Moncler S.p.A

"First Quarter 2015 Financial Results Conference Call"

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MODERATORS: REMO RUFFINI, CHAIRMAN AND CHIEF EXECUTIVE OFFICER.
LUCIANO SANTEL, CHIEF CORPORATE OFFICER
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 2015 Financial Results Conference Call. After the presentation, there will be an opportunity to ask questions.

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

PAOLA DURANTE: Good afternoon and good morning to everybody, and thank you for joining our call today on Moncler's first quarter 2015 financial results. As usual, before starting the presentation, I need to remind you that this presentation may contain certain statements that are neither reported financial results, nor historical information. Any forward-looking statements are based on Moncler's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks and uncertainties, and other factors that could cause results to differ materially from those expressed in, or implied by this statement, many of which are beyond the ability of Moncler to control or estimate.

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

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

REMO RUFFINI: Good evening, everyone. And welcome to Moncler First quarter 2015 results conference call. We are here today to present another strong set of results for our Company, that I believe confirms once more the real power of our strategy.

In the first three months of 2015, revenue rose by 30% at constant currency, mainly driven by our retail division, supported by new openings and also by solid organic growth. In fact, our comp stores sales rose by 25% in the quarter and all markets contributed to this strong performance. At the end of March, our retail network reached 151 directly operated stores, compared to 134 at the end of December. Latter number including the 12 Korean conversions and we have in addition 20 secured stores ready to be opened before the year end.

As I said, these are very strong results, but it is also important to bear in mind that we are only talking about the first three months of the year, which benefit from an easier base of comparison with last year.

As you would remember, in the first quarter of 2014, our store had not enough Fall/Winter clothes available for sale. This year, we managed our inventory much, much better. This has clearly helped our organic retail growth, in particular in the first two months of the year.

I am also really satisfied with the first start of the Spring/Summer season in all regions. Our new collection has been well received by our customer, who appreciate more and more, not only our outerwear collection, but also our knitwear. But please don't forget that the most important months are still to come. As the management team, we remain very focused on all aspect of our business, as we work to develop our brand for the long-term.

Let me also today introduce you to Roberto Eggs, Moncler's new COO who as you know, recently joined the Company. Roberto has a deep expertise in our sectors. I am sure he will add great value to our team, to develop our brand globally. Welcome, Roberto.

Let me now hand over to Luciano Santel, who will take you through the details of our financial results, after which we will be very happy to take your questions. Thank you.

LUCIANO SANTEL: Thank you and good afternoon, everybody. We start from Page 6 where as usual, we report the most important points of the quarter. We report sales of €201 million, up 30% at constant currencies and 38% at current currencies. Business growth has been driven by the international markets, which represent now 83% of our total business and by the retail channel, which represents 69% of our total sales. Retail channel that has been particularly strong reports a very good comp stores sales growth of 25%. EBITDA, €65.7 million with a margin of 32.7% against 31% last year, EBIT, €57.3 million, 28.5% and net income €39.6 million with a margin of 19.7%. Net debt, €84.3 million, down against the €111.2 million at the end of last year, thanks to €27 million net cash generation in the quarter.

Let's go now to Page 7, where we report our sales by market, €201 million, up 38% at current currencies as we said before, net of about €2.6 million impact of our hedging activity. The growth rate at constant currencies has been pretty good in all the different regions, North America 61%, 48% in Asia, driven by Hong Kong first, China, and Japan, all the three markets are very good in this quarter, a very good 19% in Europe and a positive good result, +7%, in Italy, where as you know, we reported last year a flat number.

Let's go now to Page 8, where we report sales by distribution channel. Growth rate very strong in the retail channel, we report a slightly negative number in our wholesale channel, but important to highlight the fact that as we know, we have taken over our Korean business at the beginning of this year, which last year was reported under the wholesale channel, and this quarter in 2015 it's reported under the retail channel. And so, with the exclusion of the Korean business, the growth in wholesale would have been a positive, slightly positive, about 1%.

But again, the strong driver of our growth has been the retail channel, and again, because of the new openings, as compared with last year, but the most important driver of the growth has been the 25% comp store sales growth that we said before. The 25% gross rate has been very strong and driven by a very good performance, mostly in January and February. This is mostly due to the easy base on comparison because last year you may remember that we ran short of Fall/Winter inventory at the end of the season, this year our inventory position was much better than last year and we took the benefit increasing significantly our sales again mostly in January and February.

Let's skip now to Page 9, where we report our monobrand store network. The number of retail stores at the end of March was 151, against 134 at the end of December. The 151 stores include the 12 stores that are part of the takeover in Korea, but there are also other five additional openings, that relate to the first quarter of this year. We also report 30 wholesale monobrand stores against the 38 of last year, which on the other hand do not include the 12 stores that were under the wholesale network of last year and that are this year under the retail network.

We can go now to page 12, where we report our income statement. Again the growth rate very strong at 38%, at reported current exchange rates, a gross margin 73.8%, better than last year, mostly because of the growth in the retail channel where we report a higher gross margin as you know. On the other hand, the selling expenses 28.5% higher than last year for the same reason of course because, by increasing and developing the business under the retail channel we will improve our gross margins, but we include in additional expenses to operate the stores.

G&A a pretty good number 9.3% against 11.3%. Important to highlight, that this number is particularly good also because of the exchange rate impact, even at the constant exchange rate this number would have been 9.7% still better than last year. Advertising and promotion is more or less in line with last year on a percentage basis 7.4%. As you know, we keep investing in communication because we believe it is strategically important for the business.

Non-recurring items, nothing important to say, they are related to the non-cash expenses associated with our stock option plans. Net financial result is positive, the real interest expenses would be €1.5 million negative, but we have about €5.3 million positive impact of FX gain. At the end, the net income is €39.6 million with 19.7% margin and EBITDA €65.7 million with 32.7% margin, other 170 basis points better than last year.

Okay Page 13, we report the usual bridge between EBITDA last year and this year. But let’s look now at the Page 14, where we report CapEx. CapEx was equal to €11.3 million this quarter, it is important to say that this number includes the €1.6 million paid for the takeover in Korea. So the number excluding the takeover on Korea is substantially in line with last year, and substantially in line with last year we expect the number for the year-end, last year we spent about €50 million, and we do expect for this year to spend more or less the same amount.

Let’s go now to Page 15, net working capital, €92.6 million, 12% which at constant exchange rates it would have been 11%, which is higher than last year. But we have slightly changed our business model over the past of 12-months. And it’s important to highlight, that the impact of our working capital is lower than at end of last year.

Important to highlight, of course, is the growth in our inventory because we started to anticipate our supply deliveries in the fall of last year, and this turns in higher inventory, but this includes the current spring season and anticipations of the upcoming Fall season, 2015 Fall season.

Another important comment about receivables, the increase in receivables is due to the retail concessions performances. So it's not the wholesale business, but this is because we have reported an increasing sales in our concession and the department stores and this is the receivables associated with these sales.

Page 16, the net debt, which as I said before is significantly lower than last year. And at this point, I would invite you to go directly to Page 18, where we report our consolidated cash flow statement. Nothing important to say, that we have not said already.

Only one comment about the line "change in equity and other changes" which reports €11.7 million negative, there are two main components of this number; one is, the negative mark-to-market of our hedging instruments. The other one is the net present value of the put and call option we have by contract with our partner in Korea, that's according to international accounting principles is reported as financial debt. Overall again, the net cash generation is €26.9 million.

PAOLA DURANTE: Thank you very much to everyone for participating in this call. Let me just give you a quick reminder of the next releases, Q2 2015 financial results will be released on July 29 after market close as usual and the conference call will take place the same day, quite period starts on June 30. Thank you very much to everybody and I'll speak to you soon.