



BRUNELLO CUCINELLI



1<sup>st</sup> Quarter 2015 Results

*May 12<sup>th</sup>, 2015*

# 1<sup>st</sup> Quarter 2015 - Highlights

Results represent a further step along the path of gracious growth and long term sustainability, on the basis of the solid principles representing Company's DNA:

- Top quality raw materials
- Excellence in Italian Craftsmanship
- Creativity
- Exclusive presence in the main street and the most prestigious Luxury Dept. Stores

✓ Net Revenues (€111.7mln) +12.1%\*

✓ EBITDA (€19.2mln) +9.5%\*\*

✓ Net Profit (€9.3mln) +3.3%\*\*

*\* Performance at current exchange rates*

*\*\* Compared with 1Q 14 EBITDA Adjusted*

✓ Investment Plan: €13.6mln in 1st Quarter 2015 (€40.2mln in the last 12 months)

✓ Net Debt at €68.2mln (€28.3mln as of 03/31/14)

✓ Positive results both in International markets, with a rise of 15.2% (79.1% of total sales), and on the Italian Market (+1.7%)

✓ All distribution channels posted growth: Retail Monobrand up 33.1%, Wholesale Monobrand up 1.3%, Wholesale Multibrand up 1.8%)



SS 15 – Women's Collection

# Boutiques Network Highlights

**Selected Distribution: 110 Monobrand Stores (98 Monobrand Stores as of 03/31/14)**

## **75 DOS network**

(vs. 63 boutiques as of March '14)

+9 net openings over the last 12 months

*(of which 3 net openings at the end of March 15)*

+3 conversions from wholesale Monobrand Network

## **35 Wholesale Monobrand**

(vs. 35 boutiques as of March '14)

+3 net openings over the last 12 months

-3 conversions to DOS

**DOS openings since April 1<sup>st</sup> 2015:**

*Montecarlo and Ala Moana (Hawaii)*

**Wholesale Monobrand openings since April 1st 2015**

*Sofia*



*SS 15 Collection*

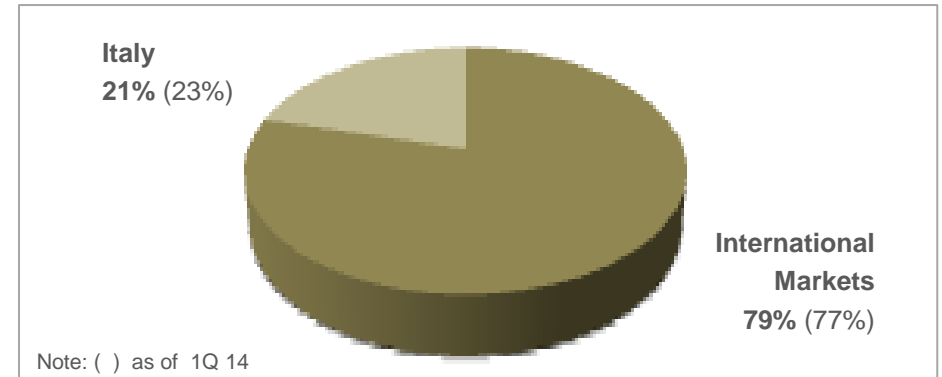


# Revenues by Region

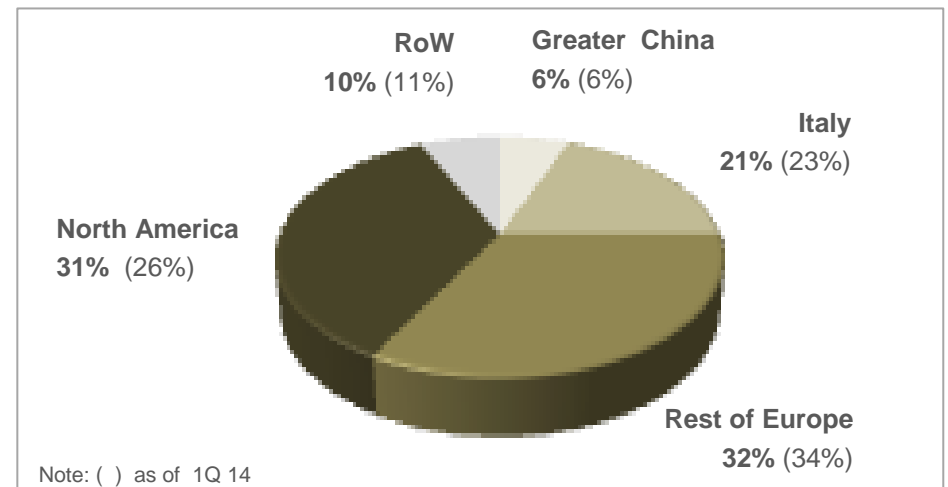
€ mln

	1Q 14	1Q 15	YoY % Chg
<b>Net Revenues</b>	99.6	111.7	<b>+12.1%</b>
			<b>+8.6%</b>
<i>Constant exchange rates</i>			
<b>International Markets</b>	76.7	88.3	<b>+15.2%</b>
<b>North America</b>	25.8	34.5	<b>+34.0%</b>
<b>Rest of Europe</b>	33.4	35.2	<b>+5.5%</b>
<b>Greater China</b>	6.3	6.9	<b>+10.2%</b>
<b>RoW</b>	11.3	11.7	<b>+3.8%</b>
<b>Italy</b>	23.0	23.4	<b>+1.7%</b>

## International Markets revenues



## Breakdown by countries



# Highlights by Region

## North America

- Significant growth in all distribution channels
- Retail channel benefited from increasing LFL performance and contribution made by selected openings (Atlanta and S. Francisco, in sept. '14, and NY Soho in march '15)
- Growth in multibrand channel driven by increase in the sell-out and new spaces dedicated to the brand

## Greater China

- Results driven by performance in existing spaces
- Selective approach, with an exclusive presence in Mainland China
- Top-end tourist flow not affected by volatility in currency and macroeconomics trend
- Pricing architecture well balanced between all different geographical areas

## Italy

- Significant growth performance, showing soundness of Italian Market
- Sustainable growth both in direct and whls. monobrand channel thanks to steady flow of tourists to the main cities and resort areas
- Reference point of the presence of the brand for global luxury consumer

## Rest of Europe

- Positive results driven by performance in existing network and supported by stable trend of the top-end foreign tourists at the leading cities and in the most exclusive resort
- Russia confirms solidity of the business and domestic demand for exclusive luxury; resilient results in 1<sup>st</sup> quarter sell-out and positive FW15 selling campaign

## Rest of the World

- 1<sup>st</sup> quarter results affected by business conversion in Japan from 1<sup>st</sup> Sept. 2014 (deliveries that contribute 1Q 14 revenues will support performance in 1<sup>st</sup> and 2<sup>nd</sup> quarter 2015)
- Monobrand network includes 12 boutiques as of March 31<sup>st</sup> 2015 (9 boutiques as of March 31<sup>st</sup> 2014)

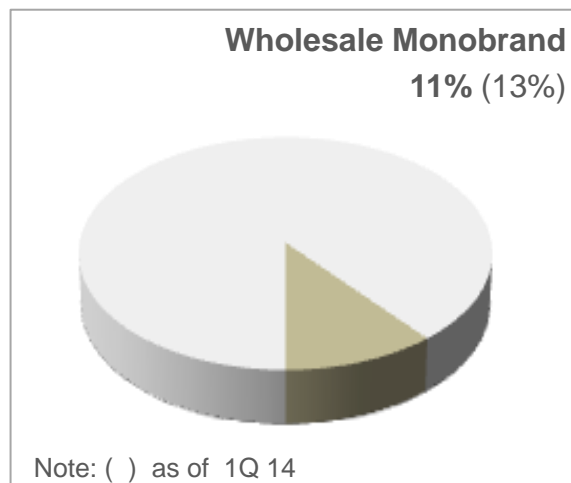
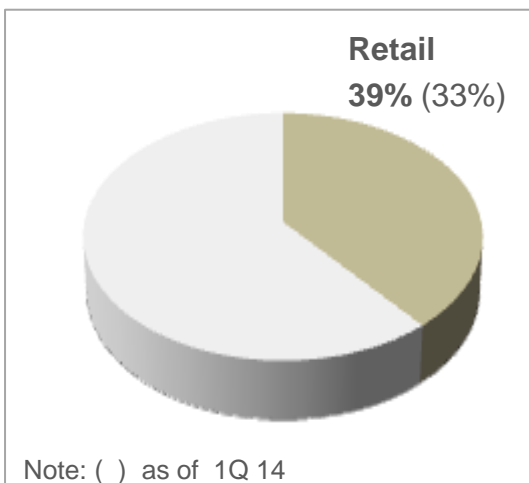


SS 15 Collection

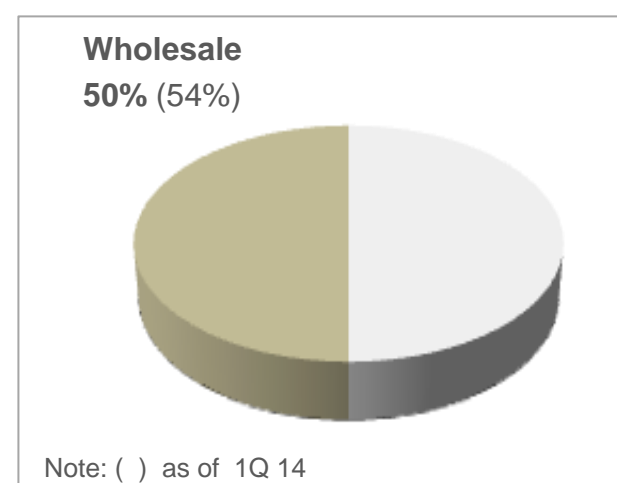
# Revenues by Distribution Channel

€ mln

## Monobrand



## Multibrand



	1Q 14	1Q 15	% Chg
<b>Retail Monobrand</b>	32.9	43.8	+33.1%
<b>Wholesale Monobrand*</b>	12.6	12.7	+1.3%

\*Adjusted

Wholesale Monobrand +7.7%

	1Q 14	1Q 15	% Chg
<b>Wholesale Multibrand</b>	54.1	55.1	+1.8%



*Trend affected by the conversion to the retail channel of 13 dedicated spaces in the Japanese Luxury Department Stores, from 1<sup>st</sup> September 2014*

\* Whl. Monobrand performance excluding the conversions to the direct channel

# Monobrand Channel



## Monobrand Channel – Top Line growth drivers

- Positive LFL performance\* (+4.8% in the first 18 weeks of 2015)
- Selected boutique openings (12 monobrand boutiques in the last 12 months)
- Positive impact from 13 hard-shop Luxury Dept. Store conversions in Japan since September 1<sup>st</sup>
- Monobrand network with 110 boutiques as of March '15 (98 boutiques as of March '14)



## Monobrand Network: 110 boutiques (as of 03/31/2015)

- ✓ DOS Network  
75 Boutiques as of March '15 (63 as of March '14);  
9 net openings (3 openings in March '15)  
and 3 conversions from wholesale monobrand
- ✓ Wholesale Monobrand  
35 Boutiques as of March '15 (35 as of March '14);  
3 net openings and 3 conversions into DOS

\*Like-for-Like rate is calculated as the worldwide average of sales growth, at constant exchange rates, reported by DOS opened as of January 1st, 2014

# Selected Monobrand Boutiques Openings

Some of selected monobrand boutiques openings in the last 12 months (April '14 – March '15)



San Francisco – DOS opening in Sept. '14



Singapore – monobr. whl. opening in Jan. '15



New York Soho – DOS opening in March '15



Paris Rue Francois 1er – DOS opening in March '15

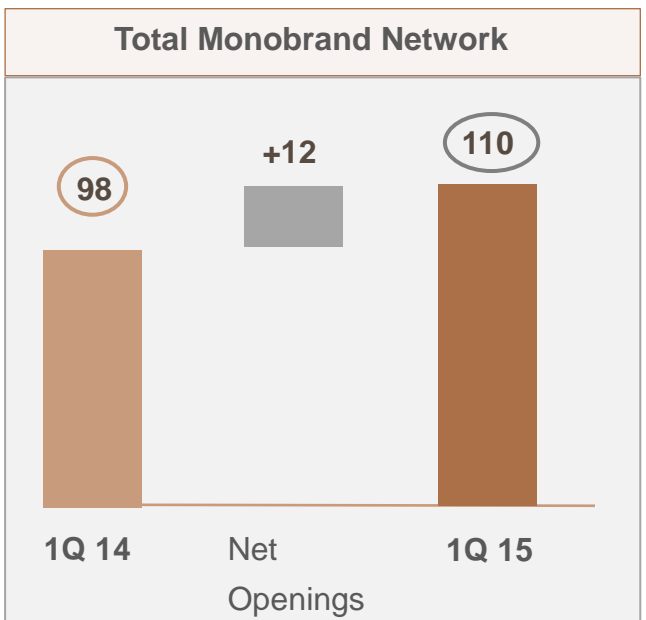
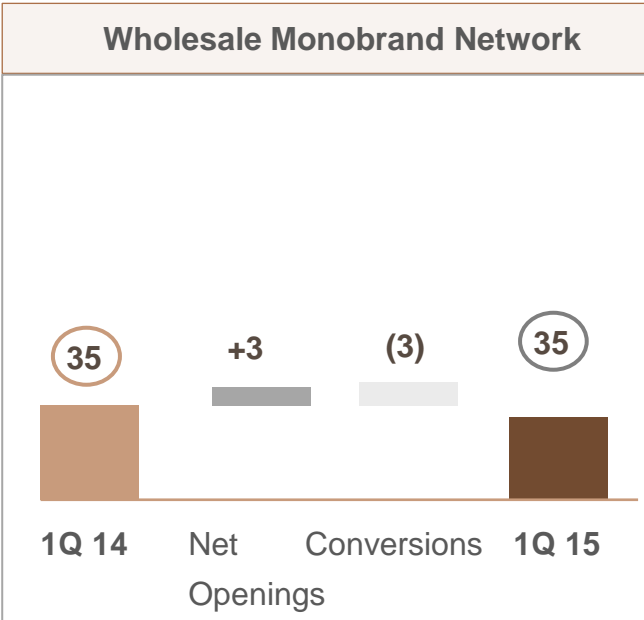
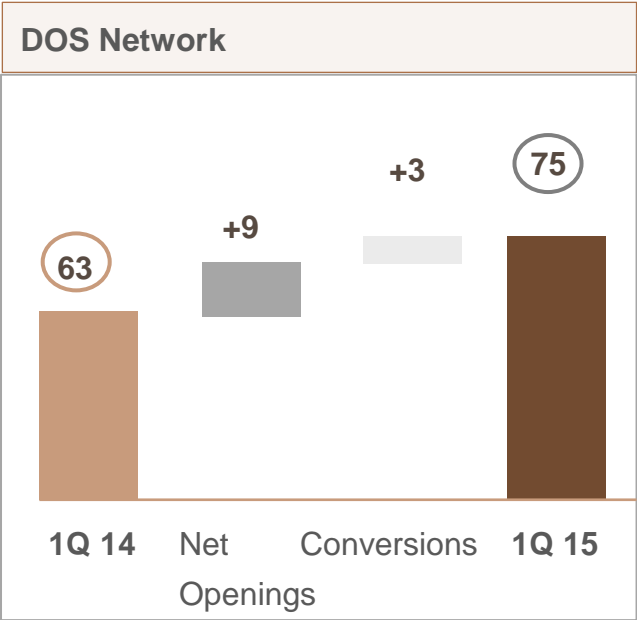


Montecarlo – DOS opening in April '15

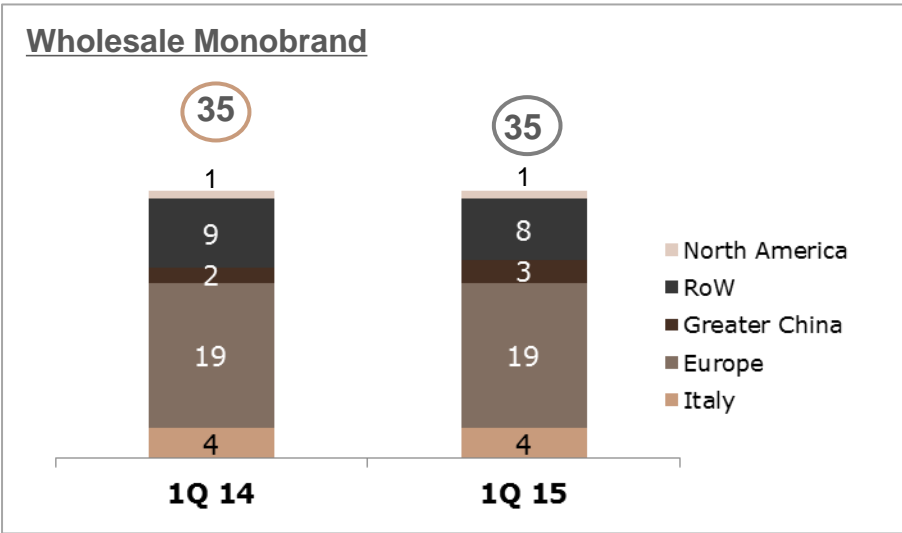
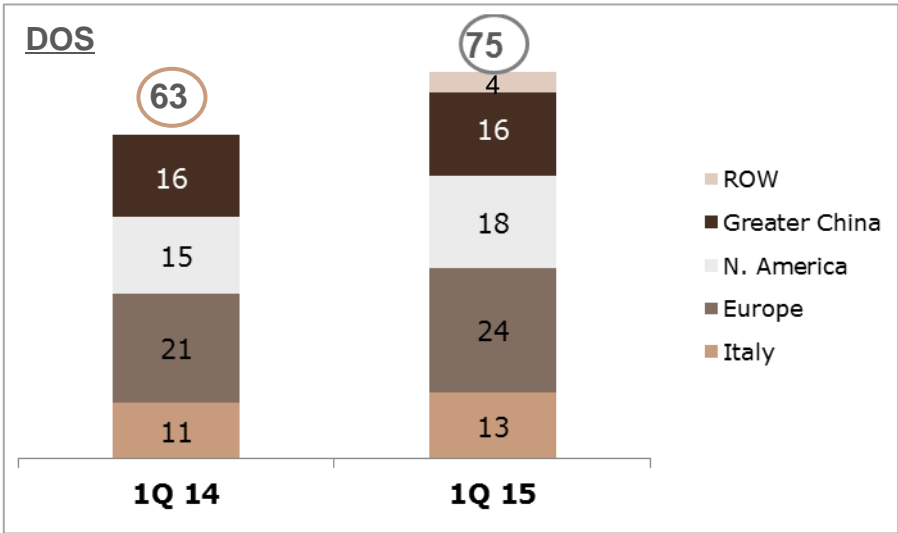




# Boutiques Network (from 03/31/14 to 03/31/15)

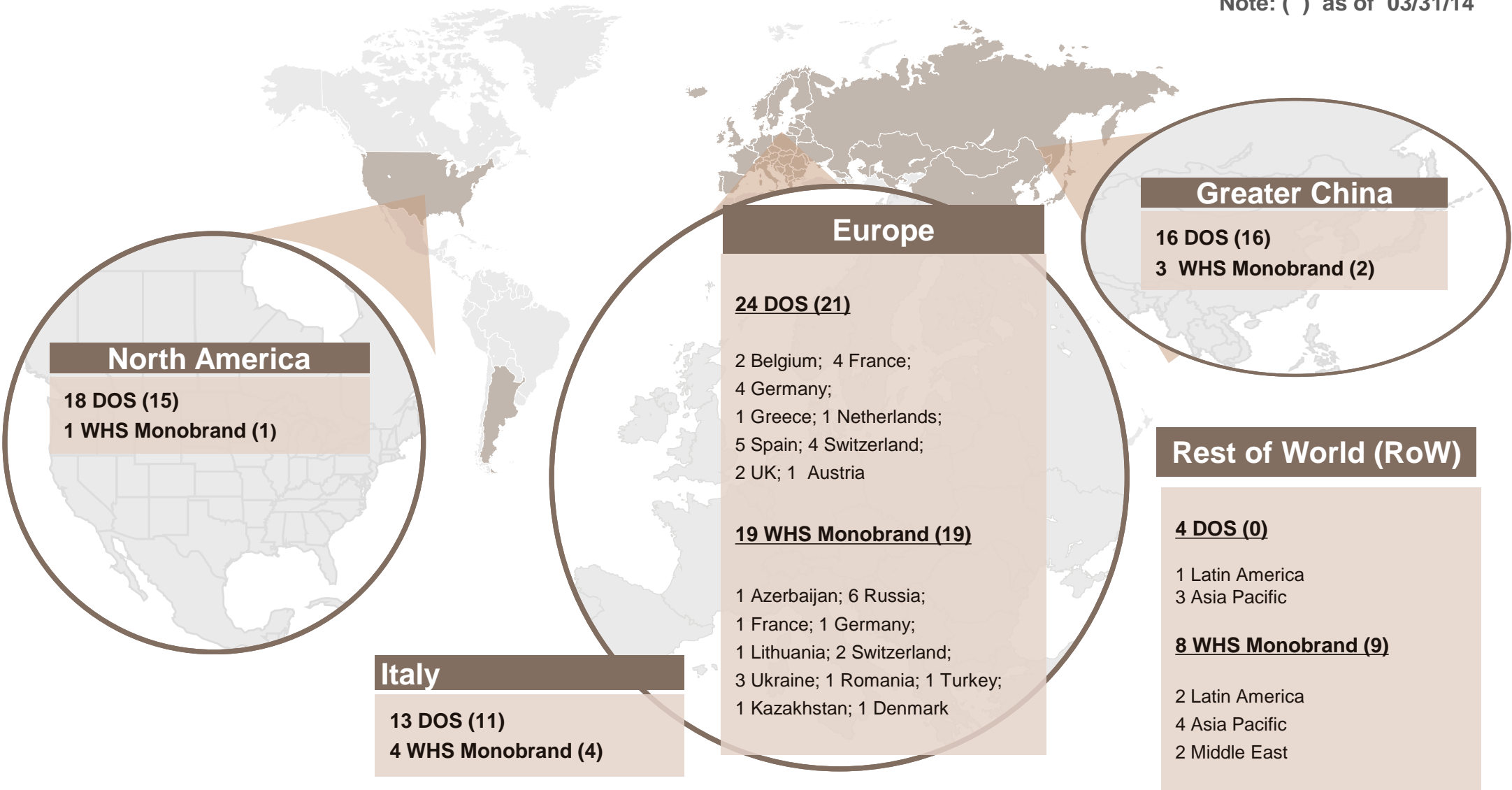


## Network by Countries



# Monobrand Boutiques Network as of 03/31/15

Note: ( ) as of 03/31/14



# Multibrand Channel



- Positive sell-out results relating Spring/Summer 15 collections, both in the most exclusive spaces of Luxury Department Stores and in the prestigious multibrand boutiques
- Positive trend showed by Fall/Winter 15 orders collected, very greatly appreciated by clients and observers
- Luxury Dpt Stores progressively increasing their request for the most luxurious items, dedicating more spaces to absolute luxury brands to satisfy the needs of sophisticated top-end customers, seeking “exclusive and unique” products

# Income Statement

€ mln

	1Q 2014	1Q 2015	% Chg
<b>Net Revenues</b>	<b>99.6</b>	<b>111.7</b>	+ 12.1%
Other operating income	1.2	0.2	- 83.7%
<b>Revenues</b>	<b>100.8</b>	<b>111.9</b>	+ 11.0%
<b>First Margin</b>	<b>56.7</b>	<b>67.0</b>	+ 18.0%
%	56.3%	59.8%	+ 350 b.p.
<b>SG&amp;A</b>	<b>-38.5</b>	<b>-47.8</b>	+ 24.2%
%	38.2%	42.7%	+ 450 b.p.
<b>EBITDA</b>	<b>18.3</b>	<b>19.2</b>	+ 5.0%
%	18.1%	17.1%	- 100 b.p.
<b>D&amp;A</b>	<b>-3.1</b>	<b>-4.2</b>	+ 36.5%
%	3.0%	3.8%	+ 70 b.p.
<b>EBIT</b>	<b>15.2</b>	<b>15.0</b>	- 1.4%
%	15.1%	13.4%	- 170 b.p.
Income before taxation	14.5	13.7	- 5.0%
<b>Net Income</b>	<b>9.6</b>	<b>9.3</b>	- 2.3%
%	9.5%	8.4%	- 110 b.p.

	1Q 14 adj.*	1Q 15	% Chg
	<b>99.6</b>	<b>111.7</b>	+ 12.1%
	<b>0.4</b>	<b>0.2</b>	- 53.0%
	<b>100.0</b>	<b>111.9</b>	+ 11.8%
	<b>56.0</b>	<b>67.0</b>	+ 19.6%
	56.0%	59.8%	+ 380 b.p.
	<b>-38.5</b>	<b>-47.8</b>	+ 24.2%
	38.5%	42.7%	+ 420 b.p.
	<b>17.5</b>	<b>19.2</b>	+ 9.5%
	17.5%	17.1%	- 40 b.p.
	<b>-3.1</b>	<b>-4.2</b>	+ 36.5%
	3.1%	3.8%	+ 70 b.p.
	<b>14.4</b>	<b>15.0</b>	+ 3.8%
	14.4%	13.4%	- 100 b.p.
	<b>13.7</b>	<b>13.7</b>	+ 0.2%
	<b>9.1</b>	<b>9.3</b>	+ 3.4%
	9.0%	8.4%	- 70 b.p.

**\* 1Q 14 Adjusted**  
calculated excluding  
a capital gain of  
€0,76mIn related to  
the sale of  
non-strategic  
industrial building

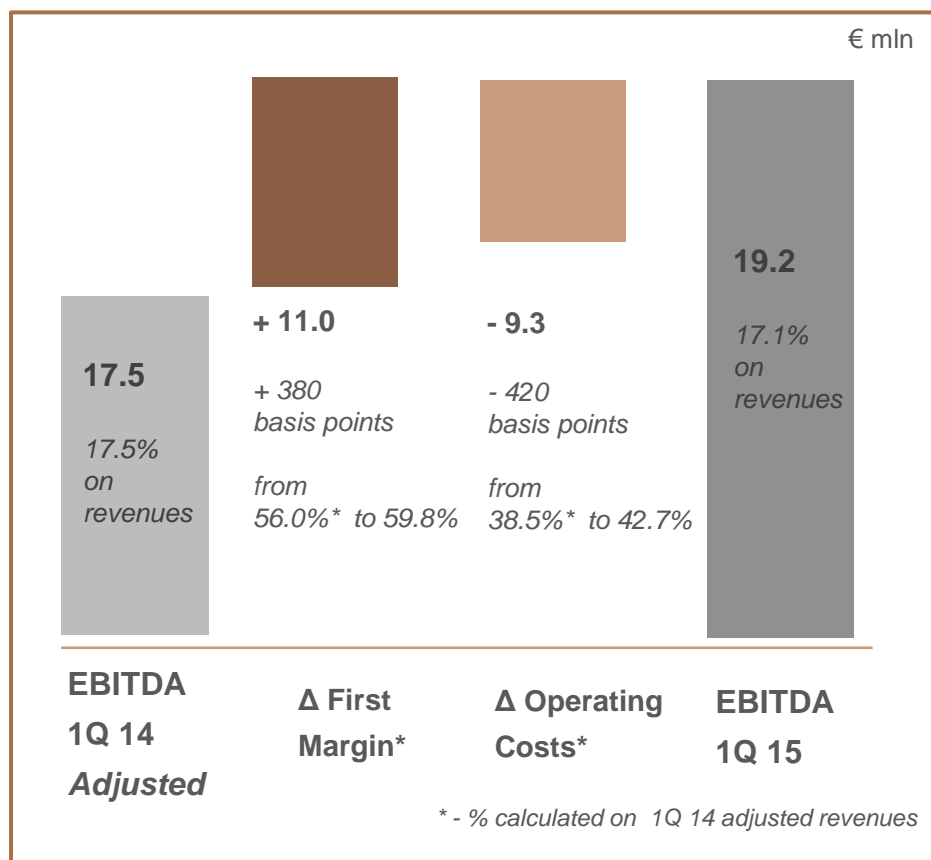
Group's quarterly results are impacted by seasonal effects, typical of our industry, and therefore cannot be projected as full year trend

-First Margin includes raw material consumptions, third party manufacturing and R&D costs

# EBITDA & Key Income Statement Analysis

€ mln

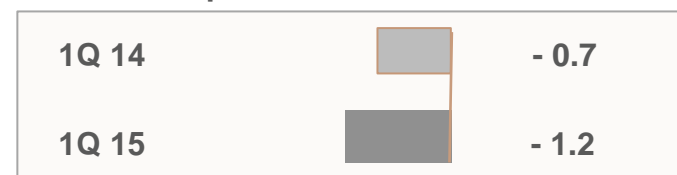
## EBITDA Adjusted Analysis



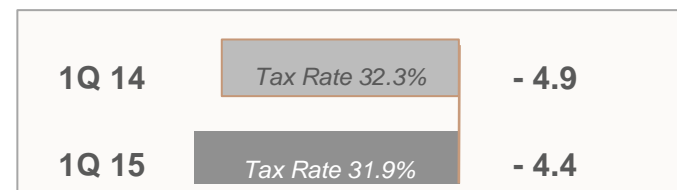
## Depreciation & Amortization



## Financial Expenses



## Taxes



Increase in First Margin driven by channel mix, with retail sales moving up from 33% to 39% on total revenues, and could be affected by quarterly dynamics, not representative of FY trend

Increase in operating costs it's structural to the growth of business, network development, business conversion in Japan and renewal of some expiring leasing contracts

# Personnel & Rent Costs

€ mln

## Personnel cost

from 15.1% to 16.4% (+130 bp)

## Rent cost

from 6.2% to 9.3% (+310 bp)



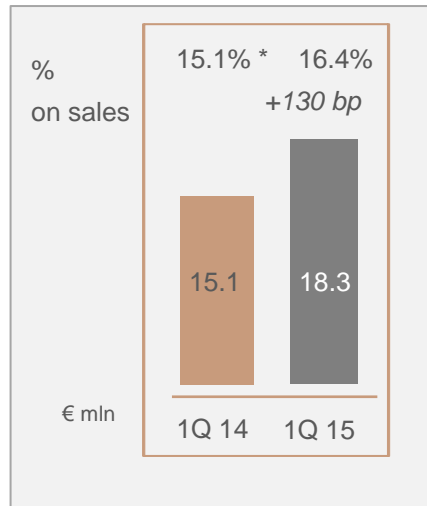
## Network Development

New boutiques openings (+9);  
conversions of some boutiques (3) and  
hard shop (13)

Business conversion in Japan and new showrooms: BC Japan establishment, opening of the new showrooms in Tokyo

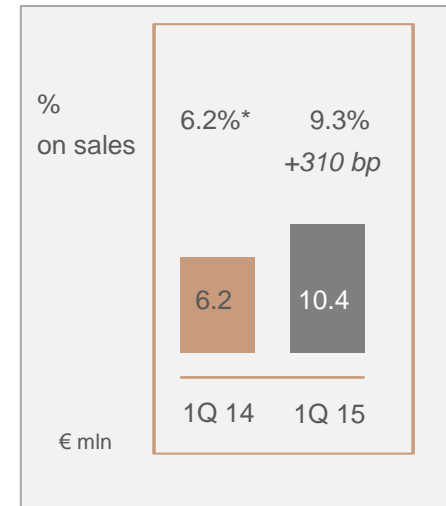
Renewal of some expiring lease contracts in the last 12 months, some increasing selling spaces for selected boutiques and relocation

## Personnel cost



\* % calculated on  
1Q 14 adjusted revenues

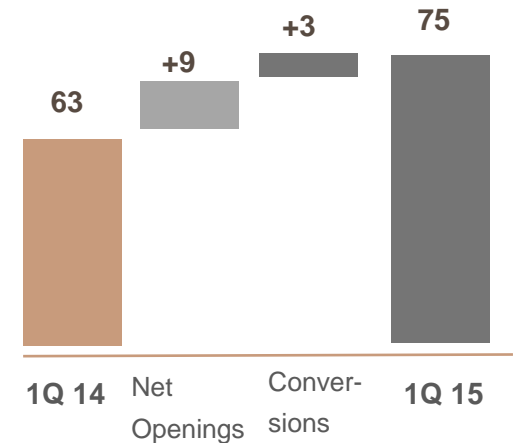
## Rent cost



## Average FTE - Workforce Analysis



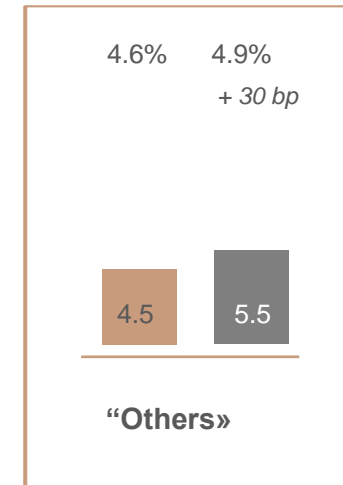
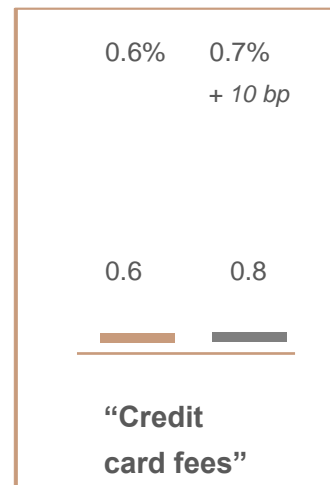
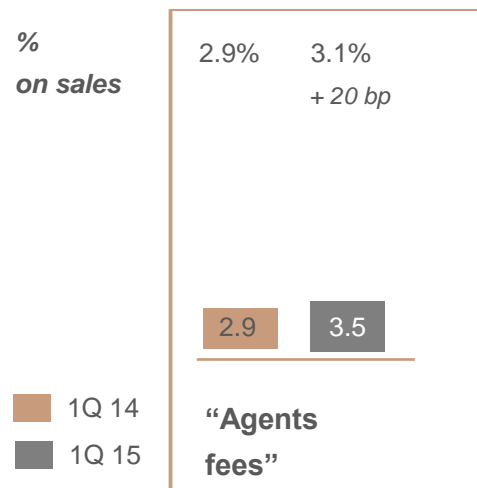
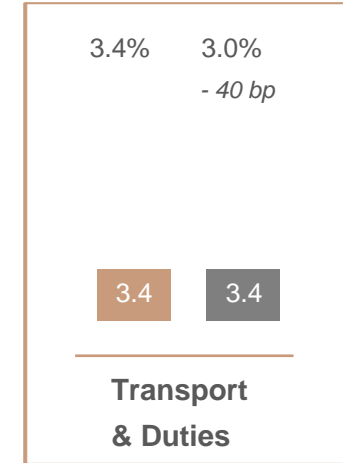
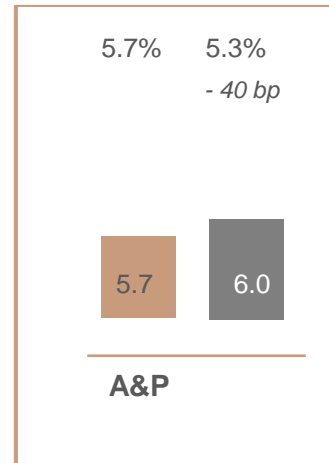
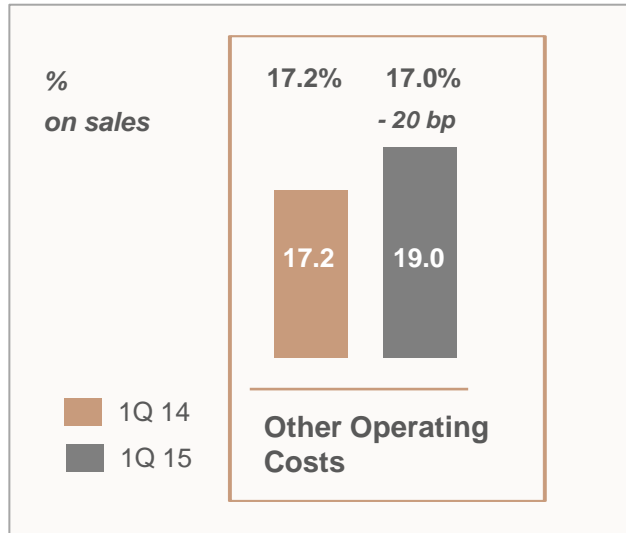
## DOS Network – from 03/31/14 to 03/31/15



# Other Operating Costs

€ mln

**Other Operating Costs:** decreasing % on sales (-20 basis points, from 17.2% to 17.0% )



# Net Working Capital

€ mln

	1Q 14	1Q 15	delta	FY 14
<b>Net Working Capital</b>	<b>89.4</b>	<b>114.2</b>	24.8	<b>97.5</b>
- Trade Receivables	59.8	64.2	4.4	45.1
- Inventories	91.5	127.6	36.1	125.1
- Trade Payables	-56.6	-57.3	-0.7	-62.2
- Other Credits/(Debts)	-5.4	-20.4	-15.1	-10.5

## Inventories

**Structural increase** in inventories (+36.1€ mln), due to:

- **Development of Retail Network**
- **Japan Business**
- **Conversion**

## Development of Retail Network

DOS Network increase **from 63 to 75 boutiques**

- 9 net openings
- 3 conversions in Japan

## Japan Business Conversion

**Conversion** from whl. monobrand and multibrand channel to **Retail mgmt.** (since 1<sup>st</sup> September 2014), including 13 hard-shops in Luxury Department Stores

## Trade Receivables & Payables

Trend related to commercial business development, with Trade Receivables affected by cash timing between different quarters

## Other Debts

Increase\* in “Other Debts” related to the fair value of the currency forwards derivatives, underwritten as per the Company standard practice at the time price lists are defined and **with the only purpose to hedge the non-euro commercial fx exposure.**

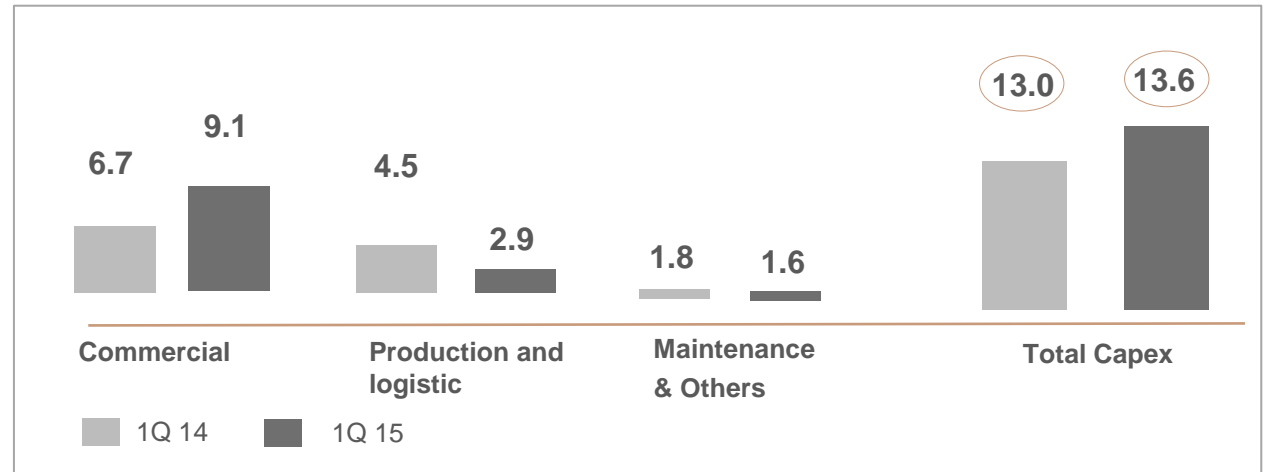
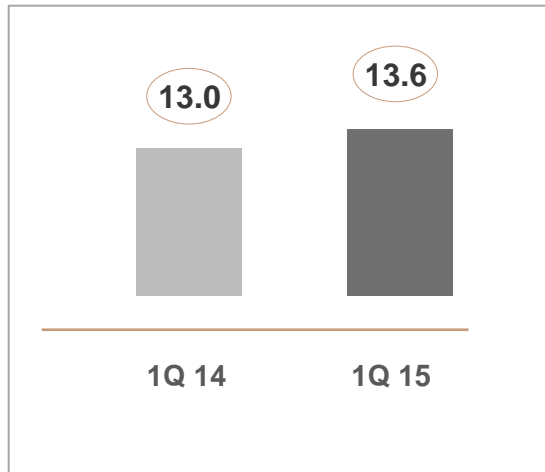
\* Move to slide 21 for some more comments



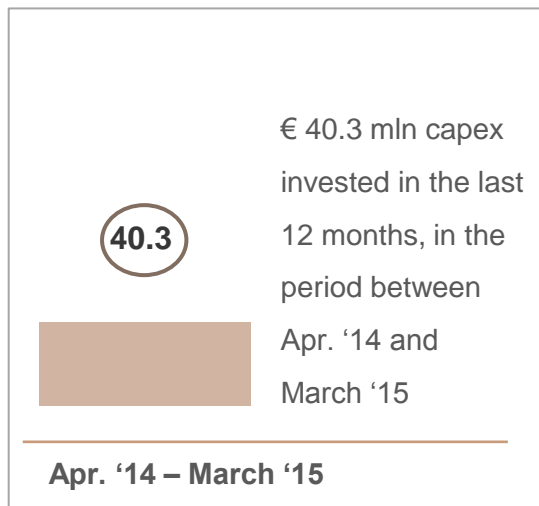
# Capex Analysis

€ mln

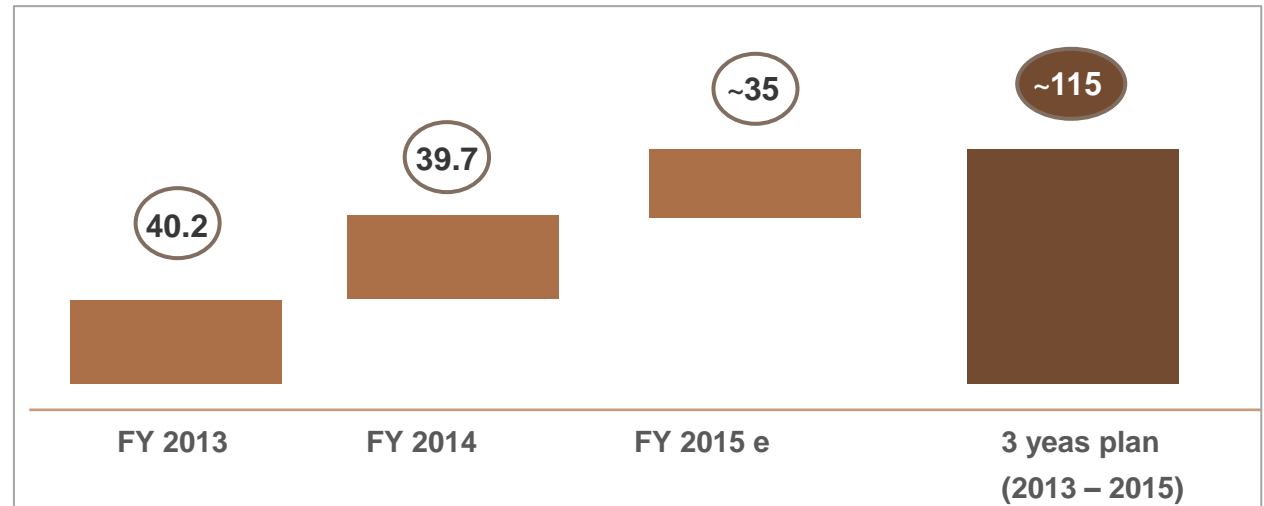
## CAPEX invested in the quarter



## Capex invested in the last 12 months



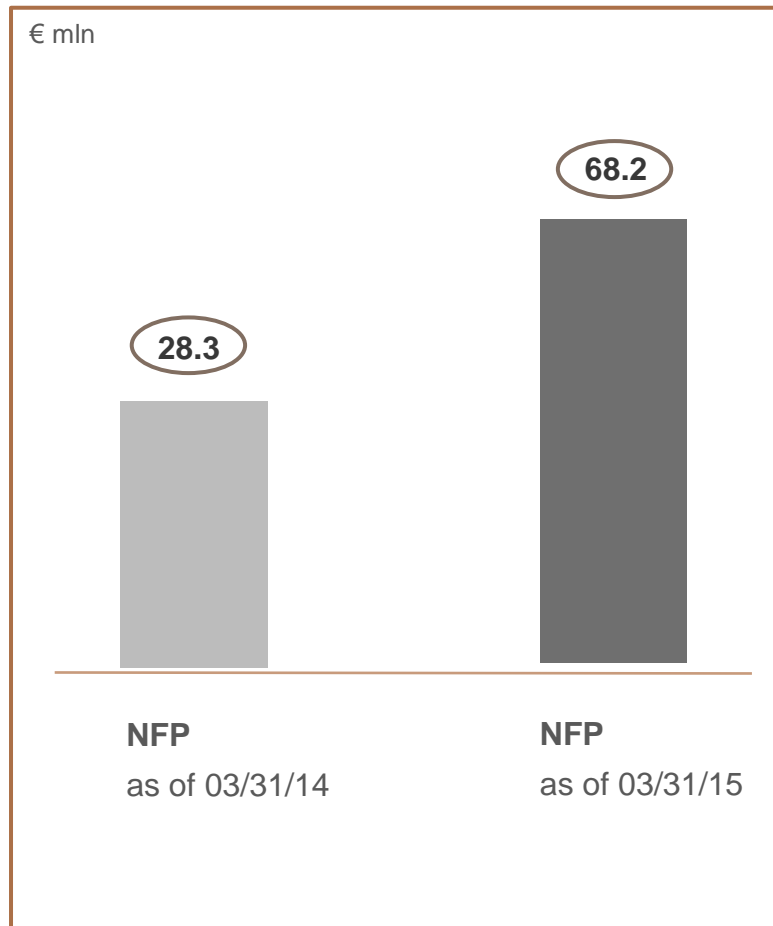
## Multiyear Capex Project (2013 -2015)



# Analysis of Net Financial Position

€ mln

## Net Financial Position Evolution



Net Financial Position increase  
from 28.3€ mln to 68.2€ mln,  
driven by:

### **NWC Increase**

driven by structural increase in inventories, relating

- *Development of Network*
- *Japan Business Conversion*

### **Investment Project**

On-going capex project, supporting

- opening of monobrand boutiques and selective commercial presence in the market
- IT Platform development





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Annex

# Detailed Income Statement

<i>€ mln</i>	<b>1Q 2014</b>	<b>1Q 2015</b>
Net Revenues	99.6	111.7
Other operating income	1.2	0.2
<b>Revenues</b>	<b>100.8</b>	<b>111.9</b>
Consumption Costs	(23.2)	(23.5)
<i>Raw Material Cost</i>	(19.6)	(20.5)
<i>Inventories Change</i>	(3.6)	(3.1)
Outsourced Manufacturing	(20.8)	(21.4)
<b>First Margin</b>	<b>56.7</b>	<b>67.0</b>
Services Costs (excl. Out. Manuf.)	(22.9)	(28.6)
Personnel costs	(15.1)	(18.3)
Other operating costs	(0.6)	(1.0)
Increase in tangible assets	0.3	0.3
Bad Debt and other provisions	(0.3)	(0.1)
<b>EBITDA</b>	<b>18.3</b>	<b>19.2</b>
D&A	(3.1)	(4.2)
<b>EBIT</b>	<b>15.2</b>	<b>15.0</b>
Financial expenses	(1.8)	(8.8)
Financial income	1.1	7.6
<b>EBT</b>	<b>14.5</b>	<b>13.7</b>
Income taxes	(4.9)	(4.4)
<i>Tax rate</i>	<i>33.8%</i>	<i>31.9%</i>
<b>Net Income</b>	<b>9.6</b>	<b>9.3</b>
Minority Interest	(0.2)	(0.5)
Group Net Profit	9.7	9.9

<i>€ mln</i>	<b>1Q 2014</b>	<b>1Q 2015</b>
<b>EBITDA Adj.</b>	<b>17.5</b>	<b>19.2</b>
<b>EBIT Adj.</b>	<b>14.4</b>	<b>15.0</b>
<b>Net Income Adj.</b>	<b>9.1</b>	<b>9.3</b>



# Detailed Balance Sheet & Cash Flow Statement

€ mln	1Q 2014	1Q 2015
Trade receivables	59.8	64.2
Inventories	91.5	127.6
Trade payables (-)	(56.6)	(57.3)
Other current assets/(liabilities)	(5.4)	(20.4) *
<b>Net Working Capital</b>	<b>89.4</b>	<b>114.2</b>
Intangible assets	30.3	32.8
Tangible assets	63.4	88.5
Financial assets	4.0	5.9
<b>Total Assets</b>	<b>97.7</b>	<b>127.1</b>
Other assets/(liabilities)	(0.9)	2.3
<b>Net Invested Capital</b>	<b>186.1</b>	<b>243.5</b>
Cash & Cash equivalents (-)	(42.5)	(52.1)
Short term Debt	48.9	64.6
Long term Debt	21.9	55.7
<b>Net Financial Position</b>	<b>28.3</b>	<b>68.2</b>
Shareholders Capital	13.6	13.6
Share-premium Reserve	57.9	57.9
Reserves	69.9	86.5
Group Net Profit	9.7	9.9
<b>Group Equity</b>	<b>151.2</b>	<b>167.8</b>
Minority shareholders	6.7	7.5
<b>Total Equity</b>	<b>157.8</b>	<b>175.3</b>
<b>Total Funds</b>	<b>186.1</b>	<b>243.5</b>

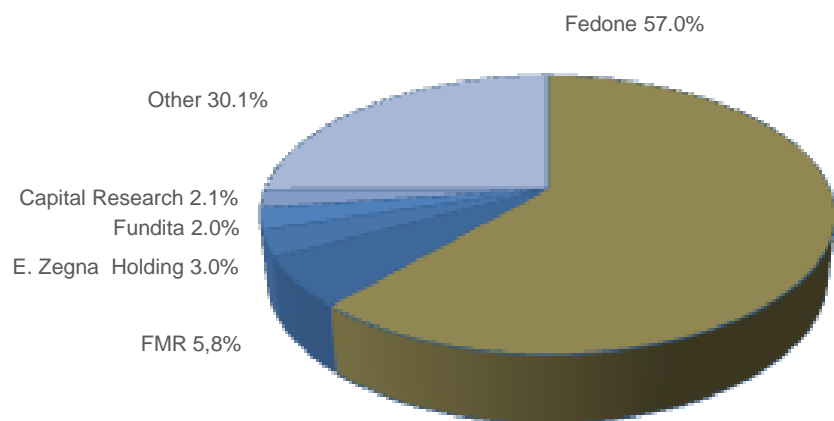
€ mln	1Q 2014	1Q 2015
Net Income	9.6	9.3
D&A	3.1	4.2
Ch. In NWC and other	(19.8)	(25.5)
<b>Cash flow from operations</b>	<b>(7.2)</b>	<b>(11.9)</b>
Tangible and intangible investments	(8.2)	(12.7)
Other (investments)/divestments	0.4	(0.6)
<b>Cash flow from investments</b>	<b>(7.8)</b>	<b>(13.3)</b>
Dividends	0.0	0.0
Share capital and reserves increase	3.3	0.0
Net change in financial debt	15.5	22.0
<b>Total Cash Flow</b>	<b>3.9</b>	<b>(3.2)</b>

\* The change in "Other net liabilities" arises from the reporting at fair value of derivatives hedging the currency risk on trading transactions in foreign currency. In this respect, it is recalled that these derivatives are accounted for as cash flow hedges, meaning that their fair value is recognized as an asset or a liability in the balance sheet (current assets – derivative financial instruments or current liabilities – derivative financial instruments) with a counter-entry made to an equity reserve for the component that is considered to be an effective hedge of the change in fair value of the derivative instruments, subsequently reclassified to profit or loss as revenues in the period when the hedged transactions affect profit or loss.

# Investor Relations

## Shareholdings

Fedone s.r.l.	57.0%
Ermenegildo Zegna Holding s.p.a.	3.0%
Fundita s.r.l.	2.0%
FMR LLC	5.8%
Capital Research & Mgmt. Company	2.1%
Other	30.1%



Total n° of shares: 68,000,000

## Board of Directors

<b>Brunello Cucinelli</b>	Chairman and C.E.O
<b>Moreno Ciarapica</b>	Director and C.F.O.
<b>Giovanna Manfredi</b>	Director
<b>Riccardo Stefanelli</b>	Director
<b>Camilla Cucinelli</b>	Director
<b>Giuseppe Labianca</b>	Director
<b>Candice Koo</b>	Independent Director
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