Milan, 14 July 2023

Italian Equity Research – 2Q23 Revenues

BRUNELLO CUCINELLI

NEUTRAL

Sector: Consumers

Price: Eu83.35 - **Target: Eu85.40**

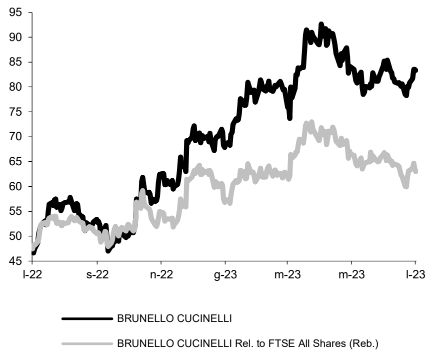
Revenue Guidance Improved, Growth to Normalise in 2H23

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

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 81.90 to 85.40
	2023E	**2024E**	**2025E**
Chg in Adj EPS	5.5%	3.9%	4.7%

Next Event 1H23 results
Results Out 29 August 2023

BRUNELLO CUCINELLI - 12M Performance



Stock Data			
Reuters code:			BCU.MI
Bloomberg code:			BC IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.2%	-7.4%	75.7%
Relative	-5.9%	-10.7%	43.5%
12M (H/L)			92.65/46.64
3M Average Volume (th):			67.23

Shareholder Data	
No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	5,668
Total Mkt Cap (Eu mn):	5,668
Mkt Float - Ord (Eu mn):	2,026
Mkt Float (in %):	35.8%
Main Shareholder:	
Fedone S.r.l.	50.1%

Balance Sheet Data	
Book Value (Eu mn):	444
BVPS (Eu):	6.78
P/BV:	12.3
Net Financial Position (Eu mn):	-588
Enterprise Value (Eu mn):	5,663

- **2Q23 revenues up 27.5% YoY, 3% better than expected**. The wholesale channel's quarterly revenues were up 30.1% YoY in 2Q23, 4.6% above expectations while the trend for retail revenues witnessed +26.2% YoY growth to Eu180.6mn, +2.6% above our estimates. The performance in Italy and Europe (+33.3% and +28.6%) was the main positive surprise, thanks to both local and tourist demand; American revenues were up 9% despite a very tough comparison while Asia was up 55%, remaining the top performing region, thanks to an easy comparison on Chinese consumptions.
- **FY23 revenue guidance improved**. In light of the results achieved in 1H23 and the positive outlook for the coming months, management revised its FY23 growth estimate, forecasting an increase of +17-19% in revenue, compared to the previous indication of +15%. 2024 revenue growth was confirmed at 10% YoY (driven by volumes -60% and prices -40%) On the other hand, the FY23 EBIT margin target is between 15% and 16%. The company reiterated its confidence in the prospects for exclusive, hand-made apparel. According to management, the group's short and reactive supply chain, based entirely in Italy, has been a success factor capable of ensuring great production flexibility. On 10 July, the group has started the greenfield construction of the recently-announced investment project at Penne (Pescara province, Abruzzo) for a new factory dedicated to outerwear. In 4Q23, the new Penne factory should be ready to start production, even if the project foresees investments and the recruitment of personnel for several years. Penne is an important place for the manufacturing of luxury clothes (it is where the Brioni brand originated).
- **Our preview to 1H23 results.** We expect 1H23 EBIT margin to reach 16.0%, up 110bp, taking half-yearly EBIT to Eu87.4mn, up 51.3% YoY. Management is reinvesting in the brand and in improving work conditions a large portion of the benefits coming from favourable operating leverage.
- **Change in estimates.** We are moving our 2023 revenue forecast to the top end of management guidance. Our new estimates assume 9.4% YoY revenue growth in 2H23 or +13.4% at constant exchange rates. We are raising our 2023 EBIT forecast by 4.7% to Eu171.2mn, corresponding to a 15.6% margin, consistent with management indications. At bottom line, we are adjusting 2023 and 2024 EPS up by 5.5% and 3.9% respectively.
- **NEUTRAL confirmed; target from Eu81.9 to Eu85.4.** 2Q23 revenues confirmed the healthy brand momentum in all regions. The current market environment remains favourable for the brand thanks to its niche positioning in the absolute luxury market, and the long-term picture remains solid. In light of the estimate revision, we are moving our target price up to Eu85.4. Valuation-wise, the stock seems fairly valued.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	712	920	1,096	1,215	1,344
EBITDA Adj (Eu mn)	193	266	319	355	394
Net Profit Adj (Eu mn)	44	76	106	118	134
EPS New Adj (Eu)	0.653	1.116	1.553	1.734	1.971
EPS Old Adj (Eu)	0.653	1.116	1.471	1.669	1.884
DPS (Eu)	0.420	0.650	0.776	0.867	0.986
EV/EBITDA Adj	16.5	13.6	17.7	15.9	14.3
EV/EBIT Adj	nm	26.9	33.1	29.8	26.6
P/E Adj	nm	74.7	53.7	48.1	42.3
Div. Yield	0.5%	0.8%	0.9%	1.0%	1.2%
Net Debt/EBITDA Adj	3.0	2.1	1.8	1.7	1.6