

BRUNELLO CUCINELLI

NEUTRAL

Sector: Consumers

Price: Eu73.70 - Target: Eu67.50

FY23 Revenue Guidance Improved In Light of A Strong 1Q23

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Stock Rating

Rating: Unchanged

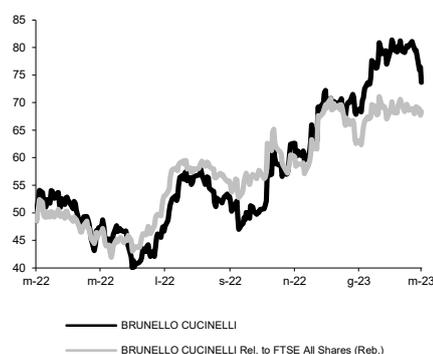
Target Price (Eu): from 63.80 to 67.50

	2023E	2024E	2025E
Chg in Adj EPS	-1.4%	-1.7%	

Next Event 1Q23 revenues

Results Out 18 April 2023

BRUNELLO CUCINELLI - 12M Performance



Stock Data

Reuters code: BCU.MI

Bloomberg code: BC IM

Performance	1M	3M	12M
Absolute	-9.5%	6.5%	52.0%
Relative	-2.4%	-1.0%	44.1%
12M (H/L)	81.40/40.02		
3M Average Volume (th):	76.32		

Shareholder Data

No. of Ord shares (mn): 68

Total no. of shares (mn): 68

Mkt Cap Ord (Eu mn): 5,012

Total Mkt Cap (Eu mn): 5,012

Mkt Float - Ord (Eu mn): 1,792

Mkt Float (in %): 35.8%

Main Shareholder:

Fedone S.r.l. 50.1%

Balance Sheet Data

Book Value (Eu mn): 437

BVPS (Eu): 6.68

P/BV: 11.0

Net Financial Position (Eu mn): -588

Enterprise Value (Eu mn): 5,006

■ **FY22 results in line with consensus forecasts.** On 9 January 2023, the group had already announced FY22 turnover and indicated YE22 net debt. In 2H22, gross profit amounted to Eu360.1mn, with a gross margin of 71.4%, much higher than in 2H21 (67.7%) and 40bp above our forecast, mainly thanks to a more favourable channel mix and to ForEx. OpEx was slightly above our expectations, taking half-yearly EBIT to Eu76.7mn, corresponding to a 15.2% EBIT margin, 220bp better YoY. In FY22, the increase in communication costs, up 45% YoY to Eu52mn, was mainly related to events and activities dedicated to hospitality with customers in the boutiques and in the Casa Cucinelli spaces. The number of DOS at YE22 was 119, from 114 at YE21. Financial charges, higher than expected, were negatively affected by the accounting of hedging instruments. The board proposed the distribution of a Eu0.65 dividend per share (55% payout).

■ **FY23 revenue guidance improved in light of a strong 1Q23.** Management, in light of a strong performance in 1Q23 and excellent order collection from wholesale customers, indicated that it expected FY23 revenue growth of 15% (from previous guidance of +12%), with an EBITDA margin before IFRS16 of between 18% and 19% (vs. 18.7% in FY22). The company reiterated its confidence in the prospects for exclusive, hand-made apparel, for which demand is outstripping supply. As for China, where the group achieved double-digit revenue growth in 2022, reaching c.13% of the total, management perceives a major growth opportunity, supported by local customers' increasing appreciation of the brand's values (no logo, hand-made apparel). As for 2024, 10% revenue growth guidance was confirmed. All the regions are recording positive trends. Menswear was confirmed as an important opportunity for the brand (interestingly, the mix between menswear and womenswear went from 40%/60% in 2021 to 44%/56% in 2022). Retail expansion will continue to be very selective, with about 3 new boutiques to be opened per year (2023 CapEx was confirmed at about 8% of sales).

■ **Aligning our estimates to company guidance.** In light of management indications, we are raising our 2023/24 top line forecasts by 3.7%/3.8%, bringing YoY growth a touch above the new guidance, on which we consider visibility to be high. At the same time we are leaving our margin assumptions unchanged. At bottom line we are trimming 2023 and 2024 EPS by 1.4% and 1.7% respectively, having assumed slightly higher minority interests. Finally, we are slightly improving our cash flow generation estimates, confirming a 50% dividend payout for the coming years.

■ **NEUTRAL confirmed; target from Eu63.8 to Eu67.5.** Management indications on current trading are once again very strong, confirming the healthy brand momentum in all regions. The current market environment remains very favourable for the brand, and new collections have been well received by buyers and the specialist press. However, valuation-wise, the stock remains unattractive, trading at a 6% premium on 2023 P/E compared to Hermès. We confirm our NEUTRAL rating and move the target to Eu67.5 in light of new estimates and the rollover of our valuation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	712	920	1,068	1,180	1,305
EBITDA Adj (Eu mn)	193	266	310	345	382
Net Profit Adj (Eu mn)	44	76	99	111	125
EPS New Adj (Eu)	0.653	1.116	1.454	1.634	1.844
EPS Old Adj (Eu)	0.653	1.275	1.475	1.662	
DPS (Eu)	0.420	0.650	0.727	0.817	0.922
EV/EBITDA Adj	16.5	13.6	16.2	14.5	13.0
EV/EBIT Adj	nm	26.9	30.9	27.7	24.9
P/E Adj	nm	66.0	50.7	45.1	40.0
Div. Yield	0.6%	0.9%	1.0%	1.1%	1.3%
Net Debt/EBITDA Adj	3.0	2.1	1.9	1.8	1.6