

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu91.55 - Target: Eu105.00

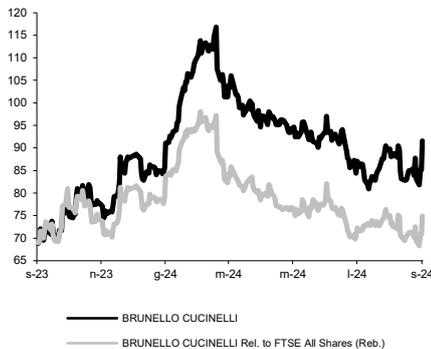
Strong Sales Growth Trajectory to Continue in 3Q

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

Next Event: 3Q24 Revenues
 Results Out 17 October 2024

BRUNELLO CUCINELLI - 12M Performance



Stock Data			
Reuters code:	BCU.MI		
Bloomberg code:	BC IM		
Performance	1M	3M	12M
Absolute	1.9%	-2.0%	32.6%
Relative	-0.3%	-4.4%	10.3%
12M (H/L)	116.80/68.85		
3M Average Volume (th):	166.33		

Shareholder Data	
No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	6,225
Total Mkt Cap (Eu mn):	6,225
Mkt Float - Ord (Eu mn):	2,226
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:	11.9
Net Financial Position (Eu mn):	-669
Enterprise Value (Eu mn):	6,309

■ We expect revenue growth to remain strong in 3Q. 3Q24 revenues, which the group will announce on 17 October, should show a continuation of the brand's positive momentum. According to our estimates, quarterly turnover should come to Eu294.8mn, up 7.4% YoY. In more detail, retail revenues are expected up 10.1% YoY to Eu182.8mn, 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) has 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 remain almost the same; on the other hand, wholesale revenues, despite some deliveries being brought forward in 2Q24, are expected up 3.4% YoY to Eu112.0mn: the +9.7% we expect in 9M24 for wholesale channel, which still represents more than one third of total revenues, is another feature that sets Brunello apart from the rest of the industry. On a geographical basis, Asia is expected up 9.2% YoY, continuing a convincing performance that should stand out in a weak environment; double-digit revenue growth is expected in the core North American market, which should represent 36% of total sales.

■ We expect management to reiterate guidance. For 2024, management is expected to confirm guidance for 10% YoY revenue growth, a target that looks highly achievable. Management should reiterate healthy growth of approximately 10% again for 2025 and, for the long term, its forecast of doubling 2023 turnover by 2030. In light of an unchanged company outlook for 2024/25, we expect confirmation of all investment projects, i.e. the boutique openings and relocations and the plan to double the capacity of the Solomeo factory and add new manufacturing facilities in Italy to produce men's outerwear and tailored suits.

■ Estimates confirmed. We are leaving our 2024-25 revenue forecasts unchanged, confirming annual growth slightly in excess of 10%. Our estimates imply 4Q24 revenues to grow at the same pace as expected for 3Q24. We are also confirming our 2024/25 EBIT margin forecasts, which are consistent with management indications.

■ OUTPERFORM; target Eu105 unchanged. We expect 3Q24 revenues to support 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 very 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	1,260	1,394	1,538
EBITDA Adj (Eu mn)	266	326	365	405	449
Net Profit Adj (Eu mn)	73	109	123	139	156
EPS New Adj (Eu)	1.070	1.598	1.811	2.050	2.297
EPS Old Adj (Eu)	1.070	1.598	1.811	2.049	2.296
DPS (Eu)	0.650	0.910	0.978	1.107	1.240
EV/EBITDA Adj	13.6	16.4	17.3	15.6	14.1
EV/EBIT Adj	26.9	28.5	29.8	26.9	24.3
P/E Adj	85.5	57.3	50.5	44.7	39.9
Div. Yield	0.7%	1.0%	1.1%	1.2%	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)

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.

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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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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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