

Moncler S.p.A

"9 Months 2022 Interim Management Statement Conference Call"

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OPERATOR: Good evening. This is the Chorus Call conference operator. Welcome, and thank you for joining the Moncler 9M 2022 Interim Management Statement Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be the 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 Mrs. Elena Mariani, Strategic Planning and Investor Relations Director of Moncler. Please go ahead, madam.

ELENA MARIANI: Thank you, operator, and thank you all for joining our call today. The 9M 2022 Interim Management Statement call is hosted by Luciano Santel, Chief Corporate and Supply Officer and by myself. I will start providing a brief overview of our results, and then Luciano will be happy to take your questions.

Before starting, 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 Group 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 even materially from those expressed in or implied by these statements, many of which are beyond the ability of the Group 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. Finally, I remind you that the press has been invited to participate to this conference in a listen-only mode.

Now moving to Page 2 and 3 of the presentation, I would like to start our call today commenting on the celebrations of Moncler's 70th anniversary, which were kicked-off by an unprecedented event in Piazza Duomo in Milan on September 24th. I hope you were able to watch it, or at least to catch a glimpse of the show. It was the biggest brand event in Moncler's history with an impressive performance that featured 1,952 artistes, which is the year in which Moncler was founded, centered around a revisited version of our iconic Maya jacket. The results have surpassed any expectations. The show was attended by over 18,000 people physically, and in the first 48 hours, the event recorded a reach of around 2 billion across all digital platforms. But this event was just the start of the celebrations. The show in Piazza Duomo kicked off a 70-day program of events, activations and experiences to connect and engage with our communities all around the world.

If you move to Page 4, you can see that, as part of our anniversary, we conveyed the idea of “Extraordinary Forever”, which became the brand statement during the celebrations. We created a unique and bespoke brand logo, inspired by the infinite logo, connected with the idea of Extraordinary Forever. We also launched the brand of Extraordinary, a 2-minute brand film narrated by Alicia Keys, which was watched by over 20 million people in the first few hours. And we launched the Extraordinary Forever brand campaign, showcasing the 16 images inspired by the brand heritage that defined the history of Moncler.

But the quarter was not just about the 70th anniversary. As you can see from Page 5, it was also the quarter of Moncler's footwear re-set. Moncler established Studio Ascenti, a space to explore new footwear design where we invited team members of the sneaker community to learn and to be seeded on Moncler's new footwear lines. In September, Moncler launched its new Trailgrip footwear line with its debut product, the Tailgrip GTX

low-top sneaker, made in partnership with outdoor specialists like Cordura, GORE-TEX and Vibram. We also had a Genius launch, 2 Moncler 1952 MAN, a collection that included also collaborations with Barbour and Clarks.

Last but not least, moving to Page 6, let's talk about Stone Island brand initiatives. From an operational standpoint, in August, we took direct control of the Japanese market through a JV 80% controlled by Stone Island for the management of the local wholesale relationships and 16 DOS. We also integrated most of the retail distribution capabilities under the Group logistics system in Piacenza. From a brand perspective, we launched the Fall/Winter Ghost collection inspired by the concept of camouflage and monochromatic, and also the Fall/Winter Stellina collection, including a range of products with clean lines and urban performance, identified by a small star embroidery.

Let's now move to Page 7, where we comment the Group 9 months revenue results, focusing on growth at constant FX. In the first 9 months of the year, the Group generated over € 1.5 billion revenues, up 30% vs 2021 and 57% vs 2019. In Q3, the Group grew 12% vs 2021 and 50% vs 2019. The Moncler brand in Q3 was up 13% vs 2021 and 24% vs 2019, broadly in line with the growth of the first half of the year, when looking at 2019. Stone Island grew 8% vs 2021 and 51% vs 2019. We remind you that Stone Island was fully consolidated from 1 April 2021.

Let's now focus on Moncler brand only, and move to Page 8 of the presentation, where we analyze in detail the performance by region. Asia, that as you know includes APAC, Korea and Japan, generated € 548 million in the first 9 months of the year, contributing to 44% of total revenues. The region rose by 14% in Q3 vs 2021 and by 40% vs 2019, driven by the recovered performance in China, in particular during July and August, when

all the stores were open. Japan and Korea also continues to report a good performance. Both the DTC and the wholesale channels in Asia recorded double-digit growth in the quarter. EMEA reached € 486 million in the first 9 months, contributing for 39% of Moncler revenues. Q3 was up 16% vs 2021 and 15% vs 2019, driven by strong demand from both local customers and American tourists. France, Germany and Italy were the countries that contributed the most to the growth in the quarter. The DTC channel in this region continued to grow at a high double-digit rate. Revenues in the Americas in the first 9 months reached € 218 million, contributing to 17% of total sales. Q3 was up 6% vs 2021 and 16% vs 2019. During the quarter, we recorded a significant outflow of US tourists towards Europe.

Let's now focus on Moncler brand revenues by channel on Page 9 of the presentation. In the first 9 months of 2022, DTC revenues reached € 903 million, contributing to 72% of Moncler brand total revenues. In Q3, DTC rose by 21% vs 2021 and 39% vs 2019, accelerating sequentially vs Q2, thanks to the strong performance of European and APAC stores and a triple-digit growth in the direct online channel.

Moving to the wholesale channel, it grew by 2% in Q3 vs 2021 and by 4% vs 2019, in line with management expectations. Q3 performance was influenced by some conversions into retail of shop-in-shops and e-tailers. In terms of year-end indications, we can confirm that we expect the channel to end the year at mid to high single-digit growth year-on-year.

Before moving on to Stone Island, let's quickly pause at Page 10, which provides some highlights of our exceptional direct online performance in the quarter. All our .com KPIs were up significantly vs 2021 and revenues in the first 9 months of the year were up more than 80% at constant FX. Our direct online channel was also used as a platform for some of our pre-launches, including our first Trailgrip and our exclusive Triple White Maya

70, both sold out, or the launch of our unique personalization project, Moncler by Me.

Moving now to Stone Island regional trends on Page 11, EMEA, which is the most important region for the brand, grew 1% in Q3 vs 2021, due to a different timing of the shipments in the wholesale channel. Italy outperformed the rest of the region in the quarter, reporting a double-digit growth. Asia grew 45% vs 2021 in the quarter, as a result of both excellent organic growth in APAC and some conversions from wholesale to retail. In particular, the Japanese market was fully converted to retail at the beginning of August, and I remind you that the Korean market was fully converted at the beginning of January. Americas recorded a growth of 21% vs 2021 in Q3, mainly driven by the wholesale channel.

Looking at Stone Island trends by channel on Page 12, wholesale, the most important channel for the brand, recorded a decrease of -3% in the quarter vs 2021, due to the conversion into retail of Korea in January, UK DTC in July/August and Japan in August, but also due to some different timing of shipments compared to 2021. The DTC channel instead, benefited from these conversions and was up 59% in the quarter vs 2021 with a good underlying performance, even excluding these conversions. The direct online channel continued to register solid double-digit growth.

Finally, let's briefly examine our store network on Page 13. At the end of September, our Group's retail stores reached 313 units, 242 for Moncler, and 71 for Stone Island. In Q3, Moncler saw 2 DOS net openings (among which Düsseldorf for which you can see some pictures) and 2 conversions, Zurich Airport and Paris La Samaritaine. The Stone Island network grew on the back of the conversions of the 16 stores in Japan and of the London store.

Last, but absolutely not least, in terms of sustainability update, Page 15 of the presentation, let me highlight that for the fourth consecutive year, Moncler is confirmed at the top of the Textiles, Apparel & Luxury Goods industry obtaining the highest score in the 2022 S&P Global Corporate Sustainability Assessment among the companies eligible for the Dow Jones Sustainability Indices. We are extremely proud of this result and it's definitely a great way to end our presentation.

I will now hand over to the operator for your questions. Operator, please open the Q&A session.

Q&A

OPERATOR: Thank you. 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 pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Melania Grippo with BNP Paribas Exane. Please go ahead.

MELANIA GRIPPO: Good evening, everyone. This is Melania Grippo from BNP Paribas Exane. I have 2 questions. The first one is on Mainland China. Could you please comment on what was your performance in Mainland China in the quarter? And what are you currently seeing in October? And if possible, also, what was your exit rate in the country in September?

And my other question is on prices. You recently implemented a price increase for both brands, how is it perceived by consumers? Have you seen

any impact on volumes? Is it possible to breakdown your Q3 performance by price mix and volumes? Thank you.

LUCIANO SANTEL: Okay. Hi, Melania, thank you for your questions. On your first question, Mainland China, of course this is a very good question considering the overall scenario in that country. Mainland China in Q3 was positive, very good in July and August, in line with June. You may remember that the second quarter was very weak in China, because it was affected by several severe lockdowns. But in June, as the 2 most important cities, Beijing and Shanghai, opened again, our business started to do very, very well. So June was good. July and August in line with June, but in September, end of August actually, the business was weaker due to the new lockdowns.

So, at the end in the quarter, to answer your question, Mainland China was positive. Currently, there are a lot of uncertainties in China due to Covid issues. I can tell you that the first and second weeks of October were very strong. You may remember that the first week of October is the Golden week and we recorded a strong double-digit growth. This is, I believe, also due to the impact of our 70th anniversary event that was at the very end of September. But even taking out the possible impact of that event, driven by the launch of the new Maya 70, the performance was good.

Unfortunately, right now, I cannot say the same, because we are still under the uncertainties associated with the Covid restrictions. Some stores are closed, some stores have reopened, and then closed again. And thus, I mean, the situation is still volatile, uncertain and not ideal for business, but in any event we keep monitoring the situation. What I can tell you that is very important from our perspective, more focused on the long-term, is that the brand is really strong.

Second question about the prices. You are right, for the first time we increased prices in this season. And the response has been honestly good, I would say unrelated to price increases. Concerning the impact of volume in Q3, honestly, the impact of price increases was higher than volumes, but we still maintain our historical guidance that volume for the 12 months period should represent 2/3 of the growth and price 1/3. But in Q3, considering the price increase in the Fall/Winter, the price represented over 50% of the retail growth rate.

MELANIA GRIPPO: Thank you.

OPERATOR: The next question is from Chiara Battistini with JP Morgan. Please go ahead.

CHIARA BATTISTINI: Hello. Good evening Elena and Luciano. Thank you for taking my questions. The first one to follow-up on Melania's question on the current trading in China, if you could expand on the current trading also for the rest of the world, in Europe and in the US. We saw the comments from Remo Ruffini yesterday that October seemed to have started well. So maybe if you could provide further color on that comment globally. And specifically on China, following up on your answer regarding September and Q3, you mentioned positive double-digit or actually normalized growth in September, so more single-digit level?

And then my second question is on the US in Q3. I was wondering if you could expand a little bit more on your performance for the Moncler brand in Q3 in the US that saw quite of a slowdown. So to what extent this was related to the shift of spending with the tourists into Europe. So possibly commenting on the American cluster overall and whether there was anything else in the US going on impacting the performance and taking it to single-digit? Thank you.

LUCIANO SANTEL: Okay. Thank you, Chiara. Okay, first of all, the performance of China in Q3 was positive. Not amazing, but positive. Please don't ask me a precise number. About current trading region-by-region, we discussed China a lot, unfortunately very volatile, but with very strong first and second weeks of October. Korea very strong, honestly, I would say as usual, because Korea has been doing very well at least for 3 years. Japan also very well, so I would say Asia overall well despite the uncertainty associated with the current situation in China. Europe good, DTC specifically is doing very well, considering that we still miss the tourism coming from Asia, from China. But we have the benefit coming from North America, the US, and of course locals...business with locals is still very strong, as a result of very important work activity that has been done over the past years.

Talking about the US, there are 2 faces of the coin. One face is the strong result of the business with Americans in Europe and the other face is what you call a slowdown, that I am not sure is the right word, even if the growth percentage is evidently lower than in Q1 and Q2. But this has been in part offset by the business we did in Europe with Americans. And the second factor is associated with the base of comparison, because last year America started to do very well exactly in August, I mean in Q3. And so, now the base of comparison in Q3 YoY is tougher than what it was before.

It is important to highlight that if we look at 2019 and the US cluster, this is strongly up in all the 3 quarters with even a light acceleration in Q3. So, overall we are happy with America.

CHIARA BATTISTINI: Thank you very much. And just a very small follow-up on the US actually, was there any wholesale impact timing wise or maybe lower shipments went into the US in Q3 or nothing to call out there?

LUCIANO SANTEL: In the US there are not only some timing issues in deliveries, honestly, but not meaningful, I would rather to say that we are very late and you will see in Q4 a lot of deliveries that we missed in Q3. There are a handful of millions that will be reported in Q4, but nothing really material. And overall, not in the US only, but in any event, the answer is yes, but meaningless.

CHIARA BATTISTINI: Okay. Thank you very much.

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

ANNE-LAURE BISMUTH: Yes, hi good evening. I have 2 questions. The first one is regarding the performance in retail for the Moncler brand in Q3. So I know you're no longer disclosing the like-for-like performance, but I was just wondering if it's fair to assume that the contribution from new space in Q3 was around 10% thus implying a like-for-like of 11%.

And the second question is if would it be possible to remind us what percentage of sales is coming from local clientele in Q4. And what are the key initiatives that you are planning around November and December to keep the brand with the local customers in Europe? Thank you very much. And also globally. Thank you.

LUCIANO SANTEL: On your first question Anne-Laure about the contribution of space and organic growth, the vast majority of our growth rate in retail in Q3 was organic, okay? Please don't ask me how much was the comp because you know that we don't report the comp in Q1 and Q3 but again, if I can give you more color, the majority of organic growth was comp, in line with the previous quarters. And this is because, I mean, the space contribution was much lower, but this is simply because in Q3 this year we opened 4 stores. And last year, we opened about 10 important stores, because it's not only

that this year we are a little bit late in the new openings and most of them will be opened in the current fourth quarter. But it is even more about the fact that last year in Q3 we opened many and important stores such as Milan Galleria, the store in Hangzhou, the Chengdu flagship store, the expansion of the Sanlitun flagship store. So, this year the contribution of space in Q3 is not particularly strong. That is expected to be much stronger in Q4.

Concerning the contribution of our local business in Europe, because I think you are thinking of Europe as the most important region for contribution of tourists, in Q4 the contribution of locals is much more important than tourism. I mean talking about tourism historically, before Covid, when the Chinese were coming to Europe, Q3 business was strongly impacted by tourism, Q4 much less. Q4 is more a local business quarter.

Of course, what are we doing in Q4? We are doing exactly what we have been doing for the past 5-6 years, when we started to develop a strong clienteling strategy that is about building, developing, and protecting relations with our customers and so again, we have a plan that is in line with what we have been doing so far. Nothing special, no particular events planned. But a constant work to maintain this kind of relations that are very important.

ANNE-LAURE BISMUTH: Thank you very much.

OPERATOR: The next question is from Susy Tibaldi with UBS. Please go ahead.

SUSY TIBALDI: Hi. Good evening. Thanks for taking the questions. So, first one, I just wanted to follow-up because it would be very helpful to hear about the US cluster. And given that Europe, as you just mentioned, is so important with locals in Q4, I was wondering if you can give a little bit of color also on the European cluster, since you mentioned in the release as well, that markets

such as Germany are also very strong for you, whereas we have heard from some other peers in the industry that Germany was already a bit more volatile. So, if you can add any color, that's super helpful.

Secondly, on space, can you provide an update on what we should expect for the full year space? H1 was around 12%. Should we expect something along those lines for the full year as well?

And the third question on Stone Island. This month you opened the first retail concept in the US. Can you give a little bit of color on your plans for the roll-out of this concept store and what number of openings we should expect in the coming quarters and well, in the next year or so? Thank you.

LUCIANO SANTEL: Yes. Hi, Susy. The European cluster is doing well. The regions... Germany, France, and UK, I mean they are doing pretty well, honestly. So, nothing to add to what we said and what you stated, unless you have additional questions, as overall the European cluster is very strong.

The other question was about the space contribution. For the year-end, we still maintain our cash flow guidance to achieve a high single-digit contribution. Again, in Q3, this was not the case, for the reasons I said before, but this is considering the expected impact of the new openings, as we are still missing 8 stores that will be opened in Q4. At the end of the year, the contribution will be much higher, but still in line more or less with what we normally expect, that is a high single-digit.

On Stone Island. We just opened the first and the only store this year, because all the retail contribution we reported in the third quarter is totally driven by the conversion of the business in Korea, Japan and in the UK. So, the very first store we opened was in October in Chicago, which is very important not just for business, because it represents the new store format

that has been designed by OMA, an architecture study that interpreted, in my opinion very well, the essence and the DNA of the brand. So, we are very happy with the design and with the final result of the store. I can't tell you yet anything specific about these results, but again we are very confident about 2023.

Concerning next year, for Stone Island there will be new openings. Let me mention a couple of them. There will be a new store in Wien. There will be a store in Zurich and others. Honestly, the retail expansion next year and the current retail strategy for Stone Island is not driven by the aim to increase volumes, to chase additional volumes. That could be the case, but it would be a short-term strategy. Our priority now is to build a real strong retail culture in Stone Island, which is something that takes some time.

As I said, we are opening some important stores like Wien and Zurich that are in very good locations, and will be a strong way to properly communicate the values of the brand and so, again, the brand strategy first and the retail business as a consequence of the brand strategy.

SUSY TIBALDI: Thank you.

OPERATOR: The next question is from Charles Scotti with Kepler Cheuvreux. Please go ahead.

CHARLES SCOTTI: Hi. Good evening. Three questions from me, if I may. The first one on your full year sales target for this year that implies a low double-digit organic sales growth in Q4 on tougher comp on a 3 years stack. And considering upcoming stores opening and what seems to have been a good start into Q4, are you still comfortable with this objective?

And second question on footwear. Is there any chance you can share with us the preliminary results of your recently launched footwear collection and whether the reception from clients is positive or not? And third question on pricing. Some of your competitors have already announced sizable price increases for next year. Shall we expect a significant price action at Moncler in 2023? And how do you see the risk of negative price elasticity on demand, especially in Europe? Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions. On your first question, the targets for the current fiscal year, I mean the consensus is reasonable. But I have also to highlight that we have ahead the 3 months, actually 2 months and a half, that are most important for our business. So this will totally depend on the overall scenario, the geopolitical, macroeconomic, and also associated with Covid considering what I said before about China, but not only. So, overall, we have very clear in mind the consensus, and we believe that that target is achievable.

To answer your second question on footwear, please don't ask me to share these results. But let me give you some color. I mean, we are very happy with the first results, but numbers are totally meaningless and irrelevant. What is very important is that we have been working on this product line for more than one year, investing in design, in product, in communication. I see that for the first time, let me say, we seriously invested in a category we want to become relevant, not only for our business, but also for our brand identity. The first results are very good. As I said, we are talking about small numbers, because we didn't put in the stores a lot of shoes. This was not our intention, but what we put in the stores is performing very well with a strong sell through. The first pre-launch online was sold out in a few hours, and so small, but very clear and strong signs that we are getting there. Of course, it will take time. We are not in a hurry as usual, not at all, but we are very confident for the future. I can tell you that in the upcoming Spring/Summer

season, the quarter collection will be broader and in the next Fall/Winter season it will be even broader. And the perception of our customers, of our people for the time being is very, very good.

Last question was about pricing. We increased prices in this season, and we plan to increase them for sure in Spring/Summer 2023 of the same around 10%. Of course, 10% is an average, let's say it's more an indication of the price increase in Europe, because in the other countries it totally depends on the currency trend. There are some countries like the US where the price increase will be way lower, other countries where the price increase, like Japan, will be higher. It totally depends on the current level.

About the second half of next year, I can tell you that, even if no decision has been taken yet, but will come over the next few weeks, we are now almost ready to finalize our collection, to present the collection to the buyers and to finalize also the pricing strategy. I can tell you that right now we see the potential price increase also in the Fall/Winter season because the production costs are still growing even if, talking about energy, there are some signs that it may be lower than just a few months ago. But in any event, for Spring/Summer for sure there will be more or less a 10% price increase and for Fall/Winter I expect more or less the same.

CHARLES SCOTTI: Thank you very much

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

THOMAS CHAUVET: Good evening Elena, Luciano. 3 questions, please. The first one following up on the pricing questions. So Luciano you said +10% in Europe for Spring/Summer, and I guess you want to reduce the price gap with other regions. So less than that in the US and Asia. So 5/6% I don't know. Does that mean that on a weighted average basis you will have a pricing effect of

around 7% perhaps on Spring/Summer? And you said the same percent for Fall/Winter or did I get this wrong that this 10% increase is in all regions?

Secondly, coming back to the slowdown in the domestic US market. The US clusters, you said, did not slowdown in Q3. How do you explain that Europe is slowing down on a year-on-year but also on a 3 years stack basis? Can you comment on whether some European markets are seeing a weaker local demand at the end of the summer?

And then finally, a broader question on retail, I remember last summer Roberto talked about new ways of selling. He mentioned 30% of sales in Korea and 20% in Japan are done through private appointments. I was wondering whether there are other important markets where you are starting to see this trend emerging. I was thinking, you know, particularly about China. Is this the trend in China? What's the comparable number in China? As China doesn't seem to want to immediately relax the zero Covid policy, I guess that could be an interesting way of continuing to grow in China in the coming quarters? Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions. First of all, price gap and price increases. Price gap, in the current season as we speak is very, very high unfortunately, but this was not planned. This is because the US dollar is stronger than ever, than in the last 20 years, so we have, let's say, a price gap issue in the US, but in China too. The price gap we plan for next year would be back to normal. You know that we have a long-term target to go down to a 30% price gap in China. Next year, we are planning 40%. But of course, it will depend on the currency fluctuation. The price increase is driven by production cost increase and so it is to consider across the board. But of course, the way we operate our pricing strategy in order also to decrease the price gap is such that in Europe that 10% may be a little bit higher than in China, also because China is facing a revaluation of the

currency. And so, to make the long story short, our plan is to reduce the price gap, at least going back to what it was before Covid, to about 40% and then we still maintain our target in the long term. Let's say a couple of years to go down to a 30% price gap with China.

About the US, the US market is doing well but again, there is a slowdown in the growth rate, an apparent slowdown. What I said before is that there is a tougher base of comparison with last year, because the US market started to do very well in August, so in Q3, and thus the base of comparison in Q3 is more difficult than in the first two quarters. But in fact, if we look at the comparison of the US cluster against 2019, we see that the growth rate in Q3 was very strong and in line with what it was in Q1 and Q2. This is not a number we report, of course, it is a detail number, but it is very important for us, for the management team to understand if there is any issue and we believe there is not an issue in the US. I don't know if I answered your question...

THOMAS CHAUVET: Thanks Luciano. I mean if the US is slowing down, but the US consumer is not slowing down, because they are buying in Europe, we should probably see stronger numbers in Europe. So that was my question in a way, why is Europe perhaps not a bit stronger in Q3 year-on-year but also on a 3 year stack. Is kind of local market slowing down and could you comment on that? Whether that's in September or throughout the quarter.

LUCIANO SANTEL: I mean, Europe is doing very well. If you compare the growth rate of Q3 with what we reported in Q1 and Q2 you have to consider that Europe in Q1 and also in Q2 faced a base of comparison with last year that was very, very weaker, because last year in Europe in Q1 60% of our stores were closed. And in the second quarter 25/30% of the stores were closed. So in Q1 and Q2 Europe did very well, but the base of comparison was also very weak, and in Q3 Europe is doing very well with a base of comparison that

is much more comparable than in Q1 and Q2. So honestly, there is no slowdown at all in Europe.

THOMAS CHAUVET: Thank you.

LUCIANO SANTEL: And your last question was about distance sales. After Covid we learnt a new way of doing business and that right now represents a growing significant portion of our business in the countries you mentioned like Japan, China and Korea. Distant sales may represent overall about 20%. Of course, all inclusive distant sales meaning also from the physical stores which is an omni-channel sale, let's say when the people are coming to the store, they can't find what they are looking for and with the help of the client advisor they can order the product online. So all these different typologies of sales represent in this countries about 20%.

THOMAS CHAUVET: Thank you, Luciano.

OPERATOR: The next question is from Flavio Cereda with Jefferies. Please go ahead.

FLAVIO CEREDA: Thank you very much. So of course, welcome Elena to the call, and hi Luciano. So I have 3 quick questions here. The first one is, if we look at the wholesale momentum and at offline versus online, specifically on the momentum that you are seeing comparing to the two, what can you tell us? And can you shed any light on this? And have you closed more offline accounts, in the meantime? I was wondering if that was still a thing.

Second question, I'm afraid I am going back on prices, the price increase, the mix, it is pretty clear, you said was a mix of price increase for Spring/Summer 2023, was it the same for Fall/Winter or did you tweak it with higher price increases coming in Spring/Summer and then the following Fall/Winter as opposed to the, I guess the Fall/Winter 2022

collection. So, I was just wondering whether that mix have changed. I appreciate they are all about the 10% mark, but within that?

And lastly, in Europe also, I was wondering if you have seen any weather effect in summer because I suppose before you had the Chinese tourists and Chinese tourists with 40 degree heat still bought the full priced jacket because was so much cheaper than buying it back home. I do wonder whether the Americans did the same despite price delta that is equally as big, but perhaps it was less of a propensity to buy, you know, a full down winter jacket in the middle of the summer in Europe? Thank you.

LUCIANO SANTEL: Hi, Flavio. Thank you for your questions. About the wholesale, we keep working on our wholesale network, to further select our wholesale network and we also keep converting some shop-in-shops into retail. So this is also an element that should be taken into consideration when we look and evaluate numbers. Specifically, in Q3, I mean in this Fall/Winter season, we closed a total of about 5% of our wholesale doors, that is not a meaningless number. And we also converted in the online wholesale two important accounts that are Mytheresa and Luisaviaroma. So this is important, something we didn't say, but thank you for the question because it gives me the opportunity to add some important information about the wholesale and the retail because of course, it's business that is converted from wholesale to retail.

About the pricing, in Fall/Winter 2022 the average is 10%, a little more in Europe, a little less or even much less in countries like the US where there is an important revaluation of the local currency. Of course in Turkey, that is quite important for us, the market is affected by strong inflation and the consequently some depreciation of their currency in the market. And we have increased and we should increase the prices much more.

So what I told you is the average, and some countries with stronger currencies got the benefit with a lower price increase, other weaker currencies gave up this benefit and they face a higher price increase. In Spring/Summer 2023 it's the same. I don't think you'd expect me to give you country by country price increase, but the methodology and the strategy is exactly the same. So in Spring/Summer due to the strong dollar, the price increase in the US will be let's say meaningless or, in any event, much lower than in Europe. We face a US dollar that is the strongest ever, but this is true also in China, because renminbi is also quite strong. In Japan, the yen is much weaker, so there the price increase will be higher. Again, the average is about 10%, as I told you, but the allocation of this 10% is different country-by-country in this Fall/Winter and in the upcoming Spring/Summer 2023.

The weather effect; we face since a couple of weeks ago a quite mild weather, and you know that we like cold more than warmth. But we know we have to live with the cold, hopefully, but also with the warmth. And you may remember that over the past 10 years, there have been many mild Fall/Winter seasons and nevertheless the results at the end have been very good. This is because our collection now and since many years ago is not focused on the down jacket only, but we have a very broad outerwear category. We have implemented new categories. So overall, we are not worried about the weather and we have to live with the weather.

On the approach of our foreign customers, honestly, I don't see any specific difference between Chinese and US customers. They buy in our stores because they like the brand. Of course, there is a convenience for the Americans because of the price gap we said before, but I don't see any specific preference for some categories compared to others.

FLAVIO CEREDA: Perfect. Thank you.

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

PIRAL DADHANIAN: Hi, good evening. Thank you for taking my questions. So I'll be brief. Could you just give us an update on your TMall launch in China? I believe that has taken place at some point in October. And I think, Luciano, you mentioned earlier that October trading in China was very, very good. So I just wanted to understand how much of that is underlying related to your existing distribution network, and how much relates to the incremental contribution coming from the TMall launch?

My second question is on footwear. Obviously, we heard a lot about the category at your Capital Markets Day and it sounds like the initial launch has been well received. In the mid-term, what sort of percentage of revenues do you think footwear could contribute or constitute as a percentage of total Moncler brand?

And my final question is again on pricing for 2023. I'm sorry for having to come back to this. But what you've said quite clearly in 2022 is that the price increases that you've taken for Fall/Winter at +10% is purely to offset input cost inflation, and there will be no drop-through to the margins for this year. Could you just help us understand whether the same is true for Fall/Winter 2023? Are you expecting the same level of cost inflation relative to the price increases you're putting through or will cost inflation moderate a bit and we could get a little bit of margin benefit for next year? Thank you.

LUCIANO SANTEL: Okay, thank you for your questions. On your first question about TMall, TMall was launched in a silent way in July, with some results, but nobody knew that, except the people that were looking for the Moncler brand there, you could find out that we were on TMall. The official launch was at the end of September by the 25th and since that date TMall, honestly, is doing

very well with very high volumes. But let me go back to the strategy that drove the decision to open on TMall. This is an extremely important and powerful platform for traffic, to get traffic from cities where we are not present and to get young generation traffic that right now we get, but not at 100%. So this is the reason why TMall is important, to develop a new audience for the brand. We may or may not do volumes and business with TMall, but this totally depends on the way we want to approach it. Should we decide that this is the not the case, to chase volumes or additional revenues, we could easily put a lot of our icons and believe me that TMall would take-off, but this is not our strategy. So again on TMall we want to grow reasonably and wisely step-by-step.

Your second question was about footwear contribution. We maintain our plan to achieve by 2025 around 10% of our business. Right now, I can't tell you anything different from what we said during the Capital Market Day. Again, we are confident about the first results, but there is still a lot of work to do.

About pricing, the question was about an eventual margin benefit. I would like to tell you yes, but unfortunately, right now we are increasing prices only to offset the production cost increase. As I said before, this is 100% sure for this season and for the upcoming Spring/Summer 2023. There are still some doubts, but not many, on the Fall/Winter 2023 because of the cost of energy may decreasing. And so we don't know yet, but honestly our pricing strategy and the strategy to increase retail prices is driven only by the production cost increase. And so, if production cost will for any reason increase less, we may increase prices a little bit less in the Fall/Winter, but honestly right now no additional or incremental margins are expected, also because our margins are already very high and we don't need to speculate on this.

PIRAL DADHANIA: Okay. That's great. Thank you.

OPERATOR: The next question is from Rogerio Fujimori with Stifel. Please go ahead.

ROGERIO FUJIMORI: Hi, Elena and Luciano, I have two questions. The first one is on the Moncler Grenoble reboot, I think I heard during the CMD about your ambitions to triple the incidence of tech performance as a percentage of sales. And I recall you have mentioned that the initiatives would have been launched in December? So, any update on your plans for Q4, Q1 would be great. And then, a small follow up on your comments about the European cluster trend in Q3. Could you talk a little bit about the local Italian cluster sequential trend and the exit rate? Thank you.

LUCIANO SANTEL: Okay. Thank you. I mean Grenoble is one of the 3 pillars of our strategy, as you know. And what we wanted to implement within this strategy is to open, let's say, to increase our conversation with the performance audience of Grenoble, because Grenoble more than any other brand has a strong heritage in performance coming from many years ago, the Olympics Games in the 1968 just to give you an example. So, we believe that there are opportunities to grow Grenoble in this segment and also to increase the credibility of that line of Moncler for all the products in our assortment. And this is, of course, the strategy also for this current season, but this is a strategy for the next years.

The other question was about the Italian cluster in the third quarter that was good honestly, very good looking at our retail network, but also the wholesale business. So overall the Italian cluster is good as well as the other European countries we mentioned before.

ELENA MARIANI: I think we have time for one last question.

OPERATOR: The last question is from Luca Solca with Bernstein. Please go ahead.

LUCA SOLCA: Thank you very much indeed for taking my questions, ciao Luciano, ciao Elena. The first question is about retail space productivity, if I remember correctly one of the potential stretch targets you were putting for yourself is reaching € 40,000 per square meter in the Moncler brand? I wonder if you think that you are still on track for this targets this year. And how you see retail space productivity development, there are different puts and takes in your retail results today, you have some wholesale to retail conversion. So, if you can help us with that it would be really fantastic.

Now, going forward, my second question is focused on wholesale, and how you see this channel growing moving into 2023. I was under the impression that you have a very patent up and very clean wholesale exposure and that the consequent growth in this channel could be quite healthy, but given the various actions you have been taking, I was wondering whether this assumption is correct or not.

And then, thirdly, as you mentioned quite significantly bunched price increase required to offset cost inflation, I was wondering how you are coping with the different sources of cost inflation. You were mentioning energy, I wonder if you could maybe give us a bit more color on what is driving cost inflation the most, and your actions to try and to contain it. Thank you very much indeed.

LUCIANO SANTEL: Okay. Hi Luca and thank you for the questions. On retail sales productivity, you are right, we said we target that magic € 40,000 per square meter, one day in the future, I mean, we don't know when, of course it is doable, but in a normal world, not in the current world we live in. Sales density this year is still slightly below what it was in 2019. The best and last number we reported before Covid was over € 36,000, but right now we are slightly

below for all the reasons you know very well. I think that € 40,000 is reasonable, not this year, I don't know next year, as it is difficult to predict Chinese customers coming back to Europe next year and so it's difficult to tell you when this is doable. Again, under normal circumstances, but for sure, I can't tell you when.

About wholesale, next year we see wholesale growing in the region of mid single-digit, in line with our usual and historical plan that is based on two main factors, the increasing contribution by single customer, but also the reduction of the wholesale network, in order to make the network cleaner and cleaner to use your word.

About cost inflation, the question is important and thank you for asking it, because I mentioned energy and you may be wondering how does it come that a business that is not energy intensive, depends on energy... actually we ourselves are not energy intensive, but our suppliers for certainly yes, they are. And so, I mean, it is not the energy cost for Moncler that is impacting our production cost, but the raw materials that we buy from our suppliers that use energy is impacting our production cost, you know, and so the supply chain is such, our suppliers and also the suppliers of our suppliers... just to give an example, we buy fabrics, but the step before fabric is the production of yarn, and that kind of production is energy intensive. So, that's why we depend indirectly on the energy cost.

LUCA SOLCA: Luciano, just one sort of additional question on this, how is labor cost inflation moving, and is that a concern of yours at all or not?

LUCIANO SANTEL: Yes, labor cost is another component, and again thank you for your question because it gives me an opportunity to add more color. Labor cost in countries such as where we make the majority of the production, Romania as you know, is increasing a lot. Why is it increasing? There are two reasons,

first, because the government strategy is to increase salaries and to align them step-by-step to the European salaries, but the other driver of this labor cost increase is the cost of living, and the cost of living depends on inflation and energy, etc. And so, at the end, there are many different components, but the cost of living, inflation, and energy are still important components, also for the labor cost. So, labor cost is another important reason why our production costs are increasing, but again we are talking about inflation Luca, this is the problem now.

LUCA SOLCA: Understood. Thank you very much indeed, this is super clear. Thank you, Luciano.

ELENA MARIANI: Okay, I think that we can end the call here. Thank you very much to everyone for participating in this call. As usual, for any follow-up question, feel free to get in touch with the IR team. So, thank you again and have a great evening everybody.