



BRUNELLO CUCINELLI



1H 14 Results

*August 27<sup>th</sup>, 2014*

# First Half 2014 - Highlights

The results achieved in the first half of 2014 confirm our solid, gracious, sustainable and ethically correct growth plans, in line with the basic principles of our business model and corporate strategy.

- ✓ Net Revenues (€175.8mln) +11.6%
- ✓ EBITDA (€30.6mln) +12.9%
- ✓ Net Income (€15.6mln) +17.8%
- ✓ Net Debt €46.1mln (€32.2mln as of 30/06/13)
- ✓ Ongoing Investment Plan: €22.4mln in 1H14 (in addition to €66mln invested in the last 2 years), supporting the exclusive and selected development of monobrand boutiques, the expansion of the Solomeo plant as well as of the IT and *digital* infrastructure



AW14 – Women's Collection

- ✓ International Markets (79.4% of net revenues) showing significant growth (+15.0%); Italian Market posted a positive sign (+0.2%)
- ✓ Sustained growth in all sales channels: Retail monobrand +22.9%, Wholesale monobrand +6.0%, Multibrand Distribution +6.3%

Results at current exchange rates

# Boutiques Network Highlights

**Exclusive Distribution: 102 Monobrand Stores (92 Monobrand Stores as of 30/06/2013)**

✓ **65 DOS network** (vs. 54 stores as of 30<sup>th</sup> June 2013)

5 net openings over the last 12 months (2 new boutiques since 1<sup>st</sup> January 2014)

6 conversions from wholesale Monobrand Network (2 boutiques in 2014)

✓ **37 Wholesale Monobrand** (vs. 38 stores as of 30<sup>th</sup> June 2013)

5 net openings over the last 12 months (2 new boutiques since 1<sup>st</sup> January 2014)

6 conversions to DOS

✓ **Japan Business** – since 1<sup>st</sup> September 2014

- conversions to DOS of Wholesale Monobrand boutiques located in Japan (3 boutiques)
- Retail Management of 13 corners dedicated to the brand in Luxury Department Stores, so far managed under Wholesale Multibrand Channel



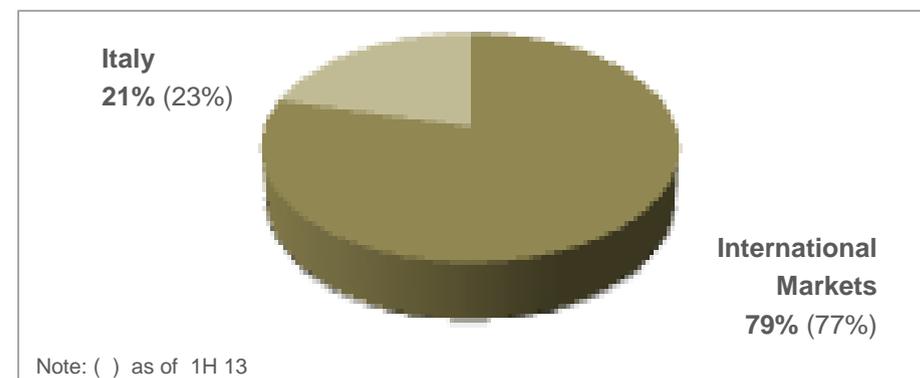
AW14 – Women's Collection

# Revenues by Region

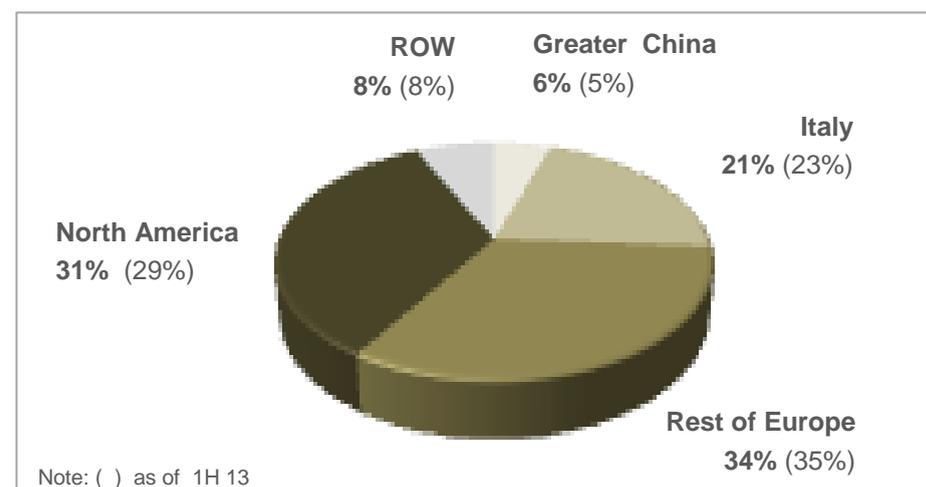
€ mln

	1H 13	1H 14	YoY % Chg
<b>Net Revenues</b>	157.6	175.8	+11.6%
			<i>Constant exchange rates</i> +12.9%
<b>International Markets</b>	121.4	139.6	+15.0%
<b>North America</b>	46.9	55.4	+18.2%
<b>Rest of Europe</b>	54.8	60.0	+9.5%
<b>Greater China</b>	7.2	10.4	+43.5%
<b>ROW</b>	12.4	13.7	+10.3%
<b>Italy</b>	36.2	36.3	+0.2%

## International Markets revenues



## Breakdown by countries



# Highlights by Region

## North America

- Turnover posted double-digit growth in all distribution channels
- Increasingly exclusive presence of the brand in major Luxury Department Stores

## Rest of Europe

- Top-end tourist flow remain dynamic and sustained
- Positive sell-out performance in the multibrand channel

## Italy

- Substantial flow of foreign tourists to the main cities and resort areas, supporting sales in all distribution channels
- The presence of the brand on the Italian market acts as a reference point and show-case for international global luxury consumers

## Greater China

- Sales up 43.5%, supported by conversion of stores from wholesale monobrand channel to DOS network and consolidation of sales in existing network
- Sophisticated Chinese tourists continuing to support international sales
- Selected presence in the market confirmed

## Rest of the World

- 2 recent openings in Seoul, Korea (wholesale monobrand channel) and Sao Paulo, Brazil (retail monobrand channel).
- New boutique in Sao Paulo favours future growth in the area by increasing the allure of the brand



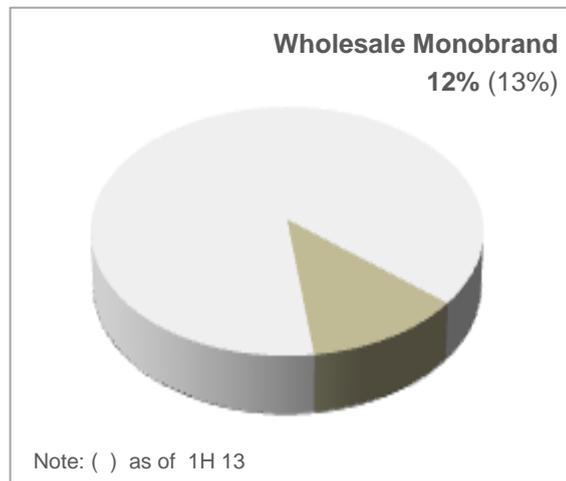
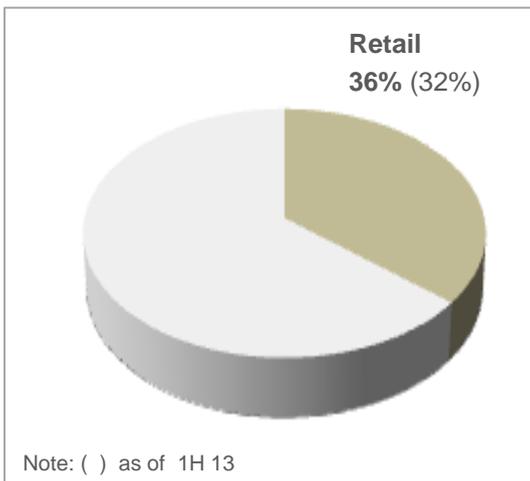
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FW 14–  
Collection

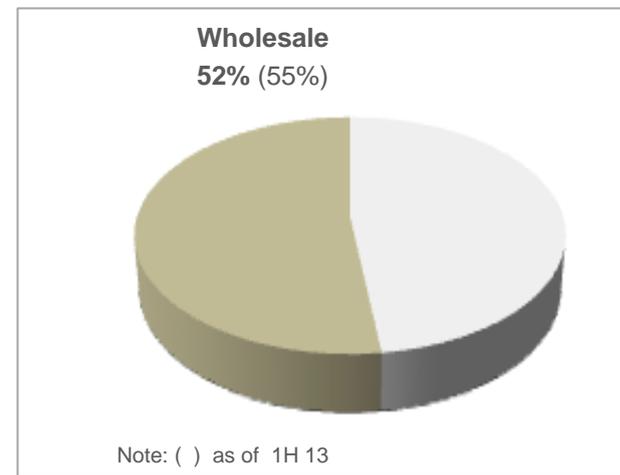
# Revenues by Distribution Channel

€ mln

## Monobrand



## Multibrand



	1H 13	1H 14	% Chg
<b>Retail</b>	50.8	62.4	+22.9%
<b>Wholesale Monobrand</b>	20.6	21.8	+6.0%
<b>Wholesale Multibrand</b>	86.2	91.6	+6.3%



# Monobrand Channel



## Monobrand Channel – Top Line growth drivers

Performance driven by:

- Positive LFL performance (+5.6%)
- Selected boutique openings

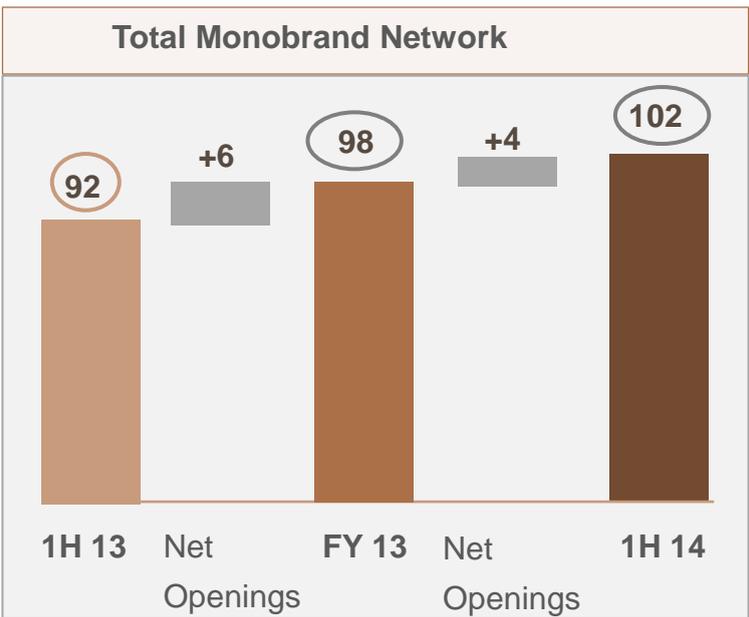
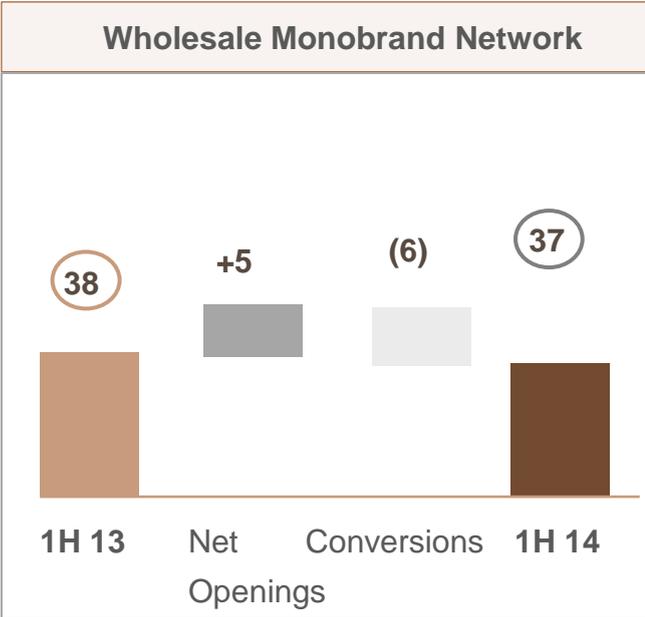
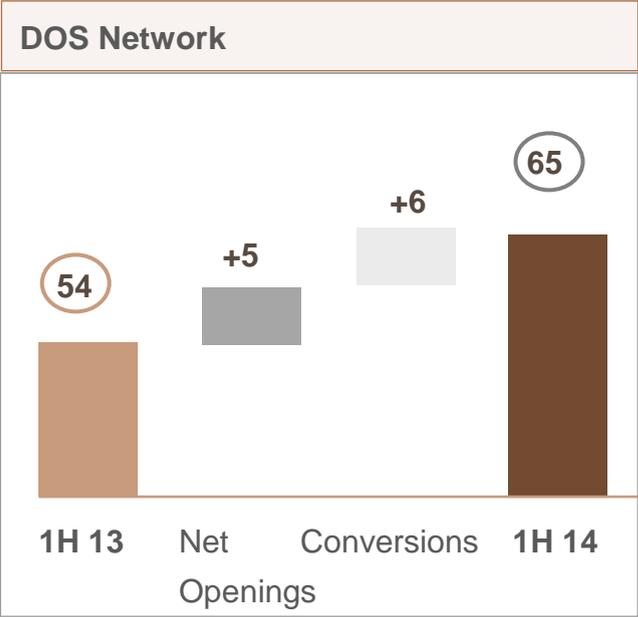


## Monobrand Network: 102 boutiques (as of 30/06/2014)

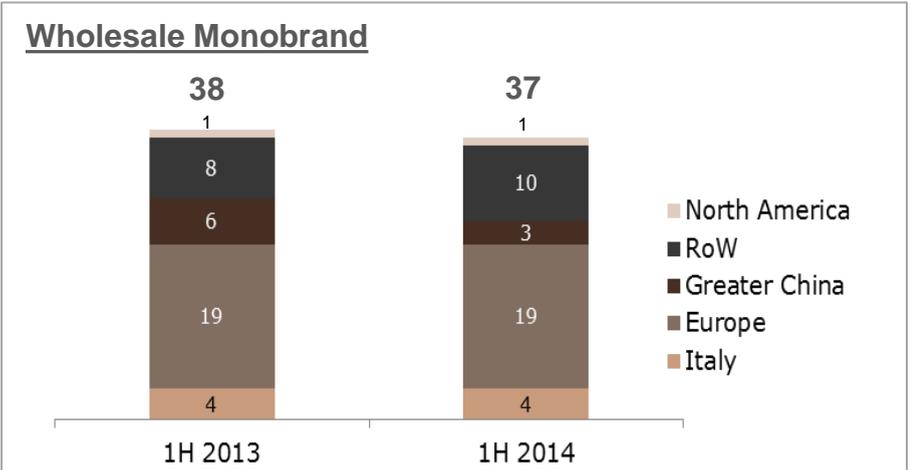
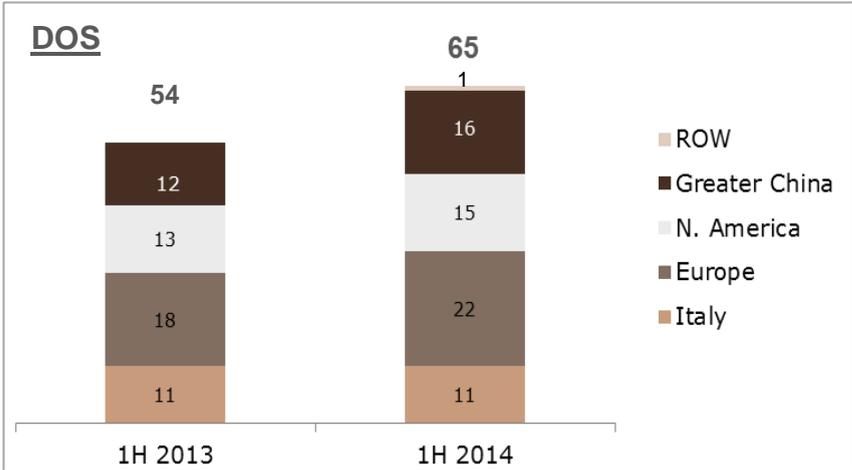
- ✓ DOS Network  
65 Boutiques as of June '14 (54 as of June '13);  
5 net openings (2 new boutiques in 2014) and 6 conversions (2 conversions in 2014)
- ✓ Wholesale Monobrand  
37 Boutiques as of June '14 (38 as of June '13);  
5 net openings (2 new boutiques in 2014) and 6 conversions into DOS



# Stores Network (from 30/06/13 to 30/06/14)

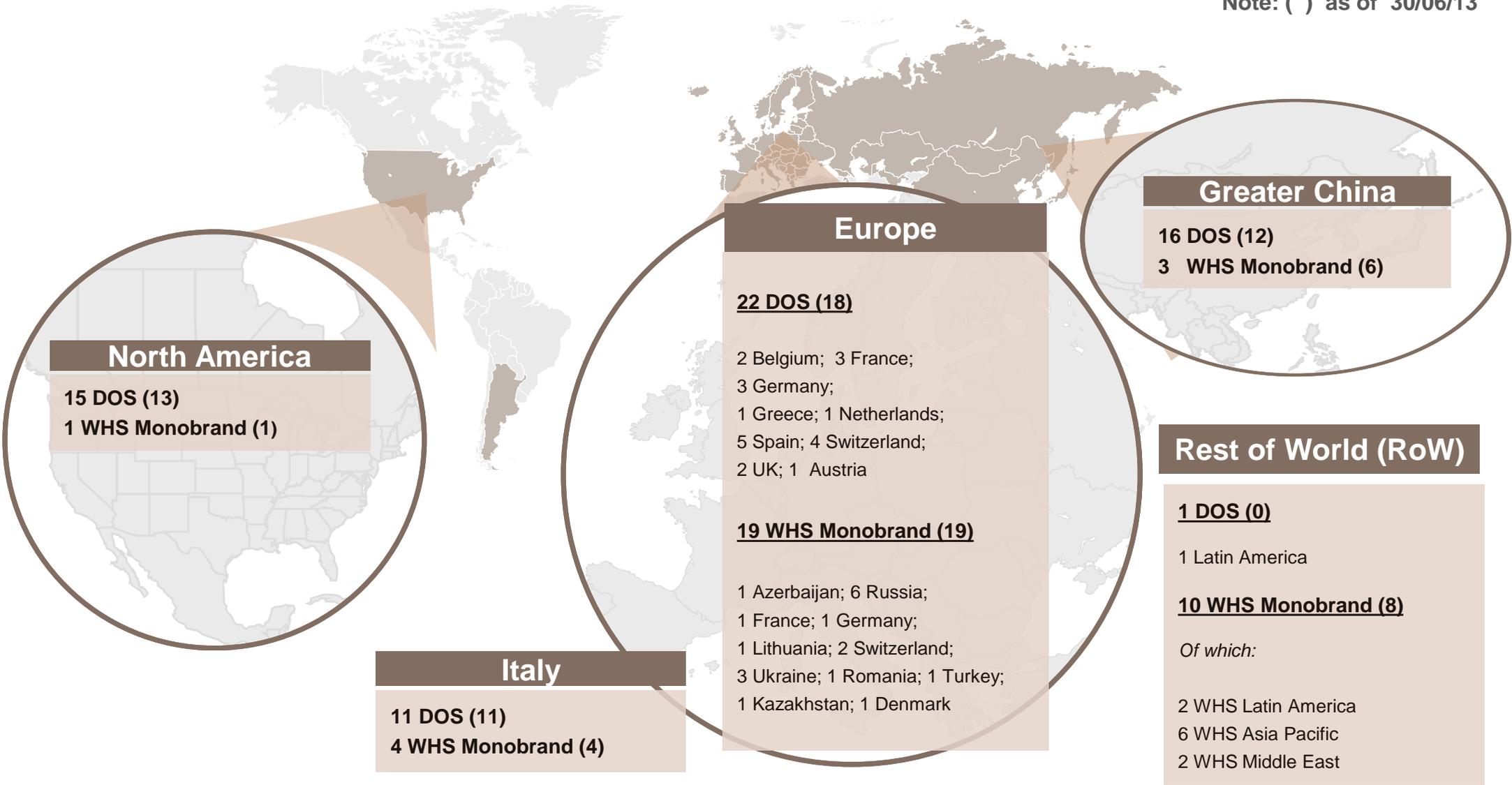


## Network by Countries



# Stores Network as of 30/06/14

Note: ( ) as of 30/06/13



# Multibrand Channel



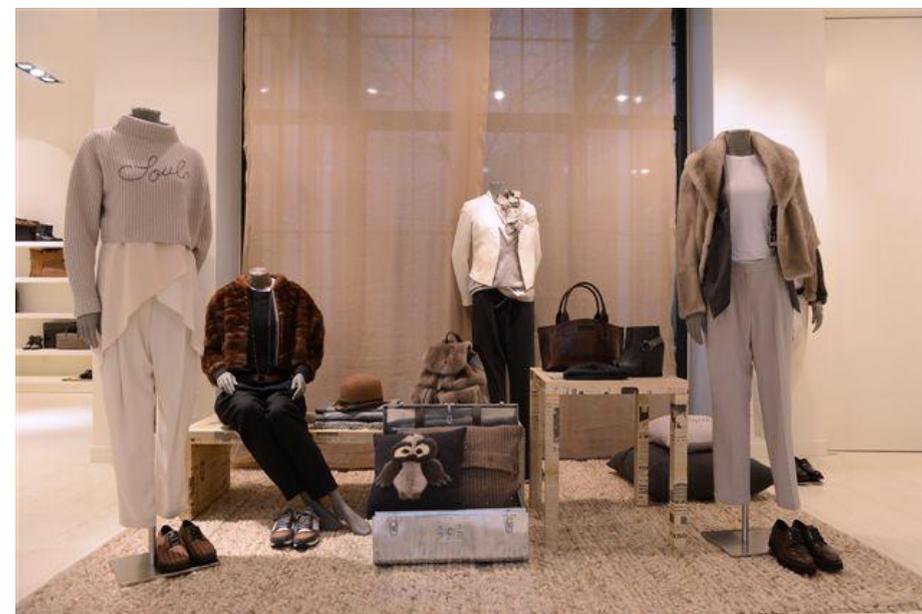
- Exclusive presence in the most important Luxury Department Stores and prestigious multibrand boutiques
- Brand allure supported by spaces dedicated to the brand in the most elegant shopping streets in both established and emerging markets
- Results achieved in 1H 14 confirmed the perception of prestige and exclusivity of the brand by consumers of the highest category

# Income Statement

€ mln

	1H 2013	1H 2014	% Chg
<b>Net Revenues</b>	<b>157.6</b>	<b>175.8</b>	+ 11.6%
Other operating income	1.3	1.2	- 2.8%
<b>Revenues</b>	<b>158.8</b>	<b>177.0</b>	+ 11.5%
<b>First Margin</b>	<b>92.4</b>	<b>106.3</b>	+ 15.1%
%	58.2%	60.0%	+ 180 b.p.
<b>SG&amp;A</b>	<b>-65.2</b>	<b>-75.7</b>	+ 16.0%
%	41.1%	42.7%	+ 160 b.p.
<b>EBITDA</b>	<b>27.1</b>	<b>30.6</b>	+ 12.9%
%	17.1%	17.3%	+ 20 b.p.
<b>D&amp;A</b>	<b>-5.3</b>	<b>-6.3</b>	+ 18.7%
%	3.4%	3.6%	+ 20 b.p.
<b>EBIT</b>	<b>21.8</b>	<b>24.3</b>	+ 11.4%
%	13.7%	13.7%	-
Income before taxation	20.8	23.0	+ 10.4%
<b>Net Income</b>	<b>13.3</b>	<b>15.6</b>	+ 17.8%
%	8.4%	8.8%	+ 40 b.p.

Group's quarterly results are impacted by seasonal effects, typical of our industry, and therefore cannot be projected as full year trend



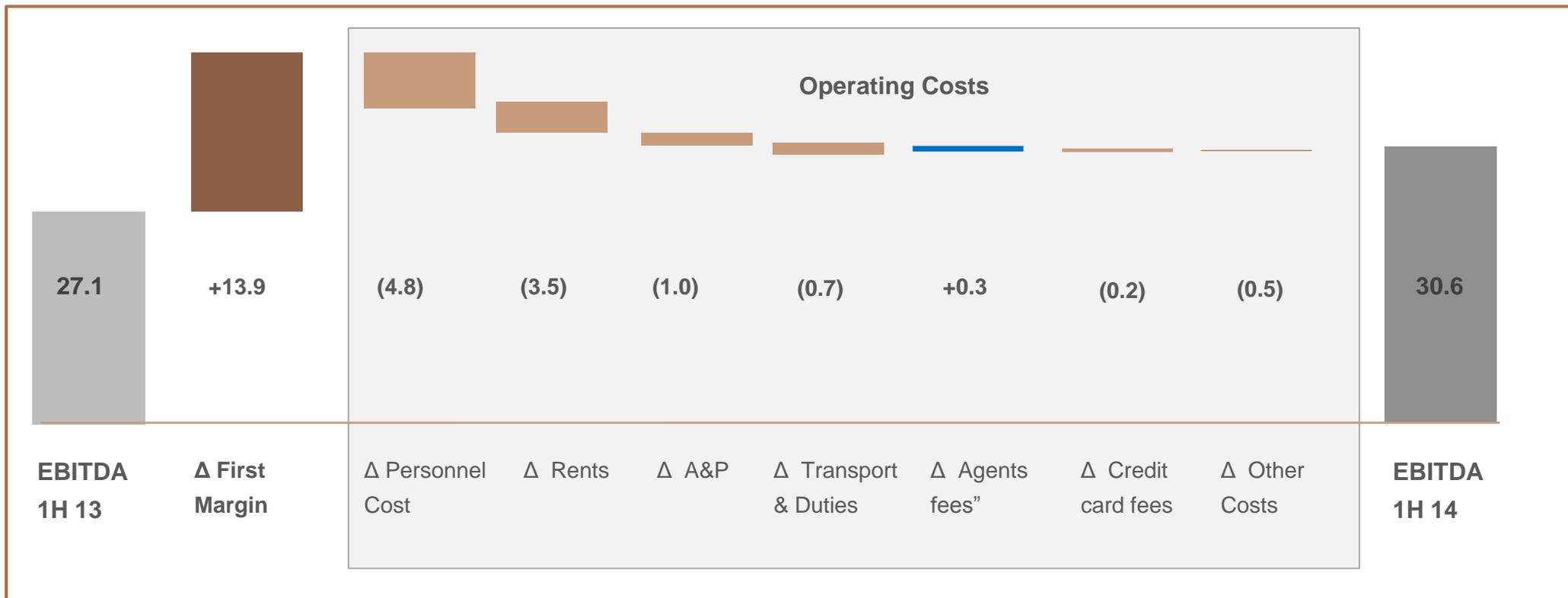
FW 14 – Collection



# EBITDA & Key Income Statement Analysis

€ mln

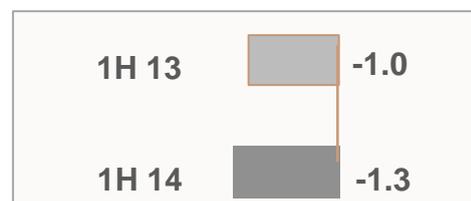
## EBITDA Analysis



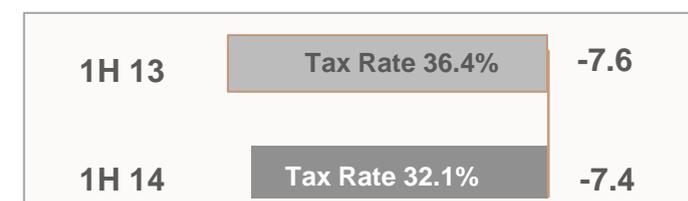
## Depreciation & Amortization



## Financial Expenses



## Taxes



# Operating Costs: Network development costs

## Operating Costs (SG&A)

**+160 bp**

(from 41.1% to 42.7% on total sales)



## Network development costs

**+240bp**

(from 21.3% to 23.7% on total sales)

## **Personnel Costs**

+110 bp

## **Rent Costs**

+130 bp

## Other Operating Costs

**-80bp**

(from 19.8% to 19.0% on total sales)

**Personnel Cost** increase related to growth in Store Employees & Office Staff (new boutique openings) and Manual Workers (D'Avenza know-how and tailors acquired)



## Average FTE - Workforce Analysis

**974.3**



559.1

Store Employees & Office Staff

670.2



377.9

Manual Workers

459.0

37.3

Managers & Middle Management

41.5

**1H 13**

**1,170.7**

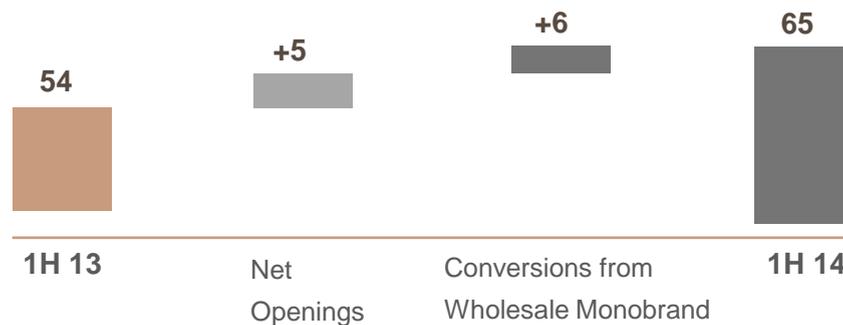


**1H 14**

**Rent Cost** increase related to selected and prestigious boutiques development

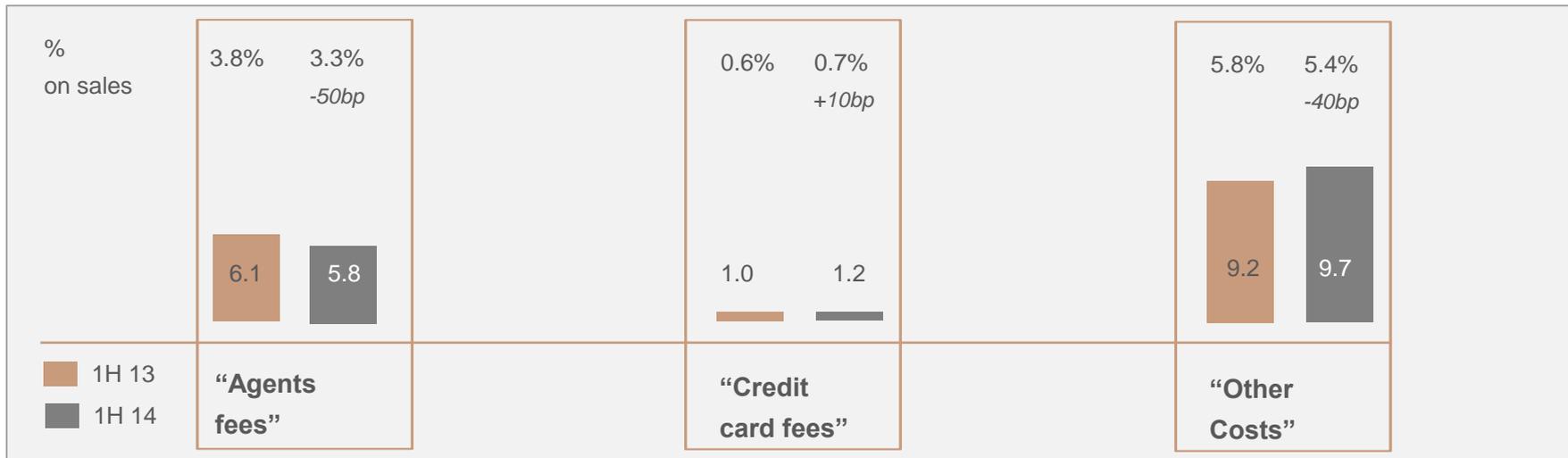


## DOS Network – from 30/06/13 to 30/06/14



# Other Operating Costs

€ mln



# Net Working Capital

€ mln

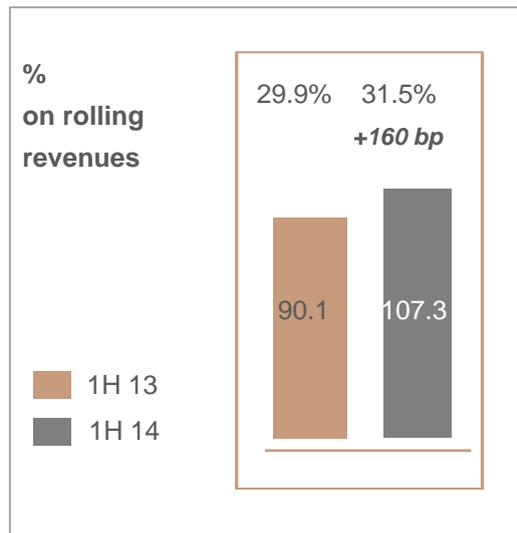
	1H 13	1H 14	delta	FY 13
<b>Net Working Capital</b>	<b>76.5</b>	<b>96.7</b>	20.2	<b>71.1</b>
- Trade Receivables	60.1	60.1	0.0	43.4
- Inventories	90.1	107.3	17.1	94.5
- Trade Payables	-60.8	-62.5	-1.7	-62.6
- Other Credits/(Debts)	-13.0	-8.2	4.8	-4.1

Operating  
Net Working Capital

## Inventories

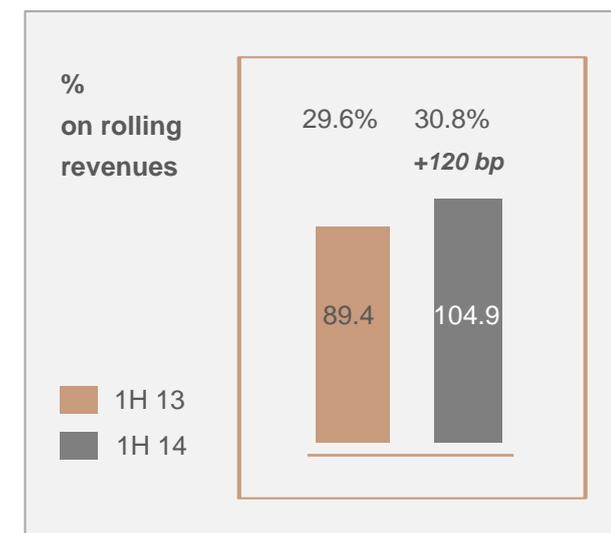
Increase in inventories +160 bp  
from 29.9% (1H 13)  
of turnover to 31.5% (1H 14)

- Business growth
- Development of Retail Network
- Impact from Japanese spaces conversions to Retail Channel since 1<sup>st</sup> September



## Operating Net Working Capital

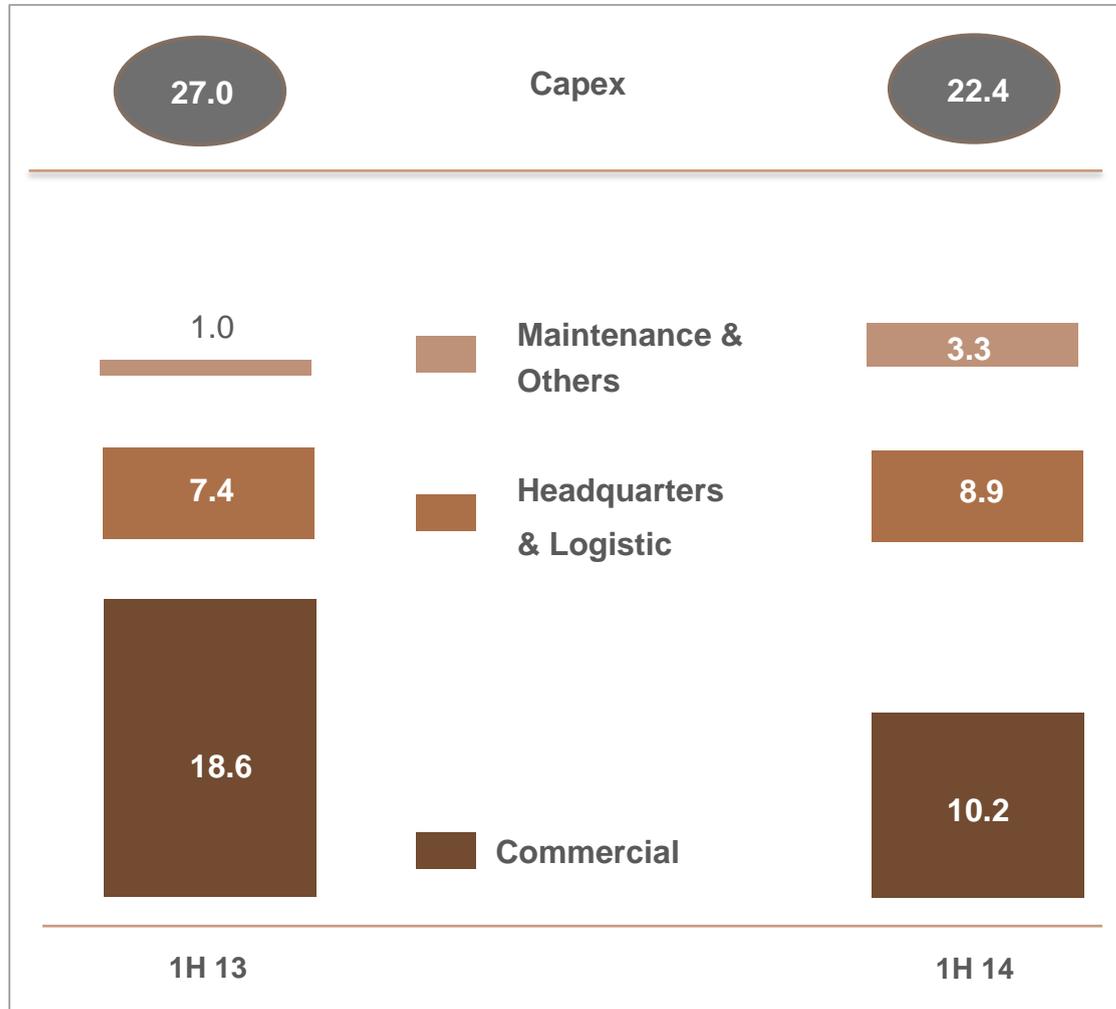
Operating Net Working  
Capital increase limited  
to +120 bp  
from 29.6% (1H 13)  
of turnover to 30.8%  
(1H 14)



# Capex Analysis

€ mln

## Capex Breakdown Analysis & Trend



**Capital Expenditure of 22.4€ mln** following 66€ mln already invested in the last 2 years

✓ **Commercial Capex**

- Selected development of DOS boutiques and exclusive presence
- Expanding selling surface in the most important Luxury Department Stores
- International show-rooms and others

✓ **Headquarters & Logistic**

- Extension of the factory in Solomeo

✓ **IT Platform**

- Launch of Starting new 3 year investment project to consolidate IT Infrastructure Platform and exclusive digital presence for the brand

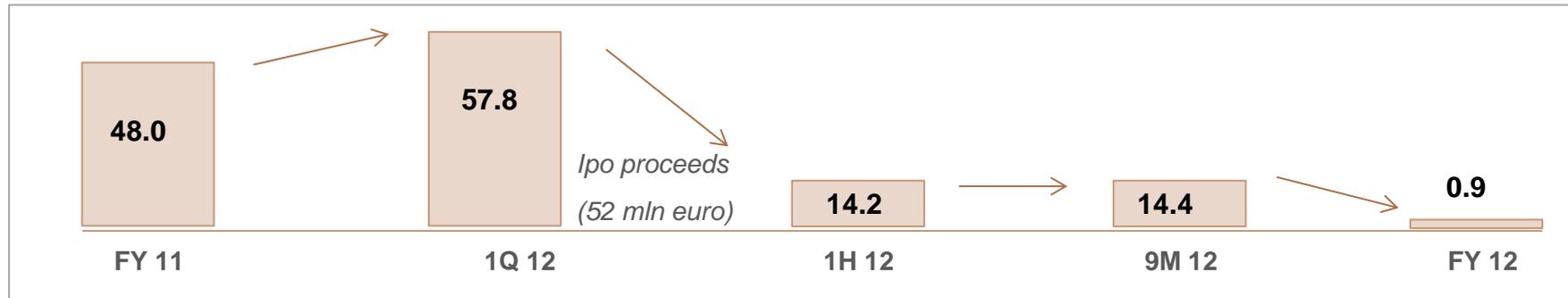


# Analysis of Net Financial Position

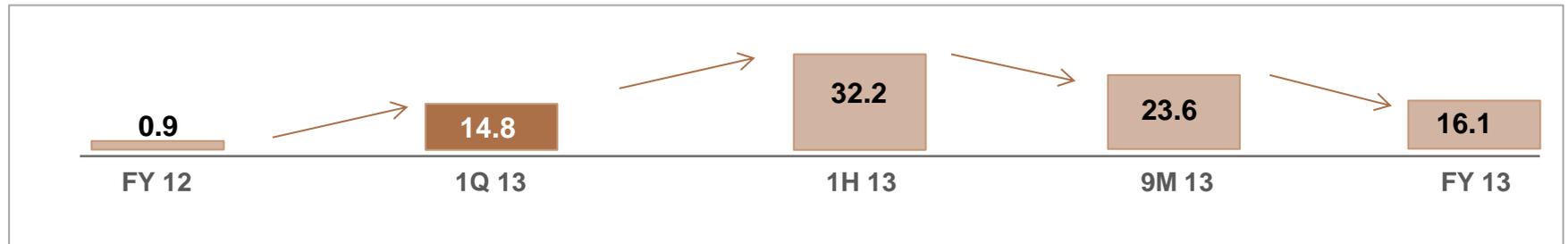
€ mln

## Net Debt Evolution

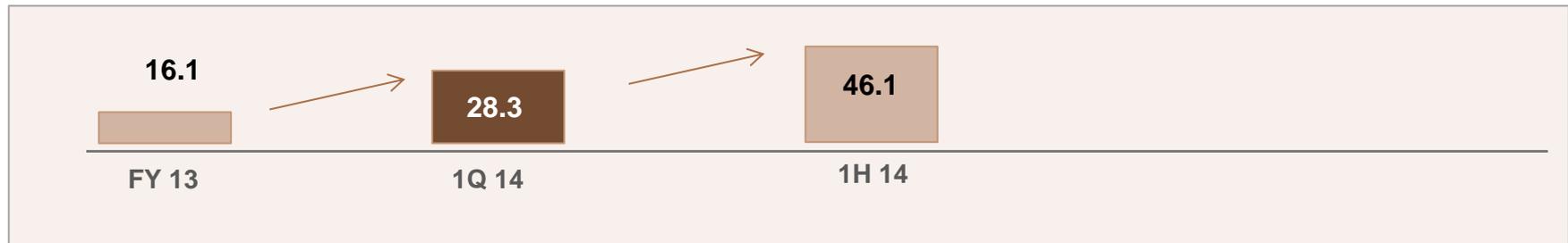
FY 2012



FY 2013



FY 2014





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Annex

# Detailed Income Statement

<i>€ mln</i>	<b>1H 2013</b>	<b>1H 2014</b>
Net Revenues	157.6	175.8
Other operating income	1.3	1.2
<b>Revenues</b>	<b>158.8</b>	<b>177.0</b>
Consumption Costs	(27.9)	(28.2)
<i>Raw Material Cost</i>	(36.7)	(40.0)
<i>Inventories Change</i>	(8.8)	(11.8)
Outsourced Manufacturing	(38.6)	(42.5)
<b>First Margin</b>	<b>92.4</b>	<b>106.3</b>
Services Costs (excl. Out. Manuf.)	(39.2)	(44.6)
Personnel costs	(24.6)	(29.4)
Other operating costs	(0.9)	(1.3)
Increase in tangible assets	0.3	0.5
Bad Debt and other provisions	(0.9)	(0.8)
<b>EBITDA</b>	<b>27.1</b>	<b>30.6</b>
D&A	(5.3)	(6.3)
<b>EBIT</b>	<b>21.8</b>	<b>24.3</b>
Financial expenses	(3.4)	(3.0)
Financial income	2.5	1.7
<b>EBT</b>	<b>20.8</b>	<b>23.0</b>
Income taxes	(7.6)	(7.4)
<i>Tax rate</i>	<i>36.4%</i>	<i>32.1%</i>
<b>Net Income</b>	<b>13.3</b>	<b>15.6</b>
Minority Interest	(0.8)	(1.0)
Group Net Profit	14.0	16.6



# Detailed Balance Sheet & Cash Flow Statement

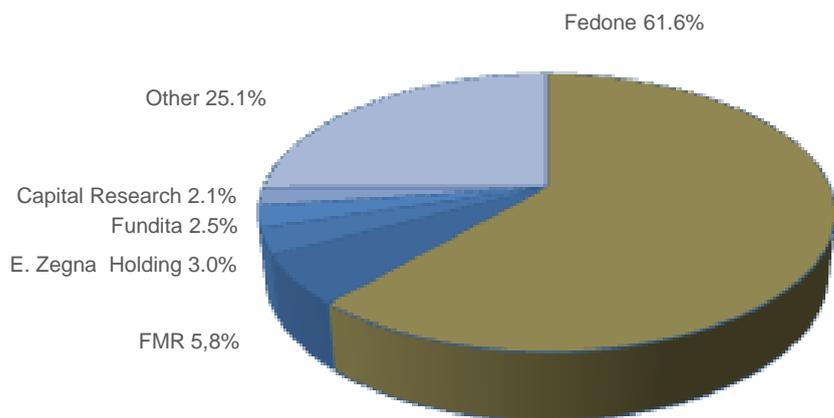
<i>€ mln</i>	<b>1H 2013</b>	<b>1H 2014</b>
Trade receivables	60.1	60.1
Inventories	90.1	107.3
Trade payables (-)	(60.8)	(62.5)
Other current assets/(liabilities)	(13.0)	(8.2)
<b>Net Working Capital</b>	<b>76.5</b>	<b>96.7</b>
Intangible assets	27.7	30.2
Tangible assets	51.1	69.8
Financial assets	3.9	4.0
<b>Total Assets</b>	<b>82.8</b>	<b>104.0</b>
Other assets/(liabilities)	1.9	1.2
<b>Net Invested Capital</b>	<b>161.2</b>	<b>201.9</b>
Cash & Cash equivalents (-)	(33.1)	(43.6)
Short term Debt	53.5	55.1
Long term Debt	11.8	34.6
<b>Net Financial Position</b>	<b>32.2</b>	<b>46.1</b>
Shareholders Capital	13.6	13.6
Share-premium Reserve	57.9	57.9
Reserves	40.3	62.3
Group Net Profit	14.0	16.6
<b>Group Equity</b>	<b>125.9</b>	<b>150.4</b>
Minority shareholders	3.1	5.4
<b>Total Equity</b>	<b>129.0</b>	<b>155.8</b>
<b>Total Funds</b>	<b>161.2</b>	<b>201.9</b>

<i>€ mln</i>	<b>1H 2013</b>	<b>1H 2014</b>
Net Income	13.3	15.6
D&A	5.6	6.3
Ch. In NWC and other	(24.3)	(29.6)
<b>Cash flow from operations</b>	<b>(5.4)</b>	<b>(7.6)</b>
Tangible and intangible investments	(18.0)	(17.7)
Other (investments)/divestments	(2.8)	0.5
<b>Cash flow from investments</b>	<b>(20.8)</b>	<b>(17.3)</b>
Dividends	(5.8)	(8.0)
Share capital and reserves increase	2.4	3.3
Net change in financial debt	22.6	34.4
<b>Total Cash Flow</b>	<b>(7.0)</b>	<b>4.9</b>

# Investor Relations

## Shareholdings

Fedone s.r.l.	61.6%
Ermenegildo Zegna Holding s.p.a.	3.0%
Fundita s.r.l.	2.5%
FMR LLC	5.8%
Capital Research & Mgmt. Company	2.1%
Other	25.1%



Total n° of shares: 68,000,000

## Board of Directors

<b>Brunello Cucinelli</b>	Chairman and C.E.O
<b>Moreno Ciarapica</b>	Director and C.F.O.
<b>Giovanna Manfredi</b>	Director
<b>Riccardo Stefanelli</b>	Director
<b>Camilla Cucinelli</b>	Director
<b>Giuseppe Labianca</b>	Director
<b>Candice Koo</b>	Independent Director
<b>Andrea Pontremoli</b>	Lead Independent Director
<b>Matteo Marzotto</b>	Independent Director

## Head of Investor Relations

**Pietro Arnaboldi**

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Italia



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Figures as absolute values and in percentages are calculated using precise financial data. Some of the differences found in this presentation are due to rounding of the values expressed in millions of Euro.



BRUNELLO CUCINELLI

*All things come from the Earth*

XENOPHANES

