

**Brunello Cucinelli S.p.A.**

**"End of the Year Update Call"**

**Wednesday, December 11, 2024, 18:00 CET**

MODERATORS: BRUNELLO CUCINELLI, EXECUTIVE CHAIRMAN AND CREATIVE  
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PLANNING DIRECTOR

OPERATOR:

Good evening and welcome to the End of the Year Update of the Fashion House, Brunello Cucinelli. Speakers will be Brunello Cucinelli, Executive Chairman and Creative Director; Luca Lisandrone, CEO; Riccardo Stefanelli, CEO, Dario Pipitone, CFO; Moreno Ciarapica, Co-CFO Senior; and Pietro Arnaboldi, Investor Relations and Corporate Planning Director. In order to receive help from an operator during the conference call, please press "\*" followed by "0."

Now, I would like to give the floor to Brunello Cucinelli. The floor is yours.

BRUNELLO CUCINELLI:

So here we are. Good evening. Thank you and welcome back. You investors, analysts, members of the press, whoever has joined this call. Thank you. So, in 2020, we basically decided to hold this end of the year call. Well, we made that decision because it was a very special time, you know, and my take was that we had to update you on a regular basis, if not once in a month or at least, you know, at least quarterly, and we see...you see, this kind of call is very advantageous. We like it very much.

We also like the Board of Directors meeting we hold in December. We met this morning for the Board Meeting, and it's very interesting, perhaps the most interesting of the year, because that's exactly when you draft your strategies, when you speak about your possible plans for the coming 5 or 10 years, so very interesting. So, for us, we deem it the most important Board of Directors Meeting of the year.

So, I spent a couple of months traveling the world as a globetrotter, a bit with Riccardo, a bit with Luca. So, we visited Shanghai in October. Then we were presented with a very prestigious award in New York, then another very important event in Dubai with the most prominent families there...prominent families who also work in fashion, and then last week,

we went to New York and Los Angeles. But, you see, I was...I'm very, very tired, and I always suffer when I'm jet lagged.

But nevertheless, I came back in a very positive mood, and I'm certain of one thing. We know down well what we must avoid, you know, knowing what you have to avoid is really important if you think about it, and then I also added, you see, when we stop feeling the desire to travel, then we'd better stop because, you see, the world is moving fast, and you have to see it in your best...as best as possible.

So, let me read out the press release, then I would like to give you an end-of-the-year look for the 2024, then a 3 minute wrap-up of my thoughts about 2025 and 2026, and you are already familiar with everything, most of all. A couple of words on the accolades. And then we would like to really broach this discussion about luxury, a discussion we had with the investors in Paris, London, New York, where we met 180 [ph] investors in total. And tomorrow night, 32, 34 investors will be gathered in Milan.

And these end-of-the-year dinners where we basically...with 150 investors in attendance, you see, for us it is a very high-quality meeting, of course, always provided that you have the courage to listen. So let me read. You see, but the font is becoming smaller and smaller. So, let me put my glasses on.

So, 2024 is reaffirming itself as a particularly nice, splendid year for us. The exceptionally positive sales in recent months basically drive us to revise our previous estimates upwards, envisaging an increase in turnover between 11% and 12%.

With anticipated growth in the fourth quarter, aligning with the excellent results of the third quarter of 2024. I'd like to add that the second quarter

last year had been particularly buoyant, 18% growth on average. Then in November, the pre-collection for women's...so in November the pre-collection for women's fall/winter 2025 was presented, garnering particularly positive feedback and orders...relevant orders from multi-brand clients and, of course, also from boutique store managers. But as you know, multi-brand clients, we really value their feedback.

And this follows the important orders backlog for spring/summer 2025. And we will start deliveries in a few days. So, we continue to perceive significant opportunities for our brand in the forthcoming period and anticipate balanced growth of approximately 10% a year. In 2025 and 2026, but we also envisage quite an interesting decade ahead.

Important events which we describe as "artisanal" due to the manner in which we host our clients with friendship and conviviality, well, these events have taken place in recent months in prominent cities such as Shanghai, Dubai, Los Angeles, and then additionally, in November, we hosted a very prestigious event called La Paulée in Solomeo, which entails a gathering of the world's foremost wine and champagne producers and collectors to celebrate the end of the harvest. So, it is a particularly fine event.

Now, we are honored to have received at the end of October the prestigious John B. Fairchild Honor Award from WWD magazine. You see, this magazine has always been considered a sort of Bible of global fashion, and this happened in New York at the end of October in recognition of our continued success, ongoing innovations and constant, unwavering attention to craftsmanship, creativity, artisanal quality, exclusivity and the dignity of the human being, I mean, these were the reasons why we were awarded the prize.

Then at the end of November, we were bestowed with a significant Good Business Award by our esteemed friends at Bloomberg China. But I couldn't go there in-person to be presented with the prize because I was in New York. And in honor of values of Humanistic Capitalism and Human Sustainability that shape every facet of our enterprise, from craftsmanship to the new frontiers of technological innovation and as we like to term it, human artificial intelligence. So, we wish to extend a heartfelt gratitude to our 3,300 workers who through that, by the way, there are 38 years of age in on average who, through their dedication, humanity and respect for our land, have enabled us to achieve these work and life objectives.

So, this is basically my comment on all this. This 2024 is drawing to a close, a year we define as truly enchanting due to the remarkable results achieved by Fashion House, both in terms of figures and in having strengthened the brand's image.

Our final project drives us to envisage a year with growth between 11% and 12% and given the high-quality of sales, we anticipate a healthy and balanced profit. At the end of October, I had the honor of receiving in New York this prestigious WWD John B. Fairchild Honor. I consider this recognition a tribute to the dignity of the work we strive to cultivate daily in Solomeo.

It is particularly significant that the recognition was bestowed by the esteemed...specifically by this esteemed WWD magazine regarded as the Bible of Global Fashion, which over the years has honored the creative endeavors of eminent figures in the fashion world, including Ralph Lauren, my very much valued Karl Lagerfeld, Giorgio Armani, and Lady Miuccia Prada, who is always a great source of inspiration, at least for our company in the past 25 years, but not just for us, inspiration for the whole world.

The significant seasonal sell-outs of the autumn fall/winter 2024 collection and the start of the order collection for women's fall/winter 2025 are yielding excellent results. And all of this instills great hope for 2025 that aligns with our customary project of annual turnover growth around 10%, as well as a good profit. So, and about this, I would like to say that in the past 24 years growth has average 12.8% and since our listing in 2012 was between 12.7% and 12.8%. So, we'd like to once again restate this figure of 10%. I will try and keep it short, so I'll leave more room for questions.

So, final project 2024, so we're approaching the end of the year. There are 17 days left and this fourth quarter is perfectly in line with the third. So, as I said last year, we had enjoyed a very important half-year, not just quarter. So, we envisage closing the year with a turnover of between 11% and 12% and with EBIT margins slightly improving, compared to the previous year.

So, let's now talk about the different regions...the different geographies. USA, growth between 15% and 17%. Europe, growth between 5% and 7%, Asia, between 12% and 14%, including China, 10%, 12%, and then e-commerce, about 9%, 10%. Then retail channel, growth between 12% and 14%, wholesale, between 8% and 10%, and for us, this is quite an important figure. Then our revenues, retail 66%, wholesale 34%, and then we have men's wear and women's wear perfectly aligned, 50% each. In number of units, it's 51, 52...sorry, 35% is men's because, of course, the price is, of course, lower.

So, what can we say? So, we can say that lately we have noted an improvement in Asia, including China. So, double-digits in retail, very interesting, 12%, and wholesale, very, very good there, 9%, 10%. So, since we are the only ones holding this December call, what we are asking of you is that to take everything we say with a pinch of salt because we wouldn't

like to influence your ideas in any ways, for the better, for the worse. But we have to say that we are very much energized. We saw something important we truly believe in when traveling the world.

So, main themes for 2025 and 2026. So, growth around 10% in revenues, EBIT margin slightly improving, investments around 8% because you see all the showrooms and stores, they need to be refurbished pretty frequently because if a new collection comes out and it's displayed in a showroom that is old, that it does not have the same effect. And you see...you always want your showroom to look fresh because the new collection is different, whether you view it sitting on the very same chair or maybe in a different chair. Then investments in image, 6%, 7%, and we would like that to stay more or less the same because 6% is precisely what we want in the years to come. Healthy inventory, healthy debt, and dividends around 50% of profits. It has been the case for the past few years.

So, what about the events? It's been a few years that we started setting, organizing these so-called artisanal events. The reason why we call them this way is that we invite usually between 100 and 120 guests, not so many because this way you have the time to entertain each individual guest, you can take pictures with them, and it's really a high-quality event. For me, it is quite heavy because I'm always asked around, but it is heavier to travel than to actually spend time with the guests. I love this, to do this. We really like our formula.

And then, Brunello, these are also...these events are multipliers of relations. For example, in our trip to Dubai, we had the opportunity to meet 3 very nice families with high values. Yes, because they welcomed us in a really nice way. We have struck up friendships there Al-Abar [ph] was really a fantastic event because they used the Italian flag on the building. Then, in Altair [ph] he wanted me to speak to the younger generation for 2 hours,

second and third generation of this family, people between 26 and 37 years of age. They wanted me to broach the subject of the next 50 years, what it could be like, so a very interesting meeting.

You see, in these events, it is very important to show the family. The last event was the one we held in Los Angeles the other last week with all these celebrities invited into the event, and they basically turn up because they like a meeting among themselves. They like to spend time with us.

RICCARDO STEFANELLI: Riccardo speaking, I was there in what has become some sort of a tradition of a pre-Christmas event in Hollywood together with the great stars of Hollywood. They actually become friends during these events. People you can entertain yourself with, engage in discussions.

And I'd like to tell you what Kevin Costner said on the way out from the event. He stated, I would have never imagined to have dinner with Brunello, but not just that, of being placed, being sat right in front of him, opposite him. And actually, he sent a picture of himself shopping in our Aspen store. It was a great evening with Oprah Winfrey and others. And we also talked values during our chat. And Oprah told me, I never heard anyone in Los Angeles speaking about the soul the way you do. It was a great evening.

So this has become a sort of...a very important event. And across the world, we have actually noticed this sensitivity to values, and even the event we organized in Dubai, in the desert with all the princes, and my daughter Carolina says, careful, do not touch the ladies. No, but I don't touch the ladies. I don't do it. It's my way of being warm, of being affectionate and Italian. We were all sitting around the same table. There were princes, princesses. It was very convivial. Sharon Stone said, you see, I basically came to the dinner, because I want to spend time with you, and you know,



we looked as if we were together and my wife was jealous because we were always sitting and chatting together. But you see, she's a very nice lady. She really went through sorrow in her life. She lost a nephew, so it was really hard...life was hard on her.

But anyway, as about the awards. I was awarded the John B. Fairchild Honor at the end of October. And to tell you the truth, the really important thing in these awards and prizes is like when we went to China. In the last 2 weeks or so, we received 3 offers of beautiful locations. And we had waited for quite a long time before we got that, and then, you see, that's the value of exclusivity. This is really something very important for us. We discussed it during the event, and besides the pleasure of a convivial dinner, I have to say that after any event, we receive a much higher number of offers of interesting retail locations.

And also, you know, Bloomberg giving us this award. Well, we did have to travel there to receive it, of course. But it's awards that are accompanied by good business recognitions, major economic publications that actually praise us for our artisanal attitude, for our business performance. So, this is certainly very beautiful and very interesting. And also, we're going to receive another very important award in December. We're not yet prepared to disclose what it is, but it's maybe the most important fashion award of all.

Now, for the next 5 or 10 minutes, what should we share with you? At the end of this analysis and these 2, 3, 4 months traveling around the world, we had a Board Meeting this morning. And the first thing we discussed with the board was trust and desire for luxury.

Now, we do believe there's always going to be a great undisputed desire for real luxury, that kind of luxury that's never been described by any kind of adjective in the history of luxury. You know that up until 20 years ago,

luxury was just luxury. Then someone came up with the definition of affordable luxury and so on and so forth. But luxury is luxury.

Another key thing for us is exclusivity. We do believe in this very much. And there, to tell you the truth, we were at a dinner in New York City with about 40 investors. And we were close to the bus stop and, you know, the rolling billboards that you normally have at the bus stops. And in 3 minutes, we saw images of brands that we would never imagine we would see at the bus stop.

So, you know, to tell you the truth, we do believe in exclusivity. We do believe firmly in the importance of exclusivity. We have about 400,000 customers globally, maybe 50% of the citizens of Perugia in terms of sheer numbers. And we like it that way. So this is another theme we have discussed a lot.

Another key thing is the major theme of pricing. This is brand new. Multi-brand stores were the first to bring this up. You know that normally multi-brand stores talk about prices because they want 3% discount or something like that. But this time they told us it's their consumers, their end customers that start complaining about hefty prices. Well, regardless of their spending power, I mean it's 2 separate things. On one side we see that constructing a complete outfit has become so pricey that a large chunk of consumers will never be able to afford it.

On the other side though, even for those consumers that are not too price sensitive, like a few days ago we had the Founder of the biggest opticians chain in the States, who came to see us, and she's a great client of our beloved Luxottica. The CEO, Francesca Milleri, last night told me, well, whenever I talk to investors, I tell them, just talk to Brunello. But in these 3 dinners, we did a part of the roadshow for you at Luxottica as well.

But you know this lady told us that during a trip, she lost her bag. She went to buy it again. And when she went to pay for it, the price was higher than the psychological threshold she had set for herself. And so, it was much, much more expensive than it was 3 or 4 years ago when she first bought it. So, we're all familiar with this theme, and we are touching a lot of importance to it.

Now, something else which is very, very important for us is the atmosphere in the stores, you know it just happened to me to be in London with Camilla some weeks ago, and we wanted to just walk into a store that there was a queue outside. And as we looked into the store, we realized that there was no reason why there would be a queue outside because at the end the store inside was pretty empty.

So, what I perceive if I see a queue outside and an empty store is something which I feel is not feeding the sense of exclusivity that should be interpreted in a different way, in our opinion?

Yes, I told you before, I went to the Milan store. The store assistant didn't recognize me and she said, would you like anything? And I said, well, this is not a bakery. Why would I just be asked, would you like anything? I mean, it's not the way we should be welcoming the store.

Also, you know we don't want to do that. This is not our attitude towards the atmosphere in the stores. And since many sales associates are actually paid on a commission basis, as soon as you walk in the store, you feel attacked and aggressed because they want your commission. So, we circumvent that problem because we have 85% of the salary of our sales associates is fixed income and just the rest is an incentive commission.

So, we don't want people to be aggressed by sales associates as they work into the stores. They shouldn't hassle our clients. They shouldn't compete with each other. Also, because each individual store is a kind of a small company in and by itself. And so, good teamwork is essential.

Something else we have realized when we first presented the collection now is that many people are starting to comment, there are too many evergreens. It's true that evergreens are more profitable. There's less inventory, fewer unsold items at the end of the season, but they make everything look a bit older. So, for instance, I'm wearing a blue jacket today, 75 centimeters, and it was 72.5 3 years ago. So, it's not that different to tell you the truth.

Yes, speaking of evergreens, a multi-brand client of ours commented on this some days ago. So, on one side, he repeated this concept. He said he wanted novelty in the collections in the next few months, but then he started thinking about himself and his company, and I thought it was a very interesting comment he made. So, his comment was, I relied on mathematics too much, and I forgot about taste for a while.

So, this continuous osmosis between the buyers and the planners that need to work together. Well, they need to strike the right balance without overpowering each other. And so, he completed his comment by saying, mathematics is very efficient, but it's hardly ever the source of novelty.

Now, something else we're all familiar with is the pricing of our third-party suppliers. So, you know we know everything about everyone. We have access to all sorts of information. So, we know about the micro companies that work for us, it's 400 companies, 6,000 direct employees, and another 4,000 people work 50% of the time for us, and 50% for other very important fashion houses.

I have to say, we need to really consider their income, their salaries. This is a thing which has become particularly important in the last few months, but we've always believed in this. So, we believe that, first of all, there's a lot of work in working directly with smaller producers. We are not a platform. This is very important. We don't use platforms, because we don't want to use in between brokers, between ourselves and our third-party manufacturers. So, we want to compensate them in a fair way to actually help them and simulate doing beautiful and wonderful things and to persuade their children to continue doing their parents' work.

So, today, in 52% of our third-party manufacturers' companies, the sons and daughters of the Founders have actually decided to continue their parents' work, and, of course, they wouldn't want to do it if they were not compensated properly. And besides being compensated properly, we were able to build beautiful places for these people to work. All these facilities have air-conditioning, they have natural light, windows looking outside. So, this is very important for people's working conditions. We hold this very dear to us. Next week, we are going to have a Christmas Greetings Meeting, which is always an opportunity to speak about the budgeting for the next 2 years too, and we are going to discuss it with our third-party suppliers too.

Another very important topic is the factory workers' salaries. We discussed this recently, and we discussed it with the major suppliers of raw materials. A friend of mine came over, Loro Piana, Luigi Loro Piana. We actually grew up together, and so when we discussed fair compensation for workers and for the suppliers of raw materials, well, there was a gentleman from Hong Kong who thought he was being witty about it. And we believe that with 1% of our profit paid out to our factory workers, we can actually change their life. We see it day-in, day-out.

And then this guy was been a bit...he thought it was a bit witty, and he said, well, why should we give up 1% of our profit? And I said, well, it doesn't make sense to think it should be otherwise. We can never make fun of people who work for a living, not just here, everywhere in the world.

I always say that we as Italians, we have a huge chance because people love our taste, but we need to be brave enough to build beautiful places for people to work in and to pay them fairly because this is the only way to attract talent. We have 300 young people who have just joined the company. They are very young. They're happy to do manual work, but they can actually get access to salaries that are interesting to begin with. And on top of that, they work in a beautiful glassed-in office where they can have natural light and good working conditions.

So we speak of Italy and Made in Italy of the time, and this is what we need to do to make Italy attractive as an employer. And we keep repeating it to pretty much everyone. So these are the biggest topics we are discussing in this moment in time. And so, I was discussing it with the board today, this morning, and I told everybody we foresee a bright decade for our brand to remain and steadfast to our core principles. So we need to be creative. Creativity is one of our main principles, but we have to remunerate people in a suitable way, in a fair way.

So our objective has always been that of having a 10% profit. But is it a big difference between 10% or 11%? So why shouldn't you earmark the extra 1% for our people? So for people who live in Perugia, a 10% salary increase does make a difference. So they certainly feel they work for someone who actually acknowledges their importance. For instance, we have no absenteeism. I mean, people don't just stay home because they want to stay home. Of course, they stay home if they're not well. That's the only reason

for them not to show up for work. So, that means they're actually feeling good with what they do.

Also, we never had any kind of remote working. We'll never do it as much as we can, and we have not made money, but they're maybe more attentive, more careful.