



BRUNELLO CUCINELLI

Press Release

BRUNELLO CUCINELLI: the B.o.D. updated the revenue estimates for 2020 and reviewed preliminary net revenues for the first half of 2020.

- **Slight drop in revenues expected around 10% for 2020;**
- **Positive performance estimated both for the third and fourth quarter of 2020;**
- **First quarter strongly influenced by the closure of a significant number of boutiques around the world due to the pandemic;**
- **Net revenues at 30 June 2020 equal to €205.5 million, -29.5% at current exchange rates (-29.7% at constant exchange rates) compared to €291.4 million at 30 June 2019;**
- **Europe -23.8%, Italy -34.9%, North America -39.1%, China -19.1%, Rest of the World -19.4%;**
- **Performance by distribution channels: monobrand retail -31.7%, multibrand wholesale -23.7%; monobrand wholesale -27.7%.**

Brunello Cucinelli, Executive Chairman of the Company, commented:

“This first half of the year was strongly impacted by the pandemic that hit our planet. But already today we can envisage a positive third and fourth quarters that should result in a mild drop in 2020 turnover of around 10%. Furthermore, we imagine a sharp recovery in 2021 with a rebalancing of revenues that we estimate at around 15%.”

“Special thanks are owed to all of our employees who, with dedication and a remarkable sense of responsibility, have enabled us to fully catch up on our Fall Winter 2020 production as well as to design and complete the new Spring Summer 2021 collections.”



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Solomeo, 14 July 2020 - The Board of Directors of Brunello Cucinelli S.p.A. – an Italian maison operating in the luxury goods sector listed on the Borsa Italiana Electronic Stock Exchange – today updated the Group's revenue estimates for 2020 and examined the preliminary net revenues for the first half of 2020. It should be noted that the Half-Yearly Financial Report including the complete and final data for the period will be examined and approved by the Board of Directors at the meeting scheduled for August 27, 2020.

We would like to consider the time that has passed as a very delicate moment which should help us build a "**New Time**", as Brunello Cucinelli testified in a recent video message where he highlighted the way in which we interpret this **special moment for humanity** (the video is available on the following [link](#)).

We would hereby like to stress an issue we feel very strongly about: our company has remained unchanged since February. The only changes that have taken place are related to the **new roles of CEO** taken on by **Luca Lisandroni**, who has been with the company for 4 years, and **Riccardo Stefanelli**, a member of the family who has been with the company for 14 years, and **Brunello Cucinelli** as **Executive Chairman** and **Creative Director**. We are highly satisfied with this structure and we believe it can contribute to injecting vitality into the business and support the company's growth prospects for the future.

The number of **human resources** has remained the same: **before the pandemic** we had **2,024 employees** and now we are **operating with all of our 2,024 employees**, 1,000 of whom are located in Solomeo and the rest in our spaces and boutiques all over the world. Before going back to the workplace, we performed **serological tests and swabs** on the entire staff in Solomeo, and **in collaboration with the University of Perugia**, which analyzed the data, we have established that these tests will continue **until the end of the pandemic**. All external people arriving on the company premises are given the chance to subject themselves to a double test with nasopharyngeal and serological swab, with results being available within the hour. We think that all this contributes to making us work with more serenity and attention and protects us from possible relapses.

We consider the decision taken in early March to devote **40% of our time** to the year 2020 and **60%** of our time to the years **2021 and 2022** to be extremely important. No change has been made to our **10-year growth project 2019-2028**, which should lead us to **double** our **turnover**. We would like to remain an **absolute luxury ready-to-wear** company, with men's, women's and children's collections accounting for **85% of revenues** and **accessories** for **15%**, maintaining **the entire production exclusively in Italy**, with the company **headquarters** in our **Solomeo** valley.

We want to continue to invest in the **great project of human sustainability**, which in our view is divided into **three major issues** related to **climate and emissions**, to **our relationship with planet earth and its animals**, and to **the attention towards and care for human beings**. Overall, we would like to operate by continuing to believe in **healthy, balanced and sustainable growth**.

We undoubtedly believe that the **great issue of the future** will be our propensity to get informed before purchasing a **product** to assess where it has been made, how it has been made, **if any harm was done to humanity or the created** during the process and if **the entire supply chain was remunerated in a fair and equal manner**. This will positively change what we call living in **harmony with the Creation**, which can be summed up in the great concept of **balance between profit and giving back**.

We are working without having generated any redundancies and without having asked for any kind of discount from anyone; we believe that this **policy of protecting our workers** and of **great respect for our suppliers and landlords** is yielding great results in terms of our company's credibility.



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All our human resources are working with an **extraordinary effort and commitment** and **great sense of responsibility**, which has allowed us to **entirely recover the Fall-Winter 2020 production** between the months of May-June and July, after a period of mandatory inactivity of about 7 weeks between March and April. All this makes us optimistic about the future of the company.

As always in our **boutiques** we would like to have **new clothes**, hopefully beautiful and certainly the result of **great creativity**, with a **carefully studied visual merchandising** to avoid the impression of "having already seen them". This is a very important issue we need to face in the upcoming seasons, in view of the fact that the lockdown has forced us to stay home for a long time and see so "many things" on the net that we are now "almost bored".

We also think that the **fashion trends** have taken a turn towards a **way of dressing** we would define as almost "**timeless**", with garments we could imagine wearing for years, towards a "**chic**" **taste in line** with the **identity of our collection proposal**.

We would like to share our great belief in the **brick-and-mortar store**, the true generator of contacts with our clients, where the **value of the sales staff**, whom we see as **lovely advisors** as well as **brand ambassadors**, is fundamental.

The sales on our **e-commerce** website are at the same time going **very, very well**, with a broad quality structure that can support significant growth in the medium to long term. We in fact attribute **great importance to the digital channel** and have always believed that it represents the basis of any corporate communication. This is why we have tried to transfer everything we offer in our "physical channel" also online.

Concerning the **multibrand channel**, after reopening their boutiques, we feel that these stores convey the same atmosphere and spirit as our DOS, with the display of the Fall-Winter 2020 merchandise, and respective shipments, being postponed for about a month.

Our multibrand channel counts 500 clients around the world, all of the highest quality and image. Out of these, about ten are **luxury Department Stores**, the rest are high-level **Specialty Stores** with great style inspiration and visual merchandising, which are characterized by the fact that they cultivate very special relationships with their clientele, are highly informed about the habits and behavior of tourists and local people in particular, and have very demanding tastes. We therefore always consider them as a great source of inspiration, especially for our clothing collections, where weights and sizes make the difference.



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OUTLOOK

After a very positive start, both from the financial point of view and from the point of view of the brand's image, the **results of the first half of 2020** were **strongly influenced by the pandemic** and respective **lockdown**, which led to the closure of a significant number of boutiques around the world. Over the past months, we have maintained **an unchanged and strongly solid corporate structure**, which we have accompanied by a **healthy cost control** to always be ready to resume our growth project **already from the second half of 2020**.

We are very confident about the **second half of the year**, which we look towards with a "vision of **restarting**" and a project to **return** to a "**sober normalcy**". We therefore forecast a **positive performance** both for the **third and fourth quarter**, with a slight drop in revenues around **-10%** expected for the **year 2020**.

This week and next week, we will launch the "**physical**" **collections** for the **Spring-Summer 2021** season, which we will present in our various showrooms around the world: Solomeo, New York, Monaco, Milan, Shanghai. We have designed the same **number of models as in the previous collections**, excluding any garment that could be repetitive in the colors, fabrics or models in the hope that our clients will consider them "beautiful" and "new". As we had a chance to discuss in our recent and crucial internal meeting about the taste of the collections that are about to be launched, **our judgment** about these collections **is particularly positive and enthusiastic**. Obviously, now we need to await the judgment of multibrand retailers and the specialized press.

Our desire in these **times**, which we consider as "**new times**", is to **continue sharing** our **vision** and **corporate strategies**, as we had already declared in March of this year, when we anticipated that we were going to update you approximately every month or month and a half in order to exchange opinions about the path we would like to take.

We therefore consider it necessary to express our **strong optimism also for the year 2021**, a year which we consider as the year of "**re-balancing**", during which we estimate a growth in revenues equal to **+15% over 2021, and for 2022**, where we expect to go back to a growth in line with our long-term financial plan.

Finally, we are also continuing to work to achieve our **ten-year plan for 2019-2028**, which should lead us to double our turnover, with the support of **strategic investment plans to protect the brand, the production**, and an **exclusive presence** on markets.

We are well **aware that the current context is not easy to interpret**, but we think we owe it to the financial community and all of civil society to express the company's vision.

Our **corporate culture** has always been characterized by the will to **share our long-term plans** and this is something we hope to comply with also on this occasion, although we are aware that it will no doubt be more difficult in view of this very particular time we are living in.

Since we are one of the largest companies in our region, we consider this to be our duty and, in a way, we hope it can be **an inspiration especially to young people** who are experiencing a time of dejection.

This is a time in which we need **humility, courage, creativity**; a time in which each one of us needs to take on his or her responsibilities: responsibilities towards others, for others and for ourselves. We somehow need to represent that beautiful idea of **being the "lightcarriers for humanity"**, according to which it is our task to **light the way for those who march behind us** and to **make the path less difficult** for them to travel. And we would like that, somehow, we could all be small or larger lighthouses.



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Sales Performance

Sales in the first half of the year are equal to €205.5 million, with a performance at current exchange rates of -29.5% (-29.7% at constant exchange rates) compared to €291.4 million at 30 June 2019.

Revenues by Geographical Area

Italian Market - revenues equal to €28.9 million (14.0% of the total), with a performance of -34.9% compared to €44.3 million at 30 June 2019.

In view of the highly positive initial sales results, the first half of the year was very strongly influenced by the closure of our retail spaces. The **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.

European Market - revenues equal to €70.4 million (34.2% of the total), with a performance of -23.8% compared to €92.4 million at 30 June 2019.

The closure of boutiques all over Europe strongly influenced the results of the first half of the year. Following the reopening of boutiques and multibrand stores, we have perceived a renewed interest in the **Fall-Winter 2020** collections, with the **confirmation of previously collected orders** and **purchases made by local clients**, who represent our main target of reference.

North American Market - revenues equal to €57.3 million (27.9% of the total), with a performance of -39.1% compared to €94.1 million at 30 June 2019.

This market has shown a significant rise in revenues until the first half of March, with a strong impact on sales following the closure of boutiques and multibrand stores, which continued throughout almost all of the second quarter.

We have collected interesting feedback concerning the presence of and **purchases made by local clients** and have received **confirmation of the orders collected for the Fall-Winter 2020 campaign**, as well as highly positive comments from our partners concerning the **potential recovery of the business** connected to our brand.

China - revenues equal to €23.3 million (11.3% of the total), with a performance of -19.1% compared to €28.8 million at 30 June 2019.

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**.

We imagine that the 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, with customers being increasingly interested in a sophisticated, extremely high-end offer that respects all of Nature's creations.

Rest of the World - revenues equal to €25.7 million (12.5% of the total), with a performance of -19.4% compared to €31.8 million at 30 June 2019.

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.



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Revenues by Distribution Channel

Monobrand Retail Channel - revenues equal to €102.5 million (49.9% of the total), with a performance of -31.7% compared to €149.9 million at 30 June 2019.

After a **first part of the year** where this channel showed **very positive results and LFL**, the retail channel was strongly impacted by the closure of a significant number of boutiques. This characterized the entire second quarter of the year.

Very **interesting signals** regard the performance of **spaces that reopened after the lockdown period**, which show a **progressive increase in trust and return to purchasing** on behalf of local clients.

At 30 June 2020, the network includes 107 boutiques (106 boutiques at 31 December 2019), due to the opening at the beginning of the year of the new boutique in New York, in the trendy Meatpacking District.

Monobrand Wholesale Channel - revenues equal to €13.9 million (6.8% of the total), with a performance of -23.7% compared to €18.2 million at 30 June 2019. At 30 June 2020, the network counts 30 boutiques, a number which remains unchanged compared to 31 December 2019.

Multibrand Wholesale Channel - revenues equal to €89.1 million (43.4% of the total), with a performance of -27.7% compared to €123.3 million at 30 June 2020.

In view of the circumstances that affected the result of this half of the year, the **Spring Summer 2020** collections showed positive results and sell-out data until the lockdown of all activities due to the health emergency. From the **second half of March**, in fact, **all corporate operations related to production were temporarily suspended**, including deliveries to both multibrand and monobrand wholesale channels. From 4 May, these operations were resumed, with a **total recovery of the Fall-Winter production in July**.

The **order collection** for the **Fall-Winter 2020** season had already shown a significant increase, and we maintain great confidence in the role that exclusive multibrand **“Specialty Stores”** and **“Luxury Department Stores”** play in promoting our collection offer as they contribute to maintaining it contemporary and chic.

This is why we are very satisfied to announce the **confirmation of orders for the Fall-Winter 2020** collections, which **will be delivered** about 1 month **later than planned** to meet the new demands in terms of **re-balancing seasons** inside retail spaces and launching collections, which we consider to be structural both for the Fall-Winter collections and for the upcoming Spring-Summer collections.

Extraordinary provision for inventory write-down approved

At today's meeting, the Board of Directors decided to set up an extraordinary provision for inventory write-downs - which will be duly reflected in the half-yearly report at June 30, 2020 - of about €30 million, in view of the decision to yield free of charge, during the current and subsequent years, any surplus garments generated due to the Covid-19 emergency and the consequent temporary interruption of sales.



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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 press release correspond to the balances on the books of account and the accounting records and entries. The preliminary sales figures included in this release have not been audited. This document contain forward-looking statements on future events regarding the Brunello Cucinelli S.p.A. Group and its operating, economic and financial results. By their very 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 creating luxury goods. It was founded in 1978 by the fashion designer and entrepreneur of the same name and is listed on the Borsa Italiana Electronic Stock Exchange. The Company has always been **rooted in the medieval hamlet of Solomeo** and it is considered an authentic expression of the concept of "Humanistic Capitalism" since it can match constant, sound growth with an entrepreneurial philosophy addressing the major issues of **Harmony with the Created** and **Human Sustainability**.

Specialized in cashmere, the **brand** is currently believed to be **one of the most exclusive brands in the chic prêt-à-porter sector**, an expression of everyday lifestyle worldwide. The combination of **modernity** and **craftsmanship**, **elegance** and **creativity**, **passion** and **human values** make Brunello Cucinelli one of the most exclusive and admired **ambassadors of Italian style** in the world. In fact, the brand authentically expresses the values of **tailoring** and **artisanship** that characterize **Made in Italy** production and the territory of the Umbria region in particular, combined with an eye on **innovation** and **contemporary style**.

Through **healthy, balanced and sustainable growth**, the company's main goal is to gain profits with **ethics, morale and dignity**, respecting the moral and economic dignity of the over 2,000 directly employed Human Resources and of all the company's collaborators. In 2019, the company reported over €600 million in revenues, a selected presence in the market, with 136 monobrand boutiques and the most prestigious spaces in the leading multibrand stores worldwide.

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