

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu71.65 - Target: Eu86.00

3Q23 Revenues Beat Forecasts, Guidance Raised Further

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Stock Rating

Rating: Unchanged

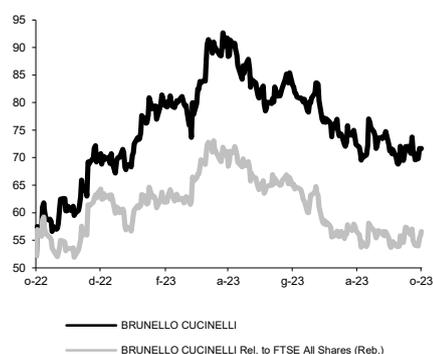
Target Price (Eu): Unchanged

	2023E	2024E	2025E
Chg in Adj EPS	3.6%	3.7%	1.6%

Next Event FY23 revenues

Results Out: January 2024

BRUNELLO CUCINELLI - 12M Performance



Stock Data

Reuters code: BCU.MI

Bloomberg code: BC IM

Performance	1M	3M	12M
Absolute	0.6%	-7.2%	37.3%
Relative	4.3%	-3.3%	10.6%
12M (H/L)	92.65/56.60		
3M Average Volume (th):	81.01		

Shareholder Data

No. of Ord shares (mn): 68

Total no. of shares (mn): 68

Mkt Cap Ord (Eu mn): 4,872

Total Mkt Cap (Eu mn): 4,872

Mkt Float - Ord (Eu mn): 1,742

Mkt Float (in %): 35.8%

Main Shareholder:

Fedone S.r.l. 50.1%

Balance Sheet Data

Book Value (Eu mn): 455

BVPS (Eu): 6.96

P/BV: 10.3

Net Financial Position (Eu mn): -581

Enterprise Value (Eu mn): 4,860

■ **3Q23 revenues came to Eu274.4mn, +21.1 YoY (+25.7% at constant ForEx), and 3.1% better than expected.** By channel, retail revenues, which account for 60.5% of the total, were up 22.1% YoY to Eu166.1mn, 3.4% better than expected, while wholesale revenues were up 19.6% to Eu108.4mn, 2.5% above our estimates. In terms of geographical areas, Italian turnover was the main positive surprise, growing 25.8% YoY to Eu36.3mn, thanks to a positive performance in both channels sustained by solid local demand. Revenues in the rest of Europe were up 11.2% YoY to Eu76.1mn, while performance in North America was extremely strong, +17.8% YoY. Finally, turnover was up 37.8% YoY in Asia, where China, which represents about 60%, remained very strong. During the call, positive comments were also provided on the performance in Hong Kong, sustained by foreign visitors coming mainly from China and other Asian regions, but also on sales trends in Japan, South Korea and Middle East.

■ **FY guidance raised for third time since January.** In light of the excellent brand momentum, management indicated that it expects FY23 revenue growth of between 20% and 22% (vs. previous guidance of +19%) with a 16% EBIT margin (unchanged). For 2024, in light of an excellent wholesale order intake for the 2024 S/S collection, management confirmed 10% growth, also projecting it forward to 2025, and the 50% dividend distribution policy. During the conference call management reiterated its intention to open 3 new DOS in 2024 and to invest in 2 store expansions.

■ **Change in estimates.** We are lifting our 2023 revenue forecast to the middle of management's guidance range. Our estimates assume 6.8% YoY revenue growth in 4Q23 or +11.8% at constant exchange rates; 4Q22 top line growth was particularly strong in both channels. Our 2023 EBIT forecast of Eu180.3mn, raised by 3.6%, corresponds to a 16.2% margin, consistent with management indications.

■ **OUTPERFORM; target Eu86.0.** 3Q23 revenues were very strong, confirming the healthy brand momentum. Despite stronger sales density, the group is leaving margin guidance unchanged because it is reinvesting not only to further improve the in-store customer experience but also to better compensate the workforce and, more in general, to enhance working conditions for the whole production chain. The current market environment remains favourable for the brand thanks to its niche positioning in the absolute luxury market. The brand's success is well rooted in a series of distinct features: taste (contemporary apparel with no logo), territory (Solomeo and the Umbria region) and especially values (human sustainability, dignity for artisan workforce). Moreover, its limited penetration in China (around half the level of peers), leaves notable scope for future growth. Our target remains unchanged as a combination of a number of factors: the 0.5% increase in the assumed risk-free rate was offset by a positive revision to estimates and a new terminal growth assumption of 5% (from 4.5%).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	712	920	1,115	1,232	1,363
EBITDA Adj (Eu mn)	193	266	325	363	403
Net Profit Adj (Eu mn)	44	76	112	123	137
EPS New Adj (Eu)	0.653	1.116	1.653	1.810	2.013
EPS Old Adj (Eu)	0.653	1.116	1.596	1.745	1.982
DPS (Eu)	0.420	0.650	0.859	0.905	1.007
EV/EBITDA Adj	16.5	13.6	14.9	13.4	12.0
EV/EBIT Adj	nm	26.9	27.0	24.3	21.9
P/E Adj	nm	64.2	43.3	39.6	35.6
Div. Yield	0.6%	0.9%	1.2%	1.3%	1.4%
Net Debt/EBITDA Adj	3.0	2.1	1.8	1.7	1.6