

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

**"First Half 2024 Results Call"**

**Wednesday, August 28, 2024, 18:00 CET**

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DIRECTOR  
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OPERATOR: Good afternoon, welcome to the presentation of the Results for the First Half 2024 of Casa di Moda Brunello Cucinelli.

Speakers tonight will be Mr. Brunello Cucinelli, Executive Chairman and Creative Director; Luca Lisandroni, CEO, Riccardo Stefanelli, CEO, Dario Pipitone, CFO, Moreno Ciarapica, Co-CFO Senior, and Pietro Arnaboldi, Investor Relations and Corporate Planning Director.

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Let me now yield the floor to Mr. Brunello Cucinelli, please.

BRUNELLO CUCINELLI: Good afternoon. Welcome back from the holidays. I hope you had a night's rest. And as far as I'm concerned, I spent maybe 10 days of holidays in Sardinia, but I was actually so busy that I don't know whether it's really a holiday, but it was a pleasure.

So thank you very much for being back again and tonight, we would like to give you a good update on 2024, and we would like to discuss '25 and '26 as well. As usual, all of us are around the table here. So how is this going to happen? I will read the complete half year figures. So then Dario, our CFO, will go into tiny details. Then I will take the floor again to discuss 2024 and then Luca will give a world overview of an update on how things are going, then I'll speak again and we'll have an analytical summary of who we are today. So based on the last 6 months results in particular. And then we'll share our vision for 2025 and 2026.

Now let me read some of our data to you. The revenues stand at €620 million with excellent sales results, increasing 14% at current exchange rates and 14.7% at constant exchange rates versus the first half of 2023.

EBIT stands at €104 million, up 19% compared to €87 million of June 30 last year, with a margin of 16.9%, which is increasing versus 16.1% of June 30, 2023. So net profit stands at €66 million with a margin of 10.6%, up 31% versus last year's net profit and offset by the effect of an extraordinary capital gain which is relevant to Cariaggi, as you know.

Investments are nearly €50 million versus €34.9 million last year, which is a part of the major plan that will support our growth project and guarantee production capacity for the next decade and more. The core net financial debt stands at €68 million versus €38 million last year. The excellent health of the brand and very interesting sales where we put in our stores allow us to confirm a nice growth, which we expect for 2024, and we expect revenues to grow by about 10%.

Now, let me talk about the future. The very beautiful spring/summer 2025 sales campaigns that have now been completed for men and near completion for women, reinforced our forecast of an equally beautiful growth for 2025 as well in the region of 10%, with the goal of doubling revenues by 2030. You're all familiar with our 2024-2030 plan.

So we have introduced the company's website in Milano. We built it with artificial intelligence. It's a site without pages, where content flows and combined in front of the visitors. Trying to understand and to follow the user's intentions, thanks to the new Solomeo AI technology. We'll discuss this later. It's really interesting.

I will be receiving on October 29<sup>th</sup>, a very important and prestigious award, WWD John B. Fairchild Award in America. I will receive this in October. And this is an award which is conferred by WWD, this magazine, which is considered to be the bible of fashion globally. And apparently this is further strengthening our brand image.

Now, let me read my quote. We closed the first half of 2024 with particularly pleasing results. Sales were excellent, profits were positive and balanced, the brand is fit and healthy, and the feedback on our product offering was highly favorable. We completed the 2024 summer sales very successfully. We have completed them now. And the winter sales were off to a very good start. All of this leads us to confirm our guidance of revenue growth for financial year 2024 of around 10%, with healthy and sustainable profits.

We're also particularly pleased with the presentation in July in Milan to the world press of our new company website, which we have built together with artificial intelligence. We designed a website without pages, where content flows and combines in front of the visitor, thanks to a technology that seeks to understand and follow the user's intent, creating what they see on the spot.

Now, this is a very beautiful project and it's been 3 years in the making. We have called this technology Solomei AI to support Solomeo again, and we believe this new website is truly very special, also thanks to the endorsement we have received from our friends in the AI world, the kids, as we call them, from Silicon Valley.

Furthermore, I'm deeply grateful and moved to announce that I will be presented with the WWD John B. Fairchild Honor next October in New York, in the memory of the legendary publisher of the magazine often referred to as the Bible of Global Fashion. I'm deeply honored to be the recipient of such a prestigious award, which I consider to be a tribute to the dignity of work, to my people, their creative genius and industrious nature, as well to our land of Umbria and its spirituality, which is actually what they wrote in their motivations.

This new recognition and the excellent results of the spring/summer 2025 sales campaigns, the men's has already been completed and the women's is soon to be concluded, allows us to reaffirm with confidence and conviction our guidance of an equally beautiful growth for 2025 around 10%, as well as, our plan to double our turnover by 2030.

Now, Dario, I'm yielding the floor to you for a detailed presentation of the financial statements.

DARIO PIPITONE: Good evening, everyone, and thank you, Brunello. I would like to start with the usual analysis of the main economic and financial dynamics for the first half of 2024. The final revenue figures confirm the preliminary data of July 11th in our P&L, with a growth in turnover at current exchange rates of 14.1%, which would be 14.7% at constant exchange rates. I will now proceed directly to the comments on the other items in the P&L, with the support of the slides in the analyst presentation.

Slide 16 shows a balanced margin and cost structure, with EBIT at June 30, 2024, up 19.3%, as against the data of June 30 last year. First margin is up 18.8% and it represents 74.5% of revenues versus 71.5% in June 2023 and 72.5% on December 31st. This increase is mainly attributable to both the positive contribution of the sales mix and to the expansion of in-house production, and by expansion of in-house production, we refer to the opening of facilities dedicated to the production of top craftsmanship of outerwear and tailor suits for men, and I'm referring in particular to the factories of Penne, Abruzzo in the second half of 2023 and recently Gubbio, Umbria. This process of in-house creation of certain processes we're engaged in has a lower incidence of production costs, but on the other hand, it means higher operating costs, mainly personnel costs.

Therefore, commenting on the income statement and operating costs, which increased by 21.4%, we can actually say that these are due to the aforementioned in-house process, the select growth of our network, the development of new initiatives in both in the commercial and non-commercial area, and important and consolidated investments in communication.

Now, the latter, and here we move to Slide 18, as of June 30, 2024, stand at €44.6 million, with an incidence of 7.2%, as against 6.7% or 6.9%, respectively, in June, December 2023. We're still at Slide 18, so the cost of personnel is €113.2 million and it shows an increase of 21.3%, which is more than proportional to the growth in turnover, with an incidence of 18.2%. It used to be 17.2% in June last year, 17.9% at the year-end of 2022.

As of June 30, 2024, we remind you that the number of human resources amounted to 3,021 full-time equivalents, with an increase of 490 FTEs, attributed in particular to production workers within the framework of the abovementioned project in the growth of our craftsmanship structure and personnel costs also includes the accounting effects of the new stock grant plan, which was approved by the Shareholders Meeting last April.

Still on Slide 18, the cost of rental net of the effects of the implementation of IFRS 16 amounted to €87.2 million or plus 14.1%, up 18.8% versus €73.4 million or 13.5% we posted at June 30, 2023. The cost of rent is growing, mainly because of new and selected openings and renovations, and major expansions and relocations we carried out in this timeframe.

To conclude on the comment on Slide 18, depreciation and amortization stands at €73.2 million versus €67.1 million of June 30, 2023. As a result of all this, as anticipated in the introduction, EBIT as of June 30, 2024 was €104.6 million, up 19.3%, with an operating margin of 16.9% versus 16.1%

last June 2023. Against this growth in EBIT and after financial expenses, which is minus €9.3 million and a tax rate of 30.6%, net profit as of June 30, 2024 was €66.1 million, with a margin of 10.6%.

Now let's go back for a second to Slide 19 on financial management. Here we share the usual breakdown that highlights a component that we could define as recurring, on which we can actually project expectations for the year, and separate it from a component which is more closely linked to exchange rate fluctuations, and by a further non-recurring component. The ordinary and recurring component, which increased by €2.6 million, is mainly attributable to financial charges calculated on leasing liabilities, which amounted to €9.2 million as of June 30, 2024, versus €5.9 million at June 30, 2023. This increase is due to new lease agreements and rental agreements, which refer to new and select openings and to the renewal of certain existing stores. The non-recurring component, as of June 30, 2023, was significantly impacted by the contribution of the extraordinary capital gain generated by the sale of a minority stake in Lanificio Cariaggi to Chanel.

Finally, to conclude on the profit and loss account, we note that the estimate made for the determination of the tax burden as of 30 June 2024 reflects some dynamics among which the elimination of the benefits deriving from the AC...the AE [ph] effects that we imagine to be slightly diluted over the end of the year.

Now, moving on to Slide 20 and following, I would like to share some brief comments on the following items of the balance sheet, such as net working capital, investments, net financial debt. Net working capital, including other current assets or liabilities, that amounted to €200.6 million with a ratio of 15.5% to sales, compared to 15.7% of the 31st December, 2023.

Looking at the details that make it up, trade receivables confirm an extremely healthy situation. They show a slight increase equal in absolute value to €5.2 million, despite a significant increase in turnover with particular reference to the wholesale channel equal to 13.1%. The payment terms to suppliers, co-workers and third-party consultants remained unchanged, with trade payables amounting to €162 million, slightly lower than €166.2 million as of 31st December, 2023.

Inventory as a percentage of rolling turnover for the last 12 months was 28.1%, back to an ordinary level for business following last year's reduction to 25.2% as of 31st December, 2023, mainly ascribable to the extraordinary sales performance during the year.

Lastly, other net current assets or liabilities showed a negative balance of €62.1 million as of 30th June, 2024, compared to €20.9 million in December, 2023, with changes mainly ascribable to the fair value of derivative instruments hedging the exchange rate risk and the balances of tax receivables and payables.

To conclude, the typical debt financial debt on Slide 23 amounted to €68.7 million as of 30th June, 2024, compared to €38.6 million as of 30th June, 2023, thanks to the positive economic results of the last 12 months, despite the important Investment Plan of the semester for €44...I would say, €45 million, as you can see in Slide 21, and the payment of dividends for a total of €66.1 million.

So, this is the end of my contribution. Brunello.

BRUNELLO CUCINELLI: Yes. Thank you. So, we are particularly pleased, as you might gather. So, what about 2024? So, the start of the winter collection was very positive. Your style is very much appreciated. So, we are very positive



about the coming months. Last year, we had a very good season and hopefully this year too. So, we envisage 2024 as a very, very good year with a nice growth in turnover and a healthy good balanced net profit.

So, before Luca takes the floor, who will give you a world market overview. I'd like to make just a tiny remark on the markets about the product. Honestly speaking, I don't think that human beings have stopped paying attention to what to wear. I would say it's the opposite, but we have to take note of the fact the 3 important factors that should not be underestimated, at least in our business. We believe that collections in general and I'm saying this because we spent 2 months of sales campaign, and you see multi-brands tell us what they believe. And what they are complaining about is that there is too much evergreen products. And they also say that there is lack of exclusive distribution, as well as lack of exclusive communication. And then they also know the fact that sometimes prices are too high compared to what they should be. And this is very strongly felt, you know, what we believe about evergreen and price increases. So, for us, this scrutiny is very, very important.

So, now, Luca, perhaps, you can tell us something about the world market.

LUCA LISANDRONI: Yes. And I would start from there. So, on July the 11th, talking about absolute luxury, we described an excellent situation of our sales on both on markets and sales channels. Now, we can say that in a market with different performance, depending on the different brands, well, for us, the scenario has not changed, and sales in July and August went very well. So, we closed an excellent summer season, and we already have the winter season on the shelves.

So, let's start from the retail. Direct stores in July and August, they reported a healthy growth of sales. Then, by geography, United States, for us

extremely fit for us, sensible growth shared by all stores. By the way, we're always talking about absolute luxury, Brunello, as you have seen, because we don't want to express a judgment on the market in general, but absolute luxury. So, a real significant growth shared by all stores, men's and women's, and well distributed across the whole product categories.

China, very well, especially in Mainland China, and Europe, also very sound. Perhaps the only thing to note is that the contribution...Paris was slightly less during the Olympics, but it was a very excellent season was reported in the resorts. In any case, across the world, there is a continuous ongoing pursuit for special well-made items, and clients and customers tend to choose items that stir emotion and can last longer.

And then, Novelty also plays an important role. So, we were never fascinated by the idea of putting together a business of carryovers. We tried to focus more on designing modern and contemporary collections.

Digital sales also very well, and as far as we are concerned, we were definitely...we definitely benefited from the interest that was stirred by the presentation of our new website with Artificial Intelligence. And one month down the way, we can now say that the results, thanks to the new website, are particularly stellar.

Why is that? Not just because the overall traffic has increased, but also the interaction with visitors has increased, as well as, the duration of visits. Just think that in the new website, over 70% of people asked direct questions or searched for specific interesting areas, really entertaining a dialogue with the website and in other 30% of the cases, visitors basically followed the flow of contents, because the AI was able to understand the intention of users. So, we had no abandoned visits. So, this leads us to say that the fascination and the benefit of Novelty was stronger than the fact of feeling

at a loss, because there were no pages, and this ability to interact between the website and the visitor is very promising, especially if we think about the application of the next technology in the e-commerce website very well.

Let's now go back to results. So, based on what was said before and fully aware of the fact that we...that last year we experienced a great 12 months, we are now looking at the second half of this year with realism, in a realistic manner, but also in a confident way, and this comes from the first encouraging feedbacks on the winter items in our stores. Therefore, for the second half too, we envisage yet another great retail season.

Now, wholesale. So, we excelled in shipments. Yes, it's very important when you can actually deliver on time. So, the timeliness and also the quality of shipments and deliveries, because we had complete deliveries, this enables us to start for our multi-brand channel to be off to a good start. In the first half, we experienced an ongoing request for goods from our clients. First, in terms of re-assortment and also as an advance on the winter clothes. But in spite of that, in the multi-brand channel too, we envisage a great result also in the second half. And then the...as to the...as to orders, we are very happy with the results of our sales campaign, because they support our growth forecast.

So, in a nutshell, everything excellent, in line with our plans, and I have to say that looking at 2025, that said, we expect to be as present as possible on the markets in a careful way and we are convinced that we can still grow gradually and significantly in the number of customers through our network, be it retail, wholesale, physical or digital, and we still feel that huge contribution is provided by all the events we organize worldwide, 100 guests every time, because these events for us represent one of the most effective ways of communication, even more valuable, because it is

invisible. So, it is definitely under the banner of exclusivity that Brunello mentioned before. It is a very effective tool for us.

So, 2024, as we said, we talked about it, but actually 2024, we changed something, because we would like it to be the first year of our new 5 year plan. Last year, we thought it could be 2023. Then, after careful review, we basically analyzed for 6 months who we are today, and I would like to give you a few details on this.

So, 2023 is the last year of the 5 year plan, 2019-2023, where we achieved very good results and also doubled our turnover. So, who are we today? 5 minutes, but very, very interesting, because we spent 6 months on this. So, we have done a great deal of internal and external work on who we are and our project is now between 3 years and 7 years, 7 years, because 2030 is the year when we would like to double. So, this study...the research, will be the topic of the biggest discussion as a so-called Council of the 100, which meets every 2 years, where we always take stock of everything. It is a very important appointment on our agenda. The key word of this analysis is balance.

So, who are we today? So, we think that we are a company that achieved a total post-pandemic rebalancing. We have a total balance with our employees in the factory and in our stores, 38 years on average, company-wide, the 2 CEOs and CFOs, 45 years on average. And then 44 years on average is the top managers. So, it's great to have a young company. We think we have achieved a great balance. We are valued direct and non-direct artisan employees. And we have no platforms or middlemen. This is important for you to know. Then, a great balance with the existing and prospective company spaces and the ones that we are about to build.

We feel that we have a lot of modernity in our showrooms and boutiques around the world and you know that if your showroom ages, the product ages as well, if you...you know, a few years ago, 10 years ago, stores could live well as they were for 6 years, 7 years, 8 years. Now, it is no longer the case. Showrooms, you have to change every one year, one year and a half, in stores too.

So, balance, equilibrium, we believe by the direction of the exclusive network of boutiques and the great balancing surfaces between retail and lifestyle spaces. So, we were talking about the little bar on Madison Avenue, New York store, you know, people stopover in the morning to have a cappuccino and maybe they don't shop there. But this bar is giving very good results for us.

So, we feel we have great possible equilibrium with our multi-brand stores we now have 400 stores. We have projects for the next 3 years to 5 years. And also, these new projects are very relevant for retail. Also, we have a lot of balance in sales, 50% men, 50% women. And once again, great balance in the range of collections we offer. For years now, our men's and women's collections are well-balanced and we successfully added eyewear and fragrances. Great balance is also achieved through international awards received in the last few years, including the next one in October, which is particularly relevant because it comes from the US press...trade press.

And finally, we think we have very good balance in international pricing, 100, 121, 128 globally, and profits too. So, by the end of 2023, we were included in the FTSE MIB Index. Frankly, we think we also have good balance in stock market value. In 2019, we were evaluated to be 2,650 million. In 2023, we were evaluated to be worth 6 billion, which means that during pandemics, we doubled our figures. We doubled revenues. We increased the price on the stock exchange by 130% and I actually turned 70

myself. So, this is actually prompted us to review who the company is and what it stands for.

So, I realize we have been talking about balance and balance maybe too often, but this is actually how it looks to us. And also, Luca sees us with fresh eyes, and it's really pleasing to see that he told us something recently and he says maybe we're going through our first major springtime. So, it's a very ambitious definition, but we love it. So, thank you, Luca.

So, now, after this very careful analysis, we should imagine a 3 year period, 2024, 2025, 2026, where we plan to grow by about 10%. We keep net profit well-balanced and growing. Investments should be ideally 8%. In 2024 alone, we'll invest in 9.3%, because 1.3%, 1.4% will actually come from the big investments we've made in 2023.

Throughout image and communication, while we've organized so many events, we have 6.7%, 6.5% investments in image and communication, dividends with standards around 50% of profits. So, this should be our plan for 2024, 2025 and 2026 and we plan to double turnover by 2030.

So, to conclude this great analysis of the last 6 months. First and foremost, you know, we believe in product. It should be contemporary and fresh. But there's a big issue we should always keep in mind. We should never forget to look at our business towards the last 3 years to 5 years. If we look at the next 3 months, 5 months or whatever is far less interesting. And actually, this is what we're working. I mean, this is what we're doing in our work. Today, we worked on the collection you'll buy in October 2025. So, we don't want to become arrogant. We don't want to be rivaling against each other. We want to keep a healthy remuneration and compensation. If it's just a percentage, a big percentage is made up of the bonus, it creates a lot

of rivalry and we don't like that. We like collaboration more. So, we would like to keep going as we do.

So, major events, you know, we consider this new website as a special event, because eventually, it was a very nice invention. That's what we heard. But I think that the advantage we'll have through e-commerce, well, you know, that today a lot of ladies ask us, can you help us choose outfits for our husbands? So, they may be billionaires, but they're not fashion experts. And so, you'll see, you'll call us and say through the website, I have a nice evening out in New York City. What should I wear? Of course, we'll never suggest you wear somebody else's fashion, but we'll be happy to provide good hints and suggestions.

Now, just a quick review of the main events we're planning. On December 12th, we'll gather in Solomeo for a beautiful event on fragrances. We'll invite 200 important perfumers from all over the world, multi-brands. We'll present the second collection of fragrances. So, the first was the 2 key basics. We're very happy, worked 3 years on them. But then eventually you know, basics will stay basics, \$220. That's the men's and women's basics fragrances. They're performing really well. And now, we'll add new items. The yearly collection of full 5 fragrances will be priced around €300. So, the price point of fragrances will be in tune with that of ready-to-wear.

Then, we'll have a beautiful event at the Milan Stock Exchange on September 30th. We asked the Stock Exchange to organize a little gratitude dinner. After our listen, we called it the Gratitude Dinner, and we'll invite some of our friends who are thinking of going public, some friends who have gone public already. So, Stock Exchange people said, anyone can come, the analysts, investors. Then, of course, we absolutely love being on the Stock Exchange. So, we'll thank investors and analysts and everyone through this dinner.

Then, another big event will happen in Shanghai, on this 22nd and 23rd of October, we'll be in Shanghai to thank our Chinese counterparts for receiving last year the Best Designer Prize in China. So, this is really beautiful. So, you see how much I've been planning to travel in the next 4 months. So, now, on October 29th, as soon as we're back from China, we'll go to New York immediately. The men's collection will be nearly completed by then. Then, in New York City, we'll receive this beautiful prize and award. It was received in the past by my master, Ralph Lauren, Karl Lagerfeld, Leonard Lauder, Giorgio Armani, Miuccia Prada, Tommy Hilfiger, Maria Grazia Chiuri for Dior. So, it's a very important award and we'll be extremely honored to receive it.

Another very important event will be on the 14th and 15th of November on wine, and this is a kind of a world premiere. We can't yet tell about the brand we'll collaborate with. We will present the Castello di Solomeo wine globally. We'll have about 250 people from all over the world, wine producers, collectors, wine enthusiasts and it should actually give a great image to wine and Solomeo. So, by now that Solomeo is part and parcel of our brand.

Then, we'll have year-end dinners with you investors and analysts. So, normally in our Casa Cucinelli locations, we'll have dinners in Milan, Paris, London, New York. Milan will be last. So, there we will meet investors and some analysts. So, we've been doing this year end dinners for 3 years, 4 years now, and it's really, really interesting because gathering 30, 40, 50 people together over dinner and having a nice friendly chat is a good mutual help. So, we'll hand December with the dinner in Los Angeles with our friends from Silicon Valley, the CEOs of these technology firms and the other dinner will be done with celebrities which we're very happy to have as guests.



So, a conclusion really important. So, do please listen carefully. So, our family is dedicated exclusively to our business. I've always thought that when you do something, you have to try and do that and give it your undivided attention. So, let's focus. Camilla, Carolina, my daughters, Riccardo, Alessio, their husbands, myself and Luca whom we consider to be a part of the family, will live the company on a daily basis and this is our only job and just our job. We do not hide that we've taken care of what we call the territory, the local community as much as we can. We believe in the value of the local communities which is composed of churches, monasteries, theatres, basilicas.

So, we have collaborated with all of them and hopefully I will be helped to get to heaven when the time comes. But the local community, of course, includes a lot of human beings and so on a very private basis, our family supported 2 friends who had some temporary needs and this was a very private endeavor. But this is...was not an investment, it was just a little support. You see what a plant is, I don't know, a peach tree full of ripe peaches need some support, otherwise its branches may break. This is what we did, we gave some help to 2 families, to 2 friendships from my childhood and these are supports not investments.

So, do remember that we are not going to be starting to work in cement or whatever. So, these 2 friends are called Giuseppe Colaiacovo who's a cement manufacturer and another French friend from my childhood, Carlo Giulietti, who has a beautiful company producing furniture for bars and shops and has a beautiful company with 750 employees locally. So, these are supports and helps and aid, not investments. So, personally, I'm really grateful to all of them for what they gave back, because this friend of mine, Mr. Giulietti, when he was 50 and I was 40, he told the banks, do give your

money to Brunello, because he's a serious man, so any kind of debt of gratitude, is a major item and major theme for us.

So, that's all. We're very happy because collections performed really well just before the summer. For the men's collections, we also received feedback from the press. For the women's collection, we'll present it in Milan in September 20. But understanding that for the first 6 months of 2025, we'll have top quality collections we can count on is good for our peace of mind. And I was looking at someone that Pope Wojtyla wrote and he said, do not be afraid. We were discussing this at the Board Meeting this morning and we said, why should we be afraid? We should not be afraid of too many things.

And then eventually, Hypatia, a mathematician and a philosopher, she said, study, forget and invent. So, we need to be brave enough and have a company which needs to come up with something new day in, day out, and this is actually what we did with our new website right now.

So, thanks for your trust. We can listen to your questions now.