

Brunello Cucinelli S.p.A.

"Presentation of the Fashion House, Casa di Moda Brunello Cucinelli Call"

Tuesday, December 14, 2021, 18:00 CET

MODERATORS: BRUNELLO CUCINELLI, EXECUTIVE CHAIRMAN AND CREATIVE
DIRECTOR
LUCA LISANDRONI, CO CHIEF EXECUTIVE OFFICER
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PLANNING

OPERATOR:

Good evening, Chorus Call operator speaking. Welcome to the Presentation of the Fashion House, Casa di Moda Brunello Cucinelli. The idea of Humanistic Capitalism and Human Sustainability. All participants are in listen-only mode. Following the presentation, there will be an opportunity to ask questions.

Speakers will be Brunello Cucinelli, Executive Chairman and Creative Director, Luca Lisandrone, CEO, Riccardo Stefanelli, CEO, Moreno Ciarapica, CFO and Pietro Arnaboldi, Head of Investor Relations and Corporate Planning. In order to receive help from an operator during the call, please press “*” followed by “0.”

And now, I’d like to give the floor to Brunello Cucinelli. The floor is yours.

BRUNELLO CUCINELLI:

Thank you, good evening, and really thank you from the bottom of my heart for joining in before...just before the holidays, but it is something I’m really pleased of doing, so I’d like to thank investors, analysts and everybody joining and attending.

So at the end of the day, we have now reached the end of this year, still I have to say with some concern about what I have always called this pandemic, but you see, I have always described it as a serious worldwide plague since I love history and you see they were called a pestilence rather than pandemic, and pestilence is you see sometimes it can be more frightening than pandemic, we think that this could be over at about 3 and 4 months, at least I hope, and by the way, our vaccination hub was set up years ago...a year ago, and will stay there until the end of the pandemic. And now the data we have in mind in the beginning of spring.

So at the same time to me and for our company, 2021 was a year to be counted among the beautiful years of our history. I have to say that I really strongly wished this call...to hold this call, because usually we hold the traditional yearend Board Meeting, but I wanted to...this call to be dedicated to something special, so call with the financial community dedicated to summarize the major elements that have affected our company and the family foundation during this period, in a fascinating way, I have to say. And the aim of this call is also to say thank you to many, many people because in these 2 years of pandemic, I have to say that we have had many movements where we have reached out, for one and other and helped each other mutually.

So what about this call? How do we want to structure it? So a short update of the yearend earnings and figures, but you know almost everything. As, you know, as a company, we would always like to achieve what we have envisaged, and therefore we'd like to implement your expectations. Then I'd like to talk about the inauguration that took place the other day of the so-called Casa Cucinelli in 5 worldwide capital cities.

I'd like to once again say something about the winning of the "Designer of the Year 2021" GQ Prize, because I think it has majorly affected in positive our image in the world, and sometimes also slightly the sales of the last 3, 4 months, and since then, we have decided that our company will be called Casa di Moda Fashion House which sounds a bit more fascinating, and it really represents us more. We have always been fascinated by Maison like Hermès and Chanel, so that's why we want to call it Casa Maison.

And then, I'd like to maybe dwell on the great project of The Universal Library of Solomeo, some of you are already familiar with in support of

the surroundings and the culture. And as, you know, this project is totally, entirely funded by the family foundation and not by the Fashion House. And this is a project that we call a project for the coming 1,000 years.

And then a great topic we'd like to talk about is Humanistic Capitalism and Human Sustainability. And I'd like to also say something about the G20 I attended in Rome last October. So this is unquestionably now the most discussed social and human topic in any part of the world is the sustainability. And thus we have set the target, the emission targets for the coming decades. So I am very confident that humanity will have become aware of this issue, especially young people, but even more so, the very young for the future to come.

So my comment...my quote is a beautiful 2021 which we define as the year of rebalancing with the growth in turnover of almost 30% that has enabled us to fully recover the 10% loss suffered in 2020. So as to resume our sound balanced and serene path towards the objectives of the 2019-2028 plan and its target.

After my exciting participation as a speaker at the G20 in Rome last October, where our high respected Chairman, Draghi had asked me to give my testimony on our concept of likes and work, and on everything we called Humanistic Capitalism and Human Sustainability. So following my attendance of the G20, I wanted to share these great human reflections with the entire Board of Directors, as well as, with the financial community, through a dedicated pre-Christmas Call, and also to definitely set the target for the reduction of Greenhouse Gas Emissions by 2028, the year of the...that marks the end of the 10 year plan as I said before.

So now, some slight earnings update as we approach the end of the year. Turnover up close to 30% on 2020, and close to 16% on 2019. Following

a year when we had lost 10%, this means that we have recovered the loss fully. EBITDA around 14%, inventory is back to normal, with an incidence on turnover of around 29%.

And I also wanted to point out that we do not have any issues, as far as, raw material supply is concerned, as we said back in October. Net financial position very, very interesting, it will be around €35 million, we wouldn't have expected this achievement 6 or 7 months ago. And on this subject, my heartfelt thanks to all the banks, because you see they have made available to us quickly in March 2020 you see now everything is faring a bit better, but in actually less than 2 weeks they gave us a huge amount of credit facilities that allowed us to work with confidence, fortunately only part of it was used, but I want to say thank you very much to our banks and also I have...because they were very brave at financing our companies. And as you know, I have always believed in the validity of banks. Of course, we have started off without even a dollar in our pocket, so definitely our banks helped us grow. As to dividends, we will return to a normal dividend of around 50% of profit.

So to conclude, about the full year, it is a year of rebalancing except for a few points lost on EBITDA, but as, you know, we have not changed anything, the corporate structure, and we have not laid off anybody, we haven't have for any discounts you know that. Therefore we imagine with confidence and serenity we...you see working with confidence and serenity is always a good way of working, so we envisage a healthy and balanced growth, around 10% in both 2022 and 2023, with a rebalancing of EBITDA.

All the above will allow us to end the first half of the 10-year plan 2019-2028, as projected in 2023, perhaps slightly above. So the 10th, 5-year plan of our company 2019-2023 will end up slightly above expectations, at

least we hope. And then there will be the 11th, 5-year Plan from 2024 to 2028. But we also have the 2019-2028, 10-year plan. So we are back to say now that in the medium to long-term, we are looking for beautiful, healthy balanced and humanly sustainable growth. This is something, we really wanted to convey.

Now, about the Casa Cucinelli. What is this? So in 5 cities, Solomeo, Milan, London, Paris, and New York, we have fitted out these spaces as Casa Cucinelli in Solomeo, we welcome our visitors. In New York, we have it on the Fifth Avenue about 700 square meters, in Iceland, in Milan, then in Paris, it used to be the apartment of Josephine Bonaparte.

So what is Casa Cucinelli? It is a place where we basically welcome people for dinner discussing small conferences. So it is a meeting venue to convey culture...corporate culture. It is a place where you can breathe in the taste of the brand, the lifestyle. There's a small library, there's a classic Italian kitchen, and you can taste the Italian cuisine. And you see, I really...I have always believed that the Italian cuisine is made up of...for each dish only 3 ingredients, so maybe pasta, tomato, and basils, so everything very typical Italian.

And then this is a meeting venue for analysts, investors, journalists, and friends. It's really very welcoming. So these houses...these homes, Casa Cucinelli in the future will try and set up one in Shanghai, in Tokyo. But we think it is very, very nice for the important appointments and also for the smaller ones. So maybe 1-minute on the London price, as we said back in last time, we in September, we were awarded the GQ Designer of the Year 2021 prize. It was a great recognition to the identity and our taste. Why am I saying this? Because you see collections may have the ups and downs, but as it was the case for Ralph Lauren and Armani, the great fashion brands, the taste remains. And today, we seem to be

identified as the brand of a beautiful dressing worldwide, so we are some sort of benchmark, of course, in the last 4 months the image that we enjoy around the world has been enhanced and there is no doubt that it has also influenced sales in the last part of the year.

In terms of number of SKUs, well, men's and women is 50-50. But of course, women's the price is slightly higher. So in economic terms, is 58% and 41%, but in terms of pieces of SKUs is the same men's...for men's and women's. Then 3 minutes about the universal library, which we presented at the end of October in Milan. Everything funded by the foundation, so this...that don't end up in the costs items of the listed company.

This project is aimed at highlighting even more the value of Solomeo, so we have the theater, the winery, the monument, the library, and Solomeo is now being increasingly identified as the location of cashmere. And hopefully, this can still be there in a few centuries, a place where you...we can live in harmony and moderation, because I think that the great theme of moderation is very contemporary.

With some of you, we mentioned the fact that we would like this to be some sort of Maranello Ferrari, I really hold the Ferrari team very high in a very high regards, but some people say Maranello is identified with Ferrari and we would like Solomeo to be identified with cashmere. And, you know, also with a different way of working.

We like the fact the people come to visit Solomeo, but sometimes you see it as a bit too many people, so we are forced to take pictures with all of them, but nevertheless we really like welcoming visitors in Solomeo. And this library, you see, I've always been fascinated by books, you know, Hadrian, The Emperor, at one point said, books showed me the way in life

and when I...as a grown up life made me understand the meaning of books.

And for the lovers of Italian culture, Petrarch once said. I question my books and they answer to me, they sink to me, sometimes they make them...they smile and they comfort me, some other times they show me my human self in a different way. Ptolemy the first came up with this great idea. He was a good friend of Alexander the Great. His idea was to protect all books in Alexandria, starting from Aristotle volumes. So we were very fond of this idea [indiscernible], we think that it can attach even greater value to Solomeo, it is a great investment for the foundation, and I hope that Riccardo, Luca and your children and grandchildren can really pursue this project because there is also cultural sustainability to be taken into account. So the Library project has started, many people are writing to us about this, and I called them the defendant's...defenders of the library. Many people are book lovers.

And now, about the G20 in Rome. How did it go? Dragi's Secretary called me and said, would you like to come and talk about the corporate culture during the G20? And I jokingly said, of course, I would even swim to that venue. And then a month elapsed and I was very tense because on the one hand, the Prince Charles of England was invited to contribute to talk about the climate, the global warming. And by the way, we are also part of one of the...of his projects, and Riccardo follows this project. And I was to contribute my thoughts on Humanistic Capitalism and Human Sustainability. So I did not sleep that much during that month because, of course, I usually speak off the cuff.

And so, I went to Rome 2 days in advance and I didn't eat at all, because if you just think, if you have a tummy ache when you have to address the G20, it doesn't happen every day. So, in the morning of the event, we

were ready there half past 8 instead of 10 and the security guy said Brunello where are you going? And I said, "You see what would have happened if my car had broken down?" And then, one more thing I wanted to say. All these great men came, we were having breakfast together and there was Boris Johnson, Angela Merkel. So, there was some pressure there. So, we sat there and Prince Charles was reading his speech. I myself had not written anything. So, I said to myself, St. Augustine, please lend me a hand, because once and St. Augustine said, "Do not worry." The important thing is that what you say comes from your soul, the words will follow. And this is what happened. Of course, when you speak. When you improvise, the message is always stronger. So, it was a very special experience. And in the end, Boris Johnson and President Draghi they said it was a great speech.

And during my address, I paid my compliments to Mario Draghi, because thanks to him, Italy is once again credible. So, we had meetings with investors in London, Milan and New York. And now, we are a credible country and it is something great. So I really want to mention this again, because it was very moving for me. I would have never imagined it, when I said to my 100 years old father, what I was going to do, he was very moved to, then at the same time, 2 years ago...sorry 2 days ago E&Y called us...well, actually defined for us, set for us the target for emission, and the reduction of Greenhouse Gas Emissions will be by 60% by 2028. And for Scope 1 and Scope 2 emissions, it will be 70% in absolute terms by 2028 still.

So, we would like to say that by nature, our business is...has a very high rate of craftsmanship, 52% of products are really handmade with manual work. So, by nature emissions are not very high in our case, but it's not that we want to blame it on others. We just want to say that the kind of

products we deal with is different, than, you know, how we relate to the surrounding the other territory.

And now, I wanted to devote 5 minutes to what we call Sustainability and Humanistic Capitalism. So, as we were talking at the Board Meeting today, I think that everything starts with moderation. We need to adopt moderation in everything we do. I don't know how, that translates into English, but in Italian moderazione, moderation is a very noble term.

And Augustus in 56 AD said something fascinating. "You should live in an honest manner, you should not harm anyone, and everyone should have their own," 2000 years ago. So, in about a month time, we will put together a booklet, but we decided to breakdown a sustainability into 4 kind of aspects, so creation, economic, moral and cultural then...the one related...the sustainability related to creation we have emissions and climate. There's the lands, and, as far as, the land is concerned, you should know that industrial buildings were existing ones. Plants already exist in last century. We tore down some of them as a foundation and part of them were readapted to modern times. So, we are trying to reclaim the land and not to exploit...exploited.

So, also the future project, we'll speak about this in around March, but the future expansion, extension of the facilities should happen very close to our village by reclaiming an important piece of land. And actually, it used to be a factory in the past, but we'll tell you more next March. And then of course, your...so creation, we have emissions, land and animals. And then there is an economic kind of sustainability. We talked about this, this morning working conditions. You see your laborers, do they...can they see the light or the sunlight or not? What about their wages? Are they lower than the average? So, if there's a great difference between earning €1,700 or €1,300 a month, your life changes. So, there is sustainability on

raw materials too. We try and have a special relationship with raw materials suppliers and then our relationship with the textile workers, the true manufacturers of our products. So, creation...sustainability from creation point of view and sustainability from economic point of view and then sustainability from an ethical point of view. This is a part, it's in the minutes of our Board Meetings.

And so, we have dignity at work here. When you go to work, do you feel treated like a human being or slightly less than a human being? You are a beautiful soul or not? Then fair working, as this is also an ethical issue. A fair amount of time spent online. And then another topic you are familiar with a fair profits and the balance between profits and giving back. This is a conviction belief that I have. I believe that in the future, especially the young and the very young, will be very mindful and we will try and shop with...they will shop a product...they will buy a product of a company that makes a fair profit. I think that we all fully know what a fair profit is.

Then another important topic is the respect for the law. We try to comply with the law. We strive to pay fair taxes in our country. We were talking about this today at the Board Meeting. In the end our gross tax rate is 29%-30%, but net it has been 22%-23%. And I think that paying a fair amount of taxes in the country of your country or residence. It is also part of an ethical sustainability.

And then there's a last type of sustainability which is the cultural sustainability. So, library...having a library, it means having a cultural sustainability, the theater, the arts, the value of training and teaching. So, there is some kind of cultural sustainability towards the surroundings and the community.

So, to conclude, and then you can ask your questions. We wanted to organize a call devoted to Sustainability and Humanistic Capitalism as a whole. It is an end of the year call, an extraordinary one, after such an important year-and-a-half, but we really wanted to give you a proper value.

And to conclude, I'd like to say that since at least for me, these are the days of important human reflections and musings, you see when we were in the countryside, we would finish sowing corn in the end of November and December was the so-called still quiet month. We would organize all olive oil and...so we would go and...for the accounts to the land owner and then my father...my uncle would go to the land owner in order to calculate what we were due...sorry we were owed. And they would come back home to the family and they would not talk numbers, they would just say let us thank the God for how it has gone. Hopefully, we will perform better next year. So I was fascinated by this healthy balance during the Christmas holidays. Then we would welcome back our relatives working abroad and it was a special time for the family.

So I would like these days to be intense and poignant days for our soul, because I think we need a healthy balance with ourselves. So I would like to thank you whole heartedly and open the discussion, but we really wanted to organize this call at the end of the year. But none of us would have envisaged that a year and half after the outbreak of the pandemic, we would be in these conditions. But I am not just talking about Cucinelli, whoever speak to, everybody is planning ahead and if we think about our beautiful Italy, we see, we are a true manufacturing people. If you...some time ago, I spoke to my friends at Chanel and they were saying, do you know that 70% of our production is in Italy, just think of what kind of value your Italy has for us and we are honored for that.

Thank you.

