

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu86.60 - Target: Eu105.00

Upgrade: Brand Enjoying Benefits of Top-End Positioning

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Stock Rating

Rating: from NEUTRAL to OUTPERFORM

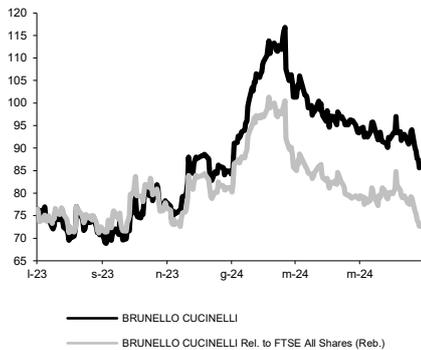
Target Price (Eu): Unchanged

	2024E	2025E	2026E
Chg in Adj EPS	0.6%	1.3%	1.2%

Next Event: 1H24 Results

Results Out 28 August 2024

BRUNELLO CUCINELLI - 12M Performance



Stock Data

Reuters code: BCU.MI

Bloomberg code: BC IM

Performance	1M	3M	12M
Absolute	-5.9%	-9.7%	12.4%
Relative	-9.7%	-12.6%	-7.1%
12M (H/L)	116.80/68.85		
3M Average Volume (th):	129.24		

Shareholder Data

No. of Ord shares (mn): 68

Total no. of shares (mn): 68

Mkt Cap Ord (Eu mn): 5,889

Total Mkt Cap (Eu mn): 5,889

Mkt Float - Ord (Eu mn): 2,105

Mkt Float (in %): 35.8%

Main Shareholder:

Fedone S.r.l. 50.1%

Balance Sheet Data

Book Value (Eu mn): 503

BVPS (Eu): 7.69

P/BV: 11.3

Net Financial Position (Eu mn): -671

Enterprise Value (Eu mn): 5,974

■ **2Q24 revenues rose 11.8% YoY to Eu311.6mn (figures published on 11 July).** The wholesale channel's quarterly revenues were up 7.1% YoY to Eu105.0mn in 2Q24, 1.0% above expectations, while retail revenues were up +14.4% YoY to Eu206.7mn, broadly in line with our estimates, supported by both brick-and-mortar boutiques (126 at the end of June 2024 compared to 124 at the end of June 2023). All geographical areas reported healthy growth rates, consistent with our forecasts: North America - 35.8% of total quarterly sales - was up 19.3% YoY, making it the best performing region; Asia was up 12.8% YoY (it represents 28.2% of total sales; China accounts for almost half of this amount, Japan about one quarter). Finally, Italy was flat, while the rest of Europe was up 7.0% YoY.

■ **Business update.** Regarding 2024, management confirmed guidance for 10% YoY revenue growth (including a 1-2% positive price contribution), a target that should be highly achievable, especially considering that qualitative comments on current trading remained very positive in both distribution channels. For 2024/25 the plan is to invest to double the capacity of the Solomeo factory and add new manufacturing facilities in Italy to produce men's outerwear and tailored suits, through factories in Penne, Abruzzo and recently Gubbio, Umbria (overall 2024/25 CapEx should be around 9.5% on sales). The 2024 EBIT margin should show a slight YoY improvement (+20/30bp), according to management.

■ **Our preview of full 1H24 results.** We expect the 1H24 EBIT margin to reach 16.8%, up 70bp, taking half-yearly EBIT to Eu91.8mn, up 18.9% YoY. Management is reinvesting part of the benefits coming from favourable operating leverage into the brand and into improving work conditions.

■ **Estimates confirmed.** We are leaving our 2024-25 revenue forecast unchanged, confirming annual growth slightly in excess of 10%. Our estimates imply 2H24 revenues to grow 8% at constant exchange rates, thanks to retail revenues expected up 12% YoY. We are also confirming our 2024/25 EBIT margin forecasts, which are consistent with management indications. We are slightly raising our CapEx forecast (from 8.0% to 9.2% on sales) but only on 2025.

■ **Upgrade to OUTPERFORM; target Eu105 unchanged.** Since our 15 March downgrade the stock has fallen 19%, or -20% relative to the FTSE MIB index. While our estimates and target remain unchanged, we are upgrading our recommendation to OUTPERFORM because we think the stock can regain momentum thanks to its unique positioning and the excellent visibility on consensus estimates. Market trends show 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, luxury customers demand an exclusive, refined product, that is not too widely distributed.

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	367	409	453
Net Profit Adj (Eu mn)	73	109	123	140	157
EPS New Adj (Eu)	1.070	1.598	1.810	2.056	2.306
EPS Old Adj (Eu)	1.070	1.598	1.799	2.031	2.279
DPS (Eu)	0.650	0.910	0.977	1.110	1.245
EV/EBITDA Adj	13.6	16.4	16.3	14.7	13.3
EV/EBIT Adj	26.9	28.5	28.4	25.6	23.1
P/E Adj	80.9	54.2	47.8	42.1	37.6
Div. Yield	0.8%	1.1%	1.1%	1.3%	1.4%
Net Debt/EBITDA Adj	2.1	1.7	1.8	1.8	1.7

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- 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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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