

# Piaggio Group

## Full Year 2023 Financial Results

### CORPORATE PARTICIPANTS

MICHELE COLANINNO – CHIEF EXECUTIVE OFFICER

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RAFFAELE LUPOTTO – EXECUTIVE VICE PRESIDENT, HEAD OF INVESTOR RELATIONS

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Operator

Good afternoon. This is the Chorus Call Conference Operator. Welcome, and thank you for joining the Full Year 2023 Financial Results. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. (Operator Instructions).

At this time, I would like to turn the conference over to Mr. Raffaele Lupotto, Investor Relations of Piaggio. Please go ahead, sir.

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### MANAGEMENT DISCUSSION

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#### **Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Thank you very much. Hello everyone and welcome to the Full Year 2023 Financial Results. Today's conference call will be hosted by our CEO, Mr. Michele Colaninno and the Group CFO Alessandra Simonotto. You can access the slides supporting this conference call on the Internet, on the Internet at Piaggio Group website. As you may expect, before starting the presentation, I need to remind you that during today's conference call we may use forward-looking statements based on Piaggio current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause actual result to be materially different, as mentioned in the Safe Harbor statement, including Page 3 of today's presentation. Also, I remind you that the press has been invited to participate in this conference call in a listen-only mode.

With that said, let me turn the call over to our CEO, Mr. Michele Colaninno.

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#### **Miche Colaninno - Chairman and Chief Executive Officer**

Hello. Yeah, thank you, Raffaele, and good afternoon to you all listening to the conference call today. Well, first of all, I think that all of you know and are aware of the overall global situation from a geopolitical standpoint. So, I'm not focusing on what's happening around the world, because it's unpredictable and difficulties are arising over the Red Sea situation due to the Ukraine and Israel-Palestine's war.

Having said that, giving a global view of what happened in the 2023 year, you have seen that Asia has been in a declining market starting April last year, and it's still continuing to decline, especially in China and Vietnam, while is, I would say, flat in Indonesia, but we achieved the best results ever over there and slightly declining in Thailand, even though also there we have very positive results. And among the other markets over there, we are still seeing growing business for us, even though we entered Taiwan, Philippines and all other countries since three or four years, so we are in a growing situation.

Having said that, I think that the China situation that everybody of you knows has been affected by two main issues that are related to the real estate market over there and the stock exchange situation in Shanghai and Shenzhen, that has been declining for all the 2023 year. That have affected quite all the consumer business over there in the country. And we know that China is the largest population among the Asia Pacific area and is somehow affecting all the surroundings and neighborhood countries.

We have achieved, I think very positive result because it's the second-best year ever in the Asian market. We are investing and we are not negative, even though the situation will remain unstable for the next two or three months for what is concerned of China and Vietnam. You know that Vietnam has also introduced anti-corruption laws that has created some confusion in the consumer business over there, but I think that this is a situation that will be solved during the 2024 year.

India. India instead has grown in 2023, and it's forecasted to continue that growing pace as the election is coming. Mr. Modi will be fairly re-elected, and the country is investing massively in infrastructure, projecting an 8% GDP growth for 2024 year. As far as Europe and United States are concerned, we have seen a quite flat situation in the market. And 2024 will be an interesting year for Europe due to new legislative norms that are coming both for two-wheeled vehicles and four-wheeled vehicles. Euro 5 plus is entering for two-wheeled market and active and passive safety is entering for the Porter, so the small commercial vehicle that we are reprojecting to respect the law. And as you know, we will also launch the electric version at the beginning of 2025.

So, the situation that we have seen in the markets for 2023 has been very positive, I would say unbeatable first quarter last year. And then declining since April in Asia. That has affected the revenue stream from 23% decline at a constant exchange rate in the overall Asia. But if we consider the last five, six years, we have been constantly growing, achieving, I repeat, the best result ever for the Group. Obviously, we have markets that are going up and markets that are going down, that's life, it happens, and it will be like this you know for every country in the world. But the geographical situation of the Piaggio Group has been designed to have counter-balancing areas, if declining in Asia, growing in India, so the strategy that we put on the table for the industrial footprint and sales is correct.

For what is concerned the cash flow, we have achieved the best-ever operating cash flow in 2023, reaching EUR227 million. Obviously, these have not offset the decline in revenues, that means less in cash, as you obviously know. And that has driven the Piaggio Group to register a minus 4.4% overall the year in revenues. That has also been driven through a strategic decision we took last year to sustain the margins of our Group. We could have done as other competitors have done in the Asia market and European market, so putting in place big discounts in the market. That would have brought the revenues perhaps not to decline, but that would have caused confusion in the market for the pricing point of our brands that we want to maintain at a high premium level, and we don't want to enter the discount wars.

That is to say that this premiumization of the brands has to be also driven through the dealers' distribution network among the world. Dealers' stock is very important. We managed it and we do not want to increase sell-in in a stable geopolitical situation of the beginning of this year. Because then it means that if dealers did -- will not achieve the sell-out targets, discounts are coming on the market. And this is contrary that I wanted to do because we are investing in big marketing and brand equity operations around the world in all the brands that we manage, so Aprilia, Moto Guzzi, Vespa, the Piaggio Porter and all the dealers' communication must be in line on the strategy that we have as a "fil rouge" all over the world.

The Red Sea situation. The Red Sea situation is under control for the Piaggio Group. We anticipated some purchasing activity in order not to be affected if the Red Sea situation worsen in the coming months. So, it is better to have inventories instead of having increasing in price of logistics and delay in time of delivery. This is a strategy that will -- it's a full-year strategy. I don't want to look at just tomorrow morning, but I have to take count of what happens all over the year. I repeat, we don't have any major impact from the Red Sea situation up to now. If the situation remains stable, I don't foresee any major problem coming.

We will enter 2024 year that is continuously showing high interest rates. And that also is affecting some consumer finance business that we have around the world, because obviously, an increase in interest rates has impact on the consumer finance programs that we have, together with our financial partners. I think, but this is just my view, that the first six months of the year will not show a solution for those problems. So, interest rates will remain high and perhaps the leaders of the world will not be able to solve the situation in Ukraine, Palestinians and Red Sea. We, everybody of us hopes so, but that not belongs to our decisions.

So, 2024 will be an important year. We launched four new, totally new products at the beginning of the year. We launched the Vespa Dragon in Hong Kong at the beginning of January. We launched the new Stelvio Moto Guzzi 1.100 CC. We are launching now the new Aprilia RS 457. We are renewing the Vespa brand around the world. So, a lot of stuff will come on the market for the Piaggio Group in the next months.

If you mix that with the new legislations coming, I repeat, we have to manage carefully dealer stock, because I want to be sure that our margin can stay at the highest level we reached in 2023, that is 16% EBITDA and 9% EBIT. Best-ever results of the Piaggio Group. And I think margins were once again the key pattern to success. I don't follow revenues with discount. I follow 16% of EBITDA. And obviously, cash flow must remain strong. If we are able to follow that strategy, I think that at least 2024 will be like 2023. We are working for this. It's not given, obviously, because we will see what happens geopolitically, and we obviously forecast a recover of the Asian market somewhere in the year.

We've been in Vietnam last week with the region managers to have a real touch of what's happening. I have to say that we are well-positioned as brands in the premium market. I'm very confident about Indonesia, well especially Jakarta and the Bali Isle, are the major market that we serve. As you know, we opened a new factory there. I think that Vietnam, that is where we have our biggest facility in the Asia market, has reached the top down. But I don't know if tomorrow or the day after will be the time when Vietnam will come back to previous years.

Having said that, I have to take care about the next year's business plan. It's not just tomorrow morning. And I'm seeing a growing growth in the Asia. I repeat, you have somehow markets that are going down or up, but the growing curve will be confirmed in the next 10 years, because Asia is big, Asia is rich, and I'm positive they will solve their actual problems. Obviously, this is quite a positive view for the next years, but we have to be prudent. Being prudent means that we have to manage productivity as we have done in the past, and as we will do in the future. So, to maintain the margin, the gross margin must remain at the page of today.

Obviously, the uncertainty is there. So, pragmatism and prudence are the driver for this year. Even those because we will have United States elections at the end of the year. I hope that the Federal Reserve and the ECB will start reducing interest rates starting from June, or at least maximum September. But this is just a forecast that we have through Banks and financial institutions. We have registered EUR11 million increase due to interest rates growth last year. And obviously, this is a consequence. As you know, we have renewed the bond in September. And that has cost us quite EUR2.3 million or EUR3 million of renewing fees and costs.

So, I'm very happy about the brands, I'm very happy about the product strategy, I'm very happy about the product line. This is enough if markets continue to do as 2023. What we see is that Europe will remain quite flat, due mainly for the introduction of Euro 5 plus, not because the consumer business has been affected too much. While, United States, I'm positive with the introduction of the new motorbike over there.

This is just a brief introduction. I think that is a good overall. And I'm waiting for question-and-answer together with Alessandra Simonotto and Raffaele Lupotto.

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Okay. Now we are ready to answer the question you may have. Please go ahead.

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QUESTION AND ANSWER SECTION

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**Operator**

This is the Chorus Call conference operator. We will now begin the question-and-answer session. (Operator Instructions). We will pause for a moment as participants are joining the queue.

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**Monica Bosio – Banca Intesa San Paolo**

Good afternoon, everyone. I hope you can hear me and thanks for taking my questions. I have two for the CEO. The first one is on the exit speed of the last quarter of the fourth quarter of the year, net revenues were down by 20%. And as a matter of fact, the speed -- the decline was much worse than expected. So, I'm just wondering if you feel comfortable with the current consensus for 2024, which is pointing to net revenues up by 6.5%, and above all an EBITDA in the region of EUR340 million. It seems to be a little bit challenging, but for sure, I appreciate your feedback on this side.

And the second question is on Europe. The decline in 2023 was also due to the control of the dealer network and the destocking process, which is going. When do you think that destocking process will be over? Thank you very much. Sorry, the last question, can you give us an indication on the net debt by year-end? Thank you.

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**Michele Colaninno - Chief Executive Officer**

So, thank you for your questions. Starting from the first one, the exit speed of the last quarter has been affected by Asia mainly and by the decision on not discounting the product to final customers. So, the customers could find, I mean interesting products at 25% discount on the market. We didn't follow them and we preserved the price point of our brands because I think that the brand equity is also the price point.

Dealers' network will -- sorry, the second question was outcome for 2024 related to consensus. We are working for this. So, the aim is to be in line, let's say, with the 2023 numbers on margins, on revenues. So, 16% EBITDA and 9% EBIT is not easy to be realized every year on the market. But we are confident that with the actual productivity and gross margin we can do this. While if you think about the consensus, you know, it's what we work for. So, the aim is to reach what you think that is reachable.

Dealer network, yeah, you have to be very careful about dealer stock. You can increase sell-in easily if you do discount and then you have good revenues. But then three months later you have to discount to clean the sell-in due to the Euro 5 plus coming. So, it's better to have a balanced dealer stock network, and to manage the introduction of the Euro 5 plus vehicles that are distributed among the year instead of having a peak in one week or two weeks. So, to say that we have achieved the good revenues and that you have to discount to clean the network.

Net debt by the end of 2024 depends on revenues because the gross margin is okay, and the margins are under the gross margin are okay.

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**Monica Bosio – Banca Intesa San Paolo**

Okay. Sorry if I insist. I fully understand your point on the dealer network. But for our modeling, can we assume that the dealer network destocking or the control will be over in the second quarter of the year?

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**Michele Colaninno - Chief Executive Officer**

We are not destocking. We are destocking slightly bit because we didn't push last year. So, the stock is, let's say, generally speaking, then you have to manage particular situations. The stock is correct, we are not destocking.

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**Monica Bosio – Banca Intesa San Paolo**

Okay. Thank you very much.

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**Niccolò Storer – Kepler Cheuvreux**

Okay, thank you, thank you. My questions are two. And the first one is related to profitability and the improvement we have seen in gross margin. We have seen a jump from 26.6 to 28.8, with cost of goods sold on revenues still at above 63%. I was wondering, in a situation, hypothetical situation of stable revenues in all markets, which room you still have to improve this gross margin on this ratio cost of goods sold on

revenues, provided that we have seen some easing in raw material prices, energy prices, and also considering that you are still some points above pre-COVID levels.

Second question is on working capital. We have seen in 2023 a sharp decline in payables, if you can elaborate on that, why this has happened and what should we expect going forward? Thank you.

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**Michele Colaninno - Chief Executive Officer**

Yeah, I can -- I answer about the gross margin, and I leave the stage to Alessandra Simonotto for the working capital details. Everybody can do better but reaching 29% of gross margin and 16% of EBITDA, I think -- but I don't have detailed situation, we are among the best in the world. So, we -- I could say we work to do better, but at some point it's also driven by price increase that we didn't had last year, well we have a slightly price increase in some markets, perhaps just to balance some logistic cost increase. Yeah, I would say that I would be happy with the 29% of gross margin. I would be very happy 28% -- with the 29% of gross margin.

Alessandra, can you take the capital?

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**Alessandra Simonotto – Chief Financial Officer**

Yes. Do you hear me?

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**Niccolò Storer – Kepler Cheuvreux**

Yes.

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**Alessandra Simonotto – Chief Financial Officer**

Okay. Thank you. So, what about the working capital? You have seen in the slide we had published that the working capital in 2023 goes down for more or less EUR46 million, driven by the reduction of the trade payables from EUR 735 million of trade payables in 2022 to EUR614 million in 2023, which is the expectation for 2024. The expectation is more or less to go back to as 2022 situation with a positive working capital for more or less EUR20 million, EUR25 million.

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**Niccolò Storer – Kepler Cheuvreux**

Thank you.

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**Gabriele Gambarova – Banca Akros**

Yes, good afternoon and thanks for taking my questions. The first one is on CapEx EUR162 million if I'm not wrong. So, a little bit ahead of your early plans, if you could comment a little bit on this, and on your target

for 2024. The second one is on factoring. I don't know if you highlighted this aspect in the slides. There was not much time. So, I was wondering if you could share what was the level of factoring at the end of '23 and what was at the end of 2022? And the last one is on tax rate because tax rate seems to me very low. I would say 32.5% more or less in 2023. So even here, if you can provide me a guidance an indication for 2024. Thank you.

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**Michele Colaninno - Chief Executive Officer**

Yeah, thank you for the question. Capital expenditure for the year 2023 has been in line with the prediction that we had that we declared was in the range of EUR150 million, EUR170 million, then it's a projection, then you decide year-by-year based on budget. For 2024, I don't see a major increase, even though we are finalizing the investments on the electric Porter and finalizing the investments of the new legislations for the small commercial vehicles. So, the 2024 will be the end of the new products coming then obviously going maintenance and you have some CapEx every year on the products.

As far as facilities are concerned, we are not projecting to increase production facilities around the world. We are every day investing in new technology for safety and productivity around the world. We are launching the new Mandello for Moto Guzzi that is starting this month. And we will renew all the production plant. We will launch the new Museum, we will launch the new Moto Guzzi for the next 100 years, as you know. So, we're investing new products. Obviously, we are confirming the product line for the next five years. That is the timing that we have in our projections for capital expenditures average. If the markets will go like this, I don't see any risk on the capital expenditure on products. Obviously, we will not and never stop capital increase for safety, for people and new technology for productions as we are doing in Boston and Piaggio Fast Forward where we have developed the technology for our two-wheeled and four- wheeled vehicles in conjunction with the robots that we are producing there. So, we are keeping in house, and this is very important for the coming years in electric market and non-electric market...we are keeping in-house the heart of the technology, for the mobility, for the small mobility. So, software and CPU managing the engine. I prefer not to be 100% linked to suppliers for the heart of the next generations of vehicles. And this is an important investment because AI and software and robots will take place once again more and more for the coming years, even though the electric market is not starting yet, but it takes time, but it will. So, we are in the situation where the capital expenditures for products are both in thermic engines and electric engines. This is to say that we don't have any restriction for the thermic engines around the world, but we are able to satisfy the customer needs. If the customer needs are to have an electric vehicle, we will have electric vehicles. If the customer desire is to continue to use more efficient thermic engines, that is what we are doing, so, we are also reducing emissions in thermic engines, the customer will be able to purchase thermic engines. So, this is what we have to do. Obviously, it's not that we are doing something different from our competitors, but the capital expenditure, I think will remain roughly the same of this year for the coming years.

For factoring and tax rate, I leave to Alessandra Simonotto.

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**Alessandra Simonotto – Chief Financial Officer**

Okay, thank you. So, about factoring the existing structure of factoring in a non-recourse receivable collected before the maturity date amounts at the end of December to EUR117 million. About the tax rate, as you have seen, the tax rate at the end 2023 is equal to 32.7% in 2022 we were at 33.3%, I believe that for 2024, we can maintain more or less 33% also for 2024.

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**Gabriele Gambarova – Banca Akros**

Thank you, Alessandra, sorry, I missed the level of factoring at the end of '22.

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**Alessandra Simonotto – Chief Financial Officer**

EUR170 million. It's okay. The factoring at the end of 2022 was EUR167 million.

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**Gabriele Gambarova – Banca Akros**

EUR167 million.

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**Alessandra Simonotto – Chief Financial Officer**

Yes. At the end of 2023 EUR117 million.

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**Gabriele Gambarova – Banca Akros**

So down sharply. Okay, thanks.

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**Alessandra Simonotto – Chief Financial Officer**

Yeah.

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**Gianluca Bertuzzo- Intermonte**

Hi, everybody, and thank you for taking my question. If my math is correct, after the surge in 2022, you experienced a tailwind from industrial prices in 2023, do you expect a similar trend in 2024, or you expect a slight increase in input prices?

Second question, still on prices, but selling prices. Can you provide us a rough indication of the pricing effect in 2023 and your assumption for 2024?

And the last question, if I may, is on the Moto Guzzi Stelvio. This bike goes on a market segment, which is significant. Can you provide us some indications about the addressable market and your expectations in terms of sales for this bike? Thank you.

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**Michele Colaninno - Chief Executive Officer**

Thank you. As far as selling pricing is concerned, we don't give estimations for the price list of our products for the year, because we have to manage, let's say, every six months what happening in the market. As far as raw materials, if I understood well your question, it depends on the situation around the world. If it remains stable, it means if the world continues as it is, so not going into a peace situation, but not worsening, I don't see any impact on the raw material price. Obviously, we will manage some possible increase in logistic costs, but due to a strategy that we put in place in 2023, I would say, let me say we can manage in a positive way.

Moto Guzzi Stelvio. The Moto Guzzi Stelvio will compete in a market of around 120,000 bikes in Europe. I don't have the precise estimation for United States that are the two major countries that we will serve from Italy. I think it can give positive results to us as the bike has been tested in Spain the last three weeks, and the outcomes of experts and journalists has been very positive, both for the drivability, the engine and the overall of the product.

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**Gianluca Bertuzzo- Intermonte**

Okay, thank you.

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**Monica Bosio – Banca Intesa San Paolo**

Thank you. My first question. I have three once again, sorry.

My first question is on India. What kind of growth do you expect for India for 2024? Should we expect something similar to 2023? And my second question is on the fashion and apparel project. I was wondering if you can give us some color on this side. And if you expect some impact at the P&L and cash flow level? And the third question is on 2024, would it be fair to assume a negative first quarter 2024, and then a recovery - gradual recovery from the second quarter onward? Thank you very much.

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**Michele Colaninno - Chief Executive Officer**

Thank you, Ms. Bosio. Well, India. India is in the first two months, as you have seen from the outcome from the market is growing. So, the overall business is doing well. I don't see any disruption in the market. So, I can confirm it will be a growing market for this year. If you ask me if it is 8% or 15%, I don't know. Let's say that we can assume that we'll continue the recovery and the growing after the hard COVID situation in the continent. Obviously, the continent is huge, so there's space for everybody in the market. And what we have to do is to increase our market share anyway, where we had problems last year and the year before on the

CNG business that we just entered two years ago, if I remember well. And obviously, this is a market that we want to target as a possible single digit because CNG is very difficult. It's just downtown, it belongs to dealers of the plates and insurance and financial institutions. So, it's hard. We know that we do better in rural situation that is well- recovering. So, I'm positive about India, if you want to listen to my vision.

Yeah, fashion and apparel, that's very interesting. We have built a small and fascinating team of young boys and girls to enlarge possibly the business of the Vespa brand. This is just concentrated on the Vespa brand that as you know, is well known around the world and it expresses the fashionable part of the mobility. Obviously, the Vespa brand is not just a vehicle, it is an entire world of lifestyle. So, fashion and apparel mean lifestyle. We will concentrate on the brand equity of the Vespa name more than sales, obviously, because we have to enter very careful and foot in the ground a business that we never managed before or we managed before, because apparel was in our dealers' distribution. But I think we have not managed properly as Vespa needs. You know that inter-brand valuation has pointed out that Vespa brand is not just how much vehicles do you sell, but how much you are able to attract more and more premium and let's say, quite high-level customers around the world. If you take the Vespa Dragon, the Vespa Dragon launched in the Hong Kong at the beginning of 2024, that is the second edition of the lunar calendar has been the first experiment on the fashion market with the launch of one jacket. So, nothing serious, nothing big, but we want to attract customers, not just telling the story of the Vespa brand for the last 60 years, we want to interest the people through different cultures, music, arts. That is the name of Vespa, and it's the only one in the world, if I may say.

2024, what was the question?

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**Monica Bosio – Banca Intesa San Paolo**

First quarter very weak.  
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**Michele Colaninno - Chief Executive Officer**

Yeah, okay. First quarter of 2023 has been affected, let me say, even if it has been the best quarter ever, by a positive view of the Asia market. So, we did some selling thinking and not understanding what would have happened from May until the end of 2023. So, if you ask me now, we have to manage properly, without thinking that the market will go back to next --first quarter of 2023 tomorrow morning, it will take some time. I think that the first quarter of the 2024 will not be as high as 2023 in revenue streaming, it can be high as 2023 on EBITDA margins, EBIT margins. And once again, if I have to decide if not having some revenues instead of the margin, I am 100% convinced that we have to maintain the margins. So, there will be some slight decline in 2024, first quarter in revenues. But I think that it will be recovered throughout the year let's say. I look at whole year, not concentrating just one quarter or the other. We have to manage quite the entire year.  
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**Monica Bosio – Banca Intesa San Paolo**

For sure. It makes sense. Thank you very much. Thank you.

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**Michele Colaninno - Chief Executive Officer**

Thank you.

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**Niccolò Storer – Kepler Cheuvreux**

Thank you. I get two questions. The first one is on, I would like to go back to the situation in Europe, where basically we have had the second part of the year quite light to understand better, which, what should we expect going forward? You said before that the level of stock is now correct, and so we can assume that in 2024, even in light of the change in legislation in 2025, we should see a sell-in quite aligned to the sell-out or what should we expect? And in particular, what should you expect by quarter as we approach the date of the change in legislation?

The second one is on gross margin, is it possible to have an idea of how gross margin has changed by geography compared to 2022? We know that overall, you have gained more than 200 bps back from 2022, which was already quite rich in APAC, for instance, and particularly depressed in India. So, what has changed geographically speaking in 2023? Thank you.

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**Michele Colaninno - Chief Executive Officer**

Yeah, Europe, new legislations are on place starting January 2024 and not January 2025. So even though the stock level is quite balanced, we have to manage sell-in of new products and sell-out of old products that cannot be sold anymore in next year. So, we have to manage these substitutions of vehicles, that is nothing serious. It happens every five or six years. But if you have a balanced stock compared to revenues, so if the revenues remain flat, let's say we are balanced, and we have to manage sell-in and sell-out. And would be safe to follow the sell-out, because you have the obligation of the stocking of old vehicles. It's not discount. Then obviously you have to do some commercial proposition to maintain the stock level. For the gross margin, the gross margin has grown all over the world last year. I don't have any precise detail of the geographical area, but again, I can confirm it has grown everywhere in the world. And I repeat, it would be - I would be very happy if 29% is confirmed in 2024.

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**Niccolò Storer – Kepler Cheuvreux**

Cool. Thank you.

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**Michele Colaninno - Chief Executive Officer**

Thank you.

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**Michele Baldelli – BNP Paribas**

*-Piaggio Group: Full Year 2023 Financial Results conference call -*

Hi, good afternoon to everybody. I have some questions on the Asian Pacific area. Is it possible to know how much was the sell-out of your vehicles compared to the sell-in that you made just to understand how much was reduced the stock level of dealers? And linked to this question, do you have the feeling that this possible destocking is already at the end, or should it continue also in the first part of 2024? Thank you.

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**Michele Colaninno - Chief Executive Officer**

Well, as you know, we don't disclose such details of sell-in and sell-out divided by geographical areas. I can tell you that we have to manage a declining market, it happened since April last year. When you have a declining market, obviously the stock increase in the dealers' network. We have a certain average of month of stock all over the area. And let's say we want to maintain this value. I don't know if it is finished, the situation in Asia. I hope so. I don't see reasons to worsen, even though I don't see now reasons to do better tomorrow morning. It is a situation that will recover in the next months. So, if you manage the situation, I don't see problems on the dealers' stock. It depends on revenues. So, the focus is on sell-out. If you have sell-out, everything goes well. If you do not have sell-out, the dealer stock increase, the revenue streaming goes down. But sell-out, I repeat once again, doesn't mean discount. So, we have to increase our value for money in the area. I have to say that I am not 100% happy about the dealers' distribution network we have over there. Not because we didn't do a good job, but we can do better related to the brand that we manage. Consider also that we do -- we just import from Europe, bikes, so we then do not have any localization of bikes in the area. It is in projection to analyze the localization of some vehicles obviously, because I think we can do well. It doesn't mean that we will stop in Italy. As you know, Italy serves Europe and United States. It's quite difficult to serve Asia from Italy. But this is a strategic situation we have to manage is based on business plan. It's not a sudden decision that we take tomorrow morning.

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**Michele Baldelli – BNP Paribas**

Thank you.

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**Raffaele Lupotto – Executive Vice President, Head of Investor Relations**

Okay, so I think that now the call is over. Thank you very much for attending the call. If you need further info, you can call me this evening as usual. Thank you very much. Bye.