

BRUNELLO CUCINELLI

OUTPERFORM

Sector: Consumers

Price: Eu72.20 - Target: Eu86.00

Excellent Business Visibility, Upgrade To OUTPERFORM

Andrea Randone +39-02-77115.364

andrea.randone@intermonte.it

Francesco Brilli: +39-02-77115.439

francesco.brilli@intermonte.it

Stock Rating

Rating: from NEUTRAL to OUTPERFORM

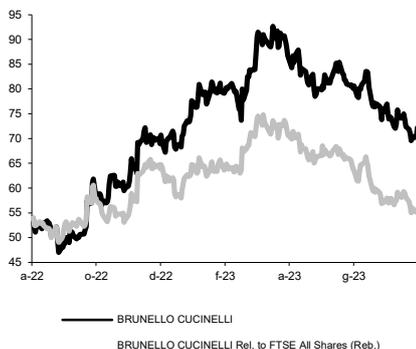
Target Price (Eu): from 85.40 to 86.00

	2023E	2024E	2025E
Chg in Adj EPS	2.8%	0.6%	0.5%

Next Event 9M23 revenues

Results Out 19 October 2023

BRUNELLO CUCINELLI - 12M Performance



Stock Data

Reuters code: BCU.MI

Bloomberg code: BC IM

Performance	1M	3M	12M
Absolute	-4.2%	-9.8%	33.8%
Relative	-2.2%	-17.4%	4.4%
12M (H/L)	92.65/47.00		
3M Average Volume (th):	75.20		

Shareholder Data

No. of Ord shares (mn):	68
Total no. of shares (mn):	68
Mkt Cap Ord (Eu mn):	4,910
Total Mkt Cap (Eu mn):	4,910
Mkt Float - Ord (Eu mn):	1,755
Mkt Float (in %):	35.8%
Main Shareholder:	
Fedone S.r.l.	50.1%

Balance Sheet Data

Book Value (Eu mn):	451
BVPS (Eu):	6.90
P/BV:	10.5
Net Financial Position (Eu mn):	-562
Enterprise Value (Eu mn):	4,878

■ **2Q23 revenues up 27.6% YoY, as released on 13 July 2023.** The wholesale channel's quarterly revenues were up 30.1% YoY in 2Q23, while the trend for retail revenues witnessed +26.2% YoY growth to Eu180.6mn. The performance in Italy and Europe (+33.4% and +28.6%) was the main positive surprise, thanks to both local and tourist demand; American revenues were up 9% despite a very tough comparison and the purchases made by American tourists in Europe while Asia was up 55%, remaining the top performing region, partly thanks to an easy comparison on Chinese consumption in April and May.

■ **1H23 EBIT was up 51.8% YoY, a touch better than expected.** 1H results showed a gross margin of 71.5%, stable YoY. At 16.1%, the 1H23 EBIT margin was up 220bp YoY, taking EBIT to Eu87.7mn, up 51.8% YoY and 3% better than consensus. Financial charges, including the IFRS16 component, amounted to Eu8.4mn, vs. Eu7.2mn in 1H22. Non-recurring financial items were positive for Eu19.2mn in 1H22 (of which Eu14.5mn relating to ForEx gains and Eu4.7mn to the investment in Cariaggi) while they were positive for Eu6.0mn in 1H23 (Eu11.6mn relating to unrealised ForEx losses were offset by Eu17.6mn gains from the investment in Cariaggi, mainly related to the capital gain on the stake disposal to Chanel). As for the Cariaggi stake, during 1H the group sold part of its holding (corresponding to 18.5% of the Cariaggi capital) to Chanel at about Eu26mn in cash. Finally, net debt as at the end of June stood at Eu38.6mn. lower than expected thanks to the cash-in from Cariaggi stake and after a dividend payment of Eu48.1mn. Trading net working capital on sales decreased from 25.2% at June 2022 to 18.7% at June 2023.

■ **FY23 guidance confirmed at upper end of range:** management foresees 2023 revenues growing by 19% YoY (the top of the range provided in July) and an EBIT margin of around 16% on sales. For 2024, in the light of an excellent wholesale order intake for the 2024 S/S collection, management confirmed 10% growth, also projected for 2025. A 50% dividend distribution policy was also confirmed. Indications on current trading were extremely supportive in all geographical regions, enhancing visibility on FY guidance.

■ **Change in estimates.** We are lifting our 2023 revenue forecast slightly above management guidance. Our estimates assume 10.1% YoY revenue growth in 2H23 or +14.2% at constant exchange rates. Our 2023 EBIT forecast of Eu174mn, raised by 1.6%, corresponds to a 15.8% margin, consistent with management indications. At bottom line, we are adjusting 2023 EPS to take into account the non-recurring income related to the stake disposal in Cariaggi and slightly higher minorities.

■ **Upgrade to OUTPERFORM; target from Eu85.4 to Eu86.0.** 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 underpenetration in China (around half the level of peers), leaves notable scope for future growth. In conclusion, after the recent weak share performance and in relation to a very solid outlook in all regions, we believe the current valuation offers an attractive entry point. With reference to Hermes, the stock is trading at a 9% discount that seems unjustified, especially in relation to a historical average premium of well over 10%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	712	920	1,099	1,219	1,348
EBITDA Adj (Eu mn)	193	266	319	356	397
Net Profit Adj (Eu mn)	44	76	109	119	135
EPS New Adj (Eu)	0.653	1.116	1.596	1.745	1.982
EPS Old Adj (Eu)	0.653	1.116	1.553	1.734	1.971
DPS (Eu)	0.420	0.650	0.830	0.872	0.991
EV/EBITDA Adj	16.5	13.6	15.3	13.7	12.2
EV/EBIT Adj	nm	26.9	28.0	25.3	22.6
P/E Adj	nm	64.7	45.2	41.4	36.4
Div. Yield	0.6%	0.9%	1.2%	1.2%	1.4%
Net Debt/EBITDA Adj	3.0	2.1	1.8	1.6	1.5