SMCP

sandro · maje · claudie pierlot · de fursac

SMCP FY 2019 Sales

Wednesday, 29th January 2020

Operator's Introduction

Operator

Ladies and gentlemen, thank you for standing by. Welcome to today's SMCP Q4 sales 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 *1 on your telephone and wait for your name to be announced. I must advise you that this conference is being recorded today, Wednesday, 29th January 2020.

I would now like to hand the conference over to your first speaker today, Célia d'Everlange. Please go ahead.

Welcome

Célia d'Everlange

Head of Investor Relations, SMCP Group

Thank you. Good morning, everyone. Célia d'Everlange speaking. Thanks for being with us this morning for SMCP's Q4 sales publication. I'm here with Daniel Lalonde, 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 through our usual disclaimer on page 2. And I think we can start now, Daniel.

Full Year 2019 Highlights

Daniel Lalonde

Chief Executive Officer, SMCP

FY 2019 financial highlights

All right. Thank you, Célia, and good morning, everyone. Thanks for being here this morning. As you've seen from the press release, 2019 showed a robust sales growth, considering that we operated in a very challenging environment, with a continuously sluggish French market and a sharp deterioration in Hong Kong in H2 2019. Our sales grew at 11.3% on a reported basis and 8.7 in organic growth, excluding De Fursac. If I factor out Hong Kong, we would have achieved a growth of 9.6% organic.

Throughout the year we've seen an improvement, both in total sales growth and like-for-like, driven by a strong fall/winter collection for Sandro and Maje. On the like-for-like side, the performance is flat for the year, despite a sequential improvement to 0.8% growth in H2 2019. This is better than H1 and we are back to positive like-for-like growth, including a high-single-digit like-for-like growth in APAC.

Of course, I cannot be satisfied with this; it is below our expectations and below what we're expecting for the coming years. Like-for-like growth is one of our top priorities, and our teams are focusing all efforts on revitalising it. You will see this during our capital markets day on 2nd April.

In parallel, we opened 90 directly operated stores, both brick and mortar and e-commerce websites, over the last 12 months, including some key flagships such as Sandro Soho, Maje Shanghai ITC and Claudie Pierlot Champs-Élysées, as we continue to emphasise quality rather than quantity. And we're now present in 41 countries, with one new country added in 2019, and that's New Zealand.

Solid progress on key priorities

So, if you turn over to page 5, I'd like to spend a few minutes on our progress report for 2019. In 2019, no doubt, we had a number of challenges behind what has been a robust performance. The two most important challenges were, first, Hong Kong, where we've seen market conditions deteriorate quite sharply, particularly in Q4 2019. This was, and is still, triggered by a strong decrease in traffic, around 50% in Q4 versus the prior year.

In this context, our objectives are clear: it's to adjust our cost base to mitigate the impact of profitability, and we're taking all the appropriate measures. We have some temporary rent relief for 2019 and 2020 on about 30% of our network. We are currently renegotiating 20% of our leases, as they expire in 2020. We will close two stores in February, and we continue to optimise our retail staff costs. This is and this will remain a continuous process for us in – throughout 2019, keeping a proactive approach to adjust our cost base to the Hong Kong environment.

The second challenge was Claudie Pierlot. The brand is currently transitioning to become a global brand, offering a more international profile with a contemporary touch while keeping its original DNA. We have recently launched a consumer study and are continuing to work on the evolution of the brand's marketing and product mix toward this goal. The brand benefits from strong fundamentals, and I'm convinced that we will successively – successfully achieve this transition, as we did many years ago with Sandro and Maje. We have also made some changes in our retail organisation in Europe to improve our retail excellence and our execution.

I would like now to spend some time on our main achievements for 2019: our new growth platform in mainland China, our strong progress on accessories, the enhancement of our omnichannel customer experience, and, finally, the solid foundations that we put in place regarding sustainability.

China

On page 6, a few words on China. As I mentioned in March 2019, we made some additional investments to build a fully integrated platform in China. We had historically worked with a service partner that provided us support for retail ops, both in terms of people and infrastructure. We have decided to go fully direct on this very important market, having developed a strong expertise and solid knowledge of China. We successfully transitioned our platform by scaling up a very strong organisation, headquartered in Shanghai. This means a team of 63 top talents based in Shanghai; one warehouse serving all China – mainland China, and also based in Shanghai; a leading-edge IT system, combined with a very agile supply chain, all of this to serve 169 stores in 28 cities today. We added three cities, by the way, last year – Hefei, Fushun and Taiyuan and three e-commerce sites per brand, so we are now ready to scale the business.

Our China team's mission is to elevate and execute top-class retail excellence in a highly demanding Chinese consumer base and to develop localised differentiation by region and by channel, while keeping the Parisian global brand storytelling and DNA. 2019 has been another amazing year for our growth in mainland China, despite the outstanding base of comps that we had in 2018, by the way, which were above 40% growth in mainland China at constant currency.

We posted growth at over 30% in constant currency in 2019, which was ahead of our expectations, and I'm pretty proud that the growth was very well balanced, with approximately a third of our growth in China coming from like-for-like and two-thirds from space growth.

Accessories

Second, the performance of accessories that you can see on page 7. This is also an important strategic growth lever. Accessories grew by 18.4% at current currency and excluding De Fursac, and now represent more than 8% of our sales. Having started with a couple of iconic bags, such as the M Bag from Maje, the Anouck bag from Claudie Pierlot or the Flame sneakers from Sandro, accessories are now meaningful and fully embedded in our product propositions to mix and match the ready-to-wear offer. Our product proposition today ensures good balance between innovation and season and iconic products. Our offer is more diversified, ranging from bags to shoes to new categories such as belts and jewellery from Maje. All of these are integrated in our communication plan, our store windows, our CRM plans and our in-store visual merchandising.

One illustration would be the impressive results of Maje in accessories at the end of the year. The brand executed a strong gifting strategy for the Christmas season, offering a wide range of accessories, mixing small prices and more important items. Throughout the year, they built a large offer around the success of its iconic M bag: Mini M, a Tote M, etc, etc, with a lot of derivatives that they completed with jewellery and many models of shoes. In Q4, Maje has particularly been successful with their necklace line featuring zodiac signs.

Number three: our objective is to permanently enrich our omnichannel journey, with the goal of improving the customer experience. I'm on page 8 now. I'm fully convinced that we cannot separate brick and mortar and digital. There's only one global channel for customers, as they do not see things through FSS stores, outlets or e-comm websites. We want to offer seamless customer experience by developing fully connected stores which provide an exciting range of omnichannel services and some new tools, such as real-time visual merchandising or a digital learning platform.

Having a strong omnichannel customer experience means that the store experience has to be even more memorable. We continue to evolve our store concepts to make it more codified to the DNA of each brand. Here are a few examples with Sandro Soho and Maje Stockholm flagship stores.

We also pursued our French road map. This is about renovating stores to have a qualitative network in France and also optimising them. In 2019, 100 projects have been executed, and our store count decreased by ten on a net basis. That is something that we will pursue in 2020, and I will detail this at our next capital markets day.

Enriched omnichannel customer experience

And to complete the customer experience, we've continued to roll out all our omnichannel services, such as click and collect, e-reservation, store-to-web, and soon we will launch a fourth omnichannel service called ship from store. This service enables us to mutualise our global inventories to offer the right product at the right time and in the right place.

We have also progressed on winning on social media to engage more customers. Our objective is to increase our digital content to attract new followers, new potential customers. The results are promising, as they increased strongly for our three brands over the year. Sandro has exceeded 1 million followers on Instagram and Maje is almost there, with 999K followers.

Last, in 2019 we signed some new e-comm partnerships, such as Farfetch for Sandro, the ideal partner to enable Sandro to address a wider and more premium customer base, and JD.com in China for the three brands. We also opened our own websites in Hong Kong for Sandro and Maje last December.

Sustainability

One last quick word on sustainability, on page 10. This has been a key focus in 2019 and will accelerate in 2020. It's a crucial subject for us because, simply, it's the right thing to do and it's a major expectation from our customers and our employees, who are largely millennials. Sustainability has also become a main purchase criteria among our customers, and we are acting on it.

Our sustainability journey began several years ago, and in 2019 we have taken many positive actions, such as launching eco-friendly products, reducing the use of plastics in our headquarters, improving our energy consumption in stores and contributing to local green initiatives from New York to Hong Kong. But this is not enough; we need to do more, and we will accelerate.

In 2019, we have created a global sustainability committee, consisting of engaged and passionate employees from all brands and region. Their mission is to enrich our group sustainability strategy and set some quantitative mid-term targets and the road map to achieve these targets. We will detail – we will share all the details of our global strategy and commitments around our three Ps for sustainability – product, planet and people – at our investor day.

In parallel to our global sustainability strategy, each brand is actively pursuing their sustainability approach within their unique DNA, and lots of great initiatives have already taken place last year. For example, Maje launched First Stone, a first step on the road to truly eco-friendly fashion. First Stone started with a denim collection, to make their products more eco-friendly by reducing water consumption up to 95%. In parallel, Claudie Pierlot launched Claudie Cares, focusing on increasing – increasingly offering environmentally friendly materials and products, reducing the environment impact of their collections and continuing to put the human factor at the heart of their priorities.

And last but not least, one big news in 2019: the commitment and communication of our four brands to be fur free.

De Fursac update

To conclude, I'd like to provide a quick update on De Fursac. First of all, we are on track. All the teams have started to work together to implement our road map, with the objective of growing the brand through international expansion, digital and accessories. The international expansion is a key component of its future growth, and we have started our journey by testing the market in London. We have opened a beautiful pop-up store at Selfridges from December to February. So far, the results are very promising. In parallel, we opened another pop-up store at the Bon Marché in Paris, in collaboration with the New York artist Ryan McMenamy. This is a highly visible location which drives a lot of tourism, and that will contribute, no doubt, to grow the international awareness of the brand.

So now I will turn it over to Philippe, who will take you through the Q4 financial performance in greater detail.

Financial Performance

Philippe Gautier

Chief Financial Officer and Operations Director, SMCP

Q4 2019: key financial highlights

Thank you, Daniel. Good morning, everyone. So starting with a few highlights for Q4 2019 on page 13. At constant currency and scope, i.e. excluding De Fursac, the overall performance in Q4 was at 9.6% in a particularly challenging environment, impacted by French strikes in December and a continued market deterioration in Hong Kong.

This is up 14.8% as reported, i.e. including a positive currency impact of 1.2 points and De Fursac's contribution of 3.9 points, as it was fully consolidated in the quarter. As anticipated in Q3 2019, this performance also includes some additional off-price sales operations on past seasons, aiming at accelerating the reduction of our inventories, and we will complete this operation in Q1 2020.

Overall, the quarter showed a solid improvement of our fundamentals, with a sequential improvement of our like-for-like sales growth compared to Q3 2019, driven by a positive contribution from all regions, including France. In parallel, we pursued our road map in terms of openings, with +27 DOS in Q4.

Sales growth by region

So I'll now go through our Q4 sales performance in more detail. So, moving to the regional dynamics, which are on page 14, some quick numbers before we go deeper into each region.

So with that 9.6% of sales growth at constant currency and scope, the quarter has benefited from a strong double-digit international sales growth at 14.7%, driven first by very strong growth in APAC, +29.1%, and second by EMEA, which stood at 9.4%.

Meanwhile, France showed a good resilience at +0.5%, considering the significant impact of the strikes in December, while last year was impacted by the yellow vests.

France

So, if I move to the regional breakdown on page 15, in France sales were up 0.5% at constant scope. This performance included a solid performance over the period October to November and a deceleration in December due to the French strikes that significantly weighed on the traffic. Over the quarter, like-for-like sales growth was back positive, with the Provence area offsetting the strike effect we felt in Paris.

Overall, we continued to gain market share in France, both in Q4 and for the full year 2019, as we did in 2018. According to the IFM index, the French market has declined by 1.3 points in '19 and 0.2 points in Q4 '19.

Meanwhile, SMCP pursued its network optimisation in France, with three net closings over the quarter and its qualitative investment in key locations, such as Sandro in Strasbourg, as you can see on the right part.

EMEA

In EMEA, sales were up 9.4%, driven by key countries such as Spain, Germany, Italy, while UK, the first contributor in the region, was a bit disappointing, showing a flat performance. This is mainly due to a weak performance in December, while Brexit uncertainties continued to generate some volatility. In addition, the later calendar of Black Friday this year led to a softer performance for Boxing Day..

Like-for-like sales growth in the region was slightly positive overall and reached low-to-mid-single-digit growth, excluding the UK. Over the last 12 months, we opened 45 DOS, located in our key European countries, including Spain, Germany and Italy. In parallel, we opened some new POS with our partners, notably in Russia, with three beautiful corners in St Petersburg at the Pont Rouge.

Americas

Moving to page 16, we can see that, in the Americas, the group generated a good performance: 6.2% sales growth, considering the still-high basis of comps: it was +25.7% in Q4 2018. This performance has been achieved through a double-digit retail sales growth. This represents 93% of the total business in Americas, while partner sales decreased due to some rationalisation in our – our distribution. We have decided, in Q3 2019, to reduce our number of partner corners by nine doors. Overall, like-for-like sales growth was slightly positive in the region. Over the last 12 months, we opened 14 DOS, including ten DOS in Q4 2019, for example The Grove in LA and Fashion Valley, San Diego for Sandro.

APAC

Finally, in APAC, the group recorded another very strong quarter, with 29.5% sales growth, despite the continued deterioration of the market in Hong Kong. This very strong performance reflected an outstanding performance in mainland China, which has been amplified by some additional off-price operations on past-season inventories. So, even including these off-price sales, mainland China continued to generate a very strong growth of circa 30%, fuelled by both high-single-digit like-for-like sales growth and a continued network expansion, as well as further progress in digital, as China's penetration in digital is now slightly higher than the average level.

Over the last 12 months, we continued our expansion, with +41 DOS, including three new cities in mainland China.

Sales growth by brand

Finally, on page 17, looking at the performance by brand. Sandro and Maje generated double-digit sales growth at constant currencies and scope in Q4 2019, driven by solid fall/winter 2019 collections. Sandro was at +10.9, benefiting notably from the strong performance of the US area and an acceleration of Sandro Men in Europe. Maje recorded +12.5% at constant currency and scope. The brand has seen very strong traction with consumers across Europe and APAC. Its performance also reflected the winning strategy in accessories throughout the year, reaching more than 10% penetration in Q4. Maje has been particularly successful with its gifting strategy at the end of the year.

And finally, the other brands, which today only captures the performance of Claudie Pierlot, at constant currency and scope was at –4.3%. As Daniel mentioned, Claudie Pierlot was impacted by its transition to become a global brand, as well as some execution issues in France.

Now, to wrap up, before we pass the floor to Q&A, just a few words on the guidance on page 19, and this is just to mention that we reconfirm our EBITDA margin guidance.

So thank you for your attention, and we are now happy to take your questions.

Q&A

Operator: Thank you, ladies and gentlemen. As a reminder, if you wish to ask a question, please press * and 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the # key. Once again, please press * and 1 if you'd like to ask a question.

Your first question comes from the line of David Da Maia from CIC; please go ahead.

David Da Maia (CIC): Hi, good morning. Two questions from me, please. The first one, of the off-price sales. Can you give us more detail on the positive impact from your off-price operations on past-season inventories? What would have been your – the organic growth in Q4, excluding this non-recurring revenue? And the second question, on current trading in France, have you seen any sequential improvement in trends versus December, despite the continuing strikes, that the comps would be even easier in Q1? Thank you.

Daniel Lalonde: Yes, thank you, David, for those questions. Listen, I'll – maybe I'll ask Philippe to give a little update on both.

Philippe Gautier: Sure. Hello, David. So your first question on the off-price operations, we are talking about off-price operations on inventory of 2018, so that's liquidation on all the stock that we do in a very controlled way. Total impact on the sales on the quarters was about €4.5 million. It's not truly additional, because we usually do some off-price operations, but that's the idea.

David Da Maia: Okay.

Philippe Gautier: On your second question, in France, yeah, as you have seen, the impact of the strikes was mostly felt in December. Clearly November was quite favourable for us in

France. And I would say the trend in January continued – you continued to see an impact of the strikes, so now it's similar to the trend we saw in Q4 – at the end of Q4.

Célia d'Everlange: Thank you, David. Do we have a next question?

Operator: Thank you. Your next question comes from Melanie Flouquet from JP Morgan. Please go ahead.

Melanie Flouquet (JP Morgan): Yes, good morning. Thank you for taking my questions. I have three, please. The first one is on these off-price sales. Indeed, I wondered – thank you for quantifying the impact on sales. I wondered whether you could clarify something. My impression is that this all took place in Asia, and possibly in China. Why, in that market that was actually growing so fast, you know, was there excess inventory that needed to be cleaned out, or had you just allocated it to that market? And what is the impact on gross margin from this off-price activity? That's my first question.

The second is on Claudie Pierlot. I appreciate that your capital markets day is in – is later on and that you will tackle this later on, but could you explain to me what you mean by, you know, it's the transition to internationalisation that's putting pressure on Claudie Pierlot? Did you experience such things with Sandro and Maje when they went international, that you needed to fix the offer and that it disrupted, in turn, the French business? Can you maybe clarify a bit that – and what is it that you – maybe you can share with us already on what you can do to fix the issue?

And then, sorry, my last question is on the coronavirus. You know, what is your expectation of the impact on your business? Thank you very much.

Daniel Lalonde: Okay, all right. Thank you, Melanie. Listen, I'll take your second – it's Daniel. I'll take your second and third question, and I'll let Philippe answer the first. So, Claudie Pierlot. What we mean by the positioning is this – is, as you know, each brand has – we're very respectful of their cycle of where they are in their development. So Sandro and Maje have become global brands over the last five to six years, and therefore that's why they're present in our 41 countries in the world and they've gone through that transition. Claudie Pierlot, I wanted to be careful with it as well. It's not present in North America, because it's not the right time, and we wanted to continue to build the brand and the business in France and in select European markets. That was really the focus, and it worked very well. The ambition now for Claudie Pierlot is to build on that base and to become a global brand, with a start in Asia. This is where we wanted to start the development uplifts outside of Europe.

So what we need to fine-tune is a little bit, you know, still respect its DNA, its roots, its heritage, but we know we need to make some adjustments in the product mix and in the marketing mix – slight tweaks in image – to correspond more to a global customer, number one, taking also in account the Chinese consumer, which is, again, a large potential which is important for all our brands today, but even more potential for Claudie Pierlot. And that requires some changes in, again, products and in image. Some of the changes, to be more specific, I guess is to develop a stronger, maybe, fashion – slightly fashion component or contemporary component to Claudie Pierlot. I think it's really important, particularly in markets like Asia.

So that's what's happening now and that's what the teams are working on now, and we'll be working through this transition throughout 2020. And yes, it was – Melanie, we did the same thing for Sandro and Maje, but that was before we were publicly traded. That was beginning of – I'd say, seven or eight years ago. That was part of what we did for Sandro and Maje, so there were some tweaks to make it a global brand, obviously with the objective – and this is where we will improve on the performance – with the objective of not losing, in fact, our customer base that we've built over the years. And this is why we've made some changes in the organisation very recently – in the retail organisation, to not lose what we've built, which is the objective.

The second question, the coronavirus: listen, I can just say a few things I'd like to share with all of you. I'm sure it's a question for everyone. First thing is that our – I'm in contact every day with our teams in Asia, with our CEO and our head of mainland China. Obviously, safety first, so we're – you know, we're making sure that our teams are all safe, and that has been the case so far, so that's the priority today.

Now, it's early to tell. It's been – you know, we've definitely seen an impact in traffic in the past days, like everyone else, and so there will be some impact. This in light of a very strong start that we had in mainland China for the – for early January, I'd say. There's been drops in traffic, as I mentioned – some meaningful drops in traffic. At this point in time, as of yesterday, we've had about 10% of our stores that were closed in mainland China yesterday. That number changes every day. It doesn't necessarily go up, it goes up and down, and what's happening is that local malls are making the decisions to close the mall. And in some cities, the cities make a decision to close the malls as well. In some very rare cases, we've also decided to close stores for safety reasons, but it's something that's happening at a very granular and local level, and yesterday we had stores closed, obviously, in Wuhan, since the crisis, but in cities like Shiyan, Beijing, Chengdu and even Shanghai – not all of our network but selected stores, based on the mall's decision to close the stores. We've also had – implemented some shorter operating hours in most of our network in mainland China today.

So that's kind of a latest – you know, if you will, a latest update. I'm on top of it every day with our teams and, you know, doing the max possible. Online sales are obviously interesting. We've had a very strong year of online sales last year in mainland China, and we expect that, obviously, to continue to grow.

Philippe, I think I'll turn it over to you for the first question on off-price.

Philippe Gautier: Yes, Melanie, so, on the off-price sales – so, as I mentioned, that 4.5 million sales over the quarter. We are talking about circa – that was in Hong Kong and in China. This is stock which is prior to 2018, so they are old stock. We do this liquidation in a very controlled way, so this will be done through physical outlets. We do that with a partner in China, because we don't have a full outlet network in China. We are growing very fast and we are still missing a few outlets. That's why we do that through a partner, but it's a partner with – working with luxury brands usually, so a very controlled way.

The impact on the gross margin? We are talking around 30bps on the gross margin. This was anticipated already in our guidance, and what I would add – as you know, we have been working a lot on improving our processes in terms of inventory management, so we are also monitoring the stock that was a bit accumulated in 2018, so this operation will contribute to our – have our inventory growth back in line with our sales growth, which was the first important objective.

Célia d'Everlange: Thank you again, Melanie. Do we have a next question?

Daniel Lalonde: Thank you.

Operator: Thank you. And your next question comes from Geoffroy Michalet from Oddo BHF. Please go ahead.

Daniel Lalonde: Geoffroy.

Geoffroy Michalet (Oddo BHF): Hello. I had three, but one was on China so I won't spend time on this because you already answered. Two questions: online, I see in the mix quite a slight increase of the online sales. I was wondering if it was actually not going that well in some countries, because I had the idea that it was – that you had, really, a huge traction in China, so is that a contrast with some other countries?

And the second question was on Claudie Pierlot. When do you see the inflection point in terms of like-for-like sales? Do you see it in H1, in full-year 2020, or what can we expect from that? Thank you.

Daniel Lalonde: Okay, thank you, Geoffroy. Listen, maybe on the Claudie question, you know, definitely we expect that throughout the year. And again what I'd like to refer back to is the capital markets day, where we'll give much more granularity on the plan, where we are and the expectations, but definitely we expect some improvements in 2020.

Philippe, I'll let you answer the online question.

Philippe Gautier: Yes, on digital there is a slight technical effect because we have a bit adjusted the way we calculate the digital penetration in the US. That's based on treatment of returns with Bloomingdales. So I would say the comparable growth would be more 50 basis points. So, if you do apples to apples, we're going from 14.3% last year to 14.9% this year. So it means that we are – we continue to see progress, and I would say where we view the most progress, this is in China, so we are now higher than the group penetration in China.

France was strong – growing strongly as well. It's almost at 16%, and there was certainly some effect with the strikes, where people are going more online. And last, we did also some good progress in the countries which are catching up in southern Europe – countries like Italy – or in Switzerland or in Belgium, for example, where we implemented e-commerce more recently.

Geoffroy Michalet: Okay, thank you.

Célia d'Everlange: Thanks. Thank you, Geoffroy. Do we have a next question?

Operator: Thank you. Your next question comes from the line of Katryn Parker from Jefferies. Please go ahead.

Kathryn Parker (Jefferies): Good morning. So just a few follow-up questions from me. So, firstly, on the coronavirus, could you maybe comment on your – the structure of your rentals in China and whether the variable component is more important than the fixed component?

Célia d'Everlange: Kathryn, sorry, can you repeat your question?

Kathryn Parker: Sorry, can you hear me better now?

Daniel Lalonde: Yeah.

Célia d'Everlange: Yes.

Kathryn Parker: Oh good. Okay, so just on the coronavirus, so I was wondering, in China, the structure of the rents and whether the variable component is more meaningful than the fixed, i.e. if you have a fall-off in traffic, what the impact would be on margin?

And then my second question is on digital and what you pipeline for websites in new countries there?

And then my final question is on Claudie Pierlot. So, clearly, growth is lower, and you're saying this is partly due to the overexposure to France, so I was wondering if you could give some comments on the French market of the performance of Claudie versus Sandro and Maje? Is that clear?

Daniel Lalonde: Sure. Okay, thank you, Kathryn. Well, listen, let me try to tackle, quickly, your first – your three questions. So, for the virus one, going back to China, most of our rents are in fixed. There are some components in some of the rents as well on variable: when we get beyond a certain threshold, then they go to variable as well. The department stores, which are a smaller part of our mix in mainland China, are mostly – are all variable as well, so I'd say it's a mix of both, with a slight stronger mix towards fixed rents.

I think, at this time, to answer your question, you know, 'What's the impact?' etc, etc, it's a little early to tell. You know, we're happy to comment on that as the days fold out. It's kind of a moveable feast. As I mentioned, we have 10% of our stores closed today. That could go slightly higher in the next weeks or so, or it could decline. So I think it's early to tell, but obviously we're doing all that we can to guarantee the safety of our people – that's the main issue today – and to see how we operate in these challenging moments. We're very proactive, obviously, on this virus.

For life – for e-commerce sites, our focus is going to be – now we have, I think, 111 POS overall on e-commerce, so our focus – you know, we've opened some great ones last year. Our focus this year will be mainly on developing the organic growth within the existing perimeter we have on e-commerce. That's the focus. There's not too many new, let's say, planned e-comm sites planned for this year. I'm also very mindful not to crowd the space. You know, as we do like-for-like, we're very – brick and mortar, we're very selective on the stores. I also apply the same feeling towards the online space. We want to make sure it's – we're developing organic growth, as opposed to just adding on new sites. Probably Canada will be one – an opportunity for us to open a site, but other than that it'll be a lot of focus on the existing sites and, as I mentioned earlier, on omnichannel services, which I think is a big opportunity. You know, we're adding probably the most exciting and the hardest omnichannel services, which is ship from – shop from store. That – trust me, we've been working on it for a year and we're making some great progress, but that's really important now because, again, we can track every piece of inventory everywhere in the world, but if a consumer goes online to buy a product and, let's say, it's not there, we will have algorithms to find the closest store that has the product and ship it from the store and vice versa. So it's really the biggest and most exciting and most differentiating omnichannel service, and that's where we're putting a lot of our CAPEX and OPEX also for online for 2020.

Last, on Claudie Pierlot, maybe I'll pass it to Philippe.

Philippe Gautier: Yes, on Claudie Pierlot, I think a question on your – on the rates we saw on Claudie Pierlot, what I would say, while we talked about that back in December, we identified the risk, I would say most of the impact was felt in France. So that's part also of what we saw in France, where we said that we did a lot less than we would have hoped, so somehow Claudie was a bit more hit than the other brands by the tougher environment in France.

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

Operator: Thank you. Your next question comes from the line of Marion Boucheron from Générale. Please go ahead, your line is open.

Marion Boucheron (Société Générale): Hi, good morning, everyone. I have two – I mean, one question folded in two, and that would be on the like-for-like trends. Could you give us the trends at region in the fourth quarter? And then, just over the full year, did you have very meaningful differences across the brands on the like-for-like growth?

Daniel Lalonde: Sure, Marion. I'll let – maybe I'll let Philippe answer that question, but the big picture is that we – you know, we had some sequential – as we mentioned, sequential improvement in like-for-like in H2 versus H1, number one. I'll let Philippe give a little bit more colour per region. And as you know, as I mentioned earlier, it's one – it's the top priority for the company and the group for 2020. We're going to articulate very specific plans on it at our capital markets day, but it's also my number-one issue for the company this year. Philippe?

Philippe Gautier: Yeah, maybe the key messages on the like-for-like by region. The first thing is that it was positive – it was positive everywhere in terms of like-for-like for Q4, so which was – which is a satisfaction; positive in France, despite the strikes; slightly positive in EMEA, despite what we discussed about the UK but other countries, like Italy, Spain and Germany are very positive; America, slightly positive; and APAC was largely positive despite Hong Kong. And as we mentioned – well, you can guess, China continues to be – mainland China continues to be very, very positive.

So that was the trends for Q4. If I – if I talk a bit about the trends for the year, so, as Daniel mentioned, a strong improvement between H1 and H2. France continued to be – to be negative due to the H1, primarily; EMEA, slightly positive; America has been a bit negative, and that's due mostly to Q1. It was a bit disappointing, and you saw the performance improving with a positive like-for-like in H2. And APAC, as I mentioned, was largely positive and it's high single digits, excluding what we saw in Hong Kong.

Célia d'Everlange: Thank you, Marion. Do we have a next question?

Operator: Thank you. Ladies and gentlemen, as a reminder, if you'd like to ask a question, please press * and 1. And your next question comes from the line of Murielle Andre from HSBC. Please go ahead.

Murielle Andre-Pinard (HSBC): Yes, good morning. Just a follow-up on the coronavirus: to what extent it could impact your planning of openings of new stores in the coming weeks? And also, what – how it could impact your sourcing process too, if we consider what we see in China today?

Daniel Lalonde: Yeah, that's a good question, Murielle. I think, again, I'm going to answer that: it's a little too early to tell. Obviously, we have a road map in China. Especially we have a two-year road map with a lot of clarity on our development plans in the region. So I need to – we're looking at it day to day, there'll be some – we haven't planned any openings in the next couple of weeks, so I think that question isn't close, but we need to figure out what impact it will have on our plan this year if we have to advance it a little bit forward. And we're looking at it on a – on a daily basis, in addition to many other potential impacts of this virus in mainland China, so a little too early to tell.

Murielle Andre-Pinard: Okay. And on sourcing?

Philippe Gautier: Yeah, maybe on sourcing, as you know, we do one third – we do about one third of our sourcing in China, and I would say it's not too much about the region, so it's still a bit early to tell.

Célia d'Everlange: Thank you. I think we have a last – one question.

Operator: Thank you. Your next question comes from the line of Alexandre Casas from Casas. Please go ahead.

Alexandre Casas (Casas & Associés): *Oui, bonjour. Alexandre Casas de chez Casas et Associés. Juste pour vous signaler que le, la qualité technique était parfois imparfaite. Donc moi, je… je n'entendais pas très bien. J'ai deux sujets : un sur l'e-commerce. Donc vous indiquez que vous… que ça représente 14,9 % du chiffre d'affaires. Donc, donc soit une croissance d'à peu près 13 % en 2020, ce qui semble « un petit peu décevant ». Est-ce que vous pourrez lors de votre analyse update donner un peu plus de précisions sur la répartition par pays ? Et déjà une première précision là-dessus, est-ce que ce chiffre d'affaires e-commerce inclut des places de marché ou au contraire, compte tenu de la réflexion de monsieur Arnault de LVMH hier soir, vous êtes exclus ou vous vous excluez des places de marché, compte tenu de la rentabilité ? Et la deuxième question, c'est une question pour les actionnaires de SMCP, qui, qui… qui, qui est importante. Votre revalorisation boursière a été brouillée évidemment par les événements à Hong-Kong, par les grèves en France mais aussi par les informations ou les rumeurs de marché sur la santé de votre actionnaire. Donc j'ai… J'ai des questions là-dessus et est-ce que vous pouvez mettre à jour vos… et nous rappeler les, les liens commerciaux que vous avez avec… et les liens de dépendance que vous avez avec cet actionnaire majoritaire ? Est-ce que vous pouvez vous engager à mieux communiquer au marché sur les évolutions de ce lien ? Et, au fond, une question un petit peu brutale, qu'est-ce qui se passerait pour SMCP si jamais votre actionnaire principal faisait défaut au plan financier ? Merci de vos réponses.*

Daniel Lalonde: Okay, I'll answer in English, I guess.

Alexandre Casas: Yeah, yeah, you can.

Célia d'Everlange: *On peut répondre en anglais ? Merci.*

Daniel Lalonde: All right –

Alexandre Casas: *Mais bien sûr, bien sûr ! Bien sûr !*

Daniel Lalonde: Thank you, Alexandre, but we understood the question in French as well, so that's good. Listen, I'll let Philippe talk about both questions. I think, vis-à-vis the Shandong Ruyi, I think, again it's – we're not a – it's not our position to comment on their – on their status, and I suggest we – that you – you can talk to them more directly.

So, Philippe, maybe I'll let you tackle the first question.

Philippe Gautier: Sure. So, maybe just to repeat a little bit that it's clear that our penetration online did increase, because there is a slight change of methods. We're talking 14.9% to date, and the comparable number last year would have been 14.3%; we are talking 60bps increase. It has progressed a bit across the board and, just to have in mind, we are a bit higher than penetration in France. We're a bit higher than group penetration in China, which is more recent, obviously, and then you have certain countries which are clearly high. That's UK, Germany, US are much higher than overall group penetration. Then some countries are catching up because we introduced e-commerce more recently, so that's countries like southern Europe or countries like Belgium or Switzerland, so that's for e-commerce. And I'm sure we will spend some time talking about digital in the capital markets day.

And as for Ruyi, as I mentioned, we are not going to comment too much about Ruyi. That's not our role. What I can clarify for you is our financial structure is completely separate from the one from Ruyi, so we have financing that was arranged in May, which is €465 million, fully secured for five years, great conditions with banks which are different from the ones of Ruyi. There is absolutely no internal financing or whatever with Ruyi and we don't have any, really, operational link. We don't do any material sourcing with Ruyi, so I would say the structure of the group is very, very standalone from our strategic shareholders.

Alexandre Casas: Okay, thank you.

Célia d'Everlange: Thank – thank you for your attention. I think that we have no more questions. Can you please confirm?

Operator: There are no more questions. Please continue.

Célia d'Everlange: Okay. Thank you.

Daniel Lalonde: All right. Okay, well, thank you for your questions this morning, and listen, we wish you all a very nice day. We look forward to seeing you – I do, anyways – physically at our capital markets day on 2nd April but with a rendezvous in March.

Célia d'Everlange: Yeah, in between, 25th March.

Daniel Lalonde: That's right. Well, have a nice day, everyone. Thank you.

Célia d'Everlange: Thank you, bye-bye.

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