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BRUNELLO CUCINELLI

1H 20 Results

August 27th , 2020

Brunello Cucinelli

«Following this half-year - strongly impacted by the pandemic -, we are now moving towards a significant trend reversal. Since July 1 we have been looking at the company with a fresh new eye, considering this to be a year of "transition" between a "past time" and a "new time".»

«Having reached the end of August, we can envisage that this trend should result in rising sales compared to last year for both the third and the fourth quarter, therefore 2020 should feature a slight decrease in turnover of around 10%.»

«The Spring Summer 21 collections have been met with much success and the ensuing sizeable order intake prompts us to envisage a good 2021 with revenues increasing by around 15%; in addition, the above leads us to view 2021 as the "year of rebalancing".»





Financial Highlights

Net Revenues

€205.1 mln

-29.6% at current exchange rates

-29.8% at constant exchange rates

EBITDA Adjusted*

- €14.1 mln

EBIT Adjusted*

- €29.8 mln

NET PROFIT Adjusted*

- €25.8 mln

Italian market

-34.7% sales

Retail

-31.6% sales

Rest of Europe

-24.1% sales

North America

-38.9% sales

Wholesale monobrand

-25.3% sales

China

-20.6% sales

RoW

-19.1% sales

Wholesale multibrand

-27.8% sales

Capex

€22.4 mln

Characteristic Net Financial Position

€136.5 mln

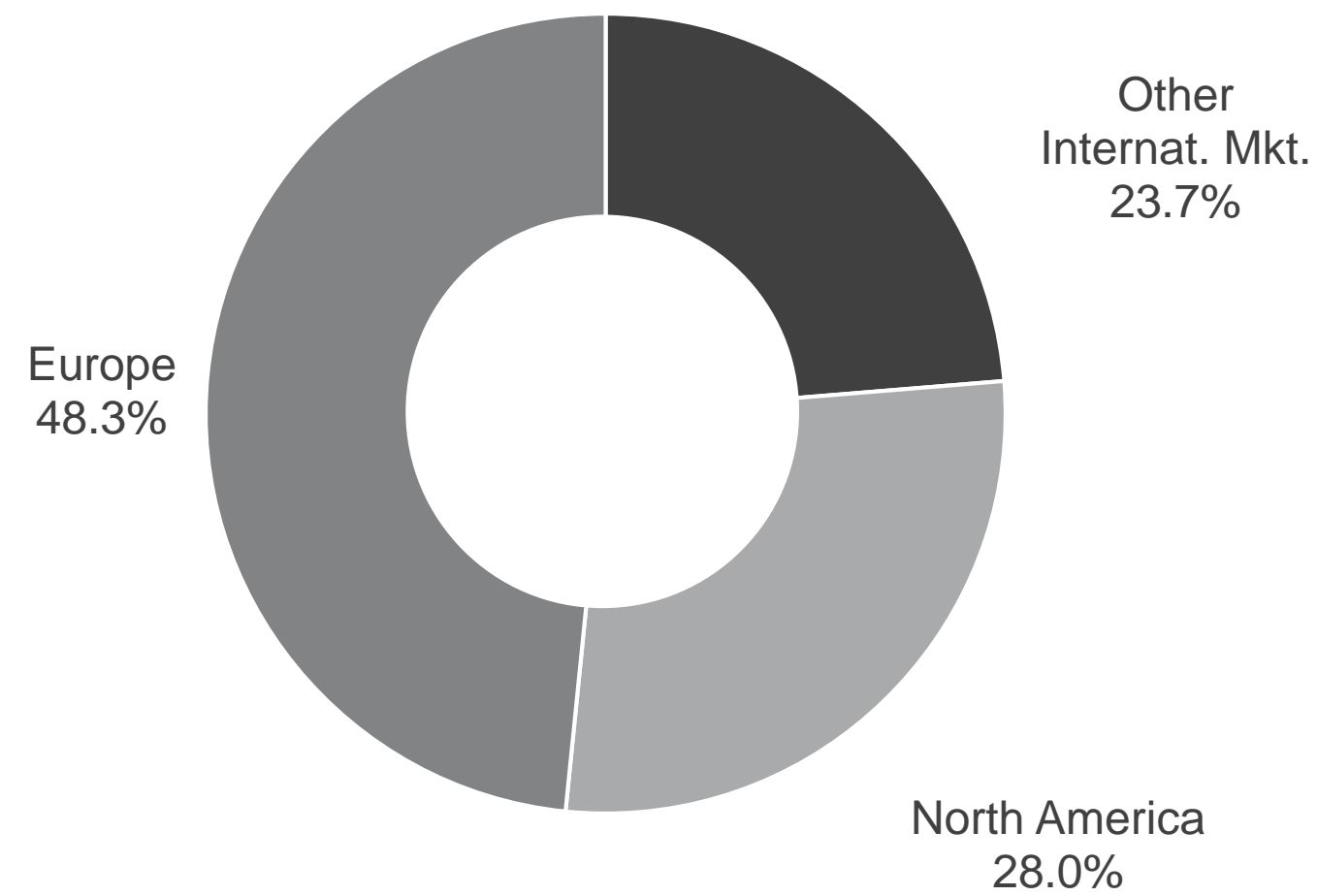
* Slide 11 includes reconciliation between adjusted results and reported results





Revenues by Region

€ mln	1H 19	1H 20	YoY % Chg
Net Revenues	291.4	205.1	-29.6%
	Constant exchange rates -29.8%		
Italy	44.3	28.9	-34.7%
Rest of Europe	92.4	70.1	-24.1%
North America	94.1	57.5	-38.9%
China	28.8	22.9	-20.6%
RoW	31.8	25.8	-19.1%





Revenues Highlights

Italy

Positive initial sales results, with 1H 20 performance very strongly influenced by the closure of retail spaces.

Positive trend in order collections for the Fall-Winter 2020 season is confirmed, with interesting signs of recovery in sales thanks to the gradual reopening of retail spaces

North America

Significant rise in revenues until the first half of March, with a strong impact on 1H 20 sales following the closure of boutiques and multibrand stores

Interesting feedback concerning the presence of and purchases made by local clients with confirmation of the orders collected for the Fall-Winter 2020 campaign

China

Since the end of the lockdown, the sales trend has improved and progressively consolidated, with sales in the retail channel rising solidly compared to last year.

Taste, allure and exclusivity represented by our brand, as well as the values of human dignity we have always tried to support, fuel the extremely high potential we have in this market, both in relation to the monobrand and multibrand channel

Rest of Europe

The closure of boutiques all over Europe strongly influenced the results of the first half of the year.

Confirmation of previously collected orders and purchases made by local clients, who represent our main target of reference

Rest of the World

The result is influenced by store closures worldwide, which, at different times depending on the geographic area, continued throughout most of the second quarter of 2020

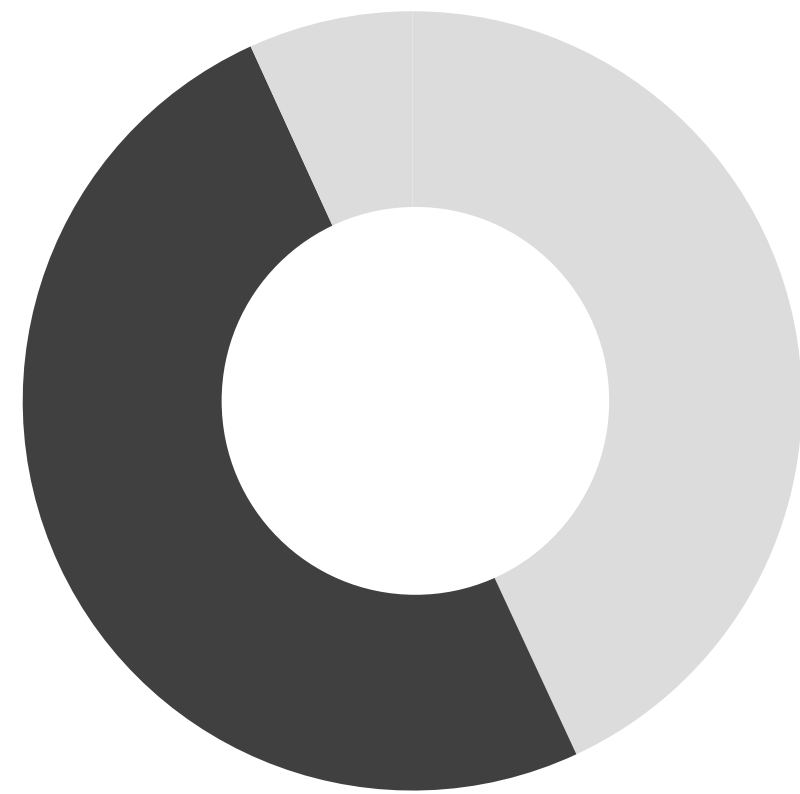


Revenues by Distribution Channel

€ mln

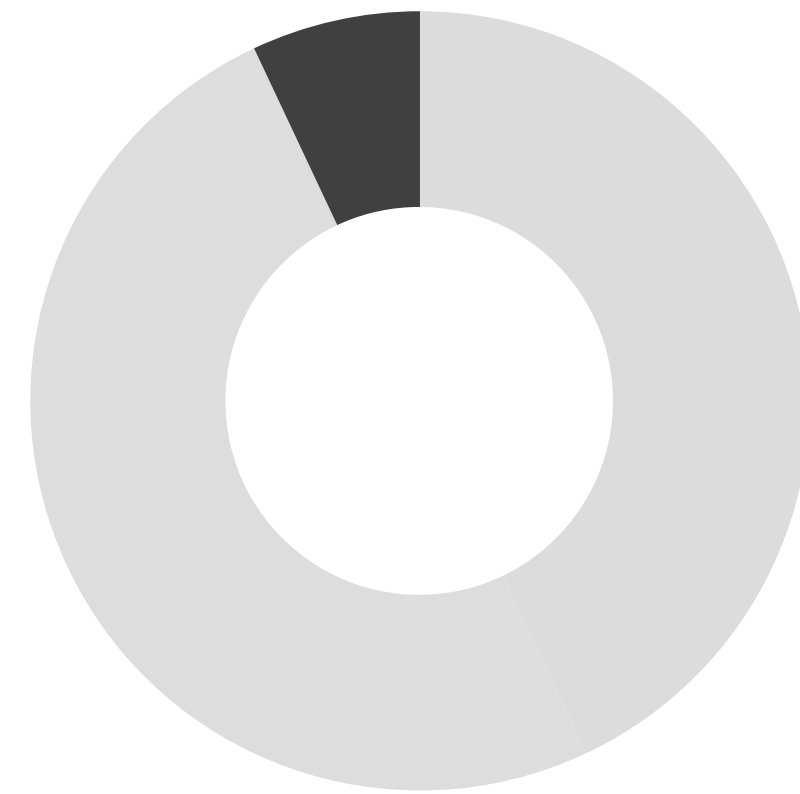
Retail

50.0%
on sales



Wholesale Monobrand

6.6%
on sales



Wholesale Multibrand

43.4%
on sales



1H 19



149.9

1H 20



102.5

-31.6%

1H 19



18.2

1H 20



13.6

-25.3%

1H 19



123.3

1H 20



89.0

-27.8%



Retail & Wholesale Monobrand



Retail

107 boutiques as of June '20
(106 boutiques as of December '19)

Wholesale Monobrand

30 boutiques as of June '20
(30 boutiques as of December '19)



Wholesale Multibrand

Spring Summer 2020 collections showed positive results and sell-out data until the lockdown, when corporate operations related to production were temporarily suspended, including deliveries to multibrand and monobrand wholesale channels

From 4 May, these operations were resumed, with a **total recovery of the Fall-Winter production in July**

Confirmation of orders for the Fall-Winter 2020 collections

Fall-Winter 2020 collections deliveries about 1 month later than planned to meet the new demands in terms of **re-balancing seasons inside retail spaces and launching collections**, to be structural both for the Fall-Winter collections and for the upcoming Spring-Summer collections



Income Statement

	1H 2019	1H 2020
Net Revenues	291,4	205,1
Other operating income	0,4	1,3
Revenues	291,8	206,5
First Margin	194,2	138,6
%	66,6%	67,1%
SG&A	-115,0	-142,0
%	39,4%	68,8%
EBITDA	79,2	-3,4
%	27,1%	-1,7%
D&A	-40,1	-49,9
%	13,7%	24,1%
EBIT	39,1	-53,3
%	13,4%	-25,8%
EBT	32,7	-64,3
Net Income	25,0	-47,7
<i>Tax Rate</i>	-23,5%	25,9%

	1H 2019 [*]	1H 2020 ^{**}
EBITDA Adjusted	49,9	-14,1
%	17,1%	-6,8%
EBIT Adjusted	35,9	-29,8
%	12,3%	-14,5%
EBT Adjusted	33,0	-34,0
Net Income Adjusted	22,8	-25,8
<i>Tax Rate</i>	-31,1%	24,1%

* 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 € 2.5 mln as of 06/30/2019).

** Adjusted for IFRS-16 accounting standard and Inventory write-down of € 30 mln.



Income Statement Reconciliation

		Inventory write-down	Rents / IFRS 16 Impact	Other Revenues / IFRS 16 Impact	Amortization / IFRS 16 Impact	Financial Charges / IFRS 16 Impact	Taxation	
EBITDA								EBITDA Adjusted
as of 30.06.2020	-3,4	+30,0	-40,0	-0,7	-	-	-	-14,1
as of 30.06.2019	79,2	-	-29,5	+0,2	-	-	-	49,9
EBIT								EBIT Adjusted
as of 30.06.2020	-53,3	+30,0	-40,0	-0,7	+34,1	-	-	-29,8
as of 30.06.2019	39,1	-	-29,5	+0,2	+26,1	-	-	35,9
EBT								EBT Adjusted
as of 30.06.2020	-64,3	+30,0	-40,0	-0,7	+34,1	+6,8	-	-34,0
as of 30.06.2019	32,7	-	-29,5	+0,2	+26,1	+3,6	-	33,0
Net Profit								Net Profit Adjusted
as of 30.06.2020	-47,7	+30,0	-40,0	-0,7	+34,1	+6,8	-8,4 [*]	-25,8
as of 30.06.2019	25,0	-	-29,5	+0,2	+26,1	+3,6	-2,5 ^{**}	22,8

* 1H 20 taxation reconciliation mainly due to fiscal effects related inventory write-down of € 30 mln

** 1H 19 taxation reconciliation mainly due to Patent Box impact



Income Statement Highlights

Production Costs

Production costs amounted to 67.9 million euros at 30 June 2020, compared to 97.6 million euros at 30 June 2019, with an incidence on turnover that fell from 33.4% last year to 32, 9% and a simultaneous slight improvement in the incidence of the First Margin

Operating Costs

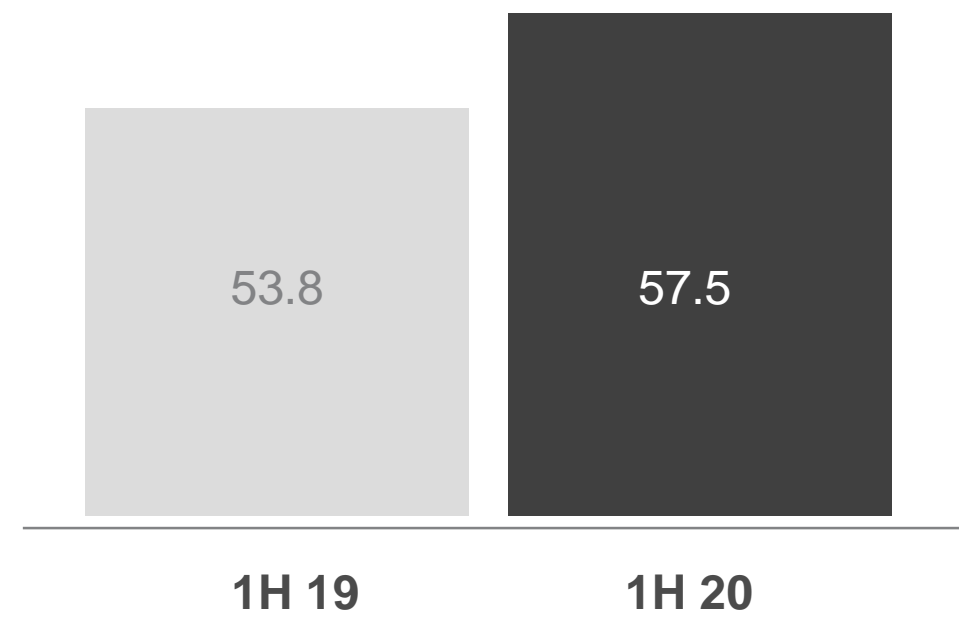
The dynamics of operating costs correlated to the initiatives in progress, which support the prospects of future growth projects and keep the company structure solid, including development of the boutiques network, digital projects, consolidation of all the new projects launched last year (kids collections and “Sartoria Solomeo”)



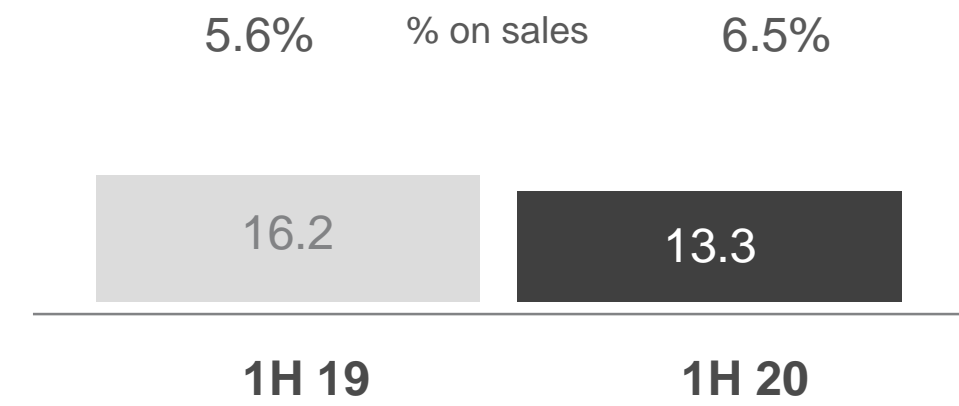
Income Statement highlights

€ mln

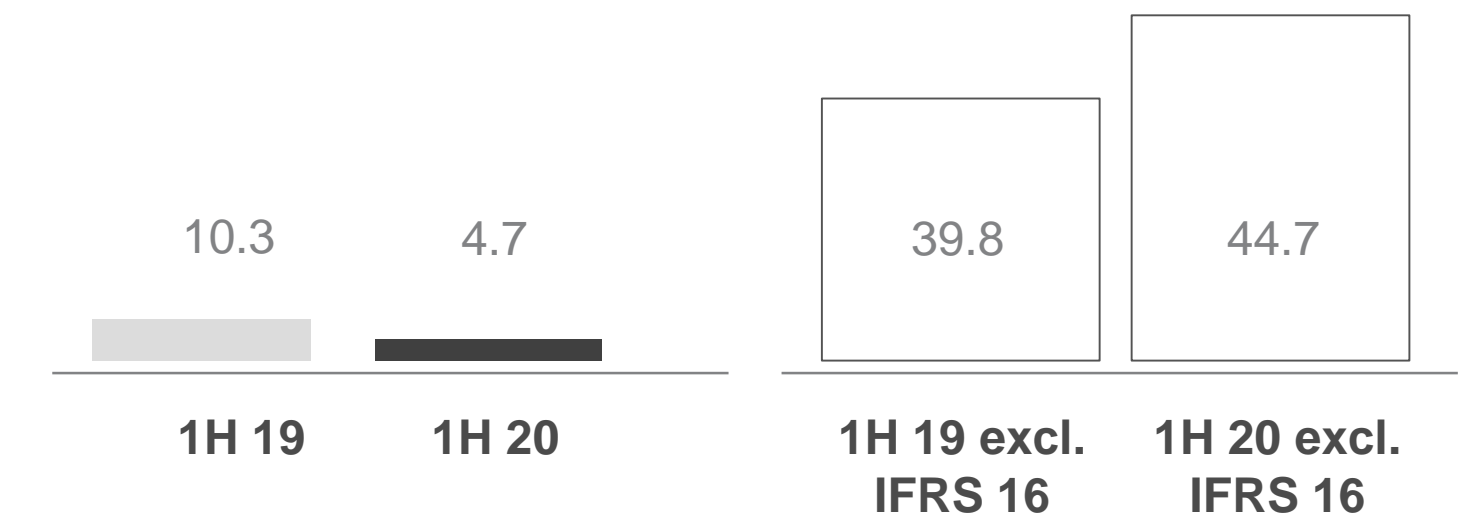
Personnel cost



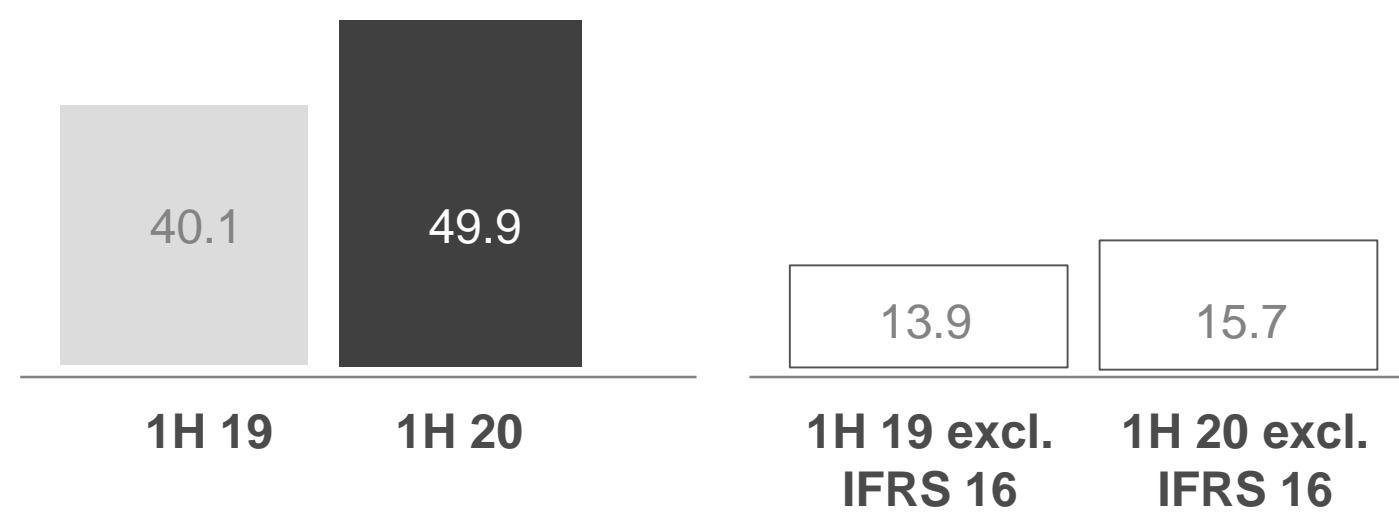
Investments in Communication



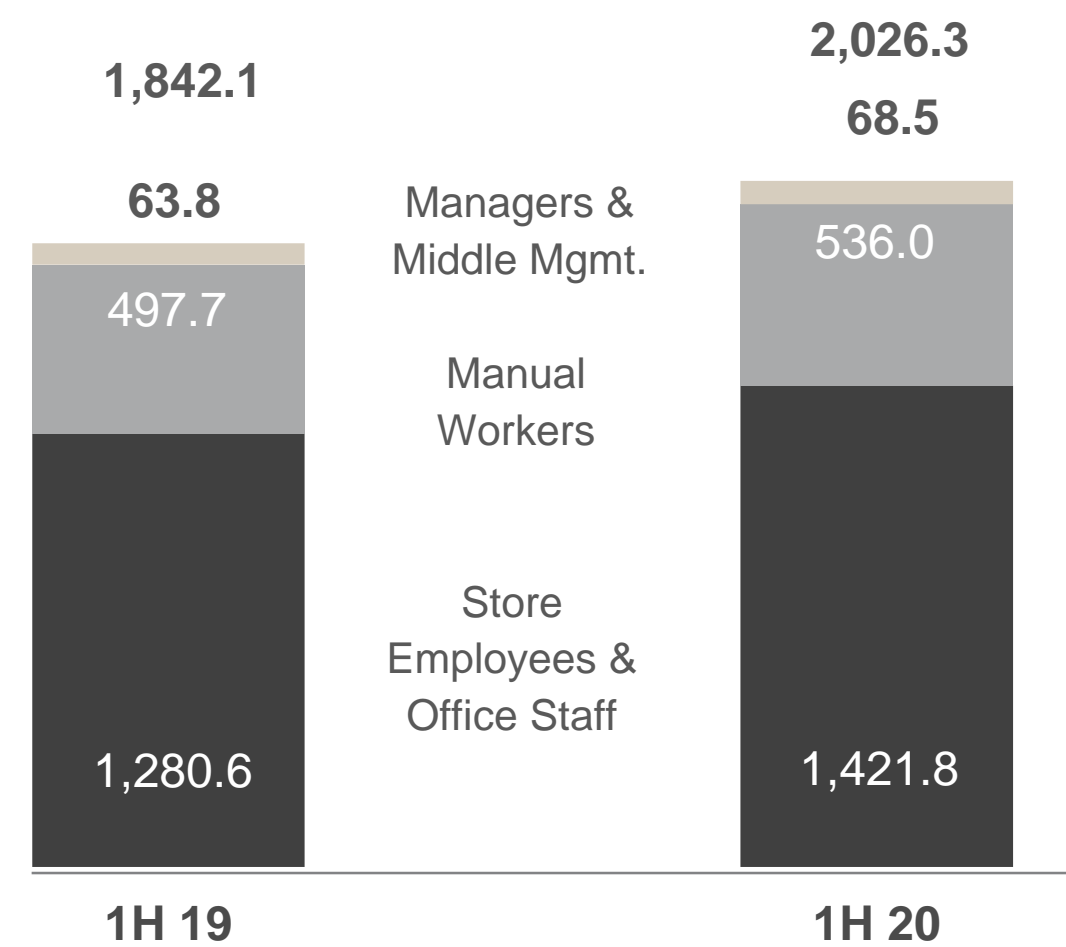
Rent cost



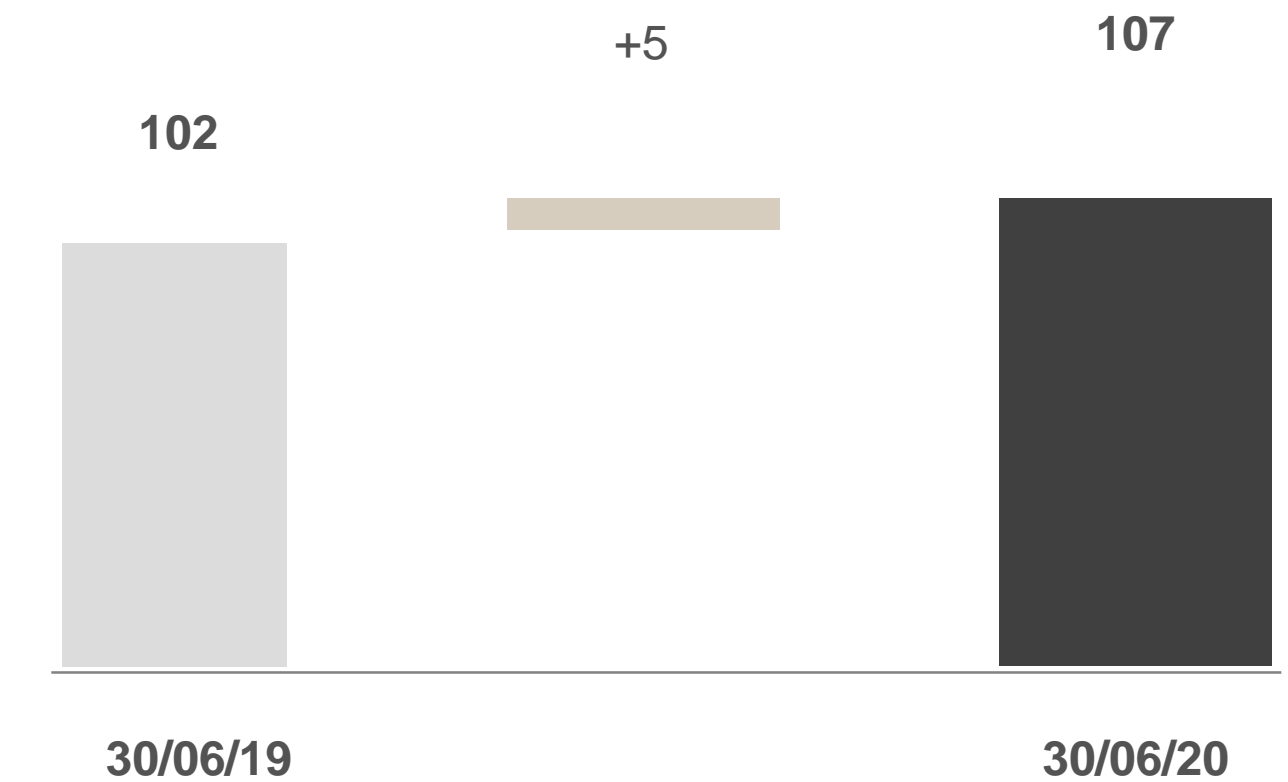
D&A



Average FTE - Workforce Analysis



DOS Network from 30/06/19 to 30/06/20



Net Working Capital

€ mln

	1H 2019	1H 2020	delta	FY 19
Trade Receivables	79,9	72,4	-7,5	58,6
Inventories	179,8	218,1	38,3	204,9
Trade Payables	-79,7	-74,1	5,7	-89,5
Strict Net Working Capital	180,1	216,5	36,4	174,0
<i>Incidence on 12 months rolling Net Revenues</i>	31,3%	41,5%		28,6%
Other Credits/(Debts)	-17,6	-21,4	-3,8	-18,9
Net Working Capital	162,4	195,0	32,6	155,1
<i>Incidence on 12 months rolling Net Revenues</i>	28,3%	37,4%		25,5%

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

➤ Inventory increase strongly impacted by the effects related to the lockdown period, with the deliveries of the Fall Winter 2020 collections that have been postponed for about the same period of lockdown. This slippage has been efficiently recovered with an intense work schedule, which is allowing us to bridge the delivery times for goods to customers in July / August.

Business development contributed to inventory rise, in presence of network boutiques development (including 5 DOS in the last 12 months, 2 hard shops, expansions of prestigious boutiques), development of the new KIDS collections and the “Sartoria Solomeo” project, expansion of the digital channel



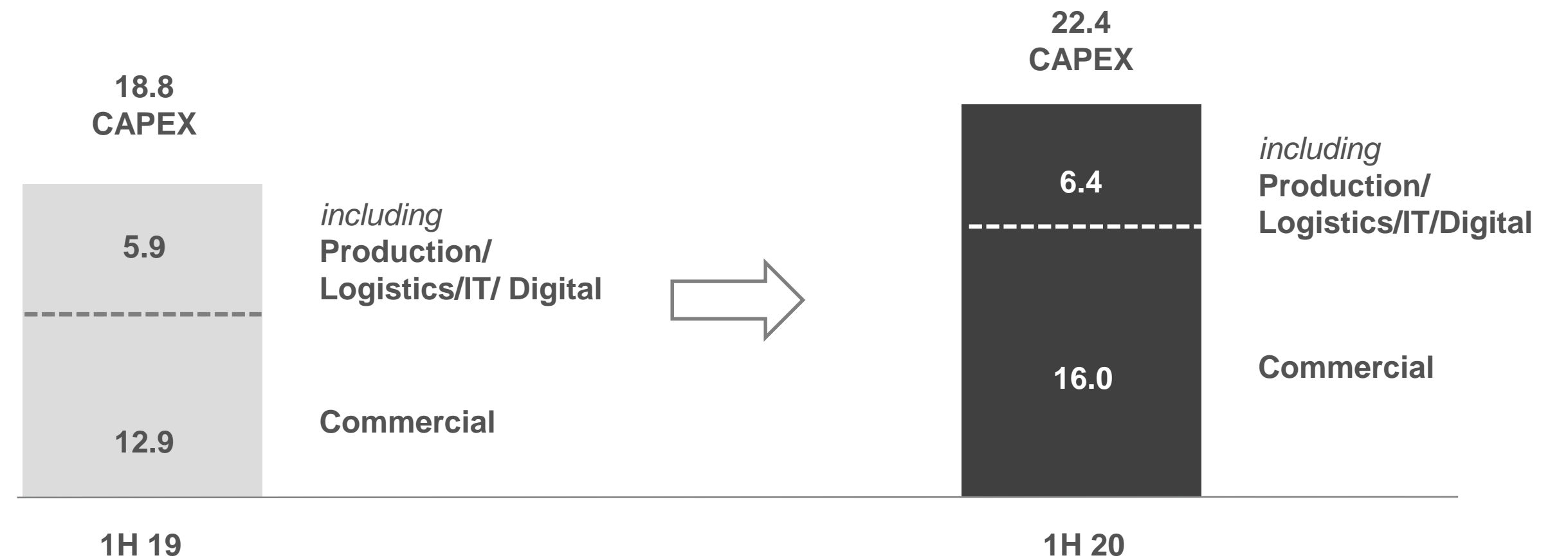
➤ Trade receivables decrease reflected the sales trend in the lockdown period and some deferred payment terms, coherently with our commercial policy of collaboration with consolidated and high quality multibrand clients, managing receivables with flexibility allowing to further strengthen relationships and opportunities for current and future business

➤ Trade payables reduction of 5.7 million euros; we highlight the confirmation of payment times to all its suppliers, collaborators and consultants



Investments

€ mln



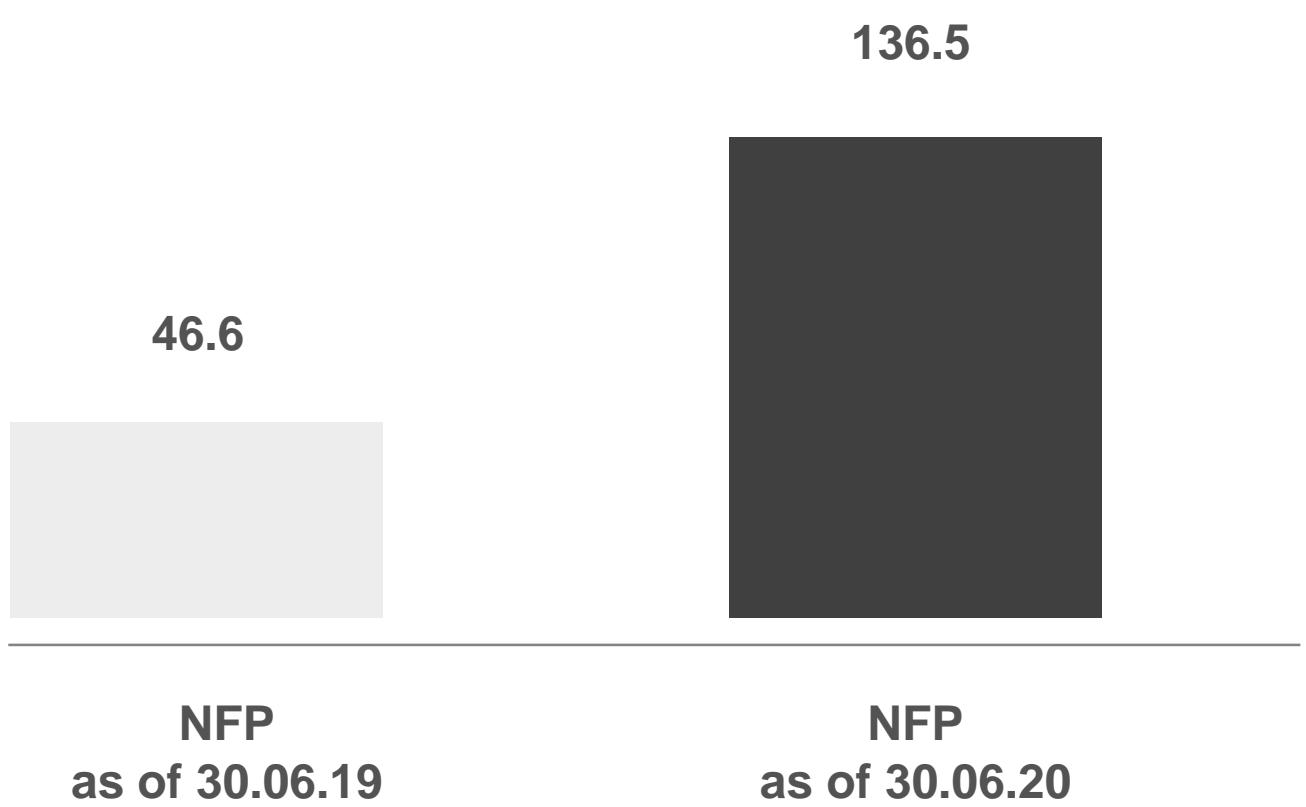
- We are continuing to work to achieve our long-term plan with the support of strategic investment plans to protect brand allure, the production, and an exclusive presence on markets
- We believe that appropriate investments represent a key factor to keep a modern enterprises contemporary and sustainable in the long run
- Our investments pursue two clear strategic goals: to support the very high positioning the Brunello Cucinelli brand has gained, and to always maintain the company on the cutting edge, also from a production and technological point of view





Net Financial Position

€ mln



- Characteristic Net Financial Position (excluding lease liabilities arisen from the adoption of the IFRS 16 accounting principle) increase driven by dynamics related to Covid-19 pandemic
- New credit lines provided by leading Italian credit institutions to face NFP increase amounted 116,5€ mln

Outlook

Since 1 July, we have been seeing the company with new and fresh eyes without being too influenced by the past semester, and have tried to consider this moment as a year of **'transition'** between a **'past time'** and a **'new time'**.

Today, we can say that we have steered the company into **'safer waters'** and given our esteemed employees **physical security** in what they do as well as the **security of being employed**.

The entire company has acquired an even stronger awareness about the fact that they need to be **fast, flexible, concrete**, and **brave** as they have realized that we have to coexist with this virus which can still evolve every day.

To date, the company is fully operating with its **2,024 employees** (as it was in February before the pandemic), who are all physically on the workplace with **COVID test being performed every 15 days**. This project will end when the pandemic is over.

We have **concluded all our deliveries for the winter merchandise** within the planned deadlines. All stores around the world are stocked exclusively with Fall-Winter 2020 merchandise, as usual; this is leading to very positive results both in terms of sell out and in terms of image.

All **Spring-Summer 2021 collections have been presented physically** in the showrooms of Shanghai, New York, London, Monaco, Milan, Solomeo, within the planned deadlines, as always in July.

We would now like to focus on the following big issue: we may have created **the most beautiful collections of our entire history**, at least that is what our multibrand customers and managers of our DOS have declared. This is an outstanding result, spurred on by the new trends, which have moved in the direction of our taste.

The **order collection** of about 60% is **very very significant**, we would dare say **thrilling**. All this gives us hope about **an important recovery in the second half of the year**, as well as an **excellent kick-off in 2021**.

It is our impression that many **multibrand clients are rigorously selecting their suppliers**, both according to the taste of their collections and based on the companies' solidity: they are seeking **precision in deliveries, special assistance** during **reassortments**, the value of **seeing physically produced collections**, and the fact of **being able to touch the garments live**.



Outlook

Considering our **true and good multibrand clients**, we would like to express a highly positive assessment of the kind of **new redesign cycle** they are implementing as they try to figure out with which reliable companies they can develop their projects on a 3 to 5 year basis. **We are therefore highly satisfied with this new and very interesting design**, and think it is perfectly in line with our retail business which we are investing on very strongly.

This is all accompanied by the **excellent performance** of our **e-commerce channel**, which we have **invested on so strongly** in recent years, both financially and in terms of time and minds, as it is clearly a fundamental source of communication. It has been structured in such a way that it can sustain the important growth of years to come.

We have already given full visibility to the **excess stock** we had **during the first half of the year**. However, we would like to add 2 very positive notes, which have somehow frankly moved us. The first is that we have been **contacted by so many people** around the world who are concerned about **supporting and improving humanity**. To mention but one example: the, in our view, fascinating and highly humane Sharon Stone.

The second: we have conducted several very **important interviews on this delicate and pleasant issue**. The last and most recent one appeared yesterday on the highly prestigious New York Times. Maybe it is safe to say that this 'extraordinary' project, "**Brunello Cucinelli for Humanity**", can be truly considered a '**great resource**' in these particular times we are experiencing, **both for humanity and for the company**.

Our important **investment project** continues, and we confirm that our investment plan remains **unchanged for the second half of the year**.

Since we have now reached the end of August, we can safely say that **on July 1st we saw a significant inversion of the trend**, which should take us towards an **increase in revenues** in the **third quarter compared to last year**, and a gradual **return to healthy margins**.

We also expect this **trend for the last quarter**. Overall, **we imagine a 2020** with slightly lower revenues than in 2019, **a drop of about 10%**.

In 2021, since the **order collection for Spring Summer 2021 was so strong**, we are confident that we will go back to a **rise in revenues, around 15%** compared to 2020, and expect to **continue our process of generating a healthy profit**, confirming **the important investment project**.





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1H 20

Annex

Detailed Income Statement

€ mln

	1H 2019	1H 2020
Net Revenues	291,4	205,1
Other operating income	0,4	1,3
Revenues	291,8	206,5
Consumption Costs	(39,6)	(10,7)
Raw Material Cost	(56,0)	(55,8)
Inventories Change	16,5	45,2
Outsourced Manufacturing	(58,0)	(57,3)
First Margin	194,2	138,6
Services Costs (excl. Out. Manuf.)	(58,4)	(49,9)
Personnel costs	(53,8)	(57,5)
Other operating costs	(3,4)	(4,3)
Increase in tangible assets	1,0	1,4
Bad Debt and other provisions	(0,4)	(31,7)
EBITDA	79,2	(3,4)
D&A	(40,1)	(49,9)
EBIT	39,1	(53,3)
Financial expenses	(23,4)	(26,5)
Financial income	16,9	15,5
EBT	32,7	(64,3)
Income taxes	(7,7)	16,6
<i>Tax rate</i>	<i>(23,5%)</i>	<i>25,9%</i>
Net Income	25,0	(47,7)
Minority Interest	(0,3)	(0,1)
Group Net Profit	25,3	(47,5)



Detailed Balance Sheet & Cash Flow Statement

€ mln

	1H 2019	1H 2020
Trade receivables	79,9	72,4
Inventories	179,8	218,1
Trade payables (-)	(79,7)	(74,1)
Other current assets/(liabilities)	(17,6)	(21,4)
Net Working Capital	162,4	195,0
Goodwill	7,0	7,0
Intangible assets	383,0	473,6
Tangible assets	132,9	148,1
Financial assets	9,1	11,0
Total Assets	532,1	639,8
Other assets/(liabilities)	18,7	39,2
Net Invested Capital	713,2	874,1
Cash & Cash equivalents (-)	(67,1)	(111,8)
Short term Debt	126,4	184,7
Long term Debt	377,1	549,0
Net Financial Position	436,4	621,9
Shareholders Capital	13,6	13,6
Share-premium Reserve	57,9	57,9
Reserves	180,2	227,3
Group Net Profit	25,3	(47,5)
Group Equity	277,0	251,3
Minority shareholders	(0,2)	0,9
Total Equity	276,8	252,2
Total Funds	713,2	874,1

	1H 2019	1H 2020
Net Income	25,0	(47,7)
D&A	40,1	49,9
Ch. In NWC and other	(33,4)	(56,0)
Cash flow from operations	31,7	(53,8)
Tangible and intangible investments	(18,6)	(20,5)
Other (investments)/divestments	0,0	7,6
Cash flow from investments	(18,6)	(12,9)
Dividends	(20,5)	(1,1)
Share capital and reserves increase	0,0	0,0
Net change in financial debt	8,4	111,0
Total Cash Flow	1,1	43,2



Investor Relations

Significant Shareholdings*

Trust Brunello Cucinelli (Fedone s.r.l.)	51.0%
FMR LLC (Fidelity)	10.0%
Invesco LTD	4.2%
Other	34.8%

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

Investor Relations & Corporate Planning Director

Pietro Arnaboldi	Brunello Cucinelli S.p.A.
mail: pietro.arnaboldi@brunellocucinelli.it	Viale Parco dell'Industria, 5
Tel. +39 075 6970079	Solomeo (PG)
	Italia

Board of Directors

Brunello Cucinelli	Executive 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





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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.



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*From here on, I would like to resume the journey
towards Universal Humanism*

