

BRUNELLO CUCINELLI

NEUTRAL

Sector: Consumers

Price: Eu91.70 - Target: Eu81.90

Strong 1Q23 Revenues, FY Guidance Reiterated

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Stock Rating

Rating: Unchanged

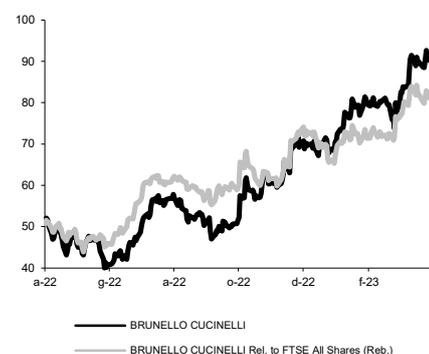
Target Price (Eu): from 67.50 to 81.90

	2023E	2024E	2025E
Chg in Adj EPS	1.2%	2.1%	2.1%

Next Event 1H23 revenues

Results Out 13 July 2023

BRUNELLO CUCINELLI - 12M Performance



Stock Data

Reuters code: BCU.MI

Bloomberg code: BC IM

Performance	1M	3M	12M
Absolute	17.9%	30.2%	75.2%
Relative	8.9%	23.6%	64.2%
12M (H/L)	92.65/40.02		
3M Average Volume (th):	78.67		

Shareholder Data

No. of Ord shares (mn): 68

Total no. of shares (mn): 68

Mkt Cap Ord (Eu mn): 6,236

Total Mkt Cap (Eu mn): 6,236

Mkt Float - Ord (Eu mn): 2,229

Mkt Float (in %): 35.8%

Main Shareholder:

Fedone S.r.l. 50.1%

Balance Sheet Data

Book Value (Eu mn): 438

BVPS (Eu): 6.70

P/BV: 13.7

Net Financial Position (Eu mn): -588

Enterprise Value (Eu mn): 6,230

■ **1Q23 revenues up 34.7% YoY, 1% better than expected.** The wholesale channel's quarterly revenues (up 4.7% YoY in 1Q23, 3.9% below expectations) reflect multi-brand customers' requests for earlier deliveries in 4Q22 (when revenues grew 53% YoY). If we neutralize this effect, growth would have been 20%, a number that reflects the convincing performance of the Autumn/Winter collection. The trend for retail revenues (+64% YoY to Eu164mn, +4.3% compared to our estimates) is well above the expectations of a few months ago and is the reason that prompted the group to revise guidance for the year in March (from +12% to the current +15%).

■ **FY23 revenue guidance confirmed.** Management confirmed the indication to achieve revenue growth of 15% in FY23. The company reiterated its confidence in the prospects for exclusive, hand-made apparel, for which demand is outstripping supply. In this sense, according to management, the group's short and reactive supply chain, entirely based in Italy, has been a success factor capable of ensuring great production flexibility. The Neimann Marcus award has also been an important catalyst behind strong recent performance.

■ **The group has announced the launch of an important multi-year investment project** at Penne (province of Pescara, Abruzzo) for the greenfield construction of 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 hiring of personnel for several years. Penne is an important place for the manufacturing of luxury clothes (it is where the Brioni brand originated). The manufacturing strategy of the collections remains mainly entrusted to the 400 highly specialized and loyal family garment businesses.

■ **Estimates a touch above guidance.** In light of quarterly results, we are slightly raising our 2023/24 top-line forecasts by 0.4%/0.7%, taking YoY growth a touch above the new guidance, on which we consider visibility to be high. At bottom line, we are adjusting 2023 and 2024 EPS up by 1.2% and 2.1% respectively.

■ **NEUTRAL confirmed; target from Eu67.5 to Eu81.9.** Management indications on current trading are once again convincing, confirming the healthy brand momentum in all regions. The current market environment remains favourable for the brand thanks to its positioning in the absolute luxury market niche (demonstrated by the excellent performance in North America), and business updates such as launching a fragrance collection and investing in an outerwear production plant support the long-term picture. For this reason, also in light of the recent industry re-rating and the long-term potential represented by brand underpenetration with Chinese customers, we are raising the long-term growth assumption from 4.0% to 4.5% in our DCF model, and moving our target price up to Eu81.9. Valuation-wise, the stock remains unattractive, trading at a >15% premium on P/E to Hermès.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	712	920	1,072	1,188	1,314
EBITDA Adj (Eu mn)	193	266	312	348	386
Net Profit Adj (Eu mn)	44	76	100	113	128
EPS New Adj (Eu)	0.653	1.116	1.471	1.669	1.884
EPS Old Adj (Eu)	0.653	1.116	1.454	1.634	1.844
DPS (Eu)	0.420	0.650	0.736	0.834	0.942
EV/EBITDA Adj	16.5	13.6	20.0	17.9	16.1
EV/EBIT Adj	nm	26.9	38.1	33.9	30.4
P/E Adj	nm	82.2	62.3	55.0	48.7
Div. Yield	0.5%	0.7%	0.8%	0.9%	1.0%
Net Debt/EBITDA Adj	3.0	2.1	1.9	1.7	1.6