SMCP

SANDRO, MAJE, CLAUDIE PIERLOT

# Q2 2019 Sales Call

Thursday, 25th July 2019

**Operator:** Good morning ladies and gentlemen and thank you for standing by. Welcome to today's 2019 Q2 sales publication conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question you will need to press star one on your telephone and wait for your name to be announced. I must advise you that this conference is being recorded today, Thursday 25th July, 2018. I would like to hand the confidence over to your speaker today, Célia d'Everlange; please go ahead.

## Welcome

Célia d'Everlange

*Head of Investor Relations*

Thank you. Good morning everyone. This is Célia d'Everlange, Head of IR. Thanks for being with us this morning for SMCP's Q2 sales conference call. I'm here with Daniel Lalonde, the CEO, and Philippe Gautier, CFO of SMCP. As usual, we will go through the presentation and then we'll have the Q&A session. Before I hand it to over to Daniel I invite you to go through our usual disclaimer on page 2. And I think we can start now. Daniel, it's your turn.

## Introduction

Daniel Lelonde

*CEO*

All right, cool. Thank you Célia, and good morning everyone. Thanks for being here this morning. As you've seen from the press release this morning, Q2 is in a nutshell in line with our expectations at plus 10.1% growth on top of a high base of comps last year. It shows for us good progress, with an acceleration compared to Q1 19, mostly driven by North America, which is back to double digit growth, and France, which is back to growth.

In the meantime, APAC continues to benefit from a strong momentum with mainland China posting growth at constant currency of more than 30%, which is much higher frankly than what we were expecting internally. Despite challenging market conditions in some areas, in Q2 we registered 8.9% of sales growth at constant currency reflecting solid spring-summer '19 collections and dynamic trends internationally where sales were up 13.7% at constant currency.

In H1 19, sales growth was at 8% at constant currency, including a flat performance on like-for-like at negative 0.7%, which mainly reflects persistent tough market conditions in France, yet a positive international like-for-like growth. And the contribution of our store expansion with beautiful openings in key cities that I will speak about more later. We opened 99 DOS over the last 12 months of which 35 in H1. So we're very much in line with our road map for 2019.

Throughout this period, we have executed several product initiatives to enhance our brand's desirability with a strong focus on full sales, something I mentioned earlier this year. We also achieved solid progress on our 2019 key priorities including retail excellence, digital, and our Asia platform. In parallel, we have seen a great development both on accessories, which are up 23%, and in digital, which grew by 50 basis points to 14.8% of penetration, including a very strong progress in mainland China.

Our performance, particularly over the last three quarters, demonstrates that SM**C**P is built on strong fundamentals and further illustrates the resilience of our business model, which continues to generate best in class performance among our sector, despite these tough market conditions. So we're pleased with the current momentum of the business, which should become increasingly visible in the second part of the year. And of course, this leads us to confirm our, our guidance for 2019.

So we turn to page 5. I would like to talk a little bit about product desirability. This is about having the right products of course, capitalising on the right communication plan, developing attractive and creative digital stories alongside brand ambassadors, and ensuring that we provide top-notch customer experience in our beautiful stores. It's also about having the right commercial policy, which involves finding a right balance between market promotional pressures and nurturing desirability by creating a bit of scarcity.

As an example, let's look at the Maje latest capsule collection, 'In the Mood for Sun'. This is a special capsule launched with a very limited edition of summer '19 light pieces and pastel colours, 19 pieces in total, and a selection of stores across the world representing about 20% of our network. The capsule is sold at full price, so no discounts, no markdown, and it's available for a very short period of time in order to enhance brand desirability. For this beautiful capsule, Judith and her studios worked with skilled photographer Ward Ivan Rafik who for many years worked with Peter Lindbergh to create visuals of our communication campaign. We used a 360-communication strategy involving windows looks, digital content on social media through posts and stories, pop up in store and influencer gifting.

So far the results are very positive, especially with this very, very hot summer. We expect to be sold out of this capsule by the end of summer, which is very, very good. Over the first part of the year, we also made solid progress on our 2019 key priorities. As you remember earlier this year, at our 2018 fiscal results, we shared our top three priorities for 2019. I wanted to give you a quick update on these. I'm on page 6 right now.

As I told you, we've decided to invest more in three areas for 2019, something that would be done incrementally. First we want to drive retail excellence; second, accelerate digital; and third, our Asian platform to prepare for the future.

Now what about retail excellence? The first initiative is having increasingly memorable stores and the store experience. In the first half of '19 we continued to implement our French roadmap. This is about optimising our network, investing in it to embellish our key stores and over the past six months we worked on 50 projects only in France, including some closures, some key store openings, and some very important renovations.

Here are a few examples. Our flagship Claudie Pierlot Sandro Maje store that you can see on the slide. We have relocated the store next to Café de Flore on Boulevard Saint-Germain and we'll close our store at Saint-Sulpice in the coming weeks. We found a great location where traffic is high with a lot of tourism. We also take this opportunity to adjust the store concept with upgraded features including curved mirrors, fitting rooms with the shape of an arch and more. Another good illustration is Sandro in the West area of Paris, where we closed two small stores that were about 60 sqm and 43 sqm, men and women, to open one large dual-gender store of 134 sqm in the So Ouest mall, which is today over performing vis-à-vis our objectives.

In parallel – and now I'm on page 7 – we are planning to open some flagship stores in key cities throughout the world. As a reminder of what we call flagship, there's a slightly bigger store in a very prestigious location, around 150 to 225 sqm. Here we have one example, but the opening of a Sandro dual gender store at the iconic IFC mall in Hong Kong last May. We used to have a Sandro women's only store on the third floor of the mall. It was a small store of about 100 – about 65 sqm, and our sales performance was very good, very, very high productivity. With our good track record, we've been able to open and negotiate a bigger store on the first main floor, which is the best floor in affordable luxury. Here we're close to Maje, Theory, COACH, Max&Co., Longchamp, Kate Spade and FURLA. This dual-gender store has a total area of 146 sqm and more importantly, it's performing extremely well.

Another priority is accelerating our digital journey on page 8. So what does that mean? Two things. The first element is to continue to enhance our digital content by telling stories around the launch of our new products. As you know, we launch around 25 new products per week in all stores across the world by brand. We're not targeting their story every week, but within a season let's say that we will have three to four main stories that will match the theme of the products coming into the stores. We are increasing that alongside the use of key opinion leaders with the objective to invest more than 50% of our investments in digital marketing. I chose three examples from spring/summer with three stories around Sandro in Corsica, Blue Summer for Claudie Pierlot, and the 1970s flower theme for Maje that is picked up in the design of one fabric and extended to different supports such as window displays, pop up in stores and stories in social media.

This creates a strong consistency between collections and communication. All in all, our investment in digital content is bearing fruit as demonstrated by the strong growth of Instagram followers. We had a growth of followers of 42% for Sandro; 42% for Claudie Pierlot and 34% for Maje at the end June versus the previous year. Number two, since the launch of SMCP digital accelerator, we have rolled out our fluid and smart mobile checkout system from Claudie Pierlot in France to our three brands in Europe.

First results are really positive with an increase of conversion rate of more than 50%. Meanwhile, we rolled out the personal on-site navigation in Europe and in the US which includes artificial intelligent algorithms. For instance, when you go back to the website there are suggestions that are personalised and tailored to specific users' tastes. In addition, we have started to test two other projects. The first one is at Sandro in Europe, and this is about mobile push notification to customers. The idea is quite simple: complete newsletters received by email with notifications on your mobile following the registration of the brand in your mobile wallet. So far, the results are very promising with 100% of reach, versus only 25% of openings through newsletters. And the second one is about enhancing the customer experience and the speed on your mobile. We are developing this technology with SalesForce with the objective at that having a very fluid navigation similar to an app.

The last part I wanted to share with you today involved the strengthening of our Asian platform, on page 9. Asia is a big market and important market for us and we are scaling up our organization in mainland China headquartered out of Shanghai. So we can start moving some of the capabilities: the scale from Hong Kong, where our main base is for the region, to

Shanghai. We have pursued the staffings of our retail teams based in Shanghai with already around 50% of our team hired. Overall, Asia represents to date about 1,176 people to be precise, let's say 1,200 people, including the Retail team, and this team is growing quickly. We have also pursued our roadmap to enrich and unify our IT infrastructure by implementing a robust IT retail platform and Hong Kong, Macau, Taiwan and Singapore with DOS now completed, integrated into our core system.

The next step is implementation of these new IT capabilities in mainland China. That's expected for Q4 and that will be followed by the launch of our new website in Hong Kong, probably in Q1 2020. In parallel as I mentioned in Q1, we signed a new partnership, e-partnership with JD.com and the first results are very promising, with JD sales already representing 10% of our digital sales growth contribution in Q2. And finally, to illustrate how important it is to build a solid platform plan for mainland China, we have also opened up a new city, Nanning, bringing the total to 24 cities today in mainland China.

So a lot of things going on in Greater China where we continue to see tremendous growth and tremendous potential. And finally, on page 10, a few words about store openings with 33 POS opening in Q2. We are in line with our roadmap for 2019. Most of it took place in international markets with 13 POS in in Europe, five in Americas, ten in Asia, while France showed five openings, mainly due to timing effects as our plan calls for decline in the total number of stores in the mid-term.

So very quickly in France, as previously mentioned, we are pursuing our optimisation and renovation plans. However, sometimes we are also able to see great opportunities such as Claudie Pierlot in St Tropez. As you know, Claudie Pierlot is currently developing its visibility abroad and that is its focus. It was essential to position the brand in St Tropez, a small city, one that you probably know, but a very hot spot for international tourism. We already had two stores with Sandro and Maje, but none with Claudie. So this was a great opportunity as the store is perfectly positioned on the right street, the one which is at the heart of traffic in between Sandro and Maje with an angled window, making the front even prettier.

I think this opening is the quickest opening we've ever done. Less than three weeks between negotiation and opening. So again, a sign of our agility. In Europe we continued to open 13 new stores in Q2, of which one in Stockholm in the previous Burberry location on Biblioteksgatan Street. This is a very nice location for Maje and follows the opening of Sandro last year. Here again, the offer is scarce so we were able to – we were very fortunate to get this store to reinforce our exposure from Maje in Scandinavia.

Regarding the Americas, most of our openings took place in Mexico. We opened a Sandro women store in the amazing new mall of Monterrey, one of the most dynamic cities in Mexico. Our store's close to COACH, Kate Spade, BOSS, etc., and this is our second freestanding store in Mexico and the results are very, very promising.

And finally in APAC with ten new stores in Q2, as I mentioned, we entered a one new city, Nanning, the capital of Guangxi province, bringing the total to 27 cities in Greater China. The mall is MixC and has welcomed Maje and Sandro women. This is the best mall in the city with luxury brands on the first floor and affordable luxury on L2. Landlord is China Resources, a great partner with us. We have many stores with them in Greater China and it's been a very, very reliable partner in this region.

So there's a few updates I wanted to share with you for Q2, and I will now hand it over to Philippe, who will present in more detail the Q2 financial performance. Thank you.

## Financial Report

Daniel Lelonde

*CFO & Operations Director*

Thank you, Daniel, and Good morning everyone. As Daniel mention, Q2 2019 showed a sequential acceleration from 7.2% constant currency in Q1 and Q2. 8.9% at constant currency in Q2 which is in line with our expectations. So starting with some quick comments on page 12 with 8.9% sales growth at constant currency, 10.1% on the reported basis, the quarter had benefited from a strong double digit international sales growth, driven first by APAC which was up 23.4% at constant currency, and second by Americas, which has accelerated sharply to 13.3% at constant currency.

Meanwhile France was back to growth at plus 0.5% despite still challenging market conditions. So in H1 19, sales growth was up 9.5% including positive FOREX of 1.5 and a flat like for like growth. The like for like performance includes a negative low– to mid-single digit performance in France as a result of the very tough conditions seen in Q1. In parallel, international like for like growth was positive reflecting a flattish performance in the EMEA in terms of like for like, with a very strong focus on full price sales in order to enhance brand desirability and more challenging markets in Q2 in places like the UK, Switzerland or Italy.

Too, we saw a mid-single digit negative trend in the Americas, which was mostly due to Q1 with Q2 improving, and three, a high single-digit growth in APAC. So finally, we continue to experience a decrease in our exposure to France to 33% in Q2 versus s36% last year. And our exposure to APAC and America is now fairly above France.

I will now go to our Q2 sales in greater detail. So moving to page 14 on the regional breakdown. France, sales are up 0.5% and we are very satisfied by this trend reversal driven bySandro and Maje. The performance is really high considering that the markets remain tense, while the balance of the yellow vest movement are now behind us, and the indirect effects are starting to fade away, but it remains challenging and volatile. For this reason we'll continue to be conscious of the French market for the next few months. Meanwhile, as part of our priority to drive retail excellence as mentioned by Daniel, SMCP as part of its network optimisation coupled with quite a good investment. And as a result of that, we have closed six point of sales over the last 12 months.

EMEA sales were up 7.5%, at constant currency. This solid performance reflected some constrasting trends in Europe: Spain, Italy, Germany generated a very solid performance, even better than in Q1 for some of them, while in the UK, tourism has been quite supportive, but local consumption was a bit weaker, with Brexit uncertainty still weighing on consumer confidence. In Switzerland the CHF appreciation has impacted tourism, which was declining in Q2 against a very strong comps last year. Overall, despite the tougher markets in Europe, we have been very disciplined until these times where I've been very focused on full price sales and we reduced the number of promotional days in Europe. Now definitely in Germany, in Switzerland, Spain and the Netherlands. Finally Europe benefitted from the positive performance of new doors opening, mainly in Spain and Italy.

Moving to page 15. America has showed a strong acceleration from Q1 to reach 13.3% constant currency. This is a very good performance considering the high rate of comps last year was 27.1%. And the persistent challenging market conditions still impacted by slowdown in tourism, linked to the dollar appreciation and the trade war between US and China.

SMCP also benefited massively from the positive results of its recent openings. We are talking about stores like Brickell City Center in Miami, or Pacific Center in Vancouver. On another market in Mexico, we have opened three new points of sales in Polanco and Monterrey Punto Valle, totalling 13 points of sales in this country.

Finally, the group has recorded a very strong sales growth, at 23.4% constant currency in APAC. This is on the top of the very high base of comps. We were up 43.3%, and that reflects strong performance of the 2019 spring/summer collection and a very dynamic trend in mainland China, which was over 30% sales growth at constant currency on the top of very high comps.

It has offset the lower performance of Hong Kong, which was penalised in June by the protests that resulted in some store closures and decreasing traffic in Hong Kong. If you have in mind, Hong Kong overall represents slightly more than 15% of sales, and a bit less than 5% of the total sales. Overall, APAC performance was driven by high single digit like for like sales growth, healthy new store network expansion, with 50 new doors over the last 12 months. Talking about digital, we recently announced a new strategic model now shaped with JD.com which will further diversity via our digital sales channels. And as far as results, our positive overall performance was very well balanced between brick and mortar growth as well as the very strong digital growth.

Finally, moving on page 17, let's look at the performance by brand. Sandro posted 8.6% at currency constant, showing a solid sequential explorations versus Q1, while Maje generated 10.7% growth constant currency, boosted by a very strong collection, which helped offset tougher market conditions, particularly in Europe. In the same time, Claudie Pierlot performance was at 4.5%, being impacted by a lack of light summer pieces in the summer '19 collection. And also as you know, Claudie Pierlot is less exposed to fast growing international markets like China,

Over the quarter, SMCP continues to grow its business in digital particularly in places where our penetration is lower, such as Southern Europe. More recently Sandro also announced a new partnership with Farfetch that will contribute to reinforce its high-end position and to enhance its worldwide visibility and awareness.

Finally, the Group has displayed very solid progress in accessories, which were up the 23.1% in H1, with all brands contributing positively while Sandro and Claudie Pierlot continued to benefit from their successful lines in shoes, Maje has continued to capitalise on a very good momentum in leather goods.

## Closing Remarks

Daniel Lelonde

*CFO & Operations Director*

Alright. Thank you for Philippe. I think we're wrapping up now and before we pass to Q&A, just a few closing remarks on page 18. Q2 showed the expected acceleration, a trend that you continue over the second part of the year. The quarter also illustrated a good resilience of our brands and business model, as well as our solid progress on our 2019 key priorities.

So based on these comments and on the first positive reads of the fall/winter 19 collections, we reconfirmed today our full-year guidance. We expect to see a sales growth acceleration clearly in H2. And as you can expect, our EBITDA margin is expected to be lower in H1 than in H2.

So I think that's it for now. Thanks for your attention and let's turn it over to Q&A.

## Q&A

**Célia d'Everlange:** Thank you Daniel. So we are here to take your questions.

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to consider your request, please press the hash key. Once again, if you wish to ask a question, please press star one. And the first question is coming from the line of David Da Maia. Please go ahead.

**Davied Da Maia:** Hi, good morning. Two questions please for me, the first one on your like for like. If I remember correctly, in Q1 your like for like was quite flattish, which implies no improvement or slight deterioration in Q2 despite trends improving in France. So what was the main driver behind that in Q2?

And then the second question on your margin. So you are currently focusing on full price sales, but your like for like was slightly down in H1. And then the retail margin in H1 last year was quite strong. So do you have something to call out in terms of the phasing between H1 and H2 a in terms of retail and EBITDA margin to share[?]? Thank you.

**Daniel Lalonde:** Okay, thanks David. Listen, it's Daniel. I'll say a few words about, maybe, your first question but a little bit linked to your second one and then I'll let Philippe complete. So listen about like for like in H1. A few words. France was negative. It's still, as we mentioned this, you mentioned a challenging market for sure. Market conditions, when we saw some, some nice results in Q2. And France is still a big part of our like for like. I think it's very important to understand that. International markets like for like was positive, but it's nuanced by region. APAC is, is clearly on track, so we're very, very happy and proud of the results in APAC. As Philippe was mentioning, high single digit like for like growth.

So it's the perfect model, that we have going on in Greater China for many, many years. North America had meaningful improvement in Q2 and the like for like, against some very, very high comps. Very high double-digit comps LY. Europe has been more – a bit more challenging in some markets against its nuanced buy markets. It's also in Europe and France, but mainly in Europe, where we continue to have a very strong focus on increasing brand desirability through great product initiatives, store initiatives, customer experience initiatives. And also my teams are focused on trying to achieve a greater degree of full price sales which we think, I think, is really, really important for the brands in the mid-term. So that gives a little bit of a colour if you will, on the H1 like for like figures. I'll let Philippe maybe complete this.

**Philippe Gautier:** Hi David. Just a couple of comments on your question. Valuation Q1versus Q2. So like for like where it is flattish between Q1 and Q2. As we mentioned, France has been improving which is a good sign because the market was not necessarily easy in France. Where we are slightly, lower in Q2 is EMEA, whereas America does improve very significantly. And then APAC slightly lower in Q2; that's mostly Hong Kong, but APAC continues to be really strong with high single digit.

**Célia d'Everlange:** And I think we have another question on the margin.

**Philippe Gautier:** On the margin? Yeah, your question on the margin. As we mentioned we expect the margin to be stable for the full year; that's our guidance. We will be completely in the guidance. Now in terms of H1, we expect to be H1 to be a bit lower than H2. A main reason is in terms of store amortisation with lots of stores which are in the ramp-up phase, and you had lower like for like obviously on the year in France with the impact of the yellow vests. So that's the key driver on the EBITDA margin. And that's mostly in fact on store costs. As you know, we continue to have a lot of agility in the way we manage costs and particularly SG&A.

**Célia d'Everlange:** Thank you. I think we have another question.

**Operator:** The next question is coming from the line of Rebecca McClennan. Please go ahead.

**Rebecca Mc Clellan:** Yes, good morning. Can you hear me?

**Célia d'Everlange:** Yes. Can you speak a bit higher please?

**Rebecca Mc Clellan:** Yeah. Hi, good morning. I have a couple of questions please. Firstly, the digital sales goes directly into the like for like, is that correct?

**Daniel Lalonde:** Yeah. It does. If we treated the like for like the same way brick and mortar and digital; i.e., a website or a store in this case has to have at least one full calendar year of trading before it counts in our like for like. So digital is the same as brick and mortar.

**Rebecca Mc Clellan:** Okay, thank you. And secondly, what percentage of bricks and mortar are now in the like for like calculation?

**Philippe Gautier:** Sure. Look, it's about, well taking them out to 80% of the stores are in the like for like calculation. So basically you need to have the store open this year and open last year so that it's sold. Now this varies a lot by geographies, where you are in France, we are about 90% up, the stores and the like for like. Whereas if you are in APAC, it's more like 60% of the stores or in the like for like. So you need to have in mind when we do a lot of work on relocation, on improvement of the store network, like we have done, for example, with Maje, in Hong Kong where we are moving these doors from the like for like, and they tend to have great performance when we do these type of operations.

**Rebecca Mc Clellan:** Okay. Thank you very much.

**Célia d'Everlange:** Thank you.

**Operator:** The next question is coming from the line of Marion Boucheron. Please go ahead.

**Marion Boucheron:** Hi. Good morning everyone. Two questions for me please. One on the discounts over the period. So can you give us some colour on how it has evolved? A second question would be on the brand performance, just wanted to know if there was something more than the geographic mix, regarding Claudie Pierlot lower performance than the rest of the group.

And, actually, a third question. In the types of investments you were doing this year behind CRM or digital and others, is there a big phasing over H1 and H2 that we also need to keep in mind for H1 EBIT estimates or it's same across the year?

**Philippe Gautier:** Sure. May I take your question? First question about discount rate. As you know, we talked about discount rate being around 30%. That increased in 2018. We're quite happy to say that with the desirability of our products and increased focus on full price sales, this is reducing a little bit, perhaps only for Sandro on Maje, and perhaps only in Europe and Americas. We have reduced the number of promotional dates. So we are quite happy about that. In general the policy is to be less promotional than the market. So we're happy to be able to do that even in a market which is very promotional right now. Now your question about the performance by brand, perhaps only Claudie Pierlot.

What I would say, yeah, you're right. First thing is the exposure to France, where Claudie Pierlot is about 60% in France, where it's less than 30% for Sandro and Maje, so that is really a big difference. It will benefit as much from the growth in Asia, developing an Asia. And then I would say unlike our previous period, the effect of new doors is a little bit less for Claudie Pierlot than the other brands, so slightly less openings, proportionately, in H1. And so that's kind of temporary. In general, we would rather expect to have a bigger impact of expansion for Claudie Pierlot.

**Daniel Lalonde:** And then the last question on the digital investments that I talked about in Q1, for fiscal 18, it's more the same. I'd say that the investments are more across the year than phased in any half I'd say. And, just to add on what Philippe was mentioning, you know, a big part of our initiatives going forward that I mentioned earlier in the year is really this capsule I talked about, 'In the Mood for Sun', which I think hits on many, many fronts. It's scarce, it's limited, it's very successful and it's full price. There's no discounts on it. So that's really important. I really wanted to highlight that. We will not do that with all the collection of course, but there's some very interesting product initiatives coming in the fall and the fall winter collections, which source very eco-responsible materials, etc., etc. That is a real important point for us on this notion of increasing our brand desirability worldwide and be, you know, basically optimising the commercial cadence and being, you know, less promotional as well. We really have an objective on selling more full price in the midterm and we're very, very confident to achieve that very successfully.

**Operator:** All right.

**Célia d'Everlange:** Next question.

**Operator:** The next question is coming from the line of Melanie Floquet, please go ahead.

**Melanie Floquet:** Yes. Good morning. Thank you for taking my questions. The first one is on current trading if I may, sorry. I imagine that June was a little bit tougher than the rest of the quarter in this reporting given the heatwave in France and what is happening in Hong Kong. So I was wondering whether you could share with us what you saw in July in comparison to that. So that's my first question.

The second, I'm sorry to come back on Claudie Pierlot. I appreciate the comment on H1, but it seems to have decelerated quite a bit in Q2 in comparison to Q1. Could you help us understand a bit better what happened to Claudie Pierlot in like for like terms and what you can do to read the trend in the second half or beyond.

My third question is on the Americas strategically. Did you feel encouraged, you knew, and needed to be a bit more aggressive in this market, given how well you appear to be resisting, or you're taking, you know, the double digit as, you know, encouraging. But I'm not really changing your prospect for this market. I mean, to be doing this performance on higher full price sales in a challenging market it has to be really pretty strong.

And my last question, sorry, is could you share with us the growth rate in China of digital or it's a percentage of sales. Thank you.

**Daniel Lalonde:** Okay, Melanie, thank you. We've got four questions. Maybe I'll let Philippe say something about the first two questions, then I can answer America and China, China digital.

**Philippe Gautier:** Yeah, I would say current trading, you know, in general, the only difference is you have, as you have noted, there are very high temperature in France, in Europe and France. So that's impacting a bit the traffic so in July the traffic a bit tougher. In France for the rest I would say we see similar trends in all the other markets through the Asian and Americas. Obviously you are going to continue to look at what the situation in Hong Kong, so hopefully this situation calms down a little bit. Yeah, I can add on a little bit on Claudie Pierlot. Something I could add in terms of colours, mentioned the growth aspect, the exposure to international markets. To be sure there are some impacts in terms of collections, particularly with the very high temperature what we have seen is that in the summer collections for Claudie Pierlot, we were missing some articles in terms of light summer pieces and there's certainly an impact on the summer 19 collection which was much more successful for us on the whole. You saw the acceleration of Sandro and for Maje, as well Sandro and Maje were very positive terms of accessories. So you have also some collection impact. Now if you look at a winter 19, we have good feedback on the Claudie Pierlot winter collection. So that's what I should add on Claudie Pierlot. So we have all reason to be positive on Claudie Pierlot.

**Daniel Lalonde:** Yes. Yeah. The first reads of the full winter are very, very good for Claudie actually, as well. So very, very encouraged for that going forward. Melanie, Americas. That's a really good question. The context is last year we grew in constant currency in America mainly – it's mainly the US and Canada is about 15% of total; 30%, which frankly, when I talked to my colleagues running American contemporary luxury brands is off the charts. It's really, really, really high. Which is good. So we're very, very happy and the Q2 results were also very good as you mentioned.

I'm still a little – I'm not cautious at all, but we're still pursuing our strategy, Melanie, that I think has been really working well where again, selective openings on brick and mortar. We have some great stores opening up in the southwest in the fall, in San Diego, in other parts of California, which I think we're really, really confident about.

So we're still opening five to ten stores net per year. We've got a great store, one of the most exciting stores opening in September. It's our first flagship store for Sandro in North America, actually. It's opening in Soho. They have an incredible location on Prince, and that's opening in September.

So there's a lot of great things, but we're still – I'm still selective on brick and mortar and what we're putting the turbo on, and that's been very successful, is digital. Our digital sales are, are incredible. And we keep investing in that channel. We've turned it on now also with Nordstrom and Sachs.com, and that's been working exceptionally well. So we keep – you know, we keep this strategy, and it seems to be working very well. The last part, as you know, as well as our business model, we have – we haven't compromised on our business model.

And I think that's one big element of what sets us apart to the American contemporary brands in that we're not wholesale. So we control the experience in all the shopping shops and all the corners and department stores, just like we do in Europe and everywhere across the world. And I think that's a big source of differentiation, vis-a-vis the local market. China can say a couple of things on digital. The first is that we grew about 200 bps in H1 versus LY and now that group, the China digital penetration is, I'd say, almost identical to that of the Group. And that's pretty good because we started not too long ago, and we've seen some great acceleration. So both businesses, both channels are growing very well, digital and brick and mortar. So it was very, very, very, very proud and happy with those results.

Also, the big point of difference in China, it's all, all, all about mobile. Today, last I saw our numbers, 97% of traffic online comes through mobile and 98% of sales through mobile as well. So it's a mobile experience and that's where frankly, on a global basis, I think we're best in class on mobile throughout the world. So we keep pursuing that. And again, very happy with that level of growth. WeChat. Yeah, WeChat just to – WeChat is also very good. We put the turbo on WeChat recently. WeChat is our CRM system in China and our growth of WeChat followers is, you know, 100% this year versus LY. Still small base but growing very, very quickly as well.

**Célia d'Everlange:** Thank you Melanie.

**Operator:** The next question is coming from the line of Kathryn Parker. Please go ahead.

**Kathryn Parker:** Good morning. Thank you for taking my question. And my first question is a follow up on the like for likes. And I wondered if you could give some colour on the contribution between digital sales and in-store sales and what your outlook is for the full year. And then my second question is on Sandro. Could you just give an update on how many stores are now the new dual gender store format please? Thank you.

**Philippe Gautier:** Sure Catherine. So maybe your first question, on the like for like. So we mentioned the total like for like minus 0.7%. So what I would say as you can expect – well, penetration of digital is growing as we mentioned, about 50 bps in EMEA for example. So we have a digital like for like, which was growing high single digits, and the bricks and mortar like for like which is minus or negative. So negative low single digit. Well, in reality, these breakdowns are less and less relevant as we offer an integrated experience. So with all the omnichannel services that we are putting in place, you have most of the transaction, you have a customer who has been checking the products online before he gets into their store, or maybe they get into the store and they continue their purchase, the customer experience from their home, later. So, the split is less relevant. But obviously there is a boost provided by digital.

**Daniel Lalonde:** All right. And I agree wholeheartedly with Philippe. So listen on that. The Sandro penetration, as you know, our strategy going forward is dual gender stores, around 150 squarem. We've been on this path and on this journey for two years, two and a half years now. If I take aside the corners in department stores, because obviously department stores are segmented by floors and by spaces, men’s and women’s. But if I look at just a freestanding stores, I'd say roughly over 50% of our freestanding stores are already in dual gender mode. And that number will increase every year because this is our way forward.

**Operator:** Next question is coming from the line of [inaudible], please go ahead.

**Speaker:** Yes, good morning. Two follow up questions maybe regarding Sandro, could you give us a bit of colour on the performance of Sandro, Sandro men, and also could you give us as a performance of the French market just to compare versus your – the fact that you were back to torpidity growth[?] in Q2. Thank you.

**Philippe Gautier:** Sure. Sandro men has been growing about 6% currency constant for H1. What I would say is, as you know different, so Sandro men tends to be more exposed to France. So even if – so they are right now about 50/50, between French and international, and step by step, what we will expect is to have more lists, from the [inaudible] Asia. It is performing very well in Asia and we tend to put more and more dual gender stores in Asia as Daniel mentioned. So good performance for Sandro men. In terms of the French market, so, yeah, what we commented quite effectively, we had a higher performance for Sandro [inaudible] and Maje than Claudie Pierlot in France. And that's also due to the fact I mentioned in terms of collections, so collection which was more suited to very, very summery climates, for Sandro and Maje than for Claudie Pierlot.

**Célia d’Everlange:** Thank you, may we take maybe your last question?

**Operator:** The last question is coming from the line of Rebecca Mc Clellan. Please go ahead.

**Rebecca Mc Clellan:** Hello. Just a follow up and then one other question please. The impact in July from the [inaudible], is it mainly in France in terms of traffic, or have you seen it across – more broadly across Europe? And secondly, do you have any more visibility on the timing of the [inaudible]?

**Philippe Gautier:** Yeah, the impact is a bit across the board between France and Europe obviously but I would say, yeah, the growth profile in Europe is obviously higher than in France, as you know.

**Daniel Lalonde:** [Inaudible] I think it’s had also a little impact on – we've seen on traffic obviously when it's like today, I think in France it will be 42; people tend to stay in airconditioned places, for sure. So it's had a very small impact, that we noticed. But mainly obviously on traffic. I think that's it.Well, thank you. Thank you everyone, for all your questions, all your – all your good questions and we look forward to talking in September.

**Célia d'Everlange:** 5th September. Exactly. For the half year results. Thank you very much. Bye-bye.

**Operator:** That does conclude our conference for today. Thank you for participating. You may all disconnect.

[END OF TRANSCRIPT]