



BRUNELLO CUCINELLI

PRESS RELEASE

BRUNELLO CUCINELLI: the Board of Directors has examined the 2017 preliminary results

- **Net revenues €503.6 million, +10.4% at current exchange rates compared to 31 December 2016;**
- **Significant increase in sales, with a very positive increase in Italy of 11.2% and in all the international markets: Europe +10.6%, North America +6.5%, Greater China +36.2%, Rest of the World +5.3%;**
- **Sales growth in all distribution channels: retail monobrand +19.6%, wholesale monobrand +1.5%¹, wholesale multibrand +6.2%;**
- **Significant reduction in net debt which has fallen to approximately €16 million compared to €51 million at 31 December 2016, thanks to the generation of cash and very positive commercial working capital management;**
- **Capex of approximately €35 million, key to maintaining the brand's prestige and its "protection" in both the "physical" and "digital" channels.**

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

"In 2017 our company reported very very significant sales, as for the first time we have exceeded 500 million euros in sales. It has been a splendid year also in terms of the image enjoyed by our brand worldwide; moreover, considering the good quality of our sales, we also expect excellent profits."

"Looking at 2018, orders for Spring Summer were very interesting and, given the excellent sell-out performance of the past Winter, we envisage for this year, too, a nice double-digit growth in terms of both revenues and profits."

"However, the results harvested in our beloved Italy deserve a special mention, with a feeling of optimism arising not only from our growth results and the appreciation that Italy keeps enjoying worldwide, but also from the positivity, the creativity, the desire to work well and innovate that we often perceive around us, especially among young people."

¹ Performance based on the same perimeter, excluding in 2016 the sales made by the 4 wholesale monobrand boutiques in Moscow and by our online boutique which were converted to direct operations from the first quarter of 2017 (the reported result fell by 25.9%).



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Solomeo, 8 January 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 the Group's preliminary consolidated sales figures for 2017 and its net debt at 31 December 2017. The complete and final figures for the year ended 31 December 2017 will be examined and approved by the Board of Directors at its meeting scheduled to be held on 7 March 2017.

Sales Performance

Net sales at 31 December 2017 rose by 10.4% to reach €503.6 million compared to €456.0 million last year (a rise of 10.9% at constant exchange rates); significant growth was achieved in all geographical areas and all distribution channels.

Online Sales

The year just ended has been of extreme interest and especial beauty for the results achieved by the Company and above all for the outstanding levels of **allure, lifestyle** and **credibility** the brand has reached, thanks to the daily effort in **protecting** its **exclusivity** and **selected presence** in the **physical and digital worlds**.

A year has passed since the opening of our online boutique and the launch of our new corporate website we are particularly pleased with the results obtained and even more so with the image which we hope we have succeeded in transmitting, with the places where we live and with respect for human being, dignity and the beauty of our land.

We have always believed that the world of the web is fascinating – in part still to be discovered – and our desire is continuously directed towards how to **“humanize”** our relationship with the internet **“to avoid it taking over our minds”**.

We were therefore extremely pleased to receive an invitation to discuss **“Technology and Humanism”** at the highly important **“Dreamforce Conference 2017”** held in San Francisco in November in front of the people whom we believe to be the leading innovation geniuses of the new millennium.

Among the protagonists at the conference were Brunello Cucinelli and Marc Benioff, the founder and CEO of Salesforce, who shared ideas about how to grasp the positive aspects of the great technological revolution that has just begun, experiencing the change by ensuring due regard for **“gracious technology”**.

We continue to work on these aspects one day after another, always aware that **protection of the brand** is both a need and a wish; for us this also means giving due attention to the value of the wait, to the pleasure of waiting for what you want.

The numerous beautiful “thank you” letters we receive from end customers are the confirmation that our project **“Humanist Artisans of the Web”** is moving in the right direction: all of this results in a **gracious approach** with the customer as we propose ourselves as **“friendly advisors”** and **“never pushing”** a purchase, for example by way of an email reminding customers that their basket has still to be filled.



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As in the physical world, in the internet world we believe we have been able to create an **excellent relationship with the most important online luxury multibrand stores** such as Mr. Porter, Net-à-Porter and Mytheresa, whose exclusivity we consider to be comparable to the best department stores in the physical world.

Finally we like to believe that anyone buying a Brunello Cucinelli garment always does so in that **spirit of safekeeping** in which we have great belief, and sees it as an inheritance to be left to future generations: a garment to be handed down, mindful of a healthy utilization of things.

Italian Market – a very handsome rise of 11.2% in revenues which reached €84.7 million (16.8% of the total) compared to last year's €76.2 million.

We are especially pleased with this rise in sales as we consider Italy to be a market of high strategic value, an extremely important showcase for the brand's image and a "thermometer" of the appreciation of the collections, with end customers always attentive to trends, good taste and the wearability of our garments.

In fact we believe that the **wearability of the clothes** is a fundamental factor, in particular for the offer of collections of items of clothing to be worn throughout the whole day: a "**luxury that speaks in whispers**" to connoisseurs of the brand – some of whom have experienced a visit to the hamlet of Solomeo and have touched the way we live and work with their own hands – and to new customers who are approaching the brand for the first time.

The opening of the **Montenapoleone boutique** in Milan had a very positive effect. We consider the store that was inaugurated in January 2017 to be an expansion of the previous space in Via della Spiga. A year has passed and we are very satisfied with the sales performance and the considerable contribution made to the brand's image as we seek to transmit the dignity and beauty of our land and the atmosphere of the places in which we live.

European Market - growth of 10.6%, with revenues reaching €150.9 million compared to €136.4 million last year, representing 30.0% of the total.

A uniform increase in revenues across all areas and in all channels, supported by **top-end tourists** and above all **local customers**, noting the enthusiasm, extreme care and attention with which they experience the purchase of our brand.

The results of sales in both the monobrand and multibrand channels were interesting. Here we can see boutiques with beautiful, well looked after display windows having a "fine atmosphere" that invite you to come in and buy. As always we believe that firmly underlying the possibility of remaining competitive in all sales channels are the **exclusivity of distribution**, the **modernity of the product** and the **freshness of visual merchandising**.

We see the top-end luxury customer in the constant search for **unique and special items** that are capable of soberly and elegantly representing **typical Italian lifestyle and taste**; thanks to the significant range and depth of the collections our customers can obtain access to a **luxury sporting-chic proposal** with the possibility of making a choice of clothes that depends on the climate, the taste and the trends of the city in which they find themselves.



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Particular attention is always given to the relationship as “**prompter**” which our staff should have with the end customer; we would like this relationship to be of an extremely gracious nature, attentive to each person’s specific needs.

North American Market – a noteworthy increase of 6.5%, with sales reaching €178.6 million (35.5% of the total) compared to €167.7 million last year.

The sales trend was solid in all distribution channels, both monobrand and multibrand, with the value of the garments to be found in the boutiques always enhanced by the detailed work carried out by our “**visual merchandising**” teams who follow the retail and wholesale sales spaces with the same care.

The sales performance in the multibrand channel was supported by the “**special relationship**” we believe we have with the Luxury Department Stores which are always on the hunt for exclusive clorhings with limited distribution, those capable of providing a **luxury prêt-à-porter** offer, especially **daytime** wear, that represents elegance, refinement and sophistication.

The attention we dedicate to the selection of “**human resources**” is fundamental, meaning the staff who handle the relationship with the end customer, envisaging them always as elegant, chic and capable of advising and inspiring whoever enters the store and of putting them at their ease: friendly advisors who help customers to find the right garment with the right fitting, also recommending how it can be matched with the clothes they already have in their wardrobe and creating a friendly, pleasant relationship of mutual appreciation.

Of equal importance are the activities relating to the “**trunk shows**”, sales moments when customers have the opportunity of getting to know the collections both as a whole and in detail; an occasion for creating a mutual relationship of complete trust, thereby completing the purchasing experience.

Greater China – a significant increase of 36.2%, albeit from starting figures that are still limited; revenues rose from €31.4 million to €42.7 million (8.5% of the total).

We have an extremely strong desire to protect the brand’s exclusivity and allure in Greater China and in fact we believe that a **limited distribution** can ensure its appeal, protecting it and maintaining the exclusivity sought after by our end customers; the brand’s presence is therefore restricted to 18 direct boutiques in the whole of Greater China, with only one opening taking place during the year.

The sales made in the multibrand channel in Greater China provided a positive contribution through our presence in exclusive multibrand boutiques: spaces with an extremely beautiful image and the presence of the most important brands in global luxury, capable of attracting a local clientele geared towards the search for top quality items.

We have the feeling that Chinese customers really enjoy shopping in these beautiful multibrand stores, positioned in highly charming locations, since when leaving the store and walking down the passageways they can show off the “large bags” and fascinating purchases they have just made.

We believe, therefore, that our presence in both the multibrand and monobrand channels in China represents a **potential** for growth that is interesting in the medium to long term but must always be grasped with balance, in the “right” way and with the proper timing.



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Rest of the World – growth of 5.3%, with sales reaching €46.7 million (9.3% of the total) compared to €44.4 million at 31 December 2016.

Solid results in all geographical areas, supported by an increase in the **demand from local customers** who are attracted by a brand that we believe to be one of the symbols of the Made in Italy sector, rich in craftsmanship, tradition and manual skill and representative of an exclusive lifestyle.

We attribute significant value to the **exclusivity** of our presence in all the markets in which we operate and we are therefore especially **satisfied with the brand's image**, with sales spaces that give the impression of being extremely well cared for, **visual merchandising** that we consider to be of great interest and the presence of staff who we would always like to be courteous and capable of explaining the collection and explaining our values, our philosophy and our way of being.

Revenues by Distribution Channel

Retail channel –revenues of €270.5 million (53.7% of the total), an increase of 19.6%, compared to €226.2 million last year.

The trend in like-for-like sales was very positive, as was the development of the boutique network which included selected openings and the conversion of certain selling spaces from third party management to direct operations.

In 2017 like-for-like performance rose by **4.4%**² with a very satisfying trend taking place during the year; the first sales figures for the 2018 spring/summer collections have also been positive as they began to make their appearance in the leading fashion capitals and most important resorts.

The **sell-out figures** were very interesting **in all markets**, with a collection proposal that maintains the fundamental characteristics of prestige, modernity and top level craftsmanship.

The network consists of 94 direct boutiques, with 4 openings in 2017 and the conversion of the 4 boutiques in Moscow from the wholesale monobrand channel.

A positive contribution arrived from the passage to direct operations in Holt Renfrew's Luxury Department Stores in Canada³, where the spaces were previously managed under the wholesale multibrand formula.

Wholesale monobrand channel – sales of €25.3 million (5.0% of the total), representing a rise of 1.5%, excluding the transfers from third party management to direct operations of our online boutique and the 4 boutiques in Moscow (reported performance fell by 25.9%⁴).

² Like-for-like in 2017 is calculated as the increase in revenues at constant exchange rates in the DOS existing at 1 January 2016.

³ The passage relates to the conversion to direct operations of 5 shop-in-shops inside Holt Renfrew's Luxury Department Stores in Canada, previously run on the basis of the wholesale formula, which took place following the signing of an agreement on 13 March 2017.

⁴ Reported performance, obtained by including the revenues from the converted boutiques and the online boutique (passing to direct operations from January 2017) in the figure for 2017, declined by 25.9% (revenues for 2017 amounted to €25.3 million compared to €34.2 million in 2016).



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The brand's presence in the wholesale monobrand channel consists of **30 boutiques in prestigious locations**; as in the direct channel the **sales spaces are looked after with extreme care**, creating the possibility for collections to provide full representation of our taste and meet customer demand, thanks also to **local partners** who are fully aware of the dynamics of the market in which our sales spaces are to be found.

Wholesale multibrand channel – significant growth of 6.2%, with revenues rising to €207.8 million (41.3% of the total) compared to €195.6 million at 31 December 2016.

The very positive results for 2017 are accompanied by equally important figures for the orders received for the 2018 spring/summer collections which support the **sustainability of growth** and contribute to giving **visibility** to the upwards trend expected to occur in the first half of the new year.

The solidity of the results in all the markets in which we operate, including in the geographical areas where the performance of the sector has been affected by macroeconomic and sectorial dynamics, is supported not only by a collection proposal that is exclusive and with limited distribution but also by the **special relationship** which we believe we are capable of creating with the **most prestigious multibrands** and the most important Luxury Department Stores.

Net Financial Position and Capex

A significant reduction in the net financial position which has fallen from €51 million at 31 December 2016 to approximately **€16 million**.

The excellent management of commercial working capital has supported the generation of cash, thereby contributing to a significant reduction in year-end debt, with **capital expenditure made of approximately €35 million**.

The investments made in 2017 related mainly to the boutique network and included a number of key openings, enlargements, conversions and measures to keep sales spaces exclusive, as well as investments concentrating on the development of our digital presence, such as infrastructure supporting the direct management of the online boutique.

We consider all these investments to be essentially of a “**structural**” nature, made in order to maintain the “**exclusivity of the brand's positioning and prestige**” in both the “traditional” and “online” channels, protecting its allure and the sensitivity of its positioning in the long term.

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.

This document may contain forward-looking statements on 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. The preliminary results for 2017 included in this press release, which have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB), have not been audited. The final results could differ from the preliminary results as the result of events and circumstances that are currently not predictable.



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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, the expression of *everyday luxury*. Brunello Cucinelli, founded in 1978 by the eponymous stylist and entrepreneur, posted net revenues of €456 million in 2016 (+10.1% compared to the previous year), of which 83.3% was achieved overseas, and a normalized EBITDA of €78.2 million, up by 13.2% compared to the previous year, 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 skill.

The attention and care taken in manufacturing the product are expressed through the use of the highest quality raw materials, tailoring and **craftsmanship** of 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 124 monobrand boutiques (94 direct boutiques and 30 monobrand wholesalers) in leading capitals and cities worldwide and in the most exclusive resorts, with a significant presence in approximately 650 selected multibrand stores, including leading luxury department stores.

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