

Moncler S.p.A.

"Nine Months 2021 Interim Management Statement"

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

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

PAOLA DURANTE: Thank you operator and thank you all for joining this call. As usual, the Interim Management Statement call is hosted by Luciano Santel, Moncler Group Chief Corporate and Supply Officer, and by myself. I’ll start providing a brief overview of our results, and then Luciano and myself, as usual, will take all your questions.

Before going into 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 and are subject to risks and uncertainties that could cause results to differ even materially from those expressed in, or implied by these statements.

Let’s now go into the presentation, and I move to Page 2 where we have included some brand highlight. In fact, I wanted to start the call today commenting on some of the many important projects and events that happened in the last few months. And of course, I have to start with the Moncler Genius event, MondoGenius, which took place digitally and

physically on September 25th. I hope you have seen the show or the replay after, but really it has been an unprecedented event, and the results were above any of our expectations. As of today, the show generated a total reach of 4.2 billion, with 510 million views, and 238 million on the live audience, which is impressive. But the quarter has not been only Mondo Genius. We had also 3 strong Genius launches, Moncler Fragment, Moncler 1952 both Men and Women and Moncler Hyke, our new Genius.

Going to Page 3, you can see that in October we introduced the teaser of our new corporate campaign, “We Love Winter” - as you know, we love winter - and pre-launched our first ever fragrances, which will be fully launched then in Q1 2022. Last but not least, Stone Island presented its running shoes in collaboration with New Balance. The sneakers have been completely sold out online, basically immediately - I think in one hour - and recorded extraordinary results in all the channels, in particularly on the e-tailers. I just mention the results on the raffle on END's, where the shoe was in the Top 10 ranking of the ever sign-ups.

Okay, let's now go to the numbers. So, let's move to Page 4, where we commented the Group 9 months revenues results. As usual, I comment constant forex, but this year, differently from other years, I will mainly comment performance versus 2019 numbers so, as you can understand, to underline and to value the underlying trend of the business excluding the pandemic effects. In the first 9 months of 2021, Moncler Group reached €1.2 billion revenues, up 56% versus 2020 and 20% versus 2019. This result includes also Stone Island, the green box, whose revenues have been consolidated since the 1st of April, so for 2 quarters, the second and the third quarter within the 9 months, and then contributed in the 9 months for €156.4 million. Excluding the acquisition of Stone Island, the Moncler revenues in the first 9 months grew 36% versus 2020, as you can see from

in the chart, and 4% versus 2019, with a significant acceleration in Q3 which has showed a double-digit +10% growth versus 2019.

Let's now move to Page 5, and we focus now on Moncler brand only. On Page 5, we analyze in details the performance by region. Let's start with Asia, the blue box that includes APAC, Korea and Japan. Asia generated €468 million in the 9 months, contributing 46% of total revenues. The region rose by 24% in Q3 driven by the Chinese mainland, which further accelerated in Q3, and also by Korea that continues to post outstanding performances. Rest of APAC and Japan suffered mainly from COVID restrictions. You know that Australia has been closed most of the quarter, and also many of the other markets, but in particular Japan, have been very difficult in the quarter due to the COVID restrictions.

Let's now move to EMEA. EMEA reached €379 million, and contributed for 37% of Moncler's 9 months revenue. The region showed a significant improvement in Q3 with revenues very close to the 2019 levels, minus 2% as you see in the chart, thanks to a much stronger DTC business, which has been driven by online - for EMEA the direct online has been integrated since May - and by local customers. Locals in particular in the quarter grew nicely recording a very good double-digit growth, and offset the lack of the travelers, that we are still missing particularly the ones outside the region.

Finally, Americas. America posted another strong result in Q3. You see that the business was up 10%. So the DTC did very well in Americas, while the wholesale business has been impacted by a different timing in deliveries, and also by some more wholesale conversions into retail, which affected the results. So, very solid results, across regions.

Let's now move to Page 6 of the presentation, Moncler brand revenues by channel. In the first 9 months, DTC revenues reached €702 million, contributing to 69% of total brand revenues. In Q3, DTC rose by 15%, driven by online and also by the very good performance of some the new stores opened. With regard to the direct online, I can confirm, as I was saying, that we had concluded the internalization of our e-commerce business. Japan has been internalized early July and China in October.

Moving then to the wholesale channel, it grew by 2% in Q3 versus 2019 in line with our expectations. Q3 performance has been influenced by a different timing in deliveries, among Q2 and Q3. In fact, as you may remember, in Q2, given the very high request of products, especially in the US, we delivered early also some Fall/Winter products to fulfill the demand. In terms of year end indication, I can confirm, just to give you an indication, that year end wholesale should grow around mid-single-digit compared to 2019.

And now, at Page 7, I'm looking at Stone Island results. In the first 9 months - so from 1st of January to end of September - Stone Island reached €244 million of which €156 million consolidated in the Moncler Group. Stone Island recorded in the first 9 months a 27% growth versus 2019. Q3 revenues, as you can see from the chart, reached €100 million with a very strong contribution of all channels and all markets. On Page 7, that EMEA and wholesale are the most important markets and channel respectively.

Finally, I'll move to Page 8 of the presentation, Group mono-brand store network. At the end of September, the Group retail stores reached 263 units of which 233 are Moncler and 30 Stone Island. In the third quarter, Moncler opened 9 DOS, and among these, there are some very important

flagships of which you can see the pictures on the following pages. We opened Milano Galleria, we opened Chengdu Swire, we opened Hangzhou MixC, we did the relocation of Los Angeles Rodeo Drive, and also we refurbished entirely the Beijing Sanlitun store that is now a real flagship, also performing quite nicely.

In terms of store temporarily closed - just an update on the COVID at the end of the quarter - we had 3 stores closed. Nevertheless, you remember that during the quarter and particularly in Japan, but also in the month of August in China, we had some shorter opening hours in our store, or some very short temporary closures.

And then you can see at Page 9 Milano Galleria, at Page 10 the pictures of our very nice Chengdu Swire Flagship, Beijing Sanlitun and Los Angeles Rodeo Drive at Page 12.

And now let's move to Page 13, that is also my last page. A very quick sustainability update: I just would like to remind the fact that 30% of Genius outerwear presented in MondoGenius, in the last show that we had, was entirely made with sustainable fabrics, and all bear the Moncler Born to Protect tag. This tag guarantees that the products follow Moncler's strict protocol for sustainable materials. As you know, Moncler's sustainable jacket have been introduced in the 2019 collections. And since then the range has been progressively enlarged, and also extended to other categories.

So I think with this comment we ended the presentation. And now, I will hand over to the operator for the Q&A questions. Luciano and myself we'll take all your questions. Thank you, operator.

Q&A

OPERATOR: Thank you. 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 your question, please press "" and "2." Please pick up the receiver when asking questions.

The first question is from Susy Tibaldi of UBS. Please go ahead.

SUSY TIBALDI: Hi, good evening. Thank you for the presentation. My first question would be on what you're seeing now. I know you're usually quite reluctant to comment on the exit rate or the current trends. But it would be very helpful to understand how you saw the progression of the growth during the quarter, especially to understand if you saw an acceleration in September, given that that is when your important part of the year starts, and that is when local consumers start to have a higher weight. So did you see an acceleration in September going into October, and any volatility during the quarter?

Secondly, thinking about the fourth quarter again, last year you managed to grow 5% in Q4 retail, despite having a significant amount of stores closed, which was very impressive. Is it fair to assume that this year the traffic is going to be higher, you're seeing higher traffic than last year, similar conversion rates? And therefore, should we imagine most volumes to be stronger than last year, plus a little bit of pricing on top? So can you confirm how to think about the fourth quarter?

And then the last point on the margins. Last year in H2, you achieved a record EBIT margin of 39%, significantly ahead of 2019. There were

some one-offs, obviously. But how should we think about H2 now, because if I'm not wrong at the H1 call, Mr. Santel mentioned that 28% margin for the full-year was a reasonable assumption? Now you had a very good start to the second half with a good prospect for the fourth quarter. So is this 28% now a bit too conservative? Thank you very much.

LUCIANO SANTEL: Ciao Susy, thank you for your questions. About your first question, the current trend and the evolution of the businesses trend in Q3. Q3 was a strong quarter in many regions, not all of them because unfortunately Japan suffered and the reason why Japan was weak was totally because of the pandemic spike in July and August and also the delay in the vaccination plan. Now, the vaccination plan is much better than a couple of months ago and the business is doing much better.

With the exclusion of Japan, I will say that in Q3 all our regions did very well. Regions like China that were already very strong in Q1 and Q2, in Q3 did even better than the two quarters before. Regions like Korea that has been stronger, not since ever, but at least over the past two years, also last year Korea kept growing and in Q3 was even stronger than before. The same for Americas, and for Europe which was much better. As Paola said, Europe in Q3 did very well, notwithstanding the total lack of travelers, that, as you may remember, in Q3 used to represent until 2019 up to 60%-70% of our business. So a great job was done with the local customers. Of course, some minor countries, like Australia, still heavily hit by COVID, or Singapore, Taiwan, did not well at all, but overall we are very happy about Q3 and we are very happy for the acceleration we saw in Q3.

Talking about the beginning of Q4, talking about the last weeks, I can tell you that the very first 2 weeks of October started pretty well with some

kind of acceleration. Over the past 2 weeks business is doing very well. So again, I suggest qualitative comments but we know we are happy with the way Q4 started. So far so good.

About your second question, which is about Q4, whether or not we can do in the retail better than last year, I can tell you that for sure we have a space positively impact because we have more stores and also the space impact coming from some important relocations like Los Angeles Rodeo Drive. So assuming a better Q4 this year than last year is as usual very challenging but it is reasonable, not unreasonable. Of course, needless to say, because this is something we keep saying every year, when we talk about Q4 at this time, we still have ahead the 10 most important weeks of the year, every day is an important day of this quarter. So it would be very unprudent to anticipate strong results for the year but we are confident because, looking at the recent past, business is doing well. And it's not only a matter of business, because we are confident about the brand, we are confident about the extraordinary results that MondoGenius event developed around the world, and the metrics that Paola communicated are really amazing. So to answer your question, it is challenging but doable.

Last question is about operating margins. It is to some extent a consequence of the second question about how we will perform in Q4 in retail. You're right, we said 28% because we believed and we still believe that achieving the same result of 2019 was and is still very difficult, because EBIT was over 30%. I think that 28% or 29% is a fair assumption, but it will totally depend on the next weeks. So again, we are very positive, confident - we cross our fingers - because again we have ahead the most important period of the year. But I think that 28% or 29% is something reasonable. Thank you.

SUSY TIBALDI: Okay. Thank you so much.

OPERATOR: The next question is from Melania Grippo of Exane. Please go ahead.

MELANIA GRIPPO: Hello, good evening everyone. This is Melania Grippo with Exane BNP Paribas. I've got 2 questions. One, if you could please elaborate on the performance that you have done in U.S. You mentioned that it was impacted by some shifts in wholesale, as well as the conversion of shop-in-shops into concession. Could you please provide quantification on this impact?

And the second question is if you could please remind us your CAPEX budget for 2021 for Moncler, as well as Stone Island brands and also how should we think on this item for next year. Thank you.

LUCIANO SANTEL: Thank you for your questions. About U.S., U.S. is one of the regions that did better in Q3. Actually, in Q2 also the business in U.S., North America, and Canada too did very well, but in Q3 we saw an acceleration, specifically in the direct-to-consumer, in the retail and online business. The wholesale business results depend totally on the deliveries. And as Paola said before, we started earlier than last year and the year before to deliver to our key accounts, and specifically to our department stores in the U.S., Fall/Winter products - more than before in June - and this was because the sellout of department stores in the last Spring/Summer season was very strong. So they found themselves at the end of this season with no product, so they strongly requested Moncler to anticipate deliveries of the Fall/Winter season, and this is the reason why the wholesale business in Q2 was particularly strong.

In Q3, of course, there was some kind of rebound effect, because of the anticipation of deliveries. And this is the only technical reason why you see a smaller growth rate in Q3 than in Q2. But overall, business in the U.S. and North America is doing very well. Of course, when we talk about wholesale, we report business results based on what we deliver, but we look much more closely and much more in depth to the sellout of our wholesale customers. So I can tell you that the sellout of department stores in the U.S. is very good, not only in the U.S., of course, but now we are talking about the U.S. The conversion of some shop-in-shops into concession stores moved some business from wholesale to retail. But again, overall, excluding these technical aspects, the business in North America is doing very well and we are very happy. Something I can add is that the business growth would be much stronger, should we decide to exclude Hawaii simply because some brands do exclude Hawaii. If we exclude Hawaii, the growth rate would have been much higher simply because Hawaii business is done with Japanese customers that did not visit Hawaii this year. And so, the business is strongly down in Hawaii. If we exclude Hawaii the business growth would also have been much higher, so U.S. is very good.

Your second question was about CAPEX. For CAPEX, nothing changed. At the beginning of the year, or the end of last year, we said that our target was about €130 million for Moncler only. The CAPEX budget for Stone Island is not so big. It is less than €10 million, so I can tell you that overall to the consolidated level, we still expect a CAPEX in the region of € 135 or 140 million, including Stone Island. Thank you.

MELANIA GRIPPO: Thanks.

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

ERWAN RAMBOURG: Hi, good evening, Paola and Luciano. Thanks for taking my questions. I have 2 questions on China and then another one. I'm wondering if you could explain the acceleration in Mainland China on the 2-year stack because a lot of your luxury peers have actually seen a slowdown, which is related to COVID-19 cases between late-July and mid-August. So is it a question of awareness of the brand? Is it a particular launch? Is it a particular campaign? Can you explain how you're actually accelerating in Mainland China?

My second question on China is on the price positioning that you have in China today relative to Milan or relative to Paris for example. I remember you had quite a premium a while ago. It's probably not very important as the world is shut, but eventually, hopefully the world will reopen. And I'm just wondering where you stand in terms of that price gap.

And then my third question is on MondoGenius to understand if the sales are mostly going to be in Q4 or if the bulk was already invoiced late in Q3. Thank you.

LUCIANO SANTEL: Thank you for your question. About China's acceleration is something very strong, which is the clear demonstration of the strength of the brand, because this year in China Mainland we are doing the business that we did in 2019 with Chinese customers all over the world, which means that we have practically offset all the lack of business with the Chinese customers in Europe, North America, Korea, Japan, with business in their local market, in China Mainland. I think there are several reasons for that, but in one word the brand in China is very strong. Anytime we deliver, just to give you an example, a Genius collection, the first region in terms of results, of response, is China. Fragment did very well. All Genius

collections did very well. And they're doing very well in China. So the explanation is that Chinese customers love the brand. Also if I look at the results of MondoGenius event, the digital results, I can tell you that 30% of the views we reported came from China. So overall, we are very happy and nothing to add, except that the brand in China is really very strong.

About the price gap, we still have with China a price gap of about 140. And, 140 is not the target we set as a management team. Roberto and I have a target that is to go down to 130. It is taking longer than expected but we say that we will get there probably in a couple of years. And 140 is still higher than planned, but much lower than what it was in the past. The reason why we believe that we have to further decrease the price gap is not because of a business concern, but because we believe that having a more balanced pricing policy across the regions is more a matter of brand integrity. And that's why we believe that we have to decrease the price gap. Right now it is 40%.

PAOLA DURANTE: The last question was about MondoGenius sales.

LUCIANO SANTEL: Yes, MondoGenius sales. First of all it is important to remember that MondoGenius, as much as all the Genius events we run in the past, was and still will be a brand event, that means that what we aim to obtain with this kind of event is a strong enhancement of the perception of the brand, of the brand awareness, and the digital results Paola said before are very encouraging because we were able to reach people, young generation customers and new customers and new geographies, new people that probably didn't even know the brand. So this is extremely important. The business impact of this kind of event is not something we can see overnight. And honestly, we didn't expect to see overnight a strong impact on business, even if I can tell you that the online business in September

before the announcement of the event, during the event and after the event has been very good. But again, this was not our goal, so MondoGenius has been an extraordinary brand event. Very important for the future.

PAOLA DURANTE: Maybe important also to highlight that we have several Genius launches presented already on September 25th, but they will cover the next 12 months, so it will be every month one launch. We started with Hyke that was the first one, but the coverage will be out of 12 months.

ERWAN RAMBOURG: Excellent. Okay. Thank you very much. Thank you.

PAOLA DURANTE: Thank you, Erwan.

OPERATOR: The next question is from Thomas Chauvet of Citi. Please go ahead.

THOMAS CHAUVET: Good evening Paola, Luciano. I have 3 questions, please. The first one comes back to retail trends, so the plus 15% 2-year stack retail growth. You had quite a step up in openings in the period compared to the first half, particularly in Asia. Could you give us some color on the space contribution this quarters? Can we try to derive the 2-year stack retail like-for-like? If my rough calculation is correct, you had maybe a low single-digit negative LFL on a 2-year stack in Q3, is that sensible? And I guess the acceleration in the first 2 weeks of October suggests you may be already positive.

Secondly, on e-commerce, well done for finalizing the internalization of that channel. Can you share the overall growth of moncler.com in the period and the weight of e-com sales on total Moncler brand or total Moncler retail sales? That would be useful.

And finally, with your retail opening plans and the resurgence of COVID restrictions in some parts of Asia, are you still sticking to all your store opening plans for Q4 and the beginning of next year, particularly in China in the run up to the Beijing Olympics? Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions. About your first question, the 15% growth in Q3 was driven by space. We don't make our comp public in Q1 and Q3, but we are still slightly behind 2019. All the numbers I'm commenting regard this year are compared to 2019, not last year. So for comp we are still behind. But the strong impact came from space, because we opened over the past 2 years several important stores. Let me highlight important, because we said Milano Galleria, but Paris Champs-Élysées, Chengdu and the relocation of Los Angeles Rodeo Drive, Kobe - I am just talking about flagship stores - Sanlitun actually is not a new store nor a relocation, but it is important to mention because in the same space, we developed a new flagship store, very impactful, very visible with very strong results as compared to before, in the same space.

So all of these factors together and many others made this strong 15% growth rate. As for the retail planning or new openings for this year, nothing changed so all the stores we have in our plan will be opened and are ready to be opened. For 2022, our distribution strategy in China has not changed at all. Moncler strategy has been since ever very selective in all the different regions including China. We are very happy with the implementation of the strategy to open much bigger stores, much more visible. I just mentioned Chengdu Swire which is a beautiful flagship store, but I didn't mention Hangzhou, for example, which is another new opening. I just mentioned Sanlitun, and there are other cities we are targeting, mostly Tier 1, but also Tier 2 cities, where we have in our pipeline new openings for next year, but still with the same selective

strategy. You know that our business strategy is driven by brand strategy and not by the interest to chase volumes, something that would be very easy in China right now, but it is not our strategy at all.

PAOLA DURANTE: E-commerce contribution.

LUCIANO SANTEL: As for e-commerce contribution, first of all, I mean as Paola said before, there is an important fact we already commented at the end of Q2. We internalized 100% of our online business. We started exactly 1 year ago with North America. Then in May/June, Europe, in July, Japan and just 10 days ago, China. So right now, 100% of our e-commerce business is under our direct control and operations. Results are good honestly, not only because the machine behind the scene is working very well, but also because by driving the car directly, we can maximize the opportunities. So online is contributing very nicely to our direct-to-consumer growth.

THOMAS CHAUVET: Thank you, Luciano. Just to clarify on the space contribution, so basically, in the third quarter, all the growth came from space, so retail like-for-like on a 2-year basis is down probably low single-digit negative. And as you said, it accelerated in the first 2 weeks of October. So I suspect it's slightly positive. Is it a fair assumption?

LUCIANO SANTEL: What I said is that the DTC growth was driven by space. And talking about comp, we are still slightly behind 2019. This is in Q3. Therefore it is pretty premature, but as I said before, business started very well.

CHAUVET: Thank you very much, Luciano. That's clear. And good luck for the fourth quarter.

LUCIANO SANTEL: You're welcome.

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

ANTOINE RIOU: Good evening, Paola, good evening Luciano. My first question is on the performance with locals in Europe. It seems really impressive. Paola, you said that it was growing strong double-digit, but if we just take the assumption that locals were 35% of sales in 2019, and considering that this year you have almost no tourists, you should be growing strong triple-digit now to reach the sales level you reached. So it would be interesting to get maybe a bit more quantification on the local's performance versus 2019 in Europe. So that's my first question.

The second question is just a quick clarification. Paola, I think you said wholesale should be growing mid-single-digit in 4Q. Is that correct, and is this versus 2019? And the last question is just on Stone Island. Given this is mostly a wholesale business, can you give us maybe your expectations for growth in the fourth quarter? Many thanks.

LUCIANO SANTEL: Okay. About your first question, in Europe, locals did very well. You said that and we confirm that. I think that the company in Europe and the retail team are doing a great job with the local customers and all the clienteling activity and culture that has been developed over the past years is delivering the results that are very strong. Let me comment only on a qualitative way. I can't provide the numbers, but what I can tell you is that locals in Q3 represent less than 50% of the business. And so, by hearing this kind of results, considering the lack, not 100% but very strong lack of tourism, it means that the growth rate in Europe with locals was very good and very strong.

Your second question was about wholesale. What Paola said, to be precise is that we expect the wholesale business for the year end to be in the region of mid-single-digit growth rate for all the year, not for Q4, compared to 2019. And so mid-single-digit for the 12 months period, not for Q4. And this is just to clarify even if you should consider that we have reported the 5% in the 9 months and Q4 is not expected to be much different. But in any event the 5%, 6% whatever in the region of mid-single-digit is for the fiscal year.

About Stone Island, Stone Island as you said is not 100%, but 80% wholesale business model and so the majority of the business is concentrated in Q1 and Q3. Also, because the wholesale business is more predictable than the retail business, I can tell you that results for this year are expected to be good. I can tell you that, even if it is not something we normally disclose, I hope that we can touch and pass the €200 million for the 9 months. We consolidated the brand in line with the consensus. Of course, the retail business is growing, and is growing organically so far. And I would say very nicely. When I said before, that October is doing very well, I was thinking of Moncler, but not only, we are thinking also of Stone Island that is doing a very good results on the retail side. And so, overall for Stone Island the consensus - this is something we can disclose, because it's much easier to predict - will be in the region of €200 million. Of course, €200 million consolidated plus what we did in Q1 that unfortunately is not in our numbers but overall the 12 month period will be in the region of €300 million.

ANTOINE RIOU: Thanks.

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

ELENA MARIANI: Hi, good evening Paola and Luciano. A few clarifications for me please. The first time will be on China again. So can I clarify that when you say that you have a strong sequential acceleration Q3 versus Q2 you mean in the retail comp, so not in the total overall constant currency growth which would also include the space expansion. Moving to the second question, can you clarify what the overall growth of the Chinese cluster was in Q3 versus Q2, and how is that developing into the fourth quarter, and how much is China now overall as a percentage of total? As I remember that before the pandemic that wasn't your largest market in Asia, but Japan. How is the weight of the countries now looking like post-pandemic?

And then a couple of other clarifications. So you talked about online and the fact that now you are fully internalized. Is there any impact of this internalization on the online business we should know in terms of P&L, and what is now the percentage of online sales out of the total group sales?

And then a final question is on MondoGenius, because I was very impressed by what you put together and that the event was record-breaking across multiple platforms and also social media. In terms of what you are planning over the next 12 months is there something that will be doing differently on the Genius project or is it more about a way you are sponsoring the event that has been just likely start so much? This years' event has been great. In terms of like launching events or cross selling, how is the planning looking like for the next 12 months and how different will that be from the previous events? Maybe, let's leave COVID period aside maybe we can compare it to 2019. Thank you.

PAOLA DURANTE: Sorry, you had a lot of questions that on top of it, the line was very bad. I don't know if it was here. I think we understood most of it. The first one

was on China and clearly for the acceleration that we have seen when we talk particularly about Q3, we always refer to the total revenues on the business in the market, but I also leave Luciano to comment further.

LUCIANO SANTEL: Yes, so a little talking about acceleration, It makes me smiling because China has constantly accelerated also in Q1, but let's say that Q3, as I said before, was even better than Q2, when Q2 was even better than Q1. But as Paola said this is overall revenue. There have been some important openings, but, of course, the vast majority of the growth later in China is organic for sure because of what I said before about the Chinese cluster, that was the other correlated question.

PAOLA DURANTE The question was actually on China as a country. I don't know if I am right.

ELENA MARIANI: Yes, if you can disclose the Chinese cluster, that would be great.

LUCIANO SANTEL: Now let's say that the Chinese cluster is still more or less the same percentage then before, about 35%. The big difference as compared to 2019 is that right now that 35% is totally developed in China. Before the 35% was a split more or less 50/50 in China and around the world. And this is about China.

And then the second question was online. I understood the contribution of the online business on the total. Of course, the first 9 months is not meaningful, it is much more meaningful when we provide the number at the end of the year. Then here I could tell you that for this year, we still stand in the region of 15% including not only the direct e-commerce, but also the online business we do with e-tailers, which is not much different than what we did last year. But you may remember that last year, there

was a combination of a strong online business and a very weak retail and wholesale business. So, this was the reason why we jumped to 15%. This year, all business channels are growing very well and we still expect something in the region of 15% and maybe better, but not much higher.

PAOLA DURANTE And I think there was also a question on cost related to the online, if I'm not mistaken.

LUCIANO SANTEL: Yes, the cost was the other. So, the cost is something we have discussed in the past. This in-sourcing project was a very complex and also expensive project. And looking at the numbers, we targeted €15 million CAPEX 2 years ago and we ended up more or less with the €15 million excluding China, because China was on the top of the €15 million. So overall big CAPEX but not so big. Of course, what is much more important is related to the running costs because in order to in-source such a difficult complex and growing business, we needed and we still need to make our digital organization stronger and stronger. So of course, we have replaced a concession fee we paid before to YNAP with much smaller concession fees we pay to the different providers like Salesforce, Riskified or whatever, but also with the internal costs of our organization. So, at the end, we are very happy with the results and very confident that the best still has to come. But of course, all of this project was, as expected, very important also from the cost point of view.

PAOLA DURANTE Last question was on MondoGenius and here Elena, you have to help us. I think I understood you asked what was different this year from the previous one, but I'm not sure.

ELENA MARIANI: Yes. Not on the event itself that you've done in September, but on the next 12 months? So, is there something that is going to be done differently over the course of the whole project?

LUCIANO SANTEL: No, not that much, Elena, all the collections we have presented are doing very well, some better than others. Of course, some collections are more saleable, more commercial than others. Fragment is a collection we did since the very beginning, it is still doing very well, because of its streetwear style. The designer, Hiroshi Fujiwara, is already very well known in Japan, as much as in Japan, in China, and around the world. Other collections, like JW Anderson was sophisticated, but, overall, no significant changes. And no surprises at all. We are happy about the Genius collections over the past 12 months.

ELENA MARIANI: Understood. Thank you. And sorry for my bad line.

LUCIANO SANTEL: But now it's better.

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

PIRAL DADHANIAN: Yes, hi, good evening. Just 2 from me, please. The first is on Stone Island, I just wanted to understand on a medium-term view as you think about increasing the store count and increasing the retail mix in line with your multi-year strategy. How should we think about the CAPEX that's required to support that growth? I think you said this year the CAPEX for Stone Island is €10 million, which is around 4% or 5% of sales. Should we anticipate that going up and, if so, to what sort of level? I appreciate it is small relative to the total Group CAPEX number?

And then just another question on Stone Island? Is the Stone Island e-commerce platform sitting on your newly formed internalized digital platform of Moncler or is that still a project that needs to happen? And then secondly, just on supply chain and raw materials inflation, I think, if I'm not mistaken, you are suffering from some delays in getting certain fibers or raw materials out of Japan into Europe. Are you seeing any sort of ongoing pressure in terms of your overall supply chain? And as we think about peak trading in 4Q, how is the business setup for auto replenishment and being able to supply products to both your retail stores and wholesale accounts as they sell through? Thank you.

LUCIANO SANTEL: Okay, thank you for your questions. About our long-term view on Stone Island, it is totally unchanged and it was the base and the reason why we wanted, and at the end we accomplished this kind of wedding between the two brands. The long-term view is first a long-term brand view. That means that we believe in the brand more than in the short-term business. Talking about the business, we also strongly believe in the opportunity that the Stone Island brand has in the future by developing the retail business, but we also believe that first we have to develop together with the Stone Island team a strong retail culture, which is something that we have been working on altogether as a team during this year and we will keep working in next years. And then to start opening on a very selective basis some new stores, in geographies where we believe that we can enhance the potential of the brand.

Talking about the CAPEX, you said correctly that the Stone Island CAPEX right now are very low because they are less than €10 million this year as compared to €130 million of Moncler, and of course a significant part of that €130 million had been spent since ever for the retail development. Of course, what we expect, looking at the Stone Island is

that this amount in CAPEX will grow, but what we look at is the percent of CAPEX in the future on the total top line. That is expected not to grow more than the 6%, 7% we reported for Moncler.

So, I mean, it will not be a drastic change in the business strategy, it will be a step-by-step development of the retail business. Of course, CAPEX will grow for sure, also because we believe that working on the store format is something extremely important to maximize the perception of the brand.

About Stone Island online, you said something extremely correct, even if I don't have a precise answer now. The online is right now operated by YNAP as much as it was the online business of Moncler almost till a few months ago. Now we are looking in our plan at the opportunity to integrate under one platform also that business that honestly is not something we want and we are in the position to anticipate right now, also because honestly we don't believe that this is a priority in the short term. But for sure in the future we will evaluate this opportunity also to take advantage of all the work that has been developed with the internalization project for Moncler. The last question is a very big question. I will try to make the long story short. First of all, about that the example of Japan, it probably came out in some meetings, but can tell you now that of course we experienced problems this year, but looking at the results, nothing particularly impactful on our revenues. That means in the end that, notwithstanding problems associated with the COVID, associated with the increase of raw material prices, this year so far so good. Let me cross my fingers because the problem is that the problem is not over yet, so we are monitoring very closely every single day the situation around the world which is not only the raw materials, the technical fabrics we buy from

Japan, but it is also the production we make in some regions like Romania where unfortunately COVID is still a bigger problem.

We are also experiencing an increase in the cost of raw materials, even if we don't see material impact on our margins for this year, notwithstanding the fact that we have not increased prices this year. And we plan to increase our prices only in the second half of next year, it would be a high single-digit price increase to offset the important price increase of raw materials, of transportations, of labor cost, so the situation is something that we are not worried about but for sure, we are monitoring the situation constantly and very closely. But, again, so far so good.

PIRAL DADHANIA: Very comprehensive. Thank you, Luciano and Paola.

LUCIANO SANTEL: Thank you.

PAOLA DURANTE: Thank you.

OPERATOR: The next question is from Karina Shooter of Goldman Sachs. Please go ahead.

KARINA SHOOTER: Hi, thank you very much for taking my questions. Congratulations on the full internalization of your online business. I would like to ask a couple of questions on this evening, but just to take a little bit more of a medium-term view, could you just help explain to us the benefits that it can bring in terms of your omni-channel initiatives? And can you also update us on your online strategy going forward and whether that's on-track with external partners? I think in the past you have talked about the potential for a team of flagship stores for instance. Any update that would be great. Thank you.

PAOLA DURANTE: Hello Karina, the first question is on the benefits of the internalization of online in term of omni-channel.

LUCIANO SANTEL: Okay, I think that this is an internalization that was a necessary, essential step to develop the omni-channel, because by having one channel directly operated and the other channel operated by a third party is very difficult to implement a real strong omni-channel strategy. So, right now, we have had a strategy to really implement the omni-canality starting from the services we can provide to our customers. Of course, you know that we already started in the past, even though we were still under YNAP, the so-called click-from-store, that is something that resulted to be very important and successful, not just for the business we developed but because we were able to meet our customers request in the stores anytime when that size of that style was not available in the store itself. But, of course, this is only one example.

Another important example of omni-channel regards the so-called one-pool inventory. In the past, our inventories for the online were also physically separate because one was under the YNAP warehouse, while right now all the inventories of all channels are in only one warehouse per region. So we have here in our central hub in Piacenza all the inventory for all the channels. This is extremely important to move inventory or simply the allocation of the inventory not just physically, but to allocate the same inventory to the different channels, depending on the different demand. So, this is something that we are experiencing very positively right now, but I think that in the future and next year, and the year after will be an important factor of growth of the online business.

KARINA SHOOTER: And the second one was on the e-concessions.

LUCIANO SANTEL: E-Concessions is a business that has been growing very strongly over the past few years. And you know that we are converting some of these businesses into concessions like MyTheresa and the conversations are still work-in-progress with our partners. And that business has been growing very nicely still under the same very selective strategy to work only with high-end customers and with the high-end e-tailers and only under the volumes we believe are proper for that channel. About Tmall, conversations are open with them since ever and we don't have anything decided 100% with them, but of course, this might be something that may happen next year.

PAOLA DURANTE: Okay. I think we now have the time for the last question, so operator, if you can open to the very last question. Thank you.

OPERATOR: Okay. Thank you, madam. The last question is from Paola Carboni of Equita SIM. Please go ahead.

PAOLA CARBONI: Yes, hello, hi, good afternoon, everybody. I have 3 questions. First of all, about the acceleration you have mentioned for the month of October, I was wondering if you can provide some color about the geographies which have improved the most compared to the third quarter on two-years stack. Second question, especially still looking at fourth quarter, we saw last year a strong acceleration from Q3 to Q4, about 20% more of growth from Q3 to Q4 in comparison to 2019. Do you see any reason for a different performance this year going from Q3 to Q4? I would say, actually this year you have even the support of the recent launch of Genius and so should we expect the same magnitude of acceleration in comparison to 2019 between Q3 and Q4 or is there any different dynamic to be taken into consideration?

And the third question is instead on the cost side, now that you have completed the in-sourcing of e-commerce operations. Should we expect that some of the duplication of cost you probably experienced in 2021 will disappear in 2022, and if so, what kind of uplift could we expect? Thank you very much. Uplifting margin clearly, thank you very much.

LUCIANO SANTEL: Thank you, Paola. About your first question on October acceleration, I wish this is a kind of acceleration meaning good results, so let me say good results in all the geographies. The only geography I would like to mention because before was very weak in Q3 is Japan, that right now is recovering very nicely. But other than Japan all the other geographies are doing well, with some exceptions, because we still have Australia with stores that are in part closed. And that are exceptions. I would say that, overall, are regions are performing well.

About the increase of Q4 as compared to Q3, you said compared to 2020 or 2019? Because 2020 was a quite unusual year, and the growth of Q4 compared to Q3 in 2019 is difficult to predict, but I can tell you that Q4 is normally much stronger than Q3 for our retail business. So, the assumption to take 2019 maybe is something reasonable, but again what is important is that in any event the market expectations represented by consensus for this year are reasonable, and so you can take those numbers as a reference.

As for cost-side of the internalization, we have increased our costs for the investments we have made in the organization with the double accounting, as you said correctly. Next year we will not have a double accounting, but in any event the double accounting impact is not so significant. So, it's not something that we will significantly improve our margins of the online

business. What we expect and what we believe and what we aim to is to maximize the online business for the next year and the year after by taking advantage of the machine that now is totally under our control.

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

PAOLA DURANTE: Thank you, Paola, and I think that with this question our call tonight is going to end. So, of course, my colleagues, Alice, Carlotta and myself are here. If you have any follow-up questions, please feel free to call us or to write. In the meantime, we thank you very much for the time and we wish you a very good evening. Ciao to everybody.

OPERATOR: Ladies and gentlemen, thank you for joining. The conference is now over and you may disconnect your telephones.