



BRUNELLO CUCINELLI



1Q 14 Results

*May 12<sup>th</sup>, 2014*

# First Quarter 2014 - Highlights

Results in line with the Group's sustainable approach, gracious growth and healthy profitability, thus laying the foundations for long-term development within the absolute luxury segment

- ✓ Net Revenues (€99.6mln) +12.2%
- ✓ EBITDA (€18.3mln) +13.5%
- ✓ Significant ongoing Investment Plan: €11.7mln in 1Q 14 (on top of €66mln invested in last 2 years), driving D&A increase (€3.1mln in 1Q 14 vs. €2.5mln in 1Q 13)
- ✓ Net Income (€9.6mln) +8.7%
- ✓ Net Debt at €28.3mln (€14.8mln as of 31/03/13)



SS 14 – Women's Collection

- ✓ International markets +17.6% (76.9% of total sales); USA +13.2%, Europe +16.5%, Greater China +25.9%, Rest of World +27.7%; slight decrease in Italy (-2.7%), amounting to €0.6mln.
- ✓ All distribution channels posted meaningful growth (Retail Monobrand up 24.1%, Wholesale Monobrand up 10.4%, Wholesale Multibrand up 6.3%), driven by performance in existing boutiques and new spaces

# Boutiques Network Highlights

Exclusive Distribution: 98 Monobrand Stores (85 Monobrand Stores as of 03/31/2013)

✓ **63 DOS network** (vs. 51 stores as of 31<sup>st</sup> March 2013)

6 DOS net openings over the last 12 months

6 conversions from wholesale Monobrand network

✓ **35 Wholesale Monobrand** (vs. 34 stores as of 31<sup>st</sup> March 2013)

7 net openings (between 31<sup>st</sup> March 2013 and 31<sup>st</sup> March 2014)

6 conversions to DOS, of which

- 2 boutiques in Europe - since January 1<sup>st</sup> 2014 (Cannes and Knokke)
- 4 boutiques in Greater China, in 2H 13 (3 boutiques in Hong Kong and 1 in Macao)



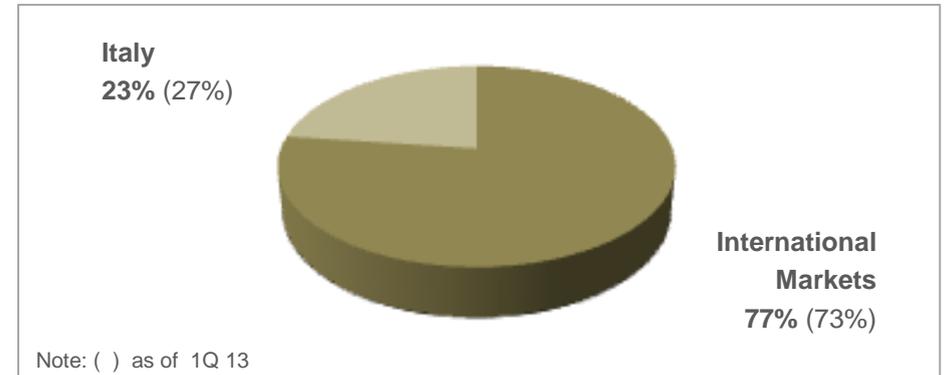
SS 14 - Collection

# Revenues by Region

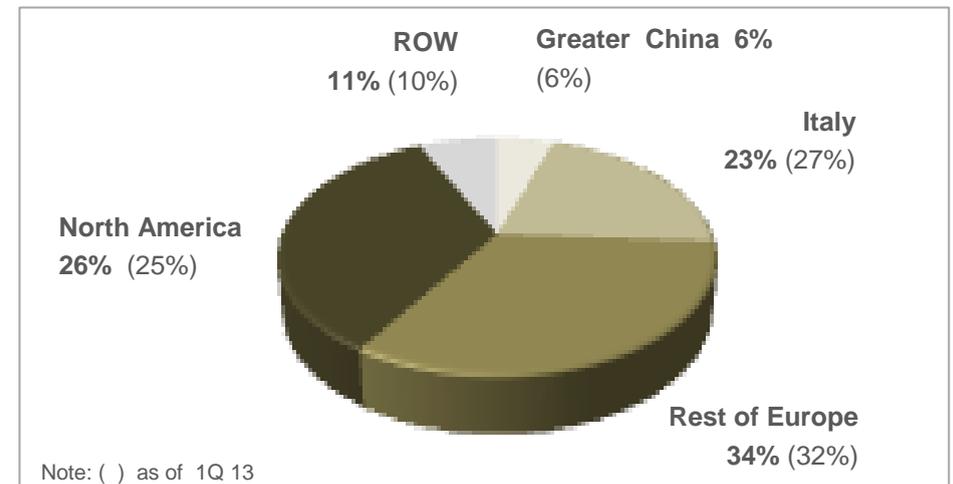
€ mln

	1Q 13	1Q 14	YoY % Chg
<b>Net Revenues</b>	88.8	99.6	+12.2%
			<i>Constant exchange rates</i> +13.4%
<b>International Markets</b>	65.2	76.6	+17.6%
<b>Rest of Europe</b>	28.6	33.4	+16.5%
<b>North America</b>	22.8	25.8	+13.2%
<b>Greater China</b>	5.0	6.3	+25.9%
<b>ROW</b>	8.8	11.3	+27.7%
<b>Italy</b>	23.6	23.0	(2.7%)

## International Markets revenues



## Breakdown by countries



# Highlights by Region

## North America

- Increase in sales driven by performance in the existing network, opening of new floor spaces and sell-out results
- Growth in multibrand and monobrand channel
- Positive LFL performance confirmed

## Rest of Europe

- On-going program of selected monobrand stores openings in last 12 months (1 DOS opening in Munich and 4 wholesale monobrand boutiques, focusing on Emerging Markets)
- Positive performance in existing network, highlighting solid tourists demand

## Italy

- Positive impact by tourists sales in leading cities and resort locations
- Presence in monobrand boutiques and multibrand spaces is strategic for brand allure and visibility for international and sophisticated clients

## Greater China

- Sales up 25.9%, supported by 4 conversion of stores from wholesale monobrand channel to DOS network and sales in existing network
- 2 selected net openings in last 12 months
- Domestic consumers continuing to support international sales

## Rest of the World

- 9 wholesale monobrand boutiques as of 31<sup>st</sup> March 2014 (7 wholesale monobrand boutiques as of 31<sup>st</sup> March 2013)
- 2 new openings in Doha (April, 2013) and Riyadh (October, 2013)



SS 14–  
Collection

# Revenues by Distribution Channel

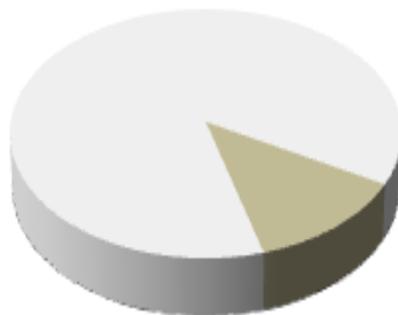
€ mln

## Monobrand

Retail 33% (30%)

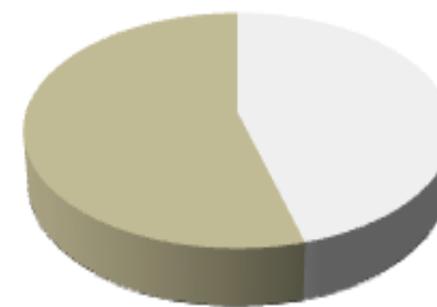


Wholesale Monobr. 13% (13%)



## Multibrand

Wholesale 54% (57%)



	1Q 13	1Q 14	% Chg
<b>Retail</b>	26.5	32.9	+24.1%
<b>Wholesale Monobrand</b>	11.4	12.6	+10.4%
<b>Wholesale Multibrand</b>	50.9	54.1	+6.3%



# Monobrand Channel



## Monobrand Network as of 03/31/2014: 98 boutiques

- ✓ Revenues growth benefiting from
  - Selected boutique openings
  - Positive LFL performance
- ✓ DOS Network  
63 Boutiques as of March '14 (51 as of March '13); 6 net openings and 6 conversions
- ✓ Wholesale Monobrand  
35 Boutiques as of March '14 (34 as of March '13); 7 net openings and 6 conversions into DOS

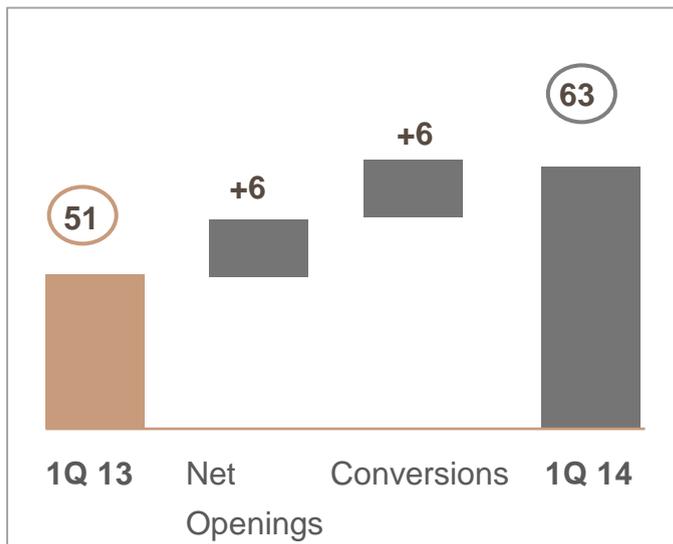
## Monobrand Network as of 05/12/2014: 100 boutiques

- ✓ LFL performance\* in the first 18 weeks +5.5%
- ✓ DOS Network  
64 Boutiques as of 12/05/14, following new openings in Vienna (April, 2014)
- ✓ Wholesale Monobrand  
36 Boutiques as of 12/05/14, including new boutique in Seoul (April, 2014)

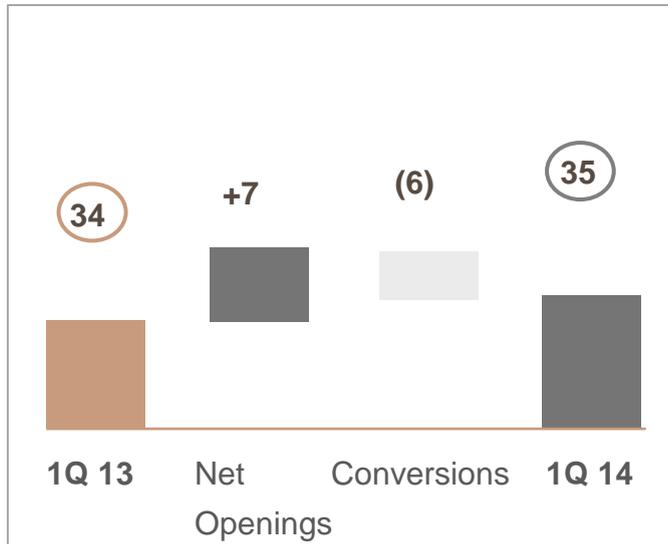
\*Like-for-Like rate is calculated as the worldwide average of sales growth, at constant exchange rates, reported by DOS opened as of January 1st, 2013

# Stores Network (from 03/31/13 to 03/31/14)

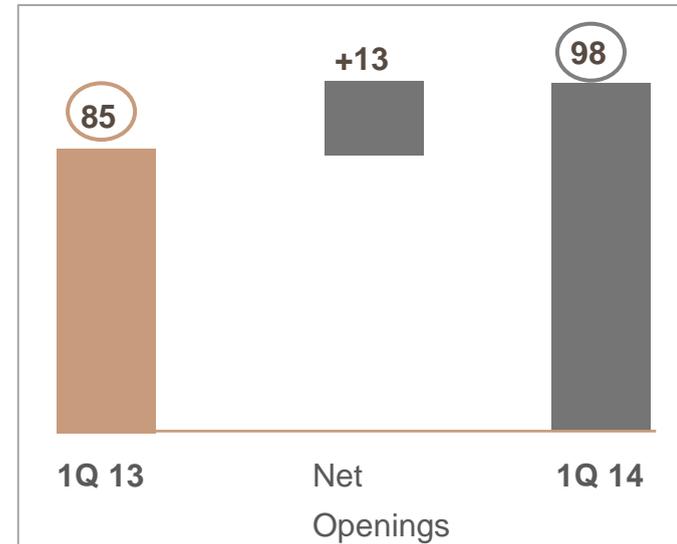
## DOS Network



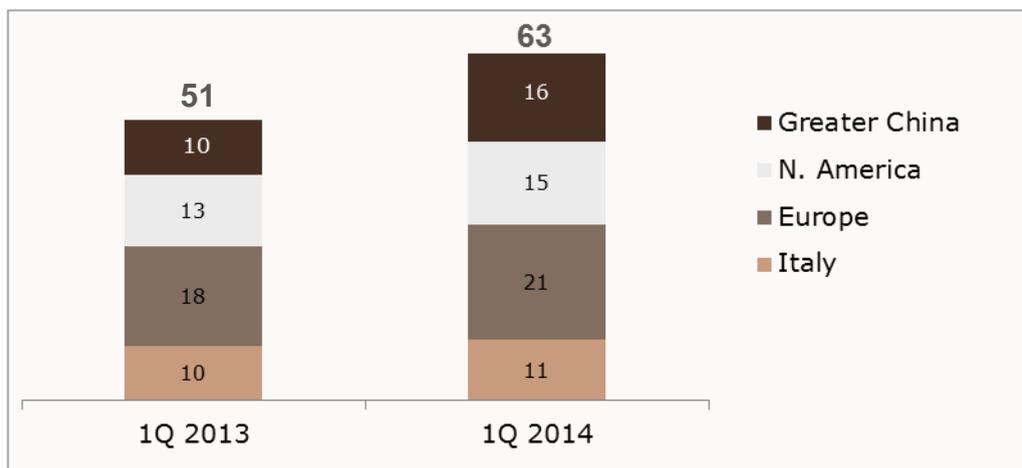
## Wholesale Monobrand Network



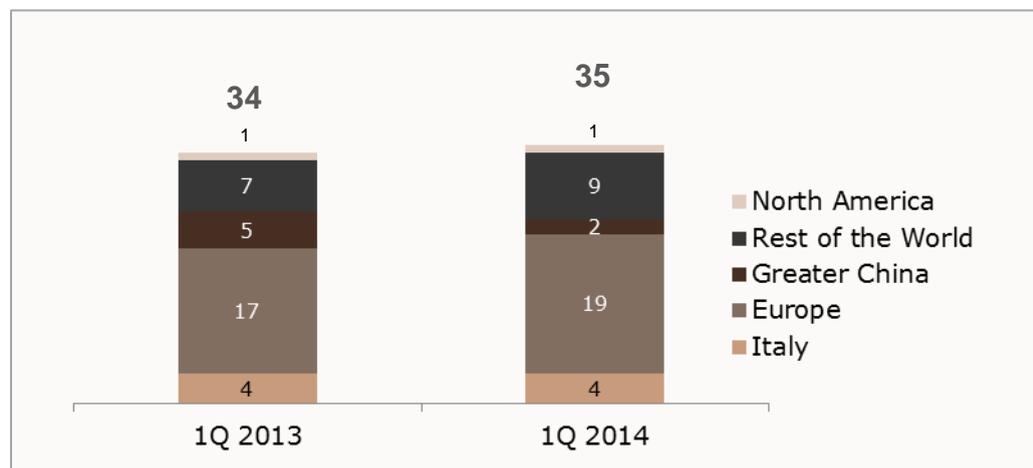
## Total Monobrand Network



## DOS Network by Countries

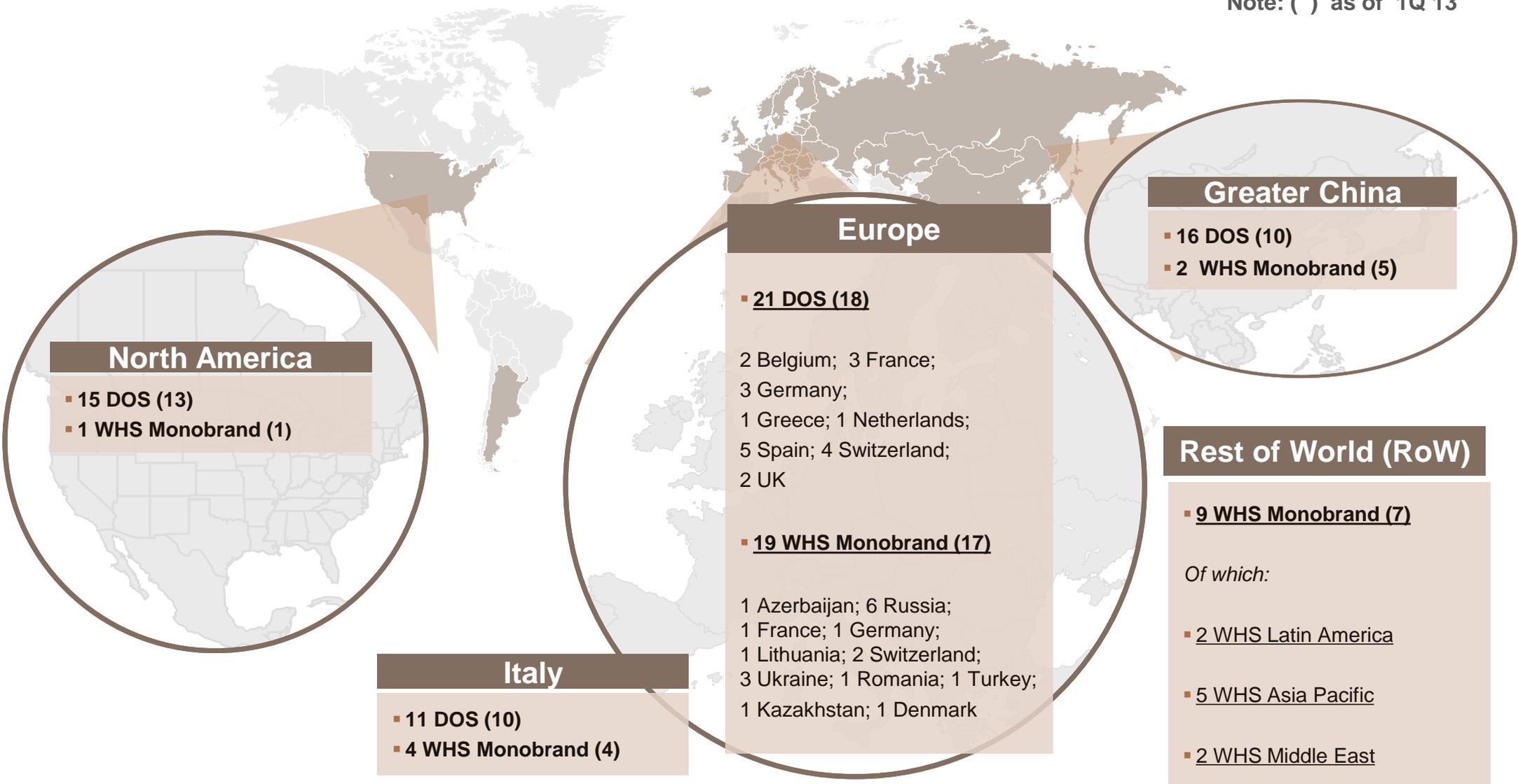


## Wholesale Monobrand Network by Countries



# Stores Network as of 03/31/14

Note: ( ) as of 1Q 13



# Multibrand Channel



Results achieved in the quarter confirm:

- the extreme attractiveness of the most prestigious luxury department stores
- the exciting allure in the leading cities and resorts of consolidated markets and emerging markets
- importance of multibrand boutiques in all geographical areas



# Income Statement

€ mln

	1Q 2013	1Q 2014	% Chg
<b>Net Revenues</b>	<b>88,8</b>	<b>99,6</b>	+ 12,2%
Other operating income	1,1	1,2	+ 10,4%
<b>Revenues</b>	<b>89,9</b>	<b>100,8</b>	+ 12,1%
<b>First Margin</b>	<b>49,5</b>	<b>56,7</b>	+ 14,7%
%	55,0%	56,3%	+ 130 b.p.
<b>SG&amp;A</b>	<b>-33,4</b>	<b>-38,5</b>	+ 15,3%
%	37,1%	38,2%	+ 110 b.p.
<b>EBITDA</b>	<b>16,1</b>	<b>18,3</b>	+ 13,5%
%	17,9%	18,1%	+ 20 b.p.
<b>D&amp;A</b>	<b>-2,5</b>	<b>-3,1</b>	+ 22,0%
%	2,8%	3,0%	+ 20 b.p.
<b>EBIT</b>	<b>13,6</b>	<b>15,2</b>	+ 11,9%
%	15,1%	15,1%	-
Income before taxation	13,1	14,5	+ 10,5%
<b>Net Income</b>	<b>8,8</b>	<b>9,6</b>	+ 8,7%
%	9,8%	9,5%	- 30 b.p.

## Other Operating Income

1Q 13 – including capital gain equal to €0.83€mln, related the sale of the trademarks “Solomei”, “Solomeo” and relative coat of arms to Fedone S.r.l.

1Q 14 – including capital gain equal to €0.75mln, related the sale of non-strategic industrial building, not included in Company Manufacturing and Logistic Area

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

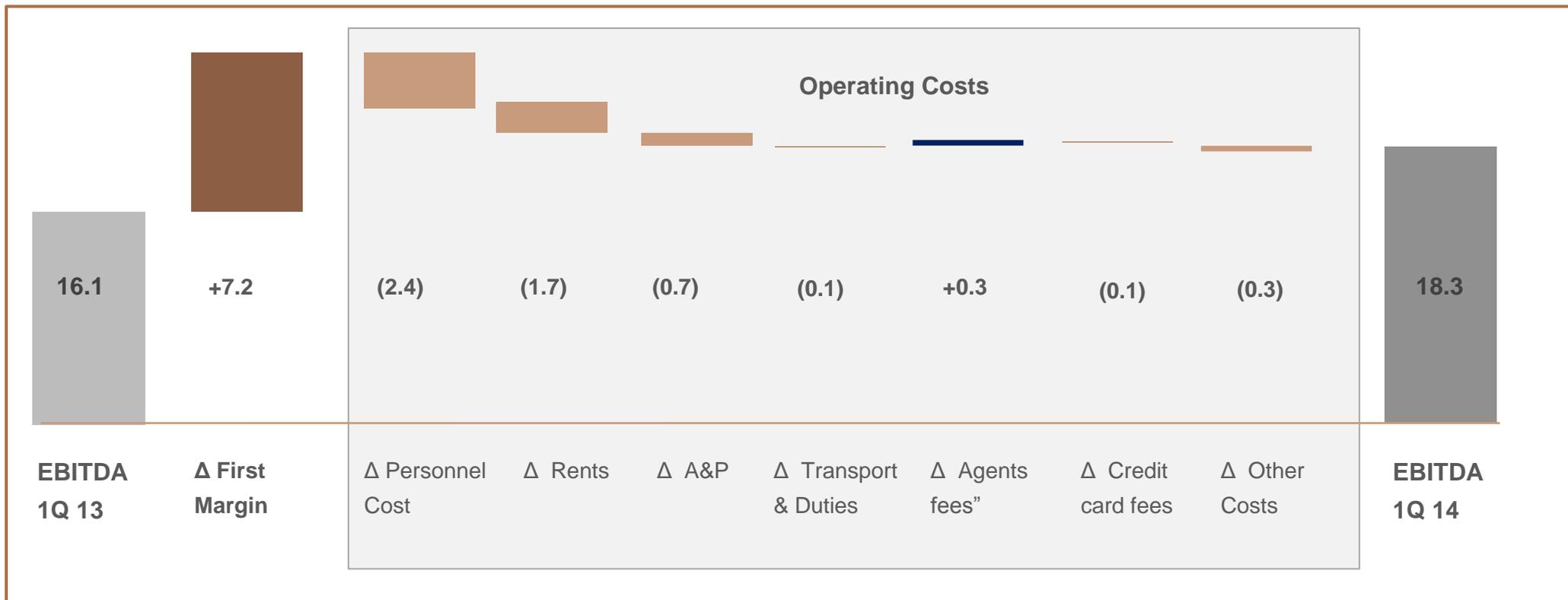
- First Margin includes raw material consumptions, third party manufacturing and R&D costs.



# EBITDA & Key Income Statement Analysis

€ mln

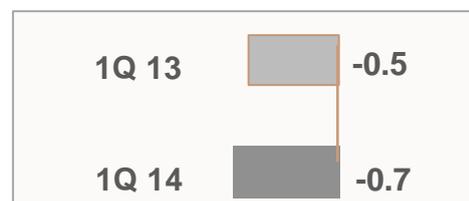
## EBITDA Analysis



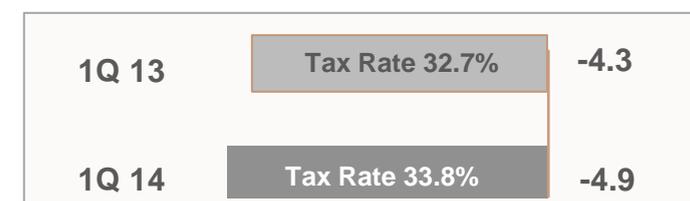
## Depreciation & Amortization



## Financial Expenses



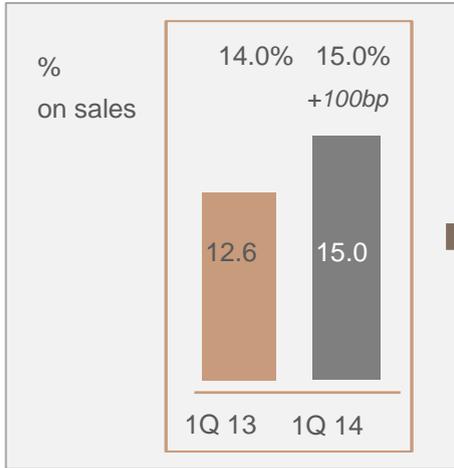
## Taxes



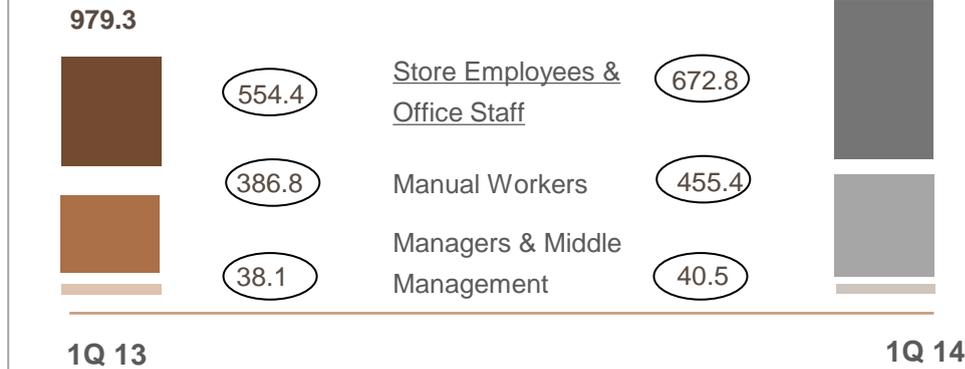
# Personnel and Rent Costs

€ mln

## Personnel Cost



## Average FTE - Workforce Analysis

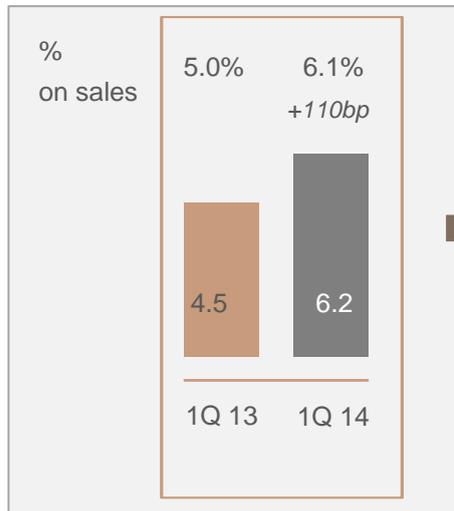


## SG&A increase +110 bp

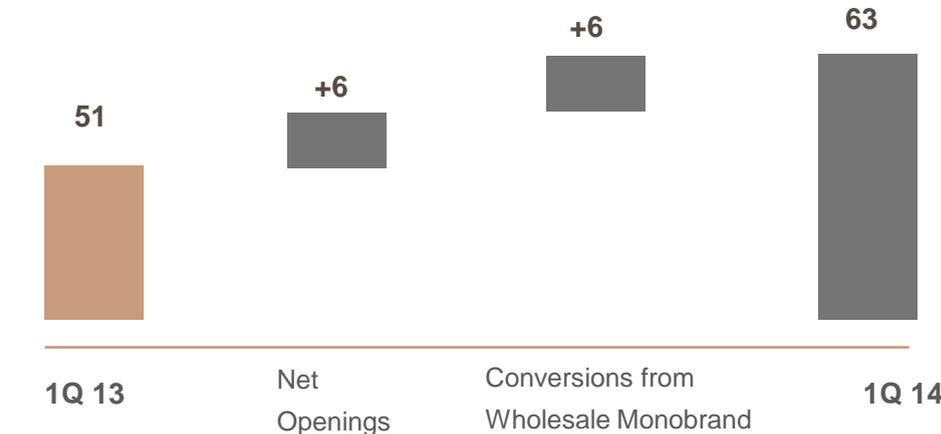
(from 37.1% to 38.2% on total sales):

- Increase of related cost for network development (Personnel & Rent): +210 bp

## Rents



## DOS Network – from 31/03/13 to 31/10/14



## Personnel Cost

+100 bp, related increase in Store Employees & Office Staff (new boutique openings) and Manual Workers (d'Avenza know how and tailors acquired)

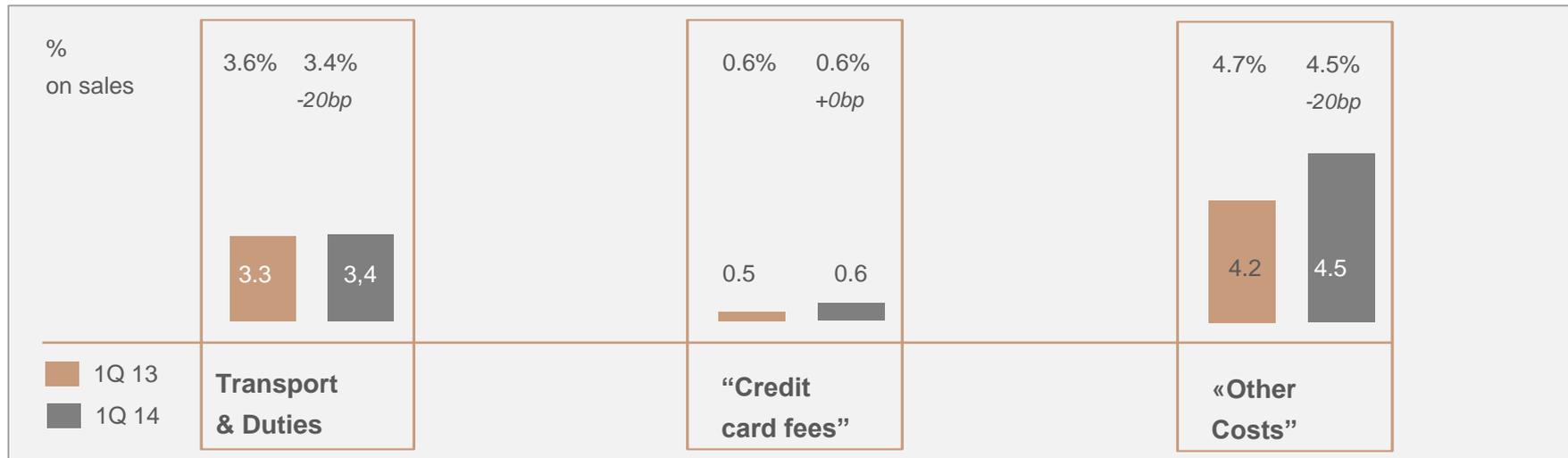
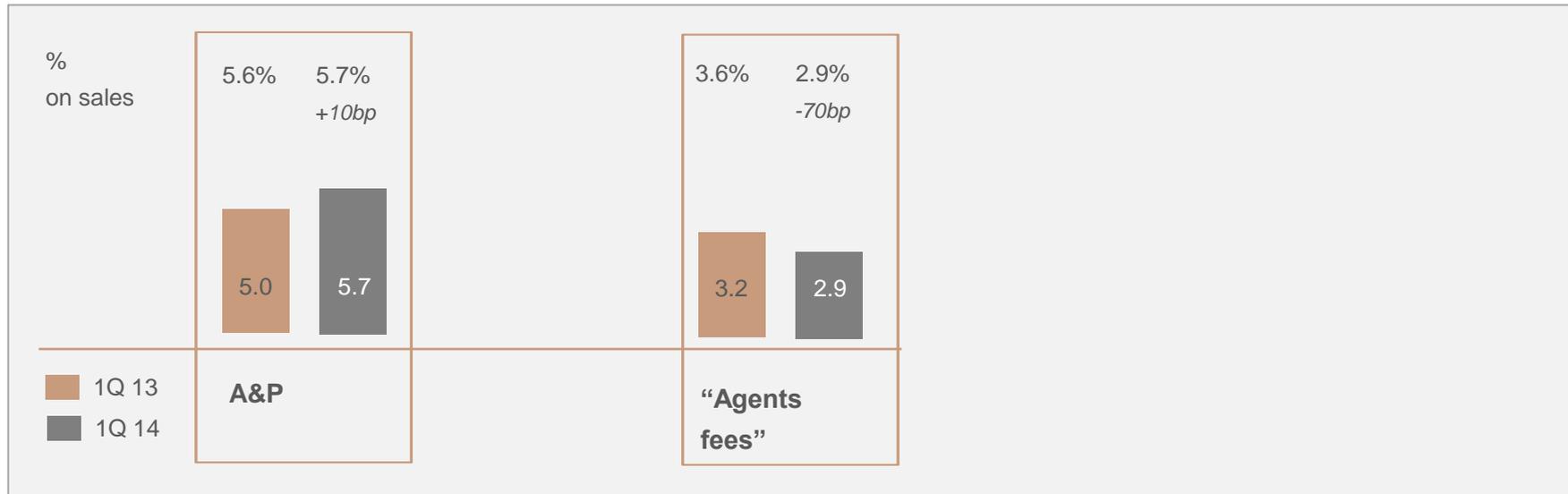
## Rent Cost

+110 bp due to selected and prestigious boutiques development

- Offset by decrease in other operating costs (-100 bp), from 18.1% to 17,1%

# Analysis of other Operating Costs

€ mln

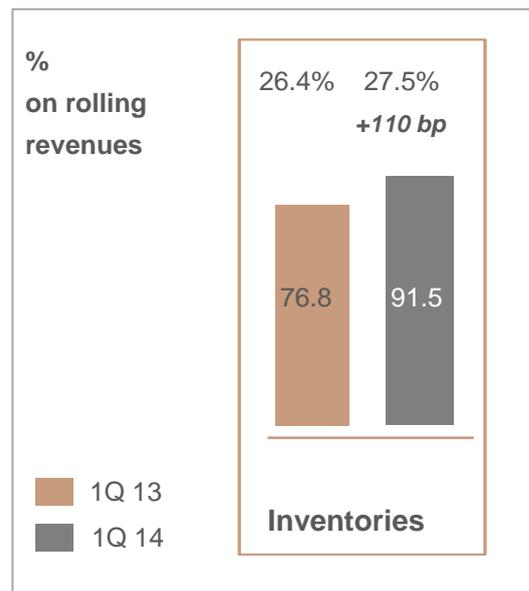


# Net Working Capital

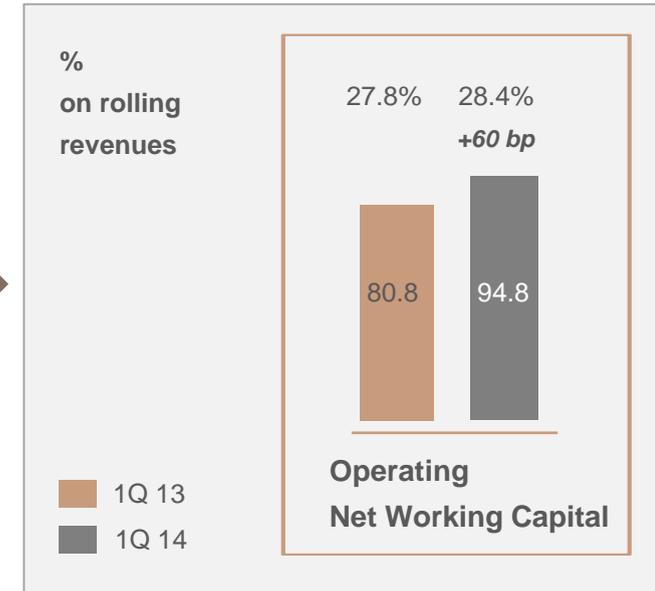
€ mln

	1Q 13	1Q 14	delta
<b>Net Working Capital</b>	<b>70,2</b>	<b>89,4</b>	19,2
- Trade Receivables	58,3	59,8	1,5
- Inventories	76,8	91,5	14,8
- Trade Payables	-54,3	-56,6	-2,3
- Other Credits/(Debts)	-10,6	-5,4	5,2

**Operating  
Net Working Capital**



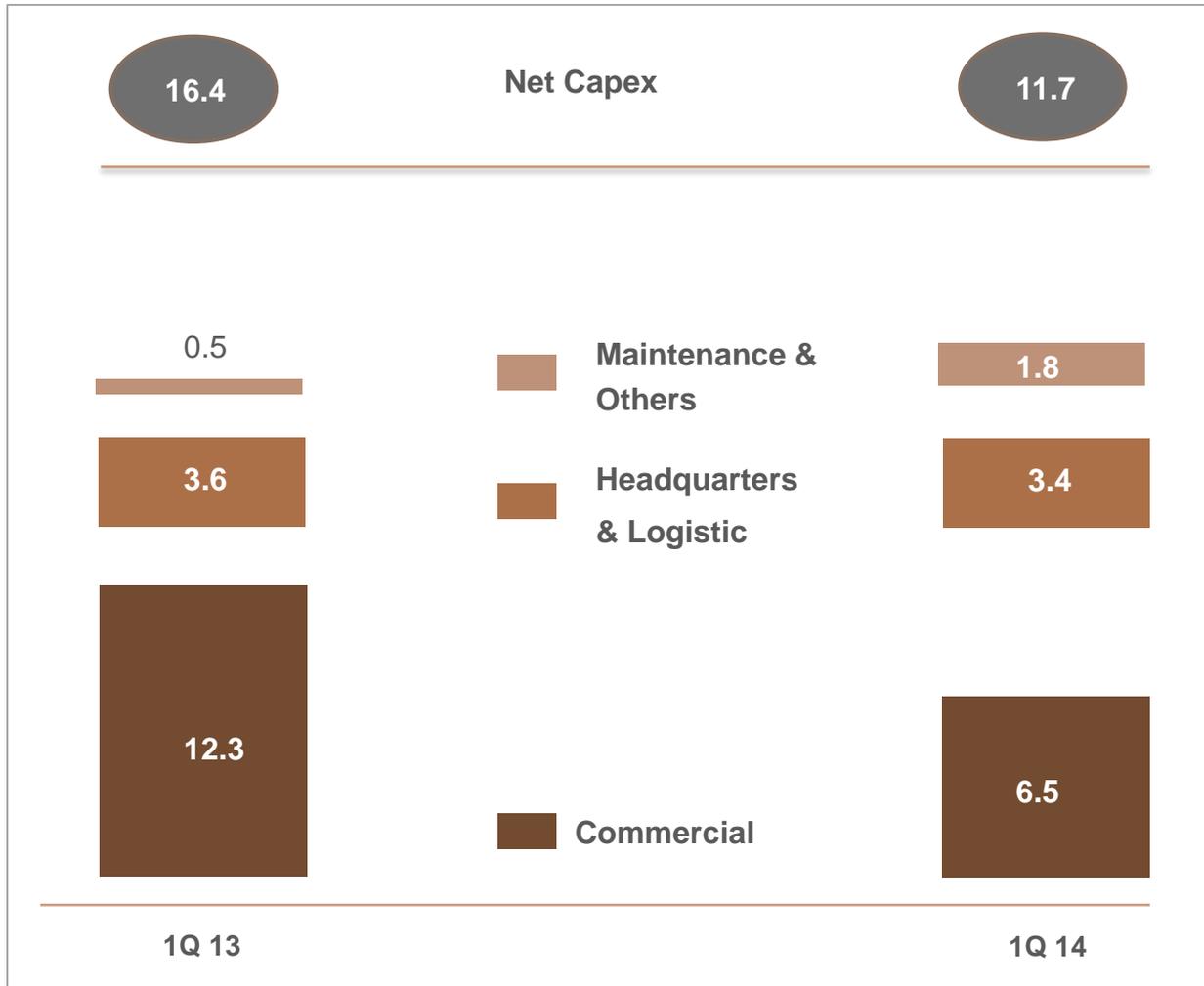
- ✓ **Structural increase in inventories**
  - Business growth
  - development of Retail Network
- ✓ **Sound working capital management**
  - Operating Net Working Capital increase limited to +60 bp from 27.8% of turnover (as of 31<sup>st</sup> march, 2013) to 28.4% (as of 31<sup>st</sup> march, 2014)



# Capex Analysis

€ mln

## Capex Breakdown Analysis & Trend



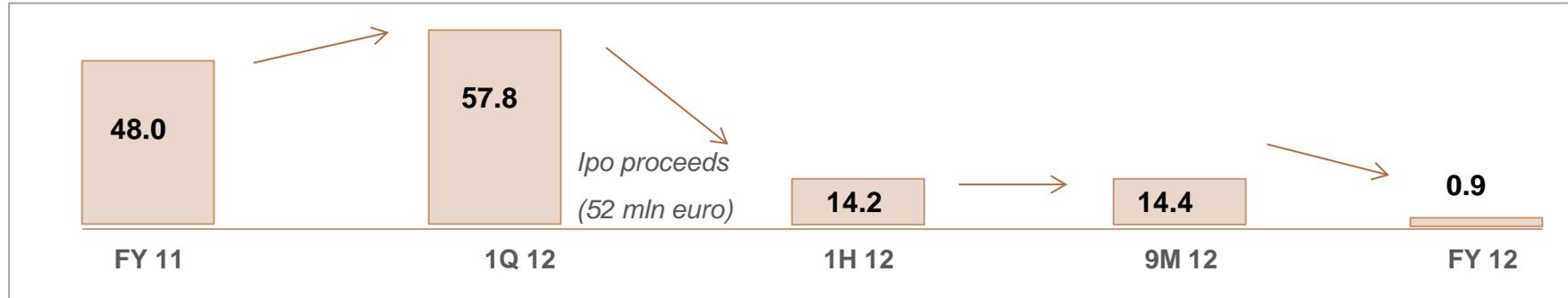
- ✓ **Net Capital Expenditure of 11.7€ m, following 66€ mln already invested in the last 2 years**
- ✓ **Commercial Capex**
  - Selected development of DOS boutiques
  - Expanding selling surface in most important Luxury Department Stores
  - International show-rooms and others
- ✓ **Headquarters & Logistic**
  - Extension of the factory in Solomeo, to cater for company needs for the next few years
  - The company has been using the new developed area since April; process will be completed in next months

# Analysis of Net Financial Position

€ mln

## Net Debt Evolution

FY 2012



FY 2013



FY 2014





BRUNELLO CUCINELLI



Annex

# Detailed Income Statement

<i>€ mln</i>	<b>1Q 2013</b>	<b>1Q 2014</b>
Net Revenues	88,8	99,6
Other operating income	1,0	1,2
<b>Revenues</b>	<b>89,9</b>	<b>100,8</b>
Consumption Costs	(22,7)	(23,2)
<i>Raw Material Cost</i>	(17,8)	(19,6)
<i>Inventories Change</i>	(4,8)	(3,6)
Outsourced Manufacturing	(17,8)	(20,8)
<b>First Margin</b>	<b>49,5</b>	<b>56,7</b>
Services Costs (excl. Out. Manuf.)	(20,4)	(22,9)
Personnel costs	(12,6)	(15,1)
Other operating costs	(0,3)	(0,6)
Increase in tangible assets	0,2	0,3
Bad Debt and other provisions	(0,3)	(0,3)
<b>EBITDA</b>	<b>16,1</b>	<b>18,3</b>
D&A	(2,5)	(3,1)
<b>EBIT</b>	<b>13,6</b>	<b>15,2</b>
Financial expenses	(1,9)	(1,8)
Financial income	1,4	1,1
<b>EBT</b>	<b>13,1</b>	<b>14,5</b>
Income taxes	(4,3)	(4,9)
<i>Tax rate</i>	<i>32,7%</i>	<i>33,8%</i>
<b>Net Income</b>	<b>8,8</b>	<b>9,6</b>
Minority Interest	0,0	(0,2)
Group Net Profit	8,8	9,7

# Detailed Balance Sheet & Cash Flow Statement

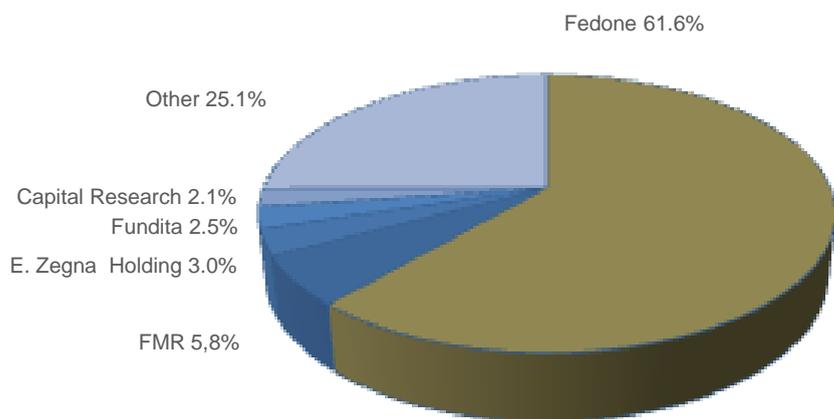
<i>€ mln</i>	<b>1Q 2013</b>	<b>1Q 2014</b>
Trade receivables	58,3	59,8
Inventories	76,8	91,5
Trade payables (-)	(54,3)	(56,6)
Other current assets/(liabilities)	(10,6)	(5,4)
<b>Net Working Capital</b>	<b>70,2</b>	<b>89,4</b>
Intangible assets	26,0	30,3
Tangible assets	46,5	63,4
Financial assets	3,3	4,0
<b>Total Assets</b>	<b>75,8</b>	<b>97,7</b>
Other assets/(liabilities)	(1,2)	(0,9)
<b>Net Invested Capital</b>	<b>144,8</b>	<b>186,1</b>
Cash & Cash equivalents (-)	(38,5)	(42,5)
Short term Debt	39,8	48,9
Long term Debt	13,5	21,9
<b>Net Financial Position</b>	<b>14,8</b>	<b>28,3</b>
Shareholders Capital	13,6	13,6
Share-premium Reserve	57,9	57,9
Reserves	45,3	69,9
Group Net Profit	8,8	9,7
<b>Group Equity</b>	<b>125,6</b>	<b>151,2</b>
Minority shareholders	4,3	6,7
<b>Total Equity</b>	<b>129,9</b>	<b>157,8</b>
<b>Total Funds</b>	<b>144,8</b>	<b>186,1</b>

<i>€ mln</i>	<b>1Q 2013</b>	<b>1Q 2014</b>
Net Income	8,8	9,6
D&A	2,5	3,1
Ch. In NWC and other	(16,2)	(19,8)
<b>Cash flow from operations</b>	<b>(4,8)</b>	<b>(7,2)</b>
Tangible and intangible investments	(7,4)	(8,2)
Other (investments)/divestments	(3,8)	0,4
<b>Cash flow from investments</b>	<b>(11,2)</b>	<b>(7,8)</b>
Dividends	0,0	0,0
Share capital and reserves increase	2,4	3,3
Net change in financial debt	12,0	15,5
<b>Total Cash Flow</b>	<b>(1,6)</b>	<b>3,9</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

## Investor Relations

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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.



*We do not learn for the school, but for life*

