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Equity Valuation of Brunello Cucinelli S.p.A.

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Abstract

The goal of this thesis is to determine a fair price per share for Brunello Cucinelli, as well as provide a recommendation to buy, hold, or sell the stock based on the market price on May 25, 2023, which is €78,95. To achieve this, a thorough evaluation of the business was conducted, including an industry, macroeconomic and business analysis, followed by a financial analysis of past performance. The share price was determined using three different DCF models: Asset Side, Adjusted Present Value, and Equity Side. A sensitivity analysis was also conducted to account for assumptions uncertainty. Based on these factors, a sell recommendation was made with a result of €60 per share. This result was compared to Kepler Cheuvreux's result of €63 per share on January 10, 2023.

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Author: Jacopo Pacitto

Keywords: Equity Valuation, DCF, Discounted Cash Flow, Relative Valuation, Multiples, Luxury Fashion.

Resumo

O objectivo desta dissertação é determinar um preço justo por acção para a Brunello Cucinelli S.p.A., bem como fornecer uma recomendação para comprar, manter ou vender as acção com base no preço de mercado na data 25 de maio de 2023, que é de €78,95. Para o conseguir, foi realizada uma avaliação exaustiva da empresa, incluindo uma análise da indústria e macroeconómica, uma análise empresarial e uma análise financeira do desempenho passado. O preço das acções foi determinado utilizando três modelos DCF diferentes: Asset Side, Adjusted Present Value e Equity Side. Foi igualmente efectuada uma sensitivity analysis para ter em conta a incerteza dos pressupostos. Com base nestes factores, foi feita uma recomendação de venda com um resultado de 60 euros por acção. Este resultado foi comparado com o resultado da Kepler Cheuvreux de 63 euros por acção em 10 de Janeiro de 2023.

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Palavras-chave: Equity Valuation, DCF, Discounted Cash Flow, Relative Valuation, Multiples, Luxury Fashion.

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Executive Summary

The aim of this dissertation is to obtain the fair value per share of Brunello Cucinelli on May 25, 2023. The company operates in the luxury fashion industry and is famous in the market for its cashmere products, especially pullovers. Other than that, Brunello Cucinelli also manufactures all kinds of apparel and accessories, like t-shirts and small leather goods. It has also recently expanded in the sunglasses and fragrances segments thanks to partnerships with established players like EssilorLuxottica.

This specific company was chosen for different aspects: the first one is that over the last year it has experienced very high growth in its share price, therefore I wanted to see if the price hike was reasonable or not. The second factor is my keen interest in the luxury fashion industry. My intention was to dive deeper into this sector to gain a better understanding of its characteristics.

The thesis, excluding the conclusion, is divided into 6 chapters. The first one is the Literature Review, which aims to illustrate the best practices in equity valuation. Afterwards, a general overview covering both the macroeconomic environment and the luxury fashion industry is presented, followed by a business overview. To conclude, chapters analyzing the forecasting methods, the valuation and the comparison with Kepler Cheuvreux's equity report are present to analyze the obtained share price.

1. Literature Review

The following section of the thesis aims to explain and analyse the main valuation techniques used among Investment Banks and academia. Over the years, plenty of models have been designed and developed to accomplish the most accurate way to value firms. In these models, different approaches are used, some of them are more sophisticated, while others are simpler. Different assumptions are used, but they all share similar traits and have the aim to determine what the value of a firm is.

According to Damodaran (2007)¹ there are mainly four different models that can be used, each of which uses different approaches:

- (i) Asset-Based Valuation: where the assets owned by a firm are valued to know how much they are currently worth.
- (ii) Discounted Cash Flow Models (DCF): in DCF models, the value of a firm is represented by the future cash flows discounted to the present using a rate that represents an appropriate level of risk.
- (iii) Relative Valuation: in relative valuation, the value of an asset is calculated by comparing it to the one of similar firms (the peer group).
- (iv) Contingent Claim Models: in these models are used real options, that is – for example – the option that a firm has to make or not an investment or the development of a patent.

Another type of valuation model is called (v) Residual Income Model, a method firstly developed by Alfred Marshall in 1890², subsequently enhanced by Ohlson (1995)³ and adopted on a large scale. This model is defined as the book value of equity plus the future Residual Income discounted at the present.

¹ Damodaran, A. (2007), "Valuation Approaches and Metrics: A Survey of the Theory and Evidence", *Foundations and Trends® in Finance: Vol. 1: No. 8*, pp 693-784. <http://dx.doi.org/10.1561/0500000013>

² Bertoneche, M., Knight, R., (2001), "The cost of capital: concept and measurement" in "Financial Performance"

³ Ohlson, J. A. (1995), "Earnings, book values, and dividends in equity valuation". *Contemporary accounting research*, 11(2), 661-687.

1.1. Discounted Cash Flow Models

DCF models are broadly used by professionals across different industries to value either a firm, its equity value, just its assets or simply a project that is planned to be made.

The principle behind DCF Models is that the value of an asset is determined by calculating the present value of the future cash flows it generates. The general formula on which any DCF model is based is the following (Damodaran, 2012):

$$Present\ Value = \sum_{t=0}^{t=n} \frac{CF_t}{(1+r)^t}$$

Formula 1: Present Value

Where:

- n = life span of the selected asset
- CF_t = Cash flow at time t
- r = discount rate that reflects the riskiness of that cash flow

The estimated cash flow is based on several assumptions about how well the asset will perform in the future. In the case of a company, for example, the main items that will drive its future financials are *sales*, *capital expenditures*, and assumed *costs*, to name a few. The discount factor, to which a specific subsection will be dedicated, is the result of what we are trying to value. Usually, when we talk about companies, this rate is represented by the *Weighted Average Cost of Capital (WACC)*, which represents the rate at which the firm is financing its equity and debt. With regards to the time span at which the cash flow is projected, it usually is five years, but it depends on a variety of factors such as the company's stage and financial performance predictability (Rosenbaum and Pearl, 2013). Altogether, these factors give the analyst the *intrinsic value* of the company.

One major point in favour of DCF models is that are based on assumptions that are not altered by market conditions as happens in market-based models like *comparable company analysis* or *precedent transactions analysis*. Another point in favour is that they can also be used when a *peer group* is not available to the analyst. Nevertheless, since the intrinsic value given by the model is based on different assumptions, analysts usually prefer to give a valuation range rather than a single value. This range is obtained by performing either a *scenario* or a *sensitivity analysis*. A further thing to consider in favour of DCFs is that the model is flexible, that is, the intrinsic value of the firm is readily adjustable given that – if the model is well built –

assumptions such as growth rates, CapEx and working capital can be promptly updated if news concerning the company or the business area are available.

However, some limitations and drawbacks are present in using such models. Some selected common scenarios in which using a DCF model could be not so optimal are (Damodaran, 2012):

- **Distressed firms:** with negative earnings and cash flows, distressed firms' future cash flows are difficult to project, both because the likelihood of bankruptcy is strong and also because the cash flows need to be projected until they turn positive.
- **Cyclical firms:** Cyclical firms' profits and cash flows commonly reflect the state of the economy, growing during expansions and dropping during downturns. The predicted future cash flows are typically smoothed out if discounted cash flow valuation is utilized on these companies, unless a thorough analysis of the state of economy wants to be taken into account.
- **Private firms:** valuing private firms can be critical for mainly one factor: the discount rate cannot be readily estimated given that the risk factors affecting the valued firm may not fit the business riskiness. In fact, when calculating the discount factor, the data on which it is based are usually historical asset-related parameters, parameters that hardly fit a private business. One loophole that can be used is using risk factors of similar public companies, but since the size of private and public firms are usually too different, a CCA is usually used to value these firms.

Given this general overview of DCF models, in the following pages I am going to analyze models that are meant to value the whole firm (Enterprise Value models) as well as models meant to value just the equity side.

1.1.1. Free Cash Flow to the Firm

Before explaining what the Free Cash Flow to the Firm (FCFF) model consists of, explaining what we mean by Enterprise Value (EV) and FCFF is a necessary step.

EV can be defined as the total amount of ownership in a company and the claim on its assets from both debt and shareholders. In more general terms, EV is the sum of all equity, long and short-term debt and cash and cash equivalents. The generally accepted formula is as follows (Rosenbaum and Pearl, 2013):

Enterprise Value = Equity + Debt + Preferred Stock + Minorities + Cash and Cash Equivalents

Formula 2: Enterprise Value

FCFF, instead, is the cash flow available to all equity (common and preferred) and bond holders. To arrive at the FCFF value, we can start from EBIT, remove taxes and reinvestment needs and add back non-cash expenses.

$$FCFF = EBIT (1 - \tau_c) + D\&A - CAPEX - \Delta NWC$$

Formula 3: Free Cash Flow to the Firm

This cash flow is also referred to as *unlevered*, given that it does not consider the financial obligations the firm has to pay (Mitra, 2010).

After having defined what the EV and FCFF are, the present value of the firm can be defined as:

$$Firm\ Value = \sum_{t=1}^{t=n} \frac{FCFF_t}{(1 + WACC)^t} + \frac{TV_T}{(1 + WACC)^T}$$

Formula 4: Firm Value

Where:

- *FCFF is the expected cash flow to the firm at year t*
- *WACC is the discount factor and*
- *TV is the terminal value*

Since forecasting for an infinite period would be inaccurate, the present value is calculated by discounting two different periods: the first one which represents the different FCFF forecasted for a 3 to 10 years period, and the TV – which will be discussed later – as a perpetuity.

1.1.2. Adjusted Present Value

The Adjusted Present Value (APV) approach particularly fits firms that have changing debt levels. This model was first discussed and developed by Myers (1974)⁴, where he models the present value of projects by balancing borrowing and investment decisions. To adjust for these

⁴ Myers, S. C. (1974). Interactions of Corporate Financing and Investment Decisions-Implications for Capital Budgeting. *The Journal of Finance*, 29(1), 1–25. <https://doi.org/10.2307/2978211>

factors, when calculating the NPV of a project he takes into account the tax deductibility of debt and the present value of debt itself after calculating the project value as it was like in a “pure MM world⁵” without taxes, with perfect capital markets and where debt and dividends are irrelevant – hence the term *Adjusted*.

After having introduced the APV method, we can proceed with a detailed step-by-step explanation of the model. The first step to take is calculating the firm value as it was all-equity financed (*unlevered*).

$$V_0^U = \frac{FCFF_t}{(1 + K_e^U)^t} + \frac{TV_T}{(1 + K_e^U)^T}$$

Formula 5: Unlevered Firm Value

Where K_e^U , which will be discussed later, represents the cost of equity as the firm had no leverage.

The second step consists in calculating the tax benefits of debt, also known as *Interest Tax Shield* (ITS). This value directly derives from the tax level, debt level and cost of debt.

$$PV (ITS) = \frac{\tau_c \times (K_D \times D)}{K_D} = \tau_c D$$

Formula 6: Present Value of the Interest Tax Shield

Where τ_c represents the marginal tax rate that will be considered constant over time, K_D is the cost of debt and D is the debt level of the firm.

The last step to take is to calculate the PV of expected bankruptcy costs by taking into account two different factors: the probability of default and bankruptcy costs.

$$PV \text{ of expected bankruptcy costs} = \text{Probability of default} \times PV \text{ of bankruptcy costs} = \pi BC$$

Formula 7: Present Value of Bankruptcy

⁵ Modigliani, F., & Miller, M. H. (1958). The Cost of Capital, Corporation Finance and the Theory of Investment. *The American Economic Review*, 48(3), 261–297. <http://www.jstor.org/stable/1809766>

The probability of bankruptcy can be estimated using different methods like ratings on outstanding bonds (Altman, 2009), the Altman Z-score and others, while bankruptcy costs, according to Shapiro (1989) and Titman (1984) could range from 25 to 30% of firm value.

After having calculated all these components, the final APV formula can be depicted as:

$$APV = V_0^U + \tau_c D - \pi BC$$

Formula 8: Adjusted Present Value

1.1.3. Free Cash Flow to Equity

As opposed to FCFE, the Free Cash Flow to Equity (FCFE) aims to determine how much cash is available to shareholders. To do so, starting from the Net Income, we need to subtract reinvestment needs such as Capital Expenditure and add back Depreciation & Amortization as they are non-cash expenses. Afterwards, we need to subtract or add changes in working capital, we will subtract them if they increase year on year and vice versa. Ultimately, to obtain a final figure of what equity investors receive, we need to add back new debt issued and subtract debt repayments, obtaining net debt. After having adjusted the Net Income with these items, we can derive the FCFE formula:

$$FCFE = Net\ Income - CapEX + D\&A - \Delta NWC - Net\ Debt$$

Formula 9: Free Cash Flow to Equity

Once we have defined FCFE, we can find the present value of equity by discounting the FCFE using the cost of equity:

$$Equity\ Value = \sum_{t=1}^{t=n} \frac{FCFE_t}{(1 + K_e)^t} + \frac{TV_T}{(1 + K_e)^T}$$

Formula 10: Equity Value using FCFE

1.2. Residual Income Model

Firstly modelled in the late '30s by Preinrich, the Residual Income Model (RIM) has been rediscovered by Ohlson (1995) and Feltham and Ohlson (1995) and since then applied as a valuation model alongside classic DCF and multiples (Hand et al., 2017)⁶. However, it is not

⁶ Hand, J. R., Coyne, J. G., Green, J. R., & Zhang, X. F. (2017). "The use of residual income valuation methods by US sell-side equity analysts". *Journal of Financial Reporting*, 2(1), 1-29.

as widely used as previously mentioned models, except for Morgan Stanley, which uses it on a regular basis⁷.

Residual Income (RI) can be defined as the income that shareholders get less a deduction deriving from the cost of equity capital. Therefore, RI can be defined as the Return on Equity less the opportunity cost incurred in generating that income. The RI is then discounted at the cost of equity and added to the present equity book value. The formula can be written as follows:

$$Equity\ Value = B_0 + \sum_{t=1}^{t=n} \frac{(ROE_t - K_e) \times B_{t-1}}{(1 + K_e)^t}$$

Formula 11: Equity Value using the RIM

If a corporation can achieve a ROE higher than the K_e , the value that a shareholder holds in a company is more valuable than the company's stated book value of equity.

1.3. WACC

As previously seen, when valuing a firm's EV, the used discount factor is the Weighted average Cost of Capital, which takes into account the cost incurred by the firm in financing itself using debt instruments (K_d) and the opportunity cost of equity (K_e). Since firms commonly use both debt and equity in financing themselves, both costs need to be weighted by the proportions used by the company in using them. Therefore, the formula used to calculate the WACC can be written as:

$$WACC = K_e \times \frac{E}{D + E} + K_d \times \frac{D}{D + E} \times (1 - \tau_c)$$

Formula 12: Weighted Average Cost of Capital

Where K_e and K_d represent the cost of equity and cost of debt, respectively. These two items will be deeply explained later, but for the moment we can focus on why we have to multiply the K_d by the tax rate. The tax-adjusted WACC aims to capture what effects can tax deductibility have on cost of capital since tax benefits are not included in the FCFF calculation and they need to be accounted for given that firm valuation happens in a context where capital markets are not perfect.

⁷ Harris T.S., Estridge J., Nissim D. (2008). "Morgan Stanley ModelWare's approach to intrinsic value: Focusing on risk-reward trade-offs", in *Equity valuation: Models from leading investment banks*, Chichester: John Wiley & Sons.

One drawback of using the WACC is that it's most suitable for companies with stable D/E ratios. Therefore, when calculating it is necessary to have a target D/E ratio, either given by the firm or obtained by making assumptions based on historical ratios.

1.3.1. Cost of Equity

Cost of Equity can be described as the rate of return that equity investors require on an equity investment in a firm while at the same time bearing the risk of that investment. To compute the cost of equity we need to adjust for the risk the stock is bearing, beta. The most used model to compute the cost of equity is known as Capital Asset Pricing Model (CAPM), which states that the expected return of a security is the function of different factors such as the risk-free rate, the already mentioned beta, and the expected return of the market.

$$E(R_i) = r_f + \beta_i(E(R_m) - r_f)$$

Formula 13: Capital Asset Pricing Model

Where:

- r_f represents the risk-free interest rate
- β_i represents the riskiness of the security and
- $E(R_m)$ represents the expected return of the market. If we subtract the riskless rate from this item we obtain the market risk premium.

Another way to compute the cost of equity is by using the Fama and French Three Factor model, developed by Eugene Fama and Kenneth French in 1992⁸ and 1993⁹. The model is an extension of the CAPM, where size and value risk are added. These factors are included since they discovered in previous research¹⁰ that value stocks outperform growth stocks and small-cap stocks tend to outperform large-cap stocks. The three factors considered, therefore, are: market risk premium, firm size (Small Minus Big, SMB) and book-to-market values (High Minus Low, HML).

$$E(R_i) = r_f + \beta_1(E(R_m) - r_f) + \beta_2SML + \beta_3HML + \varepsilon$$

Formula 14: Fama and French Three Factor Model

⁸ Fama, E. F., & French, K. R. (1992). "The cross-section of expected stock returns". *The Journal of Finance*, 47(2), 427-465.

⁹ Fama, E. F., & French, K. R. (1993). "Common risk factors in the returns on stocks and bonds". *Journal of Financial Economics*, 33(1), 3-56.

¹⁰ Fama, E. F., & French, K. R. (1998). "Value versus growth: The international evidence". *The Journal of Finance*, 53(6), 1975-1999.

Even though the Three-Factor model is recognized to be better than the CAPM as explained by Whomack and Zhang (2003)¹¹ and the CAPM has been subject to different critiques¹², the former model is going to be used to estimate the cost of equity given its broad use in equity research.

1.3.2. Risk-free rate

The predicted return that an investor knows for sure he will receive for putting his money in an asset is represented by the risk-free rate. The prerequisite for this investment is the absence of default risk since the expected return of a riskless asset matches its actual return. The securities that are more suited to fulfil this need are those that are issued by governments, such as Treasury bonds.

In firm valuation, the most used risk-free rate is the spot rate of a 10-year government bond, while valuing companies operating in emerging markets, a market risk premium is usually added. Since Brunello Cucinelli mainly operates in developed markets, a market risk premium will not be added and as a proxy, the 10-year German bund will be used as risk-free rate.

1.3.3. Beta

The beta factor in the CAPM model represents the additional risk that an investment introduces to a portfolio. According to Damodaran (2012), there are three ways of estimating the beta: the first one uses historical data of market prices, the second one is based on the fundamental characteristics of the investment, and the third one is based on accounting data.

The conventional and most used approach to calculate betas is using market data. To do so, the company's returns are regressed against market returns. For publicly traded stocks the process is straightforward as returns are readily available, while market returns are usually represented by a stock index such as the S&P 500 or the Eurostoxx 600.

$$R_j = a + b R_m$$

Formula 15: Regression Model

Where the beta is given by the slope “b” of the regression.

¹¹ Womack, K. L., & Zhang, Y. (2003). “Understanding risk and return, the CAPM, and the Fama-French three-factor model”. Available at SSRN 481881.

¹² Roll, R. (1977). “A critique of the asset pricing theory's tests Part I: On past and potential testability of the theory”. *Journal of Financial Economics*, 4(2), 129-176.

The second method is called adjusted beta, and is a method developed by Bloomberg. The process consists in adjusting the raw beta, calculated with the process described above by bringing the raw beta towards 1, the average beta, since all the stocks over time tend to converge towards the average beta.

$$\text{Adjusted Beta} = \text{Raw Beta} \times (0.67) + 1 \times (0.33)$$

Formula 16: Adjusted Beta

In this dissertation, the adjusted beta will be used.

1.3.4. Market Risk Premium

Market risk premium (MRP) represents the additional yield on an investment that investors require when they invest in a market portfolio rather than in a treasury asset. The standard practice to calculate the MRP is to subtract from the historical average return of the chosen market the risk-free rate that fits the market better. For markets different from the U.S., Damodaran suggests adding a country risk premium as well to the calculated MRP.

1.3.5. Cost of Debt

The cost of debt represents the rate of return that debt holders of a specific firm require when investing in firm. For firms with outstanding debt such as bonds, the cost of debt is reflected by the YTM of the outstanding bonds, while for companies without outstanding debt, it can be calculated as interest expense divided by interest-bearing debt.

1.4. Terminal Value

Since estimating cash flows forever is not realistic and possible, when valuing a firm estimating a Terminal Value (TV) is necessary to compute the NPV of a firm. The aim of this measure is to estimate all the future cash flows after the end of the forecast. Because of that, since the TV represents a good part of the firm's present value, is important to value this number thoroughly. There are mainly two ways to perform the TV calculation: the first one is assuming a perpetual growth rate, while the second is by using the exit multiple method.

The formula to calculate the TV with a stable growth rate is as follows:

$$TV = \frac{\text{Cash Flow}_T \times (1 + g)}{r - g}$$

Formula 17: Terminal Value

Where r represents the chosen discount rate and g is the growth rate at which the firm is assumed to grow in perpetuity. Since no company can grow at a rate higher than the one of the economy forever, the perpetual growth rate can't be higher than that.

The exit multiple method consists in assuming a revenue or earnings multiple at the end of the selected period. However, the use of this approach is not suggested since if we base our analysis of comparable companies, what was born as DCF valuation can easily become a relative valuation. For this reason, the TV in this valuation will be calculated using a stable growth model.

1.5. Relative Valuation

Relative valuation consists in valuing the firm using market multiples of a selected peer group. There are two ways to value the target company: comparable company analysis (CCA) and precedent transaction analysis. By doing that, the analyst can compare the company's value with similar ones, even though it is suggested to use comps carefully and just as a completion to DCF methods.

1.5.1. Comparable Company Analysis

CCA – also referred to as trading comps – is a methodology that allows the analyst to value a company, business segment or different assets at a given point in time by using a market benchmark. The concept of trading comps is based on the fact that similar businesses have common business and financial characteristics, performance factors, and risks. This makes them a valuable benchmark for assessing a specific target. As a result, the analyst may create the target's valuation parameters by figuring out where it stands in relation to similar businesses. The epicenter of the analysis consists in selecting a universe of similar companies, benchmarking them against one another and the company we want to value by looking at key characteristics such as market cap and financial ratios, and finally calculating relevant multiples for all of them (Rosenbaum and Pearl).

The key steps to take when performing a trading comps analysis are:

- **Finding fitting comps:** this is the foundation and will influence the final results, so it is crucial to select relevant companies. Selected companies need to have similar traits to

the target such as: business area, business drivers, geography and customers, to name a few;

- **Spread key financial information:** Once the comparable companies are selected, the next step to take is to calculate key financial ratios and items to see how good companies can represent a valid comparable. After that, calculating previously selected multiples is necessary for the next step;
- **Determine the valuation:** based on the multiples previously calculated, the analyst can determine a range by using the averages and the medians of the selected companies, and based on that calculate the value of the target company using its financial information.

1.5.2. Precedent Transactions Analysis

Precedent Transaction Analysis – also referred to as transaction comps – is based on the same principle of trading comps, that is, value a company based on multiples with the difference that the selected companies are recently being acquired, so the multiples on which the analysis is based belong to those companies. The selection of relevant companies is similar to the one previously described, so finding recently acquired companies that share similar traits to the company we want to value is fundamental. However, performing such an analysis is more complex than trading comps, given that finding recent transactions of relevant companies is not always easy, therefore sometimes is also accepted to take into account companies that are not 100% equal to the one we want to value but also firms that operate in similar or related industries.

Clearly, most recent transactions would be more appropriate, but since in some sectors the M&A market is less active than in others, finding transactions that took place not so recently is also accepted if market conditions are similar.

Something else to consider is that multiples in transaction comps are higher than in trading comps mainly for two reasons: the acquirer pays a “control premium” and can realize synergies, therefore paying a higher price is accepted given the future cost savings and higher revenue realized from the synergies.

1.5.3. Best practices in relative valuation

According to Goedahrt et al. (2015)¹³ there are some principles to follow when performing a relative valuation. The best practices are:

- **Use peers with similar prospects for ROIC and growth:** Selecting the ideal organizations for a similar set is difficult. Most financial analysts begin by looking at the industry in which a firm operates, although industries are frequently ill-defined. In its annual report, the corporation may name its rivals. Use of the US government's Standard Industrial Classification codes is an option. The Global Industry Classification Standard (GICS), recently created by Morgan Stanley Capital International and Standard & Poor's, is another approach.
- **Use forward-looking multiples:** According to empirical data, forward-looking multiples are better value forecasters. For instance, Jing Liu, Doron Nissim, and Jacob Thomas evaluated historical and prospective industry multiples for a sample of businesses listed on the New York Stock Exchange, the American Stock Exchange, and the Nasdaq. They compared the features and performance of these multiples. The dispersion of historical earnings-to-price (E/P) ratios was roughly double that of one-year projected E/P ratios when they compared individual businesses to their sector mean. The three also discovered that prospective multiples encouraged more accurate pricing. When forward multiples are not available, the last available data can be used.
- **Use EV multiples:** P/E multiples, although frequently utilized, have two significant drawbacks. First, the capital structure has a consistent impact on them. Leverage causes P/E ratios for businesses whose unlevered P/E is greater than one to augment. The enterprise value to EBITA ratio is an alternative to the P/E ratio. In general, changes in the capital structure have less of an impact on this ratio.
- **Adjust the enterprise-value-to-EBITA multiple for nonoperating items:** One-off non-operating items in net income make EBITA superior to earnings for calculating multiples, but even multiples of enterprise value and EBITA adjust for non-operating items hidden in enterprise value and EBITA need to do it. Items that are cleaned up include surplus cash and operating leases.

¹³ <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/the-right-role-for-multiples-in-valuation>

2. General Overview

Over the past few years, the world has completely changed for a series of different factors such as the pandemic, supply chain constraints and more recently the war in Ukraine. The aim of this section is to analyze the state of the global economy and the luxury fashion industry, necessary to perform an accurate valuation of Brunello Cucinelli.

2.1. Macroeconomic Outlook

During the last decades, the global economy became incredibly interconnected, an individual or a company, just with the use of the internet, can reach millions – if not billions – of people worldwide. However, interconnection is responsible for what is called *Spillover Effect*, a concept first developed by John Stuart Mill¹⁴ at the end of the 19th century. With spillover effects economic agents both benefit and suffer the effects of what is happening – on an economic level, but not only – somewhere else in the world. For example the 2008 global financial crisis first started in the United States and affected the whole world, albeit with a few exceptions. This preamble is important to understand what happened and what is currently happening to the global economy nowadays: 2022 made us face the truth, what happened at the beginning of 2020 is having huge effects nowadays, and what’s happening nowadays will have an impact at least for the whole 2023.

In 2022, just a few economies were safe from what happened and what is happening, from inflation, to global supply chain disruptions and geopolitical tensions as well as climate change. From a GDP growth of 6% in 2021, 2022 GDP growth is expected to fall to 3.4% in 2022 and to 2.9% in 2023¹⁵. The fact that the war in Ukraine is still going on and central banks seem to hike interest rates for a while longer, puts some uncertainty on these estimates.

¹⁴ Medema, S. G. (2007). “The hesitant hand: Mill, Sidgwick, and the evolution of the theory of market failure”. *History of Political Economy*, 39(3), 331-358.

¹⁵ IMF (2023). “World Economic Outlook Update, Inflation Peaking Amid Low Growth”. *International Monetary Fund*, January 2023

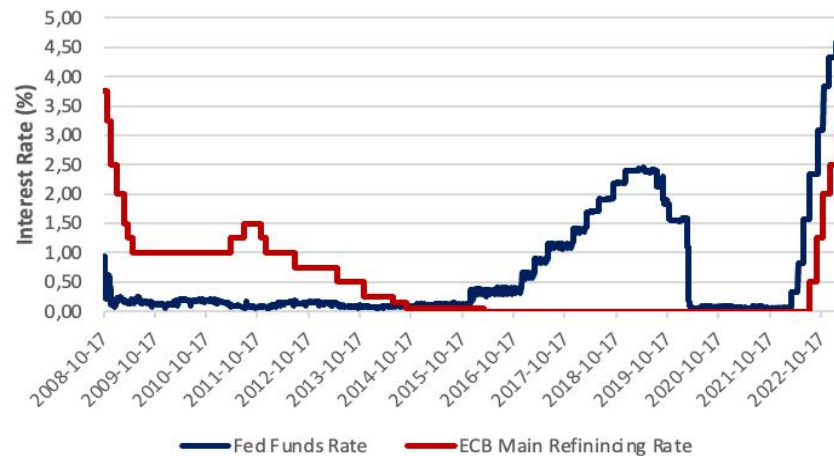


Figure 1: Key ECB and FED interest rates. Source: FRED

Fashion brands management will need to adapt their corporate strategies to reflect the actual situation. From operating plans to cost-cutting, understanding different potential outcomes is crucial to develop clear and forward-looking strategies to adapt in the segment(s) they operate in. Some factors that they will have to consider are:

- (i) **War in Ukraine:** the Russian invasion of Ukraine has had a huge impact on commodity prices, especially on oil and natural gas¹⁶. Energy-intensive fashion brands will need to take this into account, since production costs are expected to grow and at the same time, consumer will have less money in their pockets. By contrast, in energy exporting countries in the Middle East GDP is expected to grow, so fashion companies could take advantage of the market.
- (ii) **Inflation:** especially in the US and Europe, prices for apparel soared by 22%¹⁷. By increasing prices, fashion brands are trying to offset costs to final customers. Last year's inflation can be determined by the effects that historically low interest rates by CBs have had on money supply and supply and demand shocks¹⁸ after COVID-19 and the War in Ukraine.
- (iii) **Interest Rates:** one measure policymakers can take is rising key interest rates to make the cost of money higher. This obviously have an impact on companies as well, making their cost of debt higher. This also had an impact on currency markets, where, for example, the EUR/USD exchange rate traded at par and also below par. This created both opportunities and threats for companies, since European

¹⁶ Ha, J., Kose, M. A., & Ohnsorge, F. (2021). One-stop source: A global database of inflation.

¹⁷ McKinsey & Company and Business of Fashion (2022). "The State of Fashion 2023". McKinsey & Company

¹⁸ Frick, W. (2022). "What causes inflation?". In *Harvard Business Review*

companies operating in the US will register higher profits but at the same time, fashion companies that rely on overseas suppliers will have to adjust their outlooks.

- (iv) **Consumer Spending:** because of record-high inflation rates, consumers are reviewing their spending priorities. According to two McKinsey surveys^{19 20}, US consumers felt pessimistic about the state of the economy (but they did not cut spending), while in Europe, because of factors such as rising inflation and the War in Ukraine, consumers said that the main items on which they were planning to cut spending were apparel, jewellery, accessories and footwear. Consumer spending in China dumped because of continuous lockdowns imposed by the Government.

2023 will be a test year for the majority of fashion companies, but like in any sector, some outliers are expected to be more resilient than others. In fact, given the market positioning of fashion luxury brands, high-income households will continue spending given their financial position. In fact, considering the nature of luxury brands (short supply chain and local manufacture, above all) the most vulnerable brands are going to be the fast fashion ones because of the geopolitical instability that afflicts manufacturing centres like Pakistan and China.

2.2. Industry Overview

Brunello Cucinelli operates in the fashion industry, and more specifically in the luxury fashion segment, which can be considered a completely different entity considering the unique growth drivers that affect it. The fashion luxury market is highly competitive, with consumers following new trends every season and becoming more knowledgeable when it comes to fashion. Because of that, luxury brands need to continuously adapt to new trends, making the market far less predictable than it used to be. With the advent of the internet, consumers have had access to a whole new level of reachability in worldwide markets, therefore companies have also had to adapt to completely different tastes and consequently create new collections from scratch to satisfy new customers.

The aim of this subsection is to analyze the key market players and describe what the market trends have been in recent years.

¹⁹ McKinsey & Company COVID-19 US Consumer Pulse Survey

²⁰ McKinsey & Company Europe Consumer Pulse Survey

2.2.1. Key Market Data

Luxury fashion brands are mainly located in two countries: France and Italy. Brands from both countries have always been popular among high-net-worth individuals and the market has always been characterised by strong competition. To overcome such a problem, Bernard Arnault – LVMH founder, chairman and CEO – started to buy luxury brands covering different verticals but always focusing on the luxury end. He started by buying Luis Vuitton and Moët Hennessy. Afterwards, he bought other luxury brands such as Fendi, Loro Piana and Dom Pérignon. Another famous luxury conglomerate is Kering, a French group comprising brands like Gucci and Saint Laurent. Other world-renewed luxury fashion brands and conglomerates are Prada, Armani and others.

Over the past few years, the global personal luxury goods market – which encompasses apparel, watches, jewellery and eyewear – has steadily grown over the past few years, reaching \$337,3B in 2022. The market grown at a CAGR of 5% from 2015 to 2022, and is expected to grow at a CAGR of 7% until 2025.

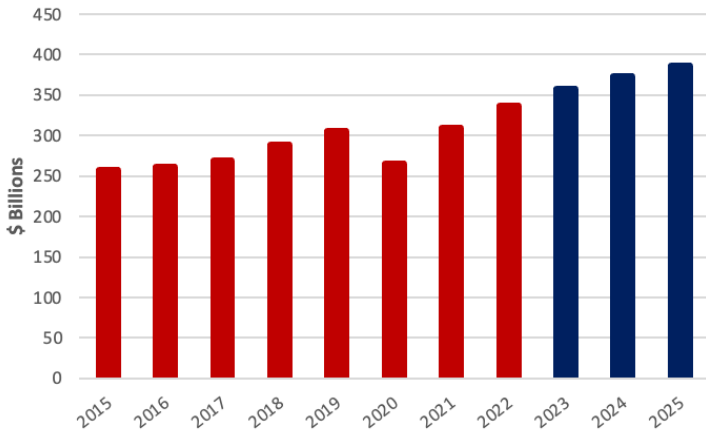


Figure 2: Personal Luxury Goods Market Size. Source: Personal Elaboration on Statista’s Data

One important segment of the personal luxury goods market is the Luxury Fashion one. From 2018 to 2022 it grew at a CAGR of 2%, a growth dampened by COVID-19, and is expected to grow at a CAGR of 3,39% from 2023 to 2028.

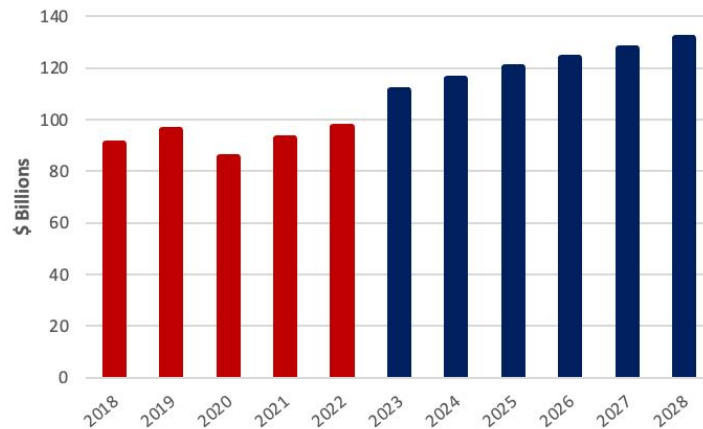


Figure 3: Luxury Fashion Market Size. Source: Statista

Following the outlier year of 2020, the luxury fashion market – like the majority of industries – saw a V-shaped recovery in 2021 and astonishing growth in 2022 as well. A peer group formed by Moncler, Salvatore Ferragamo, Tod’s, LVMH (just fashion and leather goods), Prada, Hermès, Kering and Burberry reported aggregate revenues of €67.596,96 million, up 38% if compared to 2020. As previously mentioned, still experiencing momentum growth from the pandemic, 2022 saw a 22% growth from 2021. This large increase in sales largely surpassed 2019 sales, and this rebound is also attributed to the fact that the fashion luxury industry suffered more than other industries in 2020 (Mediobanca), mainly because luxury brands conduct the large majority of their sales (80% circa) in person, since the purchasing experience is perceived as part of the brand/product as well.

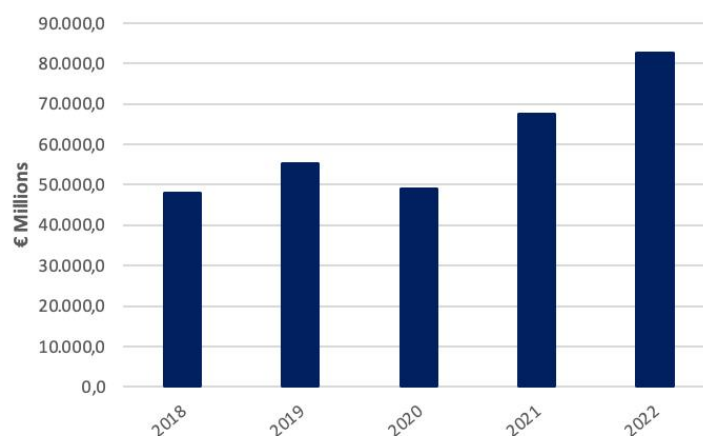


Figure 4: Peer Group Aggregated Sales. Source: Refinitiv Eikon

In terms of geographical revenue of the mother company, we can see that French companies are the leaders - mainly because of LVMH and Kering – accounting for 85% of sales, followed by Italy and the UK. A peculiarity is that Italian companies are more but smaller in size, and another thing to note is that a large number of Italian luxury companies are not even listed.

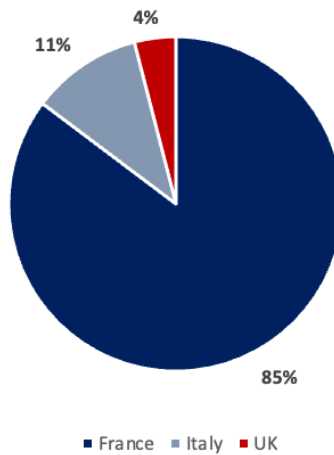


Figure 5: Revenue by Country (2022) Source: Mediobanca

With regards to margins, it is well known that fashion brands can use outsourcing and cheap labour and materials to keep costs down and therefore achieve high profitability margins like EBIT and EBITDA. Even if among luxury brands this practice is less common for products' intrinsic characteristics, they are still able to achieve notable margins. The aggregated EBITDA Margin for the same peer group (excluding LVMH) slightly decreased YoY, but it managed to stay above 35%.

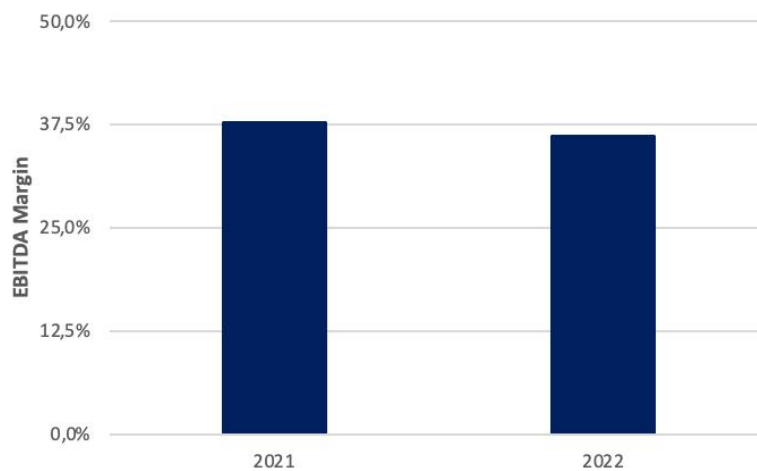


Figure 6: Peer Group aggregated EBITDA Margin. Source: Refinitiv Eikon

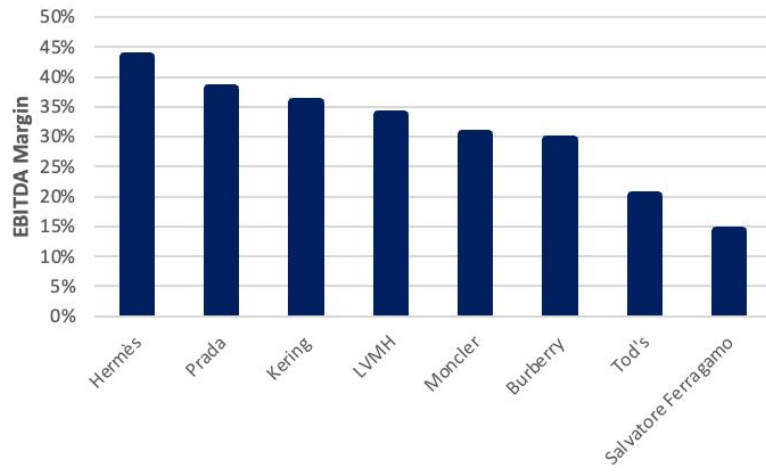


Figure 7: Peer Group EBITDA Margin. Source: Refinitiv Eikon

3. Business Overview

Brunello Cucinelli is an Italian company operating in the upper end of the luxury fashion industry founded by Brunello Cucinelli himself in 1978. The company is based in Solomeo, a small medieval village in Umbria, an Italian region. The brand is known for its high-quality cashmere products and its commitment to ethical and sustainable business practices.

The Group's product line is centred around a single brand, Brunello Cucinelli, which is widely regarded as one of the leading instances of "absolute" luxury that combines Made in Italy with the capacity for innovation and trend-spotting. The company's mission is to enhance the lives of individuals who work there, protect the planet's natural beauty, and carry out initiatives that will ensure the company's viability for future generations. Brunello Cucinelli has built and anchored his business model on several specific aspects that distinguish and place the brand as an extremely high-end, unaffordable luxury.

The brand is centered around the idea of *Humanistic Capitalism* and *Human Sustainability*. The idea behind these two pillars on which the company is based are the following (2021 Consolidated Non-Financial Statement):

- Harmony with Creation
- Balance between profit and giving back
- Moral and economic dignity of the human being
- Economic sustainability
- Sustainability of creation
- Moral sustainability
- Cultural sustainability

The firm has always been committed to respect the environment, leading the production process to “pay attention to the use of resources and to use technology to reduce the externalities associated with the production process”, even though given the high level of craftsmanship, emissions are not particularly high. These principles are highly tied to the company's brand identity and business model, which will be described below.

3.1 Brand identity and Business Model

The company has always been extremely tied to the production of cashmere from the beginning, and over the years it has expanded into total looks for women, men and children, establishing itself as a top player in the ready-to-wear segment. Being mainly a no-logo brand, the company always invested in visual merchandising to give customers a dynamic message by constantly investing in collections’ development.

As for the business model, Brunello Cucinelli operates in two segments: apparel and accessories. The core business of the fashion house is the apparel line, and its flagship product is cashmere-made knitwear. Brunello Cucinelli started to sell cashmere in 1974 when he started selling colored cashmere knitwear for women, a product that became highly appreciated among German-speaking customers²¹. After that initial phase, the fashion house expanded into other products such as coats and jackets, suits and all kind of apparel. Other than that, BC also manufactures and sells sneakers and more elegant shoes like loafers, and sells different accessories, mainly leather goods and also eyewear, through a partnership with Essilor-Luxottica²². As for the selling channels, the “Casa di Moda” uses two different distribution methods: retail and wholesale. With the retail channel, customers buy products directly from BC stores all over the world (119 in total), while in wholesale monobrand stores (30 boutiques in total), customers buy products in BC stores inside department stores. One important thing to point out is that BC sells its products also through wholesale multibrand stores. As for the sales, retail stores are responsible for 62.3% of sales, while wholesale stores are responsible for 37.7% of sales.

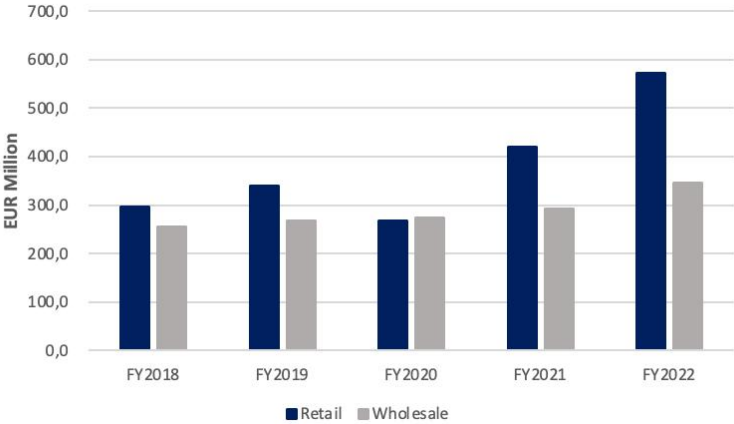


Figure 8: Sales by Distribution Channel. Source: BC

²¹ <https://www.brunellocucinelli.com/en/the-origins.html>

²² <https://www.essilorluxottica.com/brunello-cucinelli-and-essilorluxottica-together-next-ten-years>

3.1.2. Craftmanship

Craftmanship is the key to BC's success. The high quality with which the company's products are made could not be possible without a supply chain of the highest quality: raw materials are purchased from suppliers with proven reliability and with a long-term established partnership with BC. The company has 242 different suppliers, 95.5% of which are based Italy, 3.7% in Spain, Portugal and France and 0.8% in Japan. The main cashmere supplier is Lanificio Cariaggi, in which BC holds a minority stake (43%) bought in 2022. The same quality and care are applied to leather suppliers as well: the majority of suppliers are based in Italy, but some of them can also be found in France and in the Iberian Peninsula. By procuring its raw material mainly from Italy, BC enjoys a very short supply chain, which allowed the company to not feel the supply chain shock that other companies (also in the fashion industry) suffered after the 2020 pandemic.

Since materials are first-class ones, craftmanship is another important part of the company. BC manufactures both in-house and through specialized craftsmen (façonisti) spread over different Italian regions – Umbria, Lombardy, Tuscany, Veneto, Marche and Lazio. This craftmanship is reflected in the company's products, which are made to be durable and of the highest quality. Actually, there are 365 different small and medium-sized façonisti working with BC, and more than half of them work exclusively for the company. This process allows the company to achieve more than 50% of manual workmanship.

3.2. Financial Analysis

3.2.1. Sales

Since 2018 – except for 2020 – Brunello Cucinelli's sales have been growing constantly at a CAGR of 14%. To make a more granular analysis, it is appropriate to break down sales YoY. In 2018, when the company sold goods for €554,4 million, the company registered a sales growth of 7,9% compared to 2017. In 2019, sales grew by a slightly higher percentage (9,8%), reaching €608,6 million. After a year of constant growth, BC's sales fell by 10,6% in 2020 due to the global pandemic, which prevented customers to buy the company's products. This fall is comprehensible if we think that – also given the nature of the company's business – the large majority of the company's sales are made in person. After this dark year, the company achieved extraordinarily high sales growth in 2021 (30,9%) reaching €712,2 million and 2022 (29,1%)

achieving €919,7 million. The rationale behind this high sales growth is that the company targets high net-worth individuals, a group of people that felt less the covid shock and returned to spend money after several months of lockdowns. Another thing is that the company was strong enough to keep the same production structure.

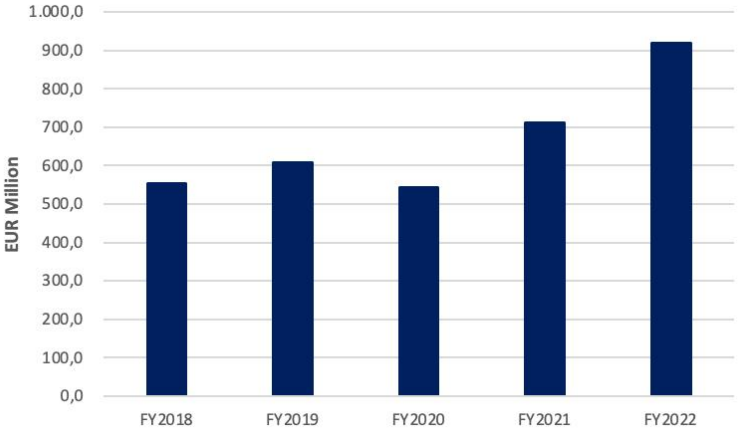


Figure 9: Sales. Source: BC

If we look at the sales breakdown by region, we can see that the majority of sales – 40% – is held in Europe (including Italy) followed by the Americas and Asia. Sales in the Americas towed by the US, a population that has always been attracted by luxury fashion. In Asia, like in the Americas, sales are pulled by one country as well which accounted for 50% in 2022, China. China is the target of a specific sales strategy carried out by BC since 2018 called “Celestial Empire”²³ given the difficulties that foreign brands encounter when selling their products in the Asian country.

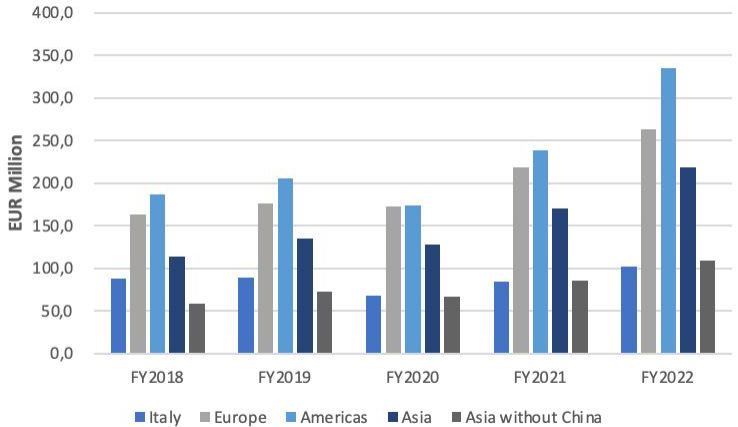


Figure 10: Sales by Geography. Source: BC

²³ http://investor.brunellocucinelli.com/yep-content/media/BC_1Q%2019%20onf%20call_transcript%20online2.pdf

3.2.2. Cost of Sales

Over the years, there’s a clear trend for what concerns Cost of Sales, Gross Profit and Gross Margin. We can see that Cost of Sales remained constant from the period that goes from 2018 to 2020. In fact, in 2019 COGS increased by a mere 1% if compared to 2018, while in 2020 they decreased by 9% due to lower production. However, in 2021 and 2022 COGS increased for mainly two reasons: in 2021 it is plausible to assume that after the resumption of consumer spending, the company has spent more money on raw materials to meet the demand, while in 2022 there is a combination between the momentum following the stores’ reopening and inflation. As for the Gross Profit Margin, it remained stable as well from the period that goes from 2018 to 2021, while in 2022 it jumped to 72% due to a non-proportional increase in sales and COGS.

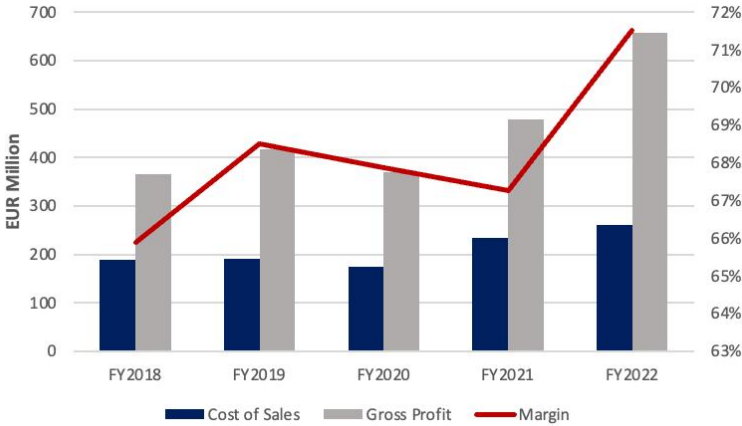


Figure 11: COGS, Gross Profit and Gross Profit Margin. Source: Own calculation on BC data

3.2.3. EBITDA, EBIT and Net Income

When it comes to analyze BC’s EBITDA, it is worth highlighting the difference that stands between the EBITDA pre and post IFRS-16 application. In fact, after the application of the new accounting standards from 2019 onwards which regulates leasing accounting, BC’s EBITDA drastically increased since D&A accounts for leases as well. As can be seen from the graph below, the difference between the two figures is relevant since BC makes large use of leases, but in both cases, excluding 2020, the figure steadily increased, seeing notable growth in 2021 after the COVID shock absorption and in 2022 thanks to a great increase in sales.

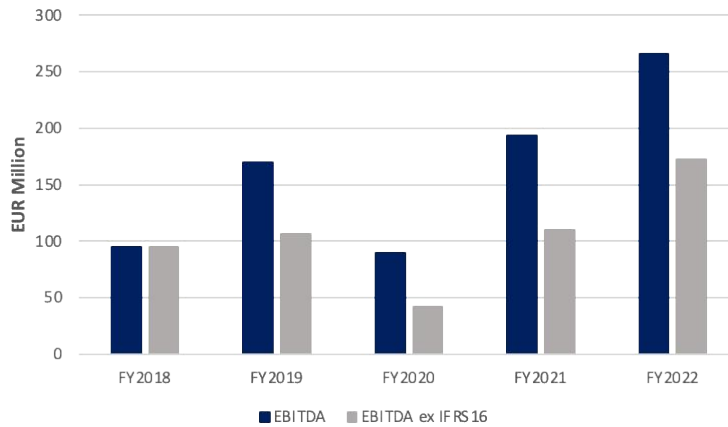


Figure 12: EBITDA pre and post IFRS-16. Source: Own calculation

EBIT and Net Income followed a similar path, increasing over the years except for 2020 when it was negative, and 2021 when both figures returned to historical levels. In 2022, following the sales momentum of 2021, both figures rapidly increased reaching a value of €134,4 million and €80,6 million respectively.

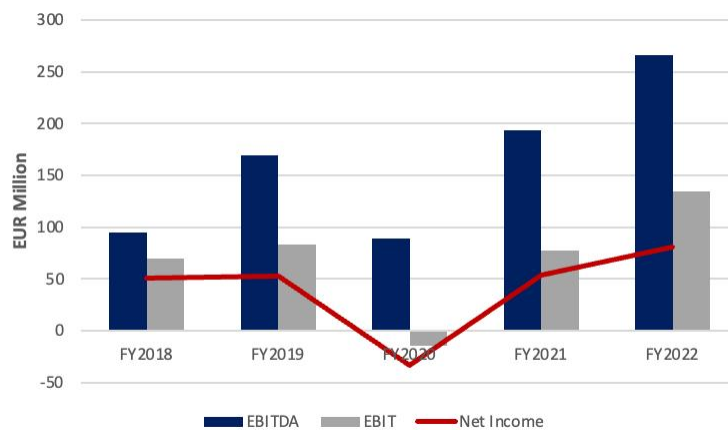


Figure 13: EBITDA, EBIT and Net Income. Source: Own calculation

3.2.4. CAPEX and D&A

Like EBITDA, there are some considerations to make for D&A as well. In fact, after the introduction of IFRS-16, D&A has been impacted too. We can see from the graph below that if we include IFRS effects in the calculations, D&A is far higher given the accounting of right-of-use assets. Except for that, we can see a clear trend, with D&A constantly increasing over the years in both cases. More specifically, in 2022 the figure increased by 49% reaching €76,2 million if we exclude leasing and by 13% reaching €131,9 million if we include lease effects.

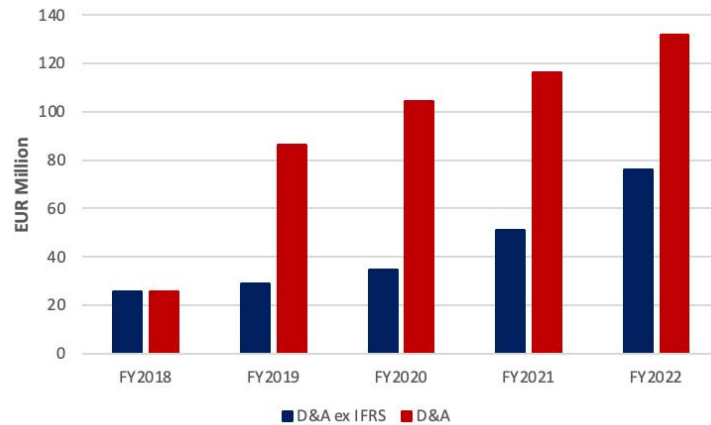


Figure 14: D&A pre and post IFRS-16. Source: own calculation

As for CAPEX, it remained stable if compared to sales ranging from 8,1% in 2018 to 9,5% in 2022. If we consider absolute figures, it constantly increased except for 2020 where it had a slight inflexion. The company’s CAPEX is mainly attributable to investments in commercial activities such as opening, expansions and renewals of boutiques but also to investments in production and logistics. To highlight that a part of 2022 CAPEX (€15 million), is to be attributed to a strategic minority acquisition of Lanificio Cariaggi.

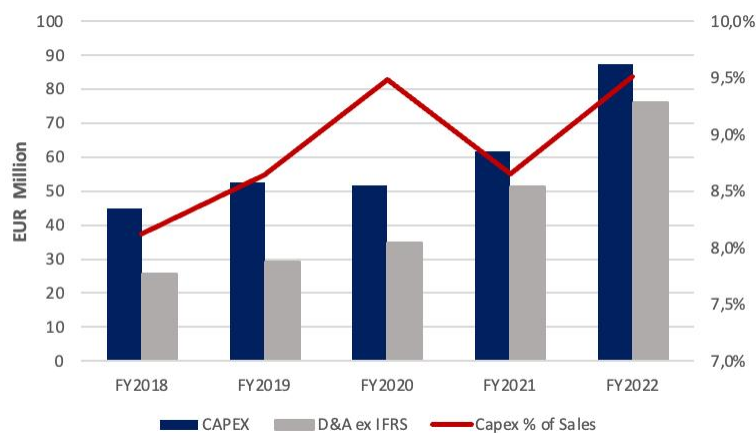


Figure 15: CAPEX, D&A and CAPEX % of sales. Source: Own Calculation

3.2.5. Capital Structure

Like for CAPEX and D&A, BC’s capital structure has been affected by the introduction of the new accounting rules. In fact, non-current financial liabilities for leases are to be considered debt. However, for the purpose of this thesis and also by looking at professionals’ best practices, for equity value calculations just the characteristic part of BC’s debt will be considered.

If we look at the company’s financials, we can see that in 2018 the D/E ratio was just 0,04x, and the D/C ratio was 0,03x. After the introduction of IFRS-16, there has been a jump in debt,

making the D/E reach 1,56x in 2019 and 2,3x in 2020. However in 2021 and 2022, given the company’s debt management, a downward trend can be observed, arriving at a D/E of 1,44x in 2022. The same trend and considerations can be applied to D/C as well.

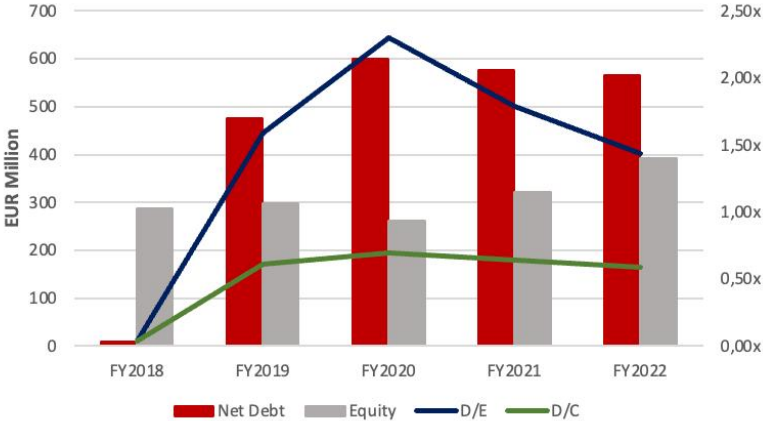


Figure 16: BC capital structure. Source: own calculation

If we exclude the leasing part, a more irregular trend can be observed in debt levels. In fact, from 2018 until 2020, net financial debt has constantly increased, peaking at €93,8 million in 2020. After that, due to debt repayments, the figure decreased arriving at €11,2 million in 2022.

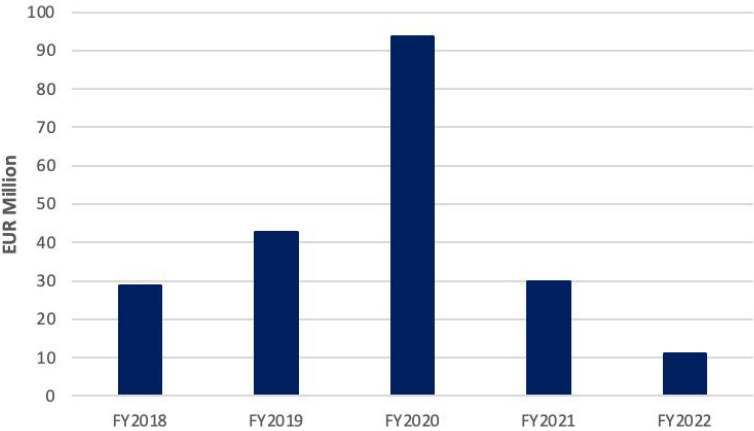


Figure 17: BC Net Financial Debt. Source: own calculation

3.2.6. Working Capital

BC’s NWC has been constantly positive and followed an upward trend during the last 5 years, with the exception of 2021 after the COVID shock. In fact, from the balance sheet we can see that both inventories and receivables went down YoY due to the return to almost normal conditions. Another factor that influenced NWC in 2021 has been the increase in payables, even though in line with previous years.

As for the last FY, we can say that the NWC management of the company has been influenced mainly by inventories. In fact, for a business in expansion like Brunello Cucinelli, an increase in inventory levels is inevitable. In fact, in 2022 there has been an organic increase in the wholesale channel and 5 new boutiques were opened.

However, in general, if we look at the incidence that NWC has had on sales, we can see that it reached its peak in 2020 (39%) following a constant increase since 2018. After that, also due to a non-proportional increase in sales, the incidence followed a downward trend, reaching 20% in 2022.

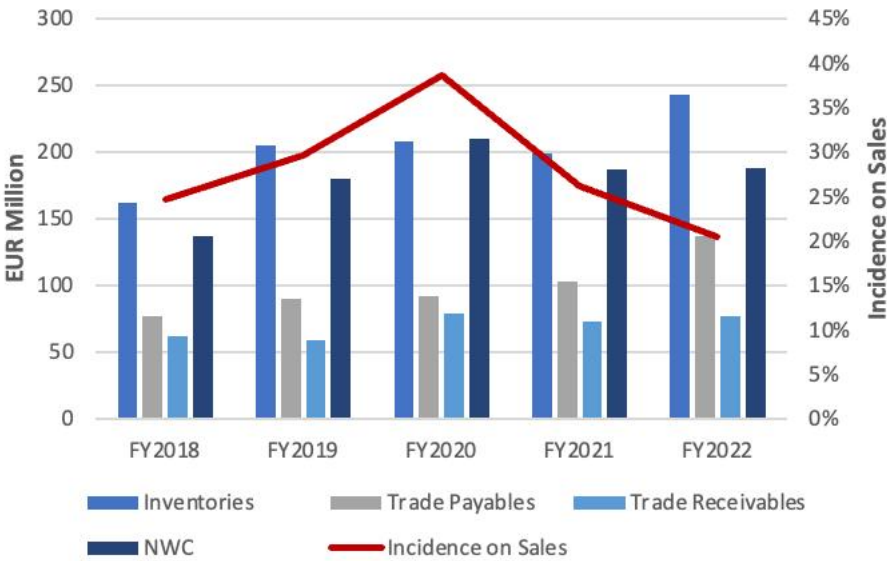


Figure 18: NWC, NWC main items and NWC incidence on sales. Source: Own calculation.

4. Forecast

After having described BC's business and the industry it operates in, to determine the FCFF is necessary to forecast both Income Statement and Balance Sheet items. For this valuation, values have been forecasted for a six-year period until 2028.

4.1. Sales

The first and most important item that has been forecasted is sales. Since a part of the items in the income statement is tied to sales, it is important to make an as accurate as possible forecast by considering a set of factors. The procedure to forecast sales differ from industry to industry. For example, for a company like Uber, it would make sense to consider daily active users on their different platforms and use those figures as a starting point, while for consumer goods companies like EssilorLuxottica a good practice would be using the data provided by the company like sales by product or segment and use them alongside market forecasts.

In the case of BC, three different methods were used to forecast sales, and the average of the results was used to arrive at the final figures. Given the lack of information that BC gives on its annual reports when it comes to sales breakdown by product, sales by region were used for the first method as a base to project sales given that more information on that side is available on the annual reports. For the second method, the forecast has been carried out by using market data, while the third method is a combination of the previous methods. Below there will be a detailed description of the methods used.

For the first method, I used BC data present on the annual report to derive sales by macro-regions and countries – Italy, Europe, Americas, Asia and China. Afterwards, I looked on BC's website in which countries the brand was present²⁴, and found that the brand is present in 35 different countries worldwide. Since for some countries sales data were not available, to assign each country a determined number of sales I used GDP per capita data from Datastream, and based on those figures, I assigned each country a weighted portion of sales by dividing the GDP per capita of a specific country by the total GDP per capita of the appertaining region. To make an example, in 2022 the GDP per capita in Austria was €49,8 thousand, while the total GDP per capita in Europe (excluding Italy) was €796,4 thousand. From this set of data, we can

²⁴ <https://shop.brunellocucinelli.com/en-us/findboutiques?&countryCode=US>

assume that BC sales in Austria were 6% of the total (796,4/49,8). After obtaining data for each country, I calculated the GDP per capita growth from 2018 to 2022, a figure useful in further steps. For data from 2023 onwards, I used GDP per capita growth forecasts from Oxford Economics that I downloaded from Datastream and used them as a proxy for sales growth for the entire region. For detailed data please see the Appendix 10-18.

After this first step, I downloaded from Refinitv Eikon sales data of a selected group of peers and calculated historical sales growth for them. Once I had growth data for both GDP per capita and sales, I calculated the slope and the intercept, regressing the historical peer group’s sales data against historical GDP per capita growth data for each region. After this step, I multiplied the forecasted GDP per capita growth by the slope and added the intercept, obtaining BC sales forecast growth. I repeated the same steps for each region (excluding Italy) obtaining the final forecasted sales until 2028. For Italy, since historical data was available, I calculated its sales forecast by using the portion of sales that the country holds in Europe.

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Slope	2,9											
Intercept	0,03											
GDP Growth			5%	-5%	12%	6%	4%	5%	7%	7%	7%	7%
Europe Growth							14%	17%	24%	23%	23%	24%
Europe Sales							299,9	352,1	438,0	537,6	659,3	819,7

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Slope	1,9											
Intercept	0,0											
GDP Growth			7%	-8%	13%	14%	1%	3%	6%	5%	4%	4%
Americas Growth							6%	10%	14%	14%	12%	11%
Americas Sales							356,3	391,9	448,3	511,7	572,6	634,9

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Slope	1,6											
Intercept	0,1											
GDP Growth			-2%	-11%	18%	9%	3%	5%	7%	7%	6%	5%
Asia Growth							15%	19%	22%	21%	20%	19%
Asia Sales							125,5	149,8	182,1	221,1	264,8	314,8

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Slope	2,1											
Intercept	0,1											
Sales/GDP Growth			0%	1%	11%	-2%	1%	7%	11%	7%	6%	5%
China Growth							13%	25%	33%	25%	22%	21%
China Sales							123,4	154,2	205,7	258,1	315,6	383,0

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Italy as a percentage of Europe												
Italy	Growth: 4%	88,2	89,7	68,3	84,2	102,8	119,9	137,3	170,8	209,7	257,1	319,7
Europe	Growth: 13%	163,7	176,9	173,1	219,2	263,8	299,8	352,1	438,0	537,6	659,3	819,7
Italy contribution to Europe		54%	51%	39%	38%	39%	0,4	0,4	0,4	0,4	0,4	0,4

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Italy	Growth: 4%	88,2	89,7	68,3	84,2	102,8	119,9	137,3	170,8	209,7	257,1	319,7
Europe	Growth: 13%	163,7	176,9	173,1	219,2	263,8	299,8	352,08	437,96	537,64	659,34	819,68
Americas	Growth: 16%	187,2	205,8	174,2	238,2	334,7	356,33	391,90	448,34	511,70	572,64	634,89
Asia	Growth: 18%	113,8	135,4	128,4	170,6	218,4	248,92	303,96	387,83	479,19	580,44	697,76
Asia without China		58,9	72,5	66,6	85,3	109,2						
Total	14%	553,0	607,8	544,0	712,2	919,7	1.025,1	1.185,3	1.444,9	1.738,2	2.069,6	2.472,0

Table 1: Sales forecast first method results

(EUR m)	Driver	Historicals					Forecast					TV	
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	
Italy	Growth	4%	88,2	89,7	68,3	84,2	102,8						
Europe	Growth	13%	163,7	176,9	173,1	219,2	263,8						
Americas	Growth	16%	187,2	205,8	174,2	238,2	334,7						
Asia	Growth	18%	113,8	135,4	128,4	170,6	218,4						
Total sales			553,0	607,8	544,0	712,2	919,7	1.034,4	1.203,1	1.454,2	1.744,8	2.053,7	2.425,6

Table 4: All methods average results

4.2. Cost of Sales and Other Expenses

Regarding Cost of Sales and Other expenses, different methods were used to calculate as accurate as possible figures. For Cost of Sales, since the proportion to Sales has remained relatively stable over the years, the average of those figures was used to make the forecast. As a result, Cost of Sales (which comprises raw materials and outsourced manufacturing) was forecasted to be 32% of Sales over the projected period.

For other costs like increases in fixed assets for internal costs and value adjustments to assets, I decided to use another approach and calculate the historical mean of the figures as a percentage of sales and keep it constant until the end of the forecast period. For increases in fixed assets I took into account for the mean calculation all the values, 2020 included, since the value was not so much different from the ones of previous and following years, while for value adjustment to assets I decided to exclude 2020 since in the annual report the company explains that the relative expense is an extraordinary provision that is attributable to an inventory write-down since the company has the intention to donate free-of-charge the excess of clothing left over during the interruption of sales²⁵. Please see Appendix 3 for detailed figures.

4.3. Taxes

Since taxes paid by corporations change YoY due to a set of circumstances such as R&D tax credits, deductions, subsidies and others, the effective tax rate is usually different and lower from the statutory one. Since making assumptions about this matter would be very inaccurate given the lack of internal information, I decided to use as tax rate the Italian statutory tax rate for corporations, which stands at 24%.

4.4. D&A and CAPEX

To forecast D&A there are different methods available: calculate it as a percentage of sales or PP&E, or use non-public data about equipment purchases. Since I believe that none of these

²⁵ 2020 Annual Report, page 36

methods would be accurate enough or readily available, I decided to build a D&A schedule for both tangible and intangible assets, also to calculate values for PP&E and Intangible Assets.

The first step of the process was to build a “break-up” for the items subject to D&A. PP&E accounted for 93% and intangibles for 7% of D&A items. After that, I calculated CAPEX as a percentage of sales and kept 2022 D&A expenses constant until the end of the forecast. After this step, I built two different D&A schedules using the straight-line depreciation method and used as useful life for assets the figures provided in the company’s annual report.

PP&E - Straight line method									
Useful life	15								
PP&E	188,7								
Depreciation expense				125,8	125,8	125,8	125,8	125,8	125,8
	Year	Capex	Useful life						
	2023	168,4	15	5,6	11,2	11,2	11,2	11,2	11,2
	2024	195,9	15	-	6,5	13,1	13,1	13,1	13,1
	2025	236,8	15	-	-	7,9	15,8	15,8	15,8
	2026	284,1	15	-	-	-	9,5	18,9	18,9
	2027	334,4	15	-	-	-	-	11,1	22,3
	2028	394,9	15	-	-	-	-	-	13,2
D&A				131,4	143,6	158,0	175,4	196,0	220,3
Intangibles - Straight line method									
Useful life	6								
Intangibles	14,0								
Depreciation expense				6,1	6,1	6,1	6,1	6,1	6,1
	Year	Capex	Useful life						
	2023	12,5	6	1,0	2,1	2,1	2,1	2,1	2,1
	2024	14,5	6	-	1,2	2,4	2,4	2,4	2,4
	2025	17,5	6	-	-	1,5	2,9	2,9	2,9
	2026	21,0	6	-	-	-	1,8	3,5	3,5
	2027	24,8	6	-	-	-	-	2,1	4,1
	2028	29,2	6	-	-	-	-	-	2,4
D&A				7,2	9,4	12,1	15,3	19,1	23,6
Total D&A				138,6	153,0	170,1	190,7	215,1	243,9

Table 5: D&A schedule for PP&E and Intangibles

4.5. Net Working Capital

Net Working Capital (NWC) represents a company’s short-term financial health, and it’s also used to see if a company can meet its day-to-day expenses. Usually, NWC is computed as the difference between short-term assets and short-term liabilities but it’s not the most correct way to calculate it since it takes into account financial items such as cash and cash equivalents.

To forecast the main NWC items I used the Days Outstanding method and applied different assumptions based on historical data. To forecast trade receivables I used 2022 days sales outstanding – which amount to 30,4 – given that BC oversees a return to normal conditions in terms of payments from wholesale customers, the main trade receivables holders. For days payables I used the historical average of days payables outstanding (172,2) given the fluctuations and unpredictability of the figure. For inventories, I applied the same principle of trade receivables, since by looking at BC annual report the company expects a better inventory management. Days inventory outstanding achieved a value of 96,4.

For other receivables and assets and other current liabilities (which enclose different kinds of payables) I used the historical average, obtaining a value of 12,9 and 20,1 respectively given the stability achieved during the previous 5 years also during 2020.

(EUR m)	Driver	Historicals				
		FY2018	FY2019	FY2020	FY2021	FY2022
Inventories		161,8	204,9	208,3	199,3	242,8
Trade receivables		61,4	58,6	78,9	72,8	76,6
Other receivables and assets		16,1	21,0	20,1	29,0	32,4
Trade payables		(76,6)	(89,5)	(91,4)	(102,7)	(137,0)
Other current liabilities		(26,5)	(33,8)	(35,1)	(39,2)	(47,9)
Days receivables	30,4	41	35	53	37	30
Days payables	172,2	147,8	170,4	191,0	160,7	191,1
Days inventory	96,4	106,8	123,0	139,8	102,1	96,4
Days for other current assets	12,9	10,6	12,6	13,5	14,9	12,8
Days for other current liabilities	20,1	17,5	20,3	23,5	20,1	19,0

Table 6: NWC main items historical data. Source: BC

(EUR m)	Driver	Historicals					Forecast					TV
		FY2018	FY2019	FY2020	FY2021	FY2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Trade receivables	DSO	30,4					86,2	100,2	121,1	145,3	171,1	202,0
Trade payables	DPO	172,2					(123,5)	(154,9)	(180,1)	(217,7)	(261,2)	(307,4)
Inventory	DIO	96,4					273,1	317,7	384,0	460,7	542,2	640,5
Other receivables and assets	Days	12,9					36,5	42,4	51,3	61,8	72,5	85,8
Other current liabilities	Days	20,1					(56,9)	(66,2)	(80,0)	(96,0)	(113,0)	(133,5)
Tax receivables							3,8	3,8	3,8	3,8	3,8	3,8
Deferred tax assets							65,3	73,5	85,5	103,3	124,0	145,9
Provisions for risk and charges							(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)
Other non-current liabilities							(0,4)	(0,4)	(0,4)	(0,4)	(0,4)	(0,4)
Deferred tax liabilities							(12,5)	(14,0)	(16,3)	(19,7)	(23,7)	(27,9)
Tax payables							(32,5)	(32,5)	(32,5)	(32,5)	(32,5)	(32,5)

Table 7: NWC main items forecast

5. Valuation

In this chapter, I am going to explain the steps taken to perform the equity valuation of BC. In the following pages the different valuation methodologies are going to be explained as well as WACC calculations.

5.1. WACC

The first and probably the most important step to take to perform an intrinsic valuation is to calculate the WACC. As previously discussed in the Literature Review, the WACC represents the discount factor used to calculate the present value of EV. The following will explain the process to calculate the single items composing BC's WACC.

5.1.1. Cost of Equity

Given that for the APV method the unlevered cost of equity needs to be used, I calculated both the levered and unlevered Cost of Equity using three different methods. The Cost of Equity has been calculated using the CAPM model, formed by the following inputs:

- (i)** Risk-free rate
- (ii)** Beta
- (iii)** Equity risk premium

As for the risk-free rate, since risk-free securities do not and cannot exist, the German 10-year Bund was used as a proxy. At the valuation date, the interest rate of the security was 2,7%, a far higher value if we think that not a long time ago the Bund was trading at negative rates given the dovish policy of the ECB.

The levered Beta of the stock used to arrive at the first Cost of Equity is the historical one. To calculate it I regressed BC's returns against the STOXX Europe 600 index, the market proxy I thought was most appropriate given that BC's stock is traded on FTSE MIB. After obtaining a value of 0,95 using the LINEST function in Excel, I adjusted the Beta using the Bloomberg Method, arriving at a final value of 0,97.

For the second Cost of Equity calculation method, I used the Betas of the same peer group of the sales forecast calculations, obtaining a final levered beta of 1,08.

Comparable Companies - Unlevered Beta								
Name	Levered Beta	Debt	D/D+E	Equity	E/E+D	D/E	Tax Rate	Unlevered Beta
Moncler	0,9	837,4	0,05x	16.807,21	0,95x	0,05x	24,0%	0,8
Salvatore Ferragamo	1,1	1.074,4	0,26x	3.134,43	0,74x	0,34x	24,0%	0,8
Tod's	1,1	727,2	0,38x	1.206,6	0,62x	0,60x	24,0%	0,6
LVMH Moet Hennessy Louis Vuitton (just fashion & leather goods)	1,1	35.087,0	0,08x	409.721,6	0,92x	0,09x	27,5%	1,0
Prada	0,7	2.787,3	0,02x	138.176,5	0,98x	0,02x	24,0%	0,7
Hermès	0,8	1.934,0	0,01x	184.851,3	0,99x	0,01x	27,5%	0,8
Kering	1,2	11.874,0	0,14x	71.452,3	0,86x	0,17x	27,5%	1,0
Burberry	1,9	1.401,0	0,13x	9.561,3	0,87x	0,15x	19,0%	1,6
Median:	1,08	1.667,5	0,10x	44.129,8	0,90x	0,12x	24,0%	0,79

Table 8: Beta calculation for comparable companies. Source: Refinitiv Eikon

For the third and last method, I re-levered the unlevered beta of the peer group using BC's capital structure based on market values. The first step was to calculate the unlevered betas of the peer group, for which I obtained a median value of 0,79. After having adjusted the beta and obtaining a 0,86 value I re-levered the beta by applying BC's D/E ratio and Italy's statutory tax rate, obtaining a final levered beta of 0,94.

	Unlevered Beta	D/D+E	E/E+D	D/E	Tax Rate	Levered Beta
Beta Levered using comps and company Cap. Structure:	0,86	11%	89%	0,12x	24%	0,94

Table 9: Beta using company's capital structure

Regarding the equity risk premium, since Brunello Cucinelli operates not just in Italy but worldwide, I applied the same approach I used to calculate sales, that is weighting the different countries' equity risk premiums by the share of sales they hold. For Europe I obtained a final ERP of 6,94%, for the Americas 6,51%, for Asia (which includes also Middle-Eastern countries) 6,91%, for China 7,16% and for Italy 9,73%. The result weighted by market share gives a final ERP of 7,98%.

After calculating all the CAPM items, I computed the three final Cost of Equity, of which the average has given me the final value of 10,6%.

	Historical	Comps	Re-levered
Risk-free	2,7%	2,7%	2,7%
Beta	0,95	1,08	0,87
Beta Adjusted	0,97	1,05	0,94
ERP	7,98%	7,98%	7,98%
Cost of Equity	10,4%	11,1%	10,2%
Cost of Equity Final	10,6%		

Table 10: Cost of Equity calculations

5.1.2. Cost of Debt

Since Brunello Cucinelli does not have outstanding debt, to calculate its Cost of Debt is not possible to apply the market-based approach that uses the outstanding bonds' YTM as a proxy. Therefore, to calculate the company's cost of debt I applied Damodaran's approach, that is summing the risk-free rate with a synthetic credit spread based on Interest Coverage Ratio values. To get to the credit spread, I first had to calculate BC's ICR, which for 2022 had a value of 9,39x, representing a triple-A rating based on Damodaran's table²⁶.

>	≤ to	Rating is	Spread is
-100000	0.199999	D2/D	20.00%
0.2	0.649999	C2/C	17.50%
0.65	0.799999	Ca2/CC	15.78%
0.8	1.249999	Caa/CCC	11.57%
1.25	1.499999	B3/B-	7.37%
1.5	1.749999	B2/B	5.26%
1.75	1.999999	B1/B+	4.55%
2	2.249999	Ba2/BB	3.13%
2.25	2.499999	Ba1/BB+	2.42%
2.5	2.999999	Baa2/BBB	2.00%
3	4.249999	A3/A-	1.62%
4.25	5.499999	A2/A	1.42%
5.5	6.499999	A1/A+	1.23%
6.5	8.499999	Aa2/AA	0.85%
8.50	100000	Aaa/AAA	0.69%

Table 11: Aswath Damodaran's synthetic rating table using ICR as a proxy

Since the credit spread corresponding to a triple-A rating is 0,69%, the Cost of Debt reached a final value of 3,4%.

5.1.3. WACC Calculation

After having calculated all the necessary items, I calculated the three different WACC and used the average – 9,72% – as the final discount factor.

	Historical	Comps	Re-levered
Cost of Equity	10,4%	11,1%	10,2%
E/C	0,89x	0,89x	0,89x
Cost of Debt	3,4%	3,4%	3,4%
D/C	0,11x	0,11x	0,11x
Tax Rate	24%	24%	24%
WACC	9,6%	10,2%	9,4%
WACC Final	9,72%		

Table 12: WACC calculations

²⁶ https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ratings.htm

5.2. Perpetual Growth Rate

Another step to take when using Discounted Cash Flow methods is assigning the company a rate at which it is expected to grow after the forecasted period to calculate the Terminal Value. The factors to consider when assigning a PGR are mainly three: the PGR has to be higher than the inflation rate also considering that luxury brands often adjust prices according and higher to inflation rates, lower than the historical GDP growth rate and has also to take into account the company potential.

Following World Bank data on historical GDP growth rates, I computed the weighted average of such figures from 1961 until 2021 arriving at a final value of 4,5%. For the inflation, since for some countries in which BC operates the figure has been too high in the past years and thus risked to distort historical figures, I decided to take into account two different factors: target inflation rates of established economies, 2%, and a premium based on the activity BC has in emerging economies. Since in some of the countries inflation has been historically high, I decided to use an inflation rate of 3% as a combination of well-settled economies and economies which I think have the potential to grow in the future and therefore may suffer unstable CPI values.

Other factors I took into consideration when establishing the PGR are qualitative ones. Following Damodaran (2012), other factors to consider are the quality of management, which over the past years has been proven to be strong in the case of BC, future partnerships, in this case fragrances and sunglasses (EuroItalia and EssilorLuxottica respectively) and expansion plans like new boutique openings and the opening of a new production plan in Penne, Abruzzo.

As a result, I decided to assign Brunello Cucinelli a PGR of 3,75% also based on the great market potential that the company has considering that using the peer group used for different steps of this valuation, the company has a market share of just 1%.

5.3. Discounted Cash Flow

To determine a fair value for BC's stock, two different DCF methods were applied: DCF asset side, starting from FCFF and using the WACC as discount factor and DCF equity side, starting from FCFE and using the levered cost of equity as a discount factor.

- (i) Asset Side: firstly, I discounted the FCFF arriving at a PV of ~€709 million. Afterwards, the TV was computed using the perpetuity growth method, reaching ~€5,7 billion. To arrive at the EV, I added up the PV of the FCFF and the PV of the TV (~€3,6 billion), reaching a final EV of ~ €4,3 billion. The equity value was computed by adding the cash and subtracting the market value of debt (excluding leases) and minorities. The final equity value of ~€4,2 billion was then divided by the number of shares outstanding, 68 million, arriving at a final share price of €60,3.
- (ii) Equity Side: For the equity side, I discounted the FCFE using the levered cost of equity, obtaining a value of ~€806 million. The TV, ~€5,5 billion, was discounted arriving at ~€3,3 billion and added to the FCFE PV obtaining an equity value of ~€4,1 billion and consequently a share price of €59,8

5.3.1. Adjusted Present Value

For the APV, I first discounted the FCFF using the unlevered cost of equity, arriving at FCFF PV of ~ €710 million, which was added to the PV of TV of ~ €3,6 billion, giving an unlevered EV of ~ €4,3 billion. Using the cost of debt I discounted the sum of the tax shields and of the TV of the tax shields which gave me a cumulative value of €20,9 million, which added up to the initial EV and gave me a final EV of ~€4,3 billion. After having subtracted the MV of both debt and minorities, the final share price using the APV method was €59,9.

	Asset Side	APV	Equity Side
Sum of FCF PV	708,9	710,9	806,0
Terminal Value PV	3.442,2	3.494,6	3.258,0
Enterprise Value	4.151,1	4.205,4	4.064,0
Tax Shield PV	-	35,0	-
(+) Cash	117,4	-	-
Final Enterprise Value	4.268,5	4.240,4	4.064,0
(-) Debt	(154,0)	(154,0)	-
(-) Minorities	(12,0)	(12,0)	-
Equity Value	4.102,5	4.074,4	4.064,0
# Shares Outstanding (M)	68	68	68
Share Price	60,3	59,9	59,8

Table 13: DCF results

5.3.2. Sensitivity Analysis

As DCF models highly rely on personal assumptions, there is an intrinsic uncertainty when it comes to determining share prices. Since models are sensible even to the slightest change in inputs - in this case PGR, WACC and Cost of Equity - a Sensitivity Analysis was performed by changing the above-mentioned parameters for all three models. As we will see in the tables below, share prices drastically change when accounting for either best or worst-case scenarios:

		PGR						
		2,25%	2,75%	3,25%	3,75%	4,25%	4,75%	5,25%
WACC	8,22%	64,6	69,5	75,5	82,8	91,9	103,6	119,3
	8,72%	59,0	63,1	67,9	73,8	80,9	89,8	101,3
	9,22%	54,3	57,7	61,7	66,4	72,1	79,1	87,8
	9,72%	50,2	53,1	56,4	60,3	65,0	70,5	77,3
	10,22%	46,6	49,1	51,9	55,2	59,0	63,5	68,9
	10,72%	43,4	45,6	48,0	50,8	54,0	57,7	62,1
	11,22%	40,6	42,5	44,6	46,9	49,6	52,8	56,4

Table 14: Asset Side Sensitivity Analysis

		PGR						
		2,25%	2,75%	3,25%	3,75%	4,25%	4,75%	5,25%
KeU	8,15%	63,5	68,5	73,5	83,0	92,2	104,3	120,8
	8,65%	57,8	61,9	65,8	73,7	80,8	90,0	101,9
	9,15%	53,0	56,4	59,4	66,2	71,7	78,9	87,9
	9,65%	48,8	51,7	54,0	59,9	64,4	70,0	77,0
	10,15%	45,2	47,6	49,5	54,6	58,3	62,8	68,4
	10,65%	41,9	44,0	45,5	50,1	53,1	56,9	61,4
	11,15%	39,1	40,9	42,0	46,2	48,7	51,8	55,5

Table 15: APV Sensitivity Analysis

		PGR						
		2,25%	2,75%	3,25%	3,75%	4,25%	4,75%	5,25%
KeL	9,07%	63,8	67,9	72,6	78,3	85,1	93,5	104,1
	9,57%	59,0	62,4	66,4	71,1	76,6	83,2	91,4
	10,07%	54,8	57,7	61,1	65,0	69,5	74,9	81,4
	10,57%	51,1	53,6	56,5	59,8	63,5	68,0	73,3
	11,07%	47,9	50,0	52,5	55,3	58,5	62,2	66,5
	11,57%	44,9	46,8	49,0	51,4	54,1	57,2	60,8
	12,07%	42,3	44,0	45,8	47,9	50,3	52,9	56,0

Table 16: Equity Side Sensitivity Analysis

As can be seen from the tables above, the share price ranges from a minimum value of €49,5 to a maximum one of €72,1 if we take into consideration the most feasible scenarios, while if we

look at the whole table, the share price go as low as €39,1 and reaches the highest value at €120,8.

5.4. Relative Valuation

This section will tackle the valuation of Brunello Cucinelli from a different angle. The relative valuation will evaluate BC's stock price in relation to the performance of a selected peer group.

5.4.1. Peer Group

The Peer Group was chosen from a list that Refinitiv Eikon has gathered, including businesses in BC's industry and that have operations in similar geographies. Following that, the Peer Group was reduced to a subset of 6 businesses based on qualitative as well as quantitative criteria: the factors I took into account are the products the businesses sell, the geographies in which they operate and different financial measures such as D/E, Size and Revenue. Companies like LVMH and Hermès were not considered for this purpose given their extremely high market capitalization even though they're very similar when it comes to business operations. In each of these categories, the chosen companies had traits that BC exhibited similarly. See Appendix 29 for the detailed table.

5.4.2. Multiples

The multiples chosen to perform the relative valuation were four: EV/Sales, EV/EBIT, EV/EBITDA and P/E. All the multiples are based on forward values retrieved from Refinitiv Eikon for the peer group and derived from the forecast for Brunello Cucinelli. In fact, as we seen in the Literature Review chapter, research shows that forward-looking multiples are a more accurate measure when compared to historical values.

Name	Ticker	TEV / Revenue	NTM Multiples		
			TEV / EBITDA	TEV / EBIT	P/E
Moncler	MONC	5,9x	14,8x	19,8x	27,8x
Salvatore Ferragamo	SFER	2,3x	11,4x	33,1x	57,5x
Tod's	TOD	1,6x	7,4x	21,0x	30,4x
Prada	PRD	4,1x	11,7x	20,0x	31,7x
Burberry	BRBY	3,0x	10,1x	14,9x	19,8x
Richemont	CFR	3,6x	11,5x	14,6x	20,9x
Brunello Cucinelli	BC	5,2x	18,4x	35,1x	58,1x

Table 17: NTM Multiples

Even though I included the P/E multiple, I will not consider it in determining the relative valuation stock price for mainly two reasons: first, BC is trading at a widely different ratio if compared to its peers, therefore it wouldn't make sense to include it and second, it does not account for companies' capital structure. Hence, only EV multiples will be considered for the purpose of this dissertation.

	TEV/Revenue	TEV/EBITDA	TEV/EBIT
Minimum	1,6x	7,4x	14,6x
25th Percentile	2,5x	10,4x	16,1x
Median	3,3x	11,4x	19,9x
Mean	3,4x	11,2x	20,6x
75th Percentile	3,9x	11,6x	20,7x
Maximum	5,9x	14,8x	33,1x

Table 18: Final multiples figures

By examining various valuation multiples, we can gain insights into how BC is compared to the market. Despite trading at a premium compared to its peers, the stock is still considered overvalued according to market multiples. The price range of BC is between €24 and €90, with a median value of €48 when considering all multiples.

	TEV / Revenue	TEV / EBITDA	TEV / EBIT
Median	€51	€49	€45
Mean	€52	€48	€46
Max	€90	€64	€74
Min	€24	€32	€33
Stock Price	€48		

Table 19: Final stock prices

6. Equity Valuation Comparison

Brunello Cucinelli is followed by 13 different investment banks spread across Europe. To compare my results with the ones obtained by a professional, an Equity Research report from Kepler Cheuvreux (KC) was chosen. The report, published on January 10, 2023, sets a price target of €63 with a hold recommendation, three euros above my price target of €60 with a sell recommendation.

The aim of this chapter is to highlight the key differences that are disclosed and therefore visible between the valuation performed by KC and mine. The first thing to highlight is that KC's valuation is based on a DCF model, therefore the target price disclosed in this dissertation takes into account just the intrinsic valuation and not the relative one for consistency with the aim of this seminar. From the report, can be seen that the two main differences within the valuation model are the WACC and the growth rate chosen. The cost of capital of KC is 7,4%, 2,3% less if compared with the one used in this dissertation. Even though the reason for this difference is not clear as KC doesn't disclose how it has been computed, I can assume that one main reason could be the risk-free rate that therefore affected the cost of debt in a positive way. In fact, when the valuation of KC was published, the ECB still had to put in place two major interest rate hikes, accounted for in my valuation. Other key differences could be the methodology used to compute the beta, the equity risk premium and the tax rate. The second main difference is the perpetual growth rate used: KC uses a growth rate of 4,1% without explaining the rationale behind the choice. In terms of forecast, also KC proposes a period that goes from 2024 to 2028 and expects a high growth of BC driven by new store openings and the launch of new initiatives such as fragrances. Another point to consider is that BC has always exceeded expectations in terms of sales and has been conservative in its sales forecasts. More specifically, the firm expects BC sales to grow 12.1% in 2023 and 10.3% in 2024. However, Brunello Cucinelli recently revised its sales growth guidance for 2023 to 15%, whereas in my forecast 2023 sales are expected to grow at 12% and in 2024 at 16%.

As for EBITDA and EBIT margin, the figures are in line with my forecast. In fact, KC expects the EBITDA margin to be 28% in both 2023 and 2024, while I expect it to be 28% in 2023 and a bit higher at 30% in 2024. The same applies to the EBIT margin, forecasted at 15% in both 2023 and 2024 by KC, and 15% and 17% by my forecast. Other details such as cost of equity,

cost of debt and risk-free rate were not disclosed in the report, therefore making a comparison was not possible.

Below, a table highlighting the main differences between the two valuations.

	Kepler Cheuvreux	Dissertation
Forecast	2024 - 2028	2024 - 2028
WACC	7.4%	9.7%
Perpetual Growth Rate	4.1%	3.75%
Enterprise Value	4,300M	4,195M
Equity Value	4,300M	4,080M
Share Price	€63	€60

Table 20: Valuation Differences

7. Conclusion

The final goal of this thesis was to set a target price for Brunello Cucinelli, and from there develop a buy, hold or sell recommendation based on industry-wide adopted financial models. After having carefully considered the past literature concerning equity valuation, I decided to develop a DCF model as well as a relative valuation model based on comparable companies. The final result obtained was a sell recommendation following a share price of €60 per share as a result of an average of three different DCF models.

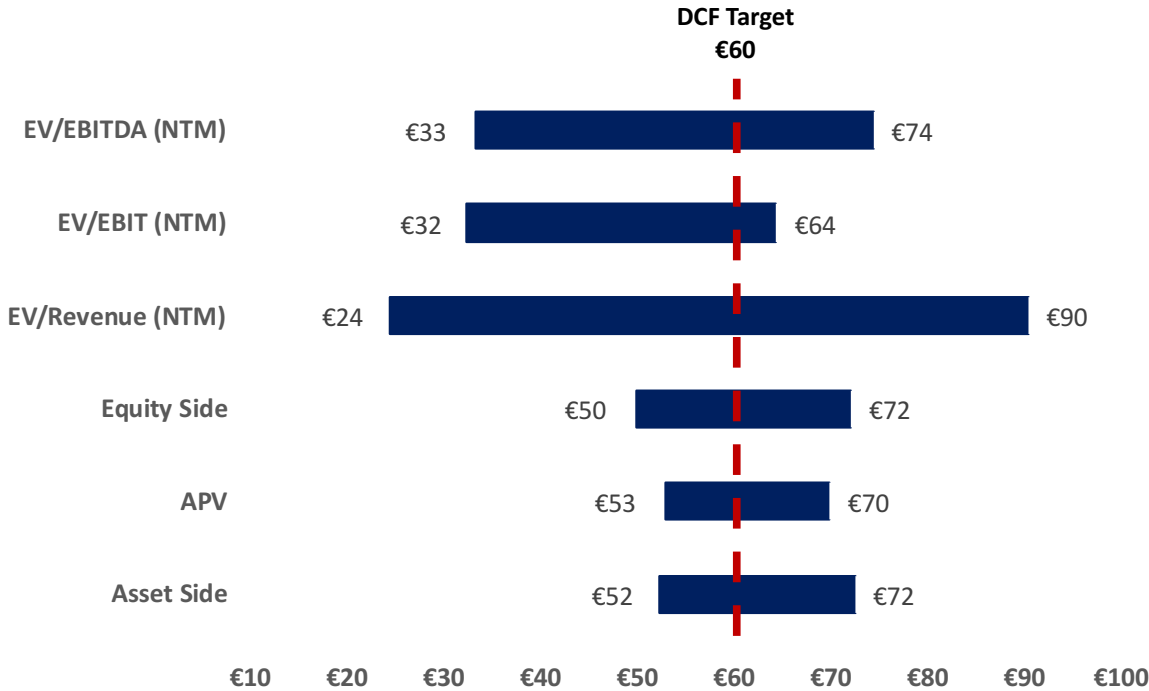


Table 21: Share Price football field analysis

If compared to Kepler Cheuvreux’s valuation model, we can see that my result represents a downside scenario of 4,8%, while if compared to the market price at valuation date, it can be seen that reflects a downside scenario of 24% with the stock trading at €78,95. Overall, given my results, I believe that BC’s stock is overvalued by the market. This could be reconducted to different factors such as market expectations given the high growth the company has been having lately. Another factor that could have led to such high growth in the stock price is the general health of the luxury fashion industry, a segment of the fashion industry that usually does not suffer from economic downturns like other sectors given its wealthy customer base.

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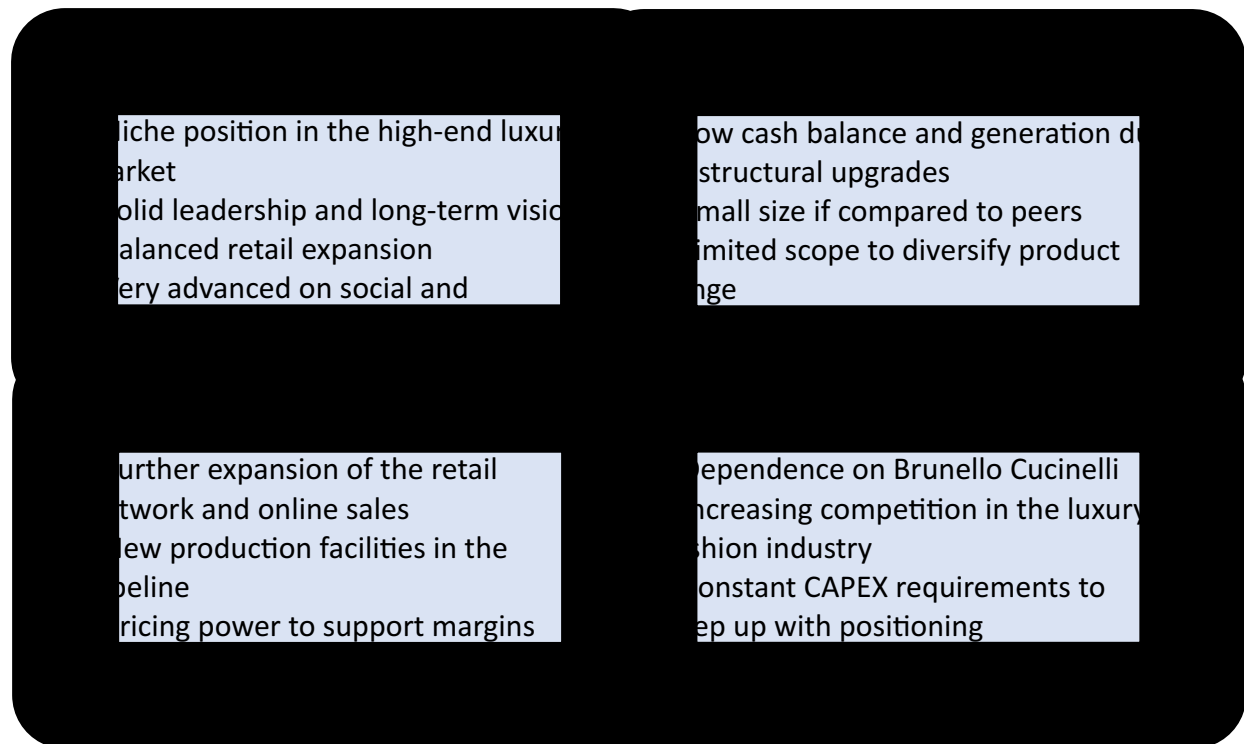
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9. Appendix

Appendix 1: SWOT Analysis



Appendix 2: Historical Income Statement

(EUR m)	Historical					
	FY 2017	FY2018	FY2019	FY2020	FY2021	FY2022
Income Statement						
Revenue	513,8	554,4	608,6	544,0	712,2	919,7
Cost of Sales		(189,2)	(191,6)	(174,7)	(233,2)	(261,8)
Gross Profit		365,3	416,9	369,3	479,0	657,9
SG&A		(271,5)	(248,4)	(248,0)	(284,2)	(385,3)
Increases in fixed assets for internal costs		2,5	2,4	3,3	3,4	2,2
Value adjustments to assets		(1,1)	(1,3)	(35,1)	(4,9)	(8,5)
EBITDA		95,1	169,6	89,5	193,4	266,3
D&A		(25,6)	(86,3)	(104,3)	(116,3)	(131,9)
EBIT		69,5	83,4	(14,8)	77,1	134,4
Financial expense		(26,3)	(41,4)	(47,0)	(34,9)	(80,9)
Financial income		22,1	27,2	28,0	21,9	70,5
EBT & Extra Items		65,3	69,2	(33,8)	64,1	124,0
Taxes		(14,2)	(16,1)	1,7	(7,7)	(36,8)
<i>Effective tax rate</i>		22%	23%	5%	12%	30%
Minority Interest		(0,4)	(0,5)	(1,1)	(3,0)	(6,6)
Net Income		50,7	52,6	(33,2)	53,3	80,6

Source: Brunello Cucinelli

Appendix 3: Forecasted Income Statement

(EUR m)	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Income Statement						
Revenue	1.034,4	1.203,1	1.454,2	1.744,8	2.053,7	2.425,6
Cost of Sales	(328,3)	(381,8)	(461,5)	(553,7)	(651,7)	(769,8)
Gross Profit	706,2	821,3	992,7	1.191,1	1.401,9	1.655,8
SG&A	(412,6)	(454,9)	(515,0)	(583,7)	(656,6)	(774,4)
Increases in fixed assets for internal costs	2,7	2,7	2,7	2,7	2,7	2,7
Value adjustments to assets	(5,2)	(6,1)	(7,4)	(8,8)	(10,4)	(12,3)
EBITDA	291,0	363,0	473,1	601,3	737,6	871,9
D&A	(138,6)	(153,0)	(170,1)	(190,7)	(215,1)	(243,9)
EBIT	152,5	210,0	303,0	410,6	522,6	628,0
Financial expense	(46,1)	(46,1)	(46,1)	(46,1)	(46,1)	(46,1)
Financial income	24,8	24,8	24,8	24,8	24,8	24,8
EBT & Extra Items	131,2	188,7	281,7	389,3	501,3	606,7
Taxes	(31,5)	(45,3)	(67,6)	(93,4)	(120,3)	(145,6)
<i>Effective tax rate</i>	24%	24%	24%	24%	24%	24%
Minority Interest	(6,6)	(6,6)	(6,6)	(6,6)	(6,6)	(6,6)
Net Income	93,1	136,8	207,5	289,3	374,4	454,5

Source: Personal calculations

Appendix 4: Historical Balance Sheet Assets

(EUR m)	Historical					
	FY 2017	FY2018	FY2019	FY2020	FY2021	FY2022
Original Balance Sheet						
Goodwill		7,0	7,0	7,0	7,0	0,0
Right-of-use		0,0	433,6	470,2	505,0	520,1
Intangible Assets		31,5	11,5	12,1	13,1	14,0
PP&E		125,7	142,7	150,3	166,0	188,7
Investments in non-current financial assets		0,9	2,8	4,2	6,6	7,2
Non-current financial assets for leases		0,0	0,7	0,4	3,9	5,6
Other non-current financial assets		7,7	8,8	11,0	13,5	38,6
Deferred tax assets		16,8	25,4	35,4	49,5	65,3
Financial derivative assets		0,0	0,0	0,0	0,1	1,1
Total non-current assets		189,6	632,5	690,6	764,8	840,6
Inventories		161,8	204,9	208,3	199,3	242,8
Trade receivables		61,4	58,6	78,9	72,8	76,6
Tax receivables		0,8	1,0	3,9	1,7	3,8
Other receivables and assets		16,1	21,0	20,1	29,0	32,4
Current financial assets for leases		0,0	0,3	0,2	2,6	2,6
Other current financial assets		9,0	9,1	0,0	0,1	0,1
Cash and cash equivalents		56,6	68,9	72,8	98,0	117,4
Current financial derivative assets		0,4	0,6	4,9	0,2	6,6
Total current assets		306,1	364,4	389,1	403,7	482,3
Total assets		495,8	996,9	1.079,7	1.168,5	1.323,0

Source: Brunello Cucinelli

Appendix 5: Historical Balance Sheet Shareholders' Equity and Liabilities

(EUR m)	Historical					
	FY 2017	FY2018	FY2019	FY2020	FY2021	FY2022
Share premium reserve		57,9	57,9	57,9	57,9	57,9
Other reserves		162,4	173,6	220,7	191,3	230,4
Net profit attributable to the Group		50,7	52,6	(33,2)	53,3	80,6
Group shareholders' equity		284,7	297,6	259,0	316,1	382,5
Non-controlling interest capital and reserve		2,4	1,2	1,0	3,3	3,8
Non-controlling interest profit		0,4	0,5	1,1	3,0	6,6
Total shareholders' equity		287,4	299,3	261,1	322,4	393,0
Post-employment benefits		3,0	3,2	3,1	3,0	3,1
Provisions for risk and charges		0,9	1,1	0,9	2,4	3,0
Non-current bank debt		25,9	30,5	60,1	73,7	46,4
Non-current financial liabilities for leases		0,0	388,8	437,0	469,8	474,9
Non-current financial payables		0,0	0,0	0,0	1,2	1,3
Other non-current liabilities		11,9	0,2	0,1	0,8	0,4
Deferred tax liabilities		1,3	2,5	6,4	8,6	12,5
Non-current financial derivative liabilities		0,1	0,2	0,2	0,0	0,0
Total non-current liabilities		43,2	426,5	507,8	559,4	541,5
Trade payables		76,6	89,5	91,4	102,7	137,0
Current bank debt		51,1	72,0	105,0	43,4	75,0
Current financial liabilities for leases		0,0	62,7	75,4	79,6	90,1
Current financial payables		2,8	5,3	0,8	2,6	2,0
Tax payables		2,8	4,0	2,6	12,2	32,5
Current financial derivative liabilities		5,4	3,9	0,5	7,0	4,0
Other current liabilities		26,5	33,8	35,1	39,2	47,9
Total current liabilities		165,2	271,1	310,8	286,7	388,5
Total liabilities		208,4	697,6	818,6	846,1	930,0
Total liabilities and shareholders' equity		495,7	996,9	1.079,7	1.168,5	1.323,0

Source: Brunello Cucinelli

Appendix 6: Forecasted Balance Sheet Assets

(EUR m)	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Original Balance Sheet						
Goodwill	0,0	0,0	0,0	0,0	0,0	0,0
Right-of-use	535,7	551,7	568,3	585,3	602,9	621,0
Intangible Assets	19,3	24,4	29,8	35,5	41,2	46,8
PP&E	194,2	205,5	229,4	266,7	318,8	359,4
Investments in non-current financial assets	4,2	4,2	4,2	4,2	4,2	4,2
Non-current financial assets for leases	2,3	2,3	2,3	2,3	2,3	2,3
Other non-current financial assets	12,6	13,0	13,4	13,8	14,2	14,6
Deferred tax assets	73,5	85,5	103,3	124,0	145,9	172,3
Financial derivative assets	0,0	0,0	0,0	0,0	0,0	0,0
Total non-current assets	841,7	886,5	950,6	1.031,8	1.129,4	1.220,5
Inventories	273,1	317,7	384,0	460,7	542,2	640,5
Trade receivables	86,2	100,2	121,1	145,3	171,1	202,0
Tax receivables	3,8	3,8	3,8	3,8	3,8	3,8
Other receivables and assets	36,5	42,4	51,3	61,6	72,5	85,6
Current financial assets for leases	1,5	1,5	1,5	1,5	1,5	1,5
Other current financial assets	0,1	0,1	0,1	0,1	0,1	0,1
Cash and cash equivalents	141,8	171,3	206,9	249,9	301,8	364,5
Current financial derivative assets	6,6	6,6	6,6	6,6	6,6	6,6
Total current assets	549,6	643,6	775,3	929,5	1.099,5	1.304,6
Total assets	1.391,3	1.530,1	1.725,8	1.961,2	2.229,0	2.525,1

Source: Personal Calculations

Appendix 7: Forecasted Balance Sheet Shareholders' Equity and Liabilities

(EUR m)	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Share premium reserve	57,9	57,9	57,9	57,9	57,9	57,9
Other reserves	245,1	238,3	241,5	247,4	269,3	300,0
Net profit attributable to the Group	95,6	144,7	221,8	311,3	405,4	497,0
Group shareholders' equity	411,0	453,3	533,6	629,0	745,0	867,3
Non-controlling interest capital and reserve	3,8	3,8	3,8	3,8	3,8	3,8
Non-controlling interest profit	6,6	6,6	6,6	6,6	6,6	6,6
Total shareholders' equity	421,4	463,8	544,1	639,4	755,5	877,7
Post-employment benefits	3,1	3,1	3,1	3,1	3,1	3,1
Provisions for risk and charges	3,0	3,0	3,0	3,0	3,0	3,0
Non-current bank debt	52,2	60,7	73,3	88,0	103,6	122,3
Non-current financial liabilities for leases	491,4	506,1	521,3	537,0	553,1	569,7
Non-current financial payables	1,3	1,3	1,3	1,3	1,3	1,3
Other non-current liabilities	0,4	0,4	0,4	0,4	0,4	0,4
Deferred tax liabilities	14,0	16,3	19,7	23,7	27,9	32,9
Non-current financial derivative liabilities	0,0	0,0	0,0	0,0	0,0	0,0
Total non-current liabilities	565,3	590,9	622,1	656,4	692,3	732,7
Trade payables	123,5	154,9	180,1	217,7	261,2	307,4
Current bank debt	84,4	98,1	118,6	142,3	167,5	197,8
Current financial liabilities for leases	101,3	117,8	142,4	170,9	201,1	237,5
Current financial payables	2,0	2,0	2,0	2,0	2,0	2,0
Tax payables	32,5	32,5	32,5	32,5	32,5	32,5
Current financial derivative liabilities	4,0	4,0	4,0	4,0	4,0	4,0
Other current liabilities	56,9	66,2	80,0	96,0	113,0	133,5
Total current liabilities	404,6	475,5	559,6	665,4	781,3	914,8
Total liabilities	969,9	1.066,4	1.181,8	1.321,8	1.473,6	1.647,4
Total liabilities and shareholders' equity	1.391,3	1.530,1	1.725,8	1.961,2	2.229,0	2.525,1
Check	0,0	0,0	0,0	0,0	0,0	0,0

Source: Personal calculations

Appendix 8: Historical Restated Balance Sheet

(EUR m)	Historical					
	FY 2017	FY2018	FY2019	FY2020	FY2021	FY2022
Balance Sheet						
Inventories		161,8	204,9	208,3	199,3	242,8
Trade receivables		61,4	58,6	78,9	72,8	76,6
Tax receivables		0,8	1,0	3,9	1,7	3,8
Other receivables and assets		16,1	21,0	20,1	29,0	32,4
Deferred tax assets		16,8	25,4	35,4	49,5	65,3
Provisions for risk and charges		(0,9)	(1,1)	(0,9)	(2,4)	(3,0)
Other non-current liabilities		(11,9)	(0,2)	(0,1)	(0,8)	(0,4)
Deferred tax liabilities		(1,3)	(2,5)	(6,4)	(8,6)	(12,5)
Trade payables		(76,6)	(89,5)	(91,4)	(102,7)	(137,0)
Tax payables		(2,8)	(4,0)	(2,6)	(12,2)	(32,5)
Other current liabilities		(26,5)	(33,8)	(35,1)	(39,2)	(47,9)
Non-cash Working Capital		136,9	179,8	210,0	186,5	187,6
Goodwill		7,0	7,0	7,0	7,0	0,0
Right-of-use		0,0	433,6	470,2	505,0	520,1
Intangible Assets		31,5	11,5	12,1	13,1	14,0
Non-current financial assets for leases		0,0	0,7	0,4	3,9	5,6
PP&E		125,7	142,7	150,3	166,0	188,7
Investments in non-current financial assets		0,9	2,8	4,2	6,6	7,2
Other non-current financial assets		7,7	8,8	11,0	13,5	38,6
Fixed assets		172,8	607,1	655,3	715,1	774,2
Capital employed		309,7	786,9	865,3	901,6	961,8
Post-employment benefits		(3,0)	(3,2)	(3,1)	(3,0)	(3,1)
Assets held for sale		0,0	0,0	0,0	0,0	0,0
Surplus assets		(3,0)	(3,2)	(3,1)	(3,0)	(3,1)
Net capital employed		306,7	783,7	862,2	898,6	958,7

(EUR m)	Historical					
	FY 2017	FY2018	FY2019	FY2020	FY2021	FY2022
Non-current bank debt		25,9	30,5	60,1	73,7	46,4
Non-current financial liabilities for leases		0,0	388,8	437,0	469,8	474,9
Non-current financial payables		0,0	0,0	0,0	1,2	1,3
Non-current financial derivative liabilities		0,1	0,2	0,2	0,0	0,0
Current bank debt		51,1	72,0	105,0	43,4	75,0
Current financial liabilities for leases		0,0	62,7	75,4	79,6	90,1
Current financial payables		2,8	5,3	0,8	2,6	2,0
Current financial derivative liabilities		5,4	3,9	0,5	7,0	4,0
Current financial assets for leases		0,0	(0,3)	(0,2)	(2,6)	(2,6)
Financial derivative assets		0,0	0,0	0,0	(0,1)	(1,1)
Other current financial assets		(9,0)	(9,1)	(0,0)	(0,1)	(0,1)
Cash and cash equivalents		(56,6)	(68,9)	(72,8)	(98,0)	(117,4)
Current financial derivative assets		(0,4)	(0,6)	(4,9)	(0,2)	(6,6)
Net debt		19,3	484,4	601,1	576,2	565,8
Restated Cash and cash equivalents		(65,6)	(78,1)	(73,0)	(100,7)	(120,1)
Gross financial debt		84,9	562,4	674,1	676,9	685,9
Net Financial debt		28,7	42,9	93,8	29,8	11,2
Share capital		13,6	13,6	13,6	13,6	13,6
Share premium reserve		57,9	57,9	57,9	57,9	57,9
Other reserves		162,4	173,6	220,7	191,3	230,4
Net profit attributable to the Group		50,7	52,6	(33,2)	53,3	80,6
Group shareholders' equity		284,7	297,6	259,0	316,1	382,5
Non-controlling interest capital and reserve		2,4	1,2	1,0	3,3	3,8
Non-controlling interest profit		0,4	0,5	1,1	3,0	6,6
Total shareholders' equity		287,4	299,3	261,1	322,4	393,0
Total funds invested		306,7	783,7	862,2	898,6	958,7
Check		0,0	0,0	0,0	0,0	0,0

Source: Personal calculation on Brunello Cucinelli's data

Appendix 9: Forecasted Restated Balance Sheet

(EUR m)	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Balance Sheet						
Inventories	273,1	317,7	384,0	460,7	542,2	640,5
Trade receivables	86,2	100,2	121,1	145,3	171,1	202,0
Tax receivables	3,8	3,8	3,8	3,8	3,8	3,8
Other receivables and assets	36,5	42,4	51,3	61,6	72,5	85,6
Deferred tax assets	73,5	85,5	103,3	124,0	145,9	172,3
Provisions for risk and charges	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)	(3,0)
Other non-current liabilities	(0,4)	(0,4)	(0,4)	(0,4)	(0,4)	(0,4)
Deferred tax liabilities	(14,0)	(16,3)	(19,7)	(23,7)	(27,9)	(32,9)
Trade payables	(123,5)	(154,9)	(180,1)	(217,7)	(261,2)	(307,4)
Tax payables	(32,5)	(32,5)	(32,5)	(32,5)	(32,5)	(32,5)
Other current liabilities	(56,9)	(66,2)	(80,0)	(96,0)	(113,0)	(133,5)
Non-cash Working Capital	242,7	276,3	347,7	422,0	497,4	594,4
Goodwill	0,0	0,0	0,0	0,0	0,0	0,0
Right-of-use	535,7	551,7	568,3	585,3	602,9	621,0
Intangible Assets	19,3	24,4	29,8	35,5	41,2	46,8
Non-current financial assets for leases	2,3	2,3	2,3	2,3	2,3	2,3
PP&E	194,2	205,5	229,4	266,7	318,8	359,4
Investments in non-current financial assets	4,2	4,2	4,2	4,2	4,2	4,2
Other non-current financial assets	12,6	13,0	13,4	13,8	14,2	14,6
Fixed assets	768,2	801,1	847,3	907,8	983,6	1.048,2
Capital employed	1.010,9	1.077,3	1.195,0	1.329,8	1.481,0	1.642,6
Post-employment benefits	(3,1)	(3,1)	(3,1)	(3,1)	(3,1)	(3,1)
Assets held for sale	0,0	0,0	0,0	0,0	0,0	0,0
Surplus assets	(3,1)	(3,1)	(3,1)	(3,1)	(3,1)	(3,1)
Net capital employed	1.007,9	1.074,3	1.191,9	1.326,8	1.477,9	1.639,6

(EUR m)	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Non-current bank debt	52,2	60,7	73,3	88,0	103,6	122,3
Non-current financial liabilities for leases	491,4	506,1	521,3	537,0	553,1	569,7
Non-current financial payables	1,3	1,3	1,3	1,3	1,3	1,3
Non-current financial derivative liabilities	0,0	0,0	0,0	0,0	0,0	0,0
Current bank debt	84,4	98,1	118,6	142,3	167,5	197,8
Current financial liabilities for leases	101,3	117,8	142,4	170,9	201,1	237,5
Current financial payables	2,0	2,0	2,0	2,0	2,0	2,0
Current financial derivative liabilities	4,0	4,0	4,0	4,0	4,0	4,0
Current financial assets for leases	(1,5)	(1,5)	(1,5)	(1,5)	(1,5)	(1,5)
Financial derivative assets	0,0	0,0	0,0	0,0	0,0	0,0
Other current financial assets	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)
Cash and cash equivalents	(141,8)	(171,3)	(206,9)	(249,9)	(301,8)	(364,5)
Current financial derivative assets	(6,6)	(6,6)	(6,6)	(6,6)	(6,6)	(6,6)
Net debt	586,5	610,5	647,8	687,3	722,5	761,9
Restated Cash and cash equivalents	(143,4)	(172,9)	(208,4)	(251,4)	(303,4)	(366,1)
Gross financial debt	729,9	783,4	856,3	938,8	1.025,9	1.128,0
Net Financial debt	2,0	(5,2)	(7,7)	(12,3)	(23,5)	(37,1)
Share capital	12,4	12,4	12,4	12,4	12,4	12,4
Share premium reserve	57,9	57,9	57,9	57,9	57,9	57,9
Other reserves	245,1	238,3	241,5	247,4	269,3	300,0
Net profit attributable to the Group	95,6	144,7	221,8	311,3	405,4	497,0
Group shareholders' equity	411,0	453,3	533,6	629,0	745,0	867,3
Non-controlling interest capital and reserve	3,8	3,8	3,8	3,8	3,8	3,8
Non-controlling interest profit	6,6	6,6	6,6	6,6	6,6	6,6
Total shareholders' equity	421,4	463,8	544,1	639,4	755,5	877,7
Total funds invested	1.007,9	1.074,3	1.191,9	1.326,8	1.477,9	1.639,6
Check	0,0	0,0	0,0	0,0	0,0	0,0

Source: Personal calculation

Appendix 10: GDP per Capita Used to Compute Estimated Sales per Country - Europe

	Historical				
	FY2018	FY2019	FY2020	FY2021	FY2022
GDP per capita Europe (€ thousands)					
Austria	43,6	44,7	42,7	45,4	49,8
Belgium	40,3	41,7	39,8	43,3	47,2
Bulgaria	8,0	8,8	8,9	10,3	12,0
Czech Republic	19,9	21,1	20,2	22,3	25,3
France (adjusted)	35,0	36,0	34,0	36,7	38,5
Germany	40,6	41,8	41,0	43,3	45,9
Greece	16,7	17,1	15,5	17,0	19,7
Luxembourg	98,8	100,4	102,6	112,8	118,0
Monaco	164,5	178,1	159,8	198,1	200,0
Poland	15,5	15,7	15,9	18,0	19,5
Romania	10,6	11,6	11,4	12,6	14,9
Russia	11,3	11,6	10,2	12,2	13,0
Spain	25,8	26,4	23,6	25,5	27,3
Switzerland	73,1	76,2	76,4	78,9	89,6
Turkey	8,1	8,2	7,5	8,3	9,1
UK (adjusted) (just London)	63,52	68,0	62,7	67,4	66,5
Total	675,3	707,6	672,2	752,0	796,4
<i>Growth</i>		5%	-5%	12%	6%

Source: Datastream

Appendix 11: GDP per Capita Growth Used to Forecast Sales Growth per Country – Europe

	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GDP per capita Europe (€ thousands)	GDP per capita growth					
Austria	2%	4%	5%	6%	6%	7%
Belgium	4%	4%	5%	5%	5%	6%
Bulgaria	-4%	1%	6%	6%	7%	8%
Czech Republic	5%	6%	11%	11%	10%	10%
France (adjusted)	4%	3%	6%	6%	6%	7%
Germany	4%	4%	6%	6%	6%	7%
Greece	1%	5%	7%	8%	8%	8%
Luxembourg	-3%	3%	6%	6%	6%	7%
Monaco	5%	5%	5%	5%	5%	5%
Poland	10%	13%	13%	12%	11%	11%
Romania	9%	9%	13%	11%	10%	10%
Russia	-7%	-6%	4%	4%	4%	4%
Spain	4%	3%	8%	6%	6%	7%
Switzerland	3%	3%	4%	5%	5%	6%
Turkey	21%	18%	12%	5%	6%	8%
UK (adjusted) (just London)	1%	4%	6%	6%	6%	6%
Total						
<i>Growth</i>	4%	5%	7%	7%	7%	7%

Source: Datastream

Appendix 12: Assumed Percentage of Sales per Country - Europe

	Historical				
	FY2018	FY2019	FY2020	FY2021	FY2022
As a percentage of total GDP					
Austria	6%	6%	6%	6%	6%
Belgium	6%	6%	6%	6%	6%
Bulgaria	1%	1%	1%	1%	2%
Czech Republic	3%	3%	3%	3%	3%
France (adjusted)	5%	5%	5%	5%	5%
Germany	6%	6%	6%	6%	6%
Greece	2%	2%	2%	2%	2%
Luxembourg	15%	14%	15%	15%	15%
Monaco	24%	25%	24%	26%	25%
Poland	2%	2%	2%	2%	2%
Romania	2%	2%	2%	2%	2%
Russia	2%	2%	2%	2%	2%
Spain	4%	4%	4%	3%	3%
Switzerland	11%	11%	11%	10%	11%
Turkey	1%	1%	1%	1%	1%
UK (adjusted)	9%	10%	9%	9%	8%
Total	100%	100%	100%	100%	100%

Appendix 13: GDP per Capita Used to Compute Estimated Sales per Country - Americas

	Historical				
	FY2018	FY2019	FY2020	FY2021	FY2022
GDP per capita Americas (€ thousands)					
Brazil	9,1	8,8	6,8	7,5	8,9
Canada	39,4	41,4	37,9	45,8	47,0
Mexico	8,4	9,1	7,5	9,1	10,2
United States	52,9	57,8	55,6	59,4	73,0
Total	109,8	117,1	107,8	121,7	139,1
<i>Growth</i>		7%	-8%	13%	14%

Source: Datastream

Appendix 14: GDP per Capita Growth used to forecast Sales Growth per Country – Americas

	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GDP per capita growth Americas						
Brazil	2%	5%	6%	5%	5%	4%
Canada	-8%	6%	10%	9%	5%	3%
Mexico	9%	0%	3%	4%	4%	4%
United States	2%	3%	4%	4%	4%	4%
Total						
<i>Growth</i>	1%	3%	6%	5%	4%	4%

Source: Datastream

Appendix 15: Assumed Percentage of Sales per Country – Americas

	Historical				
	FY2018	FY2019	FY2020	FY2021	FY2022
As a percentage of total GDP					
Brazil	8%	8%	6%	6%	6%
Canada	36%	35%	35%	38%	34%
Mexico	8%	8%	7%	7%	7%
United States	48%	49%	52%	49%	53%
Total	100%	100%	100%	100%	100%

Appendix 16: GDP per Capita Used to Compute Estimated Sales per Country – Asia

	Historical				
	FY2018	FY2019	FY2020	FY2021	FY2022
GDP per capita Asia (\$ thousands)					
Azerbaijan	4,6	4,7	4,1	5,3	5,7
Greater China	84,0	84,4	84,9	94,5	92,9
<i>Mainland China</i>	9,8	10,0	10,3	12,4	12,5
<i>Taiwan</i>	25,8	25,9	28,6	32,9	32,3
<i>Hong Kong</i>	48,4	48,5	46,0	49,2	48,1
India	2,0	2,0	1,9	2,2	2,4
Japan	39,7	40,3	39,9	39,7	33,9
Kazakistan	9,7	9,7	9,0	10,1	10,7
Kuwait	32,0	30,7	24,3	33,6	40,7
Malesya	11,1	11,1	10,2	11,1	12,1
Qatar	66,3	62,8	52,3	66,8	79,5
Saudi Arabia	25,3	24,5	21,0	25,5	29,9
Singapore	66,7	65,9	61,3	72,1	75,3
South Korea	33,4	31,9	31,8	34,9	32,2
United Arab Emirates	46,7	45,4	37,6	44,3	53,2
Total	337,5	329,1	293,3	345,6	375,5
<i>Growth</i>		-2%	-11%	18%	9%

Source: Datastream

Appendix 17: GDP per Capita Growth used to forecast Sales Growth per Country – Asia

	Forecast					TV
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GDP per capita Growth						
Azerbaijan	2%	3%	2%	4%	4%	5%
Greater China	1%	7%	11%	7%	6%	5%
<i>Mainland China</i>						
<i>Taiwan</i>						
<i>Hong Kong</i>						
India	5%	13%	14%	13%	10%	10%
Japan	2%	5%	8%	8%	9%	7%
Kazakistan	14%	7%	6%	7%	7%	7%
Kuwait	-4%	1%	0%	2%	2%	2%
Malesya	2%	6%	18%	12%	9%	7%
Qatar	3%	3%	2%	3%	4%	5%
Saudi Arabia	-1%	1%	0%	1%	2%	2%
Singapore	1%	5%	6%	6%	5%	5%
South Korea	7%	8%	11%	14%	7%	4%
United Arab Emirates	0%	4%	4%	3%	3%	3%
Total						
<i>Growth</i>	3%	5%	7%	7%	6%	5%

Source: Datastream

Appendix 18: Assumed Percentage of Sales per Country – Asia

	Historical				
	FY2018	FY2019	FY2020	FY2021	FY2022
As a percentage of total GDP					
Azerbaijan	1%	1%	1%	2%	2%
India	1%	1%	1%	1%	1%
Japan	12%	12%	14%	11%	9%
Kazakistan	3%	3%	3%	3%	3%
Kuwait	9%	9%	8%	10%	11%
Malesya	3%	3%	3%	3%	3%
Qatar	20%	19%	18%	19%	21%
Saudi Arabia	8%	7%	7%	7%	8%
Singapore	20%	20%	21%	21%	20%
South Korea	10%	10%	11%	10%	9%
United Arab Emirates	14%	14%	13%	13%	14%
Total	100%	100%	100%	100%	100%

Appendix 19: Historical GDP Growth (%) per Country used to compute the PGR (1961-1970)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Austria	5,54	2,65	4,14	6,12	3,48	5,64	3,01	4,47	6,28	6,32
Belgium	4,98	5,21	4,35	6,96	3,56	3,16	3,87	4,19	6,63	5,58
Bulgaria										
Czech Republic										
France (adjusted)	4,98	6,84	6,23	6,65	4,86	5,25	4,92	4,49	7,11	6,11
Germany										
Greece	13,20	0,36	11,84	9,41	10,77	6,49	5,67	7,20	11,56	8,57
Luxembourg	3,83	1,36	3,44	7,87	-0,73	1,11	0,22	4,18	9,97	11,09
Monaco										
Poland										
Romania										
Russia										
Spain	11,84	9,95	9,60	5,31	6,25	7,25	4,34	6,60	8,91	4,29
Switzerland										
Turkey	1,16	5,57	9,07	5,46	2,82	11,21	4,73	6,78	4,08	3,23
UK (adjusted)	2,68	1,10	4,87	5,53	2,14	1,57	2,79	5,44	1,92	6,84
Brazil	8,60	6,60	0,60	3,40	2,40	6,70	4,20	9,80	9,50	10,40
Canada	3,16	7,43	5,35	6,64	6,32	6,70	3,09	5,00	5,05	
Mexico	5,00	4,66	8,11	11,91	7,10	6,10	5,85	9,42	3,42	6,50
United States	2,30	6,10	4,40	5,80	6,40	6,50	2,50	4,80	3,10	-0,28
Azerbaijan										
Greater China										
Mainland China	-27,27	-5,58	10,30	18,18	16,95	10,65	-5,77	-4,10	16,94	19,30
Taiwan										
Hong Kong		14,29	15,76	8,63	14,64	1,79	1,60	3,40	11,34	9,21
India	3,72	2,93	5,99	7,45	-2,64	-0,06	7,83	3,39	6,54	5,16
Japan	12,04	8,91	8,47	11,68	5,82	10,64	11,08	12,88	12,48	2,45
Kazakistan										
Kuwait										
Malesya	7,60	6,42	7,34	5,36	7,68	7,82	3,86	7,98	4,89	5,99
Qatar										
Saudi Arabia									6,04	58,65
Singapore	8,14	7,55	10,04	-3,10	7,83	10,18	12,51	13,53	13,83	13,94
South Korea	6,94	3,90	9,02	9,47	7,32	11,99	9,08	13,17	14,56	10,05
United Arab Emirates										
Italy	8,21	6,20	5,61	2,80	3,27	5,98	7,18	6,54	6,10	5,27

Appendix 20: Historical GDP Growth (%) per Country used to compute the PGR (1971-1980)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Austria	5,11	6,21	4,89	3,94	-0,36	4,58	5,08	-0,21	5,36	1,73
Belgium	3,99	5,30	6,38	4,57	-1,97	5,65	0,63	2,84	2,34	4,44
Bulgaria										
Czech Republic										
France (adjusted)	5,32	4,51	6,34	4,30	-0,96	4,36	3,46	3,98	3,55	1,58
Germany	3,13	4,30	4,78	0,89	-0,87	4,95	3,35	3,01	4,15	1,41
Greece	7,84	10,16	8,09	-6,44	6,37	6,85	2,94	7,25	3,28	0,68
Luxembourg	2,67	6,60	8,31	4,21	-6,57	2,53	1,57	4,07	2,35	0,84
Monaco	5,23	4,65	6,55	4,47	-0,97	4,41	3,55	3,95	3,53	1,69
Poland										
Romania										
Russia										
Spain	4,65	8,15	7,79	5,62	0,54	3,30	2,84	1,46	0,04	2,21
Switzerland										
Turkey	5,57	7,43	3,26	5,59	7,17	10,46	3,41	1,50	-0,62	-2,45
UK (adjusted)	3,50	4,32	6,52	-2,48	-1,47	2,91	2,46	4,20	3,75	-2,03
Brazil	11,34	11,94	13,97	8,15	5,17	10,26	4,93	4,97	6,76	9,20
Canada										
Mexico	3,76	8,23	7,86	5,78	5,74	4,42	3,39	8,96	9,70	9,23
United States	3,29	5,26	5,65	-0,54	-0,21	5,39	4,62	5,54	3,17	-0,26
Azerbaijan										
Greater China										
Mainland China	7,06	3,81	7,76	2,31	8,72	-1,57	7,57	11,33	7,59	7,83
Taiwan										
Hong Kong	7,29	10,61	12,28	2,42	0,49	16,16	11,73	8,26	11,56	10,11
India	1,64	-0,55	3,30	1,19	9,15	1,66	7,25	5,71	-5,24	6,74
Japan	4,70	8,41	8,03	-1,23	3,09	3,97	4,39	5,27	5,48	2,82
Kazakistan										
Kuwait										
Malaysia	10,03	9,39	11,70	8,32	0,80	11,56	7,75	6,65	9,35	7,44
Qatar										
Saudi Arabia	20,51	22,93	24,17	16,23	-8,93	17,82	7,09	-5,22	11,92	5,65
Singapore	12,41	13,32	10,60	6,12	3,99	7,44	6,85	7,78	9,55	10,11
South Korea	10,55	7,21	14,90	9,51	7,84	13,22	12,34	10,95	8,67	-1,65
United Arab Emirates						16,53	21,44	-1,59	20,92	23,87
Italy	1,82	3,69	7,13	5,50	-2,09	7,13	2,56	3,24	5,96	3,43

Appendix 21: Historical GDP Growth (%) per Country used to compute the PGR (1981-1990)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Austria	-0,14	2,01	2,97	0,05	2,50	2,30	1,36	3,30	3,89	4,35
Belgium	-0,28	0,59	0,31	2,47	1,65	1,82	2,31	4,72	3,47	3,14
Bulgaria	4,90	2,33	3,43	3,40	2,68	4,21	6,05	10,94	-3,29	-9,12
Czech Republic										
France (adjusted)	1,07	2,51	1,24	1,51	1,62	2,34	2,56	4,74	4,34	2,92
Germany	0,53	-0,39	1,57	2,82	2,33	2,29	1,40	3,71	3,90	5,26
Greece	-1,55	-1,13	-1,08	2,01	2,51	0,52	-2,26	4,29	3,80	0,00
Luxembourg	-0,55	1,13	2,99	6,19	2,79	9,98	3,95	8,46	9,80	5,32
Monaco	0,92	2,43	1,19	1,48	1,71	2,45	2,48	4,60	4,16	2,64
Poland										
Romania										
Russia										-3,00
Spain	-0,13	1,25	1,77	1,78	2,32	3,25	5,55	5,09	4,83	3,78
Switzerland	1,60	-1,31	0,64	3,01	3,67	1,86	1,59	3,28	4,33	3,47
Turkey	4,86	3,56	4,97	6,71	4,24	7,01	9,49	2,32	0,29	9,27
UK (adjusted)	-0,79	1,99	4,22	2,27	4,15	3,15	5,39	5,73	2,58	0,73
Brazil	-4,25	0,83	-2,93	5,40	7,85	7,49	3,53	-0,06	3,16	-4,35
Canada										
Mexico	8,53	-0,52	-3,49	3,41	2,19	-3,08	1,72	1,28	4,11	5,18
United States	2,54	-1,80	4,58	7,24	4,17	3,46	3,46	4,18	3,67	1,89
Azerbaijan										
Greater China										
Mainland China	5,11	9,02	10,77	15,19	13,43	8,95	11,66	11,22	4,21	3,92
Taiwan			10,02	8,46	0,73	6,70	14,29	7,81	5,02	7,98
Hong Kong	9,26	2,95	5,98	9,97	0,76	11,06	13,40	8,51	2,28	3,83
India	6,01	3,48	7,29	3,82	5,25	4,78	3,97	9,63	5,95	5,53
Japan	4,26	3,28	3,63	4,41	5,16	3,29	4,65	6,66	4,93	4,84
Kazakistan										
Kuwait										
Malesya	6,94	5,94	6,25	7,76	-1,03	1,24	5,19	9,94	9,06	9,01
Qatar										
Saudi Arabia	1,94	-20,73	-16,05	-4,66	-9,79	17,01	-6,63	13,11	-0,50	15,19
Singapore	10,82	7,10	8,55	8,79	-0,62	1,34	10,80	11,26	10,16	9,82
South Korea	7,25	8,34	13,38	10,55	7,84	11,33	12,72	11,99	7,07	9,88
United Arab Emirates	4,66	-6,72	-4,75	4,02	-3,59	-14,96	3,38	-2,62	12,34	18,33
Italy	0,84	0,41	1,17	3,23	2,80	2,86	3,19	4,19	3,39	1,99

Appendix 22: Historical GDP Growth (%) per Country used to compute the PGR (1991-2000)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Austria	3,44	2,09	0,53	2,40	2,67	2,35	2,09	3,58	3,56	3,38
Belgium	1,83	1,53	-0,96	3,23	2,38	1,32	3,79	1,96	3,54	3,72
Bulgaria	-8,45	-7,27	-1,48	1,82	2,86	5,21	-14,12	3,79	-8,40	4,59
Czech Republic	-11,61	-0,51	0,06	2,91	6,50	4,27	-0,52	-0,36	1,38	4,00
France (adjusted)	1,05	1,60	-0,63	2,36	2,11	1,41	2,34	3,59	3,42	3,92
Germany	5,11	1,92	-0,98	2,39	1,54	0,81	1,79	2,01	1,89	2,91
Greece	3,10	0,70	-1,60	2,00	2,10	2,86	4,48	3,89	3,07	3,92
Luxembourg	8,64	1,82	4,20	3,82	1,43	1,40	5,42	6,67	8,18	6,94
Monaco	1,02	1,37	-0,91	2,22	2,12	1,11	2,24	3,50	3,30	3,91
Poland	-7,02	2,51	3,74	5,29	7,10	6,12	6,45	4,64	4,65	4,56
Romania	-12,92	-8,77	1,53	3,93	6,23	3,91	-4,85	-2,03	-0,38	2,46
Russia	-5,05	-14,53	-8,67	-12,57	-4,14	-3,76	1,40	-5,30	6,40	10,00
Spain	2,55	0,93	-1,03	2,38	2,76	2,66	3,70	4,39	4,49	5,25
Switzerland	-0,92	-0,04	-0,13	1,27	0,48	0,47	2,26	3,03	1,66	3,96
Turkey	0,72	5,04	7,65	-4,67	7,88	7,38	7,58	2,40	-3,26	6,93
UK (adjusted)	-1,10	0,40	2,49	3,85	2,53	1,91	4,37	3,16	3,01	4,09
Brazil	1,03	-0,54	4,92	5,85	4,22	2,21	3,39	0,34	0,47	4,39
Canada								3,90	5,16	5,18
Mexico	4,21	3,54	1,94	4,94	-6,29	6,77	6,85	5,16	2,75	4,94
United States	-0,11	3,52	2,75	4,03	2,68	3,77	4,45	4,48	4,79	4,08
Azerbaijan	-0,70	-22,60	-23,10	-19,70	-11,80	1,30	5,80	10,00	7,40	11,10
Greater China										
Mainland China	9,26	14,22	13,88	13,04	10,95	9,92	9,24	7,85	7,66	8,49
Taiwan	3,66	13,30	5,19	4,25	3,30	-0,42	-0,28	-4,57	-2,36	5,75
Hong Kong	5,70	6,23	6,20	6,04	2,37	4,26	5,10	-5,88	2,51	7,66
India	1,06	5,48	4,75	6,66	7,57	7,55	4,05	6,18	8,85	3,84
Japan	3,52	0,90	-0,46	1,08	2,63	3,13	0,98	-1,27	-0,33	2,76
Kazakistan	-11,00	-5,30	-9,20	-12,60	-8,20	0,50	1,70	-1,90	2,70	9,80
Kuwait			33,99	8,44	4,86	0,61	2,47	3,66	-1,79	4,69
Malesya	9,55	8,89	9,89	9,21	9,83	10,00	7,32	-7,36	6,14	8,86
Qatar										
Saudi Arabia	15,01	3,99	-1,36	0,56	0,21	2,64	1,10	2,89	-3,76	5,63
Singapore	6,69	6,64	11,46	11,10	7,18	7,47	8,32	-2,19	5,72	9,04
South Korea	10,78	6,20	6,88	9,27	9,61	7,89	6,17	-5,13	11,47	9,06
United Arab Emirates	0,86	3,34	1,26	6,90	6,69	5,80	8,19	0,29	2,90	10,85
Italy	1,54	0,83	-0,85	2,15	2,89	1,27	1,83	1,81	1,63	3,79

Appendix 23: Historical GDP Growth (%) per Country used to compute the PGR (2001-2010)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Austria	1,27	1,65	0,94	2,74	2,24	3,45	3,73	1,46	-3,76	1,84
Belgium	1,10	1,71	1,04	3,57	2,32	2,55	3,68	0,45	-2,02	2,86
Bulgaria	3,82	5,87	5,24	6,51	7,06	6,80	6,65	6,13	-3,35	1,54
Czech Republic	3,04	1,57	3,58	4,81	6,60	6,77	5,57	2,69	-4,66	2,43
France (adjusted)	1,98	1,14	0,82	2,83	1,66	2,45	2,42	0,25	-2,87	1,95
Germany	1,68	-0,20	-0,70	1,18	0,73	3,82	2,98	0,96	-5,69	4,18
Greece	4,13	3,92	5,79	5,06	0,60	5,65	3,27	-0,34	-4,30	-5,48
Luxembourg	3,07	3,23	2,62	4,23	2,48	6,02	8,10	-0,30	-3,24	3,76
Monaco	2,19	1,03	1,09	2,47	1,90	5,80	14,43	0,67	-11,30	2,10
Poland	1,26	2,04	3,50	4,98	3,51	6,13	7,06	4,20	2,83	2,93
Romania	5,22	5,70	2,34	10,43	4,67	8,03	7,23	9,31	-5,52	-3,90
Russia	5,10	4,70	7,30	7,20	6,40	8,20	8,50	5,20	-7,80	4,50
Spain	3,93	2,73	2,98	3,12	3,65	4,10	3,60	0,89	-3,76	0,16
Switzerland	1,58	-0,07	-0,03	2,70	2,75	4,07	3,92	2,81	-2,30	3,24
Turkey	-5,75	6,45	5,76	9,80	8,99	6,95	5,04	0,82	-4,82	8,43
UK (adjusted)	2,16	1,77	3,12	2,34	2,67	2,16	2,56	-0,15	-4,51	2,43
Brazil	1,39	3,05	1,14	5,76	3,20	3,96	6,07	5,09	-0,13	7,53
Canada	1,79	3,02	1,80	3,09	3,20	2,63	2,07	1,01	-2,93	3,09
Mexico	-0,40	-0,04	1,45	3,92	2,31	4,50	2,29	1,14	-5,29	5,12
United States	0,95	1,70	2,80	3,85	3,48	2,78	2,01	0,12	-2,60	2,71
Azerbaijan	9,90	9,44	10,21	9,25	27,96	34,50	25,00	10,76	9,30	5,05
Greater China										
Mainland China	8,34	9,13	10,04	10,11	11,39	12,72	14,23	9,65	9,40	10,64
Taiwan	2,89	8,91	11,64	26,63	8,08	13,39	14,48	3,39	1,27	25,12
Hong Kong	0,56	1,66	3,06	8,70	7,39	7,03	6,46	2,13	-2,46	6,77
India	4,82	3,80	7,86	7,92	7,92	8,06	7,66	3,09	7,86	8,50
Japan	0,39	0,04	1,54	2,19	1,80	1,37	1,48	-1,22	-5,69	4,10
Kazakistan	13,50	9,80	9,30	9,60	9,70	10,70	8,90	3,30	1,20	7,30
Kuwait	0,21	3,01	17,33	10,24	10,61	7,51	5,99	2,48	-7,08	-2,37
Malesya	0,52	5,39	5,79	6,78	5,33	5,58	6,30	4,83	-1,51	7,42
Qatar	3,90	7,18	3,72	19,22	7,49	26,17	17,99	17,66	11,96	19,59
Saudi Arabia	-1,21	-2,82	11,24	7,96	5,57	2,79	1,85	6,25	-2,06	5,04
Singapore	-1,07	3,92	4,55	9,94	7,37	9,01	9,02	1,86	0,13	14,52
South Korea	4,85	7,73	3,15	5,20	4,31	5,26	5,80	3,01	0,79	6,80
United Arab Emirates	1,40	2,43	8,80	9,57	4,86	9,84	3,18	3,19	-5,24	1,60
Italy	1,95	0,25	0,14	1,42	0,82	1,79	1,49	-0,96	-5,28	1,71

Appendix 24: Historical GDP Growth (%) per Country used to compute the PGR (2011-2021)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Austria	2,92	0,68	0,03	0,66	1,01	1,99	2,26	2,43	1,52	-6,45	4,56
Belgium	1,69	0,74	0,46	1,58	2,04	1,27	1,62	1,79	2,24	-5,36	6,13
Bulgaria	2,10	0,75	-0,56	0,97	3,43	3,04	2,76	2,68	4,04	-3,96	7,63
Czech Republic	1,76	-0,79	-0,05	2,26	5,39	2,54	5,17	3,22	3,03	-5,50	3,54
France (adjusted)	2,19	0,31	0,58	0,96	1,11	1,10	2,29	1,87	1,84	-7,78	6,82
Germany	3,93	0,42	0,44	2,21	1,49	2,23	2,68	0,98	1,06	-3,70	2,63
Greece	-10,15	-7,09	-2,52	0,48	-0,20	-0,49	1,09	1,67	1,88	-9,00	8,43
Luxembourg	1,04	1,65	3,17	2,62	2,27	4,98	1,32	1,22	2,32	-0,80	5,10
Monaco	7,00	1,01	9,57	7,19	4,86	3,45	-3,50	5,96	6,91	-12,97	21,55
Poland	5,04	1,55	0,86	3,84	4,38	2,95	5,14	5,95	4,45	-2,02	6,85
Romania	4,52	1,92	0,27	4,12	3,16	2,86	8,20	6,03	3,85	-3,68	5,10
Russia	4,30	4,02	1,76	0,74	-1,97	0,19	1,83	2,81	2,20	-2,66	4,75
Spain	-0,81	-2,96	-1,40	1,40	3,84	3,04	2,98	2,28	1,98	-11,33	5,52
Switzerland	1,81	1,18	1,79	2,35	1,64	2,07	1,36	2,86	1,14	-2,38	4,22
Turkey	11,20	4,79	8,49	4,94	6,08	3,32	7,50	2,98	0,78	1,94	11,35
UK (adjusted)	1,07	1,45	1,82	3,20	2,39	2,17	2,44	1,71	1,60	-11,03	7,52
Brazil	3,97	1,92	3,00	0,50	-3,55	-3,28	1,32	1,78	1,22	-3,88	4,62
Canada	3,15	1,76	2,33	2,87	0,66	1,00	3,04	2,78	1,88	-5,23	4,54
Mexico	3,66	3,64	1,35	2,85	3,29	2,63	2,11	2,19	-0,20	-7,99	4,72
United States	1,55	2,28	1,84	2,29	2,71	1,67	2,24	2,95	2,29	-2,77	5,95
Azerbaijan	0,10	2,17	5,81	2,75	1,09	-3,10	0,20	1,50	2,50	-4,30	5,60
Greater China											
Mainland China	9,55	7,86	7,77	7,43	7,04	6,85	6,95	6,75	5,95	2,24	8,11
Taiwan	21,62	9,24	10,75	-2,05	-21,51	-0,68	9,98	6,46	-2,51	-54,24	19,27
Hong Kong	4,81	1,70	3,10	2,76	2,39	2,18	3,80	2,85	-1,68	-6,55	6,34
India	5,24	5,46	6,39	7,41	8,00	8,26	6,80	6,45	3,74	-6,60	8,68
Japan	0,02	1,37	2,01	0,30	1,56	0,75	1,68	0,58	-0,24	-4,51	1,66
Kazakistan	7,40	4,80	6,00	4,20	1,20	1,10	4,10	4,10	4,50	-2,50	4,30
Kuwait	9,63	6,63	1,15	0,50	0,59	2,93	-4,71	2,43	-0,55	-8,86	
Malaysia	5,29	5,47	4,69	6,01	5,09	4,45	5,81	4,84	4,41	-5,53	3,09
Qatar	13,38	4,73	5,56	5,33	4,75	3,06	-1,50	1,23	0,77	-3,64	1,59
Saudi Arabia	10,00	5,41	2,70	3,65	4,11	1,67	-0,74	2,51	0,33	-4,14	3,24
Singapore	6,21	4,44	4,82	3,94	2,98	3,56	4,66	3,66	1,10	-4,14	7,61
South Korea	3,69	2,40	3,16	3,20	2,81	2,95	3,16	2,91	2,24	-0,71	4,15
United Arab Emirates	6,93	4,78	5,06	4,17	6,79	5,56	0,74	1,31	1,11	-4,96	3,92
Italy	0,71	-2,98	-1,84	0,00	0,78	1,29	1,67	0,93	0,48	-9,04	6,74

Source: World Bank (from Appendix 19 to Appendix 24)

Appendix 25: GDP calculations results

	Average	Sales %	Weight
Austria	3%	6%	0,00163734
Belgium	3%	6%	0,0015241
Bulgaria	2%	2%	0,00027065
Czech Republic	2%	3%	0,00060647
France (adjusted)	3%	5%	0,00130019
Germany	2%	6%	0,00107819
Greece	3%	2%	0,00067364
Luxembourg	4%	15%	0,00540822
Monaco	3%	25%	0,00750866
Poland	4%	2%	0,00091328
Romania	2%	2%	0,00041693
Russia	1%	2%	0,00014364
Spain	3%	3%	0,00109401
Switzerland	2%	11%	0,00194689
Turkey	5%	1%	0,00054575
UK (adjusted)	2%	8%	0,00191213
			0,00782422
Brazil	4%	6%	0,0024702
Canada	3%	34%	0,01030413
Mexico	4%	7%	0,00268242
United States	3%	53%	0,01569761
			0,01121557
Azerbaijan	4%	2%	0,00060013
Greater China			
Mainland China	8%	12%	0,009684
Taiwan	515%		
Hong Kong	571%		
India	5%	1%	0,0003224
Japan	3%	9%	0,00311536
Kazakistan	3%	3%	0,00081824
Kuwait	4%	11%	0,00443736
Malesya	6%	3%	0,00195412
Qatar	8%	21%	0,01713966
Saudi Arabia	5%	8%	0,00385121
Singapore	7%	20%	0,01413133
South Korea	7%	9%	0,00615959
United Arab Emirates	5%	14%	0,00657406
			0,01418483
Italy	2%	11%	0,002497

Source: Personal calculations

4,5%

Appendix 26: Beta Inputs

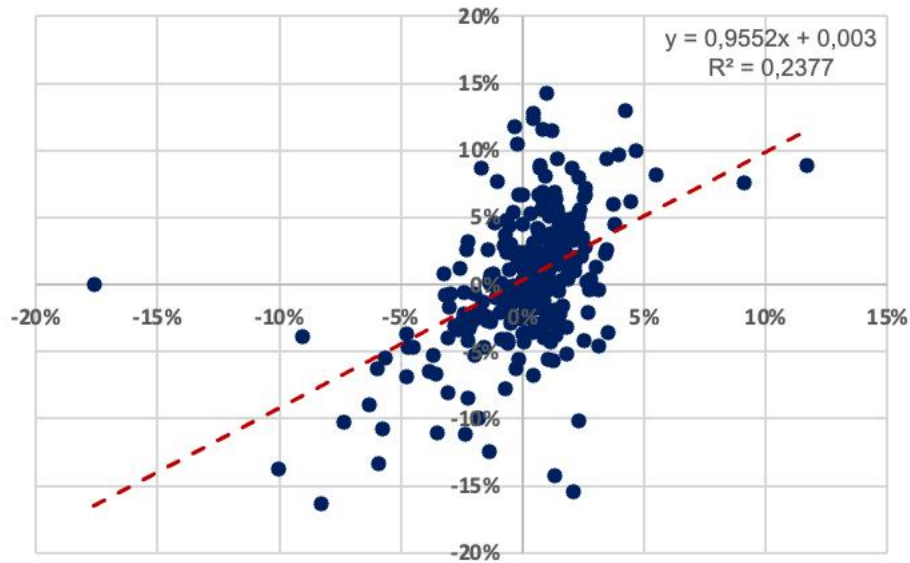
Date	STOXX EUROPE 600 E - TOT RETURN IND	Weekly return	Date	BRUNELLO CUCINELLI - TOT RETURN IND	Weekly return
01/01/18	188,09		01/01/18	359,73	
08/01/18	192,56	2%	08/01/18	380,24	6%
15/01/18	192,3	0%	15/01/18	359,59	-6%
22/01/18	194,42	1%	22/01/18	364,92	1%
29/01/18	193,31	-1%	29/01/18	361,59	-1%
05/02/18	184,8	-5%	05/02/18	344,94	-5%
12/02/18	180,42	-2%	12/02/18	342,95	-1%
19/02/18	183,14	1%	19/02/18	348,27	2%
26/02/18	185,62	1%	26/02/18	339,62	-3%
05/03/18	179,79	-3%	05/03/18	336,95	-1%
12/03/18	184,03	2%	12/03/18	355,6	5%
19/03/18	181,62	-1%	19/03/18	346,94	-2%
26/03/18	176,67	-3%	26/03/18	336,29	-3%
02/04/18	180,51	2%	02/04/18	339,62	1%
09/04/18	182,98	1%	09/04/18	359,59	6%
16/04/18	184,48	1%	16/04/18	360,93	0%
23/04/18	187,37	2%	23/04/18	368,92	2%
30/04/18	188,91	1%	30/04/18	367,58	0%
07/05/18	191,38	1%	07/05/18	380,24	3%
14/05/18	193,16	1%	14/05/18	402,21	6%
21/05/18	195,39	1%	21/05/18	415,13	3%
28/05/18	192,64	-1%	28/05/18	425,88	3%
04/06/18	192,07	0%	04/06/18	478,94	12%
11/06/18	192,15	0%	11/06/18	480,29	0%
18/06/18	191,25	0%	18/06/18	495,07	3%
25/06/18	186,97	-2%	25/06/18	511,19	3%
02/07/18	186,84	0%	02/07/18	517,91	1%
09/07/18	190,78	2%	09/07/18	444,01	-15%
16/07/18	190,52	0%	16/07/18	474,91	7%
23/07/18	190,95	0%	23/07/18	477,6	1%
30/07/18	194	2%	30/07/18	487,01	2%
06/08/18	192,95	-1%	06/08/18	492,38	1%
13/08/18	191,33	-1%	13/08/18	493,05	0%
20/08/18	190,64	0%	20/08/18	504,47	2%
27/08/18	191,85	1%	27/08/18	525,97	4%
03/09/18	190,34	-1%	03/09/18	523,28	-1%
10/09/18	186,93	-2%	10/09/18	473,57	-10%
17/09/18	188,33	1%	17/09/18	468,87	-1%
24/09/18	190,3	1%	24/09/18	466,85	0%
01/10/18	191,24	0%	01/10/18	453,42	-3%
08/10/18	185,47	-3%	08/10/18	435,95	-4%
15/10/18	179,12	-3%	15/10/18	390,28	-11%
22/10/18	179,37	0%	22/10/18	394,98	1%
29/10/18	177,28	-1%	29/10/18	398,34	1%
05/11/18	181,3	2%	05/11/18	415,8	4%
12/11/18	180,63	0%	12/11/18	410,43	-1%
19/11/18	177,27	-2%	19/11/18	401,7	-2%
26/11/18	178,96	1%	26/11/18	390,95	-3%
03/12/18	180,43	1%	03/12/18	416,47	6%
10/12/18	169,38	-6%	10/12/18	380,87	-9%
17/12/18	171,54	1%	17/12/18	360,05	-6%
24/12/18	167,61	-2%	24/12/18	369,45	3%
31/12/18	168,87	1%	31/12/18	403,71	9%
07/01/19	171,49	2%	07/01/19	424,53	5%
14/01/19	173,83	1%	14/01/19	368,11	-14%
21/01/19	178,32	3%	21/01/19	392,96	7%
28/01/19	177,34	-1%	28/01/19	410,43	4%
04/02/19	180,22	2%	04/02/19	423,86	3%
11/02/19	180,82	0%	11/02/19	446,7	5%
18/02/19	185,29	2%	18/02/19	456,11	2%
25/02/19	186,64	1%	25/02/19	472,23	3%
04/03/19	188,37	1%	04/03/19	472,23	0%
11/03/19	187,8	0%	11/03/19	467,53	-1%
18/03/19	192,2	2%	18/03/19	422,52	-10%
25/03/19	188,43	-2%	25/03/19	419,83	-1%
01/04/19	193,44	3%	01/04/19	420,77	0%
08/04/19	195,64	1%	08/04/19	425,61	1%
15/04/19	196,33	0%	15/04/19	422,65	-1%
22/04/19	197,59	1%	22/04/19	419,16	-1%
29/04/19	198,52	0%	29/04/19	432,33	3%
06/05/19	196,77	-1%	06/05/19	427,76	-1%
13/05/19	189,93	-4%	13/05/19	400,35	-7%
20/05/19	193,01	2%	20/05/19	401,7	0%
27/05/19	192,95	0%	27/05/19	400,88	0%
03/06/19	189,95	-2%	03/06/19	382,7	-5%
10/06/19	194,04	2%	10/06/19	388,67	2%
17/06/19	194,25	0%	17/06/19	387,04	0%
24/06/19	197,1	1%	24/06/19	398,17	3%
01/07/19	199,28	1%	01/07/19	409,3	3%
08/07/19	200,4	1%	08/07/19	419,61	2%
15/07/19	199,32	-1%	15/07/19	412,82	-2%
22/07/19	199,35	0%	22/07/19	414,18	0%
29/07/19	200,99	1%	29/07/19	400,34	-3%
05/08/19	190,02	-6%	05/08/19	378,9	-6%
12/08/19	190,79	0%	12/08/19	378,9	0%
19/08/19	192,76	1%	19/08/19	387,04	2%
26/08/19	191,48	-1%	26/08/19	396,27	2%

02/09/19	196,37	3%	02/09/19	379,98	-4%
09/09/19	199,23	1%	09/09/19	391,38	3%
16/09/19	201,03	1%	16/09/19	386,77	-1%
23/09/19	201,23	0%	23/09/19	379,44	-2%
30/09/19	203,01	1%	30/09/19	387,85	2%
07/10/19	197,79	-3%	07/10/19	375,1	-3%
14/10/19	201,38	2%	14/10/19	363,43	-3%
21/10/19	203,74	1%	21/10/19	377,54	4%
28/10/19	206,23	1%	28/10/19	390,02	3%
04/11/19	208,61	1%	04/11/19	395,45	1%
11/11/19	209,69	1%	11/11/19	406,85	3%
18/11/19	210,13	0%	18/11/19	404,14	-1%
25/11/19	211,27	1%	25/11/19	410,65	2%
02/12/19	207,7	-2%	02/12/19	447,84	9%
09/12/19	210,51	1%	09/12/19	439,42	-2%
16/12/19	216,41	3%	16/12/19	437,52	0%
23/12/19	216,73	0%	23/12/19	440,78	1%
30/12/19	215,69	0%	30/12/19	428,29	-3%
06/01/20	215,98	0%	06/01/20	431,55	1%
13/01/20	216,92	0%	13/01/20	490,45	13%
20/01/20	219,89	1%	20/01/20	523,02	6%
27/01/20	214,75	-2%	27/01/20	467,92	-11%
03/02/20	213,54	-1%	03/02/20	448,11	-4%
10/02/20	220,32	3%	10/02/20	446,21	0%
17/02/20	224,24	2%	17/02/20	457,34	2%
24/02/20	213,89	-5%	24/02/20	436,44	-5%
02/03/20	195,45	-9%	02/03/20	419,88	-4%
09/03/20	176,77	-10%	09/03/20	365,87	-14%
16/03/20	148,23	-18%	16/03/20	365,87	0%
23/03/20	146,23	-1%	23/03/20	322,99	-12%
30/03/20	164,41	12%	30/03/20	352,84	9%
06/04/20	167,39	2%	06/04/20	334,93	-5%
13/04/20	173,29	3%	13/04/20	343,61	3%
20/04/20	175,41	1%	20/04/20	385,41	11%
27/04/20	175,64	0%	27/04/20	394,91	2%
04/05/20	172,21	-2%	04/05/20	374,83	-5%
11/05/20	178,41	4%	11/05/20	361,53	-4%
18/05/20	179,65	1%	18/05/20	374,83	4%
25/05/20	181,66	1%	25/05/20	366,41	-2%
01/06/20	186,46	3%	01/06/20	393,82	7%
08/06/20	197,01	6%	08/06/20	427,48	8%
15/06/20	185,99	-6%	15/06/20	384,05	-11%
22/06/20	191,28	3%	22/06/20	385,68	0%
29/06/20	189,93	-1%	29/06/20	356,91	-8%
06/07/20	196	3%	06/07/20	340,9	-5%
13/07/20	195,79	0%	13/07/20	349,04	2%
20/07/20	198,51	1%	20/07/20	339,27	-3%
27/07/20	193,6	-3%	27/07/20	328,68	-3%
03/08/20	192,28	-1%	03/08/20	341,17	4%
10/08/20	192,93	0%	10/08/20	342,26	0%
17/08/20	195,53	1%	17/08/20	366,68	7%
24/08/20	196,45	0%	24/08/20	342,8	-7%
31/08/20	194,2	-1%	31/08/20	358,81	5%
07/09/20	195,04	0%	07/09/20	352,57	-2%
14/09/20	195,35	0%	14/09/20	350,4	-1%
21/09/20	189,18	-3%	21/09/20	353,11	1%
28/09/20	192,72	2%	28/09/20	354,74	0%
05/10/20	193,99	1%	05/10/20	369,67	4%
12/10/20	197,91	2%	12/10/20	374,01	1%
19/10/20	194,65	-2%	19/10/20	369,13	-1%
26/10/20	188,92	-3%	26/10/20	363,15	-2%
02/11/20	184,69	-2%	02/11/20	348,23	-4%
09/11/20	202,33	9%	09/11/20	375,64	8%
16/11/20	207,03	2%	16/11/20	406,85	8%
23/11/20	206,57	0%	23/11/20	451,91	11%
30/11/20	206,93	0%	30/11/20	446,21	-1%
07/12/20	208,86	1%	07/12/20	476,88	7%
14/12/20	208,38	0%	14/12/20	486,11	2%
21/12/20	205,72	-1%	21/12/20	488,55	1%
28/12/20	212,05	3%	28/12/20	495,06	1%
04/01/21	213,76	1%	04/01/21	486,38	-2%
11/01/21	217,35	2%	11/01/21	478,78	-2%
18/01/21	217,57	0%	18/01/21	474,16	-1%
25/01/21	215,68	-1%	25/01/21	455,16	-4%
01/02/21	213,37	-1%	01/02/21	450,82	-1%
08/02/21	218,76	2%	08/02/21	466,84	3%
15/02/21	223,4	2%	15/02/21	484,21	4%
22/02/21	220,09	-1%	22/02/21	471,45	-3%
01/03/21	219,89	0%	01/03/21	470,09	0%
08/03/21	222,78	1%	08/03/21	458,42	-3%
15/03/21	225,98	1%	15/03/21	503,75	9%
22/03/21	226,78	0%	22/03/21	510,26	1%
29/03/21	228,88	1%	29/03/21	500,49	-2%
05/04/21	231,47	1%	05/04/21	512,16	2%
12/04/21	233,28	1%	12/04/21	541,47	6%
19/04/21	237,38	2%	19/04/21	565,63	4%
26/04/21	236,54	0%	26/04/21	596,84	5%

03/05/21	236,75	0%	03/05/21	572,15	-4%
10/05/21	240,32	1%	10/05/21	597,12	4%
17/05/21	238,84	-1%	17/05/21	596,03	0%
24/05/21	240,71	1%	24/05/21	618,29	4%
31/05/21	241,74	0%	31/05/21	699,57	12%
07/06/21	245,57	2%	07/06/21	684,65	-2%
14/06/21	248,18	1%	14/06/21	647,6	-6%
21/06/21	246,59	-1%	21/06/21	679,22	5%
28/06/21	246,54	0%	28/06/21	662,26	-3%
05/07/21	248,48	1%	05/07/21	687,36	4%
12/07/21	249,91	1%	12/07/21	697,54	1%
19/07/21	240,98	-4%	19/07/21	661,71	-5%
26/07/21	250,17	4%	26/07/21	702,29	6%
02/08/21	251,99	1%	02/08/21	766,07	9%
09/08/21	255,45	1%	09/08/21	743,68	-3%
16/08/21	257,19	1%	16/08/21	731,47	-2%
23/08/21	256,48	0%	23/08/21	687,36	-6%
30/08/21	256,96	0%	30/08/21	675,83	-2%
06/09/21	258,45	1%	06/09/21	674,2	0%
13/09/21	254,39	-2%	13/09/21	659,27	-2%
20/09/21	247,05	-3%	20/09/21	654,93	-1%
27/09/21	251,66	2%	27/09/21	659,27	1%
04/10/21	245,55	-2%	04/10/21	641,9	-3%
11/10/21	249,27	2%	11/10/21	638,64	-1%
18/10/21	254,53	2%	18/10/21	660,08	3%
25/10/21	257,38	1%	25/10/21	694,83	5%
01/11/21	261,09	1%	01/11/21	732,82	5%
08/11/21	263,74	1%	08/11/21	845,46	14%
15/11/21	266,47	1%	15/11/21	850,89	1%
22/11/21	264,97	-1%	22/11/21	816,28	-4%
29/11/21	255,08	-4%	29/11/21	765,39	-6%
06/12/21	255,98	0%	06/12/21	772,18	1%
13/12/21	258,63	1%	13/12/21	750,47	-3%
20/12/21	255,27	-1%	20/12/21	755,89	1%
27/12/21	265,21	4%	27/12/21	790,5	4%
03/01/22	267,73	1%	03/01/22	857	8%
10/01/22	261,79	-2%	10/01/22	787,79	-8%
17/01/22	264,81	1%	17/01/22	754,54	-4%
24/01/22	249,47	-6%	24/01/22	709,07	-6%
31/01/22	256,32	3%	31/01/22	694,15	-2%
07/02/22	254,35	-1%	07/02/22	714,5	3%
14/02/22	252,07	-1%	14/02/22	699,57	-2%
21/02/22	248,8	-1%	21/02/22	699,57	0%
28/02/22	248,02	0%	28/02/22	682,61	-2%
07/03/22	228,38	-8%	07/03/22	579,74	-16%
14/03/22	239,32	5%	14/03/22	640,27	10%
21/03/22	249,74	4%	21/03/22	728,75	13%
28/03/22	249,73	0%	28/03/22	702,29	-4%
04/04/22	254,29	2%	04/04/22	728,07	4%
11/04/22	252,68	-1%	11/04/22	698,9	-4%
18/04/22	253,63	0%	18/04/22	710,43	2%
25/04/22	245,93	-3%	25/04/22	655,74	-8%
02/05/22	245,95	0%	02/05/22	669,31	2%
09/05/22	231,86	-6%	09/05/22	585,44	-13%
16/05/22	241,28	4%	16/05/22	645,16	10%
23/05/22	243,5	1%	23/05/22	620,19	-4%
30/05/22	249,27	2%	30/05/22	652,78	5%
06/06/22	248,08	0%	06/06/22	638,54	-2%
13/06/22	230,5	-7%	13/06/22	576,36	-10%
20/06/22	227,56	-1%	20/06/22	560,47	-3%
27/06/22	232,07	2%	27/06/22	588,41	5%
04/07/22	228,9	-1%	04/07/22	589,78	0%
11/07/22	232,24	1%	11/07/22	623,47	6%
18/07/22	233,74	1%	18/07/22	666,75	7%
25/07/22	238,58	2%	25/07/22	727,29	9%
01/08/22	244,9	3%	01/08/22	777,97	7%
08/08/22	245,85	0%	08/08/22	771,81	-1%
15/08/22	248,03	1%	15/08/22	775,92	1%
22/08/22	243,04	-2%	22/08/22	755,37	-3%
29/08/22	237,21	-2%	29/08/22	738,94	-2%
05/09/22	232,08	-2%	05/09/22	714,97	-3%
12/09/22	240,16	3%	12/09/22	731,4	2%
19/09/22	229,01	-5%	19/09/22	704,69	-4%
26/09/22	218,37	-5%	26/09/22	657,71	-7%
03/10/22	219,61	1%	03/10/22	670,86	2%
10/10/22	219,26	0%	10/10/22	681	2%
17/10/22	223,99	2%	17/10/22	695,11	2%
24/10/22	225,91	1%	24/10/22	780,71	12%
31/10/22	231,8	3%	31/10/22	803,31	3%
07/11/22	235,28	1%	07/11/22	780,71	-3%
14/11/22	243,54	3%	14/11/22	857,41	9%
21/11/22	243,8	0%	21/11/22	827,28	-4%
28/11/22	246,59	1%	28/11/22	827,28	0%
05/12/22	248,72	1%	05/12/22	886,18	7%
12/12/22	246,2	-1%	12/12/22	957,4	8%
19/12/22	239,97	-3%	19/12/22	969,04	1%
26/12/22	240,91	0%	26/12/22	953,97	-2%
02/01/23	241,81	0%	02/01/23	920,42	-4%
09/01/23	252,81	4%	09/01/23	979,31	6%
16/01/23	256,38	1%	16/01/23	943,02	-4%
23/01/23	256,36	0%	23/01/23	1008,08	7%
30/01/23	256,32	0%	30/01/23	1054,64	5%
06/02/23	257,89	1%	06/02/23	1079,98	2%
13/02/23	260,73	1%	13/02/23	1081,35	0%
20/02/23	262,31	1%	20/02/23	1084,78	0%
27/02/23	261,3	0%	27/02/23	1083,41	0%
06/03/23	262,38	0%	06/03/23	1110,8	2%

Source: Datastream

Appendix 27: Beta Regression



Source: Personal calculations

Appendix 28: Equity Risk Premium

	Weight	ERP	Weighted ERP
Austria	6%	6,63%	0%
Belgium	6%	6,97%	0%
Bulgaria	2%	8,70%	0%
Czech Republic	3%	6,97%	0%
France (adjusted)	5%	6,79%	0%
Germany	6%	5,94%	0%
Greece	2%	12,15%	0%
Luxembourg	15%	5,94%	1%
Monaco	25%	5,94%	1%
Poland	2%	7,40%	0%
Romania	2%	9,73%	0%
Russia	2%	18,88%	0%
Spain	3%	8,70%	0%
Switzerland	11%	5,94%	1%
Turkey	1%	17,16%	0%
UK (adjusted)	8%	6,97%	1%
Final Weight / ERP		0,3	2%
Brazil	6%	11,13%	0,0
Canada	34%	5,94%	0,0
Mexico	7%	9,23%	0,0
United States	53%	5,94%	0,0
Final Weight / ERP		0,4	2%
Azerbaijani	2%	10,26%	0,0
Greater China			
India	1%	9,73%	0,0
Japan	9%	7,16%	0,0
Kazakistan	3%	9,23%	0,0
Kuwait	11%	7,16%	0,0
Malesya	3%	8,01%	0,0
Qatar	21%	6,97%	0,0
Saudi Arabia	8%	7,16%	0,0
Singapore	20%	5,94%	0,0
South Korea	9%	6,45%	0,0
United Arab Emirates	14%	6,79%	0,0
Final Weight / ERP		0,1	1%
China	0,2	7,16%	2%
Italy	0,1	9,73%	1%
Final ERP			7,98%

Source: Personal Calculations and Aswath Damodaran

Appendix 29: Comparable Companies

Name	Ticker	Market	Enterprise				
		Capitalization	Value (TEV)	Revenue	EBITDA Margin	D/E	Growth Rate
Moncler	MONC	€16.555	€15.183	€2.981	41%	0,05x	11%
Salvatore Ferragamo	SFER	€2.937	€3.112	€1.370	24%	0,34x	-4%
Tod's	TOD	€1.185	€1.536	€1.087	20%	0,60x	34%
Prada	PRD	€18.539	€18.539	€4.572	34%	0,02x	22%
Burberry	BRBY	€9.210	€8.697	€3.294	33%	0,15x	23%
Richemont	CFR	€77.230	€77.560	€19.953	32%	0,20x	36%
Brunello Cucinelli	BC	€5.406	€5.346	€1.034	28%	0,12x	27%

Source: Refinitiv Eikon

Appendix 30: DCF

(EUR m)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
DCF Asset Side												
FCFF				(61,1)	81,0	82,2	48,9	107,4	126,1	189,7	256,8	326,7
WACC							0,91	0,83	0,76	0,69	0,63	0,57
PV FCFF							44,5	89,2	95,5	130,9	161,5	187,3
TV												5,473,3
Sum FCFF						708,9						
PV TV						3,442,2						
EV						4,151,1						
Cash						117,4						
Debt						(154,0)						
Minorities						(12,0)						
Equity Value						4,102,5						
Share Price						60,3						

(EUR m)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
APV												
FCFF				(61,1)	81,0	82,2	48,9	107,4	126,1	189,7	256,8	326,7
K _e un _d							0,91	0,83	0,76	0,69	0,63	0,58
PV FCFF							44,6	89,4	95,6	131,2	162,1	188,0
TV												5,538,8
Sum FCFF						710,9						
PV TV						3,494,6						
Unl _v value						4,205,4						
Net Financial Debt					29,8	11,2	2,0	(5,2)	(7,7)	(12,3)	(23,5)	(37,1)
Tax Shield						0,2	0,1	(0,0)	(0,1)	(0,1)	(0,1)	(0,2)
K _d							0,97	0,94	0,90	0,88	0,85	0,82
PV ITS							0,1	(0,0)	(0,0)	(0,1)	(0,1)	(0,2)
Sum PV ITS							(0,4)					
TV ITS							56,1					
PV TV							35,4					
Tax Shield							35,0					
EV							4,240,4					
Debt							(154,0)					
Minorities							(12,0)					
Equity value							4,074,4					
Share Price							59,9					

(EUR m)	Driver	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
DCF Equity Side													
FCFE					45,5	41,6	57,8	62,4	125,8	159,2	226,7	291,3	367,3
K _e								0,90	0,82	0,74	0,67	0,60	0,55
PV FCFE								56,4	102,7	117,6	151,3	175,7	200,3
TV													5,332,7
Sum FCFE						806,0							
PV TV						3,216,8							
Equity Value						4,022,8							
Share Price						59,8							

Source: Personal calculation