

Brunello Cucinelli S.p.A

"Presentation of Results of the First Quarter 2019"

Wednesday, May 08, 2019, 18:00 CET

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BRUNELLO CUCINELLI: Here we are. Good evening ladies and gentlemen. It is always a pleasure to speak to you. It is good to have you online. So it is always I was saying a great pleasure for me to make these conference calls, because truth be told, because somehow it is a way to speak to you, to engage with you and we always draw a lot of inspiration from such calls. Of course you must be always willing to listen.

Before we start, I would like to express a great wish to my esteemed Naruhito, the Japanese Emperor who took power a few days ago, and as you know it is the last empire of mankind. It's a fascinating thing and so to define this new era he chose the expression, it is the era of harmony and hope. I believe that this is a great wish that we should all benefit from, so that we can somehow rediscover that glint of hope and harmony which it has and has somehow weaned and dwindled over the past times, and somehow it burdens us all and the malaise of our souls, so best wishes to our esteemed Emperor. So we are all here, there's us, Luca Lisandrone is absent because he is in Moscow today and tomorrow he will be moving to the splendid St. Petersburg. So we would like...I'd like to proceed as follows. I'd like to read out the numbers for the first quarter, then I'd like to provide you lots of visibility on 2019 and then I'd like to talk about the kids' line the Kids Collections something which we are very much charmed by. And also I'd like to express some comments on e-commerce Russia. And then last but not least, I'd like to talk to you about the Chinese market, which is a very important market for us from all points of view.

So, results. Revenues...net revenues €160.4 million plus 8.1% at current exchange rate plus 7% 7.1% at constant exchange rate vis-à-vis 188.3, sorry €148.3 million in the first quarter '18. Then international markets plus 9, Italian markets plus 4.2%. We are always very pleased with how our market is doing, then rest of Europe 8.7% plus North America plus

9.2% Greater China 12.7% and Rest of the World 6.4% plus, all plus. Then so there was growth in all distribution across all distribution channels, Retail 8.5 and Mono Brand 6.4%, Multi Brand Wholesale 9.8%.

I have tried to comment the data as follows and also the coming years. We can't but be very, very satisfied with the start of the year for our company which has continued on its linear sound and balanced growth path across all channels and markets where we are present. Evidence of this are the excellent sell out rates achieved by the Spring/Summer 2019 Collection. Still inspired by an idea of consistent and balanced growth we are now tackling the Kids line new project with excitement, respect and moderation. Considering the excellent order intake and we had already mentioned this for the Fall/Winter 2019 Collection, we believe we will achieve our healthy growth target of 8% by striving to always work in serenity and harmony.

Let's now start from 2019. Well, first of all everything is proceeding smoothly. Honestly speaking, we believe that we have quite a balanced climate here in Spring because very often we would talk about Spring Summer. Whereas this climate, this weather is very loving so to speak to the earth and to business. As you know we have already collected orders for Fall/Winter, great results there. So, everything is moving according to plan.

So we are particularly pleased with how the year is going and also with what we envisage for the full year. We have a fair quality sales so we expect fair profit from that and also a fair growth for the years to come. Then the last couple of road shows that we did in the world, hopefully we were able to very greatly convey our 10-year plan, that I can sum up as follows, 8% growth a year which means doubling results in 10 years' time. May God help us?

Fair profit, fair dividends and we believe they could be stabilized around 50% payout, then fair investments in order to be always contemporary. And we were talking about this just today about, namely the need, especially online, the need for everything to be very contemporary, then my role, the role of Luca and Ricardo.

So, once again from April 2020 and by the way, a few days ago, there was the General Shareholders Meeting, we are particularly pleased with how it went, so during the...this general...sorry, in 2020, the new positions. I would like to still be Executive Chairman and Creative Director. So somehow some sort of caretaker safe guardian of the brand this is always something I'll be fascinated by. Luca and Ricardo, however, will be the two CEOs. Luca based in Milan, because as you know, the whole business takes place in Milan, and Ricardo in Solomeo where we have our single production site for everything.

The important thing to mention is that over these months, we are managing the company, as if we had already reached next year. We are somehow doing some sort of test. As you know, I come from the product I'm in love and so fond of the product 80% of my time is devoted to product. And you know that I think that the...what really matters for each company is to have a modern product. I know that I can be boring sometimes, but if you ask me what my concern is to keep my product modern.

Product, well, they need fresh open minds, minds are contemporary, I would say genius-like minds. So as usual, it is up to us to be the organizers, the coordinators of the genius that resides in each and every one of us.

Now, a couple of words about the Kids line, collections are nearly ready, Spring/Summer will be presented next June. We are very, very satisfied with this project. Well for girls, but especially for boys, I don't want to bore you with details. As you know, designing for boys is more difficult because boys while the age range is 4 to 12 years if you....it's pretty easy to have sporty clothing for boys, but if you want to dress them up, maybe for some official ceremony then its...that's when it gets tough and unless you have to be very careful not to make them look like grown-ups. So, but in the end, we believe that these collections are becoming some sort of mini me reproduction of the grown-up collection, but the pictures that we showed to the best the 25 multi-brand accounts we have worldwide, well, the comments they gave us were very reassuring.

Then e-commerce, we are very satisfied with what we have done so far, the grounds covered so far. So, as you know, we have one single website which is split into two, the institutional website and the e-commerce platform. And then in a few days in Russia, and we will also come out in Russia and China because we want to be present in those markets online too. And then we will have a warehouse in Shanghai, in Moscow, plus our DOS stores, so that we can deliver timely in a timely and fast manner. Of course, everything happens as if it was shipped from Solomeo, so daily packaging and management.

And now let's move on to a very important topic, China. Why do you say important you might wonder? Well, it is an issue, a topic we are very fond of. Well, it really demands a lot of commitment from us and maybe we work more than we make revenues. But we really want to devote ourselves in a fully fledged manner to it. And I think that this commitment is important in order to safeguard our brand for the coming decade.

Last year, while talking about this project, we called it a Celestial Empire, because we wanted to pay tribute to the millennium old culture of this beautiful empire. Currently, all our esteemed Chinese, well, what they buy from us is 15%, 16% total of our product, 8% is direct sales and 7%, 8% is basically revenues coming from the tourists, the Chinese tourists around the world.

What about the growth of our brand in this market in order to protect the brand? Well, let's say that in three years' time, this 15% 16% should maybe reach 20% we would be happy with that, which means that we should have a proportional growth on our side and also a growth of the tourists. Why would we like to achieve this 20%? Well, because we would like this growth to be well balanced between America, Europe, rest of the world and China, our growth as a business.

I do never want one single market to become too important for a company. Because if this was the case, it could definitely affect the taste when you design the collection, if you are too strong in a specific region, the risk you run is that your collection might be somehow impacted by the taste in that specific market. So if you ask me in 5-10 years' time, what would you like to happen? I would like maybe, to have 27% 28% of our business in China, between local and tourists, maybe 27%, 28%, America, Europe and then rest of the world, you should bear in mind that we are present in 64 countries. And now hopefully, we will reach 100 countries.

So some more colors on China, I really wanted to go into detail. We have 2 channels, the multi-brands accounting for 25% of revenues, and then the monobrand channel 75%. As you know, the Chinese are very well-connected people. So it is always difficult to safeguard the brand. Very often it is the very same customers who demand from us that we stay exclusive.

For the years to come, it will be a very important market for everybody, for the next century. There's no doubt about this. You should consider that over the last year we opened just one store in the China world in Beijing. So this is our strategy, very few openings, but very well groomed and looked after store there must be modern and contemporary.

Another important thing in the Chinese structure headquartered in Shanghai, that looks after all the stores in China, we have 99% of Chinese employees. And we like this very much. Why is that? Because it is easier to understand their culture, they usually come to us. They come to us very often to better understand us. And we also...we can better understand them, so there be a smooth, kind of smooth integration, I always ask them all to be open, to be able to listen to spread our way of life. And we have decided to trek, to travel more often to these faraway lands more than in other countries, so that we can get to know the culture better, because it's a very important market.

I'm very happy that in the Easter holidays, my 2 daughters and family, they decided to travel to China and Mongolia so that they could get to know our Cashmere producers. And so, they were all very fascinated by that trip to Mongolia. I'm very happy of this continuous ongoing engagement with these cultures. Because what we want to do is to manage the development in this wide market by protecting the identity of our brands.

And I say it once again, this is the true bet for the next for the coming 10 years. And now to conclude a couple of minutes on the following: Last night we had some guests at the village. There were 6 young Buddhist monks. They were all very loving, coming from all nations, the U.S., Korea, Switzerland, Italy very fascinating. And the most fascinating time

of all, was when before dinner, one of them made some great remarks on life before we started our meal. So first of all, we ate in completely still in silence and it's always great to eat in silence especially if you're not used to it and what did he say before our meal? Let's eat with moderation. We must take care that we do not exploit the land, we have to respect the creation.

Truth be told, I weighed 700 grams less. So as my Benedictine monks, friends my friends say, they say if you eat little, that's the only way you have actually to lose weight. It was a great evening; I had met them with Marc Benioff at Salesforce in San Francisco. We had spoken with them at length, they usually go to Salesforce, to talk about mankind and humanity and we....we'd like to invite them to us too, we talked about the factory, we discussed about loads of things, the places where we work, through equality. It was a very fascinating evening for some of our friends from the village who were there and also for ourselves, I can hugely say that we came out of that evening more enriched because of their monastic culture. I like this idea of being open to the world.

So to conclude, what we would like is to convey this idea with this atmosphere where we work, because we are fully aware that we need to innovate on a daily basis. But, if we work with concentration and respect and dignity and a fair amount of hours, this is definitely something that can be achieved. And because we want to work of course and have plans for 10 years obviously but also for 100 years or more for our mankind. Thank you very much immensely. Let's open the floor for questions. Thank you.