BRUNELLO CUCINELLI

NEUTRAL

Sector: Consumers

Price: Eu116.80 - **Target: Eu105.00**

FY23 Revenues Very Strong, FY24 Guidance Confirmed

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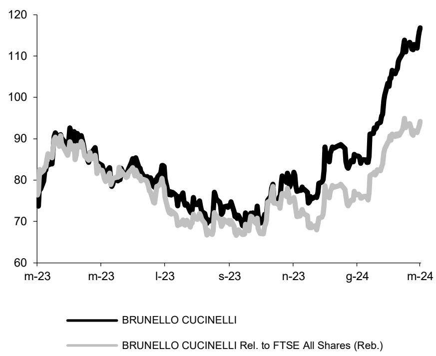
Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 95.40 to 105.00		
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-3.6%	-3.2%	

Next Event 1Q24 Revenues
Results Out: 16 April 2024

BRUNELLO CUCINELLI - 12M Performance



Stock Data			
Reuters code:			BCU.MI
Bloomberg code:			BC IM
Performance	**1M**	**3M**	**12M**
Absolute	11.6%	32.7%	52.9%
Relative	4.2%	21.9%	28.9%
12M (H/L)			116.80/68.85
3M Average Volume (th):			160.64

Shareholder Data	
No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	7,942
Total Mkt Cap (Eu mn):	7,942
Mkt Float - Ord (Eu mn):	2,839
Mkt Float (in %):	35.8%
Main Shareholder:	
Fedone S.r.l.	50.1%

Balance Sheet Data	
Book Value (Eu mn):	502
BVPS (Eu):	7.70
P/BV:	15.2
Net Financial Position (Eu mn):	-646
Enterprise Value (Eu mn):	8,002

- **EBIT margin slightly better thanks to a strong gross margin improvement.** On 8th January, the group already announced FY23 revenues of Eu1,139.4mn, up 23.9% YoY or 26.0% at constant ForEx. From results approved yesterday, we see that in 2H23, gross profit amounted to Eu436.8mn, with a gross margin of 73.5%, much higher than in 2H22 (71.4%) and 170bp above our forecast, mainly thanks to a more favourable channel mix. OpEx was slightly above our expectations, taking half-yearly EBIT to Eu99.7mn, corresponding to a 16.8% EBIT margin, 160bp better YoY. In FY23, the increase in communication costs, up 51% YoY to Eu78.9mn, was mainly related to events and activities dedicated to hospitality with customers in the boutiques and in the Casa Cucinelli spaces. The number of DOS at YE23 was 125, from 119 at YE22. The board proposed the distribution of a Eu0.91 dividend per share (54% payout), up 40% YoY.
- **Business update**. Regarding 2024, management confirmed guidance for revenue growth of 10% YoY, a target that should be highly visible, especially considering that qualitative comments on current trading lead us to believe that 1Q24 sales will be up at a rate more similar to 4Q23. 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 2024 the plan is to invest in 3/4/5 openings or expansions of the store network, a new factory for men's tailored suits will be completed in Penne in Abruzzo and the EBIT margin should close with a slight YoY improvement. Market trends are showing a persisting performance gap between absolute luxury, which remains very strong, and the rest of the market, which is showing greater volatility. In all markets, customers demand an exclusive and refined product, designed to last and possibly be mended.
- **Change in estimates.** We are leaving our 2024-25 revenue forecast unchanged, confirming annual growth slightly above 10%. We are raising our 2024/25 EBIT forecasts by 1%, having assumed slightly lower D&A. Having factored in slightly higher financial charges as well as a 50bp higher tax rate, we are trimming 2024 and 2025 EPS by 3.6% and 3.2%.
- **Downgrade to NEUTRAL; target from Eu95.4 to Eu105.0.** Since our upgrade on 30 August 2023, the stock is up >50%. The investment case remains intact - the brand is ideally positioned in the most exclusive market segment - but the valuation already seems to have priced in the excellent long-term visibility (2030 revenues at double the 2013 level). As a consequence, having upgraded the target to Eu105 (stronger medium-term growth) we are lowering our recommendation to NEUTRAL.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	920	1,139	1,260	1,395	1,538
EBITDA Adj (Eu mn)	266	326	368	409	453
Net Profit Adj (Eu mn)	73	109	122	138	155
EPS New Adj (Eu)	1.070	1.599	1.799	2.031	2.279
EPS Old Adj (Eu)	1.136	1.693	1.867	2.098	
DPS (Eu)	0.650	0.910	0.971	1.096	1.230
EV/EBITDA Adj	13.6	16.4	21.7	19.6	17.7
EV/EBIT Adj	26.9	28.5	37.9	34.1	30.9
P/E Adj	nm	73.1	64.9	57.5	51.2
Div. Yield	0.6%	0.8%	0.8%	0.9%	1.1%
Net Debt/EBITDA Adj	2.1	1.7	1.8	1.7	1.6

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- 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)

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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