

Brunello Cucinelli Group

“Presentation of the Nine Months 2017 Revenues”

Tuesday, November 14, 2017, 17:00 CET

OPERATOR: Good evening, Chorus Call operator speaking. Welcome to the Presentation of the Nine Months 2017 Revenues Results of the Brunello Cucinelli Group. I'd like to remind you that all participants are in listen-only mode. Following the presentation, there will be the opportunity to ask some questions from the financial markets. In order to receive aid from an operator during the conference call, press "*" followed by "0."

Now, I would like to give the floor to Mr. Brunello Cucinelli, CEO of the company. Mr. Cucinelli, the floor is yours.

BRUNELLO CUCINELLI: Thank you. Good evening. Before we start, I'd like to make a special thanks to everybody, investors, analysts, journalists, because you see this is a special time because you have accepted the postponement of our call, but the idea of being a guest in this huge technological event organized in San Francisco by Marc Benioff, during his Dreamforce event 2017, and having the possibility to discuss with him in the famous Yerba Theatre on the great topic "Technology and Humanism" was very important to me. So I'd like to thank you for having accepted this postponement of the call.

So and I'd like to talk about the following, as usual, I'd like to give you the financial highlights, then I'd like to read the forecast for the full year 2017 then visibility on 2018, and then I'd like to dwell on the market, the products and then this fascinating world of the web. So we are all here there's eight of us attending the call.

So net revenues €384.2 million plus 10.3% at current exchange rates compared to September 2016, important growth on international markets and on the Italian market to 10.4% plus a 9.8% plus sales respectively, Europe plus 10.4%, North America 6.3%, Greater China 37.7%, Rest of

the world 8%. Then increase in sales in all distribution channels, retail plus 19.8%, wholesale monobrand adjusted plus 3%, wholesale multibrand 7.7%.

I'd now like to read out my comments. We have almost reached the end of this most interesting 2017, a year that we would like to define as particularly satisfying in terms of, both financials and brand image positioning and credibility.

Sales of the winter collections are proceeding very, very well. So we can say with confidence that we will deliver double-digit growth in terms of both revenues and profits. The order intake for Spring/Summer 2018 was also very good, in terms of both numbers and image. Our customers and the international press both delivered an excellent feedback on the collections. As a result, we assume that 2018 will be another very important year with healthy double-digit growth in terms of both revenues and profits.

The digital world, ever so fascinating and partly still unexplored keeps providing "food for thought" and how we can possibly humanize our relationship with the web, so that it does not steal the soul that the creation has given to us.

So let's start from the final focus 2017, so we've reached the end of the year, I would say that this year has been spent working, and by the way I am not speaking too fast so that my interpreter can translate better. She always does, but we have more time than usual. So we have reached the end of the year, almost yet another year that we have spent in serenity, quiet with the fair amount of time spent online and a fair amount of working hours, not too many, not too few.

I have to say that we keep believing that creativity is very strong when human beings have had a very well deserved rest. We think that the brand is surrounded by a beautiful mood of contemporary with a lot of quality craftsmanship and on top of it all exclusivity and this is true especially for the web world.

And then the dazzle of visual merchandising is still very high, because the products can actually convey the place where you work, the way in which you work, respect for the human being, the wild life and the earth as a whole. There is a strong widespread heritage and culture by the DSAs in our stores where we would like everybody to feel politeness, style, education, but most of all we wouldn't want our DSAs to hustle or pester our customers, because also we want to highlight the value of anticipational longing.

This has a great value because maybe a product is not ready yet, but you are then longing for it, and this makes it even more exclusive. So the idea that you actually receive your suit two days later from the tailoring shop, but he actually carries the label with your name, well it is a very good idea. It is an expensive item, yes, but you will never throw it away because you will pass it on to your...to the future generation. And we want to use this in terms of possession to the frenzy of the more modern times, because this is frenzy, the fact that we are always frantic, actually brings about some sorrow in our daily life. So the idea that drives the way, the idea we have of shopping is to buy without wasting. This is the general idea of our enterprise. I wanted to tap it although I know that you are very familiar with it.

So we would like to confirm that for this year we expect good growth, double-digit growth in terms of both revenues and EBITDA that is more than proportional. Then we would like to focus attention to the patent box

which actually brings about a welcome benefit. But this is basically an acknowledgment to us, because we believe in our splendid Italy and its ability to produce special artifacts.

Well, unfortunately we are struggling a little bit as a nation with football...with soccer because we are kicked out last night, and you know I am very, very sorry. I think everything is going slightly better in Italy, GDP and everything, and we have been ruled...but we have been ruled out from the World Championship and this is not something negligible for us. And then the Company obviously we envisage net financial position around €25 million at the end of the year against the 51 last year, we think that we can argue and state that for us that has ceased to be a problem. We keep saying that repeating that the product is key and product must be contemporary, useful, must be presented in a fresh manner and all this is true especially for men's wear.

I would now like to give you some visibility on the next in the coming year. As we said the winter sellouts are performing very well, we've nearly reached the end. The Spring/Summer orders have already been placed and they are particularly good. Our online boutique is providing very pleasant results. All this considered, we can envisage a beautiful 2018 with healthy double-digit growth in revenues and profits. This is what we envisage for 2018.

And now, we would like to make some remarks on the market and the customer requirement that are pretty fascinating. The first interesting remark to be made has to do with local customers. I would say that local customers have resumed their shopping with enthusiasm with attention and care, and especially for clothing local customers are very, very important, because we want to obviously abide by the tradition, culture and taste of the local place of local geography.

We keep viewing beautiful shop windows, when we talk to our staff, that they are always well looked after; they are very appealing and enticing, as if it was a very pleasant experience. And especially for men's wear, because you can basically...because men tend to basically mix and match all the old and the new, because men they don't like to throw away clothes.

Another important and clear thing is that once you step into the store you need to be met by a very fresh useful image of the product, you need to be accompanied by very polite sales people. And we assume, it should also be possible to strike a human relationship they basically give you suggestion, advice, they pamper you as a customer, and I...so that when you walk out of a store you have to say I've been to a beautiful store.

I have always thought that our relationship with department stores and in particular Harrods's, Selfridges, Neiman Marcus, Saks and the Japanese once. This relationship has to be and is still special. And how can we make this relation to be special? With special timely delivery, special visual merchandizing, training the staff and viewing them with the good culture of the brands, and then organizing trunk shows, very pretty events where customers are very happy to take part in. As of today, we can say that the results with the department stores are very, very interesting.

And now, I would like to make another special remark, because we had discussions and meetings with these very top quality 18 Chinese multi-brands very interesting. Speaking to them, we had the feeling that customers, the true luxury customer, they want to shop in beautiful multi-brand stores, listen to what they say and I agree with them. They say it is less enticing and appealing to buy online, because nobody knows about the kind of product you acquired, they want to walk out of the store

carrying the carrier bag which is very chic, then may be somebody comes to pick you up with a driver at home, then you can may be ask for a discount which is part of their culture, although they are multi millionaires. So these are the comments, and I think that we are basically returning to a very beautiful relationship between exclusive boutiques and exclusive customers as it was 20 years ago.

As I said, many, many times in the past, my next door neighbor would fly to Paris on the weekend just to come back with the channel shoppers instead of going to Milano or Rome. For some of these multibrands, the online sale of super luxury is already less fascinating. We take a lot of care in what we do, and we have no doubt that in this country there will be a many, many different luxury multibrands. And for those like us who believe the multibrand channel, this is something definitely magnificent.

Let's now move on to this experience, this on the web. It's been now a year since we have resumed the direct management of our online boutique which we consider the top boutique worldwide and the biggest one because it is viewed by millions of people. Everything happens from here in Solomeo, the only headquarters of our factory. And we are particularly satisfied with this boutique sales wise, but also in terms of image. It is working, working very, very well, especially in the institutional part of the website where when you log in, you can basically grasp the principles on which our company rests. When we actually decided to in source this business, we asked salesforce to carry out a project so that we could profile our customers according to their needs...requirements, so that they couldn't receive too many emails or communications.

We asked salesforce to put together a special solution, so with them, we basically clustered our customers into six or seven categories; so that some of them might receive one email every 20 days, some others every 10 days

and so on and so forth. So basically profiling them and making them receive emails according to the liking...to the liking, because if I feel hassled, I leave and I stop shopping in...from that brand altogether, this is my feeling, but it is shared by many.

So without repeating myself, of course, we wanted a very human relationship with our customers, not too invasive, but with handwritten notes, we can select very exclusive outfits for our customers and our online customers love it. So maybe they buy blazer, and we put together a special outfit without pushing it all on you or saying you have to buy it, but basically just adjusting your possible combination and this is proving to be very successful. And the idea...the basic idea is never to be too pestering or hustling. So we are very happy with this relationship with Salesforce. And although they are a giant...giant-sized Company, they actually listen to us when we ask them to put together a tailor-made solution for our Company.

That's what we talked about with Marc Benioff. As you know, Marc Benioff is the CEO and founder of this beautiful Company Salesforce and we discussed with the staff too. And especially Paolo Bergamo from Salesforce, and you see, it was a very important fab, he was there because I don't speak English very well, with him, I could speak Italian because he was the one who actually came the day after they did a party organised in San Francisco and he came to me. He turned up to ask me, how we could humanize the web. You see it is a very serious topic.

So this idea of taking about technology and humanism well came about...about more or less a year ago, when I was invited by these tech guys to San Francisco to attend a party to talk about the future of the world, knowing downward that I have always being fascinated by grand

humanistic themes. There were 12-13 people around the table [indiscernible] I told them that they [indiscernible].

Leonardo was a humanist...was the humanist by excellence. So those of you who will be using the human factor in the web will be the true Leonardo. And that's when it all started and we decided to meet again and discuss this great gift of the creation, the World Wide Web. It is a very important present that we were giving...given but somehow we have to manage it.

So Marc Benioff, the Founder and CEO, as I was saying before, is somehow the driver, the propeller so to speak of these fascinating discussions. So he invited me to this yearly event conference in San Francisco, Dreamforce that is particularly interesting, three days of discussions back to back. And our discussion was entitled and listen how good he was, gracious technology...well technology...the word "garbata" was gracious in Italian as "garbata." So we were invited to this Yerba Buena theatre in San Francisco and we tackled the grand topics on the use of this fascinating technology, that is however difficult to grasp.

And as I was saying to them "you basically invited me to the [indiscernible] of the genius." Well, I received a round of applauses, and but I think calling them genius was nevertheless a good compliment. Since we believe that the internet is a gift from the creation, I urge them to get together to discuss and to tell us the way how we can possibly use these technologies at best, so that they do not steal the soul of our children, of our grandchildren that we were given.

So we had it in our dialog and discussion, it was very interesting to talk with him for 55 minutes and we talked about overwork. We talked about the fact that we are online too much and that maybe creativity is stronger

when you are well rested. When you are well rested, you listen more, even the things that you might not share. I said to them that 20% of our time is usually devoted to nothing and maybe we could use it for our private life.

But I even said something that I deemed very interesting. I said that in my view the future luxury will consist in living a life that is unknown to our travel mate that is the smart phone. So living a life that is separate, hidden from the public life and this kind of secret life should not be always shared with the smart phone, and we agreed on the fact that maybe half of mankind does not need anything, although are very well aware of the issue of poverty. But the truth be told, I have to say that the whole of mankind is looking for something.

At the end of the meeting, Marc said something really, really pleasing. He said, you see this was supposed to be a kind of technological event, 170,000 attendees, and it was difficult to find a hotel to stay out. And he said...and in the end, it has basically turned out to be a human spiritual technological discussion, so I was happy with this comment.

In one of these very interesting dinner parties, we had two during the week with these young people, there was a 32-year lady who has 1 billion revenues with a Company, so very fascinating but a very powerful thing that we discussed with say important person was, he said remember Brunello, technological change has only reached 20% of its path, and I said "My God." So yesterday, as soon as I got back we met with our staff and we said let's do something.

Let us embrace this change...this remaining 80% change. Well, you see such a powerful statement made by such a powerful man was definitely fascinating, and then we basically organised a meeting for next spring.

The Solomeo theatre, we have to set the date together, because we want to discuss once again to see whether there is the possibility to mix technology and humanism. We would like to meet at least once a year, and I would like to go there at least once a year because whenever I come back from America, I am always fascinated. I am always booming with thousand ideas. I don't know whether they are all interesting, but they are always ...there is always plenty of them.

And then Marc, before stepping on stage, he said I just received a message saying that a mountain lion had just walked past my house. And then, he said to me, would you like to come to my house for dinner tonight? And I said, yes, where the mountain lion is there. So I did go there, and I was so scared and I didn't get out of the car until Marc opened the front window, but the idea of having this mountain lion free roaming in San Francisco actually better things up.

So at the end of the day, my esteemed investors analysts and journalists, truth be told ,they have been a three very intense days where we basically were completely imbued and immersed by this digital world that is not easy to understand from me at least, but we have bought homes a very interesting insight.

So, I would like to thank you all a special thank to my friend Marc Benioff, and all those innovators who welcomed me, because I am not extremely young, I know, but I like this idea of taking part in a changing mankind.

So thank you very much for now. We keep working with serenity, and now if you have any questions, I am available for you. Thank you.