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Press release

BRUNELLO CUCINELLI: the Board of Directors has examined the Preliminary Net Revenues for the first half of 2017

- **Net revenues of €243.3 million, +10.7% at current exchange rates compared to 30 June 2016;**
- **Significant growth in revenues in both international markets, +11.7%, and in the Italian market, +5.9%;**
- **Meaningful sales growth in all geographical areas: North America +9.4%, Europe +9.9%, Greater China +34.6%, Rest of the World +11.4%;**
- **Revenue growing in all distribution channels: retail +21.7%, *normalized* wholesale monobrand +2.6%¹, wholesale multibrand +6.7%.**

Brunello Cucinelli, Chairman and CEO, commented as follows:

“We are particularly pleased with our company's performance in the first half of 2017; we believe that the results achieved in terms of growth are noteworthy both for their consistency and their compliance with expectations.

Revenues have developed in a very homogeneous manner, thus indicating that our collections were appreciated in all countries and across all of our channels; moreover, considering the excellent quality of sales, we believe that profitability too will improve with a similar pattern.

If we indeed take a look at the general context and at the very good start of the second half of the year - and in particular the satisfying performance of the Spring/Summer 2018 sales campaign for Men - we feel pretty confident that the full year 2017 will deliver double digit growth in terms of both sales and margins.”

Solomeo, 13 July 2017 – The Board of Directors of Brunello Cucinelli S.p.A. - an Italian maison operating in the luxury goods sector and listed on the Borsa Italiana Electronic Stock Exchange - today examined the preliminary consolidated net revenues for the first half of 2017. The Half-year Financial Report with the complete, final figures for the period will be reviewed and approved by the Board of Directors at its meeting scheduled for 29 August 2017.

Net revenues at 30 June 2017 rose by 10.7% to reach €243.3 million; there was a growth of 9.7% at constant exchange rates; sales revenue increased in all distribution channels, monobrand and multibrand, and in all markets, domestic and international.

¹ Performance based on the same perimeter, excluding from the first half of 2016 sales coming from the 4 wholesale monobrand boutiques in Moscow and from our online boutique which were converted to direct operations from the first quarter of 2017 (the reported result fell by 20.8%).



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We are “*very very*” pleased with these results and feel that **2017** is the start of a “**new world**”, where the **Internet will have an enormous impact on humanity**. We believe that this will change “**buyer/seller relationships**” forever, making it even more important to **care** for and **protect the brand**.

We believe that the next major global challenge is to try to “humanize the web”; we would like to approach the web as “humanist and contemporary artisans, with a global vision”, fully aware that the Internet has redesigned the world map of employment, where Italy can excel in offering products featuring exquisite craftsmanship.

Solomeo is vital for the direct management of the **online boutique**, as this is where we devote special attention to customer service, packaging and visual merchandising: all very important elements to convey, like in the physical world, the taste of our collections and brand **lifestyle**.

Very interesting is the possibility to act as a “**kind advisors**”, also offering advice to online shoppers on a total lifestyle offering, combining the item purchased with articles of clothing that we know they have in their wardrobe, always maintaining a **courteous and respectful stance, without being too intrusive**.

We believe that another crucial aspect of operating in the digital world is delivery time and the value of waiting, which completes the luxury experience, unlike the “culture of impatience” which, as reported in some of the most authoritative newspapers in the world, “*has little in common with the concept of luxury*”.

We believe that each order should be handled very carefully, with the desire to deliver a “special” package, perhaps accompanied by a handwritten note and with unique elements that can further enhance the direct and human relationship with the customer.

Both in the digital and physical world, we are mindful that “**brand protection**” is essential and is highly topical, to which we are committed in all our daily activities: from our presence on the market to **communication**.

Regarding our presence on social networks and the internet in general, we believe that we should act as we always have, which is to strive to be **gracious in communication** and as coherent as possible with our way of living and working.

Revenues by Geographical Area

Italian market – very handsome rise of 5.9% in revenues which reached €41.8 million (17.2% on total), compared to €39.5 million at 30 June 2016 (18.0% on total).

The Italian market remains extremely important for the brand’s image, especially within the **prêt-à-porter** offer. The success of the offering of **chic and contemporary** apparel bearing our trademark – which we imagine can be identified as one of the most exclusive symbols of **made in Italy**, a beacon of luxury to be worn especially during the day – therefore takes on even greater importance, contributing to our success and reputation across all international markets.

In view of the role the Italian market plays for the company and the offering of apparel, the opening of our largest “**physical**” boutique in Via Montenapoleone, Milan at the beginning of the year has taken on the meaning of high value: the desire to transfer the imagery and atmosphere of “*our land*”, of *Solomeo* and of “*our way of living and working*”, has been highly praised and, we imagine, has further contributed to heightening the brand’s allure.



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European market – very positive growth of 9.9% in revenues which reached €75.2 million (30.9%), compared to €68.4 million at 30 June 2016 (31.1%).

Positive sales results in all European countries, with substantially similar trends in the different markets, and sales growth in both the monobrand and multibrand channels.

The strong results achieved is supported by the presence of local customers, as always a target for the brand and whose demand continues to grow at a steady and sustainable pace, attracted by our offering of very high-quality items, the result of **Italian craftsmanship and manual skills** and above all **distributed on an exclusive basis**, with an eye to preserving the brand image.

Accompanying the local demand, an increase in **top-end tourism**, with steady growth which we believe is not affected – if not only marginally – by the macroeconomic trends underlying the growth or slowdown in mid-range tourism.

Purchases made by “**young new customers**” are playing an increasingly important role; their demand for items with a refined look adds to and complements that of “**traditional customers**”, both sharing the desire to seek out truly special clothes.

North American market – very positive growth of 9.4% in revenues which reached €83.6 million (34.4%), compared to €76.4 million at 30 June 2016 (34.8%).

The growth confirms the positive trend in North America, a market we consider “*domestic*”, in which we remain focused on offering collections which try to stay modern and on our presence in **prestigious, selected spaces** in the monobrand and multibrand channels, while maintaining and further enhancing the allure which we feel our brand emanates.

An element which has always contributed to our success in all the sales spaces is **Visual merchandising**, with a dedicated organizational structure which aims to add value to the presentation of the collections in all the exhibition areas, both in the direct and multibrand channels, as well as in the Luxury Department Stores.

This approach represents one of the distinctive elements which characterize our **relationship**, which we consider truly special, with all **Luxury Department Stores**, committed to seeking out luxurious, never repetitive and hard to find offerings, which might attract high-end customers and help make their purchasing experience in some way “unique”.

Another extremely important aspect is the bond of trust and respect our people – “*pleasantly mannered*” and never inopportune - have always tried to create with customers, playing the role of “**special advisor**” and never the role of a “simple salesperson”.

In this way, those in charge of our boutiques and the dedicated spaces at Luxury Department Stores have the chance to “guide” the daily management of sales areas, define shop windows and outfits sympathetic to the local context, while remaining fully consistent with the taste of the collections.

The truth is that these department stores are always on the lookout for “**special, hard-to-find products**”.

Greater China - strong growth of 34.6%, even if on **limited** starting values, with revenues reaching €18.4 million (7.5%) compared to €13.7 million in the first 6 months of last year (6.2%).



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Of particular interest is the company's commitment to pursuing **sustainable growth objectives**, seizing the potentials of an evolving market, **maintaining the allure and the exclusivity of the brand and distribution**, starting from a limited presence in the whole of Greater China.

This significant potential for growth is supported by the evolution of the **end customer, ever more sophisticated**, with an eye on style and details, seeking “Made in Italy” offerings and a refined lifestyle, with the possibility to mix and match garments that are already in their wardrobe with new season purchases.

We are also witnessing a gradual increase in tourism of our **Chinese and Asian customers** who spend time shopping especially in the fashion and luxury capitals of the world; thanks to the variety and range of our collections, shopping abroad is also prompted by the fact that products showcased at shops in Paris or New York at a certain time of the year, may not be available at boutiques in Shanghai and Beijing.

This same approach in terms of exclusive distribution is pursued in the **multibrand** channel, which is now gradually developing in China, with massive growth potential, thanks to the presence of prestigious multibrand boutiques, which include dedicated spaces for our collections.

These new multibrand stores are playing an increasingly important role for high-end customers, who are fascinated by the opportunity to compare and mix special products from different brands, all sharing the common thread of prestige and uniqueness.

Rest of the World – revenues rose by 11.4%, with sales reaching €24.3 million (10.0%), compared to €21.8 million at 30 June 2016 (9.9%).

Growth in all core markets, thanks to the **loyal local base of customers** seeking an exclusive *prêt-à-porter* offer; these are customers who buy goods both in the monobrand boutiques and multibrand spaces of the domestic market, and when travelling for pleasure or on business; adding to the demand of traditional customers, is the increasing flow of new clients, attracted particularly to our refined and modern “*Ready to Wear*” offer.

Our presence in the luxury streets helps to strengthen the brand's position and allure, as do the **selected press articles** published in trade magazines and the **communication** of our brand values, through events which bring to mind the spirit of Italy and of our Umbria.

Thanks to the atmosphere created around our brand, the quality level of our spaces is further enhanced which, in particular, the **Luxury department stores** in Japan attribute to the brand, thereby ensuring our presence in the most exclusive and prestigious floor spaces.

Revenues by Distribution Channel

Retail channel – an increase of 21.7% in sales, or €121.1 million at 30 June 2017 (49.8%) compared to €99.6 million euro in the first half of last year (45.3%).

Very interesting the “**solid and attractive**” like-for-like growth in the first 26 weeks of the year (period between 1 January and 3 July 2017) with an increase of 4.0%²: the 2017 Spring/Summer sell-out figures achieved excellent results in all geographical areas.

² Like-for-Like in 2017 is calculated as the increase in revenues at constant exchange rates in the DOS existing at 1 January



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At 30 June 2017, the network consists of 91 direct boutiques, with just one opening over the past 12 months, with four stores in Moscow³ being converted from the wholesale monobrand channel to the retail channel as from 1 March 2017, contributing to the expansion of the channel.

The results also benefitted from the agreement – signed on 13 March 2017 – for the passage to direct operations of 5 shop-in-shops in the Holt Renfrew luxury department stores in Canada, previously run using the wholesale formula.

Wholesale monobrand channel – revenues of €17.6 million (7.2%), with like-for-like growth of 2.6% (reported performance down 20.8%⁴).

We remind you that the dynamics of the wholesale monobrand channel were affected by two important initiatives in the first quarter 2017 relating to third party management passing to direct management of both our online boutique and the 4 Moscow boutiques.

On a like-for-like basis, the performance reported by the wholesale monobrand channel is in line with that of the direct channel, thanks to the absolute consistency of image and the presence of **customers with the same buying behaviour**, on a **search for exclusive offerings**.

The wholesale monobrand network consisted of 32 boutiques at 30 June 2017, unchanged in the last 12 months, excluding the 4 conversions of boutiques to the retail channel (36 boutiques at 30 June 2016).

Wholesale multibrand channel - the growth of 6.7% was particularly positive, with revenues therefore reaching €104.6 million at 30 June 2017 (43.0%) compared to €98.1 million at 30 June 2016 (44.6%).

We continue to consider the multibrand channel **extremely important** for the **exclusivity** attributed to the brand, thanks to the presence in “prestigious” areas, as well as by maintaining a **Ready To Wear** offer that is always **contemporary and fresh**, never repetitive, which evolves while maintaining “*Brunello Cucinelli taste*”, sought by the higher range customer.

The **relationship** that we imagine we have successfully created over the years with the most beautiful luxury multi-brand boutiques and the major Luxury Department Stores is particularly **special**; this has been combined with the wish to always have the very highest luxury offer.

Lastly, the areas destined to the brand in the multibrand channel in **Asia**, which have **great growth potential** over the medium to long-term, have also contributed to the growth.

2016.

³ As in previous conversions from the wholesale monobrand channel to the direct channel, in the first year of operations the positive contribution of the recognition of sales at retail value is partially impacted by the lower sell-in revenues, which only become sell-out revenues in the subsequent period.

⁴ Reported performance, obtained by including the revenues from the converted boutiques and the online boutique (passing to direct operations as from January 2017) in revenues for the first half of 2016, declined 20.8% (revenues for the first half of 2017 amounted to €17.6 million compared to €22.2 million at 30 June 2016).



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The manager in charge of preparing the corporate accounting documents, Moreno Ciarapica, declares pursuant to and to the effects of article 154-bis, paragraph 2 of Legislative Decree no. 58 of 1998 that the disclosures included in this release correspond to the balances on the books of account and the accounting records and entries.

The preliminary revenue figures included in this release have not been audited.

This document may contain forward-looking statements on future events regarding the Brunello Cucinelli S.p.A. Group and its operating, economic and financial results. By their nature these statements contain an element of risk and uncertainty, as they depend on the occurrence of future events and developments.

Brunello Cucinelli S.p.A. is an Italian maison operating in the absolute luxury goods sector; specializing in cashmere it is now one of the most exclusive brands in the international informal luxury prêt-à-porter sector, the expression of everyday luxury. Brunello Cucinelli, founded in 1978 by the eponymous stylist and entrepreneur, posted net revenues of €456 million in 2016 (+10.1% compared to the previous year), of which 83.3% was achieved overseas, and a normalized EBITDA of €78.2 million (up by 13.2% compared to the previous year), and currently has approximately 1,600 employees. Brunello Cucinelli's success is rooted in the history and legacy of great craftsmanship as well as in modern design: a quality strategy founded on a combination of innovation and artisan skill.

The attention and care taken in manufacturing the product are expressed through the use of the highest quality raw materials, tailoring and **craftsmanship** of exclusively **Made in Italy** production, combined with savoir faire and **creativity**; all of this makes the Solomeo-based company one of the most exclusive testimonials of Italian **lifestyle** worldwide.

Company business has always been conducted in the medieval hamlet of Solomeo, on the outskirts of Perugia. Today the brand is distributed internationally in over 60 countries through 123 monobrand boutiques (91 direct boutiques and 32 monobrand wholesalers) in leading capitals and cities worldwide and in the most exclusive *resorts*, with a significant presence in approximately 650 selected multibrand stores, including leading luxury department stores.

Contacts: **Investor Relations**
Pietro Arnaboldi
Brunello Cucinelli S.p.A.
Tel. 075/69.70.079

Media	
Vittoria Mezzanotte	Ferdinando de Bellis
Brunello Cucinelli S.p.A.	Barabino & Partners
Tel. 02/34.93.34.78	Tel. 02/72.02.35.35

Corporate website: www.brunellocucinelli.com

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