



BRUNELLO CUCINELLI



Press Release

BRUNELLO CUCINELLI: the BoD has examined the Preliminary Net Revenues as at 30/09/20.

Revenues for Q3 2020

- Significant growth of +3.6% at current exchange rates compared to the same period of the last year, confirming the expectations of an increase in turnover;
- Significant increases in revenues in North America, Europe and domestic China: North America +9.1%, Europe +7.5%, China (including Hong Kong and Macao) +3.2%, Italy -5.5%, Rest of the World -5.7%;
- Excellent growth in the wholesale channel of +19.4%, solid results in the retail channel down by -15.7%.

Revenues for the first 9 months of 2020

- Net revenues of €379.0 million, down by -17.5% at current exchange rates (-17.4% at constant exchange rates) compared to €459.2 million at 30 September 2019.
- North America -21.4%, Europe -13.4%, China (including Hong Kong and Macao) -12.6%, Rest of the World -13.9%, Italy -22.5%.
- Performance by distribution channel: wholesale -8.9%, retail -26.1%.

Brunello Cucinelli, Executive Chairman of the Company, commented as follows:

"In recent times we have been trying every day to live with this pandemic, with dwindling fear but still with the utmost attention. In the third quarter we have enjoyed very, very positive results and we imagine that this favourable trend will continue in the fourth and last quarter of 2020.

Perhaps we have restarted the path towards a healthy, balanced and sustainable growth of our company, which should lead us to close the second half of the year with an increase in turnover compared to the same period in 2019. This result should enable us to close 2020 with a "slight" drop in revenues of around 10%.

We have completed the Spring Summer 2021 order collection, which was particularly successful both in terms of numbers and image. The above prompts us to envisage a very positive 2021 that we call "year of rebalancing", with a growth in revenues of around 15%".



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Solomeo, 8 October 2020 - The Board of Directors of Brunello Cucinelli S.p.A. – Italian maison operating in the luxury goods sector listed on the Italian Electronic Stock Exchange (MTA) – today examined the Group's preliminary consolidated net sales as at 30 September 2020. The final data for the first 9 months of 2020 will be examined and approved by the Board of Directors at its meeting scheduled for 19 November.

Sales Performance and Revenues by Geographical Area

The results of the markets and channels of reference are extensively discussed in the section **"Extensive analysis and outlook"**.

Sales in the third quarter were €173.8 million, with growth at current exchange rates of +3.6% compared to €167.8 million last year.

Sales in the first 9 months of 2020 were equal to €379.0 million, with a performance at current exchange rates of -17.5% (-17.4% at constant exchange rates) compared to €459.2 million last year, following the strong impact of the pandemic in the first part of 2020.

North American market – the third quarter saw an important result of +9.1%. The first 9 months of 2020 were equal to €116.5 million (30.7% of the total), with a performance of -21.4% compared to €148.2 million as at 30 September 2019.

The dynamics of the quarter underscore an important growth trend supported by the resilience of “domestic” demand, with customers returning with greater peace of mind to buy in the boutiques and multibrand stores in their cities.

European Market – the third quarter saw a solid performance of +7.5%. The first 9 months of 2020 were equal to €120.8 million (31.9% of the total), with a performance of -13.4% compared to €139.5 million as at 30 September 2019.

The performance reported included significant increases throughout central and northern Europe, supported by the return to local customer stores, while the performance of Mediterranean Europe is still being impacted by the results of tourist cities, and in some areas by the persistence of fears related to the virus.

Italian market – the third quarter saw a performance of -5.5%. The first 9 months of 2020 were equal to €59.0 million (15.6% of the total), with a performance of -22.5% compared to €76.1 million as at 30 September 2019.

Growth in local customer purchases partially compensated for the significant decline in international tourism.

China – the third quarter saw a performance of +3.2%. The first 9 months of 2020 were equal to €38.1 million (10.0% of the total), with a performance of -12.6% compared to €43.5 million as at 30 September 2019.

There was solid positive growth in mainland China and Taiwan, being able in the third quarter to fully compensate for the difficulties related to the significant drop in traffic in major cities such as Hong Kong and Macao.



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Rest of the World – the third quarter saw a performance of -5.7%. The first 9 months of 2020 were equal to €44.7 million (11.8% of the total), with a performance of -13.9% compared to €51.9 million as at 30 September 2019.

The good performance of South Korea, a market that is still fully wholesale, did not offset the reduction in turnover in Japan, which in the third quarter of last year had performed very well while awaiting the increase in value added tax.

Revenues by Distribution Channel

Retail Channel – the third quarter saw a fair performance of -15.7%. The first 9 months of 2020 were equal to €169.3 million (44.7% of the total), with a performance of -26.1% compared to €229.2 million as at 30 September 2019.

The significant percentage of local customers allowed us to limit the losses due to the lack of international mobility.

As at 30 September 2020 the network consisted of 107 boutiques (106 boutiques as at 31 December 2019).

Wholesale Channel¹ – the third quarter saw an excellent performance of +20.8%. The first 9 months of 2020 were equal to €209.6 million (55.3% of the total), with a performance of -8.9% compared to €230.0 million as at 30 September 2019.

The timely deliveries of the Fall/Winter 2020 collections allowed us to achieve an excellent turnover in the third quarter in the various markets.

¹ The wholesale channel combines the wholesale multibrand channel and the wholesale monobrand channel. The multibrand wholesale channel at 30 September 2020 amounted to €186.7 million compared to €205 million at 30 September 2019. The monobrand wholesale channel had a turnover of €23.0 million at 30 September 2020 compared to €25.0 million at 30 September 2019. The corresponding network consisted of 31 boutiques as at 30 September 2020 (compared to 30 boutiques as at 31 December 2019).



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EXTENSIVE ANALYSIS AND OUTLOOK

A New Time

From **1st July** we began to look at the company with a **fresh, positive** perspective, **without worrying about the results of the first half**, aware that we are living in a year of “transition” and that we have entered a kind of **New Time** that requires humility, courage, creativity and speed of execution.

As we have noted during some very important meetings with the Italian and international press in the past few months and recently at Milan fashion week, we believe that:

“Creation has asked us for help, in the form of a dispute between biology and Earth. The great ideals will return to the forefront: good policy, good family, spirituality and art. We will go back to using what the earth offers us instead of just consuming it, paying close attention to every detail: where it was produced, how it was produced, and that its production did not harm creation.

We believe that we will return to harmonising one of the great themes of life: the relationship between profit and giving. Perhaps we will not turn our backs on poverty, and we will consider any surplus as a kind of loving resource for the part of humanity that is in need.

The great feelings of humans are always the same. We will work with the same dedication, but remembering that when humans are frightened, grieved, they are prone to kindness and not arrogance. People will be more aware of their purchases and will therefore be even more special”.

We believe that we are ready to face all these new challenges thanks to the foundations of our **company**, which has always sought **gentle growth** and **healthy profit** through the choice of a **contemporary, humanistic capitalism**, where we have always believed in the dignity of every human being.

The **number of employees** at work today **is the same as in February**, and **we have kept their salaries unchanged**, ensuring that they can **live and work safely** and with the **certainty of being able to maintain their jobs**.

Our company today is the same as in February.

Revenues for Q3 2020

We are very, very pleased with the results for the third quarter, and in May we chose to develop and communicate a plan that would allow us to return to growth as early as this quarter.

The achievement of this result is the result of the extraordinary commitment and great sense of responsibility of all the human resources who work with us, within the company, in artisanal workshops and in all companies that supply us with raw materials and services.

More than ever, we believe that the analysis of this result underscores four characteristics peculiar to our company that in our opinion were decisive:

- 1) The importance of a wholly Italian production chain.
- 2) The strategic role played by the wholesale channel.
- 3) The importance and resilience of the American market.
- 4) A "domestic" orientation in all markets.



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The importance of a wholly Italian production chain

Our first goal was to guarantee to our wholesale customers and our direct stores a delivery time of the Fall/Winter 2020 collection in line with last year.

Our entire supply chain's organisation, responsiveness and willingness to work overtime allowed us to offer timely, complete deliveries to all stores so they could start the new Fall/Winter season on time.

The importance of this post-lockdown production realignment will also probably produce effects during the fourth quarter, as we are now able to work serenely on the resort deliveries of the new resort Spring/Summer 2021 season.

The strategic role played by the wholesale channel

Founded on the wholesale business, the company has always continued to attribute a strategically equal role to the retail channel.

The reason for this choice stems from the belief that an exclusive multibrand store is and will remain a captivating destination, constantly modern and attractive to millions of customers worldwide.

The partnership developed over the years with about 500 great wholesale customers (about ten Department Stores and 490 Specialty Stores, most of which have a long-standing relationship with our company) is based on a very clear principle that we try to put into practice every day: dedicate the same attention and care to third-party stores as if they were our own directly-managed boutiques.

In our opinion, the search for synergy and complementarity between the channels is based on the consistency of the brand image in the different spaces it is present in and on the ability to offer the same personal and attentive service to different customers.

Based on frequent conversations with many of them, we have noticed a strong propensity towards planning for the next three to five years, and a strategic element of this new design phase seems to us to be a greater selectivity of supplier companies.

In fact, we have the impression that multibrands' desire for clear positioning is even stronger than in the past, presenting a smaller number of brands selected on the basis of the principles of desirability and reliability, dedicating greater depth and exposure to them.

We believe that we have benefited from this "selection" made by multibrand customers on at least two occasions: the first in March/April when we did not receive any cancellations of orders for the Fall/Winter 2020 collection, the second in July, August and September when we received a large number of new orders for Spring/Summer 2021 from all markets, both for the women's and men's collections.

We believe that this result was also possible thanks to recent fashion trends moving towards a clean taste that aligns with our product range, and the choice to physically present the collections in the showrooms in Shanghai, Munich, Paris and London in addition to the usual venues in Milan, Solomeo and New York, trying to stay as close to customers as possible.

We think that an order placed "physically" has a different value than an online order, and this gesture of respect and attention has offered our partners the best conditions to make an important selection of the collection with greater personal interaction.

The result of the campaign that just concluded provides further support for our expectations of a



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positive result in Q4 2020 and increased growth in 2021 of around +15%, followed by a +10% growth rate in 2022.

Customers' positive comments on the creativity of the new Spring/Summer 2021 collection – defined by many as “the most beautiful in our history” – are very important to us and reflect the great trust that our customers have in our company.

The importance and resilience of the American market

The geographical breakdown of the result by area in the third quarter highlights North America and Europe as two prominent areas of strength.

In particular, chronologically the United States was the last country to face the health emergency and perhaps the one where the acute phase lasted the longest. Despite this, demand from the American market has never fallen, changing form, channel and geographical area while remaining very resilient overall.

American customers were probably the most active on the digital channel, supporting the sales of all domestic and international online operators.

A second positive signal came from great specialty stores throughout the United States, able to immediately respond to the demand of local customers and meet their needs.

In parallel, we have started to see significant traffic in direct stores in resort locations, and since schools have reopened the sales in large cities are gradually improving.

As China did in the second quarter, America has confirmed two very important impressions for the forecasts of the coming months.

First of all, we believe that luxury customers have maintained the same desire, propensity to buy and possibility as shown over the last few years, and we also sense a growing desire to “experience” physical stores again and to engage personally with local salespeople.

A "domestic" orientation in all markets

The use of both wholesale and retail distribution channels has always had the dual purpose of creating new business opportunities and acquiring new knowledge of the market.

A key objective of every international operation is therefore the gathering of information about the market through discussions with partners and our local staff, trying to gain an understanding of both the economic and cultural realities of the local business.

This orientation is concretely reflected in the purchasing choices made store by store, even involving our sales staff – whom we call “brand ambassadors” – in the choices related to visual merchandising and interior design, trying to blend our distinctive taste with elements typical of the individual markets.

We believe that we have managed to create brand recognition through our stores and corners in specialty shops, creating something new and special in the various cities of the world and offering a further reason for customers to come to the store where we can seek to establish a “personal” relationship of mutual understanding and esteem.

This attention to domestic customers and the relationships of trust and esteem that we seek to create and maintain with them is due to the importance of the local customer, which we have always believed in, an element that seems particularly crucial in this period of almost total absence of international mobility.



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Obviously, the very nature of some areas such as Hong Kong or Italy does not allow us to ignore the presence of tourists, but even in these markets we are comforted by the fact that we have been able to expand the domestic component of our customer base.

We believe that our natural predisposition to local customers – amplified in recent months – will be a source of potential growth in the future.

In order to continue in this direction, we believe that the presence of strong local organisations complete with all functions and with greater autonomy at a governance level is essential in the main markets such as North America, China and Japan.

Bringing decisions closer to the markets is the tactic we have decisively employed in an effort to increase speed of action and effectiveness. Our local organisations are composed almost exclusively of “local people” who represent front-line cultural mediators in our approach to the country.

Expansions, new openings and restylings

In mid-September we opened our long-awaited new boutique on Avenue Montaigne in Paris where, in harmony with history, aesthetics and the spirit of the place, we hope to have created a tranquil, familiar venue for rediscovering the value of a gentle age.

This opening follows the equally important inauguration in June on Bond Street in London, underscoring our complete confidence in the value of physical retail.

We continue to believe that physical and digital retail is based on the possibility of creating a memory through an experience that involves the five senses.

Memory is synonymous with emotion, and we believe that customers of luxury goods will continue to search for emotional content.

The continuous development of spaces takes place in all the main geographic markets, as part of a constant search for balance that inspires our multi-annual investment plans.

In September we expanded our Shanghai, China boutique in the prestigious Plaza 66 mall. In Japan work has already begun on our Omotesando boutique, which we will open between the end of this year and the beginning of next. In Russia we will open the new St. Petersburg boutique in Nevsky Prospekt by year end.

In America, between the end of 2020 and the beginning of 2021 we will double the square footage of our Madison Avenue flagship store in New York and our Las Vegas Crystal boutique.

Online presence

We would like to continue to keep the company up to date online as well. For this reason, the project to update our e-commerce website and redesign the user experience will be completed by November, incorporating new technologies and taking into consideration user behaviour, including the enormous popularity of mobile use and the importance of having excellent technical performance in mainland China.

Just as we believe it is necessary to constantly invest in boutiques to keep them attractive to customers, we have seized this opportunity to change the technology platform to update, redesign and hopefully improve the digital experience of our visitors and customers. This part of the project will also be completed by the end of November.



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Focus on China

China is a market that we have known for a long time and where we have a very selected presence.

This year we have watched China very carefully in order to better understand the evolution of the pandemic. We are very pleased with the growth achieved in the third quarter despite the persistent low traffic in Hong Kong and Macao, which still account for a significant portion of our business in the area.

The growth therefore is the result of excellent sales in domestic China and Taiwan, both in the retail and wholesale channels. Indeed, with regard to the retail channel, the progressive normalisation of traffic and the ability to attract new customers supported sales throughout the third quarter.

With regard to the wholesale channel we note the excellent feedback from customers regarding the possibility of placing their orders for the Spring/Summer 2021 collection directly in our Shanghai showroom.

We continue to believe that the Chinese market has ample space for growth both in the monobrand and the multibrand channels, and consequently our plans include the opening of a selected number of boutiques, the expansion of important locations where we are already present and the entry into new specialty stores in the wholesale channel.

Brunello Cucinelli for Humanity and New Projects

At this particular time, when we are all focused on trying to improve every aspect of our work, we are sensing a particularly vibrant atmosphere in the company.

We consider the Brunello Cucinelli for Humanity initiative, established to allocate excess garments resulting from the temporary closure of our boutiques due to the pandemic, to be a great resource for humanity and for our company, as partners, friends and the press from all over the world have themselves noted.

We always like to have garments from the current season in our boutiques, which is why we have withdrawn the unsold garments and then re-labelled and delivered them to small associations located in all the countries we work in, also thanks to the help of our local partners.

We are experiencing days full of inspiration, devoting **40% of our time** to the year **2020** and **60%** of our time to the years **2021 and 2022**, taking care of all the smallest details related to business performance and developing new projects.

In fact, we are giving concrete expression to all those ideas that we have begun to develop in recent months, and these new projects are very important in nurturing a positive, enthusiastic climate within the company.

The manager in charge of preparing the corporate accounting documents, Moreno Ciarapica, declares pursuant to and to the effects of article 154-bis, paragraph 2 of Legislative Decree no. 58 of 1998 that the disclosures included in this press release correspond to the balances on the books of account and the accounting records and entries. The preliminary sales figures included in this release have not been audited.

This document may contain forward-looking statements on future events and operating results, as well as economic and financial results, regarding the Brunello Cucinelli S.p.A. Group. By their very nature, these statements contain an element of risk and uncertainty as they depend on the occurrence of future events and developments.



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Brunello Cucinelli S.p.A. is an Italian maison creating luxury goods. It was founded in 1978 by the fashion designer and entrepreneur of the same name and is listed on the Borsa Italiana Electronic Stock Exchange. The Company has always been **rooted in the medieval hamlet of Solomeo** and it is considered an authentic expression of the concept of “Humanistic Capitalism” since it can match constant, sound growth with an entrepreneurial philosophy addressing the major issues of **Harmony with the Created and Human Sustainability**.

Specialised in cashmere, the **brand** is currently believed to be **one of the most exclusive brands in the chic prêt-à-porter sector**, an expression of everyday lifestyle worldwide. The combination of **modernity** and **craftsmanship, elegance** and **creativity**, and **passion** and **human values** make Brunello Cucinelli one of the most exclusive and admired **ambassadors of Italian style** in the world. In fact, the brand authentically expresses the values of **tailoring** and **artisanship** that characterize **Made in Italy** production and the territory of the Umbria region in particular, combined with an eye on **innovation** and **contemporary style**.

Through **healthy, balanced** and **sustainable growth**, the company's main goal is to gain profits with **ethics, morality** and **dignity**, respecting the moral and economic dignity of the over 2,000 directly employed Human Resources and of all the company's collaborators. In 2019, the company reported over €600 million in revenues, a selected presence in the market, with 136 monobrand boutiques and the most prestigious spaces in the leading multibrand stores worldwide.

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