

Brunello Cucinelli Conference Call

“9M 2024 Revenues”

Thursday, 17th October 2024

Operator: Good afternoon and welcome to the conference for nine months revenues of the Brunello Cucinelli. The participants to this conference call will be Mr. Brunello Cucinelli, executive chairman and creative director, Luca Lisandroni, CEO, Dario Pipitone, CFO, Moreno Ciarapica, Co-CFO Senior, Pietro Arnaboldi, Investor Relations and Corporate Planning Director. Let me now yield the floor to Mr. Brunello Cucinelli.

Brunello Cucinelli: Thank you. Thank you all very much. Good evening. So welcome as usual, dear analysts, investors and reporters. I always say so, I love this conference calls. Everybody's here with the only exception of Riccardo, who just went to San Francisco and Silicon Valley three days ago to discuss our website, our new Callimachus. I will report about that too. But we're really, really happy for this new website. Luca is here with me. He just came back from Japan and Korea a couple of days ago, so he'll report on that. As to myself, I will leave on Sunday and spend four days in China. Then I'll stay two days at home and then four days in New York City, where we'll receive an important award. And I'll be back for two more days and then spend three days in the Middle East. And then in early December, we'll meet again in the US.

I always tell you and my people and everybody, when you travel, be open. Be open to innovation, change and get exchanges. And when you realize you don't want to travel anymore, just leave this business. Because I think that would be the time to change. So I would like to arrange the call as follows, I will read the data of the first nine months. Then we'll see how we imagine the year as we close it. We're still going a couple of months, and Luca will give you a good outlook on the market. And then we will tell you about a big analysis that we have prepared on the current moment. And since, as we do like we do every year, tomorrow we're going to meet at theater for the so-called “100 people day”, which is not 100 but 120 now. So we'll gather to take stock of the situation. So we did prepare a beautiful analysis.

And so, very briefly, I will report to you about it. I think it's really interesting. And then we will present the plan for 2025, 2026, 2027 and we'll explain that at the shareholder meeting or general meeting, actually, we have in December with our employees every three months. As you may know, we organize a general meeting. Actually, it's just me talking, but we still call it a general meeting. So let me read the data to you. So revenue standard 920.2 million with a beautiful growth, 12.4% at current exchange rates and 12.7% at constant exchange rates. We see these results as excellent and well balanced in the Western markets, where

Americas are up 17.6%. Europe is up 8%. But we are performing well in the eastern markets too, with Asia, which is up 12.2%.

The increase of revenues in both sales and channels, with the growth of 13.3% in retail and 11% in wholesale, and actually we start calling it multi-brand. We prefer this definition rather than wholesale. The quality of the results we have achieved in the first nine months of the year and this is important. The really good performance of sales in the men and Women collection for Fall, Winter 2024 all allow us to fully confirm our project to grow revenues by about 10% with a healthy and well-balanced profit for the whole of 2024.

Just a side note here. We are under the impression that our brand is going through a beautiful time in terms of its style, exclusivity and arts and skills. And in particular, we are very happy about the way we care for our loved, much beloved clients and we try to transfer to them our idea of a way of working according to measure, in full respect of human beings. So we'll discuss this later too. We do see great opportunities for the time ahead. All of this allows us to look ahead at the future with a lot of trust for the plan period of 2024, 2025, and 2026, where we imagine we can grow our revenues by about 10%. So we'll get back to this.

On September 30th, we held at the Borsa di Milano what we call the Dinner of Gratitude. A dinner which was dedicated to all of those who have trusted us and accompanied us ever since we went public in 2012. Analysts, investors, bankers, journalists, industrialists, be them listed or not, to convey to them our idea of how important it is for us to be listed. We are very, very happy we've gone public and we want to transfer this idea to the other entrepreneurs, beautiful contemporary enterprises. There were at least 30 beautiful such companies. And actually, we have strengthened our belief with this well-known expression, which is please do go public, but please rely on a healthy and well-balanced growth project both in terms of revenues and profits. So if you do this, you'll work in a better spirit.

So this was my comment. We're particularly pleased with the highly positive momentum our brand is currently enjoying from all perspectives. We've always sought to build an authentic relationship with our esteemed clients, one that allows us to enhance and deepen the special connection that binds us, including through what we like to call artisan events. And we'll discuss them later. So we can clearly see the genuine trust our clients place in our work. The outstanding results from the first nine months of the year, the excellent sales of the Fall, Winter 2024 collections, and you know that this is just the beginning of this collection. We need to see whether people like them or not. And if people don't like them. There's not much we can do at this stage, but people are appreciating them a lot.

So this, and our ongoing commitment to garments of the highest craftsmanship allows us to confidently maintain our revenue growth forecast of approximately 10% for 2024. We see significant opportunities in the exclusive true luxury market for our brands as well, driven by the appreciation for the style, exclusivity and craftsmanship embodied by our

collections. With the substantial orders already placed for the men's and women's Spring, Summer 2025 sales campaign, as we told you already, we can reaffirm our plans for healthy, sustainable growth, projecting revenue increase of around 10% for 2025 and 2026. So this is our starting point, the idea of the end of 2024.

So we'll be very concise today. So we'll have time for a nice open chat. So the end of 2024, the last quarter was very good. Just like the other nine months in the year actually. Also, in view of the big growth we experienced in 2023, because actually in the last six months of last year, we had a 20% increase with the amount of new openings that are pretty much normal, meaning three new stores opening every year and four or five extensions per year. Today we have a bit more than two months till the end of the year, so we are very confident in the continuation of the trend in sales and we are confident we will close the year with the revenue increases of about 10% and Ebit margins slightly improving versus last year.

If it were true, which we certainly hope it will, this will be a great year. Now, in the next three minutes, we'll try to share with you some info about the survey, the study, we did. We did it in-house and we are going to discuss it with our people at the meeting tomorrow. But before we do it, I would like to give you a general comment about our observations on this time for luxury. I'd like to convey to you our basic idea on these beautiful companies in our world, in our industry. Now, in all frankness, sometimes I hear people say that luxury is in trouble, and so on and so forth.

There are such important companies with lovely brands we were discussing this morning too. So there are huge companies in terms of revenues, profit, assets and market cap. They have world class image. They are undeniably robust and solid. So after a time including pandemics from 2019 to 2023, virtually everybody has doubled their sales and market cap too, and the yearly profits is actually increasing by 30 to 40% in the last four years. So I don't really believe we can say these companies are in trouble just because for one year, growth was virtually flat. I'll be very frank with you. So as my other friends from the industrial organizations normally say, so what should the remaining 90% of companies do and say if this were being in trouble.

So of course, but there will always be, there have always been actually, in the 45 years I've been doing this business, there will always be companies that go through some rough patch. But this is the pattern of things and I've always seen it happening in my story. This is how it works. But basically, we have a lot of beautiful companies. So I'm sure you understand. We believe that these are very robust companies. They are charming companies and the whole world is looking at them. So we can close by saying that we're going towards a time of very good rebalancing, of wonderful rebalancing, what I would call *tempus novum*.

So there's this beautiful Greek expression, "kalos kai agathos", we are going towards a time of balancing, which is beautiful and good and fully balanced. So Luca, this is actually what

we think of our lovely companies around the world today. This is what we think about our data for 2024. Now, Luca will give us a general outlook, and then we will talk about this beautiful analysis, which is actually going to spur our discussions too.

Luca Lisandrone: Thank you and good evening, everyone, from my side too. So in my contribution today, first thing first, I'd like to provide some brief numbers on the nine-month results and what we expect for the end of the year. And at the same time, I'd like to share more quality-oriented remarks on the market situation. So the target, the aim is always the same. So first of all, we want to give you as much visibility as possible. Visibility in terms of our plans, our targets. And at the same time, we also want to share two or three arguments. And that are really the reasons underlying our great trust and confidence. So let's start from results. So we can say that today we are precisely at the situation where we were wishing for that we would wish we would be in the past.

So in the first nine months. So what do we see there? And great growth in the company as serene. We would like to call it a nearly natural growth in the company. Definitely not stretched with the very same number of openings that have always featured in our retail growth. And it is a growth that is happening that is driven by gradually and we are very happy with this gradual growth. So, so far, we have been able to really follow on the tracks that we set right at the beginning of the year, at the end of the first quarter. So the idea was to have the first three quarters very similar to each other in absolute value. So and that actually happened. All quarters are around 300 million revenues, while perhaps slightly more in the last one.

And then this basically provided a robustness to our final view of a 10% growth at the end of the year. Then, if we take a look at the 12%, 12.4% growth in the sales at the end of September, this in absolute value means 100 million revenues. So we are particularly pleased with this because first of all, this drives us closer to our target for the full year. But we are very pleased also with the way this growth happens, because if we break it down by geography, you will see that 50 million came from North America and the remaining 50 were broken down between Asia and Europe, 25 and 25. So two things here.

The first thing first, we really like that we are enjoying a well distributed and healthy growth. And then there is also. We believe that no geography in the world is mature, and this is our conviction. In the third quarter, growth was 9.2%. Growth in retail was 10.5%. And across all regions, China included, contributed very positive results. And in our third quarter 2023, we grew by nearly 22%. So last year. So the last comment on the first nine months results concerns the synergy between retail and wholesale. We are fully convinced that it is very important to be close to our customers. And because these customers, they have a great relationship with the people, staff in the stores, and we consider this to be extremely important nowadays.

Fourth quarter, at the end of the year, we expect a fourth quarter still underscoring growth in absolute values, slightly higher than the first three because this is a usual seasonality, yeah, of course, because of cashmere in winter, in the winter season. In percentage terms, we expect a slightly milder growth compared to the first three quarters. But once again, you should bear in mind that in the fourth quarter, we grew by 16% with a retail that was particularly buoyant, up 22% last year. Then, in terms of geography and channel mix. Well, retail is always great because you see the wholesale results are more half year results. So in terms of geography, we believe that today's figure 37%. North America 37%, Europe Asia 26%. This is very close to our expectations for the end of the year.

Then in terms of channel, we expect for the full year a result that is very similar to last year. That was 65% retail and 35% wholesale, and we really encourage you to read it as monobrand multi-brand, which is 55% and 45% respectively. So what's the outcome of all this? A very positive feeling. The fact that we are solidly present domestically across all markets, and also, we enjoy a great relationship with all the multiple customers. Also, thanks to the artisan events that we organized all over the world. Let's take a look at the scenario.

There is one unquestionable fact that is a decreased traffic in the large malls, especially in China. But the It is a contingent situation for us and we have two remarks concerning this. A few days ago, Pietro shared with the team a sector related research highlighting that if the growth of the industry is 100 between 2019 and 2023, and we are talking about years featuring buoyant growth. The contribution of the Chinese customer was only 10% over 50% of growth was contributed by American European customers, and the 25% is Middle Eastern and South Korean.

This is to say that we do not believe that the fortune of our industry does not depend on the speed at which China grows. So, of course, this does not mean that we do not believe in China. We believe in China very much. We are very much charmed by its culture, and we are fully convinced that the growth in China is a huge opportunity, not just for us, but for the whole of mankind. But if it is true that in the last period China grew slightly less than expected, it is also true that many other countries and I'm thinking of Thailand, Vietnam, Indonesia, Saudi Arabia, well, Mexico, they are accelerating. They are coming closer and closer to the luxury world at a much higher speed than what we expected. And we are fully convinced that these countries will provide millions of new customers to exclusive luxury.

Second remark, empirical. So I just came back from Korea and Japan. I had been to China and then to the US, and I have to say that we keep meeting loads of people, but they all share one fact. The feeling we have is that people are increasingly devoting an undivided attention to the care for their body, for themselves. And you can read on a daily basis new world breaking records in the construction of beautiful resorts or in the auctions for jewelry. So this means that well-off, wealthy people are more willing to spend. So on the one hand,

there is a reduced shrinking footfall. But at the same time, there is a lot of disposable income, and the three key words are trust, ability to engage, and authenticity.

Three watch words that have always driven our idea of entertaining a great relationship with our customers, the mood inside our stores. That's why we started building our Casa Cucinelli across the world. And we believe that we were particularly rewarded by the trends in the market. So we keep looking ahead with confidence and we see great opportunities ahead for us and the exclusive luxury. Well done, Luca.

Brunello Cucinelli: So a couple of words on the major events. We organized one mid-September here in Solomeo where we invited 200 major multi brands of perfumes and fragrances worldwide. We officially presented and showcased the second collection of our fragrances with excellent results. And there, we had a chance to realize the value of the multi brands.

Then it's really true dialogue. We already told you about the Dinner of Gratitude, September the 30th. Particularly, a great many companies are there that could go public, but together we need to be brave enough to convey less fear. You see, we should not be frightened by going public. Then a couple of words on what Riccardo told me over the phone about Callimachus, our project and our website. So they met all the top managements of the Silicon Valley, starting from Salesforce. And I have to say we are very pleased with our business with them, and it seems that we have done something important.

We have collected extremely positive feedback, and we had a confirmation that the ideas on which Callimachus rests, on which the platform runs, which is building pageless websites, going beyond the usual looking, chasing the desire of users and designing what users see in real time is a true novelty. So our website, BrunelloCucinelli.AI, thanks to these features, was considered pretty special by everybody. Specifically for the way in which it presents content and guides and leads our users to the discovery of our philosophy. Well, everybody was agreed in saying that they never saw anything similar.

So we deal in ready to wear mainly. But we understood really what kind of potential lies in this website. They, visitors spend more time surfing, and in a few months, perhaps you can join us online. You have an important event ahead and you can ask for tips on what to wear for your major event. So now for five or six minutes, I'd like to walk you through this great deep dive or research we carried out about fashion. So what is luxury? In the Italian dictionary, luxury is a refined way of living, so it means craftsmanship, quality, exclusivity. And here I'd like to point out something important. Very often I do happen to read desirability. You see, to desire something does not mean that it is per se luxury to its own rights. It is something that is not easy to find, that is not overly distributed, it is not commoditized. And also, you can't possibly buy a Cucinelli suit for \$7,000 and at the same time a bracelet for \$100. They're not - they don't go together.

We organized about 50 artisan events. I attended 20 of them. You see, there's usually between 80 and 120 guests, and you speak to everybody, and usually it is well-off, wealthy people. So you talk to each and every single one of them. And we think that we do have the brand trust. You see, I've always maintained since when I was very young. There is always a lot of trust in luxury. Because luxury means dream, it means exclusivity. Well, of course this is life. Some brands are losing out in terms of customer trust, but this is the result of your corporate policies. You see, a very important topic that I want to broach here is how customers are welcome in the stores.

You see, I stepped into the Milan store. So I think that the lady there did not recognize me and she said, what would you like? And I said, what would you want me to - of course, I want to buy something. And she said, well, you have to wait for ten minutes. And I said, well, but there's no one here. Well, so of course, this was another store by another brand and I was not treated well. And I will never go back to that kind of store. You see, our salespeople there are not hustling our customers because 80% of their wages is fixed. It's not variable. So they are not driven to steal customers mutually.

So I have a very important Indian friend who was in the UK the other day, and he sent me a text and he said, I'm enjoying a great macchiato coffee in your store. He did not mention anything about shopping or buying any suits. He just said that he was enjoying coffee. So I believe that we need to rediscover some kind of love because some customers have become disenchanted somehow. And if you fall out of love with a brand, you will stop shopping buying that brand. Because in that store where I was treated poorly, I will never step into that store again because I don't know if you agree with that, but what you don't like, others don't like either. So, and this is something that also is part of our ten golden rules for the company to survive two centuries. Greed. Greed should never go - appear in your company. If you have a greedy company, a greedy business, you will not survive for long. So I talked about this.

So what about products? We had a great meeting today on the collection. And you see, the thing is, generally speaking, there are too many evergreen items. And you know who, on the other hand, talks about products a lot? Multi-brand. The multi-brand team, they are always able to give you feedback on your collection, whether it's too basic, whether it's too outdated. In the last fashion week in Milan, which was charming because we were talking about this, we had guests from all over the world, American, Far East, Brazil. It was truly successful. But you can see that everybody is on the lookout for novelty in terms of brands, in terms of taste. They're always seeking new things.

And I very often repeat that marketing should never have a say in style because it could help. But it's also risky because it's very easy to always have an evergreen. But as you know, we never have any evergreen items because your blazer can be 75 centimeters long

one season and 76 the year after. And it's not an evergreen. Now going back to the Treccani dictionary or encyclopedia, listen to what it wrote about fashion. So a fashion that has become trendy quickly, a fashion that will be out of fashion quickly. And it is the fashion of the time, of the moment. These are already gone. So unless you are contemporary, if your brand is overexposed, that's the risk you run that you just become a trend. So we can say that everything goes by, and actually, this happens to brands too.

And then there is yet another important topic prices. You see, we view it as the most important and most relevant one. And as you know, we have pretty high prices. What I say is that multi-brands are really good at analyzing prices, and this year, I would say that customers have started complaining about high prices, which means that there's a new awareness around. I said it last time I went to a restaurant and I was presented with a huge bill. You see, the cigar that I smoke used to cost 30 and now it's 70. So today, for the first time, final end customers, in our view, they feel somehow conned. Cheated. Because you see, they say they do have this desire to wear special garments every day, but they need to be treated accordingly.

You see, we are talking about wealthy customers here. And I was saying to my daughter the other day, prices have skyrocketed. And next time, instead of staying at that hotel, I will sleep in my car because prices have really gone through the roof. So we really need to redress the balance. So, one last thing I want to say. In 2019, our friend, Louis Ferla, came to visit. A former CEO of Vacheron Constantin, and currently Cartier. So he came here. And Luca, Riccardo, we are always - we have always been fascinated by Vacheron Constantin because they will be celebrating 270 years of heritage with just a few units manufactured every year. And he said, we can't over raise prices because then you can't go backwards, and the market can forget about you very quickly. So whereas we - you see, for us, for this reason, pricing has always been a very important theme. And the way we treated prices really had a positive impact on our business went.

So to conclude, we believe that there is still a lot of desire for luxury, for exclusivity, even more so, we are always overexposed for the social media and everything. So this, we will come out of this time with a new vision of true luxury, of how to believe in what to communicate. So everything that we have been telling you, so we want to confirm as to 2025 and 2026. Well, you're already familiar with it. We envisage 10% growth in revenues and a healthy profit. As to the rest, you already know it. And we don't want to change anything you know about investments. You know about openings, Ebit. This is our idea for the coming two years. So this is what we wanted to tell you. Of course, we need to be contemporary cutting edge in terms of products, communication, way of working.

And last thing investors did us, as it is a custom, we will be holding a dinner with investors in Paris 26th of November, then London 28th of November, then early December, New York and then Milan about this around December the 8th. And if you can, if you have a chance, do turn up at these investor dinners because we consider them extremely

important. So this marks the end of my presentation. We have all the time available for you, for your questions. Hopefully we did not offend anyone in statements, but, you see, for us we see it as a tempus novum for mankind. Thank you.