



· SOLOMEI ·  
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# BRUNELLO CUCINELLI

*FY 17 Results*

March 7<sup>th</sup>, 2018



## Brunello Cucinelli

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*“2017 has ended, reporting once again “particularly pleasing” results and showing a growth path that is consistent, moderate but sound - year in year out. This growth is pursued both in the physical and online world in a balanced manner, and it has resulted in our business crossing the 500 million revenues threshold, an achievement that makes us “very very satisfied”.*

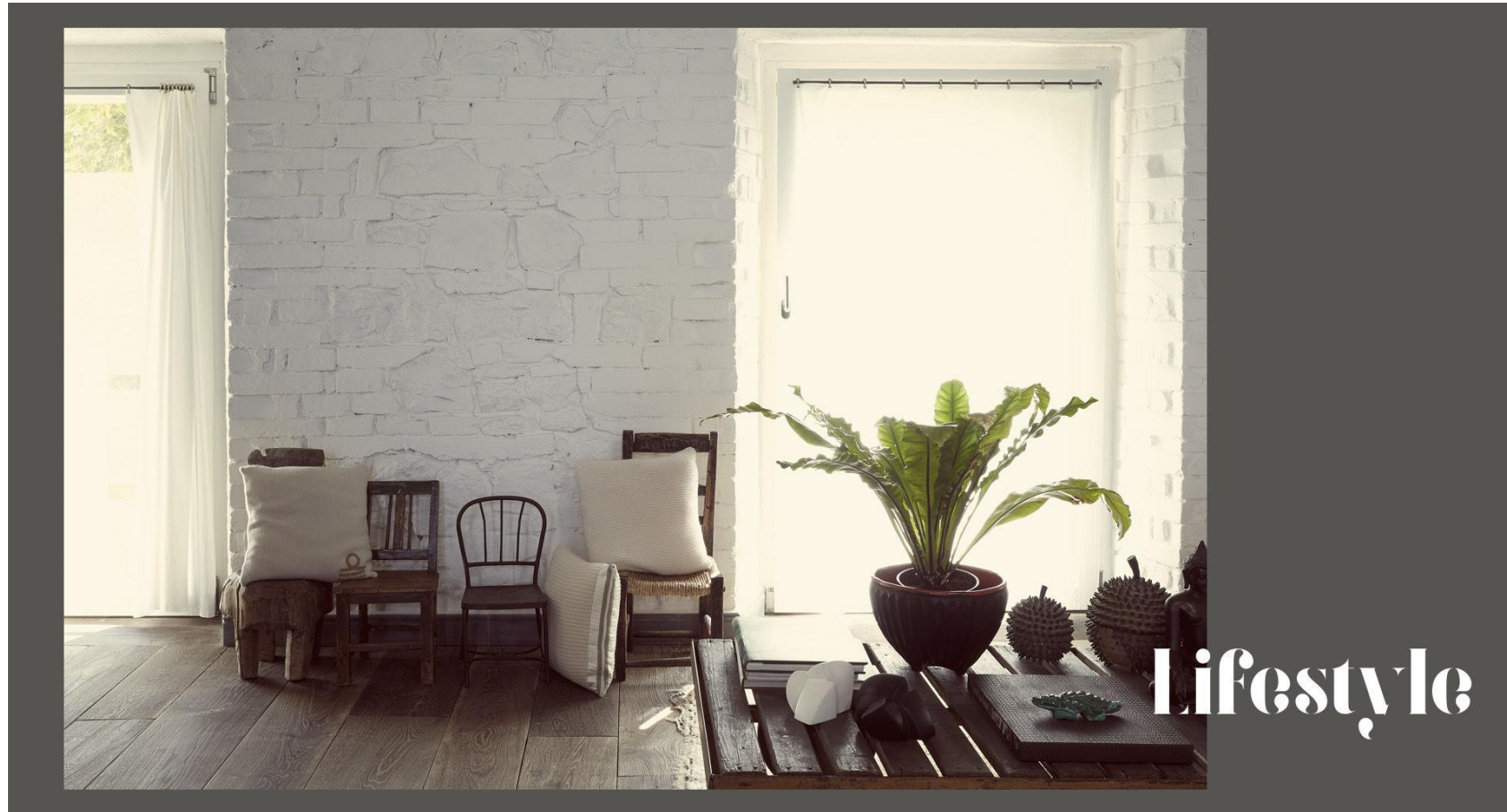
*“The good performance in our Spring sales, the excellent sales campaign in Fall Winter 2018 - which is now coming to an end - and the very special feedback from the national and international trade press seem to indicate that yet another positive year lies ahead, featuring double digit growth in terms of both revenues and profit”.*

*“Our appealing development projects and the great brand protection effort online are the pillars of our daily work, a work that fascinates us and enables us to enthusiastically pursue and seek a good life”.*

*press release 7<sup>th</sup> March 2018*



# Humanist Artisans of the Web



We have always believed that the world of the web is fascinating and in part still to be discovered

Our desire is continuously directed towards how

- **to humanize** our relationship with the internet
- to avoid it taking over our minds



Particularly pleased with:

- results obtained since the opening of our **online boutique**
- launch of our **new corporate website**

Even more pleased with **the image** which we hope we have succeeded in:

- transmitting with the places where we live
- respect for human being, dignity and the beauty of our land



Always aware that **protection of the brand** is both a need and a wish

For us this also means giving due attention to:

- the **value of the wait**
- the **pleasure of waiting** for what you want

**Gracious approach** with the customer as we propose ourselves as

- friendly advisors
- never pushing a purchase





# Financial Highlights

## Net Revenues

€503.6 mln

+10.4% at current exchange rates

+10.9% at constant exchange rates

## EBITDA

€87,5 mln

+11.8%

## NET PROFIT

Excluding  
Patent Box Benefits

€42.1 mln

+13.4%

## NET PROFIT

Including  
Patent Box Benefits

€52.5 mln

+41.4%

## Italian market

+11.2%  
sales

**Retail**  
+19.6% sales

## Europe

+10.6% sales

## North America

+6.6% sales

**Wholesale  
monobrand**  
+1.5%\*\* sales  
(-26.0% reported)

## Greater China

+36.2% sales

## RoW

+5.2% sales

**Wholesale  
multibrand**  
+6.2% sales

## Investment Plan

€35.7 mln  
in FY 17

## Net Financial Position

€15.7 mln  
(€51.0 mln as of Dec. '16)

## Dividend

BoD proposing €0.27 dividend  
equal to 35.9% pay-out ratio  
(vs. €0.16 dividend last year,  
equal to 29.9% pay-out ratio)

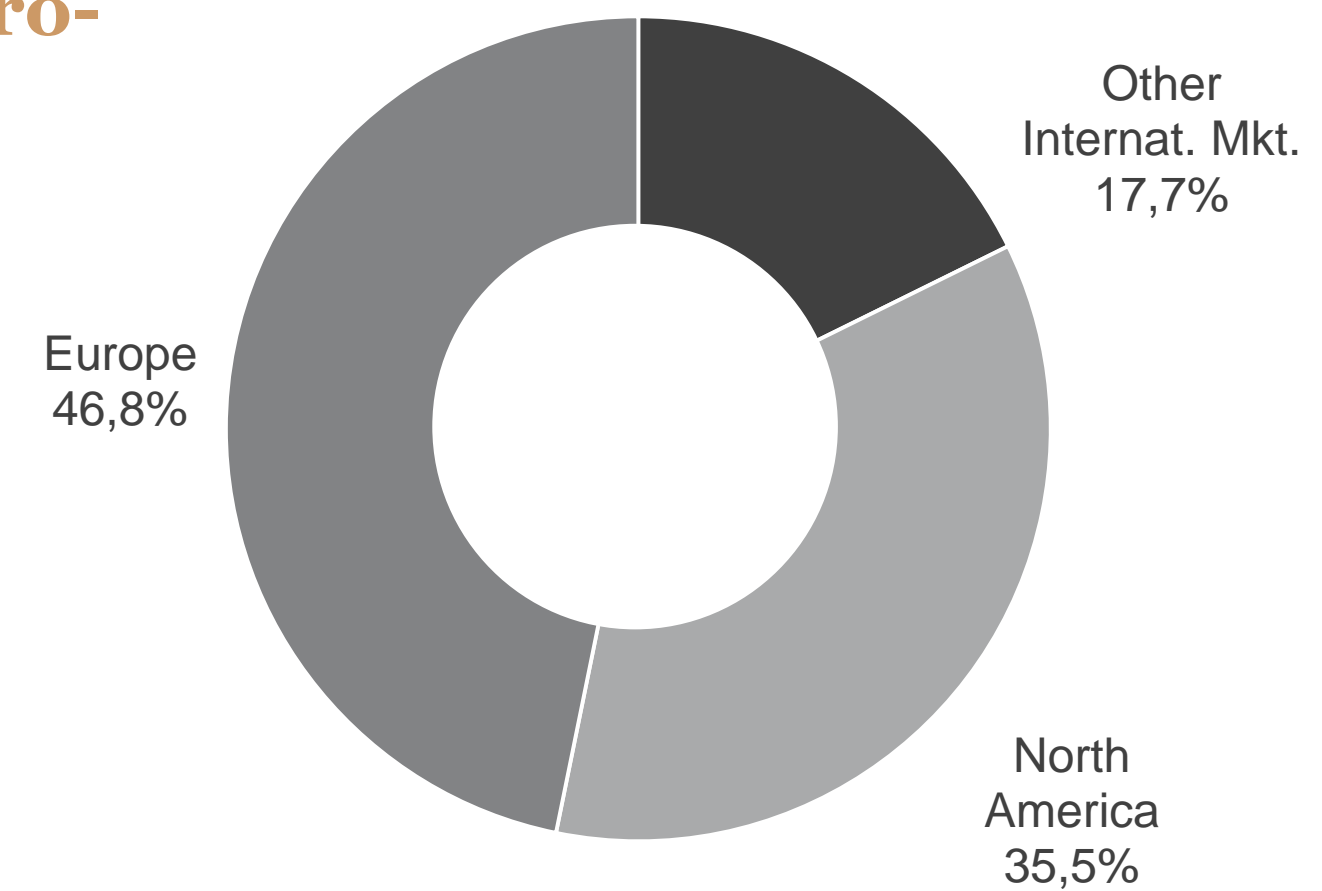




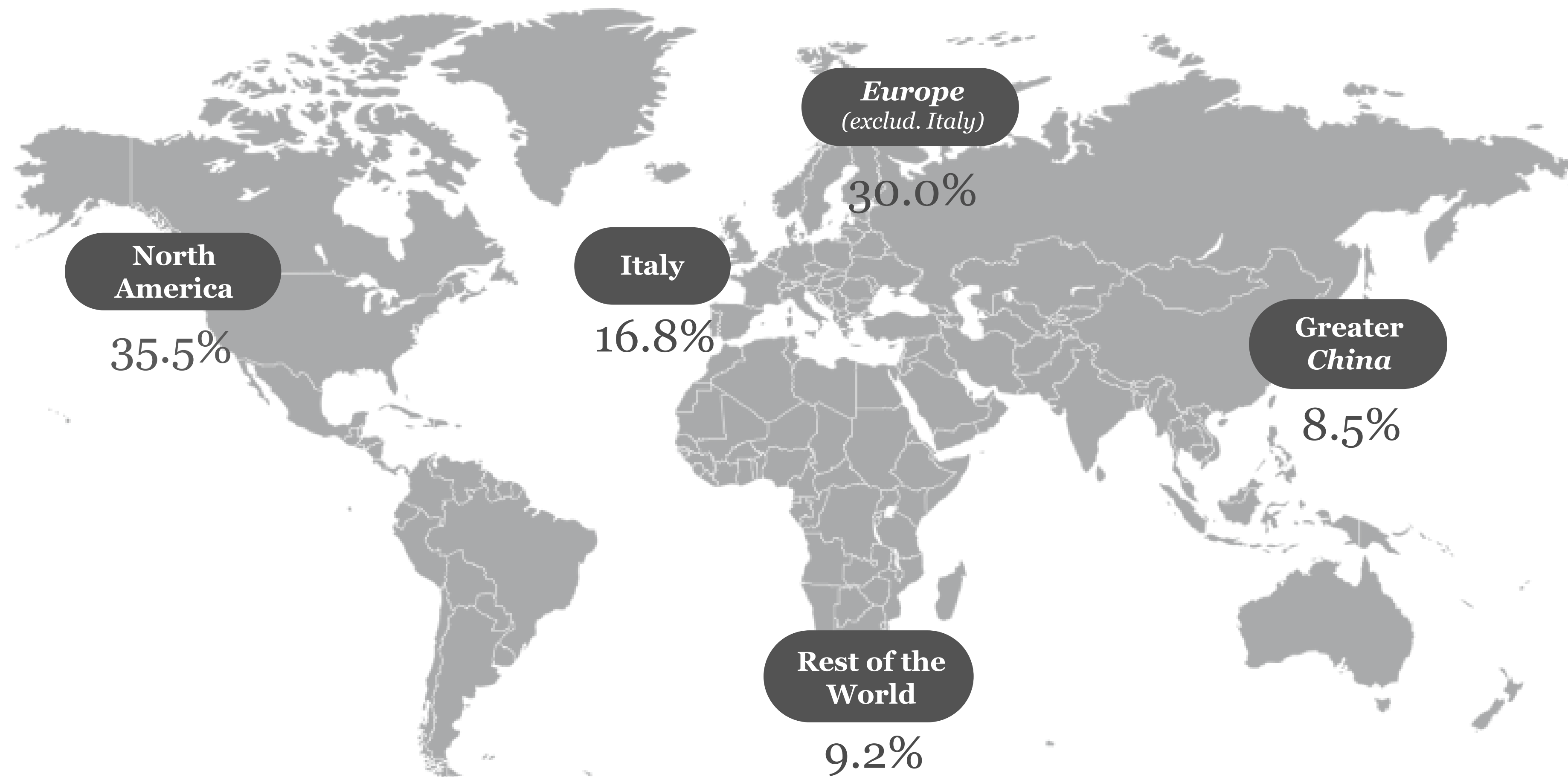
# Revenues by Region

€ mln	FY 16	FY 17	YoY % Chg
<b>Net Revenues</b>	456.0	503.6	<b>+10.4%</b>
	Constant exchange rates +10.9%		
Italy	76.2	84.7	+11.2%
Rest of Europe	136.4	150.9	+10.6%
North America	167.7	178.6	+6.6%
Greater China	31.3	42.7	+36.2%
RoW	44.4	46.7	+5.2%

## Breakdown by Macro-Region



# Revenues Breakdown





# Revenues Highlights

## Italy

Market of high strategic value, an extremely important showcase for the brand's image and a "thermometer" of the appreciation of the collections

The opening of the Montenapoleone boutique in Milan (Jan. 2017) had a very positive effect on the allure of the brand, supporting the growth

## North America

The sales trend was solid in all distribution channels, both monobrand and multibrand, with the value of the garments always enhanced by the detailed work carried out by our "visual merchandising" teams

Fundamental importance are the activities relating to the "trunk shows", sales moments when customers have the opportunity of getting to know the collections both as a whole and in detail

## Greater China

Protect the brand's exclusivity and allure: limited distribution can ensure its appeal, protecting it and maintaining the exclusivity sought after by our end customers

Positive contribution through our presence in exclusive multibrand boutiques, capable of attracting a local clientele

## Rest of Europe

Uniform revenues increase across all areas and in all channels, supported by top-end tourists and local customers

Very positive results of sales in both the monobrand and multibrand channels

## Rest of the World

Solid results in all geographical areas, supported by an increase in the demand from local customers attracted by our brand

Exclusivity of our presence in all the markets: especially satisfied with the brand's image



# Revenues by Distribution Channel

€ mln

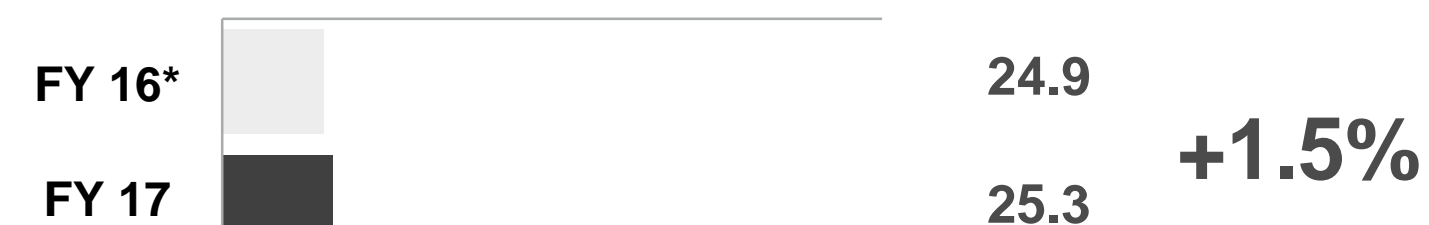
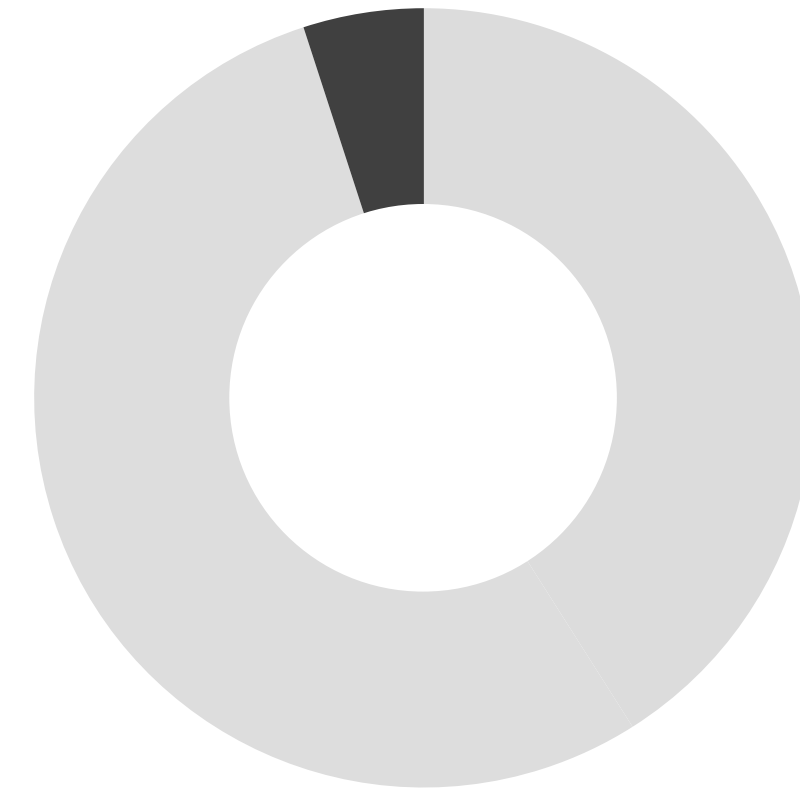
## Retail

53.7%  
on sales



## Wholesale Monobrand

5.0%  
on sales

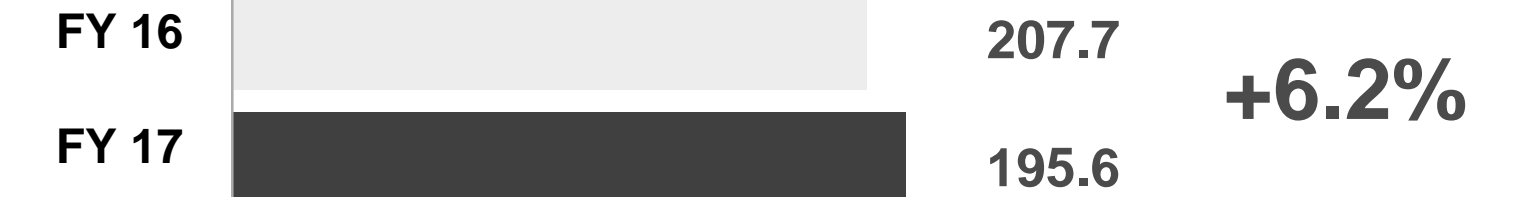


\* Wholesale Monobrand Revenues as of 31/12/2016, excluding sales related 4 physical boutiques and on-line boutique converted into direct channel in the last 12 months



## Wholesale Multibrand

41.3%  
on sales





# Retail & Wholesale Monobrand

## Retail

Retail network with  
**94 boutiques** as of December '17  
(86 boutiques as of December '16)

4 net openings and 4 conversions in Moscow from  
wholesale monobrand network

**+4.4% LFL\***  
between 1<sup>st</sup> January and 31<sup>st</sup> December 2017

**+4.0% LFL\*\***  
between 1<sup>st</sup> January and 25<sup>th</sup> February 2018\*\*\*



## Wholesale Monobrand

Wholesale Monobrand Network with  
**30 boutiques** as of December '17  
(36 boutiques as of December '16)

Network evolution mainly related to conversion  
to Retail Monobrand

\* Like-for-Like calculated as the worldwide average of sales growth, at  
constant exchange rates, reported by DOS opened as of 01/01/2016

\*\* Like-for-Like calculated as the worldwide average of sales growth,  
at constant exchange rates, reported by DOS opened as of 01/01/2017

\*\*\*As from this year, LFL performance will be reported on a six-  
monthly basis, providing an overall representation of the collection  
performance and presenting figures as of 30 June and 31 December.



# Wholesale Multibrand

**Solidity of the results in all markets** including in the geographical areas where the performance of the sector has been affected by macroeconomic and sectorial dynamics

The **2018 Spring/Summer** collections are showing **interesting sell-out figures**, confirming the very positive feedback received during the presentation by specialized press and multibrand partners

**Very positive** results for **2018 FW orders collected**, already completed for men and close to the end for women



# Income Statement

	FY 2016	FY 2017	Ch. %
<b>Net Revenues</b>	<b>456,0</b>	<b>503,6</b>	+ 10,4%
Other operating income	1,1	2,1	+ 99,7%
<b>Revenues</b>	<b>457,0</b>	<b>505,7</b>	+ 10,6%
<b>First Margin</b>	<b>297,1</b>	<b>330,0</b>	+ 11,1%
%	65,0%	65,2%	+ 20 b.p.
SG&A	-220,4	-242,5	+ 10,0%
%	48,2%	48,0%	- 20 b.p.
<b>EBITDA</b>	<b>76,7</b>	<b>87,5</b>	+ 14,1%
%	16,8%	17,3%	+ 50 b.p.
D&A	-20,0	-22,8	+ 13,5%
%	4,4%	4,5%	+ 10 b.p.
<b>EBIT</b>	<b>56,6</b>	<b>64,7</b>	+ 14,3%
Income before taxation	53,4	59,4	+ 11,3%
<b>Net Income</b>	<b>37,1</b>	<b>52,5</b>	+ 41,4%
<i>Tax Rate</i>	30,5%	11,7%	

	FY 2016	FY 2017	Ch. %
<b>EBITDA (FY 2016 normalizzato)</b>	<b>78,2</b>	<b>87,5</b>	+ 11,8%
	17,1%	17,3%	+ 20 b.p.

<b>Net Income (FY 2017 excl. Patent Box)</b>	<b>37,1</b>	<b>42,1</b>	+ 13,4%
<i>Tax Rate</i>	30,5%*	29,2%	

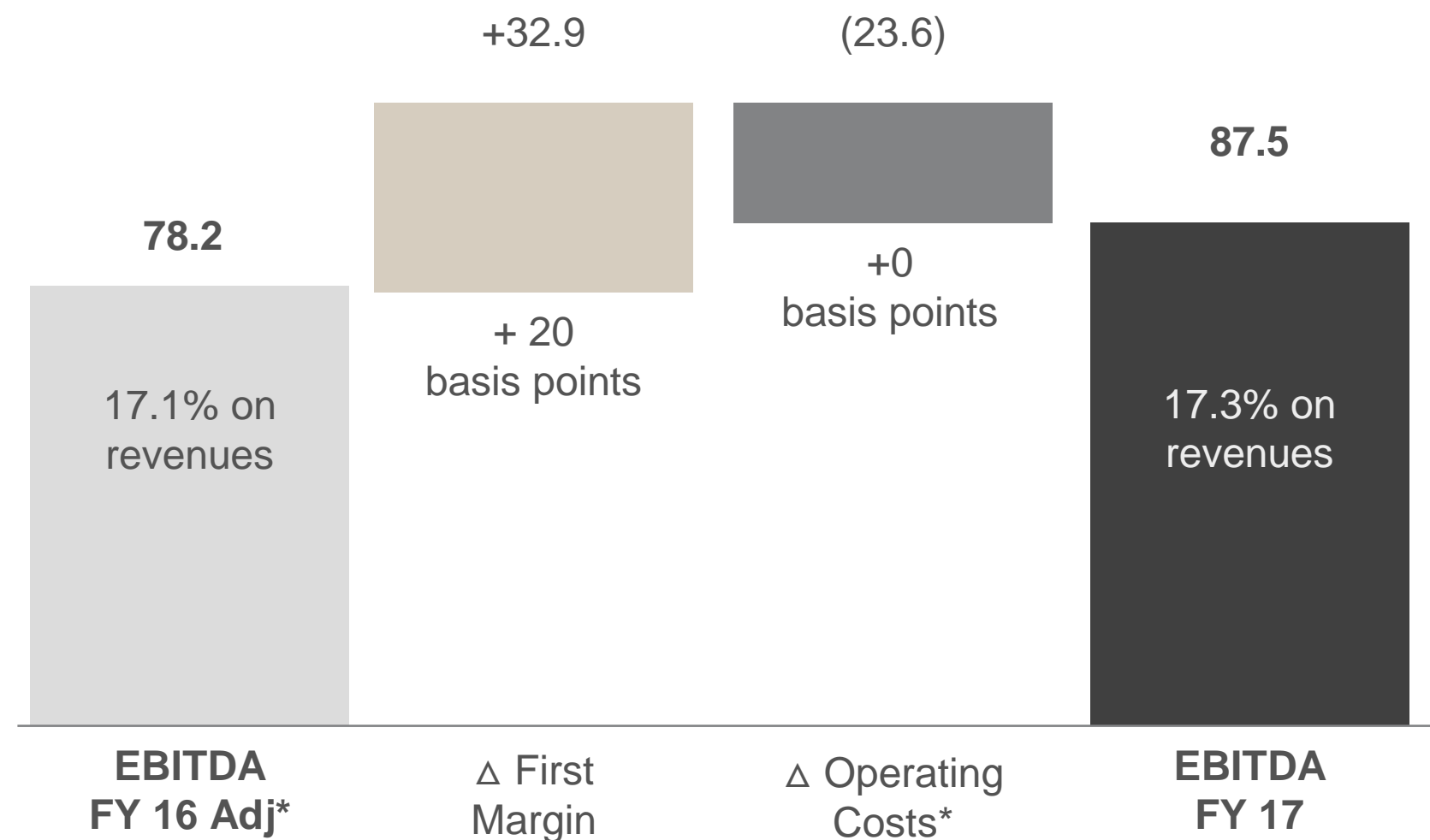
\* Details in Annex



# EBITDA & Key Income Statement Analysis

## EBITDA Analysis

€ mln



\*Excluding non recurring costs related FY 16



## First Margin

+20 basis points improvement (from 65.0% to 65.3%) driven by:

- Development of the business
- LFL growth
- Sell-outs increase
- Channel mix evolution (retail sales rising from 49.6% to 53.7% of the total)
- Retail network from 86 to 94 boutiques (4 openings and 4 conversions from wholesale monobrand to retail channel)

## Operating Costs\*

Operating costs increase in line with development of the business (48.0% of the total), of which:

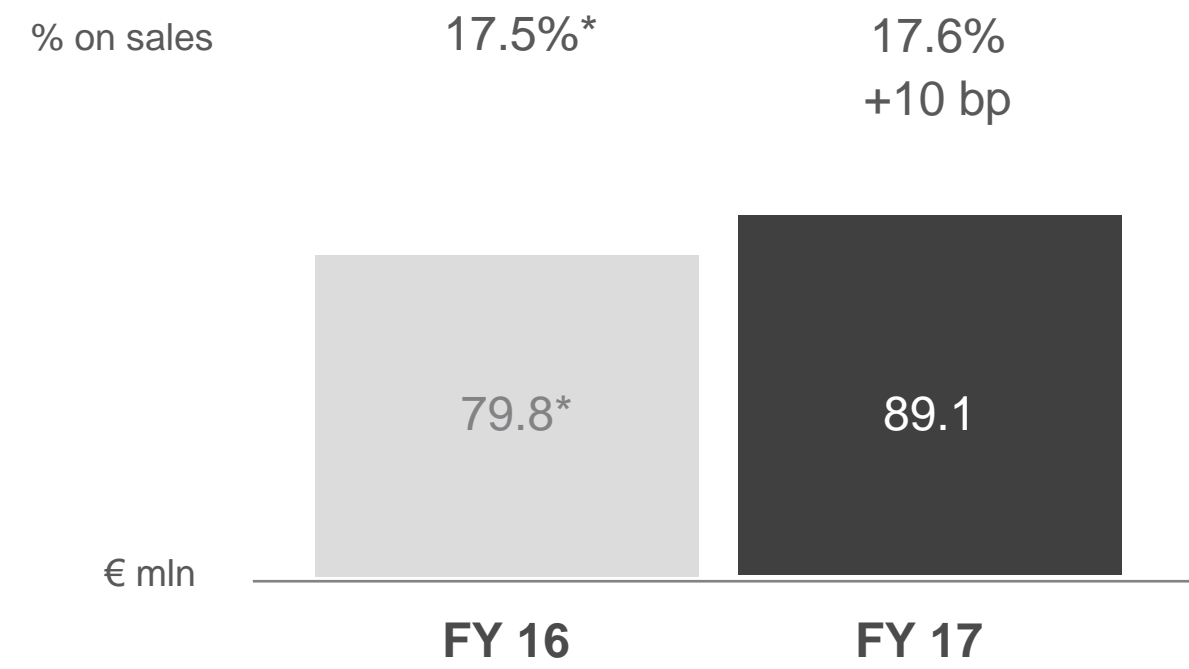
- Personnel costs\* increased +11.6%
  - 4 retail boutiques opening
  - 4 conversions from wholesale monobrand to retail channel
  - 5 shop-in-shops in the Holt Renfrew in Canada moved from wholesale multibrand to direct operations
- Cost of rents grew +7,4% due to retail network development and some expansion of important sales space
- Investments in communication moved up from 24.7€ mln (5.4% on sales) to 28.7€ mln (5.7% on sales) strengthening brand image, accelerating in 2H due to digital investments



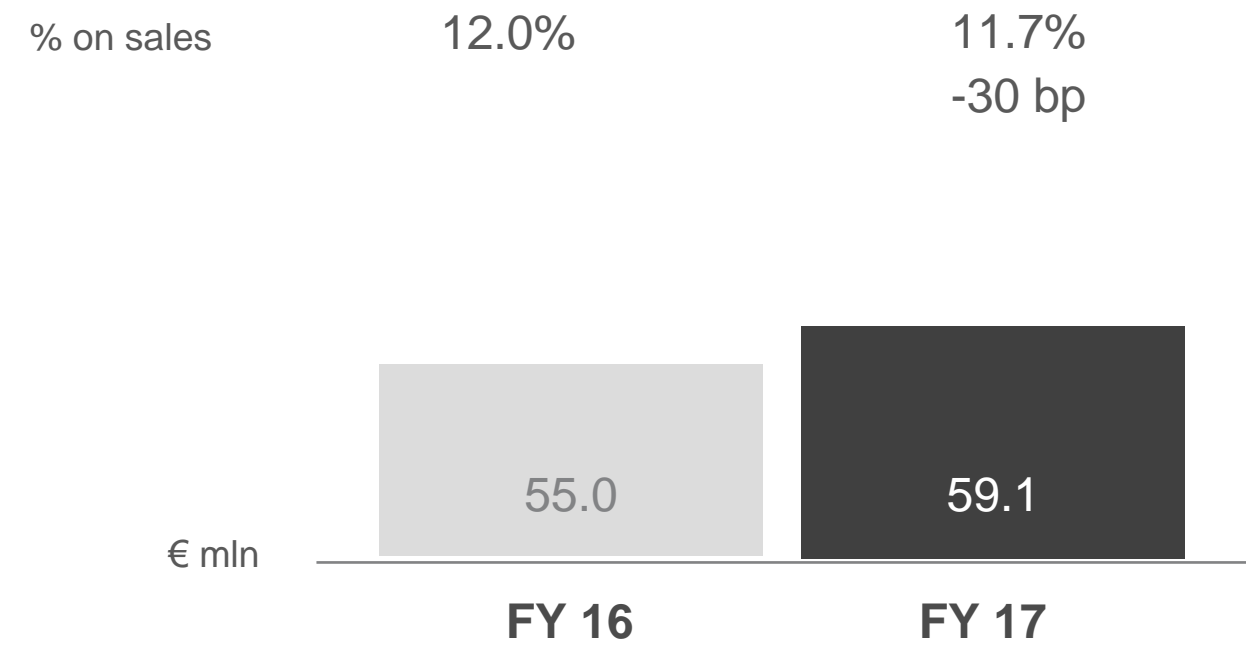
# Operating Costs

€ mln

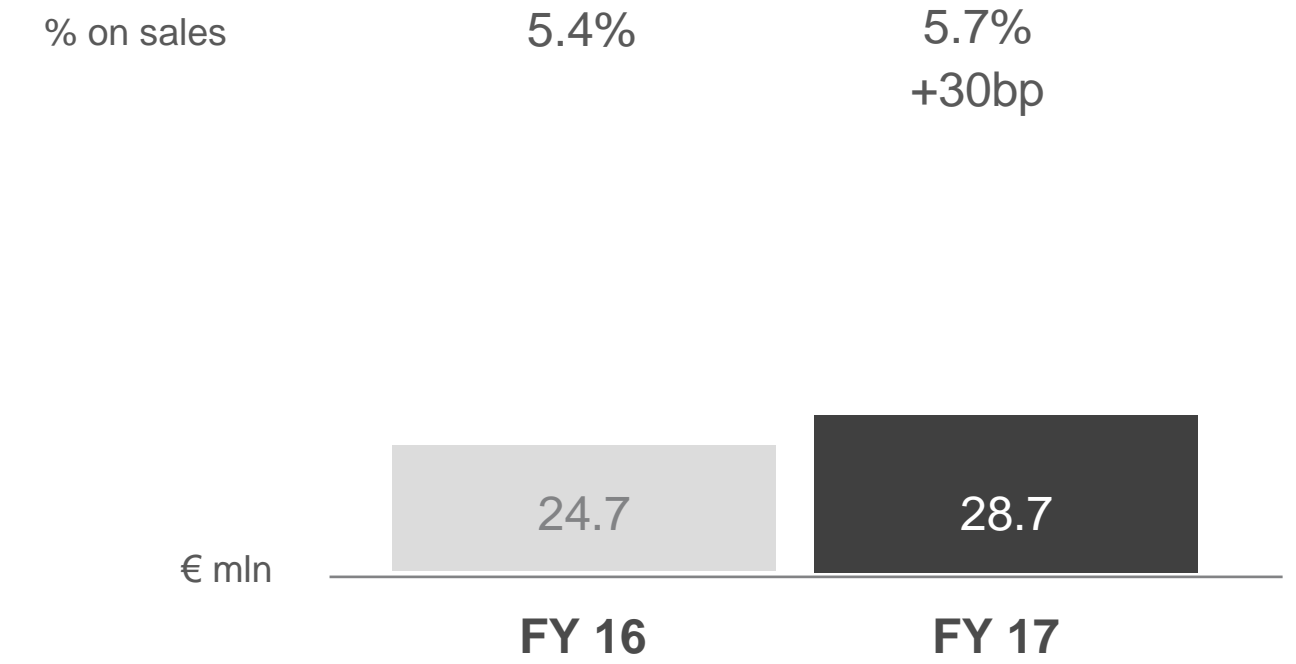
## Personnel cost



## Rent cost

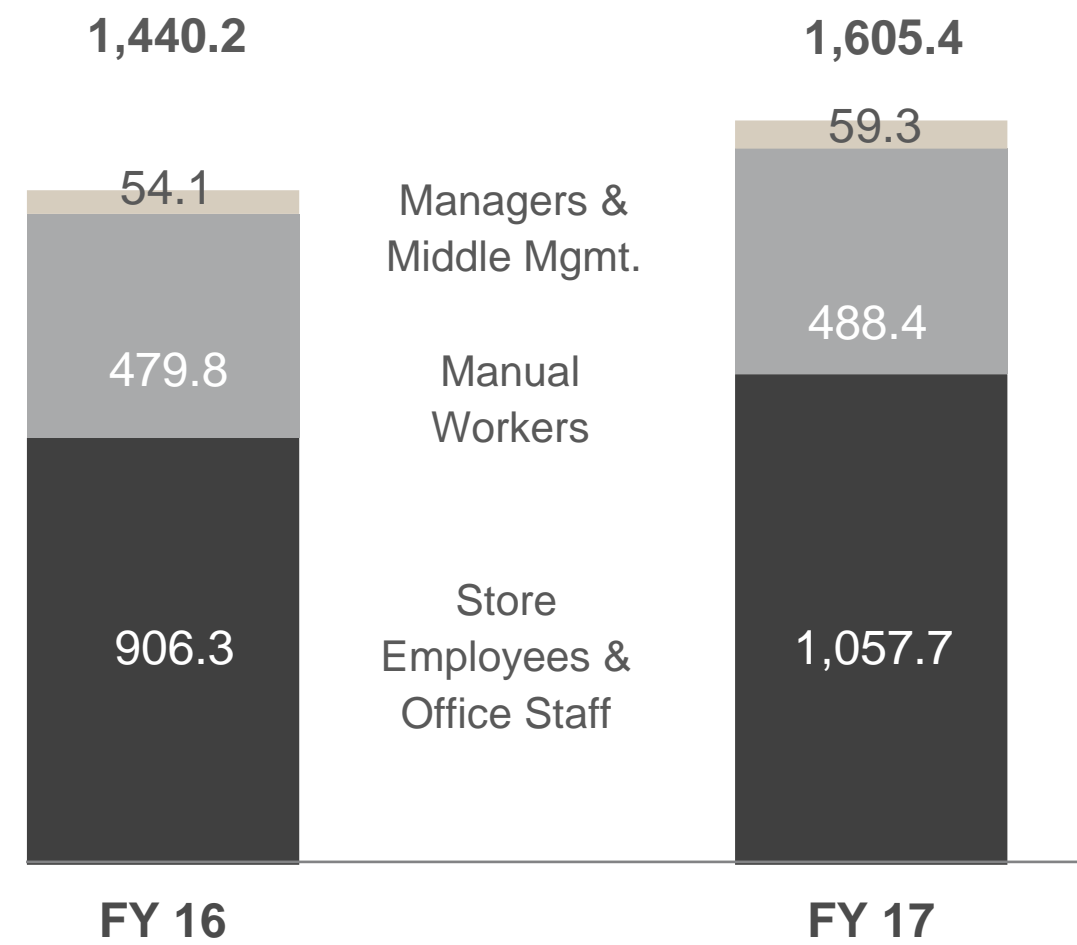


## Investments in Communication

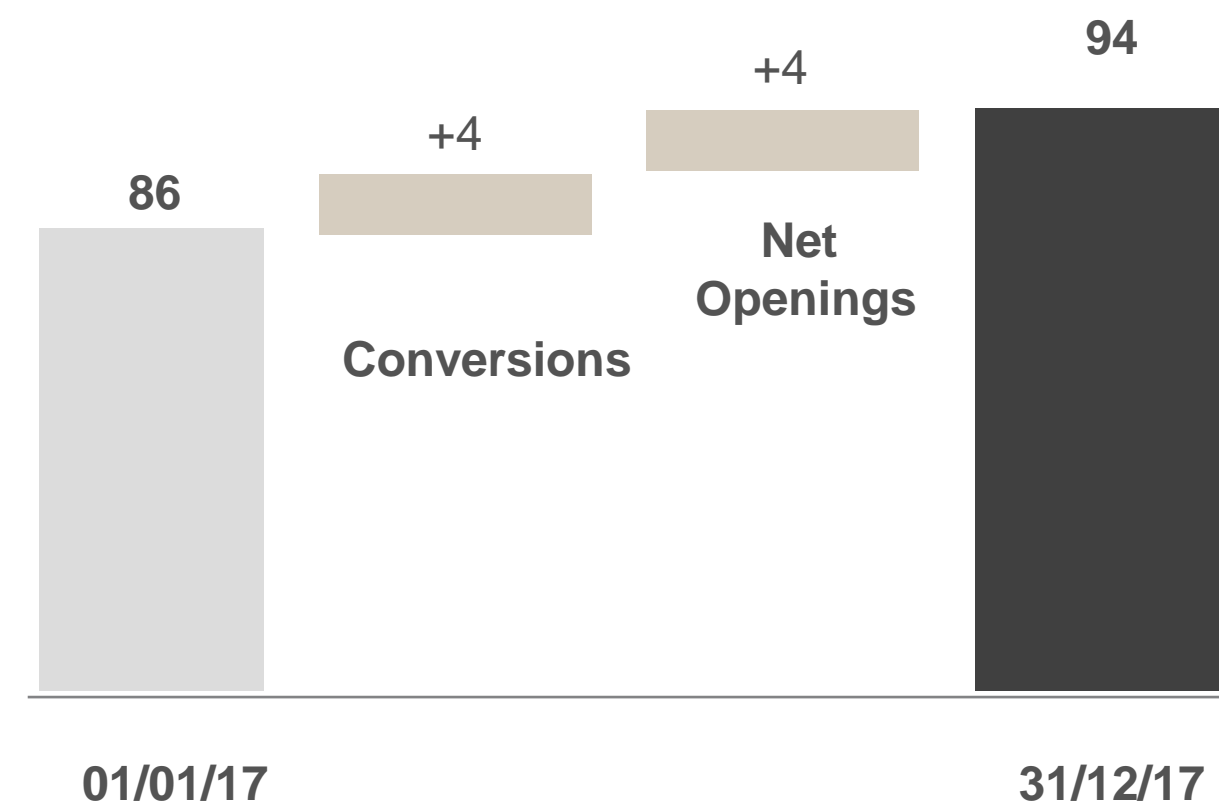


\* Excluding non recurring costs related 1H 16

## Average FTE - Workforce Analysis



## DOS Network from 01/01/17 to 31/12/17



# Net Working Capital

	FY 2016	FY 2017	delta
Trade Receivables	47.2	45.2	-2.0
Inventories	154.8	152.6	-2.2
Trade Payables	-63.4	-65.3	-1.9
<b>Strict Net Working Capital</b>	<b>138.7</b>	<b>132.6</b>	<b>-6.1</b>
<i>Incidence on Net Revenues</i>	30.4%	26.3%	
Other Credits/(Debts)	-9.4	-5.6	3.8
<b>Net Working Capital</b>	<b>129.3</b>	<b>127.0</b>	<b>-2.3</b>
<i>Incidence on Net Revenues</i>	28.4%	25.2%	



Net Working Capital incidence decreased from 28.4% to 25.2%:

- Trade Receivables declined due to positive management and conversion to direct management of our online boutique, 4 Moscow boutiques and 5 shop-in-shops in the Holt Renfrew luxury department stores in Canada
- Inventory reduced incidence supported by positive sell-out figures, moving down from 33.9% as of 31 December 2016 to 30.3% as of 31<sup>st</sup> December 2017 and an exclusive number of new openings
- Trade Payables reported flattish trend
- Other Credits/(Debts)\* declined from -9.4€ mln to -5.6€ mln

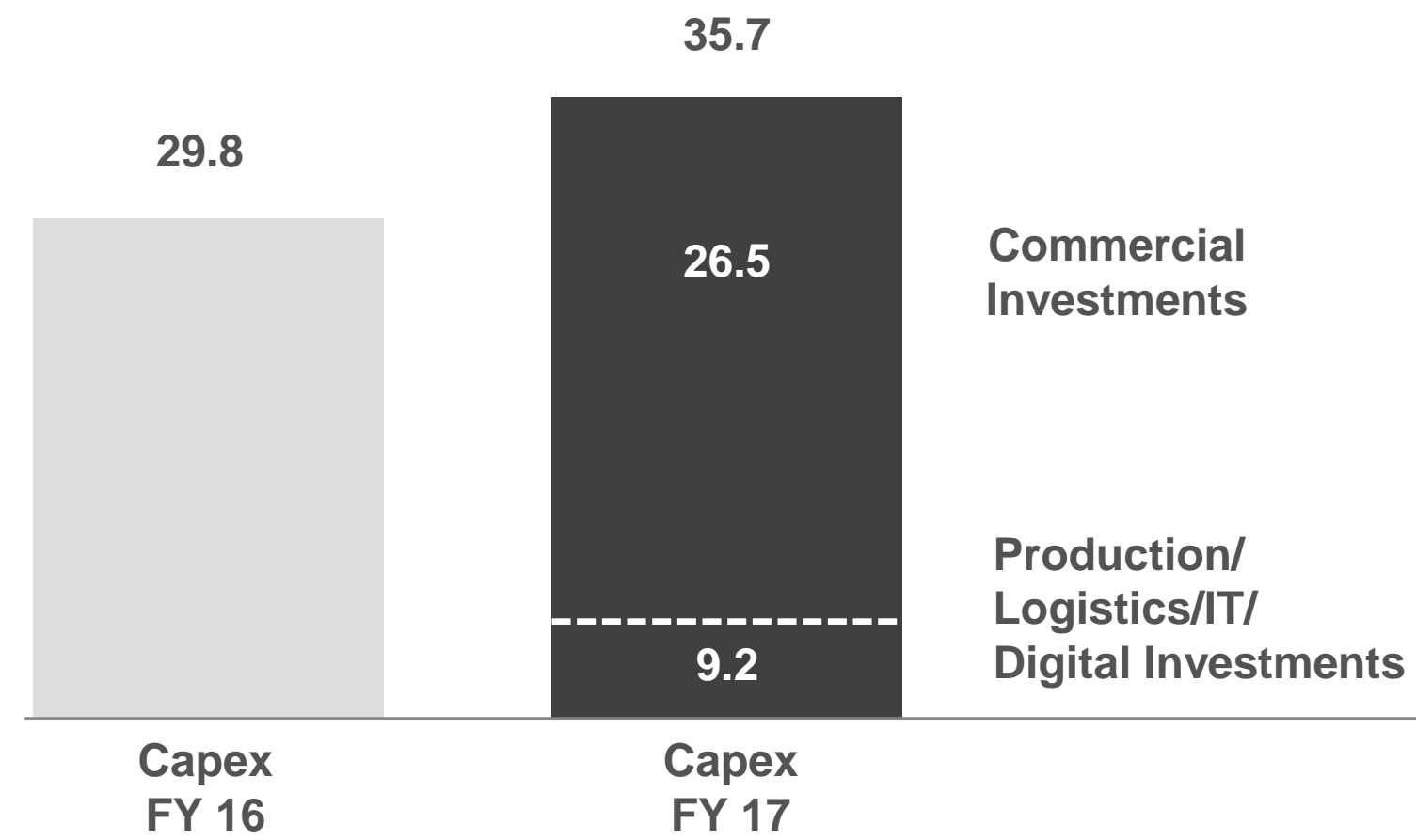
\* Trend related to the fair value of the currency forwards derivatives, underwritten as per the Company standard practice at the time price lists are defined and with the only purpose to hedge the non-euro commercial fx exposure





# Investments

€ mln



Capex to maintain the brand’s prestige and its “protection” in the “physical” and “digital” world

- Commercial Investments of €26.5 mln in 2017 and supporting:
  - conversion of 4 boutiques from third party management to direct management
  - opening of exclusive boutiques
  - enlargement of sales spaces in existing store and increase of spaces in the Luxury Dpt. Stores
  
- Production/Logistics/IT/ Digital Investments of €9.2 mln in 2017:
  - support “**brand protection**” and exclusivity in digital world as well as in the physical world
  - infrastructure development and IT platform

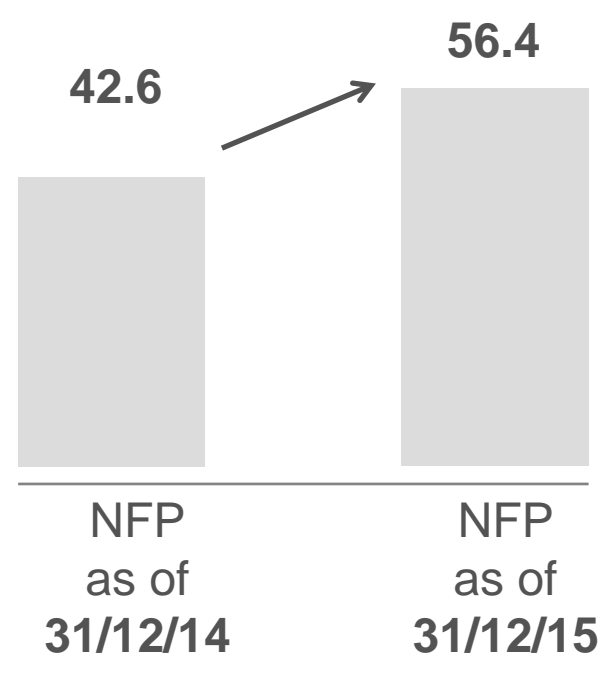




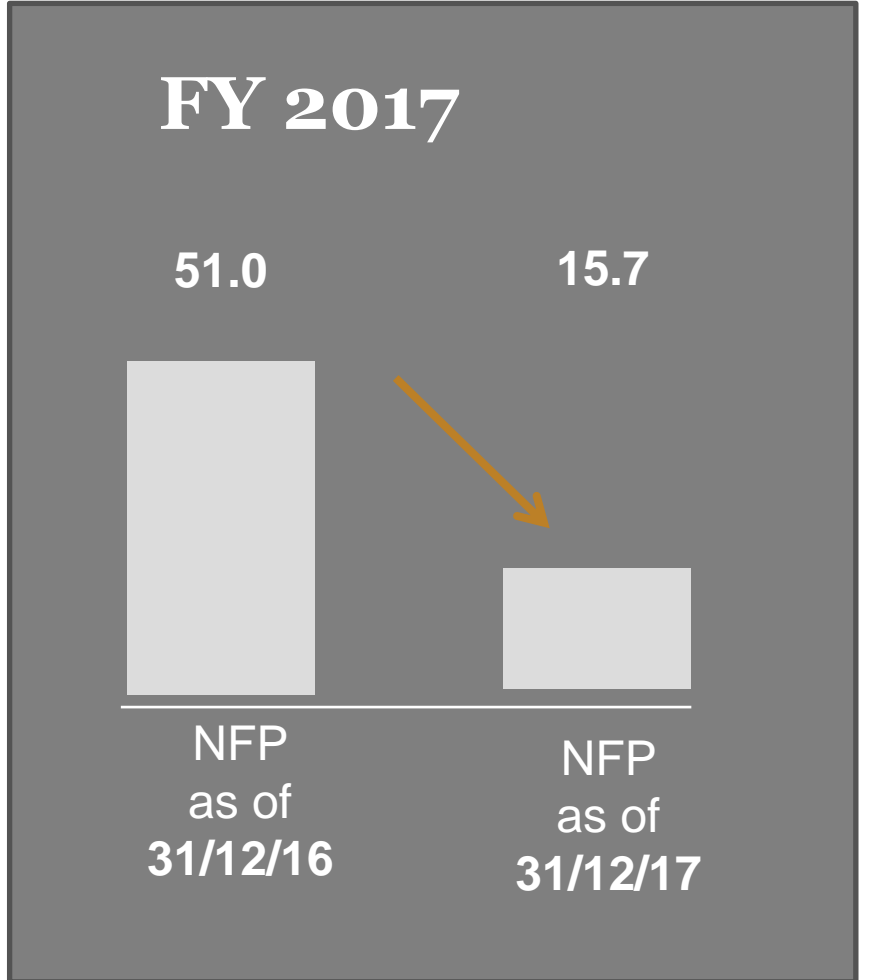
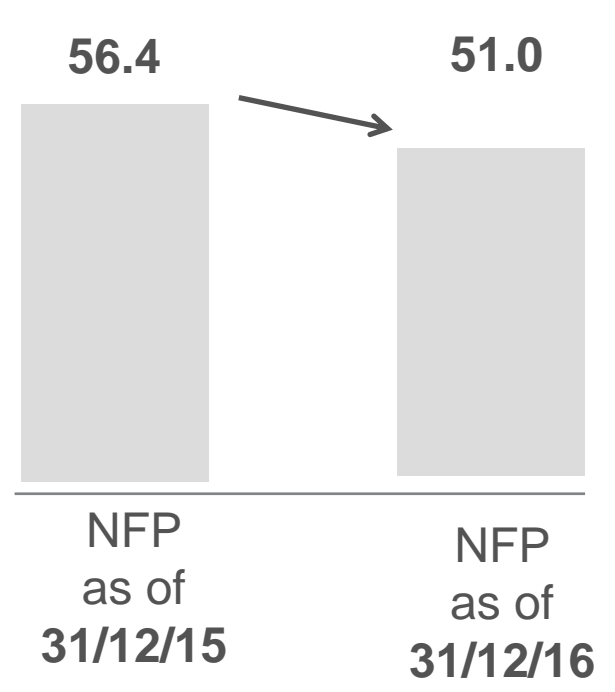
# Net Financial Position

€ mln

## FY 2015



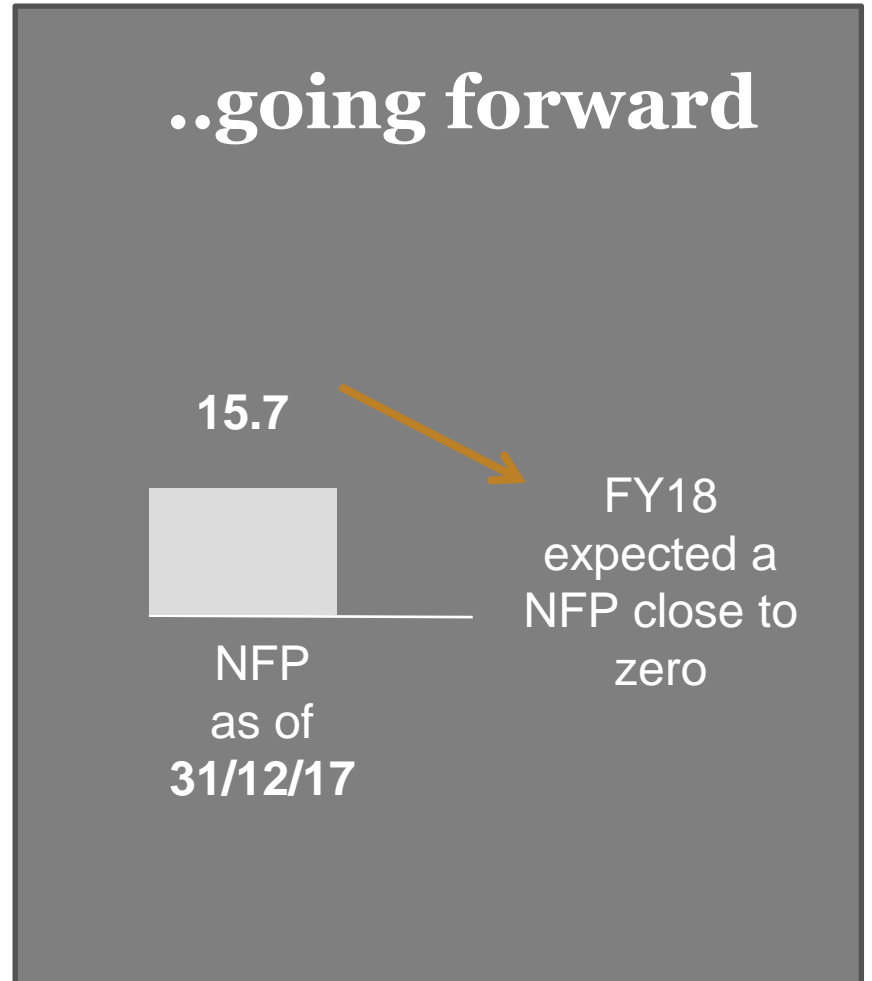
## FY 2016



Significant reduction in net debt which has fallen to €15.7 million compared to €51 million at 31 December 2016, thanks to

- the generation of cash
- very positive commercial working capital management

Further improvement expected in FY 2018 supported by cash generation, moving close to “zero”





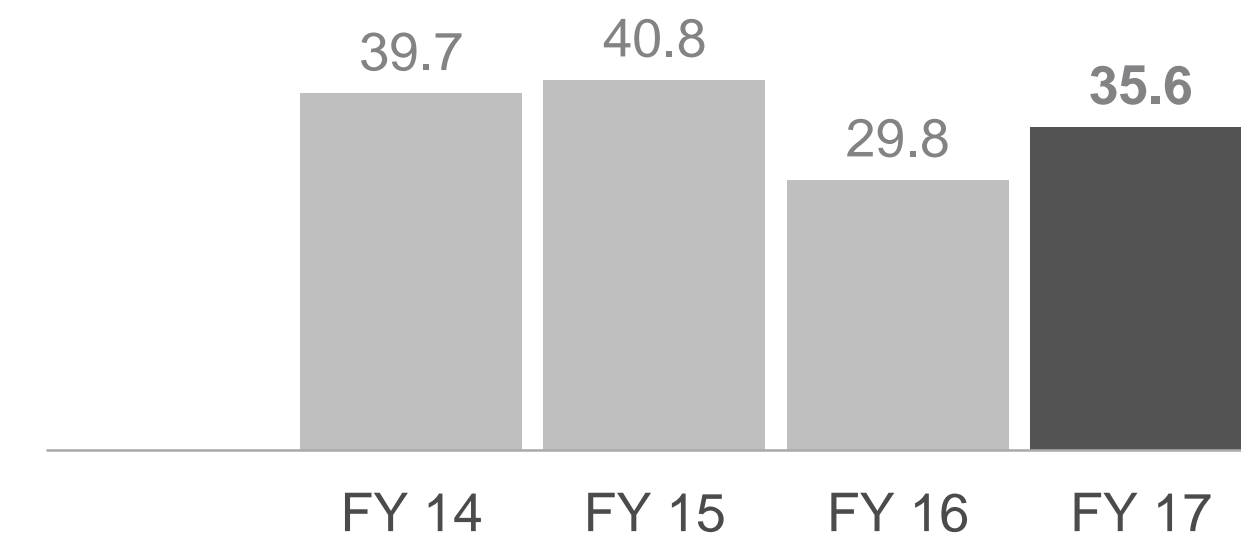


# Capex, Dividends and NFP trend

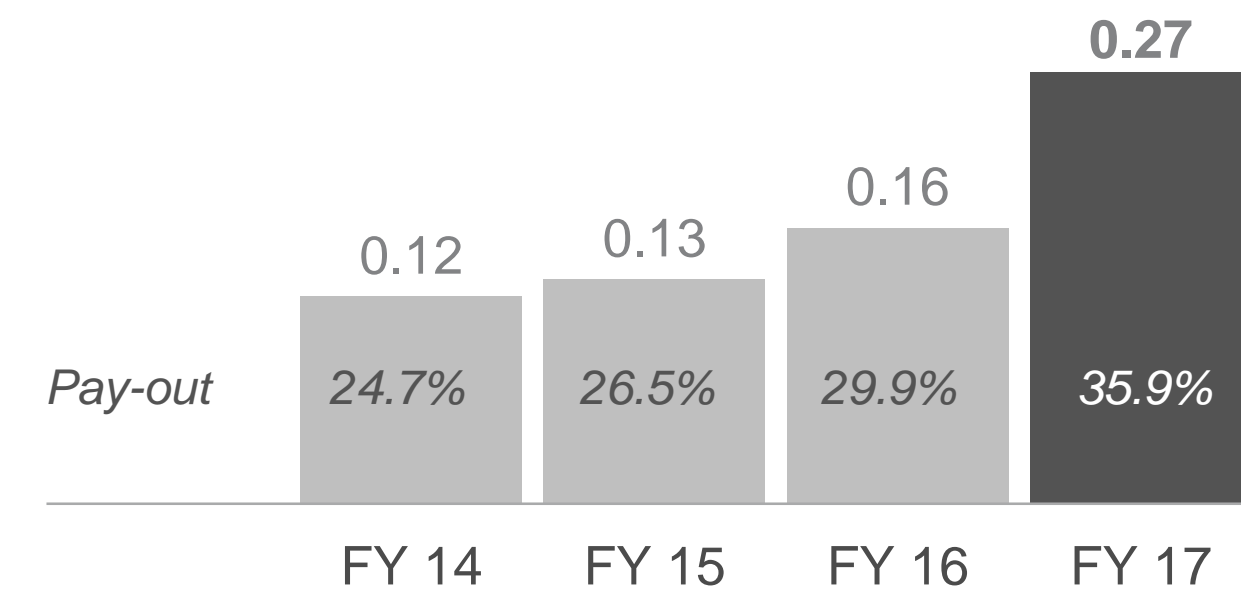
€ mln

Cash Flow generation allowed the company to keep high level of capex, distribute increasing dividends and reduce strongly Net Financial Position

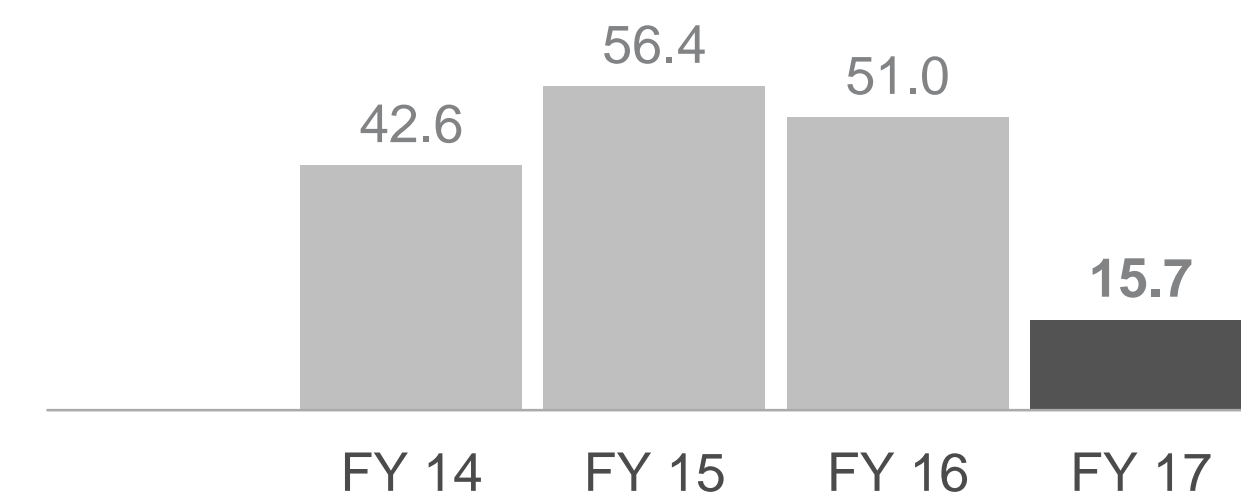
## 2013–2017 Investments



## 2013–2017 Dividends



## 2013–2017 Net Financial Position



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# Outlook

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*2017 ended with very positive results, but above all we would like to highlight the very favorable moment for the brand: sustainable growth, craftsmanship, manual skill, creativity and exclusivity continue to be the fundamental pillars of our industry*

*The sell-outs for the 2018 spring/summer collection are providing us with especially positive results; following the comments arriving from buyers, who had already called the offer “modern and of good taste” during the “sales campaign”, end customers – the authentic “judges” – have also shown their appreciation for the collection. The Fall Winter 2018 sales campaign is ending with very important results and with appreciation from both customers and highly specialized journalists. All this makes us imagine a year still very beautiful and allows us to work in all serenity, essential condition to be very creative*

*It is with pleasure that we welcome the significant interest being shown by some of the world’s leading universities and think-tanks to become acquainted with the “humanistic” way in which Brunello Cucinelli and the business he has created think and to examine this in further detail; we believe that this interest and the sharing of the values that underlie the “humanistic company” are held in common by our end customer, making growth prospects solid and sustainable also for 2018*

*Representative of the way in which we have always done business and will continue to do so was the decision taken by the prestigious Kiel Institute for the World Economy to award the Global Economy Prize to Brunello Cucinelli “for perfectly embodying the tradition of the Honourable Merchant”. Equally representative was the invitation given to him to discuss “gracious technology” at the Dreamforce Conference held in San Francisco in November 2017 in front of a vast audience of people who believe themselves to be “humanity’s great innovators and geniuses”*

*In 2018 and the following years we will continue to run our business with the same values, pursuing healthy objectives for growth, revenues and profits and attempting to be the “guardians of the Created” and to attend to a small part of the world. The attention we always give to foreign exchange risk hedging will additionally enable us to maintain the healthy margin levels, which represent our objective, also in the presence of the volatility in exchange rates that we are seeing*

*We continue our commitment to maintaining high levels of capital expenditure to protect the prestige of our brand and its exclusiveness in both the physical and digital channels*

*We are perfectly aware that our positioning at the top end of the luxury sector calls for a precise willingness to maintain increasingly modern selling spaces and showrooms, locations in the most important luxury streets, visual merchandising at the highest level and also an exclusive presence in the digital world, keeping our offer based on excellent quality and craftsmanship, supported by increasing up-to-date production equipment and the use of highly specialized artisanal laboratories that grow with the business*

*As we did in 2017, in 2018 we will continue with our virtuous process of cash generation, capable of absorbing the significant capital investments we expect to make and the additional increase in dividends and in pay-out, with the wish to share our profits with all of our shareholders, who have always believed in this Humanistic Business project*

*Consistent with these targets we expect to have a close-to-zero net financial position at the end of 2018, with a further improving next year*





· S O L O M E I ·  
· A D · M C C C X C I ·

BRUNELLO CUCINELLI

FY 17

Annex

# Income Statement Reported Vs. Adjusted

€ mln

	FY 2016	FY 2017	Ch. %
<b>Net Revenues</b>	<b>456,0</b>	<b>503,6</b>	+ 10,4%
Other operating income	1,1	2,1	+ 99,7%
<b>Revenues</b>	<b>457,0</b>	<b>505,7</b>	+ 10,6%
<b>First Margin</b>	<b>297,1</b>	<b>330,0</b>	+ 11,1%
%	65,0%	65,2%	+ 20 b.p.
SG&A	-220,4	-242,5	+ 10,0%
%	48,2%	48,0%	- 20 b.p.
<b>EBITDA</b>	<b>76,7</b>	<b>87,5</b>	+ 14,1%
%	16,8%	17,3%	+ 50 b.p.
D&A	-20,0	-22,8	+ 13,5%
%	4,4%	4,5%	+ 10 b.p.
<b>EBIT</b>	<b>56,6</b>	<b>64,7</b>	+ 14,3%
Income before taxation	53,4	59,4	+ 11,3%
<b>Net Income</b>	<b>37,1</b>	<b>52,5</b>	+ 41,4%
<i>Tax Rate</i>	30,5%	11,7%	

**FY 2016 normalized** - SG&A adjusted does not include one-off costs mainly related to the termination of employment payment of former co-Chief Commercial Officer

**FY 2017 – Patent Box** - Tax relief regime for the benefit of companies generating income through the direct and indirect use of intellectual property rights, patents, trademarks, designs and other intangible asset, with reference to fiscal years 2015-2019. Tax benefit for 2015 in the order of 2.9€ mln, for 2016 in order of 3.5€ mln and 4.0€ mln for 2017; benefits for 2018 and 2019 will be calculated when the financial statements for the respective years will be drawn up.

Tax benefit attributable to fiscal years 2015, 2016 and 2017 recognized in the 2017 as a deduction from “income taxes”.

	FY 2016	FY 2017	Ch. %
<b>EBITDA (FY 2016 normalizzato)</b>	<b>78,2</b>	<b>87,5</b>	+ 11,8%
	17,1%	17,3%	+ 20 b.p.
<b>Net Income (FY 2017 excl. Patent Box)</b>	<b>37,1</b>	<b>42,1</b>	+ 13,4%
<i>Tax Rate</i>	30,5%	29,2%	





# Detailed Income Statement Reported

€ mln

	FY 2016	FY 2017
Net Revenues	456.0	503.6
Other operating income	1.1	2.1
<b>Revenues</b>	<b>457.0</b>	<b>505.7</b>
Consumption Costs	(72.9)	(82.9)
Raw Material Cost	(81.8)	(87.2)
Inventories Change	8.9	4.3
Outsourced Manufacturing	(87.0)	(92.8)
<b>First Margin</b>	<b>297.1</b>	<b>330.0</b>
Services Costs (excl. Out. Manuf.)	(132.9)	(147.5)
Personnel costs	(81.4)	(89.1)
Other operating costs	(5.3)	(5.1)
Increase in tangible assets	1.3	1.9
Bad Debt and other provisions	(2.2)	(2.7)
<b>EBITDA</b>	<b>76.7</b>	<b>87.5</b>
D&A	(20.0)	(22.8)
<b>EBIT</b>	<b>56.6</b>	<b>64.7</b>
Financial expenses	(18.0)	(23.5)
Financial income	14.8	18.2
<b>EBT</b>	<b>53.4</b>	<b>59.4</b>
Income taxes	(16.3)	(6.9)
<i>Tax rate</i>	<i>30.5%</i>	<i>11.7%</i>
<b>Net Income</b>	<b>37.1</b>	<b>52.5</b>
<b>Minority Interest</b>	<b>0.7</b>	<b>1.4</b>
Group Net Profit	36.4	51.1



# Detailed Balance Sheet & Cash Flow Statement

€ mln

	FY 2016	FY 2017
Trade receivables	47.2	45.2
Inventories	154.8	152.6
Trade payables (-)	(63.4)	(65.3)
Other current assets/(liabilities)	(9.4)	(5.6)
<b>Net Working Capital</b>	<b>129.3</b>	<b>127.0</b>
Goodwill	0.0	7.0
Intangible assets	28.8	24.0
Tangible assets	111.3	115.7
Financial assets	5.7	6.3
<b>Total Assets</b>	<b>145.9</b>	<b>153.0</b>
Other assets/(liabilities)	1.7	(1.1)
<b>Net Invested Capital</b>	<b>276.8</b>	<b>278.9</b>
Cash & Cash equivalents (-)	(48.4)	(63.0)
Short term Debt	59.6	41.3
Long term Debt	39.7	37.3
<b>Net Financial Position</b>	<b>51.0</b>	<b>15.7</b>
Shareholders Capital	13.6	13.6
Share-premium Reserve	57.9	57.9
Reserves	111.0	136.4
Group Net Profit	36.4	51.1
<b>Group Equity</b>	<b>218.9</b>	<b>259.0</b>
Minority shareholders	6.9	4.2
<b>Total Equity</b>	<b>225.9</b>	<b>263.2</b>
<b>Total Funds</b>	<b>276.8</b>	<b>278.9</b>

	FY 2016	FY 2017
Net Income	37.1	52.5
D&A	20.0	22.8
Ch. In NWC and other	(12.6)	10.5
<b>Cash flow from operations</b>	<b>44.5</b>	<b>85.7</b>
Tangible and intangible investments	(29.6)	(27.5)
Other (investments)/divestments	(1.0)	(6.7)
<b>Cash flow from investments</b>	<b>(30.6)</b>	<b>(34.2)</b>
Dividends	(8.9)	(11.0)
Share capital and reserves increase	(0.7)	(2.9)
Net change in financial debt	(6.4)	(19.2)
<b>Total Cash Flow</b>	<b>(2.1)</b>	<b>18.4</b>

Decrease in "Trade Payables" related different approach to the declarations of intent which gives rise to VAT exemption for suppliers gives rise to a lower amount receivable from Tax Authorities and a corresponding decrease in trade payables. The lower amount in payables arising from investing activities is due to higher capital expenditure related to works performed on buildings near the closing of the previous year.

The change in "Other net liabilities" is due to the reporting at fair value of derivatives underwritten with the only purpose of hedging the exchange risk on commercial transactions in foreign currency. These derivatives are accounted following the "cash flow hedge" rules, which provide for the fair value to be booked as an asset or liability item on the Balance Sheet (Asset or Liabilities for current financial instruments), with a corresponding balancing reserve in Shareholders' equity to reflect the effective component of the change in fair value of derivatives, which will be reversed through revenues in the income statement at the point when the transaction being hedged is recognised for accounting purposes.



# Investor Relations

## Significant Shareholdings\*

Trust Brunello Cucinelli (Fedone s.r.l.)	51.0%
FMR LLC (Fidelity)	10.0%
Oppenheimer Funds	4.9%
Other	34.1%

\* As of the date of this document based on Consob major shareholdings disclosures

## Investor Relations & Corporate Planning Director

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## Board of Directors

<b>Brunello Cucinelli</b>	Chairman and C.E.O.
<b>Moreno Ciarapica</b>	Director and C.F.O.
<b>Riccardo Stefanelli</b>	Director and Co-C.E.O.
<b>Luca Lisandroni</b>	Director and Co-C.E.O.
<b>Camilla Cucinelli</b>	Director
<b>Giovanna Manfredi</b>	Director
<b>Carolina Cucinelli</b>	Director
<b>Andrea Pontremoli</b>	Lead Independent Director
<b>Candice Koo</b>	Independent Director
<b>Matteo Marzotto</b>	Independent Director
<b>Massimo Bergami</b>	Independent Director





# BRUNELLO CUCINELLI

This presentation may contain forward looking statements which reflect Management's current views and estimates.

The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements.

Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Figures as absolute values and in percentages are calculated using precise financial data. Some of the differences found in this presentation are due to rounding of the values expressed in millions of Euro.

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.





BRUNELLO CUCINELLI