



# BRUNELLO CUCINELLI

## PRESS RELEASE

**BRUNELLO CUCINELLI: The Board of Directors, having examined the Group's revenues for the first quarter of 2018, hereby reports:**

- **Net revenues<sup>1</sup> of €148.3 million, with an increase of +9.1% at current exchange rates (+12.2% at constant exchange rates), compared to €136.0 million on 31 March 2017;**
- **Increase in sales both in the international markets, +10.2%, and in the Italian market, +4.4%;**
- **Increase in revenues in all geographical areas: Italy +4.4%, Europe +14.9%, North America +2.2% (high single digit increase at constant exchange rates), Greater China +31.2%, Rest of the World +5.3%;**
- **Increase in sales in all distribution channels: retail +9.8%, wholesale mono-brand +12.9%, wholesale multi-brand +7.9%.**

**Brunello Cucinelli**, Chairman and CEO, commented as follows:

*"We are very satisfied with our business in the first months of the year; considering the current sell-out rates of the 2018 Spring/Summer collection, the excellent sales campaign of the 2018 Fall/Winter collection and the high quality of sales, we can confirm our expectations for double-digit growth in both revenues and profit next year.*

*A most heartfelt thank you to all our employees who, with their work, help us fulfil our longed-for desire to work and live in the utmost respect for "human privacy". Privacy protects our intimacy; we need a fair amount of privacy in order to strike a balance between public and private life and to promote our wellbeing."*

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<sup>1</sup> In accordance with accounting principle IFRS 15 (*Revenues from contracts with customers*), which went into effect on 1 January 2018, the application of a different accounting method compared to the previous years is now being required for certain types of contracts, i.e. sales of goods within multi-brand stores, provided through a "concession" formula.

The application of this new accounting principle resulted in an increase of both net revenues and operating costs (rental fees) by reference to the same amount, i.e. without any variation of the absolute value of net income.



## BRUNELLO CUCINELLI

*Solomeo, 10 May 2018* - The Board of Directors of Brunello Cucinelli S.p.A. – an Italian maison operating in the luxury goods sector and listed on the Borsa Italiana Electronic Stock Exchange (MTA) – today examined revenues for the first quarter of 2018, in accordance with the International *Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board*.

The guidelines established over the **first three months**, the **significant sell-outs** of the **Spring/Summer** collection, along with a “**very very positive**” order collection for the **2018 Fall/Winter**, have enabled us to set solid and consistent expectations, thus envisaging a “very good” 2018, with interesting insights for our future work.

We continue to devote **the utmost care to our products**, which we rigorously manufacture on a daily basis by paying meticulous attention to details, thus seeking to make them constantly contemporary as well as capable of conveying the essence of a **Made in Italy** brand with a recognizable **lifestyle**.

All geographical areas have shown very interesting sell-outs of **summer collections**; the **excellent feedback**, received from both the **trade press and the buyers** of the most prestigious department stores worldwide upon presentation of our collection, have been further confirmed by the **largely positive response** of our **final customers** whose judgment, which we deem unquestionable, represents the primary foundation for the preservation of **brand allure**.

Our **main buyers** and the **trade press** have also expressed **favorable opinions** of our **2018 Fall/Winter collections**, which we always take into careful consideration knowing the importance of their judgment.

Through our **daily commitment to listening**, we have come to understand the growing importance of values such as “**privacy**” and “**gracious mutual relationships**,” which have also been proven necessary for building **long-term relationships** with our final customers.

These relationships should never be intrusive, but always based on “**pleasure**”, i.e. the pleasure of receiving a call and being informed of the arrival of a new garment, which “*we think you might like.*” Personal relationships, which we build season after season, remain therefore at the forefront of our work. We believe that mankind is profoundly sensitive to this matter, which is also increasingly relevant for all of us and has always shaped the way we interact with the world.

Therefore, ever since we entered the fascinating, yet partially unknown, **world of the web**, we have been seeking to apply the **same values** as those on which we rely in the “**physical world**,” in the endeavor to behave as “**Humanistic Artisans of the Web**.”

We pay **constant attention to this “new world**,” particularly to the **protection of our brand**, as we are well-aware that the “web” is capable of standardizing and mass-producing everything. Hence, we can only maintain a long-term **brand allure** by establishing **healthy relationships** with our customers and respecting their privacy.

We believe that this is the **right path to pursue, in order to tackle the digital world** in a way which is consistent with our position and identity; the **significant results** obtained through the direct management of the online boutique also appear to confirm our vision.



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## **Sales Performance**

Net revenues as of 31 March 2018 came to €148.3 million, thus reporting an increase of +9.1% at constant exchange rates (+12.2% at constant exchange rates), compared to €136.0<sup>2</sup> million on 31 March 2017.

All markets as well as all distribution channels (retail, wholesale mono-brand and wholesale multi-brand) reported increases.

## **Revenues by Geographical Area**

**Italian Market** – growth trend continued, with a sales increase of +4.4%, compared to the results of the previous year; revenues amounted to €27.2 million, compared to €26.1 million on 31 March 2017, representing 18.4% of the total.

We believe the results reported in the first quarter of 2018 to be very positive, as we are aware that the Italian market has always represented an **undisputable benchmark** in terms of fashion appeal.

**European Market** – increase of +14.9% in sales, reaching €48.0 million, compared to €41.7 million on 31 March 2017, representing 32.3% of the total.

**All countries** of the European market, along with all distribution channels (retail, wholesale mono-brand and wholesale multi-brand), reported **very solid sales performances**.

**North American market** – significant **high single digit** growth at **constant exchange rates**, with sales amounting to €42.5 million, showing an increase of +2.2% at current exchange rates compared to €41.6 million on 31 March 2017, thus representing 28.6% of the total.

Very interesting **sell-outs** both in the retail channel, with the boutique network remaining stable and no new openings in the first part of 2018, and in the **multi-brand channel**, where the current **sell-through continued to show growth** compared to the previous year.

**Greater China** – the significant growth trend continued, with a 31.2% increase, albeit within limited values; sales reached €13.7 million by 31 March 2018, compared to €10.4 million on 31 March 2017, thus representing 9.2% of the total.

**Very positive performances** were reported in all reference markets, both in **Continental China** and in **Hong Kong**, as well as in **Taiwan** and **Macao**.

The growth trend in Continental China was driven by the positive **results of the network of existing boutiques**, with some **selected selling area expansions**, by **one new opening** in the last twelve months and by the rise of prestigious spaces reserved for the brands in the **most exclusive multi-brand stores**, which are gradually developing.

**Rest of the World** – turnover increase of +5.3% (high single digit increase at constant exchange rates), with revenues coming to €17.1 million, compared to €16.2 million on 31 March 2017, thus representing 11.5% of the total.

**Solid outcomes were reached in all geographical areas** where the brand is present, also driven by the new opening of the **prestigious mono-brand boutique in Dubai**, within the prominent Dubai Mall, which took place in the final part of the first quarter of 2018.

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<sup>2</sup> Revenues on 31 March 2017 have been reclassified, in order to provide a consistent comparison with revenues as of 31 March 2018, which now follow accounting principle IFRS 15. By applying the same accounting principle to revenues on 31 March 2017, sales increased from €134.1 million to €136.0 million.



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## **Revenues by distribution channel**

**Retail mono-brand channel** – increase of 9.8% in sales to reach €65.6 million by 31 March 2018, compared to €59.7 million on 31 March 2017, thus representing 44.2% of the total.

The performance was driven by a **like-for-like growth**, also thanks to the positive contribution provided by a **limited number of new openings** in the second half of 2017.

The **sell-out dynamic** of the 2018 Spring/Summer collection continued its very positive development, thus consistently supporting the expectations of growth for the end of the year.

The **network included 94 boutiques** as of 31 March 2018, thus remaining unchanged, compared to 31 December 2017.

**Wholesale mono-brand channel** – increase of 12.9% in sales, reaching €11.6 million by 31 March 2018, compared to €10.3 million in 2017, thus representing 7.8% of the total.

The base for **comparison** has now become homogeneous following the conversion, completed last year, from third-party management to direct operations of our 4 boutiques in Moscow, as well as our online boutique.

The wholesale mono-brand network included **31 boutiques** as of 31 March 2018 (compared to 32 on 31 December 2017), along with the new opening in the prestigious Dubai Mall during the first quarter of 2018.

**Wholesale multi-brand channel** – in line with the strategic relevance that we have always placed on multi-brand, we believe the increase of 7.9% to be very interesting, with revenues coming to €71.1 million, compared to €66.0 million on 31 March 2017, thus representing 48.0% of the total.

The positive trend was also confirmed by the **rise of selling areas in those luxury departments where the brand already exists**, along with the **inclusion of our products into some prestige and very exclusive multi-brand stores**, particularly in Continental China.

We firmly believe that the results achieved were sustained by the same prestige and sophisticated atmosphere which our brand contributes to spread over the multi-brand areas, in the constant endeavor to make high-end and unique manufactured products, which are subsequently distributed in a selective manner.

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*The manager in charge of preparing the corporate accounting documents, Mr. 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 revenue figures included in this release have not been audited.*

*This document may contain forward-looking statements for future events regarding the Brunello Cucinelli S.p.A. Group and its operating, economic and financial results. By their nature these statements contain an element of risk and uncertainty, as they depend on the occurrence of future events and developments.*



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**Brunello Cucinelli S.p.A.** is an Italian maison operating in the absolute luxury goods sector; specializing in cashmere, it is now one of the most exclusive brands in the international informal luxury **prêt-à-porter** sector as well as expression of *everyday luxury*. Brunello Cucinelli, founded in 1978 by the eponymous stylist and entrepreneur, reported net revenues of €503.6 million in 2017 (+10.4% compared to the previous year), of which 83.2% was achieved overseas, and a normalized EBITDA of €87.5 million, with an increase of 11.8% compared to the EBITDA of 2016, and currently has approximately 1,600 employees. Brunello Cucinelli's success is rooted in the history and legacy of great craftsmanship as well as in modern design - a quality strategy founded on a combination of innovation and artisan skills.

Attention and care taken in manufacturing the product are expressed through the use of the highest quality raw materials, tailoring and **craftsmanship** of an exclusively **Made in Italy** production, combined with *savoir faire* and **creativity**; all of this makes the Solomeo-based company one of the most exclusive testimonials of Italian *lifestyle* worldwide.

Company business has always been conducted in the medieval hamlet of Solomeo, on the outskirts of Perugia. Today the brand is distributed internationally in over 60 countries through 125 mono-brand boutiques (94 direct mono-brand boutiques and 31 mono-brand wholesalers) in leading capitals and cities worldwide and in the most exclusive resorts, with a significant presence in approximately 650 selected multi-brand stores, including leading luxury department stores.

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