

**Brunello Cucinelli S.p.A**  
**"First Quarter 2023 Conference Call"**  
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OPERATOR: I would like to hand you over to Luca Lisandrone. Please go ahead, sir.

LUCA LISANDRONI: Good evening, everyone. I am Luca, and tonight I have the honor to report on the Results of the First Quarter 2023. Brunello, Riccardo, are in Dallas at the moment to attend the celebration to thank for the award the "Neiman Marcus Award". I've got Pietro, Dario and Moreno here with me at Solomeo, and Dario, Moreno will be involved in succession that I would be covering at the end of the presentation.

I would like to devote the first part of the presentation to report on the few facts and figures for the first quarter, and then on the market performance. Then we will be introducing the new fragrance project and I will be making reference to the new items that we just launched, how they are positioned in the market. And I'll be introducing you our partner in the Fragrances business, and I will be describing the approach that we have followed so far, and that we would like to maintain also going forward. And then, we will be updating you about the evolution of our eyewear project with Luxottica, and then we'll be concluding with some remarks by Riccardo who will be connected from Dallas and who will be illustrating our production plan.

Starting with our sales, net revenues €275.3 million, up by 34.7% substantial growth and at constant exchange rates, a growth of 32.8% versus Q1 2022. We have grown in all geographies, Americas, 42.9%, Europe 15.8%, Asia 56.0%. The revenues have grown both in the retail channel 73.3% for the retail and wholesale 4.67%, and this is how Brunello commented on these results.

The first quarter this year ended with excellent results. There is no doubt that we are reaping the fruits of the positive period that our brand

experiences for the style it represents, and perhaps also for the way we share our ideas with all our counterparts.

As regards our market segment of absolute luxury, we continue to have a very positive vision for the entire coming year. Every day we are working on new projects for high quality, exclusive, hand-crafted garments, and it pleases us to imagine that they express a refined and contemporary taste.

The strongly positive response to our Men's and Women's Autumn/Winter 2023 collections and the flattering judgment expressed by our esteemed multi-brand outlets and by international media, coupled with the beautiful atmosphere of our boutiques and our plans for major investments in advertising and events in stores and Case Cucinelli, lead us to envisage significant growth in revenues of about 15% for the current year.

So considering the results I've just commented on, we believe that behind this growth, there are structural elements and temporary elements, and I would like to mention 3 of them in particular. Starting from the first, which is...we got the impression that the first quarter of 2023 has been characterized by a dearth of capital let's say of goods on the market by comparing Cucinelli with other peers, we got the impression that the 2023 Spring/Summer Collections have not been delivered on time as was the case before the pandemic. This is why our short supply chain which is very active and it includes only Italian craftsman, together with raw material procurement policy which has always focused on our needs also during the difficult times of the pandemic, have accounted for a competitive edge in this first part of the year.

The second element which I would like to mention is the "Neiman Marcus Award." I know that it's not common to think of a direct correlation between awards and the impact on sales, but it is true that starting...well, you know

first of all, that the award was announced to Brunello in November last, and in November already we missed an increase of our sales, both first in the U.S, and then in Europe and in the Rest of the world, which was confirmed again in March when the event of the award took place. And what happened in the first part of this year was we miss already in September of 2021, when Brunello was awarded the prestigious GQ award, and on that occasion again, we realized that this increased visibility due to these prestigious and special awards turned out into a growth of our sales.

And the third element which I said substantially impact is the comparison of our sales between '23 and '22 during the latest conference call, I remember Brunello defined the very good performance...I mean the good performance on the first quarter '22, very good second quarter of '22, and excellent in the last part of 2022, so we faced already growing performance in 2022.

So considering these temporary as well as the structural elements, we believe that there is another very important dynamic, that is to say, the change in taste towards more sobriety. We had already had the impression that this trend was materializing mid last year, and I remember we already mentioned this during one of our conference calls. But today, we have been impressed by 2 factors, first of all the rapid pace of the change we are witnessing and then its relevance in the geographies where we operate, so much so that this trend has grown particularly strongly in the states, but also in the Rest of the World we are witnessing an increase...an increasing trend towards sobriety.

Coming to structural elements, I think I can summarize the dynamic that we are say witnessing that is exclusivity. You know, that exclusivity is a key element and the key value in our definition of luxury, and currently we see a clear difference between absolute luxury and the rest of the market. We

have witnessed that all brands even the top ones already joined incredible...incredibly good performance, and I'm not just referring to apparel, but I'm also referring to luxury watches or Jewellery, so this trend is actually cross-sectionalizing involving all these market segments.

And then, very briefly about geographies and channels. Well, first of all, as far as geographies are concerned, we are particularly happy with the contribution of the various geographies, and if I had to cast a short judgment on the performance of the various geographies, I would say that the Americas did great so very excellent performance, very strong performance in Europe and a very interesting trend in Asia.

Starting with the Western part of the world first, we have the impression that in the U.S. the demand for absolute luxury has become structural. As far as we are concerned, this demand is well balanced in the United States and in the Americas in general, and it's growing also inside the larger metropolitan areas where we are present through our wholesalers. And the award I've just mentioned have provided momentum to our growth in the Americas, and this is borne out by our results starting in November, and week-after-week in our Neiman Marcus stores.

Coming to Europe, the first comment I would like to share with you, because I believe that none of us could imagine such a high and strongly growing demand in Europe before the pandemic. We are particularly happy with the results we have achieved in Europe in the first part of the year, which was characterized by 2 major relocations, one in Rome and one in Forte dei Marmi, these 2 stores were franchising stores, have now become a directly owned stores. Such projects were very, I mean evolving these 2 relocations were very interesting projects, because again, we focused on the intrinsic characteristics of the areas where we were relocating. For instance, in Rome, for the new store, we have used materials like marble and precious

wood to pay homage to the city, and then Forte dei Marmi where we use typical materials of the area. And these 2 relocations, though different, do share the same idea, namely that being welcoming that we hope is a characteristics that our clients will appreciate.

About Asia, Asia is reporting very positive trend also in terms of overall sales. And this growth is driven by 3 countries, China, Middle East, and Japan that have driven our retail sales. In particular, I'm back from a 10 days trip in China, and I got the impression that the country is very lively, I mean, full of projects. And there is a prevailing idea that the future will be better than the past. We are achieving incredibly good results in China...record results in China. And by dialoguing with our team in Shanghai, in Beijing, or with our multi-brand clients, I had the impression that the outlook for 2023 is considered to be very, very rosy. In China, our brand accounted for 23% of sales in 2022, we have 19 directly owned stores that will grow in importance going forward. And we believe that 2023 will be an incredible year, especially for the topnotch luxury brands.

And by reading the speech by President Xi over the next 5 years, I found a statement, which I share fully. The Chinese President referred to stability as a prerequisite for prosperity. And I believe, this sentence summarizes what happened in our company and in our industry in particular, over the past few months. Luxury is now part of the lives of millions of Chinese clients, and we believe that their desire and their search for refinement can only grow over time.

And now a few words about Hong Kong. Over the last few years, we didn't talk much about Hong Kong, however, having spent some days in Hong Kong, I noticed that the energy there is even higher than I normally found in 2019. And most importantly, I realized they have a very thick, a very

busy calendar of cultural activities that may well be partially new and further reason for attracting tourists from throughout the Asian continent.

Let me now talk about the Middle East and Dubai in particular. Now, this region is obviously going through a very lively time, and we believe, this is due to 2 main factors. The first is the location...relocation there of lots of people coming from Russia with their business, with their economic activities. And the second factor is the image of Dubai as a charming place, where tourists from all over the world are likely to find level of service and hospitality and entertainment, which is quite unparalleled worldwide. So we believe that this year will be so-called extraordinary year for Dubai. But at the same time, we feel that this positioning, and this international image may still be there over the medium to long-term and be very beneficial for the region, which is actually one of the youngest regions in the world.

In Dubai, we just opened our second store in...just a few days ago, at the Mall of the Emirates to go with the existing store we have at the Dubai Mall, which actually offers a good representation of the brand in Dubai, which I'm sure will become the most important luxury capitals of the world, it actually already is a leading city.

Then Japan, Japan is another country we haven't discussed much recently, maybe because the market is almost exclusively a domestic market, and also because normally this market has very long cycles, however, Japan is a very charming country, it's maybe one of the countries where quality is most highly appreciated. As far as business culture is concerned, you realize that the market is actually working around hundreds of department stores that are yet very contemporary, they're very up-to-date and have a very loyal customer base. In Japan, we posted a very nice growth in the first quarter. So we're happy to say that based on our stores and corners in department

stores, our growth is absolutely comparable with the growth we posted last year.

Let me now come to individual sales channels. My first comment will be about wholesale. Wholesale is increasing by 4.7%, however, if we look at that single number. Please remember there's been a very important factor last year. Namely, we were asked to provide very early deliveries of everything we had ready for the Spring/Summer '23 collection. And so, we did ship a lot of the early deliveries to our wholesale channel last year to confirm the fact that we are actually selling much bigger volumes today.

Should we try and neutralize that early delivery season? Let me remind you that in the fourth quarter of 2022, we posted wholesale growth of over 50%...53% actually. So I would like to urge you to assess the growth we posted in the last 2 or 3 quarters. And if we smoothed that out, the growth would be 23% per quarter. And we feel this is a very clear and very reliable representation of the quality of the orders we've collected for this season and the very flattering judgments that clients expressed about our collections.

Now, speaking of retail, of course, 63% growth in retail is definitely much higher than our expectations at the beginning of the year. And this is the reason why 1 month ago, we decided to change the guidance and to upgrade it from 12% to 15%. On the other hand, we believe that all investments we've made in the last years, in terms of relocations, extensions, renovations, and we believe these are just as important as new openings. So all of those moves together provided us with a network of stores that are young and fresh and totally capable of capitalizing on a very positive momentum like the time we're living through now. On the other hand, the second half of the year will start from a much higher comparable, and so

quite reasonably, this will slow down our posted growth without, of course, altering the quality of our performance.

Now, physical versus digital, we're still going through a very beautiful moment in time, because people do feel the need and the wish to go to physical stores. People feel the need to spend time together and this is shown by the great participation to all sorts of events we've been organizing over the last few months. So physical network is in great shape today, which doesn't mean we're less than devoted to the digital side of our business, which is still fundamental, absolutely paramount to promote the company image through its products too. And our e-commerce performance is positive today and in line with our expectations.

So to give you a final wrap up of our performance in view of the first quarter to, we can confirm a full year growth of revenues up 15% in 2023. We imagine retail is going to keep growing quicker than wholesale, so by the end of the year, there will be a slight shift in the channel mix, as compared to 62% wholesale, 38% wholesale, we had in the end of 2022.

By geographies go, we suppose all regions are going to grow and be very healthy by the end of the year. And in particular we expect most contribution to come from the U.S. and Asia. So our results...and I hope, I wasn't too long and I was clear enough. Our results are what I just reported. And I stop here as far as our data are concerned. And I would like to give some minutes to discuss in our fragrance project.

Starting with the reason that has been pushing us for quite a few years now, to fully analyze and investigate these markets. So even before and more than the economic opportunity and by the way let me tell you straight away, we expect that economic results will become interesting in the next 3 years

at least, but the main driver behind our fragrance project was the charm of these products.

When we presented the project in Milano, Brunello said something that really struck me. He said that fragrance is like caressing someone that, together with trust, would give people all the colors of affection. And so for us, the launch of fragrances is like starting a new branch. And for a brand which is so involved and so engrossed in sensory feelings like we are, that means adding a new dimension to whatever we do.

We've always imagined that it's impossible to describe your touch and your feeling by words, but at the same time, we think that our touch has great memory and our smell has even better sense of memory, so much so that it can actually capture indelible memories of places and faces and circumstances.

So, you know, that we consider a brand to be a lifestyle brand, which is rooted in ready-to-wear, so the introduction of fragrance will hopefully help us further characterize our universe and consolidate the matching between our brand and single top quality level in everything we do in whatever product we engage in. So, this is the reason why we started investigating fragrances. So, we started searching for the right partner to actually accompany our approach through this product category, and we have been actually driven to our partner because of the high reputation they enjoy on the market.

And we actually found out that we have a lot of elements in common, starting with the fact that EuroItalia is a company which is a 100% Italian, and so we were really struck by an interview that the founder and chairperson, Mr. Giovanni Sgariboldi released, and he said he considered the Made in Italy to be a full responsibility.

So, it is an Italian company, but it's very international in its commercial footprint like we are, and with a medium-sized dimension like us. Also, EuroItalia is a company that's a family company, and their work ethics and values are really, really similar to the values that inspire us. And so, we started our collaboration just before pandemic, and it was unbelievable. It was incredible to see how EuroItalia eventually got to the same decisions we made to totally protect their company structure, to avoid harming anybody like we did, and they also chose to do it very naturally.

Last but not least, it's a company that immediately grasped our positioning and also the peculiarities behind our brand, and so we worked together to write-down a long-term program and long-term project. Our company gave a very active contribution in all the phases in the development of this process, and this is what Brunello means when he says it's a contemporary licensing idea. So, the first few meetings started as early as 2019. Our first priority, of course, was that of working on the fragrance itself. The idea was that of conveying that same concept of refined elegance, of sedate elegance, of allure and of sobriety and everything we stand for.

So, we also liked the idea that both the masculine and the feminine fragrances would be connected to each other with a clear memory of our local communities and our local towns. So, since our first 2 fragrances were provided, we tried to work to find an element of continuity over time that might actually serve a bit like the famous cashmere round-neck sweater. So, both fragrances were born in collaboration with the Firmenich family, with our noses, Daphne Bugey and Olivier Cresp whom I would like to warmly thank for their availability, for their patience, for the major skills they have shown of converting words into olfactory notes.

So, as soon as you'll be able to smell both fragrances, and all I can tell you is I hope you'll like them and I'm sure these are the outcome of the merger of heritage and modernity, because they are based on natural raw materials...top quality raw materials that are extracted and processed with state-of-the-art technology which is designed to emphasize the contribution of each individual olfactory note and to make them all stable in the end.

So, you understand how important the multi-brand stores and their assessment are for us and when we presented these fragrances in Milano, we seized the opportunity to invite some of the leading European perfumeries to the presentation, and I have to say that there were 2 objectives that came up over and over again when testing these fragrances and they were modern and precious. So, hopefully this comment is going to accompany our 2 first fragrances to the success they deserve.

What about their positioning? The positioning of these 2 fragrances will be on the top part of the non-niche market, so it's the same positioning we have for all other product categories. In numbers the 2...well, first of all, we are keeping the same price for both men and women, which is quite unusual in the markets and both fragrances are going to retail for €108 for the 100 milliliter bottle, which is a premium of 20%-25% as against the most important luxury peers. As far as distribution is concerned, these fragrances are currently being sold in a kind of a pre-launch campaign in the boutiques of Milano and Solomeo only. We followed 2 guidelines. One will be completing the coverage of our own single-brand stores and after that we will start distributing to the most important perfume shops globally. The scheduling is, we are going to start distribution in Europe on May 20th then in October we'll distribute in North America and starting in January '24, we'll start distributing the fragrances in Asia too.

Let me now switch from fragrances to eyewear. We still have a very successful collaboration with Oliver Peoples which is going to continue throughout this year...till the end of the year, and right now we're presenting the last models in this collection, and I have to say we are very grateful to Oliver Peoples, because with this collaboration which started from pre-launch and went on for about 3 years. So, we have accumulated a very valuable experience because it allowed us as a company to get to know the opticians' channels and to position our first product of eyewear in the top layers of the market...in the upscale market, and we feel the taste that characterizes these products has been fully acknowledged and appreciated by our clients worldwide. In parallel with this we are working on the first prescription glasses and sunglasses collection branded Brunello Cucinelli which will be available from 2024 onwards and will also have exclusive distribution.

Last week we spent a wonderful day in Agordo and we dedicated the whole day to the product and we were really amazed by the level of care that we were given and we were really very struck by the collaboration between our teams and the Luxottica teams. We have already imagined a product which will highlight the main collaboration possibilities coming from 3 factors, the capabilities of designers, the artisan skills of the masters of this craft, and most importantly the major possibilities provided by technological innovation applied to individual production phases.

Personally, I haven't been in Agordo for 7 years, and I must say that I had the opportunity on that trip to appreciate that the great attention devoted to the top quality as Mr. Del Vecchio has always done has, on the one hand, increased the quality of the products, but has also contributed to extending creativity. By visiting the production plant you immediately understand the culture prevailing there, the culture of quality. Quality that can be found in every little tiny detail, quality in the way the tools, for instance, working

tools are kept and also the attention devoted to people and the cleanness of the premises as well was striking. We didn't find anything in 100 square meters of surface area of this plant.

And now I would like to hand you over to Riccardo, who will be commenting on some new projects. Riccardo can you hear us.

RICCARDO STEFANELLI: I can hear you, and I do hope that you can hear me as clearly as I can hear you.

LUCA LISANDRONI: Yes, we can hear you.

RICCARDO STEFANELLI: As you know, I'm in Dallas, where tonight will be honored to be awarded the Neiman award was already delivered in Paris. As Luca already pointed out this award contributed...is contributing and will go on contributing to our results. I would like to thank wholeheartedly the Neiman Marcus team that honored us with this award. Neiman is one of the most traditional department stores in the States, they have been in the States for more than 100 years. And considering what they have managed to do with their stores. We believe the grounds have been laid to continue existing for the next 100 years.

Coming to our project about the development of a new production plant, we are going to open a new factory in Penne this year that will become operative Q4, '23. As you might know, Penne is a special place. First of all, it is part and parcel of the Italian history of craftsmanship of men's suits manufacturing because Brioni is there, it's an area rich in top level handicraft skills. And this is the reason why we have decided to develop a plant new factory there. And we expect sound and progressive developments going forward in the mid and in the...mid and long-term further development of our menswear. You know that we have another

production plant in Carrara, which is another district characterized by top quality handicraft and we acquired the Sartoria D'Avenza" in Carrara some years ago. And Brunello has reiterated our commitment to developing skills and competencies to develop and manufacture top level and top quality menswear. It is important for us to ensure the dignity and the economic dignity of craftsmen as well as the quality of the workplace. And I do hope you'll be able to see that this factory mirror's these values.

So my best greetings from Dallas, and I hand you back to Luca.

LUCA LISANDRONI: Thank you very much Riccardo. Just a final point to mention the...our succession plan. 15 years ago, Brunello considered the issue of the longevity of the company and he developed the so-called agreement between generations, whereby head of function when turning 60 will have to handover the responsibility of this action to a younger person.

In our...in the history of our company we've already witness successions of this kind, base of such values. And we are happy to say that the successions have granted business continuity at best and from...say more human point of view this succession has taken place in the most harmonious way. So, in the next few days, our CFO Moreno who is here with me tonight, and who has been assisted by Dario for over the past 12 years, we left hand over the CFO function to Dario, Moreno will stay in the company. And he will go on providing valuable contribution to our company is an example of integrity and of righteousness. And he will be acting as Senior CFO.

Just to give you an idea what is going to happen. It's like, you know, being on aircraft with 2 pilots. So far, Moreno was the main pilot and Dario was his assistant. From now on, there will be exchanging roles. So, I would like to congratulate Dario on his new role and I'd like to thank Moreno wholeheartedly also on behalf of our team for his contribution so far for the

valuable contribution. I'm sure he will be continuing to provide to our company.

MORENO CIARAPICA: Thank you very much, Luca and good evening. Well, after this announcement by Luca, I believe that I have to say a couple of words. I joined this company 30 years ago, and I've been assisting Brunello in making the succession plan become a reality. Now, we have rules that are well defined. And today, I can assure that such rules were well devised consider that for the first time I'm involved directly. So I will go on providing my contribution to the company as a Senior CFO, with great passion and devotion, and Dario who is taking over. Thanks to his merits, we'll be able to count on my last passion and for this company and on my experience. Well, believing that this succession will take place as naturally and as harmoniously as Luca has already mentioned.

I would like to thank you all analysts' journalists, because thanks to your comments and your questions, I've learnt a lot. And I've had the opportunity to provide my contribution to...report on our facts and figures with all the transparency that has always characterized us, and also comment on the dynamics that have driven our results...financial and economic results. So thank you very much. And now we're ready to take your questions.