

Moncler S.p.A

"Q1 2023 Interim Management Statement"

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**MODERATORS: LUCIANO SANTEL, CHIEF CORPORATE AND SUPPLY OFFICER
 ELENA MARIANI, STRATEGIC PLANNING AND INVESTOR
 RELATIONS DIRECTOR**

OPERATOR:

Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Moncler Q1 2023 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. Elena Mariani, Strategic Planning and Investor Relations Director. Please go ahead, madam.

ELENA MARIANI:

Thank you, operator, and thank you all for joining our call today. The 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 the 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.

Moving to Page 3 of the presentation. I would like to start our call today commenting on the Art of Genius, an unprecedented event which took place on February 20th in London that marked the evolution of Moncler Genius from a universe of collaborations with fashion designers into a real platform for co-creation across different industries, including the world of art, design, entertainment, music, sports, and culture. These extraordinary event at Olympia, London, has seen the physical participation of over 12,000 people, and it became the biggest brand event in Moncler's history from the point of view of brand reach and engagement, beating the recent record set by the 70th anniversary, with results that have surpassed any expectation.

That evening, we presented collections from Alicia Keys, Pharrell Williams, Roc Nation by Jay-Z, Salehe Bembury, Palm Angels, FRGMNT, Mercedes Benz, Adidas Originals, and Rick Owens. All these collections are being launched and will be launched over the coming months through both spring/summer and fall/winter 2023.

And talking about Genius, if you move to Page 4, we can quickly go through the 2 launches that we had over Q1. First JW Anderson, and then the first launch from the Art of Genius, the Alicia Keys collection launched at the end of March. But this quarter was not just about Genius. As you know, we continue to focus on all the 3 dimensions of the Moncler brand: Genius, Grenoble and collection.

And when it comes to Grenoble, we're very proud to say that after a soft launch last year, this year we have successfully launched our first ever full spring/summer collection, featured by Shaun White, our Grenoble brand ambassador. This collection is based around super versatile garments, fitting all kinds of weather and activities, and we're very proud of this.

Last but not least, in spring/summer '23, we introduced new variations of colors and styles in our Tailgrip family. The new Tailgrip Lite is a lighter and slimmed down version of the original Tailgrip, but still maintaining its comfort and excellent technical power.

Moving to Page 5, let's talk about Stone Island brand initiatives. First, let me highlight the extremely successful footwear launch in collaboration with New Balance. Stone reinterpreted New Balance Classic 574 style using a distinctive design and a leaner and more modernized structure. It was an enormous success, and all pairs were sold out practically immediately after launch.

We also launched the new Ghost collection derived from the concept of camouflage with totally monochromatic pieces in 100% organic cotton fabric, and also the new Marina Collection, characterized by navy functionality innovative fabric, pastel colors, and a reflective Stone Island Marina print.

We will keep on working on the brand evolution, in order to increase the voice, the audience, and the relevance of the brand worldwide. And with this respect, we're pleased to announce that this second phase of development of the brand strategy will be led by Robert Triefus, who will join as CEO of Stone Island starting from June 1st.

Let's now move to Page 6, where we provide an overview of the group Q1 revenue results, focusing on growth at constant FX. In the first 3 months of the year, the group generated €726 million of revenues, up 23%, versus last year the Moncler brand accounting for 83% of Q1 group revenues, generated over €600 million of revenues, up 28%. Well Stone Island grew 5%, versus 2022 to €122 million of revenues.

First, let's focus on the Moncler brand only moving to Page 7, where we analyze in detail the performance by region. Asia that, as you know, includes, APAC, Korea, and Japan generated over €300 million in the first 3 months of the year, contributing to 50% of total revenues. The region rose by 32%, boosted by a strong demand from Chinese customers, also supported by the lifting of COVID restrictions. But not only both Japan and Korea continued to register a very strong performance.

EMEA was up 29% and contributed for 36% of Moncler revenues, driven by strong demand both from local customers and tourists, particularly coming from the U.S. and Korea. And local consumption in this region continued to grow at a double-digit pace. Q1 revenues in the Americas, 14% of total sales grew by 9% in the quarter, accelerating sequentially compared to Q4, despite a continued significant outflow of U.S. tourists, particularly towards Europe.

Let's now focus on Moncler brand revenues by channel on Page 8. In the first 3 months of 2023, the DTC channel recorded an extraordinary performance, up 34%, with strong growth across all markets. This is true for both the physical and online channel that were both up strong double-digits. Wholesale grew by 5%, in line with management expectations. However, looking at the rest of the year, the performance of this channel will be impacted by the newly approved conversion of Nordstrom from wholesale into a hybrid retail model, which will have a material effect on wholesale revenues already from the second quarter of the year.

Moving now to Stone Island regional trends on Page 9. EMEA grew 4% in Q1 with Italy and France performing particularly well. Asia was up 28%, thanks to both a great organic growth in APAC, but also to the effect of the conversions of the Japanese stores that happened in August '22. The Korean market was weaker, also due to the ongoing change in

business model. Americas, the smallest region for the brand, was down 20% year-on-year. Wholesale was impacted by a weaker trend and a more cautious approach among U.S. department stores. However, the DTC channel recorded a positive performance.

Looking at Stone Island trends by channel on Page 10, wholesale recorded a decrease of 7% in the quarter, mainly due to the Asian conversions, but also to the very selective strategy in the development of this channel, with a strong control over volumes. The DTC channel instead was up 40%, thanks to the very strong organic growth in EMEA, and also thanks to the conversions. Although, please note that the performance of this channel would be double-digit positive, even excluding the impact of these conversions. The direct online channel also continues to register solid double-digit growth.

And last but not least, let's briefly examine our store network on Page 11. At the end of March, Moncler retail stores reached 255 units, while Stone Island stores were 71. Over the course of Q1 Moncler saw 4 DOS net openings, among which Dallas, for which you can see some pictures on Page 12, but also London, Heathrow and Seoul HD, Mokdong. The Stone Island network instead saw one net closure. You can see, however, the beautiful pictures of a new store in Sanya, Hainan classified under wholesale, and of the store in Kobe, Japan on Page 13 and 14.

We reached the end of the presentation, so I will now hand it over to the operator for your questions. Operator you can now open the Q&A session. Thank you.

Q&A

OPERATOR: Excuse me. This is the conference call 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 comes from Ed Aubin of Morgan Stanley.

ED AUBIN: Yes. Good afternoon, Elena and Luciano, and congratulations for the very strong performance. So 2 or 3 from me, the first one on China. So I think in Asia, as you said, Elena, organic growth, net sales growth goes up around 32%. I don't know if you could provide some more specifically the performance in China, and if you would be kind enough maybe to give us performance for the fourth quarter last year, the comp base. So that would be one on China.

The second one on China. It seems clear so far in the result season, there is quite a polarization of performance so far this year in the Chinese market. In your view, what is driving this or maybe to ask the question in other ways, what are you doing in China, which is really particularly resonating in the Chinese market?

And then lastly, you know, I know it's sales results. But you gave earlier in the year an EBIT guidance of around 30%. I mean, you know, you're taking prices up, you're going to get operating leverage, advertising is going to remain around flat at about 7%, as per your guidance. You know, shouldn't we expect you know, some margin expansion, given the strong performance year-to-date? Thank you.

LUCIANO SANTEL: Okay. Thank you for your question. Asia overall did very well in the first quarter. Talking about China, China did extremely well, just to remind you what happened in last quarter of last year. You may remember that the beginning of October was very strong, and then there was a month and a half of lockdowns in China, and then at the beginning of December, business started to recover very nicely in December and in January. Honestly, there was some rebound with a very strong Chinese New Year in the weeks before and after Chinese New Year, China was up double-digit. February also was very strong. March also very strong, also helped from the fact that from mid-March last year until the end of May, you may remember, China was in lockdown. So, from mid-March, including April, China is doing very well. It's up triple-digit, but the base of comparison with last year is not, of course, meaningful because last year there was the lockdown.

Some color to add about China is that the release of the strict COVID policy allowed the business in China to recover very, very, very well, but also the business in the areas close by China. I'm thinking of Hainan, which is still China, of course, but there were no people in November. Now in the first quarter of the year and again in April we are doing very well in Hainan. We have 3 stores there, they are reported under the wholesale channel because they are operated by the local partners, China Duty Free, but they are doing very, very well. Something I like to remind everyone is also that Hong Kong is doing very well. Many people said in the past that Hong Kong was dead, is not yet, of course, at the level of 2018 when it reached the peak in business, but business is getting better and better and is getting closer to that level. Of course, Macau, Taiwan and also the Southeast Pacific, Singapore, Australia all of that region did very well.

What we do well in China or better than others? I don't know what and I want to compare our brand with the others, but for sure I can tell you that the brand in China is very, very strong. The brand momentum, not only in China but first in China, is very strong. I can tell you that also our business strategy that has been driven further by a very strong brand strategy and a very selective distribution strategy is something that is delivering good results because, you know, we don't have so many stores in China and over the past 2 years we have been focused more on expanding the existing stores and to transform them in flagship stores. I'm thinking about Chengdu, Hangzhou, Beijing, Sanlitun.

Now we just opened a few days ago in Shanghai the new store in Plaza 66 relocating the previous store that was in the basement, but still doing big volumes and making of that store on the ground floor a real flagship store. We will also relocate China one. And so our distribution strategy has been on one side very selective and on the other side very brand oriented. Something very important, our retail operations in that market, but not only, but in that market specifically, I think that are very, very high level and this is thanks to the retail excellence project that has been implemented in all the regions but for sure the execution of that project in China is definitely excellent. So this is in a few words the explanation of why our brand is doing so well in China.

Question #3 operating leverage, theoretically you're right of course, on the other hand again, we have our target, our priority, as I said and you know very well, is not how to increase our operating margins but how to make our brands both stronger and stronger. So having said that we have a target in mind, we have an ambition in mind which is to touch or to barely touch the 30% operating margin, and this is still in our mind, and so you may be right, but it's more important for us as a management team to keep investing in the brand, in the organization to make this company stronger

and stronger than to achieve 1 or 2 points more in operating margin. So for the time being honestly our position is still the same I told you, and I said to the market in the past, 30% is a very good target that we have still in mind. We don't even think of doing more or better. Thank you.

ED AUBIN: Thank you Luciano.

OPERATOR: The next question is from Melania Grippo of BNP Paribas Exane.

MELANIA GRIPPO: Good evening everyone. This is Melania Grippo from BNP Paribas Exane. I have 3 questions. The first question is on Moncler Retail. You reported very strong trends, and I was wondering if you could give us an idea of how this compare with your current trends. Are you seeing a strengthening from this level?

My other question is on the U.S. and the American cluster. Could you please tell what was the performance of the cluster in Q1, and what are you currently seeing if you're seeing any deterioration in the cluster as well as in the USA?

And finally on Stone Island in U.S. was quite weak. You explained the reason, but do you expect this trend to continue for the rest of the year? Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions Melania. So first question about retail Needless to say it again, first quarter was very strong across the board. April is substantially in line with the first quarter with some color: Europe in line even a little better, China better but again remember that the base of comparison is much easier in April than in the first quarter, U.S. that was already first quarter a little bit softer than the other regions is in April a little bit softer.

Not in the DTC, which is still positive and is still doing well. The wholesale channel in the U.S., I'm talking about the department stores, their business trend is definitely softer, and their approach is softer and much more cautious and prudent in placing reorders, our wholesale business in April is not so material, but last year they placed more reorders than this year. So this is the only, let me say, shade of our business in the U.S. But again the retail business is positive and doing well.

About U.S. cluster, again the point is that our DTC business in the U.S. is positive and doing well notwithstanding the fact that many American customers are traveling mostly to Europe and shopping in Europe. And they represent the first contribution of outside of the region customers, with other nationalities, specifically one very interesting to mention is Korea, and the other one is China. Chinese still represent a very small contribution of our business in Europe, but that contribution is growing week-after-week. So back to your question, U.S. cluster is doing well. It is up double-digit putting together business in the U.S. and business in Europe with the U.S. customers.

Last question about Stone Island, our view for the year is a top line growth in the region of high-single-digit honestly. Behind this mid-single-digit number we reported in the first quarter, as you know, there are 2 different channels; one very good which is DTC, the other negative declining that is wholesale. Both numbers are impacted by the internalization of our business in some markets specifically Japan and the DTC channel in U.K. but even without this internalization retail business would be double-digit up and the wholesale business would be more or less flattish.

So 2 different channels, the first one strategically very important for us because the channel we have invested more and have been focused more

over the past 2 years after the acquisition. The other channel that is on one side softer and on the other side our approach is and will be more than ever very, very selective with very strong control over volumes as Elena said before. So I mean this is the pitch of the first quarter. For the rest of the year again, we will keep investing and focusing on the DTC channel maintaining this very strong and selective approach in the wholesale channel. With the top line that we expect in the region of high-single-digit.

MELANIA GRIPPO: Thank you.

OPERATOR: The next question is from Luca Solca of Bernstein.

LUCA SOLCA: Yes, hello. Good evening. The first question again on Stone Island and a bit of a broader question here. You presented the acquisition as of Moncler 10 years before. I wonder on this grand project of turning Stone Island into Moncler...into future Moncler where you see you're standing. What are the areas where you have progressed the most? And what are the areas that are still to be addressed and what do you expect the new CEO to focus on. What would be the agenda for Robert as he comes on board?

The second question deals with your events that are becoming more and more impressive. I think that the Genius events, forgive my pun, is that they caused a huge amount of buzz in the beginning while costing similarly to a traditional catwalk show. I seem to understand that the new and most recent events must have required significantly more investment and more costs. I wonder if you could tell us how you feel about that, and if you feel that the returns you have been achieving on the back of these events outweigh the extra costs and if the return versus cost ratio is improving or not?

And then as we are just about to move into the 2 quarters that are least important for you, I wonder what you think about your seasonality prospects and if you are set up to offset some of the weakness in topline growth on the back of the lower season hitting the brand this year because of all you have done in terms of diversifying your products' assortment and moving into other product categories? Thank you very much.

LUCIANO SANTEL: Okay. Thank you Luca for your questions. I mean the first question is about Stone Island. I mean what did well? What did wrong? I mean we spend our day to fix the problems and not to celebrate success. I think that something important to remind everyone is that 10 years ago Moncler was not such a brilliant brand as it is right now. Not celebrating such a great result of the first quarter. There were light and shade in Moncler as there were light and shade in Stone Island now for several different reasons.

First of all, when we decided to implement that acquisition, was an acquisition of a brand, okay? We didn't look at the result, our first priority was the value of the brand and the potential of that brand, and we decided immediately that the first priority was to develop a strong DTC strategy. So, this is what we did, and I would say successfully because we have internalized business in Korea, in Japan, and again the DTC business in UK, not yet the wholesale business in UK that will be internalized next year and not yet the China business that will be internalized also next year.

In parallel we implemented the Stone retail knowhow that we had developed over the years, we had implemented the same we did in the past with Moncler, the retail excellence project in Stone Island under the leadership of Roberto Eggs. And I think that the DTC results of the first quarters are quite good. Of course, again some shades and some lights in Europe, lights in Japan, some shades in Korea as Elena said before

because that market is softer than other Asian markets, but also because we had implemented a real transformation of that business model: we have converted retail business that was operated by independent third-parties to a retail network that is operated by our own store managers that have been hired over the past few months. Of course, it will take some time to these people to get the full understanding and knowledge of the brand, of the business and of their customer base, but again we are confident about the process.

So, overall we are satisfied, and I will not say happy but satisfied, with the results. I can tell you that are totally in line with our expectation and with our long-term plan that is associated with the brand value, not just to the business we can generate, or we can increase in the short term, because this is not and it has never been, our priority. I hope I answered your question.

LUCA SOLCA: Yes Luciano. Maybe just one point on the retail transformation, because my understanding is that moving Stone Island on the same successful path that Moncler has done in the past 10 year or so goes through making Stone Island more productive in terms of sales per square meter, and I wonder where you stand particularly on that front?

LUCIANO SANTEL: Honestly needless to say that Stone Island right now is less productive. The sale density is significantly less than what Moncler has achieved but is getting better, so the gap between Moncler and Stone Island is getting smaller and smaller, there is still a significant difference, but this is not something you can achieve overnight. This is the reason why we are investing in the DTC business. The retail excellence project is aimed to achieve these results, but of course if I look at the result right now, we are still far from what Moncler has achieved over the years.

And another point about Stone Island, I forgot to mention is the arrival of the new CEO. We made a decision several months ago, one year ago we realized the need of having a new leadership for Stone Island with all the responsibility and the capability to drive the business and the brand first. So, that's why we decided to get in touch and at the end, to hire Robert Triefus. I think you know he has spent the last 15 years in Gucci, contributing to the strong brand success of Gucci, and before in Armani. So he is bringing his strong knowhow and experience in brand strategy which is something extremely important because we have in our hands a beautiful brand with the great potential. Now we have to increase the voice, the audience and the relevancy of that brand. Therefore we rely on the capability and the strong experience of Robert Triefus.

And second question about the Genius event. Needless to say it was a great event in London with about 10 billion reach, over 1 billion engagement, all these numbers are unprecedented in our history. 12,000 people at the event, 40,000 people outside of the door, desperately trying to enter the event. So, everything was very strong. The return of that event it's difficult to quantify, but I can tell you that honestly, looking at the results of the first quarter, I think that the brand momentum that has been generated also by that event is under our eyes. Of course, to your point that event was very expensive, yes.

Do we have the money to keep doing that kind of event? Not one per week for sure, not one per month, but as our sales grow also does our marketing budget. 7% marketing budget is growing, and I think that is very important to spend that 7% wisely, well and very focused on our 3 pillars that are Genius, indeed this was the event in London, but also Grenoble - we spend in the first quarter of this year as much as in the last quarter of last year in Grenoble with very good results - and of course our core collection.

And touching also your third question about seasonality, you may have seen that we are running a summer campaign for Moncler right now and that is very visible. And this is in the direction to enhance the business in a season that is definitely weaker than the fall/winter season but is getting better and better, not only because we are investing money in marketing but because over the years we have made our collection broader and broader, introducing big summer categories, increasing our knitwear category, increasing our shoe business, with the new collection we introduced in August last year that has been renovated for this current summer season.

So from the product point of view of the communication we are increasing that business in spring. I remember many years ago when the business of the second quarter for Moncler was a loss-making business. Now, we are not making profit as much as in the fourth quarter, but we make some profit, and this is the combination of all the activities we have implemented to enhance the spring/summer season product communication. Okay.

LUCA SOLCA: Thank you very much Luciano.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Susy Tibaldi of UBS.

SUSY TIBALDI: Hi, good evening. Thanks for taking my questions. I have one follow-up on China. Would it be possible to give an indication on how much this new cluster is growing? Maybe if you are not comfortable to tell us on a year-on-year basis maybe thinking about on a 2-year basis versus 2021, it will be very helpful just to have an idea. And also how you are seeing this

in Mainland China versus the other in the Greater China region, so within Hong Kong, Macau and Taiwan?

Secondly to go back to the spring/summer season, now that you launched Grenoble now that this spring/summer collections obviously take the bigger proportion and you have less outerwear? Are you already starting to see some positive results like are you getting some feedback from the store or from the customers that you can share? Basically, just to understand, you're maybe still far from the optimal state that you want to achieve in this product categories, but are you already seeing some meaningful improvement? Also to understanding how we should be thinking about model in the second quarter?

And lastly, on tourism, I remember before COVID in Europe, Q2, Q3, it was 60%, 70% of sales to tourists now, we don't have the Chinese back yet, but are you expecting the tourists to become over half of their sales in Europe already in the coming quarters or still be below that? And because we are seeing now a bit more tourism, do you think there is a possibility that we're going to see a little bit of shift of the seasonality, so maybe a bit anticipating the purchases into Q3, so we could have a bit stronger flows into Q3, and then potentially a bit of a weaker Q4 because of this tourism flows? Thank you.

LUCIANO SANTEL: Okay. Thank you for your questions Susy. About Chinese cluster, of course we don't provide specifically these kind of numbers not quarter-by-quarter, because it could be not particularly meaningful. But in any event the Chinese cluster was in the region of 1/3, it is about 35% of our total business. I'm not talking about the first quarter only, but I'm considering the last 12 months.

We are talking about the retail business, because it's difficult to measure this contribution in the wholesale business. So, the Chinese cluster over the past 2 years, 3 years, has been growing, has been consolidating in Greater China, because they have not travelled after COVID. But again, this is something you know very well, notwithstanding restrictions, notwithstanding the lack of Chinese customer in Europe we have maintained that contribution with a strong increase of business in China.

The other question was about Grenoble in spring. The release of the COVID restrictions allowed Chinese customer to travel within China and in the regions close by like Hainan. As you said before Hong Kong business is doing very well, thanks to locals but also thanks to people coming from China Mainland, Macau and Taiwan, so all that region is doing very well.

About Grenoble, what we call Day-namic, which is the spring/summer Grenoble collection. This current spring/summer '23 is the first season we introduced. This line is doing well honestly, of course when we introduce new line we start with a selective approach in volumes. So we didn't put too much volumes in our network, but the sell-out is good and very, very encouraging. We also strongly believe in the potential of this Grenoble Moncler to be developed not only in winter that is of course the heritage and D&A of the brand, but also in spring for a all year around potential.

About tourism, you're right in the second half of the year in Q3 even more, and Q4 tourism outside region represented more than 50% about 60% of our business. What may happen this year? Honestly, we don't know, but I can tell you what we are seeing now. Chinese customers traveling to Europe represent still a small contribution but growing contribution of our businesses, growing week-after-week. Of course, this will totally depend also on the availability of flights from China. We hope that in the second

half of the year we will see a significant return of Chinese customers to Europe, but difficult to predict now.

SUSY TIBALDI: Thank you very much.

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

THOMAS CHAUVET: Good evening, Elena, Luciano. 3 questions, please. The first one congrats on the very strong Moncler retail growth, +34%. Is it fair to assume high-single-digit space contribution, and so about mid-20s percent retail LFL that is still well balanced between volume and price?

Secondly, on wholesale back in February, you guided for wholesale at mid-single-digit at the Moncler brand for the year depending on the shop-in-shop and e-tailers conversions? With what you said about the U.S. Luciano, a softer the start of Q2, are you still sticking to that guidance? And then on wholesale comments on Stone Island, the U.S. is down 20% in Q1, I suspect that that's all wholesale pretty much?

And finally on margin in H2 last year, you had a bit of margin pressure at the Moncler brand due to the marketing spend of the 70th anniversary and obviously the China revenue shortfall. Can you comment on how you see the shape of H1 versus H2 particularly as you held the big Genius event in London in March that suspect will increase the marketing budgets in H1 but maybe not in the full year. So any clarity on that would be useful on the phasing? Thank you.

LUCIANO SANTEL: Okay, thank you. The first question was about space contribution. Honestly, in the first quarter of this year, the vast majority of the growth rate was driven by comp, the space is more or less a small part of that number. And, of course for the year-end, we still maintain our guidance,

our plan is to see the space contribution in the region of mid-high-single-digit, but in the first quarter was lower. The vast majority of that 34% was comp.

The other question about, wholesale our view for the fiscal year. This is an important question, because as Elena said we have already finalized this agreement with Nordstrom to convert their space dedicated to Moncler brand to an hybrid retail model. Hybrid, this is the way they call it, because even though this is under our control and responsibility, including the allocation on the product, from the people point of view they provide the people that are mostly focused on our brand. So we will report this business under the retail channel, it means that because it represents about mid-single-digit of our growth, the guidance we normally gave to the market this year we'll be closer to a flattish growth. This is not for Nordstrom only, but there are other smaller but several conversion of wholesale shop-in-shop into retail. So our view for this year is not to be at the single-digit as we said in the past, but it will be more or less flattish.

About Stone Island, any guidance on wholesale only it's difficult, and honestly, is not totally meaningful. For sure, our focus since the acquisition, was the DTC business, the wholesale business is important, but it is strategically very important if and only if we maintain our very selective approach. So, I don't know what will be the number we will report at the end of the year under the wholesale business? What is important for us is to develop a healthy wholesale business without high inventory problems in our wholesale customers. So this is the way we want to approach and we have approached in the past for Moncler too. So again, the wholesale business for the year-end for sure will be negative in any event, but what we look more and we have invested more in, is the DTC business. For the wholesale business we look more from the

qualitative point of view than from a volume point of view, because quality brings quantity.

The shift of margin also is another good question, because having spent this year a significant amount of money for the event in London in the first half of the year, differently from last year when the event was in September, should let you expect for the first half of the year a result that will be more impacted by higher marketing than last year. At the end of the year it is still 7%, but the distribution of this 7%, between the 2 semesters will be different this year from last year, this is important to highlight. About the U.S. market, you asked some question?

THOMAS CHAUVET: No it was just about Stone Island in the U.S., you talked about business trends, business weakness, but then if there was any particular clean-up in the U.S. that explain why Stone Island in U.S. is down 20%?

LUCIANO SANTEL: Of course you know that behind that 20% decline there is a very small business, Stone Island is still a very small business, and in the U.S. with still very limited visibility, very limited awareness and of course, this is not helping the business trend in the U.S. Again, the DTC business was positive. We still have a lot to do in the U.S., and not only. In the U.S., we still have to build the brand and the potential of that brand, because as I said other times, the brand positioning in some specific areas of the U.S., that are New York and Los Angeles, is very good and there are very strong communities that love the brand. But the distribution of this awareness is still very, very limited. The business is soft, because as I said before department stores are not doing particularly well, and of course, the brand relevance with the department stores is not yet significant.

THOMAS CHAUVET: Thank you. Luciano, can I just come back on your wholesale comments with Nordstrom. So did you say that Nordstrom is 5% of your total

wholesale business, and so this goes to zero, and that's why your mid-single-digit guidance is now flat. So I guess you will get a big tailwind in retail space contribution.

LUCIANO SANTEL: Yes, more or less, yes. What I said is that if you take our original guidance to grow the wholesale business of 5%, without Nordstrom in the wholesale business, that business is expected to be more or less flat. This is not only a shift from one channel to the other but also a shift from Q2/Q3 to Q3/Q4. There is a shift of course, so in the second quarter, you will see the impact of this Nordstrom conversion, but this business will be converted into retail sell-out in Q3 and Q4.

THOMAS CHAUVET: Thank you. But you said it's a hybrid retail-wholesale model. What does that mean? Is it something from the accounting standpoint? Is this retail or wholesale.?

LUCIANO SANTEL: It is retail and it will be reported under retail business in line with what other brands are doing. We believe that this is retail because Moncler is responsible of the inventory, we are responsible of buying together with the department store the allocation. But it is hybrid, because not all the spaces will be shop-in-shop and people will be provided by Nordstrom, and so that's why it is called hybrid, but it will be reported under retail.

THOMAS CHAUVET: Understood. Thank you. Thanks, Luciano.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Chiara Battistini of JP Morgan.

CHIARA BATTISTINI: Hello, good evening. Thank you for taking my questions. I just got one actually left on Europe. To come back on that, because Europe was also

very strong for Moncler brand. So I was wondering whether...first, if we could actually have the contribution of tourism in Europe in Q1. To understand the contribution between the tourist and the domestic consumer. And then looking at the domestic consumer, the European cluster, if you could make any comment on that please and maybe possibly, if you are seeing some countries outperforming others. And also if and I know, we touched on this before, but if you could see or could comment in anyway on the contribution of Genius and the impact on Genius on the European domestic consumer specifically, maybe post the event if you have seen any indicator that you could share with us, please.

And just a follow up on Nordstrom, is it fair to assume a sort of 2% tailwind that is following up on to my question, 2% tailwind to retail this year just because of the conversion from Nordstrom? Thank you.

LUCIANO SANTEL: Yes, your first question about Europe. Business in Europe over the past 3 years have been driven mostly by the local customer and this is very important and very nice to remind everyone, because that business has been developed over the years, thanks to a very strong culture of building relations with our customer base. Having said that, the contribution of tourism outside the region is growing. You may remember that since last year, the contribution of American customers was quite important. They still contribute significantly to our business in Europe. On top of Americans, we started seeing Korean customers coming from that region and again, still at a smaller extent also Chinese customers. So business is still majority driven by local but the business coming from tourism outside the region is growing very, very nicely for the time being with these 3 different nationalities. Then the European cluster is a positive double-digit.

ELENA MARIANI: So you were asking what is the effect that we had in the Genius event, right?

CHIARA BATTISTINI: Yes, if you saw any change or any inflation, anything you could measure in terms of the contribution from Genius, which was Europe-based.

LUCIANO SANTEL: The impact of the event, needless to say it again, was huge of course. We saw an impact of traffic in our stores and online, and this was driven also by that event in our overall business for sure. Even if it's difficult to quantify it precisely, but the overall business after the event was helped by the impact of that event for sure.

About Nordstrom, we will lose that 5% in wholesale, and we will gain a smaller % because retail is much bigger in retail, and it will be a shift of business. What we sell at 100 to department stores, they sell out at 250, this is the math more or less, so you can calculate more or less the impact. You should calculate also the sell through, is not so easy and immediate the calculation, but we convert wholesale business into retail business.

CHIARA BATTISTINI: Right. Thank you very much.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question is from Charles-Louis Scotti of Kepler.

CHARLES-LOUIS SCOTTI: Yes, good evening. Thank you for taking my question. I have 2 actually. The first one, the retail penetration at Moncler increased 3 percentage point in Q1. Do you plan to take advantage of the growth in DTC to further accelerate the streamlining of your wholesale channel, and what do you consider as a maximal level for the brand in the long run?

And my second question, on your strategy to diversify into new categories and there are some geographies where you see a stronger or weaker attraction from customers for your spring/summer collection? Thank you.

LUCIANO SANTEL: The first question was about retail penetration. You're right. That business represented last year in Q1 80%, now it's 83%, this was thanks to the great performance of all the regions. What is very important to reiterate is that the vast majority of that performance was organic, and so comp driven, which is something that makes us particularly satisfied. Looking at the future, our retail strategy will still be very, very quality driven, very selective with not many new openings. We expect for this year more or less 15 new stores, but the most important projects of this year will be expansions of existing stores or relocation to make the existing stores a much more visible, qualitative stores or flagship stores. I mentioned before Plaza 66 in Shanghai just opened last week. China world in Beijing is ready to be built in the next weeks. We will relocate Zurich. We will relocate Vienna and all of these stores I am mentioning will be big, visible and powerful flagship stores, again not powerful only from the business point of view, but powerful from the brand point of view, able to convey a very strong message to our audience.

ELENA MARIANI: And then sorry Charles, your second question was on the diversification of categories, and you were asking about which categories are performing better than others. Is that your question?

CHARLES-LOUIS SCOTTI: No, it was more in terms of nationality of clients, basically, you know which nationality are reacting you know, the best to your new spring/summer collection?

LUCIANO SANTEL: Yes, honestly, we don't see a specific differences in different markets or from different nationalities. I can say that in all the different regions the

interest for our other categories excluding outerwear has been growing year-after-year, season-after-season. I remember when knitwear was very, very small as a category. Now, it is the second leading category after outerwear. Honestly, with the completely different collection, much better quality, much better design, and the same path we are now implementing for all the categories including shoes with the new Trailgrip shoe. I don't see specific differences honestly in the different regions or for different nationalities.

CHARLES-LOUIS SCOTTI: Thank you very much.

LUCIANO SANTEL: You're welcome.

OPERATOR: The next question comes from Anne-Laure Bismuth of HSBC.

ANNE-LAURE BISMUTH: Yes, hi, good evening Elena, Luciano. 2 questions for me, mostly in the U.S. So coming back to the store expansion, regarding the existing store that you are planning to open this year, is it possible to know how many stores you plan to open in U.S, and what is your store network there at the moment?

And my second question is about the softer performance in wholesale is it affecting more a product category than another or is it affecting more some price points? Thank you very much.

LUCIANO SANTEL: Okay, your first question is about the new opening in the U.S. First of all, we just opened a few weeks ago in Dallas, we reported beautiful pictures in our presentation, this is an important opening that is also doing very well. We have a total of 4 or 5 openings in America, within our projects there is also the expansion of our store in Miami Bal Harbour, that is an important project, as I said before, very important strategically.

ELENA MARIANI: And sorry Anne-Laure, do you mind repeating your second question, please?

ANNE-LAURE BISMUTH: Was about the softer performance in wholesale: is it affecting more a product category or more the entry price point product or the higher end products? Thank you.

LUCIANO SANTEL: No, I would not say there are specific categories honestly, wholesale in the U.S. is softer than in other regions, but not in specific categories, or in specific price points. I don't know, if this answers your question Anne-Laure.

ANNE-LAURE BISMUTH: Yes, thank you.

LUCIANO SANTEL: Okay. Thank you.

OPERATOR: The next question is from Liwei Hou of CICC.

HOU LIWEI: Good evening, Luciano and Elena. Thank you very much. Only one question, we have seen weakness in Korea, not only in Moncler, but across the board. I'm just wondering if you could be kindly enough to share with us, you know, the reasons for that weakness in this particular market. Now, we read in the news about the problems in the Korea's housing markets and the rental system. Just wondering, are there any specific signs of danger that we should be aware of and most importantly, do they have any similarities to the slowdown in the U.S. now between these 2 countries? Thank you very much.

LUCIANO SANTEL: Okay. About Korea we have to distinguish on the 2 brands. Overall the market as I said before is softer, has been softer in first quarter and in

April, as compared to the other Asian markets, but still with a double-digit growth in April for Moncler and with growing contribution of Korean customers traveling and shopping in Europe. So the Korean cluster is still very, very healthy. Overall, I think that the Korean market - even if for Moncler is still a very, very solid - is overall softer than other Asian markets and this is the case for Stone Island for sure, which has been impacted by the softer market, but also by the fact that we have implemented last year and this year some kind of revolution in our retail network, converting all the stores, from stores operated by third parties to store operated by own store managers. So looking at the public information Korea is softer, honestly is not the case for Moncler because Moncler in the first quarter was very good and in the second quarter a little bit less but still up double-digit, but for Stone Island we see some impact. Okay, did I answer your question?

HOU LIWEI: Yes, very much indeed. Thanks very much.

LUCIANO SANTEL: You're Welcome.

OPERATOR: The next question is Louise Singlehurst of Goldman Sachs.

LOUISE SINGLEHURST: Hi, good evening, Luciano and Elena. Thank you. You've been very generous with all the information so far. So I'll keep it brief. I wonder Luciano and Elena, if you can tell us about the customer loyalty. I imagine there is a very big drive of new customer cohorts joining with all the Genius and activations that are going on. I wonder if you can give us any color about that. I know historically, with Genius, you had a quite high retention and repeat purchase of customers that would be helpful?

And then secondly, I wondered if you could talk to us about the price mix effect with all the elevation that's going through with the product with

Grenoble with Genius. I know there's a price list, but I wondered if you could help us think about the price mix for 2023 as well? Thank you.

LUCIANO SANTEL: Yes, thank you for your question. About customer loyalty and the impact of Genius: we tend to talk more and more to a broader audience and to younger audience and we see a stronger engagement of the audience, we talk to. This is generating traffic in our stores and in our online business, and the traffic is converted into a business, not only of Genius products of course, but of any kind of product or any kind of line of our collection: Moncler, Grenoble, Genius itself. Genius has been started to attract our customers, new customers, and to keep talking with them and when they come to visit our store or to visit our online store, they shop not only Genius but other lines like Moncler or Grenoble. So this is something that we see very, very clearly.

About price mix and volume, in the first a quarter the volume component represented about 70% of our comp, the other 30% was price. You may remember that we increased prices for about 10% in this current spring/summer season, mostly in Europe but not only, and the price mix impact represented about 30% of our comp growth rate, the other 70% was volume. Very interesting and important to highlight because it means that the price resistance has not been strong at all, people bought our brand notwithstanding the price increase.

LOUISE SINGLEHURST: Very helpful. Thank you.

LUCIANO SANTEL: Did I answer all your questions?

LOUISE SINGLEHURST: Perfect. Thank you very much for the color.

LUCIANO SANTEL: Thank you.

OPERATOR: The next question is from Paola Carboni of Equita SIM.

PAOLA CARBONI: Yes, hello, hi, good afternoon, everybody. I have just one question very quickly, I was wondering if you can share with us how do you look to the impact we had on the Moncler performance from the recent big bold support in terms of marketing from the events, we had the 70th anniversary first, and the Genius event most recently in London. So we are seeing an impressive growth and an impressive outperformance from the Moncler brand. Just from your perception and from your experience, how long do you think this halo, this positive resonance can last. And so, when do you think you will need to be back with as bold event in the future? Thank you.

LUCIANO SANTEL: Okay, thank you, Paola. Needless to say it again, but the Genius event was great, with greater success, great results in terms of reach and engagement. So for sure that event was aimed to speak to a broader audience, to attract new and younger audience, and I think that we made it. Having said that I think that for sure that event had an impact on our business, but I also believe that our business is founded on many different and solid pillars. Marketing for sure is not only the event we run in London, but it is also all the activity we have implemented to support Grenoble that this year, and at the end of last year, was particularly important, more than ever, and as I said before the campaign to support our summer collection. So, marketing is not that event only, even if that event was amazing, but there are many other initiatives. More, our business is founded on solid roots thanks to our retail operations, because of the location of our stores that depend on our distribution strategy we have implemented in the past and on the clienteling activity.

We talked before about the greater results delivered by Europe without tourism, that was the vast majority of the business, thanks to local customers, and local customers depend on the stronger clienteling activity that has been developed over the past years, so not just in 1 or 2 months. So, I think that that event was great, but I think that is not the only driver of all our good results.

PAOLA CARBONI: Okay. Thank you very much.

LUCIANO SANTEL: You're welcome.

ELENA MARIANI: Thank you. I think there are no more questions. So, thank you very much to everyone for participating in this call. For any follow-up question as usual, do not hesitate to contact the IR team. Just as a reminder our H1 2023 interim management statement will be released on July 26, after market close and our quiet period will start on June 27. So thank you again and have a great evening everybody.