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· AD·MCCCXCI ·

BRUNELLO CUCINELLI

1H 18 Results

August 28th, 2018



Brunello Cucinelli

It is with great, great satisfaction that we are disclosing our first-half results; significant figures that report constant growth of both revenues and profit. The good performance of Fall/Winter sales allows us to confirm our positive outlook for the second half of the year. Hence, we expect 2018 to close with double-digit growth of both EBITDA and profit

The excellent performance of the 2019 Spring/Summer collections, both for menswear – with the sales campaign now finished – and for womenswear - which is now in the midst of the selling season – prompts us to embrace a very positive outlook for 2019, which we expect to grow double-digit

This is a major development, that we want to seize fully, in keeping with the founding values of our company: product quality, always with high manual skills, balanced growth – which we envisage as always wisely broken down between Menswear and Womenswear, among sales in Europe, the West and the East, and among different sales channels – and our business philosophy, which is centred around respect, support and love for our land

press release 28th August 2018



Human Privacy

Looking for the right balance between technology and humanism, respecting Human Privacy

Follow the development of the fascinating “internet world”

Believe that our various openings towards the new technologies have made it possible to keep the business modern over the years

At the same time these technologies should never “steal our soul” and the precious time we can dedicate to our personal feelings

Build a relationship with our customers of esteem based not so much in the quantity of the data and information but rather in the quality of this relationship



“Privacy is a kindness of the soul that we ought to show both to those we know and to those we come across”

“It is also a right we are entitled to, and it’s never pleasant to be forced to demand it, since that spoils the charm of its pure sincerity”

“Privacy safeguards our intimate sphere; we need the right amount of privacy in order to harmonize our public and private spheres”

“Both our public and private lives are essential, but they benefit our well-being only when there is an appropriate balance between the two”





Financial Highlights

Net Revenues

€269.5 mln

+9.0% at current exchange rates

+11.9% at constant exchange rates

EBITDA

€46.2 mln

+11.2%

NET PROFIT

Excluding
Patent Box Benefits

€23.8mln

+19.7%

NET PROFIT

Including
Patent Box Benefits

€25.8 mln

+29.9%

Italian market

+4.8% sales

Europe

+12.0% sales

North America

+2.4% sales

(high single digit growth at constant exchange rates)

Greater China

+35.3% sales

RoW

+9.7% sales

Retail

+7.1% sales

Wholesale monobrand

+12.4% sales

Wholesale multibrand

+10.7% sales

Capex

€25.2 mln

Net Financial Position

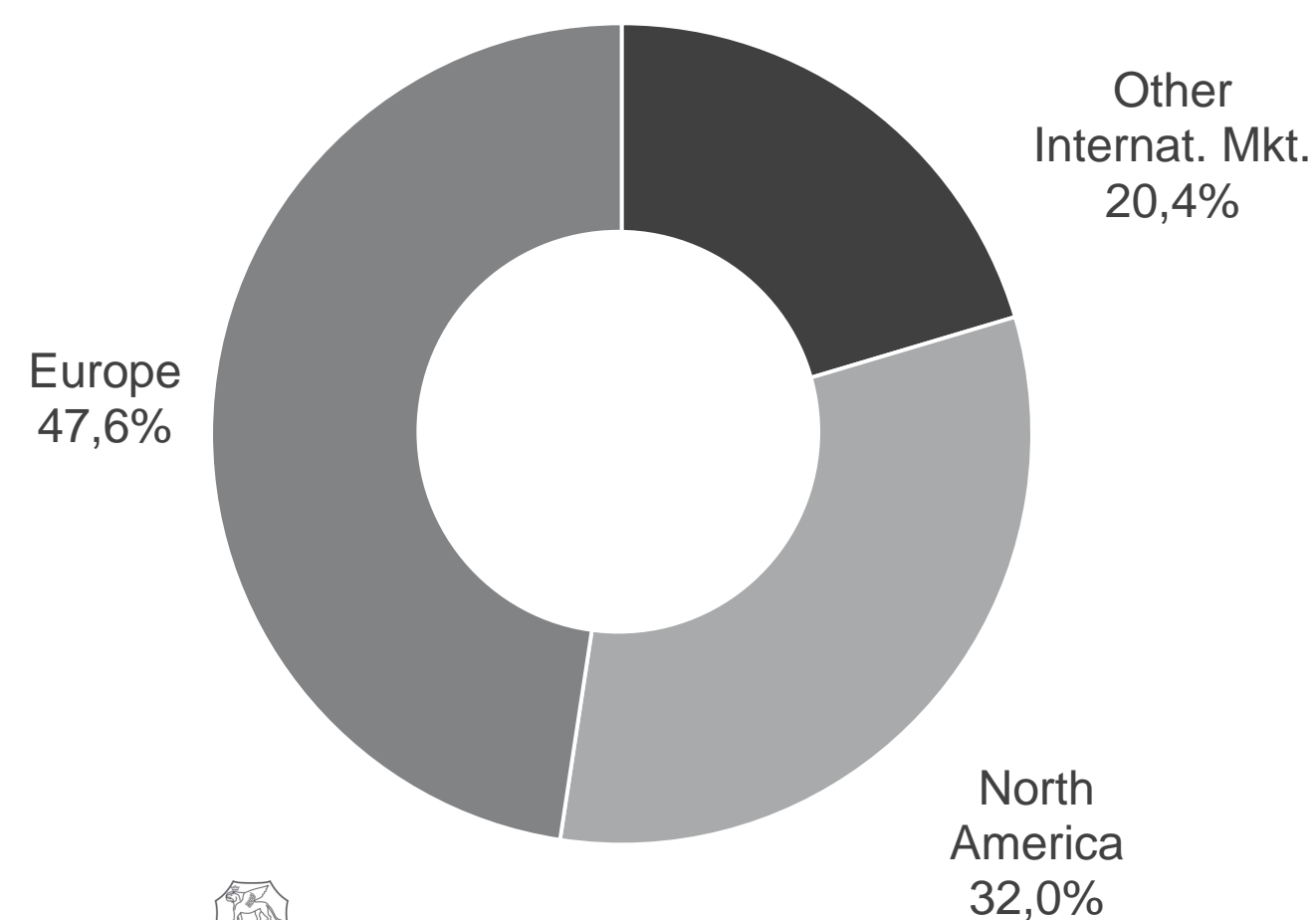
€44.0 mln
(€59.4 mln as of June '17)





Revenues by Region

€ mln	1H 17	1H 17 Restated**	1H 18	YoY % Chg
Net Revenues*	243.3	247.2	269.5	+9.0%
			Constant exchange rates +11.9%	
Italy	41.8	41.8	43.8	+4.8%
Rest of Europe	75.2	75.2	84.3	+12.0%
North America	83.6	84.3	86.3	+2.4% ***
Greater China	18.4	18.4	24.9	+35.3%
RoW	24.3	27.6	30.2	+9.7%



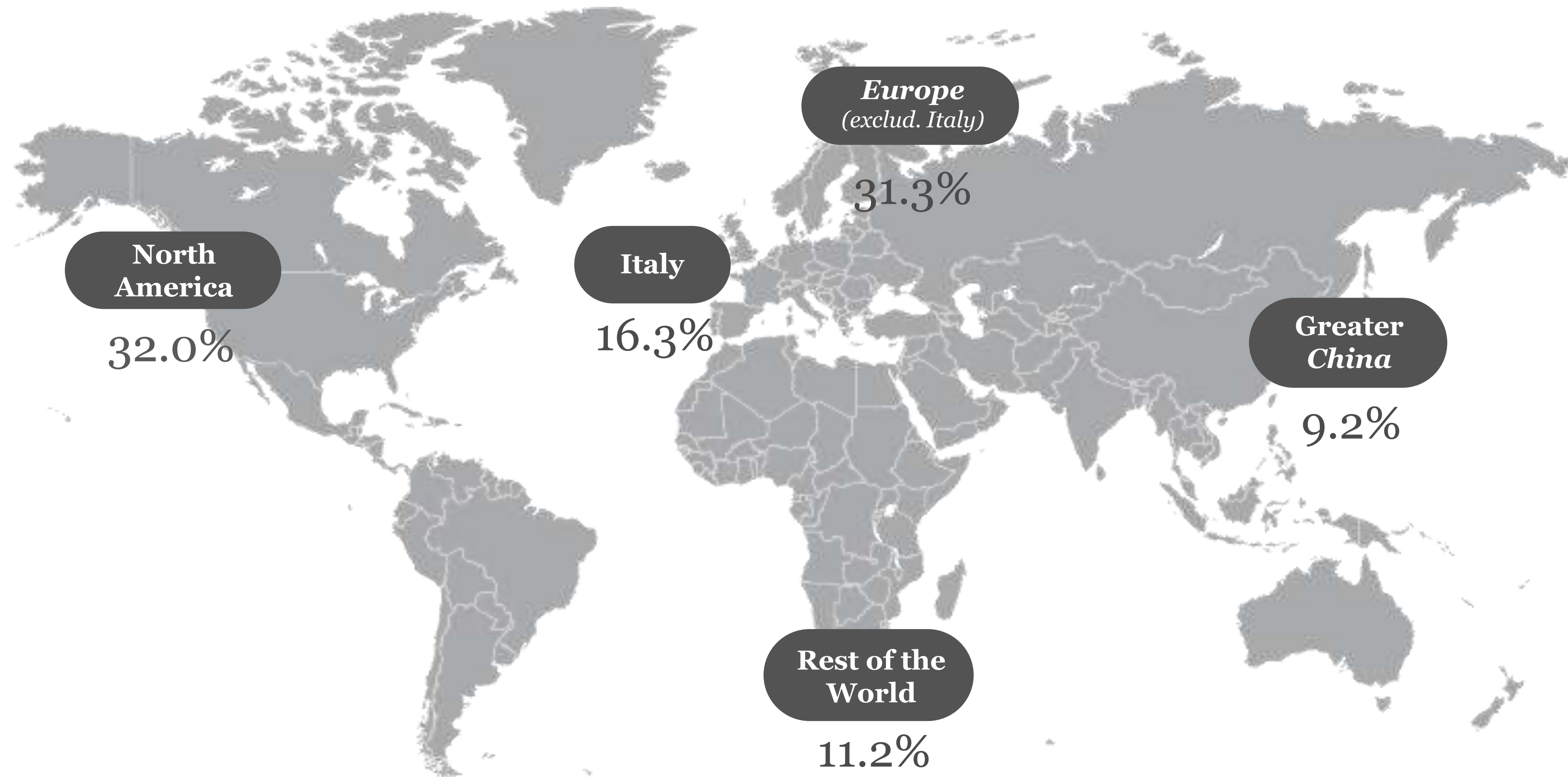
* Since 1st January 2018, the Group introduced methodology to calculate revenues in line with IFRS15, to be effective also for coming quarters

** 1H 17 has been restated, in line with IFRS15 methodology, to make an homogeneous comparison with 1H 18

*** North America reported high-single digit increase at constant exchange rates



Revenues Breakdown





Revenues Highlights

Italy

Positive performance

Result is of particular significance given the importance placed on the domestic market, representative of the appreciation for the taste of the collection

North America

Solid sales results in both the retail and multibrand channels

Collections being highly appreciated by end costumers in the direct boutiques and in the large Luxury Department Stores

Greater China

Increase in all the markets: Mainland China, Macao, Taiwan and Hong Kong

Rise in the proportion of millennials who approach the brand for the first time, attracted by an exclusive offer which is simultaneously modern

Positive contribution by new spaces dedicated to the brand in the most exclusive multibrand stores that are gradually developing in Mainland China

Rest of Europe

Important results in all the countries and in all channels

Increase in both the local and top-end “tourist” customer

Rest of the World

Solid results were achieved in all geographical areas

Presence of new customers who were an addition to the brand’s traditional customers

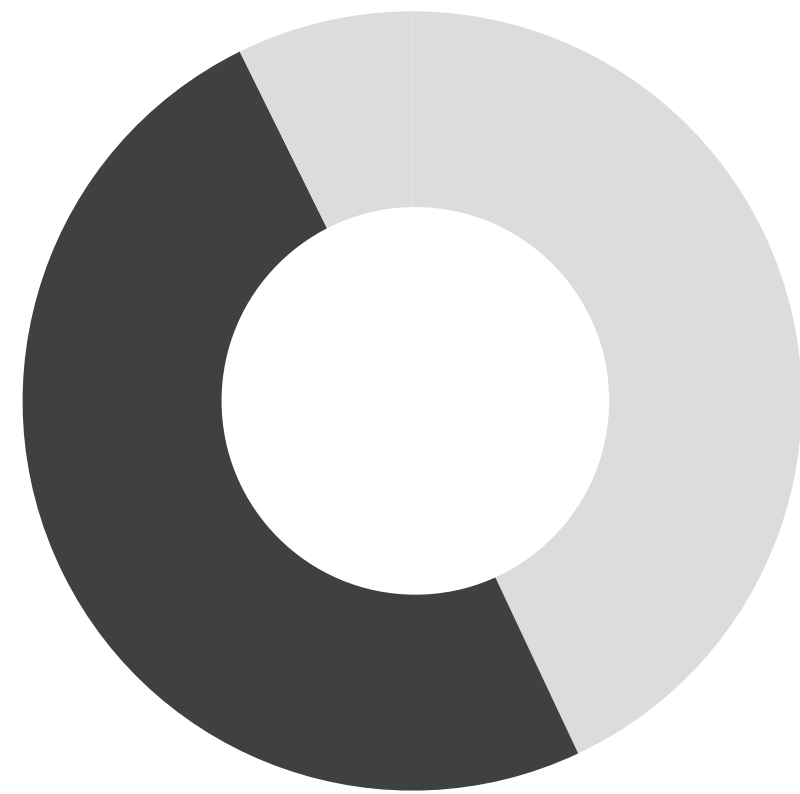


Revenues by Distribution Channel

€ mln

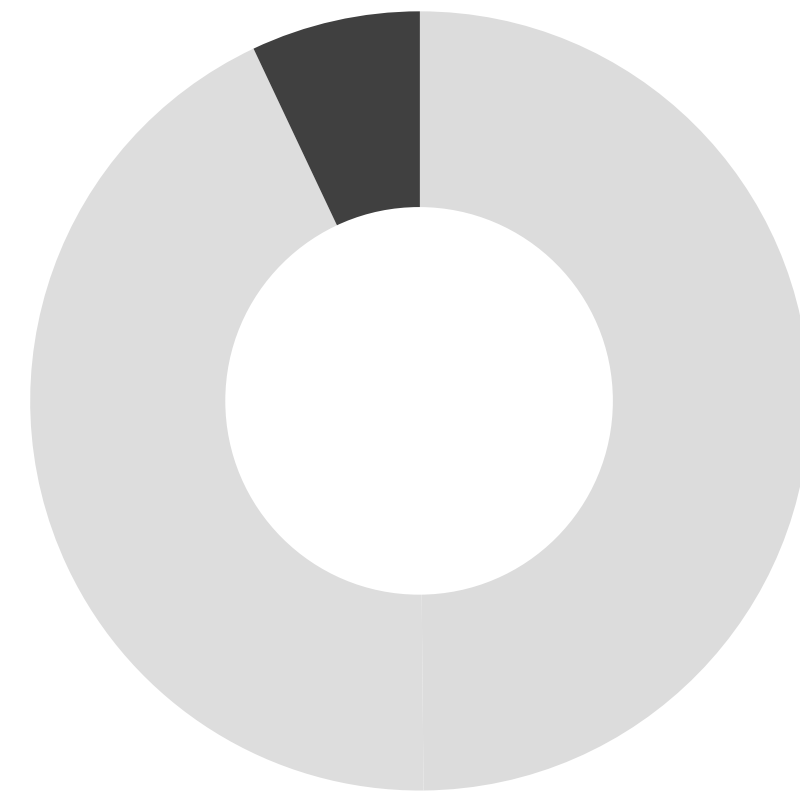
Retail

49.7%
on sales



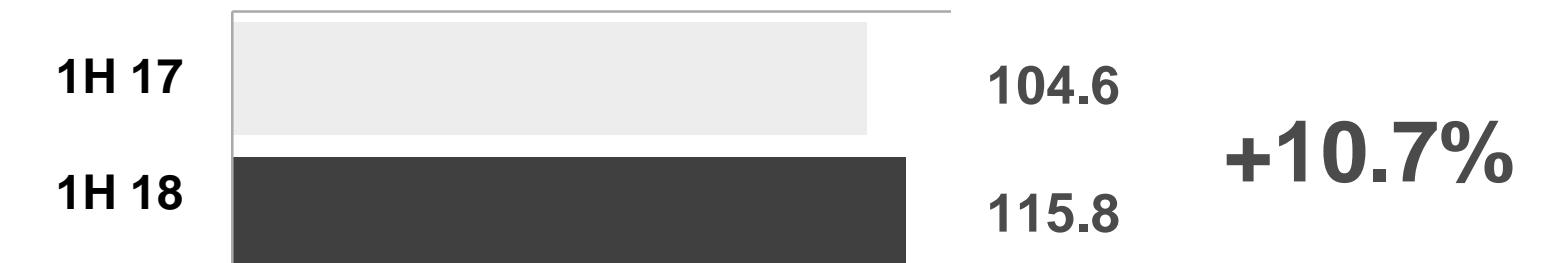
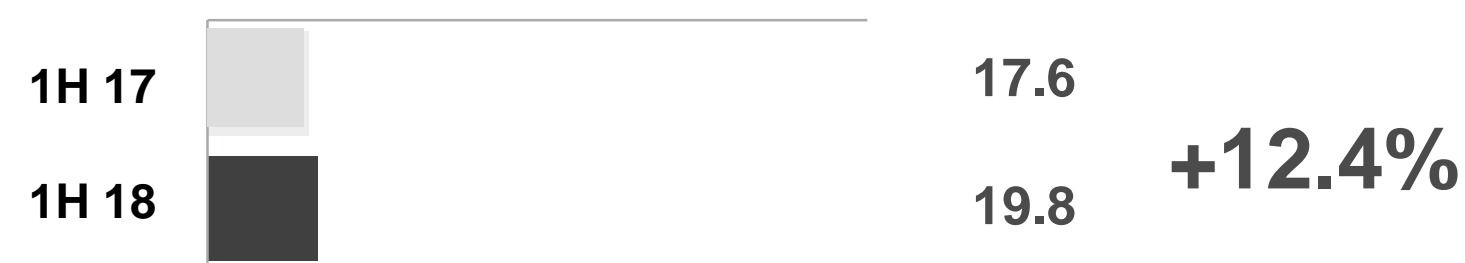
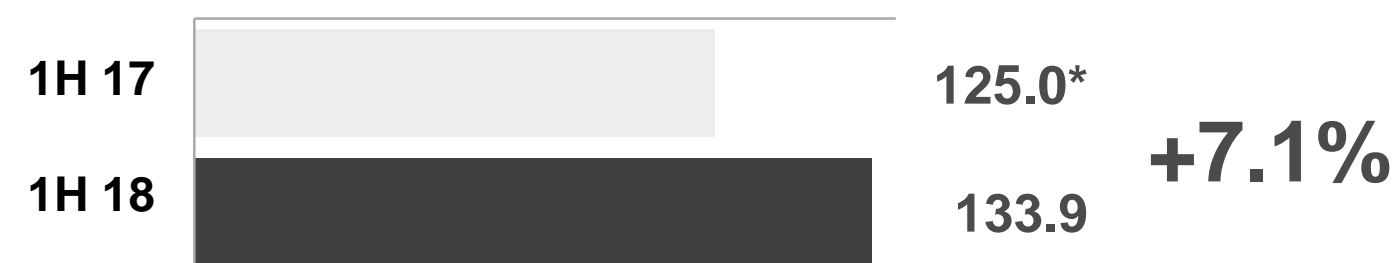
Wholesale Monobrand

7.3%
on sales



Wholesale Multibrand

43.0%
on sales



* 1H17 revenues reported last year (121.1€ mln) have been restated, applying the same methodology, to make an homogenous comparison with 1H 18



Retail & Wholesale Monobrand

Retail

97 boutiques as of 1H 18
(94 boutiques as of December '17)

Selected openings, including a new boutique and two conversions from wholesale monobrand channel

+3.8% LFL*
between 1st January and 30st June 2018



Wholesale Monobrand

29 boutiques as of 30 June '18
(30 boutiques as of December '17)

Two wholesale monobrand boutiques in Singapore, converted to the direct channel



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



Wholesale Multibrand

Growth supported by sales in the existing spaces and new spaces assigned in Luxury Department Stores where we are already present

Selected entry into new multibrand stores, in particular in Continental China

Extremely important role always assigned to the multibrand stores

Strong relationship created over the years with all of the most important Luxury Department Stores, with special attention constantly given to the spaces dedicated to our brand

Direct care of our visual marketing team and the training of sales personnel

2018 fall/winter sell-out confirm the highly positive signs that we had already been perceiving over previous weeks

Very favorable trend in **2019 spring/summer orders**, both for men's collection, already completed, as well as for women's collections, started very well



Income Statement

€ mln	1H 2017 <i>Restated</i> *	1H 2018	Ch. %
Net Revenues	247.2	269.5	+ 9.0%
Other operating income	1.2	0.6	- 50.3%
Revenues	248.4	270.1	+ 8.7%
First Margin	162.6	176.3	+ 8.5%
%	65.4%	65.3%	- 10 b.p.
SG&A	-121.0	-130.1	+ 7.5%
%	48.7%	48.2%	- 50 b.p.
EBITDA	41.6	46.2	+ 11.2%
%	16.7%	17.1%	+ 40 b.p.
D&A	-10.6	-11.8	+ 11.6%
%	4.3%	4.4%	+ 10 b.p.
EBIT	31.0	34.4	+ 11.0%
Income before taxation	28.0	33.2	+ 18.7%
Net Income	19.9	25.8	+ 29.9%
<i>Tax Rate</i>	29.1%	22.4%	

* Income Statement at 30 June 2017 have been reclassified in order to provide a consistent comparison with the figures at 30 June 2018, which have been recognized in accordance with IFRS 15

The application of the new accounting standard IFRS 15 to 1H 2017 led to an increase in net revenues and operating expenses (rent) by the same amount (€3.9 million)

As a result no change occurred in the absolute amounts for EBITDA, operating profit and net profit for 1H 17

** 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

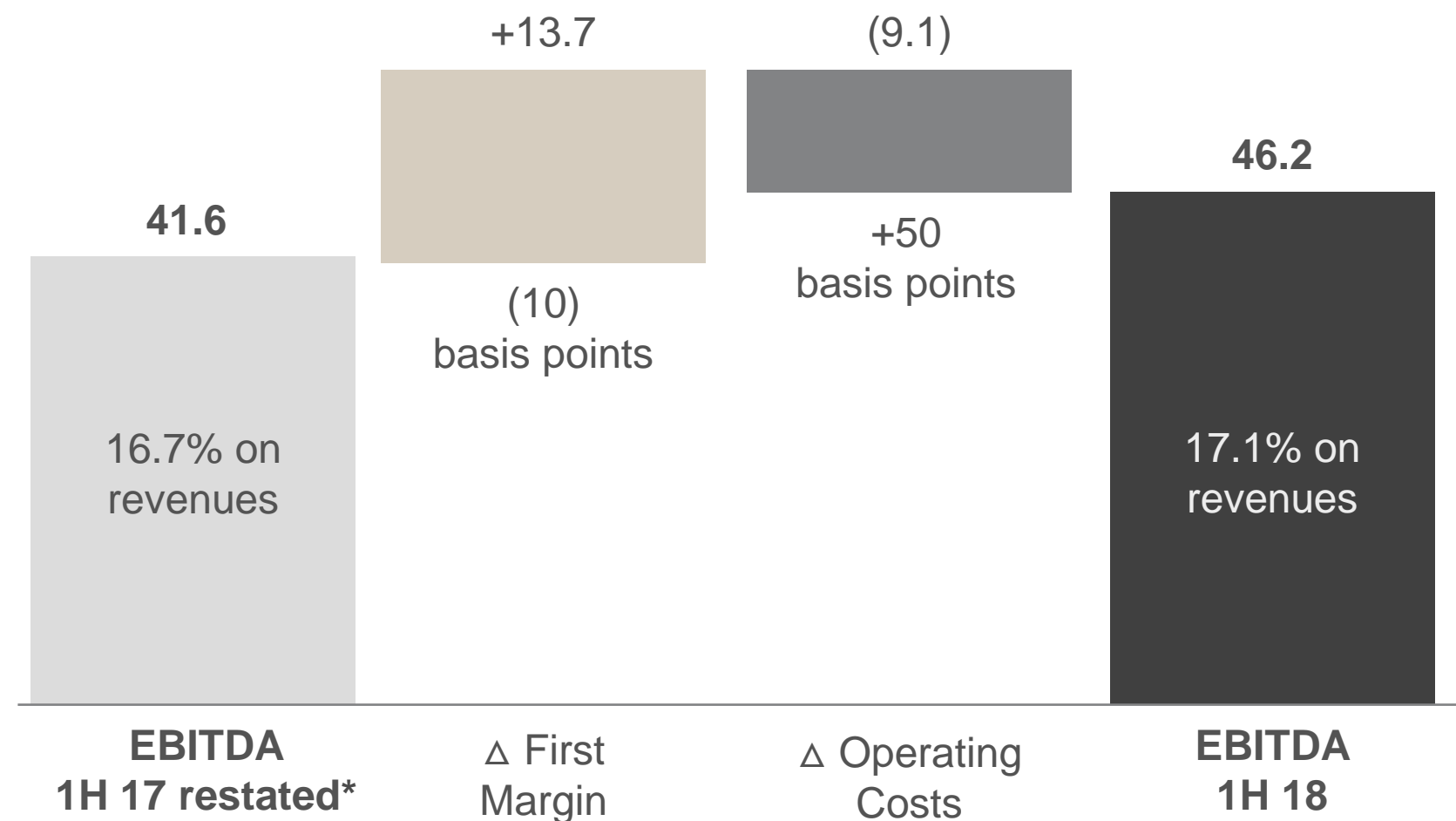
	1H 2017	1H 2018	Ch. %
Net Income (1H 2018 excl. Patent Box)**	19.9	23.8	+ 19.7%
<i>Tax Rate</i>	29.1%	28.5%	



EBITDA & Key Income Statement Analysis

EBITDA Analysis

€ mln



* Absolute value not affected by IFRS 15, remaining €41.6mln, with profitability moving down from 17.0% to 16.7%



First Margin

- Positive impact from business development, very good sell-out and LFL increase
- % on sales (from 65.4% to 65.3%) affected by channel mix evolution, with wholesale multibrand revenues increasing from 42.3% to 43.0% of the total

Operating Costs

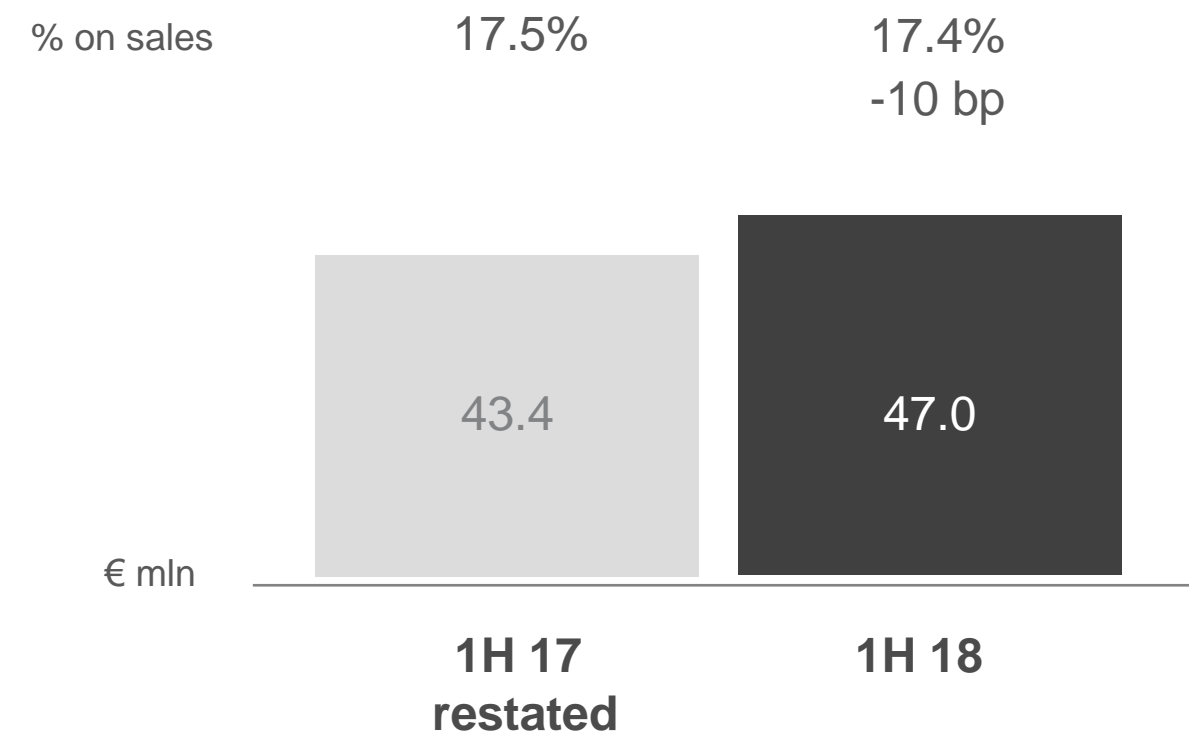
- Personnel costs increased +3.6€ mln
 - 4 retail boutiques opening
 - 2 conversions from wholesale monobrand to retail channel
 - New talents hired to support digital development
- Cost of rents increased +1.4€ mln, due to retail network development and some expansion of important sales space
- Investments in communication increased +2.2€ mln, moving up from 12.5€ mln (5.0% on sales) to 14.7€ mln (5.5% on sales), mainly due to digital communication activities increase, strengthening brand positioning and protecting brand allure
- Operating costs leverage (% on sales decreased from 48.7% to 48.2%), positively affected by channel mix evolution, with wholesale multibrand revenues incidence increased



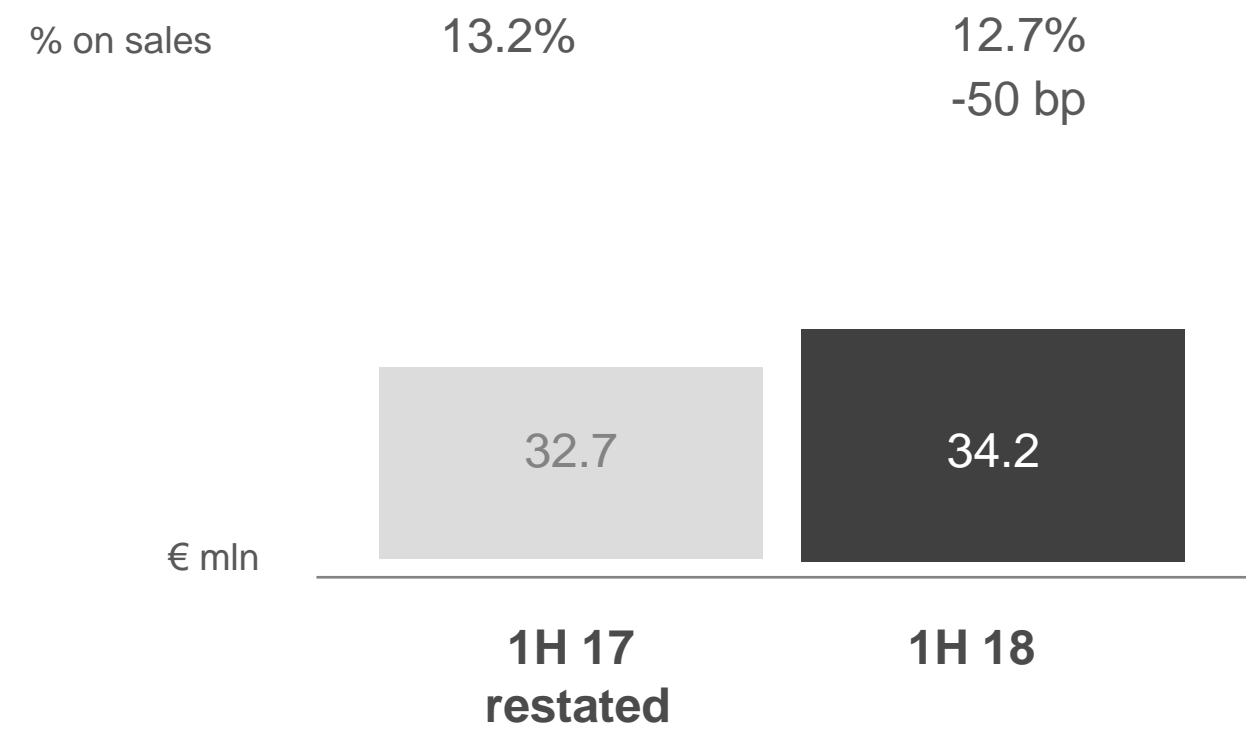
Operating Costs

€ mln

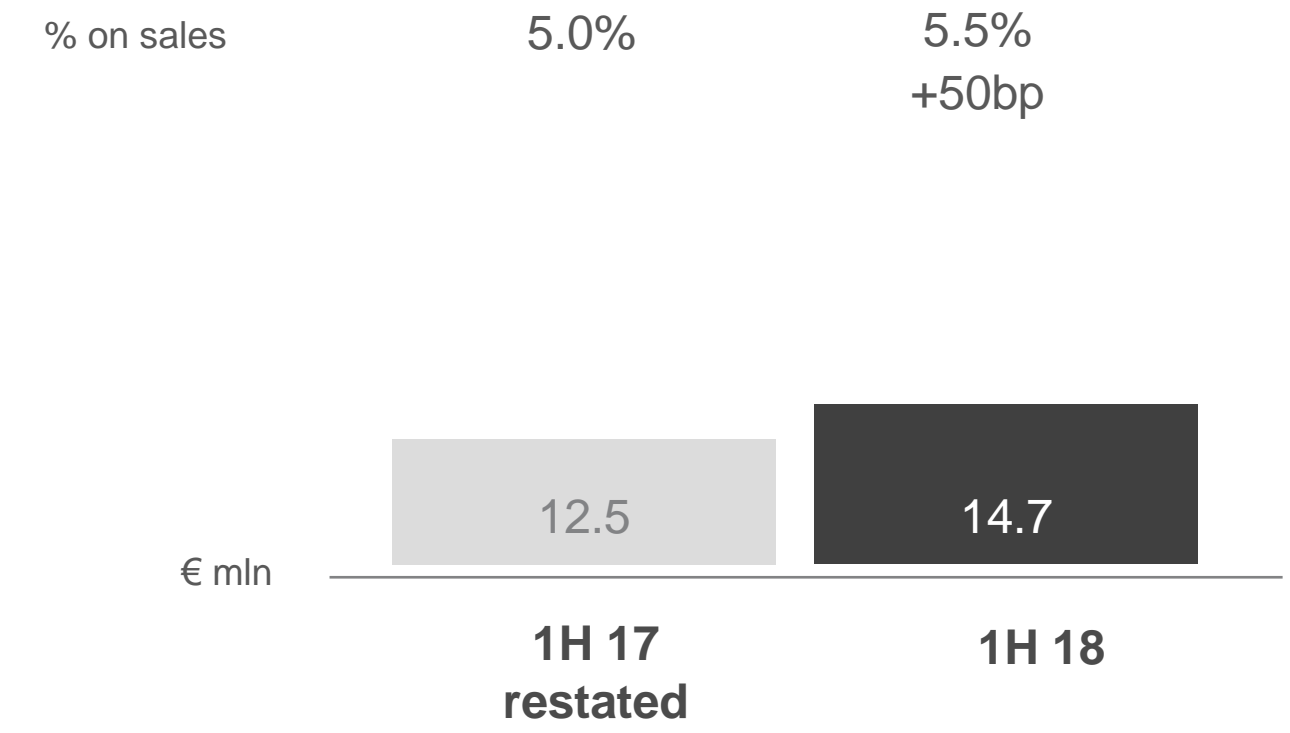
Personnel cost



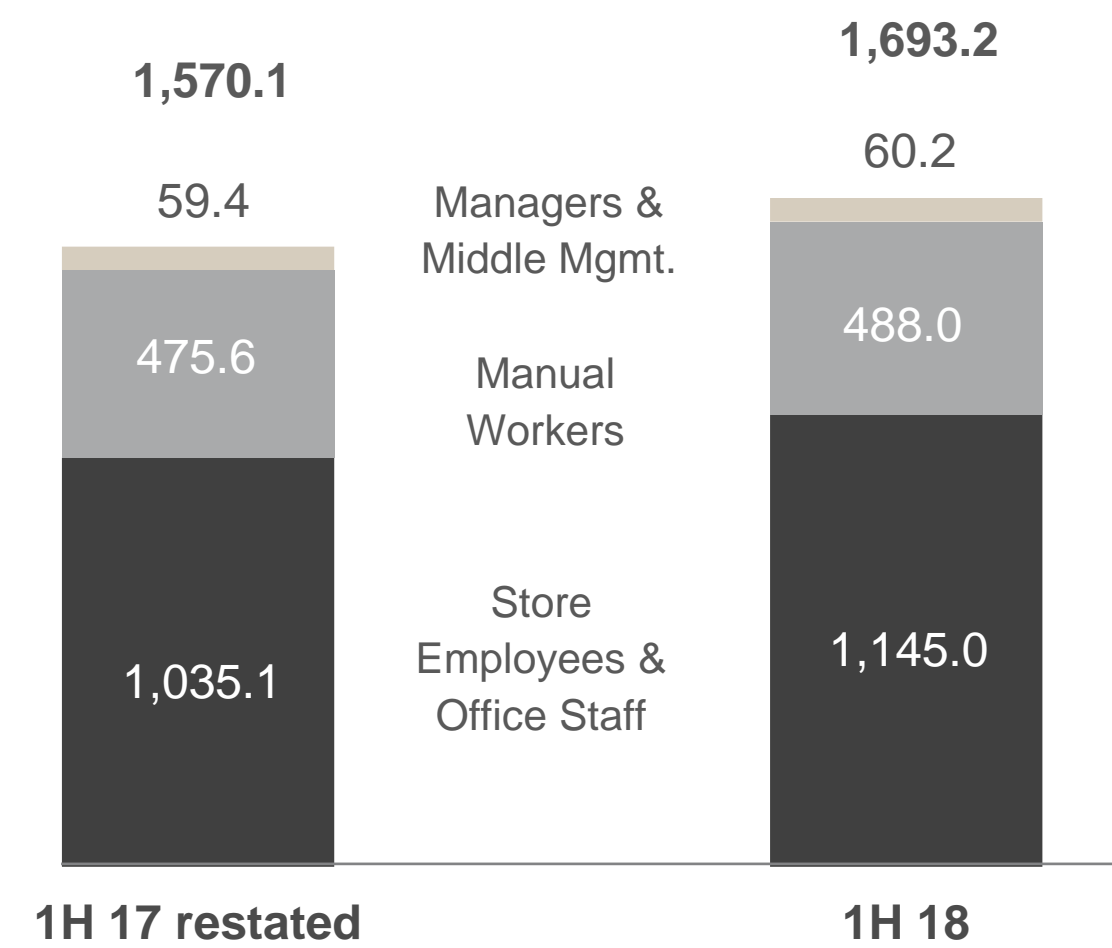
Rent cost



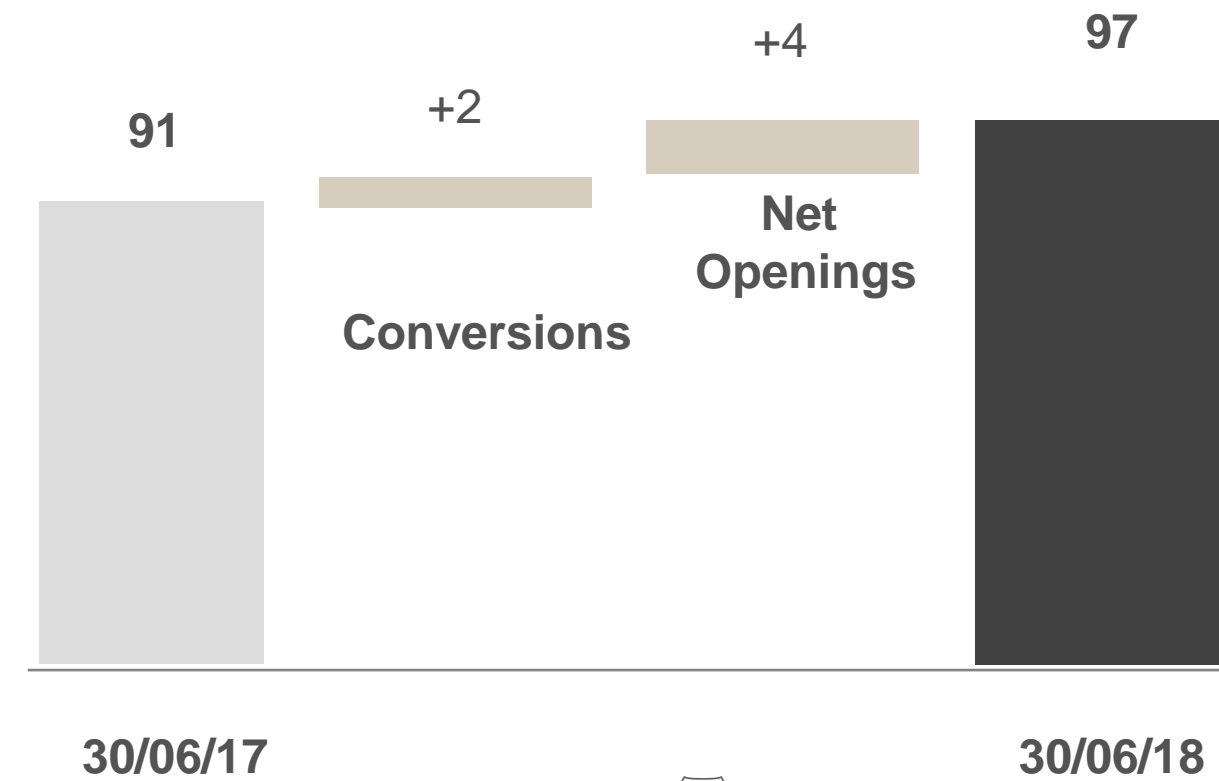
Investments in Communication



Average FTE - Workforce Analysis



DOS Network from 30/06/17 to 30/06/18



Net Working Capital

€ mln

	1H 2017	1H 2018	delta	FY 17
Trade Receivables	54.4	64.0	9.6	45.2
Inventories	158.6	161.5	2.9	152.6
Trade Payables	-61.9	-69.8	-7.8	-65.3
Strict Net Working Capital	151.0	155.8	4.7	132.6
<i>Incidence on Net Revenues</i>	31.2%	29.2%		25.9%
Other Credits/(Debts)	-9.5	-17.8	-8.3	-5.6
Net Working Capital	141.6	137.9	-3.7	127.0
<i>Incidence on Net Revenues</i>	29.3%	25.8%		24.8%



➤ Trade Receivables increased +9.6€ mln related to wholesale multibrand revenues growth; healthy management highlighted by very very low incidence on sales of credit losses

➤ Inventory increased +2.9€ mln due to business development, exclusive number of new openings, some conversions to direct channel, increasing existing boutiques' selling spaces, and new spaces managed the Luxury Department Stores, very well balanced by LFL growth and very positive sell-out

➤ Trade Payables growth +7.8€ mln, mainly related 2nd quarter, due to increase in business activities (raw materials and third-party), as well as higher and important communication costs

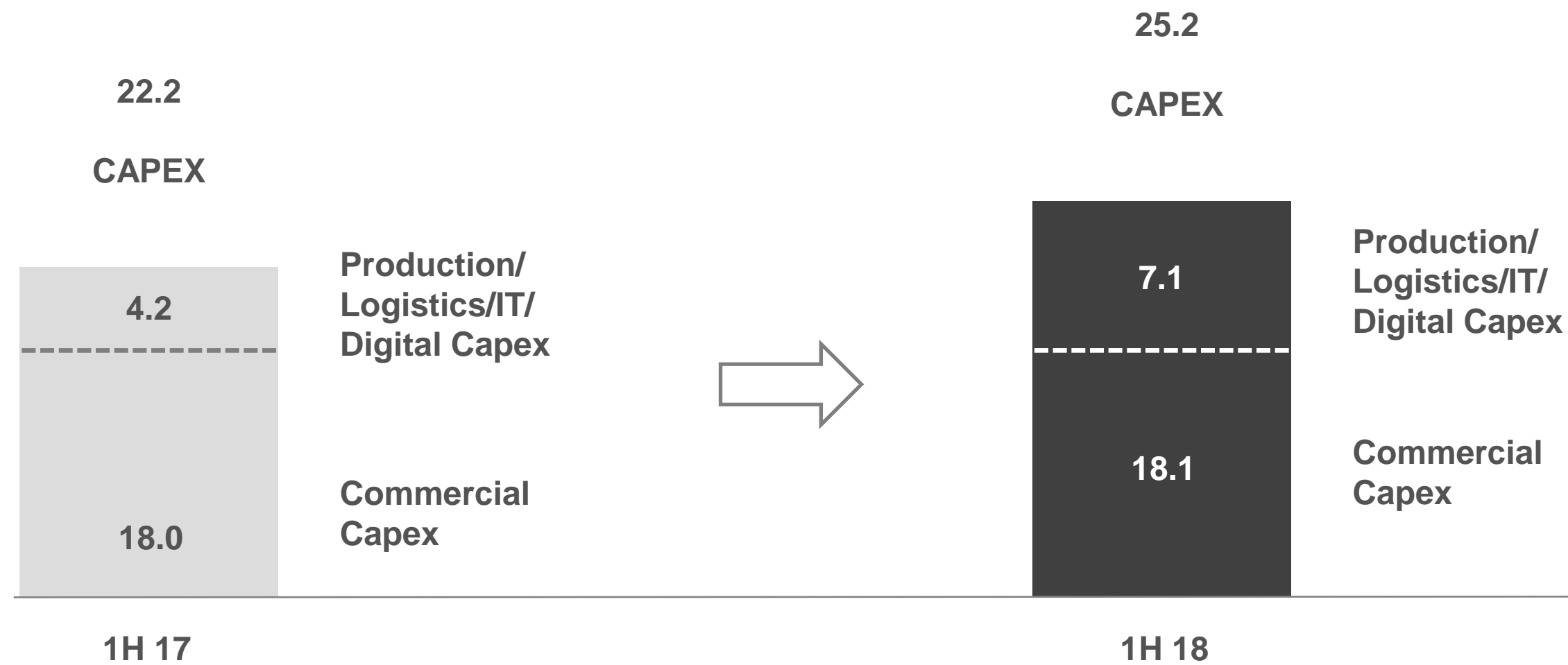
➤ Other Credits/(Debts)* from -9.5€ mln to -17.8€ mln mainly due to the measurement at fair value of outstanding hedging derivatives

* 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



Safeguard the exclusivity and protection of the brand in both the physical and online channels

Commercial Capex of 18.1€ mln in 1H 18

- Selected boutiques' openings, enlargement of some existing stores, expansion and renovation of show-rooms that we keep always contemporary, number of conversions and an extension of the floor space in the most prestigious Luxury Department Stores

Production/Logistics/IT/ Digital Capex of 7.1€ mln in 1H 18

- Constant renewal of the machinery and production facilities that we keep always up-to-date
- Technology development always on the cutting edge, supporting technological platforms in managing the physical and online boutique as well as IT systems, software applications and logistic structures to manage associated activities

Minority stake investments of 6.5€ mln in 1H 18

- Purchase of residual minority interest* in the Russian subsidiary which now enables the parent company to wholly own the company (compared to the previous 62%)

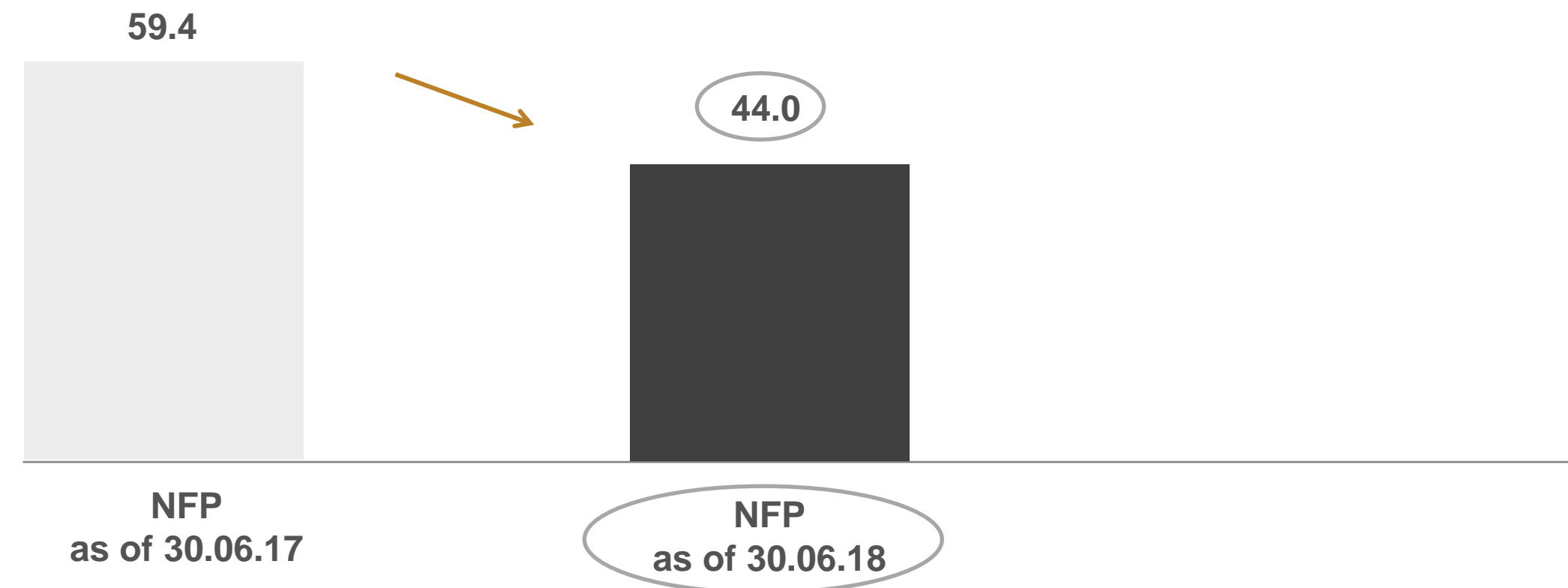
* Related effects have been recognized in equity reserves in accordance with IFRSs.





Net Financial Position

€ mln



Net debt of €44.0million at 30 June 2018, a decrease from €59.4 million at 30 June 2017, thanks operating cash flow generation and NWC management trend, balancing investments in the period

NFP confirming its seasonality, with the peak reached between June and September, than falling by year end





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1H 18

Annex

Detailed Income Statement

€ mln

	1H 2017 Restated	1H 2018
Net Revenues	247.2	269.5
Other operating income	1.2	0.6
Revenues	248.4	270.1
Consumption Costs	(37.9)	(41.7)
Raw Material Cost	(45.4)	(49.1)
Inventories Change	7.5	7.4
Outsourced Manufacturing	(47.9)	(52.1)
First Margin	162.6	176.3
Services Costs (excl. Out. Manuf.)	(73.9)	(80.9)
Personnel costs	(43.4)	(47.0)
Other operating costs	(2.6)	(2.8)
Increase in tangible assets	0.7	1.1
Bad Debt and other provisions	(1.9)	(0.5)
EBITDA	41.6	46.2
D&A	(10.6)	(11.8)
EBIT	31.0	34.4
Financial expenses	(13.1)	(17.1)
Financial income	10.1	15.9
EBT	28.0	33.2
Income taxes	(8.1)	(7.5)
<i>Tax rate</i>	<i>29.1%</i>	<i>22.4%</i>
Net Income	19.9	25.8
Minority Interest	0.3	(0.3)
Group Net Profit	19.6	26.1



Detailed Balance Sheet & Cash Flow Statement

€ mln

	1H 2017	1H 2018
Trade receivables	54.4	64.0
Inventories	158.6	161.5
Trade payables (-)	(61.9)	(69.8)
Other current assets/(liabilities)	(9.5)	(17.8)
Net Working Capital	141.6	137.9
Goodwill	7.0	7.0
Intangible assets	26.5	30.8
Tangible assets	113.2	121.8
Financial assets	7.1	7.1
Total Assets	154.0	166.7
Other assets/(liabilities)	1.2	0.9
Net Invested Capital	296.8	305.5
Cash & Cash equivalents (-)	(52.0)	(51.3)
Short term Debt	54.6	59.5
Long term Debt	56.9	35.8
Net Financial Position	59.4	44.0
Shareholders Capital	13.6	13.6
Share-premium Reserve	57.9	57.9
Reserves	138.3	161.8
Group Net Profit	19.6	26.1
Group Equity	229.4	259.4
Minority shareholders	7.9	2.1
Total Equity	237.3	261.5
Total Funds	296.8	305.5

	1H 2017	1H 2018
Net Income	19.9	25.8
D&A	10.6	11.8
Ch. In NWC and other	(3.9)	(16.6)
Cash flow from operations	26.5	21.0
Tangible and intangible investments	(13.5)	(24.5)
Other (investments)/divestments	(9.2)	(0.3)
Cash flow from investments	(22.7)	(24.8)
Dividends	(10.9)	(18.5)
Share capital and reserves increase	-	(6.5)
Net change in financial debt	12.2	16.6
Total Cash Flow	5.1	(12.1)

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.



FY 2017 adjusted (IFRS 15)

€ mln

	FY 2017	FY 2017 adjusted
Net Revenues	503,6	511,7
Other operating income	2,1	2,1
Revenues	505,7	513,8
COGS	-175,7	-175,7
First Margin	330,0	338,1
%	65,2% →	65,8%
SG&A	-242,5	-250,6
%	48,0%	48,8%
EBITDA	87,5	87,5
%	17,3% →	17,0%
D&A	-22,8	-22,8
%	4,5% →	4,4%
EBIT	64,7	64,7
Income before taxation	59,4	59,4
Net Income	52,5	52,5
<i>Tax Rate</i>	11,7%	11,7%

Net Revenues adjusted, applying IFRS15, move up from €503.6 mln to 511.7€ mln, increasing €8.1 mln

SG&A adjusted, applying IFRS15, move up from €242.5 mln to 250.6€ mln, increasing the same amount (€8.1 mln)

EBITDA (absolute value) not affected by IFRS 15, remaining €87.5 mln
EBITDA Profitability moves down from 17.3% to 17.0%.

	FY 2017	FY 2017 adjusted
Net Income (FY 2017 excl. Patent Box)	42,1	42,1
<i>Tax Rate</i>	29,2%	29,2%



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

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

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