Intermonte

Milan, 12 December 2024

Italian Equity Research – FY24 Preview

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu98.20 - **Target: Eu109.00**

4Q24 Revenues Stronger, FY25 Guidance Confirmed

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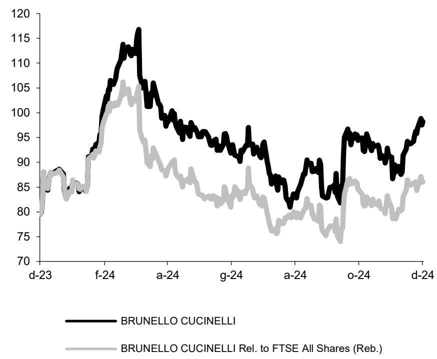
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 105.00 to 109.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.1%	1.1%	1.2%

Next Event FY24 revenues
Results Out: 13 January 2025

BRUNELLO CUCINELLI - 12M Performance



Stock Data			
Reuters code:			BCU.MI
Bloomberg code:			BC IM
Performance	**1M**	**3M**	**12M**
Absolute	7.9%	18.4%	23.5%
Relative	6.6%	13.5%	9.5%
12M (H/L)			116.80/80.10
3M Average Volume (th):			164.77

Shareholder Data	
No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	6,678
Total Mkt Cap (Eu mn):	6,678
Mkt Float - Ord (Eu mn):	2,387
Mkt Float (in %):	35.8%
Main Shareholder:	
Fedone S.r.l.	50.1%

Balance Sheet Data	
Book Value (Eu mn):	503
BVPS (Eu):	7.71
P/BV:	12.7
Net Financial Position (Eu mn):	-670
Enterprise Value (Eu mn):	6,762

- **FY24 revenues seen up 11-12% YoY, better than expected**. On 13 January, the group will announce preliminary revenues for the 2024 financial year. Yesterday management raised revenue growth guidance from 10% to 11%-12%, with 4Q24 seen up 9% YoY, thanks to retail revenue growth of about 12%. Management highlighted positive trends in all regions, with an acceleration in China.
- **Business update**. Regarding 2025, management confirmed guidance for revenue growth of 10% YoY despite improvements to the FY24 figure. The press release mentioned an excellent order book for the S/S 2025 collection. The group continues to benefit from its positioning in absolute luxury clothing, thanks to an exclusive, highly chic and recognisable product made with great craftsmanship. For 2025, CapEx will amount to about 8% of sales, marketing costs will be between 6% and 7% on sales. Market trends show a persistent gap between demand for authentically exclusive luxury goods, which remains very strong, and the rest of the market, which is showing greater volatility. In all markets, customers appreciated the fact that, unlike other fashion houses, Brunello Cucinelli's collections do not rely on evergreen products, and have not been subject to unjustified price hikes in recent years.
- **Change in estimates.** We are lifting our 2024/25 revenue forecasts by 0.8%/0.7%, confirming annual growth slightly above 10%. Our 2025 EBIT forecast of Eu239.7mn, raised by 1.8%, corresponds to a 17.0% margin. Having factored in slightly higher financial charges, we are adjusting our 2024 and 2025 EPS estimates by -0.1% and +1.2% respectively.
- **OUTPERFORM; target Eu109 from Eu105.** 4Q24 revenues have been indicated above our previous estimates and support our positive view on the stock, which is based on the brand's unique positioning and the excellent resilience of management indications and projects, even in the presence of high industry volatility. 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 numbers are destined to grow. Group success is well rooted in a series of distinct features: taste (contemporary apparel with no logo), exclusive distribution, territory (Solomeo and the Umbria region) and especially values (human sustainability, dignity for artisan workforce). Our new target reflects our new estimates and the rollover of our valuation model.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Sales (Eu mn)	712	920	1,139	1,271	1,406
EBITDA Adj (Eu mn)	193	266	326	366	409
Net Profit Adj (Eu mn)	44	73	109	123	141
EPS New Adj (Eu)	0.653	1.070	1.598	1.810	2.073
EPS Old Adj (Eu)	0.653	1.070	1.598	1.811	2.050
DPS (Eu)	0.420	0.650	0.910	0.977	1.119
EV/EBITDA Adj	16.5	13.6	16.4	18.5	16.6
EV/EBIT Adj	nm	26.9	28.5	31.7	28.3
P/E Adj	nm	91.8	61.4	54.3	47.4
Div. Yield	0.4%	0.7%	0.9%	1.0%	1.1%
Net Debt/EBITDA Adj	3.0	2.1	1.7	1.8	1.8

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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.
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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;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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