BRUNELLO CUCINELLI

FY 20 Results

March 11th , 2021

Brunello Cucinelli

"We have just ended the year 2020, which will be a topic for discussion for generations to come, and which will stick to our memory as a painful time for the body and soul, but also as a time of great change for the benefit of humanity and Creation as a whole; in terms of revenues, we closed this year with a slight decrease of 9.9%.

These days I feel very strongly that in a few months we will be able to return to our normal quality of life. With this conviction, and thanks to the significant quantity of orders in our order portfolio from the Fall-Winter 2021 collections, which have been unanimously found beautiful by both customers and the specialised press worldwide, we are guiding for this "year of rebalancing" with a significant growth in turnover of between 15% and 20%; and as for 2022, we envisage – as per our ten-year plan for 2019 - 2028 – a growth of around 10%."

Our Approach and key operational choices

Three major decisions inspiring our approach to the pandemic

- ***Guaranteeing employment*** *and maintaining* ***wage levels*** *of all our human resources throughout the world*
- *Choosing* ***not to ask for discounts*** *from anyone, aware that during a pandemic everyone had a duty to take own responsibilities*
- *Launching the* ***"Brunello Cucinelli for Humanity"*** *project, making the decision to donate free of charge all the clothing left unsold in our direct stores due to the emergency and the temporary interruption of sales*

The key operational choices in 2020 were:

- *Expend the maximum creative effort to try to develop complete collections, available in the various showrooms around the world*
- *Not change the ambition and long-term objectives of the company due to the turbulence of an "intense" yet "contingent" event*
- *Communicate our vision of the world and business to institutions and the financial community, commenting on our financial and social expectations for 2020 and 2021*

Our Pillars

The achievement of this result is the result of the extraordinary commitment and great sense of responsibility of all the human resources who work with us, within the company, in artisanal workshops and in all companies that supply us with raw materials and services.

More than ever, we believe that the analysis of this result underscores four **characteristics peculiar to our company** *that in our opinion were decisive:*

- ***The wholly Italian production chain***
- ***The value of creativity and the product***
- ***The value of the multibrand***
- ***Casa Cucinelli***
- ***Physical and digital presence***
- ***The value of communication***
- ***The solidity of our presence in Europe and North America***
- ***Opportunities in China***

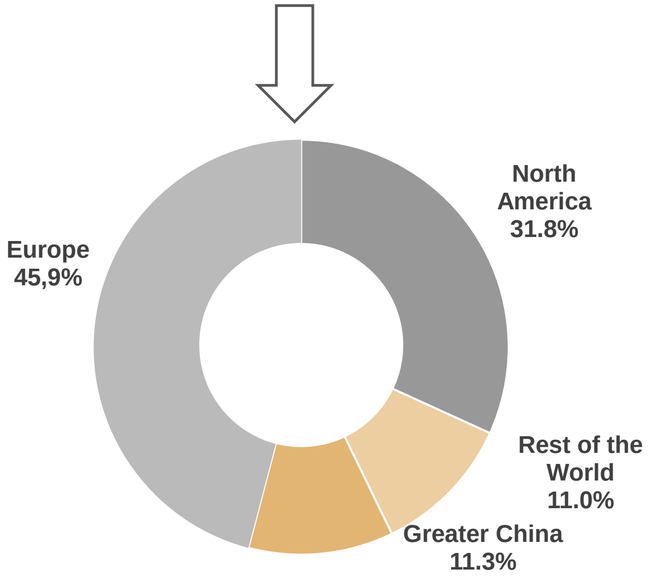
Revenues by Region

€ mln

	FY 19	FY 20	YoY % Chg	2H 19	2H 20	YoY % Chg
Net Revenues	607.8	544.0	-10.5%	316.4	338.9	**+7.1%**

Constant exchange rates FY 20 performance **-9.9%**

North America	204.1	172.8	-15.4%	110.0	115.3	**+4.8%**
Rest of Europe	184.8	181.5	-1.8%	92.4	111.4	**+20.6%**
Italy	89.7	68.3	-23.8%	45.4	39.4	**-13.3%**
China	62.9	61.7	-1.9%	34.1	38.9	**+14.0%**
RoW	66.3	59.7	-9.9%	34.5	33.9	**-1.5%**



Revenues Highlights

North America

The North American market returned to growth in the second half of the year, demonstrating a great resilience in demand. Positive wholesale orders were a key component of the performance and gave us great confidence in 2021

Rest of Europe

The very positive result was driven by the multibrand channel. Sales in the areas with local customers were very interesting, especially in central-northern Europe and the entire area of the former USSR, while tourist areas suffered more from the effects of the pandemic

China

Mainland China reported a positive result for the whole year, with a marked acceleration in H2, showing significant double-digit growth. The weakness of Hong Kong and Macao persisted over the 12 months, with some positive signs of recovery in the latter part of the year

Italy

The lack of tourists was partially compensated by the stability of Specialty Stores in the suburbs

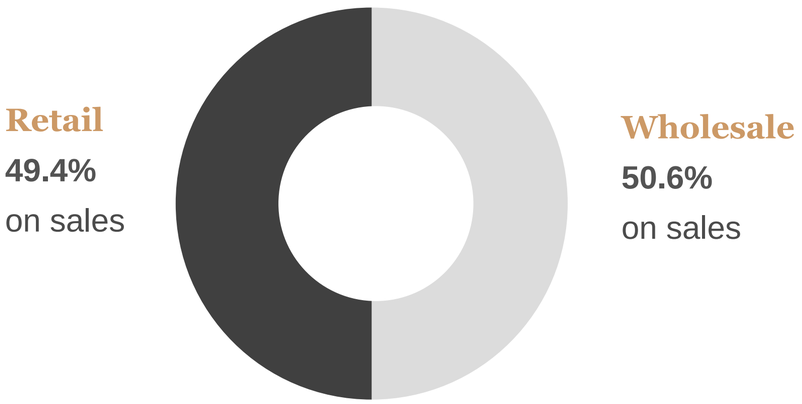
Rest of the World

Progressive recovery of sales in H2, characterised by solid results in South Korea and normalisation of sales in the Japanese market

Revenues by Distribution Channel

€ mln

	FY 19	FY 20	YoY % Chg	2H 19	2H 20	YoY % Chg
Retail	339.4	268.8	-20.8%	189.5	166.3	**-12.3%**
Wholesale	268.3	275.2	+2.6%	126.9	172.6	**+36.1%**



Monobrand Network

Retail Monobrand

107 boutiques as of December ‘20
(106 boutiques as of December ‘19)

Wholesale Monobrand

31 boutiques as of December ’20
(30 boutiques as of December ‘19)

Distribution Channel

Retail Channel

Very positive start in FY 2020, followed by drop in traffic due to pandemic situation; we managed to limit this effect through several actions that will also support our 2021 projects:

- significant growth in sales in our online boutique, which doubled its relative weight around 5%
- the launch of "Casa Cucinelli" as a new channel for interacting with customers
- great work done on the visual merchandising of physical and digital boutiques
- leveraging on the high level of loyalty to our brand

Wholesale Channel

Excellent result, confirming multibrand's ability to adapt the taste of the brand to the needs of the local customer and driven by initiatives implemented in 2020

- precision of production and delivery times
- very important assistance in restocking orders, and the possibility of physically touching the collections during the presentation
- contemporary nature of the apparel, without re-proposing items from past seasons
- connections with multibrand clients from the "Casa Cucinelli" space in Solomeo

Brunello Cucinelli for Humanity

Project in support of Mankind

We consider the Brunello Cucinelli for Humanity initiative, established to allocate excess garments resulting from the temporary closure of our boutiques due to the pandemic, to be a great resource for humanity and for our company, as partners, friends and the press from all over the world have themselves noted

We always like to have garments from the current season in our boutiques, which is why we have withdrawn the unsold garments and then re-labelled and delivered them to associations who distribute to people in needs located in all the countries we work in, also thanks to the help of our local partners

“It seems to me that this project - that we all define as "intense" - in some way raises the dignity of mankind and pays tribute to all those who have taken part in the manufacturing of these garments. It will go hand in hand with the other project started several years ago, which consists in repairing, recovering and reusing all of our products

All this goes to fulfil the greatest "human sustainability" project we have always believed in and that can be summed up as follows: "protecting the climate, reducing emissions, safeguarding the earth and wildlife, and taking care of human beings

It would be a real pleasure for me if this symbolic gesture was welcome as a sign of hope for a new and lasting time

Brunello Cucinelli

Income Statement

	FY 2019	FY 2020
Net Revenues	**607,8**	**544,0**
Other operating income	0,8	2,8
Revenues	**608,6**	**546,8**
First Margin	**416,9**	**372,1**
%	*68,5%*	*68,0%*
SG&A	-247,3	-282,6
%	*40,6%*	*51,7%*
EBITDA	**169,6**	**89,5**
%	*27,9%*	*16,4%*
D&A	**-86,3**	**-104,3**
%	*14,2%*	*19,1%*
EBIT	**83,4**	**-14,8**
%	*13,7%*	*-2,7%*
EBT	**69,2**	**-33,8**
Net Income	**53,1**	**-32,1**
Tax Rate	*-23,3%*	*5,1%*

	FY 2019 *	FY 2020 **
EBITDA Adjusted	**106,1**	**41,8**
%	*17,4%*	*7,7%*
EBIT Adjusted	**76,8**	**6,9**
%	*12,6%*	*1,3%*
EBT Adjusted	**71,4**	**1,1**
Net Income Adjusted	**49,3**	**2,7**
Tax Rate	*-30,9%*	*n.a.*

* Adjusted for IFRS-16 accounting standard and 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. This was equal to € 5.65 mln as of 12/31/2019).

** Adjusted for IFRS-16 accounting standard and extraordinary Inventory write-down of € 31,7 mln due to pandemic effect

Income Statement Reconciliation

	EBITDA	Inventory write-down	Rents / IFRS 16 Impact	Other Revenues / IFRS 16 Impact	Amortization / IFRS 16 Impact	Financial Charges / IFRS 16 Impact	Taxation	EBITDA Adjusted
as of 31.12.2020	89,5	31,7	-78,5	-0,9	-	-	-	41,8
as of 31.12.2019	169,6	-	-63,7	+0,2	-	-	-	106,1

	EBIT	Inventory write-down	Rents / IFRS 16 Impact	Other Revenues / IFRS 16 Impact	Amortization / IFRS 16 Impact	Financial Charges / IFRS 16 Impact	Taxation	EBIT Adjusted
as of 31.12.2020	-14,8	31,7	-78,5	-0,9	+69,4	-	-	6,9
as of 31.12.2019	83,4	-	-63,7	+0,2	+56,9	-	-	76,8

	EBT	Inventory write-down	Rents / IFRS 16 Impact	Other Revenues / IFRS 16 Impact	Amortization / IFRS 16 Impact	Financial Charges / IFRS 16 Impact	Taxation	EBT Adjusted
as of 31.12.2020	-33,8	31,7	-78,5	-0,9	+69,4	+13,2	-	1,1
as of 31.12.2019	69,2	-	-63,7	+0,2	+56,9	+8,9	-	71,4

	Net Profit	Inventory write-down	Rents / IFRS 16 Impact	Other Revenues / IFRS 16 Impact	Amortization / IFRS 16 Impact	Financial Charges / IFRS 16 Impact	Taxation	Net Profit Adjusted
as of 31.12.2020	-32,1	31,7	-78,5	-0,9	+69,4	+13,2	-0,1	2,7
as of 31.12.2019	53,1	-	-63,7	+0,2	+56,9	+8,9	-6,0 *	49,3

* FY 19 taxation reconciliation mainly due to € 5.7 mln Patent Box impact

Income Statement highlights

Production Costs

Production costs amounted to €174.7 million compared to €191.6 million last year, with a relative impact on turnover of 32.0% compared to 31.5% in 2019, the First Margin therefore remaining substantially unchanged.

Operating Costs

Operating costs went from €247.3 million (40.6%) to €282.6 million (51.7%), an increase mainly due to the development of the network of single-brand stores and the effects of the critical choices of maintaining the remuneration levels of all employees unchanged and not demanding discounts from any supplier, third-party manufacturer or lessor

Personnel costs

Major principled decisions: guaranteeing employment and maintaining wage levels of all our human resources throughout the world

New hires supported strategic initiatives, sales network expansion projects, digital growth and the strengthening of central structures

Cost of rents

The increase in the cost of rents net of IFRS 16 have been related to new openings and the significant expansion of some existing areas

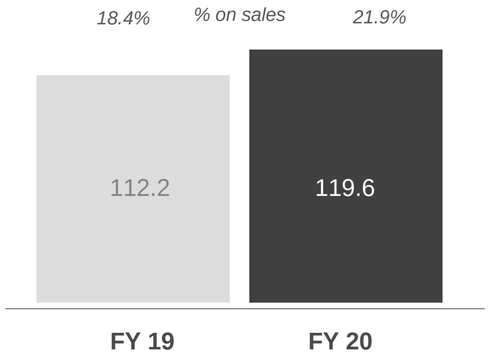
Investments in communications

Great attention devoted, representative of our desire to support the brand and its desirability; the slight increase in communication costs – 5.9% compared to 5.8% last year - derived from the choice to keep the commitments made with physical and digital publishers around the world to ensure the continuity of our communications

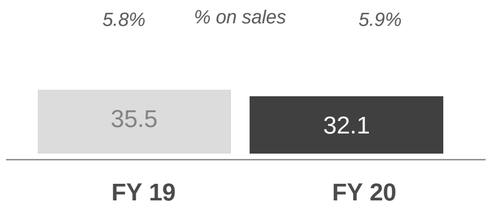
Income Statement highlights

€ mln

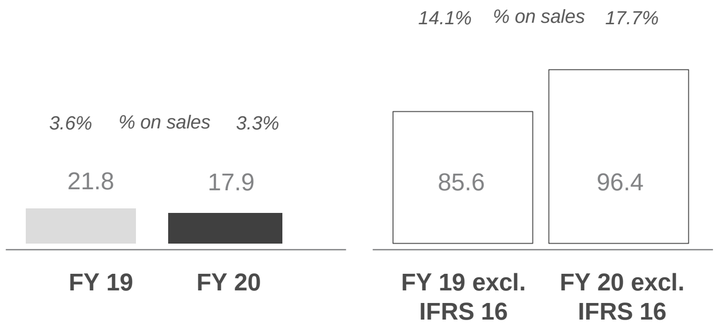
Personnel cost



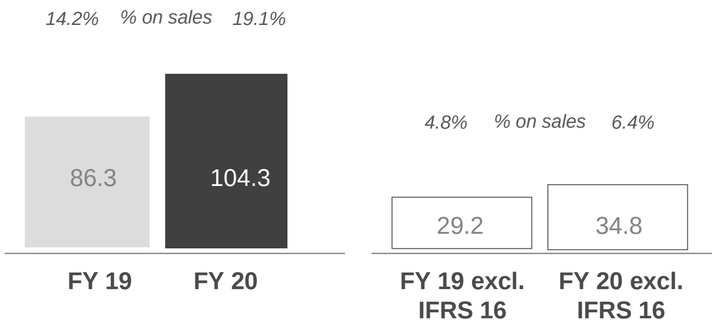
Investments in Communication



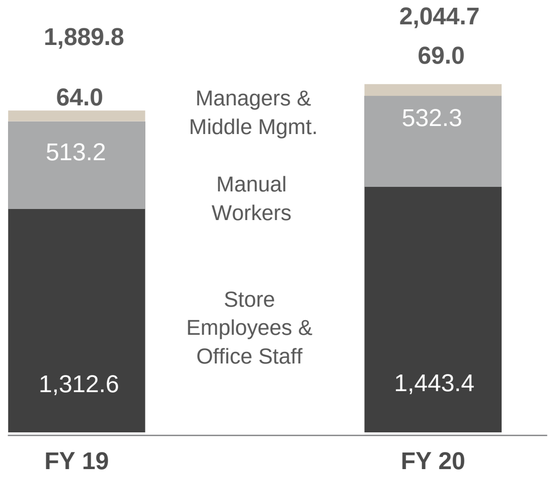
Rent cost



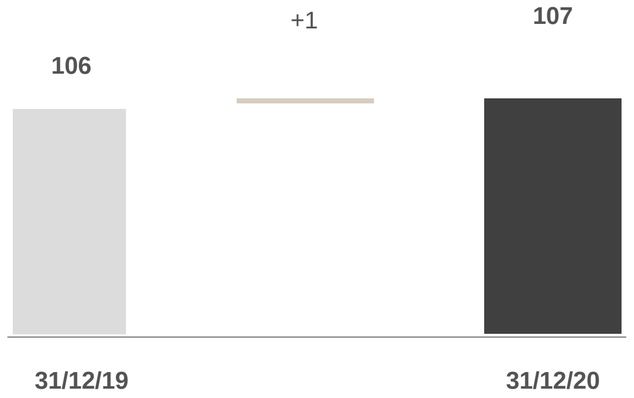
D&A



Average FTE - Workforce Analysis



DOS Network from 31/12/19 to 31/12/20



Net Working Capital

€ mln

	FY 2019	FY 2020	*delta*
Trade Receivables	58,6	78,9	20,3
Inventories	204,9	208,3	3,5
Trade Payables	-89,5	-91,4	-2,0
Strict Net Working Capital	**174,0**	**195,8**	21,8
Incidence on 12 months rolling Net Revenues	*28,6%*	*36,0%*	
Other Credits/(Debts)	-18,9	-9,1	9,9
Net Working Capital	**155,1**	**186,7**	31,6
Incidence on 12 months rolling Net Revenues	*25,5%*	*34,3%*	

Other Credits/(Debts)* trend mainly due to the measurement at fair value of outstanding hedging derivatives

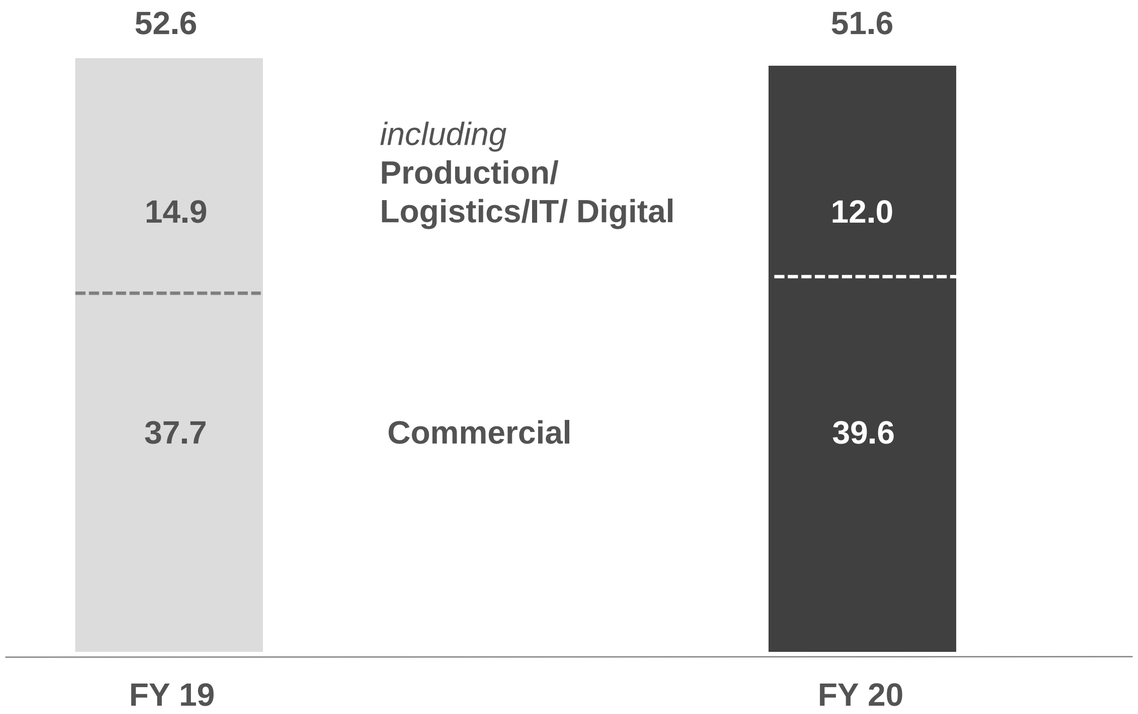
- Changes in **inventory** show a full recovery after the significant increase reported as at 30 June 2020, generated by a delay in shipment of orders for the Fall/Winter 2020 collection due to the lockdown period. This **postponement of shipping times** was efficiently recovered in H2 2020 thanks to an intense work schedule that allowed us to meet the delivery times of goods to all customers in July/August.

- The **trade receivables** dynamics were essentially influenced by two factors: the first related to the increase in shipments and restocking in the wholesale channel in Q4 2020, the second related to payment deferrals granted to some customers based on a very strong relationship of trust established over the years

- **Trade payables** in line with the previous year, maintaining the same timing of payments to suppliers, contractors and consultants

Investments

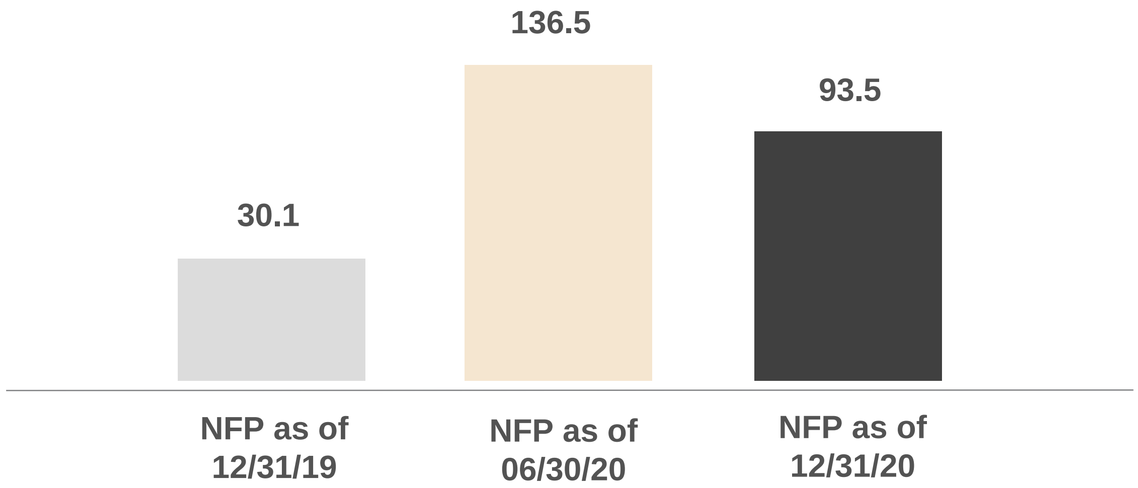
€ mln



- Once again in 2020 we devoted a great deal of attention to investments in the belief that continuous innovation is a decisive factor in keeping the company modern and maintaining sustainable growth over the long term
- Commercial investments mainly directed towards the selected expansion of network boutiques and the constant updating of the look and image of our showrooms around the world, with the same attention was paid to our online presence
- Renewal of production facilities, ICT investments including new technological platforms, information security and new application software

Net Financial Position *(ex- IFRS 16)*

€ mln



- The net financial position was impacted by the effects of the pandemic on 2020 results, however the end-of-year data already show significant improvement compared to the €136.5 million reported as at 30 June 2020
- Including financial payables for leases as required by IFRS 16, Net Financial Debt amounted to €605.7 million at 31 December 2020 compared to €512.2 million at 31 December 2019
- The trend in net financial debt was affected by the dynamics related to the Covid-19 pandemic, and led to the need for additional financing and, consequently, taking out new loans: during 2020 disbursements were obtained for a total of €151.7 million compared to repayments made during the year for €36.4 million, without the interventions supported by the SACE guarantee granted by the Italian State

Outlook

We approach 2021 in the belief that **2020**, which we consider a "**year of transition**", has made us **even stronger** and **better prepared** to face all the challenges of the coming years

We believe that our planning and growth expectations are based on **solid foundations**, which make our development project healthy, sustainable and balanced

We are aware that we can embark once again on this path of growth accompanied by the strength of our organisation and the implicit traits of our **business model**, starting from the important choices that guided our action in 2020

We are convinced that the desire to continue devoting a **great deal of attention to investments** is a decisive factor in keeping the company contemporary, a prerequisite for the long-term development that lies ahead

The 2021 that we are building is based on the values that we have always aspired to and that in recent times have guided us: the **right growth**, the **right profit** and the **right balance between profit and giving**

A prerequisite of our development plans remains the search for a **work life** that is even more **focused on the needs of human sustainability**

We have always tried to be particularly attentive to: a type of authentic, **substantive sustainability that fully represents a fundamental and indispensable value of our work.**

Outlook

We look very positively to **2021,** which we consider a "**year of rebalancing**", and we expect **great growth in sales – between +15% and +20% compared to 2020 and between 3% and 7% compared to 2019** – knowing that the end of the pandemic is near.

We believe our estimate to be very solid, and well supported by:

- **Current trends in orders** for the Spring/Summer 2021 and Fall/Winter 2021 collections, both concluded with very positive results, thanks also to an overall trend in fashion towards a taste more suited to our own
- The **great interest of buyers and the trade press** in the latest Fall/Winter 2021 collections, which leads us to imagine equally positive feedback from the end customer and positive sell-outs in the direct channel
- **Development of the network of boutiques and sales spaces**, which also includes some prestigious expansions
- The **significant investments** being made, which allow us to keep the brand's allure very high and the company modern

The growth will continue in **2022**, with an increase in turnover that we forecast to be **around +9% and 10%**

2022 will continue the strategic orientation of 2021, **working to develop fresh, contemporary collections** featuring high levels of creativity, the result of continuous research and innovation, and craftsmanship, thanks to our network of artisanal workshops that are fully ready to grow together with us

We will continue the plan to **selectively develop sales spaces**, both in the direct channel with boutique extensions and new openings, and in the multibrand channel with the **progressive development of beautiful Specialty Stores** in geographical areas like China where this channel is growing in importance

The **significant investment project** will continue in 2022, maintaining a **solid balance sheet**

This fits well within our **2019-2028 ten-year plan**, which likely slowed sharply in 2020 but which will now regain its balance, and we continue to imagine **doubling our turnover in 2028 to around €1.1 billion.**

BRUNELLO CUCINELLI

FY 20

Annex

Detailed Income Statement

€ mln

	FY 2019	FY 2020
Net Revenues	607,8	544,0
Other operating income	0,8	2,8
Revenues	**608,6**	**546,8**
Consumption Costs	(72,3)	(53,7)
Raw Material Cost	(112,4)	(98,0)
Inventories Change	40,1	44,3
Outsourced Manufacturing	(119,4)	(121,0)
First Margin	**416,9**	**372,1**
Services Costs (excl. Out. Manuf.)	(128,7)	(122,3)
Personnel costs	(112,2)	(119,6)
Other operating costs	(7,5)	(8,9)
Increase in tangible assets	2,4	3,3
Bad Debt and other provisions	(1,3)	(35,1)
EBITDA	**169,6**	**89,5**
D&A	(86,3)	(104,3)
EBIT	**83,4**	**(14,8)**
Financial expenses	(41,4)	(47,0)
Financial income	27,2	28,0
EBT	**69,2**	**(33,8)**
Income taxes	(16,1)	1,7
Tax rate	*(23,3%)*	*5,1%*
Net Income	**53,1**	**(32,1)**
Minority Interest	0,5	1,1
Group Net Profit	52,6	(33,2)

Detailed Balance Sheet & Cash Flow Statement

€ mln

	FY 2019	FY 2020
Trade receivables	58,6	78,9
Inventories	204,9	208,3
Trade payables (-)	(89,5)	(91,4)
Other current assets/(liabilities)	(18,9)	(9,1)
Net Working Capital	**155,1**	**186,7**
Goodwill	7,0	7,0
Intangible assets	445,1	482,3
Tangible assets	145,5	154,4
Financial assets	9,4	11,4
Total Assets	**607,1**	**655,3**
Other assets/(liabilities)	18,4	24,9
Net Invested Capital	**780,6**	**866,8**
Cash & Cash equivalents (-)	(78,1)	(72,8)
Short term Debt	139,8	181,3
Long term Debt	419,4	497,3
Net Financial Position	**481,2**	**605,7**
Shareholders Capital	13,6	13,6
Share-premium Reserve	57,9	57,9
Reserves	173,6	220,7
Group Net Profit	52,6	(33,2)
Group Equity	**297,6**	**259,0**
Minority shareholders	1,7	2,1
Total Equity	**299,3**	**261,1**
Total Funds	**780,6**	**866,8**

	FY 2019	FY 2020
Net Income	53,1	(32,1)
D&A	86,3	104,3
Ch. In NWC and other	(24,2)	(35,8)
Cash flow from operations	**115,1**	**36,5**
Tangible and intangible investments	(52,0)	(48,6)
Other (investments)/divestments	(0,0)	7,6
Cash flow from investments	**(52,0)**	**(41,1)**
Dividends	(20,5)	(1,1)
Share capital and reserves increase	(6,1)	0,0
Net change in financial debt	(25,1)	12,3
Total Cash Flow	**11,5**	**6,7**

Investor Relations

Significant Shareholdings*

Trust Brunello Cucinelli (Fedone s.r.l.)	51.0%
FMR LLC (Fidelity)	9.5%
Invesco LTD	4.2%
Other	35.3%

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

Investor Relations & Corporate Planning Director

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Solomeo (PG)
Italia

Board of Directors

Brunello Cucinelli	Excutive Chairman and Creative Director
Riccardo Stefanelli	C.E.O.
Luca Lisandroni	C.E.O.
Camilla Cucinelli	Director
Giovanna Manfredi	Director
Carolina Cucinelli	Director
Andrea Pontremoli	Independent Director
Stefano Domenicali	Independent Director
Anna Chiara Svelto	Independent Director
Emanuela Bonadiman	Independent Director
Maria Cecilia La Manna	Independent Director
Ramin Arani	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.

MARE INCOGNITO
AMERICA
NOVA FRANCIA
CLVBIRI
POPVLI
QVIRIR
CARTAGENA
QVITO
TERRA DEL BRASIL
MARE DEL SVR
EQVINDTIALE
NOVA GVINEA
TROPICVS CAPRICORNI
CIRCVLVS ANTARTICVS
EUROPA
ASIA
AFRICA
TARTARIA
TVRBI
CIRCASIA
MARE CASPIO
MARE MAGGIORE
MEDITERRANEO
NAPOLI
DESERTO DE I LOP
GOLFO PERSICO
ARABIA FELICE
MARE ROSSO
INDIA
MARE OCEANO ORIENTALI
MARE OCEANO MERIDION
SOLOMEI
AD MCCCXCI
BRUNELLO CUCINELLI
From here on, I would like to resume the journey towards Universal Humanism