



# BRUNELLO CUCINELLI

## Press Release

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**BRUNELLO CUCINELLI: the Board of Directors has examined Sales Results as at 30/09/20.**

### Revenues for Q3 2020

- Significant growth of +3.4% at current exchange rates compared to the same period of the last year, confirming the expectations of an increase in turnover;
- Significant increases in revenues in North America, Europe and domestic China: North America +9.2%, Europe +7.7%, China (including Hong Kong and Macao) +3.2%, Italy -6.9%, Rest of the World -5.7%;
- Excellent growth in the wholesale channel of +20.5%, solid results in the retail channel down by -15.7%.

### Revenues for the first 9 months of 2020

- Net revenues of €378.7 million, down by -17.5% at current exchange rates (-17.4% at constant exchange rates) compared to €459.2 million at 30 September 2019.
- North America -21.4%, Europe -13.4%, China (including Hong Kong and Macao) -12.6%, Rest of the World -13.9%, Italy -23.1%.
- Performance by distribution channel: wholesale -9.0%, retail -26.1%.

**Brunello Cucinelli**, Executive Chairman of the Company, commented as follows:

*"We have achieved really interesting results in the third quarter of this 2020 and, as we are already halfway into the last quarter, we can envisage very positive results for this last quarter as well; we should therefore close the year reporting a "slight" drop in revenues of around 10%.*

*And just a few days ago we finally received the "long-awaited" news of the forthcoming arrival of the "vaccine", which has stirred joy and hope across all of mankind. This has prompted us to return to live and work in a better mood after long months of intense and sometimes painful life, both for our body and our soul.*

*Because of the above and thanks to a strong order collection for Spring Summer 2021, we envisage that next year, which we call "the year of rebalancing", will mark a return to graceful growth of around 15%."*



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*Solomeo, 19 November 2020* - The Board of Directors of Brunello Cucinelli S.p.A. – Italian maison operating in the luxury goods sector listed on the Italian Electronic Stock Exchange (MTA) – today examined the Group's sales figures as at 30 September 2020.

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Following the "Letter for a new Social Contract with Creation" recently written by Mr. Brunello Cucinelli. It is a reflection on the time we are living in, in view of a horizon of hope and renewed serenity that we hope will soon arrive.

### **LETTER FOR A NEW SOCIAL CONTRACT WITH CREATION**

"I was born into a modest family in the countryside, and there, where the stars shine brighter at night, the feeling of Creation is stronger; we felt the universe echoing within us, we intuitively perceived the great rules of its harmony. In my life I have always wanted to place ethics and respect for human dignity among the highest ideals, and from this aspiration I have tried to generate my activity as a Cashmere businessman, careful as I could to produce without damaging Creation, to maintain constant harmony between profit and giving back.

Being passionate about philosophy, I was able to confirm, reading Kierkegaard, that human beings are both individual and universal, and this is a great value for me. I have always believed in humanism as an element of the universe; this is what great men of the past thought, from Dante to Galileo; each one along their own path, they combined humanism with spirituality and science. I argue that one cannot live without humanism, and I have made it the most faithful friend of my soul: from it I have tried to draw my idea of humanistic capitalism, and then, thinking back to the starry skies of my childhood, the idea of universal humanism.

Precisely because of the fascination of that youthful life, because of that sense of the infinite, I think of Creation as a caring guardian whom we should all be grateful for the golden gifts we receive with generous abundance; I am deeply grateful to it. But for some time now, in this year, our life has been flanked by an unexpected and unwanted travelling companion, who in the form of a pandemic virus wanders the entire planet causing pain to the body and spirit of human beings, with an unpredictable and exhausting course, at times slow, at times accelerated, at times mild, at times cruel, with alternating hopes that are first glimpsed and then immediately disappointed.

We seem to be witnessing a sort of struggle between biology and the earth, which lasts for a long time, and here, finally, Creation itself has asked us for help. Now I believe that it is up to us, human beings, as a moral imperative, to respond to this important and urgent call; and I am thinking of a sort of new social contract with Creation.

The social contract is an ancient idea, dating back to Plato, Aristotle, and then, closer to us, Thomas Hobbes and John Locke, and finally Rousseau, who dedicated a book to it. The contract that I imagine is new because it is not only about human beings, but it also includes every other element of Creation. The distant mountains, the deep and shady forests, the immense and restless seas, the blue and starry skies under which animals and plants live in constant harmony, I see them, together with human people, as the integral factors of the new contract, and I represent them, as a universal whole, as an earthly paradise of our times, an environment at once enchanted and sacred, without boundaries, which spreads its wings over every remotest corner of Creation.



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Perhaps, however, lately we have somewhat neglected some natural rules that for so long have been the foundations of a genuine and true kind of life; perhaps we have lost the harmony that balanced receiving and giving back in the relationship between us and Creation, and we have begun to consume it, instead of using it according to natural and necessary needs, as Epicurus preached and as hundreds of nameless generations have done before us.

Therefore, if we now look into our hearts with the courage of truth, if – in accordance with Kant's thought – we raise our eyes to heaven above us and question the moral law within us, we will recognise that we have been prodigal children, and then, as in a choral public confession involving a large part of us, we will recognise that if Creation asks us for help today, we too are responsible for its suffering.

Let us think then of our children, of future generations, who more than anything else are the hope of tomorrow; let us think of the world they will inherit from us, which should be slightly better than this; let us think of the legacy of the past, without which, as philosophers teach, there is no future. If we forget the teachings of the past, how can we set out on the safe paths of moral justice? It seems to me that we owe the young people the time that we have taken away from them, the hopes that follow ideals; and their eyes still seek ours, which are often evasive, because it is not easy for us to respond with a look as straight and true as theirs.

It is also thinking with loving fear of the new generations that I imagine the new social contract with Creation, because I would like the children of today's men to have the chance to live on a planet where animals, plants, and waters, find time and place to regenerate themselves according to nature, with those wide and serene rhythms that have marked the time of human history for millennia; a time and place where the woods return to regain the earth, taking it away from the deserts, reviving the planet with oxygen and coolness.

So I like to dream that future generations will be able to live where they feel they will recognize their homeland, and will have the whole world as a free choice; if they see the great migrations of people as an opportunity rather than a danger, if for them the desire to repair and reuse things will prevail over the temptation of waste, if the State and laws are not considered obligations forced upon them but means of civil life to be respected for a more just life; if they know how to develop technology and humanity as lovable sisters, if every corner of the planet will be considered the heritage of each and every one, and finally, if, as Hadrian the Emperor thought, they know how to consider books as the granaries of the soul, they will be happy. Such is the social contract that I would like to enter into with Creation, such is the help I feel I want to give as a loving response to such a caring guardian. Thank you, may Creation enlighten our path.”

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### **The path of healthy, balanced and sustainable growth**

The current moment, which since November 1<sup>st</sup> we have been calling the "**second phase of pandemic management**", suggests to us that we should continue in the manner that we have chosen since March, trying to run our business with humility, courage, creativity and seriousness.

At the beginning of the pandemic we made three big decisions: not to fire anyone and to guarantee a salary to all our employees, not to ask for discounts consistent with our company culture, and with the "Brunello Cucinelli for Humanity" project to make available to some human beings the surplus merchandise from our boutiques after months of lockdown, trying in some way to improve their living conditions.

We believe that the approach and planning with which we have managed activities in recent months have contributed to achieving **very, very positive results** in the third quarter, with significant revenue growth.

We perceive that we have **restarted the path towards a healthy, balanced and sustainable growth**, supported by four characteristics peculiar to our company that in our opinion were decisive:

- 1) The importance of a wholly Italian production chain.
- 2) The strategic role played by the wholesale channel.
- 3) The importance and resilience of the American market.
- 4) A "domestic" orientation in all markets.

The beginning of the fourth quarter confirmed the significant reversal that already began in the third quarter, characterised by a balance between the markets, with the recovering, dynamic markets of China and Russia and the solid results of Japan and the USA offsetting the difficulties of a part of Europe, allowing us to foresee a growth in revenues in the latter part of the year.

The concreteness of our growth plans is supported by the **very positive** number of orders received for the **Spring/Summer 2021** collection, the brand radiating a powerful allure.

Major **expansion projects** continue, many of them being completed between 2020 and 2021, such as the opening of the new boutique in **St. Petersburg** and Omotesando in **Tokyo**, and the doubling of the flagship footage on Madison Avenue in **New York** and the Crystals boutique in **Las Vegas**.

We believe it is essential to support this healthy development plan with significant **investments in communications**, in support of our brand's exclusivity and the desirability of our products.

Production continues at full steam and is perfectly on schedule to deliver the collections as planned to monobrand and multibrand boutiques.

We are following with the same attention the project started in March to safeguard the health of all our human resources and partners, with serological tests and swabs that help to guarantee a "protected" work environment and a serene spirit.

We therefore continue to imagine a **slight decrease in revenues** of around -10% for **2020**, with very positive growth and an **increase in turnover of around +15% in 2021**, the "**year of rebalancing**", continuing with our important investment project and in the progressive rebalancing of the Net Financial Position with a sound and healthy Balance Sheet.

Finally, we believe that our **ten-year growth project for 2019-2028** focused on the goal of doubling turnover will not be disrupted.



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While today the **company is essentially the same as it was in February**, with the same number of employees, we believe that in many respects it is even **stronger and more solid**.

First and foremost our **human resources** have shown courage, extreme practicality and speed in transforming choices and ideas into actions, making it clear that we can deal with any challenge that presents itself with serenity and confidence.

We also saw the need and opportunity to further strengthen communications with all our **third-party manufacturers, suppliers of raw materials and multibrand customers**, and we believe that this commitment has resulted in an even more special and authentic relationship with each of them.

Our **third-party manufacturers** have shown great reactivity, giving us confirmation that we can count not only on skilled hands but also small and medium-sized companies that are well structured, financially sound and able to handle tough challenges, making it possible for us to plan for the company's future growth with renewed serenity.

We appreciated the great creativity of our **raw material suppliers**, engaged in constant dialogue with our creative offices as they seek to convey the contemporary character of our product.

As for the **multibrand customers**, we believe that we demonstrated their central role in our long-term strategy by launching a new planning phase that outlined the common objectives of the next 5-10 years.

For all these reasons, it seems to us that **the company is structurally ready to resume its growth**, continuing on the path that it began in the second half of this year, with the conviction that the authenticity and consistency of our actions will remain the key factors of our success in the future.

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### **Sales Performance and Revenues by Geographical Area**

Sales in the third quarter were €173.5 million, with growth at current exchange rates of +3.4% compared to €167.8 million last year.

Sales in the first 9 months of 2020 were equal to €378.7 million, with a performance at current exchange rates of -17.5% (-17.4% at constant exchange rates) compared to €459.2 million last year, following the strong impact of the pandemic in the first part of 2020.

**North American market** – the third quarter saw an important result of +9.2%. The first 9 months of 2020 were equal to €116.5 million (30.7% of the total), with a performance of -21.4% compared to €148.2 million as at 30 September 2019.

The dynamics of the quarter underscore an important growth trend supported by the resilience of “domestic” demand, with customers returning with greater peace of mind to buy in the boutiques and multibrand stores in their cities.

**European Market** – the third quarter saw a solid performance of +7.7%. The first 9 months of 2020 were equal to €120.9 million (31.9% of the total), with a performance of -13.4% compared to €139.5 million as at 30 September 2019.

The performance reported included significant increases throughout central and northern Europe, supported by the return to local customer stores, while the performance of Mediterranean Europe is



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still being impacted by the results of tourist cities, and in some areas by the persistence of fears related to the virus.

**Italian market** – the third quarter saw a performance of -6.9%. The first 9 months of 2020 were equal to €58.5 million (15.5% of the total), with a performance of -23.1% compared to €76.1 million as at 30 September 2019.

Growth in local customer purchases partially compensated for the significant decline in international tourism.

**China** – the third quarter saw a performance of +3.2%. The first 9 months of 2020 were equal to €38.1 million (10.1% of the total), with a performance of -12.6% compared to €43.5 million as at 30 September 2019.

There was solid positive growth in mainland China and Taiwan, being able in the third quarter to fully compensate for the difficulties related to the significant drop in traffic in major cities such as Hong Kong and Macao.

**Rest of the World** – the third quarter saw a performance of -5.7%. The first 9 months of 2020 were equal to €44.7 million (11.8% of the total), with a performance of -13.9% compared to €51.9 million as at 30 September 2019.

The good performance of South Korea, a market that is still fully wholesale, did not offset the reduction in turnover in Japan, which in the third quarter of last year had performed very well while awaiting the increase in value added tax.

### **Revenues by Distribution Channel**

**Retail Channel** – the third quarter saw a fair performance of -15.7%. The first 9 months of 2020 were equal to €169.3 million (44.7% of the total), with a performance of -26.1% compared to €229.2 million as at 30 September 2019.

The significant percentage of local customers allowed us to limit the losses due to the lack of international mobility. As at 30 September 2020 the network consisted of 107 boutiques (106 boutiques as at 31 December 2019).

**Wholesale Channel<sup>1</sup>** – the third quarter saw an excellent performance of +20.5%. The first 9 months of 2020 were equal to €209.4 million (55.3% of the total), with a performance of -9.0% compared to €230.0 million as at 30 September 2019.

The timely deliveries of the Fall/Winter 2020 collections allowed us to achieve an excellent turnover in the third quarter in the various markets.

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<sup>1</sup> The wholesale channel combines the wholesale multibrand channel and the wholesale monobrand channel. The multibrand wholesale channel at 30 September 2020 amounted to €186.4 million compared to €205 million at 30 September 2019. The monobrand wholesale channel had a turnover of €23.0 million at 30 September 2020 compared to €25.0 million at 30 September 2019. The corresponding network consisted of 31 boutiques as at 30 September 2020 (compared to 30 boutiques as at 31 December 2019).



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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 may contain forward-looking statements on future events and operating results, as well as economic and financial results, regarding the Brunello Cucinelli S.p.A. Group. By their very 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 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**.

Specialised 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**, and **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, morality** 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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