



BUSINESS

Brunello Cucinelli Addresses, Rejects Russia Allegations

- Cucinelli highlighted his commitment to exclusivity as his company reported a 10.8 percent gain in nine-month revenues surpassing 1 billion euros.

BY LUISA ZARGANI

MILAN – Brunello Cucinelli's namesake company continued to grow for the first nine months of the year – with revenues surpassing the 1 billion-euro mark – but a conference call with analysts on Wednesday quickly veered toward its stance on distribution in Russia.

Indeed, Cucinelli and the executive team were eager to discuss Russia, admitting a board meeting was moved to Wednesday from Oct. 16 to bring further clarity on the issue. Last week, the company rejected Morpheus Research's allegations of irregularities in its business activities in Russia. Morpheus, a short seller betting Cucinelli's stock would fall, alleged the firm misled its shareholders and continues to operate stores in Moscow. Cucinelli shares plunged 17.3 percent upon the release of the report and, on Wednesday, the stock closed down 2.11 percent to 91.04 euros.

Speaking at the end of trading in his signature upbeat and serene way, Cucinelli said the company's inventory is "appropriate and balanced," consistent with the fact that ready-to-wear accounted for 85 percent of sales and that the company operates in the Russian market in accordance with EU regulations. As of Tuesday, the share of that market stood at 1.4 percent of the total, compared to 2.7 percent at the end of September 2024. In 2021, Russia represented 9.3 percent of sales.

Chief executive officer Luca Lisandrone said the company has initiated a new internal review, and has "not found evidence of any wrongdoing." In addition, it has hired a risk assessment agency to complete external verification.

In response to a question by an analyst, he said "we do not have information of any investigation into Morpheus." Pressed for more details, Lisandrone said that "at the end of our checks we will evaluate how to proceed toward Morpheus."

He said the company has been through

"more than 100 constant checks also toward other countries from 2022, providing documents that have shown no anomalies."

Managing Business in Russia

Lisandrone said that in early 2022, following Russia's invasion of Ukraine, "we decided to tackle the situation as we did with COVID-19 to protect our partners and avoiding discounts." In Ukraine, Cucinelli was available only through wholesale distribution, counting one franchised store and six multibrands, deciding to "support these partners, admiring their courage and determination."

In Russia, "we had three newly renovated stores and in March 2022 we closed them and they are still closed." The spaces dedicated to the brand within larger multibrand structures remain operational. He said that, abiding by the rule to sell goods below 300 euros, the company has two spaces directly managed by its Russian subsidiary, along with a small space dedicated solely to selling the children's collection. The revenue generated in the directly managed spaces is accounted for within the retail channel. "We would like to clarify that exports to our Russian subsidiary went from 16.8 million euros as of December 31, 2021, to 5.9 million euros as of December 31, 2024, as reported in public financial statements," Lisandrone said.

In Russia, retail and wholesale sales combined amount to 14.8 million euros, which is 1.4 percent of the total. Lisandrone said the business, "Like a candle, it's slowly burning down in terms of inventory." Likewise, the number of employees in Russia decreased to 44 from 77, as the company continues to guarantee full salaries and to honor lease agreements. "The staff from the currently closed boutiques are now engaged in one-to-one sales activities at our showroom," Cucinelli said.



Praising Multibrands

Cucinelli enthused about the multibrand channel, which “always represented a fundamental value for our company, as we consider it an authentic guardian of the brand’s taste. The company was born with multibrand and still today relies on about 400 of the most prestigious partners worldwide.”

He listed a number of storied and established multibrands, from Saks to Isetan and Lane Crawford, which “have always proved serious and highly inspiring and respectful of the brands; difficulties have been rare and, whenever the behavior was not appropriate, the relationship was discontinued. It is natural that, at the end of the season, they may liquidate unsold items left out of [the] assortment, but they always do so with great care, fully aware that their own image is at stake as well. We believe that such episodes remain marginal and of little significance. For this reason, we confirm our trust in this channel.”

According to the argument put forward by Morpheus, the company, faced with alleged excess inventory, would have been forced to reduce its stock levels by increasing sales in the multibrand channel. This would have resulted in a subsequent increase in discounts on unsold items, which Cucinelli firmly denied as a strong believer in exclusivity.

Cucinelli acknowledged a higher level of inventory given that the brand sells mostly ready-to-wear that is constantly updated each season, compared with brands focused on accessories or other categories.

“Within this framework, we consider an inventory-to-sales ratio of around 28 to 29 percent to be healthy, in line with the very broad structure of our collections [approximately 1,000 styles for each season and for each gender],” Cucinelli said.

“This result appears even more significant when compared with the strong growth in retail sales, which increased from 27.5 percent in 2012 to 66.6 percent in 2024.”

Lisandróni said that “such an increase

could have led to a rise in the inventory-to-sales ratio on the balance sheet due to stock in directly owned stores; on the contrary, the net inventory level has remained stable, at 28.7 percent in 2012 and 28.9 percent in 2024.”

Of course, “it would have been preferable if this had not happened, but it is part of being listed on the stock exchange and of its rules. On the matter I have received countless expressions of appreciation,” said Cucinelli, who also took the time to praise Giorgio Armani, Ralph Lauren and Jil Sander during the call.

Financials

In the nine months ended Sept. 30, sales rose 10.8 percent to 1.02 billion euros, compared with 920.2 million euros in the same period last year.

Cucinelli confirmed it expected revenue growth of around 10 percent in 2026 based on the spring 2026 orders and the sell-out of the winter season.

At constant exchange rates, revenues in Europe rose 8.9 percent to 370.6 million euros representing 36.4 percent of the total.

In Italy, revenues totaled 120.9 million euros, up 9.7 percent. And sales in the Americas amounted to 365.6 million euros, accounting for 35.9 percent of the total. This was a 9.2 percent gain compared with a year earlier. Lisandróni said U.S. tariffs did not affect consumer spending.

In Asia, revenues were up 15.6 percent to 283.4 million euros, representing 27.8 percent of the total.

China once again achieved double-digit growth and represents about 13 percent of revenues.

Retail revenues rose 11.4 percent to 644.8 million euros, accounting for 63.2 percent of the total.

In the third quarter, the company opened a boutique in Abu Dhabi The Galleria and a unit in IFC Shanghai Pudong.

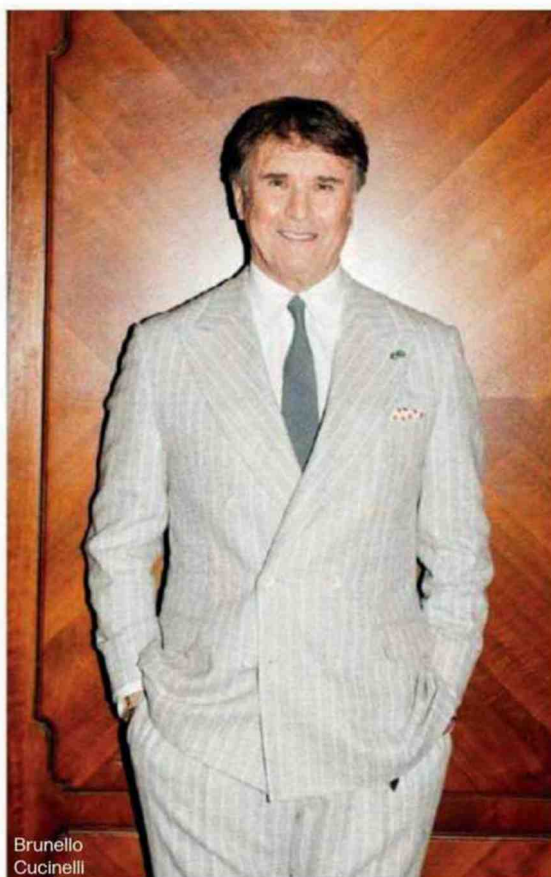
Wholesale revenues rose 9.7 percent to 374.8 million euros, accounting for 36.8 percent of the total.

Harrods will dedicate its windows to the Cucinelli brand from Dec. 1 to Jan. 15.



Brunello
Cucinelli,
spring 2026





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