KERING

Kering Capital Markets Day

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Conclusion

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Digital is a huge opportunity for Kering

Good afternoon, again. I have good news, there are only three slides after that. So thank you very much for taking the time to go through all those presentations. And what I want to do in this section before I welcome Jean-Marc, Jean-François and Cédric back onstage for the Q&A is to try to wrap things up with a couple of things. One is a sort of takeaway, at least from our perspective, on the journey we've embarked on and then, second, share with you what our ambition is in the mid-to-long-term in terms of how we're going to measure success of this journey that we've embarked on. So, in terms of key messages, I'm going to emphasize a few things that I've already mentioned. The first one is we see the digital revolution as a big opportunity for us and the reason for this is we're embracing this change in customer behaviors and the way we do business from a position of strength, right? I mentioned earlier that social media is about building a direct relationship with customers, ecommerce is about selling directly to customers, and these are things that we know how to do. I'd argue we are world-class at doing this in the offline world. And given the opportunity to do that, as well, in the online world, it's something that we're super excited about.

Building competitive advantage

And the way we look at technology and data, it's a huge opportunity for us to do a few things. One: build and reinforce the relationship with our new and existing customers, both online and offline. Second: it's to use the power of technology and of data to build a unique, luxurious and personalized relationship with our customers, and use the power of data and artificial intelligence to also improve the way we do business.

The two last things I want to call out and hopefully that came out from the presentations this morning and all the workshops you've seen, I think we're approaching this opportunity in a quite unique way that's going to help us build a sustainable, competitive advantage in the future. That approach is this idea of combining the strength of the group and the brands. The way we're doing this is hiring world-class experts at the group level on those digital topics, co-creating powerful digital platforms, together with the brands, that we're going to operate at the group level and then working very closely with the tech team and with the brands team to make sure that we find ways to leverage data and technology to address the top business opportunity that brands are currently focused on.

That approach, of a powerful digital group platform, is actually very, very powerful. It's quite unique and I firmly believe it's going to lead to a sustainable competitive advantage for our company. The last thing I want to call out – and hopefully you got that from the workshops as well – is this is not a pipe dream. This is not something that we are sitting down here and say, 'This is what we're going to do.' We are heavily into execution mode and we've been working hard at this for, now, several years and we're starting to reap the benefits of all these efforts.

Another framework to summarize what we're trying to do. And basically the idea is to leverage social media and leverage data and artificial intelligence to launch our new ecommerce platform and improve our omnichannel capabilities. And as we do this, we're convinced that this is going to translate into more customers, new customers and retained customers. And as we do this, we'll be able to reinforce the direct relationship we have with our customers, hence building a growth flywheel.

Medium-term ambitions

So how are we going to measure success? We took the three pillars of our strategy, around creating the aspiration in a digital space, ecommerce and then leveraging data and artificial intelligence to drive more personalized experiences and operational efficiencies. On the first one we have two metrics that we'll be looking at. The first one is, mid-long-term, we're planning to grow online spend by 3–4x, so that's for the media spend, so when we do advertising in a digital space, a very ambitious goal. And the second one, as far as social media is concerned, we have a very – as I showed you earlier, with Gucci being a pioneer in the space and brands like Balenciaga and Alexander McQueen being very aggressive on social media to create the aspiration, we already have, as a group, a 30% share of awareness on social media and we want to maintain that share going forward, as we expand our presence in those channels.

That's for creating the aspiration in the digital space. As far as online retail is concerned, you've heard what our plans are. Our focus and our priorities are going to be growing our online retail, which is the sum of brand.com and virtual concessions and our goal is that this – the penetration of these two channels of actually online retail in our revenue grows by 2.5x, mid-to-long-term.

And last, on data and artificial intelligence, we look at two things. One is the personalized experiences that we want to build for our clients and one of the ways we're going to measure this is to have 50% of the digital interactions we have with our customers powered by and improved and personalized by artificial intelligence. The second thing is we want to have projects impacting 100% of the key steps in the supply chain, like we gave you examples earlier and during the workshop that we're working very actively on one piece of that supply chain around replenishment and we want to go upstream and make sure that, wherever it makes sense and where we can drive efficiencies, we're putting artificial intelligence and data to improve our operational excellence.

So, these are mid-to-long-term ambitions. We'll be measuring our success against those numbers and hopefully we'll be able to update you in upcoming meetings you'll have with the investor team. So I want to welcome Cédric, Jean-Marc and Jean-François onstage to kick off what you've been waiting for, the Q&A session. Thank you.

Q&A

Jean-Marc Duplaix: Thank you Grégory. My presence here is only justified because you always need a bad cop on the stage, With Jean-François, Grégory and Cédric, all the speakers you met today are in the front row and available to answer your questions. Please focus your question on digital, which is the theme of the day. I think on 25th July we will have some occasion to comment on the figures, and especially the current trading of Gucci between 15.00 and 17.00 in Nevada. Since time is limited, we would like to limit the number of questions because we have a hard stop at 16.30. So and finally, if you could please state clearly your name and your title before asking your question because we have a transcript of the session that will be made available later.

So, who wants to start? So, Louise, ladies first.

Louise Singlehurst (Goldman Sachs): Hi, good afternoon; it's Louise Singlehurst from Goldman Sachs. Firstly, thank you all very much for such an informative session and breakouts today. A couple of questions from me, please. Firstly, I think Marco Bizzarri set out a year ago about Gucci reaching around 10% of sales online. If we gross up to retail, you're pretty much there. What's the plan kind of longer term? It's not so much numbers but how you think that will progress and importantly, by the channel mix. You talked a lot about retail online and how that splits between brand.com and the e-concessions. And considering also what we've learned about Balenciaga, with that 50% split between brand.com and the third party retail business.

Then the second question, for Jean-Marc and Jean-François, obviously we've heard a lot about the social media engagement, lots of good stats about Q1. There was even an April social media kind of anecdote in the presentation. Presumably, from what we've heard about AI and the predictive capabilities of the business you're getting much better data, less silos across the brands and how you look at things at the corporate level. Can I ask if that gives you, still, the confidence of Gucci growing two times the industry level in 2019? And now that the other brands are coming in from YNAP, does that give us the next level of growth, or a reacceleration in terms of the other brands? Is it time for the others to now become a bigger part of the group EBIT? Thank you.

Jean-Marc Duplaix: So, I will start with the first question, which is not an easy one because basically the ambition that has been presented here, which is still an ambition and which is a mid-term ambition, is to multiply by 2.5 times the penetration and of course this covers a broad base of brands which have not exactly the same penetration as Gucci today, a broad base of geographies. And the ambitions that have been set by Marco, with 10% of online sales, was a medium-term and we maintain this objective as a medium-term objective, encompassing some more e-concessions but we are in a phase of discussions with the different platforms, so it's difficult to say. We know that we have still rapid development of e-commerce, directly operated by Gucci in many countries and we had mentioned during the Q1 call the good performance of Gucci in China. So I think that it will be a mix of retailization, we are still expecting but obviously you can imagine that we are in a phase of tough discussions because maybe platforms and e-tailers could have the impression that they could lose some value by granting some e-concessions to the brands. So we are in this phase where it is very difficult to predict what will be the split between the different businesses. But in any case, we believe that to bring all our brands of the portfolio above the 10% penetration is still the ambition and it should go along with a continuous reduction of wholesale, be it offline, principally offline and still the fact that offline should represent around 10% of Gucci revenues going forward is still obviously something that we have in mind. The fact that we continue to contain the wholesale distribution is also a way to avoid, let's say, distribution of Gucci products, or other brands' products, on some platforms and especially some platforms you know perfectly, so that's the reason why. I think this trend to decrease wholesale will continue. So the split that has been presented by Marco is still valid in the mid-term.

Jean-François Palus: Regarding this momentum that Gucci announced and that we announced, all of us, there is nothing that undermines this confidence that we could outbeat the market by almost twice as much growth as the industry and it is true to say that digital and data and all that was presented to you today will fuel and speed up this growth. And because we are duplicating what we do at Gucci in the other brands, the impact on the other brands, percentage-wise, will be even higher because the magnitude will be very significant and obviously, considering the size of those brands, percentage-wise, it will be quite significant. So, yes indeed, we keep on forecasting those type of goals for the next years.

Louise Singlehurst: Thank you.

Antoine Belge (HSBC): Cheers. Thank you. Antoine Belge at HSBC, only one question today. Thank you again, because you're the first to give such a comprehensive demonstration about what you are doing. What's your fair assessment about – are you in advance versus your key competitors, especially the large groups like LVMH and also Richemont is doing a lot of investment in that field, even maybe a large one like Chanel. And do you think that it will be very difficult for the small, or even medium-sized brands, the ones that are independent, to be matching these investments?

Jean-François Palus: I think that it's fair to say that in several areas in the past years we were lagging behind in terms of science and that our IT solutions, or our logistics setup would be outdated. But now I'm convinced that, with these initiatives that we are currently executing, we are going to be ahead of the competition. Not only we will catch up but we will be ahead of them. And also, we will create significant competitive advantage as compared to independent brands that cannot afford, not only for money but also for resources, for time, for teamwork and so on and so forth, they cannot put in place all those projects. And this will, again, give us a business competitive advantage and also an additional reason for those brands to be potentially tempted to join us.

Jean-Marc Duplaix: Luca?

Luca Solca (Bernstein): Thank you very much, Luca Solca from Bernstein; two questions. In the past five years, the success of Kering has come through brilliant product innovation. I think Cédric was showing us two fashion shows and the contribution of Demna Gvasalia to the success of Balenciaga, Alessandro Michele is a great case in point. I wonder, when it comes to the digital tools that you're putting in place, are you focusing some of them to feeding the creative process and making it more effective and reducing the potential fashion misses, or increasing the success rate, what you bring to the market by observing trends in the market, systematically or anything like that?

My second question is about the fascinating concept of soft landing. I think it's very important. I mean it's difficult to understate the importance of soft landing to boost the multiple of Kering and I wonder how you conceptualize soft landing and what ingredients you see are important, especially when it comes to Gucci. Do you see it as more of the same, just a bit less of a growth rate, or do you see that there are five new things that you need to do in order to support that growth and make it sustainable? Thank you very much.

Jean-François Palus: Again, regarding creativity, Cédric is in a far better position than I am to reply to that but in your question there is something I want to emphasize. In our view, improving the sell-through is not a matter of creativity. It's a matter of business, it's a matter of merchandising, it's a matter of logistics, supply chain, so on. Creativity is completely out of this. And again, all this paradigm is meant, like Grégory said this morning, to bring more science into art but art remains at the core of our imagination. Okay, so we don't mix sell-through with creativity.

Cédric Charbit: So, talking about the creativity and our – how the key assets, like creativity, is blended into the project and are we going to build the platforms together with the designers, that was the question. Yes, we are, we have been working on this for several years and the platforms we have today have been designed and the platform we will have in the future will be designed together with the brands. We've been onboarded in a way that was super impressive and in my view very efficient but I mean – when I say the brands were onboarded, it means that the design – the design part and the artistic director was involved and is involved in what we do in terms of a look and feel for the website but only the look and feel.

I would like to be even more precise: I feel we take decisions together and I think when it gets to strategic as well, we need to be in full coherence with the artistic vision. That's what makes this so authentic and efficient at the very end. So, yes, it's part of this. Of course there's the expertise on the other side, what we can do, what we don't want to do on the other side but this is something I think at Kering and at Balenciaga, working together with design as opposed to working against design, it's not something we do.

Jean-François Palus: Okay, regarding the famous soft landing, or new normal, that keeps you guys awake at night, this is not something which we are obsessed with because you heard me say that we don't pay dividend with the percentage points. So what we are considering is the trajectory in euro terms and this is important. And above this, we are much more focused on improving EBIT and EBIT in value and this – we're very confident because now we've found a kind of setup that enables us to be very flexible, very agile and to maximize the impact of the growth – of a growing momentum and minimize the impact of a soft landing momentum.

So, again, for us I would say I'm more concerned with – or more interested in the percentage of return on capital employed than the percentage of growth because it is more meaningful to us and so again, this so-called soft landing is still something that will bring something around €1 billion additional revenue for Gucci every year, so we can live with this.

Luca Solca: Thank you very much.

Jean-Marc Duplaix: And that was a question clearly connected to digital.

Jean-Marc Duplaix: Omar?

Omar Saad (Evercore): Thank you, it's Omar Saad from Evercore ISI. You know, it's obvious – today you talked about these sophisticated digital capabilities, applying them kind of from a centralized viewpoint across the brands and really being able to bring those capabilities across the brands. Does this give you greater confidence in the ability to turn around Bottega Veneta? Do these capabilities maybe give you greater confidence in making acquisitions in brands you're looking at, that you can bring certain skills and capabilities to bear in those types of situations where those opportunities exist? Thanks.

Jean-François Palus: Again, I insist on the fact that what you've seen today is not a silo within the whole business and the whole business environment. It is an ecosystem that interacts back and forth with the business and I think this is Cédric who said that you cannot have one without the other. So, regarding Bottega, we are in the process of reinventing the brand and particularly because the former artistic director had a specific vision of social media, which was kind of restricted, or very restricted and the new one is a millennial that is very much open to this type of usage, obviously and evidently there will be a significant surge in this realm of activity, so not only on the communication but also on the ecommerce. So this is something that is very obvious.

But again, it's about the reinvention of Bottega as a whole that will fuel this surge in digital and conversely the surge in digital will also fuel and speed up the take off – yeah, the retake off of Bottega.

Then, regarding the acquisitions, it is true that today we are in a position to – or we will soon be, in a few months, in a position to welcome additional brands with quite significant size and plug them in our platforms. This is the objective and we can do that. What I said is that I hope this will enhance the appetite of those brands to be a candidate and to also realize that these platforms we had to invest and that they cannot pretend, or they cannot claim for, a very high multiple encompassing the impact of those platforms without paying for that.

So, again, to make it short, if they come with a price that is sensible we will be very interested, provided that we like the brand and they are part of the target that we have identified. Yes, it will be more easy, I would say, than it used to be to integrate those brands.

John Guy (MainFirst Bank): Thanks, it's John Guy from MainFirst and just to reiterate the thanks for a really insightful day today. Just with regards to CAPEX, I know we sort of touched on it earlier in one of the breakout sessions – yeah, exactly, thanks Jean-Marc, it's for you – I'm just trying to get a sense of the dual-track process that you've been running for a while in terms of running with both different systems and now, as you push forward even more with what you're doing on the initiative side, how much of an initial CAPEX pull back is there turning off the old systems and what kind of incremental CAPEX are we going to see going forward over the course of the next few years? You've talked about an EBITDA accretion, or accretive impact, in 2021, an EBIT accretion in 2022. Can you give us a sense of the CAPEX to OPEX kind of relationship that we should expect going forward within this particular area?

Jean-Marc Duplaix: Okay. I think it's for me. I wouldn't dare to say that I don't like your question but it's not an easy one because, as you know, John, as I said, with this omnichannel approach it's very difficult to segregate the CAPEX, in the sense that of course you have some CAPEX which is clearly dedicated to the setup of new capacities and especially with the internalization of ecommerce. But you know that today with the new logistics setup we have, it's designed for offline, it's designed for wholesale, it's designed for all the different channels and the upgrade of information systems, supporting the new platforms, there was a need in any case to upgrade the information systems. So what we can say is that, globally and to make it short, you know that we have a trajectory in terms of CAPEX we try to stick to, which is to be at around 6% of revenues in terms of CAPEX. The fact that we have accelerated because of the momentum of our brands, this year we will be probably more in a high range, so between 6–7% and closer to 7% because we have anticipated some investments, especially with the new warehouse we are building in Italy. But besides this, you will see that the CAPEX in our brands is contained and the objective is to absorb this transformation of the group and all this modernization without increasing massively the CAPEX. So the trajectory should remain more or less what we had announced, with the exception of this year, which should be closer to 7%.

And in terms of EBITDA – or I mean the ratio between depreciation and CAPEX, we should see gradually, in the coming years, a normalization, so a more balanced ratio between CAPEX and amortization. So we are still in a phase of investment but it should normalize.

John Guy: That's great, thank you.

Jean-Marc Duplaix: Thomas?

Thomas Chauvet (Citi): Thank you, Thomas Chauvet from Citi. Two questions, please. The first one: how do you think about the balance between your high ambitions to grow online revenue and your store footprint? I'm thinking particularly at the smaller brands, are there markets where, like at Balanciaga, you could go with a big online push and a lighter store network? And conversely, would the opening of certain stores perhaps sometimes actually boost significantly the online business?

And secondly, on the digital platforms and e-tailers that you work with, or that you consider working with, many of the major players are heavily loss-making still. It may be early days. How do you feel, Jean-François, about – or Grégory, about this, the evolution? When are these people going to turn into profit? Will this be sustainable? Do you expect some consolidation and would you be willing to support some of these players a bit more closely? Thank you.

Jean-François Palus: Can I answer the later question? The answer is no. No, more seriously, the – again, those e-tailers, those platforms, are business partners and when we look at their financials it's just with business eyes to make sure that we will get paid for what we sell to them and we do not want to make an investment in one of them. This is not our role and this is not what we want to do.

Cédric Charbit: For the visibility of the brands, whether it's online or offline, whether based on the location, online could be an answer, not developing a retail footprint because you have online business going on. I think it's about both experiences and I think it's about brand visibility. If you want to gain market share, you have mentioned the smaller brands – in the case of Balenciaga not so small, though – I think it's important to have both, a great network. I do believe in retail. I believe in physical retail. We expand the visibility of the brand in a very successful way and online is helping and fueling the growth of retail in the same way that retail is fueling the growth of online. It's a circle and I think the two go together. So even though some markets might look too small, it's not because you have online that you won't go; it's because from a P&L standpoint it doesn't make sense, from a visibility standpoint it doesn't make sense. And yes, online could be an answer but I would not arbitrate between brand expansion based on the fact I have online, I'm covered. It's more because of – simply the potential.

Aurélie Husson (Kepler Chevreux): Thank you. Two questions for me, please, the first on Balenciaga. You shared some breakdown of sales by gender categories at the end of 2016, could you give us the data at the end of 2018 so we can see the results of your initiatives? And maybe if you'd like to share your goals for 2020, that would be great.

And my second question, in – when it comes to the integration of ecommerce and the impact that it could have on EBIT, you said it would be accretive, how does that impact your EBIT margin target that you have for the long term for Yves Saint Laurent? Are we still on 27% or maybe we can have an updated figure.

Cédric Charbit: So maybe I go with the first one. So, on what's going to be the projection of the sales, unfortunately I'm not in a position to answer that about what's going to be the balance between the genders at the end of this year. For the share of men, I can say that we have almost doubled the sales of men. I'd like not to disclose the share of our business of men now but it has been a significant part of our trajectory and growth. What I can tell you is the – how balanced we are in terms of product category. Maybe it's not really answering the question but it's the split I'd like to share with you today. We have 40% on accessories, 35% on shoes and 25% on ready-to-wear, which is where we have the balance in terms of product category, having in mind we have such a big chunk of men, not answering the question on the share of men.

Jean-Marc Duplaix: Francesca made, very clearly, a presentation about the trajectory of Yves Saint Laurent in 2017, in which it was explained that, in a way, there was an accretive contribution of the existing store footprint and some dilution brought by some new openings and also new activities and we are still on the same, in a way, model, with some dilution brought by some new activities and ecommerce maybe at the beginning, with some investments, slightly dilutive compared to the current profitability of the retail footprint but at the end of the day, we are sticking to this trajectory that has been presented. And globally, more globally speaking, I feel that we are quite confident about the trajectory of our brands for 2019 in terms of EBIT margin.

[Inaudible].

Edouard Aubin (Morgan Stanley): Two questions for you**.** So, Cédric, since we have the chance to have you, so just to come back on what Jean-François said on M&A and so on, trying to assess the benefit of the conglomerate model in the luxury goods sector, to what extent the success of Balenciaga was made possible by the fact that you were part of the Kering group, so if you could share some practical examples with us on top of digital.

And the second smaller question is on sneakers. So obviously you had a tremendous success with the sneaker category. Do you think the tide is turning or it's still as hot as it has been in the past few quarters? Thank you.

Cédric Charbit: Thank you. Thank you for the question. About the support of the group, there are two things I'd like to say – and yes, you can stay – Jean-François is asking me, 'Can I stay?' From the very beginning, to have the expertise of the group – I'm not talking, I'll talk about the financials afterwards – but when you see the expertise and the support of the group at every level, when it gets to building the team, getting the platforms together, telling you and showing you the way, how things could be done, even though you have your vision and you have your brand to run, sharing with, I would say, partners, across all the functions at group level has been key for us. The fact that we've been able to grow so fast and in my view, so well was because we had the support of the group in the very early days. The fact that it was always for the good of the brand was always very good.

Also – and that's point number two – the minute you put together the project and the minute you start to show potential and results, I found the support was – I would rather not say this but as high as it gets in terms of money. I don't know brands of the size we were in 2016 that get this support. I think this support that I felt was needed. So I'd like to say it was the best support one can get, also because you sometimes get a “no” but most of the time you get a “yes” and when you look at the results that I can now share, I'm extremely pleased on how this was done, both on what was material and immaterial. It was excellent.

So that's for the first part of the question, so my way to thank you.

And for the second part of the question, it's back to the – on the sneakers, 35% of sales, I understand and appreciate the question. What we bring to the market on the shoe market was a disruptive vision; it was a game-changer. Many other brands followed. We had put together a very strong offer and the question is about, 'Is this a trend? And is this going to last?' pretty much. Listen, I feel – not in this room today and I'm sorry, it's not but most people wear sneakers. Sneakers are a category that is a number one category in the shoe today and the potential is huge and when I look at my numbers, business is still growing very much.

Jean-François Palus: Significantly.

Cédric Charbit: Significantly – thank you – and I think it's not a trend, it's a generational change, it's a shift on how people live, how they travel and how that shoe is not only a trend, it's also a functional shoe. It's the functionality of the sneakers that I think is relevant. It also comes to the fact that from a handbag standpoint and from an accessory standpoint, what's happening that's not apparel-related, I think not talking about a shift but at least at Balenciaga the shift between handbags and shoes is a topic that's on the table for me and I think it's gradually shifting from handbags to shoes and I'm happy to be where we are in terms of product mix because I believe it's actually part of the future in the product mix of the brand. So I hope you hear my confidence for the future.

Rogerio Fujimori (RBC Capital Markets): Rogerio Fujimori, RBC Capital Markets. I have a question for Grégory about product authenticity and certification using technologies like blockchain. How far, or close, do you think the industry is from getting to the point of developing a technology to help fight back the problem of fakes? Thank you.

Grégory Boutté: So, this is definitely one of the issues that I think – where technology – authentication of products, authentication of ownership is definitely a problem that technology can potentially solve, right? We haven't solved it yet and especially with new technology emerging, like blockchain, there's a lot of attempts in the market right now to try to leverage this new technology to help build greater confidence into the ownership and the authenticity of the project. The Innovation team, which is led by Amélie, whom you met in the workshop, has worked on a pilot to figure out how to leverage this technology to do this, have greater certainty around ownership and have a certificate of ownership. It's still very, very early days, so right now we're very much in the process of playing with this technology, understanding the problem, partnering with brands to try to figure out what is the right solve.

So we'll try to do that either internally – and we have quite a bunch of projects happening on blockchain right now, be it on certificate of ownership or, more broadly, traceability of some of our parts in the eyewear business – so we're playing with this technology to learn and figure out what the ultimate solve is.

We are also looking at solutions that are being built outside of Kering to figure out whether they can help. We're taking a very pragmatic and very open approach. So we don't have the solve yet but we're actively working on it and we'll definitely report back once we fully commit to one of those solutions.

Speaker: Hi, it's for Grégory actually. I wanted to look to the 2.5 times the 25% for luxury that you see in the mid-to-long term in terms of ecommerce penetration. I wondered if you can give me a sense of what you think China is in that and what the China piece looks like between the different platforms?

Grégory Boutté: This one is very difficult to predict. The growth that we're showing here is that – is very much in line with what the forecasts are for the market coming from external benchmarks. Clearly, as we discussed during some of the workshops, luxury ecommerce is relatively small today in China and I think we're very much in the early days and experimentation phase of ecommerce in China. I am very confident that we'll crack the model but we're far from being there yet. So, since it's a mid-to-long-term ambition that we've set, I know that China will play a big role because with all the experimentation we have in place right now, partnering with Toplife back in the days – which are not so long ago but also running some experiments with Luxury Pavilion, rolling out our brand.CN properties and also partnering with some of the emerging social platforms in China, the intent here is to really try to figure out what is the way to crack the code on luxury ecommerce in China and I want to think that, with Gucci and with the help of the group and the other brands, we are at the forefront of testing those experiments, so if someone is going to crack it, it's probably going to be us. So, in this mid-to-long-term ambition, China will play a role. Impossible to say exactly how much it is in that growth.

Jean-Marc Duplaix: We have just time for one or two questions. Omar again?

Omar Saad: Thanks, it's Omar Saad from Evercore ISI again. Again, as you have this kind of scaling, these digital capabilities and building out this digital ecosystem and activating it across the portfolio, as you think about the kind of longer-term ramifications, do you think it creates an environment for faster growth for the company's brands, or is it longer-duration growth? Is it maybe more consistency, less volatility? Is it higher margin, longer-term outcome or lower margin, longer-term outcome? Is there a framework that you can think about it or is it still too early? Thanks.

Jean-François Palus: If we went onto this journey, it is because we're convinced that we are preparing for the future, for the long term. And we know that this will bring very solid momentum and this solid momentum will have an impact on reducing volatility. This will also bring more profitability because, as we said, the cost base is relatively fixed and with revenue growing fast, of course we're going to have an operating leverage that will be quite major.

Also, we think that this is a virtuous circle because this will also help us gain new customers, make the current customers more loyal, also gain new associates to the group because, as of today, if you do not propose – to guys of 20–25 years, if you do not propose a digital project, you do not hire them. So also, as Grégory mentioned, this teaches us about new ways of doing business, new ways of working, new ways of interacting with each other, new ways of communicating with each other. And we are preparing for the future, not only as a corporate but as a human group. So, yes, I'm convinced that this is very good for the future.

Jean-Marc Duplaix: Okay, last question from Melanie.

Melanie Flouquet (JP Morgan): Sorry, it's not the nicest of questions so I feel a bit embarrassed but if you can maybe clarify the situation on the grey market on digital, how sizeable an issue is this still for the industry and for you? And how do you see how you can shrink it, either a grey market that's totally undesirable across market or feeding from boutiques, from third-party boutiques, even if it stays in a market in Europe that is too high? How do you shrink that? What are the plans to shrink it, if at all and is it a sizeable problem today?

Jean-François Palus: Well, as you all know because you are experts, grey market is an issue. To a large extent, it's more of an issue than counterfeiting. And it is true that, by gaining more and more control on our distribution, on our supply chain and particularly on our digital ecommerce we are gaining more control on grey market. Also, the blockchain can be very efficient to track down products and face the facts when we are faced with grey markets.

So it is something that will last. We control it. We are very much attached to privileging full-price sales, obviously and we want to maintain grey market as much as we can in a sensible dimension. And then, of course, we fight against it but yeah, this is something that we need to live with.

Jean-François Palus: So, it's time to wrap up what has been a very long day but we hope it was quite informative to you. As you've seen, Kering's digital cultural revolution is well underway. It's not only about a vision but it's also mostly about execution. This is already impacting everything we do and also the way we do everything. We focused today on our houses and how the group acts as a catalyst and facilitator to their digital transformation but digital has also transformed the way Kering, as a group, sees and expresses itself.

I would like to mention Kering's social media presence, promoting our achievements, our values and the social initiatives we support, either independently or in coordination with our brands. I would like also to emphasize – and Grégory and the team they mentioned that several times – the fact that all you've seen today has been a tremendous collaborative work between all teams within Kering: Communication with Valérie, also IT with Nicolas here and Operations, Supply Chain, Logistics with Mehdi; obviously Grégory and the Finance team with Jean-Marc.

So, again, it is very important to – like I said to Omar, to realize that this whole project is not only a business project, it's a human adventure, and it's no longer our motto but it's still our spirit: enterprise is our great adventure.

So, before we say goodbye, I would like to thank, obviously, Grégory and his teams and the representatives of the brands: Robert, also Cédric and Marco here and you make those events – this event possible. The guys you met today, also, they've been supported by a lot of people here in the frontline but also at the back: Margot, Naomie, and all the others that I cannot name. Again, this event took a lot of their time and they can tell you that they have other things on their plates to deal with, so this was a heavy sacrifice but they were very much into it. They appreciated it, they liked it, so I think that they did a great job and I thank them for this.

Obviously I want also to thank Jean-Marc and particularly Claire – Jean-Marc a bit and Claire a lot and – but not only Claire but also the whole Investor Relations team: Laura, Victor is here, where is Laureen? And – she's not there – well anyway – Olivia is there – so all the team, they have conceived this event, they originated the idea of a digital day which I think is a very good idea for you and for us and they took this event off the ground, orchestrated everything that went well, despite Grégory not knowing about the agenda but it went well and we can be very pleased and again, thank you for that.

It's been a hectic few weeks recently on the markets, you guys are very well positioned to know it. We have seen some pretty crazy market signs, some swings following this or that piece of news. Again, we are very confident that our trajectory is very solid. We are very solid with our goals and the ways to reach them and I hope that our presentations today reinforce your views about our group, about our people, about our trajectory, about our capacity to build for the future. Again, we do not rush into it. We're patient. We go there serenely and we want to seize any opportunity to make it better and to make a better group of Kering.

So, we are more than ever convinced of the global strength of our industry, also of our group, of our brands and we want to make sure that we have the right infrastructure to support all this growth. Thank you all for coming, have a great weekend, safe travels. I will – Jean-Marc and I will welcome you to the semi-annual performance review on 25th July and until then I wish you the best.