Intermonte

Milan, 29 August 2024

Italian Equity Research – 1H24 Results

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu88.10 - **Target: Eu105.00**

Brand Set to Remain Immune to Sector Volatility

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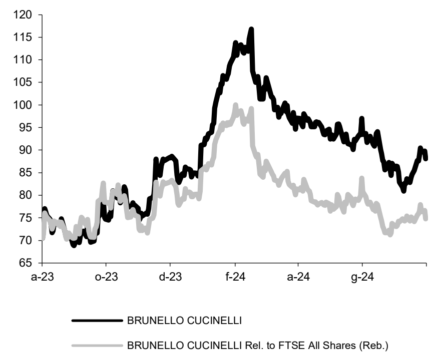
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	-0.3%	-0.4%

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	1.2%	-6.9%	25.7%
Relative	1.4%	-4.1%	6.5%
12M (H/L)			116.80/68.85
3M Average Volume (th):			134.22

Shareholder Data	
No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	5,991
Total Mkt Cap (Eu mn):	5,991
Mkt Float - Ord (Eu mn):	2,142
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:	11.4
Net Financial Position (Eu mn):	-669
Enterprise Value (Eu mn):	6,074

- **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 Eu104.9mn in 2Q24, while retail revenues were up +14.4% YoY to Eu206.6mn, supported by 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 19.2% 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.
- **1H24 EBIT was up 19.3% YoY, in line with our estimates**. 1H results showed a gross margin of 74.5%, up 300bp YoY and stronger than expected thanks to channel mix and certain menswear productions being brought in-house. At 16.8%, the 1H24 EBIT margin was up 70bp YoY, taking EBIT to Eu104.6mn, up 19.3% YoY and in line with our forecasts. Financial charges, including the IFRS16 component, amounted to Eu13.2mn, vs. Eu10.6mn in 1H23. Non-recurring financial items were positive for Eu+3.9mn in 1H24 vs. Eu+8.2mn in 1H23 (when Eu11.6mn relating to unrealised ForEx losses were offset by Eu17.6mn of gains from the investment in Cariaggi, mainly related to the capital gain on the stake disposal to Chanel). In adjusted terms, we calculated a 1H24 net profit of Eu58.2mn, up 14.2% YoY. Finally, net debt as at the end of June stood at Eu68.7mn, lower than expected mainly thanks to a Eu30mn tax payment being shifted to 1 July. Trading net working capital on sales increased from 18.7% at June 2023 to 21.6% at the end of June 2024.
- **Business update**. Regarding 2024, management confirmed guidance for 10% YoY revenue growth, a target that should be highly achievable, especially considering that qualitative comments on current trading remained very positive in both distribution channels. Considering portfolio orders, management confirmed healthy growth of approximately 10% again for 2025 and reiterated, for the long term, the forecast of doubling 2023 turnover by 2030. 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. The 2024 EBIT margin should show a slight YoY improvement (+20-30bp), according to management.
- **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.
- **OUTPERFORM; target Eu105 unchanged.** We confirm our positive view on the stock 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	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	1.810	2.056	2.306
DPS (Eu)	0.650	0.910	0.978	1.106	1.240
EV/EBITDA Adj	13.6	16.4	16.6	15.1	13.6
EV/EBIT Adj	26.9	28.5	28.6	25.9	23.5
P/E Adj	82.3	55.1	48.7	43.0	38.4
Div. Yield	0.7%	1.0%	1.1%	1.3%	1.4%
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:

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- 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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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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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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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