

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MONC.MI - Moncler SpA to Discuss the Joining of Stone Island Call

EVENT DATE/TIME: DECEMBER 07, 2020 / 8:00AM GMT

CORPORATE PARTICIPANTS

Remo Ruffini *Moncler SpA - Chairman and CEO*

Carlo Rivetti *Moncler SpA - CEO, Stone Island*

Roberto Eggs *Moncler SpA - Chief Marketing and Operating Officer*

Luciano Santel *Moncler SpA - Chief Corporate and Supply Officer*

Paola Durante *Moncler SpA - Director, Strategic Planning, Intelligence, and IR*

CONFERENCE CALL PARTICIPANTS

Antoine Belge *HSBC - Analyst*

Luca Solca *Bernstein - Analyst*

Andrea Randone *Intermonte Securities SIM - Analyst*

Louise Singlehurst *Goldman Sachs - Analyst*

Flavio Cereda *Jefferies LLC - Analyst*

Cara Bottesini *JPMorgan - Analyst*

PRESENTATION

Operator

Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining Beyond Fashion, Beyond Luxury: Stone Island Joins Moncler conference call. (Operator Instructions)

At this time, I would like to turn the conference over to Mr. Remo Ruffini, Chairman and CEO of Moncler. Please go ahead, sir.

Remo Ruffini - Moncler SpA - Chairman and CEO

Good morning and buongiorno to all of you, and sorry for the short notice. Today, today is a special day for me and -- for Moncler, let's say, and me. Our first important day, as you may remember, was 2003 when we acquired the brand. 10 years later, 2013 -- I think most of you remember -- we went public. And because time goes fast, we didn't want to wait until 2023 to announce another historic moment. We did it in 2020. I think it happened by case, but never by accident.

One day, Romeo, which is my son, came home and told me. I was in the convention; I heard Carlo Rivetti and it was like to listen to you. The same vision, the same obsession for quality. You should meet him. And so it all starts and now we are on a new chapter together.

The question could be why now. I have always believed that luxury is not what you wear; luxury is a language. It is not having, but belonging. It is a community; it is an experience. Luxury is to open these doors and look for contamination from art, sports, culture, and music. I always ask myself: if music moves from cities to Spotify, and Netflix change the way we entertainment, would (inaudible) remain the same?

Today, luxury does not speak to the younger generation. I believe luxury needs to change. Moncler started its part already a couple of years ago with Genius. With Genius, we went beyond luxury. My dream is to develop this direction: Moncler and Stone Island. Each one with its own uniqueness, with its DNA, and different positioning.

I really think Stone Island is a perfect for Moncler. We have common roots and vision; we speak the same language. We have the same obsession for purity of the brand. We both love innovation. And very important: I think Stone Island remind me a lot of Moncler 10 years ago. 10 years ago,

2010, maybe you remember (technical difficulty). I think I was on this. Stone Island remind me of Moncler 10 years ago. I remember Moncler in 2010, we have 80% of sales, 20% retail. More or less the same revenues, more or less the same margin. It is a great Company with still a great potential.

And finally, I'm so proud that this moment, so difficult for Italy, two Italian companies join together to become stronger. The future is not something you chase; the future is something you build.

And now, ladies and gentlemen, I'm honored and touched to leave the floor to a man who made the history of the sportswear in Italy: Chairman and CEO of Stone Island, Carlo Rivetti.

Carlo Rivetti - *Moncler SpA - CEO, Stone Island*

Hello, everyone. Buongiorno. It's a great honor to sit in this place with Remo. I think that our two brands, they've really built the history of the garment industry, not only in Italy.

I was contacted by a lot of private equity, but I cannot make a deal with them. Because the most important thing is that with Moncler, with Remo, there is an industrial project. And this is really important for the future of Stone Island.

Stone Island started in 1992 with a mistake. Fabric entered into the company; it was the fabric that was used, is still used, for doing the tarpaulin of trucks. And we do a jacket and it was terrible, so we decided to wash it (technical difficulty) a fantastic product. It was really very, very strong. We start with only seven jackets and we used what we call Tela Stella.

From the beginning I think of the story of the brand, the DNA is very clear. We start with a fabric that is not used by the fashion industry. And still we are investing in new fabric, in new technology, in new treatment, in new dyeing. In 1993, GFT, that was my parent company in this day, owned Stone Island.

In 1993, the Stone Island company became a sponsored company, actually becoming independent. Me and my sister Christina, we decided to buy from GFT. The idea was that the future of the garment apparel industry was in sportswear, not in formalwear. From the beginning, the garment dyeing -- so we do the garment in white and then we dye it once that is done -- is really a particularity of the company.

In 1999, we opened the first flagship store in Milano and it was the beginning of the opening of an independent store owned by us. Still small number. Another key point, another milestone for my company, was in 2001 when we were able to garment dye polyester under pressure, 180°C. Why is this important? Because before we were able only to dye natural fiber. When we learned how to dye polyester, we opened a totally new innovative field for research, what we called the man-made fabric. And this was really a key point because we doubled the opportunity of dying materials.

I forgot to tell you before that in our experimental dyeing inside the company, with one dyeing, we are able to do 11 different colors on the garment, playing with the temperature of water, the acidity of water, pressure, temperature, and type of fabric, of course. So we can do all the colors of the world and we can invent colors.

In 2007, we launched the e-commerce. And it is another important step because I've become the new creative director, but this is not the key point. The key point is that we found a design team. So there was not only one man driving the design of Stone Island but there is a team of young guys, a multicultural team, and they feel that multicultural is really very, very important because if you want to talk to the world, you must be multicultural.

In 2011, we launched a Shadow Project. My company Stone Island is based near -- is based in Modena near Maranello. Maranello is the city in which Ferrari cars are built, and Shadow Project is my Formula One. You know, if you want to do very strong innovation, you must have a specific place in which you can really study new things. And Shadow Project is my Formula One in which we can make experimentation that then will enter the main line.

In 2014, we started the first collaboration with Supreme and Nike. And it was really a fantastic moment because in this day, it was not really very famous in the US. And we get two phone calls: one from Supreme and one from Nike. They are so different as company and so I understand that something was happening in the US. And the two collaborations, they were both very, very interesting. It is a real collaboration. So it is not to put together two brands but it was to really make together two different know-how.

The collaboration opened us really a new type of final consumer. In 2019, we acquired Officina della Maglia. Officina della Maglia is doing 75 of the products of our knitwear. And it is really a key point because we internalize an important part of the production.

This is very quickly a short story of Stone Island. The brand started in 1992 when Italy won world championship in Spain, so it was a fantastic year for Italy. I'm very proud to sit here with Remo and it is really a fantastic opportunity to join -- to merger two brands like Moncler and Stone Island. And I think that is a very strong signal for our country. I'm really proud to be Italian. Thank you.

Roberto Eggs - Moncler SpA - Chief Marketing and Operating Officer

Thank you, Carlo. Roberto Eggs, the Chief Marketing and Operating Officer of Moncler. Let me give you some more flavor and insight regarding the business model and more insight about the brand Stone Island. And to explain also why we see that fully complementary brand to Moncler.

Stone Island is an entry to luxury brand with a strong DNA rooted in sportswear, streetwear, and fashion. Active in a very appealing market. As you know, the total luxury market sector in 2009 (sic, 2019) was EUR281 billion. We know that 2020 has been a year where this market has had some difficulties, but we know also that we think the next couple of years it should recover and then even exceed the level of 2019.

Within this market, Stone Island is active on the ready-to-wear segment. The weight of this segment is EUR64 billion. And we think this segment, the weight of the casual wear is roughly 40% of the total. This is a fast-growing segment; faster, of course, compared to the formalwear, but also slightly faster than the womenswear. So we are active in a very interesting segment.

I think that Stone Island is intercepting some of the key trends that are fueling the sector. First of all, it is embracing the current digital blast that we are all experimenting. In just one year, we have posted five years of average growth of the past five years, so it's a very high fast-growing market in terms of digital. And here what we can know and what we have seen with Stone Island is that the penetration and the relevant KPIs in terms of dotcom are really, really good.

As you know, the brand is managed by [Eucanapote]; it is powered by them. It has a strong organic growth and higher level -- higher than average of the industry level of conversion and not lower level of returns.

The second trend that this brand is embracing is the generational shift. What we have seen and what we know is that the generation Z -- so people below 25 years old -- are going to fuel the growth of the luxury sector in the next five years. We believe that 65% of the growth will be generated by these generation Z. Stone Island is super well positioned with generation Z. That accounts more than 25% of its total sales. And if we add the millennials, so people below 30 years old, is more than 50% of the total sales of Stone Island.

It embraces also the other trend, which is the casualization. As you know, we are all adopting a more casual lifestyle at work and in the daily life, away from the standard constraints of formalwear and street culture that we have been experimenting in the 1980s, 1990s, and the early 2000s. The product of Stone Island is fantastically positioned and completely fitting the casual wear usage and destination.

The other trend that we see on top of casualization is sportswear luxurization. We see younger generations that are more fashion-sophisticated with luxury brands and this is gaining share on the mass premium markets, upgrading consumer, younger consumer to higher-quality purchase and lower frequency of purchase. Here also, we believe that this brand is embracing absolutely all these trends.

And the last trend that we see that is supported in this market is brand broadcasting platforms. And as I mentioned previously, these brands experience very strong organic growth. We see a very clean and pure brand platform that we can leverage in the future. It is a brand about communities and it's a brand regarding also contamination.

Stone Island features clear success factors that are highly complementary to Moncler. We see six of them as strong pillars for the future development. First, a versatile contemporary positioning in the new luxury, at the crossroads between the meaning, the communities, the contamination. We want to continue to enhance the positioning of Moncler and stretching Stone Island and strengthening Stone Island to maintain the distinctiveness between these two brands.

It is a brand, like mentioned by Carlo, that is about innovation like Moncler, with extreme experimentation, with research on fiber and textile, with more than [60,000] recipes of dyes per year. It is a brand about outstanding product quality like Moncler, as I think both Remo and Carlo used the name offset by quality. And I think is really what is the characteristic of these two brands.

It's two brands with very strong heritage that are different, an inspiration coming off from military Marines for Stone Island and more coming from the mountains for Moncler. Both brands have strong brand assets with strong use of logos but in a different way and with a different degree of visibility.

And finally, I think that this brand is a perfect entry to luxury pricing with high legitimacy. Stone Island is covering a different price segment of the luxury pyramid without risk of cannibalization of Moncler.

If we look at -- and this was mentioned by Remo when he said Stone Island reminds me a lot of Moncler 10 years ago. And to give you some flavors and, say, figures regarding this, what we can say is that in 2010, Moncler was doing 35% of these revenues in Italy, so in the domestic market. The retail revenues of Moncler in 2010 were weighting 27% of the total.

This is very similar to Stone Island. They have 28% of their revenues in Italy compared to the 35% of Moncler, and retail revenues weighed 22% compared to the 27% of Moncler 10 years ago. Turnover were already similar, also similar: EUR240 million for Stone Island, EUR283 million at the time for Moncler with an EBITDA of 3%. That is very similar between the two brands.

While you know what has been the trajectory of Moncler that has been growing from this EUR283 million to EUR1.6 billion last year and having the domestic revenues that went down from 35% in 2003 to 11%. So with a internationalization of the brand. Retail revenues grew also from 27% in 2010 to 77% of last year.

If we look at the story of Stone Island so far, the growth has been very impressive. Between 2011 and 2020, the brand has been growing from EUR50 million in 2011 to EUR240 million. So with an average growth rate per year of 18%. Even in 2020 -- and you know for everybody it's a very difficult year -- their fiscal year ended at the end of October, but within the 12 months of between November 2019 and October 2020 the brand has been able to keep a positive growth, growing by 1%, and maintaining a very high level of EBITDA at 28.4%. So I'd say a fantastic resilience of the brand in this difficult year.

I would like to give you some more flavor. So how this EUR240 million are organized by the different region and the different business models. We have with Stone Island currently 24 retail monobrand stores and we have more than 1,000 doors in wholesale. The 1,000 doors is very similar to the number of doors that Moncler has in wholesale.

I must say that the organization is slightly different because we only have three markets that are managed directly and directly controlled. One is Germany and Austria; the second one is Americas with Canada and the USA. We then have part of the business that is partially in direct control with agents. The main countries under this business model are Italy, Switzerland, Benelux, and Scandinavia. And then we have limited direct control full distributors. And amongst them, the most important market is UK, but we have also a distributor in Spain, in Korea and Japan, and partially in China with three different distributors that have a nonexclusive agreement with Stone Island.

In terms of where these 24 brands are currently distributed, we have one store in Scandinavia in Stockholm. We have one store in London with Selfridges. In France, we have two retail stores in Paris and Cannes. Benelux is one of the strong markets with Amsterdam and Antwerp. Germany, we are present in Munich, Frankfurt, Hamburg. 11 stores in Italy; I will not mention all of them. Korea, we have Seoul and Daegu; and in Japan, we are present in Aoyama. In Asia-Pacific, we have 10 stores, one retail which is based in Beijing in Sanlitun, but we are present in the main cities of China.

If we look at how the business is split between the different areas, as I was mentioning, Italy is still a stronghold of Stone Island with 28%. EMEA represents 52%; Asia-Pacific represents 11%, including Japan and Korea; and Americas 9%. If we look at the 52% of EMEA, it is more or less equally split between UK, that weighs 29% of the business; Germany and Austria, 26%; Benelux, 20%; and the rest of Europe is 25%.

If we come to what is making and giving the superior edge of Stone Island, we see four main pillars that are bringing a lot of value and decision between this brand and the others. The first one is the style. With a unique positioning between luxury, sportswear, fashion, and streetwear, with an understated military-inspired, highly recognizable, and extensive Archivio collection in-house, we see also a strong hold with the product, with the unique knowledge. And this was explained by Carlo with the dyeing garments. But also a lot of research on new techniques regarding textile and fibers.

In terms of production, a long lasting relationship with key suppliers with the full control dyeing process and an in-house need for production since 2019. And regarding sustainability, an approach that is very similar and in tune with what Moncler is doing with also 100% certified down and more than 50% of merino wool that is mulesing free.

If we look at the split of product -- by product categories, we see that outerwear represents 38% of the total turnover. The cut and sew represents 35%; the knitwear, 18%; and others -- this is including pants -- 9%. And a repetition between the fall-winter and the spring-summer collection that is almost equal, having for last year 51% of the sales done during the fall-winter season and 49% during the spring-summer collection.

Let me pass the word to Luciano Santel that will continue and explain the results, what is the future, and how we have made the deal. Thank you.

Luciano Santel - Moncler SpA - Chief Corporate and Supply Officer

Okay. Thank you, Roberto, and good morning, everybody. Thank you for attending our call on this great day. It's a really great day. We report in this space page 16 the key financials of the company.

As Roberto said and as you already know very well, the company reported a quite impressive growth over the past 10 years from about EUR50 million to EUR240 million this year. What also is very interesting is that this year, notwithstanding the overall situation, that, I mean, the [more deliveries] been particularly -- still is, unfortunately -- very complex.

They showed a very strong resilience with a top line that is totally aligned, even slightly better than last year at EUR240 million. Operating margins are good; I would say are very good. Both EBIT and EBITDA, EBITDA EUR68 million, which is 28.4% again this year. Last year was 30.8%. So an EBITDA margin which is in the region of 30%, which is very, very good.

Let's move now to page 17 because the past is great, but the future is what we still have to design, but the future must be even better. I don't think there is something we can do better than what they did, but I believe there is a lot we both together can do more.

First, to help Stone Island to become a real global company, real global brand. Second, to drive the business from mostly a wholesale business model to a direct-to-consumer business model. And the last but not least, to make the brand, which is already very strong, to make the brand even stronger, even stronger worldwide.

Page 18, our plan for the next year. We have designed a premier business plan that we want to share with you, not just the detail of the plan, but just to tell you that we believe -- I mean, we aim to double sales over the next five years and we believe that this is doable.

And our plan, our strategic plan is based on three important pillars. First is the product, which is the [assets] of Stone Island's success. And behind the product, there is great research and great innovation in both design and materials. And this is something we want to preserve, to protect, and even if possible to enhance and to improve it.

Second pillar is the distribution. Again, the company is based on a business model which is mostly wholesale. Again, as Roberto said, with the same strategy, with the same vision that you know very well that is our Moncler strategy: very selective, very clean, very pure. I think there is a lot to do

now to improve the direct-to-consumer distribution; to open stores, of course, with the same selective approach. And also to further strengthen the dotcom business, which is already very, very good and honestly even better and better than what Moncler reports. Because their dotcom business overall is in the region of 10% of total revenues.

Last but not least, the brand. Brand is very strong. I think that we can together work to invest more and more in marketing activities, in brand enhancement. Because what is very important is to make the brand to become a global brand and a very strong brand also in some markets where still is not -- the brand awareness is not still very, very high.

If we move to page 19, we report the normal usual SWOT analysis. The point of strength are pretty obvious. Again, we have already talked about strengths, the unique positioning, the superior product and production know-how, the strength of the brand, and the visionary management and the vision of Mr. Carlo Rivetti.

Opportunities. I think opportunities are a lot to expand their business internationally. Their business now, as you saw before, is very strong in Europe but still great opportunities in other international markets. First in Asia and in North America.

Weaknesses are flat. I honestly see weaknesses more as opportunities because the limited brand awareness in faster-growing markets is a weakness. Yes, it is, but I think it is also a great opportunity in all of the fast-growing markets, including China, where the brand is still at the very beginning. But I think opportunities are very strong and stronger than weaknesses as much as flat.

So the limited retail culture, which is what we said at the beginning, they are still at the very beginning in their retail past and I think there is a lot to do. So weaknesses are flat, honestly, are more opportunities for the future and very exciting opportunities for our -- both of the teams.

We can move now to page 20, where we report the most important elements of the transaction. The agreement is the aggregation of the two companies for a total consideration of EUR1,150 million for the equity value. The consideration will be paid 50% cash and 50% through the issue of new Moncler shares, exactly 10.7 million new shares that will be dedicated to the Rivetti family.

For Moncler, the cashout, the maximum cashout, will be about EUR750 million, which is below the current cash position of Moncler. That means that we will still maintain as a group a cash-positive position. Of course, the transaction is subject to market standard closure, including the capital increase I just talked about that is going to happen over the next two or three months, most likely, with an expected closing before June. But I will say way before June hopefully.

Okay, thank you for your attention and we are now ready for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Antoine Belge, HSBC.

Antoine Belge - HSBC - Analyst

Three questions, please. First of all, can you maybe comment a bit on the price points of Stone Island in terms of the key product categories? Who are the main competitors in your view?

The second question relates to the level of margin, which is already very high. I think you mentioned that there were quite a lot of distributors and partners involved in terms of distribution. So should we consider this very high margin as a peak, especially as you will invest into retail? Or do you think actually that's not the case and other margins could be even higher? And finally, in terms of management, what will be the involvement of the Moncler management, notably Remo and also Roberto? Thank you.

Roberto Eggs - Moncler SpA - Chief Marketing and Operating Officer

Regarding the first one, the pricing, we have been of course studying in detail the different product categories. As we said, for distinction is a completely different weight in terms of product categories compared to Moncler with a lower, much lower part on the business, on the outerwear business. The difference of pricing in the outerwear business is on average 25% to 30% price difference. It's a little bit higher regarding the cut and sew, where we are -- to give you an example, the entry price of Stone Island is slightly above EUR100, while we don't have now any cut and sew below EUR160 for Moncler. So there is still a significant price gap between the different categories.

Regarding the approach, and I will leave also the floor to Luciano to comment, but I think that the overall perspective that we have in terms of business development -- because you are right. The level of margin is already quite high and it was, like Moncler at the time, very similar. I think that the objective here is to get to a more direct-to-consumer control purely for the development of more presence in retail. I personally perceive that there is a strong potential in mall and department stores, probably a little bit less regarding freestanding store compared to Moncler. But probably also due to the price level and the targets in terms of audience. Even a stronger potential in terms of e-commerce sales. They are already higher and probably something that we can further develop with Stone Island.

Regarding the wholesale, I think we need to -- and the distributors, we need to carefully study with Stone Island because I think what has been built is a remarkable network. We need to assess where it is going to add value to go more direct and where it's going to be more useful to continue with existing partners. But there also, whenever we will be able to gain more direct control is something that we are going to work together on this.

And the idea there is clearly, if you -- like we did it for Moncler. If you get to more direct control and less intermediary, this is going to be margin that we want to use to fuel the investment in terms of marketing. Currently, the level of investment on the marketing and promotion for Stone Island is below the average of the industry. And what we would like is we think the next three or four years is to bring it at least to the level and continue to invest to continue to develop the brand and to visibly [tear up] the brand.

Luciano Santel - Moncler SpA - Chief Corporate and Supply Officer

Yes, I mean, talking about the margins. As you know, margins are very important, but our strategy as usual is a brand strategy. And part of the brand strategy, as Roberto said, there is a distribution strategy to get exact control of the market but also to have the possibility to talk actually with customers.

Margins may improve, but honestly, this is not our priority. Margins are already very good. I think the margins may improve if and only if we will implement the brand strategy we discussed about and the distribution strategy we will discuss about. In any event, we are very encouraged by the fact that operating margins are already very good. The fact that we may take control of some markets is not affecting not negative all our margins for sure.

Remo Ruffini - Moncler SpA - Chairman and CEO

In terms of management, I think Stone Island has a great management team. For sure, our idea is to help us to develop the further business. I think I want to work directly with Carlo for anything. He's proud of this marketing strategy and so on, and for sure where we see the great potential is Roberto's area.

I think we can really help them to develop the different market in terms of wholesales, in terms of -- even the wholesale chain is already very strong in terms of quality, in terms of number. And their retail chain, as we mentioned before, I think in Asia we feel there is a great potential.

Having said that, we want to be concentrating on Moncler, this is for sure and that's why I say we found a very strong management team there. Our goal is really to help to improve the culture and the distribution and to enter in the new markets in the right way.

Antoine Belge - HSBC - Analyst

I think in the press release, you mentioned a new EBITDA, 2021 estimated EBITDA of 13.5 times. So I did a quick calculation. It means that you expect an EBITDA figure for 2021 of EUR85 million. So is that figure based on much higher sales or is it already incorporating some kind of margin expansion or just returning to the pre-COVID level? Thank you.

Luciano Santel - Moncler SpA - Chief Corporate and Supply Officer

The improvement expected and hopeful improvement in the margin is totally driven by an increase in the top line.

Paola Durante - Moncler SpA - Director, Strategic Planning, Intelligence, and IR

Sorry, operator. I was just seeing a couple questions from the web on the structure of the transaction. So maybe I ask Luciano to clarify the different steps just for the clarity of everybody.

Luciano Santel - Moncler SpA - Chief Corporate and Supply Officer

Okay. For the sake of clarity, we have highlighted that we have to present the shareholder structure, which says 70% stake owned by Mr. Carlo Rivetti and his family and the other 30% owned by Temasek, which is the Singapore financial firm which is also -- as you know, in the owned stake directly through Ruffini Partecipazioni of Moncler.

So the agreement has been formally reached with Mr. Rivetti family with the 70%, but Temasek have been -- they have been contacted and they have expressed their happiness, openness, and enthusiasm for the transaction. Of course, all the formal agreements will follow, but the objective of Moncler is to get 100% of the company. And this is also something that we can give for granted because it's based on contractual agreements in place between the Rivetti family and Temasek.

And the way we will get to the 30% from Temasek may be the same we got the 70%, which is 50% cash and 50% shares. But they also have the right, eventually, to ask to get paid 100% cash. When I said before that the total maximum cashout will be EUR748 million, this is in the case they should ask 100% cash.

Operator

Luca Solca, Bernstein.

Luca Solca - Bernstein - Analyst

You draw a parallel between (technical difficulty). One of the key drivers of growth at Moncler has been a very strong and effective development of retail. How confident are you about Stone Island as a direct retail operation? Do you have evidence that the current stores are producing levels of sales per square foot levels of productivity that would be conducive to further development of direct retail activities? Or what do you envisage will be the needed actions in order to bring back productivity to a level that would allow you to develop retail further, which seems to be value creation access that (technical difficulty)?

The second question has to do with the current distribution quality. You say that Stone Island has a number of markets where it's distributed directly and several other markets where you have parties involved. How satisfied are you with the quality of this distribution? And how much of a streamlining is it going to be required or a cleaning up is going to be required when it comes to wholesale quality and also when it comes to control on pricing?

I was finding this morning quite a number of products discounted. I think it's normal; we have it everywhere. This year has been very difficult. But I was just wondering about the grip that the brand currently has on distribution and pricing in your view. Thank you.

Roberto Eggs - Moncler SpA - Chief Marketing and Operating Officer

Coming to the first one, which is the retail growth. As you know, the retail network that is currently in place in Stone Island is quite reduced. We have 24 stores in retail. There have been start in terms of clienteling development, and so on, but we are really, really at the infancy of -- and probably a little bit where Moncler was six, seven years ago. So I think there, there is probably with the omni-channel approach, a retail excellence project, there is a lot to be done and support that Moncler can give.

We went through a similar learning curve. And as you know, when we were discussing five or six years ago we were at EUR29,000 per square meter, we are thinking this was very high. And we have been able to increase it by 25% for the clienteling action and an approach with omni-channel that we've developed. So I think there, it is clearly something that we can bring to the table to help Stone Island to further develop.

There is also a very strong knowledge in terms of what are the key strategic places to be in and how traffic and price can influence the global outcome of the retail operations. So clearly, the expertise is here in Moncler. We can provide support on that. We have a fantastic knowledge regarding some of the market that are currently managed through distributor. I'm thinking especially regarding Asia with Korea, with Japan, with China, where we are handling all these operations, as you know, Luca, fully direct. And we have all the connection with the landlords and so on. And I'm convinced that we will be able to help and provide some leverage for the development of the business for Stone Island.

Also, as you have seen, their level of penetration on the Asian consumer is relatively low. This is for me another leverage that we have to develop. As you know, when we look at the sales density of Moncler, that is very high. It's also a lot driven by Asian consumers that are bringing half of the sales density we have in our store and this is all currently almost non-existent. They are relatively low when we look at the penetration of Asian consumer within Europe, and currently, the business is at 80% of European business.

I think also that there is a strong leverage through the different partnership and collaboration that Stone Island, as it establishes 2014 with Nike and Supreme on the North American market. We foresee there also a strong potential for development.

As I was saying at the beginning, I see probably a different split and weight between retail, online, and wholesale than Moncler. We believe that the stronghold that they have in wholesale is something that we need to continue to leverage. From what we have seen in the store, Stone Island is in all the right ones. Maybe we can in some cases help also on that part.

I believe very strongly in department store. As you know, we moved to a concession model now in all department stores in Europe. We are in most of the cases still in a wholesale model. With Stone Island, we will have to analyze and carefully look what is the best solution, but there, there is another strong leverage that we may have. So I think a little bit what I've seen so far.

Regarding the pricing, as you know, here we are in a different business model. With Moncler, you know that there is no discount policy. We never discount our products in our stores and our partners are doing the same in their wholesale distribution. We only are using the outlet as a way to get rid of the excess stock.

Here, it is a different policy. I think what they have very, very high level of sales through full price, much above the industry average. And they are then also using some discount at the end of the season to lower -- to increase their level of sales-through and through a few outlets they are able to get rid of the total of the stock. So here, it's true also to be carefully analyzed. It's a business model that is working. So I think that before changing, we need to see if this is the right model.

Remo Ruffini - *Moncler SpA - Chairman and CEO*

I agree with Roberto. But as usual, we don't know the company yet. We don't know deeply the company yet. But my dream is always the same: try to have a strong brand. If you have a strong brand, you don't need too many discounts around the world.

Operator

Andrea Randone, Intermonte.

Andrea Randone - *Intermonte Securities SIM - Analyst*

Even if I know the brand, and I appreciate it, I'm quite surprised by the numbers in 2020. I wonder if you can help us in reaching a better understanding on this trend. Partly maybe it's because you mentioned a higher percentage from local customers in Europe or from online. I think this can be interesting.

And I have a second question from a more strategic point of view. You mentioned a sort of ambition or target to 2025 to double revenues. I wonder if you can tell us when do you expect to launch, to be ready to launch a women's collection or if you think also the Genius project can be applied to Stone Island brand. Thank you.

Roberto Eggs - *Moncler SpA - Chief Marketing and Operating Officer*

Let me give you some flavors regarding the results of this year. They have been good. And as you have seen also from Moncler, the results of wholesale this year has been better than the results of retail. There is low exposure to Asian consumers in the business of Stone Island in Europe. It's mainly based on locals and on the tourists that are traveling locally within Europe. So they have been less impacted by the fact that globally, people are traveling much less.

I think they have two very good wholesale campaign they have been running. It's true also that the result of plus 1 that we are showing our results at the end of October. So if we take the calendar year, it would be more minus 8%, which is still fantastic. It's still to be closed, but this is the assumption that we are taking, minus 7%, minus 8%, which is fantastic result in the current context. Far above what other players in the market are doing.

Remo Ruffini - *Moncler SpA - Chairman and CEO*

On the second question, I think we make this plan on 2025 based on the businesses of today. Having said that, I think it's too early to think about the strategy; it's too early to think about women or Genius. I don't feel women under the Stone Island umbrella, but you never know. Again, it's a very new brand for us.

Having said that, we have a strong feeling that the position in that Moncler fighting a lot to reach is what we call the new luxury world, including a lot of new brands, a lot of brands that give a lot of energy in this luxury street. Think about what we did with Genius, what Gucci did with its turnaround, as well with Dior [Oma], the communication. But not forgetting [Virgil Abloh] with LV.

This position, again, that we are fighting a lot to reach, I think it is a strong opportunity also for Stone Island. I think we are not there yet. With Moncler, I think we have to improve our strategy, improve our vision, improve our way to work in this segment. But I honestly feel we can take Stone Island close to this world. It means I don't see any problem because we have to grow in this segment, but Stone Island can follow us.

Paola Durante - Moncler SpA - Director, Strategic Planning, Intelligence, and IR

There was a question on the 2021 results -- estimates more than results, sorry. Somebody is asking that but is asking if EBITDA is a target estimate for 2021. Yes, of course, it is an assumption, is an estimate. But 2021 already, the Company has finalized fully the spring-summer campaign with very good results and initiated the fall-winter campaign, which is just started. So it's based on some, I would say, reasonable assumptions.

Operator

Louise Singlehurst, Goldman Sachs.

Louise Singlehurst - Goldman Sachs - Analyst

My first question: I wonder if we can ask Mr. Ruffini about -- he talked about the dream and the future vision. But is this the start of something bigger as well within lifestyle? Do you envisage further down the road more exposure into other brands within the lifestyle category?

And then my second question. I just wondered if you could help us understand or differentiate the consumer profile. For example, if we think about Stone Island's puffer jacket for the male, what's the difference in the target audience versus what you are seeing at Moncler? That would be very helpful. Thank you very much.

Remo Ruffini - Moncler SpA - Chairman and CEO

I think -- basically Stone Island I don't feel is a lifestyle brand. I think Stone Island is very pure, very clean. In the last, let's say 10 years at least since what I remember, I remember the campaign were more or less the same but more or less very -- not more or less. Real clear, very pure, with this outfit, with fantastic casting. I think the only change is really respect what they did in the last 10 years because I really feel it is a big value for the brand. It means not lifestyle, but purity I think what we have in mind.

Having said that, the company in terms of, let's say face to the customer, is I feel is amazing. I feel it is really strong, a really strong identity. I don't see competitor; I see they have really a unique positioning. And it's only question to improve in terms of visibility, in terms of communication, improve the community. I think they have already a strong community.

If we think about 1.7 million Instagram followers, I think for this kind of company with that revenue is something for me very strong. It means it's only to improve what already they did. I think this is very, very interesting.

About the product, what do you mean -- mention about down jacket and so on, I really feel the approach, the attitude I think is one of the company, they are amazing to make garment dye for sure one of the best -- for sure the best, not one of the. I think the knowledge they have, they transformed the feeling of the piece, the feel of the jacket, the feel of everything they did. I think, again, the product is quite unique. If you see the Stone Island down jacket, the face is totally different than us, [much starter] different than anyone in the market. And this is I think a huge and strong value for this brand.

Operator

Flavio Cereda, Jefferies.

Flavio Cereda - Jefferies LLC - Analyst

Obviously, first of all, congratulations. I think putting together a premium [directly] in Italy is a really big deal. I have three quick questions, please. The first one is for Stone Island, can you be clear where the manufacturing actually takes place? Is it Italian, is it non-Italian, which geographies?

And the second question I have was in 2017, I noticed what's happened to the EBITDA margin of Stone Island. So basically in real terms, it's almost doubled. So I was wondering what happened? What was the miracle of that year? And thirdly, I may have missed this, the net financial position of Stone Island as of today? Thank you.

Luciano Santel - Moncler SpA - Chief Corporate and Supply Officer

About your first question, the manufacturing processes are in all the most important countries where there is the know-how for the different categories they produce. Outerwear in East Europe or Romania; for the knitwear, for cut and sewn, Turkey. These are the two most important, but also some production is made also in some Asian countries like Vietnam.

Something important to highlight is that as we said before an important part of the know-how of the company is the dyeing. And dyeing is a totally made in Italy and a significant part of the dyeing process, more or less, more than 50% in a company which is owned, for which Stone Island has a minority stake. This is the most important know-how, very important to highlight.

About the margins, in 2017, there was I think an important jump in the top line and this is the reason, the main reason for sure why also the operating margins jumped. About the net financial position, which is something we didn't report, but you are right. It is very important to remember that the financial position is positive and they report at the end of the fiscal year -- 2020 fiscal year EUR19 million cash. And

something important also to highlight, even if you didn't ask the question. But I forgot to highlight the fact that the aggregation is accretive for Moncler shareholders. The EPS is higher than what it would be for Moncler only.

Flavio Cereda - Jefferies LLC - Analyst

Wonderful. Thank you very much and congratulations again.

Paola Durante - Moncler SpA - Director, Strategic Planning, Intelligence, and IR

Operator, are there any other questions? Otherwise, we might need to stop now.

Operator

[Cara Bottesini], JPMorgan.

Cara Bottesini - JPMorgan - Analyst

I have a couple, please. Maybe if I can just follow up on Remo's involvement on Stone Island versus Moncler. How are you thinking about your involvement and splitting your time between the two companies going forward?

The second question is to Mr. Rivetti, if I may. Maybe why now to sell? Why is now the right time to actually take (inaudible)? And finally, maybe I missed it, sorry. Can you remind us how much are you spending on marketing as a percentage of sales at Stone Island, please? Thank you.

Remo Ruffini - Moncler SpA - Chairman and CEO

First of all, again, it's too early to say something. As I said before, I feel the company is very well organized. As I said before, we will not really help a lot. I love this brand; I love the quality. They make it for sure. I love the strategy they have. As I say, it's very pure. I would love to work with Carlo because I think I can learn from him a lot. Also for my actual job. And I hope to spend a few hours a day, let's say a couple of hours a day, maybe

late day before I normally go home, I try to stay here more. But again, I don't know. I think it's a rare opportunity for Moncler, it's a rare opportunity for Stone Island, it's a rare opportunity for me as well. I feel a lot of energy on this project and I want to really make something unique.

Why now? Second question. So why now? As I say at the beginning, we start talking with Carlo a few months ago, maybe seven, eight, nine, I don't remember exactly. It was not the right moment for the market. As you know, this pandemic impacted a lot for all the industries. But I feel -- again, I was very concentrated to do this deal. And since when we understood that we find an agreement, we say why not.

I always say in these moments I really have a lot of energy. I always say to the market, I always say to the people in the Company, we don't have to wait till this crisis is finished. I think we have to work to have better results, that we have the new idea. In this moment, everything is speed up, everything is all the ideas we have like one year ago, we literally try to improve now because we want to really be ready. We really want to be another face when this crisis is going to be finished. It means I don't feel this was the wrong moment. I feel it is the great moment to make this partnership.

Regarding the marketing and promotion investment, it's a structure where we have roughly 25% of the marketing investment that is invested by distributors or agents, 75% that is directly managed by Stone Island. And on average, they are at let's say 60% of what is the industry benchmark. And clearly, the objective is within the next two to three years to bringing them at least to the level of ANP investment that we have industry that is between 7% and 8%.

Paola Durante - Moncler SpA - Director, Strategic Planning, Intelligence, and IR

Okay, operator, I think we really need to finish the call. But clearly, if there's a very last question, we can take it. Otherwise, we thank everybody.

Operator

At the moment, we don't have any other questions registered.

Paola Durante - Moncler SpA - Director, Strategic Planning, Intelligence, and IR

Perfect. So thank you to everybody. As usual, myself and all the team is ready to take any follow-up questions that you have. Call us as usual any time. Ciao to everybody.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.