

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu93.25 - Target: Eu105.00

Convincing Revenue Trend Confirms Unique Positioning

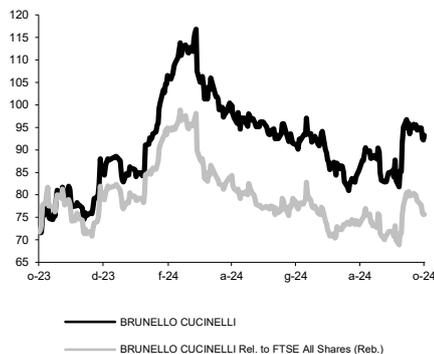
Andrea Randone +39-02-77115.364
 andrea.randone@intermonte.it
Francesco Brilli: +39-02-77115.439
 francesco.brilli@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	-0.1%	0.0%

Next Event: FY24 Prel. 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	9.1%	6.3%	30.1%
Relative	5.5%	4.8%	6.8%
12M (H/L)	116.80/71.55		
3M Average Volume (th):	166.68		

Shareholder Data

No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	6,341
Total Mkt Cap (Eu mn):	6,341
Mkt Float - Ord (Eu mn):	2,267
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:	12.1
Net Financial Position (Eu mn):	-670
Enterprise Value (Eu mn):	6,425

■ **Revenue growth remained strong in 3Q24.** 3Q24 revenues showed a continuation of the brand's positive momentum, with quarterly turnover coming to Eu299.6mn, up 9.2% YoY and 1.6% better than expected. In more detail, retail revenues were up 10.5% YoY to Eu183.5mn, a very healthy growth rate especially considering recent comments from other luxury players. The slight QoQ deceleration (retail revenues were up 14.4% YoY in 2Q24) had already been anticipated in management comments and is largely attributable to a lighter "space" contribution (store openings concentrated in June 2023), while like-for-like growth should have remained almost the same; on the other hand, wholesale revenues, despite some deliveries having been brought forward to 2Q24, were up 7.1% YoY to Eu116.1mn, 3.6% better than expected: the +11.0% growth in 9M24 for the wholesale channel, which represents 37% of total revenues, is another feature that sets Brunello apart from the rest of the industry. On a geographical basis, Asia was up 7.2% YoY, continuing a convincing performance that stands out in a very weak Chinese and Korean environment for the rest of the sector; the core North American market, which represented 36% of total sales, continued its excellent revenue growth at +14.1%.

■ **Guidance reiterated.** For 2024, management confirmed guidance for 10% revenue growth YoY, a target that looks highly visible. Management also re-emphasised healthy growth of approximately 10% for 2025 and 2026 and, for the long term, its forecast of doubling 2023 turnover by 2030. In terms of profitability, the 2024 EBIT margin was still indicated to rise slightly YoY. As for new DOS openings, the company confirmed its highly selective approach: in 2025, three new locations were secured (Vancouver, Macau and Abu Dhabi), with two important enlargements planned (Vienna and Geneva).

■ **Estimates confirmed.** We are leaving our 2024-25 revenue forecasts unchanged, confirming annual growth slightly in excess of 10%. Our estimates imply 4Q24 retail revenues will grow at the same pace as in 3Q24 (+10%), while, as for 4Q24 multibrand revenues, we are expecting the positive deliveries effect booked in 3Q24 to be neutralised in 4Q24 (-3%). We are also sticking with our 2024/25 EBIT margin forecasts, which are consistent with management indications.

■ **OUTPERFORM; target Eu105 unchanged.** 3Q24 revenues supported 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 in Asia. Market trends should continue to demonstrate the persisting performance gap between absolute luxury, which remains strong, and the rest of the market, which is showing greater volatility.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	920	1,139	1,261	1,395	1,538
EBITDA Adj (Eu mn)	266	326	365	405	448
Net Profit Adj (Eu mn)	73	109	123	139	156
EPS New Adj (Eu)	1.070	1.598	1.811	2.049	2.296
EPS Old Adj (Eu)	1.070	1.598	1.811	2.050	2.297
DPS (Eu)	0.650	0.910	0.978	1.106	1.240
EV/EBITDA Adj	13.6	16.4	17.6	15.9	14.4
EV/EBIT Adj	26.9	28.5	30.3	27.4	24.8
P/E Adj	87.1	58.3	51.5	45.5	40.6
Div. Yield	0.7%	1.0%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	2.1	1.7	1.8	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&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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