

# **Moncler S.p.A.**

## **"Q1 2022 Revenue Results Conference Call"**

**Thursday, May 5 2022, 4:00 PM CET**

**MODERATORS:**      **ROBERTO EGGS, CHIEF BUSINESS STRATEGY AND GLOBAL  
MARKET OFFICER**

**LUCIANO SANTEL, CHIEF CORPORATE AND SUPPLY OFFICER**

**GINO FISANOTTI, MONCLER CHIEF BRAND OFFICER**

**PAOLA DURANTE, STRATEGIC PLANNING, INTELLIGENCE AND  
INVESTOR RELATIONS DIRECTOR**

**ALICE POGGIOLI, INVESTOR RELATIONS SENIOR MANAGER**

ROBERTO EGGS:

Before commenting on Q1 2022 results, let me remind you that in the slides of the presentation Stone Island is shown in green, Moncler in blue. At group level, in the first quarter of the year, we reached € 590m up +60% at constant exchange rates compared to 2021 and +58% compared to 2019. You see that there is no figure of Q1 2021 for Stone Island because we started consolidating it from 1 April 2021. So if we look at the growth rate of Stone – I will come back on this – it was +31%, similar to the growth rate that we had for Moncler of +29%. In terms of share of business during the quarter, Stone Island represents 20% of total sales while Moncler represents 80%.

We now deep-dive regionally for Moncler. The total turnover for Moncler was € 473m up +29% compared to 2021 and +27% compared to 2019. You can see a positive and double-digit growth rate in all regions starting from Asia up +15% vs 2021. Clearly, at the end of the month of March this region was impacted by the closure of stores. EMEA was up +48% compared to 2021 and grew double-digit compared to 2019 at +11% with very good performance in Germany, the UK and Spain. I would also highlight that Switzerland and Benelux were above the average. Slightly below the performance of this top regions, but still positive, we had Italy and France. Finally, to conclude, € 73.5m for the American market which was up +36% compared to 2021 and +40% compared to 2019, with growth in both channels. As you know, in the US we are still very balanced between wholesale and retail. Both channels had a strong double-digit performance. If you look at the weight of the different regions on total revenues, you will see Asia moving from 54% in 2021 to 49% in 2022, Europe increasing from 31% to 35% and the US from 15% to 16%.

If we look at the performance per channel, we had a positive performance in both of them, despite the conversion from retail to wholesale. Retail experienced a +34% growth compared to 2021 and +32% compared to 2019. The wholesale channel grew +12% both compared to 2019 and 2021. If we look at the pie, the split is close to the yearly average between retail

and wholesale, 80% retail and 20% wholesale. This year, given the current performance of the retail channel we're probably going to end the year at 82%-18%.

Looking at Stone Island – I think it's the first times we're sharing the performance per region – Europe had a strong positive performance with € 85m turnover and +23% growth compared to 2021, +54% compared to 2019, with good performance in all regions and a significant weight of the Italian market that represents 25% of revenues. Then we saw a strong increase in Asia up +61% compared to 2021 and +152% compared to 2019, that is linked to the conversion in Korea we had at the beginning of the year. From 1 January 2022 in Korea we converted 23 stores from wholesale to retail and this is clearly positively impacting the growth rate that we had in the region, especially in the retail channel. And finally, the US market has been performing very well in both channels, retail and wholesale, up +62% compared to 2021 and +76% compared to 2019. Overall, Stone Island had a strong and sound performance growing +31% compared to 2021 and +67% compared to 2019.

Here you see the difference in the business models because for Stone Island you see the high weight of wholesale. The darker color is not retail, it's wholesale. 76% of the business is a wholesale business while 24% is the in-store retail business, clearly increasing a lot from the 15% of last year, again linked to the conversion of the 23 stores we had in Korea. Overall, both channels performed very well, wholesale grew +16% compared to last year, even without the wholesale business of Korea and +59% compared to 2019. And if we look at retail, it is a triple-digit growth compared to last year, boosted by the Korean conversion, and +99% compared to 2019. Regarding the number of stores that we opened, you know that for Moncler we usually try to open the stores at the start of the third quarter when our Fall/Winter collection is arriving in-store. We like to start with something that is very strong. Indeed, between July and September we have more than ten openings planned, on which we are currently working. The first part of the

year was, as usual, quite light, with one new DOS which is a conversion from wholesale to retail of the Munich Airport store. For Stone Island there were 24 openings, the conversions I was referring to, plus one new opening. For Moncler you can also see one increase in wholesale. We went from 64 shop in shops to 65, that is the opening of the ground floor location in Geneva at Bongénie. We opened it at the beginning of the year with very good results.

This was, in a nutshell, the presentation of Q1 2022 results. I now would like to welcome my colleagues onstage for the Q&A session. Thank you.

## Q&A

PAOLA DURANTE: I call onstage also Luciano and Gino for questions on the results. While you submit some questions, I would like to start with one on comp store sales growth. The question is: which kind of comp are you assuming in 2022 and then in 2023-24? Is there a difference between physical and digital?

ROBERTO EGGS: For 2022 what we're expecting is double-digit growth in terms of comp, clearly led by the current results we are seeing. So we are confident on the double-digit growth that we will have in the comp rate for 2022. For 2023 what we are budgeting is the usual mid-single-digit growth rate for retail on which we will have to add a higher percentage for the online, which is expected to grow double-digit. So the mix will give a mid-high single-digit comp growth rate for what we call our D2C.

ALICE POGGIOLI: Can you comment on the exit rate from Q1? Have Europe and the US further accelerated in Q2, as some other brands have flagged? How much is China down now since the start of the new outbreak? Thus, some color on the current trading.

ROBERTO EGGS: Yes. Let's say the month of April is closed now. It's been another good month, in the trend of what we have seen so far, with a similar growth rate

of the first three months. Slightly better than the month of March. And still a very strong performance in Europe and in the US market that continues to have a similar trend to what we have seen. The same is true also for Korea and Japan. Therefore, the trend is there. Of course, China impacted the first quarter in March and continued in April, but the overall trend in April is similar to the trend of the first quarter.

PAOLA DURANTE: And what has been the performance of mainland China quarter-to-date?

ROBERTO EGGS: In April and May so far China was down around 30-35%. It always depends on lockdowns, reopening and so on, so I would say slightly better in the last few days, but still impacted by closures.

ALICE POGGIOLI: Another question on the contribution of Korea for Stone Island in this quarter and in the full year. What can be estimated?

ROBERTO EGGS: Well, the impact of Korea and the conversion is very important – I think we disclosed the figure at a given point in time that was a bit more than € 15m. Clearly by moving the business model into retail, we multiply this figure by 2.6-2.7, so not far from € 50m, especially if we improve the performance in the second half of the year given what we are putting in place in retail excellence. So you can, in absolute terms, count on a positive impact between € 30m and € 35m of additional revenues compared to 2021.

PAOLA DURANTE: And then there is one question for Luciano. From the webcast is being asked about consensus. How do you feel about the current 2022 consensus?

LUCIANO SANTEL: I normally say that after the first quarter it's very premature to comment on the fiscal year but, in any event, what I told some of you before is that the current consensus is reasonable. Honestly, after such a good first quarter, I think we can do better but if, and only if, the situation in China does not last

long. Of course, the fact that we are now in the second quarter is helping us because the second quarter is not particularly important for our business. But should the situation last also in Q3, it would be much more impactful. So, if the situation is solved, let's say, by the end of the second quarter, not later than July, I still believe that we can do slightly better. +20/25% may be a reasonable assumption based on the strength of the brand. Q1 results were only partly affected by the situation in China. So, again, in normal, semi-normal circumstances, I think that the consensus is not only reasonable, but we may even do a little better.

PAOLA DURANTE: A question for Gino, not on numbers. You have talked about the upcoming partnership collaboration with LeBron James. We saw basketball items at the store visit yesterday. Is the basketball world an area of focus for Moncler or is that a coincidence? Should we expect more?

GINO FISANOTTI: First of all, the partnership is with the LeBron Foundation, and I want to be clear about that, it's not with LeBron as a person, but with the Foundation. Based on what we discussed today on creating new opportunities for black and brown communities in the US and around the globe, I think the basketball pieces in the store are definitely a coincidence. I think that was more a CRM execution, that has nothing to do with the LeBron Foundation partnership.

PAOLA DURANTE: There is another question on the Chinese price gap. How can you reduce the price gap from the current 40-45% towards 30%?

LUCIANO SANTEL: The price gap of course it is still an issue, even if it's not so serious as it was in the past, because we have adjusted the pricing over the years to make the price gap lower and lower. But especially after the appreciation of the local currency, the price gap is still over 40-45%. Our final target is to go down to 30% and I think that it may take a couple of years.

ROBERTO EGGS: I agree. If I may add something, since there have been no questions regarding the price gap between regions for Stone Island, which I think it's also a relevant topic, Stone Island is better positioned than Moncler because the price gap was quite reduced. The price gap with the US is slightly above 20-25%, depending on the evolution of the exchange rate, which is quite aligned with the best practice of other peers in the industry. And if you look at China, Japan and Korea, it is in the high 30s. So there will probably be something to be done in the years to come, but the price gap is already in a better shape compared to Moncler.

ALICE POGGIOLI: The next one is for Luciano. Which touch points are you planning to build between Stone Island and Moncler? What are the potential areas of synergies between the two brands? Could Moncler leverage Stone Island's strong expertise in materials in any way?

LUCIANO SANTEL: As we said today, we love our two brands and we believe that they must maintain their own identity and they must be independent in everything associated to the brand. So when we talk about the supply chain, I think that for the time being the two supply chains are totally separate. There are conversations between the two teams because we strongly believe that the mutual exchange of knowledge can be very helpful for Stone Island as much as for Moncler. But for the time being we are not targeting or looking for synergies. I think that the two brands in their respective supply chains are doing a good job. Synergy is something we may evaluate in the future, but not now, not in the supply chain.

PAOLA DURANTE: A question for Gino. Could you comment on the upcoming opening on TMall? How much could TMall contribute to total online sales in China?

GINO FISANOTTI: For us TMall is the opportunity to start with a soft launch and learning all the way through. When we go towards the 70<sup>th</sup> anniversary in September,

again, our expectation is definitely to start connecting with the Chinese customers where they are. And that's the biggest opportunity. It is important for us when we start thinking about TMall not to decouple TMall from all the activities that we're still doing in our DTC channel as well. In terms of contribution, I would say it will probably be lower single digits for now, but the expectation is for us to start growing that platform in the next two years. Anyway, until we start the process in September, I would be cautious about sharing any number.

PAOLA DURANTE: And another question for you, Gino, a very interesting one. How do we reconcile the notion of utilitarian luxury with the fact that footwear is driven by iconic breakthrough products? Any hope that Moncler may come up with a winner like Zegna has recently done with the Triple Stitch or on a bigger scale like Balenciaga with Triple S?

GINO FISANOTTI: I would say that footwear is definitely not only about breakthrough iconic styles. I truly believe that footwear is a game of consistency as well. Right? It takes some time to establish a silhouette and to be consistent with it. If you look over time, when you talk about iconic footwear, even some of the most iconic pieces of sneakers around the globe today are probably 20 or 30 years since they were launched. Utilitarian luxury for us is how we filter, how we understand something that is authentic to us. And of course, one of the things we mentioned today was that less is more and how we can start focusing on fewer styles that we can iconize. Clearly, we are starting the first steps to try to iconize those products and it will take time. It will be a journey. I think you have some recent examples. The product of Balenciaga or the Air Force One of Nike. Consistency is critical. And for us, again, based on the architecture we showed today, we have few opportunities to try to establish us and we will definitely start. In footwear, another important thing is to read the reaction of the market and understand what has the biggest chance to become iconic first. And that's exactly what we

will do. To sum up, in footwear you always have to go, have an authentic perspective and then learn the reaction in order to understand which is the one that consumers will adopt. We have our idea of how we want to go for it, but hopefully as we go into September-October and we launch our new strategy, we will start learning together about the ones – hopefully more than one – that will become iconic silhouettes for us moving forward.

ALICE POGGIOLI: Another question on price increases. We did some price increases aligned with the industry trend this year. Do we see a limit to absolute price levels and price increases for our category – down jackets – the main category?

ROBERTO EGGS: I think it always depends on where the market is moving. If you had told me two years ago that we would have increased prices by 11% in one season, I would have been scared. But the reaction, that we have seen, has been positive. Volumes and buying have been growing according to the price increase. There are probably some limits, but we have not touched them now. And I think we need to see how things are going to evolve. The fact that the full industry is going up in prices and not only in our industry, but also in other industries, given the higher costs of raw material and energy, is somehow diluting a little bit the impact that could have been scary two or three years ago.

PAOLA DURANTE: There is a lesson that I always learn from our Chairman: that you build the brand first and then prices follow.

ROBERTO EGGS: I think we have been doing a very good job both for Moncler and Stone Island and we can absolutely support price increases to the end of the year and most probably to the beginning of next year.

ALICE POGGIOLI: Another question is about the sustainability of the growth in the US market for the rest of the year and into 2023.

ROBERTO EGGS: I think the basics of the growth for Moncler and Stone Island – because I think Stone Island in the US is in its infancy and the world is open for this brand – are there for an increased presence, footprint and activation of the different communities we're working on. Shoewear is another opportunity for us to grow and there are pockets of wealth that are currently emerging in cities that we were not considering in the past, in this way increasing our ambitions. For the Spring/Summer collection, I think that destinations like Dallas, Austin that were not in the radar screen a couple of years ago are fully on the radar today. Thus, I think that there is potential for us to grow also in top cities where we already have a strong footprint like Miami, New York, Los Angeles and other pockets of growth that we can go and pick up with the new Moncler strategy in terms of product and branding.

PAOLA DURANTE: As you move away from fur, is the overall ASP going to be impacted, all else equal? Are new sustainable materials going to support ASP?

GINO FISANOTTI: We believe that especially on the higher end of our products – the Moncler collection, of course, *Edit*, I think you probably had the chance to see it today, the more high-end part of our collection – there's a massive opportunity for us to keep pushing. So that's something that we're looking for to keep growing and to keep increasing more the big contribution that the Moncler collection has for us.

ROBERTO EGGS: And the other thing that is going to help us mitigating the exit from fur is that, I remind you, is going to be done through another two years. We have already started decreasing the volumes of fur one year ago, we are continuing to do it this year and we have another exercise before getting out. A lot of work has been done on the iconic pieces of Moncler that are especially enhanced this year with the 70<sup>th</sup> anniversary and in which we're

expecting very good and positive results in terms of sales and engagement with consumers.

PAOLA DURANTE: Yes and it is remarkable also all the work that the merchandising team is doing on the collection. There is another question for Gino. What's the plan in terms of communication on footwear? Are you planning some big campaign to increase awareness? Can you clarify what specialty stores you plan to sell to in the US?

GINO FISANOTTI: We believe that the most important thing is to authenticate ourselves as a footwear, in this case as a sneaker, brand. So what we will do in the first six months is to focus on fewer styles and this is connected to the idea of how we will build some icons towards the future. We will start authenticating the brand wider in terms of distribution, in terms of media. And then we will start to work with the right people and the right ambassadors. We don't plan a big communication campaign. Remember that from September to December our focus will be all on our 70<sup>th</sup> anniversary, and then we will go into the reboot of Grenoble. But yes, we will start popping up in the right places with the right people in terms of that process of authentication. I think the big support, the big communication campaign around footwear will come a bit later. Definitely we will have some clear strategic partners from the media perspective that will help us to do so. But there will not be any specific campaign there. Then, regarding our distribution, from the US to Europe to even Asian markets, we have some key destinations, footwear destinations, that for us are critical. That will help us to establish ourselves in this process of authenticating Moncler as a footwear brand.

PAOLA DURANTE: I don't see any other question. So thank you so much again for being with us. We hope to see you again soon, and more and more in person. Thank you.