Milan, 07 February 2025

Italian Equity Research – Change in View/FY24 Previe

BRUNELLO CUCINELLI

NEUTRAL

Sector: Consumers

Price: Eu126.30 - **Target: Eu122.40**

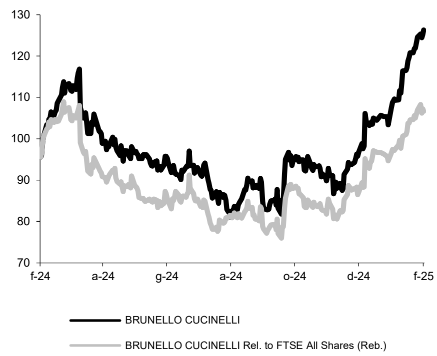
FY25/26 Guidance Highly Visible but Priced in

Andrea Randone +39-02-77115.364
andrea.randone@intermonte.it
Francesco Brilli: +39-02-77115.439
francesco.brilli@intermonte.it

Stock Rating			
Rating:			from OUTPERFORM to NEUTRAL
Target Price (Eu):			from 109.00 to 122.40
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.7%	-1.0%	-0.2%

Next Event FY24 results
Results Out: 13 March 2025

BRUNELLO CUCINELLI - 12M Performance



Stock Data			
Reuters code:			BCU.MI
Bloomberg code:			BC IM
Performance	**1M**	**3M**	**12M**
Absolute	17.6%	39.0%	32.2%
Relative	11.2%	29.7%	13.8%
12M (H/L)			126.30/80.95
3M Average Volume (th):			179.01

Shareholder Data	
No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	8,588
Total Mkt Cap (Eu mn):	8,588
Mkt Float - Ord (Eu mn):	3,070
Mkt Float (in %):	35.8%
Main Shareholder:	
Fedone S.r.l.	50.1%

Balance Sheet Data	
Book Value (Eu mn):	571
BVPS (Eu):	8.85
P/BV:	14.3
Net Financial Position (Eu mn):	-749
Enterprise Value (Eu mn):	8,722

- **4Q24 revenues 2% above expectations**. On 13 January, the group announced preliminary FY24 revenues at Eu1,278.4mn, up 12.2% YoY or 12.4% at constant FX. This is above the growth range indicated by management on 11 December (which was for revenues up between +11% and +12%). The group also stated that net debt as at end-December, excluding IFRS 16, was circa Eu105mn, above our estimate of Eu84mn. Looking at 4Q24, revenues (Eu358.1mn) rose 11.6% YoY, 2.2% above our forecast. Geographically, revenues were particularly strong in North America (+18.4% YoY, circa 40% of total quarterly revenues), and good in Asia, up 13.6% YoY. In the quarter, direct channel sales grew by 15.4% YoY to Eu272.5mn, 3% above expectations and very strong considering the difficult comparison base.
- **Business update**. Regarding 2025 and 2026, management confirmed the guidance for revenue growth of 10% YoY and the target of doubling 2023 revenues by 2030. In the release, BC mentioned a “nice order book and positive initial sales of the 2025 spring/summer collection” and positive feedback and orders for the 2025 womenswear autumn/winter pre-collection.
- **Change in estimates.** We are lifting our 2024/25 revenue forecasts by 0.6%/0.6%, confirming annual growth slightly above 10%. At the same, we are aligning our 2024 EBIT margin forecast to the most recent management indications (+20bps vs. FY23) and are assuming a similar small improvement in FY25 to reach 16.8% (previously 17.0%). In terms of cash flow, we think the difference to our estimates is due to working capital, with inventory that we estimate closed at 29% of revenues, the high end of the range indicated by management. The inventory level should remain broadly stable as at YE25, therefore we assume FY25 FCF of about Eu38mn.
- **After a strong rally we move our recommendation down to NEUTRAL; target to Eu122.4 from Eu109.** 4Q24 revenues are above our previous estimates and confirm, once again, the brand’s unique positioning and the excellent resilience of management indications and projects, even in the presence of high industry volatility. Geographical overexposure to the US combined with underexposure to China is a clear tailwind. Importantly, market trends should continue to demonstrate the persisting performance gap between demand for authentically exclusive luxury goods, which remains strong, and the rest of the market, which is showing greater volatility. The group's 400k customers seem enthusiastic about the brand, expressing trust in its values, and 2030 targets seem realistic. However, after a terrific performance since our July 2024 upgrade (+37% relative to the FTSE MIB) we consider the stock to have limited upside on current estimates (BC trades at a 6% premium vs. Hermes on 2025 and 2026 PE). Our new target reflects our new estimates and the rollover of our valuation model.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	920	1,139	1,278	1,415	1,560
EBITDA Adj (Eu mn)	266	326	368	406	448
Net Profit Adj (Eu mn)	73	109	122	140	158
EPS New Adj (Eu)	1.070	1.598	1.797	2.052	2.320
EPS Old Adj (Eu)	1.070	1.598	1.810	2.073	2.324
DPS (Eu)	0.650	0.910	0.970	1.108	1.252
EV/EBITDA Adj	13.6	16.4	17.7	21.5	19.5
EV/EBIT Adj	26.9	28.5	30.7	36.7	33.0
P/E Adj	nm	79.0	70.3	61.6	54.4
Div. Yield	0.5%	0.7%	0.8%	0.9%	1.0%
Net Debt/EBITDA Adj	2.1	1.7	1.9	1.8	1.7

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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