we are really privileging quality over quantity, and so it's true that we have had a first semester and second quarter that were good in terms of results for the wholesale. We have entered the selling campaign for next year, with the deliveries that are going to start in December, but we are very careful not to push the wholesale and we are working with the wholesalers on the quality of the results. So the result that we always forecast, which is low mid single-digits growth for the wholesale, is something that we can definitively confirm, but we don't want to over-push on wholesale.

ANNE-LAURE BISMUTH: Thank you.

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

ELENA MARIANI: Hi, good evening and thanks very much for taking my questions. The first one is, again, on like-for-like. I know you don't comment on like-for-like across regions. But if you could give us an indication on the ranking across the different geographies, that would be great. And also maybe on exit rate, what are you observing, in the current month? And secondly, about your inventory position, I've noticed that it's up only a couple of percentage points year on year. Are you comfortable with your current inventory positions? And how flexible are you in the second half of the year based on how demand evolves? And thirdly, about CAPEX, you just said that the target for the year is to spend around €60 million to €65 million. I might be wrong, but I think your previous target was around €50 million, €55 million. Maybe I've missed something. But if not, could you explain, please, the difference and where are you spending the additional money? Thank you.

ROBERTO EGGS: I'll start with which is not really a ranking, but gives you some indication on the comp sales. The comp sales, as we mentioned, has been positive in all region, mainly driven by our Asian market. Mainland China has been performing very well, as well as Korea, it was the first time we were having comp results on Korea. As, you know, we took back the business from our partner Shinsegae on the 1st of January of last year. Americas has been also positive. Japan and then Europe because as you know, it's more a mature market, so it is probably the market where, still being positive, it's probably more difficult to further push on the comp sales.

ELENA MARIANI: One, follow up question on EMEA, given that it was very strong in the second quarter. What was the key difference in trend versus Q1? Was it local purchases, more tourists? Thank you.

ROBERTO EGGS: As you know, some of our markets, like the French market, have been impacted by what happened at the end of the year. So the first quarter for the French market was a little bit more tense and difficult, but the business has been improving month-after-month, and especially at the end of Q2 it was again positive and strong, before the events that took place in July. So, we had seen that already in 2015, that it takes a certain number of months for the tourists to comeback, and to buy in markets like the Italian or the Frenchones. While tourism is important, of course, after such events you can expect some impact. This being said, the reaction of our local clients has been very positive, and we can say that during the first semester of this year, the weight of the local clients has been increasing in our portfolio, which is also going in the direction of what we are doing with retail excellence, which means creating this bond with the clients, working on the quality of the relationship with them and increasing the total portfolio of local clientele.

LUCIANO SANTEL: . About inventory Elena, we are very happy with the level of our inventory and honestly very confident that the level is what we need for the upcoming fall season. Honestly, we prefer hope to run short of inventory because our sales should exceed our plan. Of course, , you know, that we prefer to maintain the inventory level strictly under control, and we prefer to run the risk to run short of inventory, rather than to end up with too much inventory. But, having said that, again, we are totally confident that this is what we need for this upcoming fall season.

About the CAPEX, you know, the number we provided in the capital markets day, was in the region of 60 at the time. You are right it was probably a little bit lower than 60. Now, we are looking more to something more than 60, but we are talking about a handful of million euros and not that much. Thank you.

ELENA MARIANI: Thank you.

OPERATOR: The next question is from Janet Kloppenburg of JJK Research. Please go ahead.

JANET KLOPPENBURG: Good evening, everyone and congratulations on your very strong results. I just had a couple of follow-on questions. First on price: as we look at the fall holiday season, should we expect pricing on the outerwear to be basically flat year-over-year or would there be some increases coming through? And also I think you commented on the U.K., but I was wondering if you were seeing foot traffic increase in that market, given the currency devaluation that's occurred there recently. And lastly, the degree to which SG&A deleverage would be maintained in the second half, as volumes increase, should we look for the deleverage to moderate? Thank you.

LUCIANO SANTEL: About prices, and we don't expect material impact on our prices in the second half of the year not because of the mix, honestly. Our prices are expected more or less to remain flat as compared to last year.

ROBERTO EGGS: Regarding the result on the UK marketit was strong in Q2 even prior to the Brexit. We have just seen acceleration after the Brexit linked with the currency that has been devaluating. So basically the price gap between the UK market and the European market has decreased. And we have seen an increasing in footfall from locals, that are been performing well. Since the past two years, year-after-year we are consolidating our performance with the locals, with the English, but also with the tourists that have been growing in terms of strong double-digits, especially after the Brexit, we can increase our footfall.

LUCIANO SANTEL: About your last question, regarding SG&A, in the second half of the yearwe have to distinguish selling from G&A. Selling expenses are totally driven by our store expenses and of course, they include the store operation expenses, and they will depend on the amount of retail sales we will develop in the second half of the year.

On the other hand, G&A, last year we reported 9%. Of course, in the second half of the year sales are higher and because G&A are more or less fixed the impact is going down in the second half of the year. What we said and what we still confirm now is that we don't expect this year G&A to decrease furtherly but probably to increase on a percentage basis, slightly as compared to last year, because we are investing a lot in our organization, in our people, in order to make our organization stronger. And this year we will see the impact of this investment in G&A that will not be much higher, but probably a little higher than last year on a percentage basis.

JANET KLOPPENBURG: Okay. Thanks so much.

OPERATOR: The next question is from Melanie Flouquet of J.P. Morgan. Please go ahead.

MELANIE FLOUQUET: Yes, good evening. Thank you for taking my questions. I have three. The first one is coming back on inventory, sorry. Could you actually help us maybe on the fund, what you are doing in terms of working capital management and efficiencies that would explain that you know, barely any growth is enough to feed the big expansion that you should have in the second half, in particular, given its bigger weight, so maybe to understand that first. And how we should think about inventory's evolution overall for the business? Number two, on the G&A, sorry, coming back on that, you said this year was still a year of investment, G&A was actually a bit lower than expected or at least than I expected, in H1. But nonetheless, there seems to be a big increase still year-on-year. Could you help us understand when you believe you will sort ofgrow in this line less aggressively than you have in recent years, and when you feel your structure will be right? And my last question, sorry, is whether you could actually help us on the target of store openings that you plan for year '17, already. Thank you.

LUCIANO SANTEL: Melanie, about your first question, inventory planning is something, which is not easy at all, and what I can say for sure is that last year we planned probably a little bit more than what we want to maintain as ideal inventory level. This year, I think that the retail inventory planning has been developed better than last year, and this is the reason why we believe that the inventory level this year is more adequate than last year. Of course, we are implementing more and more, year-after-year initiatives, activities, projects to be more and more flexible in reacting to the demand of the market. One project for all is a replenishment project that we have started to implement in the past, and we are further implementing this year that will allow us to react very quickly to the demand of our stores. And also of course, it allows us to dilute a little bit our production planning. So again, we are confident, but also we are not worried about an apparent low level of inventory. Again, we are confident and happy with this level because it is a much more efficient level and way to do business.

About the G&A, the process to invest in the structure, of course, has not started this year. It is an ongoing process, but last year we started to invest probably more than what we did in the past, and this year we keep investing in the organization. Of course, I'm talking about mostly talented people with a specific knowhow, specific skills.We still need to make the organization stronger in our core business, in retail, and technical department, in the design product development. So when this process will be over, I mean, it is difficult to say, because it is not something that will have an end, but for sure I can tell you that, last year, this year, probably next year are and will be the most important years of investment.

About the first half, the G&A we reported in the first half and the selling expenses we reported in the first half. Just to provide you with some more color than what I said before. in selling we said the most important item is the 3 million additional rents we spent this year, but within the selling expenses, we brought also expenses associated with our organization. And the one example for all, the expenses we incurred in the first half of the year for the implementation and for the rollout of our retail excellence project.

Our chairman just mentioned, at the beginning of his speech, the very successful worldwide summit we held in May of this year and in all the kickoff we held during the first half of the year. All these expenses have been reported in the first half of the year. So, I don't want to give you too many details, but just to let you know, that a part of the investments we have made are reported in this number, even if, of course, I can't give you too many details, but these are important investments we want to make for the future of the business.

ANDREA TIEGHI: This is Andrea Tieghi from Retail. Regarding target for retail development in 2017, our focus will be in three different areas. We are looking opening new markets, so we are looking at, for example, Scandinavia, Middle East, Australia. We are looking also at opening one or maximum two new flagship stores This year, you know, actually we are opening three, of which one is a relocation in Seoul, so we will continue to work because we think that Moncler needs to expand its flagship network. And also we work every year towards the consolidation of some markets, Canada for example, that is giving us very successful results. We think we still have room to expand our network there. Also looking at European countries like Germany, Italy. So basically the idea is to consolidate the most important markets in Europe, one or two flagships and open in new markets. But again, quality, good location, but wedo not expect to open more stores than what we are expecting for this year, so it's going to be really a quality work.

MELANIE FLOUQUET: So a similar level of number of total stores you would see as full-year 2016?

ANDREA TIEGHI: Like we said in the call, we are going to open an additional 9 stores in the second semester and this is you know, so the final number would be basically 15, 16 stores by the end of 2016, so an additional 9 in the pipeline.

MELANIE FLOUQUET: Yes, my question was 2017, sorry …

ANDREA TIEGHI: In 2017 we are still working. Like I said, at the moment we have a lot of negotiations going on, but I think, you know, it would be basically to ensure something to deliver every year…, from 9, 10, 11 stores, … 15 this year.

MELANIE FLOUQUET: Thank you.

PAOLA DURANTE: Yes, Melanie, I am sorry, as usual we normally give a secured store number for 2017 in November, we don't provide any number at this time of the year, because it's too early.

ANDREA TIEGHI: Yes.

MELANIE FLOUQUET: Thank you.

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

PIRAL DADHANIA: Hi, good evening. Thank you for taking my questions. I just wanted a bit more color, if possible, on the underlying trends within your Asian number. I just wanted to really understand whether that +30%, how much of that relates to Japan and whether Japan is doing above or below that organic growth rate. And what trends you are seeing in relation to Chinese consumers, perhaps not going there as much as they were in the first quarter, because I remember you said back then that the share of Chinese was increasing. So any color there would be very useful. And then just in terms of auto-replenishment that I think was mentioned earlier, I think during your Capital Markets Day in December, you said that 7% of your product could be replenished in-season. Given the tight inventory control we have seen in the first half, I just wanted an update as to what proportion of the product you are able to now supply in-season. Thank you.

ROBERTO EGGS: Well, I will start with your question regarding the performance on the Asian markets. As you know, Japan is a market that is probably more mature than the other regions where we are currently developing in Asia. We have been present there since many years, firstly as a wholesale market and now since few years in terms of retail. It's also a market that it was a local market that has been now developing in terms of Chinese clientele. And it's true that we have seen positive trends, especially since we opened our flagship store in Ginza in October last year, in terms of increase of Chinese consumers on the Japanese market. This being said and as you know, we don't disclose figures in terms of comp results by region. Our Mainland China business has been the one developing most strongly on the Asian market, with also the neighboring countries like Taiwan, like Macau and like Singapore. And also I know that we have probably one exception there, we have been performing positively on the Hong Kongese market.

LUCIANO SANTEL: About inventory and our auto replenishment, and considering the inventory level of this first half of the year is evidently particularly of interest. I wanted to provide you with some additional color of our inventory, because I only mentioned the inventory level of the coming fall season, but important to highlight is that under our inventory number we report also the previous seasons and specifically the just ended spring season of 2016, and also the leftover of the fall winter 2015.

In both these seasons in fall-winter 2015, you may know, we mentioned that our sell-through was much better than the year before, because also the inventory control of that season, and the sellout were both very good. And something that you may not know, because this is the first time we are talking about spring season, but also in this spring season 2016 both inventory level and the sellout were much better than the year before, which of course, translate in the KPI, which is the sell through, which was much, much better than one year ago. So again, just to give you some more information about inventory.

Talking about this upcoming fall season, the inventory level is for sure lower than last year, I mean lower in proportion because we have many more stores and the business is planned to be higher than last year. But in proportion, it is lower firstly because we planned our production and our retail demand in a much more consistent wayand secondly, because now we feel more confident than one year ago, than two years ago, in implementing our auto replenishment program, which is not much higher than what you have in your mind: 7%, 8%, 9% probably this year.

But again, we feel much more confident because our production platform is much more ready and trained to react to the demand of the market. So these are the main reasons why our inventory is lower but on the other side we are not only happy, but confident that we can react if needed hopefully to additional demand of the market.

ROBERTO EGGS: I would like to add something because I think it's correct to think about in terms of auto replenishment in what you can bring in terms of inventory management. I'm also looking very much in the strategy that we are putting in place in terms of auto replenishment. Also in terms of quality of service that you are delivering to the store and ultimately to the final consumer, because the ultimate objective that we have for this project of auto replenishment, is to have the right products, at the right moment, in the right store, for the right clients, and all the tests we are currently performing are showing us positive impact, in order to have the right product at the right place at the right moment. So we need to see that of course having a positive impact in the inventory, but also having a positive impact in terms of quality of service and satisfaction of the end consumer.

PIRAL DADHANIA: That's brilliant. Thank you.

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

OMAR SAAD: Thank you. Good afternoon. I have one question, Remo, you made some comments earlier in the call about the recurring customer and the local customer, you know, I really like to get an update and maybe some more detail about the progress in terms of not just new customers trying the brand and buying one jacket and maybe coming back in a year or two for a new jacket. But getting them to come in more frequently and shop the brand year round and across categories and across seasons. I know it's tied into the excellence program as well. But any kind of detail and update around that would be really helpful. Thank you.

ROBERTO EGGS: This is Roberto. I am going to briefly re-describe what was the objective of the Retail Excellence Project. There were three main objectives. The first one was to increase the satisfaction of the consumer by developing a new client experience and something that we have designed bottom-up with the stores, that has been shared and the kickoff that took place here at the World Summit, Remo Ruffini was referring to, it's something that have gathered all the store managers because the training program is in place. We have then been going throughout the world and meeting the teams during the past three months. And I'm happy to announce that by the end of August this year, we'll have been training more than 90% of our client advisors in the store, which means that more than 1,200 people will have been trained through the new selling ceremony.

In parallel, we have been developing tools in terms of CRM, in terms of developing a path into the Moncler world through CRM support, one of them being a specific application that we have been developing for the iPhone and something that we have been testing from March to April in the store. But that has been bringing positive results in terms of repurchase.

I think it's a little bit too early to give you a trend and say this is going to impact by that percent the repurchase rate, but definitively the quality of the feedback from the client was positive. And we are seeing some positive results in the store that I have been testing it. We would have the best 50 store, or let's say the most important 50 stores in terms of local clientele that will have been trained and equipped by the end of this year. And we plan to cover 100% of our retail stores by June of next year. It's something we want to take the time to do right; because it's too easy now to say we have the application, we just send the iPhone and people who have to just do it, I think it's important to have a positive support that is given by the retail team in order to make it a new way of behaving and interacting with the clients.

So, this is something that is showing very positive results. Now we start having request of stores that are telling us we would like to have it, because they have seen their colleagues. And it's something that is very positive because than the request is coming from the market. So it's much easier, I would say 50% of the job has been already done.

The second part was the people, so developing carrier path internally, developing and giving KPIs that are oriented, for example, on unit per transaction and so on. This also has been showing positive results, it's something with a new remuneration scheme that will be in place in the market for the last quarter of this year, that it's a very important quarter for us, so we hope that is going to help us maintaining this high level of density of sales that we are usually having in quarter four.

And the third part of the retail excellence was the operational excellence. It's something that is in place. Now, all the stores are operating throughout the world with the same IT system. But also with the same operating guidelines, it was a gathering of the best practices that were in place in the Moncler world that took us nine months to be put in place. But it's something now all the markets have been trained and they are exactly doing the same way of operating, taking the best practices of all the regions and putting that together.

OMAR SAAD: Thank you.

PAOLA DURANTE: We have time now just for a follow-up question and for a further question if there are.

OPERATOR: As a reminder, if you wish to register for a question please press "*" and "1" on your telephone. For any further questions, please press "*" and "1" on your telephone. Ms. Durante, gentlemen, there are no more questions registered at this time.

PAOLA DURANTE: Okay, this is perfect. So thank you to everyone for participating in this call. Let me just give you a quick reminder. As usual Q3 2016 Interim Management Statement would be released on November 8, after the market close. A conference call we would take place the same day. Please note that following the entry into force of the new European market abuse regulation, which is effective from July 3rd, Moncler has extended to 30 days its quiet period also for Q1 and Q3 interim management statement publication. Quiet period for Q3 2016 will therefore start on Monday October 10. From August 4, to August 19, the Investor Relation Department will have its summer break, prior to that, do not hesitate to contact us for any follow-up question you might have. Of course, for any urgent request you can always reach us even during the summer break. We wish you a very good summer. Thank you. Bye.