SMCP

sandro maje claudie pierlot

18FY Sales

Monday, 28th January 2019

Introduction

Célia d'Everlange

Head of Investor Relations, SMCP

Thank you, good morning everyone. This is Célia d'Everlange, Head of Investor Relations speaking. Thanks for being with us for SMCP Full Year Sales publication. I am here with Daniel Lalonde, our CEO and Philippe Gautier, CFO of SMCP. As usual, we will go through the presentation and then we will have the Q&A session. Before I hand it over to Daniel, I invite you to go to our usual disclaimer on page two. And I think we can start now Daniel.

Overview

Daniel Lalonde

CEO, SMCP

All right, thank you Célia and good morning everyone. Thanks for joining us. I am very happy to present to you the full year sales and invite you to go to page four, please.

FY2018: strong double-digit sales growth, in line with upgraded guidance

So, we are very pleased to announce this morning another set of very strong numbers for 2018. As you saw on the press release, 2018 showed strong double-digit sales growth at 13% which is perfectly in line with our upgraded guidance given in July last year. I am particularly proud of these numbers as they not only show best-in-class performance within retail and luxury, but also a great achievement considering two things. First, the unprecedented short-term market headwinds we had in Europe in Q4 with the yellow vest movements in France, as well as unseasonable weather conditions mainly in Europe, and second a high base of comps in APAC, which has exceeded our expectations last year.

I would like to point out that 2018 is also an important year in SMCP's growth story as we reached another key milestone, with our sales now exceeding €1 billion. We doubled our sales in the past four years and this is a huge achievement reflecting a solid execution of our roadmap. With 13% of sales growth at constant currency for the full year of which 8.1% at constant currency in Q4, 2018 is another solid year.

We achieved significant progress all year long both organically and through store expansion with international sales being once again a key driver this year. Growth of 22.6% at constant currencies and all international regions grew at double digits.

Our performance particularly over the last quarter demonstrates that SMCP is built on strong fundamentals and further illustrates the resilience of our business model in the midst of unprecedented market headwinds. On the organic side with a 3.7% growth of like-for-like of organic sales, our performance is solid especially considering the impact of the yellow vest in France over the last quarter. In the meantime, 2018 has been an important year of openings with plus a 134 POS of which a 102 DOS in 2018, we exceeded our target and I will comment on that in just a minute.

FY18 - Delivering on growth levers: ready to wear, accessories and men

On page five, I would like to start by spending a few minutes discussing our growth levers. As I have mentioned earlier, we achieved significant progress on our roadmap in 2018. We have continued to leverage our core business ready to wear through our Fall/Winter 2018 collections by growing the awareness and the desirability of our brands, and by enhancing the customer experience.

Here on the slide, you can see a few examples of our latest Capsule collections which came out at the end of the year for Claudie Pierlot and Maje, as well as the choice made by Letizia of Spain to wear one of our top Sandro’s selling dresses.

In the meantime, we have further developed our three strategic levers, including accessories. We continued to capitalise on our two main categories: shoes and bags with sales up 16.8% this year on a reported basis so approximately one point higher at constant currency.

We increased the penetration for each of our brands particularly Sandro, which showed a gradual catch-up compared to the other two brands. This was partly due to the strong success of the Flame shoe, which posted a record year with more than 30,000 of pair sold.

Menswear, as you know, we think this is a big market, but it is more fragmented than the women's market. If you think about men's business and accessible luxury or even luxury, it is often a very regional business. There are very strong regional players, but there are very few global players. We think this is another major opportunity to quickly grow Sandro Men's and we have been doing just that.

In 2018, we generated another year of strong growth at 13.5% on a reported basis so approximately 14.5% growth at constant currency reaching just shy of €100 million. We continued to have a lot of success in men's. Our collections have been very well received and we also continued to roll out the men's footprint. It has largely been rolled out in France and Europe and 2018 was an exciting year for us because we focused on the rollout in China achieving a growth of more than 35% internationally. We had 17 new points of sale mainly through dual-gender stores.

FY 18 - Delivering on growth levers: significant acceleration in digital

Finally, let us take a look at digital on page six. So digital continuous to be the fastest growing channel and also the most profit accretive channel as well. With 35.5 of sales growth in 2018 to reach 14.7% of penetration, we achieved significant progress in the year about 260 basis points. This was driven by the US, which is now firmly above 25% of its sales and Mainland China, which has seen a sharp acceleration of its digital penetration, which has more than doubled compared to 2017, and is now almost in line with the group's penetration.

We continue to roll out our digital roadmap, one, to keep developing our network internationally. In 2018, we opened 16 new points of sale of which six DOS, notably in Canada on hbc.com in Switzerland and in Russia. We reinforced our omnichannel experience. We are channel agnostic as you know so we let the customers choose how they want to interact with our brands. The shopping experiences today fully integrated blurring the frontier between digital and brick and mortar.

In H2 2018 we continued to work on our omnichannel services such as Click and collect, E-reservation, which is now also implemented in Spain, Italy, Germany and Belgium for

Sandro and Maje, and last Store-to-web. Three, we invest in data, artificial intelligence and we develop new CRM channels such as WeChat. As I mentioned in Q3 that we have integrated WeChat as our CRM platform so each customer in China is now able to register in our database via QR code. Since Q4, all customers can now chat with the sales associate through our brand's official account.

And fourth, we transformed our marketing approach to engage more with future generations especially millennials through Instagram and WeChat. These are the two most important platforms on a global basis, which is really a major competitor to traditional media. We are continuously creating brand stories in line with our frequent product drops compared to just having one marketing campaign per season.

This involves creating more content and constantly renewing and evolving that content. We are using key opinion leaders and influencers and user generated content to amplify and drive brand awareness across the world.

FY 18 - Dynamic year of openings: + 134 POS

And finally, on page seven, our last component of growth is our footprint development. With 134 POS openings in 2018 of which 53 POS in Q4, we did some very important work last year. We are now present in 40 countries, 2 new countries as compared to 2017 as we added Lithuania and Denmark through 1466 POS across the world. All of our Q4 openings took place in international markets with 22 POS in APAC, 19 in Europe and 12 in the Americas.

APAC

Regarding APAC, we entered one new city in Greater China in Q4, Chaoyang, bringing the total to 26 cities versus 21 cities in 2017. Chaoyang is a city on the move. New transportation and infrastructure, high quality development and rising home prices underscores Chaoyang's ascent as one of the fastest growing cities in China. The city is also been ranked as one of China's most suitable city for living, as well as China's most romantic city.

Here we opened our first Sandro and Maje stores MixC mall. So key openings in APAC for Q4 also included some other important stores in Greater China such as Hong Kong Harbour City for Maje in December. Harbour City as you know is one of the most iconic malls, an important mall I would say in that and throughout the world. Maje entered Harbour City in 2014 with a small shop at 76 square metres. With our success and proven track record in sales, we recently relocated and expanded the stores total area to 167 square metres and adopted the latest flagship concept at Maje. The store is now consistently our number one or number two free-standing store in the world.

In Beijing, China Word for our three brands, it is one of the most iconic in mega malls in Beijing with the strong luxury environment. We were able to install all three brands on the same floor in the north wing, which is a transition block between luxury hotels and offices. And last in Hangzhou, MixC our first Claudie Pierlot store in the luxury mall MixC. Sandro women and Maje have been present in the mall since 2013 and 2015 respectively and today we are one of the leading brands on the floor.

Europe

In Europe we have also opened 19 new stores in Q4, including our beautiful Maje flagship store on Regent Street, one of the most sought-after shopping destinations in London.

Spanning two levels, the boutique provides a private space to accommodate exclusive styling sessions for VIP customers.

Americas

And finally, 22 POS in Q4 for America including Texas where we opened two stores for Sandro and Maje at the Galleria in Houston and The Domain in Austin. Here, again, we are very happy with the first results of our recent openings and they are very, very promising.

Partnership

Regarding our partnership markets, openings also remain very dynamic with nine new stores in Q4 such as our first two free-standing stores in Mexico City for Sandro and Maje in the prestigious Artz Pedregal mall through a partnership with Retail Fashion Group, a subsidiary of Grupo Sordo Madaleno. Here we decided to take a new step forward by leveraging our success or the success of our first corner opened in 2015. And we are targeting there a very solid expansion plan for both Sandro and Maje over the coming years in key cities such as Polanco, Monterrey, Puebla and Guadalajara.

So now I will turn it over to Philippe who will present the Q4 financial performance in greater detail.

Financial results

Philippe Gautier

CFO & Operations Director, SMCP

Q4 18 - strong resilience despite unprecedented short-term headwinds

Thank you, Daniel and good morning everyone. As now Daniel mentioned, 2018 has been another strong year. Our performance with 13% of sales growth at constant currency. This represents 11.5% growth on a reported basis, including negative currency impact of -1.6% which was concentrated on H1.

In light of our upgraded full year guidance and continuing the headwinds we faced over the last quarter, this is a great achievement. More specifically on Q4 2018, we grew by 8.1% at constant currency and 7.9% on a reported basis, including an almost neutral currency impact.

This performance reflects a strong momentum in the Americas and APAC regions as the visibility and the awareness of our brands continues to grow in both regions. With the Americas it is about 25.7% and APAC at about 18.2% at constant currency on the top of high comps in 2017.

A solid resilience in Europe is by short-term headwinds including the yellow vest in France and very warm temperatures in Europe. France was at -1.9% in Q4 and we recorded 7.2 sales growth at constant currency. I will go into further detail concerning these regional dynamics in just a minute.

Regarding openings, 2018 has been a very dynamic year with 134 points of sale opened, including +102 DOS, above the annual target. These openings are in line with our strategy showing a good balance between EMEA and APAC with respectively 49 and 59 POS and a slight acceleration of our openings in Americas in +19.

Finally, the last element I would like to highlight our sales growth by region, which shows a greater diversification year-after-year. France now represent 36% of our total sales versus 39% last year, while APAC and the Americas increased to 19% and 15% of total sales respectively. So, in a short time, our geographical breakdown will be perfectly well balanced if roughly 1/3 of our business in France, 1/3 in Europe and more than 1/3 in APAC and the Americas.

Q4 18 - Regional Dynamics

I will now go to our Q4 sales in greater detail. So, moving to the regional breakdown on page 10. In France, sales were down 1.9% in a tough market impacted by 1/ warm temperatures delaying the transition of the Fall/Winter collection, particularly on outerwear. 2/ We had the yellow vest protests which had been occurring since November 17th leading to lower traffic in stores, some store closure and a slowdown of tourism in France.

We estimate the yellow vest impact at around €4 million considering the direct impact links to the fall in traffic with some temporary store closure for a seventh consecutive Saturday. On average, on these days we had about 15% of average stores or our France stores closed and we lost about 20% of our sales on average.

Then you have the indirect impact related to the decrease of tourism and a weakening of consumer confidence, which is today its lowest level in France since 2014. So, we expect this impact to continue in Q1 2019. The impact has been partially offset by pickup in digital in Q4. Thanks to a very successful execution in digital all year long. Bearing in mind that digital is one of our key drivers to continue to gain market share in France as demonstrated that once again this year.

At the same time, we continued to grow through quality investment in our network. This includes renovation, for example Maje Rue du Commerce in France. A few store closures for example in Caen and retail excellence programme, such as the e-learning and the rollout of omnichannel strategy.

In EMEA, sales were up 7.2% at constant currency in the quarter. As the exceptional warm temperatures also delayed the transition towards the Fall/Winter collection across most countries, sales growth slowed sequential improvement from mid-November with the arrival of more seasonal temperatures.

By country, France have been somewhat contrasted over the period while Spain and Benelux showed a very solid performance over the quarter. UK and Italy and Germany were softer. Some markets like Italy and the UK have seen a slowdown of tourism, as well as weakening of consumer confidence, probably linked to political and economic uncertainty.

We recorded positive results regarding e-commerce within the highly penetrated market like the UK, Germany or the Netherlands, where we are way over 25% penetration. And as well new countries including Italy, Spain or Belgium, which are less penetrated, and are progressively catching up. We have around 6% penetration in these countries. Overall, EMEA penetration rate extends above the group level. In terms of opening, over the last 12 months, we opened 37 DOS with a focus on Switzerland, Italy and Spain in line with our roadmap.

Q4 18 - Regional Dynamics

Moving to page 11, you can see that Americas posted excellent growth showing strong momentum across the board. As already mentioned in Q3, the US market is reaping the benefit of all the work done over the last couple of years in terms of marketing activation, retail execution and e-commerce. Our digital penetration rate is now firmly above 25% thanks to a very strong execution from our digital team.

The overall result also reflects our strong performance of our Bloomingdale corners. Since 2016, we have carried out a refurbishment programme for our Bloomingdale corners. We have renovated or expanded about one third of our total doors including all of our front doors such as our corners on 59th Street in New York where we have doubled the size.

Finally, I would like to highlight the positive results of recent openings taking the example of our pop-up store Sandro on Greene Street, which happened in August, has already generated more than $1 million sales. We are getting promising results for our Brickell City Centre stores in Miami which are way above target. For the last 12 months we opened 13 in the US, 8 of those in Q4 in key locations such as in Houston and Las Vegas, as Daniel mentioned.

Finally, APAC generated a strong growth of 18.2% on top of the high base of comp of 51.3%. If you remember Q4 2017 in Asia was the first year we had participated in *11.11* event in a meaningful way. Mainland China generated more than 20% of growth in Q4. So overall, underlying trends remained solid even if October has been a bit lower as customer showed a higher propensity to wait for the *11.11* promotions.

Hong Kong was a bit softer due to the higher base of comps last year, while the Hong Kong market has seen a decrease to its spending on the back of the HKD appreciation in the second part of the year. We continued our expansion in Asia with 25 US of the 12 months including 20 in Q4 so was a very intense quarter for all three brands.

Q4 18 - Brand Dynamics

Moving now to our performance by brand on page 12. This quarter trend by brand showed some differences based on different situations in terms of geographical footprint, base of comps and products. Overall, they demonstrated a solid resilience to the headwinds that we face throughout the quarter be that the yellow vest in France or the seasonal temperatures in Europe.

As a result, Sandro posted 6.1% of sales growth at constant currency. On top of the high base of comps, if you remember last year we posted 20% of growth at constant currency in the quarter. This performance was relatively more impacted by unseasonal climate in Europe to the fact that outerwear pieces are very important component of the Sandro's collection.

Over the last 12 months, Sandro has opened 37 DOS in key locations such as Liberdade in Lisbon, Galleria in Houston and MixC Shenzhen Bay in Shenzhen. Maje posted a strong sales growth of 10.1% at constant currency boosted all year long by successful initiatives on its 20th anniversary. In addition, Maje benefited from a solid transitional offer well-adapted due to the warmer climate in Europe.

In the last 12 months Maje has opened a faily large number of stores, 42 DOS including the new Flagship on the Regent Street in London and key locations such as the Galleria in Houston and Seasons Place in Beijing and MixC in Shenzen.

Lastly, Claudie Pierlot posted a solid 7.9% increase at constant currency in the fourth quarter, showing a particularly strong resilience considering its larger exposure for the French market. It was supported by a very good performance in digital, accessories and a very rapid store expansion. Over the last 12 months, the brand culture is loved internationally with 17 new DOS. In total, the brand opened 22 DOS. Its key openings across the globe Canary Wharf in London, China Word in Beijing and MixC in Shenzhen.

Closing Remarks

Daniel Lalonde

CEO, SMCP

All right, thank you Philippe. Listen, to wrap it up and before we pass the floor to Q&A, just a few closing remarks on page 14. As we have seen, 2018 has been another strong year in the SMCP journey. We are able to deliver a strong growth of 13% on top of 17.5% last year at constant currency. We are reconfirming our adjusted EBITDA margins at around 17%.

Looking forward to sharing our full year results, as well as our guidance for fiscal year 2019 on March 21st, so thank you very much for your attention this morning. We are now happy to take your questions.

Q&A

Mariana Horn (Berenberg): Hi, good morning. I have three questions please. My first question is on your performance in the APAC region. So, I can see the Q4 you saw some nice progress, but I was hoping you could maybe give us some more colour on the actual contribution even if it is not quantitative, but just some comments on the split contribution from like-for-like versus space in Q4 specifically for the APAC region.

My second question is on your mid-term outlook. Given that the last time you updated the market on your mid-term guidance and objectives so up until 2020 was around IPO. I was wondering if you had any intentions of doing an Investor Day or Market Update to provide some more visibility as to what is your longer-term objectives are.

And the third question is around Europe. Can you comment if you have seen any change in trends from those reported in Q4 in Europe? Thank you.

Philippe Gautier Hi, Mariana. Starting with your question for APAC, as you mentioned you can see we have had a very strong underlying trend. In Mainland China, we are over 20%. If you look in general, we have seen contribution of like-for-like in space growth. On average, it is 1/3 like-for-like, 2/3space growth having in mind APAC, you also had higher space growth and a higher like-for-like so that is the trend for the full year. We do not comment on the quarterly valuation, but that would be the idea.

Célia d'Everlange: What was your second question, Mariana?

Mariana Horn: Yes, it was essentially on the fact that the last time you provided some kind of a proper mid-term guidance was around IPO time, if I am not mistaken, so to 2020. And I was just wondering if you had any intention of doing an Investor Day or a Market Update any time soon to just share more visibility on as to your mid-term targets?

Célia d'Everlange: Yes right, Mariana, we are thinking about organising an Investor Day probably in the second part of the year. And yes, for sure it will go back on the strategy and the mid-term roadmap. No change as of today on the roadmap for the mid-term.

Philippe Gautier: Mariana, on the question on the guidance, what we are planning like every other year, we are planning to provide an update on the full year guidance in March at the time of our full year results publication. So that is our idea.

Mariana Horn: Thank you.

Philippe Gautier: I think you had another question on the trending EMEA. So, to give you a little more colour on EMEA, couple of things. As we mentioned, we had exceptionally warm temperatures so that is where we see a little bit of a softer trend in October, and then we saw an acceleration in November and in December. That is one thing. And then by countries as I mentioned, we had slightly different situations Spain, Benelux really solid and UK, Italy, Germany, a little bit softer. I think it is in line with what you have in terms of the economic environment, and that was commented by other players in the industry; and then you saw also tourism was slightly softer in Europe. So, I would say that is the main trend that we have seen in Europe.

Mariana Horn: Perfect. Thank you so much.

Chiara Battistini (JP Morgan): Good morning. Thank you for taking my questions. I had a couple please. Firstly, if you could comment by any chance or give any colour on the current trading and how generous target and possibly also in France if you are seeing an improvement there versus what you saw during Q4? And the second question would be on the promotional environment and your activities specifically during Q4.

And H2, if you could comment whether your saw a big increase, given what we saw from some of the competitors during the period or whether you are actually seeing broadly stable activities. And if that increased, how to think about the reiteration of margins, I guess, in the context would be very reassuring. And whether we should be thinking about big savings and other measures to counteract the incremental promotional activity please. Thank you.

Daniel Lalonde: All right, this is Daniel. Thank you, Chiara. Can you rephrase your third question? I did not quite get it. I got your first two.

Chiara Battistini: If you could share any comments on how 2019 started. So, if you started to see different trends in January versus Q4, and possibly by region, if possible.

Daniel Lalonde: Okay. Listen, it is Daniel. So, I will take your first question. The current trading. I will say a couple of things about it: the first is that the macro-economic environment, overall, that Philippe described in France. The yellow vests in Europe and in Asia. It is quite similar, we anticipate, for the beginning of the year as it was in Q4. So, we have not noticed any big changes in the macro-economic environment from Q4 to now, and I think for Q1 and perhaps H1. That is the first thing.

Secondly, we are in the process now as you know, for the past three or four weeks, of launching our Spring/Summer collections. We started with pre-Fall in December and now there is a more frequent roll out of our Spring/Summer collections. But it is early on. Early signs are good, but it is very early on in the roll out of Spring/Summer. So, I think I will have a more meaningful comment on 21st March on current trading.

Philippe, promotional activity?

Philippe Gautier: Yes, Chiara. You are right. Promotion has been a topic in the second half of the year due to the one-off item that we saw particularly in France with the yellow vests. So, what we have seen in general that would apply as well to China and America, environment has been more promotional. As you know, we have always had the position to be less promotional than the other. What we estimate our discount rate as being around 30% on average due to that, so slightly higher due to these headwinds. But you know as well that we have a very high gross margin, so in general we are able to absorb quite well the impact due to this very high gross margin.

Chiara Battistini: And anything we should be thinking about OPEX management offset to this higher also promotional activity?

Célia d'Everlange: Compared to what, sorry, Chiara?

Chiara Battistini: From the OPEX side. Anything you have been saving to offset this promotion activity has gone up.

Philippe Gautier: Yes. What I would say, as you have seen we have reconfirmed our EBITDA guidance and once we can say that in general we mentioned that a couple of times, we are quite flexible in terms of managing SG&A. So, if you think about couple of impacts, with yellow vests, we had couple of stores which were closed a couple of days, etc. That put a bit of pressure, but we are very flexible in our way to manage SG&A so we are able to be a little bit tighter when the conditions are a little bit tougher, so that is what we have done, particularly in the second half.

Chiara Battistini: Great. Thank you very much.

Philippe Gautier: Welcome.

Rebecca McClellan (Santander): Good morning everybody. I have a couple of questions please. Firstly just in the EMEA, the fourth quarter constant currency sales growth was 7.2, but obviously it was a quarter with two different trends. Could you just quantify what the exit rate was for November and December or just December, just so we can get an idea as to what the sort of more normalised level was? And then my second question was, you talked about a discount rate of 30% on average. What does that compare to ordinarily?

Philip Gautier: Yeah, we are not necessarily commenting on monthly figure, but I would say that in Europe we started in low single digit in October and then it gradually increased in November and December we went double-digit to give you an idea. For EMEA to really impact of climate. Then I think your second question was on the promotion on the discount rates if that is right?

Rebecca McClellan: Yes. That is right.

Philippe Gautier: Yes, once we say we are around 30% in terms of discount rates, I would say a couple of points higher than what we had in the past. And as I said that is due to some one-off impacts in France, a really exceptional market; and then US and APAC as well, a bit more promotional.

Rebecca McClellan: Okay, thank you. And maybe just a final question if I may. Are you managing to monitor any sort of store cannibalisation given the strength of digital? And are you seeing any sort of shift in that relationship?

Daniel Lalonde: Yeah. It is Daniel. I would say yes and no. The way I see it going forward is, I think in our industry, and certainly at SMCP, is there is much more convergence of channel. So, I think it becomes in the future more and more or less relevant to look at both channels independently, and we have to look at them together. I think that is the first point and the reason why is it is a very deliberate strategy of ours to be channel agnostic and to have the convergence of channels. We have a lot of omnichannel services that I was mentioning earlier on: click and collect; store to web. We are working on a great new service for this year at the end of the year – ship from store through investment in an OMS.

So just to highlight some services that you can put in the digital space, you can put in the retail space, because there is a strong impact physically, as well, to these services. So, the way I see it is you are looking at the convergence of channels more and more; and I think the future of retail will be this way. But both are great channels and as you know, our retail network is highly profitable throughout the world. So, we do not really tolerate any store losing money. So, it is a very profitable physical network still today, and again overall we are looking at it as a convergence of digital and brick and mortar and that is how we are looking at constructing, if you will, our network in the existing markets and in new markets as well.

Rebecca McClellan: Okay. Thank you.

David Da Maia (CM-CIC): Hi everyone. Thank you for taking my questions. Two questions please. First on openings. So, you opened 102 stores DOS in 2018. Can you give us an update on the pipeline for 2019? How many openings have you already secured for this year? And is it fair to assume a growth consolidation from new space similar to the figure recorded in 2018, like +9%? Thank you. That is the first question.

And the second question on current trading, or ex-trade. I understood you recorded a sequential improvement in Q4 in Europe and China. But what about last trends in France and America? Thank you.

Daniel Lalonde: Okay, thanks David. It is Daniel. I will take your first question: 102 DOS last year. Any help I can give this year is we are aiming towards our guidance which we have given in the past between 80 to 90 DOS planned for 2019. So, we had a very strong year last year; very dynamic year last year as we surpassed it. But we are going back to the 80 to 90 this year. Do we have visibility? Yes. We have great visibility for 2019; I have very good visibility for 20 and some for 2021. So, we work on a three-year forward road map in all markets. So that is good.

In terms of the big lines of DOS, I think it is still the same proportion. We earmark roughly 40% of our DOS and our expansion CAPEX, for the Greater China region. Then about 40% in Europe and then the rest throughout the world, notably in North America. Can we expect a 9% growth? I think this has not changed. I think about a third of our growth is still expected to be like-for-like, and two thirds from space growth. And I think your second question, maybe I will let Philippe answer that.

Philippe Gautier: Your question on the trends in Q4, in France and Americas, I would say France is a bit the reverse of what you saw in other markets, in that October was okay but then you start having the yellow vest impact in November and even more in December. And we can expect like you understand that this continues in January and Q1. So that is France. Americas, there is no obscure phasing I could mention. There is nothing really special there.

David Da Maia: Okay. Thank you.

Marion Boucheron (Raymond Jones): Hi. Good morning everyone. Three questions from me please. First, you came onto the discount rate of 30% now. Would you also tell us whether the proportion of product on sales has been higher than what it was in the past and why not the figure? Then online, you gave an interesting comment about US online penetration, or Americas of the 25%. So, would you also give us the figures for other markets where the penetration is done and also, are there any new markets you plan to open for ecommerce in 2019? And is the part about a new Chinese partner moving?

And third, that is maybe a very French-related comment. But it seemed to me that the current sales were very intense. So, should we expect maybe a drag on gross margin next year for this, or should we offset by the ramp-up of Asia or Asia in percentage of sales?

Philippe Gautier: All right, so taking maybe the first and the third questions, so the discount rate around 30%. So, I would say a couple of points higher than what we saw last year for example. We commented that the share of discounted sales which could be from 10%, or it could go to 60% in the sales period. So, we commented that about 50% of our sales considering the tougher environment, it is a little bit over that. A little bit over 50% on discounted sales this year. And then in terms of what is the impact on the gross margin, as I mentioned.

So, we have a very high gross margin like every year. We have been between 76% and 77% in general. Last year we were really high. We were at the top of the range at 76.9%. So, we could be a bit more in the lower range but as you can see with our gross margin which is very strong, we are much less impacted than other players and that is a key strength of our model I would say.

Daniel Lalonde: In terms of digital penetration, I think Philippe highlighted some key markets. I can give you a little bit more colour. So overall, it is 14.7% penetration as you know. US is over 25%, so is the UK. And then mainland China is very close to that Group average of 14.7%. So, it made some very great progress last year. In terms of new markets for digital, we have a few new sites planned for 2019, so it is mainly working through our existing online distribution, which is two thirds our own sites versus a third partners. But we are looking to add a new partner in 2019 in China, and we will reveal that when the time is right.

And we are also launching our own sites for Hong Kong, as well, in 2019. So, a couple of new sites planned for Asia, very much in line with our strategy.

Kathryn Parker (Jefferies): Thank you, good morning everybody. Just two questions from me. So firstly I wondered if you had any updates with respect to Japan, because I think you had previously said you were looking to launch sometime in 2019. And then my second question is on like-for-likes. I have noticed there has been a deceleration out of H1, and I wondered to what extent that was just due to the difficult environment in France. Thank you.

Daniel Lalonde: I could say, Japan, we did talk about it. With Mitsukoshi Ginza we had a popup in November, December, for Sandro which went exceptionally well. We were 35% above our objective that we set for this popup store. So, we had another nice data point to suggest that the desirability of our brands in the Japanese market. So, what we have done is we are looking a little bit to Japan, probably for the next 18 months, to see when is the best time to launch. We said for the mid-term, actually, I think, last time, and we are still looking at the launch of our brands in the mid-term in Japan. If we see an opportunity before we do it, but we just want to be very prudent on focusing on our existing business as well, which we have so much white space and room to grow, for example, in Greater China.

So, Japan is more, I would say, the mid-term opportunity but we have had a very good data point at the end of last year. In terms of like-for-like, I think we posted 3.7%. If you strip away the effect of the French movement, the *gilets jaunes*, last year was closer to 4.2%. So, this is very much for us in line with what we were planning for the year, knowing there was a little higher in H1 and a little bit lower in H2.

Philippe, did you want to add anything to that?

Philippe Gautier: No. As we mentioned, in terms of mid-term guidance, we always talked about the fact that we would have about one third of our growth related to like-for-likes when we are really in this area.

Kathryn Parker: Okay. Thank you.

Murielle André-Pinard (HSBC): Good morning. Maybe two last questions. First, regarding like-for-like, is it correct to say that you recorded a negative like-for-like in Q4 and even in APAC, and if you look at H1 basis comps how we can see the things and the traction from APAC for the like-for-like if you consider the very strong growth of last year?

And my second question is regarding tourism. You said that you saw tourism's deceleration, particularly from Chinese. How do you see the things regarding the Chinese year? Have you already seen some reservation cancellation and what could be the picture regarding the Chinese year?

Célia d'Everlange: Sorry, Murielle, we did not catch your first question. We had some noise on the line.

Murielle André-Pinard: Yes, for the like-for-like if we look at the plus 3.7%, it means something like around 2% for H2, and it would mean negative like-for-like in Q4, and I also calculate negative like-for-like in Q4 for APAC. Is it correct? And I would like to talk about the picture in APAC for H1 if you consider the very high basis comp, and what kind of traction you still have in APAC for the like-for-like?

Philippe Gautier: Right, Murielle. So many of your comments on the like-for-like. It is really difficult to calculate the like-for-like just looking at the number of door openings because it is naturally mechanical. You need to do really rigorous calculations, tower by tower. So now we did not have a negative like-for-like in Q4; we did not have a negative like-for-like in Asia in Q4. It was a bit softer in H2 compared to H1, but then that is where you concentrated the impacted of the yellow vests in H2. So, we do not need to see positive like-for-like and the only area which really was impacted was France, with the yellow vests.

Murielle André-Pinard: Okay.

Rebecca McClellan: Hi, sorry. Just one more question from me please. What was the ASP increase on your full price sales as of the year?

Philippe Gautier: We will not be necessarily as precise as this. What I would say, in terms of ASP, if you look brick and mortar, we have an ASP of around €150, a little bit less in digital. So that the idea I would say the ASP has been slightly lower, considering the slightly higher impact of promotion. That is what I would say.

Rebecca McClellan: Okay. Thank you.

Murielle André-Pinard: Just a follow up on the tourism spending environment. How do you see the tourism spending in Europe in the current context? And how do you see it in the prospect of the Chinese year? You said it was more difficult over the last weeks. So how is the picture regarding tourism spending?

Philippe Gautier: What we would say, the area where it is quite clear is France. So, if you look at France, the idea that we have is that tourism continued to be positive in October and November and then it turned negative in December. So, we can expect that this is going to continue to be negative with the yellow vest impact. This is for sure. Now, it was a little bit softer as well in Europe in general and that impacted a bit more the UK and Italy which are the countries which are more impacted by tourism for us. Then it is much less of an impact for Germany or Belgium, for example.

Célia d'Everlange: Thank you very much for being with us this morning. We look forward to meeting you on 21st March. Have a good day. Goodbye.

[END OF TRANSCRIPT]