MONCLER S.p.A

"First Quarter 2014 Results Conference Call"

May 15, 2014

MODERATORS: REMO RUFFINI, CHAIRMAN AND CHIEF EXECUTIVE OFFICER
SERGIO BUONGIOVANNI, EXECUTIVE BOARD MEMBER
LUCIANO SANTEL, CHIEF CORPORATE OFFICER
ANDREA TIEGHI, SENIOR DIRECTOR OF RETAIL BUSINESS AND DEVELOPMENT
PAOLA DURANTE, INVESTOR RELATIONS AND STRATEGIC PLANNING DIRECTOR

OPERATOR: Good afternoon. This is the Chorus Call Conference Operator. Welcome and thank you for joining the Moncler First quarter 2014 Results Conference Call. At this time, I would like to turn the conference over to Ms Paola Durante, IR and Strategic Planning Director. Please go ahead madam.

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

After a short introduction by Mr. Ruffini, Mr. Santel will run through the numbers and then we are all available to take your questions. But 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 risk and uncertainties and other factors that could cause actual future results to differ materially from those expressed in or implied by these statements, many of which are behind the ability of Moncler to control or estimate.

Any reference to past performance or trends or activities of the Moncler shall not be taken as a representation or indication that such performance trends or activities will continue in the future. In addition, let me also highlight that given the nature of our business, quarterly figures can be influenced by seasonal effects and therefore cannot be taken as a proxy for full year trends or results.

Finally, let me remind you that press had been invited to participate in this conference in a listen-only mode. Let me now hand over to our Chairman and CEO, Mr. Remo Ruffini.

REMO RUFFINI: Good evening everyone. Welcome to Moncler first quarter 2014 result conference call. To start, let me just say that I am very pleased with this result we are presenting today. We have delivered another quarter of double-digit growth in both our sales and profitability. Our revenues rose in all our international markets especially in Asia and both our distribution channel had a very good result with retail particularly strong.

In the first three month of 2014, our comp store sales grew solidly, rising 10% thanks to the very good result achieved in all our retail stores particularly Japan and China and US, the very good acceptance of our Spring/Summer collection, our improved and more efficient supply chain. Today's results are even more remarkable if you think that they have been achieved notwithstanding the 76% sell-through at full price reached in our Fall/Winter 2014 collection. Let me just add a few words on that. I believe that a 76% sell-through at full price is not only outstanding, but really unique and not only in our industries; it is the result of all what we have done in the past years which can be summarized in this few clear pillars.

We want to build a strong brand with no compromise and with not filter with the market. Today, our customers talk directly to us. They reward us to remain loyal to the brand. We want to have a lean and efficient company and to control our inventories. Scarcity is for us one of the most important pillars of our business model. We want to remain faithfully to our unique DNA made of more than 60 years of heritage. We are evolving while remaining into our roots and tradition.

At the end of March, our retail network increased to 111 directly operated stores and 27 shop-in-shops, and in April we opened further two important DOS, one in Hong Kong at the airport, which is our second travel retail store and our first store in Russia opening in Moscow.

Let me give you a quick update on our projection for 2014 and long term starting from the new DOS openings. We currently have 18 locations secured in addition to the six DOS already opened this year, which should bring to around 24/25 new openings for year end. Our 2014 Fall/Winter sales campaign has performed ahead of our expectations with good result in all product categories, even if as, you know, we always carefully control the products that we provide to our wholesalers. We've also begun building a business unit for knitwear in order to start creating culture and know how in this product category on that we believe should deliver good result in the future years.

I therefore remain confident about Moncler development for 2014, but even more important I am confident about Moncler development over the long-term. We are all fully engaged in building a strong brand and a solid company to achieve a sustainable long term growth.

Let me now hand over to Mr. Santel who will go into more details on the results. Thank you.

LUCIANO SANTEL: Good afternoon everybody and thank you for attending our call today. Let's start from Page 5 where we summarize the most important results of the quarter. Sales 145.4 million euros up 19% at constant exchange rate, driven by the international expansion - international markets represent now 78% of our total revenues - and by the retail expansion - retail represents now 56% of our total revenues. Comp store sales up 10% in the quarter, EBITDA €45 million with a margin on sales of 31%, net debt 163.9 million euros down over 7 million euros against the 171 million euros at the end of 2013.

Page 6, we report our sales broken down by market. You see that the 19% growth rate has been driven mostly by the Asian market, up 42%, very good performance in Europe up 20%, and pretty good performance in the US also up 15%, a little bit weaker Italy down 4%, but there is a timing effect on Italy in deliveries; in fact, at the end of April, our sales in Italy are flat against last year.

Page 7, breakdown by distribution channel. Very important growth (+28%) of our retail channel of course driven by the additional number of stores as compared to last year, but also due to a pretty good, pretty strong comp store sales which increased by 10%.

Let me give you a very short technical note of this. We are utilizing now the comp store sales and methodology that is recommended by the Italian National Retail Association which follows the international best practices. In the comp store calculation, we have considered comparable, those stores that have been opened for 52 weeks. So they started to be comparable the 53rd week. The old methodology we utilized till last year considered comparable stores that were opened on January 1 of the year before.

Important to say under the two methodologies our comp store sale growth rate as of March is exactly the same and so the two methodologies do not provide meaningful differences at all.

Wholesale very good performance, up 9% at constant exchange rate notwithstanding the reduction of our wholesale customers, and notwithstanding the conversion of many shop-in-shops, so 9% is a good performance.

Page 8, you see our stores network, we have reported at the end of March a total number of 138 mono-brand store, 27 shop-in-shop and 111 DOS, but we have opened two important stores in April, one in Moscow Stoleshnikov and one in the Hong Kong Airport and we just opened yesterday a store in Malpensa Airport. So right now we have, as we speak, 140 Mono-brand stores. As Mr. Ruffini said in his introduction, we have 18 secure stores that on the top of the 6 stores that have been opened until April which makes 24-25 stores expected to be opened this year.

Page 11 we see the numbers of our income statement just a short comment on the top line. The growth rate has been 15.8% at current exchange rate, 19% at constant exchange rate which would have provided a 4 additional million on the top line and 2 additional million on our EBITDA level.

Looking at the rest of our income statement: the gross margin is good, the increase is totally due to the channel mix given that we are increasing our retail business. Selling expenses, the other face of the coin, are growing as much as the retail business is growing, because we reported here the cost of store openings.

G&A are a little higher than last year, but in line with our plan and we are confident that will be better by year-end. Advertising is in line with our plan. Just a brief comment on the non-recurring items, we reported €600,000 relating to the non-cash costs associated with our stock option plans. This number is expected to grow because the stock option plan has been approved at the end of February. For the year end, we expect total number in the region of €4 million, but again, you know that this is a rule provided by the IFRS, is non-cash cost.

Another brief comment about last year, we reported in the line "discontinued operations" 3.3 million loss due to the loss of the Sportswear division that has been sold in November of 2013 as you know.

Page 12, we see a chart with a bridge between EBITDA of Q1 2013 and the EBITDA of this year, of course most of the increase is driven by the sales increase and gross margin increase.

Page 13 CapEx this is an important slide to make some comments. We reported 9 million against the 6.4 million of last year of course as usual the majority of our CapEx are related to the retail expansion, but we see also a material number associated with the wholesale business 1.8 million that is mostly related to the new showroom we are developing in Milan. We will see another important number in the second quarter, because the work is not completed yet.

About the retail expansion, we now have a clearer picture about this year and we would like to share it with you. As Mr. Ruffini said, we expect now to open a number of stores that would be at least 24-25 new stores, but also we made recently the decision to take opportunities offered by some landlords to expand the space or to relocate some of our important stores. We are talking about 5 stores, but two of them are two important stores we have in Hong Kong: one is IFC Mall, the other one is Harbour City in Kowloon shopping mall. The store in IFC will be relocated to another much bigger space about 180-200 square meters. The store in Harbour City will be expanded to about 150 square meters. The other stores are less, let's say, powerful, but we are talking about Aspen in the US, Cortina and another in Japan. So this is just to highlight that we will have to put some money for the construction of the stores that are going to be relocated or expanded.

Last, but very important, related to the corporate portion of our CapEx, which includes as you know, the investments related to our information technology infrastructure. We made a decision to anticipate this year as much as we can, some important IT project that we have in our pipeline, you see in the bullet in the slide “SAP” that is already ongoing, but also other projects that are very important for our business would be anticipated this year and so the CapEx budget for IT will be higher than last year. Having said that, the message I wanted to convey now is that overall CapEx this year will be higher than last year.

Okay, let’s go to Page 14 now, net working capital is in order, is in line with the past 8% still the same number than the year end 2013 than the first quarter of last year, accounts receivables are really under control, the number is even lower than last year notwithstanding the increase in our wholesale business.

Another important point is about inventories, which are much higher than last year, because as we have already said over the past conference call and meetings, we are anticipating the cycle related to our fall season. We have anticipated at the end of March some receipts of the fall products and of course at the end of March you see that. On the other side we have a much higher amount of payables, but by the end of June we expect the inventory to be still pretty high because we mostly sell products in July and September, while on the other hand we will have paid part of our payable and, as a result of this, our working capital on a percentage basis will be higher than 8% and close to the number that you should familiar with that we said “low double-digit 11%-2%”.

Page 15, net debt nothing important to say: debt is down over 7 million against December 2013. Page 16, balance sheet, no particular comments to make here, a couple of comments on the cash flow statement at Page 17, as we said before, debt is down 7 million, thanks to the cash generation that has been good, but negatively impacted by higher CapEx of course, but also an important decrease in our liabilities mostly due to the decrease in the payables associated with our IPO cost. You may remember that in 2013 income statement we recorded some extraordinary costs related to our IPO, but we paid them in the first quarter of this year. This is important to highlight, because this is one-off and non-recurring item in Q1, and is not going to happen again in the following quarters.

PAOLA DURANTE: Okay, so thank you very much to all of you for participating in this call. Let me just give you a quick reminder of upcoming investor events for Moncler: 2014 first half financial results will be released on August 6 after market close and the conference call will take place the same day. The quite period will start on July 6; for your convenience prior to this announcement we will send you Moncler 2013 first half financial results. Please do not hesitate to contact us for any follow up question you might have. Thank you and good evening.